

January 7, 2016

Fiscal 2016 Third-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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Scheduled release of fiscal 2016 Third-quarter Business Report: January 13, 2016

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

1. Results for the First Three Quarters of Fiscal 2016 (March 1, 2015 to November 30, 2015)

(1) Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended November 30, 2015	40,152	11.1	4,175	8.1	3,785	(13.4)	2,724	(22.4)
Nine months ended November 30, 2014	36,143	21.3	3,862	204.5	4,371	141.6	3,509	340.8

(Note) Comprehensive income

FY2016 Third Quarter ¥2,054 million(-53.0%) FY2015 Third Quarter ¥4,368 million(7.2%)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Nine months ended November 30, 2015	64.43	64.20
Nine months ended November 30, 2014	83.27	83.05

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of November 30, 2015	68,850	50,353	71.8
As of February 28, 2015	70,260	51,902	72.4

Reference: Shareholders' Equity

As of November 30, 2015 ¥49,456 million As of February 28, 2015 ¥50,887 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended February 28, 2015	—	19.00	—	25.00	44.00
Year ending February 29, 2016	—	23.00	—		
Year ending February 29, 2016 (projected)				23.00	46.00

(Note) Changes to the latest dividend forecast announced: None

3. Consolidated Outlook for the Fiscal Year Ending February 29, 2016 (From March 1, 2015 to February 29, 2016)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	55,500	8.9	6,500	18.7	6,200	0.8	4,700	0.1	111.15

(Note) Changes to the latest consolidated results forecast announced: None

*Notes

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None

New company: — (Company name) Excluded company: — (Company name)

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, estimates and restatement or corrections

(i) Changes associated with revised accounting standards: Yes

(ii) Changes other than those in (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at period-end (including treasury stock)

As of November 30, 2015	47,033,234 shares	As of February 28, 2015	47,033,234 shares
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(ii) Number of treasury stock at period-end

As of November 30, 2015	4,724,453 shares	As of February 28, 2015	4,806,584 shares
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(iii) Average number of outstanding shares (during the nine months ended November 30)

As of November 30, 2015	42,281,241 shares	As of November 30, 2014	42,150,150 shares
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* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

* Regarding the appropriate use of earnings projections and other noteworthy matters

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. Actual results may differ materially from projections due to a variety of factors. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts " under "1. Qualitative Financial Information" on page 4.

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

Looking at economic conditions during the first three quarters of the fiscal year ending February 29, 2016, the U.S. economy exhibited a steady recovery trend. While Europe continued to experience a modest positive turnaround, in Asia the rates of economic growth in China and Southeast Asia slowed. In Japan, the economy continued to recover at a moderate but sluggish pace.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools market in mainly Asia were robust. In the Special Products Segment, the POS-related markets experienced weak demand in the U.S. and Europe. In the markets related to precision products, there was strong demand for wristwatch components.

The exchange rate during the three quarters cumulative period of fiscal 2016 reflected a depreciation of the yen against the U.S. dollar and an appreciation of the yen against the euro compared with the corresponding period of the previous fiscal year.

Amid this environment, the Star Micronics Group reported an increase in sales led mainly by growth in the Machine Tools Segment. Taking into account the added favorable effects of depreciation in the value of the yen, consolidated net sales climbed 11.1% compared with the corresponding period of the previous fiscal year to ¥40,152 million. From a profit perspective, operating income came to ¥4,175 million, an increase of 8.1% year on year. Due to the incidence of a foreign exchange loss totaling ¥661 million recorded as a non-operating expense and other factors, ordinary income declined 13.4% compared with the corresponding period of the previous fiscal year to ¥3,785 million and net income amounted to ¥2,724 million, down 22.4% year on year.

Performance by segment was as follows:

(Special Products)

In POS printers, sales decreased despite a depreciation in the value of the yen. The decline in sales mainly reflected the negative impact of inventory adjustments by sales agents in the U.S. market and a slow pace of recovery in the European market. In the Asian market, sales declined due mainly to the sluggish performance in China. Owing to such factors as the absence of large-scale orders, sales in the domestic Japanese market also declined.

Accounting for each of these factors, sales in the Special Products Segment decreased 4.6% compared with the corresponding period of the previous fiscal year to ¥8,329 million. Operating income also declined 25.5% year on year to ¥1,133 million as a result of the incidence of new business development and other expenses.

(Machine Tools)

In CNC automatic lathes, sales in the U.S. increased substantially due to the weak yen and firm sales in the medical equipment-related sector. In Europe, sales were steady compared with the corresponding period of the previous fiscal year, mainly on the back of solid sales in the automotive-related sector. Sales grew significantly in the Asian market, which was largely attributable to strong sales in the automotive-related sector, mainly in East Asia. Sales also rose in Japan amid firm market conditions, mainly in the automotive-related sector.

As a result, sales and profits increased substantially in the Machine Tools Segment, with sales rising 17.8% compared with the corresponding period of the previous fiscal year to ¥28,072 million and operating income improving 21.0% year on year to ¥4,242 million.

(Precision Products)

Sales of wristwatch components increased due to strong sales to wristwatch makers. Despite a boost from the weak yen, sales of non-wristwatch components declined slightly due to a slump in sales of components for HDDs.

As a result, while sales in the Precision Products Segment increased 4.3% compared with the corresponding period of the previous fiscal year to ¥3,751 million, Operating income declined 13.2% year on year to ¥529 million .

(2) Explanation Concerning Financial Position

Total assets as of the end of the third quarter of the fiscal year under review stood at ¥68,850 million, a decrease of ¥141 million compared with the previous fiscal year-end. Despite an increase in inventories, this was mainly attributable to declines in cash and deposits, trade receivables and property, plant and equipment.

Total liabilities stood at ¥18,497 million, an increase of ¥139 million compared with the previous fiscal year-end. Although trade payables and accrued bonuses declined, the increase in total liabilities was largely due to an increase in the net defined benefit liability associated with the application of the accounting standard for retirement benefits.

Total net assets declined ¥1,549 million compared with the previous fiscal year-end to ¥50,353 million. This mainly reflected the application of the accounting standard for retirement benefits, a drop in the balance of retained earnings due to dividends paid to shareholders, and a decrease in foreign currency translation adjustments.

(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts

Earnings projections have been left unchanged from the projections announced on September 30, 2015.