



# Financial Results for the Fiscal Year 2011 Second Quarter

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STAR MICRONICS CO., LTD.  
<http://www.star-m.jp>





2010/09/30



\* Performance and achievement forecasts in this document were made based on management's judgment drawn from currently available information, and contain risks and uncertainties. Therefore, please note that actual performance may vary significantly from projections due to various factors.

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## Restored profitability at the operating and ordinary income levels on improved sales

- Net Sales : ¥16.9 billion  27.6% up YoY
- Operating Income : ¥0.3 billion  Operating loss of ¥2.0 billion posted in the same period last year
- Ordinary Income : ¥0.2 billion  Ordinary loss of ¥1.9 billion posted in the same period last year
- Net Loss : ¥1.0 billion  Net loss of ¥2.9 billion posted in the same period last year

-  **Operating income in the Machine Tools Segment improved markedly on sharply higher sales, reflecting resurgent orders in the European market, as well as firm demand from the Asian market.**
-  **The Special Products Segment and Precision Products Segment also saw demand pick up, leading to increased sales and improved operating income.**

# Financial Data



(Millions of Yen)

|                           | Second Quarter          |                     |                         |                     |                   | Full-Year        |                     |                    |                     |                   |
|---------------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------|------------------|---------------------|--------------------|---------------------|-------------------|
|                           | 2Q for FY2/10<br>Actual |                     | 2Q for FY2/11<br>Actual |                     |                   | FY2/10<br>Actual |                     | FY2/11<br>Forecast |                     |                   |
|                           | Amount                  | Income<br>Ratio (%) | Amount                  | Income<br>Ratio (%) | YoY<br>Change (%) | Amount           | Income<br>Ratio (%) | Amount             | Income<br>Ratio (%) | YoY<br>Change (%) |
| <b>Sales</b>              |                         |                     |                         |                     |                   |                  |                     |                    |                     |                   |
| Special Products          | 3,164                   |                     | 3,975                   |                     | 25.6              | 6,739            |                     | 7,800              |                     | 15.7              |
| Components                | 4,017                   |                     | 2,685                   |                     | (33.2)            | 7,646            |                     | 4,500              |                     | (41.1)            |
| Machine Tools             | 4,684                   |                     | 8,157                   |                     | 74.1              | 11,464           |                     | 19,100             |                     | 66.6              |
| Precision Products        | 1,429                   |                     | 2,149                   |                     | 50.4              | 3,330            |                     | 4,100              |                     | 23.1              |
| <b>Total</b>              | 13,296                  |                     | 16,967                  |                     | 27.6              | 29,180           |                     | 35,500             |                     | 21.7              |
| <b>Operating Income</b>   |                         |                     |                         |                     |                   |                  |                     |                    |                     |                   |
| Special Products          | 108                     | 3.4                 | 425                     | 10.7                | 292.7             | 279              | 4.1                 | 750                | 9.6                 | 168.4             |
| Components                | (635)                   | -                   | (250)                   | -                   | -                 | (1,526)          | -                   | (540)              | -                   | -                 |
| Machine Tools             | (465)                   | -                   | 682                     | 8.4                 | -                 | (940)            | -                   | 1,740              | 9.1                 | -                 |
| Precision Products        | (166)                   | -                   | 355                     | 16.5                | -                 | (84)             | -                   | 600                | 14.6                | -                 |
| Eliminations or Corporate | (845)                   |                     | (824)                   |                     |                   | (1,712)          |                     | (1,650)            |                     |                   |
| <b>Total</b>              | (2,003)                 | -                   | 389                     | 2.3                 | -                 | (3,984)          | -                   | 900                | 2.5                 | -                 |
| <b>Ordinary Income</b>    | (1,984)                 | -                   | 222                     | 1.3                 | -                 | (3,884)          | -                   | 800                | 2.3                 | -                 |
| <b>Net Income</b>         | (2,974)                 | -                   | (1,082)                 | -                   | -                 | (8,555)          | -                   | (800)              | -                   | -                 |

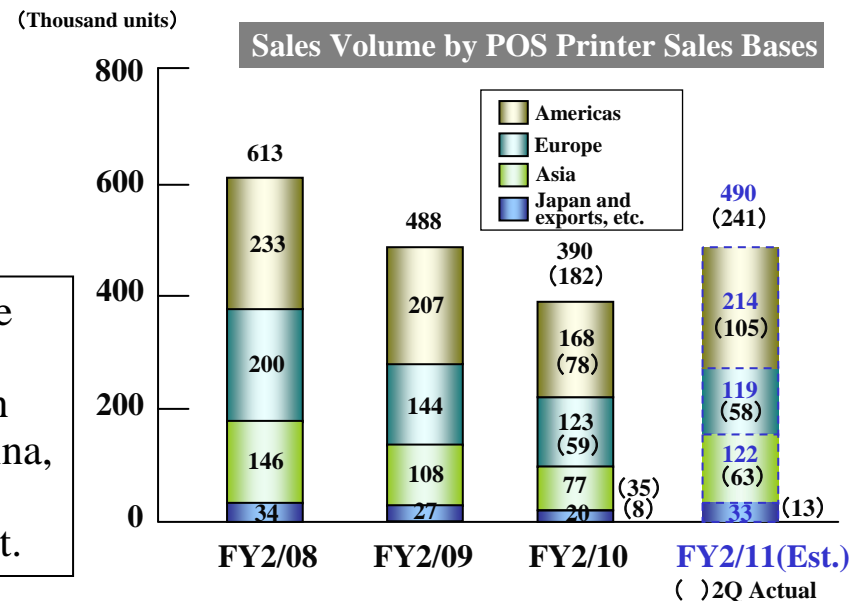
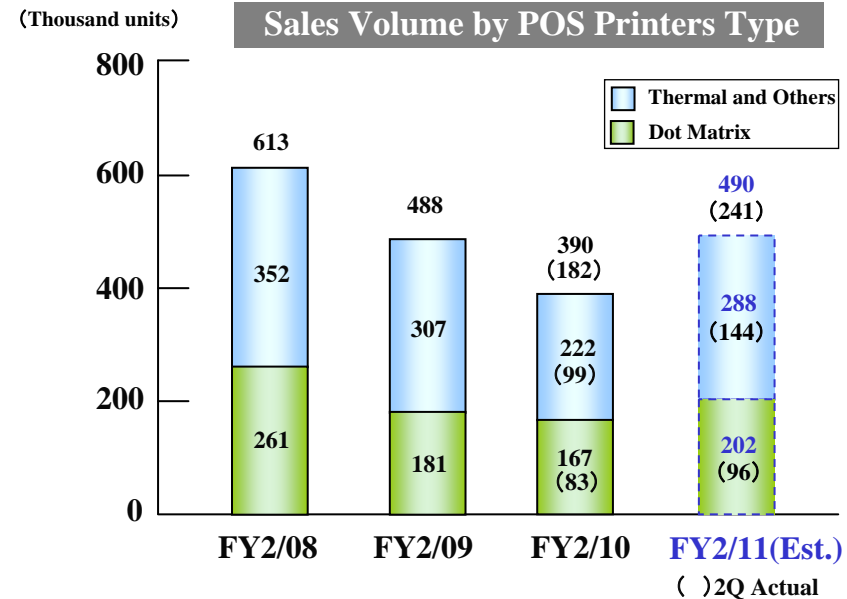
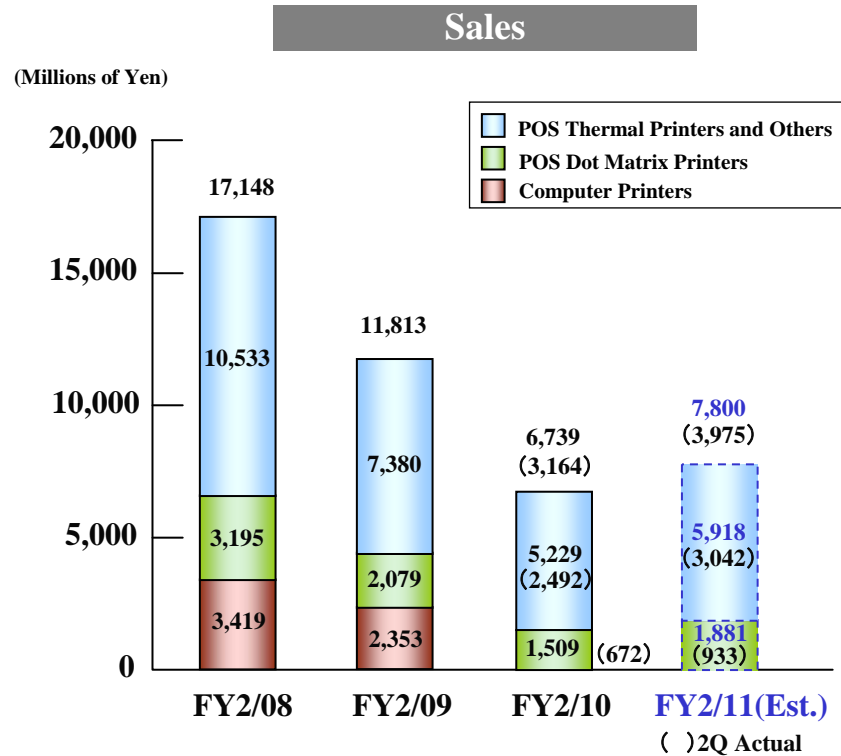
|  |     |     |     |     |
|--|-----|-----|-----|-----|
| <b>ROE (%)</b>                               |     |     | -   | -   |
| <b>Cash Dividends Applicable to the Year</b> | ¥11 | ¥11 | ¥22 | ¥22 |
| <b>DOE (%)</b>                               |     |     | 2.2 | 2.5 |

※ROE(Return on Equity) =Net Income/Shareholders' Equity (average for the beginning and end of the period) x 100(%)

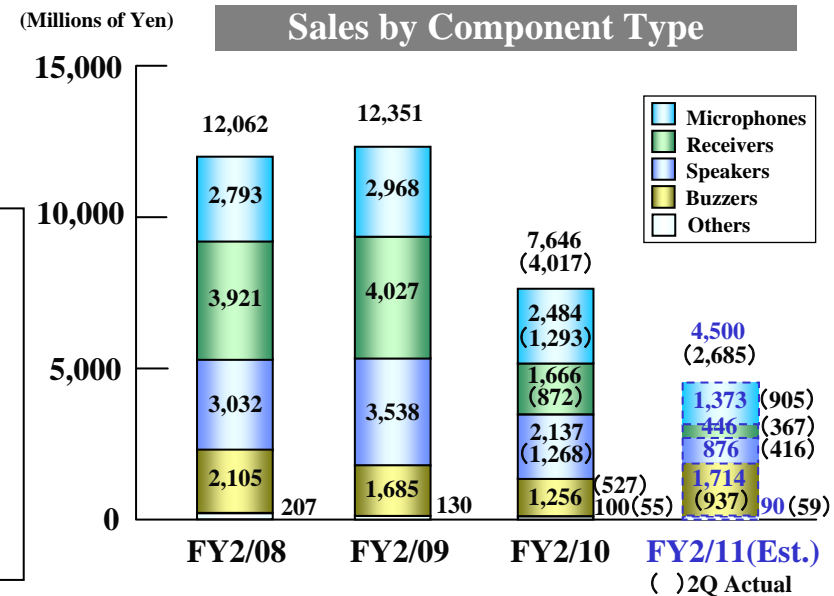
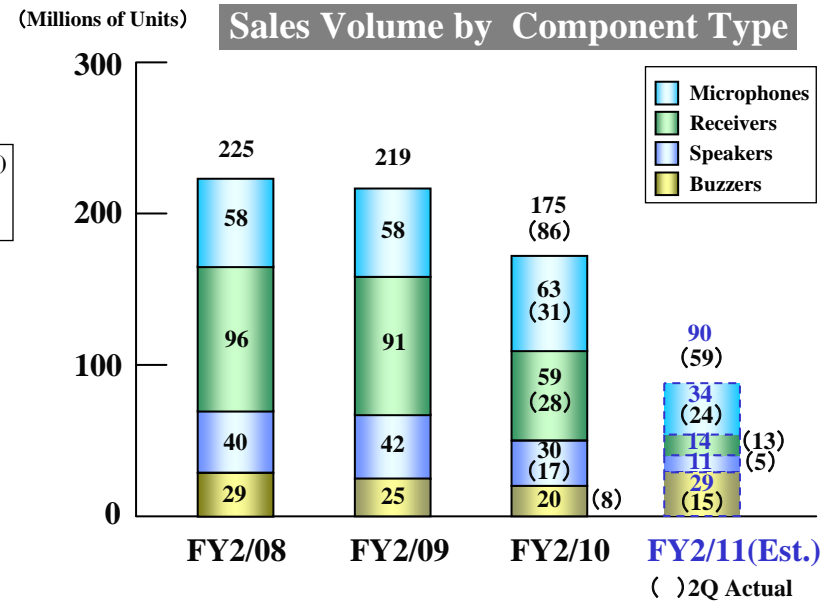
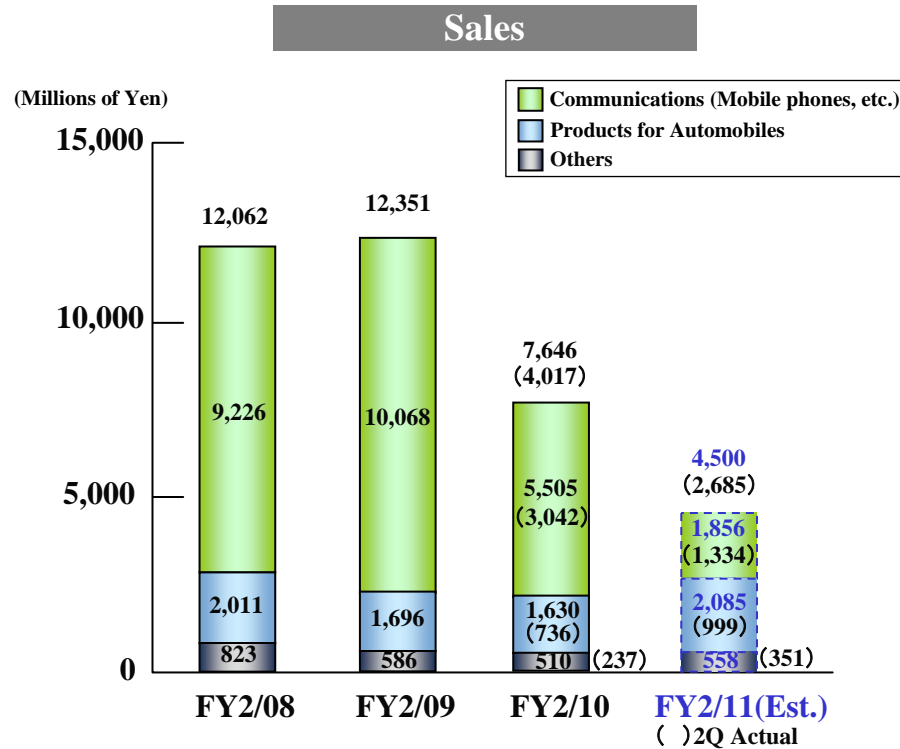
※DOE (Dividend on Equity) =The ratio of the non-consolidated dividend per common share (annual) /consolidated net assets per share(year average)x 100(%)

Sensitivity of operating income to a ¥1 change in foreign exchange rates

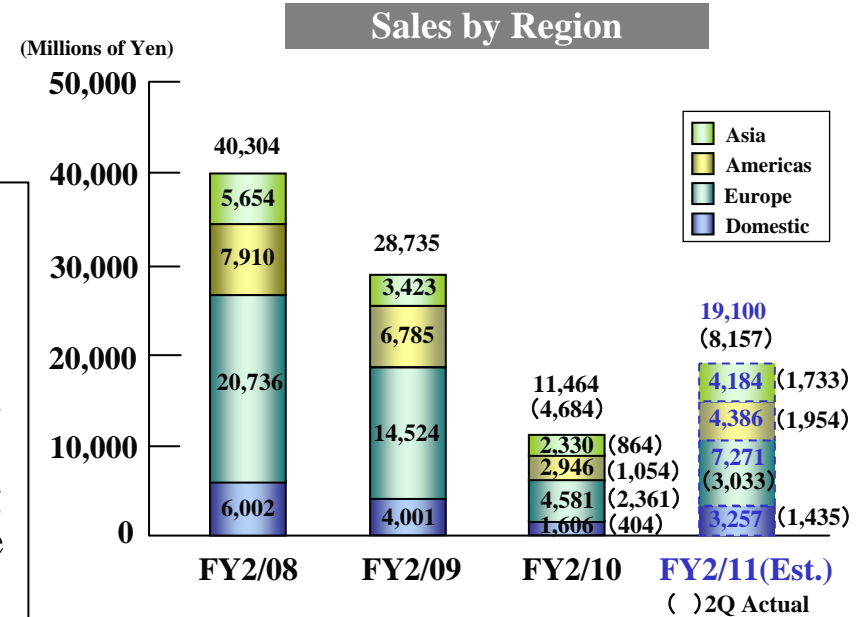
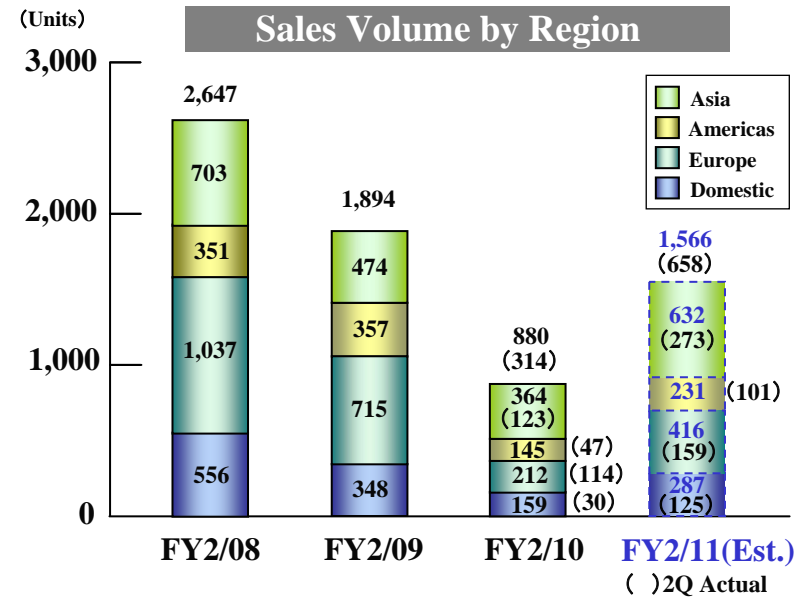
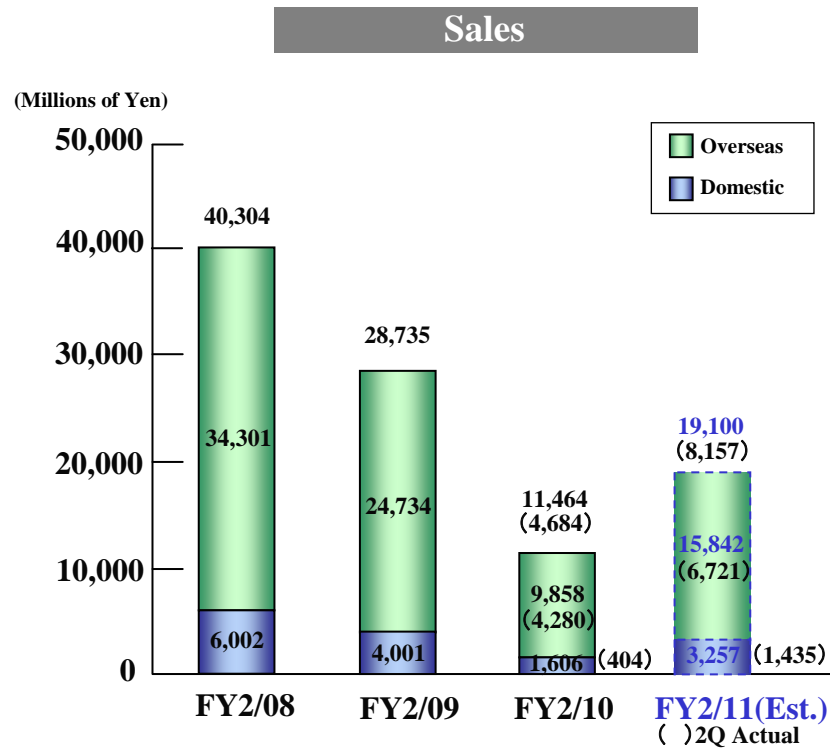
|                      |             |         |         |         |                              |             |
|----------------------|-------------|---------|---------|---------|------------------------------|-------------|
| <b>Exchange Rate</b> | <b>US\$</b> | ¥95.48  | ¥91.37  | ¥93.58  | (2nd-Half assumption) ¥85.00 | ¥11 million |
|                      | <b>EUR</b>  | ¥127.21 | ¥121.32 | ¥130.21 | (2nd-Half assumption)¥105.00 | ¥26 million |
|                      | <b>GBP</b>  | ¥142.48 | ¥139.40 | ¥146.36 | (2nd-Half assumption)¥130.00 | ¥4 million  |
|                      | <b>CHF</b>  | ¥84.51  | ¥84.38  | ¥86.25  | (2nd-Half assumption) ¥77.00 | ¥17 million |



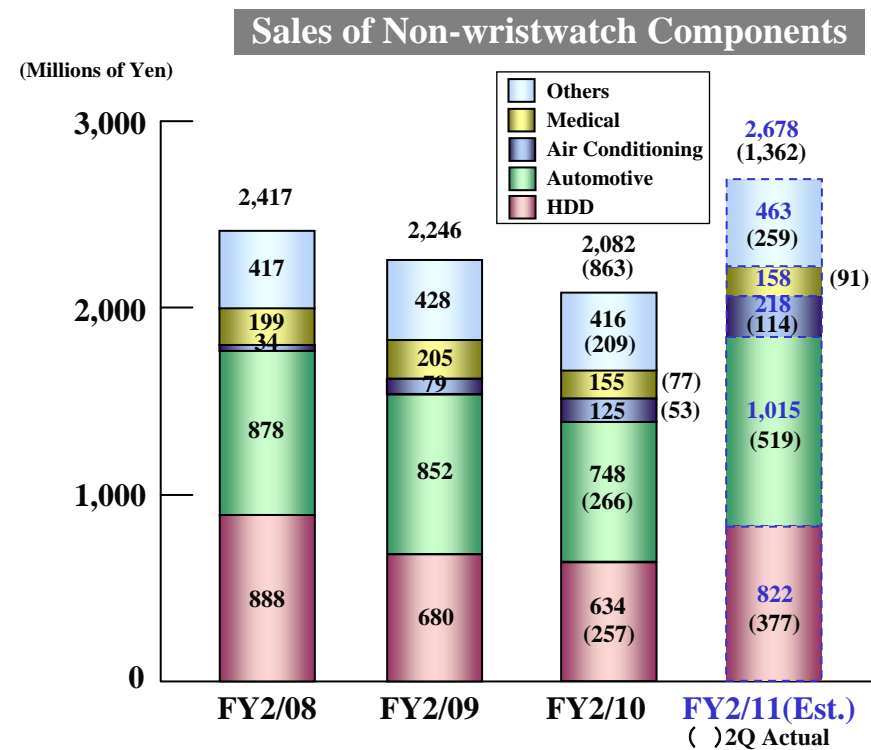
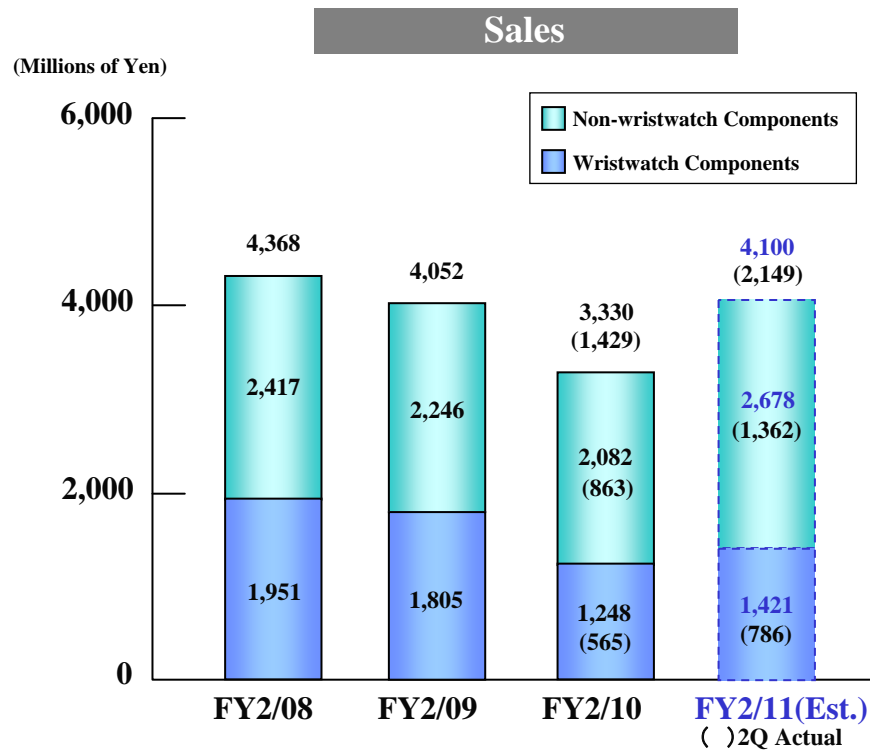
▪ Sales of thermal printer products, primarily for the POS market, increased due to signs of improving demand in the North American market, along with firm growth in the South American market. In China, sales of dot-matrix printers rose principally atop increased demand for products for the POS market.



- Sales of products for mobile phones plummeted as the emphasis of business operations shifted from products for the mobile phone market to the automobile and other markets.
- In the automobile market, electronic buzzer and speaker sales increased primarily in the U.S. in line with an upturn in market conditions.



Orders in China and other Asian markets rose, supported by increased capital investment by customers in the automobile, motorcycle and other sectors. In the U.S. market, sales activities were focused on medical-related fields, where we have achieved steady growth in orders. Orders in the European market, where the most challenging conditions had persisted, have improved since the start of fiscal 2011.



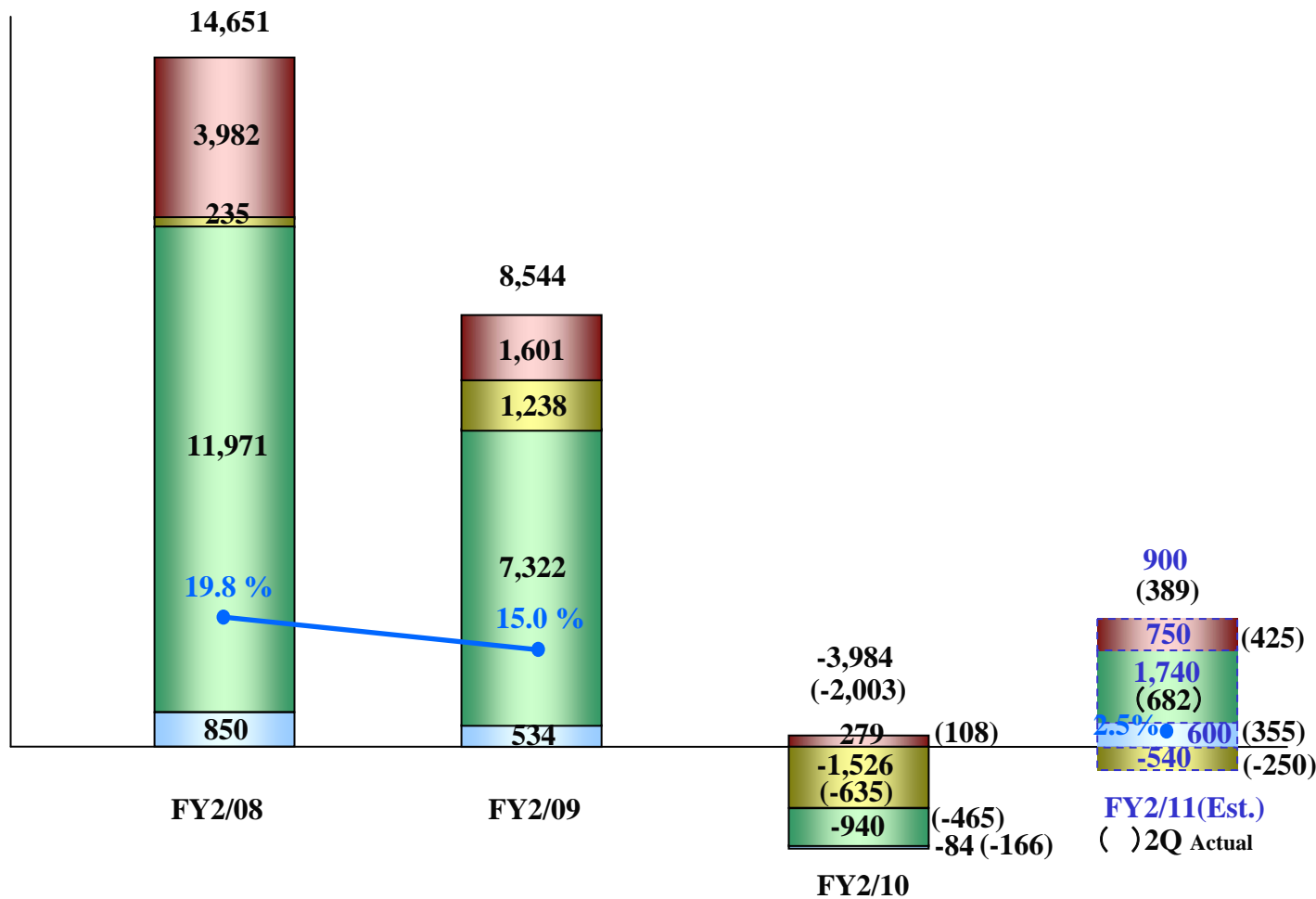
- Wristwatch component sales grew substantially, as demand continued to rebound following the completion of production cutbacks by client manufacturers.
- Sales of non-wristwatch components were higher, reflecting brisk sales of car audio components, although HDD components were impacted by manufacturer production cutbacks in the second quarter.



# Operating Income by Segment



(Millions of Yen)



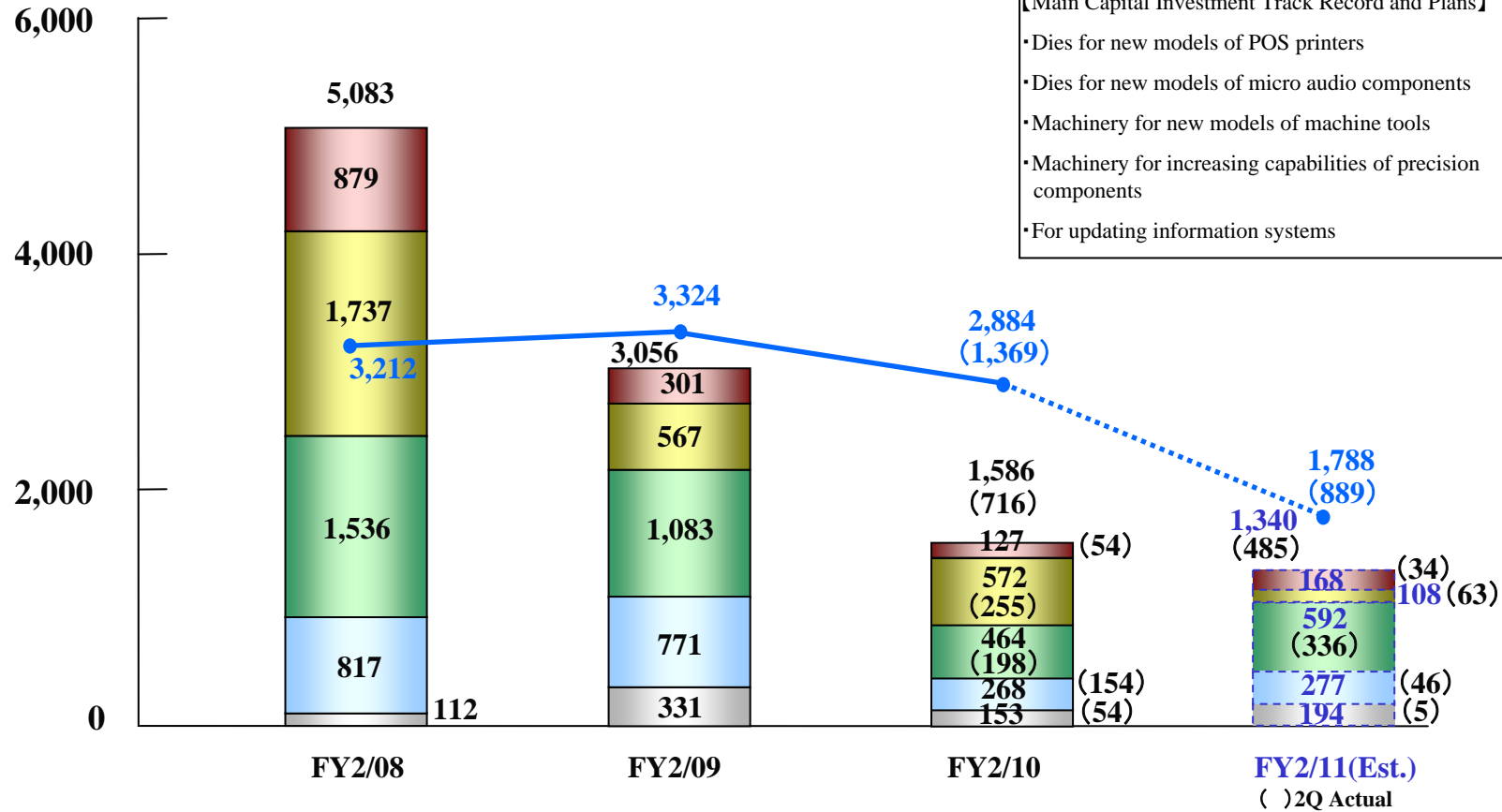
\*Operating income totals exclude eliminations and corporate.

※The Operating income ratio for the fiscal year ending February 28, 2010 has not been calculated because an operating loss was incurred.

# Capital Investment



(Millions of Yen)



# Balance Sheets



(Millions of Yen)

|   |                                     | Feb.2008 Actual |                       | Feb.2009 Actual |                       | Feb.2010 Actual |                       | Feb.2011 Forecast |                       |
|---|-------------------------------------|-----------------|-----------------------|-----------------|-----------------------|-----------------|-----------------------|-------------------|-----------------------|
|   |                                     | Amount          | Component percentages | Amount          | Component percentages | Amount          | Component percentages | Amount            | Component percentages |
| <b>Assets</b>                           | Cash and deposit                    | 22,421          | 26%                   | 16,007          | 25%                   | 15,349          | 30%                   | 12,700            | 26%                   |
|   | Trade notes and accounts receivable | 18,307          | 21%                   | 10,053          | 16%                   | 9,114           | 18%                   | 11,300            | 23%                   |
|   | Inventories                         | 15,436          | 18%                   | 15,489          | 24%                   | 9,019           | 18%                   | 9,300             | 19%                   |
|   | Other current assets                | 7,071           | 8%                    | 3,212           | 5%                    | 863             | 2%                    | 1,100             | 3%                    |
|   | <b>Total current assets</b>         | <b>63,235</b>   | <b>73%</b>            | <b>44,761</b>   | <b>70%</b>            | <b>34,345</b>   | <b>68%</b>            | <b>34,400</b>     | <b>71%</b>            |
|   | Property, plant and equipment       | 17,727          | 21%                   | 15,168          | 23%                   | 11,677          | 23%                   | 10,800            | 22%                   |
|   | Other fixed assets                  | 5,412           | 6%                    | 4,275           | 7%                    | 4,658           | 9%                    | 3,400             | 7%                    |
|   | <b>Total fixed assets</b>           | <b>23,139</b>   | <b>27%</b>            | <b>19,443</b>   | <b>30%</b>            | <b>16,335</b>   | <b>32%</b>            | <b>14,200</b>     | <b>29%</b>            |
|   | <b>Total assets</b>                 | <b>86,375</b>   | <b>100%</b>           | <b>64,204</b>   | <b>100%</b>           | <b>50,680</b>   | <b>100%</b>           | <b>48,600</b>     | <b>100%</b>           |
| <b>Liabilities</b>                      | Trade notes and accounts payable    | 7,910           | 9%                    | 3,248           | 5%                    | 2,815           | 6%                    | 6,500             | 14%                   |
|   | Short-term debt                     | -               | -                     | 2,000           | 3%                    | 2,000           | 4%                    | 2,000             | 4%                    |
|   | Other current liabilities           | 11,166          | 13%                   | 5,511           | 9%                    | 4,012           | 8%                    | 3,528             | 7%                    |
|   | <b>Total current liabilities</b>    | <b>19,077</b>   | <b>22%</b>            | <b>10,759</b>   | <b>17%</b>            | <b>8,828</b>    | <b>18%</b>            | <b>12,028</b>     | <b>25%</b>            |
|   | <b>Total long-term liabilities</b>  | <b>696</b>      | <b>1%</b>             | <b>458</b>      | <b>0%</b>             | <b>592</b>      | <b>1%</b>             | <b>500</b>        | <b>1%</b>             |
|   | <b>Total liabilities</b>            | <b>19,773</b>   | <b>23%</b>            | <b>11,218</b>   | <b>17%</b>            | <b>9,420</b>    | <b>19%</b>            | <b>12,528</b>     | <b>26%</b>            |
| <b>Net assets</b>                       | <b>Total net assets</b>             | <b>66,601</b>   | <b>77%</b>            | <b>52,986</b>   | <b>83%</b>            | <b>41,260</b>   | <b>81%</b>            | <b>36,072</b>     | <b>74%</b>            |
| <b>Total liabilities and net assets</b> |                                     | <b>86,375</b>   | <b>100%</b>           | <b>64,204</b>   | <b>100%</b>           | <b>50,680</b>   | <b>100%</b>           | <b>48,600</b>     | <b>100%</b>           |

## Cash Flows

(Millions of Yen)

|   | Feb.2008<br>Actual | Feb.2009<br>Actual | Feb.2010<br>Actual | Feb.2011<br>Forecast |
|---|--------------------|--------------------|--------------------|----------------------|
| Net cash provided by operating activities | 10,666             | 6,151              | 4,768              | 300                  |
| Net cash used in investing activities     | (8,072)            | (1,314)            | (1,194)            | (400)                |
| Free cash flow                            | 2,593              | 4,837              | 3,574              | (100)                |
| Net cash used in financing activities     | (2,151)            | (9,076)            | (3,976)            | (1,800)              |
| Cash and cash equivalents at end of year  | 21,824             | 14,610             | 14,372             | 11,700               |

※The year-end balance of cash and cash equivalents shown here differs from the cash and cash equivalents shown in the balance sheets, mainly because it does not include time deposits over 3-month period.

## Financial Benchmarks

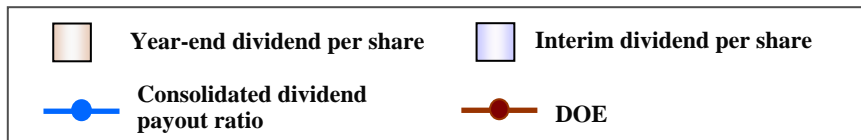
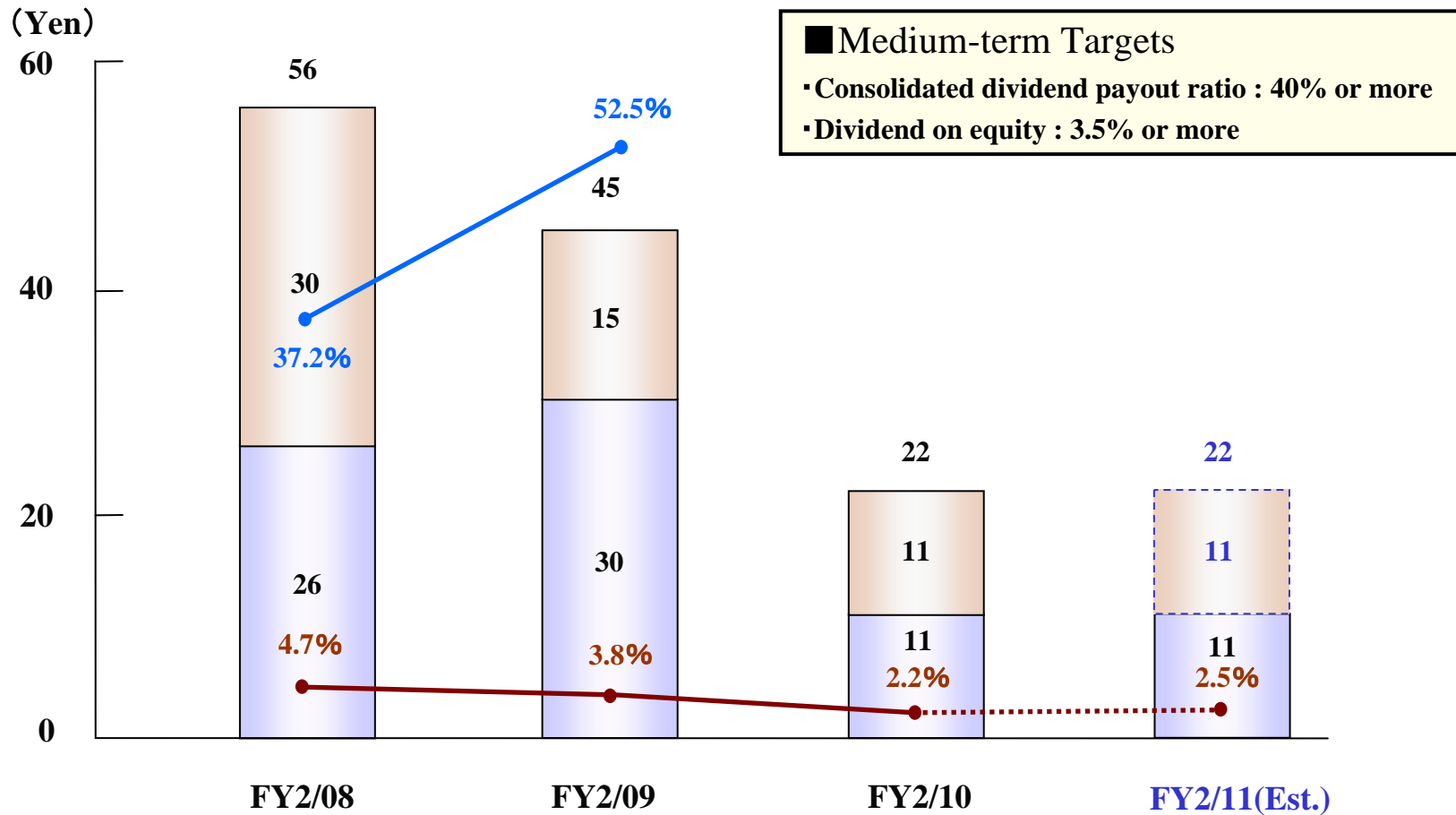
|                            | Feb.2008<br>Actual | Feb.2009<br>Actual | Feb.2010<br>Actual | Feb.2011<br>Forecast |
|----------------------------|--------------------|--------------------|--------------------|----------------------|
| Total asset turnover       | 0.9 times          | 0.8 times          | 0.5 times          | 0.7 times            |
| Equity ratio               | 76.2%              | 81.5%              | 80.1%              | 72.9%                |
| Return on equity (ROE)     | 12.8%              | 7.3%               | -                  | -                    |
| Return on assets (ROA)     | 18.7%              | 11.9%              | -                  | 1.6%                 |
| Earnings per share (EPS)   | ¥150.74            | ¥85.66             | (¥187.95)          | (¥18.36)             |
| Book value per share (BPS) | ¥1,227.59          | ¥1,114.21          | ¥921.55            | ¥821.98              |
| Dividend on equity (DOE)   | 4.7%               | 3.8%               | 2.2%               | 2.5%                 |

## Research and Development Costs

(Millions of Yen)

|           | Feb.2008<br>Actual | Feb.2009<br>Actual | Feb.2010<br>Actual | Feb.2011<br>Forecast |
|-----------|--------------------|--------------------|--------------------|----------------------|
| R&D costs | 2,213              | 2,054              | 1,950              | 1,725                |

# Shareholder Returns




\* The consolidated dividend payout ratio for the fiscal year ended February 28, 2010 has not been calculated because a net loss was incurred, nor for the fiscal year ending February 28, 2011 because a net loss is projected.

# Performance Indicators (10-Year Data)



|              | Net Sales<br>(Millions of Yen) | Operating Income<br>(Millions of Yen) |                     | Ordinary Income<br>(Millions of Yen) |                     | Net Income<br>(Millions of Yen) |      | EPS<br>(Yen) | ROE<br>(%) | DOE<br>(%) | Dividends<br>Per Share<br>(Yen) |
|--------------|--------------------------------|---------------------------------------|---------------------|--------------------------------------|---------------------|---------------------------------|------|--------------|------------|------------|---------------------------------|
|              |                                | Income<br>Ratio (%)                   | Income<br>Ratio (%) | Income<br>Ratio (%)                  | Income<br>Ratio (%) |                                 |      |              |            |            |                                 |
| FY2/01       | 52,304                         | 6,352                                 | 12.1                | 6,477                                | 12.4                | 3,273                           | 6.3  | 57.91        | 7.3        |            | 10.0                            |
| FY2/02       | 43,265                         | 4,063                                 | 9.4                 | 4,213                                | 9.7                 | 577                             | 1.3  | 10.21        | 1.2        |            | 10.0                            |
| FY2/03       | 38,611                         | 2,407                                 | 6.2                 | 1,874                                | 4.9                 | 434                             | 1.1  | 7.77         | 0.9        | 1.2        | 10.0                            |
| FY2/04       | 43,331                         | 3,549                                 | 8.2                 | 3,593                                | 8.3                 | 2,425                           | 5.6  | 44.12        | 5.4        | 1.3        | 11.0                            |
| FY2/05       | 49,689                         | 6,343                                 | 12.8                | 6,357                                | 12.8                | 3,775                           | 7.6  | 70.13        | 8.2        | 1.7        | 15.0                            |
| FY2/06       | 54,788                         | 8,108                                 | 14.8                | 8,386                                | 15.3                | 5,151                           | 9.4  | 95.60        | 10.1       | 2.2        | 21.0                            |
| FY2/07       | 62,670                         | 10,444                                | 16.7                | 10,862                               | 17.3                | 7,012                           | 11.2 | 131.09       | 12.2       | 3.0        | 32.0                            |
| FY2/08       | 73,883                         | 14,651                                | 19.8                | 15,170                               | 20.5                | 8,080                           | 10.9 | 150.74       | 12.8       | 4.7        | 56.0                            |
| FY2/09       | 56,952                         | 8,544                                 | 15.0                | 8,923                                | 15.7                | 4,338                           | 7.6  | 85.66        | 7.3        | 3.8        | 45.0                            |
| FY2/10       | 29,180                         | (3,984)                               | -                   | (3,884)                              | -                   | (8,555)                         | -    | (187.95)     | -          | 2.2        | 22.0                            |
| FY2/11(Est.) | 35,500                         | 900                                   | 2.5                 | 800                                  | 2.3                 | (800)                           | -    | (18.36)      | -          | 2.5        | 22.0                            |

| Segment            | Products  |   |
|--------------------|---|---|
| Special Products   | POS Printers<br>Card Reader/Writers   |    |
| Components         | Micro Audio Components<br>(Electronic Buzzers, Microphones,<br>Speakers, Receivers)           |    |
| Machine Tools      | CNC Automatic Lathes,<br>etc.   |   |
| Precision Products | Wristwatch Parts,<br>Optical Connector Parts,<br>Automotive Parts,<br>Medical Equipment Parts |  |