ANNUAL REPORT 2006

For the year ended February 28, 2006

ON THE RIGHT TRACK

STAR MICRONICS CO., LTD.

Profile

Founded in 1950 and based in Shizuoka Prefecture, Star Micronics Co., Ltd. has consistently based its growth on its expertise in precision processing and assembly. The company's first business was components for wristwatches. This underpinned successful entries into markets for machine tools, printers and electronic buzzers. Today's Star Micronics has four core elements: components, mainly micro audio components; special products, mainly printers; machine tools, mainly CNC automatic lathes; and precision products, mainly wristwatch parts, HDD parts and other components.

A global organization, Star Micronics has manufacturing and sales bases in Europe, North America, Asia and other parts of the world. As of February 2006, there were 6 Japanese and 14 overseas consolidated subsidiaries. The total workforce numbered about 7,100.

Star Micronics constantly aims to be a global-facing business group that targets growth fields and regions, while at the same time seeking to fulfill its corporate social responsibility and increase corporate value.

Contents

Forward-looking Statements

Statements in this annual report with respect to Star Micronics' plans, strategies and beliefs as well as all other statements that are not historical facts are forward-looking statements involving risks and uncertainties. These forward-looking statements rely on a number of assumptions concerning future events. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general worldwide economic conditions, competitive pressure on sales and pricing, and movements of currency exchange rates.

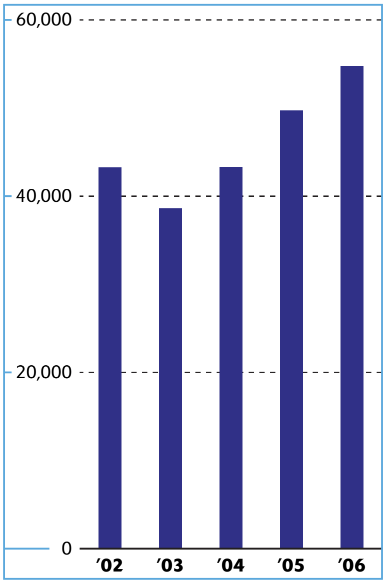
Financial Highlights

Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2006 and 2005

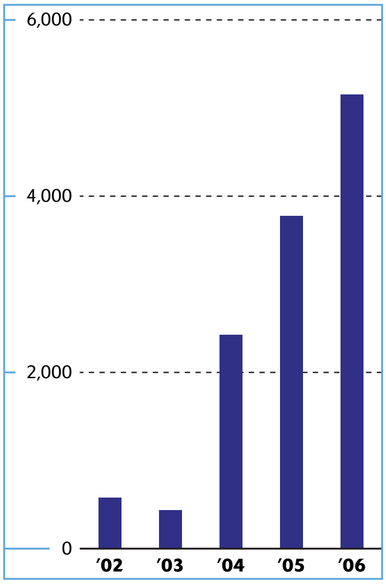
	Millions of yen 2006	Millions of yen 2005	Change (%) 2006/2005	Thousands of U.S. dollars (Note) 2006
For the year:				
Net sales	**¥54,788**	¥49,690	10.3%	**$472,310**
Net income	**5,152**	3,775	36.5	**44,414**
Return on sales	**9.4%**	7.6%		
Capital expenditures	**3,792**	2,396	58.3	**32,690**
Depreciation and amortization	**2,579**	2,492	3.5	**22,233**
At year-end:				
Total assets	**¥66,826**	¥60,013	11.4%	**$576,086**
Shareholders' equity	**54,295**	47,754	13.7	**468,060**
Equity ratio	**81.2%**	79.6%		
	Yen		Change (%)	U.S. dollars
Per share:				
Basic net income	**¥95.60**	¥70.13	36.3%	**$0.82**
Diluted net income	**95.38**	70.09	36.1	**0.82**
Cash dividends applicable to the year	**21.00**	15.00	40.0	**0.18**
Stock information:				
Common shares issued	**54,533,234**	54,533,234		
Number of shareholders	**5,246**	6,503		

Note: The rate of ¥116 to US$1, prevailing on February 28, 2006, has been used for translation into U.S. dollar amounts.

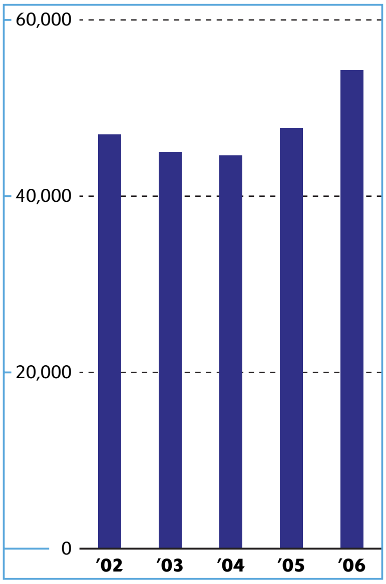
Net sales
(Millions of yen)



Net income
(Millions of yen)



Shareholders' equity
(Millions of yen)



To Our Shareholders

OUR STRATEGY REALIZED

In fiscal 2006, our recent strategy paid off again with the third consecutive year of top- and bottom-line growth. This performance came against the backdrop of a healthy business climate characterized by generally solid growth in domestic and overseas capital expenditure and consumer spending. Underpinned by ongoing efforts to boost operating efficiency and diversify our customer base and product lineup, we are now striving to beat our record performance in fiscal 1991, when we reported operating income of ¥9.4 billion and net income of ¥5.5 billion on net sales of ¥82.3 billion.

Benefiting From a Favorable Business Environment

In the year ended February 28, 2006, Star Micronics posted operating income of ¥8,108 million, up 27.8% year on year, and net income of ¥5,152 million, up 36.5%, on net sales of ¥54,788 million, an increase of 10.3% compared to a year earlier. These figures represent our third consecutive period of top- and bottom-line growth. The main growth drivers were the Machine Tools Segment, which continued its strong performance from fiscal 2005, and the Components Segment, which delivered strong growth. In fact, as in the previous period, 60% of consolidated operating income was generated by the Machine Tools Segment. This reflected significant demand from manufacturers seeking to boost production capacity, particularly automotive and electrical equipment manufacturers.

As of February 2006, the Japanese machine tool market had recorded 22 consecutive months of orders over ¥100 billion and 41 consecutive months of year-on-year growth. This compares favorably with the last period of peak demand in 1990. These figures clearly illustrate that the machine tool market in Japan is currently experiencing a sustained period of buoyant orders. Around 15 years have passed since the zenith of Japan's bubble economy in 1990. Consequently, given the 10- to 15-year useful life of machine tools, one reason given for the strong market now is replacement demand. Additionally, compared to 1990, the machine tools of today not only offer enhanced functionality, they are also less expensive. This is another factor stimulating demand. There are also rising orders in overseas markets, with U.S. and European medical equipment, aerospace and construction machinery firms the main customers. Meanwhile, demand is also being driven by the creation of new product markets for Star Micronics like digital cameras, portable digital music players and medical components, as well as growth in emerging markets like Brazil, Russia, India and China (BRICs).

The Components Segment is also posting some strong figures centered on new products, which offer the possibility of further growth going forward. Backed by these favorable market conditions, we have decided to raise our management plan targets. Our aim now is to beat our record fiscal 1991 performance by 2009.

Delivering Growth With a Well-targeted Strategy

Favorable external factors are not the only reason for our strong performance in fiscal 2006. Over the last few years, we have carefully read market trends and anticipated changes in customer needs. Based on this, we put in place an efficient supply framework for products we thought the marketplace would need and worked to boost profitability by shifting some manufacturing to China. Each of our business segments has steadily implemented a strategy to create product portfolios in tune with market needs and widen their customer bases. I believe we are now seeing the fruits of this approach.

I would now like to look at the strategy and initiatives implemented by each of our business segments. First, the Components Segment, which posted a marked increase in both sales and earnings in fiscal 2006. With this business, we have successfully reduced its high reliance on electronic buzzers by augmenting the product lineup with microphones, receivers and speakers, resulting in more applications and customers. Combined with expanding global mobile phone and other markets, this has led to large increases in sales volumes for all these non-buzzer components. As a result, we can now be justified in saying that we've realized our goal of becoming a comprehensive maker of micro audio components.

For many years, our lineup in the Machine Tools Segment was mainly focused on high-end products. Subsequently, in an effort to target potential customers in other Asian markets, we reinforced our product offering with the low-end SB-16 in 2002 and other new machine tools. Today, with high-end products aimed at medical component makers and other customers in the U.S. and Europe, and low-end products primarily targeted at the automotive industry in Asia, we have successfully tapped rising demand at both ends of the market and posted higher sales across our entire range. We have also improved the profitability of low-end machine tools, which have sold well since their launch, by leveraging economies of scale and shifting production to China in 2004.

Meanwhile, the Special Products Segment has focused on point-of-sale (POS) printers for the U.S. and Europe in an effort to drive growth. And by improving cost-competitiveness through the transfer of production for key products to China, we have been able to build our presence in BRICs and other emerging markets.

In the Precision Products Segment, we have actively worked to boost sales of non-wristwatch components, achieving a particularly large increase in sales of components for compact hard disk drives (HDDs) in the year under review. We also consolidated Shanghai S&E Precision Co., Ltd., a joint venture set up in China in 2001, which boosted segment results in fiscal 2006. This subsidiary has won high marks from local assembly manufacturers for its high-quality products and moved into the black in fiscal 2005.

Implementing a New Strategy to Drive Further Growth

Building on this momentum, we plan to aggressively implement a new strategy to take Star Micronics to even greater heights in the months and years ahead. The key points of this business strategy are explained below:

Upgrade Production Facilities

We will actively invest in production facilities to keep up with the increasing diversity of our product lineup and rising output. In response to buoyant demand for machine tools, we have already increased our supply capability by building a new factory on the site of our existing Kikugawa Factory. Completed in September 2005, this facility has a total floor space of approximately 8,500m^2. We also have to respond to growing demand for all our component products, particularly receivers, which posted an approximate threefold increase in sales volume compared to a year earlier. In parallel with investment to boost output at our factory in Dalian, China, we will also continue to make capital expenditures to enhance manufacturing efficiency at factories where our more diverse product range has led to increasingly complex production lines.

Cultivate New Markets

We have great hopes for the growing BRICs markets and the Asian market as a whole. To give one example, we expect the increasing use of credit cards in these countries to drive demand for POS printers. We also believe there is still plenty of room for growth in mobile phone uptake.

Toshihiro Suzuki
President and CEO

Through a Thai sales company established in March 2005, the Machine Tools Segment will work to increase its base of automotive customers in Southeast Asia, particularly in Thailand. As the next step, we will plan new overseas sites as part of efforts to expand sales channels in Brazil and Eastern Europe.

Develop New Products

In Machine Tools, we are preparing to move into new territory with the development of an ultra-high-end complex machine that outperforms our existing high-end products.

We are also pushing forward with the development of printer software and components in China. By carrying out R&D activities locally, we believe we can rapidly launch optimal products that satisfy the needs of the Chinese market. Additionally, our R&D Division is currently working on the development of a micro pump for fuel cells. We hope to begin supplying these products when the commercial potential of fuel cells is realized in the marketplace.

Grow Through Partnerships

We see M&As and business alliances as another effective means of accelerating growth. For example, underpinned by our strong presence in the mechanical technology field, we could forge mutually beneficial partnerships with technically strong companies that lack access to certain markets by helping to sell their products. Alternatively, we could provide OEM support to other firms that have strong marketing capabilities but lack the necessary technological prowess. We plan to take a forward-looking approach to any opportunities that arise.

Increase Shareholder Value

Successive leaders at Star Micronics have emphasized returning profits to stakeholders. This approach continues today. At Star Micronics, we believe that building strong, long-term relationships with customers, employees, business partners, local communities and other stakeholders is vital to enhancing corporate value and providing greater returns to all our shareholders. Going forward, we will create systems that support the further development of this approach to build a company that all our stakeholders value.

Star Micronics' basic policy is to return at least 20% of consolidated net income to shareholders. Taking into account buoyant market conditions for our products and our strong performance, we have decided to increase the annual dividend for fiscal 2006 by ¥6.0 to ¥21.0 per share. This also follows an increase in the previous fiscal year.

In terms of performance targets, we are aiming for net income of ¥6.0 billion on net sales of ¥61.2 billion by around 2009. We also plan to create a powerful earnings structure that will allow us to consistently achieve an operating margin of at least 15%. Additionally, we aim to become a company capable of delivering a constant dividend-on-equity ratio of around 3%.

I can assure you that every single Star Micronics employee is already striving to achieve these goals.

May 2006

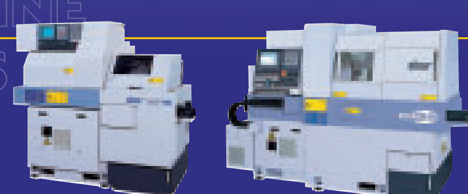
Toshihiro Suzuki
President and CEO

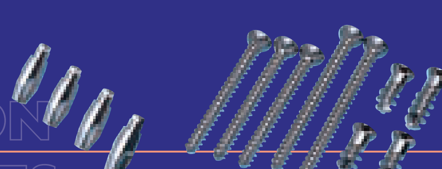
SPECIAL PRODUCTS

COMPONENTS

REAL PROGRESS, NEW CHALLENGES

MACHINE TOOLS



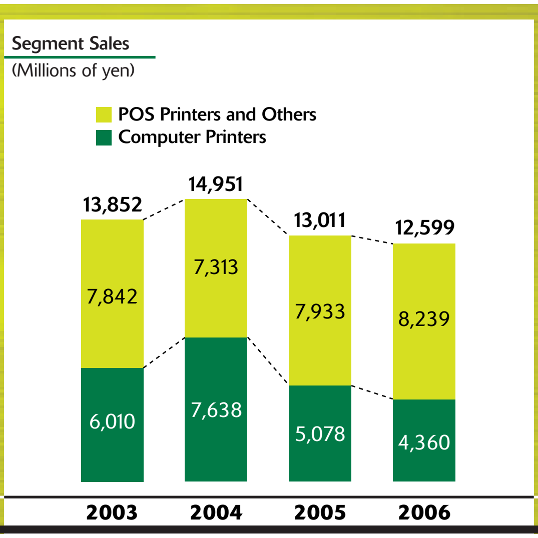


PRECISION PRODUCTS

SPECIAL PRODUCTS

POS PRINTER SHARE OF SEGMENT SALES

65.4%



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Despite a slight drop in segment sales, POS printers performed strongly in fiscal 2006. Demand for these printers in the U.S. and European markets was characterized by a more pronounced shift to thermal products. In computer printers, although there was no progress with the Chinese government's new tax system, we made preparations in anticipation of the restart of the project.

TSP100 futurePRNT™

Aiming to Capture Greater Market Share for POS Printers

POS printers are becoming increasingly important. By commissioning production of these products to sites in China we have created a highly cost-competitive manufacturing framework. This is allowing us to increase sales in the BRICs markets and win new customers for lottery and kiosk POS applications in the U.S. and Europe. As a result, POS printer sales accounted for more than 60% of segment sales, as they did in fiscal 2005. With thermal printers, we are tailoring products to customer applications and taking other customer-centric actions. Meanwhile, in September 2005, we simultaneously launched the TSP100 futurePRNT™ in markets worldwide. This highly functional, groundbreaking printer with a receipt redesign tool and high-speed throughput, substantially reduces the time from the receipt of data to printout. We aim to offer this printer for POS and other applications, underpinning our efforts to capture a greater share of the market.

Computer Printers in China

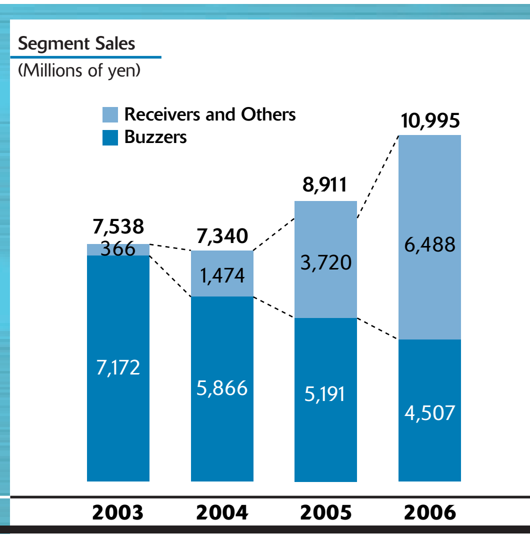
Continuing Hopes for the Chinese Market

In computer printers aimed at the Chinese market, sales of mainstay printers for the country's tax collection system were sluggish due to a lack of any major developments in China's VAT and local tax system projects during the year under review. However, with China preparing for the Beijing Olympics in 2008 and the 2010 Shanghai World Expo, the tax collection system is a vital project for the country. Consequently, we believe there may be some rapid developments. Currently, Star Micronics is making preparations to win a greater share of the tax printer market when the project does get under way again. At the same time, we are working to secure more customers in the banking, transport and securities fields where the need for computer printers is strong. In these fields, we are enhancing our product proposal capabilities to reflect the increasing adoption of flat-bed printers capable of printing carbon-copy forms.

COMPONENTS

New Products Share of Segment Sales

59.0%



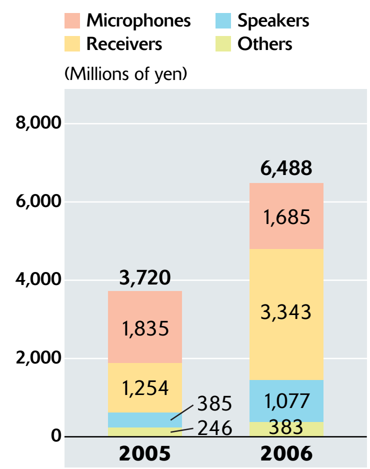
In the Components Segment, we have successfully diversified the product portfolio, reflected by a major increase in both sales and earnings during the year under review. This product diversification also contributed to expansion in the markets we supply, including mobile phones, digital cameras, and electronic toll collection (ETC) terminals.

Product Diversification Drives Sales and Earnings Growth

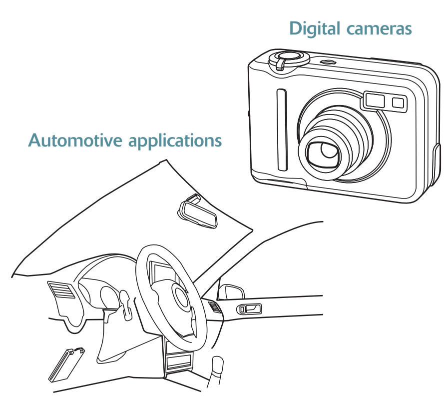
The Components Segment achieved a steady increase in the ratio of sales generated by new products—non-electronic buzzer components like microphones, receivers and speakers. In fiscal 2006, sales of these new products grew to account for nearly 60% of total segment sales. Two factors supported higher shipment volumes of new products. First, a number of major overseas mobile phone manufacturers have adopted Star Micronics receivers. Second, the number of components used per unit has risen due to the increasing sophistication of mobile phones. Going forward, we plan to boost shipment volume at a rate higher than growth in the mobile phone market overall and cover falling unit prices by working to reduce costs. This will underpin efforts to deliver further increases in sales and earnings.

Becoming a Comprehensive Maker of Micro Audio Components

We are now seeing the fruits of our aggressive product development strategy. Star Micronics' diverse components are now being used in digital cameras, ETC terminals and other products, leading to higher sales to non-mobile phone customers. And with forecasts for continued expansion in the digital consumer electronics and automotive markets, we plan to actively develop our presence in these areas by leveraging our ability to create the smallest, thinnest, environmentally friendly components in the industry. In this way, extending our product lineup and generating greater demand in the markets we supply has played an important role in our efforts to become a comprehensive maker of micro audio components.



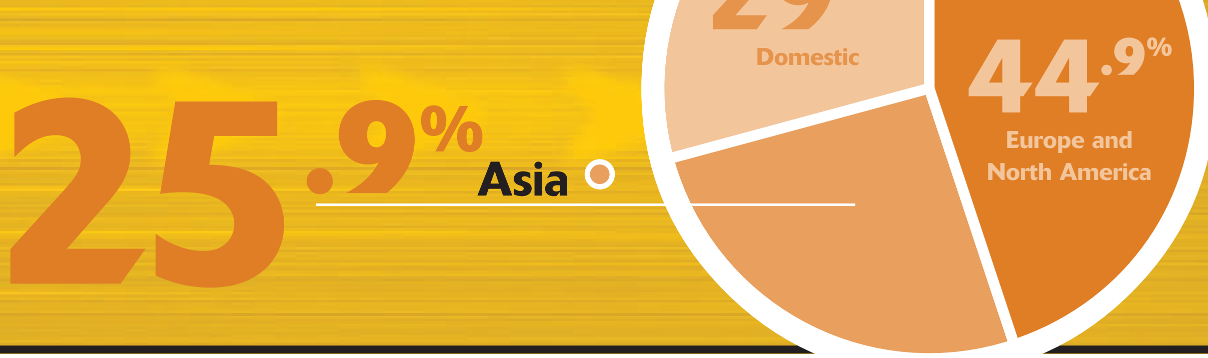
Sales of New Components



New applications for Star Micronics' new components

MACHINE TOOLS

Higher Share of Shipments in Asia



New Kikugawa Factory (right)

CNC Swiss-type Automatic Lathe SB-16

The roll out of low-end machine tools like the SB-16 has helped us to win greater market share in China and the rest of Asia—new machine tool markets for Star Micronics—and successfully attract new customers, primarily in the auto industry. With our extensive lineup of high-end through to low-end machine tools, we can now meet a wide range of customer needs.

Success in New Markets and Customer Segments

The Machine Tools Segment developed the low-end SB-16 to tap demand in China and the rest of Asia. The SB-16 is entirely manufactured in China, giving us a significant advantage in terms of cost. This has allowed us to successfully move into customer segments where Star Micronics has lacked a presence until now. The same machine tool also satisfies the needs of Japan's booming automotive component makers, helping us to quickly boost market share in Japan as well as other parts of Asia. By further extending our lineup of high-end through to low-end machine tools, we plan to widen our customer base and move into new regions such as emerging markets.

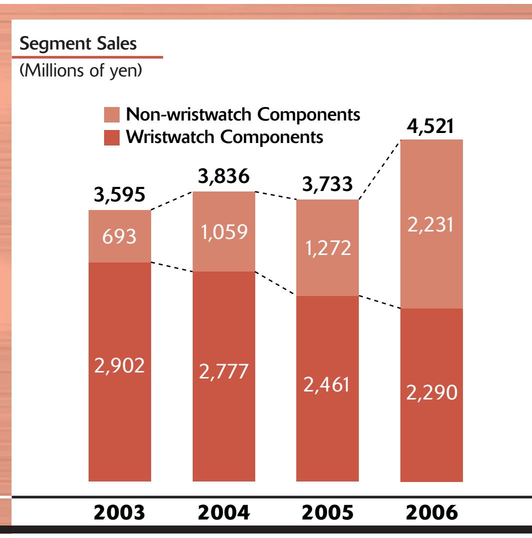
Taking on New Challenges in the High-end Market

The increasing precision of components in the medical equipment field means there is a growing need for manufacturing equipment capable of complicated machining. In response, Star Micronics is pushing forward with the development of ultra-high-end complex machines that outperform the existing ECAS series of high-end machines. In terms of function and cost, these new products will offer exceptional overall cost performance. We therefore expect them to play an important role in our lineup in the future.

PRECISION PRODUCTS

Non-wristwatch Components Share of Segment Sales

49.3%



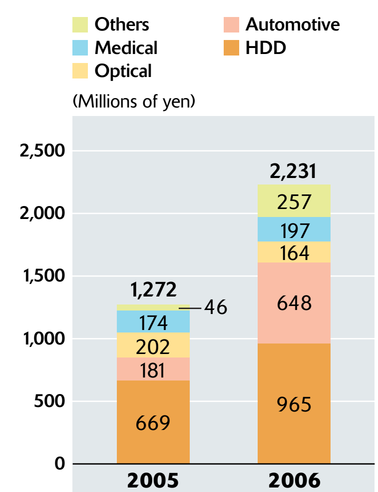
Sales of non-wristwatch components in the Precision Products Segment have grown significantly and now account for almost half of total segment sales. Components for compact HDDs and automotive-related products have driven this shift. We expect this demand to continue rising to support further growth.

Taking Advantage of Changes in the Market

The wristwatch market is mature so there are no real prospects for significant growth in wristwatch components over the long term. Consequently, Star Micronics has been actively targeting its sales activities on the non-wristwatch components field. This led to a substantial increase in sales in this field in fiscal 2006, particularly components for compact HDDs. One factor behind this success is that Star Micronics' products are perfectly suited to a new generation of compact products that have appeared on the scene in recent years. The ongoing shift to ever-smaller components is illustrated by the rise of the portable digital music player, which typically uses 1.0-inch HDDs. This compares to the 3.5-inch HDDs used in desktop PCs. Star Micronics, with its strengths in compact, precision manufacturing and assembly, is carefully targeting changes in the marketplace, aiming to develop its business by focusing on growth fields and regions with strong potential.

Extending the Success of Our Asian Business Model

In fiscal 2006, we made Shanghai S&E Precision Co., Ltd. a consolidated subsidiary. Based in China, this company primarily manufactures car audio components. Thanks to its advanced technical capabilities, Shanghai S&E Precision has won high marks from local assembly manufacturers and delivered strong results in recent years. Star Micronics may adopt the company's business model, which was created to respond to market needs for high-quality precision components, to help it develop other areas of its precision products operations going forward.



Sales of Non-wristwatch Components

Shanghai S&E Precision Co., Ltd.

At a Glance

Business Segment | Sales by Segment | Products and Services

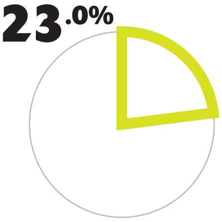
SPECIAL PRODUCTS

Manufacturing Subsidiaries
Star Micronics Manufacturing Dalian Co., Ltd.
Star Precisions Ltd.
Micro Takemi Company

Sales Company
Star Micronics Co., Ltd.

Sales Subsidiaries
Star Micronics America, Inc.
Star Micronics Europe Ltd.
Star Micronics Asia Ltd.

23.0%



This segment's main products are computer printers and point-of-sale (POS) printers. Star Micronics' computer printers are primarily aimed at the Chinese market and are of the dot-type variety. They are mainly used to print out tax invoices. In POS printers, the main products are thermal printers for the U.S. and European markets, and dot printers, mainly mechanisms, for the Chinese market. The segment also supplies card reader/writer devices.

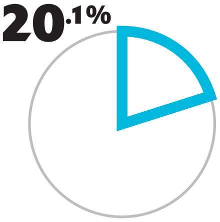
COMPONENTS

Manufacturing Subsidiaries
Star Micronics Manufacturing Dalian Co., Ltd.
Star Precisions Ltd.

Sales Company
Star Micronics Co., Ltd.

Sales Subsidiary
Star Micronics America, Inc.

20.1%



Micro audio components such as electronic buzzers, microphones, speakers and receivers.

MACHINE TOOLS

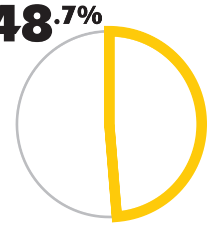
Manufacturing Company
Star Micronics Co., Ltd.

Manufacturing Subsidiaries
Toshin Seiki Company
OS Metal Company
Star Micronics Manufacturing Dalian Co., Ltd.

Sales Company
Star Micronics Co., Ltd.

Sales Subsidiaries
Star CNC Machine Tool Corporation
Star Micronics AG
Star Micronics GB Ltd.
Star Micronics GmbH
Star Machine Tool France SAS
Shanghai Xingang Machinery Co., Ltd.
Star Micronics (Thailand) Co., Ltd.

48.7%



CNC automatic lathes capable of high-precision, complex geometry machining (high-end, mid-range and single-function models, and support software for machine tools, etc.)

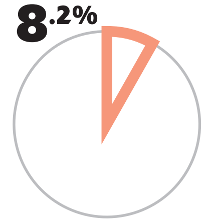
PRECISION PRODUCTS

Manufacturing Company
Star Micronics Co., Ltd.

Manufacturing Subsidiaries
Micro Sapporo Company
Micro Kikugawa Company
Star Micronics Manufacturing Dalian Co., Ltd.
Shanghai S&E Precision Co., Ltd.

Sales Company
Star Micronics Co., Ltd.

8.2%



Components for wristwatches, automobiles, medical equipment, fiber optic connectors, HDDs and other products.

All Star Micronics subsidiaries shown above are consolidated.

Markets	Key Advantages	Industry Outlook
Dot printers: The Chinese business community (including printers for VAT and local tax systems). Thermal printers: POS applications in the distribution, retailing and other sectors.	• A strong customer base and high brand awareness thanks to a comprehensive range of printer products. • Cost-competitive manufacturing based in China. • Partnerships with leading system integration firms.	• Demand in the U.S. and European POS system markets will remain robust. Emerging markets in Eastern Europe and South America are expected to expand significantly. • Over the medium and long terms, demand for dot printers is expected to decline with thermal printers becoming the mainstream format.
Manufacturers of mobile phones, automobiles, digital equipment, medical equipment and other products.	• A broad lineup of micro audio components with a competitive edge in terms of compactness and thinness. • A proven track record as the primary supplier to leading overseas mobile phone manufacturers, and a high market share indicative of those relationships.	• Although global shipments are expected to continue rising in fiscal 2007 on expanding demand in BRICs and other emerging mobile phone markets, unit prices are trending downwards. • The digital equipment and automotive-related fields are projected to continue growing strongly.
Manufacturers of components for automobiles, consumer electronics, industrial machinery, medical equipment, precision devices and other products.	• A broad lineup of products from high-end through to low-end models. • A high market share (approximately 28% based on Star Micronics' own data for 2006) anchored by a trusted global brand. • Cost-competitive manufacturing based in China (some products). • A global sales network and comprehensive after-sales services.	• Recovering domestic demand and firm demand in key overseas markets are expected to underpin another year of growth in fiscal 2007. • Demand from the automotive sector will remain steady. Although demand from the electrical and precision devices sectors is projected to enter a temporary correction phase, growth is expected over the medium and long terms.
Finished product manufacturers in related fields.	• A long history in this field since the establishment of Star Micronics. • Low-cost, high-output manufacturing technologies thanks to a high level of automation. • One of the few players in the industry with an integrated precision component manufacturing framework covering machining through assembly.	• Although the wristwatch component market is stable, it is a mature market with no prospects for significant growth over the long term. • In non-wristwatch components, growth is expected in the HDD, automotive and medical equipment fields.

Corporate Social Responsibility

Star Micronics recognizes that beneficial relationships with its many stakeholders—shareholders and other investors, customers, suppliers, local communities and employees—are vital to its existence and future development. We are striving to increase management transparency and enhance communication through fair and timely disclosure. Our goal is to ensure all stakeholders understand Star Micronics' business activities and approach to management.

Building a CSR Framework

To fulfill our corporate social responsibility (CSR), we believe it is important that all Star Micronics employees understand relevant laws and internal regulations, and collectively are aware of the company's policy on CSR. It is vital that our personnel do more than simply observe these laws and regulations. As both employees and members of society, they must have no ambiguity about the values and ethics required of them by society, and faithfully act in accordance with them. In 2005, we enacted the Star Micronics Charter of Corporate Conduct to ensure our employees share and follow this thinking. At the same time, we formulated a Code of Conduct to clarify standards of behavior required of executives and employees. Together with the establishment of a Compliance Committee chaired by the director in charge of the General Administration Headquarters, we are taking steps to upgrade our compliance system.

Star Micronics has also established a CSR Promotion Section with responsibility for the company's CSR activities. This section is implementing a range of activities designed to realize the full purport of the Star Micronics Charter of Corporate Conduct.

Promoting Environmental Activities

Star Micronics has positioned environmental management activities as an integral part of its operations. This thinking forms the basis of efforts, through our business activities, to help realize a society in harmony with the global environment.

Star Micronics has already attained its stated targets for zero emissions (the reduction and recycling of waste). Consequently, we now plan to take our environmental activities to a new level. In particular, we will work to rapidly achieve our goals for reducing the number of products that contain harmful chemical substances by enhancing initiatives in this area. By clarifying our position on this issue and securing the cooperation of our numerous suppliers, we plan to achieve our targets. Going forward, we will work to expand the scope of our environmental activities and reach our objectives.

Consolidated Five-year Summary

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Five years ended the last day of February

	Millions of yen (Except for per share data)				
	2006	2005	2004	2003	2002
For the year:					
Net sales	**¥54,788**	¥49,690	¥43,332	¥38,612	¥43,265
Cost of sales	**32,875**	30,742	28,161	25,225	27,295
Selling, general and administrative expenses	**13,805**	12,605	11,621	10,979	11,907
Operating income	**8,108**	6,343	3,550	2,408	4,063
Other expenses—net	**(68)**	(688)	(286)	(980)	(1,911)
Income before income taxes and minority interests	**8,040**	5,655	3,264	1,428	2,152
Income taxes	**2,799**	1,881	828	997	1,557
Minority interests in net income (loss)	**89**	(1)	10	(3)	18
Net income	**5,152**	3,775	2,426	434	577
Per share:					
Basic net income	**¥ 95.60**	¥ 70.13	¥ 44.12	¥ 7.77	¥ 10.21
Diluted net income	**95.38**	70.09			
At year-end:					
Current assets	**¥44,615**	¥40,170	¥36,355	¥38,424	¥37,979
Property, plant and equipment	**16,210**	14,698	15,604	17,602	19,430
Total assets	**66,826**	60,013	57,898	62,403	65,394
Long-term liabilities	**793**	349	1,277	2,575	2,227
Shareholders' equity	**54,295**	47,754	44,613	45,024	46,978

	Yen				
Stock exchange price per share of common stock:					
Highest	**¥2,090**	¥1,030	¥830	¥1,120	¥1,704
Lowest	**941**	704	418	420	490

Management's Discussion and Analysis

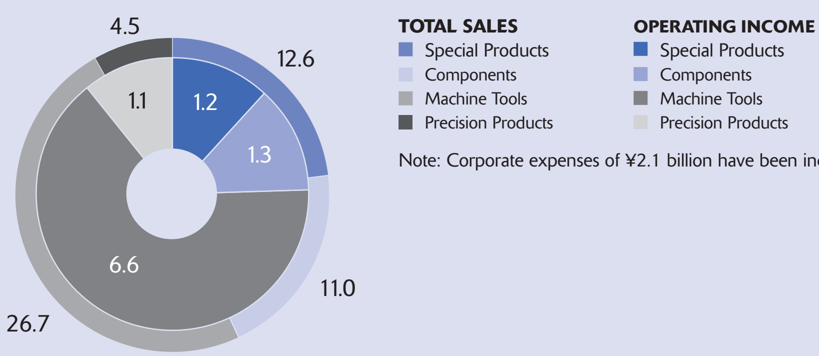
Segment Overview

Segment reclassifications

In previous years, Star Micronics operations were classified into three segments: Precision Electronic Equipment, Machine Tools and Precision Products. Effective from the fiscal year ended February 2006, operations have been reclassified into four segments: Special Products, Components, Machine Tools and Precision Products due to the ability to now clearly separate materials procurement operations that overlapped in the Special Products Division and the Components Division in the former Precision Electronic Equipment Segment.

FISCAL 2006 SALES AND OPERATING INCOME BY SEGMENT

(Billions of yen)



Note: Corporate expenses of ¥2.1 billion have been included in operating income.

Special Products

In the Special Products Segment, where the main products are computer printers and point-of-sale (POS) printers, sales declined 3.2% year on year to ¥12,599 million (US$108,612 thousand).

In computer printers, mainly targeted at the Chinese market, Star Micronics has worked to put in place an integrated local operating framework covering all operations from manufacturing to sales. During the year under review, our focus was on winning major orders from Chinese government agencies and financial institutions. However, like last year, a significant delay in the implementation of the next stage of China's tax collection system and a new local tax collection project had a major impact on sales of large computer printers, resulting in a decline of 14.1% year on year to ¥4,360 million.

The first stage of implementation of China's new tax collection system, covering the country's largest businesses, was mainly completed midway through fiscal 2004, ended February 2004. Star Micronics expects the second stage, aimed at medium-sized enterprises, to be rolled out in the coming months, although the Chinese tax authorities have yet to select the main system for this stage. Consequently, there is still some uncertainty as to when shipments can restart.

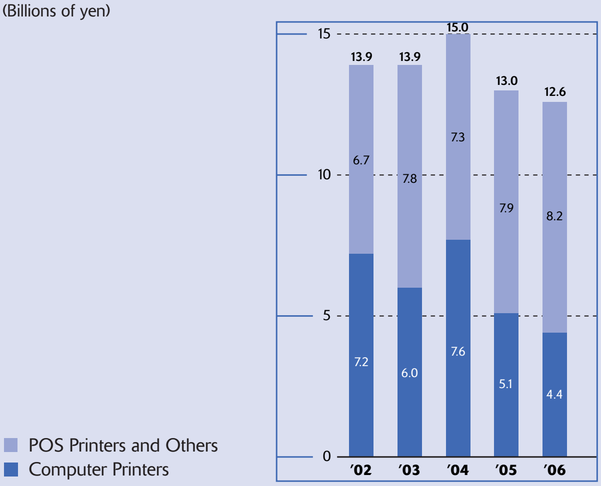
Meanwhile, the Chinese tax authorities had been expected to begin implementation of the new local tax collection system from around the middle of fiscal 2006. However, progress has only seen the nomination of several regions for the deployment of the new system. Despite this, Star Micronics is convinced that China views the adoption of a new tax system as a major national project to be completed in time for the Olympics in 2008 and the 2010 Shanghai World Expo, and preparations in the marketplace will undoubtedly continue to move forward.

Sales of POS printers were higher than in the previous year, as we concentrated on proposal-driven marketing to win large orders from lottery and kiosk terminal system manufacturers in Europe and the U.S. We also stepped up marketing in BRICs and other emerging markets. The thermal printer has become the mainstay printer in Europe and the U.S. and we expect this trend to become stronger. In response, Star Micronics is working to capture a greater share of the market by launching a multi-function thermal printer called the TSP100 futurePRNT™ with enhanced software capability and taking other similar steps.

As a result, sales of POS printers and others posted healthy growth, rising 3.9% year on year to ¥8,239 million. However, the segment as a whole reported a decline in operating income of ¥261 million, or 17.4%, to ¥1,237 million (US$10,664 thousand).

SPECIAL PRODUCTS SEGMENT SALES

(Billions of yen)



Components

Sales in the Components Segment increased ¥2,084 million, or 23.4% year on year, to ¥10,995 million (US$94,784 thousand). Star Micronics has worked to transform itself into a comprehensive maker of micro audio components by moving into new product fields such as microphones, speakers and receivers to reduce its dependence on mainstay electronic buzzers. These efforts have begun to bear fruit with the share of new products in total segment sales topping that of electronic buzzers by a wide margin. Combined with economies of scale and enhanced productivity, this more balanced product portfolio contributed to a significant increase in profits. Star Micronics also continues to target customers outside the mobile phone manufacturing sector. This approach brings with it the added benefit of extending the range of applications, which now includes ETC terminals for cars, digital cameras, portable digital music players and other products.

In new components, sales rose markedly by ¥2,768 million to ¥6,488 million. Receivers were the main growth driver, with sales volume roughly tripling from the previous fiscal year to 60 million units, led by compact angled receivers (7x11mm). Sales of speakers increased around 2.5 times from the previous fiscal year to 13 million units. This growth was supported by our rectangular speakers for stereo output, which won acceptance by overseas mobile phone makers who place greater emphasis on sound quality. However, sales of microphones slipped 10.5% to 35 million units, due in large part to a rebound from the previous year's high levels.

In contrast, sales of electronic buzzers are trending downward, reflecting the transition to high-performance mobile phones. However, the pace of the decline in shipment volumes has been slower than expected as our electronic buzzers, specifically designed to be environmentally friendly and safe, were adopted by the automotive sector. As a result, sales volume declined 16.2% to 93 million units, with sales in monetary terms falling 13.2% to ¥4,507 million.

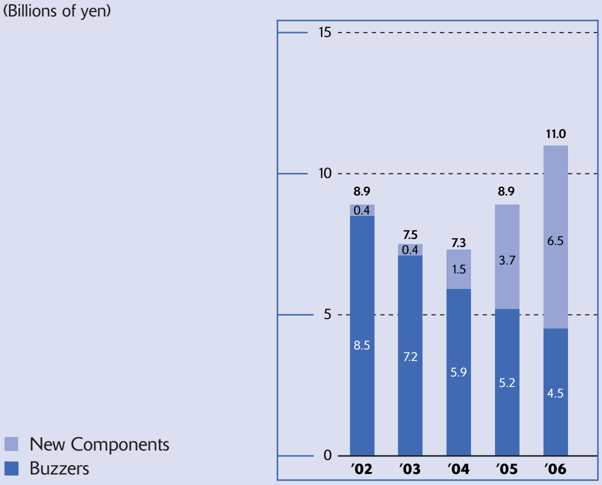
As new products in this segment offset the decline in electronic buzzers by a wide margin, segment operating income increased by ¥949 million to ¥1,340 million (US$11,552 thousand).

Global mobile phone shipments in fiscal 2007 are expected to increase by roughly 10%. Star Micronics will work to achieve a rate of shipment growth that exceeds the rate of expansion in the market as a whole.

This segment will also actively work to expand applications for compact audio components outside its traditional customer segment of mobile phone makers, one example being speakers for use in cars.

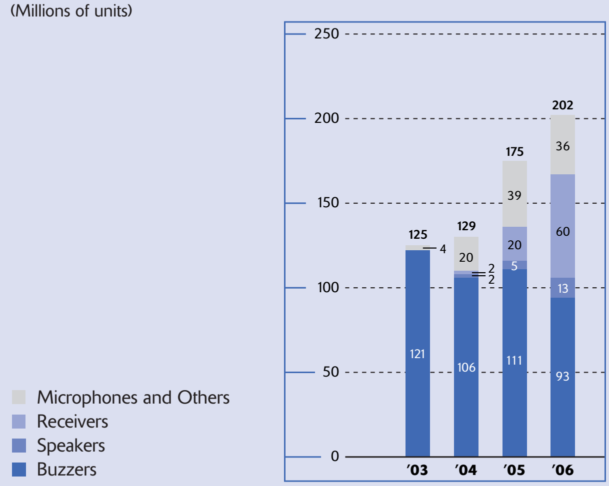
COMPONENTS SEGMENT SALES

(Billions of yen)



COMPONENTS SEGMENT SALES BY VOLUME

(Millions of units)



Machine Tools

Star Micronics' CNC automatic lathes have earned worldwide acclaim. Key products are the SV series, ideal for the high-precision complex machining required in the manufacture of medical and other components; the top-of-the-range ECAS series, which incorporates a motion control system; and the SB-16, a machine tool entirely made in China that offers manufacturers superior cost-performance.

In fiscal 2006, demand for our highly competitive machine tools was healthy as automakers and electronic equipment and other manufacturers maintained a high level of capital expenditure worldwide for the second year in a row. In high-end complex machines, the ECAS-32T model, incorporating our proprietary motion control system, won high acclaim from automotive and medical equipment manufacturers, lifting order levels in Europe and the U.S. In mid-range complex machines, we concentrated on promoting the SR-20RII, a best seller in its class; upgraded versions of the SB-16 and SC-20, which offer superior cost performance; and the SR-32J, highly cost-competitive in large-diameter machining.

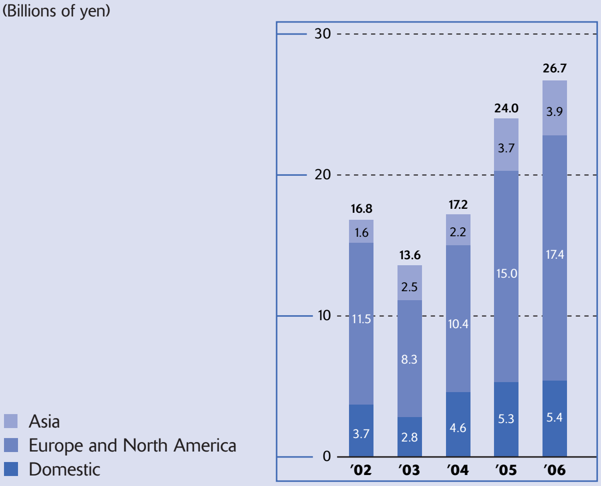
Meanwhile, the SR-10J, which went on sale in the year under review, was highly rated for its superior productivity in the manufacture of small-diameter components for the automotive, medical and IT device sectors. Aiming to further expand markets for our products, we aggressively promoted our lineup in emerging markets like South America and Eastern Europe. As a result, segment sales grew by ¥2,638 million, or 11.0% year on year, to ¥26,673 million (US$229,940 thousand), a second consecutive year of record sales. In addition to positive external factors, this all-time high was achieved by expanding the product lineup and working to attract new customers. Unit sales also grew, rising 4.5% from a year earlier to 1,829 units, while monthly orders hovered at record levels. Overseas sales, as a percentage of total segment sales, rose by 1.9 percentage points to 79.8%, due in part to marked sales increases in Europe and the U.S.

As a result of the foregoing, operating income rose ¥821 million, or 14.3%, to ¥6,554 million (US$56,500 thousand), another record high. The operating margin improved 0.7 of a percentage point to 24.6%. The increase in profitability was attributable to an improved product mix, resulting in rising sales of higher-end models in Europe and the U.S., as well as high levels of capacity utilization supported by strong orders.

Looking at the operating environment in the year under review, the medical, aerospace and construction industries were buoyant in Europe and the U.S. In Japan, as of February 2006, monthly increases in machine tool orders had continued for 41 straight months, starting October 2002. Machine tool orders continue to remain at high levels worldwide.

MACHINE TOOLS SEGMENT SALES BY GEOGRAPHICAL SEGMENT

(Billions of yen)



During the year, Star Micronics expanded its Kikugawa Factory in Japan, increasing production capacity roughly 1.5 times. Star Micronics is also currently developing an ultra-high-end complex machine tool capable of outperforming its existing top-level ECAS series. Launch is slated for some time in the year ending February 2008.

On a different note, the new sales company established in Thailand last year is off to a smooth start. To build on this success, we are currently looking at the possibility of setting up marketing subsidiaries in Brazil and Eastern Europe.

Precision Products

This segment's products are divided into two main areas: wristwatch components, an area the company has been involved in since its establishment; and precision components other than wristwatch components (also referred to as non-wristwatch components).

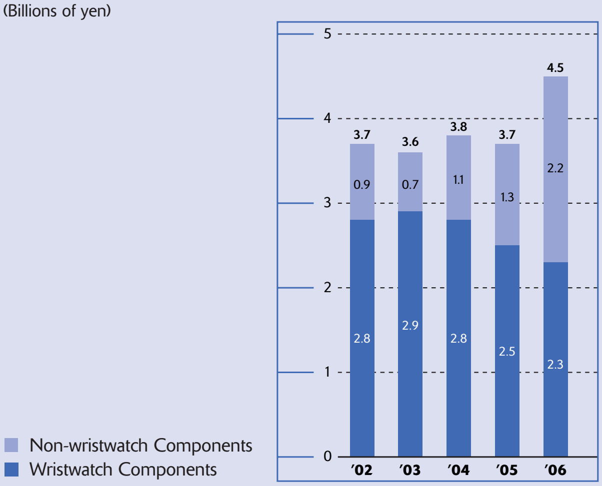
The market for wristwatch components is stable but mature, with no prospect for long-term growth. This segment is therefore striving to increase earnings by strategically focusing on non-wristwatch component markets. More specifically, Star Micronics is applying its strengths in precision processing technology to fields where precision components are difficult to manufacture: hard disk drive (HDD) parts (axel nuts), dental drill and implant parts, medical components such as bone screws for bone-setting, car audio components and optical fiber connector parts.

In wristwatch components, price competition has intensified in the watch movement market as Chinese makers launched low-cost products, forcing Japanese manufacturers to shift to value-added products and small, multi-lot production. However, with the order environment still severe, sales declined 6.9% from the previous fiscal year to ¥2,290 million.

In non-wristwatch components, Star Micronics actively targeted customers, supported by an upgraded production framework for high-value-added medical equipment components and efforts to boost productivity in HDD parts—a growth market. As a result, sales of non-wristwatch components grew 75.4% year on year to ¥2,231 million, led by strong sales of HDD components on the back of growing demand for laptop computers and portable digital music players. Another factor behind the higher sales was the consolidation in the year under review of Shanghai S&E Precision Co., Ltd., a joint venture in Shanghai, China that manufactures and markets car audio products. As a result, the share of non-wristwatch components in segment sales rose to 49.3%.

PRECISION PRODUCTS SEGMENT SALES

(Billions of yen)



As a result of the aforementioned, operating income increased ¥468 million, or 73.2%, to ¥1,107 million (US$9,543 thousand), on total segment sales of ¥4,521 million (US$38,974 thousand), up ¥788 million, or 21.1%, compared to the previous period. The consolidation of Shanghai S&E Precision contributed approximately ¥200 million to the segment's operating income. The operating margin rose 7.4 percentage points to 24.5%.

Income Analysis

Net sales rose ¥5,098 million, or 10.3%, to ¥54,788 million (US$472,310 thousand). Although Special Products was the only segment to post a decline in segment sales, the main growth drivers were the Machine Tools Segment, which posted record-high figures, and the Components Segment, which chalked up strong gains. The cost of sales rose ¥2,133 million, or 6.9%, to ¥32,875 million (US$283,405 thousand). As a result, gross profit increased ¥2,965 million, or 15.6%, to ¥21,913 million (US$188,905 thousand), and the gross profit ratio rose 1.9 percentage points to 40.0%. This was primarily due to the high share of total sales, at 48.7%, generated by the Machine Tools Segment, which has higher margins, and an improved profit margin in Components due to higher shipment volumes.

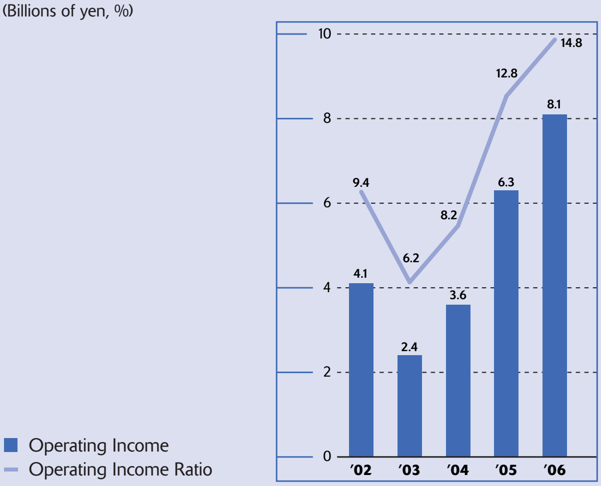
Selling, general and administrative (SG&A) expenses increased ¥1,200 million, or 9.5%, to ¥13,805 million (US$119,008 thousand). This rise was due mainly to higher sales commissions and other items that rose in line with sales, an increase in corporation taxes owing to the introduction of a pro forma standard tax and higher labor costs.

As a result of the above, operating income climbed ¥1,765 million, or 27.8%, to ¥8,108 million (US$69,897 thousand), while the operating income ratio rose 2.0 percentage points to 14.8%.

Other expenses—net decreased ¥620 million compared to a year earlier, to ¥68 million (US$587 thousand). This decrease mainly reflected an increase in interest and dividend income and a rise in gain on sales of property, plant and equipment, outweighing the ¥102 million charge for loss on impairment of long-lived assets. Exchange loss—net losses declined ¥74 million compared to the previous fiscal year to ¥148 million. Other—net gains increased ¥330 million from the previous fiscal year to ¥236 million as the ¥406 million for employee transfer support expenses booked last year was reclassified and included in selling, general and administrative expenses, in addition to a ¥20 million gain on sale of investment securities.

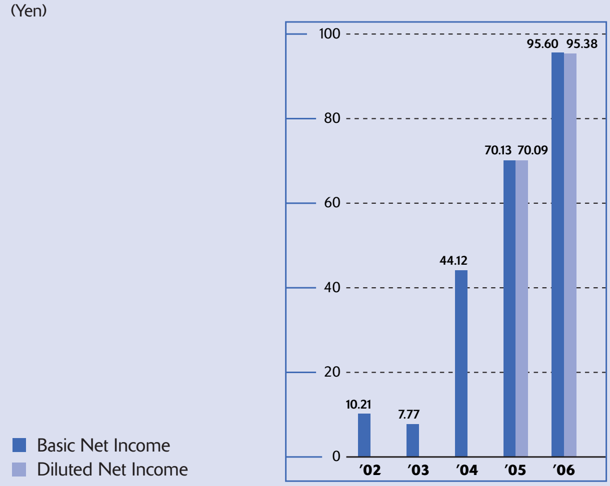
OPERATING INCOME AND OPERATING INCOME RATIO

(Billions of yen, %)



EARNINGS PER SHARE

(Yen)



As a result, income before income taxes and minority interests increased ¥2,385 million, or 42.2%, to ¥8,040 million (US$69,310 thousand), while total income taxes were ¥2,799 million. Net income, after the deduction of minority interests, was ¥5,152 million (US$44,414 thousand), an increase of ¥1,377 million, or 36.5%, compared to a year earlier. Basic net income per share increased ¥25.47 to ¥95.60 and diluted net income per share increased ¥25.29 to ¥95.38. In light of the strong performance reported for the year, Star Micronics has decided to increase the annual dividend for fiscal 2006 by ¥6.0 to ¥21.0 per share, representing a payout ratio of 22.0%. Star Micronics remains committed to its fundamental policy of returning at least 20% of consolidated net income to investors, while aiming to achieve a dividend payout ratio of at least 30% or a dividend-on-equity ratio of at least 3% over the medium term after taking into account the company's future operating environment and other factors.

Financial Position and Liquidity

Total current assets as of February 28, 2006 were ¥44,615 million (US$384,612 thousand), an increase of ¥4,445 million, or 11.1%, compared to the previous fiscal year-end. This rise reflected increases in cash and cash equivalents and trade notes and accounts receivable as a result of higher sales and profits. Inventories increased ¥824 million, or 7.7%, to ¥11,492 million.

Net property, plant and equipment increased ¥1,512 million, or 10.3%, to ¥16,210 million (US$139,741 thousand), primarily due to the expansion of the Kikugawa Factory, which manufactures machine tools. Total investments and other assets increased ¥856 million, or 16.6%, to ¥6,001 million (US$51,733 thousand).

The combined effect of the above factors was an increase in total assets of ¥6,813 million, or 11.4%, to ¥66,826 million (US$576,086 thousand).

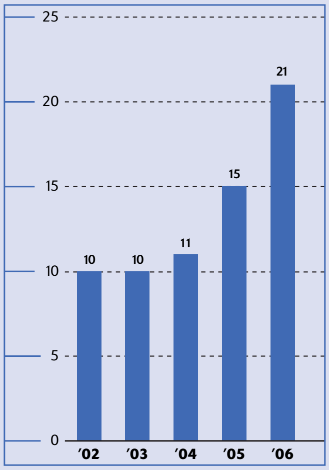
On the other side of the balance sheet, current liabilities declined ¥454 million, or 3.8%, to ¥11,371 million (US$98,026 thousand).

Total long-term liabilities increased ¥444 million, or 127.2%, to ¥793 million (US$6,836 thousand).

Total shareholders' equity rose ¥6,541 million, or 13.7%, to ¥54,295 million (US$468,060 thousand). This increase was due mainly to higher retained earnings and an improvement in foreign currency translation adjustments. The shareholders' equity ratio increased 1.6 percentage points to 81.2%, while equity per share increased ¥119.31 from the previous fiscal year-end to ¥1,014.99.

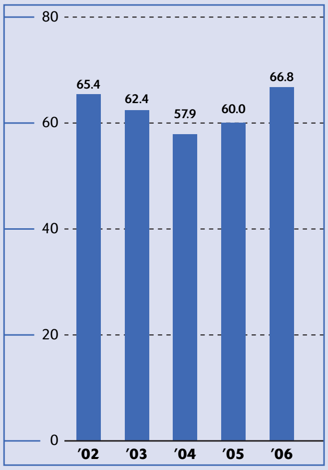
DIVIDENDS PER SHARE

(Yen)



TOTAL ASSETS

(Billions of yen)



Cash Flows

Net cash provided by operating activities was ¥4,594 million (US$39,603 thousand), a decrease of ¥2,297 million compared to a year earlier. This was mainly because trade receivables, trade payables, and inventories represented a combined cash outflow of ¥3,333 million, ¥3,038 million more than a year earlier, outweighing an increase in income before income taxes and minority interests of ¥2,385 million to ¥8,040 million, reflecting the strong results for the year.

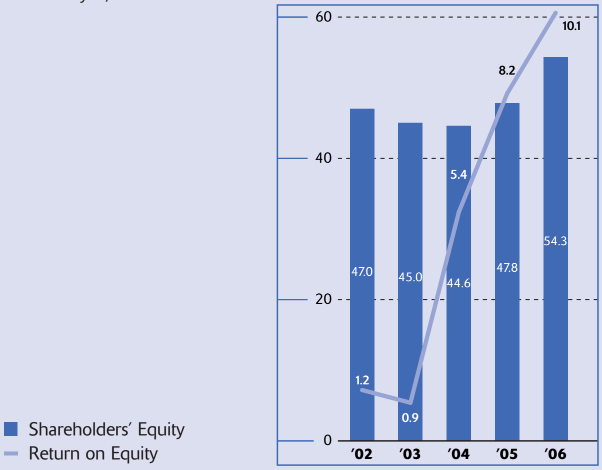
Net cash used in investing activities was ¥3,619 million (US$31,198 thousand), ¥1,603 million more than in the previous fiscal year. This mainly reflected an increase of ¥1,238 million in payments for purchases of property, plant and equipment to ¥3,388 million for additional capacity at our Kikugawa machine tool factory, and a decline of ¥781 million in proceeds from sales of marketable and investment securities to ¥141 million.

Net cash used in financing activities was ¥866 million (US$7,466 thousand), an improvement of ¥1,283 million compared to fiscal 2005. This was due mainly to repayments of long-term debt. Dividends paid to shareholders increased ¥213 million to ¥906 million.

After foreign currency translation adjustments on cash and cash equivalents of ¥655 million on cash and cash equivalents, the net increase in cash and cash equivalents for the year was ¥764 million. Cash and cash equivalents as of February 28, 2006 totaled ¥14,424 million (US$124,345 thousand).

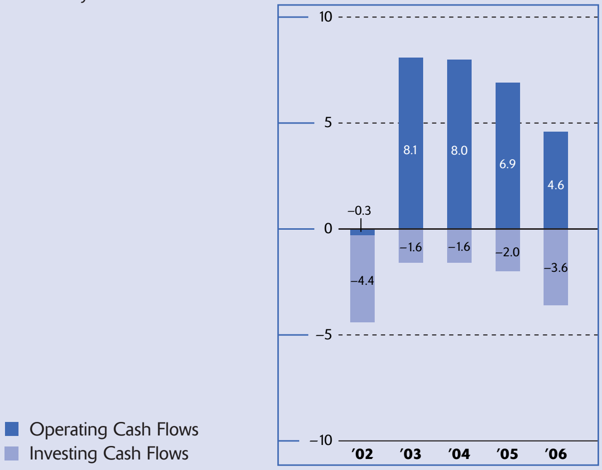
SHAREHOLDERS' EQUITY AND RETURN ON EQUITY

(Billions of yen, %)



CASH FLOWS

(Billions of yen)



Capital Expenditures and R&D Expenses

Capital expenditures in fiscal 2006 totaled ¥3,792 million (US$32,690 thousand), an increase of ¥1,396 million, or 58.3%, from the previous fiscal year.

Expenditures in Special Products increased ¥7 million to ¥655 million, mainly associated with the development of compact POS printers.

In Components, expenditures rose ¥18 million to ¥758 million. In fiscal 2007, the company is budgeting expenditures in this segment in the amount of ¥1,241 million, related to the replacement of machinery and for new molds for the production framework for new, high-precision micro audio components.

Expenditures in Machine Tools rose ¥1,358 million to ¥2,021 million. Of the total, roughly ¥1,200 million was for the expansion of our Kikugawa Factory. In fiscal 2007, investments are budgeted to drop to ¥1,078 million, and will mainly be used for upgrading the manufacturing framework.

In Precision Products, expenditures increased ¥96 million to ¥329 million. In fiscal 2007, the company is budgeting ¥568 million for capital expenditures.

R&D expenses for the year totaled ¥2,192 million (US$18,897 thousand), ¥59 million, or 2.6%, lower than the previous fiscal year. R&D expenses represented 4.0% of total sales, a marginal decline compared to the previous fiscal year.

In addition to creating innovative products, R&D programs have been focused on the development of production technologies that achieve improved cost performance and greater miniaturization. Star Micronics is also working to develop and launch new high-value-added products. An example is a diaphragm micro pump that can deliver minute amounts of fuel to power ultra-compact fuel cells. We have received a large number of inquiries from customers both in Japan and overseas and have delivered prototypes for customer evaluation. The company is also developing state-of-the-art, high-precision miniature component processing technologies for sensor applications.

Sales Framework and Net Sales by Region

A significant proportion of Star Micronics' products are sold in international markets. To provide customer support globally, the company operates an extensive network of overseas sites (See table).

	United Kingdom	Germany	France	Switzerland	U.S.	Thailand	Hong Kong	China
Special Products	Star Micronics Europe Ltd.				Star Micronics America, Inc.*		Star Micronics Asia Ltd.	
Machine Tools	Star Micronics GB Ltd.	Star Micronics GmbH	Star Machine Tool France SAS	Star Micronics AG	Star CNC Machine Tool Corporation	Star Micronics (Thailand) Co., Ltd.		Shanghai Xingang Machinery Co., Ltd.

* Star Micronics America, Inc. markets components in addition to special equipment.

In the fiscal year under review, overseas sales, as a proportion of total sales, reached a record 78.4%, representing an increase of 0.5 of a percentage point year on year. The biggest reason for this rise was strong demand from Europe and the U.S. for products supplied by the Machine Tools Segment. In Europe, net sales increased ¥1,453 million to ¥15,724 million (US$135,552 thousand), representing 28.7% of total sales.

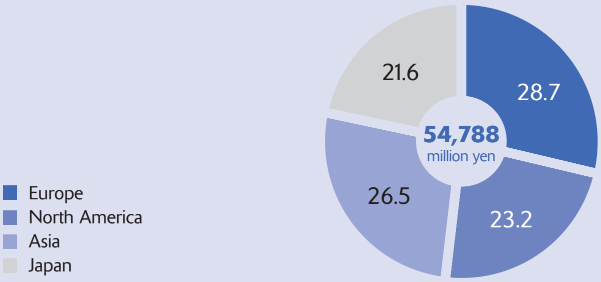
In North America, net sales rose ¥1,513 million to ¥12,694 million (US$109,431 thousand), representing 23.2% of total sales, an increase of 0.7 of a percentage point year on year.

Net sales in Asia increased ¥1,260 million to ¥14,525 million (US$125,215 thousand). Asia's share of total sales fell 0.2 of a percentage point to 26.5%.

In Japan, the main products are machine tools and precision products. Domestic sales increased ¥872 million to ¥11,845 million (US$102,112 thousand), representing 21.6% of total sales, down 0.5 of a percentage point year on year.

NET SALES BY REGION

(%)



Consolidated Balance Sheets

Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents	**¥ 14,424**	¥ 13,539	**$ 124,345**
Marketable securities (Note 3)	**21**	121	**181**
Short-term investments (Note 4)	**1,132**	714	**9,759**
Receivables:			
Trade notes and accounts receivable (Note 10)	**14,850**	12,378	**128,017**
Unconsolidated subsidiaries and associated companies	**255**	242	**2,198**
Other	**680**	675	**5,862**
Allowance for doubtful receivables	**(278)**	(402)	**(2,397)**
Inventories (Note 5)	**11,492**	10,668	**99,069**
Deferred tax assets (Note 9)	**1,629**	1,557	**14,043**
Prepaid expenses and other	**410**	678	**3,535**
Total current assets	**44,615**	40,170	**384,612**
Property, plant and equipment:			
Land (Note 6)	**2,456**	2,601	**21,172**
Buildings and structures	**13,409**	11,936	**115,595**
Machinery and equipment	**33,096**	31,907	**285,310**
Construction in progress	**29**	144	**251**
Total	**48,990**	46,588	**422,328**
Accumulated depreciation	**(32,780)**	(31,890)	**(282,587)**
Net property, plant and equipment	**16,210**	14,698	**139,741**
Investments and other assets:			
Investment securities (Note 3)	**3,363**	2,634	**28,991**
Investments in and advances to unconsolidated subsidiaries and associated companies	**48**	204	**414**
Goodwill	**1,061**	1,273	**9,147**
Deferred tax assets (Note 9)	**36**	17	**310**
Other assets	**1,493**	1,017	**12,871**
Total investments and other assets	**6,001**	5,145	**51,733**
Total	**¥ 66,826**	¥ 60,013	**$ 576,086**

See notes to consolidated financial statements.

Liabilities and shareholders' equity	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Payables:			
Trade notes and accounts	¥ 4,794	¥ 5,627	$ 41,328
Unconsolidated subsidiaries and associated companies		39	
Other	1,311	930	11,302
Income taxes payable (Note 9)	1,344	1,518	11,586
Accrued expenses	1,974	1,768	17,017
Other (Note 9)	1,948	1,943	16,793
Total current liabilities	11,371	11,825	98,026
Long-term liabilities:			
Liability for retirement benefits (Note 7)	270	224	2,327
Deferred tax liabilities (Note 9)	523	124	4,509
Other		1	
Total long-term liabilities	793	349	6,836
Minority interests	367	85	3,164
Contingent liabilities (Notes 12 and 14)			
Shareholders' equity (Notes 8, 16 and 18):			
Common stock — authorized, 158,000,000 shares; issued, 54,533,234 shares in 2006 54,533,234 shares in 2005	12,722	12,722	109,672
Capital surplus	13,909	13,877	119,905
Retained earnings	28,033	23,675	241,664
Unrealized gain on available-for-sale securities	932	500	8,034
Foreign currency translation adjustments	(487)	(2,131)	(4,198)
Treasury stock — at cost 1,090,530 shares in 2006 and 1,258,846 shares in 2005	(814)	(889)	(7,017)
Total shareholders' equity	54,295	47,754	468,060
Total	¥66,826	¥60,013	$576,086

See notes to consolidated financial statements.

Consolidated Statements of Income

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Net sales (Note 10)	¥54,788	¥49,690	$472,310
Cost of sales (Note 7)	32,875	30,742	283,405
Gross profit	21,913	18,948	188,905
Selling, general and administrative expenses (Notes 7 and 11)	13,805	12,605	119,008
Operating income	8,108	6,343	69,897
Other income (expenses):			
Interest and dividend income	219	132	1,888
Interest expense	(5)	(27)	(43)
Exchange loss–net	(148)	(222)	(1,276)
Gain on sales of property, plant and equipment	114	38	983
Loss on disposals of property, plant and equipment	(382)	(515)	(3,293)
Loss on impairment of long-lived assets (Note 6)	(102)		(879)
Other – net	236	(94)	2,033
Other expenses — net	(68)	(688)	(587)
Income before income taxes and minority interests	8,040	5,655	69,310
Income taxes (Note 9):			
Current	2,762	2,273	23,810
Prior		94	
Deferred	37	(486)	319
Total	2,799	1,881	24,129
Income before minority interests	5,241	3,774	45,181
Minority interests in net income	89	(1)	767
Net income	¥ 5,152	¥ 3,775	$ 44,414

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.o, 8 and 15):			
Basic net income	¥95.60	¥70.13	$0.82
Diluted net income	95.38	70.09	0.82
Cash dividends applicable to the year	21.00	15.00	0.18

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2006 and 2005

	Thousands	Millions of yen					
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock – at cost
Balance, March 1, 2004	53,327	¥12,722	¥13,877	¥22,029	¥306	¥(2,068)	¥(2,253)
Net income				3,775			
Cash dividends, ¥15.0 per share				(693)			
Bonuses to directors and corporate auditors				(25)			
Adjustment of retained earnings for newly consolidated subsidiaries				2			
Take-over of retained earnings for merger of non-consolidated subsidiaries				(3)			
Retirement of treasury stock				(1,410)			1,410
Net increase in unrealized gain on available-for-sale securities					194		
Net increase in foreign currency translation adjustments						(63)	
Purchase of treasury stock	(56)						(48)
Disposal of treasury stock	3						2
Balance, February 28, 2005	53,274	12,722	13,877	23,675	500	(2,131)	(889)
Net income				**5,152**			
Cash dividends, ¥21.0 per share				**(906)**			
Bonuses to directors and corporate auditors				**(37)**			
Adjustment of retained earnings for newly consolidated subsidiaries				**149**			
Net increase in unrealized gain on available-for-sale securities					**432**		
Net increase in foreign currency translation adjustments						**1,644**	
Purchase of treasury stock	**(68)**						**(96)**
Disposal of treasury stock	**237**		**32**				**171**
Balance, February 28, 2006	**53,443**	**¥12,722**	**¥13,909**	**¥28,033**	**¥932**	**¥ (487)**	**¥ (814)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Treasury stock – at cost
Balance, February 28, 2005	$109,672	$119,629	$204,095	$4,310	$(18,372)	$(7,664)
Net income			**44,414**			
Cash dividends, $0.18 per share			**(7,810)**			
Bonuses to directors and corporate auditors			**(319)**			
Adjustment of retained earnings for newly consolidated subsidiaries			**1,284**			
Net increase in unrealized gain on available-for-sale securities				**3,724**		
Net increase in foreign currency translation adjustments					**14,174**	
Purchase of treasury stock						**(827)**
Disposal of treasury stock		**276**				**1,474**
Balance, February 28, 2006	**$109,672**	**$119,905**	**$241,664**	**$8,034**	**$ (4,198)**	**$(7,017)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Operating activities:			
Income before income taxes and minority interests	**¥ 8,040**	¥ 5,655	**$ 69,310**
Adjustments for:			
Income taxes – paid	**(2,986)**	(1,679)	**(25,741)**
Income taxes – refunded	**3**	48	**26**
Depreciation and amortization	**2,791**	2,704	**24,060**
Loss on impairment of long-lived assets	**102**		**879**
Reversal of doubtful receivables	**(136)**	(31)	**(1,172)**
Provision for (reversal of) retirement benefits	**11**	(57)	**95**
Gain on devaluation of marketable and investment securities	**(21)**		**(181)**
Loss on sales and disposals of property, plant and equipment	**256**	476	**2,207**
Changes in assets and liabilities:			
Increase in trade receivables	**(1,541)**	(1,833)	**(13,284)**
(Increase) decrease in inventories	**(199)**	1,706	**(1,716)**
Decrease in trade payables	**(1,593)**	(168)	**(13,733)**
Other–net	**(133)**	70	**(1,147)**
Total adjustments	**(3,446)**	1,236	**(29,707)**
Net cash provided by operating activities	**4,594**	6,891	**39,603**
Investing activities:			
Purchases of property, plant and equipment	**(3,388)**	(2,150)	**(29,207)**
Proceeds from sales of property, plant and equipment	**147**	146	**1,267**
Purchases of marketable and investment securities	**(7)**	(4)	**(60)**
Proceeds from sales of marketable and investment securities	**141**	922	**1,216**
Payments for loans receivable	**(3)**	(7)	**(26)**
Collection of loans receivable	**14**	13	**121**
Disposal of treasury stock	**(523)**	(936)	**(4,509)**
Net cash used in investing activities	**(3,619)**	(2,016)	**(31,198)**
Financing activities:			
Increase in short-term bank loans—net	**(56)**	(407)	**(483)**
Repayments of long-term debt	**(11)**	(1,003)	**(95)**
Dividends paid to shareholders	**(906)**	(693)	**(7,810)**
Payments for purchase of treasury stock	**(96)**	(48)	**(828)**
Other–net	**203**	2	**1,750**
Net cash used in financing activities	**(866)**	(2,149)	**(7,466)**
Foreign currency translation adjustments on cash and cash equivalents	**655**	56	**5,647**
Net increase in cash and cash equivalents	**764**	2,782	**6,586**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	**121**	39	**1,043**
Cash and cash equivalents at beginning of year	**13,539**	10,718	**116,716**
Cash and cash equivalents at end of year	**¥14,424**	¥13,539	**$124,345**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2006 and 2005

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Star Micronics Co., Ltd. (the "Company") and its consolidated subsidiaries (the Companies) in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

Certain reclassifications have been made in the 2005 consolidated financial statements to conform to the classifications used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at the rate of ¥116 to $1, the approximate rate of exchange at February 28, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation and Investments in Unconsolidated Subsidiaries and Associated Companies

The accompanying consolidated financial statements as of February 28, 2006 include the accounts of the Company and its 20 significant subsidiaries (together, the "Group").

Under the control or influence concept, a company in which the parent company, directly or indirectly, is able to exercise control over operations is fully consolidated, and another company over which the Group has the ability to exercise significant influence is accounted for by the equity method.

In March 2005, Star Micronics (Thailand) Co., Ltd. was established and was newly consolidated from 2006.

Micro Takemi Company and Shanghai S&E Precision Co., Ltd. were newly consolidated from 2006 because it has become material to the consolidated financial statements of the Company.

Star Micronics Manufacturing Dalian Co., Ltd. was merged with Dalian Sande Electronics Co., Ltd. in 2005.

The fiscal periods of consolidated subsidiaries in Japan end at the end of February, and those of consolidated subsidiaries outside of Japan end on December 31. Significant transactions that occur for the period from January 1 to the end of February are reflected in the accompanying consolidated financial statements.

Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

The excess of cost of investments in consolidated subsidiaries over the fair value of the net assets of the acquired subsidiary at the dates of acquisition is being amortized mainly over 10 years.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions were eliminated.

Investments in unconsolidated subsidiaries and associated companies are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is not material.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposits and investment trusts in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Inventories

Inventories are substantially stated at cost determined by the average method. The inventories held by certain consolidated subsidiaries are generally stated at the lower of cost (first-in, first-out) or market.

d. Marketable and Investment Securities

All securities are classified as available-for-sale securities.

Marketable securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method for the Company and its consolidated subsidiaries in Japan and by the straight-line method for substantially all of the consolidated subsidiaries outside of Japan.

Depreciation is based on the estimated useful lives, ranging from 15 to 47 years for buildings and structures and from 2 to 15 years for machinery and equipment.

f. Long-lived Assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of March 1, 2005. The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended February 28, 2006 by ¥102 million ($879 thousand).

g. Retirement and Pension Plans

The Company has a non-contributory funded pension plan covering substantially all of its employees. To provide for the payment of retirement benefits and pension plan payment to employees, the Company recorded a reserve equivalent to the amounts recognized as necessary at the end of the period under review based on the estimated retirement benefit obligation and the fair value of the pension plan assets at the fiscal year-end.

Actuarial gain and loss is amortized in the years following the year in which the gain or loss is recognized by the straight-line-method within a specific period (14 years), which falls within the average remaining years of service of the eligible employees. Unrecognized prior service cost is amortized in the years in which the gain or loss is recognized by the straight-line-method within a specific period (14 years), which falls within the average remaining years of service of the eligible employees.

h. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

i. Research and Development Costs

Research and development costs are charged to income as incurred.

j. Income Taxes

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements in the period in which shareholders' approval has been obtained.

l. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

m. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

n. Derivatives

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Companies to reduce foreign currency exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income.

o. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full conversion of the outstanding stock acquisition rights at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense and net of tax.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

p. New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Business Combinations, and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued Accounting Standard for Business Separations and ASBJ Guidance No. 10, Guidance for Accounting Standard for Business Combinations and Business Separations. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock Options

On December 27, 2005, the ASBJ issued Accounting Standard for Stock Options and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to Directors and Corporate Auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders' meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, Accounting Treatment for Bonuses to Directors and Corporate Auditors, which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year-end to which such bonuses are attributable.

3. Marketable and Investment Securities

Marketable and investment securities at February 28, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Current:			
Corporate and other bonds	**¥ 21**		**$ 181**
Trust fund investment and other		¥ 121	
Total	**¥ 21**	¥ 121	**$ 181**
Non-current:			
Equity securities	**¥3,210**	¥2,499	**$27,672**
Corporate and other bonds	**83**	82	**716**
Trust fund investment and other	**70**	53	**603**
Total	**¥3,363**	¥2,634	**$28,991**

Information regarding the category of securities classified as available-for-sale at February 28, 2006 and 2005, was as follows:

	Millions of yen			
2006	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	**¥1,590**	**¥1,523**		**¥3,113**
Corporate and other bonds	**101**	**3**		**104**
Trust fund investments and other	**50**	**20**		**70**

	Millions of yen			
2005	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥1,602	¥805		¥2,407
Corporate and other bonds	79	3		82
Trust fund investments and other	150	24		174

	Thousands of U.S. dollars (Note 1)			
2006	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	**$13,707**	**$13,129**		**$26,836**
Corporate and other bonds	**871**	**26**		**897**
Trust fund investments and other	**431**	**172**		**603**

Available-for-sale securities whose fair value was not readily determinable as of February 28, 2006 and 2005, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Available-for-sale:			
Equity securities	**¥97**	¥93	**$836**
Total	**¥97**	¥93	**$836**

Proceeds from sales of available-for-sale securities for the year ended February 28, 2006 and 2005, were ¥141 million ($1,216 thousand) and ¥922 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, for the year ended February 28, 2006 were ¥23 million ($198 thousand), and for the year ended February 28, 2005 were ¥160 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at February 28, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Due within one year	**¥ 21**	¥121	**$181**
Due after one year through five years	**83**	82	**716**
Total	**¥104**	¥203	**$897**

4. Short-term Investments

Short-term investments at February 28, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Deposits over 3-month period	**¥ 732**	¥415	**$6,310**
Other	**400**	299	**3,449**
Total	**¥1,132**	¥714	**$9,759**

5. Inventories

Inventories at February 28, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Merchandise	**¥ 204**	¥ 242	**$ 1,759**
Finished products	**6,719**	6,085	**57,922**
Work in process	**2,454**	2,206	**21,155**
Raw materials and supplies	**2,115**	2,135	**18,233**
Total	**¥11,492**	¥10,668	**$99,069**

6. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the year ended February 28, 2006, and, as a result, recognized an impairment loss of ¥102 million as other expenses for certain unutilized land due to a decline in the value of the land, and the carrying amount of the relevant land was written down to the recoverable amount.

The recoverable amount of that land was measured at its net selling price determined by a quotation from a third-party vendor.

7. Retirement and Pension Plans

The Company and certain of its consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors. Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments.

The liability for employees' retirement benefits at February 28, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Projected benefit obligation	**¥(7,606)**	¥(7,634)	**$(65,569)**
Fair value of plan assets	**8,662**	6,990	**74,672**
Unrecognized actuarial loss	**(357)**	768	**(3,077)**
Unrecognized prior service cost	**(266)**		**(2,293)**
Net amount recognized	**¥ 433**	¥ 124	**$ 3,733**
Amounts recognized in the balance sheets consist of:			
Prepaid pension expense	**¥ 456**	¥ 136	**$ 3,931**
Liability for retirement benefits	**(23)**	(12)	**(198)**
Net amount recognized	**¥ 433**	¥ 124	**$ 3,733**

The components of net periodic benefit costs for the years ended February 28, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Service cost	**¥ 365**	¥ 378	**$ 3,147**
Interest cost	**149**	152	**1,285**
Expected return on plan assets	**(175)**	(163)	**(1,509)**
Recognized net actuarial loss	**79**	91	**681**
Amortization of prior service cost	**(17)**		**(147)**
Net periodic benefit costs	**¥ 401**	¥ 458	**$ 3,457**

Assumptions used for the years ended February 28, 2006 and 2005 were set forth as follows:

	2006	2005
Discount rate	**2%**	2%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**14 years**	14 years
Amortization period of prior service cost	**14 years**	

The liability for retirement benefits at February 28, 2006 and 2005 for directors and corporate auditors is ¥247 million ($2,129 thousand) and ¥212 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. Shareholders' Equity

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥16,876 million ($145,483 thousand) as of February 28, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of the legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

9. Income Taxes

The Company and its consolidated subsidiaries in Japan are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40% for the years ended February 28, 2006 and 41% for the years ended February 2005. Due to a change in the enterprise tax rate in Japan, effective for years beginning March 1, 2005, the normal effective statutory tax rate is scheduled to be changed.

Consolidated subsidiaries outside of Japan are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at February 28, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Current:			
Deferred tax assets			
Unrealized profit on inventories	**¥ 945**	¥ 842	**$ 8,147**
Accrued bonuses	**370**	339	**3,190**
Inventories	**155**	223	**1,336**
Accrued business taxes	**100**	103	**862**
Allowance for doubtful receivables	**25**	11	**215**
Other	**155**	122	**1,336**
Total deferred tax assets	**¥1,750**	¥1,640	**$15,086**
Deferred tax liabilities			
Undistributed earnings of associated companies	**¥ 109**	¥ 82	**$ 940**
Tax-deductible inventory losses	**33**	22	**284**
Other	**51**	44	**440**
Total deferred tax liabilities	**¥ 193**	¥ 148	**$ 1,664**
Net deferred tax assets	**¥1,557**	¥1,492	**$13,422**
Non-current:			
Deferred tax assets			
Write-down of investment securities	**¥ 157**	¥ 167	**$ 1,354**
Depreciation	**103**	99	**888**
Retirement benefits for directors and corporate auditors	**98**	84	**845**
Other	**229**	159	**1,974**
Less valuation allowance	**(211)**	(174)	**(1,819)**
Total deferred tax assets	**¥ 376**	¥ 335	**$ 3,242**
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	**¥ 615**	¥ 330	**$ 5,302**
Prepaid pension expense	**181**	54	**1,560**
Property, plant and equipment	**32**	33	**276**
Other	**35**	26	**302**
Total deferred tax liabilities	**¥ 863**	¥ 443	**$ 7,440**
Net deferred tax liabilities	**¥ (487)**	¥ (108)	**$ (4,198)**

A reconciliation between the normal effective statutory tax rate for the years ended February 28, 2006 and 2005 and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2006	2005
Normal effective statutory tax rate	**39.8%**	41.2%
Effect of foreign tax rate differences	**(4.3)**	(3.0)
Tax credit for research and development costs	**(2.3)**	
Reversal of deferred tax assets on unrealized profit		(5.4)
Amortization of excess cost of investments in consolidated subsidiaries	**1.0**	1.6
Other	**0.6**	(1.1)
Actual effective tax rate	**34.8%**	33.3%

The normal effective tax rate reflected in the accompanying consolidated statements of income for the years ended February 28, 2006 and 2005 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

10. Related Party Transactions

The balances due to or from Citizen Watch Co., Ltd., which owned 16.5% and 16.6% of voting shares of the Company at February 28, 2006 and 2005, respectively, and related transactions for the years ended were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Citizen Watch Co., Ltd.			
Transaction:			
Sales	**¥1,565**	¥1,638	**$13,491**
Balance at year-end:			
Trade accounts receivable	**546**	500	**4,707**

11. Research and Development Costs

Research and development costs charged to income were ¥2,192 million ($18,897 thousand) and ¥2,251 million for the years ended February 28, 2006 and 2005, respectively.

12. Leases

The Company and its consolidated subsidiaries lease certain machinery, computer equipment, office space and other assets.

Lease payments under financial leases were ¥52 million ($448 thousand) and ¥73 million for the years ended February 28, 2006 and 2005, respectively.

Pro forma information of leased property of which ownership was deemed not to be transferred to the lessee on an "as if capitalized" basis at February 28, 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Acquisition cost	**¥255**	¥254	**$2,198**
Accumulated depreciation	**128**	119	**1,103**
Net leased property	**¥127**	¥135	**$1,095**

The pro forma depreciation expenses computed by the straight-line method were ¥52 million ($448 thousand) and ¥73 million for the years ended February 28, 2006 and 2005, respectively.

Obligations under financial leases at February 28, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Due within one year	**¥ 46**	¥ 46	**$ 397**
Due after one year	**81**	89	**698**
Total	**¥127**	¥135	**$1,095**

The pro forma information above does not exclude the imputed interest portion because the remaining financial lease obligations are not material compared with the book values of property, plant and equipment.

Obligations under non-cancelable operating leases at February 28, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Due within one year	**¥ 94**	¥ 88	**$ 810**
Due after one year	**426**	511	**3,673**
Total	**¥520**	¥599	**$4,483**

13. Derivatives

The Company enters into derivative financial instruments ("derivatives"), including foreign currency forward contracts, currency swaps and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies in the normal course of business.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

After discussion with the relevant sections, control of derivatives is primarily the responsibility of the Finance Department. Each derivative transaction is periodically reported to the management.

Fair Value of Derivative Financial Instruments:

The fair values of the Company's derivative financial instruments at February 28, 2006 and 2005 were as follows:

	Millions of yen					
	2006			2005		
	Contracted amount	Fair value	Unrealized gain/loss	Contracted amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:						
Receivables:	**¥4,131**	**¥4,154**	**¥(23)**	¥4,600	¥4,639	¥(39)
Payables:	**870**	**850**	**(20)**	1,127	1,154	27
Total			**¥(43)**			¥(12)

	Thousands of U.S. dollars (Note 1)		
	2006		
	Contracted amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:			
Receivables:	**$35,612**	**$35,810**	**$(198)**
Payables:	**7,500**	**7,328**	**(172)**
Total			**$(370)**

14. Contingent Liabilities

As of February 28, 2006 and 2005, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Guarantees of bank loans		¥42	

15. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended February 28, 2006 and 2005 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars (Note 1)
	Net income	Weighted average shares	EPS	
For the year ended February 28, 2006				
Basic EPS				
Net income available to common shareholders	**¥5,101**	**53,353**	**¥95.60**	**$0.82**
Effect of dilutive securities				
Stock Acquisition Rights		**126**		
Diluted EPS				
Net income for computation	**¥5,101**	**53,479**	**¥95.38**	**$0.82**
For the year ended February 28, 2005				
Basic EPS				
Net income available to common shareholders	¥3,738	53,302	¥70.13	$0.67
Effect of dilutive securities				
Stock Acquisition Rights		26		
Diluted EPS				
Net income for computation	¥3,738	53,328	¥70.09	$0.67

16. Stock Option Plan

As of February 28, 2006, the Company has the following stock option plans approved by the shareholders in accordance with the Commercial Code:

Date of approval by shareholders	May 23, 2002	May 22, 2003	May 27, 2004	May 25, 2005
Grantees	Directors, key employees, directors of consolidated subsidiaries			
Nature of stocks with warrant granted	Common stock			
Number of stocks with warrant granted	53,000	16,000	140,000	140,000
Option price per warrant	¥1,020	¥725	¥967	¥1,142
Exercisable period	May 24, 2004 – May 23, 2008	May 23, 2005 – May 22, 2009	May 28, 2006 – May 27, 2010	May 27, 2007 – May 26, 2011

17. Segment Information

Effective March 1, 2005, the Group changed its industry segmentation from Precision Electric Equipment, Machine Tools, and Precision Products to Special Products, Components, Machine Tools, and Precision Products, because the common cost of Procurement section of Precision Electric Equipment for Special Products and Components can be divided and administrated definitely.

Information regarding industry segments, geographical segments and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended February 28, 2006 and 2005 was as follows:

(1) Industry Segments

	Millions of yen					
2006	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	**¥12,599**	**¥10,995**	**¥26,673**	**¥4,521**		**¥54,788**
Intersegment sales						
Total sales	**12,599**	**10,995**	**26,673**	**4,521**		**54,788**
Operating expenses	**11,362**	**9,655**	**20,119**	**3,414**	**¥ 2,130**	**46,680**
Operating income	**¥ 1,237**	**¥ 1,340**	**¥ 6,554**	**¥1,107**	**¥ (2,130)**	**¥ 8,108**
Total assets	**¥13,935**	**¥10,450**	**¥23,838**	**¥5,490**	**¥13,113**	**¥66,826**
Depreciation and amortization	**642**	**944**	**505**	**360**	**128**	**2,579**
Capital expenditures	**655**	**758**	**2,021**	**329**	**29**	**3,792**

	Millions of yen					
2005	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	¥13,011	¥ 8,911	¥24,035	¥3,733		¥49,690
Intersegment sales						
Total sales	13,011	8,911	24,035	3,733		49,690
Operating expenses	11,513	8,520	18,302	3,094	¥ 1,918	43,347
Operating income	¥ 1,498	¥ 391	¥ 5,733	¥ 639	¥ (1,918)	¥ 6,343
Total assets	¥12,574	¥10,911	¥20,367	¥4,867	¥11,294	¥60,013
Depreciation and amortization	680	941	371	353	147	2,492
Capital expenditures	648	740	663	233	112	2,396

	Thousands of U.S. dollars (Note 1)					
2006	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	**$108,612**	**$94,784**	**$229,940**	**$38,974**		**$472,310**
Intersegment sales						
Total sales	**108,612**	**94,784**	**229,940**	**38,974**		**472,310**
Operating expenses	**97,948**	**83,232**	**173,440**	**29,431**	**$ 18,362**	**402,413**
Operating income	**$ 10,664**	**$11,552**	**$ 56,500**	**$ 9,543**	**$ (18,362)**	**$ 69,897**
Total assets	**$120,129**	**$90,086**	**$205,500**	**$47,328**	**$113,043**	**$576,086**
Depreciation and amortization	**5,535**	**8,138**	**4,353**	**3,104**	**1,103**	**22,233**
Capital expenditures	**5,647**	**6,535**	**17,422**	**2,836**	**250**	**32,690**

* The segments consist of the following products:

Special Products: Computer printers, POS printers, Visual cards, Readers/Writers, etc.

Components: Electronic buzzers, Microphones, Speakers, Receivers, etc.

Machine Tools: CNC automatic lathes, etc.

Precision Products: Wristwatch parts, Optical connector parts, Automotive parts, Medical parts, etc.

* Operating expenses in the eliminations or corporate column include general corporate expenses incurred by the Administration Headquarters of the Company. The amounts were ¥2,130 million ($18,362 thousand) and ¥1,918 million for the years ended February 28, 2006 and 2005, respectively.

* Assets in the eliminations or corporate column include assets maintained by the Administration Headquarters of the Company, and consist principally of excess funds under management (cash and marketable securities) and long-term investments (investment securities). The amounts were ¥13,113 million ($113,043 thousand) and ¥11,294 million at February 28, 2006 and 2005, respectively.

(2) Geographical Segments

	Millions of yen					
2006	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	**¥20,550**	**¥12,875**	**¥12,282**	**¥ 9,081**		**¥54,788**
Inter-area transfers	**24,135**	**22**	**74**	**12,109**	**¥(36,340)**	
Total	**44,685**	**12,897**	**12,356**	**21,190**	**(36,340)**	**54,788**
Operating expenses	**37,813**	**11,208**	**11,161**	**20,429**	**(33,931)**	**46,680**
Operating income	**¥ 6,872**	**¥ 1,689**	**¥ 1,195**	**¥ 761**	**¥ (2,409)**	**¥ 8,108**
Total assets	**¥53,804**	**¥ 9,811**	**¥ 8,474**	**¥17,783**	**¥(23,046)**	**¥66,826**

	Millions of yen					
2005	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	¥20,325	¥11,847	¥10,242	¥ 7,276		¥49,690
Inter-area transfers	22,829	13	1	11,502	¥(34,345)	
Total	43,154	11,860	10,243	18,778	(34,345)	49,690
Operating expenses	37,245	10,248	9,463	18,730	(32,339)	43,347
Operating income	¥ 5,909	¥ 1,612	¥ 780	¥ 48	¥ (2,006)	¥ 6,343
Total assets	¥51,880	¥ 9,288	¥ 6,404	¥15,271	¥(22,830)	¥60,013

	Thousands of U.S. dollars (Note 1)					
2006	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	**$177,156**	**$110,991**	**$105,879**	**$ 78,284**		**$472,310**
Inter-area transfers	**208,060**	**190**	**638**	**104,388**	**$(313,276)**	
Total	**385,216**	**111,181**	**106,517**	**182,672**	**(313,276)**	**472,310**
Operating expenses	**325,974**	**96,621**	**96,215**	**176,112**	**(292,509)**	**402,413**
Operating income	**$ 59,242**	**$ 14,560**	**$ 10,302**	**$ 6,560**	**$ (20,767)**	**$ 69,897**
Total assets	**$463,827**	**$ 84,577**	**$ 73,052**	**$153,302**	**$(198,672)**	**$576,086**

* The segments consist of the following countries:

Europe: United Kingdom, Germany, France and Switzerland

North America: United States of America

Asia: China and Thailand

* Operating expenses in the eliminations or corporate column include general corporate expenses incurred by the Administration Headquarters of the Company. The amounts were ¥2,130 million ($18,362 thousand) and ¥1,918 million for the years ended February 28, 2006 and 2005, respectively.

* Assets in the eliminations or corporate column include assets maintained by the Administration Headquarters of the Company, and consist principally of excess funds under management (cash and marketable securities) and long-term investments (investment securities). The amounts were ¥13,113 million ($113,043 thousand) and ¥11,294 million at February 28, 2006 and 2005, respectively.

(3) Sales to Foreign Customers

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Europe	**¥15,724**	¥14,271	**$135,552**
North America	**12,694**	11,181	**109,431**
Asia	**14,525**	13,265	**125,215**
Total	**¥42,943**	¥38,717	**$370,198**

* The segments consist of the following countries:

Europe:	United Kingdom, Germany, Switzerland, Finland, Hungary, etc.
North America:	United States of America, Mexico, etc.
Asia:	China, Republic of Korea, Taiwan, Singapore, Thailand, Australia, etc.

18. Subsequent Event

The following appropriations of retained earnings at February 28, 2006 were approved at the Company's shareholders' meeting held on May 25, 2006:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥12 ($0.103) per share	**¥641**	**$5,526**
Bonuses to directors and corporate auditors	**51**	**440**

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
Agora Shizuoka
1-13, Ohtemachi, Aoi-ku
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Star Micronics Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Star Micronics Co., Ltd. and consolidated subsidiaries (together, the "Group") as of February 28, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Star Micronics Co., Ltd. and consolidated subsidiaries as of February 28, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.f to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets as of March 1, 2005.

As discussed in Note 17 to the consolidated financial statements, the Group changed its industry segmentation, effective March 1, 2005.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

May 25, 2006.

Stock Information

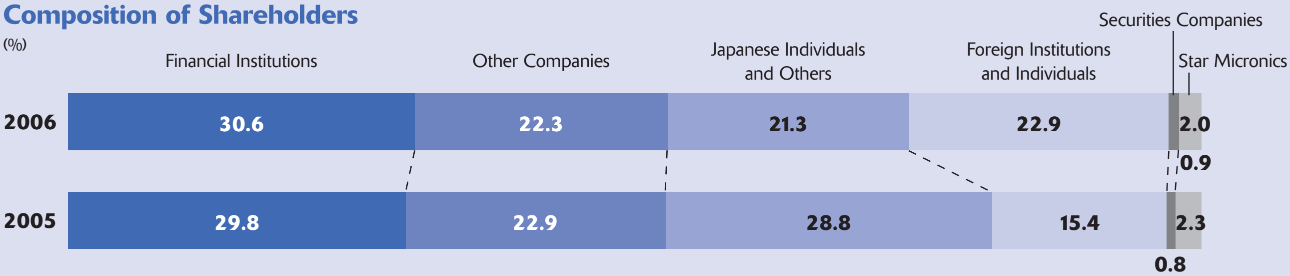
as of February 28, 2006

Common Stock	Authorized	158,000,000
	Issued	54,533,234
Paid-in Capital		12,721,939,515 yen
Number of Shareholders		5,246

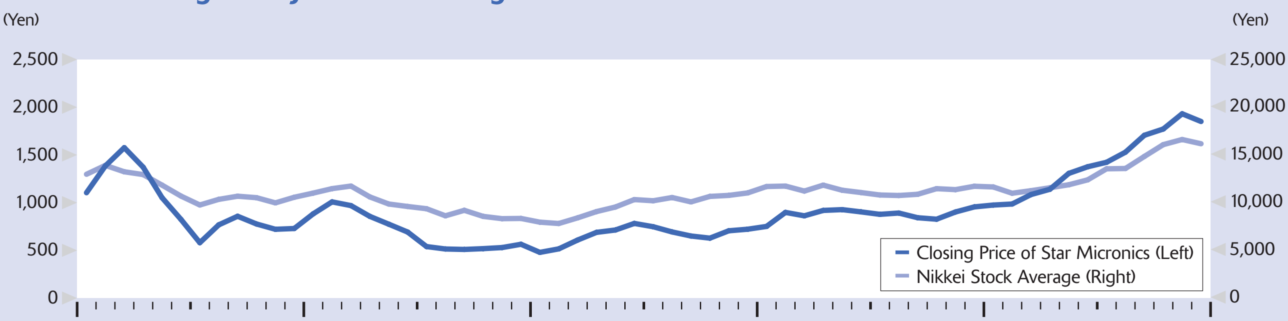
Stock Listings
First Section of the Tokyo and Nagoya Stock Exchanges

Transfer Agent
Tokyo Securities Transfer Agent Co., Ltd.
1-4-2 Marunouchi, Chiyoda-ku,
Tokyo 100-0005 Japan

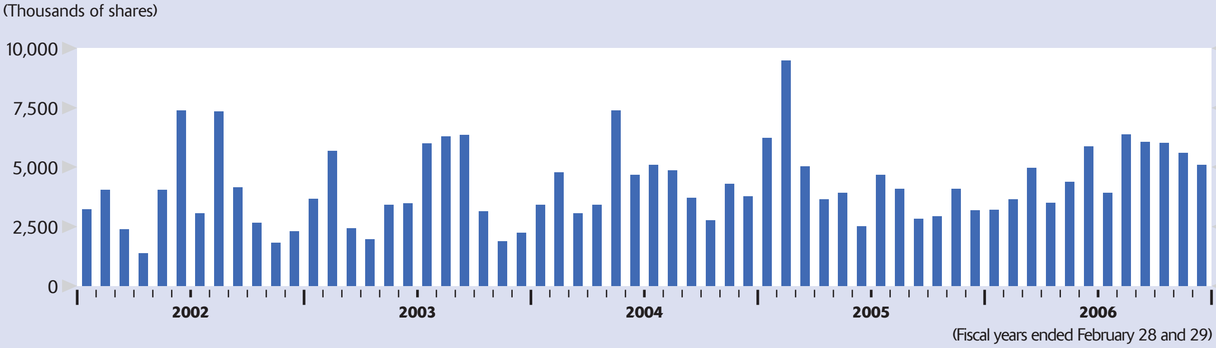
Composition of Shareholders



Stock Price Range (Tokyo Stock Exchange)



Trading Volume



Notes: 1. This trading volume shows the monthly volume of trade on the Tokyo Stock Exchange. Each fiscal year starts in March and ends in February.
2. Stock prices of Star Micronics and the Nikkei Stock Average are based on a simple average of daily closing prices for each day of every month at the Tokyo Stock Exchange.

Stock Price

(Yen)

(Year ended February)

Year	2002	2003	2004	2005	2006
At year-end	¥ 811	¥ 536	¥723	¥ 981	¥1,801
High	1,704	1,120	830	1,030	2,090
Low	490	420	418	704	941

Corporate Data

Directors and Auditors

President and CEO	Toshihiro Suzuki
Senior Managing Director	Hajime Sato
Managing Director	Tomohiko Okitsu
Directors	Masahiro Kato
	Kanji Suzuki
	Chiaki Fushimi
	Satomi Jojima
	Hiroshi Tanaka
Corporate Auditors	Katsuji Ito
	Osamu Yamada
	Hirofumi Odo

(as of May 25, 2006)

Corporate Data

Corporate Name	Star Micronics Co., Ltd.
Head Office	20-10 Nakayoshida, Suruga-ku, Shizuoka 422-8654, Japan Tel. +81-54-263-1111 Fax. +81-54-263-1057
Established	July 6, 1950

Group Network

Overseas Subsidiaries

Star Micronics America, Inc. (SMA)	1150 King Georges Post Road, Edison, NJ 08837, USA Tel. +1-732-623-5500
Star Micronics Asia Ltd. (SMH)	19/F., Enterprise Square II, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong Tel. +852-2796-2727
Star Micronics Europe Ltd. (SME)	Star House, Peregrine Business Park, Gomm Road, High Wycombe, Bucks, HP13 7DL, UK Tel. +44-1494-47-1111
Star Precisions Ltd.	18/F., Enterprise Square II, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong Tel. +852-2799-9141
Star Micronics Manufacturing Dalian Co., Ltd.	2, Huang Hai Street, Dalian Economic and Technical Development Zone, Dalian, PRC Tel. +86-411-87611535
Star Micronics AG (SMAG)	Lauetstrasse 3 CH-8112 Otelfingen, Zurich, Switzerland Tel. +41-43-411-6060
Star Micronics GB Ltd. (SMGB)	Chapel Street, Melbourne, Derbyshire, DE74 8JF, UK Tel. +44-1332-864455
Star Micronics GmbH (SMGH)	Untere Reute 44, 75305 Neuenburg, Germany Tel. +49-7082-7920-0
Star CNC Machine Tool Corporation (SMTC)	123 Powerhouse Road, Roslyn Heights, NY 11577, USA Tel. +1-516-484-0500
Star America Holding, Inc. (SAH)	Suite 100, 30 Old Rudnick Lane, Dover, DE 19901, USA
Shanghai S&E Precision Co., Ltd.	1-39, East Kangqiao Road, Kangqiao Industrial Zone, Pudong, Shanghai, PRC Tel. +86-21-68130222
Star Machine Tool France SAS (SMTF)	55 Avenue du Mont Blanc, F-74950 Scionzier, France Tel. +33-450-96-05-97
Shanghai Xingang Machinery Co., Ltd.	229 Fute Road (N), Waigaoqiao Free Trade Zone, Shanghai 200131, PRC Tel. +86-21-58682100
Star Micronics (Thailand) Co., Ltd. (SMTL)	49/30 Moo 4 Soi Kingkaew 30, Kingkaew Rd., T.Rachathewa A.Bangplee, Samutprakarn 10540, Thailand Tel. +66-2-750-4083

Japanese Subsidiaries

Micro Takemi Company	13-32 Takemi, Aoi-ku, Shizuoka 420-0934 Tel. +81-54-247-6533
Toshin Seiki Company	1500-35 Kitanoya, Misawa, Kikugawa, Shizuoka 439-0023 Tel. +81-537-35-6415
Micro Sapporo Company	3-705-2 Shinkouminami, Ishikari, Hokkaido 061-3244 Tel. +81-133-64-3663
Micro Fujimi Company	2-29-33 Senagawa, Aoi-ku, Shizuoka 420-0913 Tel. +81-54-263-1523
OS Metal Company	1500-133 Kitanoya, Misawa, Kikugawa, Shizuoka 439-0023 Tel. +81-537-35-0026
Micro Kikugawa Company	1500-133 Kitanoya, Misawa, Kikugawa, Shizuoka 439-0023 Tel. +81-537-37-2000

All Star Micronics subsidiaries shown above are consolidated.

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