

September 30, 2013

Fiscal 2014 Second-quarter Consolidated Earnings Report

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code: 7718 URL <http://www.star-m.jp>

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Scheduled release of fiscal 2014 Second-quarter Business Report: October 11, 2013

Scheduled payment of dividends: November 8, 2013

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: Yes

(Figures less than one million are rounded down)

1. Results for the Second Quarter of Fiscal 2014 (March 1, 2013 to August 31, 2013)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended August 31, 2013	19,254	(1.7)	498	(58.2)	833	(34.8)	227	(88.3)
Six months ended August 31, 2012	19,595	(0.7)	1,193	(17.5)	1,279	(17.2)	1,936	103.4

(Note) Comprehensive income

FY2014 Second Quarter ¥3,235 million(56.4%) FY2013 Second Quarter ¥2,069 million(50.9%)

	Net Income Per Share	Diluted Net Income Per Share
Six months ended August 31, 2013	5.40	5.39
Six months ended August 31, 2012	46.03	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of August 31, 2013	55,876	43,436	76.3
As of February 28, 2013	52,564	40,710	76.1

Reference: Shareholders' Equity

As of August 31, 2013 ¥42,617 million As of February 28, 2013 ¥40,019 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
Year ended February 28, 2013	—	15.00	—	15.00	30.00
Year ended February 28, 2014	—	17.00			
Year ended February 28, 2014 (projected)			—	17.00	34.00

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

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2014 (From March 1, 2013 to February 28, 2014)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	41,300	9.1	2,500	58.3	2,900	28.6	1,700	(26.1)	40.40

(Note) Changes to the latest consolidated results forecast announced: Yes

*Notes

- (1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None
New company: — (Company name) Excluded company: — (Company name)
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, estimates and restatement or corrections
- (i) Changes associated with revised accounting standards: Yes
 - (ii) Changes other than those in (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None

(Note) Please see “2. Summary Information” “Changes in accounting policies, accounting estimates and restatement of corrections” on page 4.

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

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

As of August 31, 2013	47,033,234 shares	As of February 28, 2013	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of August 31, 2013	4,958,067 shares	As of February 28, 2013	4,957,879 shares
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- (iii) Average number of outstanding shares (during the six months ended August 31)

As of August 31, 2013	42,075,293 shares	As of August 31, 2012	42,075,739 shares
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* Disclosure regarding progress of quarterly review procedures

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

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

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

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first two quarters of the fiscal year ending February 28, 2014, the U.S. economy remained on a modest recovery path. By contrast, European economies experienced a slowdown due to the impact of the sovereign debt problems and fiscal austerity measures. In Asian economies, the pace of growth slowed, particularly in China. In Japan, there were signs that the economy was gradually recovering, supported by the yen's depreciation.

In the major markets in which the Star Micronics Group operates, demand in the Machine Tools Segment remained sluggish in the European market due to the economic slowdown, and demand was stagnant in the Japanese market as well. This was despite steady growth in demand in the U.S. and East Asian markets. In the Special Products Segment, the effect of relatively robust demand from markets in North America and Japan was offset by lackluster market conditions in Europe and China. In the Precision Products Segment, demand fell across the board as wristwatch makers adjusted their output, affecting wristwatch component demand. Demand also contracted for non-wristwatch components, mainly for hard disk drives (HDDs).

Amid this environment, the Star Micronics Group focused its business activities on those with an emphasis on Southeast Asia, South America and other projected growth regions, along with the European and U.S. markets. While bolstering its production and sales frameworks, the Group pressed ahead with measures such as developing new products and pursuing research into new technologies.

As a result of the above factors, against the backdrop of a weaker yen, Star Micronics reported consolidated net sales of ¥19,254 million, down 1.7% year on year, for the first two quarters of fiscal 2014. As regards profits, a weak performance in the Machine Tools Segment and other areas resulted in operating income of ¥498 million, down 58.2% year on year, and ordinary income of ¥833 million, down 34.8% year on year. The Group posted net income of ¥227 million, a substantial decrease of 88.3% from the same period last year, when insurance income was posted as an extraordinary gain.

From the first quarter of the fiscal year ending February 28, 2014, the name of the former Components Segment was changed to the Micro Audio Components Segment. This change in the segment name has had no impact on the segment information.

Performance by segment was as follows:

(Special Products)

In POS printers, sales of thermal printers rose on the back of robust growth in demand from markets in North America and Japan, where business conditions are recovering. Other contributing factors included new orders captured in the European market, as well as the yen's depreciation. However, sales of dot-matrix printers declined mainly due to stagnant demand in Europe reflecting the effects of the economic slowdown, and due to the impact in the Asian market of the slower pace of growth in the Chinese economy.

As a result, segment sales increased 9.0% year on year to ¥4,241 million, with operating income up 147.2% to ¥249 million.

(Micro Audio Components)

This segment is making preparations for its scheduled termination while ensuring that it continues to fulfill its supply responsibilities to customers.

In August 2013, Star Micronics signed an agreement with Foster Electric Company, Limited to transfer the Micro Audio Components Segment to the latter on January 1, 2014 (planned).

Sales in this segment decreased 15.0% year on year to ¥1,429 million. Operating income was ¥29 million, compared to an operating loss of ¥121 million in the same period a year earlier.

(Machine Tools)

In CNC automatic lathes, sales in the U.S. increased on the back of steady growth in the medical equipment and other sectors. Sales in the Asian market also rose atop growth in demand from the mobile device-related sector in East Asia, plus the positive impact of currency exchange rates. In contrast, monetary sales in the mainstay European market decreased due to lower sales volume amid lackluster market conditions. Furthermore, the outlook for the Japanese market remained uncertain, mainly due to the impact of the shift to offshore production by the manufacturing sector. Consequently, there was also a large decrease in sales in Japan.

As a result, segment sales decreased only 0.2% year on year to ¥11,774 million, and operating income dropped by 29.1% to ¥1,304 million, mainly due to lower sales volume.

The Group exhibited a new model of its bestselling SB series of CNC Swiss-type multi-axis lathes at the China International Machine Tool Show (CIMT 2013) held in China in April 2013. Furthermore, the Group completed construction of a building for its new plant in Thailand, and conducted assembly of its first lot at the new plant in April.

(Precision Products)

Sales of wristwatch components fell sharply due to the continuing impact of production cutbacks by wristwatch makers due to their weak sales. Sales of non-wristwatch components also declined overall. This mainly reflected sluggish sales of automobile-related components due chiefly to lackluster market conditions. In addition, sales of components for hard disk drives (HDDs) decreased year on year, reflecting the impact of lower PC sales. These sales declines were partly offset by brisk sales of air conditioning-related components.

As a result, segment sales decreased 18.9% year on year to ¥1,808 million, and operating income fell by 90.8% to ¥30 million, mainly because of the lower segment sales.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets at the end of the second quarter amounted to ¥55,876 million, up ¥3,311 million from February 28, 2013. In addition to the overall impact of currency exchange rates, the change was mainly attributable to increases in inventories and trade notes and accounts receivable, despite a decrease in cash and cash equivalents. Total liabilities amounted to ¥12,439 million, an increase of ¥585 million from the end of the previous fiscal year, primarily due to an increase in trade notes and accounts payable. Total net assets amounted to ¥43,436 million, an increase of ¥2,726 million compared to February 28, 2013, mainly due to an improvement in foreign currency translation adjustments.

(3) Qualitative Information Concerning the Consolidated Earnings Projections

In light of business performance in the first two quarters of the fiscal year ending February 28, 2014, the Star Micronics Group has revised its earnings projections announced on April 10, 2013. For details, please see the separate press release titled “Differences between Consolidated Forecasts and Actual Results for the 1st Half of FY2014 and Revisions of Consolidated Forecasts for FY2014”, which was issued separately today (September 30, 2013).

These projections assume a foreign exchange rate of ¥95 to US\$1, and ¥125 to 1 euro for the third and fourth quarters of the year ending February 28, 2014.

2. Summary Information

Changes in accounting policies, accounting estimates and restatement of corrections
(Change in depreciation method)

Following the revision of the Corporation Tax Act, from the first quarter of the fiscal year ending February 28, 2014, Star Micronics and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after March 1, 2013 in accordance with the revised Corporation Tax Act. The impact of this change on profit and loss is minor.