

June 30, 2014

Fiscal 2015 First-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
Code: 7718 URL <http://www.star-m.jp>

Representative Director: Hajime Sato, President and CEO

Inquiries: Mamoru Sato, Managing Director, General Manager, General Administration Headquarters

TEL: 054 -263-1111

Scheduled release of Fiscal 2015 First-quarter Business Report: July 14, 2014

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

1. Results for the First Quarter of Fiscal 2015 (March 1, 2014 to May 31, 2014)

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

	Net Sales		Operating Income(Loss)		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2015 First Quarter	10,438	24.7	803	—	844	214.5	655	470.0
FY2014 First Quarter	8,370	(13.6)	(62)	—	268	(47.8)	114	(78.0)

(Note) Comprehensive income FY2015 First Quarter ¥58 million ((97.1%)) FY2014 First Quarter ¥2,018 million (14.0 %)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2015 First Quarter	15.56	15.54
FY2014 First Quarter	2.73	2.73

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of May 31, 2014	60,112	45,079	73.5
As of February 28, 2014	59,302	45,697	75.5

Reference: Shareholders' Equity

As of May 31, 2014 ¥44,164 million As of February 28, 2014 ¥44,772 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2014	—	17.00	—	17.00	34.00
FY2015	—				
FY2015(projected)		19.00	—	19.00	38.00

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

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2015 (From March 1, 2014 to February 28, 2015)

(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)	%	(¥)
Interim	21,400	11.1	1,750	251.2	1,900	127.9	1,300	472.4	30.88
Full Year	46,500	6.9	4,700	80.3	5,000	55.3	3,600	214.9	85.51

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

*Note

- (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: None
 - (ii) Changes other than those in (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None

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

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

As of May 31, 2014	47,033,234 shares	As of February 28, 2014	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of May 31, 2014	4,903,661 shares	As of February 28, 2014	4,934,661 shares
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- (iii) Average number of outstanding shares (during the three months ended May 31)

As of May 31, 2014	42,117,573 shares	As of May 31, 2013	42,075,352 shares
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* Disclosure regarding progress of quarterly review procedures

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

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

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

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first quarter of the fiscal year ending February 28, 2015, the U.S. economy continued to see a modest recovery overall, although temporarily impacted by the cold weather. Europe showed a trend toward gradual economic recovery, albeit with business conditions differing in each country. In Asia, the pace of growth slowed, with China showing signs of a slowdown while in Southeast Asia there was political uncertainty in Thailand. In Japan, the overall economy continued on a basic recovery trend, despite the impact of the surge in demand that occurred ahead of the consumption tax rise and the subsequent fall back.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools markets in Japan and overseas rose year on year. In the Special Products Segment, the POS-related markets experienced strong demand in North America and Japan, and also showed a recovery trend in Europe. In the markets related to precision products, there was strong demand in the wristwatch-related sector for both completed products and movements, and demand also increased mainly for the automotive-related sector.

The exchange rate during the first quarter of fiscal 2015 reflected a depreciation of the yen against both the U.S. dollar and the euro.

Amid this environment, the Star Micronics Group increased sales in all businesses, primarily in machine tools. As a result of this, and with the impact of the weaker yen, Star Micronics reported consolidated net sales of ¥10,438 million, up 24.7% year on year, for the first quarter of fiscal 2015. Profits increased substantially, with operating income at ¥803 million, up from a loss of ¥62 million in the same quarter of fiscal 2014, and ordinary income at ¥844 million, up 214.5% year on year. Net income increased 470.0% year on year to ¥655 million.

Performance by segment was as follows:

(Special Products)

In POS printers, sales increased significantly in all regions. In the U.S. and Japanese markets, sales centered on applications for payment systems using smartphones and tablets (mobile POS system) were strong. Sales also grew in the European market alongside the economic recovery. In the Asian market, sales increased in both China and Southeast Asia.

As a result, sales and profits increased substantially with segment sales up 39.8% year on year to ¥2,694 million and operating income up 537.9% to ¥470 million.

(Machine Tools)

In CNC automatic lathes, sales in the U.S. market remained flat year on year, partly due to the scaling down of tax rebates on capital investment and the spell of cold weather. In the European market, sales were strong, continuing a recovery trend sparked by orders captured in summer last year, mainly to the automotive-related sector. Sales increased in the Asian market, with strong sales in the automobile-, communications-, and medical equipment-related sectors in East Asia, despite weak sales in the automotive-related sector in Southeast Asia. Sales increased significantly in the Japanese market, reflecting strong sales primarily in the automotive-related sector.

As a result, sales and profits increased substantially with segment sales up 34.3% year on year to ¥6,651 million and operating income up 93.2% to ¥776 million.

(Precision Products)

Sales of wristwatch components increased due to strong sales to wristwatch makers. In non-wristwatch components, overseas sales were brisk for automotive-related components, for components for HDDs, and for air conditioning-related components. Consequently, overall sales in non-wristwatch components increased from the previous fiscal year.

As a result, sales and profits increased substantially, with segment sales up 31.5% year on year to ¥1,093 million, and operating income of ¥140 million improving from a loss of ¥25 million in the same quarter of fiscal 2014.

(2) Explanation Concerning Financial Position

Total assets as of the end of the first quarter amounted to ¥60,112 million, up ¥810 million from February 28, 2014. This was primarily due to an increase in inventories despite a decrease in trade receivables among other factors. Total liabilities amounted to ¥15,033 million, an increase of ¥1,428 million from the end of the previous fiscal year, primarily due to an increase in trade payables. Total net assets amounted to ¥45,079 million, a decrease of ¥618 million compared to February 28, 2014, mainly due to a decrease in foreign currency translation adjustments.

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

Earnings projections have been left unchanged from the projections announced on April 10, 2014.