

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

STAR MICRONICS CO., LTD.

<https://www.star-m.jp>

Code 7718

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* The projections in this document are based on information available at the time of release of this report and certain assumptions the Company considers reasonable.

* The Company does not promise that these projections will be achieved. Actual results may differ materially from projections due to a variety of factors.

Current State of Affairs

Improving the Price-to-Book Ratio (PBR) is a key management issue

- PBR (period-end basis) consistently below 1x from FY12/2021 (average for the past five fiscal years: 0.98x).
- In light of the cyclical nature of the Group's business results, set the ROE target for the three fiscal years of the First Medium-Term Management Plan at an average of 10% or more.
- Reducing the cost of capital in a bid to generate equity spreads recognized as the paramount issue.

▶ **In addition to further improving ROE over the medium to long term, critical need to improve the Group's PER and cost of capital by clearly explaining growth strategies, business risks, and the status of strategy execution, etc.**

Action Policies

- (1) Steadily carry out (execute) the Medium-Term Management Plan (**execute growth strategies**)
- (2) **Promote disciplined capital policies**, including changes in the structure of capital
- (3) **Strengthen IR activities**, including efforts to upgrade and expand information disclosure

(1) Execute growth strategies

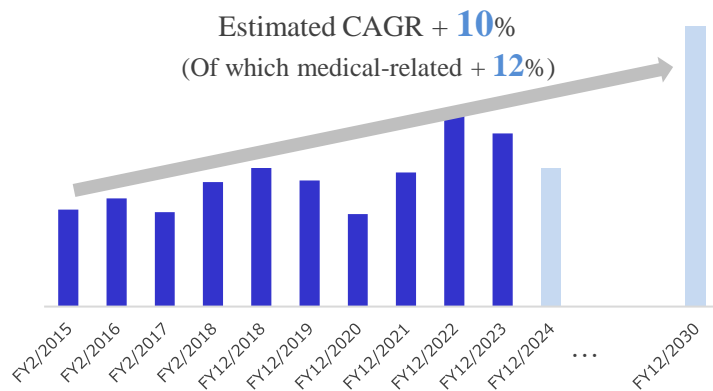
Focus on the Machine Tools Segment where the market is expected to expand with working to cultivate demand in the Special Products Segment and create new businesses that will serve as a third pillar.

Machine Tools Segment

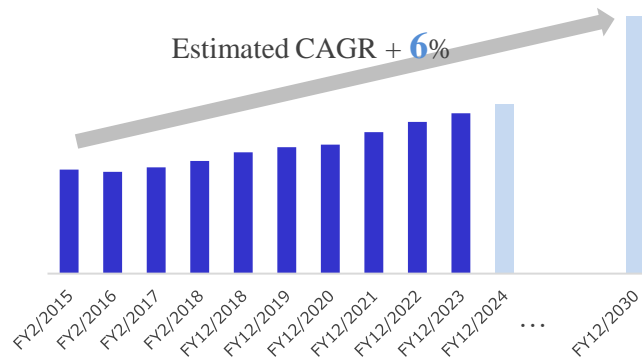
- In light of the trend toward miniaturization and increasingly intricate products the strength of the Group’s Swiss-Type CNC Automatic Lathes lies in their high-precision machining technology.
- Despite the favorable and unfavorable nature of operating conditions, a supply system that can address these shifts in the market is essential given the expected growth in demand for Swiss-Type CNC Automatic Lathes over the medium to long term.
- The Star Micronics Group has secured a high market share mainly in the U.S. and European markets through a well-developed service system.
- Demand in the mainstay medical-related industry is expected to grow on an ongoing and steady basis in both developed and emerging countries.
- Increase in emerging market demand and especially India over the medium to long term owing to such factors as the growth in domestic demand and policies to strengthen exports.

▶ **Work to establish the Group’s position as a leading manufacturer of automatic lathes by further strengthening service functions and thereby cultivating emerging markets while maintaining a strong customer base in Europe and the U.S.**

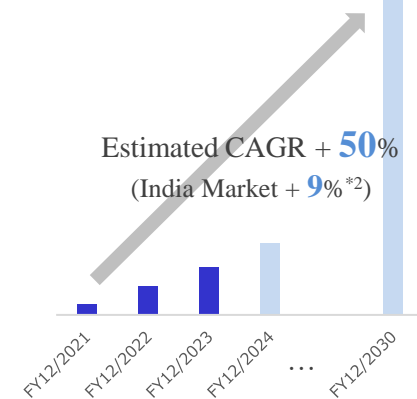
Sales of Star Micronics’ Automatic Lathes
(Amount-Based)



Global Medical Component Market Scale*1
(Star Micronics’ Product-Related Components)



Sales of Star Micronics’ Automatic Lathes
(India Market Volume-Based)



*1 Estimate of the market scale of components that can be processed by the Company’s products based on multiple research reports.
*2 Source: The International Market Analysis Research and Consulting Group (IMARC)

(1) Execute growth strategies

Special Products Segment

- Growing need for complex Software solutions that include Hardware and cloud services in stores.
- Upgrade and expand the product lineup to meet changing store needs, including the timely introduction of new products (label printers, etc.).
- Put in place a support system that enables system vendors to engage in one-stop development, including peripheral equipment through proprietary SDKs.
- Well in advance of its competitors, the Star Micronics Group helped cultivate mPOS and food delivery markets by drawing on its strong marketing capabilities.

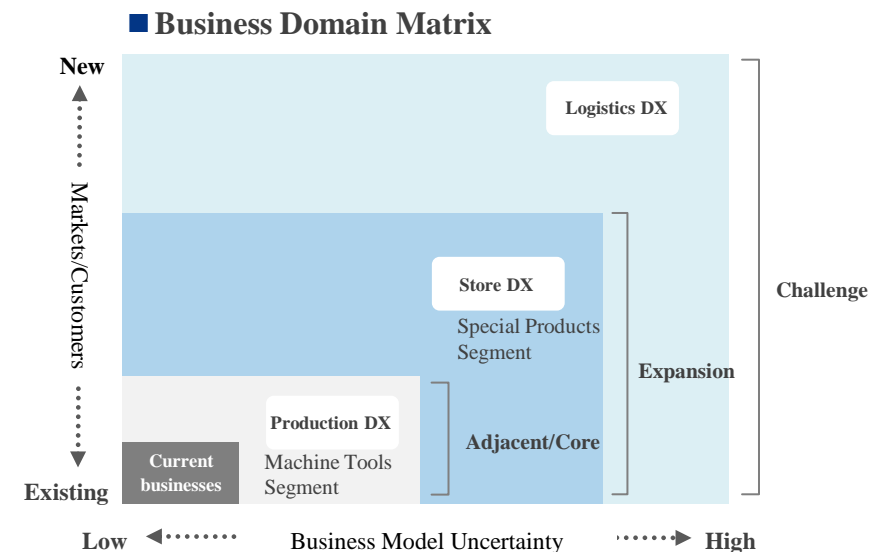
▶▶ **Work to become a total solution provider in store operations by pursuing user and vendor convenience without overlooking market opportunities and changes in demand.**

New Business

Promote business development that helps increase customers' operating efficiency in areas adjacent to existing businesses + enclave strategies.

(Specific Initiatives)

- Production DX: Develop services, etc. that help increase operating efficiency at manufacturing sites
- Store DX: Develop services to solve operating issues at restaurants and retail stores, etc.
- Logistics DX: Develop services, etc. for retail and other stores that address issues related to distribution management



(2) Promote disciplined capital policies

Work to reform the structure of capital by redefining and promoting the Company's returns to shareholders policy based on actual conditions in a disciplined fashion and advancing the use of liabilities in line with growth investments.

Redefining the Returns to Shareholders Policy

Target a total payout ratio of 50% or more including the repurchase of own shares, based on a stable annual dividend of ¥60 or more per share



Commit to achieve a total payout ratio of 50% or more including the repurchase of own shares, based on a **progressive** annual dividend of ¥60 or more per share

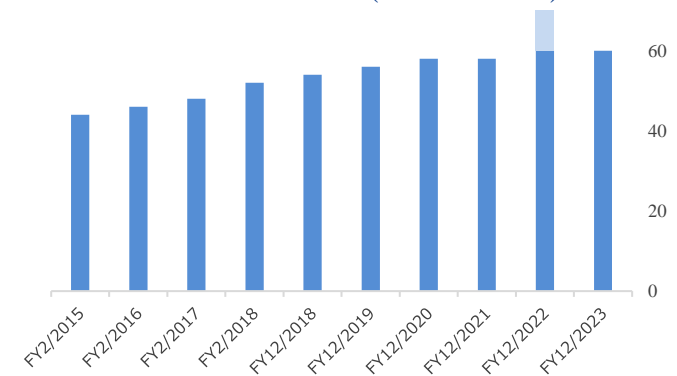
Reform the Structure of Capital

With the premise of ensuring financial soundness, flexibly provide returns to shareholders in line with the established policy, and reform the structure of capital over the medium to long term by proactively utilizing liabilities for growth investments.

(Specific Initiatives)

- Review the adequacy and structure of capital taking into consideration such factors as the cyclical nature of the Group's business results and future growth investments.
- Consider the use of sustainable finance as a source of funds for investments in domestic factories in the Machine Tools Segment.

Trends in DPS (Past 10 Years)



* Included a special dividend in FY12/2022

(3) Strengthen IR activities

Further deepen dialogue with investors and reflect in the decision-making process.

Interviews conducted in 2023

* Principal targets: Institutional investors and analysts

1 on 1 meetings: **145**

Financial results briefings: **2** (Participants: **74**)

Principal Company representatives

Representative director, president and CEO

(1 on 1 meetings, financial results briefings))

Senior Executive Officer and General Manager Corporate Headquarters

(1 on 1 meetings)

Executive Officer and General Manager Corporate Headquarters Accounting

(1 on 1 meetings)

Major dialogue themes and points of interest

- Business environment trends
- Progress under the Medium-Term Management Plan
- Future direction of existing businesses
- Thoughts on the Company's PBR falling below 1 times
- Approach toward returns to shareholders

Specific Initiatives

- **Upgrade and expand meetings and explanations with investors**
In addition to proactively conducting interviews to help investors better understand the Group's growth strategies, etc., create opportunities to actively disseminate information to individual investors and to meet with overseas investors.
- **Upgrade, expand, and enhance information disclosure**
Upgrade and expand IR tools including the Factbook, which helps investors better evaluate the Company's financial results, as well as the disclosure of sustainability-related information and eliminate information asymmetry as a part of efforts to enhance the quality of dialogue.
- **Garner regular feedback and investor opinions**
Ensure that investors' opinions are fed back to all relevant parties, including the Board of Directors, by the department responsible for IR and reflected in the management decision-making process in a timely manner.

 **Actively promote IR activities and enhance the quality of dialogue**