

Report on Progress under First Medium-Term Management Plan “Building a Foundation for Change”

STAR MICRONICS CO., LTD.

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

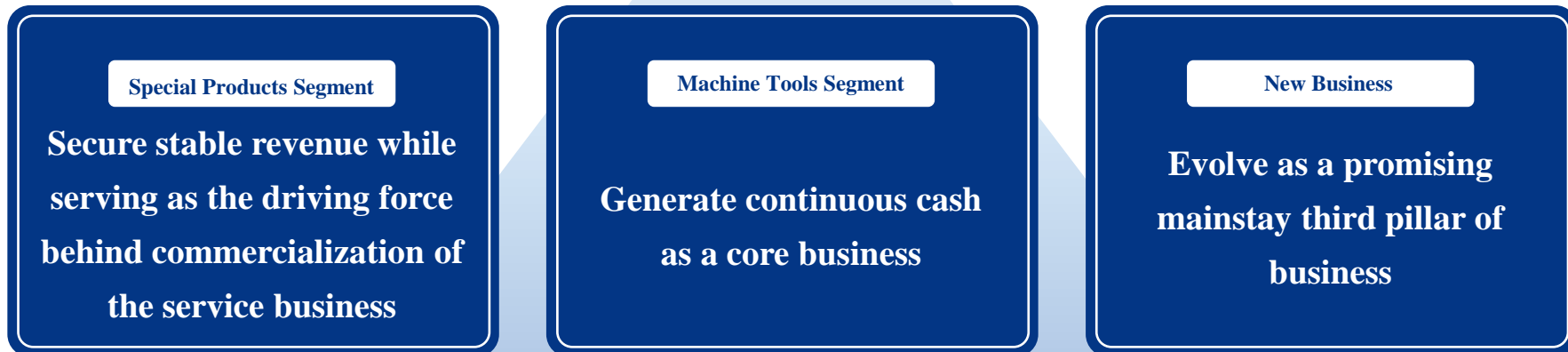
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February 9, 2023

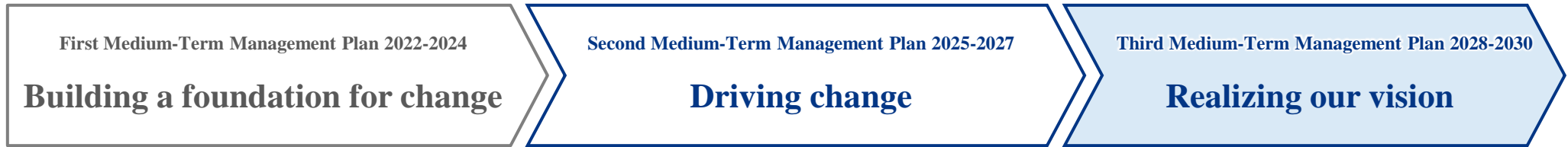
* The projections in this document are based on information available at the time of release of this report and certain assumptions the Company considers reasonable.

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

Drawing on its corporate philosophy and the management base, human resource systems, and R&D capabilities that underpin its multi-business structure, Star Micronics is targeting net sales of ¥100.0 billion and operating income of ¥20.0 billion.



- **Diverse management team in which each individual exhibits characteristics that exemplify the Company's action guidelines**
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- **Environment in which all employees can maximize their potential regardless of gender, age, or race**
.....
- **R&D capabilities to continuously create unique technologies**
.....



	First Medium-Term Management Plan 2022-2024 Building a foundation for change	Second Medium-Term Management Plan 2025-2027 Driving change	Third Medium-Term Management Plan 2028-2030 Realizing our vision
Special Products Segment	<ul style="list-style-type: none"> • Make deeper inroads into the mPOS/food delivery market • Uncover peripheral areas • Strengthen software technologies through various measures including M&As 	<ul style="list-style-type: none"> • Commercialize peripheral areas • Nurture the service business into an earnings stream using software technology 	<ul style="list-style-type: none"> • Become a total solution provider for store operations
Machine Tools Segment	<ul style="list-style-type: none"> • Strengthen the production system • Delve into hardware technologies • Promote the adoption of software technology 	<ul style="list-style-type: none"> • Expand in areas outside the automobile industry • Commercialize peripheral areas • Strengthen software technologies 	<ul style="list-style-type: none"> • Establish a position as a leading manufacturer of automatic lathes
New Business	<ul style="list-style-type: none"> • Uncover and commercialize new segments mainly through M&As 	<ul style="list-style-type: none"> • Uncover and commercialize new segments by utilizing the Company's own resources and collaboration with other companies 	<ul style="list-style-type: none"> • Create new business segments • Target net sales of ¥10.0 billion • Target operating income of ¥1.5 billion
System Maintenance	<ul style="list-style-type: none"> • Strengthen the management platform • Strengthen R&D structures and systems • Reform human resource systems 	<ul style="list-style-type: none"> • Put in place a diversity management structure and systems • Reform the corporate culture based on new human resource structures and systems 	<ul style="list-style-type: none"> • Continue to strengthen the management platform

*FD: Food Delivery, HW: Hardware, SW: Software

Progress of “Building a Foundation for Change”



	First Medium-Term Management Plan 2022-2024 Building a foundation for change	FY12/2022 Progress	FY12/2023 Plans
Special Products Segment	<ul style="list-style-type: none"> • Make deeper inroads into the mPOS/FD market • Uncover peripheral areas • Strengthen software technologies through various measures including M&As 	<ul style="list-style-type: none"> • Formulated plans for peripheral areas • Commenced search activities 	<ul style="list-style-type: none"> • Commence new product sales and further promote planning • Expand production items by new EMS partners
Machine Tools Segment	<ul style="list-style-type: none"> • Strengthen the production system • Delve into hardware technologies • Promote the adoption of software technology 	<ul style="list-style-type: none"> • Completed work to expand production capacity at the Company’s Dalian factory • Promoted the development of HW technology • Promoted the development of processing estimation support SW 	<ul style="list-style-type: none"> • Complete work to expand production capacity at the Company’s factory in Thailand • Promote the development of HW technology • Promote the development of processing estimation support SW
New Business	<ul style="list-style-type: none"> • Uncover and commercialize new segments mainly through M&As 	<ul style="list-style-type: none"> • Explored new segments by utilizing the Company’s own resources and through collaboration with other companies 	<ul style="list-style-type: none"> • Explored new segments by utilizing the Company’s own resources and through collaboration with other companies
System Maintenance	<ul style="list-style-type: none"> • Strengthen the management platform • Strengthen R&D structures and systems • Reform human resource systems 	<ul style="list-style-type: none"> • Strengthen business management systems • Formulated Development Headquarters plans • Put in place a new human resource structure and systems 	<ul style="list-style-type: none"> • Strengthen business management systems • Establish the Development Headquarters • Put in place a new human resource structure and systems

*FD: Food Delivery, HW: Hardware, SW: Software

KPI	Target (Next three-year cumulative/average)	FY12/2022 Actual	FY12/2023 Forecast
Operating cash flow (cumulative)	¥20.0 billion – ¥25.0 billion	¥7.5 billion	¥6.6 billion (cumulative ¥14.1 billion)
Operating income per employee (consolidated)	¥6.00 million	¥8.37 million	¥6.36 million
ROE	10.0% or more	15.4%	11.1%
Ratio of R&D expenses to net sales	5.0%	2.3%	2.5%
Education and training outlays per employee (non-consolidated)	¥100,000*	¥89,084	¥86,782

* In order to further invest in human resources and improve enterprise value, the target of education and training outlays per employee has changed.

■ First Medium-Term Management Plan 2022-2024 KPIs

	Target (Next three-year average)	FY12/2022 Actual	FY12/2023 Forecast
ROA	20.0%	26.4%	20.0%
Operating income ratio	18.0%	20.9%	16.9%



Cash Drawer and
Receipt Printer mPOP



POS Printer
TSP100IV series



Barcode Scanner



Blue back-lit, LCD display
Peripheral Equipment



Melody Speaker

Principal Initiatives

1. Explore and expand sales of products other than printers used in stores
2. Strengthen cloud-related technologies with an eye to external alliances
3. Optimize production and logistics through reorganization of EMS partners

FY12/2022 Progress

1. Took preparatory steps to commence sales of peripheral equipment and began (initiated) further search activities
2. Undertook a renewal of the Star Micronics Cloud Service (SMCS) and bolstered development capabilities
3. Promoted the optimization of production and logistics through reorganization of EMS partners

FY12/2023 Plans

1. Commence sales of peripheral equipment and put in place additional plans for new products
2. Promote stable SMCS operations and bolster development capabilities
3. Expand production items by new EMS partners

■ First Medium-Term Management Plan 2022-2024 KPIs

	Target (Next three-year average)	FY12/2022 Actual	FY12/2023 Forecast
ROA	15.0%	19.6%	15.0%
Operating income ratio	15.0%	17.6%	15.7%



CNC Swiss Type Automatic
Lathe SD-26 type S



CNC Swiss Type Automatic
Lathe SL-10



CNC Swiss Type Automatic
Lathe SX-38 type B

Principal Initiatives

- Globally expand the Company's Solution Center
Establish solution centers in Europe and Asia,
building a user support system in collaboration
with Japan
- Enhance the development of mechanical
technology and before/after-sales service support
software
- Expand production capacity through three
manufacturing bases
 - Undertake a large-scale renovation of domestic factories
 - Increase floor area at the Company's Dalian factory
 - Upgrade and expand facilities and equipment at the
Company's factory in Thailand

FY12/2022 Progress

- Took preparatory steps to commence operations at
the Asia Solution Center
Formulated Europe Solution Center plans
- Promoted the development of mechanical technology
and processing estimation support software; took
preparatory steps to provide digital content
- Expand production capacity through three
manufacturing bases
 - Undertook a large-scale renovation of domestic factories
(commenced the formulation of new factory plans; essentially in line
with plans)
 - Increased floor area at the Company's Dalian factory (completed
in line with plans)
 - Upgraded and expanded facilities and equipment at the
Company's factory in Thailand (essentially in line with plans)

FY12/2023 Plans

- Commence operations at the Asia Solution Center
Commence construction of Europe Solution Center
- Promote the development of mechanical
technology and processing estimation support
software; commence to provide digital content
- Expand production capacity through three
manufacturing bases
 - Undertake a large-scale renovation of domestic factories
(commenced demolition work at certain existing factories)
 - Upgrade and expand facilities and equipment at the
Company's factory in Thailand (scheduled to be completed)

(2) Machine Tools Segment: Globally Expand the Company's Solution Center

Establish Solution Centers in Japan, Europe, and Asia Reinforce sales by enhancing before/after-sales services



Scheduled to open in May 2024
*Image is for illustrative purposes only

- European Solution Center
Zurich, Switzerland / Star Micronics AG
Progress: Essentially in line with plans



- Solution Center
Kikukawa, Shizuoka, Japan / Star Micronics
Completed in July 2020



Scheduled to open in 2023

- Asian Solution Center
Shanghai, China / Shanghai Xingang Machinery Co., Ltd.
Progress: Essentially in line with plans
despite slight delays owing to COVID-19

[Features of Solution Centers]

- Displays of state-of-the-art machinery
New product presentations and private shows in person and online
- Sales support through processing technology and maintenance seminars for agents and engineers
- Providing optimal solutions such as test processing and operator training to enhance customer satisfaction
- Building a user support system in collaboration with each solution center



Serve as a sustainable factory that nurtures people, develops technology, and grows together with society

Enhance Production Capacity

Enhance spindle production capacity

Initiate Digital Transformation

Drive the automation and digitization of production, logistics, and after-sales services

Design for the Environment

Drive the introduction of environmentally friendly facilities and equipment to contribute to the realization of a sustainable society

Construction Site: Kikukawa, Shizuoka, Japan, Total Project Cost: Approx. ¥10.0 billion, Completion: 2025 (Planned)

**Essentially in line with plans*

2022 >>> 2030

Create new value and inherit technologies

through the fusion of cutting-edge technology and master craftsmen's skills

Create new business value that contributes to improve business efficiency of customers

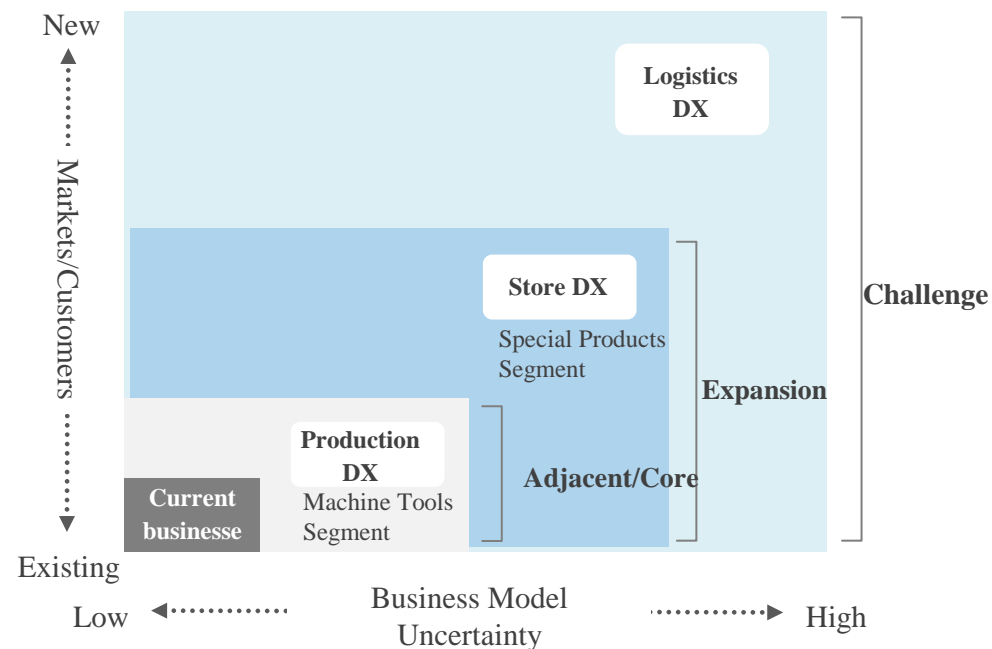
Principal Initiatives

Develop and commercialize new business proposals mainly through the use of M&A's

Target

2024: Net sales of ¥3.0 billion, operating income of ¥0.3 billion

■ Business Domain Matrix

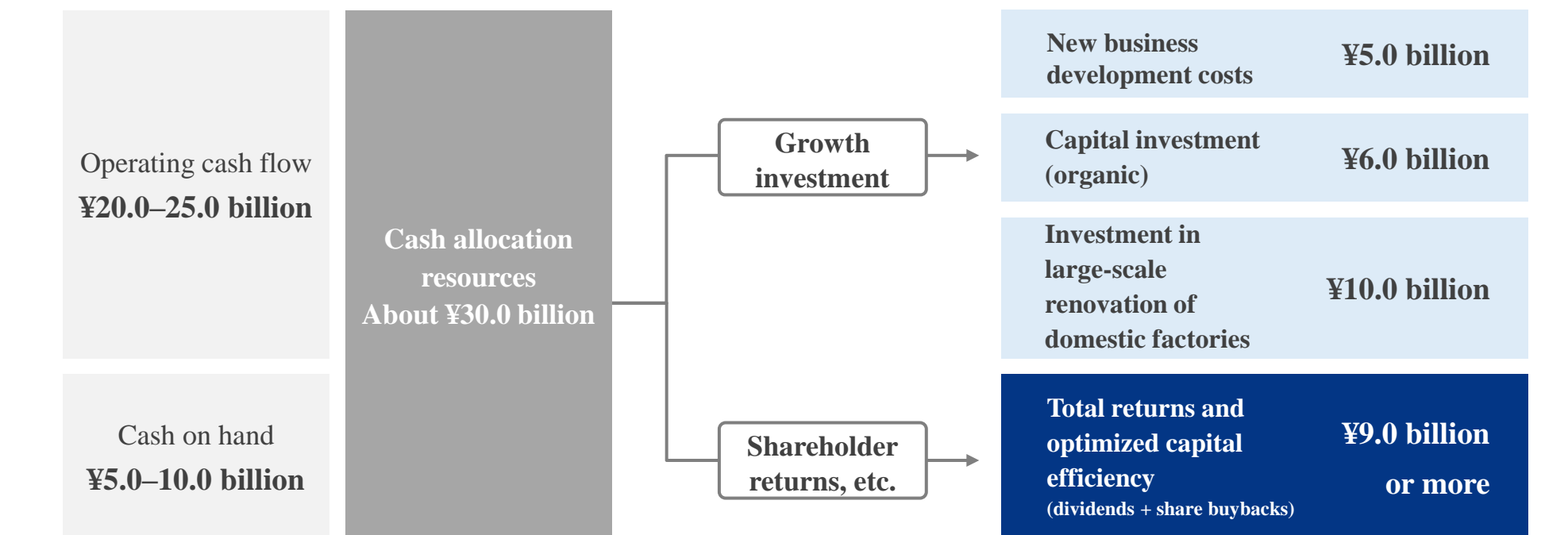


■ New Business Domains

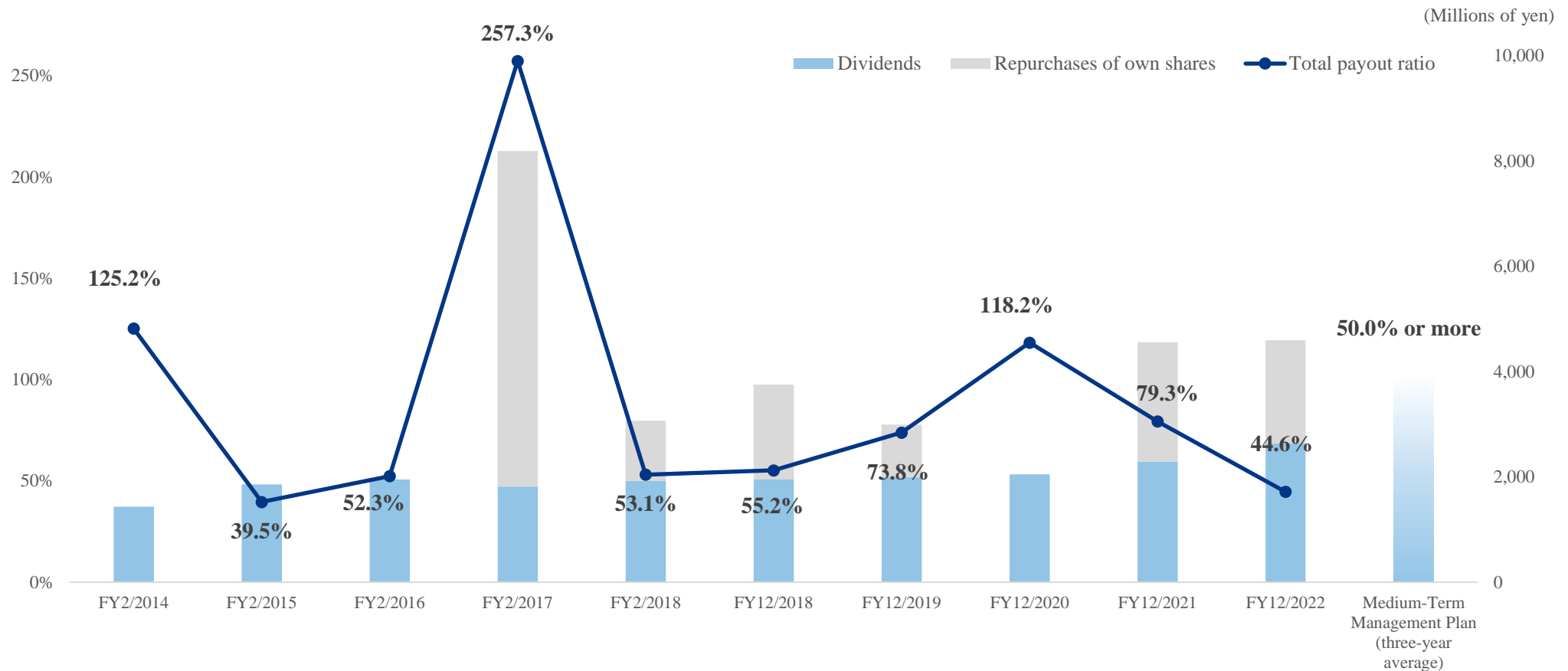
Business Domain	Value Provided/Business Process	FY12/2022 Progress
Logistics DX	Provide systems to streamline the processes of small and medium-sized warehousing and distribution operations	Considered and put forward new business proposals, and approached potential business partners
Store DX	Provide hardware and software (systems) that streamline store operations	Promoted activities aimed at including Smart Solution Technology, Inc. (SST) in the Company's scope of consolidation
Production DX	Provide new services related to the Machine Tools Segment	Promoted the development of processing estimation support software in cooperation with the Machine Tools Segment

Drawing on operating cash flow and cash on hand over the three years of the Medium-Term Management Plan, allocate ¥21.0 billion to growth investment and ¥9.0 billion or more to shareholder returns, etc.

■ **Fund Allocation Plan (FY12/2022–FY12/2024)** *No change from original policy



Target a total payout ratio of 50% or more including the repurchases of own shares, based on a stable annual dividend of ¥60 or more per share *No change from original policy








DPS (yen)	¥34	¥44	¥46	¥48	¥52	¥54	¥56	¥58	¥58	¥70	¥60 or more
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*Included a special dividend in FY12/2022

The Star Micronics Group aims to help bring about a sustainable society and enhance corporate value by putting into practice the core concept of the Company and employees growing together and contributing to society.

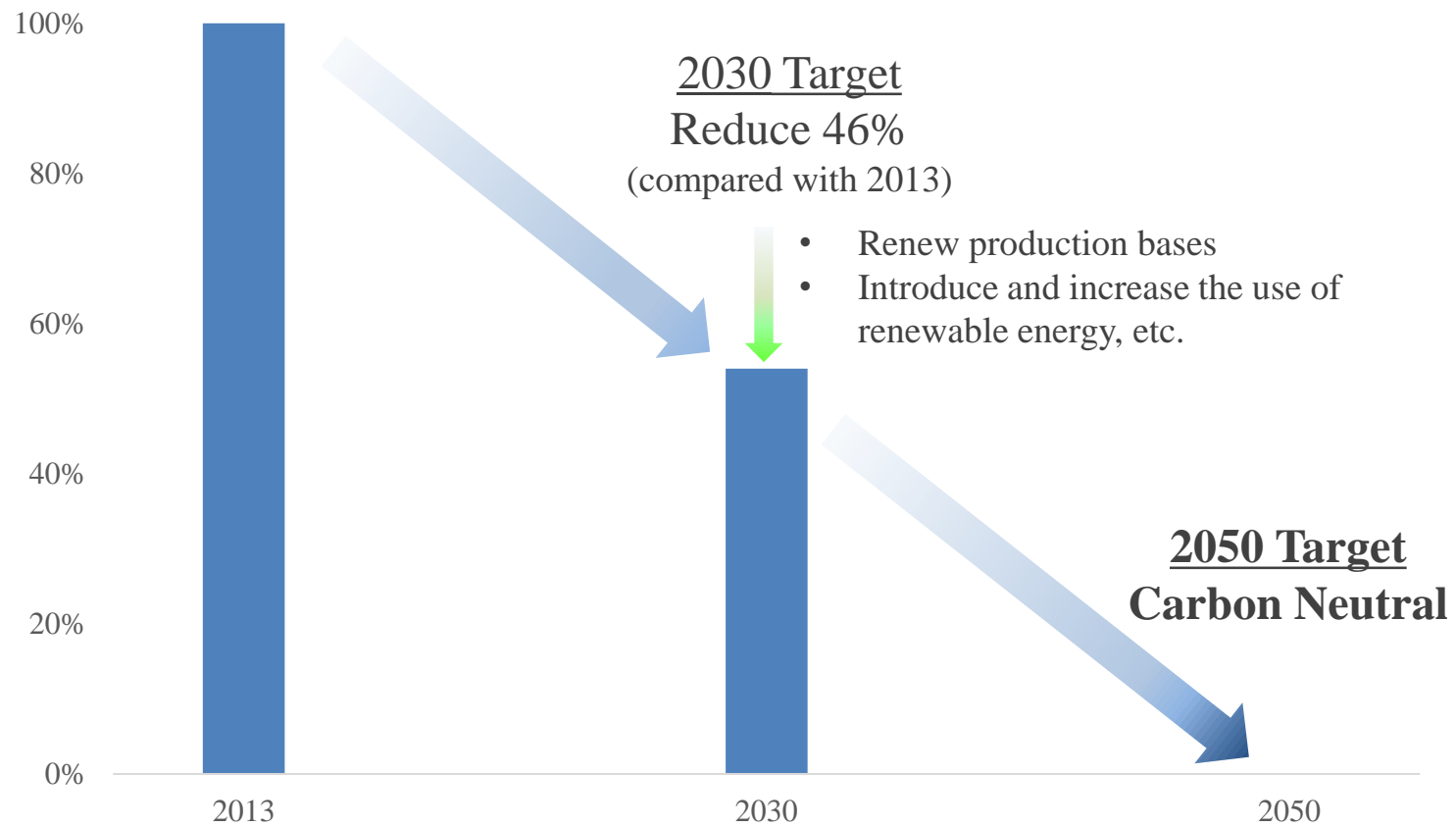
- Guided by a longer-term vision for the Group, we will provide society with new value created using our proprietary technologies.
- We will draw on the global network we have built up over the years to address common issues facing society worldwide.
- We will realize fair and highly transparent management through dialogue and cooperation with all of our stakeholders.

■ Initiatives to Address Material Issues

	Material issues	Targets	FY12/2022 Progress	SDGs
E Environment	<ul style="list-style-type: none"> • Addressing climate change by reducing CO₂ emissions • Creating environmentally friendly products 	<ul style="list-style-type: none"> • Reducing greenhouse gas emissions • Promoting disclosure under TCFD and other frameworks • Creating new businesses and products leveraging proprietary technologies 	<ul style="list-style-type: none"> • Set a goal reducing greenhouse gas emissions • Commenced disclosure from the fiscal year under review based on the recommendations of the TCFD • Established the Sustainability Committee 	 
S Society	<ul style="list-style-type: none"> • Fostering and utilizing diverse human resources 	<ul style="list-style-type: none"> • Setting targets for women in management and monitoring progress; career training and support • Expanding and sustaining education and training programs for global HR development 	<ul style="list-style-type: none"> • Increased the percentage of women in management (5.9%) • Strengthened education and training programs • Pushed forward with steps to establish a new human resource structure and systems 	 
G Governance	<ul style="list-style-type: none"> • More rigorous corporate governance 	<ul style="list-style-type: none"> • Building a more fair and transparent governance framework by addressing Corporate Governance Code guidelines 	<ul style="list-style-type: none"> • Disclosed details of a skills matrix for directors • Strengthened the diversity of the Board of Directors (appointed female directors) • Enhanced transparency through the Nomination and Compensation Committee 	

Addressing
Climate
Change

Greenhouse Gas Reduction Target



*Scope 1 and 2, including non-consolidated and consolidated subsidiaries

Building an environment in which all employees can maximize their potential regardless of gender, age, or race

1 Constructing new human resource systems

Strategy	Progress and Plans
<ul style="list-style-type: none"> Rolling out a system for professionals (specialist training) Rolling out a benefit framework commensurate with roles and responsibilities 	<ul style="list-style-type: none"> Putting in place a framework for a new human resource structure and systems Taking steps to reform the Company's retirement benefits and pension plan (introducing a defined contribution pension plan) Extending the retirement age (currently implementing a progressive transition from the age of 60 to 65)

2 Enhancing diversity

Strategy	Progress and Plans
<ul style="list-style-type: none"> Enhancing women's empowerment (KPI: 10% or more women in managerial positions by 2030) Fostering a corporate climate and changing awareness (manager training, developing flexible and diverse working styles, etc.) 	<ul style="list-style-type: none"> Increasing the percentage of women in management (increased from 1.8% to 5.9% (as of the end of Dec 2022)) Appointing female directors Introducing training during maternity leave (strengthening career support during maternity leave)

3 Reinforcing education and training programs: Developing employee autonomy, global human resource

Strategy	Progress and Plans
<ul style="list-style-type: none"> Enhancing upskilling and reskilling initiatives Strengthening global human resource development (establishing a medium- to long-term HR development cycle) Increasing education and training outlays per employee 	<ul style="list-style-type: none"> Upgrading and expanding self-development support systems (encouraging the acquisition of technical qualifications, providing online study assistance, etc.) Introducing DX-related training (reskilling) Introducing cross-border learning (joint training with other companies); (developing next generation leaders) Strengthening health-related training (mindfulness, health seminars for women, dental oral care seminars, etc.)

The Group strives to achieve appropriate, efficient management with a view to the sustained enhancement of corporate value and the realization of a sustainable society, and to distribute the results of these efforts appropriately to shareholders and other stakeholders. Based on this policy, we are pursuing the following measures.

● **Further reinforcing the supervisory function of the Board of Directors**

Strategy	Progress and Plans
Further enhancing deliberations by the Board of Directors regarding the direction and management strategies of the Group	Working to narrow down items for deliberation through such measures as delegating decision related to the execution of individual business operations to executive officers
In light of the Company's Management Policy and strategies, realizing a governance structure for the whole Board of Directors that ensures a proper balance of gender and other aspects of diversity and requisite skills	Working to secure diversity, including gender aspects, by appointing female directors Working to visualize skills by disclosing details of a directors' skills matrix
Continuing to strengthen a highly transparent and objective governance framework by maintaining a composition of the Board of Directors with a majority of independent outside directors	Working to maintain a composition of the Board of Directors with a majority of independent outside directors on conclusion of the 97th General Meeting of Shareholders
Making effective use of the Nomination and Compensation Committee to further enhance the transparency and objectivity of procedures related to the nomination and compensation of directors and executive officers	Held a total of four committee meetings during the fiscal year ended December 31, 2022 to deliberate on the nomination and compensation of directors and executive officers

● **Constructing a fair, transparent governance framework through proactive, appropriate disclosure**

Strategy	Progress and Plans
Active disclosure of non-financial information (sustainability initiatives, etc.)	Taking steps to confirm the rationale for issuing an integrated report that discloses how sustainability initiatives and other activities contribute to the creation of value for the Company
Ongoing efforts to proactively disclose information in English	Promoting the ongoing timely and simultaneous disclosure of materials in English and Japanese