

Star Micronics Co., Ltd.

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

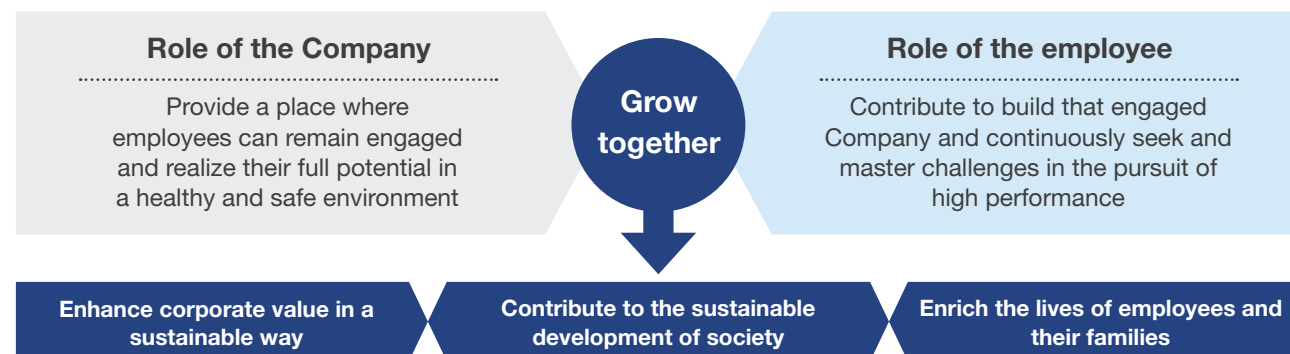
STAR MICRONICS REPORT 2024

STAR MICRONICS Integrated Report

Corporate Philosophy · Purpose · Management Policy · Action Guidelines

[Corporate Philosophy]

A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together.



[Purpose]

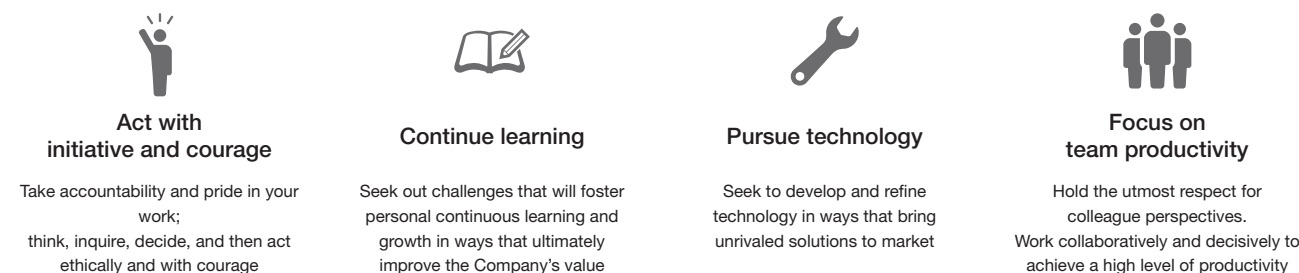
Contribute to the sustainable development of society as a “leading small and medium-sized enterprise” that seeks to excel on the world stage

As a technology group, Star Micronics strives to provide new value through unique technologies that increase corporate value. At the same time, the Company will enrich the lives of its employees by providing a place where diverse engaged employees can contribute their best. Our goal as a group is to stand at the forefront of Japan’s small and medium-sized enterprises by generating a high level of productivity that rivals large companies as we contribute to the sustainable development of society.

[Management Policy]

- Do not pursue scale unnecessarily; position **capital efficiency and labor productivity** as primary evaluation indicators
- Maintain the **ability to continuously offer new value** to society in response to changes in the environment
- Constantly look to the global market for each business, and position “**global niche**” at the core of the Company’s strategy
- Invest in building an environment that allows employees to realize their full potential and the pursuit of unique technologies** from a long-term perspective, regardless of the business environment
- Strive to become **a company that perpetually evolves** in harmony with society through its products and its people

[Action Guidelines]



Contents and Editorial Policy

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Editorial Policy

The Company’s Integrated Report is an integrated communication tool for investors and a wide range of other stakeholders, containing the Company’s philosophy, strategies, business activities, and sustainability initiatives. Through this report, we aim to disclose information in a highly transparent manner and to further enhance your understanding of the Star Micronics Group’s initiatives to enhance its corporate value.

Applicable Period

This covers FY2024 (January 1, 2024 through December 31, 2024). However, it includes some disclosures and business activities that began after January 2025.

Scope

In principle, the Star Micronics Group is covered. If the scope of coverage differs, a note is provided stating that fact.

Date of Issue

July 2025

Reference Guidelines

- The IFRS Foundation “International Integrated Reporting Framework”
- Ministry of Economy, Trade and Industry “Guidance for Collaborative Value Creation”
- “Final Report of the Task Force on Climate-related Financial Disclosures (TCFD)”

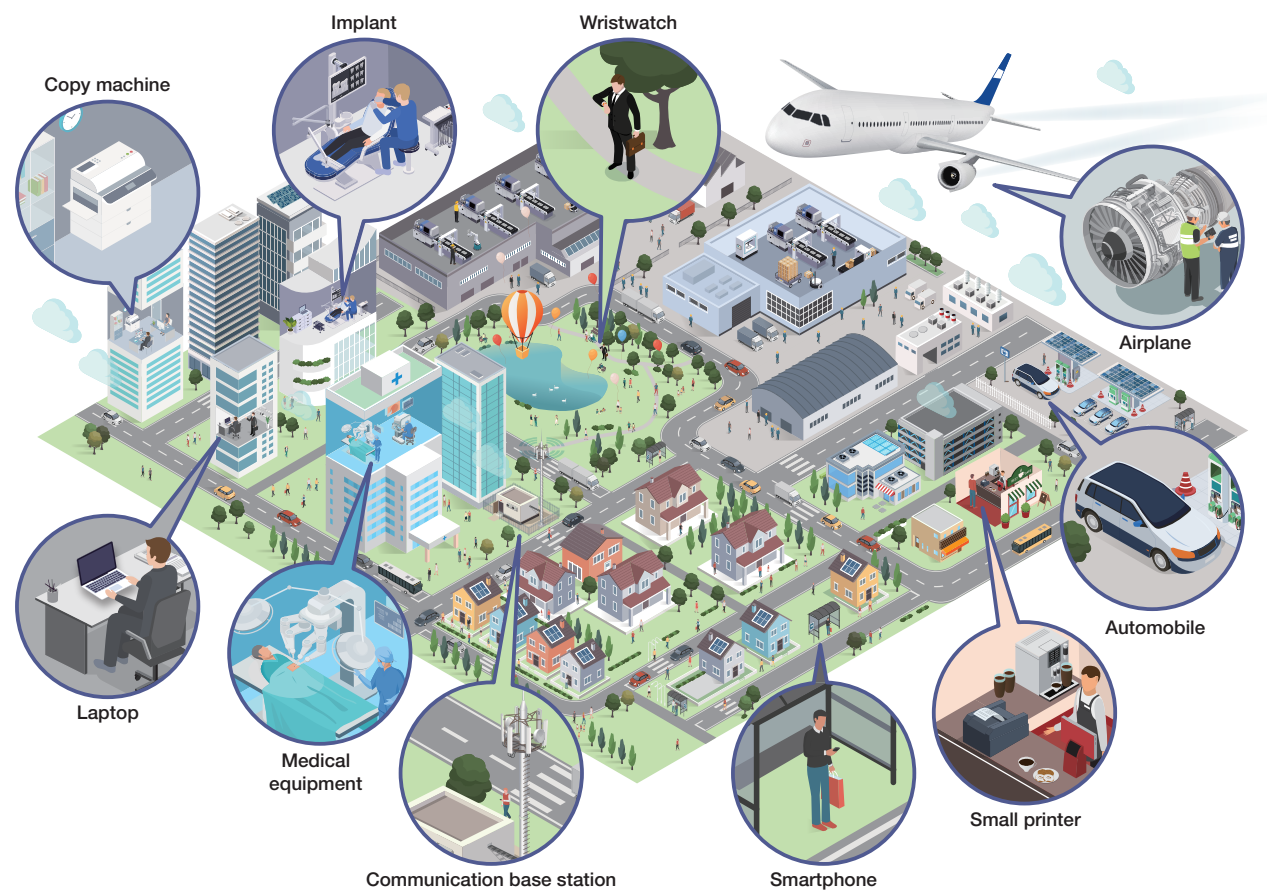
Tool Map

Financial <-----> Non-Financial

Integrated Report		
Financial Results	Annual Securities Report	Business Report
FACT BOOK	Corporate Governance Report	
Financial Results Briefings Materials	https://star-m.jp/ir/files/governance1.pdf (Japanese only)	
Investor Relations https://star-m.jp/eng/ir/	Sustainability Initiatives https://star-m.jp/eng/company/sustainability/index.html	

At a Glance

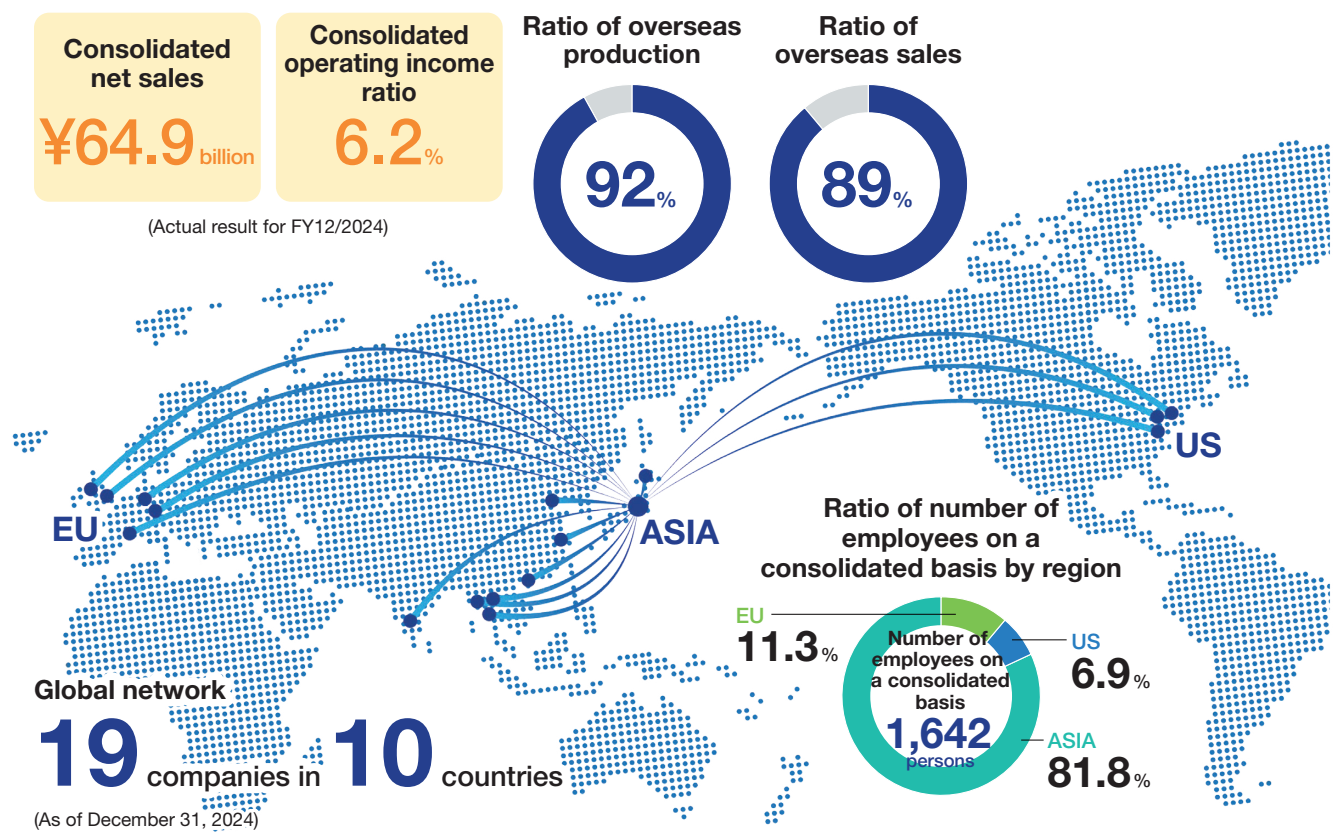
Star Micronics’ technology that started with the manufacture of watches and camera parts has evolved and developed in step with the changing times. Our one-of-a-kind technological capabilities and user-oriented development are utilized in your everyday life.



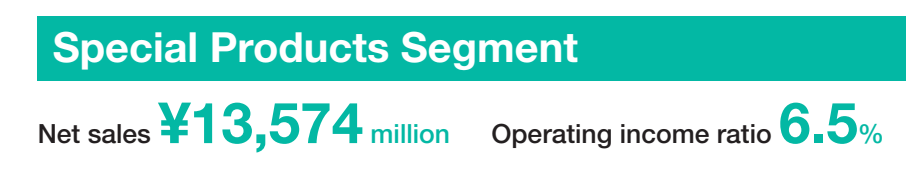
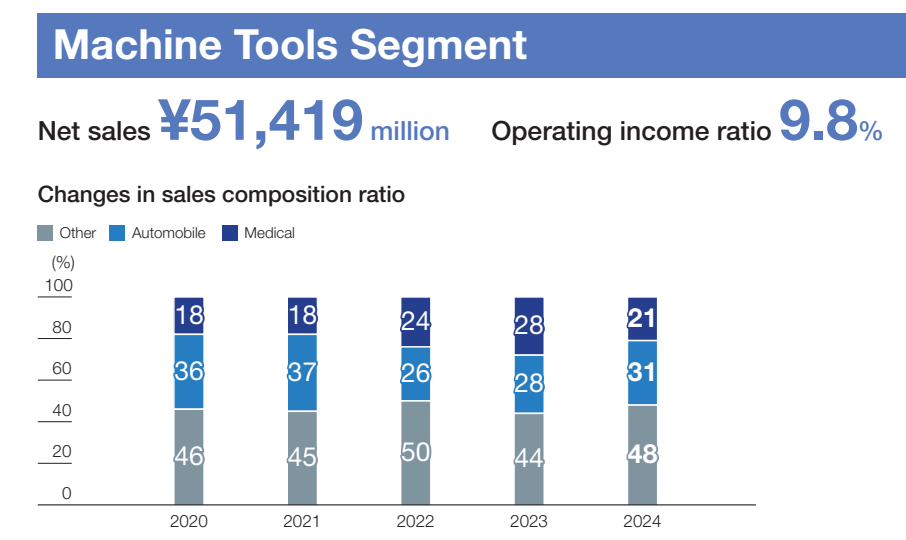
Machine Tools business	In the Machine Tools business, we plan, develop, manufacture, and sell machine tools and software, as well as provide before- ^{*1} and after-sales services, with Swiss-type CNC automatic lathes ^{*1} as our mainstay products. The Company's machine tools are widely used by major and small-to-medium-sized parts manufacturers in Japan and overseas, and the small parts produced by the Company's machine tools are used in products in a variety of fields, including medical equipment such as implants and bone screws, automobiles, airplanes, and digital devices such as smartphones and PCs.	
Special Products business	In the Special Products business, we plan, develop, sell, and provide after-sales service for small printers for business use. The Company's small printers are widely used in mobile POS systems that are used in combination with smartphones and tablet terminals, and its main customers are ISVs ^{*3} (an independent software vendor) that develop and provide these systems. Through collaboration with ISVs, the small printers have been incorporated into a variety of services, including online ordering and self-checkout systems, and are widely used. In addition to small printers, we are also working to provide total solutions, including peripheral devices such as scanners, cash drawers, and displays, as well as cloud-based printing services.	
New business (Medical business)	In the new business, we will promote full-scale expansion into the development and manufacture of medical equipment products, utilizing technology cultivated in the existing business of machine tools and precision parts processing.	

^{*1} Swiss-type CNC automatic lathes: See P.19.
^{*2} Before-sales services: Seminars on estimating machining time, test cutting, programming methods, etc., and checking actual equipment in the showroom, etc.
^{*3} ISV: See P.32.

A “leading small and medium-sized enterprise”
that seeks to excel on the world stage



Pursuing a global niche strategy
While expanding globally, the Company does not simply aim to expand its scale, but rather ensures competitive superiority by specializing in specific fields and markets. The strategy is to secure stable earnings while maximizing our unique technological capabilities.



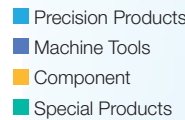
History of Value Creation

Corporate Philosophy

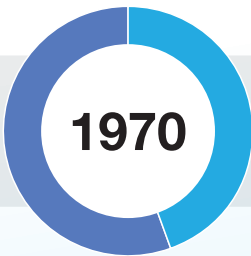
A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together.

“Generate the greatest impact from the least materials”
We started business with these words shortly after World War II, and we have always accurately grasped the changes of the times and business environment, and have continued to take on challenges without being satisfied with the status quo. With the founding spirit in mind, we will continue to contribute to the sustainable development of society as a “leading small and medium-sized enterprise” that seeks to excel on the world stage.

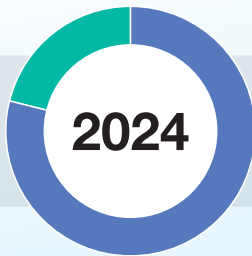
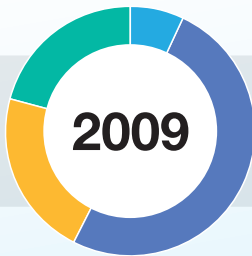
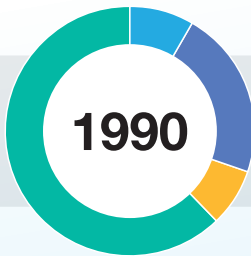
Net sales



Changes in business portfolio

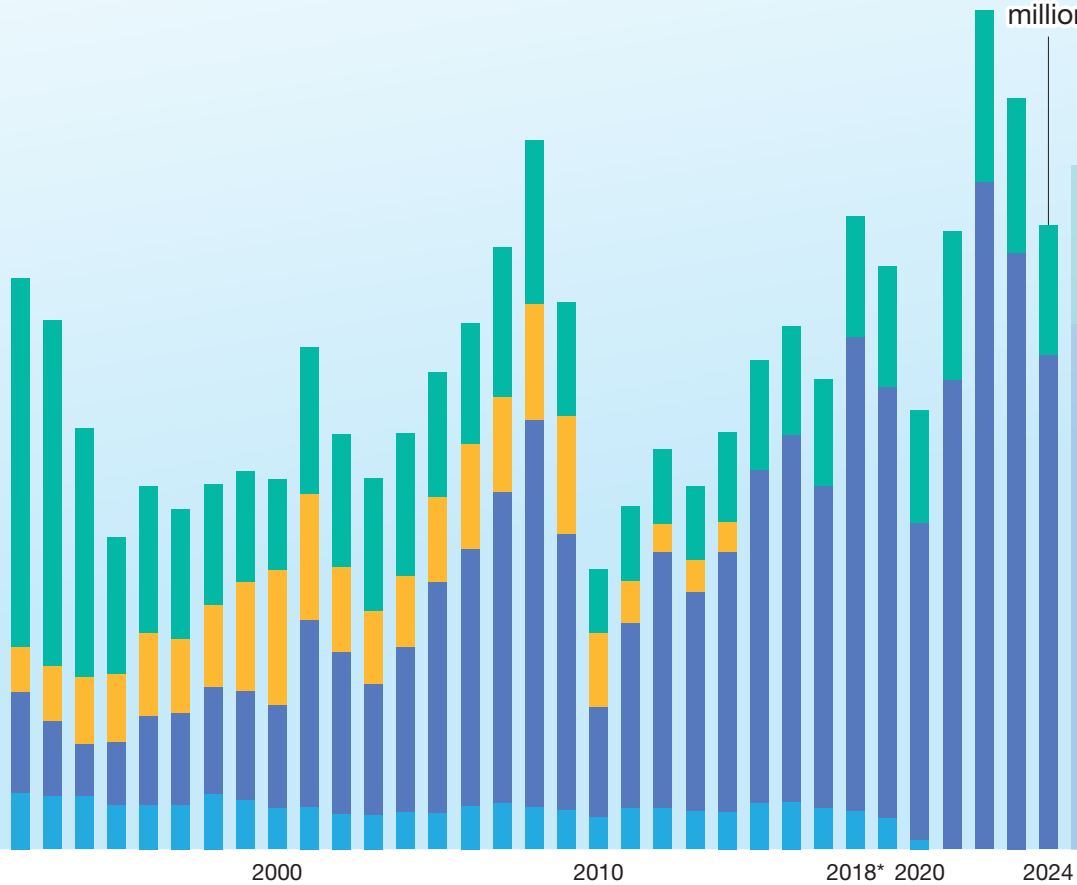


■ Precision Products ■ Machine Tools ■ Component ■ Special Products



¥64,994

million



* Effective from the fiscal year ended December 31, 2018, the Company changed its closing date from the last day of February to December 31.

Establishment - Start of Machine Tools business
(Establishment - 1960s)

After its establishment as a manufacturer of precision products for watches and cameras, in the pursuit of high precision, the Company succeeded in producing Swiss-type automatic lathes in-house, which at the time were mainly made overseas. Following this success, the Company started its machine manufacturing and sales business. High-quality products that utilize the strength of manufacturing from the user's perspective expanded sales in the 1960s not only in Japan but also in overseas markets such as the U.K., the U.S., and China.

Development of mechatronics and expansion of business domain
(1970s)

With an attitude of always seeking new fields, the Company started manufacturing and selling electronic buzzers by utilizing mechatronics (machine + electronics) technology that combines its unique precision processing technology and electronics engineering. Our high-quality products were later adopted by the world's leading mobile handset manufacturers. The technology and know-how accumulated through the development of numerous other products were passed on to the development of dot printers and NC automatic lathes.

Advancement of the Electronic Equipment Division (currently the Special Products business) and development of globalization
(1980s-2000s)

The Company decided to enter the printer business, where demand was expected to increase along with the spread of computers. Sales reached the ¥20.0 billion mark for the first time. Printers later became the mainstay products of the Special Products business. In order to expand sales channels to Europe, the U.S., and Asia, as well as to enhance sales structures and after-sales services, the Company aggressively promoted the establishment of local subsidiaries and production bases. Through agency agreements with leading local sales companies and operations by local subsidiaries in line with local characteristics, the brand has been established and sales have expanded, leading to the current customer base.

Selection and concentration (business structure reform)
(2009-2021)

The Machine Tools business rode the wave of downsizing and weight reduction of industrial products and grew by introducing high value-added products with high precision, high rigidity, and high durability as well as new technologies and software development. In the Special Products business, the Company quickly grasped the trend toward mobile POS using tablet terminals and greatly expanded its market share. On the other hand, the Company withdrew from the Component business and the Precision Products business due to intensifying price competition.

To realize our vision for 2030
(from 2022)

The Machine Tools business aims to establish a position as the leading manufacturer of Swiss-type automatic lathes, the Special Products business aims to transform into a total solution provider for store operations by integrating hardware and software services, and the new business aims to enter the Medical business by leveraging the technical capabilities, contributions to the medical industry, and experience cultivated since the Company's establishment.

Cultivated strengths See P.17-20 "Source of Value Creation."

DNA Inherited Globally

Well-developed Technology and Pride

Combining Craftsmanship and a User-centric Mindset

While keeping global niche at the core of the Company's strategy, we will continue to challenge new areas and realize our vision.

Top Message



We will continue to create value that is recognized and demanded by leading customers around the world by promoting transformation while constantly positioning ourselves in growth areas.

In July 2025, Star Micronics Co., Ltd. celebrated its 75th anniversary. I would like to pay respect to our great predecessors who have contributed to the growth of the Company and express my sincere gratitude to all of our stakeholders who have supported the Company to this day.

Mamoru Sato

Representative Director,
President and Chief Executive Officer

To our stakeholders

75 years of challenge to create products that are recognized by customers around the world in order to always establish positioning in growth fields.

In delivering our first integrated report

I would like to thank all of our stakeholders for their continued support and understanding of the Star Micronics Group. In February 2022, the Group reviewed its Corporate Philosophy, Purpose, Management Policy,

and Action Guidelines, and at the same time, established the Vision for 2030, aiming to become a company that develops sustainably together with society.

Under such circumstances, we celebrated the 75th anniversary of our founding in July 2025 and are pleased to announce the publication of our first integrated report. We hope that this will help you to understand the Group, which has thoroughly refined its core technologies of

precision processing, precision assembly, and high-precision positioning and control, and is constantly placing itself in growth fields to create value that the world demands.

Important culture and DNA that have been maintained throughout the 75-year history

The Group's performance is cyclically affected by economic cycles due to the nature of its business (machine tools industry), but today it has a global network of 19 companies in 10 countries and has achieved record sales of ¥87,368 million in 2022. The company has been able to achieve cyclical growth.

One point that has been fundamental to this evolution and growth has been the constant practice of manufacturing products that are recognized by the world's leading customers, without resting on a particular business but always positioning ourselves in growing markets. Another is our unique precision processing technology, precision assembly technology, and high-precision positioning control technology, all of which have their origins in watchmaking.

The origin of the Company can be traced back to the birth of Star Manufacturing Co., Ltd. which was established in 1950 by Ryoichi Suzuki, a founding member of what is now Citizen Watch Co., Ltd., with the desire to contribute to the postwar precision machinery industry, to manufacture and sell parts for wristwatches, cameras and other products. In the early days of the Company, it used a second-hand Swiss-type automatic lathe to make parts for wristwatches and cameras. However, this was not enough to keep up with the rapidly increasing number of orders, and the Company eventually manufactured and completed a high-precision Swiss-type automatic lathe as its own equipment. This again gained a good reputation, and external sales of this automatic lathe were launched (1958: Began sales of a cam-type automatic lathe). This was a very significant epoch-making event that led to today's Machine Tools business.

The challenge of our great predecessors did not end. While the manufacturing and sales of machine tools were successfully growing, the Company was not satisfied with its success, and began OEM production of clocks and the development of buzzers to be incorporated into clocks with the aim of entering a new growth field. This acoustic technology led to the later development of the former Component business (1971-2013), which was used by the world's leading mobile handset manufacturer at the time.

Our wristwatch technology was also utilized for precise control of the pins that struck the ink ribbon at a time when dot printers were the mainstream PC printers. This enabled the Company to smoothly secure a certain market share after its entry into the printer market (1979: Began manufacturing and sales of POS printers), leading to today's Special Products business.

Although we have just celebrated our 75th anniversary, our basic stance of pursuing and sublimating source technologies and positioning ourselves in growing markets will remain unchanged. As I put it, if you don't always put yourself in growth areas, your company will not grow and, of course, you will not make your employees happy. With this as an important culture, or DNA, that has been maintained from generation to generation, we will continue to strive to put into practice the corporate philosophy of "A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together."

Initiatives for value creation

Controlling cyclicity and increasing business value

Recognition of external environment

While the overall demand in the machine tool market shows cyclical fluctuations due to economic cycles, demand for automatic lathes has been on an expanding trend within the market. The trend in manufacturing is toward downsizing and higher precision, labor saving at manufacturing sites, and the use of highly durable and special materials such as titanium (an increase in difficult-to-grind materials) is accelerating, and demand is expanding in areas where the Company's products can take advantage of their superiority. A typical example is the manufacture of parts for medical equipment. Even in

Europe and the U.S., where the Company has a large share of the market, demand in the medical area is rapidly growing as a processing use for machine tools. The Company's Swiss-type automatic lathe itself is one type of production equipment for making medical parts. Furthermore, in response to expected fluctuations in demand for machine tools, we believe that the Company as a whole can mitigate performance fluctuations by incorporating businesses with businesses with different timing of fluctuations or with less fluctuations into its portfolio.

Top Message

Source of value creation

We recognize that the strengths of the Group are our “one and only well-developed technology and pride,” “development capabilities based on the user’s perspective,” and “strong relationships of trust with our global business partners.” Based on them, in order to realize our vision, we will respond to Digital Transformation (DX) in society and the economy as a whole, improve our R&D and technological capabilities in response to the downsizing and increased functionality of products, and

transform ourselves into an autonomous organization that promotes challenge and change to support innovation. With regard to DX, which is important for both the existing businesses and the medical equipment business, we will leverage the technology and development capabilities of Smart Solution Technology, Inc. (“SST”), which became a Group company in April 2023, for the entire Group.

Future direction

In the Machine Tools business, we will strive for further growth and expansion in the medical-related field, where we can leverage our strengths, while controlling fluctuations in business performance. At the same time, as a new Medical business, we intend to fully enter the medical equipment manufacturing business, leveraging the technology we have cultivated since the founding of the Company and our experience in contributing to the medical industry through the existing business, and to grow it into another pillar of our business along with the existing business by 2030. In the Special Products business, we aim to establish a robust profit structure by

transforming ourselves into a total solution provider that integrates hardware and software as a phase to introduce new planned products to the market. Through these efforts, we aim to build a business portfolio that supplements the cyclicity of performance, which has been an issue for the existing business, and enhance the stability of our business performance. Eventually, we would like to become the global leader in Swiss-type automatic lathes and grow our Medical business to become our core business along with the Machine Tools business.

Implementation of Medium-Term Management Plan

By backcasting from “Vision for 2030”, we will achieve the Vision for 2030 in our Medium-Term Management Plans (3 years x 3 stages)

The Group is implementing the three-stage Medium-Term Management Plans, the First Medium-Term Management Plan 2022-2024 “Building a foundation for change,” the Second Medium-Term Management Plan 2025-2027 “Driving change,” and the Third Medium-Term Management Plan “Realizing our vision” as a roadmap toward the “Vision for 2030.”

Conceptual diagram of strategies for 2030 and beyond



First Medium-Term Plan: Building a foundation for change

In the First Medium-Term Plan, performance was solid until the interim year, FY2023, but in the final year, FY2024, quantitative targets were not achieved except for operating cash flow as a result of the economic cycle in the mainstay machine tools and the wait-and-see effect of the U.S. presidential election.

On the other hand, we believe that we have largely achieved the strategic targets, measures, and preparations for the launch of the new plants that were set forth in the First Medium-Term Plan theme, “Building a foundation for change.” The best example of this is the establishment of a new human resource system, the biggest reform since the Company’s founding (P.52). In order for each of the businesses to grow in a rapidly changing environment by leveraging their unique

characteristics, it is necessary to have an organization in which each employee can think and act independently and utilize their diverse personalities, and we believe that we have laid the foundation for such an organization.

We were also able to flexibly develop new businesses. Initially, the three DXs (logistics, stores, and manufacturing) were associated with new businesses, but during the current Medium-Term Management Plan period, we changed course and redefined manufacturing and store DXs as new value-added support initiatives in the existing businesses. On this basis, we consider it a great achievement that we were able to firmly shape the direction of the Medical business from machine tools and the precision processing of our founders’ business.

Second Medium-Term Plan: Driving change

Although there were some environmental changes and numerical fluctuations at the start of the Second Medium-Term Plan, we believe that overall the plan has been progressing according to our vision. Since we were able to firmly build a “foundation for change” under the First Medium-Term Plan, we will work on “Driving change” with even stronger action power in the future.

The first point of “Driving change” is expanding sales of machine tools to the medical market and geographical expansion, including India. In the case of automotive use, it would be difficult to create a market unless the customer has a production facility in the area, but in the case of medical use, if there is a need for surgical treatment, it will become a market. The superior rigidity of our automatic lathes is an essential technology for processing medical parts that require processing of difficult-to-grind materials. We believe that by refining our highly advanced medical

processing technology, we can expand into areas different from automobiles. In the future, we will begin to develop new technologies and products, keeping in mind minimally invasive diagnoses and the further spread of implant devices. We will also use these weapons to expand our market share in existing markets and to develop emerging markets such as India.

The second point is the development of medical equipment and robots and the development of Medical business utilizing open innovation by leveraging our proprietary precision processing technology, precision assembly technology, and high-precision positioning control technology. In the future, we will accelerate investments in startups, including those overseas, with a focus on medical-related businesses, promote collaboration, and exploration activities through VC investments, including M&A, with the aim of raising the stage of entry into the Medical business.

The third point is to rebuild the Special Products business. While the paperless movement is progressing around the world, in the Second Medium-Term Plan, I intentionally positioned the Special Products business, whose main product is receipt printers, as a business facing challenges. In the Special Products business, we will work to quickly restore profitability through structural reforms and expand products and services such as label printers as our second pillar in addition to receipt printers.

In addition to the above, in order to develop “Driving change” more flexibly, in April 2025, the Company resolved to enter into a capital and business alliance agreement with Taiyo Pacific Partners L.P. (“TPP”) and Taiyo Unleash Acrux Holdings, LP which is operated by TPP (the “Allottee;” the Allottee, TPP and its group are collectively referred to as the “TPP Group”), and to carry out the issuance of new shares through a third-party allotment to the Allottee. (P.14) Through the above and a series of other initiatives, we aim to achieve record-high net sales of ¥98.0 billion and operating income of ¥14.8 billion in FY2027, the final year of the Second Medium-Term Plan.



Top Message

Third Medium-Term Plan: Realizing our vision

The Machine Tools business in which the Group is operating has a very high technology entry barrier, although the number of players entering the business is certainly increasing. As various products have become downsized and labor has been reduced on the manufacturing sites, the need for the Company's Swiss-type CNC automatic lathes has been increasing more and more. Also, in emerging markets such as India, which I mentioned earlier, it is true that entry models from other companies tend to be chosen at first, but later, as automatic lathes become more recognized and the market matures, we feel that there is a great possibility that the Company's high-spec machines will be chosen. The most prominent example of this is the current Chinese market.

Based on these environmental forecasts, in FY2030, the final year of the Third Medium-Term Plan, we hope to

establish our position as the leading manufacturer of Swiss-type CNC automatic lathes in the Machine Tools business. In the Special Products business, we will be reborn as a total solution provider in store operations, and in new businesses, including the Medical business, we plan to grow to the scale of ¥10.0 billion in net sales and ¥1.5 billion in operating income. As for the Company as a whole, we aim to achieve net sales of ¥100.0 billion, operating income of ¥20.0 billion, and average annual income of ¥10 million or more for employees. In addition to strengthening the management platform, we will further promote management based on the corporate philosophy, establish a workplace environment in which all employees can demonstrate their abilities, and strengthen our unique technological capabilities through R&D and DX promotion.

Development of sustainable management

Expecting the effects of “Innovation management promotion x New human resource system operation”

Reidentify material issues

In order for the Group to achieve sustainable growth, it is necessary to further upgrade its management platform. From this perspective, material issues were reidentified to meet the timing of formulating the Second Medium-Term

Plan. Specifically, in addition to reviewing the previous themes of (i) Addressing climate change, (ii) Creating environmentally friendly products, (iii) Promoting human capital development and diversity, (iv) More rigorous

	Material issues	Main initiatives
E Environment	Addressing climate change	<ul style="list-style-type: none">Reducing greenhouse gas emissionsPromoting disclosure under TCFD and other frameworks
	Creating environmentally friendly products	<ul style="list-style-type: none">Creating new businesses and products leveraging proprietary technologiesCreating products that help address issues in the natural environment
S Society	Promoting human capital development and diversity	<ul style="list-style-type: none">Improving employee engagementFostering human resources, building capacityPursuing diversity
	Promoting sustainable production and procurement	<ul style="list-style-type: none">Initiatives to respect human rights within the Group and among suppliers
G Governance	More rigorous corporate governance	<ul style="list-style-type: none">Further improving effectiveness of the Board of DirectorsEstablishing an executive compensation system that serves as a sound incentive
	Stronger risk management	<ul style="list-style-type: none">Tightening information security governanceReinforcing the response to natural disaster risks
	Innovation management	<ul style="list-style-type: none">Establishing a management policyEstablishing and strengthening management framework



corporate governance, we have also identified three new themes in light of the current external environment, which are (v) Promoting sustainable production and procurement, (vi) Stronger risk management, and (vii)

Innovation management. For all seven items, we will set targets and KPIs and promote each initiative.

Promoting innovation management

In particular, we believe that innovation management, which is a new initiative, is a theme that is unique to the Company and will be the key to sustainable growth in the future. In addition to in-house R&D and technology development, it is our first challenge to manage the knowledge and know-how acquired through open innovation and M&A as the Company's blood and flesh, so to speak, and we intend to proceed with this in a

flexible manner. In promoting innovation management, it is also necessary to take initiatives to promote the success of all employees and autonomous personnel. We expect the new multi-line human resource system, which enable the promotion and evaluation of professional human resources, to be effective in the future.

Measures to implement management that is conscious of cost of capital and stock price

Generate returns matching the cost of capital, consider the balance between investment in growth and shareholder returns, and promote shareholder returns in an appropriate manner

As a listed company that is managed with the confidence of its shareholders, we consider shareholder returns to be one of our most important measures. While striving to generate returns that match the cost of capital and using the cash generated as a source of funds, we consider the appropriate balance between investment in growth and shareholder returns, and intend to pursue shareholder returns in an appropriate manner.

The Company's basic policy for shareholder returns is to pay a progressive annual dividend per share of ¥70 or more and targets a consolidated total payout ratio of 50% or more. With the exception of FY2022, the Company's basic policy for shareholder returns has maintained a level of over 50% so far, with a progressive annual dividend per

share of ¥70 or more and a consolidated total payout ratio of at least 50%. To date, the Company has maintained a level of over 50%, with the exception of FY2022. In addition, in FY2024, we conducted a purchase of treasury stock totaling ¥10.0 billion in value, or 12% of the number of shares issued and outstanding. At that time, the effect on the stock price was offset by two downward revisions to business results forecasts in the second half of FY2024. In the future, however, we intend to make a solid recovery in business results and meet the expectations of the market and investors.

In addition, as for cyclical performance fluctuations, while striving to provide prompt and careful explanations, we will strive to continuously maximize corporate value by

Top Message

visualizing our own issues through dialogue with shareholders and investors, and by implementing a cycle of reflecting these issues in management.

We believe that the Group has an excellent opportunity for further corporate growth in the current trend toward downsizing of manufacturing and labor saving at

manufacturing sites. In addition to the new investment in the Kikugawa factory, we see M&A and investment in start-ups in the Medical business as growth opportunities, and we will strive for further corporate growth through aggressive strategic investment while paying attention to profitability.

Long-term business outlook

Ensure the maximization of mid- to long-term corporate value and become a manufacturer with multiple leading global niche products

As previously announced, the Company has decided to form a stronger partnership with the TPP Group for “Driving change,” realize our “Vision for 2030,” and maximize our corporate value over the medium to long term. TPP, the operator of the TPP Group, has extensive experience in management support as a pioneering engagement investor. The Company has a long-standing relationship with TPP as a shareholder, and we recognize that TPP is the best management partner for “Driving change.” The funds raised through this alliance will be used for the investment plan in the Second Medium-Term Plan.

With the launch of the partnership with the TPP Group, the Group is able to obtain a strong management support structure in terms of knowledge in strengthening business investment strategies and sophistication of capital allocation policies, as well as the global network of the TPP Group. In addition, our existing strengths in precision processing technology, precision assembly technology, and high-precision positioning control technology can be

utilized in a variety of fields, including medical-related fields that require processing of highly rigid and difficult-to-grind materials, and we see a great deal of room for growth in the future.

With these opportunities, I have one dream. That is, by the time we celebrate our 100th anniversary, we will have developed new uses for the technologies we have cultivated over the years by leveraging new knowledge, and we will have developed not only machine tools but also robots and other products to become a manufacturer with multiple leading global niche products in line with our automatic lathes. As an important step for this, we will first strive towards the theme of the Second Medium-Term Plan, “Driving change,” to achieve management targets of ¥100.0 billion in net sales and ¥20.0 billion in operating income by 2030 and to realize our “Vision.”

Please look forward to the development of the Star Micronics Group.



TOPICS

Capital and business alliance with the Taiyo Pacific Partners Group

The Group has entered into a capital and business alliance agreement with the TPP Group, which has a strong track record in supporting the enhancement of corporate value through hands-on investment in Japanese companies, in order to build a solid management platform for the flexible development of the Second Medium-Term Management Plan, “Driving change,” which is included in the roadmap for the “Vision for 2030.”

Outline of this matter

Outline	
Contracting parties	① Star Micronics Co., Ltd. (the “Issuing Company”) ② Taiyo Pacific Partners L.P. (TPP), ③ Taiyo Unleash Acrux Holdings, LP (the Allottee operated by TPP, the Allottee and TPP are collectively referred to as the “Allottee, etc.”)
Terms and conditions	• Class of shares to be offered: the Issuing Company’s common stock • Issue price per share: ¥1,552 • Total amount of issue price: approximately ¥25.0 billion
Details and purpose of the business alliance	① Objective and substantive review of mid- to long-term business strategy options ② Strengthening of business investment strategies (P.37 “Financial Strategy”) ③ Advancement of capital allocation policies In addition to these initiatives, continue to examine and discuss measures aimed at further enhancing the Issuing Company’s corporate value.
Dispatch of a director	The Allottee, etc. was granted the right to nominate one candidate for the Issuing Company’s Board of Directors.

Changes in major shareholders (shareholding ratio)

As of December 31, 2024 (shareholder registry as of December 31, 2024)

Name of shareholder	Shareholding ratio (%)
① The Master Trust Bank of Japan, Ltd.	18.54
② Custody Bank of Japan, Ltd.	10.89
⋮	
Taiyo Unleash Acrux Holdings, LP	3.76

After the Third-Party Allotment (after April 7, 2025)

Name of shareholder	Shareholding ratio (%)
Taiyo Unleash Acrux Holdings, LP	36.11
The Master Trust Bank of Japan, Ltd.	12.31
Custody Bank of Japan, Ltd.	7.23
⋮	

1. Trust relationship with the TPP Group as a management partner

The TPP Group is a long-time shareholder of the Company. As a pioneering engagement investor, the TPP Group has a proven track record of supporting Japanese companies to enhance their corporate value, and supports their continued growth and business expansion by strengthening partnerships with a wide range of companies. The Group has had a relationship with the TPP Group for over 20 years, and has held over 100 meetings with them. We recognize that the TPP Group is the best management partner for “Driving change.” The Group will continue to actively create growth opportunities in order to achieve further growth through this alliance with the TPP Group and to maximize the corporate value of the Company.



Initiatives for priority measures

- Machine Tools business: Expand into medical-related fields
- Special Products business: Consolidate production bases and Revise sales framework
- New business: Enter the medical business
- Group-wide: Reform the corporate culture



Hands-on support

- Objective and substantive review of mid- to long-term business strategy options
- Strengthening of business investment strategies
- Advancement of capital allocation policies

Realize our vision and further enhancement of corporate value

2. Raising equity capital as a foundation for “Driving change.”

Under the uncertain outlook of the market environment, in order to implement timely measures for “Driving change” in accordance with the Second Medium-Term Plan, we have determined that it is optimal to steadily raise the necessary business investment funds in the form of equity capital and third-party allotments that are not public offerings (for the main investment plans in the second medium-term plan, [P.38](#) see “Financial Strategy - Cash allocation”). Although the issuance of new shares through a third-party allotment cannot avoid the temporary dilution of existing shares, the Allottee has expressed its intention to hold the Company’s shares for the long term as the largest shareholder of the Company, and the Company will work together with the Allottee to increase the value of its shares over the medium to long term.

► For more detailed information, please refer to the “Notice Regarding the Capital and Business Alliance, Issuance of New Shares Through Third-Party Allotment, Retirement of Own Shares, and Change in the Largest Shareholder as a Major Shareholder” released on April 7, 2025. <https://star-m.jp/eng/ir/topics/6383/>

Value Creation Process

Corporate Philosophy

A company and its employees must constantly making every effort possible to improve the

evolve through a process of steady development while also lives of each individual. This growth must happen together.

Input capital

Manufactured Capital

- Production bases in **three countries in the world** (As of December 31, 2024)
- Total capital investment **¥5.9 billion**
- **Japan-Asia-Europe solution centers to increase user value** (Europe: scheduled to open in October 2025)

Intellectual capital

- **Core technologies**
Precision processing technology, precision assembly technology, high-precision positioning control technology
- **Feedback system** from subsidiaries using our products

Human capital

- **Small elite: 1,642 persons (consolidated)** (As of December 31, 2024)
- **Diversity with 60%** of employees working at overseas subsidiaries (Japan **657** persons, Overseas **985** persons)

Social and relationship capital

- **High market share** in Europe and the U.S./developed economies
- Agency locations: **Approximately 40 countries**
Sales countries: **65 countries** (As of December 31, 2024)

Financial capital

- **Stable financial base and ability to generate cash:**
Net cash provided by operating activities **¥6.15 billion** (Actual result for FY12/2024)

Natural capital

- Continuous pursuit of energy conservation and sustainable resource use

Business activities and outputs

Areas to be strengthened

R&D and service platforms to meet the challenges of customers and society

Manufactured Capital
Intellectual capital

Establishment of DX infrastructure to drive business growth

Intellectual capital

Transformation into an autonomous organization that promotes challenge and change

Human capital

Cultivated strengths

One and only well-developed technology and pride

Development capabilities based on the user's perspective

Strong relationships of trust with our global business partners

Machine Tools business



High-performance, high-quality hardware products

Swiss-type CNC automatic lathes

Small printers and store IoT devices

Medical equipment

Special Products business

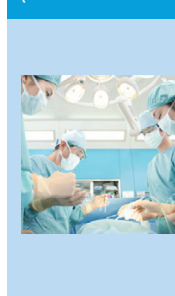


Pursuit of added value through coordination of hardware and services

Product support, before- and after-sales service skills, knowledge

IOT application, Cloud system

New business (Medical business)



Valuable services from the user's perspective

Outcome & Impact

Small and complex parts

Automation and labor saving

Flexible customization

Enhanced user support

IoT/DX promotion

Energy and resource conservation

Contributing to society through manufacturing

- **Realization of new experiences for consumers** (mobility, stores, etc.)
- **Providing reliable quality that supports the safety and reliability of products** (medical products and precision products)

Customers

- **Solving issues for customers**
Machine tools: **3,752** units
Small printers: **433** thousand units
FY12/2025 (forecast)

Employees

- A state in which **all employees can realize their full potential**, regardless of gender, age, or race
- **Engagement score of 73** (67 for similar size in same industry) (Actual result for FY12/2024)

Shareholders and investors

- **Balancing stable profitability and growth potential**
ROE: **5.5%**
FY12/2025 (forecast)

Community and environment

- **Achieving a sustainable supply chain**
Greenhouse gas reduction target: **46%** (FY2030 target, compared to FY2013)

Vision

Financial targets

2030
Net sales
¥100.0 billion
Operating income
¥20.0 billion

Enhance corporate value in a sustainable way
Sustainable development of society
Enrich the lives of employees and their families

Non-Financial targets

Average annual income of employees
¥10 million or more

Material issues

- Addressing climate change
- Creating environmentally friendly products

- Promoting human capital development and diversity
- Promoting sustainable production and procurement

- More rigorous corporate governance
- Stronger risk management
- Innovation management

External environment

- Increased geopolitical risks
- Economic growth in the Asia region / Slowing economic growth in developed countries
- Worker shortage due to low birthrate and aging population worldwide
- Diversification of values and servitization of industry
- AI / Advancement of digital technology / Cashless and paperless
- Increasing social demands for corporate responses to the environment

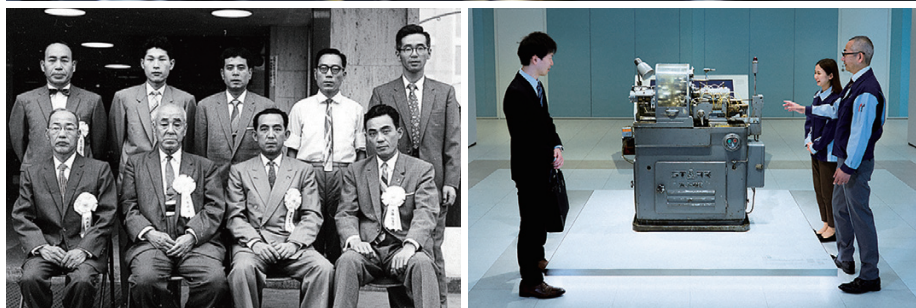
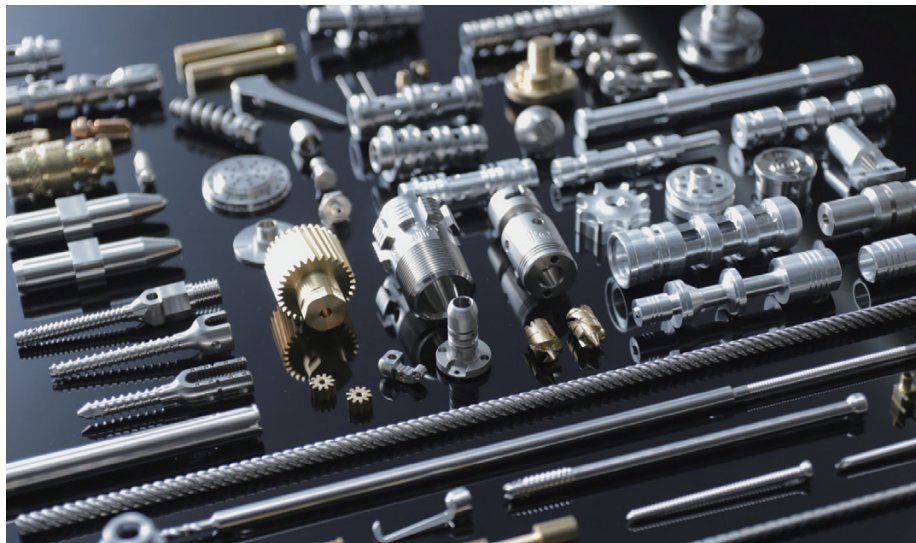
Source of Value Creation

The Group's source of value creation is its "one and only well-developed technology and pride" cultivated through years of exploration, "development capabilities based on the user's perspective" that continue to meet customer needs, and "strong relationships of trust with our global business partners" that have been built with customers and business partners around the world. Each strength is fused together to meet diverse needs and continue to provide new value.

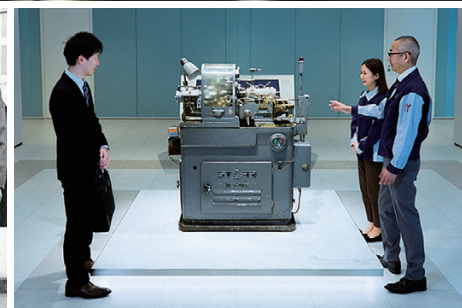
Strength
01

One and only well-developed technology and pride

Since its founding in 1950, the Company has continued to pursue fine, high-precision processing technology. Starting from the manufacture of parts for wristwatches and cameras, the Company has continued to develop its technology over the years, including the birth of the "Swiss-type automatic lathe" developed in-house in the pursuit of even greater precision. This history of pursuit has built our "one and only well-developed technology" and has led to the trust of the global market. This commitment to and pride in technology will continue to be the driving force of the Group's value creation.



Photos of founding members



Early hit product: Cam-type lathe SJ-8R

Cultivated
strengthsOne and only
well-developed
technology and
prideDevelopment
capabilities
based on the
user's
perspectiveStrong
relationships of
trust with our
global business
partnersStrength
02

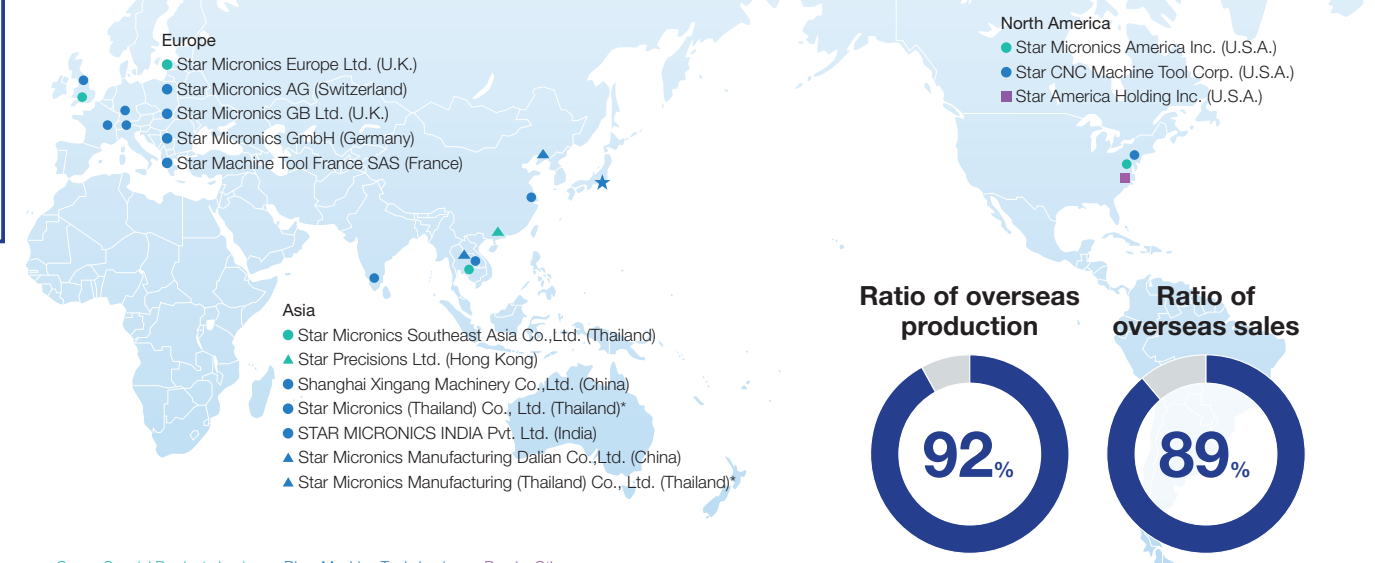
Development capabilities based on the user's perspective

The Group has pursued the development of products that meet customer needs based on precision processing technology. We have successfully met demand in a wide variety of fields, including Swiss-type CNC automatic lathes that meet the needs for highly functional automobiles and downsized digital equipment, and small printers used in restaurants and retailers. We consistently create value that exceeds expectations through product design optimized for each operating environment and by providing flexible solutions.

Strength
03

Strong relationships of trust with our global business partners

The Company entered overseas markets early in the 1960s and exported automatic lathes to the United Kingdom in 1962. Furthermore, the Company has accelerated its global expansion, including becoming the fourth foreign company in the world to enter Dalian, China. Currently, the Company has expanded its production and sales bases, mainly in the northern hemisphere, providing products and services that incorporate local feedback. The relationships of trust built through these initiatives are the reason why the Group is chosen around the world.



*Star Micronics (Thailand) Co., Ltd. (Thailand) and Star Micronics Manufacturing (Thailand) Co., Ltd. (Thailand) implemented an absorption-type merger effective January 1, 2025, and the trade name was changed to Star Micronics (Thailand) Co., Ltd.

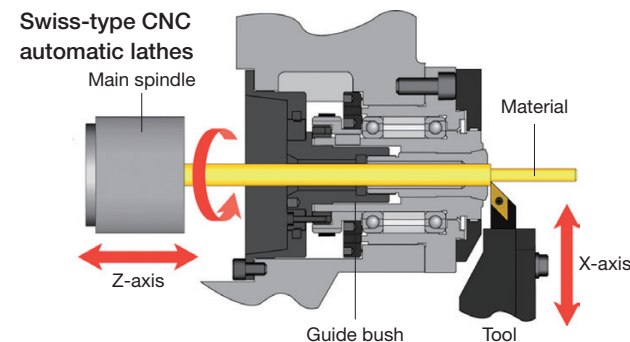
Source of Value Creation

The Group's driving force for value creation is the "fine, high-precision processing technology" that it has consistently pursued since its founding. The accumulation of technology and improvements over the years led to the birth of the "Swiss-type CNC Automatic Lathe," which was developed in-house.

What is a Swiss-type CNC automatic lathe?

The Swiss-type CNC automatic lathes, also known as sliding headstock-type automatic lathes, are suitable for machining small precision parts with high accuracy. It was originally invented in Switzerland in the 1870s as a machine for machining large quantities of wristwatch parts.

Even small-diameter parts, and long and thin parts can be machined with high precision without causing material deflection. In recent years, the use of this technology has been expanding to all fields where small, high-precision parts are required, such as medical equipment, automobiles, and digital devices.



Strengths of the Company's Swiss-type CNC automatic lathes

The unique design, which no other company has, is combined with the skill of skilled craftsmen (hand scraping^{*1}) to achieve "high precision, high rigidity^{*2}, and high durability. Its high quality is highly recognized throughout the world.

Please refer to the Company's website for more information about our unique structures such as the slanted dovetail slideway structure.

^{*1} Hand scraping: A metal surface treatment applied by hand in the finishing process during manufacturing. High-precision flatness, which is difficult to achieve with machines, can be achieved.

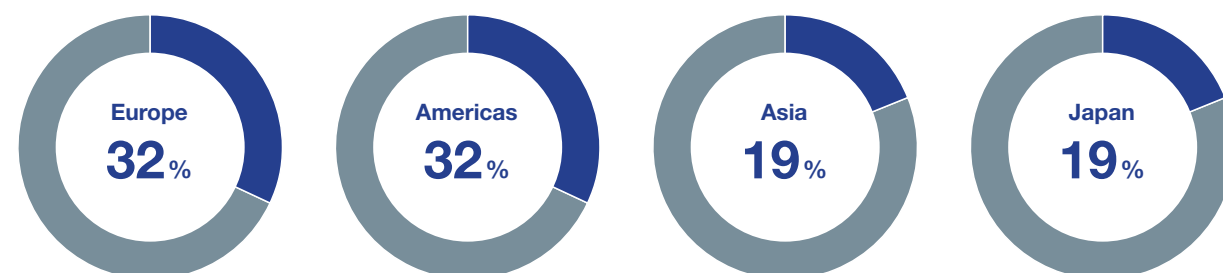
^{*2} Rigidity: The resistance of each part of a machine to deformation (deflection) in response to vibration during cutting. Higher rigidity leads to higher processing accuracy, tool life, and productivity.

Our unique structures such as slanted dovetail slideway structure/Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/business/lathe/index.html>

The Group's share of Swiss-type CNC automatic lathes (estimated)

The Group's Swiss-type CNC automatic lathes have gained a high market share in Europe and America, where profitability is high.

■ The Company ■ Competitors (total of four global companies)



*Based on the Company's research in 2024.

Features of the value chain (Machine Tools business)

The Group is committed to optimizing activities throughout the value chain to provide value that exceeds customer expectations. In particular, the Group's strength lies in its precision processing technology, such as the "hand scraping," and assembly technology cultivated at its three global bases, which enable the Group to provide a stable supply of high-quality products. As for sales and service, in addition to Japan and Asia, we have established solution centers in Europe to provide detailed technical support, and contribute to solving customer issues through before- and after-sales service.

Planning and R&D

- Pursuit of high-quality products that meet customer needs
- Product development by users for users (Mass-production process evaluations at subsidiaries enable prompt feedback of suggestions from the field perspective to development and promote improvement and development.)

Manufacture

- Production of high-quality products utilizing precision processing and assembly technologies at three global bases
- Establishment of a stable domestic and international supplier network

Sales and service

- High-level before- and after-sales service* system using the solution centers in Japan and Asia (European solution center scheduled to open by the end of this year.)
- Strong relationships of trust with overseas sales companies and distributors

*Before-sales services: Seminars on estimating machining time, test cutting, programming methods, etc., and checking actual equipment in the showroom, etc.

Use and disposal

- High reuse rate due to highly durable products



TOPICS

Launched the Swiss-type CNC automatic lathe "SD-26" in April 2023, mainly targeting medical-related fields

In April 2023, we launched the Swiss-type CNC automatic lathe "SD-26" with a maximum machining diameter of $\phi 26$ mm, primarily targeting the processing of complex-shaped parts for medical-related, automotive, hydraulic and pneumatic equipment, etc. This machine employs a gate-shaped tool post that allows many tools to be placed around the guide bush that serves as the machining point, and is available in four types so that the optimal tool post specification can be selected according to the application of the workpieces. In particular, the "type S" has the capability to realize highly accurate and efficient processing of complex shapes required for medical parts, and we aim to expand sales in the global market, especially in the medical-related fields.



Positioning and Roadmap of the First to Third Medium-Term Plan

Past Medium-Term Management Plans and our vision

In recent years, the external environment has been accelerating with changes such as decarbonization, declining birthrates, uncertainty surrounding our business has become even greater. In addition, the company is faced with challenges such as required to reform its business structure. Against such a backdrop, under the theme of “Building a foundation for change” in production system and management platform, and have achieved many results. Meanwhile, ongoing challenges such as Under the theme of “Driving change” in the Second Medium-Term Management Plan, we will accelerate sustainable growth, initiatives to achieve our targets for 2030.

aging populations, and the evolution of digital innovation, and the the shift to paperless operations and sustainability management, and is the First Medium-Term Management Plan, we have been strengthening the improving profitability and creating new businesses have become apparent. focusing on medical-related fields and DX promotion, and will promote

Prior to 2021

External environment

Increased uncertainty due to environmental changes

- Changing needs for environmental response toward a decarbonized, recycling-oriented society and tighter regulations
- A more serious shortage of labor due to declining birthrates and aging populations in developed countries, and rising labor wages in emerging economies
- Medium- to long-term slowing trend in growth rates in North America, Europe, China, etc. and growth expectations in emerging countries
- Concerns about geopolitical risks related to trade friction, human rights issues, and other conflicts

Management issues

Growing need for business reform

- Decrease in demand for receipt printers due to the shift to paperless operations
- Evolution of digital innovation technologies such as IoT and AI and the need to promote DX
- Transformation of the automotive industry, including EVs and automated driving
- Growing social demands for sustainability management, including SDGs and ESG

First Medium-Term Management Plan [2022-2024]

“Building a foundation for change”

	Priority measures	Major results
Machine Tools Segment	<ul style="list-style-type: none">Strengthen the production systemDelve into HW*1 technologiesPromote the adoption of SW*2 technologyDevelopment of Indian market	<ul style="list-style-type: none">Expanded production capabilities (Renovation of domestic factories/ Expansion of production capabilities at overseas factory)Promoted development of HW/SW technologyEstablished sales subsidiary in India
Special Products Segment	<ul style="list-style-type: none">Make deeper inroads into the mPOS/FD*3 marketUncover peripheral areasStrengthen SW technologies through various measures including M&As	<ul style="list-style-type: none">Expanded sales of label printersConducted demonstration experiment of new products other than printersStrengthened development capabilities of SW technology and promoted building revenue model
New Business	<ul style="list-style-type: none">Uncovering and planning of commercialization of new segments mainly through M&As	<ul style="list-style-type: none">Continuous activities in the DX business domainPlanned strategies of the entry into the Medical business and acquired a specialist in the medical fieldInvestment in medical equipment-related start-up companies
Established a company-wide system	<ul style="list-style-type: none">Strengthened the management platformStrengthened R&D structures and systemsReformed human resource systems	<ul style="list-style-type: none">Strengthened business management systemsEstablished Development HeadquartersPut in place a new human resource system

Second Medium-Term Management Plan [2025-2027]

“Driving change”

	Priority measures	Financial targets
Machine Tools Segment	<ul style="list-style-type: none">Expand into medical fieldExpansion of services to improve customer satisfactionStrengthening SW technology	<p>Net cash provided by operating activities</p> <p>First plan period: total</p> <p>¥20.8 billion</p> <p>Second plan period: total</p> <p>¥24.0 billion</p>
Special Products Segment	<ul style="list-style-type: none">Restoring profitabilityCommercialize peripheral areasLaunch of service business using SW technology	<p>ROE</p> <p>2024 2.4%</p> <p>2027 13.0%</p>
New business	<ul style="list-style-type: none">Entry into the Medical businessAccelerate open innovation activities in addition to utilizing in-house resources	<p>Operating income per employee</p> <p>2024 ¥2.44 million</p> <p>2027 ¥7.30 million</p>
Group-wide	<ul style="list-style-type: none">Strengthening the governance structureCorporate culture reform based on a new human resource system	

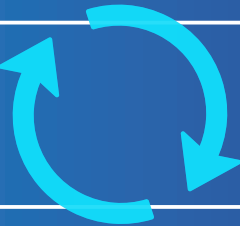
Third Medium-Term Management Plan [2028-2030]
“Realizing our vision”

Vision for 2030

Financial targets

Net sales
¥100.0 billion

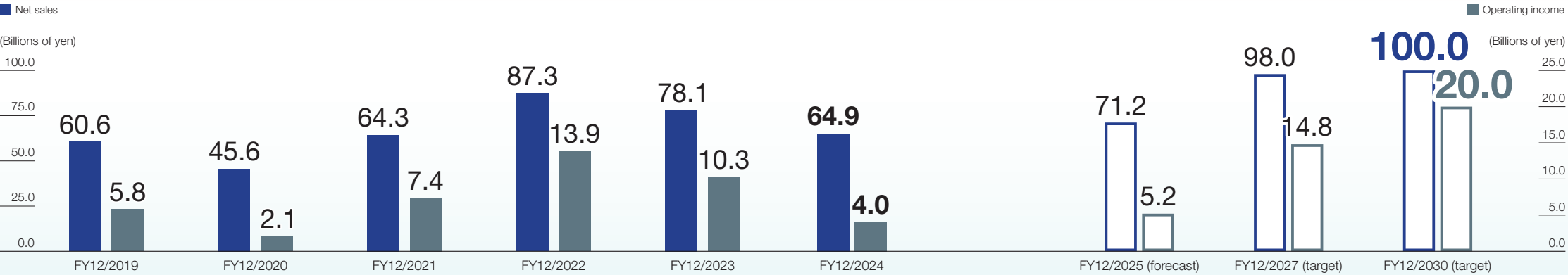
Operating income
¥20.0 billion



Non-Financial targets

Average annual income of employees will be improved to
¥10 million or more

Targets and Results



*1 HW: Hardware *2 SW: Software *3 FD: Food Delivery

Outline of the Second Medium-Term Plan

Second Medium-Term Management Plan [2025-2027]

The Group has implemented the First Medium-Term Management Plan, which positioned the three-year period from 2022 to 2024 as a period of “Building a foundation for change” based on the roadmap for realizing the “Vision for 2030.” In order to achieve further growth of the Group, we have formulated the Second Medium-Term Management Plan, which positions the period from 2025 to 2027 as a period of “Driving change,” and we will further accelerate initiatives to realize our “Vision for 2030.”

External environment analysis

Macro environment

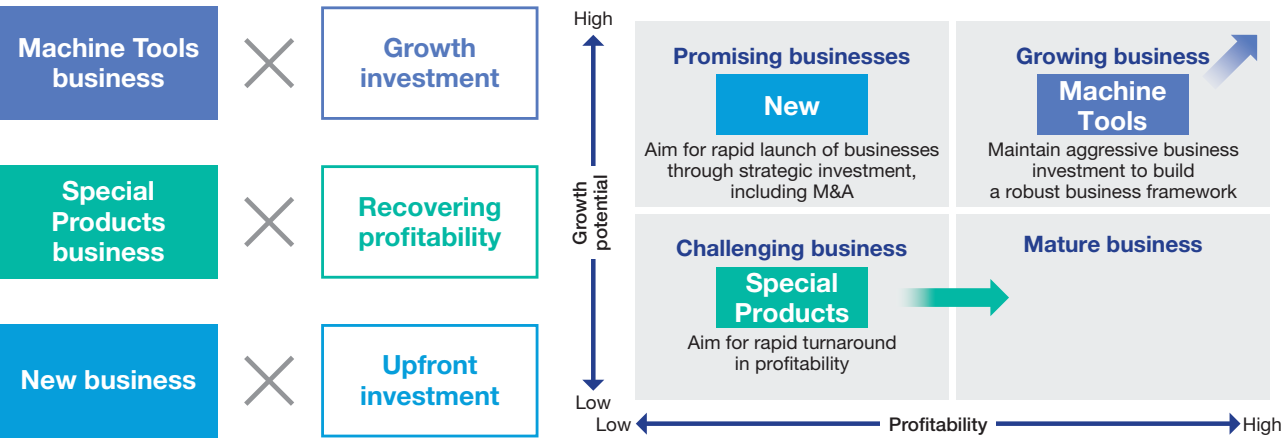
- A more serious shortage of labor due to declining birthrates and aging populations in developed countries, and rising labor wages in emerging economies
- Medium- to long-term slowing trend in growth rates in North America, Europe, China, etc. and growth expectations in emerging countries
- Concerns about geopolitical risks related to trade friction, human rights issues, and other conflicts
- Changing needs for environmental response toward a decarbonized and recycling-oriented society, and tighter regulations

Business environment

- Decrease in demand for receipt printers due to the shift to paperless operations
- Evolution of digital innovation technologies such as IoT and AI and the need to promote DX
- Expanding demand for machine tools due to downsizing and higher precision of goods and increasing labor saving at manufacturing sites
- Growing demand for processing technology for difficult-to-grind materials due to the expansion of the medical-related market
- Accelerating industry reorganization in the machine tools industry

Positioning and theme of the Second Medium-Term Plan

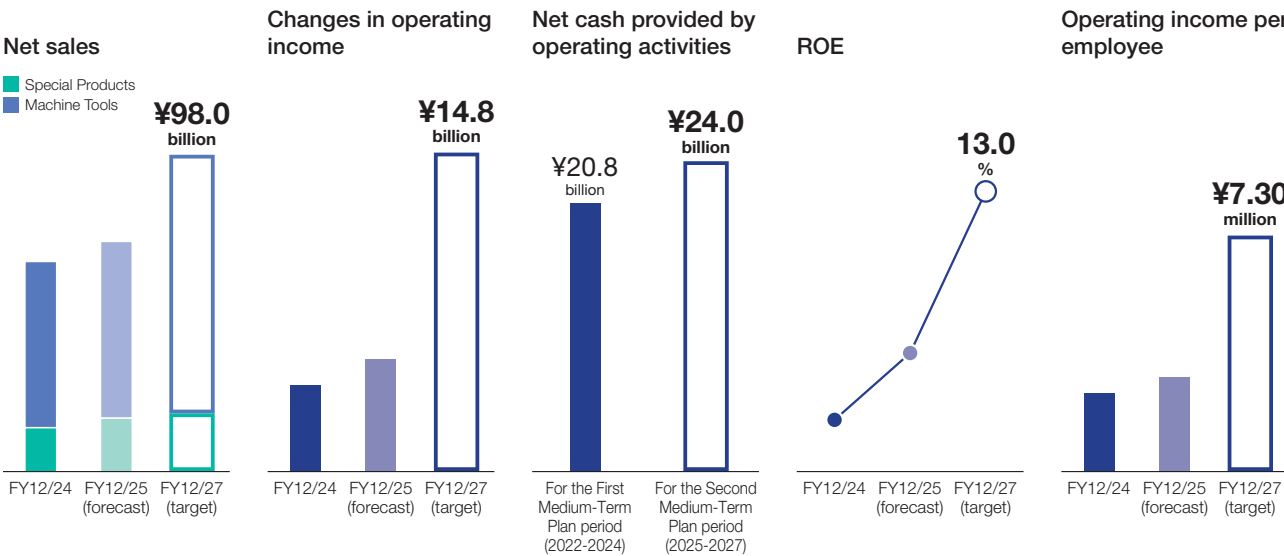
The Second Medium-Term Management Plan (2025-2027) is the second period based on the roadmap to realize the “Vision for 2030,” and its theme is “Driving change.” Under this plan, the Machine Tools business will expand sales in the medical-related field, the Special Products business will quickly restore profitability, and the new business will enter the Medical (medical equipment) business. We will promote strategies in each business area and aim for steady growth as a milestone toward the realization of our vision in both financial and non-financial terms.



Targets and KPIs in the Second Medium-Term Plan

The Group has set the following KPIs for the Second Medium-Term Plan: net cash provided by operating activities of ¥24.0 billion as a cumulative value for the period from the fiscal year ending December 31, 2025 to the fiscal year ending December 31, 2027, ROE of 13% as of December 31, 2027, and annual operating income per employee (consolidated) of ¥7.30 million. For the fiscal year ending December 31, 2027, we are targeting net sales of ¥98.0 billion and operating income of ¥14.8 billion, which we expect to be the highest ever achieved by the Group. We will promote initiatives to achieve our targets, with an eye toward our “Vision for 2030,” which is ¥100.0 billion in net sales and ¥20.0 billion in operating income.

Targets and KPIs	Results as of December 31, 2024	Plans as of December 31, 2025	Plans as of December 31, 2027	Compared to results as of December 31, 2024
Net sales	¥64.9 billion	¥71.2 billion	¥98.0 billion	+51%
Operating income	¥4.0 billion	¥5.2 billion	¥14.8 billion	+268%
Net cash provided by operating activities	¥20.8 billion (for the First Medium-Term Plan period)	—	¥24.0 billion (for the Second Medium-Term Management Plan period)	+15% (compared to the First Medium-Term Plan period)
ROE	2.4%	5.5%	13.0%	+442%
Operating income per employee	¥2.44 million	¥2.91 million	¥7.30 million	+199%



Priority measures under the Second Medium-Term Plan

	Priority measures	Reference page
Machine Tools business	In order to strengthen sales in the medical-related field, where market growth is expected to be high, we will expand the product lineup and technical support system, strengthen the production bases, and strengthen software technology.	P.25-28
Special Products business	We have set restoring profitability as a priority issue, and will work to consolidate production bases and review sales structures.	P.29-32
New business	We will seek early entry into the Medical business by promoting open innovation, including M&A, and by utilizing in-house resources.	P.33-34
Management platform and system development	We will promote corporate culture reform based on a new human resource system, and at the same time, promote initiatives for material issues based on the Sustainability Policy.	P.41-44

Business Strategy (Machine Tools business)



Machine Tools business

An excellent tailwind for the automatic lathe technology that has been cultivated over the years

We aim to become a leading manufacturer of automatic lathes as one of the Group's core businesses through growth by promptly capturing the trend toward downsizing and higher precision of goods.

Fumio Masuda

Senior Executive Officer,
General Manager, Machine Tools Division

Business overview

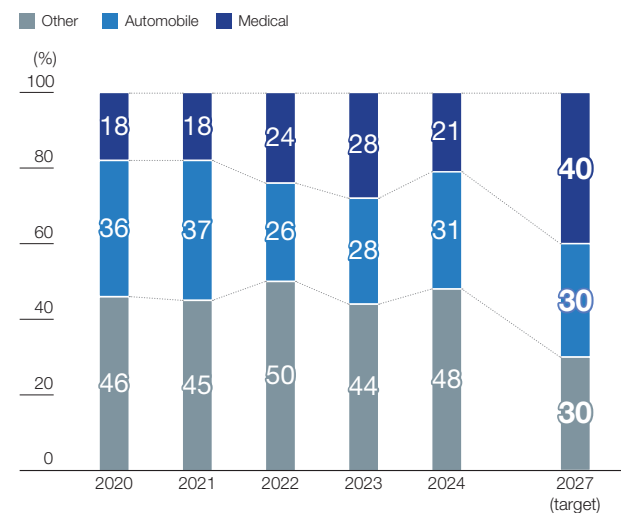
The Group's Machine Tools business focuses on Swiss-type CNC automatic lathes, machines suitable for processing high-precision, small precision parts (See P.19 "Source of Value Creation"). Manufacturing of products is carried out at plants in Japan, which are responsible for assembly of top-end models, manufacturing of core components, and customization, as well as at production bases in Dalian and Thailand.

Starting with the Swiss-type automatic lathe invented in Switzerland in the 1870s, by building original technologies, the Group has developed unconventional products in addition to its mainstay Swiss-type CNC automatic lathes. Today, we offer a wide range of products, from high-value-added machines with excellent multi-tasking performance to highly productive machines with high cost performance.

In recent years, devices in various advanced fields in the medical, automotive, industrial machinery, and electrical and telecommunications industries have become smaller, more precise, and more functional, and their components have also become smaller and more precise. Amid such strong demand, the Group's automatic lathes have been highly evaluated for their high precision, high

rigidity, and high productivity as products that meet market needs, and we have been able to gain strong support and customer bases in the Americas, Europe, and other regions.

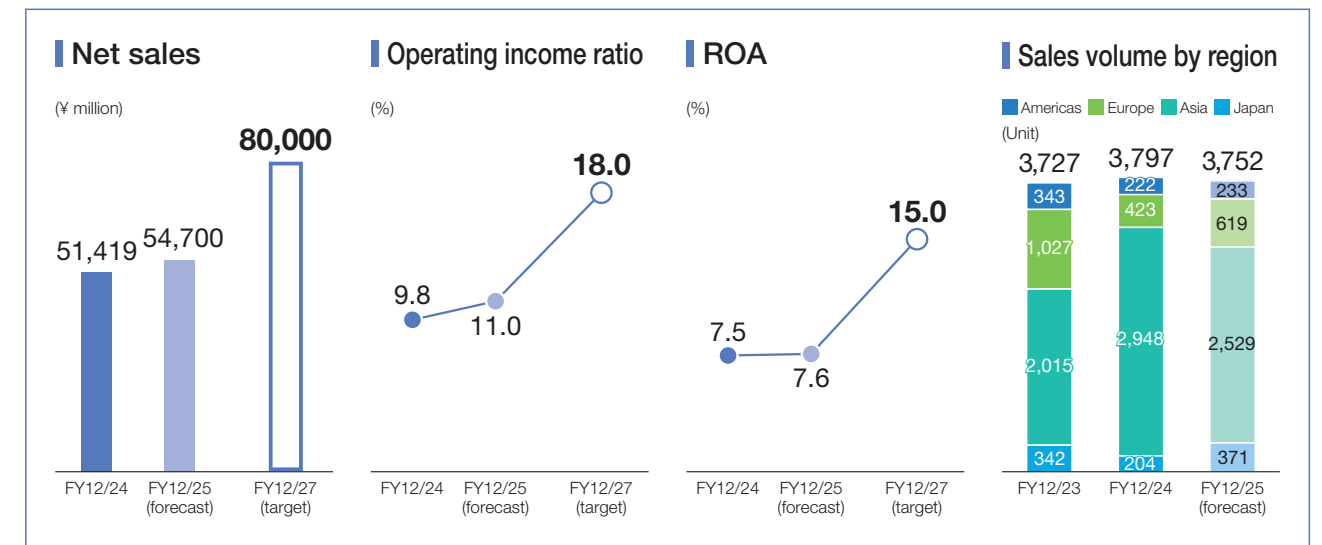
Changes in sales composition ratio



Overview of FY2024

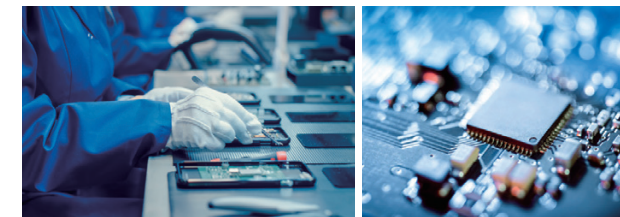
For FY2024, in the Machine Tools business, net sales was ¥51,419 million (down 17.2% year-on-year) and operating income was ¥5,047 million (down 51.2% year-on-year). While the overall economic recovery was slower than initially anticipated, the U.S. market continued to be cautious about capital investment, mainly due to the impact of the presidential election and high interest rates.

In the final year of the First Medium-Term Management Plan, "Building a foundation for change," we were able to generally complete each of the priority measures set forth in the plan. We have also established a complete production system for the future.

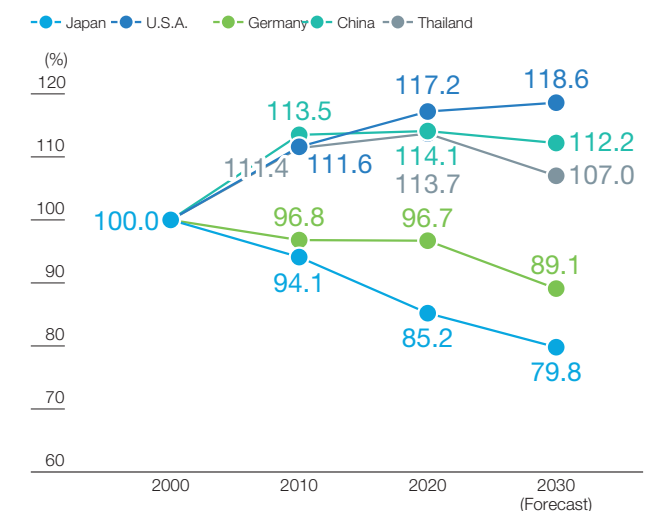


Perception of future business environment

The trend toward "downsizing and higher precision of goods" and "labor saving at manufacturing sites" is further progressing. Demand for automatic lathes continues to rise against the backdrop of these global trends, and we expect demand to expand greatly in areas where the Group's products can take advantage of their superiority, such as medical-related and aerospace-related fields. Since difficult-to-grind materials are used extensively in these fields, it can be said that this is a trend in which the rigidity that is the strength of the Group's automatic lathes can be utilized.



Changes in the working-age population



*Calculated by the Company based on JILPT "Databook of International Labour Statistics 2023."
Change from 2000 as 100%

The Company's competitive advantages and challenges to address

We believe that the comparative advantage of the Group's automatic lathes over competitors is the high rigidity (resistance to deformation of objects) of the products. The technologies that support this advantage are our strengths in precision processing technology, precision assembly technology, and high-precision positioning control technology in the manufacturing process, and we support high-precision processing when customers are processing difficult-to-grind materials. Amid the trend toward downsizing and higher precision of goods, labor saving at manufacturing sites, and an increase in difficult-to-grind materials, the number of parts that require the Group's automatic lathes will increase more and more in the advanced areas of various industries. In addition, as a strength in sales, we have long had a distribution network of sales subsidiaries in Europe and the U.S., where the

need for high unit price and high value-added products is high, and we have a large share of the sales market. Direct contact with customers, rather than relying on dealers, may accelerate the ability to develop products that reflect the voice of the customer. We will further refine the mechanical design and manufacturing technology aspects in the future.

On the other hand, issues include cost competitiveness and production lead time. Based on the policy of keeping inventories as low as possible, the Company will increase local procurement of materials, optimize the supply chain, and improve the efficiency of business activities associated with the large-scale renewal of domestic plants to strengthen cost competitiveness and shorten production lead times.

Business Strategy (Machine Tools business)

Key strategies of the Second Medium-Term Management Plan 2025-2027 “Driving change”

As the automatic lathe industry enters an upward phase with cyclical growth, as mentioned above, downsizing and higher precision of goods, labor saving at manufacturing sites, and the increase in difficult-to-grind materials are creating further opportunities for the Group.

We will continue to focus on further refining our unique technical capabilities. Then, we aim to become a leading manufacturer of automatic lathes to meet the demands of advanced fields.



Strategy 1 Strengthen sales in medical-related fields ▶ Expand technical support system and strengthen product lineup that enables complex processing

Stable market growth is expected in the medical-related field. The Group's automatic lathes that are suitable for processing difficult-to-grind materials and its flexible service system have been highly evaluated by customers who manufacture parts for medical-related fields. Medical equipment parts, which are indispensable for medical treatment, are highly demanded for small-diameter precision processing of difficult-to-grind materials, as well as for customization to fit a variety of human bodies. For example, in dental implants, we develop and manufacture a wide variety of products that can be adapted to any tooth position.

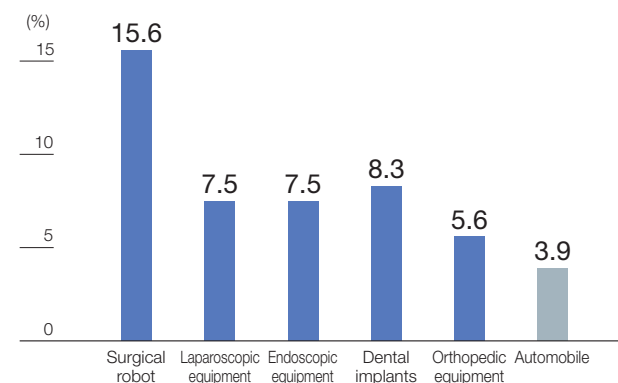
In the medical-related field, we will further develop customers and accelerate business growth.

In the Second Medium-Term Management Plan, we target 40% of total sales in the medical-related field in FY2027, and will promote the following initiatives to further expand sales.

- Expand product lineup for medical-related fields (products that meet complex processing needs)

- Expand production factory for medical-related products (renovation of domestic plant phase 2 Makinohara Factory (tentative name))
- Utilization of solution centers to expand technical support

Global market size CAGR comparison
(Swiss-type CNC automatic lathes-related field) (2024~2030)



Strategy 2 Strengthen sales by region ▶ Focus on medical-related fields in the Americas, Europe, etc. as priority areas

In the Americas and Europe, we will expand sales mainly in the medical fields, and focus on aerospace-related fields and other priority areas to achieve steady growth. In addition, we will use the cash generated in those regions as a source of funds to develop new markets in other regions.

India is the region that we see as the most promising. In India, supply chains have already been established by local customers in each industry, but they are not fully mechanized and there is much room for sales expansion. We have currently formed a project team to develop a strategy to capture the local automatic lathe market,

Sales strategies by region

- Americas:** Expand sales mainly in **medical-related fields**. Develop other aerospace-related fields, etc.
- Europe:** Expand sales mainly in **medical-related fields**. Follow the recovery of demand for internal combustion engines due to the slowdown in the shift to EVs in automobile-related fields.
- Asia:** Follow the shift to Southeast Asia in automotive-related fields, etc., due to geopolitical risks. In India, the automatic lathe market will be developed mainly in the **medical-related fields**.
- Japan:** Expand sales mainly in **semiconductor-related fields**.

where the market price is inexpensive. One of the characteristics of the Group's products is the high number of repeat customers. If we can increase the number of new introductions of the Group's products in new

markets, we will be able to increase repeat orders, which will greatly contribute to stable sales growth over the medium to long term.

Towards the future

We will continue to pursue high precision, high rigidity, and high productivity, which are the characteristics of the Group's automatic lathes. Not only have we recently passed through the valley of demand fluctuation, but looking to the future, we expect the aerospace-related field to be a new promising market beyond the expansion of sales in medical-related fields.

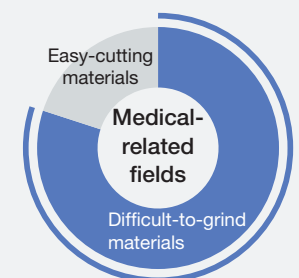
Going forward, we will first firmly respond to diverse customer demands, including those in the medical-related

fields in each region, to achieve business growth and increase business value. In FY2027, the final year of the Second Medium-Term Plan, the Machine Tools business will achieve net sales of ¥80.0 billion, operating income ratio of 18.0%, and ROA of 15.0%, and establish its position as a leading manufacturer of automatic lathes by 2030.

TOPICS

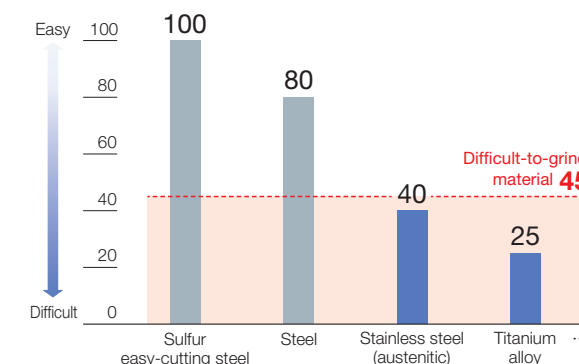
Processing technology for difficult-to-grind materials that supports competitive advantage in the medical field

The medical-related field is expected to grow steadily, but many medical equipment parts are made of difficult-to-grind materials. When cutting difficult-to-grind materials, the characteristic of “rigidity,” which is the resistance to deformation of the object, is important. The Group has achieved “outstanding high rigidity” through its unique design and structure (see the “Deformation rate per unit force” graph on the lower right).



What are difficult-to-grind materials?

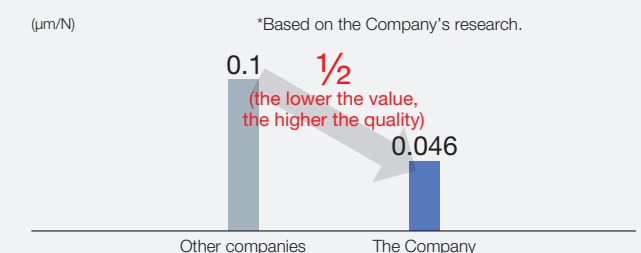
Stainless steel, titanium alloys, inconel, and other metals with a machinability index of 45 or less (a measure of ease of cutting). **Characterized by light weight, high strength, and resistance to stains and rust.**



Skilled technology supporting unique design and rigidity



Deformation rate per unit force



Business Strategy (Special Products business)



Special Products business

By fully leveraging the strengths of our business model, agility enabled by the fables model and close collaboration with ISVs, we will continue to explore new value offerings and develop markets as a total solutions provider for small and medium-sized stores.

Kazuyoshi Terao

Senior Executive Officer,
General Manager, Special Products Division

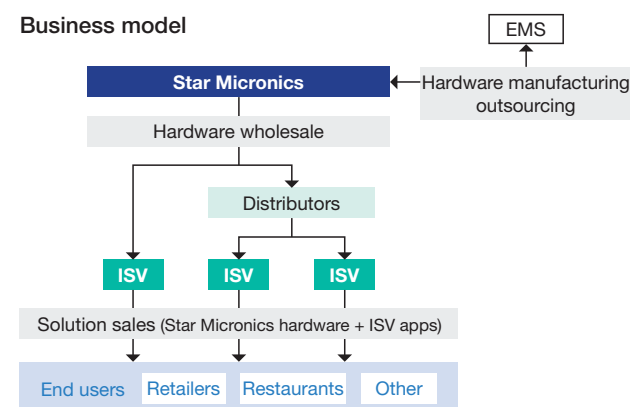
Business overview

In the Special Products business, we plan, develop, manufacture, sell, and provide after-sales service for small commercial printers that print receipts for store registers and numbered tickets for queuing systems. The Group's products are rapidly being adopted in various systems that support store operations, such as self-checkouts and food delivery, against the backdrop of the shift to new lifestyles in the wake of the COVID-19 pandemic, in addition to the expansion of mobile POS (mPOS for cash registers) due to the spread of smartphones and tablet devices. To flexibly respond to these diverse patterns of usage at stores, the Group not only provides high-quality, highly scalable printers (hardware), but also offers total solutions, including the development of software that supports integration with systems (applications), cloud-based printing services, and peripheral devices such as customer displays and barcode scanners. Furthermore, because the Group's products are used in combination with systems, we view software and system developers (ISVs*1) as important partners, and aim to provide high-value-added services through collaboration with them. In terms of production, we specialize in EMS*2, which does not involve our own factories. We ensure quality with the know-how we have cultivated since our business was

launched, while also responding to fluctuations in demand with rapid and flexible production.

We will continue to respond quickly and flexibly to the ever-evolving nature of store operations, which is driven by changes in lifestyles, labor-saving measures, and streamlining trends, and take on the challenge of supporting efficiency improvement of store operations, and meet the needs of society and markets.

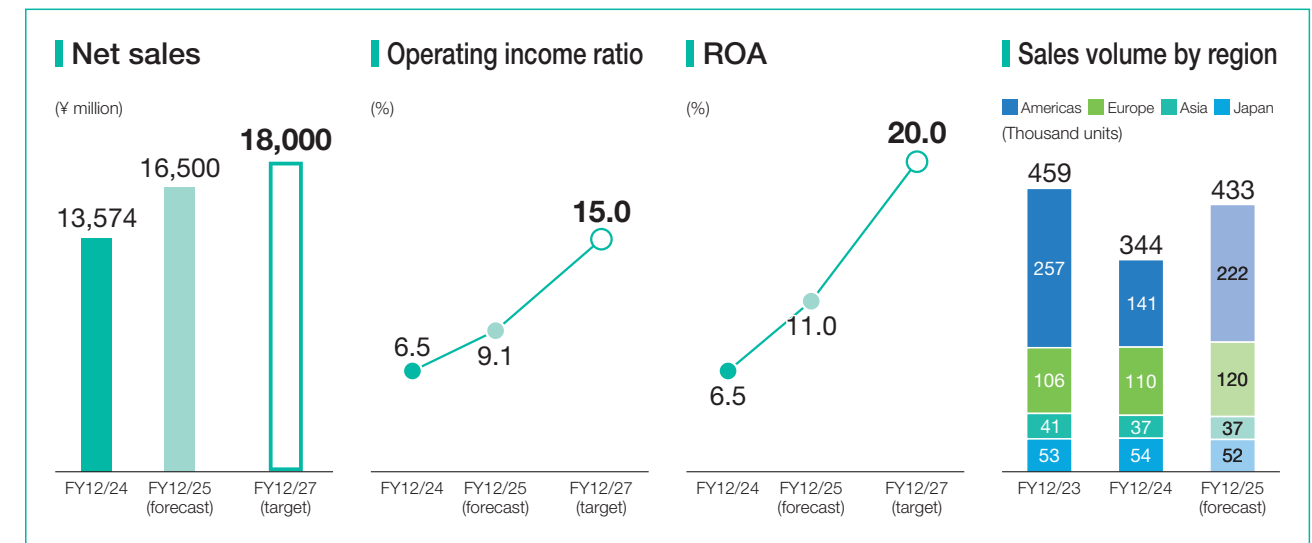
*1 ISV: Independent Software Vendor
*2 EMS: Electronics Manufacturing Services



Overview of FY2024

For FY2024, in the Special Products business, net sales was ¥13,574 million (down 15.7% year-on-year), and operating income was ¥885 million (down 54.7% year-on-year). In the European and domestic markets, while price

pressure continued due to intensifying competition, market conditions remained firm. However, the U.S. market, which accounts for more than half of sales, experienced a significant impact from prolonged inventory



correction at distributors following the COVID-19 boom. The inventory correction in the U.S. market was completed in the second quarter of 2024, and orders are currently on a recovery trend. Retail-level sales (volume of sales from distributors to end users) have also bottomed out and are now on an upward trend. FY2024 was the

final year of the First Medium-Term Management Plan "Building a foundation for change." Although it was a challenging year in terms of financial results, we were able to make steady progress toward our strategic goal of relocating and restructuring EMS.

Perception of future business environment

The printer business faces several challenges, including the transition to paperless environments in the future, intensifying price competition with rival companies, and the development of compact payment terminals with integrated printers, which have become increasingly popular in recent years. Meanwhile, the market for mPOS, which uses mobile devices, is expected to continue growing globally as store styles become more diverse. As labor shortages become more severe, the need for greater store efficiency keeps growing, and we believe that there will be more opportunities for the Group to demonstrate its strengths by providing new products and services that combine hardware and software. Although receipt printers are experiencing a slowdown in demand

due to an increasing shift to paperless environments, demand for paper printing solutions that are not limited to receipt printing continues to exist for specific applications and customer segments. Moreover, demand for printers is expected to remain strong for the time being due to the digitalization of store operations, including mPOS, and expected replacement demand. Additionally, new needs are also growing, such as label printing in stores for delivery services. As store styles become more diverse in this way, printers are expected to be used in a variety of new applications beyond just producing receipts. We will achieve further growth by accurately capturing and swiftly responding to such demand.

The Group's competitive advantages and challenges to address

The Group has built an extensive network through sales subsidiaries in four countries and distributors in three countries. We have been strengthening our relationships with not only distributors but also ISVs in each region, building strong networks with them. As mentioned above, the Group's printers are incorporated into the software applications developed by ISVs, so strong relationships of trust with ISVs, who can be viewed as the actual users, are a major strength for the Group. To meet the diverse development environments and needs of developers, we have been concentrating our efforts on providing environments and services that are easier for ISVs to use,

by improving our printer control support software and revamping cloud-based services in recent years. Such efforts have received high praise. At the same time, we have earned the trust of end users beyond ISVs by providing high-quality products that combine ease of use and superior design, as well as flexible, careful maintenance services. Another strength of the Group is the ability to launch products that accurately capture market changes. With the emergence of tablets and other smart devices, we grasped their popularity and were quick to start offering products compatible with major operating systems. In terms of production, we have

Business Strategy (Special Products business)

achieved high profitability through fast and flexible production using the EMS production system that we have had in place since the business was launched. As cost control has become a major issue from 2024 onwards, we will firmly utilize the strengths of EMS production to promote a return to our original high profitability. On the other hand, further strengthening of the development system is required to respond quickly to market changes. Software development is extremely important to the Group, with strong relationships of trust

with ISVs who operate in the fast-changing software industry. To bring products to market more quickly, we will strengthen our internal structure capitalizing on SST.

By further developing our strengths and firmly addressing challenges in this way, the Special Products business aims to adapt to the rapidly changing market environment and achieve sustainable growth.

Key strategies of the Second Medium-Term Management Plan 2025-2027

“Driving change”

The basic policy in key strategies of the current medium-term plan is to restore profitability by controlling business costs.

The Special Products business set out and will implement Strategy 1 to restore a high-profit structure

once again and play a role in generating continuous cash flow, and Strategy 2 to further deepen collaboration with ISVs, one of the Group's strengths, with the aim of creating new value.



Strategy 1 Restore profitability by controlling business costs

Special Products business is facing the challenge of declining profit margins due to changes in the market environment and intensifying competition. Given this situation, controlling business costs to restore profitability has become an urgent issue.

Specifically, we plan to pursue an improvement approach improving from two angles: optimizing the entire supply chain and rebuilding the sales structure in Asia. As part of the plan, we largely completed in 2024 preparations for optimizing our production and logistics structures, including the reorganization of our EMS partners. Our efforts will continue to further enhance production efficiency and cost competitiveness. In

addition, regarding the sales structure in the Asia region, from the second half of FY2025, the sales structure will undergo reorganization and shift to a structure where the head office sales team will be directly involved in sales activities in the Southeast Asian and Indian markets. At the same time, we will research successful models for the Southeast Asian and Indian markets. Additionally, we will consider and make decisions about which regions of the world should be prioritized for resource allocation. Our initiatives also include the reduction of fixed costs with the aim of quickly restoring profitability.

Strategy 2 Promote integration with ISVs

The Group's products are used in combination with software and applications developed by ISVs. Therefore, ISVs are not only customers for the Group, but also important partners with whom we co-create value. In particular, ISVs are positioned close to end users in the

Group's business model, allowing us to understand the issues and needs of end users through ISVs. By creating solutions that address these challenges and needs in partnership with ISVs, we continue to provide new value to society. Further deepening collaboration with ISVs will

continue to be an important strategy for the Group.

Furthermore, the global network of ISVs is a major strength in the Group's regional strategy. We aim to expand our market share in each region by understanding the specific needs of each region through ISVs and providing solutions that meet those needs.

Going forward, in addition to strengthening relationships with ISVs, we will not only develop high-quality hardware for the new solutions envisioned by ISVs, but also proactively pursue new approaches such as further enhancing our existing software solutions and providing cloud-based services, thereby providing even stronger

support for the development activities of ISVs. Moreover, our efforts will also include speeding up development and manufacturing processes, improving product quality, working with ISVs to accurately grasp diverse market needs, and developing new devices and solutions unique to the Group.



► ISVs Software vendors that develop POS systems and other software products. Combining POS software produced by ISVs, tablet devices, and the Group's printers makes it possible to build POS systems easily and at low cost. Various other software to support store operations is also developed, such as online ordering and queueing systems.

Towards the future

The business environment of the Group is expected to continue to change dramatically, with a shift to paperless environments and the diversification of payment methods. However, we believe that it is precisely now, when the business environment is rapidly changing, that the Group is presented with new growth opportunities. Moving forward, we will steadily implement Strategies 1 and 2 first to restore profitability, with the aim of achieving net sales of ¥18.0 billion, an operating income ratio of 15.0%, and ROA of 20.0% in FY2027. Furthermore, we will also push ourselves beyond existing limitations to create value, based on a high-profit structure and the technological capabilities and global network we have cultivated over the years. We will also aim to establish a diverse revenue model by developing devices other than printers and expanding cloud-based services.

Through these measures, we will establish ourselves as a total solutions provider for store operations, going beyond simply providing products, and achieve sustainable growth by responding quickly and flexibly to the diverse needs of markets and customers.



TOPICS

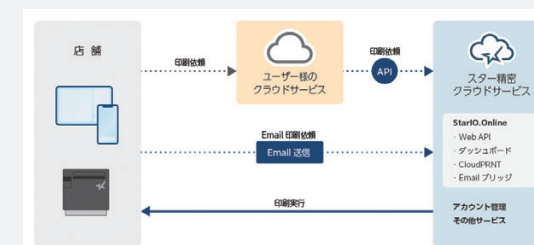
Expansion of Star Cloud services in the European market

As IoT services become more widespread, the need for cloud control is also increasing for retail store systems. In light of this trend, the Group launched a new service, StarIO.Online™. The service combines the existing cloud printing technology Star CloudPRNT™ and the strengths of the device control software StarIO™ that have been developed over many years. A key feature of the service is that it allows users to centrally manage and control devices, such as printers, online from the cloud. This significantly reduces the costs of building and operating a dedicated server, which was previously a necessity, and enables printing and linking from applications with minimal effort. In the future, we plan to expand support to peripheral devices other than printers.



<https://star-m.jp/eng/news/5916/>

StarIO.Online™



New Business Development Strategy (Medical business)



New business (Medical business)

By capitalizing on the precision processing, precision assembly, and high-precision positioning control technologies we have developed over the years, we will evolve and grow from a manufacturer of machine tools for medical equipment to a manufacturer of medical equipment, further strengthening our future business and revenue portfolio.

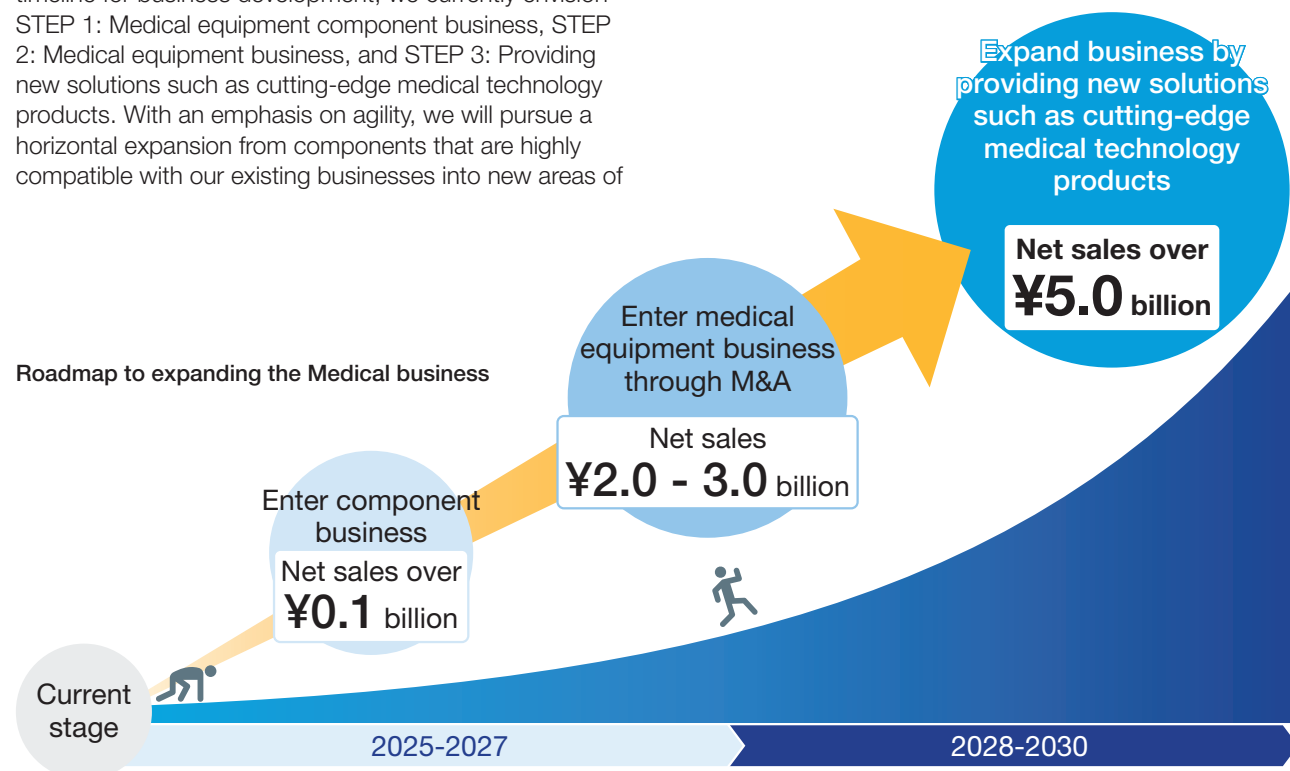
Takahiro Kogasaka

Executive Officer,
Deputy General Manager, Development Headquarters

Business overview

The Group has set entry into the Medical business as a major pillar of its new business development strategy. We will make a full-scale expansion from the existing business of machine tools and precision parts processing into the development and manufacturing of medical equipment components and medical equipment products. As a basic timeline for business development, we currently envision STEP 1: Medical equipment component business, STEP 2: Medical equipment business, and STEP 3: Providing new solutions such as cutting-edge medical technology products. With an emphasis on agility, we will pursue a horizontal expansion from components that are highly compatible with our existing businesses into new areas of

the medical equipment business, aiming to move up the steps steadily and expand business by providing new solutions such as more complex products and services. Through these activities, we also hope to create social value by contributing to improving the quality of life of patients.



Aim of new entry

▶ Access to and strength in the medical market

The medical market is no unknown territory for the Group. The Group's precision processing, precision assembly, and high-precision positioning control technologies give us accessibility and strength in the medical market. Additionally, we believe that the Group's existing manufacturing capabilities will also be a major strength.

▶ Market outlook

Leaving aside special cases such as the 2008 financial crisis and the COVID-19 pandemic, we think that the medical market as a whole will grow globally as a macro trend, against the backdrop of aging populations, an increase in the number of patients, and a decrease in the number of doctors in all developed countries. We also view the medical industry as a market generally less susceptible to cyclical events overall.

Growth strategy

▶ STEP 1 Enter the medical equipment component business

First, as STEP 1, we will utilize our existing manufacturing capabilities and sales channels to expand the manufacture and sale of medical equipment components for medical equipment manufacturers. We have already transferred specialized machinery from the Machine Tools Division to a group company and begun manufacturing medical equipment components. Through these initiatives, we hope to gain a foothold in entering the Medical business.

▶ STEP 2 Enter the medical equipment business

In STEP 2, we envision becoming a medical manufacturer that develops, manufactures, and provides the very medical equipment used by medical professionals in the medical field. We will leverage our own precision processing, precision assembly, and high-precision positioning control technologies to meet the high level of quality demanded by medical equipment. In addition to securing the necessary manufacturing capacity and

developing sales channels, we also plan to aggressively consider and carry out M&A, with an emphasis on scaling up.

▶ STEP 3 Expand business by providing new solutions such as cutting-edge medical technology products

In terms of a macro strategy and future scaling up of the Medical business, we are considering providing highly innovative medical solutions such as robotics and software, and even expanding into the healthcare field, including pre-disease and prevention. To achieve this stage, in STEP 3, we will promote investment in and collaboration with startup companies and accelerate our exploratory activities through VC investment. By combining the newly acquired seeds through these initiatives with the core technologies that the Group already possesses and customer needs, we will create new businesses.

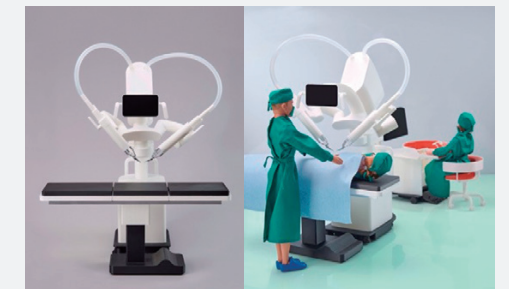
TOPICS

STEP 3 Investment in a company developing microsurgery assist robots

In June 2024, the Group invested in F.MED Co., Ltd., a company that develops microsurgery assistance robots (ownership ratio: 8.8%).

Microsurgery is a surgical technique that uses a surgical microscope and minute surgical instruments to suture together blood vessels, nerves, and other tissues that are less than 1 mm in diameter. However, because it requires extremely delicate instrument manipulation, there are only a limited number of doctors and medical institutions that can perform it.

A Microsurgery Assist Robot developed by F.MED uses a robotic manipulator to reduce surgeon workload and control and reproduce hand motion, contributing to increasing the number of surgeons who can perform the procedure and increasing the number of patients who can be treated. High-precision positioning control technology is important for robots, and this is an area where the Group's strength in attention to detail down to the micron level can be utilized.



Finished image of the surgery assist robot developed by F.MED

Technology Strategy



By expanding our precision technology that has been cultivated with commitment into new fields and combining it with software technology, we will strengthen our competitive edge with the Star Micronics quality.

Yasunao Sasai
Director, Managing Executive Officer,
General Manager, Development Headquarters

Basic approach to technology strategy

Keep honing technologies that underpin the Star Micronics quality

The competitive advantage of the Group can be said to lie in the Star Micronics quality that has been praised by customers who use our products. Amidst rapid changes in the world and technological advancements, we are constantly taking proactive steps to incorporate customer requests for new technologies with the aim to continue to meet expected quality standards, and strategically strengthening and innovating our technology that is the foundation of Star Micronics quality.

Furthermore, we will adhere to the Star Micronics quality and our unwavering commitment to its technological foundation and differentiate ourselves by perfecting the manufacturing and processing technologies for small precision products that we have cultivated since our founding, aiming to create value that is unique to the Group.

Core technologies

Further development of precision processing technology x precision assembly technology x high-precision positioning control technology

The Group's proud precision technology dates back to our original business of manufacturing wristwatch parts. Since then, we have continued to hone our technologies while expanding the scope of the Group's technology in response to the times and customer needs, not only in the Machine Tools and Special Products businesses but also in the Component business for manufacturing and selling small acoustic components in the past.

The Group's current core technologies, precision processing technology, precision assembly technology, and high-precision positioning control technology, have evolved through this journey. By combining these technologies at a high level, we are able to achieve Star Micronics quality in machine tools that require micron-level precision, as well as in products such as printers that require compactness, lightness, and multi-functionality.

The foundation that supports these core technologies is the Group's personnel with artisanal skills in processing and assembly, as well as accumulated intellectual capital including an educational system and design and

manufacturing know-how. Furthermore, by combining them with their source, commitment to technology, which has been passed down as part of our corporate culture, we have been able to establish a unique advantage that is difficult to imitate.

To further develop the Group's core technologies and pursue the quality that meets the expectations of customers and society, we are considering the following two approaches, based on the principle of honing our technologies through communication and cooperation with customers to address technical and cutting-edge issues.

The first approach is to strengthen the suitability of our core technologies to new application areas. With the sales strategy for



Image of small precision products

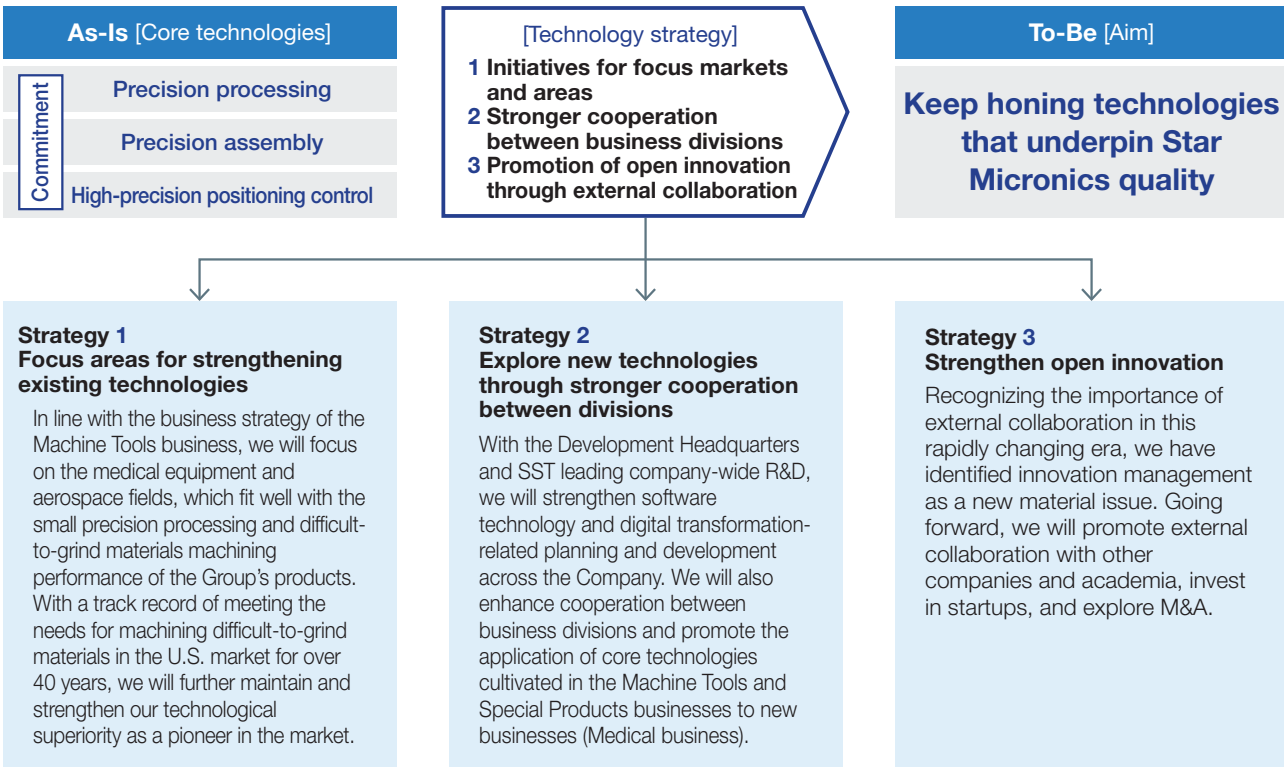
the Machine Tools business and the launch of the Medical business in mind, we will step up development by focusing on the technological elements required in fields such as medical equipment and aerospace.

Another approach is to create new value in existing markets. Linking manufacturing with the digital realm (digital transformation of manufacturing) is a major topic.

To further enhance the value of the Group's proud hardware technologies, it is essential to collaborate with cutting-edge software fields and technologies. To strengthen this field, we will make maximum use of SST's software and IT-related technological capital.

Overall picture of technology strategy

Strategically promote initiatives for focus markets and areas, stronger cooperation between business divisions, and open innovation



TOPICS

Technological superiority that has been underpinned by commitment

Our consistent commitment to and pride in technology since our founding has created the uniqueness and superiority of the Group's current technology.

Our pursuit of precision is based on our commitment and pride, and we have always pursued zero error, rather than settling for an acceptable error range for our products. As a result of countless trials and errors aimed at achieving zero error, we have now established manufacturing know-how that maximizes precision and earned high praise from users for Star Micronics quality.

Commitment to handcrafting by craftsmen is also an important factor that shapes the uniqueness and superiority of the Group's technology. When developing overseas factories, the Group patiently trained locally hired workers to develop skills in special machining (hand scraping), which is important in manufacturing. While other companies have adopted the option to substitute with simple parts across the board, the Group has chosen to stick to handcrafting, which has given us greater freedom in product design and enabled us to achieve a level of high rigidity that cannot be replicated by other companies today. This has resulted in our competitive advantage in precision processing and difficult-to-grind materials processing.



hand scraping

Financial Strategy
(Basic financial strategy in the Second Medium-Term Management Plan)



We will ensure that our corporate value continues to grow and aim to become a leading small and medium-sized enterprise with a robust financial structure.

Masatake Hanada
Executive Officer
Deputy General Manager, Corporate Headquarters,
Executive Manager, Finance & Accounting Department,
Corporate Headquarters

Perception of external environment and financial conditions

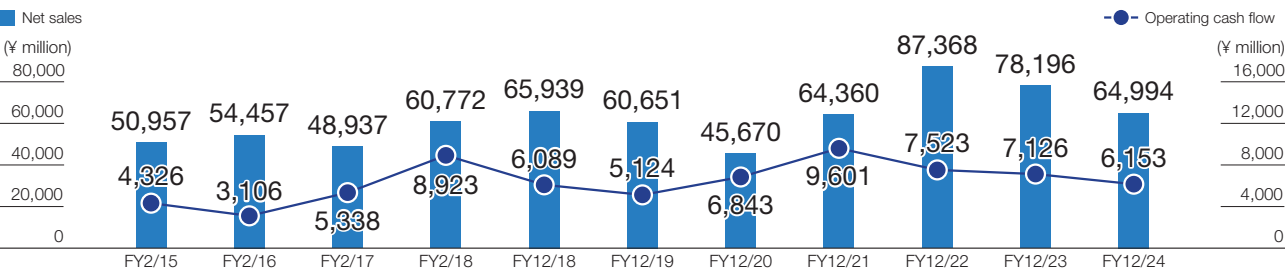
Maintain stable operating cash flow despite the unstable market environment

Although the business environment during the period of the Second Medium-Term Management Plan (2025-2027, the “Second Medium-Term Plan”) will continue to face cyclical fluctuations, the Company’s mainstay machine tools will enter a period of high demand amid trends toward downsizing, precision, and labor saving at manufacturing sites. Additionally, the business environment is expected to be favorable for improved performance overall, with growing demand for automatic lathes, primarily in the medical field, robust demand in the U.S. and Europe, growth in the Indian market, and a recovery in the Chinese market.

The Group has always followed cash flow-focused management. Over the past few years, we have implemented thorough inventory management even

during a period of cyclical fluctuation, and have been able to maintain a stable operating cash flow of around ¥7.0 billion. Cumulative operating cash flow for the three years of the First Medium-Term Plan exceeded the target at ¥20.8 billion. We aim for ¥24.0 billion during the three years of the Second Medium-Term Plan. Even in the unstable market environment, we will continue to maintain a stable financial base, including liquidity of cash on hand and fundraising capacity. At the same time, we will aim to further improve profitability by increasing production of core components and transforming our plants into smart factories through investments of ¥10.0 billion in the Kikugawa South Factory (tentative name) and ¥5.0 billion in the Makinohara Factory (tentative name).

Net sales / Operating cash flow



Strengthen the financial base and enhance the investment strategy

Conclusion of a capital and business alliance agreement with the TPP Group

With the business environment expected to improve going forward, we will be more proactive in implementing measures to achieve the goals of the Second Medium-Term Plan and realize the Vision for 2030 and ensure progress. To this end, the Group entered into a capital and business alliance agreement with the TPP Group in April 2025 (P.14). Through this alliance, we aim to

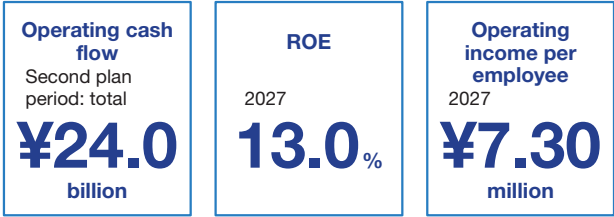
strengthen our financial base, enhance our investment strategy, and increase our corporate value over the medium to long term. The Group’s financial policies, including shareholder returns, will be implemented in accordance with the Second Medium-Term Plan announced in February 2025.

Financial policies (management targets)

Each KPI is set at a level higher than the previous medium-term management plan

Under the overall strategy of “Driving change” in the Second Medium-Term Plan, we set the levels for each KPI (operating cash flow, ROE, and operating income per employee) higher than the results of the First Medium-Term Plan. Furthermore, the necessary funds for efforts to achieve the Second Medium-Term Plan and the Vision for 2030 have been secured through the aforementioned capital and business alliance and third-party allotment of new shares. We will manage surplus funds under appropriate policies and use them to flexibly provide returns to shareholders and to further increase our corporate value.

KPIs for the Second Medium-Term Management Plan (2025-2027)



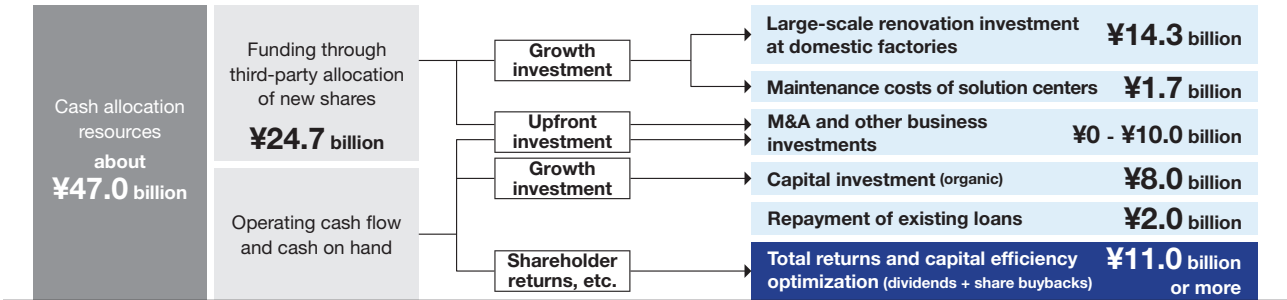
Cash allocation

Allocate ¥34.0 billion to growth investment and upfront investment and ¥11.0 billion or more to shareholder returns, etc.

In the Second Medium-Term Plan, the Group outlined a clear business direction, including expanding into the medical-related field as growth investment for the Machine Tools business and launching a new Medical business. We plan to steadily invest in these areas in the future. Specifically, we anticipate to make growth investment and upfront investment of approximately ¥26.0 billion,

including large-scale renovation investments at domestic factories, other capital investments of approximately ¥8.0 billion, and shareholder returns of ¥11.0 billion or more. In addition to the funds from the recent third-party allotment of new shares, these investments will be funded with operating cash flow and cash on hand.

Fund allocation plan (FY12/2025 to FY12/2027)

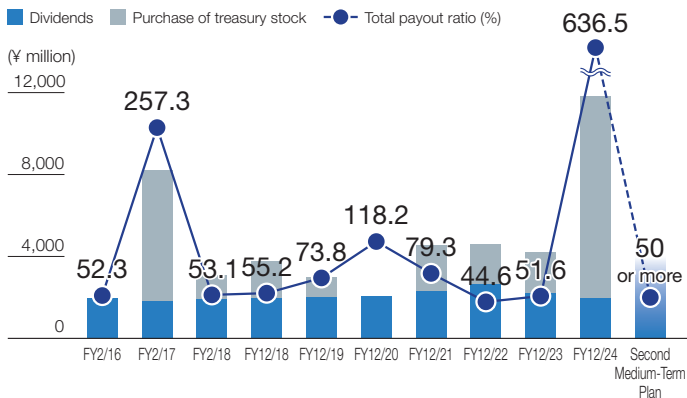


Shareholder returns

Emphasis on returning profits through dividends

The Company’s basic policy* for shareholder returns is to pay a progressive annual dividend per share of ¥70 or more and targets a consolidated total payout ratio of 50% or more. We also place importance on returning profits in the form of dividends. Even when we recorded a net loss of ¥8.5 billion in the fiscal year ended February 2010 due to the 2008 financial crisis, we paid an annual dividend of ¥22 per share. Since that year, there have been no dividend cancellations or cuts (excluding the special dividend for the fiscal year ended December 31, 2022), and dividends have been increasing to the present day.

Shareholder return indicators



* For details, please see P.4 of the attached materials “Notice Regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price” released on February 12, 2025.
https://star-m.jp/eng/ir/wp-content/blogs.dir/7/files/ir_news_20250212_02.pdf

Financial Strategy

(Implementing management that is conscious of cost of capital and stock price)

Basic approach

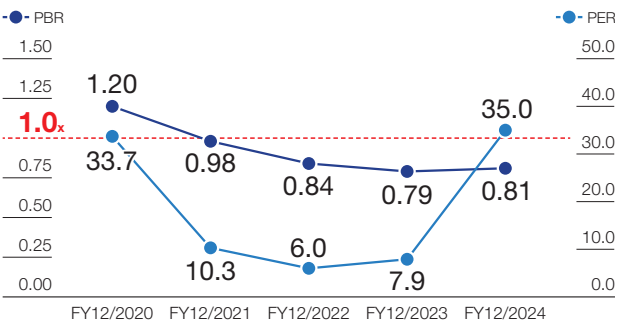
Mitigate cyclicalty by strengthening business portfolio management

Until the fiscal year ended December 31, 2020, the Company's stock price remained at a level of approximately 1.2x PBR (as of the fiscal year end). In addition, the Company focused on ROE as one of the key KPIs in the previous Medium-Term Management Plan and has worked on improving capital efficiency. However, the Company's PBR has remained at a level below 1x since the fiscal year ended December 31, 2021 due to factors such as the delayed recovery of business performance of the Machine Tools business and the conversion of convertible bonds issued in 2016 (procurement of ¥8.0 billion) upon their maturity in 2021.

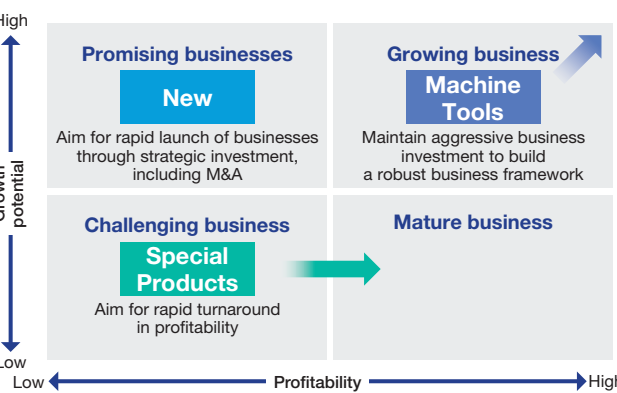
To improve this situation, we believe it is necessary to reduce capital costs, and will place particular emphasis on lowering the beta value in the CAPM (capital asset pricing model). Issues to be addressed to improve the beta value include mitigating the Company's cyclicalty and ensuring the probability of growth. To mitigate cyclicalty, we believe it is important to position the "healthcare and medical fields," which are less susceptible to economic fluctuations and have stable growth prospects, as a pillar of our new business, and to strengthen our business portfolio management that ensures more stable profits. Furthermore, to increase the probability of growth, we believe that the cost of shareholders' equity can be reduced by steadily implementing growth strategies, leveraging the capital and business alliance with the TPP Group.

In addition to the above basic approach, we will strive to improve our PBR through the implementation of various measures for capital policies, growth strategies, and IR activities, and corporate governance.

Trends in PBR and PER



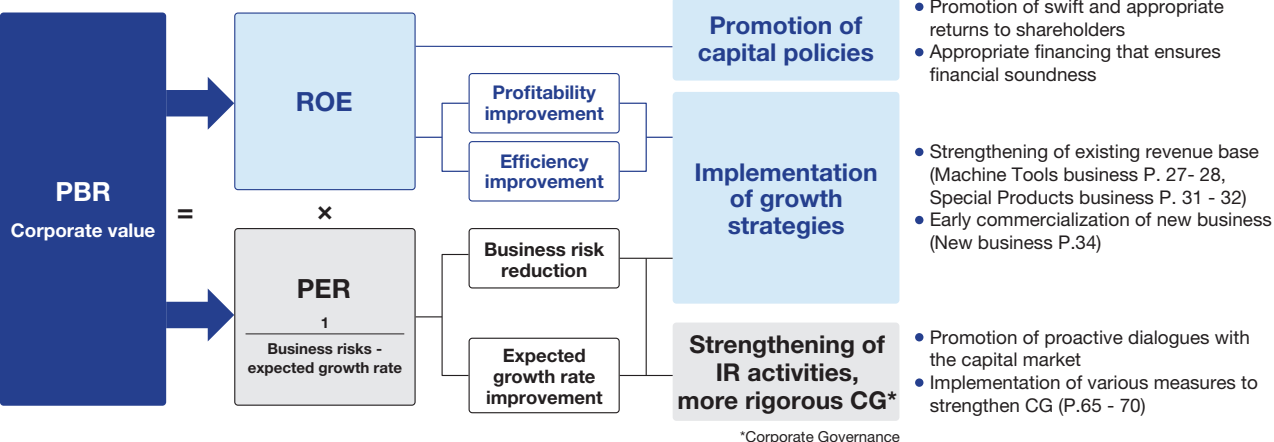
Business portfolio



Strategies and measures to improve PBR

Implement various measures for capital policies, growth strategies, and IR activities, and corporate governance

To improve PBR, the Company will appropriately promote capital policies, implement steady growth strategies, strengthen IR activities, and promote more rigorous corporate governance.



Financial Strategy

(strengthening engagement with shareholders and investors)

Initiatives in FY12/2024

Deepening mutual understanding with capital markets and leading to sustainable improvement in corporate value

The Company places great importance on engagement with shareholders and investors. We recognize that deepening mutual understanding with capital markets leads to sustainable improvement in corporate value. We believe that the conclusion of the capital and business alliance agreement with the TPP Group in 2025 was achieved through open dialogues with our shareholders and investors, which deepened our relationship and fostered mutual trust, leading to recognition of the Group's technologies and growth potential.

In the fiscal year ended December 31, 2024, we implemented the following three measures to strengthen engagement with our shareholders and investors: proactive information disclosure, active dialogues with capital markets, and reliable feedback to management.

► Proactive information disclosure

We strive to provide clear and timely information on key areas such as our business performance, financial results, and initiatives on ESG (Environment, Social, and Governance). In addition to enhancing IR materials and websites, we are promoting proactive information disclosure by utilizing videos to share information about the company and products.

► Active dialogues with capital markets

We are committed to providing accurate and timely disclosure to our shareholders and investors, while promoting two-way communication. We have increased the number of financial results briefings from twice to four times a year. In addition, we provide opportunities for one-on-one meetings, and hold briefing sessions for individual investors and factory tours for institutional investors. We are proactively providing opportunities for dialogues in various formats, including the release of a video* to promote understanding of Machine Tools business.

* [Business introduction] We are making top-level niche machine tools.
https://youtube.com/watch?v=xw7n25_hjgY&si=Nra_3MtNzOUn40Yk

► Reliable feedback to management

We have established a system to reflect the opinion of capital markets in our management. As an example, we report to the Board of Directors on a quarterly basis to ensure swift and reliable feedback to management on valuable information obtained through dialogues with shareholders and investors. In addition, we strive to improve management and decision-making quality with reference to external opinions, and promote management grounded in a long-term perspective. We aim to earn the trust of all stakeholders through these efforts, and continue to grow as a company that contributes to society.

Toward the future

Fully committed to achieving the improvement of corporate value for the future

As the Second Medium-Term Plan is underway, we entered into a capital and business alliance agreement with the TPP Group and implemented a third-party allotment of shares to pursue further growth, making a significant management shift toward growth. We believe that although this third-party allotment of shares will result in dilution of shares, in the medium to long term, we will be able to steadily improve corporate value by enhancing management and executing growth investments with the funds obtained through the capital increase.

At this significant turning point, my role as an officer in charge of finance is to achieve KPIs set in the Second Medium-Term Plan, and ensure the funds obtained

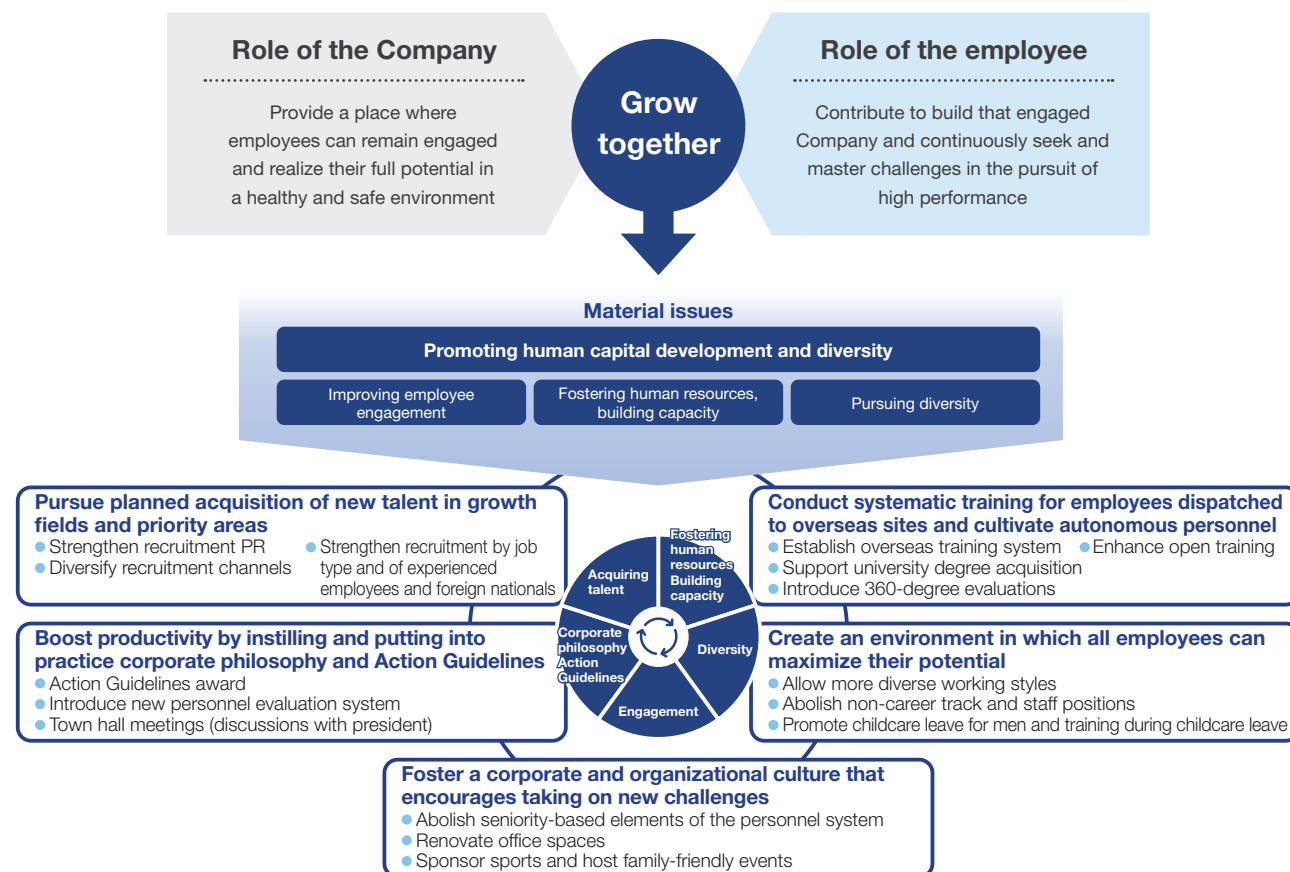
through this capital increase are allocated to growth investments toward achieving Vision for 2030. In addition, my role includes supporting each business division in achieving its KPIs through further effective and appropriate business performance management, as well as strengthening engagement with shareholders and investors through timely, appropriate, and proactive IR activities, with the aim of achieving sustainable corporate value improvement. Speaking from the financial perspective, we will strive to become a "leading small and medium-sized enterprise with a robust financial structure" through this series of measures.

Human Resource Strategy

(For further growth through an autonomous organization)



A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together.



Previous human capital of the Company - As-Is -

From its founding through the period of rapid economic growth, the Company achieved steady growth under a small-scale, cohesive organizational structure. Under strong leadership, it was an organization where employees had a sense of unity and worked toward common goals.

However, as time passed, the heteronomous organization that had been successful at the time became unsuitable for modern society and the business environment.

Since the 2008 financial crisis, we have overcome a difficult period in which we focused on selecting and

concentrating on businesses and aimed for further growth. In doing so, we have come to the conclusion that it is necessary to transition to an autonomous organization. We believe that it is necessary to create an

organizational structure that respects diverse values and allows each employee to think and act independently, thereby maximizing their individual abilities.

Building human capital for the future -To-Be-

► The first step toward building an autonomous organization

In order for each of the businesses to grow in a rapidly changing environment by leveraging their unique characteristics, it is required to build an organization in which each employee can think and act independently and utilize their diverse personalities. At the same time, it is also important to share the direction that the entire organization should aim for and to have a common vision. Based on this perspective, we first clarified our corporate vision (revision of our philosophy system) in 2022, in conjunction with the start of our First Medium-Term Management Plan, in order to bring together diverse personalities. After a year of careful consideration, we relearned our history and arrived at the words that our founders repeatedly emphasized: “A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together.” We realized that this perfectly expressed our belief that “the company and its employees grow together,” and we formally redefined it as our corporate philosophy.

► New human resource system supporting employee and organizational growth

In order to accelerate the transition to an autonomous organization, we introduced a new human resource system in 2025. What is important in an autonomous organization is the individual’s ambition, and we want them to use that ambition to develop their careers and expertise. To firmly support this, under the new system, we will create an environment where all employees can maximize their abilities through a dual career path in management and professional fields. Through these efforts, we aim to achieve our FY2030 targets of ¥100.0 billion in net sales and ¥20.0 billion in operating income by bringing out the abilities of each and every employee and strengthening the overall power of the organization.

Based on our corporate philosophy, the Company considers the growth and improvement of employees’ lives to be an important management issue. As the company grows, we aim to achieve one of the highest salary levels in Japan, with a target of an average annual income of ¥10.00 million or more for employees by 2030. This is not only an increase in salary levels, but also a manifestation of the Company’s commitment to promoting an environment where each employee can grow independently and maximize their abilities, thereby achieving sustainable growth for both the Company and its employees. The Company’s new human resource system serves as the foundation to achieve these principles and targets.

Overview of human capital management



Key points of new human resource system

The new human resource system, which came into effect in January 2025, prioritizes the creation of mechanisms that enable individuals to improve their expertise and pursue career advancement with high aspirations, in order to realize an autonomous organization. The most significant change is the establishment of a new professional course (dual career path). Under the old system, promotion was only possible through


appointment to a management position. However, we have established a new course that allows employees to contribute to management by utilizing their advanced expertise. In this way, professionals in specific fields will be treated equally with management. (P.51-52)

Promoting Sustainability Management

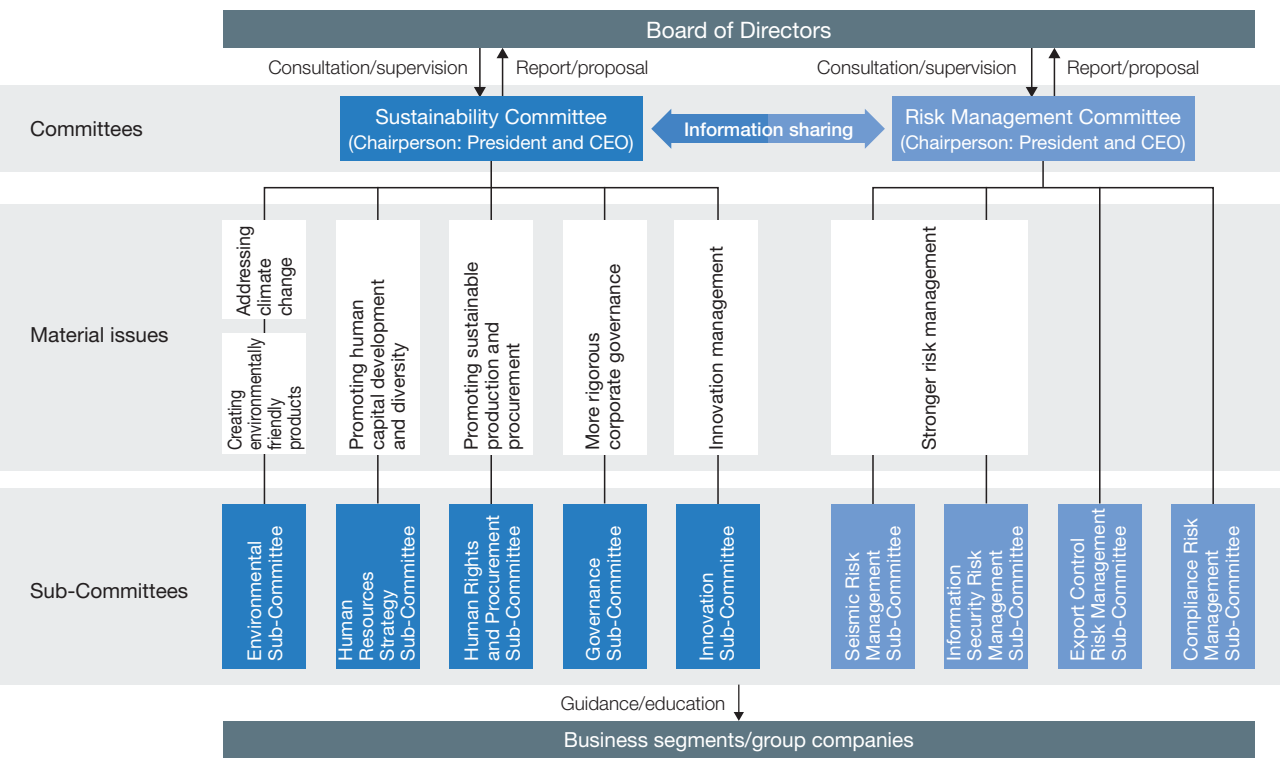
Sustainability Policy

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.

 Sustainability Policy | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/materiality.html>

Sustainability Promotion System



* The above is the structure as of June 30, 2025.

● Structure explanation

At the Group, the Sustainability Committee, which is a body to make decisions on important matters related to sustainability, and chaired by the Representative Director, President and CEO, and comprised of full-time directors and executive officers, identifies material issues, sets targets for the resolution of these issues, and promotes Group-wide initiatives.

In addition, as necessary, information is shared with the Risk Management Committee, which is comprised of the same members as the Sustainability Committee.

The results of deliberations by the Sustainability Committee and the Risk Management Committee are

regularly reported to the Board of Directors, which consults and supervises the Sustainability Committee's initiatives.

Activities of the Sustainability Committee in 2024

Members	Number of meetings held	Major deliberations
Nine full-time directors and executive officers	Four times	<ul style="list-style-type: none">• Confirmation of progress on material issues• Consideration of initiatives to respect human rights• Review of material issues

Promoting Initiatives to Address Material Issues

The Group reviewed the material issues in 2024 based on the following process. In line with the Second Medium-Term Management Plan starting in FY2025, we will promote initiatives based on new material issues.

STEP 1	STEP 2	STEP 3	STEP 4
Extraction of potential key issues	Assessment of materiality	Verification of validity and completeness	Identification of key issues
Referring to international guidelines such as SASB, GRI, and SDGs, as well as evaluation items from ESG evaluation organizations, various social issues in addition to conventional materiality issues were listed. The issues were analyzed in terms of their impact on each stakeholder and the Group, their importance was evaluated, resulting in a shortlist of 25 items.	The items on the shortlist were evaluated in terms of both their "impact on society" and "importance to the Company," and key issues were identified based on the evaluation results.	Referring to advice from external consultants, internal consideration and reviews were conducted to confirm the validity and completeness of the content.	Identified key issues were reclassified into seven materiality issues, deliberated by the Sustainability Committee, approved by the Board of Directors, and finalized.

	Material issues	Reasons for materiality to the Group	Main initiatives	Reference page
E Environment	Addressing climate change	As a global issue, it is essential for a company to actively promote measures against climate change to ensure business continuity in the future. In addition, by reducing risks related to climate change we will protect our corporate value.	<ul style="list-style-type: none">• Reducing greenhouse gas emissions• Promoting disclosure under TCFD and other frameworks	P.47-48
	Creating environmentally friendly products	Growing awareness of environmental issues presents a significant business opportunity for the Group as a manufacturer. Focusing on the development of environmentally friendly products, we will establish competitive advantages and aim for sustainable growth.	<ul style="list-style-type: none">• Creating new businesses and products leveraging proprietary technologies• Creating products that help address issues in the natural environment	P.49-50
S Society	Promoting human capital development and diversity	It is important to increase employee diversity and engagement to revitalize the organization. Investing in human resources will be the foundation that supports the long-term growth of a company.	<ul style="list-style-type: none">• Improving employee engagement• Fostering human resources, building capacity• Pursuing diversity	P.51-58
	Promoting sustainable production and procurement	For the Group, which has a global supply chain, it is the company's responsibility to thoroughly respect human rights, preserve the environment, and comply with laws and regulations. In addition, it is also important for reducing risks in the supply chain and ensuring stable procurement.	<ul style="list-style-type: none">• Initiatives to respect human rights within the Group and among suppliers	P.61 P.63-64
G Governance	More rigorous corporate governance	While maintaining high ethical standards and transparency, we will strive to conduct appropriate and efficient management, earn the trust of society, and enhance corporate value.	<ul style="list-style-type: none">• Further improving effectiveness of the Board of Directors• Establishing an executive compensation system that serves as a sound incentive	P.65-70
	Stronger risk management	Risks surrounding the Company are becoming increasingly complex and diverse due to changes in the business environment and technological innovation. We will support stable corporate growth by promoting appropriate risk management, including risk prevention, response to incidents, and strengthening business continuity systems.	<ul style="list-style-type: none">• Tightening information security governance• Reinforcing the response to natural disaster risks	P.77-78
	Innovation management	Continuous investment in technological innovation and new business creation will be the core of our medium- to long-term growth strategies.	<ul style="list-style-type: none">• Establishing a management policy• Establishing and strengthening management framework	—

Environmental Management



Environmental Management

To achieve sustainable growth as a company, the Group aims to reduce its environmental impact and conduct business activities in harmony with the environment, thereby contributing to the preservation of the global environment, which is a necessary condition for sustainable growth.

Environmental Charter

Environmental Philosophy

As a technical group with a core of information-related technology, compact precision machining, and assembly; Star positions environmental management activities as an important issue for the company and promotes business activities and fulfills social responsibilities to contribute to the realization of a society that is in harmony with the global environment.

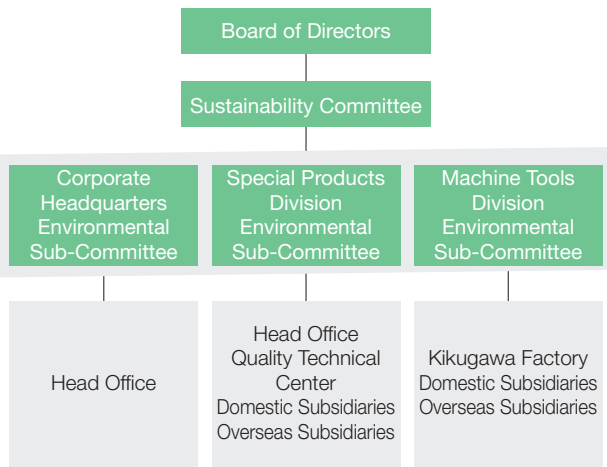
Basic Environment Policies

Among the environmental aspects related to the Company's activities, products and services, as the focus of environmental management, we strive to promote recycling activities, the efficient use of resources and energy conservation, the development, manufacturing, and services of environmentally friendly products, and green procurement.

Environmental Management | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/esgissues/iso14001.html>

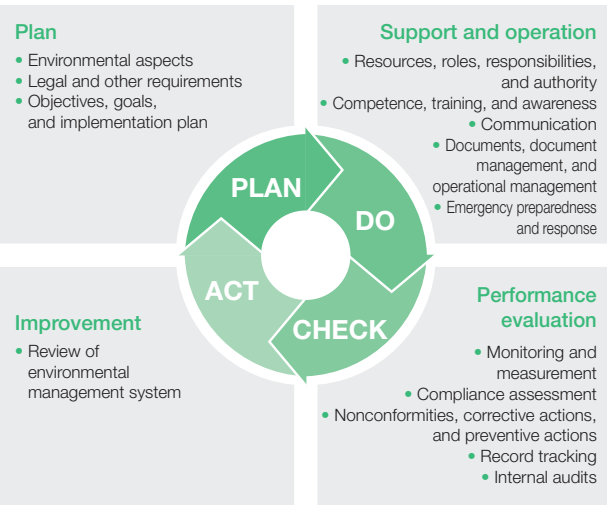
Environmental management promotion system

At the Group, the Sustainability Committee, which is a body to make decisions on important matters related to the environment, and chaired by the Representative Director, President and CEO, and comprised of full-time directors and executive officers, identifies material issues, sets goals for the resolution of these issues, and promotes Group-wide initiatives. The material issues and goals identified for the environment are disseminated to each unit responsible for the environment across the entire Group through the Environmental Sub-Committee of each division.



PDCA implementation

The Company formulates plans based on environmental material issues and action plans that take into account important environmental aspects. After implementing measures, we will conduct external and internal audits to confirm the status. We report to top management through feedback to the top management of each business division and management review.



Acquisition of ISO14001

The Group has established an ISO14001 environmental management system as a mechanism for continuous improvement of environmental management to obtain certification and renew the certification as necessary.

		Acquisition status of ISO14001
Machine Tools Division (production sites)	Kikugawa Factory	○
	Star Micronics Manufacturing Dalian Co.,Ltd.	○
	Star Micronics Manufacturing (Thailand) Co., Ltd.	—
	Micro Sapporo Company	Self-conformance declaration
	Star Metal Company	○
Special Products Division	Head Office	Self-conformance declaration
	Quality Technical Center	Self-conformance declaration

*Star Micronics Manufacturing (Thailand) Co., Ltd. conducts monitoring of environmental data and activities for reduction.

Environment plan and initiatives

Action plans	Plans of 2024	Results of 2024
Reducing greenhouse gas emissions	Transitioning to renewable energy power at the Kikugawa Factory	Completed Implemented since April 2024
	Consideration of reducing energy consumption during manufacturing through efficiency improvements	Completed Environmental consideration in design planning of the Kikugawa South Factory (tentative name). See below for details.
Fostering environmental human resources	Implement training and development of internal auditors	Completed Conducted training for seven new internal auditors
Conducting environmental audits	Conducting audits in target divisions	Completed Internal audits: 31 divisions
External disclosure	Responding to CDP	Completed Responded

Environmental consideration in the design of the Kikugawa South Factory (tentative name)

The Kikugawa South Factory (tentative name), scheduled for completion in November 2025, has obtained both the ZEB*1 certification and the highest S rank under the CASBEE evaluation method*2, which are indicators of energy-saving performance according to the Building-Housing Energy-efficiency Labeling System (BELS).

As a factory designed with environmental consideration, it aims to enhance energy use efficiency by incorporating features such as a high insulation performance exterior envelope (walls, roof, and windows), highly efficient air conditioning equipment, and earth tube facilities*3 that utilize geothermal heat.



Completion image of the Kikugawa South Factory (tentative name)

Additionally, approximately 800kW of solar power generation panels will be installed on the roof. The design and equipment are intended to achieve high levels of energy conservation and energy creation, with the plan to reduce primary energy consumption.

*1 The abbreviation for Net Zero Energy Building, the aim is for a building to achieve a zero balance in its annual primary energy consumption, and for its performance to be certified by designated organizations under the BELS certification system, a system for indicating the energy-saving performance of buildings. Standards are set for the amount of energy required by conventional buildings for each building use, buildings being broadly classified into four levels depending on the reduction rate from that standard, with ZEB being the highest rank.

*2 Developed under a Ministry of Land, Infrastructure, Transport and Tourism and The Institute for Built Environment and Carbon Neutral for SDGs (IBECs) as the Comprehensive Assessment System for Built Environment Efficiency, this system comprehensively evaluates the environmental performance and quality of buildings. Environmental performance efficiency is calculated based on evaluation items that include a building's environmental quality and performance as well as features designed to reduce its environmental impact. A system by which designated institutions conduct evaluations and certify properties using a five-level ranking, from C the lowest to S the highest.

*3 Equipment that pumps outside air into rooms via pipes buried underground. Underground, the temperature remains stable throughout the year, and the load placed on heating and cooling systems is reduced by bringing the cold air of winter and the hot air of summer closer to the underground temperature as it passes through the ground.

Overview of environmental performance



Addressing Climate Change
(Response to TCFD Recommendations)



Addressing Climate Change
(Response to TCFD Recommendations)

As a global company that operates in countries and regions throughout the world, we recognize the critical need to address important management issues such as climate change. We have identified and are promoting initiatives to “address climate change” and “create environmentally friendly products” as material issues. The Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2023. We are promoting initiatives to analyze the impact of climate change on our business, together with subsequent risks and opportunities, based on a variety of scenarios. We are then reflecting our findings in business strategies.

Addressing climate change | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/esgissues/tcfd.html>

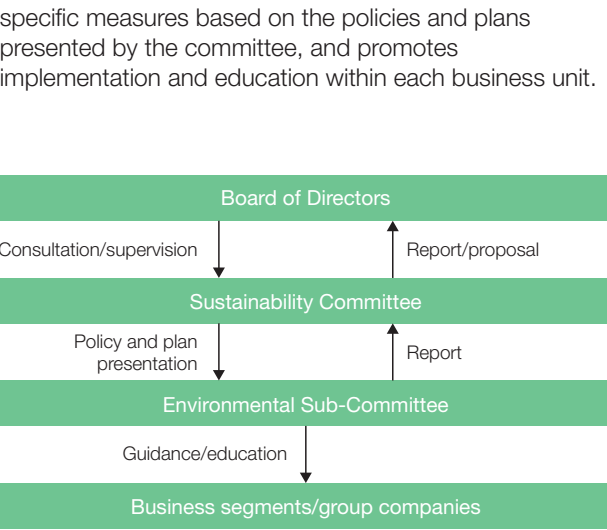
Governance and risk management

Governance

At the Group, the Sustainability Committee, which is a body to make decisions on important matters related to climate change, and chaired by the Representative Director, President and CEO, and comprised of full-time directors and executive officers, identifies material issues, sets goals for the resolution of these issues, and promotes Group-wide initiatives.

Risk management

The Sustainability Committee evaluates and manages risks related to climate change. The results of deliberations by the Sustainability Committee are regularly reported to the Board of Directors, which consults and supervises the Sustainability Committee's initiatives. In addition, the Environmental Sub-Committee, which is composed of members from various departments such as development, manufacturing, and sales, discusses



Strategy

The Group adopts a medium- to long-term approach when conducting scenario analyses to identify climate change risks and opportunities. In this manner, every effort is made to properly reflect the impact of risks and opportunities in strategic plans. The Group refers to scenarios* published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) aimed at achieving the objective put forward under the Paris Agreement of holding the average increase in global temperatures to well below 2°C above pre-industrial levels

and pursuing efforts to limit the temperature increase to 1.5°C. Accordingly, the Group is conducting two analyses, based on a 1.5°C scenario and a 4°C scenario that assumes greenhouse gas emissions at the current level, to assess the significance of the impact on business activities.

* Main reference scenarios
• 1.5°C scenario: IEA NZE, IPCC 1-1.9
• 4°C scenario: IPCC SSP5-8.5

List of risks and opportunities

	Classification	Item	Financial impact		Countermeasures
			1.5°C	4°C	
Transition risk	Introduction of a carbon tax	Surge in commodity prices and an increase in costs fueled by higher direct and indirect expenses owing to the introduction of a carbon tax.	Large	Small	• Switch to energy-saving equipment • Promote operating efficiency
	Tighten GHG emissions regulations	Increase in various costs (including capital expenditures and R&D expenses) in line with efforts to comply with environmental regulations	Large	Small	• Switch to energy-saving equipment
	Change in the energy mix	Increase in energy costs commensurate with a decrease in the share of fossil energy	Medium	Small	• Switch to energy-saving equipment • Promote operating efficiency
	Customer reputation	Decrease in sales due to changes in customer needs and product demand as a result of fluctuations in the weather	Medium	Small	• Create environmentally friendly products
	Investor reputation	Increase in costs associated with the disclosure of information on efforts to address environmental and other issues	Medium	Small	• Enhance corporate value through the proactive disclosure of ESG information
Physical risks	Increase in average temperatures	Increase in facility management, utility, and other costs associated with rising temperatures	Small	Medium	• Switch to energy-saving equipment • Promote operating efficiency
	Intensification of extreme weather conditions	Decrease in sales and increase in restoration costs due to the shutdown of production plants and supplier damage attributable to floods and torrential rains	Medium	Large	• Strengthen BCP measures
Opportunities	Products and services	Increase in sales owing to the market release of products that comply with regulations and upswing in demand	Large	Small	• Create environmentally friendly products
		Incidence of new component machining needs in line with the shift to EVs; increase in sales on the back of optimal processing machine sales	Large	Small	• Create environmentally friendly products
	Resource efficiency	Decrease in manufacturing costs due to switch to energy-saving equipment and improved operating efficiency	Medium	Small	• Switch to energy-saving equipment • Promote operating efficiency
	Intensification of extreme weather conditions	Increases in demand for air conditioning equipment as well as orders for machine tools from plants producing related parts resulting in higher sales	Small	Medium	• Create environmentally friendly products
		Increase in sales on the back of steps taken to strengthen the service structure and systems and growing reputation among customers for prompt after-sales service	Medium	Large	• Strengthen the service network

* The financial impact is based on a qualitative assessment.
Large: significant impact on business operations Medium: some impact on business operations Small: limited impact on business operations

Indicators and targets

Indicators

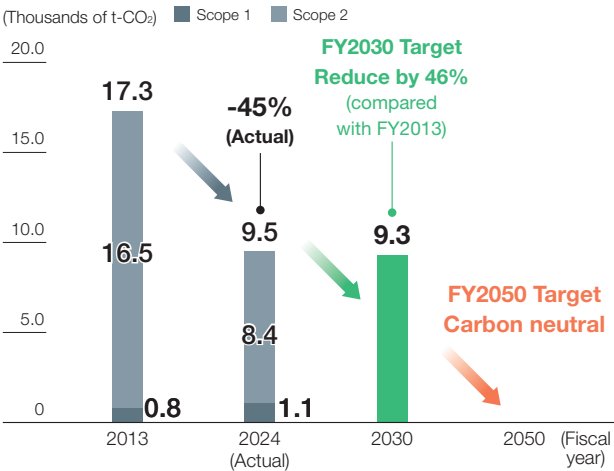
The Group uses greenhouse gas emissions as an indicator to manage climate-related risks and opportunities.

Targets

The Group has set targets for the “reduction of Scope 1 and 2 GHG emissions of 46% in FY2030 compared with FY2013” and “virtually zero emissions by FY2050.” To this end, the Group is promoting reductions in greenhouse gas emissions in a bid to achieve the 1.5°C scenario. As part of this effort, we have been promoting the selection and concentration of its global production base network and is working to improve productivity since FY2013. Through these and other means, the Group is endeavoring to reduce GHG emissions. In FY2024, as a result of promoting the introduction of renewable energy at domestic manufacturing sites, we achieved a 45% reduction.

Results

Results in reducing Scope 1 and 2 GHG emissions are presented as follows.



Initiatives to Environmentally Friendly Products



Initiatives to Environmentally Friendly Products

Swiss-type CNC automatic lathes, the Group's main products, enable efficient manufacturing of high-precision parts while minimizing materials and processing time. In addition, our POS printer was one of the first to adopt an electronic receipt function, reducing paper consumption. We will continue to contribute to labor and resource saving, aiming to reduce GHG emissions and realize a recycling society.

Basic approach

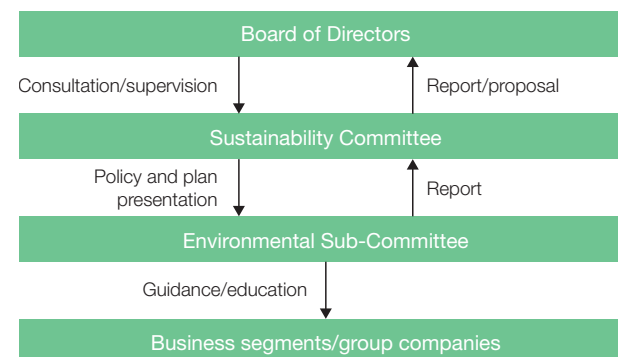
The Group recognizes that creating products that take into consideration environmental aspects is an important issue for society as a whole.

We will strive to achieve sustainable social development and sustainable corporate value enhancement by creating products that contribute to business growth while contributing to resolving environmental issues such as climate change and resource depletion.

The Company's machine tools have maintained high production efficiency through continuous operation over many years, contributing greatly to the users' business activities. On the other hand, products that operate for long periods of time continue to consume energy, which affects the users' environmental impact. Therefore, making products more energy efficient and enhancing their environmental friendliness are also important from the perspective of user-oriented manufacturing.

Promotion system

At the Group, the Sustainability Committee, which is a body to make decisions on important matters related to climate change, and chaired by the Representative Director, President and CEO, and comprised of full-time directors and executive officers, identifies material issues, sets goals for the resolution of these issues, and promotes Group-wide initiatives. Initiatives to environmentally friendly products are discussed by the Environmental Sub-Committee, which is composed of members from various departments, including development, manufacturing, and sales in each business department, and we take the environment into consideration from the planning and design stage of our products.



Approach

The Group will promote initiatives for energy and resource conservation (improving efficiency, promoting recycling, and promoting the use of sustainable materials) mainly to reduce the environmental impact of its customers.

► Creating new businesses and products leveraging proprietary technologies

- Developing products that contribute to reducing environmental impact, such as energy conservation leveraged by proprietary technologies

► Creating products that help address issues in the natural environment

- Addressing climate change: reducing CO₂ emissions through energy conservation and efficiency improvements
- Addressing resource saving: reducing environmental impact throughout the entire life cycle, including plastic reduction and recycling

Support in reducing customers' environmental impact (examples)

► Addressing climate change

Machine Tools business

Developed and installed ECO Mode to reduce power consumption during standby
Of the energy used by machine tools, the energy consumed during machine standby, meaning when the machine is idling and not processing parts, is energy that does not contribute to the creation of added value by the user.

To reduce such energy, we developed the ECO Mode and installed it in a total of 13 models. The ECO Mode, when it is in standby mode, reduces power consumption by up to approximately 30%* by turning off parts that account for a large portion of the machine's power consumption when not needed.

* Company estimates comparing power consumption in standby mode.



SD-26 equipped with ECO Mode

► Addressing resource saving

Special Products business

To promote plastic reduction, we have eliminated plastic packaging bags and cushioning materials that were heavily used in printer packaging. Instead, we now use pulp molds made from 100% recycled paper as cushioning materials, contributing to realizing a recycling society.



Initiatives at proprietary factories supporting environmentally friendly products

► Introduction of renewable energy

At our Kikugawa Factory and a subsidiary Star Metal, which are domestic production bases for the Machine Tools business, we have switched to CO₂-free renewable energy in April 2024, in our efforts to realize a decarbonized society. These two bases account for approximately 70% of the total CO₂ emissions of the Star Micronics Group in Japan (2023 actual value), therefore a significant reduction effect is expected.

► Efforts towards achieving CO₂-free operations both domestically and internationally

In addition to promoting CO₂-free operations at our domestic factories, we will also aim to achieve CO₂-free operations at our overseas factories in the future. We are committed to reducing environmental impact from a global perspective.



Completion image of the Kikugawa South Factory (tentative name)

► Efforts to reduce energy consumption

Even after the introduction of CO₂-free electricity, we will continue to strive to reduce energy consumption associated with our business activities.

As part of the efforts, at the Kikugawa South Factory (tentative name), scheduled for completion in November 2025, as a factory designed with environmental consideration, we have incorporated the design and equipment intended to achieve high levels of energy conservation and energy creation such as installation of approximately 800kW of solar power generation panels, with the plan to reduce primary energy consumption.

Human Capital Management



Human Capital Management

The Company builds an environment where all employees can grow autonomously regardless of gender, age, or race. Based on continuous investment in human resources, we aim to secure a competitive advantage, grow together with our employees, and make ongoing contributions to society.

Basic approach

The Company provides an environment where companies and employees can grow together, and places importance on bringing out the maximum potential of each individual.

We will create a flexible and fair employment environment by providing systems that support diverse work styles while leveraging the expertise of our

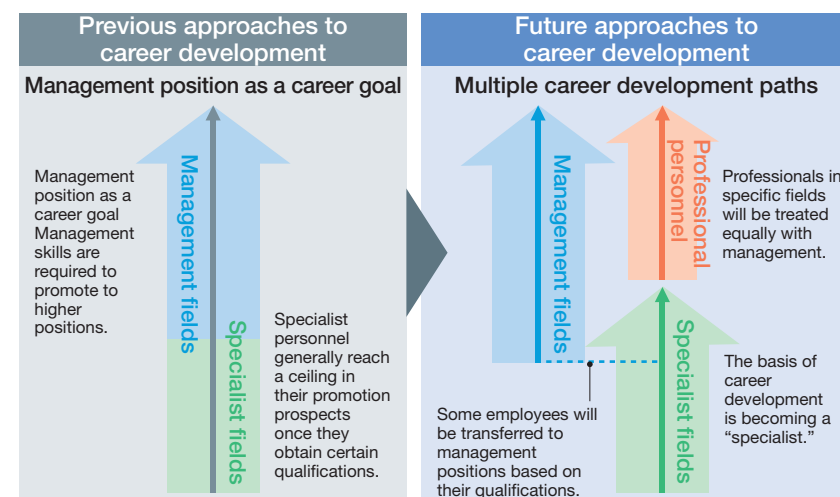
employees. We will promote the development of each employee's abilities by investing in education and establishing transparent evaluation criteria. We will build a corporate culture that balances business sustainability and social contribution.

Overview of human capital management



Aim of the new human resource system

The new human resource system, which came into effect in January 2025, aims to support employee growth and improve organizational productivity. We aim to promote the autonomous growth of individuals and organizations by emphasizing expertise and introducing a fair evaluation system and dual career paths, thereby realizing appropriate treatment that accurately reflects performance.



Linkage between human resource strategy and new human resource system

The Company aims to be an "autonomous organization" that brings out the independence of each employee and encourages autonomous growth. The new human resource system introduced as one of the measures to achieve this goal aims to effectively support the human resource strategy.

Under the new human resource system, the seniority-based remuneration system has been abolished, and grades and remuneration are now aligned with roles and positions. We have established an evaluation system based on course categories and expected roles, with the aim of acquiring highly specialized human resources and securing human resources in growth areas.

Next, we are introducing a dual career path system to provide growth opportunities tailored to each employee's expertise and career aspirations, with the aim of developing human resources who can play active roles globally and systematically nurturing autonomous human resources who can act independently.

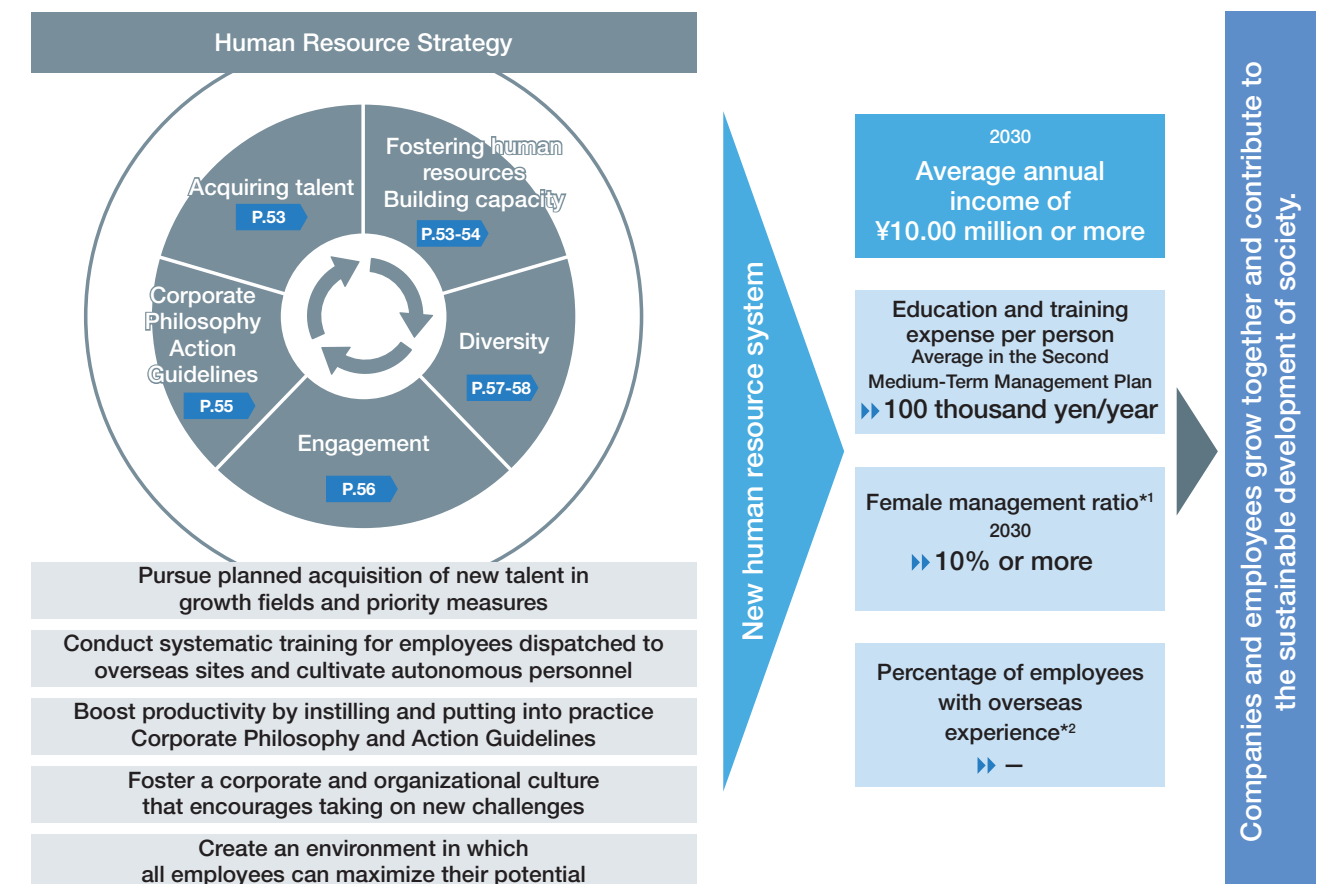
In addition to introducing flexible and diverse work styles such as remote work and flextime systems, we have abolished non-career track and staff positions. Through this, we aim to create an environment where all

employees can maximize their abilities, regardless of background factors such as gender or age.

Furthermore, we have established a system that reflects employee efforts and achievements in their treatment by placing greater emphasis on individual evaluation results. This system helps foster a corporate and organizational culture that encourages and promotes a spirit of challenge.

Finally, through the new human resource system, employees clearly understand their roles and goals, and by promoting their implementation, we are working to instill our Corporate Philosophy and Action Guidelines, leading to improved productivity across the entire organization.

The Company is focusing not only on reforming its human resource system, but also on reforming its organizational culture by improving engagement, promoting diversity, and ensuring psychological safety. By promoting both organizational culture reform and system reform, we aim to create an environment where employees can take initiative and act on their aspirations, such as "what they want to achieve in their lives" and "what they want to achieve at the Company."



*1 KPI includes positions equivalent to subsection leader for managers.

*2 We are currently reviewing our target level and will disclose it promptly once it is determined.

Acquisition and development of human resources

Basic approach

As a technology group, the Company strives to provide new value through unique technologies that increase corporate value. At the same time, the Company will enrich the lives of its employees by providing a place where diverse engaged employees can contribute their best. Our goal as a group is to stand at the forefront of Japan’s small and medium-sized enterprises by generating a high level of productivity that rivals large companies as we contribute to the sustainable development of society.

To achieve this, each employee will practice the following guidelines: “act with initiative and courage,” “continue learning,” “pursue technology,” and “focus on team productivity.” The Company will actively promote systems and environments that nurture and evaluate such human resources.

Goals, indicators, and results for acquiring and developing human resources

	Indicators and Targets	Results
Acquisition of human resources	Recruitment fulfillment rate in growth areas and priority areas	Generally satisfactory
Fostering human resources, building capacity	Education and training expense per person 100 thousand yen/person (First Medium-Term Plan average) Percentage of employees with overseas experience	86 thousand yen/person The definition of “person with overseas experience” is currently under review and will be disclosed once it is determined.

Acquisition of human resources

The Company considers human resources to be its most important asset and is systematically acquiring new talent in growth fields and priority areas.

In particular, the Machine Tools Division is focusing on the systematic recruitment of hardware design engineers and sales engineers who provide before- and after-sales services, while the Special Products business is focusing on the recruitment of software development engineers and making extensive use of human resources within the Group to improve profitability.

In addition, in response to the diversity of needs in recent years regarding work styles, we are promoting job-type-specific recruitment and utilizing a variety of recruitment channels, including not only the recruitment of new graduates but also the recruitment of experienced (mid-career) employees, foreign nationals, referrals from employees, and the reemployment of retired employees, in an effort to effectively secure human resources with diverse backgrounds.

Fostering human resources

Based on the idea that employee self-development leads to corporate growth, we have established a wide range of human resource development systems based on the basic concepts of “building an autonomous organization” and “strengthening expertise.” In addition, for the three years of the Second Medium-Term Plan, we will focus on “systematic training of employees assigned to overseas bases” as a key measure, with the aim of increasing the percentage of employees with overseas experience.

In addition, with regard to “building an autonomous organization” and “strengthening expertise,” we will continue to implement training measures in line with the new human resource system, such as expanding open recruitment training and training that is not limited to

specific times, locations, or content, as well as promoting a qualification acquisition support system, in order to further spread and establish the basic concept.

We aim to create social value and enhance corporate value by fostering and providing an environment in which diverse human resources can improve their abilities independently and maximize their potential, through the mutual interaction of human resource acquisition and development.

Retention and stabilization of human resources

In recent years, in addition to hiring new graduates, the Company has been expanding its recruitment of experienced professionals with diverse backgrounds. In FY2024, the ratio of mid-career hires among regular employees reached approximately 80%, and the percentage of employees with diverse backgrounds is increasing more than ever before.

In light of this situation, the Company considers the long-term retention and active participation of human resources with diverse knowledge and experience to be an important issue, and is implementing various measures to create an environment in which employees with diverse values can work with peace of mind over the long term and maximize their abilities.

As a result of these efforts, the average length of service exceeds 18 years, and the voluntary retirement rate remains below 3%, demonstrating visible results in terms of talent retention and stability.

See P.84 “Data Section: Social”

	2021	2022	2023	2024
Mid-career Recruitment Ratio	100.0%	70.6%	67.6%	81.6%
Average Length of Employment	19.2 years	19.1 years	18.7 years	18.1 years
Voluntary Retirement Ratio	2.9%	1.2%	1.1%	0.4%

*The above figures are for Star Micronics (non-consolidated).

VOICE

Become an intellectual property professional supporting technology

I joined the Company last year because I believed that the Company’s small but highly skilled team would allow me to expand my range of work and build a career as an intellectual property professional. Also, the Action Guidelines include a section on “pursue technology,” and its stance of valuing technology was one of the main reasons I decided to join the Company as a person engaged in intellectual property.

Currently, I am able to handle all aspects of intellectual property-related matters and perform my duties with a comprehensive understanding of the entire workflow. In addition, probably because the Company focuses on technology, engineers are highly motivated and I am happy to be able to support them.

In training, there are many programs that allow me to learn what I want, when I want. The content covers a wide range of topics, so I feel that the breadth and depth of my learning is expanding both within and outside work.

In addition, I can work without having to compromise between work and family life by utilizing remote work and flextime. I believe I am able to fully utilize my experience I have gained over the years.

T.H.
Intellectual Property
Strategy Department,
Development Headquarters



Corporate Philosophy and Action Guidelines

Basic approach

The Company aims to establish an organizational culture where each and every employee can think and act independently, thereby realizing sustainable growth and improvement of corporate value.

To this end, it is essential to instill the Corporate Philosophy, a value shared among all the employees, and the Action Guidelines, which serve as the basis for daily decisions and actions.

Through the implementation of award ceremonies and the introduction of systems that promote flexible working styles, we will promote a change in the awareness of each and every employee, with the aim of realizing an autonomous organization and improving productivity.

Main initiatives

▶ Action Guidelines award

We hold an “Action Guidelines award” every year to recognize employees who embody the guidelines. This award is planned and operated by employees selected through an internal public call for nominations and the award ceremony is held at the general meeting of employees. Award winners are determined by employee voting. Voting takes place by recommending employees who embody each of the four categories: “act with initiative and courage,” “continue learning,” “pursue technology,” and “focus on team productivity.”



Action Guidelines Award Ceremony

▶ Conducting periodic questionnaire surveys for employees

We conduct surveys on the Corporate Philosophy and Action Guidelines, measuring items such as “Are you taking actions that embody the Action Guidelines?” to visualize the degree of awareness among employees. Based on these results, we are working on continuous improvement, such as formulating further awareness-raising measures, to ensure that our Corporate Philosophy and Action Guidelines are firmly established.

▶ Introducing the system to support an autonomous work style

In addition to the new human resource system, we have introduced a remote work system and flextime system to enable flexible working styles, abolished dress codes to promote free thinking, and implemented a free address system in office areas to stimulate communication.

Engagement

Basic approach

The Company promotes initiatives that contribute to improving employee engagement, thereby enhancing a sense of community to the company, fostering a corporate and organizational culture that encourages challenges, and aiming to retain talented human resources and improve the productivity of each and every employee.

To realize this, we are promoting the following initiatives. By building relationships in which employees, including officers, can exchange opinions frankly, we improve

communication within the organization and bring out the initiative of our employees. In addition, through family-friendly events, we encourage employees to deepen their understanding of the work environment. Furthermore, we regularly conduct engagement surveys targeting all employees and visualize their engagement status, thereby identifying and specifying issues from both quantitative and qualitative perspectives and promoting initiatives to improve them.

Main initiatives

▶ Engagement Surveys

We have conducted engagement surveys targeting all employees since 2022 and measured the level of awareness and satisfaction on an ongoing basis.

In addition to the score-based quantitative surveys, we conduct qualitative surveys using a free comment style. The overall score has been improving. However, we will continue to analyze and identify issues in each category and division, and promote initiatives that help to solve such issues.

Trend in the engagement survey score (non-consolidated)

	2022		2023		2024	
	First half	Second half	First half	Second half	First half	Second half
Total score	69	71	72	72	73	73

* Used “Wevox,” engagement survey by Atriae, Inc.

▶ General Meeting of Employees

In addition to reports from officers on the progress of the Medium-Term Management Plan, we hold social gatherings for all employees to foster close relationships. By doing so, we stimulate communication across divisions and foster a sense of unity.

▶ Planning and hosting family-friendly events

We invite employees and their families to enjoy company events such as fireworks and festivals. During the event, we invite them to our factories and offices so that employees’ families can gain a deeper understanding of the Company.

VOICE

Becoming a group of engineers who pursue technology and are active on the global stage

More than 30 years have passed since I joined the Company. I feel honored to receive the Action Guidelines awards in three categories in 2024. Especially, as an engineer, I was truly happy to receive the award in the “pursue technology” category.

When I joined the Company, my workplace was a mass production site for wristwatch parts. It was a world of craftsmen rather than engineers at that time. There were many failures at first, but by observing and learning from my seniors’ techniques, I was able to operate 12 machines after a year. Utilizing such experience, I am currently engaged in work involving the examination of automatic lathes prototyping and

processing requests by customers. I have also worked overseas and learned a lot from everyone I have worked with. Motivated by the awards, I will continue to pursue technology, and put effort into training younger engineers with the ambition of becoming “a group of engineers who pursue technology and are active on the global stage.”

K.M.
Commissioning and Delivery
Section, Machine Tools Division



VOICE

Understanding of the Company deepened by internal events

I joined the “Autumn Fest,” an internal event at the Kikugawa Factory, with my family. I joined the Company as an industrial nurse in 2023. I am normally engaged in duties such as conducting interviews, planning health seminars, and managing factory hygiene as part of supporting employee health.

There were still many people and places I did not know. But this event gave me the opportunity to interact with people I had never spoken to before, and it was a fun experience full of learning. My family and I still treasure the name-engraved key chains made with machine tools as souvenirs.

My family really enjoyed the festival-like event and the opportunity to see the manufacturing site, which is not normally open to the public, and they said, “This is a really great company.” I have grown to like the Company and the people who work here even more.

K.S.
Human Resources
Development Section,
Corporate Headquarters



Improving the workplace environment by promoting diversity

Basic approach

The Company has set the goal of “creating an environment in which all employees can maximize their potential regardless of gender, age, or race” as part of its human resource strategy, and is promoting diversity as part of its Medium-Term Management Plan.

<Female> The number of female employees of the Company is 109, accounting for 21.6% of the total number of employees as of December 2024. Furthermore, women in management positions (equivalent to section manager or above) account for 1.6% of the total number of managers. Prior to 2006, there were no female hires in career track positions, and the low percentage of women in career track and senior positions was a major factor in the low percentage of women in management positions. Therefore, we are focusing on promoting women’s participation in the workforce and increasing the percentage of female managers as key issues.

<Foreign

Nationals> At the Company, many of the management positions that play a central role in the business operations of the consolidated overseas subsidiaries that support the Group are held by foreign nationals. The Company has established an environment and system that allows diverse human resources to play an active role regardless of nationality or race throughout the entire Group, including overseas bases, and will continue to actively utilize foreign human resources in the future.

<Mid-career Employees> The Company actively recruits mid-career employees in addition to hiring new graduates. Currently, approximately 70% of new hires are mid-career recruitment, accounting for approximately 30% of all employees and approximately 20% of managers. We will continue to actively recruit and appoint new graduates and mid-career employees without distinction to respond to changes in the business environment.

Diversity indicators and targets

Topics	KPI	Targets	Results
Diversity Indicators and Targets	Female Management Ratio*1	2030: 10%	As of December 2024: 4.4%
	Female Recruitment Ratio	Annual average: technical fields 10% or more*2, administrative fields 50% or more	Average from 2022 to 2024: technical fields 18%, administrative fields 30%

*1 Managing positions include subsection leaders and equivalent positions.
*2 The target value for the technical fields is based on the percentage of female students majoring in mechanical engineering.

Initiatives to promote women’s participation in the workforce

Under the previous system, it was not possible to change employment status to advance one’s career from non-career track or staff positions, which limited the promotion of qualified employees to management positions. Starting in January 2025, we commenced implementation of a new human resource system that will integrate non-career track and staff positions with high percentages of female employees into career track positions. We are establishing a system that will enable a diverse range of employees, regardless of gender, to pursue career advancement, while also working to eliminate gender role stereotypes.

Also, there were issues with female employees’ motivation to receive promotions, mainly due to the lack of role models who were able to balance work and family life while holding leadership positions. For this reason, we have introduced “Schoola,” an open online school for female employees, to make childcare leave or balancing of work and childcare a new opportunity for growth

triggered by a change in circumstances rather than a gap or handicap in their careers. By learning methods for achieving results as a team without being constrained by time, we are able to increase motivation for promotions. In addition, through cross-border learning, we create opportunities for female employees to encounter diverse role models and interact with them, gaining new perspectives and insights that allow them to reexamine their own values and sense of fulfillment in their work, thereby supporting them in forming their own independent careers.

Additionally, with the aim to create a workplace environment that is more friendly to women, the name of “menstrual leave” has been renamed to “F leave,” and the scope of this leave has been expanded to include cases of poor health due to premenstrual syndrome (PMS). Through this initiative, we aim to create a more comfortable working environment for female employees.

Promoting flexible and diverse work styles

We provide an environment where each employee can choose a diverse and flexible work style according to their life stage and lifestyle. Through these efforts, we aim to create a workplace where all employees, including women, can maximize their abilities.

As a specific measure, we first introduced a remote work system in 2022, followed by the flextime system in 2023. The remote work system allows all employees to work remotely up to eight times per month, enabling a hybrid work style that combines remote work and in-office work. This enables employees to efficiently perform tasks that require concentration at home, while strengthening teamwork through face-to-face communication when they come to the office, enabling smooth business operations.

In addition, while clearly defining the divisions covered by the flextime system, we have established a system that can be flexibly applied to employees belonging to divisions not covered by the system, and we operate the system with respect for the work content and circumstances of each individual.

Furthermore, we have created an environment that makes it easy for employees, regardless of gender, to take

childcare leave. We are fostering a culture where employees can take leave with peace of mind by promoting initiatives to deepen understanding of childcare leave, such as sharing the experiences of male employees who have taken childcare leave in our company newsletter. This promotes understanding among the entire workplace, including supervisors and team members, and encourages employees to take childcare leave.

In addition, to provide an environment that makes it easier to balance childcare and work after returning to work, we have established a reduced working hours system for caregiving that can be used until children enter junior high school. In this way, by creating an environment where childcare can be undertaken regardless of gender, we are striving to eliminate stereotypes regarding gender roles and promote diversity.

In recognition of these initiatives, the Company obtained the “Kurumin Certificate” in 2020.



VOICE

Enhancing the power of growing together with the team, through learning and practice

Taking the “Schoola” training while on childcare leave significantly changed my approach to work. Through this training, I reflected on “the values and ways of thinking that are important to me,” and learned to act based on my own principles even when faced with uncertainty and difficulties.

Since returning to work, I have been keeping in mind “not taking everything on alone, but achieving results as a team.” I strive to reach consensus with my supervisors and colleagues by confirming the objectives and assumptions of projects, and I make a point of actively sharing progress and schedules. This has enabled us to grasp the essence of our work, reduce unnecessary rework, and proceed efficiently and smoothly.

In addition, I was inspired by the enthusiastic attitude of my colleagues from inside and outside the

company whom I met during training, and my ambition to “continue growing” became even stronger. Furthermore, the Company as a whole is encouraging “learning,” and a culture of praising employees who put the Action Guidelines into practice has taken root in the workplace. This environment supports my challenges.

I hope to continue contributing to the growth of teams and organizations by incorporating diverse values through learning and practice.

K.M.
Project Promotion Section,
Special Products Division

Health management

Basic approach

The Company believes that enriching the lives of each and every employee and promoting their physical and mental health leads to both personal happiness and company growth, and therefore implements a variety of health promotion activities.

Targets and health indicators

Among the following key indicators, the rate of regular health checkups has remained at 100%, and the specific health guidance implementation rate and the rate of detailed medical examinations are showing an improving trend due to the distribution of health videos, email newsletters, and health guidance initiatives. On the other hand, the exercise habit ratio is far below the target value, raising concerns about the impact on metabolic

syndrome, ideal body weight, and mental health. For this reason, we plan to strengthen our efforts by holding health seminars and walking events. In addition, with regard to mental health, we will continue to focus on self-care initiatives such as mindfulness seminars and strive to reduce the number of people suffering from mental health issues.

Content	2021	2022	2023	2024	Target value
Regular Health Checkup Participation Rate	100.0%	100.0%	100.0%	100.0%	100.0%
Specific Health Guidance Implementation Rate	75.8%	46.4%	82.6%	87.5%	75.0%
Stress Check Response Rate	99.2%	100.0%	96.7%	95.5%	98.0%
Metabolic Syndrome Prevalence Rate	8.6%	8.7%	11.4%	12.9%	8.0%
Appropriate Weight Maintenance Rate*1	71.3%	72.4%	73.0%	71.1%	75.0%
Smoking Rate	15.1%	13.4%	12.7%	13.6%	12.2%
Exercise Habit Ratio*2	24.9%	23.3%	21.3%	24.3%	50.0%
Blood Pressure Risk Rate*3	0.0%	0.4%	0.6%	0.6%	0.0%

Content	2021	2022	2023	2024	Target value
Breast Cancer Screening (Mammography or Breast Ultrasound)	37.9%	35.7%	31.0%	35.5%	50.0%
Cervical Cancer Screening	32.8%	30.4%	25.0%	28.2%	50.0%
Detailed Medical Examination Participation Rate	68.4%	86.4%	78.1%	87.9%	100.0%
Taking Leave of Absence for One Month or More Due to Mental Health Issues	3 people	2 people	2 people	2 people	0 people

*1 Individuals with a BMI between 18.5 and 25
*2 Percentage of people who exercise for 30 minutes or more twice a week
*3 Percentage of people with a systolic blood pressure of 180 mmHg or higher, or a diastolic blood pressure of 110 mmHg or higher

Specific initiatives

To improve health literacy, the Group regularly holds health consultations, health seminars, and various events conducted by industrial physicians and external lecturers for officers, employees, and, when necessary, their families. We also focus on mental health and actively engage in mental health self-care.

As an external evaluation of these initiatives, we aim to obtain certification as an Outstanding Organizations of KENKO Investment for Health, and in FY2025, we were certified as an Outstanding Organization for KENKO Investment for Health in the large enterprise category.

Main initiatives

- Walking and BBQ events
- Launching health seminars
- Mental health seminars and mindfulness
- Health consultations and email newsletters by industrial health staff
- Financial assistance for medical checkups, introduction of health tools



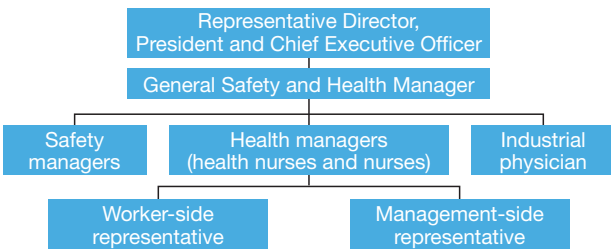
Employee Health Promotion Initiatives | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/esgissues/health.html>

Occupational health and safety

Basic Approach

To elevate the safety and health awareness of our employees and aim for the prevention of accidents and diseases, we have established “Safety and Health Committees” at each workplace. These committees meet once a month to engage in activities aimed at improving safety and health, including guidance and education on daily safety and health matters and patrols within the factory premises.

Safety and Health Committees Promotion System



Related indicators and initiatives

To prevent occupational accidents, the Company conducts monthly safety patrols at manufacturing sites. During these patrols, the Company checks the working environment from the perspective of 5S activities, such as tidying up the workspace, and provides guidance and

safety and health awareness training to workers as necessary. The Safety and Health Promotion Sub-Committee discusses safety and health issues in the workplace and promotes improvement activities.

Number of Serious Workplace Accidents	2020	2021	2022	2023	2024
Fatal Workplace Accidents	0 cases	0 cases	0 cases	0 cases	0 cases
Accidents Requiring Absence (4 or more days)	0 cases	0 cases	0 cases	0 cases	0 cases
Accident Frequency Rate	2.20%	2.17%	0.00%	0.00%	0.00%
Accident Intensity Rate	0.007%	0.004%	0.000%	0.000%	0.000%

Employee Health Promotion Initiatives | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/esgissues/health.html>

VOICE

Internal seminars and health checks to support employee health

I am one of those who always look forward to the health seminars held at the Company. The seminar covered topics such as the importance of dental care, women's health, mental reset, and exercise, all of which are directly related to our health and serve as opportunities to raise awareness in our daily lives. In particular, during the mindfulness sessions, I re-recognized the importance of calming the mind. I realized that taking time to calm my mind amid daily stress and busyness is necessary for maintaining physical and mental health. In addition, bone density measurements are particularly important for women to track over time, and I hope to use this information for future health management. The walking event,

held twice a year, is an opportunity to interact with other departments, and there are always new people to meet. In addition, the Company provides subsidies for comprehensive health checkups and conducts health consultations, enabling us to receive regular health checks. This has raised our health awareness and created a safe working environment.

K.S.
Business Development Department,
Development Headquarters



Respect for Human Rights



Respect for Human Rights


Since the adoption of the United Nations “Guiding Principles on Business and Human Rights (UNGPs),” the responsibility of companies to respect human rights has been clarified, and legal regulations and rules are being developed around the world. From the perspective of risk management and sustainable corporate value enhancement, respect for human rights throughout the entire value chain has become an essential element.

Star Micronics Group Human Rights Respect Policy

The unwavering belief of the Group is “the Company and employees grow together and contribute to society.” To practice this belief, we have established the “Star Micronics Group Sustainability Code of Conduct” (“our Sustainability Code of Conduct”) based on the three guidelines of “sustainable enhancement of corporate value,” “contribution to the sustainable development of society,” and “enrichment of employees’ lives.” This code sets forth business activities that consider human rights and serves as a standard for our Group’s executives and employees, actively promoting awareness of human rights.

Furthermore, in response to the increasing expectations for respect for human rights in business, we have established the “Star Micronics Group Human Rights Respect Policy” (the “Policy”) to explicitly extend our commitment to human rights to include our business partners, including suppliers.

The Group is committed to respecting the dignity and rights of all stakeholders involved in our business activities, not contributing to human rights violations, and promptly addressing any human rights violations or negative impacts on human rights that may arise.

 Respect for Human Rights | Star Micronics Co., Ltd.
<https://star-m.jp/eng/company/sustainability/esgissues/humanrights.html>

Initiatives in 2024

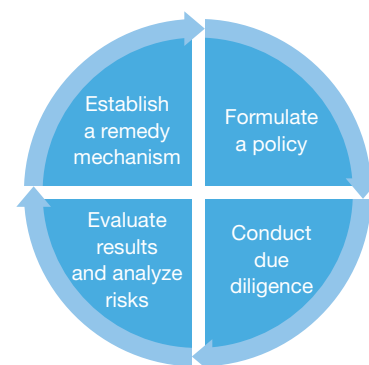
2024 is the year in which initiatives to respect human rights commenced. The Group established the Policy to declare its commitment to respecting the dignity and rights of all stakeholders involved in our business activities and not contributing to human rights violations. Along with this, we started disseminating the Policy to all employees of the Star Micronics Group. In line with the Policy of respecting human rights, we revised our Sustainability Code of Conduct, translated it into five languages, and

promoted awareness among all employees. We also expanded the scope of our Sustainability Code of Conduct to include all business partners involved in the Group’s products and services.

In the second half of the year, we started conducting a survey targeting key suppliers (those accounting for 80% of total purchases) based on the Policy.

► Future actions

- To further promote efforts to respect human rights, we will establish a “Human Rights and Procurement Sub-Committee” under the Sustainability Committee.
- We will provide feedback to suppliers on the results of the survey conducted in 2024 and start dialogues with them.
- We will consider the establishment of a grievance mechanism to identify and address problems and issues at an early stage.
- We will conduct internal training to deepen employees’ understanding of respect for human rights.



Contribution to the Community



Contribution to the Community

The Group aims to contribute to the sustainable development of society through the mutual growth of the company and its employees. To achieve this, we are not only contributing through our business and products, but also working to solve issues in local communities and engage in activities that revitalize them.

Basic concept

Based on the core concept of the Sustainability Policy of “the Company and employees growing together and contributing to society,” we aim to realize a sustainable society and enhance corporate value through community contributions in each local community where we operate globally.

Contributing to the sustainable development of the local community leads to a more prosperous life for the people who live there. The Company’s employees and their families are also rooted in the community and live their daily lives there. Supporting local community development is the foundation for promoting the Group’s Corporate Philosophy of “A company and its employees must

constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together.”

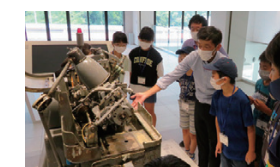
Based on this concept, we will continue to contribute to the sustainable development of the region by focusing on the following two activities to address various economic, environmental, and social issues.

- ① Activities that effectively utilize the resources of the Group
- ② Activities that the Group’s employees can relate to and take pride in for their community and the Company (including support for voluntary activities by employees)

Examples of initiatives

► Educational activities for local children

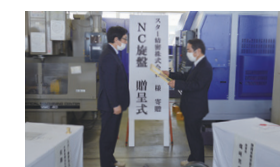
In collaboration with local educational institutions, our employees serve as special lecturers, providing career education and scientist/engineer education to elementary, junior high, and high school students.



Explanation of the mechanism of machine tools

► Donation of CNC lathes to local high school

To support the training of engineers, we donated two CNC lathes to the Kakegawa Technical High School in 2021. Kakegawa Technical High School is located in Kakegawa City, adjacent to Kikugawa City in Shizuoka Prefecture, where the Company’s Machine Tools factory is located.



Donation ceremony

► Donating office chairs to local schools in Thailand

At our location in Thailand, we donated 100 chairs that had been used in our office in 2023 to five schools in the neighborhood.

► Sponsorship of local professional sports teams

We sponsor and support the rugby team (SHIZUOKA Blue Revs), football team (SHIMIZU S-PULSE), and basketball team (VELTEX SHIZUOKA). Through these teams, we also run a program that invites local children to watch games for free.



► Sponsorship of para-sports

We sponsor and support para-sports events held in Shizuoka City. On the day of the event, volunteer employees participated in the operation.

► Overseas locations

We are engaged in fundraising and donation activities, forest conservation activities, blood donation, and other initiatives in locations such as the U.S., the United Kingdom, Germany, Thailand, and China.



Volunteer activities at food banks by employees in the U.S.

Promoting Sustainable Production and Procurement



Promoting Sustainable Production and Procurement

For the Company, which operates not only in Japan but also globally, the realization of stable and sustainable production, procurement, supply, and services, which we aim to achieve together with our business partners, is becoming increasingly important from the perspective of business continuity.

Basic approach

The Group has identified “Promoting Sustainable Production and Procurement” as a material issue since 2025 and we are working to procure materials in a sustainable manner that emphasizes respect for human rights and reduction of environmental impact. In this way, we aim to fulfill our corporate social responsibility while reducing risks throughout the supply chain and ensuring stable production and procurement. For the Company, which has a global supply chain, considering sustainability is an important issue directly linked to enhancing corporate value, and we believe that collaboration with business partners throughout the supply chain is essential to achieving this. We place importance on building relationships of trust through dialogue with our business partners, and aim to create mutually beneficial relationships through feedback on procurement processes and quality control.

Based on “Star Micronics Group Human Rights Respect Policy,” the Company aims to achieve sustainable procurement by focusing on the following five areas.

Respect for Human Rights

We respect the human rights of all stakeholders, prevent human rights violations, and conduct responsible procurement activities.

Environment Preservation

We will reduce our environmental impact and promote sustainable resource use.

Ethical Conduct

We will conduct fair and transparent procurement activities and comply with laws and regulations.

Responsibility for the Entire Supply Chain

We will promote respect for human rights and environmental preservation throughout the supply chain and strengthen cooperation with partner companies.

Sustainable Procurement

We will promote procurement activities that take into consideration the impact on society and the environment from a long-term perspective.

Dialogue with suppliers/business partners: activities in 2024

The Group considers suppliers/business partners to be important stakeholders. We believe that building sound relationships based on trust through fair transactions is essential to achieving sustainable management over the medium to long term. In particular, conducting fair and equitable transactions and maintaining high ethical standards form the foundation for achieving sustainable growth while fulfilling social responsibilities in business activities.

The Group established the “Star Micronics Group Human Rights Respect Policy” on July 1, 2024 to enhance sustainability across the entire supply chain. In addition, we revised the “Star Micronics Group Sustainability Code of Conduct” at the same time. We expanded the scope of application to include all business

partners related to our products and services, and have begun developing a system to promote sustainable procurement and transactions.

Furthermore, we have launched a questionnaire survey based on the Star Micronics Group Human Rights Respect Policy, targeting a total of 204 companies, including 33 key suppliers (suppliers accounting for 80% of non-consolidated purchases). This survey confirms the status of efforts to address human rights and environmental issues at business partners, and the current state of labor environment improvements. Through this, we will identify issues throughout our supply chain and consider approaches to enhance sustainability.

Future actions

Dialogues with suppliers based on the Star Micronics Group Human Rights Respect Policy

- Confirmation of the situation through interviews with key suppliers based on the results of a survey conducted in 2024.

Revision of Procurement Guidelines

- Establishing the promotion system
 - Refining the Procurement Guidelines
- Promoting employee training

Quality management

The Group’s “star brand” is supported by high quality that can compete globally. We have obtained the ISO9001 international standard for quality management systems

and have established a quality control system. The Company constantly pursues the highest level of quality and establishes global standards.

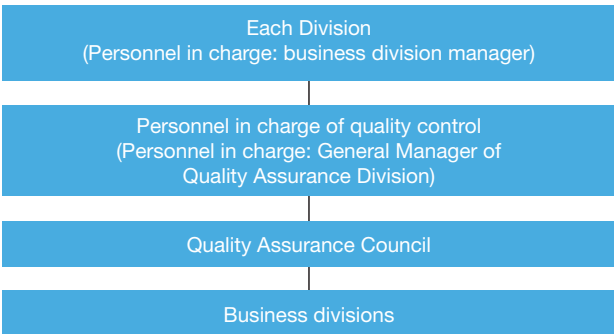
Quality control system

The Group has established a quality control system for each of its two business divisions, which manufacture different products. Each business division manager serves as the personnel in charge, and personnel in charge of quality control serve as the heads of the secretariats. Quality issues within each business division are shared and managed through quality assurance meetings.

In the Machine Tools Division, we have established similar systems at each manufacturing site and thoroughly implement quality control at each site.

In the Special Products Division, we have established a similar system at the head office, where we manage and oversee manufacturing contractors by presenting them with audit and inspection standards. When selecting manufacturing contractors, we require ISO9001

certification as a prerequisite and have systems in place to ensure that appropriate quality management is thoroughly implemented.



Promoting quality management

		Acquisition of ISO9001	Results of 2024
Machine Tools Division (manufacturing sites)	Kikugawa Factory, Kikugawa South Factory (tentative name)	○	Planning of production systems at new factories, preparation for conformity with management systems, etc.
	Star Micronics Manufacturing Dalian Co.,Ltd.	○	
	Star Micronics Manufacturing (Thailand) Co., Ltd.	○	
	Micro Sapporo Company	Self-conformance declaration	
	Star Metal Company	—	
Special Products Division	Head Office	○	Transfer of manufacturing to new manufacturing contractors, completion of mass production launch, etc.
	Quality Technical Center	○	
	Manufacturing contractors	○	

Corporate Governance



Corporate Governance

The Group will work to strengthen and enhance corporate governance to realize our corporate philosophy of “A company and its employees must constantly evolve through a process of steady development while also making every effort possible to improve the lives of each individual. This growth must happen together,” respond appropriately to changes in the business environment, and contribute to the sustainable improvement of corporate value and the sustainable development of society.

Basic approach for corporate governance

The Company's basic approach to corporate governance is based on fulfilling our social responsibilities as a company. To this end, we strive to achieve appropriate and efficient management with a view to the

“enhancement of corporate value in a sustainable way” and “contribution to the sustainable development of society” and to distribute the results of these efforts appropriately to shareholders and other stakeholders.

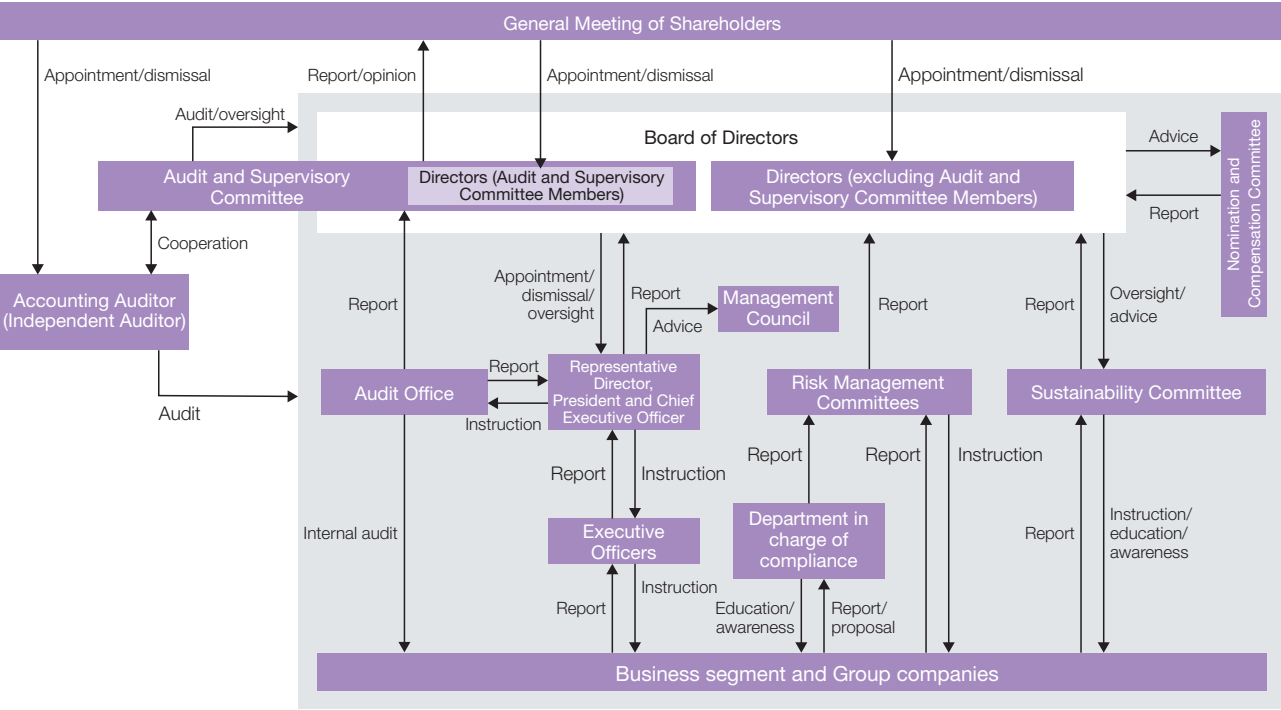
Governance system

- The Company has adopted the structure of a company with an audit and supervisory committee in order to strengthen the supervisory function of its Board of Directors and to enhance its corporate governance capabilities.
- Furthermore, an executive officer system was introduced to the Company to speed up and raise the efficiency of business execution even further.
- The Board of Directors is comprised of a total of seven members, four Directors excluding Directors who serve as Audit and Supervisory Committee Members (one of whom is an Outside Director) and three Directors who serve as Audit and Supervisory Committee Members, and is responsible for appropriate and efficient management decisions while supervising the execution of Directors' duties from an independent standpoint.

Changes in the strengthening of corporate governance systems

	2004	2007	2009	2012	2014	2016	2017	2020	2021	2022	2024	2025
Organization design	Shortening of the term of office of directors (from two years to one year)											
						Transition to a company with an audit and supervisory committee						
									Establishment of the Nomination and Compensation Committee			
										Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange		
Director, Executive Officer				Introduction of an executive officer system								
				Reduction in the number of directors (change in the number specified in the Articles of Incorporation from 15 to 10)								
						Majority of Independent Outside Directors						
										Appointment of one female Director		
Compensation for executives						Implementation of the board effectiveness evaluation (annually thereafter)						
		Abolition of the retirement allowance system for executives										
			Introduction of an Ordinary Stock Option system									Abolition of the Ordinary Stock Option system and introduction of a performance-linked stock compensation system
					Introduction of a Stock Compensation-type Stock Options system			Introduction of a restricted stock compensation system to replace the Stock Compensation-type Stock Options system				
									Resolution on policies regarding the determination of executive compensation, etc.			

Corporate governance system



Composition and frequency of major meeting bodies

● Internal ● Outside

		Board of Directors	Audit and Supervisory Committee	Nomination and Compensation Committee
Composition	Attendees	<div>3 Internal Directors 4 Independent Outside Directors Total of 7 members</div>	<div>Directors who are Audit and Supervisory Committee Members 3</div>	<div>1 Internal Director 4 Independent Outside Directors Total of 5 members</div>
	Observers	6 Executive Officers	—	—
	Chairperson	President and CEO	Audit and Supervisory Committee Member (full-time)	President and CEO
Number of meetings in FY2024		9 times	10 times	4 times
		Management Council	Risk Management Committees	Sustainability Committee
Composition	Attendees	3 Internal Directors 1 Director who is an Audit and Supervisory Committee Member (full-time) 6 Executive Officers Total of 10 members		
	Chairperson	President and CEO	President and CEO	President and CEO
Number of meetings in FY2024		24 times	2 times	4 times

Details and deliberation status of major meeting bodies

▶ Board of Directors

The Board of Directors oversees the execution of duties by directors and executive officers, while also making decisions and reporting on statutory matters specified in the Board of Directors Regulations, important management matters, basic management policies, and other important management matters.

Main deliberations in FY2024

- Matters related to annual budgets and quarterly financial results
- Matters related to the Second Medium-Term Management Plan
- Matters related to the appointment and compensation of directors and executive officers
- Matters related to sustainability
- Matters related to realizing management that is conscious of cost of capital and stock price
- Matters related to purchase of treasury stock

▶ Audit and Supervisory Committee

The Committee is responsible for auditing the performance of duties by directors, auditing financial statements, preparing audit reports, and other duties. It conducts audits in accordance with audit policies and plans, in cooperation with the accounting auditor, Audit Office, and other parties.

Main deliberations in FY2024

- Matters related to audit policies, audit plans, audit methods, and division of audit duties
- Preparation of audit reports

▶ Nomination and Compensation Committee

The Committee deliberates on matters related to the appointment, dismissal, and compensation of directors and executive officers in response to requests for consultation from the Board of Directors, and submits its recommendations to the Board of Directors.

Main deliberations in FY2024

- Matters related to the appointment and dismissal of directors and executive officers
- Matters related to the compensation of directors and executive officers

▶ Management Council

The Council discusses and reports on important management policies and matters related to management.

Main deliberations in FY2024

- Monthly financial reports of the Company and its subsidiaries
- Reorganization of internal departments

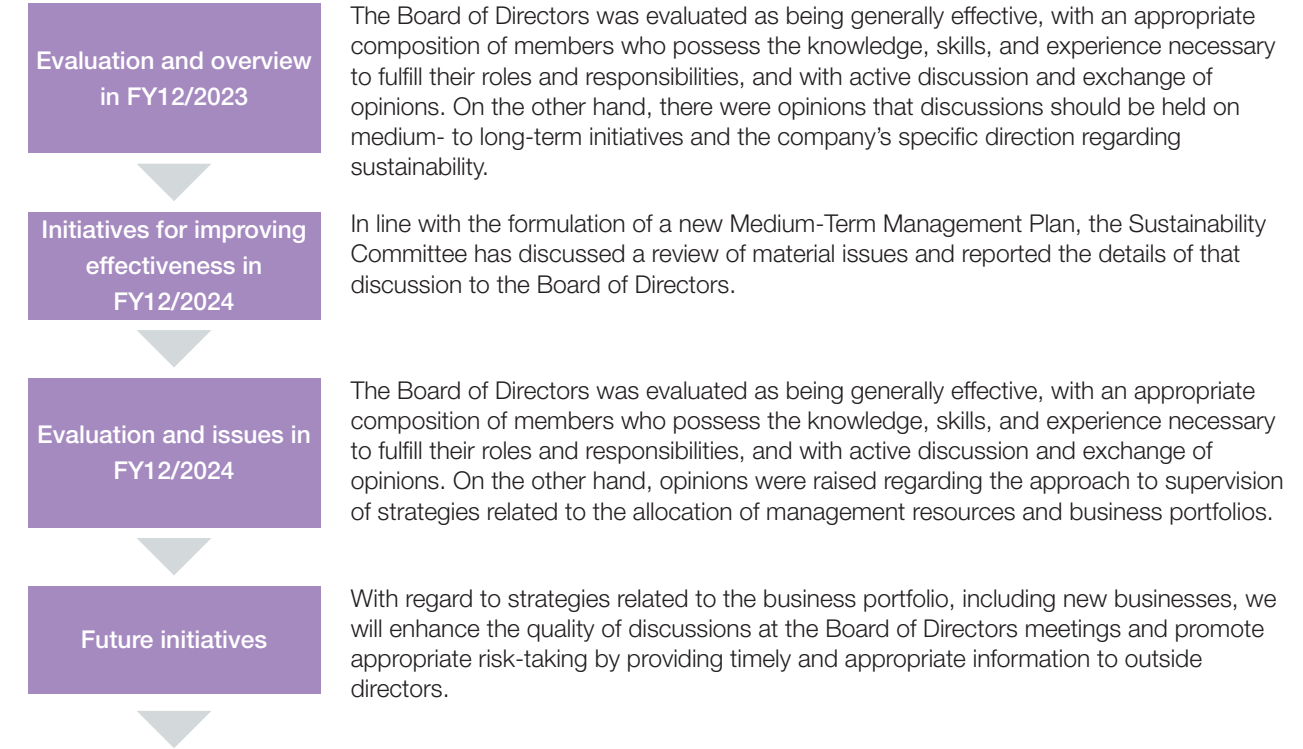
▶ Risk Management Committees

The Committee conducts surveys and analyses of risk situations, selects significant risks and determines response policies, and supervises the progress of company-wide risk management to reduce and prevent the loss of management resources associated with the company's business operations, natural disasters, accidents, and other events.

▶ Sustainability Committee

The Committee formulates basic policies for promoting group-wide initiatives to address sustainability issues, sets targets and indicators for materiality initiatives, and manages progress toward those targets.

▶ Effectiveness evaluation: implementation status in FY2024



▶ Executive training and support system for outside directors

- We provide the support necessary to fulfill the expected roles and responsibilities appropriately.
- Executives and directors strive to acquire the necessary knowledge to fulfill their responsibilities by attending external seminars and other programs.
- Outside directors deepen their understanding of the Company by visiting major business sites and receiving explanations of business and operations from each division.
- The internal audit division (Audit Office) assists the Audit and Supervisory Committee Members in their duties at the request of the Audit and Supervisory Committee Members.

Implementation status in FY2024

- Holding of outside director meetings (2 times)
- Site visit to the factory by outside directors (Kikugawa Factory, 1 time)

Approach to the appointment of officers

▶ Candidates for internal directors

- They are required to have excellent personality and insight, share the Company's Corporate Philosophy, embody the Action Guidelines, and have high ethical standards.
- They are required to have a wealth of diverse experience necessary for executing business, a global perspective and communication skills for understanding market trends both domestically and internationally, and the ability to adapt quickly to changes in the business environment.
- They are required to make management decisions aimed at optimizing the business portfolio, promoting new businesses, and maintaining financial soundness, thereby fulfilling their role in achieving sustainable corporate value enhancement.

▶ Candidates for outside directors

- They are required to have no interests in the Company based on the independence criteria established by the stock exchange so that their opinions and recommendations from an objective and independent perspective can be effectively utilized in management decisions.
- In order to achieve a Board of Directors composed of individuals with diverse backgrounds, the Company considers the balance of extensive knowledge and experience in various fields such as corporate management, finance and accounting, legal affairs and compliance, and risk management.

Compensation for executives

Basic policies

The basic policy of the Company is that compensation for directors (excluding Directors who serve as the Audit and Supervisory Committee Members) and executive officers (“Executive Compensation”) should be linked to business performance and share value with shareholders, so that it serves as an incentive to improve the Group’s business performance and sustainably enhance its corporate value over the medium to long term.

Based on this policy, Executive Compensation consists of “base compensation,” “bonuses,” and “stock compensation.”

Compensation for Audit and Supervisory Committee Members and outside directors consists solely of “basic compensation.”

For details on policies regarding decisions on the compensation of individual directors, please refer to the “Report on Corporate Governance” posted on the Company’s website.

Decision-making process

The Company has established a Nomination and Compensation Committee (comprising five members: one internal director and four independent outside directors) with a majority of independent outside directors to enhance the transparency and objectivity of the decision-making process for Executive Compensation and to strengthen corporate governance.

The Nomination and Compensation Committee deliberates on Executive Compensation and submits its recommendations to the Board of Directors.

The Board of Directors respects the recommendations of the Nomination and Compensation Committee and makes decisions regarding Executive Compensation in accordance with resolutions passed at the General Meeting of Shareholders.

Compensation results (FY12/2024)

Total compensation by executive category, total compensation by type, and number of subject executives

Executive category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of subject executives (Persons)
		Fixed compensation	Performance-linked compensation	Stock compensation	
Directors (excluding Audit and Supervisory Committee Members) (of which Outside Directors)	165 (9)	116 (9)	18	31	4 (1)
Directors (Audit and Supervisory Committee Members) (of which Outside Directors)	26 (26)	26 (26)	—	—	3 (3)
Total (of which Outside Directors)	191 (36)	142 (36)	18	31	7 (4)

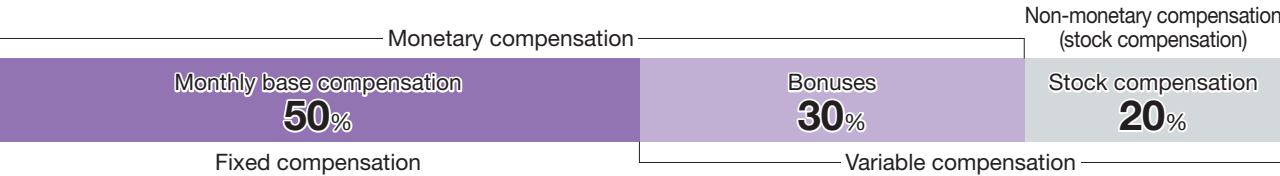
(Note)
The amount of restricted stock compensation and performance-linked compensation is the amount recorded in the current fiscal year.
The above director compensation amounts do not include the salaries of directors who also serve as employees.

Policy on compensation ratios

The amounts of base compensation, bonuses, and stock compensation vary depending on performance, position, and stock price. However, these are combined in appropriate proportions so that they function as incentives for improving performance for directors excluding outside directors.

Base compensation, bonuses, and stock compensation generally comprise 50%, 30%, and 20% of total compensation, respectively.

Image of compensation ratio for directors excluding outside directors



Revision of stock compensation system

At the 100th Annual General Meeting of Shareholders held on March 27, 2025, a proposal was submitted and approved to introduce a new performance-linked stock compensation system in addition to the existing restricted stock compensation system to directors (excluding Audit and Supervisory Committee Members and Outside Directors) in order to promote the sustainable improvement of the Company’s corporate value and

further value sharing with shareholders and to clarify the link with the Company’s Medium-Term Management Plan.

Similarly, we have introduced a performance-linked stock compensation system for executive officers, and we are working to strengthen incentives for all executives to achieve sustainable improvement in corporate value and the goals of our Medium-Term Management Plan.

Matrix chart of Executive Compensation items and recipients (as of March 27, 2025)

Compensation type	Name of compensation	Internal Directors/Executive Officers	Outside Directors/Audit and Supervisory Committee Members		Purpose and objective of the system
Fixed	Base compensation	●	●	●	Compensation corresponding to roles and responsibilities
Variable compensation (short-term)	Bonus for directors	●	—	—	Incentive compensation for short-term performance linked to annual performance
Variable compensation (medium- to long-term)	Restricted stock compensation	●	—	—	Incentive compensation related to long-term corporate value enhancement and value sharing with shareholders
	Performance-linked stock compensation	●	—	—	Incentive compensation linked to the achievement of medium-term management plans by linking them to KPIs set out in the plans

Group governance and internal control

The Group consists of the Company, 19 subsidiaries, and 3 affiliated companies (as of December 31, 2024), and conducts business activities related to machine tools and special products in Japan and overseas through its local subsidiaries.

In conducting business activities, each subsidiary maintains cooperation and information sharing with the Company, and independently establishes systems based on the Company’s management policies and strategies, taking into consideration the size of the company, the nature of its business, applicable laws and regulations, organizational structure, and other characteristics and features of the company.

The directors and executive officers who are in charge of each subsidiary, in accordance with the Company’s “Subsidiary Management Regulations,” respect the autonomous decision-making of each subsidiary while maximizing the corporate value of the entire Group. They

monitor the business conditions of each subsidiary by requesting regular reports on business plans, performance, risk information, etc., and provide appropriate guidance and oversight to each subsidiary by concurrently serving as officers of each subsidiary as necessary.

In addition, the Audit Office, which is the internal audit division, regularly conducts internal audits of Group companies and reports the results to the Audit and Supervisory Committee. Through this process, we are strengthening internal controls and improving risk management, thereby further enhancing the governance system of the entire Group. Furthermore, we make improvement proposals to each subsidiary based on audit results and follow up on their implementation status to promote continuous improvement.




Strategic shareholding

● The Company will acquire and hold shares for purposes other than investment as strategic shareholding only when it is deemed that such shares will contribute to the improvement of the Company’s medium- to long-term corporate value from the perspective of facilitating the smooth operation of the Company’s business and maintaining and strengthening business relationships.

● Based on this policy, we have proceeded with disposal and reduction, and currently hold six stocks (including one listed stock, accounting for 0.7% of net assets).




List of Company Officers and Skills Matrix

List of Company Officers (as of March 27, 2025)

Directors			
	Mamoru Sato	Yasunao Sasai	Seigo Sato
Position	Representative Director, President and Chief Executive Officer	Director, Managing Executive Officer General Manager, Development Headquarters	Director, Managing Executive Officer General Manager, Corporate Headquarters
Term of Office	17 years	5 years	1 year
Number of Shares Held	122,900 shares	40,300 shares	100,300 shares
Attendance at the Board of Directors (FY12/2024)	9/9 Chairperson	9/9	7/9
Attendance at the Audit and Supervisory Committee (FY12/2024)	—	—	—
Attendance at the Nomination and Compensation Committee (FY12/2024)	4/4 Chairperson	—	—
Skills Matrix	Corporate Management	●	
	Strategic Planning	●	●
	Finance and Accounting	●	●
	Legal Affairs and Compliance	●	●
	Global	●	●
	R&D		●
	Sales and Marketing	●	●

Executive Officers (as of January 1, 2025)

Senior Executive Officer		Executive Officer	
Kazuyoshi Terao	General Manager, Special Products Division	Masatake Hanada	Deputy General Manager, Corporate Headquarters, Executive Manager, Finance & Accounting Department, Corporate Headquarters
Fumio Masuda	General Manager, Machine Tools Division	Kohji Sano	Deputy General Manager, Machine Tools Division
		Katsuhiro Shinomiya	Executive Manager, Development Department, Machine Tools Division
		Takahiro Kogasaka	Deputy General Manager, Development Headquarters

			
Mikio Katayama	Seiichi Nishikawa	Motoki Sugimoto	Itsue Miyata
Outside Directors Outside Independent	Outside Directors (Audit and Supervisory Committee Member (full-time)) Outside Independent	Outside Directors (Audit and Supervisory Committee Member) Outside Independent	Outside Directors (Audit and Supervisory Committee Member) Outside Independent
0 years	5 years	11 years	3 years
0 shares	5,100 shares	7,100 shares	0 shares
—	9/9	9/9	9/9
—	10/10 Chairperson	10/10	10/10
—	4/4	4/4	4/4
●			
●	●		
	●	●	
●			●
●	●		
●			
●			

(Note) 1 Mr. Seigo Iwasaki retired at the conclusion of the Annual General Meeting of Shareholders held on March 27, 2025.
2 Mr. Mikio Katayama was appointed at the Annual General Meeting of Shareholders held on March 27, 2025, and has no track record of activities.
3 Mr. Seigo Sato was appointed at the Annual General Meeting of Shareholders held on March 28, 2024, and has attended all of the Board of Directors meetings held since his appointment.

Outside Directors Roundtable



Outside Director
Audit and Supervisory
Committee Member
(full-time)

Seiichi Nishikawa

Outside Director
Audit and Supervisory
Committee Member

Itsue Miyata

Outside Director

Seigo Iwasaki

Outside Director
Audit and Supervisory
Committee Member

Motoki Sugimoto

This roundtable discussion was held on March 3, 2025, with the outside directors of FY2024, focusing on a review of FY2024 and future governance. Mr. Iwasaki, Outside Director, retired at the Annual General Meeting of Shareholders held on March 27, 2025.

To enhance the effectiveness of the Board of Directors and contribute to further improvement of corporate value

The Group is entering a period of major transformation, with the launch of its Second Medium-term Management Plan, a large-scale overhaul of its human resource system, and the promotion of business portfolio reforms with a view to full-scale entry into the medical field. Given the importance of the current situation, we asked the outside directors for their opinions on the monitoring status of the Board of Directors, their expectations and challenges for the company, and how to improve the effectiveness of the Board of Directors in the future to contribute to the enhancement of corporate value.

Star Micronics viewed from each specialized expertise and from an outside perspective

Iwasaki I believe that management should be overseen from the perspective of stakeholders, social responsibility, and major trends in society. I became an outside director of the Company in 2014 and I remember that the materials and explanations provided by the Board of

Directors at that time were full of specialized content and terminology that were difficult for outside personnel to understand. However, it has now been greatly improved and made easier to understand. As a result, I feel that discussions at the Board of Directors meetings have become clearer and more active.

Nishikawa I have been serving as an outside director and full-time Audit and Supervisory Committee Member since 2020. Upon taking office, I felt a sense of unease about the fact that there was no department responsible

“Not only the head office, but also overseas subsidiaries face the challenge of addressing the aging of key personnel.”

for management planning within the company. But I would like to express my regard for the establishment of a new Corporate Development & IR Section and the formulation and publication of a clear and well-structured Medium-Term Management Plan. In addition, as a full-time Audit and Supervisory Committee Member, I would like to leverage my previous experience in management planning and global career and knowledge to not only audit and oversee management, but also provide advice.

Sugimoto I was appointed as an outside director who is an Audit and Supervisory Committee Member in 2016. Based on my experience working with other listed companies' governance at audit firms and accounting firms, I place great importance on overseeing management from an objective perspective. From the perspective of improving governance, I feel it is characteristic that the Company has established a system in which the majority of the Board of Directors consists of independent outside directors, and that it places great importance on monitoring functions.

Miyata As an attorney, I often speak from a legal perspective and from the viewpoint of monitoring. It has only been a few years since I became an outside director who is an Audit and Supervisory Committee Member in 2022, but I have the impression that the Company is a very serious and reliable company. When problems or issues arise, or when they are pointed out, the Company shows a sincere attitude toward addressing them, which instills a sense of security.

Nishikawa As an example mentioned by Ms. Miyata, recently, there has been discussion about investing in the Kikugawa Factory for the Machine Tools business. As a consensus among the outside directors, we requested a clearer overview and economic rationale, which was thoroughly taken into consideration. Combined with subsequent discussions on the Second Medium-term Management Plan, this ultimately led to the development of a clear and easy-to-understand overall story and strategy.

Iwasaki As an outside director, it is important to oversee the Company's major management decisions with an emphasis on objectivity to ensure that there are no errors. I think it's fair to say that the fact that management has been working to reform the Board of Directors and strengthen governance in response to the demands of the times, while repeatedly asking themselves questions to make sure they don't get too caught up in their own perspectives, has led to where we are today.

Improving effectiveness of the Board of Directors

Nishikawa We hold meetings exclusively for outside directors twice a year. During these meetings, and at the request of Mr. Iwasaki, we invite executive officers and divisional managers to attend and explain the business and operations. I believe that this initiative has deepened the understanding of the business among outside directors, strengthened monitoring functions, and led to improved effectiveness of the Board of Directors.

Iwasaki There are always lively Q&A sessions with those who attend. I could say that this helps with checking the suitability of executive officers and developing successors from a succession planning perspective.

Sugimoto Regarding improving the effectiveness of the Board of Directors, I would like to raise the issue of updating the skills matrix. The skills matrix is currently publicly available, but in light of future changes in business development, discussions are still ongoing regarding the knowledge and skills required of the Company's directors. I recognize this as a challenge for the future.

Iwasaki In that sense, "internationality" is very important. The Company is essentially a global B2B company. Therefore, future executives will need communication skills to understand the actual conditions of end customers and markets.

Nishikawa I think that bringing in overseas talent, even as executive officers, is one idea.

Miyata In addition to diversity and skills on the Board of Directors, I would like to see an increase in the number of female executives from a gender perspective. It may take time, but I believe it is important to use this human resource system reform as an opportunity to nurture female managers and executive officers from within the company.



“Star Micronics is a company that goes beyond the scope of a machine tool manufacturer.”

linked to the maintenance of our global network, and that support from the head office will be necessary going forward.

Iwasaki Mr. Sato, the President, shared our sense of urgency on that point.

Sugimoto The Company has set annual education and training expense per person at ¥100,000 and a target female managers ratio of 10% or more by FY2030 as KPIs for human capital in its Second Medium-Term Plan. In addition, they are currently looking into the percentage of employees with overseas experience.

I do not intend to completely dismiss these KPIs, but in human capital management, determining which KPIs to set is always a challenge. In order to accelerate the transition to an autonomous organization, I believe it will be necessary to clarify the specific requirements and characteristics of human resources and KPIs related to specialized training time and evaluations from a professional perspective will be needed. I believe that the recent human resource system reform was implemented as part of this effort.

I hope to further deepen discussions within the Board of Directors regarding the ideal characteristics of human resources that contribute to an autonomous organization and the Company's human capital management.

Concluding remarks from the roundtable discussion with outside directors

Miyata As Mr. Iwasaki explained earlier, the Company has set out the details and direction of its new businesses more specifically in its Second Medium-Term Plan. I would like to express my high regard for the Company's efforts to seek new growth opportunities without settling for its current position. I hope that the Company's shareholders, investors, and other stakeholders will continue to watch over the future development of our group with anticipation. I myself have high expectations for the future of the Group.

Sugimoto From the front lines to the management team, I feel that the entire company is experiencing a growing sense of challenging spirit. In line with this, I believe that portfolio management will become increasingly important as its business expands. Specifically, as the Company

“We are seeing an improvement in the awareness of young manufacturing staff following the renewal of the domestic factory.”

positions the medical field as a promising new business, I believe that the key management issue will be how to link its efforts in the medical field within the Machine Tools business with its independent efforts in the medical field, or how to differentiate between the two. Within this series of portfolio management activities, we are also focusing on issues such as how to position the Special Products business and how to achieve management that is firmly conscious of the capital costs of each business. While keeping these developments in mind, I will strive to contribute to further progress by utilizing my own knowledge and expertise.

Nishikawa Regarding the Special Products business mentioned by Mr. Sugimoto, it has been identified as a challenging business in the Second Medium-Term Plan. From a performance perspective, I personally do not see this as a major issue. However, given concerns about the future prospects of receipt printers, I would like to keep a close eye on how the direction of this business will change. In addition, as a full-time Audit and Supervisory Committee Member, I will focus on non-financial audits so that the Company can respond appropriately to changes in non-financial information disclosure standards as they are developed in the future. I am grateful for this valuable opportunity to directly convey our message to our shareholders and investors in this first integrated report.

Iwasaki We ask our shareholders and investors not to view the Company as simply a machine tool manufacturer. The Company goes beyond the boundaries of a machine tool manufacturer, and we would appreciate your understanding of this point.

The Company has a significant advantage in the machine tool industry in terms of its “precision machining

technologies x precision assembly technologies,” which are absolute differentiators, but I feel that we have not been able to effectively communicate this point as a company. In addition, we have long been concerned that the cyclical nature of the industry is weighing on stock prices. We expect that our full-scale entry into the medical field will lead to the resolution of these issues. I hope that the Company will be able to quickly seize business opportunities, implement various measures based on its Second Medium-Term Plan, and firmly establish its differentiation through its Medical business.

Finally, on a personal note, I will be stepping down as an outside director of the Company at the conclusion of the Annual General Meeting of Shareholders to be held on March 27, 2025. I would like to express my sincere gratitude to the stakeholders for their support and understanding of the Company's management over the past 10 years. Going forward, I will be watching over the evolution and growth of the Company from the same perspective as everyone else.

“I believe that the perspective of business portfolio management will become increasingly important in the future.”



Risk Management



Risk Management

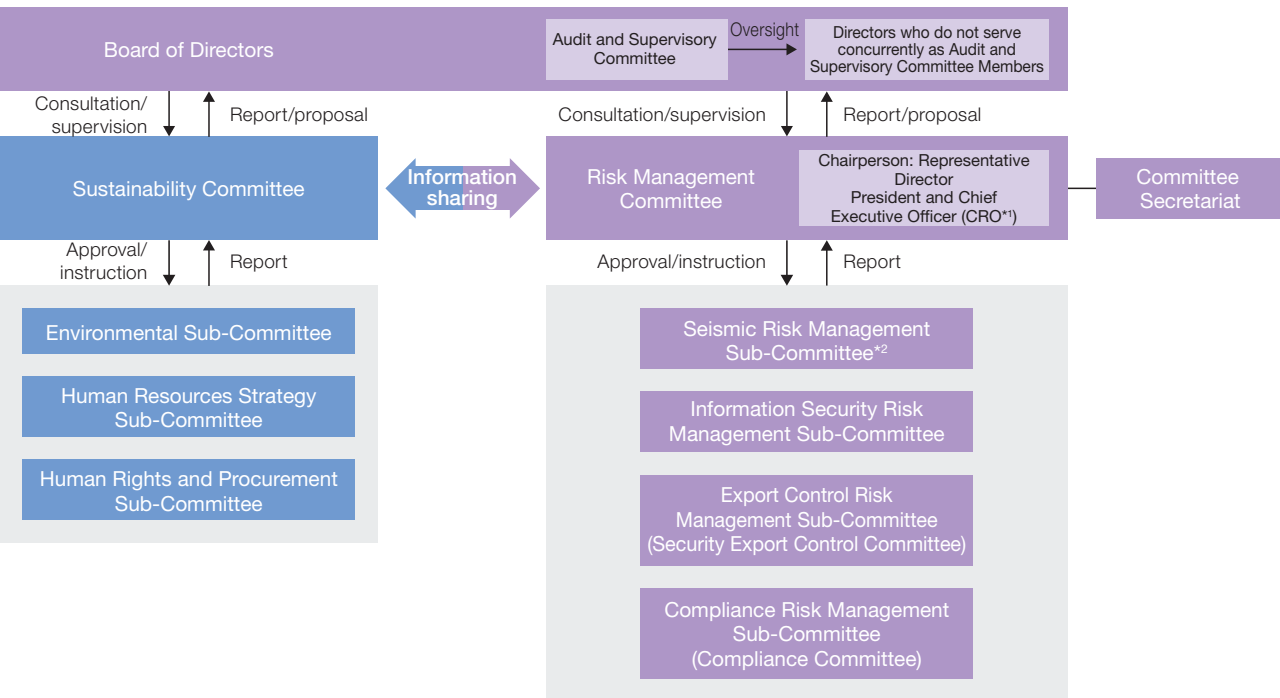
As the business environment surrounding companies becomes increasingly uncertain and complex, the trust of stakeholders is essential to realizing the Group’s vision for 2030. Preparing for risks that may arise in the course of organizational operations is an indispensable part of building trust.

Basic approach

The Group has established the Risk Management Committee to reduce and prevent the loss of management resources associated with the conduct of its business, natural disasters, and accidents, and to maintain organizational functions and enable rapid recovery from crises in the event of an emergency. The Committee establishes rules and manuals, and provides education and awareness training to the Group’s directors, executive officers, and employees. In addition,

the Risk Management Committee meets twice a year to report its findings to the Board of Directors and manage the progress of risk identification and response measures within the Group. In addition, risks related to sustainability are identified as material issues by the Sustainability Committee, and measures are being taken to address them. Both committees are composed of the same officers and oversee risk management for the entire group while sharing relevant information.

Group risk management system



*1 CRO (Chief Risk Officer)
*2 Reorganized as Natural Disaster Risk Management Sub-Committee in 2025

Major business risks

The Group, which operates globally, may face various risks. Among these, we have identified the following risks as major risks that could have a significant impact on corporate value and sustainable growth.

1) Business risks

- Natural disasters such as earthquakes
- Information security
- Security export control
- Compliance

2) Sustainability risks

- Climate change
- Recruitment and training of human resources
- Dependence on specific suppliers

The Company has established a risk management system based on its Risk Management Regulations to address the above business risks. With regard to major risks, we

analyze and evaluate risks to identify important risks that need to be addressed. In addition, under the Risk Management Committee, we have established four risk management sub-committees, and each division monitors risks and reviews and improves countermeasures as necessary, while managing them through a defined reporting system. In addition, we strive to mitigate the impact by taking swift and appropriate measures in the event that such risks become apparent.

Sustainability risks are managed by the Sustainability Committee. Other business risks are managed by each business division.

The Group will continue to consider risk management as an important management issue and work to strengthen its risk management system in light of changes in the business environment and the needs of stakeholders.

Response to significant risk areas

	Risk item	Risk management program	Progress in 2024	Future issues and countermeasures
Business risks	Natural disasters such as earthquakes	The Seismic Risk Management Sub-Committee discusses measures to respond to the Nankai Trough earthquake and promotes the formulation of a business continuity plan (BCP) (non-consolidated base only).	Conducted disaster drills, reviewed the safety confirmation system, etc.	In response to the increasing risk of natural disasters other than earthquakes, such as floods, the task force will be reorganized into the Natural Disaster Risk Management Sub-Committee to expand its scope of response.
	Information security	We establish the Information Security Management Regulation and the Information Security Risk Management Sub-Committee promotes measures.	<ul style="list-style-type: none">● Conducted training on how to respond to phishing emails and educational training using security awareness videos (non-consolidated)● Enrolled in cyber security insurance● Serious incidents: 0	Revision of group security standards as a measure to improve security across the entire Group.
	Security export control	The Export Control Risk Management Sub-Committee promotes measures to ensure compliance with the Foreign Exchange and Foreign Trade Act (Foreign Exchange Act) and regulations based on the Foreign Exchange Act.	<ul style="list-style-type: none">● Regarding machine tools, we conducted strict conformity assessments and transaction reviews for all cargo exports and overseas technology transfers, and reported the details to the Sub-Committee.● Regularly implemented employee training and audits of security export control operations	Not only compliance with Foreign Exchange Act, but also response to risks that could seriously affect the Company's reputation will require measures.
	Compliance	We conduct internal trainings, surveys, etc. based on the Compliance Regulation, and the Compliance Risk Management Sub-Committee promotes measures.	<ul style="list-style-type: none">● Conducted surveys on compliance● Compliance and related knowledge education● Monitoring overtime hours (non-consolidated)	Continued educational activities and education on related knowledge as measures to continuously improve compliance awareness
Sustainability risks	Climate change	Establish the Environmental Sub-Committee to promote measures for material issues "addressing climate change" and "create environmentally friendly products."	Details P.47-50	
	Recruitment and training of human resources	Established the Human Resources Strategy Sub-Committee to promote measures for material issue "promoting human capital development and diversity."	Details P.52-58	
	Dependence on specific suppliers	Establish the Human Rights and Procurement Sub-Committee to promote measures for material issue "promoting sustainable production and procurement."	Details P.61, P. 63-64	

Compliance



Compliance

With the globalization of the economy and corporate activities, the Group is also expanding its business activities across countries and regions with different administrative systems, business practices, and values. Under these circumstances, the Company, which aims for sustainable development, believes that practicing fair and ethical management and striving for harmony with society are essential elements in gaining the trust of its stakeholders.

Basic approach

The Group fully recognizes that inadequate compliance can undermine its management foundation, and has positioned thorough compliance as a basic management policy. The Group, which operates globally, will strengthen its systems and promote compliance activities from a

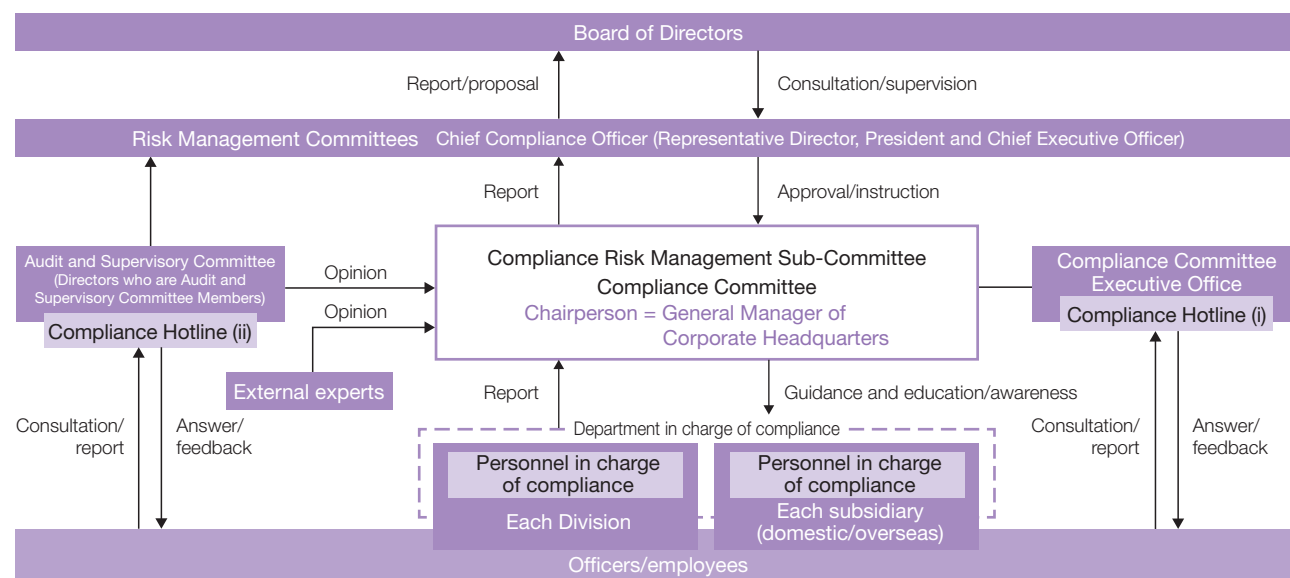
global perspective based on this policy. With this in mind, we will strive to earn high reputation from our shareholders, customers, local communities, and employees, and build solid trust throughout society.

Promotion system

Regarding the system for promoting compliance, in addition to establishing the “Star Micronics Group Sustainability Code of Conduct,” the Company has the Representative Director, President and Chief Executive Officer serve as the chief officer in compliance. Under his or her direction and supervision, the Compliance Committee deliberates on the formulation of basic policies and compliance requirements related to compliance, as

well as decisions on responses to serious compliance-related issues.

The department in charge of promoting compliance, or the person in charge of that department, promotes specific compliance activities based on basic compliance policies, internal regulations, and deliberation results.



Internal reporting system

The Company has established a hotline to receive consultations (Compliance Hotline) regarding acts that violate or are suspected of violating laws and regulations, administrative guidelines, and the Company's internal regulations, with the aim of early detection and correction of compliance violations.

There are two Compliance Hotlines: at the Compliance Committee Executive Office and the Audit and Supervisory Committee, which accept reports and consultations from officers, employees, and temporary staff of the Company and the Group.

In order to make it easier for local staff overseas to use, we have established Compliance Committees and Compliance Hotlines at Star Micronics Manufacturing

Dalian Co.,Ltd. and Star Micronics Manufacturing (Thailand) Co., Ltd., our main production base overseas.

We have established an environment that makes it easy for users to consult with us, offering various methods of contact such as telephone, email, letter, and face-to-face meetings, as well as anonymous reporting. We are working to strengthen our compliance system so that each and every employee can maintain a high level of ethical standards.

The Company's internal reporting system thoroughly protects whistleblowers by prohibiting dismissal or other disadvantageous treatment based on reports made in accordance with the Whistleblower Protection Act and other laws.

► Number of consultations at the Compliance Hotline

Most of the consultations concern harassment cases, and we are taking appropriate measures, such as conducting investigations by the Compliance Committee and taking corrective action and measures to prevent recurrence.

2022	2023	2024
3 cases	3 cases	8 cases

Compliance enhancement initiatives

► Dissemination of Star Micronics Group Sustainability Code of Conduct

The “Star Micronics Group Sustainability Code of Conduct” (“the Company’s Sustainability Code of Conduct”) sets forth standards that we should adhere to in our daily activities in order to instill our corporate philosophy throughout the Group and to put into practice the three guidelines for mutual growth outlined in our corporate philosophy: “enhance corporate value in a sustainable way,” “contribute to the sustainable development of society,” and “enrich the lives of employees and their families.” The Company’s Sustainability Code of Conduct has been translated into five languages, English, Chinese, Thai, German, and French, and distributed to all officers and employees of the Group in printed or electronic formats. The officers and employees of the Group are required to thoroughly understand the contents of the Company’s Sustainability Code of Conduct and, in addition to complying with laws and regulations, to respect social norms and act with integrity, common sense, and responsibility.

- ▶ **Conducting surveys on compliance**

The Company conducts an annual compliance awareness survey targeting employees of the Group. The survey results are used to improve compliance education and awareness activities.

According to the results of the survey in 2024, there was an improvement in the awareness of the code of conduct and hotline at Smart Solution Technology, Inc., which joined the Group in January 2023.

► **Compliance activities** (Results of 2024)

1) Compliance education

- 41 people participated in e-learning courses for new and mid-career employees.
- 193 people participated in e-learning courses for domestic subsidiaries' employees.
- 231 people participated in compliance training at overseas subsidiaries.

2) Related education and training

- 705 people participated in the e-learning course on basic intellectual property knowledge.

3) Monitoring overtime hours (non-consolidated)



Star Micronics Group Sustainability Code of Conduct | Star Micronics Co., Ltd.
https://star-m.jp/eng/files/sustainability_code_of_conduct.pdf

11-Year Financial Data

			FY2/2014 (March 2013 - February 2014)	FY2/2015 (March 2014 - February 2015)	FY2/2016 (March 2015 - February 2016)	FY2/2017 (March 2016 - February 2017)	FY2/2018 (March 2017 - February 2018)
Order	Machine Tools	Units	2,007	2,586	2,620	2,682	3,983
Net Sales	All	Millions of yen	43,481	50,957	54,457	48,937	60,772
By Segment	Special Products	Millions of yen	9,455	11,555	11,381	11,081	12,305
	Component	Millions of yen	3,166	—	—	—	—
	Machine Tools	Millions of yen	26,969	34,578	38,150	33,629	44,342
	Precision Products	Millions of yen	3,891	4,824	4,926	4,226	4,124
By Region	United States	Millions of yen	11,779	12,692	13,435	13,614	15,561
	Europe	Millions of yen	13,666	17,471	17,820	13,881	18,252
	Asia	Millions of yen	9,873	11,843	14,473	13,220	16,754
	Japan	Millions of yen	8,161	8,950	8,728	8,220	10,205
PL	Operating Income	Millions of yen	2,606	5,476	5,735	3,606	6,210
	Operating Income Ratio	%	6.0	10.7	10.5	7.4	10.2
	Ordinary Income	Millions of yen	3,219	6,150	5,206	3,583	7,015
	Net Income Attributable to Owners of Parent	Millions of yen	1,143	4,695	3,720	3,181	5,780
CF	Operating CF	Millions of yen	2,596	4,326	3,106	5,338	8,923
	Investing CF	Millions of yen	(2,455)	(2,500)	(1,073)	813	(5,012)
	FCF	Millions of yen	141	1,825	2,032	6,151	3,910
	Financing CF	Millions of yen	(1,394)	(1,568)	(2,179)	138	(2,925)
BS	Shareholders' Equity	Millions of yen	44,772	50,887	49,280	42,937	46,521
	Total Assets	Millions of yen	59,302	70,260	67,827	68,350	77,362
Key Indicators	ROA	%	5.8	9.5	7.5	5.3	9.6
	ROE	%	2.7	9.8	7.4	6.9	12.9
	Equity Ratio	%	75.5	72.4	72.7	62.8	60.1
	Total Asset Turnover	Times	0.8	0.8	0.8	0.7	0.8
	PER	Times	43.4	13.9	13.5	20.0	14.2
	PBR	Times	1.1	1.3	1.0	1.4	1.8
	Dividend Payout Ratio	%	125.1	39.5	52.3	58.7	33.4
	Total Payout Ratio	%	125.1	39.5	52.3	257.3	53.1
	DOE	%	3.4	3.9	3.9	4.1	4.3

	FY12/2018 (March 2018 - December 2018)	FY12/2019 (January 2019 - December 2019)	FY12/2020 (January 2020 - December 2020)	FY12/2021 (January 2021 - December 2021)	FY12/2022 (January 2022 - December 2022)	FY12/2023 (January 2023 - December 2023)	FY12/2024 (January 2024 - December 2024)
	4,207	3,435	3,326	5,255	5,205	2,950	3,648
	65,939	60,651	45,670	64,360	87,368	78,196	64,994
	12,651	12,542	11,720	15,569	17,959	16,111	13,574
	—	—	—	—	—	—	—
	49,337	44,920	32,966	48,790	69,408	62,084	51,419
	3,950	3,188	983	—	—	—	—
	17,201	17,106	14,102	17,717	28,636	23,077	16,431
	21,800	16,065	10,217	17,270	24,480	30,125	18,068
	17,565	16,851	15,596	21,300	25,214	16,591	23,426
	9,371	10,628	5,754	8,071	9,036	8,402	7,068
	9,712	5,817	2,172	7,415	13,925	10,350	4,021
	14.7	9.6	4.8	11.5	15.9	13.2	6.2
	9,570	6,161	2,772	7,795	14,199	10,960	4,515
	6,795	4,053	1,731	5,740	10,298	8,175	1,855
	6,089	5,124	6,842	9,600	7,523	7,126	6,153
	(2,949)	(3,150)	(1,252)	740	(2,633)	(2,038)	(5,456)
	3,139	1,974	5,590	10,341	4,889	5,087	696
	(3,766)	(3,014)	(2,136)	(7,558)	(4,624)	(5,054)	(10,275)
	48,237	49,825	48,840	61,054	72,628	79,964	74,038
	79,935	76,393	71,621	82,360	99,538	93,398	92,784
	12.2	7.9	3.7	10.1	15.6	11.4	4.9
	14.3	8.3	3.5	10.4	15.4	10.7	2.4
	60.3	65.2	68.2	74.1	73.0	85.6	79.8
	0.8	0.8	0.6	0.8	1.0	0.8	0.7
	8.0	13.8	33.7	10.3	6.0	7.9	35.0
	1.1	1.1	1.2	1.0	0.8	0.8	0.8
	29.0	49.2	118.2	38.5	25.8	27.4	111.1
	55.2	73.8	118.2	79.3	44.6	51.6	636.5
	4.1	4.1	4.1	3.9	4.0	2.9	2.7

ESG Data

Environment

	Unit	FY2021	FY2022	FY2023	FY2024
Scope 1 CO ₂ Emissions* ¹	t-CO ₂	820	1,006	841	1,077
Scope 2 CO ₂ Emissions* ²	t-CO ₂	10,820	11,102	10,724	8,455
CO ₂ Emissions Per Unit of Sales* ³	(t-CO ₂ /millions of yen)	0.181	0.139	0.148	0.146
Total Energy Consumption* ⁴	GJ	264,279	275,850	257,596	269,140
Total Electricity Consumption	MWh	24,213	25,644	24,230	25,072
of which electricity consumption (fossil fuel-derived)	MWh	24,213	25,644	24,230	19,890
of which electricity consumption (renewable energy-derived)	MWh	0	0	0	5,181
Renewable Energy Ratio	%	0	0	0	20.6
Total Waste Volume* ⁵	t	921	930	736	782
of which hazardous waste* ⁶	t	192	149	118	169
Recycling Rate* ⁷	%	85.7	90.5	81.6	88.6
Water: Intake Amount* ⁸	m ²	65,624	67,819	67,213	67,985
Total Emissions and Transfers of Substances Subject to the PRTR Law* ⁹	Kg	1,704	2,268	902	1,085
Number of Violations of Environmental Laws and Regulations and Number of Accidents	Cases	0	0	0	0

*1 Scope 1 greenhouse gases are calculated for CO₂ only.
The published figures have been revised due to a recalculation performed, including past actual values, following a review of the calculation rules in 2023.

*2 Scope 2 emission factor uses the Ministry of the Environment's "Electric Power Company Emission Coefficient" for each supplier in Japan and representative values for suppliers outside of Japan.
The published figures have been revised due to a recalculation performed, including past actual values, following a review of the calculation rules in 2023.

*3 The calculation of CO₂ Emissions Per Unit of Sales is "Scope 1 + Scope 2 in the scope of analysis"/"Consolidated net sales."
The published figures have been revised due to a recalculation performed, including past actual values, following a review of the calculation rules in 2023.

*4 Energy conversion outside of Japan is calculated using Japan's coefficients.

*5 The target businesses are Star Micronics Co., Ltd., Star Metal Company, Micro Sapporo Company, Star Micronics Manufacturing Dalian Co.,Ltd., and Star Micronics Manufacturing (Thailand) Co., Ltd.

*6 Hazardous waste refers to materials classified as specially controlled industrial waste in Japan's Waste Management Act.

*7 The recycling rate is the ratio of thermal recycling and material recycling to the total waste volume.

*8 The target businesses are Star Micronics Co., Ltd., Star Metal Company, Micro Sapporo Company, Star Micronics Manufacturing Dalian Co.,Ltd., and Star Micronics Manufacturing (Thailand) Co., Ltd.

*9 Only chemical substances that are emitted or transferred are displayed.
Measuring targets are limited to business sites in Japan.

Governance

	Unit	FY2021	FY2022	FY2023	FY2024
Number of Directors	Persons	7	7	6	7
Number of Independent Directors	Persons	4	4	4	4
Number of Female Directors	Persons	0	1	1	1
Number of Board of Directors Meetings Held	Times	11	9	10	9
Attendance Rate at Board of Directors	%	99	91	99	100
Number of Internal Reports	Cases	5	3	3	8
Number of Employee Disciplinary Actions and Dismissals	Cases	0	0	0	0
Political Donations	Yen	0	0	0	0
Fines, Penalties, and Settlements	Cases	0	0	0	0

Society

		Scope	Unit	FY2021	FY2022	FY2023	FY2024
Number of Employees (consolidated)	Total	Star Micronics Group	Persons	1,517	1,662	1,671	1,642
	Japan	Group in Japan		530	562	625	657
	Americas	Group in the Americas		106	116	115	113
	Europe	Group in Europe		164	178	183	185
	Asia	Group in Asia		717	806	748	687
New Graduate Recruitment	Female	Star Micronics	Persons	0	0	3	1
	Male			0	5	8	6
Mid-career Recruitment	Female	Star Micronics	Persons	0	3	8	8
	Male			6	9	15	23
Employee Gender Ratio	Female	Star Micronics	%	20.0	20.4	21.4	21.6
	Male			80.0	79.6	78.6	78.4
Gender Ratio of Management Positions	Female	Star Micronics	%	0	0	1.7	1.6
	Male			100	100	98.3	98.4
Average Age	Female	Star Micronics	Years old	44.33	44.70	43.92	43.55
	Male			41.87	41.80	41.92	41.78
Average Length of Employment	Female	Star Micronics	Years	22.34	22.40	21.13	20.33
	Male			18.36	18.24	18.04	17.45
Rates of Employees with Disabilities	Total	Star Micronics	%	3.56	3.30	3.00	2.49
Turnover Rate	Total Turnover Rate	Star Micronics	%	4.96	4.52	2.95	2.68
	Personal Reasons			2.89	1.16	1.10	0.41
Gender Pay Ratio (Male/Female)	All	Star Micronics	%	63.41	62.32	64.22	65.26
Average Training Expenses Per Employee		Star Micronics	Yen	52,731	89,084	70,344	101,297
Number of Technician Certification Holders	Special Grade	Star Micronics	Persons	5	5	5	5
	1st Grade			60	62	59	61
	2nd Grade			98	100	106	108
Childcare Leave Taken	Number of Female Taking Leave	Star Micronics	Persons	2	6	3	4
	Ratio of Female Taking Leave		%	100	100	100	100
	Number of Male Taking the Leave		Persons	4	8	3	7
	Ratio of Male Taking the Leave		%	21	40	19	58
Labor Union Membership	Number of Members	Star Micronics	Persons	343	349	366	385
	Membership Ratio		%	79.4	77.2	76.3	75.9
Occupational Health and Safety	Fatal Workplace Accidents	Star Micronics	Cases	0	0	0	0
	Accidents Requiring Absence			0	0	0	0
	Accident Frequency Rate		%	2.17	0	0	0
	Accident Intensity Rate			0.004	0	0	0
Health Management	Regular Health Checkup Participation Rate	Star Micronics	%	100	100	100	100
	Specific Health Guidance Implementation Rate			75.8	46.4	82.6	87.5
	Stress Check Response Rate			99.2	100	96.7	95.5
	Smoking Rate			15.1	13.4	12.7	13.6
Engagement Score	Wevox Engagement Score	Star Micronics	Score	—	71	72	73
Social Contribution Activities	Total	Star Micronics	Ten thousands of yen	11.0	309.0	14.9	311.7

Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Millions of yen)		
	Previous consolidated fiscal year (As of December 31, 2023)	Current consolidated fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	29,721	23,619
Trade notes and accounts receivable	18,594	20,170
Merchandise and finished goods	14,542	14,169
Work in process	4,276	4,714
Raw materials and supplies	2,943	3,683
Other	3,475	2,089
Allowance for doubtful accounts	(197)	(115)
Total current assets	73,356	68,329
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,884	17,478
Accumulated depreciation	(9,623)	(10,391)
Buildings and structures, net	7,261	7,086
Machinery, equipment and vehicles	12,082	13,155
Accumulated depreciation	(8,738)	(9,735)
Machinery, equipment and vehicles, net	3,343	3,420
Tools, furniture and fixtures	9,529	9,221
Accumulated depreciation	(8,174)	(7,733)
Tools, furniture and fixtures, net	1,354	1,488
Land	2,488	2,491
Lease assets	148	97
Accumulated depreciation	(88)	(43)
Lease assets, net	60	53
Construction in progress	144	3,553
Other	2,189	2,238
Accumulated depreciation	(939)	(1,010)
Other, net	1,249	1,227
Total property, plant and equipment	15,902	19,321
Intangible assets		
Other	793	1,257
Total intangible assets	793	1,257
Investments and other assets		
Investment securities	662	903
Deferred tax assets	497	432
Net defined benefit asset	1,655	2,053
Other	529	485
Total investments and other assets	3,344	3,875
Total non-current assets	20,041	24,454
Total assets	93,398	92,784

(Unit: Millions of yen)		
	Previous consolidated fiscal year (As of December 31, 2023)	Current consolidated fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,345	5,827
Electronically recorded obligations-operating	326	532
Short-term borrowings	—	2,000
Current portion of long-term bank loans	28	8
Lease obligations	29	22
Income taxes payable	313	540
Contract liabilities	331	534
Provision for bonuses	896	696
Other	6,136	5,648
Total current liabilities	11,408	15,811
Non-current liabilities		
Long-term bank loans	8	—
Lease obligations	37	37
Net defined benefit liability	116	425
Deferred tax liabilities	615	1,318
Other	866	760
Total non-current liabilities	1,644	2,542
Total liabilities	13,052	18,353
Net assets		
Shareholders' equity		
Capital stock	12,721	12,721
Capital surplus	10,948	10,171
Retained earnings	55,401	55,127
Treasury stock	(7,637)	(16,481)
Total shareholders' equity	71,433	61,539
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167	149
Foreign currency translation adjustments	7,058	11,248
Remeasurements of defined benefit plans	1,304	1,101
Total accumulated other comprehensive income	8,530	12,499
Stock acquisition rights	274	284
Noncontrolling interests	107	108
Total net assets	80,346	74,431
Total liabilities and net assets	93,398	92,784

Consolidated Financial Statements

Consolidated Statement of Income and
Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)		
	Previous consolidated fiscal year (From January 1, 2023 to December 31, 2023)	Current consolidated fiscal year (From January 1, 2024 to December 31, 2024)
Consolidated Statement of Income		
Net Sales	78,196	64,994
Cost of sales	47,472	41,558
Gross profit	30,724	23,436
Selling, general and administrative expenses	20,373	19,414
Operating Income	10,350	4,021
Non-operating income		
Interest income	339	323
Foreign exchange gain	22	84
Rent income	41	41
Miscellaneous income	254	97
Total non-operating income	658	546
Non-operating expenses		
Interest expense	30	32
Miscellaneous loss	18	19
Total non-operating expenses	49	52
Ordinary Income	10,960	4,515
Extraordinary income		
Gain on sales of non-current assets	15	14
Gain on sale of investment securities	—	46
Gain on revision of retirement benefit plan	203	—
Total extraordinary income	218	61
Extraordinary losses		
Loss on disposal of non-current assets	77	195
Total extraordinary losses	77	195
Income before income taxes	11,100	4,380
Income taxes-current	2,693	1,656
Income taxes-deferred	234	875
Total income taxes	2,928	2,532
Net income	8,172	1,847
Net loss attributable to noncontrolling interests	(2)	(7)
Net Income Attributable to Owners of Parent	8,175	1,855
Consolidated Statement of Comprehensive Income		
Net income	8,172	1,847
Other comprehensive income		
Valuation difference on available-for-sale securities	59	(17)
Foreign currency translation adjustments	3,690	4,215
Remeasurements of defined benefit plans	(177)	(203)
Share of other comprehensive income of entities accounted for using equity method	10	(11)
Total other comprehensive income	3,583	3,983
Comprehensive income	11,755	5,831
(Total comprehensive income attributable to:)		
Owners of parent	11,750	5,824
Noncontrolling interests	5	7

Consolidated Statements of Cash Flows

(Unit: Millions of yen)		
	Previous consolidated fiscal year (From January 1, 2023 to December 31, 2023)	Current consolidated fiscal year (From January 1, 2024 to December 31, 2024)
Net cash provided by operating activities		
Income before income taxes	11,100	4,380
Depreciation	2,710	2,703
Gain on revision of retirement benefit plan	(203)	—
Loss (gain) on valuation of investment securities	—	(46)
Increase (decrease) in allowance for doubtful receivables	41	(90)
Increase (decrease) in net defined benefit liability	(391)	(383)
Interest and dividends income	(361)	(343)
Interest expense	30	32
Loss (gain) on sales of property, plant and equipment	(15)	(14)
Loss (gain) on disposal of property, plant and equipment	77	195
Decrease (increase) in trade receivables	6,389	(27)
Decrease (increase) in inventories	4,710	335
Increase (decrease) in trade payables	(11,762)	767
Other	(483)	(274)
Subtotal	11,844	7,233
Interest and dividends income received	362	391
Interest expenses paid	(30)	(37)
Income taxes refund	93	368
Income taxes paid	(5,143)	(1,802)
Net cash provided by operating activities	7,126	6,153
Net cash provided by (used in) investing activities		
Purchases of property, plant and equipment	(2,321)	(4,956)
Proceeds from sales of property, plant and equipment	69	13
Purchases of investment securities	—	(303)
Proceeds from sales of investment securities	600	75
Payments into time deposits	(284)	(3)
Proceeds from withdrawal of time deposits	534	310
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(382)	—
Other	(253)	(592)
Net cash provided by (used in) investing activities	(2,038)	(5,456)
Net cash used in financing activities		
Increase (decrease) in short-term bank loans	(15)	2,000
Repayments of long-term bank loans	(90)	(28)
Repayments of finance lease obligations	(30)	(34)
Payments for purchase of treasury stock	(2,002)	(9,832)
Disposal of treasury stock	60	135
Dividends paid to shareholders	(2,627)	(2,130)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(5)	(6)
Other	(343)	(378)
Net cash used in financing activities	(5,054)	(10,275)
Foreign currency translation adjustments on cash and cash equivalents	1,836	1,763
Net increase (decrease) in cash and cash equivalents	1,870	(7,814)
Cash and cash equivalents at beginning of year	29,564	31,434
Cash and cash equivalents at end of year	31,434	23,619

Company Information

Company Information (as of December 31, 2024)

Company Profile

Trade Name	Star Micronics Co., Ltd.	Record Date	Annual General Meeting of Shareholders: December 31
Established	July 6, 1950		Year-end Dividends: December 31
Paid-in Capital	¥12,721 million		Interim Dividends: June 30
Number of employees	507 (consolidated 1,642)	Number of Shares Constituting One Unit	100 shares
Business Area	Special Products (small printers), Machine Tools (CNC automatic lathes and other machine tools)	Stock Listing	Prime Market of the Tokyo Stock Exchange
Fiscal Year	From January 1 to December 31 of each year	Shareholder Registry Administrator/Account Management Institution for Special Accounts	Mitsubishi UFJ Trust and Banking Corporation
Annual General Meeting of Shareholders	Held annually in March		

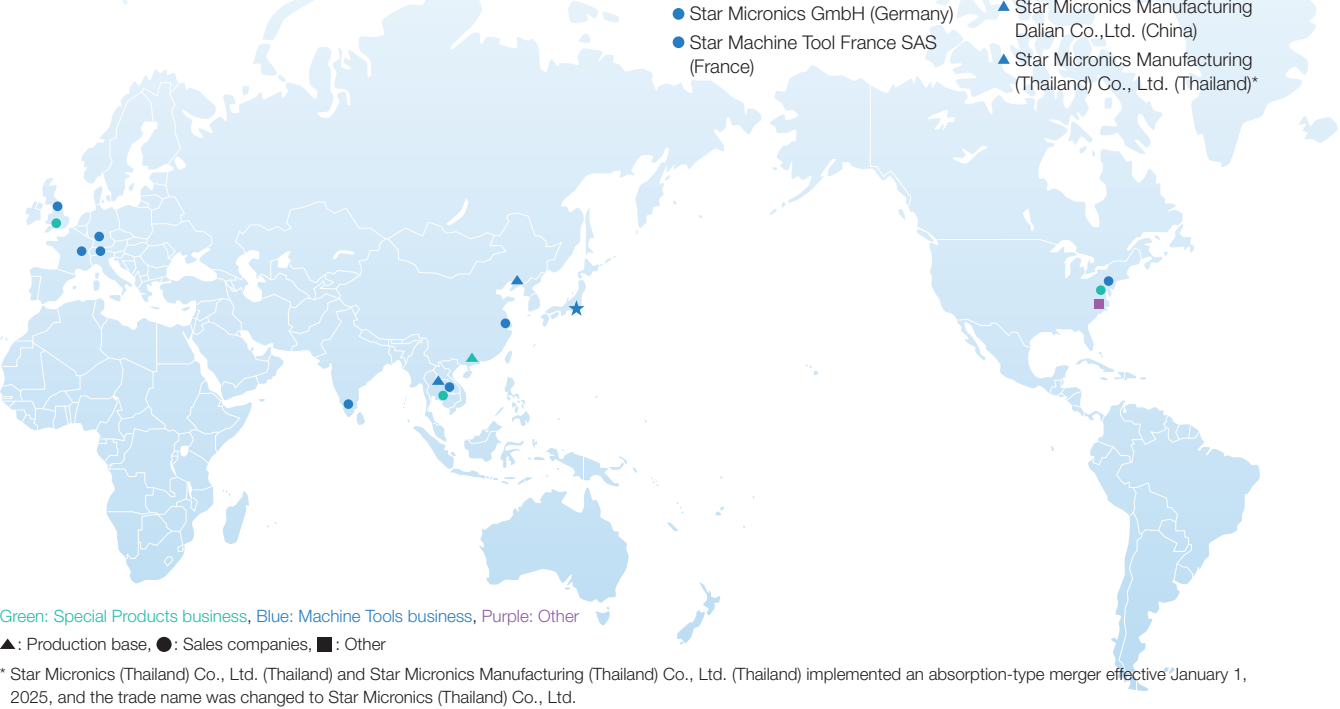
List of Group Subsidiaries and Office Locations (as of December 31, 2024)

Domestic Bases

Office	Domestic Subsidiaries
★ Head Office	Star Marketing Japan Co., Ltd.
Head Office Department/ Special Products Division	Star Metal Company
Kikugawa Factory	Micro Sapporo Company
Machine Tools Division	Smart Solution Technology, Inc. (SST)
Solution Centers	SST Sapporo Technical Center
Tokyo Sales Office	
Osaka Sales Office	
Nagoya Sales Office	
Suwa Sales Office	

Overseas Bases

Global Network
North America
● Star Micronics America Inc. (U.S.A.)
● Star CNC Machine Tool Corp. (U.S.A.)
■ Star America Holding Inc. (U.S.A.)
Europe
● Star Micronics Europe Ltd. (U.K.)
● Star Micronics AG (Switzerland)
● Star Micronics GB Ltd. (U.K.)
● Star Micronics GmbH (Germany)
● Star Machine Tool France SAS (France)
Asia
● Star Micronics Southeast Asia Co.,Ltd. (Thailand)
▲ Star Precisions Ltd. (Hong Kong)
● Shanghai Xingang Machinery Co.,Ltd. (China)
● Star Micronics (Thailand) Co., Ltd. (Thailand)*
● STAR MICRONICS INDIA Pvt. Ltd. (India)
▲ Star Micronics Manufacturing Dalian Co.,Ltd. (China)
▲ Star Micronics Manufacturing (Thailand) Co., Ltd. (Thailand)*



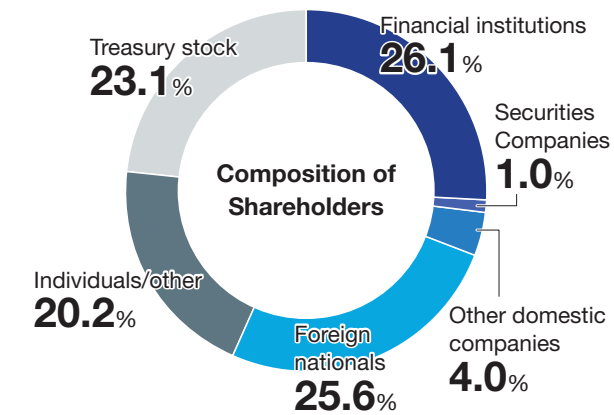
Stock Information (as of December 31, 2024)

Stock Status

Total Number of Authorized Shares	158,000,000 shares
Total Number of Issued Shares	41,373,034 shares
Number of Shareholders	9,057 persons

(Note) As a result of the cancellation of treasury stock, the total number of issued shares decreased by 548,400 shares from the end of the previous fiscal year.

Composition of Shareholders



Major Shareholders

Name	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,899	18.54
Custody Bank of Japan, Ltd. (Trust Account)	3,463	10.89
THE BANK OF NEW YORK MELLON 140042	1,737	5.46
Suzuki Michi	618	1.95
STATE STREET BANK AND TRUST COMPANY 505103	609	1.91
STATE STREET BANK WEST CLIENT - TREATY 505234	500	1.57
Nippon Life Insurance Company	491	1.54
THE BANK OF NEW YORK MELLON 140040	479	1.51
TAIYO FUND, L.P.	415	1.31
STATE STREET BANK AND TRUST COMPANY 505227	370	1.17

(Note 1) Star Micronics holds 9,556 thousand shares of treasury stock, which are excluded from the major shareholders.
(Note 2) Shareholding ratio is calculated exclusive of treasury stock.
(Note 3) As a result of the third-party allotment of shares on April 7, 2025, Taiyo Unleash Acrux Holdings, LP became the Company's largest shareholder.

Stock Price and Trading Volume Trends

	December 2020	December 2021	December 2022	December 2023	December 2024
Total shareholder return (%)	108.7	105.7	114.6	124.8	139.3
TOPIX (Tokyo Stock Price Index)	(107.4)	(121.1)	(118.1)	(151.5)	(182.5)

