

Notice Regarding Revision of the Amount of Stock Option Compensation Paid to Directors and Introduction of a Restricted Stock Compensation Plan

STAR MICRONICS CO., LTD. (“STAR MICRONICS” or “the Company”) hereby announces that the Company has resolved to revise the amount of Stock Option Compensation paid to Directors and introduce a Restricted Stock Compensation plan (“the Plan”) for Directors excluding Directors who serve as Audit and Supervisory Committee Members as well as Outside Directors (“Eligible Directors”) as a part of its review of its Directors’ compensation plan at a meeting of the Board of Directors held today. Details of this resolution, which are presented as follows, will be submitted during STAR MICRONICS’ 96th Ordinary General Meeting of Shareholders (“General Meeting of Shareholders”) scheduled to be held on March 25, 2021.

I. Revision of the Amount of Stock Option Compensation

1. Purpose for revising the amount of Stock Option Compensation

At its 91st Ordinary General Meeting of Shareholders held on May 26, 2016, STAR MICRONICS resolved that the amount of Stock Options Compensation (Stock Compensation-type Stock Options and Ordinary Stock Options) granted to Directors (excluding Directors who serve as Audit and Supervisory Committee Members as well as Outside Directors) will not exceed ¥100 million annually.

In this instance, and in accordance with “II. Introduction of a Restricted Stock Compensation Plan” as follows, STAR MICRONICS has decided to discontinue the Stock Compensation-type Stock Options, excluding those that have already been granted. However, the Company will continue its Ordinary Stock Option plan and is looking to obtain the authorization of shareholders to an annual Stock Option Compensation amount of no higher than ¥20 million.

Meanwhile, the allocation of Stock Acquisition Rights (“SARs”) as Ordinary Stock Options is intended to further increase the motivation and morale of employees toward improving the Company’s performance and value over the medium to long term.

2. Overview of SARs as Ordinary Stock Options

(1) Maximum number of SARs

The maximum number of SARs allocated will be 600 units within one year from the date of the Ordinary General Meeting of Shareholders for each fiscal year. The number of shares underlying each SAR (“the Number of Shares To Be Granted”) will be 100 shares.

(2) Class and number of shares underlying SARs

The maximum number of the Company’s common stock to be issued upon the exercise of SARs within one year from the date of the Ordinary General Meeting of Shareholders for each fiscal year will be 60,000.

Meanwhile, in the event that it is deemed appropriate to change the Number of Shares To Be Granted

due to the Company conducting a stock split (including a gratis allotment of the Company's common stock) or stock consolidation, etc. after the day on which the SARs are allotted ("the Allotment Date"), STAR MICRONICS may adjust the Number of Shares To Be Granted within a scope deemed rational under the circumstances.

(3) Total number to be invested upon exercise of SARs

The total amount to be invested upon exercise of SARs will be the paid amount per share deliverable upon the exercise of SARs ("the Exercise Price") multiplied by the Number of Shares To Be Granted.

The Exercise Price will be an amount 1.05 times the average of the prices of the Company's common stock on the Tokyo Stock Exchange as at the closing of regular trading for each day in the month prior to the month in which SARs were issued (except on dates where there was no trading) and the amount will be rounded up to the closest ¥1 unit. However, where that amount is less than the closing price of the Company's common stock at the end of regular trading on the Tokyo Stock Exchange on the Allotment Date (where there was no trading on that day, the closing price on the last day of trading prior to that date), the amount will be the closing price on that date.

Meanwhile, in the event of a stock split or stock consolidation by the Company after the Allotment Date, or the need arise to adjust the Exercise Price, STAR MICRONICS may adjust the Exercise Price within a scope deemed rational under the circumstances.

(4) Amount to be paid-in upon exercise of SARs

No payment will be required in exchange for the SARs.

(5) Exercise period for the SARs

The exercise period for the SARs will be fixed by the Company's Board of Directors within a range of two years after the Board of Directors' resolution date to determine matters relating to the subscription of SARs and ten years after the date of such resolution.

(6) Conditions for exercising the SARs

- i. The persons who have received an allocation of SARs ("SAR Holders") will, at the time of the exercise of those rights, be Directors of the Company. However, this paragraph will not apply to SAR Holders who have lost their position or ceased to hold office through the expiration of their term of office or as a result of actions taken at the Company's discretion.
- ii. Upon the death of an SAR Holders, this right may not pass by way of succession.
- iii. SARs are non-negotiable instruments and may not be pledged or transferred in any form whatsoever.
- iv. Other conditions pertaining to the exercise of SARs will be set forth in the SAR allocation contract to be concluded between the Company and the SAR Holders in accordance with the Company's Board of Directors.

(7) Limits on the acquisition of SARs via assignment

Approval of the Board of Directors of the Company will be required for the acquisition of SARs via assignment.

(8) Conditions for acquiring the SARs

- i. In the event the conditions for exercising the SARs stipulated in (6) above no longer apply to an SAR Holders, the Company is entitled to acquire the said SARs for the said SAR

Holder at no consideration.

- ii. In the event that the Company's General Meeting of Shareholders approves (or resolves by its Board of Directors where the resolution of the General Meeting of Shareholders is not necessary) a resolution for a merger agreement in which the Company ceases to exist, resolution for a merger agreement or plan in which the Company is spun-off, or a resolution for a stock swap agreement or stock transfer plan in which the Company becomes a wholly-owned subsidiary, the Company is entitled to acquire all existing SARs at no consideration on a date to be determined by its Board of Directors.

(9) Other matters

The details of the matters in (1) through (8) above and other matters will be determined by the Company's Board of Directors.

II. Introduction of a Restricted Stock Compensation Plan

1. Purpose for introducing the Plan, etc.

Through the introduction of the Plan, STAR MICRONICS is looking to provide an incentive to the Company's Eligible Directors and Executive Officers who do not serve as Directors ("Eligible Directors, etc.") to improve the Company's corporate value on a sustainable basis while at the same time further promoting shared value with its shareholders.

Since monetary receivables will be paid as compensation for granting Restricted Stock to Eligible Directors as a part of the Plan's implementation, introduction is subject to approval for the payment of such compensation at the Company's Ordinary General Meeting of Shareholders.

Meanwhile, in accordance with "I. Revision of the Amount of Stock Option Compensation," STAR MICRONICS will look to propose and obtain the approval of its shareholders to the introduction of the Plan in place of the Stock Compensation-type Stock Options included in the current Stock Option Compensation and to the establishment of an annual amount of compensation of not more than ¥80 million separately from the aforementioned compensation applicable to the Plan to be paid to Eligible Directors at the Company's Ordinary General Meeting of Shareholders.

2. Overview of the Plan

(1) Allotment of Restricted Stock and contributions

The Eligible Directors, etc. will pay all of the monetary receivables granted by STAR MICRONICS under the Plan as payment of kind, and be subject to the issuance or disposition of the Company's common stock. The per share amount to be paid will be determined by the Board of Directors. To the extent that such amount will not be an amount that is particularly favorable to the Eligible Directors, etc. who subscribe to STAR MICRONICS' common stock, the per share amount to be paid will be based on the closing price of such common stock on the Tokyo Stock Exchange on the business day preceding the date of each resolution by the Board of Directors (if no transaction occurs on such date, the closing price will be based on the date of the most recent transaction preceding the date of each resolution by the Board of Directors). Meanwhile, the specific timing of provision and distribution to each Eligible Director, etc. will be determined by the Board of Directors.

(2) Total number of Restricted Stock

The total number of STAR MICRONICS' common stock to be newly issued or disposed of by the Company to Eligible Directors under the Plan will not exceed 200,000 shares per year (provided, however, if a stock split (including a gratis allotment of STAR MICRONICS' common stock) or stock consolidation is undertaken effective on or after the date of resolution at the General Meeting of Shareholders, the total number of Restricted Stock will be adjusted within a range that is deemed reasonable as necessary according to the stock split or stock consolidation ratio, etc. on or after such effective date).

(3) Gratis acquisition of Restricted Stock

Upon the issuance or disposition of STAR MICRONICS' common stock (the "Stock") under the Plan, the Company and Eligible Directors, etc. will enter into a Restricted Stock allocation agreement which provides for among other things the following two conditions: 1) no transfer of the Stock to a third party, no use of the Stock as collateral, nor any other disposition of the Stock for a fixed period (the "Transfer Restriction Period") will be allowed, and 2) the Company may acquire the Stock without consideration if certain events occur.

(4) Management of Restricted Stock

To prevent the Stock from being transferred, used as collateral, or otherwise disposed of during the Transfer Restriction Period, the Stock will be managed in a dedicated account opened by Eligible Directors, etc., at Nomura Securities Co., Ltd. during the Transfer Restriction Period.

(5) Treatment upon reorganization, etc.

If, during the Transfer Restricted Period, a merger agreement in which the Company becomes a non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly-owned subsidiary of another company or any other matters related to reorganization, etc. are resolved at STAR MICRONICS' General Meeting of Shareholders (or by the Board of Directors, if the approval of the General Meeting of Shareholders is not required), then the Company will reasonably adjust as necessary the number of the allocated stock for which restrictions are to be lifted and the timing of the lifting of the restrictions by a resolution of the Board of Directors. In addition, in the aforementioned prescribed cases, STAR MICRONICS will, as matters of course, acquire all of the allocated stock for which the restrictions are not lifted free of charge immediately after the time restrictions are lifted.