

# Second Medium-Term Management Plan

*(2025-2027)*

STAR MICRONICS CO., LTD.

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

Code 7718

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## **Second Medium-Term Management Plan**

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

## Machine Tools Segment

**Serve as a driving force behind further growth across the Company as a core business**

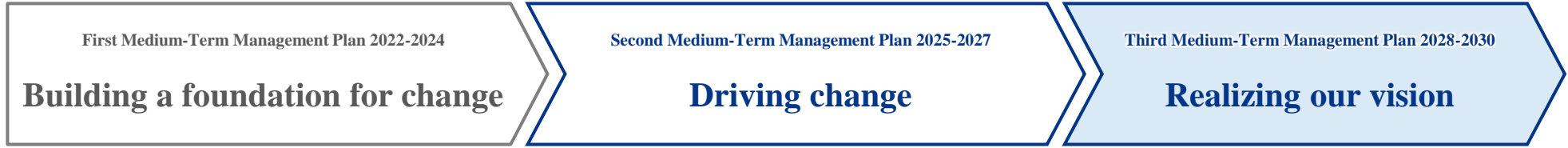
## Special Products Segment

**Recover a highly profitable structure and generate continuous cash**

## New Business

**Expand into medical business, etc. as a promising mainstay third pillar of business**

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



## Building a foundation for change

## Driving change

## Realizing our vision

### Machine Tools Segment

- Strengthen the production system
- Delve into HW technologies
- Promote the adoption of SW technology

- Expand into medical field
- Enhance services to boost customer satisfaction
- Strengthen SW technologies

- Establish a position as a leading manufacturer of automatic lathes

### Special Products Segment

- Make deeper inroads into the mPOS/FD delivery market
- Uncover peripheral areas
- Strengthen SW technologies through various measures including M&As

- Return to profitability
- Commercialize peripheral areas
- Launch service business using SW technology

- Become a total solution provider for store operations

### New Business

- Uncover and commercialize new segments mainly through M&As

- Enter the medical business
- In addition to utilizing in-house resources, accelerate open innovation activities

- New business domains
- Target net sales of ¥10.0 billion
  - Target operating income of ¥1.5 billion

### System Maintenance

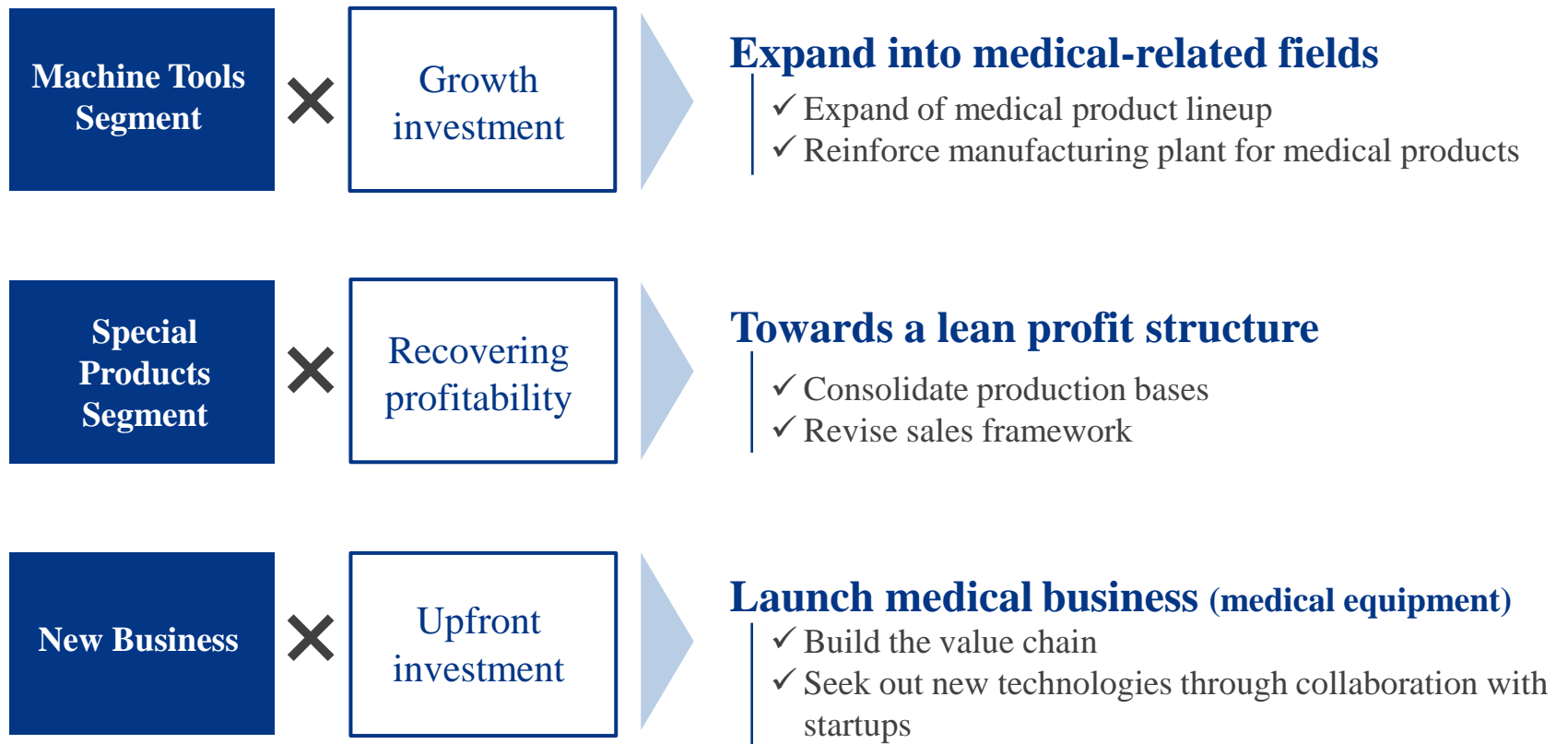
- Strengthen the management platform
- Strengthen R&D structures and systems
- Reform human resource systems

- Strengthen governance framework
- Reform the corporate culture based on new human resource structures and systems

- Continue to strengthen the management platform

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

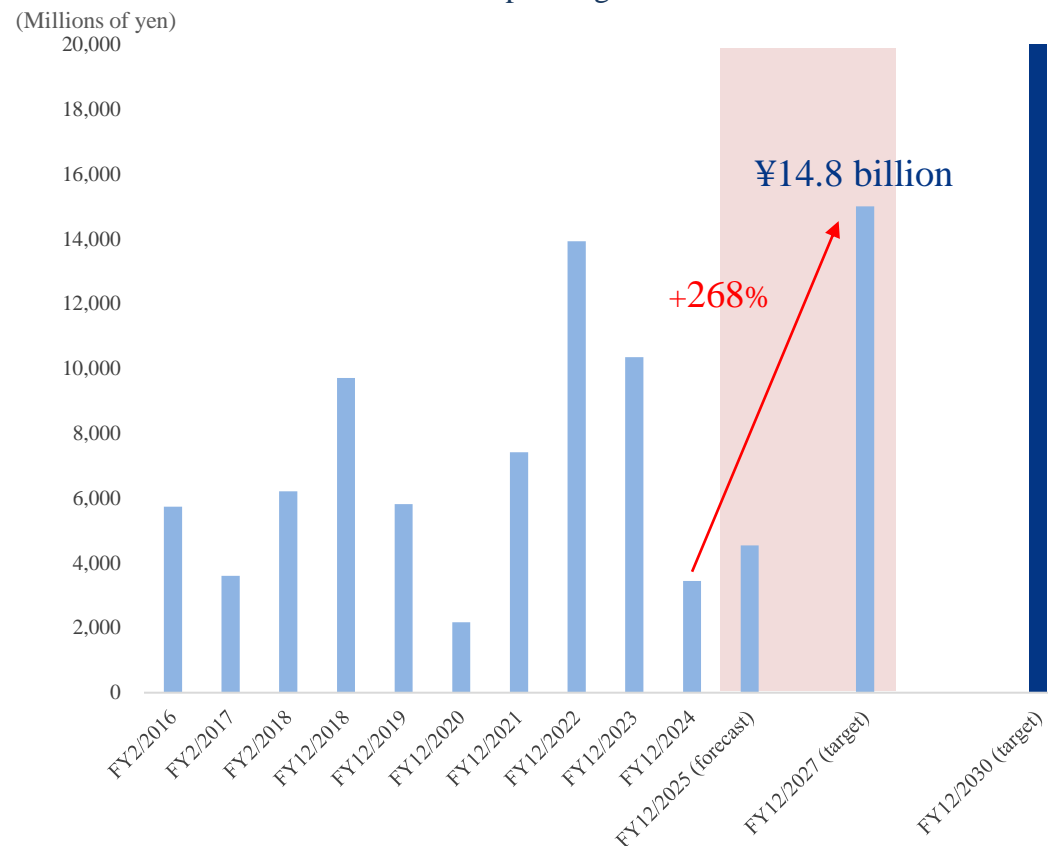
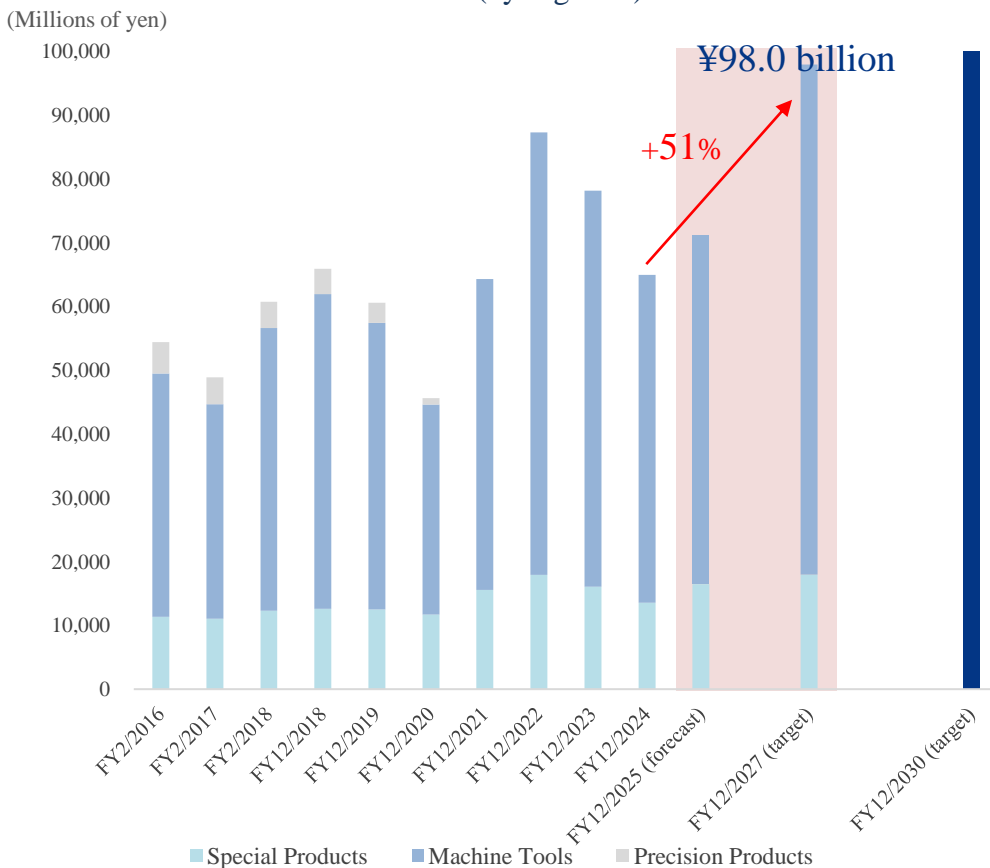
With the goal of “Driving change,” the Second Medium-Term Management Plan sets out strategies in each business domain to achieve our vision



## Second Medium-Term Management Plan envisions steady growth as a milestone toward achieving our vision (2027 set to be best year ever)

Sales (by segment)

Operating Income



\*1 Due to a change in the fiscal year end, FY12/2018 constituted an irregular 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for consolidated subsidiaries overseas.  
 \*2 The Company reclassified its businesses in December 2021 into two reportable segments: Special Products and Machine Tools.

## Operating cash flow

1st Medium-Term Plan

¥20.8 billion

2nd Medium-Term Plan (accumulated)

▶ ¥24.0 billion

## ROE

FY2024

2.4%

FY2027

▶ 13.0%

## Operating income per employee

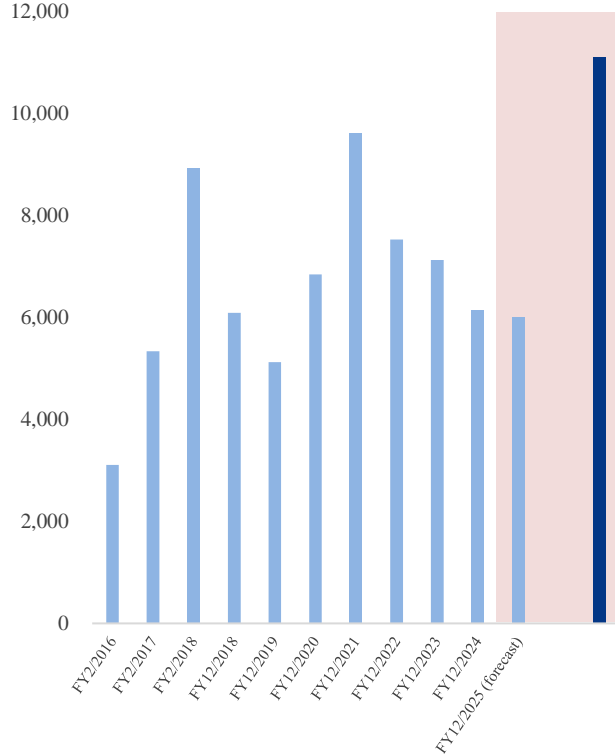
FY2024

¥2.44 million

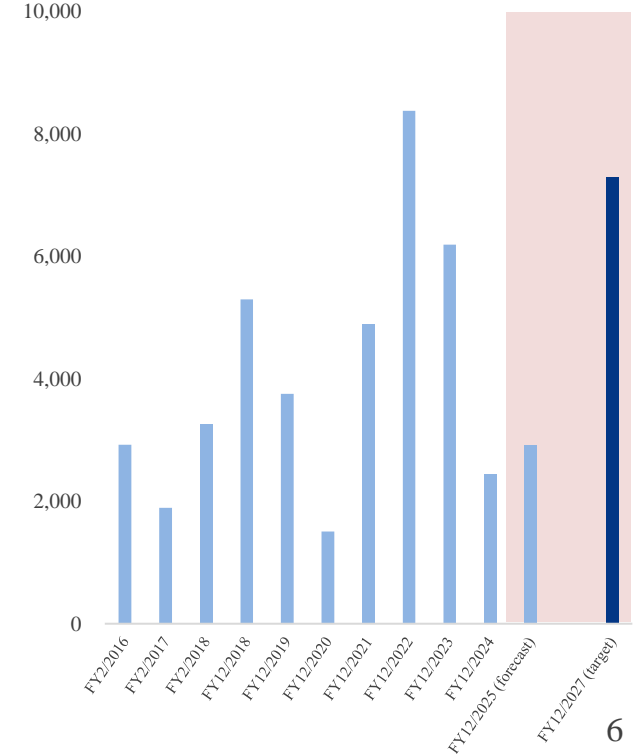
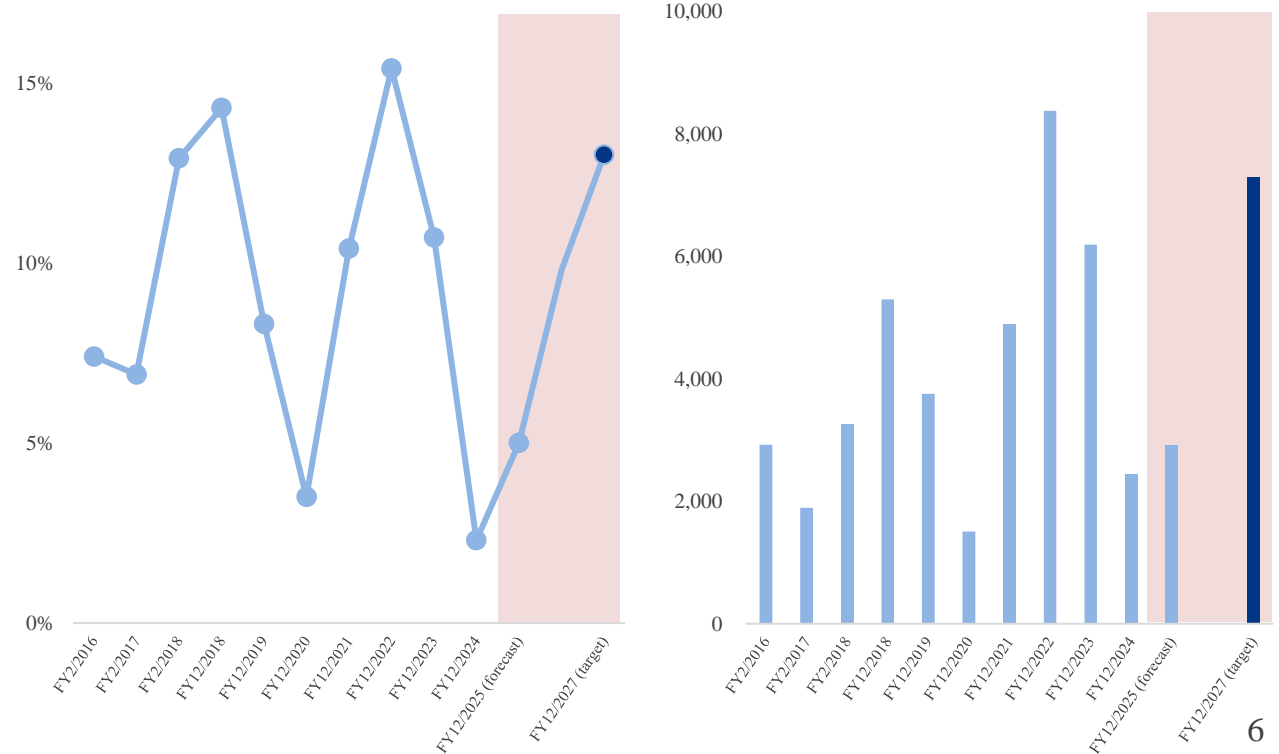
FY2027

▶ ¥7.30 million

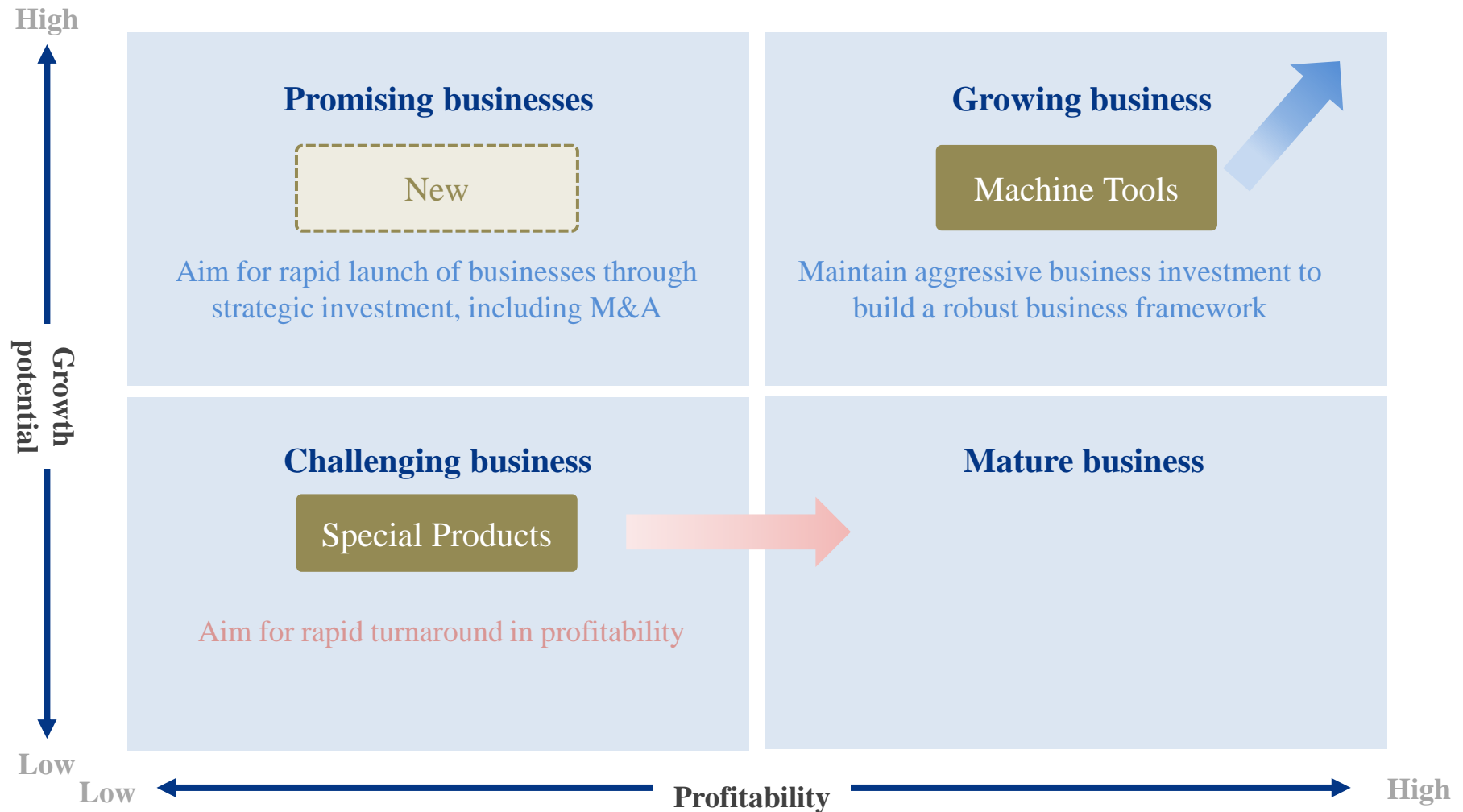
(Millions of yen)



(Thousands of yen)



Optimize the business structure to restore profitability in challenging business while prioritizing investment in promising and growing businesses





# Business Strategy (1) Machine Tools Segment



## Net sales

## Operating income ratio

## ROA

FY2024  
¥51.4 billion

▶

FY2027  
¥80.0 billion

FY2024  
9.8%

▶

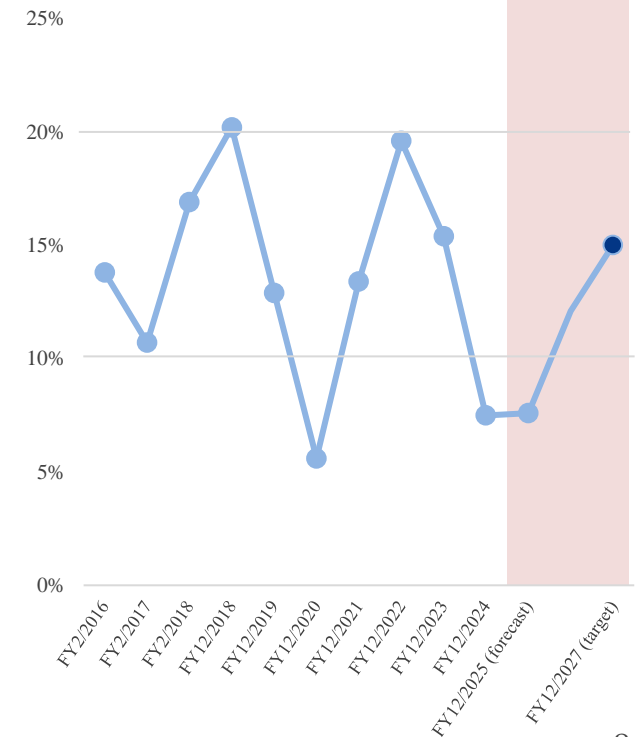
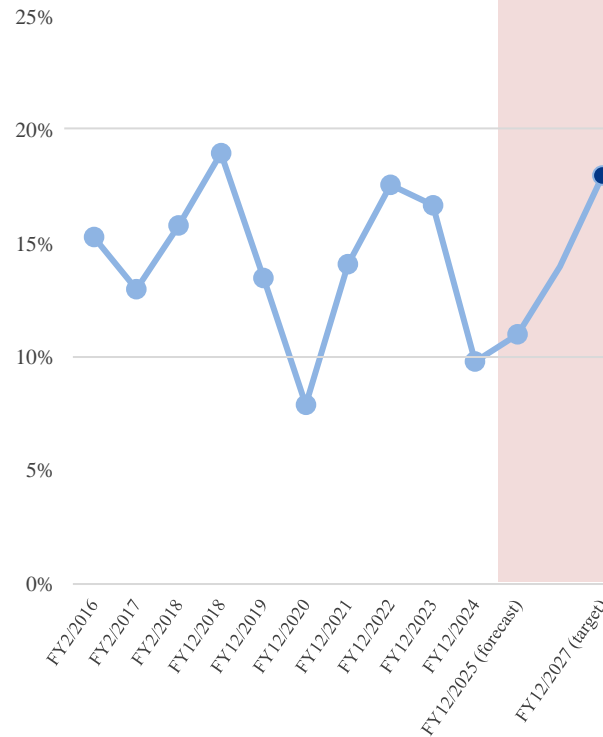
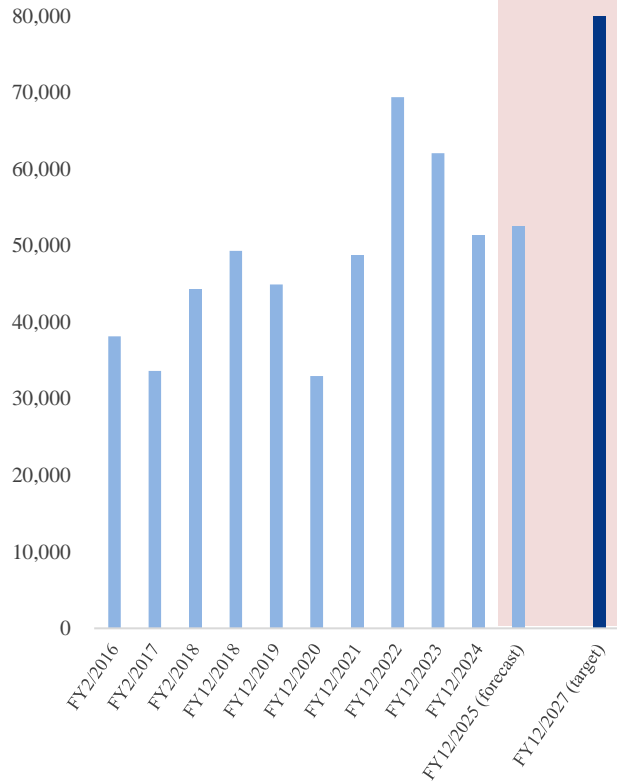
FY2027  
18.0%

FY2024  
7.5%

▶

FY2027  
15.0%

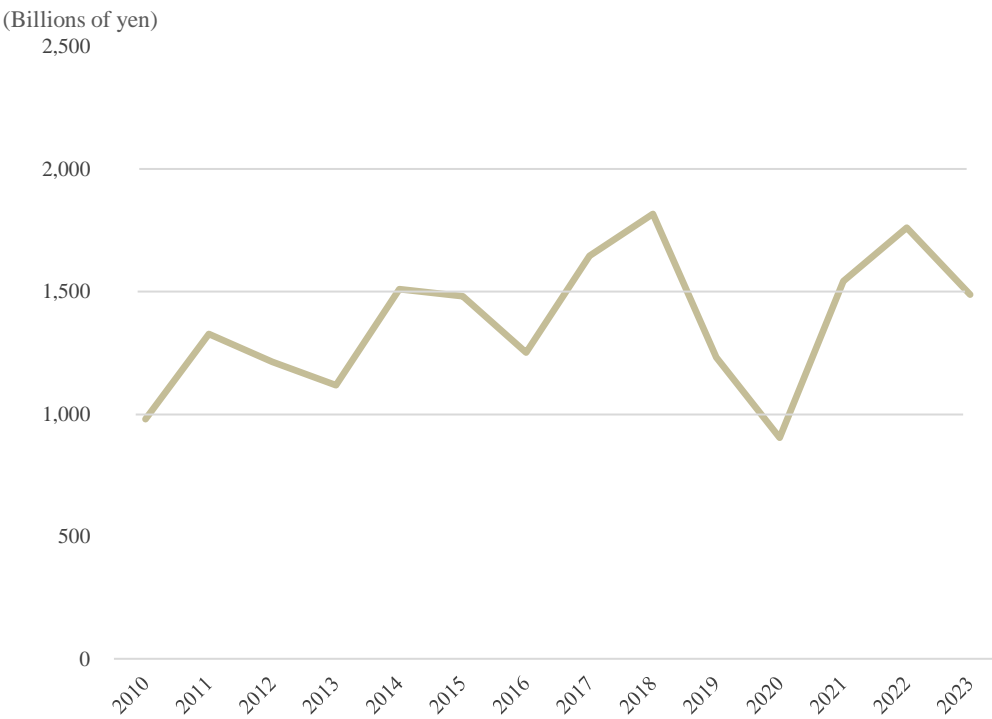
(Millions of yen)



# (1) Machine Tools Segment: Expansionary Demand Trend

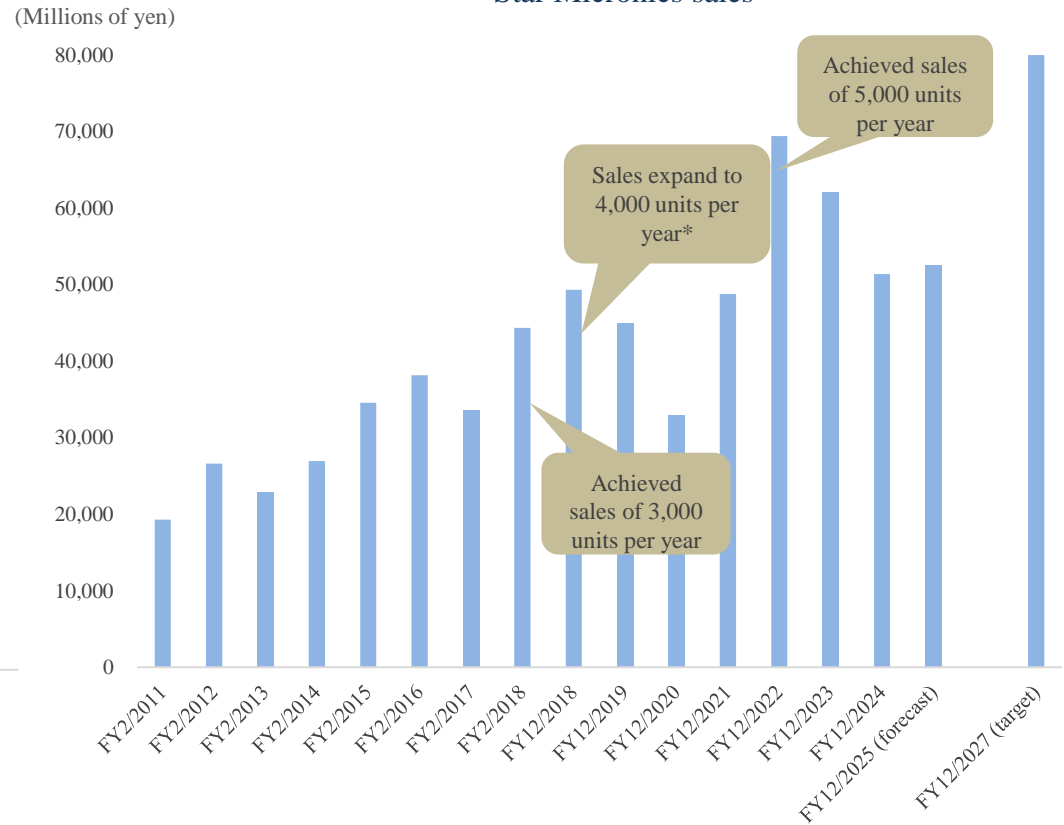
While demand for machine tools as a whole fluctuates periodically due to economic cycles, **demand for automatic lathes has been on an expansionary trend** (cyclical growth)

Total orders (Japan Machine Tool Builders' Association)



\* Source: Japan Machine Tool Builders' Association, "Machine Tool Statistics"

Star Micronics sales



\* Due to a change in the fiscal year end, FY12/2018 constituted an irregular 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for consolidated subsidiaries overseas.

# (1) Machine Tools Segment: Background of Expansionary Trend

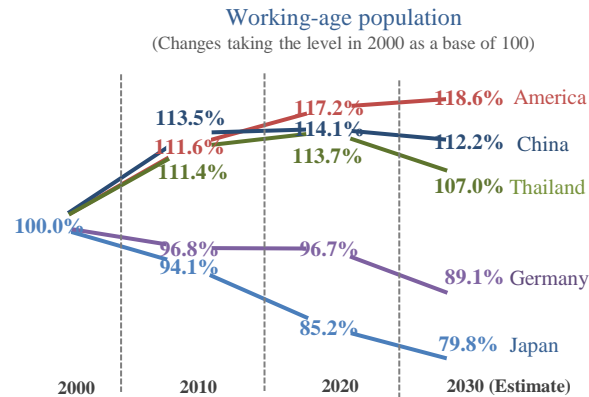
Demand for automatic lathes continues to grow, especially in areas where Star Micronics can capitalize on product advantages

## (1) Greater product miniaturization, precision

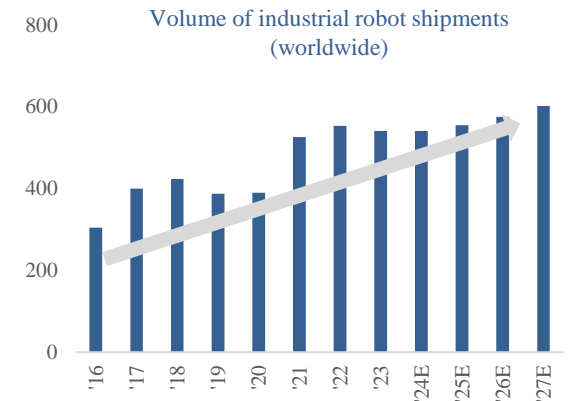


Technological advances, such as the miniaturization of medical equipment and digital devices and the increasing sophistication of automobiles, are leading to more precise products

## (2) Increased labor saving at manufacturing sites



\*Star Micronics estimates based on JILPT (The Japan Institute for Labour Policy and Training) "Databook of International Labour Statistics 2023".



Source: International Federation of Robotics, "World Robotics 2024"

Prompted by decreasing workforces and slowdown in its growth rate particularly in developed countries, and the digital transformation of plants, labor-saving at manufacturing sites is moving ahead

## Growing demand for automatic lathes

Furthermore, at Star Micronics...

Increase in difficult-to-cut materials is driving a trend toward "*mechanical rigidity*", a strength of Star Micronics' automatic lathes

**Point**  
With no alternative technologies for processing components precisely and in mass volume, there is little concern about expansion in demand for automatic lathes.

## Global capital investment demand to start turning around in 2025

### Europe

Demand expected to recover somewhat, partly due to economic cycle

### Japan

Demand in the automotive sector to recover somewhat as quality issues recede; increased demand for semiconductors, etc.

### Americas

Recovery in line with announcement of new government policies (measures to expand domestic demand) and lower interest rates

### Asia

#### China

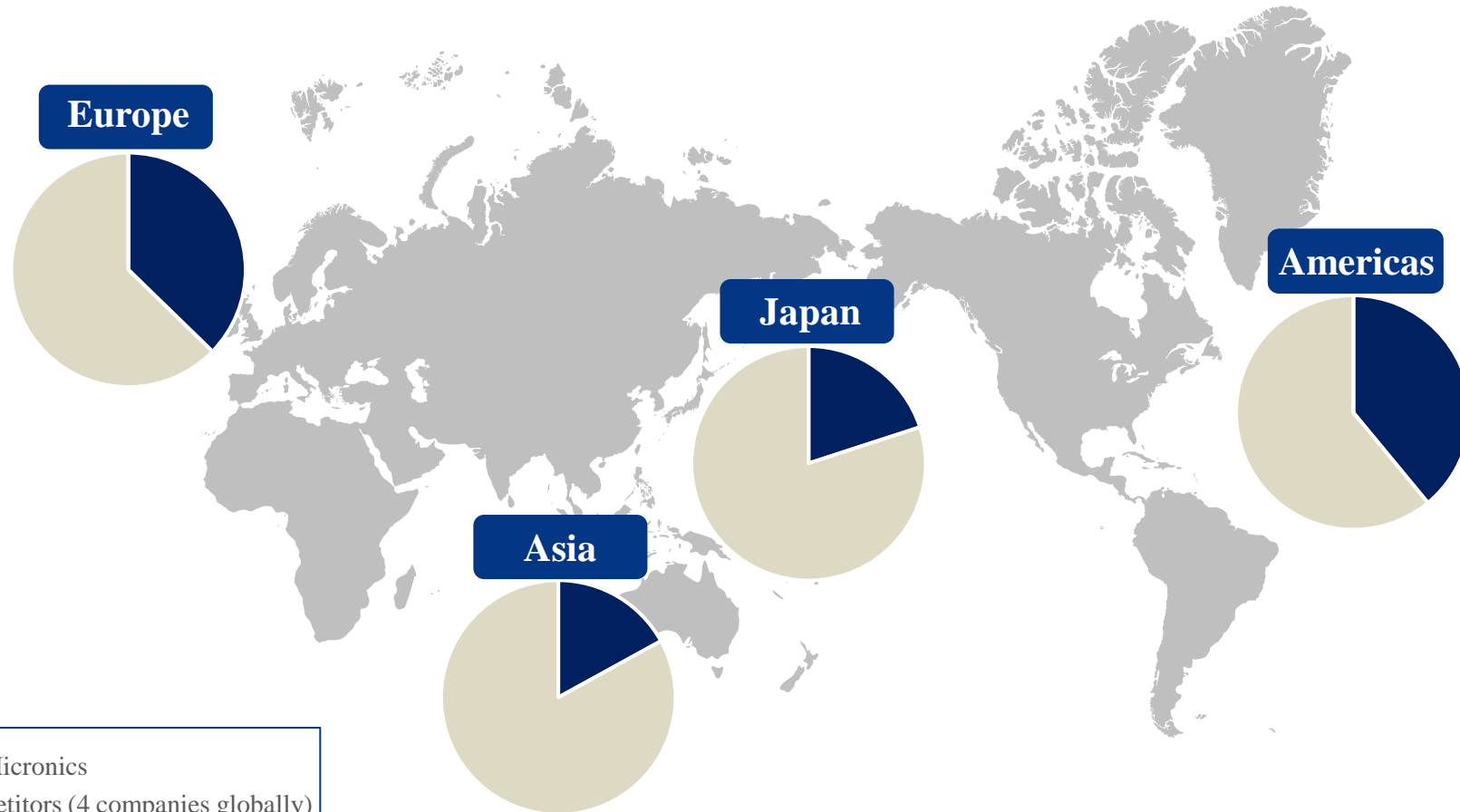
Demand expected to recover based on government policy (measures to stimulate domestic demand) starting in Spring 2025

#### ASEAN

Demand to increase as manufacturing bases relocate to the region in response to geopolitical risks

# (1) Machine Tools Segment: Market Share by Region

## Top share in profitable European and U.S. markets



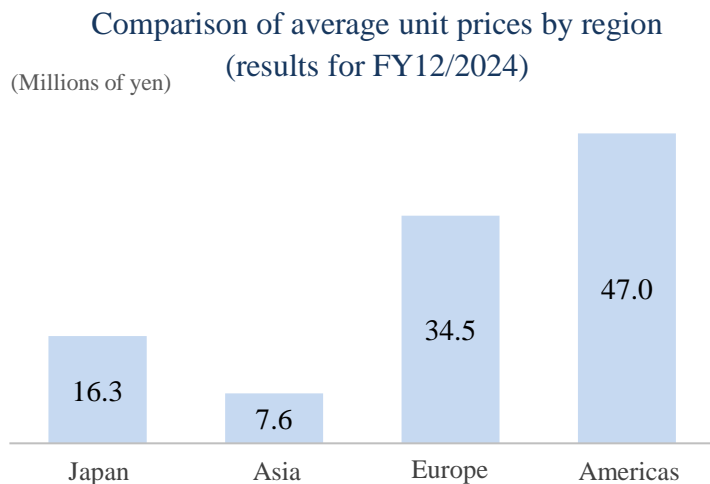
\*Share by region is for FY2023

Star Micronics estimates based on various data and information on subsidiaries published in 2024.

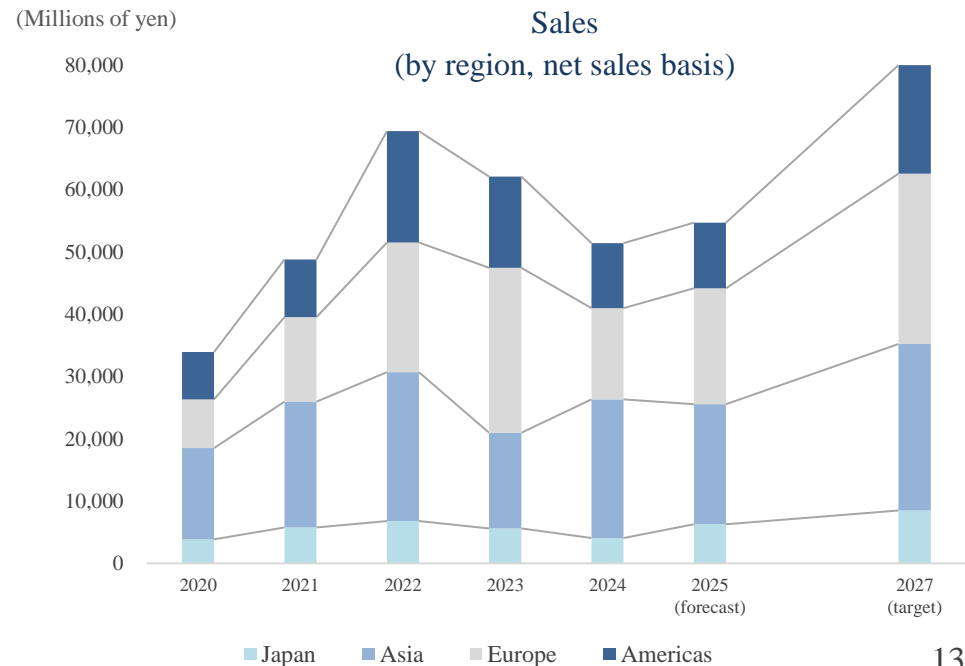
# (1) Machine Tools Segment: Regional Sales Strategies

## Focus on medical-related fields in the Americas and Europe as priority areas

- Americas: Expand sales mainly in **medical-related fields**  
Develop other fields related to aerospace, etc.
- Europe: Expand sales mainly in **medical-related fields**  
Track recovery of internal combustion engine demand in the automotive sector stemming from slowdown in shift to electric vehicles
- Asia: Track the shift to Southeast Asia in automotive and other areas due to geopolitical risks  
Cultivate automatic lathe market in India, focusing on **medical-related fields**
- Japan: Expand sales mainly in **semiconductor-related fields**

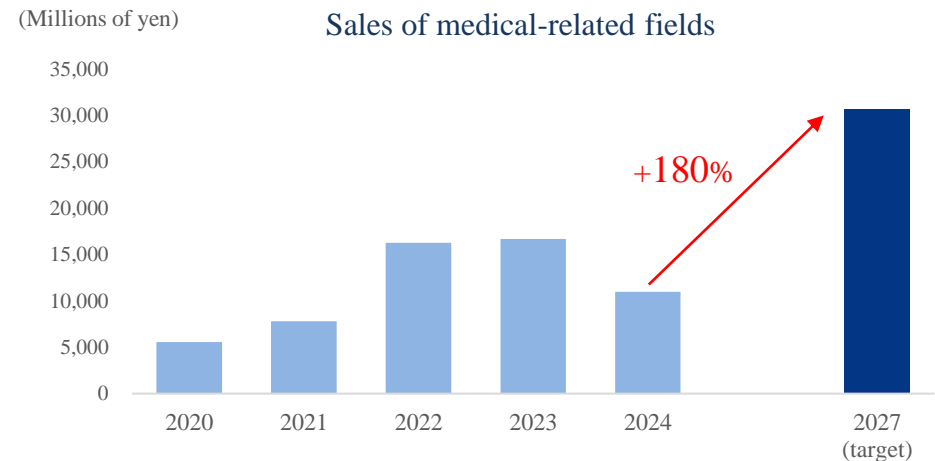
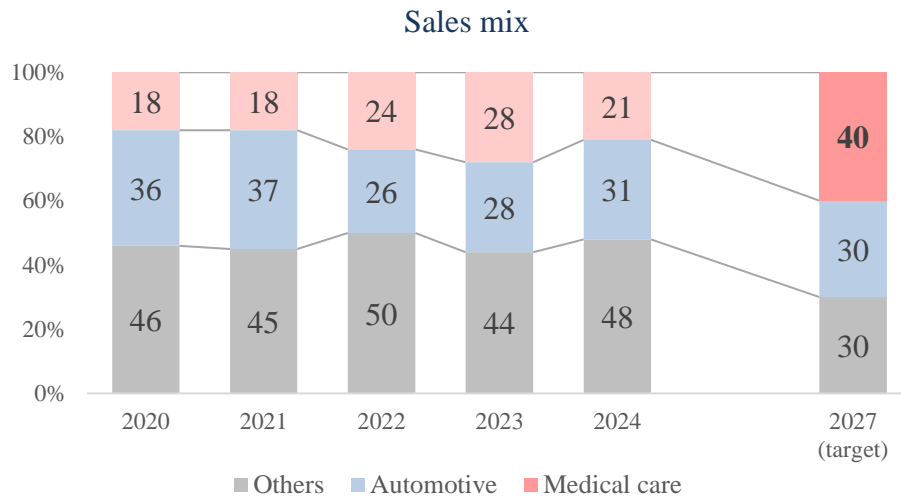


\*Average unit price is calculated by dividing net sales by the number of units sold.



# (1) Machine Tools Segment: Reinforcing Sales in Medical-Related Fields

**Expand technical support framework and strengthen lineup of products capable of complex processing to reinforce sales of machine tools in **medical-related fields**, where expectations for market growth are high**



- Second Medium-Term Management Plan **targets 40% of sales**
- Key measures to further expand sales:
  - (1) **Expand medical product lineup** (products that meet complex processing needs)
  - (2) **Reinforce medical product manufacturing plant** (phase 2 of plant renovation in Japan: Makinohara Factory)
  - (3) **Capitalize on solution centers to enhance technical support**

# (1) Machine Tools Segment: Reinforcing Sales in Medical-Related Fields

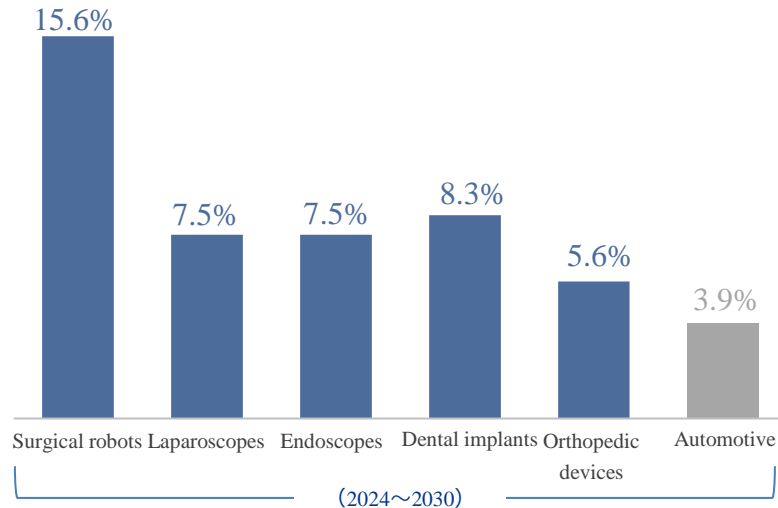
## High expectations for market growth in precision product processing for medical-related fields

### Why Medical ?

- Due to population aging, especially in developed countries, and the growing importance of quality of life for patients, global standards for medical treatment are improving
- In emerging countries like India, medical markets are expanding as the medical infrastructure improves in line with growing domestic demand
- Advances in minimally invasive treatment techniques (less damage) are supporting an ongoing trend of medical equipment and components becoming smaller, more complex, and more precise

### ▶ Expectations for growing demand for automatic lathes

Scale of global markets: CAGR comparison  
(fields related to CNC Swiss-type automatic lathes)



Scale of global potential markets\*<sup>TAM</sup>  
(fields related to CNC Swiss-type automatic lathes)

Field	Scale of global potential markets* <sup>TAM</sup> (USD)
Surgical robots	USD 12.6bn
Laparoscopes	USD 8.2bn
Endoscopes	USD 52bn
Dental implants	USD 5.5bn
Orthopedic devices (bone screws)	USD 1.7bn

in 2024



\*Source: Star Micronics estimates based on data from HORIZON Grand View Research and Global Market Insights.



# (1) Machine Tools Segment: Reinforcing Sales in Medical-Related Fields

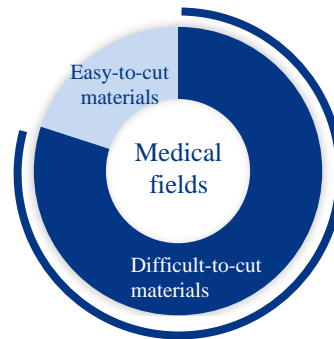
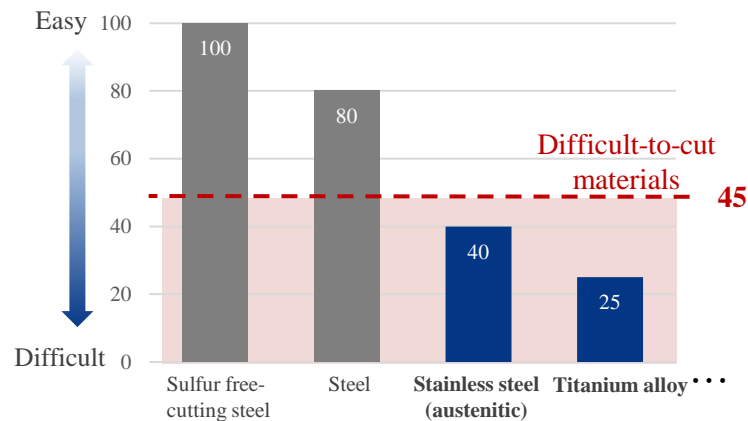
Medical-related fields require the **processing of difficult-to-cut materials**, creating high barriers to entry

What are difficult-to-cut materials?

Difficult-to-cut materials account for **roughly 80%** of products in medical-related fields

Metals with a machinability index (index showing ease of cutting) of 45 or lower, such as stainless steel, titanium alloys, Inconel (nickel-chromium superalloy). These metals are characterized by **light weight, high strength, and resistance to dirt and rust**

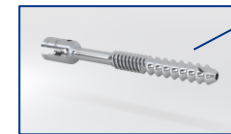
Because a requirement for these products is that they are unlikely to cause an allergic reaction when implanted in the body, a high proportion are made from titanium alloy and other difficult-to-cut materials



Titanium alloy bar before processing



(Example of a product) Bone screw



Two factors offer a competitive edge in the medical field:  
**processing technology for difficult-to-cut materials**  
 based on high mechanical rigidity, and **good product yields**

The key to processing difficult-to-cut materials is mechanical rigidity\*

\*Rigidity: The resistance of an object to deformation during cutting

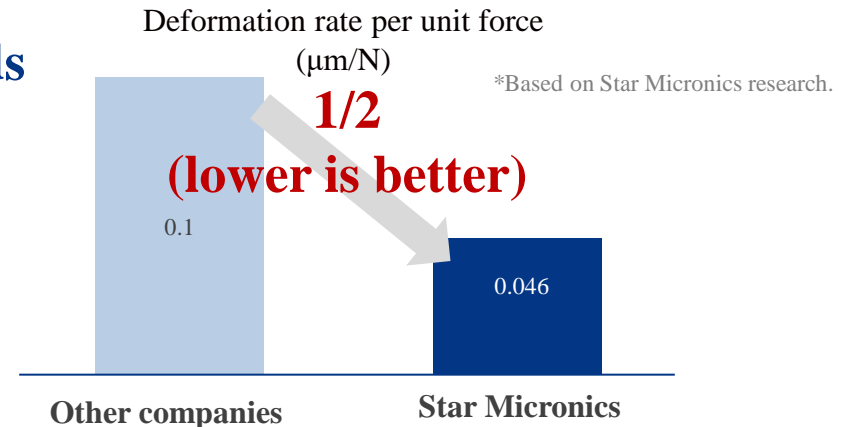
Advantages of high mechanical rigidity:

- Extended life of machine tools and tool attachments
- High dimensional accuracy
- Possibility of stable, high-quality component processing
- Shorter processing times

Improved yields

▶ Star Micronics' proprietary designs and structures offer overwhelmingly **high rigidity**

Proprietary design and rigidity supported by skilled craftsmanship



# (1) Machine Tools Segment: Plant Renewal in Japan

Building a production framework to support strategies and key initiatives aiming to become a *leading manufacturer of automatic lathes*

## Phase 1: Kikugawa South Factory (tentative)

### [Purpose of investment]

- Improve profitability by increasing in-house production rate of core components for expanded production
- Improve profitability and efficiency through smart factory technologies
- Obtain ZEB certification by pursuing environmentally conscious design



Image of completed factory

- Total project cost: About ¥10 billion
- Start of operations: November 2025

## Phase 2: Makinohara Factory (tentative)

### [Purpose of investment]

- Core factory for manufacturing leading-edge product models, mainly for medical-related fields
- Expand production capacity in Japan (50 units/month → 100 units/month)
- Diversify geopolitical risks (reinforce manufacturing framework centered on three sites)



Image of completed factory

- Total project cost: About ¥5 billion
- Start of operations: July 2026

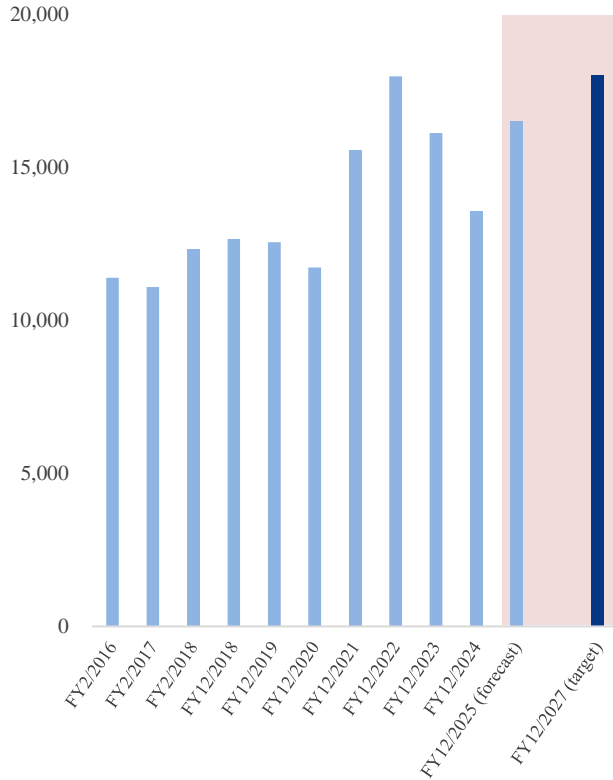
\*Phase 3, Kikugawa North Factory (tentative), currently in planning stages, will aim to streamline logistics.



## Net sales

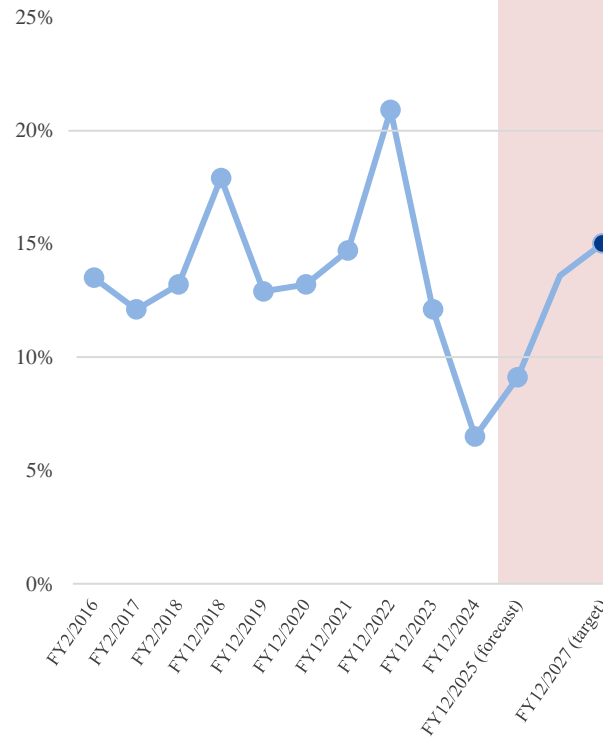
FY2024  
 ¥13.5 billion ▶ FY2027  
 ¥18.0 billion

(Millions of yen)



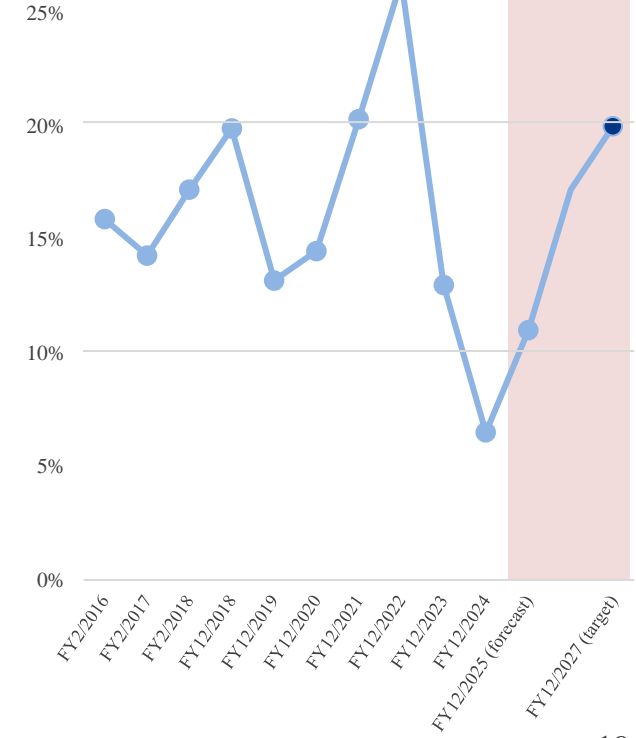
## Operating income ratio

FY2024  
 6.5% ▶ FY2027  
 15.0%



## ROA

FY2024  
 6.5% ▶ FY2027  
 20.0%



## As the business environment returns to normal, the challenge going forward is to restore profitability

### Business environment

- An inventory adjustment phase among distributors in the wake of a resolution in 2023 of component shortages caused by the pandemic ended in the first half of 2024



2023 saw an excessive influx of orders in the wake of materials shortages stemming from the pandemic, resulting in **higher channel inventories** and prompting inventory adjustments in the first half of 2024

Channel inventories began returning to normal in the second half of 2024, and sales are recovering on the back of robust end-user demand

### What are ISVs?

Independent software vendors develop POS systems and other systems. Combining POS software and other software, tablet devices, and Star Micronics printers makes it possible to build POS systems easily and at low cost.



### Policy

- Restore profitability by controlling business costs
  - 1 Optimize the supply chain, including **consolidating bases in Vietnam**
  - 2 **Restructure sales framework** to streamline operations in Asia
  - 3 Pare down **fixed costs** significantly across the business



TSP100IV small printer series



Cash drawer, mPOP receipt printer



mC-Label label printer series

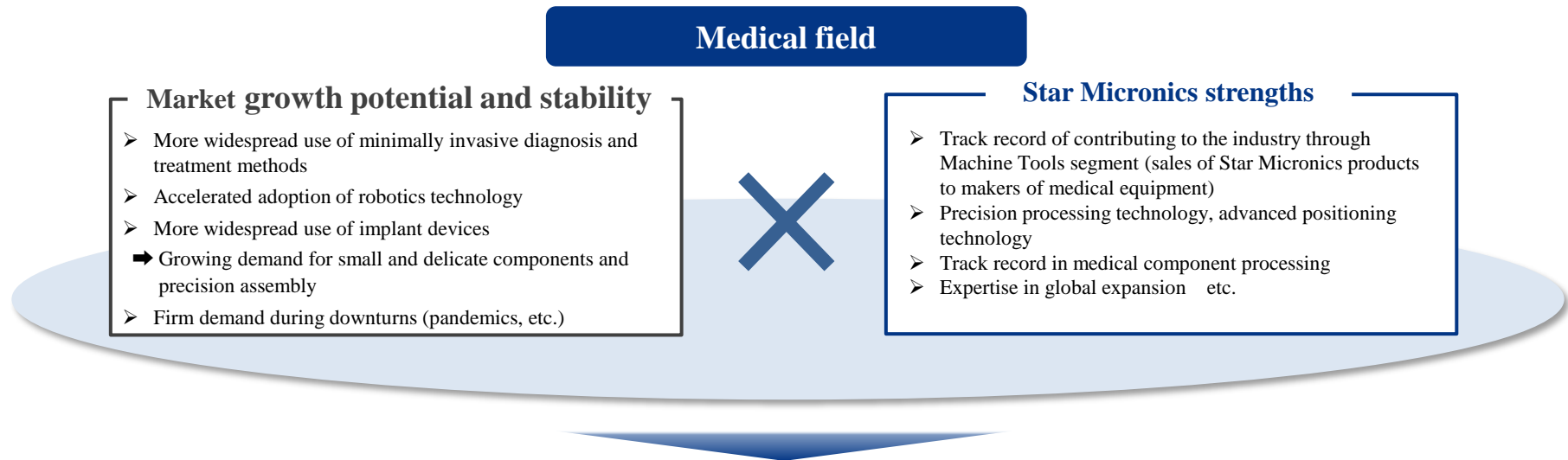


Peripheral devices

**Aiming to enter the medical business (medical equipment) by leveraging the technological capabilities accumulated since our founding**

**Existing businesses are highly profitable, but their highly cyclical nature is an issue**

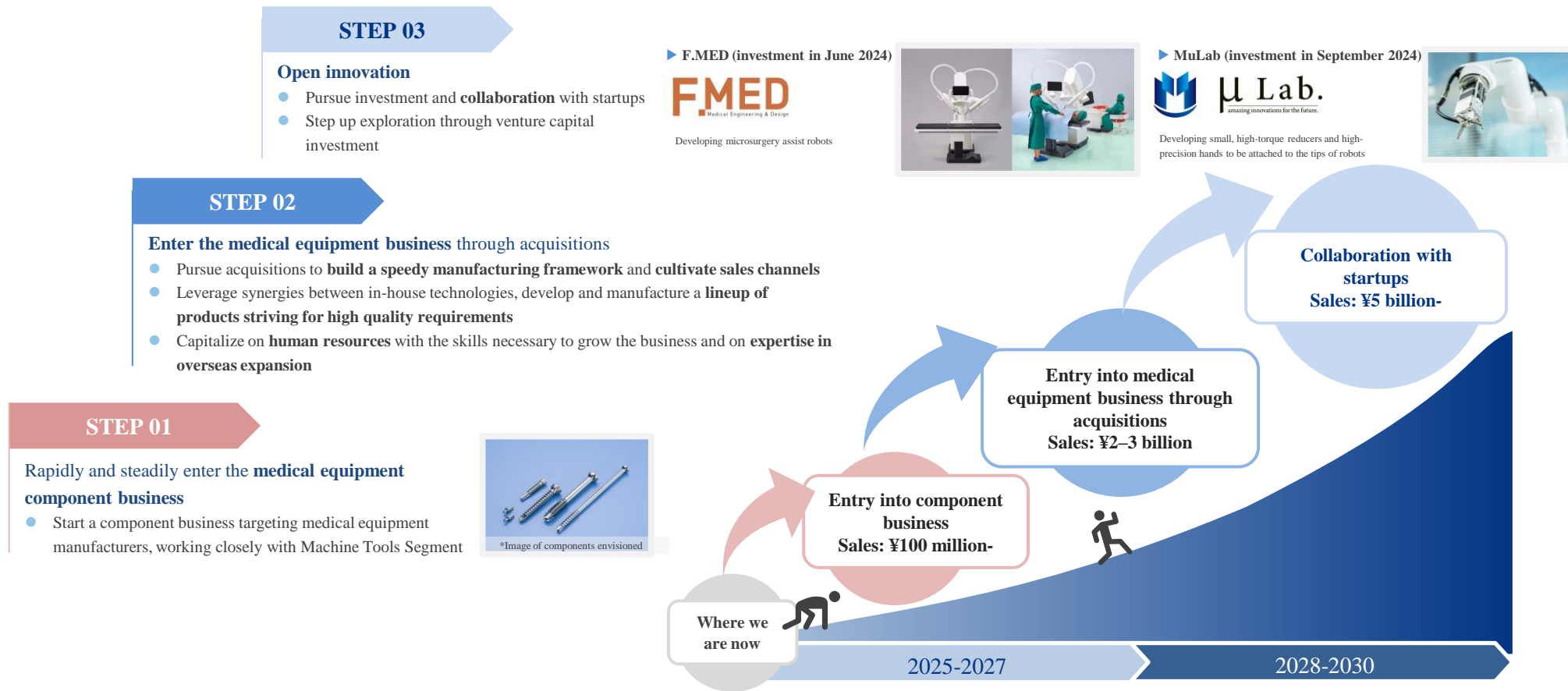
**▶ There is a need to build a business portfolio that ensures more stable business performance**



**Shift from being a maker of machine tools for medical equipment to being a maker of medical equipment**

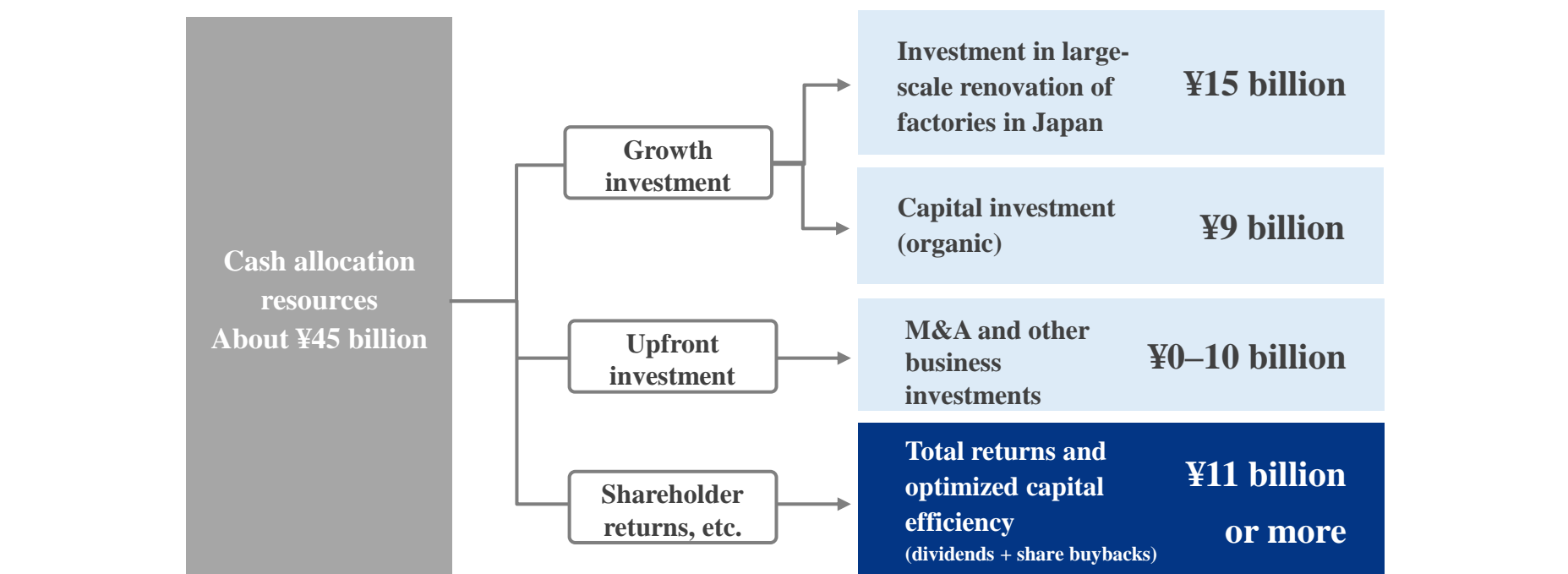
## Gradual entry and expansion of the medical business through open innovation

### ● Roadmap for expanding the medical business



**Drawing on operating cash flow and borrowing over the three years of the Medium-Term Management Plan, allocate ¥34 billion to growth and upfront investments and ¥11 billion or more to shareholder returns, etc.**

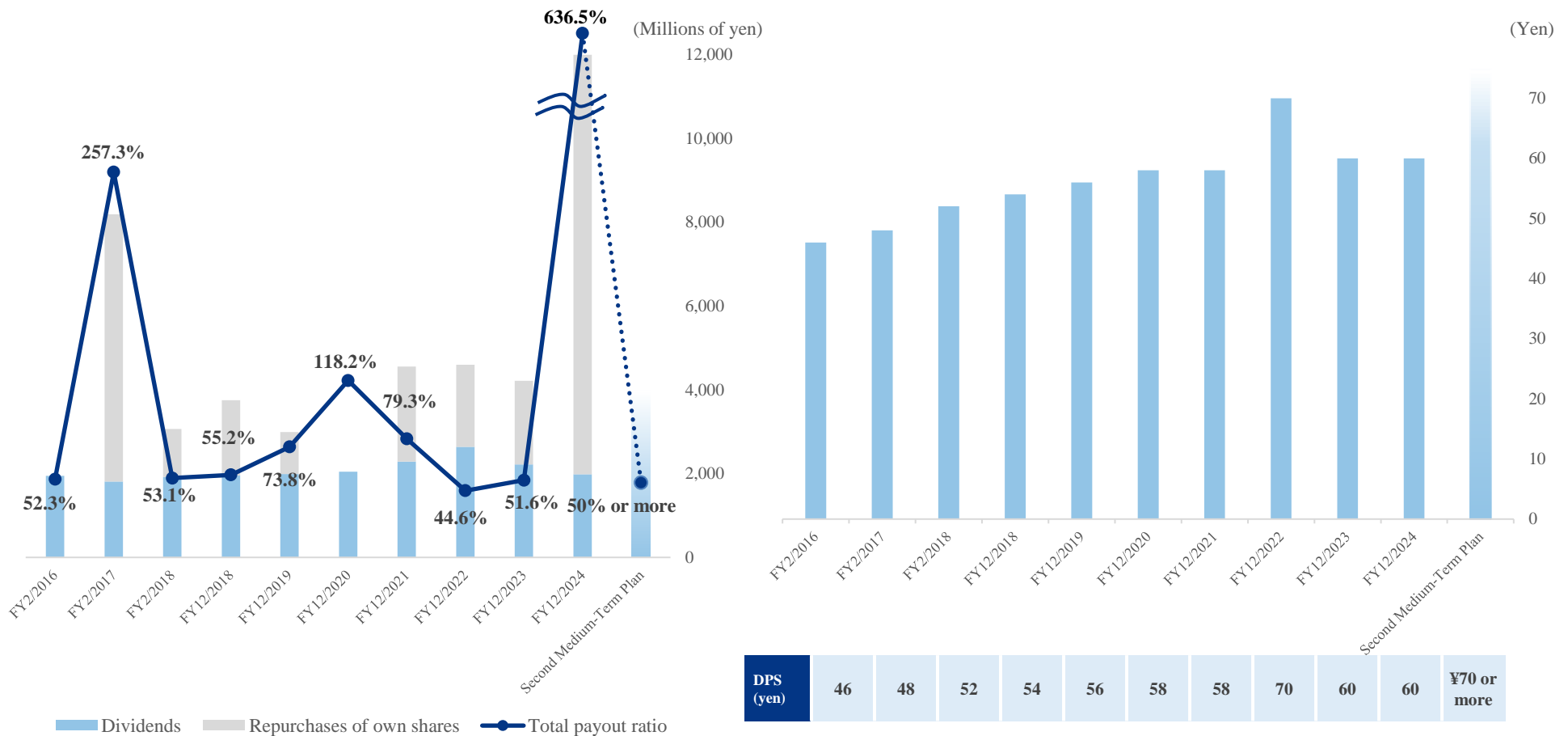
■ Fund Allocation Plan (FY12/2025–FY12/2027)





## Target a consolidated total payout ratio of 50% or more, and a progressive annual dividend per share of ¥70 or more

\*See page 4 of the document released on February 12, 2025, “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”



\*FY12/2022 includes extraordinary dividends.

## In line with formulating the Medium-Term Management Plan, the Company identified and reviewed material issues

### 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.

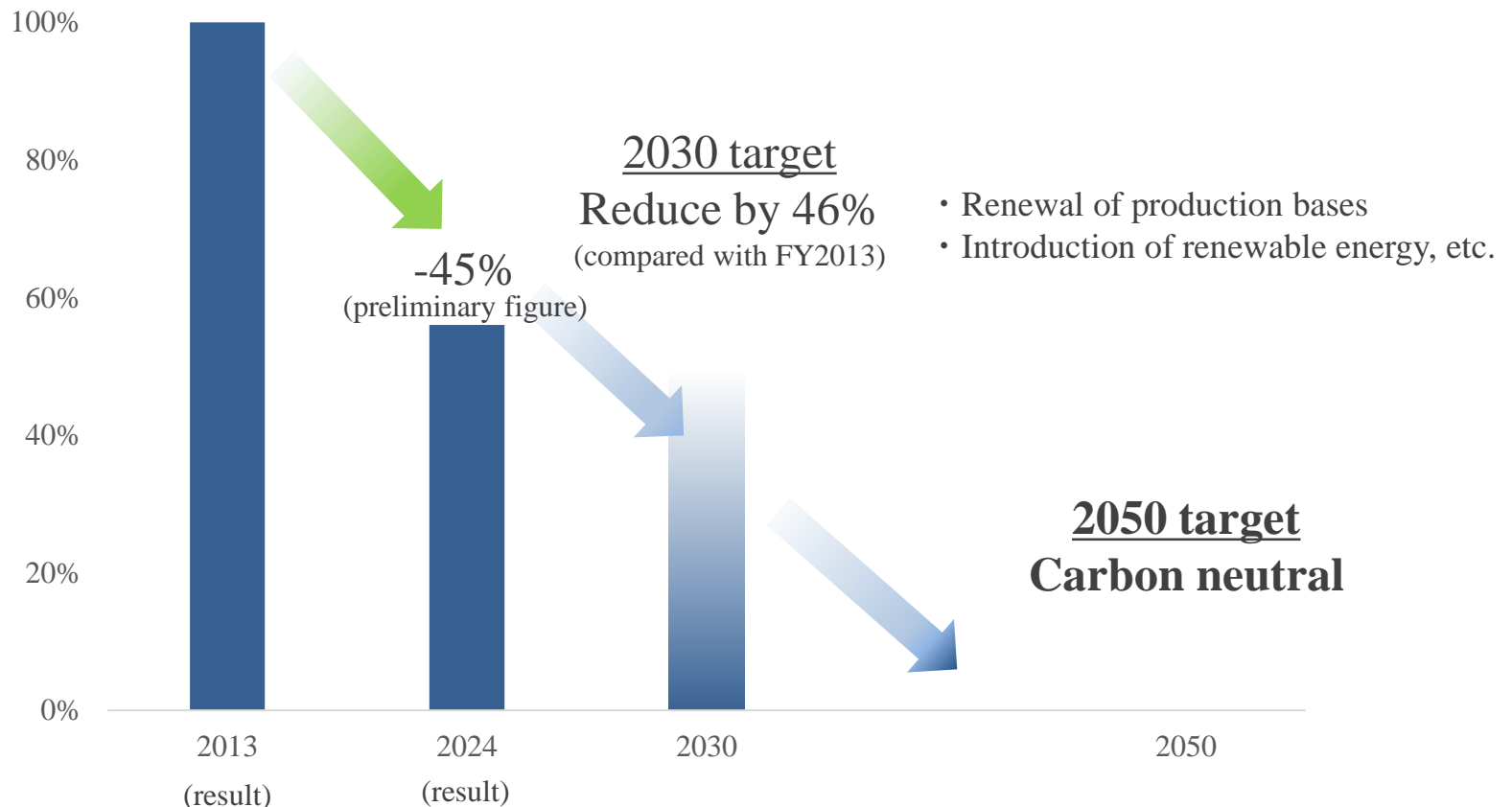
	Material issues	Targets	Targeted SDGs
<div style="background-color: #003366; color: white; padding: 10px; border-radius: 15px; text-align: center;"> <span style="font-size: 2em; font-weight: bold; letter-spacing: -0.5em;">E</span>                      - Environment -                 </div>	<ul style="list-style-type: none"> <li>● Addressing climate change</li> <li>● Creating environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reducing greenhouse gas emissions</li> <li>▶ Promoting disclosure under TCFD and other frameworks</li> <li>▶ Creating new businesses and products leveraging proprietary technologies</li> <li>▶ Creating products that help address issues in the natural environment</li> </ul>	
<div style="background-color: #003366; color: white; padding: 10px; border-radius: 15px; text-align: center;"> <span style="font-size: 2em; font-weight: bold; letter-spacing: -0.5em;">S</span>                      - Society -                 </div>	<ul style="list-style-type: none"> <li>● Promoting human capital development and diversity</li> <li>● Promoting sustainable production and procurement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Improving employee engagement</li> <li>▶ Fostering human resources, building capacity</li> <li>▶ Pursuing diversity</li> <li>▶ Initiatives to respect human rights within the Group and among suppliers</li> </ul>	
<div style="background-color: #003366; color: white; padding: 10px; border-radius: 15px; text-align: center;"> <span style="font-size: 2em; font-weight: bold; letter-spacing: -0.5em;">G</span>                      - Governance -                 </div>	<ul style="list-style-type: none"> <li>● More rigorous corporate governance</li> <li>● Stronger risk management</li> <li>● Innovation management</li> </ul>	<ul style="list-style-type: none"> <li>▶ Further improving effectiveness of the Board of Directors</li> <li>▶ Establishing an executive compensation system that serves as a sound incentive</li> <li>▶ Tightening information security governance</li> <li>▶ Reinforcing the response to natural disaster risks</li> <li>▶ Establishing a management policy</li> <li>▶ Establishing, strengthening management framework</li> </ul>	



Aiming to realize a sustainable society

## Address climate change by reducing greenhouse gas emissions

### Greenhouse gas emissions reduction targets



\*Scope 1 and 2 emissions, including the Company and major consolidated subsidiaries.

\*The result for 2024 is preliminary. The final figure is to be released around June 2025.

\*Published values have changed due to a revision to the rules of calculation in 2023 and the recalculation of past results.



Aiming to create social value and enhance corporate value by enabling all employees to maximize their potential  
**Manage human capital to promote the active participation of diverse human resources**

## Material issues

### Promoting human capital development and diversity

Improving employee engagement

Fostering human resources, building capacity

Diversity

#### Pursue planned acquisition of new talent in growth fields and priority areas

- Strengthen recruitment PR
- Strengthen recruitment by job type and of experienced employees and foreign nationals
- Diversify recruitment channels

#### Conduct systematic training for employees dispatched to overseas sites and cultivate autonomous personnel

- Establish overseas training system
- Enhance open training
- Support university degree acquisition
- Introduce 360-degree evaluations

#### Boost productivity by instilling and putting into practice corporate philosophy and Action Guidelines

- Action Guidelines award
- Introduce new personnel evaluation system
- Town hall meetings (discussions with president)

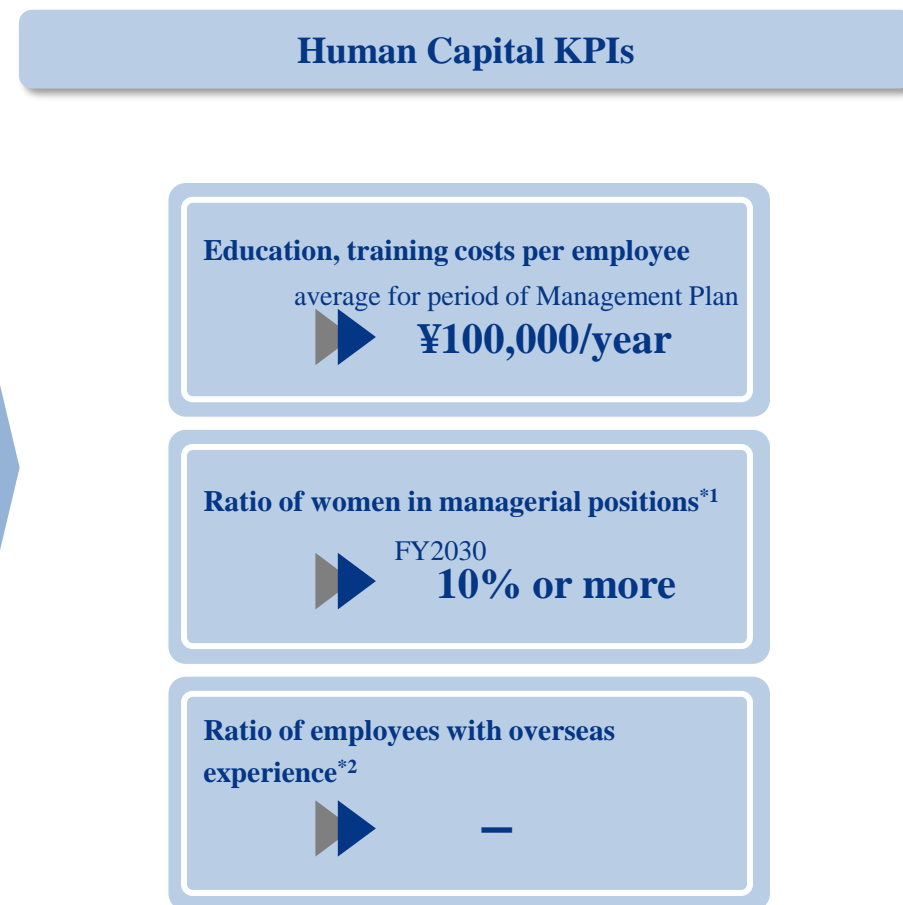
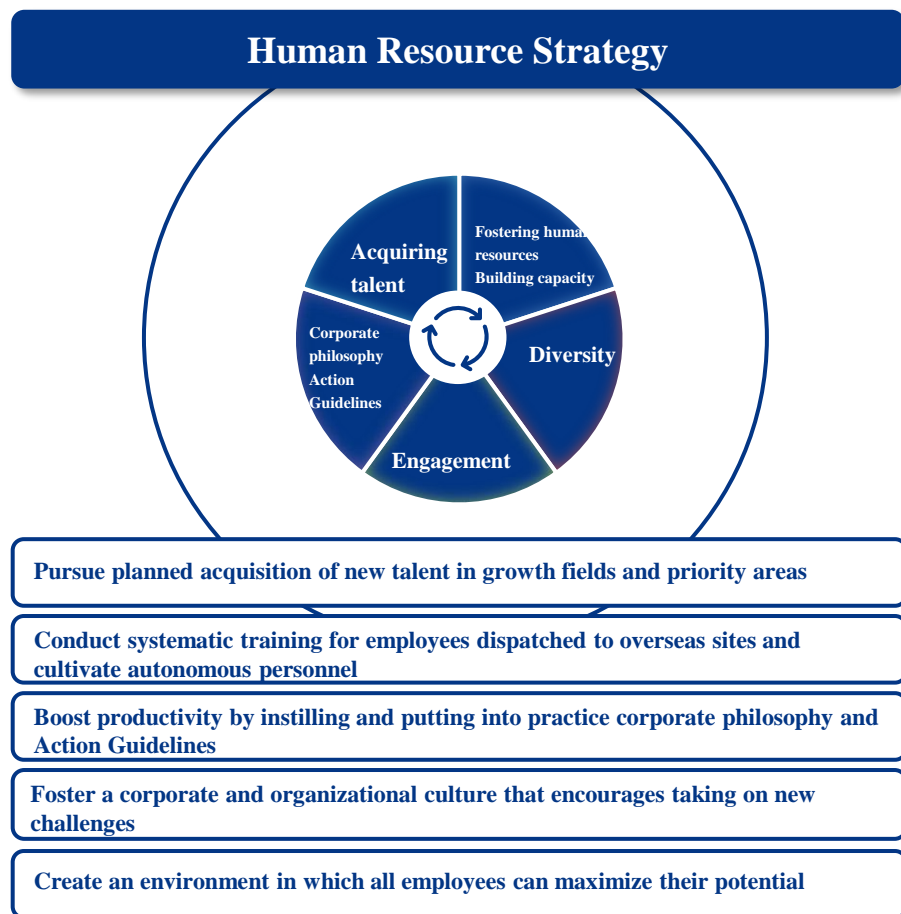
#### Create an environment in which all employees can maximize their potential

- Allow more diverse working styles
- Abolish non-career track and staff positions
- Promote childcare leave for men and training during childcare leave

#### Foster a corporate and organizational culture that encourages taking on new challenges

- Abolish seniority-based elements of the personnel system
- Renovate office spaces
- Sponsor sports and host family-friendly events





\*1 The KPI for managerial positions includes the position of subsection leader or above.

\*2 The target level is currently under consideration and will be disclosed as soon as it is determined.



Building appropriate collaborative relationships with all stakeholders

## Realize even more rigorous corporate governance

### Corporate Governance Policy

Strive to achieve appropriate, efficient management with a view to the sustained enhancement of corporate value and the realization of a sustainable society, and to distribute the results of these efforts appropriately to shareholders and other stakeholders.

#### 1 — Further improving the effectiveness of the Board of Directors

The Company is striving to further improve the effectiveness of the Board of Directors to realize the ongoing enhancement of corporate governance, including reinforcing the Board's supervisory function.

- ▶ Systematically addressing issues identified in evaluations of the effectiveness of the Board of Directors
- ▶ Allocating time in Board meetings to focus on discussions of management issues rather than individual matters of business execution or reports
- ▶ Maintaining a majority of independent outside directors on the Board of Directors

#### 2 — Revising the executive compensation system to ensure it serves as a sound incentive

The Company is revising the compensation of directors and executive officers to serve as a sound incentive to enhance corporate value over the longer term.

- ▶ Reviewing the KPIs for base salary and annual bonuses
- ▶ Introducing performance-based stock compensation (performance share units) to raise awareness of achieving the Medium-Term Management Plan