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Securities Code: 7718

March 10, 2021

**Dear Shareholders with Voting Rights:**

STAR MICRONICS CO., LTD.  
20-10, Nakayoshida, Suruga-ku,  
Shizuoka-shi, Shizuoka Prefecture,  
Japan

### **NOTICE OF THE 96th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially notified of the 96th Ordinary General Meeting of Shareholders of STAR MICRONICS CO., LTD (“the Company”) to be held as described below.

To prevent the spread of the novel coronavirus (COVID-19) infectious disease, we kindly ask our shareholders to refrain from attending this General Meeting of Shareholders on the day of the meeting, and exercise voting rights in advance in writing (by mail) or electronically (via the Internet), etc, if possible.

Please review the attached Reference Documents for General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Wednesday, March 24, 2021.

Very truly yours,

Mamoru Sato  
President and CEO

#### **The 96th Ordinary General Meeting of Shareholders**

- 1. Date and Time:** 10:00 a.m., Thursday, March 25, 2021.  
(Reception starts at 9:00 a.m.)
- 2. Place:** Conference Room, Head Office of the Company  
20-10, Nakayoshida, Suruga-ku, Shizuoka-shi, Shizuoka Prefecture
- 3. Agenda of the Meeting:**  
**Matters to be reported:**
  1. Business Report, Consolidated Financial Statements for the 96th Fiscal Term (from January 1, 2020 to December 31, 2020) and results of audits by the Accounting Auditor and Audit & Supervisory Committee of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the 96th Fiscal Term (from January 1, 2020 to December 31, 2020)

#### **Proposals to be resolved:**

- Proposal 1:** Election of four (4) Directors (excluding Directors who serve as Audit & Supervisory Committee Members)
- Proposal 2:** Revision of the Amount of Stock Option Compensation Paid to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors)
- Proposal 3:** Determination of the Compensation for Granting Restricted Stock to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors)

- Ⓞ For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
- Ⓞ If there is any modification in the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements, the modified matter will be posted on our Internet website (<https://www.star-m.jp/eng/index.html>).



No.	Name (Date of Birth)	Career summary, status and assignment at the Company, and important concurrent positions		Number of shares of the Company held
2.	Reelection  Mamoru Sato (January 5, 1960)	July 1984 June 2004  May 2008  March 2009 March 2012  May 2012  May 2014 March 2017	Enters the Company as an employee Executive Manager, Sales and Marketing Department, Special Products Division Director of the Company Deputy General Manager, Special Products Division General Manager, Special Products Division Executive Officer of the Company Senior Vice General Manager, General Administration Headquarters General Manager, General Administration Headquarters Managing Director of the Company Representative Director, President and CEO of the Company (to present)	67,800
<p>[Reasons for deciding a nominee for a Director]</p> <p>In addition to his extensive experience and track record gained while carrying out business execution at the Special Products Division and the General Administration Headquarters, Mr. Mamoru Sato possesses knowledge of management gained primarily from his experience engaging in management as a Managing Director for both of these organizations. Also, from March 2017, as President and CEO, based on global insights gained from overseas experience, he has been the driving force in the overall management of the Group. For these reasons, the Company judges that he is eligible to be a Director of the Company, and would like to reelect him as a Director.</p>				
3.	Reelection  Yasunao Sasai (April 19, 1960)	April 1983 June 2011  March 2014  March 2015  March 2017 July 2019 January 2020  March 2020	Enters the Company as an employee Executive Manager, Sales and Marketing Department, Machine Tools Division Executive Manager, Development Department, Machine Tools Division Executive Officer of the Company, Senior Vice General Manager, Machine Tools Division General Manager, Machine Tools Division Senior Executive Officer of the Company Executive Manager, Business Planning Department, Machine Tools Division Managing Director of the Company (to present)	9,000
<p>[Reasons for deciding a nominee for a Director]</p> <p>Mr. Yasunao Sasai possesses extended experience and track record gained through business execution at the Machine Tools Division for a long period of time, and has shown leadership and contributed toward the increase of earnings for the Machine Tools Division. Also, from March 2020, as a Managing Director, he has been possessed knowledge of management with regard to our Machine Tools Division and Special Products Division. For these reasons, the Company judges that he is eligible to be a Director of the Company, and would like to reelect him as a Director.</p>				

No.	Name (Date of Birth)	Career summary, status and assignment at the Company, and important concurrent positions	Number of shares of the Company held
4.	Reelection Outside Independent  Seigo Iwasaki (October 8, 1946)	<p>March 1996 Director, Shizuoka Gas Company, Ltd.</p> <p>March 2000 Managing Director, Shizuoka Gas Company, Ltd.</p> <p>March 2001 Senior Managing Director, Shizuoka Gas Company, Ltd.</p> <p>March 2006 Representative Director, President, Shizuoka Gas Company, Ltd</p> <p>January 2011 Representative Director, Chairman of the Board of Directors, Shizuoka Gas Company, Ltd.</p> <p>May 2014 Outside Director of the Company (to present)</p> <p>June 2015 Outside Director, Murakami Corporation (to present)</p> <p>January 2018 Director and Special Advisor, Shizuoka Gas Company, Ltd.</p> <p>June 2018 Outside Director, TOSHIBA MACHINE CO., LTD. (currently SHIBAURA MACHINE CO., LTD) (to present)</p> <p>March 2020 Special Advisor, Shizuoka Gas Company, Ltd. (to present)</p> <p>(Important concurrent positions) Special Advisor, Shizuoka Gas Company, Ltd. Outside Director, Murakami Corporation Outside Director, SHIBAURA MACHINE CO., LTD.</p>	9,400
<p>[Reasons for deciding a nominee for an Outside Director] Mr. Seigo Iwasaki has been the Representative Director of Shizuoka Gas Company, Ltd. for a long period of time. The Company would like to elect him as an Outside Director in the hope that he will continue to utilize his abundant experience and broad knowledge as a business manager in the Company's adequate decision making process and supervision of the Directors' business execution.</p>			

Notes:

1. No conflict of interest exists between the Company and the above nominees for Directors.
2. Mr. Seigo Iwasaki is a nominee for an Outside Director.
3. Mr. Seigo Iwasaki is an Outside Director of the Company at present, and his incumbent term of office as an Outside Director will be six years and ten months as of the conclusion of this General Meeting of Shareholders.
4. The Company has designated and reported to the Tokyo Stock Exchange, Inc. that Mr. Seigo Iwasaki is an Independent Director as set forth in the Regulations of the Tokyo Stock Exchange. Furthermore, proposed agenda pass in its original form, he is to remain as an Independent Director.
5. Pursuant to the provisions of paragraph 1, Article 427 of the Companies Act, the Company has entered into an agreement with Mr. Seigo Iwasaki to limit liability due to negligence of duties; provided, however, that the limit on liability under the relevant agreement shall be an amount set forth by law. Furthermore, should this proposed agenda pass in its original form, the Company will plan to sustain such current agreement with him.
6. The Company has taken out a directors and officers liability insurance policy with an insurance company as provided for in paragraph 1, Article 430-3 of the Companies Act, and plans to renew it in March 2021. This policy shall compensate for damages that may arise because insured directors and officers are liable for the execution of their duties or are claimed for pursuing such liability, and insurance premiums shall be borne in full by the Company for all insureds including the portion of special provisions. Each nominees for Directors has already been insured by this insurance policy and will continue to be insured if this Proposal is approved as proposed.

**Proposal 2: Revision of the Amount of Stock Option Compensation Paid to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors)**

At its 91st Ordinary General Meeting of Shareholders held on May 26, 2016, the Company 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 & Supervisory Committee Members and Outside Directors) will not exceed ¥100 million annually.

Now, the Company has decided to discontinue the Stock Compensation-type Stock Options through review of its Directors' compensation plan. 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 yen.

The allocation of Stock Acquisition Rights ("SARs") is intended to further increase the motivation and morale of Directors toward improving the Company's performance and value over the medium and long terms. The conditions for granting those Stock Options are determined in consideration of various circumstances, such as the status of the execution of duties by Directors and degree of contribution in the Company, and we believe that such determination has been rational.

In addition, if the Company records a net loss attributable to owners of parent in a fiscal year immediately before the relevant fiscal year, SARs shall not be issued within one year from the day of the Ordinary General Meeting of Shareholders related to the relevant fiscal year.

The specific amount of compensation shall be calculated by multiplying the fair value per Stock Acquisition Right to be allotted by the number of SARs to be allotted. The specific timing of payments and distributions of compensation to each Director (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors) will be determined by the Board of Directors.

The number of Directors (excluding Directors who serve as an Audit & Supervisory Committee Members) at present is four (4) (including one (1) Outside Director), and, if Proposal 1 "Election of four (4) Directors (excluding Directors who serve as an Audit & Supervisory Committee Members)," are approved as proposed, the number of Directors will be four (4) (including one (1) Outside Director).

This Proposal has been discussed by the Audit & Supervisory Committee through deliberations by the Nomination and Compensation Committee, and we have received an opinion that there are no particular matters to be pointed out.

**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 shares.

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"), the Company 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, the Company 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

- 1) 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.
- 2) Upon the death of an SAR Holders, this right may not pass by way of succession.
- 3) SARs are non-negotiable instruments and may not be pledged or transferred in any form whatsoever.
- 4) 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

- 1) 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.
- 2) 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.

**Proposal 3: Determination of the Compensation for Granting Restricted Stock to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors)**

If Proposal 2 “Revision of the Amount of Stock Option Compensation Paid to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors)” is approved as proposed, the amount of Stock Option Compensation paid to Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors) will be not more than 20 million yen per annum.

The Company is looking to provide an incentive to the Company’s Directors (excluding Directors who serve as an Audit & Supervisory Committee Members and Outside Directors; “Eligible Directors”) to improve the Company’s corporate value on a sustainable basis while at the same time further promoting shared value with its shareholders. The Company will, therefore, newly provide compensation for granting Restricted Stock Compensation to Eligible Directors separately from the aforementioned compensation, in place of the Stock Compensation-type Stock Options included in the current Stock Option Compensation plan, as a part of its review of its Directors’ compensation plan.

The compensation for granting Restricted Stock compensation to Eligible Directors based on this Proposal shall be monetary receivables and the amount of compensation shall be not more than 80 million yen per annum. The specific timing of payments and distributions of compensation to each Eligible Director shall be determined by the Board of Directors.

The number of Directors (excluding Directors who serve as an Audit & Supervisory Committee Members) at present is four (4) (including one (1) Outside Director), and, if Proposal 1 “Election of four (4) Directors (excluding Directors who serve as an Audit & Supervisory Committee Members),” are approved as proposed, the number of Directors will be four (4) (including one (1) Outside Director).

The Eligible Directors, based on a resolution by the Company’s Board of Directors, will pay all of the monetary receivables granted under this Proposal as payment of kind, and be subject to the issuance or disposition of the Company’s common stock. The total number of the Company’s common stock to be issued or disposed of under the said process will not exceed 200,000 shares per annum (provided, however, if a stock split of the Company’s common stock (including a gratis allotment of the Company’s common stock) or a stock consolidation is undertaken effective on or after the date of approval of this Proposal, or if there is an event requiring adjustment of the total number of the Company’s common stock to be issued or disposed of as Restricted Stock), the total number of Restricted Stock may be adjusted within a scope deemed rational on or after the day on which this Proposal is approved).

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 who subscribe to the Company’s common stock, 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). In addition, upon the issuance or disposition of the Company’s common stock through this process, and providing monetary receivables as payment of kind, the Company and Eligible Directors will, as a condition, enter into a Restricted Stock allocation agreement (the “Allotment Agreement”) which contains the following details. Moreover, the upper limit of the amount of remuneration in this Proposal, the total number of the Company’s common stock to be issued or disposed of, and other conditions for granting Restricted Stock to Eligible Directors based on this Proposal are determined in consideration of the above purposes, the Company’s business trends, and other circumstances, and we believe that they are deemed rational.

In addition, if the Company records a net loss attributable to owners of parent in a fiscal year immediately before the relevant fiscal year, the compensation for granting Restricted Stock compensation to Eligible Directors shall not be issued within one year from the day of the Ordinary General Meeting of Shareholders related to the relevant fiscal year.

This Proposal has been discussed by the Audit & Supervisory Committee through deliberations by the Nomination and Compensation Committee, and we have received an opinion that there are no particular matters to be pointed out.

## **Overview of the Allotment Agreement**

### **1. Transfer Restriction Period**

The Eligible Director shall neither transfer the Company's common stock allocated under the Allocation Agreement ("Allocated Stock"), nor use them as collateral or any other disposition of the Allocated Stock for a period from the date of payment on which the Company's common stock is allocated under the Allocation Agreement to the time immediately after the Eligible Directors retire from the position predetermined by the Company's Board of Directors ("Transfer Restriction Period").

### **2. Lifting of Transfer Restriction**

Notwithstanding the provisions in 1. above, the Company will lift transfer restrictions for all Allocated Stock upon the expiration of the Transfer Restriction Period for all the Allotted Shares, on the condition that the Eligible Director continuously stayed in the position specified in 1. above during the period predetermined by the Company's Board of Directors (the "Service Period"). However, if the Eligible Director retires from the post specified in 1. above because of the expiration of the term of office, death or other justifiable reasons before the expiration of the Service Period, the number of Allocated Stock subject to lifting of transfer restriction and the time of the said lifting shall be reasonably adjusted as necessary. In addition, the Company will, as matters of course, acquire all of the Allocated Stock for which the restrictions are not lifted free of charge immediately after the transfer restrictions are lifted pursuant to the above provisions.

### **3. Handling at the time of retirement**

Notwithstanding the provisions of 2. above, if the Eligible Director retires from the position specified in 1. above during the Service Period, the Company will, as matters of course, acquire the Allocated Stock free of charge upon his/her retirement, except in the case of expiration of the term of office, death or other justifiable reasons.

### **4. Treatment upon reorganization, etc.**

Notwithstanding the provisions in 1. above, 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 the Company's 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, the Company 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.

### **5. Other matters**

Other matters concerning this SAR allocation will be determined by the Company's Board of Directors.

(Reference)

[Prior to Revision]

[After Revision (In the event that the proposal is approved at the General Meeting of Shareholders as proposed)]

Type of Stock-based compensation	Maximum Amount / Year		Type of Stock-based compensation	Maximum Amount / Year	
Ordinary Stock Options	Not to exceed	SARs not to exceed 1,400 units (the equivalent of 140,000 shares)	Ordinary Stock Options	Not to exceed ¥20 million	SARs not to exceed 600 units (the equivalent of 60,000 shares)
Stock Compensation-Type Stock Options	¥100 million	SARs not to exceed 1,200 units (the equivalent of 120,000 shares)	Restricted Stock Compensation	Not to exceed ¥80 million	Not to exceed 200,000 shares

End