

Notice Regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price

STAR MICRONICS CO., LTD. (“the Company”) announced that, at the Board of Directors meeting held on February 12, 2025, it resolved to analyze and evaluate the current situation of the Company and adopt a policy for improvement, in response to a request from the Tokyo Stock Exchange regarding “action to implement management that is conscious of cost of capital and stock price.”

1. Analysis and Evaluation of the Current Situation

In the Medium-Term Management Plan announced on February 9, 2022, the Group outlined a roadmap for its Vision for 2030. To achieve this vision, the Group put in place the First Medium-Term Management Plan, positioning the three years from 2022 to 2024 as a period for building a foundation for change. The Group has also formulated the Second Medium-Term Management Plan based on the roadmap, positioning the three years from 2025 to 2027 as a period for driving change, and announced this separately today (February 12, 2025) in a press release, entitled “Notice Regarding Formulation of Second Medium-Term Management Plan.” Please refer to this release for more information.

In this context, the Company fell slightly short of the capital efficiency KPI (ROE) set out in the First Medium-Term Management Plan, reflecting a delay in recovery in the mainstay Machine Tools Segment, with the price-to-book ratio (PBR) remaining at a level below 1x as a result. We believe the underlying reasons for this include the need to further improve capital efficiency, as well as insufficient explanations regarding the Group’s growth potential and capital policies, which has led to the failure to be adequately valued by the market.

2. Action Policies

To achieve the Vision for 2030 and the aims of the Second Medium-Term Management Plan, which is a stepping stone to the vision, the Company will strive to further improve ROE over the medium to long term. We also believe it is necessary to improve PER and reduce the cost of capital by clearly explaining our growth strategies, business risks, and the status of the strategies we are putting in place. To this end, we have formulated the following action policies.

- (1) Implement growth strategies
- (2) Promote capital policies
- (3) Strengthen IR activities, ensure more rigorous corporate governance

Please refer to the attached document for details.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

STAR MICRONICS CO., LTD.

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

Code 7718

February 12, 2025

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

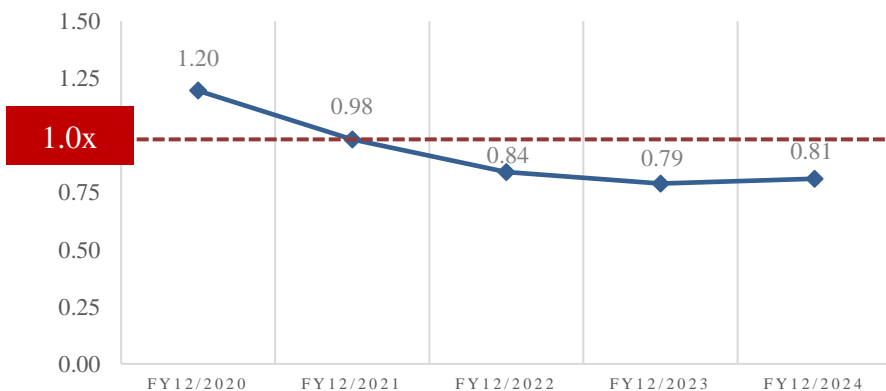
* The Company does not promise that these projections will be achieved. Actual results may differ materially from projections due to a variety of factors.

Improving the price-to-book ratio (PBR) is a key management issue

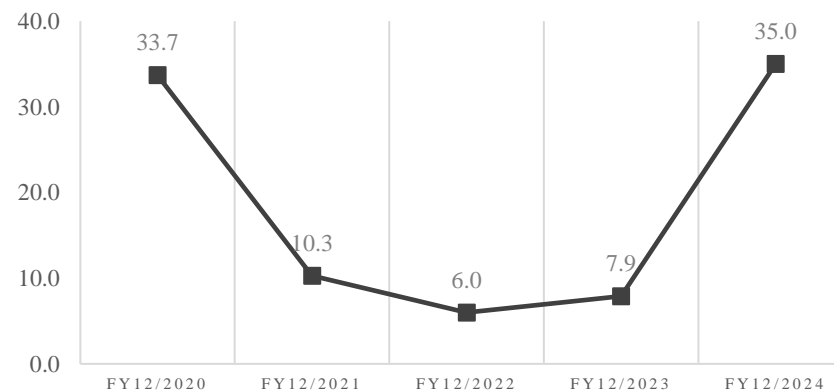
- PBR (period-end basis) consistently below 1x from FY12/2021 (0.81 as of end-FY12/2024). Raising this level is a pressing issue
- Cost of capital is estimated at around 8%–9% based on a capital asset pricing model
- The First Medium-Term Management Plan targeted average ROE of 10% or more over three fiscal years, but fell slightly short (three-year average of 9.5%)
- PER was above the Prime Market average of 16.9x^{*1} as of end-FY12/2024—but we recognize this was temporary reflecting a drop in profit.
- We see improving ROE and streamlining the cost of capital as paramount issues in enhancing corporate value

▶ **The need is to strive for higher ROE by steadily implementing growth strategies while improving the cost of capital (PER) by gaining greater understanding of our equity story and business risks, etc.**

5-year trend in PBR

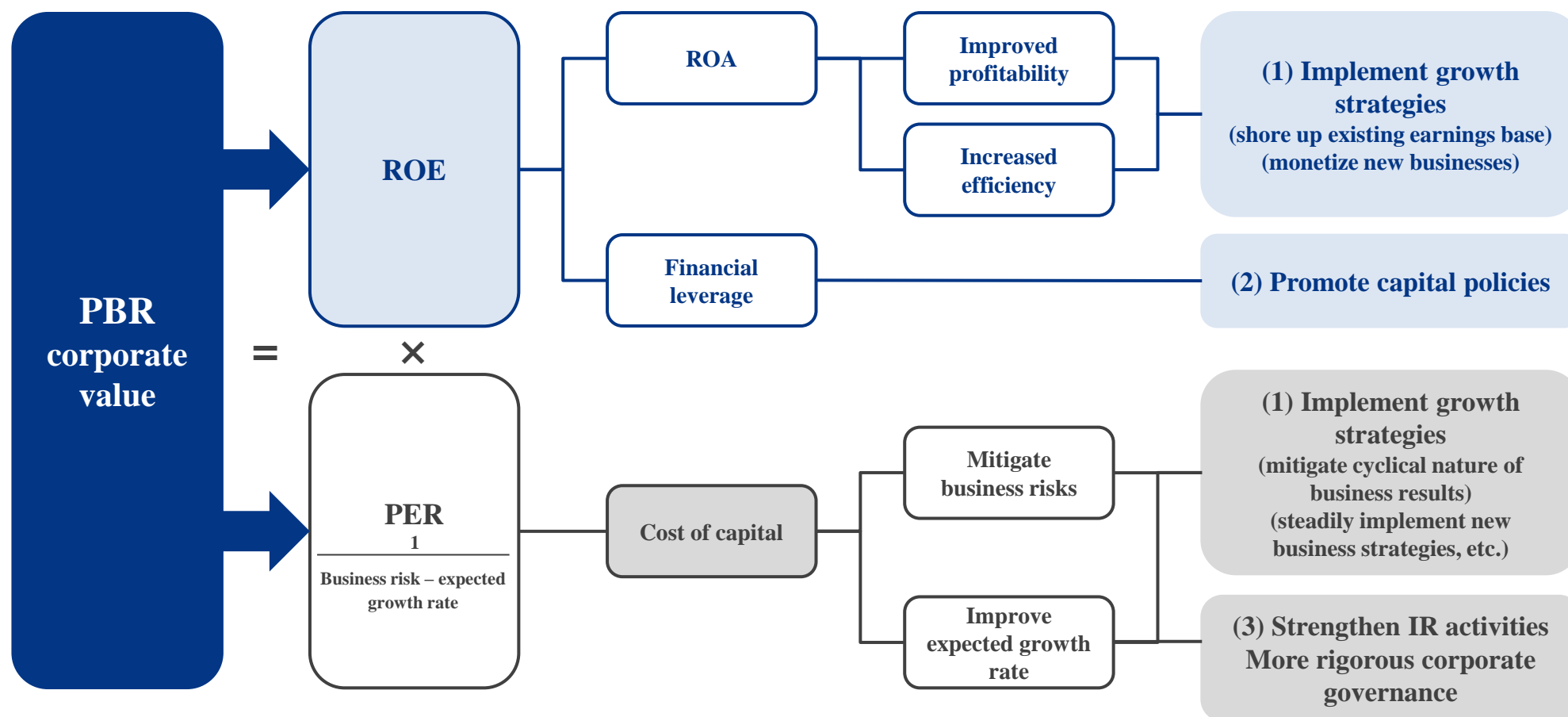


5-year trend in PER



*1 Prime Market comprehensive average PER announced in January 2025 by JPX

Analyze factors needed to improve PBR, explore specific action policies
 Pursue various measures set out in the Second Medium-Term Management Plan, working to improve ROE and streamline the cost of capital



(1) Implement growth strategies

Aim to mitigate cyclical nature of results and boost profitability and efficiency through growth strategies centered on the medical field, where sustained market growth is expected

Machine Tools Segment

Reinforce sales in medical-related field, a priority area offering high expectations for market growth, where Star Micronics can capitalize on the advantages of its machine tools

[Machine Tools Segment strategy*]

- **Expand medical product lineup** (products that meet complex processing needs)
- **Reinforce medical product manufacturing plant** (phase 2 of plant renovation in Japan: Makinohara Factory)
- **Capitalize on solution centers** to enhance technical support

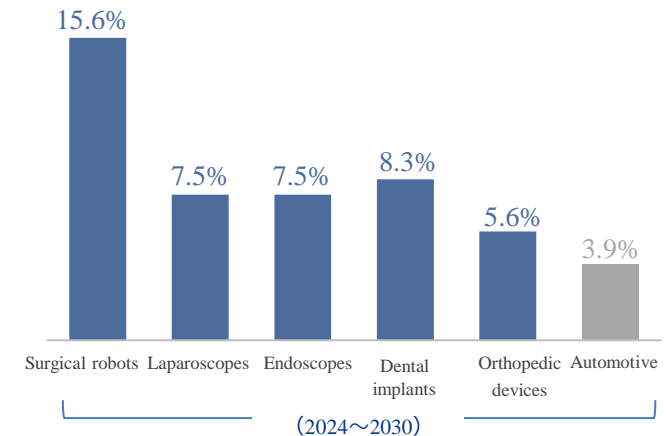
Medical Business

Pursue strategic investments aimed at the early commercialization and expansion of new businesses that can serve as a source for enhancing longer-term corporate value

[New business development strategy*]

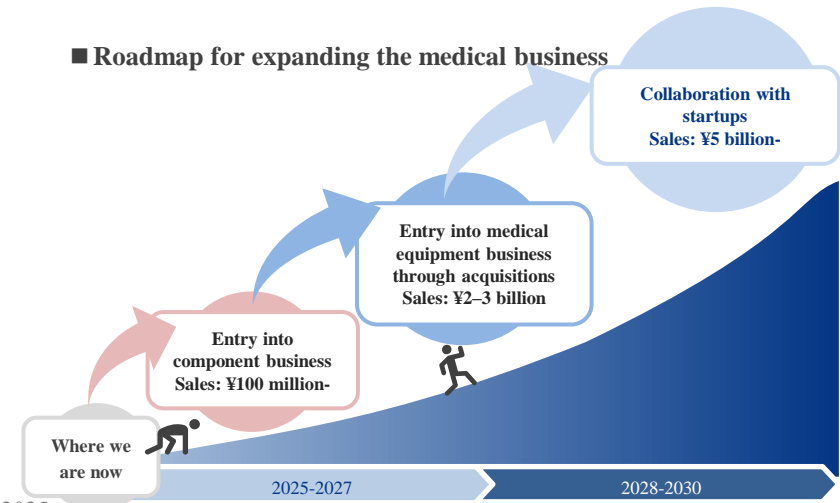
- Rapidly and steadily enter the **medical equipment component business** by leveraging in-house technologies
- Enter the **medical equipment business** through acquisitions and other steps to build a speedy manufacturing framework and cultivate sales channels
- Pursue investment and **collaboration** with startups aiming to create future value

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



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

■ Roadmap for expanding the medical business



*For details, please refer to “Notice Regarding Formulation of Second Medium-Term Management Plan” announced on February 12, 2025. Machine Tool Segment : P8-18, Medical Business : P21-22

(2) Promote capital policies

Flexibly provide shareholder returns in line with an appropriate policy

Revision to shareholder return policy

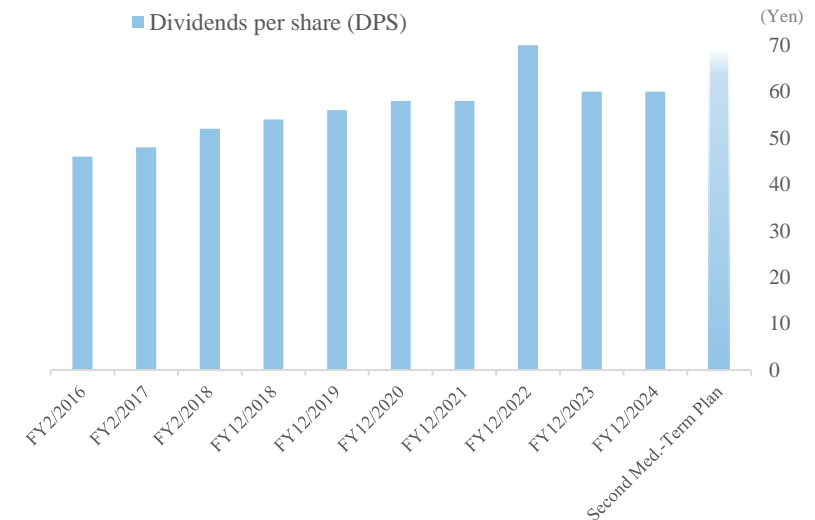
Commit to achieve a total payout ratio of 50% or more including the repurchase of own shares, based on a progressive annual dividend of ¥60 or more per share



Provide a progressive annual dividend of **¥70 or more per share** and a consolidated total payout ratio of 50% or more

Appropriate fund procurement

Aim to flexibly provide shareholder returns in line with policy while ensuring financial soundness and promote appropriate fund procurement according to the purpose of funds like as growth investments.



*FY12/2022 includes extraordinary dividends.

(3) Strengthen IR activities, ensure more rigorous corporate governance

Pursue active dialogue with capital markets and incorporate feedback into management decision-making while reinforcing corporate governance to sustainably enhance value

Strengthen IR activities

Interviews in 2024

- 162 1-on-1 meetings
- Held **quarterly** financial results briefings

*Principal targets: Institutional investors and analysts

Principal Company representatives

- Representative director, president and CEO
- Managing Director, General Manager, Corporate Headquarters
- Executive Officer, Senior Vice General Manager, Corporate Headquarters, Executive Manager, Finance and Accounting Department, Corporate Headquarters
- Manager, Corporate Development & IR Section

Major topics of dialogue and points of interest

- Business environment trends
- Future direction of existing businesses
- Thinking regarding the medical business
- Progress and direction of Medium-Term Management Plan
- Thoughts on the Company's PBR falling below 1x
- Approach to returns to shareholders

Other major initiatives

- Conduct factory tours for investors
- Participate in events geared toward individual investors
- Release video to gain understanding of the Machine Tools Segment
- Publish quarterly FACT BOOK, etc.

Looking ahead

- **Expand meetings, explanations with investors**
Move forward with proactive meetings and pursue activities to create opportunities for proactively disseminating information and meeting with overseas investors
- **Expand, raise level of disclosure**
Continue to proactively expand disclosure and address information imbalance
- **Gain regular investor feedback**
The IR department will provide timely feedback to the Board of Directors and other decision-making bodies on investor views, for incorporation into management decision-making

▶ **Continue to actively engage in IR activities to further enhance the quality of dialogue**

More rigorous corporate governance

Promote each policy *during the second mid-term management period.

① **Further improving the effectiveness of the Board of Directors**

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

*For details, please refer to "Notice Regarding Formulation of Second Medium-Term Management Plan" announced on February 12, 2025.