



STAR MICRONICS CO., LTD.

Diversity the Key to Growth

ANNUAL REPORT 2023 (PDF Version)

For the year ended December 31, 2023



Profile

Since its establishment in 1950, Star Micronics Co., Ltd. has worked diligently to “generate the greatest impact from the least materials.” In order to achieve its aspirations, Star Micronics Co., Ltd. (the “Company”) has continued to deliver a steady stream of high-added-value products based on its core technologies of small-scale precision processing and assembly. Currently, the Company is engaged in the Special Products business including point-of-sale (POS) printers and the Machine Tools business including CNC automatic lathes.

From each of the sales and manufacturing perspectives, the Company is also actively engaged in global business development. Today, Star Micronics maintains a ratio of overseas sales to all sales of 89% and a ratio of overseas production to all production of 81%.

Working toward its next leap forward, the Company is leveraging its core technologies to promote a wide range of measures aimed at both creating new businesses and expanding existing businesses. Star Micronics is committed to contributing to the sustainable development of society as a leading small and medium-sized enterprise that seeks to excel on the world stage.

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Forward-looking Statements

Statements in this annual report with respect to Star Micronics' plans, strategies and beliefs as well as all other statements that are not historical facts are forward-looking statements involving risks and uncertainties. These forward-looking statements rely on a number of assumptions concerning future events. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general worldwide economic conditions, competitive pressure on sales and pricing, and movements of currency exchange rates.

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 at 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

- 1 Do not pursue scale unnecessarily; position **capital efficiency** and **labor productivity** as primary evaluation indicators
- 2 Maintain the **ability to continuously offer new value** to society in response to changes in the environment
- 3 Constantly look to the global market for each business, and position “**global niche**” at the core of the Company’s strategy
- 4 **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 generational environment
- 5 Strive to become **a company that perpetually evolves** in harmony with society through its products and its people

Action Guidelines



Act with initiative and courage



Continue learning



Pursue technology



Focus on team productivity

HISTORY

- 1950 ● Star Seisakusho Co., Ltd.**

Established in Tegoshi, Shizuoka (current Tegoshi, Suruga-ku, Shizuoka-shi) with a capital of ¥500,000, six employees and five automatic lathes, began the manufacture and sale of such products as wristwatch and camera parts as a small workshop factory.
- 1958 ● Began sales of automatic lathes.**

After finalizing automatic lathes, began sales with the catchphrase, "automatic lathes made by users for users."
- 1960 ● Tokai Seimitsu Co., Ltd.**

Established Tokai Seimitsu Co., Ltd. in a partnership with Citizen Watch Co., Ltd.
Evolved as a factory specializing in the manufacture of watch screws.
- 1962 ● Began the export of automatic lathes.**

Exported the first unit to the UK. Cultivated overseas sales channels and steadily increased market share.
- 1965 ● Changed the company's name to Star Micronics Co., Ltd.**

Absorbed Tokai Seimitsu Co., Ltd. and changed the company's name to Star Micronics Co., Ltd.
- 1971 ● Began the manufacture and sales of electronic buzzers.**

Widely adopted as a buzzer for clocks. Electronic buzzers extensively used in mobile phones as an incoming call sound source. Captured a large market share throughout the 1990s.
- 1976 ● Began the manufacture and sales of NC automatic lathes.**

Began the manufacture and sale of NC automatic lathes. Incorporating innovative ideas and mechanisms, extremely well received for precision accuracy.
- 1979 ● Began the manufacture and sale of small printers.**

Entering the digital printer field, began the manufacture and sale of products in a bid to respond to the information age and the widespread use of personal computers.
- 1981 ● Listed company stock on the Second Section of the Nagoya Stock Exchange.**
 - Began the manufacture and sale of large-scale printers.**

Entered the printer market in earnest.
- 1984 ● Listed company stock on the First Section of the Nagoya Stock Exchange. (Delisted in 2006.)**
 - Built the new Kikugawa Factory.**

Built a new machine tools production base in Kikugawa-cho, Ogasa-gun (current Kikugawa-shi), Shizuoka Prefecture.
Installed state-of-the-art rationalization system machines and contributed to improved productivity by enabling continuous automated operations.
- 1989 ● Established Star Micronics Manufacturing Dalian Co., Ltd.**

Established a subsidiary in Dalian, China to engage in the manufacture of printers.
Became the fourth foreign company to enter the Dalian Economic and Technological Development Zone.
- 1990 ● Listed company stock on the First Section of the Tokyo Stock Exchange.**

Listed on the First Section of the Tokyo Stock Exchange after 40 years of operation.
(Shift to the Prime Market from the First Section due to the market restructuring of the Tokyo Stock Exchange in April 2022.)
- 2000 ● Began the manufacture and sale of microphones, speakers and receivers.**

Developed a full lineup of micro audio components for mobile phones, and aggressively cultivated the market.
- 2004 ● Began the manufacture of CNC lathes as finished products at Star Micronics Manufacturing Dalian Co., Ltd.**

Began assembling finished products in China ahead of competitors to reduce costs and strengthen production capacity.

2012 ● **Established Star Micronics Manufacturing (Thailand) Co., Ltd.**

Established a subsidiary to manufacture machine tools in Nakhon Ratchasima, Thailand. Set up a machine tools production system across three bases in Japan, China and Thailand in response to the expansion of emerging markets in Asia.

2013 ● **Launched Apple® iOS Compatible MFi Certified Printer**

Developed a printer that can be connected to iOS devices via Bluetooth® amid the growing global demand for tablet POS systems using smartphones and tablet devices. Buoyed by the rush of inquiries prior to release, product widely accepted by the market.

*1 Apple is a trademark of Apple Inc., registered in the U.S. and other countries.
 *2 IOS is a trademark or registered trademark of Cisco in the U.S. and other countries and is used under license.
 *3 The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by Star Micronics Co., Ltd. is under license.

2018 ● **Established Star Marketing Japan Co., Ltd.**

Established Star Marketing Japan Co., Ltd. as a sales subsidiary in Shimbashi, Tokyo in a bid to further develop and expand the mPOS market in Japan. Through activities in the city center, responded quickly to the diverse needs of customers.

2020 ● **Completed construction of a new head office**

Completed construction of a new head office with a view to upgrading and expanding the Company's Business Continuity Plan (BCP) by taking full advantage of such high disaster prevention capabilities as a seismic isolation structure that can handle long periods of seismic motion and an emergency power supply that can continue for a long period of time. In addition, actively introduced new work styles through a variety of measures including the adoption of information communication technology (ICT) to help create a paperless office and free address system.

● **Completed construction of the Solution Center**

Completed construction of the Solution Center to strengthen before- and after-sales service and product quality. As a new base for the Machine Tools Segment, the Solution Center can serve as a permanent display of various automatic lathes while accommodating multiple functions. The Center is equipped with a wide range of showrooms, a dedicated NC training room, and evaluation, testing and other rooms enabling the use of actual machines for instruction and process testing.

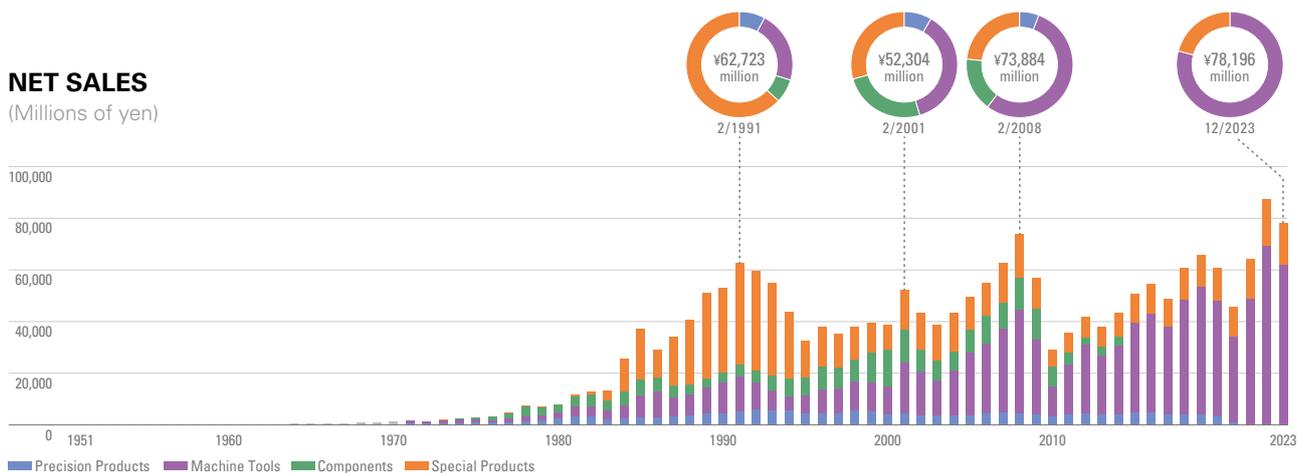
2022 ● **Shift to the Prime Market from the First Section of the Tokyo Stock Exchange.**

2023 ● **Converted Smart Solution Technology, Inc. into a wholly owned subsidiary**

Included Smart Solution Technology, Inc., located in Shinjuku-ku, Tokyo, in the Company's scope of consolidation as a wholly owned subsidiary.

NET SALES

(Millions of yen)



*1 Data up to the fiscal year ended February 28, 1970 is based on the total of each segment.

*2 Data from the fiscal year ended February 29, 1972 to the fiscal year ended February 28, 2005 is classified into the three Precision Electronic Equipment, Machine Tools and Precision Products segments. Effective from the fiscal year ended February 28, 2006, operations were reclassified into four business segments with Precision Electronics Equipment separated into Special Products and Components. However, data from the fiscal year ended February 29, 1972 to the fiscal year ended February 28, 2005 is based on the four business segments for comparative purposes.

*3 Effective from the fiscal period ended December 31, 2018, Star Micronics Co., Ltd. changed its account settlement date from the end of February to December 31.

*4 In conjunction with its decision to dissolve the Precision Products Division, Star Micronics Co., Ltd. took steps to revise the classification of its business segments in 2020. Effective from 2021, the Company reclassified the three Special Products, Machine Tools, and Precision Products segments into the two Special Products and Machine Tools segments.

HIGHLIGHTS

Financial Highlights

Financial Highlights

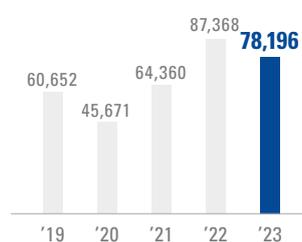
Related Information
by Geographical Region

Star Micronics Co., Ltd. and Consolidated Subsidiaries
For the years ended December 2021, 2022 and 2023

	Millions of yen			Change (%)	Thousands of U.S. dollars
	2021	2022	2023	2023/2022	2023
For the year :					
Net sales	¥64,360	¥87,368	¥78,196	-10.5	\$550,676
Operating income	7,415	13,925	10,351	-25.7	72,894
Net income attributable to owners of the parent	5,740	10,299	8,175	-20.6	57,570
Return on sales	8.9%	11.8%	10.5%		
Capital expenditures	1,926	3,390	2,680	-20.9	18,873
Depreciation and amortization	2,127	2,414	2,710	12.3	19,085
At year-end :					
Total assets	82,361	99,539	93,399	-6.2	657,739
Total equity	61,728	73,088	80,347	9.9	565,824
Equity ratio	74.1%	73.0%	85.6%		
	Yen			Change (%)	U.S. dollars
Per share :					
Basic net income	¥150.83	¥271.14	¥218.89	-19.3	\$1.54
Diluted net income	142.38	270.01	218.17	-19.2	1.54
Cash dividends applicable to the year	58.00	70.00	60.00	-14.3	0.42
Stock information :					
Common shares issued	44,091,334	42,465,134	41,921,434		
Number of shareholders	10,727	11,776	10,920		

Note : The rate of ¥142 to US\$1, prevailing on December 31, 2023, has been used for translation into U.S. dollar amounts.

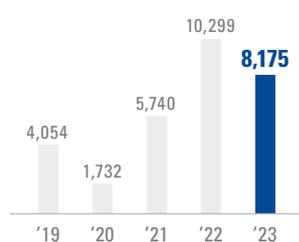
NET SALES
(Millions of yen)



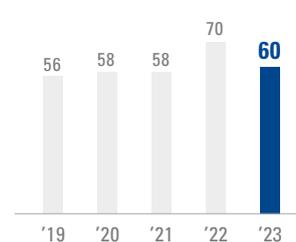
OPERATING INCOME
(Millions of yen)



NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT
(Millions of yen)



CASH DIVIDENDS APPLICABLE TO THE YEAR
(Yen)



HIGHLIGHTS

Related Information by Geographical Region

Financial Highlights

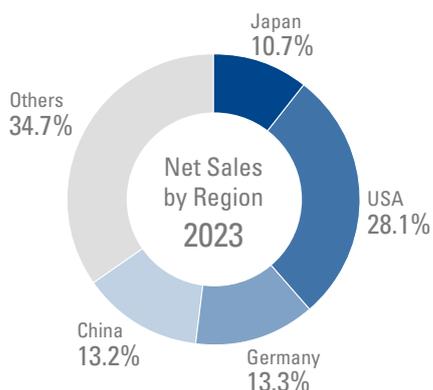
Related Information by Geographical Region

Star Micronics Co., Ltd. and Consolidated Subsidiaries
For the years ended December 2021, 2022 and 2023

Net Sales by Geographical Region

	Millions of yen			Change (%)	Thousands of U.S. dollars
	2021	2022	2023	2023/2022	2023
Japan	¥8,072	¥9,037	¥8,402	-7.0	\$59,169
USA	17,315	27,904	21,952	-21.3	154,592
Germany	6,076	8,743	10,422	19.2	73,394
China	14,543	17,112	10,333	-39.6	72,768
Others	18,354	24,572	27,087	10.2	190,753
Total	64,360	87,368	78,196	-10.5	550,676

Note: The rate of ¥142 to US\$1, prevailing on December 31, 2023, has been used for translation into U.S. dollar amounts.



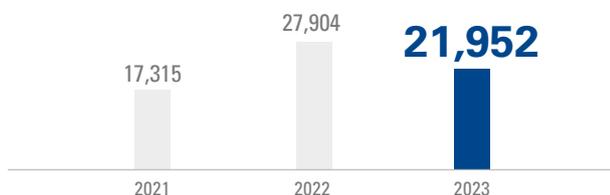
Japan

(Millions of yen)



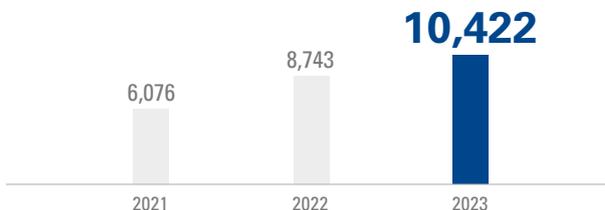
USA

(Millions of yen)



Germany

(Millions of yen)



China

(Millions of yen)



Others

(Millions of yen)



TO OUR SHAREHOLDERS

Mamoru Sato

Representative Director,
President and CEO



Building a Foundation for Change

In 2023, operating results in both the Machine Tools and Special Products segments were weak, with a downturn in sales and significantly lower profits compared with the previous year. This was mainly due to growing concerns surrounding the threat of an economic recession owing to such factors as the prolonged upswing in interest rates in the U.S. and Europe as well as deteriorating market conditions and slowing investment in China. Moving forward, the outlook for the future remains uncertain.

2024 is the final year of our First Medium-Term Management Plan, a roadmap for building a foundation for change over the three-year period from 2022 to 2024. Recognizing the need to further solidify our foundation, we will redouble efforts to bring about a sustainable society and enhance corporate value by putting into practice our corporate philosophy, growing together with employees, and contributing to society.

01 Operating Results in 2023

Looking at 2023, the outlook for the economy remained uncertain throughout the period under review. Despite an overall modest recovery amid signs of a lull in the surge in resource prices and prolonged inflation, this uncertainty largely reflects growing concerns surrounding the threat of an economic recession owing to the prolonged upswing in interest rates in the U.S. and Europe, deteriorating market conditions and slowing investment in China, and fluctuations in foreign currency exchange rates.

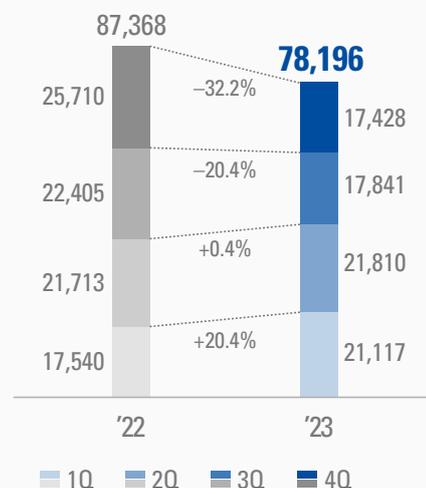
In each of the major markets in which the Star Micronics Group operates, demand for POS printers was generally weak. In addition, demand for the Group's mainstay machine tools in overseas markets, which had previously remained high, stalled with little or no forward momentum. Exacerbating these difficult trends, demand in Japan also failed to recover.

Under these circumstances, the Star Micronics Group reported net sales of ¥78,196 million for the year under review, down 10.5% compared with the previous year. Despite the overall impact of depreciation in the value of the yen, this was mainly due to a decline in sales of the Company's mainstay machine tools. From a profit perspective, operating income declined 25.7%, to ¥10,351 million. Net income attributable to owners of the parent fell 20.6%, to ¥8,175 million.

Meanwhile, Smart Solution Technology, Inc. (SST) was included in the Company's scope of consolidation and the Special Products Segment effective from the year under review.

NET SALES

(Millions of yen, %)



02 Business Overview

In the Machine Tools Segment, sales of CNC automatic lathes decreased. Notwithstanding progress from the beginning of the year under review to reduce the order backlog from the previous year mainly in the U.S. and European markets, this decrease was ostensibly due to delays in market recovery in China. By geographic region, sales in the U.S. declined overall owing to sluggish market conditions, which largely reflected such factors as the prolonged upswing in interest rates. In addition, sales in the European market increased significantly centered mainly on automotive-related products. Meanwhile, sales decreased substantially in the Asian market. This was essentially attributable to weak sales of automotive- and telecommunications-related products on the back of the continued cautious approach toward capital investment in China over the latter half of the previous year and other factors. Sales declined significantly in the domestic market, for the most part due to the continued lackluster performance of the automotive sector.

Accounting for each of the aforementioned factors, sales and income declined year on year. In specific terms, sales decreased 10.6% compared with the previous year, to ¥62,085 million. Operating income declined 15.5%, to ¥10,350 million.

Turning to the Special Products Segment, sales of POS printers declined. This largely reflected the downturn in mPOS demand, which had remained robust. Looking at trends by geographic region, sales in the U.S. market decreased substantially owing to the downturn in mPOS demand. Sales in the European market were essentially unchanged from the previous year due to the impact of such factors as the yen's depreciation. Meanwhile, despite weak market conditions throughout the domestic market, sales in Japan increased significantly compared with the previous year owing to the inclusion of SST in the Company's scope of consolidation.

Accounting for these factors, sales decreased 10.3% compared with the previous year, to ¥16,111 million. Operating income declined substantially year on year, to ¥1,953 million, down 48.0%.

03 Outlook for the Following Year

Looking ahead, conditions throughout the global economy are expected to remain uncertain. In addition to ongoing concerns surrounding such geopolitical risks as the prolonged crisis in Ukraine and military conflicts in the Middle East, this is due to a variety of factors, including anxieties toward a slowdown in economic activities owing to the impacts of continued inflation and the tightening of global monetary policy.

Under these circumstances, and in the context of the Company's consolidated business performance for the coming year, sales in the mainstay Machine Tools Segment are forecast to decline. Despite expectations of a recovery mainly for automotive-related products in Japan and an anticipated gradual positive turnaround overseas toward the latter half of the coming year, this forecast decline is amid sluggish capital investment demand across all regions since the previous year. In the Special Products Segment, sales are projected to decline. While sales are expected to increase due to new products, this forecast downturn largely reflects the overall weak nature of market conditions especially in the U.S.

Taking into account the aforementioned factors, our outlook for consolidated results in the coming year is a downturn. In specific terms, we expect a decrease in net sales of 15.9% compared with the year under review, to ¥65,800 million. On a year-on-year basis, operating income is forecast to decline 32.4%, to ¥7,000 million and net income attributable to owners of the parent to also drop 37.6%, to ¥5,100 million in the year ending December 31, 2024.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY135 and the yen/Euro exchange rate will be JPY150.

NET SALES AND OPERATING INCOME

(Millions of yen)



04 About the Medium-Term Management Plan

The Star Micronics Group formulated its Medium-Term Management Plan in 2022 as part of a review of its Corporate Philosophy, Purpose, Management Policy, and Action Guidelines to empower employees to make decisions and act autonomously as it seeks to become a company that grows sustainably together with society. At the same time, we formulated a Vision for 2030. (Please refer to pages 10-14 of the Company's Medium-Term Management Plan for details.)

In order to realize its Vision for 2030, the Company has divided the next nine years into three-year periods. In working toward "building a foundation for change," "driving change," and "realizing our vision" over each period, respectively, Star Micronics has formulated the first Medium-Term Management Plan covering the three years from 2022 to 2024. Details of issues to be addressed and progress in 2023, the second year of the Company's First Medium-Term Management Plan, are presented as follows.

Positioning the mPOS and food delivery markets as a principal area of operations, the Star Micronics Group will work to further expand sales of printers and peripheral equipment while at the same time refining software technologies in a bid to continue providing new value to customers. Through these means, the Group will endeavor to become a total solution provider for store operations in the Specialty Products Segment.

In 2023, the Star Micronics Group expanded its product lineup, including label printers and peripheral equipment, while undertaking plans for new products. Moving forward, the Group will further step up its new product planning activities.

In the Machine Tools Segment, the Group will strengthen the production system in Thailand and China, position the Kikugawa Factory as a sustainable factory that nurtures people, develops technology, and grows together with society and promote large-scale renovation in order to meet robust demand for facilities and equipment. At the same time, steps will be taken to delve deeper into hardware technologies and adopt software technologies, and to further cement the Group's position as a leading manufacturer of automatic lathes.

In addition to the start of operations at the Asia Solution Center in Shanghai, steps were completed to upgrade and expand facilities and equipment at the Company's factory in Thailand as a part of efforts to strengthen the production system. These initiatives were geared toward reinforcing sales in 2023. In 2024, plans are in place to establish a sales subsidiary in India with the aim of cultivating the Indian market. Moreover, renovation work is finally scheduled to comment at the Group's Kikugawa Factory.

As far as new business is concerned, the Group will focus on uncovering opportunities in the three production DX, store DX, and logistics DX domains while aiming to construct a new business model mainly through M&As.

In 2023, Star Micronics completed steps to include SST, a company with strengths in software and system development, in the Company's scope of consolidation as a wholly owned subsidiary. To use this as a foothold to explore opportunities in each of the three DX domains, we will work to improve the DX capabilities of the entire Group and accelerate the pace of new business creation while incorporating SST's technologies.

From a Group-wide perspective, energies will be directed toward strengthening the management platform, reforming human resource systems that allow employees to maximize their potential, and constructing R&D structures and systems to continuously create proprietary technologies, while vigorously moving forward with initiatives to address material issues based on the Sustainability Policy.

At the start of 2023, we launched the Development Headquarters and initiated activities in a bid to establish R&D structures and systems. As far as strengthening the management platform is concerned, we also established a designated department with management planning functions. In addition to further promoting these activities, we plan to put in place a new human resource structure and systems in 2024.

Positioned as KPIs, we are targeting cumulative operating cash flow of ¥20-¥25 billion, an average consolidated annual operating income per employee of ¥6 million, ROE of 10.0% or more, a ratio of R&D expenses to net sales of 5.0%, and non-consolidated annual education and training outlays per employee of ¥100,000 over the three-year period from 2022 to 2024. In the second year, 2023, operating cash flow came in at ¥7.1 billion on a single-year basis and ¥14.6 billion on



a cumulative basis. On a single-year and average basis, consolidated annual operating income per employee, ROE, the ratio of R&D expenses to net sales, and education and training outlays per employee came in at ¥6.19 million and ¥7.28 million, 10.7% and 13.1%, 2.4% and 2.3%, and ¥70 thousand and ¥80 thousand, respectively.

We will continue to aggressively reform our business and management on an ongoing basis and make concerted Group-wide efforts to enhance our corporate value.

05 Corporate Governance and Shareholder Returns

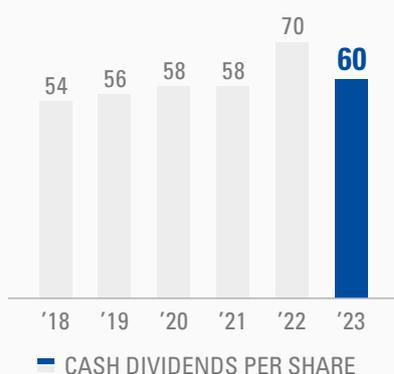
The Board of Directors of the Company consists of three internal directors and four outside directors, and thus the outside directors already account for the majority. Star Micronics has also put in place the non-mandatory Nomination and Compensation Committee as an advisory body to the Board of Directors to enhance the transparency and objectivity of procedures related to the nomination and compensation of directors and executive officers and to further enhance corporate governance.

Star Micronics positions the return and distribution of profits to shareholders as an important management priority. Our basic policy is to maintain payment of a progressive and stable annual dividend of at least ¥60 per share as well as a consolidated total payout ratio of at least 50%, including the repurchase of own shares.

Guided by this policy, Star Micronics plans to pay a period-end dividend of ¥30 per share. Coupled with the interim dividend of ¥30 per share, the Company will pay an annual dividend of ¥60 per share for the year under review, unchanged from the previous year, excluding the previous year's special dividend.

CASH DIVIDENDS PER SHARE

(Yen)



Looking ahead, and once again in line with its policy, Star Micronics plans to pay an interim and period-end dividend of ¥30 per share for an annual dividend of ¥60 per share for 2024.

As far as the Company's internal reserves are concerned, Star Micronics is committed to enhancing its corporate value while increasing shareholders' profits. At the same time, the Company will look to engage in a variety of activities including investment in future growth fields in a bid to ensure its sustainable growth.

In working toward achieving its established goals, the Star Micronics Group kindly requests the continued support and understanding of all stakeholders.

March 2024

Mamoru Sato

Representative Director, President and CEO

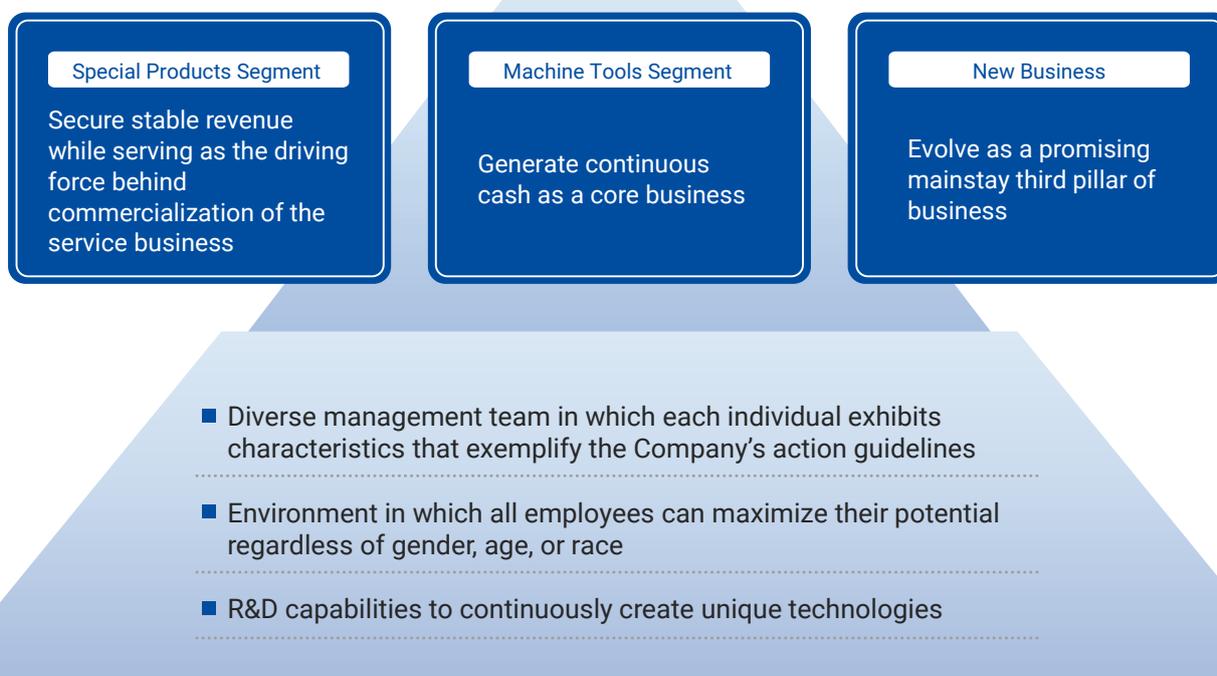
Medium-Term Management Plan

Star Micronics put in place a medium-term management plan in February 2022.

Taking stock of its Corporate Philosophy, Purpose, Management Policy, and Action Guidelines, the Company has outlined its Vision for 2030 based on the structure of this Philosophy and created a roadmap to realize this Vision.

Vision for 2030

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.



Vision Roadmap



Special Products Segment

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



- Commercialize peripheral areas
- Nurture the service business into an earnings stream using software technology



- Become a total solution provider for store operations



Machine Tools Segment

- Strengthen the production system
- Delve into hardware technologies
- Promote the adoption of software technology



- Expand in areas outside the automobile industry
- Commercialize peripheral areas
- Strengthen software technologies



- Establish a position as a leading manufacturer of automatic lathes



New Business

- Uncover and commercialize new segments mainly through M&As



- Uncover and commercialize new segments by utilizing the Company's own resources and collaboration with other companies



- Create new business segments
- 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



- Put in place a diversity management structure and systems
- Reform the corporate culture based on new human resource structures and systems



- Continue to strengthen the management platform



Progress of “Building a Foundation for Change”

In formulating the First Medium-Term Management Plan, Star Micronics has positioned the three years from 2022 to 2024 as a period for building a foundation for change in a bid to realize its Vision for 2030. Progress in 2023, the second year of the Medium-Term Management Plan, and plans for 2024 are presented as follows:

	First Medium-Term Management Plan 2022-2024 Building a foundation for change	2023 Progress	2024 Plans
Special Products Segment	<ul style="list-style-type: none"> Make deeper inroads into the mPOS/food delivery market Uncover peripheral areas Strengthen software technologies through various measures including M&As 	<ul style="list-style-type: none"> Commenced label printer sales Considered new product proposals Strengthened SW development capabilities Put in place and undertook stable cloud environment operations 	<ul style="list-style-type: none"> Expand label printer sales Promote the planning and development of new products Promote the construction of a cloud-revenue model
Machine Tools Segment	<ul style="list-style-type: none"> Strengthen the production system Delve into hardware technologies Promote the adoption of software technology Cultivate the Indian market 	<ul style="list-style-type: none"> Completed work to expand production capacity at the Thailand factory Formulated domestic factory renovation plans Promoted the development of HW・SW technology Developed a sales strategy for India 	<ul style="list-style-type: none"> Start construction of domestic factories Promote the development of HW・SW technology Establish a sales base in India
New Business	<ul style="list-style-type: none"> Uncover and commercialize new segments mainly through M&As 	<ul style="list-style-type: none"> Promoted activities for each business domain Logistics DX: Considered service proposals Production DX: Promoted the development of processing estimation support software Store DX: Expanded SST's service business 	<ul style="list-style-type: none"> Continued activities at each business domain Logistics DX: Consider service proposals (PoC) Production DX: Promote the development of additional functions Store DX: Expand and develop new services
System Maintenance	<ul style="list-style-type: none"> Strengthen the management platform Strengthen R&D structures and systems Reform human resource systems 	<ul style="list-style-type: none"> Strengthened business management systems Established the Development Headquarters Put in place a new human resource structure and systems 	<ul style="list-style-type: none"> Strengthen business management systems Put in place a new human resource structure and systems

*DX: Digital Transformation, HW: Hardware, SW: Software

In addition, progress of each KPI is presented as follows:

KPI	Target (Next three-year cumulative/average)	2022 Actual	2023 Actual	2024 Forecast
Operating cash flow (cumulative)	¥20.0 billion – ¥25.0 billion	¥7.5 billion	¥7.1 billion	¥7.0 billion (cumulative ¥21.6 billion)
Operating income per employee (consolidated)	¥6.00 million	¥8.37 million	¥6.19 million	¥4.11 million (average 6.22 million)
ROE	10.0% or more	15.4%	10.7%	6.4% (average 10.8%)
Ratio of R&D expenses to net sales	5.0%	2.3%	2.4%	3.0% (average 2.5%)
Education and training outlays per employee (non-consolidated)	¥100 thousand	¥89 thousand	¥70 thousand	¥143 thousand (average ¥101 thousand)

Business Strategy

[Special Products Segment]

First Medium-Term Management Plan 2022-2024 KPIs

	Target (Next three-year average)	2022 Actual	2023 Actual	2024 Forecast
ROA	20.0%	26.4%	13.0%	9.7% (average 16.4%)
Operating income ratio	18.0%	20.9%	12.1%	8.8% (average 13.9%)

Principal Initiatives

1. Explore and expand sales of products other than printers used in stores
2. Strengthen cloud-related technologies with an eye to external alliances
3. Optimize production and logistics through reorganization of EMS partners

2023 Progress

1. Expanded the lineup of label printers and peripheral equipment and undertook new product planning
2. Undertook stable operation of Star Micronics Cloud Service (SMCS) and reinforced development capabilities
3. Considered the optimization of production and logistics through reorganization of EMS partners

2024 Plans

1. Expand sales of new products (label printers, etc.) and further promote planning; promote development with an eye toward demonstration experiments
2. Build a Star Micronics Cloud Service (SMCS) revenue model
3. Promote the optimization of production and logistics through reorganization of EMS partners

[Machine Tools Segment]

First Medium-Term Management Plan 2022-2024 KPIs

	Target (Next three-year average)	2022 Actual	2023 Actual	2024 Forecast
ROA	15.0%	19.6%	15.4%	12.0% (average 15.7%)
Operating income ratio	15.0%	17.6%	16.7%	15.2% (average 16.5%)

Principal Initiatives

1. Globally expand the Company's Solution Center; establish solution centers in Europe and Asia; build a user support system in collaboration with Japan
2. Promote the development of mechanical technology and before/after-sales service support software
3. Expand production capacity through three manufacturing bases
 - (1) Undertake a large-scale renovation of domestic factories
 - (2) Increase floor area at the Company's Dalian factory
 - (3) Upgrade and expand facilities and equipment at the Company's factory in Thailand
4. Expand sales in the Indian market

2023 Progress

1. Started operations at the Asia Solution Center; completed design of the Europe Solution Center
2. Promoted the development of mechanical technology (medical application, etc.) and processing estimation support software; promoted the creation of digital content
3. Increased capacity by expanding production at three manufacturing bases
 - (1) Undertook a large-scale renovation of domestic factories (completed the formulation of plans; started existing factory demolition work)
 - (2) Completed steps to expand facilities and equipment at the Company's factory in Thailand
4. Formulated a sales strategy for India

2024 Plans

1. Commence construction of the Europe Solution Center; coordinate with both solution centers in Japan and Asia (upgrade and expand before/after-sales services)
2. Commence operation of processing estimation support software and promote the development of mechanical technologies (medical application, etc.); commence providing digital content
3. Increase capacity by expanding production at three manufacturing bases
 - (1) Commence construction the Kikugawa South Factory (core component factory)
 - (2) Put in place detailed plans for the Makinohara Factory (machinery assembly factory)
4. Establish a sales base in India

[New Business]

Create new business value that contributes to improving business efficiency of customers

Principal Initiatives Develop and commercialize new business proposals mainly through the use of M&A's

Target Consider a new services revenue model and transition to the execution phase

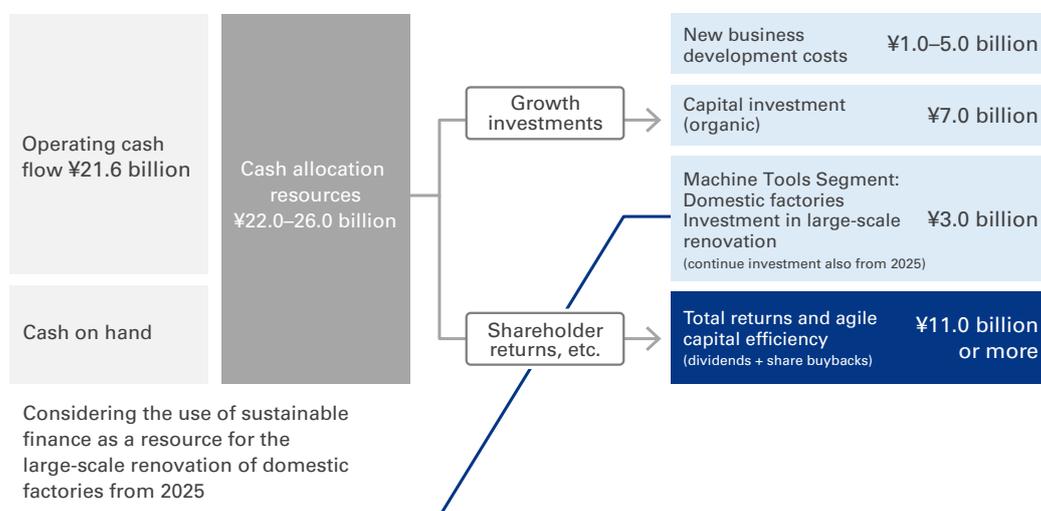
New Business Domains

Business Domain	Value Provided/Business Process	2023 Progress
Logistics DX	Provide systems to streamline the processes of small and medium-sized warehousing and distribution operations	Considered new service businesses and began searching for potential service partners
Store DX	Provide hardware and software (systems) that streamline store operations	Included Smart Solution Technology, Inc. (SST) in the Company's scope of consolidation as a wholly owned subsidiary; promoted PMI; expanded sales of store DX services
Production DX	Provide new services related to the Machine Tools Segment	Promoted the development and internal introduction of processing estimation support software in cooperation with the Machine Tools Segment

Cash Allocation

Drawing on its operating cash flow and cash on hand over the three years of the First Medium-Term Management Plan, Star Micronics will allocate ¥11 billion to growth investments as a part of efforts to carry out the aforementioned principal initiatives and ¥11 billion or more to address certain concerns including the return of profits to shareholders.

Fund Allocation Plan (2022–2024)



Star Micronics shareholder return policy is to maintain payment of a progressive and stable annual dividend of at least ¥60 per share as well as a consolidated total payout ratio of at least 50%, including the repurchase of own shares.

Review of Operations

SPECIAL PRODUCTS

Point-of-sale (POS) printers used at such places as restaurants are the main products in the Special Products Segment. In recent years, demand for mobile POS (mPOS) printers that are compatible with tablet terminals, smartphones, and other devices has been expanding. mPOS products are available under the mCollection™ brand, which not only includes printers but also such peripheral devices as cash drawers. In addition to conventional receipt applications, the product lineup includes label printers. Moreover, the Company also offers Star Micronics Cloud Services (SMCS), a cloud-based service for printers through its Special Products Segment. In April 2023, Smart Solution Technology, Inc. (SST), a company that is active in the touch point solution business, was newly included in Star Micronics' scope of consolidation.

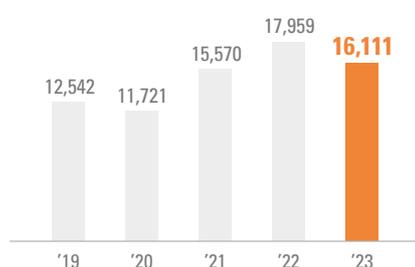


SALES BY SEGMENT



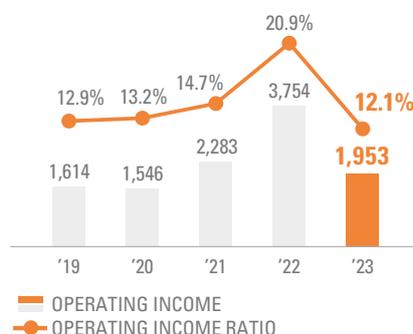
NET SALES

(Millions of yen)



OPERATING INCOME & OPERATING INCOME RATIO

(Millions of yen, %)



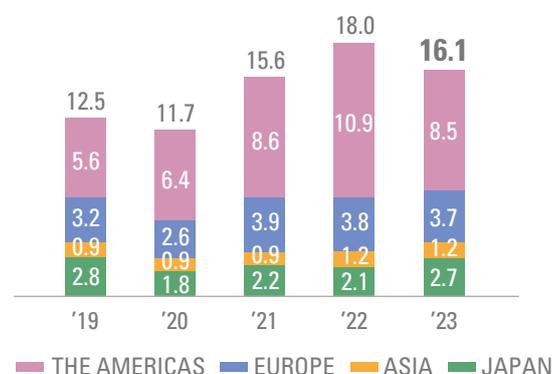
Business Environment and Results in 2023

Turning to the Special Products Segment, sales of POS printers declined in 2023. This largely reflected the downturn in mPOS demand, which had remained robust. Looking at trends by geographic region, sales in the U.S. market decreased substantially. Despite the impact attributable to depreciation in the value of the yen, this decline in sales in the U.S. was mainly due to the downturn in mPOS demand. While market conditions were generally weak, sales in the European market were essentially unchanged from the previous year due to a variety of factors, including depreciation in the value of the yen. Turning to the Asian market, sales were for the most part also the same year on year. Meanwhile, despite weak market conditions throughout the domestic market, sales in Japan increased significantly compared with the previous year owing to the inclusion of SST in the Company's scope of consolidation.

Accounting for each of the aforementioned factors, net sales in the Special Products Segment decreased 10.3% compared with the previous year, to ¥16,111 million (US\$113,458 thousand). From a profit perspective, operating income fell 48.0% year on year, to ¥1,953 million (US\$13,753 thousand).

SPECIAL PRODUCTS SEGMENT SALES BY GEOGRAPHICAL REGION

(Billions of yen)



Outlook for 2024 and Business Strategies

In 2024, overall sales in the Special Products Segment are projected to decline. Despite expectations of an upswing in sales attributable to new products and an increase in sales in Japan on the back of contributions from SST, this forecast downturn largely reflects the overall weak nature of market conditions especially in the U.S.

Star Micronics has positioned the mPOS and food delivery markets as areas on which to focus. As far as each of these markets are concerned, the Company released the TSP100IV SK, a linerless sticky label printer that supports repositionable labels, in November 2023 and a new model in the mC-Print®3 series of thermal mPOS printers in January 2024. Designed specifically for linerless sticky labels that can be easily removed and reapplied, the TSP100IV SK addresses the label printing needs of restaurants and retail stores. Moving forward, Star Micronics will work to further increase its share in the expanding label printer market.

From a business results perspective, net sales are projected to come in at ¥14,870 million, down 7.7% compared with the current fiscal year. On the earnings front, operating income is forecast to decline 32.9% year on year, to ¥1,310 million.



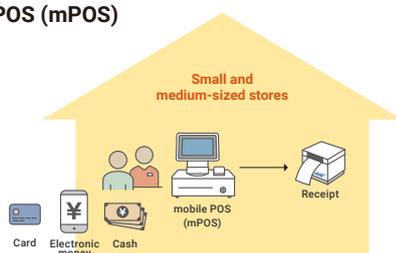
POS printer mC-Print3

Sales Volume of POS Printers by Region

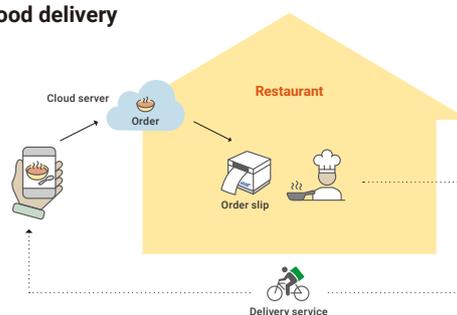
(Thousands of units)

	2022	2023	Change
The Americas	341	257	-24.6%
Europe	135	106	-21.5%
Asia	50	41	-18.0%
Japan	56	53	-5.4%
Total	583	459	-21.3%

mobile POS (mPOS)



Food delivery



Release of TSP100IV SK, a Linerless Sticky Label Printer

Star Micronics released a linerless sticky label printer that supports repositionable labels to meet the label needs of restaurants and retail stores in February 2024. Various types of labels are currently in use throughout today's market. Linerless labels, in particular, are becoming increasingly popular owing to their convenience, reduced peeling time, and eco-friendly attributes that help eliminate excess waste. Turning to the types of linerless labels, sticky labels, which have weak adhesiveness, are distinguished by their removeable and re-appliable qualities. As such, sticky labels can be used in a variety of ways. This includes their temporary use as a slip for order cooking, which can then be attached to the delivery bag after cooking is completed. By responding to these needs through this product, we will work to further increase our share in the expanding label printer market.



Review of Operations

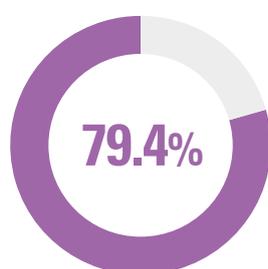
MACHINE TOOLS

In the Machine Tools Segment, Star Micronics' Swiss-Type CNC Automatic Lathes are ideally suited for precision component processing with high accuracy and are used in the processing of a wide range of components including automotive parts as well as communication equipment and medical components. Star Micronics has put in place solutions that consistently address users' needs by leveraging the latest technologies including its proprietary Star Motion Control System and web-based application that optimizes and monitors machine operations, respectively.



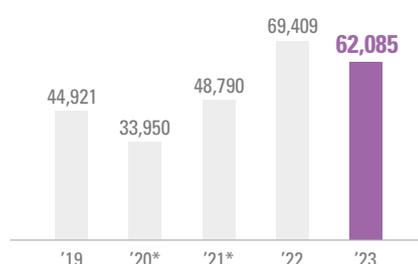
CNC automatic lathe video <https://youtu.be/5eJjAH6Z2vA>

SALES BY SEGMENT



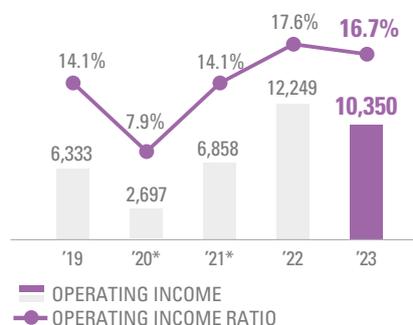
NET SALES

(Millions of yen)



OPERATING INCOME & OPERATING INCOME RATIO

(Millions of yen, %)



Business Environment and Results in 2023

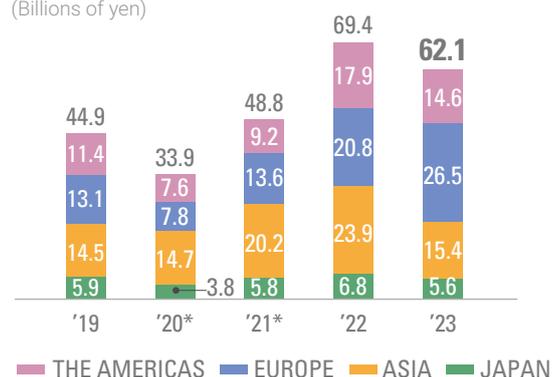
In the Machine Tools Segment, sales of CNC automatic lathes decreased in 2023. Notwithstanding progress from the beginning of the year under review to reduce the order backlog from the previous year mainly in the U.S. and European markets, this decrease was ostensibly due to delays in market recovery in China. By geographic region, sales in the U.S. declined overall owing to sluggish market conditions, which largely reflected such factors as the prolonged upswing in interest rates. In addition, sales in the European market increased significantly centered mainly on automotive-related products. Sales volume exceeded 1,000 units for the first time in 14 years. Meanwhile, sales decreased substantially in the Asian market. This was essentially attributable to weak sales of automotive- and telecommunications-related products on the back of the continued cautious approach toward capital investment in China over the latter half of the previous year and other factors. Sales declined significantly in the domestic market, for the most part due to the continued lackluster performance of the automotive sector.

Accounting for these factors, net sales in the Machine Tools Segment decreased 10.6% compared with the previous year, to ¥62,085 million (US\$437,218 thousand), while operating income declined 15.5% year on year, to ¥10,350 million (US\$72,887 thousand).

* In conjunction with its decision to dissolve the Precision Products Division, Star Micronics Co., Ltd. took steps to revise the classification of its business segments in 2020. Effective from 2021, the Company reclassified the three Special Products, Machine Tools, and Precision Products segments into the two Special Products and Machine Tools segments. Meanwhile, turning to segment information in 2020, the amount included in the Precision Products Segment is now included in the Machine Tools Segment.

MACHINE TOOLS SEGMENT SALES BY GEOGRAPHICAL REGION

(Billions of yen)



Outlook for 2024 and Business Strategies

Under these circumstances, and in the context of the Company's consolidated business performance for the coming year, sales in the mainstay Machine Tools Segment are forecast to decline in 2024. Despite expectations of a recovery mainly for automotive-related products in Japan and an anticipated gradual positive turnaround overseas toward the latter half of the coming year, this forecast decline is amid sluggish capital investment demand across all regions since the previous year.

Looking ahead, Star Micronics will move forward with plans to undertake the large-scale renovation of its domestic factories. In specific terms, the Company will undertake work on the Kikugawa South Factory to boost manufacturing of core components and on the Makinohara Factory to engage in body assembly, thereby expanding production capacity through three manufacturing bases. In addition, the Asia Solution Center commenced operations in 2023, and preparations are underway for the Europe Solution Center. Building on these endeavors, Star Micronics is also strengthening its sales structure by enhancing before-and after-sales services in Japan, Europe, and Asia.

Furthermore, we are planning to establish a machine tool sales subsidiary in India, where demand for CNC Swiss-type automatic lathes is expected to grow.

As far as business results are concerned, net sales in the Machine Tools Segment are forecast to decline 18.0% compared with the year under review, to ¥50,930 million. Operating income is anticipated to decrease 25.4% year on year, to ¥7,720 million.



CNC Swiss-Type Automatic Lathe SL-10

Release of SP-20, a CNC Swiss-Type Automatic Lathe

Star Micronics developed the SP-20, a CNC Swiss-Type Automatic Lathe capable of supporting parts machining in various industries such as automobiles, hydraulic/pneumatic equipment, and general machinery. Global sales commenced in December 2023. Currently, the existing SB and SR series comprise models that can accommodate volume zone light multifunction machining up to 20 mm. With the growing diversification of market needs, however, Star Micronics has upgraded and expanded its lineup in response to feedback from its customers and calls for the machining of components up to around 23 to 25 mm using 20 mm class models as well as the need for a few more tools.

On the day of the release, the Company hosted a press conference for the media and held a preview for domestic distributors. At the preview, participants listened intently to explanations and asked questions in front of the actual equipment, providing a sense that the product was attracting high expectations.



RESEARCH & DEVELOPMENT

Establishment of the Development Headquarters

As its Vision for 2030, the Star Micronics Group aims to achieve net sales of ¥100 billion and operating income of ¥20 billion through a tri-lateral business structure supported by a management base, human resource systems, and R&D capabilities founded on its corporate philosophy. In working to achieve this Vision, we have positioned “building a foundation for change” as the theme of the First Medium-Term Management Plan covering 2022 to 2024, and have included the strengthening of R&D structures and systems as a key issue for structural enhancement.

In light of the aforementioned, we established the new Development Headquarters that serves as the core for business creation and intellectual property strategies in 2023, and have since expanded our staff lineup. Currently, we are pioneering businesses under the themes of production DX, store DX, and logistics DX. As a result of these efforts, we have completed a processing work-hour estimation system for the Machine Tools Segment, and successfully welcomed Smart Solution Technology, Inc. (SST), into the Group.

SST Joins the Group, Bringing with It Outstanding Technology Development Capabilities

Following the completion of acquisition procedures for all shares in April 2023, SST became a member of the Star Micronics Group. Guided by its corporate philosophy of Technology to Culture, SST pursues technologies that enrich the touch points of society and is engaged in the creation of solutions that integrate the virtual world of mobile communication and the Internet with the real world of businesses, stores, and users. In addition to the design and development of hardware, SST also boasts outstanding technology development capabilities across such wide-ranging fields as software development for control purposes, systems development for various services, and mobile application development.

By bringing SST’s products and services together with our global supply chain, sales network, and solid quality assurance system, we foresee DX capability improvements throughout the Company, and aim to create and build new business segments with future potential. In this manner, we will contribute to the sustainable development of society through the mutual use of management resources that leverage the respective strengths of both companies.

Expected Synergies (Current assumption)

	Purpose	Action	Impact on business results
Short-term	<ul style="list-style-type: none"> Explore new sales channels for the Special Products Segment’s products and SST’s products 	<ul style="list-style-type: none"> Understand each other’s products and services Plan for cross-selling Share product development technology and know-how 	<ul style="list-style-type: none"> Acquire new customers (existing business)
Mid-term	<ul style="list-style-type: none"> Continue to promote collaboration with the Special Products Segment Accelerate efforts in the software and service sectors 	<ul style="list-style-type: none"> Strengthen R&D capabilities Plan and develop new products and software/services in each DX business domain 	<ul style="list-style-type: none"> Expand new customers Improve profitability through the stock business
Long-term	<ul style="list-style-type: none"> Build new business segments 	<ul style="list-style-type: none"> Create new businesses that utilize technical development capabilities and core technologies Discover products and services that solve customers’ problems 	<ul style="list-style-type: none"> Refine into a business that will become a promising third pillar

Smart Solution Technology, Inc., Corporate Profile

Company name	Smart Solution Technology, Inc.
Location	1-15 Kagurazaka, Shinjuku-ku, Tokyo
Representative’s title and name	Susumu Yamakawa Representative Director, President
Business activities	Touch point solution business (1) Development and sale of the PitTouch series of proprietary Smart terminals (2) Development and sales of Zeetle CS, a sales promotion service for stores, and TrustSound, an authentication service using proprietary audio communication technology
Paid-in capital	¥52 million
Date of establishment	December 27, 2012



The PitTouch Series is used as a contactless IC card time clock terminal for attendance management systems and as a transit pass information reader for expense settlement systems. Moreover, it is also used as an authorization terminal for in-store sales promotion point services targeting smartphone users.



SOLUTION CENTER

Equipped with a full range of functions, Star Micronics has established the Solution Center in Kikugawa City, Shizuoka Prefecture, for the purpose of providing before and after-sales services to users, collecting technical information, and strengthening marketing in the Machine Tools Segment.

The Solution Center is equipped with a showroom, where state-of-the-art equipment is permanently on display, a dedicated NC school room for machine operation training, evaluation testing and measurement rooms, reception rooms equipped with a web conference system, a conference room that can accommodate approximately 100 people, and a sales office for the Machine Tools Segment.

In addition to new product presentations for news media and new product previews for domestic distributors, the Solution Center hosts a variety of events attended by numerous customers. While providing sales support by conducting processing technology and maintenance workshops for distributors and engineers, the Center also works to increase customer satisfaction by providing optimal solutions that encompass a wide range of areas, including test processing and operator training.

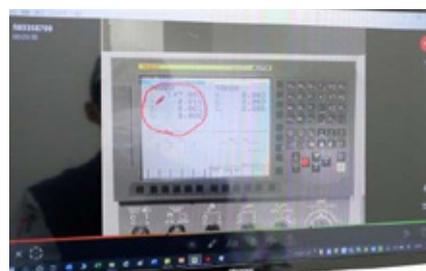
In addition, the Solution Center places considerable emphasis on such aspects as web-based information dissemination and service. The Center can also help upgrade and expand online services while serving as a venue for holding online private shows and providing remote support via customers' smartphones.

Moving forward, Star Micronics will continue to directly provide services to its users both on a face-to-face as well as online basis.

Utilizing the remote support application, acty, to connect customers' smartphones to the Solution Center call center



The customer's smartphone



Star Micronics sales staff PC

For more information about the Solution Center, please refer to the following URL.

<https://star-m.jp/eng/products/lathe/solutioncenter/index.html>

A video of the Solution Center is also provided at the following URL.

<https://m.youtube.com/watch?v=ZrhXF8qKPk&feature=youtu.be>



Looking beyond Japan, Star Micronics is promoting plans to establish solution centers in Europe and Asia in order to expand its Solution Center network globally. As a part of these plans, the Asia Solution Center was completed at Shanghai Xingang Machinery Co., Ltd. (Shanghai Xingang) in Shanghai, China, in September 2023. Plans are also underway to establish the Europe Solution Center at Star Micronics AG (SMAG) in Zurich, Switzerland.

Star Micronics will work to boost sales of machine tool products by upgrading and expanding its before and after-sales services while at the same time working to build a user support system by collaborating with each solution center.

Shanghai Xingang Machinery Co., Ltd.

Construction of the Asia Solution Center was completed at Shanghai Xingang, a Group company responsible for the sale of machine tools in the Chinese market. While serving as a showroom that can support sales and bolster proposal capabilities, the Asia Solution Center will help solidify relationships with distributors and uncover latent demand.

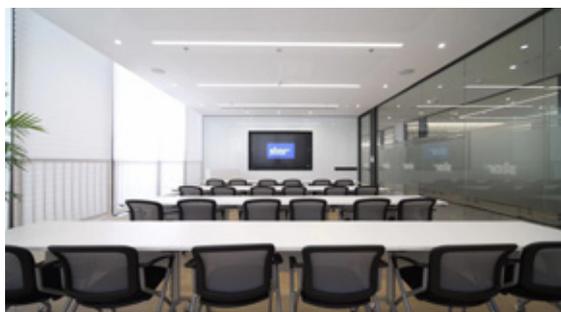
The Asia Solution Center will not only strengthen sales activities by hosting a variety of events, including product briefings and private viewings, but also reinforce before and after-sales services by staging training sessions on the latest technologies that address customers' needs as well as workshops to improve the technical expertise of distributors. Moreover, through the Asia Solution Center, the Star Micronics Group will put forward processing technologies and high-value-added applications that help solve customers' issues and improve customer satisfaction.



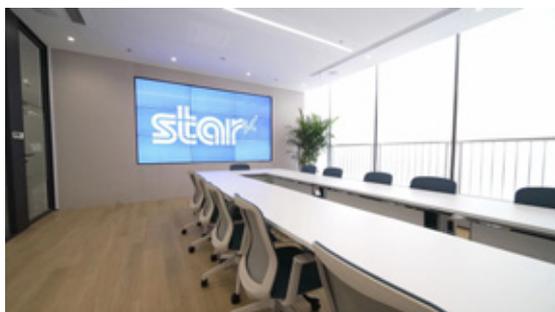
Asia Solution Center



Showroom



NC school



Large conference room

Star Micronics AG

Star Micronics has decided to construct a new building at SMAG. In addition to expanding the existing showroom and increasing the number of machines to be exhibited, plans are also in place to set up a workshop area to hold sessions for sales representatives. In this manner, this new facility will serve as a solution center to help showcase the Group's operations in Europe. By providing before-sales services and further reinforcing its ability to propose various applications, Star Micronics is looking to expand its market share in Europe. The facility is scheduled to open in 2025.



Europe Solution Center (conceptual image)

SUSTAINABILITY

In formulating its Medium-Term Management Plan in February 2022, Star Micronics provided details of the Group's Sustainability Policy. Under this 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. At the same time, Star Micronics identified specific material issues and targets from each of the environmental, social, and governance (ESG) perspectives.

In order to put our corporate philosophy and basic sustainability policy into practice, we have partially revised the contents of the existing Star Micronics Group Code of Conduct and renamed it the Star Micronics Group Sustainability Code of Conduct, which came into effect in March 2023.



SUSTAINABILITY ENVIRONMENT



Material issues	Targets
<ul style="list-style-type: none"> Addressing climate change by reducing CO₂ emissions Creating environmentally friendly products 	<ul style="list-style-type: none"> Reducing greenhouse gas emissions Promoting disclosure under TCFD and other frameworks Creating new businesses and products leveraging proprietary technologies

2023 Progress

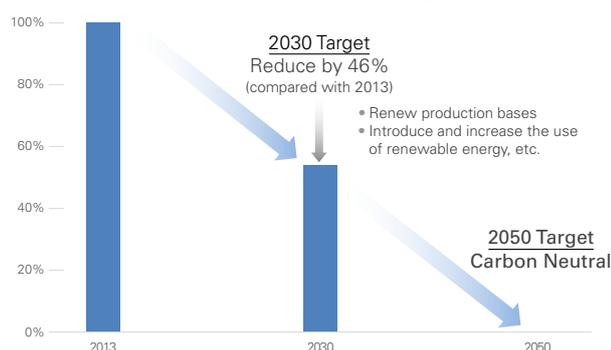
- Building an emission data management system
- Declared our endorsement of the TCFD and implemented disclosure.

Carbon Neutral

Star Micronics has set a goal to reduce greenhouse gas emissions in a bid to address climate change. The Company plans to reduce greenhouse gas emissions by 46%, compared with 2013, by 2030 and achieve carbon neutrality by 2050 through various measures including the renewal of production bases in Japan and the introduction of renewable energy. In 2023, we put in place an emission data management system within the Group, including all consolidated subsidiaries. Operations under this system commenced in 2024.

Addressing Climate Change

Greenhouse Gas Reduction Target



*Scope 1 and 2, including non-consolidated and major consolidated subsidiaries

CO₂ emissions

(Scope 1 and 2, including non-consolidated and major consolidated subsidiaries)

	2019	2020	2021	2022	2023
(t-CO ₂)	15,105	9,923	11,642	12,109	11,565

Environmentally Friendly Products

In its Special Products Segment, Star Micronics offers a lineup of printers that facilitate the practice of environmentally friendly product manufacturing. The Company released TSP100IV SK, a linerless sticky label printer that supports repositionable labels in 2023. This environmentally friendly printer addresses the need for linerless sticky labels that can be peeled off and repositioned even after the label has been applied, eliminating the need for wasteful liner paper.

In its Machine Tools Segment, Star Micronics engages in thoroughgoing research not only in the planning and design processes that determine product performance, but also in the procurement of parts and the manufacturing process in order to respond optimally to environmental considerations throughout the entire life cycle of its products. To support our customers' environmental initiatives, we have also included functions to reduce waste and power usage during processing. In addition to Star Motion Control and Step Cycle Pro, we have developed various functions that help reduce power consumption, including Eco Mode, which lowers power consumption while the machine is idling.



Use cases of TSP100IV SK



SD-26 equipped with ECO Mode function

Information Disclosure Based on the TCFD Recommendations

[Introduction]

Formulated in February 2022, the Star Micronics Group's Sustainability Policy is based on the concept of the Company and employees growing together and contributing to society. In putting into practice this fundamental concept, we recognize the importance of not only the economic, but also the social and environmental aspects of our business activities as we help bring about a sustainable society and enhance corporate value. As a company that operates in countries and regions throughout the world, we also recognize the critical need to address such issues as climate change. In order to meet the expectations and demands of our stakeholders, we have identified and are promoting initiatives to address climate change by reducing CO₂ emissions and create environmentally friendly products as material priority issues.

Against this backdrop, the Star Micronics Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in February 2023. With this in mind, 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.



[Governance]

The Group established the Sustainability Committee as a body to make decisions on important matters related to climate change. Chaired by the representative director, president and CEO, and comprised of full-time directors and executive officers, the Committee identifies material sustainability issues, including climate change, sets targets for the resolution of these issues, and promotes Group-wide initiatives. Details of decisions made by the Sustainability Committee as well as counter and related measures are disseminated to each division and Group company through the subordinate Environmental Sub-committee.

The results of activities at each division and Group company are regularly reported to the Sustainability Committee through the Environmental Sub-committee to enhance efficacy and implementation.

As a part of the oversight function, the Sustainability Committee reports regularly to the Board of Directors on the performance and progress of activities.

Environmental Management Framework



Environmental Management Framework Meeting Structure

Meeting structure	Main role	Composition	Frequency	2023 Results
Board of Directors	<ul style="list-style-type: none"> Supervision of measures to address environmental issues in the execution of business operations 	All Board members	In principle monthly	11 times
Sustainability Committee	<ul style="list-style-type: none"> Identify material sustainability issues Identify climate change risks and opportunities Put in place a climate change activity policy Monitor the status of each division's efforts to address climate change Report on the status of climate change risk and opportunity activities to the Board of Directors 	Chairperson: Representative Director, president and CEO Committee members: Full-time directors and executive officers	Semi-annually (extraordinary sessions held as required)	3 times
Environmental Sub-committee	<ul style="list-style-type: none"> Evaluate climate change risks and opportunities Formulate climate change risk and opportunity countermeasures 	Members selected in each division	Semi-annually (extraordinary sessions held as required)	3 times
Risk Management Committee	<ul style="list-style-type: none"> Determine policies to address emerging risks Report to the Board of Directors on the Committee's deliberations 	Chairperson: Representative Director, president and CEO Committee members: Full-time directors and executive officers	Semi-annually (extraordinary sessions held as required)	2 times

[Risk Management]

Climate change risks are evaluated and managed by the Sustainability Committee. Information is also shared with the Risk Management Committee as necessary.

While climate change risks are identified by the Sustainability Committee, the Environmental Sub-committee evaluates the impact of these risks and considers countermeasures, which are then rolled out to each division and Group company.

The results of the Sustainability Committee's deliberations are regularly reported to the Board of Directors, which advises and supervises the Sustainability Committee's efforts.

[Strategies]

The Star Micronics 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.

In specific terms, 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

Risks and Opportunities Identified

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Create environmentally friendly products
	Resource efficiency	Decrease in manufacturing costs due to switch to energy-saving equipment and improved operating efficiency	Medium	Small	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Strengthen the service network

[Indicators and Targets]

1. Indicators

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

2. Targets

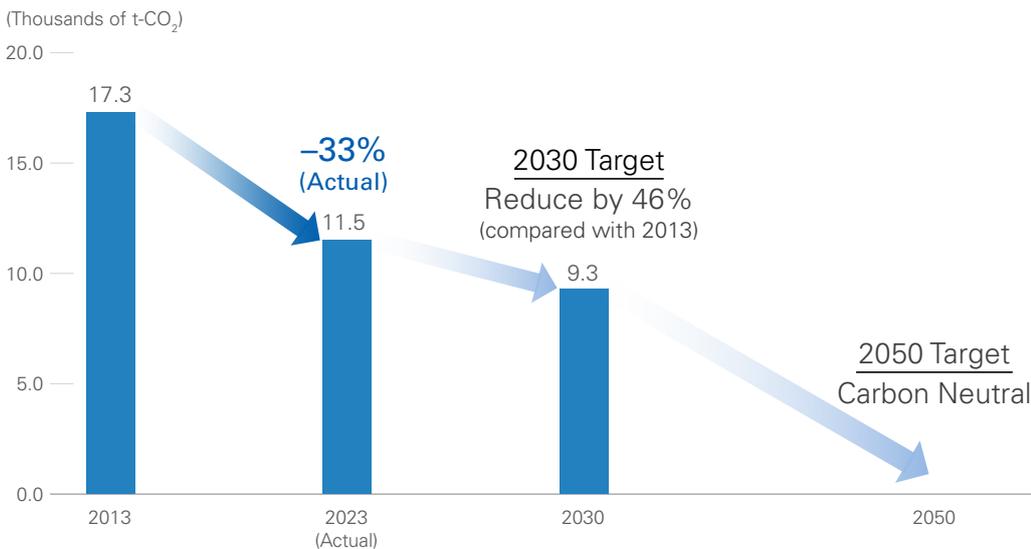
The Star Micronics Group has set targets for the reduction of scope 1 and 2 GHG emissions of 46% in 2030 compared with 2013 and virtually zero emissions by fiscal 2050. To this end, the Group is promoting reductions in greenhouse gas emissions in a bid to achieve the 1.5°C scenario.

As part of this effort, Star Micronics has been promoting the selection and concentration of its global production base network and is working to improve productivity since 2013. Through these and other means, the Group is endeavoring to reduce GHG emissions.

Looking ahead, plans are in place to renew domestic production bases. The Group is committed to strengthening measures aimed at achieving reduction targets. These efforts include the use of renewable energy while striving to improve production efficiency by introducing energy-saving equipment and promoting DX.

3. Results

Results in reducing scope 1 and 2 GHG emissions are presented as follows:



* Scope 1 and 2, including non-consolidated and major consolidated subsidiaries

* Taking into consideration such factors as the review of calculation rules in 2023 and subsequent recalculation, including past performance results, published data has been changed.



Material issues	Targets
<ul style="list-style-type: none"> Fostering and utilizing diverse human resources 	<ul style="list-style-type: none"> Setting targets for women in management and monitoring progress; career training and support Expanding and sustaining education and training programs for global HR development

2023 Progress

- Completion of detailed design of new personnel system
- Expansion of education and training programs

Human Resource Strategy

Guided by its Sustainability Policy, Star Micronics places considerable emphasis on its human resource strategy based on the core concept of the Company and employees growing together and contributing to society. In 2023, the Company continued to push forward the following strategies in an effort to achieve its HR strategy goals of building an environment in which all employees can maximize their potential regardless of gender, age, or race.

HR Strategy Goals

Building an environment in which all employees can maximize their potential regardless of gender, age, or race

1. Constructing new human resource systems

Strategy	Progress and Plans
<ul style="list-style-type: none"> Rolling out a system for professionals (specialist training) Rolling out a benefit framework commensurate with roles and responsibilities 	<ul style="list-style-type: none"> Completing the detailed design of a new human resource structure and systems (to be introduced in 2025) Taking steps to reform the Company's retirement benefits and pension plan (introducing a defined contribution pension plan) Extending the retirement age (currently implementing a progressive transition from the age of 60 to 65)

2. Enhancing diversity

Strategy	Progress and Plans
<ul style="list-style-type: none"> Enhancing women's empowerment (KPI: 10% or more women in managerial positions* by 2030) * Equivalent to or above the position of subsection leader Fostering a corporate climate and changing awareness (manager training, developing flexible and diverse working styles, etc.) 	<ul style="list-style-type: none"> Increasing the percentage of women in management (2021: 1.8% ⇒ 2022: 5.9% ⇒ 2023: 5.9%) Appointing female directors Promoting diverse work styles (expansion of flex and work-from-home systems)

Ratio of Female Workers (Non-consolidated)

(%)

	2019	2020	2021	2022	2023
Employees	19.9	19.5	19.8	20.3	21.4
Managers	1.1	1.1	1.8	5.9	5.9

Promoting diverse work styles

Star Micronics has introduced the following systems to promote diverse and flexible work styles among employees.

System name	Overview
Remote working	A system that allows employees to work from their homes or a comparable location.
Satellite office work system	A system that allows employees to work at other offices that differ from their designated offices.
Flextime work system	A system that allows employees to decide their own daily work start and end times.
Medical leave system	A leave system that can be used in addition to annual paid leave in cases where long-term outpatient (hospitalization) treatment is required due to infertility treatment or intractable diseases, etc.

3. Reinforcing education and training programs: Developing employee autonomy, global human resource

Strategy	Progress and Plans
<ul style="list-style-type: none"> Enhancing upskilling and reskilling initiatives Strengthening global human resource development (establishing a medium- to long-term HR development cycle) Increasing education and training outlays per employee 	<ul style="list-style-type: none"> Introduced DX-related training to promote the DX strategy of each business segment (reskilling) Expanded self-enlightenment support system to support employees who "continue to learn" (encouragement to acquire qualifications, distance learning, online learning assistance, etc.) Expanded public training to nurture autonomous personnel (promoting cross-border learning through joint training with other companies, women-related training, etc.)

Expenses Allocated for Education and Training (Non-consolidated)

	2019	2020	2021	2022	2023
Education and training outlays per employee (Yen)	¥27,179	¥37,462	¥52,731	¥89,084	¥70,334
Total training expenses (Thousands of yen)	¥13,209	¥16,858	¥22,780	¥40,266	¥33,765

Activities Aimed at Further Instilling Action Guidelines within the Group

Star Micronics renewed its Corporate Philosophy, Purpose, Management Policy, and Action Guidelines in February 2022. To this end, management undertook repeated discussions in its bid to complete this renewal and to put in place an autonomous organization that is capable of driving new growth. As a part of efforts to better convey its thoughts in an easy-to-understand manner, the Company published and distributed a philosophy book to employees.

We also held a general meeting of employees, attended by roughly 450 employees, during which we presented the 2023 Action Guidelines Award to those employees who embody our action guidelines. Under its Action Guidelines, Star Micronics calls on all of its employees to act with initiative and courage, to continue learning, to pursue technology, and to focus on team productivity. Action Guidelines awards were presented to the top three vote-getters in a preliminary survey for each category. In addition to many employees voting in the awards survey, the Company received numerous messages outlining their reason for voting.

We will again hold a general meeting of employees and the Action Guidelines Awards in 2024. Moving forward we will continue to strengthen activities to disseminate the Action Guidelines within the Company.

ACTION GUIDELINES



Act with initiative and courage



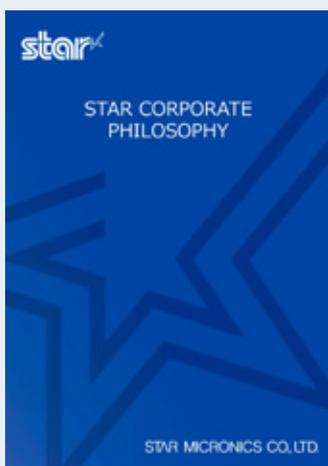
Continue learning



Pursue technology



Focus on team productivity



Philosophy Book



General meeting of employees



Material issues	Targets
<ul style="list-style-type: none"> • More rigorous corporate governance 	<ul style="list-style-type: none"> • Building a more fair and transparent governance framework by addressing Corporate Governance Code guidelines



2023 Progress
<ul style="list-style-type: none"> • Disclosed details of a skills matrix for directors • Strengthened the diversity of the Board of Directors (comprised of a majority of external directors, including female directors) • Continuing to enhance transparency through the Nomination and Compensation Committee

At Star Micronics, our 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 sustained enhancement of corporate value and the realization of a sustained society, and to distribute the results of these efforts appropriately to shareholders and other stakeholders.

Star Micronics 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.

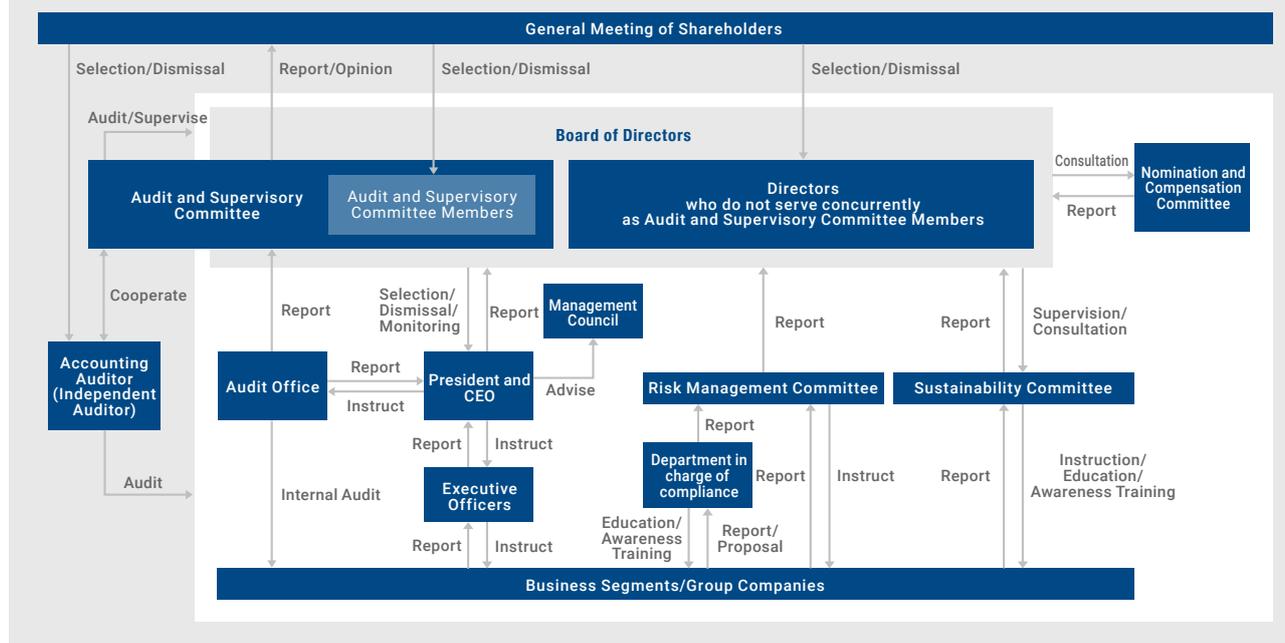
Furthermore, an executive officer system was introduced to Star Micronics to speed up and raise the efficiency of business execution even further, and ensure that management as an organization is flexible and capable of prompt, rational decisions for executing business.

The Board of Directors is comprised of four Directors (one of whom is an independent Outside Director, excluding Directors who serve as Audit and Supervisory Committee Members) and three Directors who serve as Audit and Supervisory Committee Members (all of whom are independent Outside Directors), and is responsible for appropriate and efficient management decisions while supervising the execution of Directors' duties from an independent standpoint.

The Audit and Supervisory Committee is comprised of three independent Outside Directors. In addition to auditing the activities of Directors in the general conduct of their duties, the Audit and Supervisory Committee is responsible for auditing the Company's accounting statements and related documentation and preparing audit reports in accordance with audit policies and plans determined by the Audit and Supervisory Committee. Moreover, the Committee undertakes audits in conjunction with accounting auditors as well as internal audit and related departments.

The Company has put in place the Nomination and Compensation Committee as an arbitrary advisory body to the Board of Directors to increase the transparency and objectivity of procedures related to the nomination and compensation paid to Directors and Executive Officers. The Nomination and Compensation Committee is comprised of five Directors (four of whom are independent Outside Directors) appointed through a resolution of the Board of Directors. The Committee deliberates and reports on matters related to the selection, dismissal and compensation paid to Directors and Executive Officers in line with Board of Directors' consultations.

STAR MICRONICS' CORPORATE GOVERNANCE SYSTEM



Compensation of Directors and Audit and Supervisory Committee Members

Members of the Board of Directors at Star Micronics are compensated in accordance with the Company's earnings performance. Their package consists of basic compensation that is paid monthly on a fixed basis, a yearly bonus as performance-based compensation and stock compensation provided as a medium- to long-term incentive. In view of the tasks that they are asked to perform, Directors who concurrently serve as Audit and Supervisory Committee Members and Outside Directors receive only the basic compensation.

The standard amount of basic compensation paid to Directors (excluding Directors who concurrently serve as Audit and Supervisory Committee Members) is determined by a resolution of the Board of Directors based on the Company's performance as well as the status and position of each Director. Together with the bonus payment outlined below, the basic compensation paid to each Director shall not exceed ¥300 million annually. Of this total, the amount paid to Outside Directors shall not exceed ¥20 million annually.

The amount of basic compensation paid to each Director who concurrently serves as an Audit and Supervisory Committee Member shall not exceed ¥30 million annually and is determined through deliberations by the Audit and Supervisory Committee.

The total amount of bonuses paid to Directors is calculated by multiplying profit attributable to owners of the parent by a payment rate determined by the Company so as to function as an incentive to improve business performance. The amount of each bonus paid to individual Directors (excluding Directors who concurrently serve as Audit and Supervisory Committee Members and Outside Directors) shall be determined in line with the status and position of each Director based on the calculation method determined by the Board of Directors. After consulting with the Nomination and Compensation Committee, an arbitrary advisory body that is comprised of a majority of independent Outside Directors, and in line with the Committee's report, the Company resolved that the payment of Directors' bonuses fell within the scope of performance-based compensation stipulated under Article 34, Paragraph 1.3 of Japan's Corporation Tax Act at a Board of Directors' meeting held on March 28, 2024.

Turning to the matter of stock compensation, an amount is allocated in line with the status and position of each Director

(excluding Directors who serve as Audit and Supervisory Committee Members as well as Outside Directors) as determined by a resolution of the Board of Directors. This amount shall comprise Ordinary Stock Options granted as a medium-term incentive and not exceed ¥20 million annually.

Meanwhile, in addition to granting incentives in a bid to improve the Company's corporate value on a sustainable basis, Star Micronics allocates an amount of Restricted Stock that shall not exceed ¥80 million annually in line with the status and position of each Director (excluding Directors who serve as Audit and Supervisory Committee Members as well as Outside Directors) as determined by a resolution of the Board of Directors as a long-term incentive to further promote shared value with its shareholders.

Breakdown of Compensation of Directors and Audit and Supervisory Committee Members

Director rank	Total compensation, etc. (¥ million)	Total compensation by category (¥ million)					Headcount of those eligible
		Fixed compensation	Performance-based Compensation	Stock Options	Restricted Stock Compensation	Non-monetary compensation, etc. in items on the left	
Directors (excluding Audit and Supervisory Committee Members) (excluding Outside Directors)	149	83	40	—	25	25	2
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	—	—	—	—	—	—	—
Outside Directors and Audit and Supervisory Committee Members	33	33	—	—	—	—	4

Notes:

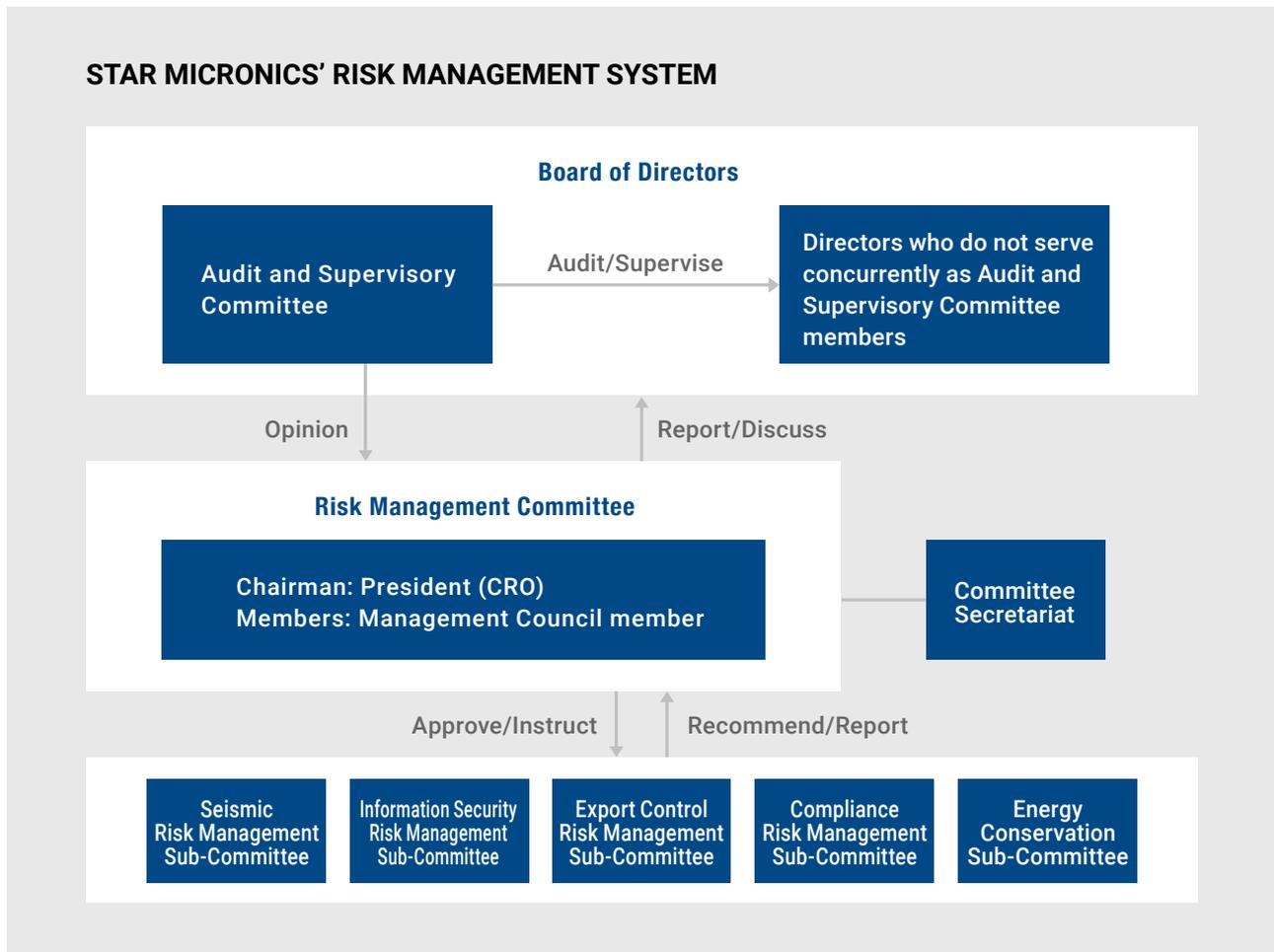
1. The figures for Restricted Stock Compensation and Performance-based Compensation are the monetary amounts recorded as expenses in the fiscal year under review.
2. The aforementioned amount of Director compensation does not include salaries paid to Directors who are also employees of the Company.

Internal Control System

Star Micronics strives to maintain an internal control system that will enable proper and efficient management to drive a continuous increase in corporate value. As far as its compliance structure and systems are concerned, in addition to formulating the Star Micronics Group Sustainability Code of Conduct (https://star-m.jp/eng/files/code_of_conduct.pdf), the Company is working to ensure thoroughgoing compliance through various measures. This includes putting in place rules and organizations. In addition, a department dedicated to corporate social responsibility (CSR) spearheads our compliance activities. This department plays a central role in providing reminders and education on compliance to the Group's Directors, Executives and Employees, and is charged with holding periodic committee meetings and monitoring the status in regard to the Group's adherence with all relevant laws and regulations. Star Micronics also has an appropriate internal control and whistleblower system for ensuring the reliability of its financial reporting, as stipulated in the Financial Instruments and Exchange Law of Japan.

Risk Management

Star Micronics approaches the management of material risks such as legal issues, natural disasters, environmental considerations and export management in an organized and systematic manner. Departments and individuals are assigned as needed to manage a specific risk, and take responsibility for establishing rules and manuals, and so forth, for managing the risks. They also implement programs to alert, educate and prepare the Group's Directors, Executives and Employees against the risks. There is also a committee which meets periodically to monitor and manage risks for the Group.



Consolidated Eleven-Year Summary

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Eleven fiscal years

	Dec. 2023	Dec. 2022	Dec. 2021
For the year:			
Net sales	¥78,196	¥87,368	¥64,360
Cost of sales	47,472	53,526	41,756
Selling, general and administrative expenses	20,373	19,917	15,189
Operating income	10,351	13,925	7,415
Other income (expenses) – net	750	287	549
Income before income taxes	11,101	14,212	7,964
Income taxes	2,928	3,823	2,174
Net (loss) income attributable to noncontrolling interests	(2)	90	50
Net income attributable to owners of the parent	8,175	10,299	5,740
Net cash provided by operating activities	7,127	7,523	9,601
Net cash (used in) provided by investing activities	(2,039)	(2,633)	741
Free cash flows	5,088	4,890	10,342
Net cash (used in) provided by financing activities	(5,054)	(4,624)	(7,559)
Per share:			
Basic net income	¥218.89	¥271.14	¥150.83
Diluted net income	218.17	270.01	142.38
Cash dividends applicable to the year	60.00	70.00	58.00
At year-end:			
Current assets	¥73,357	¥80,073	¥65,707
Net property, plant and equipment	15,903	15,697	14,309
Total assets	93,399	99,539	82,361
Long-term liabilities	1,644	1,347	1,128
Total equity	80,347	73,088	61,728
Stock exchange price per share of common stock:			
Highest	¥1,936	¥1,858	¥1,893
Lowest	1,560	1,318	1,416
Selected financial indicators:			
Equity ratio (%)	85.6	73.0	74.1
Return on equity (%)	10.7	15.4	10.4
Dividend payout ratio (%)	27.4	25.8	38.5
Dividend on equity (%)	2.9	4.0	3.9

*Effective from the fiscal period ended December 31, 2018, Star Micronics Co., Ltd. changed its account settlement date from the end of February to December 31. As a transitional period, the consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose conventional account settlement date is February 28 and the 12-month period from January 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is December 31.

Millions of yen (Except for per share data)

Dec. 2020	Dec. 2019	Dec. 2018	Feb. 2018	Feb. 2017	Feb. 2016	Feb. 2015	Feb. 2014
¥45,671	¥60,652	¥65,940	¥60,773	¥48,937	¥54,458	¥50,958	¥43,482
30,349	38,330	40,478	38,511	30,825	33,558	31,355	28,047
13,149	16,505	15,750	16,052	14,505	15,165	14,126	12,829
2,173	5,817	9,712	6,210	3,607	5,735	5,477	2,606
715	(485)	(1,029)	149	224	(383)	605	40
2,888	5,332	8,683	6,359	3,831	5,352	6,082	2,646
1,131	1,486	1,764	487	572	1,530	1,285	1,400
25	(208)	124	91	78	101	101	103
1,732	4,054	6,795	5,781	3,181	3,721	4,696	1,143
6,843	5,124	6,089	8,923	5,338	3,107	4,326	2,597
(1,253)	(3,150)	(2,950)	(5,013)	813	(1,074)	(2,501)	(2,455)
5,590	1,974	3,139	3,910	6,151	2,033	1,825	142
(2,136)	(3,015)	(3,766)	(2,926)	139	(2,180)	(1,568)	(1,394)
¥ 49.07	¥113.72	¥186.04	¥155.68	¥ 81.77	¥ 87.98	¥111.36	¥ 27.17
42.46	99.34	163.42	136.90	74.69	87.69	111.05	27.14
58.00	56.00	54.00	52.00	48.00	46.00	44.00	34.00
¥54,893	¥56,830	¥59,914	¥59,635	¥53,172	¥50,367	¥50,533	¥41,233
14,272	15,542	15,521	14,076	12,926	14,360	15,309	14,327
71,622	76,394	79,935	77,363	68,351	67,828	70,261	59,303
1,266	9,675	10,046	9,697	9,935	2,021	617	524
49,822	50,790	49,312	47,447	43,755	50,200	51,903	45,698
Yen							
¥1,720	¥1,893	¥2,270	¥2,480	¥1,770	¥2,238	¥1,885	¥1,422
945	1,258	1,332	1,588	1,023	1,125	1,115	857
68.2	65.2	60.3	60.1	62.8	72.7	72.4	75.5
3.5	8.3	14.3	12.9	6.9	7.4	9.8	2.7
118.2	49.2	29.0	33.4	58.7	52.3	39.5	125.1
4.1	4.1	4.1	4.3	4.1	3.9	3.9	3.4

Management's Discussion and Analysis

OVERVIEW (Years ended December 31, 2023 and 2022)

Business Environment

Looking at 2023, the outlook for the economy remained uncertain throughout the period under review. Despite an overall modest recovery amid signs of a lull in the surge in resource prices and prolonged inflation, this uncertainty largely reflects growing concerns surrounding the threat of an economic recession owing to the prolonged upswing in interest rates in the U.S. and Europe, deteriorating market conditions and slowing investment in China, and fluctuations in foreign currency exchange rates.

Net Sales

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥87,368	¥78,196	(10.5)

In each of the major markets in which the Star Micronics Group operates, demand for POS printers was generally weak. In addition, demand for the Group's mainstay machine tools in overseas markets, which had previously remained high, stalled with little or no forward momentum. Exacerbating these difficult trends, demand in Japan also failed to recover.

Operating Income

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥13,925	¥10,351	(25.7)

Despite the overall impact of depreciation in the value of the yen, operating income came in at ¥10,351 million owing mainly to a decline in sales of the Company's machine tools.

Net Income Attributable to Owners of the Parent

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥10,299	¥8,175	(20.6)

Net income attributable to owners of the parent amounted to ¥8,175 million largely reflecting the decrease in net sales.

Cash Dividends per Share

<small>(Yen)</small>			
	2022	2023	Change (yen)
	¥70	¥60	¥(10)

The annual cash dividend for the year under review was ¥60 per share. Excluding the special dividend paid for 2022, this annual dividend is unchanged from the previous year.

Total Assets

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥99,539	¥93,399	(6.2)

Total assets as of December 31, 2023 decreased compared with the end of the previous year. This largely reflected the decline in trade notes and accounts receivable as well as inventories.

Free Cash Flows

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥4,890	¥5,088	4.0

While the Company experienced a year-on-year downturn in net cash provided by operating activities owing to a variety of factors, including a decline in profits as well as larger capital expenditures and acquisition investments than in the previous year, free cash flows came in at ¥5,088 million on the back of sales of marketable securities and withdrawal of time deposits.

Free cash flows = Operating cash flows + Investing cash flows

Capital Expenditures

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
	¥3,390	¥2,680	(20.9)

Capital expenditures amounted to ¥2,680 million. This largely included expenditure on production equipment to expand capacity in the Machine Tools Segment and construction of a new building at an overseas subsidiary.

Net Sales by Region

<small>(Millions of yen)</small>			
	2022	2023	Change (%)
Japan	¥ 9,037	¥ 8,402	(7.0)
USA	27,904	21,952	(21.3)
Germany	8,743	10,422	19.2
China	17,112	10,333	(39.6)
Others	24,572	27,087	10.2

INCOME ANALYSIS

Despite the downturn in net sales, operating income exceeded ¥10 billion for a second consecutive year

Star Micronics reported consolidated net sales of ¥78,196 million (US\$550,676 thousand) in 2023, down ¥9,172 million, or 10.5%, compared with the previous year. Despite this downturn from the record high in 2022, net sales were the Company's third highest in the year under review. Looking at economic conditions throughout 2023, the outlook for the economy remained uncertain. Despite an overall modest recovery amid signs of a lull in the surge in resource prices and prolonged inflation, this uncertainty was largely due to growing concerns surrounding the threat of an economic recession owing to the prolonged upswing in interest rates in the U.S. and Europe, deteriorating market conditions and slowing investment in China, and fluctuations in foreign currency exchange rates. Against this backdrop, demand for POS printers was generally weak in each of the major markets in which the Star Micronics Group operates. In addition, demand for the Group's mainstay machine tools in overseas markets, which had previously remained high, stalled with little or no forward momentum. Exacerbating these difficult trends, demand in Japan also failed to recover. Under these circumstances, the cost of sales came to ¥47,472

million (US\$334,310 thousand), a decrease of ¥6,054 million, or 11.3%, compared with the previous year. On this basis, gross profit fell ¥3,118 million, or 9.2%, year on year, to ¥30,724 million (US\$216,366 thousand).

Selling, general and administrative (SG&A) expenses were ¥20,373 million (US\$143,472 thousand), up ¥456 million, or 2.3%, compared with the previous year.

Taking into account the aforementioned factors, operating income declined ¥3,574 million, or 25.7%, year on year, to ¥10,351 million (US\$72,894 thousand).

Posted the Company's second highest net income attributable to owners of the parent

In 2023, other income – net came to ¥750 million (US\$5,282 thousand), up from ¥287 million in the previous year. In the year under review, Star Micronics reported a foreign exchange gain – net of ¥23 million (US\$162 thousand).

As a result, income before income taxes amounted to ¥11,101 million (US\$78,176 thousand), a decrease of ¥3,111 million, or 21.9%, compared with the previous year. Net income attributable to owners of the parent after deducting income taxes and the net loss attributable to noncontrolling interests came to ¥8,175 million (US\$57,570 thousand), a downturn of ¥2,124 million, or 20.6%, year on year.

Basic net income per share was ¥218.89 (US\$1.54) and diluted net income per share was ¥218.17 (US\$1.54).

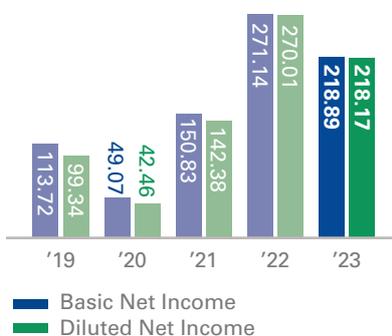
Operating Income and Operating Income Ratio

(Billions of yen, %)



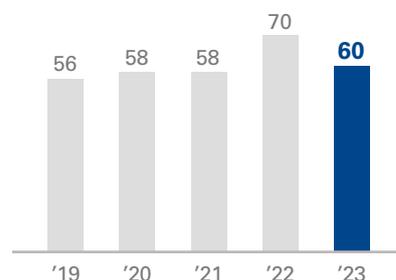
Net Income per Share

(Yen)



Cash Dividends per Share

(Yen)



Stable dividend of ¥60 per share, unchanged from the previous year

Star Micronics set its annual cash dividend at ¥60 (US\$0.42) per share. Excluding the special dividend paid for 2022, this annual dividend is unchanged from the previous year. In addition, the Company's consolidated total payout ratio came in at 51.6% for the year under review. Looking ahead, Star Micronics plans to pay an interim and year-end cash dividend of ¥30 per share each for an annual cash dividend of ¥60 per share for 2024.

Under its basic dividend policy, Star Micronics is targeting a consolidated total payout ratio of at least 50%. This includes the continuous payment of a progressive and stable annual dividend of at least ¥60 per share as well as the repurchase of own shares. As far as the Company's internal reserves are concerned, Star Micronics is committed to enhancing its corporate value while increasing shareholders' profits. At the same time, the Company will look to engage in a variety of activities including investment in future growth fields in a bid to ensure its sustainable growth.

FINANCIAL POSITION & LIQUIDITY

Decrease in total assets owing to the decline in such accounting line items as trade notes and accounts receivable as well as inventories

Total current assets stood at ¥73,357 million (US\$516,598 thousand) as of December 31, 2023, down ¥6,716 million, or 8.4%, compared with the end of the previous year. The downturn in total current assets largely reflected year-on-year decreases of ¥4,142 million, or 18.2%, to ¥18,556 million (US\$130,676 thousand) in trade notes and accounts receivable and ¥3,324 million, or 13.2%, to ¥21,763 million (US\$153,260 thousand) in inventories.

The balance of property, plant and equipment climbed ¥206 million, or 1.3%, compared with the end of the previous year, to ¥15,903 million (US\$111,993 thousand) owing mainly to the year-on-year increase in land of ¥481 million, or 24.0%, to ¥2,489 million (US\$17,528 thousand) and in buildings and structures of ¥803 million, or 5.0%, to ¥16,884 million (US\$118,902 thousand).

The balance of investments and other assets grew ¥370 million, or 9.8%, compared with the previous year-end, to ¥4,139 million (US\$29,148 thousand).

Accounting for each of these factors, the balance of total assets as of the end of the year under review

decreased ¥6,140 million, or 6.2%, compared with the end of the previous year, to ¥93,399 million (US\$657,739 thousand).

Decrease in liabilities owing to downturns in such accounting line items as payables and income taxes payable

Total current liabilities stood at ¥11,408 million (US\$80,338 thousand) as of December 31, 2023, a decrease of ¥13,696 million, or 54.6%, compared with the previous year. This decrease was mainly due to year-on-year downturns of ¥10,158 million, or 57.0%, to ¥7,652 million (US\$53,887 thousand) in payables and of ¥2,103 million, or 87.0%, to ¥314 million (US\$2,211 thousand) in income taxes payable.

Total long-term liabilities climbed ¥297 million, or 22.0%, compared with the end of the previous year, to ¥1,644 million (US\$11,577 thousand).

Increase in equity owing to the accumulation of retained earnings

Total equity increased ¥7,259 million, or 9.9%, compared with the end of the previous year, to ¥80,347 million (US\$565,824 thousand). Despite the impact of such initiatives as the payment of cash dividends as well as the purchase and disposal of treasury stock, this increase in total equity was largely attributable to the year-on-year upswings in retained earnings of ¥5,552 million, or 11.1%, to ¥55,401 million (US\$390,148 thousand), and in foreign currency translation adjustments of ¥3,693 million, or 109.7%, to ¥7,059 million (US\$49,711 thousand).

Accounting for the increase in total equity, the equity ratio came in at 85.6%, up 12.6 percentage points year on year. Equity per share as of December 31, 2023 climbed ¥249.77 compared with the previous year-end, to ¥2,178.54 (US\$15.34).

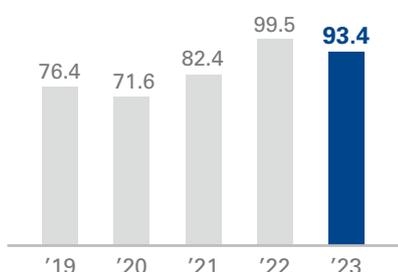
CASH FLOWS

Continued capital expenditure and returns to shareholders on the back of ample operating cash flow

Net cash provided by operating activities came to ¥7,127 million (US\$50,190 thousand) in the year under review. The principal cash inflows came from income before income taxes of ¥11,101 million (US\$78,176 thousand), depreciation and amortization of ¥2,710 million (US\$19,085 thousand), the decrease in trade receivables

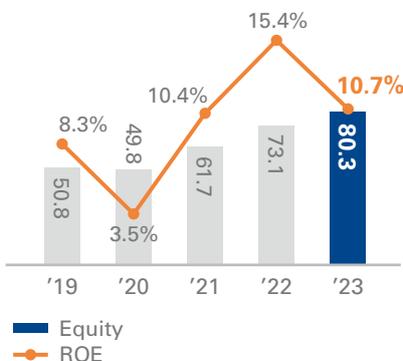
Total Assets

(Billions of yen)



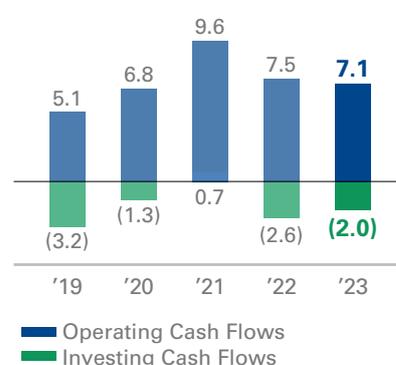
Equity and Return on Equity

(Billions of yen, %)



Cash Flows

(Billions of yen)



of ¥6,390 million (US\$45,000 thousand), and the decrease in inventories of ¥4,711 million (US\$33,176 thousand), which exceeded the major cash outflows that emanated from the decrease in trade payables of ¥11,762 million (US\$82,831 thousand) and income taxes – paid of ¥5,143 million (US\$36,218 thousand).

Net cash used in investing activities came to ¥2,039 million (US\$14,359 thousand). This largely reflected purchases of property, plant and equipment of ¥2,321 million (US\$16,345 thousand) and proceeds from sale of shares of subsidiaries and associates resulting in change in scope of consolidation of ¥383 million (US\$2,697 thousand).

Net cash used in financing activities amounted to ¥5,054 million (US\$35,592 thousand). This was mainly due to dividends paid to shareholders of ¥2,628 million (US\$18,507 thousand) and payments for purchase of treasury stock of ¥2,002 million (US\$14,099 thousand).

Taking into account the aforementioned activities as well as foreign currency translation adjustments on cash and cash equivalents ¥1,836 million (US\$12,930 thousand) and the net increase in cash and cash equivalents of ¥1,870 million (US\$13,169 thousand), cash and cash equivalents at end of year stood at ¥31,434 million (US\$221,366 thousand).

CAPITAL EXPENDITURES AND R&D EXPENSES

Investment in equipment to expand capacity in the Machine Tools Segment and construction of a new building at an overseas subsidiary in 2023

In 2023, capital expenditures, which totaled ¥2,680 million (US\$18,873 thousand), were largely directed toward investments in equipment to expand capacity in the Machine Tools Segment and to construct a new building at an overseas subsidiary. In 2024, Star Micronics plans to undertake capital expenditures of ¥5,545 million focusing mainly on a large-scale renewal of the Company's Kikugawa Factory in the Machine Tools Segment and construction of the Europe Solution Center.

Special Products—Capital expenditures in the Special Products Segment decreased ¥104 million compared with the previous year, to ¥502 million (US\$3,535 thousand). In 2024, the Company is budgeting expenditures of ¥448 million in this segment for molds used in maintenance and renewal work.

Machine Tools—Capital expenditures in the Machine Tools Segment declined ¥556 million compared with the previous year, to ¥2,042 million (US\$14,380 thousand). In 2024, the Company plans to undertake capital expenditures of ¥4,886 million. This includes the large-scale renewal of the Company's Kikugawa Factory and construction of the Europe Solution Center.

New product development in each segment

Underpinned by its precision processing and assembly technologies nurtured over the years, the Star Micronics Group is engaged in a range of research and development activities that seek to further create added value, including the development of products and technologies that are directly related to its current operating segments, and the launch of new businesses.

The principal results of research and development undertaken during the year under review were as follows, with total research and development expenses amounting to ¥1,849 million.

Special Products Segment—In the current fiscal year, Star Micronics developed the TSP100IV SK linerless sticky label printer and the MCP31CI/CBI as the latest model in the mC-Print®3 series.

The TSP100IV SK is a desktop label printer specifically designed for use with repositionable sticky label paper. Doing away with the use of a backing that is later discarded as waste, repositionable labels are able to address a wide range of needs, including situations where consumers desire to remove product labels attached to reusable containers, as well as situations where magazines and documents require temporary identification. Moreover, by specializing in linerless sticky labels, this model achieves a far more compact design than existing models.

The MCP31CI/CBI is a printer for mobile POSs that support store operations. By increasing the maximum printing speed to 400mm/second from the 250mm/second of existing models, the MCP31CI/CBI greatly shortens the paper output time. Moreover, it is equipped with a next-generation USB-C, thereby enabling connection to any iOS, Android™, Windows®, or other device with USB connectivity. In addition, this model is designed with the environment in mind, offering support for environmentally friendly paper as the recommended option, doing away with plastic packaging materials, and using smaller individual packaging boxes to reduce CO₂ emissions during transport.

Research and development expenses for the Special Products Segment totaled ¥780 million.

Machine Tools Segment—In the current fiscal year, Star Micronics developed the SP-20, a new model of CNC Swiss-Type Automatic Lathe, capable of supporting parts machining in various industries such as automobiles, hydraulic/pneumatic equipment, general machinery, and medical devices.

The SP-20 employs a gate-shaped tool post configured

to surround the guide bush as the tool post for front side machining. Up to 8 turning tools can be mounted on the front side, and the back side is equipped with a 7-spindle cross-drilling unit. Of the 7 spindles on this cross-drilling unit, there are 5 cartridge-type positions, and a wide variety of tool units can be mounted according to the shape of the workpieces. In addition, a 4-spindle type and 5-spindle type are available for the sleeve holder for drilling tools on the upper section, so you can select the type according to the purpose of the drilling. To support increasingly diverse parts machining needs, you can optionally select to enable machining of bars up to 25.4 mm. In addition, both the main axle shaft and back axle shaft are designed with torque boosting specifications, thereby enabling high-load machining. In order to reduce the environmental footprint, this model is equipped with Eco Mode, which reduces standby power consumption when the machine is idling.

From a software perspective, Star Micronics has developed various user-convenience and workability improving functions, which the Company is starting to equip on all machine models. These include Step Cycle Pro for improving productivity via chip-breaking operations, an Eccentric Turning function for machining eccentric shapes using cutting tools, Easy Edit for enabling the creation of simple on-machine programs, and a B-connect function for connecting automatic material supply devices via an ethernet IP for integrated control with the main machine unit.

Research and development expenses for the Machine Tools Segment amounted to ¥941 million.

Development Headquarters—In the current fiscal year, under the theme of production DX, Star Micronics developed a machining estimation support system that is compliant with the Company's machine tools. Developed for the SB-20R, the Company's top-selling machine model, this system's logic is integrated with the know-how of engineers, thereby enabling it to automatically estimate machining processes and machining durations. By employing this program, users can expect to reduce work-hours by 70% compared with estimations conventionally performed by people. Moreover, the Company also developed a database function with the ability to centralize management of estimate request data from customers (input) and estimate results data (output).

Under the theme of store DX, the Company welcomed Smart Solution Technology, Inc. (SST), into the Special Products Segment. SST provides services for restaurant and retail establishments; develops, manufactures, and sells terminals for attendance management services; and

possesses sound wave-based data communications technologies. As a store DX solution for which synergistic outcomes with the Special Products Segment are expected, SST developed Kirokuru, a QSC* checking tool for restaurant chain establishments, which it launched on the market during the second half of the year. Employing this service allows users to potentially reduce work-hours by approximately 70% compared with work-hours involved in existing QSC checking approaches, which will help improve store operations and boost sales.

Under the theme of logistics DX, the Company proposed a planning service related to logistics management for retail establishments, and began data analysis for partner companies after developing a prototype version.

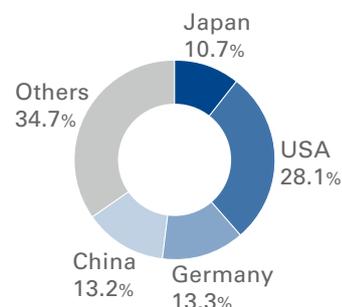
Research and development expenses came to ¥126 million.

* QSC: Quality, Service, Cleanliness

SALES FRAMEWORK AND NET SALES BY REGION

A significant portion of the Company's products are sold in international markets. Star Micronics is actively engaged in expanding its business globally and has established production and sales bases in various regions. Details of the Group's principal bases are presented as follows:

Net Sales by Region



	USA	U.K.	Germany	France	Switzerland	China	Thailand
Special Products	Star Micronics America, Inc.	Star Micronics Europe Ltd.				Star Precisions Ltd.	Star Micronics Southeast Asia Co., Ltd.
Machine Tools	Star CNC Machine Tool Corp.	Star Micronics GB Ltd.	Star Micronics GmbH	Star Machine Tool France SAS	Star Micronics AG	Shanghai Xingang Machinery Co., Ltd. Star Micronics Dalian Co., Ltd.	Star Micronics (Thailand) Co., Ltd. Star Micronics Manufacturing (Thailand) Co., Ltd.

Maintaining a high ratio of overseas sales as a proportion of total sales

Star Micronics' ratio of overseas sales as a proportion of total sales edged down 0.4 of a percentage point compared with the previous year, to 89.3% in the year under review.

By region, net sales in the U.S. amounted to ¥21,952 million (US\$154,592 thousand), a decrease of ¥5,952 million, or 21.3%, year on year.

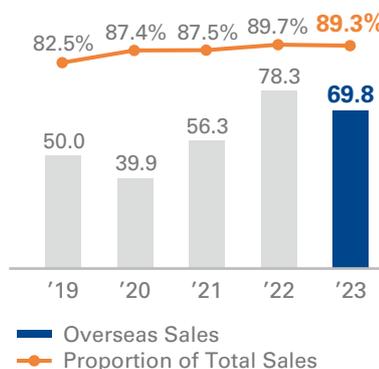
Net sales in Germany totaled ¥10,422 million (US\$73,394 thousand), an increase of ¥1,679 million, or 19.2%, compared with the previous year.

Net sales in China came to ¥10,333 million (US\$72,768 thousand), a year-on-year decline of ¥6,779 million, or 39.6%.

In Japan, net sales came to ¥8,402 million (US\$59,169 thousand), a drop of ¥635 million, or 7.0%, year on year.

Overseas Sales and Proportion of Total Sales

(Billions of yen, %)



Consolidated Balance Sheet

Star Micronics Co., Ltd. and Consolidated Subsidiaries
December 31, 2023

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Current assets:			
Cash and cash equivalents (Note 17)	¥ 31,434	¥ 29,565	\$ 221,366
Marketable securities (Notes 5 and 17)		34	
Short-term investments (Notes 6 and 17)	287	505	2,021
Receivables (Notes 7 and 17):			
Trade notes and accounts receivable	18,556	22,698	130,676
Unconsolidated subsidiaries and associated companies	39	52	274
Other	588	1,293	4,141
Allowance for doubtful receivables	(198)	(133)	(1,394)
Inventories (Note 8)	21,763	25,087	153,260
Prepaid expenses and other	888	972	6,254
Total current assets	73,357	80,073	516,598
Property, plant and equipment:			
Land	2,489	2,008	17,528
Buildings and structures	16,884	16,081	118,902
Machinery and equipment	21,611	21,979	152,190
Lease assets (Note 16)	149	121	1,049
Construction in progress	144	216	1,014
Other	2,190	1,902	15,423
Total	43,467	42,307	306,106
Accumulated depreciation	(27,564)	(26,610)	(194,113)
Net property, plant and equipment	15,903	15,697	111,993
Investments and other assets:			
Investment securities (Notes 5 and 17)	361	839	2,542
Investments in unconsolidated subsidiaries and associated companies	404	395	2,845
Deferred tax assets (Note 14)	498	425	3,507
Asset for retirement benefits (Note 10)	1,655	1,300	11,655
Other assets	1,221	810	8,599
Total investments and other assets	4,139	3,769	29,148
Total	¥ 93,399	¥ 99,539	\$ 657,739

See notes to consolidated financial statements.

Liabilities and equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Current liabilities:			
Payables (Note 17):			
Trade notes and accounts payable	¥ 3,672	¥12,988	\$ 25,859
Unconsolidated subsidiaries and associated companies		1	
Other	3,980	4,821	28,028
Current portion of long-term debt (Note 9)	387	334	2,726
Income taxes payable (Note 14)	314	2,417	2,211
Contract liabilities	332	966	2,338
Accrued expenses	896	1,550	6,310
Other	1,827	2,027	12,866
Total current liabilities	11,408	25,104	80,338
Long-term liabilities:			
Long-term debt (Note 9)	770	884	5,422
Liability for retirement benefits (Note 10)	116	101	817
Deferred tax liabilities (Note 14)	615	316	4,331
Other	143	46	1,007
Total long-term liabilities	1,644	1,347	11,577
Commitments and contingent liabilities (Note 16)			
Equity (Notes 11, 12 and 24):			
Common stock – authorized, 158,000,000 shares; issued, 41,921,434 shares in 2023 and 42,465,134 shares in 2022	12,722	12,722	89,591
Capital surplus	10,949	11,711	77,106
Stock acquisition rights (Note 12)	275	352	1,937
Retained earnings	55,401	49,849	390,148
Treasury stock – at cost, 5,215,874 shares in 2023 and 4,809,548 shares in 2022	(7,638)	(6,608)	(53,789)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	167	108	1,176
Foreign currency translation adjustments	7,059	3,366	49,711
Defined retirement benefit plans	1,304	1,481	9,183
Total	80,239	72,981	565,063
Noncontrolling interests	108	107	761
Total equity	80,347	73,088	565,824
Total	¥93,399	¥99,539	\$657,739

See notes to consolidated financial statements.

Consolidated Statement of Income

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended December 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales	¥78,196	¥87,368	\$550,676
Cost of sales (Note 10)	47,472	53,526	334,310
Gross profit	30,724	33,842	216,366
Selling, general and administrative expenses (Notes 10 and 15)	20,373	19,917	143,472
Operating income	10,351	13,925	72,894
Other income (expenses):			
Interest and dividend income	361	180	2,542
Interest expense	(30)	(32)	(211)
Foreign exchange gain (loss) – net	23	(76)	162
Gain on sale of property, plant and equipment	15	33	105
Gain on revision of retirement benefit plan	203		1,430
Loss on disposal of property, plant and equipment	(78)	(20)	(549)
Other – net	256	202	1,803
Other income (expenses) – net	750	287	5,282
Income before income taxes	11,101	14,212	78,176
Income taxes (Note 14):			
Current	2,693	3,893	18,965
Deferred	235	(70)	1,655
Total income taxes	2,928	3,823	20,620
Net income	8,173	10,389	57,556
Net (loss) income attributable to noncontrolling interests	(2)	90	(14)
Net income attributable to owners of the parent	¥ 8,175	¥10,299	\$57,570
	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.t, 11 and 20):			
Basic net income	¥218.89	¥271.14	\$1.54
Diluted net income	218.17	270.01	1.54
Cash dividends applicable to the year	60.00	70.00	0.42

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended December 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	¥ 8,173	¥10,389	\$57,556
Other comprehensive income (Note 19):			
Unrealized gain on available-for-sale securities	59	24	415
Foreign currency translation adjustments	3,690	3,893	25,986
Defined retirement benefit plans	(177)	1,004	(1,247)
Share of other comprehensive gain in associates	11	65	78
Total other comprehensive income	3,583	4,986	25,232
Comprehensive income	¥11,756	¥15,375	\$82,788
Total comprehensive income attributable to (Note 19):			
Owners of the parent	¥11,751	¥15,251	\$82,754
Noncontrolling interests	5	124	34

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended December 31, 2023

	Thousands		Millions of yen									
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock-at cost	Accumulated other comprehensive income (loss)			Total	Non-controlling interests	Total equity
							Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans			
Balance, December 31, 2021	38,724	¥12,722	¥13,854	¥421	¥41,814	¥(7,067)	¥ 84	¥ (830)	¥ 477	¥61,475	¥ 253	¥61,728
Cumulative effect of accounting change					(11)					(11)		(11)
Restated balance	38,724	12,722	13,854	421	41,803	(7,067)	84	(830)	477	61,464	253	61,717
Net income attributable to owners of the parent					10,299					10,299		10,299
Cash dividends, ¥70.0 per share					(2,253)					(2,253)		(2,253)
Purchase of treasury stock	(1,221)					(1,958)				(1,958)		(1,958)
Disposal of treasury stock	153		9			206				215		215
Retirement of treasury stock			(2,211)			2,211						
Purchase of shares of consolidated subsidiaries			60							60		60
Sales of shares of consolidated subsidiaries			(1)							(1)		(1)
Net change in the year				(69)			24	4,196	1,004	5,155	(146)	5,009
Balance, December 31, 2022	37,656	¥12,722	¥11,711	¥352	¥49,849	¥(6,608)	¥108	¥3,366	¥1,481	¥72,981	¥ 107	¥73,088
Net income attributable to owners of the parent					8,175					8,175		8,175
Cash dividends, ¥60.0 per share					(2,623)					(2,623)		(2,623)
Purchase of treasury stock	(1,093)					(2,001)				(2,001)		(2,001)
Disposal of treasury stock	143		11			198				209		209
Retirement of treasury stock			(773)			773						
Net change in the year				(77)			59	3,693	(177)	3,498	1	3,499
Balance, December 31, 2023	36,706	¥12,722	¥10,949	¥275	¥55,401	¥(7,638)	¥167	¥7,059	¥1,304	¥80,239	¥ 108	¥80,347

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock-at cost	Accumulated other comprehensive income (loss)			Total	Non-controlling interests	Total equity	
						Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans				
Balance, December 31, 2022	\$89,591	\$82,472	\$2,479	\$351,049	\$(46,535)	\$ 761	\$23,704	\$10,430	\$513,951	\$753	\$514,704	
Net income attributable to owners of the parent				57,570					57,570		57,570	
Cash dividends, \$0.42 per share				(18,471)					(18,471)		(18,471)	
Purchase of treasury stock					(14,092)				(14,092)		(14,092)	
Disposal of treasury stock			78		1,394				1,472		1,472	
Retirement of treasury stock			(5,444)		5,444							
Net change in the year				(542)		415	26,007	(1,247)	24,633	8	24,641	
Balance, December 31, 2023	\$89,591	\$77,106	\$1,937	\$390,148	\$(53,789)	\$1,176	\$49,711	\$ 9,183	\$565,063	\$761	\$565,824	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended December 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating activities:			
Income before income taxes	¥ 11,101	¥14,212	\$ 78,176
Adjustments for:			
Income taxes – paid	(5,143)	(2,465)	(36,218)
Depreciation and amortization	2,710	2,414	19,085
Gain on revision of retirement benefit plan	(203)		(1,430)
(Allowance for) reversal of provision for doubtful receivables	42	(23)	296
Loss (gain) on sale and disposal of property, plant and equipment	63	(12)	444
Change in assets and liabilities			
Decrease (increase) in trade receivables	6,390	(1,728)	45,000
Decrease (increase) in inventories	4,711	(5,880)	33,176
Decrease in trade payables	(11,762)	(57)	(82,831)
(Decrease) increase in liability for retirement benefits	(392)	100	(2,762)
Other – net	(390)	962	(2,746)
Total adjustments	(3,974)	(6,689)	(27,986)
Net cash provided by operating activities	7,127	7,523	50,190
Investing activities:			
Purchases of property, plant and equipment	(2,321)	(2,170)	(16,345)
Proceeds from sale of property, plant and equipment	69	148	486
Purchases of marketable and investment securities		(200)	
Proceeds from sale of marketable and investment securities	600		4,225
Proceeds from sale of shares of subsidiaries and associates resulting in change in scope of consolidation	(383)		(2,697)
Other – net	(4)	(411)	(28)
Net cash (used in) provided by investing activities	(2,039)	(2,633)	(14,359)
Financing activities:			
Decrease in short-term bank loans	(15)		(106)
Repayments of long-term borrowings	(91)		(641)
Dividends paid to shareholders	(2,628)	(2,251)	(18,507)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(6)	(10)	(42)
Payments for purchase of treasury stock	(2,002)	(1,960)	(14,099)
Disposal of treasury stock	61	119	430
Other – net	(373)	(522)	(2,627)
Net cash used in financing activities	(5,054)	(4,624)	(35,592)
Foreign currency translation adjustments on cash and cash equivalents	1,836	2,100	12,930
Net increase in cash and cash equivalents	1,870	2,366	13,169
Cash and cash equivalents at beginning of year	29,564	27,199	208,197
Cash and cash equivalents at end of year	¥ 31,434	¥29,565	\$221,366

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended December 31, 2023

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

In addition, certain reclassifications have been made in the consolidated financial statements of the year ended December 31, 2022 to conform to the classifications used in the year ended December 31, 2023.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Star Micronics Co., Ltd. (the “Company”) is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥142 to \$1, the approximate rate of exchange at December 31, 2023.

Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation The consolidated financial statements as of December 31, 2023, include the accounts of the Company and its 18 (17 in 2022) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one (one in 2022) associated company is accounted for by the equity method. Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—“FASB ASC”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit and investment trusts in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

e. Inventories

Inventories are stated at the lower of cost (substantially determined by the average method for the Company and its consolidated subsidiaries in Japan, and by the first-in, first-out method for the consolidated subsidiaries outside of Japan) or net selling value.

f. Marketable and Investment Securities

All investment securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, nonmarketable available-for-sale securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries in Japan is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to substantially all of the consolidated subsidiaries outside of Japan.

The range of useful lives is principally from 15 to 50 years for buildings and structures and from 2 to 15 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

h. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement and Pension Plans

The Company has a noncontributory funded pension plan covering substantially all of its employees. To provide for the payment of retirement benefits and pension plan payments to employees, the Company recorded a reserve equivalent to the amounts recognized as necessary at the end of the period under review based on the projected retirement benefits obligation and the fair value of the pension plan assets at the balance sheet date.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and prior-service cost that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 11 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

Domestic consolidated subsidiaries have lump-sum retirement benefit plans, and certain consolidated foreign subsidiaries have lump-sum retirement benefit plans or defined contribution pension plans.

j. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

k. Stock Options

Compensation expense for employee stock options that were granted on and after May 1, 2006 are recognized based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services in accordance with ASBJ Statement No. 8, "Accounting Standard for Share-based Payment." Stock options granted to nonemployees are accounted for based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

l. Bonuses to Directors and Audit and Supervisory Committee Members

Bonuses to directors and Audit and Supervisory Committee Members are accrued at the year-end to which such bonuses are attributable.

m. Leases

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard permits leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

All other leases are accounted for as operating leases.

On January 13, 2016, International Accounting Standards Board issued IFRS No. 16, "Lease," which requires a lessee to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

On February 25, 2016, Financial Accounting Standards Board issued ASU No. 2016-02, "Leases" (Topic 842), which requires a lessee to recognize lease assets on the balance sheet the assets and liabilities for the rights and obligations created by those leases, unless the underlying asset is of low value.

Subsidiaries except for those in Japan and the US have applied the standards of "Lease" (IFRS No. 16) and subsidiaries in the US have applied the standards of "Leases" (ASU No. 2016-02).

n. Revenue Recognition

The Group engages mainly in manufacturing and sales of products in the Special Products Segment and Machine Tools Segment.

The performance obligation is satisfied at the time it is recognized that a customer has obtained control of the product based on contractual conditions and recognizes revenues when products are shipped to a customer, at the time of inspection by a customer or based on trade terms.

As considerations regarding these performance obligations are generally received within one year from the time they are satisfied, no significant financing component is involved.

o. Research and Development Costs

Research and development costs are charged to income as incurred.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

q. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in the consolidated statement of income.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds and stock acquisition rights at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense and net of tax.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

u. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

- (1) Changes in Accounting Policies – When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
- (2) Changes in Presentation – When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in Accounting Estimates – A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of Prior-Period Errors – When an error in prior-period financial statements is discovered, those statements are restated.

v. New Accounting Pronouncements

- "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022)
 - "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, revised on October 28, 2022)
 - "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022)
- (1) Overview
These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive income that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries, etc., when group taxation regime is applied.
 - (2) Scheduled date of application
The Group expects to apply the revised standards and the revised implementation guidance for annual periods beginning on or after January 1, 2025.
 - (3) Effects of the application of the standards and implementation guidance
The Group is currently evaluating the effects of applying the revised standards and the revised implementation guidance on its consolidated financial statements.

3. Significant Accounting Estimate

a. Deferred Tax Accounting

(1) Carrying amounts

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deferred tax assets	¥498	¥425	\$3,507

(2) Information on the significant accounting estimate

The Group accounts for a temporary difference as deferred tax assets when it satisfies recoverability based on the future taxable profit reasonably estimated. The deferred tax asset regarding tax loss carryforwards is disclosed in Note "14. Income Taxes."

There is a high degree of uncertainty in a premise for demand and sales trend assuming future taxable profits. A variety of the factors, which the Group considered in evaluating the recoverability of deferred tax assets, may have an additional impact on taxable profit or the temporary difference, and will consequently affect the profit and loss.

b. Impairment of Long-lived Assets

(1) Carrying amounts

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Long-lived assets	¥15,903	¥15,697	\$111,993

(2) Information on the significant accounting estimate

The Group recognizes the carrying amounts of the relevant asset written down to the recoverable amount, which is the higher of fair value less cost to sell or the value in use, as an impairment loss when there is any indication that the asset or asset group may be impaired. No impairment of long-lived assets was recognized in 2023.

There is high degree of uncertainty in a premise for a business plan for the calculation of value in use. In the event of an unforeseen change in the business environment adversely affecting assumptions for the valuation of assets or asset groups, an impairment may be incurred.

4. Accounting Change

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The Group began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revised on June 17, 2021; the "Guidance" in this section) since the beginning of the first quarter of the fiscal year and prospectively apply new accounting policies prescribed by the Guidance in accordance with the transitional provision in paragraph 27-2 of the Guidance. Application of this standard has no impact on the consolidated financial statements.

In the "(5). Financial Instruments Categorized by Fair Value Hierarchy, 17. Financial Instruments and Related Disclosures," investment trusts for the previous fiscal year are not stated in accordance with Paragraph 27-3 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement."

5. Marketable and Investment Securities

Marketable and investment securities at December 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Current:			
Trust fund investments and other		¥ 34	
Total		¥ 34	
Non-current:			
Equity securities	¥288	¥214	\$2,028
Corporate and other bonds		562	
Trust fund investments and other	73	63	514
Total	¥361	¥839	\$2,542

The costs and aggregate fair values of securities classified as available-for-sale at December 31, 2023 and 2022, were as follows:

2023	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Marketable equity securities	¥104	¥148		¥252
Trust fund investments and other	29	44		73

2022	Millions of yen			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Marketable equity securities	¥104	¥74		¥178
Corporate and other bonds	600		¥38	562
Trust fund investments and other	29	34		63

2023	Thousands of U.S. dollars (Note 1)			Fair value
	Cost	Unrealized gains	Unrealized losses	
Securities classified as:				
Available-for-sale:				
Marketable equity securities	\$733	\$1,042		\$1,775
Trust fund investments and other	204	310		514

Proceeds from sales of available-for-sale securities for the years ended December 31, 2023 and 2022, were ¥600 million and nil, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, for the year ended December 31, 2023, were ¥38 million and nil, and for the year ended December 31, 2022, were both nil.

6. Short-term Investments

Short-term investments at December 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deposits over three-month period	¥287	¥505	\$2,021
Total	¥287	¥505	\$2,021

7. Trade Notes and Accounts Receivable

The Group follows the practice of including installment receivables due after one year (less unearned interest) in current assets.

Receivables due after one year (less unearned interest) amounted to ¥2,047 million (\$14,415 thousand) and ¥1,463 million at December 31, 2023 and 2022, respectively.

8. Inventories

Inventories at December 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Merchandise	¥ 932	¥ 865	\$ 6,563
Finished products	13,611	13,497	95,852
Work in process	4,276	6,579	30,113
Raw materials and supplies	2,944	4,146	20,732
Total	¥21,763	¥25,087	\$153,260

9. Long-term Debt

Long-term debt at December 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Lease obligations	¥ 67	¥ 67	\$ 472
Long-term bank loans	37		261
Others	1,053	1,151	7,415
Total	1,157	1,218	8,148
Less: current portion	387	334	2,726
Long-term debt, less current portion	¥ 770	¥ 884	\$5,422

Annual maturities of long-term debt at December 31, 2023, were as follows:

Years ending December 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2024	¥ 387	\$2,726
2025	287	2,021
2026	217	1,528
2027	76	535
2028	69	486
2029 and thereafter	121	852
Total	¥1,157	\$8,148

10. Retirement and Pension Plans

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under the pension plans, employees terminating their employment are entitled to pension payments in most circumstances.

Certain consolidated subsidiaries use a simplified method, which is permitted for small-sized companies in conformity with the Accounting Standard for Retirement Benefits for calculating liability for retirement benefits and retirement benefit expenses for their severance payment plans.

(1) The changes in defined benefit obligation for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at beginning of year	¥6,959	¥ 9,001	\$49,007
Current service cost	69	166	486
Interest cost	74	95	521
Actuarial gains and losses	88	157	620
Benefits paid	(422)	(532)	(2,972)
Prior-service cost		(1,931)	
Decrease in accordance with shift to a defined contribution pension system	(901)		(6,345)
Others	2	3	14
Balance at end of year	¥5,869	¥ 6,959	\$41,331

(2) The changes in plan assets for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Balance at beginning of year	¥8,158	¥8,871	\$57,451
Expected return on plan assets	204	222	1,437
Actuarial gains and losses	309	(592)	2,176
Contributions from the employer	129	189	908
Benefits paid	(419)	(532)	(2,951)
Decrease in accordance with shift to a defined contribution pension system	(973)		(6,852)
Balance at end of year	¥7,408	¥8,158	\$52,169

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Funded defined benefit obligation	¥ 5,753	¥ 6,858	\$ 40,514
Plan assets	(7,408)	(8,158)	(52,169)
Total	(1,655)	(1,300)	(11,655)
Unfunded defined benefit obligation	116	101	817
Net liability arising from defined benefit obligation	¥(1,539)	¥(1,199)	\$(10,838)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Liability for retirement benefits	¥ 116	¥ 101	\$ 817
Asset for retirement benefits	(1,655)	(1,300)	(11,655)
Net liability arising from defined benefit obligation	¥(1,539)	¥(1,199)	\$(10,838)

(4) The components of net periodic benefit costs for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Service cost	¥ 69	¥ 166	\$ 486
Interest cost	74	95	521
Expected return on plan assets	(204)	(222)	(1,437)
Recognized net actuarial gains and losses	(46)	250	(324)
Amortization of prior-service cost	(153)		(1,077)
Net periodic benefit costs	¥(260)	¥ 289	\$(1,831)
Gains and losses in accordance with shift to a defined contribution pension system	¥(203)		\$(1,430)

Note: The gain was included in other income.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Prior-service cost	¥(404)	¥1,931	\$(2,845)
Actuarial gains and losses	151	(499)	1,063
Total	¥(253)	¥1,432	\$(1,782)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unrecognized prior-service cost	¥(1,528)	¥(1,931)	\$(10,761)
Unrecognized actuarial gains and losses	(332)	(181)	(2,338)
Total	¥(1,860)	¥(2,112)	\$(13,099)

(7) Plan assets

a. Components of plan assets

Plan assets as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Debt investments	60%	34%
Equity investments	26	22
General account		11
Others	14	33
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended December 31, 2023 and 2022, are set forth as follows:

	2023	2022
Discount rate	1.1%	1.1%
Expected rate of return on plan assets	2.5%	2.5%
Expected rate of salary increase	9.8%	9.8%

(9) Defined contribution pension plan

The amounts of the required contribution to the defined contribution plans of the consolidated subsidiaries were ¥370 million (\$2,606 thousand) and ¥224 million for the years ended December 31, 2023 and 2022, respectively.

11. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by their nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective May 26, 2016. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Stock Options

The stock options outstanding as of December 31, 2023, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2014 I Stock Option	5 directors	23,100 shares	June 9, 2014	¥ 1	From June 9, 2014 to June 8, 2044
2015 I Stock Option	6 directors	17,100 shares	June 15, 2015	¥ 1	From June 15, 2015 to June 14, 2045
2016 I Stock Option	3 directors 3 executive officers	36,200 shares	June 13, 2016	¥ 1	From June 13, 2016 to June 12, 2046
2017 I Stock Option	3 directors 4 executive officers	24,700 shares	June 12, 2017	¥ 1	From June 12, 2017 to June 11, 2047
2017 II Stock Option	3 directors 6 executive officers 19 employees 8 directors of subsidiaries	148,000 shares	June 12, 2017	¥1,830	From July 1, 2019 to June 30, 2023
2018 I Stock Option	3 directors 4 executive officers	24,400 shares	June 11, 2018	¥ 1	From June 11, 2018 to June 10, 2048
2018 II Stock Option	1 director 6 executive officers 18 employees 8 directors of subsidiaries	175,000 shares	June 11, 2018	¥2,017	From July 1, 2020 to June 30, 2025
2019 I Stock Option	3 directors 4 executive officers	42,700 shares	April 15, 2019	¥ 1	From April 15, 2019 to April 14, 2049
2019 II Stock Option	7 executive officers 16 employees 8 directors of subsidiaries	161,000 shares	April 15, 2019	¥1,805	From June 1, 2021 to May 31, 2026
2020 I Stock Option	3 directors 5 executive officers	59,900 shares	April 13, 2020	¥ 1	From April 13, 2020 to April 12, 2050
2020 II Stock Option	5 executive officers 15 employees 8 directors of subsidiaries	138,000 shares	April 13, 2020	¥1,149	From June 1, 2022 to May 31, 2027
2021 Stock Option	5 executive officers 16 employees 8 directors of subsidiaries	141,000 shares	April 12, 2021	¥1,720	From June 1, 2023 to May 31, 2028
2022 Stock Option	4 executive officers 15 employees 8 directors of subsidiaries	128,000 shares	April 11, 2022	¥1,523	From June 3, 2024 to June 2, 2029
2023 Stock Option	15 employees 9 directors of subsidiaries	100,000 shares	April 10, 2023	¥1,841	From June 2, 2025 to June 1, 2030

The stock option activity was as follows:

	Shares						
	2014 I Stock Option	2015 I Stock Option	2016 I Stock Option	2017 I Stock Option	2017 II Stock Option	2018 I Stock Option	2018 II Stock Option
Year ended							
December 31, 2022							
Non-vested							
December 31, 2021 – Outstanding							
Granted							
Canceled							
Vested							
December 31, 2022 – Outstanding							
Vested							
December 31, 2021 – Outstanding	15,500	10,400	22,100	19,300	136,000	19,400	166,000
Vested							
Exercised			(3,700)	(3,000)		(2,200)	
Canceled				(8,000)	(10,000)		
December 31, 2022 – Outstanding	15,500	10,400	18,400	8,300	126,000	17,200	166,000
Year ended							
December 31, 2023							
Non-vested							
December 31, 2022 – Outstanding							
Granted							
Canceled							
Vested							
December 31, 2023 – Outstanding							
Vested							
December 31, 2022 – Outstanding	15,500	10,400	18,400	8,300	126,000	17,200	166,000
Vested							
Exercised	(12,100)	(7,900)	(13,800)		(2,000)	(8,600)	
Canceled					(124,000)		(6,000)
December 31, 2023 – Outstanding	3,400	2,500	4,600	8,300		8,600	160,000
Exercise price	¥ 1 \$ 0	¥ 1 \$ 0	¥ 1 \$ 0	¥ 1 \$ 0	¥1,830 \$ 13	¥ 1 \$ 0	¥2,017 \$ 14
Average stock price at exercise	¥1,585 \$ 11	¥1,585 \$ 11	¥1,585 \$ 11		¥1,821 \$ 13	¥1,585 \$ 11	
Fair value price at grant date	¥1,209 \$ 9	¥1,995 \$ 14	¥ 988 \$ 7	¥1,384 \$ 10	¥ 246 \$ 2	¥1,644 \$ 12	¥ 308 \$ 2

	Shares						
	2019 I Stock Option	2019 II Stock Option	2020 I Stock Option	2020 II Stock Option	2021 Stock Option	2022 Stock Option	2023 Stock Option
Year ended							
December 31, 2022							
Non-vested							
December 31, 2021 – Outstanding				138,000	141,000		
Granted						128,000	
Canceled							
Vested				(138,000)			
December 31, 2022 – Outstanding					141,000	128,000	
Vested							
December 31, 2021 – Outstanding	34,000	161,000	59,900				
Vested				138,000			
Exercised	(3,800)		(6,600)	(32,000)			
Canceled	(15,100)		(19,200)				
December 31, 2022 – Outstanding	15,100	161,000	34,100	106,000			
Year ended							
December 31, 2023							
Non-vested							
December 31, 2022 – Outstanding					141,000	128,000	
Granted							100,000
Canceled						(3,000)	
Vested					(141,000)		
December 31, 2023 – Outstanding						125,000	100,000
Vested							
December 31, 2022 – Outstanding	15,100	161,000	34,100	106,000			
Vested					141,000		
Exercised		(5,000)		(62,000)	(6,000)		
Canceled		(3,000)			(3,000)		
December 31, 2023 – Outstanding	15,100	153,000	34,100	44,000	132,000		
Exercise price	¥ 1 \$ 0	¥1,805 \$ 13	¥ 1 \$ 0	¥1,149 \$ 8	¥1,720 \$ 12	¥1,523 \$ 11	¥1,841 \$ 13
Average stock price at exercise		¥1,882 \$ 13		¥1,828 \$ 13	¥1,876 \$ 13		
Fair value price at grant date	¥1,608 \$ 11	¥ 352 \$ 2	¥ 866 \$ 6	¥ 157 \$ 1	¥ 296 \$ 2	¥ 226 \$ 2	¥ 283 \$ 2

The assumptions used to measure fair value of the 2023 Stock Options were as follows:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.363%
Estimated remaining outstanding period:	4.6 years
Estimated dividend:	¥60.00 per share
Risk-free interest rate:	(0.128)%

13. Restricted Stock Compensation

The restricted stock compensation outstanding as of December 31, 2023, was as follows:

Restricted Stock Compensation	Persons Granted	Number of Shares Granted	Date of Grant
2021 Restricted Stock Compensation	3 directors 4 executive officers	34,500 shares	April 22, 2021
2022 Restricted Stock Compensation	3 directors 4 executive officers	36,800 shares	April 21, 2022
2023 Restricted Stock Compensation	2 directors 6 executive officers	25,200 shares	April 20, 2023

Notes: 1. The transfer restriction period is from the grant date to the date immediately after retiring the position of either a director or an executive officer.

2. The transfer restrictions on all allotted stock shall be lifted upon the expiration of the transfer restriction period provided that the eligible directors, etc., continuously hold the position of company director or executive officer of the company who does not serve as a director from the date of commencement of the execution of duties until immediately before the conclusion of the first general meeting of shareholders thereafter (if the allottee is an executive officer of the company who does not serve as a director, from the starting date of the fiscal year that includes the grant date until the end of the current fiscal year.)

The restricted stock compensation activity was as follows:

	Shares		
	2021 Restricted Stock Compensation	2022 Restricted Stock Compensation	2023 Restricted Stock Compensation
Year ended December 31, 2022			
December 31, 2021 – Outstanding	34,500		
Granted		36,800	
Forfeited	(11,700)	(12,500)	
Released	(2,000)		
December 31, 2022 – Outstanding	20,800	24,300	
Year ended December 31, 2023			
December 31, 2022 – Outstanding	20,800	24,300	
Granted			25,200
Forfeited			
Released			
December 31, 2023 – Outstanding	20,800	24,300	25,200
Fair value price at grant date	¥1,622 \$ 11	¥1,509 \$ 11	¥1,713 \$ 12

14. Income Taxes

The Company and its consolidated subsidiaries in Japan are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 29.9% for the years ended December 31, 2023 and 2022.

Consolidated subsidiaries outside of Japan are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Deferred tax assets			
Unrealized profit on inventories	¥ 876	¥ 953	\$ 6,169
Depreciation	421	368	2,965
Inventories	345	208	2,430
Accrued bonuses	222	372	1,563
Liability for retirement benefits	123	265	866
Tax loss carryforwards	7		49
Other – net	622	741	4,380
Less valuation allowance	(296)	(258)	(2,084)
Total	2,320	2,649	16,338
Deferred tax liabilities			
Undistributed earnings of associated companies	(1,470)	(1,645)	(10,352)
Asset for retirement benefits	(555)	(631)	(3,909)
Other – net	(412)	(264)	(2,901)
Total	(2,437)	(2,540)	(17,162)
Net deferred tax assets (liabilities)	¥ (117)	¥ 109	\$ (824)

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of December 31, 2023 and 2022, were as follows:

No material tax loss carryforwards were recognized in 2022.

2023	Millions of yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards						¥7	¥7
Less valuation allowances for tax loss carryforwards							
Net deferred tax assets relating to tax loss carryforwards						¥7	¥7

2023	Thousands of U.S. dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to tax loss carryforwards						\$49	\$49
Less valuation allowances for tax loss carryforwards							
Net deferred tax assets relating to tax loss carryforwards						\$49	\$49

Notes: 1. The amounts of tax loss carryforwards were multiplied by the normal effective statutory tax rates.

2. The deferred tax assets relating to tax loss carryforwards for the year ended December 31 2023, were ¥7 million. The Company expects to recover the total amount of the tax loss carryforwards through the estimated future taxable profits.

A reconciliation between the normal effective statutory tax rate for the years ended December 31, 2023 and 2022, and the actual effective tax rate reflected in the accompanying consolidated statement of income was as follows:

	2023	2022
Normal effective statutory tax rate	29.9%	29.9%
Effect of foreign tax rate differences	(3.7)	(4.0)
Undistributed earnings of associated companies	3.4	2.6
Research and development tax credits	(2.2)	(0.8)
Foreign tax credit	(1.1)	(1.1)
Valuation allowance	(0.1)	(0.2)
Other – net	0.2	0.5
Actual effective tax rate	26.4%	26.9%

15. Research and Development Costs

Research and development costs charged to income were ¥1,849 million (\$13,021 thousand) and ¥1,966 million for the years ended December 31, 2023 and 2022, respectively.

16. Leases

The Company and its consolidated subsidiaries lease certain machinery, computer equipment, office space and other assets.

Obligations under noncancelable operating leases at December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Due within one year	¥1		\$ 7
Due after one year	2		14
Total	¥3		\$21

17. Financial Instruments and Related Disclosures

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial instruments and raises funds by bank loans. Derivatives are used mainly to manage foreign exchange risks, not for speculative purposes.

(2) Nature, Extent of Risks Arising from, and Risk Management for Financial Instruments

Trade receivables, such as trade notes and accounts receivable, are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of its internal guidelines, which include monitoring of the payment term and balance of each customer. The Group also periodically checks the credit status of key customers.

Marketable securities and investment securities, which are mainly debt instruments, are exposed to market risk. The Group periodically monitors market values of these securities and reports them to the management.

Trade payables, such as trade notes and accounts payable, are mostly due within one year.

The proceeds from the borrowings are used as working capital, and the repayment deadline is up to two years after the fiscal year-end.

The Group uses forward foreign exchange contracts to manage exchange risks arising from receivables and payables denominated in foreign currencies. Derivative transactions entered into by the Group have been made in accordance with internal policies which prescribe the authorization, and the result is reported to management. The Group also limits the counterparties of these derivatives to major international financial institutions to reduce credit risk.

With regard to trade payables, the Group is exposed to liquidity risk. The Group manages this risk through periodic financial planning by each Group company.

(3) Fair Values of Financial Instruments

In determining the fair value of financial instruments, various factors are taken into account. Therefore, adopting different assumptions or conditions could result in fluctuations in these values

(a) Fair Value of Financial Instruments

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
December 31, 2023						
Marketable and investment securities	¥325	¥325		\$2,289	\$2,289	
Total	¥325	¥325		\$2,289	\$2,289	
Long-term bank loans	¥ 37	¥ 37	¥0	\$ 261	\$ 261	\$0
Total	¥ 37	¥ 37	¥0	\$ 261	\$ 261	\$0
Derivatives	¥ (0)	¥ (0)		\$ (0)	\$ (0)	

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
December 31, 2022			
Marketable and investment securities	¥803	¥803	
Total	¥803	¥803	
Derivatives	¥229	¥229	

- Notes: 1. The note for the cash is omitted. The notes for the short-term investments, trade receivables, and trade payables are omitted because these items are mainly to be settled in a short period of time and fair value is almost equal to book value.
2. Long-term bank loans scheduled for repayment within one year are included and shown under "Long-term bank loans."
3. Unlisted equity securities, etc., are not included in "Marketable and investment securities." The carrying amount (fair value cannot be reliably determined) of these financial instruments that do not have a quoted market price in an active market is as follows.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unlisted equity securities	¥ 36	¥ 36	\$ 253
Investments in unconsolidated subsidiaries and associated companies	301	293	2,120
Investments in limited partnerships		34	
Total	¥337	¥363	\$2,373

4. As of December 31, 2023
Other marketable securities include investment trusts to which we have applied the treatment of considering the standard value as fair value under Paragraph 24-3 of the 'Practical Guidance on Accounting Standard for Fair Value Measurement' (Practical Issues Task Force No. 31, June 17, 2021).
5. Derivative receivables and liabilities are on a net basis and items for which the total is a net liability are shown in ().

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

December 31, 2023	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥31,434			
Marketable and investment securities				
Short-term investments	287			
Trade receivables	16,548	¥2,041	¥6	
Total	¥48,269	¥2,041	¥6	

December 31, 2022	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥29,565			
Marketable and investment securities	34	¥ 600		
Short-term investments	505			
Trade receivables	21,287	1,463		
Total	¥51,391	¥2,063		

December 31, 2023	Thousands of U.S. dollars (Note 1)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$221,366			
Marketable and investment securities				
Short-term investments	2,021			
Trade receivables	116,535	\$14,373	\$42	
Total	\$339,922	\$14,373	\$42	

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements.

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

December 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale securities:				
Equity securities	¥252			¥252
Investment trusts	73			73
Derivative transactions:				
Foreign currency forward contracts		¥(4)		(4)
Total assets	¥325	¥(4)		¥321
Derivative transactions:				
Foreign currency forward contracts		¥ 4		¥ 4
Total liabilities		¥ 4		¥ 4

December 31, 2022	Millions of yen			Total
	Level 1	Level 2	Level 3	
Marketable and investment securities				
Available-for-sale securities:				
Equity securities	¥178			¥178
Bonds		¥563		563
Derivative transactions:				
Foreign currency forward contracts		220		220
Total assets	¥178	¥783		¥961
Derivative transactions:				
Foreign currency forward contracts		¥ 9		¥ 9
Total liabilities		¥ 9		¥ 9

December 31, 2023	Thousands of U.S. dollars (Note 1)			Total
	Level 1	Level 2	Level 3	
Marketable and investment securities				
Available-for-sale securities:				
Equity securities	\$1,775			\$1,775
Investment trusts	514			514
Derivative transactions:				
Foreign currency forward contracts		\$(28)		(28)
Total assets	\$2,289	\$(28)		\$2,261
Derivative transactions:				
Foreign currency forward contracts		\$ 28		\$ 28
Total liabilities		\$ 28		\$ 28

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

December 31, 2023	Millions of yen			Total
	Level 1	Level 2	Level 3	
Long-term bank loans		¥37		¥37
Total liabilities		¥37		¥37

December 31, 2023	Thousands of U.S. dollars (Note 1)			Total
	Level 1	Level 2	Level 3	
Long-term bank loans		\$261		\$261
Total liabilities		\$261		\$261

Not applicable for the year ended December 31, 2022.

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and investment securities

The fair values of listed equity securities and investment trusts are evaluated using quoted market price and classified as Level 1 because listed equity securities are traded in active markets.

Derivatives

The fair values of foreign currency forward contracts are evaluated using the price provided by financial institutions and classified as Level 2.

Long-term bank loans

The fair values of Long-term bank loans are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are classified as Level 2.

18. Derivatives

Derivative transactions to which hedge accounting is not applied

At December 31, 2023	Millions of yen			
	Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Selling	¥ 818		¥(4)	¥(4)
Buying	341		4	4
Total	¥1,159		¥(0)	¥(0)

At December 31, 2022	Millions of yen			
	Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Selling	¥5,287		¥220	¥220
Buying	338		9	9
Total	¥5,625		¥229	¥229

At December 31, 2023	Thousands of U.S. dollars (Note 1)			
	Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Selling	\$5,761		\$(28)	\$(28)
Buying	2,401		28	28
Total	\$8,162		\$ (0)	\$ (0)

19. Other Comprehensive Income

The components of other comprehensive income for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Unrealized gain (loss) on available-for-sale securities:			
Gains arising during the year	¥ 78	¥ 21	\$ 549
Reclassification adjustments to profit or loss			
Amount before income tax effect	78	21	549
Income tax effect	(19)	3	(134)
Total	¥ 59	¥ 24	\$ 415
Foreign currency translation adjustments:			
Adjustments arising during the year	¥3,690	¥3,893	\$25,986
Reclassification adjustments to profit or loss			
Total	¥3,690	¥3,893	\$25,986
Defined retirement benefit plans:			
Adjustments arising during the year	¥ 221	¥1,182	\$ 1,556
Reclassification adjustments to profit or loss	(473)	250	(3,331)
Amount before income tax effect	(252)	1,432	(1,775)
Income tax effect	75	(428)	528
Total	¥ (177)	¥1,004	\$ (1,247)
Share of other comprehensive income in an associate:			
Gains arising during the year	¥ 11	¥ 65	\$ 78
Total	¥ 11	¥ 65	\$ 78
Total other comprehensive income	¥3,583	¥4,986	\$25,232

20. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2023 and 2022, were as follows:

	Millions of yen Net income attributable to owners of the parent	Thousands of shares Weighted- average shares	Yen EPS	U.S. dollars (Note 1)
Year ended December 31, 2023				
Basic EPS				
Net income attributable to common shareholders	¥ 8,175	37,350	¥218.89	\$1.54
Effect of dilutive securities				
Convertible bonds				
Stock acquisition rights		123		
Diluted EPS				
Net income for computation	¥ 8,175	37,473	¥218.17	\$1.54
Year ended December 31, 2022				
Basic EPS				
Net income attributable to common shareholders	¥10,299	37,983	¥271.14	
Effect of dilutive securities				
Convertible bonds				
Stock acquisition rights		159		
Diluted EPS				
Net income for computation	¥10,299	38,142	¥270.01	

21. Revenue Recognition

(a) Disaggregated information of revenues from contract with customers

December 31, 2023	Millions of yen		
	Special Products	Machine Tools	Total
Japan	¥ 2,730	¥ 5,596	¥ 8,326
Europe	3,724	26,515	30,239
USA	8,509	14,609	23,118
Asia	1,148	15,365	16,513
Revenues from contracts with customers	¥16,111	¥62,085	¥78,196

December 31, 2022	Millions of yen		
	Special Products	Machine Tools	Total
Japan	¥ 2,109	¥ 6,809	¥ 8,918
Europe	3,803	20,824	24,627
USA	10,920	17,907	28,827
Asia	1,127	23,869	24,996
Revenues from contracts with customers	¥17,959	¥69,409	¥87,368

December 31, 2023	Thousands of U.S. dollars (Note 1)		
	Special Products	Machine Tools	Total
Japan	\$ 19,225	\$ 39,409	\$ 58,634
Europe	26,225	186,725	212,950
USA	59,923	102,880	162,803
Asia	8,085	108,204	116,289
Revenues from contracts with customers	\$113,458	\$437,218	\$550,676

Note: Revenues from contracts with customers are based on the location of each Group Company and are classified by each country or region.

(b) Basic information for understanding revenue from contracts with customers

The basis for understanding revenue is described in Note 2 (n), "Revenue Recognition."

(c) Information based on the relationship between the satisfaction of performance obligations under contracts with customers and cash flow arising from the contracts, as well as the amount and timing of revenue expected to be recognized after the next fiscal year from the contracts with customers that existed at the end of the current fiscal year.

(1) Balance of contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Receivables from contracts with customers (beginning balance)	¥22,750	¥18,553	\$160,211
Receivables from contracts with customers (ending balance)	18,595	22,750	130,950
Contract liabilities (beginning balance)	966	801	6,803
Contract liabilities (ending balance)	332	966	2,338

Contract liabilities are mainly related to Advance received.

The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the current fiscal year was ¥966 million (\$6,803 thousand).

(2) Transaction prices allocated to remaining performance obligation

As the Group had no significant transaction with an initial expected contract period over one year, the practical expedients are applied and information on remaining performance obligations is omitted. In the consideration from contracts with customers, there is no significant amount without the transaction price.

22. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group has two reportable segments: "Special Products" and "Machine Tools."

"Special Products" produces and sells POS printers and others.

"Machine Tools" produces and sells CNC automatic lathes and others.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets, liabilities and other items.

	Millions of yen				
	Reportable Segment				
	Special Products	Machine Tools	Total	Reconciliations	Consolidated
December 31, 2023					
Sales to external customers	¥16,111	¥62,085	¥78,196		¥78,196
Intersegment sales or transfers					
Total	16,111	62,085	78,196		78,196
Segment profit	¥ 1,953	¥10,350	¥12,303	¥ (1,952)	¥10,351
Segment assets	¥14,139	¥64,648	¥78,787	¥14,612	¥93,399
Other items:					
Depreciation	496	2,046	2,542	168	2,710
Investments in associates	301		301		301
Increase in property, plant and equipment and intangible assets	502	2,042	2,544	136	2,680

	Millions of yen				
	Reportable Segment				
	Special Products	Machine Tools	Total	Reconciliations	Consolidated
December 31, 2022					
Sales to external customers	¥17,959	¥69,409	¥87,368		¥87,368
Intersegment sales or transfers					
Total	17,959	69,409	87,368		87,368
Segment profit	¥ 3,754	¥12,249	¥16,003	¥ (2,078)	¥13,925
Segment assets	¥15,940	¥69,479	¥85,419	¥14,120	¥99,539
Other items:					
Depreciation	442	1,791	2,233	181	2,414
Investments in associates	293		293		293
Increase in property, plant and equipment and intangible assets	606	2,598	3,204	186	3,390

	Thousands of U.S. dollars (Note 1)				
	Reportable Segment				
	Special Products	Machine Tools	Total	Reconciliations	Consolidated
December 31, 2023					
Sales to external customers	\$113,458	\$437,218	\$550,676		\$550,676
Intersegment sales or transfers					
Total	113,458	437,218	550,676		550,676
Segment profit	\$ 13,753	\$ 72,887	\$ 86,640	\$ (13,746)	\$ 72,894
Segment assets	\$ 99,570	\$455,268	\$554,838	\$102,901	\$657,739
Other items:					
Depreciation	3,493	14,409	17,902	1,183	19,085
Investments in associates	2,120		2,120		2,120
Increase in property, plant and equipment and intangible assets	3,535	14,380	17,915	958	18,873

- Notes: 1. Reconciliations recorded for segment profit include corporate expenses that are not allocated to any reportable segment. Corporate expenses principally consist of general corporate expenses incurred by the Administration Headquarters of the Company.
2. Reconciliations recorded for segment assets include corporate assets that are not allocated to any reportable segment. Corporate assets principally consist of assets maintained by the Administration Headquarters of the Company and consist principally of excess funds under management (cash and cash equivalents).
3. Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.
4. Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.
5. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

Related Information

Related information by geographical area at December 31, 2023 and 2022, consisted of the following:

(1) Net Sales

December 31, 2023	Millions of yen					Total
	Japan	USA	Germany	China	Others	
	¥8,402	¥21,952	¥10,422	¥10,333	¥27,087	¥78,196

December 31, 2022	Millions of yen					Total
	Japan	USA	Germany	China	Others	
	¥9,037	¥27,904	¥8,743	¥17,112	¥24,572	¥87,368

December 31, 2023	Thousands of U.S. dollars (Note 1)					Total
	Japan	USA	Germany	China	Others	
	\$59,169	\$154,592	\$73,394	\$72,768	\$190,753	\$550,676

Note: Sales are classified by country or region based on the location of customers.

(2) Property, Plant and Equipment

December 31, 2023	Millions of yen				Total
	Japan	China	Thailand	Others	
	¥7,501	¥3,341	¥2,710	¥2,351	¥15,903

December 31, 2022	Millions of yen				Total
	Japan	China	Thailand	Others	
	¥8,001	¥3,304	¥2,633	¥1,759	¥15,697

December 31, 2023	Thousands of U.S. dollars (Note 1)				Total
	Japan	China	Thailand	Others	
	\$52,824	\$23,528	\$19,085	\$16,556	\$111,993

23. Related Party Disclosures

Transactions of the Company with related parties for the years ended December 31, 2023 and 2022, were as follows:

Year ended December 31, 2023

Not applicable

Year ended December 31, 2022

Related party	Category	Description of transaction	Millions of yen
Hajime Sato	Chairman of the Board	Exercise of stock options	¥12
Fumio Masuda	Executive Officer	Exercise of stock options	¥11

24. Subsequent Event

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at December 31, 2023, was approved at the Company's Board of Directors' meeting held on February 22, 2024:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥30 (\$0.211) per share	¥1,101	\$7,754

b. The Renovation of Domestic Factories in the Machine Tools Segment

Star Micronics Co., Ltd. ("Star Micronics" or "the Company") announced that its Board of Directors has resolved to renovate its Kikugawa Factory and construct a new factory as a part of its Machine Tools Segment activities. Brief details are presented as follows:

1. Purpose

- (1) Star Micronics will look to increase its production capacity to meet the growing global demand for Swiss-Type CNC Automatic Lathes. The Company will also build a new factory in Japan to assemble high-value-added products and cutting-edge models. In addition to putting in place a monthly production capacity of 100 units, efforts will be made to strengthen the Company's ability to respond to geopolitical risks through these means.
- (2) Star Micronics' current Kikugawa Factory building was constructed more than 35 years ago. The decision to renovate the factory is therefore geared toward improving the Company's BCP by strengthening its response to earthquakes and other disasters.
- (3) Star Micronics will work to increase operational and production efficiency, improve quality, and reduce costs by automating operations through measures such as the introduction of robots and the promotion of Digital Transformation (DX) to create a smart factory.
- (4) Star Micronics will install solar panels and other equipment and promote environment-friendly design and facilities in a bid to realize sustainable factories. Through these endeavors, the Company aims to obtain ZEB certification and contribute to the realization of a sustainable society.

2. Overview of the Kikugawa Factory Renovation

- (1) Name: Kikugawa South Factory (tentative)
- (2) Location: Misawa, Kikugawa City, Shizuoka Prefecture
- (3) Activities: Manufacture of core components
- (4) Structural overview: Steel-framed three-story building
- (5) Building area: Approx. 10,300m² (approx. 3,120 tsubo)
- (6) Total floor area: Approx. 13,700m² (approx. 4,150 tsubo)
- (7) Total project expenses: Approx. ¥10,000 million (\$70,422,535)
- (8) Start of construction: July 2024 (planned)
- (9) Start of operations: November 2025 (planned)

3. Overview of the New Factory

- (1) Name: Makinohara Factory (tentative)
- (2) Location: Nunohikihara, Makinohara City, Shizuoka Prefecture
- (3) Activities: Body assembly of cutting-edge models
- (4) Structural overview: Steel-framed two-story building
- (5) Building area: Approx. 6,900m² (approx. 2,090 tsubo)
- (6) Total floor area: Approx. 9,100m² (approx. 2,760 tsubo)
- (7) Total project expenses: Approx. ¥5,000 million (\$35,211,268)
- (8) Start of construction: May 2025 (planned)
- (9) Start of operations: July 2026 (planned)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Star Micronics Co., Ltd.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Star Micronics Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Appropriateness of the timing of revenue recognition for sales from the machine tools business	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As stated in Note 22 "Segment Information" to the consolidated financial statements, sales from the machine tools business were 62,085 million yen, which accounted for 79.4% of consolidated net sales of 78,196 million yen recorded in the consolidated statement of income for the current year. Furthermore, sales from the machine tools business were primarily from the sales of products of Star Micronics Co., Ltd. (the "Company"), Star CNC Machine Tool Corp. and Shanghai Xingang Machinery Co., Ltd., which are significant subsidiaries.</p> <p>As stated in Note n. "Revenue Recognition" of Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements, the Group deems the performance obligation to be satisfied when a customer has obtained control of the product based on contractual conditions and recognizes revenues at the time products are shipped, products are inspected by a customer, or at a time specified in trade terms.</p> <p>Revenue related machine tools is recognized on an inspection basis and a certain number of installation hours are needed for a test run and a specification confirmation by a customer before a customer has the ability to use the machine tools. When the installation of machine tools does not proceed as initially planned, the sales may not be recorded in the originally planned period. Additionally, the amounts of sales and profits per unit for machine tools are large, and recording such sales in an inappropriate period may significantly impact the sales and profit for the year. Furthermore, in the current year, there is a potential risk of accelerated posting of sales in an effort to meet annual performance targets because of the decrease in revenue resulting due to heightened concerns over the economic recession in Europe and America and the delayed economic recovery in China. Therefore, auditing the appropriateness of the timing of revenue recognition for sales from the machine tools business requires a more careful consideration.</p> <p>Based on above, we identified the appropriateness of the timing of revenue recognition for sales from the machine tools business of the Company and its two significant subsidiaries as a key audit matter.</p>	<p>Our audit procedures related to the appropriateness of the timing of revenue recognition for sales from the machine tools business included the following, among others:</p> <p>(1) Evaluation of internal controls</p> <p>We evaluated the design and operating effectiveness of the following internal controls related to appropriate timing of recording sales that are recognized based on contractual conditions with customers, approval of sales inputted in the sales management system, which includes assessing the appropriateness of sales dates by checking with evidence such as proofs of shipment, bills of lading, and acceptance inspection documents.</p> <p>(2) Substantive procedures</p> <p>We analyzed the monthly and yearly changes in sales by customer and by product for the machine tools business and performed the following procedures:</p> <ul style="list-style-type: none"> • Examined whether the timing in which revenue is recognized for transactions is appropriate in terms of the contractual conditions established in contracts with customers or purchase orders. • Tested significant sales recorded close to the year end by inspecting purchase orders, contracts, and evidence which supported the appropriate timing of revenue recognition, such as proofs of shipment, bills of lading, and acceptance inspection documents. • Examined the acceptance inspection documents for sales recorded on an inspection basis to determine whether there was a signature for the acceptance inspection from the person in charge of the customer, and whether the acceptance dates were consistent with the installation/test run dates. • Examined whether there were large costs incurred after acceptance inspections, which were normally not expected to occur. • We inspected the sales ledger after the year end and examined whether there were any significant negative sales entries that would cast doubt on the appropriateness of the timing of revenue recognition.

Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the ANNUAL REPORT 2023, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2023, which were charged by us and our network firms to Star Micronics Co., Ltd. and its subsidiaries were ¥123 million and ¥29 million, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
April 27, 2024

Stock Information

as of December 31, 2023

Total Number of Authorized Shares	158,000,000 shares
Total Number of Issued Shares	41,921,434 shares*
Paid-in Capital	12,721,939,515 yen
Number of Shareholders	10,920

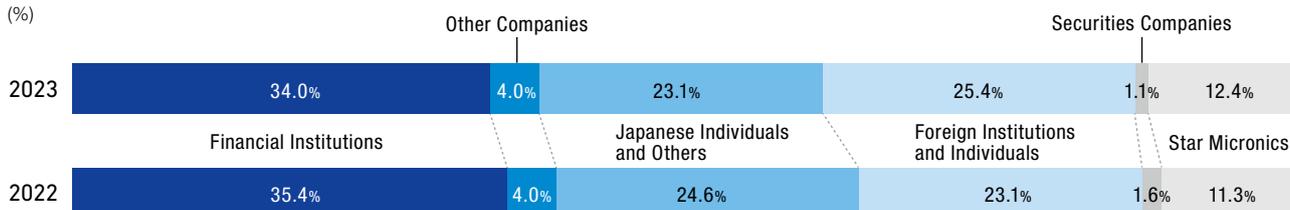
Stock Listing Prime Market Section of the Tokyo Stock Exchange

Transfer Agent Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda,
Tokyo 100-8212, Japan

* The decrease in the number of shares issued was due to a retirement of 543,700 shares.

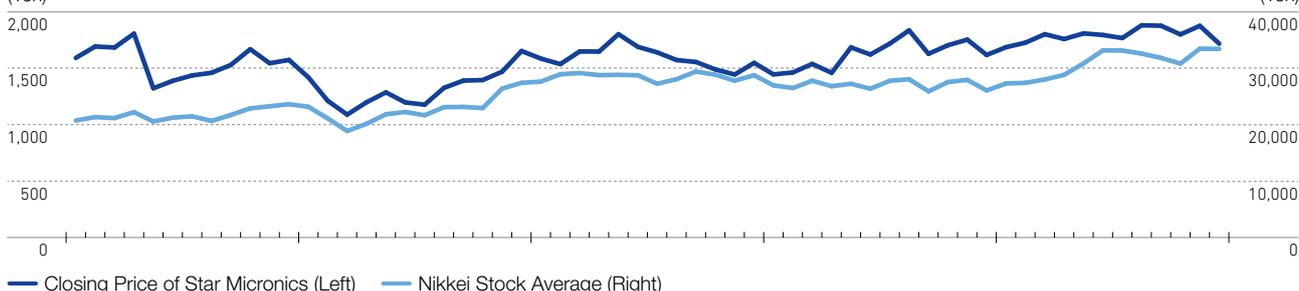
COMPOSITION OF SHAREHOLDERS

(%)



STOCK PRICE RANGE (TOKYO STOCK EXCHANGE)

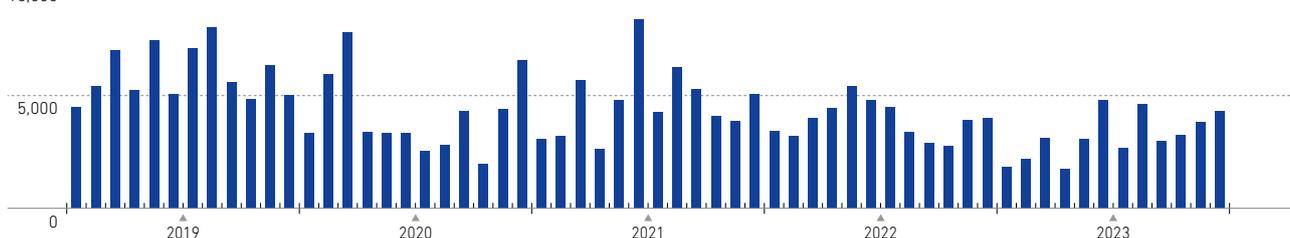
(Yen)



TRADING VOLUME

(Thousands of shares)

10,000



Notes: 1. This trading volume shows the monthly volume of trade on the Tokyo Stock Exchange.

2. Stock prices of Star Micronics and the Nikkei Stock Average are based on a simple average of daily closing prices for each day of every month at the Tokyo Stock Exchange.

STOCK PRICE

(Yen)

Year	2019	2020	2021	2022	2023
At year-end	1,575	1,654	1,549	1,619	1,719
High	1,893	1,720	1,893	1,858	1,936
Low	1,258	945	1,416	1,318	1,560

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