# Financial Results for the FY12/2022

## Overview of Consolidated Financial Results and Report on Progress under First Medium-Term Management Plan

STAR MICRONICS CO., LTD.
https://www.star-m.jp

Code 7718

February 9, 2023

* The projections in this document are based on information available at the time of release of this report and certain assumptions the Company considers reasonable.
* The Company does not promise that these projections will be achieved. Actual results may differ materially from projections due to a variety of factors.

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# Financial Results for FY12/2022

# Overview of the FY2022

## Substantial Increases in Sales and Profits Year on Year

| | | | |
|---|---|---|---|
| ■Net Sales | ¥87.36 billion | 35.7% up | YoY |
| ■Operating Income | ¥13.92 billion | 87.8% up | YoY |
| ■Ordinary Income | ¥14.19 billion | 82.2% up | YoY |
| ■Net Income Attributable to Owners of Parent | ¥10.29 billion | 79.4% up | YoY |

✓ **Sales of the mainstay Machine Tools Segment jumped significantly in both overseas and domestic markets. Furthermore, thanks to the yen's depreciation, sales and profits increased substantially.**

✓ **Net sales and net income attributable to owners of parent reached record highs.**

# Consolidated Operating Results

(Millions of Yen)

| | | FY12/2021 Actual | | FY12/2022 Actual | | |
|---|---|---|---|---|---|---|
| | | Amount | Income Ratio (%) | Amount | Income Ratio (%) | Change (%) |
| Sales | Special Products | 15,569 | | 17,959 | | 15.3 |
| | Machine Tools | 48,790 | | 69,408 | | 42.3 |
| | Total | 64,360 | | 87,368 | | 35.7 |
| Operating Income | Special Products | 2,282 | 14.7 | 3,754 | 20.9 | 64.5 |
| | Machine Tools | 6,857 | 14.1 | 12,248 | 17.6 | 78.6 |
| | Eliminations or Corporate | (1,725) | | (2,077) | | |
| | Total | 7,415 | 11.5 | 13,925 | 15.9 | 87.8 |
| Ordinary Income | | 7,795 | 12.1 | 14,199 | 16.3 | 82.2 |
| Net Income Attributable to Owners of Parent | | 5,740 | 8.9 | 10,298 | 11.8 | 79.4 |

| | | |
|---|---|---|
| ROE(%) | 10.4 | 15.4 |
| Cash Dividends Applicable to the Year | ¥58 | ¥70* |

*Included a special dividend of ¥10 per share

| | | | |
|---|---|---|---|
| Exchange Rate | US $ | ¥109.80 | ¥131.45 |
| | EUR | ¥129.88 | ¥138.05 |
| | GBP | ¥151.07 | ¥161.93 |

# Consolidated Business Forecast

(Millions of Yen)

| | | FY12/2022 Actual | | FY12/2023 Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 1st Half | | 2nd Half | | Full-Year | | |
| | | Amount | Income Ratio(%) | Amount | Income Ratio(%) | Amount | Income Ratio(%) | Amount | Income Ratio(%) | Change (%) |
| Sales | Special Products | 17,959 | | 9,000 | | 8,740 | | 17,740 | | (1.2) |
| | Machine Tools | 69,408 | | 32,900 | | 28,860 | | 61,760 | | (11.0) |
| | Total | 87,368 | | 41,900 | | 37,600 | | 79,500 | | (9.0) |
| Operating Income | Special Products | 3,754 | 20.9 | 1,680 | 18.7 | 1,320 | 15.1 | 3,000 | 16.9 | (20.1) |
| | Machine Tools | 12,248 | 17.6 | 5,900 | 17.9 | 3,800 | 13.2 | 9,700 | 15.7 | (20.8) |
| | Eliminations or Corporate | (2,077) | | (1,180) | | (1,020) | | (2,200) | | |
| | Total | 13,925 | 15.9 | 6,400 | 15.3 | 4,100 | 10.9 | 10,500 | 13.2 | (24.6) |
| Ordinary Income | | 14,199 | 16.3 | 6,600 | 15.8 | 4,200 | 11.2 | 10,800 | 13.6 | (23.9) |
| Net Income Attributable to Owners of Parent | | 10,298 | 11.8 | 5,000 | 11.9 | 3,100 | 8.2 | 8,100 | 10.2 | (21.3) |

| | | |
|---|---|---|
| ROE(%) | 15.4 | 11.1 |
| Cash Dividends Applicable to the Year | ¥70 * | ¥60 |

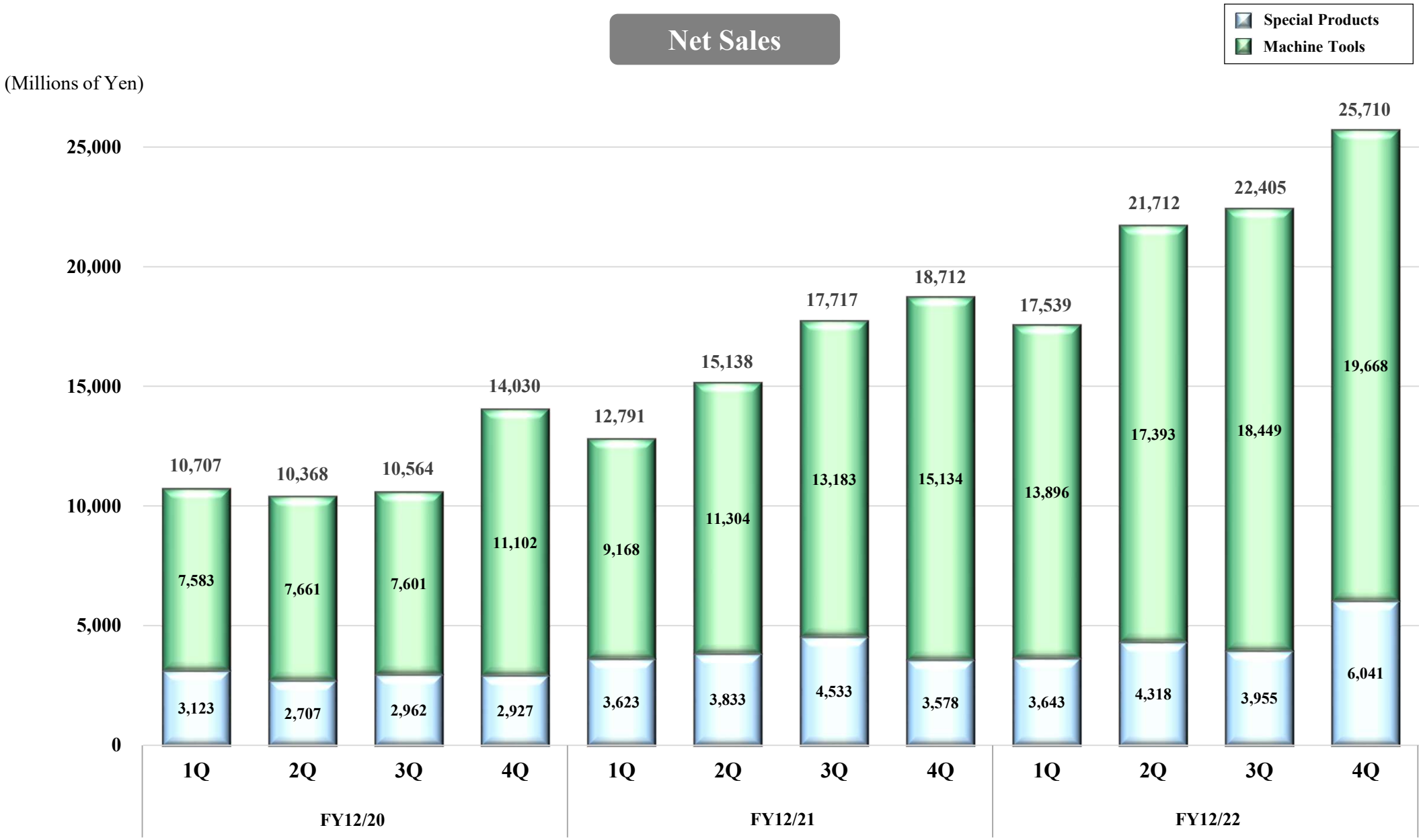
*Included a special dividend of ¥10 per share

| | | |
|---|---|---|
| Exchange Rate | US $ | ¥131.45 |
| | EUR | ¥138.05 |
| | GBP | ¥161.93 |

| Planned Rate | Foreign Exchange Sensitivity* |
|---|---|
| ¥125.00 | 136million |
| ¥130.00 | 105million |
| ¥150.00 | 9million |

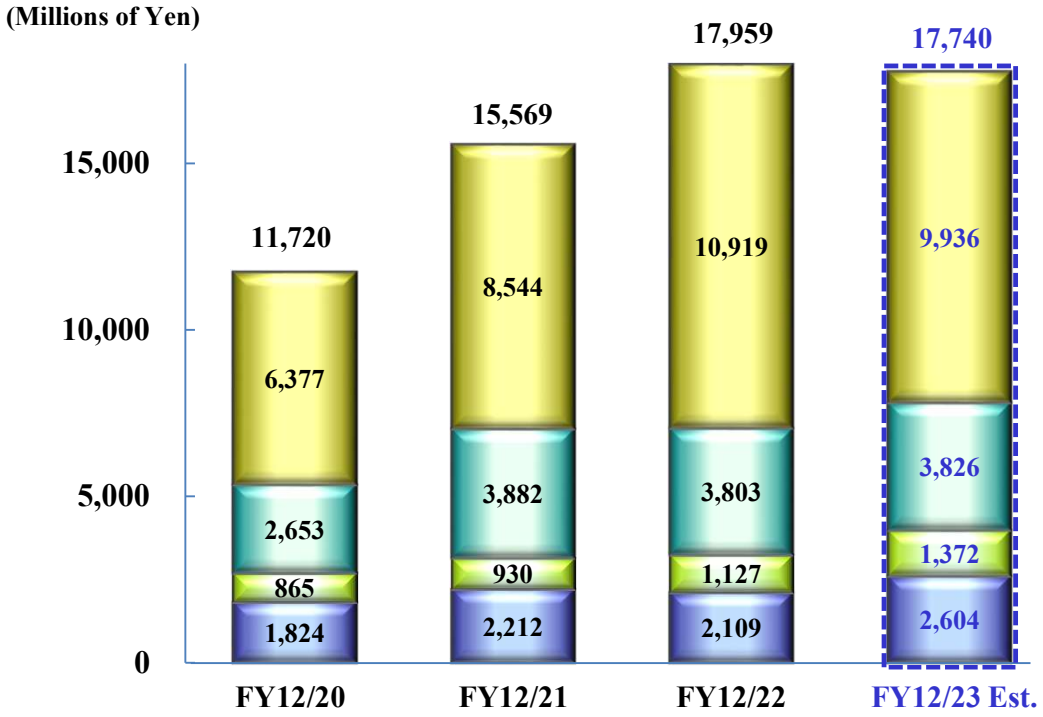
*Foreign Exchange Sensitivity: Sensitivity of operating income to a ¥1 change in foreign exchange rates.

# Quarterly Information(Net Sales)

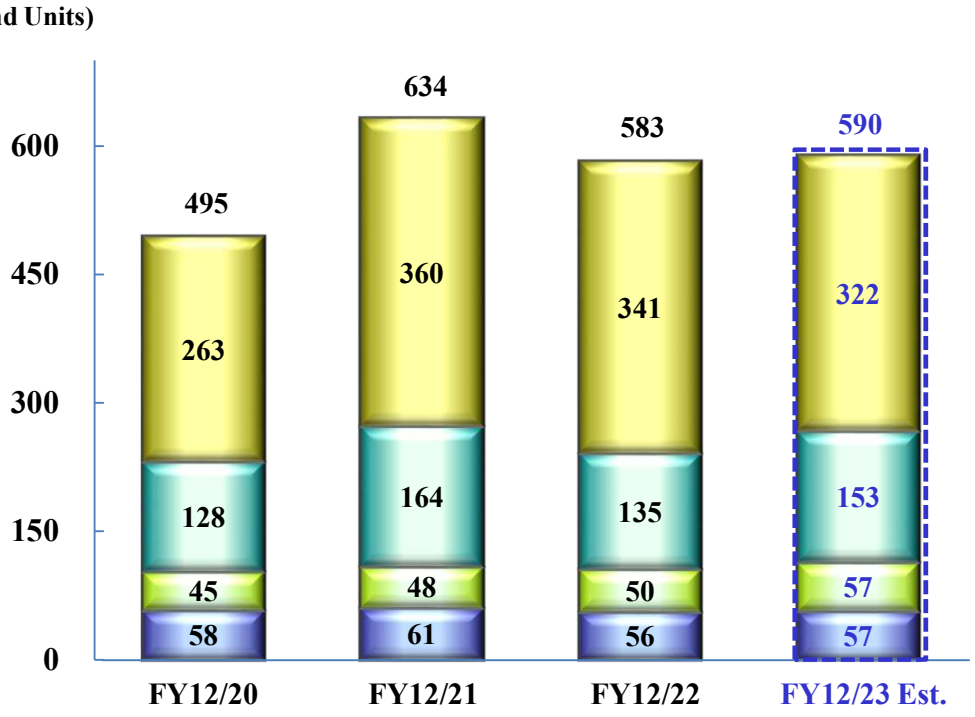


# Special Products

## Sales



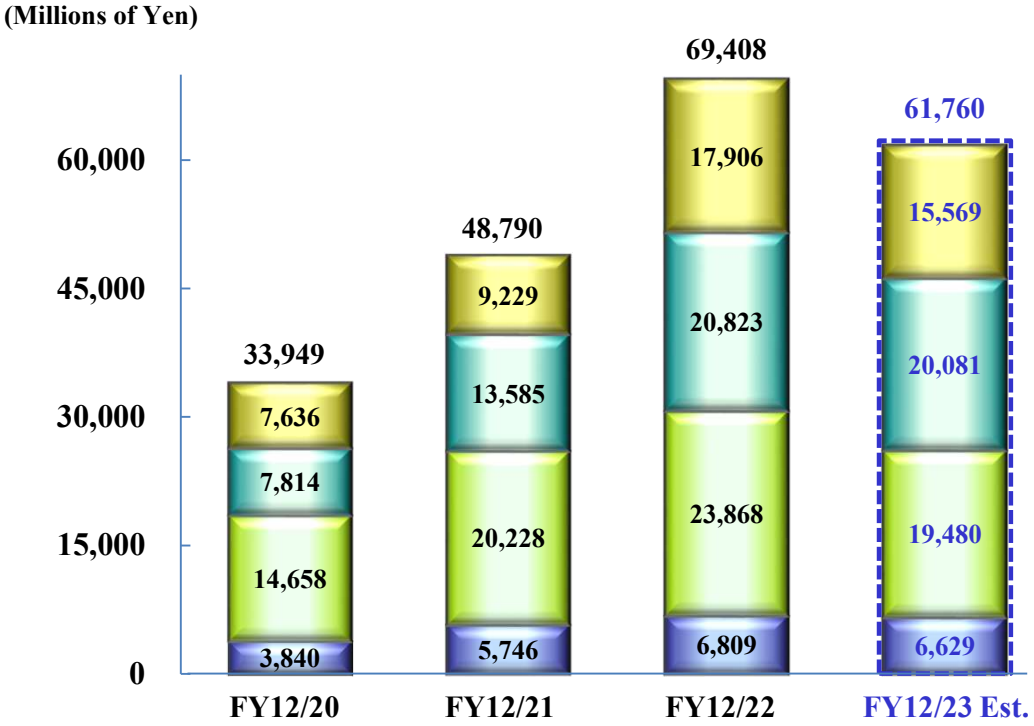

## Sales Volume



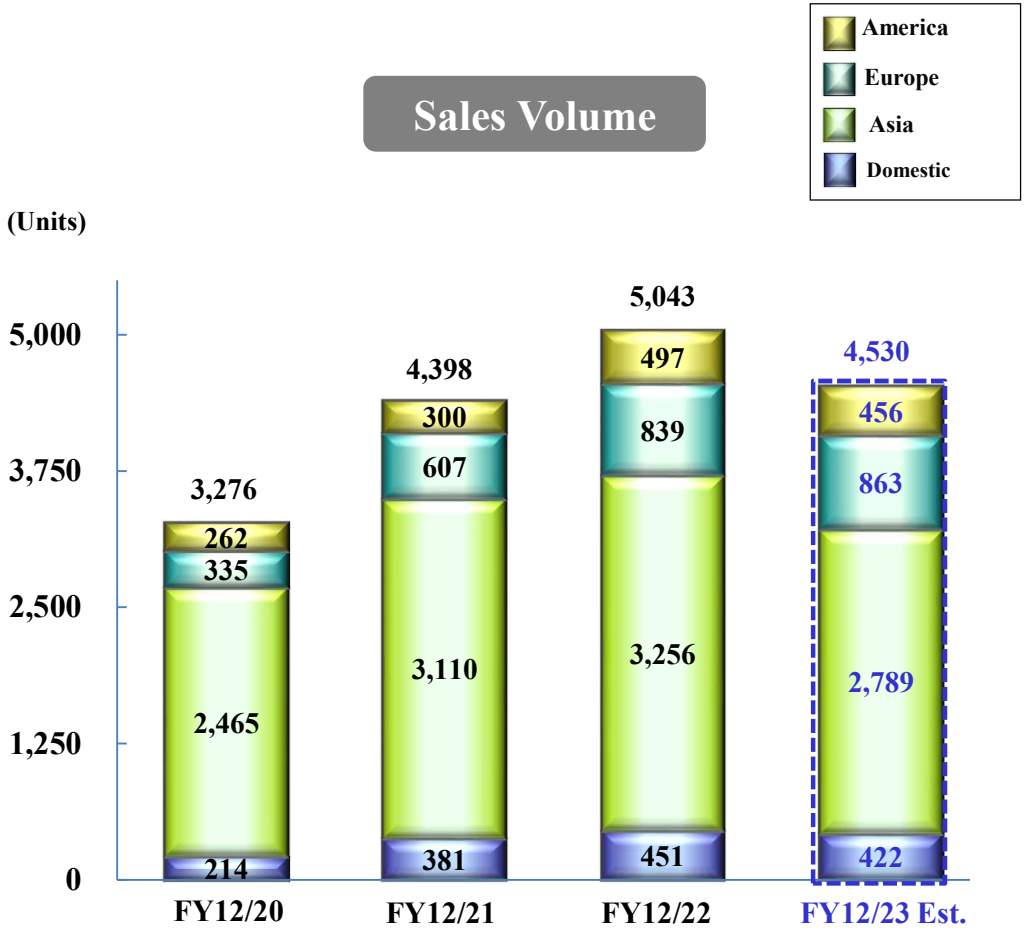

- Sales in the U.S. market increased substantially, while delays in the supply of products had a negative effect, this was largely attributable to the impact of the yen's depreciation.
- In the European and domestic markets, conditions were favorable, sales, however, decreased owing to delays in the supply of products.

# Machine Tools

## Sales



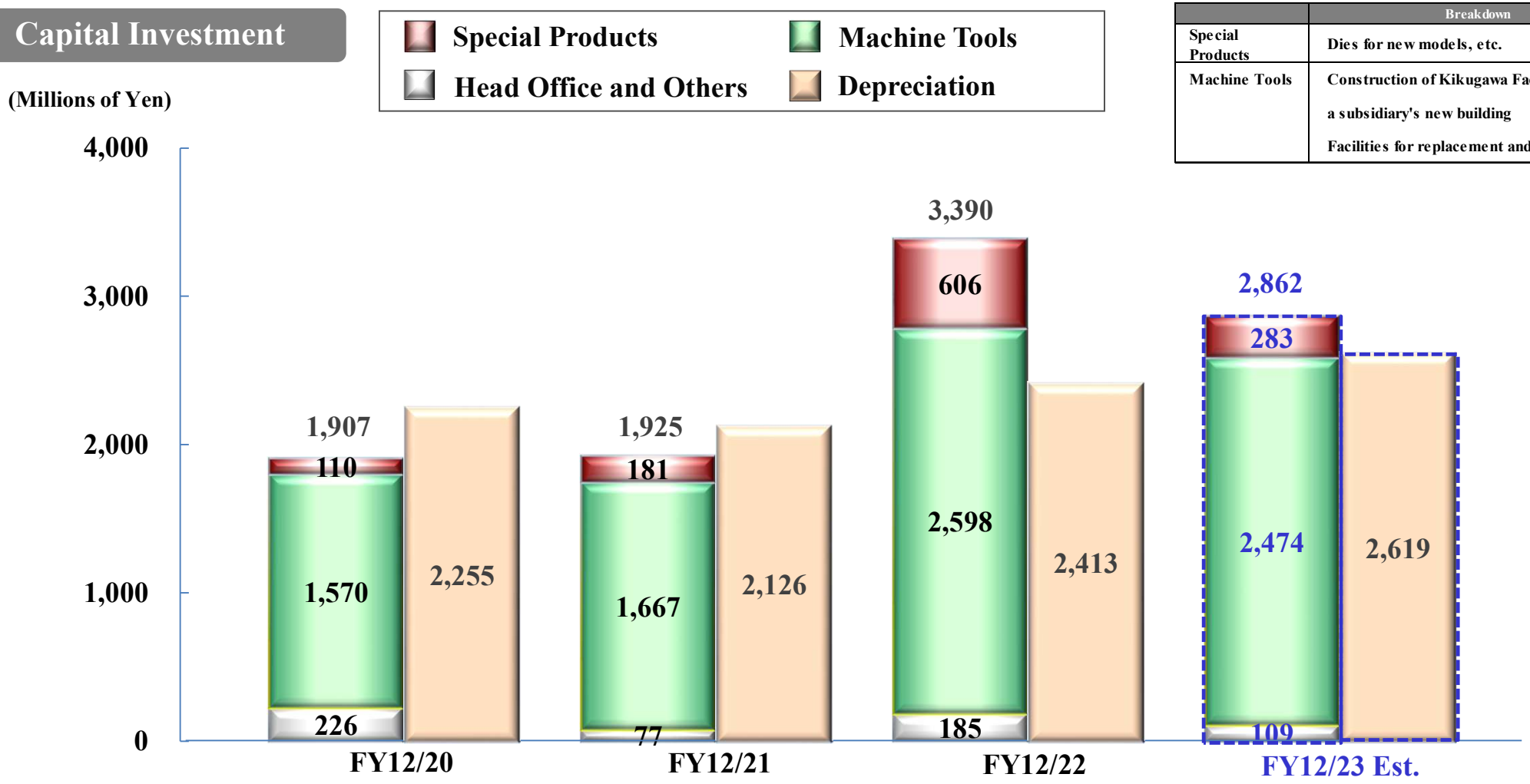

## Sales Volume




- Sales were strong across a wide range of industries centered on the medical-related sector in the U.S. market.
- In the European market, sales were robust mainly in automotive-related industries.
- Despite signs of a cautious approach toward capital investment in China over the latter half of the fiscal year, sales in the Asian market increased.
- With signs of a recovery across a wide range of industries, sales in the domestic market increased substantially.

# Capital Investment / R&D Costs

## Capital Investment




| | Breakdown |
|---|---|
| Special Products | Dies for new models, etc. |
| Machine Tools | Construction of Kikugawa Factory and a subsidiary's new building<br>Facilities for replacement and maintenance |

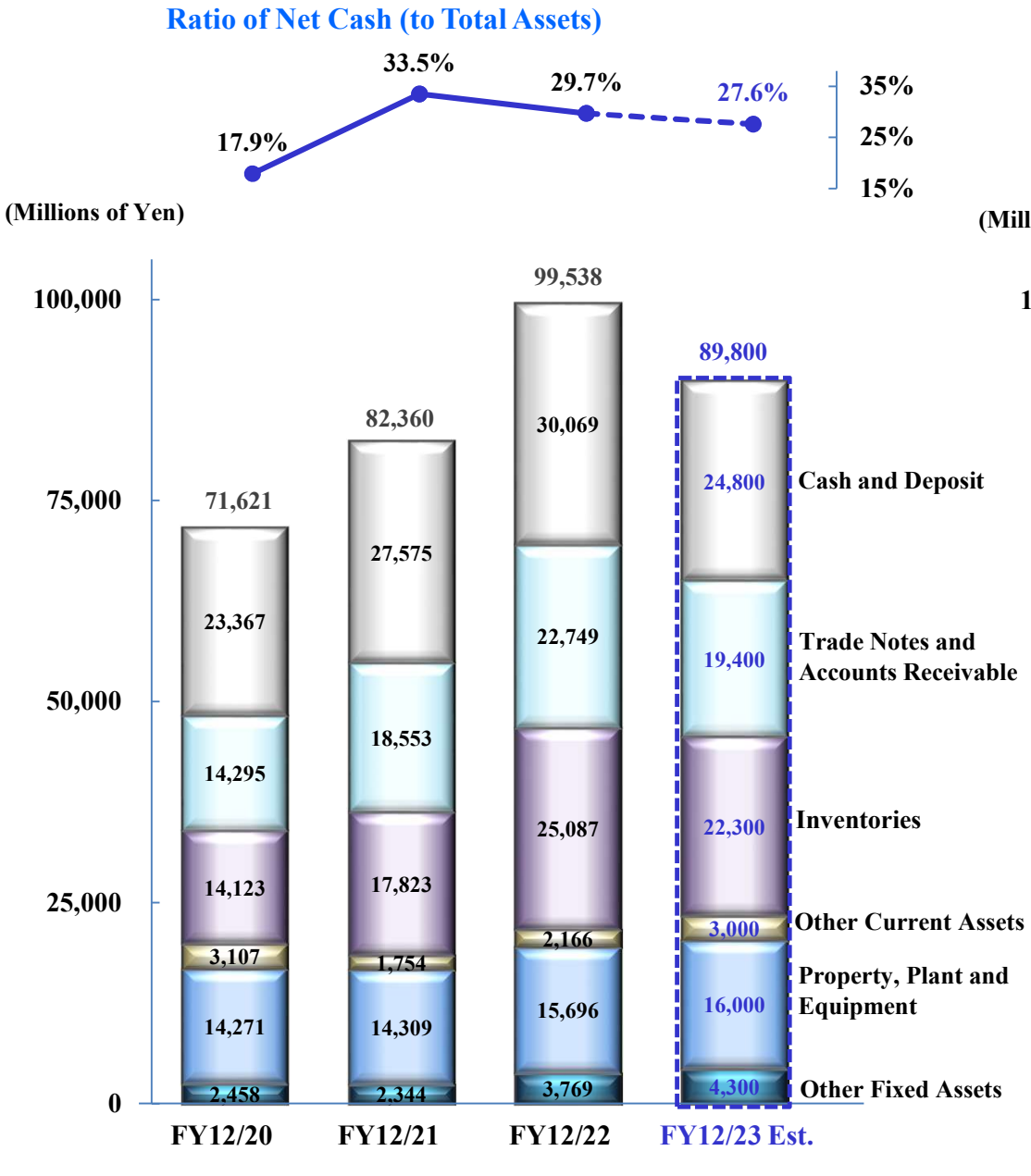
## R&D Costs

(Millions of Yen)

| FY12/20 | FY12/21 | FY12/22 | FY12/23 Est. |
|---|---|---|---|
| 1,470 | 1,649 | 1,965 | 2,003 |

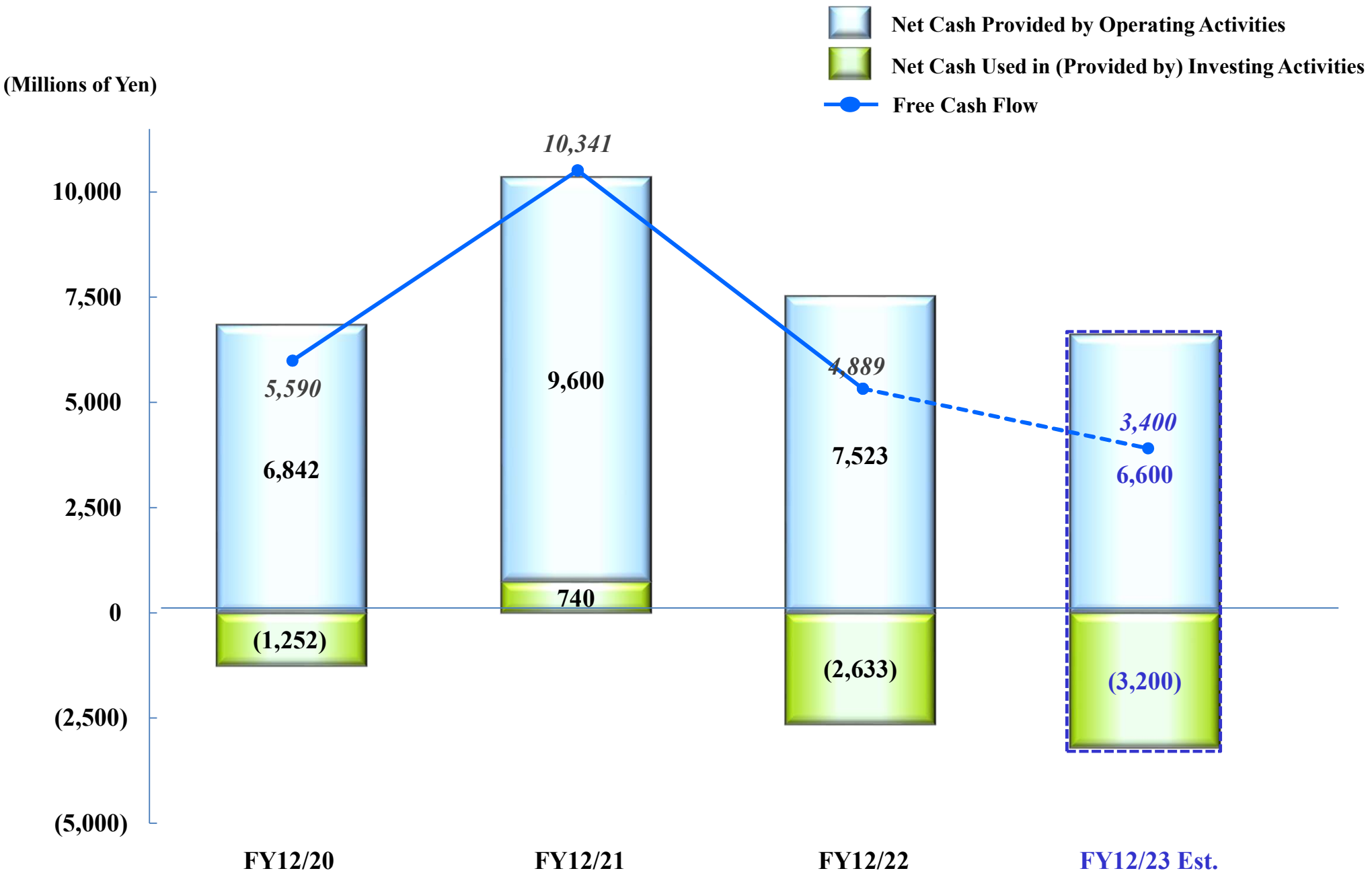
# Balance Sheets

## Assets

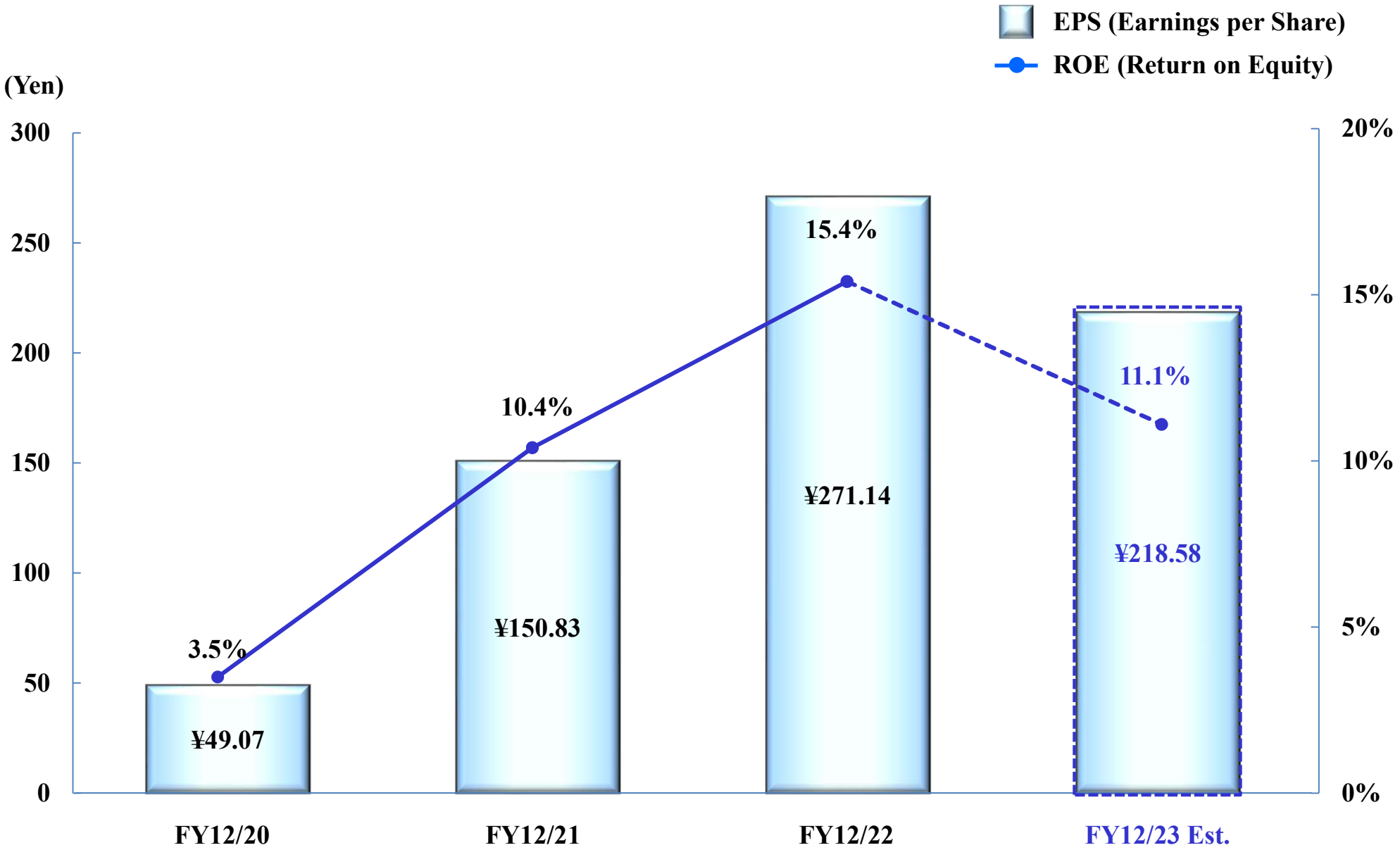



## Liabilities/Net assets

# Cash Flows


Net Cash Provided by Operating Activities
Net Cash Used in (Provided by) Investing Activities
Free Cash Flow
(Millions of Yen)
10,000
7,500
5,000
2,500
0
(2,500)
(5,000)
5,590
6,842
(1,252)
10,341
9,600
740
4,889
7,523
(2,633)
3,400
6,600
(3,200)
FY12/20
FY12/21
FY12/22
FY12/23 Est.

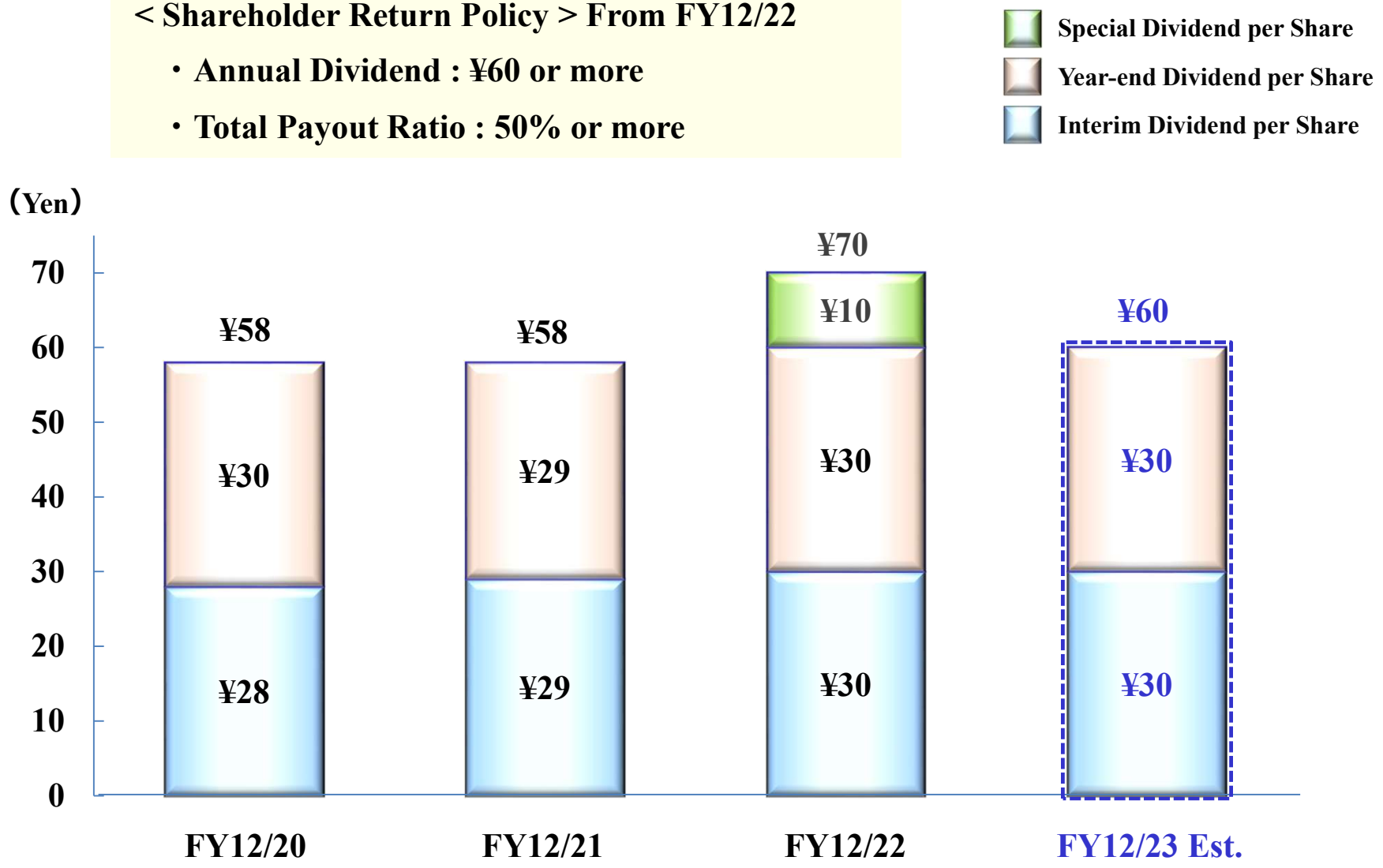
# Key Financial Indicators



# Returns to Shareholders

**< Shareholder Return Policy > From FY12/22**

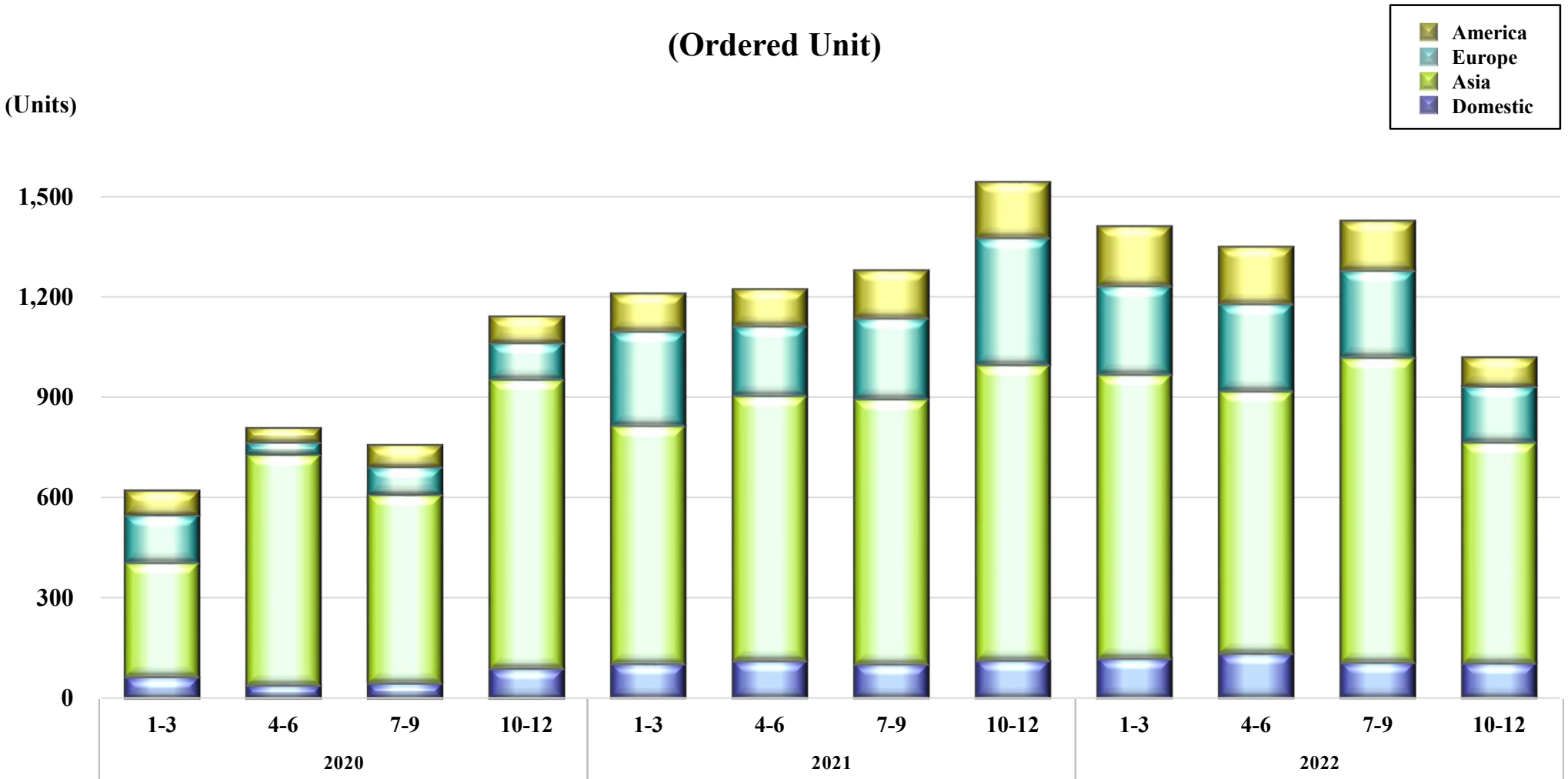
- **Annual Dividend : ¥60 or more**
- **Total Payout Ratio : 50% or more**




| Total Payout Ratio | 118.2% | 79.3% | 44.6% | 50% or more |
|---|---|---|---|---|

# Reference

# Trends in Quarterly Machine Tool Orders




| | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | 7-9 | 10-12 | 1-3 | 4-6 | 7-9 | 10-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| America | 74 | 44 | 67 | 80 | 114 | 111 | 144 | 167 | 179 | 171 | 149 | 87 |
| Europe | 142 | 37 | 83 | 110 | 282 | 208 | 242 | 380 | 265 | 261 | 260 | 168 |
| Asia | 340 | 690 | 563 | 863 | 712 | 793 | 792 | 884 | 848 | 785 | 911 | 660 |
| Domestic | 63 | 38 | 44 | 88 | 102 | 111 | 101 | 112 | 118 | 133 | 106 | 104 |
| Total | 619 | 809 | 757 | 1,141 | 1,210 | 1,223 | 1,279 | 1,543 | 1,410 | 1,350 | 1,426 | 1,019 |

# Performance Indicators (10-Year Data)

| | Net Sales (Millions of Yen) | Operating Income (Millions of Yen) | Income Ratio(%) | Ordinary Income (Millions of Yen) | Income Ratio(%) | Net Income Attributable to Owners of Parent (Millions of Yen) | Income Ratio(%) | EPS (Yen) | ROE (%) | Dividends per Share (Yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| FY2/2014 | 43,481 | 2,606 | 6.0 | 3,219 | 7.4 | 1,143 | 2.6 | 27.17 | 2.7 | 34.00 |
| FY2/2015 | 50,957 | 5,476 | 10.7 | 6,150 | 12.1 | 4,695 | 9.2 | 111.36 | 9.8 | 44.00 |
| FY2/2016 | 54,457 | 5,735 | 10.5 | 5,206 | 9.6 | 3,720 | 6.8 | 87.98 | 7.4 | 46.00 |
| FY2/2017 | 48,937 | 3,606 | 7.4 | 3,583 | 7.3 | 3,181 | 6.5 | 81.77 | 6.9 | 48.00 |
| FY2/2018 | 60,772 | 6,210 | 10.2 | 7,015 | 11.5 | 5,780 | 9.5 | 155.68 | 12.9 | 52.00 |
| FY12/2018*1 | 65,939 | 9,712 | 14.7 | 9,570 | 14.5 | 6,795 | 10.3 | 186.04 | 14.3 | 54.00 |
| FY12/2019 | 60,651 | 5,817 | 9.6 | 6,161 | 10.2 | 4,053 | 6.7 | 113.72 | 8.3 | 56.00 |
| FY12/2020 | 45,670 | 2,172 | 4.8 | 2,772 | 6.1 | 1,731 | 3.8 | 49.07 | 3.5 | 58.00 |
| FY12/2021 | 64,360 | 7,415 | 11.5 | 7,795 | 12.1 | 5,740 | 8.9 | 150.83 | 10.4 | 58.00 |
| FY12/2022*2 | 87,368 | 13,925 | 15.9 | 14,199 | 16.3 | 10,298 | 11.8 | 271.14 | 15.4 | 70.00 |
| FY12/2023(Est.) | 79,500 | 10,500 | 13.2 | 10,800 | 13.6 | 8,100 | 10.2 | 218.58 | 11.1 | 60.00 |

*1 The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.
*2 Cash dividends applicable to the year ending ending December 2022 includes a special dividend of ¥10 per share.

# Business Segments and Products

## Special Products

Cash Drawer and Receipt Printer
mPOP

POS Printer
TSP100IV series

Peripheral Equipment

Melody Speaker

## Machine Tools

CNC Swiss Type Automatic Lathe
SL-10

CNC Swiss Type Automatic Lathe
SD-26 type S

CNC Swiss Type Automatic Lathe
SX-38 type B

# Report on Progress under First Medium-Term Management Plan "Building a Foundation for Change"

# 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.**

**Special Products Segment**

**Secure stable revenue while serving as the driving force behind commercialization of the service business**

**Machine Tools Segment**

**Generate continuous cash as a core business**

**New Business**

**Evolve as a promising mainstay third pillar of business**

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

# Vision Roadmap

| | First Medium-Term Management Plan 2022-2024<br>Building a foundation for change | Second Medium-Term Management Plan 2025-2027<br>Driving change | Third Medium-Term Management Plan 2028-2030<br>Realizing our vision |
|---|---|---|---|
| Special Products Segment | • Make deeper inroads into the mPOS/food delivery market<br>• Uncover peripheral areas<br>• Strengthen software technologies through various measures including M&As | • Commercialize peripheral areas<br>• 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<br>• Delve into hardware technologies<br>• Promote the adoption of software technology | • Expand in areas outside the automobile industry<br>• Commercialize peripheral areas<br>• 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<br>• Target net sales of ¥10.0 billion<br>• Target operating income of ¥1.5 billion |
| System Maintenance | • Strengthen the management platform<br>• Strengthen R&D structures and systems<br>• Reform human resource systems | • Put in place a diversity management structure and systems<br>• Reform the corporate culture based on new human resource structures and systems | • Continue to strengthen the management platform |

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

# Progress of “Building a Foundation for Change”

| | First Medium-Term Management Plan 2022-2024<br>**Building a foundation for change** | FY12/2022<br>**Progress** | FY12/2023<br>**Plans** |
|---|---|---|---|
| **Special Products Segment** | • Make deeper inroads into the mPOS/FD market<br>• Uncover peripheral areas<br>• Strengthen software technologies through various measures including M&As | • Formulated plans for peripheral areas<br>• Commenced search activities | • Commence new product sales and further promote planning<br>• Expand production items by new EMS partners |
| **Machine Tools Segment** | • Strengthen the production system<br>• Delve into hardware technologies<br>• Promote the adoption of software technology | • Completed work to expand production capacity at the Company’s Dalian factory<br>• Promoted the development of HW technology<br>• Promoted the development of processing estimation support SW | • Complete work to expand production capacity at the Company’s factory in Thailand<br>• Promote the development of HW technology<br>• Promote the development of processing estimation support SW |
| **New Business** | • Uncover and commercialize new segments mainly through M&As | • Explored new segments by utilizing the Company’s own resources and through collaboration with other companies | • Explored new segments by utilizing the Company’s own resources and through collaboration with other companies |
| **System Maintenance** | • Strengthen the management platform<br>• Strengthen R&D structures and systems<br>• Reform human resource systems | • Strengthen business management systems<br>• Formulated Development Headquarters plans<br>• Put in place a new human resource structure and systems | • Strengthen business management systems<br>• Establish the Development Headquarters<br>• Put in place a new human resource structure and systems |

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

# First Medium-Term Management Plan 2022-2024 KPIs Progress

| KPI | Target (Next three-year cumulative/average) | FY12/2022 Actual | FY12/2023 Forecast |
|---|---|---|---|
| Operating cash flow (cumulative) | ¥20.0 billion – ¥25.0 billion | ¥7.5 billion | ¥6.6 billion (cumulative ¥14.1 billion) |
| Operating income per employee (consolidated) | ¥6.00 million | ¥8.37 million | ¥6.36 million |
| ROE | 10.0% or more | 15.4% | 11.1% |
| Ratio of R&D expenses to net sales | 5.0% | 2.3% | 2.5% |
| Education and training outlays per employee (non-consolidated) | ¥100,000* | ¥89,084 | ¥86,782 |

* In order to further invest in human resources and improve enterprise value, the target of education and training outlays per employee has changed.

# Business Strategy (1) Special Products Segment

## First Medium-Term Management Plan 2022-2024 KPIs

| | Target (Next three-year average) | FY12/2022 Actual | FY12/2023 Forecast |
|---|---|---|---|
| ROA | 20.0% | 26.4% | 20.0% |
| Operating income ratio | 18.0% | 20.9% | 16.9% |

Cash Drawer and Receipt Printer mPOP

POS Printer TSP100IV series

Barcode Scanner　Blue back-lit, LCD display　Melody Speaker

Peripheral Equipment

### 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

### FY12/2022 Progress

1. Took preparatory steps to commence sales of peripheral equipment and began (initiated) further search activities
2. Undertook a renewal of the Star Micronics Cloud Service (SMCS) and bolstered development capabilities
3. Promoted the optimization of production and logistics through reorganization of EMS partners

### FY12/2023 Plans

1. Commence sales of peripheral equipment and put in place additional plans for new products
2. Promote stable SMCS operations and bolster development capabilities
3. Expand production items by new EMS partners

# Business Strategy (2) Machine Tools Segment

## First Medium-Term Management Plan 2022-2024 KPIs

| | Target (Next three-year average) | FY12/2022 Actual | FY12/2023 Forecast |
|---|---|---|---|
| ROA | 15.0% | 19.6% | 15.0% |
| Operating income ratio | 15.0% | 17.6% | 15.7% |

CNC Swiss Type Automatic Lathe SD-26 type S

CNC Swiss Type Automatic Lathe SL-10

CNC Swiss Type Automatic Lathe SX-38 type B

## Principal Initiatives

1. Globally expand the Company's Solution Center
   Establish solution centers in Europe and Asia, building a user support system in collaboration with Japan
2. Enhance 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

## FY12/2022 Progress

1. Took preparatory steps to commence operations at the Asia Solution Center
   Formulated Europe Solution Center plans
2. Promoted the development pf mechanical technology and processing estimation support software; took preparatory steps to provide digital content
3. Expand production capacity through three manufacturing bases
   (1) Undertook a large-scale renovation of domestic factories (commenced the formulation of new factory plans; essentially in line with plans)
   (2) Increased floor area at the Company's Dalian factory (completed in line with plans)
   (3) Upgraded and expanded facilities and equipment at the Company's factory in Thailand (essentially in line with plans)

## FY12/2023 Plans

1. Commence operations at the Asia Solution Center
   Commence construction of Europe Solution Center
2. Promote the development pf mechanical technology and processing estimation support software; commence to provide digital content
3. Expand production capacity through three manufacturing bases
   (1) Undertake a large-scale renovation of domestic factories (commenced demolition work at certain existing factories)
   (2) Upgrade and expand facilities and equipment at the Company's factory in Thailand (scheduled to be completed)

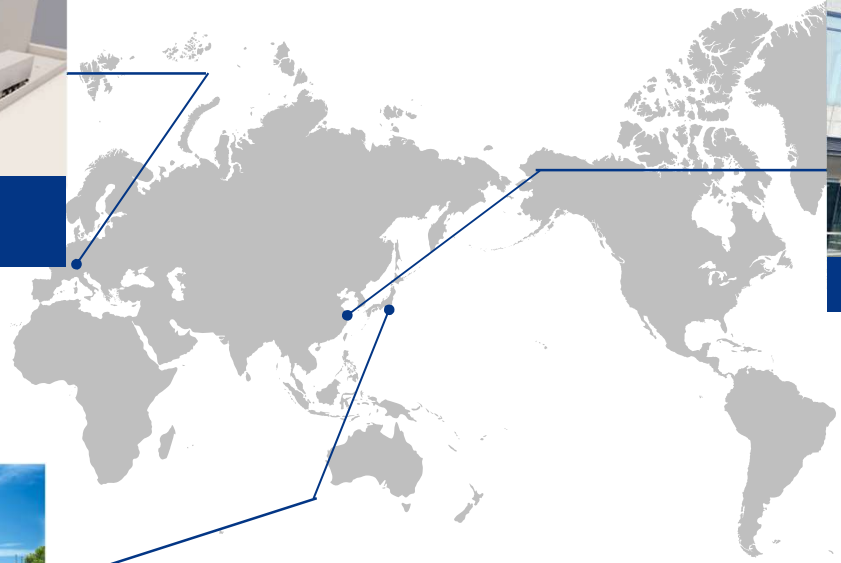
# (2) Machine Tools Segment: Globally Expand the Company's Solution Center

## Establish Solution Centers in Japan, Europe, and Asia
## Reinforce sales by enhancing before/after-sales services

Scheduled to open in May 2024
*Image is for illustrative purposes only

● European Solution Center
Zurich, Switzerland / Star Micronics AG

Progress: Essentially in line with plans



Scheduled to open in 2023

● Asian Solution Center
Shanghai, China / Shanghai Xingang Machinery Co., Ltd.

Progress: Essentially in line with plans
despite slight delays owing to COVID-19

● Solution Center
Kikukawa, Shizuoka, Japan / Star Micronics
Completed in July 2020

**[Features of Solution Centers]**

- Displays of state-of-the-art machinery
  New product presentations and private shows in person and online
- Sales support through processing technology and maintenance seminars for agents and engineers
- Providing optimal solutions such as test processing and operator training to enhance customer satisfaction
- Building a user support system in collaboration with each solution center

# (2) Machine Tools Segment: Undertake a Large-Scale Renovation of Domestic Factories

**Serve as a sustainable factory that nurtures people, develops technology, and grows together with society**

Construction Site: Kikukawa, Shizuoka, Japan, Total Project Cost: Approx. ¥10.0 billion, Completion: 2025 (Planned)

*Essentially in line with plans

### Enhance Production Capacity

Enhance spindle production capacity

### Initiate Digital Transformation

Drive the automation and digitization of production, logistics, and after-sales services

### Design for the Environment

Drive the introduction of environmentally friendly facilities and equipment to contribute to the realization of a sustainable society

**2022 »» 2030**

## Create new value and inherit technologies

through the fusion of **cutting-edge technology** and **master craftsmen's skills**

# Business Strategy (3) New Business

## Create new business value that contributes to improve business efficiency of customers

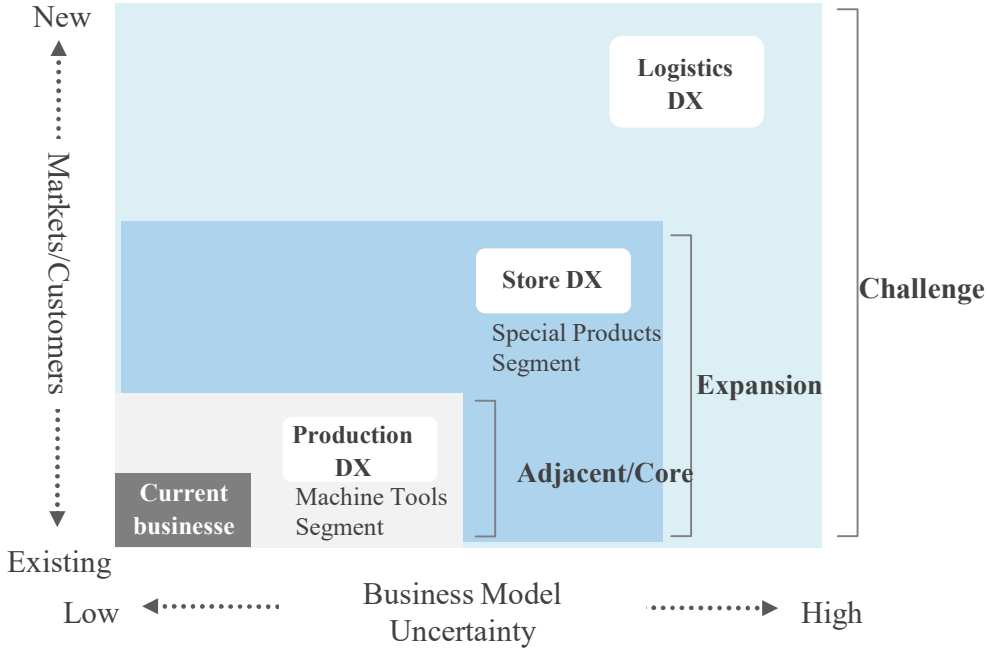
**Principal Initiatives**

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

**Target**

**2024: Net sales of ¥3.0 billion, operating income of ¥0.3 billion**

■ **Business Domain Matrix**



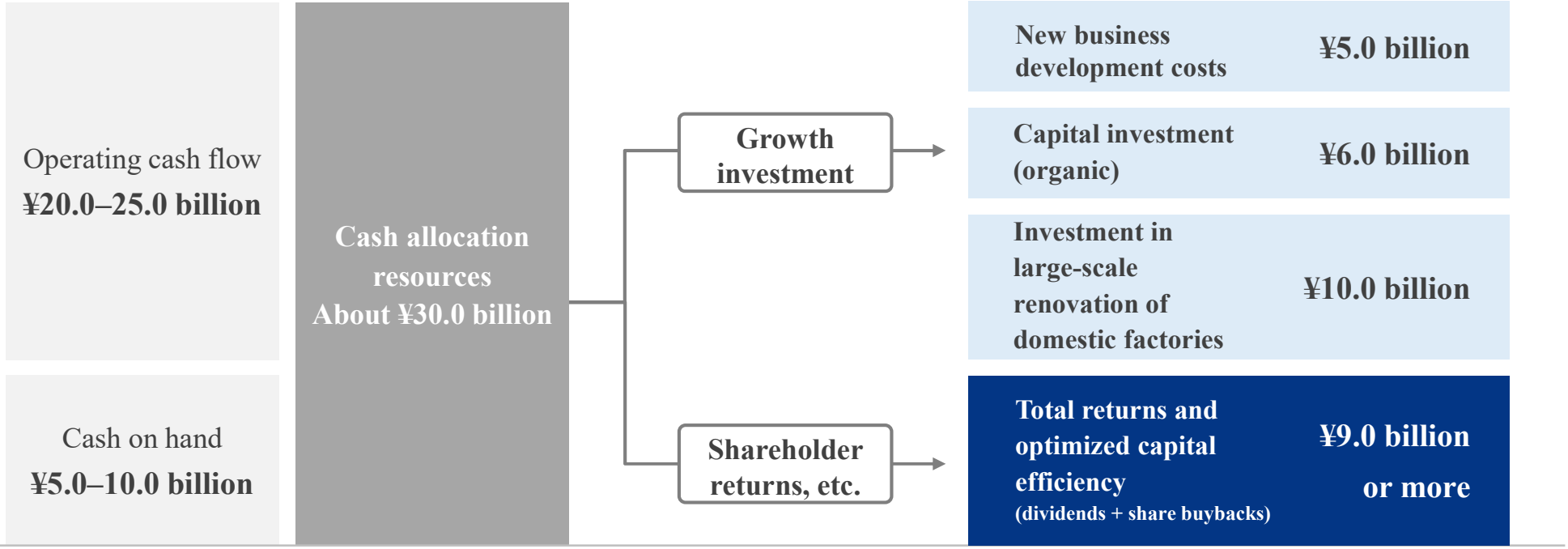

■ **New Business Domains**

| Business Domain | Value Provided/Business Process | FY12/2022 Progress |
|---|---|---|
| Logistics DX | Provide systems to streamline the processes of small and medium-sized warehousing and distribution operations | Considered and put forward new business proposals, and approached potential business partners |
| Store DX | Provide hardware and software (systems) that streamline store operations | Promoted activities aimed at including Smart Solution Technology, Inc. (SST) in the Company's scope of consolidation |
| Production DX | Provide new services related to the Machine Tools Segment | Promoted the development of processing estimation support software in cooperation with the Machine Tools Segment |

# Cash Allocation

**Drawing on operating cash flow and cash on hand over the three years of the Medium-Term Management Plan, allocate ¥21.0 billion to growth investment and ¥9.0 billion or more to shareholder returns, etc.**

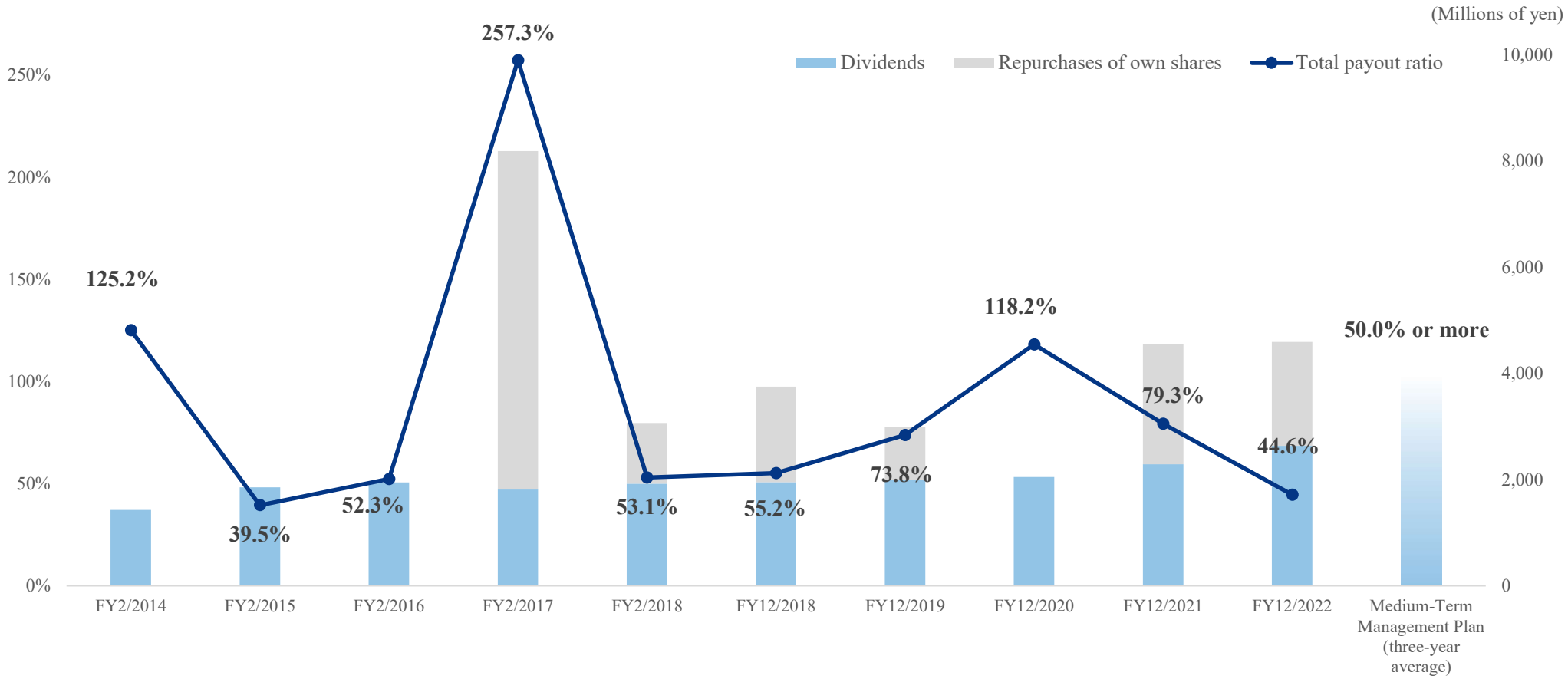
■ **Fund Allocation Plan** (FY12/2022–FY12/2024) *No change from original policy



# Shareholder Return Policy

## Target a total payout ratio of 50% or more including the repurchases of own shares, based on a stable annual dividend of ¥60 or more per share

*No change from original policy




| DPS (yen) | ¥34 | ¥44 | ¥46 | ¥48 | ¥52 | ¥54 | ¥56 | ¥58 | ¥58 | ¥70 | ¥60 or more |
|---|---|---|---|---|---|---|---|---|---|---|---|

*Included a special dividend in FY12/2022

# Sustainability 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.**

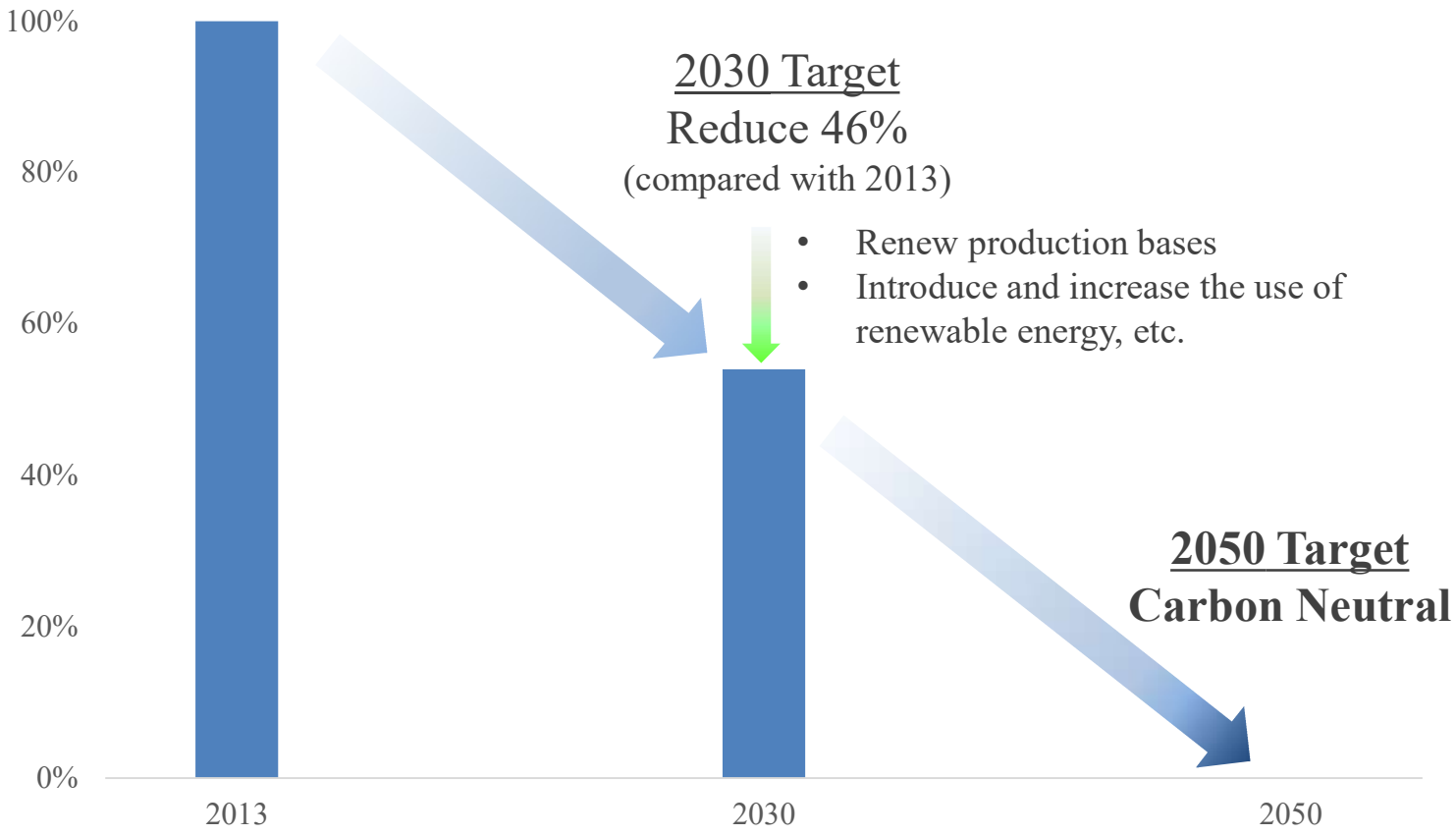
- Guided by a longer-term vision for the Group, we will provide society with new value created using our proprietary technologies.
- We will draw on the global network we have built up over the years to address common issues facing society worldwide.
- We will realize fair and highly transparent management through dialogue and cooperation with all of our stakeholders.

## ■ Initiatives to Address Material Issues

| | Material issues | Targets | FY12/2022 Progress | SDGs |
|---|---|---|---|---|
| **E**<br>**Environment** | • Addressing climate change by reducing $CO_2$ emissions<br>• Creating environmentally friendly products | • Reducing greenhouse gas emissions<br>• Promoting disclosure under TCFD and other frameworks<br>• Creating new businesses and products leveraging proprietary technologies | • Set a goal reducing greenhouse gas emissions<br>• Commenced disclosure from the fiscal year under review based on the recommendations of the TCFD<br>• Established the Sustainability Committee | |
| **S**<br>**Society** | • Fostering and utilizing diverse human resources | • Setting targets for women in management and monitoring progress; career training and support<br>• Expanding and sustaining education and training programs for global HR development | • Increased the percentage of women in management (5.9%)<br>• Strengthened education and training programs<br>• Pushed forward with steps to establish a new human resource structure and systems | |
| **G**<br>**Governance** | • More rigorous corporate governance | • Building a more fair and transparent governance framework by addressing Corporate Governance Code guidelines | • Disclosed details of a skills matrix for directors<br>• Strengthened the diversity of the Board of Directors (appointed female directors)<br>• Enhanced transparency through the Nomination and Compensation Committee | |

Addressing Climate Change

## Greenhouse Gas Reduction Target




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

# Human Resource Strategy

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 |
|---|---|
| • Rolling out a system for professionals (specialist training)<br>• Rolling out a benefit framework commensurate with roles and responsibilities | • Putting in place a framework for a new human resource structure and systems<br>• Taking steps to reform the Company's retirement benefits and pension plan (introducing a defined contribution pension plan)<br>• Extending the retirement age (currently implementing a progressive transition from the age of 60 to 65) |

### 2 Enhancing diversity

| Strategy | Progress and Plans |
|---|---|
| • Enhancing women's empowerment (KPI: 10% or more women in managerial positions by 2030)<br>• Fostering a corporate climate and changing awareness (manager training, developing flexible and diverse working styles, etc.) | • Increasing the percentage of women in management (increased from 1.8% to 5.9% (as of the end of Dec 2022))<br>• Appointing female directors<br>• Introducing training during maternity leave (strengthening career support during maternity leave) |

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

| Strategy | Progress and Plans |
|---|---|
| • Enhancing upskilling and reskilling initiatives<br>• Strengthening global human resource development (establishing a medium- to long-term HR development cycle)<br>• Increasing education and training outlays per employee | • Upgrading and expanding self-development support systems (encouraging the acquisition of technical qualifications, providing online study assistance, etc.)<br>• Introducing DX-related training (reskilling)<br>• Introducing cross-border learning (joint training with other companies); (developing next generation leaders)<br>• Strengthening health-related training (mindfulness, health seminars for women, dental oral care seminars, etc.) |

# Enhancing Corporate Governance

**Corporate Governance Policy**

**The Group strives to achieve appropriate, efficient management with a view to the sustained enhancement of corporate value and the realization of a sustainable society, and to distribute the results of these efforts appropriately to shareholders and other stakeholders. Based on this policy, we are pursuing the following measures.**

## Further reinforcing the supervisory function of the Board of Directors

| Strategy | Progress and Plans |
|---|---|
| Further enhancing deliberations by the Board of Directors regarding the direction and management strategies of the Group | Working to narrow down items for deliberation through such measures as delegating decision related to the execution of individual business operations to executive officers |
| In light of the Company's Management Policy and strategies, realizing a governance structure for the whole Board of Directors that ensures a proper balance of gender and other aspects of diversity and requisite skills | Working to secure diversity, including gender aspects, by appointing female directors<br>Working to visualize skills by disclosing details of a directors' skills matrix |
| Continuing to strengthen a highly transparent and objective governance framework by maintaining a composition of the Board of Directors with a majority of independent outside directors | Working to maintain a composition of the Board of Directors with a majority of independent outside directors on conclusion of the 97th General Meeting of Shareholders |
| Making effective use of the Nomination and Compensation Committee to further enhance the transparency and objectivity of procedures related to the nomination and compensation of directors and executive officers | Held a total of four committee meetings during the fiscal year ended December 31, 2022 to deliberate on the nomination and compensation of directors and executive officers |

## Constructing a fair, transparent governance framework through proactive, appropriate disclosure

| Strategy | Progress and Plans |
|---|---|
| Active disclosure of non-financial information (sustainability initiatives, etc.) | Taking steps to confirm the rationale for issuing an integrated report that discloses how sustainability initiatives and other activities contribute to the creation of value for the Company |
| Ongoing efforts to proactively disclose information in English | Promoting the ongoing timely and simultaneous disclosure of materials in English and Japanese |