

Medium-Term Management Plan

Vision for 2030

First Medium-Term Management Plan 2022-2024

STAR MICRONICS CO., LTD.

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

Code 7718

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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.

Role of the Company

Provide a place where employees can remain engaged and realize their full potential in a healthy and safe environment

Grow together

Role of the employee

Contribute to build that engaged Company and continuously seek and master challenges in the pursuit of high performance

Enhance corporate value in a sustainable way

Contribute to the sustainable development of society

Enrich the lives of employees and their families

Founding spirit

Our founding spirit carries us forward in our contribution to the reconstruction of post-war Japan and its economic development through the precision processing business that creates maximum added value with the least amount of materials.
We work to ensure the lives of those who bravely aspire to preserving this spirit are enriched and rewarded.

Contribute to the sustainable development of society as a “leading small and medium-sized enterprise” that seeks to excel on 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.

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



Act with initiative and courage

Take accountability and pride in your work; think, inquire, decide, and then act ethically and with courage



Continue learning

Seek out challenges that will foster personal continuous learning and growth in ways that ultimately improve the Company's value



Pursue technology

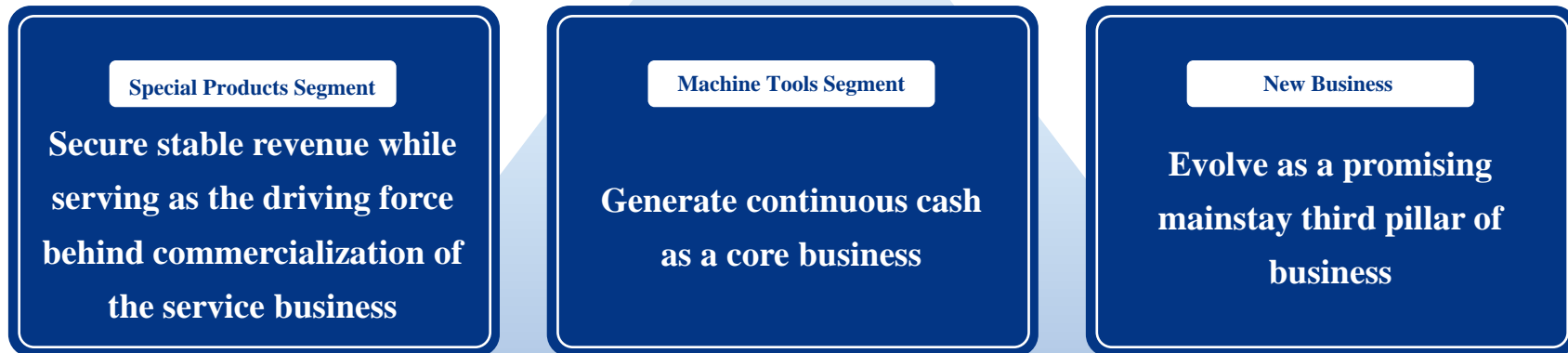
Seek to develop and refine technology in ways that bring unrivaled solutions to market



Focus on team productivity

Hold the utmost respect for colleague perspectives. Work collaboratively and decisively to achieve a high level of productivity

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.



- **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**
.....

Macro environment

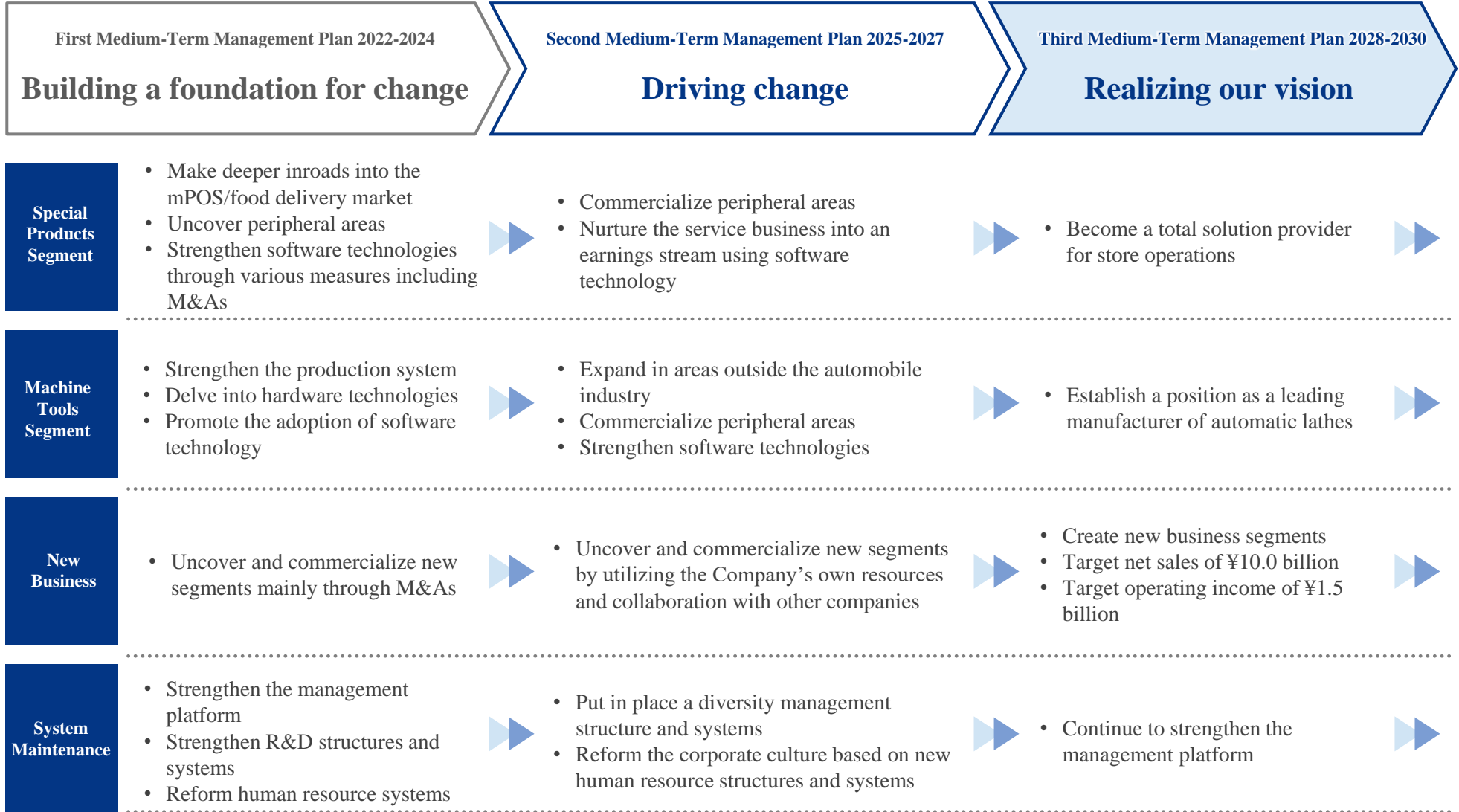
Growing uncertainty owing to changes in the environment

- **Changes in efforts to address environmental needs** and **tighter regulations** with an eye toward achieving a decarbonized and recycling-based society
- Worsening **labor shortage** due to declining birthrates and aging populations in leading industrial markets, **wage growth** in emerging markets
- **Medium- to long-term slowdown in growth rates** in such regions and countries as North America, Europe, and China, growth expectations for emerging markets
- Concerns surrounding such **geopolitical risks** as trade friction and human rights conflicts

Business environment

Growing need for business transformation

- Decline in demand for receipt printers on the back of progress toward a **paperless society**
- **Evolution of digital innovation technologies** such as IoT and AI and **necessity for DX promotion**
- **Transformation of the automobile industry** in light of the shift to EVs and automated driving
- Growing social need for **sustainability management** to address various areas including SDGs and ESG concerns



KPI	Actual (Past three years cumulative/average)	Target (Next three-year cumulative/average)
Operating cash flow (cumulative)	¥21.5 billion	¥20.0 billion –¥25.0 billion
Operating income per employee (consolidated)	¥3.38 million	¥6.00 million
ROE	7.4%	10.0% or more
Ratio of R&D expenses to net sales	2.9%	5.0%
Education and training outlays per employee (non-consolidated)*	¥39,124	¥50,000

* Reference: Average cost per company: ¥35,628 according to the FY2020 Survey on Education and Training Costs undertaken by SANRO Research Institute, Inc.

■ First Medium-Term Management Plan 2022-2024 KPIs

	Actual (Past three-year average)	Target (Next three-year average)
ROA	16.0%	20.0%
Operating income ratio	13.6%	18.0%

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



Cash Drawer and Receipt Printer mPOP



POS Printer mC-Print series



POS Printer TSP100IV series

■ First Medium-Term Management Plan 2022-2024 KPIs

	Actual (Past three-year average)	Target (Next three-year average)
ROA	10.3%	15.0%
Operating income ratio	11.8%	15.0%

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



CNC Swiss Type Automatic Lathe SL-10



CNC Swiss Type Automatic Lathe SX-38 type B



CNC Swiss Type Automatic Lathe SR-32JIII type B

(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

● European Solution Center

Zurich, Switzerland / Star Micronics AG



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

● Asian Solution Center

Shanghai, China / Shanghai Xingang Machinery Co., Ltd.



Scheduled to open in September 2022

● 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



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

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

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

2022 **»»»** 2030

Create new value and inherit technologies

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

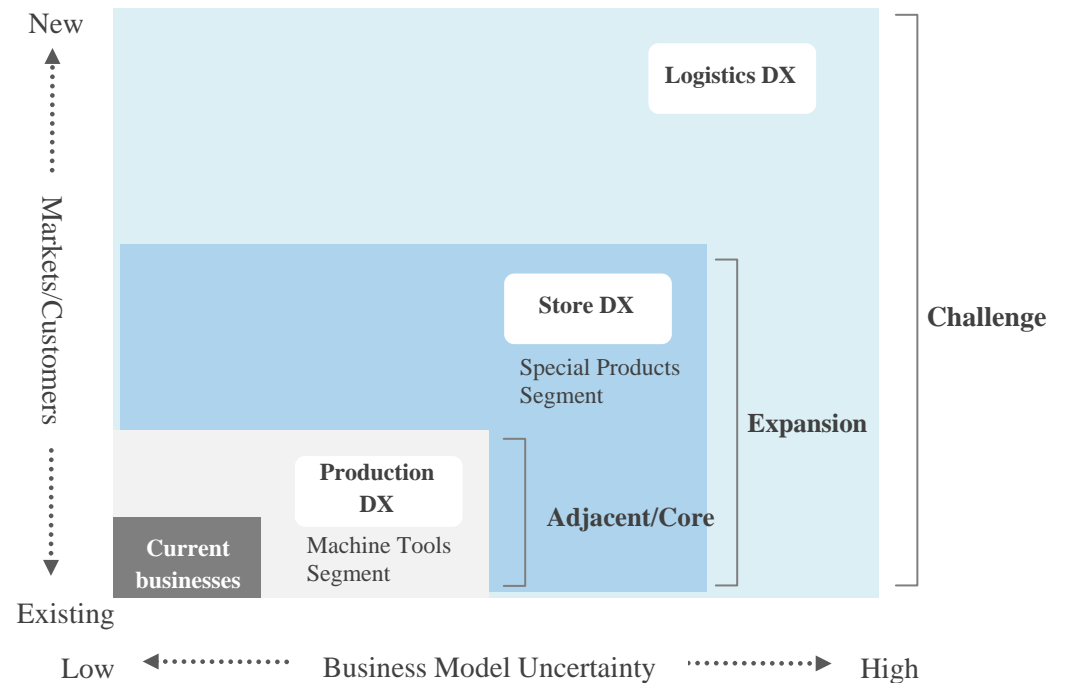
Create new business value that contributes to improve business efficiency of customers

- 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

■ New Business Domains

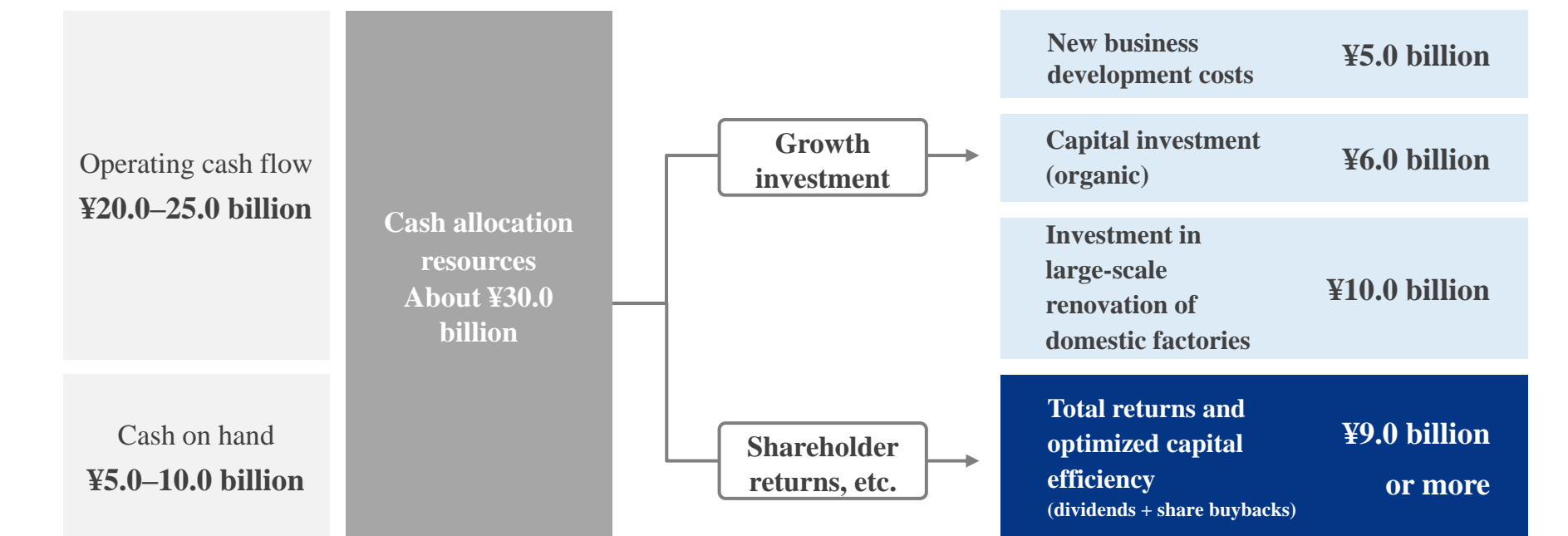
Business Domain	Value Provided/Business Process
Logistics DX	Provide systems to streamline the processes of small and medium-sized warehousing and distribution operations
Store DX	Provide hardware and software (systems) that streamline store operations
Production DX	Provide new services related to the Machine Tools Segment

■ Business Domain Matrix

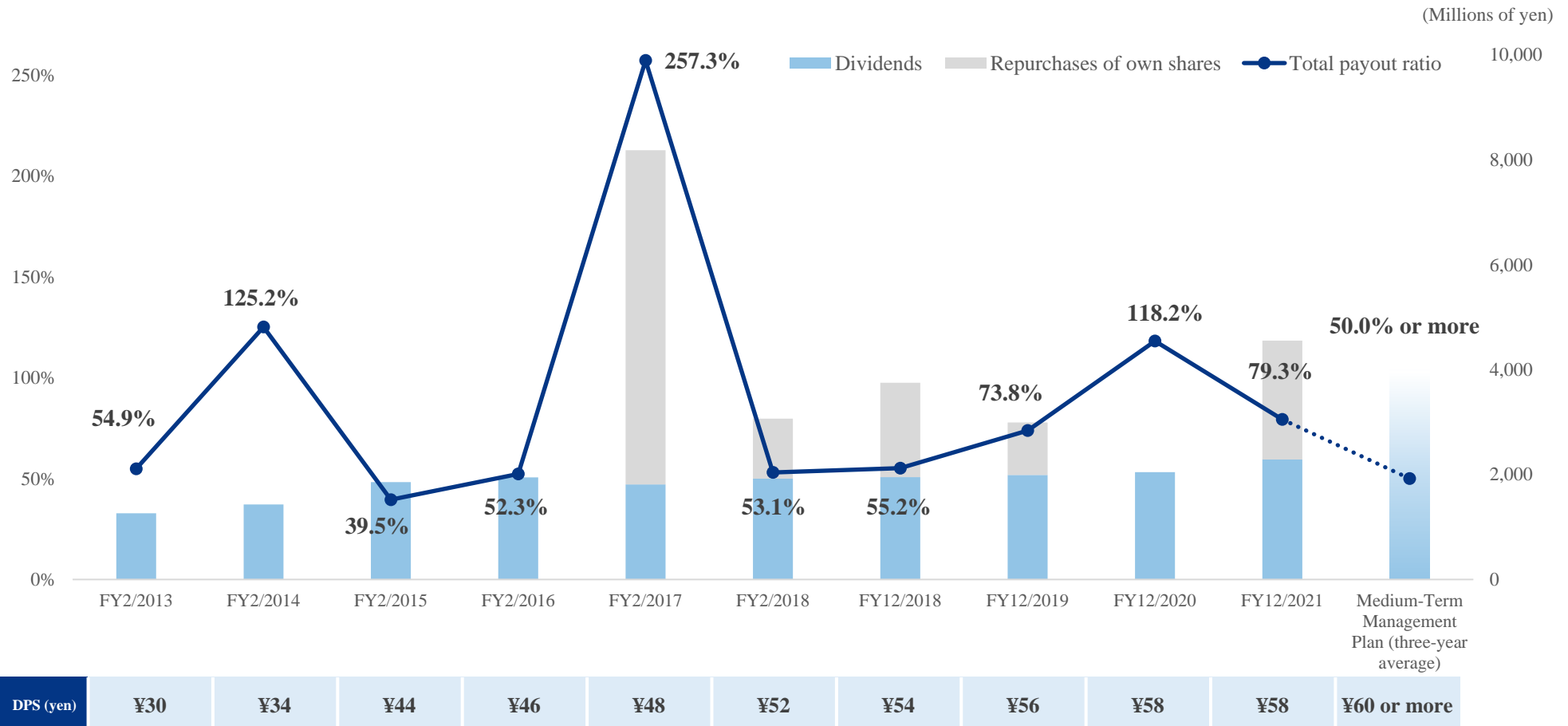


Drawing on operating cash flow and cash on hand over the three years of the Medium-Term Management Plan, allocate ¥21.0 billion to growth investment and ¥9.0 billion or more to shareholder returns, etc.

■ **Fund Allocation Plan (FY12/2022–FY12/2024)**



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



■ 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	SDGs
E Environment	<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 	
S Society	<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 	
G Governance	<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 	

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

- Rolling out a system for professionals (specialist training)
- Rolling out a benefit framework commensurate with roles and responsibilities

2 Enhancing diversity

- Enhancing women's empowerment (KPI: 10% or more women in managerial positions by 2030)
- Fostering a corporate climate and changing awareness (manager training, developing flexible and diverse working styles, etc.)

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

- 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

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**
 - Further enhancing deliberations by the Board of Directors regarding the direction and management strategies of the Group
 - 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
 - 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
 - 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
- **Constructing a fair, transparent governance framework through proactive, appropriate disclosure**
 - Active disclosure of non-financial information (sustainability initiatives, etc.)
 - Ongoing efforts to proactively disclose information in English