

SOCIAL & ENVIRONMENTAL REPORT 2022

For the year ended December 31, 2022

STAR MICRONICS CO., LTD.

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Top Message



Representative Director,
President and CEO

Mamoru Sato

The precision machining, assembly, and software technologies that the Star Micronics Group has cultivated since its founding in 1950 have greatly contributed to the conservation of resources. The biggest feature of the sliding headstock-type automatic lathe which is the main product of our machine tools business, is to "produce more parts unmanned and using minimal materials." Specifically, that is to minimize the chips and waste materials generated when processing bar materials, and to produce more high-precision parts efficiently in a shorter processing time.

With our POS printers, which are the main product of our special products business, we also have made it possible to issue receipts without paper consumption by installing an electronic receipt issuing function which is the first of its kind in the world. We have refined the functions of our main products and have made them available to customers around the world, like these, thereby attaining resource conservation for steel, paper, and electricity. This has also enabled us to form a business portfolio that will lead to solving environmental issues such as reducing greenhouse gas emissions and attaining a recycling-oriented society. Star Micronics will continue to work on various issues from the following ESG perspective, while taking pleasure and bearing responsibility for the fact that our business activities themselves are entities that contribute to the attainment of a sustainable society.

Environment

For the Star Micronics Group, which is expanding globally, it is not an exaggeration to say that protecting the global environment is a foundation for business continuity. To attain a sustainable society, we will work with our supply chain partners to reach carbon neutrality. Furthermore, one of the company's action guidelines is to "pursue technology." To provide new value to society, we will continue to create environmentally friendly products and services through our pursuit of technology and refining it to support customers.

Society

We have built our position as a global niche company with strong teamwork, while always respecting others across national boundaries, races, and genders. We will protect human rights, emphasize diversity, and enhance our corporate culture of mutual respect, to build a resilient, dynamic, and trustworthy corporation.

Corporate Governance

We will strengthen our internal controls and protect and enhance our corporate culture to comply with laws, regulations, norms, and other compliance. In addition, we will strengthen the management monitoring mechanism to maximize the interests of all stakeholders and increase our corporate value.

Based on our corporate philosophy, we will grow together with our employees. We aim to achieve our goals of enhancing corporate value in a sustainable way, contributing to the sustainable development of society, and enriching the lives of employees and their families. We recognize that efforts toward materiality based on the basic sustainability policy are an essential requirement for moving closer to these goals. At the same time, there are limits to our ability to take this path alone. The understanding and cooperation of all stakeholders around the world are essential. Through our enhancing corporate value in a sustainable way, the Group will continue to work together to meet everyone's expectations. We ask for your continuing support of the Star Micronics Group.

Company Profile

Name	STAR MICRONICS CO., LTD.
Founded	February 1947
Established	July 1950
Representative	Mamoru Sato
Director, President and CEO	
Paid-in Capital	¥12,721 million
Stock Exchange Listings	Prime Market of the Tokyo Stock Exchange
Number of employees	452(Note: Excluding an annual average of 49 contract and other employees)
Head Office	20-10 Nakayoshida, Suruga-ku, Shizuoka 422-8654, Japan
Business Area	1. Special Products(Small Printers) 2. Machine tools(CNC Automatic Lathes and other Machine Tools)

Business Locations

Head Office	
Special Products Division	Head Office Quality Technical Center
Machine Tools Division	Kikugawa Factory Solution Center Tokyo Sales Office Osaka Sales Office Nagoya Sales Office Suwa Sales Office
STAR Micronics Group	Tokyo Office

Japanese Subsidiaries

Star Marketing Japan Co., Ltd.
 Star Metal Company
 Micro Sapporo Company
 Smart Solution Technology, Inc. (SST)
 SST Sapporo Technical Center

Overseas Subsidiaries

North America	Star Micronics America Inc.	(U.S.A.)
	Star CNC Machine Tool Corp.	(U.S.A.)
	Star America Holding Inc.	(U.S.A.)
Europe	Star Micronics Europe Ltd.	(U.K.)
	Star Micronics GB Ltd.	(U.K.)
	Star Micronics GmbH	(Germany)
	Star Micronics AG	(Switzerland)
	Star Machine Tool France SAS	(France)
Asia	Star Micronics Manufacturing Dalian Co., Ltd.	(China)
	Shanghai Xingang Machinery Co., Ltd.	(China)
	Star Precisions Ltd.	(Hong Kong)
	Star Micronics (Thailand) Co., Ltd.	(Thailand)
	Star Micronics Southeast Asia Co., Ltd.	(Thailand)
	Star Micronics Manufacturing (Thailand) Co., Ltd.	(Thailand)

Business Information

Star Micronics Group has aimed to create high valued-added products that are universally available under the founding spirit of " Our company has aimed to create high value-added products that are universally available under the founding spirit of " business that creates maximum added value with the least number of materials.

We work to ensure the lives of those who bravely aspire to preserving this spirit are enriched and rewarded. In addition to optimizing planning, development, and sales from a global perspective, we are promoting environmental management activities, fulfilling our social responsibilities, and striving to improve our corporate value.

Special Products

By fusing cutting-edge electronics with precision machining technology that has been cultivated since the company's founding, the company has established its own mechatronics engineering. In recent years, the company has promoted the development of high-value-added products by integrating with services utilizing software and the cloud. This engineering has been utilized in its products and services for the special products, including small printers and electronic journal services. We have also established an overseas production system early on, and now we are pursuing advanced technologies and high quality with a global perspective.



mPOP Series Receipt Printer and
Cash Drawer



TSP100IV Series Receipt printer



Star Micronics Cloud Service

Machine Tools

With high performance and precision, our products have won high ratings from around the world as "Machines that users make for users."

Beginning with the export of automatic lathes to the United Kingdom in 1962, Star Micronics has now established a production, sales, and service system in Asia, Europe, and the United States. Star has a line of machines to meet all your machining needs.



Swiss-type CNC automatic lathe
SX-38 type B



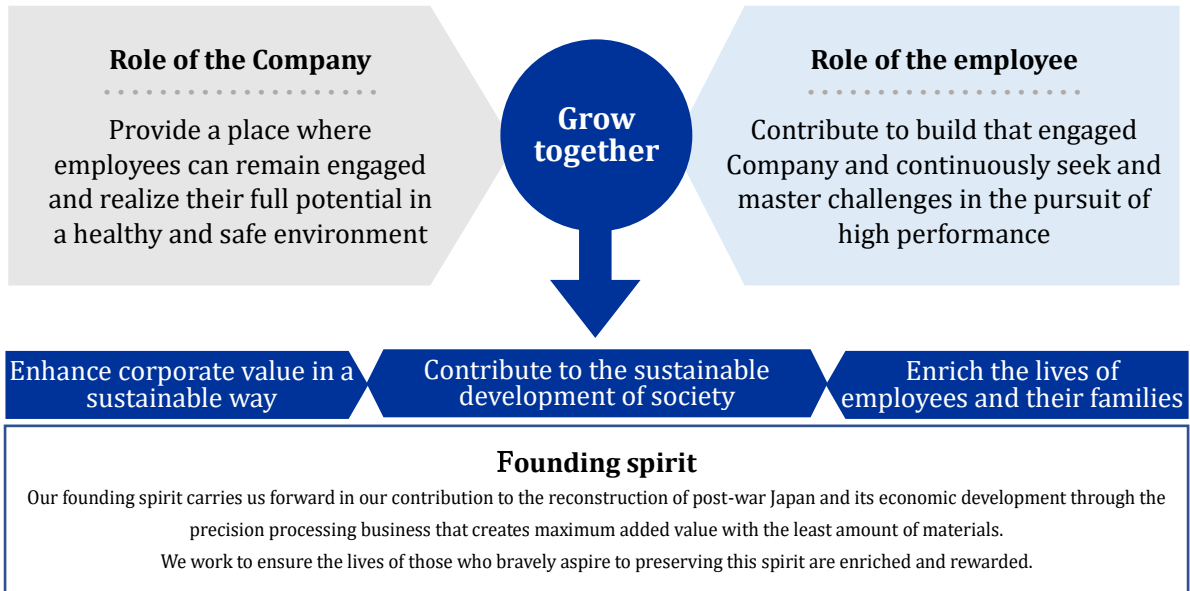
Swiss-type CNC automatic lathe SL-10



Swiss-type CNC automatic lathe
SD-26 type S

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 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.

Action Guidelines

 <p>Act with initiative and courage</p> <p>Take accountability and pride in your work; think, inquire, decide, and then act ethically and with courage</p>	 <p>Continue learning</p> <p>Seek out challenges that will foster personal continuous learning and growth in ways that ultimately improve the Company's value</p>	 <p>Pursue technology</p> <p>Seek to develop and refine technology in ways that bring unrivaled solutions to market</p>	 <p>Focus on team productivity</p> <p>Hold the utmost respect for colleague perspectives. Work collaboratively and decisively to achieve a high level of productivity</p>
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Sustainability Policy

■ 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 	

Responding to Climate Change

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 as a group 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 Groupwide 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)



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	• 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	• 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	• Switch to energy-saving equipment • Promote operating efficiency
	Customer reputation	Decrease in sales due to changes in customer needs and product demand because of fluctuations in the weather	Medium	Small	• 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	• 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	• 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	• 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	• 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	• Create environmentally friendly products
	Resource efficiency	Decrease in manufacturing costs due to switch to energy-saving equipment and improved operating efficiency	Medium	Small	• 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	• 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	• Strengthen the service network

Indicators and Targets

Indicators

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

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.

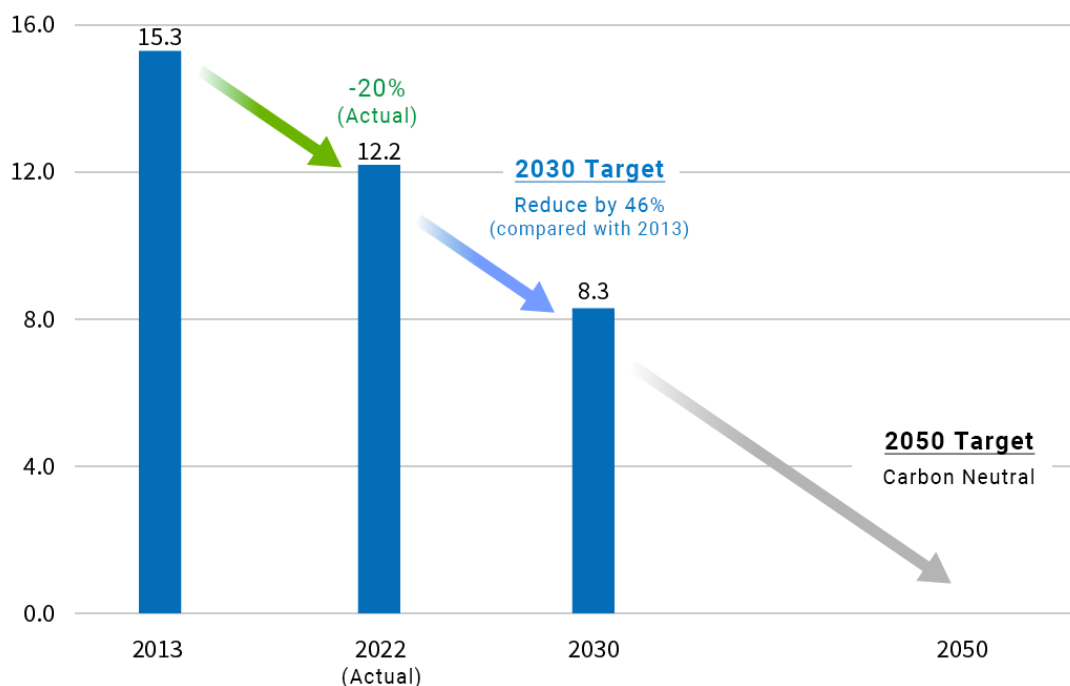
As part of this effort, Star Micronics has been promoting the selection and concentration of its global production base network and is working to improve productivity since 2013. Through these and other means, the Group is endeavoring to reduce GHG emissions.

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.

Results

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

(Thousands of t-CO₂)



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

Environmentally Friendly Manufacturing (Special Products)

Star offers a lineup of printers that have implemented product manufacturing considering the environment.

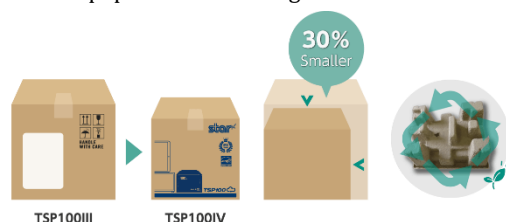
Miniaturized and lightweight design thermal printer "TSP100IV"

By making the printer more stylish and compact yet allowing it to maintain the convenience of the built-in power supply of the previous model TSP100III, we have achieved a compact design and weight reduction of about 20%.



The product packaging size is reduced by about 30%, and the pulp mold that is made using 100% wastepaper is adopted for the cushioning material.

- Improved loading efficiency by approx. 40% and reduced CO₂ emissions during shipping
- Reduced CO₂ emissions when disposing of the packaging materials
- Contributes to attaining a recycling society by using 100% wastepaper for cushioning materials



Liner less Label Printer "mC-Label®3"

• No mount for labels

Since there is no mount for the label, we have saved resources, and CO₂ generated when the mount is incinerated can be eliminated.

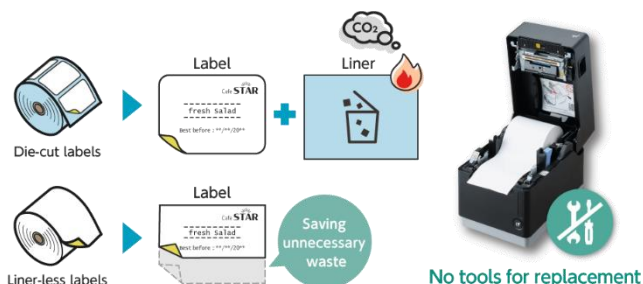
• You can change the length of the label according to the printed content

Unlike die-cut labels (labels with mounts that are cut out to a fixed length), liner-less labels can change the length of the label to match the printed content. For that reason, you can print information efficiently and won't use excess amounts of paper.

• Easy maintenance design that is environmentally friendly and gentle on people

"mC-Label®3" can replace parts that have been worn out by use over many years, so the printer can continue to be used for a long time.

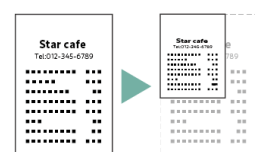
mC-Label®3 does not require a tool for part replacement. "Easy maintenance design" allows customers easily to replace parts themselves. The easy maintenance design reduces the number of shipments required for repairs. For that reason, this contributes to the reduction of CO₂ emissions.



Paper-saving function

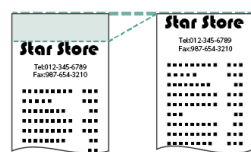
Reduced the amount of paper used for receipts through paper-saving functions including shrunk printing and reduced margins.

● Reduced Printing



Save up to 60%

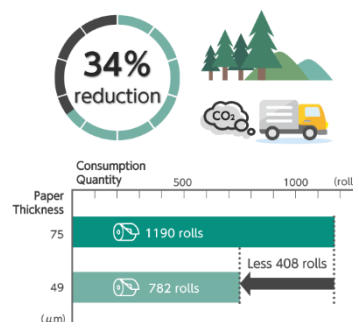
● Top Margin Reduction



Save up to 9 mm

Supporting thermal paper having low environmental impact

Contributes to reducing environmental impact by supporting thermosensitive paper that conforms to thin thermosensitive paper, and BPA (bisphenol A)-free in Europe.



Environmentally Friendly Manufacturing (Machine Tools)

In our machine tools business, we implemented thorough research not only in the planning and design processes that determine product performance, but also in the procurement of parts and the manufacturing process, so that we can respond optimally to environmental considerations throughout the life cycle of our products.

Support for customer initiatives for the environment

Reduction of waste

It is possible to switch between the guide bushing and the non-guide bushing according to the overall length dimension of the workpiece. This makes it possible to minimize the length of the remaining waste material. Furthermore, high-cutter rigidity attains high productivity and ensures long tool-service life.

Reduced power consumption

• Star Motion Control

With our proprietary technology that ensures optimal shaft movement, non-cutting times are greatly reduced and power consumption per component is reduced.

• Step Cycle Pro

Splitting chips by swinging shaft movements and achieving long-term continuous operation reduces the machine downtime and reduces power consumption.

• Operation Monitoring Software SMOOSS-i

We help our customers improve their productivity by visualizing the state of the machine. Also, it is possible to confirm power consumption for each component unit of the product using the power-consumption display screen. This assists our customer in their efforts to conserve power.

• Eco Mode

Reduced power consumption while the machine is idling.

Initiatives in the company

- Disuse of hazardous chemicals
- Proactive replacement to eco-friendly equipment
- Renewal to a smart factory that reduces its impact on the environmental
- Procurement of eco-friendly parts and materials

Next-generation eco-machines "Swiss-type CNC automatic lathe SD-26"



SD-26 can be applied to a wide range of workpieces with outer diameters from $\phi 8\text{mm}$ to $\phi 26\text{mm}$, and it is possible to select from four types depending on the processing application. This makes it possible to process all kinds of workpieces for automobiles, hydraulics, pneumatic equipment, and medical related equipment and others. By consolidating the various workpieces into one unit, customer equipment efficiency is improved. The accessibility of the spindle, guide bushing, and turret has been greatly improved compared to conventional models. This reduces the load on the operator.

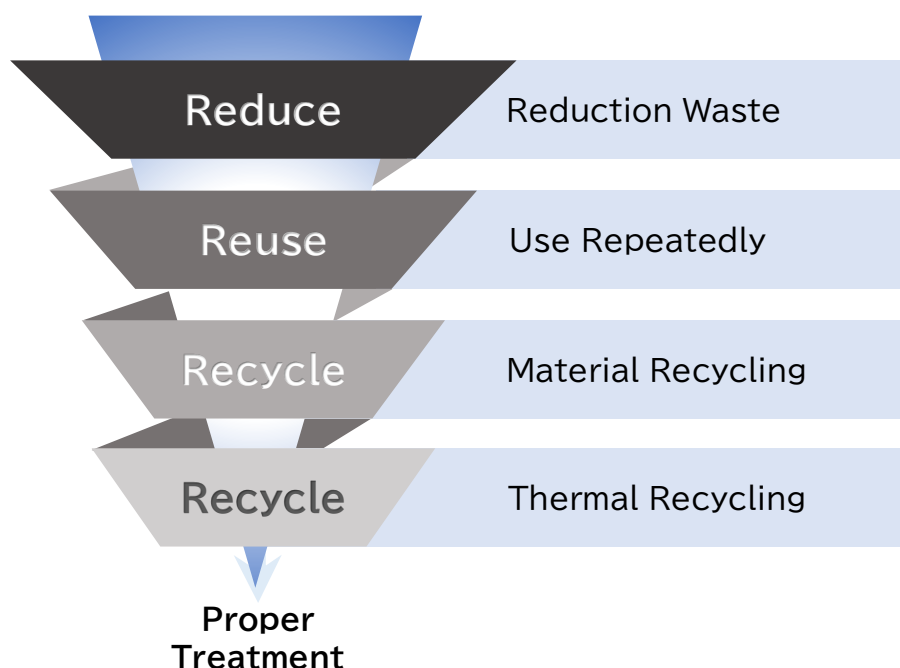
Also, productivity has been improved by shortening the setup time while power consumption has been reduced. Still further, it is equipped with Star Motion Control and Step Cycle Pro, and the newly developed "Eco Mode" function reduces power consumption when the machine is stopped. SD-26 is a new product that we consider to be the next generation of eco-machines. It strives to improve productivity and to reduce power consumption in both aspects of hardware and software.

Promoting Waste Reduction and Recycling Activities

Star Micronics Group*¹ has created and operates "Waste Management Regulations" to promote proper treatment and voluntary activities based on the "Waste Disposal Act", for waste that is discarded because of corporate activities.

Activities to Reduce Waste to Zero

Recycling rate*²: Target 99%



Note*1: 3 domestic companies (STAR MICRONICS CO., LTD./ Star Metal Company / Micro Sapporo Company)

Note*2: Recycling rate(%)=(Amount recycled ÷ Total waste emissions)×100

Recycling

Company uniforms use plastic bottles as the raw material.

Also, used uniforms are recycled into residential insulation and cleaning mops.

Lowering Environmental Contamination Risk

Managing Chemical Substances

Star Micronics Group* has created and implemented internal regulations for the management of harmful substances and dangerous materials handled by the company to ensure proper and safe management of chemical substances. These internal regulations, based on the relevant laws and statutory regulations, are designed to ensure that the environment is considered in the purchasing, storage, use, and disposal of such substances.

Note*:

3 domestic companies (STAR MICRONICS CO., LTD./ Star Metal Company / Micro Sapporo Company)

2 overseas companies (Star Micronics Manufacturing Dalian Co., Ltd./ Star Micronics Manufacturing (Thailand) Co., Ltd)

Response to PRTR* Law

In accordance with the PRTR (Pollutant Release and Transfer Register) Law, we have continued to submit notification regarding the emission and transfer volume for Class 1 Designated Chemical Substances. The annual handling volume of such substances has decreased greatly due to the use of powder paints which do not contain organic solvents (including substance subject to PRTR) and to a change to alternative materials. As a result, since 2010 there are no longer any offices for which submission is required. However, from the perspective of appropriate handling of chemical substances, we will continue to gather data on emission and transfer volume.

*The PRTR (Pollutant Release and Transfer Register)

Law is a means of obtaining, collating, and disclosing emission and transfer volume data for harmful chemical substances.

Reduced VOC Emissions (Powder Coating)

Initiatives of Subsidiary Star Metal Company

Our subsidiary Star Metal Company uses powder coating that does not contain organic solvents (containing PRTR target substances) in the coating work of sheet metal parts on our company's machining tools. This is to reduce environmental impacts during manufacturing processes. As an environmental effect, it has been possible significantly to reduce emissions of air pollutants (VOCs) and reduce industrial waste by one-third.

Initiatives of Subsidiary Star Micronics Manufacturing Dalian Co.,Ltd

At our overseas production base, Star Micronics Manufacturing Dalian Co.,Ltd., Star has improved the processing efficiency of organic exhaust gases by 90% or more by adding a ventilation system to the paint site VOC purification equipment and renovating the washing site. This has reduced exhaust gas-air pollution. At the assembly site, activated carbon adsorption boxes were installed to enhance the treatment of exhaust gases at the washing site and to reduce air pollution. This has also improved the working environment for workers.

Response to EU Environmental Regulations

Environmental regulations in the European Union (EU) have had a significant impact not only within the EU region but also in various countries around the world, and many Japanese manufacturing industries have been forced to respond in some way. For our products that fall under WEEE and RoHS directives, we are operating based on our internal regulations for management of substances that burden the environment and on green purchasing guidelines. Also, for REACH Regulations, we are implementing sequential surveys regarding whether our products include any SVHC, which are added every year.

Use of X-ray Fluorescence Spectrometers

We use X-ray fluorescence spectrometers to measure levels of chemical substances contained in components of our printers that fall under the WEEE and RoHS directives, as well as to conduct inspections on receipt of the components. Our machine tools do not fall under these directives, but we have taken aggressive measures such as using X-ray fluorescence spectrometers to measure the composition of components with a view to reducing harmful substances. Components used in the actual machines in our key products are 99% RoHS compliant, excluding certain NC control equipment.

Soil Pollution Countermeasures

Star Micronics Group* has created and operates "Soil Pollution Prevention Regulations" to prevent and properly manage soil contamination of land that is owned and used, and newly purchased land.

Note*: 3 domestic companies (STAR MICRONICS CO., LTD./ Star Metal Company / Micro Sapporo Company)

Noise and Vibration Countermeasures

Star Micronics Group* has created and operates "Soil Pollution Prevention Regulations" to prevent and properly to manage soil contamination of land that is owned and used, and newly purchased land.

Note*: 3 domestic companies (STAR MICRONICS CO., LTD./ Star Metal Company / Micro Sapporo Company)

Asbestos Countermeasures

It has been found that asbestos is contained in some of the purchased components (packing, and brake material) assembled into our products produced in the past. However, the asbestos-containing materials are sealed or contained in resin, and for that reason, pose no risk of getting out into the environment. It will pose no harmful effects to the human body when used. Furthermore, our products currently under production no longer contain asbestos.

Initiatives for Biodiversity Conservation

At Star Micronics, we participate in forest and coastal cleanup activities at each of our offices and make great efforts in our environmental conservation activities.

Activities to conserve forests

STAR MICRONICS CO., LTD.

Shizuoka Prefecture, where Star is headquartered, is one region that is rich with mountain forest assets, but if mankind does not give attention to artificially planted forests including Japanese cedar trees or the like, they will become devastated. Well-thought-out logging helps keep forests healthy and protects biodiversity. By sponsoring the Fuji-no-Kuku Forest Township Association, a forest-protection activity promoted by the prefecture, and purchasing printed paper through that association, Star is promoting the use of paper using harvested wood.

Star Micronics Manufacturing Dalian Co., Ltd

At Star Micronics Manufacturing Dalian Co., Ltd. in Dalian City, China, we are committed to protecting forests by picking up garbage at the Xiaoheishan Forest Park near our plant.

Coastal plastic problem

STAR MICRONICS CO., LTD.

Plastic waste has an enormous impact on marine ecosystems. At our head office, we invite employees and their families to cooperate and participate in the Miho-Masaki Coastal Cleaning Service Activities sponsored by Shizuoka City, Shizuoka Prefecture.

Human Resource Strategy

Human Resource Strategy Goals

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

Human Resource Development Policy

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. We actively promote the establishment of a system and environment for cultivating and evaluating such human resources by implementing the action guidelines for every employee to act with initiative and courage, to continue learning, to pursue technology, and to focus on team productivity.

Human Resource Training

Star conducts a variety of training according to the objectives.

Officer Training

Training Name	Target	Purpose
Executive Manager Training	Executive Manager Level	Gradually acquire the skills and mindset required of top management personnel who lead companies to sustainable growth volatile changes to the business environment.
Manager Training	Manager Level	<ul style="list-style-type: none"> Acquire the management skills and company-wide view required of business leaders. Strengthen logical thinking skills and learn from the basics of management up to its practice.
Appraiser Training	New Officer Training	Understand the basic significance of the personnel evaluation system and clarify the criteria for selecting evaluation items and determining the stages of evaluation.

Hierarchical Training

Training Name	Target	Purpose
Assistant Manager Training	Person Promoted to Assistant Manager	<ul style="list-style-type: none"> Master the leadership process that leads to action. Raise awareness and perspectives as a leader responsible for organizational reform.
Chief Training	Person Promoted to Chief	<ul style="list-style-type: none"> Improve problem-solving abilities to take independent actions. Improve communication skills required for the surrounding work.
Second-year Follow-up Training	Second Year Employees	Look back upon the first year of working life, reaffirm your own role, identify challenges and problems in the workplace, and formulate future action plans.
New Employee Training	New Employees	Acquire the basics of business manners, work methods, and cultivate awareness as a member of society.
		During the first six months of being assigned in the company, training personnel (OJT leaders) will be assigned for training these employees in a planned and phased manner.

Language and Global Skills

Training Name	Target	Purpose
Global Leader Training	Young Employees	Training the next generation of leaders who can play an active role in Japan and overseas.
Young Employee English Language Training	Young Employees	Improvement of language skills (English) focusing on young employees.
TOEIC Examination Fee Subsidy TOEICIP Testing	All Employees	Improve employee ability with English and foster a global mindset.
Language Training Before Appointment	Overseas Loaned Employees	Acquisition of the language skills required to perform work at a local corporation overseas.
Pre-appointment Training	Overseas Loaned Employees	Acquisition of the business skills (intercultural understanding, human resources, labor management, accounting, taxation, and others) required to perform work at a local corporation overseas.

Business Skills

Training Name	Target	Purpose
Business Skill Training for People Who are Promoted	Chief and Higher	Acquire business knowledge of people, things, money, and thinking required in each hierarchy.
OJT Leader Training	OJT Leaders	Acquisition of knowledge required of an OJT leader to support the development of new employees.

Training By Purpose

Training Name	Target	Purpose
Compliance Training	New Employees	Foster compliance awareness and improve related knowledge.
Officer Harassment Training	New Officer Training	Foster an awareness to prevent harassment and improve related knowledge.
Life-plan Seminar	Employees in their late 40s	Acquisition of know-how in understanding the HR system, health management, and life-long living design.
Senior Life Seminar	Employees who are Retiring	Acquisition of know-how on life plans after retirement.

Self-development Support

Training Name	Target	Purpose
Support for telecommunications training	All Employees	A wide range of courses are available, ranging from English language and technical skills to business skills and general training. Depending on the theme of the course (considering the relevance to work), 90% to 50% of the tuition fee is paid as a subsidy by the company.
Incentive system for obtaining qualifications, and the like	All Employees	In company-designated qualifications, bonuses are paid to employees who pass examinations and to those who attain a score at a predetermined level.
Technician Qualification Reward System	All Employees	A bonus is paid to employees who have passed a skill test (machining, machine maintenance, machine inspection, finishing, and others) which is under a national examination system.

Internal Environmental Policies

We strive for building an environment where all employees, regardless of their gender, age, or race, can attain their full potential. In addition to building a new human resources system, we are implementing a flexible and diverse way of working. Also, by conducting regular engagement surveys, we visualize employee engagement and the actual situation of each workplace. By conducting dialogs based on the survey results, we are committed to fostering a better corporate culture and creating a rewarding work environment by helping to improve activities and strengthen management on various topics.

Enhancing Diversity

Promoting the Activities of Women

Our company plans to organize various environments (promoting flexible and diverse work styles) and reform consciousness (management training, and the like) with the goal of achieving a female management ratio of 10% or more by 2030.

Support to enable childrearing, and care for the elderly

We promote the creation of an environment where employees who have had children and require giving childcare can leave work with confidence and return to work smoothly to demonstrate their abilities offering them balanced work and family life.

- Short working hours
- Childcare leave
- Remote working
- Medical leave

Promote male employees taking childcare leave

We support our male employees to take their childcare leave. We are deepening the understanding of the workplace so that our people can use our childcare leave system. Employees who have informed the company that their spouse is pregnant or giving birth will be explained our childcare leave system and confirmed whether they will use it.

Employment of Persons with Disabilities

Star will move forward with preparing a working environment and strive to promote employment of persons with disabilities, who are increasingly being subject to social demands, by implementing professional management for employing persons with disabilities, and by opening occupational areas to suit each person's own characteristics. The expectations from local regions, including the government, are very high. Star believes that the contributions to local regions is one of the things that the company can do to fulfill our social responsibility.

Reemployment System

Star has set up a "Regulations for the Employment of the Elderly" that corresponds to the "Amended Employment Security Act for Senior Citizens" that makes it mandatory to provide continuous employment opportunities until the age of 65. Based on this, Star has set up a re-employment system that guarantees continued employment of all applicants until the age of 65, for the employment of full-time employees after the age of 60.

Respect for Human Rights

Respect for Human Rights and Non-discrimination

To ensure Respect for Human Rights and Non-discrimination at all times, Star has established compliance with the Star Micronics Group • Sustainability Code of Conduct and has informed all our officers and employees.

Human rights and labor (from the Star Micronics Group • Sustainability Code of Conduct)

1. We do not use labor derived from coercion, detention, inhumane prison labor, slavery, or human trafficking. We also protect the right of employees to quit or terminate their employment voluntarily without forcing them to work.
2. Children under the minimum working age are not allowed to work. Further, we will not allow young workers to engage in hazardous work that may impair their health and safety.
3. We will not allow working beyond the limits prescribed by the laws and regulations of the region where one works. We will also appropriately manage working hours and holidays.
4. We will comply with the laws and regulations of the region where one works and compensate them appropriately.
5. We respect human rights and do not engage in inhuman treatment such as mental and physical abuse, coercion, or harassment.
6. Religious practices will be given due consideration.
7. While complying with the laws and regulations of the region where one works, we will respect worker's right to organize as a means of achieving labor-management consultations on issues such as working environment and wage standards.
8. We do not discriminate irrationally based on birth, nationality, race, ethnicity, skin color, creed, religion, gender, sexual orientation, age, disability, educational background, etc.
9. We will not use status in the company or position to pressure or coerce others.

Customer Relations

Product Quality

Quality Control

High quality is what supports the growth of the Star brand making it able to win in global competition. In addition to obtaining the international standard ISO9001 for management systems, Star has also obtained the international standard ISO14001 certification for environmental management systems at its domestic offices in Japan and its group subsidiaries. In the special products, Star has switched to the international standard ISO27001 for Information Security Management Systems (ISMS) from May 2019, declaring ourselves compliant, and has thoroughly implemented internal management. Star always strives for the highest levels of quality and has established global standards.

Correspondence to ISO

	ISO9001:2015	ISO14001:2015	ISO27001:2013
Special Products Division	◎	○	○
Machine Tools Division	◎	◎	—
General Administration Headquarters	—	○	—

◎: Obtaining certification by external review agency

○: Self-conformance declaration

Passing on Skills and Technology

To deliver high-quality products to our customers, it is indispensable to develop human resources who possess the necessary skills and engineering knowledge. In the manufacture of machine tools, "craftsmanship" called "hand scraping" is required. This is detailed work that requires skill to improve machine performance. This work cannot be replaced by machines. This relies on the ability of a person. Therefore, the transfer of technology from veterans to young workers is an important factor.



craftsmanship "hand scraping"

Protection of Personal Information

company has set up "Personal Information Management Regulations" and "Specific Personal Information Handling Regulations" for the management of personal information such as customer information, business partner information, shareholder information, employee information, and others.

To ensure Protection of Personal Information at all times, Star has established compliance with the Star Micronics Group Sustainability Code of Conduct and has informed all of our officers and employees. Furthermore, specific warnings are being issued through internal communication documents, such as the "company-owned mobile phone management guidelines" and "measures to prevent information."

Business Partner Relations

Fair Trading

To ensure fair and appropriate trading with all of our suppliers at all times, Star has established compliance with the Star Micronics Group • Sustainability Code of Conduct and has informed all of our officers and employees.

Fair Business with Suppliers and Subcontractors (Star Micronics Group • Sustainability Code of Conduct)

1. We will do fair and equitable business with our suppliers and subcontractors.
2. We will do a fair and equitable selection of suppliers and subcontractors in view of objective criteria such as quality, price, delivery, technology, environmental consciousness, and awareness of social responsibility.
3. We never offer a preference treatment to a particular supplier by making use of an advantageous position or influence over suppliers' selection and evaluation.
4. As an individual, I will never receive a rebate, commission, or reward from any supplier or subcontractor.

Social Contribution Activities

Collection Volunteers

Social contribution organizations such as NGOs and NPOs help fund their activities by collecting income from membership fees and donations from corporations and individuals that support those activities, as well as collecting used stamps and the like.

As a close volunteer who can participate in our company, with the cooperation of our employees, Star collects used stamps, foreign coins, and the like, and donates them to UNICEF, JOICFP, the Prefectural Volunteer Association, and others. Also, the company provides a certain amount of support with a matching gift for these donations.

Setup of Fundraising Type Vending Machines

Star has set up fundraising beverage vending machines from which part of the purchase price is donated to a designated organization for fundraising. The headquarters vending machines are used for welfare activities in Shizuoka Prefecture as joint fundraising for the Central Community Chest of Japan.

Business Trip Blood Donations from the Japanese Red Cross

Because life-sustaining blood cannot yet be artificially produced and stored for long periods of time, blood that is required for medical care is supported by donations.

Star Micronics Group*¹ is registered as a blood donor, and with the cooperation of our employees, the company conducts blood donations through the Japanese Red Cross twice a year.

Note*: 3 domestic companies (STAR MICRONICS CO., LTD./ Star Metal Company / Micro Sapporo Company)

Support for Training Institutions

Shizuoka University, a national university corporation headquartered in Shizuoka Prefecture, is implementing the "Asia Bridge Program." This is an educational program with the goal of strategically developing global human resources (international students and Japanese students) who are active overseas, mainly in Asia. Star supports that program by endorsing its purpose and making donations.

Implementation of Ordinary Life-saving Training

In addition to installing AEDs internally, our "Ordinary Life-saving Training" is held annually with the cooperation of a local fire department. This course includes simulations and practical skills such as giving first aid, handling bleeding, resuscitation methods during a cardiopulmonary arrest, and the use of AEDs and the like. All employees can take courses to be prepared for times when they may need to use those skills.

Labor Relations and Safety and Health Activities

Efforts for Health Management

Star Micronics Health Management Declaration

Our company promotes initiatives toward health management.



Health Management

Star has added an item on regular health checks to be in line with the company's health issues. Furthermore, employees over the age of 35 have the option of choosing a full physical examination, and the company subsidizes most of those costs to facilitate their seeing a doctor. As an activity to promote health, Star distributes health-information e-mail magazines, offers a discount to designated physical training facilities, yoga classes and health seminars, subsidizes sporting groups, and holds walking events twice a year, all to establish good exercise habits.

Health Counseling by Industrial Physicians

Employees who have had issues pointed out in a regular medical examination or full physical examination are encouraged to visit their doctor for advice and are interviewed by our industrial physicians as a subsequent measure. Also, once a month, the industrial physician visits each office in Shizuoka Prefecture, offering employees a place where they can directly consult and see a doctor.

Mental Health Care

In an era with dramatically changing working environments, the number of people with mental health issues in the workplace is rapidly increasing. To prevent this from happening, Star has set up a mental health consultation desk within our company to help relieve our employees of their stress and concerns. In addition, our industrial physicians are set at designated, external medical institutions, and external counseling services are introduced to provide mental health care to our employees.

Implementation of Stress Checks

To understand the status of employee stress, Star conducts annual stress checks. Our industrial physicians interview employees based on each person's request for those who are highly stressed as indicated in a survey.

Prevention of Passive Smoking

The entire building is a smoke-free environment in view of compliance with the Health Promotion Act and workplace safety and hygiene considerations. Also, to prevent passive smoking, customers who come to the company are also asked to refrain from smoking inside the building. In addition, Star continuously conducts awareness-raising activities to help smokers to stop smoking.

Efforts for Occupational Safety and Health

Prevention of Occupational Accidents (Safety and Health Management)

To raise the safety and hygiene awareness of our employees and to prevent disasters and disease, Star has established a "Safety and Health Committee" at each business office. The committee meets once a month. It undertakes activities to improve daily safety and hygiene, such as by offering guidance and training, and patrols in the factory.

Prevention of Traffic Accidents

By ensuring that no employees have any accidents or commit any traffic violations, Star contributes to the development of business facilities, the safety of our drivers, and the traffic safety of the local community. Employees who drive a company car while on the job are required to obtain an "internal license." They are also subject to a driving suitability test.

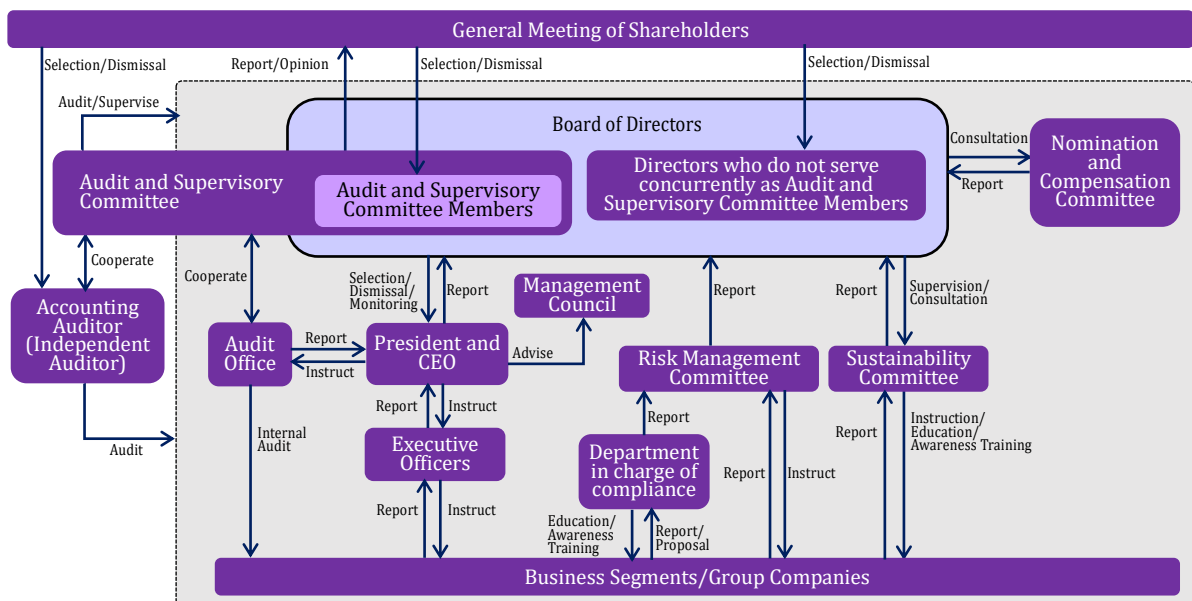
Labor Relations

The labor union and management have established a labor-management council (a central labor-management council and a branch labor-management council) as a place to exchange opinions for periodically negotiating and discussing labor conditions and the various human resources systems. This built industrial relations based on mutual trust.

Corporate Governance

Corporate Governance System

Star Micronics has adopted the structure of a company with an audit and supervisory committee 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 three 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. On February 9, 2021, the Company established 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.



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, 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 promoting 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 regarding 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.

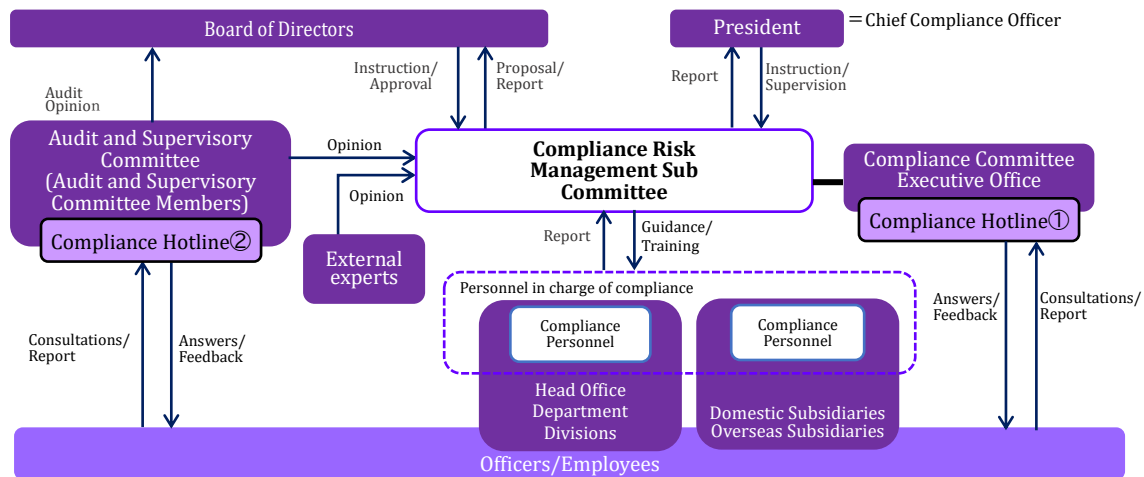
Compliance

Dissemination of the Star Micronics Group Sustainability Code of Conduct

The “Star Micronics Group Sustainability Code of Conduct” is based on our corporate philosophy and basic sustainability policy to ensure that our Group conducts fair and appropriate management in harmony with society. We will follow the three guidelines for growth in our corporate philosophy: “Enhance corporate value in a sustainable way,” “Contribution to sustainable development of society” and “Enrich the lives of employees and their families”. We will set standards in accordance with each guideline as a norm that each executive and employee should stand by in their daily actions.

In addition to domestic officers and employees including those at our subsidiaries, Star Micronics also translated these into vet languages, namely English, French, German, Chinese, and Thai, and are making these known to our overseas subsidiaries. The executives and employees of our Group shall understand the contents of this Code of Conduct well, comply with the laws and regulations, respect social norms and act in good faith with common sense and responsibility.

Compliance Promotion System



Basic Policy of the Compliance Regulations (from the Compliance Regulations)

- 1.The company fully recognizes that non-compliance can shake the company's management foundation, and positions thorough compliance as a basic principle of management.
- 2.The company promotes business with a world-class compliance system in its global business activities.
- 3.The company will develop the compliance activities set forth in the preceding paragraph. With this, the company will be highly appreciated by shareholders, customers, and all localities, will gain trust from the public and will establish it as one that will not lose.

Compliance Consultation Desk System

In order promptly to recognize that the organization, or an individual has conducted fraudulent, violating, or anti-ethical acts, and quickly respond thereto, the company has established a system for "Regulations for the Compliance Consultation Desk" and determined the operation of the consultation desk. The Compliance Consultation Desk is operated by two people. The Compliance Committee Secretariat and the Audit Committee at the company headquarters. They receive consultations and reports on non-compliance from group officers and employees and temporary employees and respond to questions and concerns. The compliance committee and a consultation desk have also been set up to make it easier for local staff at Star Micronics Manufacturing Dalian Co., Ltd., and Star Micronics Manufacturing (Thailand) Co., Ltd. which are major overseas production bases. Consultation methods include telephone calls, email, letters, interviews, or the like, thereby creating an environment that makes it easy for users to consult with the committee. Star strives to strengthen the compliance system so that each employee has high ethical standards.

Compliance Questionnaires

Each year, we conduct Compliance Questionnaires for employees, including those of our overseas subsidiaries, to ascertain the status within the Group and to maintain and improve corporate compliance awareness.

Risk Management

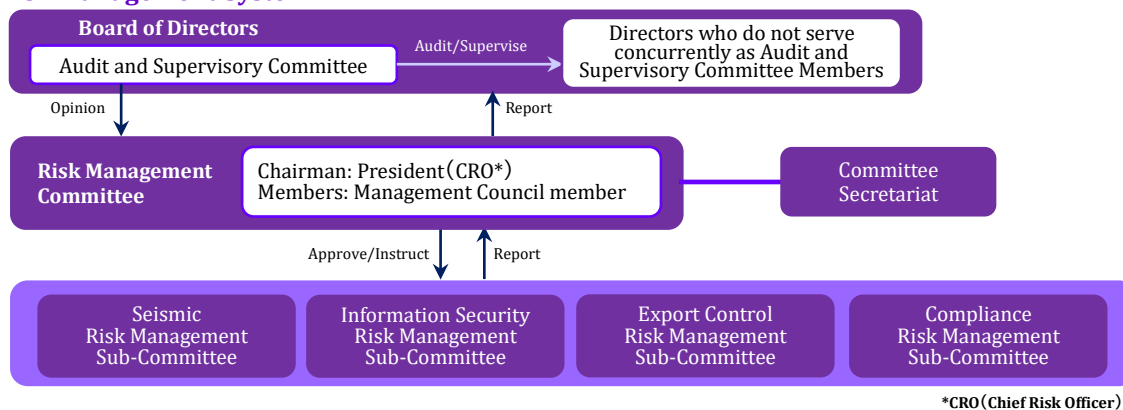
The company must be able to anticipate all the risks facing the business, conduct routine prevention activities, and prepare for and implement contingency measures in advance. The company has established "Risk Management Regulations" that combine both those daily prevention activities and emergency responses, defining the company's internal risk management system as shown in the figure below.

Basic Policy of Risk Management (Source: Risk Management Regulations)

To ensure the soundness of management and the reliability of corporate value, the company positions risk management as an important issue for management and implements the following matters.

1. Recognize various management risks, prevent the occurrence of crises, and take reasonable and appropriate measures in advance to minimize any damage caused by a crisis and any impact on society.
2. Establish a management policy for each risk and maintain a continuous management cycle with an organizational system.
3. In the event of a major incident, the company will do its utmost to fulfill our corporate social responsibility by preserving the company's assets and quickly recovering its business, putting people's safety first.

Risk Management System



Seismic Risk Management

Based in a region where Nankai trough earthquakes are predicted to occur, the "Earthquake Risk Task Force" is moving forward to respond to earthquake risks. The headquarters building is a base-isolation structure. The company is also reinforcing buildings and fastening all types of equipment, based on seismic diagnoses of other offices. In addition, Star is also strengthening measures in the software field, such as formulating and promoting a BCP (Business Continuity Plan). Furthermore, for the purpose of confirming the safety of our employees in the event of a major earthquake and ensuring the implementation of BCP, Star has introduced a "safety confirmation system" to prepare for rapid response in the event of an emergency.

Information Security Management

Media reports of information leaks and loss of personal information are more prevalent now; deficiencies in information security management are becoming a major trust issue. To ensure that the information and systems we possess are managed accurately and safely, Star has formulated an "Information Security Management Regulation" that defines a general security management policy for our information assets, and an "Information Security Risk Management Group," a sub-organization of the Risk Management Committee, is strengthening the security of our corporate systems to respond to the continually growing network risks.

Export Control Risk Management

The company has set up a security export-control system, and for the purpose of maintaining international peace and security, exports of controlled cargo (related materials and equipment that contribute to the development and manufacture of weapons, weapons of mass destruction, and the like, and general-purpose items related to conventional weapons), and related technologies are implemented based on the "Security Export-control Regulations." Also, Star works to deepen its employees' understanding by informing its employees of relevant information through basic training at the company-wide level and through the company's website.

Shareholder and Investor Relations

Disclosure Policy

In accordance with the timely disclosure rules established by the Tokyo Stock Exchange, Star has made timely and appropriate disclosures of information. Furthermore, even if the information does not fall under the timely disclosure rules, Star actively discloses the information that the company believes is useful to shareholders and investors to understand the company.

IR Activities

Star is proactively developing IR activities, including biannual financial results briefings for analysts and individual meetings with institutional investors. Star also has a variety of tools in place to provide timely and accurate management information, such as the “Annual Report (in English)” and “Annual Securities Report.” Particularly, Star recognizes that making disclosures on our website is an important means of ensuring fair disclosures of information, and promptly posts that information in the Investor Information section of our website.

General Meeting of Shareholders

In addition to company efforts for early sending of notices that a general meeting of shareholders will be held, and offering a pre-mailing disclosure on the company's homepage, Star strives fully to understand the content of proposals when exercising voting rights, such as responding to the exercising of voting rights on the Internet, participating in the electronic voting exercise platforms for institutional investors, and posting the English-language version of the summary of the notice of convening the general meeting on the Company website.

Shareholder Returns

Star has positioned the return of profits to shareholders as one of the company's important management measures, and the company's goal is to achieve a consolidated total return of more than 50%, including the acquisition of treasury shares.