

Financial Results for the FY12/2023

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, 2024

* 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 FY12/2023

Decrease in Sales, Substantial Decrease in Profits Year on Year

■ Net Sales	¥78.19 billion	10.5% down YoY
■ Operating Income	¥10.35 billion	25.7% down YoY
■ Ordinary Income	¥10.96 billion	22.8% down YoY
■ Net Income Attributable to Owners of Parent	¥ 8.17 billion	20.6% down YoY

- ✓ Special Products Segment, Sales decreased due to declining demand of mPOS despite the influence of yen's depreciation.
- ✓ Machine Tools Segment, decreased in Sales and Profits mainly due to delays in market recovery in China despite the steady filling of backlog orders and the influence of yen's depreciation.

Consolidated Operating Results



(Millions of Yen)

		FY12/2022		FY12/2023		
		Actual		Actual		
		Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
Sales	Special Products	17,959		16,111		(10.3)
	Machine Tools	69,408		62,084		(10.6)
	Total	87,368		78,196		(10.5)
Operating Income	Special Products	3,754	20.9	1,953	12.1	(48.0)
	Machine Tools	12,248	17.6	10,349	16.7	(15.5)
	Eliminations or Corporate	(2,077)		(1,951)		
	Total	13,925	15.9	10,350	13.2	(25.7)
Ordinary Income		14,199	16.3	10,960	14.0	(22.8)
Net Income Attributable to Owners of Parent		10,298	11.8	8,175	10.5	(20.6)
ROE(%)		15.4		10.7		
Cash Dividends Applicable to the Year		¥70 *		¥60		

*Included a special dividend of ¥10 per share

Exchange Rate	US \$	¥131.45	¥140.55
	EUR	¥138.05	¥151.98
	GBP	¥161.93	¥174.85

Consolidated Business Forecast



(Millions of Yen)

		FY12/2023		FY12/2024 Forecast						
		Actual		1st Half		2nd Half		Full-Year		
		Amount	Income Ratio(%)	Amount	Income Ratio(%)	Amount	Income Ratio(%)	Amount	Income Ratio(%)	Change (%)
Sales	Special Products	16,111		6,650		8,220		14,870		(7.7)
	Machine Tools	62,084		20,790		30,140		50,930		(18.0)
	Total	78,196		27,440		38,360		65,800		(15.9)
Operating Income	Special Products	1,953	12.1	340	5.1	970	11.8	1,310	8.8	(32.9)
	Machine Tools	10,349	16.7	2,540	12.2	5,180	17.2	7,720	15.2	(25.4)
	Eliminations or Corporate	(1,951)		(980)		(1,050)		(2,030)		
	Total	10,350	13.2	1,900	6.9	5,100	13.3	7,000	10.6	(32.4)
Ordinary Income		10,960	14.0	2,000	7.3	5,200	13.6	7,200	10.9	(34.3)
Net Income Attributable to Owners of Parent		8,175	10.5	1,300	4.7	3,800	9.9	5,100	7.8	(37.6)

ROE(%)	10.7
Cash Dividends Applicable to the Year	¥60

6.4
¥60

Exchange Rate	US \$	¥140.55
	EUR	¥151.98
	GBP	¥174.85

Planned Rate	Foreign Exchange Sensitivity*
¥135.00	74million
¥150.00	68million
¥175.00	7million

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

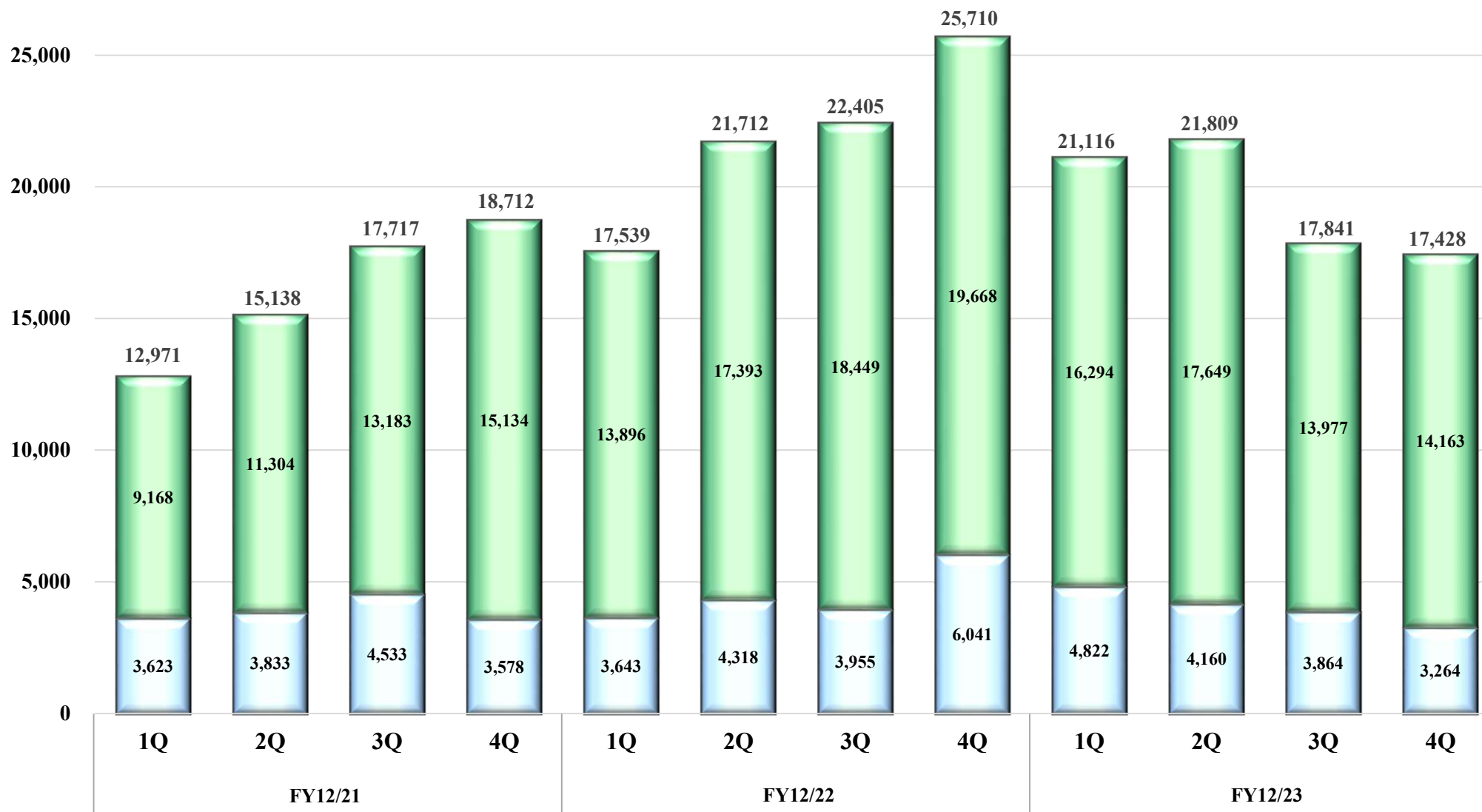
Quarterly Information(Net Sales)

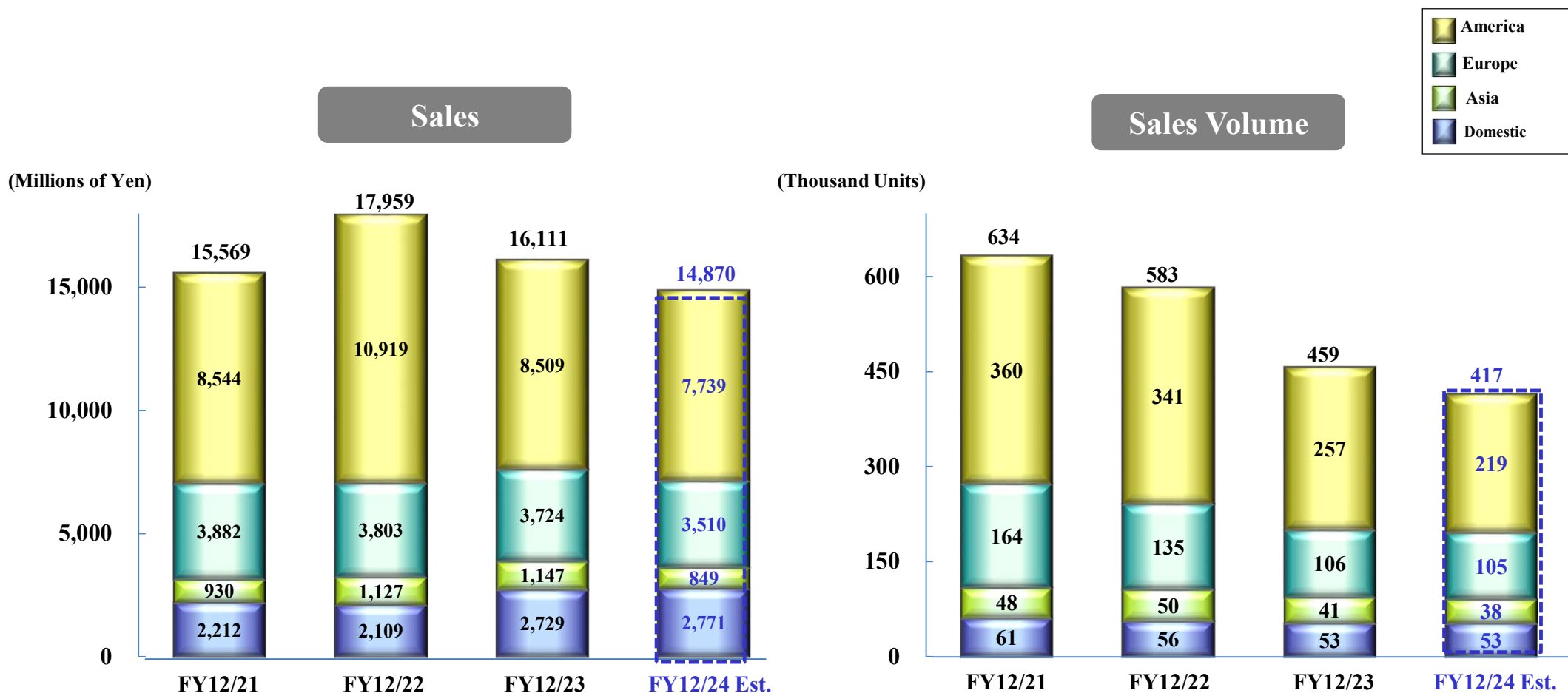


Net Sales

- Special Products
- Machine Tools

(Millions of Yen)



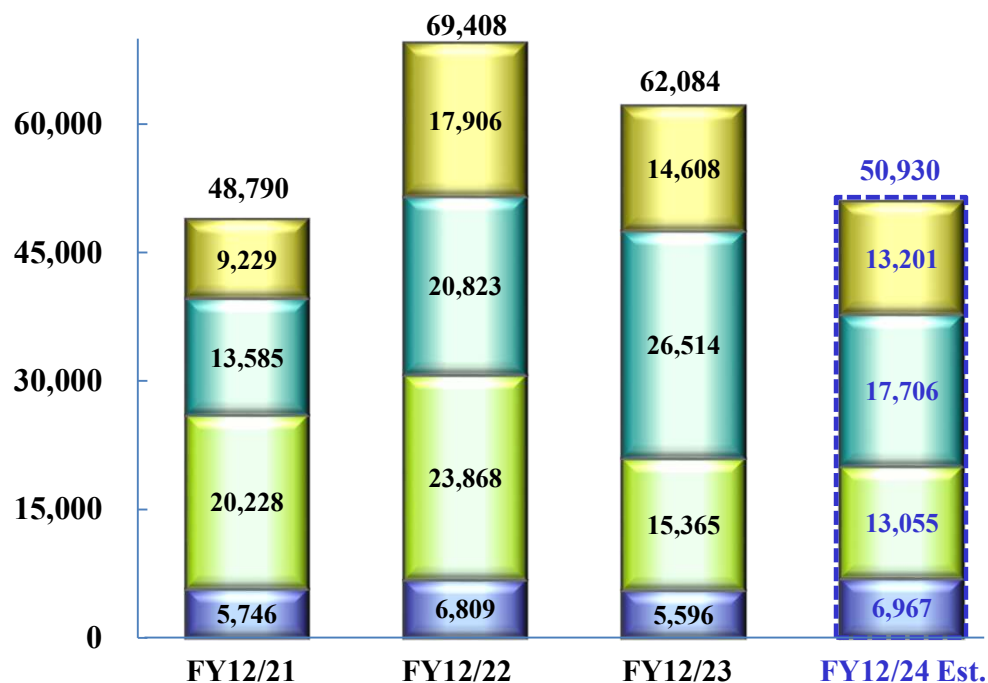


- Sales in the U.S. market substantially decreased owing to the deterioration in mPOS demand, despite the influence of the yen's depreciation.
- In the European market, sales were essentially unchanged from the previous fiscal year due to the impact of such factors as the yen's depreciation despite weak market conditions.
- In the domestic market, despite weak market conditions, sales increased significantly owing to the inclusion of SST in the Company's scope of consolidation.



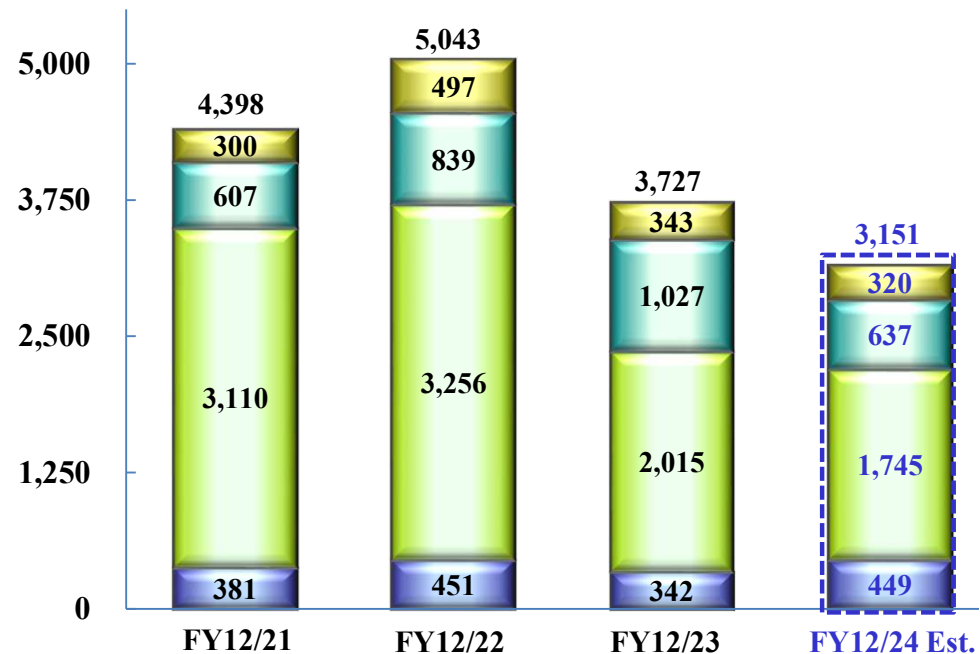
Sales

(Millions of Yen)



Sales Volume

(Units)



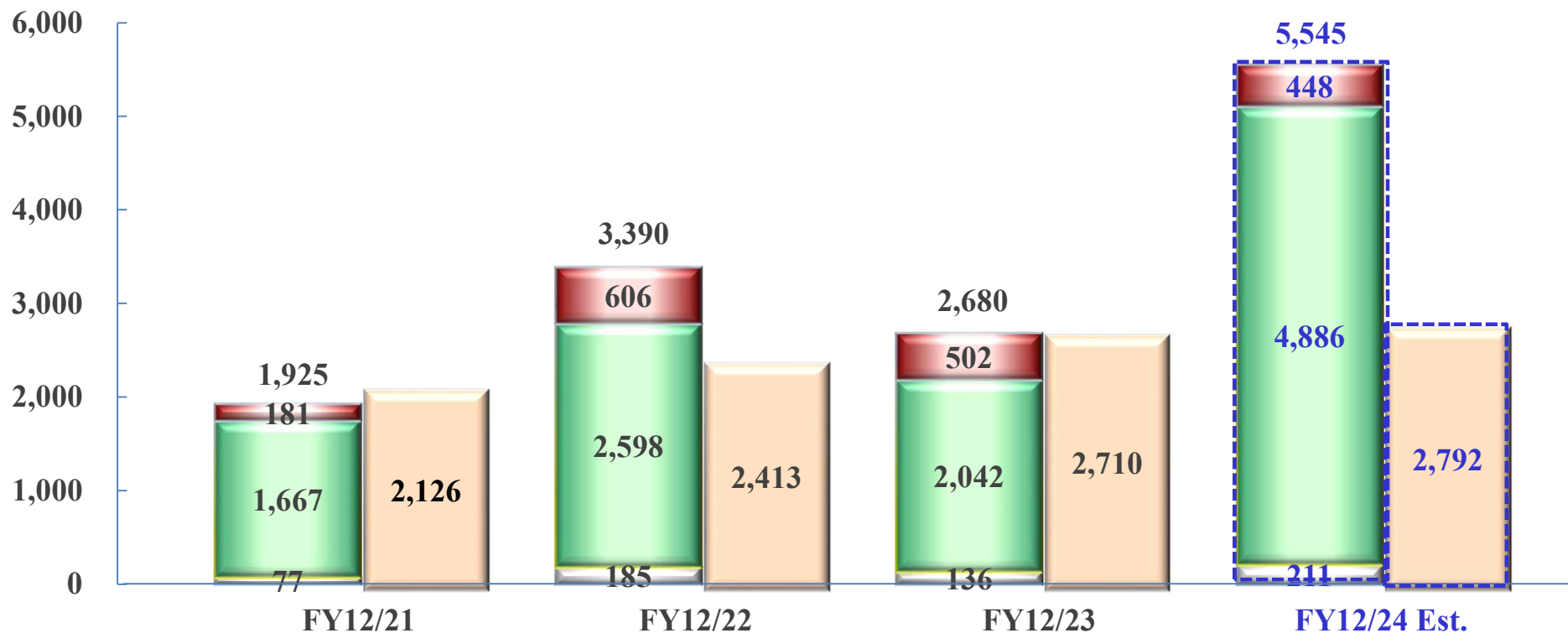
- Sales in the U.S. declined overall owing to sluggish market condition, which largely reflected such factors as the prolonged upswing in interest rates.
- Sales in the European market increased significantly mainly on automotive-related products.
- In the Asian market, sales decreased substantially mainly attributable to weak sales of automotive and communications.
- In the Domestic market, sales declined significantly due to the continued lackluster performance of the automotive sector.

Capital Investment / R&D Costs



Capital Investment

(Millions of Yen)



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Large-scale renovation of Kikugawa Factory Construction of Europe Solution Center

R&D Costs

(Millions of Yen)

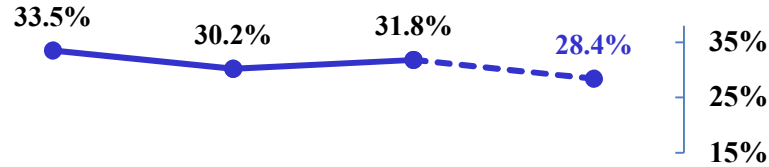
FY12/21	FY12/22	FY12/23	FY12/24 Est.
1,649	1,965	1,849	1,970

Balance Sheets

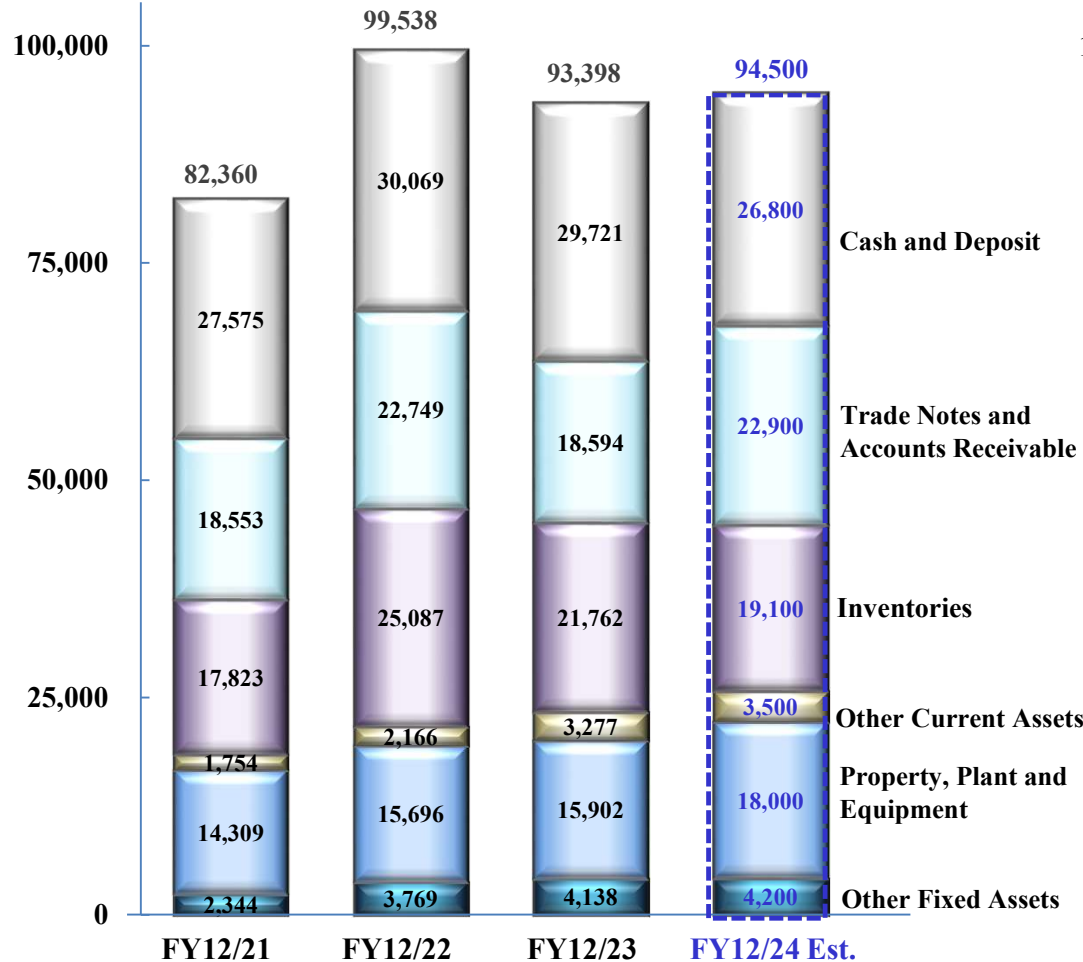


Assets

Ratio of Net Cash (to Total Assets)

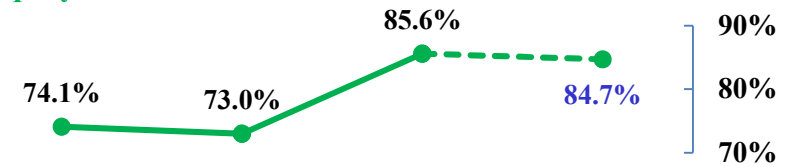


(Millions of Yen)

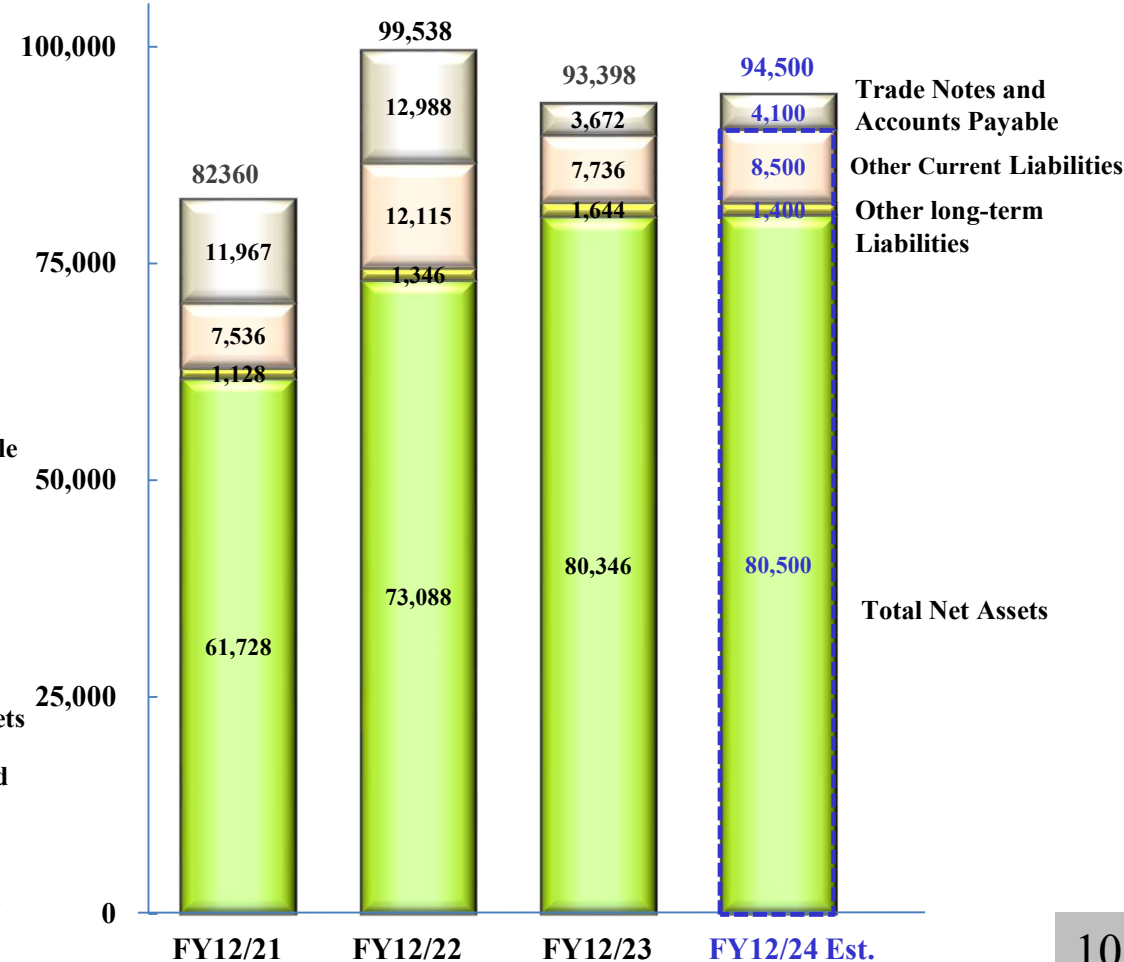


Liabilities/Net assets

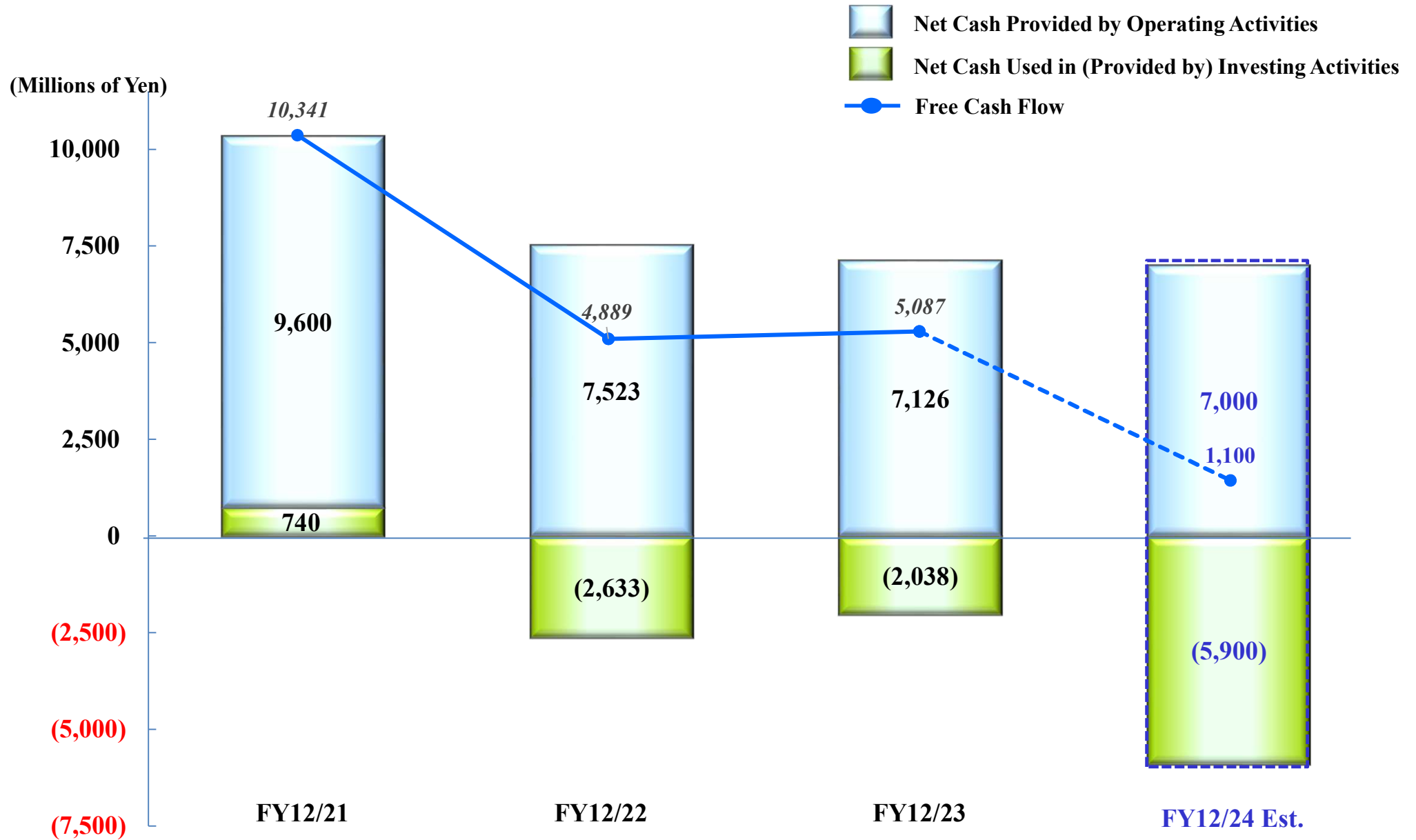
Equity Ratio



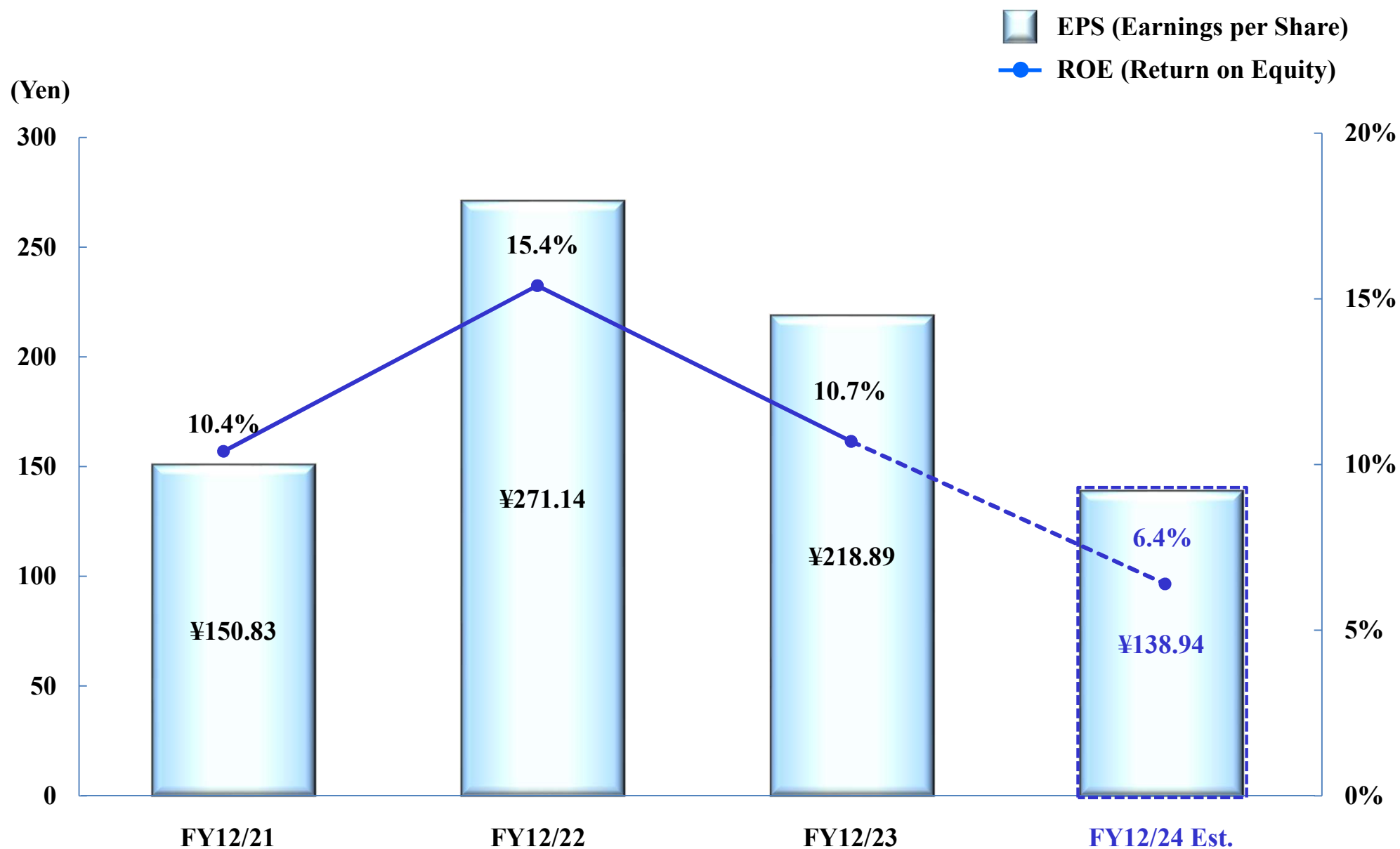
(Millions of Yen)



Cash Flows



Key Financial Indicators



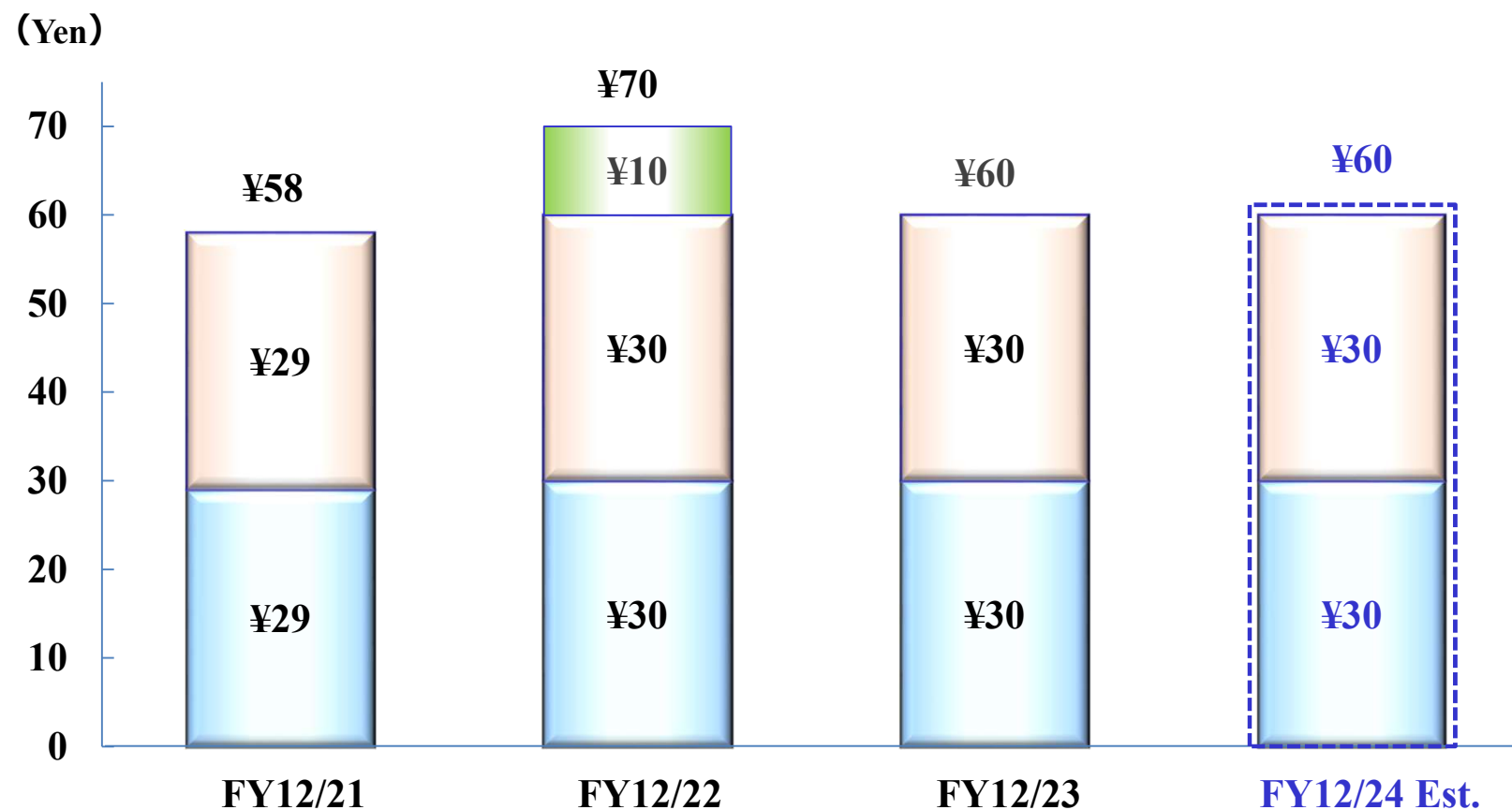
Returns to Shareholders



< Shareholder Return Policy > From FY12/22

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

- Special Dividend per Share
- Year-end Dividend per Share
- Interim Dividend per Share



Total Payout Ratio	FY12/21	FY12/22	FY12/23	FY12/24 Est.
	79.3%	44.6%	51.6%	50% or more

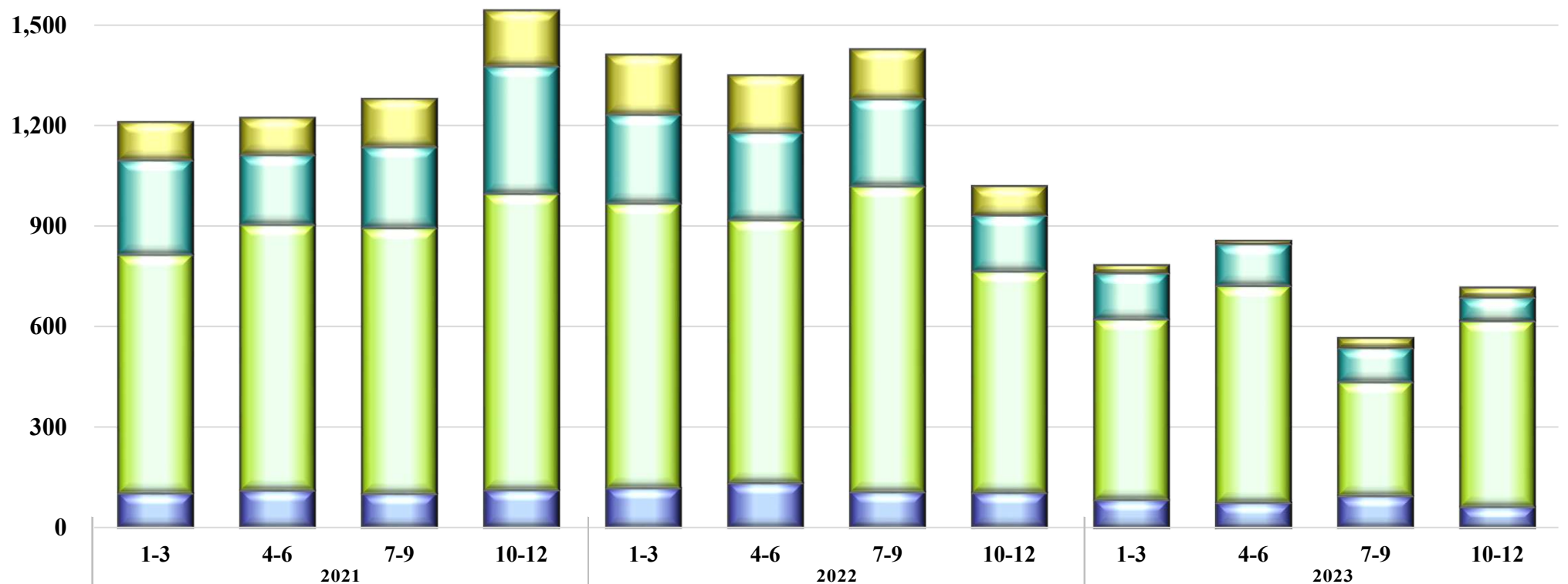
Reference

Trends in Quarterly Machine Tool Orders



(Ordered Unit)

(Units)



	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	114	111	144	167	179	171	149	87	24	10	30	33
Europe	282	208	242	380	265	261	260	168	138	125	102	71
Asia	712	793	792	884	848	785	911	660	538	646	339	581
Domestic	102	111	101	112	118	133	106	104	83	74	94	62
Total	1,210	1,223	1,279	1,543	1,410	1,350	1,426	1,019	783	855	565	747

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)
FY2/2015	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	78,196	10,350	13.2	10,960	14.0	8,175	10.5	218.89	10.7	60.00
FY12/2024(Est.)	65,800	7,000	10.6	7,200	10.9	5,100	7.8	138.94	6.4	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 December 2022 includes a special dividend of ¥10 per share.

Special Products



Cash Drawer and Receipt Printer
mPOP



POS Printer
TSP100IV series



Label Printer
mC-Label series



Peripheral Equipment



Contactless IC card Reader
PitTouch Pro3 series

Machine Tools



CNC Swiss Type Automatic Lathe
SP-20



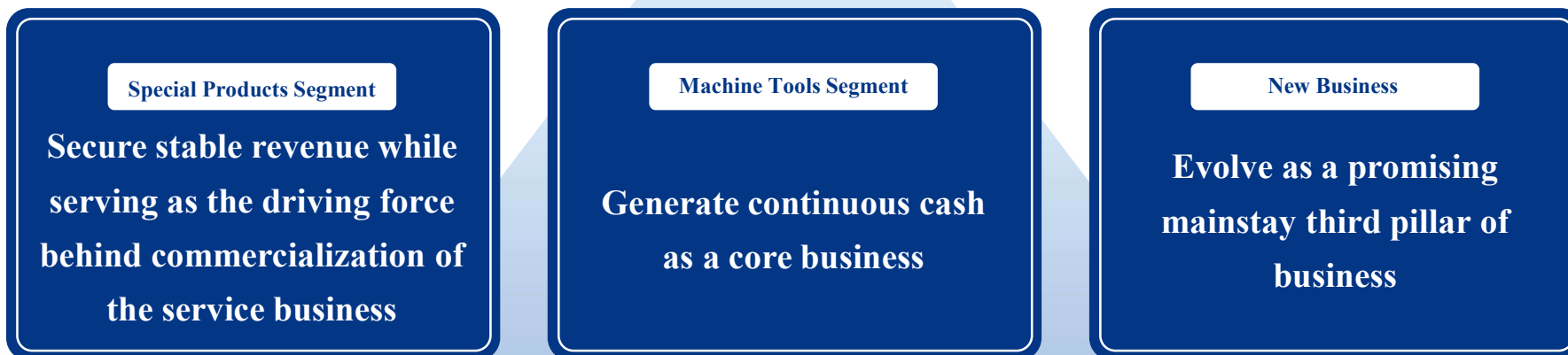
CNC Swiss Type Automatic Lathe
SD-26 type S



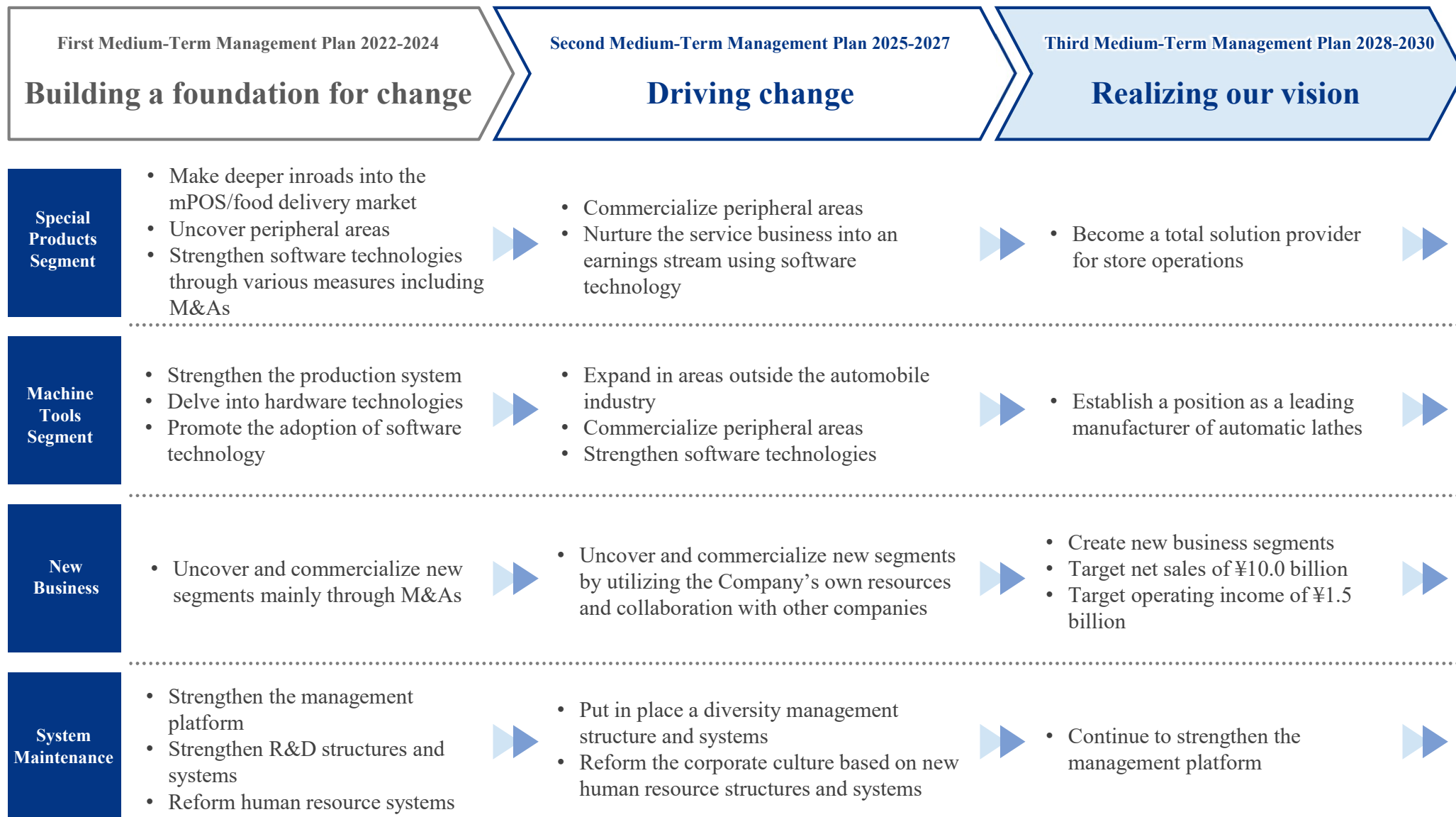
CNC Swiss Type Automatic Lathe
SL-10

Report on Progress under
First Medium-Term Management Plan
“Building a Foundation for Change”

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



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

	First Medium-Term Management Plan 2022-2024 Building a foundation for change	FY12/2023 Progress	FY12/2024 Plans
Special Products Segment	<ul style="list-style-type: none"> • Make deeper inroads into the mPOS/FD market • Uncover peripheral areas • Strengthen software technologies through various measures including M&As 	<ul style="list-style-type: none"> • Launch of label printer • Considered New product ideas • Strengthen SW development capabilities • Preparation of cloud environment 	<ul style="list-style-type: none"> • Launch of label printer • Promotion of Planning and Development of New product idea • Construction and promotion of Cloud-revenue model
Machine Tools Segment	<ul style="list-style-type: none"> • Strengthen the production system • Delve into hardware technologies • Promote the adoption of software technology • Development of Indian market 	<ul style="list-style-type: none"> • Completed work to expand production capacity at the Thailand factory • Concept determination of renovation of domestic factories • Promoted the development of HW・SW technology • Planning of sales strategy at India 	<ul style="list-style-type: none"> • Start of construction of domestic factory • Promotion of the development of HW・SW technology • Establish the sales base at India
New Business	<ul style="list-style-type: none"> • Uncover and commercialize new segments mainly through M&As 	<ul style="list-style-type: none"> • Promoted activities at each Business Domain Logistics DX :considering idea of service Production DX: Promotion of the development pf mechanical technology and processing estimation support software Store DX: Expansion of service from SST business 	<ul style="list-style-type: none"> • Maintain of activities at each Business Domain Logistics DX :POC of idea of service Production DX: Promotion of development of additional function Store DX: Expansion and new development of service from SST
System Maintenance	<ul style="list-style-type: none"> • Strengthen the management platform • Strengthen R&D structures and systems • Reform human resource systems 	<ul style="list-style-type: none"> • Strengthen business management systems • Formulated Development Headquarters plans • Put in place a new human resource structure and systems 	<ul style="list-style-type: none"> • Strengthen business management systems • Put in place a new human resource structure and systems

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

KPI	Target (Next three-year cumulative/average)	FY12/2022 Actual	FY12/2023 Actual	FY12/2024 Forecast
Operating cash flow (cumulative)	¥20.0 billion – ¥25.0 billion	¥7.5 billion	¥7.1 billion	¥7.0 billion (cumulative ¥21.6 billion)
Operating income per employee (consolidated)	¥6.00 million	¥8.37 million	¥6.19 million	¥4.11 million (average 6.22 million)
ROE	10.0% or more	15.4%	10.7%	6.4% (average 10.8%)
Ratio of R&D expenses to net sales	5.0%	2.3%	2.4%	3.0% (average 2.5%)
Education and training outlays per employee (non-consolidated)	¥100 thousand	¥89 thousand	¥70 thousand	¥143 thousand (average ¥101 thousand)

■ First Medium-Term Management Plan 2022-2024 KPIs

	Target (Next three-year average)	FY12/2022 Actual	FY12/2023 Actual	FY12/2024 Forecast
ROA	20.0%	26.4%	13.0%	9.7% (average 16.4%)
Operating income ratio	18.0%	20.9%	12.1%	8.8% (average 13.9%)



Cash Drawer and Receipt Printer mPOP



Contactless IC card Reader PitTouch Pro3 series



POS Printer TSP100IV series



Label Printer mC-Label series



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

FY12/2023 Progress

1. Expanding the lineup of label printers and peripheral equipment and planning of new products
2. Stable operation of Star Micronics Cloud Service (SMCS) and reinforce development capabilities
3. Consideration of the optimization of production and logistics through reorganization of EMS partners

FY12/2024 Plans

1. Sales promotion of new products and further progress of planning, development for demonstration experiment
2. Promote the sales model building by Star Micronics Cloud Service (SMCS)
3. Promotion of the optimization of production and logistics through reorganization of EMS partners

■ First Medium-Term Management Plan

2022-2024 KPIs

	Target (Next three-year average)	FY12/2022 Actual	FY12/2023 Actual	FY12/2024 Forecast
ROA	15.0%	19.6%	15.4%	12.0% (average 15.7%)
Operating income ratio	15.0%	17.6%	16.7%	15.2% (average 16.5%)



CNC Swiss Type Automatic Lathe SD-26 type S



CNC Swiss Type Automatic Lathe SP-20



CNC Swiss Type Automatic Lathe SL-10

Principal Initiatives

- Globally expand the Company's Solution Center
Establish solution centers in Europe and Asia, building a user support system in collaboration with Japan
- Enhance the development of mechanical technology and before/after-sales service support software
- Expand production capacity through three manufacturing bases
 - Undertake a large-scale renovation of domestic factories
 - Increase floor area at the Company's Dalian factory
 - Upgrade and expand facilities and equipment at the Company's factory in Thailand
- Sales promotion at Indian market

FY12/2023 Progress

- Started operations at the Asia Solution Center
Design of Europe Solution Center completed
- Promoted the development of mechanical technology (like medical application etc.) and processing estimation support software; commenced to provide digital content creation
- Expand production capacity through three manufacturing bases
 - A large-scale renovation of domestic factories (Completed the concept, started demolition work of existing factory)
 - Upgraded and expanded facilities and equipment at the Company's factory in Thailand (essentially in line with plans)
- Planning of Indian sales strategy

FY12/2024 Plans

- Commence construction of Europe Solution Center
Cooperation of between both solution centers at domestic and Asia (Expansion of before / after service)
- Commence of operation of mechanical technology and processing estimation support software, promotion of new mechanical technology development, to provide digital content.
- Expand production capacity through three manufacturing bases
 - Commence construction of core factory (Kikugawa South Factory)
 - Planning Makinohara Factory (machine assembly)
- Establishment of Indian sales subsidiary

(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

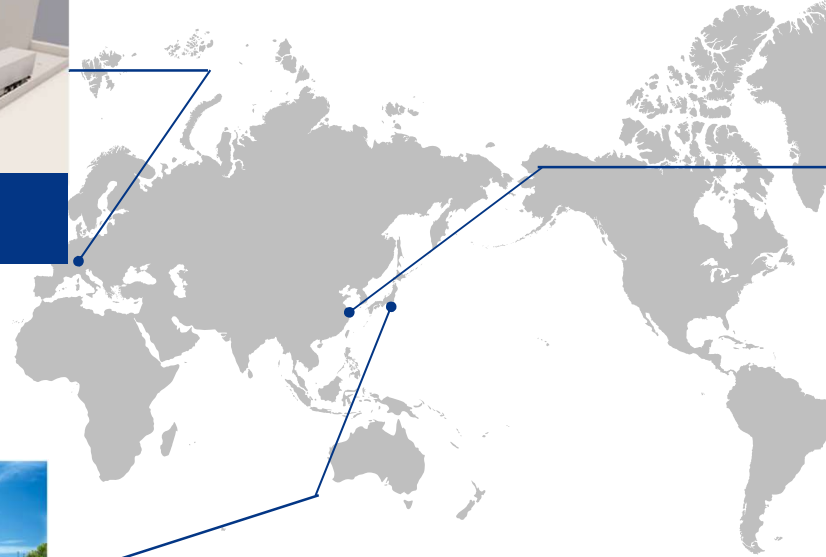


Scheduled to open in May 2024
*Image is for illustrative purposes only

- European Solution Center
Zurich, Switzerland / Star Micronics AG
Progress: Design completed



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



- Asian Solution Center
Shanghai, China / Shanghai Xingang Machinery Co., Ltd.
Completed in September 2023

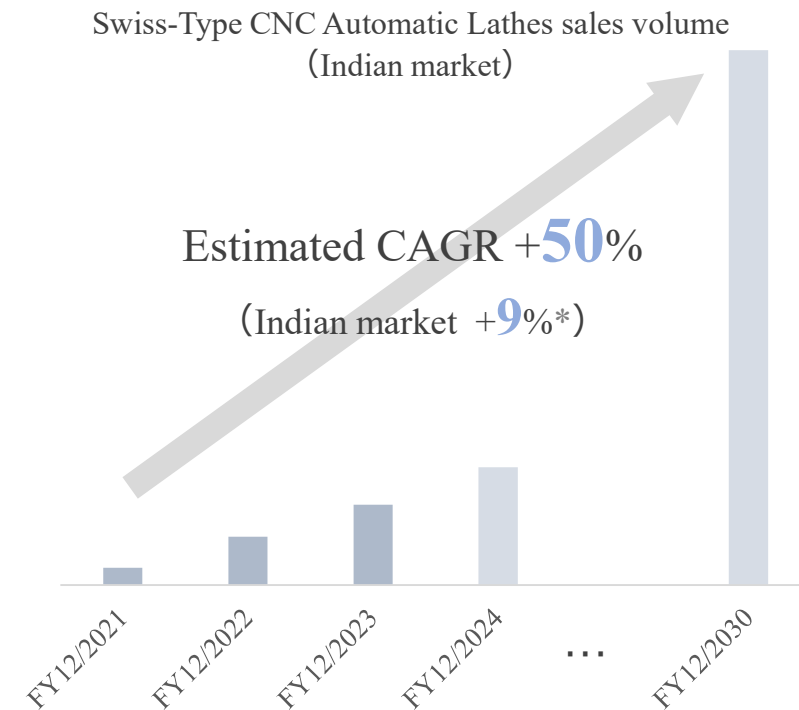
[Features of Solution Centers]

- 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: Development of Indian market

Establish sales subsidiary at Bengaluru, Karnataka, India

Reinforce sales by enhancing technical support system and development of sales distributors



<Points for developing the Indian market>

- The global machine tools market is projected to expand at an average annual rate of 4.1%* through to 2032. Against this backdrop, the Indian market is especially promising with expected to exceed this average at 9.4% by 2030.
* Source: The International Market Analysis Research and Consulting Group
- The Swiss type CNC automatic lathe market in India is in a phase of user expansion, with growth anticipated across various sectors, particularly in the medical-related fields
- Promoting the spread of Swiss type CNC automatic lathes by providing technical support for sales agents and operator training
- Establish an optimal sales and service network to cover the vast Indian market.

(2) Machine Tools Segment: Advancement of Large-Scale Renovation of Domestic Factories

Further accelerate building production system to become “**leading manufacturer of automatic lathe**” with maintaining original concept of renovation of domestic factories

Create new value and inherit technologies

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



2022 >>> 2030

Phase1 : Kikugawa South Factory (tentative)

Investment purpose: Enhance production capacity of core parts
Total project cost: Approx. ¥10 billion
Start of operations: November, 2025

Phase2 : Makinohara Factory (tentative)

Investment purpose: Enhance production capacity (machine body assembly)
Total project cost: Approx. ¥50 billion
Start of operations: July, 2026

Phase3 : Kikugawa North Factory (tentative)

Investment purpose: Smart logistics (improve profitability and efficiency)
Total project cost: Under consideration
Start of operations: Under consideration (2029 target)

Cutting-edge factory that takes on the production of core parts for automatic lathes, pursuing efficiency and environmental performance through DX

Overview (plan)

※Essentially in line with plans

Name : Kikugawa South Factory (tentative)
Location : Kikugawa City, Shizuoka Prefecture
Total floor area : Approx. 13,700 sqm
Total project cost : Approx. ¥10 billion
Start of construction : July 2024 (planned)
Star of operations : November 2025 (planned)



<Investment purpose>

- Enhance production capacity of core parts
- Smart logistics (improve profitability and efficiency)
- Obtain ZEB certification by pursuing environmentally friendly design

The latest factory that takes on the production of the cutting-edge models and create high added value for the Star Micronics Group

Overview (plan)

Name : Makinohra Factory (tentative)
Location : Makinohara City, Shizuoka Prefecture
Total floor area : Approx. 9,100 sqm
Total project cost : Approx. ¥5 billion
Start of construction : May 2025 (planned)
Star of operations : July 2026 (planned)



<Investment purpose>

- Production base that takes on the production of high added value products and the cutting-edge models
- Enhance domestic production capacity (50 units/month => 100 units/month)
- Strengthen ability to respond to geopolitical risks
(Strengthening three manufacturing base system)

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

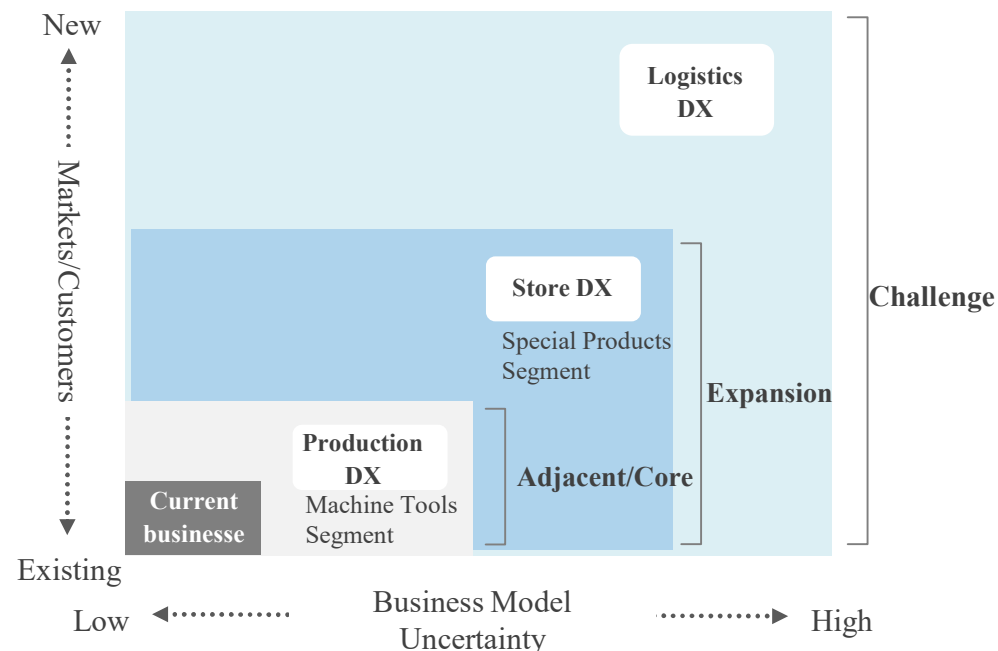
Principal Initiatives

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

Target

Considering the revenue model of new services and transitioning to the execution phase

■ Business Domain Matrix



■ New Business Domains

Business Domain	Value Provided/Business Process	FY12/2023 Progress
Logistics DX	Provide systems to streamline the processes of small and medium-sized warehousing and distribution operations	Proposed new service businesses and searching for the potential service partners.
Store DX	Provide hardware and software (systems) that streamline store operations	Inclusion of Smart Solution Technology, Inc. (SST) in the Company's scope of consolidation as a Wholly Owned Subsidiary, promotion of PMI and store DX service
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



- Inclusion of Smart Solution Technology, Inc. (SST) in the Company's scope of consolidation as a **Wholly Owned Subsidiary**

- SST has **excellent technological development capabilities** in a wide range of fields, including software, systems, and mobile applications

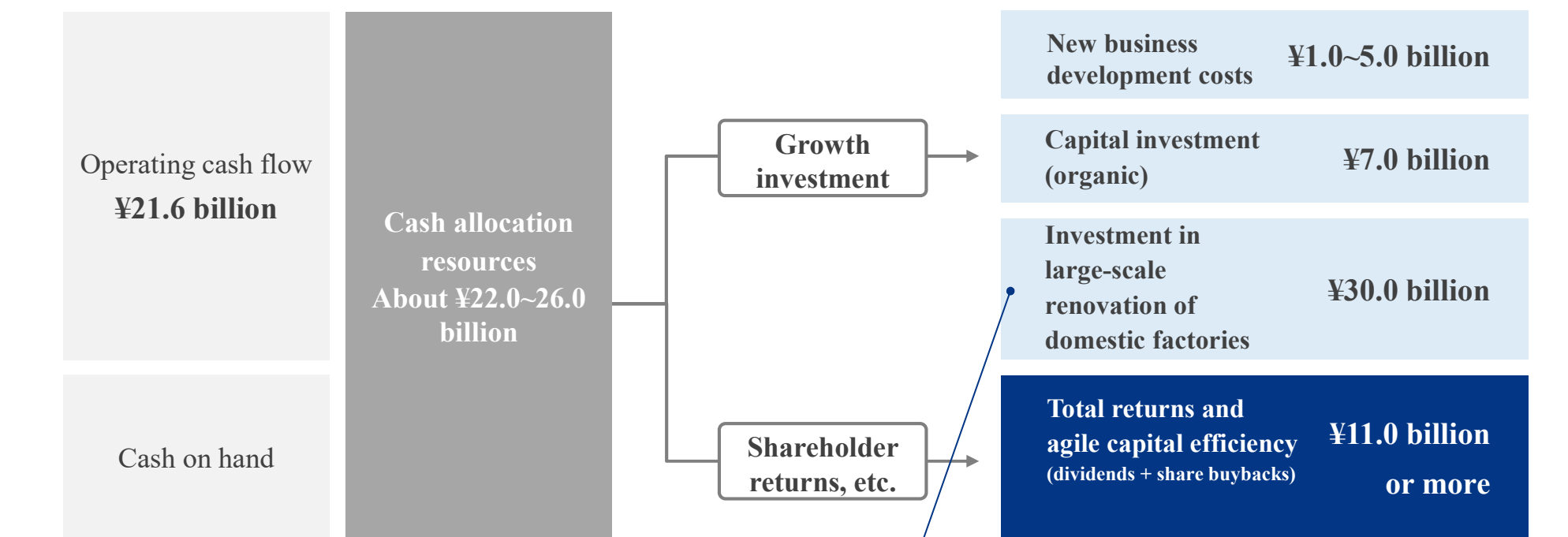
- Accelerating the **creation of new businesses** in each DX business domain, and building a **new business segment** that will become the third pillar

Expected synergy (Current assumption)

	Purpose	Action	Impact on business result
Short-term	Exploring new sales channels for special product segment's products and SST's products.	<ul style="list-style-type: none"> • Understanding products and services • Aiming for cross-selling • Sharing product development technology and know-how 	<ul style="list-style-type: none"> • Acquisition of new customers (existing business)
Mid-term	<ul style="list-style-type: none"> ▪ Continuing to promote collaboration with the special product segment ▪ Accelerating efforts in the software and service sectors. 	<ul style="list-style-type: none"> • Strengthening R&D capabilities • Planning and development of new products and software/services in each DX business domain. 	<ul style="list-style-type: none"> • Expanding new customers • Improvement of profitability through stock business
Long-term	<ul style="list-style-type: none"> • Building a new business segment 	<ul style="list-style-type: none"> • Creating new businesses which utilize technical development capabilities and core technologies, • Discovering products and services solving customers' problems. 	<ul style="list-style-type: none"> • Sublimation into a business that will become a promising third pillar

Drawing on operating cash flow and cash on hand over the three years of the Medium-Term Management Plan, allocate ¥11.0 billion to growth investment and ¥11.0 billion or more to shareholder returns, etc.

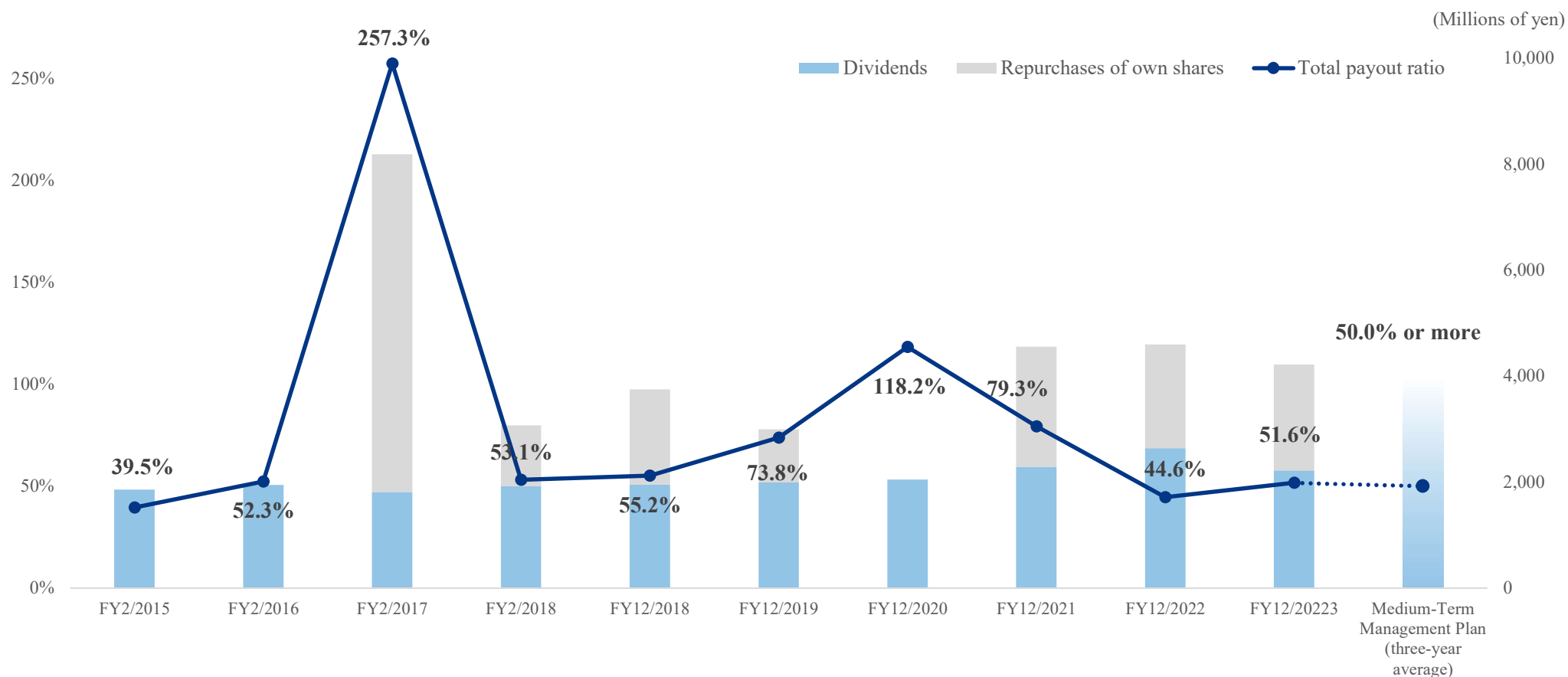
■ **Fund Allocation Plan (FY12/2022–FY12/2024)**



Considering the use of sustainable finance as a resource for large-scale renovation of domestic factories

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

*Please refer to page 4 of the attachment "Notice on Action to Implement Management That is Conscious of Cost of Capital and Stock Price" announced on February 9, 2024.



DPS (yen)	¥44	¥46	¥48	¥52	¥54	¥56	¥58	¥58	¥70	¥60	¥60 or more
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*Included a special dividend in FY12/2022

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	FY12/2023 Progress	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 	<ul style="list-style-type: none"> • Building an emission data management system • Declared our endorsement of the TCFD and implemented disclosure. 	
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 	<ul style="list-style-type: none"> • Completion of detailed design of new personnel system • Expansion of education and training programs 	
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 	<ul style="list-style-type: none"> • Disclosed details of a skills matrix for directors • Strengthened the diversity of the Board of Directors (comprised of a majority of external directors, including female directors) • Continuing to enhance transparency through the Nomination and Compensation Committee 	

Addressing Climate Change

Progress of environmental materiality

1 Responding to climate change by reducing CO2 emission

Target	Progress
<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Promotion of disclosure based on TCFD framework 	<ul style="list-style-type: none"> Built an intra-group emissions data management system including all consolidated subsidiaries and start operating from FY12/2024 Declared our endorsement of the TCFD and implemented disclosure following its suggestion

2 Creation of environmentally friendly products

Target	Progress
<ul style="list-style-type: none"> Creation of new businesses and products using unique technology 	<ul style="list-style-type: none"> Special product segment: Released TSP100IV SK, a linerless sticky label Printer Machine Tools segment: Developed ECO mode function to reduce power consumption



Use cases of TSP100IV SK



SD-26 equipped with ECO mode function

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

1 Constructing new human resource systems

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

2 Enhancing diversity

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

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

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

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Continuing to secure diversity, including gender aspects, by appointing female directors 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	<ul style="list-style-type: none"> Working to maintain a composition of the Board of Directors with a majority of independent outside directors on conclusion of the 98th 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	<ul style="list-style-type: none"> Held a total of four committee meetings during the FY12/2023 and continue to strengthen the transparency and fairness in the decision-making process for the nomination and remuneration 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.)	<ul style="list-style-type: none"> Launched a project to develop 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	<ul style="list-style-type: none"> Continue to promote the ongoing timely and simultaneous disclosure of materials in English and Japanese