

May 22, 2014

## **Notice Regarding Issuance of Stock Compensation-type Stock Options to Directors**

---

Star Micronics Co., Ltd. (“the Company”) has announced that, at a meeting of the Board of Directors held today, the Company resolved to issue stock acquisition rights (SARs) as stock compensation-type stock options to the Company’s Directors (excluding Outside Directors) in accordance with the provisions in Articles 236, 238 and 240 of the Companies Act of Japan. Details are as follows.

### **1. Reason for Issuing SARs as Stock Compensation-type Stock Options**

The reason for issuing SARs to the Company’s Directors (excluding Outside Directors) is to further increase their resolve and enthusiasm for improving business results and corporate value over the long term. This will be accomplished by aligning the interests of Directors and shareholders by having the Directors share the benefits of an increase in the stock price as well as the risk of a decrease in the stock price.

### **2. Details of the SARs Issuance**

(1) Name of the SARs

Star Micronics Co., Ltd. Series 1 Stock Compensation-type Stock Acquisition Rights

(2) Persons receiving allocation of SARs, total SARs for allotment, and the total number of recipients

The Company’s Directors (excluding Outside Directors): 231 SARs allotted to five Directors

The total above is the number SARs scheduled for allotment. In the event the total number of SARs for allotment declines, due for instance to failure to apply for acceptance, the actual total of SARs allotted as a result shall be the total number of SARs issued.

(3) Class and number of shares underlying the SARs

The class of shares underlying the SARs shall be the Company’s common stock. The number of shares underlying each SAR (hereinafter, “the Number of Shares To Be Granted”) shall be 100 shares. And the number of the Company’s common stock issued or transferred upon exercise of all the SARs discussed herein shall be 23,100 shares.

In the event that the Company conducts a stock split or stock consolidation after the day on which the SARs are allotted (“the Allotment Date”) the Company shall adjust the Number of Shares To Be Granted according to the formula below. This adjustment, however, shall only be conducted for the number of shares subject to the SARs that have not been exercised at that time. Any fraction under one (1) share resulting from such adjustment shall be rounded down.

$$\begin{array}{l} \text{Number of shares to be granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares to be granted} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Stock split or stock consolidation} \\ \text{ratio} \end{array}$$

In other cases that require the adjustment of the number of shares, the Company shall be able to adjust the number of shares within a scope deemed rational under the circumstances.

(4) Amount to be paid-in upon exercise of SARs

The amount to be paid in per SAR shall be determined based on the fair value of the SARs computed using impartial calculation methods such as the Black-Scholes model upon the allocation date of the SARs.

The persons who have received an allocation of SARs (“SARs Holders”) shall offset the amount to be paid-in with monetary compensation receivable from the Company, in lieu of payment.

(5) Total amount to be invested upon exercise of SARs

The total amount to be invested upon exercise of SARs shall be the amount to be paid-in per share, for each share that can be granted due to the exercise of SARs (“the Exercise Price”), which shall be 1 yen, multiplied by the number of shares granted.

(6) Exercise period for the SARs

The exercise period for the SARs shall be from June 9, 2014 to June 8, 2044.

However, the final date of the exercise period shall be the previous business day in the event the final date as set forth above falls on a day the Company is closed for business.

(7) Conditions for exercising the SARs

- a) SARs Holders who have lost their position as a Director of the Company during the exercise period may exercise their SARs in a lump-sum within 10 days from the day after the day they lose their position (if the 10th day falls on a Company holiday, the following business day).
- b) In the event of the death of a SARs Holder, the SARs of the deceased holder may be inherited by one (1) of the deceased's legal inheritors. The inheritor of the SARs may exercise the inherited SARs in lump-sum during a six-month period commencing a day after the death of the holder, and falling within the exercise period of SARs herein, notwithstanding the conditions stipulated in (a) above. Further inheritance of such SARs will cease upon the death of the first inheritor of the SARs.
- c) Other conditions pertaining to the exercise of SARs shall be set forth in the SARs allocation contract to be concluded between the Company and the SARs Holder.

(8) Matters concerning increase in capital and capital reserve in case of issuance of shares through exercise of SARs

- a) When shares are issued through the exercise of SARs, the amount of capital increase shall be one-half of the maximum limit for increases in capital, etc., calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules. Fractions of less than 1 yen shall be rounded up in calculations.
- b) When shares are issued through the exercise of SARs, the amount of capital reserve to be added shall be determined by subtracting the amount of capital increase as stipulated in (a) above from the maximum limit for increases in capital, etc., indicated in (a) above.

(9) Conditions for acquiring the SARs

- a) In the event the conditions for exercising the SARs stipulated in (7) above no longer apply to a SARs Holder, the Company is entitled to acquire the said SARs for the said SARs Holder at no consideration.
- b) In the event the Company's General Meeting of Shareholders approves a resolution for a merger agreement in which the Company ceases to exist, resolution for a merger agreement or plan in which the Company is spun-off, or a resolution for a stock swap agreement or stock transfer plan in which the Company becomes a wholly-owned subsidiary, the Company is entitled to acquire all existing SARs at no consideration on a date to be determined by its Board of Directors.

(10) Limits on acquisition of SARs via assignment

Approval of the Board of Directors of the Company shall be required for the acquisition of SARs via assignment.

(11) Treatment of the SARs in the event of Reorganization

If the Company is subject to a merger (limited to a case where the Company ceases to exist after the merger), merger by absorption and spin-off, demerger, stock swap or stock transfer (hereinafter "Reorganization"), it shall, pursuant to the provisions below, deliver new SARs covering shares in the Reorganized Company as indicated in Article 236, Paragraph 1, Items 8a through e of the Companies Act for the respective cases (hereinafter "Reorganized Company"), to the Grantee of the Company's existing SARs prior to the date the Reorganization becomes effective. In this case, the existing SARs will cease to exist and the Reorganized Company will issue new SARs. However, this shall be limited to the case whereby the delivery of new SARs for the Reorganized Company is stipulated in the merger by absorption, merger by new incorporation and merger by absorption and spin-off agreements, demerger plans, stock swap agreements or stock transfer plans in accordance with the conditions below.

- a) Number of new SARs of the Reorganized Company to be delivered

The same number as the number of existing SARs that remain in the hands of the SARs Holders shall be delivered.

- b) Class of shares of the Reorganized Company underlying the new SARs  
The class of shares underlying the new SARs shall be the Reorganized Company's common stock.
  - c) Number of shares of the Reorganized Company underlying the new SARs  
To be determined in accordance with (3) above upon consideration of such factors as the conditions of the Reorganization.
  - d) Total amount to be invested upon exercise of new SARs  
The total amount to be invested upon exercise of the new SARs allotted shall be the amount to be paid-in per share, for each share of the Reorganized Company that can be granted due to the exercise of new SARs ("the Exercise Price"), as stipulated in (c) above, which shall be 1 yen, multiplied by the number of shares of the Reorganized Company granted.
  - e) Exercise period for the new SARs  
The exercise period for the new SARs shall be from the effective date of the Reorganization or, if it falls on a later date, the starting date of the exercise period for the existing SARs, to the final date of the exercise period for the existing SARs.
  - f) Conditions for exercising the new SARs  
To be determined in accordance with (7) above.
  - g) Matters concerning increase in capital and capital reserve in case of issuance of shares through exercise of the new SARs  
To be determined in accordance with (8) above.
  - h) Limits on acquisition of the new SARs via assignment  
The acquisition of the new SARs by assignment shall require the approval of the Board of Directors of the Reorganized Company.
  - i) Other stipulations concerning acquisition of the new SARs  
To be determined in accordance with (9) above.
- (12) Allocation date of the SARs  
June 9, 2014
- (13) Treatment of fractions arising from the allocation  
Any fraction under one (1) share involved in shares allocated upon exercise of SARs by a SARs Holder shall be rounded down.
- (14) Issuance of SARs certificate  
The Company will not issue SARs certificates for the SARs herein.