

Corporate Governance

At Star Micronics, our basic approach to corporate governance is based on fulfilling our social responsibilities as a company. To this end, we strive for management that is both transparent and efficient at sustainably raising corporate value, while distributing an appropriate amount of the resulting profits to our shareholders and other stakeholders.

Star Micronics uses the corporate auditor system. Under this system, a Board comprised of six directors with in-depth knowledge of the Company is responsible for rigorously discussing business issues and making appropriate and efficient management decisions. Corporate auditors supervise the Board of Directors to safeguard proper conduct of the Board and ensure that the directors are executing their duties. To maintain a management organization that is capable of responding readily to changes in the business environment, the Company sets a 1-year renewable term of office for directors. 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.

With a view to enhancing the management oversight function, all three members of the Board of Corporate Auditors at Star Micronics, including the standing auditor, are outside appointees. These corporate auditors fulfill their duties in accordance with an auditing standard the Company set forth for the Board of Corporate Auditors.

Although there are no outside appointees to the Board of Directors of Star Micronics, the three outside corporate auditors are either experts in a profession such as finance, accounting or the law, or have extensive knowledge and experience managing the business execution of other companies. These outside corporate auditors provide the external perspective on the management oversight and advisory function to a

sound corporate governance system that other companies typically seek in outside board directors.

Compensation of Directors and Corporate Auditors

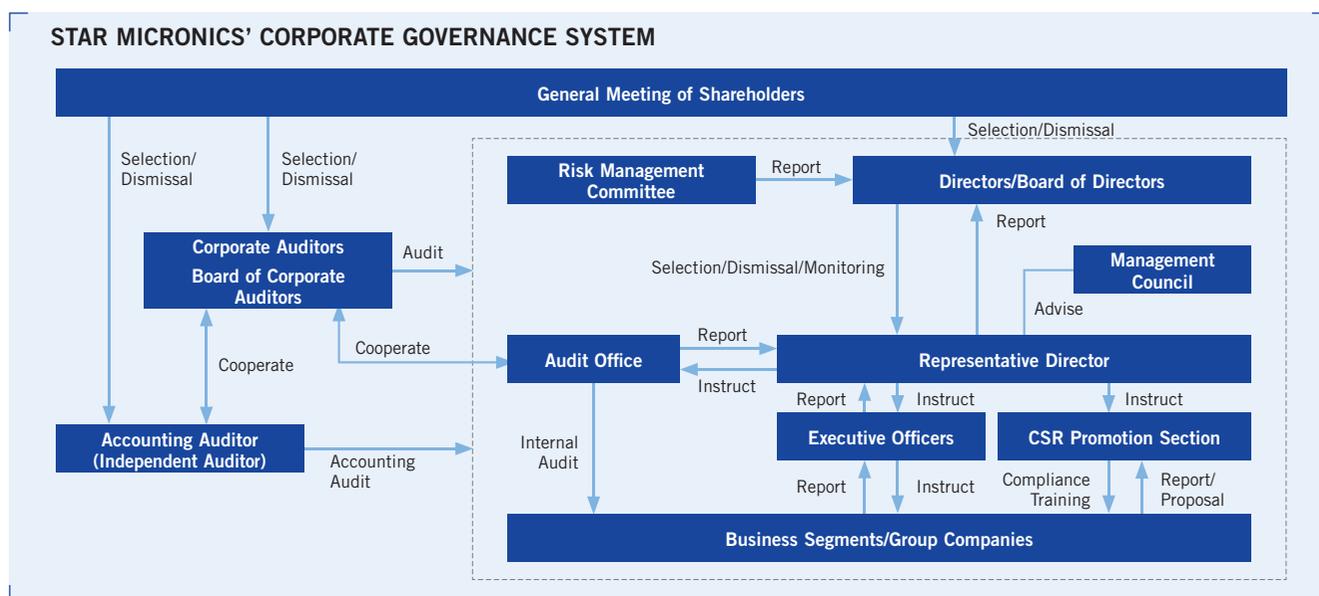
Members of the Board of Directors at Star Micronics are compensated in accordance with the Company's earnings performance. Their package consists of a basic compensation that is paid monthly and a yearly bonus that varies depending on how the Group performs on a consolidated basis. In view of the tasks that they are asked to perform, members of the Board of Corporate Auditors receive only the basic compensation that is paid monthly.

Members of the Board of Directors may also receive stock options commensurate with their rank within the Board, as an added incentive to improve the Company's business performance.

Basic compensation for directors is set within a range no higher than ¥130 million a year. Star Micronics decides how much of this amount each director receives based on their rank within the Board and the Company's business performance.

Basic compensation for corporate auditors is set within a range no higher than ¥22 million a year. Star Micronics holds discussions with each corporate auditor in deciding how much of this amount each will be paid.

The bonus Star Micronics pays directors is set within a range of no higher than ¥100 million a year. The bonus is allotted to the Board of Directors in a lump sum, which is calculated by multiplying the Company's consolidated net income by a payout ratio that the Company decides each year. A system that assigns points in accordance with rank within the Board determines the amount each director receives of this bonus allotment.



Breakdown of Total Compensation, etc., by Director Rank (as Disclosed in the Securities Report)

Fiscal 2012 (March 1, 2011–February 29, 2012)

Director rank	Total compensation, etc. (¥ million)	Total compensation by category (¥ million)			Headcount of those eligible
		Basic compensation	Stock options	Bonus	
Director	187	107	8	72	8
Corporate auditors (excluding outside corporate auditors)	—	—	—	—	0
Outside corporate auditors	18	18	—	—	4

- Notes: 1. There are no outside appointees to the Board of Directors of Star Micronics. By contrast, the Company's Board of Corporate Auditors is comprised entirely of outside appointees.
 2. The headcount above includes one outside corporate auditor who had resigned following the Company's Ordinary General Shareholders' Meeting for the 86th Period, held on May 26, 2011. The basic compensation in the table above includes the ¥4 million Star Micronics paid as compensation for this corporate auditor during his tenure in the year ended February 28, 2011. As of February 29, 2012, the Company's Board of Corporate Auditors was comprised of three outside corporate auditors.
 3. Bonuses and stock options are in amounts Star Micronics expensed in the year ended February 29, 2012.
 4. The amounts disclosed above exclude ¥67 million (including bonuses) paid out as employee salaries to five directors of the Board who were concurrently serving in employee positions at Star Micronics.
 5. Star Micronics is scheduled to pay ¥103 million in total to five directors of the Board upon their retirement. These payments are for severance of a retirement benefit allowance for directors that was discontinued pursuant to a resolution of the Ordinary General Shareholders' Meeting for the 82nd Period held on May 24, 2007.
 6. Two of the directors above have resigned following the Ordinary General Shareholders' Meeting for the 87th period held on May 24, 2012.

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.

To strengthen internal control, a Star Micronics Global Charter of Corporate Conduct was issued in March 2005, setting out the Group's basic policies on compliance. Since then, a Star Micronics Code of Conduct was drawn up for employees to follow, and we have been working to establish rules and organizational structures to ensure compliance at every level of our activities. 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 in regard 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.

Risk Management

Star Micronics approaches the management of material risks such as legal issues, natural disasters, environmental considerations and export management in an organized and systematic manner. Departments and individuals are assigned as needed to manage a specific risk, and take responsibility for establishing rules and manuals, etc., for managing the risks. They also implement programs to alert, educate and prepare the Group's directors, executives and employees against the risks. There is also a committee which meets periodically to monitor and manage risks for the Company as a whole.

