ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

PRECISION SOLUTIONS THAT KEEP OUR WORLD MOVING



ABOUT THE COVER

From the COVID pandemic to today's supply chain crisis, Starrett is and has been, providing mission-critical support via precision tools, gages and metrology equipment that manufacturers use to make the products and solutions to meet the world's needs. ***"Today, Starrett is better positioned than ever to leverage its strengths, providing application-based solutions to industry across metrology and saw product portfolios that are critical to the global supply chain."***

Doug Starrett – President & CEO

Photos left to right:
Laser side wall deformity inspection for tires, Area flow gage for aircraft turbine section measurement, High precision granite structures for semi-conductor inspection.

Back cover image: "Starrett Force Measurement System validating syringe force"

PRECISION, QUALITY, INNOVATION

PRECISION HAND TOOLS

Generations of craftsmen and toolmakers have relied on Starrett precision tools. With proven quality and expert technical support, Starrett is the name chosen by serious professionals to guarantee repeatability and accuracy in their precision hand tools.

VISION AND OPTICAL

With the unbeatable combination of precision mechanics, powerful and intuitive software, Starrett Vision and Optical Systems take video-based and multi-sensor measuring systems to the next level.

BAND SAW BLADES

A range of innovative new technologies and blades with measurable productivity advantages push the Starrett brand to the forefront of application-based solutions across multiple industries.

JOBSITE AND WORKSHOP

Starrett has a diverse selection of tapes, levels, protractors, utility knives, hand saw blades and other construction products. Starrett makes its mark in the jobsite and workshop trades.

POWER TOOL ACCESSORIES

With tools such as diamond edge hole saws, Dual-Cut® jig saw blades and a variety of reciprocating blades, Starrett has become a global leader in power tool industries.

GAGE BLOCKS AND GRANITE SURFACE PLATES

A complete range of Steel, Ceramic and Chromium Carbide gage blocks are available along with a variety of granite surface plates designed specifically for quality control labs globally.

TEST EQUIPMENT

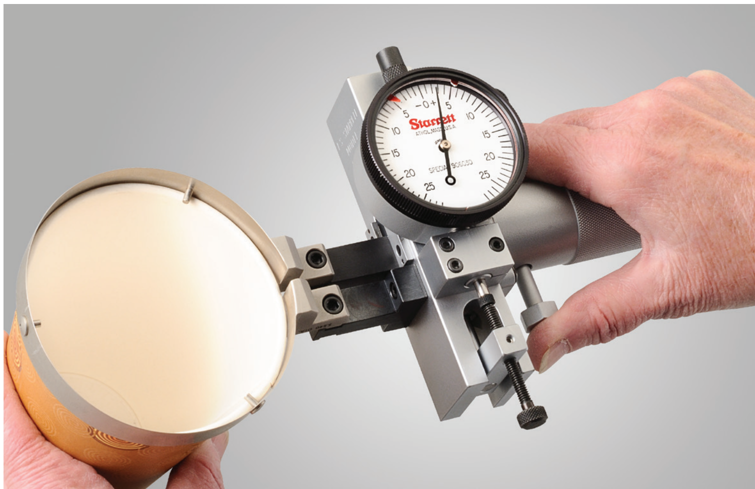
Material testing and force measurement systems are available in capacities up to 50kN (11,200lbf). These systems are used in the lab or on the production floor.

LASER MEASUREMENT

An in-line, real-time, non-contact measurement system for continuously monitoring key profile dimensions in complex shapes such as rubber, ceramic, plastic, and wood-plastic composite extrusions, roll-formed metal profiles and profiled wire.

CUSTOM SOLUTIONS

Our Engineers will create a custom tool to fit your specifications.



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PRESIDENT'S LETTER

TO STARRETT STOCKHOLDERS AND ALL STARRETT PERSONNEL:

Fiscal 2022 closed with a scorching fourth quarter that put the finishing touches on a strong financial year that delivered four consecutive quarters of year over year sales growth and a 30% increase in operating profit.

As I look back at my comments in last year's annual report, events unfolded as expected. Demand for the Starrett brand was strong despite the anticipated supply chain, workforce, and inflationary headwinds. Our global teams met these challenges, executing our plan with resolve and ingenuity, generating improved operating performance during the year. Starrett Tru-Stone and our Brazilian operations again had outstanding years, leading the charge with strong increases in sales and operating income. Tru-Stone's semi-conductor customers recognize the value that our team brings to the table: unmatched precision capabilities and commitment to operational excellence. In Brazil, we continue to benefit from creating a world class saw business of scale, with Starrett increasing its brand leadership in our saw markets and growing market share. As a result, the Company delivered double-digit sales and operating income growth. However, this did come with a cost as we consumed cash to increase inventory to meet demand and take market share.

Today, we are better positioned than ever to leverage our strengths. We are in the business of providing application-based solutions to industry across our metrology and saw product portfolios. Starrett is critical to the global supply chain. Our high precision granite business improves yield in chip production vital to the semi-conductor industry as it strives to increase capacity. Our laser hardware and software solutions for the tire industry keep supplies and you and I rolling on the highways. Our vision, optical, custom gaging, and precision measuring tools answer a breadth of manufacturing challenges across aerospace, automotive, medical, maintenance and repair facilities. We help keep food on the table for customers with our meat, fish, and poultry cutting solutions and provide application specific saw blades for metal, wood, and composites separation vital to manufacturing processes across multiple industries. Our products keep America and the world moving.

FINANCIAL RESULTS

Fiscal year 2022 sales were $253.7 million, up over 15% compared to $219.6 million last year. Most areas of the business continued to exceed pre-pandemic order intake levels throughout the fiscal year, and as of June 30, 2022, backlog remained at historical high levels. Currency neutral net sales were $251.7 million, representing an increase of 14.6% compared to the prior year.

With the significant increase in sales and wage inflation, selling, general and administrative expenses increased $5.9 million, from $56.3 million in fiscal 2021 to $62.2 million in fiscal 2022. As a percentage of net sales, they declined from 25.6% in fiscal 2021 to 24.5% in fiscal 2022. In addition, the Company recorded $0.4 million of restructuring charges, as we continued our efforts to improve operating leverage by completing a project to reduce selling and distribution cost in Asia by closing distribution operations in Singapore and Japan.

Operating income in fiscal 2022 was $22.0 million, an increase of $5.0 million excluding adjustments related to restructuring in both years and the gain on the sale of a building in fiscal 2021, representing an increase of 30%.

Income before tax was $21.4 million, an increase of $4.0 million or 23.5%. Net income was $14.8 million, a decline compared to $15.5 million in fiscal 2021. FY2022 EPS was $2.00 compared to $2.11 for fiscal 2021. Adjusting net income for FY2021 one-time charges or credits including restructuring, gain on the sale of a facility, and a one-time tax credit, our non-GAAP adjusted EPS is $2.06 compared to fiscal 2021 of $1.82, representing an improvement of $0.24 or 13.2%.

PENSION

Over the last two fiscal years, our pension liability has declined by $37.7 million, from $62.4 million to $24.7 million. This significant decline was driven by three factors: the Pension Plan Relief Act in 2021, the Company's annuity purchases last year in June, and this year from an increase in the discount rate which lowered our pension liability. We will continue to evaluate other pension de-risking alternatives while still continuing to meet our pension obligations.

FINANCIAL CONDITION

Our financial condition remains healthy, with a current ratio of 3.2 and a net working capital of $75.2 million. In addition to normal earnings retained in the business, fluctuations in foreign currency and pension can have a significant effect on our book value per share. Book value per share increased to $14.18 at the end of fiscal 2022, compared to $11.82 last year, which was negatively affected by pension expense, restructuring charges, and foreign exchange loss. The Company's cash increased $5.4 million to $14.5 million, and total debt less cash increased by $4.6 million primarily due to increases in working capital and additional investments during fiscal 2022.

INVESTMENTS

In fiscal 2022, capital expenditures for plant and equipment were $7.9 million, an increase of $3.3 million from $4.6 million in fiscal 2021. Software development costs were $1.0 million in fiscal 2022, compared to $1.1 million last year.

EMPLOYEE STOCKHOLDERS

During fiscal 2022, options for 43,658 shares were exercised by employees through the Employee Stock Purchase Plan (ESPP). As of June 30, 2022, employees of the Company hold options under the ESPP for 70,050 shares that can be exercised over the next two years. Our experience over the years has been that employee stock ownership contributes to the success of the Company, which is good for all stockholders and employees. A new five-year ESPP plan will be voted on by shareholders at this year's Annual Meeting.

LEADERSHIP

On January 25 2022, we tragically lost Russ Carreker, a valued member of our Board of Directors. Russ was one of the founding partners and CEO of Bytewise, the laser measurement business that we acquired in 2011. He was an entrepreneur at heart, a strategic thinker, and a sound businessman. Each of the directors and his teammates at Starrett lost a friend and a sincere, thoughtful mentor. I want to acknowledge Russ's positive impact and service above self for the communities and organizations with whom he worked; he will be greatly missed.

THE ECONOMY AND POLITICS

Inflation has been the story over the past several months, the cause of which is many and varied. Gas prices in the U.S. have been the whipping boy; but the fact of the matter is, inflation was here well before the end of calendar 2021. Globally, the general costs of goods, materials, energy and wages were rising exponentially as a result of the supply chain constraints and labor shortages. Geo-political events – the war in Ukraine and poor political and central bank policy – have exacerbated the situation. Everyone has an opinion, but as it pertains to the U.S., I am hanging my hat on two factors: low interest rates and government spending at the federal level over the past two decades. This combination of easy money and low interest rates ignited inflation, with supply chain and labor shortages fanning the flames. The Federal Reserve was too slow to act, but raising interest rates is long overdue and the right thing to combat inflation.

Then, along came the "Inflation Reduction Act," an oxymoron if there ever was one. Increasing government spending, coupled with insufficient supply, drives inflation as we have witnessed in the past few years. Since the supply chain has not been magically fixed, increased government spending to the tune of $740 billion will not reduce inflation. This is analogous to having your house on fire: The Federal Reserve is out front of the home with the firetrucks trying to quell the flames while Congress is out back pouring gasoline on the same fire. This act will do nothing to help the manufacturing community. According to the National Association of Manufacturers (NAM), "Along with tax increases, the reconciliation bill includes policy proposals that will harm our ability to compete. This bill will hurt manufacturers and our ability to create jobs and grow the economy. It won't do anything to fight inflation, and it will slow the innovation of new medications and treatments. In short, it's bad news for America and our global competitiveness," said NAM President and CEO Jay Timmons.

FUTURE OUTLOOK

Notwithstanding the above, I remain optimistic on next year and bullish on our Company's future. In the long term, the basis for this enthusiasm is the commitment from the global manufacturing sector in investing in American manufacturing. Manufacturing is the most additive sector of the economy and I am thrilled to see chipmakers and EV battery manufacturers planning to build multi-billion-dollar fabs and factories. Credit to President Biden and bi-partisan congressional support for passing the Chip and Science Act. As these plants come on line and scale up, it will be a tremendous boost to the economy. The benefit from this Act will accrue to all those who are being affected by the chip shortages. These new factories, first and second tier manufacturing suppliers, are growth opportunities for our Company's measuring and cutting solutions. In addition, we are developing new products for in-process gaging and wireless measurement tools for data transmission to support the connected factories of the future.

In the new fiscal year, we have many global opportunities to grow sales revenues and operating profit but expect that we will continue to feel upward pressure on costs as it relates to supply chain disruption and inflation. We expect to offset this with operational improvements and price adjustments. We have seen signs of incoming orders slowing globally, some of which are related to seasonal declines in the summer months, but much of it relates to the economy and customer uncertainty with a cloud of inflation hanging over our heads. However, the Company has a high backlog, which provides us with a cushion to weather a short-term decline in new orders. One area that needs significant improvement is cash flow. As mentioned above, we tied up significant amounts of cash building inventory to support growth and gain market share. This year, our focus will be on reducing inventory, improving inventory turns, and generating sufficient cash flow to fund more investment in our businesses.

SHAREHOLDER VALUE

Our stock was recently caught up in the backwash of the market decline; however, our valuation does not reflect the performance we have delivered throughout the year. Our stock continues to be undervalued relative to book value and earnings per share multiples in the industrial sector.

CLOSING THOUGHTS

For 142 years, we have exercised rigorous stewardship over our Company in the best interest of our stakeholders (employees, customers, shareholders and communities) to build a sustainable business that aligns with our environmental, social and governance responsibilities and historical track record.

Fiscal 2022 is a validation of the work of our global associates to build a foundation for future success. Credit their perseverance in the face of a pandemic that wouldn't go away quietly while learning to cope with supply chain bottlenecks, high customer demand, and workforce shortages. It was a job well done and our results show it. I look forward to working with all of you to create a bright and prosperous future for the benefit of all our stakeholders.

D.A. Starrett

President and CEO

August 25, 2022


ROUSHYATES
ENGINES
POWERED BY
MIN/MAX/TIR
SHIFT/SET
0.9985
ON/OFF
ZERO/ABS
PRESET
LIMITS
IN/mm
Starrett

FINANCIAL REPORT

FINANCIAL HIGHLIGHTS (IN THOUSANDS EXCEPT PER SHARE DATA)

Operations for the Years Ended in June		2022		2021
Net sales	$	253,701	$	219,644
Net earnings	$	14,878	$	15,533
Basic earnings per share	$	2.06	$	2.20
Diluted earnings per share	$	2.00	$	2.11

At Year End				
Net working capital	$	91,873	$	67,531
Stockholders' equity	$	102,429	$	83,535
Book value per share	$	14.04	$	11.75
Number of employees		1,493		1,436
Approximate number of stockholders		1,601		1,902
Common shares outstanding		7,292,608		7,108,812

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Statistics (in thousands except per share data)

Years Ended in June		2022		2021		2020		2019		2018
Net sales	$	253,701	$	219,644	$	201,451	$	228,022	$	216,328
Net earnings (loss)	$	14,878	$	15,533	$	(21,839)	$	6,079	$	(3,633)
Basic earnings (loss) per share	$	2.06	$	2.20	$	(3.14)	$	0.87	$	(0.52)
Diluted earnings (loss) per share	$	2.00	$	2.11	$	(3.14)	$	0.87	$	(0.52)
Long-term debt	$	24,905	$	6,010	$	26,341	$	17,541	$	17,307
Total assets	$	199,554	$	184,486	$	172,683	$	190,087	$	182,286
Dividends per share	$	0.00	$	0.00	$	0.00	$	0.00	$	0.20

QUARTERLY FINANCIAL DATA (UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE DATA)

Quarter Ended	Net Sales	Gross Profit	Earnings Before Income Taxes	Net Earnings	Earnings Per Share	Market Price High	Market Price Low
Sep-20	$ 49,411	$ 15,572	$ 1,834	$ 4,116	$ 0.59	3.56	2.95
Dec-20	54,054	17,605	5,775	3,857	0.54	4.34	2.55
Mar-21	54,944	18,149	4,513	3,017	0.42	7.25	4.21
Jun-21	61,235	22,016	5,304	4,543	0.65	9.90	5.96
	$ 219,644	$ 73,342	$ 17,426	$ 15,533	$ $2.20		
Sep-21	$ 61,514	$ 20,145	$ 4,359	$ 3,232	$ 0.45	$13.47	$7.21
Dec-21	61,318	18,950	3,539	2,528	0.35	13.15	8.86
Mar-22	60,479	21,020	6,058	4,284	0.59	10.44	7.08
Jun-22	70,390	24,131	7,563	4,834	0.67	8.12	6.40
	$ 253,701	$ 84,246	$ 21,519	$ 14,878	$ 2.06		

The Company’s Class A common stock is traded on the New York Stock Exchange – Symbol SCX


Starrett
0.625
IN/mm
ZERO
10K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(check one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission File No. 1-367

THE L.S. STARRETT COMPANY
(Exact name of registrant as specified in its charter)

Massachusetts **(State or other jurisdiction of incorporation or organization)**	**04-1866480** **(I.R.S. Employer Identification No.)**
121 Crescent Street, Athol, Massachusetts **(Address of principal executive offices)**	**01331** **(Zip Code)**

Registrant's telephone number, including area code 978-249-3551

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common - $1.00 Per Share Par Value	SCX	New York Stock Exchange
Class B Common - $1.00 Per Share Par Value	Not applicable	Not applicable

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer ☐ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The Registrant had 6,644,385 and 607,491 shares, respectively, of its $1.00 par value Class A and B common stock outstanding on December 31, 2021. On December 31, 2021, the last business day of the Registrant's second fiscal quarter, the aggregate market value of the common stock held by non-affiliates was approximately $58,101,545.

There were 6,691,653 and 600,628 shares, respectively, of the Registrant's $1.00 par value Class A and Class B common stock outstanding as of August 16, 2022.

The exhibit index is located on pages 65-67.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant intends to file a definitive Proxy Statement for the Company's 2022 Annual Meeting of Stockholders within 120 days of the end of the fiscal year ended June 30, 2022. Portions of such Proxy Statement are incorporated by reference in Part III.

THE L.S. STARRETT COMPANY

FORM 10-K

FOR THE YEAR ENDED JUNE 30, 2022

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All references in this Annual Report to “Starrett”, the “Company”, “we”, “our” and “us” mean The L.S. Starrett Company and its subsidiaries.

PART I

Item 1 - Business

General

Founded in 1880 by Laroy S. Starrett and incorporated in 1929, The L.S. Starrett Company (the "Company") is engaged in the business of manufacturing over 5,000 different products for industrial, professional and consumer markets. The Company has a long history of global manufacturing experience and currently operates three major global manufacturing plants. The global manufacturing plants consist of the one domestic location in Athol, Massachusetts (1880) and the international operations located in Itu, Brazil (1956), and Suzhou, China (1997). The Company consolidated Jedburgh; Scotland and Mt. Airy, NC saw manufacturing operations into Brazil in fiscal year 2021. This strategic restructuring continues to improve manufacturing utilization and creates a global scale saw business. All subsidiaries principally serve the global manufacturing industrial base with concentration in the metalworking, construction, machinery, equipment, aerospace and automotive markets. The Tru-Stone Technologies Division develops and supplies ultra-high precision granite components and assemblies into the semiconductor production and inspection markets and the most demanding laboratory and commercial applications.

The Company offers its broad array of measuring and cutting products to the market through multiple channels of distribution throughout the world. The Company's products include precision tools, electronic gages, gage blocks, optical, vision, laser measuring equipment, custom engineered granite solutions, tape measures, levels, chalk products, squares, band saw blades, hole saws, hacksaw blades, jig saw blades, reciprocating saw blades, M1® lubricant and precision ground flat stock. The Company primarily distributes its precision hand tools, saw and construction products through distributors or resellers both domestically and internationally. Starrett® is brand recognized around the world for precision, quality and innovation.

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 280, *Segment Reporting*, for the fiscal year ended June 30, 2022 (fiscal 2022), we determined that we have two reportable operating segments (North America and International). Refer to Note 17, *Financial Information by Segment & Geographical Area*, contained in the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K, for more information on our reportable segments.

Products

The Company's tools and instruments are sold throughout North America and in over 100 other countries. The largest consumer of these products is the manufacturing industry including metalworking, aerospace, medical, oil and gas, government and automotive. Other important consumers are marine and farm equipment shops, do-it-yourselfers and tradesmen such as builders, carpenters, plumbers and electricians.

For over 140 years, the Company has been a recognized leader in providing measurement and cutting solutions to industry. Measurement tools consist of precision instruments such as micrometers, vernier calipers, height gages, depth gages, electronic gages, dial indicators, steel rules, combination squares, custom, non-contact gaging such as vision, optical and laser measurement systems. The Company believes advanced, non-contact systems with easy-to use software will be attractive to industry to reduce measurement and inspection time and are ideal for quality assurance, inspection labs, manufacturing and research facilities. Skilled personnel, superior products, manufacturing expertise, innovation and unmatched service has earned the Company its reputation as the "Best in Class" provider of measuring application solutions for industry.

As one of the premier industrial brands, the Company continues to be focused on every touch point with its customers. To that end, the Company now offers modern, easy-to-use interfaces for distributors and end-users including interactive catalogs and several online applications.

The Company's saw and hand tool product lines enjoy strong global brand recognition and market share. These products encompass a breadth of uses. The Company introduced several new products in the recent past including a new line of hand tools for measuring, marking and layout that include tapes, levels, chalk lines and other products for the building trades. The Company also introduced new products to its hand tool portfolio to extend its reach into the construction and retail trades. The continued focus on high performance, production band saw applications has resulted in the development of two new ADVANZ carbide tipped products MC5 and MC7 ideal for cutting ferrous materials (MC7) and non-ferrous metals and castings (MC5). These actions are aimed at positioning the Company for global growth in wide band products for production applications.

Over the last few years, the Company has launched new products, such as abrasive cut-off wheels and butcher knives, in order to become more product diverse and to invest in new distribution channels and industries such as the food industry. The Company was able to move into this channel with, in addition to meat and fish cutting blades, a variety of products such as butter knives, skinner and slicer blades, bandsaw machines and related products. The Company has also invested in new channels taking its traditional products such as Bi-metal bandsaws and its Power Tool Accessories product lines into welding and e-Commerce channels.

Information about our Executive Officers

Name	Age	Held Present Office Since	Position
Douglas A. Starrett	70	2001	President & CEO and Director
John C. Tripp	60	2019	Chief Financial Officer and Treasurer
Emerson T. Leme	61	2019	VP & GM Industrial Products North America
Christian Arnsten	55	2019	VP & GM Industrial Products International
David T. Allen	54	2019	VP Starrett Metrology Systems

Douglas A. Starrett has been President of the Company since 1995 and became CEO in 2001. Prior to 2001, he was President of the Company. Mr. Starrett started his career with the Company in 1976 as an apprentice toolmaker and has been promoted to positions of increasing responsibility in engineering, operations and management.

John C. Tripp was appointed Chief Financial Officer of the Company, effective November 4, 2019. Prior to joining the Company, Mr. Tripp served as Chief Financial Officer of the IWIS Group, The Americas, since 2012, and prior to that, Divisional Chief Financial Officer of The Stanley Works – Healthcare Solutions, from 2008 to 2012. Mr. Tripp earned a BA in Economics at Harvard University and an MBA from Boston University.

Emerson T. Leme was appointed Vice President Industrial Products North America effective July 2019 and prior to that he was Head of Metrology Equipment since 2016. Emerson joined the Company in 2004 as the General Manager of Starrett China. Previously, Mr. Leme worked as manufacturing consultant in 2004, as Latin America Operations Director for Steelcase Co. from 2001 to 2003 and from 1984 to 2001 he held several progressively more responsible positions up to Manufacturing Manager at Toledo do Brazil, than a subsidiary of Mettler-Toledo. Mr. Leme holds a Bachelor's degree in mechanical engineering from FEI – Faculdade de Engenharia Industrial, São Bernando, Brazil and a MBA from Fundação Getulio Vargas, São Paulo, Brazil with an extension at The University of Chicago Graduate School of Business.

Christian Arntsen was appointed Vice President Industrial Products International effective July 2019 and prior to that was President of Starrett Brazil since July 2018. He has been working for the Company since 2000 in various International Sales and Marketing roles as Export Sales Manager Latin America and later as Marketing Director. Mr. Arntsen previously worked for Norton, Construction Products Division, a Saint Gobain Abrasives Company in Atlanta, GA, USA from 1996 to 2000 as a Latin American Export Sales Manager and Regional Sales Manager, South-East, NA. Mr. Arntsen earned a Bachelor's degree in Economics from Pontifícia Universidade Católica , São Paulo, Brazil and an MBA from Fundação Getulio Vargas, São Paulo, Brazil.

David T. Allen was appointed Vice President, Starrett Metrology Systems effective November 18, 2019. Prior to joining the Company, Mr. Allen led the Process Systems business for Mott Corporation from 2016-2019. From 2002-2015, he held a variety of general and commercial management roles in the US, China and Europe with the Danaher Corporation. Earlier in his career, Mr. Allen was a manager with the Boston Consulting Group and a US Army officer. Mr. Allen holds a BS in Economics and a BA in History from the University of Pennsylvania and an MBA from the Tuck School at Dartmouth. The positions listed above represent their principal occupations and employment.

The President and Chief Financial Officer hold office until the first meeting of the directors following the next annual meeting of stockholders and until their respective successors are chosen and qualified, and each other officer holds office until the first meeting of directors following the next annual meeting of stockholders, unless a shorter period shall have been specified by the terms of his election or appointment or, in each case, until he sooner dies, resigns, is removed or becomes disqualified. There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past ten years.

Human Capital

Founding Principle:

"I have believed that I could do not greater good than to help create a business that would give people employment and a chance to earn an honest living." - Laroy S. Starrett - Founder

History

It has been said that a business is but the lengthened shadow of a man. If this is so, surely there can be no finer tribute to our business than to say that Mr. Laroy S. Starrett was that man, the founder of our Company. Like many great leaders, Mr. Starrett came from the farm. His inventive genius was not to be denied, and he soon became the owner of a small machine shop. In 1868, he came to Athol and became a member of the Athol Machine Company in order to manufacture some of his own inventions. Misfortunes that would have halted a less courageous man befell Mr. Starrett. His wife died, leaving him with four small children; he was penniless and also handicapped by total deafness. However, he overcame all obstacles and, at his death in 1922, left behind him many enduring monuments to his genius as a manufacturer and philanthropist. It has always been, and will continue to be the aim of the Company to perpetuate his ideals and founding principal.

Stewardship

Since 1880, we have exercised rigorous stewardship over our Company in the best interest of our stakeholders: employees, customers, shareholders and communities. We have striven to build a sustainable business that aligns with our environmental, social and governance responsibilities, our historical track record, and to carry on the high standards set forth by our founder.

Board of Directors

Our Board of Directors, through the Compensation and Governance and Nominating Committees, has direct oversight of our human capital, our culture and policies related to human capital management.

Employees

A company is strongest when all of its employees work together harmoniously for a common purpose. Our rules of human engagement include but not limited to the following:

- We have common goals
- We hire, develop and retain skilled people
- We aim for clear, direct and respectful communication
- We respect diversity
- We are committed to providing a safe work environment for all personnel and visitors.
- We make and keep our commitments
- We are all stewards of the Starrett brand

- Our stakeholders are our focus

At June 30, 2022, the Company had 1,493 employees, split equally between North America and International operations. This represents a net increase from June 30, 2021 of 57 employees, consistent with the growth of our business. The headcount change included an increase of 16 in our North American operations and an increase of 41 internationally.

The L.S. Starrett Company prefers to deal directly with its employees regarding the terms and conditions of their employment. It has always been the Company's open-door policy to deal directly with our employees instead of through a third party, and the Company believes that sound leadership and concern for its employees is the best way of ensuring the propriety of the Company and the welfare of its employees. Since the Company's founding none of our domestic employees is or have been subject to a collective bargaining agreement or represented by a trade or labor union. Internationally, our personnel are represented by trade or labor unions in Brazil, Scotland and China. The Company considers relations with its employees to be excellent.

Domestic employees hold shares of Company stock resulting from various stock purchase plans and employee stock ownership plans. The Company believes that this dual role of owner-employee has strengthened employee morale over the years.

Culture and Code of Business Conduct and Ethics

Laroy S. Starrett founded this Company in 1880 on the principles of humanity, integrity and honesty. Throughout successive generations, we have strived to make Starrett one of the finest companies in the world. The pursuit of excellence and integrity includes having a well-defined Code of Business Conduct and Ethics which embodies the highest standards of ethics and integrity, and which should serve as a source of pride for all of us. Our Code of Business Conduct and Ethics has been developed by Starrett's management and has been strongly endorsed by our Board of Directors. It summarizes the virtues and the principles that should guide all of our actions in the marketplace and our interactions with each other. Our goal at Starrett is simply to be the best in everything we do. We want each one of our employees, officers and directors to be proud to be associated with Starrett and part of that pride stems from our commitment to practicing the highest ethical and professional standards

Personnel Development, Training and Engagement

Attracting, developing and retaining top talent in all areas of the business, is critical to the successful execution of our strategy. We endeavor to hire the best people for our positions and develop our existing employees in their current roles as well as preparing them for future roles within our Company. Our global leadership teams review our workforce to identify organizational needs, development opportunities, and potential future leaders.

We are cognizant that in today's current environment not all people have the skills sets necessary to be of immediate value; as such we do not abdicate our responsibility to train new employees. This includes employee referral program, apprenticeship training programs, internships and domestic and international rotational assignments among others.

Personnel engagement is an ongoing and not limited to bi-annual messages from the CEO to the entire Starrett population, regular virtual and face-to-face meetings and communication with our senior divisional leadership teams globally, lunch-and-learn programs, lean training and career development courses and tuition reimbursement.

Competition

The Company competes on the basis of its reputation as the best in class for quality, precision and innovation combined with its commitment to customer service and strong customer relationships. To that end, Starrett is increasingly focusing on providing customer centric solutions. Although the Company is generally operating in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by specific market since none of its competitors offer all of the same product lines offered by the Company or serve all of the markets served by the Company.

The Company is one of the largest producers of mechanics' hand measuring tools and precision instruments. In the United States, there are three major foreign competitors and numerous small companies in the field. As a result, the industry is highly competitive. During fiscal 2022, there were no material changes in the Company's competitive position. The Company's products for the building trades, such as tape measures and levels, are under constant margin pressure due to a channel shift to large national home and hardware retailers. The Company has responded to such challenges by expanding its manufacturing operations in China. Certain large customers also offer their own private labels "own brand" that compete with Starrett branded products. These products are often sourced directly from low cost countries.

Saw products encounter competition from several domestic and international sources. The Company's competitive position varies by market and country. Continued research and development, new patented products and processes, strategic acquisitions and investments and strong customer support have enabled the Company to compete successfully in both general and performance applications.

Foreign Operations

The operations of the Company's foreign subsidiaries are consolidated in its financial statements. The subsidiaries located in Brazil and China are actively engaged in the manufacturing and distribution of precision measuring tools, saw blades, optical and vision measuring equipment and hand tools. Subsidiaries in Scotland, Canada, Australia, New Zealand, and Mexico are engaged in distribution of the Company's products. In the March quarter, the Company announced plans related to the closure of its distribution and sales centers in Singapore and Japan. The Company will continue to service Asia out of Brazil and China, The Company expects its foreign subsidiaries to continue to play a significant role in its overall operations. A summary of the Company's foreign operations is contained in Note 17 "Financial Information by Segment & Geographic Area" to the Company's Consolidated Financial Statements.

Orders and Backlog

The Company generally fills orders from finished goods inventories on hand. Sales order backlog to fulfillment for the Company is shorter than many industries. As of June 30, 2022, backlog in our U.S. Precision Tools and Saws Manufacturing "Core U.S." business were approximately $14.6 million or $6.1 million greater than June 30, 2021. Total Company inventories amounted to $66.9 million at June 30, 2022 and $60.6 million at June 30, 2021.

Intellectual Property

When appropriate, the Company applies for patent protection on new inventions and currently owns a number of patents. Its patents are considered important in the operation of the business, but no single patent is of material importance when viewed from the standpoint of its overall business. The Company relies on its continuing product research and development efforts, with less dependence on its current patent position. The Company has, for many years, maintained engineers and supporting personnel engaged in research, product development and related activities. The expenditures for these activities during fiscal years 2022, 2021, and 2020 were approximately $3.5 million, $3.0 million, and $3.8 million, respectively.

The Company uses trademarks with respect to its products and considers its trademark portfolio to be one of its most valuable assets. All of the Company's important trademarks are registered and rigorously enforced.

Environmental

Compliance with federal, state, local, and foreign provisions that have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to protection of the environment is not expected to have a material effect on the capital expenditures, earnings and competitive position of the Company. The Company seeks to reduce, control and treat water discharges and air emissions

Strategic Activities

Historically, globalization has had a profound impact on product offerings and buying behaviors of industry and consumers in North America and around the world, resulting in the Company revising its strategy to fit this highly competitive business environment. In the past few years the world has seen pandemic, supply chain challenges and inflation. The Company continuously evaluates most aspects of its business, aiming for new ideas to set itself apart from its competition.

The Company's strategic concentration is to continue building a global brand and providing unique customer value propositions through technically supported application solutions for our customers. The Company's job is to recommend and produce the best suited standard product or to design and build custom solutions. The combination of the right tool for the job with value added service maintains the Company's competitive advantage. The Company continues its focus on lean manufacturing, plant consolidations, global sourcing, new software and hardware technologies, and improved logistics to optimize its value chain.

The execution of these strategic initiatives has expanded the Company's manufacturing and distribution in developing economies, resulting in international net sales revenues totaling 47% of consolidated sales for fiscal 2022.

SEC Filings and Certifications

The Company makes its public filings with the Securities and Exchange Commission "SEC", including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at its website, www.starrett.com, as soon as reasonably practicable after the Company files such material with the SEC. Information contained on the Company's website is not part of this Annual Report on Form 10-K.

Forward-looking Statements:

This Annual Report on Form 10-K and the Company's 2022 Annual Report to Stockholders, including the President's letter, contain forward-looking statements about the Company's business, competition, sales, gross margins, capital expenditures, foreign operations, plans for reorganization, interest rate sensitivity, debt service, liquidity and capital resources, and other operating and capital requirements. In addition, forward-looking statements may be included in future Company documents and in oral statements by Company representatives to security analysts and investors. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, these forward-looking statements relate to analyses and other information that are based on beliefs, expectations, assumptions, and forecasts of future results and estimates of amounts that are not yet determinable. The Company is subject to risks that could cause actual events to vary materially from such forward-looking statements, including the risk factors set forth in Item 1A to this Annual Report on Form 10-K.

Item 1A – Risk Factors

Risks Related to Our Company and Financial Position

We operate in a highly competitive environment, which could adversely affect our sales and pricing if we fail to compete effectively in the future.

We operate in a highly competitive environment. We compete on the basis of a variety of factors, including product performance, customer service, quality and price. Additionally, the Company's products for the building trades, such as tape measures and levels, are under constant margin pressure due to a channel shift to large national home and hardware retailers. Certain large customers also offer their own private labels "own brand" that compete with Starrett branded products. There can be no assurance that our products will be able to compete successfully with other companies' products. Thus, our share of industry sales could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively or our failure to produce our products at a competitive cost. Lack of customer acceptance of price increases we announce from time to time, changes in customer requirements for price discounts, changes in our customers' behavior or a weak pricing environment could have an adverse impact on our business, results of operations and financial condition. In addition, our results and ability to compete may be impacted negatively by changes in our geographic and product mix of sales.

Economic weakness in the industrial manufacturing sector could adversely affect the Company's financial results.

The market for most of the Company's products is subject to economic conditions affecting the industrial manufacturing sector, including the level of capital spending by industrial companies and the general movement of manufacturing to low cost foreign countries where the Company does not have a substantial market presence. Accordingly, economic weakness in the industrial manufacturing sector may, and in some cases has, resulted in decreased demand for certain of the Company's products, which adversely affects sales and performance. Economic weakness in the consumer market will also adversely impact the Company's performance. In the event that demand for any of the Company's products declines significantly, the Company could be required to recognize certain costs as well as asset impairment charges on long-lived assets related to those products.

Global pandemics have in recent years and could have in the future a material adverse effect on our business and results of operations.

The COVID pandemic negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The pandemic had a material adverse impact on our business and financial performance in past years.

We gained experience by monitoring government mandates and recommendations, and we attempted to protect the health and safety of our employees, consumers and communities that impacted our business, including following state guidelines for social distancing such as, but not limited to, modifying shift schedules, supporting office-base employees working remotely, educating employees and making accommodations related to personal and workplace hygiene, mandating the wearing of masks, daily monitoring of employee's temperature and regularly communicating accordingly. However, future dynamics are not predicable although we will continue to be vigilant.

Adverse global economic conditions and world events could affect our operating results, industry and business.

The Company's results of operations have been and may continue to be materially affected by the conditions in the global economy such as extreme volatility and disruptions, including significant volatility in commodity and market prices, declines in consumer confidence, declines in economic growth, supply chain interruptions, uncertainty about economic stability, and global inflation. The demand for our products and services has in the past been significantly affected in periods of economic weakness characterized by lower levels of government and business investment, lower levels of business confidence, lower corporate earnings, high real interest rates, lower credit activity or tighter credit conditions, perceived or actual industry overcapacity, higher unemployment and lower consumer spending. A weak or declining economy could also strain our suppliers, possibly resulting in supply chain disruptions. Economic conditions vary across regions and countries, and demand for our products and services generally increases in those regions and countries experiencing economic growth and investment. Slower economic growth or a change in the global mix of regions and countries experiencing economic growth and investment could have an adverse effect on our business, results of operations and financial condition.

Supply chain disruptions could interrupt product manufacturing and global logistics and increase product costs.

Our global footprint has had an impact on product offerings and buying behaviors of industry and consumers around the world. In the past few years, the world has seen increased working capital levels required to meet strong customer demand and counteract pandemic related supply chain disruptions which continued to evolve in relation to freight costs, logistics, wage inflation and labor shortages which have impact plant utilization in North America. Along with global supply chain slowing, the Company's Suzhou China operation was impacted by government controls as it related to pandemic related cases and it affected the Company's ability to bring in material and ship finished product to third-party customers and Starrett intercompany partners. China has lifted many of the restrictions.

In addition, global inflation has contributed to higher incremental freight costs and such inflation may continue to result in higher freight costs. Failure to adequately produce and timely ship our products to customers could lead to lost potential revenue, failure to meet customer demand, strained relationships with customers, including wholesales, and diminished brand loyalty.

Despite our actions to mitigate these impacts, we expect to still be impacted by global logistics challenges through calendar year 2022. Specifically, we have invested in bolstering our inventory positions for the first half of 2022 in all regions, which will add to our expenses and impact our profit margins.

Sustained increases in funding obligations under the pension plans may impair our liquidity or financial condition.

The Company maintains certain defined benefit pension plans in both the United States and the United Kingdom for the benefit of its employees. Defined benefit pension plans impose certain funding obligations on the Company. The Company froze the domestic defined benefit pension plan as of December 31, 2016, and therefore no future benefits will accrue to employees under that plan. Additionally, the Company limited eligibility under the postretirement benefit plan as of December 31, 2013, reducing the liability for the plan. Nevertheless, the Company expects to be required to provide more funding to the domestic pension (and postretirement) plan in the future.

Although the Company’s U.S. funded deficit for the Retirement Plan improved during fiscal year 2022 from $26.6 million at June 30, 2021 to $17.0 million at June 30, 2022 due to an increase in the discount rate offset by asset losses during the year, we are aware that market dynamics can cause material swings in the net funded amount. Further, the Company cannot control these market dynamics.

In determining our future payment obligations under the plans, we assume certain rates of return on the plan assets and a certain level of future benefit payments. Significant adverse changes in credit or capital markets could result in actual rates of return being materially lower than projected and result in increased contribution requirements. Our assumptions for future benefit payments may also change over time, and could be materially higher than originally projected.

We expect to make contributions to our pension plans in the future, and may be required to make contributions that could be material. We may fund contributions through the use of cash on hand, the proceeds of borrowings, shares of our common stock, or a combination of the foregoing, as permitted by applicable law. We may also explore other strategic alternatives in order to address expected pension liability, including de-risking options or acquisitions or sales of assets or divestitures, in order to meet the Company’s liquidity needs. Divestitures could result in decreased future revenues and profits, and an obligation to make contributions to our pension plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our operations, financial condition and liquidity.

Our ability to raise additional capital to fund our operations and growth may be limited.

Possible failure in the future to obtain necessary capital or enter into new or replacement financing arrangements could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As of June 30, 2022, the Company's total indebtedness was $30.9 million as compared to indebtedness of $22.0 million as of June 30, 2021. On April 29, 2022, the Company and certain of the Company’s domestic subsidiaries entered into a new Loan and Security agreement with HSBC Bank USA.

These new credit facilities replaced the Company's previous TD Bank credit facilities and are comprised of a $30 million revolving line of credit with a $10 million uncommitted accordion provision, a $12.1 million term loan and a $7 million Capital Expenditure draw down credit facility. The Facilities are secured by a valid first-priority security interest on substantially all existing and future assets of the Company and its domestic subsidiaries.

Financing, including the costs of such financing, may be dependent on numerous factors, including (but not limited to) :

- general economic and capital market conditions, including the then-prevailing interest rate environment;
- credit availability from banks and other financial institutions willing to lend;
- investor confidence in us and our ability to grow the business;
- our financial performance, especially our cash flow and profitability from operations or lack thereof;
- our level of any of our indebtedness and our compliance with covenants in debt agreements for such financing;
- attaining and maintenance of acceptable credit ratings or credit quality; and
- provisions of tax and securities laws that may impact raising capital.

We may not be successful in obtaining financing for a variety of business and market reasons. Our failure to obtain necessary capital or enter into new or replacement financing arrangements may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operational results are dependent on how well we can scale our manufacturing capacity and resources to the level of our customers' demand.

We sell our products in industries that require manufacturers to make highly efficient use of manufacturing capacity. Insufficient or excess capacity threatens our ability to generate competitive profit margins and may expose us to liabilities such as contractual commitments. Although from time to time we close or consolidate facilities, adapting or modifying our capacity is difficult, as modifications take substantial time to execute, are inherently disruptive and costly and, in some cases, may require regulatory approval. Additionally, delivering products during process or facility modifications requires special coordination. The cost and resources required to adapt our capacity, such as through facility acquisitions, facility closings or process moves between facilities, may negate any planned cost reductions or may result in costly delays, product quality issues or material shortages, all of which could adversely affect our operational results and our reputation with our customers.

Changes in government monetary or fiscal policies or inflation and increasing interest rates may negatively impact our results.

Most countries where our products are sold have established central banks to regulate monetary systems and influence economic activities, generally by adjusting interest rates. Interest rate changes affect overall economic growth, which could affect sales of our products. Interest rate changes may also impact our customers' ability to finance machine purchases and the ability of our suppliers to finance the production of parts and components necessary to manufacture and support our products. Increases in interest rates could negatively impact sales and create supply chain inefficiencies.

Central banks and other policy arms of many countries may take actions to vary the amount of liquidity and credit available in an economy. The impact from a change in liquidity and credit policies could negatively impact the customers and markets we serve or our suppliers, create supply chain inefficiencies and could adversely impact our business.

Inflationary pressure may lead to the increasing of interest rates. The Federal Reserve or central banks raising interest rates leads to higher borrowing costs for businesses and a could decrease our profitability. Inflationary cost to manufacturing could also adversely affect our business results.

If we do not meet customers' product quality, reliability standards and expectations, we may experience increased or unexpected product warranty claims and other adverse consequences to our business.

Product quality and reliability are significant factors influencing customers' decisions to purchase our products. Inability to maintain the high quality of our products relative to the perceived or actual quality of similar products offered by competitors could result in the loss of market share, loss of revenue, reduced profitability, an increase in warranty costs, government investigations and/or damage to our reputation.

Product quality and reliability are determined in part by factors that are not entirely within our control. We depend on our suppliers for parts and components that meet our standards. If our suppliers fail to meet those standards, we may not be able to deliver the quality of products that our customers expect, which may impair our reputation, resulting in lower revenue and higher warranty costs.

We provide our customers a warranty covering workmanship, and in some cases materials, on products we manufacture. Our warranty generally provides that products will be free from defects for 1 year. If a product fails to comply with the warranty, we may be obligated, at our expense, to correct any defect by repairing or replacing the defective product. Although we maintain warranty reserves in an amount based primarily on the number of units shipped and on historical and anticipated warranty claims, there can be no assurance that future warranty claims will follow historical patterns or that we can accurately anticipate the level of future warranty claims. While the Company has historically not incurred significant warranty expense, an increase in the rate of warranty claims or the occurrence of unexpected warranty claims, for which we are not insured or where we cannot recover from our vendors to the extent their materials or workmanship were defective, could materially and adversely affect our financial condition, results of operations and cash flows.

If our manufacturing processes and products do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our products may decline and we may be subject to product liability claims.

Our designs, manufacturing processes and facilities need to comply with applicable statutory and regulatory requirements. We may also have the responsibility to ensure that products we design satisfy safety and regulatory standards including those applicable to our customers and to obtain any necessary certifications. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements or demands of our customers. Potential defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers, replacement costs or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility.

Any manufacturing or design defects may also result in product liability claims. Furthermore, customers use some of our products in potentially hazardous applications that can cause injury or loss of life and damage to property, equipment or the environment. We may be named as a defendant in product liability or other lawsuits asserting potentially large claims if an accident occurs at a location where our equipment and services have been or are being used. We also maintain certain insurance policies which may limit our financial exposures. Any significant liabilities which are not covered by insurance could have an adverse effect on our financial condition, results of operation and cash flows. Likewise, a substantial increase in the number of claims that are made against us or the amounts of any judgments or settlements could materially and adversely affect our reputation and our financial condition, results of operations and cash flows.

Volatility in the price of energy and raw materials, large or rapid increases in the cost of raw materials or components parts, substantial decreases in their availability, or our dependence on particular suppliers of raw materials and component parts could materially and adversely affect our operating results.

Steel is the principal raw material used in the manufacture of the Company’s products. Historically, market prices of some of our key raw materials have fluctuated on a cyclical basis and have often depended on a variety of factors over which the Company has no control, including as a result of tariffs or other trade barriers. If in the future we are not able to reduce product costs in other areas or pass raw material price increases on to our customers, our margins could be adversely affected. In addition, because we maintain limited raw material and component inventories, even brief unanticipated delays in delivery by suppliers—including those due to capacity constraints, labor disputes, impaired financial condition of suppliers, weather emergencies, global pandemics, such as COVID-19, or other natural disasters— may impair our ability to satisfy our customers and could adversely affect our financial performance. The cost of producing the Company's products is also sensitive to the price of energy. If we are unable to manage pricing from these suppliers effectively or pass future cost increases through to our customers, our financial performance could be adversely affected. Likewise, if our suppliers terminate these agreements and we are unable to procure alternate products at substantially similar competitive pricing, our financial performance could be adversely affected.

We may not be able to maintain our engineering, technological and manufacturing expertise.

The markets for our products are characterized by changing technology and evolving process development. The continued success of our business will depend upon our ability to:

- hire, retain and expand our pool of qualified engineering and technical personnel;
- maintain technological leadership in our industry;
- successfully anticipate or respond to changes in manufacturing processes in a cost-effective and timely manner; and
- successfully anticipate or respond to changes in cost to serve in a cost-effective and timely manner

We cannot be certain that we will develop the capabilities required by our customers in the future. The emergence of new technologies, industry standards or customer requirements may render our equipment, inventory or processes obsolete or non-competitive. We may have to acquire new technologies and equipment to remain competitive. The acquisition and implementation of new technologies and equipment may require us to incur significant expense and capital investment, which could reduce our margins and affect our operating results. When we establish new facilities, we may not be able to maintain or develop our engineering, technological and manufacturing expertise due to a lack of trained personnel, effective training of new staff or technical difficulties with machinery. Failure to anticipate and adapt to customers' changing technological needs and requirements or to hire and retain a sufficient number of engineers and maintain engineering, technological and manufacturing expertise may have a material adverse effect on our business.

Risks Related to Legal and Regulatory

International operations and our financial results in those markets may be affected by legal, regulatory, political, currency exchange and other economic risks.

During the fiscal year 2022, revenue from sales outside of the United States was $120.0 million, representing approximately 47% of consolidated sales. In addition, a significant amount of our manufacturing and production operations are located, or our products are sourced from, outside the United States. As a result, our business is subject to risks associated with international operations. These risks include the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, changes in governmental monetary and fiscal policies, and political unrest and corruption. Regulatory changes could occur in the countries in which we sell, produce or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. Restrictions imposed by such changes can have a significant impact on our business.

In addition, the functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. Changes in foreign currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign governmental policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Countries in which our products are manufactured or sold may from time to time impose additional new regulations, or modify existing regulations, including:

- changes in duties, taxes, tariffs and other charges on imports;

- limitations on the quantity of goods which may be imported into the United States from a particular country;
- requirements as to where products and/or inputs are manufactured or sourced;
- creation of export licensing requirements, imposition of restrictions on export quantities or specification of minimum export pricing and/or export prices or duties;
- currency fluctuations;
- limitations on foreign owned businesses; or
- government actions to cancel contracts, re-denominate the official currency, renounce or default on obligations, renegotiate terms unilaterally or expropriate assets.

In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

Failure to comply with laws, rules and regulations could negatively affect our business operations and financial performance.

Due to the international scope of our operations, we are subject to a complex system of federal, state, local and international laws, rules and regulations, such as state and local wage and hour laws, the U.S. Foreign Corrupt Practices Act (the "FCPA"), the False Claims Act, the Employee Retirement Income Security Act ("ERISA"), securities laws, import and export laws (including customs regulations) and many others. We may also be subject to investigations or audits by governmental authorities and regulatory agencies, which can occur in the ordinary course of business or which can result from increased scrutiny from a particular agency towards an industry, country or practice. Such investigations or audits may subject us to increased government scrutiny, investigation and civil and criminal penalties, and may limit our ability to import or export our products or to provide services outside the United States.

Furthermore, embargoes and sanctions imposed by the United States and other governments restricting or prohibiting sales to specific persons or countries or based on product classification may expose us to potential criminal and civil sanctions. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or in certain locations the manner in which existing laws might be administered or interpreted.

In addition, as a result of operating in multiple countries, we must comply with multiple foreign laws and regulations that may differ substantially from country to country and may conflict with corresponding U.S. laws and regulations. The FCPA and similar foreign anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence foreign government officials for the purpose of obtaining or retaining business, or obtaining an unfair advantage. Recent years have seen a substantial increase in the global enforcement of anti-corruption laws. Our operations outside the United States, including in developing countries, expose us to the risk of such violations. If we fail to comply with laws, rules and regulations or the manner in which they are interpreted or applied, we may be subject to government enforcement action, class action litigation or other litigation, damage to our reputation, civil and criminal liability, damages, fines and penalties, and increased cost of regulatory compliance, any of which could adversely affect our results of operations and financial performance.

Failure to comply with exchange listing requirements, rules and regulations could negatively affect our Company's listing on the New York Stock Exchange.

The Company is subject to the New York Stock Exchange's (the "NYSE") continued listing requirements. On October 1, 2020, the Company was notified by the NYSE that it was not in compliance with the continued listing standard set forth in Section 802.01B of the NYSE Listed Company Manual because the Company's average market capitalization was less than $50 million over a consecutive 30 trading-day period and the stockholders' equity of the Company was less than $50 million. On March 4, 2021, the NYSE notified the Company that the Company was in compliance in relation to the NYSE's quantitative continued listing standards. This decision came as a result of the Company's achievement of compliance with the NYSE's minimum market capitalization and shareholders' equity requirements during fiscal 2021. Even though the Company regained compliance with minimum market capitalization and shareholders' equity requirements, there is no guarantee that it will remain in compliance thereafter. The delisting of the Company’s common stock would significantly affect the ability of investors to trade the Company’s common stock and negatively impact the liquidity and price of the Company’s common stock. In addition, the delisting of the Company’s common stock could materially adversely impact the Company’s ability to raise capital on acceptable terms or at all. Delisting from the NYSE could also have other negative results, including the potential loss of confidence by the Company’s current or prospective third-party providers, the loss of institutional investor interest and fewer partnering opportunities.

Our tax rate is dependent upon a number of factors, a change in any of which could impact our future tax rates and net income.

Our future tax rates may be adversely affected by a number of factors, including the enactment of certain tax legislation being considered in the United States and other countries; other changes in tax laws or the interpretation of such tax laws; changes in the estimated realization of our net deferred tax assets; the jurisdictions in which profits are determined to be earned and taxed; the repatriation of non-U.S. earnings for which we have not previously provided for U.S. income and non-U.S. withholding taxes; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes, including impairment of goodwill in connection with acquisitions; changes in available tax credits; and the resolution of issues arising from tax audits with various tax authorities. Losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from one quarter to another. Any significant change in our jurisdictional earnings mix or in the tax laws in those jurisdictions could impact our future tax rates and net income in those periods.

General Risk Factors

Increased information technology security threats and more sophisticated computer crime pose a risk to our systems, networks, products and services. Any inadequacy, interruption, integration failure or security failure with respect to our information technology could harm our ability to effectively operate our business.

The efficient operation of the Company's business is dependent on its information systems, including its ability to operate them effectively and to successfully implement new technologies, systems, controls and adequate disaster recovery systems. In addition, the Company must protect the confidentiality of data of its business, employees, customers and other third parties. Information technology security threats -- from user error to cybersecurity attacks designed to gain unauthorized access to our systems, networks and data – are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced persistent threats. On October 7, 2020 our information technology ("IT") systems were exposed to a ransomware attack, which partially impaired certain IT systems for a short period of time. We do not believe we experienced any material losses related to the ransomware attack and although we continually attempt to improve upon our security we consider that one attack resolved. These threats pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. Cybersecurity attacks could also include attacks targeting customer data or the security, integrity and/or reliability of the hardware and software installed in our products. It is possible that our information technology systems and networks, or those managed by third parties, could have vulnerabilities, which could go unnoticed for a period of time. The possible failure of the Company's information systems to perform as designed or its failure to implement and operate them effectively could disrupt the Company's business or subject it to liability and thereby harm its profitability. While the Company continues to enhance the applications contained in the Enterprise Resource Planning (ERP) system as well as improvements to other operating systems, there can be no guarantee that the actions and controls we have implemented and are implementing, or which we cause or have caused third party service providers to implement, will be sufficient to protect our systems, information or other property.

If we fail to protect our intellectual property rights or maintain our rights to use licensed intellectual property, our business could be adversely affected.

Our intellectual property, including our patents, trade secrets, trademarks and licenses are important in the operation of our business. Although we intend to protect our intellectual property rights vigorously, we cannot be certain that we will be successful in doing so. Third parties may assert or prosecute infringement claims against us in connection with the services and products that we offer, and we may or may not be able to successfully defend these claims. Litigation, either to enforce our intellectual property rights or to defend against claimed infringement of the rights of others, could result in substantial costs and in a diversion of our resources. In addition, if a third party would prevail in an infringement claim against us, then we would likely need to obtain a license from the third party on commercial terms, which would likely increase our costs. Our failure to maintain or obtain necessary licenses or an adverse outcome in any litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on our financial condition, results of operations and cash flows.

Costs associated with lawsuits or investigations or adverse rulings in enforcement or other legal proceedings may have an adverse effect on our results of operations.

From time to time, we are involved in various claims and lawsuits that arise in and outside of the ordinary course of our business. The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. It is not possible to predict with certainty the outcome of claims, investigations and lawsuits, and we could in the future incur judgments, fines or penalties or enter into settlements of lawsuits and claims that could have an adverse effect on our reputation, business, results of operations or financial condition in any particular period. The global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, may arise from time to time. In addition, subsequent developments in legal proceedings may affect our assessment and estimates of loss contingencies recorded as a reserve and require us to make payments in excess of our reserves, which could have an adverse effect on our reputation, business and results of operations or financial condition.

Item 1B – Unresolved Staff Comments

None.

Item 2 - Properties

The Company's principal plant and its corporate headquarters are located in Athol, MA on approximately 15 acres of Company-owned land. The plant consists of 25 buildings, mostly of brick construction of varying dates, with approximately 535,000 square feet.

The Company's Webber Gage Division in Cleveland, OH, owns and occupies two buildings totaling approximately 50,000 square feet.

The Company completed a sale and partial leaseback of the Mount Airy, North Carolina facility in December 2020. The Company sold three buildings amounting to 313,000 square feet and entered into an operating lease for 66,000 square feet for on-going operations.

The Company's subsidiary in Itu, Brazil owns and occupies several buildings totaling 209,000 square feet.

The Company's subsidiary in Jedburgh, Scotland owns and occupies a 175,000 square foot building. The Company currently subleases 38,114 square footage. The lease is a 20 years term and the tenant has a 5 year option to terminate with an additional option to terminate every 3 years subsequently.

In September 2021, the Company entered into a six-year lease in China for 100,682 square feet.

The Tru-Stone Division owns and occupies a 106,000 square foot facility in Waite Park, MN.

The Kinemetric Engineering Division occupies an 18,000 square foot leased facility in Laguna Hills, CA.

The Bytewise Division occupies a 22,000 square foot leased facility in Columbus, GA.

In addition, the Company operates warehouses and/or sales-support offices in the U.S., Australia, New Zealand, Mexico, Singapore and Japan.

In the Company's opinion, all of its property, plant and equipment are in good operating condition, well maintained and adequate for its current and foreseeable needs.

Item 3 - Legal Proceedings

In the ordinary course of business, the Company is involved from time to time in litigation that is not considered material to its financial condition or operations. We are not currently subject to any material legal proceedings. We are not currently subject to any material legal proceedings.

Item 4 – Mine Safety Disclosures

Not applicable.

PART II

Item 5 - Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

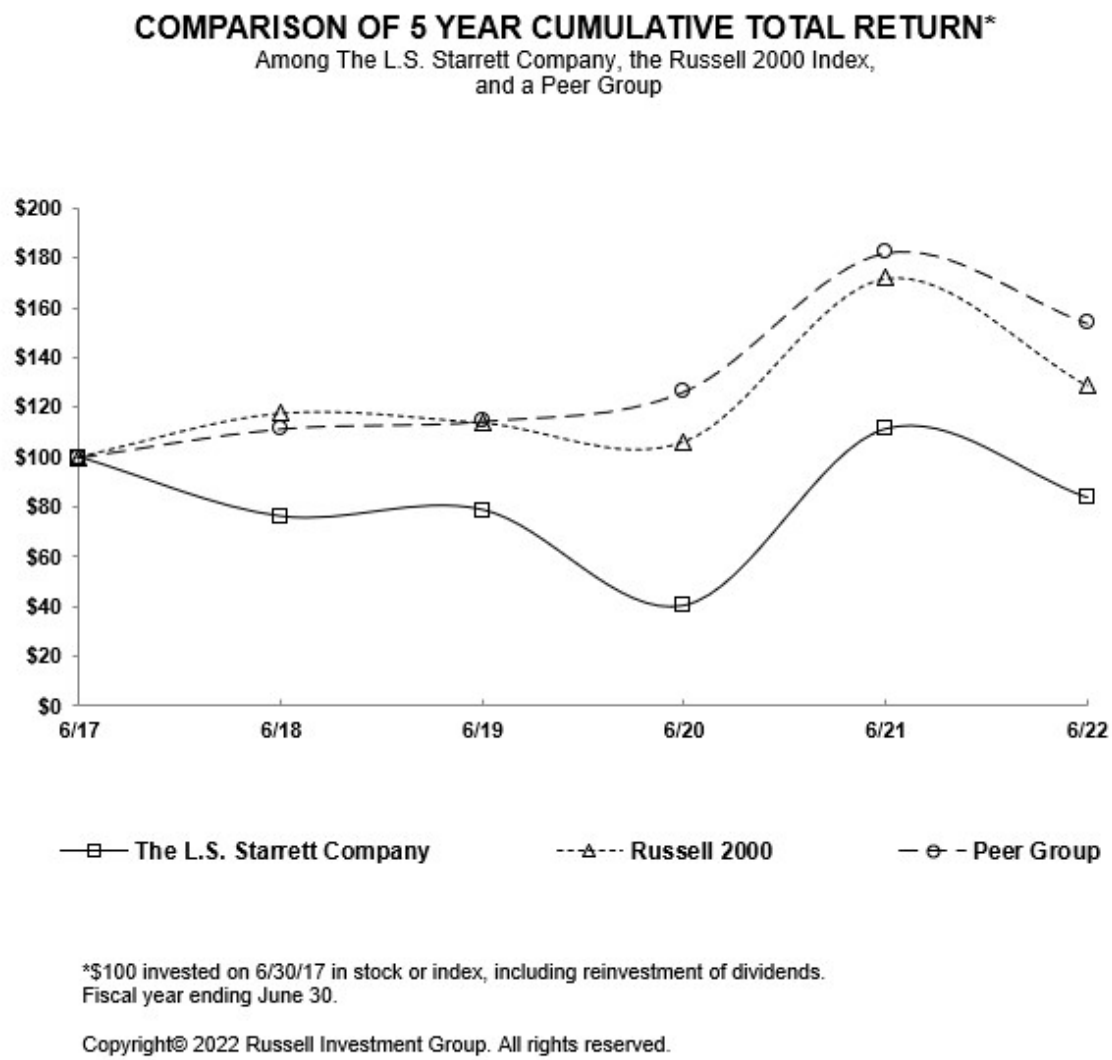
The Company's Class A common stock is traded on the New York Stock Exchange. Quarterly high/low closing market price information is presented in the table below. The Company's Class B common stock is generally nontransferable, except to lineal descendants of stockholders, and thus has no established trading market, but it can be converted into Class A common stock at any time. The Class B common stock was issued on October 5, 1988, and the Company has paid the same dividends thereon as have been paid on the Class A common stock since that date. At June 30, 2022, there were approximately 872 registered holders of Class A common stock and approximately 729 registered holders of Class B common stock. In the fourth quarter of fiscal 2022, there were zero Class A shares and 1,759 Class B shares repurchased.

Quarter Ended	High	Low
September 2020	3.56	2.95
December 2020	4.34	2.55
March 2021	7.25	4.21
June 2021	9.90	5.96
September 2021	13.47	7.21
December 2021	13.15	8.86
March 2022	10.44	7.08
June 2022	8.12	6.40

The Company's dividend policy is subject to periodic review by the Board of Directors.

PERFORMANCE GRAPH

The following graph sets forth information comparing the cumulative total return to holders of the Company's Class A common stock based on the market price of the Company's Class A common stock over the last five fiscal years with (1) the cumulative total return of the Russell 2000 Index ("Russell 2000") and (2) a peer group index (the "Peer Group") reflecting the cumulative total returns of certain small cap manufacturing companies as described below. The peer group is comprised of the following companies: Acme United, Q.E.P. Co. Inc., Badger Meter, National Presto Industries, Regal-Beloit Corp., Tennant Company, The Eastern Company and WD-40.



		Base		FY18		FY19		FY20		FY21		FY22
The L.S. Starrett Company	$	100.00	$	76.18	$	78.80	$	40.35	$	111.18	$	83.56
Russell 2000	$	100.00	$	117.57	$	113.68	$	106.14	$	171.98	$	128.65
Peer Group	$	100.00	$	111.54	$	114.54	$	126.48	$	182.11	$	153.85

Item 6 - Selected Financial Data

The following selected financial data have been derived from and should be read in conjunction with “Management Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and notes thereto, included elsewhere in this Annual Report on Form 10-K.

	Years ended June 30 (in $000s except per share data)				
	2022	2021	2020	2019	2018
Net sales	$ 253,701	$ 219,644	$ 201,451	$ 228,022	$ 216,328
Net earnings (loss)	14,878	15,533	(21,839)	6,079	(3,633)
Basic earnings (loss) per share	2.06	2.20	(3.14)	0.87	(0.52)
Diluted earnings (loss) per share	2.00	2.11	(3.14)	0.87	(0.52)
Long-term debt	24,905	6,010	26,341	17,541	17,307
Total assets	199,554	184,486	172,683	190,087	182,286
Dividends per share	0.00	0.00	0.00	0.00	0.20

Items 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Use of Non- U.S. GAAP Financial Measures

In "Management's discussion and analysis on financial condition and results of operations" in this annual report on Form 10-K, we discuss non-U.S. GAAP financial measures related to currency-neutral sales revenues, adjusted operating income, adjusted net income, and adjusted earnings per share to adjust for restructuring costs, gain on the sale of assets, one-time tax credits, or the impairment of intangible assets and the large pension impact that are reflected in one period but not the other, in order to show comparative operational performance.

We present these non-U.S. GAAP financial measures because we believe they assist investors in comparing our performance across reporting periods on a consistent basis by eliminating items that we do not believe are indicative of our core operating performance. Such non-U.S. GAAP financial measures assist investors in understanding the ongoing operating performance of the Company by presenting financial results between periods on a more comparable basis. Such measures should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Currency-neutral sales revenues are calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends excluding the impact of translation arising from foreign currency exchange rate fluctuations. We include a reconciliation of currency neutral sales, adjusted operating income, adjusted net income, and adjusted earnings per share to its comparable U.S. GAAP financial measures.

References to currency-neutral revenues, adjusted operating income, adjusted net income, and adjusted earnings per share should not be considered in isolation or as a substitute for other financial measures calculated and presented in accordance with U.S. GAAP and may not be comparable to similarly titled non-U.S GAAP financial measures used by other companies. In evaluating these non-U.S. GAAP financial measures, investors should be aware that in the future we may incur expenses or be involved in transactions that are the same as or similar to some of the adjustments in this presentation. Our presentation of non-U.S. GAAP financial measures should not be construed to imply that its future results will be unaffected by any such adjustments. Non-U.S. GAAP financial measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP.

Please see Note 17 regarding segment results of operations. The Company's business is aggregated into two reportable segments based on geography of operations: North American Operations and International Operations. Segment income is measured for internal reporting purposes by excluding corporate expenses, which are included in the unallocated column in the following tables as well as Note 17.   These tables below are included to better explain our consolidated operational performance by showing more detail by business segment and reconciling U.S. GAAP operating income and adjusted operating income.

The following tables represent key results of operations on a consolidated basis for the periods indicated:

	Fiscal 2022 comparison to Fiscal 2021				Fiscal 2021 comparison to Fiscal 2020		
	Fiscal Year	Fiscal Year	Favorable (unfavorable)		Fiscal Year	Favorable (unfavorable)	
(Amounts in Thousands)	6/30/2022	6/30/2021	$ Change	% Change	6/30/2020	$ Change	% Change
Net sales	$ 253,701	$ 219,644	$ 34,057	15.5 %	$ 201,451	$ 18,193	9.0 %
Gross margin	84,246	$ 73,342	$ 10,904	14.9 %	$ 62,210	$ 11,132	17.9 %
% of net sales	*33.2 %*	*33.4 %*			*30.9 %*		
Selling, general, and administrative expenses	62,260	$ 56,316	$ (5,944)	(10.6)%	$ 59,437	$ 3,121	5.3 %
% of net sales	*24.5 %*	*25.6 %*			*29.5 %*		
Restructuring charges	431	$ 3,664	$ 3,233	88.2 %	$ 1,580	$ (2,084)	(131.9)%
Goodwill and intangible impairment	—	—	—	— %	$ 6,496	6,496	100.0 %
Gain on sale of building	—	(3,204)	(3,204)	100.0 %	—	3,204,000	100.0 %
Operating income	21,555	$ 16,566	$ 4,989	30.1 %	$ (5,303)	$ 21,869	412.4 %
% of net sales	*8.5 %*	*7.5 %*			*(2.6)%*		
Other Income (expense)	(36)	$ 860	$ (896)	(104.2)%	$ (14,694)	$ 15,554	105.9 %
Net earnings (loss)	21,519	$ 17,426	$ 4,093	23.5 %	$ (19,997)	$ 37,423	187.1 %
Income tax expense	6,641	$ 1,893	$ (4,748)	(250.8)%	$ 1,842	$ (51)	2.8 %
Net earnings (loss)	$ 14,878	$ 15,533	$ (655)	(4.2)%	$ (21,839)	$ 37,372	171.1 %

US GAAP to NON-U.S. GAAP Operating Income Reconciliation	Fiscal 2022 comparison to Fiscal 2021				Fiscal 2021 comparison to Fiscal 2020		
	Fiscal Year	Fiscal Year	Favorable (unfavorable)		Fiscal Year	Favorable (unfavorable)	
(Amounts in Thousands)	6/30/2022	6/30/2021	$ Change	% Change	6/30/2020	$ Change	% Change
Operating income, as reported	$ 21,555	$ 16,566	$ 4,989	30.1 %	$ (5,303)	$ 21,869	412.4 %
Restructuring charges	431	$ 3,664	(3,233)	(88.2)%	$ 1,580	$ 2,084	131.9 %
Goodwill and intangibles impairment	—	$ —	—	— %	$ 6,496	$ (6,496)	(100.0)%
Gain on sale of building	—	(3,204)	3,204	100.0 %	$ —	$ (3,204)	(100.0)%
Adjusted operating income	$ 21,986	$ 17,026	$ 4,960	29.1 %	$ 2,773	$ 14,253	514.0 %
% of net sales	8.7 %	7.8 %		+ 90 bps	1.4 %		+ 640 bps

US GAAP to NON-U.S. GAAP Net Income and EPS Reconciliation	FY22	FY21	FY20
Net income (loss), as reported	$ 14,878	$ 15,533	$ (21,839)
Less Gain on sale	—	(3,204)	0
Less GILTI Recalculation 9-30-20	—	(2,608)	0
Restructuring add back	431	3,664	1,580
Goodwill and intangibles impairment add back	—	—	6,496
Pension net periodic benefit cost add back	—	—	16,753
Non-GAAP adjusted net income	$ 15,309	$ 13,385	$ 2,990
Shares diluted	7,437	7,367	6,949
Non-GAAP adjusted diluted EPS	$ 2.06	$ 1.82	$ 0.43

US GAAP to NON-U.S. GAAP Reconciliation by Reporting Segment

	Fiscal Year 2022				Fiscal Year 2021				Fiscal Year 2020			
(Amounts in Thousands)	North America	Inter-national	Corp	Total	North America	Inter-national	Corp	Total	North America	Inter-national	Corp	Total
Net Sales	$141,470	$112,231	$0	$253,701	$119,619	$100,025	0	$219,644	$121,834	$79,617	$0	$201,451
Gross Margin	41,703	42,544	—	84,246	36,066	37,277	—	73,342	32,635	29,575	—	62,210
Selling, general and admin	27,830	26,677	7,753	62,260	25,066	23,850	7,400	56,316	34,349	24,495	7,090	65,934
Operating income, as reported	13,873	15,435	(7,753)	21,555	13,144	10,821	(7,399)	16,566	(2,055)	3,842	(7,090)	(5,303)
Restructuring charges	—	431	—	431	1,059	2,605	—	3,664	341	1,239	—	1,580
Goodwill and intangibles impairment	—	—	—	—	—	—	—	—	6,496	—	—	6,496
Gain on sale of building	—	—	—	—	(3,204)	—	—	(3,204)	—	—	—	—
Adjusted operating income	$13,873	$15,867	$-7,753	$21,986	$10,999	$13,426	$-7,399	$17,026	$4,782	$5,081	$-7,090	$2,773
% of net sales	9.8 %	14.1 %		8.7 %	9.2 %	13.4 %		7.8 %	3.9 %	6.4 %		1.4 %

NON-U.S. GAAP Measure Reconciliation: Fiscal Years 2022-2020 "Currency Neutral" Net Sales

	FY22 comparison to FY21:				FY21 comparison to FY20:			
Amounts in Thousands	**Fiscal 2022**	**Fiscal 2021**	**$ Change**	**% Change**	**Fiscal 2021**	**Fiscal 2020**	**$ Change**	**% Change**
Total sales, as reported	253,701	219,644	34,057	15.5 %	219,644	201,451	18,193	9.0 %
Currency neutralizing adjustment	(2,014)	—	(2,014)	(0.9)%	11,369	—	11,369	5.6 %
Total FY22 currency neutral net sales	251,687	219,644	32,043	14.6 %	231,013	201,451	29,562	14.7 %
North America net sales, as reported	141,470	119,619	21,851	18.3 %	119,619	121,834	(2,215)	(1.8)%
Currency neutralizing adjustment	(135)	—	(135)	(0.1)%	(174)	—	(174)	(0.1)%
FY22 currency neutral North American net sales	141,335	119,619	21,716	18.2 %	119,445	121,834	(2,389)	(2.0)%
International net sales, as reported	112,231	100,025	12,206	12.2 %	100,025	79,617	20,408	25.6 %
Currency neutralizing adjustment	(1,879)	—	(1,879)	(1.9)%	11,543	—	11,543	14.5 %
FY22 currency neutral International sales net sales	110,352	100,025	10,327	10.3 %	111,568	79,617	31,951	40.1 %

*"Currency Neutralizing Adjustment" = Change when converting one year (FY22 and FY21) sales in non USD functional currencies at the same exchange rates used in the comparison period (FY21 and FY20).

Fiscal 2022 Compared to Fiscal 2021

<u>Overview</u>

New order intake remained strong across the business throughout fiscal 2022, representing an increase of over 16% compared to fiscal 2021. As a result, backlog remained at historically high levels, over 38% higher as of June 30, 2022, compared to June 30, 2021. However, the Company is anticipating a softening in order intake over the next several months.

Net Sales overall during fiscal year 2022 were $253.7 million, up 15.5% as compared to fiscal 2021. Although foreign currency translation impact in aggregate had been minimal over the first six months of fiscal 2022, the United States Dollar weakened in the last half of fiscal 2022, particularly in relation to the Brazilian Real. This has had the impact of inflating Net

Sales by $2.0 million throughout the fiscal year. Currency neutral net sales for fiscal 2022 were $251.7 million, an increase of $32.1 million or 14.6% compared to $219.6 million for fiscal 2021.
The Company continued to benefit from its restructuring activities completed in Fiscal 2021 that resulted in a reduction of excess production capacity and selling, general and administrative expenses. However, pandemic related challenges continued to evolve throughout the fiscal year in relation to supply chain, freight costs, logistics, and wage inflation and labor shortages which impacted plant utilization in North America. These challenges had been offsetting those restructuring gains in the first half of the fiscal year. In an effort to mitigate the impact of these challenges, the Company implemented price increases in the first quarter of fiscal 2022 in Brazil and in the U.S. Additional price increases and surcharges on shipped orders were implemented on a rolling basis throughout the third quarter of fiscal 2022, and were successfully implemented and taking nearly full effect by the end of that quarter and throughout the fourth quarter of fiscal 2022. The Company will continue to monitor such challenges as they evolve and adjust accordingly to maintain sufficient operating margins.

Operating income was $21.6 million in fiscal year 2022 or 8.5% of net sales, compared to $16.6 million or 7.5% of net sales in fiscal 2021.. Non-GAAP adjusted operating income, which removes the impact of restructuring costs and the gain on sales of assets, when applicable was $22.0 million in fiscal year 2022, or 8.7% of net sales, compared to $17.0 million in fiscal 2021, or 7.8% of net sales, representing a 30% overall and 90 basis point improvement relative to net sales.

Net income for fiscal 2022 was $14.9 million, compared to $15.5 million for fiscal 2021. However, while fiscal 2022 included $0.4 million in restructuring expense, fiscal 2021 included the $3.2 million gain on the sale of the Company's Mt. Airy, North Carolina facility, a $2.6 million GILTI tax credit, and $3.7 million of restructuring expense. When adjusting for those one-time items, Adjusted Net Income for fiscal 2022 was $15.3 million compared to $13.4 million for fiscal 2021, a 17% increase.

Diluted earnings per share, "EPS" were $2.00 for fiscal 2022, compared to $2.11 for fiscal 2021. However, when adjusting Net Income for the one-time items listed in the Non-GAAP Adjusted Net Income calculation, fiscal 2022 diluted earnings per share are $2.06 compared to $1.82 for fiscal 2021, an increase of $0.24 per share or 13%.

In March 2022, the Company adopted restructuring plans at a total projected cost of $0.8 million related to the closure of its distribution and sales centers in Singapore and Japan. The Company will continue to service Asia out of Brazil and China. The plan was successfully completed by June 30, 2022. The cost to close the Singapore and Japan operations was comprised of $0.6 million in headcount reduction, $0.1 in fixed asset and lease disposal, and $0.1 million in professional fees The Company anticipates an annualized savings reflected in the Consolidated Statements of Operations in Selling, General and Administrative expenses for this project of $0.6 million. (See Note 9 Restructuring)

The COVID pandemic has recently impacted our operation in Suzhou, China and still could have an impact globally. Along with the ongoing global supply chain challenges, the Suzhou China operation was impacted by government controls as it relates to pandemic related cases and it affects the Company's ability to bring in material and ship finished product to third-party customers and Starrett intercompany partners. Currently, it has not materially affected the Company's Consolidated Statement of Operations. As of June 30, 2022, the Shanghai ports had been restored to full functionality. However, it remains very difficult for management to predict pandemic related measures that could be implemented by the Chinese government. As a result, management continues its planning process and expects its Suzhou plant may continue to have logistical difficulties in the early stages of fiscal 2023 and potentially longer.

Net Sales

Fiscal year 2022 net sales were $253.7 million an increase of $34.1 million or 15.5% compared to fiscal year 2021 of $219.6 million. Net sales during fiscal year 2022 in North America were $141.5 million compared to $119.6 million in fiscal year 2021 an increase of $21.8 million or 18.3%. Net sales during fiscal year 2022 in International operations were $112.2 million compared to $100.0 million in fiscal year 2021, an increase of $12.2 million or 12.2%. Fiscal 2022 net sales compared to fiscal 2021 were positively impacted by $2.0 million, or 0.9% due to currency fluctuation, of which $0.1 was in North American operations (Mexico and Canada) and $1.9 million due to our International operations, primarily Brazil.

Gross Margin

Gross margin in fiscal 2022 increased to $84.2 million or 33.2% of sales compared to $73.3 million or 33.4% of sales in fiscal 2021. The decrease in relative gross margin is due to continued pandemic related headwinds involving material cost increases, labor shortages and wage inflation, and logistics challenges particularly in the first half of fiscal 2022. These challenges have since been mitigated through pricing actions and surcharges implemented and taking effect in the second half of the fiscal year.

North America gross margin increased $5.6 million or 15.5% to $41.7 million from $36.1 million in fiscal 2021, or 29.5% and 30.2% of sales respectively. International gross margins increased $5.2 million or 13.9% to $42.5 million from $37.3 million in fiscal 2021 or 37.9% and 37.1% of sales respectively, due largely to the increase in sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, including corporate expenses, increased in fiscal year 2022 by $5.9 million, or 10.6%. North American selling, general and administrative expenses increased $2.7 million or 11.0%, from $25.1 million in fiscal year 2021 to $27.8 million in fiscal year 2022. International selling, general and administrative expenses increased $3.3 million or 14.0% from $23.8 million in fiscal year 2021 to $27.1 million in fiscal year 2022. Corporate expenses increased $0.4 million during the same period due to higher insurance and legal expenses.

The Company has continued to benefit from selling, general and administrative reductions enacted as part of the fiscal 2021 restructuring programs, as evidenced in the decline of these costs as a percentage of net sales, from 25.6% in fiscal 2021 to 24.5% in fiscal 2022. This benefit was partially offset by some variable selling costs tied to the higher level of sales, and temporary salary reductions enacted during the initial phase of the pandemic that carried over into the first six months of fiscal 2021 which have since been restored.

Operating Income

Operating income was $21.6 million in fiscal year 2022, an increase of $5.0 million or 30.1% compared to operating income in fiscal 2021 of $16.6 million. The North American operating income was $13.9 million remaining flat as compared to fiscal 2021 of $13.1 million. International operations had operating income in fiscal 2022 of $15.4 million an increase of $4.6 million or 42.6% compared to operating income of $10.8 million in fiscal 2021.

Adjusted operating income was $22.0 million or 8.7% of sales in fiscal year 2022 as compared to $17.0 million or 7.8% or sales. The non-GAAP adjustments add back restructuring charges in both years and removes the gain on the sale of the building in fiscal 2021 for comparison purposes.

Other Income (Expense)

Other income in fiscal 2022 was $0.0 million a decrease $0.9 million compared to fiscal 2021 of $0.9 million.

Income Taxes

Income taxes in fiscal 2022 were $6.6 million on pre-tax income of $21.5 million resulting in an effective tax rate of 30.9%. The effective tax rate was higher than the U.S. statutory tax rate of 21% primarily due to the GILTI provisions and the jurisdictional mix of earnings, particularly Brazil with a statutory rate of 34%, offset by discrete tax benefits recognized from excess stock compensation deductions, tax credits, and permanent deductions generated from research expenses.

Income taxes in fiscal 2021 were $1.9 million on pre-tax income of $17.4 million resulting in an effective tax rate of 10.9%. Included in the fiscal 2021 tax expense is a tax benefit of ($2.6) million relating to U.S. legislation enacted in the first quarter of fiscal 2021reducing the impact of GILTI retroactive to fiscal 2020 and 2019 and a tax benefit of ($0.6) million relating to the impact of the increase in United Kingdom corporate tax rate on the net deferred tax asset. The rate was negatively impacted by the jurisdictional mix of earnings, particularly from Brazil with a statutory tax rate of 34%.

Fiscal 2021 Compared to Fiscal 2020

Overview

The Covid Pandemic has had a substantial impact on the Company's global sales fiscal years 2021 and 2020. The impact was felt beginning in January 2020 in our operation in Suzhou, China and then intensified in March 2020 by affecting our global markets. We initiated several restructuring activities designed to consolidate manufacturing capacity and reduce selling, general and administrative expenses globally, which included the sale of our facility in Mt. Airy, North Carolina. These restructuring activities commenced in the second quarter of fiscal 2020, continued throughout and completed in fiscal 2021.

As we closed fiscal 2021, order intake and sales volume across our offerings were equal to or exceeding pre-pandemic levels. Sales began to increase in the first half of fiscal 2021 particularly in Brazil and in our Tru-Stone subsidiary, reflective of the strength of the sectors in which they participate. Brazil experienced strong growth in the Consumer DIY and Food sectors, and Tru-Stone benefited from increasingly high demand in equipment for the high end chip making industry . Order intake and sales volume in other areas of the North American Industrial and Metrology businesses remained very low in the first half of fiscal 2021, and only began to show signs of recovery late in the third quarter.

With the increased net sales volume, reduced cost, and planned production utilization improvement throughout fiscal 2021, our financial performance continued to improve, and was especially strong during the fourth quarter. In fiscal 2021, the Company had a 7.8% operating income as a percentage of sales as compared to an operating loss in fiscal 2020. As shown in the above table, management also looks at the non-GAAP reconciliation, adjusting out restructuring, impairment and the gain on facility sales. Adjusted operating income was 7.8%, the same as U.S. GAAP because the facility gain and restructuring offset each other. This was a 640 basis point increase over fiscal 2020.

Net sales in fiscal 2021 were $219.6 million, an increase of $18.2 million or 9.0% compared to net sales of $201.5 million in fiscal 2020. Net sales in North America decreased $2.2 million or 1.8% from $121.8 million in fiscal 2020 to $119.6 million in fiscal 2021. International sales increased $20.4 million or 25.6% from $79.6 million in fiscal 2020 to $100.0 million in fiscal 2021 driven primarily by Brazil. When adjusting for the impact of foreign exchange, the increase in International sales is even more pronounced, at 40.6%, primarily due to Brazil, which benefited from strong demand in the Consumer DIY and Food sectors. (see table above)

Gross Margin

Gross margin in fiscal 2021 increased $11.1 million or 17.9% to $73.3 million or 33.4% of sales compared to $62.2 million or 30.8% of sales in fiscal 2020. The increase in absolute and relative gross margin can be attributed to the increase in revenues and the restructuring activities completed, in addition to a favorable LIFO adjustment of $2.2 million in North America in the fourth quarter of fiscal 2021.

North America gross margin increased $3.4 million or 10.5% to $36.0 million from $32.6 million, in fiscal 2020, or 30.1% and 26.8% of sales respectively This improvement was due to sales mix and restructuring activities, in addition to the LIFO adjustment mentioned above as a result of lower inventory levels in the U.S.

International gross margins increased $7.7 million or 26% to $37.3 million from $29.6 million, in fiscal 2020 or 37.3% and 37.1% of sales respectively, commensurate with the increase in sales.

Selling, General and Administrative

Selling, general, and administrative expenses declined $9.6 million or 14.6%, from $65.9 million in fiscal 2020 to $56.3 million in fiscal 2021. This is due to the impact of austerity measures and restructuring efforts begun in fiscal 2020 that continued into fiscal 2021. North American selling, general and administrative expenses declined $9.3 million or 37.0%, from $34.3 million in fiscal 2020 to $25.0 million in fiscal 2021. International selling, general and administrative expenses declined $0.6 million, or 2.6% from $24.5 million in fiscal 2020 to $23.9 million in fiscal 2021.

Operating Income

Operating income was $16.6 million and a loss of $5.3 million in fiscal years 2021 and 2020 respectively. In fiscal 2021 North American operating income was $13.1 million, an increase of $15.2 million compared to fiscal 2020. The North American operating loss was $2.1 million in fiscal 2020. In International operations operating income in fiscal 2021 was $10.8 million an increase over fiscal 2020 of $7.0 million.   International operations had operating income in fiscal 2021 of $10.8 million an increase of 181.7% compared to fiscal 2020 of $3.8 million.

Other Income (Expense)

Other income in fiscal 2021 was $0.9 million, compared to other expense of $14.7 million in fiscal year 2020 . The primary driver of the changes were the changes in the overall funding status of the Company's pension plans, see Note 12. The Company recorded a pension cost benefit of $0.7 million in fiscal 2021 and a cost of $16.8 million in fiscal years 2020.

Income Taxes

Income taxes in fiscal 2021 were $1.9 million on pre-tax income of $17.4 million resulting in an effective tax rate of 10.9%. Included in the fiscal 2021 tax expense is a tax benefit of $2.6 million relating to U.S. legislation enacted in the first quarter of fiscal 2021 reducing the impact of GILTI retroactive to fiscal 2020 and 2019 and a tax benefit of ($0.6) million relating to the impact of the increase in United Kingdom corporate tax rate on the net deferred tax asset. The rate was negatively impacted by the jurisdictional mix of earnings, particularly from Brazil with a statutory tax rate of 34%.

Income taxes in fiscal 2020 were $1.8 million on pre-tax losses of ($20.0) million resulting in an effective tax rate of 9.2%. The effective tax rate was lower than the U.S. statutory rate due to the impact of the GILTI provisions and the jurisdictional mix of earnings, particularly from Brazil with a statutory tax rate of 34%.The tax rate was negatively impacted by the write-off of a $1.6 million long-term receivable previously established for competent authority relief for historic transfer pricing adjustments which the Company has determined is no longer feasible to pursue and an increase in the valuation allowance of $2.1 million against foreign tax credits which the Company has determined are more likely than not to expire unutilized.

LIQUIDITY AND CAPITAL RESOURCES

	Years ended June 30,		
(in Thousands)	2022	2021	2020
Cash provided by (used in) operating activities	$ 5,292	$ 4,568	$ (1,163)
Cash used in investing activities	(9,007)	(493)	(10,600)
Cash (used in) provided by financing activities	9,746	(9,013)	9,314

The Company had a working capital ratio of 3.2 as of June 30, 2022 and 2.3 as of June 30, 2021 as the improvement in sales and improved manufacturing utilization created higher accounts receivable of $7.9 million and $10.9 million higher inventory balances, net of the LIFO reserve, current liabilities were slightly unfavorable as accounts payable decreased $2.6 million and accrued expenses increased $3.0 million. Cash, accounts receivable and inventories represented 93% and 88% of current assets at fiscal 2022 and fiscal 2021, respectively.

Net cash provided by operations was $5.3 million in fiscal 2022, $4.6 million in fiscal 2021 and net cash used by operations was $1.2 million in fiscal 2020. Cash provided by operations increased during fiscal 2022 due to improved operating performance and the reduction in required pension contributions which were partially offset by increased working capital and investing $0.4 million on a cash basis in restructuring. Cash used in investing of $9.0 million included $8.0 million invested in property, plant and equipment and $1.0 million invested in software development. The Company also increased borrowings $9.6 million during fiscal 2022 .

Effects of translation rate changes on cash primarily result from the movement of the U.S. dollar against the British Pound, the Euro and the Brazilian Real.

The Company does not have any material off-balance sheet arrangements as defined under the Securities and Exchange Commission rules.

Liquidity and Credit Arrangements

Defined Benefit Plans: The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees. The Company also has a postretirement medical and life insurance benefit plan for U.S. employees.

Calculation of pension and postretirement medical costs and obligations are dependent on actuarial assumptions. These assumptions include discount rates, healthcare cost trends, inflation, salary growth, long-term return on plan assets, employee turnover rates, retirement rates, mortality and other factors. These assumptions are made based on a combination of external market factors, actual historical experience, long-term trend analysis, and an analysis of the assumptions being used by other companies with similar plans. Significant differences in actual experience or significant changes in assumptions would affect pension and other postretirement benefit costs and obligations. Effective December 31, 2013, the Company terminated eligibility for employees 55-64 years old in the Postretirement Medical Plan. (See also Note 12 “Employee Benefit Plans” to the Consolidated Financial Statements).

CONTRACTUAL OBLIGATIONS

The following table summarizes future estimated payment obligations by period.

	Fiscal Year (in millions)				
	Total	**2023**	**2024-2025**	**2026-2027**	**Thereafter**
Debt obligations	$ 31.5	$ 6.4	$ 6.6	$ 14.2	$ 4.3
Estimated interest on debt obligations	4.3	1.2	1.6	1.1	0.4
Operating lease obligations	6.8	1.9	3.0	1.8	0.1
Purchase obligations	21.8	18.8	1.7	1.3	—
Total	$ 64.4	$ 28.3	$ 12.9	$ 18.4	$ 4.8

The new credit facilities mature on April 29, 2027. (See Note 13 “Debt” to the Consolidated Financial Statements for additional details). These new credit facilities replaced the Company’s previous TD Bank credit facilities and are comprised of a $30 million revolving line of credit with a $10 million uncommitted accordion provision, a $12.1 million term loan and a $7 million capital expenditure draw down credit facility. The interest rate on the new facilities is based on a grid which uses the percentage of the remaining availability of the revolving credit line to determine the floating margin to be added to the one month or three-month Secured Overnight Financing Rate, herein "SOFR". The initial rate for the first three months of the agreement is the one-month SOFR plus 1.60%.

While our purchase obligations are generally cancellable without penalty, certain vendors charge cancellation fees or minimum restocking charges based on the nature of the product or service. The Company’s Brazilian subsidiary has entered into a long-term, volume-based purchase agreement for electricity. Under this agreement the Company is committed to purchase a minimum monthly amount of energy at a fixed price per kilowatt hour. Cancellation of this contract would incur a significant penalty.

Item 7A - FINANCIAL INSTRUMENT MARKET RISK

Market risk is the potential change in a financial instrument’s value caused by fluctuations in interest and currency exchange rates, and equity and commodity prices. The Company’s operating activities expose it to risks that are continually monitored, evaluated and managed. Proper management of these risks helps reduce the likelihood of earnings volatility.

The Company does not engage in tracking, market-making or other speculative activities in derivatives markets. The Company does enter into long-term supply contracts with either fixed prices or quantities. The Company does not currently engage in any material amount of hedging and has no forward currency contracts outstanding at June 30, 2022. Foreign cash and cash equivalents are approximately $7.2 million as of June 30, 2022 and $5.9 million as of June 30, 2021.

A 10% change in interest rates would not have a significant impact on the aggregate net fair value of the Company’s interest rate sensitive financial instruments or the cash flows or future earnings associated with those financial instruments. A 10% increase in interest rates would not have a material impact on our borrowing costs. See Note 13 “Debt” to the Consolidated Financial Statements for details concerning the Company’s long-term debt outstanding of $24.9 million.

Item 8 - Financial Statements and Supplementary Data

Contents:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
The L.S. Starrett Company

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of The L.S. Starrett Company (a Massachusetts corporation) and subsidiaries (the "Company") as of June 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2022, and the related notes and financial statement schedule included under Item 15(a) collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Realizability of U.S. Deferred Tax Assets
As described further in note 11 to the consolidated financial statements, deferred tax assets reflect the tax effect of temporary differences between book and taxable income in all jurisdictions in which the Company has operations. Valuation allowances are provided, based on the evaluation of both positive and negative evidence, to reduce the deferred tax assets to an amount that is more likely than not to be realized. We identified the realizability of U.S. deferred tax assets as a critical audit matter.

The principal consideration for our determination that the realizability of U.S. deferred tax assets is a critical audit matter is the high level of estimation uncertainty associated with the Company's forecast of future taxable income of U.S. operations.

Our audit procedures related to the realizability of the U.S. deferred tax assets included the following procedures, among others:

- We evaluated management's ability to forecast taxable income by assessing the historical accuracy of forecasts developed in prior years.
- We assessed the appropriateness of management's assumptions and estimates within its future forecasts and compared forecasts to historical trends and current industry and economic trends
- We involved tax professionals to evaluate the application of relevant tax laws and regulations in assessing the appropriateness of management's estimate of future sources of taxable income

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2006.

Boston, Massachusetts
August 25, 2022

THE L.S. STARRETT COMPANY

Consolidated Balance Sheets

(in thousands except share data)

	6/30/2022	6/30/2021
ASSETS		
Current assets:		
Cash	$ 14,523	$ 9,105
Accounts receivable (less allowance for doubtful accounts of $796 and $665, respectively)	42,961	35,076
Inventories, net	66,900	60,572
Prepaid expenses and other current assets	8,669	14,467
Total current assets	133,053	119,220
Property, plant and equipment, net	37,116	35,992
Right of use assets	5,540	4,298
Deferred tax assets, net	14,924	19,073
Intangible assets, net	4,640	4,888
Goodwill	1,015	1,015
Other assets	3,266	—
Total assets	$ 199,554	$ 184,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 6,547	$ 15,959
Current lease liability	1,530	1,650
Accounts payable	14,624	17,229
Accrued expenses	11,776	8,811
Accrued compensation	6,703	8,040
Total current liabilities	41,180	51,689
Other tax obligations	2,936	2,866
Long-term lease liability	4,166	2,734
Long-term debt, net of current portion	24,905	6,010
Postretirement benefit and pension obligations	23,938	37,652
Total liabilities	97,125	100,951
Commitments and Contingencies (Note 15)		
Stockholders' equity:		
Class A common stock $1 par (20,000,000 shares authorized; 6,682,521 outstanding at June 30, 2022 and 6,475,307 outstanding at June 30, 2021)	6,683	6,475
Class B common stock $1 par (10,000,000 shares authorized; 610,087 outstanding at June 30, 2022 and 633,505 outstanding at June 30, 2021)	610	634
Additional paid-in capital	57,143	56,507
Retained earnings	89,059	74,181
Accumulated other comprehensive loss	(51,066)	(54,262)
Total stockholders' equity	102,429	83,535
Total liabilities and stockholders' equity	199,554	184,486

See notes to consolidated financial statements

THE L.S. STARRETT COMPANY
Consolidated Statements of Operations
(in thousands except per share data)

	Years Ended		
	6/30/2022	**6/30/2021**	**6/30/2020**
Net sales	$ 253,701	$ 219,644	$ 201,451
Cost of goods sold	169,455	146,302	139,241
Gross margin	84,246	73,342	62,210
% of net sales	33.2%	33.4%	30.9%
Selling, general and administrative expenses	62,260	56,316	59,437
Restructuring charges	431	3,664	1,580
Goodwill and intangibles impairment	—	—	6,496
Gain on sale of facility	—	(3,204)	—
Operating income (loss)	21,555	16,566	(5,303)
Other income (expense)	(36)	860	(14,694)
Earnings (loss) before income taxes	21,519	17,426	(19,997)
Income tax expense	6,641	1,893	1,842
Net earnings (loss)	$ 14,878	$ 15,533	$ (21,839)
Basic earnings (loss) per share	$ 2.06	$ 2.20	$ (3.14)
Diluted earnings (loss) per share	$ 2.00	$ 2.11	$ (3.14)
Weighted average outstanding shares used in per share calculations:			
Basic	7,226	7,070	6,949
Diluted	7,437	7,367	6,949

See notes to consolidated financial statements

THE L. S. STARRETT COMPANY

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Years Ended		
	6/30/2022	**6/30/2021**	**6/30/2020**
Net earnings (loss)	$ 14,878	$ 15,533	$ (21,839)
Other comprehensive (loss) income:			
Currency translation gain (loss), net of tax	(4,029)	5,828	(12,316)
Pension and postretirement plans, net of tax of $2,320, $ 5,294 and $(962), respectively	7,225	15,325	(3,818)
Other comprehensive income (loss)	3,196	21,153	(16,134)
Total comprehensive income (loss)	$ 18,074	$ 36,686	$ (37,973)

See notes to consolidated financial statements

THE L.S. STARRETT COMPANY
Consolidated Statements of Stockholders' Equity
(in thousands except per share data)

	Common Stock Outstanding Class A	Class B	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, July 1, 2019	$ 6,207	$ 690	$ 55,276	$ 80,487	$ (59,281)	$ 83,379
Total comprehensive (loss) income	—	—	—	(21,839)	(16,134)	(37,973)
Transfer of historical translation adjustment	—	—	—	—	—	—
Repurchase of shares	—	(6)	(20)	—	—	(26)
Issuance of stock	—	21	52	—	—	73
Stock-based compensation	76	—	454	—	—	530
Conversion of Class B to Class A shares	25	(25)	—	—	—	—
Balance, June 30, 2020	6,308	680	55,762	58,648	(75,415)	45,983
Total comprehensive (loss) income	—	—	—	15,533	21,153	36,686
Repurchase of shares	—	(6)	(26)	—	—	(32)
Issuance of stock	—	16	59	—	—	75
Stock-based compensation	111	—	712	—	—	823
Conversion of Class B to Class A shares	56	(56)	—	—	—	—
Balance, June 30, 2021	6,475	634	56,507	74,181	(54,262)	83,535
Total comprehensive income	—	—	—	14,878	3,196	18,074
Repurchase of shares	—	(6)	(47)	—	—	(53)
Issuance of stock	7	43	164	—	—	214
Stock-based compensation	140	—	519	—	—	659
Conversion of Class B to Class A shares	61	(61)	—	—	—	—
Balance, June 30, 2022	$ 6,683	$ 610	$ 57,143	$ 89,059	$ (51,066)	$ 102,429
Cumulative balance:						
Currency translation loss, net of taxes					$ (60,076)	
Pension and postretirement plans, net of taxes					9,010	
					$ (51,066)	

See notes to consolidated financial statements

THE L. S. STARRETT COMPANY
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended		
	6/30/2022	6/30/2021	6/30/2020
Cash flows from operating activities:			
Net earnings (loss)	$ 14,878	$ 15,533	$ (21,839)
Non cash operating activities:			
Gain on sale of real estate	—	(3,204)	—
Depreciation	5,339	5,059	5,206
Amortization	1,291	1,233	1,990
Goodwill and intangibles impairment	—	—	6,496
Stock-based compensation	659	823	530
Net long-term tax obligations	168	127	1,881
Deferred taxes	1,449	(3,003)	(1,802)
Postretirement benefit and pension obligations	(1,405)	(589)	16,823
Working capital changes:			
Accounts receivable	(10,425)	(3,009)	2,284
Inventories	(8,832)	(3,694)	1,603
Other current assets	5,486	(4,930)	(3,071)
Other current liabilities	1,880	8,517	(3,369)
Prepaid pension expense	(2,627)	(8,186)	(8,035)
Other	(2,569)	(109)	140
Net cash provided by (used in) operating activities	5,292	4,568	(1,163)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(7,982)	(4,583)	(9,277)
Software development	(1,025)	(1,124)	(1,323)
Proceeds from sale of real estate	—	5,214	—
Net cash (used in) investing activities	(9,007)	(493)	(10,600)
Cash flows from financing activities:			
Proceeds from term loan borrowings	24,553	11,882	9,350
Proceeds from line of credit borrowings	42,609	32,869	5,500
Debt reacquisition cost	(532)	—	—
Term Debt repayments	(16,679)	(9,691)	(5,583)
Line of Credit repayments	(40,366)	(44,116)	—
Proceeds from common stock issued	214	75	73
Repurchase of shares	(53)	(32)	(26)
Net cash provided by (used in) financing activities	9,746	(9,013)	9,314
Effect of translation rate changes on cash	(613)	585	325
Net increase (decrease) in cash	5,418	(4,353)	(2,124)
Cash beginning of year	9,105	13,458	15,582
Cash end of year	$ 14,523	$ 9,105	$ 13,458
Supplemental cash flow information:			
Interest paid	$ 1,216	$ 889	$ 953
Taxes paid	2,841	4,979	1,994

See notes to consolidated financial statements

1. DESCRIPTION OF BUSINESS

The L. S. Starrett Company (the "Company") is incorporated in the Commonwealth of Massachusetts and is in the business of manufacturing industrial, professional and consumer measuring and cutting tools and related products. The Company's manufacturing operations are primarily in North America, Brazil, and China. The largest consumer of these products is the metalworking industry, but others include automotive, aviation, marine, farm, "do-it-yourselfers" and tradesmen such as builders, carpenters, plumbers and electricians.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the accompanying balance sheets and related statements of income, cash flows, and stockholders' equity include all adjustments, in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results and outcomes may differ from management's estimates and assumptions.

Principles of consolidation: The consolidated financial statements include the accounts of The L. S. Starrett Company and its subsidiaries, all of which are wholly-owned. All intercompany items have been eliminated in consolidation.

The Company plans to permanently reinvest cash held in foreign subsidiaries. Cash held in foreign subsidiaries is generally not available for use in the U.S. without the likely U.S. federal and state income and withholding tax consequences.

Financial instruments and derivatives: The Company's financial instruments include cash, accounts receivable, accounts payable, accrued expenses and debt. The carrying value of cash and accounts receivable approximates fair value because of the short-term nature of these instruments. The carrying value of debt as of ,June 30, 2022 $31.5 million of which is at current market interest rates, also approximates its fair value. The Company's U.K. subsidiary utilizes forward exchange contracts to reduce currency risk. The notional amounts of contracts outstanding as of both June 30, 2022 and June 30, 2021 were zero.

Accounts receivable: Accounts receivable consist of trade receivables from customers. The expense for bad debts amounted to $0.1 million, $0.1 million, and $0.2 million in fiscal 2022, 2021 and 2020, respectively. In establishing the allowance for doubtful accounts, management considers historical losses, the aging of receivables and existing economic conditions.

Inventories: Inventories are stated at the lower of cost or market. "Market" is defined as "net realizable value," or the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Substantially all United States inventories are valued using the last-in-first-out "LIFO" method. All non-U.S. subsidiaries use the first-in-first-out "FIFO" method or the average cost method. LIFO is not a permissible method of inventory costing for tax purposes outside the U.S.

Property Plant and Equipment: The cost of buildings and equipment is depreciated using straight-line and accelerated methods over their estimated useful lives as follows: buildings and building improvements 10 to 50 years, machinery and equipment 3 to 12 years. The construction in progress balances in buildings, building improvements and machinery and equipment at June 30, 2022 and June 30, 2021 were $2.3 million and $1.5 million, respectively. Repairs and maintenance of equipment are expensed as incurred.

Leases: The Company adopted Accounting Standards Codification 842, Leases ("ASC 842") July 1, 2019. The Company has leased buildings, manufacturing equipment and autos that are classified as operating lease right-of use "ROU" assets and operating lease liabilities in the Company's Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement.

Although currently the Company's Finance Leases are considered de minimis, leases are capitalized under the criteria set forth in Accounting Standards Codification (ASC) 842, "Leases".

Intangible assets: Identifiable intangibles are recorded at cost and are amortized on a straight-line basis over a 5-20 years period. The estimated useful lives of the intangible assets subject to amortization are: 14-20 years for trademarks and trade names, 5-10 years for completed technology, 8 years for non-compete agreements, 8-16 years for customer relationships and 5 years for software development.

Revenue Recognition:

The core principle of ASC Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The application of the FASB's guidance on revenue recognition requires the Company to recognize as revenue the amount of consideration that the Company expects to receive in exchange for goods and services transferred to our customers. To do this, the Company applies the five-step model prescribed by the FASB, which requires us to: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the Company satisfies a performance obligation.

The Company accounts for a contract or purchase order when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the product passes to the customer, which is upon shipment, unless otherwise specified within the customer contract or on the purchase order as delivery, and is recognized at the amount that reflects the consideration the Company expects to receive for the products sold, including various forms of discounts.

Certain taxes assessed by governmental authorities on revenue producing transactions, such as value added taxes, are excluded from revenue and recorded on a net basis.

Performance Obligations

The Company's primary source of revenue is derived from the manufacture and distribution of metrology tools and equipment and saw blades and related products sold to distributors. The Company recognizes revenue for sales to our customers when transfer of control of the related good or service has occurred. Any of the Company's revenue not recognized under the point in time approach for the year ended June 30, 2022, was determined to be immaterial. Contract terms with certain metrology equipment customers could result in products and services being transferred over time as a result of the customized nature of some of the Company's products, together with contractual provisions in the customer contracts that provide the Company with an enforceable right to payment for performance completed to date; however, under typical terms, the Company does not have the right to consideration until the time of shipment from its manufacturing facilities or distribution centers, or until the time of delivery to its customers. If certain contracts in the future provide the Company with this enforceable right of payment, the timing of revenue recognition from products transferred to customers over time may be slightly accelerated compared to the Company's right to consideration at the time of shipment or delivery. No performance obligation related amounts were deferred as of June 30, 2022. Purchase orders are of durations less than one year. As such, the Company applies the practical expedient in ASC paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, for which work has not yet been performed.

The Company's typical payment terms vary based on the customer, geographic region, and the type of goods and services in the contract or purchase order. The period of time between invoicing and when payment is due is typically not significant. Amounts billed and due from the Company's customers are classified as receivables on the Consolidated Balance Sheet. As the Company's standard payment terms are usually less than one year, the Company has elected the practical expedient under ASC paragraph 606-10-32-18 to not assess whether a contract has a significant financing component.

The Company's customers take delivery of goods, and they are recognized as revenue at the time of transfer of control to the customer, which is usually at the time of shipment, unless otherwise specified in the customer contract or purchase order. This determination is based on applicable shipping terms, as well as the consideration of other indicators, including timing of when the Company has a present right to payment, when physical possession of products is transferred to customers, when the customer has the significant risks and rewards of ownership of the asset, and any provisions in contracts regarding customer acceptance.

While unit prices are generally fixed, the Company provides variable consideration for certain of our customers, typically in the form of promotional incentives at the time of sale. The Company utilizes the most likely amount consistently to estimate the effect of uncertainty on the amount of variable consideration to which the Company would be entitled. The most likely amount method considers the single most likely amount from a range of possible consideration amounts. The most likely amounts are based upon the contractual terms of the incentives and historical experience with each customer. The Company records estimates for cash discounts, promotional rebates, and other promotional allowances in the period the related revenue is recognized ("Customer Credits"). The provision for Customer Credits is recorded as a reduction from gross sales and reserves for Customer Credits are presented within accrued sales incentives on the Consolidated Balance Sheet. Actual Customer Credits have not differed materially from estimated amounts for each period presented. Amounts billed to customers for shipping and handling are included in net sales and costs associated with shipping and handling are included in cost of sales. The Company has concluded that its estimates of variable consideration are not constrained according to the definition within the new standard. Additionally, the Company applies the practical expedient in ASC paragraph 606-10-25-18B and accounts for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment activity, rather than a separate performance obligation.

Under ASC Topic 606, the Company is required to present a refund liability and a return asset within the Consolidated Balance Sheet. The changes in the refund liability are reported in net sales, and the changes in the return asset are reported in cost of sales in the Consolidated Statements of Operations. As of June 30, 2022, and 2021, the balances of the return asset were $0.1 million and $0.2 million and the balance of the refund liability was $0.2 million as of June 30, 2022 and $0.1 million in the prior year, and they are presented within prepaid expenses and other current assets and accrued expenses, respectively, on the Consolidated Balance Sheet.

The Company, in general, warrants its products against certain defects in material and workmanship when used as designed, for a period of up to 1 year. The Company does not sell extended warranties.

Contract Balances

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on contracts with customers. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to contracts where advance payments or deposits have been received, but performance obligations have not yet been met, and therefore, revenue has not been recognized. The Company had no contract asset balances, but had contract liability balances of $0.9 million and $0.6 million at June 30, 2022 and 2021, respectively.

Advertising costs: The Company's policy is to generally expense advertising costs as incurred, except catalogs costs of $0.1 million in fiscal years 2022 and 2021 , which were deferred until mailed. Advertising costs were expensed as follows: $3.1 million in fiscal 2022, $3.2 million in fiscal 2021 and $3.6 million in fiscal 2020 and are included in selling, general and administrative expenses.

Freight costs: The cost of outbound freight and the cost for inbound freight included in material purchase costs are both included in cost of sales.

Pension and Other Postretirement Benefits: The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees. The Company also has defined contribution plans. The Company amended its Postretirement Medical Plan effective December 31, 2013, whereby the Company terminated eligibility for employees under the age of 65.

On December 21, 2016, the Company amended the U.S. defined benefit pension plan to freeze benefit accruals effective December 31, 2016. Consequently, the Plan is closed to new participants and current participants no longer earn additional benefits after December 31, 2016. The U.K. Plan was closed to new entrants in fiscal 2009.

The Company sponsors funded U.S. and non-U.S. defined benefit pension plans covering the majority of our U.S. and U.K. employees. The Company also sponsors an unfunded postretirement benefit plan that provides health care benefits and life insurance coverage to eligible U.S. retirees. Under the Company's current accounting method, both pension plans use fair value as the market-related value of plan assets and continue to recognize actuarial gains or losses within the corridor in other comprehensive income (loss) but instead of amortizing net actuarial gains or losses in excess of the corridor in future periods, such excess gains and losses, if any, are recognized in net periodic benefit cost as of the plan measurement date, which is the same as the fiscal year end of the Company. This mark-to-market (MTM adjustment) method is a permitted option which results in immediate recognition of excess net actuarial gains and losses in net periodic benefit cost instead of in other comprehensive income (loss). Such immediate recognition in net periodic benefit cost increases the volatility of net periodic benefit cost. The MTM adjustments to net periodic benefit cost for fiscal years 2022, 2021 and 2020 were $0.2 million, $0.2 million, and $16.9 million, respectively.

Income taxes: Deferred tax expense results from differences in the timing of certain transactions for financial reporting and tax purposes. Deferred taxes have not been recorded on approximately $83.8 million of undistributed earnings of foreign subsidiaries as of June 30, 2022 and the related unrealized translation adjustments because such amounts are considered permanently invested. In addition, it is possible that remittance taxes, if any, would be reduced by U.S. foreign tax credits to the extent available, after consideration of U.S. Tax Reform and the dividends received deduction. Valuation allowances are recognized if, based on the available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

Research and development: Research and development costs are expensed, primarily in selling, general and administrative expenses, and were as follows: $3.5 million in fiscal 2022, $3.0 million in fiscal 2021, and $3.8 million in fiscal 2020.

Earnings per share (EPS): Basic EPS is computed by dividing earnings (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution by securities that could share in the earnings. The Company had 211,220, 297,054, and 86,065, of potentially dilutive common shares in fiscal 2022, 2021 and 2020, respectively, resulting from shares issuable under its stock-based compensation plans. These additional shares are not used in the diluted EPS calculation in loss years.

Translation of foreign currencies: The assets and liabilities on the financial statements of our foreign subsidiaries where the local currency is in functional currency, are translated at exchange rates in effect on reporting dates. The income statement is translated at average exchange rates over the reporting month throughout the year.

As equity accounts in the Consolidated Financial Statements are translated at historical exchange rates, the resulting foreign currency translation adjustments "CTA" are recorded in other comprehensive income (loss).

Other foreign subsidiaries may also contain assets or liabilities denominated in a currency other than the prevailing functional currency. These translations are adjusted into the functional currency on a monthly basis, See Note 10 "Other Income and Expense" to the Consolidated Financial Statements.

Use of accounting estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. Judgments, assumptions and estimates are used for, but not limited to: the allowances for doubtful accounts receivable; inventory allowances; income tax valuation allowances, goodwill, uncertain tax positions and pension obligations. Amounts ultimately realized could differ from those estimates.

Recently Issued Accounting Standards:

In August 2018, the FASB issued ASU No. 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans." ASU 2018-14 removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and added additional disclosures. This ASU is effective for public companies for annual reporting periods and interim periods within those annual periods beginning after December 15, 2020, effective for the Company July 1, 2021. The amendments in ASU 2018-14 must be applied on a retrospective basis. The adoption of ASU 2018-14 does not have a material effect on the Company's consolidated financial statements.

In November 2019, FASB issued ASU 2019-10, which (1) provides a framework to stagger effective dates for future major accounting standards and (2) amends the effective dates of certain major new accounting standards. Of those standards affected the following is the only one not yet implemented by the Company. Financial Instruments Credit Losses ASU 2016-13 (ASC 326) and subsequent amendment to the guidance, ASU 2018-19 in November 2018. The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. The amendment will affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2018-19 clarifies that receivables arising from operating leases are accounted for using lease guidance and not as financial instruments. The amendments should be applied on either a prospective transition or modified-retrospective approach depending on the subtopic. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption was permitted for annual periods beginning after December 15, 2018, and interim periods therein. This pronouncement was extended for Small Reporting Companies and for the Company beginning July 1, 2022. The Company does not believe that ASU 2019-10 will have a material effect on its consolidated financial statements.

In March 2020, FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). The amendments in this Update are effective for all entities as of March 12, 2020 through December 31, 2022. The amendments in this Update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this Update apply to contract modifications that replace a reference rate affected by reference rate reform (including rates referenced in fallback provisions) and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The Company currently has no hedging type contracts or others tied to reference rates where this standard would have a material impact to the Company's accounting. There is no material impact to the Company's financials as a result of adopting this amendment regarding the HSBC loan agreement. The Company does not believe that ASU 2020-04 will have a material effect on its consolidated financial statements.

In December 2019, FASB issued ASU 2019-12, Income Taxes (Topic 740).

The amendments in this Update simplify the accounting for income taxes by doing the following:

a) Requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax. Requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction

b) Specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. However, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both

not subject to tax and disregarded by the taxing authority.

c) Requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date.

d) Making minor Codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 or July 1, 2021 for the Company. The adoption of ASU 2019-12 does not have a material effect on the Company's consolidated financial statements.

3. STOCK-BASED COMPENSATION

Long-Term Incentive Plan

On September 5, 2012, the Board of Directors adopted The L.S. Starrett Company 2012 Long Term Incentive Plan (the "2012 Stock Plan"). The 2012 Stock Plan was approved by shareholders on October 17, 2012 and the material terms of its performance goals were re-approved by shareholders at the Company's Annual Meeting held on October 18, 2017. There are no shares available under the 2012 Plan.

On September 1, 2021, the Board of Directors adopted The L.S. Starrett Company 2021 Long Term Incentive Plan (the "2021 Stock Plan"). The 2021 Stock Plan was approved by shareholders on October 13, 2021.

Both the 2012 and 2021 Stock Plan permits the granting of the following types of awards to officers, other employees and non-employee directors: stock options; restricted stock awards; unrestricted stock awards; stock appreciation rights; stock units including restricted stock units; performance awards; cash-based awards; and awards other than previously described that are convertible or otherwise based on stock. The 2021 and 2012 Stock Plans provide for the issuance of up to 500,000 shares in each plan of common stock.

Restricted stock units ("RSU") granted generally vest from one year to three years. Vested restricted stock units will be settled in Class A shares of common stock. As of June 30, 2022, there were no stock options and 163,807 restricted stock units outstanding. In addition, there were 474,401 shares available for grant under the 2021 Stock Incentive Plan as of June 30, 2022 and 10,477 were available for grant as of June 30, 2021.

There were no stock options granted during fiscal years 2022, 2021 or 2020.

There were no stock options outstanding as of June 30, 2022. There were no stock options exercisable as of June 30, 2022. In recognizing stock compensation expense for the 2012 and 2021 Stock Incentive Plan, management has estimated that there will be no forfeitures of options.

The Company accounts for RSU awards by recognizing the expense of the intrinsic value at the award date ratably over vesting periods generally ranging from one year to three years. The related expense is included in selling, general and administrative expenses. During the year ended June 30, 2022, the Company granted 80,500 RSU awards with fair values of $11.35 per RSU award, and there were 11,174 RSU's forfeited. During the year ended June 30, 2021, the Company granted 297,140 RSU awards with fair values of $3.36 per RSU award. During the year ended June 30, 2020, the Company granted 110,500 RSU awards with fair values of $5.34 per RSU award.

There were 133,995 and 102,670 RSU awards settled in fiscal years 2022 and 2021 respectively. The aggregate intrinsic value of RSU awards outstanding as of June 30, 2022 was $1.1 million. The aggregate intrinsic value of RSU awards outstanding as of June 30, 2021 was $2.4 million. Compensation expense related to the 2012 Stock Incentive Plan was $501,000, $675,000 and $345,000 for fiscal 2022, 2021 and 2020 respectively. As of June 30, 2022, there was $2.7 million of total unrecognized compensation costs related to outstanding stock-based compensation arrangements. Of this cost, $2.1 million relates to performance based RSU grants that are not expected to be awarded. The remaining $0.6 million is expected to be recognized over a weighted average period of 1.9 years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plans (ESPP) give eligible employees an opportunity to participate in the success of the Company. The Board of Directors renews each Employee Stock Purchase Plan every five years. Under these plans the purchase price of the optioned stock is 85% of the lower of the market price on the date the option is granted or the date it is exercised. Options become exercisable exactly two years from the date of grant and expire if not exercised on such date. The Board of Directors last approved an ESPP renewal in 2017. A summary of option activity is as follows:

	Shares on Options	Weighted Average Exercise Price	Shares Available for Grant
Balance, June 30, 2019	87,133		412,867
Options granted	86,946	3.63	(86,946)
Options exercised	(20,615)	3.52	—
Options canceled	(54,271)		54,271
Balance, June 30, 2020	99,193		380,192
Options granted	70,985	3.26	(70,985)
Options exercised	(16,196)	4.65	—
Options canceled	(36,022)		36,022
Balance, June 30, 2021	117,960		345,229
Options granted	26,614	7.94	(26,614)
Options exercised	(43,658)	3.18	—
Options canceled	(30,866)		30,866
Balance, June 30, 2022	70,050		349,481

The following information relates to outstanding options as of June 30, 2022:

Weighted average remaining life (years)		1.3
Weighted average fair value on grant date of options granted in:		
2020	$	1.63
2021		1.51
2022		4.00

The fair value of each option grant was estimated on the date of grant based on the Black-Scholes option pricing model with the following weighted average assumptions: expected stock volatility – 57.19% – 60.0%, risk free interest rate – 0.41%– 2.61%, expected dividend yield - 0% - 0% and expected lives - 2 years. Compensation expense of $0.1 million, $0.1 million and $0.1 million has been recorded for fiscal 2022, 2021 and 2020, respectively.

Employee Stock Ownership Plan

On February 5, 2013, the Board of Directors adopted The L.S. Starrett Company 2013 Employee Stock Ownership Plan (the "2013 ESOP"). The purpose of the plan is to supplement existing Company programs through an employer funded individual account plan dedicated to investment in common stock of the Company, thereby encouraging increased ownership of the Company while providing an additional source of retirement income. The plan is intended as an employee stock ownership plan within the meaning of Section 4975 (e) (7) of the Internal Revenue Code of 1986, as amended. U.S. employees who have completed a year of service as of December 31, 2012 are eligible to participate. There was no compensation expense for the ESOP in 2022, 2021 or 2020.

4. CASH

Cash held by foreign subsidiaries amounted to $7.2 million and $5.9 million at June 30, 2022 and June 30, 2021, respectively. Of the June 30, 2022 balance, $2.1 million in U.S. dollar equivalents was held in British Pounds Sterling and $3.6 million in

U.S. dollar equivalents was held in Brazilian Reals. Of the June 30, 2021 balance, $2.4 million in U.S. dollar equivalents was held in British Pounds Sterling and $0.9 million in U.S. dollar equivalents was held in Brazilian Reals. Cash is maintained at federally insured financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to cash balances. The Balance in excess of federally insured limits was approximately $5.0 million at June 30, 2022, and $1.0 million at June 30, 2021.

5. INVENTORIES

Inventories consist of the following (in thousands):

	6/30/2022	6/30/2021
Raw materials and supplies	$ 35,752	$ 29,271
Goods in process and finished parts	22,268	16,096
Finished goods	35,589	37,344
	93,609	82,711
LIFO reserve	(26,709)	(22,139)
	$ 66,900	$ 60,572

Of the Company’s $66.9 million and $60.6 million total inventory at June 30, 2022 and 2021, respectively, the $26.7 million and $22.1 million LIFO reserves belong to the U.S. Precision Tools and Saws Manufacturing “Core U.S.” business. The Core U.S. business had total Inventory, on a FIFO basis, of $39.3 million and $12.6 million on a LIFO basis as of June 30, 2022. The Core U.S. business total inventory was $27.8 million on a FIFO basis and $5.7 million on a LIFO basis at June 30, 2021. The use of LIFO, as compared to FIFO, resulted in a $4.6 million decrease in cost of sales for the goods sold in fiscal 2022 compared to a $2.4 million decrease in fiscal 2021.

6. GOODWILL AND INTANGIBLES

The Company's acquisition of Bytewise in 2011 and a private software company in 2017 resulted in the recognition of goodwill totaling $4.7 million. In fiscal year 2020 the Company recorded an impairment charge of $3.7 million. The balance of goodwill on the Consolidated Balance Sheets as of June 30, 2022 is $1.0 million.

Identifiable intangible assets consist of the following (in thousands):

	6/30/2022	06/30/2021
Trademarks and trade names	$ 2,070	$ 2,070
Completed technology	—	2,010
Customer relationships	630	630
Software development	11,269	10,244
Other intangible assets	—	—
Gross intangible assets	13,969	14,954
Accumulated amortization and impairment	(9,329)	(10,066)
Net intangible assets	$ 4,640	$ 4,888

Identifiable intangible assets are being amortized on a straight-line basis over the period of expected economic benefit. Amortization expense was $1.3 million, $1.2 million and $1.9 million for the year ended June 30, 2022, 2021 and 2020, respectively. The estimated aggregate amortization expense for each of the next five years, and thereafter, is as follows:

Fiscal Year	(In thousands)
2023	$ 1,358
2024	1,088
2025	928
2026	717
2027	389
Thereafter	160
	$ 4,640

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of June 30, 2022 and 2021 (in thousands):

	As of June 30, 2022		
	Cost	Accumulated Depreciation	Net
Land	$ 1,009	$ —	$ 1,009
Buildings and building improvements	29,424	(17,242)	12,182
Machinery and equipment	110,469	(86,544)	23,925
Total	$ 140,902	$ (103,786)	$ 37,116

	As of June 30, 2021		
	Cost	Accumulated Depreciation	Net
Land	$ 1,012	$ —	$ 1,012
Buildings and building improvements	29,599	(17,085)	12,514
Machinery and equipment	107,649	(85,183)	22,466
Total	$ 138,260	$ (102,268)	$ 35,992

Any finance leases as of June 30, 2022 and June 30, 2021 are de minimis. Depreciation expense was $5.3 million, $5.1 million and $5.2 million for the years ended June 30, 2022, 2021 and 2020, respectively.

8. LEASES

The Company adopted Accounting Standards Codification 842, Leases "ASC 842" on July 1, 2019. The Company has leased buildings, manufacturing equipment and autos that are classified as Right of Use assets "ROU" and operating lease liabilities beginning in fiscal 2020 in the Company's Consolidated Balance Sheets. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement.

The following tables shows the balance of ROU assets and lease liabilities for operating leases as of June 30, 2022.

	Right-of-Use Assets	Operating Lease Obligations	Remaining Cash Commitment
Operating leases	$ 5,540	$ 5,696	$ 6,838

The Company’s weighted average discount rate and remaining term on lease liabilities is approximately 9.0% and 4.2 years. As of June 30, 2022, the Company’s financing leases are de minimis. The foreign exchange impact affecting the operating leases are de minimis. The Company has other operating lease agreements with commitments of less than one year or that are not significant. The Company elected the practical expedient option and as such, these lease payments are expensed as incurred.

The Company entered into $3.0 million in operating lease commitments in the twelve months ended June 30, 2022. At June 30, 2022, the Company had the following fiscal year minimum operating lease commitments (in thousands):

	Operating Lease Commitments
2023	$ 1,896
2024	1,777
2025	1,264
2026	1,112
2027	693
Thereafter	96
Subtotal	$ 6,838
Imputed Interest	(1,142)
Total	$ 5,696

9. RESTRUCTURING COST

In March 2022, the Company adopted restructuring plans at a total estimated projected cost of $0.8 million related to the closure of its distribution and sales centers in Singapore and Japan. The cost to close the Singapore and Japan operations was projected to be comprised of $0.6 million in headcount reduction, $0.1 in fixed asset and lease disposal, and $0.1 million in professional fees. As of June 30, 2022 the Company completed $0.4 million in the closure of the distribution and sales centers. The Company estimates $0.3 million remaining related to the planned headcount, lease and fixed asset cost to be completed during the first quarter of fiscal 2023. These costs are located in the Consolidated Statements of Operations entitled restructuring charges. The Company anticipates an annualized savings reflected in the Consolidated Statements of Operations in Selling, General and Administrative expenses for this project of $0.6 million.

In fiscal year 2020 as a result of the pandemic, the Company invested in a strategic realignment focused on a lower cost structure long term, designed to maximize global factory utilization. The total restructuring planned was $5.2 million with $1.6 million in fiscal 2020 and $3.6 million in fiscal 2021. In fiscal 2020, $1.3 million was related to employee termination and $0.3 million was other. In fiscal 2021, $0.2 million in training and travel, $0.4 million in employee termination and retention and $3.0 million in other to include asset relocation. Total project cost was $3.8 million in International operations and $1.4 million in North America. In fiscal 2021, cost in North America were $1.0 million and $2.6 million in International operations. These costs are located in the Consolidated Statements of Operations entitled restructuring charges.

10. OTHER INCOME AND (EXPENSE)

Other income and expense consist of the following (in thousands):

	2022	2021	2020
Interest income	$ 504	$ 350	$ 90
Interest expense	(1,265)	(999)	(975)
Foreign currency (loss) gain, net	(301)	(1,151)	140
Brazil tax settlements	—	1,125	2,544
Sale of scrap material	205	261	100
Pension net periodic benefit cost (NPBC)	1,441	654	(16,753)
Other (expense) income , net	(620)	620	160
	$ (36)	$ 860	$ (14,694)

In fiscal 2022, other income was $0.0 million and $0.9 million fiscal 2021. The pension liability charge in fiscal 2020 of $16.8 million non-cash related to the marked-to-market accounting methodology drove other expense. Brazilian tax settlements of $1.1 million and $2.5 million in fiscal years 2021 and 2020, respectively, related to prior period over payments.

11. INCOME TAXES

Components of earnings (loss) before income taxes are as follows (in thousands):

	2022	2021	2020
Domestic operations	$ 7,619	$ 4,308	$ (24,450)
Foreign operations	13,900	13,118	4,453
	$ 21,519	$ 17,426	$ (19,997)

The provision for (benefit from) income taxes consists of the following (in thousands):

	2022	2021	2020
Current:			
Federal	$ (319)	$ 165	$ (19)
Foreign	5,478	4,686	3,633
State	33	45	30
Deferred:			
Federal	2,256	(1,843)	(1,514)
Foreign	(928)	(1,390)	53
State	121	230	(341)
	$ 6,641	$ 1,893	$ 1,842

Reconciliations of expected tax expense at the U.S. statutory rate to actual tax expense (benefit) are as follows (in thousands):

	2022	2021	2020
Expected tax expense (benefit)	$ 4,519	$ 3,660	$ (4,199)
State taxes, net of federal effect	321	171	(1,042)
Foreign taxes, net of federal credits	1,091	1,424	1,210
Change in valuation allowance	247	—	1,996
Tax reserve adjustments	127	(63)	1,946
Return to provision and other adjustments	323	165	372
Goodwill impairment	—	—	130
Tax rate change applied to deferred tax balances	43	(675)	54
Global intangible low taxed income	322	(2,622)	1,558
Other permanent items	(352)	(167)	(183)
Actual tax expense	$ 6,641	$ 1,893	$ 1,842

Beginning in fiscal 2019, the Company incorporated certain provisions of the Tax Cuts and Jobs Act (“the Act”) in the calculation of the tax provision and effective tax rate, including the provisions related to the Global Intangible Low Taxed Income (“GILTI”), Foreign Derived Intangible Income (“FDII”), Base Erosion Anti Abuse Tax (“BEAT”), as well as other provisions, which limit tax deductibility of expenses. Under the GILTI provisions, U.S. taxes are imposed on foreign income in excess of a deemed return on tangible assets of its foreign subsidiaries. The ability to benefit from a deduction and foreign tax credits against a portion of the GILTI income may be limited under the GILTI rules as a result of the utilization of net operating losses, foreign sourced income, and other potential limitations within the foreign tax credit calculation.

In July 2020, the IRS issued final regulations and additional proposed regulations that address the application of the high-taxed exclusion from GILTI. Under these regulations, the Company can make an annual election to exclude from its GILTI inclusion, income from its foreign subsidiaries that’s effective income tax rate exceeds 18.9% for that year. The regulations must be applied for tax years beginning after July 23, 2020 but companies have the option to apply retroactively for tax years beginning after December 31, 2017 and before July 23, 2020. In fiscal 2021 the Company recognized a tax benefit of $2.6 million related to the impact of electing to apply the high-tax exclusion retroactively for fiscal 2019 and fiscal 2020.

The tax rate of 30.9% on pre-tax income of $21.5 million in the year ended June 30, 2022 is higher than the U.S. statutory tax rate of 21% primarily due to the GILTI provisions and the jurisdictional mix of earnings, particularly Brazil with a statutory rate of 34%, offset by discrete tax benefits recognized from excess stock compensation deductions, tax credits, and permanent deductions generated from research expenses.

The tax rate of a benefit of 10.9% on pre-tax income of $17.4 million in the year ended June 30, 2021 is lower than the U.S. statutory rate primarily as a result of the tax benefit recognized for the retroactive application of the GILTI high-tax exclusion to fiscal 2019 and fiscal 2020 and the impact of the United Kingdom's statutory rate increase from 17% to 25% on the Company's net deferred tax asset, offset by the jurisdictional mix of earnings, particularly from Brazil with a statutory tax rate of 34%.

The tax rate of 9.2% on pre-tax losses of $20.0 million in the year ended June 30, 2020 is lower than the U.S. statutory rate primarily as a result of the GILTI provisions, non-deductible goodwill impairment, as well as changes in the jurisdictional mix of earnings, particularly Brazil with a statutory tax rate of 34%.The tax rate was also negatively impacted by the write-off of the long-term receivable previously established for competent authority relief for historic transfer pricing adjustments which the Company has determined is no longer feasible to pursue and an increase in the valuation allowance against foreign tax credits which the Company has determined are more likely than not to expire unutilized.

Net deferred tax assets at June 30, 2022 were $14.9 million. While these deferred tax assets reflect the tax effect of temporary differences between book and taxable income in all jurisdictions in which the Company has operations, the majority of the assets relate to U.S. operations. U.S. net deferred assets are $19.0 million with a valuation allowance of $8.5 million. The Company has considered the positive and negative evidence to determine the need for a valuation allowance offsetting the deferred tax assets in the U.S. and has concluded that a partial valuation allowance is required against foreign tax credit carryforwards due to the uncertainty of generating sufficient foreign source income to utilize those credits in the future and certain state net operating loss carryforward that will expire in the near future.

Key positive evidence considered include: a) domestic profitability in 2022 and 2021; b) cost saving plans are continuing to be reviewed and implemented by the Company; c) indefinite federal loss carryforward periods and d) forecasted domestic profits for future years. The negative evidence considered is that fiscal years 2020 showed domestic book and tax losses due to the impact of the COVID-19 pandemic and charges recorded in the fourth quarter.

In fiscal 2022, the valuation allowance increased by $0.2 million primarily due to state net operating losses that expired offset by a reserve against a UK deferred tax asset not expected to be realized. In fiscal 2021, the valuation allowance decreased by $0.1 million primarily due to foreign currency fluctuations.

Deferred income taxes at June 30, 2022 and 2021 are attributable to the following (in thousands):

	2022	2021
Inventories	$ 2,009	$ 936
Employee benefits (other than pension)	859	1,469
Operating lease liabilities	1,403	1,004
Book reserves	859	541
Federal NOL, various carryforward periods	2,440	5,004
State NOL, various carryforward periods	1,719	2,072
Foreign NOL, various carryforward periods	365	707
Foreign tax credit carryforward, expiring 2023 – 2028	7,316	7,329
Pension benefits	5,527	8,253
Retiree medical benefits	382	481
Depreciation	(336)	18
Intangibles	(272)	(91)
Right of use assets	(1,372)	(1,027)
Federal research and development and AMT credit carryforward	894	961
Contingency accruals	92	(1,275)
Other temporary taxable differences	(151)	(382)
Other temporary deductible differences	2,140	1,832
Total deferred tax assets	23,874	27,832
Valuation allowance	(8,950)	(8,759)
Net deferred tax asset	$ 14,924	$ 19,073

The Company is subject to U.S. federal income tax and various state, local and foreign income taxes in numerous jurisdictions. The Company's domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to the Company's interpretation of applicable tax laws in the jurisdictions in which it files.

Reconciliations of the beginning and ending amount of unrecognized tax benefits are as follows (in thousands):

Balance July 1, 2019	$ (10,939)
Increase for tax positions taken during the current period	(326)
Increase for tax positions taken during the prior period	(188)
Effect of exchange rate changes	299
Decrease relating to lapse of applicable statute of limitations	48
Balance June 30, 2020	(11,106)
Increase for tax positions taken during the current period	(494)
Decrease for tax positions taken during the prior period	386
Effect of exchange rate changes	(207)
Decrease relating to lapse of applicable statute of limitations	61
Balance June 30, 2021	(11,360)
Increase for tax positions taken during the current period	(66)
Increase for tax positions taken during the prior period	—
Effect of exchange rate changes	98
Decrease relating to lapse of applicable statute of limitations	40
Balance June 30, 2022	$ (11,288)

As of June 30, 2022, 2021 and 2020, the Company has unrecognized tax benefits of $11.3 million, $11.4 million, and $11.1 million, respectively, of which $7.8 million, $7.9 million and $7.7 million, respectively, would favorably impact the effective tax rate if recognized. The long-term tax obligations as of June 30, 2022, 2021 and 2020 relate primarily to transfer pricing adjustments.

The Company has identified uncertain tax positions at June 30, 2022 for which it is possible that the total amount of unrecognized tax benefits will decrease within the next twelve months by less than $0.2 million. The Company recognizes interest and penalties related to income tax matters in income tax expense and has booked ($0.1) million in fiscal 2022 for interest expense.

The Company's U.S. federal tax returns for years prior to fiscal 2019 are no longer subject to U.S. federal examination by the Internal Revenue Service; however, tax losses and credits carried forward from earlier years are still subject to review and adjustment. As of June 30, 2022, the Company has resolved all open income tax audits. In international jurisdictions, the years that may be examined vary by country. The Company's most significant foreign subsidiary in Brazil is subject to audit for the calendar years 2015 through 2021.

The federal tax loss carryforward of $11.6 million has an unlimited carryforward period. The state tax loss carryforwards tax effected of $1.6 million expires at various times in years 2023 through 2042 and $0.1 can be carried forward indefinitely. The state tax credit carryforwards of $0.4 million expires in the years 2023 through 2038 and $0.3 million can be carried forward indefinitely. The foreign tax credit carryforward of $7.3 million expires in the years 2023 through 2028. The research and development tax credit carryforward of $0.9 million expires in the years 2029 through 2042. The foreign tax loss carryforwards of $2.5 million can be carried forward indefinitely.

At June 30, 2022, the estimated amount of total unremitted earnings of foreign subsidiaries is $83.8 million. The foreign subsidiaries do not have the cash on hand to repatriate that amount. Meanwhile the Company has no plans to repatriate prior year earnings of its foreign subsidiaries and, accordingly, does not believe it is practicable to estimate the unrecognized deferred taxes related to these earnings as they are indefinitely reinvested. Cash held in foreign subsidiaries is not available for use in the U.S. without the likely U.S. federal and state income and withholding tax consequences.

12. EMPLOYEE BENEFIT AND RETIREMENT PLANS

The Company has two defined benefit pension plans, one for U.S. employees and another for U.K. employees, together referred to as the "Plans Combined". The U.K. plan was closed to new entrants in fiscal 2009. The Company has a postretirement medical and life insurance benefit plan for U.S. employees with a total benefit in fiscal 2022, 2021 and 2020 of $1.2 million, $0.5 million and $0.1 million. The Company also has defined contribution plans with a total cost in fiscal 2022, 2021 and 2020 of $1.6 million, $1.4 million and $1.6 million, respectively. The total Plans Combined cost for fiscal 2022, 2021 and 2020 was a benefit of $0.2 million and $0.1 million and a cost of $16.9 million, respectively. The Net Periodic Benefit Cost for the U.S. Retirement Plan decreased slightly and the U.K. plan increased slightly during the year.

On December 21, 2016, the Company amended the U.S. defined benefit pension plan to freeze benefit accruals effective December 31, 2016. Consequently, the plan is closed to new participants and current participants no longer earn additional benefits after December 31, 2016.

The Company amended its Postretirement Medical Plan effective December 31, 2013 whereby the Company terminated eligibility for employees ages 55-64. For retirees 65 and older, the Company's contribution is fixed at $28.50 or $23.00 per month depending upon the plan the retiree has chosen.

The year-end obligation for the Non-qualified Excess Plan improved $0.2 million during fiscal 2022 to $2.0 million as compared to $2.2 million in the prior year. The change was mostly due to an actuarial gain of $0.2 million. The Net Periodic Benefit Cost remained flat from the prior year.

The main drivers of the actuarial gains and losses are as follows:

The year-end obligation for the Non-qualified Excess Plan improved $0.2 million during fiscal 2022 to $2.0 million as compared to $2.2 million in the prior year, primarily due to the higher discount rate from 2.69% to 4.77%, offset by changes in demographic assumptions and other experience gains and losses.

The funded status for the U.K. Plan improved during the year by $3.9 million to an under-funded balance of $4.6 million as the plan experienced a liability gain due to increase in discount rate from 1.86% at June 30, 2021 to 3.82% at June 30, 2022.

The funded status of the Plans Combined went from underfunded amount of $37.4 million in fiscal 2021 to underfunded $23.7 million in fiscal 2022, an improvement of $13.7 million as the benefit obligation decreased by $38.3 million and the assets decreased by $24.6 million. This was due to the increase in discount rate from 2.69% to 4.77%, offset by asset losses during the year.

The Post Retirement Benefit Plan also improved during the year due to the higher discount rate. The Net Periodic Benefit Cost for the current year improved as compared to the prior year, due to a plan settlement "Settlement" occurred during fiscal 2021, in the U.S. Retirement Plan, as a result of the annuity purchased, which decreased both liabilities and assets. The plan was also amended during fiscal 2021 to the Postretirement Benefit Plan to eliminate Life Insurance coverage. There were no plan settlements in fiscal 2022.

A plan settlement "Settlement" occurred during fiscal 2021, in the U.S. Retirement Plan, as a result of the annuity purchased, which decreased both liabilities and assets. The plan was also amended during fiscal 2021 to the Postretirement Benefit Plan to eliminate Life Insurance coverage. There were no plan settlements in fiscal 2022.

Settlement

ASC 715-30-35 (subsections 79 to 83) describes the treatment of a pension settlement. A settlement is defined as: a transaction that (a) is an irrevocable action, (b) relieves the employer (or the plan) of primary responsibility for a pension benefit obligation, and (c) eliminates significant risks related to the obligation and the assets used to effect the settlement.

The Company purchased an annuity contract on behalf of participants in which an insurance company unconditionally undertook a legal obligation to provide specified benefits to specific individuals and is considered a settlement for GAAP purposes. As such, special settlement accounting is triggered requiring accelerated recognition of the unrecognized gain recorded in Other Income on the Consolidated Statement of Operations and in the Postretirement benefit and pension obligation on the Consolidated Balance Sheets. The settlement expense is recorded in the period of the purchase. Liabilities and assets were remeasured as of June 30, 2021 and the change as a result of the remeasurement in the asset and liability values as included in the existing unrecognized gain/loss. A fraction of the determined gain/loss was recognized immediately in Other Income on the Consolidated Statement of Operations, and was based on the ratio of the amount settled divided by the total liability.

The table below illustrates the funded status and unrecognized amounts before the remeasurement, after the remeasurement, as well as the effect of the settlement. These amounts are as of the remeasurement date of June 30, 2021, in thousands.

	Before remeasurement	Effect of remeasurement	After remeasurement	Effect of settlement	After settlement
Benefit obligation	$ 133,748	$ 75	$ 133,823	$ (11,411)	$ 122,412
Market value of assets	$ 107,259	$ —	$ 107,259	$ (11,411)	$ 95,848
Funded status	$ 26,489	$ 75	$ 26,564	$ —	$ 26,564
Unrecognized (gain)	$ 1,606	$ (75)	$ 1,531	$ (130)	$ 1,401
Prepaid / (Accrued)	$ 28,095	$ —	$ 28,095	$ (130)	$ 27,965

The total annuity purchase amount released from the plan assets was $11.4 million and a settlement credit of $0.1 million (based on 8.53% of liability settled) was included in the net periodic benefit cost for fiscal year ending June 30, 2021**.**

Plan amendment

With a plan amendment that results in a change in liability, liabilities are remeasured as of the effective date of the change and a new prior service cost/(credit) base was created equal to the amount of the change in liability. This prior service cost/(credit) was recognized in Other Comprehensive Income at the date of the amendment and amortized as a component of the net periodic benefit cost in future periods.

Effective February 1, 2021, the Company amended the Postretirement Benefit Plan to eliminate Life Insurance coverage for current and future retirees. This amendment resulted in a decrease in liability of $5.6 million and triggered a remeasurement of the net periodic benefit cost for fiscal 2021. This change is amortized over 5.96 years, which results in a credit of $0.9 million per year. However, only $0.4 million (5/12 of the annual amortization amount) is recognized in fiscal 2021 based on the effective date of the plan change. The total net periodic benefit cost for fiscal 2021 is based on 7/12 of the original expense, plus 5/12 of the remeasured expense (including the plan amendment). The table below summarizes the total net periodic benefit cost for the Post Retirement Benefit plan for fiscal 2021, in thousands:

	7/1/20 to 1/31/21 (before amendment)	2/1/21 to 6/30/21 (after amendment)	Total expense for fiscal 2021
Service cost	$ 50	$ 15	$ 65
Interest cost	$ 120	$ 21	$ 141
Amortization of prior service (credit)	$ (313)	$ (614)	$ (927)
Amortization of net (gain)	$ 97	$ 97	$ 194
Total expense	$ (46)	$ (481)	$ (527)
Measurement date	June 30, 2020	January 31, 2021	n/a
Discount rate	2.73 %	2.57 %	n/a

Under the Plans Combined, benefits are based on years of service and final average earnings. Plan assets consist primarily of investment grade debt obligations, marketable equity securities and shares of the Company's common stock. The asset allocation of the Company's domestic pension plan is diversified, consisting primarily of investments in equity and debt securities. The Company seeks a long-term investment return that is given reasonable prevailing capital market expectations.

Target allocations are 40% to 70% in equities (including 10% to 20% in Company stock), and 30% to 60% in cash and debt securities.

In fiscal 2023, the Company will use an expected long-term rate of return assumption of 4.8% for the U.S. domestic pension plan, and 3.8% for the U.K. plan. In determining these assumptions, the Company considers the historical returns and expectations for future returns for each asset class as well as the target asset allocation of the pension portfolio as a whole. In fiscal 2022 and 2021, the Company used a discount rate assumption of 4.8% and 2.7%, respectively for the U.S. plan and 3.8% and 1.9%, respectively for the U.K. plan. In determining these assumptions, the Company considers published third party data appropriate for the plans.

Other than the discount rate, pension valuation assumptions are generally long-term and not subject to short-term market fluctuations, although they may be adjusted as warranted by structural shifts in economic or demographic outlooks. Long-term assumptions are reviewed annually to ensure they do not produce results inconsistent with current market conditions. The discount rate is adjusted annually based on corporate investment grade (rated AA or better) bond yields, the maturities of which are correlated with the expected timing of future benefit payments, as of the measurement date.

As a result of the American Rescue Plan Act of 2021, the minimum required company contribution for the U.S. Plan in fiscal 2022 was reduced from $5.6 million to $0.6 million.   The Company contributed $2.5 million to the Plans Combined with $1.0 million in the U.K. and $1.5 million in the U.S.. Based upon the actuarial valuations performed on the Company's defined benefit plans as of June 30, 2022, the contribution for fiscal 2023 for the U.S. plans would require a contribution of $1.4 million and the U.K. plan would require $0.8 million. The Company feels that government regulation combined with the actuarial estimates are two important factors and continues to evaluate its contribution into the plans on an ongoing basis.

The table below sets forth the actual asset allocation for the assets within the Company's plans.

	2022	2021
Asset category:		
Cash equivalents	2%	2%
Fixed income	40%	28%
Equities	32%	39%
Mutual and pooled funds	26%	31%
	100%	100%

The Company determines its investments strategies based upon the composition of the beneficiaries in its defined benefit plans and the relative time horizons that those beneficiaries are projected to receive payouts from the plans. The Company engages an independent investment firm to manage the U.S. pension assets.

Cash equivalents are held in money market funds.

The Company's fixed income portfolio includes mutual funds that hold a combination of short-term, investment-grade fixed income securities and a diversified selection of investment-grade, fixed income securities, including corporate securities and U.S. government securities.

The Company invests in equity securities, which are diversified across a spectrum of value and growth in large, medium and small capitalization funds and companies, as appropriate to achieve the objective of a balanced portfolio, optimize the expected returns and minimize volatility in the various asset classes.

Other assets include pooled investment funds whose underlying assets consist primarily of property holdings as well as financial instruments designed to offset the long-term impact of inflation and interest rate fluctuations.

The Company has categorized its financial assets (including its pension plan assets), based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which the Company has the ability to access at the measurement date.
- Level 2 – Financial assets whose value are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.
- Level 3 – Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own view about the assumptions a market participant would use in pricing the asset.

The tables below show the portfolio by valuation category as of June 30, 2022 and June 30, 2021 (in thousands):

June 30, 2022					
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**%**
Cash Equivalents	$ 2,620	$ —	$ —	$ 2,620	2%
Fixed Income	—	44,562	—	44,562	40%
Equities	33,869	965	—	34,834	31%
Mutual & Pooled Funds	—	28,598	—	28,598	26%
Total	$ 36,489	$ 74,125	$ —	$ 110,614	100%

Included in equity securities at June 30, 2022 and 2021 are shares of the Company's common stock having a fair value of $3.8 million and $5.6 million, respectively.

June 30, 2021					
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**%**
Cash Equivalents	$ 2,457	$ —	$ —	$ 2,457	2%
Fixed Income	—	38,155	—	38,155	28%
Equities	51,095	1,887	—	52,982	39%
Mutual & Pooled Funds	1,703	39,895	—	41,598	31%
Total	$ 55,255	$ 79,937	$ —	$ 135,192	100%

U.S. and U.K. Plans Combined:

The status of these defined benefit plans is as follows (in thousands):

	2022	2021	2020
Change in benefit obligation			
Benefit obligation at beginning of year	$ 172,617	$ 184,190	$ 169,680
Interest cost	4,113	4,476	5,417
Plan Settlement	—	(11,411)	—
Exchange rate changes	(4,985)	5,238	(1,013)
Benefits paid	(6,941)	(9,019)	(7,203)
Actuarial (gain) loss	(30,501)	(857)	17,309
Benefit obligation at end of year	$ 134,303	$ 172,617	$ 184,190
Change in plan assets			
Fair value of plan assets at beginning of year	135,192	123,826	122,033
Actual return on plan assets	(15,941)	19,616	2,163
Employer contributions	2,517	7,999	7,687
Plan Settlement	—	(11,411)	—
Benefits paid	(6,941)	(9,019)	(7,203)
Exchange rate changes	(4,213)	4,181	(854)
Fair value of plan assets at end of year	110,614	135,192	123,826
Funded status at end of year	$ (23,689)	$ (37,425)	$ (60,364)
Amounts recognized in balance sheet			
Current liability	$ (1,157)	$ (1,556)	$ (373)
Non-current liability	(22,532)	(35,869)	(59,991)
Net amount recognized in balance sheet	$ (23,689)	$ (37,425)	$ (60,364)
Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive loss			
Accumulated loss	$ 6,883	$ (3,685)	$ (19,115)
Amounts not yet recognized as a component of net periodic benefit cost	6,883	(3,685)	(19,115)
Accumulated net periodic benefit cost in excess of contributions	(30,572)	(33,740)	(41,249)
Net amount recognized	$ (23,689)	$ (37,425)	$ (60,364)
Components of net periodic benefit cost			
Interest cost	$ 4,113	$ 4,476	$ 5,417
Expected return on plan assets	(4,378)	(4,457)	(5,193)
Settlement (gain) recognized	—	(130)	—
Recognized actuarial loss	57	53	16,753
Net periodic (benefit)cost	$ (208)	$ (58)	$ 16,977
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Net loss	$ (57)	$ (57)	$ (38)
Information for pension plans with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 134,303	$ 172,617	$ 184,190
Accumulated benefit obligation	$ 134,303	$ 172,617	$ 184,190
Fair value of assets	$ 110,614	$ 135,192	$ 123,826

U.S. Plan:

The status of the U.S. defined benefit plan is as follows (in thousands):

	2022	2021	2020
Change in benefit obligation			
Benefit obligation at beginning of year	$ 124,633	$ 138,131	$ 126,380
Interest cost	3,274	3,689	4,417
Plan Settlement	—	(11,411)	—
Benefits paid	(5,191)	(5,880)	(5,682)
Actuarial loss	(22,136)	104	13,016
Benefit obligation at end of year	$ 100,580	$ 124,633	$ 138,131
Weighted average assumptions – benefit obligation			
Discount rate	4.77%	2.69%	2.73%
Rate of compensation increase	n/a	n/a	n/a
Change in plan assets			
Fair value of plan assets at beginning of year	$ 95,848	$ 87,292	$ 85,150
Actual return on plan assets	(10,633)	18,864	1,071
Employer contributions	1,523	6,983	6,753
Plan Settlement	—	(11,411)	—
Benefits paid	(5,191)	(5,880)	(5,682)
Fair value of plan assets at end of year	81,547	95,848	87,292
Funded status at end of year	$ (19,033)	$ (28,785)	$ (50,839)
Amounts recognized in balance sheet			
Current liability	$ (1,157)	$ (1,556)	$ (373)
Noncurrent liability	(17,876)	(27,229)	(50,466)
Net amount recognized in balance sheet	$ (19,033)	$ (28,785)	$ (50,839)
Weighted average assumptions – net periodic benefit cost			
Discount rate	2.69%	2.73%	3.56%
Rate of compensation increase	Varies	Varies	Varies
Return on plan assets	3.56%	4.25%	5.00%
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss			
Income (loss)	$ 8,650	$ 464	$ (14,507)
Amounts not yet recognized as a component of net periodic benefit cost	8,650	464	(14,507)
Accumulated contributions less than net periodic benefit cost	(27,683)	(29,249)	(36,332)
Net amount recognized	$ (19,033)	$ (28,785)	$ (50,839)
Components of net periodic benefit cost			
Interest cost	$ 3,274	$ 3,689	$ 4,417
Expected return on plan assets	(3,374)	(3,712)	(4,249)
Settlement (gain) recognized	—	(130)	—
Recognized actuarial loss	57	53	14,883
Net periodic (benefit) cost	$ (43)	$ (100)	$ 15,051
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Net loss	(57)	(57)	(53)
Information for plan with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 100,580	$ 124,633	$ 138,131
Accumulated benefit obligation	$ 100,580	$ 124,633	$ 138,131
Fair value of assets	$ 81,547	$ 95,848	$ 87,292

U.K. Plan:

The status of the U.K. defined benefit plan is as follows (in thousands):

	2022	2021	2020
Change in benefit obligation			
Benefit obligation at beginning of year	$ 47,984	$ 46,059	$ 43,300
Interest cost	839	787	1,000
Exchange rate changes	(4,985)	5,238	(1,013)
Benefits paid	(1,750)	(3,139)	(1,521)
Actuarial (gain) loss	(8,365)	(961)	4,293
Benefit obligation at end of year	$ 33,723	$ 47,984	$ 46,059
Weighted average assumptions - benefit obligation			
Discount rate	3.82%	1.86%	1.59%
Rate of compensation increase	n/a	n/a	n/a
Change in plan assets			
Fair value of plan assets at beginning of year	$ 39,344	$ 36,534	$ 36,883
Actual return on plan assets	(5,308)	752	1,092
Employer contributions	994	1,016	934
Benefits paid	(1,750)	(3,139)	(1,521)
Exchange rate changes	(4,212)	4,181	(854)
Fair value of plan assets at end of year	29,068	39,344	36,534
Funded status at end of year	$ (4,655)	$ (8,640)	$ (9,525)
Amounts recognized in balance sheet			
Noncurrent liability	(4,655)	(8,640)	(9,525)
Net amount recognized in balance sheet	(4,655)	(8,640)	(9,525)
Weighted average assumptions – net periodic benefit cost			
Discount rate	1.86%	1.59%	2.39%
Rate of compensation increase	n/a	n/a	n/a
Return on plan assets	2.69%	1.88%	2.62%
Amounts not yet reflected in net periodic benefit costs and included in accumulated other comprehensive loss			
Accumulated loss	$ (1,766)	$ (4,149)	$ (4,608)
Amounts not yet recognized as a component of net periodic benefit cost	(1,766)	(4,149)	(4,608)
Accumulated net periodic benefit cost in excess of contributions	(2,889)	(4,491)	(4,917)
Net amount recognized	$ (4,655)	$ (8,640)	$ (9,525)
Components of net periodic benefit cost			
Interest cost	839	787	1,000
Expected return on plan assets	(1,004)	(745)	(944)
Amortization of net loss	—	—	1,870
Net periodic benefit cost	$ (165)	$ 42	$ 1,926
Information for plan with accumulated benefits in excess of plan assets			
Projected benefit obligation	$ 33,723	$ 47,984	$ 46,059
Accumulated benefit obligation	$ 33,723	$ 47,984	$ 46,059
Fair value of assets	$ 29,068	$ 39,344	$ 36,534

Postretirement Medical and Life Insurance Benefits:

The status of the U.S. postretirement medical and life insurance benefit plan is as follows (in thousands):

	2022	2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 1,890	$ 7,705	$ 6,930
Service cost	36	65	73
Interest cost	49	141	240
Plan amendments	—	(5,585)	—
Benefits paid	(95)	(206)	(329)
Actuarial (gain) loss	(366)	(230)	791
Benefit obligation at end of year	$ 1,514	$ 1,890	$ 7,705
Weighted average assumptions: benefit obligations			
Discount rate	4.77%	2.69%	2.73%
Rate of compensation increase	n/a	n/a	2.64%
Change in plan assets			
Employer contributions	95	206	329
Benefits paid, net of employee contributions	(95)	(206)	(329)
Fair value of plan assets at end of year	—	—	—
Amounts recognized in balance sheet			
Current postretirement benefit obligation	$ (108)	$ (107)	$ (358)
Non-current postretirement benefit obligation	(1,406)	(1,783)	(7,347)
Net amount recognized in balance sheet	$ (1,514)	$ (1,890)	$ (7,705)
Weighted average assumptions – net periodic benefit cost			
Discount rate	2.69%	2.73%	3.56%
Rate of compensation increase	n/a	n/a	2.64%
Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss			
Prior service credit	$ 5,424	$ 6,898	$ 2,240
Accumulated gain (loss)	(1,181)	(1,736)	(2,160)
Amounts not yet recognized as a component of net periodic benefit cost	4,243	5,162	80
Net periodic benefit cost in excess of accumulated contributions	(5,757)	(7,052)	(7,785)
Net amount recognized	$ (1,514)	$ (1,890)	$ (7,705)
Components of net periodic benefit cost			
Service cost	$ 36	$ 65	$ 73
Interest cost	49	141	240
Amortization of prior service credit	(1,474)	(927)	(537)
Amortization of accumulated loss	189	194	83
Net periodic benefit	$ (1,200)	$ (527)	$ (141)
Estimated amounts that will be amortized from accumulated other comprehensive loss over the next year			
Prior service credit	$ (1,474)	$ (1,474)	$ 537
Net loss	189	189	(166)
	$ (1,285)	$ (1,285)	$ 371

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (in thousands):

	1% Increase		
	2022	2021	2020
Effect on postretirement benefit obligation	$ 1	$ 1	$ 1

	1% Decrease		
	2022	2021	2020
Effect on postretirement benefit obligation	$ (1)	$ (1)	$ (1)

Future pension and other benefit payments are as follows (in thousands):

Fiscal Year	Pension	Other Benefits
2023	$ 9,158	$ 108
2024	8,295	108
2025	8,353	108
2026	8,462	109
2027	8,807	109
After	50,754	529
	$ 93,829	$ 1,071

13. DEBT

Debt is comprised of the following (in thousands):

	6/30/2022	6/30/2021
Short-term and current maturities		
Loan and Security Agreement (Line of Credit)	$ —	$ 9,153
Loan and Security Agreement (Term Loan)	1,495	1,509
Brazil Loans	5,052	5,297
	6,547	15,959
Long-term debt (net of current portion)		
Loan and Security Agreement (Term Loan)	10,252	6,010
Loan and Security Agreement (Line of Credit)	11,397	—
Brazil Loans	3,771	—
Debt Reacquisition Cost	(515)	—
	24,905	6,010
Total Debt	$ 31,452	$ 21,969

Future maturities of debt are as follows (in thousands):

Fiscal Year	
2023	$ 6,441
2024	4,588
2025	1,959
2026	1,388
2027	12,803
Thereafter	4,273
Total	$ 31,452

On April 29, 2022, the Company and certain of the Company's domestic subsidiaries entered into a new Loan and Security agreement with HSBC Bank USA. The Company incurred an increase in debt of $0.5 million as a result of debt reacquisition cost.

These new credit facilities replaced the Company's previous TD Bank credit facilities and are comprised of a $30 million revolving line of credit with a $10 million uncommitted accordion provision, a $12.1 million term loan and a $7 million Capital Expenditure draw down credit facility. The Facilities are secured by a valid first-priority security interest on substantially all existing and future assets of the Company and its domestic subsidiaries.

The interest rate on the new facilities is based on a grid which uses the percentage of the remaining availability of the revolving credit line to determine the floating margin to be added to the one month or three-month Secured Overnight Financing Rate, herein "SOFR". The initial rate for the first three months of the agreement is the one-month SOFR plus 1.60%. The new credit facilities mature on April 29, 2027.

Availability under the revolving line of credit is secured by and subject to a borrowing base comprised of eligible inventory and accounts receivable. The percentage of receivables included in the borrowing base is 90% for domestic investment grade and foreign insured accounts, 85% for domestic accounts that are neither investment grade nor insured, and 75% of foreign uninsured accounts. The percentage of inventory included in the borrowing base is the lower of 65% of the value of eligible inventory at cost or 85% of the net orderly liquidation value of eligible inventory at cost. The initial borrowing base is estimated at about $19 million. Receivables and inventory are reported monthly to HSBC and subject to an annual field exam and inventory appraisal by an independent auditor commissioned by the Bank. The Company believes that the agreement provides an initial borrowing base sufficient for current domestic working capital needs and flexibility to accommodate potential growth-related working capital needs.

Availability under the Term Loan facility was comprised of 70% of the fair market value of the Borrowers' eligible real estate, which included facilities located in Westlake, Ohio, and Waite Park, Minnesota and totaled $4.6 million; and 85% of the net orderly liquidation value of the Borrowers' machinery and equipment, capped at $7.5 million. The real estate portion of the Term facility is subject to a 12.5 year straight line amortization paid quarterly, and the machinery and equipment portion of the facility is subject to a 6.67 year straight line amortization, also paid quarterly. The term loan is subject to equal quarterly installments of $373,650, payable on the last day of each fiscal quarter.

The capital expenditure loan facility is available for the purchase of new machinery and equipment at 80% of the net invoice value of new machinery and equipment purchases, with a draw period of eighteen months past the closing date, with any amount outstanding under the facility subject to a 3.75% amortization rate per quarter.

The new credit facilities contain financial covenants with respect to a minimum fixed charge coverage ratio of 1.00, measured on a trailing twelve-month basis, for both the U.S. borrowing companies tested quarterly and the Consolidated L.S. Starrett Company tested semi-annually. The Loan and Security agreement also contains the customary affirmative and negative covenants, including limitations on indebtedness, liens, acquisitions, asset dispositions, fundamental corporate changes, excess pension contributions, and certain customary events of default. Upon the occurrence or continuation of an event of default, the Lender may terminate all commitments and facilities, and require the immediate payment of the entire unpaid principal balances, accrued interest, and all other obligations.

The TD Bank loan is now retired. Prior to the new agreement with HSBC, the Company's Amended and Restated Loan and Security Agreement of June 25, 2020, the "First Amendment" to this loan agreement was executed on September 17, 2020, which include, among other things, (i) pause testing of the Fixed Charge Coverage Ratio until September 30, 2021 and (ii) establishment of a new minimum cumulative EBITDA and minimum liquidity covenants in lieu thereof.

On December 31, 2019, the Company entered into the Tenth Amendment of its Loan and Security Agreement ("Tenth Amendment"). Under that revised agreement, the credit limit for the Revolving Loan was increased from $23.0 million to $25.0 million. In addition, the Company entered into a $10.0 million 5 years Term Loan with a fixed interest rate of 4.0%.

The Company's Brazilian subsidiary loans are backed by the entity's US dollar denominated export receivables were made with Brazilian Banks. As of June 30, 2022 the following table represents Brazil's outstanding debt (in thousands):

Lending Institution	Interest Rate	Beginning Date	Ending Date	Outstanding Balance
Brasil	2.10 %	August 2021	August 2022	$ 691
Itau	4.52 %	October 2021	September 2024	4,000
Santander	2.71 %	December 2021	July 2022	1,000
Bradesco	2.52 %	January 2022	January 2023	1,000
Itau	4.98 %	February 2022	February 2024	2,133
				$ 8,824

14. COMMON STOCK

Class B common stock is identical to Class A except that it has 10 votes per share, is generally nontransferable except to lineal descendants of stockholders, cannot receive more dividends than Class A, and can be converted to Class A at any time. Class A common stock is entitled to elect 25% of the directors to be elected at each meeting with the remaining 75% being elected by Class A and Class B voting together.

15. CONTINGENCIES AND COMMITMENTS

The Company is involved in certain legal matters which arise in the normal course of business and we believe it is not reasonably possible such matters would have a material adverse impact on the Company's financial condition, results of operations and cash flows.

While our purchase obligations are generally cancellable without penalty, certain vendors charge cancellation fees or minimum restocking charges based on the nature of the product or service. The Company's Brazilian subsidiary has been into a long-term, volume-based purchase agreement for electricity which expires in 2023. Under this agreement if the Company purchases more than minimum monthly amount of energy it pays the incremental purchase at market rates. If the Company does not use the monthly amount they sell it back at market rates. In the event we cancel we are subject to $0.6 million per year fee for the next two years until it expires. We expect to enter into a new contract beginning in 2024 with the same cancellation fee per year for the three year period.

16. CONCENTRATIONS OF CREDIT RISK

The Company does not have significant concentrations of credit risk as of June 30, 2022. Trade receivables are dispersed among a large number of retailers, distributors and industrial accounts in many countries, with none exceeding 10% of consolidated sales.

17. FINANCIAL INFORMATION BY SEGMENT & GEOGRAPHIC AREA

The Company offers its broad array of measuring and cutting products to the market through multiple channels of distribution throughout the world. The Company's products include precision tools, electronic gauges, gauge blocks, optical vision and laser measuring equipment, custom engineered granite solutions, tape measures, levels, chalk products, squares, band saw blades, hole saws, hacksaw blades, jig saw blades, reciprocating saw blades, M1® lubricant and precision ground flat stock. The Company reviews and manages its business geographically and has historically made decisions based on worldwide operations.

The North American segment's operations include all manufacturing and sales in the U.S., Canada and Mexico. The International segment's operations include all locations outside North America, primarily in Brazil, United Kingdom and China. The chief operating decision maker, who is the Company's CEO, reviews operations on a geographical basis and decisions about where to invest the Company's resources are made based on the current results and forecasts of operations in those geographies. Since the markets for the Company's products are sufficiently different in North America than they are in the rest of the world and in view of the significant impact that currency fluctuation plays outside the U.S. on the revenue of the Company, the Company's business review separates North America from operations outside North America. For this reason, the Company is reflecting two operating segments that align with management's review of operations and decisions to allocate resources.

Segment income is measured for internal reporting purposes by excluding corporate expenses, other income and expense including interest income and interest expense and income taxes. Corporate expenses consist primarily of executive compensation, certain professional fees, and costs associated with the Company's global headquarters. Goodwill and debt are unallocated. Financial results for each reportable segment are as follows (in thousands):

	Year Ended June 30, 2022			
	North America	International	Unallocated	Total
Sales[1]	$141,470	$112,231	$ —	$ 253,701
Restructuring (expense)	$ —	(431)	—	(431)
Operating income	$ 13,873	$ 15,435	$ (7,753)	21,555
Capital expenditures and software development	3,321	5,686	—	9,007
Depreciation and amortization	3,881	2,749	—	6,630
Current assets4	50,473	68,057	14,523	133,053
Long-lived assets5	30,264	21,312	14,925	66,501

	Year Ended June 30, 2021			
	North America	International	Unallocated	Total
Sales[2]	$ 119,619	$ 100,025	$ —	$ 219,644
Restructuring	(1,059)	(2,606)	—	(3,664)
Operating (loss) income	13,144	10,821	(7,399)	16,566
Capital expenditures and software development	3,017	2,690	—	5,707
Depreciation and amortization	4,126	2,166	—	6,292
Current assets[4]	39,512	70,611	9,105	119,228
Long-lived assets[5]	31,006	15,187	18,818	65,011

	Year Ended June 30, 2020			
	North America	International	Unallocated	Total
Sales[3]	$ 121,834	$ 79,617	$ —	$ 201,451
Goodwill and intangibles impairment	(6,496)	—	—	(6,496)
Restructuring	(341)	(1,239)	—	(1,580)
Operating income (loss)	(2,055)	3,841	(7,090)	(5,303)
Capital expenditures and software development	6,992	3,608	—	10,600
Depreciation and amortization	4,942	2,253	—	7,195
Current assets[4]	35,030	55,610	13,458	104,098
Long-lived assets[5]	34,354	13,213	21,018	68,585

1. Excludes $3,497 of North American segment intercompany sales to the International segment and $18,819 intercompany sales of the International segment to the North American segment.

2 Excludes $4,323 of North American segment intercompany sales to the International segment and $12,765 intercompany sales of the International segment to the North American segment.

3. Excludes $4,040 of North American segment intercompany sales to the International segment and $13,820 intercompany sales of the International segment to the North American segment.

4. Current assets primarily consist of accounts receivable, inventories and prepaid expenses. Assets not allocated to the segments include cash and cash equivalents.

5. Long lived assets consist of property, plant and equipment, net taxes receivable, deferred tax assets, net intangible assets & goodwill.

Geographic information about the Company’s sales and long-lived assets are as follows (in thousands):

Sales	**Year Ended June 30,**		
	2022	**2021**	**2020**
North America			
United States	$ 133,615	$ 111,935	$ 113,989
Canada & Mexico	7,855	7,684	7,845
	141,470	119,619	121,834
International			
Brazil	75,873	65,198	49,254
United Kingdom	20,331	19,783	18,869
China	7,840	7,746	6,048
Australia & New Zealand	8,187	7,298	5,446
	112,231	100,025	79,617
Total Sales	$ 253,701	$ 219,644	$ 201,451

Long-lived Assets	**Year Ended June 30,**		
	2022	**2021**	**2020**
North America			
United States	$ 30,202	$ 30,935	$ 34,264
Canada & Mexico	62	71	90
	30,264	31,006	34,354
International			
Brazil	15,359	10,796	8,050
United Kingdom	362	1,320	1,948
China	5,239	2,713	2,881
Australia & New Zealand	352	358	334
	21,312	15,187	13,213
Total Long-Lived Assets	$ 51,576	$ 46,193	$ 47,567

18. QUARTERLY FINANCIAL DATA (unaudited) (in thousands except per share data)

Quarter Ended	**Net Sales**	**Gross Margin**	**Earnings / (Loss) Before Income Taxes**	**Net Earnings / (Loss)**	**Basic Earnings / (Loss) Per Share**	**Diluted Earnings / (Loss) Per Share**
September 2020	$ 49,411	$ 15,572	$ 1,834	$ 4,116	$ 0.59	$ 0.57
December 2020	54,054	17,605	5,775	3,857	0.54	0.53
March 2021	54,944	18,149	4,513	3,017	0.42	0.41
June 2021	61,235	22,016	5,304	4,543	0.65	0.60
	$ 219,644	$ 73,342	$ 17,426	$ 15,533	$ 2.20	$ 2.11
September 2021	$ 61,514	$ 20,145	$ 4,359	$ 3,232	$ 0.45	$ 0.44
December 2021	61,318	18,950	3,539	2,528	0.35	0.34
March 2022	60,479	21,020	6,058	4,284	0.59	0.57
June 2022	70,390	24,131	7,563	4,834	0.67	0.65
	$ 253,701	$ 84,246	$ 21,519	$ 14,878	$ 2.06	$ 2.00

Operating income in the June quarter of fiscal 2022 was $7.6 million, and for fiscal year 2021 was $3.7 million.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A - Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, we carried out an evaluation, with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date in ensuring that information required to be filed in this annual report was recorded, processed, summarized and reported within the time period required by the rules and regulations of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There have been no changes in internal control over financial reporting during the fourth quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and acquisitions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- Provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2022. Management based this assessment on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of the Board of Directors.

Based on our assessment, management concluded that as of June 30, 2022 our internal control over financial reporting was effective based on those criteria.

Item 9B - Other Information

The Company is filing its fiscal 2022 10-K as a smaller reporting company. A smaller reporting company is not required to perform Sarbanes Oxley testing of Internal Controls over Financial Reporting.

Item 9C - Disclosure Regarding Foreign Jurisdictions that Prevent Inspection

Not applicable.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

The information concerning the Directors of the Registrant will be contained immediately under the heading "Election of Directors" and prior to Section A of Part I in the Company's definitive Proxy Statement for the Annual Meeting of Stockholders.

Code of Ethics

The Company has adopted a Policy on Business Conduct and Ethics (the "Ethics Policy") applicable to all directors, officers and employees of the Company. The Code is intended to promote honest and ethical conduct, full and accurate reporting, and compliance with laws as well as other matters. The Ethics Policy is available on the Company's website at www.starrett.com. Stockholders may also obtain free of charge a printed copy of the Ethics Policy by writing to the Clerk of the Company at The L.S. Starrett Company, 121 Crescent Street, Athol, MA 01331. We intend to disclose any future amendments to, or waivers from, the Ethics Policy within four business days of the waiver or amendment through a website posting or by filing a Current Report on Form 8-K with the Securities and Exchange Commission.

Item 11 - Executive Compensation

The information concerning management remuneration will be contained under the heading "General Information Relating to the Board of Directors and Its Committees," and in Sections C-H of Part I of the Company's 2022 Proxy Statement, and is hereby incorporated by reference.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) The following table gives information about the Company's common stock that may be issued upon the exercise of options, warrants and rights under the Company's 2017 Employees' Stock Purchase Plan ("2017 Plan") as of June 30, 2022. The 2017 Plan was approved by stockholders at the Company's 2017 annual meeting and shares of Class A or Class B common stock may be issued under the 2017 Plan. Options are not issued under the Company's Employees' Stock Purchase Plan that was adopted in 1952.

Plan Category	Number of Securities to be issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compen-sation Plans (Ex-cluding Securities Reflected in
Equity compensation plans approved by security holders	70,050	4.9	349,481
Equity compensation plans not approved by security holders	—	—	—
Total	70,050	4.9	349,481

(b) Security ownership of certain beneficial owners:

The information concerning a more than 5% holder of any class of the Company's voting shares will be contained under the heading "Security Ownership of Certain Beneficial Owners" in Section I of Part I of the Company's 2022 Proxy Statement, and is hereby incorporated by reference.

(c) Security ownership of directors and officers:

The information concerning the beneficial ownership of each class of equity securities by all directors, and all directors and officers of the Company as a group, will be contained under the heading "Security Ownership of Directors and Officers" in Section I of Part I in the Company's 2022 Proxy Statement. These portions of the 2022 Proxy Statement are hereby incorporated by reference.

(d) The Company knows of no arrangements that may, at a subsequent date, result in a change in control of the Company.

Item 13 - Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 will be contained in the Company's 2022 Proxy Statement, and is hereby incorporated by reference.

Item 14 - Principal Accountant Fees and Services

The information required by this Item 14 will be contained in the Audit Fee table in Section B of Part I in the Company's 2022 Proxy Statement. These portions of the Proxy Statement are hereby incorporated by reference.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

1. Financial statements filed in Item 8 of this annual report:

Consolidated Balance Sheets at June 30, 2022 and June 30, 2021

Consolidated Statements of Operations for each of the years in the three-year period ended June 30, 2022.

Consolidated Statements of Comprehensive Income (Loss) for each of the years in the three-year period ended June 30, 2022.

Consolidated Statements of Stockholders' Equity for each of the years in the three-year period ended June 30, 2022.

Consolidated Statements of Cash Flows for each of the years in the three-year period ended June 30, 2022.

Notes to Consolidated Financial Statements

2. The following consolidated financial statement schedule of the Company included in this annual report on Form 10-K is filed herewith pursuant to Item 15(c) and appears immediately before the Exhibit Index:

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Schedule II

Valuation and Qualifying Accounts
Allowance for Doubtful Accounts Receivable

(in 000)	Balance at Beginning of Period	Provisions	Charges to Other Accounts	Write-offs	Balance at End of Period
Year Ended June 30, 2022	$ 666	$ 152	$ (27)	$ 5	$ 796
Year Ended June 30, 2021	$ 736	$ 52	$ (63)	$ (59)	$ 666
Year Ended June 30, 2020	$ 685	$ 244	$ (155)	$ (38)	$ 736

Valuation Allowance on Deferred Tax Asset

(in 000)	Balance at Beginning of Period	Provisions	Charges to Other Accounts	Write-offs	Balance at End of Period
Year Ended June 30, 2022	$ 8,759	$ 191	$ —	$ —	$ 8,950
Year Ended June 30, 2021	8,811	(52)	0	0	8,759
Year Ended June 30, 2020	$ 6,743	$ 2,068	$ —	$ —	$ 8,811

All other financial statement schedules are omitted because they are inapplicable, not required under the instructions, or the information is reflected in the financial statements or notes thereto.

3. See Exhibit Index below. Compensatory plans or arrangements are identified by an "*".

(b) See Exhibit Index below.

(c) Not applicable.

Item 16 – Form 10-K Summary

None

THE L.S. STARRETT COMPANY AND SUBSIDIARIES - EXHIBIT INDEX

Exhibits

3a Restated Articles of Organization as amended, filed with Form 10-K for the year ended June 30, 2012 filed September 12, 2012, is hereby incorporated by reference.

3b Amended and Restated Bylaws, filed with Form 10-Q for the quarter ended December 31, 2012 filed February 7, 2013, is hereby incorporated by reference.

4a	Rights Agreement dated as of November 2, 2010 between the Company and Mellon Investor Services LLC, as Rights Agent (together with exhibits, including the Form of Rights Certificate, and the Summary of Rights to Purchase Shares of Class A Common Stock), filed with Form 10-Q for the quarter ended September 25, 2010, filed November 4, 2010 is hereby incorporated by reference.
4b	Amendment No. 1 to Rights Agreement dated as of February 5, 2013 by and between the Company and Computershare Shareowner Services LLC, filed with Form 10-Q for the quarter ended December 31, 2012, filed February 7, 2013 is hereby incorporated by reference.
10a	Form of indemnification agreement with directors and executive officers, filed with Form 10-K for the year ended June 29, 2002, is hereby incorporated by reference.
10c*	The L.S. Starrett Company 401(k) Stock Savings Plan (2001 Restatement), filed with Form 10-K for the year ended June 29, 2002 is hereby incorporated by reference.
10d*	The L.S. Starrett Company Employee Stock Ownership Plan and Trust Agreement, as amended, filed with Form 10-K for the year ended June 30, 2012, filed September 12, 2012 is hereby incorporated by reference.
10e*	Amendment dated April 1, 2003 to the Company's 401(k) Stock Savings Plan, filed with Form 10-K for the year ended June 28, 2003, is hereby incorporated by reference.
10f*	Amendment dated October 20, 2003 to the Company's 401(k) Stock Savings Plan, filed with Form 10-Q for the quarter ended September 27, 2003, is hereby incorporated by reference.
10g*	Change in Control Agreement, dated January 16, 2009, between the Company and Douglas A. Starrett, filed with Form 10-Q for the quarter ended December 27, 2008, is hereby incorporated by reference.
10h*	Change in Control Agreement, dated January 1, 2020, between the Company and Emerson T. Leme filed as Exhibit 10h with the Annual Report on Form 10-K filed within.
10i*	Change in Control Agreement, dated January 1, 2020, between the Company and John C. Tripp, filed as Exhibit 10i with the Annual Report on Form 10-K filed within.
10j*	The L. S. Starrett Company 2013 Employee Stock Ownership Plan and Trust Agreement, filed with Form 10-Q for the quarter ended March 31, 2013, filed May 10, 2013 is hereby incorporated by reference.
10k*	First Amendment to The L. S. Starrett Company 2013 Employee Stock Ownership Plan and Trust Agreement, dated December 31, 2013, filed January 30, 2014 is hereby incorporated by reference.
10l*	The L.S. Starrett Company 2012 Employees' Stock Purchase Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-184934) filed on November 14, 2012, is hereby incorporated by reference.
10m*	The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-184934) filed on November 14, 2012, is hereby incorporated by reference.
10n*	Form of Non-Statutory Stock Option Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10o*	Form of Director Non-Statutory Stock Option Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10p*	Form of Restricted Stock Unit Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10q*	Form of Director Restricted Stock Unit Agreement under The L.S. Starrett Company 2012 Long-Term Incentive Plan, filed with Form 10-Q for the quarter ended December 31, 2012, is hereby incorporated by reference.
10r*	The L.S. Starrett Company 2017 Employees' Stock Purchase Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-221598) filed on November 16, 2017, is hereby incorporated by reference.

10s	The Amended and Restated Loan and Security Agreement dated June 25, 2020 by and among The L.S. Starrett Company, Tru-Stone Technologies, Inc. Starrett Kinemetric Engineering, Inc. and Starrett Bytewise Development, Inc. and TD Bank, N.A., filed as Exhibit 10.1 with Current Report on Form 8-K (File No. 001-00367) filed on July 1, 2020, is hereby incorporated by reference.
10t	First Amendment to The Amended and Restated Loan and Security Agreement dated June 25, 2020 by and among The L.S. Starrett Company, Tru-Stone Technologies, Inc. Starrett Kinemetric Engineering, Inc. and Starrett Bytewise Development, Inc. and TD Bank, N.A., filed as Exhibit 10t with the Annual Report on Form 10-K (File
10u	The L.S. Starrett Company 2021 Long-Term Incentive Plan, filed with the Company's Registration Statement on Form S-8 (File No. 333-261846) filed on December 22, 2021, is hereby incorporated by reference.
10v	The Loan and Security Agreement dated April 29, 2022 by and among the L.S. Starrett Company, Tru-Stone Technologies, Inc., Starrett Kinemetric Engineering, Inc. and Starrett Bytewise Development, Inc. and HSBC Bank USA, National Association filed as exhibit 10.1 with Current Report on Form 8-K (file No. 001-00367) filed on April 29, 2022 is hereby incorporated by reference.
21	Subsidiaries of the L.S. Starrett Company, filed as Exhibit 21 with the Annual Report on Form 10-K (File No. 001-00367) filed on September 2, 2021 is hereby incorporated by reference.
23	Consent of Independent Registered Public Accounting Firm, filed herewith.
31a	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a), filed herewith.
31b	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a), filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), filed herewith.
101	The following materials from The L. S. Starrett Company Annual Report on Form 10-K for the year ended June 30, 2020 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (I) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Stockholders' Equity (v) the Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements, tagged as blocks of text
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Exhibit is a management contract or compensatory plan, contract or arrangement required to be filed as an exhibit to this report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE L.S. STARRETT COMPANY
(Registrant)

By: /S/John C. Tripp

John C. Tripp
Treasurer and Chief Financial Officer
(Principal Accounting Officer)

Date: August 25, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/S/DOUGLAS A. STARRETT

Douglas A. Starrett, August 25, 2022
President and CEO and Director (Principal Executive Officer)

/S/THOMAS J. RIORDAN

Thomas J. Riordan, August 25, 2022
Director

By: /S/ JOHN C. TRIPP

John C. Tripp, August 25, 2022
Treasurer and Chief Financial Officer (Principal Accounting Officer)

/S/SCOTT W. SPROULE

Scott W. Sproule, August 25, 2022
Director

/S/DEBORAH R GORDON

Deborah R. Gordon, August 25, 2022
Director

/S/CHRISTOPHER C. GAHAGAN

Christopher C. Gahagan, August 25, 2022
Director

BOARD OF DIRECTORS

CHARLES J. ALPUCHE

Executive Vice President and Chief Operating Officer of Insulet Corporation since February 2019. Since 2016, served as Executive Vice President and Senior Vice President in several operational leadership roles for Insulet. Prior to that, from 2012 – 2016, served as an independent consultant for both domestic and international companies in the food, beverage and chemical industries. Previously, spent thirty years at PepsiCo in leadership roles of increasing responsibility overseeing domestic and international plant operations.

RUSSELL D. CARREKER

Managing Partner of C3 Investment Properties, a commercial real estate investment company. From 2012-2015, President of Starrett-Bytewise, a technology company that designs and manufactures laser measurement systems, and from 1995 to 2012, CEO of Bytewise Measurement Systems.

CHRISTOPHER C. GAHAGAN

From 2018-2019, Mr. Gahagan and his wife are Co-Founders of a Non-Profit Foundation whose mission is dedicated to expanding STEM and career opportunities for underserved populations. From 2015-2017, President and CEO of Symbotic LLC, an early stage company focused on automation technology for the warehouse and distribution industry. From 2009-2015, Senior Vice President of Avid Technologies. a technology company that develops hardware and software for digital media.

DEBORAH R. GORDON

Since January 2015, Insulet Corporation's Vice President, Investor Relations, a Nasdaq-listed company. From 2015 to 2020, also served as Vice President, Corporate Communications. From 2005 through 2014, served in a number of roles of increasing responsibility at Hologic, Inc. and Cytyc Corporation (which merged with Hologic in October 2007; both Nasdaq-listed companies), notably Vice President, Investor Relations and Corporate Communications and prior as Assistant Corporate Controller and Director of SEC Reporting and Technical Accounting. From 1993 to 2005, served in the audit practice at Deloitte & Touch LLP, Boston, MA. Ms. Gordon is a certified public accountant.

THOMAS J. RIORDAN

From 2011 until retirement in 2019, President and CEO of Neenah Enterprises, Inc., a designer and manufacturer of castings and forgings. From 2007-2011, President and Chief Operating Officer of Terex Corporation, a NYSE-listed global construction company.

SCOTT W. SPROULE

Retired Chief Financial Officer and Treasurer of SPX Corporation ("SPX"), and NYSE listed multi-industrial company, from 2015-2020. He held a variety of other leadership positions at SPX from 2005-2015. Prior to joining SPX Mr. Sproule worked at Corning, Incorporated, Eastman Kodak Company and PricewaterhouseCoopers.

DOUGLAS A. STARRETT

President and Chief Executive Officer

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President and Chief Executive Officer

EMERSON T. LEME

Vice President Industrial Products North America

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THE L.S. STARRETT COMPANY

121 Crescent Street
Athol, MA 01331-1915
978-249-3551

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services
PO Box 505000
Louisville, KY 40233-5000
Toll Free: 800-522-6645
International Stockholders 781-575-2879
www.computershare.com/investor

COUNSEL

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199-3600

AUDITORS

Grant Thornton LLP
75 State Street
13th Floor
Boston, MA 02109-1827

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