

ESG Briefing

- Human Capital Management and Health & Productivity Management -

This is a translation of [Japanese material](#).
If Japanese and English differ, Japanese takes precedence.

SATO Holding Corporation
Securities Code: 6287.T

Health & productivity management
Human capital management

Overseas initiatives

Domestic initiatives

Naomi Maze

SATO Holdings Corporation
Executive Officer
Global Human Resources Officer
Chief Wellness Officer (CWO)



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Global Human Resources Dept.
General Manager



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SATO Holdings Corporation
Human Resources Dept.
General Manager



Health & productivity management
Human capital management

**Overseas
initiatives**

**Domestic
initiatives**

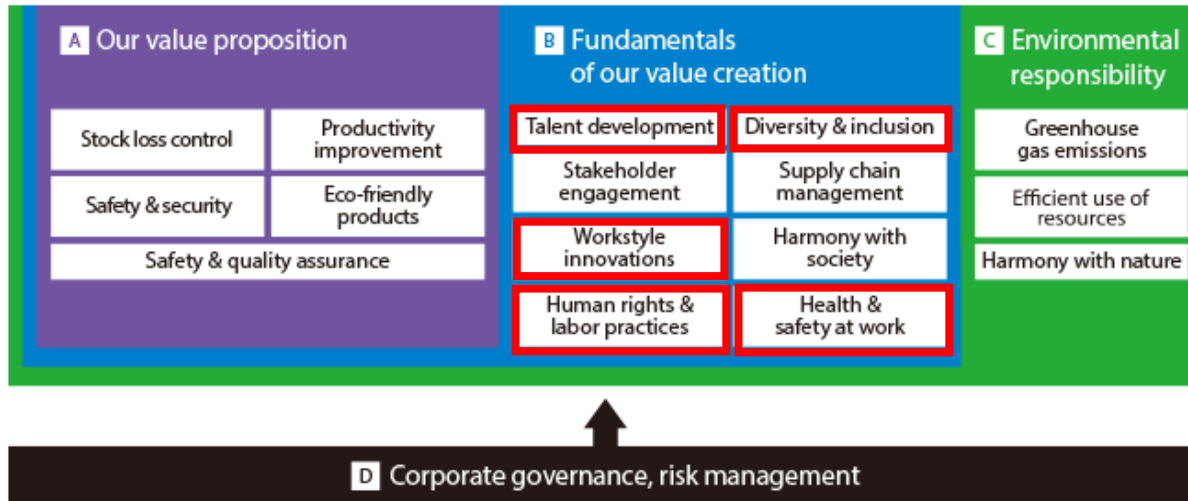
Global Human Resources Officer

- Achieve a state where appropriate HR policies and measures are being developed, as a “Prime market company” on the Tokyo Stock Exchange market as well as a global company.
(It is necessary to respond to the situation where investors are demanding more human capital-related information disclosure.)
- Create the “right person in the right place” globally in the future and contribute to the sustainable growth of the SATO Group's business, by continuing to provide an environment (organizational culture and HR measures) in which SATO Group employees can play an active role as professionals in each field and experience engagement with SATO.

Chief Wellness Officer (CWO)

- Create a corporate culture that puts employee health first, and strategically address health management and health promotion, Considering the health of employees from a managerial point of view.
- Promote the environment where diverse human resources can play an active and rewarding role globally, in cooperation with group companies around the world aligning with HR policies and measures

Working to increase wellness and human capital as a foundation for creating value for society and customers



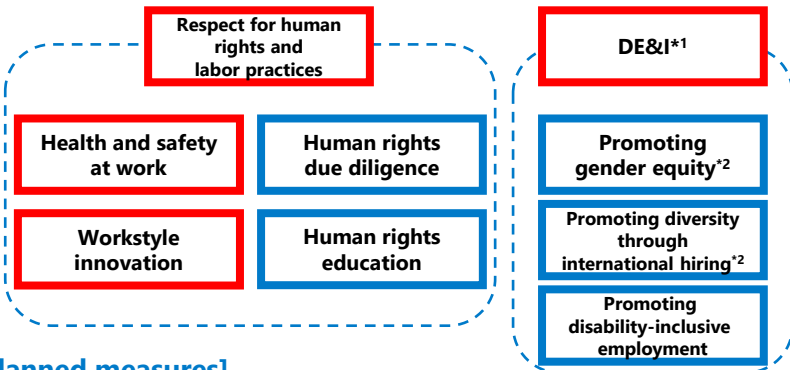
- A** What we aim to offer through our core business to help customers cope with societal challenges
- B** What we undertake internally/externally to enable the continuous creation of customer value
- C** What we do to protect the global environment where we live and do business
- D** Underlying foundation

Related to today's theme

From FY25 onward, we will focus on “respecting human rights” and “enhancing employee engagement.”

Respect for human rights

While respecting the fundamental rights inherent to all individuals, we will leverage diverse human capital and ideas to drive our business activities.

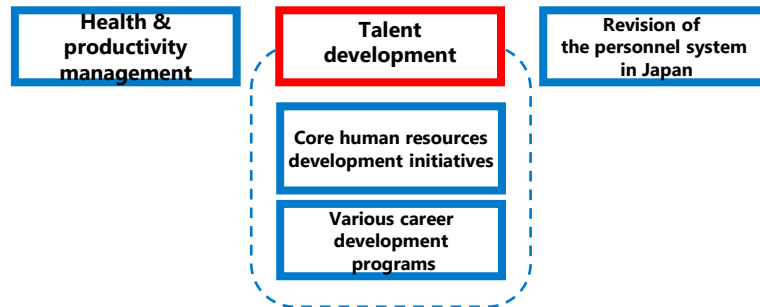


[Planned measures]

- Promotion of human rights due diligence over the medium to long term
- Diversity promotion activities by the DE&I Dept and the HR Development Committee

Maintain/improve employee engagement

In pursuit of SATO's vision, we aim to contribute to a sustainable society and create a work environment where “individuals” who embody “Ceaseless Creativity” can thrive.



[Planned measures]

- Various measures by the Engagement Improvement Subcommittee of the HR Development Committee
- Continue to implement health & productivity management measures



*1 Diversity, Equity, and Inclusion
*2 Reflecting local context in Japan

Material issues

Important measures



**We give every 'thing' its own ID so it connects with the world
with "Perfect and Unique Tagging"**

**FY30
Consolidated
management
targets**

Consol. sales: JPY 200B
Consol. OI: 21B, 10.5%
ROIC: 10% or more

Enhance our management infrastructure to remain essential to society.

Strategies

Improve business management

- Enhance and refine profit management strategies
- Enhance governance for more autonomous operation of overseas subsidiaries

Enhance capital efficiency

- Practice cash flow-based management
- Make strategic investments considering capital costs

Promote sustainability

- Reduce greenhouse gas emissions to meet the long-term target
- Promote CSR procurement
- **Enhance human capital**
- Strengthen corporate governance

Initiatives

- Improve performance management methods and ensure KPI-based management.
 - Implement profit-based performance evaluation (Sales and product divisions).
 - Delegate authority to overseas subsidiaries and station business management personnel.
-
- Implement a capital management strategy that balances cash inflows and outflows.
 - Improve headquarters' supervision of capital management.
 - Regularly assess capital costs, make investment decisions accordingly and monitor outcomes.
-
- Reduce GHG emissions.
 - Enhance the CSR procurement framework and collaborate with suppliers for its promotion.
 - **Discuss changes to HR systems to align them with the overall strategy. Develop HR management strategy and set/track KPIs.**
 - Enhance corporate governance practices.

Health & productivity management
Human capital management

**Overseas
initiatives**

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[Health & Productivity Management declaration] October 1, 2015

We are keenly aware that employees are our source to creating value for our customers. We are committed to fostering a culture that places employee wellness first, and building a workplace that makes employees happy and satisfied. We aim to heighten our productivity and creativity for sustainable growth by strategically managing and promoting employees' health and welfare at the company management level.

Successive CWOs engaged in "Health & Productivity Management"

FY15-18



Konuma

FY19-22



Sasahara

FY23-



Maze



Awards and recognition

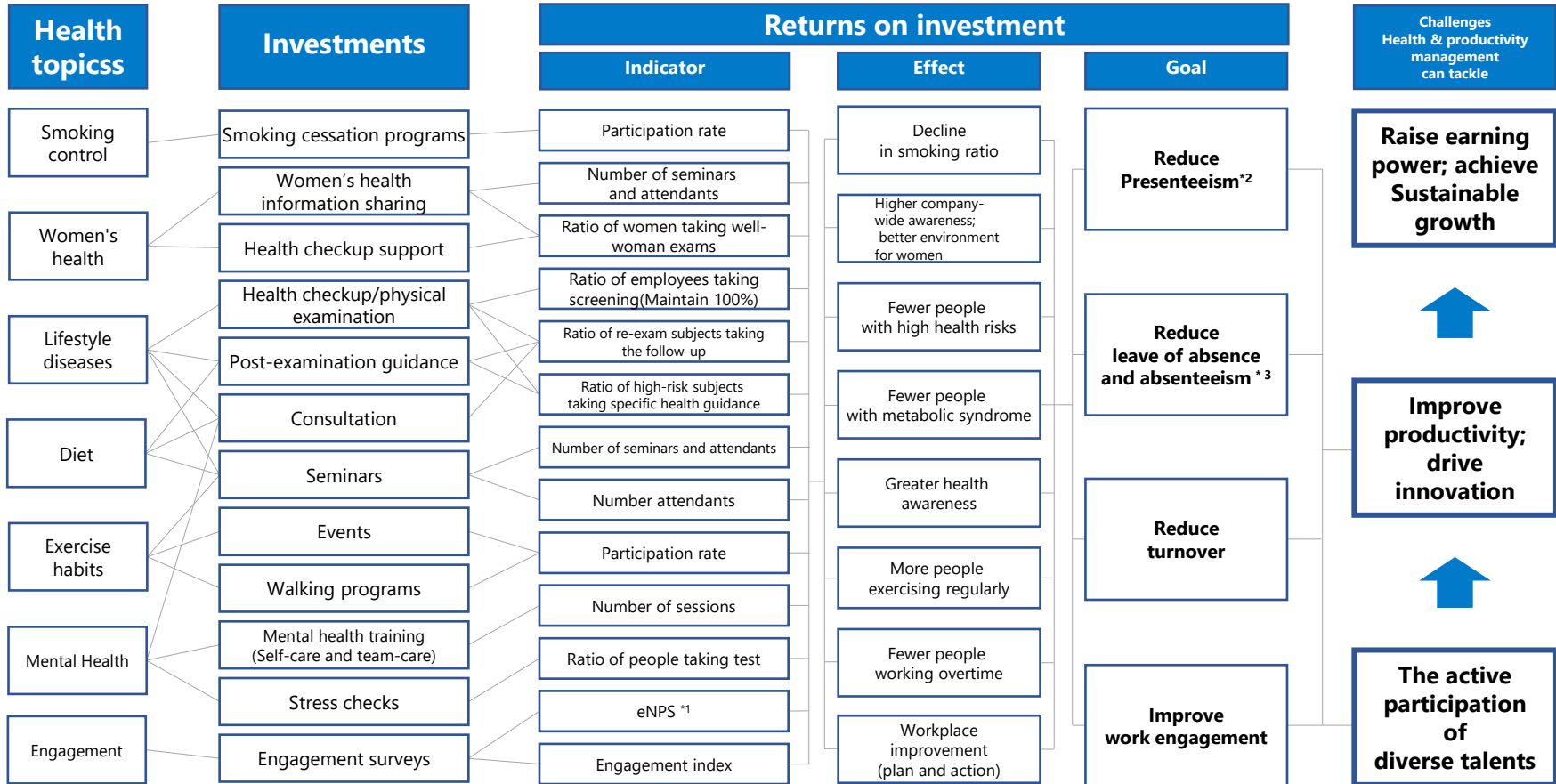


2025
健康経営優良法人
KENKO Investment for Health
大規模法人部門

Certified as a 2025 Certified health and productivity management outstanding organization by Japan's Ministry of economy, trade and industry (METI) and The Nippon kenko kaigi

This is the ninth consecutive year since 2017.
(Selected as The Health & Productivity Stock Selection once)





* 1 A numerical indicator of how much an employee wants to recommend his or her own workplace to acquaintances and friends.

* 2 A state in which you are working but your productivity is declining due to health problems.

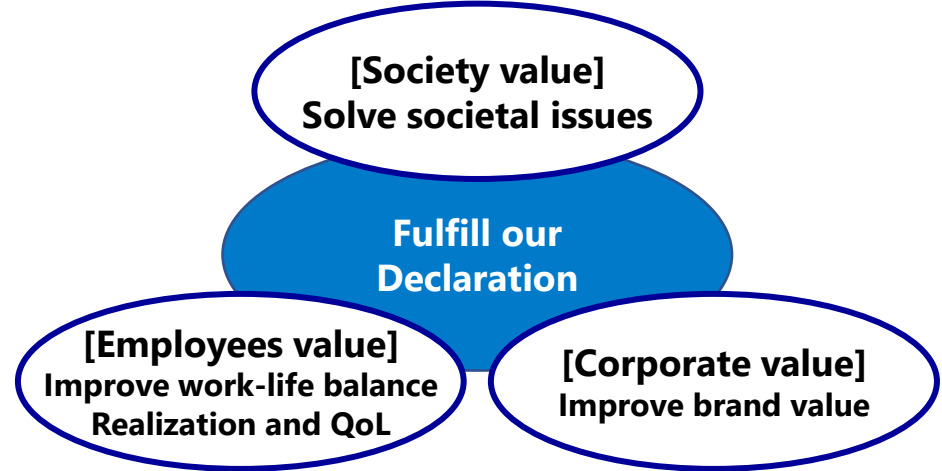
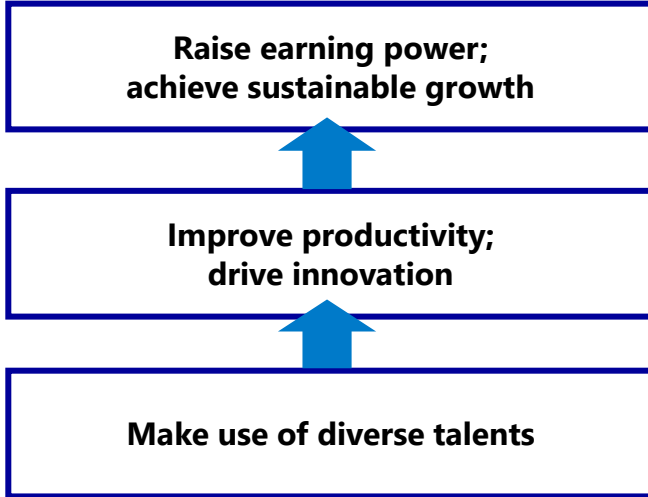
* 3 Absence from work due to health problems.



Management Issues to be solved through health and productivity management



Expected ripple effects of health & productivity management



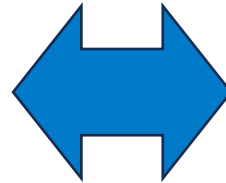
Indicator (Related sub-Indicators)	Goal		Background	Remarks
	FY23 (Results)	FY30		
Rate of exercise habits	36%	50%	It will continue to be set because it has a positive effect on improving the metabolic syndrome rate and improving lifestyle habits, and it can be easily implemented regardless of the country. First, domestic indicators will be returned to pre-COVID levels.	A person in charge of promoting health management exists in Japan and Global sporting events are a hallmark of SATO
Specific health guidance implementation rate	24%	50%	The "specific health guidance implementation rate," which was a low-level figure, needs to be improved immediately.	Raise to the level of advanced companies
Percentage of smokers	20%	10%	FY20-22 full-scale implementation based on the fact that we could not make efforts to ban smoking in the company due to the coronavirus pandemic.	

Online sports events with participation from subsidiaries globally

Global online sporting event

- ▶ The targets are SATO original and all sports
- ▶ Compete for the technical level
- ▶ Enjoy the judging process itself

Held every other year



Global online walking event

- ▶ The target is "Walking" only
- ▶ Opportunity to start exercise
- ▶ Enjoy the act of participation

Competition No.1



Handheld labeler competition/ 2- participants

Competition No.2



RFID + Barcode Competition/2- participants

Competition No.3



Jump Rope /12- participants

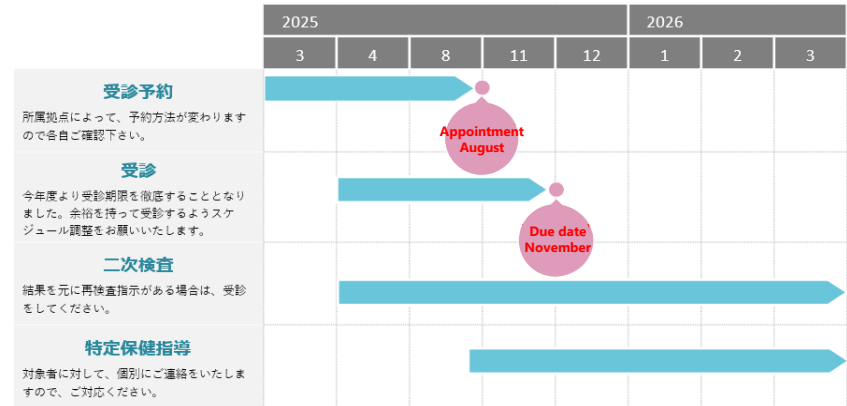
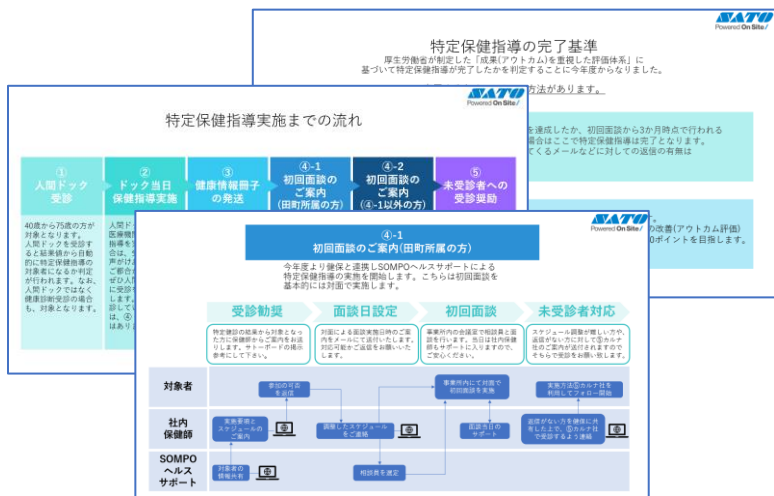


Promotion of employees' understanding of specific health guidance and advance medical examinations visits

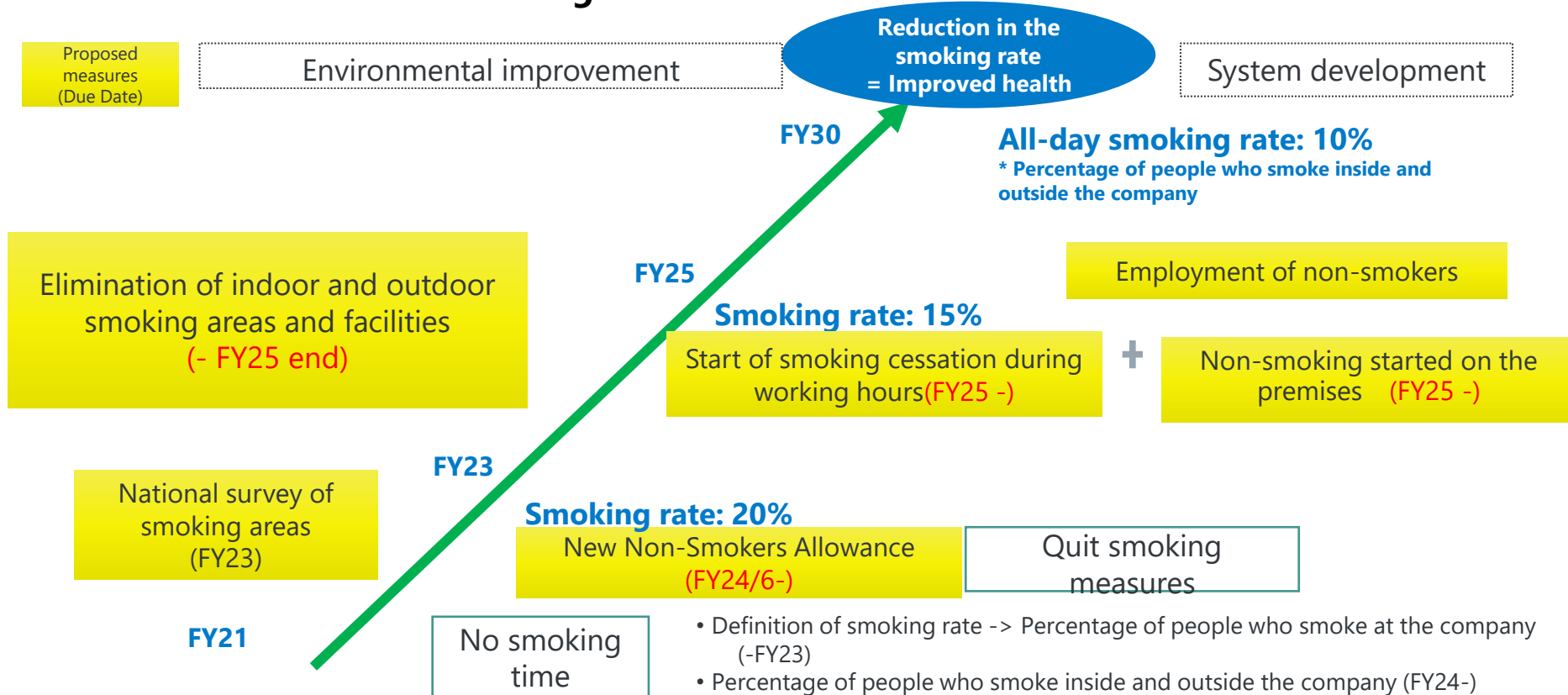
FY21 Results	FY22 Results	FY23 Results	...	FY30 Target
10%	13%	24%	...	50%

Promotion of understanding among employees

Advance full medical check-ups and health checkups



FY25 - Start smoking cessation in the companies after measures to eliminate smoking and indoor and outdoor smoking areas



Start of initiatives for sustainable improvement of health & productivity management measures based on quantitative data

Implement this first

Visualize the overall health of the organization



Condition assessment based on quantitative data

Identify current issues and areas for improvement in health management



Sustainable improvement and growth through monitoring over time



[FY24 Measures]

- (1) Health survey
- (2) Data analysis from medical examinations (FY23 Data Analysis)
- (2) Stress check

	Subjective data	Objective data
Body	(1) Health survey	(2) Medical examination results
Mental	(3) Stress check	-

Various measures will be implemented considering health status based on quantitative data

[Issues that have emerged from organization-wide health status data]

- Overall, the score is slightly lower than that of other companies promoting health & productivity management. The problem of "drinking" that affects the quality of "sleep" and "exercise" is remarkable.
- It is necessary to take measures to improve understanding of the burden of roles and responsibilities and interpersonal relationships in the workplace for employees in the high-stress age group.
 - > Linked to measures to improve engagement
- Disseminating measures for improving the work environment (supporting the balance between work and medical treatment, childcare, and nursing care) that the company has already taken, and continuously improving long working hours
- All scores need to be based on "improving employees' health literacy"

Enhancement of employees' health literacy

[Strengthening health & productivity management by enhanced literacy]

- Improving employees' health literacy
"Sleep," "diet," "exercise," "alcohol," and "self-care"

[Planned measures]

- Various health events/seminars
- Health & productivity management - use of correspondence education materials (10 types)
- Distribution of teaching materials by E.D.G.E@JP*

* Educational portal site for employees



Communicating and information disclosure of the importance of well-being

[Message from CEO and CWO]

- Internal disclosure (visualization) of periodic data scores
- Regular communication of the importance of well-being
- Taking up the agenda at the management meeting

[Planned measures]

- [Internal Communication]
Dissemination of information among management and employees
- [Communication outside the company]
Educating business partners about health & productivity management activities

Health & productivity management
Human capital management



**Overseas
initiatives**

**Domestic
initiatives**

SATO's milestone Our 2030 vision

SATO has evolved with society, solving challenges of the times with auto-ID technology.

SATO's corporate motto
あくなき創造
 Akunaki sozo — Ceaseless Creativity

1960 World's first hand labeler

1980 World's first thermal transfer barcode label printer

2000 DCS & Labeling^{*2} Koto-uri^{*3}

2030 Perfect and Unique Tagging^{*1}

*1 The tagging approach for realizing our 2030 vision. Details to follow.
 *2 DCS & Labeling: Data Collection Systems & Labeling. SATO's business model of using lab things and people at a worksite to digitize and optimize operations.
 *3 Koto-uri: Selling the solution, not the product.

SATO

Societal challenges and values provided by SATO Our 2030 vision

SATO has evolved with society, solving customer challenges of the times with auto-ID technology.

Societal challenges
(The 17 sustainable development goals (SDGs))

Value we provide through our solutions

Existing fields

- Ensure accuracy
- Save labor & resources, offer reassurance
- Enable sustainable practices, build emotional connections, support well-being
- Circular economy

Individuals, companies

Societies, human-beings

World

New fields

5

Changes in customer challenges Our 2030 vision

Customer pain points are now expanding beyond individual and corporate issues to encompass broader societal and industrial challenges.

Digitalization/Sustainability transformation

Geopolitical risks and pandemics => Visualize supply chains	Technological innovation => Solve new challenges	Decline in working population; shortages in labor => Save labor with automation
Compliance with new regulations => Electronically attach product lifecycle data	Sustainable practices and resource conservation => Consume less; reuse more	Environmental consciousness and capital market requirements => Visualize and reduce GHG emissions in supply chains

Visualize data through tagging solutions to solve challenges
(Business opportunities)

SATO

6

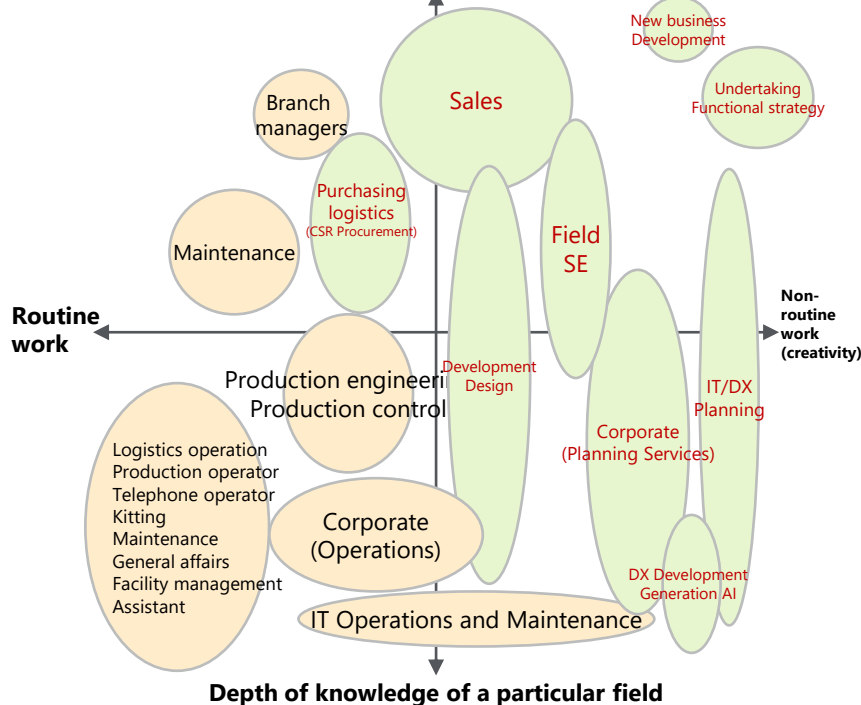
Talents capable of developing new businesses for the new period and expansion of professionals in each field are necessary

	Rapid growth of the business	The holding company system	Company merger -> PUT
	Incipient period Go through a process of trial to put the business back on track	Expansion period Advancing a successful pattern all at once	Maturity To improving customer satisfaction Products for stable growth Double-tracking of services
Business status and growth points	<ul style="list-style-type: none"> • Cultivation of new customers • Establishment of business model <p>☆ Basic theme "Try and error"</p>	<ul style="list-style-type: none"> • Expansion of customer base • Standardization of products and services • Improved ability to respond to demand <ul style="list-style-type: none"> • Consistent quality • Increased speed <p>☆ Basic theme "Stylization"</p>	<ul style="list-style-type: none"> • Increase satisfaction of existing customers by diversifying services • Expansion of scope to competitors and differentiation <p>☆ Basic theme "Differentiation"</p>
Internal organization status and issues	<ul style="list-style-type: none"> • Acquisition of "comrades" who can sympathize with dreams and visions and who can take on various duties independently <p>☆ Basic theme "Flexible"</p>	<ul style="list-style-type: none"> • Increased number of employees due to business expansion • Increased complexity due to organizational differentiation • Management of increased workforce becomes difficult, and the competence of managers becomes more important <p>☆ Basic theme "Delegation of authority"</p>	<ul style="list-style-type: none"> • A weakening of the sense of unity and sense of ownership throughout the entire organization • Restructuring of evaluation criteria • Rampant sectionalism due to the formation of a culture in each department <p>☆ Basic theme: "Originality"</p>
Basic HR strategy "required talents"	<ul style="list-style-type: none"> • Sharing dreams, visions, and aspirations • Responsibility to be resourceful and flexible <ul style="list-style-type: none"> • Comrades and advisors who can be immediately effective • Human resources that can be trusted by the top management themselves 	<ul style="list-style-type: none"> • Delegation of authority and self-reliance • Development of the personnel system • Clarification of evaluation criteria • Enhanced sense of unity among employees <ul style="list-style-type: none"> • "Motivated and resilient frontline personnel" • "A manager with drive and popularity" 	<ul style="list-style-type: none"> • Re-Inculcation of Mission, Vision, Credo and Other Identities • Breaking free from optimum in own department <ul style="list-style-type: none"> • "Human resources with excellent planning and analysis capabilities" • "Strategic front-line managers"
			Neogenesis Seek to create new value and break free from past inertia
			<ul style="list-style-type: none"> • Redefining customer value • Development of new products and services • Restructure business model • Strengthen points of contact with customers and reset our own positioning <p>☆ Basic theme: "Creation"</p>
			<ul style="list-style-type: none"> • Friction between building new systems and doing things the old way • Changes in the business environment make responses more complex • Dispelling past rules and values <p>☆ Basic theme "Zero Reset"</p>
			<ul style="list-style-type: none"> • Motivation by the new vision • Praise for the challenge <ul style="list-style-type: none"> • "Human resources capable of developing new businesses" • "Professional human resources in corporate planning, finance, legal, human resources, etc. who can build a company-wide management foundation."

Not only HR but also management needs to work together to acquire and develop necessary human resources.

Future Talent Portfolio *

Depth of knowledge of the entire business



Depth of knowledge of a particular field

* Image of future human resources portfolio based on the Our 2030 vision and MTMP
 * The size of the circle does not indicate the exact number of personnel.

Areas requiring future expansion and transformation of current workforce

- **Human resources capable of developing new businesses**
 - ✓ Business planning and development that can envision new businesses utilizing PUT *
 - ✓ Sales that can propose comprehensive solutions utilizing PUT
 - ✓ Engineers who can design and develop new products and services utilizing PUT
- **Human resources capable of building a company-wide management base**
 - ✓ Planning section in each functional department and corporate area of expertise to infer the functional requirements needed to expand the business from the business strategy and build an optimized functional strategy
 - ✓ IT and DX departments capable of planning and implementing digital platforms
 - ✓ CSR procurement that expands procurement selection criteria to include the entire consumables chain in consideration of social responsibility and enables the construction of a cooperative system with suppliers

Areas requiring gradual changes in preparation for future business expansion

- **Develop human resources specialized in the roles of each business and function**

※PUT: A high-level problem-solving tagging technology that makes it possible to trace complete and unique individual information by tagging not only proprietary data such as IDs but also position and status information obtained from sensors to objects and people.

Although the current situation and HR issues differ between domestic and overseas companies, we aim to improve HR measures throughout the Group.

To Be

Create a global "right person in the right place" that enables diverse human assets to grow and play active roles, and establish a governance system related to human assets

hereafter

- Measures to acquire and develop necessary human resources based on the "Ideal Human Resources Portfolio for the Future"
- Formulation of succession plan for each key position overseas and domestic
- Continue to implement development measures for succession plan candidates
- Establishment of a Global Mobility Policy * and changes to national regulations based on the Policy. Full-Scale introduction of the Global Exchange Program
- Personnel support based on action plans for overseas subsidiaries and domestic departments based on the results of engagement surveys
- Introduction of new HRIS (Human Resources Management System) for overseas
- Confirmation and expansion of various personnel regulations of each subsidiary

As Is

- Each subsidiary has its own stage of growth, HR issues, and level of governance structure, so there is a strong need for individual responses
- Common training for overseas managers
- Implement measures for the development of core human resources from the highest levels, and implement educational measures for all overseas employees

hitherto

- Starting from the H2 of FY21, global common HR measures for subsidiaries will be implemented from almost zero
- Implementation of minimum necessary measures for visualization of human assets, such as assessment of Marc Lee levels on the global grade and compensation bench

- Introduction of new HR system in FY26 and promotion of understanding among employees

- A number of problems have been identified in each element of the human resources system, both in terms of systems and mechanisms and in terms of operations. We have therefore shifted to a human resources system that is acceptable to human resources who can contribute to SATO business in the future.
- Considering revisions to personnel policies, including human resource development, career development measures, work-style reform, and enhancement of welfare programs
- The personnel system was revised about 20 years ago. Since then, there have been a number of small changes, such as the introduction of the Target Management System (SPM), the systematization of personnel evaluation, and the introduction of competency.
- As a result of past diversity promotion activities, welfare programs related to childcare and nursing care have been improved to a certain level.

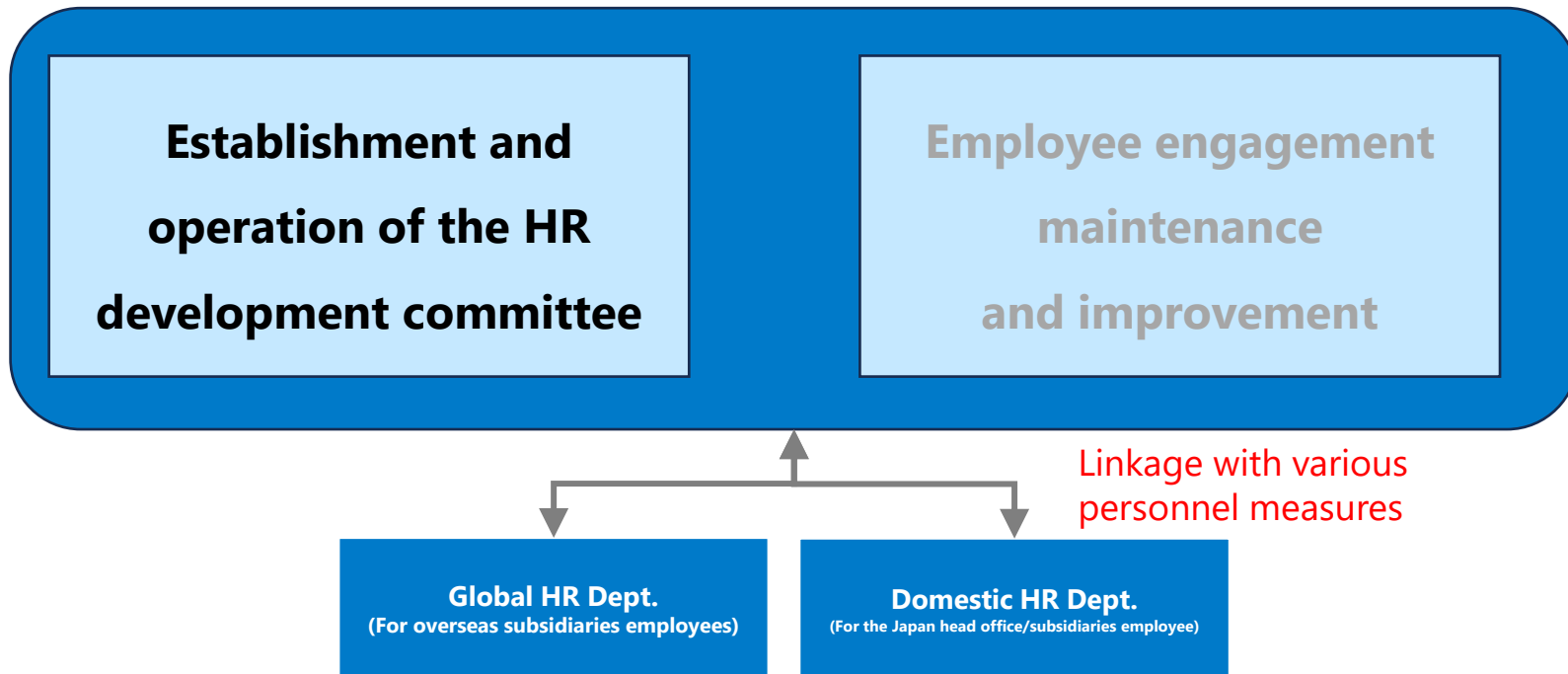
Overseas

Domestic

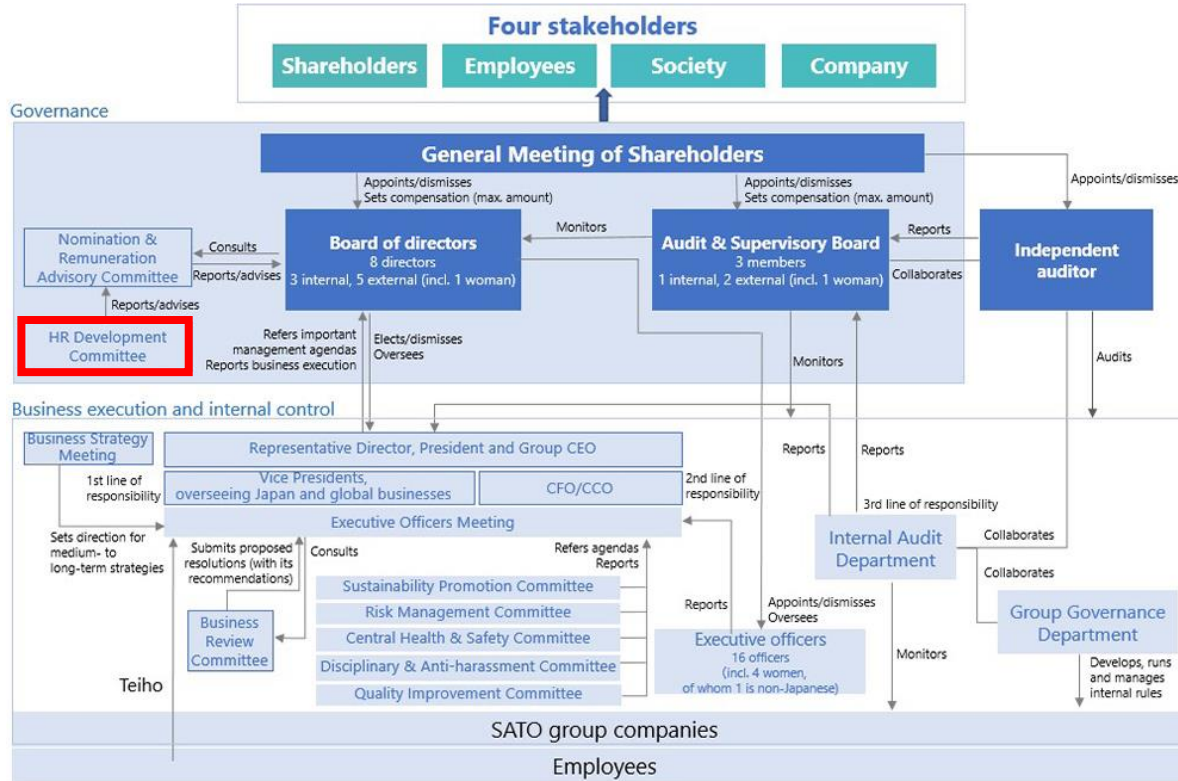


* Policies for managing the allocation of employees across countries and regions

Efforts to bridge the gap between As Is and To Be

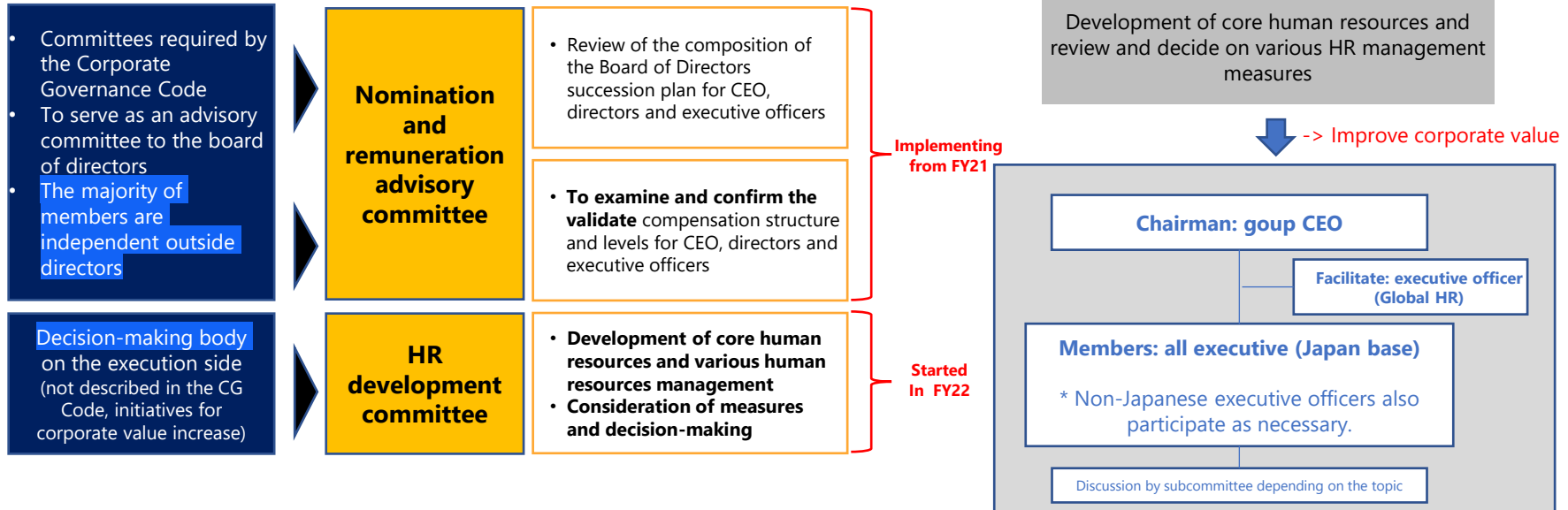


Established the HR Development Committee in FY22 to address human capital management issues

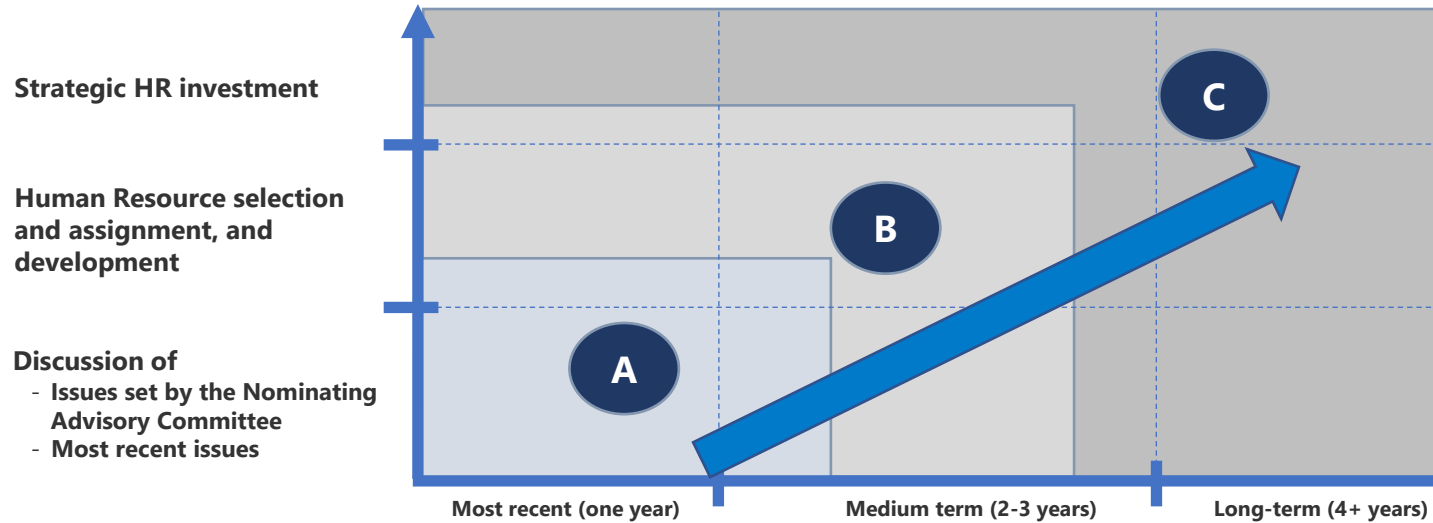


Responsible for the development of core human resources and the examination, decision, and implementation of various human resources management measures

Positioning of each committee and subjects of discussion



A system in which A to C can be discussed in parallel will be realized in stages over approximately three to five years



- After the period of "A: Discussion of Issues set by the Nominating Advisory Committee, and most recent issues."
- Gradually expanding the scope that includes "B: Human Resource selection and assignment, and development"
- Aim for "C: Strategic investment in human resources (human resources portfolio, etc.)"

There are two sides: One is an initiative in cooperation with the Nomination Advisory Committee and the other is an initiative for the development of core human resources.

[Initiatives in cooperation with the Nomination Advisory Committee]

- ◆ Creation of a succession list for directors and executive officers
- ◆ Selection of candidates through assessment utilizing internal and external resources

[Initiatives to develop core human resources]

- ◆ Examination of the ideal personnel system for the introduction of a new personnel system
- ◆ Consideration of the system for promotion to managerial positions and implementation of assessment
- ◆ Improvement of management capabilities
- ◆ Development of next-generation management personnel
- ◆ Training personnel for global expansion, including global internships and the Medium-Term Plan for English Language Promotion Activities
- ◆ Examination of various internal human resource mobilization measures such as internal job posting and career challenge system
- ◆ Expansion of referral hiring
- ◆ Consider initiatives to improve engagement
- ◆ DE and I promotion activities
- ◆ Definition of expertise at SATO and establishment of a system to strengthen expertise
- ◆ Human resources portfolio enabling the implementation of management strategies

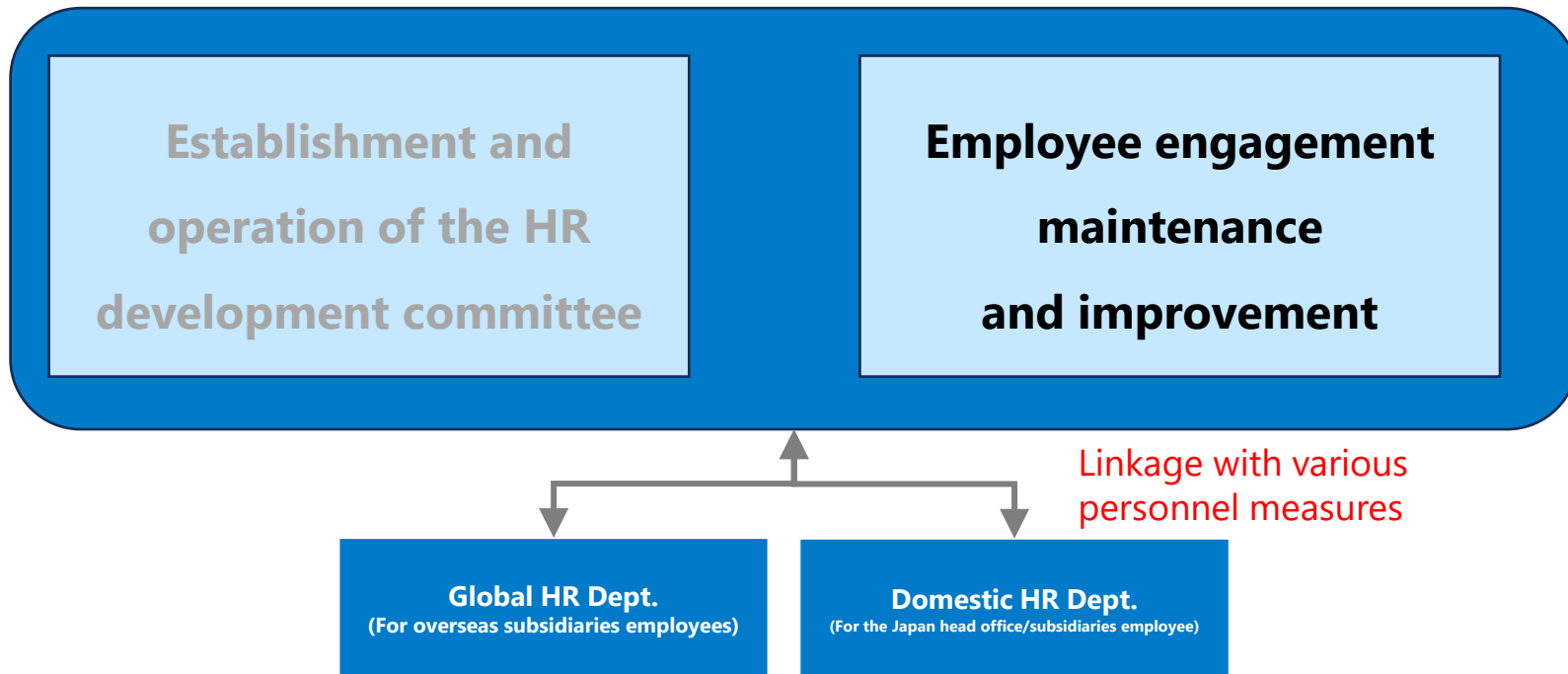
Activities planned and managed by executive officers are shared on the company's social network

Theme	Members of the HR Development Committee (Executives)	Secretariat
Promotion of female recruitment and statutory employment	Leader: Hironori Onishi	HR Dept. Manager
	Hiroataka Wada	
	Yoshimi Abe	
	Osamu Masuko	
Women's Participation in Management Decision-Making	Hiroyuki Konuma	
	Tokutaro Hashimoto	
Promoting Non-Japanese employees' empowerment	Leader: Yuji Shimizu	
	Hideyuki Hashimoto	
	Tomoyuki Kumabayashi	
Women's Forum /Viva Engage	Leader: Miki Takei	
	Yoshinori Sasahara	
	Hayato Shindo	
	Takeshi Okamoto	
	Satoshi Sakurada	

Internal notification of activities using Viva Engage (enterprise social network)

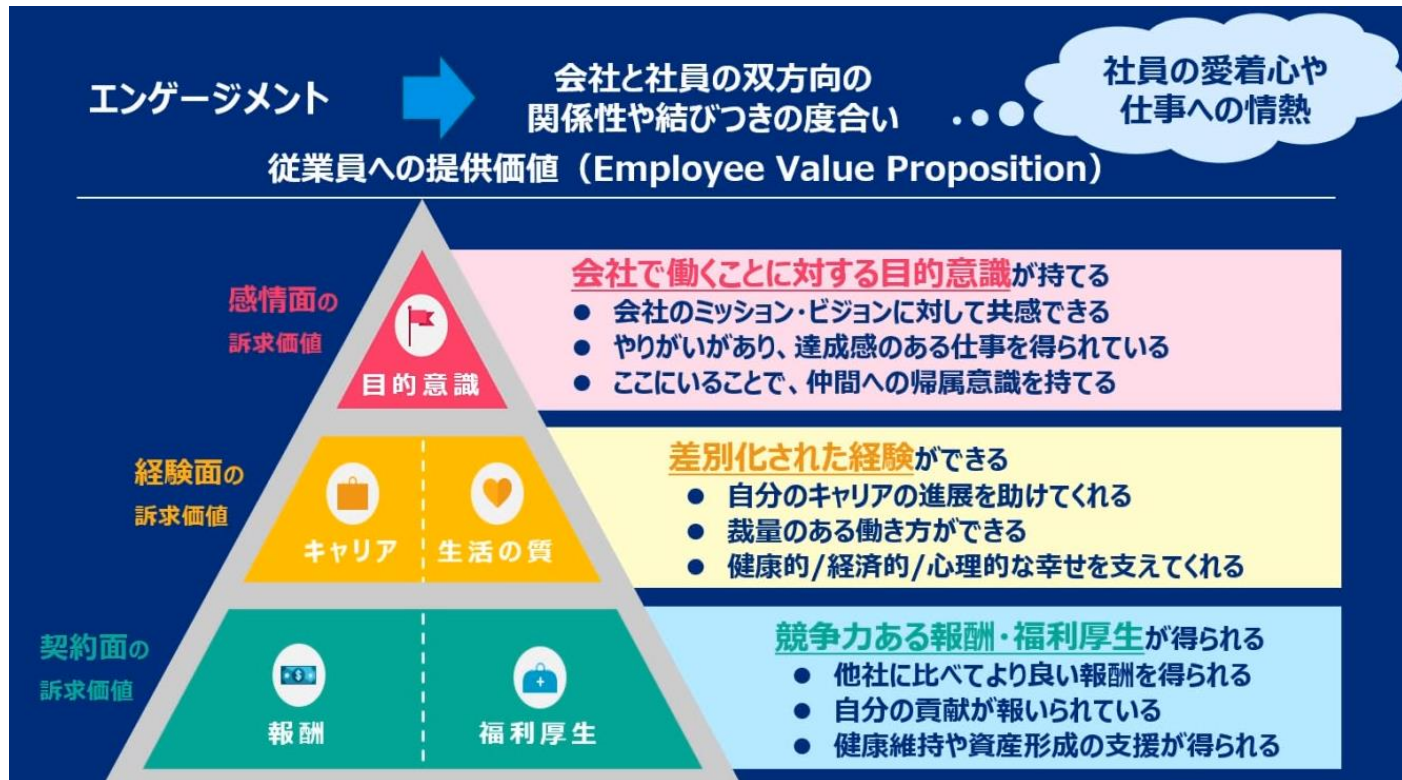


Efforts to bridge the gap between As Is and To Be



The degree of motivation to contribute to the company, and relationship of trust with the company

Japanese only



Various research organizations report a high correlation between engagement and performance

社員エンゲージメントと社員を活かす環境と業績との関係性

	Sales % Change - 1 Year	Sales 5-Year CAGR	EPS 5-Year CAGR
社員エンゲージメント Engagement	15.72	9.70	14.46
社員を活かす環境 Enablement	14.05	4.94	8.21
Top Quartile	15.66	9.91	14.09
Bottom Quartile	11.04	3.84	10.58

純利益 ↑ 2x
収益成長 ↑ 2.5x
顧客満足度 ↑
生産性 ↑
離職率改善 ↑

社員のエンゲージメントが高い組織は...

Japanese only

従業員のエンゲージメントがビジネスの成果にどの程度影響を与えているか

事業部門やチーム単位でのエンゲージメントスコア、上位4分の1と下位4分の1のビジネスの成果に次のような違いが見られた。

- 業務欠損 81%
- 自己に対する安全 64%
- 品質欠損 41%
- 収益性 23%

出典 The Global Trends Business Engagement of At-Risk and Organizational Disruptors 2020 GMI Study

参考：エンゲージメント向上をもたらす効果

労働生産性の向上

「エンゲージメントスコア」と「労働生産性」には正の相関が見られ、スコアの上昇に伴って、労働生産性(指数)は上昇することがわかっています。

LMと慶應義塾大学 基盤研究室との 共同研究結果より

営業利益率の向上

「エンゲージメントスコア」と「当期の営業利益率」には正の相関が見られ、スコアの上昇に伴って、営業利益率は上昇することがわかっています。

LMと慶應義塾大学 基盤研究室との 共同研究結果より

退職率の低下

「エンゲージメントスコア」が高い組織ほど、「退職率」は下がる傾向が見られ、また特にミドル層の退職率低下にも寄与することがわかっています。

LMモチベーション エンジンアライアング 研究所の研究 結果より

顧客満足度の向上など

エンゲージメントが高いと、遅刻や早退の減少、事故の減少、商品欠陥の減少、顧客満足度の向上などの効果があることがわかっています。

株価の向上

日本ユニシス社では、エンゲージメントスコアの向上に使い、営業利益、営業利益率、ROE(自己資本利益率)が向上。統合報告書でも人的資本に関する投資を開示。

ダイヤモンド社 ハーバードビジネスレビュー誌 「経営の未来」より

22



Source: Korn Ferry Japan, GALLUP, The Chartered Institute of Personnel and Development, Link and Motivation Inc.

Sato has conducted a global multilingual engagement survey since FY23.

In Japan: **"SATO HATARAKIGAI Questionnaire"**
 - conducted twice a year since July 2020

= job satisfaction, job motivation, challenging and attractive environment



Survey by EmotionTech, Inc.



Global : "Global Engagement Survey" - 1st survey in Aug 2022



The first meeting was held in August 2022.

Mercer Survey

Mercer Survey

◆ **Target** : All of SATO Employees, 4,868人 in total, except people who live in Russia

◆ **Period** : From August 28 to September 18, 2023

Ex. My company is making the changes necessary to compete effecti



<Dimensions>

Confidence (to company or management)	Diversity
HQ strategy	Evaluation on HQ
Immediate Manager Effectiveness	Senior Leader Effectiveness
Agility and innovation	Performance Enablement
Strategic Focus	+
Engagement (most important)	Corporate Philosophy
Employee Experience	Marketing

47 MERCER Standard Questions

+ 2 additional questions

(Basically answered in 5 scales
*in 11 scales only for eNPS)

25 SATO Original Questions

(Basically answered in 5 scales, there are 6-scale and 2-scale questions in Marketing)

+ 4 Free answer questions

78 questions total

The results of the last survey were acted upon within my work group.

The results of the last employee survey were used constructively by management.



The main indicator is the percentage of positive responses to five questions that symbolize "employee engagement."

	# of answers	Favorable	Neutral	Unfavorable	Sato Global All	Global Manufacturing
Engagement	2278	74%		20% 5	0	---
42. Please indicate your overall level of satisfaction with your workplace at this time.	2278	74%		20% 6	0	+1
44. Even if other companies offered me equivalent conditions, I would stay at my current job.	2232	64%		26% 9	0	-5 ↓
45. I have the enthusiasm to do more than what is required by the company.	2263	78%		18% 4	0	-3
46. I look forward to working for my company	2277	75%		20% 5	0	+7 ↑
47. I am proud to work for my company	2276	80%		17% 1	0	-1

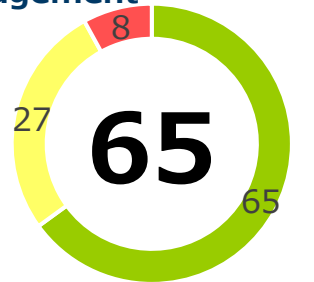


Engagement score unchanged from last year, slightly lower than global manufacturing average

Two KPIs

<Core KPIs in this survey system>

(1) Engagement



■ % Fav ■ % Neu

<KPIs that can be compared to previous Japanese results>

(2) eNPS (employee Net Promoter Score)

-33



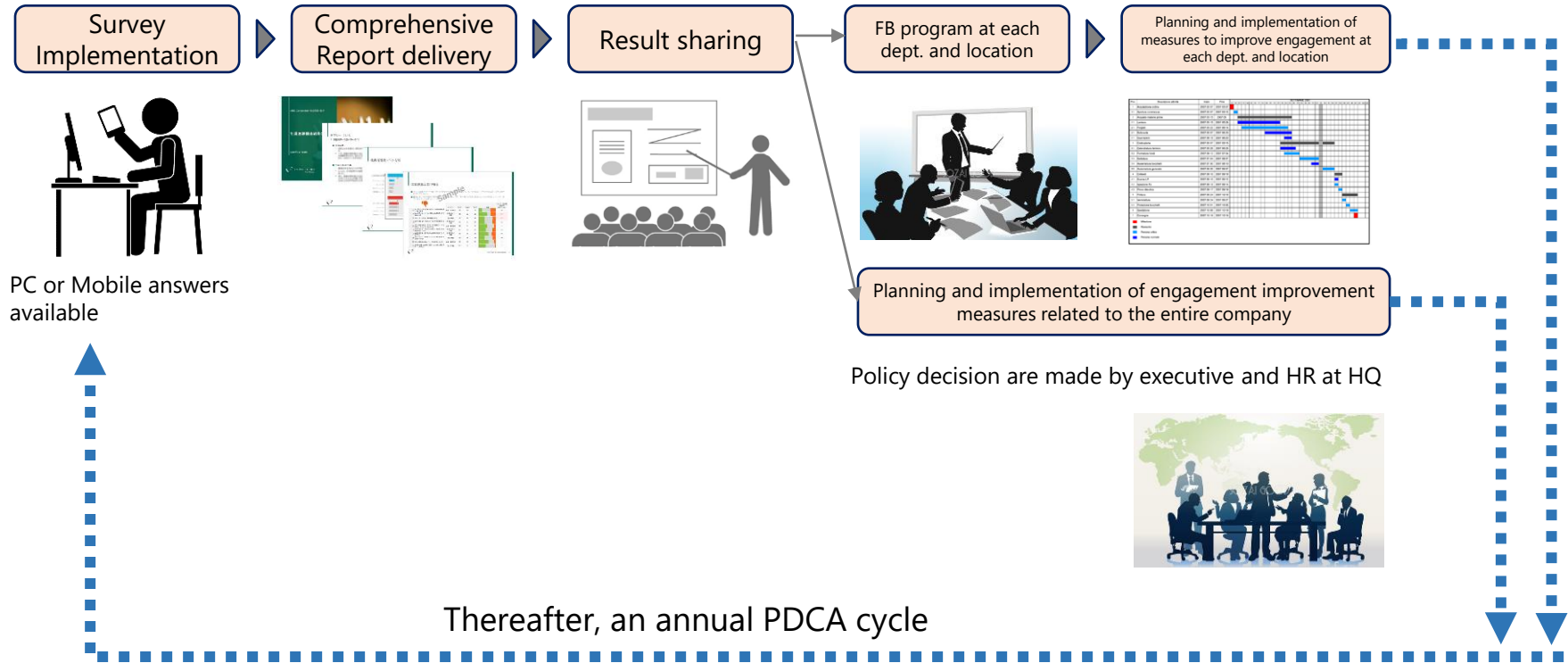
■ Promoters % (9-10) ■ Passives % (7-8) ■ Detractors % (0-6)

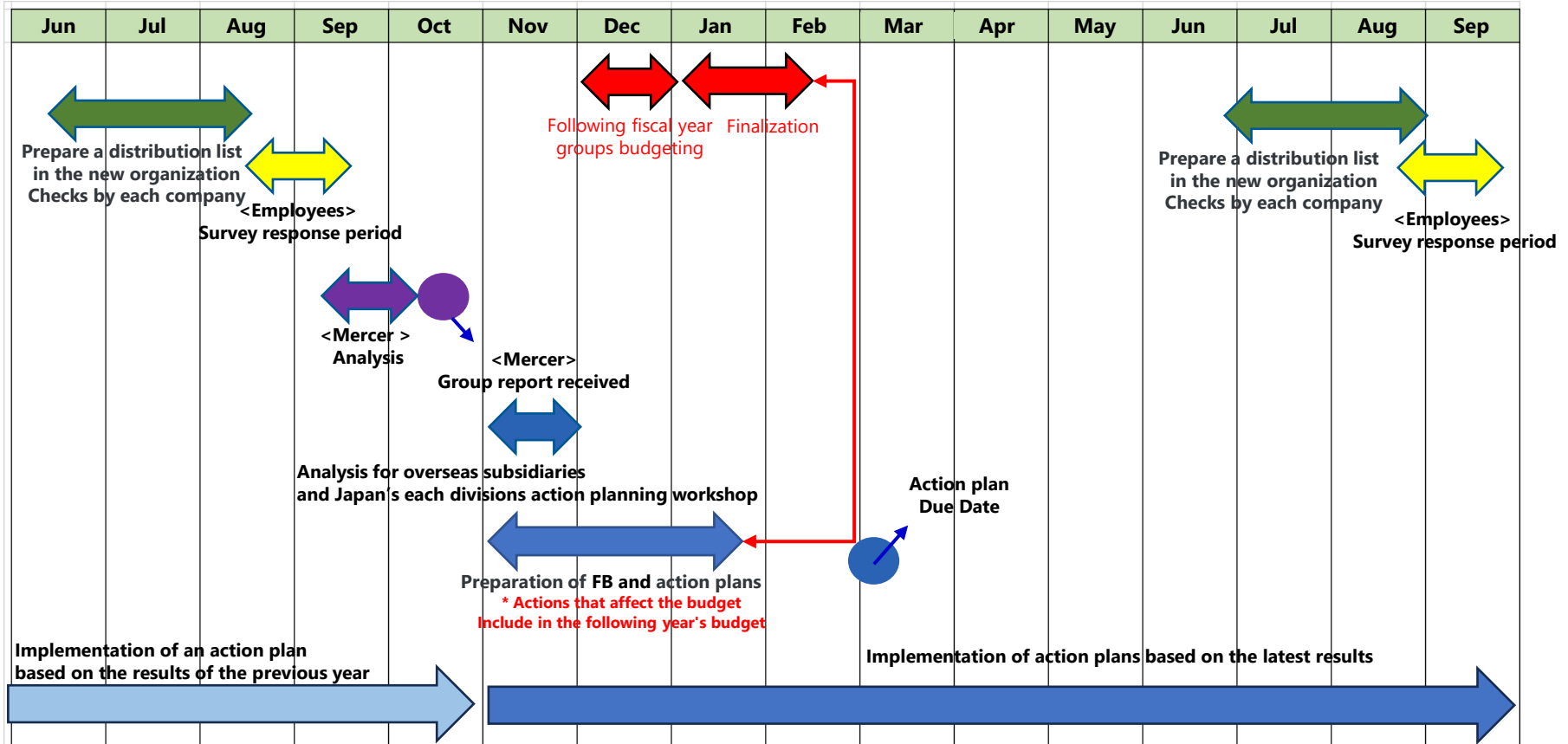
<Compared to Mercer's criteria>

*eNPS Interpretation:



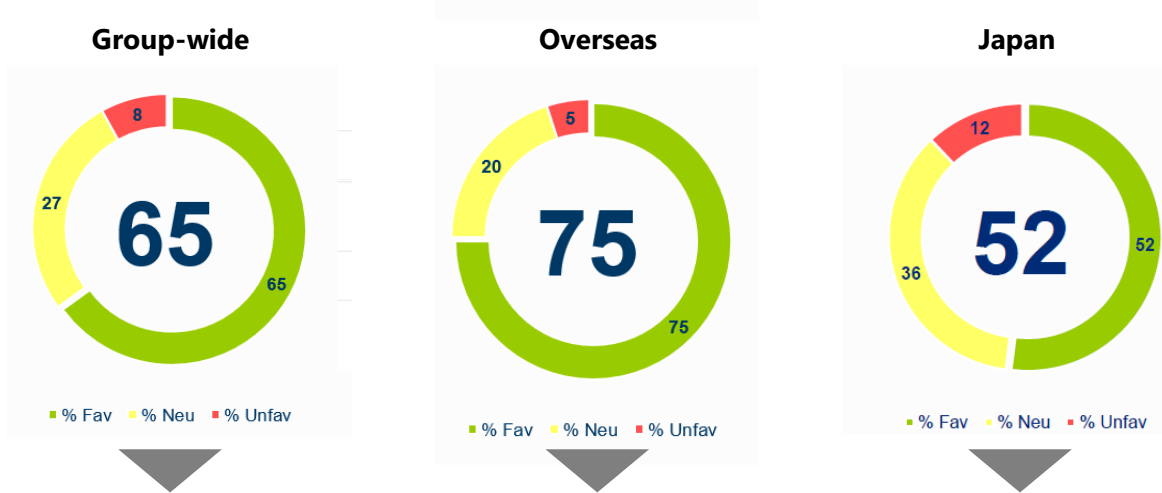
Each organization formulates and implements improvement measures. PDCA cycle for improvement





Aim for an engagement score of 70 over the five years period of the MTMP

Setting based on FY23 and FY24 results



FY28 **70** **77** **60**

The Nomination and Remuneration Advisory Committee has agreed to include LTI * for executive officers as a KPI.

* Long-term Incentive

Starting in FY25, executives will work to maintain and improve engagement.

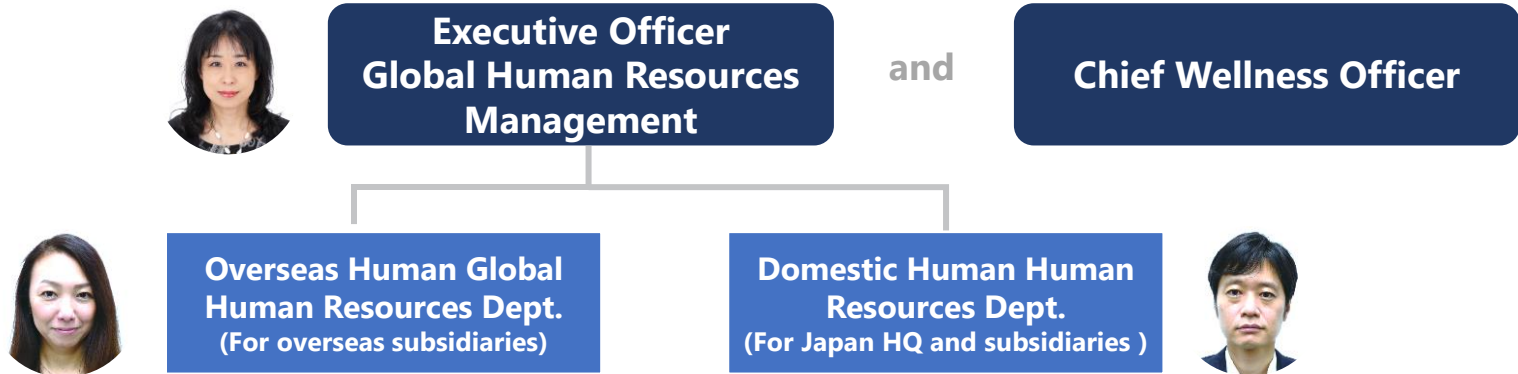
Theme	Members of the HR Development Committee (Executives)	Secretariat
Promotion of female recruitment and statutory employment	Leader: Hironori Onishi	HR Dept. Manager
	Hiroataka Wada	
	Yoshimi Abe	
	Osamu Masuko	
Women's Participation in Management Decision-Making	Hiroyuki Konuma	
	Tokutaro Hashimoto	
Promoting Non-Japanese employees' empowerment	Leader: Yuji Shimizu	
	Hideyuki Hashimoto	
	Tomoyuki Kumabayashi	
Women's Forum /Viva Engage	Leader: Miki Takei	
	Yoshinori Sasahara	
	Hayato Shindo	
	Takeshi Okamoto	
	Satoshi Sakurada	

Reorganized Diversity Subcommittee of Executive Officers as “**Engagement Improvement Subcommittee**” to concretize measures to improve group-wide engagement
 *reorganized under new structure in FY25

- Organized by 3-4 teams
- Concrete themes for initiatives based on survey results
- Some current diversity measures will be continued



Domestic and overseas human resources policies differ greatly in terms of issues and phases



Major Personnel Issues

- Starting from FY21, global common HR measures for overseas were **implemented almost from scratch**.
- Actively implementing global common development measures**
- Each overseas subsidiary is at a different stage of growth, has different HR issues, and has different governance status, so there is a high need to respond to each on an individual basis.
- It is **essential to drastically revise the personnel system** (grading, evaluation, and remuneration) in light of the changing times.
- Consider revisions to various HR policies**, including other HR areas (training, work style, benefits, etc.)

Health & productivity management
Human capital management

**Overseas
initiatives**

**Domestic
initiatives**

Implemented various HR measures in response to the five issues of visualization

Five issues of "Visualization of HR"

1. Data management and personnel mapping for employees of subsidiaries
2. Overall understanding of HR management (recruitment, employment, and dismissal) of each subsidiary (≒collection of HR regulations at each subsidiary)
3. Verification of compensation levels and consideration of new incentive scheme (short-term incentive and long-term incentive)
4. Verification of qualities of executives of subsidiaries
5. Creation of HR development program for subsidiaries



HR measures related to the above five issues

- a. "Global grade and compensation benchmark" -> 1, 2, 5
- b. "Executive assessment program" -> 4, 5
- c. "Global engagement survey" -> all above and One SATO measures by other departments

Implement global common measures. All completed and ongoing

FY21 Completed

Global grade

- A grading system based on the points assigned to each job within the organization
 - The same scoring system is used throughout the world, and the grading system is standardized worldwide.
- * It is an evaluation of the the job, not an ability.

FY21 Completed

Compensation benchmark

- Based on global grade, compare and verify compensation levels in each country with market data
(Remuneration levels, fixed / variable rates of remuneration, etc.)

Implementing
from FY22

Executive assessment program

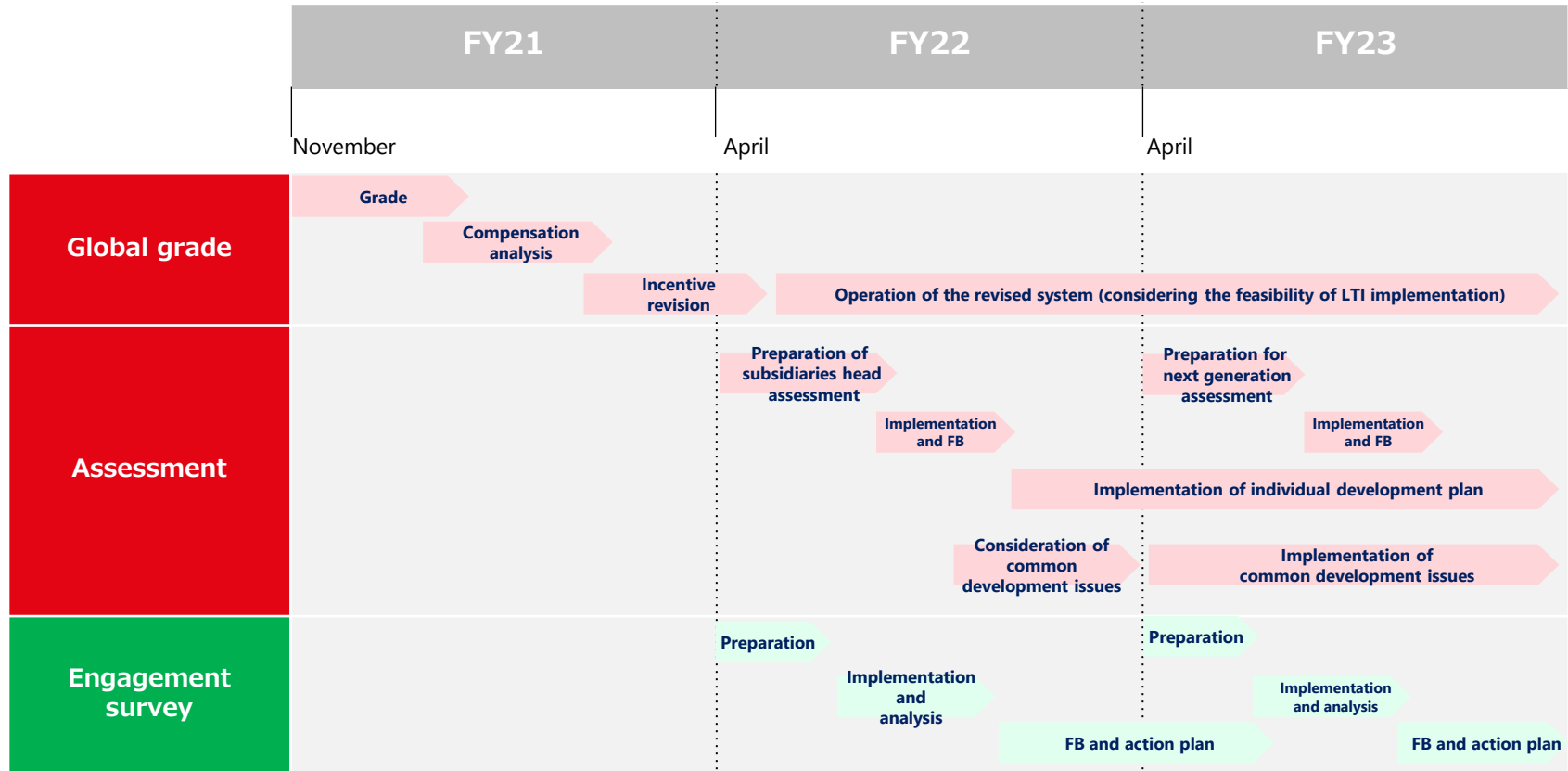
- Verification of the abilities (strengths and weaknesses) of the executives of each subsidiary using the external expert method
- * The ability of each executive is evaluated. Results are used for individual career plans and succession plan of current positions

Implementing
from FY22

Global engagement survey

- Survey (in multiple languages) and verification of whether employees around the world are working with a willing to contribute to the company and whether the company's measures are appropriate
- * Data base for implementing improvement measures at each subsidiary and the entire group based on the results





Implemented employee education, human resource management, and business contribution measures

1. Leadership development/ succession plan reinforcement

- ◆ Continuing the leadership development program (Executive Assessment, Coaching Sessions)
- ◆ Development of succession plan candidate (Implementation of management training)

2. Universal education platform/ measures

- ◆ Promotion of use of educational portal for employees (support for increasing the number of students, multilingual support)
- ◆ Support for language acquisition
- ◆ Consideration of introducing the global internship program to Japan

3. HR management/ strengthening governance

- ◆ Introduction and expansion of use of HRIS (Clay HR) (management of objectives and evaluation by persons responsible for subsidiaries, and coordination with ID management)
- ◆ Confirmation of regulations and support for expansion at overseas bases
- ◆ Improvement of HR function level
- ◆ Continued implementation of the engagement survey worldwide

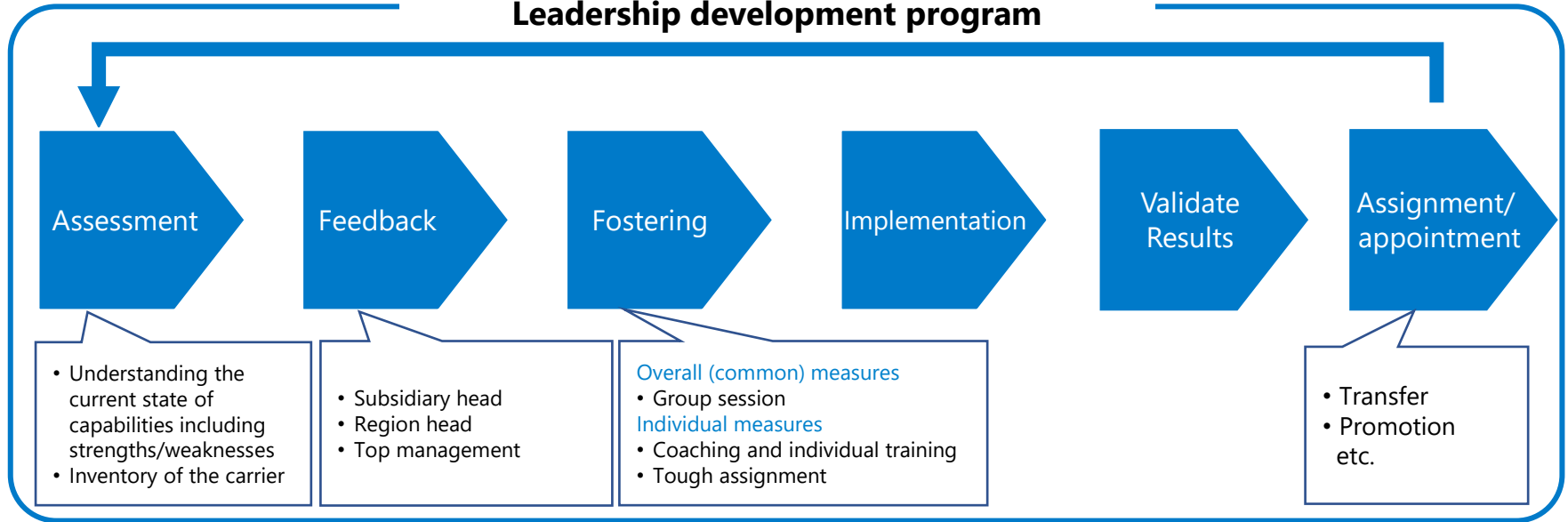
4. Establishing a framework that leads to business contributions

- ◆ Introduction of Educational Tools for Business Partners (SATO DOJO)
- ◆ Implementation of human rights due diligence

Past Activities

- An assessment will be conducted in FY22 for heads of locally hired subsidiaries, for the purpose of visualizing human capital on a global basis.
- Measures to visualize the strengths and weak points of the the overseas subsidiary heads by utilizing the method of the third party (Mercer)
- Based on the results of the assessment, the programs was carried out for the purpose of examining the ability development, future career plans, and the succession plan of the current position of the heads

Leadership development program

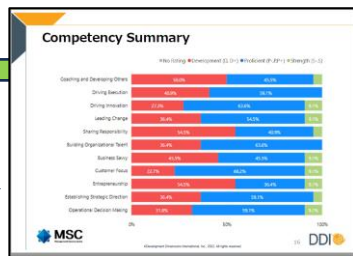


Visualizing the capabilities of current and future leaders. Use in succession plan and career planning

Subsidiary heads

Next generation

Formulation of succession plan

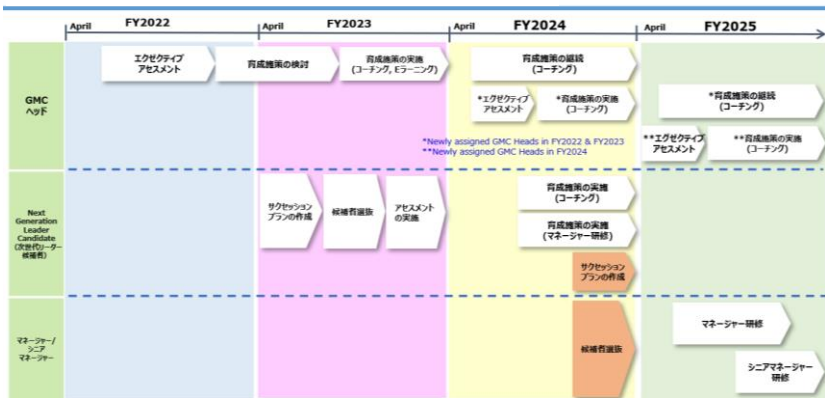


Individual coaching Session



Implementation of assessment
Strengths/weaknesses visualization

LDP initiatives since FY22 and future plans



Outline of the program - 3~4 hours online x 8 days

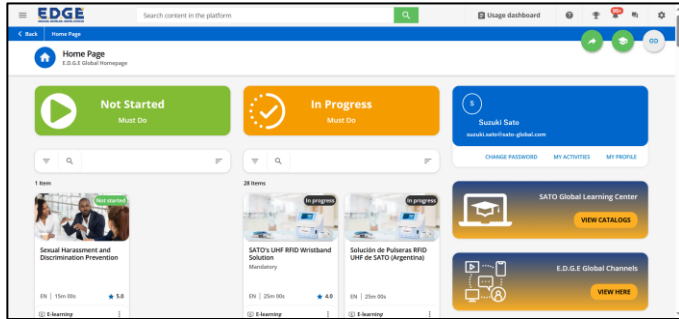
Timeline	1st Quarter (September)	2nd Quarter (October)	3rd Quarter (November)	
Goal	State personal mission Learn to lead him/herself	Learn about basic management skills	Learn how to engage others and make changes	
Topic	Leadership Discovery	Bleeders' Situational Leadership (SL-II)	Involvement of Stakeholders	
Activities	Understand the role of manager and think about "What leader?" What is an ideal leader? Values from an ideal leader's perspective What is essential for a leader's leadership?	Identify and discuss your own leadership capabilities from multiple perspectives The first skill "Used Selling": Learn and practice how to speak according to the perspectives of others	What are the "3R's" (Right Skills and Right Decisions)? 2nd) Overview of the Framework The first skill "Used Selling": Learn and practice how to speak according to the perspectives of others The first skill "Used Selling": Learn and practice how to communicate your thoughts and feelings to members The first skill "Used Selling": Learn and practice how to communicate your thoughts and feelings to stakeholders	Incorporate the essence of the higher level organization into the quality of your own organization Identify needs of stakeholders Learn and practice how to discuss with stakeholders (Bring shared opinions to a consensus)
Output	Build one's own leadership style	Build one's own leadership style Members will understand the framework and skills essential to improve their performance Know how to adapt to each one's leadership	Identify the needs of each stakeholders Know the process of building a consensus	Share the results of discussions with members (including and receiving ideas) Understand and practice coaching for member development Summary

<Subsidiary head training (online)>

FY24: Start. 14 next gen people from 11 countries

FY25: Expansion. To increase to approx. 40 people, divided into senior manager and manager.

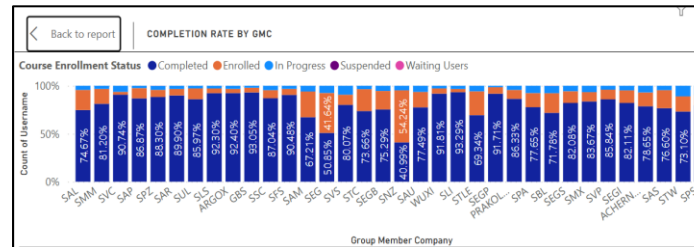
Online education for employees. 3,027 students have studied 25 hours/person since its launch



- Educational portal site for employees of overseas subsidiaries
- Since its launch in 2021, there have been 1,370 courses of study
- A total of 3,027 students conducted a total of 25 hours of learning.
- Educational content can be self-created for learning purposes
- Set KPIs for learning hours, etc., and heads of each subsidiary support achievement
- Recognize outstanding learners and content creators
- Along with the leadership development program, provide educational measures for all levels of overseas employees



Commendation Ceremony for Outstanding Employees of E.D. G. E



Strengthen HR governance and improve operational efficiency with the new HRIS

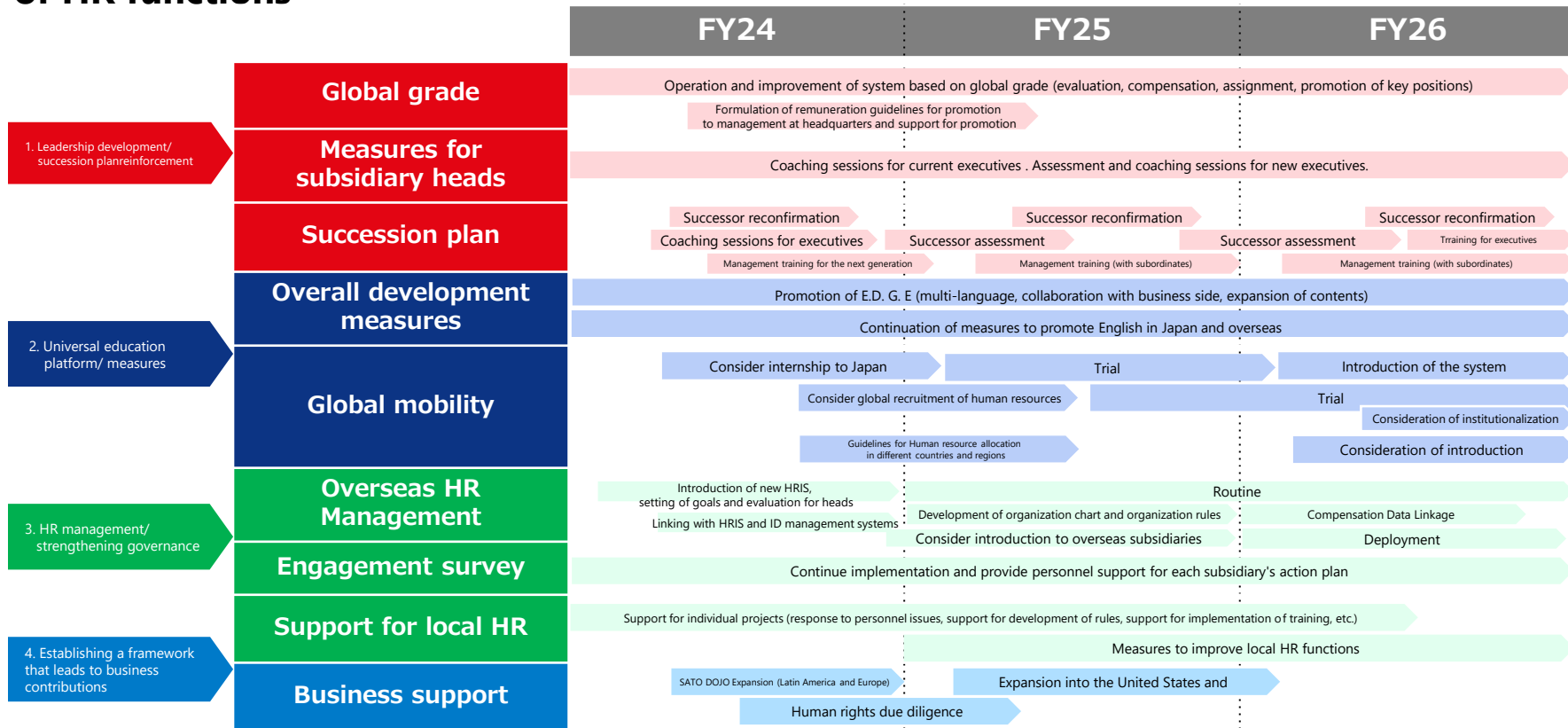
Background

- ◆ Monthly excel tabulation of data for employees at all overseas sites
 - > Management level varies by site
- ◆ Systemization of goal management for subsidiary heads instead of Excel
 - > Difficulty in operation due to low convenience

Introduction of new HRIS

- ◆ Stores data for all overseas employees. Automatic linkage with ID data managed by the head office on a daily basis
- ◆ Establishment of goal management for heads of overseas subsidiaries. Stabilize operation
- ◆ Expansion to overseas sites that have not yet introduced the system.
Overseas employee personal data management -> Strengthening HR governance

Expansion and establishment of measures, promotion of global mobility, and upgrading of HR functions



Health & productivity management
Human capital management

**Overseas
initiatives**

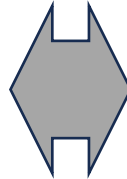
**Domestic
initiatives**

Introduce a new personnel system to strengthen the management foundation and enhance the human resources necessary for future growth

Environment surrounding employment

The environment surrounding employment, organization and human resources continues to change in a large and complex manner.

- Review of Japanese-style employment
- **Labor shortage** and **difficulty in hiring** due to low birth rate and aging population
- Changes in the social environment and human resource market due to the introduction of AI and the sophistication of systems (shortage of digital human resources)
- The tendency to emphasize work-life balance and the development of laws to promote it, such as the Act on Work Style Reform and the Act on Promoting Measures to Prevent Death and Injury from Overwork
- Changes in values due to COVID-19
- Respect for diversity (diversity, equity and inclusiveness)
- Diverse working styles, reskilling, multi-job holders including the elderly.



Current Status and Future of SATO Personnel System

- Since the introduction of the annual salary system in FY05, small changes have been implemented, such as the goal management system, systemization of personnel evaluation, and introduction of competency.
- No major review in response to social changes in about 20 years
→ In each element of the personnel system, there are many problems in the "system and mechanism aspect" and "operation aspect"
- * Issues related to the current personnel system will be reported to the Human Resources Development Committee.
- It is necessary to shift to a personnel system that is convincing to human resources who can contribute to SATO business in the future.

Ideal state

- The ideal state of human resources and organization that is the source of achievement of the mission and vision

HR management policy

- Defines the policies under which HR measures will be implemented in order to realize the ideal organization and desired human resources.
- Clearly stated as the concept for creating a new personnel system
- Message to employees

Individual plan

- Specific systems for each human resources area to achieve the above

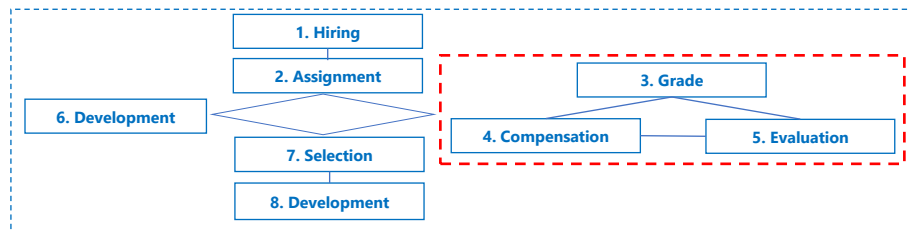


"Changes and challenges" -for customers and society-

Toward the 100th anniversary of its founding, SATO is at a stage where it is necessary to respond to changes as a sustainable company and achieve new growth.
In order to be a company that responds to the needs of customers and society and contributes to society even after the 100th anniversary, **both organizations and people need to keep up with change and continue to take on new challenges.**
As One SATO, we will focus on:

Initiatives by SATO human resources	Efforts as an organization
To provide the best value to our customers Each and every one of us will strive to achieve excellence (expertise).	we will become a group of experts who thoroughly face each and every problem in front of us and provide new value , with tagging as the core value.
Recognizing each other for innovation They exchange different opinions and compete with each other for creativity.	Evolve into a more rewarding work environment for employees, adopting new values and systems in the world
Strengthening the relationship of trust with customers Always do our best to solve problems to develop	Set clear expectations and standards for employees and reward performance

Central themes: Commitment to change, Incorporating different opinions, Attitude toward customers/employees



Reform the personnel system and transform it into a system with a sense of convincing

Problems with the current system

Grade

- Ambiguous definition of required roles -> unclear criteria of promotion
- Seniority-based management -> May stay in the same grade for a long time
- Roles and grades may not match
- Job type difficulty (specialty, etc.) is not reflected in grade and remuneration
- Limited area employees <-> Global employees who are rarely transferred (depending on the type of job) -> sense of unfairness

Evaluation

- There are many items to be included in the performance evaluation system, and it takes time to prepare them. complex mechanisms
- General workers and managers have different roles, but the evaluation weight of the target items is the same.
- There are many evaluation items and the evaluation axis is unclear.
- Relative evaluation -> results and evaluation may not be convincing
- The number of evaluation stages is small
-> difficult to reflect appropriate evaluation results and remuneration

Compensation

- No correlation with market (employment market) level
- No compensation linked to corporate performance
-> compensation does not appropriately reflect the entire organizational performance
- Undercompensation based on individual performance
- There are a number of personal allowances (marital status, place of work, etc.)
- Although the annual salary system was introduced, it is not closely linked to performance and is based on a cumulative increase in salary
- There are ambiguous parts in the results of personnel evaluation and the rules for determining the amount of salary increase due to promotion.

What the new system can achieve

- The required role is documented. Determination of grade -> ease of operation and improvement of convincing employee
- Evaluation criteria = Degree of fulfillment of role -> clarification of criteria for obtaining high evaluation
- Pay-for-Role -> increased conviction with compensation
- Disclosure of "role definitions" for all job categories
-> Clarification of paths for promotion and advancement -> establishment of career goals and improvement of feasibility
- Abolition of area / global classification and review of company housing system for transferred employees

- Separate personnel evaluation and bonus evaluation -> clarify evaluation items and the reflection of evaluation results in treatment
- Weighting by evaluation item according to role
- Introduction of role ranking system and competency evaluation -> Evaluate not only performance results and processes but also "roles and personalities expected by the company"
- Introduction of absolute evaluation -> (results themselves are evaluated)
- Increase the number of evaluation levels -> optimize the reflection in remuneration

- Compare with market compensation levels based on roles, and maintain and improve competitive compensation levels over the medium to long term. * "Pay-for-Role"
- Introduced a performance-based bonus to clarify the reflection of corporate and personal performance in compensation * "Pay-for-Performance"
- Eliminate or provide other forms of personal allowances that are not related to the individual's role or performance
- The annual salary system was abolished, and the system of "monthly salary + bonus" was introduced to shift to a more balanced performance-linked system.
- Establishment of rules for and optimization of the wage increase system

Improve engagement and foster employees who can think and act on their own to initiate change by making career goals more attainable

- ✓ The overall domestic score in the engagement survey was 52. Lower than the average for SATO as a whole and other Japanese companies.
- ✓ Among the questions (key drivers) that have a particularly high impact on the score, the percentage of positive responses to "realization of one's own career goals" and "sense of achievement through work" is low and has a negative impact on the score

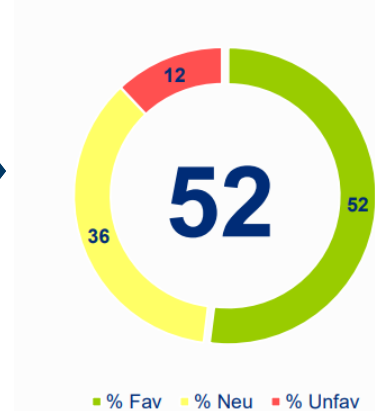
- Increasing the feasibility of career goals will contribute to improving engagement and producing human resources who can think and act on their own to initiate change

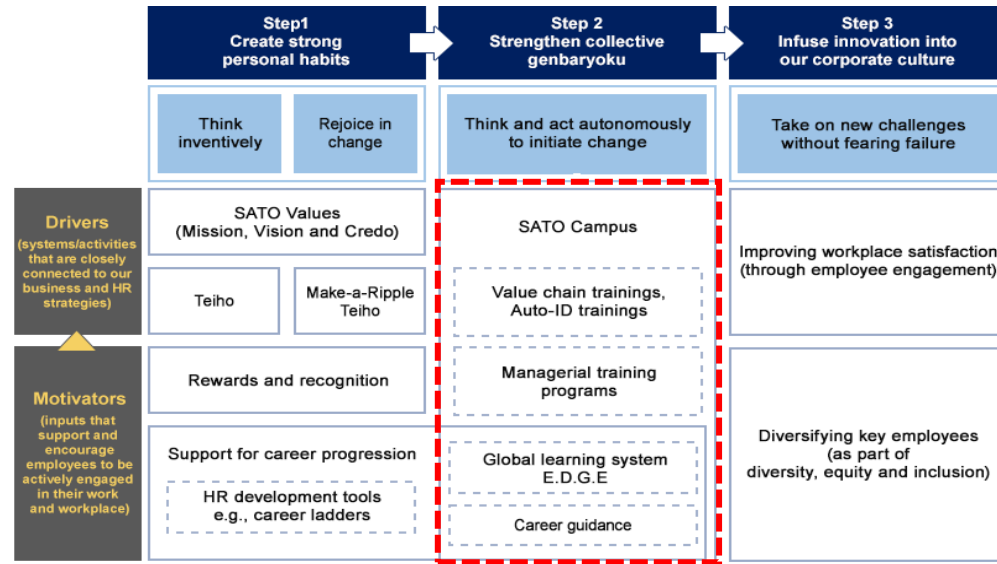
Engagement Key Driver

	Responses	SATO			Prev	Global Norm	Country Norm	
36. I feel a sense of accomplishment through my work.	2009	53%	32%	14%	-12	-1	-19	-10
35. I believe I can realize my career goals at the company.	1891	38%	43%	20%	-17	+3	-27	-10
60. I share the mission, vision, and credo of the corporate philosophy.	1976	72%	26%		-7	+1	---	---
1. I believe in the future of my company.	1981	64%	27%	10%	-12	-1	-15	+6
63. I embody the Credo of SATO.	1899	42%	48%	10%	-22	0	---	---

Strongly Agree Agree Neither Agree Nor Disagree Disagree Strongly Disagree

Engagement (Domestic)

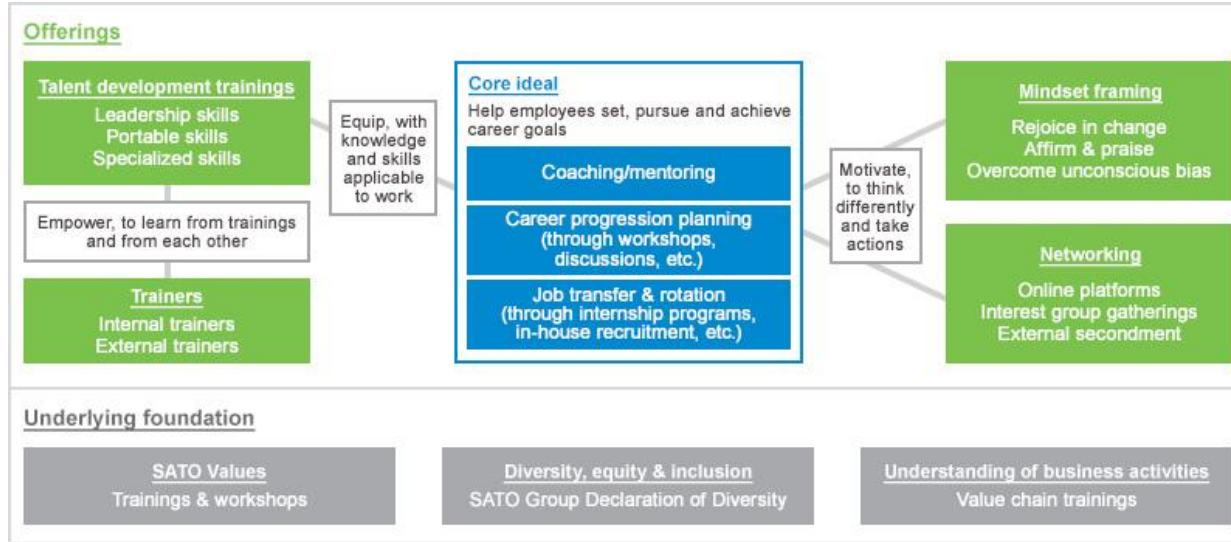




“SATO driving force (≡the link between management strategy and human resources strategy)” and “support and motivation (the mechanism for the active participation of all employees)”

By supporting both sides of various measures, and developing skills that lead to raising the level of expertise, and capacity development that stimulates action, and providing opportunities, the ability to execute both “daily cycle practice” by individuals and “on-site capability improvement” by organizations is enhanced.

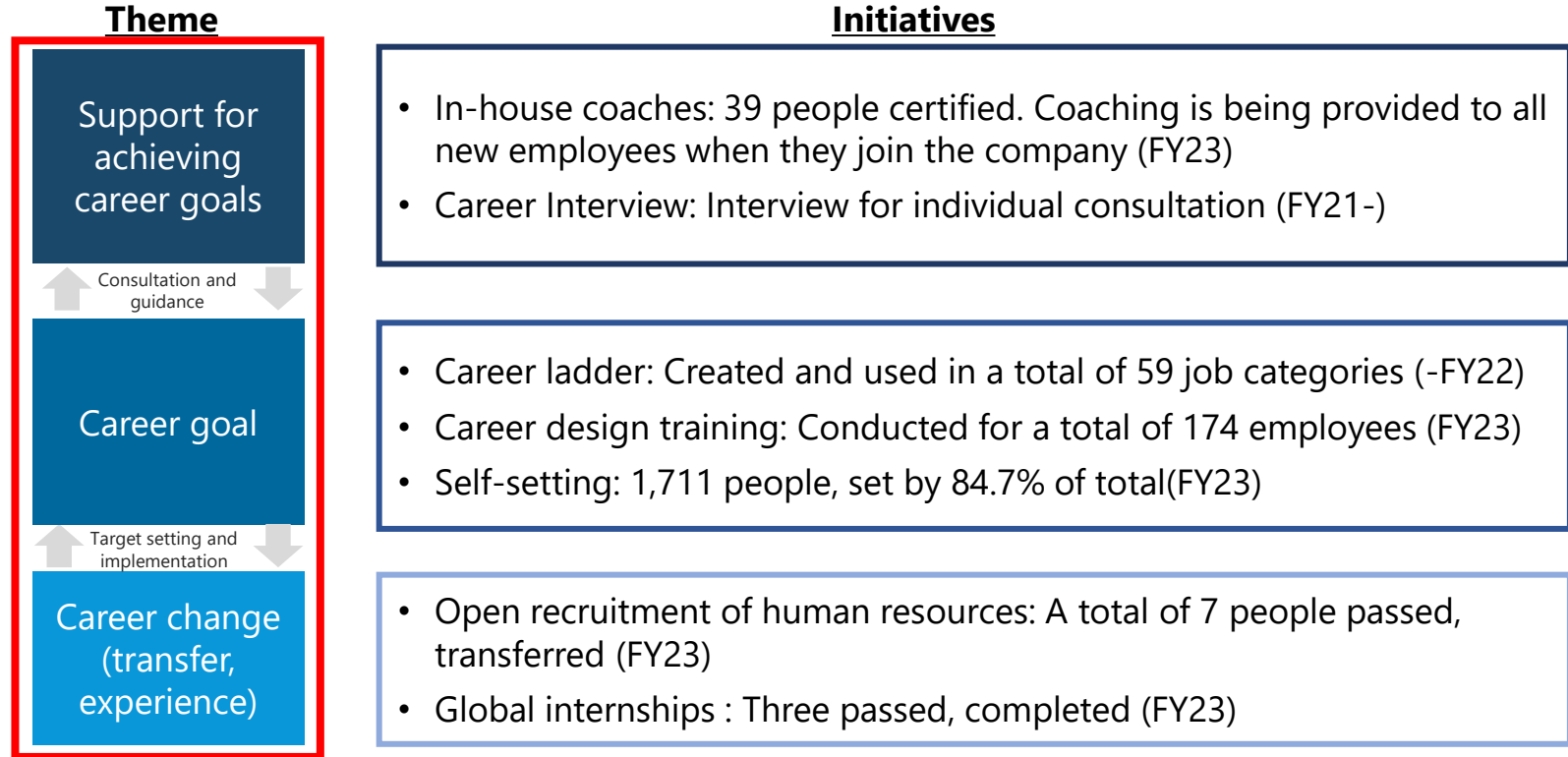
Established for the purpose of sustainable creation of customer value, improvement of job satisfaction of employees, and development of employees who can think and act on their own to initiate change



- Mission
1. Train self-reliant and self-determining talent
 2. Develop understanding of corporate values and business value chain
 3. Create opportunities for employees to demonstrate strengths and take new challenges

*Includes issues not yet implemented or under consideration

Support for setting and achieving career goals, leading to improved engagement



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