



# Tagging for Sustainability

**We give every 'thing' its own ID  
so it connects with the world**

**Integrated Report 2022**  
SATO HOLDINGS CORPORATION

**SATO**  
Powered **On Site** /

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# All to serve customers and society

## Corporate motto

## Our calling



Akunaki sozo — Ceaseless Creativity

Conceived by founder Yo Sato in 1969, our corporate motto reflects our belief that individuals and corporations equally bear the mission to serve society through self-improvement. It also expresses our aspiration to drive **creativity** in terms of **developing innovative products and services, inventing new production technologies, and seeking out new markets and application needs.**

## SATO Values

### Mission

## Why we exist

Our mission is to create new value for our customers through products and services of superior quality, and to contribute towards a better and more sustainable world.

### Vision

## Where we are heading

To be the customer's most trusted partner for mutual growth, and always essential in an ever-changing world.

### Credo

## Our code of conduct

- We inspire changes, new ideas, and the courage of promoting customer-centric innovation in the spirit of Ceaseless Creativity.
- We seek to be true professionals by constantly striving to exceed the expectations of our customers.
- We see things as they are, and do the right thing right away.
- We show respect for all individuals, extend trust to each other, and work together as one cohesive team.
- We enable a vibrant and open-minded workplace, eliminating the formalities that cause "Big Company Disease."
- We share the returns from our business with our four stakeholders: shareholders, employees, society and the company.

## SATO Values around the world



SATO Values Office holds Credo Awards World Cup every year for the entire group to share and commend excellent examples of bold challenges that demonstrate our Credo and involve mutual collaboration and learning.

Photo: A member from our Vietnam factory (right) chosen as a finalist.



Members from SATO group companies in Argentina participated in workshops where they considered how the corporate values helped their success.



Our colleagues at SATO Electronic (Wuxi) in China learned about the corporate motto, SATO Values and the beliefs of our founder, Yo Sato, from the lyrics of our corporate song and through various activities such as group presentations and games.

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### Editorial concept

This report is the record of the tangible and intangible aspects of the SATO Group's medium- to long-term value-creation story through its core business of auto-ID solutions.

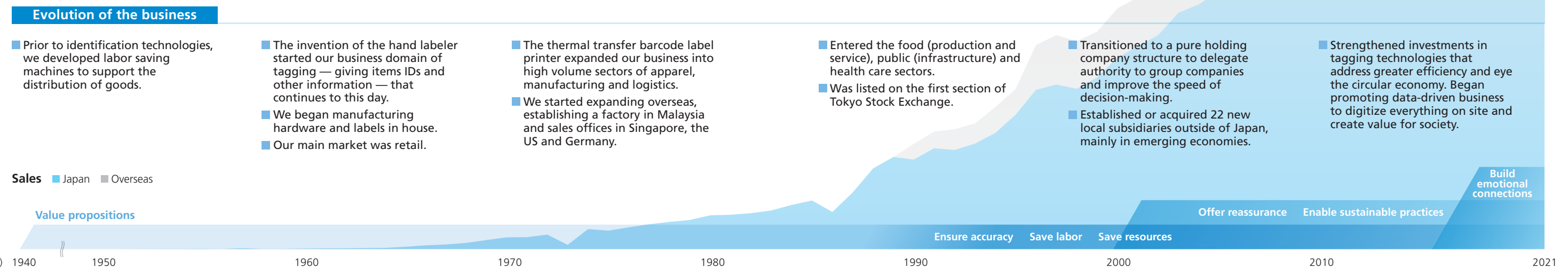
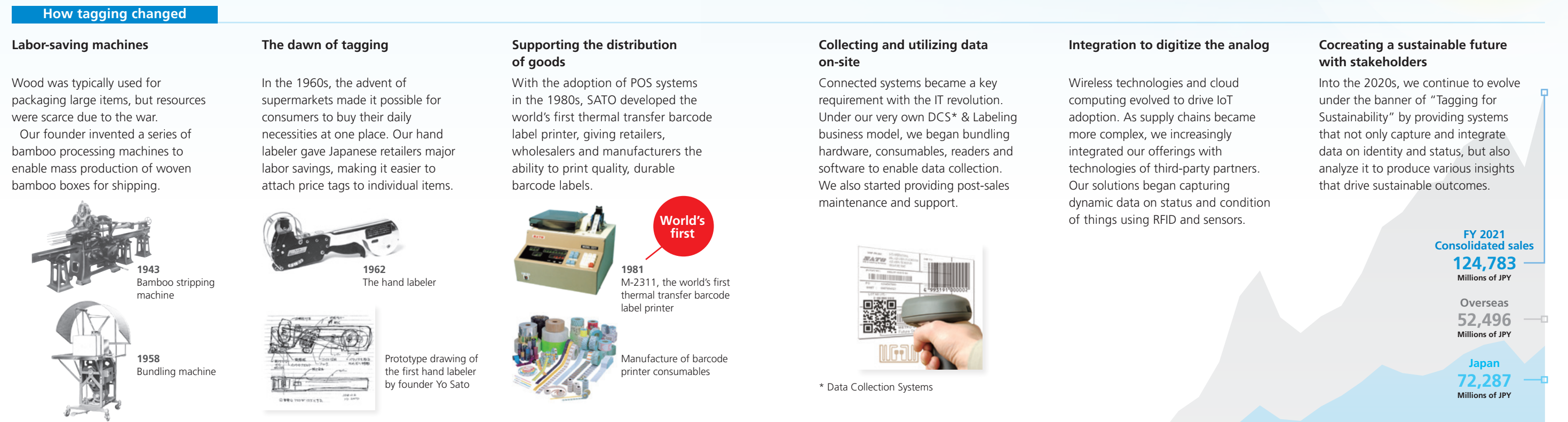
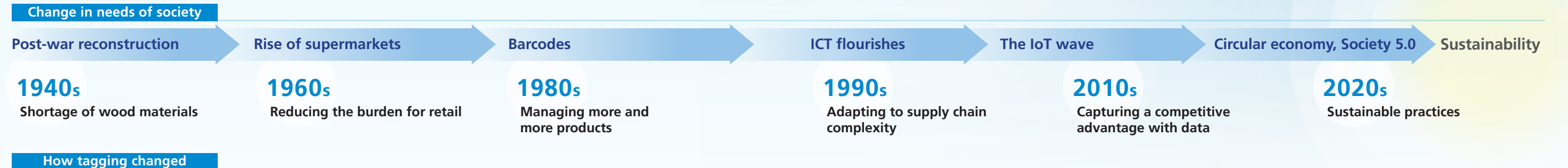
### Disclaimer

All information in this report, including the financial outlook, future forecast and strategies, is presented from judgments that are based on reasonable predictions made from information available at the time this report was prepared. Please note that actual results and performance may vary due to unforeseeable risks, events or consequences.



## Evolutions in tagging

SATO changes with the times, always reimagining our role as “tagging” experts. Over our history we have addressed challenges of customers and society, developing products and solutions for accuracy, labor- and resource-savings, safety and reassurance, sustainability and emotional connections.





## Our business at a glance

### Products, services and focal fields

It all starts from our customers' worksites. We give 'things' their own identity and connect them to the world. Our product lineup forms the core of our solutions to which we add third-party technologies, products and services to best meet our customers' on-site needs.

#### Printers

Our product line of industrial, desktop, mobile and stand-alone printers and print (& apply) engines is designed for a wide range of operational scenarios. With technology accumulated over four decades, our printers have a universal design for consistent performance by anyone, anywhere.



#### Consumables

With our tags, labels, ribbons and wristbands, we meet a wide range of tagging needs using the right material, adhesive, processing method, technologies and print data for the item, purpose and work environment to maximize on-site productivity. As demand for RFID grows, we design inlays, convert tags and labels and perform quality inspections all in house.



#### Service and support

Customers who have installed our products and solutions benefit from our global servicing network comprising in-house tech service teams and our valued partners that provide troubleshooting assistance to improve the customers' operations and keep their business running. We continue to innovate our technical support with SOS, our IoT preventative maintenance system that monitors printer operations 24/7 via the cloud and through integration with industry-leading IoT management systems.



#### Software

SATO provides a comprehensive range of software solutions to support and deploy hardware and help customers centralize printing and management of label/tag data. We also develop application software and enable integration with ERP, WMS and MDM systems.\* Our "Intelligence Inside the Printer" platform eliminates the need for computers and transforms the printer into a stand-alone label/tag printing solution.



\* Enterprise Resource Planning, Warehouse Management System and Mobile Device Management systems, used to manage day-to-day transactions, operations and assets within organizations.

#### Stickers and primary labels

We create product labels used on a variety of consumer goods, offering complete support on everything from design, material selection and printing/finishing methods to how to apply it onto products. Our plants have the know-how to provide attractive and durable pressure-sensitive labels to differentiate food & beverage, pharmaceutical, cosmetics, home care items, chemicals and other products at their point of sale.



#### Primary package consulting

Our in-house design team analyzes consumer trends to provide a value-added 'design promotion service,' which covers planning, design, printing and sales promotion for consumer products. It makes winning packaging designs that incorporate solid marketing strategy to rediscover the value of existing products utilizing emotion and logic.



#### Retail

SmartLiving  
with SATO Solutions

##### Industries

Supermarkets, convenience stores, drugstores, apparel stores and e-commerce

#### Manufacturing

Connected & Flexible  
with SATO Solutions

##### Industries

Automotive, chemical, iron/steel, machinery, electrical equipment and electronic parts

#### Food

Right Food, Right Way  
with SATO Solutions

##### Industries

Food & beverage manufacturers, food service operators, farms and fisheries

#### Logistics

Agile Logistics  
with SATO Solutions

##### Industries

Warehousing, transportation, wholesale distribution, 3PL and postal services

#### Health care

Patient Happiness  
with SATO Solutions

##### Industries

Hospitals/clinics, pharmaceutical, medical devices/supplies, clinical laboratories, pharmacies and blood centers

#### Public

##### Industries

Government offices, utilities, education and public transit

#### From the customer

##### NTN Corporation

(Manufacturer of bearings, driveshafts and precision equipment)

### Tracking metal cages with RFID to keep goods moving and improve production planning

With demand growing for high-mix, small-lot production, NTN needed to shorten the lead time from production to shipment, which meant planning its production more optimally. However, production plan sometimes had to be changed because expensive returnable transport items (RTIs) like pallet cages and containers used to move finished products from the plant to the warehouse and on to the customer could not be located when they were needed. The company was operating with the minimum number necessary due to cost.

By using on-metal RFID tags to visualize the whereabouts of these items and ensure no changes were needed for the production plan, NTN saw significant cost savings as it no longer had to replace lost containers. The previous running cost of 3 million yen was reduced to zero.



Tag selection was particularly challenging because there were more than 40 types available and we had to find one that would be reliable on metal at our target read distance. We had SATO help us narrow down to a few choices and test them repeatedly on site, including how we would attach the tags. Thanks to SATO's deep knowledge of worksites and associated pain points, we were able to arrive at the best solution.

**Naoki Kawashima**

Subsection Chief, Production Control Section  
NTN Corporation



## Global network

SATO Group has offices in **26** countries/regions and business presence in over **90**.

### Regional sales activities Page 26

#### Europe

Europe accounted for 16.3 percent of the group's sales in FY 2021. Since establishing a German subsidiary in 1989, we scaled up our base business through M&A. Acquisition of Russia-based Okil in 2014 enhanced the scope of our business in this region to include primary labels production. Currently, we have a presence in nine countries across Europe, including Germany, the UK and France. The leading market is retail, which makes up 40 percent of sales in this region, followed by food and manufacturing. We take a direct approach on major customers to establish solid relationships and hear out intricate needs, while exploring for the right business partners to expand our business with.



#### Japan

Sales from the Japan business comprised 57.9 percent of our consolidated total in FY 2021. Since its founding in 1940, SATO has continuously grown with tagging and visualization technologies that solve problems in society and of customers. While more than 30 percent of Japan's sales today come from the manufacturing market, we support a wide range of industries including logistics, retail, health care and food. Extensive coverage of industries and development of optimized solutions for individual customers help us accumulate useful insights to solve issues in supply chains across verticals.



Demand for automated solutions increased with deepening staffing shortages and a greater shift to e-commerce. Year-on-year sales in Japan increased by approximately 40 percent in FY 2021. Tagging techniques required in automated solutions differ depending on the item that is tagged and the operational environment. The accumulation of such experience and knowledge has strengthened our competitive advantage, with which we will capture growth opportunities on a global scale.

#### Asia and Oceania

This region accounted for 12.9 percent of global sales in FY 2021. Since establishing our first office in Singapore in 1987, we have expanded our base business here, setting up local companies across 12 countries including China and Thailand. Sales to manufacturers comprise 40 percent of sales in this region. Worksites differ between each manufacturer and industry, which is why we work with each customer to customize solutions to deliver optimal outcomes. These tailored services have built up SATO's strength that bolsters our high profitability in this region.



#### Americas

Sales in the Americas accounted for 12.8 percent of our consolidated earnings in FY 2021. We opened our US subsidiary focusing on the base business in 1987, and later expanded our business to South America by acquiring Argentina-based Achnar in 2012, followed by Brazil-based Prakolar in 2015, both of whom specialize in primary labels. Sales to retail customers comprise over 50 percent of the business in this region. We take a direct approach in dealing with strategic accounts but a more indirect approach via channel partners in most other aspects of our business.



#### From the front lines

In FY 2021, SATO America successfully grew its sales by meeting strong demand in retail with solution offerings. One key success factor involved mitigating a shortage of printers by working very closely with direct customers and channel partners to supply mission-critical printers to meet their demand. Through consistent communication with customers and our manufacturing facilities, we were able to provide very accurate advanced forecasting to help factories focus on high priority models. Our manufacturing facilities went the extra mile and were instrumental in meeting the demands of customers. We also focused on developing new solution innovations that drove efficiencies to meet tagging requirements which led to growth in our labeling and service offerings. A positive business cycle was driven by trusted relationships with strategic customers through best-fit solutions. These were fueled by careful attention to pain points, which led to repeat business.

**Stephen Sundstrom**  
President & CEO  
SATO America, LLC



### Printer production

#### Vietnam

We established our Vietnam factory in 2004 to meet higher demand medium- to long-term and it has since become a core production hub of mobile and compact printers. Even during the COVID-19 lockdown in FY 2021, it has managed to continue production while preventing the spread of infections by introducing an isolation bubble system. The factory continued to respond to growing needs, as the procurement team collaborated with counterparts at other factories to mitigate the impact of parts shortages.

#### Malaysia

SATO Group's first hardware factory outside Japan was established in Malaysia in 1986. Having started with hand labeler production, this factory is now the central producer of industrial printers. The factory relocated in 2018, upgrading its production capacity, productivity and quality. Amid the supply chain disruptions in FY 2021, we continued to deliver products in demand by installing strict infection prevention measures and collaborating more closely with local suppliers.

#### Taiwan

Argox, acquired in 2012, is a developer, manufacturer and seller of entry model printers geared primarily for channel sales in China and Brazil. Despite the impact of supply chain disruptions in FY 2021, we took actions to maintain stable delivery, negotiating price and arranging for urgent procurements with existing suppliers as well as searching for and switching to alternative parts. Sales\* increased by more than 25 percent from the previous year as a result of successful strategies, which include mining new customers and being flexible in our packaging of products and services to meet regional needs.

\* Taiwan sales are included as part of the Asia and Oceania region.

#### From the front lines

FY 2021 was the most challenging year in the factory's 35-year history. In order to maintain our delivery and keep customers' operations going, urgent and innovative measures were required to optimize our operation. We prioritized securing our supply chain through close collaboration between our experienced team and local suppliers. Our team visited suppliers' sites to understand the situation and worked out solutions together. We will continue our efforts, without compromising our commitment to customer satisfaction.

**Mohd Norlezan Bin Rosley**  
Chief of Production Department  
SATO Malaysia Electronics  
Manufacturing Sdn. Bhd.





## Financial and non-financial highlights

These graphs show key indicators pertaining to SATO Group's performance over the last five years.

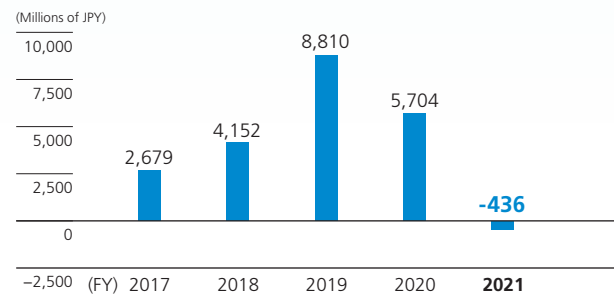
### Financial

#### Sales & operating income



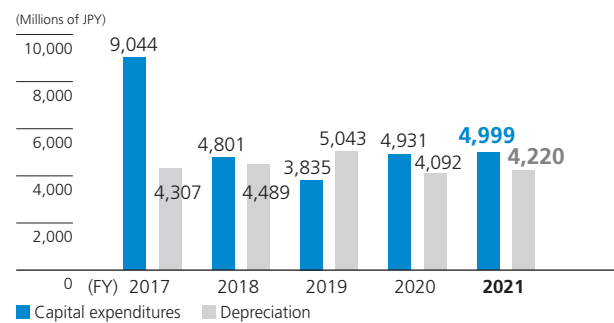
In FY 2021, both sales and operating income increased on a consolidated basis, with sales hitting a record high despite rising costs caused by material price surges and supply chain disruptions. This was possible because of the sustained recovery trend in demand from existing customers, and our efforts in expanding our solution offerings for each industry.

#### Free cash flow



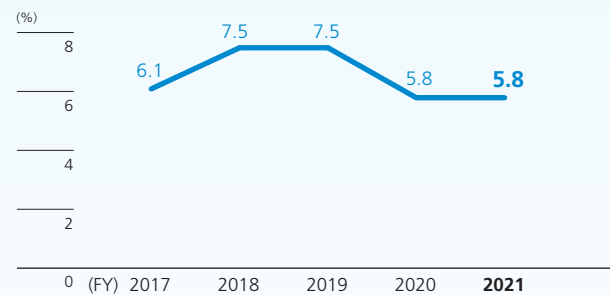
Our free cash flow was negative as an increase in inventories pushed up working capital, causing operating cash flow to decrease.

#### Capital expenditures & depreciation



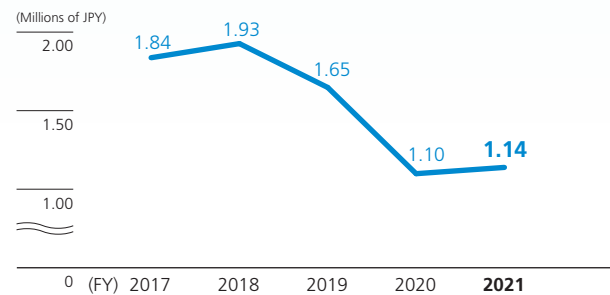
In FY 2021, our capital expenditures increased due to investment on production equipment both in and outside Japan. Depreciation increased reflecting capital investments that were made.

#### Return on invested capital



ROIC remained flat year on year as NOPAT (net operating profit after tax) margin declined despite improvements in sales and invested capital turnover.

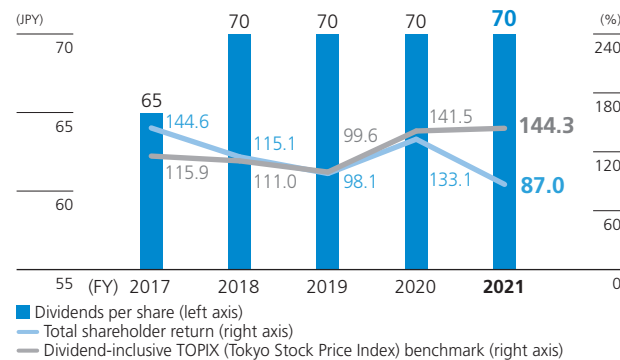
#### Per capita productivity



Our per capita productivity in Japan decreased because higher one-off costs and growth investments impacted profits. Productivity outside Japan slightly improved on a consolidated basis, however, thanks to the strong performance of our primary label companies.

Note: Per capita productivity refers to operating income (excluding goodwill amortization and ERP system depreciation) per active employee.

#### Dividends per share & total shareholder return



We maintained the same dividend payout as last year, under our policy to deliver stable dividends by enhancing market value per share. To maximize total shareholder return, we will balance how we allocate our capital to make growth investments that generate high ROIC.

### Section 1

#### Introduction

### Section 2

#### Messages

### Section 3

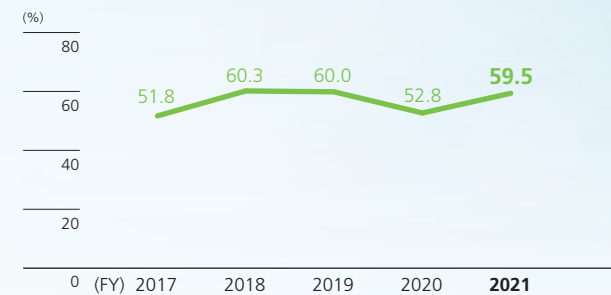
#### Our value-creation story

### Section 4

#### Company data

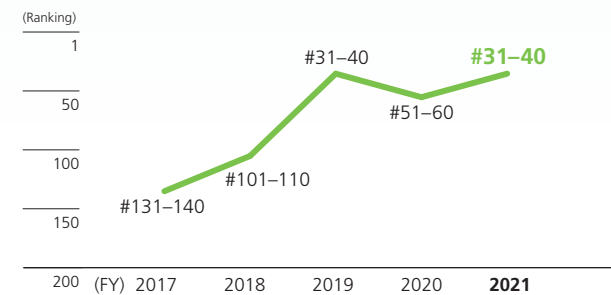
### Non-financial

#### Annual leave utilization rate (Japan)



Under a company-wide push to promote flexible work arrangements, our employees' paid leave utilization for FY 2021 is almost back to pre-pandemic levels after recording a onetime dip during transition to the new normal in FY 2020.

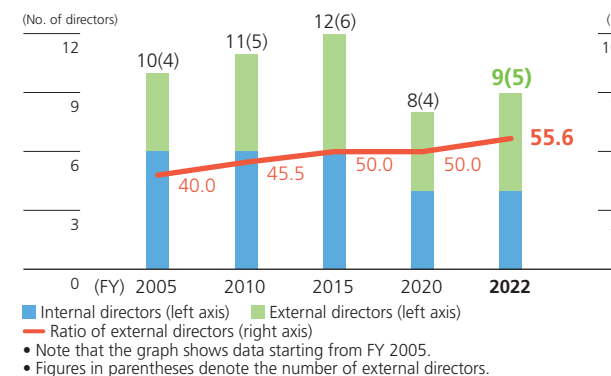
#### Engagement with investors



In FY 2021, we received the IR Special Award from Japan Investor Relations Association (JIRA) in recognition of our commitment to engaging in stakeholder dialogue with consistency and continuity, proactive involvement of top management in IR activities, and regular holding of ESG discussions and briefing sessions to help investors better understand our different business strategies.

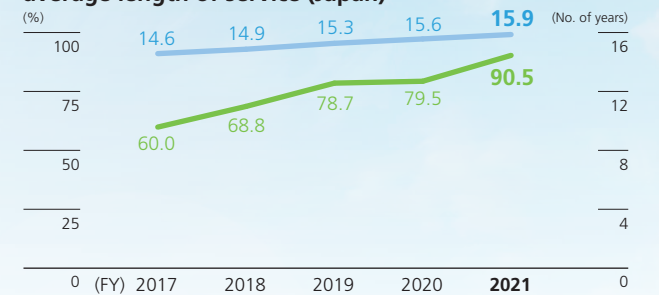
Note: As ranked in JIRA's IR Award.

#### Board size & ratio of external directors



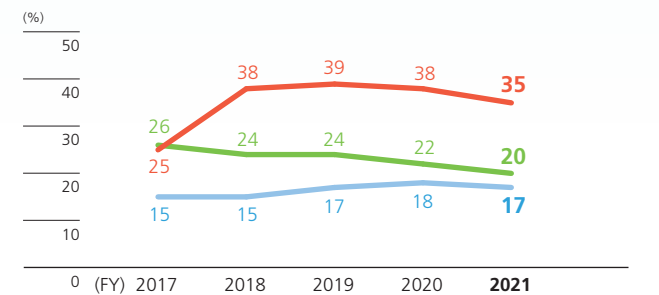
We appointed our first external director in FY 1999 and our first female external director in FY 2004. External directors have accounted for half of our board since FY 2015 and make up the majority in FY 2022.

#### Three-year retention rate for new graduate hires & average length of service (Japan)



The retention rate of our new hires has improved greatly as we provided follow-up support in the workplace and ready access to remote working tools for effective communication. Employees are also staying longer with the company, due to measures taken to boost job satisfaction.

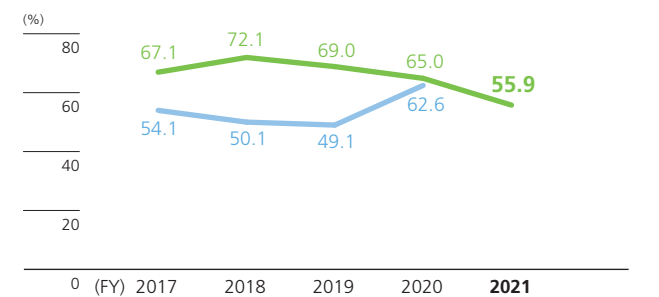
#### Wellness management (Japan)



We were recognized as a Certified Health & Productivity Management Outstanding Organization by Japan's Ministry of Economy, Trade and Industry in FY 2021 for the sixth consecutive year. Metabolic syndrome and smoking prevalence among employees both decreased, with the latter falling by two percentage points for two years in a row as multitiered no-smoking policies were introduced and employees became more conscious of health risks. As fewer employees were physically active (down by three percentage points) due to the ongoing pandemic, we will step up actions to create opportunities for everyone to exercise more.

\*1 Based on corresponding health screening data of employees aged 40 or above.  
\*2 Minimum 30 minutes of exercise at least twice a week or walking an average 8,000 steps per day, over the span of at least one year.

#### Patent utilization rate (Japan)



Our patent utilization rate dropped in FY 2021 as we spent the year strategically focused on patenting peripheral technologies of our licensed/licensable patents. We will continue to improve our patent utilization rate and overall patent quality, protecting and making use of patents that generate customer value.

\*1 Based on date registered. Source: In-house records.  
\*2 Utilization rate of patent rights owned. Source: Japan Patent Office Annual Reports 2019-2022.