

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

As businesses today search for how big data can benefit them, at SATO, we focus on the more immediate question: "How can we make that 'thing' big data?"

In a world where most things have yet to be digitized, our auto-identification solutions provide the answer. We tag IDs to anything — and everything — to track items and help businesses run smoothly, without stopping. A connected world of productivity, safety, reassurance and sustainability starts with somebody physically seeing the real situation on site and handcrafting answers that work. That's what we do. And we start where you are. Because we are Powered On Site.

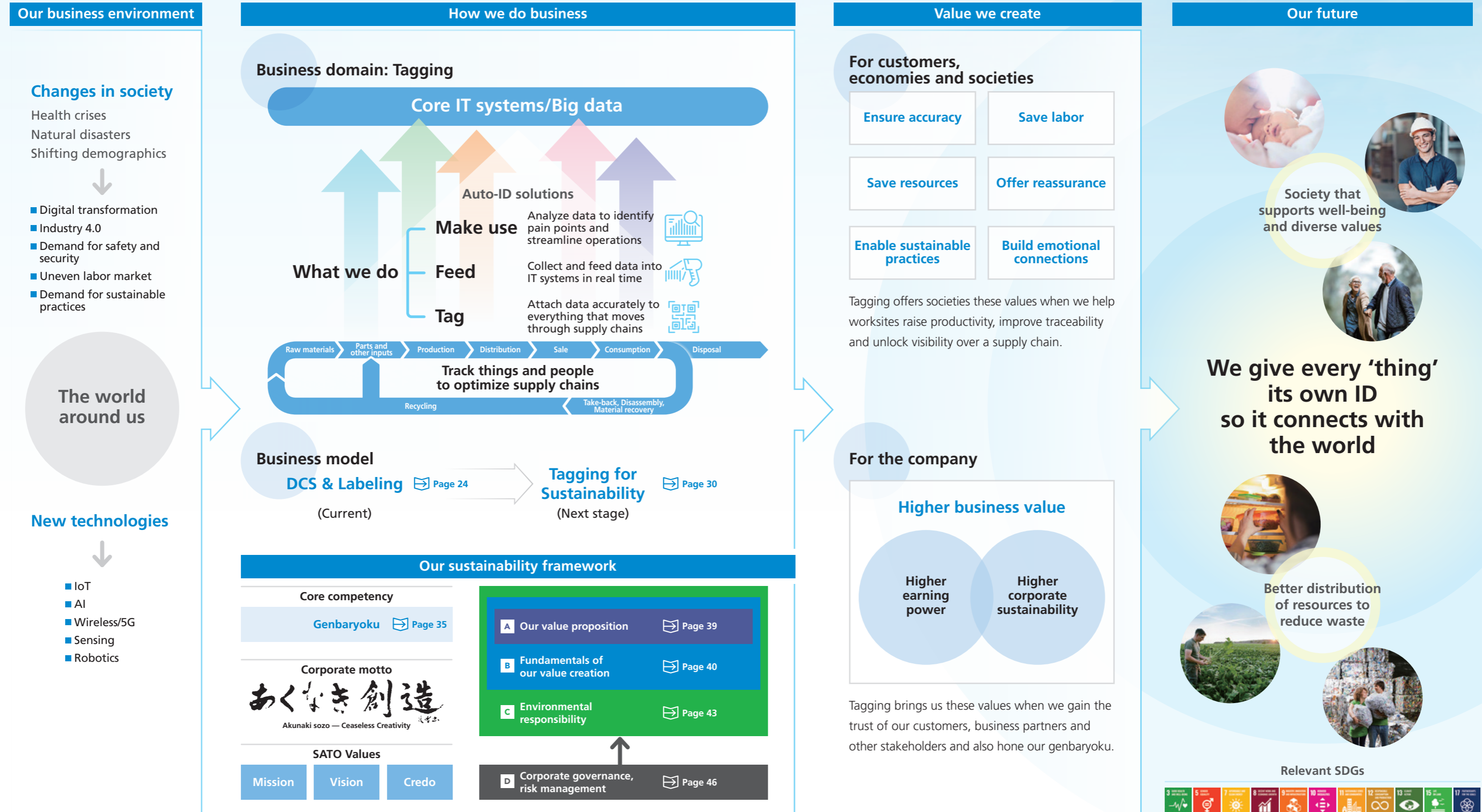


## Section 3 Our value-creation story

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# SATO's value creation: The big picture

We support worksites and supply chains in tracking the status and movement of their things and people with solutions that tag, feed and make use of data. We help the world run smoothly and achieve circularity and sustainability.



# Strategies for the future

This section provides an overview and current status of our medium-term management plan ("MTMP") for fiscal years 2021 through 2023.

## Overview

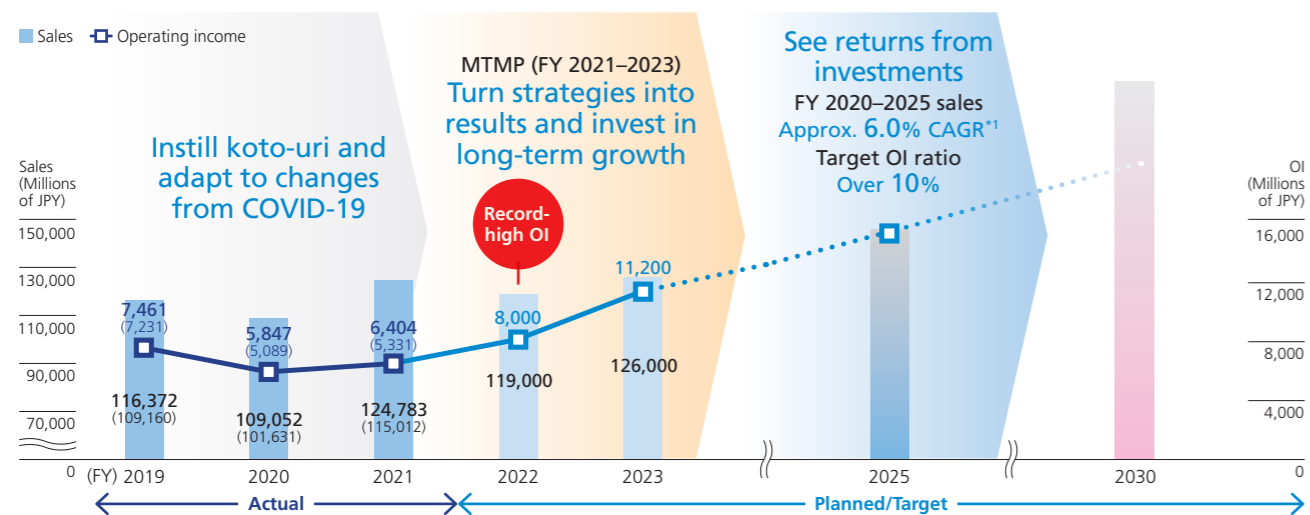
### From now to FY 2023 and beyond

Our aim is to turn strategies into results and invest in long-term growth over the span of this three-year MTMP.

To realize our strategies, we will grow our DCS & Labeling business both in and outside Japan as changes in the global business environment drive strong demand for barcode, RFID and other identification solutions that help companies across many industries improve productivity in their manufacturing, distribution and sales operations.

In terms of investment for growth, we will simultaneously reinforce our existing DCS & Labeling business model and enhance our management groundwork to establish our next business model, "Tagging for Sustainability." We expect the effects of these investments to materialize after this MTMP, setting a milestone at FY 2025 when we would achieve a five-year CAGR (compound annual growth rate) of 6.0 percent for sales and operating income ratio of over 10 percent.

### Where the MTMP stands



Note: Figures in parentheses for FY 2021 and earlier exclude our Russian business (before goodwill amortization). Figures from FY 2022 exclude our Russian business. \*1 Excludes our Russian business.

### Growth strategies and targets

The three main strategies in our MTMP are: **1** enhance region/market strategies, **2** drive technological innovation, and **3** integrate ESG into our corporate model. We will implement these strategies toward achieving our FY 2023 targets as follows.

#### Our targets (on a consolidated basis)

	FY 2020 (Actual)	FY 2023
Net sales	¥109,052 million	¥126,000 million +7.4% (CAGR)*1
Operating income	¥5,847 million	¥11,200 million +30.1% (CAGR)*1
Operating income %	5.4%	8.9% +3.5pt
ROIC	5.8%	9.4% +3.6pt

\*1 Excludes our Russian business.

## From the leaders

### Global Establish the groundwork for sustainable profit growth

For FY 2021, overseas sales and operating income both exceeded targets we had set at the beginning of the year.

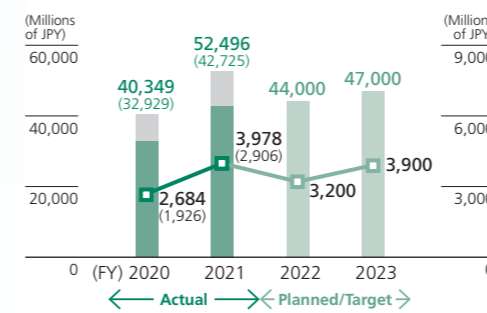
Demand for our DCS & Labeling solutions is growing globally, as e-commerce and the stay-at-home economy continue to thrive amid the pandemic and supply chain disruptions. Under these external conditions, our koto-uri approach has successfully helped us develop new business and expand business with existing customers, while sales through business partners increase steadily. We are strengthening our sales and distribution channels.

We hope to maintain this momentum as we develop a management groundwork geared toward stable and sustainable profit growth. It specifically means understanding the way each subsidiary operates from a portfolio perspective, assessing its status against how it should ideally be, and allocating business resources appropriately.



**Yoichi Abe**  
Vice President  
Oversees global business  
Regional Operations Officer  
for North and Central Americas

#### Sales & operating income



Note: Figures in parentheses for FY 2021 and earlier exclude our Russian business (before goodwill amortization). Figures from FY 2022 exclude our Russian business.

Each subsidiary has its own history, founding story and reasons for why it is where it is now, and no single approach will work for all. The DCS & Labeling business model has already proven its competitiveness outside Japan, so we should build on it by matching our investments to each country's needs — such as purchasing new equipment for one subsidiary to raise its sales ratio of consumables and stabilize profits while helping another promote our solution offerings from Japan to improve its gross profit margin.

With global recession concerns, geopolitical risks, supply chain complications and skyrocketing material costs, the business environment is unforeseeable and full of uncertainties. Yet we shall take the aforementioned actions in our drive toward achieving our MTMP objectives to generate stable, sustainable profit growth.

### Japan Improve profitability with an "All-in sales" mindset

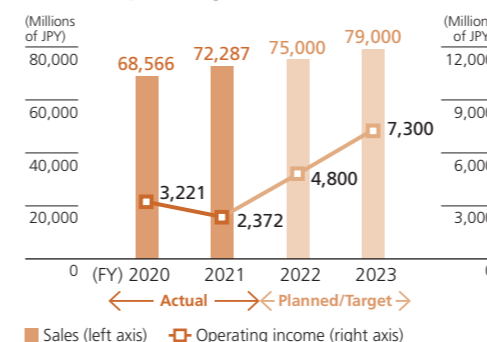
Demand for DCS & Labeling solutions is growing in Japan too, as our customers see labor shortages escalate and market expectations for digital transformation rise. Changes in customer and societal needs and advancements in technology mean that tagging solutions can no longer be about just barcodes. RFID and locating and sensing technologies are clearly gaining traction, illustrated by the fact our RFID sales grew about 25 percent year on year in FY 2021. The current business environment and trends are in our favor because we take the koto-uri sales approach based on our deep understanding of worksites, supply chains and tagging technologies.

But as we often need to go through details and tests before installing our solutions, our sales cycles can be complex and long, which, with the surge in material costs, have pushed down our profitability in Japan. For FY 2021, we fell short of our operating income target despite achieving that of sales. To improve profitability, we will **1 change the way we sell**, taking up the "All-in sales" mindset and strengthening our customer targeting to increase leads, conversion rates and



**Hiroyuki Konuma**  
Vice President  
Oversees Japan business  
President, SATO Corporation

#### Sales & operating income



the efficiency of repeat sales processes. We will also **2 create truly unbeatable offerings**, particularly market/industry-specific solutions that we can sell as bundled packages to gain a powerful competitive advantage, **3 optimize our value chain**, for example, by investing in a new IT infrastructure to streamline our R&D, production and sales processes/systems, and **4 reduce costs**, which involves honing our quality, cost and delivery performance, thereby improving our manufacturing and sourcing capabilities.

To ensure we increase sales and profits in Japan toward achieving our MTMP targets, I will monitor the KPIs for our sales offices and departments more closely starting this year and work to achieve even stronger teamwork among our various units.

## Progress of the three growth strategies

### Enhance region/market strategies

Our business domain in tagging involves more than just providing the printers and labels to print barcodes with; we mix and match them with other products and technologies to offer the best solution to a customer's operational challenge.

In delivering the best solution, we need to look at so many different factors: what the challenge is and what societal changes come into play; what information from the customer's site is required; which auto-ID technology would best collect the information; how things are shaped, what material they are made of and which labels would work on them; and how data would be read. That's why we need to fine-tune ourselves to pick up on what each customer needs. And when social environments are unique within each country or region, the same industry would demand different levels of "best," which means we have to approach each country and region differently.

In FY 2021, there was strong demand for our DCS & Labeling solutions across different regions, which we successfully converted into sales through our koto-uri approach.

**In the Americas,** our base business saw significant growth in both printer and consumables sales, primarily driven by demand for e-commerce and supply chain management solutions from the retail sector that we focus on. It also helped that we have been working our way deeper into the operations of our existing key customers through koto-uri to identify their latent needs. Our primary labels business also increased profits as we made sales efforts and some adjustments to product pricing with the kind understanding of our customers. As a result, the region achieved ¥16.0 billion in sales (up 29.2 percent year on year) and ¥1.0 billion in operating income (up 32.6 percent) in FY 2021.

The current momentum in demand may slow down but we expect market trends to continue in our favor in FY 2022. We will keep up our koto-uri sales approach with existing major

customers in retail while also developing new business partners (and the sales potential of existing partners) to expand selling channels and grow our business in the Americas.

**In Europe,** our base business experienced considerable sales growth not only in printer and consumables but also in RFID solutions. This was thanks to robust demand from our focal verticals — retail, food and health care — where businesses need help dealing with e-commerce, tracking supply chains, cutting food waste and ensuring food safety. Sales growth can also be attributed to the progress we have made in developing business partners based on koto-uri. Our primary labels business was also profitable as we furthered businesses with our existing food and beverage customers. With moves to revise product pricing (as was done in the Americas), the region achieved ¥20.4 billion in sales (up 36.7 percent year on year) and ¥1.3 billion in operating income (up 120 percent) in FY 2021.

In FY 2022, we will continue to develop and expand our customer base through koto-uri while also offering packaged solutions that are in high demand to new customers in and outside Europe, with the help of our business partners.

**In Asia and Oceania,** printer and consumables sales grew substantially like in other regions, thanks to demand for factory/supply chain management and productivity solutions from the manufacturing sector that we focus on.

We also benefited from the recovery of automotive production and from the soaring needs for operational visibility and automation put forward by electrical and electronics manufacturers who had suffered supply chain disruptions due to the pandemic. As a result, the region achieved ¥16.1 billion in sales (up 23.4 percent year on year) and ¥1.6 billion in operating income (up 30.1 percent) in FY 2021.

We offer very strong value propositions (via koto-uri) in Asia and Oceania, partly because we have developed a deep

understanding of the region's manufacturing sector over the years. We will further strengthen how we provide total solutions with our market/industry-specific expertise.

**In Japan,** our target markets include retail, manufacturing, food, logistics and health care. We achieved ¥72.3 billion in sales (up 5.4 percent year on year) in FY 2021, mainly driven by demand for productivity-improving solutions from manufacturing, health care and logistics customers. However, Japan's operating income declined to ¥2.4 billion (down 26.4 percent) amid cost increases caused by supply chain disruptions, changes in product mix, and ongoing R&D investments for our new standard printer platform (mentioned later).

In Japan, we focus on capturing demand for replacing aging printers, while also working to innovate our RFID and

other tagging solutions as customer pain points become more complex and require more advanced technologies. As such, we may take longer time to close deals or get overtaken by competitors. This is why we are changing the way we sell with an "All-in sales" mindset.

For FY 2022, we will continue successful initiatives from the previous year including lead generation via marketing activities, managing our new business pipeline using our customer relationship management (CRM) system, and involving market experts in supporting sales teams to close deals faster. We will also work on customer targeting to improve our sales conversion rates and enhance the activities of our recently established Demand Center.\*<sup>2</sup>

\*<sup>2</sup> A marketing function that generates and nurtures qualified leads for passing to sales.

#### From the front lines

### The role and vision of our Demand Center

Under our "All-in sales" strategy, the Marketing Department established the Demand Center in FY 2022 to produce high-quality leads and develop new touch points with our key accounts.

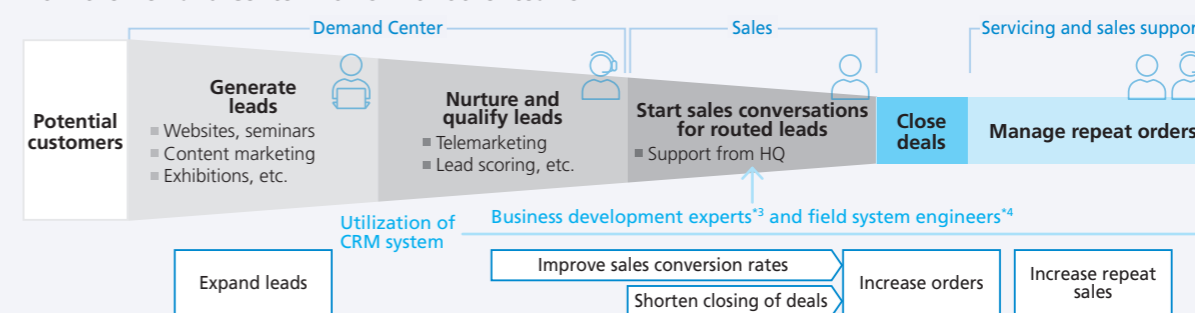
For lead generation, we start by holding physical events such as exhibitions and complementing them with the use of digital channels such as content marketing, then follow up by nurturing and qualifying leads. For developing touch points, we use our CRM system for customer targeting and segmentation in order to select and contact the right customers, which our sales branches have found challenging to do on their own.

We aim to produce even higher quality leads by combining and analyzing data on both customer attributes (such as business type, contact person's department/designation) and customer behaviors (such as purchase and servicing history).



**Chihiro Shimura**  
Senior Manager, Marketing  
SATO Corporation

### How the Demand Center works with other teams



\*<sup>3</sup> Region-based market experts who provide sales follow-up and training.  
\*<sup>4</sup> Engineers responsible for solving customer issues on site.

#### From the front lines

### Collaborating with business partners in Europe

In Europe, working with partners such as independent software vendors or system integrators to provide our packaged solutions to their customers is progressing well. To develop new partners, it is important to first understand the end user's pain points at worksites taking our koto-uri approach. Such direct communication with end customers allows us to learn what kind of ecosystem they operate in, which vendors are chosen and why.

Let's take a food customer for example. Thanks to our solution offering and partnership with software vendors, we can offer a variety of applications including HACCP<sup>\*1</sup> compliance, ingredient control, allergen labeling, delivery labeling, and many more. We can tailor our solution to their specific needs because we understand them and speak the same business language. This approach has led to expanding our customer reach and strongly growing our market share in that segment, since we could duplicate similar solutions together with our partners' community.

\*<sup>1</sup> Hazard Analysis Critical Control Point, a food safety management system recognized internationally.



**Laurent Lassus**  
Head of Europe  
Managing Director,  
SATO Europe GmbH Benelux

### Drive technological innovation

To evolve our current DCS & Labeling business model further into "Tagging for Sustainability," we need innovations, particularly in new tagging technologies.

We will start with (a) **Boost DCS & Labeling capabilities**, then branch out in two directions. One is to raise the level of our tagging technologies and develop new data platforms. And two is to widen our media lineup beyond labels/tags by inventing new media for data tagging,

logging and sensing. These approaches will allow us to better digitize, collect, track and utilize data to deliver SaaS (software as a service) solutions for supply chain optimization. (📄 Page 28)

In FY 2021, our activities for (a) were focused on the development of a new standard printer platform, which will continue into FY 2022. (📄 Page 29)

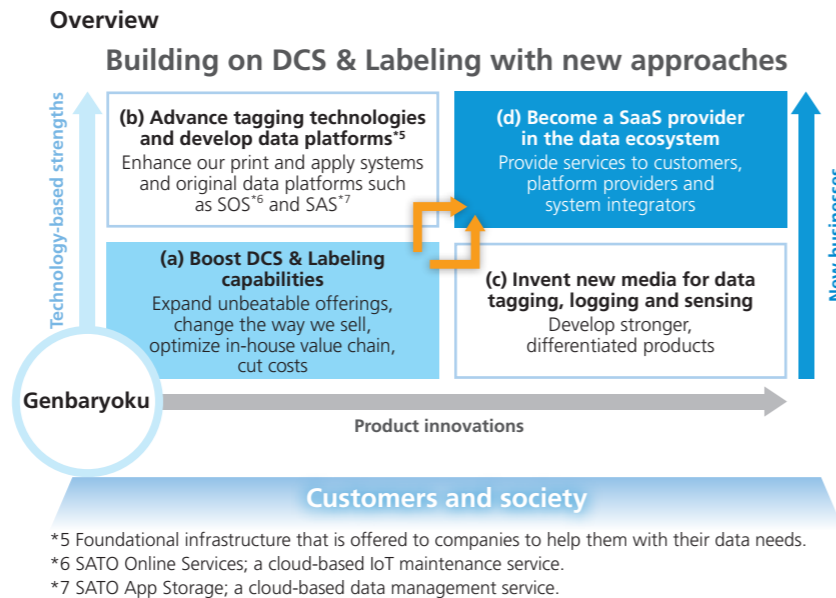
We also made efforts to expand our RFID business globally

Strategies for the future

through the RFID Business Headquarters we had established in FY 2021. While RFID tags generally do not produce 100 percent read reliability as they depend on radio waves for data transmission, SATO has years of expertise on designing RFID antennas and selecting the right readers for the best read rates based on the customer's operating requirements, which we see as our competitive advantage. Given that our global RFID sales in FY 2021 increased by more than 30 percent year on year, we plan to grow profits further by enhancing our RFID production capacities and capabilities.

Under **(b) Advance tagging technologies and develop data platforms**, we have released a new print and apply system that realizes accurate automated labeling using a sophisticated image recognition technology. This system is selling steadily around the world, backed by widespread demand for high-mix, low-volume manufacturing and automation

owing to labor shortages. As for **(c) Invent new media for data tagging, logging and sensing**, we are working to add locating and sensing technologies to labels and beacons. (Page 33)



From the customer

**SATO provides RFID solution for asset tracking**

PT. Sigma Cipta Utama (SCU) is an Indonesian company specializing in a wide range of data management services and safekeeping of their customers' key assets, which includes storage and supervision of physical assets and their data such as hard copy documents. SCU had been using barcode scanning to track and locate their clients' assets. They faced issues including the lack of accuracy in asset control due to barcode readability problems, which led to an increase in staff in their daily operations as well as extra hours in stocktaking.

With the RFID solution offered by PT. SATO Label Solutions (SATO subsidiary in Indonesia), SCU can now track each asset more speedily and accurately, and save up to 50 percent time during stocktaking.

From PT. Sigma Cipta Utama

I appreciate the attention to detail that SATO provided to streamline our traceability system. Now our staff can track and locate each asset in our warehouse faster with accuracy and ease.

**Integrate ESG into our corporate model**

This third strategy supports the first two strategies, and a particularly important element here is to build on human resources. As tagging requires us to collaborate with customers in solving their pain points, people serve as the very source of this value creation. Providing a place for employees to nurture and bring out their best and to raise their motivation is absolutely necessary for us to proceed with "Tagging for Sustainability."

In FY 2021, we enriched the training programs in SATO Campus, which we had established in the previous fiscal as a means to spur talent growth and entrench corporate culture. We also continued evolving our almost 50-year-old

tradition of Teiho with employee motivation in mind, adding a new function to the system in FY 2022. (Pages 40-41)

In addition, we are preparing a new IT infrastructure to launch after our current medium-term management plan. This will not only seamlessly integrate all the information across customer touch points in our value chain to improve in-house communication but also reduce overlapping work to enable our reallocating of human resources to value-added work, which would lead to higher customer satisfaction, increased employee motivation and a positive cycle of value creation.

COLUMN

**Introducing our new standard printer platform, a global game changer for creating customer value in the era of IoT and digital transformation**

We are developing a new common platform for SATO printers, aiming to complete it within the span of our current medium-term plan.

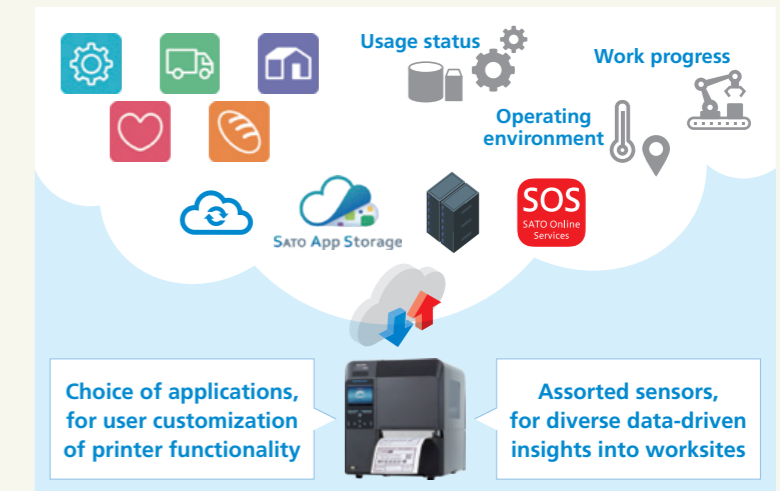
We hope to create greater customer value through this new platform that supports a wide variety of applications and sensors. Users will be able to select and download different applications to their printers depending on what data they want to collect or which systems they are connecting to. This is just like how we add or remove apps as we need on our smartphones every day.

With SOS (SATO Online Services) already helping customers monitor their printers remotely and perform preventative maintenance, the new platform and its sensors to detect temperature, location and printed mileage allow us to gain new insights into customers' printer environment, frequency of use, and data printed to automate label ordering, send notifications for parts replacements and deliver more maintenance services online.

It would also optimize our value chain. Since customers will be able to download and run multiple applications simultaneously on their printers, they no longer need to have software specially developed for their needs. This would reduce the burden on our R&D and production functions, and increase our sales efficiency. And with the diverse data collected automatically

from sensors, we can develop a good understanding of individual worksites without relying on our front-line sales and servicing teams to discover pain points for our customers and propose the best solutions.

Slated for use in SATO printers launched after 2023, this standard platform will provide strong support for our customers' on-site operations and a powerful driving force for our business activities globally.



From the front lines

**A means to provide sustainable value**

Our customers have diverse challenges and needs that vary depending on the region, market or industry they are in. To deliver the best solutions to them with speed, we wanted our printers to go beyond just printing labels to facilitate the flexible integration of different hardware and software. That's why we started this project. Throughout R&D, we constantly ask ourselves: How would the customer want this? What value can we bring?

We are confident that the new platform will help us create value for our customers and society into the future.



(Left) **Mitsuru Nonaka**  
Senior Manager,  
Integrated Platform Development Dept.  
SATO Corporation

(Right) **Yoshiaki Uno**  
General Manager  
SATO Global Business Services Pte. Ltd.

## Feature: Expert talk



**Ryutaro Kotaki**  
President and CEO

**Hiroyuki Morikawa**

Professor, Graduate School of Engineering, The University of Tokyo  
Chairperson, Communications and Information Network Association of Japan

### “Tagging for Sustainability” for a better tomorrow

# Looking forward to SATO’s ‘story’

Tagging for Sustainability is the future business model SATO pursues to realize a better and more sustainable world. Our CEO Ryutaro Kotaki sat down with Hiroyuki Morikawa of The University of Tokyo to discuss the future of data collection. Morikawa is an advocate of data-driven economy, which he envisages as the next digital revolution.

### Real data drives the next digital revolution

**Morikawa** The modern digital revolution sparked by the dawn of the internet over 20 years ago is now led by major digital platform providers who help consumer-targeting businesses collect, analyze and make use of data on how consumers search and shop online. But I’m seeing that it’s

entering a new phase where the real data of physical things, such as their ID and temperature, comes to play a central role. In this data-driven economy,<sup>\*1</sup> so much real data that was difficult to collect before can now be utilized to create new value and change the very notion of what’s “normal” for companies, industries and society.

It will be an economy that gets all industry sectors including B2B involved, with every industry needing to

collect and make use of real, on-site data concerning production, distribution and sales from across their entire supply chain. I foresee a challenge when major digital platform providers today aren’t able to fulfill all their data demands. Each industry has its own things to track, logistics infrastructure to transport them and pain points to solve. That’s why I believe companies like SATO that understand business worksites can put their data collection and utilization capabilities to good use in the data-driven economy and contribute more than ever to the growth of society in terms of ensuring safety, offering assurance and reducing environmental burden.

\*1 An economic system where data collected from the real world creates new value and revolutionizes companies, industries and society.

**Kotaki** Solving pain points with our customers’ real data is what we’ve been doing since our founding. Starting with the invention of the hand labeler that labeled price onto products, we have continuously innovated our tagging business of attaching (or associating) information to things as the world shifted to barcodes and RFID technologies. Today, we have customers in a wide range of industries. We’ve learned over the years that what customers and industries in any time and age want is real data associated to each and every thing at their worksites. As you mentioned, different industries have different things to track and different pain points to solve. The transportation industry, for example, wants to track the temperature of each item seamlessly to improve safety and reassurance. Hearing out and understanding these on-site pain points to provide solutions with our tagging expertise is where the true value of our business lies.

We say that we help customers “tag,” “feed” and “make use” of data. How do we tag identifiers or other information to something? How, and at what point do we feed that real data to a company’s IT systems? And how do we ensure the data converts into insights that the customer can make use of back at their worksites to solve their pain points? Finding answers to these questions with

the customer is what we do, and our strength is in putting together solutions specific to each market, industry and application in each country and region. I’m extremely encouraged to learn that what we do has a lot in common with the data-driven economy you advocate.

### Talent to bridge the physical and digital

**Morikawa** I, too, think there is a lot in common. Every industry will come to need tagging in this digital age. IoT and the latest 5G technology, for example, concern all industries and have the potential to change everything, but they can’t unless everything has data attached to it. Your tagging specialty could power this transformation.

I also think that the people who pave the way to the next digital age are not the ones who merely have knowledge of digital technology but rather those who can bridge the real and digital worlds. Bridging won’t be such an easy know-how to acquire; it will come from a lot of trial and error and failures. An organization that can seek such knowledge needs to be agile and open to taking risks — almost like the US Marines — and search for answers tenaciously with a broad vision. But it also needs to make continuous improvements and keep deepening its knowledge as well. Am I correct in assuming SATO is full of employees who seek knowledge on site?

**Kotaki** You’re very correct. We have a lot of talent who live by our corporate motto of Ceaseless Creativity and treat customers’ problems like their own to come up with the best solutions for their worksites using tagging technology.

We are developing a new business model for long-term growth called Tagging for Sustainability. It involves taking our brand statement, “We give every ‘thing’ its own ID so it connects with the world” further, for us to

Feature: Expert talk

tag, feed and make use of data at an even higher level to deliver broader customer value. We are building a new team that will lead our transition to this business model with the mobility of a marine.

## A good story is what we want to hear

**Kotaki** In shifting toward Tagging for Sustainability, we are particularly interested in source tagging: tagging upstream in the supply chain, at the manufacturing stage. Source tagging would allow real data to be collected throughout a circular supply chain, over both forward and reverse logistics processes. And real data here includes those that are not so easy to digitize today, such as where a consumer used a product, how frequently and by how much. Imagine if a medicine bottle we've tagged picks up data about when and how it was ingested. The manufacturer could make use of this data to plan production or sourcing of raw materials, or in product development or marketing activities, which would advance its business and contribute to the world in ways not possible before. And when other players in the supply chain such as logistics providers and retailers use that data, their businesses could deliver greater value and make the world better for everyone. That's why I insist that we seek tagging opportunities upstream in the supply chain.

I believe that, in time, we will be seeing so many different players forming partnership ecosystems where they collect, share and make use of a variety of value-creating real data beyond just the ones we would provide. I'm hoping they would learn of the value of tagging that we propose and include us in their ecosystems to make the world better. We aim to be an essential partner for them.

**Morikawa** I'm fully with you on that. The most important point in building an ecosystem is to have a proper cause; without it, you won't find any partners. The data-driven economy I envision is like a whirlwind of so many players providing their respective expertise — be it communication infrastructure, data platforms, BI tools,\*<sup>2</sup> consulting, or tagging that you do — and coming together to form a huge societal momentum. Players need a cause to come together, and hearing from you today, I think Tagging for Sustainability offers that cause.

And then every business success requires resources, one of which is a convincing story, of how you would create social value. A good story, more than great technologies, is what matters when it comes to bringing employees, business partners and investors on board. I look forward to SATO adding its story to the next chapter of the digital age.

\*<sup>2</sup> Business intelligence tools; software to store and analyze the many different data a company owns, aimed to help management and operations.

## Hiroyuki Morikawa

Professor, Graduate School of Engineering, The University of Tokyo  
Chairman, Communications and Information Network Association of Japan

BE in electrical engineering from The University of Tokyo in 1987; PhD in 1992. Professor at Graduate School of Engineering, The University of Tokyo since 2006.

Research interests include IoT/big data/digital transformation, wireless communication systems, cloud robotics and information society design. Vice Chair of OECD Committee on Digital Economy Policy (CDEP), Head of Beyond 5G New Business Strategy Center, Committee Chair of Information and Communications Council at Ministry of Internal Affairs and Communications, President-elect of The Institute of Electronics, Information and Communication Engineers (IEICE), among other titles.



COLUMN

## Actions toward Tagging for Sustainability: Consumer Business Development Dept.



The SATO Group has a number of actions underway toward Tagging for Sustainability, some notably driven by the Consumer Business Development Department launched in 2021. It works with customers and with new tagging technologies to create solution services that were previously considered unachievable.

Today, SATO teams up with Israel-based Wiliot as its alliance partner\*<sup>1</sup> to create solutions for the retail market, using Wiliot IoT Pixel tags. These tags can not only carry the identifier data of whatever they are attached to but also pick up the real-time status of it, such as its location or temperature.\*<sup>2</sup> They also run battery-free by harvesting energy from ambient radio waves, and do not require dedicated scanners, as they continuously transmit data via Bluetooth\*<sup>3</sup> to be read by smartphones and other Bluetooth-enabled devices. These features allow retailers and manufacturers to collect data of their products inside the store as well as after sales, automatically obtaining exhaustive information on their status and how they are used.

In a world where consumer preferences and purchase behavior are more diverse than ever, businesses today share the need to know the greater details of individual consumer behavior to enhance marketing, or fine-tune demand forecasts in response to supply chain disruptions and climate change. Wiliot tags can potentially meet these needs. SATO conducted tests with these tags in FY 2021, staging proof-of-concept trials in retail stores to track real-time inventory and running a demo in its exhibition booth visualizing real-time data of how product samples there were used. We plan to commercialize these solutions in FY 2022.

We create new value for and with our customers in the supply chain as we develop new tagging technologies and solutions and make use of the data they collect.

\*<sup>1</sup> Wiliot is the company that develops the IoT Pixel sensing tags and their accompanying cloud service. SATO has signed a three-year strategic partnership with Wiliot to establish leadership in spreading the use of IoT in the retail industry. SATO is one of Wiliot's three focal companies to which it supplies tags.

\*<sup>2</sup> Includes technology under development.

\*<sup>3</sup> Bluetooth® is a trademark of Bluetooth SIG, Inc.

From the front lines

### Entering a new field of tagging for a sustainable world

I have always believed in SATO's potential to venture into new fields, with our legacy tagging expertise over an array of markets and supply chains and our unique know-how in consumer marketing (e.g., Design Promotion [Page 4](#)), which are two resources we could bring together. Advancements in tagging technology as we see in Wiliot have propelled us into that future. Our team works toward delivering new value to consumers and using the data obtained from such offerings to optimize supply chains and fulfill our mission to contribute toward a sustainable world. Do look forward to SATO's new endeavors.



**Kazuya Hirata**  
Senior Manager,  
Consumer Business  
Development  
SATO Corporation

From our partner

### For solutions that benefit people, planet and profit

The world is facing crises on multiple fronts. We face climate change and the impact of unsustainable production, plus the stress on supply chains that is driving shortages that threaten our economic well-being, which always impacts our poorest citizens first.

Wiliot and its partner SATO are in the privileged position of being able to provide solutions that can mitigate both crises, by bringing real-time visibility to product usage and supply chains that can massively reduce waste of food, clothing, medicine and many other resources, while moving businesses to economic models based on a more sustainable circular economy. In the past, environmental progress was often seen to be at the expense of profits; we can enjoy some optimism about the future since our progress can benefit people, planet and profit.



**Steve Statler**  
Senior Vice President,  
Marketing & ESG  
Wiliot Ltd.

## Our key drivers for long-term growth

### SATO's core business: Auto-ID solutions

We provide solutions for tagging things and people using automatic identification technologies such as barcodes, RFID and image recognition to support worksites and supply chains in traceability, asset control, supply chain management and many other areas.

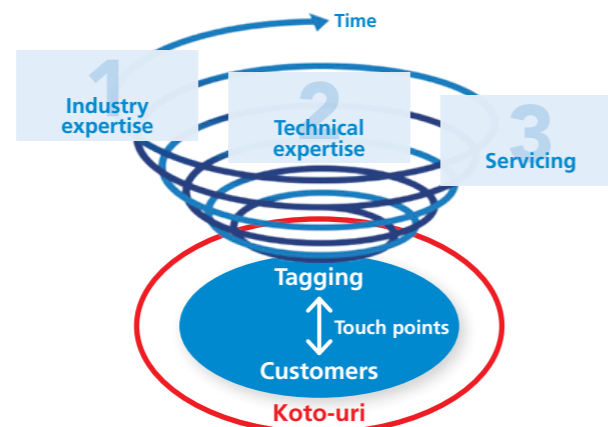
### Tagging is our domain

The very essence of our auto-ID solutions lies in tagging: the act of attaching information to things and people. For us to tag something and collect data that a customer most needs, we need to look at how things are shaped, what material they are made of, which labels or tags to use and how to use them, and how to associate the collected data with what kind of other data. It cannot be learned overnight; SATO has accumulated this expertise since its founding through practice and decades of trial and error, and it is our unique market positioning that competitors cannot easily imitate.



### Our relationships with customers hone our genbaryoku

Tagging cannot be done without seeing the customer's worksite and understanding their actual operations. This nature of our business creates customer touch points, and with every issue we help solve on site through our koto-uri approach of "selling the solution, not the product," our relationship with the customer becomes stronger. It's a positive cycle, which continues to hone our genbaryoku in its three constituents of 1 industry expertise, 2 technical expertise and 3 servicing. (Page 35)



#### From the front lines

#### Experts who are Powered On Site identify and solve customer pain points

I support customers in electrical and electronics manufacturing, a diverse industry that produces everything from component parts to finished products. It naturally calls for a different type of solution for each worksite, but as RFID, automation and other advanced technologies have now become available, the variety of solutions we can offer customers keeps growing.

I've trained myself on-site and developed a knack for asking the right discovery questions and pinpointing customer priorities to propose the best solution. But with all the variety of options available and changes in customer needs, I'm aware that I need to keep updating myself.

SATO has many tagging experts not only in our front-line sales and servicing functions but also in the market strategy divisions that we formed to capture demand trends, develop new solutions and share sales insights for specific markets. We also have RFID and automation specialists who assist our sales teams. Customers trust us because of this collective know-how and organizational capabilities that allow us to identify and solve their pain points. They're also why customers keep coming back for more.

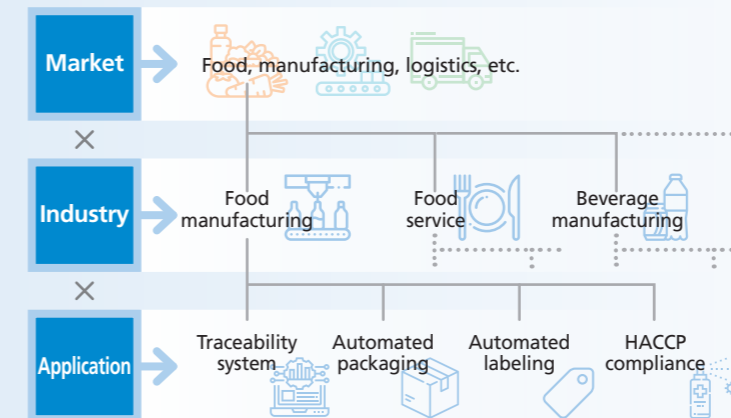


**Yoma Matsumoto**  
Sales, Kanagawa Branch  
SATO Corporation

### Three elements of genbaryoku

Leading companies choose SATO because we can provide optimal solutions from our core competency we call genbaryoku, which we built up over time through our business model of collecting on-site data. We define genbaryoku to comprise three strengths that we continue to hone in delivering auto-ID solutions that are powered on site.

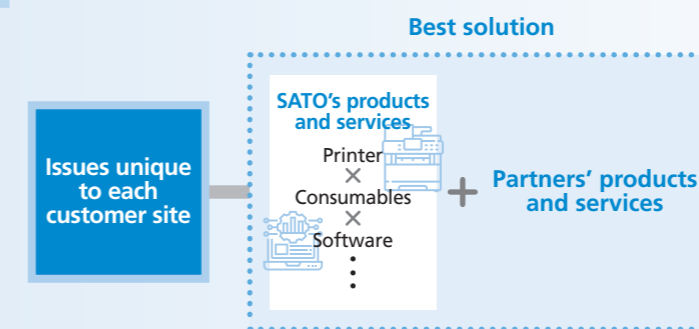
#### 1 Industry expertise — We are versed in an array of worksites



#### Know-how on diverse customer markets, industries and applications

Operational procedures and objects to be tagged vary depending on the customer. We have seen and versed ourselves in so many on-site processes and issues across a wide variety of markets and industries that the accumulated expertise helps us provide the best tagging solutions for each unique usage.

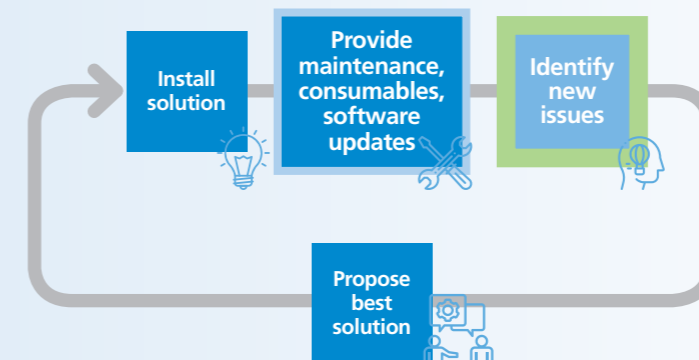
#### 2 Technical expertise — We match products best for each customer



#### New solutions from mixing and matching the right technologies

Our products are thoroughly customer-centric, yet the best solution for a customer does not always consist solely of our own products. We collaborate with business partners who have different strengths from us to create the ideal combination of products, services and technologies.

#### 3 Servicing — We keep bettering our customers' operations



#### Continuous connection and long-term relationship with customers

We continue to provide products and services to customers even after installation to help their operations run stably and with ease. The long-term relationship we maintain with customers through after-sales support allows us to spot new issues and improve their business sites on an ongoing basis.



# Business management and sustainability

## Management team (As of October 1, 2022; asterisk (\*) denotes currently held positions)

### Directors



**Ryutaro Kotaki**  
Representative Director  
President and CEO

Feb 1988 Joined SATO  
Jul 2007 Executive Officer and Senior Manager of Printer Sales Promotion Dept., Sales Division  
Oct 2011 Executive Officer; Director and General Manager of Domestic Sales Dept., SATO Corporation  
Apr 2012 Executive Officer; President, SATO Techno Lab Co., Ltd.  
Apr 2013 Senior Executive Officer; President, SATO Technology Co., Ltd.  
Jul 2014 Vice President  
Apr 2016 Executive Vice President and Chief Operating Officer; President, SATO Corporation  
Jun 2016 Representative Director, Executive Vice President and COO  
Apr 2018 Representative Director, President and CEO\*  
May 2021 Chairperson, Japan Automatic Identification Systems Association\*



**Yoichi Abe**  
Representative Director  
Vice President  
Oversees global business  
Regional Operations Officer  
for North and Central Americas

Apr 1980 Joined Mitsubishi Corporation  
Dec 2013 Joined SATO, Head of President's Office  
Apr 2016 Executive Officer and CFO  
Apr 2018 Vice President and CFO  
Jun 2018 Director, Vice President and CFO  
Jun 2020 Representative Director, Vice President, CFO and Chief Compliance Officer  
Apr 2021 Representative Director, Vice President, oversees global business and Corporate Planning  
Apr 2022 Representative Director and Vice President, oversees global business, and Regional Operations Officer for North and Central Americas\*



**Yoshiko Nonogaki**  
External Director

Apr 1980 Joined Sony Corporation  
Sep 1992 President and Representative Director, Sony Poland SP. Z O.O.  
Jul 1994 General Manager of Sales and Marketing Dept., Recording Media and Energy Company, Sony Corporation  
Apr 1999 General Manager of Planning and Marketing Dept., Personal IT Network Company, Sony Corporation  
Apr 2006 General Manager of Business Planning Dept., Business and Professional Solutions Group, Sony Corporation  
Apr 2009 Senior General Manager of Planning and Marketing Division, Business and Professional Solutions Group, Sony Corporation  
Apr 2013 Director of Global Diversity, Sony Corporation  
Jun 2019 External Director, Nifco Inc.\*  
Jun 2020 External Director, GS Yuasa Corporation\*  
Jun 2021 External Director, SATO Holdings Corporation\*



**Hiroyuki Konuma**  
Director, Vice President  
Oversees Japan business  
President, SATO Corporation

Jul 2000 Joined SATO  
Apr 2010 General Manager of Medical Dept., Tokyo Division, Japan Sales Headquarters  
Apr 2013 President for healthcare business, SATO Corporation  
Apr 2014 President, SATO Healthcare Co., Ltd.  
Jul 2015 Executive Officer and Chief Wellness Officer  
Apr 2019 Vice President; President and Head of RFID business, SATO Corporation  
Apr 2020 Vice President; President, oversees global business, SATO Corporation  
Jun 2020 Director  
Apr 2021 Director and Vice President, oversees Japan business\*; President, SATO Corporation\*



**Tatsuo Narumi**  
Director  
• Chair of Senior Executive Management Meeting

Aug 2000 Joined SATO, Senior Manager of Secretary's Office  
Apr 2001 Senior Manager of Human Resources Dept., Administration Division  
Jun 2003 Executive Officer and Senior Manager of Planning Dept., Corporate Planning Division  
Oct 2005 Executive Officer, General Manager of Corporate Planning Division, and Senior Manager of Planning Dept.  
Jan 2006 Senior Executive Officer and General Manager of Corporate Planning Division  
Jul 2007 Vice President and General Manager of Corporate Planning Division  
Jun 2008 Director, Vice President, and General Manager of Corporate Planning Division  
Jul 2009 Director\*  
Jan 2020 Chair of the Board  
Apr 2021 Chair of Senior Executive Management Meeting\*

### Audit & Supervisory Board Members



**Junichi Nagakura**  
Audit & Supervisory Board Member

Apr 1986 Joined SATO  
Jul 2006 Senior Manager of Corporate Planning Dept., Corporate Planning & Administration Division  
Apr 2012 Senior Manager of IR & Finance/Planning Dept.  
Apr 2013 Senior Manager of Corporate Planning Office  
Dec 2013 Senior Manager of Finance & Accounting Dept.  
Jun 2015 Audit & Supervisory Board Member\*



**Kiyohiko Yoshii**  
Audit & Supervisory Board Member

Jan 2001 Joined as Director, SATO International Pte. Ltd.  
Aug 2007 Executive Officer and Senior Manager of Corporate Planning Division, SATO Corporation  
Apr 2008 Executive Officer and Head of Internal Control Project, Corporate Planning Division, SATO Corporation  
Dec 2012 Executive Officer and CFO, Lixil International (Singapore)  
Sep 2017 Executive Expert and General Manager of Finance/Operation  
Apr 2020 Executive Expert and Chief Executive Auditor (Global)  
Jun 2022 Audit & Supervisory Board Member\*



**Yuko Tanaka**  
External Director  
• Chair of Nomination Advisory Committee

Apr 1980 Full-time lecturer, 1st Faculty of Liberal Arts, Hosei University  
Apr 1983 Assistant Professor, 1st Faculty of Liberal Arts, Hosei University  
Apr 1986 Exchange fellow, Peking University  
Apr 1991 Professor, 1st Faculty of Liberal Arts, Hosei University  
Apr 1993 Overseas fellow, University of Oxford  
Apr 2003 Professor, Dept. of Media and Communication Studies, Faculty of Social Sciences, Hosei University  
Jun 2004 External Director, SATO Holdings Corporation\*  
Apr 2007 Professor, Institute of International Japanese Studies (graduate school), Hosei University  
Jun 2009 Director, Suntory Foundation for Arts\*  
Apr 2010 Chairperson, Institute of International Japanese Studies (graduate school) management committee, Hosei University  
Apr 2012 Dean, Faculty of Social Sciences, Hosei University  
Apr 2014 President and Chief Trustee, Hosei University; Trustee, Japan University Accreditation Association  
Jun 2014 Executive Director, The Japan Association of Private Universities and Colleges  
Oct 2017 Trustee, The Open University of Japan  
Apr 2020 Managing Trustee, Japan University Accreditation Association; Director, Hosei University Museum  
Apr 2021 Professor Emeritus, Hosei University\*; Project Professor, Hosei University Research Center for Edo-Tokyo Studies\*; Chairperson, Tokyo's Council for Gender Equality\*; Chair of Nomination Advisory Committee, SATO Holdings Corporation\*  
Jun 2021 Director, Japan Massive Open Online Education Promotion Council\*



**Ryoji Itoh**  
External Director

Jul 1979 Joined McKinsey & Company  
Jan 1984 Partner, McKinsey & Company  
Jun 1988 Director for product development, UCC Ueshima Coffee Co., Ltd.  
Sep 1990 Representative Director, Schroder Ventures K.K.  
May 2000 Project Professor, Graduate School of Media and Governance, Keio University  
Jan 2001 President, Bain & Company Japan, Inc.  
Apr 2006 Representative Director, Planet Plan. Co., Ltd.\*  
Jun 2008 External Director, SATO Holdings Corporation  
May 2012 External Director, Renown Incorporated  
Jan 2013 Representative Director, El Sol Business Advisor Corporation  
Jun 2014 External Director, SATO Holdings Corporation\*; External Director, H.U. Group Holdings, Inc.\*  
Apr 2020 Part-time Lecturer, Faculty of Policy Management, Keio University  
Apr 2021 Senior Researcher, Keio Research Institute at SFC\*



**Noriko Yao**  
External Audit & Supervisory Board Member

Mar 1995 Graduated from the Legal Training and Research Institute of Japan  
Apr 1995 Registered as attorney (Fukuoka Bar Association)  
Sep 2001 Joined Paul, Hastings, Janofsky & Walker LLP  
Oct 2002 Registered as attorney (Daini Tokyo Bar Association); admitted as attorney (New York State Bar Association)  
Jan 2008 Partner, TMI Associates\*  
Oct 2014 External Audit & Supervisory Board Member, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development  
Nov 2015 External Director, Meiko Network Japan Co., Ltd.\*  
Jun 2016 External Auditor & Supervisory Board Member, SATO Holdings Corporation\*  
Jun 2019 External Director, Asahi Net, Inc.\*  
Jun 2021 External Director, JGC Holdings Corporation\*



**Naoki Kubo**  
External Audit & Supervisory Board Member

Oct 1980 Joined Chuo Audit Corporation (later Misuzu Audit Corporation)  
Mar 1984 Registered as certified public accountant (Japan)  
Apr 1999 Partner, Chuo Audit Corporation  
May 2004 Senior Partner, Chuo Audit Corporation  
Sep 2005 Registered as certified public tax accountant (Japan)  
Jul 2007 Left Misuzu Audit Corporation  
Aug 2007 Joined as Partner, KPMG Azsa & Co. (now KPMG Azsa LLC)  
Jun 2016 Vice Chairperson, Tokyo Chapter of The Japanese Institute of Certified Public Accountants  
Jun 2019 Left KPMG Azsa LLC; Joined as Executive, Tokyo Chapter of The Japanese Institute of Certified Public Accountants\*  
Jul 2019 Established Kubo Accounting Office (to present)  
Dec 2019 External Director, Beauty Sharing Technologies Co., Ltd.  
Jun 2021 External Auditor & Supervisory Board Member, SATO Holdings Corporation\*; External Auditor, Japan Federation of Land and House Investigators' Associations\*  
Apr 2022 External Auditor, The Japan-Korea Cultural Foundation\*



**Hideo Yamada**  
External Director  
• Chair of the Board

Mar 1984 Graduated from the Legal Training and Research Institute of Japan  
Apr 1984 Registered as attorney (Daini Tokyo Bar Association)  
Oct 1992 President, Hideo Yamada Law Office (now Yamada & Ozaki Law Office)\*  
May 1998 External Audit & Supervisory Board Member, Taiyo Chemical Industry Co., Ltd.\*  
Jun 2004 External Director, SATO Holdings Corporation  
Mar 2006 External Director, Lion Corporation  
Jun 2007 External Audit & Supervisory Board Member, Ishii Food Co., Ltd.; External Audit & Supervisory Board Member, Mikuni Corporation  
Mar 2009 External Director, Hulic Co., Ltd.\*  
Apr 2010 External Governor, Japan Federation of Bar Associations  
Apr 2014 Vice President, Japan Federation of Bar Associations; Chairperson, Daini Tokyo Bar Association  
Jun 2015 External Director, SATO Holdings Corporation\*; Chairperson, Akiko Tachibana Memorial Foundation\*  
Jun 2016 External Director, Mikuni Corporation\*  
Apr 2021 Chair of the Board, SATO Holdings Corporation\*



**Sadayoshi Fujishige**  
External Director  
• Chair of Remuneration Advisory Committee

Mar 2004 Representative Director and President, Lion Corporation  
Jan 2012 Representative Director and Chairperson, Lion Corporation  
Apr 2012 External Director, Showa Nishikawa Co., Ltd.\*  
Jun 2014 Chairperson, Japan Table Tennis Association  
Mar 2016 Advisor, Lion Corporation  
Jun 2016 Chairperson, Advertising Council Japan\*  
May 2019 Chairperson, Japan Marketing Association\*  
Jun 2020 External Director, SATO Holdings Corporation\*; External Director, Nitto Boseki Co., Ltd.\*  
Mar 2021 Special Advisor, Lion Corporation\*  
Apr 2021 Chair of Remuneration Advisory Committee, SATO Holdings Corporation\*  
Jun 2021 External Director, TV Asahi Holdings Corporation\*; External Audit & Supervisory Board Member, TV Asahi Corporation\*

### Executive Officers

Vice President  
**Yoshinori Sasahara**  
Chief Wellness Officer  
Director and Vice President, SATO Corporation  
General Manager of Production and RFID Business

Executive Officer  
**Goro Yumiba**  
Global Operations Officer  
Regional Operations Officer for Oceania, Argox and India

Executive Officer  
**Hideyuki Hashimoto**  
President, SATO Healthcare Co., Ltd.

Executive Officer  
**Kenji Ushiki**  
Director, SATO Corporation  
General Manager of Value Creation (R&D)

Executive Officer  
**Fusaaki Matsumoto**  
CFO and Chief Compliance Officer

Executive Officer  
**Miki Takei**  
Global Marketing Officer

Executive Officer  
**Maria Olcese**  
Head of South America  
General Manager, Achernar S.A.

Executive Officer  
**Hayato Shindo**  
Regional Operations Officer for Europe

Executive Officer  
**Naomi Maze**  
Global Human Resources Officer

Executive Officer  
**Hironori Onishi**  
Director, SATO Corporation  
General Manager of Sales

Executive Officer  
**Hirota Wada**  
Regional Operations Officer for Asia, South America and global primary labels business

## Sustainability through our business

### Basic concept

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.” Sustainability is inseparable from our business. Amid the growing importance of SDGs and rising investors’ expectations on ESG compliance, we established our basic policy for sustainability in 2018 and conducted a materiality assessment in 2019 to identify sustainability issues most material to our business and stakeholders. We also set up the Sustainability Promotion Committee in the same year to formulate policies and action plans while driving their execution in line with

business strategies. This committee reports directly to our Senior Executive Management Meeting as of FY 2022. Besides establishing a Sustainability Promotion Division in 2020 to promote materiality activities, raise employee awareness about sustainability and bring in external expertise, we also recently made information disclosures based on ISO 26000 and TCFD (Task Force on Climate-related Financial Disclosures) guidelines. We will continue pursuing sustainability practices and work to achieve our corporate mission and higher corporate value through our core business.

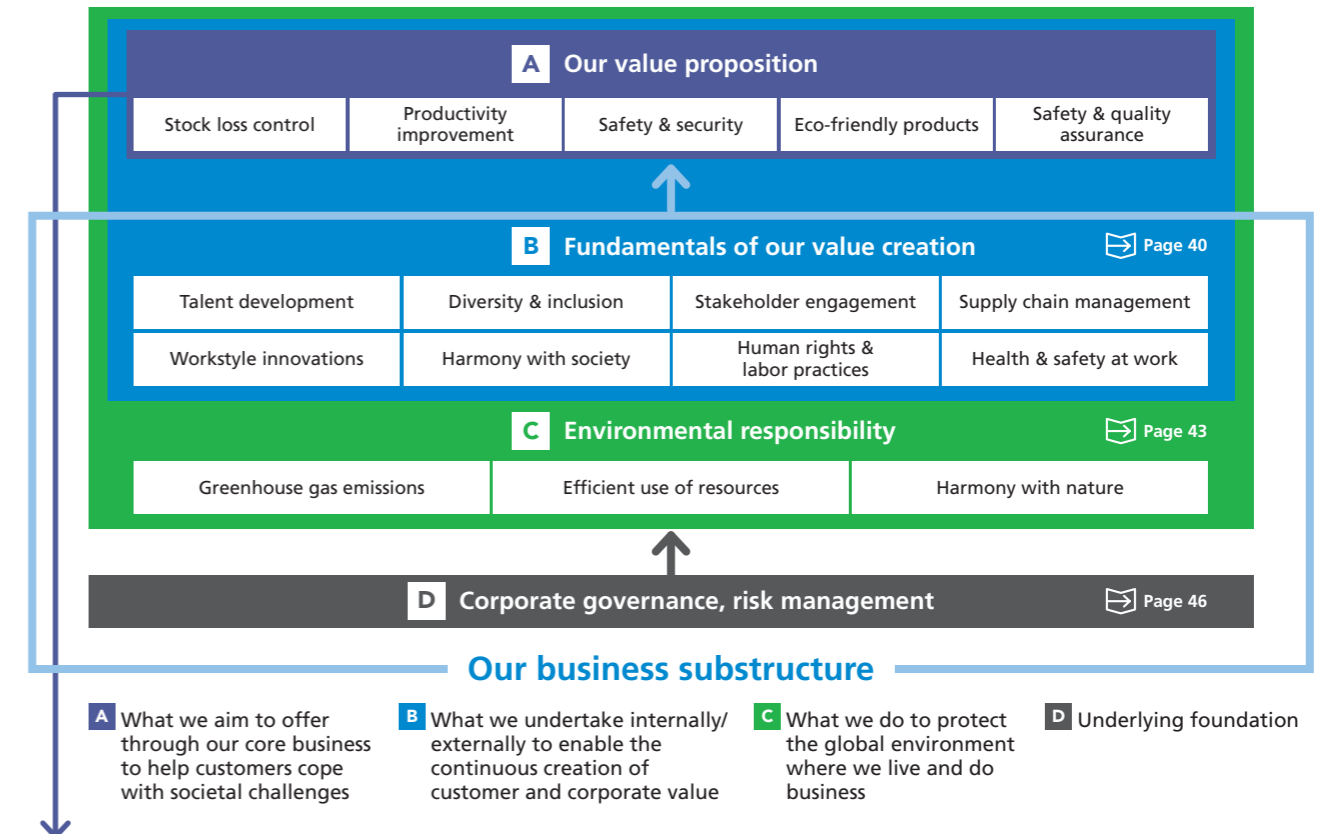
### Basic policy for sustainability

<b>1 Create value</b>	Sustainability goes hand in hand with customer value creation and corporate value enhancement, which we consider the fundamentals of company management.
<b>2 Keep to our business</b>	We achieve sustainability through our business.
<b>3 Make it duplicable</b>	Our sustainability initiatives shall be duplicable over time or across the group.
<b>4 Align with the actual situation</b>	The actual situation of our business operations shall reflect our ideas for sustainability.
<b>5 Enhance disclosure</b>	We shall disclose sustainability-related information to fulfill our accountability to stakeholders.

### Materiality overview

We identify our materiality agendas by their relevance to three areas: A. Our value proposition, B. Fundamentals of our value creation, and C. Environmental responsibility. These areas stand on the foundation of corporate governance and risk management.

### Addressing sustainability priorities (materiality) with focus on our value proposition



### Examples of value propositions we enable through our core business

Our sustainability priorities	What SATO solutions can do	How we contribute to SDGs
Stock loss control	<ul style="list-style-type: none"> <li>Provide supply chain visibility</li> <li>Minimize leftover inventory</li> </ul>	<ul style="list-style-type: none"> <li>Support sustainable consumption and production patterns (SDG 12)</li> </ul>
Productivity improvement	<ul style="list-style-type: none"> <li>Optimize operations</li> <li>Automate manual tasks</li> </ul>	<ul style="list-style-type: none"> <li>Promote productive employment (SDG 8)</li> </ul>
Safety & security	<ul style="list-style-type: none"> <li>Enable social distancing and contact reduction</li> </ul>	<ul style="list-style-type: none"> <li>Ensure health &amp; safety at work (SDG 3)</li> </ul>
Eco-friendly products	<ul style="list-style-type: none"> <li>Reduce carbon dioxide emissions</li> <li>Use less plastics</li> </ul>	<ul style="list-style-type: none"> <li>Combat climate change (SDG 13)</li> </ul>

### TOPIC New solution for reducing food waste

By adding best-before date identifiers to the SKU (stock keeping unit) barcodes on product labels, we can help retailers easily differentiate food products and track their inventory levels by best-before dates. When combined with electronic shelf tags, this can be used as a digital price markdown solution to encourage consumers to purchase soon-expiring items, thereby reducing food waste.



Concept showcased at Retailtech Japan 2022 exhibition

## Fundamentals of our value creation



We are always creative in the value we provide customers, and this consistency owes to our fundamentals, which comprise internal aspects such as workstyle innovation and diversity/inclusion, and external aspects such as respect for human rights, harmony with society and supply chain management. Our recent efforts are focused on driving talent development and employee-led improvements, as well as stakeholder engagement and intellectual property management to continually generate new value in a rapidly changing world.

### Basic concept

The future we envision for SATO is filled with talent who exemplify our competitive advantage of genbaryoku (being Powered On Site) and our corporate values that underlie it to continuously create customer value for sustainable growth.

Talent development is central to our value creation, so we must foster self-supportive and self-determining employees

(who are capable of thinking and acting autonomously to initiate changes on their own) with the necessary supporting systems in place. We will work on this steadfastly, while continuously implementing improvement ideas submitted through our Teiho system, to build our corporate culture.

#### Recap Worldwide

In FY 2021, we introduced a global grading system to help our overseas subsidiaries assess pay equity and work out how they should be appraising and paying their managers. This will also be used in succession planning and in facilitating talent mobility across countries.

We also launched a learning management system (LMS) called EDGE. This name selected in-house is an acronym for “Engage, Develop, Grow and Evolve,” which explains the employee learning journey, starting from first engaging with the contents, to ultimately evolving and changing into a better version of themselves. The system comes with an original content creation tool for making videos and quizzes that make learning more fun and effective. We plan to make the course offerings more comprehensive — by adding third-party contents, on top of universal onboarding programs — and provide product/service training for business partners worldwide to strengthen our partnerships.

FY 2021 marks our 10-year milestone of promoting the use and learning of the English language in Japan to globalize our organization. As we look back and plan forward, we decided to prioritize English education for employees in Japan and other non-English speaking countries who need to use the language frequently at work. We will also make changes such as incorporating the latest English e-learning tools and continue to enhance learning and development efficiently and effectively.

#### Recap Japan

Established in April 2021, the Nomination and Remuneration Advisory Committees for our board of directors led many discussions on the starting of a new committee for human resource development and on how we can shape a more proactive corporate culture and increase diversity. They will continue to help us review executive compensation and draft policies for fostering talent who take up core roles in the company.

In addition to SATO Campus, which functions to strengthen our human capital and instill corporate values, we also launched an LMS in Japan (EDGE@JP), and will continue to drive overall employee engagement and talent development.

Our priorities:

- Build an environment for employees to grow into true professionals
- Create a corporate culture that empowers employees to keep bettering their work environment and honing their on-site awareness and abilities
- Train managers to offer the necessary support

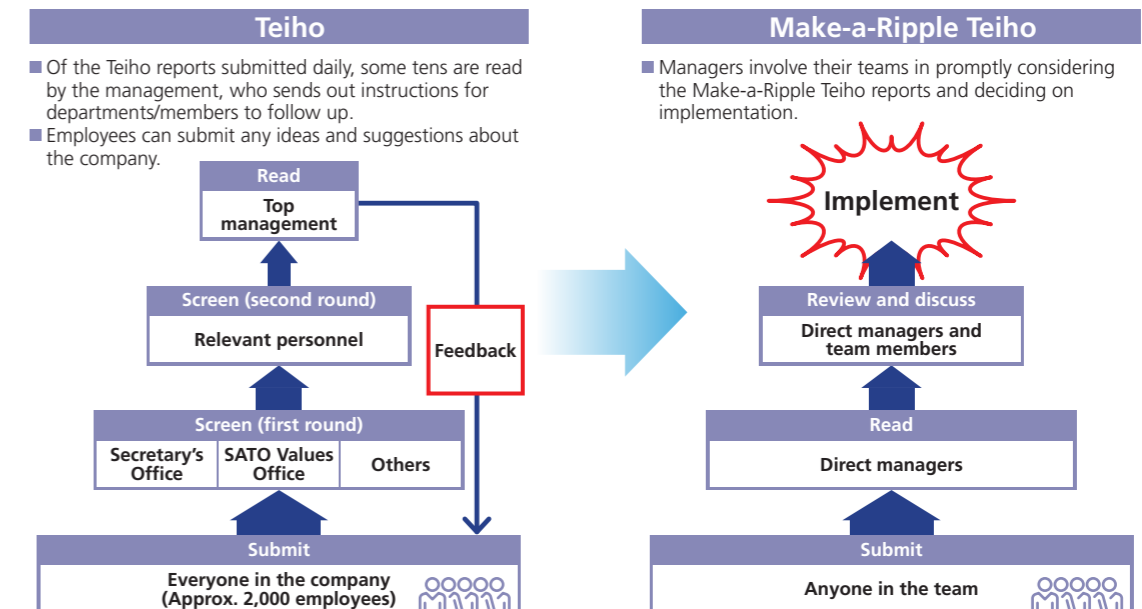
The following are examples of how we drive employee engagement and talent development.

### 1 Make-a-Ripple Teiho

Started in Japan about 50 years ago, the Teiho system serves to raise employee awareness on detecting areas of improvement and devising creative solutions to initiate changes both big and small, helping our business meet the needs of the times and achieve sustainable growth. In FY 2022, we took a step further by adding a new “Make-a-Ripple” Teiho function to let employees put forward suggestions for improving their own departments and branches directly to their immediate superiors.

With this new function, employees feel encouraged to raise ideas specific to their work/workplace, knowing that their managers will read and act on them. On top of bringing members on the team together to think about what they want to change, Make-a-Ripple Teiho also shows employees that everyone can make a difference and gives them a sense of accomplishment from seeing their ideas turn into reality. We hope to instill a corporate culture that inspires changes and new challenges and make working at SATO fulfilling for all employees.

#### How Teiho and Make-a-Ripple Teiho work in Japan



- Of the Teiho reports submitted daily, some tens are read by the management, who sends out instructions for departments/members to follow up.
- Employees can submit any ideas and suggestions about the company.

- Managers involve their teams in promptly considering the Make-a-Ripple Teiho reports and deciding on implementation.

### 2 Our Way to Our 100th Anniversary project




When SATO turns 100 years old in 2040, we want to still be the company that keeps innovating no matter how the world changes. This requires we cultivate a corporate culture where it is the norm for everyone to pursue changes and new challenges proactively.

To this end, we started a culture-building project, which we named “Our Way to Our 100th Anniversary” to illustrate our commitment to building the future SATO through the collective efforts of all employees in the spirit of Ceaseless Creativity. In FY 2022, we put together a dedicated team for this project and will continue to drive bottom-up changes in our corporate culture with speed.

## Stakeholder engagement

The SATO Group engages in constructive dialogue with stakeholders in different aspects of our business activities, based on our basic policy for sustainability. Feedback from

stakeholders is regularly reported to the management so that continuous improvements can be made in a positive cycle to enhance corporate value.

Stakeholders	Examples of stakeholder engagement	Details
 <p><b>Shareholders/ investors</b></p>	<ul style="list-style-type: none"> <li>Earnings briefings</li> <li>Institutional investor and analyst meetings</li> <li>Themed briefings for institutional investors and analysts</li> <li>Retail investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>On a quarterly basis, by the CEO</li> <li>Information disclosure with consistency and continuity</li> <li>On a regular basis, for specific themes (e.g., ESG, business strategy)</li> <li>Recordings uploaded to company website</li> </ul>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>Integrated report presentations</li> <li>Internal newsletters and seminars on sustainability</li> <li>Sustainability trainings and workshops</li> <li>Application of sustainability knowledge in daily work</li> <li>Sharing of actionable Teiho ideas and suggestions</li> </ul>	<ul style="list-style-type: none"> <li>For employees in and outside Japan</li> <li>Newsletters: On a quarterly basis, in both English and Japanese</li> <li>For overseas subsidiaries, to help them run their own sustainability action plans</li> <li>Provide estimations on how much carbon footprint can be reduced with our products/solutions, to help salespeople promote them in their sales pitches</li> <li>Involve employees in company improvement, with the management giving feedback as necessary</li> </ul>
 <p><b>Society</b></p>	<ul style="list-style-type: none"> <li>Tree planting</li> <li>Community beautification</li> <li>Global warming measures</li> <li>Effective use of resources</li> <li>Support for future generations</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to biodiversity conservation</li> <li>Keep our neighborhoods clean and attractive</li> <li>Enable decarbonization across our own operations and for customers</li> <li>Waste and rainwater recycling</li> <li>Book donations, company open house events, etc.</li> </ul>

## Intellectual property management

The SATO Group, with our corporate motto of Ceaseless Creativity, has grown together with our customers, providing tagging-based solutions to solve their operational pain points. Intellectual property we produce in the process is inseparable from our business and is a valuable asset for our present and future.

Through our Intellectual Property (IP) Department, which reports directly to the CEO, we work to create intellectual assets that help enhance and grow our existing DCS & Labeling business, toward realizing our medium-term management plan. As we make and sell our products, we strive to develop better products to make more advanced solutions that we can sell to our customers. This is what we focus on in our business and in our IP activities as well. We are also eager to produce IP that supports

technological innovations as part of our strategic investment in long-term growth toward our next business model of Tagging for Sustainability. Pertaining to the innovation process, we started performing and providing IP landscapes,\* taking actions to strategize how we create intellectual assets for competitive differentiation and grow our IP portfolio both in and outside Japan.

As society changes, our customers' needs change too. In using IP to protect and leverage the value we create today (growing our current business) and tomorrow (for future growth), we believe we can improve our competitiveness and will continue doing so to raise our corporate value over the long term.

\* Analysis of patent and market data used by companies to understand their strengths and market positioning and to make informed decisions about their corporate and business strategies.

## Environmental responsibility



Climate change, ecological degradation and biodiversity loss all pose serious threats to social stability. We believe environmental protection is a common goal for all of humanity and an indispensable part of our sustainable business activities. This thinking is fundamental to the efforts we take under our environmental policy to reach our goals.

### Our environmental policy

The SATO Group recognizes environmental protection as a priority common to humankind, and strives to improve the environment and prevent pollution for a sustainable world by conserving resources and energy, lessening waste and reducing odor/noise pollution. We seek to provide greener products and services, and commit to contributing to the local community and protecting biodiversity.

## Greenhouse gas emissions

Reducing carbon dioxide emissions is essential to tackling global warming and contributing to a sustainable world. We understand that we are responsible for the environment, and work to monitor the carbon footprint of our business activities and promote tangible initiatives to stop global warming.

We have set medium- to long-term targets with the aim of halving groupwide carbon dioxide emissions from FY 2016 levels by FY 2030. (Base year set as FY 2016, the year we began gathering emissions data from all our key business sites; previously FY 2013.)

### SATO's targets and progress for carbon dioxide emission reduction

(Metric tons of CO<sub>2</sub>)

Area	Key indicators	FY 2016 results	FY 2019 results	FY 2020 results	FY 2021 results	FY 2030 targets
Groupwide	Scope 1 and 2 CO <sub>2</sub> emissions	11,931	12,507	11,078	10,252	5,965
	Relative to FY 2016	—	Up 4.8%	Down 7.1%	Down 14.1%	Cut by 50%
Japan	Scope 3 CO <sub>2</sub> emissions	299,300	305,494	307,120	332,652	—

Scope 1 covers direct emissions from company-owned sources (e.g., emissions associated with fuel combustion or industrial processes).

Scope 2 covers indirect emissions from the consumption of purchased energy including electricity, heat and steam.

Scope 3 refers to emissions indirectly linked to the company through its value chain; it includes all sources not within Scope 1 or 2.

In FY 2021, we were able to reduce Scope 1 and 2 emissions by 14.1 percent from FY 2016 and by 7.5 percent year on year. Although our Scope 2 emissions outside of Japan rose to pre-pandemic levels due to the recovery of economic activities, we managed to cut our Scope 2 emissions in Japan by almost one-third from the previous year to reduce groupwide emissions. This was possible because we switched our electricity-powered factories (such as Kitakami Operations), logistic centers, Tokyo head office and Kansai metropolitan branch to

renewable energy sources. On the other hand, our Scope 3 emissions mainly from purchased products and services have increased as sales recovered.

With our FY 2030 targets in mind, we will further cut Scope 1 and 2 emissions through measures such as transitioning to renewable electricity, installing more solar panels and LED lighting, and shifting to eco-friendly vehicles. We will also cut Scope 3 emissions primarily by collaborating with our material suppliers.

### Effective use of resources in our servicing activities

When customers change out their printers in Japan, we collect the old ones at no cost to disassemble them, recovering and sorting the components by material type for recycling. In FY 2021, we recycled 69 percent more printers than we did the previous year.

In FY 2022, we started replacing damaged subcomponents instead of the whole printer component. For example, when the printed circuit board malfunctions beyond repair, we will attempt to identify and replace what is faulty (such as the electrical connector), then test

and reuse the PCB instead of replacing the entire board.

We will continue to improve our resource efficiency by seeking more ways to curb waste and boost recycling.



A printed circuit board for a printer

### TOPIC Eco-friendly production of RFID consumables

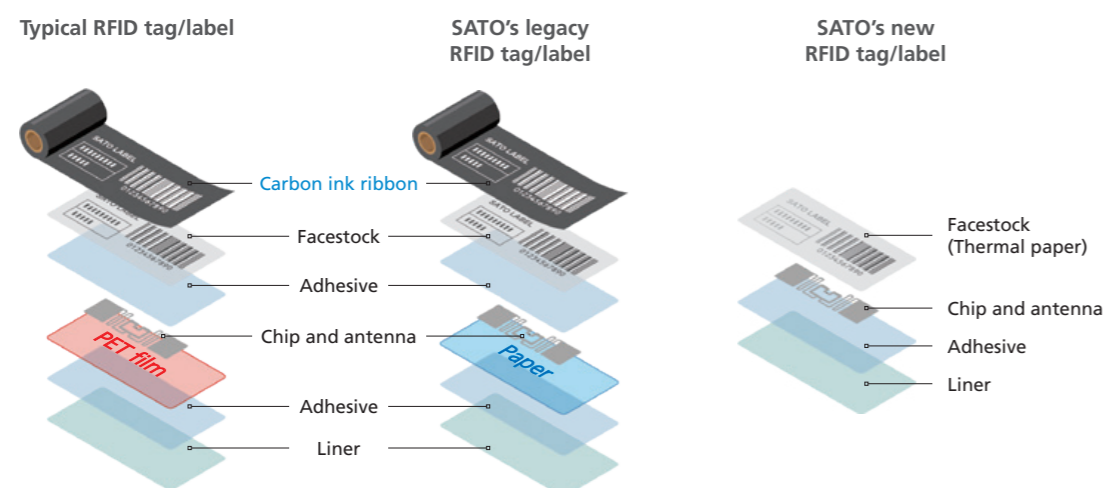
Our proprietary manufacturing processes are environmentally friendly.

- We do not use chemical etching for our RFID antennas because it generates waste solvents.
- We recycle waste aluminum left over from antenna production.
- We use paper rather than plastic substrates for our antenna liner.

In 2022, we also put our proprietary chip bonding machine into operation, further reducing our impact on the environment.

- We use less energy during production with high-speed, non-heating chip bonding.
- We bond chips directly to heat-sensitive paper to make direct thermal RFID tags/labels that can be printed without using carbon ink ribbons.
- We use fewer raw materials as our RFID tags/labels now require one less layer.

Now that we are capable of not only manufacturing antennas but also converting them to tags/labels and performing quality inspections of finished products all at the same plant, we hope to be less reliant on cross-regional supply chains to reduce associated logistics costs and environmental impacts.



### Climate-related disclosure, guided by TCFD recommendations

At the SATO Group, we recognize that climate change profoundly impacts our world and that it is critical for us to act on climate issues when managing our business. In 2021, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board and started applying TCFD recommendations to our climate actions.

We began by conducting a climate scenario analysis in the same year to assess the impact of climate-related risks and opportunities and identify actions to manage these risks and opportunities. To better drive actions for addressing climate change and other sustainability priorities

across the SATO Group, we strengthened governance by placing our Sustainability Promotion Committee under the direction of our Senior Executive Management Meeting and the oversight of our board of directors. We also included members from corporate planning and key business divisions into this committee to ensure we infuse sustainability into our business growth efforts.

We made our climate disclosure available on our website, and will continue to address climate change through our operations while helping our customers and society in their climate contributions with our solutions.

[www.sato-global.com/sustainability/tcfcd/](http://www.sato-global.com/sustainability/tcfcd/)

### Our assessment of climate-related risks and opportunities, with potential actions identified

Category	Description	Impact on SATO's business/finance		Actions (Blue: In progress. Black: Planned)	
		1.5°C	4.0°C		
Risks	<b>Carbon pricing</b>	■ Production costs increase due to countries starting carbon taxes, carbon trading and carbon border adjustments	↗	↗	<ul style="list-style-type: none"> <li>■ Create road map and announce our 2050 goal for carbon neutrality</li> <li>■ Refine and promote measures to meet Scope 1 and 2 targets</li> <li>■ Set Scope 3 targets and drive actions for achieving them</li> </ul>
	<b>Raw materials</b>	<ul style="list-style-type: none"> <li>■ Raw material costs rise, because of heightened demand for rare minerals/metals driven by electrification and emission regulations</li> <li>■ Costs increase, from the purchasing of circular materials</li> <li>■ Costs increase, due to scarce forest resources</li> </ul>	↗	↗	<ul style="list-style-type: none"> <li>■ Establish socially responsible procurement system with suppliers</li> <li>■ Expand procurement of sustainable forest resources</li> <li>■ Expand product recycling</li> </ul>
	<b>Energy source</b>	<ul style="list-style-type: none"> <li>■ Costs increase, from the procurement of renewable energies and implementation of energy-saving measures</li> <li>■ Air-conditioning costs increase with rising temperatures</li> </ul>	↗	↗	<ul style="list-style-type: none"> <li>■ Install more solar power systems to boost energy self-sufficiency</li> <li>■ Drive energy efficiency in manufacturing processes</li> <li>■ Accelerate shift to renewable energy</li> </ul>
	<b>Physical risks</b>	<ul style="list-style-type: none"> <li>■ Increased costs associated with repairing/restoring facilities damaged by extreme weather events and natural disasters</li> <li>■ Water costs increase due to droughts</li> </ul>	↗	↗	<ul style="list-style-type: none"> <li>■ Strengthen business continuity planning for our supply chain</li> </ul>
Opportunities	<b>Products</b>	■ Demand for eco-friendly products increases, driven by more stringent emission regulations and energy efficiency standards	↗	↗	<ul style="list-style-type: none"> <li>■ Develop and promote products using fewer materials and components</li> <li>■ Develop and promote products using materials and components with lower environmental impact</li> </ul>
	<b>Solutions</b>	<ul style="list-style-type: none"> <li>■ Demand for solutions designed to increase productivity and save energy at factories heightens, driven by energy conservation policies and rising temperatures</li> <li>■ Demand for solutions designed to trace origins of raw materials and visualize greenhouse gas emissions heightens due to recycling laws and changes in consumer behavior</li> </ul>	↗	↗	<ul style="list-style-type: none"> <li>■ Develop and promote solutions that help reduce waste</li> <li>■ Develop and promote solutions that help lower carbon emissions</li> <li>■ Develop and promote solutions that help recycling of resources</li> </ul>
	<b>Data</b>	■ Demand for data collected from operational sites increases because of higher needs for AI and big data	↗	↗	<ul style="list-style-type: none"> <li>■ Advance tagging technology and expand our business in data collection and utilization</li> </ul>
	<b>After-sale services</b>	■ Demand for maintenance services increases after a disaster or for reinforcing disaster resilience	↗	↗	<ul style="list-style-type: none"> <li>■ Offer more advanced maintenance services to support customers in running their operations smoothly</li> </ul>

Business and financial impact (negative for risks, positive for opportunities) ↗ Significant ↗ Moderate ↗ Small

## Corporate governance

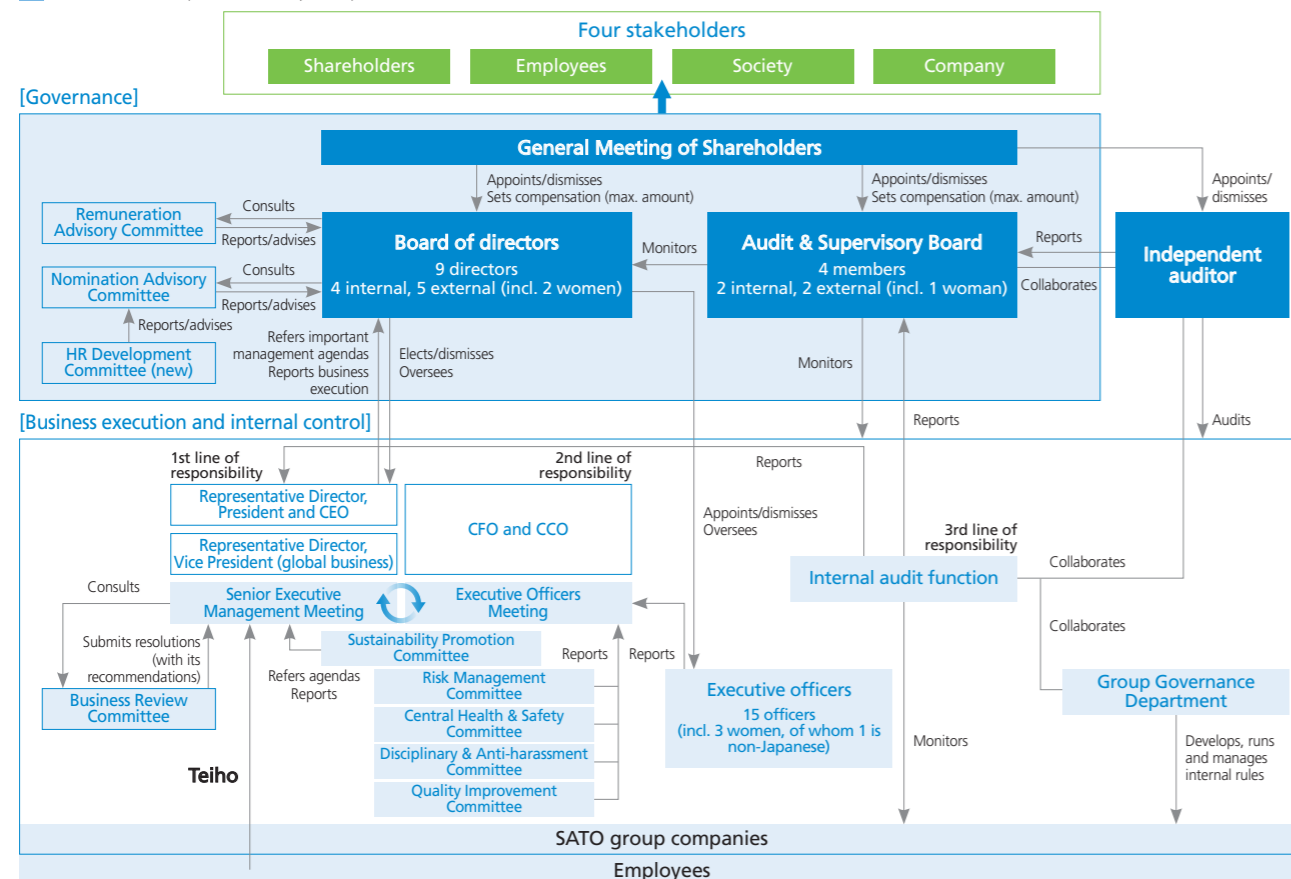
### 1. Basic concept

We aim to realize sustainable growth and higher corporate value on a medium- to long-term basis under our vision of being “the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world.” We believe that building and continuously strengthening corporate governance to support these aims is critical to sound, transparent and efficient management. Besides

enhancing audit and control functions through our Audit & Supervisory Board, we also appoint independent external directors of diverse backgrounds to constitute the majority of our board of directors for strong and transparent management oversight, in our efforts to lay the necessary groundwork for effective governance to protect shareholders and other stakeholders.

### 2. SATO’s corporate governance

#### 1 Framework (As of June 30, 2022)



#### 2 Board of directors

Our management consists of a board system with an Audit & Supervisory Board to provide stronger audit and controls. We also have an executive officer system in place to separate our operational function from our managerial decision-making and oversight functions to enable quicker decisions.

As of June 30, 2022, we have nine directors on our board, complying with our Articles of Incorporation, which limits the number of directors to no more than 12. Out of these nine, three are concurrently serving as executive officers, one as non-executive internal director, and the remaining five as

external directors. External directors make up the majority of our board and help ensure proper oversight of the management team with their independent perspectives. The board of directors meets once a month in principle; it convened 13 times in FY 2021. Besides board meetings, sessions have also been held since FY 2018 to explain important agenda points and industry-specific sales measures to ensure external directors can take part in various discussions and deepen their understanding of the company’s operations. This aims to aid in their duties and make board meetings more effective.

#### Board of directors

	Non-executive directors	Executive directors	Audit & Supervisory Board	
Independent/external	Chair 3	—	Independent/external	2
Internal	—	(incl. 2 representative directors) 3	Internal/full-time	2

For the board to oversee the decision-making of critical business matters and the execution of duties by each director/member of senior management, matters stipulated by laws/regulations and the Articles of Incorporation, and important matters concerning business strategies and management plans, are clearly specified as matters for discussion in the board for which board regulations apply.

In January 2020, we changed how the board is chaired, electing a non-executive internal director familiar with internal issues, replacing a rotating chairmanship. The intent of this change was for the board chair to set relevant and timely meeting agendas and drive collaboration between executives and external directors to help the board function more competently and responsibly in making major business decisions and providing management oversight. From April 2021, we elected an external director to chair the board to further enhance its oversight function and strengthen governance.

To adhere to revisions made to Japan’s Corporate Governance Code (CGC) in FY 2021, our board now focuses more on deliberating important business matters and exercising oversight. This is why we now delegate more authority to the executive team, enabling decision-making on whether to take various actions and how to do so through our Senior Executive Management Meeting (chaired by a non-executive internal director) and Executive Officers Meeting. This improves our risk management capability even as we accelerate the business.

In line with the above changes, we established a Business Review Committee in April 2021 under the Senior Executive Management Meeting. This committee examines and analyzes risks the company takes in conducting business (when making investments and loans, acquiring and disposing of stock and fixed assets, entering into business partnerships or important agreements, and selling or buying businesses) to improve the quality of deliberations for top-level decision-making.

The Senior Executive Management Meeting also placed the Sustainability Promotion Committee (established in 2019) under its direct report effective April 2022, seeing the importance of addressing climate change and other sustainability priorities in not only reducing risks but also generating revenue, and that it would raise medium- to

long-term corporate value. The committee promotes our efforts in contributing to society with our business offerings (for supply chain optimization, etc.), supporting the circular economy and decarbonization in our operations, protecting human capital and preserving natural capital.

Following our transition to the Tokyo Stock Exchange’s new Prime Market segment in April 2022, we have made additional disclosures about our governance practices in relation to the following CGC principles that include specific rules for prime-listed companies.

#### [Supplementary Principle 2.4.1 Ensuring diversity in core human resources]

In April 2021, the company established a Nomination Advisory Committee, appointing an external director to its chair. This committee looks into increasing diversity as a top priority when discussing appointment of core managerial personnel and other nomination matters. Currently, we have three women among our external directors and Audit & Supervisory Board members, and three female executive officers (including two new appointments in April 2022) on the management team, of whom one is non-Japanese. Noting the need to speed up some of our actions for diversifying core personnel who support the board and senior management, we newly established an HR Development Committee to pursue in-depth discussions on training and necessary strategies. This committee will also work on establishing basic policies to sustain diversity and setting voluntary goals to be disclosed by the end of FY 2022.

To us, ensuring diversity ultimately means we can tap into the different competencies of diverse human resources to lead activities for value creation and build a more vibrant and competitive company. This belief in the importance of diverse perspectives and values is the same in essence as our corporate motto of Ceaseless Creativity. It is also what underpins Teiho, our very own system for employees to submit their ideas or suggestions to better the company directly to top management. In FY 2022, we launched a new category of Teiho reports in Japan that are escalated to the employee’s direct managers for their immediate consideration as our way of entrenching daily activities for on-site improvements/innovations and shaping a more proactive corporate culture.

#### [Supplementary Principle 3.1.3 Sustainability initiatives]

##### (1) Strengths underpinning business strategies

Our domain is in tagging, the act of physically attaching media to extract information such as ID and temperature status to things and people at worksites using barcodes, RFID, sensors and other technologies. Through tagging, we digitize and collect on-site data so that it can be fed to and processed by core IT systems for producing analyses and insights on which item is where in what quantity or

condition within or across individual sites that constitute supply chains. This allows us to identify and solve operational bottlenecks for businesses and contribute to society. Our current medium-term management plan (for fiscal years 2021 through 2023) articulates our focus on tagging solutions targeting individual worksites. We are also working to advance tagging, eyeing its long-term potential, to grow our solutions to cover entire supply chains and deliver greater value for society. By collaborating with customers and other market players, we believe we can expand our reach and provide better solutions toward realizing a more sustainable world.

Every industry and company has different supply chains and fields of operation. For example, automobile and chemical may both be in the manufacturing industry but they operate by different workflows in different environments, handling different things. Through our years of business working with and understanding each industry, we have honed our core competency we call *genbaryoku* to consistently provide optimal solutions to each worksite.

In addition, we have strengths in engineering and manufacturing to invent and produce label printers and labels/tags that are used in our solutions. We have also built up strong partner networks by collaborating with business partners who offer products, services and technologies different from ours.

The nature of our tagging business creates interaction and touch points with diverse customers. And in delivering solutions that exceed their expectations, we transform these touch points into trust points. This strong trust is also what underpins our business strategies and drives our sustainable growth.

## (2) Investment in human capital

Our R&D, production and sales personnel practice *genbaryoku* to generate value for customers and society and win trust. Employees are, therefore, our most important strategic assets. To address the individual needs of diverse customers/industries and exceed their expectations in our value propositions, we must be diverse ourselves at the organizational level and bring out the best in each individual employee. We also focus efforts on helping employees outside of Japan practice *genbaryoku* increasingly and in the same way as those in Japan do.

Our corporate motto of Ceaseless Creativity and corporate values unite our diverse workforce and maximize our value creation. Under our motto, we put in place sets of beliefs and principles that empower employees to innovate and create new value ceaselessly. These beliefs and principles form our SATO Values which guide employees toward our mission to “create new value for our customers through products and services of superior quality, and to contribute towards a better and more sustainable world.”

We foster talent who can live up to our corporate motto. Our aim is that they become self-supportive and self-determining to think and act autonomously to constantly initiate changes on their own. In FY 2021, we established SATO Campus, a platform that helps employees realize their career goals in this direction. We have also conducted employee engagement surveys since FY 2020, and are using the results toward spurring employees’ individual professional growth and work satisfaction. We will keep monitoring and initiating improvements to create a vibrant and more engaging workplace for everyone.

## (3) Investment in intellectual property

Patents, designs, trademarks, technical know-how and other intellectual assets created in the course of developing our solutions are important business resources. Through our Intellectual Property (IP) Department, which reports directly to the CEO, we develop intellectual assets that enhance legacy tagging solutions and support their growth, working with an IP medium-term plan that is in line with the company’s medium-term business objectives and strategies.

We also make active efforts to develop intellectual assets that support technological innovation for strategic investments geared toward the next stage of advanced tagging, which we envision for the long term. And by safeguarding and utilizing such assets that deliver new values for society and contribute to a more sustainable world, we aim to achieve long-term growth and greater corporate value for our business.

Pertaining to our innovation generation process, we started performing and providing IP landscape analyses while strategizing how to create intellectual assets for competitive differentiation and grow our IP portfolio both in and outside Japan.

We also established a basic policy, setting out our commitment to (i) creating and making use of IP, (ii) respecting the valid IP rights of third parties, and (iii) providing IP training and education to increase employee awareness. In recognition of our IP management, we were honored with the Commissioner of the Japan Patent Office Award in the 2019 Intellectual Property Achievement Awards, presented by Japan’s Ministry of Economy, Trade and Industry and the Japan Patent Office.

## (4) Addressing climate change

We recognize that climate change profoundly impacts our world and that it is critical for us to act on climate issues when managing our business. In 2021, we declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board and started applying TCFD recommendations to our climate actions.

Based on TCFD recommendations, we conducted a climate scenario analysis in FY 2021 to assess the impact of

climate-related risks and opportunities and identify actions to manage these risks and opportunities. To better drive actions for addressing climate change and other sustainability priorities across the SATO Group, we strengthened governance by placing our Sustainability Promotion Committee under the direction of our Senior Executive Management Meeting and the oversight of our board of directors. We also included members from corporate planning and key business divisions into this committee to ensure we infuse sustainability into our business growth efforts.

We will continue to address climate change through our operations and help our customers and society in their climate contributions with our solutions.

See our web page for more about our actions in response to TCFD recommendations.

[WEB www.sato-global.com/sustainability/tcfd/](http://www.sato-global.com/sustainability/tcfd/)

## 3 Audit & Supervisory Board

The company has an Audit & Supervisory Board, which consists of four members (including two external members).

Audit & Supervisory Board members attend board of directors meetings to check business decisions and internal controls for their appropriateness and legal compliance. Full-time members attend the Senior Executive Management Meeting and other important in-house meetings, where they audit/supervise different decision-making processes and resolutions reached. At both meetings, members express their opinions when necessary. Members undertake a wide range of other activities, including verifying the readiness/operation of internal controls, examining the financial reporting system, reviewing various report materials, and checking the independence and audit quality of the company’s audit firm. In addition, they work with the audit firm to receive quarterly audit/review reports, exchange opinions and gather information as required to create an environment conducive to proper auditing. They also work with our internal audit function (comprising Japan and global audit departments) to regularly receive audit results and internal control evaluations concerning financial reporting to perform assessments across multiple dimensions.

At Audit & Supervisory Board meetings, deliberations primarily focus on the Japan headquarters’ governance of its overseas subsidiaries or merged/acquired businesses with

regard to their post-launch operations or level of integration with corporate strategies. In these instances, the Audit & Supervisory Board analyzes quantitative and qualitative information that it receives from overseas headquarters and finance & accounting departments to check for proper handling of issues. If there are areas for improvement, the board provides feedback to the management team and requests the company’s executives to take actions accordingly.

Full-time Audit & Supervisory Board members help the board function effectively by conducting audit activities on subjects with accurate, on-site information and sharing necessary reports with external members on the same board for them to provide opinions for discussion based on their respective professional knowledge and objective perspectives. They contribute to the sound and sustainable development of the company in partnership with our independent auditor and internal audit departments.

## 4 Evaluation of the board’s effectiveness

The company conducts yearly surveys to analyze and evaluate the effectiveness of our board of directors to check our corporate governance and take appropriate measures to sustainably increase corporate value. See our corporate governance web page for our FY 2021 evaluation approach and results.

[WEB www.sato-global.com/about/governance/governance.html](http://www.sato-global.com/about/governance/governance.html)

## 5 Appointment and dismissal of directors and representative directors

We select, via a transparent process, candidates who are able to actively contribute to the board’s decision-making and managerial oversight functions with their extensive experience/expertise and excellent character/discernment.

Our Nomination Advisory Committee, comprised in majority of external directors, functions to not only propose appointment and dismissal of individual candidates, but also look into the board’s composition and overall operation (including decision-making on appointment policies or standards/processes and succession planning) to provide reports and recommendations.

See our corporate governance web page for our appointment and dismissal criteria.

[WEB www.sato-global.com/about/governance/governance.html](http://www.sato-global.com/about/governance/governance.html)

## 3. Policy and activities to ensure proper company operations

As a business, we aspire to solve challenges and create new value for customers operating in various types of worksites, industries and markets around the world. We believe it is important that proper internal control systems are established and consistently implemented for both frontline operations and organizational-level leadership so as to realize our corporate social responsibility and grow sustainably.

**1 Internal control policy**

See corresponding section in our corporate governance report for details.

[WEB www.sato-global.com/about/governance/governance.html#anc\\_08](http://www.sato-global.com/about/governance/governance.html#anc_08)

**2 Internal control activities**

See corresponding section in our corporate governance report for details.

[WEB www.sato-global.com/about/governance/governance.html#anc\\_08](http://www.sato-global.com/about/governance/governance.html#anc_08)

**4. Cooperation among Audit & Supervisory Board members, independent auditor and internal audit departments**

See corresponding section in our corporate governance report for details.

[WEB www.sato-global.com/about/governance/governance.html#anc\\_08](http://www.sato-global.com/about/governance/governance.html#anc_08)

**5. Audit checks by independent auditor**

See corresponding section in our corporate governance report for details.

[WEB www.sato-global.com/about/governance/governance.html#anc\\_08](http://www.sato-global.com/about/governance/governance.html#anc_08)

**6. Remuneration for board members**

Established in April 2021, our Remuneration Advisory Committee (whose chair and majority of members are external directors) functions to not only support the board in drafting performance evaluations for directors, executive officers and senior officers with their proposed remuneration, but also look into all remuneration matters (including remuneration policies or standards/procedures and information disclosure) to provide reports and recommendations.

**1 Remuneration policy**

The remuneration structure for board members is an extremely important element of corporate governance. The company adopts the following policy, which is based on recommendations from our Remuneration Advisory Committee and has been approved at a board meeting in March 2022.

- 1) Remuneration amount shall be set at a level capable of securing and retaining board members to make important management decisions and supervise business execution.
- 2) The company shall establish a remuneration structure that contributes toward sustainable growth and greater medium- to long-term corporate value and resonates with the values of shareholders and other stakeholders.
- 3) The board shall set out and follow a logical, fair and transparent procedure for determining remuneration.

**2 Procedure to determining remuneration**

The following steps are taken by the board to ensure fair and transparent deliberations of remuneration.

- 1) Board of directors revises basic/performance-based remuneration amount (tied to position) and payment coefficient.
- 2) Representative directors and internal directors draft performance evaluation for officers based on business and individual achievements in the fiscal year.
- 3) Board of directors approves evaluation and decides performance-based remuneration amount for each member.

**3 Composition of remuneration**

Remuneration for the company's directors consists of basic compensation (fixed monetary sum), performance-based monetary compensation and performance-based stock compensation. The weighting of each component is decided by considering balance with overall remuneration amount and position of officer, whereby those in higher positions receive a larger ratio of performance-based compensation. The above does not apply to non-executive directors and Audit & Supervisory Board members, who shall only receive basic/fixed compensation.

**Breakdown of remuneration for board members**

	Total remuneration (Millions of JPY)	Remuneration components (Millions of JPY)				No. of eligible board members
		Fixed compensation	Performance-based monetary compensation	Performance-based stock compensation	Stock compensation	
Director	256	196	29	25	6	9
(i) External	64	59	0	0	5	5
(ii) Internal	192	137	29	25	1	4
Audit & Supervisory Board member	57	57	0	0	0	5
(i) External	16	16	0	0	0	3
(ii) Internal	41	41	0	0	0	2

Ratios of the various remuneration components for board members derived from FY 2021 actuals are as follows.

Position	Fixed compensation	Performance-based monetary compensation	Performance-based stock compensation	Stock compensation	Evaluation weight	
					Business achievement	Individual achievement
Representative Director and President	56.2%	22.5%	21.2%	0.0%	100%	—
Representative Director and Vice President	75.5%	14.3%	10.2%	0.0%	50%	50%
Director and Vice President	74.0%	14.9%	11.2%	0.0%	50%	50%
Non-executive internal director	96.5%	0.0%	0.0%	3.5%	—	—
External director	92.2%	0.0%	0.0%	7.8%	—	—
Internal member of Audit & Supervisory Board	100%	—	—	—	—	—
External member of Audit & Supervisory Board	100%	—	—	—	—	—

**7. Skills matrix for directors and Audit & Supervisory Board members**

The following table shows skills/competencies of our directors and Audit & Supervisory Board members mapped against what is expected of their roles.

	Executive	Independent	Name	Knowledge and experience to lead management and business appropriately			Knowledge and experience to establish and maintain an appropriate management foundation			Panoramic perspectives to ensure sustainability		
				a	b	c	d	e	f	g	h	i
Directors	●	—	Ryutaro Kotaki	●	●					●	●	
	●	—	Yoichi Abe	●		●	●	●		●	●	●
	●	—	Hiroyuki Konuma	●	●					●		●
	—	—	Tatsuo Narumi	●				●	●	●		●
	—	●	Yuko Tanaka	●					●	●	●	●
	—	●	Ryoji Itoh	●		●	●			●	●	●
	—	●	Hideo Yamada	●				●	●	●	●	●
	—	●	Sadayoshi Fujishige	●		●	●			●	●	●
Audit & Supervisory Board members	—	—	Yoshiko Nonogaki	●		●				●		●
	—	—	Junichi Nagakura				●	●		●	●	
	—	—	Kiyohiko Yoshii			●	●	●		●	●	●
	—	●	Noriko Yao			●		●	●	●	●	●
—	●	Naoki Kubo				●	●		●	●	●	

**1 Knowledge and experience to lead management and business appropriately**

a Business/organizational management b Industry knowledge (sales/technology) c International business

**2 Knowledge and experience to establish and maintain an appropriate management foundation**

d Finance and accounting e Legal and compliance f Human resource and labor relations

**3 Panoramic perspectives to ensure sustainability**

g Governance and sustainability h Risk management i Diversity



**Feature:** Roundtable discussion on diversity and inclusion

# Respect for all is our bedrock for global growth

Diversity and inclusion (D&I) are high up on the SATO Group's agenda for sustainable growth.

Our external director Yuko Tanaka and executive officers Hironori Onishi, Miki Takei and Naomi Maze talked about where we are now in the effort and how we proceed from here.

## The keys are in the top management's commitment and actions underpinned by corporate values

**Tanaka** An organization needs to promote D&I to catalyze its own transformation. The SATO Group undergoes a major transition, with globalization being a part of it. Thanks to efforts that started a while back, more than 40% of its sales now come from outside Japan and half its employees are non-Japanese. As the geography of and employee mix in our business change, the company's ability to adapt fast is crucial. We welcome the fact that more diverse employees now contribute to discussions across the company, and we should further this trend. For Maze and Takei, who were appointed as executive officers this April, I have high hopes that you, as female leaders with experience in other industries, will provide candid opinions to broaden our perspectives.

**Maze** Companies that are successful in promoting D&I have two things in common: the top management's commitment and actions that align with corporate strategy and values. D&I drive innovation, as diverse opinions and values mix to create new ideas and initiatives. The management needs to correctly understand the significance and impact of becoming a more diverse and inclusive company and champion them. And showing to employees that D&I are part of the corporate strategy, values, credo and motto also helps bring everyone on board.

**Takei** I think efforts to promote D&I resemble corporate branding activities in nature. Neither bears fruit right away, for instance. We must work at them patiently and with focus. As employees are the ones that would translate principles of D&I into concrete actions, they need

to understand why D&I matter. Token measures designed only to impress do not work. We must consider ways to promote D&I as actions grounded in corporate values and put systems in place to facilitate the efforts.

If each member of the company has a clear, common understanding of what our brand is and why we value D&I, our customers and other stakeholders will notice the difference we are making.

## The culture of respecting individuals is already built into SATO's business activities

**Onishi** At Sales Headquarters here in Japan, we take D&I seriously, but there is still plenty of room for improvement. Our job is to help customers across industries and markets solve their operational pain points, and it is the individual employee facing these customers and pain points that sustains our growth.

D&I are best learned through experience rather than lectures. Our workforce is age-diverse, and many come from different companies. Picking up on the different experiences and views of each and every employee can set off a series of changes that would make us more diverse and inclusive to transform the company. The seeds are already planted throughout the company; if we could grow them as a group, we should see progress.

**Maze** True, we do have some of what it takes to be truly diverse and inclusive, in the form of activities and systems that embody our corporate values and highlight the value of individuals.

One such example is the Credo Awards World Cup. It is a global event that recognizes employees who have



### Yuko Tanaka

**External Director,  
Chair of Nomination Advisory Committee**  
Professor Emeritus, Hosei University  
Project Professor, Hosei University Research Center for Edo-Tokyo Studies  
Chairperson, Tokyo's Council for Gender Equality  
Director, Suntory Foundation for Arts  
Director, Japan Massive Open Online Education Promotion Council

### Hironori Onishi

**Executive Officer**  
Director, SATO Corporation  
General Manager of Sales

### Miki Takei

**Executive Officer**  
Global Marketing Officer

### Naomi Maze

**Executive Officer**  
Global Human Resources Officer

demonstrated the company's credo through their actions. Another is Teiho, launched nearly 50 years ago. This system of employees submitting reports to top management also exemplifies the company's culture of respecting individual opinions. Improvements are continuously made to the Teiho system and its operation, including a recent addition of a new category of reports called Make-a-Ripple Teiho. (Page 41)

Many departments have their own, similar actions reminding their members to appreciate the value each individual brings and creating a sense of unity among employees around the globe. Rarely have I seen a company doing so much to such a degree; I'm sure these unique activities and systems will help drive the company's push for D&I.

## Managers need to listen to their team members; D&I promotion needs to be in line with the nature and strategies of the company's business

**Takei** I feel that what employees, particularly the young ones, expect from their work and managers seems to be changing. They want fulfillment more in knowing that their work leads to their own growth rather than in gaining a sense of accomplishment, and they look to their managers for daily coaching rather than leadership. Line managers are key to maximizing the teams' performance. They need to be aware of these changes and listen to the voices of their members in their daily work.

**Maze** As Onishi said, the actions of each individual employee are central to our business. Human Resources Department is working to develop employees who can

think, act and initiate changes on their own, and building systems that facilitate the effort. (Pages 40-41) We are taking it step by step, listening to employees and driving workstyle innovations such as paternity leave.

**Onishi** The Sales Headquarters is now taking an "All-in sales" mindset, creating customer touch points at functions other than sales to build customer relationships, and allowing salespeople to focus more on complex sales opportunities. As part of the effort, we are assigning people to jobs by looking at the knowledge, experience and life stages of every individual to make sure everyone has a place to shine while contributing to the sales strategy. For example, we assigned an employee with childcare commitments to an inside sales\* position that offers more flexibility in where and how long one can work. Our sales strategy eyeing Tagging for Sustainability now has us taking a more consumer-oriented approach, which mirrors the greater awareness customers have on societal and consumer interests. To understand these changes and continue creating solutions that answer to them, we must see from a broad perspective, which is precisely why D&I are essential for us and our business expansion.

\*A team that conducts sales activities through phone, email or internet.

**Tanaka** As a company that continues to extend its global reach, SATO must promote D&I building on the cultural foundation it already has of respecting individuals. I hope SATO discloses more of what it does to the greater public so that it continues to win respect and recognition from a broad spectrum of its stakeholders.