

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

Integrated Report 2023
SATO HOLDINGS CORPORATION

Securities code: 6287.T

Tagging for Sustainability



SATO HOLDINGS CORPORATION
www.sato-global.com



Contents

Corporate motto Our calling

あくなき創造

Akunaki sozo — Ceaseless Creativity

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

All to serve customers and society

SATO Values

Mission

Why we exist

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

Vision

Where we are heading

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

Credo

Our code of conduct

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

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Hiroyuki Konuma



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Editorial concept

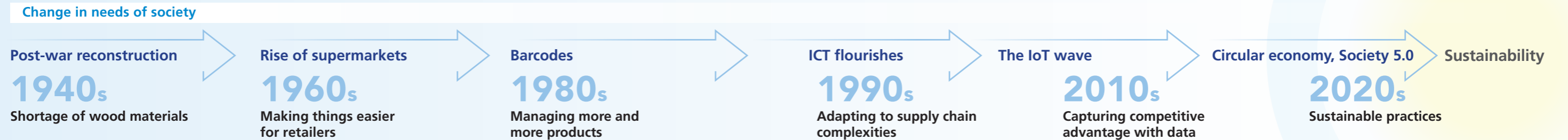
This report is the record of the tangible and intangible aspects of the SATO Group's medium- to long-term value-creation story through its core business of auto-ID solutions.

Disclaimer

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

Evolutions in tagging

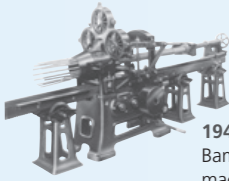
SATO changes with the times, always reimagining our role as tagging experts. Over our history we have addressed challenges of customers and society, developing products and solutions for accuracy, labor- and resource-savings, safety and reassurance, sustainability and emotional connections.




How tagging changed

Labor-saving machines

Wood was typically used for packaging large items, but resources were scarce due to the war. Our founder invented a series of bamboo processing machines to enable mass production of woven bamboo boxes for shipping.




1943
Bamboo stripping machine



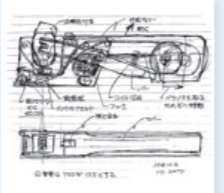
1958
Bundling machine

The dawn of tagging

In the 1960s, the advent of supermarkets made it possible for consumers to buy their daily necessities at one place. Our hand labeler gave Japanese retailers major labor savings, making it easier to attach price tags to individual items.




1962
The hand labeler




Prototype drawing of the first hand labeler by founder Yo Sato

Supporting the distribution of goods

With the adoption of POS systems in the 1980s, SATO developed the world's first thermal transfer barcode label printer, giving retailers, wholesalers and manufacturers the ability to print quality, durable barcode labels.




1981
M-2311, the world's first thermal transfer barcode label printer



Manufacture of barcode printer consumables

Collecting and utilizing data on-site


Connected systems became a key requirement with the IT revolution. Under our very own DCS* & Labeling business model, we began bundling hardware, consumables, readers and software to enable data collection. We also started providing post-sales maintenance and support.



* Data Collection Systems

Integration to digitize the analog

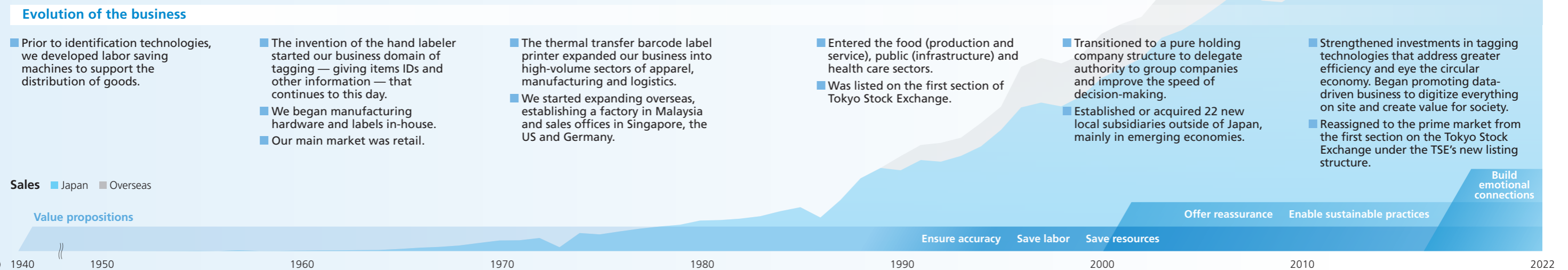
Wireless technologies and cloud computing evolved to drive IoT adoption. As supply chains became more complex, we increasingly integrated our offerings with technologies of third-party partners. Our solutions began capturing dynamic data on status and condition of things using RFID and sensors.



2015
Launch of CL4/6NX-J series, the world's first IoT printing solution with remote preventative maintenance and error detection for minimizing downtime

Cocreating a sustainable future with stakeholders

Into the 2020s, we continue to evolve under the concept of "Tagging for Sustainability" by providing systems that not only capture and integrate data on identity and status, but also analyze it to produce various insights that drive sustainable outcomes.

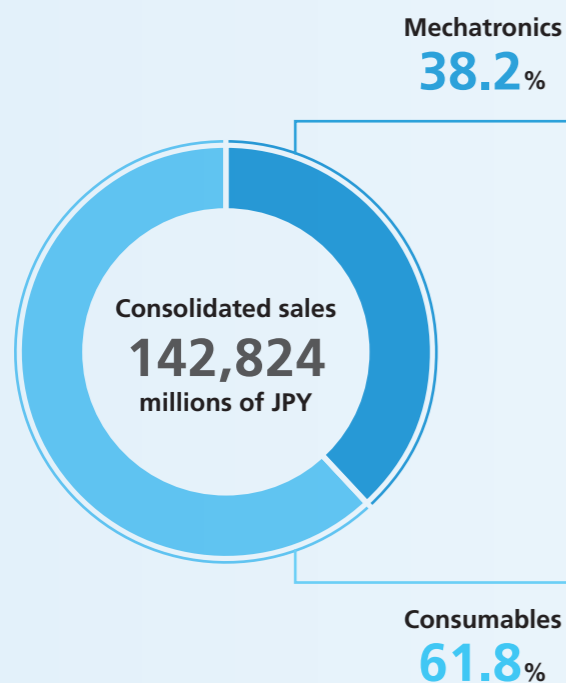


Our business at a glance

Products, services, revenue model and focal markets

We start on site, giving every “thing” its own identity and connecting it to the world. Our product lineup sits at the core of our solutions which include third-party technologies, products and services to best meet our customers’ on-site needs.

Sales breakdown by product (FY 2022)



Product lineup

Printers

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



Service and support

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



Software

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



SATO App Storage

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

Printing supplies

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



Stickers and primary labels

We create product labels used on a variety of consumer goods, offering full support from creating the design and selecting the paper/adhesive material to printing, finishing and applying the label. Our plants have the know-how to provide attractive and durable pressure-sensitive labels to differentiate products in the food & beverage, pharmaceutical, cosmetics, home care, chemical and other sectors at their point of sale.

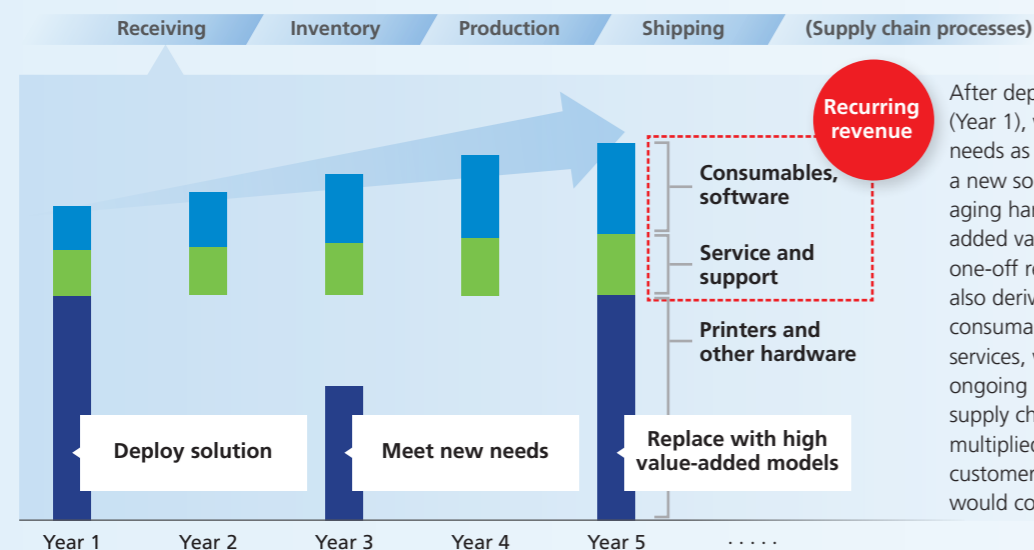


Primary package consulting

Our in-house design team provides a value-added “design promotion service” that supports the customer in their planning, designing, printing and sales promotion phases of their consumer product. It makes winning packaging designs from solid market research and the use of emotion and logic to have consumers rediscover the value of an existing product.

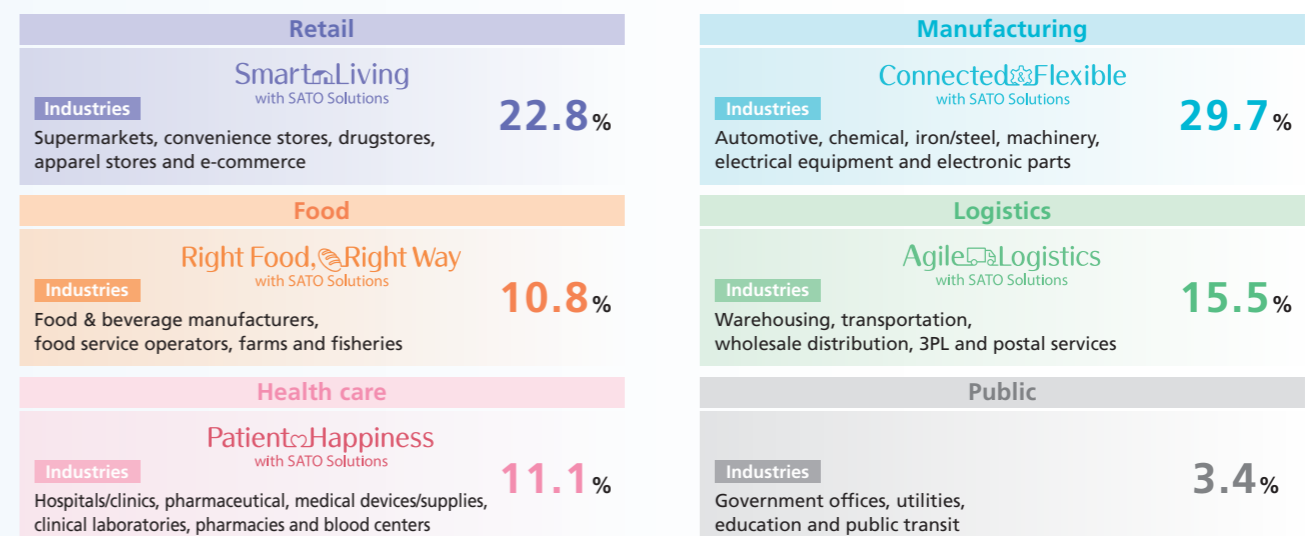


Revenue model



After deploying a solution to a customer (Year 1), we keep pace with the customer’s needs as they change over time. We offer a new solution (e.g., in Year 3) and replace aging hardware with new models of high added value (e.g., in Year 5), earning one-off revenue at each point in time. We also derive recurring revenue from selling consumables, software and maintenance services, which customers need on an ongoing basis. As this model is for a single supply chain process, it is these revenues multiplied by the number of applications, customers, markets and industries that would comprise our group-wide revenue.

Focal markets and their respective sales ratios*



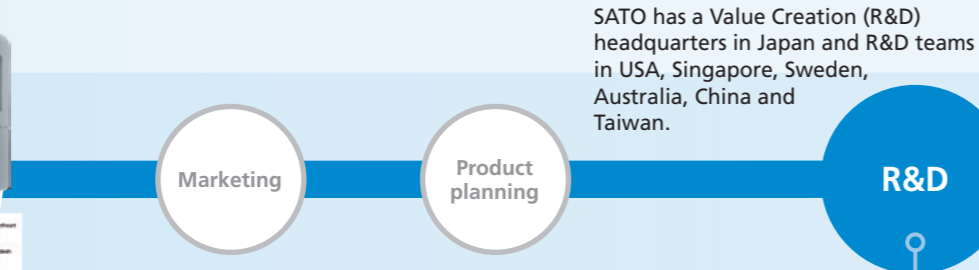
* Based on FY 2022 sales reported by SATO’s key sales subsidiaries in Japan and overseas, excluding factories and primary label companies. Ratios do not add up to 100 percent because of sales contributions from other verticals not outlined above.

Our business at a glance

Working across our value chain to support supply chains for the circular economy

Our value chain

We have an end-to-end value chain whereby we develop/design, produce, distribute, sell and service our products globally on our own while collaborating with external partners when necessary. This allows us to maneuver quickly and flexibly to respond to new customer needs and business requirements. We leverage this value chain to deliver tagging solutions that integrate our flagship products including **printers, consumables and software.**

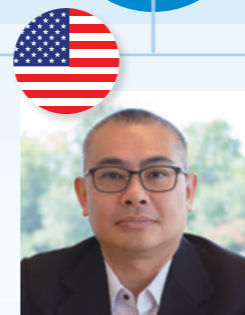


SATO has a Value Creation (R&D) headquarters in Japan and R&D teams in USA, Singapore, Sweden, Australia, China and Taiwan.

Voice

Continuously creating customer value through software-based integrated solutions

In over 22 years since I joined SATO, I have worked in solutions development as well as in sales, technical and management roles, collaborating with colleagues and partners around the world to create value for our customers. In FY 2023, I was appointed Director of the newly established Advanced Technology Solutions Group (ATSG). SATO's unique value proposition, which is based on understanding customer requirements in detail with our genbaryoku and koto-uri approach, has put us in a strong position as the customer's "trusted advisor" to deliver customer value on a continuous basis and generate recurring revenue. The mission of the ATSG team is to build trust with our independent software vendors as we lead innovations to solve customer challenges. In the medium to long term, we aim to turn the knowledge gained from individual projects into standard solutions that can be duplicated globally to provide ongoing value and commitment to our customers.



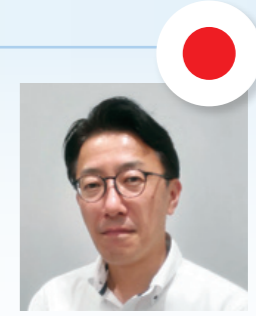
Minh Ly
Director,
Advanced Technology
Solutions Group
SATO America, LLC

Voice

Ceaseless creativity to produce consumables that are more sustainable

I was responsible for managing the production of linerless labels in the early 2000s. Linerless labels use less paper as they do not require release liners. It was our first time developing and producing these labels, so we had to start by coming up with our own label adhesive and silicone release coating. We tested the special adhesive and coating on the printing press and slitter rewinder* at our label plant in Japan, making numerous adjustments with R&D/production staff and operators before we could finally start mass production. We also spent considerable time to test print labels and ensure they were compatible with printers used at customer sites. Different teams came together as one to put our corporate motto of Ceaseless Creativity into action. We recognize that reducing our environmental impact is a global priority and are getting our label plants outside Japan ready for linerless production.

* Machine for converting master rolls produced on a printing press into smaller rolls to fit printers.



Akitomo Nozawa
Manager,
Production Process
Development Group
SATO Corporation

Production

We produce printers primarily in Asia and consumables in countries/regions where they are sold.

Printers: Japan, Malaysia, Vietnam, China, Taiwan
Consumables: Japan, USA, Brazil, Argentina, Australia, China, Malaysia, New Zealand, Singapore, Thailand, Vietnam, Indonesia, France, Poland, UK, Russia

Voice

Our unrivaled strength in servicing printers for customers

I have been with SATO for eight years, working mainly as customer engineer (CE). I find my work rewarding when I fix malfunctioning printers to get them back up and running or when I identify printer issues before they become critical to prevent downtime. As CE, I enjoy thinking up new suggestions that I propose and implement for customers, earning their trust.

Label printing may not constitute a big part of customer operations but operations stop when printers are down so customers truly rely on us. We are the customer's hero, and the technical service and support we provide is a strength we have over our competitors.



Wan Kiat Tan
Assistant Manager,
Technical Support Section
SATO Asia Pacific Pte. Ltd.

Distribution

We supply products in a timely manner to different countries/regions, markets and industries via our logistics centers. These centers manage our inventory, handle kitting of printers and accessories, and collect back old printers to disassemble them for recycling.

Sale

We have offices in 26 countries/regions and presence in over 90 countries/regions. With five market strategy divisions* in Japan honing our know-how on target markets, industries and applications and providing global sales support, we create value not only for individual worksites but also across the supply chain of multiple markets and industries. (See next page.)

* Retail, manufacturing, food, logistics and health care.

Service and support

We have dedicated technical support departments in 23 countries/regions providing on-site services. To enhance this strength and competitive advantage, we train personnel using our CE Professional Program* and online training materials that are translated into different local languages. We are also ramping up training in RFID and automation technologies to meet growing demand.

* There are three levels of certification in this globally standardized program: Master, Expert and Specialist, with the highest Master level being attained only by a few CEs globally.

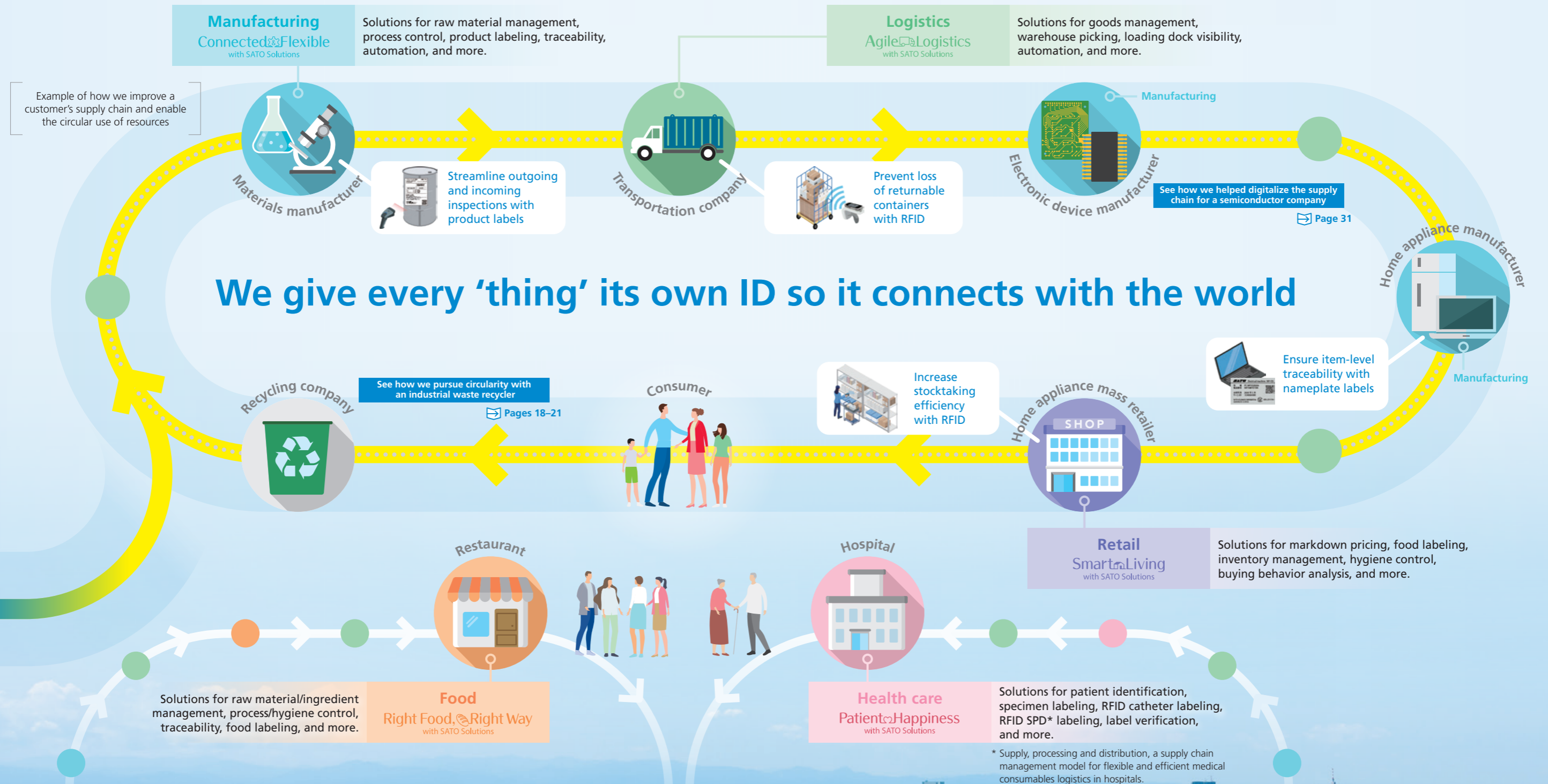
To customers' supply chains

Supporting supply chains for the circular economy

We utilize tagging solutions that are powered by our in-house value chain to serve customers in five key priority markets: retail, manufacturing, food, logistics and health care. By building on our diverse customer base and tagging expertise we have gained from solving pain points on site, we are expanding our offerings to also include supply chain and circular solutions spanning multiple markets and industries.

Learn more about how our solutions are being used by customers in various markets and industries.

[WEB www.sato-global.com/ourwork/testimonial/](http://www.sato-global.com/ourwork/testimonial/)



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

Our business at a glance

Financial and non-financial highlights

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

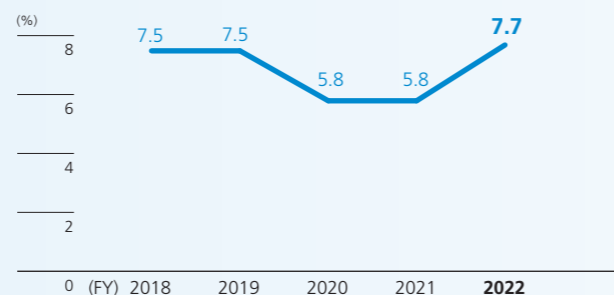
Financial

Sales & operating income



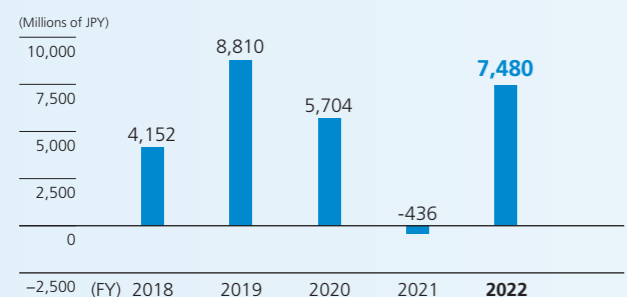
Consolidated figures for FY 2022 were the highest ever despite rising raw material costs and disruptions in the supply chain, and due to improvements in order fulfillment, revision in prices, and greater focus on solution offerings per industry.

Return on invested capital



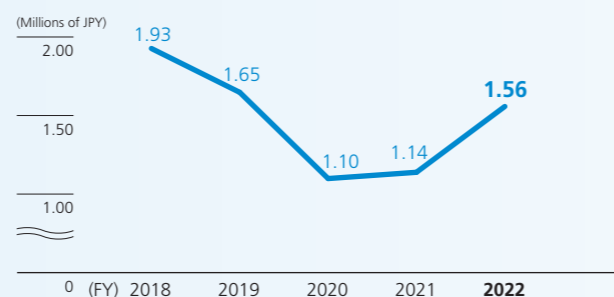
While NOPAT (net operating profit after tax) margin was flat, ROIC increased year on year due to higher sales and invested capital turnover.

Free cash flow



Our free cash flow improved significantly because we made more profits and received proceeds from withdrawal of time deposits. These cash inflows helped offset greater working capital coming from increased inventories.

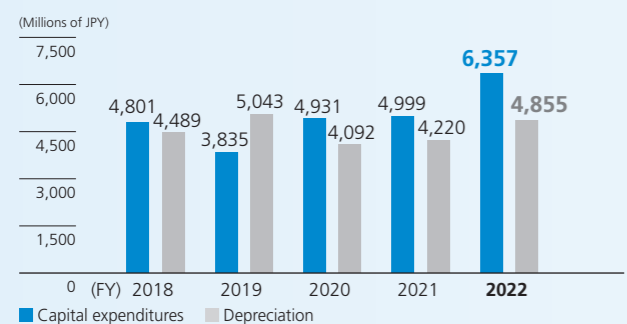
Per capita productivity



Our per capita productivity improved on a consolidated basis as we recorded stronger operating income for our Japan and global businesses while keeping workforce numbers roughly the same.

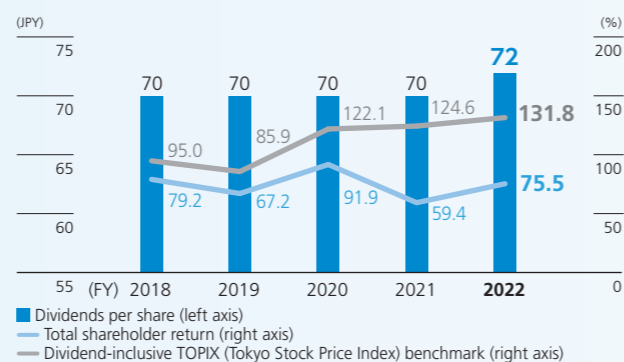
Note: Per capita productivity refers to operating income (excluding goodwill amortization and ERP system depreciation) per active employee.

Capital expenditures & depreciation



In FY 2022, our capital expenditures increased as we invested in production equipment and factory/office buildings. Depreciation increased reflecting capital investments that were made.

Dividends per share & total shareholder return



Under our policy of enhancing company value and delivering stable dividends, we raised our annual dividend payout by ¥2 to ¥72 per share. We will allocate our capital appropriately to growth investments that generate high ROIC in order to maximize total shareholder return.

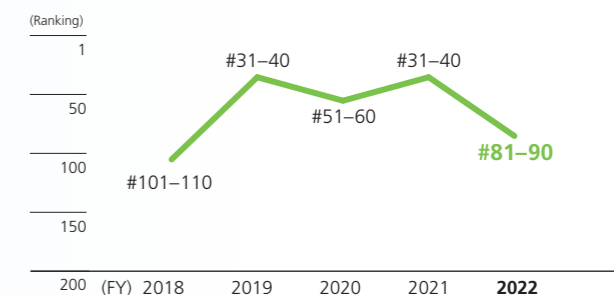
Non-financial

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



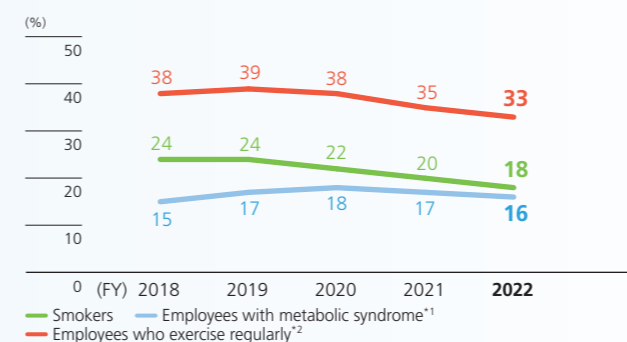
The retention rate of our new graduate hires continues to trend upward as a result of on-the-job coaching, online courses and group trainings. Employees are also staying longer with the company, due to strategic HR initiatives such as flexible work arrangements.

Engagement with investors



We are recognized for our efforts in enhancing stakeholder dialogue from the medium- and long-term perspectives by increasing involvement of related departments. We will not only create more opportunities for stakeholder engagement but also work on corporate and business portfolio management for stronger governance. Note: As ranked in the JIRA IR Award presented by Japan Investor Relations Association.

Wellness management (Japan)

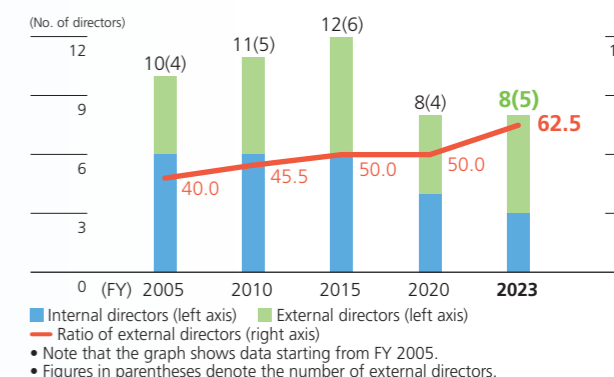


We were recognized as a Certified Health & Productivity Management Outstanding Organization by Japan's Ministry of Economy, Trade and Industry in FY 2022 for the seventh consecutive year. We continued to make progress in reducing metabolic syndrome and smoking prevalence among employees. Employees' regular exercise rate has been declining due to the pandemic but we expect an upturn after FY 2022 as we lift gathering restrictions and create more opportunities for employees to be physically active.

*1 Based on corresponding health screening data of employees aged 40 or above.

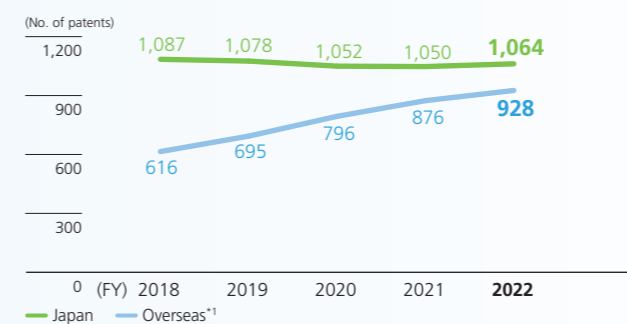
*2 Minimum 30 minutes of exercise at least twice a week or walking an average 8,000 steps per day, over the span of at least one year.

Board size & ratio of external directors



We appointed our first external director in FY 1999 and our first female external director in FY 2004. The ratio of external directors has been at least 50 percent since FY 2015 and is now at its highest in FY 2023.

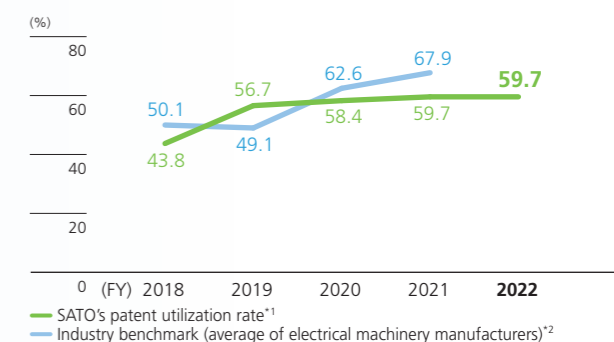
Patents owned



We review and rebalance our patent collection regularly to keep it compact and aligned with our business portfolio. There is a marked increase in our patent grants outside Japan as we seek stronger patent protection to support and reinforce business growth globally.

*1 Total number of patents and not the number of unique patents. For example, if a patent is granted in four countries, it will be counted four times.

Patent utilization rate (Japan)



We are holding our patent utilization rate steady through efforts to build better patents and maximize their use. Our focus is on protecting and leveraging the creative outputs we produce from solving customer pain points. Across our industry, the average patent utilization rate is making a strong recovery after a temporary dip in FY 2019.

*1 Source: In-house records.

*2 Source: Japan Patent Office Annual Reports 2019-2023.

From the President and Group CEO



Hiroyuki Konuma

Hiroyuki Konuma
President and Group CEO

In assuming Group CEO

Focus on key fields, strengthen our customer base, and deliver tagging solutions for sustainability as we think out of the box, together.

I have set new aspirations upon taking on my new responsibility as Group CEO in April 2023.

Starting my SATO career in sales, I became president of our health care company, and later the president of our core sales company. My nine years of growing the health care business into one of the group's financial pillars

generating ¥10 billion in net sales shape the foundation of how I run business today.

Over that time, I concentrated resources on developing and delivering tagging solutions geared toward patients and hospitals, as they were the ones in the health care supply chain that most benefit from pharmaceuticals and medical equipment and supplies. By focusing our koto-uri¹ approach on these user groups, we gained deep insight into hospital operations and ultimately increased our share in the industry. As we became known for our expertise in hospital solutions, the trust we built

Build energized teams and spur our business to new growth

among pharmaceutical and other industries helped drive our growth.

Our customer base is the most important aspect of our business. Our Vision only reinforces this notion as it tells us to “be the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world.” The relationship with — or trust from — customers that we have developed over the years servicing health care and other markets is our asset. Customers share their pain points and needs with us, which helps us develop the right technologies and solutions, put them to work and provide consumables for recurring business and a stable revenue base.

We can expect changes in our customers and society to occur faster and pain points become more complex than ever, which means we must innovate our tagging technologies and solutions with speed. And that’s why I set my new leadership slogan as, “Think out of the box, together.” The SATO Group today has a unique business model, offering “powered on site” solutions to a wide range of markets and industries. But our decision-making and execution have slowed. As a former salesperson who long worked on the front lines, I remember us being far more energized than today. Everyone was passionate about work and fueled by inner drive. Under my new slogan, we will focus on eliminating formalities and

minimizing layers of authority and decision-making in all business fields and stages to empower our workforce in achieving commitments with agility. No matter how our business and organization grow, or how demanding our challenges become, I want the SATO Group to maintain the dynamic genbaryoku² we had when we were smaller. I want us to always uphold this spirit of agility.

So how can we solve the pain points of businesses and society that are becoming more complex? Considering our business model and strengths, technological trends and growth potential, I think the key here is offering solutions that span supply chains and enable the circular use of resources, i.e., Tagging for Sustainability. We have always been supporting customers in globalizing their business or visualizing and optimizing their supply chains, but the recent pandemic, geopolitical risks and environmental concerns triggered businesses in more markets and industries than ever to think about how they can track things to know what is where in what quantity and condition in real time. As a company that has delivered tagging solutions to numerous markets and industries, we believe there are certain answers only SATO can provide. And we can move faster and create even more added value by developing our own RFID or sensing devices and cloud services while partnering with other technology companies in the spirit of open innovation.

From the President and Group CEO



* Those of/across production, distribution and sale

Because every customer in diverse industries, markets and countries/regions operates differently and faces different pain points, a single tagging solution for sustainability may not work for everyone. To provide optimal solutions, it's important that we continue to practice genbaryoku to gain a deep understanding of customer worksites and create value for customers and society with our corporate motto of Ceaseless Creativity. This is what we aspire to achieve with Tagging for Sustainability.

*1 Sales approach of selling not just the product but combinations of products in the form of solutions that include hardware, consumables, maintenance services and software, demonstrating ROI and other value propositions for the customer.

*2 Our core competency of going to customer sites in an array of markets/industries to understand the essence of their pain points and offer solutions that improve or innovate their operations. It consists of three elements: industry expertise (versed in many industries), technical expertise (offering the best mix of products) and servicing (constantly improving operations at customer sites).

Where we stand in our FY 2021–2023 medium-term management plan

[Aiming to speed growth of our global business as it exceeds plans and make the Japan business profitable again.](#)

Our current medium-term management plan that sets FY 2023 as its final year assumes the economy would fully recover from the pandemic, but external headwinds have persisted. Yet our global business has been strong on demand for RFID and automation solutions such that our performance through FY 2022 was better than initially planned. We are expecting to outperform our initial FY 2023 sales target but we revised the operating income target downward from ¥11.8 billion to ¥8 billion, due to the long sales process

typically required for high-profit products in Japan, increase in material costs, and impacts from R&D investments. We hope to achieve this revised target so that we set ourselves up for the next medium-term management plan.

In our overseas business,^{*3} consistent efforts to instill koto-uri since FY 2018 have transformed the base business to help it achieve sales and operating income figures that are already exceeding initial targets. We will speed this growth, delegating authority to each region and subsidiary to operate more independently with necessary governance. We plan to fortify our recurring revenue model through labels and servicing to sell more standardized solutions, while enhancing software development and collaborating with industry-specific partners. We are working to improve our planning to optimize production, sales and inventory levels for greater efficiencies and better cash flow group-wide.

Our primary labels companies face relatively stable demand as they mainly target food, daily commodities and pharmaceuticals. In FY 2022, our Russian subsidiaries took steps to counteract supply instability ahead of competitors, which greatly helped boost sales and operating income. But with competition catching up, we forecast their performance for FY 2023 to return to FY 2021 levels. With the Russian business adding significantly to our immediate revenue, we plan to continue our involvement as we control and manage risks for the time being.

In Japan, we stepped up our web marketing efforts to drive sales to a higher level even amid the pandemic, while completing development of a new printer platform that will be an unbeatable offering. Slated for use in SATO printers to be launched from FY 2024 and beyond, this platform will not only create greater value but also streamline our R&D process. The Japan business is progressing in line with our initial plan in terms of sales but



underperforming in terms of operating income due to sluggish printer sales reflecting pandemic-induced changes in customers' investment priorities, delays in managing the impact of rising material costs, and continued upfront investments in R&D. We will be focusing on rebuilding our revenue base while redirecting resources to high-profit, high-potential markets and industries, improving gross margins with price revisions and value chain innovations, and cutting development costs with the new printer platform. Pursuing greater profitability will be our immediate priority. And we have already begun developing new markets^{*4} as the first step in redirecting resources.

*3 Made up of the base business (which involves tagging variable information such as barcodes, prices, manufacture dates and expiration dates in the form of labels and tags) and the primary labels business (which involves tagging fixed information via product labels and other media), with the latter comprising operations of SATO Group companies located in Argentina, Brazil and Russia.

*4 Current focus is retail, manufacturing, food, logistics and health care.

New management team, new growth strategy

[Assign clear roles and responsibilities and delegate decision-making to speed up and optimize business.](#)

I have set up a new management team and growth strategy to drive us forward. My role as Group CEO is to run our

From the President and Group CEO

group businesses from a medium- to long-term perspective and to concentrate on allocating resources optimally and managing our business portfolio. I hope to speed up and optimize our business management and operations by assigning clear roles and responsibilities and increasingly delegating decision-making to our two vice presidents. Hayato Shindo, who has long been stationed abroad to spread the koto-uri approach to our global companies will oversee our global business, while Yoshinori Sasahara, with his proven record leading sales, production and RFID departments in Japan, will supervise business on our home soil. They know all the necessary context of both businesses and will run them dynamically with quick decision-making. (📧 [Pages 27–28](#))

The new growth strategy was drafted based on the current medium-term management plan, and sets **1** global business strategies, **2** innovation and R&D, and **3** sustainability management as priority agendas.

Global business strategies refer to actions for our overseas and Japan businesses that I have covered earlier.

Our innovation and R&D strategy pursues Tagging for Sustainability by working off of our genbaryoku to expand business in two areas: enhancing our lineup of functions (devices) that collect data, and developing systems that utilize the collected data. In the first area, our RFID



solutions are growing globally beyond expectations and the progress is extremely encouraging. We have also launched RFID labels equipped with temperature sensors, as well as other solutions capable of collecting the status data of things and not just their identifiers. And in the second area, we have started offering cloud solutions that control access to the collected data and predict status changes based on data patterns. One such example is our Taggin'Well Cloud solution. [WEB https://youtu.be/QFWrojK074A](https://youtu.be/QFWrojK074A)

The more data and data types there are to be collected, the more value the data would possess. There are a number of companies out there that can integrate and analyze such collected data, but not many have the genbaryoku, tagging technologies and customer base that SATO has. We hope to leverage these advantages as we stay true to our core business of data collection (i.e., tagging data to things and people) and develop SATO-unique solutions that would grow into our next pillar of business. (📧 [Page 30](#))

As for sustainability management, we aim to create value for society while heightening our corporate value. We have identified 16 materiality agendas by their relevance to (A) our value proposition, (B) fundamentals of our value creation, and (C) environmental responsibility, and will address them with corporate governance and risk management serving as the underlying foundation. (📧 [Page 37](#))

Our current focus for corporate governance is on improving the effectiveness of the board of directors and speeding up decision-making. For the former, we have added a new question in our latest board effectiveness survey, asking external board members for their suggestions on enabling more in-depth discussions at board meetings. For the latter, changing decision-making authority and how we delegate it will be our key actions. Back when I was

president of our health care company, I was able to execute strategies dynamically and achieve success thanks to the autonomy I was given. I hope to nurture the same managerial autonomy across the entire SATO Group.

In strengthening the fundamentals of our value creation, we will continue enhancing human capital management. We established an HR Development Committee in FY 2022 tasked to define the desired traits of our core talent, systematically mine and train them, work on succession planning, and revamp HR policies. Through this committee, we have recently drafted HR management schemes covering various areas including core talent development. As a business that centers on solutions using everyday technologies such as barcodes and RFID, our competitive advantage lies in each and every employee who would understand customer worksites and what customers want to label or tag to conjure up the best combination of products, services and technologies in the spirit of Ceaseless Creativity. That's why human resources are our most important assets, and we have Teiho*⁵ and numerous award programs for building people, which in turn builds business. (📧 [Pages 39–40](#))

Because the value we deliver would come to benefit consumers as the scope of our business widens to realize Tagging for Sustainability, I always tell employees to use Teiho as one of the means to suggest how we can improve our offerings by thinking about what would enrich their own lives.

*⁵ Our unique insight sharing system with which employees regularly submit ideas and findings directly to the management. Started in Japan in 1976, the system initiates big and small changes for the company to meet the needs of the times and achieve sustainable growth, while serving to raise employee awareness on detecting issues and devising creative solutions.

To our stakeholders

I hope more people will come to see SATO as an essential company for society.

One of my resolutions is to enter new business fields, leveraging genbaryoku and our strengths and expertise in tagging to take on new challenges and maximize the value we provide. As the world and business needs change, we grow with tagging technologies that collect more diverse and sophisticated data of higher value. We have been offering such value to customers in five key markets, but I aim to service new needs in new fields, including sustainability-related opportunities. This strong intent to pave a new path is similar to what I had when I drove our health care business to growth and success. The knowledge and insights we gain from new opportunities can also be put to good use in our five focal markets, where we continue to leverage our capabilities.

SATO is an essential company for society, and I aim to help our stakeholders recognize this. I want us to stay essential, contributing to society through our business. That's why I have mapped a new growth path that we shall stride with decisive steps.

Our business changes people's lives for the better, and I want SATO Group employees to recognize that we all play a part. I hope each and every one of us finds joy and takes pride in what we do. As Group CEO, I will build energized teams who are passionate about work and the customers we meet to spur our business to new growth.

I hope you will join us on this new journey of ours.

In conversation



Sumiyuki Nakadai
President
Nakadai Holdings Co., Ltd.



Hiroyuki Konuma
President and Group CEO

Creating value together to enable the circular use of resources

The circular economy is a system where industry and nature coexist through the recycling of used products as resources. SATO started working with industrial waste recycler Nakadai Holdings to utilize the industry–government–academia network in circulating resources under the concept of “Innovating use, designing disposal.” SATO Group CEO Hiroyuki Konuma and Nakadai Holdings’ President Sumiyuki Nakadai discussed the future of circular businesses.

What brought SATO and Nakadai together?

Konuma We met Nakadai just as we were exploring new tagging-based businesses to contribute to the circular economy via an in-house project.

This project we call “Our Way to Our 100th Anniversary” was launched to keep SATO innovating even when we reach our 100th anniversary in 2040 by tapping the collective strengths of employees who are empowered to think and act autonomously to initiate changes on their own.

We needed to cultivate a company culture that encourages new challenges and embraces failure to innovate with speed, and started by using the said project to engage young employees, who will play key roles in SATO’s future, in leading various new business initiatives. The project team was exploring new solutions to keep pace with global trends, and it was then when our path crossed with Nakadai’s.

After meeting Nakadai and learning about the complexities of processing and recycling waste, I thought our tagging technology and solutions honed over the years could be of help. I was also profoundly attuned to his passion for realizing the circular economy.

What are the challenges facing waste treatment companies like Nakadai?

Nakadai Our business started with iron scrapping services and has expanded with the growth of the automotive industry over our 86 years of history. Global awareness of environmental issues such as climate change surged in the late 1990s following the release of ISO 14001 (an international standard for environmental management) and the United Nations’ endorsement of

the Kyoto Protocol. In response, we shifted to provide comprehensive recycling services in 2000 and are now in the remarketing business of selling reprocessed products or materials to markets that need them to bridge the use and disposal stages. At our main intermediate waste treatment plant in Maebashi, we not only sort and process ferrous and nonferrous metals but also handle the city’s bulky household waste and over 1,500 tons of industrial waste monthly from across Japan, boasting a recycling rate that exceeds 99 percent.

While we cannot predict when we receive what type of waste and in what quantity, we need to supply a stable and consistent amount of recycled materials to customers. This has been our biggest challenge for over two decades, and because most recycling companies are in a similar position, recycling can only progress slowly in our society.

How can SATO’s tagging technology help waste recycling and reuse?

Nakadai We sought advice from many companies but didn’t find a convincing solution to our challenge.

This changed when we had the chance to hear about SATO’s tagging solutions and how they could connect waste collection and sales data. With an extensive knowledge of attaching data to things and collecting data across companies, SATO offers various ideas and tangible solutions, which can address challenges hindering circular transition and facilitate the tracking of waste-related carbon dioxide emissions to contribute greatly to society.

Konuma Thank you for your faith in us. Having tackled customer challenges across many sectors, we are confident that our experience and expertise can be

In conversation

effectively applied to recycling. For example, we can help tag and track waste generated by companies to increase the efficiency of waste collection and processing, providing traceability data to ensure a stable supply of recycled materials at consistent quality. And by managing data at each stage, we can produce accurate analyses on recycling rates and greenhouse gas emissions that would benefit manufacturers upstream. With our specialization in tagging to capture and use data about things, we have been dealing mainly with forward logistics issues in the supply chain and are now taking our first step to cover reverse logistics. This new terrain may be challenging, but we are excited about it.

What are your future aspirations and plans?

Nakadai I think recycling has been a passive process for many of us. We assume that waste is inevitable and react by finding acceptable ways to treat waste. But more and more countries today are beginning to see waste as homegrown resources that can be reused. To enable such circular use of resources, we need a new framework. For a start, it's important that we become more proactive in our thinking and action. We must

manage all products that would one day end up as waste and build systems to transform them back into useful resources.

Imagine a system to collect and recycle solar panels that are proliferating rapidly, or a systematic flow to recover specific rare-earth metals from ubiquitous smartphones in quantities that make reuse possible. Stories about newly invented easy-to-recycle materials often make the news, but these materials cannot be identified at the point of disposal if data identifiers are not first attached to them. To treat everything we consume as potential resources in a resource-limited country like Japan, we need to figure out how to attach data to everything and manage the collected data. I believe that SATO's tagging solutions hold the answer.

Konuma After speaking with you, I've come to feel that we need to rethink our tagging approach, particularly for businesses in reverse logistics. Consider motor vehicles, for instance. Each automotive part carries data about its origin and production date. We used to think this data was needed only during the vehicle's life cycle but a system that stores data after vehicles are scrapped would open up a new world of possibilities. It means we can widen the scope of the solutions we offer automakers and parts suppliers to include recycling or even tracking of carbon emissions at higher accuracy.



This concept isn't just for the automotive industry. Solutions for reusing waste can play a role in all industries and even in the development of social infrastructures in other countries. Reverse logistics have great business potential.

Nakadai It may sound like grand talk but we're backing it up with action. In July 2023, Nakadai entered into a joint venture with Kyushu Electric Power Co., Inc. to establish Circular Park Kyushu Co., Ltd. (CPQ), using an old power plant site in Satsumasendai as our recycling hub. Besides running the recycling business, we will also conduct proof-of-concept trials for enabling the circular use of resources with Kyushu Electric Power group companies, Kagoshima University and leading manufacturers and with the city's support. By collaborating with these partners, we aim to produce more precise outcomes to take those ideas we pursue with SATO to real-world success. This is a substantial step toward realizing the circular economy that Nakadai envisions, and we will develop a concrete road map to guide us ahead.

Sumiyuki Nakadai

**President
Nakadai Holdings Co., Ltd.**

Also president of Monofactory Co., Ltd. (which provides waste recycling and carbon reduction consulting services for businesses and municipalities) and co-president of Circular Park Kyushu Co., Ltd. (which was established under the concept of achieving good business and a better future.) Winner of the "Design for the future" special prize in Japan's Good Design Award 2013 and author of the Japanese book "Circular business: Designing disposal."



Konuma There aren't many opportunities for us to engage in diverse circularity trials with like-minded corporations and partners so we are looking forward to the activities that we carry out with your company and CPQ. We will focus on developing solutions that connect data and things in reverse logistics, incorporating AI and other advanced technologies. With an eye on the future, we hope to also implement source tagging for the systematic recycling of product materials and parts, and support the adoption of digital product passports.*

In partnering with Nakadai, we can potentially solve societal issues and create new businesses. This is also a valuable opportunity to gain experience and know-how so we will work together to pursue new endeavors in the spirit of Ceaseless Creativity.

As Group CEO, I will stay forward-looking and allocate our business resources in ways that help create value for society and further increase our corporate value.

* Electronic records with comprehensive data about a product, including its manufacturer, raw materials and recyclability, to facilitate information sharing throughout its life cycle.

From the CFO

Stay agile to maximize corporate value

Fusaaki Matsumoto
CFO and Chief Compliance Officer



Our financial performance and policy

FY 2022 was another challenging year for our finance activities in the face of supply chain disruptions and growing geopolitical risks.

At SATO, we manage cash flows to create a sound financial base, in line with our management policy of concentrating resources on our auto-ID solutions business to establish sustainable growth and stable profits. Our basic stance on cash flow control is to make investments within the limits of our cash flow from operating activities and maximize returns.

In FY 2022, working capital temporarily spiked as supply chain disruptions forced us to stock up on inventory to meet robust market demand, but operating cash flow increased year on year as profits improved primarily in our overseas business. In using this operating cash flow and proceeds from withdrawal of time deposits to invest in our growing overseas business and other growth areas such as

RFID (expanding production), we managed to achieve positive free cash flow at the end of the fiscal year. To turn strategies into results and invest in long-term growth within our current medium-term management plan (FY 2021–2023), we expect to make costly capital investments in FY 2023, but also hope to maintain free cash flow at healthy levels through actions to optimize working capital with better production, sales and inventory (PSI) planning. We have a global PSI planning improvement project underway, and I am part of the project team.

Our equity ratio in FY 2022 was 53.3 percent. While we aim to control this ratio at around 50 percent for financial stability, we may choose to lower it if necessary to capitalize on opportunities promising high returns on investment. In view of escalating geopolitical risks, we have also continued overdraft and commitment line agreements to secure financing in the case of unforeseen situations.

Shareholder returns are as important as financial stability. We issued dividends at ¥72 per share for FY 2022

under our policy of enhancing company value and delivering stable dividends. To boost shareholder returns and enhance the company's capital allocation in keeping with changes in the business environment, we completed a share repurchase program using about ¥2.5 billion in FY 2022. We will continue to include stock buyback as one of our options to return capital to shareholders.

To ensure business sustainability, we must maximize corporate value at the group level, which involves taking certain risks to pursue the greatest possible returns from a medium- to long-term perspective. I chair the Business Review Committee, which was established in FY 2021 and employs a rational and timely approach to assess and analyze risks that the SATO Group takes in conducting business, for example, when making investments, taking out loans or acquiring and disposing of assets. In FY 2022, it reviewed and passed proposals for investing in RFID-related assets and in acquiring a tag/label producer in the US. (Page 29)

Through this committee, we will continue to advance investment strategies and optimize our business portfolio over the medium to long term, making investment decisions based on the WACC (weighted average cost of capital) benchmark of 8 percent and the situation of each country/region and project.

Toward achieving our medium-term plan and sustainable growth

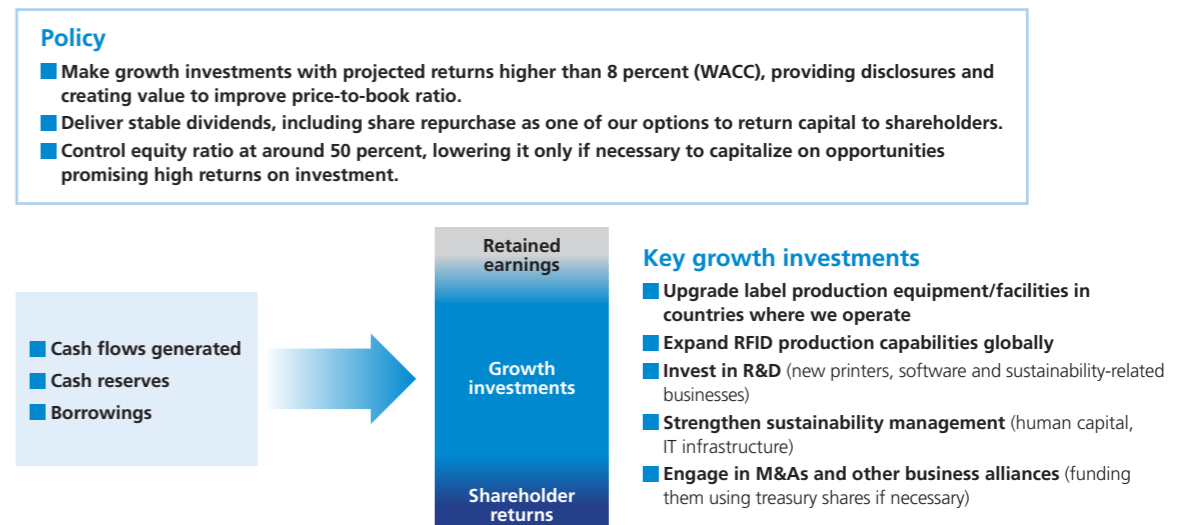
The FY 2023 targets in our current medium-term management plan are ¥140 billion in sales, ¥8 billion in operating income and 6.7 percent ROIC (return on invested capital). My responsibilities are to implement financial strategies that aid this plan and pave the way for our FY 2024–2026 plan.

In terms of capital allocation, we plan to use cash flows, cash reserves and borrowings for growth investments while maintaining balance with shareholder returns and retained earnings. (See chart below.)

ROIC is key here, and we must drive awareness across our business front lines, communicating to all employees the importance of raising ROIC. I aim to encourage active dialogue with employees to explain how the metric is linked to their daily work and customer value creation.

We need to develop a corporate management model that is capable, through persistent effort, of growing business in line with our strengths to deliver results over time even amid changes in our external environment. We will continue working to be indispensable to society, contributing through our business to sustainably increase our corporate value. I ask for your continued support in our journey ahead.

Our capital allocation plan



SATO's value creation: The big picture

Our solutions that tag, feed and make use of data track the status and movement of things and people in society. We help the world run smoothly and achieve circularity and sustainability.

Our business environment

Changes in society
Health crises
Natural disasters
Shifting demographics

↓

- Digital transformation
- Industry 4.0
- Demand for safety and security
- Uneven labor market
- Demand for sustainable practices

The world around us

New technologies

↓

- IoT
- AI
- Wireless/5G
- Sensing
- Robotics

How we do business

Business domain: Tagging

Core IT systems/Big data

Auto-ID solutions

What we do

- Make use**: Analyze data to identify and solve problems for businesses
- Feed**: Collect and feed on-site data into IT systems in real time
- Tag**: Accurately associate things with data

Raw materials → Parts and other inputs → Production → Distribution → Sale → Consumption → Disposal

Optimize supply chains

Recycling, Take-back, Disassembly, Material recovery

Business model

DCS & Labeling + **Tagging for Sustainability**

Giving things/people at a customer's site their own IDs to improve productivity

Giving everything over an entire supply chain its own ID so they connect with the world

Our sustainability framework

Core competency
Genbaryoku Page 33

Corporate motto
あくなき創造
Akunaki sozo — Ceaseless Creativity

SATO Values
Mission, Vision, Credo

A Our value proposition Page 37

B Fundamentals of our value creation Page 38

C Environmental responsibility Page 46

D Corporate governance, risk management Page 49

Value we create

For customers, economies and societies

- Ensure accuracy
- Save labor
- Save resources
- Offer reassurance
- Enable sustainable practices
- Build emotional connections

Tagging offers value for society when we help raise productivity, improve traceability and enable real-time operational visibility.

For the company

Higher corporate value

- Higher earning power Page 26
- Higher corporate sustainability Page 34

We enhance corporate value when we gain the trust of customers, business partners and other stakeholders through tagging and hone our genbaryoku.

Our future

Society that supports well-being and diverse values

Tagging for Sustainability
We give every 'thing' its own ID so it connects with the world

Better distribution of resources to reduce waste

Relevant SDGs

Strategies for the future

This section provides an overview and progress update of our medium-term management plan (“MTMP”) for fiscal years 2021 through 2023.

Overview

Our current MTMP and beyond

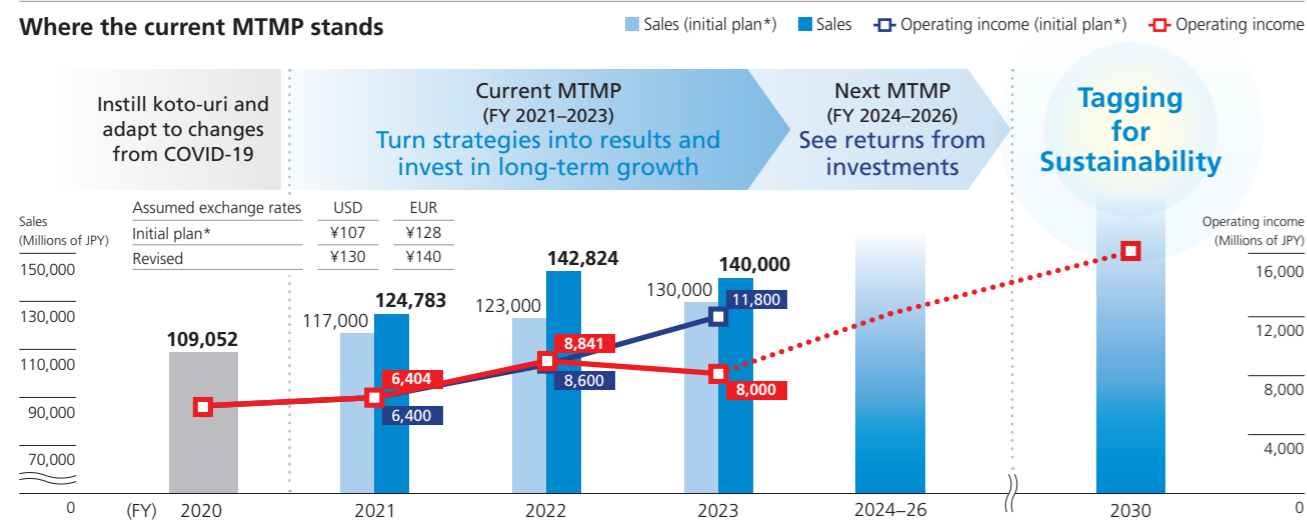
Our aim is to turn strategies into results and invest in long-term growth over the span of this three-year MTMP.

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.

Our investments for long-term growth will include those for reinforcing our DCS & Labeling business model, while expanding our business domains and enhancing necessary infrastructure. We expect the effects of these investments to materialize over the span of our next three-year MTMP and beyond.

Where the current MTMP stands



* As released in May 2021.

New growth strategy

Based on the current MTMP, we have drafted a new growth strategy with three priority agendas. They are:

- 1 global business strategies, 2 innovation and R&D, and
- 3 sustainability management.

Despite sales trending above budgeted plans, we revised our operating income target for FY 2023 from the initial ¥11.8 billion to ¥8 billion, given the long sales process typically required for high-profit products, an expected surge in material costs, and planned investments in R&D.

Priority agendas



Link the three agendas for sustainable business and revenue growth

1	Overseas business	Japan business
1	Accelerate growth by repeating success in solution sales	Improve how we sell and make profits through value chain reform
2	Take tagging to the next level Advance tagging technologies (automation, RFID, sensors, software) Develop new labels/media and strengthen our offerings	Create new businesses for “Tagging for Sustainability” Enter new business fields and evolve business model (e.g., data business, value cocreation with ecosystem participants)
3	Create value for society Create value for customers Boost efforts to address climate change	Enhance corporate value Strengthen corporate governance Enhance human capital management

From the leaders Global

Accelerate growth deploying success cases globally while eyeing global alliances and M&A opportunities

Hayato Shindo

Vice President
Oversees global business
Regional Operations Officer for Europe and Oceania



I started out at SATO as a salesperson for the Japanese manufacturing market before relocating overseas where I gained experience in sales and management. After serving as the regional head of Asia from 2015 and Europe from 2021, I assumed my current role heading the overseas business. I have always focused on instilling koto-uri across our target markets and industries outside Japan.

As these efforts paid off with our salespeople worldwide now embracing the koto-uri mindset, the development of new printers with new value (such as SATO AEP*1 and SATO App Storage*2) beyond the traditional expectations for print speed and precision has led to the creation and delivery of many enhanced solutions on a global level. As a result, we were able to post strong sales and operating income even during the pandemic, meeting our MTMP targets and putting us on a path to sustainable, profitable growth. Our next step is to take solutions built for single markets and industries and deploy them horizontally for growth while keeping an eye on alliances and merger-and-acquisition opportunities.

We need to delegate more authority to regional*3 heads so that the regions run on their own while we counterbalance their autonomy with proper group governance. Better communications between HQ and subsidiaries over the past

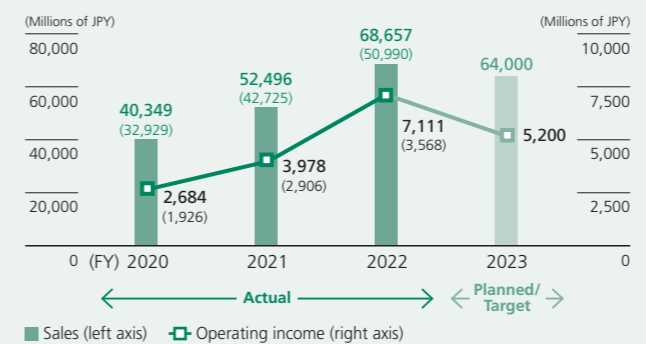
few years have strengthened mutual trust, and with regions now shifting to a koto-uri approach of value creation and embodying SATO Values, I believe it’s time for more autonomy in our regional businesses.

There are several ways to approach “global” solutions. One is to have a customer’s global headquarters use our solution across multiple offshore operations. Another way is to propose a solution developed in one country for a specific industry to customers in the same industry in other countries. Either way, the key is to help our customers overcome pain points in operations or global supply chains by working directly with them or through collaboration with partners, capitalizing on our partner networks and information we glean worldwide through koto-uri. (Page 31)

In our overseas business, printers represent a larger portion of total sales than in Japan. To sell solutions, many subsidiaries need to enhance their capabilities to supply labels, software and servicing. We will work on these enhancements while strengthening ties with partners and resorting to M&A as appropriate. We have already reinforced our capacity to develop and deploy software-based solutions. (Page 6) In the US, we acquired a label manufacturer to add to our label production capabilities. (Page 29)

Offshore markets are now growing faster than those in Japan and have greater potential for growth as long as we practice koto-uri and genbaryoku to deliver DCS & Labeling. We will execute the strategies described above to push for faster growth.

Sales & operating income



Note: Figures in parentheses exclude our Russian business (before goodwill amortization).

*1 Application Enabled Printing; an onboard intelligence that builds applications to customize printer operations so that the printer can be used as a stand-alone printing solution capable of interacting with other systems/databases without connecting to a PC.

*2 A cloud-based data management service.

*3 Americas, Europe and Asia-Pacific (including Oceania).

From the leaders **Japan**



Bettering how we sell and make profits to set up a revenue model that meets changes in the business environment

Yoshinori Sasahara
Vice President
Oversees Japan business and internal IT platforms
President, SATO Corporation

I assumed the role of vice president at SATO Corporation in 2016, after holding various executive positions in domestic sales. Appointment to the head of production in 2019 and the RFID business in 2022 gave me the opportunity to innovate our internal value chain.

In Japan, demand for our products and services is strong, driven primarily by needs for RFID and automation solutions. This brisk demand, and our successful strategy to capture it, have put us on track to achieve the MTMP sales targets. But we are underperforming in terms of operating income, as customers' investment priorities changed due to the pandemic and resulted in longer processes for closing printer sales deals, while we made late moves to tackle rising material prices. We now work on bettering how we sell (sales capabilities) and make profits (by streamlining workflow) to restore our profitability.

We will strengthen sales with strategies taking perspectives of area and supply chain. Our area strategy is to have our sales branches analyze their respective customer base in terms of profitability, potential for growth, and market share, and propose solution offerings based on customer needs and with optimal allocation of resources.

Our supply chain strategy will connect the dots by expanding the customer touch points we developed through area strategy to their suppliers. With the printers, software and labels we

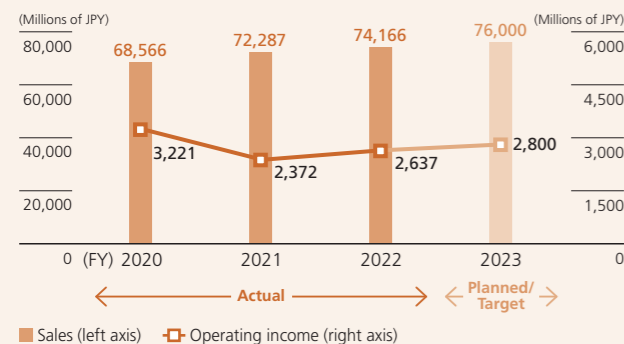
provide, we help suppliers print and apply shipping labels meeting requirements of the customer (receiver) on what information to print and where to apply on the shipping carton. This strategy is founded on our deep knowledge of customer operations, such as their flow and pain points, as well as what information needs to be associated with labels. The Japan business has a track record implementing this strategy in retail, manufacturing and food sectors. Today, we are seeing demand shift as the market environment changes with aggravating supply chain challenges and growing adoption of RFID. We hope to tap into our accumulated knowledge and drive the supply chain strategy in Japan and beyond where we are already seeing positive results. [\(Page 31\)](#)

As for securing profits, we will innovate the value chain of our core printer and label/tag products to enhance operational efficiency. We will also develop and execute a more refined printer product roadmap that factors in changes in the global market environment and demands, and our sales and production capabilities. Revising prices of our labels and tags, as well as considering standardizations and what to do with low-margin products, will similarly streamline our consumables product portfolio. By optimizing the number of main products we carry, we will boost our purchasing power and production efficiency while reducing worker-hours spent on managing products.

We started working on this value chain reform in FY 2020, during the pandemic. But efforts were not well coordinated among business functions, with each prioritizing its own immediate challenges of the time. Now that the situation has normalized and I, who was at the center of it all, head the Japan business, I will step up the effort. We have already set KPIs and started monitoring them. We also count on new printers equipping our new, standard platform that are due out from FY 2024 to help drive sales strategies and value chain reform.

There are numerous societal challenges in Japan that our solutions can help address, such as those related to labor shortages, lack of visibility in supply chains and the environment. We will capture this demand by executing the strategies above while pushing for greater efficiency in-house and product repricing to strengthen our earning power.

Sales & operating income



Progress made in FY 2022 and current forecasts

Global business strategies

SATO's business domain is tagging, which is offering not just the printers and labels for printing barcodes but also the best solution to a customer need delivered in combination with products and technologies of partners.

In FY 2022, we saw robust demand in every country and region for our DCS & Labeling solutions captured via koto-uri. Our base business in the Americas grew significantly both in terms of sales and profits, as we capitalized on demands in retail and other focal markets while clearing the backlog of printer orders. Price revisions in our primary labels business also led to steady rise in profits. Total sales in the Americas for FY 2022 increased 27.4 percent from the prior year to ¥20,415 million while operating income also rose 27.4 percent to ¥1,306 million.

In Europe, we enjoyed brisk base business in food and other focal markets while reducing unfulfilled printer orders like we did for our business in the Americas. Our primary labels companies in Russia took earlier action than their competitors to ensure stable sourcing of raw materials and achieve positive results. Total sales and operating income in Europe for FY 2022 were ¥30,068 million and ¥4,040 million, respectively, up 47.6 percent and 210 percent.

In Asia and Oceania, we saw slowdown in China that was offset by brisk business elsewhere, bringing total sales for FY 2022 up 12.9 percent to ¥18,172 million. Operating income for the region rose 20.8 percent over the year to ¥1,977 million owing to increased sales and the rise in printer production cost topping out.

In Japan, sales of RFID and automation solutions expanded, driven by growing needs to address labor shortages and achieve digital transformation. Consumables sales rose as well, thanks to strong demand and price revision initiatives, but printer sales struggled. Total sales in Japan for FY 2022 were ¥74,166 million, up 2.6 percent year on year, and operating income was ¥2,637 million, up 11.2 percent.

For FY 2023, general economic slowdown and slow-moving printer inventory at our resellers are likely to affect our first-half business offshore, but we expect it to pick up from the second half as the slowdown bottoms out and initiatives we implemented start bearing fruit. We anticipate similar returns on actions taken in Japan, such as resource reallocation and price revisions, to start showing primarily from the second half.

COLUMN

SATO acquires Stafford Press, the US leader in horticulture tags (April 2023)

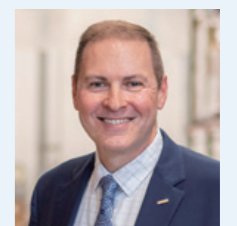
Stafford Press manufactures and sells horticulture tags and labels, and the color inkjet printers to print them on demand. Established in 1992, the company is a pioneer in this field, boasting the highest market share and a strong customer base in the US. SATO America sees the retail market — which includes horticulture — as one of its focal markets, and has provided core products such as barcode labels and printers to this segment, where it maintains leading share. With this acquisition, SATO seeks to (1) further expand its horticulture labels business, (2) add inkjet printing as a new option to its existing range of solutions, and (3) boost its capacity to supply labels to the west coast by utilizing the company's production plant.



Voice

Stafford Press is an excellent addition to the SATO family. They complement SATO America's business, provide new avenues and markets for growth, and provide us coverage on the west coast.

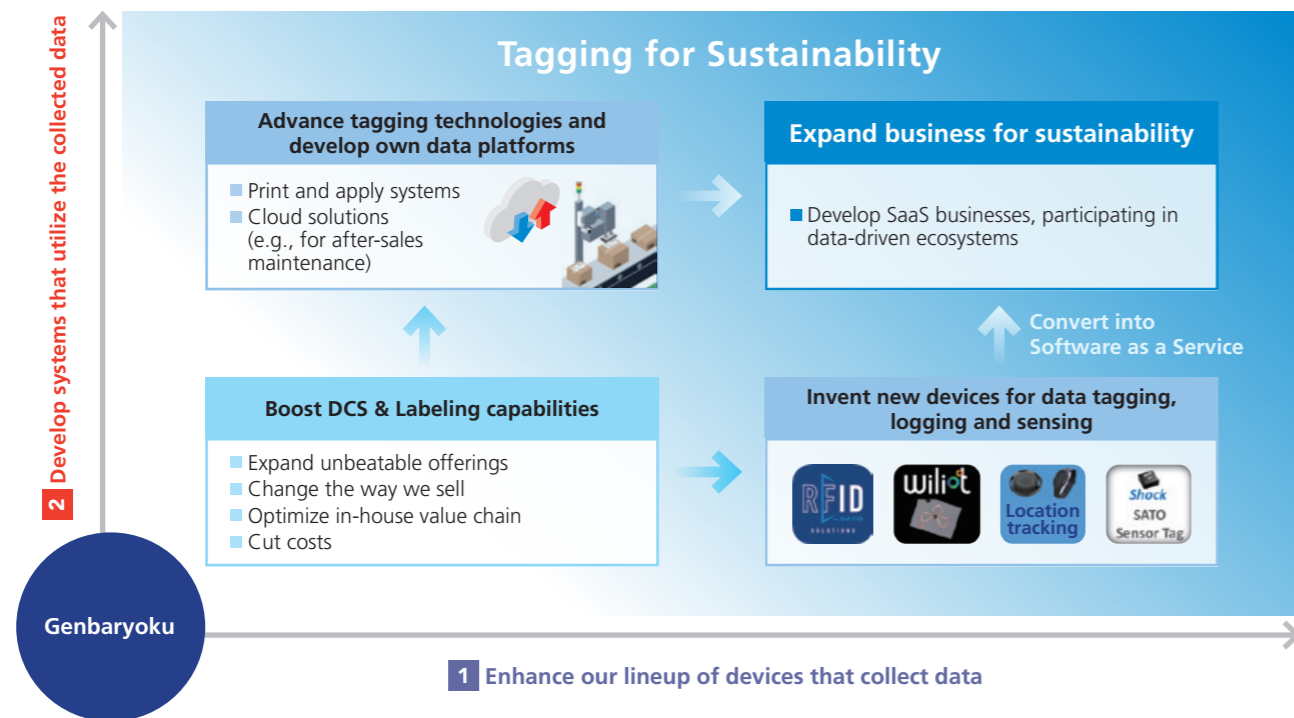
Stephen Sundstrom
President and CEO
SATO America, LLC



Innovation and R&D

To elevate DCS & Labeling and expand our business, we must develop new devices — we need innovation. The chart below shows the steps we must take. Building on our genbaryoku, we will **1** enhance our lineup of devices

that collect data (horizontal axis), and **2** develop systems that utilize the collected data (vertical axis). By furthering our pursuit of both axes, we work our way toward developing businesses that realize Tagging for Sustainability.



In boosting DCS & Labeling capabilities, we completed development of a new, standard printer platform in FY 2022. It will give our printers flexibility in installing applications and enable use of sensors to provide innovative customer value for IoT and digital transformation. The ease of installing applications will help lessen customization required to support customer needs, allowing effective use of internal engineering resources.

In **1** enhancing our lineup of devices that collect data, RFID will be the key. Under leadership of the RFID Business Headquarters launched in FY 2021, global sales of RFID solutions grew 30 percent over the year in FY 2022, pushing gross profit margins up and growing the RFID business into one of the company's primary profit drivers. The global RFID market is currently valued at over ¥1 trillion and on track for steady growth, propelled by surging needs for productivity enhancement, supply chain digitalization and ESG compliance. The use of RFID has mostly been

limited to the apparel market, but is expected to expand into manufacturing, health care and other markets as well. While many of our current customers are still in the proof-of-concept phase, testing read performance with RFID labels and readers, it is when they shift to full installation that sales of printers, software and maintenance services would grow and contribute to our revenue. We are expanding our production capacity as well, in a planned manner.



Our production facility under expansion (Kitakami, Japan)

And we must **2** develop systems that utilize the data collected through RFID tags and other devices. In FY 2022, global sales of our automation solutions jumped 35 percent year on year, driven primarily by the brisk sales of print and apply systems and print engines, and also helped by integration of carton formers and sealers. The same

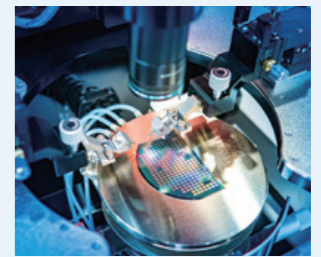
factors fueling the need for RFID are expected to push up demands for automation, and we plan to capture them with our dedicated department at HQ sharing its expertise across the SATO Group. We will also work on developing platforms that harness collected data.

COLUMN

SATO's RFID solution supporting digitalization of a global supply chain

Case example: A major semiconductor company

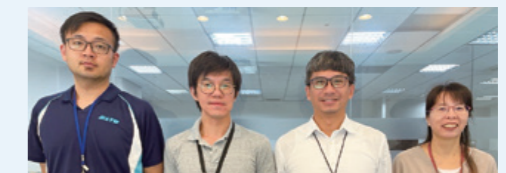
Surges in semiconductor demand and disruptions to raw materials supply caused by the pandemic have put supply chain improvements at the top of semiconductor companies' priority list. More companies now look to RFID tags for enhancing their supply chain visibility and efficiency. As a single manufacturer would have several hundreds of suppliers across multiple countries/regions and have widely disparate materials to tag to, SATO's global direct sales network, label and software offerings and deep knowledge of tagging at business sites become decisive factors for customers choosing an RFID solution provider.



Voice

Taiwan

We communicated closely with our semiconductor company customer to identify its pain points and needs to develop an RFID solution for its suppliers, offering a one-stop package of printers, labels, software and scanners. As this was the customer's first attempt to build such a system, it took elaborate efforts to pinpoint the needs, but with the meticulous support of the direct sales and software development teams, we successfully delivered the highly value-added solution.



(Second from left) **Fabian Hung**, President
(Others from left) **Billy Hsu** and **Edison Yang**, Sales Group
Livia Lu, Software Development Group
SATO Taiwan Co., Ltd.

Japan

I support the semiconductor company's suppliers with their RFID installation. Many use RFID for the first time, and some are anxious about the new operation. My job is to ensure a smooth introduction, leveraging SATO's expertise in RFID. Bringing RFID read rates up to 100 percent is tricky, so I also offer the suppliers suggestions on how best to apply labels on the different products they make and supply. This support provides reassurance, which I feel is what wins us recognition as the customer's partner and not a mere product provider.



Yuki Toyama
Sales II-1,
Kyushu Metropolitan Branch
SATO Corporation

Worldwide

Amid heightened geopolitical risks, manufacturers face the major challenge of improving and bringing visibility to their global supply chains. That's why we expect one-stop RFID solutions like this one that connects manufacturers with their suppliers to find greater use across industries.

The manufacturing industry worldwide consists of many segments where Japanese companies have a strong presence, making collaboration among SATO's Japan and global teams crucial. Working in the market strategy divisions, we help collect background information on projects, support the development of solutions based on customer requirements, and give guidance to salespeople in charge on how to prepare for customer meetings, all to deliver quality solutions with speed, as we did in this particular case.



(From left)
Yugo Kitazawa
Senior Manager,
Global Manufacturing Market Strategy
Hisashi Kakuno
Senior Manager,
Manufacturing Market Strategy
SATO Corporation

Our key drivers for long-term growth

SATO's core business: Auto-ID solutions

We provide solutions for tagging things 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.

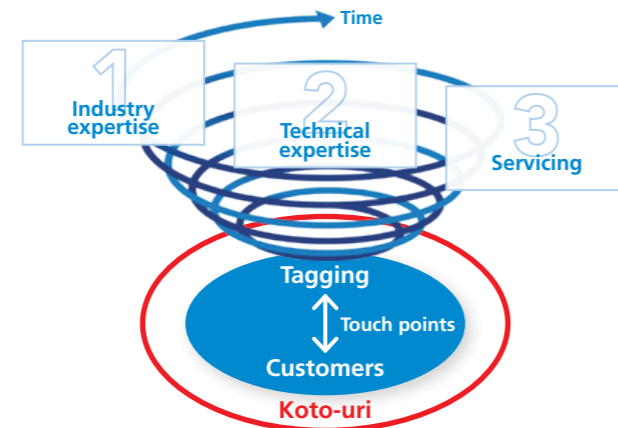
Tagging is our domain

The very essence of our auto-ID solutions lies in tagging: the act of attaching information in the physical world. To tag something and collect valuable data about it, we need to look at its shape, what it is made of, which labels or tags to use and how to use them, and how to associate the data with other data. This cannot be learned overnight; we have been building this expertise through 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 worksite and understanding the 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 is a positive cycle, which continues to hone our genbaryoku in its three constituents of 1 industry expertise, 2 technical expertise and 3 servicing. (Page 33)



Voice

Solving my customer's issues is very fulfilling

As key account manager for the HoReCa* industry, I take care of existing customers and build our new customer base.

We strengthen our genbaryoku through koto-uri, which involves visiting customer sites, identifying issues through conversation, and providing best-fit solutions to solve the issues. Koto-uri can differentiate us from competitors who are focused on selling products. Coping with both explicit and implicit demands allows us to accumulate knowledge about which solutions can best solve issues and add value for our customers.

I most enjoy going on site to meet customers and proposing our solutions. Solving my customer's issues is very fulfilling.

* Hotels, restaurants and cafeterias (alternatively catering in some regions).

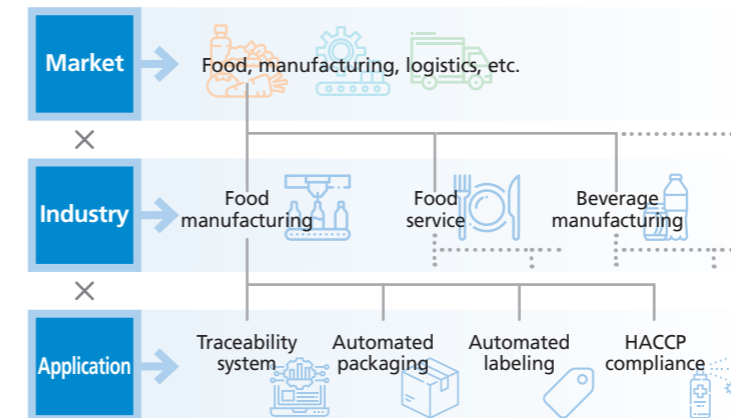


Célia Bouyenvat
Key Account Manager,
HoReCa
SATO France S.A.S.

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.

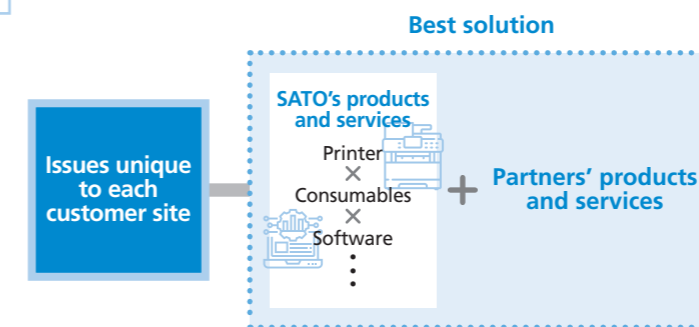
1 Industry expertise — We are versed in an array of worksites



Know-how on diverse markets, industries and applications

Operational procedures and objects to be tagged vary by company. We have seen and learned about so many on-site processes and issues across a wide variety of markets and industries and this expertise helps us provide the best tagging solution for each situation.

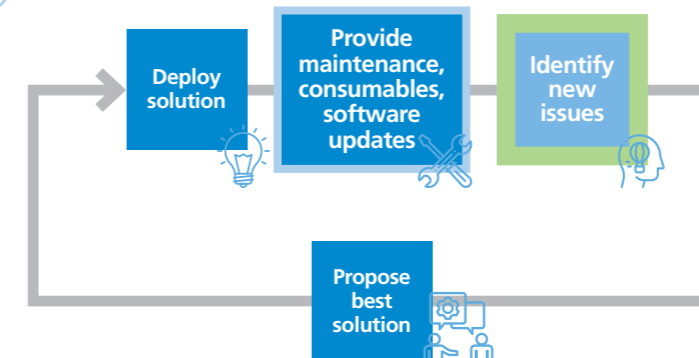
2 Technical expertise — We match the best products for each customer



New solutions from mixing and matching 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 that specialize in other fields 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.

Sustainability management

Management team (As of June 20, 2023; asterisk (*) denotes currently held positions)

Directors



Hiroyuki Konuma
Representative Director
President and Group CEO

Jul 2000 Joined SATO
Apr 2010 General Manager of Medical Dept., Tokyo Division, Japan Sales Headquarters
Apr 2013 President for health care 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 and Vice President; President, oversees global business, SATO Corporation
Apr 2021 Director and Vice President, oversees Japan business; President, SATO Corporation
Apr 2023 Representative Director, President and CEO
Jun 2023 Representative Director, President and Group CEO*



Yoshinori Sasahara
Director

Apr 1987 Joined SATO
Oct 2005 General Manager of Hachioji Branch, Sales Headquarters
Apr 2010 General Manager of Manufacturing Dept., Tokyo Division, Japan Sales Headquarters
Jul 2012 Executive Officer; Head of Tokyo Business, Japan Sales Headquarters, SATO Corporation
Apr 2014 Executive Officer; Head of Sales Unit, SATO Corporation
Apr 2016 Executive Officer; Vice President, SATO Corporation
Apr 2019 Vice President and Chief Wellness Officer (CWO); Vice President and General Manager of Production, SATO Corporation
Apr 2022 Vice President and CWO; Vice President, and General Manager of Production and RFID Business, SATO Corporation
Apr 2023 Vice President, oversees Japan business and internal IT platforms; President, SATO Corporation
Jun 2023 Director and Vice President, oversees Japan business and internal IT platforms*; President, SATO Corporation*



Tatsuo Narumi
Director

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



Yuko Tanaka
External Director
Chair of Nomination
Advisory Committee

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*
Jun 2009 Director, Suntory Foundation for Arts*
Apr 2010 Chairperson, Institute of International Japanese Studies management committee, Hosei University Graduate School of Humanities
Apr 2012 Dean, Faculty of Social Sciences, Hosei University
Apr 2014 President and Chief Trustee, Hosei University
Jun 2014 Executive Director, The Japan Association of Private Universities and Colleges
Apr 2020 Managing Trustee, Japan University Accreditation Association
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 Vice President, Japan Massive Open Online Education Promotion Council*
Apr 2022 Member, Education and Research Council, National Institutes for the Humanities*
Jan 2023 Member, Diversity Advisory Committee, Japan Science and Technology Agency*
Apr 2023 Co-researcher, International Research Center for Japanese Studies*



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*



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*



Yoshiko Nonogaki
External Director

Apr 1980 Joined Sony Corporation (now Sony Group 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, Personnel HQ, Sony Corporation
Jun 2019 External Director, Nifco Inc.*
Jun 2020 External Director, GS Yuasa Corporation*
Jun 2021 External Director, SATO Holdings Corporation*

Audit & Supervisory Board Members



Kiyohiko Yoshii
Audit & Supervisory Board
Member

Jan 2001 Joined SATO
Director, SATO International Pte. Ltd.
Aug 2007 Executive Officer and Senior Manager of Corporate Planning Division
Apr 2008 Executive Officer and Head of Internal Control Project, Corporate Planning Division
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*



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 Audit & 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 Audit & Supervisory Board Member, SATO Holdings Corporation*; Auditor, Japan Federation of Land and House Investigators' Associations*
Apr 2022 Auditor, The Japan-Korea Cultural Foundation*

Executive Officers

President

Hiroyuki Konuma
Group CEO

Executive Officer

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

Executive Officer

Hirohiko Wada
Director, SATO Corporation
General Manager of Production
and RFID Business

Executive Officer

Yuji Shimizu
Global Operations Officer
Oversees business management

Vice President

Yoshinori Sasahara
Oversees Japan business
and internal IT platforms
President, SATO Corporation

Executive Officer

Hironori Onishi
Regional Operations Officer for Asia

Executive Officer

Hideyuki Hashimoto
Regional Operations Officer for Argov,
PJM and global primary
label businesses

Executive Officer

Takeshi Okamoto
Director, SATO Corporation
General Manager of Sales

Vice President

Hayato Shindo
Oversees global business
Regional Operations Officer for
Europe and Oceania

Executive Officer

Goro Yumiba
Global Operations Officer
Regional Operations Officer for
North and Central Americas
and India

Executive Officer

Miki Takei
Global Marketing Officer

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

Naomi Maze
Global Human Resources Officer
Chief Wellness Officer

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.” As sustainability is inseparable from our auto-ID solutions business, we drive our CSR, ESG and SDGs initiatives through our business.

Amid rising stakeholder expectations for sustainability management, 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.

In October 2019, we set up the Sustainability Promotion

Committee for formulating policies and action plans and driving sustainability efforts in line with business strategies. Through this committee, which reports directly to our top executive team since April 2022, we contribute to supply chain optimization and society with our business offerings, support the circular economy and decarbonization in our operations, manage human capital and preserve natural capital. When necessary, we also discuss with and seek advice from external experts and organizations.

We will continue pursuing sustainability practices and work to achieve our corporate mission and higher corporate value through our business.

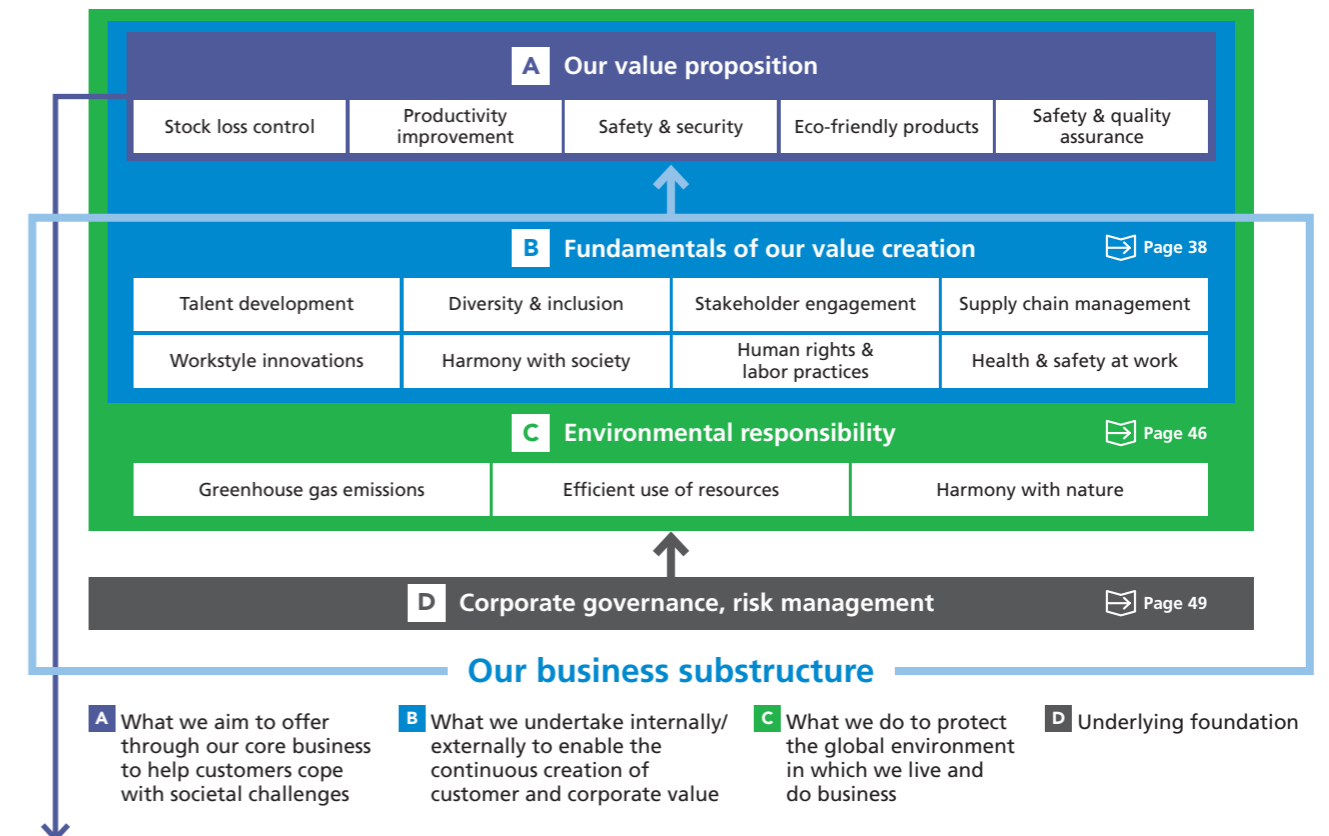
Basic policy for sustainability

1 Create value	Sustainability goes hand in hand with customer value creation and corporate value enhancement, which we consider the fundamentals of company management.
2 Keep to our business	We achieve sustainability through our business.
3 Make it duplicable	Our sustainability initiatives shall be duplicable over time or across the group.
4 Align with the actual situation	The actual situation of our business operations shall reflect our ideas for sustainability.
5 Enhance disclosure	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"> Provide supply chain visibility Minimize leftover inventory 	<ul style="list-style-type: none"> Support sustainable consumption and production patterns (SDG 12)
Productivity improvement	<ul style="list-style-type: none"> Optimize operations Automate manual tasks 	<ul style="list-style-type: none"> Promote productive employment (SDG 8)
Safety & security	<ul style="list-style-type: none"> Enable social distancing and contact reduction 	<ul style="list-style-type: none"> Ensure health & safety at work (SDG 3)
Eco-friendly products	<ul style="list-style-type: none"> Reduce carbon dioxide emissions Use less plastics 	<ul style="list-style-type: none"> Combat climate change (SDG 13)

TOPIC

Reduce food waste and ensure food safety with accurate and efficient labeling

With consumers back dining out and traveling again, the hospitality industry increasingly seeks solutions for productivity, sustainability and food safety. Our labeling solution that automatically calculates use-by dates based on ingredient master data and prints MRD (make/ready/discard) labels plays a key role in eliminating manual work and reducing food waste. The solution prints takeout labels too, with allergen information. Its onboard intelligence and connectivity to cloud services allowing PC-less, compact printing also proved decisive to an American multinational hotel chain that recently installed it to its kitchens.



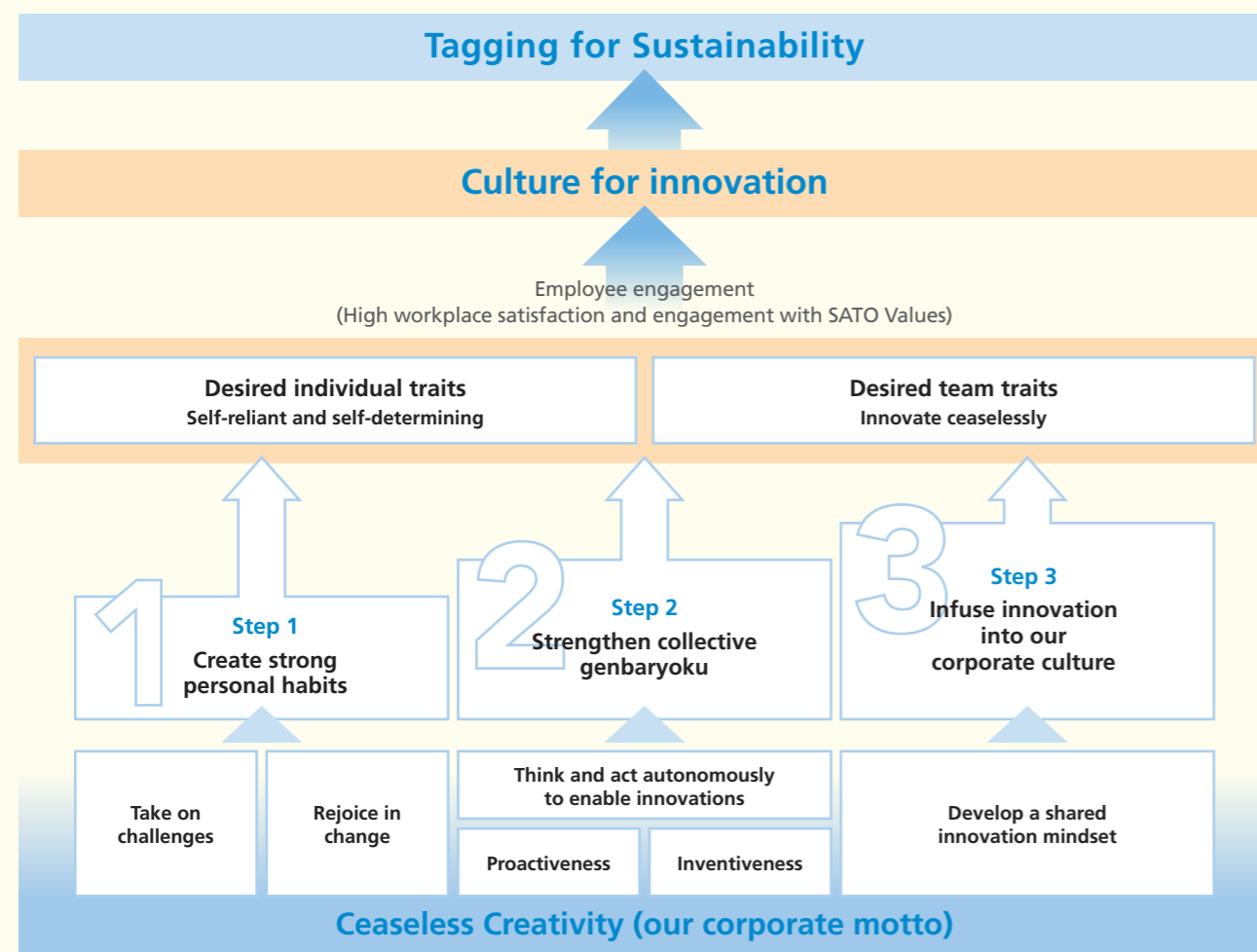
Examples of printed MRD labels

B Fundamentals of our value creation: Human capital, the key for corporate success

We believe in cultivating a culture of innovation to create customer value, address societal challenges and raise our corporate value sustainably.

That's why we hone our competitive advantage of genbaryoku and practice corporate values in our daily work to foster self-reliant and self-determining talent who are capable of thinking and acting autonomously to initiate changes on their own.

Overview of our human capital management

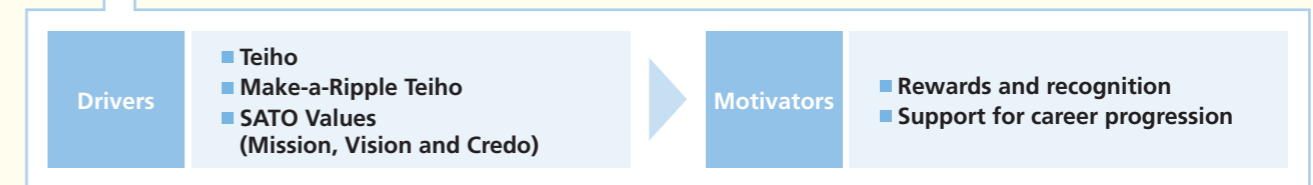


Our process for building stronger human capital starts by empowering employees to create strong personal habits of taking on challenges and rejoicing in change through their daily work. Based on this **Step 1**, they can then leverage their proactiveness and inventiveness to think and act autonomously, which strengthens our core competency of genbaryoku at the company level in **Step 2**. When each employee makes conscious efforts to pursue the individual and team traits expected of them, this promotes the exchange of diverse perspectives and values to spark

innovation. We invest in human capital, hoping to infuse innovation into our corporate culture as **Step 3**.

This three-step process is based on various drivers (systems/activities that are closely connected to our business and HR strategies) and their motivators (inputs that support and encourage employees to be actively engaged in their work and workplace). The next pages explain how we provide opportunities for employees to develop their skills and capabilities and put them to use to reinforce Steps 1 and 2.

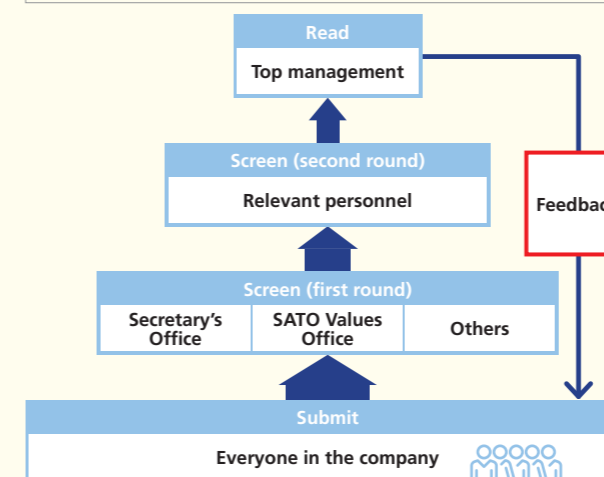
1 Step 1: Create strong personal habits



Teiho

Teiho is an in-house insight sharing system with which employees write short daily reports (within a set word count) about their ideas or suggestions to better the company and submit them directly to the top management. Started in Japan over 40 years ago and now used in group companies around the world, the system sets the ground for rejoicing in change and serves to raise employee awareness on detecting areas of improvement to unlock their creativity for initiating big and small changes to grow business sustainably.

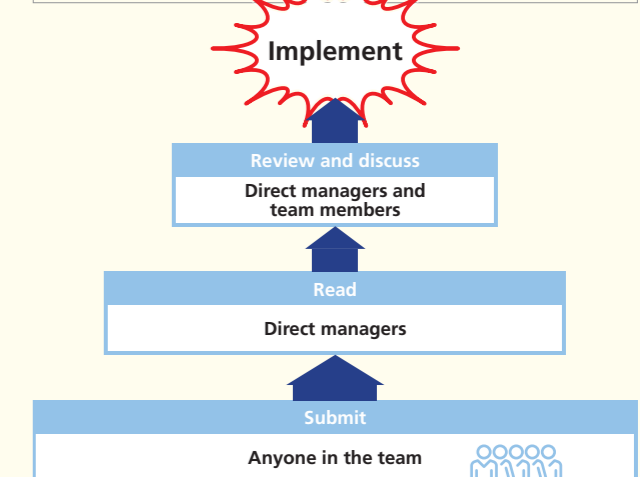
- In Japan, about 2,000 employees submit Teiho reports daily. After screening, some tens are read by the management, who sends out instructions for departments/members to follow up on necessary improvements.
- Teiho reports can be used as input for making important business decisions.



Make-a-Ripple Teiho

In FY 2022, we took a step further by adding a new "Make-a-Ripple" Teiho function in Japan to let employees raise ideas specific to their work/workplace for consideration by their immediate superiors. Make-a-Ripple Teiho shows employees that everyone can make a difference and brings out their proactiveness and creativity for detecting and addressing areas that need improvement. Through this, we hope to cultivate a culture that embraces change and inspires innovation.

- Employees submit Make-a-Ripple Teiho reports that engage their managers in taking prompt action with team consensus.



COLUMN

Examples of positive changes we made using employee ideas from Teiho and Make-a-Ripple Teiho

Teiho:
Introduced an online take-back form to promote printer recycling

We digitized our paper forms to let customers return their used printers with greater ease via our website. This also made our work easier.

Make-a-Ripple Teiho:
Adopted process improvements company-wide

We created pictorial guides for specific tasks so that they can be easily performed by anyone with consistent results. We also post information of inbound parcels online instead of emailing employees individually for pickup. These improvements helped us reduce errors and oversights to increase efficiency.

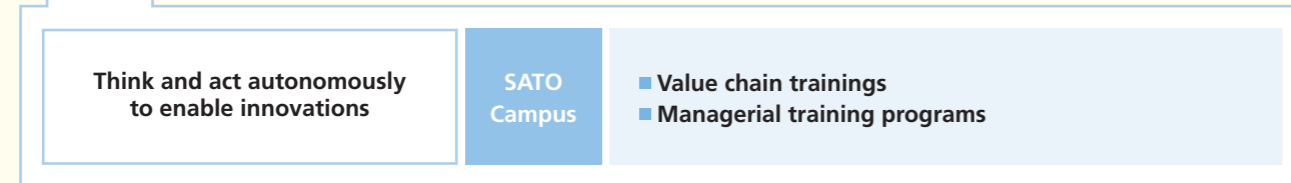
Rewards and recognition

We hold the Credo Awards World Cup every year to recognize outstanding employees who demonstrate our Credo, while rewarding Teiho writers for their ideas and insights with points and various awards. We also regard employee ideas and creativity for solving customer pain points as important intellectual assets, and reward notable inventions with awards. All awards come with a monetary prize to encourage active and high-quality participation from across our group companies.

Support for career progression

To help employees grow into true professionals as stated in our Credo, we have created role-specific career ladders that outline the required skills and experiences. This serves as a career map, helping employees understand their current position, acquire necessary knowledge to upgrade their work capabilities, and think strategically about their career paths. It also helps managers to guide team members along. We aim to integrate career mapping into our grading structure for wider use.

Step 2: Strengthen collective genbaryoku

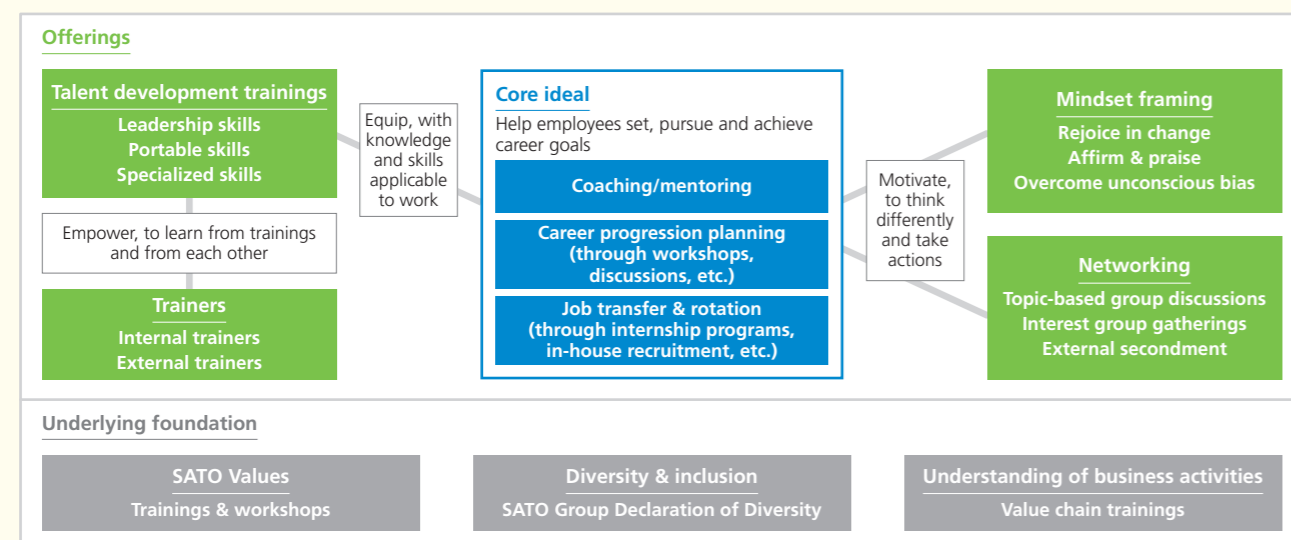


SATO Campus

To nurture self-reliant and self-determining talents, meet employees' professional development needs, and help them grow sustainably, we established SATO Campus in April 2021 with three missions. They are: 1 foster self-reliant and self-determining talent, 2 develop understanding of corporate values and business value chain, and 3 create opportunities for employees to apply the knowledge and skills they learned, so as to take new challenges and bring

out their best in work. With a central focus on realizing the career goals of our employees, SATO Campus offers not just training but also programs for job transfer or assignment and channels for fostering connections between employees and their workplace, and between workplaces. We will take a comprehensive approach to HR development through SATO Campus and further enrich its offerings to encourage employees to think creatively and act proactively.

Overview of SATO Campus

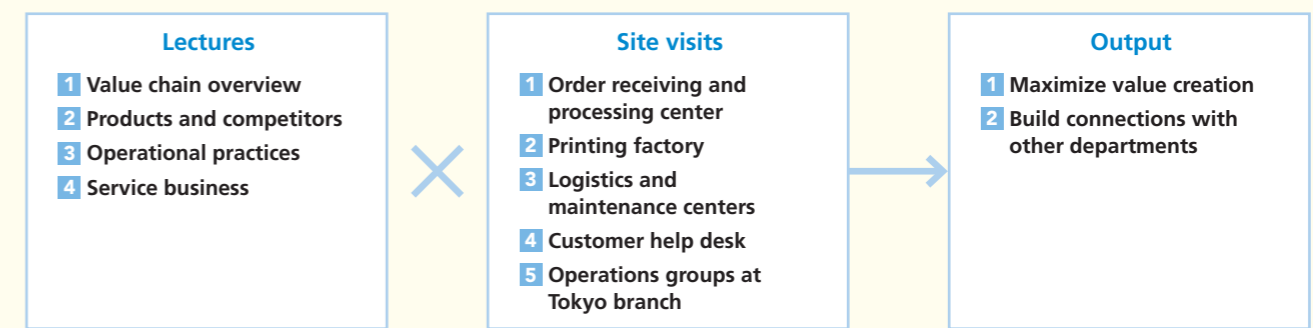


Value chain trainings

Value chain trainings in Japan aim to provide employees with a good understanding of our business and frontline operations. Through lectures and site visits, participants gain insights into SATO-specific keywords, business concepts and company operations. Going beyond their own jobs, they learn how every business activity connects us to our customers, and become more aware of how they

can maximize the value of the customer experience we provide. This understanding fuels creativity and drives employees to improve their work. Value chain trainings also foster communication across departments and strengthen the fundamentals of company management. We plan to expand these trainings to cover the supply chains of our customers in different industries.

How value chain trainings work

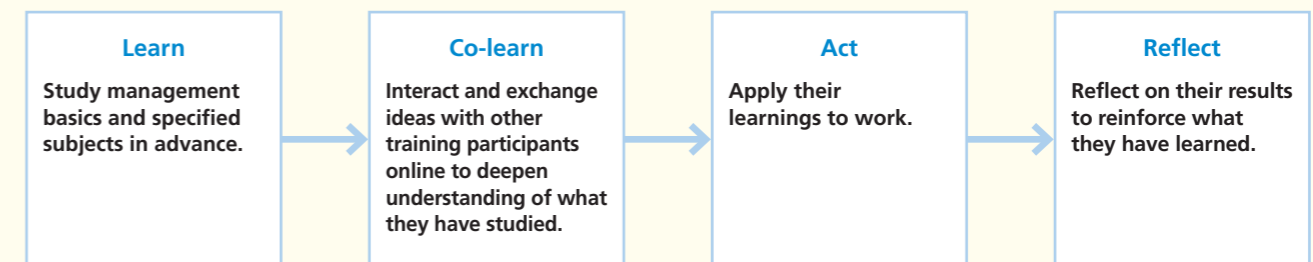


Managerial training programs

In Japan, we started new training programs to teach managers to be self-reliant and self-determining, setting a good example for their team members to follow. We conduct training in an action learning format (as below) and provide a guidebook for participants to self-assess and

improve their management styles and skills after the training. We plan to structure managerial training programs consistently and will focus on senior managers in FY 2023 after training 226 managers in FY 2022.

Action learning process



Step 3: Infuse innovation into our corporate culture



Workplace satisfaction

Employees are our valuable assets as we rely on them to create value sustainably through business. We believe in the fundamentals of respecting humanity and embracing diversity, and envision to be the customer's most trusted partner for mutual growth by building a workplace where employees can practice Ceaseless Creativity and contribute

to sustainability. Improving employee engagement is one of our key targets in business management, which is why we conduct employee engagement surveys and use their outcomes toward implementing workplace improvements and innovating workstyles and HR schemes group-wide, under the monitoring of our top executive team.

Employee engagement surveys

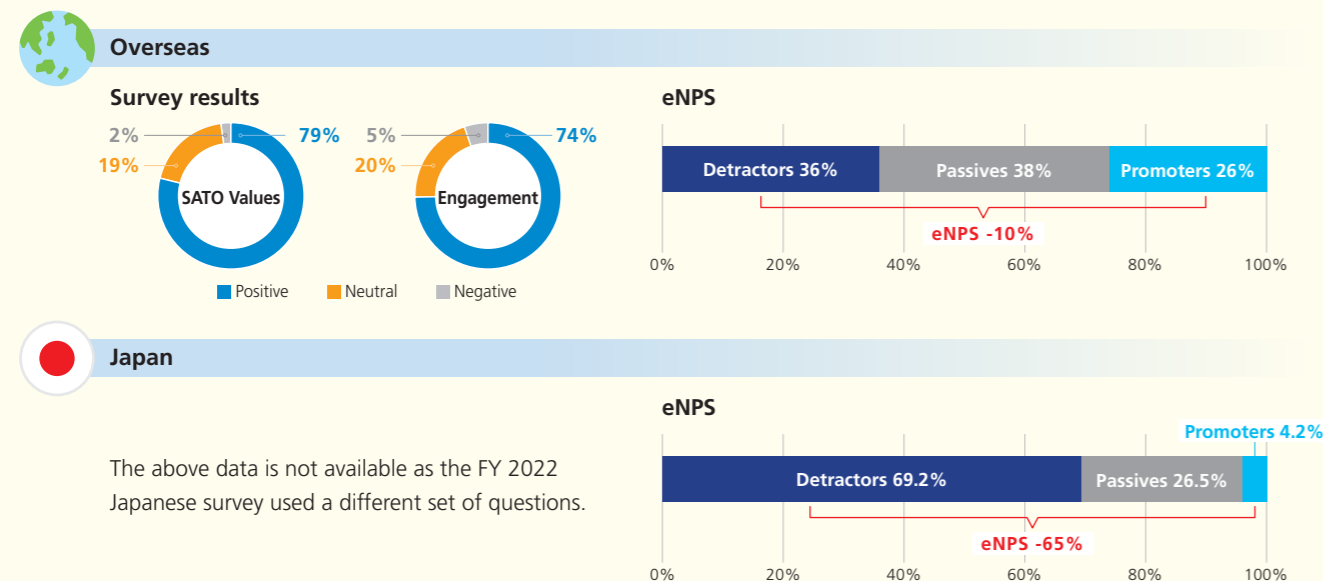
We conduct employee engagement surveys across our group companies. From the survey results, we can gauge how well employees are aligned with SATO Values and how much they understand our various business and HR strategies. We also gain an objective and quantitative understanding of our company's situation, which helps us create and execute action plans aimed at improving workplace satisfaction.

Two separate surveys were conducted in FY 2022, one for Japan and one for other countries due to language differences, but we will standardize the survey questions starting FY 2023.

From the employee engagement survey which we conducted for the first time outside Japan in FY 2022, we found that the majority (79 percent) of employees felt positive toward SATO Values, an area we prioritize. This indicates that our workforce is aligned with our corporate values and practices them globally.

Also, our eNPS (employee net promoter score) results in FY 2022 compared well against other manufacturers in Japan and overseas (based on data from Mercer and beBit). We will engage our group companies in working together to further improve this score.

Our FY 2022 employee engagement statistics



Efforts to diversify key employees

The diverse strengths and capabilities of our employees are what make us competitive as a business. In Japan, we actively recruit mid-career and non-Japanese professionals, combining their strengths with the rest of our workforce to

broaden our business horizons. We have also set diversity goals, which include increasing the number of female managers to expand the company's talent pipeline, as part of our efforts to diversify employees in key positions.

Diversity goals (Japan)

1 Increase female managers

For FY 2022, about 23 percent of our employees and 7.3 percent of our managers in Japan are women. We aim to raise both ratios, particularly the ratio of female managers to over 8.4 percent in FY 2025 and to over 10 percent in FY 2030. We have set department-level targets and are planning actions with the help of our HR Development Committee.

2 Increase uptake of paternity leave

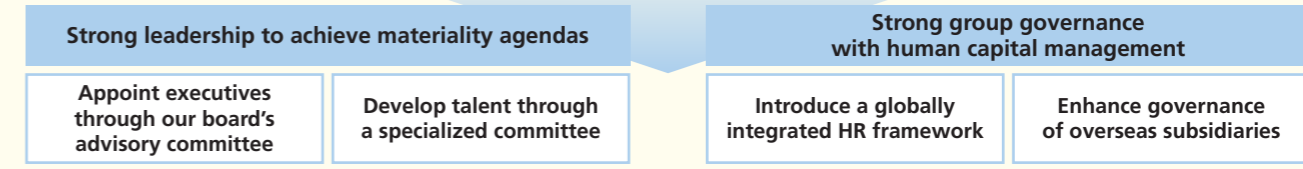
We drive workstyle innovations, promoting not only company-wide telework and flextime initiatives but also flexible working arrangements for employees with childcare commitments. In FY 2021, only 20.6 percent of male employees took paternity leave they were entitled to, but as many as 94.1 percent took childcare-related leave. To help new mothers stay in the workforce, we will encourage more male employees to take time off, ultimately raising paternity leave rate to our target of over 85 percent in FY 2030.

3 Reduce gender wage gap

We are committed to providing a gender-inclusive workplace with systems that pay and appraise male and female employees equally based on their work. However, due to the relatively smaller representation of women in leadership positions, the gender wage gap for our full-time employees stands at 69.2 percent. We will continue efforts to promote women's empowerment to build a more diverse and conducive workplace.

Group governance

Tagging for Sustainability
We give every 'thing' its own ID so it connects with the world



Appoint executives through our board's advisory committee

With the support of our board's Nomination Advisory Committee, we assess candidates based on a set of selection criteria to appoint internal directors and executive officers who demonstrate strong leadership in running our business sustainably and driving SATO Values.

Develop talent through a specialized committee

The HR Development Committee we established under our Nomination Advisory Committee in FY 2022 helps us look into succession planning and work on fostering key employees with stronger, more effective human capital management and HR strategies.

Introduce a globally integrated HR framework

We engage HR personnel from across our group companies in online meetings where we align our direction and monitor the progress of shared initiatives to provide support as necessary.

Also, we launched a worldwide learning management system in FY 2021 and expanded its course offerings in FY

2022. This system offers many functions, such as functions for administrators and learners to manage group trainings and track learning progress, serving as an important cornerstone for continuous talent development.

Enhance governance of overseas subsidiaries

In FY 2021, we introduced a global grading system for managers at our overseas subsidiaries, followed by compensation benchmarking. And in FY 2022, we revised compensation for locally hired managers heading our overseas subsidiaries, using it as a basis when hiring or making compensation decisions for top-level management.

Additionally, we started programs to identify and foster key employees, taking the first step in FY 2022 to conduct executive assessments on overseas top managers to understand their strengths, weaknesses and opportunities for growth. We plan to match top managers to trainings, stretch assignments and midterm placements/appointments based on their assessment results while expanding the scope of our aforementioned programs to cover other managers at overseas subsidiaries.

B Fundamentals of our value creation: Stakeholder engagement and IP management

Stakeholder engagement

To engage with stakeholders, we host a variety of events for shareholders and investors. Many companies have shifted their events to online platforms over the past few years, but in-person events are making a comeback. A tour into our HQ “S-cube” showroom is one such event we have hosted since FY 2022. Glass-walled cube-shaped booths showcase our products, solutions and future vision by market and theme.

Visitors have reported a high level of satisfaction. Many found our solution explanation insightful and our temperature-sensing RFID solutions innovative. Through such events, we will continue to engage with our

stakeholders, including shareholders and investors, to help them better understand SATO's business and the underlying fundamentals of our value creation.



Intellectual property management

The SATO Group, with our corporate motto of Ceaseless Creativity, has grown together with our customers, providing tagging-based solutions to meet their operational needs. Intellectual property we produce in the process is inseparable from our business and keeps us competitive.

Through our Intellectual Property (IP) Department, which reports directly to the Group CEO, we engage in company-wide activities and teamwork 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 improve them to deliver more advanced solutions. This is our focus for both business and IP. Such efforts have boosted patent applications associated with our solutions, raising the three-year average through FY 2022 to nearly three times that of FY 2014.

We are also eager to produce IP that supports technological innovations as part of our strategic investment in seeking long-term growth and expanding businesses toward Tagging for Sustainability. In our process of developing new devices for tagging, logging and sensing of data, 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.

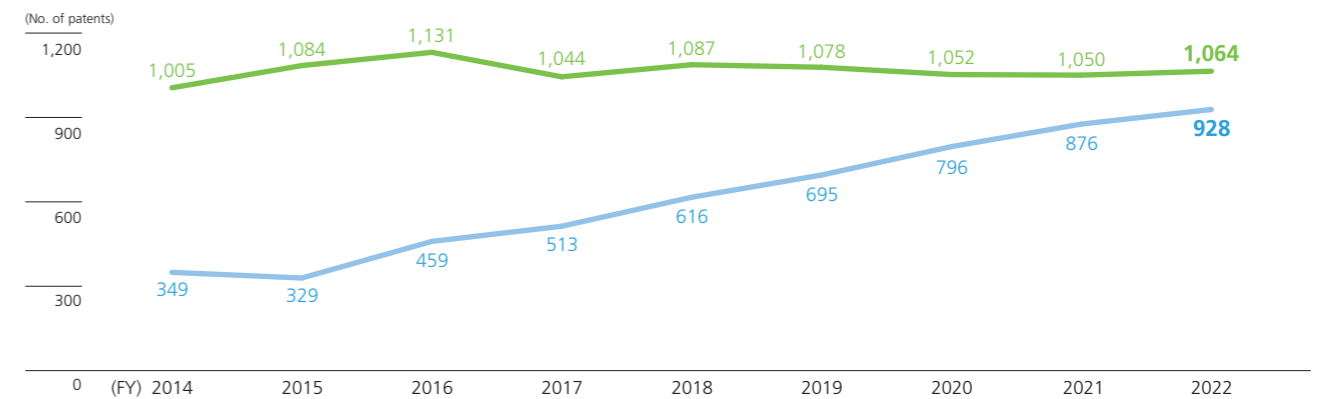
With a focus on protecting and leveraging the creative outputs we produce from solving customer pain points, we

have been applying for patents and working to increase our patent utilization rate. Also, we replace older, less valuable patents with newer, more valuable ones to improve overall quality, reviewing and rebalancing our patent collection regularly to keep it compact and aligned with our business portfolio. The graph on the next page shows how our patent utilization rate is holding up well while the average patent utilization rate across our electrical machinery manufacturing industry recovers after a temporary dip. As we seek stronger patent protection to support and reinforce growth of our global DCS & Labeling business, the number of patents we hold in key countries outside Japan has grown rapidly such that by the end of FY 2022, it is already more than 2.6 times that of FY 2014.

This corresponds with the bigger role our overseas business now plays at the group level. It brought in almost 50 percent of our consolidated sales in FY 2022, up from just around 30 percent in FY 2014.

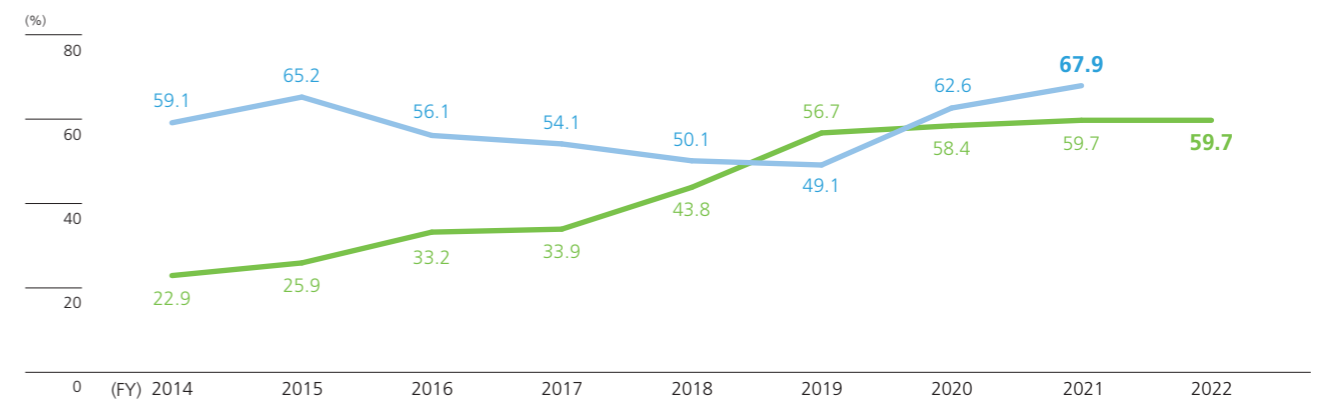
To motivate even more intellectual creations and inventions that contribute to customer value and our competitive advantage, we have made invention awards part of our in-house awards for recognizing Ceaseless Creativity. Held every year since 2000, the Invention Awards ceremony, themed “Involving everyone in innovations to make SATO stronger,” shows our appreciation and commendation for employees who produce outstanding inventions with actions and efforts that embody Ceaseless Creativity.

Patents owned



*1 Total number of patents and not the number of unique patents. For example, if a patent is granted in four countries, it will be counted four times.

Patent utilization rate (Japan)



*1 Source: In-house records.

*2 Source: Japan Patent Office Annual Reports 2019–2023.

Through the awards, we also learn from each other and find inspiration for our next actions, thereby fostering a corporate culture of innovation.

As society changes, our customers' needs change too. In using IP to protect and leverage the value we create today (exploiting our current business capabilities) and tomorrow

(exploring opportunities for future growth), we believe we can improve our competitiveness and will continue doing so to create a better and more sustainable world and 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.

TOPIC

Our 24th Invention Awards

We give recognition to value-creating innovations, commercialized designs and other employee inventions, focusing on intellectual assets that help enhance and grow our existing DCS & Labeling business as well as those that support technological innovations eyeing long-term growth. In 2023, 11 out of the 15 awards presented went to inventions related to DCS & Labeling. These include inventions for setting up printers before installation via a one-touch NFC feature and for controlling how printers connect and communicate to manage them remotely via the cloud network. The other four awards went to inventions for new, original devices that would contribute to our long-term growth.



At the awards ceremony

C 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 make under our environmental policy and carbon neutrality declaration.

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.

Approach to decarbonization

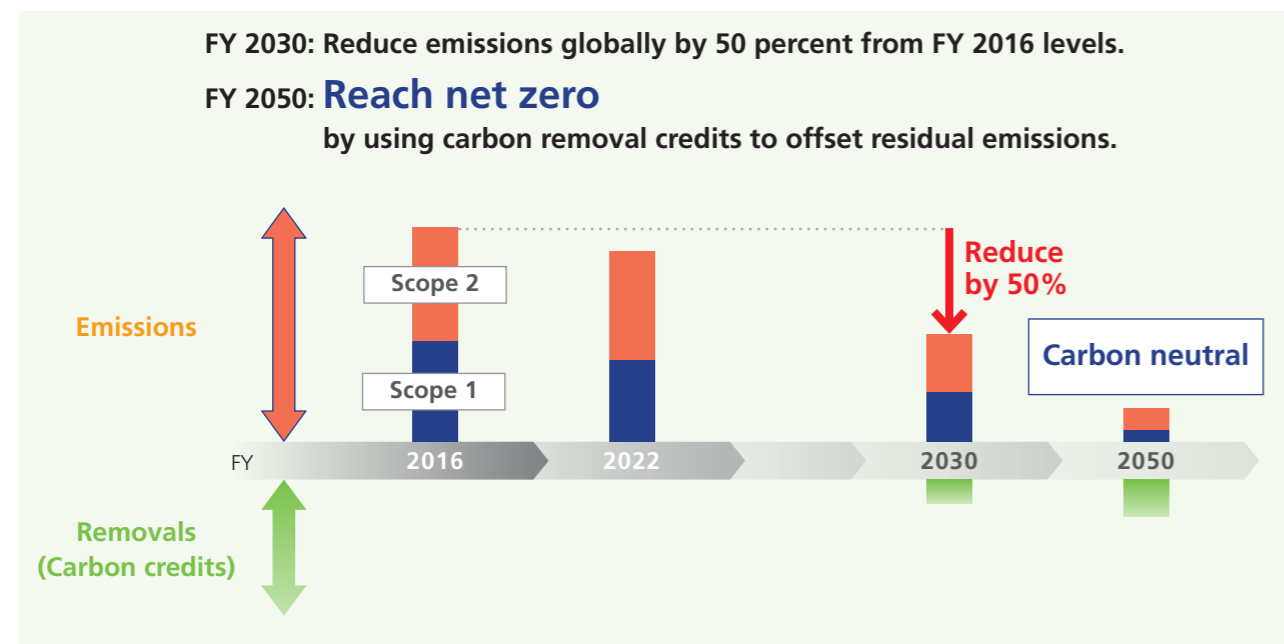
Basic concept

We aim to reduce greenhouse gas emissions, including carbon dioxide, not only from our own operations (Scope 1 and 2) but also from our supply chain (Scope 3) by

sharing expertise in decarbonization with suppliers. We also help reduce emissions at customers' worksites through our products and solutions.

Our carbon neutrality declaration

Targets for Scope 1 and 2 emissions



Target for Scope 3 emissions

FY 2030: Reduce emissions globally by 30 percent from FY 2021 levels.

Our progress in reducing emissions

(Metric tons of CO₂)

Area	Key indicators	FY 2016 results	FY 2020 results	FY 2021 results	FY 2022 results	FY 2030 targets
Groupwide	Scope 1 and 2 emissions	11,931	11,078	10,252	8,709	5,965
	Relative to FY 2016	—	Down 7.1%	Down 14.1%	Down 27.0%	Cut by 50%
Japan	Scope 3 emissions	299,300	307,120	332,652	314,271	232,856
	Relative to FY 2021	—	—	—	Down 5.5%	Cut by 30%

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.

Learn more about our carbon neutrality declaration.

[WEB www.sato-global.com/sustainability/environment/carbon_neutral.html](http://www.sato-global.com/sustainability/environment/carbon_neutral.html)

Recap

In FY 2022, we reduced Scope 1 and 2 emissions by 27.0 percent from FY 2016 and by 15.1 percent year on year. Our Scope 2 emissions are lower after key SATO worksites in Japan switched their power source to renewable energy (in FY 2021) and our Vietnam subsidiary installed solar panels.

Our Scope 3 emissions are also lower by 5.5 percent from a year ago, owing largely to cuts in Category 1 (purchased goods and services) emissions related to procurement from semiconductor suppliers that we had to step up last fiscal year in order to meet demand.

Action plans

To reduce Scope 1 and 2 emissions, we will continue to expand use of renewable energy by installing more solar panels and sourcing renewable energy via off-site power purchase agreements (PPAs) and other options. We also plan to promote energy efficiency and conservation by streamlining our internal value chain (with focus on production) and replacing company cars with eco-friendly vehicles.

Data shows that emissions associated with purchased goods and services (Category 1), use of sold products (Category 11) and end-of-life treatment of sold products (Category 12) account for the bulk of our Scope 3 emissions. To cut these emissions, we will take various actions such as engaging and collaborating with suppliers for green procurement, using refurbished components, making/selling printers that consume less energy, and promoting the recycling of end-of-life printer parts, used ink ribbons and discarded label liners.

Learn more about our label liner recycling program in Japan. [Page 48](#)

Response to 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) and started using the climate scenario analysis based on TCFD recommendations to assess the impact of climate-related risks and opportunities and identify actions to manage these risks and opportunities.

Our Sustainability Promotion Committee leads efforts for decarbonization, which we pursue through the value-added solutions we provide customers and through our own operations. This committee works to embed sustainability in our corporate/business strategies and drive group-wide actions for addressing climate change and other sustainability priorities, under the direction of our Executive Officers Meeting (responsible for top-level decision-making) and the oversight of our board of directors.

Through the climate scenario analysis, we developed two views on our medium- and long-term future. The first 1.5°C scenario aligned with the Paris Agreement presents substantial risks associated with rising raw material costs but also creates demand for reliable traceability systems, bringing huge opportunities for our business. The second

4.0°C “too little, too late” transition scenario carries physical and business continuity risks, which increase costs significantly for our operations. Actions we can take to manage risks include cutting our greenhouse gas emissions further, building a socially responsible procurement framework and strengthening business continuity planning. Possible actions for managing related opportunities, on the other hand, include developing and offering more eco-friendly products/solutions and expanding business for data collection or utilization. In view of these actions identified from the climate scenario analysis, we determined that we will be able to operate our business with resilience under both scenarios.

Our Sustainability Promotion Committee takes the lead to regularly evaluate the business and financial impact of climate-related risks, reporting its evaluations to the Executive Officers Meeting and the board of directors as necessary to ensure that processes for managing these risks are integrated into the company’s overall risk management.

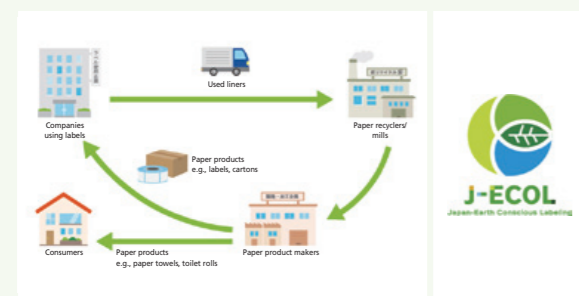
Learn more about our actions in response to TCFD recommendations.

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

COLUMN

SATO and label industry partners launch J-ECOL, a label liner recycling program in Japan

In May 2023, SATO established J-ECOL (Japan Earth Conscious Labeling Association) with three of our label industry partners. It is a label liner recycling program that aims to create and promote a circular business model in our industry.



Labeling is an indispensable way of communicating useful information, but most labels have backing liners to protect their sticky surfaces, which typically end up as waste. That’s why we decided to launch a recycling program that would effectively use liner waste as a resource to reduce environmental impact.

Through J-ECOL, we act as an intermediary between end users who release liner waste and the recycling companies. We also plan to set up working groups to encourage liner recycling and support the development of recycling technologies. Each member company will work to engage and connect different stakeholders in enabling the circular use of resources across our industry.

[WEB www.sato-global.com/news/2023/release/06-23-2.html](http://www.sato-global.com/news/2023/release/06-23-2.html)

D Corporate governance

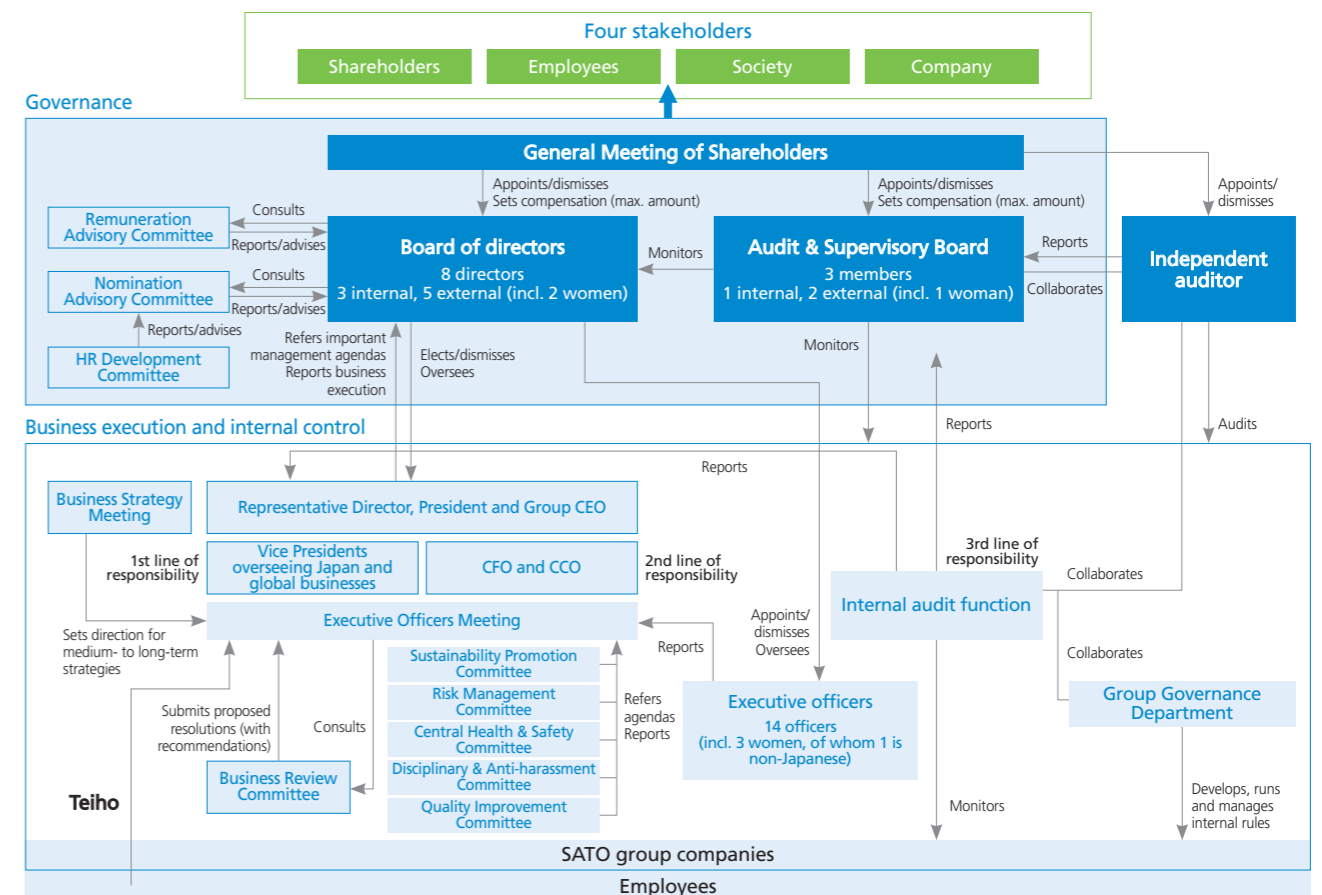
1. Basic concept

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 groundwork for effective governance to deliver for our stakeholders.

2. SATO’s corporate governance

1 Framework (As of June 30, 2023)








2 Board of directors

Our management consists of a board system with an Audit & Supervisory Board to provide strong audit and control. 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, 2023, we have eight directors on our board, complying with our Articles of Incorporation, which limits the number of directors to no more than 12. Out of these eight, two directors are concurrently serving as executive officers, one as internal non-executive 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 2022. At board meetings, matters stipulated by law and the Articles of Incorporation as well as important company matters governed by board regulations are discussed and reviewed in a planned and comprehensive manner. Since FY 2018, pre-meeting sessions have also been held to explain important agendas and industry-specific initiatives or engage non-executive directors in various discussions to deepen their understanding of the business and operations.

Board of directors

Board of directors		Audit & Supervisory Board	
	Non-executive directors	Executive directors	Members
Independent/external	Chair 	—	Independent/external 
Internal		(one is representative director) 	Internal/full-time 

In January 2020, we changed how the board is chaired, electing a non-executive internal director familiar with internal affairs rather than having 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.

In line with revisions made to Japan's Corporate Governance Code (CGC) in FY 2021, our board sought to focus more on deliberating important company matters and exercising oversight by delegating more authority to the executive team. Accordingly, we make and execute business decisions in our Senior Executive Management Meeting (chaired by a non-executive internal director) and Executive Officers Meeting to improve our risk management capability even as we accelerate the business.

As the company transitioned to the Tokyo Stock Exchange's new Prime Market segment and Japan's Ministry of Economy, Trade and Industry updated its Practical Guidelines for Corporate Guidance Systems in

FY 2022, we are making changes in FY 2023 to delegate even more authority to the executive team by putting the Executive Officers Meeting in charge of top-level decision-making, and establishing a new Business Strategy Meeting that includes the non-executive internal director to set the direction for the company's medium- to long-term strategies and ensure proper executive decision-making. From FY 2023, the Business Review Committee (established in April 2021) operates under the Executive Officers Meeting. It examines and analyzes business risks (associated with investments and loans, acquisition and disposal of stock and fixed assets, alliances and important agreements, and the sale or acquisition of businesses) to improve the quality of deliberations for top-level decision-making.

Based on the latest CGC revisions, we are making additional disclosures about our stand on key CGC principles such as sustainability initiatives for managing human capital and responding to climate change.

See 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)

3 Audit & Supervisory Board

The company has an Audit & Supervisory Board comprising one full-time and two external members as of June 30, 2023.

Audit & Supervisory Board members attend board of directors meetings to check business decisions and the effectiveness of internal controls, expressing their opinions when necessary. Members regularly receive explanations on audit plans from the company's audit firm (independent auditor) and engage in direct communication and information sharing with the firm through its quarterly and year-end auditor's reports. For key audit matters (KAM) identified by the audit firm, the Audit & Supervisory Board will verify their reasoning and follow up on them regularly, sharing information accordingly. It also checks the audit firm's work for appropriateness and legal compliance to assess the firm for its performance.

The full-time member attends the Executive Officers Meeting and other important in-house meetings, where he audits/supervises different decision-making processes and resolutions reached, expressing his opinions when necessary. Under the oversight of the Audit & Supervisory Board, he undertakes a wide range of other activities, including verifying the readiness/operation of internal

controls, examining the financial reporting system and reviewing various report materials. He also goes on site visits to understand on-site information from department managers/heads and provide advice while reporting his work outcomes to the Audit & Supervisory Board. In addition, he collaborates 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. He also constantly exchanges opinions with our internal audit function (comprising Japan and global audit departments), from which he receives audit results and internal control evaluations concerning financial reporting that help him perform auditing in an effective and thorough manner.

4 Evaluation of the board's effectiveness

The company conducts annual surveys to analyze and evaluate the effectiveness of our board of directors, verifying that corporate governance is enabling sustainable creation of increased corporate value.

See our corporate governance web page for our FY 2022 evaluation approach and results.

[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.

See 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. Audit checks by independent auditor

See 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 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.

In April 2021, we established the Nomination Advisory Committee as an advisory committee to the board of directors. The committee (whose chair and majority of members are external directors) functions to not only propose the 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)

5. 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 with the board's approval.

- 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) Remuneration structure shall be geared toward the company's sustainable growth and greater medium- to long-term corporate value, and resonate with the values of shareholders and other stakeholders.
- 3) The board shall comply with the remuneration determination process set out by its advisory committee for accountability, fairness and transparency.

2 Procedure to determining remuneration

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

- 1) Board of directors revises basic/performance-based remuneration amount (tied to position) and payment coefficient.
- 2) Representative director evaluates officers for their full-year business and individual achievements, with support from internal directors.
- 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, who shall only receive fixed compensation and non-performance stock compensation, and Audit & Supervisory Board members, who shall only receive fixed compensation.

Breakdown of board members' remuneration for FY 2022

Position	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	252	195	33	19	5	9
(i) External	70	65	0	0	5	5
(ii) Internal	182	130	33	19	0	4
Audit & Supervisory Board member	62	62	0	0	0	5
(i) External	17	17	0	0	0	2
(ii) Internal	45	45	0	0	0	3

Ratios of the various remuneration components for board members derived from FY 2022 actuals are as follows.

Position	Fixed compensation	Performance-based compensation	Stock compensation	Composition of performance-based compensation	
				Based on business achievement	Based on individual achievement
Representative Director and President	62.1%	37.9%	0.0%	100%	—
Representative Director and Vice President	64.7%	35.3%	0.0%	50%	50%
Director and Vice President	72.5%	27.5%	0.0%	50%	50%
Non-executive internal director	96.0%	0.0%	4.0%	—	—
External director	92.0%	0.0%	8.0%	—	—
Internal member of Audit & Supervisory Board	100%	—	—	—	—
External member of Audit & Supervisory Board	100%	—	—	—	—

6. 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. These skills/competencies are appropriately well-balanced with the company's needs.

	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	●	—	Hiroyuki Konuma	●	●	●				●	●	●
	●	—	Yoshinori Sasahara	●	●					●	●	●
	—	—	Tatsuo Narumi	●				●	●	●	●	●
	—	●	Yuko Tanaka	●					●	●	●	●
	—	●	Ryoji Itoh	●		●	●			●	●	●
	—	●	Hideo Yamada	●				●	●	●	●	●
	—	●	Sadayoshi Fujishige	●		●	●		●	●	●	●
	—	●	Yoshiko Nonogaki	●		●			●	●	●	●
Audit & Supervisory Board members	—	—	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

Message from external director

Working with different companies as their external director, I find that SATO's board meetings always allow for free and open-minded discussions. There are no rigid agendas, and nothing is taboo to talk about. Unlike many Japanese companies, SATO's board is comprised in majority of external directors, who help maintain healthy tension with internal directors and executive officers. While I do feel that some agendas should be reviewed more thoroughly before they are submitted to the board, the situation is improving and directors now focus better on deliberating and making decisions, thanks to the establishment of an in-house Business Review Committee.

Back when Tokuo Fujita (SATO's second president) ran business, board meetings were short and simple, owing largely to his unique leadership. But as the company grew globally and faced new challenges (most recently the COVID-19 pandemic), board directors have come to play a greater role, leading to longer discussions. This is a natural shift, considering the size of SATO's business in annual sales (which exceed ¥100 billion) and the number of its overseas subsidiaries.

New president and group CEO Hiroyuki Konuma is one of the younger CEOs of companies listed on the Prime Market segment of the Tokyo Stock Exchange. We can expect him to run SATO differently with new ideas and bold goals. I hope to use my legal knowledge and experience to provide opinions from governance and compliance perspectives to reflect the views of the company's shareholders and other stakeholders.

For SATO to scale greater heights as a truly global and Prime Market company, I recommend it works on the following areas.

1 Solidify its footing by going back to its basics in The Spirit of SATO, and strengthen corporate planning to create and implement proactive business strategies.

2 Foster talent to help SATO's overseas businesses reach their high growth potential, and strengthen their monitoring.

I, as an external director, will be asking questions and offering suggestions to drive active discussions that help shape the company's future.



Hideo Yamada
External Director
Chair of the Board

Financial summary

Fiscal years end March 31 the following year

(Millions of JPY)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Business performance											
Sales	87,256	96,773	99,831	105,504	106,302	113,383	116,179	116,372	109,052	124,783	142,824
Overseas sales ratio (%)	25.6	29.3	33.2	37.3	36.6	37.8	37.6	36.9	37.1	42.1	48.1
Gross profit	36,410	41,180	42,708	44,942	45,022	48,655	50,676	50,179	45,735	50,398	56,684
Selling, general and administrative expenses	30,958	34,421	35,264	38,487	38,917	42,405	42,997	42,718	39,888	43,994	47,843
Operating income	5,452	6,758	7,444	6,455	6,104	6,249	7,679	7,461	5,847	6,404	8,841
EBITDA (operating income + depreciation + amortization of goodwill)	8,213	9,871	11,044	11,573	11,296	11,814	13,250	13,376	10,163	10,861	13,961
Profit attributable to owners of parent	2,726	4,295	3,763	3,687	3,221	4,074	3,773	-1,882	12,959	3,794	4,184
Financial position											
Total assets	77,521	86,737	95,174	96,887	104,280	106,447	107,574	103,147	109,312	120,005	122,858
Net assets	40,205	46,734	53,158	52,155	54,217	56,225	56,668	48,823	59,462	64,508	67,694
Research and development	2,042	2,225	2,292	2,414	2,387	2,994	3,460	3,377	3,046	3,944	4,644
Capital expenditures	3,059	6,106	7,372	6,717	5,723	9,044	4,801	3,835	4,931	4,999	6,357
Depreciation and amortization of goodwill	2,760	3,112	3,599	5,118	5,191	5,565	5,571	5,915	4,316	4,456	5,119
Cash flow											
Cash flow from operating activities	3,793	10,589	9,205	6,091	10,769	6,184	9,365	11,259	5,806	3,302	5,190
Cash flow from investing activities	-984	-4,776	-6,221	-9,596	-8,716	-3,504	-5,212	-2,449	-102	-3,738	2,290
Free cash flow (net cash provided by operating activities less cash used in investing activities)	2,809	5,812	2,983	-3,504	2,052	2,679	4,152	8,810	5,704	-436	7,480
Cash flow from financing activities	-2,839	-1,511	-3,062	3,254	-1,343	-3,458	-3,534	-1,311	-7,131	-3,987	-6,309
Cash and cash equivalents at end of year	11,992	16,763	17,145	16,212	16,757	16,026	16,430	23,379	22,580	19,140	20,751
Per-share data (JPY)											
EPS (earnings per share)	90.56	141.57	113.96	110.07	96.07	121.54	112.46	-56.06	385.86	112.74	126.66
BPS (book value per share)	1,330.77	1,454.90	1,579.15	1,525.09	1,579.53	1,634.69	1,649.86	1,423.30	1,735.04	1,874.97	2,020.83
DPS (dividends per share)	37	40	45	55	60	65	70	70	70	70	72
Financial indicators (%)											
Gross profit margin	41.7	42.6	42.8	42.6	42.4	42.9	43.6	43.1	41.9	40.4	39.7
Operating income ratio	6.2	7.0	7.5	6.1	5.7	5.5	6.6	6.4	5.4	5.1	6.2
EBITDA margin	9.4	10.2	11.1	11.0	10.6	10.4	11.4	11.5	9.3	8.7	9.8
ROIC (return on invested capital)	6.6	7.6	8.0	6.6	6.2	6.1	7.5	7.5	5.8	5.8	7.7
ROA (return on assets)	7.1	8.6	8.2	6.4	5.4	5.6	7.1	6.2	5.2	5.3	7.5
ROE (return on equity)	7.2	9.9	7.6	7.1	6.2	7.6	6.9	-3.6	24.4	6.3	6.5
Equity ratio	51.7	53.7	55.6	52.8	50.8	51.5	51.5	46.3	53.3	52.6	53.3
Debt-to-equity ratio*	31.8	23.5	18.7	31.5	32.1	30.6	28.8	38.6	26.5	25.1	23.8

* Includes lease obligations and zero coupon convertible bonds

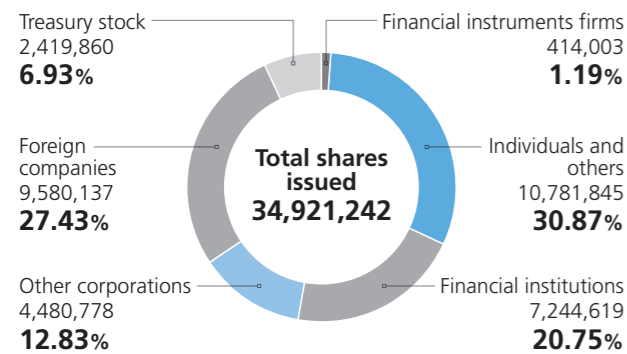
Stock information

(As of March 31, 2023)

General information	
Shares authorized	80,000,000
Shares issued	34,921,242
Shareholders	8,914
Stock listing	The Prime Market, Tokyo Stock Exchange
Securities code	6287
Fiscal year	April 1 to March 31
General meeting of shareholders	June
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Major shareholders			
Name	Shares owned	% to shares outstanding	
The Master Trust Bank of Japan, Ltd. (trust account)	4,238,000	13.04	
Sato Yo International Scholarship Foundation	3,786,200	11.65	
Custody Bank of Japan, Ltd. (trust account)	2,233,400	6.87	
SATO Employees' Stockholding	1,652,311	5.08	
The Bank of New York 133612	1,278,300	3.93	
Shizue Sato	897,470	2.76	
Mieko Yokoi	894,345	2.75	
The Bank of New York Mellon 140051	875,500	2.69	
Mari Iwabuchi	794,570	2.44	
Government of Norway	754,150	2.32	

Composition of shareholders



Notes 1. The company holds treasury stock of 2,419,860 shares, but is excluded from the above list of major shareholders.
2. Percentage (%) to shares outstanding is calculated excluding treasury stock.

Stock price and trading volume



(JPY)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
High	3,855	3,500	2,972	2,918	2,383
Low	2,350	1,778	1,895	1,601	1,650
Fiscal year-end	2,596	2,122	2,883	1,719	2,189

Corporate data

Profile	
Name	SATO Holdings Corporation
Location	Tamachi Station Tower N, 3-1-1 Shibaura, Minato-ku, Tokyo 108-0023, Japan
Established	1940
Incorporated	1951
Representative director	Hiroyuki Konuma, President and Group CEO
Paid-in capital	¥8.4 billion
Employees	5,637
Consolidated sales	¥142.8 billion

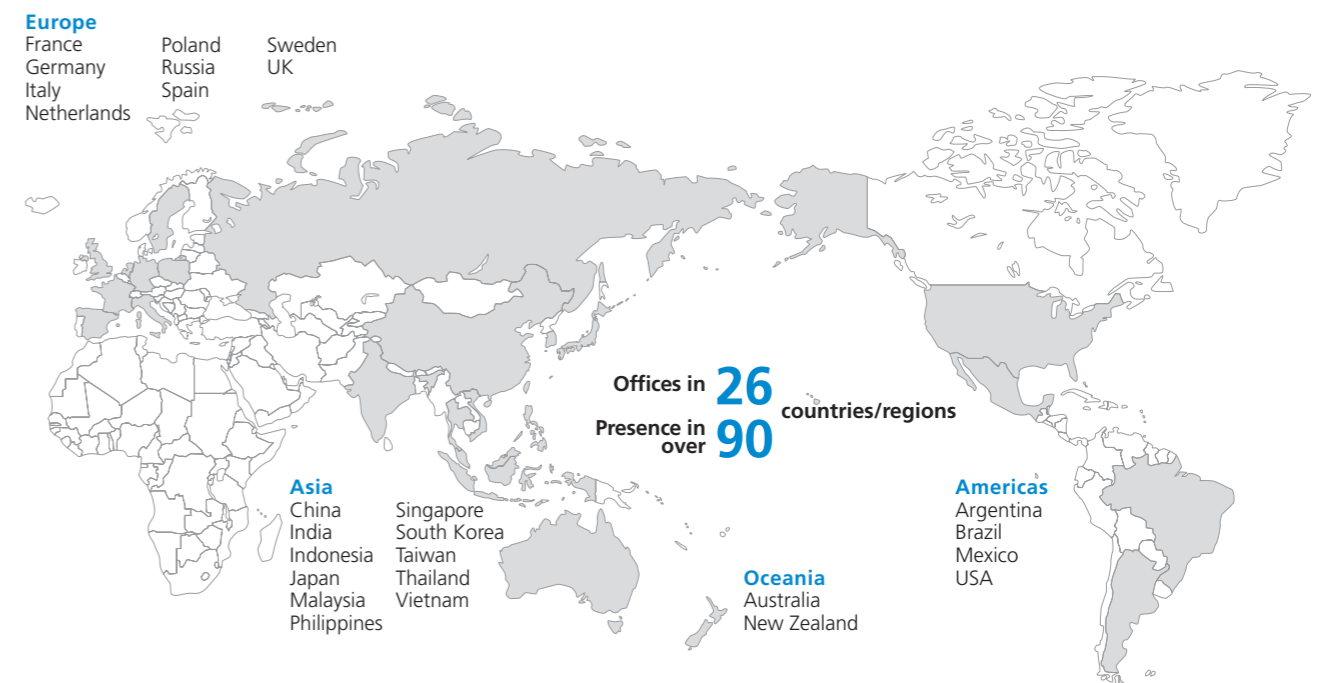
For more IR information, see:
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For more sustainability information, see:
www.sato-global.com/sustainability/



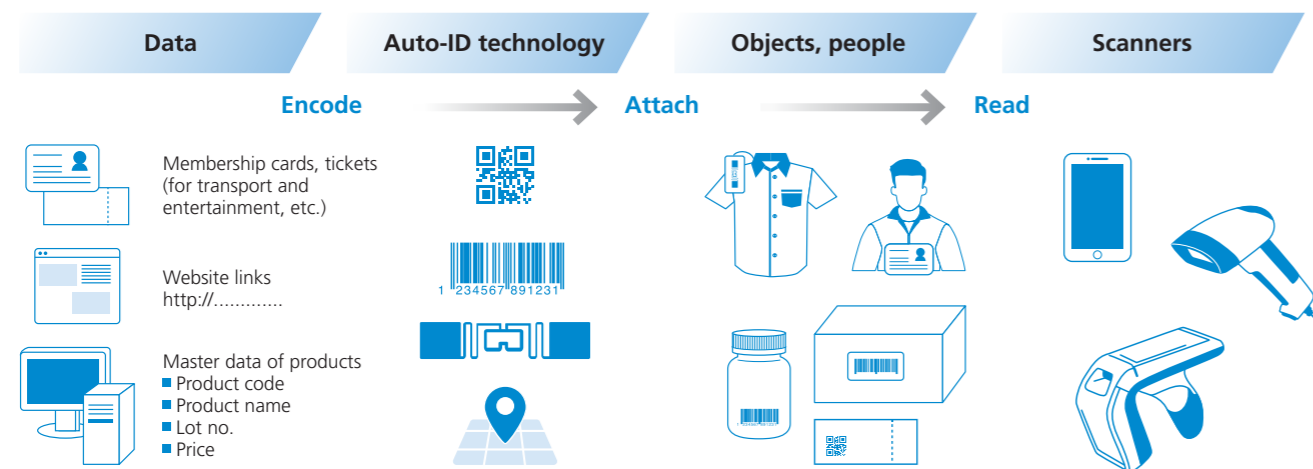
Global network



For more information, contact:
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Basics of auto-ID technology

Auto-ID (automatic identification) is the technology we see in barcodes and RFID that allows information to be read and identified automatically. It is used in manufacturing, logistics, retail, health care and many other sectors of daily life.



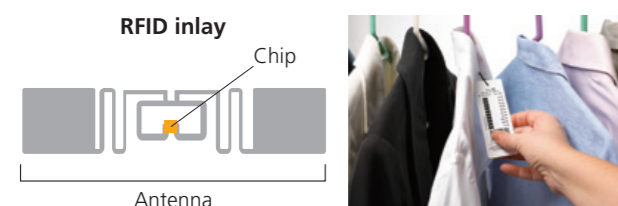
Barcode

An array of parallel, rectangular bars and spaces of varying widths used to represent data in machine-readable form. Popular for their low cost and highly reliable identification, barcodes are now an integral part of social infrastructure. Most, if not all, consumer products on the market in all countries today are marked with barcodes to facilitate retail checkout procedures.



RFID

Short for Radio Frequency Identification, RFID is a method that uses radio waves for contactless reading and writing of data. Unaffected by surface stains or damage, RFID tags can be read by batch and over long distances or through intervening objects as long as they are within the range of the reader. RFID technology has developed rapidly to find its way into various applications such as incoming goods inspection, inventory control and stocktaking.



Two-dimensional (2D) barcode

A pattern of squares, hexagons, dots and other shapes used to represent data in machine-readable form. 2D barcodes store data in horizontal and vertical dimensions so a much greater quantity of data (including text data containing Japanese characters) can be encoded in a much smaller space compared with linear barcodes. This makes them popular for a wide range of applications such as consumer advertising (links to websites), entertainment ticketing, and tracking of electronic parts.



Locating technologies

Best known by GPS^{*1} and IPS^{*2} which are capable of locating objects or people outdoors and indoors respectively, locating technologies have significant applications in self-driving vehicles, navigation, security tracking and activity analyses. IPS, in particular, is a core aspect of SATO's Visual Warehouse solution that measures operational data within logistics warehouses (e.g., distance between/traveled by goods and workers, time spent on jobs) at high precision and in real time to improve productivity.

*1 Global Positioning System
*2 Indoor Positioning System



SATO terminologies

Term	Description
Tagging	The process of using auto-identification technology to physically attach information such as ID and status to things and people and digitize the data so that it can be fed to and processed by core IT systems for producing analyses and insights.
Koto-uri (Selling the solution, not the product)	Sales approach of selling not just the product but combinations of products in the form of solutions that include hardware, consumables, maintenance services and software, demonstrating ROI and other value propositions for the customer.
Auto-ID solutions business	Our business of integrating tagging-related products and services — barcode/RFID printers and labels, software/services designed in-house, and products/technologies of our partners — to resolve customers' worksite issues that include traceability, supply chain management and asset management. The business is separated into Overseas and Japan segments, with the former comprised of Base and Primary Labels businesses.
Base business	Our business of tagging variable information such as barcodes, prices, manufacture dates and expiration dates in the form of labels and tags.
Primary labels business	Our business of tagging fixed information via product labels and other media. It comprises operations of SATO Group companies located in Argentina, Brazil and Russia.
DCS* & Labeling *Data Collection Systems	SATO's business model since the mid-1990s of using labels to associate ID and other forms of data to things and people at a worksite to digitize and optimize operations.
Tagging for Sustainability	Business concept expanding on DCS & Labeling that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of tagging.
Genbaryoku	Our core competency of going to customer sites in an array of markets/industries to understand the essence of their pain points and offer solutions that improve or innovate their operations. It consists of three elements: industry expertise (versed in many industries), technical expertise (offering the best mix of products) and servicing (constantly improving operations at customer sites).
Teiho	Our unique insight sharing system with which employees regularly submit ideas and findings directly to the management. Started in Japan in 1976, the system initiates big and small changes for the company to meet the needs of the times and achieve sustainable growth, while serving to raise employee awareness on detecting issues and devising creative solutions.
Four-way returns to stakeholders	SATO's corporate philosophy and profit distribution policy to share the returns from its business with its four, equally important stakeholders: shareholders, employees, society and the company.