

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

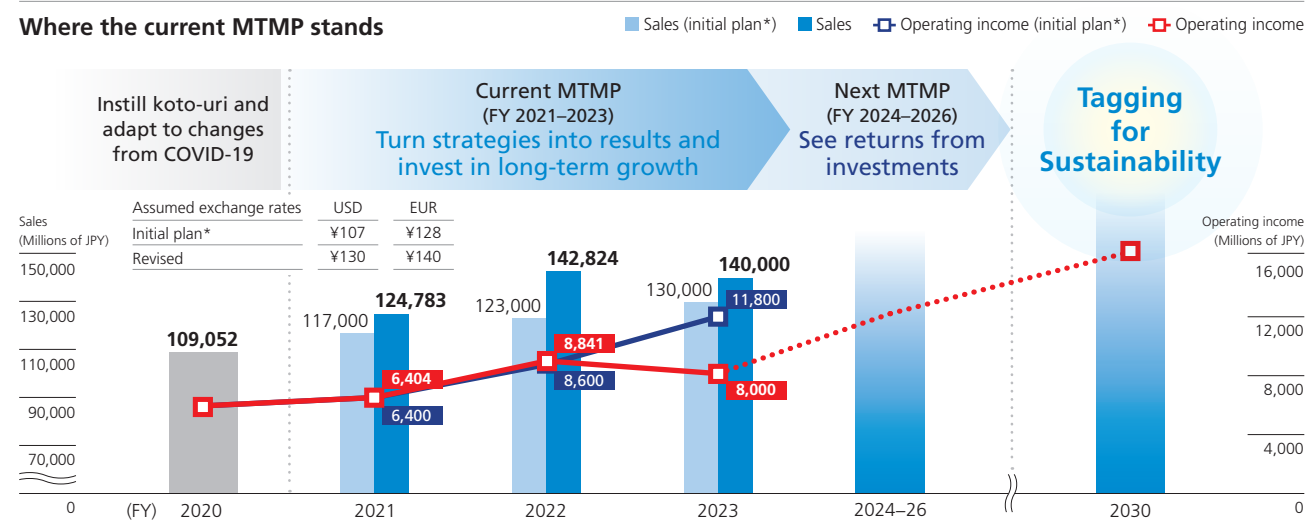
Our aim is to turn strategies into results and invest in long-term growth over the span of this three-year MTMP.

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

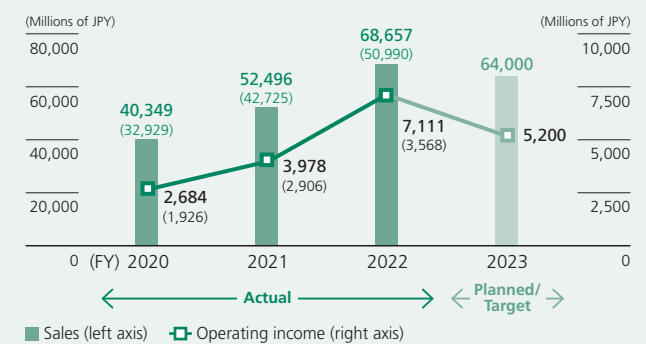
few years have strengthened mutual trust, and with regions now shifting to a koto-uri approach of value creation and embodying SATO Values, I believe it’s time for more autonomy in our regional businesses.

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

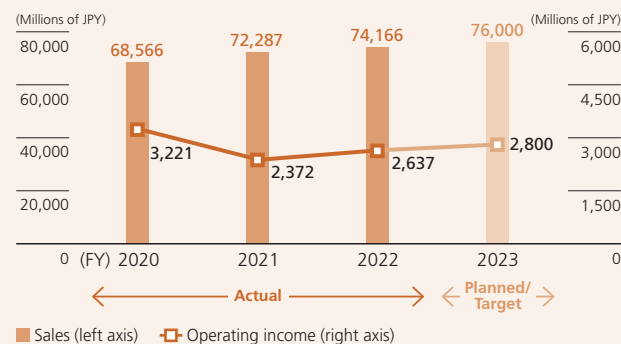
provide, we help suppliers print and apply shipping labels meeting requirements of the customer (receiver) on what information to print and where to apply on the shipping carton. This strategy is founded on our deep knowledge of customer operations, such as their flow and pain points, as well as what 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)

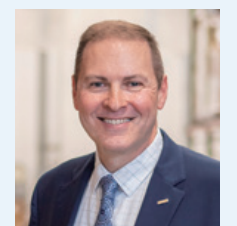
Stafford Press manufactures and sells horticulture tags and labels, and the color inkjet printers to print them on demand. Established in 1992, the company is a pioneer in this field, boasting the highest market share and a strong customer base in the US. SATO America sees the retail market — which includes 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.

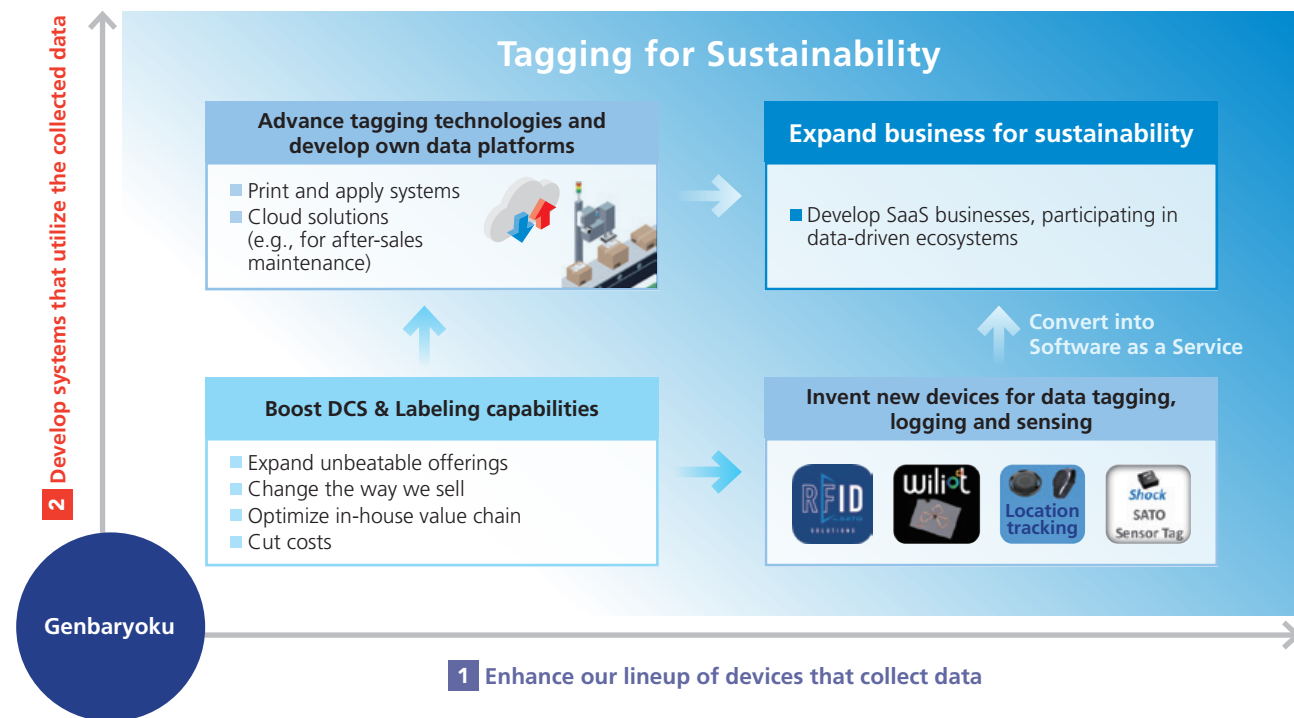
Stephen Sundstrom
President and CEO
SATO America, LLC



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

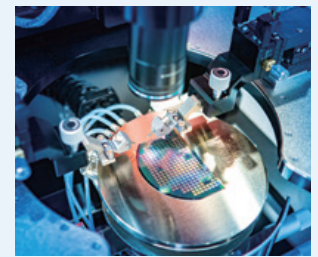
factors fueling the need for RFID are expected to push up demands for automation, and we plan to capture them with our dedicated department at HQ sharing its expertise across the SATO Group. We will also work on developing platforms that harness collected data.

COLUMN

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

Case example: A major semiconductor company

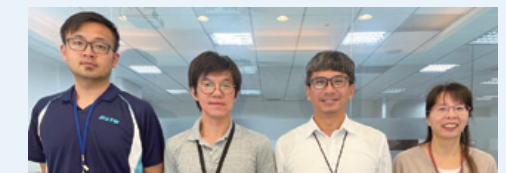
Surges in semiconductor demand and disruptions to raw materials supply caused by the pandemic have put supply chain improvements at the top of semiconductor companies' priority list. More companies now look to RFID tags for enhancing their supply chain visibility and efficiency. As a single manufacturer 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.

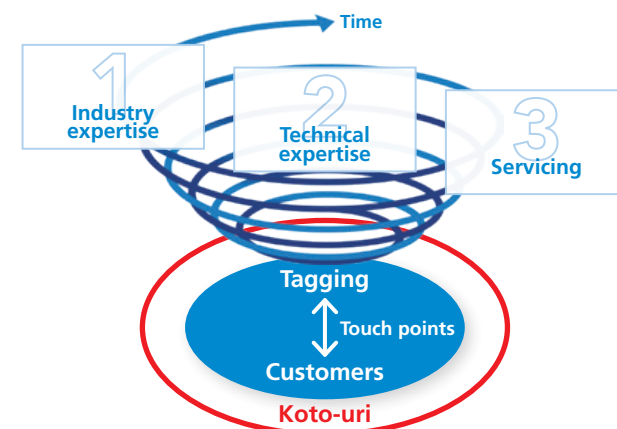
Tagging is our domain

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).

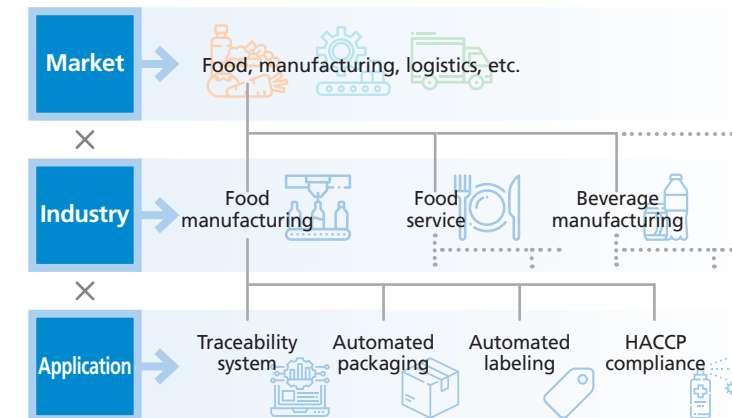


Célia Bouyenvat
Key Account Manager,
HoReCa
SATO France S.A.S.

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.

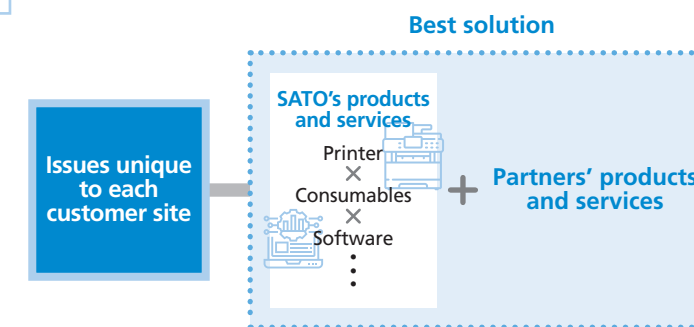
1 Industry expertise — We are versed in an array of worksites



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.

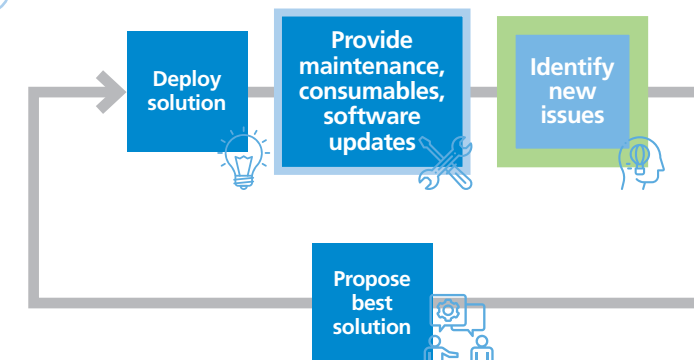
2 Technical expertise — We match the best products for each customer



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

Hiroataka 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.

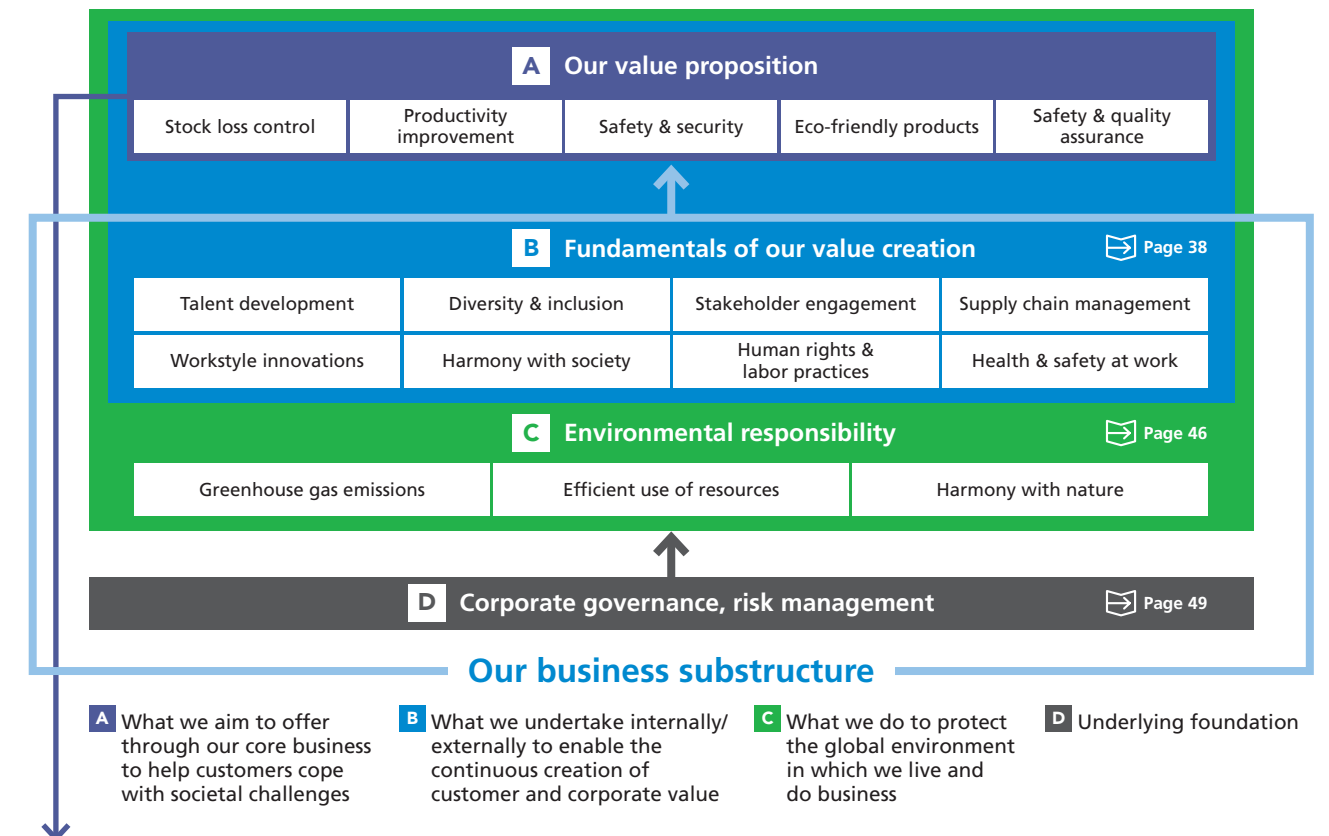
Basic policy for sustainability

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.



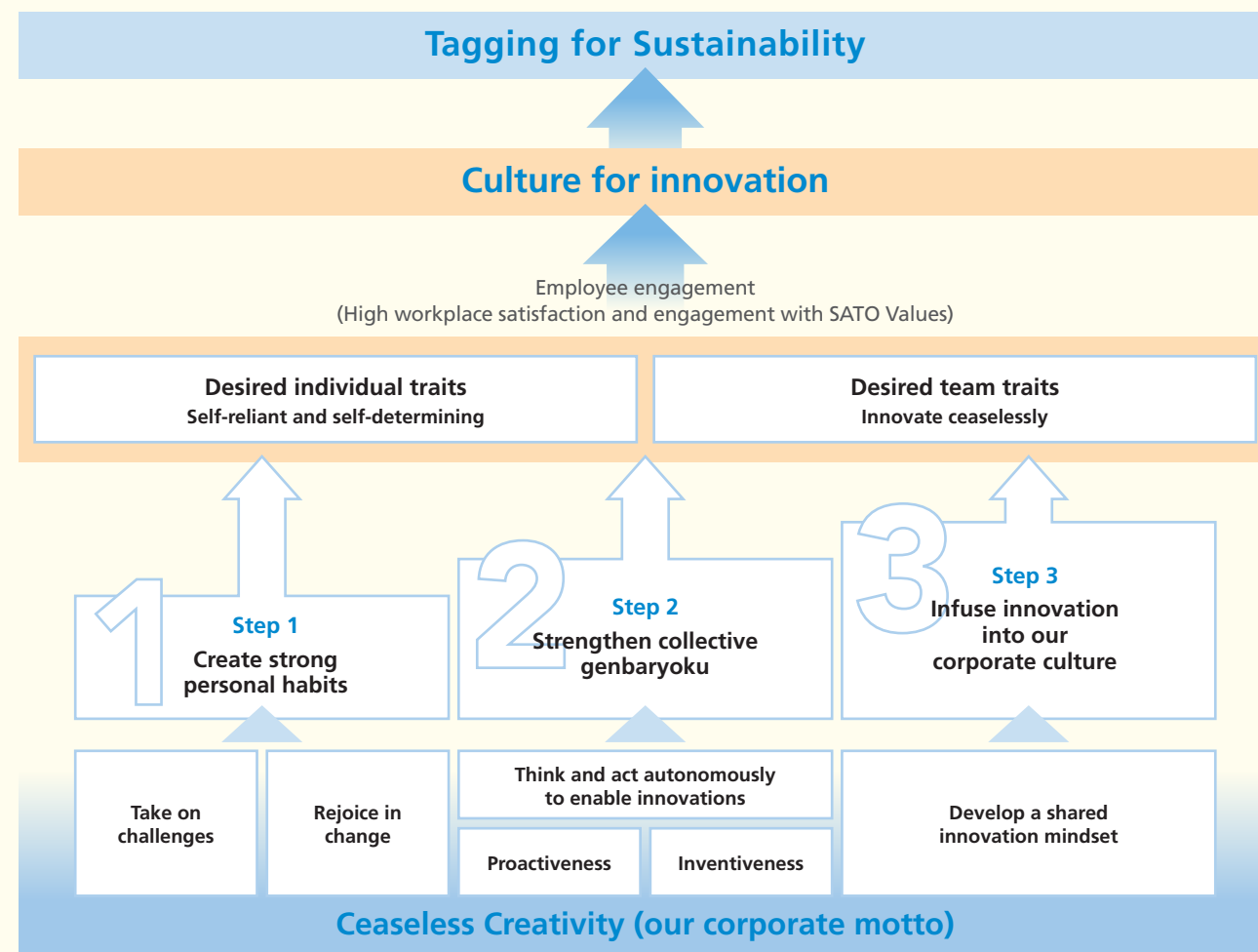
Examples of printed MRD labels

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

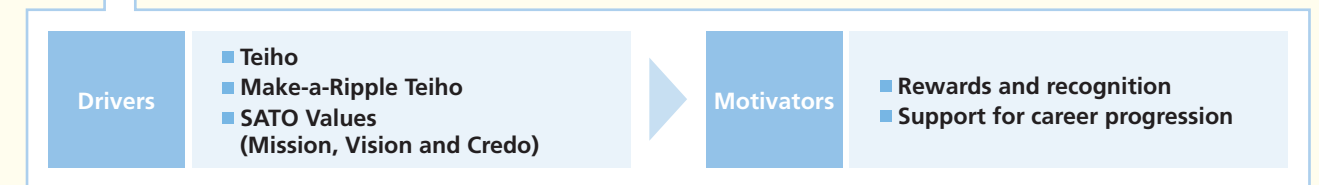


Our process for building stronger human capital starts by empowering employees to create strong personal habits of taking on challenges and rejoicing in change through their daily work. Based on this **Step 1**, they can then leverage their proactiveness and inventiveness to think and act autonomously, 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.

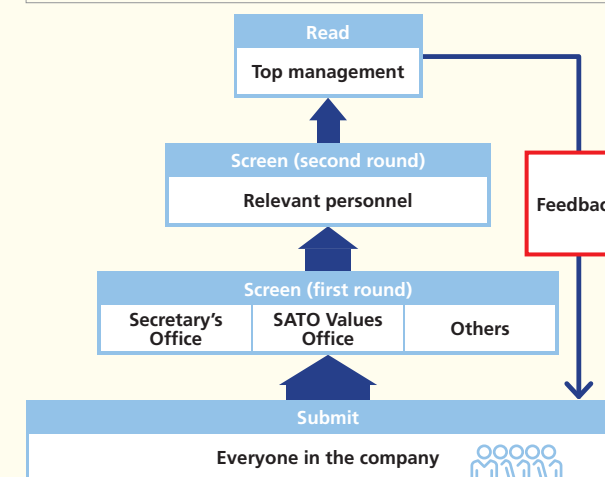
1 Step 1: Create strong personal habits



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.

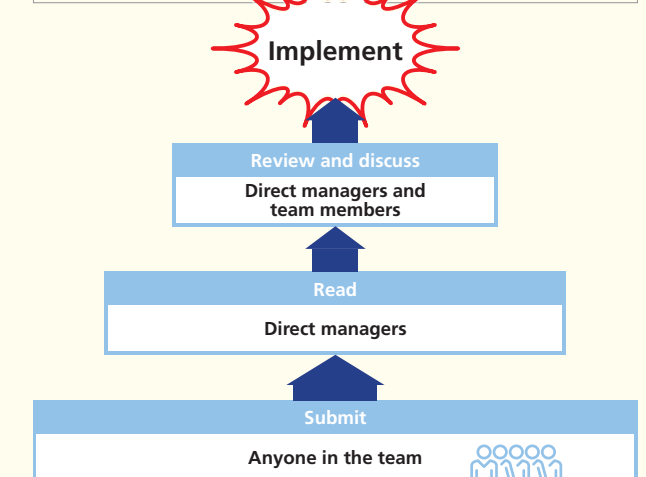
- In Japan, about 2,000 employees submit Teiho reports daily. After screening, some tens are read by the management, who sends out instructions for departments/members to follow up on necessary improvements.
- Teiho reports can be used as input for making important business decisions.



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.

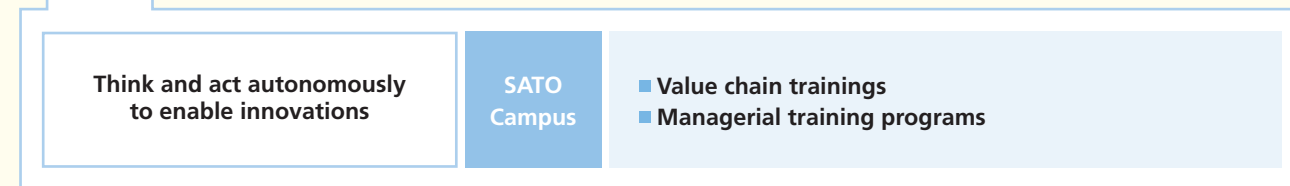
Rewards and recognition

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

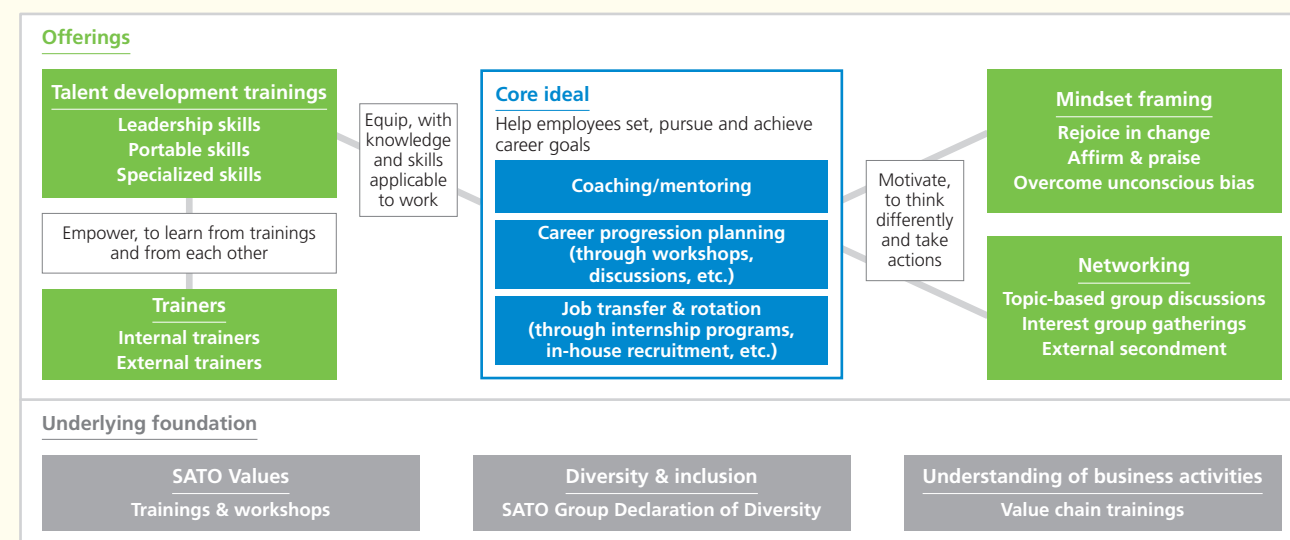


SATO Campus

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

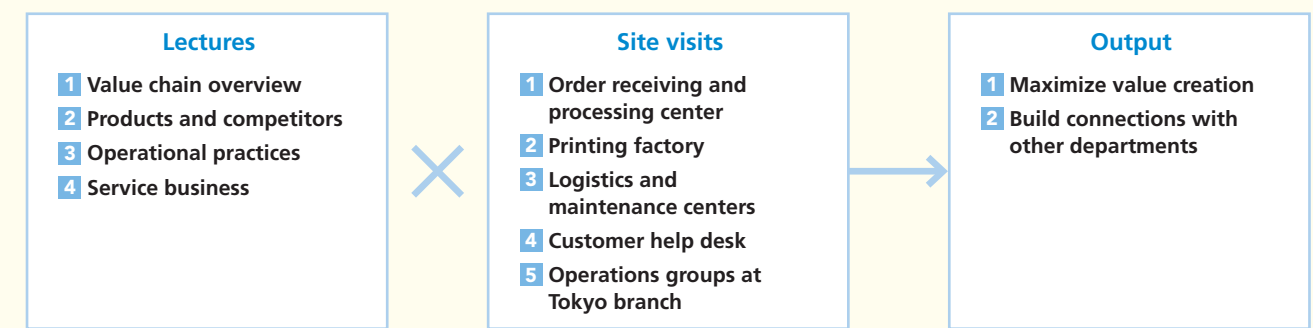


Value chain trainings

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

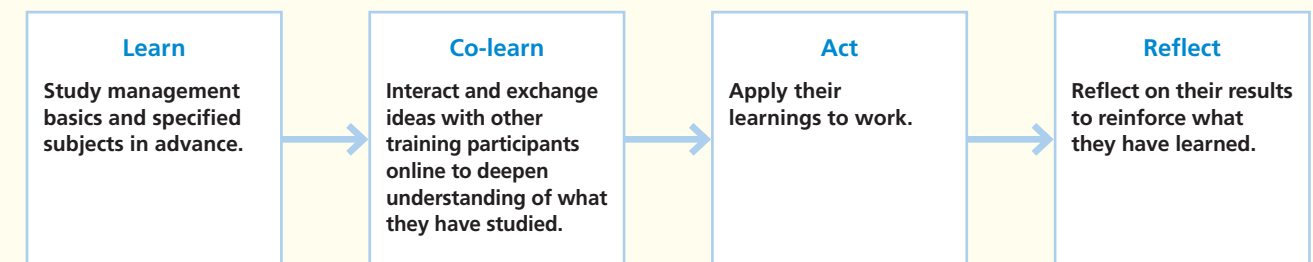


Managerial training programs

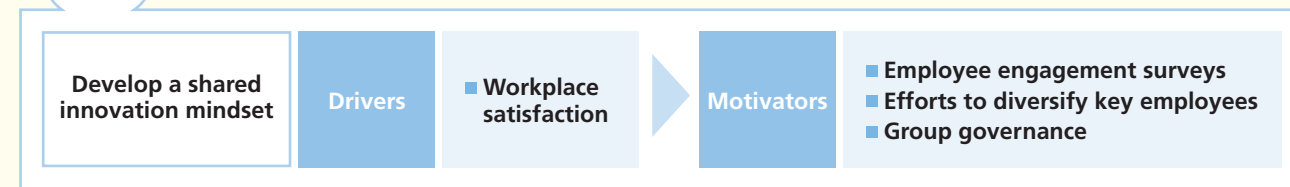
In Japan, we started new training programs to teach managers to be self-reliant and self-determining, setting a good example for their team members to follow. We conduct training in an action learning format (as below) and provide a guidebook for participants to self-assess and

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

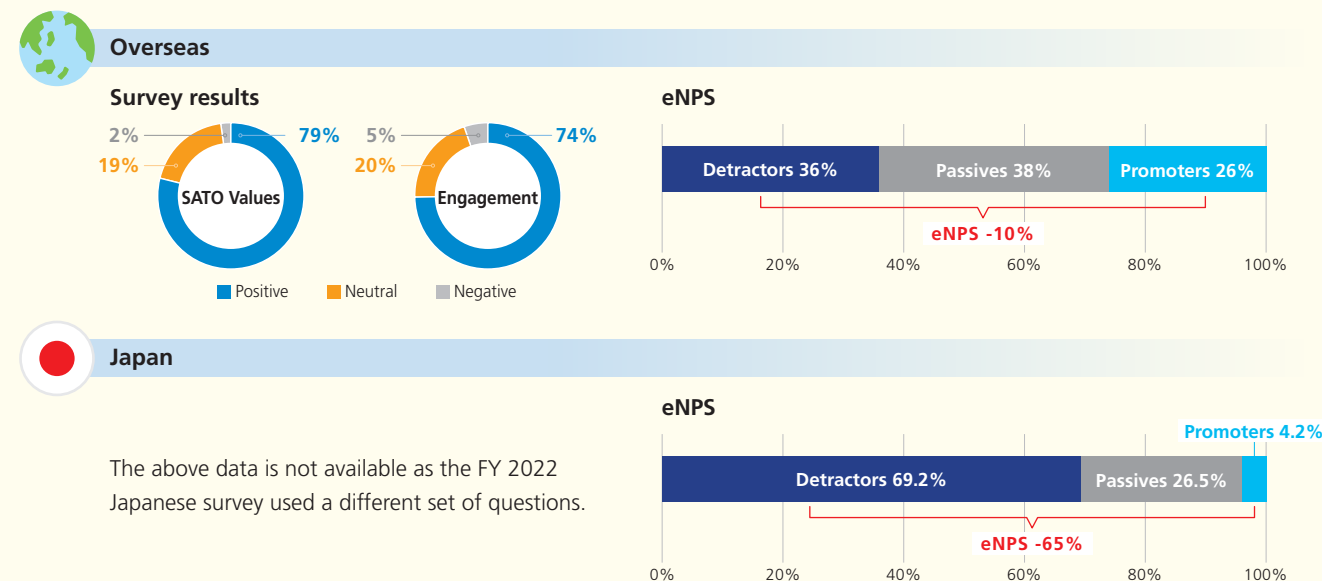
We conduct employee engagement surveys across our group companies. From the survey results, we can gauge how well employees are aligned with SATO Values and how much they understand our various business and HR strategies. We also gain an objective and quantitative understanding of our company's situation, 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.

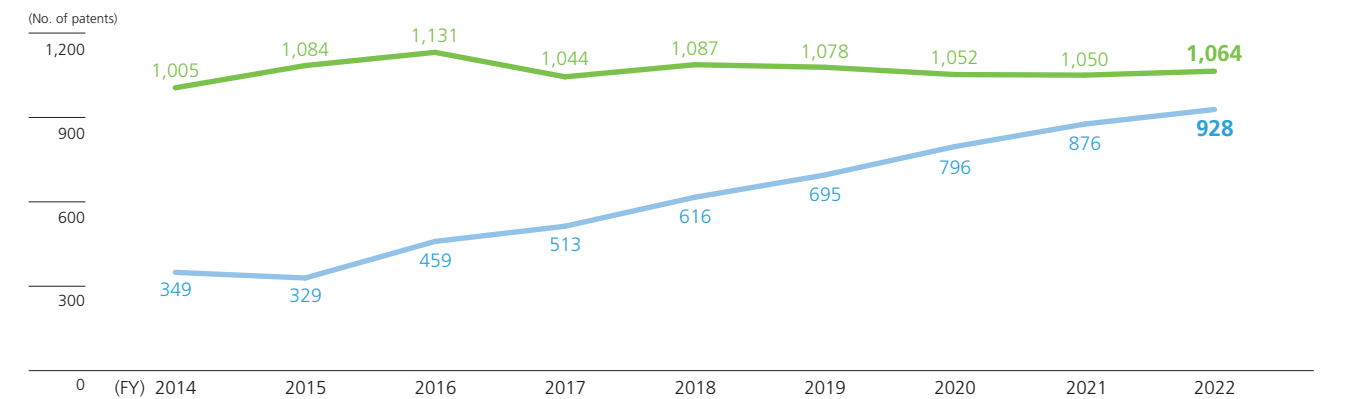
With a focus on protecting and leveraging the creative outputs we produce from solving customer pain points, we

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.

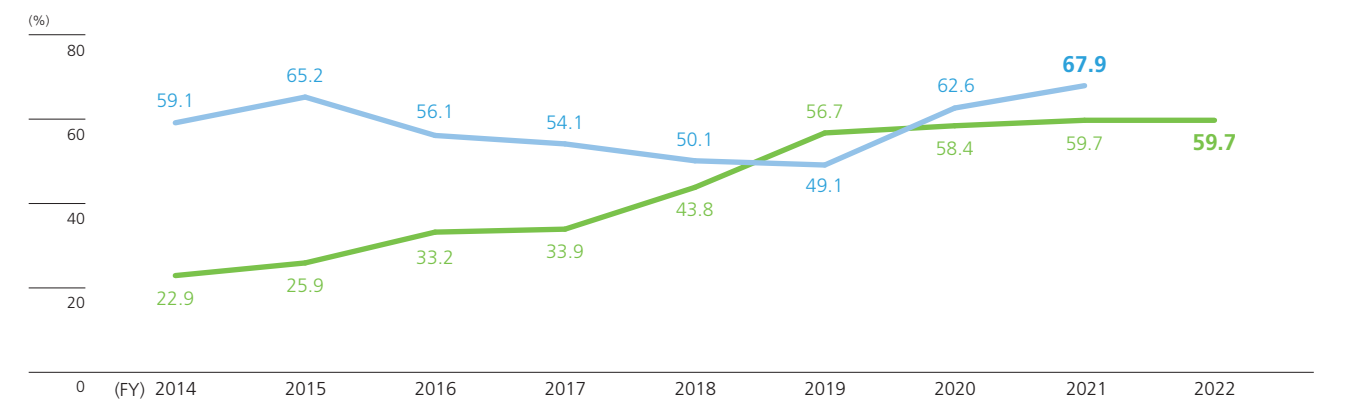
To motivate even more intellectual creations and inventions that contribute to customer value and our competitive advantage, we have made invention awards part of our in-house awards for recognizing Ceaseless Creativity. Held every year since 2000, the Invention Awards ceremony, themed “Involving everyone 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

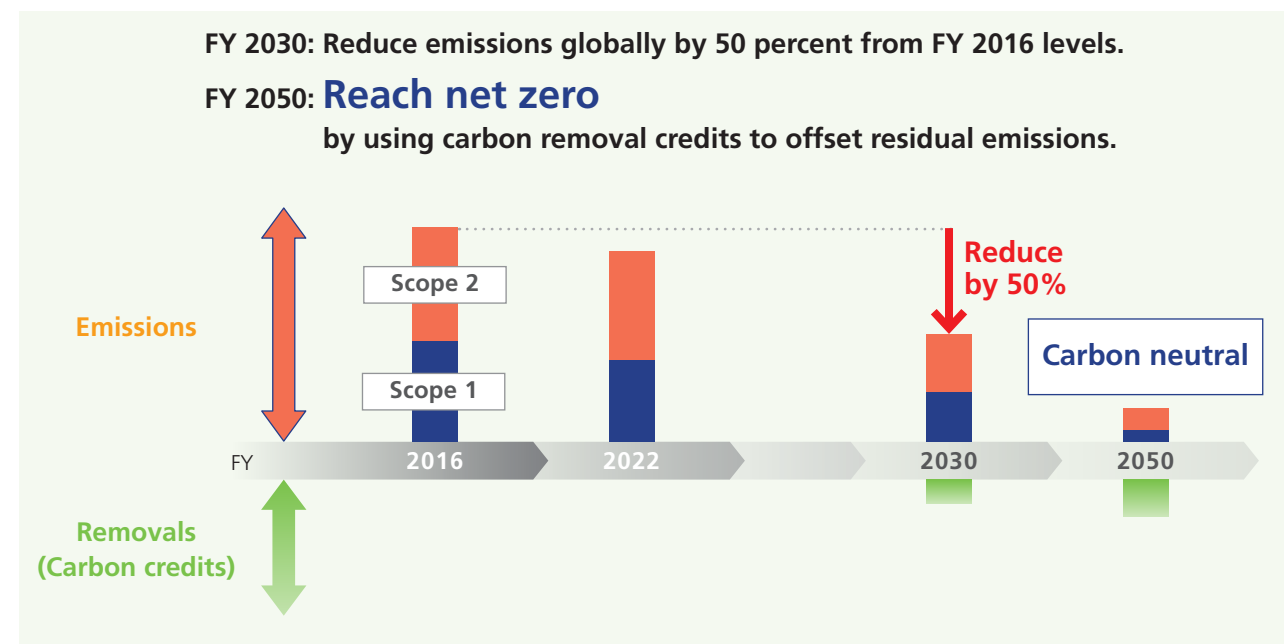
Basic concept

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.

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.

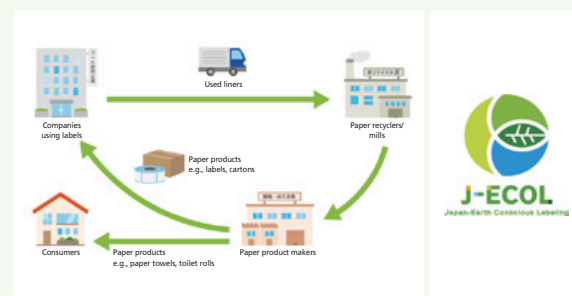
Learn more about our actions in response to TCFD recommendations.

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

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

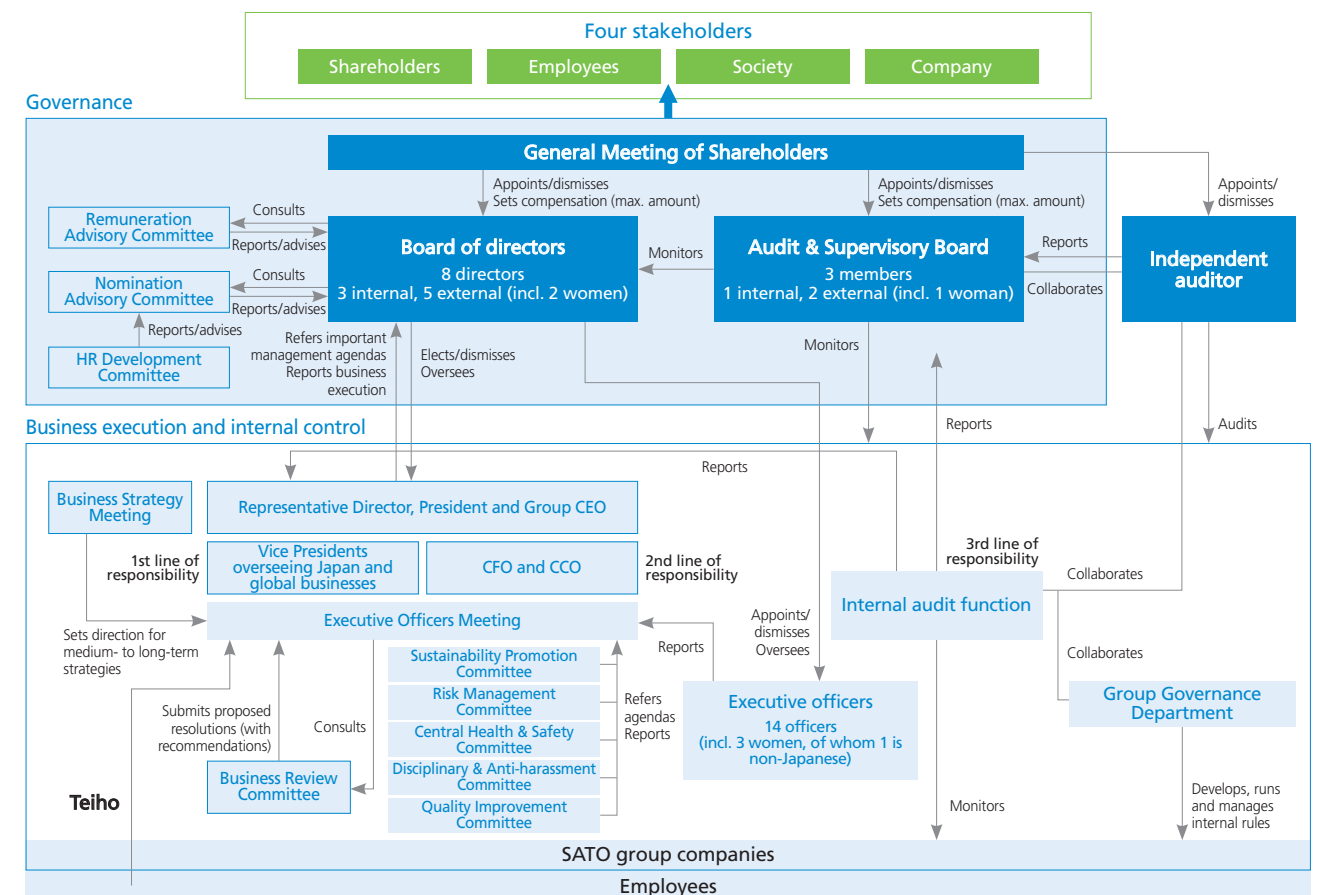
1. Basic concept

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