

Governance

■ From the chair of the board



Hideo Yamada
External Director

My perspective

After many years of serving as SATO's external director, I was appointed to chair the board in FY 2021. It is an important role and I attend each board meeting mindful of my responsibility.

As chair, I really appreciate how board members always exchange opinions proactively, thanks to the company's open-minded culture. We never sit in silence over an agenda topic,

nor are any conclusions reached without thorough discussion. When external members ask probing questions and share ideas to delve deeper into topics at board meetings, internal members respond conscientiously.

On the change of leadership

Hiroyuki Konuma, who was appointed Group CEO amid effects of the pandemic and geopolitical tensions, is tackling difficult challenges with vigor and energy. While his efforts may take some time to materialize in financial results, I find his forward-looking approach and corporate restructuring endeavors to be truly commendable.

Setting up the company for further growth

SATO needs to strengthen how it operates its Japan business and build on potential high-growth areas outside Japan. Fostering talent is key here. The company must find the right people for the right jobs and develop leadership talent for its business front lines. Given its global presence, it is also crucial for SATO to ensure thorough governance while allowing subsidiaries in each country to play to their unique strengths. As the Japan headquarters can only send so many Japanese expatriates abroad, it would make more sense over the long term to foster local talent who can manage business at each subsidiary in line with the company's expectations.

My aspirations for the board's future

Being listed on the Tokyo Stock Exchange's Prime market, SATO must promote diversity, maintain compliance, contribute to SDGs and practice due diligence on human rights. Meeting these many requirements takes time, effort and talent. And on top of everything, SATO must keep improving its sales performance to survive and thrive. Managing such an expansive business is an exceptional challenge.

As chair and external member, I aspire to infuse vitality into board discussions to ensure the perspectives of shareholders and the public are considered. As a legal specialist, I also focus on compliance because even with strong sales, compliance lapses and scandals can destroy a company.

I've always seen huge growth potential in SATO but with this potential also comes room for improvement.

Konuma and his executive team must be open to constructive criticism, and in my opinion, they make efforts to do so.

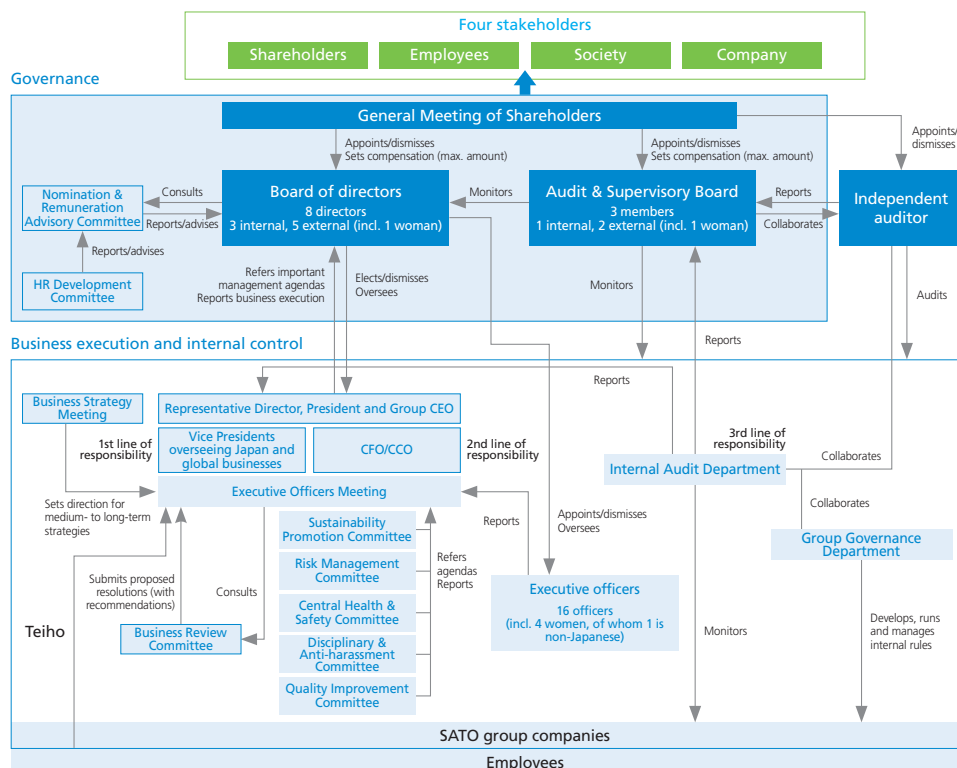
I will continue to provide honest and critical feedback for the benefit of SATO, working with the board to effectively steer the company to success.

Governance

We aim to realize sustainable growth and increase our 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. External directors provide strong and transparent management oversight, as we lay the necessary groundwork for effective governance to generate value for shareholders and all stakeholders.

SATO’s corporate governance

(As of June 30, 2024)

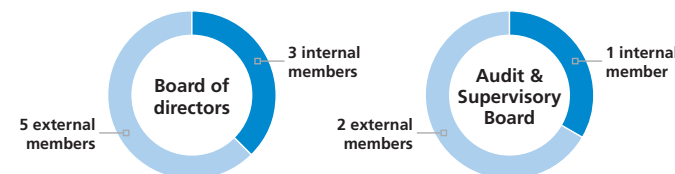


See our [corporate governance](#) web page for details.

Board of directors

As of June 30, 2024, we have eight directors, complying with our Articles of Incorporation, which limit the number of directors to no more than 12. Out of these eight, two 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 2023. At board meetings, matters stipulated by law and the Articles of Incorporation as well as important company matters governed by board regulations are brought up for discussion and review in a planned and comprehensive manner.



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.

In our latest survey, directors and Audit & Supervisory Board members generally found the board to have functioned effectively during FY 2023 and recent months, with adequate efforts being made to better its performance from the previous year.

There are, however, areas for improvement, which we will work to address.

See our [corporate governance](#) web page for details.

Audit & Supervisory Board

The company has an Audit & Supervisory Board comprising one full-time and two external members as of June 30, 2024.

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 not only regularly receive explanations on audit plans and auditor’s reports from the company’s audit firm but also check the firm’s work for appropriateness and legal compliance to assess its performance.

The full-time member attends the Executive Officers Meeting and other important in-house meetings, auditing/supervising different decision-making processes and resolutions reached and expressing opinions when necessary.

■ Message from the chair of the board's Nomination & Remuneration Advisory Committee

I have been on the Nomination Advisory Committee and chaired the Remuneration Advisory Committee since they were established in April 2021 to ensure independence, objectivity and accountability on nomination and remuneration of board members and executives. To date, these committees have handled topics such as succession planning, diversity for employees in key positions, remuneration structure/standards and evaluation metrics, and made recommendations to the board of directors. Given that the committees handle interrelated matters, the board decided to combine them into one as of June 2024.

Executive compensation is a key element of corporate governance, and the two committees and their discussions have served their purposes by successfully setting out a remuneration policy with a proper process to enable fair and transparent deliberation on remuneration decisions. Now a single committee, the Nomination & Remuneration Advisory Committee also manages an HR Development Committee which discusses how to build systems that train talent for key roles and ensure diversity to support the board and senior management.

Customers depend on SATO's on-site capabilities, and outstanding genbaryoku is the company's strength and key to sustainable business. Ensuring diversity by tapping into diverse competencies is how the company increases its value creation and heightens genbaryoku to be vibrant and competitive. SATO must invest in human capital and address other sustainability priorities to realize sustainable growth and increase corporate value on a medium- to long-term basis. I will continue doing my utmost as external director and chair of this committee so that the company can grow and contribute to a more sustainable world.



Sadayoshi Fujishige
External Director

■ Expectations for the advisory committee

Prior to their merger in 2024, the Nomination and Remuneration Advisory Committees each comprised three external directors, one non-executive internal director and one executive internal director.

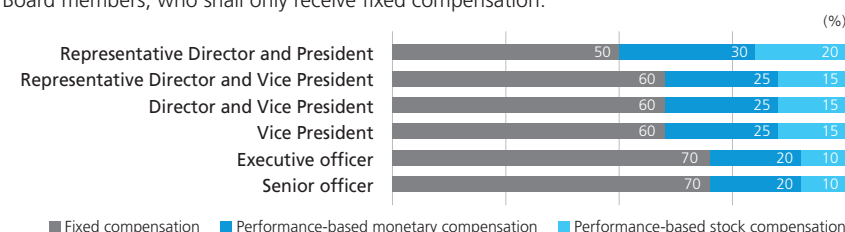
In the FY 2023 evaluation survey, directors and Audit & Supervisory Board members found the two committees to have contributed to the board's effectiveness through more extensive reviews and discussions on agenda topics compared with a year ago. The nomination committee met three times and the remuneration committee met five times in FY 2023.

Moving forward, the new merged committee will work to further discussions on various topics such as succession planning (for Group CEO and key roles), pay grading (based on level of responsibility), executive pay transparency (with a more rigorous process like linking their evaluation and reward packages to employee engagement metrics) and gender pay equity (particularly in terms of adjusting for the different life choices that women make throughout their careers).

	Date	Agenda/discussion topic
2023	Apr 11	Disclosures on human capital management and inclusion in the annual securities report and integrated report
	May 15	Confirmation of executive assessments for FY 2022 for the purpose of deciding performance-based remuneration
	Jun 20	Setting KPIs for FY 2023
	Jul 11	
	Oct 4	Executive retirement; training for key roles; leadership development program for overseas heads hired locally; action plan and measures for promoting diversity
2024	Jan 11	Appointing executive/senior officers for FY 2024
	Feb 9	FY 2024 remuneration standards and performance-based stock compensation metrics for executive officers; extension of Board Incentive Plan (BIP) Trust
	Mar 12	Setting executive officer remuneration for FY 2024

■ Executive compensation

Remuneration for directors consists of basic compensation (fixed monetary sum), performance-based monetary compensation and performance-based stock compensation. The weighting is balanced, taking into consideration the overall remuneration and position, with those in higher positions receiving a larger ratio of performance-based compensation. This 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.














■ Succession planning

Besides proposing appointment/dismissal of individual director candidates and deciding on appointment policies, standards and processes, the board's advisory committee also assists with succession planning. Specifically, it helps to identify possible successors to the Group CEO and executive officers by understanding the qualifications, competencies and skills of internal candidates (both in and outside Japan) and assessing them based on their past performance and future potential.

Management team

WEB Profiles of board members
www.sato-global.com/about/management.html

Board of directors											Audit & Supervisory Board		
External members											External members		
Skills matrix													
	Representative Director President and Group CEO	Vice President			Chair of the Board	Chair of Nomination & Remuneration Advisory Committee							
	Hiroyuki Konuma	Yoshinori Sasahara	Tatsuo Narumi	Ryoji Itoh	Hideo Yamada	Sadayoshi Fujishige	Yoshiko Nonogaki	Hiroshi Nagumo	Kiyohiko Yoshii	Noriko Yao	Naoki Kubo		
	Business/ organizational management	●	●	●	●	●	●	●					
	Industry knowledge (sales/technology)	●	●										
	International business	●		●		●	●	●	●	●			
	Finance and accounting			●		●			●		●		
	Legal and compliance		●		●				●	●	●		
	Human resource and labor relations		●		●	●	●			●			
	Governance and sustainability	●	●	●	●	●	●	●	●	●	●		
	Risk management	●	●	●	●	●	●	●	●	●	●		
	Diversity	●		●	●	●	●	●	●	●	●		

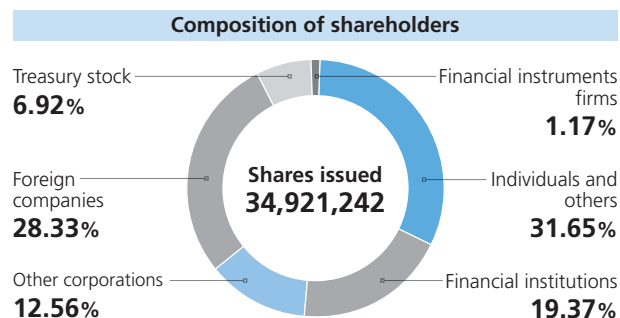
Corporate data (As of March 31, 2024)

Overview

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	5,744
Consolidated net sales	¥143.4 billion

Stock information

General information	
Shares authorized	80,000,000
Shares issued	34,921,242
Shareholders	9,047
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)	4,005,500	12.32
Sato Yo International Scholarship Foundation	3,786,200	11.65
Custody Bank of Japan, Ltd. (trust account)	2,118,500	6.52
SATO Employees' Stockholding	1,806,541	5.56
The Bank of New York 133612	1,486,100	4.57
Shizue Sato	897,470	2.76
The Bank of New York Mellon 140044	862,040	2.65
Mieko Yokoi	854,345	2.63
Mari Iwabuchi	794,570	2.44
Masako Fujita	653,360	2.01

Notes 1. The company holds treasury stock of 2,416,184 shares but is excluded from the above list of major shareholders.
 2. Percentage (%) to shares outstanding is calculated excluding treasury stock.
 3. Treasury stock includes forgotten shares (10 units) and excludes shares (97,822 units) held in the BIP Trust that are intended as executive compensation.
 4. Names of major shareholders are reflected in the same manner as they appear in the shareholder register, except for Sato Yo International Scholarship Foundation whose ownership data is aggregated.

Engagement with shareholders and investor analysts

Meetings held

	FY19	FY20	FY21	FY22	FY23
Financial results briefings	4	4	4	4	4
Briefings on medium-term plan and key topics	2	3	3	3	5
One-on-ones	277	260	164	147	205
Briefings for retail investors	5	2	2	1	2

Handling of investor concerns

SATO posts investor-specific FAQs online after every quarterly earnings release.

See our [financial reports](#) web page for details.

Reporting feedback

Comments from shareholders/investors are reported and shared internally to improve our business operations and IR activities.

Investor feedback review	Frequency
Board of directors	Twice per year
Management meetings	Twice per year
Group CEO and senior executives	Regularly

JIRA IR Award rankings

FY19	FY20	FY21	FY22	FY23
#31–40	#51–60	#31–40	#81–90	#41–50

SATO received the IR Special Award from Japan Investor Relations Association (JIRA) in 2021.

See our [press release](#) for details.