

Medium-term management plan

Paving the way to our 2030 vision

We have set in our current medium-term management plan (MTMP) a vision for us to pursue Perfect and Unique Tagging to realize a future where everything has its own ID and connects seamlessly. This involves advancing the tagging technology and know-how we have accumulated over the years from solving customer pain points on site.

Under the MTMP — with its first two years designated to rebuild profitability and the following years set to restart growth investments — we are now working to streamline our organization, optimize resource allocation and develop new businesses in phases with a focus on three themes.

● Strengthen our core business

We seek sustainable and efficient growth overseas while getting the Japan business to profit at a higher level. This will improve the profitability and competitiveness of our core business in auto-ID solutions.

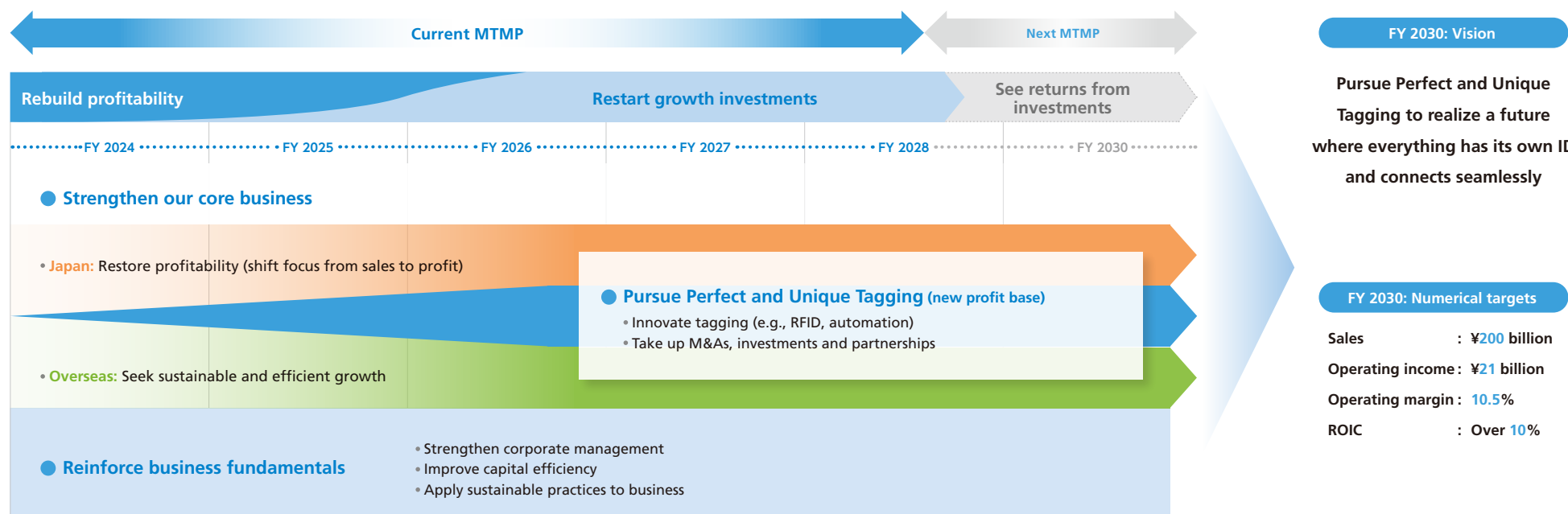
● Pursue Perfect and Unique Tagging

We concentrate our resources on high-growth, high-margin areas such as RFID and automation. Besides strengthening sales capabilities, refining pricing strategies and expanding production capacity to make us more competitive, we will also consider partnerships and strategic M&As to open up new possibilities and acquire technologies for future growth.

● Reinforce business fundamentals

We focus on strengthening corporate management, improving capital efficiency and applying sustainable business practices to reinforce our fundamentals.

We will use the MTMP as a stepping stone to bring us closer to achieving our vision and numerical targets for FY 2030 as indicated below.



Medium-term management plan

FY 2024 recap

In the first year of our MTMP, we merged our holding company and key sales company in Japan to simplify decision-making and establish clear accountability, laying the foundation for overall optimization.

Financially, we delivered strong results, achieving record highs for the second consecutive year. Sales increased by 7.9 percent to 154.8 billion yen and operating income by 18.9 percent to 12.3 billion yen, compared with the previous year.

As more businesses make productivity investments to address labor shortages and meet traceability requirements, we captured this demand and expanded solutions sales both in and outside Japan. This was evident in RFID sales, especially for source tagging, which involves tagging products at the point of manufacture to enable tracking across the supply chain.

Outside of Japan, we made progress with investing in ERP and MES systems to boost consumables revenue, training resellers through a new knowledge portal, developing new global key accounts and launching a next-generation cloud platform for labeling applications and connectivity.

In Japan, we grew sales by delivering strategic solutions that were aligned to robust customer needs in manufacturing logistics, source tagging and more. We also planned product repricing and expanded printer

exports to group companies, which helped raise our operating margin from 2.3 to 4.9 percent. And with new incentive structures in place, sales teams are shifting their mindset toward higher-margin solutions. These are meaningful achievements that will underpin our future investments and structural changes for sustainable growth.

Our next steps for FY 2025 and beyond

Starting FY 2025, we enter a new phase to further transform our profitability model and create new value toward our 2030 vision. With profitability improving faster than anticipated, we aim to restart our growth investments ahead of plan.

● Strengthen our core business

In terms of seeking sustainable and efficient growth overseas, we will make capital investments to expand the manufacturing and sales of consumables, which not only brings us recurring revenue but also fosters long-term relationships with our customers. To create solutions tailored to local needs and roll them out globally to other customers with similar needs at a greater speed, we will work on placing talent in key markets and introducing a global incentive scheme that compensates sales teams more fairly for cross-border deals. In terms of making the Japan business profitable at a higher level, we will prioritize high-margin markets and high value-added solutions like RFID and print and apply systems, while optimizing our printer lineup to strengthen our profit base.

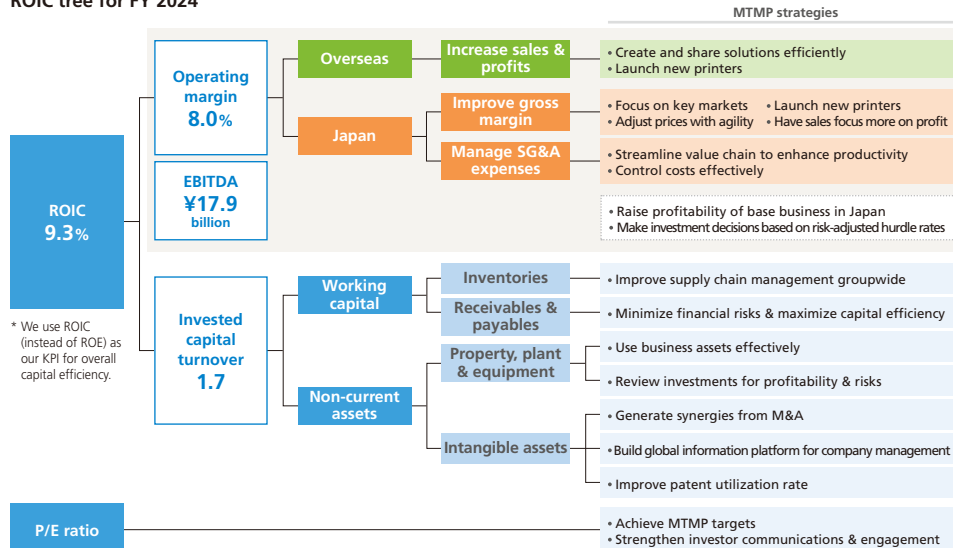
● Pursue Perfect and Unique Tagging

We plan to sell more RFID and automation solutions and develop new businesses in line with changing social and industry needs. Our Group CEO is currently leading early-stage projects for Perfect and Unique Tagging across areas such as blood supply chain, digital transformation in logistics and the circular economy. By testing and establishing use cases, we can improve the feasibility and scalability of the technology to expand it to more markets and applications. A project to enable circular use of resources is particularly gaining momentum as we explore partnership opportunities and pursue commercialization.

● Reinforce business fundamentals

To sustain growth, we continue to build resilience by enhancing governance, IT and talent development for advancing our global business management. We will improve our managerial accounting, investment planning, and procurement and purchasing activities for better and quicker decision-making through company-wide projects. We will also invest in human capital and other strategic areas based on our new materiality assessment to improve ROIC and lay a solid foundation that supports both our financial and non-financial performance.

ROIC tree for FY 2024



From the CFO



Osamu Masuko

Vice President and CFO

- Closed FY 2024 with record sales and profits
- Maintain our basic policy on capital and financial strategies
- Step up growth investments to raise ROIC to over 10 percent by FY 2030

With efforts to optimize our capital strategies and reinforce our business fundamentals, we were able to achieve record-high sales and operating income for the second consecutive year in FY 2024. This marks a good start to our latest medium-term management plan which began in the same year.

Understanding our business situation

As new US tariffs kick in and growth slumps in China, the global economy is slowing down and uncertainty is increasing. Multinationals like SATO continue to battle headwinds from

escalating geopolitical tensions and other risks and must make business decisions with agility while considering a range of future possibilities.

SATO's capital and financial strategies

We must improve capital efficiency and continuously generate cash flow with financial discipline. We will focus on KPIs such as ROIC (return on invested capital) and EBITDA (earnings before interest, taxes, depreciation and amortization) under our basic policy to:

- 1 Pursue an optimal capital structure;
- 2 Deliver stable and progressive dividend payouts by increasing corporate value on a medium- to long-term basis;
- 3 Conduct flexible share repurchases using surplus cash.

In terms of improving capital efficiency, we will work to make use of group financing on a global basis. We will seek diverse financing sources, considering options like liquidating our receivables or direct financing from the capital market. Although we will increase leverage with debt financing, our real aim is to use the increased leverage to make effective growth investments and reduce our cost of capital.

As for dividends, we will decide our dividend rate based on medium- to long-term earnings and cash flows. We will maintain or

increase dividends per share, which is our standard practice since the company's public listing, and our future promise to shareholders as expressed in the dividend policy we updated last year.

Lastly, share buybacks are one of our options to return capital to shareholders. When buying back our own shares, we make it a point to cancel them promptly.

We estimate our current WACC (weighted average cost of capital) value to be 7 percent and are using this benchmark as a hurdle rate for future investments while adjusting for different currencies.

Building on the first year of our medium-term plan

Our ROIC and EBITDA margin for FY 2024 increased year on year by 0.8 percentage points and 15.7 percent, respectively, to reach 9.3 percent and 17.9 billion yen. With such a robust showing, we are hoping to restart growth investments earlier than planned.

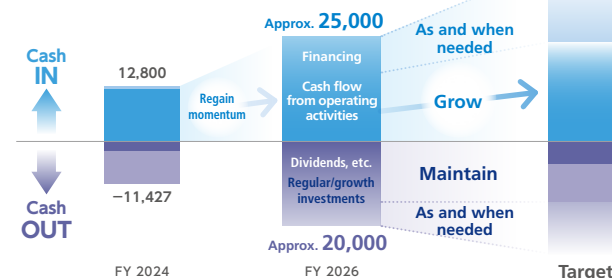
In FY 2025, we will continue to grow our EBITDA margin but expect our ROIC to go flat as growth investments take place. Through a new project, we will also look at our procurement and purchasing activities to explore how we can use our operating expenses more productively and with stronger governance.

To our stakeholders

SATO and our auto-ID technologies have an increasingly important role to play in solving shared challenges in society. And by pursuing Perfect and Unique Tagging as envisioned in our medium-term plan, we can contribute to a better and more sustainable world in far more ways than ever before. Through our offerings and in combination with those of our business partners, we will strive to scale greater heights. Thank you for your continued support.

Capital allocation based on our medium-term plan (for realizing growth investments and higher ROIC)

As of May 15, 2025
(Millions of JPY)



From business leaders



Strengthening our fundamentals with overall optimization

Yoshinori Sasahara

Executive Vice President

- **Make organizational changes to speed value creation**
- **Focus on four areas to ensure sustainable growth**

Since the merger of our holding company and key sales company in Japan in April 2025, we have been reviewing and optimizing our organizational structure and resource allocation to enable faster decision-making and put us in a stronger position to create value globally.

As more businesses invest in digital transformation to address labor shortages and raise productivity, we sold more solutions in FY 2024, which not only drove up our RFID and

software sales but also honed our skills in proposing and delivering what customers really need. Underpinning our solutions capabilities is our comprehensive portfolio, including printers, consumables, software and maintenance services. By serving customers as a one-stop solutions provider, we have a competitive advantage that leads multinational customers to choose us for their global needs. After making structural improvements and taking the necessary actions to start our medium-term management plan last year, we will move on to tackle the following priority areas in FY 2025.

1 Strengthen governance

Build a stronger system to govern our expanding global business, guide how we cocreate value with external partners and manage diverse risks.

2 Drive digital transformation

Enhance cybersecurity to keep our IT infrastructure stable and protect our digital assets, while transforming work processes to enable more advanced use of data.

3 Speed up our RFID business

Maximize synergies across R&D, production and sales to grow our RFID business and pursue Perfect and Unique Tagging.

4 Integrate various quality control processes and resources

Apply CSR and ESG perspectives to further improve product and service quality, safety and customer satisfaction.

We will continue working steadily toward our vision of being the customer's most trusted partner for mutual growth, and always essential in an ever-changing world.



Going glocal to create value starting where customers are

Hayato Shindo

Vice President and Group Operating Officer

- **Adapt our sales strategies to local markets with passion and creativity**
- **Manage global key accounts and invest strategically to speed business growth**

As Group Operating Officer, I work closely with different business divisions to formulate and execute sales strategies in line with our medium-term management plan. In doing so, I make sure we take the glocal approach to think globally and act locally.

By acting locally, our sales teams can adjust to local norms and address specific needs. We can, therefore, meet rising demand for automation and RFID in the Americas

where labor shortages are acute. In Europe, we can offer solutions that are eco-friendly or collect product life-cycle data, which many customers now seek in view of new environmental regulations. We can customize our offerings in Asia for Japanese and local customers, who tend to have different priorities when it comes to quality versus cost and practicality. SATO has a strong customer base across industries in Japan because it is where we established our DCS & Labeling business model and where we continue to hone our solutions. But as our business grows globally, we need to work on transferring expertise and porting success cases not just from Japan to other regions but the other way round as well.

Our ability to adapt flexibly to local needs is exactly what makes SATO strong as a global company. We go to customer worksites to find the best solutions through trial and error and deploy them across other worksites or regions where customers face the same pain points. This is the big, global picture we want to consider in our sales and business activities going forward. If we can shift our mindsets and change how we work accordingly, I believe we can make SATO stronger at a whole new level. Another thing that sets SATO apart from competitors is how our Japanese headquarters office and international subsidiaries and teams work as one to consistently meet the expectations of key customer accounts that operate globally. We will continue to leverage external partnerships while integrating our sales, R&D, production and service functions to deliver even better products and solutions.

To achieve this, we must first invest in governance, talent recruitment and development, IT and other areas that underpin our core operations. We will carefully consider where to play and how to win so that we make profitable and strategic investments to best benefit the entire company.