



Tagging for Sustainability

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

Integrated Report 2022
SATO HOLDINGS CORPORATION


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All to serve customers and society

Corporate motto

Our calling



Akunaki sozo — Ceaseless Creativity

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

SATO Values

Mission

Why we exist

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

Vision

Where we are heading

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

Credo

Our code of conduct

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

SATO Values around the world



SATO Values Office holds Credo Awards World Cup every year for the entire group to share and commend excellent examples of bold challenges that demonstrate our Credo and involve mutual collaboration and learning.

Photo: A member from our Vietnam factory (right) chosen as a finalist.



Members from SATO group companies in Argentina participated in workshops where they considered how the corporate values helped their success.



Our colleagues at SATO Electronic (Wuxi) in China learned about the corporate motto, SATO Values and the beliefs of our founder, Yo Sato, from the lyrics of our corporate song and through various activities such as group presentations and games.

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Editorial concept

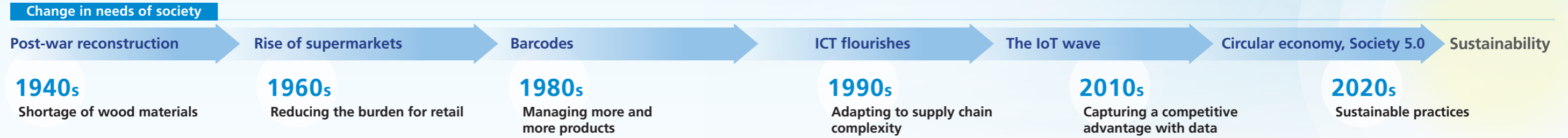
This report is the record of the tangible and intangible aspects of the SATO Group's medium- to long-term value-creation story through its core business of auto-ID solutions.

Disclaimer

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

Evolutions in tagging

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



How tagging changed

Labor-saving machines

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

1943 Bamboo stripping machine

1958 Bundling machine

The dawn of tagging

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

1962 The hand labeler

Prototype drawing of the first hand labeler by founder Yo Sato

Supporting the distribution of goods

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

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

World's first

Manufacture of barcode printer consumables

Collecting and utilizing data on-site

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

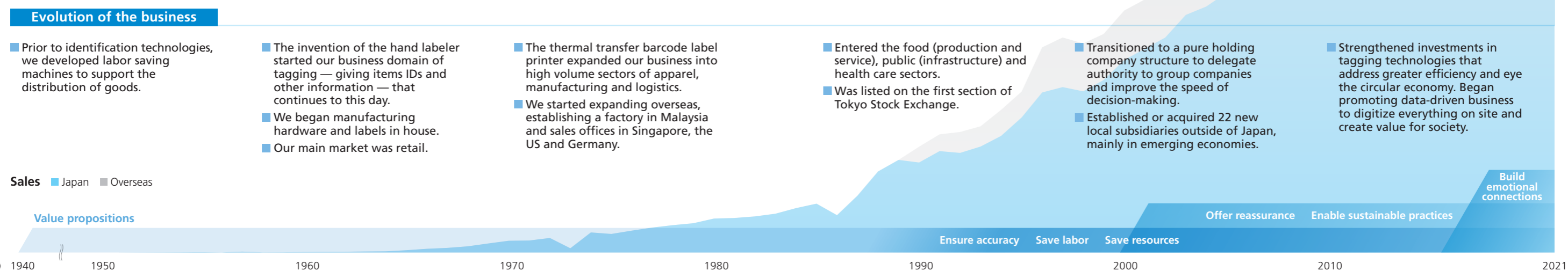
* Data Collection Systems

Integration to digitize the analog

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

Cocreating a sustainable future with stakeholders

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



Our business at a glance

Products, services and focal fields

It all starts from our customers' worksites. We give 'things' their own identity and connect them to the world. Our product lineup forms the core of our solutions to which we add third-party technologies, products and services to best meet our customers' on-site needs.

Printers

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



Consumables

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



Service and support

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



Software

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



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

Stickers and primary labels

We create product labels used on a variety of consumer goods, offering complete support on everything from design, material selection and printing/finishing methods to how to apply it onto products. Our plants have the know-how to provide attractive and durable pressure-sensitive labels to differentiate food & beverage, pharmaceutical, cosmetics, home care items, chemicals and other products at their point of sale.



Primary package consulting

Our in-house design team analyzes consumer trends to provide a value-added 'design promotion service,' which covers planning, design, printing and sales promotion for consumer products. It makes winning packaging designs that incorporate solid marketing strategy to rediscover the value of existing products utilizing emotion and logic.



Retail

SmartLiving
with SATO Solutions

Industries

Supermarkets, convenience stores, drugstores, apparel stores and e-commerce

Manufacturing

Connected&Flexible
with SATO Solutions

Industries

Automotive, chemical, iron/steel, machinery, electrical equipment and electronic parts

Food

Right Food, Right Way
with SATO Solutions

Industries

Food & beverage manufacturers, food service operators, farms and fisheries

Logistics

Agile Logistics
with SATO Solutions

Industries

Warehousing, transportation, wholesale distribution, 3PL and postal services

Health care

Patient Happiness
with SATO Solutions

Industries

Hospitals/clinics, pharmaceutical, medical devices/supplies, clinical laboratories, pharmacies and blood centers

Public

Industries

Government offices, utilities, education and public transit

From the customer

NTN Corporation

(Manufacturer of bearings, driveshafts and precision equipment)

Tracking metal cages with RFID to keep goods moving and improve production planning

With demand growing for high-mix, small-lot production, NTN needed to shorten the lead time from production to shipment, which meant planning its production more optimally. However, production plan sometimes had to be changed because expensive returnable transport items (RTIs) like pallet cages and containers used to move finished products from the plant to the warehouse and on to the customer could not be located when they were needed. The company was operating with the minimum number necessary due to cost.

By using on-metal RFID tags to visualize the whereabouts of these items and ensure no changes were needed for the production plan, NTN saw significant cost savings as it no longer had to replace lost containers. The previous running cost of 3 million yen was reduced to zero.



Tag selection was particularly challenging because there were more than 40 types available and we had to find one that would be reliable on metal at our target read distance. We had SATO help us narrow down to a few choices and test them repeatedly on site, including how we would attach the tags. Thanks to SATO's deep knowledge of worksites and associated pain points, we were able to arrive at the best solution.

Naoki Kawashima

Subsection Chief, Production Control Section
NTN Corporation

Global network

SATO Group has offices in **26** countries/regions and business presence in over **90**.

Regional sales activities  Page 26

Europe

Europe accounted for 16.3 percent of the group's sales in FY 2021. Since establishing a German subsidiary in 1989, we scaled up our base business through M&A. Acquisition of Russia-based Okil in 2014 enhanced the scope of our business in this region to include primary labels production. Currently, we have a presence in nine countries across Europe, including Germany, the UK and France. The leading market is retail, which makes up 40 percent of sales in this region, followed by food and manufacturing. We take a direct approach on major customers to establish solid relationships and hear out intricate needs, while exploring for the right business partners to expand our business with.



Asia and Oceania

This region accounted for 12.9 percent of global sales in FY 2021. Since establishing our first office in Singapore in 1987, we have expanded our base business here, setting up local companies across 12 countries including China and Thailand. Sales to manufacturers comprise 40 percent of sales in this region. Worksites differ between each manufacturer and industry, which is why we work with each customer to customize solutions to deliver optimal outcomes. These tailored services have built up SATO's strength that bolsters our high profitability in this region.



Japan

Sales from the Japan business comprised 57.9 percent of our consolidated total in FY 2021. Since its founding in 1940, SATO has continuously grown with tagging and visualization technologies that solve problems in society and of customers. While more than 30 percent of Japan's sales today come from the manufacturing market, we support a wide range of industries including logistics, retail, health care and food. Extensive coverage of industries and development of optimized solutions for individual customers help us accumulate useful insights to solve issues in supply chains across verticals.



Demand for automated solutions increased with deepening staffing shortages and a greater shift to e-commerce. Year-on-year sales in Japan increased by approximately 40 percent in FY 2021. Tagging techniques required in automated solutions differ depending on the item that is tagged and the operational environment. The accumulation of such experience and knowledge has strengthened our competitive advantage, with which we will capture growth opportunities on a global scale.

Americas

Sales in the Americas accounted for 12.8 percent of our consolidated earnings in FY 2021. We opened our US subsidiary focusing on the base business in 1987, and later expanded our business to South America by acquiring Argentina-based Acheran in 2012, followed by Brazil-based Prakolar in 2015, both of whom specialize in primary labels. Sales to retail customers comprise over 50 percent of the business in this region. We take a direct approach in dealing with strategic accounts but a more indirect approach via channel partners in most other aspects of our business.



From the front lines

In FY 2021, SATO America successfully grew its sales by meeting strong demand in retail with solution offerings. One key success factor involved mitigating a shortage of printers by working very closely with direct customers and channel partners to supply mission-critical printers to meet their demand. Through consistent communication with customers and our manufacturing facilities, we were able to provide very accurate advanced forecasting to help factories focus on high priority models. Our manufacturing facilities went the extra mile and were instrumental in meeting the demands of customers. We also focused on developing new solution innovations that drove efficiencies to meet tagging requirements which led to growth in our labeling and service offerings. A positive business cycle was driven by trusted relationships with strategic customers through best-fit solutions. These were fueled by careful attention to pain points, which led to repeat business.

Stephen Sundstrom
President & CEO
SATO America, LLC



Printer production

Vietnam

We established our Vietnam factory in 2004 to meet higher demand medium- to long-term and it has since become a core production hub of mobile and compact printers. Even during the COVID-19 lockdown in FY 2021, it has managed to continue production while preventing the spread of infections by introducing an isolation bubble system. The factory continued to respond to growing needs, as the procurement team collaborated with counterparts at other factories to mitigate the impact of parts shortages.

Malaysia

SATO Group's first hardware factory outside Japan was established in Malaysia in 1986. Having started with hand labeler production, this factory is now the central producer of industrial printers. The factory relocated in 2018, upgrading its production capacity, productivity and quality. Amid the supply chain disruptions in FY 2021, we continued to deliver products in demand by installing strict infection prevention measures and collaborating more closely with local suppliers.

Taiwan

Argox, acquired in 2012, is a developer, manufacturer and seller of entry model printers geared primarily for channel sales in China and Brazil. Despite the impact of supply chain disruptions in FY 2021, we took actions to maintain stable delivery, negotiating price and arranging for urgent procurements with existing suppliers as well as searching for and switching to alternative parts. Sales* increased by more than 25 percent from the previous year as a result of successful strategies, which include mining new customers and being flexible in our packaging of products and services to meet regional needs.

* Taiwan sales are included as part of the Asia and Oceania region.

From the front lines

FY 2021 was the most challenging year in the factory's 35-year history. In order to maintain our delivery and keep customers' operations going, urgent and innovative measures were required to optimize our operation. We prioritized securing our supply chain through close collaboration between our experienced team and local suppliers. Our team visited suppliers' sites to understand the situation and worked out solutions together. We will continue our efforts, without compromising our commitment to customer satisfaction.

Mohd Norlezan Bin Rosley
Chief of Production Department
SATO Malaysia Electronics
Manufacturing Sdn. Bhd.



Our business at a glance

Financial and non-financial highlights

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

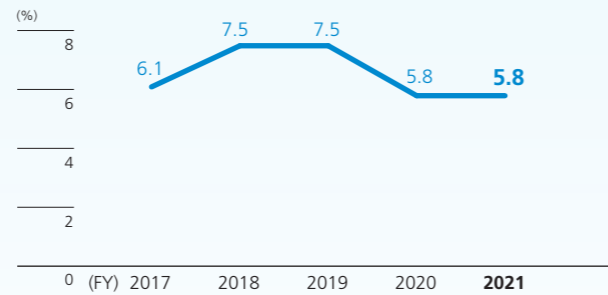
Financial

Sales & operating income



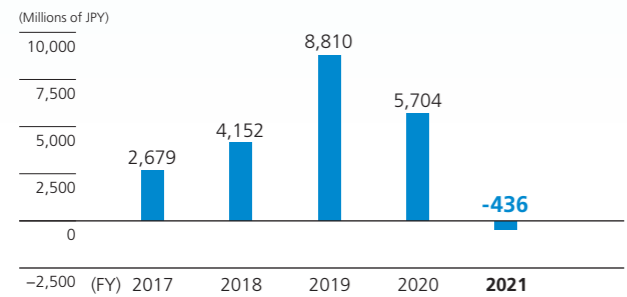
In FY 2021, both sales and operating income increased on a consolidated basis, with sales hitting a record high despite rising costs caused by material price surges and supply chain disruptions. This was possible because of the sustained recovery trend in demand from existing customers, and our efforts in expanding our solution offerings for each industry.

Return on invested capital



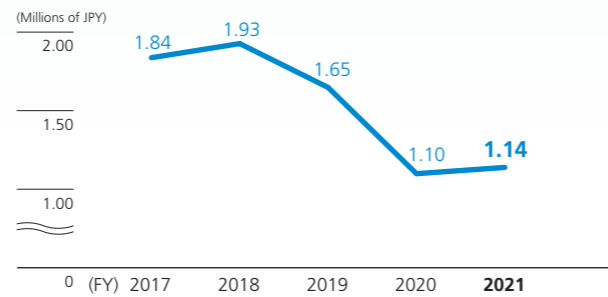
ROIC remained flat year on year as NOPAT (net operating profit after tax) margin declined despite improvements in sales and invested capital turnover.

Free cash flow



Our free cash flow was negative as an increase in inventories pushed up working capital, causing operating cash flow to decrease.

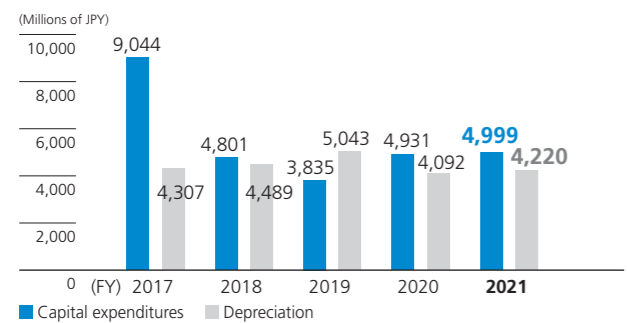
Per capita productivity



Our per capita productivity in Japan decreased because higher one-off costs and growth investments impacted profits. Productivity outside Japan slightly improved on a consolidated basis, however, thanks to the strong performance of our primary label companies.

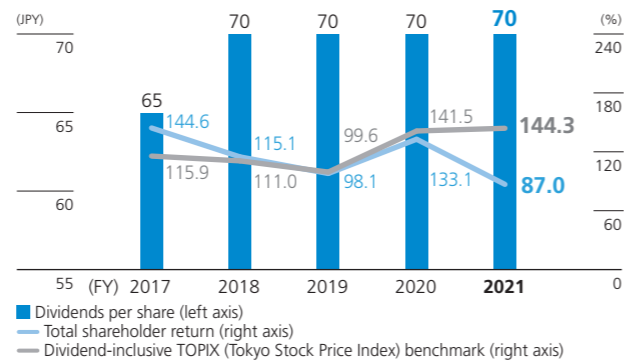
Note: Per capita productivity refers to operating income (excluding goodwill amortization and ERP system depreciation) per active employee.

Capital expenditures & depreciation



In FY 2021, our capital expenditures increased due to investment on production equipment both in and outside Japan. Depreciation increased reflecting capital investments that were made.

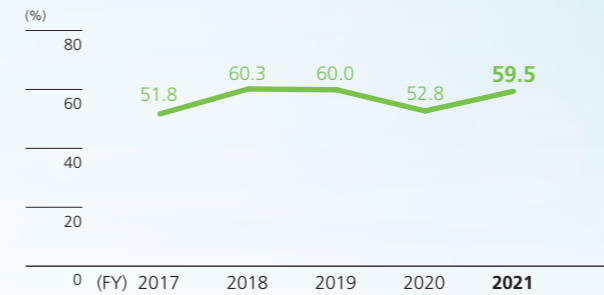
Dividends per share & total shareholder return



We maintained the same dividend payout as last year, under our policy to deliver stable dividends by enhancing market value per share. To maximize total shareholder return, we will balance how we allocate our capital to make growth investments that generate high ROIC.

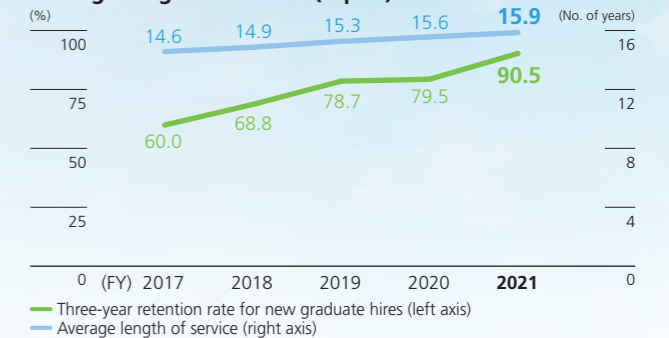
Non-financial

Annual leave utilization rate (Japan)



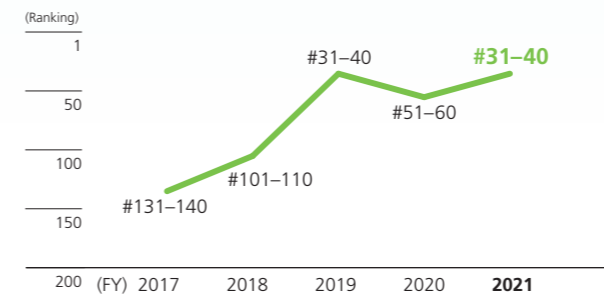
Under a company-wide push to promote flexible work arrangements, our employees' paid leave utilization for FY 2021 is almost back to pre-pandemic levels after recording a onetime dip during transition to the new normal in FY 2020.

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



The retention rate of our new hires has improved greatly as we provided follow-up support in the workplace and ready access to remote working tools for effective communication. Employees are also staying longer with the company, due to measures taken to boost job satisfaction.

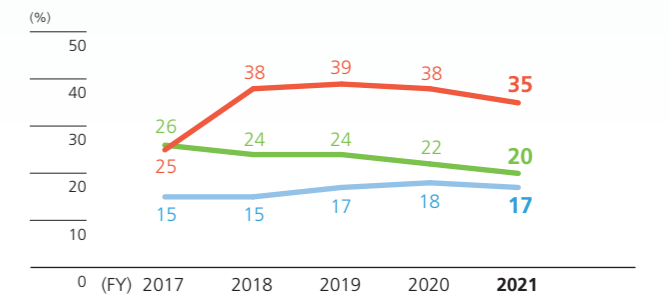
Engagement with investors



In FY 2021, we received the IR Special Award from Japan Investor Relations Association (JIRA) in recognition of our commitment to engaging in stakeholder dialogue with consistency and continuity, proactive involvement of top management in IR activities, and regular holding of ESG discussions and briefing sessions to help investors better understand our different business strategies.

Note: As ranked in JIRA's IR Award.

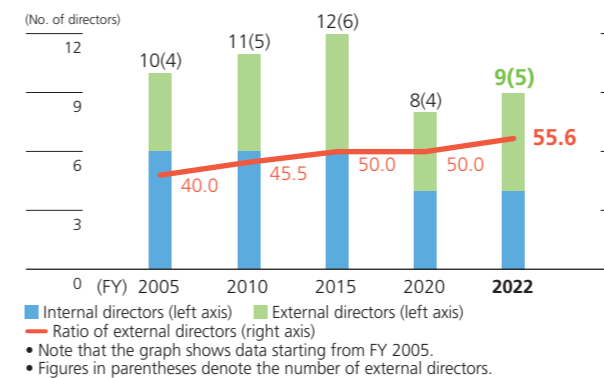
Wellness management (Japan)



We were recognized as a Certified Health & Productivity Management Outstanding Organization by Japan's Ministry of Economy, Trade and Industry in FY 2021 for the sixth consecutive year. Metabolic syndrome and smoking prevalence among employees both decreased, with the latter falling by two percentage points for two years in a row as multitermed no-smoking policies were introduced and employees became more conscious of health risks. As fewer employees were physically active (down by three percentage points) due to the ongoing pandemic, we will step up actions to create opportunities for everyone to exercise more.

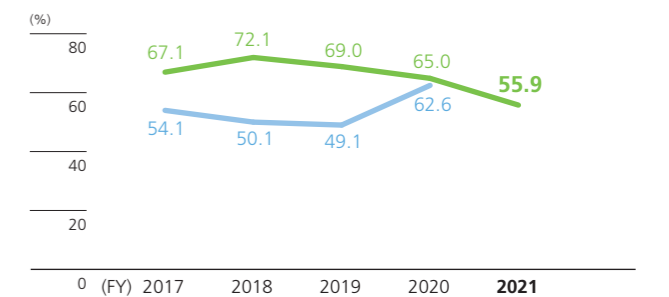
*1 Based on corresponding health screening data of employees aged 40 or above.
*2 Minimum 30 minutes of exercise at least twice a week or walking an average 8,000 steps per day, over the span of at least one year.

Board size & ratio of external directors



We appointed our first external director in FY 1999 and our first female external director in FY 2004. External directors have accounted for half of our board since FY 2015 and make up the majority in FY 2022.

Patent utilization rate (Japan)



Our patent utilization rate dropped in FY 2021 as we spent the year strategically focused on patenting peripheral technologies of our licensed/licensable patents. We will continue to improve our patent utilization rate and overall patent quality, protecting and making use of patents that generate customer value.

*1 Based on date registered. *2 Utilization rate of patent rights owned.
Source: In-house records. Source: Japan Patent Office Annual Reports 2019-2022.

From the President and CEO

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



Ryutaro Kotaki
President and CEO

Four years at the helm

My first four years as CEO have been about constantly pressing forward despite difficulties. Since assuming my position in April 2018, I have concentrated our resources on our auto-ID solutions business, which is where we can maximize growth by tapping into our core strengths. Among the many companies that comprise our industry — automatic identification and data capture — we have a unique advantage with our customer-centric expertise in tagging (the process of giving things identifiers to make them trackable) and the way we deliver that expertise, through a sales approach we call koto-uri.

We don't simply sell our technology and printers and label products right out of the box. We first go to the customer's worksite to hear out their pain points, and then

seek solutions by considering which auto-ID technology would work best, which label or tag would match the material and shape it would be applied to, how to apply them and read the embedded data in a way that meets local operations, and at which point in an operation the collected data would be fed to the host system. Only after this process do we shape the solution in the best combination of printers, labels, technologies and services. This is koto-uri: selling the solution, not the product.

Tagging thus requires a broad and in-depth understanding of customers' worksites and supply chains, which accumulates into expertise spanning various markets, industries and applications. And our interactions with customers strengthen our relationship the more we solve their pain points and pursue koto-uri, which builds greater trust, which goes back to more interaction and a

positive cycle that continues. Over 90 percent of our customers in Japan come back for our products and services, which proves the effect of this cycle.

I believe we can carry over this advantage we built up in Japan to the global stage, which is why my first years as CEO had been focused on instilling the approach worldwide. Our business outside Japan had mostly been about selling the product, and annual performance relied on onetime, high-volume orders for printers, which posed concerns of business continuity and stability. So, we started making changes with each subsidiary narrowing down its business direction and strategies and changing employee mindsets, which was to focus on auto-ID solutions and practice koto-uri.

It was about setting focal markets and industries for each country and getting sales representatives to visit

strategic customers to learn their pain points and what they needed, ultimately making proposals to solve them with our tagging solutions. We initially had to provide support from Japan to cover for the inexperience, but after repeating this approach, local sales reps and offices got a better idea of what scope they should cover in their proposals, which products and services to combine, and which business partner would be the best to work with. This process builds knowledge and the confidence to do koto-uri sales for tagging-based solutions. Our human resources outside Japan are limited compared to the vast potential there is for business growth, so it's crucial that we find strategic partners and form alliances through our koto-uri approach.

To better provide support from Japan, we changed our organization and how we work. We adopted a matrix

From the President and CEO

management structure in our HQ with reporting aligned by market sector and product/service, which allows us to support regional sales more closely. This change allowed us to assist each subsidiary effectively in its koto-uri approach to its focal markets and industries. When drafting strategies and tactics, it's critical for HQ to think together with the members of each local team and to develop their business hand in hand. Only by understanding local challenges can communication be two-way, and such two-way dialogue has finally become the norm between SATO HQ and our regional units.

We have also focused on instilling our corporate values in global employees, so they feel that they belong here in SATO and engage in their daily work with a sense of ownership. But since values rooted in Japanese business ethics do not translate directly to other cultures, we revised some that are uniquely Japanese, and have a dedicated team driving the promotion of the globalized values, working together with promotional leaders in each local office. These actions have served in building people that support our business model in key roles, ultimately building our business to greater heights.

With COVID-19, our operations changed drastically, but thanks to the actions mentioned above which we initiated pre-pandemic, we achieved record sales and profits overseas in FY 2021.

In Japan, our business is based on our long-held relationships with customers that we developed from solving pain points with our tagging expertise. I feel that customer pain points have changed significantly in these four years.

Labor shortages have been a constant issue at customer worksites from before the pandemic, and a comprehensive solution boils down to raising productivity, which is increasingly about optimizing the whole rather than the

parts. And solutions have turned more sophisticated and complex, largely owing to technological advancements. We have been successful at creating tagging-based solutions that incorporate the latest technologies to deliver value in labor and resource savings and raise productivity at customer worksites. Optimizing the worksite is a never-ending task for businesses constantly faced with change, and our customers' scope of work now encompasses entire supply chains. In logistics, for example, our optimization solutions may have streamlined processes at a distribution center, but now, we need to track a shipment in terms of how efficient a route it took to be delivered to its destination. We are optimizing not just one site but across a supply chain. I believe this trend will gain greater momentum in the longer run amid digital transformation trends, growing awareness around SDGs, and waves of industrial restructuring. We are entering an era where customers can no longer expand their business by simply optimizing their own operations.

As customer pain points have changed, so have the technologies to solve them. Data we tag to everything is and has been primarily identifier information. But today, advancements in sensing and wireless communication technologies allow us to collect a variety of real-time information that were difficult to collect, such as location and temperature, which opens up an array of applications and needs. Many factories, for example, see their workers taking time to find parts in process or dollies to transport them, which sets back their production schedule. By tracking real-time location and managing whereabouts of these items, operators could gain greater productivity. There are growing needs for solutions and media that collect such real-time information.

These changes in customer needs have, however, made our discussions with customers more technically complex,

causing deals to take longer to close. It is now more difficult than ever for a sales representative to solve all the big and small pain points of a customer. The Japan business is currently taking actions to improve profitability, such as reframing our organization to take an "All-in sales" mindset^{*1} and improving our own productivity with IT overhauls.

*1 The idea of developing customer touch points not only through in-person sales but together with inside sales, marketing and servicing functions as well to produce high-quality leads for more efficient sales conversations. Also refers to the mindset for all of our non-sales functions in the value chain to take of pursuing customer-centricity.

What the medium-term management plan aims to achieve

We have completed the first year of our FY 2021–2023 medium-term management plan, which sets an underlying theme to "turn strategies into results" and "invest in long-term growth." While the business environment has largely changed, my essential idea has not, and that is to go back to basics. Our founder Yo Sato invented the hand labeler, which helped supermarkets and retailers print price labels and apply them to products, solving a nagging pain point. When point-of-sale systems became mainstream, barcodes were needed, to which SATO answered by inventing the thermal transfer barcode printer and supported the growth of retail. Be it tagging price as we did with the hand labeler or ID with barcode printers, our fundamental purpose is to solve customers' pain points with tagging and the spirit of Ceaseless Creativity. And with tagging as our core domain, we have grown to where we are today. Our essence remains unchanged no matter how our business model or the solutions we provide change.

Our second president Tokuo Fujita coined our business model "DCS^{*2} & Labeling." It's about tagging data to



things using printers and labels, reading it with scanners, and collecting the data to be fed to the customer's IT systems. This act of collecting real data at customer worksites and visualizing it remains the key concept of what we do today. Our koto-uri approach — of hearing out customer pain points to create the best solution with customers — and our market-based strategies also began at around the same time. Enhancing and innovating this time-proven, competitive business model to drive further growth is the underlying idea of this medium-term plan.

Behind this idea is robust, global demand. Concerns for labor shortages, rising labor costs and increasing shipping volume due to e-commerce growth existed prior to COVID-19 but have intensified with the pandemic. This trend has led to more opportunities for us to suggest broader possibilities of using printers and labels to manufacturing, logistics and various other worksites while providing productivity solutions that use new technologies such as RFID and automation. The current medium-term plan sets three growth strategies: "Enhance region/market strategies," "Drive technological innovation" and "Incorporate ESG into our corporate model." [\(Page 26\)](#)

How fast we change will be as important as ever. In order for us to keep up with the speed at which society

From the President and CEO

and customers change, we need to uphold our koto-uri approach while constantly innovating the organization (i.e., employee mindsets and the way we sell), internal IT platforms and our unbeatable offerings.*³ I will keep reminding myself that we need speed to achieve sustainable growth.

*2 Data Collection Systems
*3 Highly competitive solutions, products, services or devices

SATO's strengths

What drive our growth strategies are our strengths.

Genbaryoku — our core competency of going to and understanding customer worksites — is the word that describes our strength and is inseparable from tagging and koto-uri. We develop a positive cycle of deep, long relationships with customers through tagging and koto-uri and hone our ability to deliver value on-site through this process.

Genbaryoku consists of three elements: **1** industry expertise, of being versed in many markets, industries and applications, **2** technical expertise, in offering the best mix of products and services of both our own and our business partners, and **3** servicing, to continuously improve customer operations and build long-term trust. (Page 35)

To deliver tagging-based solutions, we draft strategies specific to each country or region as well as each market sector, industry and application. This approach is nothing new for us; for over 30 years, we have been building our knowledge base about what proposals worked in what type of application and industry, and for what kind of pain point. It is this accumulated know-how that hones our capability to suggest solutions to customers, which wins their trust to rely on us again with their next pain point.

Our business runs with these gears of tagging, koto-uri, genbaryoku and strategy working in sync, which sit on the groundwork of customer-centricity and our corporate motto of Ceaseless Creativity that drove founder Yo Sato to help customers with their problems. These mindsets are SATO's founding spirit. We work hand in hand with customers and through trial and error to offer a solution to a challenge that customers themselves may have given up on. That's the spirit that lives on in our corporate values, which we are instilling in members around the world.

Human resources and organizational strengths are vital for us to turn genbaryoku and customer-centricity into a powerful driving force. In terms of organization, we can serve customers only when SATO's value chain is functioning over every stage of design/R&D, production, distribution, sale and servicing. Each of these departments is constantly honing its abilities from the customer's perspective. Had it not been for their efforts, we would not have fulfilled our obligations to deliver printers nor met customer expectations during the supply chain disruptions of FY 2021.

Shaping ourselves toward Tagging for Sustainability

We will continue to innovate our DCS & Labeling business model.

Look into the future and we see a world seeking digital transformation and sustainability (SDGs) and facing societal challenges from graver labor shortages and industrial restructuring, which would require increasingly complex solutions amid technological advancements. As these societal challenges find their roots in the supply chain, it is natural that customer priorities are shifting from

optimizing individual worksites to optimizing the entire supply chain. This is where we come in with our tagging-based solutions.

One of our key focuses is traceability solutions. A provider of a product, for example, would want to know how its product is used, where it is now in what quantity, and whether it has been sold by a specific date or not — in other words, trace it to detail — which would allow the provider to optimize procurement and production to save resources and reduce waste, or design its products to be recyclable, to fulfill its social responsibility. The provider would benefit even more with insights from further down the supply chain, showing that its product was consumed by the end user and its container properly recycled.

If technological innovations could digitize all of these real supply chain details that were unobtainable in the past, it would mean a lot to manufacturers, logistics operators, retailers, consumers and recycling companies in terms of improving their business and meeting societal demands.

And if SATO could collect such real data with our tagging innovations to track what was not trackable, we would help optimize the world we live in and make ourselves an essential company in the business ecosystem. With this aspiration, we established the "Tagging for Sustainability" concept in 2021. This idea is aligned with our corporate values that define our purpose as contributing to society through our business. Tagging for Sustainability is what the SATO Group aims for as we innovate our existing DCS & Labeling model.

Long-term business vision



* Those of/across production, distribution and sale

From the President and CEO

By taking this long-term perspective, we would get a clearer picture of what we need to do from now: use our extensive know-how and outstanding products/services to our advantage to develop solutions that stay ahead of the curve and market trends, strengthening and further honing our value propositions. We are currently working with customers and business partners to create tagging-based solutions that would collect useful data across a supply chain, develop media that could actually collect such data, and consider ways of storing and utilizing the collected data. (Page 33)

Choosing media made from latest technologies and enabling them to carry useful data and be circulated to provide visibility into the entire supply chain — that's when added value is generated, and ways of doing business change. This is the world we envision with Tagging for Sustainability.

Our commitment to sustainability

Our business of solving customer pain points with tagging-based solutions has always contributed toward a better and more sustainable world. Sustainability is inseparable



from our business and our quest to raise corporate value. We have identified our materiality agendas in terms of what we do as our core business and what we do voluntarily as a company. (Page 38) Regarding climate change, for example, we plan to (1) help customers improve productivity to reduce their carbon dioxide emissions with our solutions, and (2) make systematic efforts to reduce carbon dioxide emissions linked to our operations, enhance green procurement practices and expand recycling options, as part of our declaration of support for the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. (Page 45)

Human resources are core to sustainability at SATO, because our people are central to our business. As we hone DCS & Labeling and aim to innovate it toward Tagging for Sustainability in a constantly changing world, we must continue to innovate our solution offerings and the products, services and technologies that comprise them. At the center of it all is people; fostering a corporate culture that empowers innovation is crucially important in company management. I will work to bring out the best in our diverse workforce, so we dare to take new challenges in the spirit of Ceaseless Creativity.

We have a culture of rejoicing in small changes that occur in the workplace every day. Underpinning this culture for nearly half a century is Teiho,*4 reports on ideas to better the company that employees submit to top management. In FY 2021, we took this system further and started the "Make My Team Better" Teiho to encourage employee-led improvements, which proved to be successful in several test cases and led us to roll it out (in Japan only) in FY 2022 under a new name, "Make-a-Ripple" Teiho,*5 as a culture-building initiative. The report goes straight to the submitter's direct manager, allowing actionable ideas to be acted upon faster and letting submitters know through

highly relatable experience that they too can make a difference. It heightens employees' motivation and their sense of belonging to the company, while the company can change for the better, with speed. With this and other initiatives, we hope to build talent who can take ownership in their work and foster an innovation-friendly organization where small changes occur naturally. These initiatives come under the "Our Way to Our 100th Anniversary" project, which we have started for building corporate culture ahead of our 100th anniversary in 2040, and is led by a dedicated team to drive things with speed. (Page 41) To engage employees in innovation and more value-added work, we will also focus on improving productivity by continuing to revamp our in-house IT infrastructure and changing the way we work. Maintaining diversity in our key personnel is another topic we are keenly discussing for good corporate management. (Page 47)

We have also worked on strengthening governance as the basis of materiality decisions. External directors comprise the majority on our board today, while chairing the board and its nomination/remuneration advisory committees as well. Our next step is to strengthen groupwide governance over our subsidiaries outside Japan, which we have started by setting our managerial departments around the world up for collaboration.

SATO Group participates in the Japan chapter of the United Nations Global Compact (UNGC), a worldwide framework for companies that are committed to sustainability. We prioritize responsible business practices that comply with universal principles on human rights, labor, environment and anti-corruption.

*4 "Reports on original ideas, innovations and proposals aimed to make the company better and on how to put them into action" that employees write within a set word count and submit to top management. (Page 41)

*5 Comes from the symbolism that, just as a small pebble thrown in water would make a ripple that spreads throughout the pond, small change would eventually turn into big change. Started only in Japan for FY 2022. (Page 41)

To our stakeholders

We will allocate returns from our business placing priority on growth investments, while sharing them with our shareholders in the form of stable, sustainable dividends and stock buyback. Our total dividend per share for FY 2021 was ¥70, same as the previous fiscal year, after considering uncertainties in the business environment caused by supply chain disruptions and geopolitical risks, and keeping with our four-way returns to stakeholders policy as mentioned in our Credo. Expecting to achieve highest-ever operating income for this fiscal year, we plan our FY 2022 total dividend per share to be ¥2 higher, at ¥72.

As supply chain issues intensify and become more complex with increased awareness of SDGs and greater momentum toward industrial restructuring, the demand for tagging and supply chain visibility solutions will continue to rise. By keeping to our medium-term management plan, we will capture these needs and grow our business while contributing toward a sustainable world. This is not an easy goal to achieve in a still uncertain economic environment that is exposed to heightened geopolitical risks, inflation shocks and supply chain disruptions, but we will boldly take on new challenges, staying true to our heritage and values and our motto of Ceaseless Creativity to continuously raise our corporate value.

Do count on SATO to keep bringing innovation to society with the power of tagging.

From the CFO

Keep staging changes to maximize our corporate value



Fusaaki Matsumoto
CFO and CCO

My responsibilities as CFO and CCO

A full fiscal term has passed since I became Chief Financial Officer and Chief Compliance Officer in April 2021. With supply chain disruptions and growing geopolitical risks, FY 2021 did not quite go as we expected, and steering us through it financially was no easy task.

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

In FY 2021, supply chain disruptions and rising material/component costs weighed on our business. And as we accumulated more inventory to avoid possible stock-outs amid robust market demand, our working capital spiked briefly, leading to a dip in operating cash flow. These circumstances, along with increased investment on production equipment for our growth areas such as RFID, resulted in negative free cash flow at the end of the fiscal

year. To turn strategies into results and invest in long-term growth within our current medium-term management plan (FY 2021–2023), we expect to make costly capital investments in FY 2022, but also anticipate highest-ever profits for the year, which should turn free cash flow positive.

Our financial leverage ratio in FY 2021 was 1.9, meeting our financial risk target of no more than 2.0. Our debt-to-equity ratio and current ratio were 25.1 percent and 195 percent respectively, with the latter reflecting our liquidity and ability to realize stable business activities and sustainable growth. Amid supply chain disruptions and growing geopolitical risks, we have also continued overdraft and commitment line agreements to secure financing in the case of unforeseen situations.

Shareholder returns are as important as financial stability. We issued dividends at ¥70 per share for FY 2021 in line with our dividend policy. In May 2022, we announced a share repurchase program valid through March 31, 2023, for up to ¥2.5 billion to boost shareholder returns and enhance the company's capital allocation plan in keeping with changes in the business environment.

To ensure business sustainability, we must strive to maximize corporate value at the group level, which requires us to take certain risks to pursue the greatest possible returns from a medium- to long-term perspective. We established a Business Review Committee in April 2021 to help manage risks in a valid and prompt manner. This committee that I chair assesses and analyzes risks that the SATO Group takes in conducting business, for example, when making investments, taking out loans or acquiring and disposing of assets. The committee reviewed and passed proposals for investing in RFID-related assets and in R&D to develop a new standard printer platform. With the help of this committee, we will continue to advance investment strategies and optimize our business portfolio over the medium to long term, making investment decisions based on the WACC (weighted average cost of capital) benchmark of 8 percent and the situation of each country/region and project.

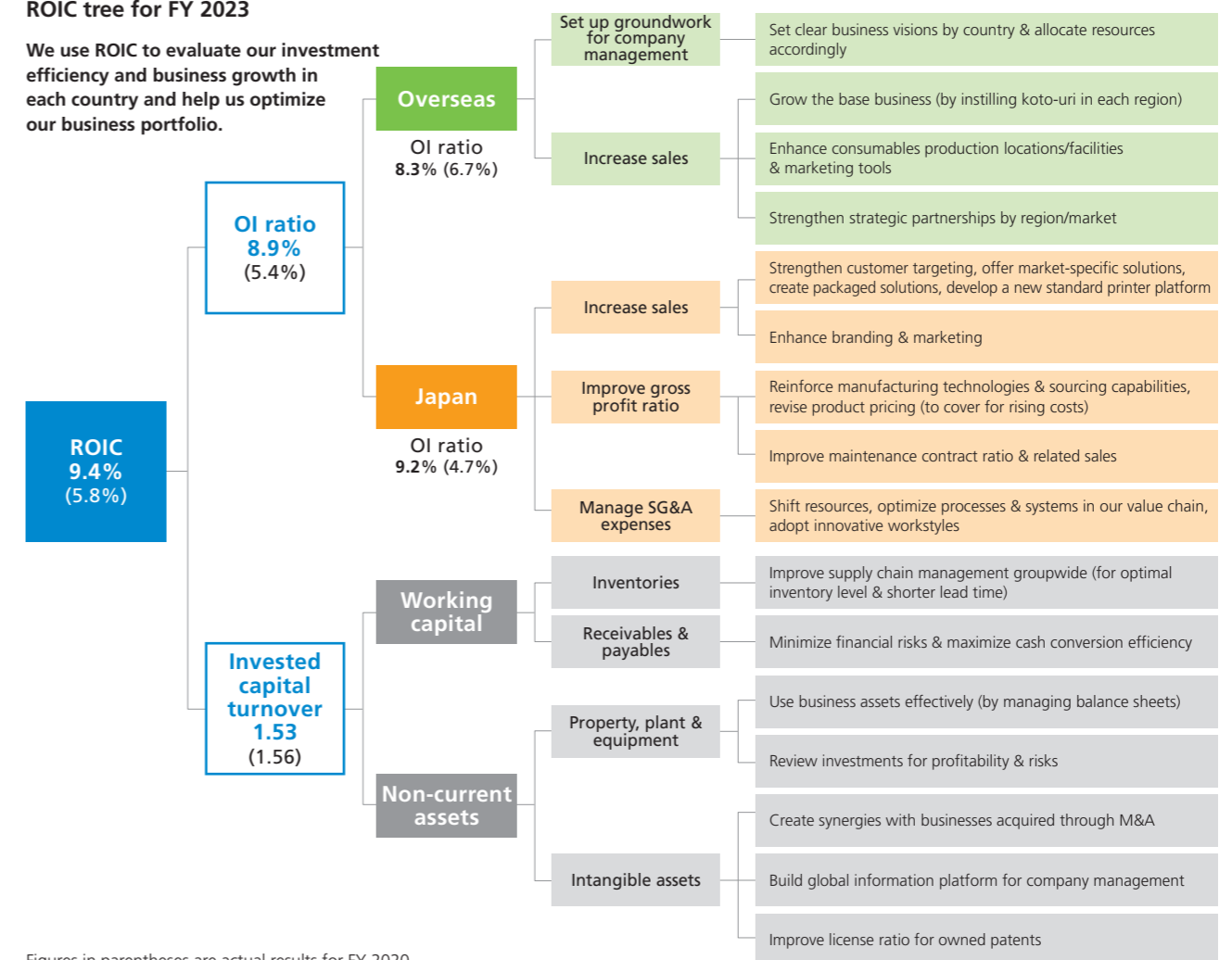
Toward achieving our medium-term plan

Our most important commitment to stakeholders today is to achieve our medium-term management plan.

By the end of the plan in FY 2023, we target sales of ¥126 billion, operating income ratio of 8.9 percent and ROIC (return on invested capital) of 9.4 percent. Underpinning this plan are three main growth strategies: (1) enhance region/market strategies, (2) drive technological innovation, and (3) integrate ESG into our corporate model. While I am responsible for implementing financial/capital strategies that aid the medium-term plan, I place particular emphasis on (3), given its importance in supporting the first two strategies. I hope to help strengthen governance (for risk management and thorough internal controls) and build a new in-house IT

ROIC tree for FY 2023

We use ROIC to evaluate our investment efficiency and business growth in each country and help us optimize our business portfolio.



Figures in parentheses are actual results for FY 2020.

Our capital allocation plan How we allocate cash reserves and cash generated over FY 2021–2023

Approx. ¥50 billion



Strategic investments Policy: 1) Invest in strengthening DCS & Labeling (approx. 60%)
2) Invest up-front in long-term growth toward Tagging for Sustainability (approx. 40%)

Strategies	Weight	Main actions	Target effects		
			Sales growth	Productivity gain	Cost savings
1 Enhance region/market strategies	Approx. 20%	Develop unbeatable offerings in our core business for each key market	✓		
		Engage in business alliances (M&As, funding, joint ventures, etc.)	✓	✓	
2 Drive technological innovation	Approx. 60%	Enhance manufacturing capabilities for printers, consumables & RFID; upgrade equipment and facilities	✓	✓	✓
		Develop advanced tagging technologies & solutions	✓		
3 Integrate ESG into our corporate model	Approx. 20%	Build a talent development framework	✓	✓	✓
		Develop eco-friendly products	✓	✓	
		Build new IT infrastructure	✓	✓	✓

Shareholder returns Policy: Deliver stable dividends by enhancing market value; conduct flexible share repurchases when necessary

	FY 2021 (actual)	FY 2022 (target)
Dividend per share	¥70	¥72

infrastructure (for visualizing our company management and business information). In FY 2021, I focused primarily on the former, reinforcing our governance over global subsidiaries through collaboration with relevant managerial departments.

In terms of capital allocation, we plan to strategically invest approximately ¥50 billion from cash reserves and cash generated over these three years in the aforementioned growth strategies, maintaining balance with shareholder returns and retained earnings. (See chart above.)

The efficiency of our invested capital will be measured against ROIC, which depends largely on operating income ratio. In Japan, we will take actions such as shifting to an “All-in sales” mindset to increase sales, and offering RFID-based solutions to differentiate us from our competitors and improve gross profitability. For our business outside Japan, we will work to establish the groundwork for company management and further instill the koto-uri sales approach in each region. To ensure we see our growth strategies materialize into results in subsequent years, we will also be investing in R&D for a standard printer platform and in an internal IT system. As

more investments become necessary for our business expansion plans, the Business Review Committee will review existing businesses and new investments duly considering their risk–return profiles. We will also use business assets effectively by carefully managing our balance sheets to improve our total asset turnover toward achieving optimal business and asset portfolios.

To raise ROIC to our target 9.4 percent, we must drive awareness across our business front lines, communicating to all employees the importance of the metric. This will be another responsibility of mine, holding active dialogues with employees to explain how ROIC is linked to their daily work and customer value creation.

At where we stand now, we want to shape a corporate management model that is capable of growing business in line with our strengths to deliver results over time even amid changes in our external environment as long as we work on it diligently. We will continue contributing to society through our business to become an indispensable part of society and sustainably increase our corporate value. I ask for your continued support in our journey ahead.

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

As businesses today search for how big data can benefit them, at SATO, we focus on the more immediate question: “How can we make that ‘thing’ big data?” In a world where most things have yet to be digitized, our auto-identification solutions provide the answer. We tag IDs to anything — and everything — to track items and help businesses run smoothly, without stopping. A connected world of productivity, safety, reassurance and sustainability starts with somebody physically seeing the real situation on site and handcrafting answers that work. That’s what we do. And we start where you are. Because we are Powered On Site.

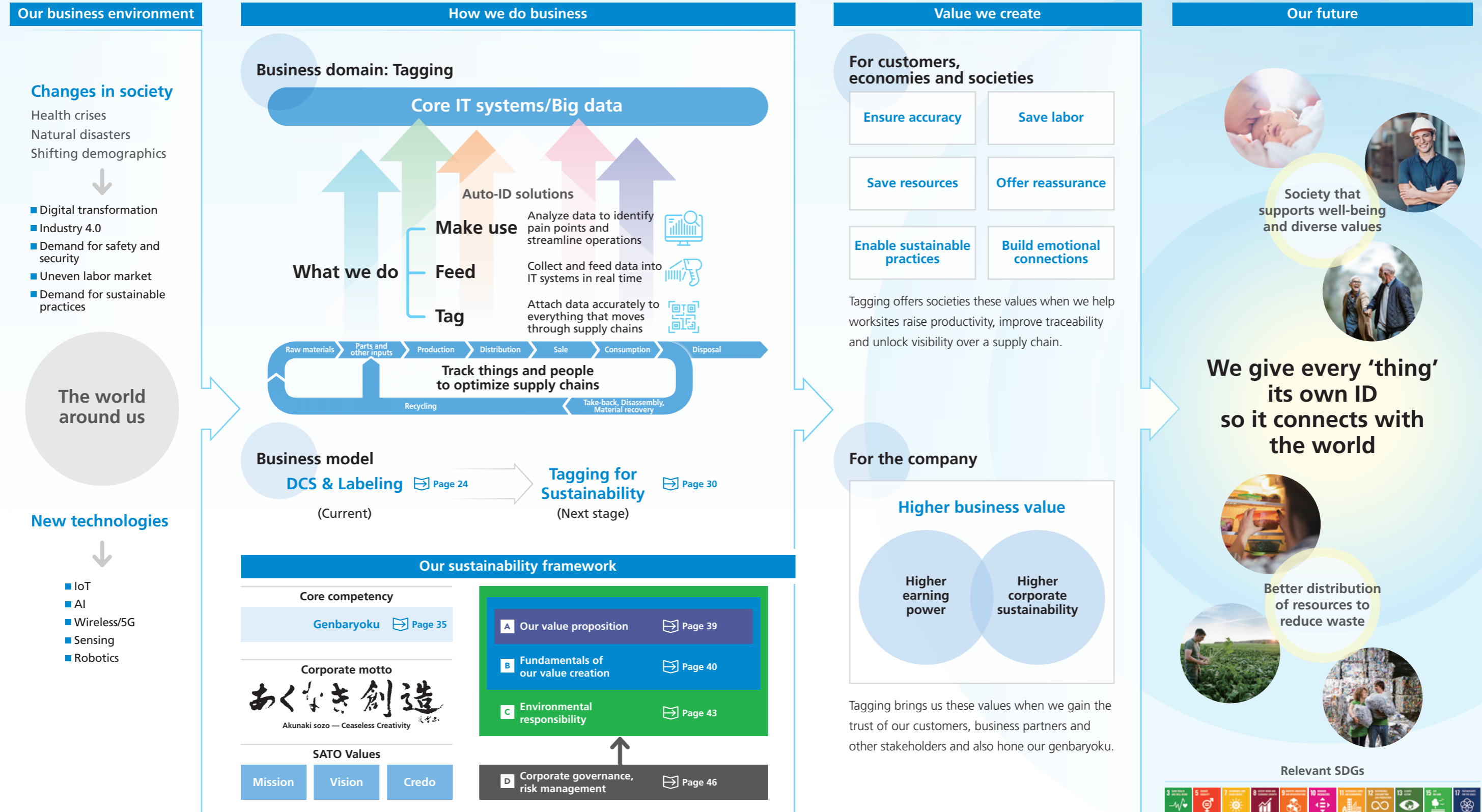


Section 3 Our value-creation story

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SATO's value creation: The big picture

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



Strategies for the future

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

Overview

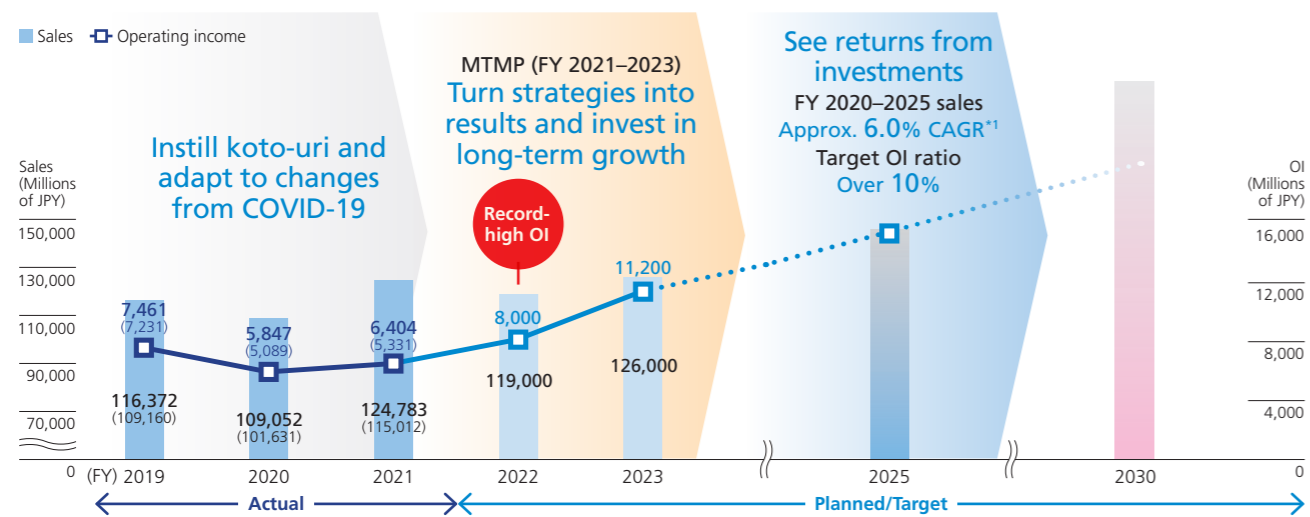
From now to FY 2023 and beyond

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

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

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

Where the MTMP stands



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

Growth strategies and targets

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

Our targets (on a consolidated basis)

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

*1 Excludes our Russian business.

From the leaders

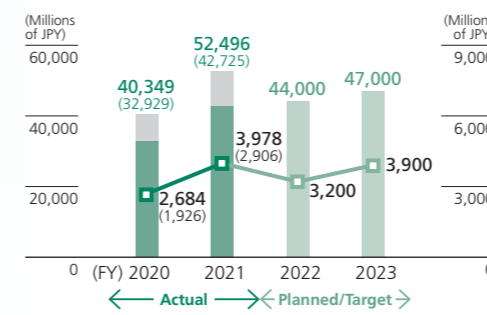
Global Establish the groundwork for sustainable profit growth

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

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

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

Sales & operating income



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



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

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

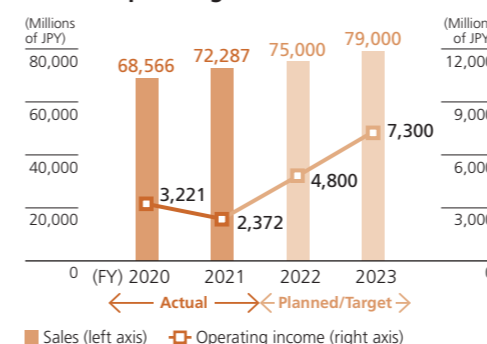
With global recession concerns, geopolitical risks, supply chain complications and skyrocketing material costs, the business environment is unforeseeable and full of uncertainties. Yet we shall take the aforementioned actions in our drive toward achieving our MTMP objectives to generate stable, sustainable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

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

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

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

Sales & operating income



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

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



Hiroyuki Konuma
Vice President
Oversees Japan business
President, SATO Corporation

Progress of the three growth strategies

Enhance region/market strategies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*² A marketing function that generates and nurtures qualified leads for passing to sales.

From the front lines

The role and vision of our Demand Center

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

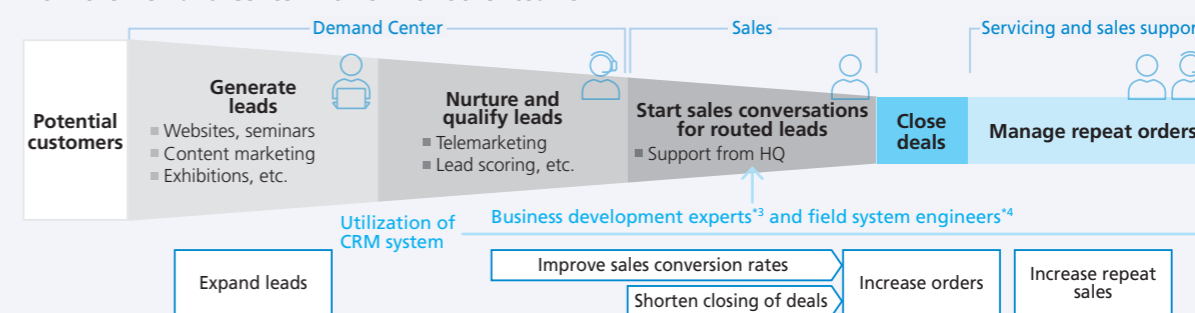
For lead generation, we start by holding physical events such as exhibitions and complementing them with the use of digital channels such as content marketing, then follow up by nurturing and qualifying leads. For developing touch points, we use our CRM system for customer targeting and segmentation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

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



Chihiro Shimura
Senior Manager, Marketing
SATO Corporation

How the Demand Center works with other teams



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

From the front lines

Collaborating with business partners in Europe

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

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

*¹ Hazard Analysis Critical Control Point, a food safety management system recognized internationally.



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

Drive technological innovation

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

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

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

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

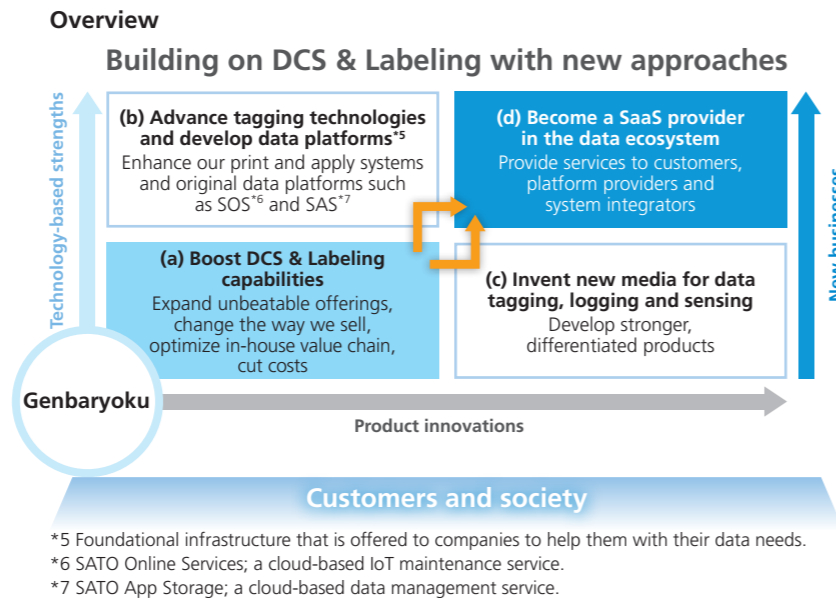
We also made efforts to expand our RFID business globally

Strategies for the future

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

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

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



From the customer

SATO provides RFID solution for asset tracking

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

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

From PT. Sigma Cipta Utama

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

Integrate ESG into our corporate model

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

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

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

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

COLUMN

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

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

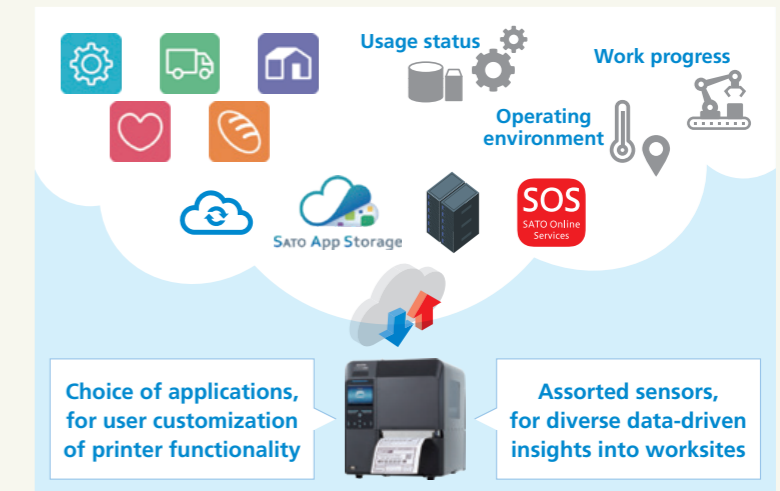
We hope to create greater customer value through this new platform that supports a wide variety of applications and sensors. Users will be able to select and download different applications to their printers depending on what data they want to collect or which systems they are connecting to. This is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

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

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

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

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



From the front lines

A means to provide sustainable value

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

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



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

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

Feature: Expert talk



Ryutaro Kotaki
President and CEO

Hiroyuki Morikawa

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

“Tagging for Sustainability” for a better tomorrow

Looking forward to SATO’s ‘story’

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

Real data drives the next digital revolution

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

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

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

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

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

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

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

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

Talent to bridge the physical and digital

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

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

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

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

Feature: Expert talk

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

A good story is what we want to hear

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

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

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

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

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

Hiroyuki Morikawa

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

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

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



COLUMN

Actions toward Tagging for Sustainability: Consumer Business Development Dept.



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

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

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

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

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

*² Includes technology under development.

*³ Bluetooth® is a trademark of Bluetooth SIG, Inc.

From the front lines

Entering a new field of tagging for a sustainable world

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



Kazuya Hirata
Senior Manager,
Consumer Business
Development
SATO Corporation

From our partner

For solutions that benefit people, planet and profit

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

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



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

Our key drivers for long-term growth

SATO's core business: Auto-ID solutions

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

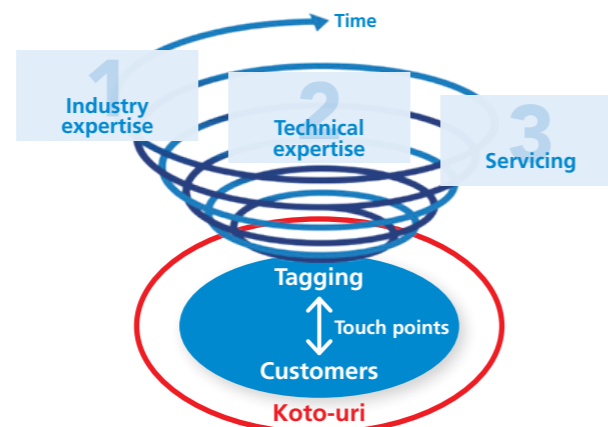
Tagging is our domain

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



Our relationships with customers hone our genbaryoku

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



From the front lines

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

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

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

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

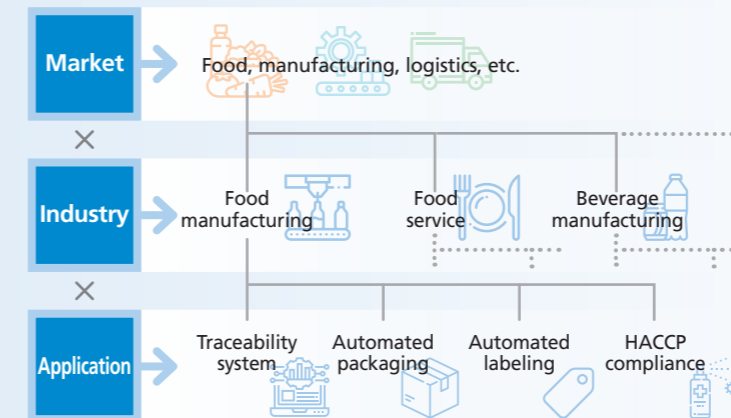


Yoma Matsumoto
Sales, Kanagawa Branch
SATO Corporation

Three elements of genbaryoku

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

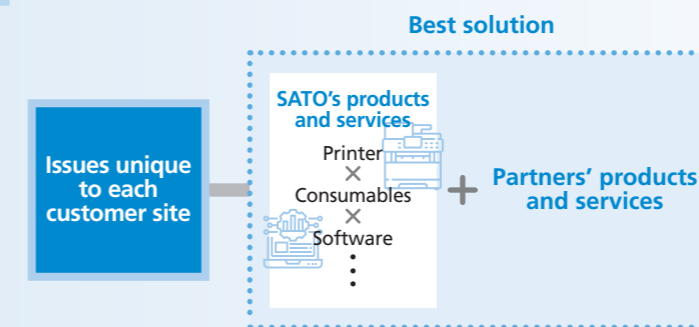
1 Industry expertise — We are versed in an array of worksites



Know-how on diverse customer markets, industries and applications

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

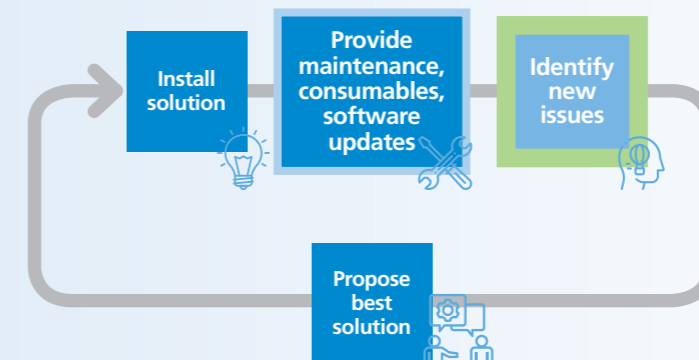
2 Technical expertise — We match products best for each customer



New solutions from mixing and matching the right technologies

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

3 Servicing — We keep bettering our customers' operations



Continuous connection and long-term relationship with customers

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

Business management and sustainability

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

Directors



Ryutaro Kotaki
Representative Director
President and CEO

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



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

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



Yoshiko Nonogaki
External Director

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



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

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



Tatsuo Narumi
Director
• Chair of Senior Executive Management Meeting

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

Audit & Supervisory Board Members



Junichi Nagakura
Audit & Supervisory Board Member

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



Kiyohiko Yoshii
Audit & Supervisory Board Member

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



Yuko Tanaka
External Director
• Chair of Nomination Advisory Committee

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



Ryoji Itoh
External Director

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



Noriko Yao
External Audit & Supervisory Board Member

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



Naoki Kubo
External Audit & Supervisory Board Member

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



Hideo Yamada
External Director
• Chair of the Board

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



Sadayoshi Fujishige
External Director
• Chair of Remuneration Advisory Committee

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

Executive Officers

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

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

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

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

Executive Officer
Fusaaki Matsumoto
CFO and Chief Compliance Officer

Executive Officer
Miki Takei
Global Marketing Officer

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

Executive Officer
Hayato Shindo
Regional Operations Officer for Europe

Executive Officer
Naomi Maze
Global Human Resources Officer

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

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

Sustainability through our business

Basic concept

Our Mission is to “create new value for our customers through products and services of superior quality, and to contribute towards a better and more sustainable world.” Sustainability is inseparable from our business. Amid the growing importance of SDGs and rising investors’ expectations on ESG compliance, we established our basic policy for sustainability in 2018 and conducted a materiality assessment in 2019 to identify sustainability issues most material to our business and stakeholders. We also set up the Sustainability Promotion Committee in the same year to formulate policies and action plans while driving their execution in line with

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

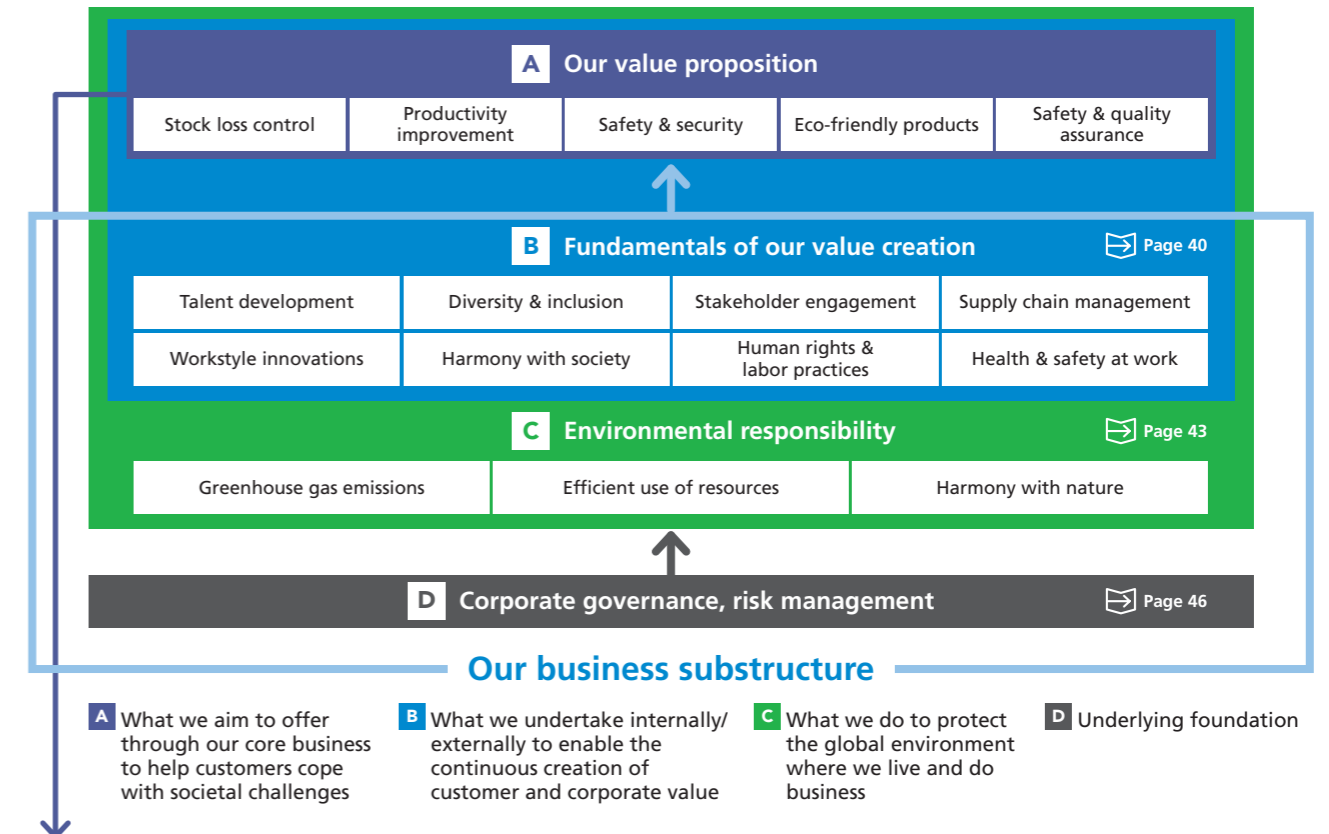
Basic policy for sustainability

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 New solution for reducing food waste

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



Concept showcased at Retailtech Japan 2022 exhibition

Fundamentals of our value creation



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

Basic concept

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

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

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

Recap Worldwide

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

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

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

Recap Japan

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

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

Our priorities:

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

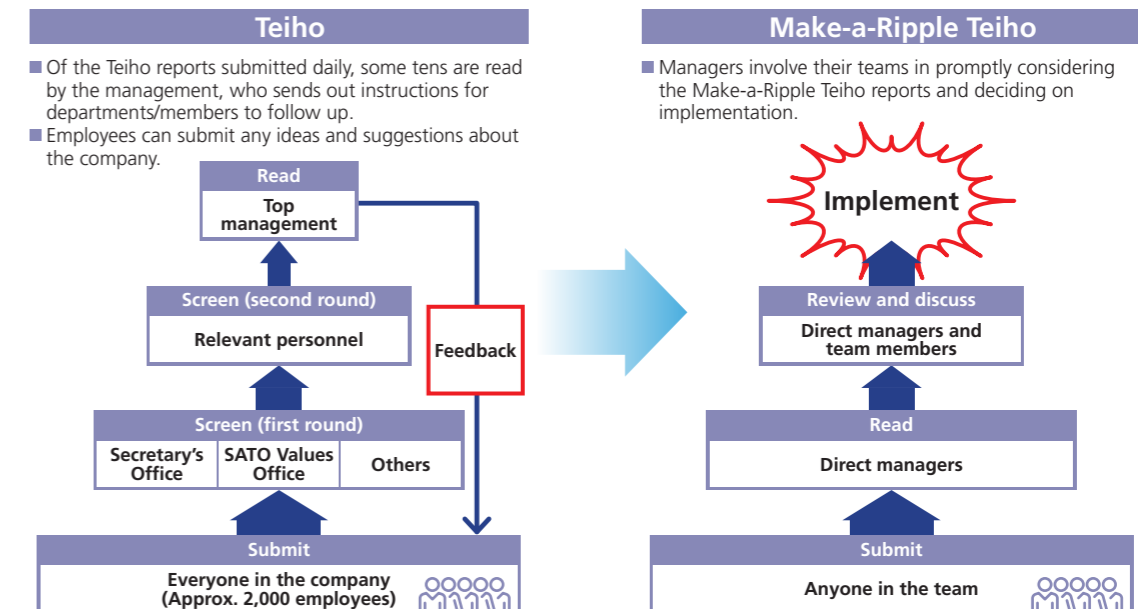
The following are examples of how we drive employee engagement and talent development.

1 Make-a-Ripple Teiho

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

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

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



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

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

2 Our Way to Our 100th Anniversary project




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

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

Stakeholder engagement

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

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

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

Intellectual property management

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

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

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

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

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

Environmental responsibility



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

Our environmental policy

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

Greenhouse gas emissions

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

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

SATO's targets and progress for carbon dioxide emission reduction

(Metric tons of CO₂)

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

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

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

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

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

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

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

Effective use of resources in our servicing activities

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

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

and reuse the PCB instead of replacing the entire board.

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



A printed circuit board for a printer

TOPIC Eco-friendly production of RFID consumables

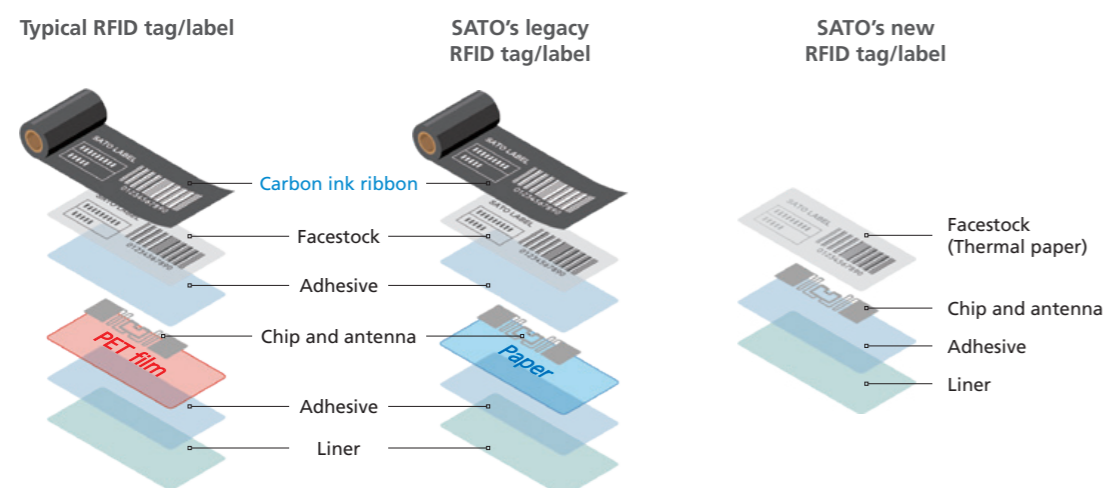
Our proprietary manufacturing processes are environmentally friendly.

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

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

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

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



Climate-related disclosure, guided by TCFD recommendations

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

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

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

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

www.sato-global.com/sustainability/tcfcd/

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

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

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

Corporate governance

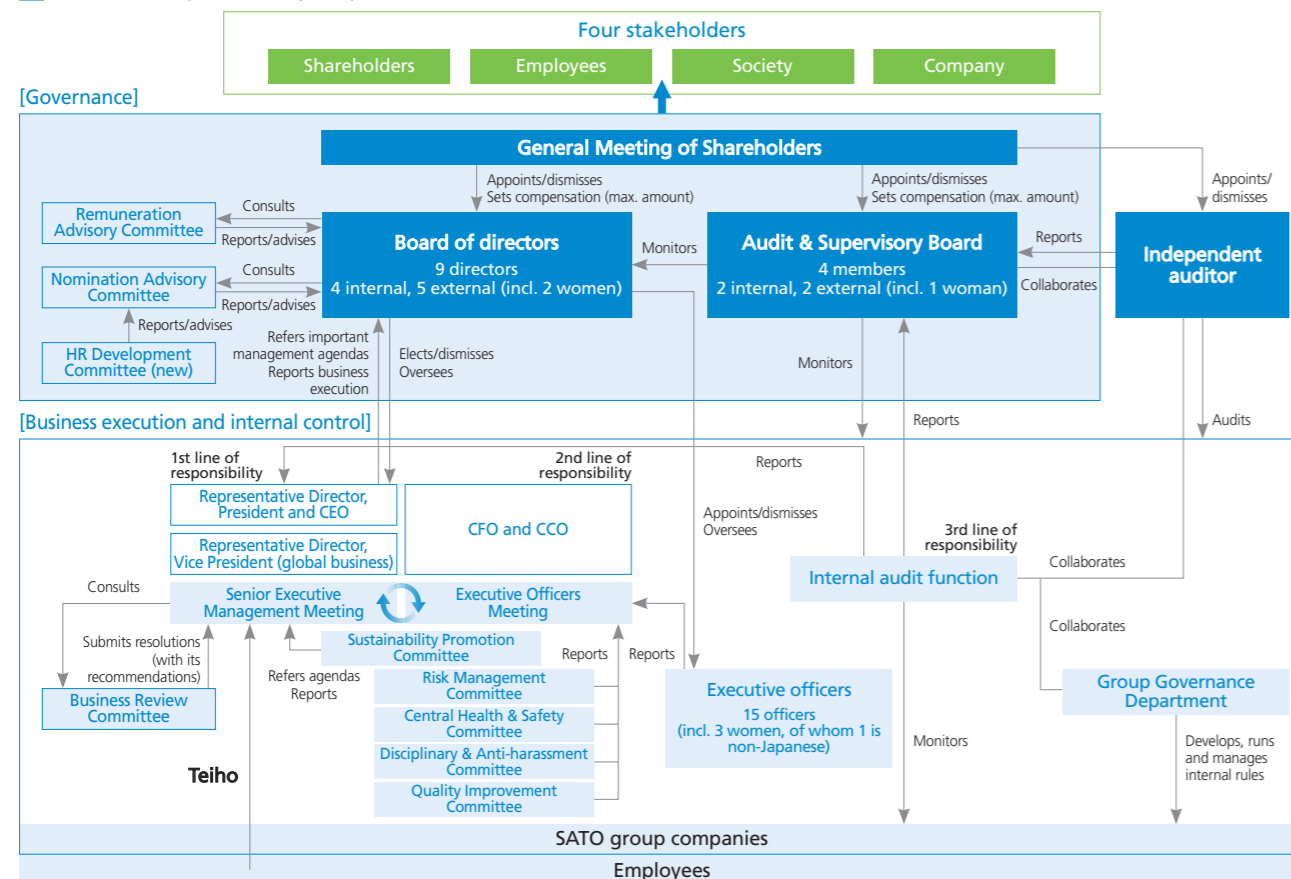
1. Basic concept

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

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

2. SATO’s corporate governance

1 Framework (As of June 30, 2022)



2 Board of directors

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

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

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

Board of directors

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

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

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

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

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

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

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

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

[Supplementary Principle 2.4.1 Ensuring diversity in core human resources]

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

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

[Supplementary Principle 3.1.3 Sustainability initiatives]

(1) Strengths underpinning business strategies

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

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

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

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

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

(2) Investment in human capital

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

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

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

(3) Investment in intellectual property

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

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

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

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

(4) Addressing climate change

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

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

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

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

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

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

3 Audit & Supervisory Board

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

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

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

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

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

4 Evaluation of the board’s effectiveness

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

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

5 Appointment and dismissal of directors and representative directors

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

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

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

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

3. Policy and activities to ensure proper company operations

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

1 Internal control policy

See corresponding section in our corporate governance report for details.

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

2 Internal control activities

See corresponding section in our corporate governance report for details.

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

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

See corresponding section in our corporate governance report for details.

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

5. Audit checks by independent auditor

See corresponding section in our corporate governance report for details.

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

6. Remuneration for board members

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

1 Remuneration policy

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

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

2 Procedure to determining remuneration

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

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

3 Composition of remuneration

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

Breakdown of remuneration for board members

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

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

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

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

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

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

1 Knowledge and experience to lead management and business appropriately

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

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

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

3 Panoramic perspectives to ensure sustainability

g Governance and sustainability h Risk management i Diversity

Feature: Roundtable discussion on diversity and inclusion

Respect for all is our bedrock for global growth

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

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

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

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

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

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

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

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

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

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

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

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

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



Yuko Tanaka

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

Hironori Onishi

Executive Officer
Director, SATO Corporation
General Manager of Sales

Miki Takei

Executive Officer
Global Marketing Officer

Naomi Maze

Executive Officer
Global Human Resources Officer

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

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

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

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

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

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

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

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

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

Financial summary

Fiscal years end March 31 the following year

(Millions of JPY)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Business performance											
Sales	80,536	87,256	96,773	99,831	105,504	106,302	113,383	116,179	116,372	109,052	124,783
Overseas sales ratio (%)	23.0	25.6	29.3	33.2	37.3	36.6	37.8	37.6	36.9	37.1	42.1
Gross profit	34,217	36,410	41,180	42,708	44,942	45,022	48,655	50,676	50,179	45,735	50,398
Selling, general and administrative expenses	29,564	30,958	34,421	35,264	38,487	38,917	42,405	42,997	42,718	39,888	43,994
Operating income	4,652	5,452	6,758	7,444	6,455	6,104	6,249	7,679	7,461	5,847	6,404
EBITDA (operating income + depreciation + amortization of goodwill)	6,830	8,213	9,871	11,044	11,573	11,296	11,814	13,250	13,376	10,163	10,861
Profit attributable to owners of parent	1,953	2,726	4,295	3,763	3,687	3,221	4,074	3,773	-1,882	12,959	3,794
Financial position											
Total assets	74,830	77,521	86,737	95,174	96,887	104,280	106,447	107,574	103,147	109,312	120,005
Net assets	36,172	40,205	46,734	53,158	52,155	54,217	56,225	56,668	48,823	59,462	64,508
Research and development	1,859	2,042	2,225	2,292	2,414	2,387	2,994	3,460	3,377	3,046	3,944
Capital expenditures	1,836	3,059	6,106	7,372	6,717	5,723	9,044	4,801	3,835	4,931	4,999
Depreciation and amortization of goodwill	2,177	2,760	3,112	3,599	5,118	5,191	5,565	5,571	5,915	4,316	4,456
Cash flow											
Cash flow from operating activities	4,434	3,793	10,589	9,205	6,091	10,769	6,184	9,365	11,259	5,806	3,302
Cash flow from investing activities	-7,015	-984	-4,776	-6,221	-9,596	-8,716	-3,504	-5,212	-2,449	-102	-3,738
Free cash flow (net cash provided by operating activities less cash used in investing activities)	-2,581	2,809	5,812	2,983	-3,504	2,052	2,679	4,152	8,810	5,704	-436
Cash flow from financing activities	3,273	-2,839	-1,511	-3,062	3,254	-1,343	-3,458	-3,534	-1,311	-7,131	-3,987
Cash and cash equivalents at end of year	11,377	11,992	16,763	17,145	16,212	16,757	16,026	16,430	23,379	22,580	19,140
Per-share data (JPY)											
EPS (earnings per share)	64.87	90.56	141.57	113.96	110.07	96.07	121.54	112.46	-56.06	385.86	112.74
BPS (book value per share)	1,201.02	1,330.77	1,454.90	1,579.15	1,525.09	1,579.53	1,634.69	1,649.86	1,423.30	1,735.04	1,874.97
DPS (dividends per share)	35	37	40	45	55	60	65	70	70	70	70
Financial indicators (%)											
Gross profit margin	42.5	41.7	42.6	42.8	42.6	42.4	42.9	43.6	43.1	41.9	40.4
Operating income ratio	5.8	6.2	7.0	7.5	6.1	5.7	5.5	6.6	6.4	5.4	5.1
EBITDA margin	8.5	9.4	10.2	11.1	11.0	10.6	10.4	11.4	11.5	9.3	8.7
ROIC (return on invested capital)	5.9	6.6	7.6	8.0	6.6	6.2	6.1	7.5	7.5	5.8	5.8
ROA (return on assets)	5.9	7.1	8.6	8.2	6.4	5.4	5.6	7.1	6.2	5.2	5.3
ROE (return on equity)	5.5	7.2	9.9	7.6	7.1	6.2	7.6	6.9	-3.6	24.4	6.3
Equity ratio	48.3	51.7	53.7	55.6	52.8	50.8	51.5	51.5	46.3	53.3	52.6
Debt-to-equity ratio*	38.2	31.8	23.5	18.7	31.5	32.1	30.6	28.8	38.6	26.5	25.1

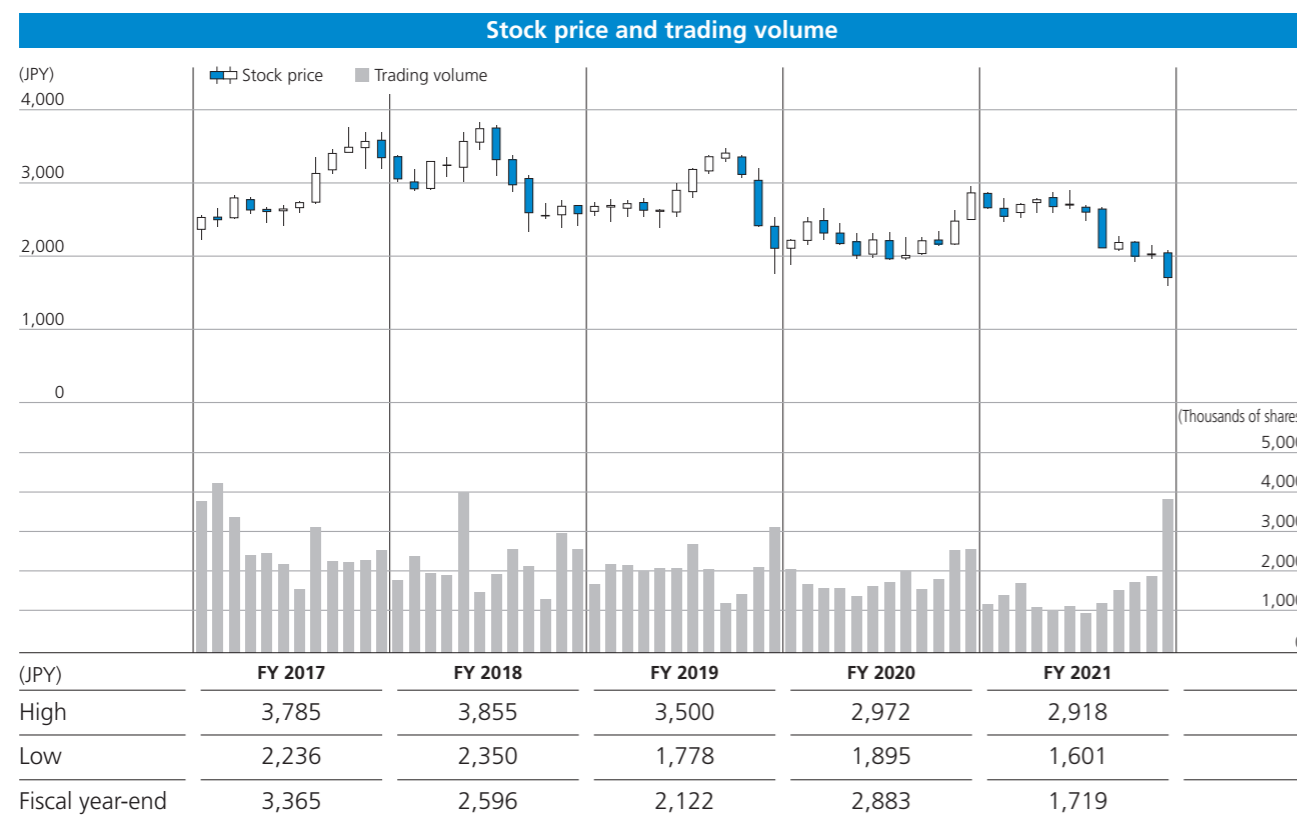
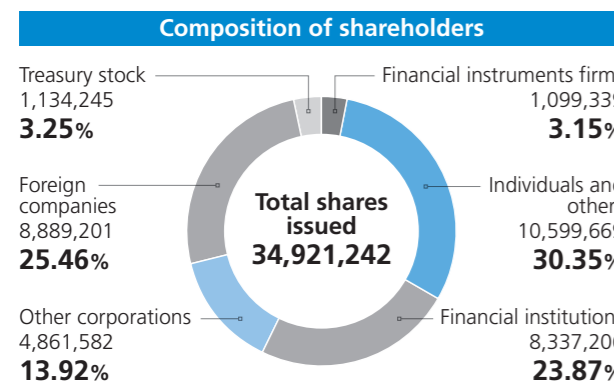
* Includes lease obligations and zero coupon convertible bonds

Stock information

(As of March 31, 2022)

General information	
Shares authorized	80,000,000
Shares issued	34,921,242
Shareholders	8,994
Stock listing	The Prime Market, Tokyo Stock Exchange (From April 4, 2022)
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)	5,001,800	14.80	
Sato Yo International Scholarship Foundation	3,786,200	11.21	
Custody Bank of Japan, Ltd. (trust account)	2,224,700	6.58	
SATO Employees' Stockholding	1,484,023	4.39	
The Bank of New York 133612	1,198,600	3.55	
Government of Norway	979,650	2.90	
The Bank of New York Mellon 140051	917,700	2.72	
Shizue Sato	897,470	2.66	
Mieko Yokoi	894,345	2.65	
Arena Co. Ltd.	854,460	2.53	



Corporate data

Profile		(As of March 31, 2022)
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	Ryutaro Kotaki, President and CEO	
Paid-in capital	¥8.4 billion	
Employees	5,656	
Consolidated sales	¥124.8 billion	

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

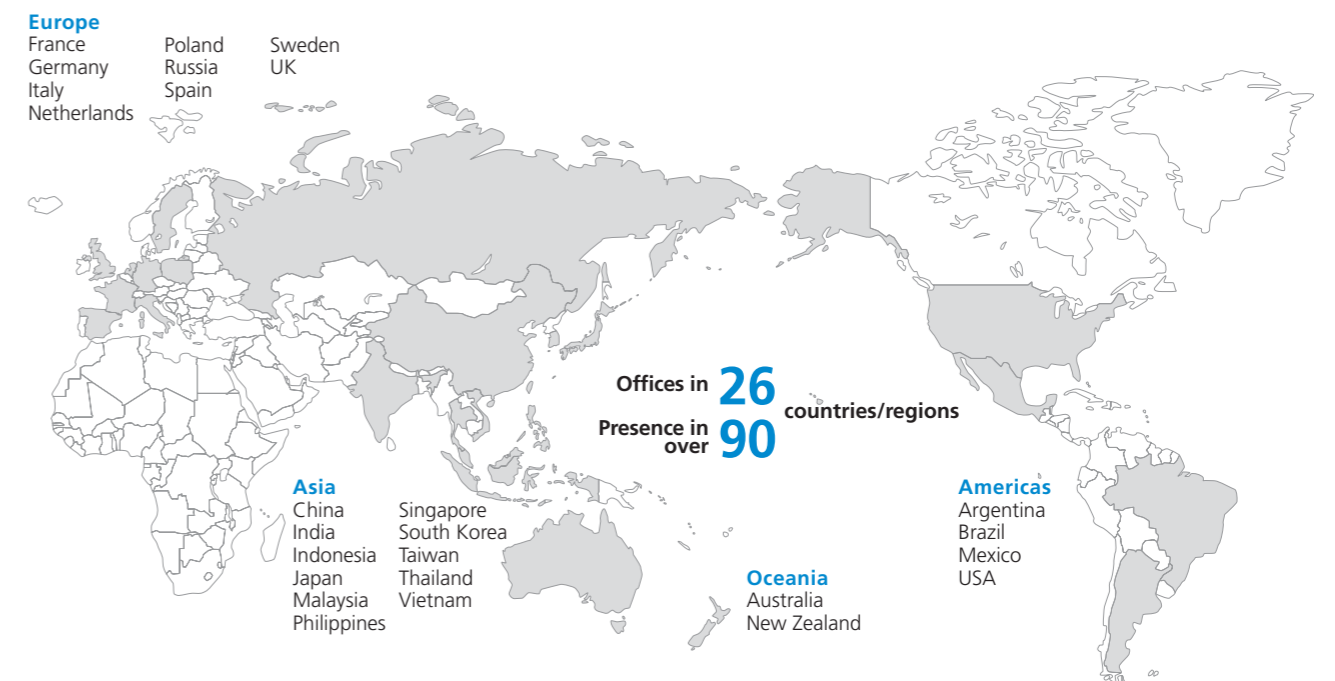


For more sustainability information, see:
www.sato-global.com/sustainability/



Global network

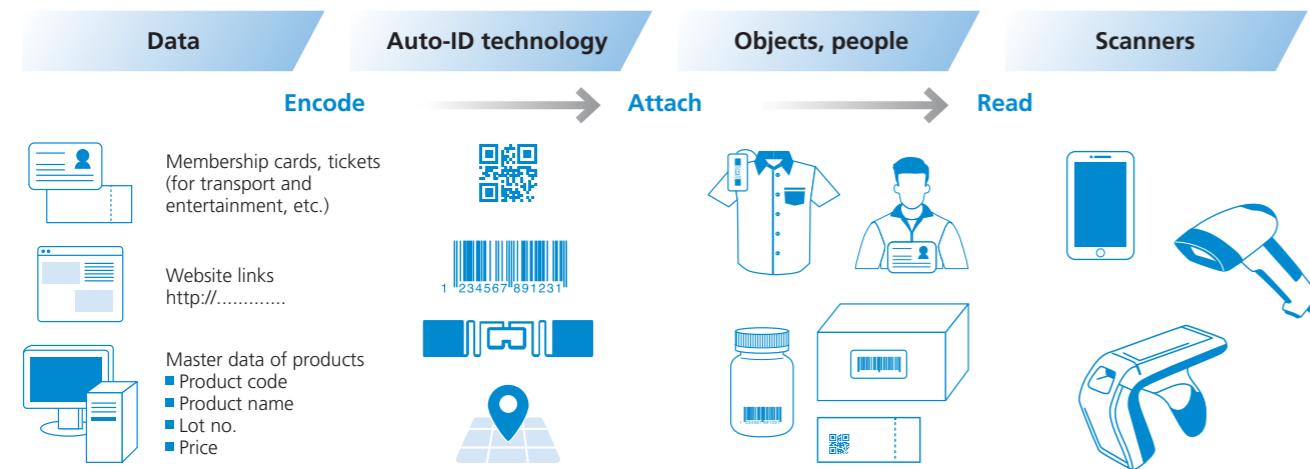
(As of September 1, 2022)



For more information, contact:
IR Department
www.sato-global.com/contact/

Basics of auto-ID technology

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



Barcode

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



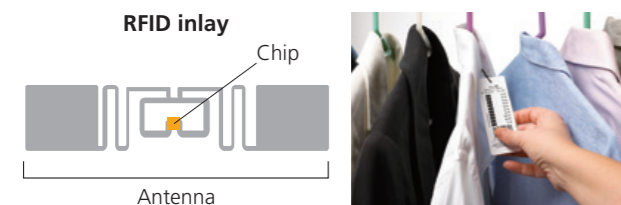
Two-dimensional (2D) barcode

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



RFID

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



Locating technologies

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

*1 Global Positioning System
*2 Indoor Positioning System



SATO terminologies

Term	Description
Tagging	The process of using auto-identification technology to physically attach information such as ID and status to things and people and digitize the data so that it can be fed to and processed by core IT systems for producing analyses and insights.
Koto-uri (Selling the solution, not the product)	Sales approach of selling not just the product but combinations of products in the form of solutions that include hardware, consumables, maintenance services and software, demonstrating ROI and other value propositions for the customer.
Auto-ID solutions business	Our business of integrating tagging-related products and services — barcode/RFID printers and labels, software/services designed in-house, and products/technologies of our partners — to resolve customers' worksite issues that include traceability, supply chain management and asset management. The business is separated into Overseas and Japan segments, with the former comprised of Base and Primary Labels businesses.
Base business	Our business of tagging variable information such as barcodes, prices, manufacture dates and expiration dates in the form of labels and tags.
Primary labels business	Our business of tagging fixed information via product labels and other media. It comprises operations of SATO Group companies located in Argentina, Brazil and Russia.
DCS* & Labeling *Data Collection Systems	SATO's business model since the mid-1990s of using labels to associate ID and other forms of data to things and people at a worksite to digitize and optimize operations.
Tagging for Sustainability	Business model set as the next stage of DCS & Labeling that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of tagging.
B2B2C business	Our business that expands our tagging domain to include consumer touch points and aims to help our customers raise their company value.
Genbaryoku	Our core competency of going to customer sites in an array of markets/industries to understand the essence of their pain points and offer solutions that improve or innovate their operations. It consists of three elements: industry expertise (versed in many industries), technical expertise (offering the best mix of products) and servicing (constantly improving operations at customer sites).
Teiho	Our unique insight sharing system with which employees regularly submit ideas and findings directly to the management. Started in Japan in 1976, the system initiates big and small changes for the company to meet the needs of the times and achieve sustainable growth, while serving to raise employee awareness on detecting issues and devising creative solutions.
Four-way returns to stakeholders	SATO's corporate philosophy and profit distribution policy to share the returns from its business with its four, equally important stakeholders: shareholders, employees, society and the company.
"All-in sales" mindset	The idea of developing customer touch points not only through in-person sales but together with inside sales, marketing and servicing functions as well to produce high-quality leads for more efficient sales conversations. Also refers to the mindset for all of our non-sales functions in the value chain to take of pursuing customer-centricity.



SATO HOLDINGS CORPORATION

www.sato-global.com

