



Tagging for Sustainability



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

Integrated Report 2023
SATO HOLDINGS CORPORATION

Securities code: 6287.T

Contents

Corporate motto Our calling

あくなき創造

Akunaki sozo — Ceaseless Creativity

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

All to serve customers and society

SATO Values

Mission

Why we exist

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

Vision

Where we are heading

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

Credo

Our code of conduct

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

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Editorial concept

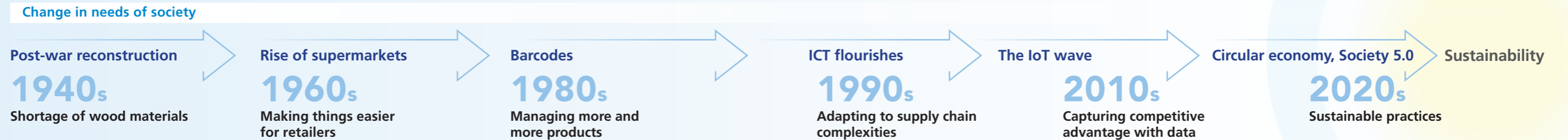
This report is the record of the tangible and intangible aspects of the SATO Group's medium- to long-term value-creation story through its core business of auto-ID solutions.

Disclaimer

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

Evolutions in tagging

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

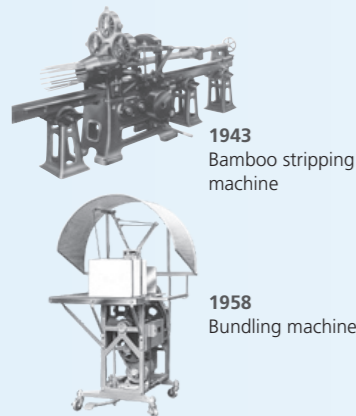


How tagging changed

Labor-saving machines

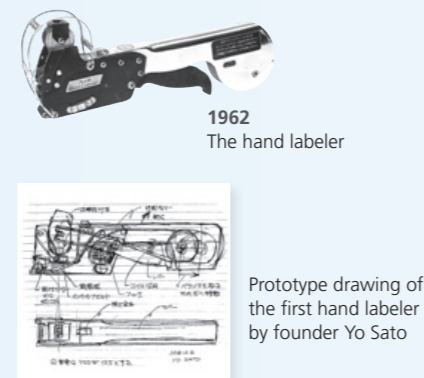
Wood was typically used for packaging large items, but resources were scarce due to the war.

Our founder invented a series of bamboo processing machines to enable mass production of woven bamboo boxes for shipping.



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.



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.



Collecting and utilizing data on-site

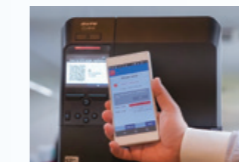
Connected systems became a key requirement with the IT revolution. Under our very own DCS* & Labeling business model, we began bundling hardware, consumables, readers and software to enable data collection. We also started providing post-sales maintenance and support.



* Data Collection Systems

Integration to digitize the analog

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



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

Cocreating a sustainable future with stakeholders

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

Evolution of the business

Prior to identification technologies, we developed labor saving machines to support the distribution of goods.

The invention of the hand labeler started our business domain of tagging — giving items IDs and other information — that continues to this day. We began manufacturing hardware and labels in-house. Our main market was retail.

The thermal transfer barcode label printer expanded our business into high-volume sectors of apparel, manufacturing and logistics. We started expanding overseas, establishing a factory in Malaysia and sales offices in Singapore, the US and Germany.

Entered the food (production and service), public (infrastructure) and health care sectors. Was listed on the first section of Tokyo Stock Exchange.

Transitioned to a pure holding company structure to delegate authority to group companies and improve the speed of decision-making. Established or acquired 22 new local subsidiaries outside of Japan, mainly in emerging economies.

Strengthened investments in tagging technologies that address greater efficiency and eye the circular economy. Began promoting data-driven business to digitize everything on site and create value for society. Reassigned to the prime market from the first section on the Tokyo Stock Exchange under the TSE's new listing structure.

Sales ■ Japan ■ Overseas

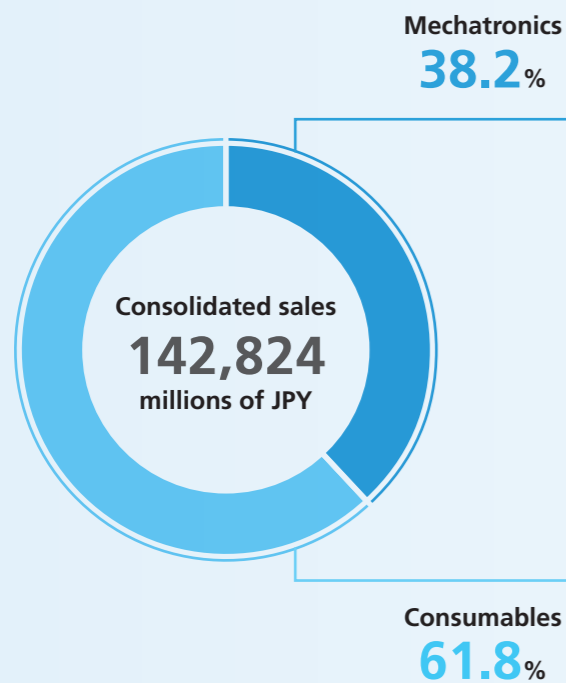


Our business at a glance

Products, services, revenue model and focal markets

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

Sales breakdown by product (FY 2022)



Product lineup

Printers

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



Service and support

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



Software

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



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

Printing supplies

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



Stickers and primary labels

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

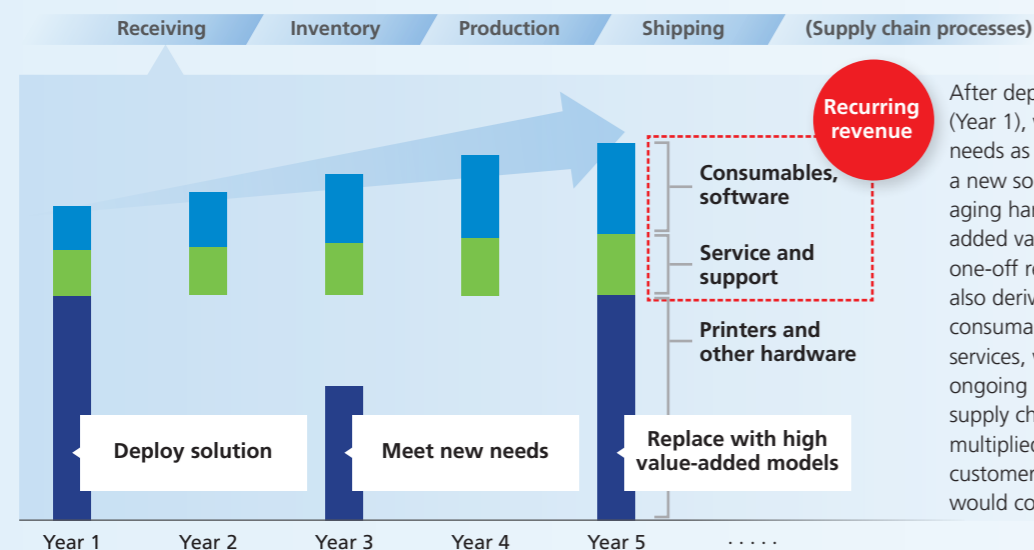


Primary package consulting

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



Revenue model



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

Focal markets and their respective sales ratios*

Industry	Solution	Sales Ratio
Retail	SmartLiving with SATO Solutions	22.8%
Industries	Supermarkets, convenience stores, drugstores, apparel stores and e-commerce	
Food	Right Food, Right Way with SATO Solutions	10.8%
Industries	Food & beverage manufacturers, food service operators, farms and fisheries	
Health care	Patient2Happiness with SATO Solutions	11.1%
Industries	Hospitals/clinics, pharmaceutical, medical devices/supplies, clinical laboratories, pharmacies and blood centers	
Manufacturing	Connected2Flexible with SATO Solutions	29.7%
Industries	Automotive, chemical, iron/steel, machinery, electrical equipment and electronic parts	
Logistics	Agile2Logistics with SATO Solutions	15.5%
Industries	Warehousing, transportation, wholesale distribution, 3PL and postal services	
Public		3.4%
Industries	Government offices, utilities, education and public transit	

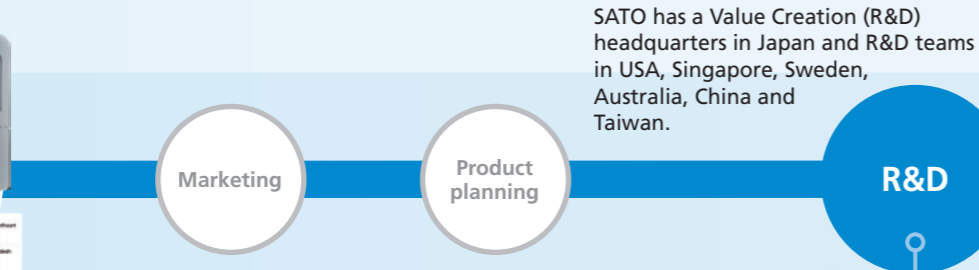
* Based on FY 2022 sales reported by SATO’s key sales subsidiaries in Japan and overseas, excluding factories and primary label companies. Ratios do not add up to 100 percent because of sales contributions from other verticals not outlined above.

Our business at a glance

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

Our value chain

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

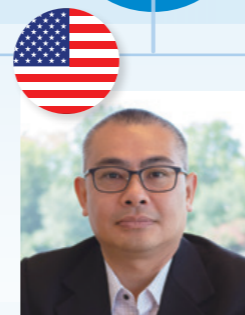


SATO has a Value Creation (R&D) headquarters in Japan and R&D teams in USA, Singapore, Sweden, Australia, China and Taiwan.

Voice

Continuously creating customer value through software-based integrated solutions

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



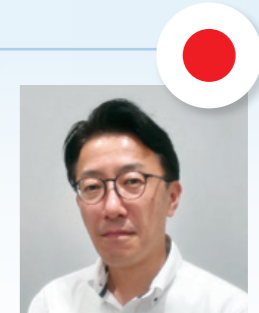
Minh Ly
Director,
Advanced Technology
Solutions Group
SATO America, LLC

Voice

Ceaseless creativity to produce consumables that are more sustainable

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

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



Akitomo Nozawa
Manager,
Production Process
Development Group
SATO Corporation

Production

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

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

Voice

Our unrivaled strength in servicing printers for customers

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

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



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

Distribution

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

Sale

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

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

Service and support

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

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

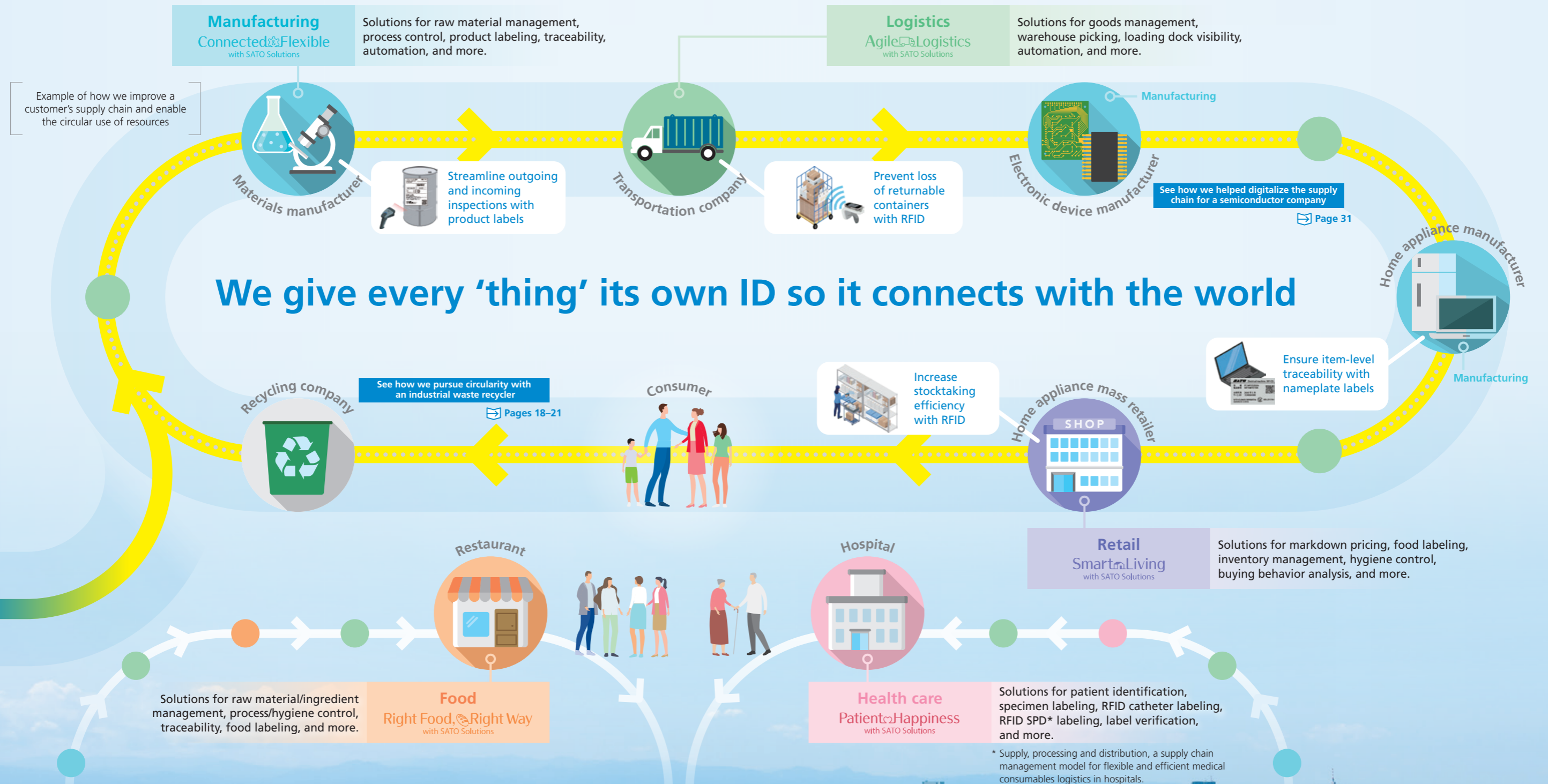
To customers' supply chains

Supporting supply chains for the circular economy

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

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

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



Our business at a glance

Financial and non-financial highlights

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

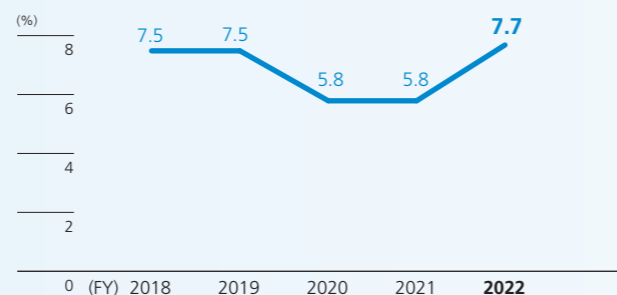
Financial

Sales & operating income



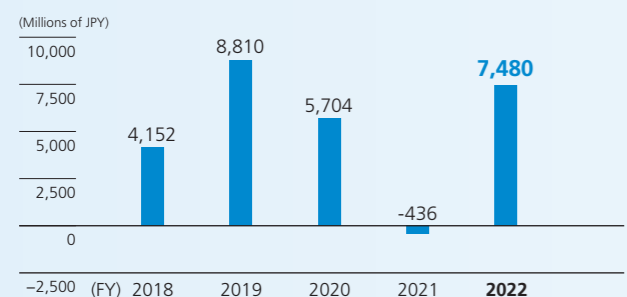
Consolidated figures for FY 2022 were the highest ever despite rising raw material costs and disruptions in the supply chain, and due to improvements in order fulfillment, revision in prices, and greater focus on solution offerings per industry.

Return on invested capital



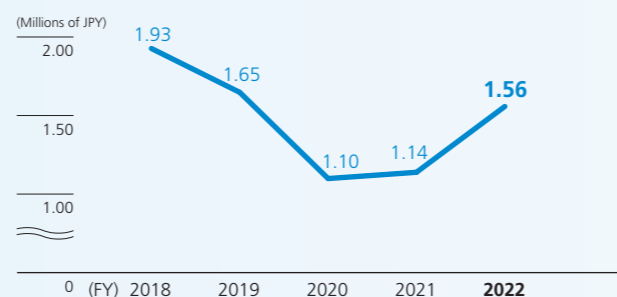
While NOPAT (net operating profit after tax) margin was flat, ROIC increased year on year due to higher sales and invested capital turnover.

Free cash flow



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

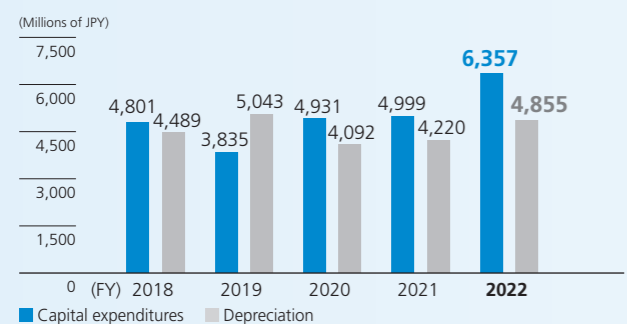
Per capita productivity



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

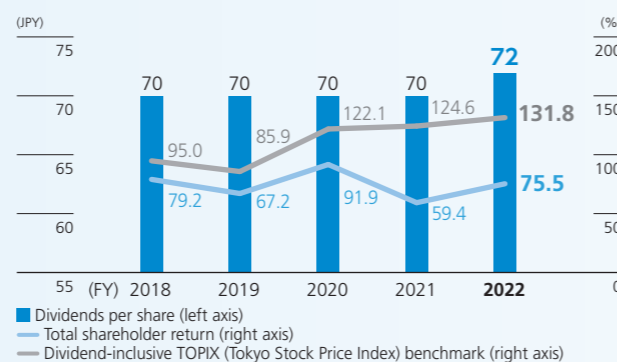
Note: Per capita productivity refers to operating income (excluding goodwill amortization and ERP system depreciation) per active employee.

Capital expenditures & depreciation



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

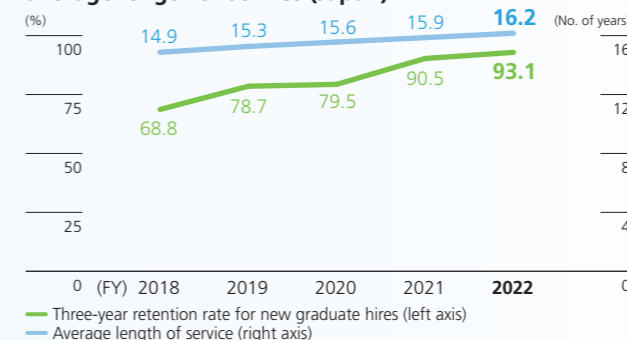
Dividends per share & total shareholder return



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

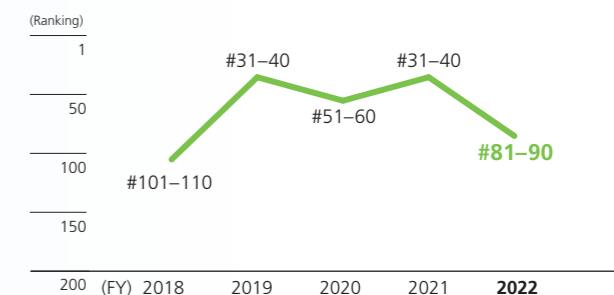
Non-financial

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



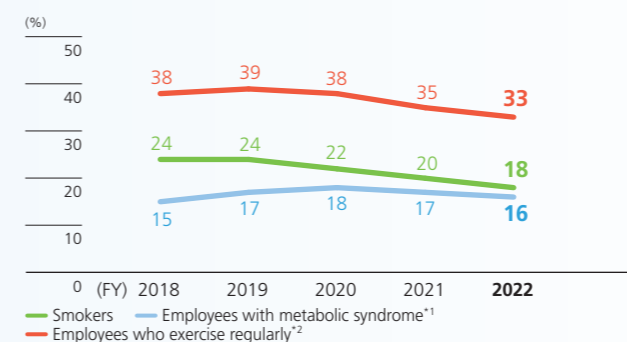
The retention rate of our new graduate hires continues to trend upward as a result of on-the-job coaching, online courses and group trainings. Employees are also staying longer with the company, due to strategic HR initiatives such as flexible work arrangements.

Engagement with investors



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

Wellness management (Japan)

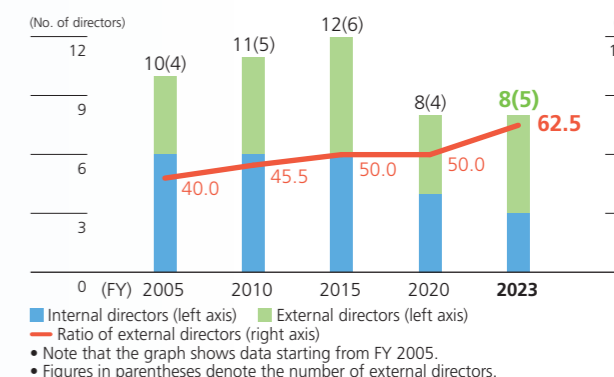


We were recognized as a Certified Health & Productivity Management Outstanding Organization by Japan's Ministry of Economy, Trade and Industry in FY 2022 for the seventh consecutive year. We continued to make progress in reducing metabolic syndrome and smoking prevalence among employees. Employees' regular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

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

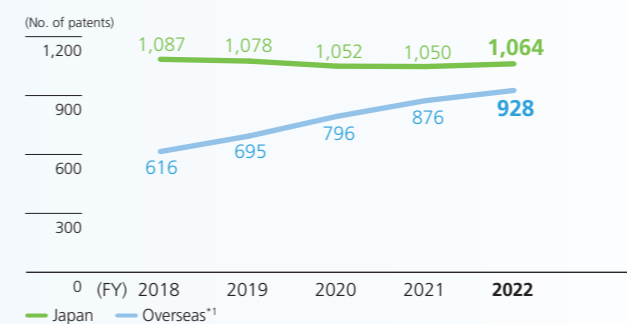
*2 Minimum 30 minutes of exercise at least twice a week or walking an average 8,000 steps per day, over the span of at least one year.

Board size & ratio of external directors



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

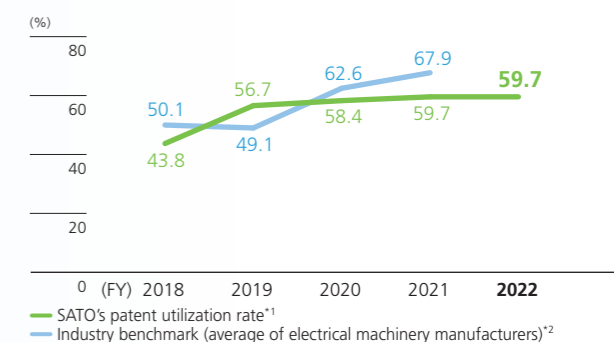
Patents owned



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

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

Patent utilization rate (Japan)



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

*1 Source: In-house records.

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