

# **SATO HOLDINGS CORPORATION**

FY24–28 Medium-term management plan

**Securities Code: 6287.T**

**Our 2030 vision**

**FY24–FY28  
Medium-term  
management plan**

**Our 2030 vision**

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## We live up to our Credo, as we aim to become an essential company for society.

### Mission

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

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

### Credo

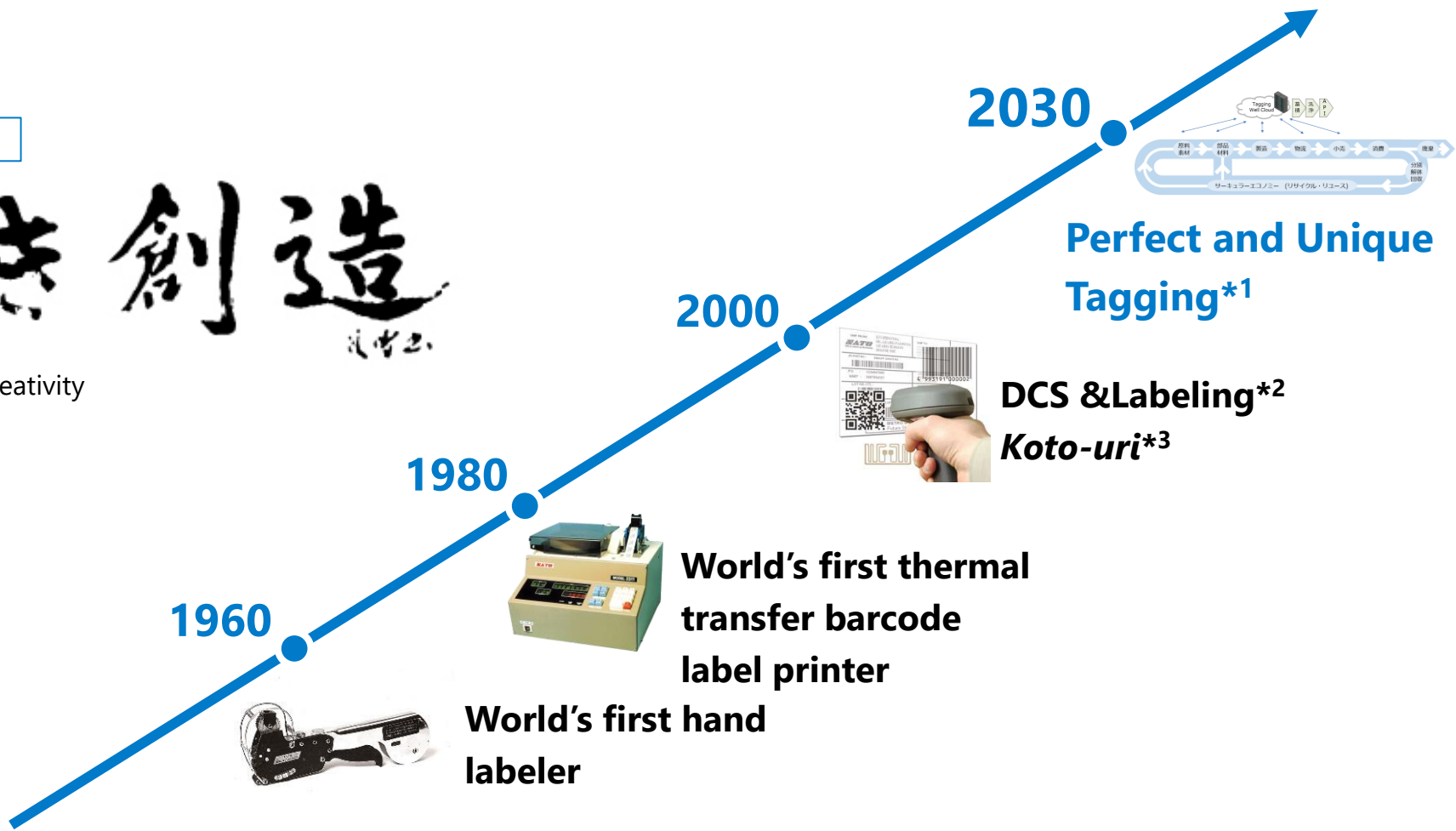
- We inspire changes, new ideas, and the courage of promoting customer-centric innovation in the spirit of Ceaseless Creativity.
- We seek to be true professionals by constantly striving to exceed the expectations of our customers.
- We see things as they are, and do the right thing right away.
- We 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 has evolved with society, solving challenges of the times with auto-ID technology.

SATO's corporate motto

あくなき創造  
あくなき創造

Akunaki sozo — Ceaseless Creativity



\*1 The tagging approach for realizing our 2030 vision. Details to follow.

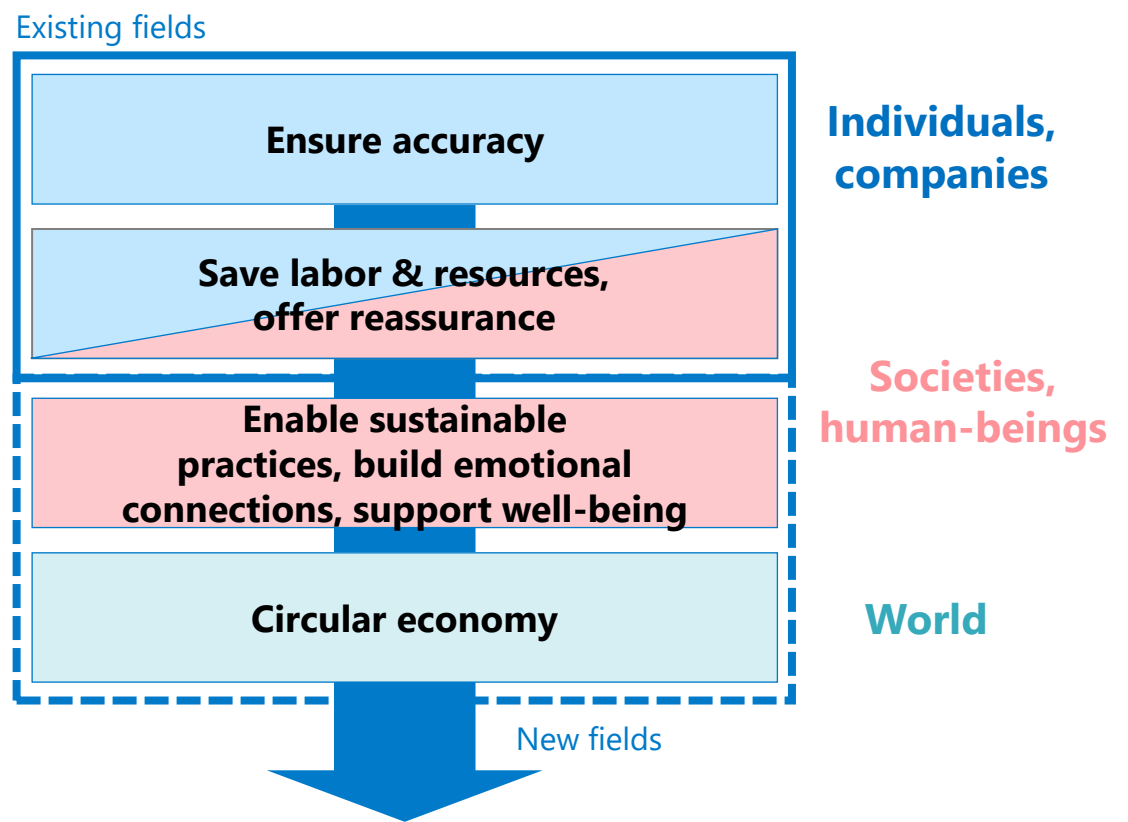
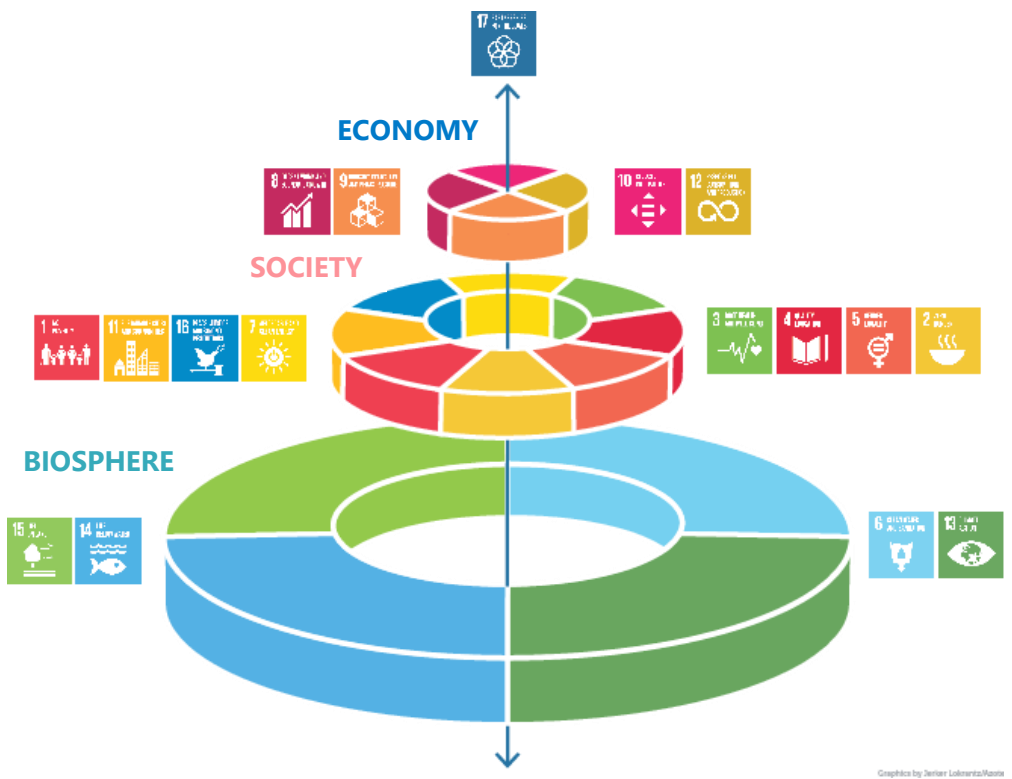
\*2 DCS & Labeling: Data Collection Systems & Labeling. SATO's business model of using labels to associate ID and other forms of data to things and people at a worksite to digitize and optimize operations.

\*3 Koto-uri: Selling the solution, not the product.

SATO has evolved with society, solving customer challenges of the times with auto-ID technology.

Societal challenges  
(The 17 sustainable development goals (SDGs))

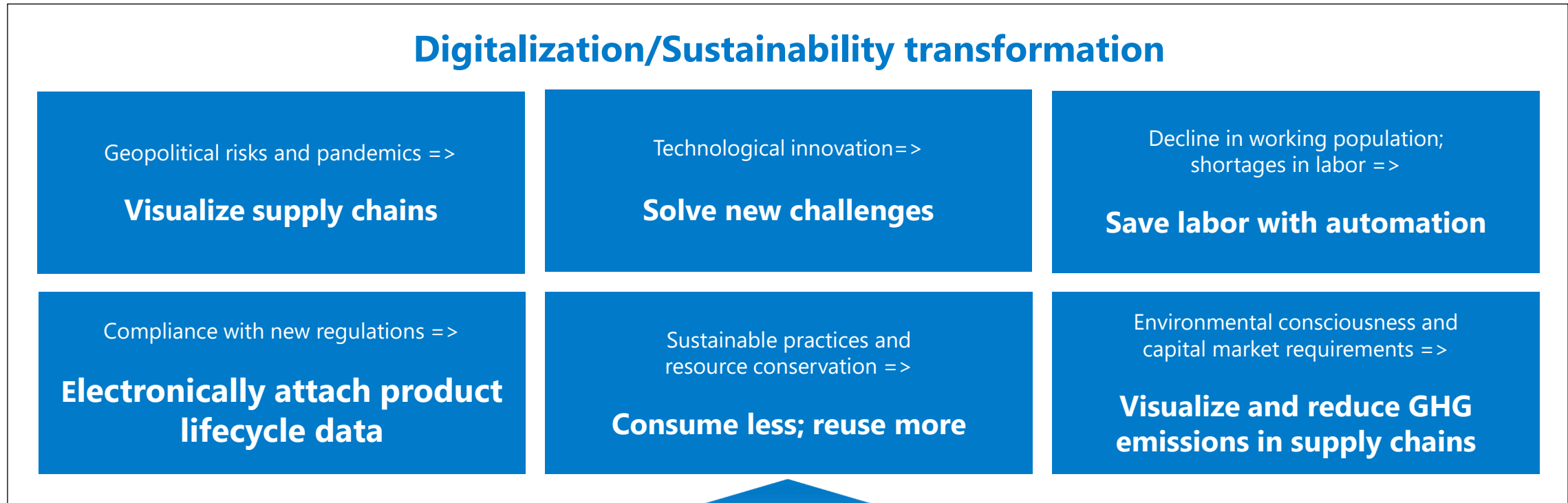
Value we provide through our solutions



Source: Stockholm Resilience Centre, Stockholm University CC BY-ND 3.0.



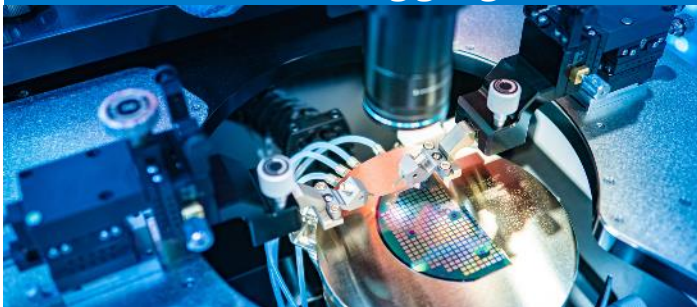
**Customer pain points are now expanding beyond individual and corporate issues to encompass broader societal and industrial challenges.**



**Visualize data through tagging solutions to solve challenges**  
(Business opportunities)

### Expansion of existing opportunities

#### Source tagging



Suppliers attach RFID labels that contain material information before delivering products to manufacturers and retailers to streamline the receiving process.

#### Blood and sample management



Demanding and error-intolerant management of blood bag inventory with short expiry dates can be made more efficient.

#### Full automation



Automated three-point verification (patient, medication, nurse) before administering medication would reduce burden on patients and health care professionals.

### Emergence of new opportunities

#### Digital Product Passport



Ensure traceability throughout the product lifecycle by attaching data on the manufacturer, materials used, and how the product should be recycled and disposed of.

#### Reverse logistics



Visualizing processes from waste collection to treatment and production of recycled materials ensures a stable supply and quality of recycled materials.

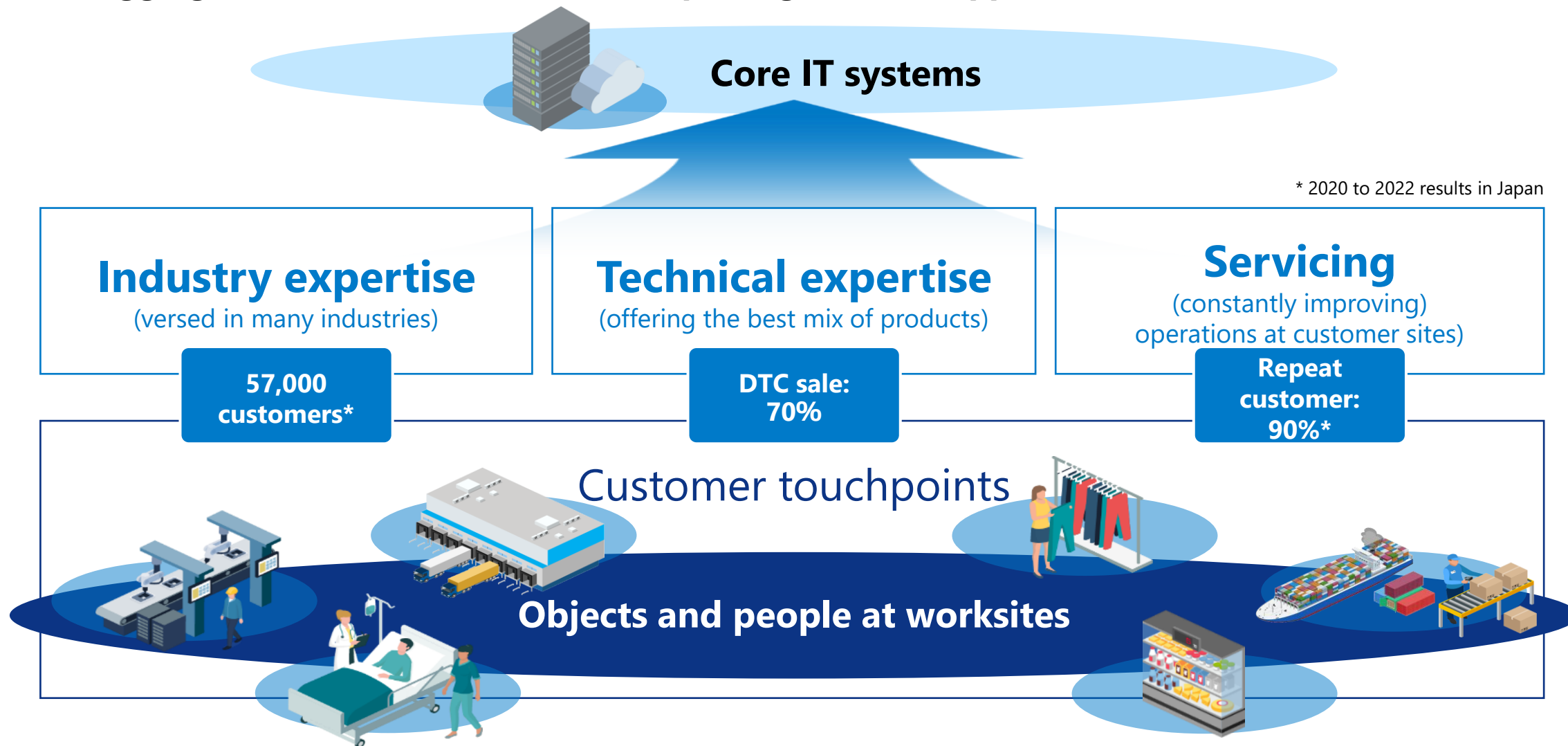
#### GHG emission measurement



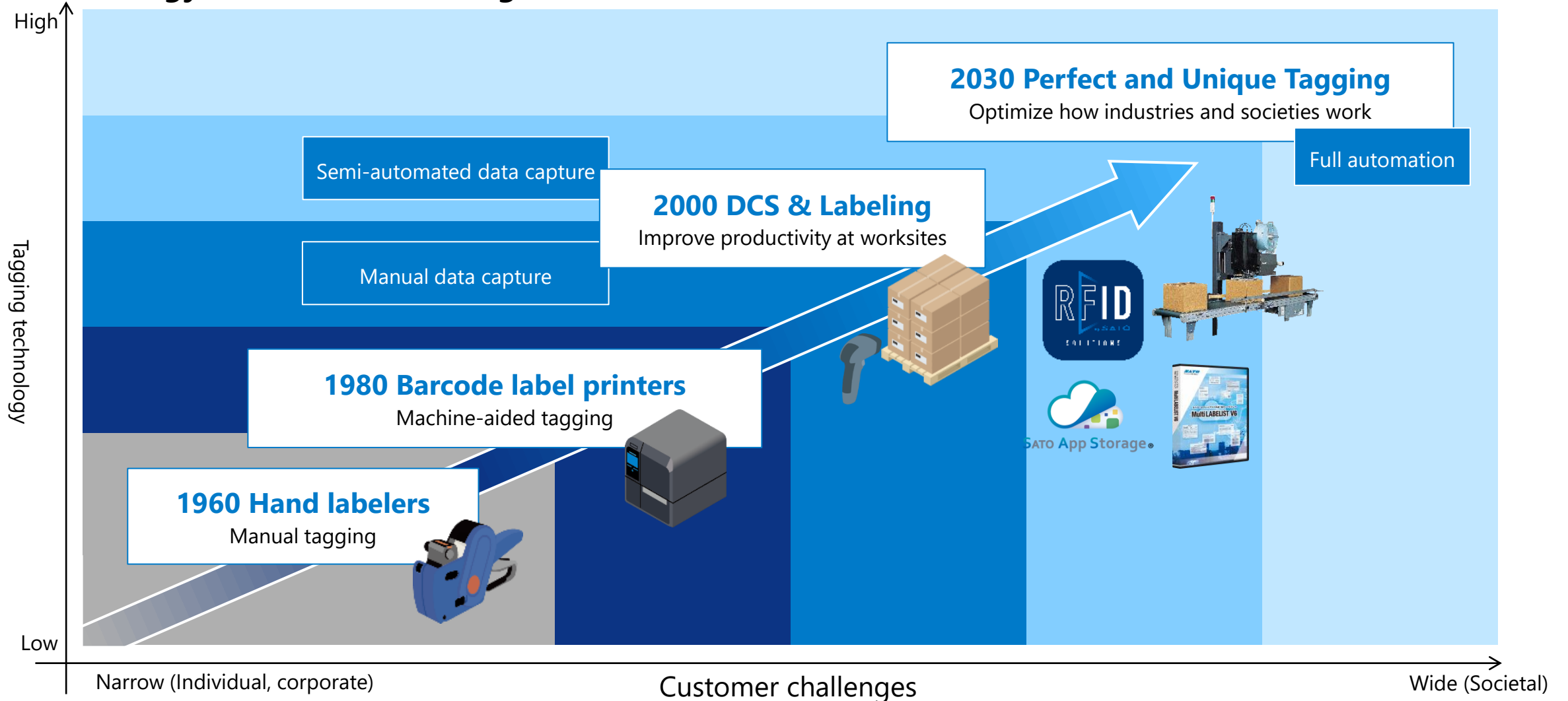
Standardizing the management of raw materials and work-in-progress at plants enables accurate measurement of GHG emissions and more effective emission control.



We leverage our customer touchpoints and *genbaryoku* to help customers solve their challenges with tagging solutions. We will continue capturing business opportunities.



Leveraging our customer touchpoints and *genbaryoku*, we continue to innovate our tagging technology to solve the challenges of diverse customers.

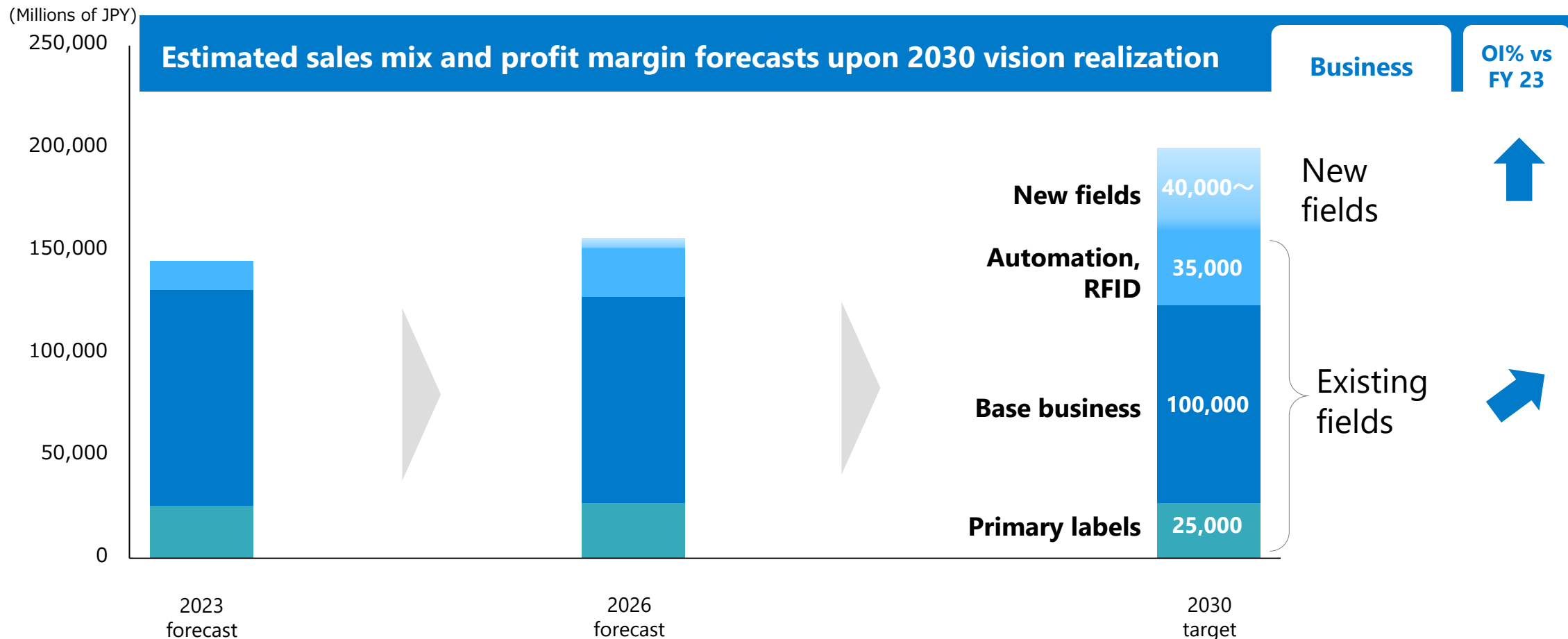




**We pursue to give every 'thing' its own ID so it connects with the world  
with "Perfect and Unique Tagging"**

**Business goals****Consol. sales:** JPY **200B****Consol. OI:** JPY **21B**, **10.5%****ROIC:** Over **10.0%**

**Develop a revenue base to achieve consistent profit growth. Invest in new fields, Perfect and Unique Tagging, with high-growth and high-profit potential to improve our profit mix.**



\* Focal areas may partially overlap

**Our 2030 vision**

**FY24–FY28  
Medium-term  
management plan**

**Contents**

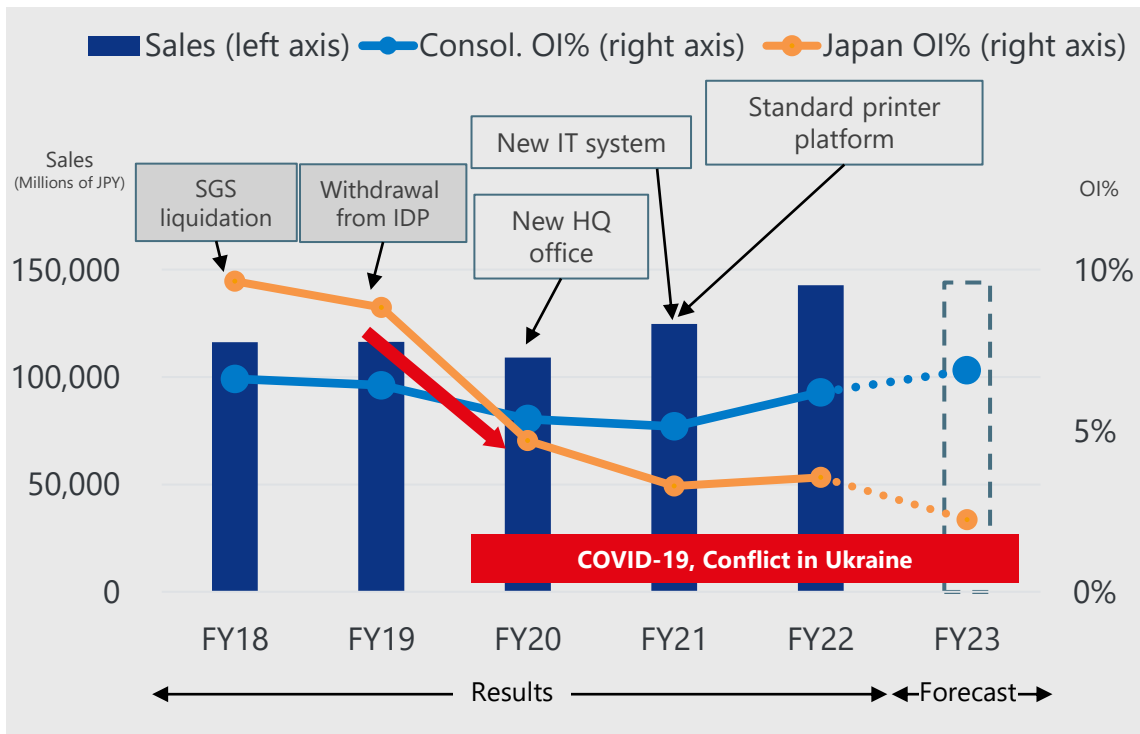
- A look back on our performance
- FY24–FY28 new MTMP key strategy
- Initiative
- Financial plan

**Our focus on core businesses since FY18 grew the overseas business, expanded market coverage/expertise, and price revision efforts have come to fruition. OI in Japan has plummeted due to budget overruns in strategic investments and product mix issues; we need to get us back profiting with this MTMP.**

## Concentrate resources on core business

Review portfolio; innovate tagging technology

**Sales & OI%, business portfolio**



### Achievements from FY18

- Focused on core businesses, which:
  - ✓ Grew overseas base business.
  - ✓ Expanded market coverage/expertise globally.
  - ✓ Grew RFID and automation sales.
  - ✓ Led to completion of new cost-effective printer platform to be equipped on new models.
- Price revision efforts coming to fruition.

### Issues that surfaced

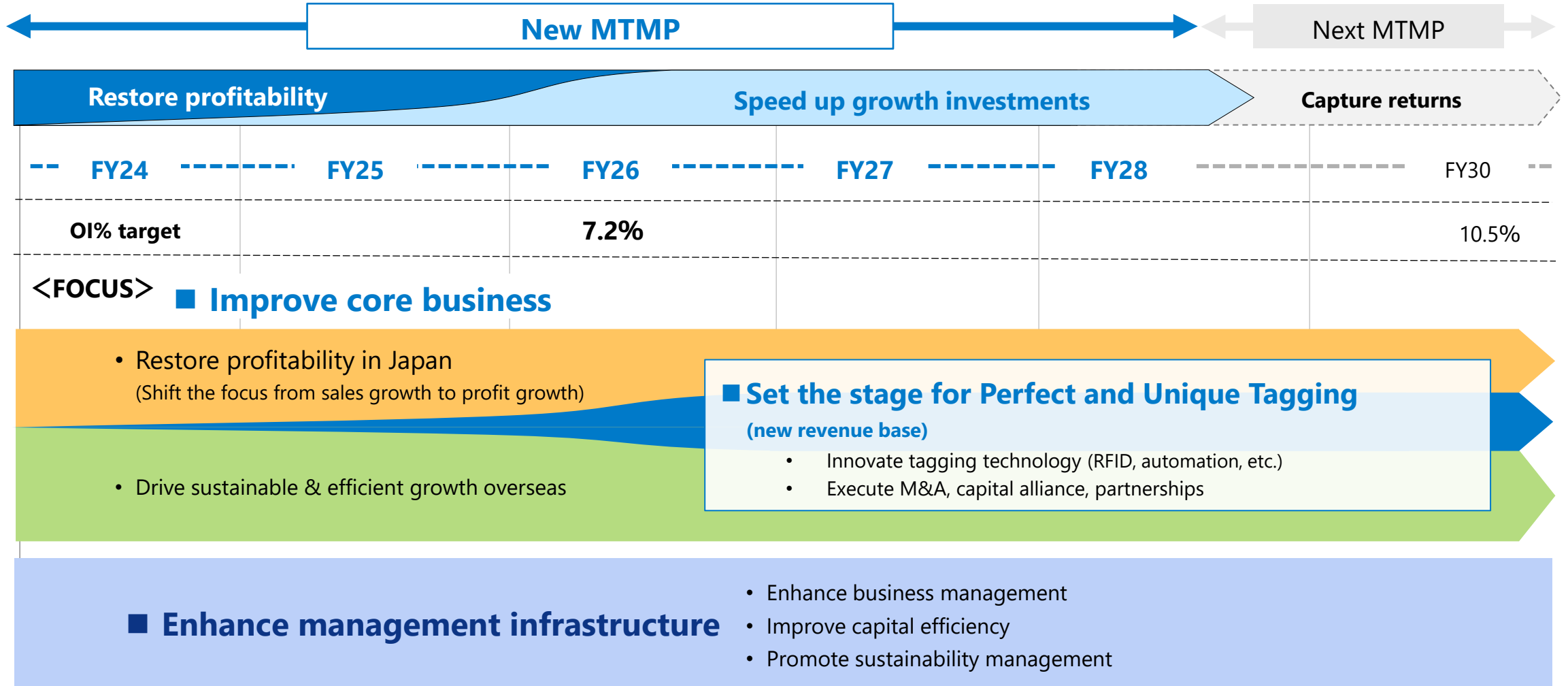
- Budget overruns in strategic investments and product mix issues causing Japan business OI% to decline.
- Printers commoditizing. (Revision of revenue model)
- Geopolitical risks heightening.
- Customer pain points are expanding beyond individual and corporate issues to encompass broader societal and industrial challenges.



\*1 Software development subsidiary in U.S.

\*2 Inline Digital Printing: IDP is a direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.

The five-year plan sets FY24–25 for recovery and reform, and FY26–28 for restarting growth investments.



**Restore profitability in Japan**  
(FY23–26: +3% pt operating margin)

**Increase gross margins while keeping SG&A expenses at FY23 levels**

- **Manage value chains to generate profits**
  - Improve gross margins
    - Optimize the product portfolio to enhance productivity and reduce production costs.
    - Proper pricing for servicing
  - Optimize SG&A expenses
    - Set SG&A expense quotas and specific targets.
    - Optimize the product portfolio to reduce R&D and overhead expenses.
- **Recruit and develop talent to capture key markets:**
  - Increase gross profits in health care by 40% between FY23 to FY26
  - Focus on manufacturing market
- **Implement profit-based incentives to reward sales performance**
  - Optimize transactions with low gross margins
  - Increase businesses with high gross margins (e.g. sales of solutions)
- **Launch new printers to incorporate them into replacement cycles**

**Drive sustainable & efficient growth overseas**  
(base, primary labels)  
(FY23–26: +6% Sales CAGR)

**Base business sales: JPY 49B (FY23)→JPY57B (FY26)**

Americas: JPY 18B → JPY 21B  
 Europe: JPY 12B → JPY 14B  
 Asia/Oceania: JPY 19B → JPY 22B

■ **Efficient creation and horizontal deployment of solutions**

- Restructure sales organizations
- Develop innovative solutions
- Increase consumable sales and profits
- Enhance tools for broader applications with more sophisticated approaches

**Primary labels business sales:**  
**JPY 19B (FY23)→ JPY 23 (FY26)**

■ **Stabilize sales and profits**



\* FY23 figures are forecasts (as of 9 February 2024).



**Restructuring organizations leads to profits improvement.**

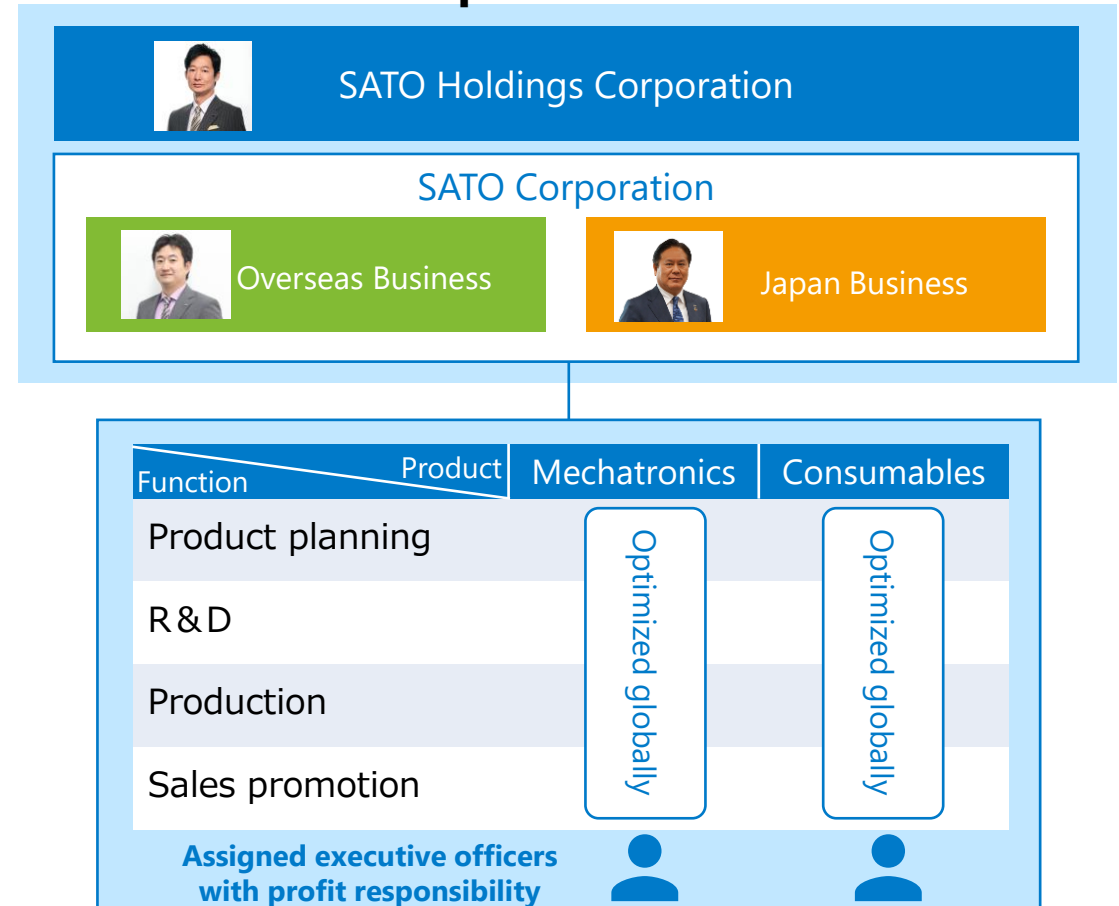
**Sales: Efficiently expand sales for global key accounts.**

**Value chains: Visualize and optimize product-based chains, and enhance KPI management.**

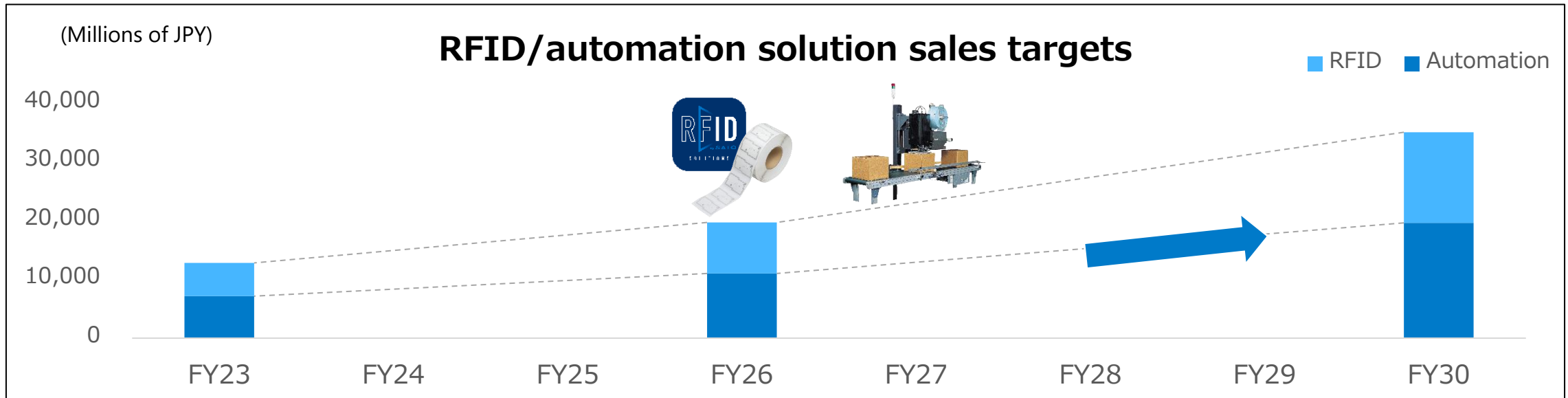
**Until the end of FY23**



**From April FY24 onward**



**Accelerate growth in existing RFID/Automation fields and lay the groundwork for Perfect and Unique Tagging.**



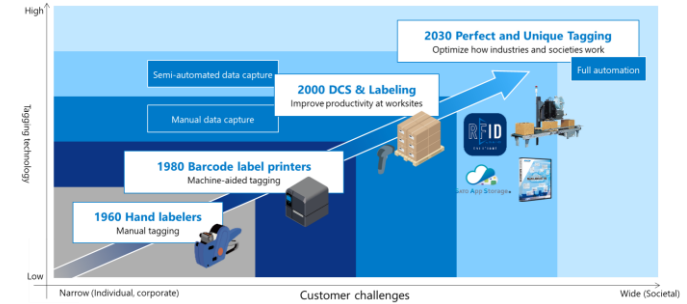
**Existing RFID/Automation fields**


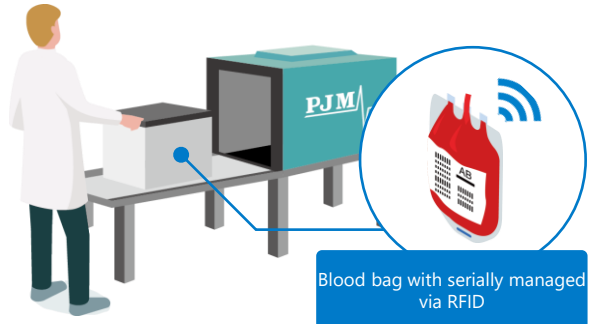
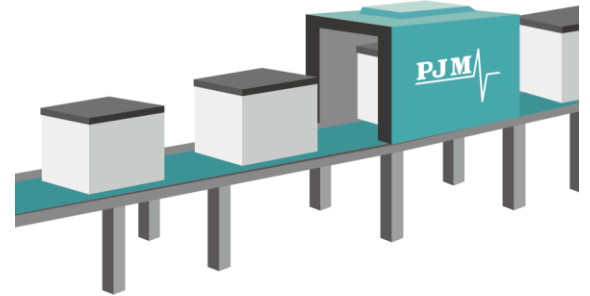
- Shift focus to high growth, high profit markets
- Enhance sales reps' proposal-making skills
- Properly pricing
- Increase our current production capacity
- Launch new production sites (for decentralization)

**Set the stage for Perfect and Unique Tagging**

- Acquire necessary technologies and solutions through M&A, partnerships and internal development

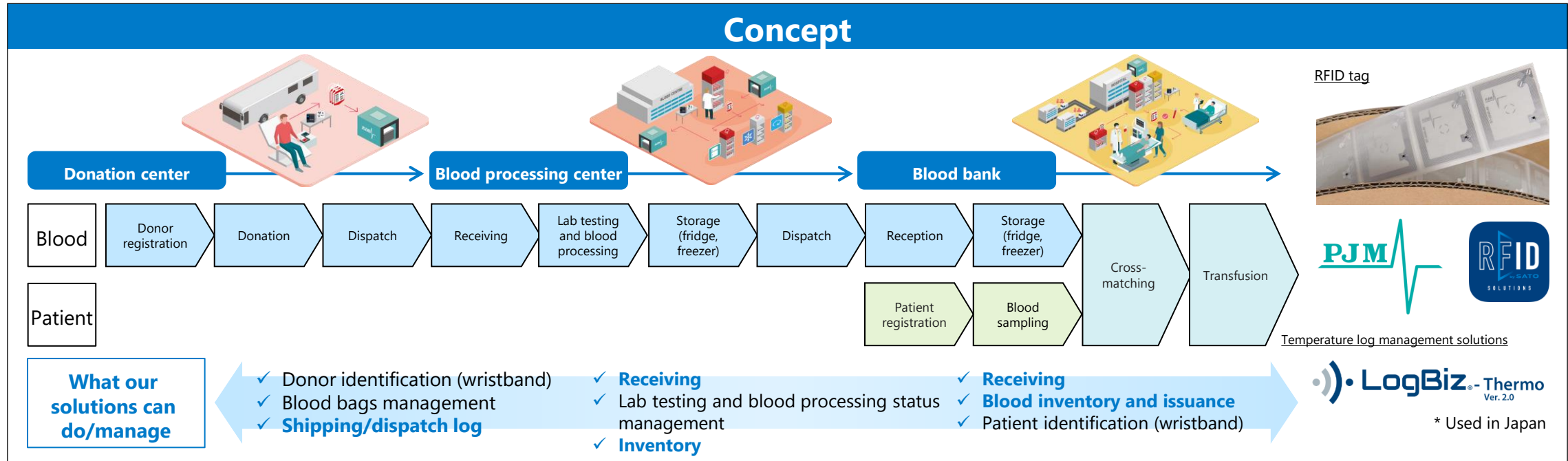
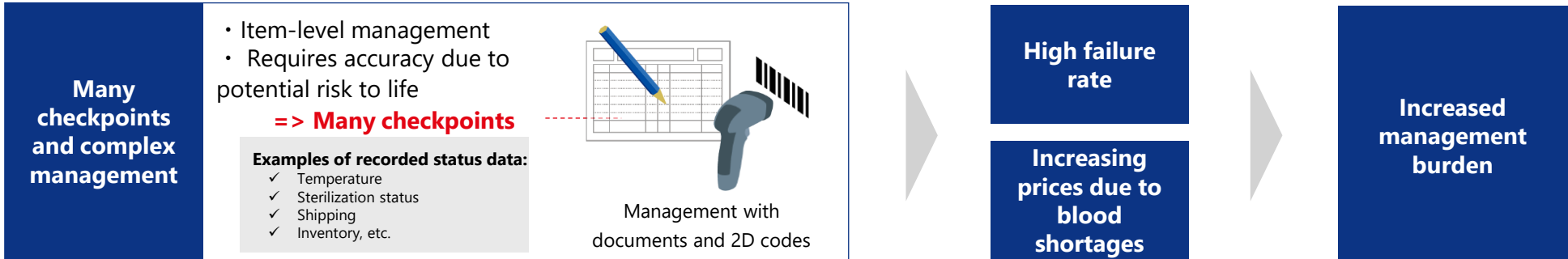
# Perfect and Unique Tagging: tagging with unique x fully automated x across supply chain /customer journey



	Existing tagging technology	In-between	Perfect and Unique Tagging (New tagging technology)
Data level	Same product = same ID	Unique ID for each individual product	
Automation level	Semi-automated	Semi-automated	Fully automated
Scope of usage	Single worksite	Across supply chains and customer journey	
Application		 <p>Blood bag with serially managed via RFID</p>	

Provide Perfect and Unique Tagging solutions for blood product supply chain management. Expand them also to adjacent markets.

Customer challenges

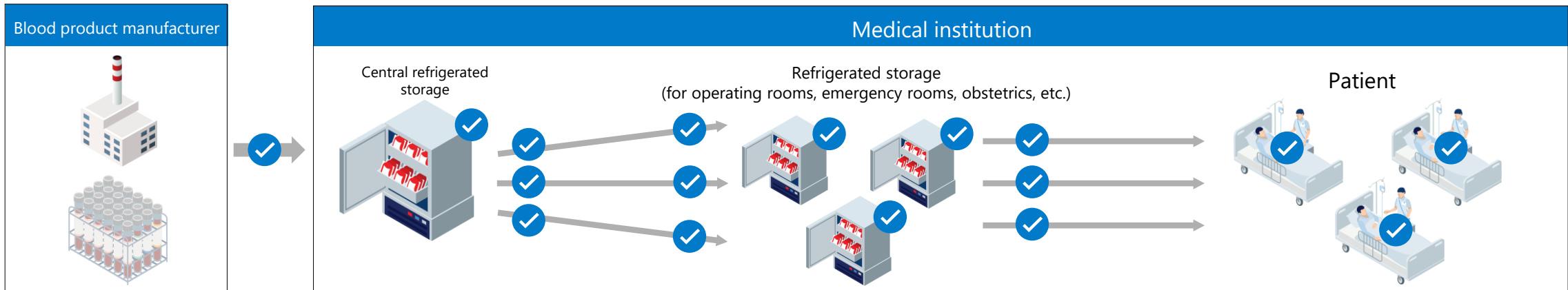


# Address complex blood product management challenges with our unique technology and solutions.



## Management of blood products (red blood cells)

✓ Checkpoint: (Temperature, sterilization status, shipping, inventory, etc.)



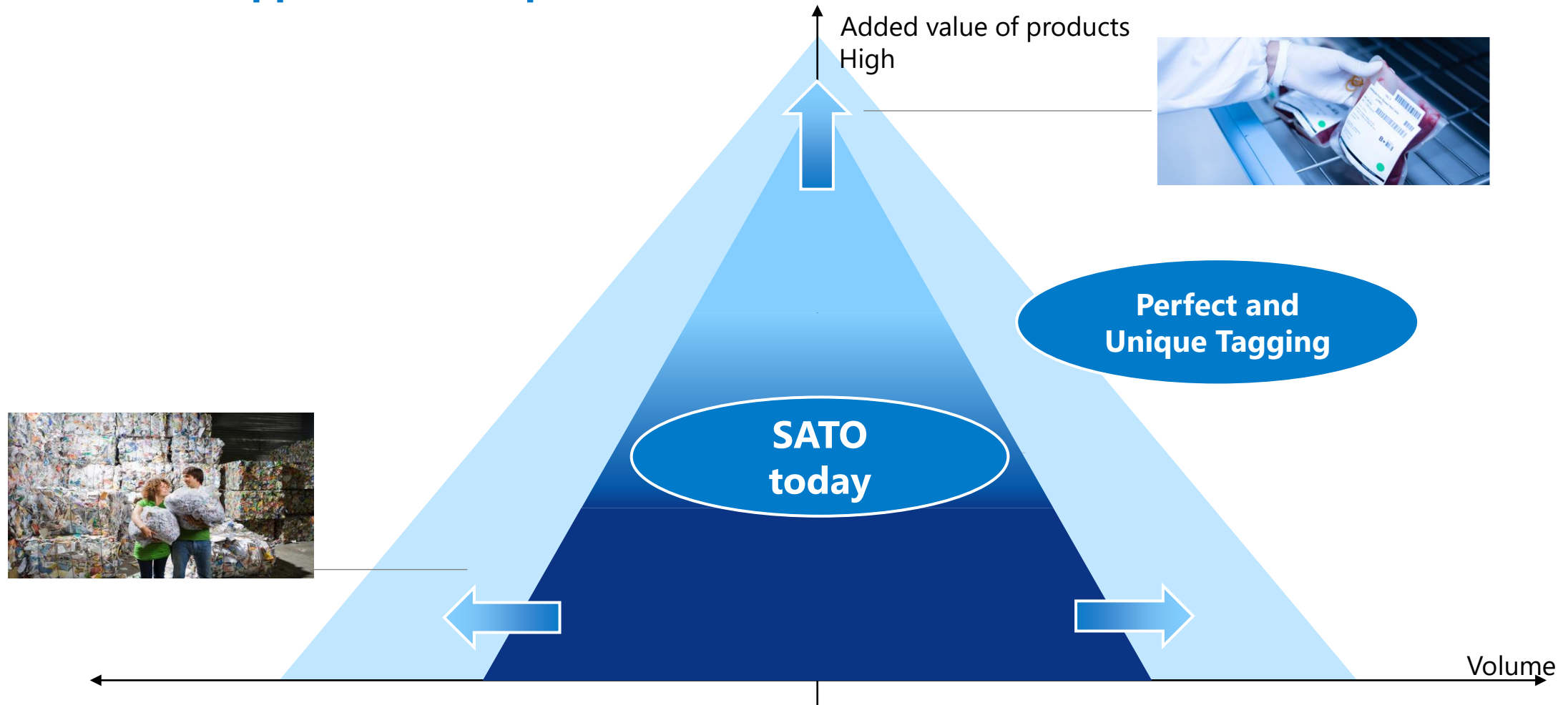
### Uniqueness of our PJM RFID technology (vs. UHF RFID)

- High read accuracy (approx. 100%)
- Works with liquids, layers and low temperatures (-80°C)
- Compatible with wide range of refrigeration equipment at medical institutions



We identify challenges common to countries, markets and industries of the times, and **offer solutions using auto-ID technology in uniquely SATO ways.**

=> **Business opportunities expansion**



## Enhance our management infrastructure to remain essential to society.

### Strategies

#### Improve business management

- Enhance and refine profit management strategies
- Enhance governance for more autonomous operation of overseas subsidiaries

#### Enhance capital efficiency

- Practice cash flow-based management
- Make strategic investments considering capital costs

#### Promote sustainability

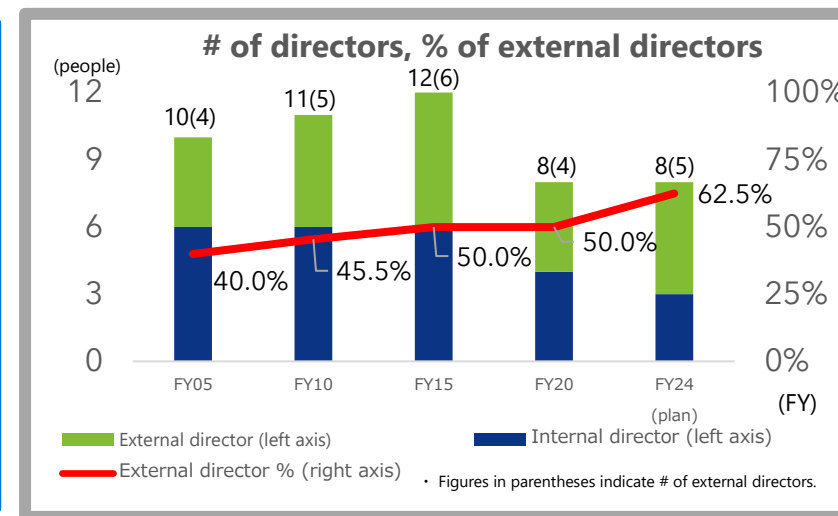
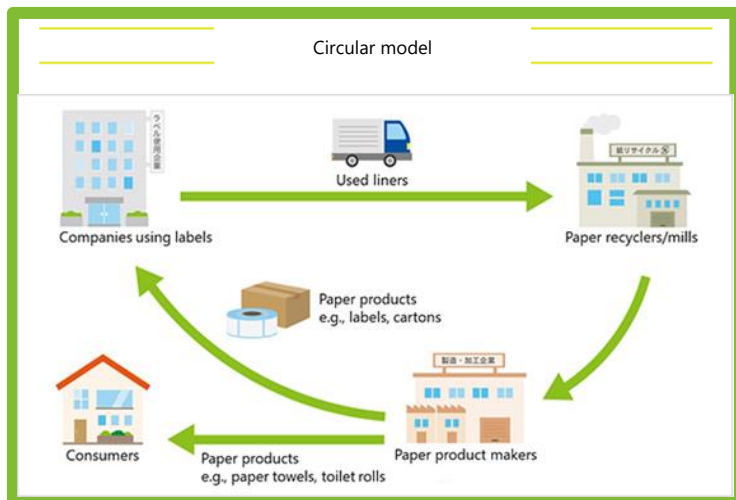
- Reduce GHG emissions to meet long-term targets
- Promote CSR procurement
- Enhance human capital
- Strengthen corporate governance

### Initiatives

- Improve performance management methods and ensure KPI-based management.
- Implement profit-based performance evaluation (Sales and product divisions).
- Delegate authority to overseas subsidiaries and station business management personnel.
- Implement a capital management strategy that balances cash inflows and outflows.
- Improve headquarters' supervision of capital management.
- Regularly assess capital costs, make investment decisions accordingly and monitor outcomes.
- Reduce GHG emissions.
- Enhance the CSR procurement framework and collaborate with suppliers for its promotion.
- Discuss changes to HR systems to align them with the overall strategy. Develop HR management strategy and set/track KPIs.
- Enhance corporate governance practices.



# Increase our social and corporate value through unique ESG initiatives.



- Reduce liner waste
- Reduce the time required to make environmental contributions



Linerless labels



Location tracking systems for monitoring waiting trucks

- Perfect and Unique Tagging: Expand our business scope
- Frameworks and systems: Teiho, Make-a-Ripple Teiho\*1 Our Way to Our 100th Anniversary\*2 (launch of new businesses)
- Improve HR systems and management



Creating businesses with people with disabilities

- Gain new expertise appointing a new external director.

**Hiroshi Nagumo**  
**candidate for external director**  
**Advisor, Terumo Corporation**

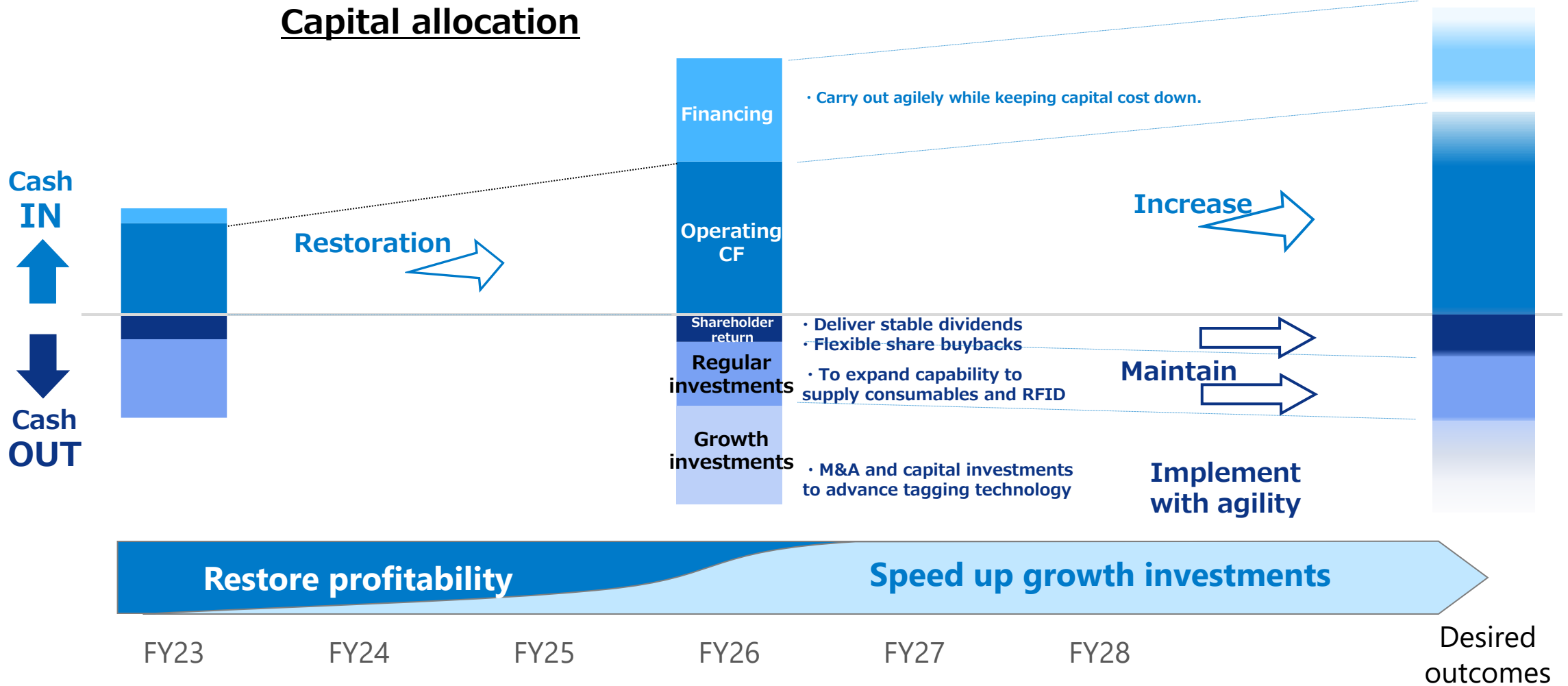
- Areas of expertise:
- International business
  - Health care business

\*1 The name of the tool that has been added to Sato's existing "Teiho" to support the fast and reliable review and implementation of individual ideas for change and improvement in each department.

\*2 Shorthand for "Our Way to Our 100th," a slogan in our culture-building action that eyes SATO's 100th anniversary in 2040.



Restore profitability by implementing initiatives outlined in this MTMP and making strategic investments to advance tagging technology. Provide consistent dividends by increasing profit per share.

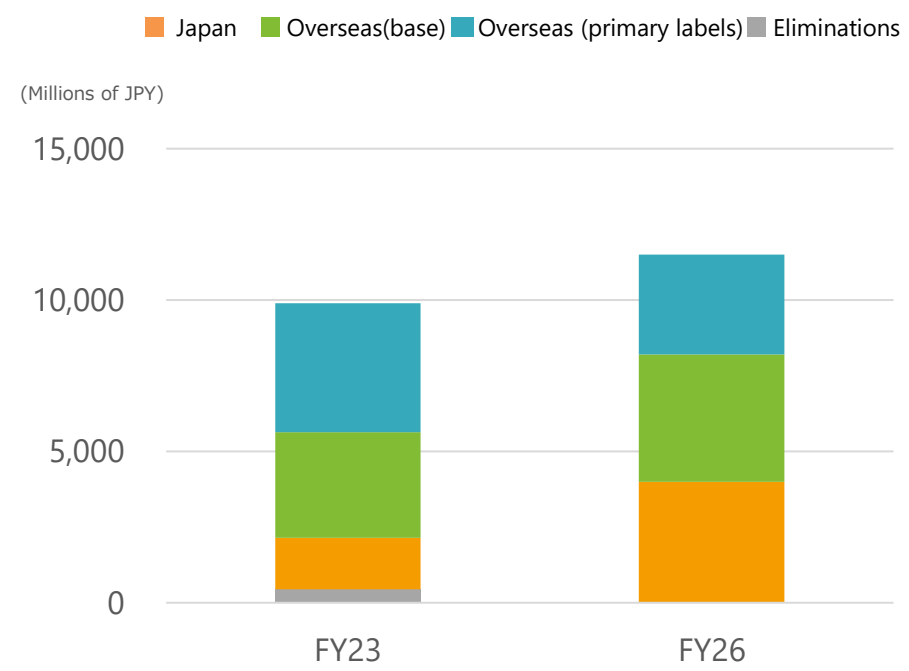


<b>FY 2026 Financial plan</b>	Consol. sales: JPY <b>160B</b>	Consol. OI : JPY <b>11.5B / 7.2%</b>
	ROIC : <b>7%</b>	P/B ratio : <b>1.5x</b>

(Millions of JPY)

		FY23 *	FY26	CAGR
Overseas	Net Sales	68,000	80,000	+5.6%
	OI	8,000	7,500	-2.1%
	%	11.8%	9.4%	-2.4pt
Japan	Net Sales	76,000	80,000	+1.7%
	OI	1,700	4,000	+33.0%
	%	2.2%	5.0%	+2.8pt
Eliminations	OI	200	-	-
Consolidated	Net Sales	144,000	160,000	+3.6%
	OI	9,900	11,500	+5.1%
	%	6.9%	7.2%	+0.3pt
Reference Primary labels	Net Sales	19,000	23,000	+6.6%
	OI	4,300	3,300	-8.4%
	%	22.6%	14.3%	-8.3pt

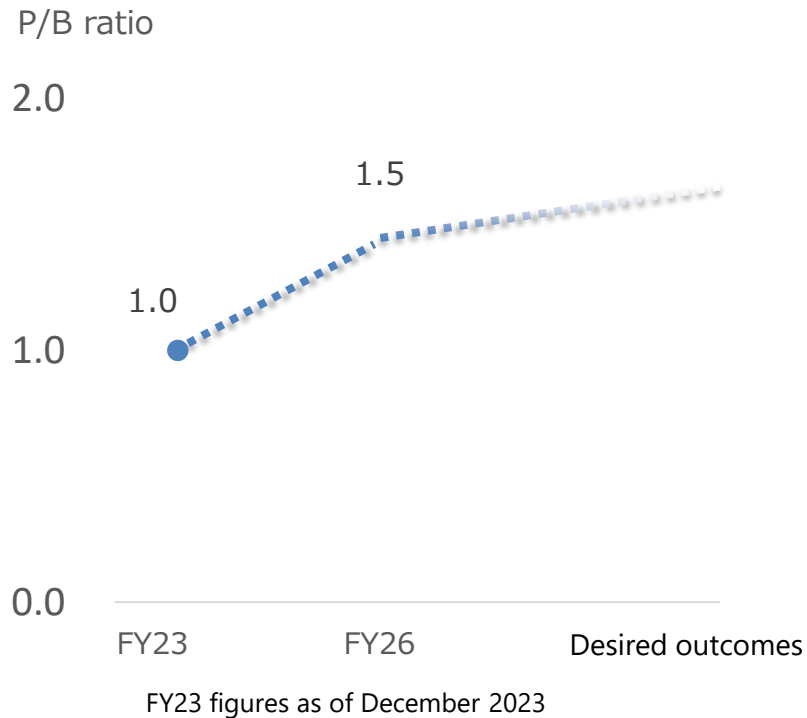
### OI Plan



\* FY23 figures are forecasts (as of 9 February 2024).

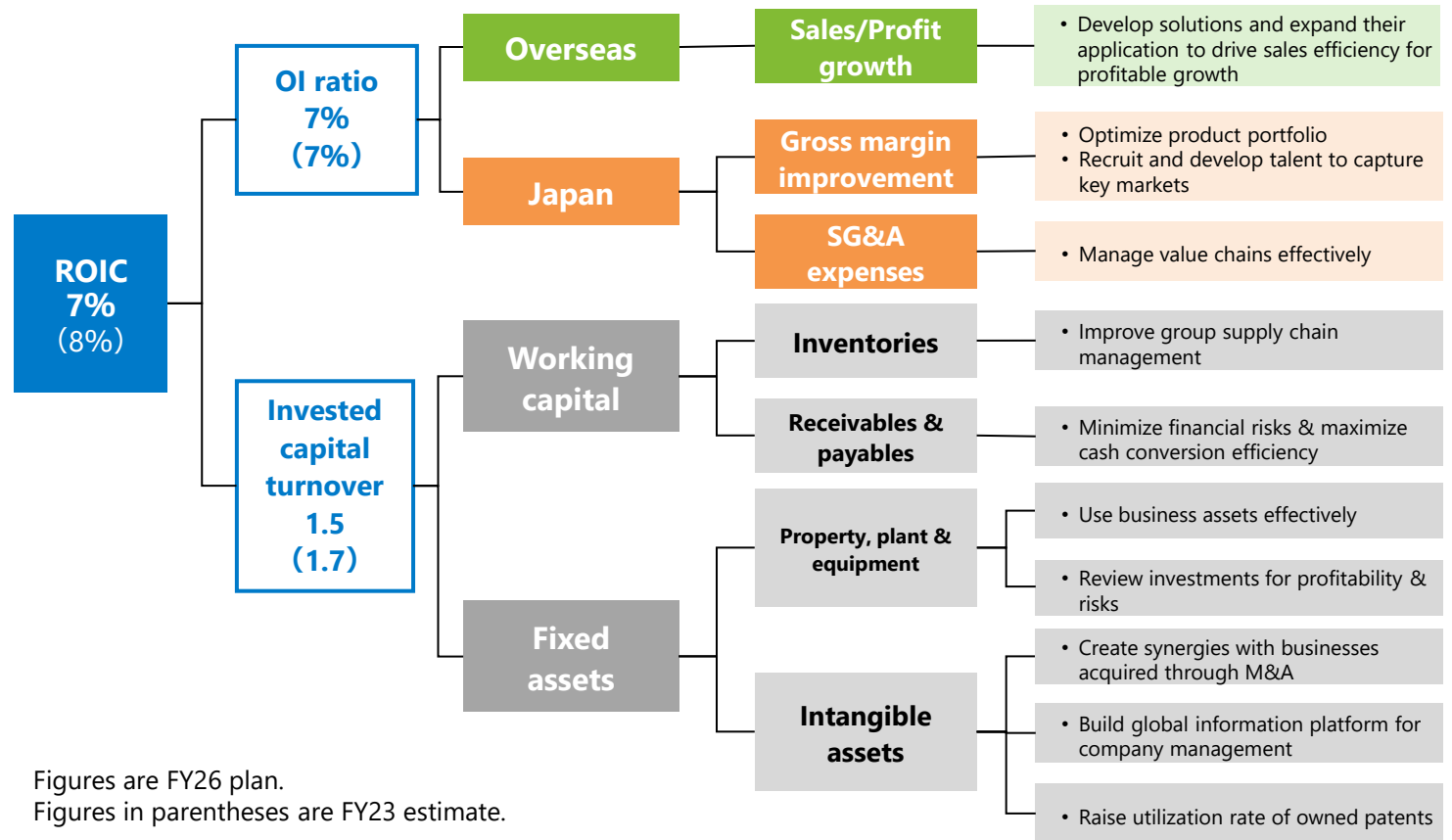
**i) Improve capital efficiency and ii) reduce cost of capital and optimize growth expectations to improve the current P/B ratio of 1.0.**

Changes/Forecasts in P/B ratio



**i) Improve Capital efficiency: ROIC improvement**

- Aim for ROIC above the cost of capital (WACC 8%)
- ROIC is expected to briefly fall below the cost of capital in FY26 due to investments. Reap the benefits of investments as early as possible.



## ii) Reduce cost of capital and optimize growth expectations: PER improvement

### 1. Reduce cost of capital (WACC)

- Reduce our OI dependence on our Russian subsidiaries prone to high volatility.
- Increase the ratio of recurring businesses (incl. consumables) in the overseas business.
- Optimize funding with a focus on reducing cost of capital.
- Minimize unexpected financial performance outcomes.

### 2. Optimize growth expectations

- Execute and achieve initiatives in the MTMP and deliver results.
- Reduce information inconsistency through consistent investor relations activities.

# Key Takeaways

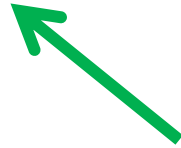
## Increase in corporate value

**Return > Cost of capital**

**Optimize growth expectations**



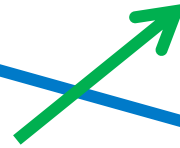
**Restore profitability  
in Japan**



**Drive sustainable &  
efficient growth overseas**



**Initiatives toward  
Perfect and Unique Tagging**



**Improve  
business management**

**Enhance  
Capital efficiency**

**Promote  
sustainability**

# Appendix

FY22 Consolidated net sales: 142,824M JPY, 100%

85% of consolidated net sales (Breakdown by region: Japan 61%, The Americas 14%, Europe 10%, APAC 15%)

Auto-ID solutions (Japan/Overseas)

Base

Mechatronics

38%

**Printers**



**Other Hardware**



**Software**



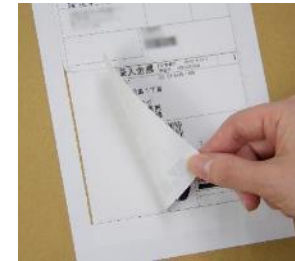
**Services**



Consumables

47%

**Labels & Tags**



15% of consolidated net sales (Breakdown by region: The Americas 15%, Europe 85%)

Primary

**Stickers & primary labels**



SATO-unique business concepts/initiatives		Description*
1	<b>Auto-ID Solutions business</b>	Our business that carries out <u>DCS &amp; Labeling</u> . It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels businesses</u> .
2	<b>Base business</b>	Business of <u>tagging</u> variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
3	<b>Primary Labels business</b>	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	<b>IDP business</b>	Develops, manufactures and sells materials used mainly in Inline Digital Printing (IDP). SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September 2020. IDP is a direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.
5	<b>Koto-uri</b> (Selling the solution, not the product)	Sales approach of selling not the product but combinations of products in the form of solutions that include hardware, <u>consumables</u> , maintenance services and software, together with ROI and other value propositions for the customer. The opposite concept of "Mono-uri", or selling single products.
6	<b>Tagging</b>	The process of physically attaching to something data that identifies and/or locates it. This involves digitizing information of the things it is tagged to so that the tagged data can be fed to and processed by core IT systems. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7	<b>DCS &amp; Labeling</b> (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and <u>RFID</u> ) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer <u>tagging</u> /labeling of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.



SATO-unique business concepts/initiatives		Description
8	<b>Genbaryoku</b>	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
9	<b>Teiho</b>	SATO's unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day with top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho reports are directly addressed to top management, it is also an effective means of compliance monitoring to prevent malpractice and other inappropriate behavior and assist in corporate governance. Some of our global offices have also started Teiho, with more to follow.
Products, services, technologies		Description
1	<b>Mechatronics</b>	All products that are not <u>consumables</u> , including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than <u>consumables</u> . Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	<b>Consumables</b>	"Consumable" products such as <u>variable information labels</u> , <u>RFID</u> tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> but incur low SG&A expenses ratio as they are typically sold through recurring business.
3	<b>Auto-ID Solutions</b>	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out <u>DCS &amp; Labeling</u> . To meet ever complex and diverse customer challenges, SATO also looks beyond its own resources and interests by pursuing partnerships, for example, to enable location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.
4	<b>SOS (SATO Online Services)</b>	A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting. With SOS, users can view the status of their cloud-connected printers at a glance and manage them centrally with ease, while SATO can increase productivity of its service personnel, allowing for even small service teams (as is often the case overseas) to provide improved support.

Products, services, technologies		Description
5	<b>AEP</b> (Application Enabled Printing)	A powerful on-board intelligence which enables customization of printer operation. Printers can link to other systems on a stand-alone basis, without going through any computers.
6	<b>Variable information labels</b>	Blank or pre-printed labels used to print information elements such as barcode, product price and manufactured or expiry date that vary with every customer's site of operation. Unlike fixed information labels that are identical and printed at large quantities in a single run, variable information labels can be printed on-demand as and when needed.
7	<b>RFID</b> (Radio Frequency Identification)	A type of auto-ID technology that uses radio waves to read/write data from/to an RFID tag without making contact. RFID offers faster read rates (from reading multiple tags at the same time) and greater read range than traditional barcode technology. Also, unlike barcodes, RFID tags can be read when covered by another object or stained, and are read/write-capable to enable updates to the encoded data. Because of these key benefits, RFID can significantly improve operational efficiency.
8	<b>Source tagging</b>	A supply chain management practice of instructing vendors or suppliers to affix labels containing specified information of products upon delivery.

Key acquisitions since 2012		Description
1	<b>Argox Information Co., Ltd.</b> (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	<b>Achernar S.A.</b> (Argentina)	[2012] Company specializing in primary labels.
3	<b>Magellan Technology Pty Ltd.</b> (Australia)	[2013] Company from which SATO acquired its business including PJM (Phase Jitter Modulation), a highly superior <u>RFID</u> technology that can quickly and accurately identify large volumes of tagged items stacked or stored in any physical orientation even in the presence of metals and liquids. Now SATO Vicinity Pty Ltd.
4	<b>Okil-Holding, JSC</b> (Russia)	[2014] Primary labels company in which SATO acquired 75% ownership stake. <u>X-Pack</u> is affiliated with Okil.
5	<b>Prakolar Rótulos Autoadesivos LTDA.</b> (Brazil)	[2015] Company specializing in primary labels.
6	<b>Stafford Press, Inc.</b> (U.S)	[2023] Company engaging in production and sales of horticulture tags and labels, and inkjet printers for on-demand color printing of such tags and labels.
Overseas subsidiaries founded after 2017		Description
1	<b>X-Pack</b> (Russia)	[2017] A subsidiary producing and selling shrink sleeves, in-mould labels and soft packages in <u>Primary Labels business</u> , owned 60% by SATO Holdings.
2	<b>SATO Productivity Solutions Mexico S.A. de C.V.</b>	[2019] A sales subsidiary, mainly focusing on automobile industry, owned nearly 100% by SATO Holdings.