



September 15, 2020

Company Name: SATO Holdings Corporation
(Securities Code: 6287 (TSE1))
URL: <https://www.sato-global.com/>
Representative: Ryutaro Kotaki, President and CEO
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Notice Concerning Transfer of a Consolidated Subsidiary (Transfer of Shares)

SATO Holdings Corporation (“SATO”) has reached an agreement on a share transfer by management buyout (MBO) for the transfer of all shares of SATO consolidated subsidiary DataLase Ltd. (“DL”) with the DataLase Holdings Limited, to whom the shares will be transferred.

1. Reason for the share transfer

SATO acquired a 100% ownership stake in DL and made it into a subsidiary in December 2016. This acquisition resulted from the decision that DL’s Inline Digital Printing, which uses multicolor heat-reactive pigments to print directly onto target objects without a label, is a technology that contributes to developing new markets as advocated in SATO’s medium-term management plan. SATO thus aimed to make this into one of its core technologies for the future. Development for multicolor technology had continued while SATO worked to build sales channels to customers. However, remaining technological challenges have led to inevitable delays in commercialization, and the performance forecast has thus fallen significantly short of the plan that was originally formulated.

Recently, DataLase Holdings Limited founded by DL executives Clare Lewis and Paul Dustain and Chief Technology Officer Alexander Grant came forward with an offer of share acquisition by MBO. Considerations had been proceeding on both sides since then.

Going forward, DL aims to push forward with further technological development and engage in business development even more actively, while SATO has decided that concentrating resources on its auto-ID solutions business and establishing sustainable growth and stable profits will enhance its corporate value. Recognizing these divergent objectives, the two sides came to an agreement on this transfer of shares.

2. Overview of the subsidiary to be transferred (DataLase Ltd.)

(1) Name	DataLase Ltd.
(2) Address	Unit 3 Wheldon Road, Widnes, Cheshire, WA8 8FW, United Kingdom
(3) Name and title of	Hidetoshi Shinada, Chairperson & Chief Executive Officer

	representative			
(4)	Business description	Inline Digital Printing (IDP) development & sales		
(5)	Capital	716,000 GBP		
(6)	Established	September 7, 1987		
(7)	Major shareholders and their holding ratios	SATO, 100%		
(8)	Relationships between SATO and DL	Capital relationship	Consolidated subsidiary wholly owned by SATO.	
		Personnel relationship	Four DL directors in total are officers and employees of SATO, including the representative listed above. One SATO employee is also working at DL on assignment.	
		Business relationship	There is no business relationship to report between SATO and DL. As for transactions between related parties and affiliates of SATO and those of DL, SATO subsidiary SATO Corporation purchases color change pigments and related products from DL.	
(9)	Business performance and financial position of DL over the last 3 years			
	Fiscal year	FY ended March 2018	FY ended March 2019	FY ended March 2020
	Net assets	¥469 million	¥901 million	¥593 million
	Total assets	¥655 million	¥1,063 million	¥807 million
	Net assets per share	¥8.22	¥13.85	¥8.72
	Sales	¥243 million	¥394 million	¥346 million
	Operating income	(¥658 million)	(¥699 million)	(¥641 million)
	Ordinary income	(¥659 million)	(¥708 million)	(¥644 million)
	Net income	(¥649 million)	(¥719 million)	(¥658 million)
	Net income per share	(¥12.04)	(¥11.77)	(¥9.88)
	Dividend per share	¥-	¥-	¥-

3. Overview of the company acquiring the shares

(1)	Name	DataLase Holdings Limited	
(2)	Address	Unit 3 Wheldon Road, Widnes, Cheshire WA8 8FW, United Kingdom	
(3)	Name and title of representative	Clare Lewis, Chief Executive Officer	
(4)	Business description	Holdings of DL stock and related incidental business	
(5)	Capital	1 GBP	
(6)	Established	August 12, 2020	
(7)	Net assets	1 GBP	
(8)	Total assets	1 GBP	
(9)	Major shareholders and their holding ratios	Clare Lewis 40%, Paul Dustain 30%, Alexander Grant 30%	
(10)	Relationships between SATO and DataLase Holdings Limited	Capital relationship	There is no capital relationship to report between SATO and DataLase Holdings Limited. There is also no capital relationship to report between related parties and affiliates of SATO and those of DataLase Holdings Limited.

	Personnel relationship	Three shareholders are directors and employees of DL.
	Business relationship	There is no business relationship to report between SATO and DataLase Holdings Limited. There is also no business relationship to report between related parties and affiliates of SATO and those of DataLase Holdings Limited.
	Status as related parties	DataLase Holdings Limited is not a related party to SATO. Related parties and affiliates of DataLase Holdings Limited are also not related parties to SATO.

4. Number of shares to be transferred, transfer price, and state of share ownership before and after transfer

(1)	Number of shares held before transfer	71,608,390 (Voting rights ownership ratio: 100.0%)
(2)	Number of shares to be transferred	71,608,390
(3)	Transfer price	Transfer price shall be withheld pursuant to duty of confidentiality in the share transfer agreement.
(4)	Number of shares held after transfer	- (Voting rights ownership ratio: -%)

5. Schedule

(1)	Effective date of agreement	September 15, 2020
(2)	Date for share transfer to be executed	September 15, 2020

6. Future outlook

If this share transfer is executed on schedule, DL shall no longer be consolidated into SATO. SATO plans to record an extraordinary loss of roughly ¥700 million in business transfer losses from this share transfer for its direct impact on the consolidated performance of SATO during the fiscal year ending March 2021.

(Reference) Consolidated performance the previous fiscal year

	Consolidated sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of the parent
Consolidated performance the previous fiscal year (FY ended March 2020)	¥116,372 million	¥7,461 million	¥6,571 million	(¥1,882 million)