March 6, 2020

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Notice on Recording of Extraordinary Losses, Revisions to Results Forecasts and Reduction in Senior Executive Remuneration

For the fourth quarter of the fiscal year ending March 31, 2020 (from January 1, 2020 to March 31, 2020), SATO HOLDINGS CORPORATION (hereinafter the "Company") plans to record the following extraordinary losses and has revised the consolidated results forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020) that were announced on February 7, 2020. Also, the Company announces that it has decided to reduce the remuneration for 2 senior executives.

1. Details of extraordinary losses

The Company acquired 100% of the shares of DataLase Ltd. (Cheshire county, the U.K.; hereinafter "DL") in December 2016, making it a subsidiary. In order to "cultivate business in new domains" as part of the medium-term management plan, the Company sought to make DL the next business pillar and aimed to accelerate the Inline Digital Printing (hereinafter "IDP") business, which utilizes a technology to print directly on objects without using labels with heat-sensitive pigments, making it a future key technology of the Company.

Although the Company continued its efforts to develop the technology and worked to expand sales to customers, technical issues remained, causing significant delays in commercialization of the technology. As a result, the consolidated forecasts are much lower than the figures in the original plan.

Based on the above conditions, the Company, after carefully considering the future recoverability of goodwill recognized at the time of acquiring DL shares and of other non-current assets of DL, will recognize an impairment loss in accordance with the "Accounting Standards for Impairment of Fixed Assets," and book the impairment loss (extraordinary losses) for the fourth quarter of the fiscal year ending March 31, 2020. The impacts on consolidated financial results and non-consolidated financial results are as follows:

(1) Impact on consolidated financial results

The Company expects to record an impairment loss of non-current assets, including goodwill, of approximately ¥6.5 billion under extraordinary losses.

(2) Impact on non-consolidated financial results

The Company expects to record an impairment loss related to shares of DL that the Company holds of approximately ¥10.2 billion under extraordinary losses. Because this will be eliminated as an equity transaction in the consolidated financial statements, it will not affect the consolidated financial results.

2. Revisions to results forecasts

(1) Revisions to consolidated results forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecasts (A)	118,000	7,800	7,400	5,000	148.95
Revised forecasts (B)	117,000	7,300	6,900	(2,000)	(59.58)
Difference (B–A)	(1,000)	(500)	(500)	(7,000)	–
Difference (%)	(0.8)	(6.4)	(6.8)	(140.0)	–
(Reference) Actual results for the fiscal year ended March 31, 2019)	116,179	7,679	7,618	3,773	112.46

(2) Reasons for the revisions to the results forecasts

The business results in the fiscal year under review are being impacted by socioeconomic sluggishness due to the spread of the novel coronavirus (COVID-19) beginning in the fourth quarter, and the effects on net sales, operating income and ordinary income are likely to be larger than expected. In addition, net income attributable to owners of parent is expected to be a negative ¥2,000 million due to the above extraordinary losses.

3. Projected dividends

The projected year-end dividend will not change as a result of the revisions to the results forecasts and will remain the same as the previously announced year-end dividend of ¥37 per share.

4. Reduction in senior executive remuneration

To show that the Company takes the recording of extraordinary losses and the associated revisions to the consolidated results forecasts for the fiscal year seriously and clarify their management responsibility, the remuneration for 2 senior executives will be reduced as follows:

(1) Amount of reduction in senior executive remuneration

President and CEO	50% of monthly remuneration
Vice President and Chief Financial Officer (CFO)	30% of monthly remuneration

(2) Applicable period

Three months, from April to June 2020

(Note) The results forecasts are based on information currently available to the Company and the actual figures may differ significantly from the forecasted figures due to various factors occurring in the future.