

November 9, 2022

SATO HOLDINGS CORPORATION

FY2022 1H Financial Results
(Six Months Ended September 30, 2022)

Securities Code: 6287

**FY22 Apr-Sep
Results
and
Full-Year Forecasts**

**FY22 Oct-Mar
Initiatives**

**FY22 Apr-Sep
Results
and
Full-Year Forecasts**

**FY22 Oct-Mar
Initiatives**

Summary

Consolidated

Sales and OI increased YoY for Q2 and 1H. Performance has improved QoQ.

Auto-ID Solutions Business (Overseas)

Sales and OI increased YoY for Q2 and 1H.

- Base business: Sales and OI increased due to robust demand captured through efforts in sales, manufacturing and logistics divisions.
- Primary Labels business: Sales and OI increased owing to solid sales to the daily commodities industry and price revisions covering for higher costs.

Auto-ID Solutions Business (Japan)

Sales and OI increased YoY for Q2 and 1H.

Sales increased thanks to continued strong momentum of consumables sales, covering sluggish mechatronics sales. OI increased due to higher sales, increase in gross profit on export backed by strong printer sales in the Overseas business, and control of SG&A expenses.



- Here is a summary for Q2 and 1H.
- On a consolidated basis, sales and operating income were up YoY for Q2 and 1H. Performance has improved QoQ.
- In Overseas business, sales and OI increased for both 1H and Q2.
- Sales and OI increased due to sales activities capturing robust demand, improvements in production and logistics, further price revisions, and reduction in backlog of printer orders.
- The reduction in backlog of printer orders is one-off, but even without it our YoY performance remains strong.
- In Japan, sales and OI increased for both 1H and Q2.
- Sales of consumables remained strong due to stable demand and effects of price revisions. The strong momentum of consumables sales covered for the drop in mechatronics sales due partly to the loss of large orders seen last FY that are no longer accounted for.
- OI increased thanks to higher sales, increase in gross profit from exports backed by strong printer sales in the Overseas business, and controlling of SG&A expenses.
- Performance has improved compared to Q1, with sales of not only consumables but also mechatronics expanding.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022 Apr-Sep	FY2021 Apr-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	70,463 (61,820)	60,261 (55,693)	+16.9% (+11.0%)	+6.9% (+5.1%)	
	Operating Income	3,962 (2,809)	2,762 (2,365)	+43.4% (+18.8%)	+26.9% (+15.0%)	
	Overseas	Total Sales	34,878 (26,234)	25,284 (20,715)	+37.9% (+26.6%)	+14.0% (+10.7%)
		Operating Income	3,029 (1,875)	1,873 (1,476)	+61.7% (+27.0%)	+32.4% (+14.8%)
	Japan	Total Sales	35,585	34,977	+1.7%	+1.7%
		Operating Income	933	888	+5.0%	+15.3%
Consolidated (incl. eliminations)		Total Sales	70,463 (61,820)	60,261 (55,693)	+16.9% (+11.0%)	+6.9% (+5.1%)
		Operating Income	3,776 (2,622)	2,779 (2,382)	+35.8% (+10.1%)	+19.4% (+6.3%)

* Figures in parentheses exclude the Russian business.



- The main figures related to the previous slide are as shown in this table.
- Figures in parentheses exclude the Russian business. The same convention applies to slides that follow.

Sales and OI by Business Segment

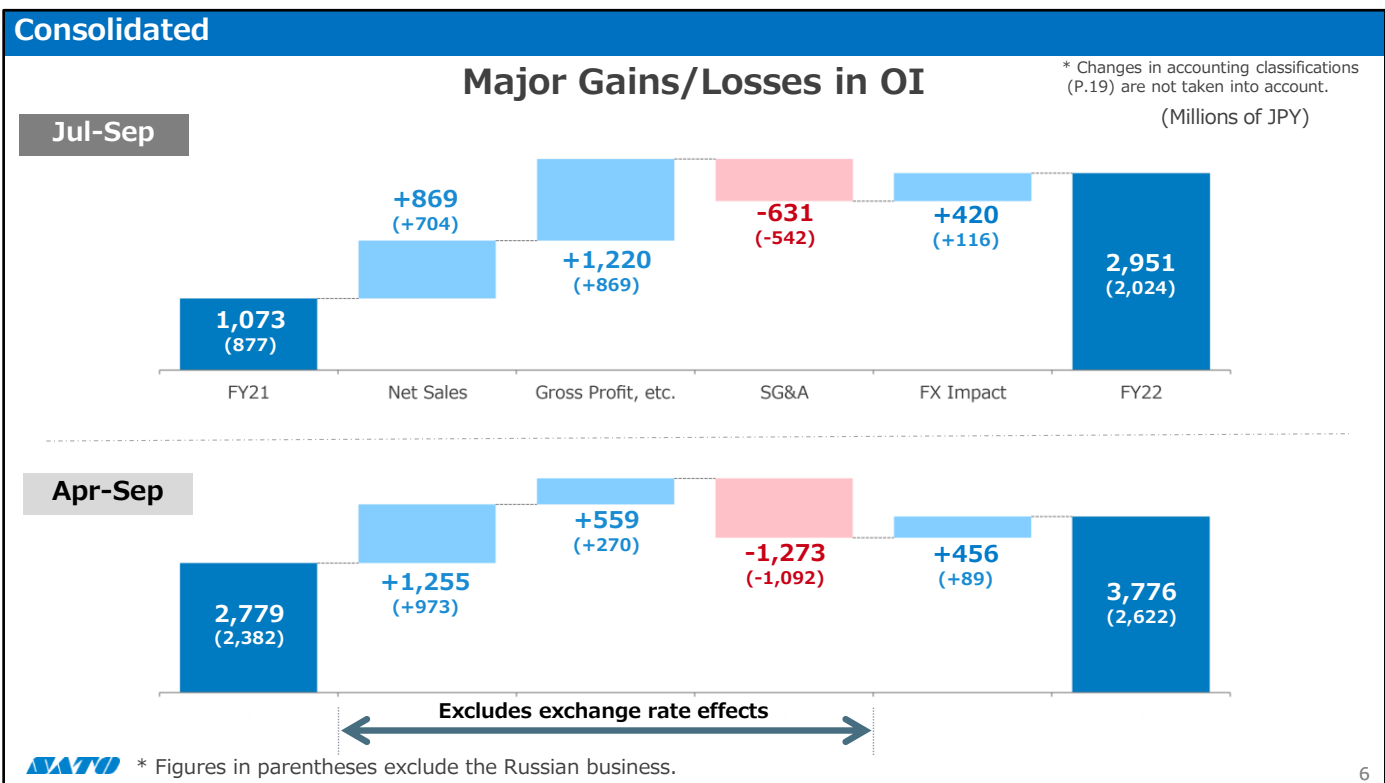
(Millions of JPY)

		FY2022 Jul-Sep	FY2021 Jul-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	36,777 (32,001)	30,084 (27,772)	+22.2% (+15.2%)	+10.3% (+8.3%)	
	Operating Income	3,051 (2,124)	1,001 (805)	3.0x (2.6x)	2.6x (2.5x)	
	Overseas	Total Sales	18,483 (13,707)	12,354 (10,043)	+49.6% (+36.5%)	+20.5% (+17.4%)
		Operating Income	2,109 (1,182)	698 (502)	3.0x (2.4x)	2.4x (2.1x)
	Japan	Total Sales	18,294	17,729	+3.2%	+3.2%
		Operating Income	941	303	3.1x	3.2x
Consolidated (incl. eliminations)		Total Sales	36,777 (32,001)	+22.2% (+15.2%)	+10.3% (+8.3%)	
		Operating Income	2,951 (2,024)	1,073 (877)	2.7x (2.3x)	2.4x (2.2x)

* Figures in parentheses exclude the Russian business.



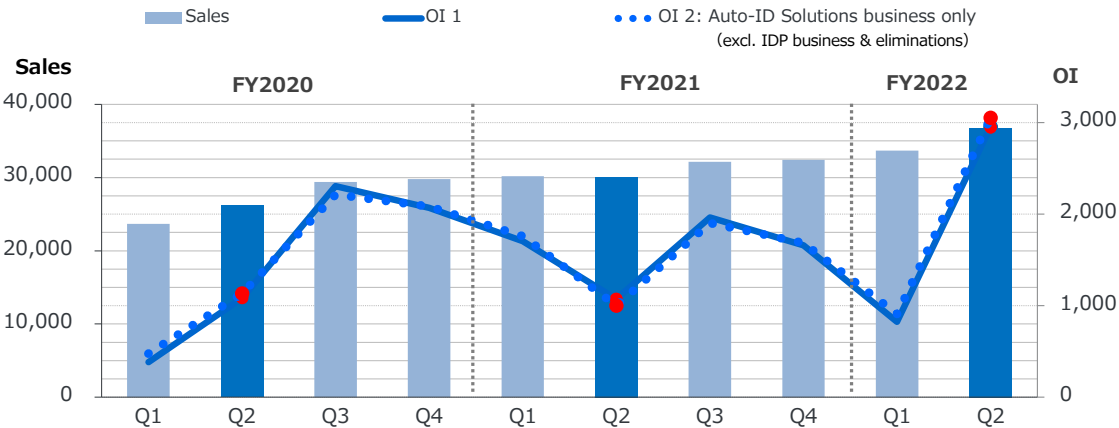
- The main figures related to Q2 alone are as shown in this table.



- This slide compares consolidated OI figures with those of the previous year.
- OI for Q2 roughly doubled YoY when excluding the Russian business and tripled when including, owing to sales growth and improved gross profit in both Overseas and Japan businesses absorbing increases in SG&A expenses.
- Details will be explained in later slides for Overseas and Japan.

Quarterly Sales & OI

(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	23,651	26,221	29,398	29,781	30,177	30,084	32,126	32,395	33,686	36,777
YoY	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%
OI 1	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660	824	2,951
YoY	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x
OI 2	476	1,132	2,213	2,083	1,760	1,001	1,903	1,685	910	3,051
YoY	-74.6%	-52.0%	-10.4%	+1.8%	3.7x	-11.5%	-14.0%	-19.5%	-48.3%	3.0x



- This slide shows consolidated sales and operating income by quarter.
- In Q2, both sales and operating income reached record highs.

Consolidated Results

(Millions of JPY)

	FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY
Net Sales	70,463 (61,820)	60,261 (55,693)	+10,201 (+6,126)	+16.9% (+11.0%)
Operating Income	3,776 (2,622)	2,779 (2,382)	+996 (+239)	+35.8% (+10.1%)
Operating Income %	5.4% (4.2%)	4.6% (4.3%)	+0.7pt (-0.0pt)	- -
Ordinary Income	4,968 (2,775)	2,695 (2,216)	+2,272 (+559)	+84.3% (+25.2%)
Profit attributable to owners of parent	3,229 (1,981)	1,848 (1,537)	+1,380 (+443)	+74.7% (+28.9%)
Effective Tax Rate	25.0%	25.7%	-0.7pt	-
EBITDA*	6,392 (4,859)	4,974 (4,355)	+1,417 (+503)	+28.5% (+11.6%)

Average exchange rates for Apr-Sep FY22: JPY 134.03/USD, JPY 138.76 /EUR, Apr-Sep FY21: JPY 109.81 /USD, JPY 130.88 /EUR
FX sensitivity for FY22: JPY +461million in sales and JPY +9million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Apr-Sep FY22: JPY 2,459 million (2,079 million)
· Amortization for Apr-Sep FY22: JPY 156 million (156 million)

Apr-Sep FY21: JPY 2,076 million (1,854 million)
Apr-Sep FY21: JPY 117 million (117 million)



* Figures in parentheses exclude the Russian business.

● These are the consolidated results for 1H.

Consolidated Results

(Millions of JPY)

	FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY
Net Sales	36,777 (32,001)	30,084 (27,772)	+6,693 (+4,228)	+22.2% (+15.2%)
Operating Income	2,951 (2,024)	1,073 (877)	+1,877 (+1,146)	2.7x (2.3x)
Operating Income %	8.0% (6.3%)	3.6% (3.2%)	+4.5pt (+3.2pt)	- -
Ordinary Income	2,918 (2,023)	1,051 (834)	+1,867 (+1,189)	2.8x (2.4x)
Profit attributable to owners of parent	2,033 (1,528)	762 (621)	+1,270 (+907)	2.7x (2.5x)
Effective Tax Rate	24.7%	21.3%	+3.4pt	-
EBITDA*	4,266 (3,151)	2,176 (1,867)	+2,089 (+1,284)	+96.0% (+68.8%)

Average exchange rates for Apr-Sep FY22: JPY 134.03 /USD, JPY 138.76 /EUR, Apr-Sep FY21: JPY 109.81 /USD, JPY 130.88 /EUR
FX sensitivity for FY22: JPY +461million in sales and JPY +9million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Jul-Sep FY22: JPY 1,234 million (1,047 million)
· Amortization for Jul-Sep FY22: JPY 80 million (80 million)

Jul-Sep FY21: JPY 1,043 million (929 million)
Jul-Sep FY21: JPY 59 million (59 million)



* Figures in parentheses exclude the Russian business.

- These are the consolidated results for Q2 alone.
- While sales were up and operating income down YoY for Q1, they both increased for Q2 due to various initiatives.

Auto-ID Solutions Business (Overseas)

Overview

Jul-Sep Sales and OI increased in all regions due to steadily capturing robust demand through installed *koto-uri* and improvements in manufacturing and logistics, together with progress in price revisions.

(Millions of JPY)

	FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY	excl. FX impact
Total Sales	18,483 (13,707)	12,354 (10,043)	+6,128 (+3,663)	+49.6% (+36.5%)	+20.5% (+17.4%)
Gross Profit	6,875 (5,342)	3,992 (3,495)	+2,882 (+1,847)	+72.2% (+52.8%)	-
Gross Profit %	37.2% (39.0%)	32.3% (34.8%)	+4.9pt (+4.2pt)	-	-
Operating Income	2,109 (1,182)	698 (502)	+1,411 (+680)	3.0x (2.4x)	2.4x (2.1x)
Operating Income %	11.4% (8.6%)	5.7% (5.0%)	+5.8pt (+3.6pt)	-	-

	FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl. FX impact
Total Sales	34,878 (26,234)	25,284 (20,715)	+9,593 (+5,518)	+37.9% (+26.6%)	+14.0% (+10.7%)
Gross Profit	12,150 (9,876)	8,686 (7,705)	+3,464 (+2,170)	+39.9% (+28.2%)	-
Gross Profit %	34.8% (37.6%)	34.4% (37.2%)	+0.5pt (+0.4pt)	-	-
Operating Income	3,029 (1,875)	1,873 (1,476)	+1,155 (+399)	+61.7% (+27.0%)	+32.4% (+14.8%)
Operating Income %	8.7% (7.1%)	7.4% (7.1%)	+1.3pt (+0.0pt)	-	-



* Figures in parentheses exclude the Russian business.

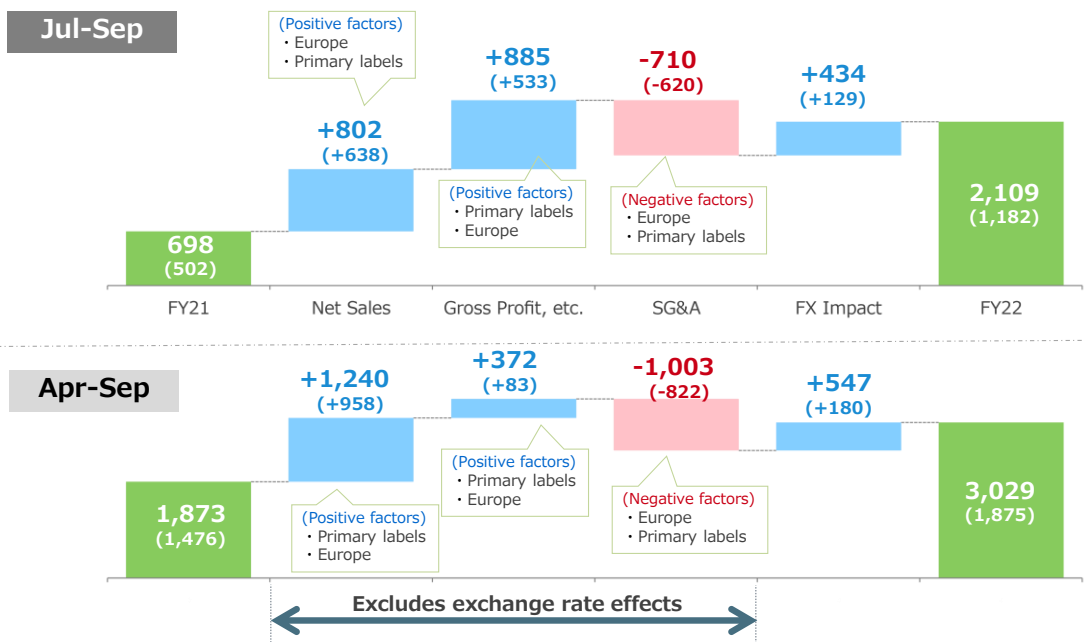
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- We now explain the results from our Overseas business for Q2 alone.
- Overseas sales and OI increased in all regions.
- Demand remains strong.
- We made progress in reducing the backlog of orders by improving productivity at our printer factories and in logistics operations. In addition, we were able to capture demand successfully by "selling the solution, not the product ("*Koto-uri*") and strengthening alliances with business partners. Price revisions were also implemented in all regions.

Auto-ID Solutions Business (Overseas)

Major Gains/Losses in OI

(Millions of JPY)

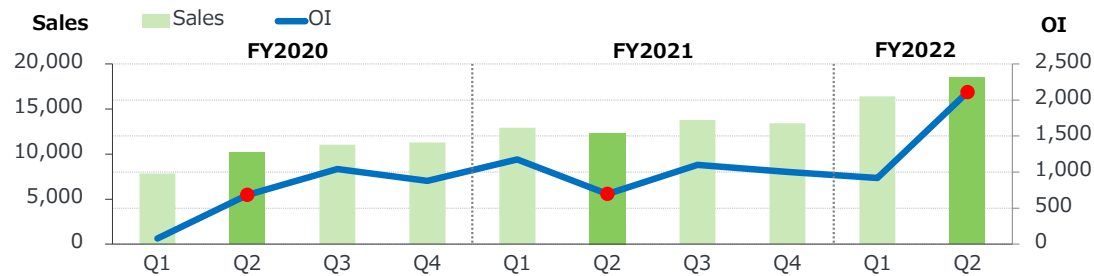


SATO * Figures in parentheses exclude the Russian business. Details shown in the bubble include the Russian business.

- This slide compares consolidated OI figures with those of the previous year.
- Factors listed in the bubbles include those from the Russian business.
- In the previous Q2, price revisions were not made timely in response to constraints in printers supply and rise in raw material prices.
- This fiscal year, as explained in previous slides, OI increased thanks to higher sales in all regions and improvement in gross profit. In addition, positive forex impacts absorbed increase in SG&A expenses.

Quarterly Sales & OI

(Millions of JPY)



Sales	7,844	10,168	11,045	11,290	12,929	12,354	13,788	13,423	16,394	18,483
YoY	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%	+49.6%
OI	77	683	1,043	880	1,175	698	1,101	1,003	919	2,109
YoY	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%	+14.0%	-21.8%	3.0x



- This slide shows sales and operating income by quarter.
- Both sales and operating income reached record highs on a quarterly basis.
- We can see that, despite some one-off factors, the level of sales and OI has risen further as effects of our measures have led to results in all regions.

Breakdown by Region: The Americas

Jul-Sep Base business: Sales and OI increased owing to efforts to capture robust demand mainly in the U.S. retail market, together with efforts of price revisions and reduction in backlog of printer orders.
Primary Labels business: Sales and OI increased due to robust demand in the daily commodities industry and price revisions.

(Millions of JPY)

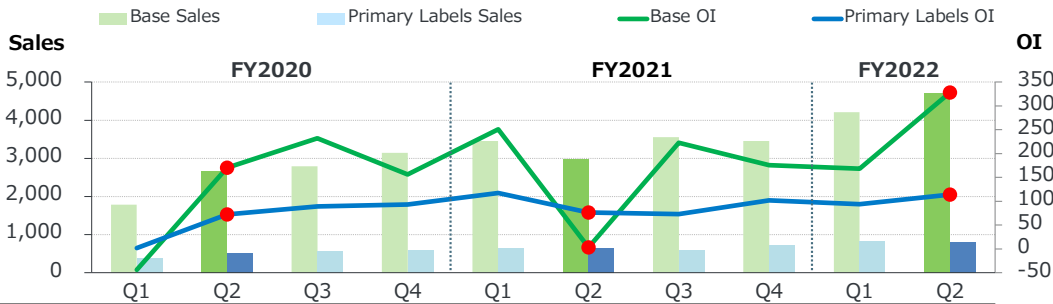
		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	4,694	2,970	+1,724	+58.1%	+27.1%
	Operating Income	328	3	+324	87.3x	72.0x
Primary Labels · Achernar · Prakolar	Total Sales	806	643	+162	+25.3%	+14.1%
	Operating Income	114	76	+38	+50.2%	+53.3%
Total	Total Sales	5,501	3,614	+1,887	+52.2%	+24.8%
	Operating Income	442	79	+362	5.5x	4.9x

		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	8,909	6,429	+2,480	+38.6%	+14.3%
	Operating Income	497	255	+241	+94.8%	+62.4%
Primary Labels · Achernar · Prakolar	Total Sales	1,627	1,292	+334	+25.9%	+12.7%
	Operating Income	209	193	+15	+8.2%	+9.8%
Total	Total Sales	10,536	7,721	+2,814	+36.5%	+14.0%
	Operating Income	706	448	+257	+57.5%	+39.7%

- We now look at each region.
- In the Americas, sales and OI increased for Q2.
- Sales and OI in the Base business increased owing to efforts to capture robust demand mainly in the U.S. retail market, together with progress in price revisions and reduction in backlog of printer orders.
- Sales in Primary Labels remain stable. Despite the ongoing inflation, we made steady progress in price revisions, resulting in increased sales and OI.

The Americas: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	1,781	2,660	2,794	3,140	3,458	2,970	3,554	3,456	4,214	4,694
	YoY	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%
	OI	-44	170	232	156	251	3	223	176	168	328
	YoY	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%
	OI	2	72	89	93	117	76	73	102	94	114
	YoY	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%



- This slide shows figures by quarter.
- In the base business, both sales and operating income reached record highs on a quarterly basis.
- Sales and OI in Primary Labels reached their second highest levels ever.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Jul-Sep


Base business: Sales and OI increased due to efforts to focus on better-performing industries such as restaurants and retail, progress in price revisions, and reduction in backlog of printer orders.

Primary Labels business: Sales and OI increased as Okil expanded business into existing accounts in food and beverages, and progressed price revisions.

(Millions of JPY)

		FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	3,268	2,391	+876	+36.6%	+27.5%
	Operating Income	204	20	+184	10.0x	9.5x
Primary Labels (Russian business)	Total Sales	4,775	2,311	+2,464	2.1x	+33.9%
	Operating Income	851	144	+707	5.9x	4.0x
Total	Total Sales	8,043	4,703	+3,340	+71.0%	+30.6%
	Operating Income	1,056	164	+891	6.4x	4.7x
		(128)	(31)	(+159)	-	-

		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	6,463	5,138	+1,324	+25.8%	+18.6%
	Operating Income	374	136	+238	2.8x	2.6x
Primary Labels (Russian business)	Total Sales	8,643	4,568	+4,075	+89.2%	+29.0%
	Operating Income	1,010	293	+717	3.4x	2.4x
Total	Total Sales	15,106	9,707	+5,399	+55.6%	+23.5%
	Operating Income	1,385	429	+956	3.2x	2.4x
		(6,463)	(5,138)	(+1,324)	(+25.8%)	(+18.6%)
		(232)	(32)	(+199)	(7.1x)	(8.0x)

 * Figures in parentheses exclude the Russian business.

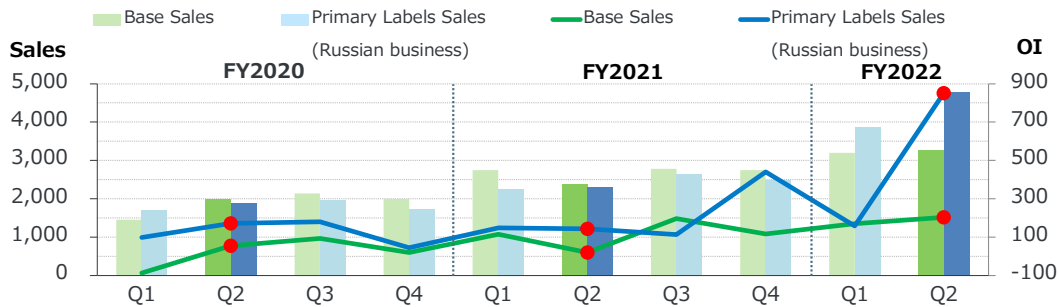
15

- Europe also saw higher YoY sales and OI for Q2.
- In the Base business, sales to restaurants continued strong. As in the Americas, sales and OI increased due to progress in price revisions and reduction in backlog of printer orders.
- Sales and OI in the Primary Labels business increased as Okil expanded business into existing accounts in food and beverages and revised its prices.

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	1,453	2,000	2,137	1,996	2,746	2,391	2,785	2,749	3,195	3,268
	YoY	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%	+30.4%	+37.7%	+16.3%	+36.6%
	OI	-86	56	94	20	115	20	197	117	170	204
	YoY	-	2.2x	+9.6%	-84.2%	-	-63.8%	2.1x	5.7x	+46.9%	10.0x
Primary Labels (Russian business)	Sales	1,711	1,891	1,974	1,737	2,256	2,311	2,633	2,499	3,867	4,775
	YoY	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%	+33.4%	+43.8%	+71.4%	2.1x
	OI	98	172	180	45	149	144	113	441	159	851
	YoY	-	-	8.0x	-	+51.8%	-16.3%	-37.5%	9.7x	+6.8%	5.9x



- This slide shows figures by quarter.
- Sales and OI reached highest ever figures on a quarterly basis for both Base and Primary Labels businesses.

Breakdown by Region: Asia/Oceania

Jul-Sep

Base business: Sales increased driven by strong performance in Southeast Asian subsidiaries and Argox in Taiwan.
OI increased due to higher sales and improvement in factory profits backed by higher printer shipments.

(Millions of JPY)

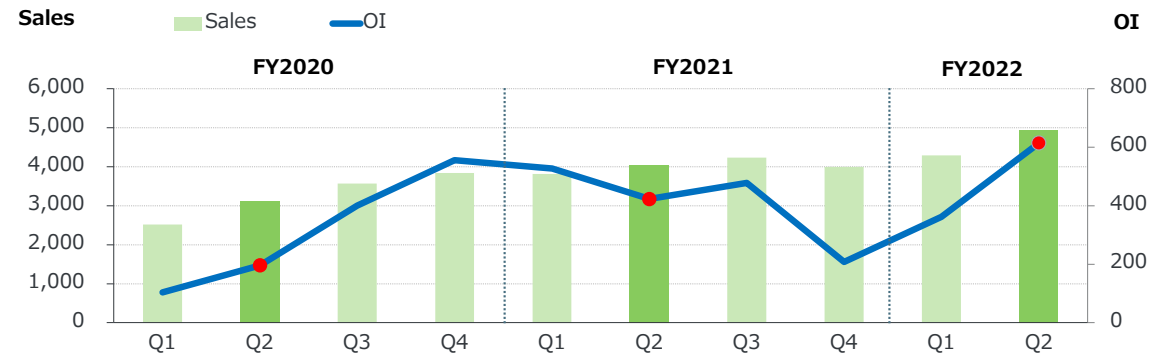
		FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	4,938	4,037	+900	+22.3%	+4.9%
	Operating Income	614	423	+190	+44.9%	+23.4%

		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	9,234	7,855	+1,379	+17.6%	+2.4%
	Operating Income	976	950	+26	+2.7%	-11.0%

- In Asia and Oceania, sales and OI increased for Q2.
- Lockdowns in China continue to affect our sales subsidiaries in China, but *koto-uri* making progress in Vietnam, Thailand and other parts of Southeast Asia drove overall sales. Improvements in printer supply at Argox in Taiwan also contributed to the sales increase.
- Such higher sales at subsidiaries and higher profitability at printer factories owing to increased printer shipments contributed to the increase in OI.

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	2,520	3,117	3,567	3,839	3,817	4,037	4,238	4,000	4,296	4,938
	YoY	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%
	OI	104	196	401	556	527	423	478	208	362	614
	YoY	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%



- This slide shows figures by quarter.
- Both sales and operating income reached record highs on a quarterly basis.

Auto-ID Solutions Business (Japan)

Overview

Sales increased due to continued strong momentum of consumables sales and price revisions, covering sluggish mechatronics sales.

OI increased thanks to higher sales, increase in gross profit on export backed by strong printer sales in the Overseas business, and control of SG&A expenses.

(Millions of JPY)

	FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY
Mechatronics Sales	7,168	7,331	-163	-2.2%
Consumables Sales	11,126	10,397	+728	+7.0%
Total Sales	18,294	17,729	+565	+3.2%
Gross Profit	8,620	8,203	+416	+5.1%
Gross Profit %	47.1%	46.3%	+0.8pt	-
Operating Income	941	303	+638	3.1x
Operating Income %	5.1%	1.7%	+3.4pt	-

	FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY
Mechatronics Sales	13,669	14,064	-394	-2.8%
Consumables Sales	21,916	20,913	+1,002	+4.8%
Total Sales	35,585	34,977	+608	+1.7%
Gross Profit	16,534	16,450	+84	+0.5%
Gross Profit %	46.5%	47.0%	-0.6pt	-
Operating Income	933	888	+44	+5.0%
Operating Income %	2.6%	2.5%	+0.1pt	-

Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.

Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.

Note 1: Total Sales is the sum of mechatronics, consumables, and others. Segmentation revised in FY21-Q4.

Note 2: Changes in accounting classifications of maintenance related costs from SG&A to COGS in FY22 lead to lower GPM (approx. 1 ppt).



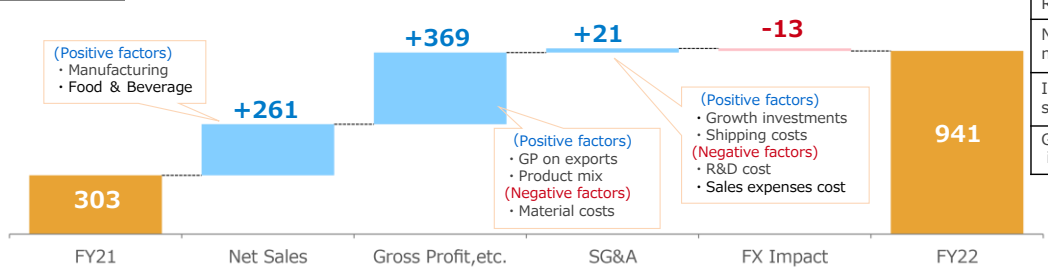
- We now explain the results of our Japan business for Q2.
- Sales of consumables continued to perform well, due to increasing demand and progress in price revisions. In particular, sales grew in manufacturing, logistics, and public.
- Mechatronics sales declined YoY as large orders seen last year are no longer accounted for. Yet figures have improved against Q1.
- These factors resulted in sales increase in the Japan business for Q2.
- OI increased due to higher sales, increase in gross profit from exports driven by strong printer sales in the Overseas business, and controlling of SG&A expenses.

Major Gains/Losses in OI

* Changes in accounting classifications (P.19) are not taken into account.

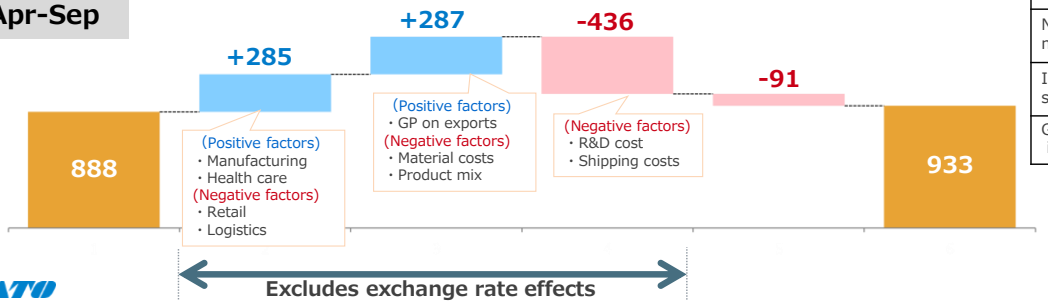
(Millions of JPY)

Jul-Sep



Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +140
Increase in shipping costs *3	Approx. -50
Growth investments *4	Approx. -180

Apr-Sep



Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +420
Increase in shipping costs *3	Approx. +140
Growth investments *4	Approx. -100

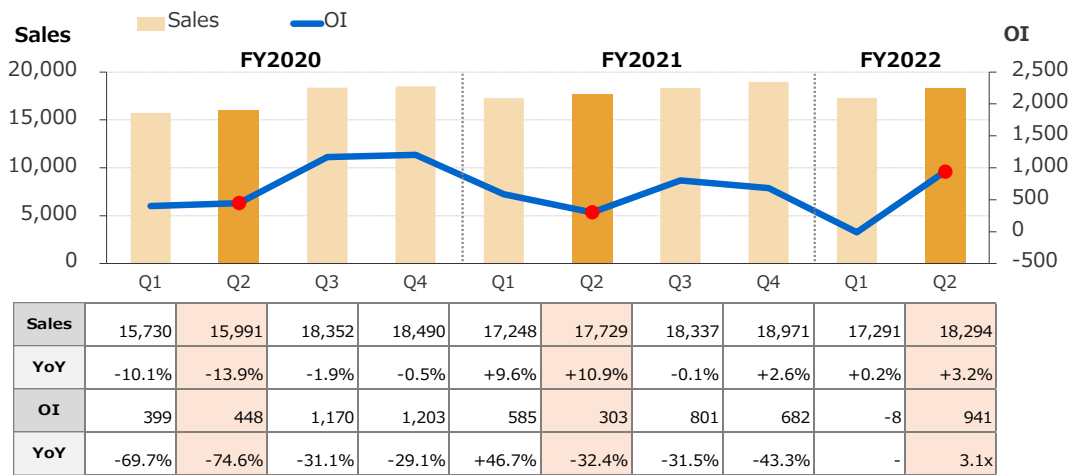
*1: Excludes exchange rate effects.
*2: Net total from higher material costs and price revision.
*3: Due to use of air freights.
*4: Developments of a standard printer platform and new IT infrastructure.

Excludes exchange rate effects

- This slide compares OI figures with those of the previous year. The aforementioned change in the classification of maintenance expenses is not taken into account here.
- Gross profit benefited from increased printer exports and improved product mix driven by growth in maintenance and support. Negative impacts came primarily from higher raw material costs. As shown in the reference table on the right, YoY increase was approximately JPY 140 million.
- SG&A expenses were also controlled appropriately. While growth investment and shipping costs declined, expenses in R&D and sales-related activities increased. We set priorities to these activities in conducting them.
- These factors resulted in OI of approximately JPY 940 million for Q2.

Quarterly Sales & OI

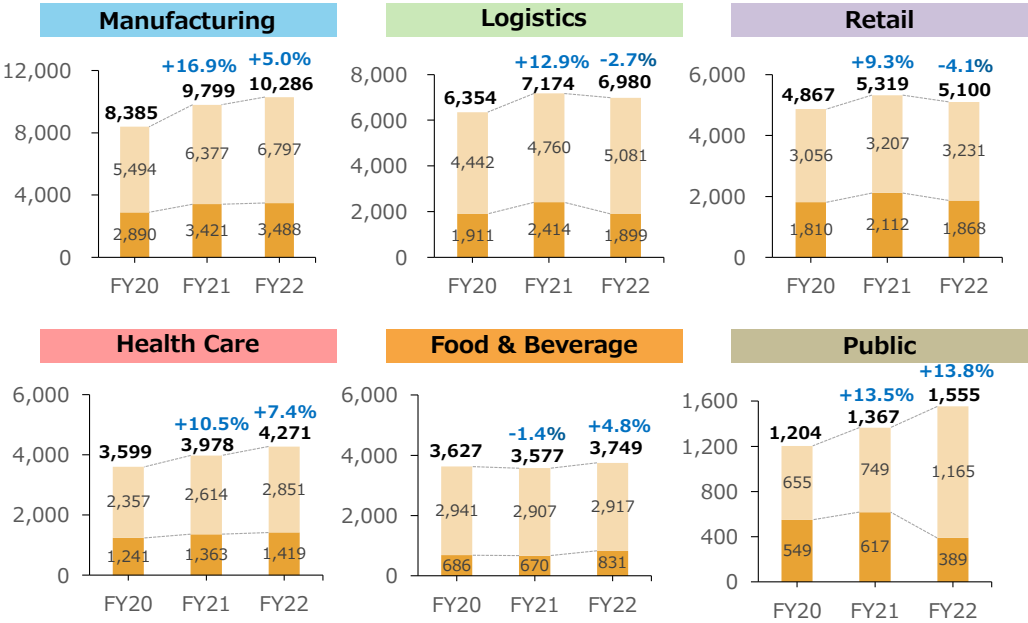
(Millions of JPY)



● This slide shows figures by quarter. We can see that our performance is recovering.

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



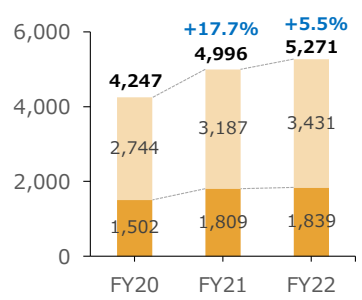
- This slide shows sales trends for each market in Japan for 1H.
- Domestic market conditions will be explained in the Q2 slides that follow.

Sales by Vertical 1/2

(Millions of JPY)

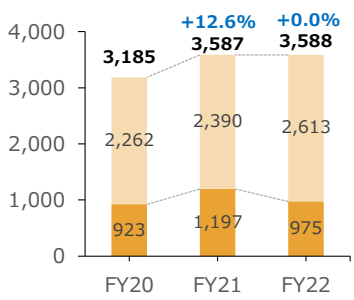
■ : Mechatronics ■ : Consumables * % indicates YoY change

Manufacturing



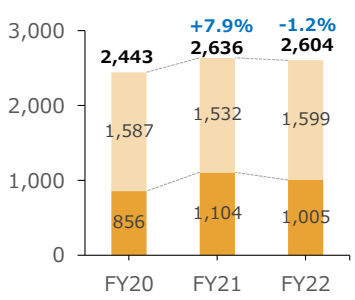
Due to increased demand for semiconductors, chemical, electronic components and electrical industries remained strong. Meanwhile, it takes time for automobile and related industries to fully recover.

Logistics



The e-commerce industry remained brisk. Demand for addressing labor shortages and DX, driven by increase in volume in various industries increased.

Retail



Despite a pause in growth at supermarkets, investments continued for DX, operational efficiency and shift to e-commerce. The e-commerce industry remained brisk.

Business environment

SATO

Consumables grew across industries. Mechatronics increased due to efforts in capturing automation and RFID demand in response to labor shortages and DX (digital transformation).

Consumables grew, driven mainly by the recovery of the wholesale industries. Despite mechatronics demand growing for automation and RFID for use in shipping/receiving control, overall sales declined, as last FY's figures included large orders in wholesaling.

Consumables increased, driven by recovery in apparel. Mechatronics continue to see demand from businesses seeking solutions to labor shortages but declined overall, as last FY's figures included large orders.



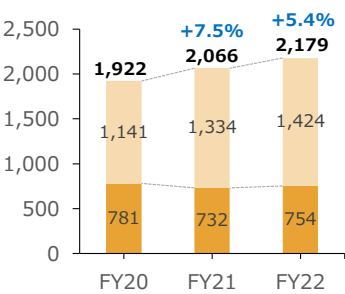
- These are sales by vertical for Q2.
- Manufacturing: Sales of consumables exceeded pre-pandemic FY2019 levels, growing in all industries, as solid performance continued in machinery, electrical machinery and electronic components industries. Mechatronics sales also grew due to efforts in capturing robust automation and RFID demand for more efficient operations and traceability.
- Logistics: Consumables sales exceeded pre-pandemic FY2019 levels, owing to brisk demand in the e-commerce industry and a strong wholesale industry due to the recovery of the convenience store industry. Despite strong demand for automation and RFID, mechatronics sales declined, as last year's figures had included a large order. Yet we expect many large-scale projects for 2H.
- Retail: Sales of consumables increased, driven by recovery related to the apparel industry. Sales of mechatronics decreased as demand growth at supermarkets halted and large mechatronics orders seen last year are no longer accounted for.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

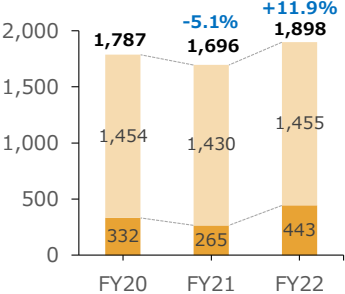
Health Care



Demand remained firm overall for solutions that improve administrative efficiency and address labor shortages. Investment trends are back, particularly for automation and RFID.

Consumables rose as demand from hospitals returned and RFID use for improving administrative efficiency increased. Mechatronics grew thanks to automation demand in the manufacturers of medical devices and pharmaceuticals.

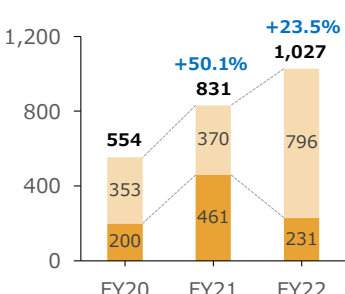
Food & Beverage



Demand continued to stay for automation and traceability against the backdrop of response to raw material price hikes and labor shortages.

Consumables increased slightly, driven by food manufacturing. Mechatronics sales increased significantly thanks to automation related solutions in the food manufacturing and beverage industries.

Public



The overall business environment remained stable.

Consumables increased significantly due to orders from large customers. Mechatronics sales declined, as last FY's figures included large orders.

Business environment

SATO



- Health care: Consumables rose as demand from hospitals returned and RFID use for improving administrative efficiency increased. Mechatronics for medical devices and pharmaceuticals also grew due to stable need to respond to labor shortages.
- Food: Demand for automation and traceability is increasing due to response to the recent surge in raw material prices and to labor shortages. As a result, sales negotiations for automation (mechatronics) were active with food and beverage manufacturers.
- Public: The business environment remains stable, but results are affected by trends in large orders. Consumables grew significantly due to orders from large customers. Mechatronics sales declined, as last FY's figures included large orders.

FY2022 Consolidated Forecasts

<Figures include the Russian business>

(Millions of JPY)

	Apr-Sep		Oct-Mar		FY2022	
	Results	YoY	Plan	YoY	Plan	YoY
Net Sales	70,463	+16.9%	71,536	+10.9%	142,000	+13.8%
Operating Income	3,776	+35.8%	4,723	+30.3%	8,500	+32.7%
Ordinary Income	4,968	+84.3%	4,731	+40.7%	9,700	+60.1%
Profit attributable to owners of parent	3,229	+74.7%	1,170	-39.8%	4,400	+16.0%
<Reference>						
EBITDA *	10,861	←FY2021			13,600	+25.2%

* EBITDA = Operating Income +
Depreciation + Amortization

Exchange rates assumed in FY22 forecast: JPY 134/USD, JPY 138/EUR
Average exchange rates for Apr-Sep, FY22: JPY 134.03 /USD, JPY 138.76 /EUR
Average exchange rates for FY21: JPY 112.39/USD, JPY 130.54/EUR



- These are the consolidated forecasts for FY2022.
- Full-year forecasts were revised mainly in response to the progress made in 1H and with the decision to include the Russian business in our forecasts.
- For our consolidated forecasts that were announced on May 10, 2022, we had excluded projected earnings of the Russian business in view of the Russia-Ukraine situation. However, as of the end of 1H, the likelihood of excluding this business from the current fiscal year's consolidated results was diminished, so it is included in the full-year plan.
- For net income for 2H, we are forecasting a YoY decrease by 40%. This is because we expect to book extraordinary loss due to the pension buyout at our UK subsidiary as announced in November 2020.
- In addition, since the yen is depreciating more than expected, we have revised the exchange rate, which is the basis for our forecasts. 1USD has been changed from JPY 120 to JPY 134 and 1EUR has been changed from JPY 135 to JPY 138.

FY2022 Consolidated Forecasts <Breakdown>

(Millions of JPY)

		Apr-Sep			Oct-Mar			FY2022		
		Initial Plan	Results	Change	Initial Plan	Revised Plan	Change	Initial Plan	Revised Plan	Change
Overseas <small>Exclude the Russian business</small>	Net Sales	21,600	26,234	+4,634	22,400	25,765	+3,365	44,000	52,000	+8,000
	Operating Income	1,300	1,875	+575	1,900	1,624	-275	3,200	3,500	+300
Japan	Net Sales	36,200	35,585	-614	38,800	39,414	+614	75,000	75,000	+0
	Operating Income	1,700	933	-766	3,100	2,666	-433	4,800	3,600	-1,200
Consolidated	Net Sales	57,800	61,820	+4,020	61,200	65,179	+3,979	119,000	127,000	+8,000
	Operating Income	3,000	2,622	-377	5,000	4,377	-622	8,000	7,000	-1,000
	Eliminations	0	-186	-186	0	86	+86	0	-100	-100
<Reference> The Russian business	Net Sales	0	8,643	+8,643	0	6,356	+6,356	0	15,000	+15,000
	Operating Income	0	1,153	+1,153	0	346	+346	0	1,500	+1,500

< Oct-Mar Revision >

- Overseas** **Net Sales:** Expect to increase due to further instilling *Koto-uri* and the depreciation of the yen.
Operating Income: Expect to decrease due to normalization of backlog of printer orders and risks including further inflation and cost rise.
- Japan** **Net Sales:** Expect to increase reflecting strong consumables.
Operating Income: Expect to decrease due to higher raw material costs for consumables, delay in sales expansion of high GPM printers, and the yen depreciation, despite efforts to control SG&A expenses.



- This slide will explain the breakdown of Overseas and Japan forecasts.
- The table in the upper column shows figures excluding the Russian business, comparing with forecasts announced at the beginning of the fiscal year. The table in the lower column shows figures of the Russian business for reference.
- We explain why the 2H figures have been revised from the initial plan.
- Overseas, sales forecasts have been set higher as we anticipate strong performance with *koto-uri* sales approach instilled and yen depreciation impacts to remain.
- On the other hand, we lowered OI, as backlog of printer orders mostly cleared in 1H while risks such as acceleration in inflation and increase in costs due to sudden shortage of raw materials may occur.
- In Japan, sales forecasts have been set higher, reflecting the strong performance of consumables. Despite efforts to control SG&A expenses, OI is expected to decrease due to higher raw material costs for consumables than expected at the beginning of the fiscal year, delays in expanding sales of high-gross profit printers, and negative forex impact.
- As a result, the full-year OI target for the Japan business was reduced from JPY 4.8 billion to JPY 3.6 billion.
- Our main initiatives for 2H in the Japan business will be explained in later slides.

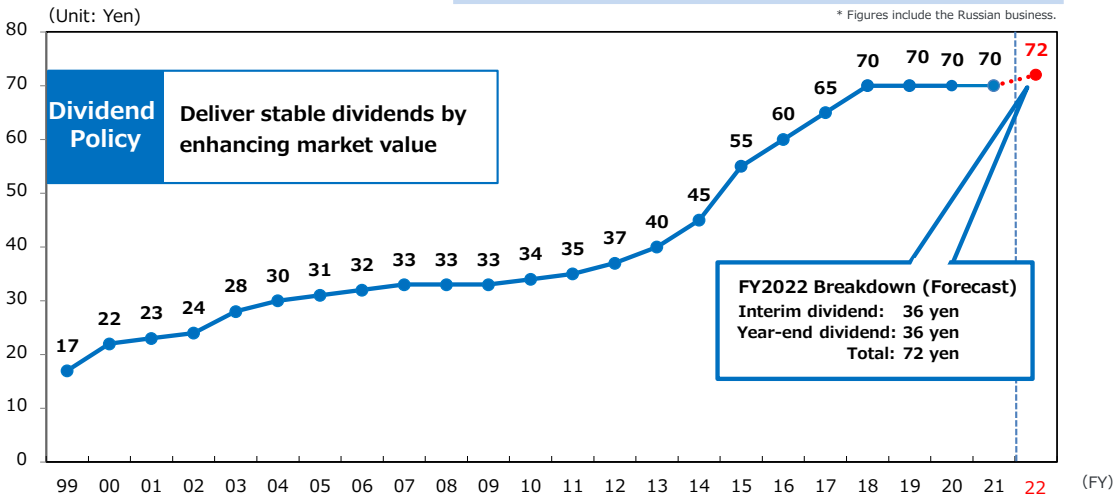
Dividends

(JPY per share)

Interim dividend payment of 36 yen is scheduled.

	FY18	FY19	FY20	FY21	FY22 * (Forecast)
EPS	112.5yen	-56.1yen	385.9yen	112.7yen	131.8yen
ROE	6.9%	-3.6%	24.4%	6.3%	6.7%
(Ref.) Payout ratio	62%	-	18%	62%	55%

* Figures include the Russian business.



● This slide shows our dividends. We expect a total of JPY 72 for FY2022, consisting of an interim dividend of JPY 36 and year-end payment of JPY 36.



**FY22 Apr-Sep
Results
and
Full-Year Forecasts**

**FY22 Oct-Mar
Initiatives**

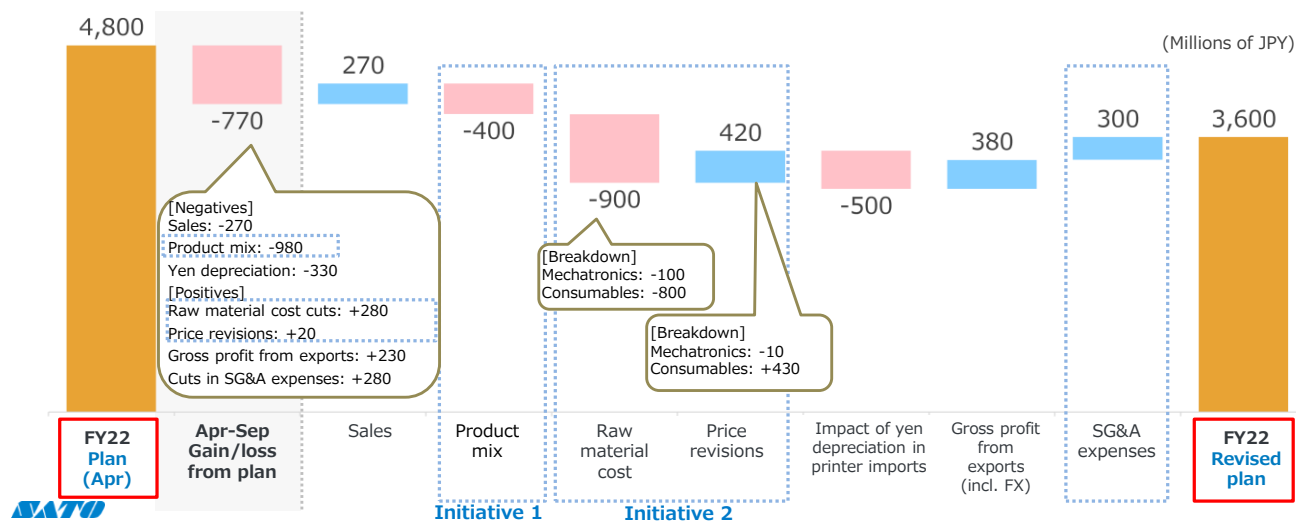
- The following slides will explain our initiatives for 2H, based on the initial plan and changes reflecting results in 1H.

Japan: Operating Income (vs. initial plan)

Product mix: Fell short of target in 1H due to sluggish mechatronics sales. Expecting to improve in 2H.

Raw material cost, price revisions: Cost reductions and price revisions exceeded planned figures in 1H, but higher cost for consumables is expected for 2H, which we will partly cover for with further price revisions.

SG&A expenses: We will continue to cut SG&A expenses in 2H.

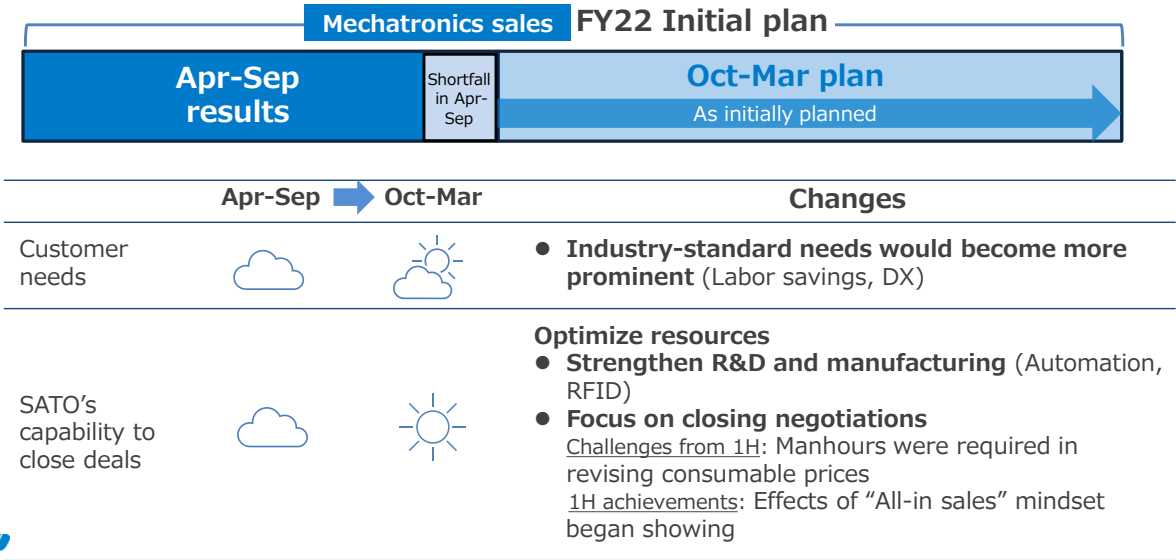


29

- This shows the gap between initial and revised OI for the Japan business.
- We initially planned to achieve JPY 4.8 billion. The 2nd bar from left is the gap between the initial plan and 1H results.
- The negative factor was that mechatronics sales were slower than planned, resulting in a shortfall in sales and product mix. Domestic printer sales were affected by the depreciation of the yen.
- The positive factor was that we were able to proceed with price revisions while curbing increases in raw material costs compared to the initial plan. Gross profit from printer exports increased and SG&A expenses were controlled, both more so than the initial plan.
- Bars from and to the right of the third bar from left show the breakdown of the total gap between initial and revised plans.
- Although product mix will improve against 1H, we do not expect to reach the initial target. This is because gross profit from booming products such as automation and RFID cannot cover for the stagnant sales and replacement sales of high-gross-margin printers.
- Raw material costs are expected to increase further, particularly in consumables. We will continue with price revisions.
- And we will control SG&A expenses to achieve the revised plan of JPY 3.6 billion.
- The slides that follow will explain measures to improve product mix and measures concerning price revisions, which we particularly need to focus on in 2H.

Japan Initiatives: 1. Product mix — Strengthen mechatronics sales

We expect 2H sales to be in line with the initial plan.
We will focus on closing business negotiations by optimizing resources to capture prominent industry-wide demands.



- First is our plan to strengthen mechatronics sales to improve product mix.
- Mechatronics sales in 1H fell short of the initial plan. On the other hand, sales in 2H is expected to be in line with the initial plan.
- The reason can be explained from two perspectives: "Customer needs" and "SATO's capability to close deals."
- Our customers' business environment presents numerous challenges that need to be addressed. This led to an increase in our business pipeline, as we offer a wide range of proposals. But as customers had their own priorities to resolve other issues, it delayed closing of our deals. Over time, however, industry-standard needs became more prominent. As a result, automation and RFID solutions have become customers' top priority to meet needs for labor savings and DX (digital transformation).
- Under these circumstances, we are optimizing our resources to improve our capability to close deals. Specifically, we are strengthening development of products and solutions related to automation and RFID, and are allocating resources to manufacturing to improve our supplying capabilities.
- We are also working to close deals with an "All-in sales" mindset that we have been promoting to strengthen our sales capabilities.
- In 1H, more manhours than we had anticipated were spent on price negotiations particularly in consumables, which affected sales activities. However, we were able to systemize these price negotiations during 1H and optimize the process, which should benefit us from 2H.

Japan Initiatives: 1. Strengthen mechatronics sales (Details)

● Industry-standard needs

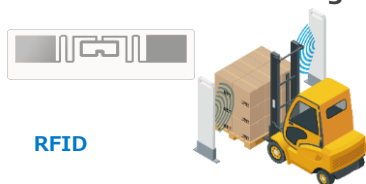
(Labor savings, DX)

● SCM* in apparel EC



Automation

● Inventory control and SCM in manufacturing



RFID

SAITO * SCM: Supply Chain Management

● Strengthen R&D and manufacturing



● Automation

- Strengthen specializing teams.
- Enhance development and manufacturing. (More collaboration with partners)

● RFID

- Expand our production capacity.
- Expand sales of next-generation products and services. (Temperature logger tag, etc.)



● Focus on closing negotiations

● "All-in sales" mindset

- Strengthen *koto-uri* approach for targeted applications and solutions. (Sales and Market Strategy depts.)
- Increase visibility of business negotiations. (Marketing)
- Refine efforts to promote printer replacements. (Sales and servicing)
- Systemize our actions to revise consumable prices. (Approach by order volume of customers)

Large/medium-lot customers: Sales, inside sales, and servicing
Small-lot customers: Contact center



● These are examples of initiatives.

● First is about industry-standard needs. The example shown is apparel e-commerce and manufacturing, but demand for labor-saving and DX is growing in a variety of other industries and applications, and business negotiations related to automation and RFID are increasing.

● From this reason, we are strengthening, and hiring people to, our dedicated team for automation, and expanding our production capacity by collaborating with partner companies.

● We launched an RFID Business Headquarters last fiscal year to expand our RFID business. This FY, we are focusing on increasing production capacity and enhancing the value of our products. The temperature logger tag developed as a next-generation product has generated many business leads.

● In closing deals, we are taking an "All-in sales" mindset to ensure that opportunities lead to orders.

● We are further strengthening collaboration between sales reps and Market Strategy people who have a wealth of industry-specific knowledge. This will allow us to create new business leads for automation and RFID and speed the negotiations.

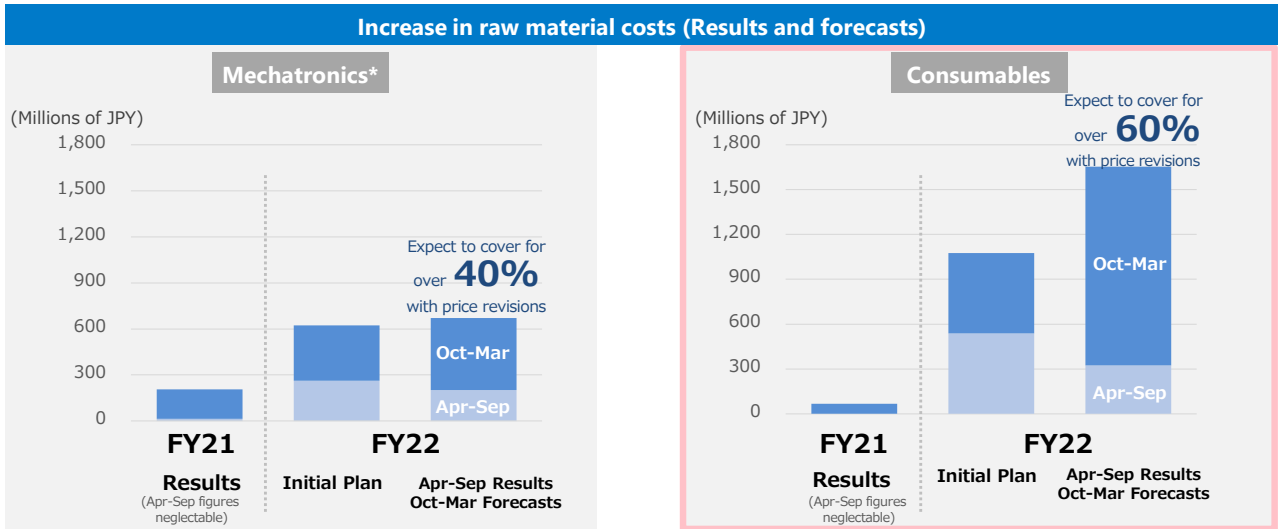
● The Marketing Division is working to nurture prospective leads into deals to increase pipeline.

● Sales and service personnel work optimally to promote printer replacements.

● We will continue to revise prices on consumables in 2H, working off of 1H efforts to systemize and optimize the price negotiation process, and maximize the effects on our business performance.

Japan Initiatives: 2. Further price revisions

Raw material costs for consumables are expected to exceed forecasts from April and of mechatronics. As the effect of price revisions would accumulate over the medium- to long-term run, we will continue to revise consumable prices further, aiming to cover for 60% of total cost increases during this fiscal year.



* Revised premise.
FY22-Q1: Included export impact ➔ FY22-Q2: Excludes export impacts



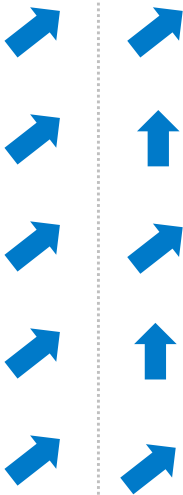
- Price revisions will be explained with these graphs by product.
- The left shows Mechatronics and the right Consumables.
- The full-year forecast for mechatronics has not changed significantly from the initial plan. We will promote price revision activities so that we can cover about 40% of the price rise.
- In consumables on the other hand, raw material costs are expected to rise another notch in 2H.
- As consumables is a repeat business, and the cumulative effect of price revisions in the medium to long term is large, our actions to revise price will focus mainly on consumables.
- We plan to cover for more than 60% of this total cost increase with the price revision. However, we do not think that this would be enough. We will continue price negotiations for the remaining 40% with our "All-in sales" mindset.

Japan Initiatives: Summary — Actions for FY22 2H and onward

Continue to optimize resources and get us back on track to recovery.

Expected benefits vs. FY22 1H
FY22 2H **FY23 onward**

- 1 Strengthen mechatronics sales**
- 2 Revise prices further to realize cumulative effects**
- 3 Control SG&A expenses***
* Excluding growth investments
- 4 Focus on automation and RFID**
- 5 Maintain growth trend in recurring businesses (consumables, servicing)**



- This slide summarizes the Japan business section. It shows the main initiatives from 2H onward, and the anticipated effects against 1H shown in arrows on the right.
- Overall, we expect to see better effects in 2H and beyond. From the next fiscal year onward, we will particularly work on (2) revising prices and (4) focusing on automation and RFID to maximize their impact on our business performance.
- By continuing with these initiatives, we will increase profitability and put ourselves on a recovery track.

FY2022 Consolidated Forecasts <Breakdown> Re-posting

(Millions of JPY)

		Apr-Sep			Oct-Mar			FY2022		
		Initial Plan	Results	Change	Initial Plan	Revised Plan	Change	Initial Plan	Revised Plan	Change
Overseas <small>Exclude the Russian business</small>	Net Sales	21,600	26,234	+4,634	22,400	25,765	+3,365	44,000	52,000	+8,000
	Operating Income	1,300	1,875	+575	1,900	1,624	-275	3,200	3,500	+300
Japan	Net Sales	36,200	35,585	-614	38,800	39,414	+614	75,000	75,000	+0
	Operating Income	1,700	933	-766	3,100	2,666	-433	4,800	3,600	-1,200
Consolidated	Net Sales	57,800	61,820	+4,020	61,200	65,179	+3,979	119,000	127,000	+8,000
	Operating Income	3,000	2,622	-377	5,000	4,377	-622	8,000	7,000	-1,000
	Eliminations	0	-186	-186	0	86	+86	0	-100	-100
<Reference>	The Russian business	0	8,643	+8,643	0	6,356	+6,356	0	15,000	+15,000
	Operating Income	0	1,153	+1,153	0	346	+346	0	1,500	+1,500

< Oct-Mar Revision >

Overseas **Net Sales:** Expect to increase due to further instilling *Koto-uri* and the depreciation of the yen.

Operating Income: Expect to decrease due to normalization of backlog of printer orders and risks including further inflation and cost rise.

Japan **Net Sales:** Expect to increase reflecting strong consumables.

Operating Income: Expect to decrease due to higher raw material costs for consumables, delay in sales expansion of high GPM printers, and the yen depreciation, despite efforts to control SG&A expenses.



- This, again, is the slide presented earlier.
- Uncertainties yet lie ahead in 2H, but we will proceed with initiatives for our Overseas and Japan businesses that are in line with our strategies and achieve the target results announced.

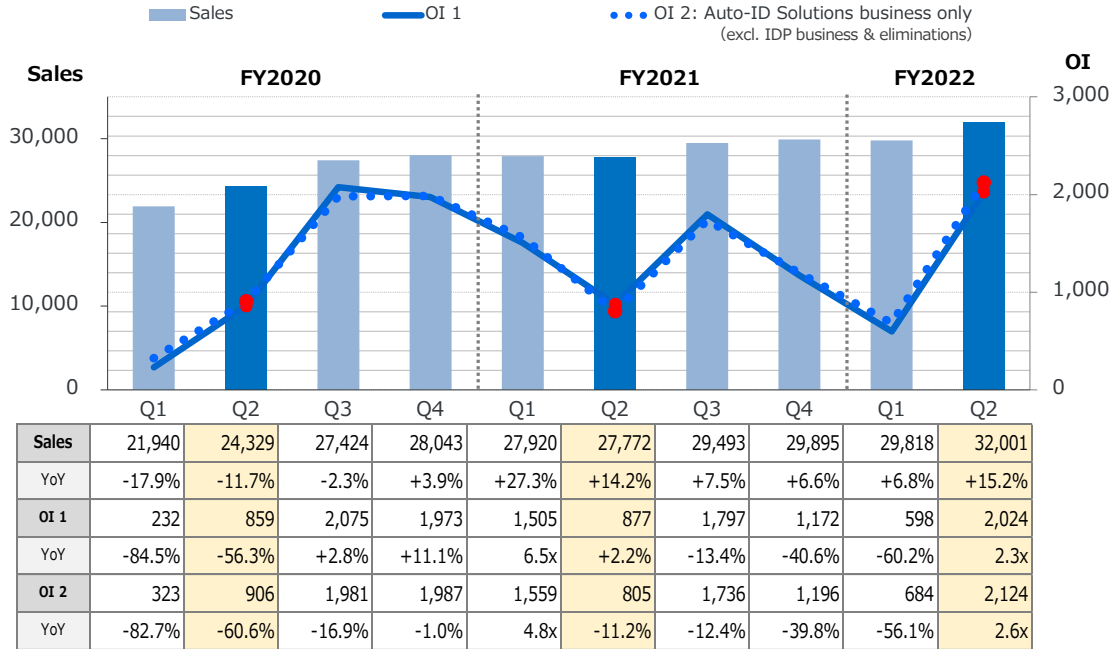
Appendix

Performance data Pages 36-48

SATO terminologies Pages 49-52

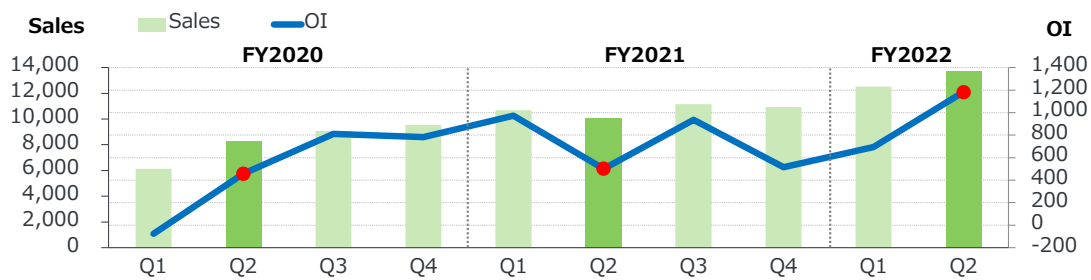
Quarterly Sales & OI
(Figures exclude the Russian business)

(Millions of JPY)



Quarterly Sales & OI
(Figures exclude the Russian business)

(Millions of JPY)



Sales	6,133	8,277	9,071	9,552	10,672	10,043	11,155	10,924	12,527	13,707
YoY	-32.7%	-6.7%	-2.0%	+14.7%	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%
OI	-75	457	811	783	974	502	935	514	693	1,182
YoY	-	-14.2%	+18.0%	2.5x	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x



(Millions of JPY)

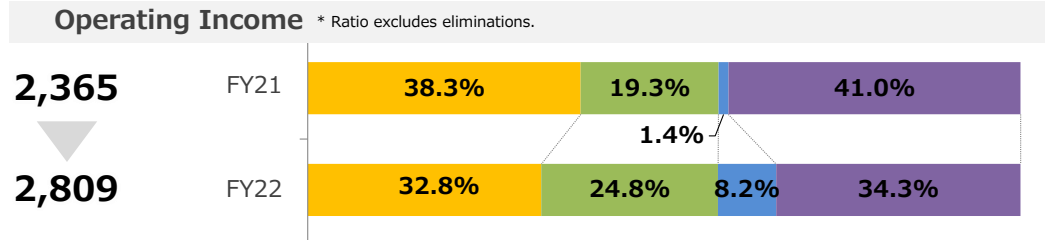
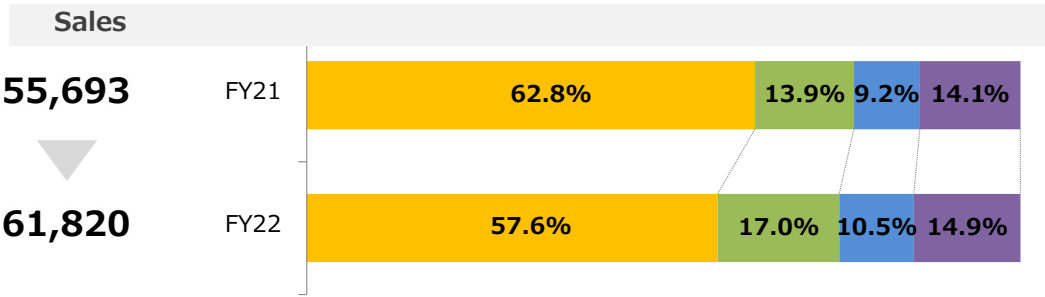
Sales					
60,261	FY21	58.0%	12.8%	16.1%	13.0%
70,463	FY22	50.5%	15.0%	21.4%	13.1%

Operating Income					
2,762	FY21	32.7%	16.5%	15.8%	35.0%
3,962	FY22	23.3%	17.6%	34.6%	24.4%

* Ratio excludes eliminations.

Sales and OI by Region
(Figures exclude the Russian business) (Millions of JPY)

Japan The Americas Europe Asia/Oceania

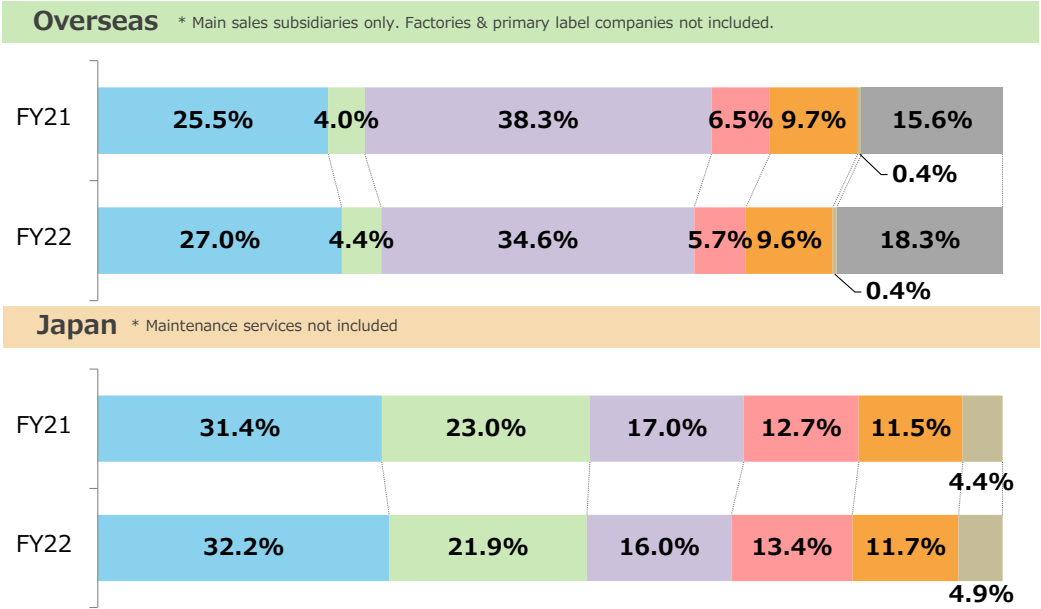


OI Ratio FY21 Japan : 2.5%, Overseas : 7.1%
FY22 Japan : 2.6%, Overseas : 7.1%



Sales by Vertical

Manufacturing Logistics Retail Health Care Food & Beverage Public Others

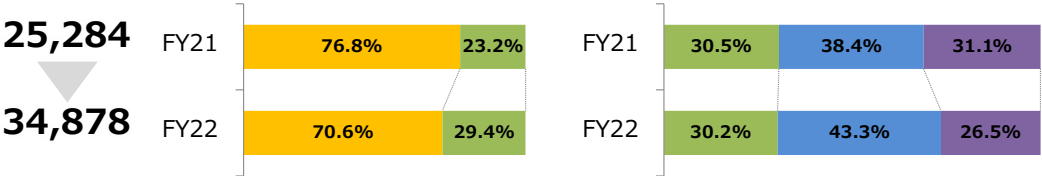


Sales and OI by Business Segment/Region

(Millions of JPY)

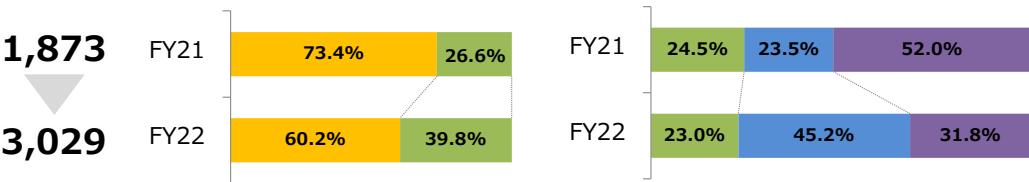
Base Primary Labels The Americas Europe Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.



OI ratio:
FY21 Base : 6.9%, Primary Labels : 8.3%
FY22 Base : 7.5%, Primary Labels : 11.9%

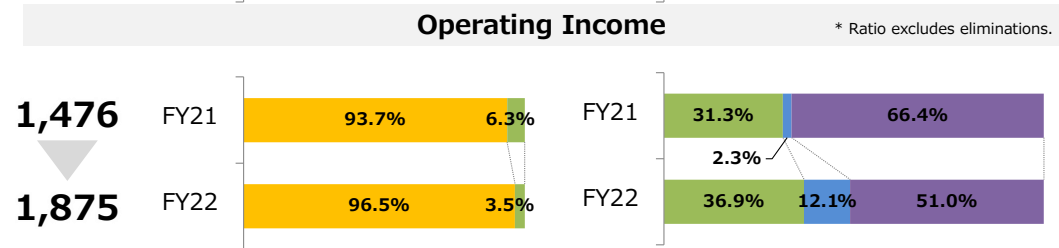
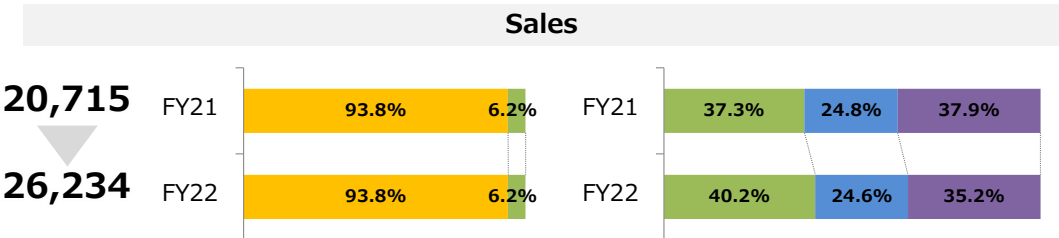
FY21 The Americas : 5.8%, Europe : 4.4%
Asia/Oceania : 12.1%
FY22 The Americas : 6.7%, Europe : 9.2%
Asia/Oceania : 10.6%



Sales and OI by Business Segment/Region
(Figures exclude the Russian business)

(Millions of JPY)

Base Primary Labels The Americas Europe Asia/Oceania



OI ratio:
FY21 Base : 6.9%, Primary Labels : 6.9%
FY22 Base : 7.5%, Primary Labels : 4.1%

FY21 The Americas : 5.8%, Europe : 0.6%
Asia/Oceania : 12.1%
FY22 The Americas : 6.7%, Europe : 3.6%
Asia/Oceania : 10.6%



Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

Jul-Sep

(Millions of JPY)

		FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	12,901	9,399	+3,501	+37.2%	+17.7%
	Operating Income	1,147	447	+699	2.6x	2.2x
Primary Labels	Total Sales	5,582 (806)	2,955 (643)	+2,626 (+162)	+88.9% (+25.3%)	+29.6% (+15.3%)
	Operating Income	966 (38)	220 (24)	+745 (+13)	4.4x (+56.7%)	3.1x (2.9x)
Eliminations	Operating Income	-3 (-3)	29 (29)	-32 (-32)	-	-
Total	Total Sales	18,483 (13,707)	12,354 (10,043)	+6,128 (+3,663)	+49.6% (+36.5%)	+20.5% (+17.4%)
	Operating Income	2,109 (1,182)	698 (502)	+1,411 (+680)	3.0x (2.4x)	2.4x (2.1x)

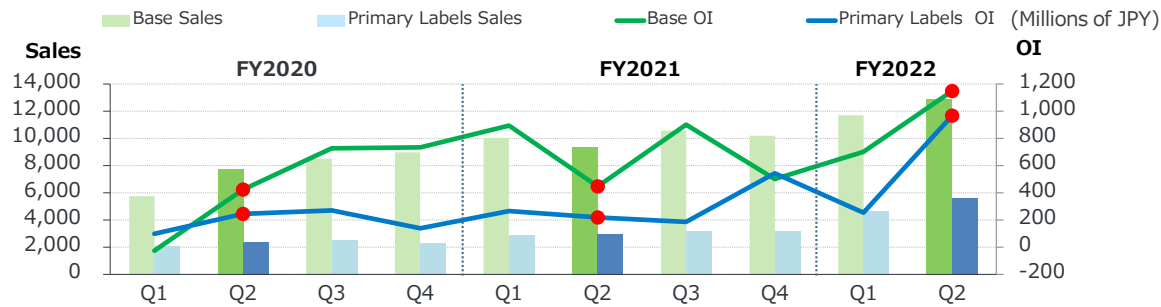
		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	24,607	19,423	+5,183	+26.7%	+10.6%
	Operating Income	1,849	1,342	+506	+37.7%	+20.7%
Primary Labels	Total Sales	10,270 (1,627)	5,860 (1,292)	+4,410 (+334)	+75.2% (+25.9%)	+25.4% (+13.9%)
	Operating Income	1,220 (66)	486 (89)	+733 (-23)	2.5x (-25.7%)	+85.3% (+38.2%)
Eliminations	Operating Income	-40 (-40)	44 (44)	-84 (-84)	-	-
Total	Total Sales	34,878 (26,234)	25,284 (20,715)	+9,593 (+5,518)	+37.9% (+26.6%)	+14.0% (+10.7%)
	Operating Income	3,029 (1,875)	1,873 (1,476)	+1,155 (+399)	+61.7% (+27.0%)	+32.4% (+14.8%)



* Figures in parentheses in the lower part of the table exclude the Russian business.

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI



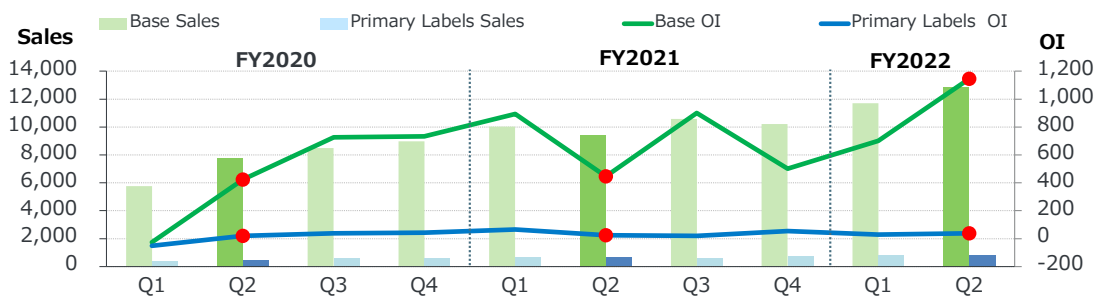
Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%
	OI	-26	423	727	733	894	447	900	502	701	1,147
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x
Primary Labels	Sales	2,089	2,389	2,546	2,313	2,905	2,955	3,209	3,217	4,688	5,582
	YoY	-10.3%	-2.6%	+7.9%	+8.7%	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%
	OI	100	245	270	139	266	220	186	544	254	966
	YoY	-	4.0x	4.4x	22.0x	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI
(Figures exclude the Russian business)

(Millions of JPY)

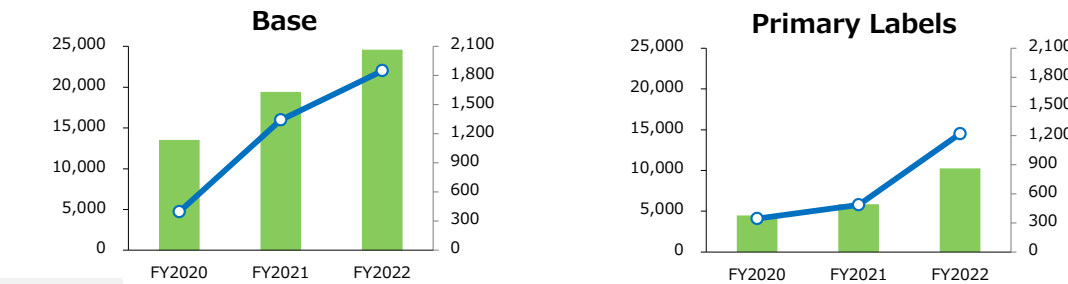


Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%
	OI	-26	423	727	733	894	447	900	502	701	1,147
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%
	OI	-52	19	39	43	65	24	20	55	28	38
	YoY	-	-	-	-	-	+25.0%	-48.2%	+29.2%	-56.7%	+56.7%

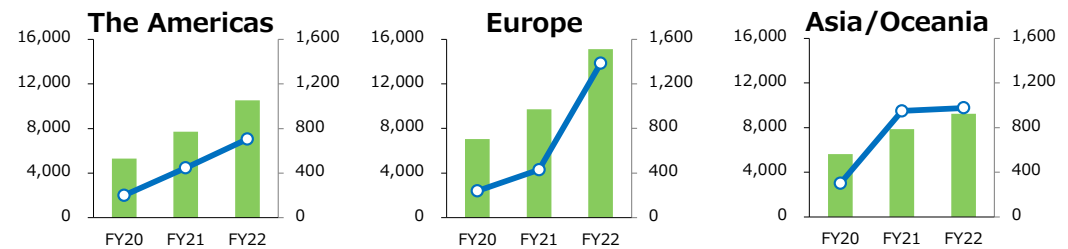


Sales and OI Trends by Business Segment and Region

By Business Segment Sales OI (Millions of JPY, Sales (left axis), OI (right axis))

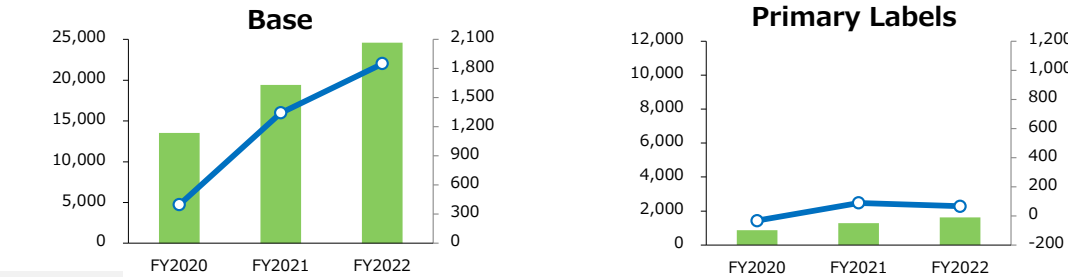


By Region

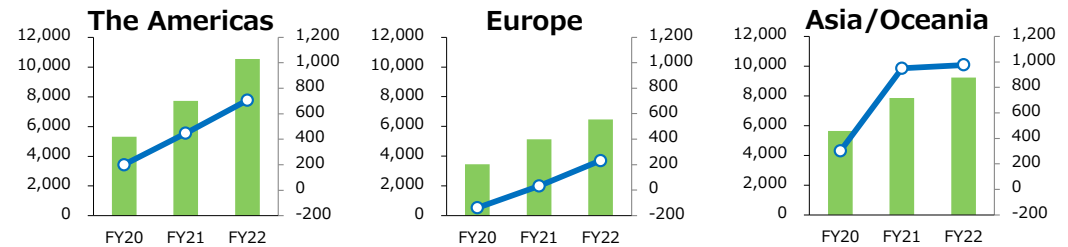


Sales and OI Trends by Business Segment and Region
(Figures exclude the Russian business)

By Business Segment Sales OI (Millions of JPY, Sales (left axis), OI (right axis))

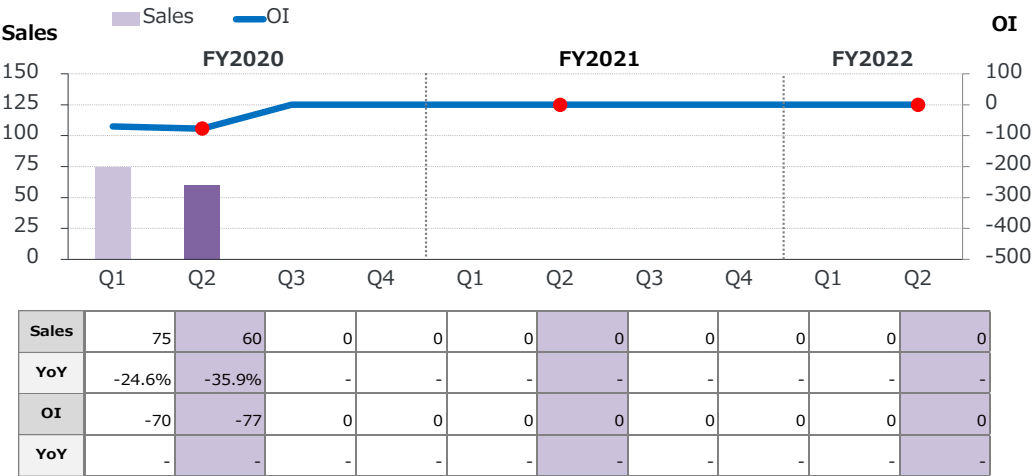


By Region



Quarterly Sales & OI

(Millions of JPY)



* IDP business: Transferred all shares of DataLase to DataLase Holdings Ltd in Sep 2020

SATO terminologies (1/4)

(*) Underlined terms are described under its own heading

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS & 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	Base business	Business of <u>tagging</u> variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
3	Primary Labels business	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). Due to the uncertain external environment, the Russian business is excluded from our forecasts/targets for FY2022 onwards.
4	IDP business	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	Koto-uri (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	Tagging	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	DCS & Labeling (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 terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Tagging for Sustainability	Business model set as the next stage of <u>DCS & Labeling</u> 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 <u>tagging</u> .
9	Genbaryoku	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.
10	"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.
11	Teiho	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	Mechatronics	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	Consumables	"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.

SATO terminologies (3/4)

Products, services, technologies		Description
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out <u>DCS & 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	SOS (SATO Online Services)	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.
5	AEP (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	Variable information labels	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	RFID (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.

SATO terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (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	Okil-Holding, JSC (Russia)	[2014] Primary labels company in which SATO acquired 75% ownership stake. <u>X-Pack</u> is affiliated with Okil.
5	Prakolar Rótulos Autoadesivos LTDA. (Brazil)	[2015] Company specializing in primary labels.
Overseas subsidiaries founded after 2017		Description
1	X-Pack (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	SATO Productivity Solutions Mexico S.A. de C.V.	[2019] A sales subsidiary, mainly focusing on automobile industry, owned nearly 100% by SATO Holdings.



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