

May 15, 2023

# SATO HOLDINGS CORPORATION

## FY2022 Financial Results

(Fiscal Year Ended March 31, 2023)

Securities Code: 6287

- Hello everyone. I am Konuma. I assumed the position of CEO this April.
- Thank you for participating in our financial results briefing for the fiscal year ended March 2023.
- Before going into the presentation, let me introduce myself briefly.

Greetings




Hiroyuki Konuma  
Representative Director  
President and CEO

Jul	2000	Joined SATO
Apr	2010	General Manager of Medical Dept., Tokyo Division, Japan Sales Headquarters
Apr	2014	President, SATO Healthcare Co., Ltd.
Apr	2019	Vice President; President and Head of RFID business, SATO Corporation
Apr	2020	Vice President; President, oversees global business, SATO Corporation
Apr	2021	Director and Vice President, oversees Japan business; President, SATO Corporation
Apr	2023	Representative Director, President and CEO




- I joined SATO in July 2000 and started my career as sales personnel. In 2014, after serving as the head of the health care division, I became the president of SATO Healthcare. In the nine years I led the health care unit, I grew it into a 10-billion-yen business and one of our core businesses.
- After taking the helm of SATO Corporation in 2019 as president, I oversaw the RFID business as well as our Japan and overseas businesses. And in April this year, I succeeded Kotaki as CEO of SATO Holdings.



**FY22 Results,  
FY23 Consolidated  
Forecasts**

**Review and  
Future  
Initiatives**

- My presentation is divided into two parts.



**FY22 Results,  
FY23 Consolidated  
Forecasts**

**Review and  
Future  
Initiatives**

## Summary

Both sales and OI in the consolidated and Overseas businesses reached record highs. Sales and OI also increased in Japan business.

### Auto-ID Solutions Business (Overseas)

- **Base business:** Sales and OI increased due to the implementation of *koto-uri*, price revisions, and filling of the order backlog for printers.
- **Primary Labels business:** Sales and OI increased due to steady demand in the daily goods industry, improvements in our supply chain, and price revisions.

### Auto-ID Solutions Business (Japan)

Sales increased, driven by the growth of consumables and automation and RFID solutions. OI grew due to higher sales, increase in gross profit on export backed by higher printer sales in Overseas business, and control of SG&A expenses.



● This slide shows some of the highlights from the period. They are full-year consolidated results, which I will explain now.

● Both sales and operating income of our overseas businesses hit record highs, while sales and operating income in Japan were also up.

● Our base business overseas saw growth in both sales and profit as we steadily captured demand in each region through our focus on thriving industries, flexible price revisions, and clearing of printer order backlog enabled by improvements in our production and logistics.

● Our primary label companies increased their sales and profits driven by brisk demand in essential industries in each market, improved material sourcing, and ongoing efforts to revise prices.

● In Japan, the consumables business grew thanks to solid demand and ongoing price revisions. Automation and RFID solutions businesses also helped raise sales in Japan. Operating income for the auto-ID solutions business increased, thanks to the higher sales, increased gross profit on exports associated with higher printer sales to overseas sales subsidiaries, and well-controlled SG&A expenses.

● Our Q4 results will be shown in later slides for the respective regions.

## Sales and OI by Business Segment

(Millions of JPY)

(Millions of JPY)

		FY2022	FY2021	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	142,824 (125,157)	124,783 (115,082)	+14.5% (+8.8%)	+5.5% (+3.6%)	
	Operating Income	9,748 (6,205)	6,350 (5,298)	+53.5% (+17.1%)	+34.1% (+14.2%)	
	Overseas	Total Sales	68,657 (50,990)	52,496 (42,795)	+30.8% (+19.2%)	+9.4% (+5.4%)
		Operating Income	7,111 (3,568)	3,978 (2,926)	+78.8% (+21.9%)	+44.9% (+12.7%)
	Japan	Total Sales	74,166	72,287	+2.6%	+2.6%
		Operating Income	2,637	2,372	+11.2%	+16.0%
Consolidated (incl. eliminations)	Total Sales	142,824 (125,157)	124,783 (115,082)	+14.5% (+8.8%)	+5.5% (+3.6%)	
	Operating Income	8,841 (5,297)	6,404 (5,352)	+38.1% (-1.0%)	+18.8% (-3.9%)	

\* Figures in parentheses exclude the Russian business.



- The actual figures related to the highlights in the previous slide are shown in the table.
- Figures in parentheses do not include numbers coming from the Russian business. This applies to all the contents in the slides that follow.
- Our intercompany eliminations amounted to approximately 900 million yen, which is mainly attributed to the increased printer inventory for fulfilling our responsibility to respond to the strong demand. The extra inventory enabled us to establish long-term relationships of trust with our customers and business partners.
- We will optimize the inventory, going forward.

## Consolidated Results

(Millions of JPY)

	FY2022	FY2021	Change		Initial Plan Disclosed on Feb. 10
				YoY	
Net Sales	142,824 (125,157)	124,783 (115,082)	+18,040 (+10,074)	+14.5% (+8.8%)	-0.1% (-0.7%)
Operating Income	8,841 (5,297)	6,404 (5,352)	+2,437 (-54)	+38.1% (-1.0%)	-6.9% (-18.5%)
Operating Income %	6.2% (4.2%)	5.1% (4.7%)	+1.1pt (-0.4pt)	- -	-0.5pt (-0.9pt)
Ordinary Income	9,068 (5,391)	6,057 (5,164)	+3,010 (+226)	+49.7% (+4.4%)	-10.2% -
Profit attributable to owners of parent	4,184 (1,987)	3,794 (3,207)	+389 (-1,220)	+10.3% (-38.0%)	-9.0% -
Effective Tax Rate	30.6%	33.6%	-3.0pt	-	-
EBITDA*	13,961 (9,710)	10,861 (9,366)	+3,100 (+344)	+28.5% (+3.7%)	-4.4% -

Average exchange rates for FY22: JPY 135.49 /USD, JPY 140.98 /EUR, FY21: JPY 112.39 /USD, JPY 130.54 /EUR

FX sensitivity for FY22: JPY +461 million in sales and JPY +9 million in OI for +1 JPY against USD and assuming all others move by the same ratio

\* EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for FY22: JPY 4,855 million (4,184 million)

· Amortization for FY22: JPY 264 million (264 million)

FY21: JPY 4,220 million (3,777 million)

FY21: JPY 236 million (236 million)



\* Figures in parentheses exclude the Russian business.

- This slide shows the consolidated results for the full year. All the numbers in respective line items increased year-on-year.
- Profit attributable to owners of the parent includes extraordinary losses of approximately 1.9 billion yen associated with the pension buyout that took place at the subsidiary in the U.K.
- Compared with the plan announced on February 10, sales were roughly in line with the plan. However, the operating income and the rest of the figures were short of the announced numbers due to lower-than-expected operation income in Japan and the higher-than-expected intercompany eliminations associated with increased printer inventory levels mentioned in the previous slide. The shortfall in operating income in Japan against the plan is attributed to the weaker-than-expected printer sales and the 'inflation allowances' paid out to the employees.

## Auto-ID Solutions Business (Overseas)

### Overview

Jan-Mar

Although the impact of the economic downturn materialized in Base business, sales remained flat on a local currency basis due to the continued solid performance in Primary Labels business. OI increased due to lower printer manufacturing costs.

(Millions of JPY)

	FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl. FX impact
<b>Total Sales</b>	<b>15,153</b> (11,411)	<b>13,423</b> (10,924)	<b>+1,729</b> (+487)	<b>+12.9%</b> (+4.5%)	<b>-0.4%</b> (-2.7%)
Gross Profit	5,761 (4,181)	4,851 (4,043)	+909 (+137)	+18.8% (+3.4%)	-
Gross Profit %	38.0% (36.6%)	36.1% (37.0%)	+1.9pt (-0.4pt)	-	-
<b>Operating Income</b>	<b>1,445</b> (440)	<b>1,003</b> (514)	<b>+441</b> (-74)	<b>+44.0%</b> (-14.5%)	<b>+20.6%</b> (-6.1%)
Operating Income %	9.5% (3.9%)	7.5% (4.7%)	+2.1pt (-0.9pt)	-	-

	FY2022	FY2021	Change	YoY	excl. FX impact
<b>Total Sales</b>	<b>68,657</b> (50,990)	<b>52,496</b> (42,795)	<b>+16,161</b> (+8,195)	<b>+30.8%</b> (+19.2%)	<b>+9.4%</b> (+5.4%)
Gross Profit	25,255 (19,307)	18,140 (15,841)	+7,115 (+3,465)	+39.2% (+21.9%)	-
Gross Profit %	36.8% (37.9%)	34.6% (37.0%)	+2.2pt (+0.8pt)	-	-
<b>Operating Income</b>	<b>7,111</b> (3,568)	<b>3,978</b> (2,926)	<b>+3,133</b> (+641)	<b>+78.8%</b> (+21.9%)	<b>+44.9%</b> (+12.7%)
Operating Income %	10.4% (7.0%)	7.6% (6.8%)	+2.8pt (+0.2pt)	-	-



\* Figures in parentheses exclude the Russian business.

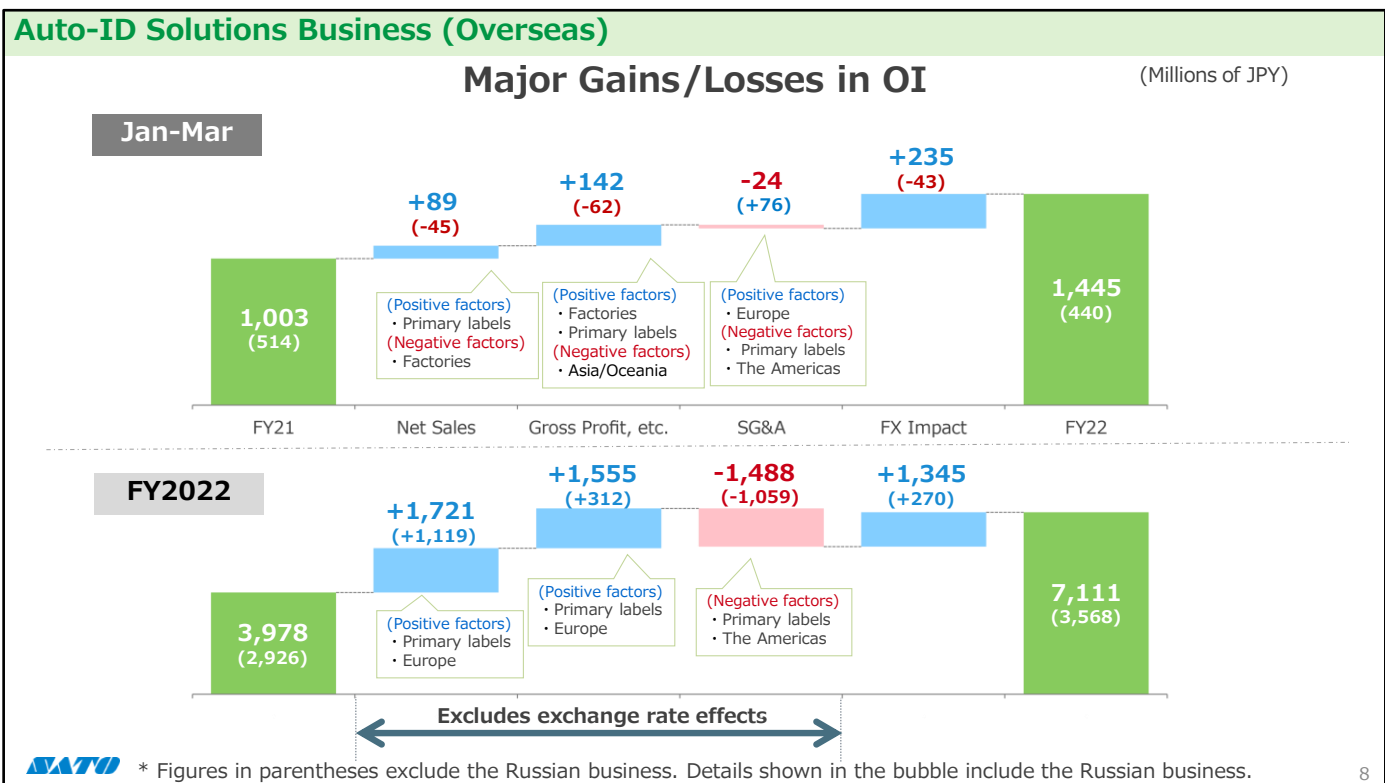
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● From here, I will focus on the Q4 results. First, summary of our overseas business.

● Sales were flat year-on-year on a local currency basis, as the impact of slowdowns in base business in Europe and the U.S. attributable to the economic downturns was offset by the brisk primary label business mainly in Russia.

● Our profit increased as the rises in printer manufacturing costs had plateaued, and as the gross profit margins of our primary label businesses improved.





- This slide compares this fiscal year's operating income against the previous year's.
- Positive/negative factors listed in the balloons include those of the Russian business.
- Q4 gains were primarily driven by the primary label businesses, which offset a slowdown in the base business.

Breakdown by Region: The Americas

Jan-Mar

Base business: Due to the economic downturn, the retail market slowed down, resulting in lower sales on a local currency basis. OI declined due to investment in human resources.  
Primary Labels business: Sales and OI grew due to steady demand in the daily goods industry and continuous price revisions.

(Millions of JPY)

		FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	3,731	3,456	+274	+8.0%	-3.0%
	Operating Income	-49	176	-225	-	-
Primary Labels · Achernar · Prakolar	Total Sales	752	717	+34	+4.8%	+14.9%
	Operating Income	155	102	+53	+51.9%	+80.3%
Total	Total Sales	4,483	4,174	+309	+7.4%	+0.1%
	Operating Income	106	279	-172	-61.8%	-41.9%

		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	17,267	13,440	+3,826	+28.5%	+7.7%
	Operating Income	853	655	+197	+30.1%	+12.3%
Primary Labels · Achernar · Prakolar	Total Sales	3,148	2,586	+562	+21.7%	+16.5%
	Operating Income	452	369	+82	+22.4%	+37.2%
Total	Total Sales	20,415	16,026	+4,389	+27.4%	+9.1%
	Operating Income	1,306	1,025	+280	+27.4%	+21.3%

- The slide shows results in the Americas. In Q4, sales increased, while operating income decreased.
- Sales in our base business declined on a local currency basis due to drops in printer sales in retail, one of our main market, impacted by the economic downturn. Operating income was down on increased investments in strengthening the company's systems.
- In our primary label businesses, both sales and operating income were up, driven by brisk demand in essential industries in each market, such as consumer packaged goods industry, and our ongoing efforts to revise prices.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: Europe

Jan-  
Mar

Base business: Sales declined on a local currency basis due to a slowdown in industries previously performed well, such as restaurants. OI increased due to a decrease in transportation costs, etc.


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 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	2,789	2,749	+39	+1.5%	-5.9%
	Operating Income	201	117	+83	+71.1%	+59.3%
Primary Labels (Russian business)	Total Sales	3,741	2,499	+1,241	+49.6%	+10.0%
	Operating Income	945	441	+503	2.1x	+54.4%
Total	Total Sales	6,530	5,249	+1,281	+24.4%	+1.7%
	Operating Income	1,146	559	+586	2.0x	+55.4%
		(141)	(70)	(+70)	(+99.1%)	(2.0x)

		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	12,401	10,674	+1,727	+16.2%	+8.0%
	Operating Income	772	451	+321	+71.1%	+60.6%
Primary Labels (Russian business)	Total Sales	17,667	9,701	+7,965	+82.1%	+26.9%
	Operating Income	3,267	848	+2,418	3.9x	2.7x
Total	Total Sales	30,068	20,375	+9,693	+47.6%	+17.0%
	Operating Income	4,040	1,300	+2,740	3.1x	2.3x
		(496)	(247)	(+248)	(2.0x)	(2.1x)

 \* Figures in parentheses exclude the Russian business.

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- In Europe, both sales and operating income increased in Q4.
- In the base business, sales decreased on a local currency basis as the heightened demand in the restaurant industry — one of our main industries — for home deliveries and the like caused by the pandemic plateaued, and as the retail market slowed down due to the economic downturns. On the other hand, operating income rose on lower freight costs attributed to the normalization of supply chains.
- Primary label businesses saw higher sales and profits thanks to Okil-Holding's expansion of existing businesses and continued implementation of price revisions.

Breakdown by Region: Asia/Oceania

Jan-Mar

Base business: Sales declined on a local currency basis due to lower sales in printers for distributors in Chinese subsidiary and Argox, despite solid performance at subsidiaries in Thailand, Taiwan, and India. OI increased due to a factory profit improvement resulted from lower printer manufacturing costs.

(Millions of JPY)

		FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl.FX Impact
Base	Total Sales	4,138	4,000	+138	+3.5%	-3.4%
	Operating Income	264	208	+56	+26.9%	+20.0%

		FY2022	FY2021	Change	YoY	excl.FX Impact
Base	Total Sales	18,172	16,094	+2,078	+12.9%	+0.1%
	Operating Income	1,977	1,637	+339	+20.8%	+5.8%

- In Asia/Oceania, our Q4 sales and profits increased.
- Our sales subsidiaries in Thailand, Taiwan, India, Vietnam and Indonesia performed well, while the printer sales by the Chinese sales subsidiary and Argox had declined due to inventory adjustments. As a result, sales dropped on a local currency basis.
- On the other hand, operating income rose on increased profitability at factories as the rising manufacturing costs had plateaued.

Overview

Jan-Mar

Both mechatronics and consumables grew, driven by increase in sales of automation and maintenance services for mechatronics, and RFID and price revisions for consumables. Despite higher sales and appropriate control of growth investment and shipping costs, OI fell due to higher raw material costs.

(Millions of JPY)

	FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY
Mechatronics Sales	8,667	8,567	+99	+1.2%
Consumables Sales	10,669	10,404	+265	+2.6%
<b>Total Sales</b>	<b>19,336</b>	<b>18,971</b>	<b>+365</b>	<b>+1.9%</b>
Gross Profit	8,498	8,712	-214	-2.5%
Gross Profit %	44.0%	45.9%	-2.0pt	-
<b>Operating Income</b>	<b>594</b>	<b>682</b>	<b>-87</b>	<b>-12.8%</b>
Operating Income %	3.1%	3.6%	-0.5pt	-

	FY2022	FY2021	Change	YoY
Mechatronics Sales	29,877	29,560	+316	+1.1%
Consumables Sales	44,289	42,726	+1,562	+3.7%
<b>Total Sales</b>	<b>74,166</b>	<b>72,287</b>	<b>+1,879</b>	<b>+2.6%</b>
Gross Profit *	33,830	33,616	+214	+0.6%
Gross Profit %	45.6%	46.5%	-0.9pt	-
<b>Operating Income</b>	<b>2,637</b>	<b>2,372</b>	<b>+264</b>	<b>+11.2%</b>
Operating Income %	3.6%	3.3%	+0.3pt	-

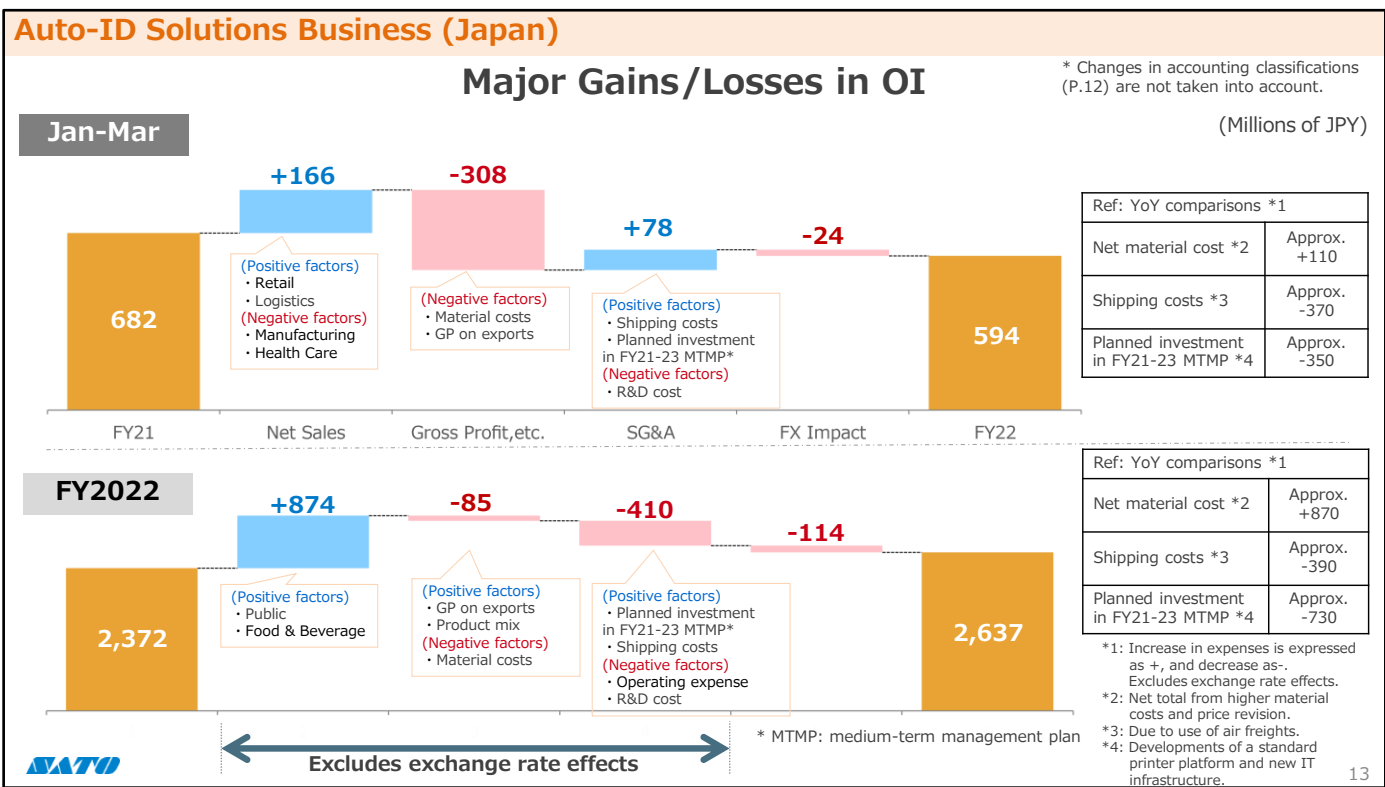
Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.  
Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.

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

\* Changes in accounting classifications of maintenance related costs from SG&A to COGS since FY21-Q3.



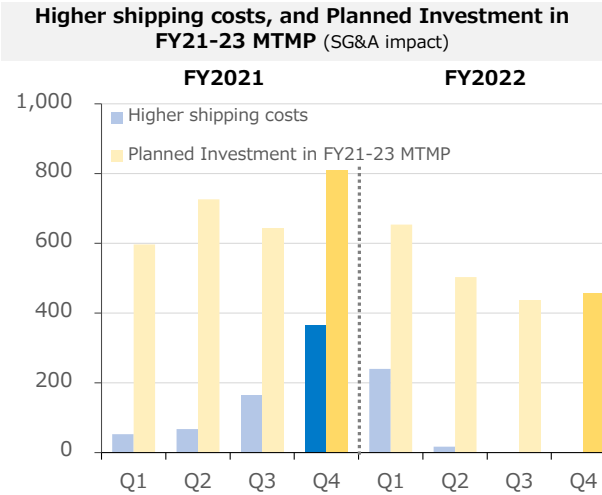
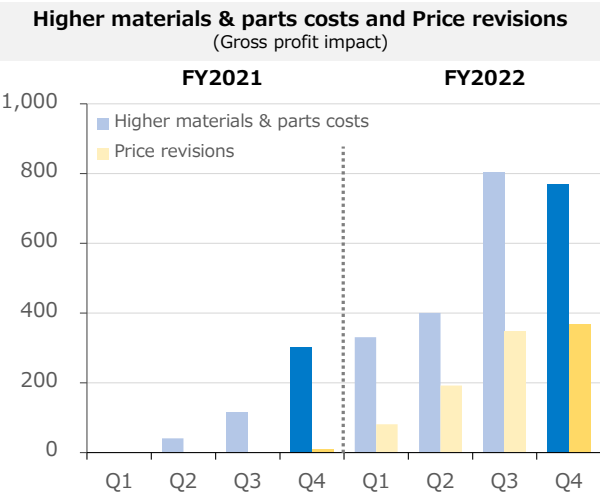
- This section shows Q4 results of our Japan business.
- Sales were up year-on-year thanks to increases in both mechatronics and consumables sales.
- As for mechatronics, printer sales were weak, which was offset by brisk sales in automation solutions and maintenance support, resulting in increased overall sales.
- Consumables sales grew thanks to increased RFID solutions sales and price revisions.
- In addition to the increases in sales just mentioned, we appropriately controlled investments for future growth and freight costs. However, it wasn't enough to cover the higher raw materials costs, and as a result, operating income decreased.



Higher Supply Chain Costs and Investments

Delay in price revision activities compared to the plan\*.

(Millions of JPY)

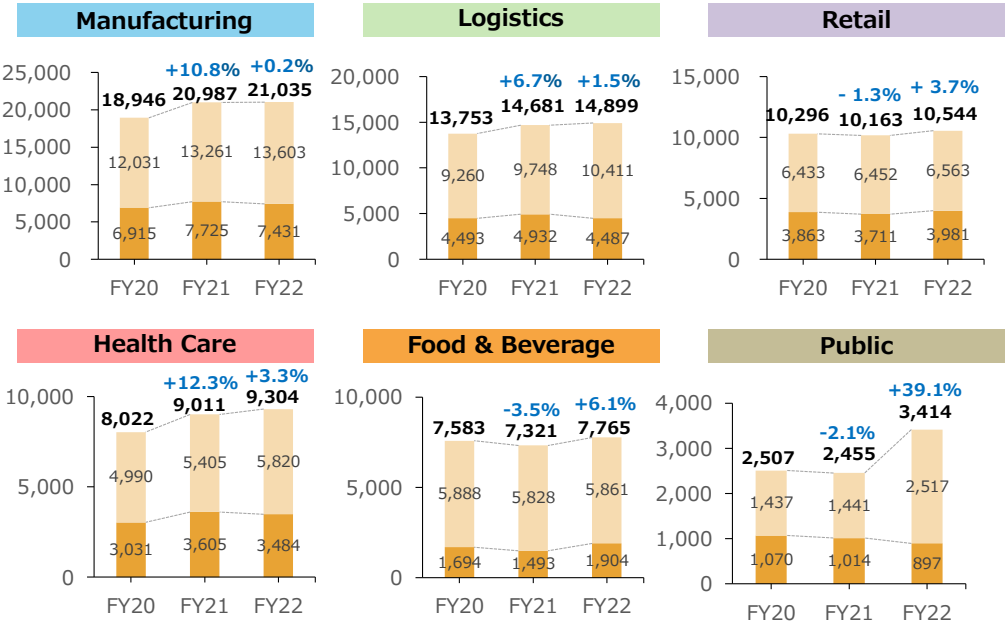


\* Announced on Feb. 10, 2023

- This slide shows quarterly figures of raw material cost increases and price revisions, freight cost increases and FY 21–23 medium-term growth investments, all of which are shown on the right hand side of the previous slide for your reference.
- Q4 experienced delays in price revision activities against the plan disclosed in Q3. This is attributed to the fact that it took more time than expected to negotiate the price changes with many of our customers.

(Millions of JPY)

■ : Mechatronics   ■ : Consumables   \* % indicates YoY change



- This slide shows sales trends by market from fiscal 2020 through fiscal 2022.
- Sales increased in all markets.
- In manufacturing, sales were brisk in semiconductor-related industries in the first half of the year, which was followed by some adjustments in the second half, resulting in a slight increase in sales for the full year.

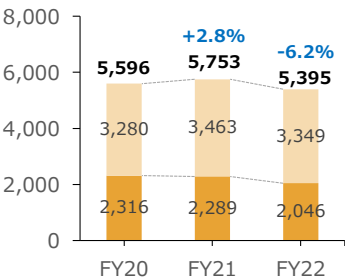


Sales by Vertical 1/2

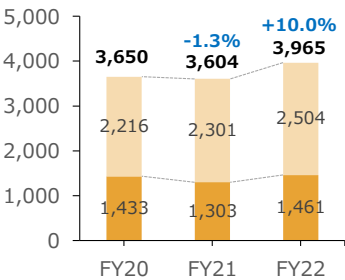
(Millions of JPY)

■ : Mechatronics   ■ : Consumables   \* % indicates YoY change

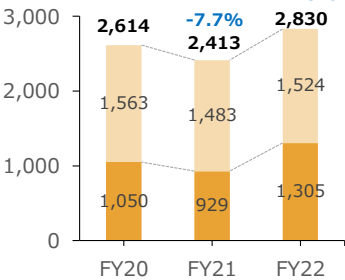
Manufacturing



Logistics



Retail



**Business environment**  
Overall investment appetite was sluggish due to economic uncertainty. Solid demand for automation and RFID continued due to their clear and compelling ROI.

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Consumables declined due to tough conditions in the electronic components and chemical industries. Mechatronics declined due to cautious investment behavior across industries, caused by economic slowdown and increase in raw material costs.

Solid performance in EC and better inbound tourism delivered recovery trend across industries. Demand for mitigating labor shortages and digitization continued.

Both consumables and mechatronics increased in almost all industries. A volume increase in consumables and robust automation and RFID projects in mechatronics contributed.

Investment in digitization and productivity improvement at retail stores including food supermarkets continued. EC continued to thrive.

Consumables slightly increased due to better apparel industry. Mechatronics significantly increased due to demand for automation in the industry and digitization investment from food supermarkets.



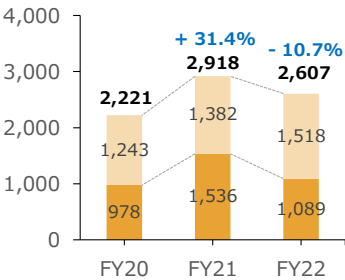
- This slide shows Q4 sales in Japan by market.
- In manufacturing, both mechatronics and consumable products sales were down year-on-year, impacted by deteriorating external environment across the industries.
- In logistics and retail, sales increased substantially. This is attributed to large deals in automation, RFID and software solutions businesses.

Sales by Vertical 2/2

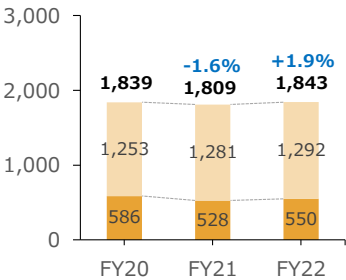
(Millions of JPY)

■ : Mechatronics   ■ : Consumables   \* % indicates YoY change

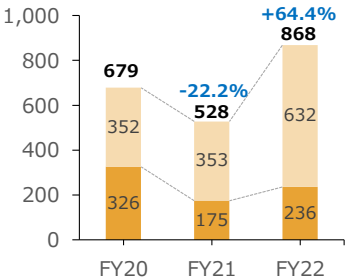
Health Care



Food & Beverage



Public



Business environment

Investment in RFID and automation to streamline operations and mitigate labor shortages continued. Overall demand remained solid.

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Consumables slightly increased due to the use of RFID to respond to administrative needs. Mechatronics decreased due to a lack of large orders compared to last year.

Demand for automation and traceability continued due to increase raw material prices and needs to respond to labor shortages.

Consumables remained flat due to mixed results of better food manufacturing industry and sluggish wholesaling and other industries. Mechatronics increased due to automation deals in the food manufacturing industry.

The overall business environment remained stable.

Both consumables and mechatronics sales grew significantly due to large customers.



- Health care sales decreased due to large mechatronics deal we won in the same quarter previous year.
- Public sector sales grew significantly year-on-year thanks to large-scale deals of mechatronics and consumable products, respectively.

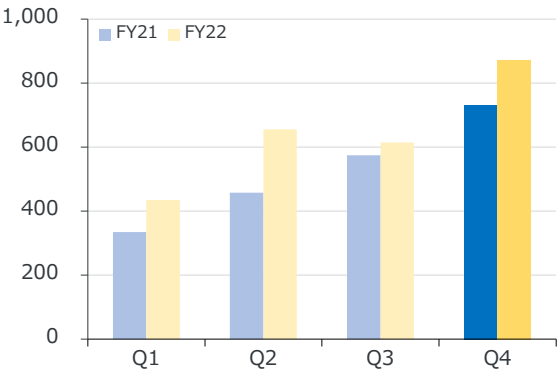
## Sales Trends: RFID and Automation

Both solutions continued to perform strongly, driven by robust demand for digitization and labor shortage mitigation. Efforts to improve the supply chain, including manufacturing, development, and design also contributed to the performance.

(Millions of JPY)

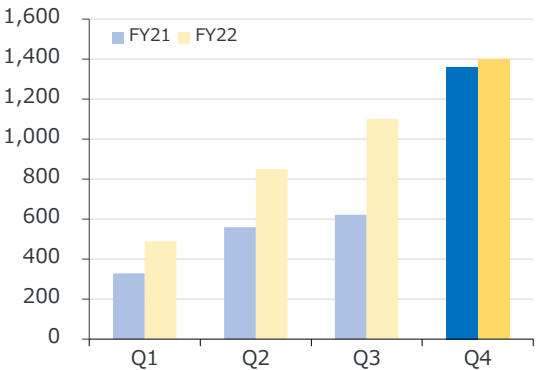
RFID

YoY sales increase in cumulative :**22.8%**



Automation

YoY sales increase in cumulative :**33.8%**



\* Figures in Automation include hardware and software sales (excluding consumables and service and support sales).



- This slide shows sales trends of RFID and automation solutions.
- Sales of both solutions steadily increased in Q4 year-on-year, by about 23% for RFID solutions, and by about 34% for automotive solutions.
- Given the uncertainties in the external environment, some customers are cautious about investing in these solutions in the short term. However, we expect the demand to increase in the medium to long term, driven by labor shortages and the needs for digital transformation.

FY2023 Consolidated Forecasts

(Millions of JPY)

	FY2023 (Targets)	FY2022	Change	YoY
Net Sales	140,000	142,824	-2,824	-2.0%
Operating Income Ordinary	8,000	8,841	-841	-9.5%
Income	7,800	9,068	-1,268	-14.0%
Profit attributable to owners of parent	5,000	4,184	+815	+19.5%
EBITDA	13,313	13,961	-648	-4.6%

\* EBITDA = Operating Income +  
Depreciation + Amortization

Exchange rates assumed in FY23 forecast: JPY 130/USD, JPY 140/EUR  
Average exchange rates for FY22 : JPY 135.49/USD, JPY 140.98/EUR



- This slide shows consolidated forecast for fiscal 2023.
- Both net sales and operating income are projected to decline by -2.0% and -9.5%, respectively, due to the negative impact of the Russian business.
- Breakdown by business is shown in the next slide.

## FY2023 Consolidated Forecasts &lt;Breakdown&gt;

(Millions of JPY)

		FY2023 (Targets)	FY2022	Change	YoY
Overseas	Total Sales	64,000	68,657	-4,658	-6.8%
	Operating Income	5,200	7,111	-1,912	-26.9%
Japan	Total Sales	76,000	74,166	+1,833	+2.5%
	Operating Income	2,800	2,637	+163	+6.2%
Consolidated	Total Sales	140,000	142,823	-2,824	-2.0%
	Operating Income	8,000	8,841	-842	-9.5%
	(Elimination of profits)	0	-907	+907	-

## &lt;Background of the plan &gt;

**Overseas\*** Higher sales and OI in the Base Business by executing *koto-uri* despite economic downturn particularly in Europe and the United States. However, lower sales and OI in the Russian Business contribute to YoY decline in overall sales and OI.

**Japan** Higher sales and OI due to strong consumables and progress in price-revision, as well as robust demand for RFID and automation.



\* Russia business is expected to continue for the time being.

20

● As for the Russian business, we expect to see lower sales and operating income, due to the deteriorating competitive environment. As a result, lower sales and operating income are projected for the overall overseas business.

● Overseas, the base business is projected to be temporarily affected by the economic downturns. However, we plan to increase sales and operating income through instilling *Koto-uri*.

● In Japan, we expect sales and profits to increase, as price revisions we implemented started to show their effects, and also given the strong demand in RFID and automation solution businesses.

FY2023 Consolidated Forecasts <Breakdown>  
Outlook by Region

<Overseas>

	The Americas	Europe	Asia/Oceania
Forecasts	<ul style="list-style-type: none"><li>• Performance in Retail in 1H to be slow due to economic downturn.</li></ul>	<ul style="list-style-type: none"><li>• Performance in Retail in 1H to be slow due to economic downturn.</li><li>• Investment appetite in Food to recover amid post-pandemic.</li><li>• RFID demand from healthcare device manufacturers, etc. to continue.</li></ul>	<ul style="list-style-type: none"><li>• Performance in some manufacturing industries such as electrical and electronics to be sluggish in 1H.</li><li>• Demand for expanding digital supply chains across manufacturing industries to increase</li></ul>

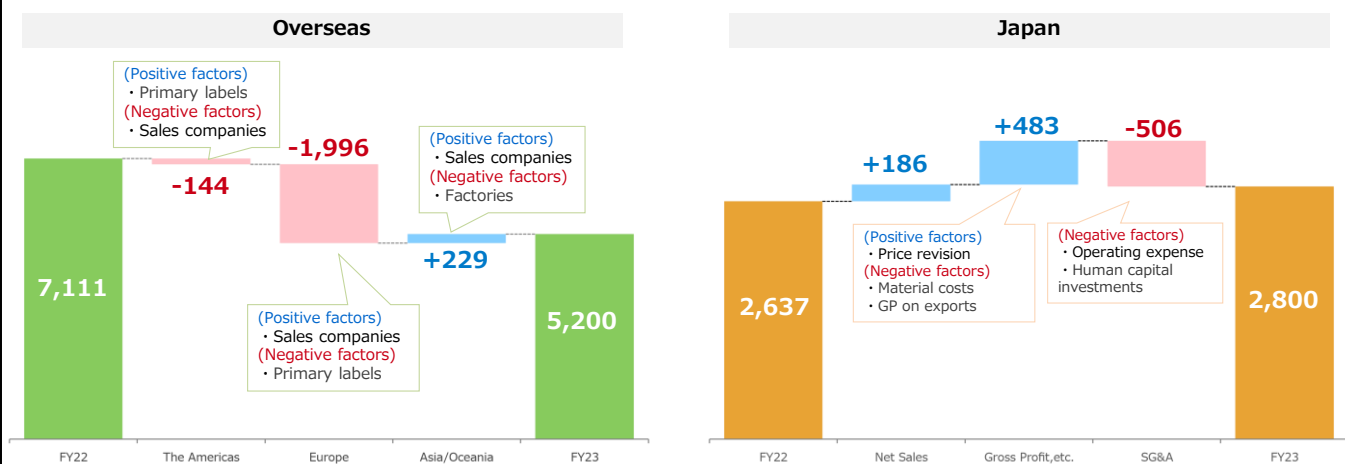
<Japan>

	Manufacturing	Logistics	Retail	Health Care	Food & Beverage
Forecasts	<ul style="list-style-type: none"><li>• Recovery momentum to be mixed--auto production to be on a recovery trend, where as semiconductor-related industries to recover from 2H.</li></ul>	<ul style="list-style-type: none"><li>• Steady investment appetite due to EC expansion and recovery in inbound tourism.</li></ul>	<ul style="list-style-type: none"><li>• Cautious investment behavior to persists despite the recovery momentum from the pandemic, due to cost increase.</li></ul>	<ul style="list-style-type: none"><li>• Cautious investment behavior to persists due to cost increase.</li><li>• Demand for RFID to continue driven by administrative needs .</li></ul>	<ul style="list-style-type: none"><li>• Steady investment appetite due to cost increase, labor shortages, and post-pandemic.</li></ul>



- This slide shows fiscal 2023 outlook by region and by market.
- In the U.S. and Europe, the impacts of the economic downturns have become evident in Q4 of fiscal 2022. However, we expect the market to pick up in the second half of fiscal 2023 and beyond.
- In Japan, we expect the manufacturing market to continue to show patchy recovery, but other markets are expected to remain relatively stable.
- For both Japan and overseas markets, demand for RFID and automation solutions is expected to remain strong.

## FY2023 Consolidated Forecasts <Breakdown> OI FY23 vs FY22

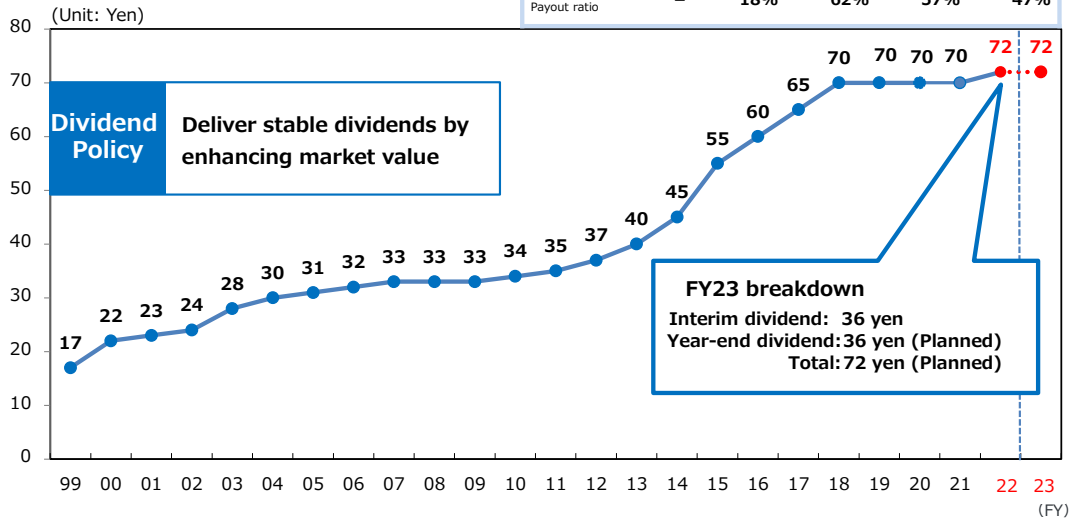


- This slide shows year-on-year comparison of operating income for fiscal 2022 and 2023.
- Overseas, operating income is expected to drop due to unfavorable impacts of the Russian business.
- In Japan, we expect gross profit to improve as effects of price revisions we implemented start to show, leading to higher operating income.

# Dividends


Total dividends planned for FY22: JPY 72 (up 2 yen YoY)  
Total dividends forecast for FY23: JPY 72 (unchanged YoY)

	(JPY per share)				
	FY19	FY20	FY21	FY22 (Planned)	FY23* (Forecast)
EPS	-56.1	385.9	112.7	126.7	154.4
ROE	-3.6%	24.4%	6.3%	6.5%	7.5%
(Ref.) Payout ratio	—	18%	62%	57%	47%



- This slide shows trend in dividend payments.
- For fiscal 2023, we plan to pay an annual dividend of 72 yen.





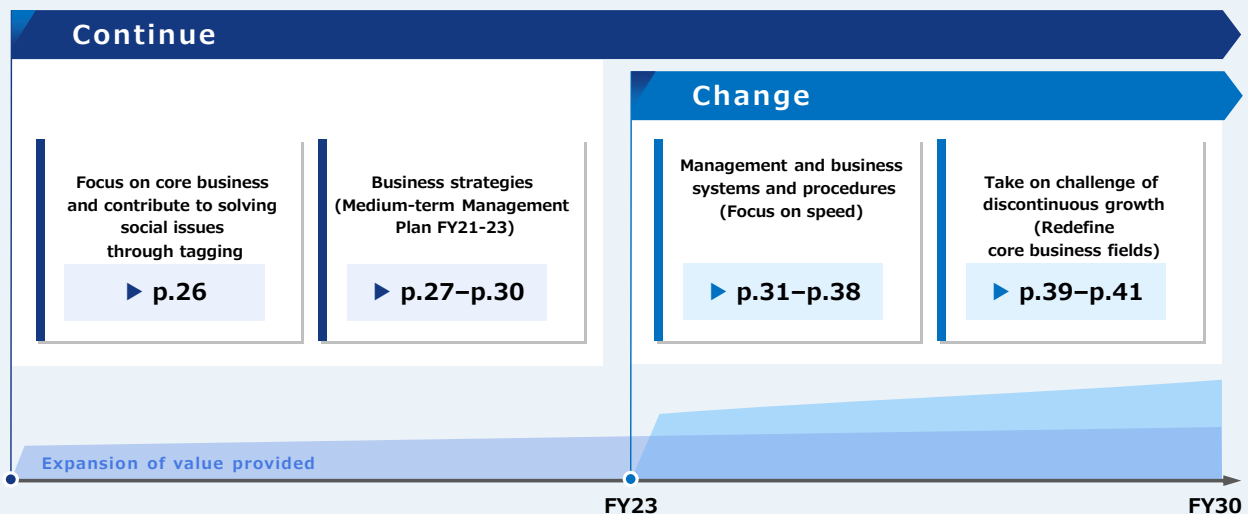
**FY22 Results,  
FY23 Consolidated  
Forecasts**

**Review and  
Future  
Initiatives**

- In the following slides, I will explain our fiscal 2022 activities as well as our future initiatives.

## Key message

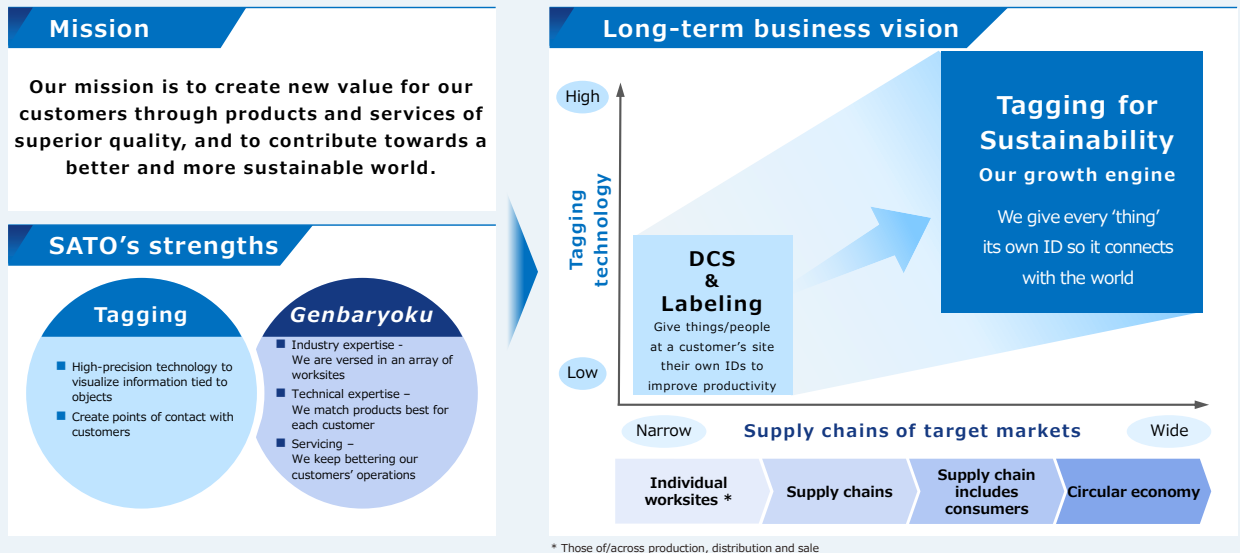
From FY23 onward, we will focus on accelerating business and achieving discontinuous growth while maintaining existing policies and business strategies.



- First, I would like to explain what we will continue and change under the new management.
- We will continue to focus on our core businesses and contribute to solving social issues through tagging and *genbaryoku*. We will also continue our business strategy as stated in the FY21–23 medium-term management plan.
- We will change our management and business structure to increase speed of execution and redefine our core business fields to take on the challenge of discontinuous growth.

## Long-term growth policy

Contribute to society through our core business. Aim for growth in tagging and with our on-site competency, eyeing realization of a circular economy.

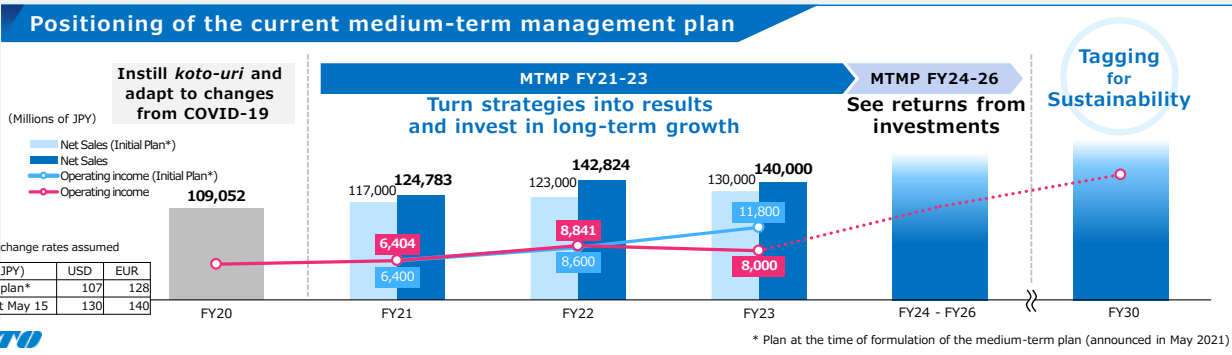


- The long-term growth policy remains unchanged.
- With our mission to "create new value for our customers through products and services of superior quality and to contribute towards a better and more sustainable world," SATO aims for growth with its strengths in tagging and *genbaryoku* and an eye to realize a circular economy.

## Medium-term Management Plan (FY21-23)

The current medium-term management plan assumes full recovery from the pandemic. Amid drastic changes in the external environment, sales exceeded plans by capturing changes in customer demand. The latest operating income forecast for FY23 reflects changes in product mix accompanying structural changes in demand and anticipated increases in raw material prices.

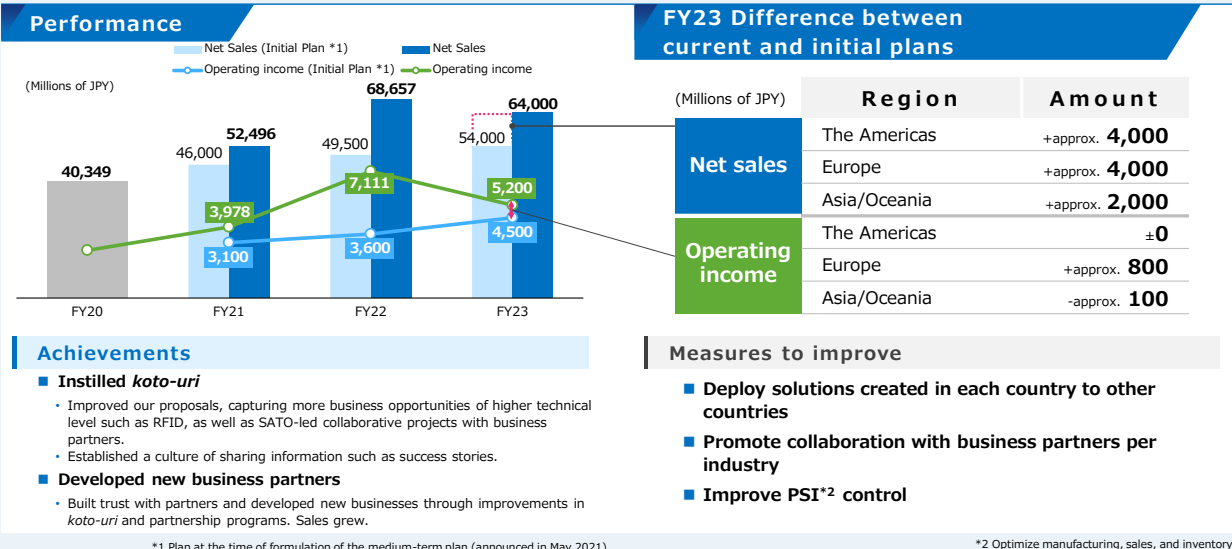
Targets for the final year			
(Million of JPY)	FY20 (Actual)	FY23 (Plan at May 15)	FY23 (Initial Plan*)
Net Sales	109,052	140,000 +8.7% (CAGR)	130,000
Operating Income	5,847	8,000 +11.0% (CAGR)	11,800
Operating Income %	5.4%	6.9% +1.5pt	9.1%
ROIC	5.8%	6.7% +0.9pt	10.3%



- The following slides explain the progress of the current medium-term management plan for FY 21–23.
- The current medium-term management plan was based on the assumption that we would achieve full recovery from the pandemic. Amid drastic changes in the external environment, sales have exceeded our plan by capturing changing customer demands for RFID and other solutions.
- Operating income for the latest FY23 plan reflects changes in product mix as customers changed their investment priorities, and higher raw material prices.
- We will now go into details for the Overseas and Japan businesses.

## Medium-term Management Plan Overseas business

In addition to instilling *koto-uri* and developing new business partners, we implemented flexible price revision activities and improved product supply. Net sales and operating income both exceeded initial forecasts thanks to exchange rate effects.



● In the overseas business, sales and operating income both exceeded targets set when the medium-term management plan was drafted. This owes to progress in instilling *koto-uri* and developing new business partners.

● Comparing the difference between the current plan for FY23 and the initial plan.

● Sales in the Americas is approximately 4 billion yen higher, while profits are in line with forecasts. Although sales grew thanks to the *koto-uri* approach, profits were mostly in line with forecasts as management structure was strengthened.

● In Europe, sales are approximately 4 billion yen higher and profits approximately 800 million yen higher. Both base and Russian businesses are growing.

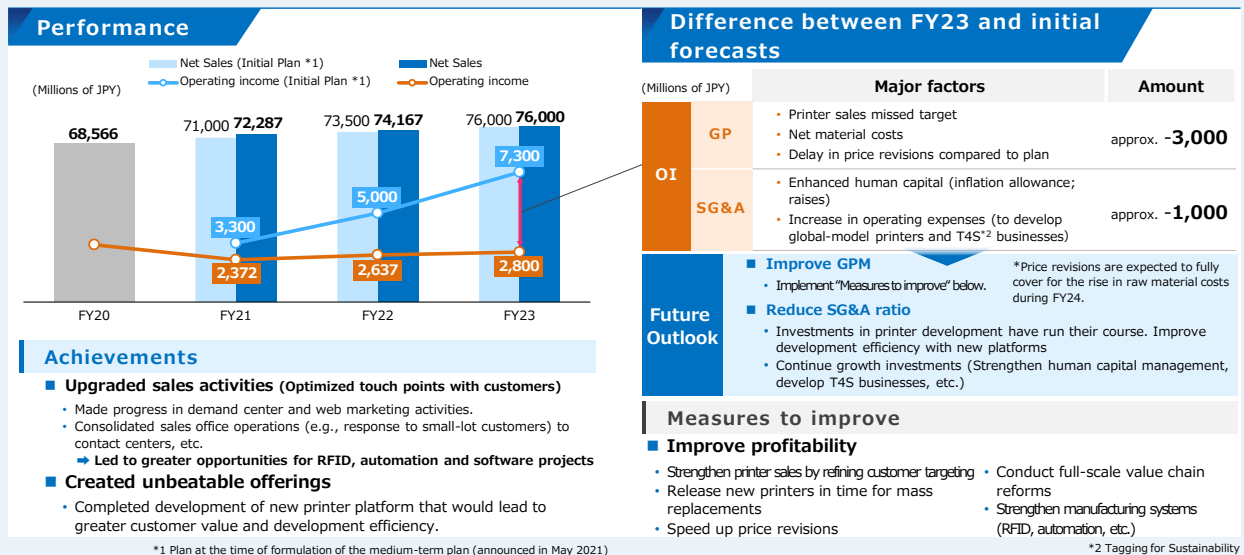
● In Asia & Oceania, sales are approximately 2 billion yen higher and profits approximately 100 million yen lower. Material prices and Chinese sales companies have been affected by COVID-19.

● Major achievements include *koto-uri* taking root in sales companies and sales representatives, and the number of business opportunities that involve advance technologies such as RFID or that are SATO-led but require collaboration with business partners is increasing.

● To make further improvements in the future, we will not only share successful examples of solutions, but will specifically deploy them to other regions via HQ and regional heads. We will further leverage business partners per industry to build ecosystems. We also aim to grow more efficiently by improving our PSI control.

## Medium-term Management Plan Japan business

Despite the pandemic, sales progressed in line with initial plan due to upgrading of sales activities. Yet operating income fell short of target due to uneven demand for printers, increase in raw material costs, and yen depreciation.



● The Japan business, despite the COVID impact, saw sales progress in line with the initial plan set when the medium-term management plan was formulated. This owes to upgraded sales activities that include the utilization of web marketing. Through these upgraded sales activities, we were able to optimize our touch points with customers and stimulate business opportunities that involve advance technologies such as RFID and automation.

● We have also completed development of a standard platform for our printers. We plan to install it in printers that will be released during and after FY24. It will enable us to add greater value and improve development efficiency.

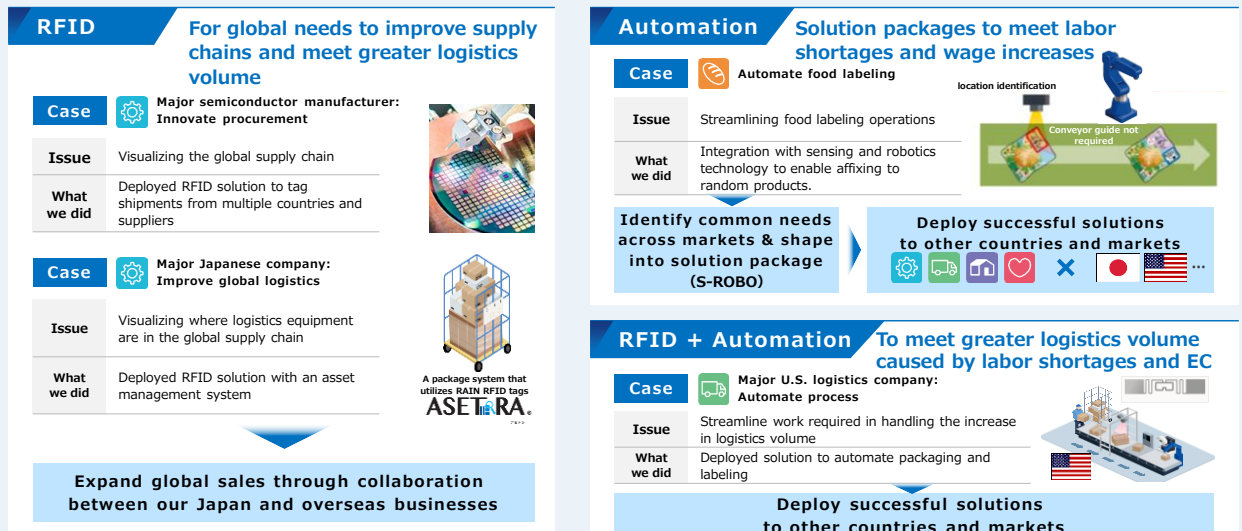
● On the other hand, COVID has changed customers' investment priorities, resulting in uneven demand for printers. In addition, we were unable to respond adequately to rising raw material prices, and the time it took us to respond appropriately caused delays in our plans to strengthen profitability, such as value chain reforms. Operating income fell short of target partly due to continued investment. The difference between the FY23 performance plan announced this time and the plan initially formulated for the medium-term management plan is as shown on the slide.

● In response, we will improve gross profit margin and reduce the ratio of SG&A expenses to net sales. Regarding gross profit margin, we will implement measures described at the lower right of the slide. As I will explain in more detail later, the main focus will be on expanding printer sales and reforming the value chain.

● The gap between the increase in raw material costs and price revision is expected to be filled during FY24. The SG&A-to-sales ratio is expected to reflect development efficiency that the new printer platform would offer, but investments for medium-to long-term growth will continue.

# RFID/automation solutions: Capturing global needs for DX and labor shortages

Supporting customers building global, digital supply chains



- Here are some examples of RFID and automation opportunities that have increased in both overseas and Japan businesses.
- As for RFID, the demand to reexamine global supply chains is expanding against the backdrop of supply chain disruption and geopolitical risks caused by COVID. Our solutions have been installed to a major semiconductor manufacturer in innovating its procurement logistics, and a major Japanese company in improving global logistics.
- SATO's global coverage boasting direct sales teams in 26 countries and regions is one reason — other than its *genbaryoku* — that these companies choose SATO.
- As for automation, our auto-labeling solution for food labels in Japan is being deployed across countries and markets.
- And there has been a case at a major logistics company in the U.S. where RFID was used in combination with an automation solution. By expanding this success story to other countries and markets, we aim to achieve efficient profit growth.

## New management team



**Hiroyuki Konuma**  
President and CEO

Held key positions in the health care business and was appointed President of SATO Healthcare Co., Ltd. in 2014. Became President of SATO Corporation in 2019 and drove our domestic and overseas businesses.



**Yoshinori Sasahara**

**Vice President**  
**Oversees Japan business and internal IT platforms**  
**President, SATO Corporation**

Held key positions in domestic sales. Vice President of SATO Corporation since 2016; was General Manager of Production since 2019 and RFID business since 2022, overseeing our value chain.



**Hayato Shindo**

**Vice President**  
**Oversees global business**  
**Regional Operations Officer for Europe and Oceania**

Served the manufacturing market in Japan, then experienced sales and management at an overseas sales subsidiary. Led the Asia region from July 2015 and the European business from April 2021, consistently driving *koto-uri* in our global business.



- That's how we will drive our growth strategies.
- Of the new management team, I will oversee the entire group and speed up/optimize management and business execution.
- Shindo, who has long driven *koto-uri* overseas, will lead our overseas business.
- And Sasahara, who has led sales, production and our RFID business in Japan, will drive the Japan business, overseeing our value chain.



## New growth strategy

The new management team formulated a new growth strategy based on the three growth strategies of the current medium-term management plan.



- Under this new team, we formulated a new growth strategy based on the three growth strategies of the current medium-term management plan.
- We will organically link three priority topics: (1) global business strategy, (2) innovation and R&D, and (3) sustainability management.
- I will explain these priority topics from the following slide.

## New growth strategy: Global growth strategy — Overseas business

Business strategy

Accelerate growth with *koto-uri* and horizontal deployment

Solution packages

Use of business partners by industry

Global collaboration

Data utilization (CRM, etc.)

Regional strategy

Region	Common needs	Local needs	Sales strategy	FY23 quantitative goal (Millions of JPY)	Medium-term forecast
The Americas		<ul style="list-style-type: none"> <li>Global standardization of operations</li> </ul>	<ul style="list-style-type: none"> <li>Expand business with existing major customers and develop new customers through direct sales.</li> <li>Strengthen sales channels by developing/expanding business with partners</li> <li>Strengthen software development capabilities</li> </ul>	Net sales: <b>19,800</b> OI: <b>1,200</b>	<div> Sales:  Driven by Europe and North America </div> <div> OI: Driven by Asia/Oceania </div> 
Europe	<ul style="list-style-type: none"> <li>Labor shortage</li> <li>E-commerce</li> <li>Visualization of workplaces and supply chains (DX)</li> </ul>	<ul style="list-style-type: none"> <li>Food loss, safety and security, and environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Develop/expand business with new/existing customers by <i>koto-uri</i></li> <li>Standardize solutions of high demand to provide to business partners and new customers</li> <li>Develop new regions and countries</li> </ul>	Net sales: <b>23,000</b> OI: <b>2,000</b>	
Asia/Oceania		<ul style="list-style-type: none"> <li>Productivity and traceability</li> </ul>	<ul style="list-style-type: none"> <li>Expats with expertise conduct in-house training</li> <li>Strengthen approach on Japanese companies through One Asia collaboration (incl. Japan)</li> <li>Strengthen approach on local customers and business partners</li> </ul>	Net sales: <b>21,200</b> OI: <b>2,000</b>	



- In our overseas business, we will accelerate growth through *koto-uri* and horizontal deployment. To this end, we will enforce these four initiatives. How HQ can execute would be the key to all of them.
- Until now, each of our sales subsidiaries has run *koto-uri* independently, and HQ provided individual support as necessary. From now, as business opportunities would increase globally, we will delegate authority to regional heads, and HQ will support them in line with their strategies.
- As for our regional strategies, our business in the Americas would strengthen software development, to enhance our direct-sales approach to major customers. In Europe, we will deepen our direct sales and approach to business partners, and utilize the format we establish to pave open new regions such as Eastern Europe. In Asia & Oceania, we will approach Japanese manufacturing companies, suggesting comprehensive solutions through One Asia collaboration that includes the Japan business.
- As a result, the Americas and Europe will drive sales, and Asia & Oceania will drive operating income over the medium-term.

## Business strategy

Improve our **selling and earning capabilities** from value chain perspectives

### Selling

- Make value-add proposals that meet customers' needs over their supply chains

#### Examples of value-add proposals



- Market unbeatable offerings.
- Continue to optimize customer touch points.

### Earning

- Form project teams across R&D, production, distribution and sale to resolve important issues related to profitability

#### Examples of projects

##### Cross-consumables project

Curb rising costs  
(Integrate base materials)

Raise productivity  
(Change label specs/packaging)

Stabilize supply  
(Address logistics issues)

Launch high value-add products  
(Eco-friendly products, etc.)

##### Cross-mechatronics project

Optimize material procurement

Follow through on product strategy roadmap

Equip standard platform

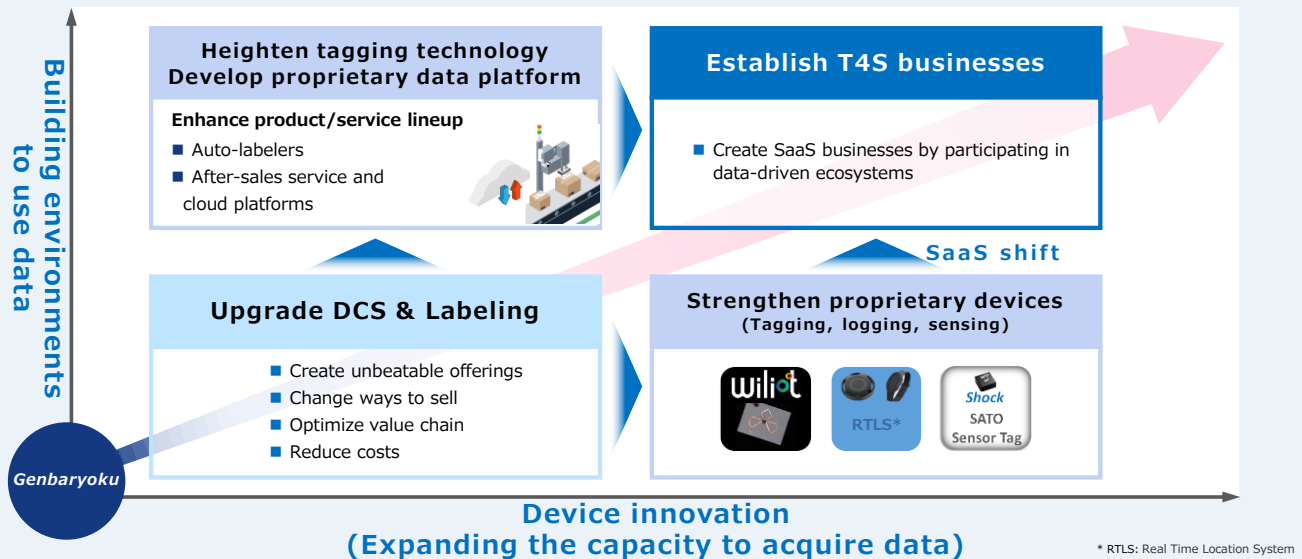
Transform global PSI

- Improve in-house value chain by reflecting on-site knowledge to product development.
- Continue improvements while promoting appropriate price revisions.

- The Japan business will work from value chain perspectives to improve its selling and earning capabilities.
- We will improve our selling capability by further deepening our understanding of the customer's supply chain, actualizing their needs, and suggesting value-add proposals accordingly. Our customers' supply chains and demands are changing according to the external environment, and we intend to capture this change to increase sales.
- To improve our earning capabilities, we will form project teams that comprise R&D, manufacturing, logistics and sales members to resolve key profitability issues.
- Examples of projects are shown on this slide. For example, in a consumables project, we would formulate and implement a KPI for integrating base materials with the aim of curbing rising costs, and promote organization of production and distribution bases with the aim of addressing logistics issues. Some efforts have already been effective at this time, such as the establishment of distribution bases.
- Until now, these efforts have been delayed due to COVID, and each department had only optimized their own operations. Under Sasahara's leadership, each department on the value chain will collaborate to cut inefficiencies and ensure sustainability.

## New growth strategy: Innovation and R&D


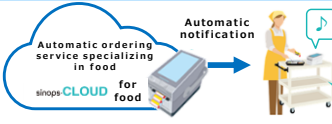

Tap into our stronghold *genbaryoku* (on-site capability) to establish Tagging for Sustainability (T4S) businesses, enhancing our data-acquisition capacity (horizontal axis) and creating environments to utilize the data (vertical axis).



- Innovation and R&D. To solve customers' changing problems, it is essential for us to enhance our tagging technologies.
- This graph shows that we will enhance our data-capturing capacity while building the environment to utilize that data, all starting from our core competency of *genbaryoku*.
- The horizontal axis shows that we will strengthen our proprietary devices. In addition to tagging, we will develop devices with technologies such as logging and sensing that enable the acquisition of a variety of information. Wiliot would fall under this category.
- The vertical axis shows that we will aim to upgrade our tagging technologies and develop our own data platform. Key actions include building automation solutions and cloud platforms.
- Actions represented by these two axes are how we would establish Tagging for Sustainability businesses.

New growth strategy: Progress in Innovation and R&D

Developing technologies and researching in-house while collaborating with other industries to promote innovation and expand areas to contribute in.

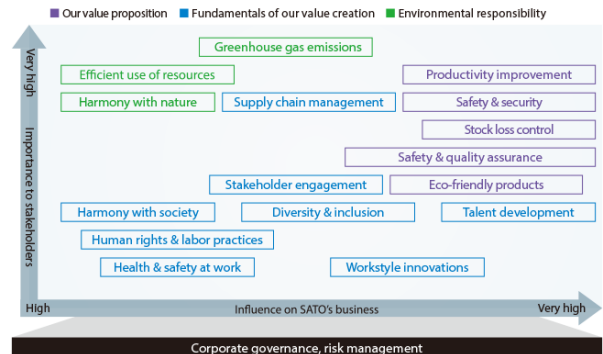
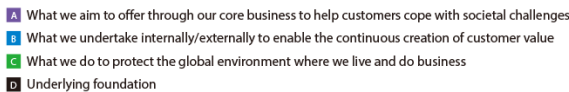
	Technologies, R&D	Co-creation, technological collaboration	
	Standard printer platform	Label printer with AI discounting function (An industry-first)	Digital pairing of blockchain and RFID for sake traceability
			
Customer challenges	<ul style="list-style-type: none"><li>• Need to work with other worksites</li><li>• Individual customization can be costly and time consuming</li></ul>	<ul style="list-style-type: none"><li>• Decline in store earnings due to unsold items</li><li>• Workload to decide on/enter/apply discounts</li><li>• Food loss</li></ul>	<ul style="list-style-type: none"><li>• Counterfeits and illegal sales impair brand value</li></ul>
Solutions	<ul style="list-style-type: none"><li>• Download apps to the printer according to needs</li></ul>	<ul style="list-style-type: none"><li>• Equip printers with an AI-based, discount calculation feature</li></ul>	<ul style="list-style-type: none"><li>• Obtain information on RFID (NFC) labels with smartphones to track distribution and verify authenticity</li></ul>
Competitive advantage	<ul style="list-style-type: none"><li>• Equips versatile apps and diverse sensing technologies</li><li>• Shortens development lead times</li></ul>	<ul style="list-style-type: none"><li>• Connects seamlessly with AI devices</li></ul>	<ul style="list-style-type: none"><li>• Scalability over the supply chain</li></ul>
Value provided	<ul style="list-style-type: none"><li>• Easier customizations</li><li>• Variety of data collectable; connectivity</li><li>• Visualization of on-site issues</li></ul>	<ul style="list-style-type: none"><li>• Improves store profitability</li><li>• Boosts operational efficiency</li><li>• Reduces food loss</li></ul>	<ul style="list-style-type: none"><li>• Safety and security of products</li><li>• Protect brand value</li><li>• Improve user experience</li></ul>
Future expansion	<ul style="list-style-type: none"><li>• To be installed in upcoming models</li></ul>	<ul style="list-style-type: none"><li>• Spread to supermarkets and other retail businesses</li></ul>	<ul style="list-style-type: none"><li>• Expand to food and manufacturing (parts manufacturers) markets</li></ul>



- Here are three examples of our progress so far.
- The first is about unique technologies and R&D, and the second and third are examples of co-creation with business partners.
- First, we completed development of a standard platform for our printers. The platform will be installed in models released in FY24 and beyond. This will increase the value we provide to customers while shortening development lead times.
- Second, we launched a label printer for the retail market that has an AI feature to calculate discounts. It's part of a solution addressing issues such as rising utility and other costs, shortage of labor and waste of food, featuring an automatic function to calculate how much to discount at a certain time. It has been installed to a major supermarket chain.
- And third is the commercialization of technology that digitally pairs blockchain and RFID to be used for traceability in the sake business. It answers to the needs of global food brands to prevent counterfeiting and unauthorized distribution of their products. We believe it proves effective not only for food but also in the manufacturing industry in authenticating parts.

**Aiming to create social value and enhance corporate value through materiality.**

## Materiality overview



- Next is about our sustainability management.
- In an overview, we identify our materiality agendas in three areas — our value proposition, the fundamentals of our value creation, and environmental responsibility — which stand on the foundations of corporate governance and risk management.
- The diagram on the right shows the agendas mapped based on their importance to stakeholders and SATO.

New growth strategy: Major initiatives for sustainability management

Promote specific initiatives centered on materiality, such as corporate governance (the foundation of our business) and HR development (that strengthen the fundamentals of value creation).

Actions taken	
<div><div>Corporate governance</div><div><div>Improved effectiveness of the board of directors</div><div>Added a new question* on the survey for external directors to evaluate effectiveness of the board, asking what issues they see in management and business. The executive officer in charge of the topic responds to the issues raised.</div></div><div><div>Sped up decision making</div><div>Delegated authority to the CEO and the Executive Officer's Meeting.</div></div></div>	<div><div>Fundamentals of our value creation</div><div><div>Further strengthened human capital management</div><div>Established the HR Development Committee in FY22 and formulated various HR management measures, including core human resource development. Executed mainly in the HR department.</div></div><div><div>Promotion System</div><div><div>Board of directors</div><div><div>Consults</div><div>Reports</div><div>Nomination Advisory Committee</div><div>Reports/advise</div><div>HR Development Committee</div><div>Reports</div><div>Remuneration Advisory Committee</div><div>Reports</div><div>Consults</div></div></div><div><div>Main discussion topics</div><div><div>Defining, identifying and developing core human resources</div><div>Planning succession</div><div>Revising the personnel system</div></div></div></div></div>

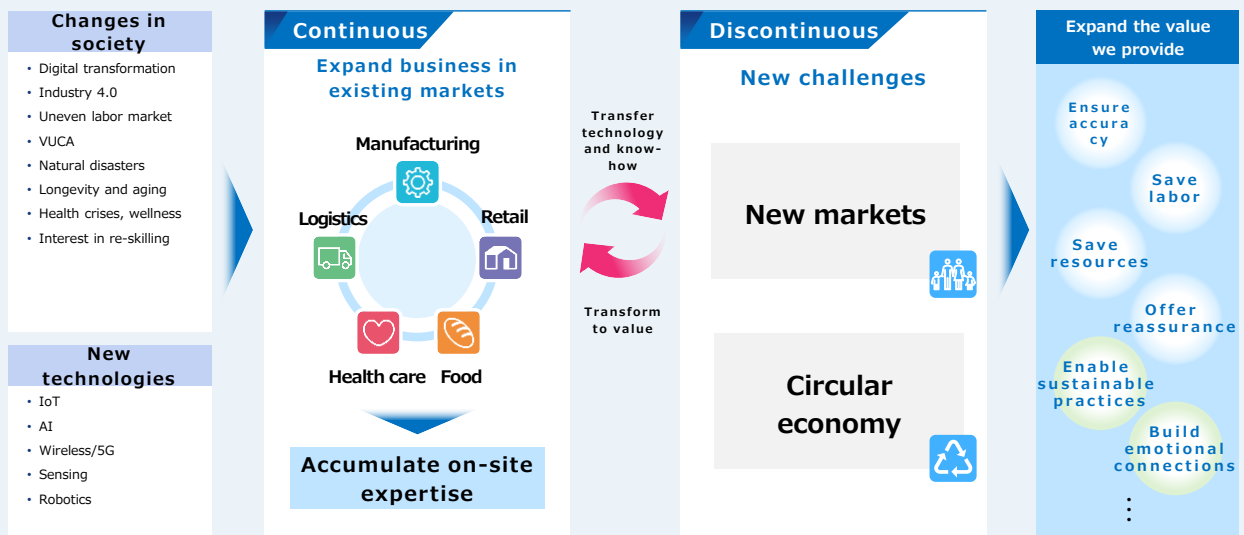
\* Realized through Teiho: short reports that employees submit to top management regularly concerning original ideas, innovations and proposals aimed to make the company better and on how to put them into action.



- Here are some of the major initiatives.
- In terms of corporate governance, a questionnaire was created to evaluate the effectiveness of the Company's activities to outside directors. Issues raised regarding management and business were handled by executive officers in charge.
- From April under the new management, decision-making has been sped up as authority was delegated to the CEO and the Executive Officers Meeting. We will run business maintaining the optimal balance between business management and execution.
- To strengthen the fundamentals of our value creation, the HR Development Committee was established in FY22 to formulate and implement various human resource management measures, including core human resource development.

## Discontinuous growth

In a world facing so many societal issues, we expand the value we provide by leveraging our tagging technologies, know-how and other on-site expertise into new fields of business.

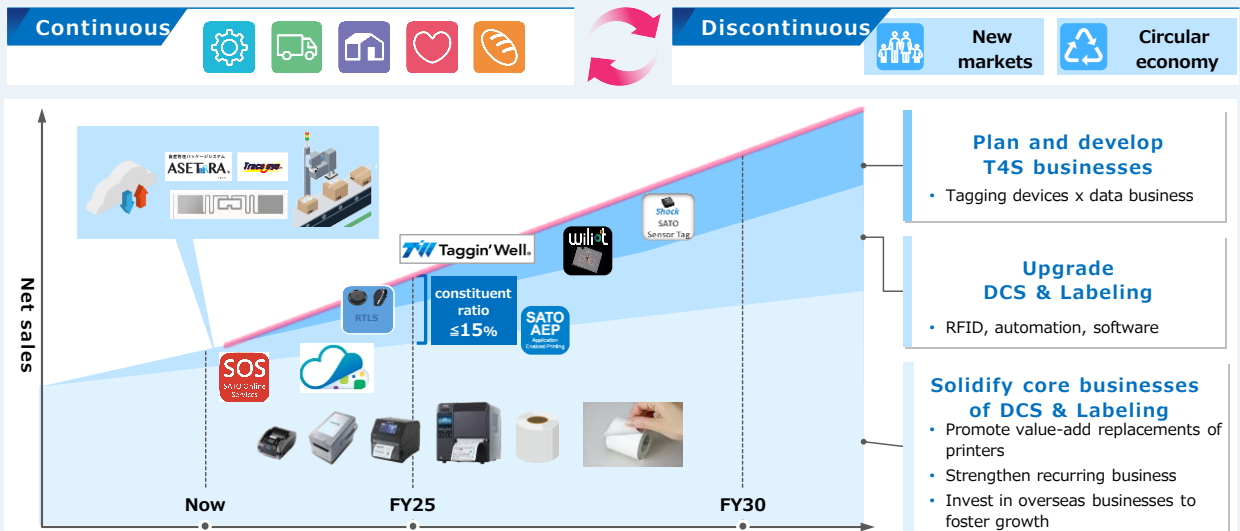


- This slide explains our actions toward discontinuous growth.
- Society is changing, and so are the customer's challenges and value they seek. For example, an increasing number of customers are finding value in environmental conservation and safety and security. On the other hand, technological innovations are diversifying the information that can be obtained through tagging. Today, we can collect data more than just ID, like status data such as temperature. One example of this is the sake traceability solution that I explained earlier.
- In other words, the value of information we collect through tagging is heightening, and customer needs for such value are also becoming apparent.
- To date, SATO has accumulated tagging technologies and expertise in five markets. Going forward, we will heighten this expertise while making use of it in new areas. We'd like to try our hand in new markets.
- We did the same in the health care business, which I grew thereafter. I applied our tagging expertise that we accumulated in retail and manufacturing to health care and made it into our core business worth 10 billion yen.
- We will take advantage of these experiences to enter new markets. And I believe that the new expertise and tagging technologies we obtain in these new markets can provide new value when they are channeled back to the five markets. This is another benefit we gain from entering new markets, which I hope to take on.



## Growth roadmap

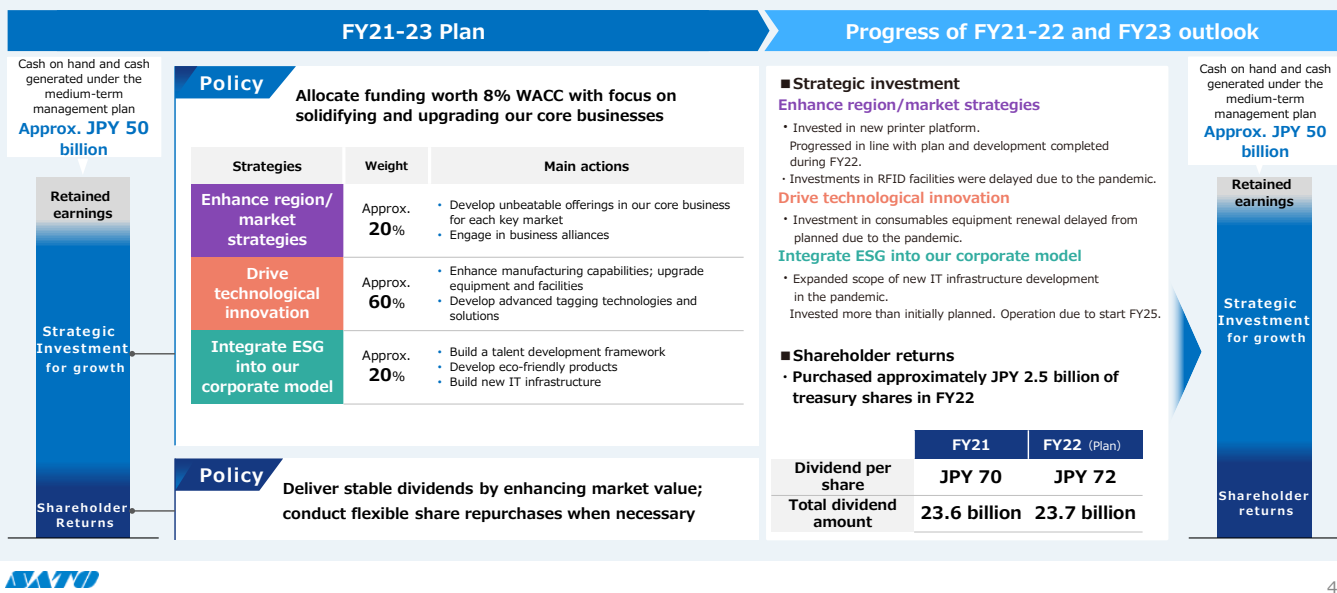
Accelerate on initiatives for both continuous (existing markets) and discontinuous (new fields) growth to achieve sustainable growth



- This slide shows our roadmap for growth.
- We will advance technological developments and upgrade our business while solidifying our core business of printers and labels with SATO's strengths in tagging and *genbaryoku*.
- And we will do so in our five focal markets and new fields explained in the previous slide to drive continuous and discontinuous growth. We also expect to see synergy effects from pursuing these two growths.
- From these actions, we plan to raise sales composition ratio of RFID and other solutions to 15% in FY25.

## Fund allocation: FY21-23 Medium-term Management Plan

We will allocate a total of approximately JPY 50 billion in cash on hand and cash generated under the medium-term management plan to strategic investments. In FY22, the company purchased roughly JPY 2.5 billion of its own shares, which was not initially planned, but it maintained its level of strategic investment. Internal reserves are expected to be reduced compared to the initial plan.



● This section explains the actual results and outlook for allocation of funds.

● We will allocate a total of approximately 50 billion yen in cash on hand and cash generated under the medium-term management plan to growth areas, taking into account the balance between shareholder returns and internal reserves.

● In FY22, we acquired approximately 2.5 billion yen of treasury stock in a move not initially planned, but we maintained our level of strategic investment. As a result, we expect retained earnings to decline for FY23 from the initial plan.

● That concludes my explanation.

● My predecessor concentrated resources on our core business by withdrawing from unprofitable businesses, and drove *koto-uri* globally, achieving results.

● I hope to continue in his footsteps while accelerating growth of our overseas business and rebuilding the Japan business in the short run. We will first aim to achieve our FY23 performance targets to set ourselves up for a new medium-term management plan next fiscal year.

● And, in the medium- to long-term run, we will innovate our tagging solutions to provide to new markets beyond the current five. There are plenty of opportunities ahead; how fast we can tackle them would be the key.

● Do look forward to our actions.

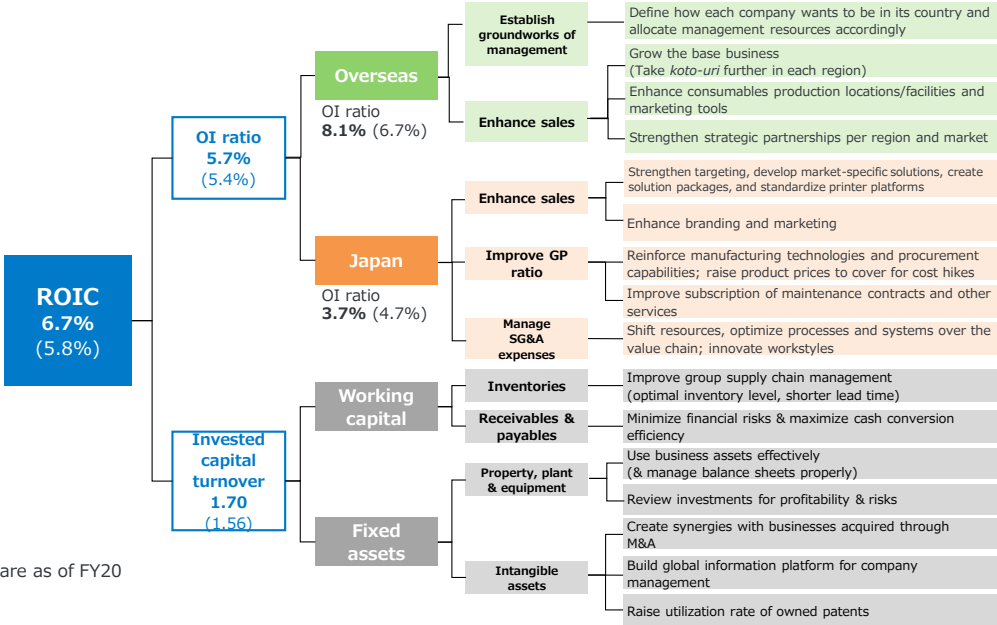
# Appendix

Performance data      Pages 43-65

SATO terminologies    Pages 66-69

# ROIC tree ~FY21-23 MTMP~

ROIC helps us seek business growth and investment efficiency per country and optimize our business portfolio



Figures in parentheses are as of FY20



## Sales and OI by Business Segment

(Millions of JPY)

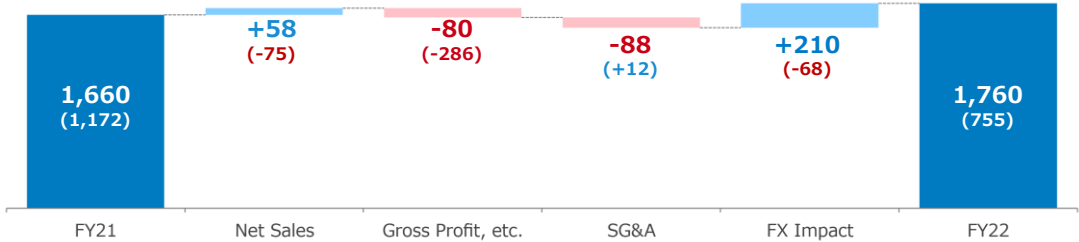
		FY2022 Jan-Mar	FY2021 Jan-Mar	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	34,489 (30,748)	32,395 (29,895)	+6.5% (+2.9%)	+1.0% (+0.2%)	
	Operating Income	2,039 (1,034)	1,685 (1,196)	+21.0% (-13.5%)	+8.5% (-7.8%)	
	Overseas	Total Sales	15,153 (11,411)	13,423 (10,924)	+12.9% (+4.5%)	-0.4% (-2.7%)
		Operating Income	1,445 (440)	1,003 (514)	+44.0% (-14.5%)	+20.6% (-6.1%)
	Japan	Total Sales	19,336	18,971	+1.9%	+1.9%
		Operating Income	594	682	-12.8%	-9.2%
	Consolidated (incl. eliminations)	Total Sales	34,489 (30,748)	32,395 (29,895)	+6.5% (+2.9%)	+1.0% (+0.2%)
Operating Income		1,760 (755)	1,660 (1,172)	+6.0% (-35.6%)	-6.7% (-29.8%)	

\* Figures in parentheses exclude the Russian business.

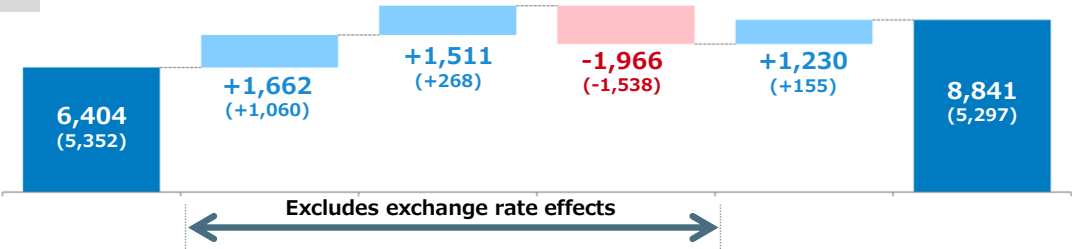
Major Gains/Losses in OI

\* Changes in accounting classifications (P.12) are not taken into account.  
(Millions of JPY)

Jan-Mar



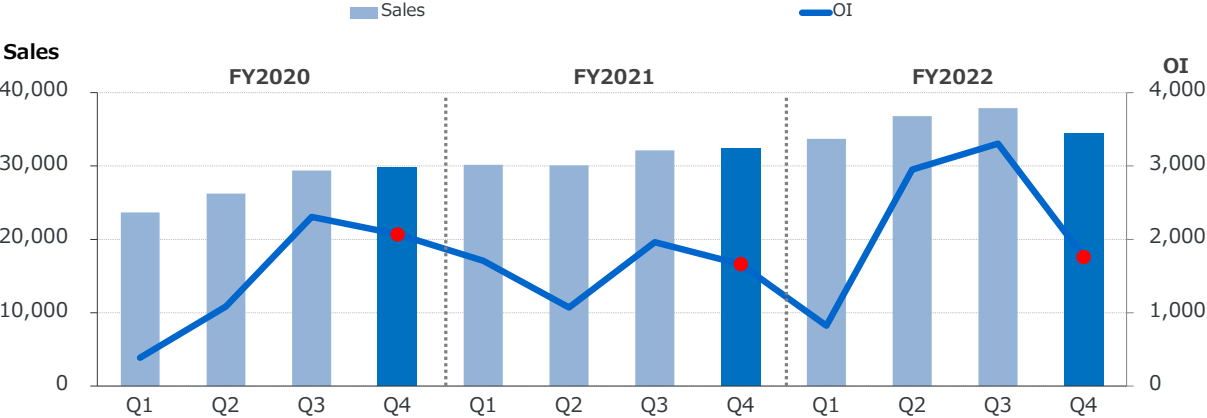
FY2022



\* Figures in parentheses exclude the Russian business.

Quarterly Sales & OI

(Millions of JPY)



Sales	23,651	26,221	29,398	29,781	30,177	30,084	32,126	32,395	33,686	36,777	37,871	34,489
YoY	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%	+17.9%	+6.5%
OI	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660	824	2,951	3,304	1,760
YoY	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x	+68.3%	+6.0%

## Consolidated Results

(Millions of JPY)

	FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY
Net Sales	34,489 (30,748)	32,395 (29,895)	+2,094 (+852)	+6.5% (+2.9%)
Operating Income	1,760 (755)	1,660 (1,172)	+99 (-416)	+6.0% (-35.6%)
Operating Income %	5.1% (2.5%)	5.1% (3.9%)	-0.0pt (-1.5pt)	- -
Ordinary Income	1,391 (863)	1,447 (1,214)	-55 (-350)	-3.8% (-28.9%)
Profit attributable to owners of parent	-932 (-1,221)	841 (686)	-1,774 (-1,907)	- -
Effective Tax Rate	-	39.1%	-	-
EBITDA*	2,970 (1,817)	2,773 (2,186)	+196 (-369)	+7.1% (-16.9%)

Average exchange rates for FY22: JPY 135.49 /USD, JPY 140.98 /EUR, FY21: JPY 112.39 /USD, JPY 130.54 /EUR

FX sensitivity for FY22: JPY + 461 million in sales and JPY + 9 million in OI for +1 JPY against USD and assuming all others move by the same ratio

\* EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Jan-Mar FY22: JPY 1,182 million (1,034 million)

· Amortization for Jan-Mar FY22: JPY 27 million (27 million)

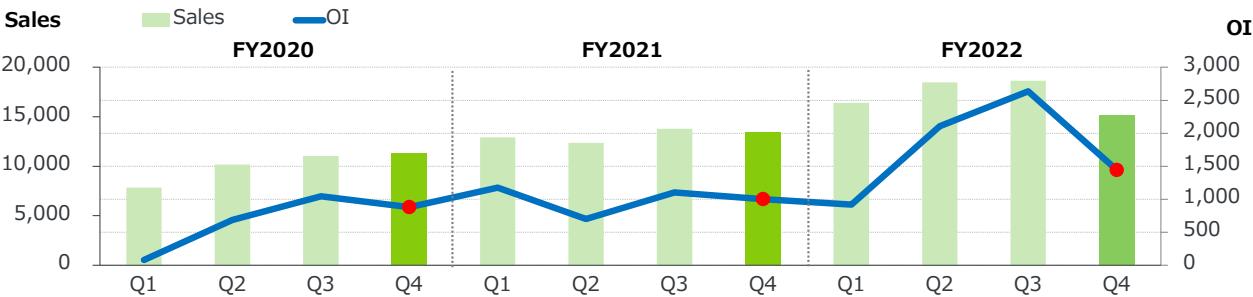
Jan-Mar FY21: JPY 1,053million (954 million)

Jan-Mar FY21: JPY 59 million (59 million)



Quarterly Sales & OI

(Millions of JPY)

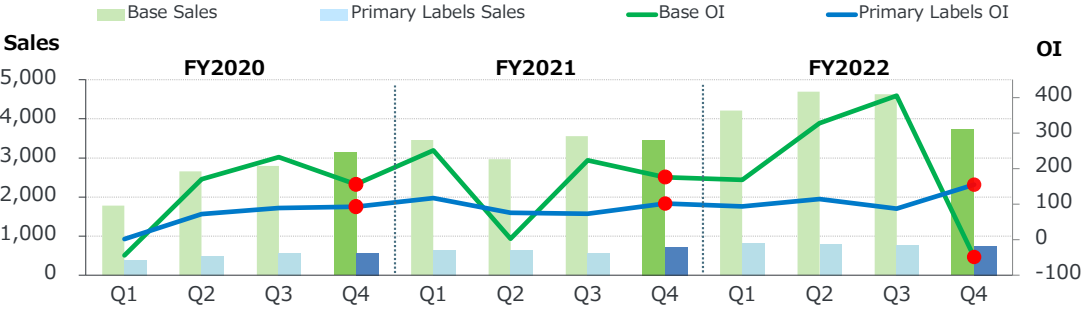


Sales	7,844	10,168	11,045	11,290	12,929	12,354	13,788	13,423	16,394	18,483	18,626	15,153
YoY	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%	+49.6%	+35.1%	+12.9%
OI	77	683	1,043	880	1,175	698	1,101	1,003	919	2,109	2,637	1,445
YoY	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%	+14.0%	-21.8%	3.0x	2.4x	+44.0%

Auto-ID Solutions Business (Overseas)

The Americas: Quarterly Sales & OI

(Millions of JPY)



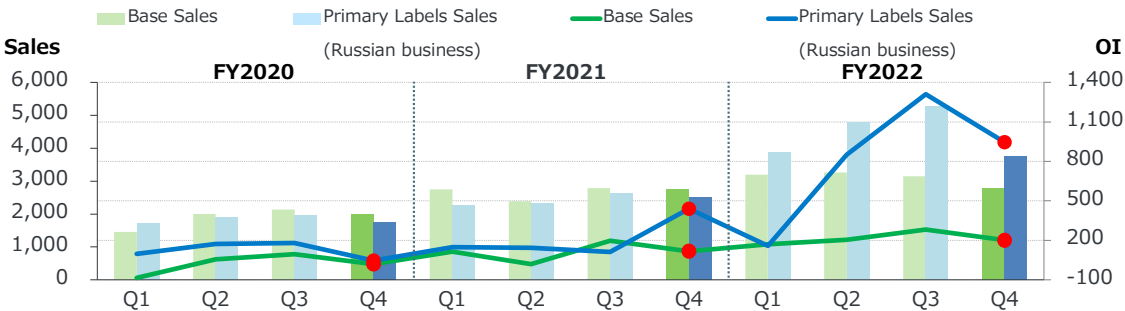
Base	Sales	1,781	2,660	2,794	3,140	3,458	2,970	3,554	3,456	4,214	4,694	4,626	3,731
	YoY	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%	+30.2%	+8.0%
	OI	-44	170	232	156	251	3	223	176	168	328	405	-49
	YoY	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x	+81.1%	-
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806	769	752
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%
	OI	2	72	89	93	117	76	73	102	94	114	87	155
	YoY	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%	+18.7%	+51.9%



Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)

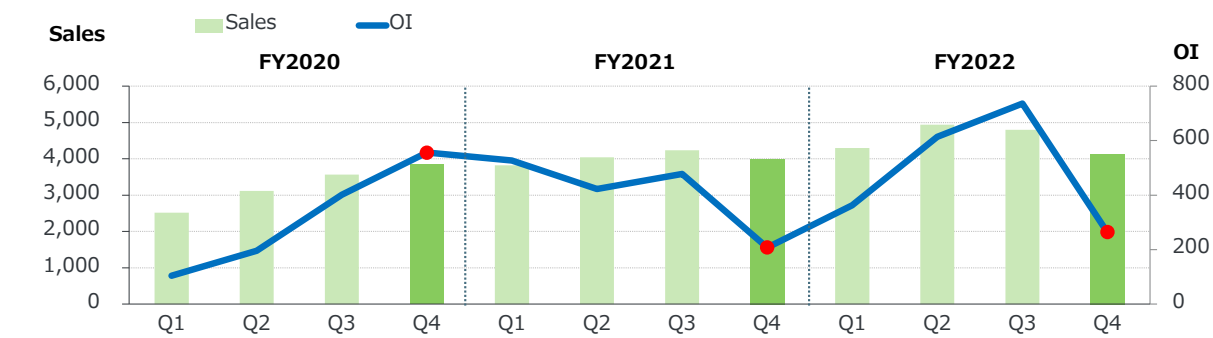


Base	Sales	1,453	2,000	2,137	1,996	2,746	2,391	2,785	2,749	3,195	3,268	3,149	2,789
	YoY	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%	+30.4%	+37.7%	+16.3%	+36.6%	+13.0%	+1.5%
	OI	-86	56	94	20	115	20	197	117	170	204	196	201
	YoY	-	2.2x	+9.6%	-84.2%	-	-63.8%	2.1x	5.7x	+46.9%	10.0x	-0.5%	+71.1%
Primary Labels (Russian business)	Sales	1,711	1,891	1,974	1,737	2,256	2,311	2,633	2,499	3,867	4,775	5,282	3,741
	YoY	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%	+33.4%	+43.8%	+71.4%	2.1x	2.0x	+49.6%
	OI	98	172	180	45	149	144	113	441	159	851	1,311	945
	YoY	-	-	8.0x	-	+51.8%	-16.3%	-37.5%	9.7x	+6.8%	5.9x	11.6x	2.1x



Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)

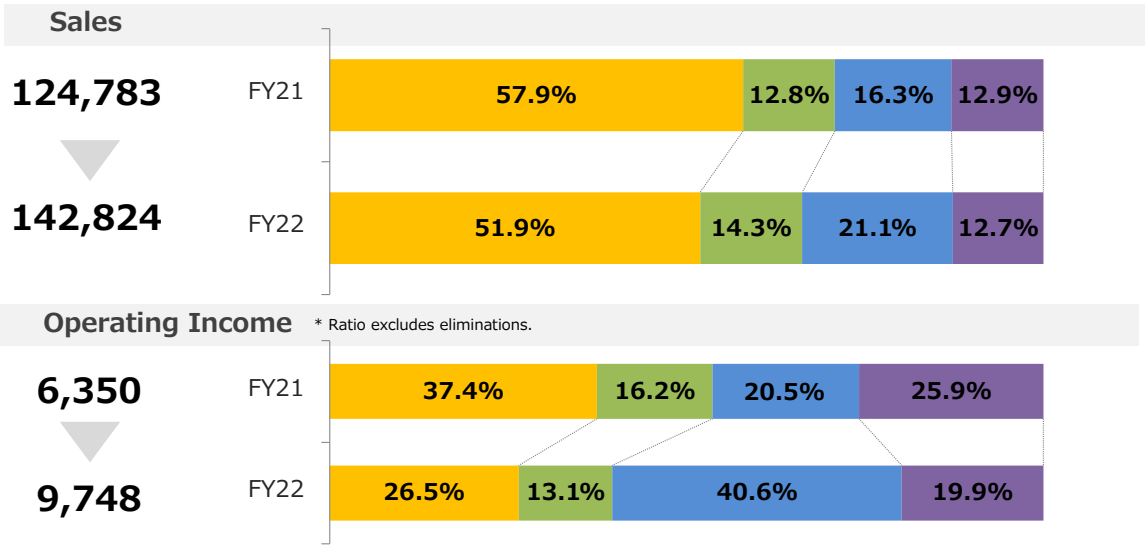


Base	Sales	2,520	3,117	3,567	3,839	3,817	4,037	4,238	4,000	4,296	4,938	4,799	4,138
	YoY	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%	+3.5%
	OI	104	196	401	556	527	423	478	208	362	614	736	264
	YoY	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%	+26.9%

Sales and OI by Region

(Millions of JPY)

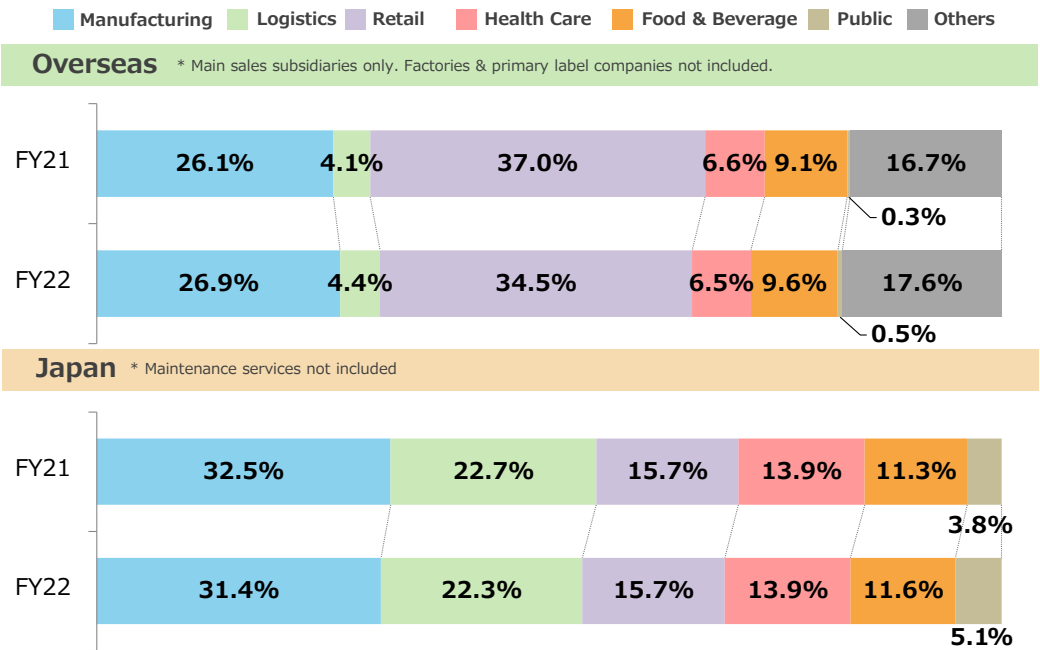
Japan The Americas Europe Asia/Oceania



OI Ratio FY21 Japan : 3.3%, Overseas : 7.6%  
FY22 Japan : 3.6%, Overseas : 10.4%



Sales by Vertical

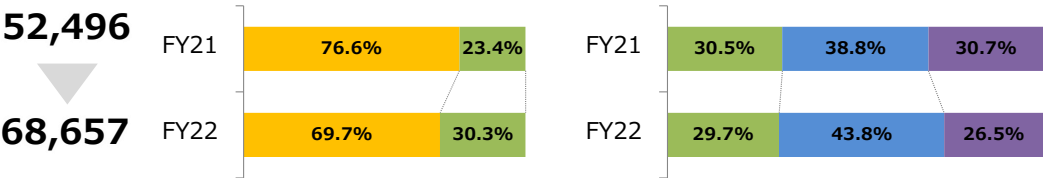


Sales and OI by Business Segment/Region

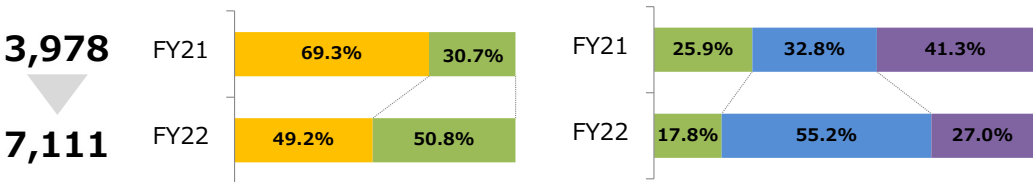
(Millions of JPY)

Base Primary Labels The Americas Europe Asia/Oceania

Sales



Operating Income \* Ratio excludes eliminations.



OI ratio:  
FY21 Base : 6.8%, Primary Labels : 9.9%  
FY22 Base : 7.5%, Primary Labels : 17.9%

FY21 The Americas : 6.4%, Europe : 6.4%  
Asia/Oceania : 10.2%  
FY22 The Americas : 6.4%, Europe : 13.4%  
Asia/Oceania : 10.9%



Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

(Millions of JPY)

		FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	10,659	10,206	+453	+4.4%	-4.0%
	Operating Income	416	502	-86	-17.2%	-17.5%
Primary Labels	Total Sales	4,493 (752)	3,217 (717)	+1,275 (+34)	+39.7% (+4.8%)	+11.1% (+13.7%)
	Operating Income	1,101 (95)	544 (55)	+556 (+39)	2.0x (+71.4%)	+59.3% (2.3x)
Eliminations	Operating Income	-72 (-72)	-43 (-43)	-28 (-28)	-	-
Total	Total Sales	15,153 (11,411)	13,423 (10,924)	+1,729 (+487)	+12.9% (+4.5%)	-0.4% (-2.7%)
	Operating Income	1,445 (440)	1,003 (514)	+441 (-74)	+44.0% (-14.5%)	+20.6% (-6.1%)

		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	47,841	40,208	+7,632	+19.0%	+4.7%
	Operating Income	3,604	2,745	+858	+31.3%	+16.4%
Primary Labels	Total Sales	20,816 (3,148)	12,287 (2,586)	+8,528 (+562)	+69.4% (+21.7%)	+24.7% (+16.6%)
	Operating Income	3,719 (176)	1,218 (165)	+2,501 (+10)	3.1x (+6.1%)	2.3x (+90.1%)
Eliminations	Operating Income	-212 (-212)	14 (14)	-227 (-227)	-	-
Total	Total Sales	68,657 (50,990)	52,496 (42,795)	+16,161 (+8,195)	+30.8% (+19.2%)	+9.4% (+5.4%)
	Operating Income	7,111 (3,568)	3,978 (2,926)	+3,133 (+641)	+78.8% (+21.9%)	+44.9% (+12.7%)

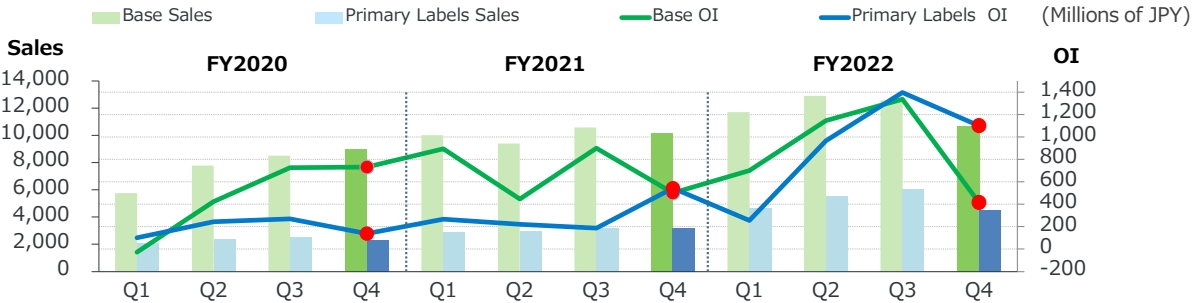


\* Figures in parentheses in the lower part of the table exclude the Russian business.



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

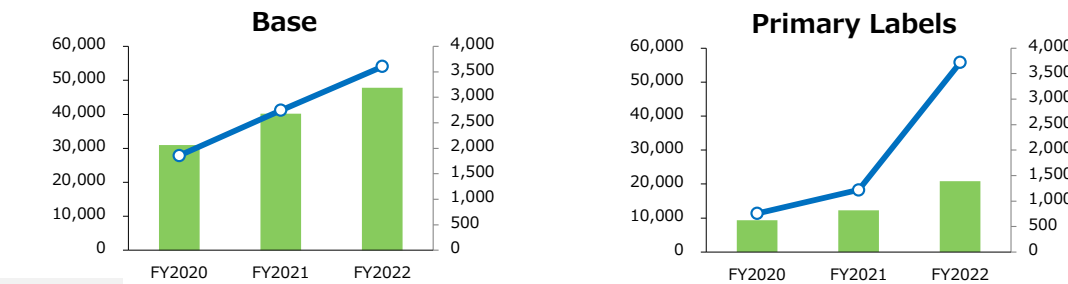


Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%
	OI	-26	423	727	733	894	447	900	502	701	1,147	1,338	416
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%
Primary Labels	Sales	2,089	2,389	2,546	2,313	2,905	2,955	3,209	3,217	4,688	5,582	6,051	4,493
	YoY	-10.3%	-2.6%	+7.9%	+8.7%	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%	+88.6%	+39.7%
	OI	100	245	270	139	266	220	186	544	254	966	1,398	1,101
	YoY	-	4.0x	4.4x	22.0x	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x	7.5x	2.0x

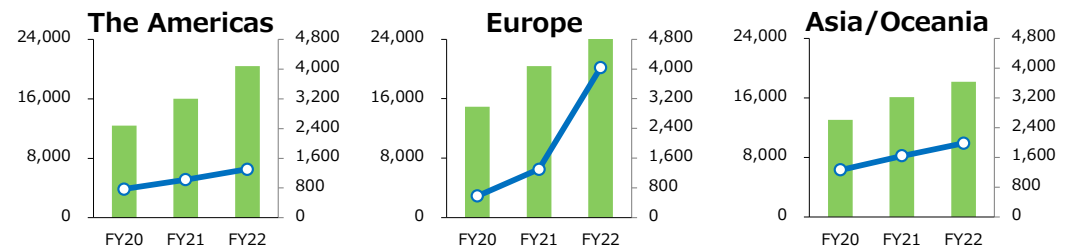


Sales and OI Trends by Business Segment and Region

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

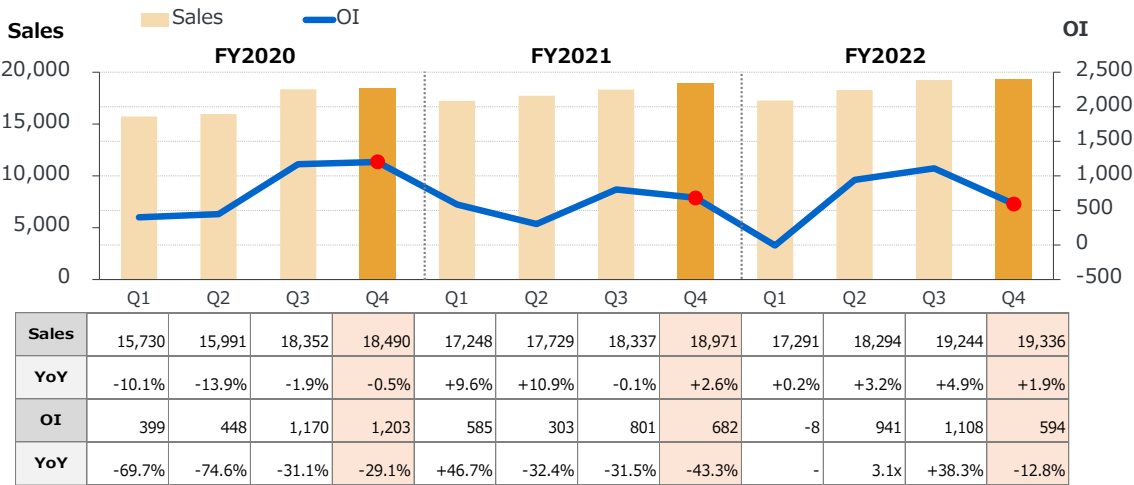


By Region



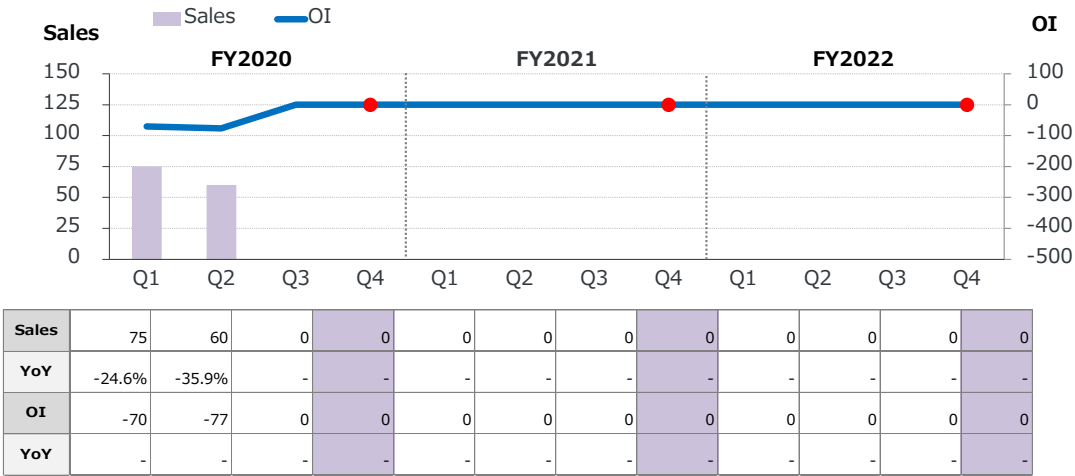
Quarterly Sales & OI

(Millions of JPY)



Quarterly Sales & OI

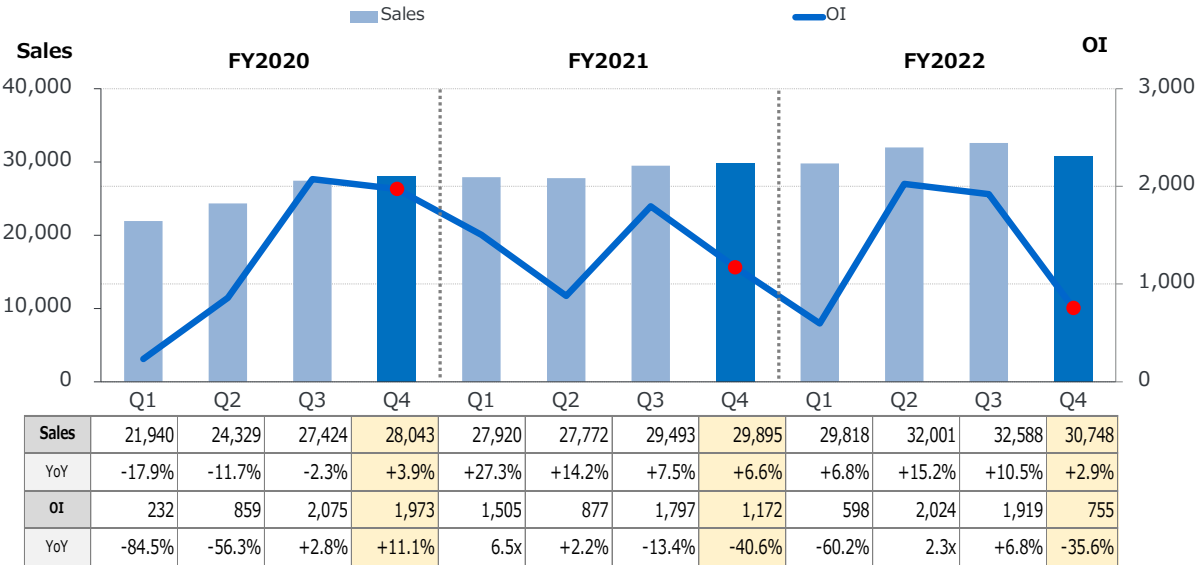
(Millions of JPY)



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

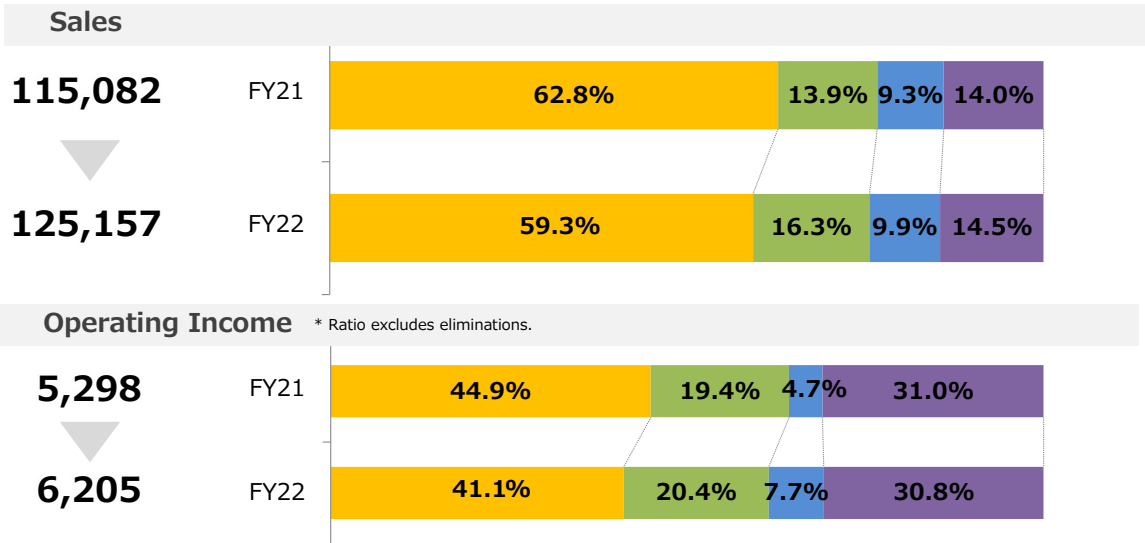
Quarterly Sales & OI  
(Figures exclude the Russian business)

(Millions of JPY)



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

Japan The Americas Europe Asia/Oceania

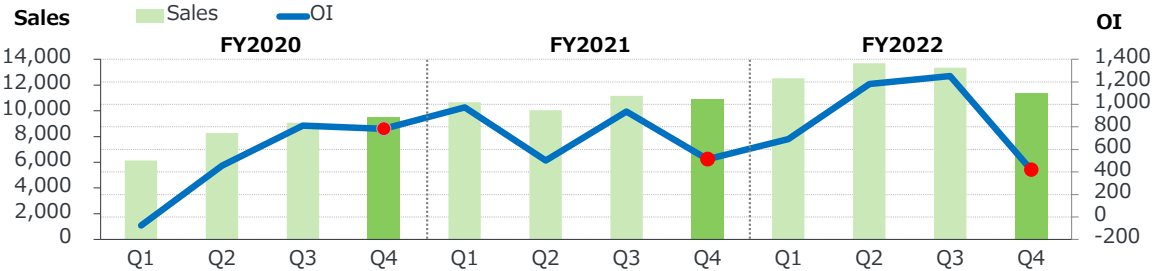


OI Ratio FY21 Japan : 3.3%, Overseas : 6.8%  
FY22 Japan : 3.6%, Overseas : 7.0%



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	13,343	11,411
Yoy	-32.7%	-6.7%	-2.0%	+14.7%	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%	+19.6%	+4.5%
OI	-75	457	811	783	974	502	935	514	693	1,182	1,252	440
Yoy	-	-14.2%	+18.0%	2.5x	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x	+33.9%	-14.5%

Sales and OI by Business Segment/Region

(Figures exclude the Russian business)

(Millions of JPY)

Base

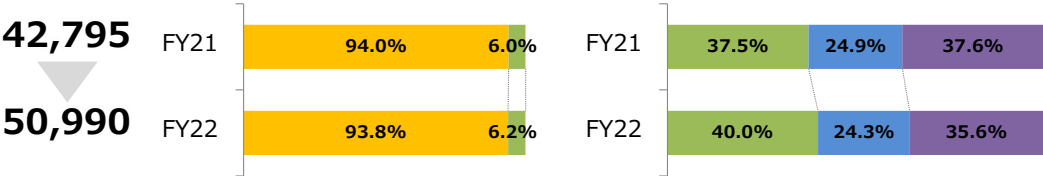
Primary Labels

The Americas

Europe

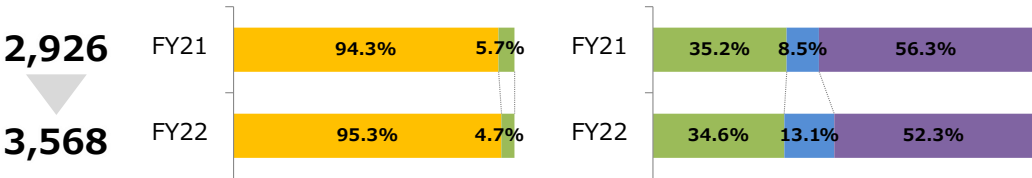
Asia/Oceania

Sales



Operating Income

\* Ratio excludes eliminations.



OI ratio:  
FY21 Base : 6.8%, Primary Labels : 6.4%  
FY22 Base : 7.5%, Primary Labels : 5.6%

FY21 The Americas : 6.4%, Europe : 2.3%  
Asia/Oceania : 10.2%  
FY22 The Americas : 6.4%, Europe : 4.0%  
Asia/Oceania : 10.9%

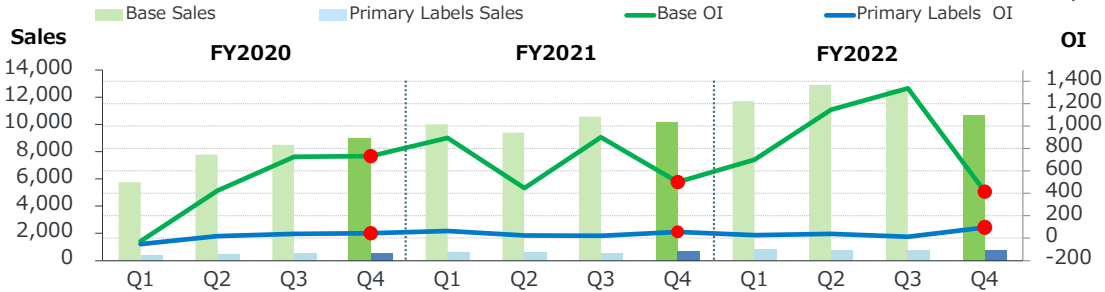




Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI  
(Figures exclude the Russian business)

(Millions of JPY)

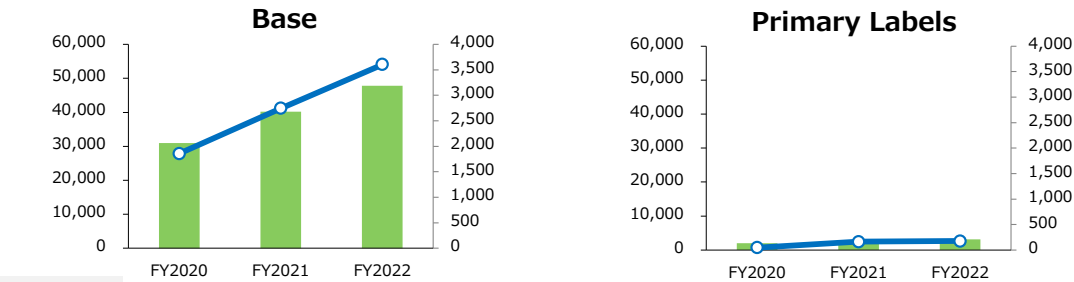


		FY2020				FY2021				FY2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%
	OI	-26	423	727	733	894	447	900	502	701	1,147	1,338	416
Base	YoY	-	-18.2%	-1.8%	2.1倍	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6倍	+48.7%	-17.2%
	Sales	378	498	571	576	648	643	576	717	821	806	769	752
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%
	OI	-52	19	39	43	65	24	20	55	28	38	13	95
Primary Labels	YoY	-	-	-	-	-	+25.0%	-48.2%	+29.2%	-56.7%	+56.7%	-33.7%	+71.4%

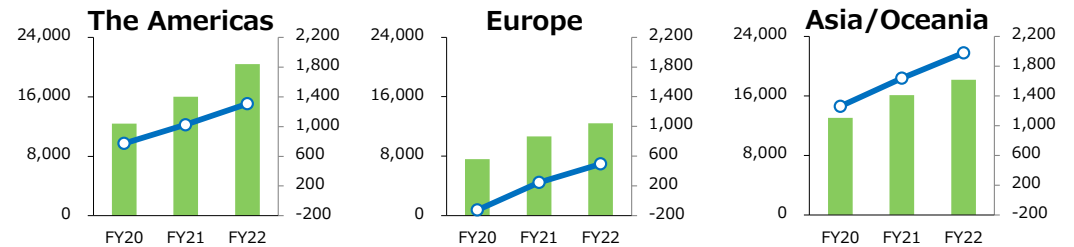


Sales and OI Trends by Business Segment and Region  
(Figures exclude the Russian business)

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



By Region



# 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 &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	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>Achemar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
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 &amp; 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 &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	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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