

May 15, 2023

SATO HOLDINGS CORPORATION

FY2022 Financial Results

(Fiscal Year Ended March 31, 2023)

Securities Code: 6287


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



**FY22 Results,
FY23 Consolidated
Forecasts**

**Review and
Future
Initiatives**



**FY22 Results,
FY23 Consolidated
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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.

Sales and OI by Business Segment

(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	52,496 (42,795)	+30.8% (+19.2%)	+9.4% (+5.4%)
		Operating Income	3,978 (2,926)	+78.8% (+21.9%)	+44.9% (+12.7%)
	Japan	Total Sales	72,287	+2.6%	+2.6%
		Operating Income	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.

Consolidated Results

(Millions of JPY)

	FY2022	FY2021	Change	YoY	Initial Plan Disclosed on Feb. 10
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.

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
Total Sales	15,153 (11,411)	13,423 (10,924)	+1,729 (+487)	+12.9% (+4.5%)	-0.4% (-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)	-	-
Operating Income	1,445 (440)	1,003 (514)	+441 (-74)	+44.0% (-14.5%)	+20.6% (-6.1%)
Operating Income %	9.5% (3.9%)	7.5% (4.7%)	+2.1pt (-0.9pt)	-	-

	FY2022	FY2021	Change	YoY	excl. FX impact
Total Sales	68,657 (50,990)	52,496 (42,795)	+16,161 (+8,195)	+30.8% (+19.2%)	+9.4% (+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)	-	-
Operating Income	7,111 (3,568)	3,978 (2,926)	+3,133 (+641)	+78.8% (+21.9%)	+44.9% (+12.7%)
Operating Income %	10.4% (7.0%)	7.6% (6.8%)	+2.8pt (+0.2pt)	-	-

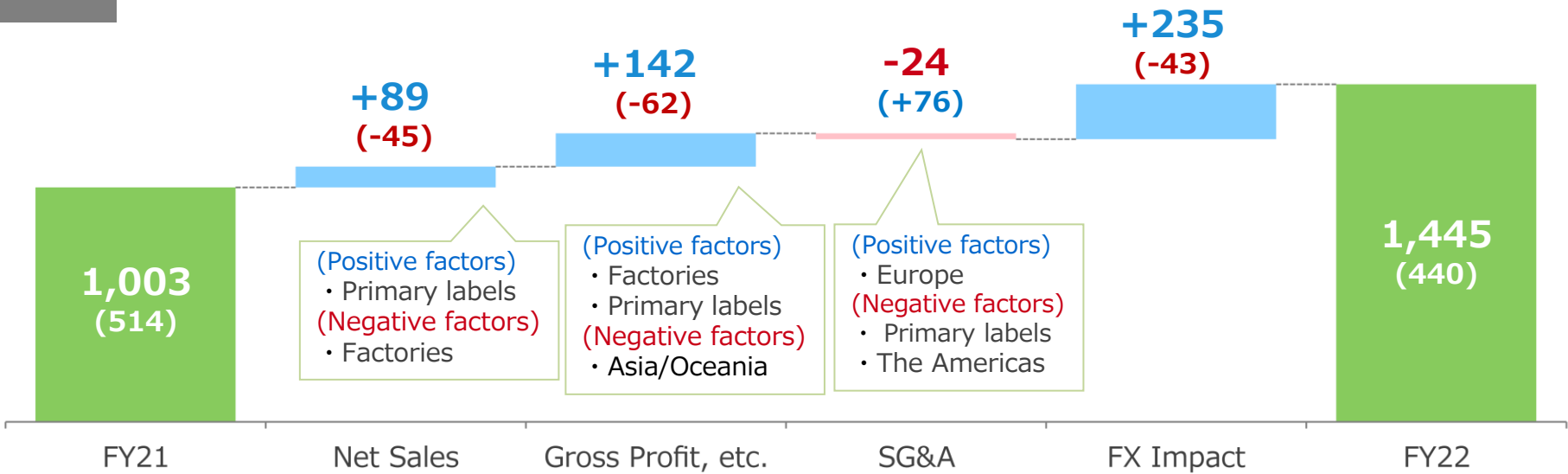


* Figures in parentheses exclude the Russian business.

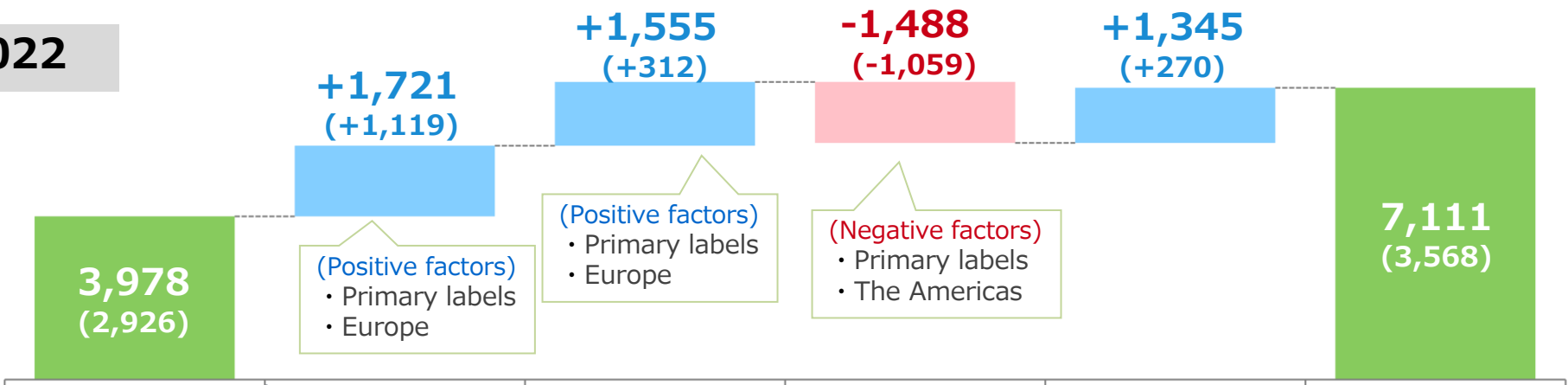
Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar



FY2022



Excludes exchange rate effects



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

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) • Okil • X-Pack	Total Sales	3,741 (0)	2,499 (0)	+1,241 (0)	+49.6% -	+10.0% -
	Operating Income	945 (-59)	441 (-46)	+503 (-13)	2.1x -	+54.4% -
Total	Total Sales	6,530 (2,789)	5,249 (2,749)	+1,281 (+39)	+24.4% (+1.5%)	+1.7% (-5.9%)
	Operating Income	1,146 (141)	559 (70)	+586 (+70)	2.0x (+99.1%)	+55.4% (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) • Okil • X-Pack	Total Sales	17,667 (0)	9,701 (0)	+7,965 (0)	+82.1% -	+26.9% -
	Operating Income	3,267 (-276)	848 (-203)	+2,418 (-72)	3.9x -	2.7x -
Total	Total Sales	30,068 (12,401)	20,375 (10,674)	+9,693 (+1,727)	+47.6% (+16.2%)	+17.0% (+8.0%)
	Operating Income	4,040 (496)	1,300 (247)	+2,740 (+248)	3.1x (2.0x)	2.3x (2.1x)

 * Figures in parentheses exclude the Russian business.

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%

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%
Total Sales	19,336	18,971	+365	+1.9%
Gross Profit	8,498	8,712	-214	-2.5%
Gross Profit %	44.0%	45.9%	-2.0pt	-
Operating Income	594	682	-87	-12.8%
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%
Total Sales	74,166	72,287	+1,879	+2.6%
Gross Profit*	33,830	33,616	+214	+0.6%
Gross Profit %	45.6%	46.5%	-0.9pt	-
Operating Income	2,637	2,372	+264	+11.2%
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.

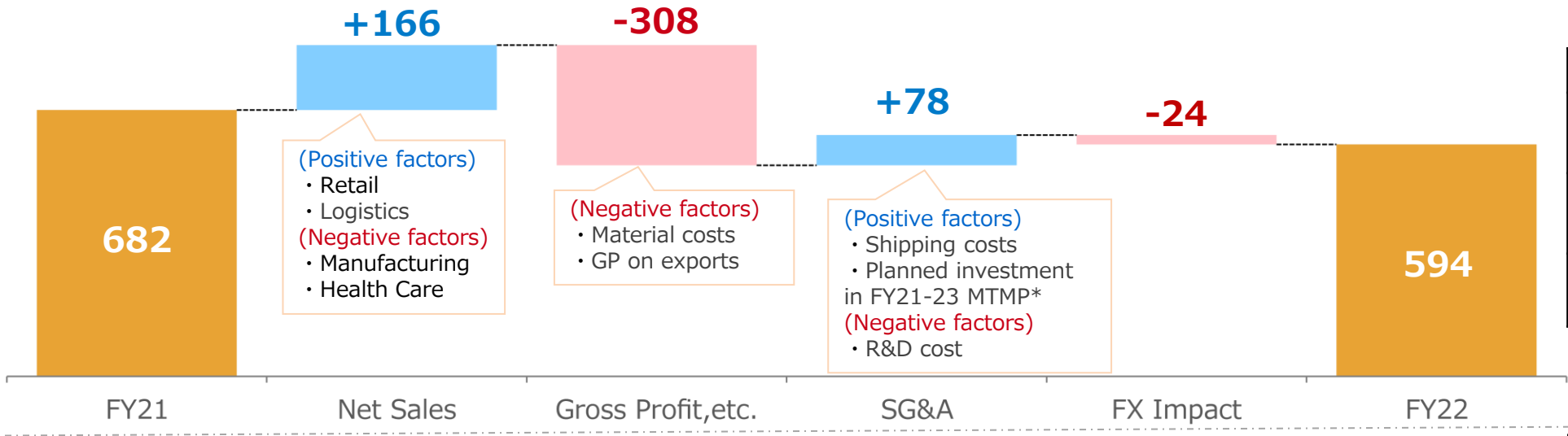
* Changes in accounting classifications of maintenance related costs from SG&A to COGS since FY21-Q3.

Major Gains/Losses in OI

* Changes in accounting classifications (P.12) are not taken into account.

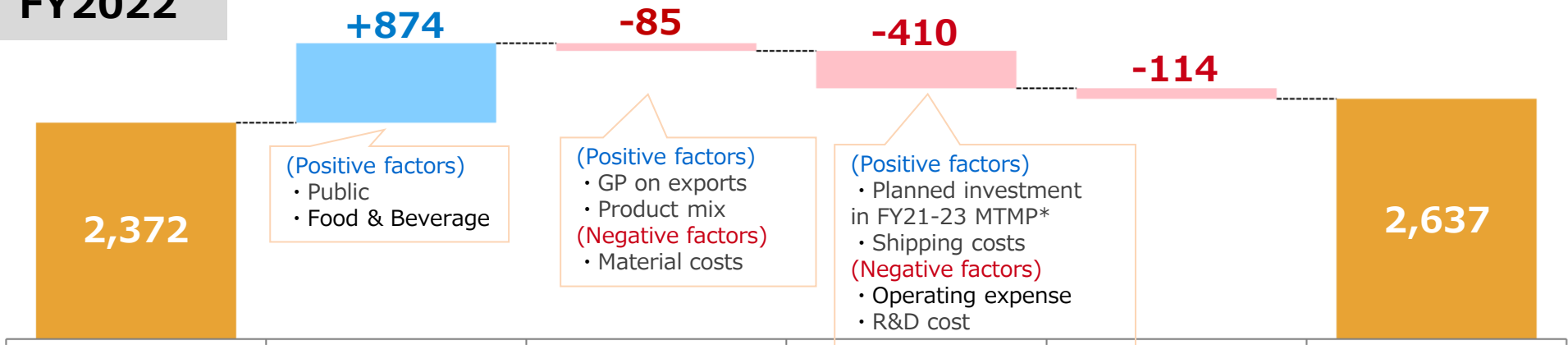
(Millions of JPY)

Jan-Mar



Ref: YoY comparisons *1	
Net material cost *2	Approx. +110
Shipping costs *3	Approx. -370
Planned investment in FY21-23 MTMP *4	Approx. -350

FY2022



Ref: YoY comparisons *1	
Net material cost *2	Approx. +870
Shipping costs *3	Approx. -390
Planned investment in FY21-23 MTMP *4	Approx. -730

*1: Increase in expenses is expressed as +, and decrease as-.
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.

* MTMP: medium-term management plan



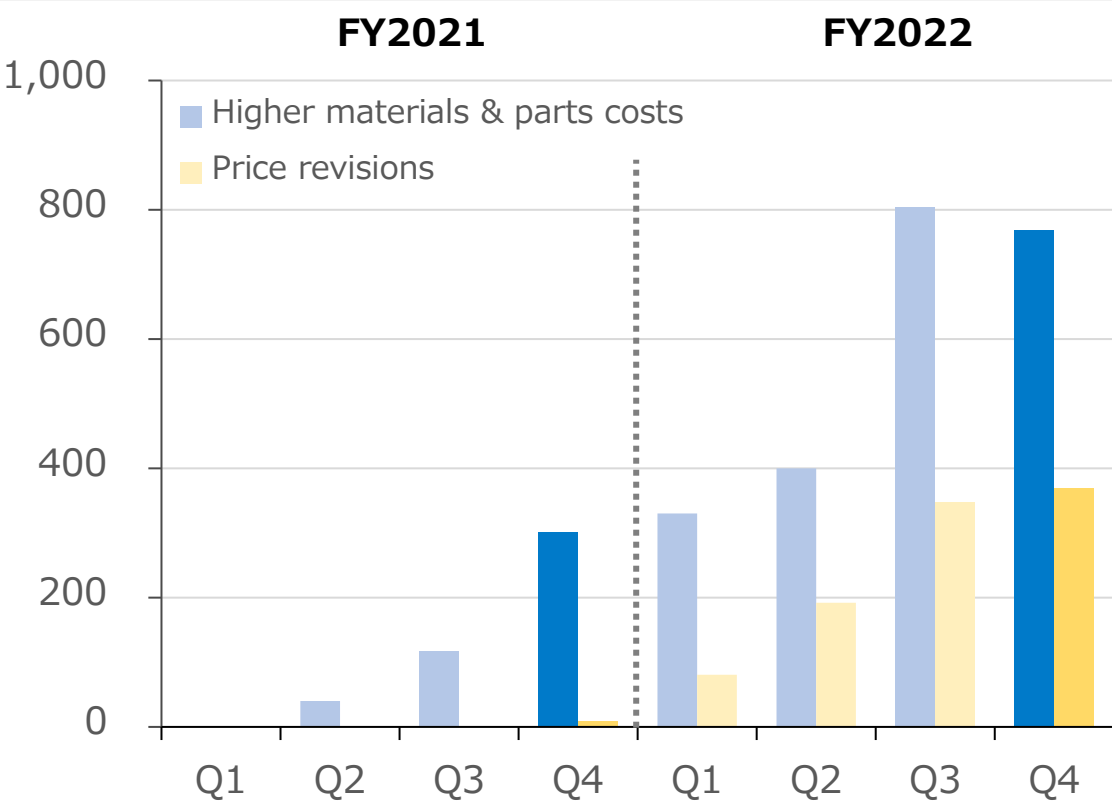
Excludes exchange rate effects

Higher Supply Chain Costs and Investments

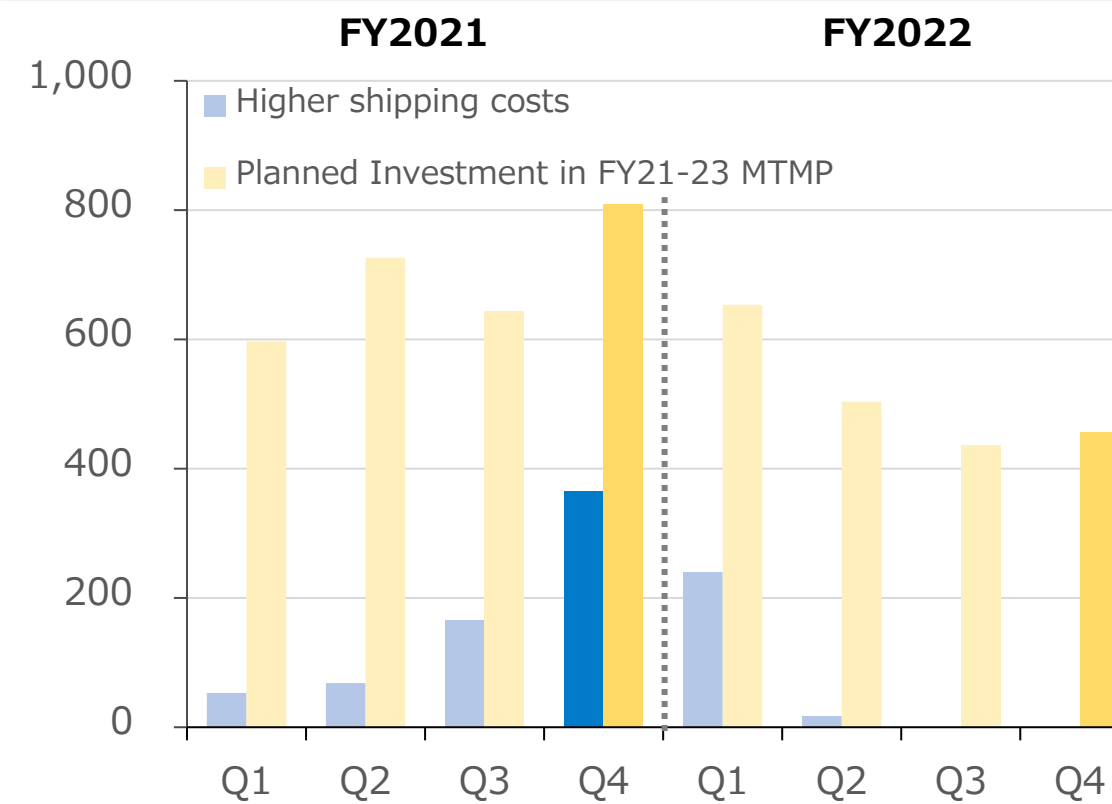
Delay in price revision activities compared to the plan*.

(Millions of JPY)

Higher materials & parts costs and Price revisions
(Gross profit impact)



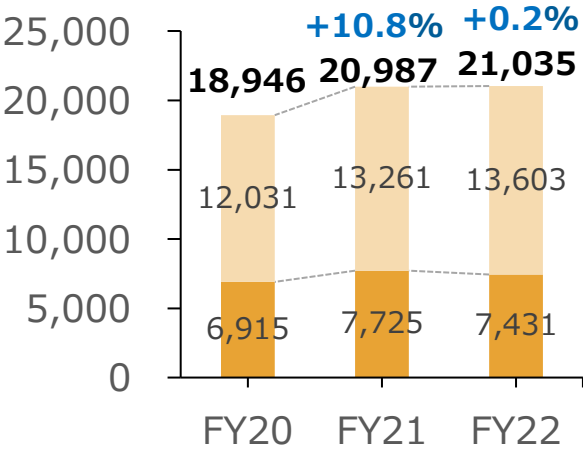
Higher shipping costs, and Planned Investment in FY21-23 MTMP (SG&A impact)



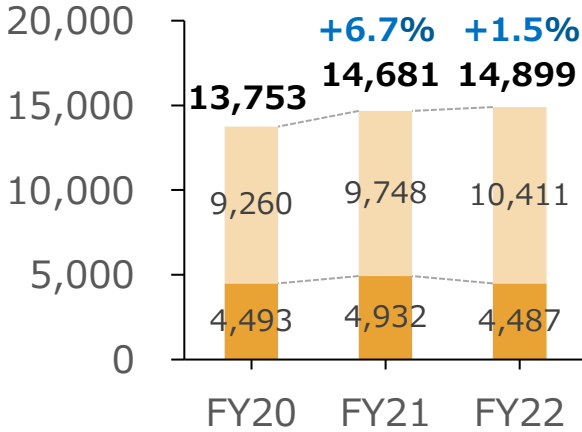
(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

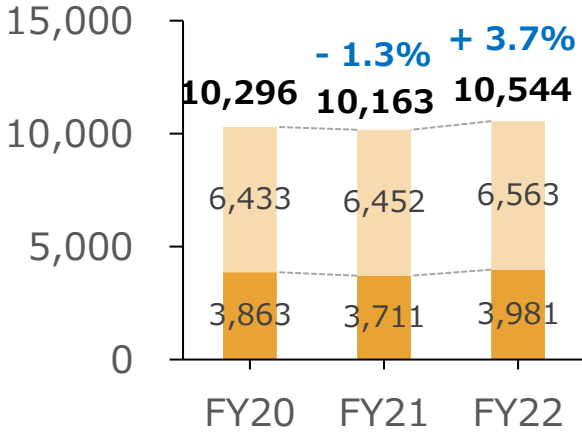
Manufacturing



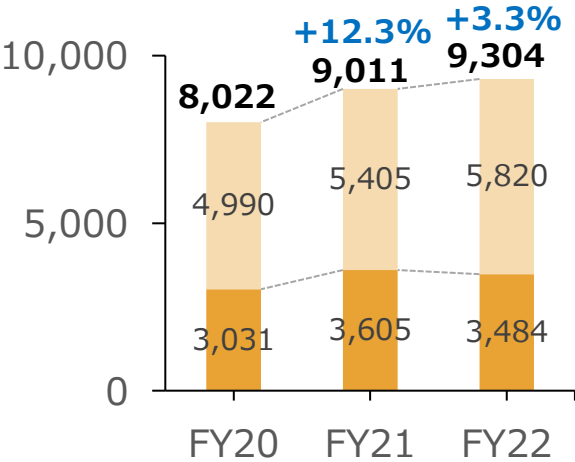
Logistics



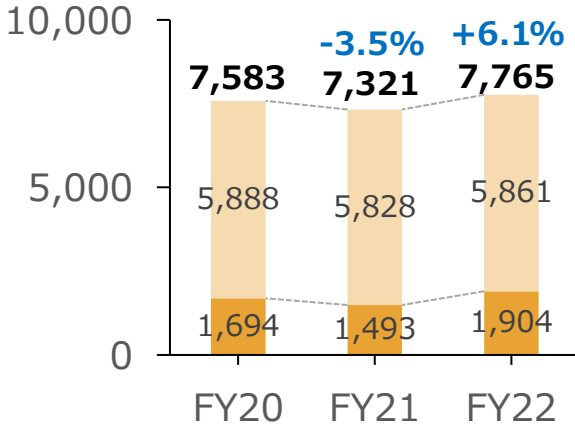
Retail



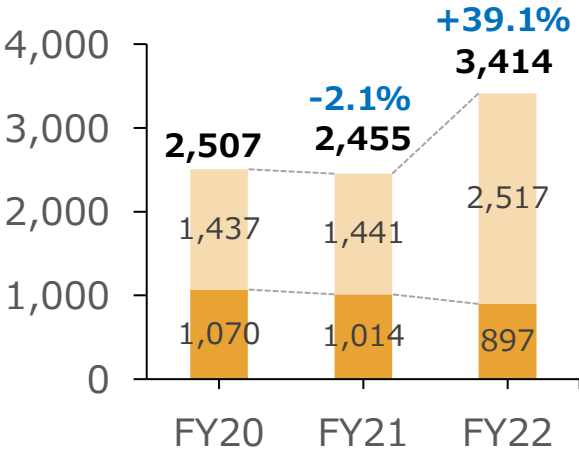
Health Care



Food & Beverage



Public

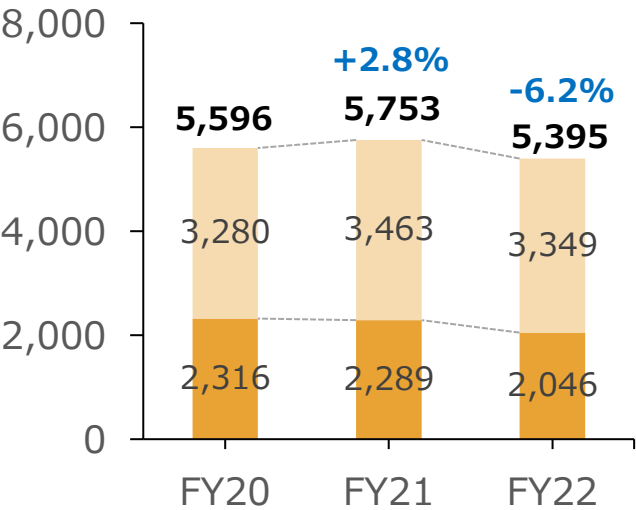


Sales by Vertical 1/2

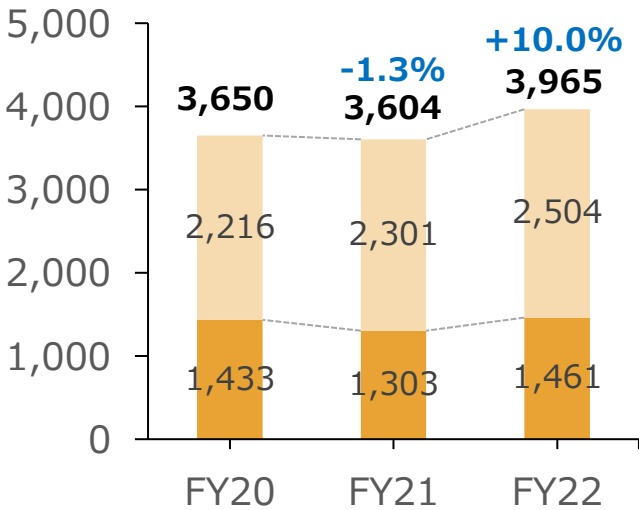
(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

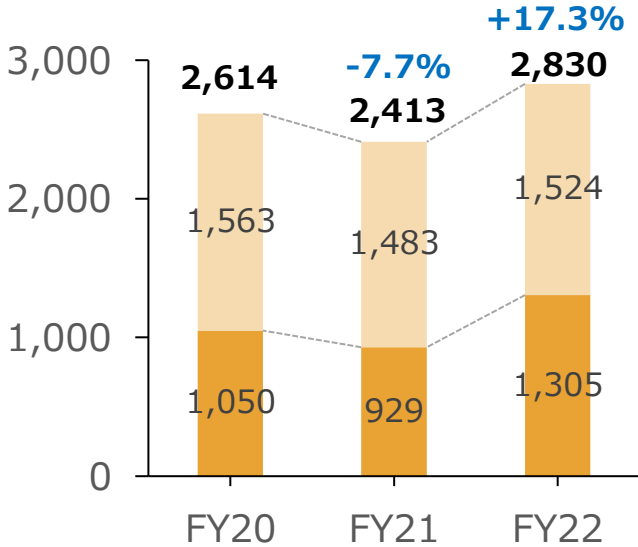
Manufacturing



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.

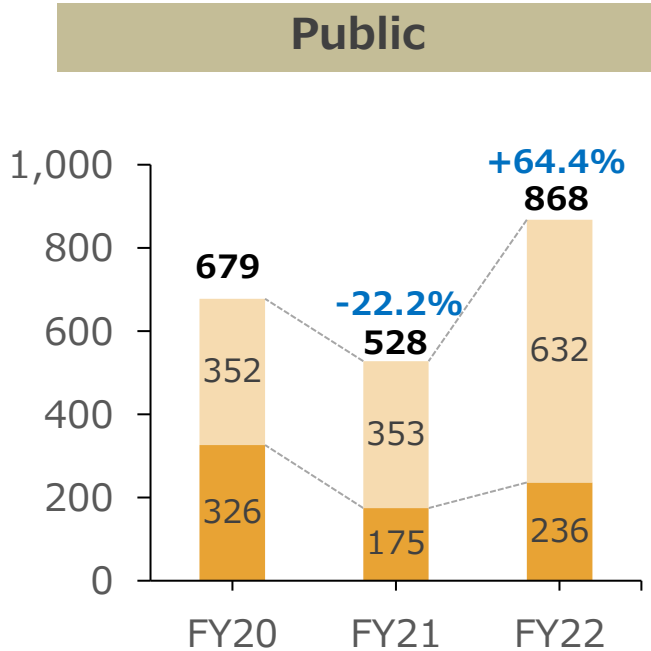
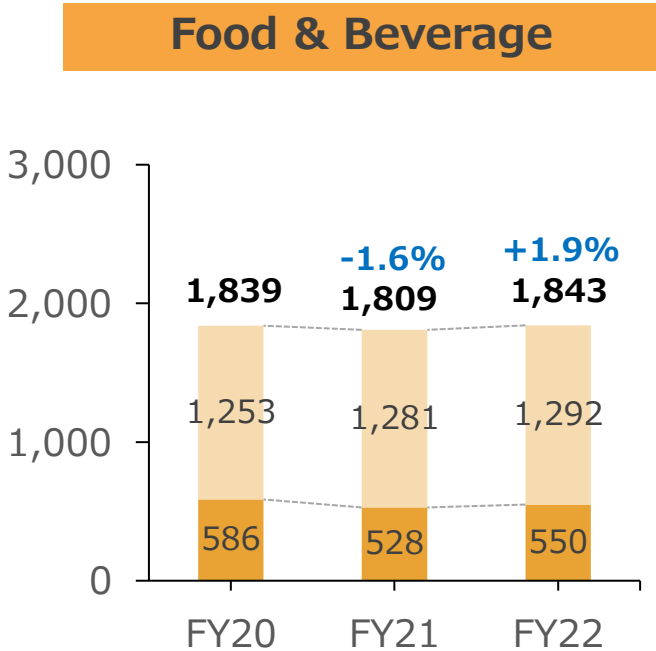
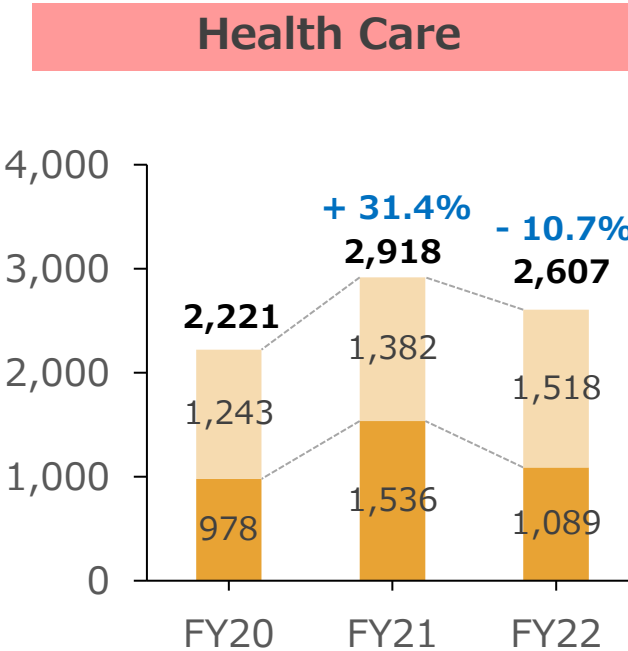
Investment in digitization and productivity improvement at retail stores including food supermarkets continued. EC continued to thrive.

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.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



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.

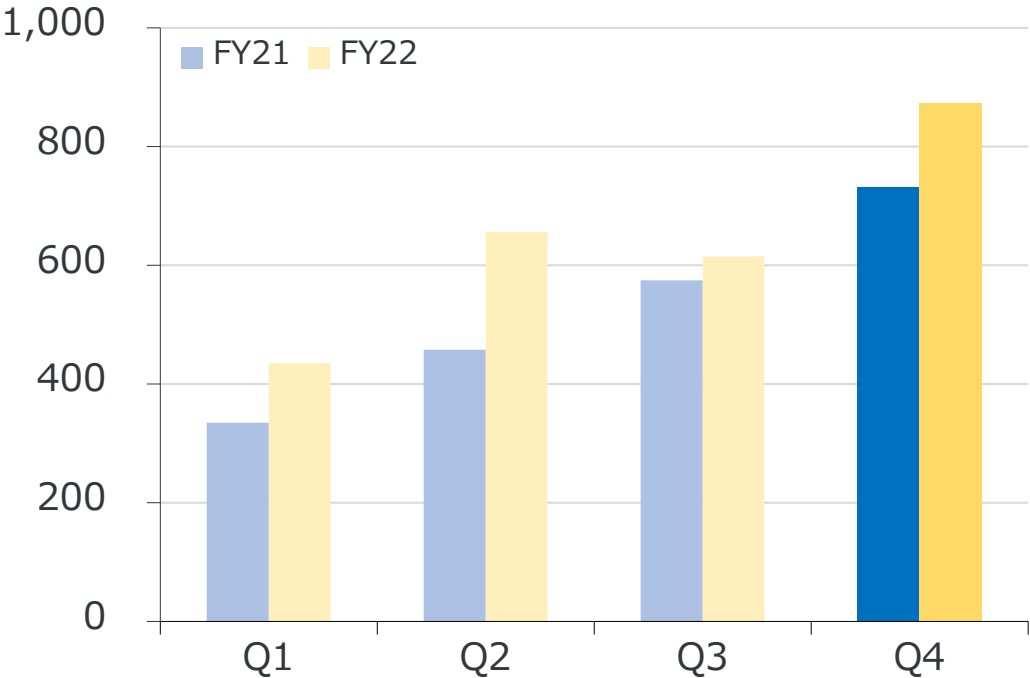
Sales Trends: RFID and Automation

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)

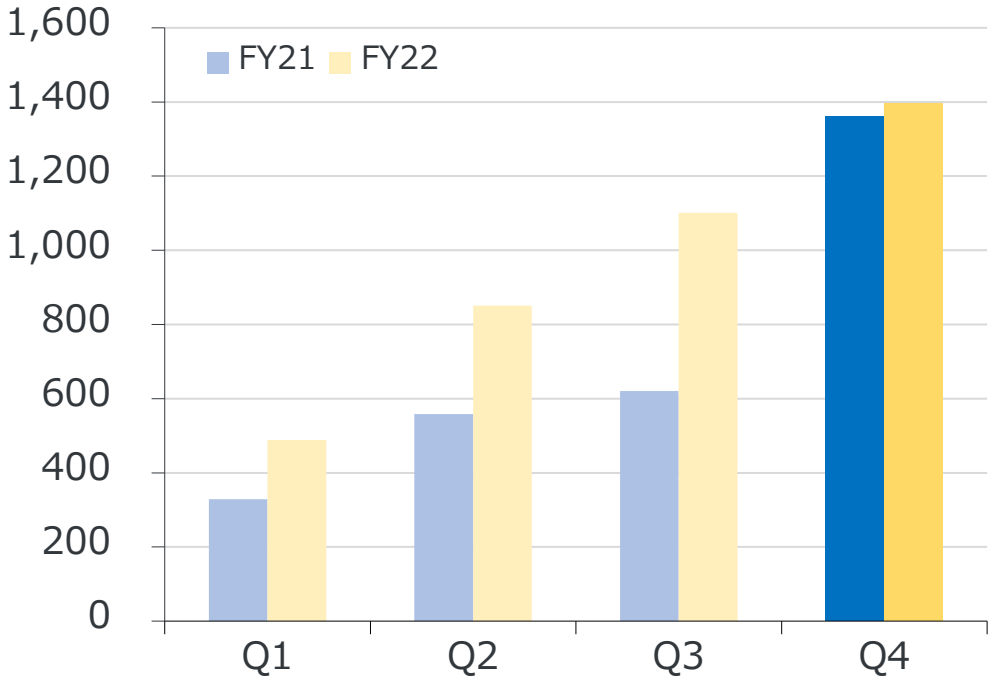
RFID

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).

FY2023 Consolidated Forecasts

(Millions of JPY)

	FY2023 (Targets)	FY2022	Change	YoY
Net Sales	140,000	142,824	-2,824	-2.0%
Operating Income	8,000	8,841	-841	-9.5%
Ordinary 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

FY2023 Consolidated Forecasts <Breakdown>

(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	-

<Background of the plan >

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.

FY2023 Consolidated Forecasts <Breakdown> Outlook by Region

<Overseas>

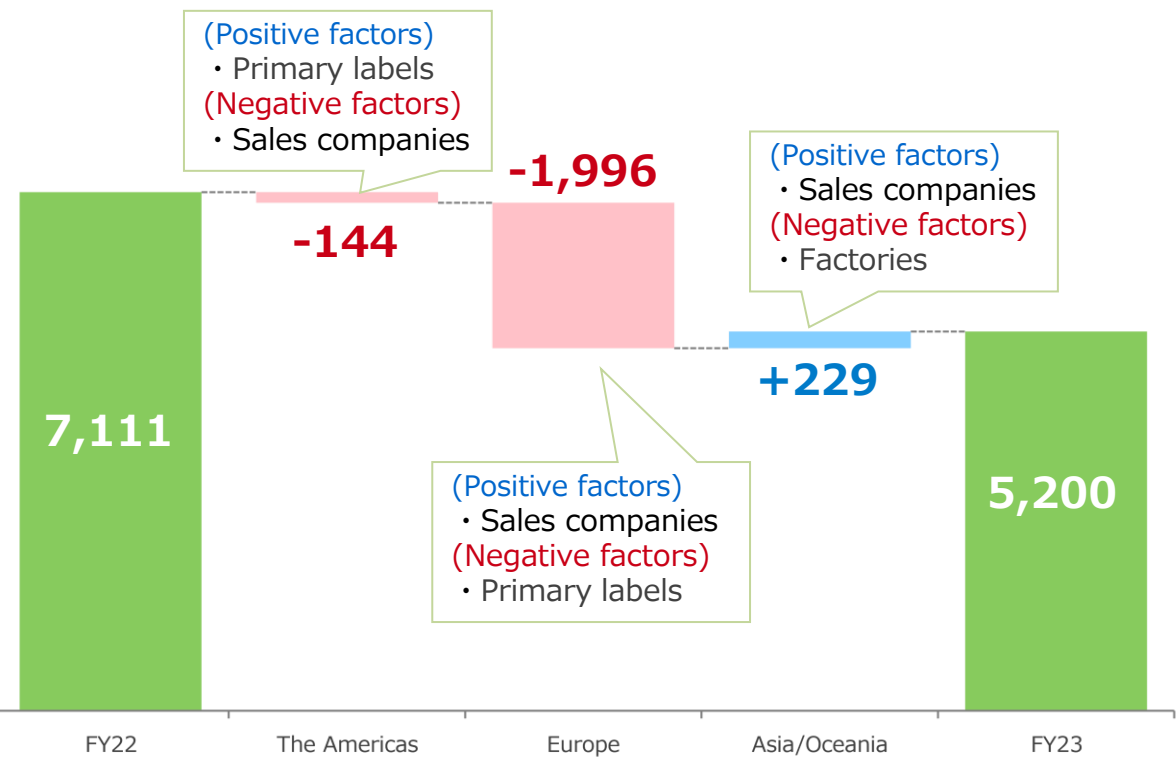
	The Americas	Europe	Asia/Oceania
Forecasts	<ul style="list-style-type: none"> • Performance in Retail in 1H to be slow due to economic downturn. 	<ul style="list-style-type: none"> • Performance in Retail in 1H to be slow due to economic downturn. • Investment appetite in Food to recover amid post-pandemic.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

<Japan>

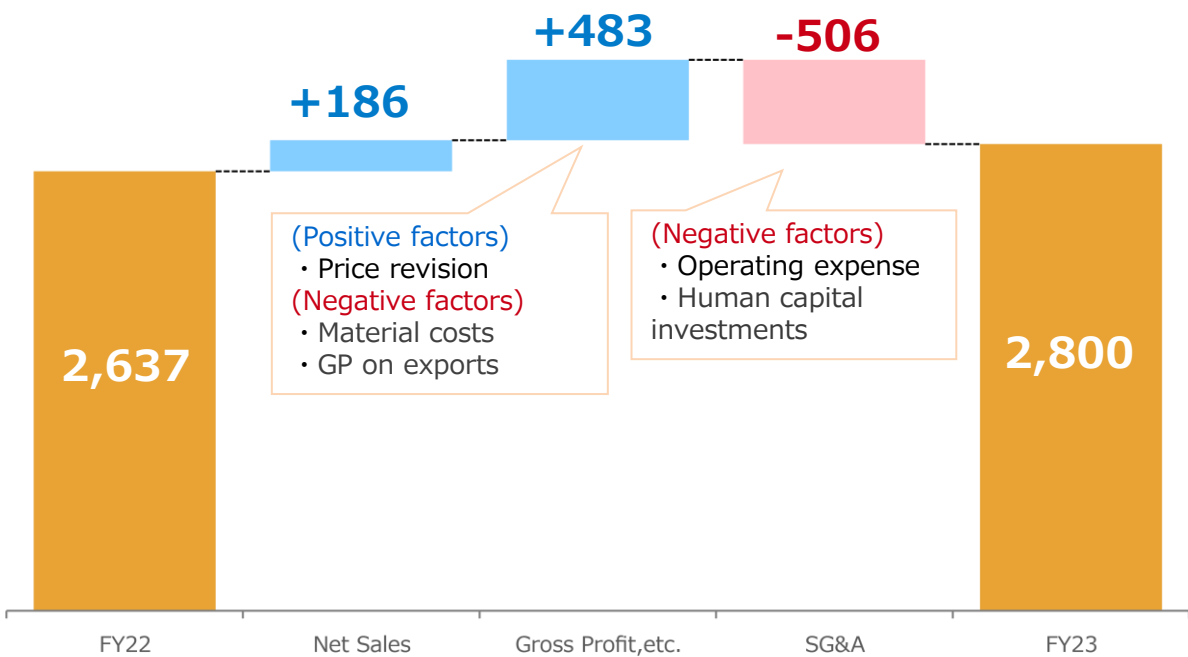
	Manufacturing	Logistics	Retail	Health Care	Food & Beverage
Forecasts	<ul style="list-style-type: none"> • Recovery momentum to be mixed--auto production to be on a recovery trend, where as semiconductor-related industries to recover from 2H. 	<ul style="list-style-type: none"> • Steady investment appetite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

FY2023 Consolidated Forecasts <Breakdown> OI FY23 vs FY22

Overseas



Japan



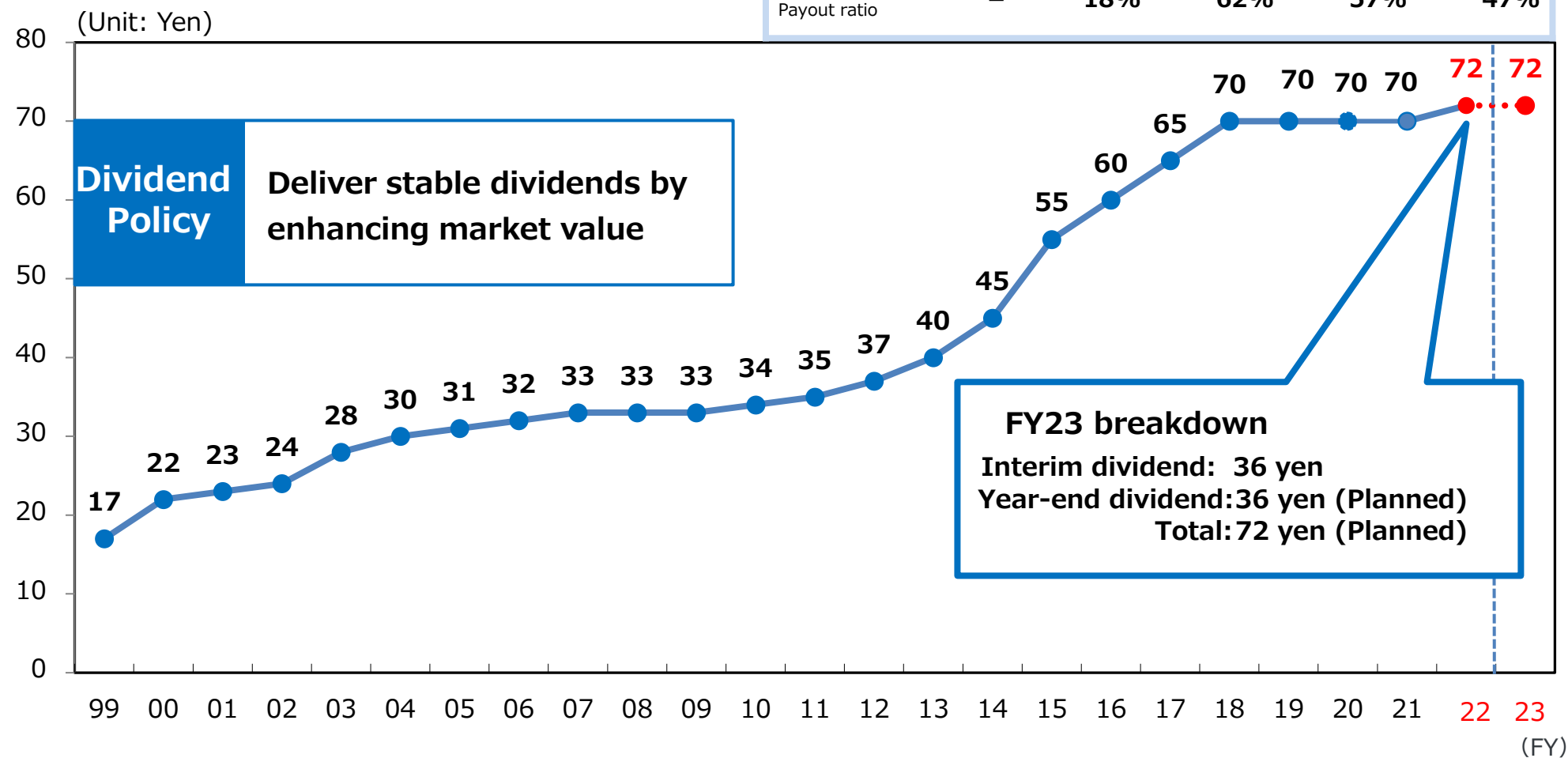
Dividends


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%



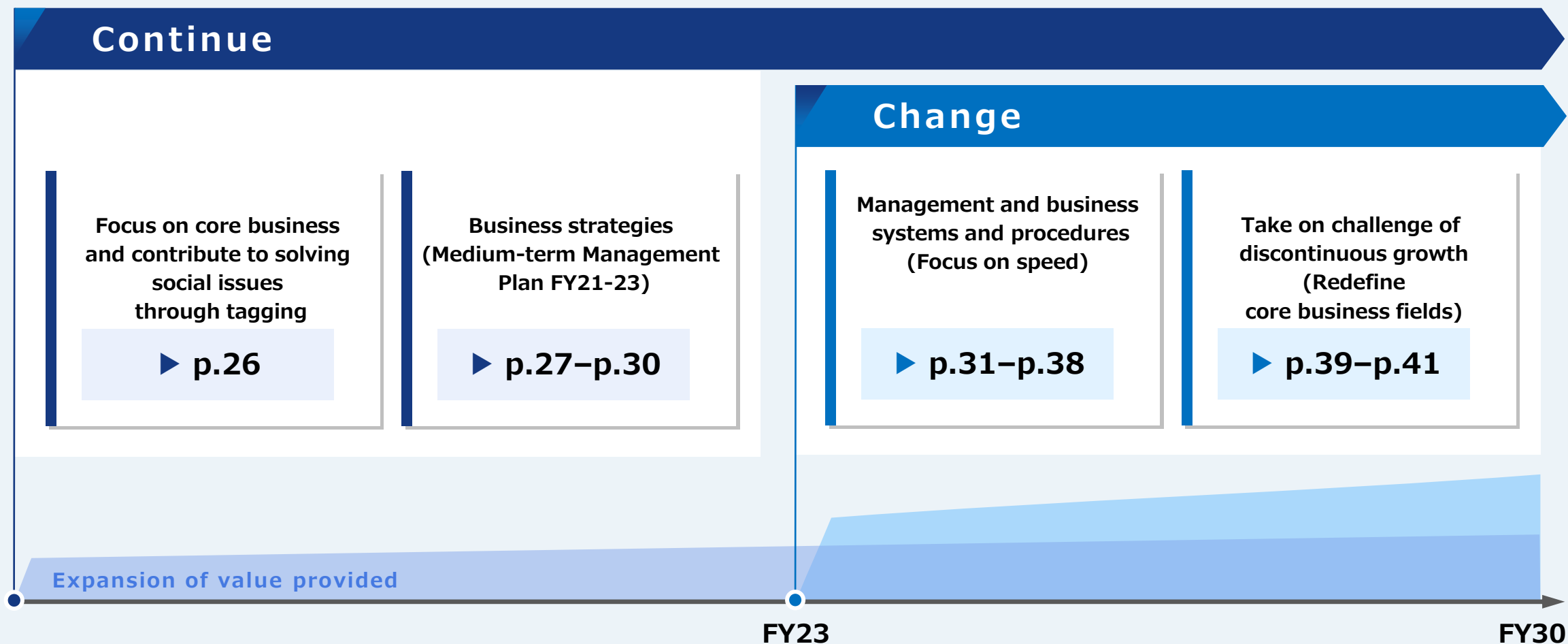


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Key message

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



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.

Mission

Our mission is to create new value for our customers through products and services of superior quality, and to contribute towards a better and more sustainable world.

SATO's strengths

Tagging

- High-precision technology to visualize information tied to objects
- Create points of contact with customers

Genbaryoku

- Industry expertise - We are versed in an array of worksites
- Technical expertise - We match products best for each customer
- Servicing - We keep bettering our customers' operations

Long-term business vision



* Those of/across production, distribution and sale

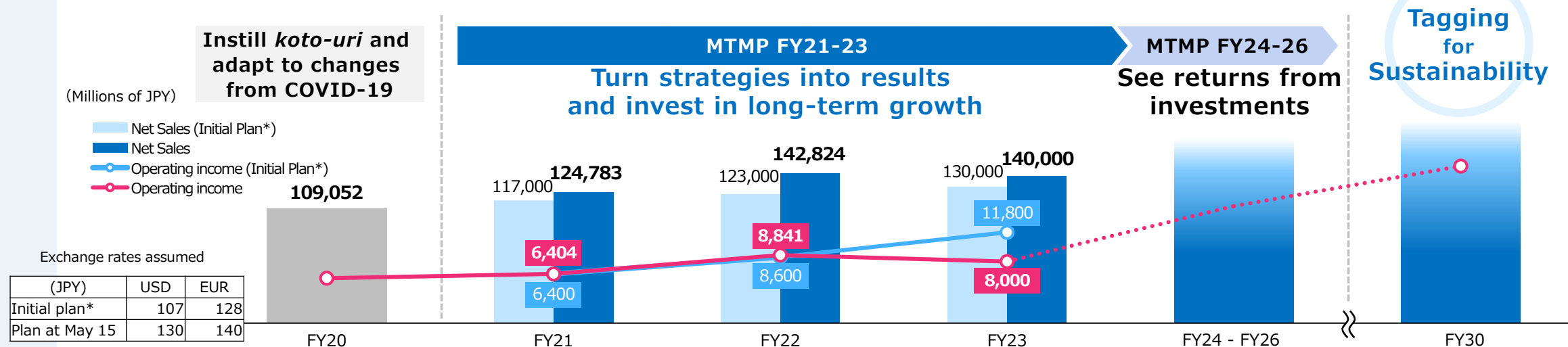
Medium-term Management Plan (FY21-23)

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%

Positioning of the current medium-term management plan

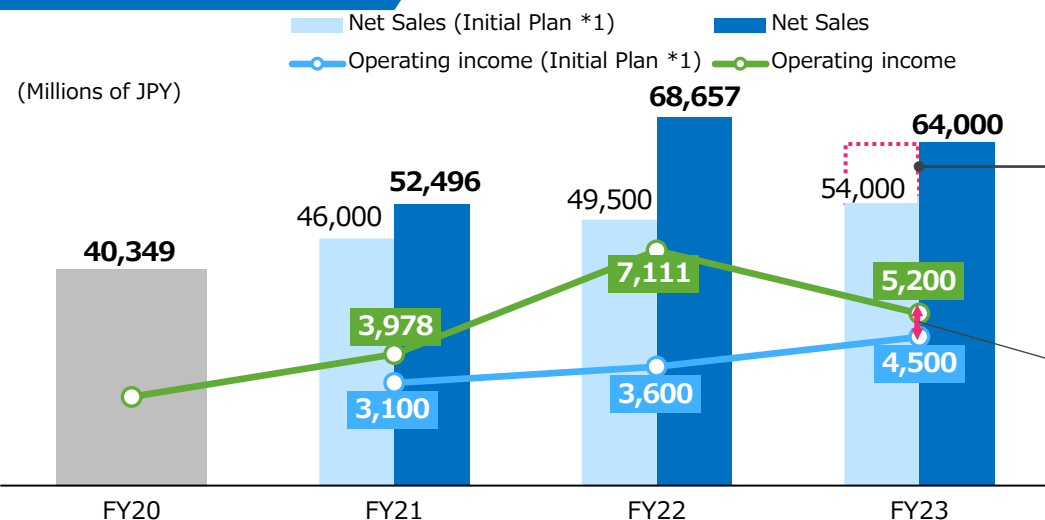


* Plan at the time of formulation of the medium-term plan (announced in May 2021)

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.

Performance



Achievements

■ Instilled *koto-uri*

- Improved our proposals, capturing more business opportunities of higher technical level such as RFID, as well as SATO-led collaborative projects with business partners.
- Established a culture of sharing information such as success stories.

■ Developed new business partners

- Built trust with partners and developed new businesses through improvements in *koto-uri* and partnership programs. Sales grew.

FY23 Difference between current and initial plans

(Millions of JPY)

	Region	Amount
Net sales	The Americas	+approx. 4,000
	Europe	+approx. 4,000
	Asia/Oceania	+approx. 2,000
Operating income	The Americas	±0
	Europe	+approx. 800
	Asia/Oceania	-approx. 100

Measures to improve

- Deploy solutions created in each country to other countries
- Promote collaboration with business partners per industry
- Improve PSI*2 control

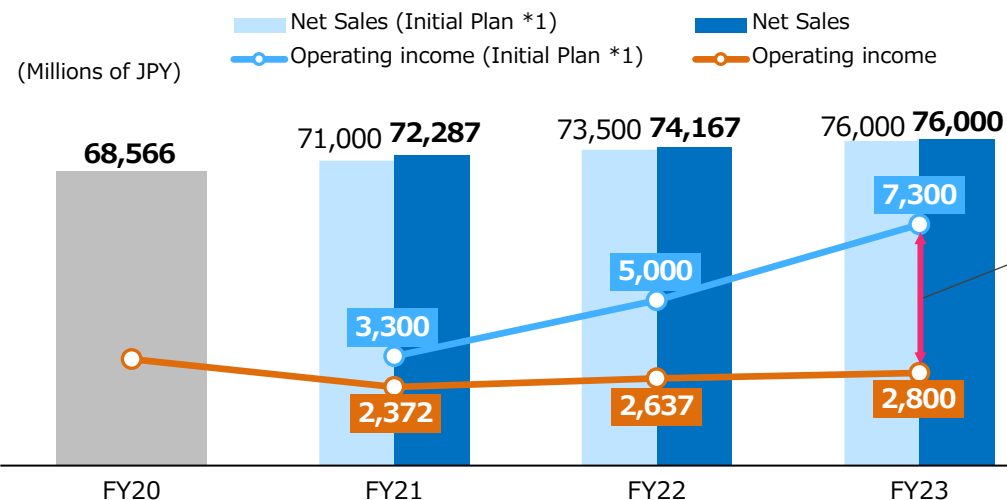
*1 Plan at the time of formulation of the medium-term plan (announced in May 2021)

*2 Optimize manufacturing, sales, and inventory

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.

Performance



Achievements

- **Upgraded sales activities (Optimized touch points with customers)**
 - Made progress in demand center and web marketing activities.
 - Consolidated sales office operations (e.g., response to small-lot customers) to contact centers, etc.
 - ➔ Led to greater opportunities for RFID, automation and software projects
- **Created unbeatable offerings**
 - Completed development of new printer platform that would lead to greater customer value and development efficiency.

*1 Plan at the time of formulation of the medium-term plan (announced in May 2021)

Difference between FY23 and initial forecasts

(Millions of JPY)

Major factors		Amount
OI	GP	<ul style="list-style-type: none"> • Printer sales missed target • Net material costs • Delay in price revisions compared to plan approx. -3,000
	SG&A	<ul style="list-style-type: none"> • Enhanced human capital (inflation allowance; raises) • Increase in operating expenses (to develop global-model printers and T4S*2 businesses) approx. -1,000

Future Outlook

- **Improve GPM**
 - Implement "Measures to improve" below.
 - **Reduce SG&A ratio**
 - Investments in printer development have run their course. Improve development efficiency with new platforms
 - Continue growth investments (Strengthen human capital management, develop T4S businesses, etc.)
- *Price revisions are expected to fully cover for the rise in raw material costs during FY24.

Measures to improve

- **Improve profitability**
 - Strengthen printer sales by refining customer targeting
 - Release new printers in time for mass replacements
 - Speed up price revisions
 - Conduct full-scale value chain reforms
 - Strengthen manufacturing systems (RFID, automation, etc.)

*2 Tagging for Sustainability

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

Supporting customers building global, digital supply chains

RFID

For global needs to improve supply chains and meet greater logistics volume

Case



Major semiconductor manufacturer: Innovate procurement

Issue

Visualizing the global supply chain

What we did

Deployed RFID solution to tag shipments from multiple countries and suppliers



Case



Major Japanese company: Improve global logistics

Issue

Visualizing where logistics equipment are in the global supply chain

What we did

Deployed RFID solution with an asset management system



A package system that utilizes RAIN RFID tags
ASET-RA
アセットラ

Expand global sales through collaboration between our Japan and overseas businesses

Automation

Solution packages to meet labor shortages and wage increases

Case



Automate food labeling

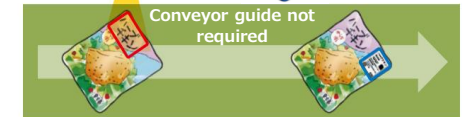
Issue

Streamlining food labeling operations

What we did

Integration with sensing and robotics technology to enable affixing to random products.

location identification



Identify common needs across markets & shape into solution package (S-ROBO)

Deploy successful solutions to other countries and markets



RFID + Automation

To meet greater logistics volume caused by labor shortages and EC

Case



Major U.S. logistics company: Automate process

Issue

Streamline work required in handling the increase in logistics volume

What we did

Deployed solution to automate packaging and labeling



Deploy successful solutions to other countries and markets

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.

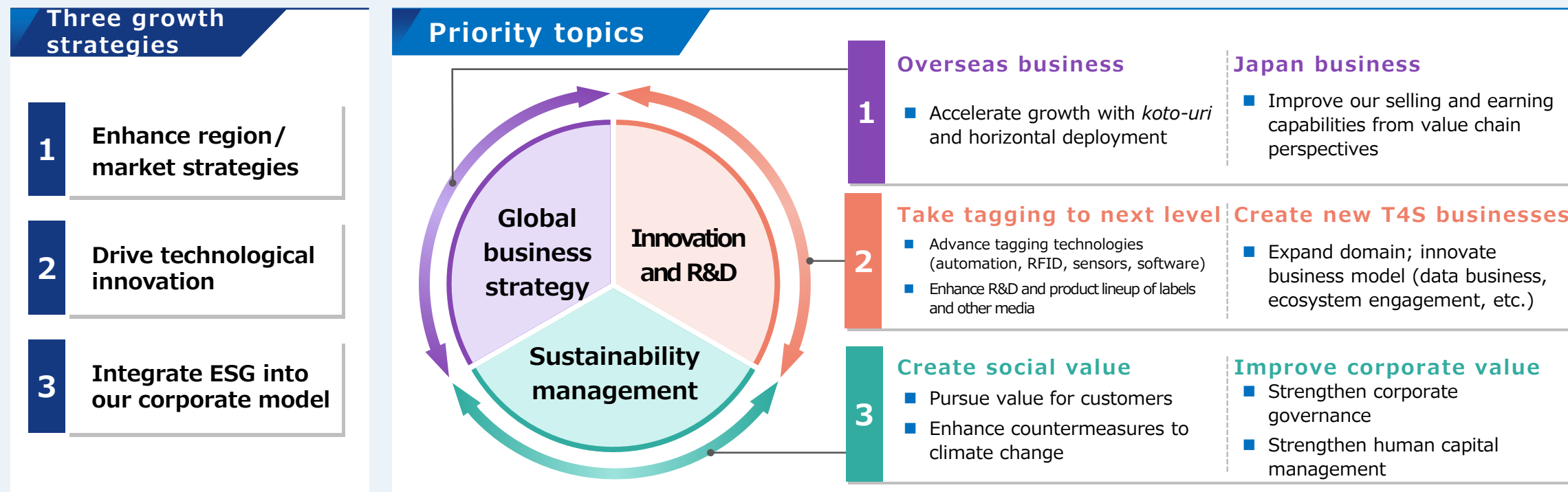
New growth strategy

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

Current Growth Strategy

New Growth Strategy

With **sustainable growth of business and earnings in mind**, we will organically link **the three priority topics**. Conduct **strategic investments and allocate resources** from multilateral perspectives eyeing the 100th anniversary.



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

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.

New growth strategy: Innovation and R&D


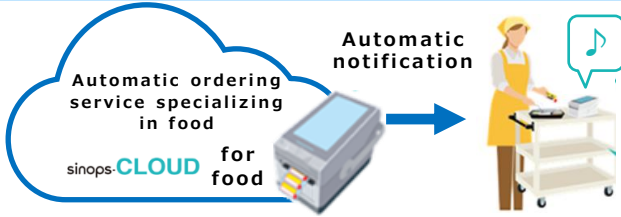
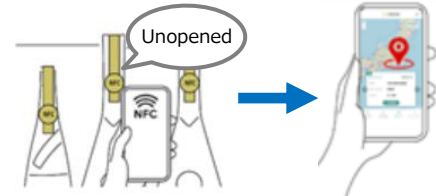
Tap into our stronghold *genbaryoku* (on-site capability) to establish Tagging for Sustainability (T4S) businesses, enhancing our data-acquisition capacity (horizontal axis) and creating environments to utilize the data (vertical axis).



* RTLS: Real Time Location System

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.

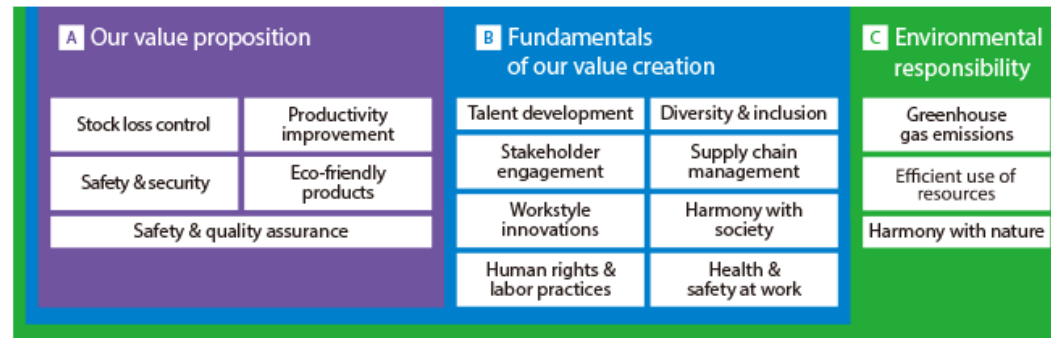
	Technologies, R&D	Co-creation, technological collaboration	
	Standard printer platform	Label printer with AI discounting function (An industry-first)	Digital pairing of blockchain and RFID for sake traceability
	 <p>To be equipped on models due out FY24 onward</p>	 <p>Automatic ordering service specializing in food sinops-CLOUD for food Automatic notification</p>	 <p>Unopened Track distribution</p>
Customer challenges	<ul style="list-style-type: none"> Need to work with other worksites Individual customization can be costly and time consuming 	<ul style="list-style-type: none"> Decline in store earnings due to unsold items Workload to decide on/enter/apply discounts Food loss 	<ul style="list-style-type: none"> Counterfeits and illegal sales impair brand value
Solutions	<ul style="list-style-type: none"> Download apps to the printer according to needs 	<ul style="list-style-type: none"> Equip printers with an AI-based, discount calculation feature 	<ul style="list-style-type: none"> Obtain information on RFID (NFC) labels with smartphones to track distribution and verify authenticity
Competitive advantage	<ul style="list-style-type: none"> Equips versatile apps and diverse sensing technologies Shortens development lead times 	<ul style="list-style-type: none"> Connects seamlessly with AI devices 	<ul style="list-style-type: none"> Scalability over the supply chain
Value provided	<ul style="list-style-type: none"> Easier customizations Variety of data collectable; connectivity Visualization of on-site issues 	<ul style="list-style-type: none"> Improves store profitability Boosts operational efficiency Reduces food loss 	<ul style="list-style-type: none"> Safety and security of products Protect brand value Improve user experience
Future expansion	<ul style="list-style-type: none"> To be installed in upcoming models 	<ul style="list-style-type: none"> Spread to supermarkets and other retail businesses 	<ul style="list-style-type: none"> Expand to food and manufacturing (parts manufacturers) markets

New growth strategy: Sustainability management

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

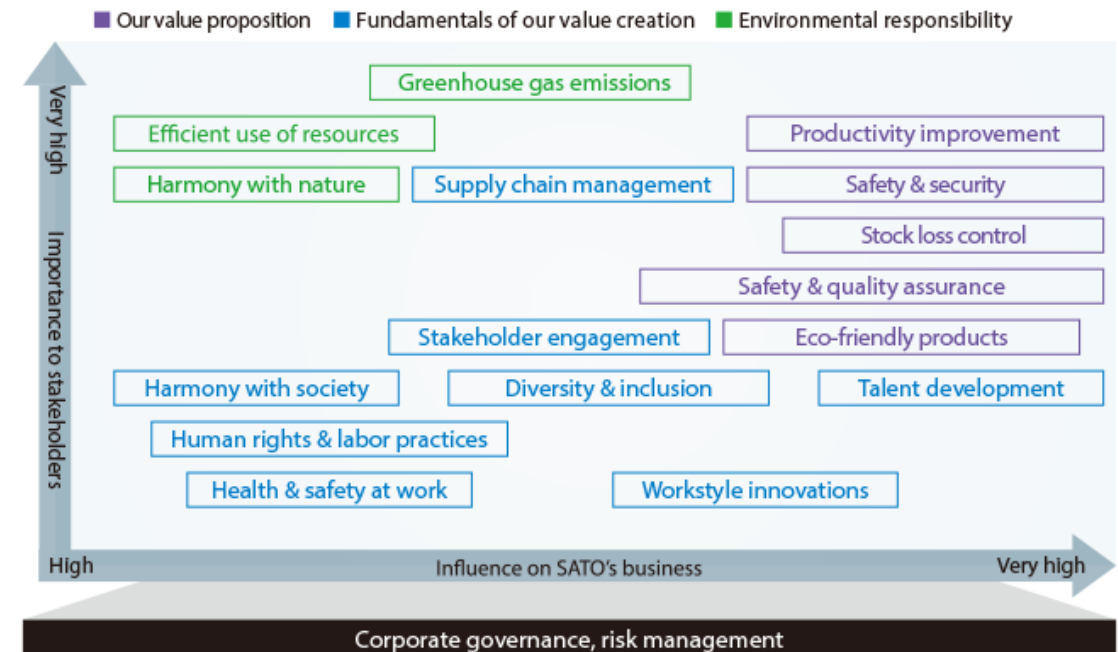
Overview

Materiality overview



D Corporate governance, risk management

- A** What we aim to offer through our core business to help customers cope with societal challenges
- B** What we undertake internally/externally to enable the continuous creation of customer value
- C** What we do to protect the global environment where we live and do business
- D** Underlying foundation



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

Corporate governance

■ Improved effectiveness of the board of directors

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.

■ Sped up decision making

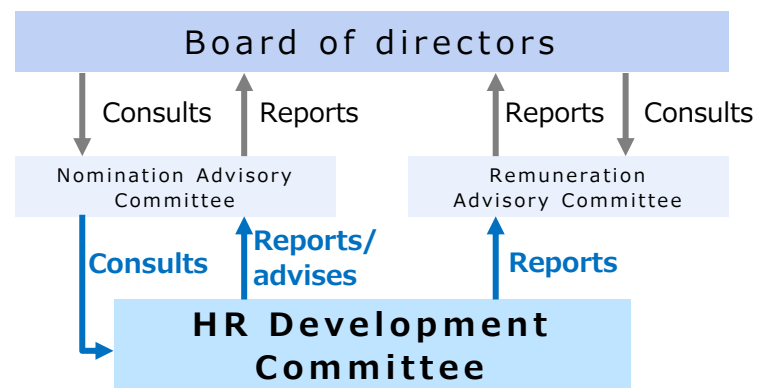
Delegated authority to the CEO and the Executive Officer's Meeting.

Fundamentals of our value creation

■ Further strengthened human capital management

Established the HR Development Committee in FY22 and formulated various HR management measures, including core human resource development. Executed mainly in the HR department.

Promotion System



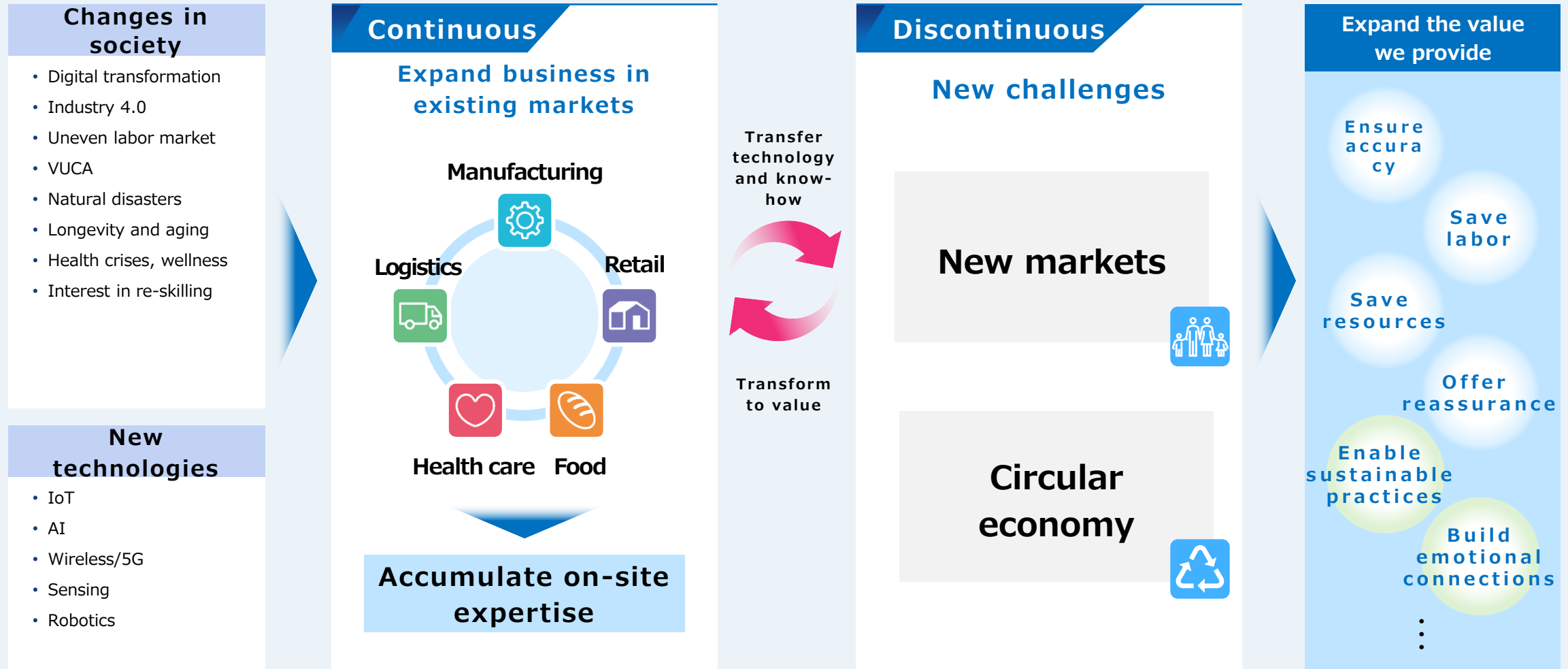
Main discussion topics

- Defining, identifying and developing core human resources
- Planning succession
- Revising the personnel system

* 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.

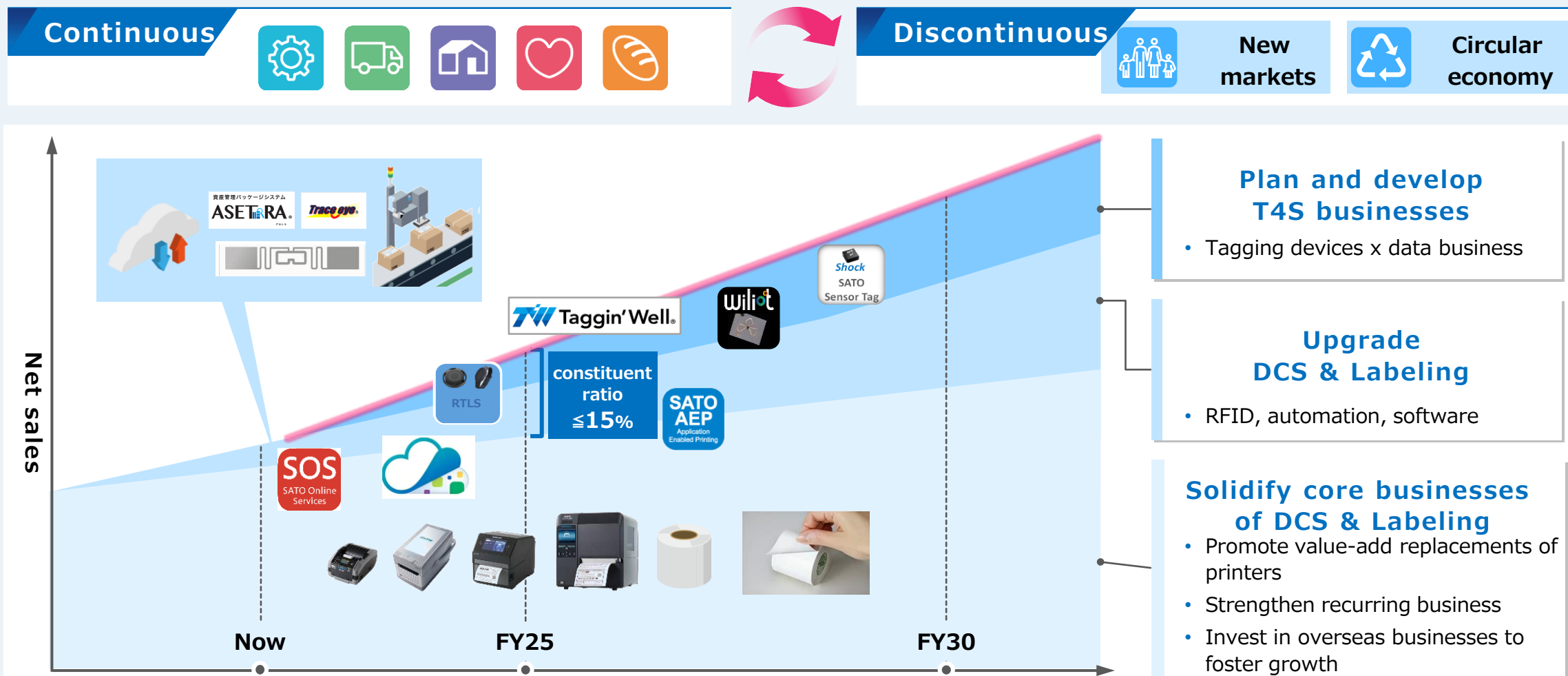
Discontinuous growth

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.



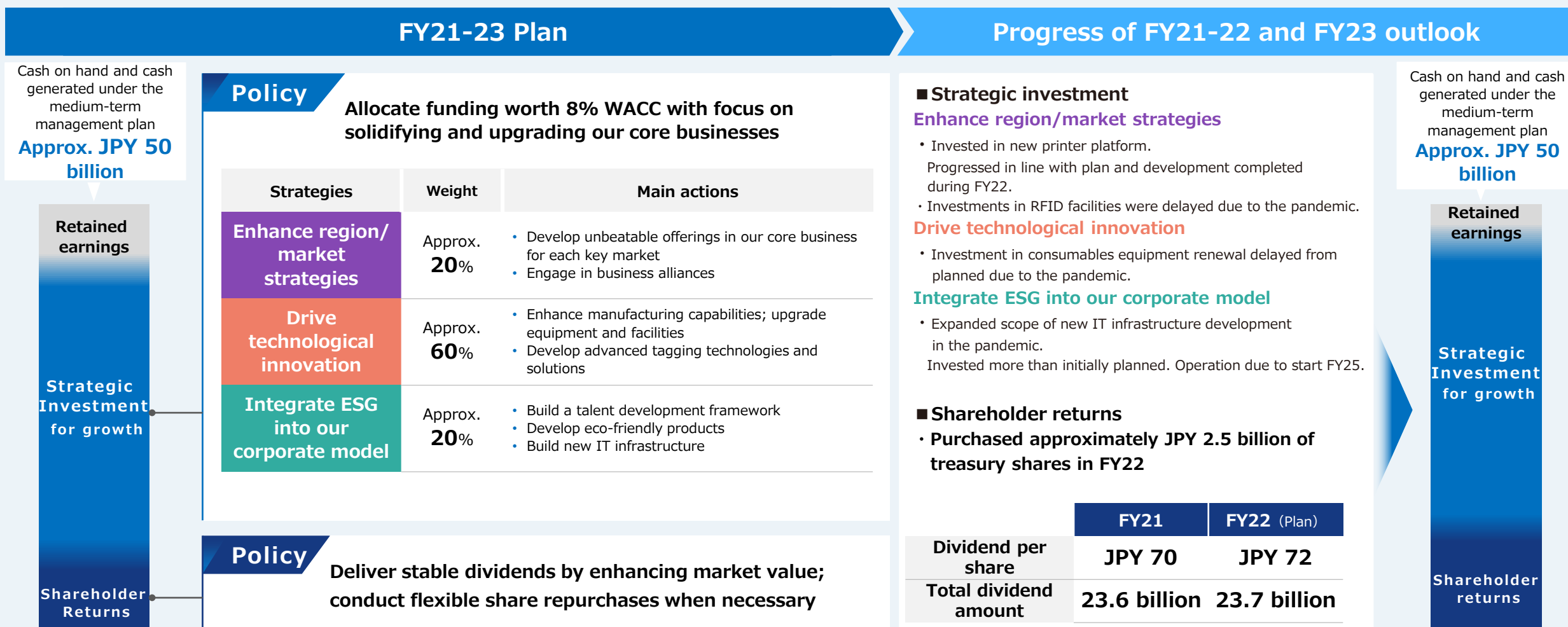
Growth roadmap

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



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.



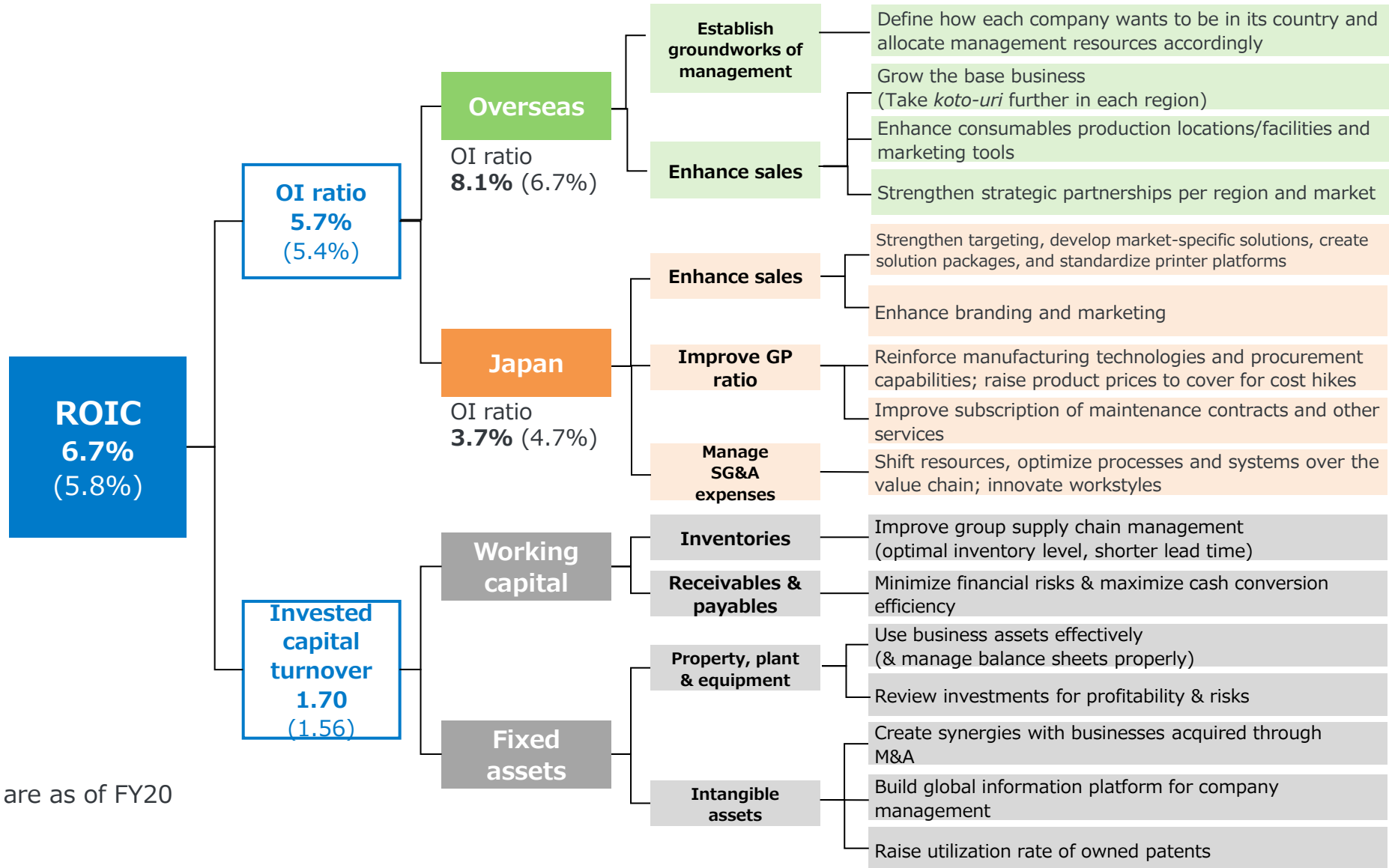
Appendix

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)	+12.9% (+4.5%)	-0.4% (-2.7%)
		Operating Income	1,445 (440)	+44.0% (-14.5%)	+20.6% (-6.1%)
	Japan	Total Sales	19,336	+1.9%	+1.9%
		Operating Income	594	-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%)

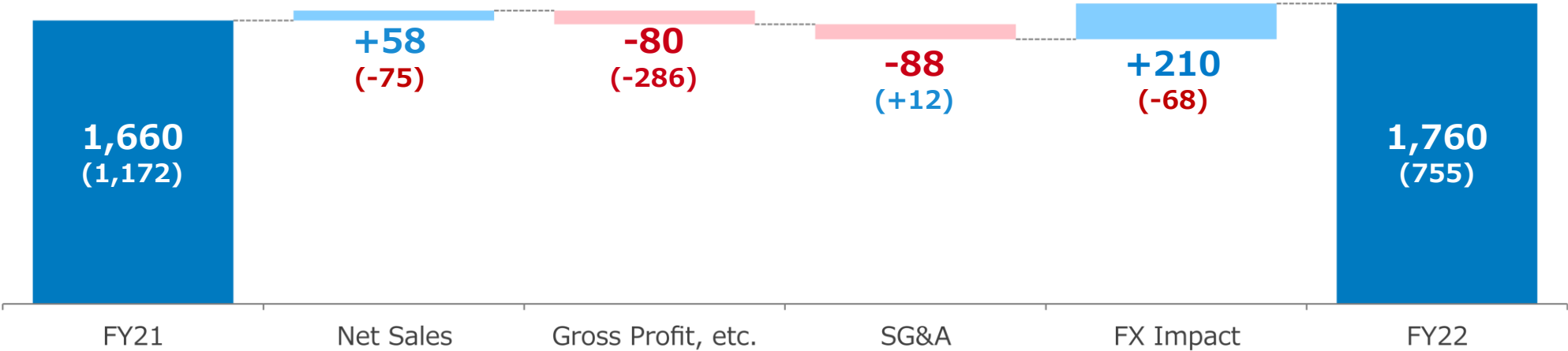
* Figures in parentheses exclude the Russian business.

Major Gains/Losses in OI

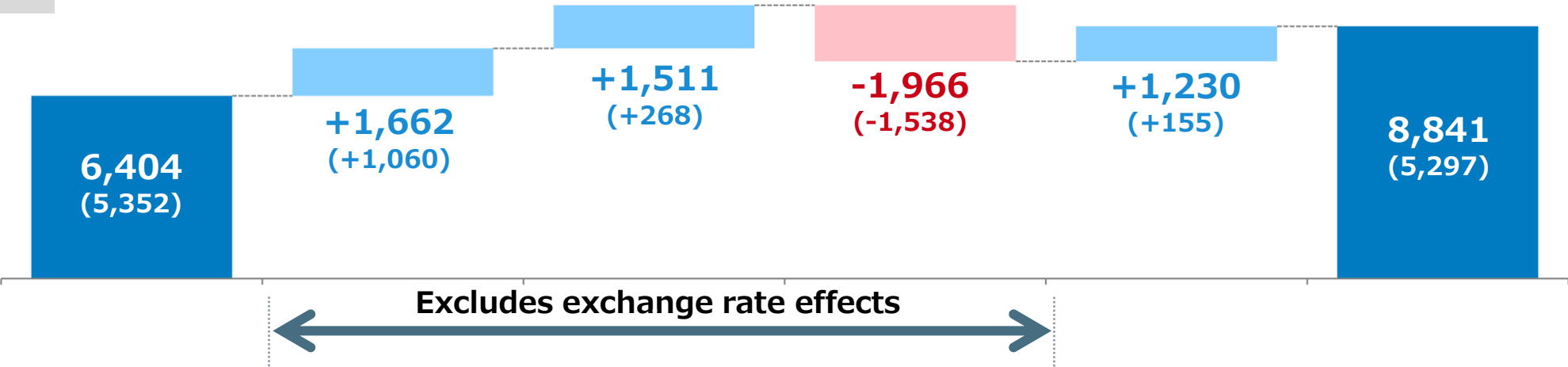
* Changes in accounting classifications (P.12) are not taken into account.

(Millions of JPY)

Jan-Mar



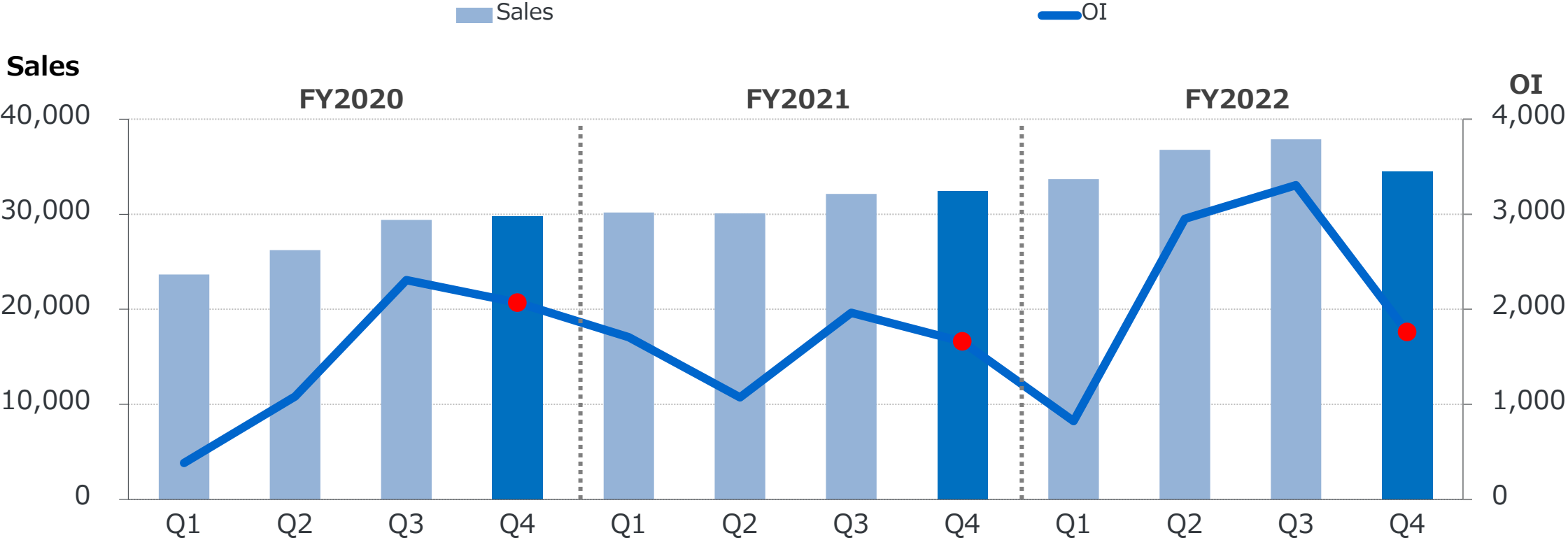
FY2022



* 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)

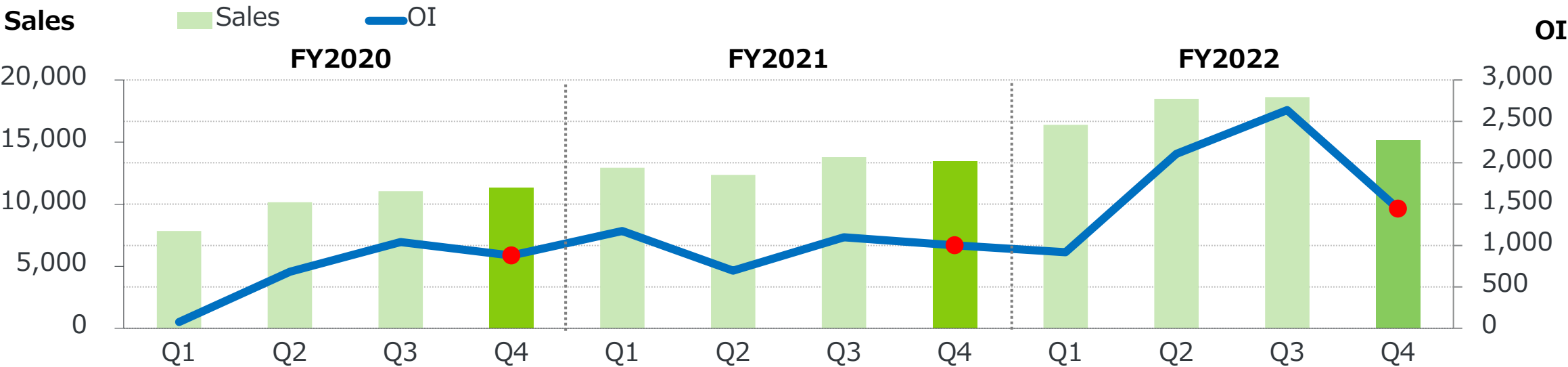
Jan-Mar FY21: JPY 1,053million (954 million)

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

* Figures in parentheses exclude the Russian business.

Quarterly Sales & OI

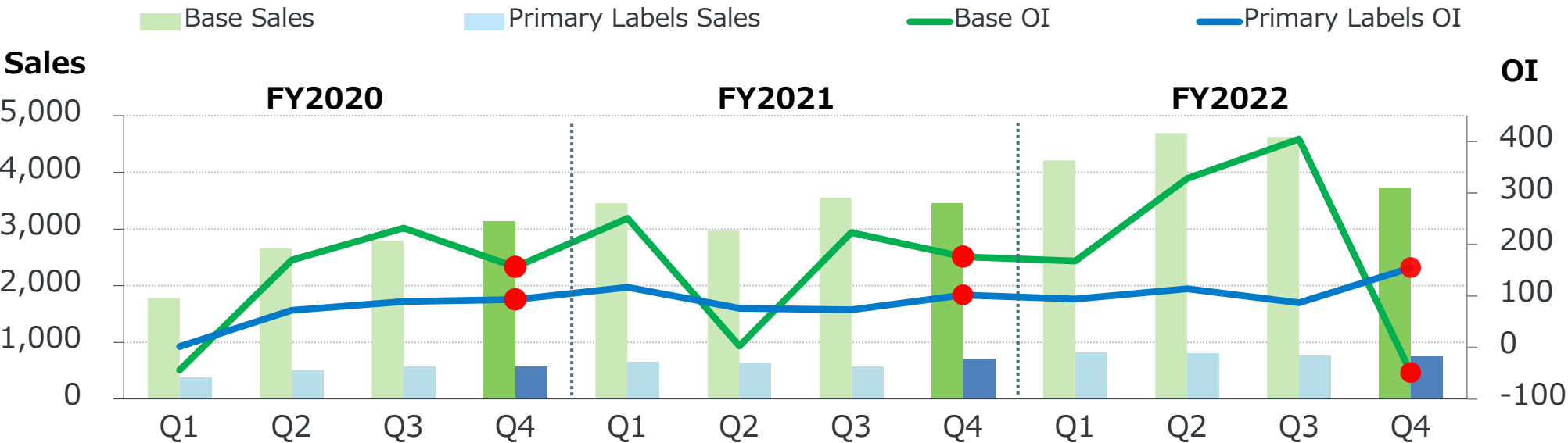
(Millions of JPY)



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%

The Americas: Quarterly Sales & OI

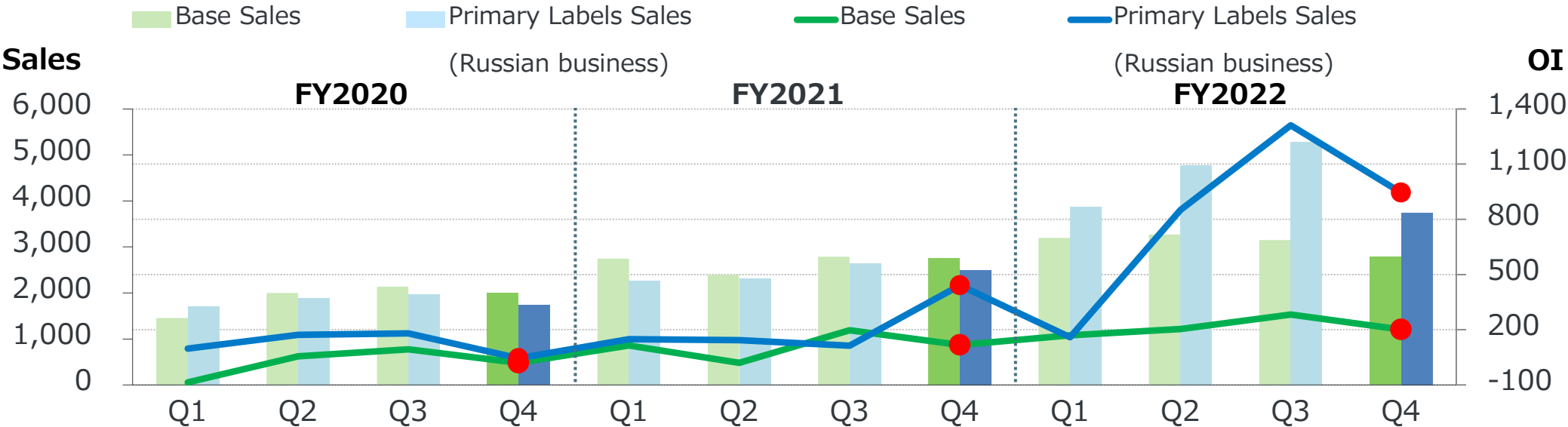
(Millions of JPY)



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%

Europe: Quarterly Sales & OI

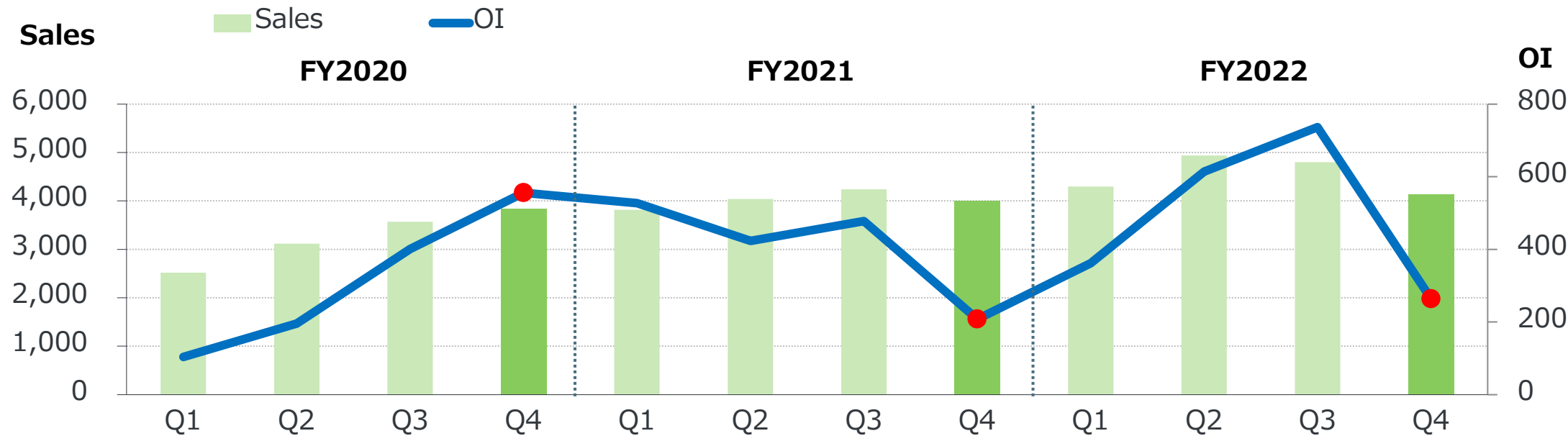
(Millions of JPY)



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)

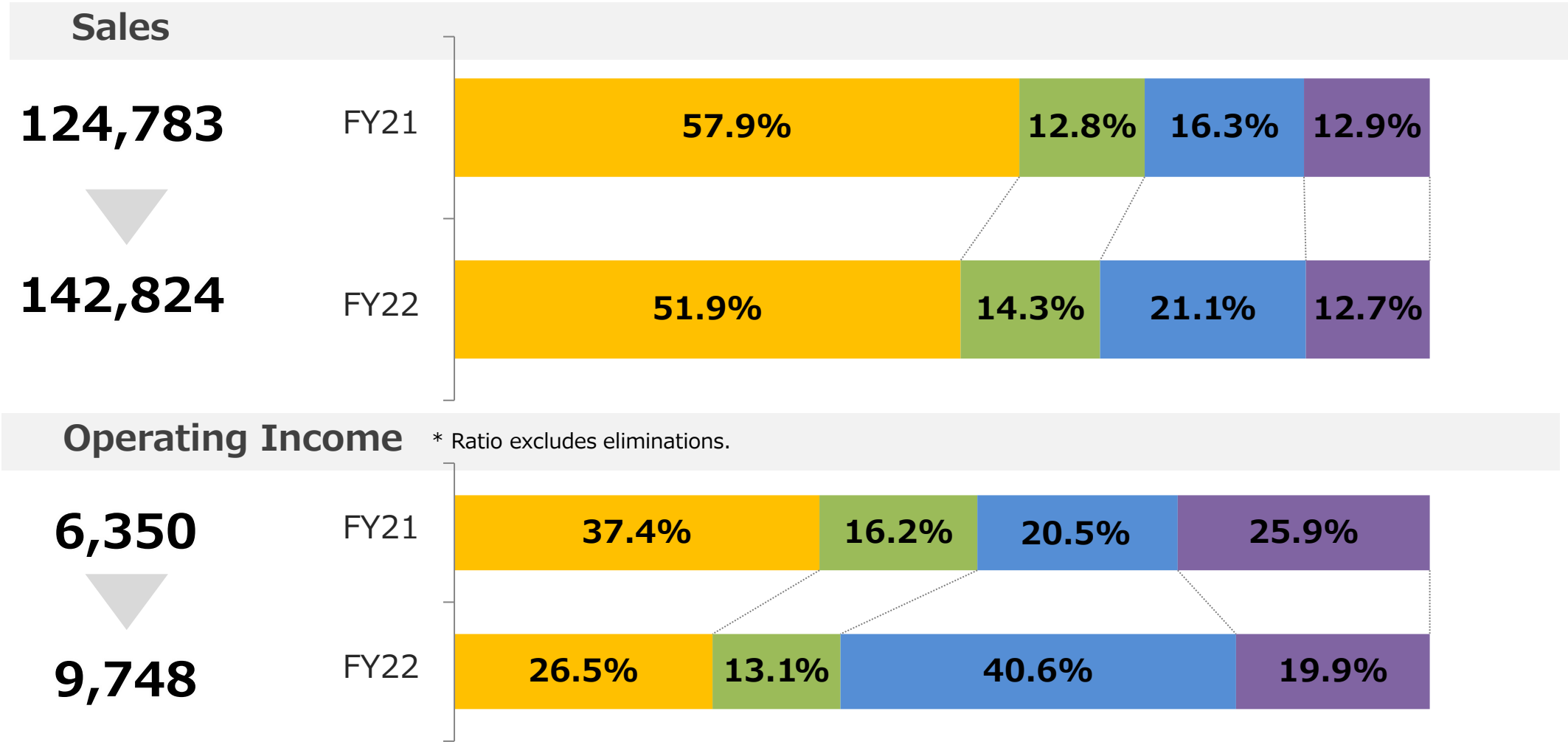


Base	Sales	2,520	3,117	3,567	3,839	3,817	4,037	4,238	4,000	4,296	4,938	4,799	4,138
	YoY	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%	+3.5%
	OI	104	196	401	556	527	423	478	208	362	614	736	264
	YoY	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%	+26.9%

Sales and OI by Region

(Millions of JPY)

Japan The Americas Europe Asia/Oceania

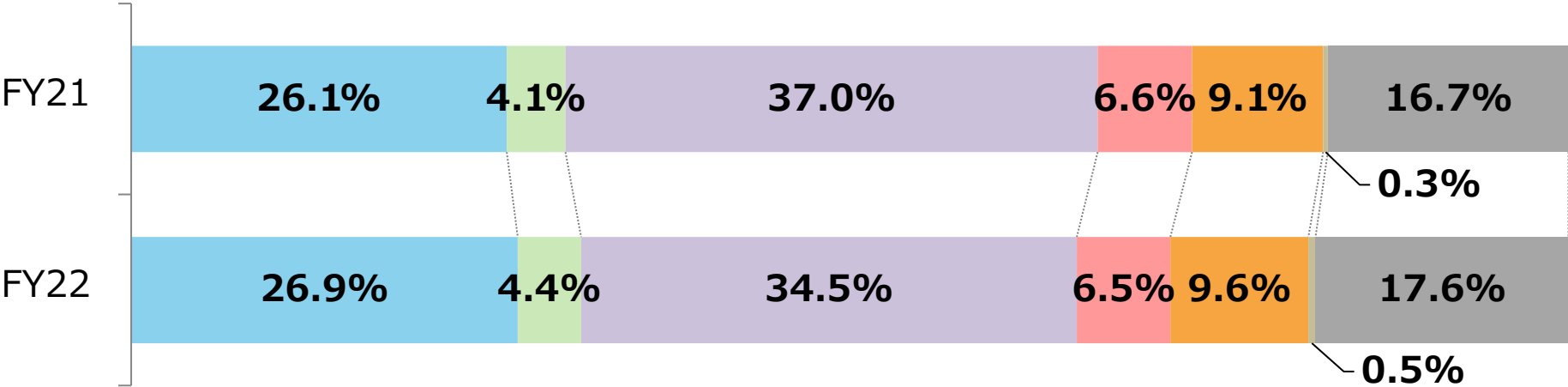


OI Ratio FY21 Japan : 3.3%, Overseas : 7.6%
FY22 Japan : 3.6%, Overseas : 10.4%

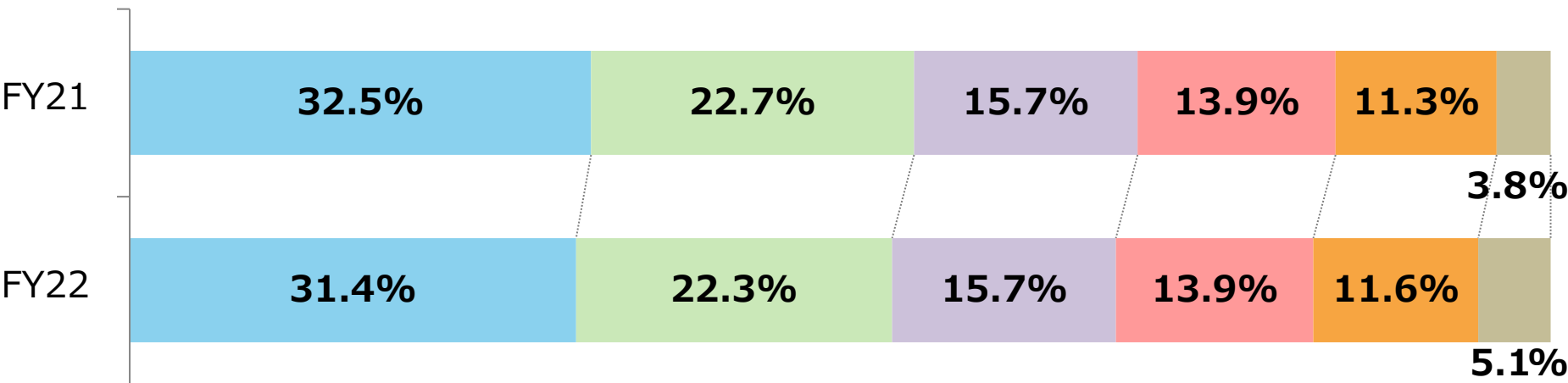
Sales by Vertical

Manufacturing Logistics Retail Health Care Food & Beverage Public Others

Overseas * Main sales subsidiaries only. Factories & primary label companies not included.



Japan * Maintenance services not included



Sales and OI by Business Segment/Region

(Millions of JPY)

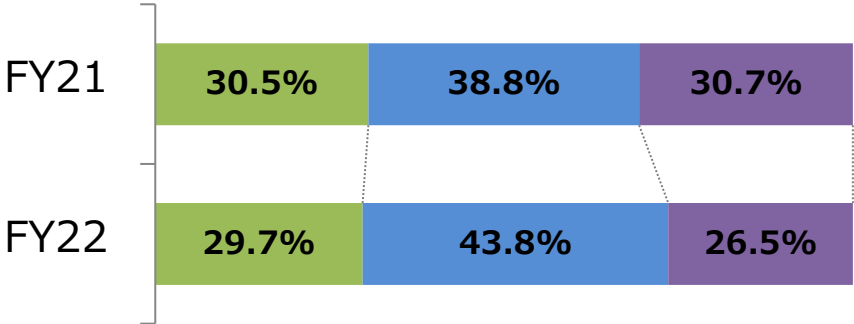
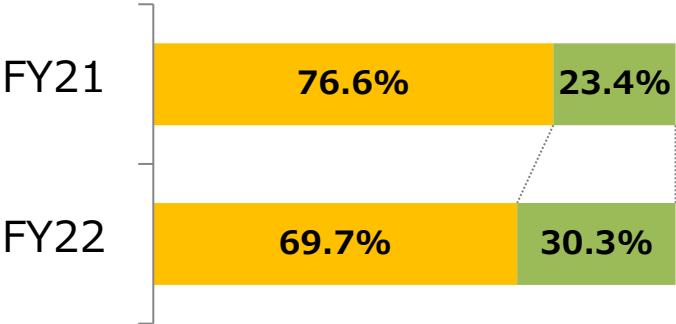
Base Primary Labels The Americas Europe Asia/Oceania

Sales

52,496



68,657

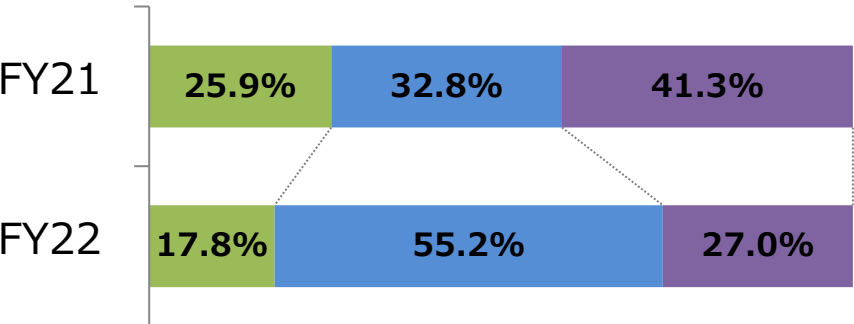
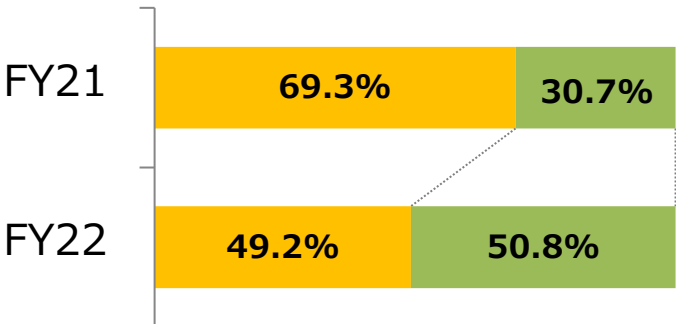


Operating Income * Ratio excludes eliminations.

3,978



7,111



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%

Breakdown by Business Segment

(Millions of JPY)

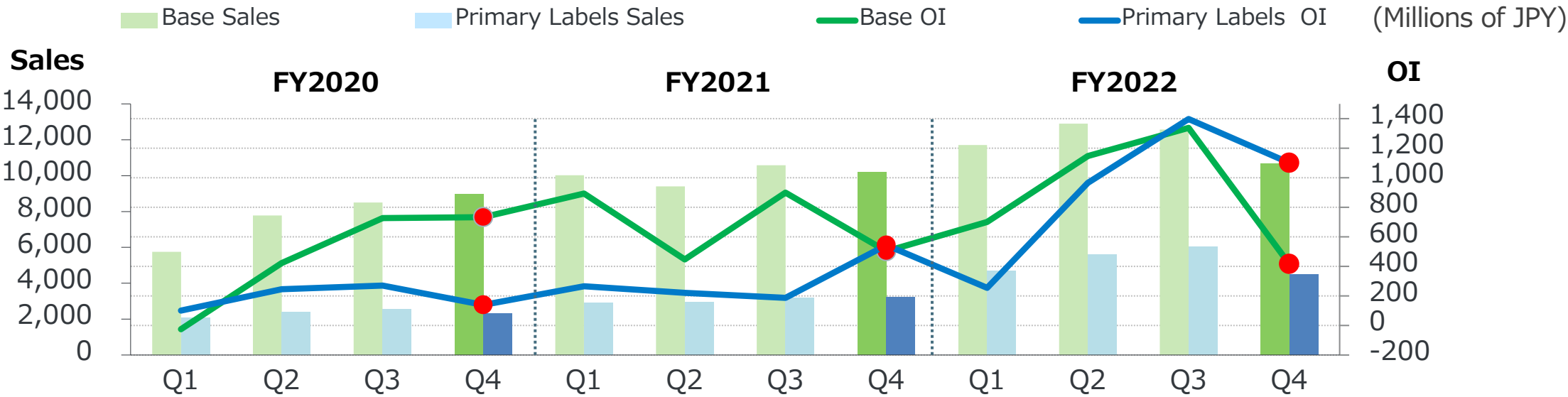
		FY2022 Jan-Mar	FY2021 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	10,659	10,206	+453	+4.4%	-4.0%
	Operating Income	416	502	-86	-17.2%	-17.5%
Primary Labels	Total Sales	4,493 (752)	3,217 (717)	+1,275 (+34)	+39.7% (+4.8%)	+11.1% (+13.7%)
	Operating Income	1,101 (95)	544 (55)	+556 (+39)	2.0x (+71.4%)	+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.

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

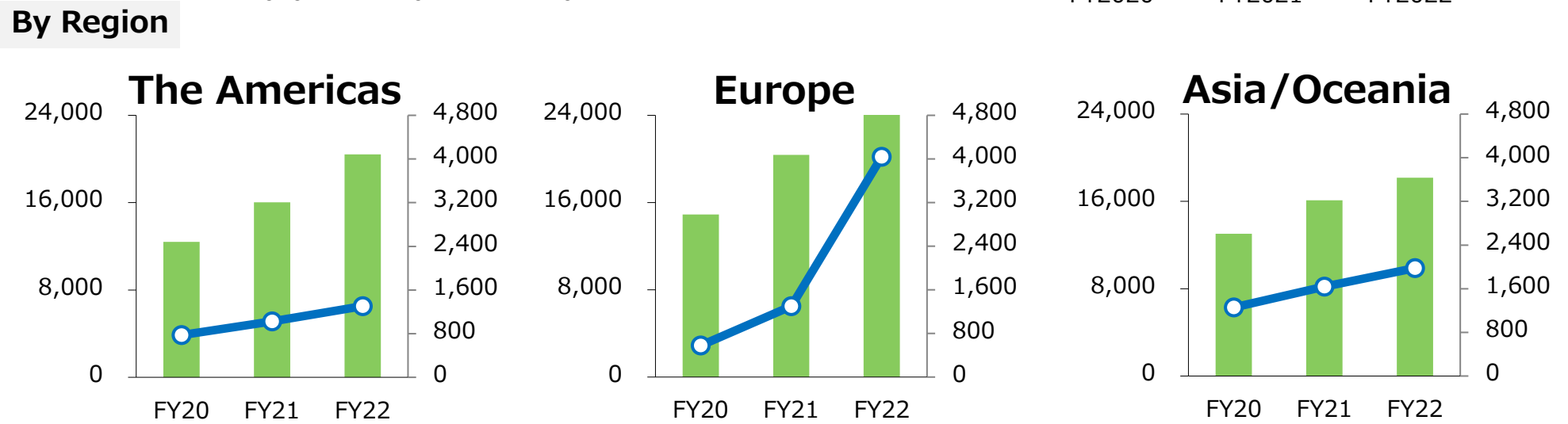
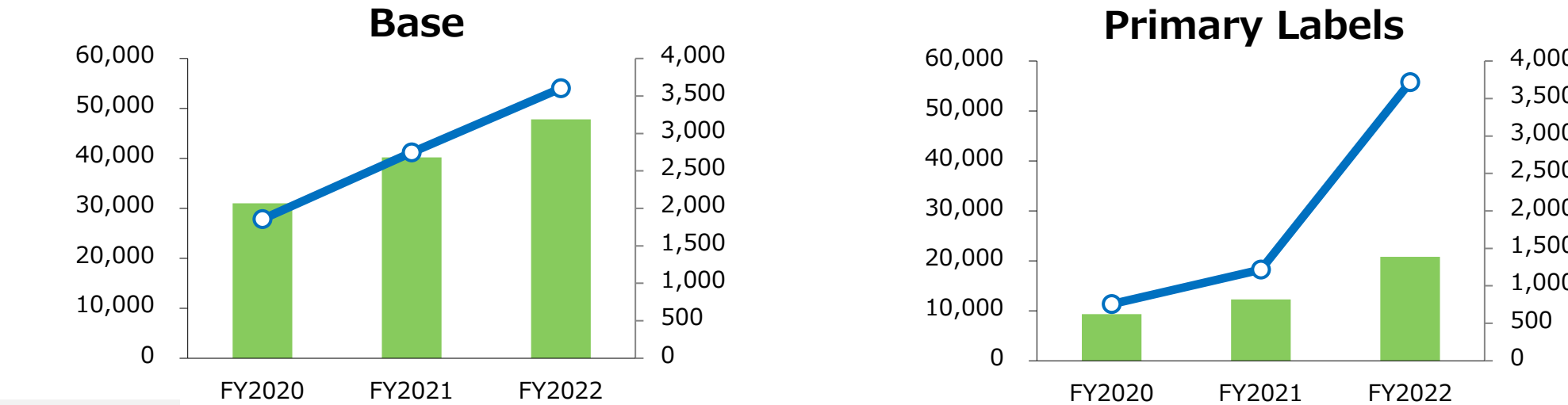


Sales and OI Trends by Business Segment and Region

By Business Segment

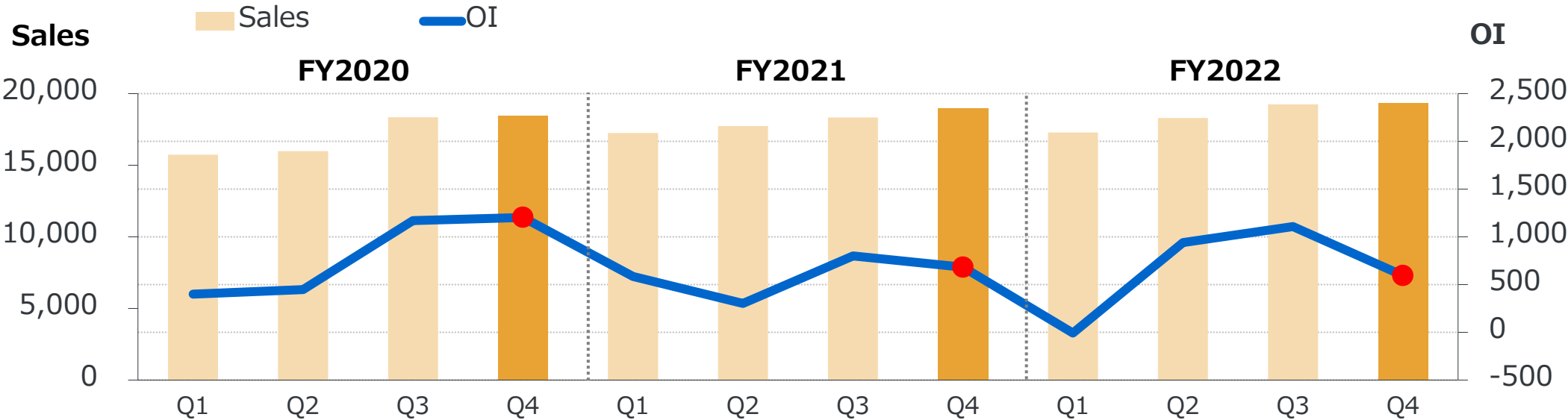
Sales

OI (Millions of JPY, Sales (left axis), OI (right axis))



Quarterly Sales & OI

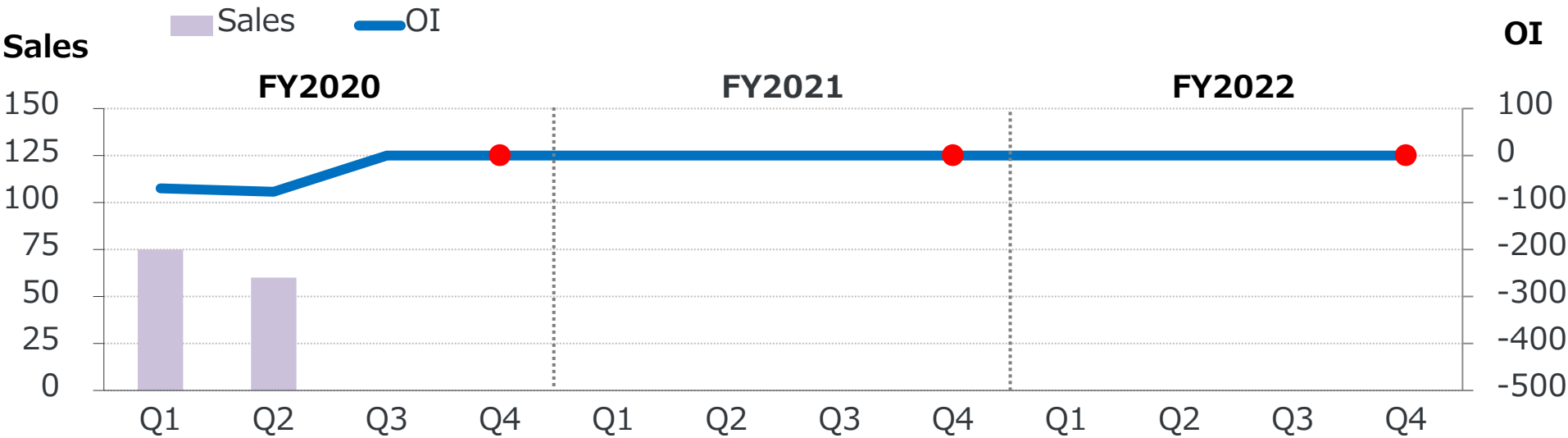
(Millions of JPY)



	FY2020				FY2021				FY2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	15,730	15,991	18,352	18,490	17,248	17,729	18,337	18,971	17,291	18,294	19,244	19,336
YoY	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%	+10.9%	-0.1%	+2.6%	+0.2%	+3.2%	+4.9%	+1.9%
OI	399	448	1,170	1,203	585	303	801	682	-8	941	1,108	594
YoY	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%	-32.4%	-31.5%	-43.3%	-	3.1x	+38.3%	-12.8%

Quarterly Sales & OI

(Millions of JPY)

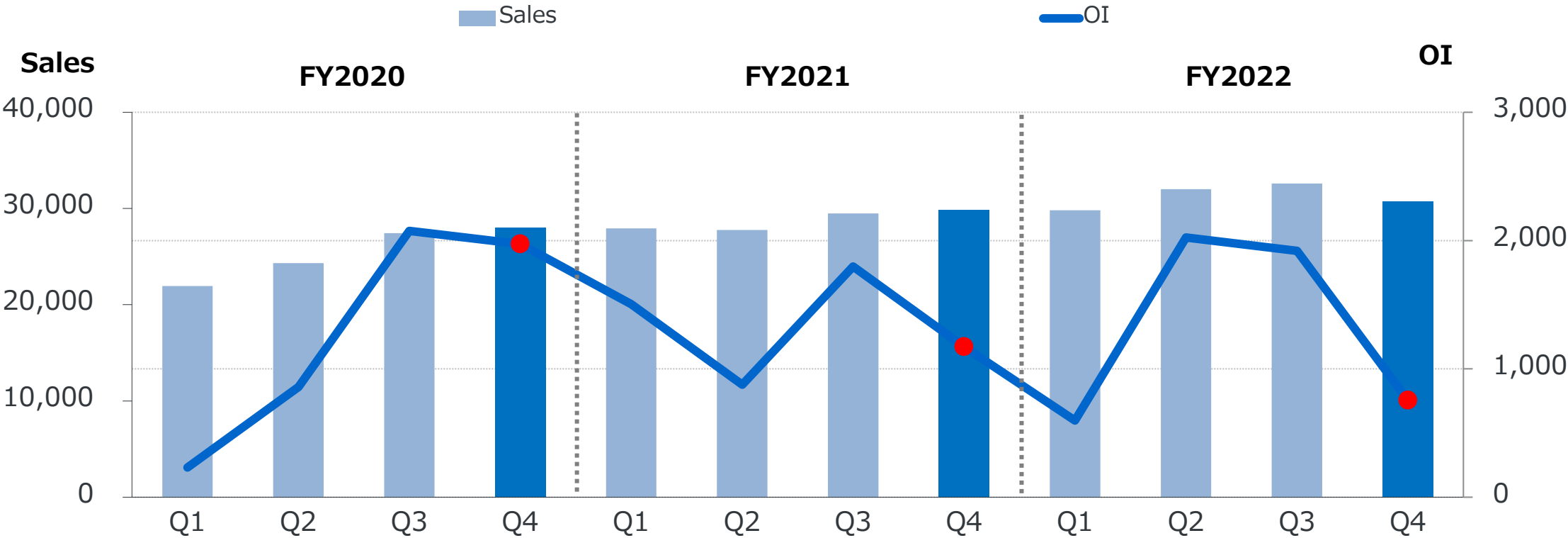


Sales	75	60	0	0	0	0	0	0	0	0	0	0
YoY	-24.6%	-35.9%	-	-	-	-	-	-	-	-	-	-
OI	-70	-77	0	0	0	0	0	0	0	0	0	0
YoY	-	-	-	-	-	-	-	-	-	-	-	-

* 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)

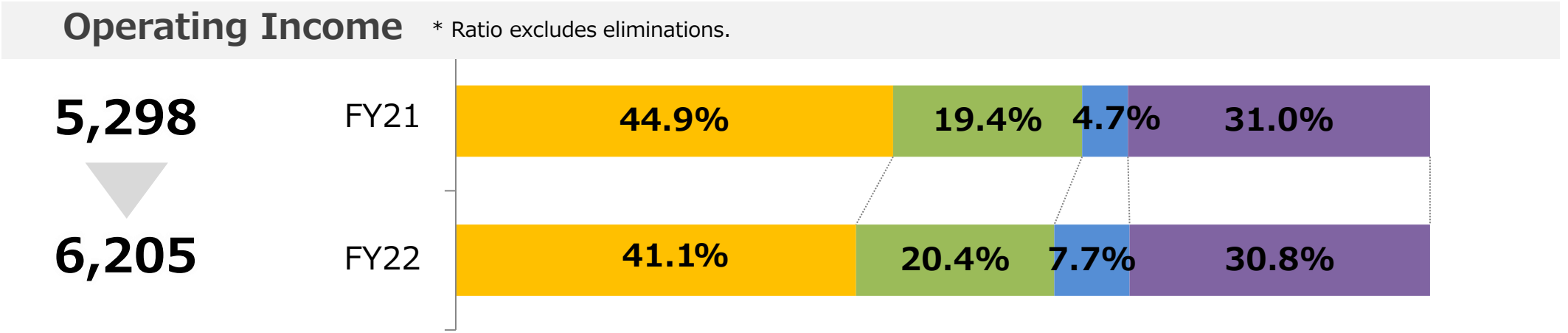
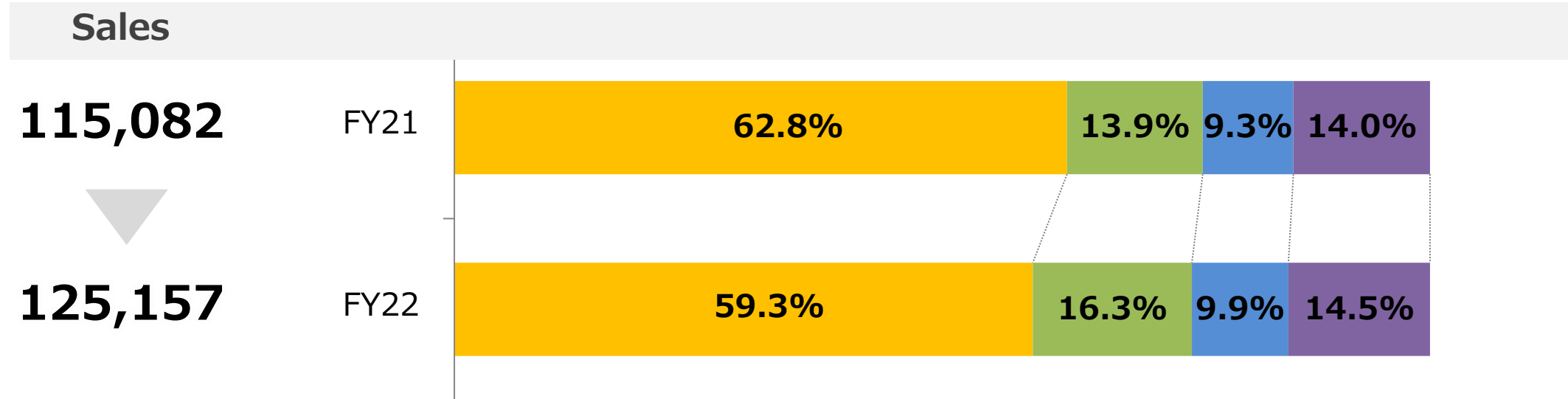


Sales	21,940	24,329	27,424	28,043	27,920	27,772	29,493	29,895	29,818	32,001	32,588	30,748
YoY	-17.9%	-11.7%	-2.3%	+3.9%	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%	+10.5%	+2.9%
OI	232	859	2,075	1,973	1,505	877	1,797	1,172	598	2,024	1,919	755
YoY	-84.5%	-56.3%	+2.8%	+11.1%	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x	+6.8%	-35.6%

Sales and OI by Region

(Figures exclude the Russian business) (Millions of JPY)

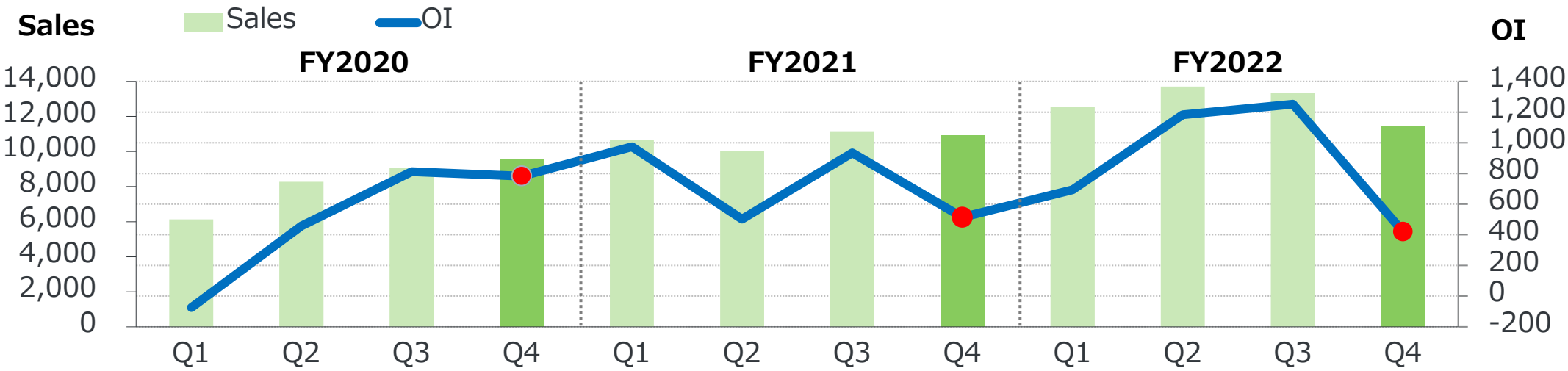
Japan The Americas Europe Asia/Oceania



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%

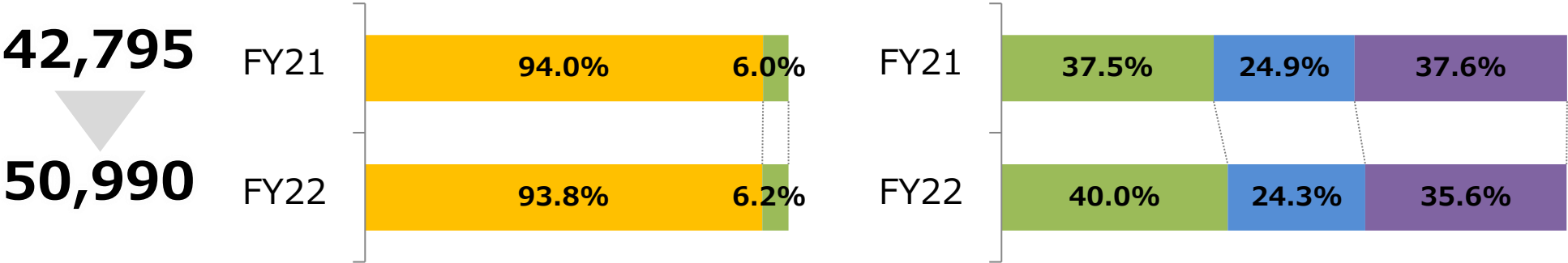
Sales and OI by Business Segment/Region

(Figures exclude the Russian business)

(Millions of JPY)

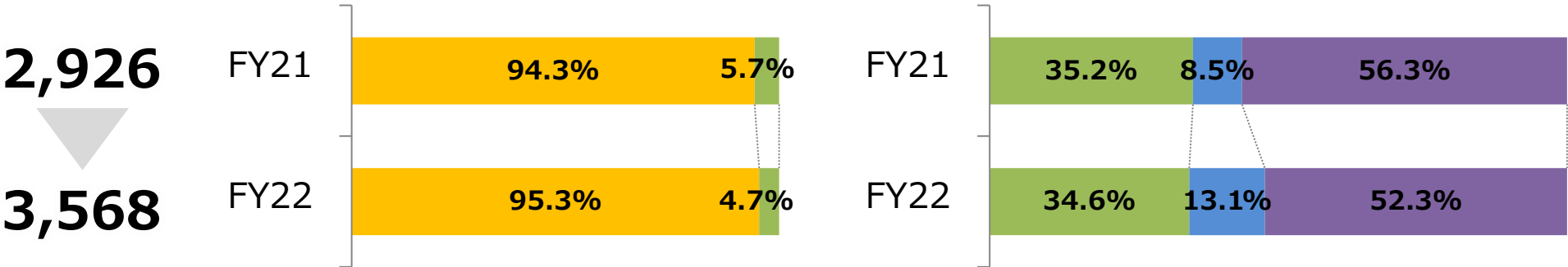
Base Primary Labels The Americas Europe Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.

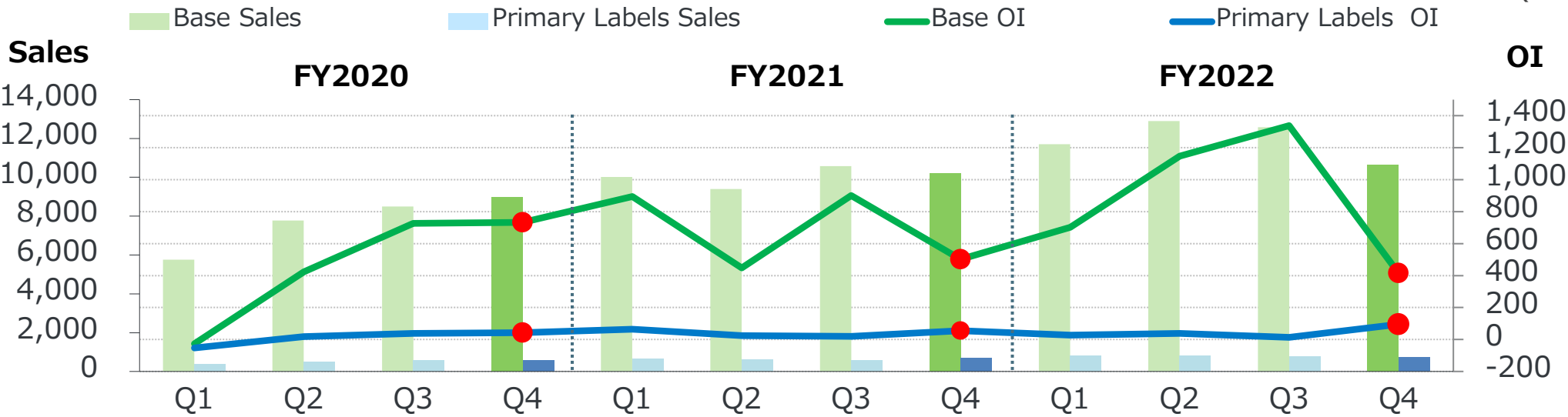


OI ratio:
FY21 Base : 6.8%, Primary Labels : 6.4%
FY22 Base : 7.5%, Primary Labels : 5.6%

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

Quarterly Sales & OI
(Figures exclude the Russian business)

(Millions of JPY)

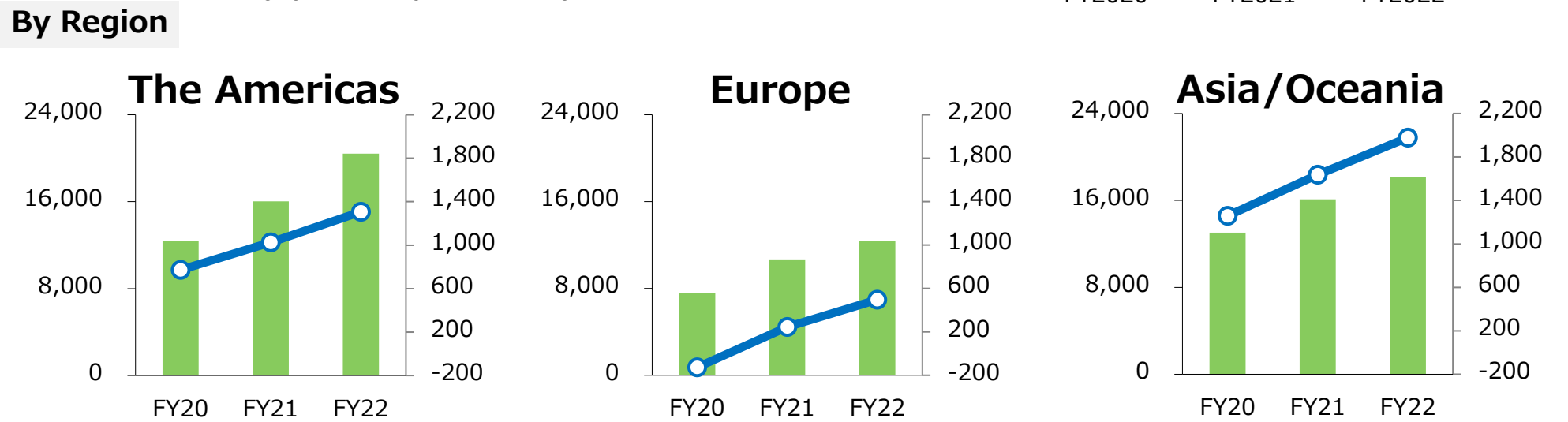
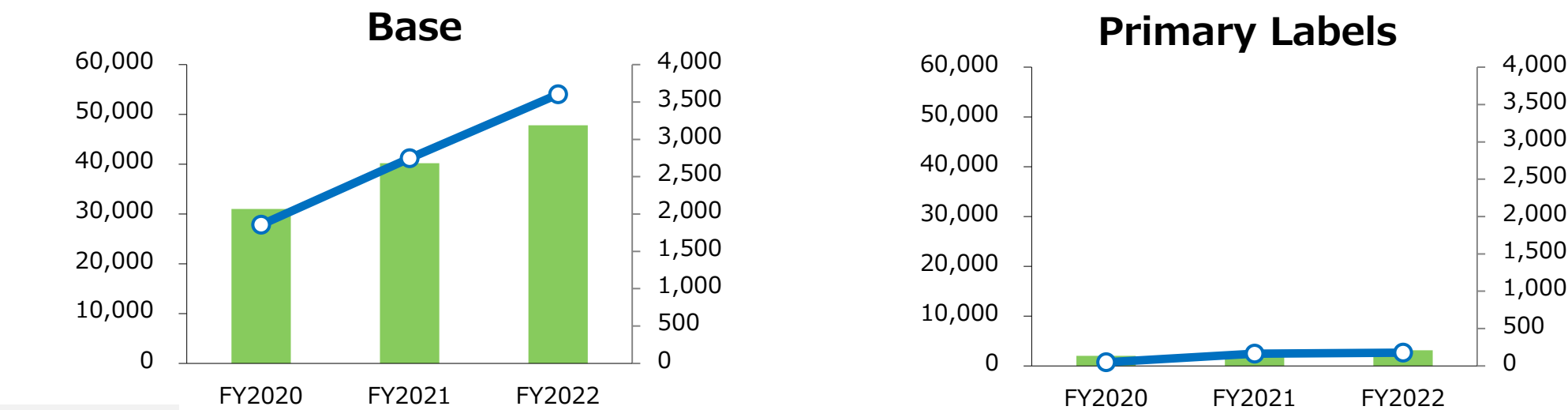


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	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%
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	YoY	-	-18.2%	-1.8%	2.1倍	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6倍	+48.7%	-17.2%
Primary Labels	Sales	378	498	571	576	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	-52	19	39	43	65	24	20	55	28	38	13	95
	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))



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).
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/labeling</u> 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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