


August 5, 2022

SATO HOLDINGS CORPORATION

FY2022 Q1 Financial Results

(Three Months Ended June 30, 2022)


Securities Code: 6287



**FY22 Apr-Jun
Results**

**FY22
Forecast/
Initiatives**

- This presentation consists of two parts.



**FY22 Apr-Jun
Results**

**FY22
Forecast/
Initiatives**

Summary

Consolidated

Sales were up and OI down YoY.

Auto-ID Solutions Business (Overseas)

Sales were up and OI down YoY.

- Base business: Sales increased, as robust demand continued and price revisions covered for increased costs. OI decreased mainly due to higher cost of printer components and raw materials for labels.
- Primary Labels business: Sales increased, owing to robust sales to the daily commodities industry and price revisions covering for higher costs. OI decreased mainly due to higher cost of raw materials for labels.

Auto-ID Solutions Business (Japan)

Sales were flat and OI decreased.

Despite robust sales in consumables owing to price revisions, sales overall were flat due to sluggish mechatronics sales. OI decreased due to the same cost factors seen in the Overseas business, together with changes in product mix and increase in R&D costs.



- On a consolidated basis, sales were up and operating income was down YoY.
- Despite impact from lockdowns in China, Overseas sales in the auto-ID solutions business increased as we captured robust demand by "selling the solution, not the product" ("*koto-uri*") while price revisions covered for increased costs. On the other hand, OI decreased due to an increase in various costs.
- In Japan, sales were flat and OI declined YoY.
- While consumables performed well owing to price revisions, mechatronics were sluggish despite their relatively high gross profit, resulting in sales overall to be flat YoY.
- OI decreased due to an increase in various costs and an increase in R&D expenses.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022	FY2021	Change	excl. FX impact	
Auto-ID Solutions business	Total Sales	33,686 (29,818)	30,177 (27,920)	+11.6% (+6.8%)	+3.5% (+1.8%)	
	Operating Income	910 (684)	1,760 (1,559)	-48.3% (-56.1%)	-50.3% (-54.4%)	
	Overseas	Total Sales	12,929 (10,672)	+26.8% (+17.4%)	+7.9% (+4.4%)	
		Operating Income	919 (693)	1,175 (974)	-21.8% (-28.8%)	-31.4% (-34.1%)
	Japan	Total Sales	17,291	17,248	+0.2%	+0.2%
		Operating Income	-8	585	-	-88.2%
Consolidated (incl. eliminations)	Total Sales	33,686 (29,818)	30,177 (27,920)	+11.6% (+6.8%)	+3.5% (+1.8%)	
	Operating Income	824 (598)	1,706 (1,505)	-51.7% (-60.2%)	-53.7% (-58.4%)	

* Figures in parentheses exclude the Russian business.



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

Major Gains/Losses in OI

* Changes in accounting classifications (P.17) are not taken into account.

(Millions of JPY)

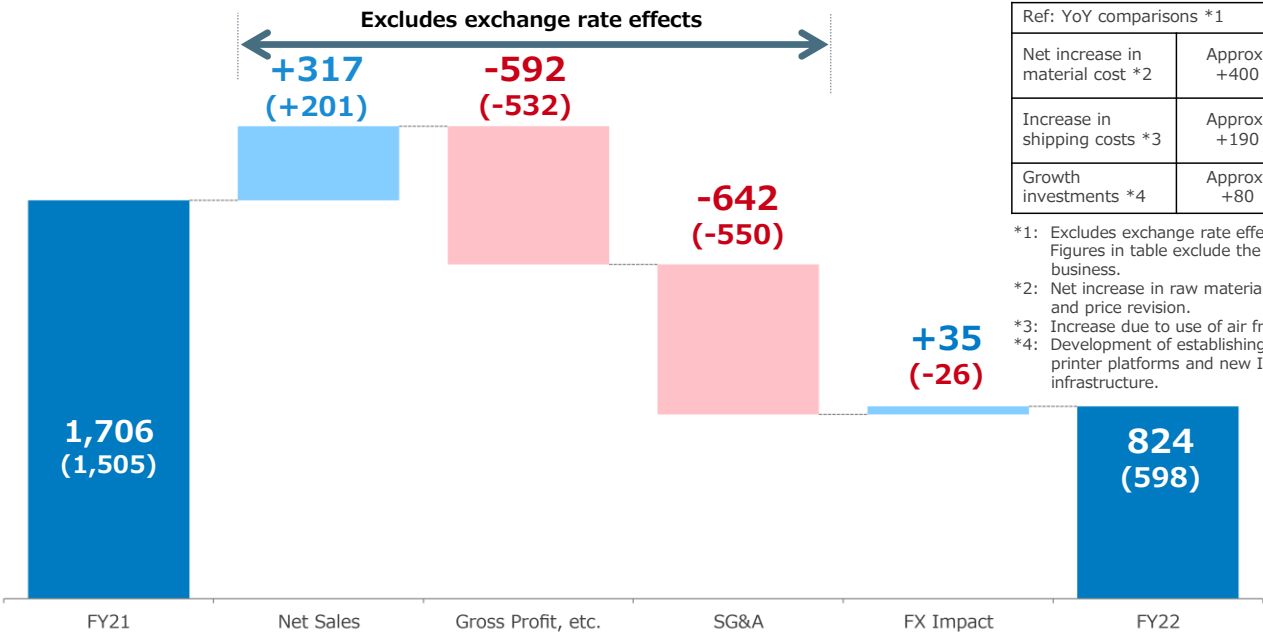
Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +400
Increase in shipping costs *3	Approx. +190
Growth investments *4	Approx. +80

*1: Excludes exchange rate effects. Figures in table exclude the Russian business.

*2: Net increase in raw material costs and price revision.

*3: Increase due to use of air freights.

*4: Development of establishing common printer platforms and new IT infrastructure.

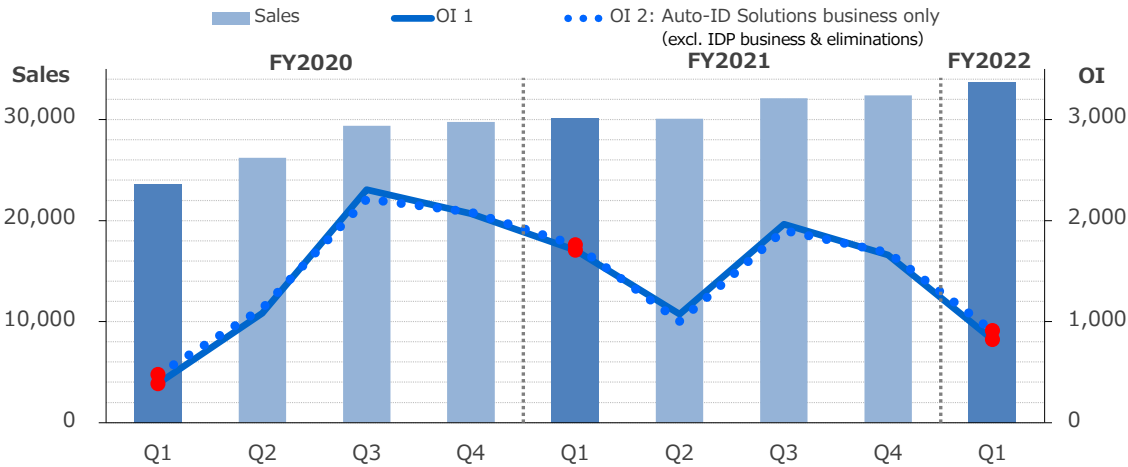


* Figures in parentheses exclude the Russian business.

- This slide compares OI of Q1 with that of the previous year.
- The YoY comparisons of raw material, shipping and growth investment costs are shown on the top right.
- Details will be explained in later slides for Overseas and Japan.

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
YoY	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%
OI 1	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660	824
YoY	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%	-51.7%
OI 2	476	1,132	2,213	2,083	1,760	1,001	1,903	1,685	910
YoY	-74.6%	-52.0%	-10.4%	+1.8%	3.7x	-11.5%	-14.0%	-19.5%	-48.3%



- This slide shows consolidated sales and operating income by quarter.
- In Q1, net sales reached a record high.

Consolidated Results

(Millions of JPY)

	FY2022	FY2021	Change	YoY
Net Sales	33,686 (29,818)	30,177 (27,920)	+3,508 (+1,897)	+11.6% (+6.8%)
Operating Income	824 (598)	1,706 (1,505)	-881 (-906)	-51.7% (-60.2%)
Operating Income %	2.4% (2.0%)	5.7% (5.4%)	-3.2pt (-3.4pt)	- -
Ordinary Income	2,049 (752)	1,644 (1,382)	+405 (-630)	+24.6% (-45.6%)
Profit attributable to owners of parent	1,195 (452)	1,085 (916)	+109 (-463)	+10.1% (-50.6%)
Effective Tax Rate	25.4%	28.6%	-3.1pt	-
EBITDA*	2,125 (1,707)	2,798 (2,488)	-672 (-780)	-24.0% (-31.4%)

Average exchange rates for Apr-Jun FY22: JPY 129.72/USD, JPY 138.25 /EUR, Apr-Jun FY21: JPY 109.51 /USD, JPY 131.93 /EUR
FX sensitivity for FY22: JPY +383million in sales and JPY +3million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Apr-Jun FY22: JPY 1,224 million (1,032 million)
· Amortization for Apr-Jun FY22: JPY 76 million (76 million)

Apr-Jun FY21: JPY 1,033 million (924 million)
Apr-Jun FY21: JPY 58 million (58 million)



* Figures in parentheses exclude the Russian business.

- These are the consolidated results for Q1.
- The large difference in operating income and ordinary income is due to foreign exchange gains of JPY 1.162 billion.

Overview

Sales increased in all regions, owing to efforts to steadily capture robust demand and progress in revising product prices to cover for cost increases. OI decreased due to higher printer manufacturing costs and raw material prices for labels and increase in labor costs.

(Millions of JPY)

	FY2022	FY2021	Change	YoY	excl. FX impact
Total Sales	16,394 (12,527)	12,929 (10,672)	+3,465 (+1,854)	+26.8% (+17.4%)	+7.9% (+4.4%)
Gross Profit	5,275 (4,533)	4,693 (4,210)	+581 (+322)	+12.4% (+7.7%)	-
Gross Profit %	32.2% (36.2%)	36.3% (39.5%)	-4.1pt (-3.3pt)	-	-
Operating Income	919 (693)	1,175 (974)	-256 (-281)	-21.8% (-28.8%)	-31.4% (-34.1%)
Operating Income %	5.6% (5.5%)	9.1% (9.1%)	-3.5pt (-3.6pt)	-	-

* Figures in parentheses exclude the Russian business.



- We now explain the results of our Overseas business.
- Sales increased in all regions, owing to efforts to steadily capture robust demand and progress in revising product prices to cover for cost increases. Another factor was that we were able to reduce the backlog of printer orders.
- OI decreased due to higher printer manufacturing costs and raw material prices for labels and increase in labor costs.

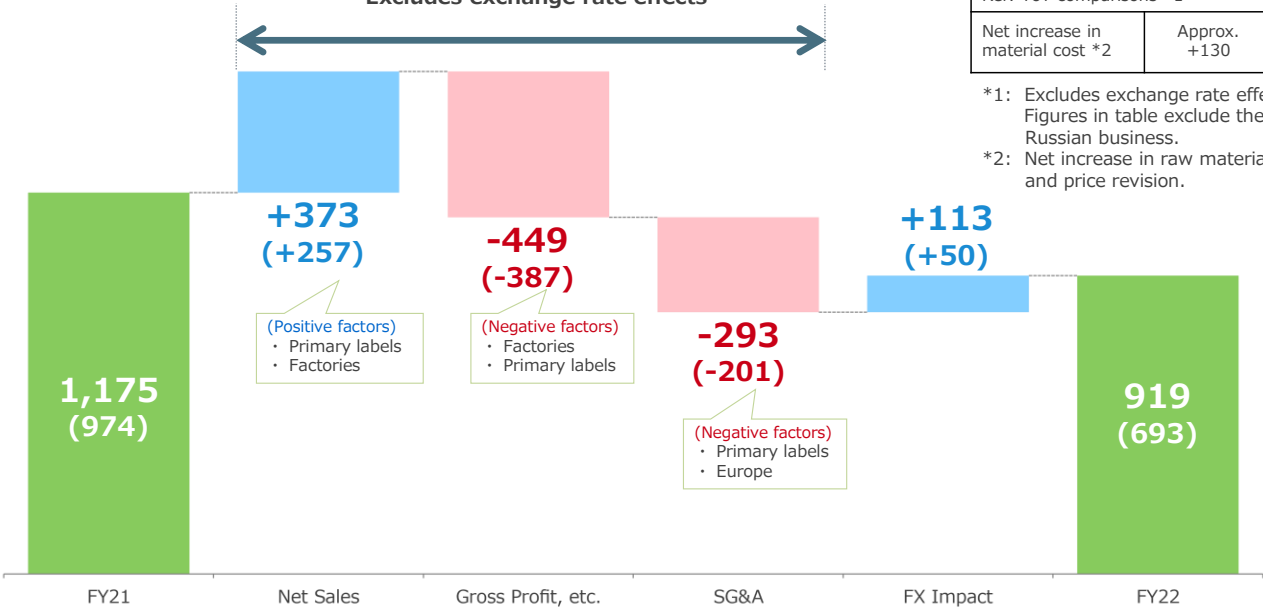
Major Gains/Losses in OI

(Millions of JPY)

Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +130

*1: Excludes exchange rate effects. Figures in table exclude the Russian business.
*2: Net increase in raw material costs and price revision.

Excludes exchange rate effects



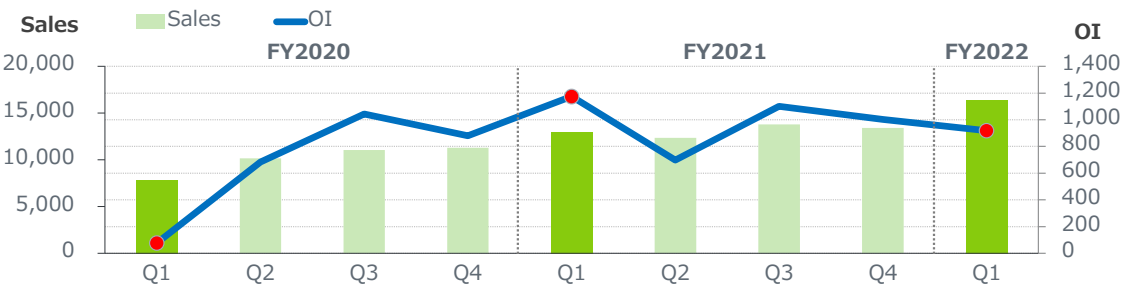
* Figures in parentheses exclude the Russian business. Details shown in the bubble include the Russian business.

- This slide compares OI of Q1 with that of the previous year.
- Factors listed in the bubbles include those from the Russian business.
- Sales increased in all regions, but OI decreased due to cost increases at printer factories in Asia and in our Primary Labels business in Russia, as well as higher SG&A expenses in Russia and subsidiaries in Europe.

Auto-ID Solutions Business (Overseas)

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
YoY	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%
OI	77	683	1,043	880	1,175	698	1,101	1,003	919
YoY	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%	+14.0%	-21.8%



- This slide shows sales and operating income by quarter.
- Quarterly sales reached a record high in Q1.

Breakdown by Region: The Americas

Base business: Sales increased owing to efforts to capture robust demand mainly in the U.S. retail market, and price revision effects. OI decreased due to higher raw material prices for labels and increase in labor costs.

Primary Labels business: Sales increased due to robust demand in the daily commodities industry, but OI declined due to higher raw material prices for labels.

(Millions of JPY)

		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	4,214	3,458	+755	+21.8%	+3.2%
	Operating Income	168	251	-82	-32.9%	-42.8%
Primary Labels • Achernar • Prakolar	Total Sales	821	648	+172	+26.6%	+11.3%
	Operating Income	94	117	-22	-19.0%	-18.4%
Total	Total Sales	5,035	4,107	+927	+22.6%	+4.5%
	Operating Income	263	368	-104	-28.5%	-35.1%

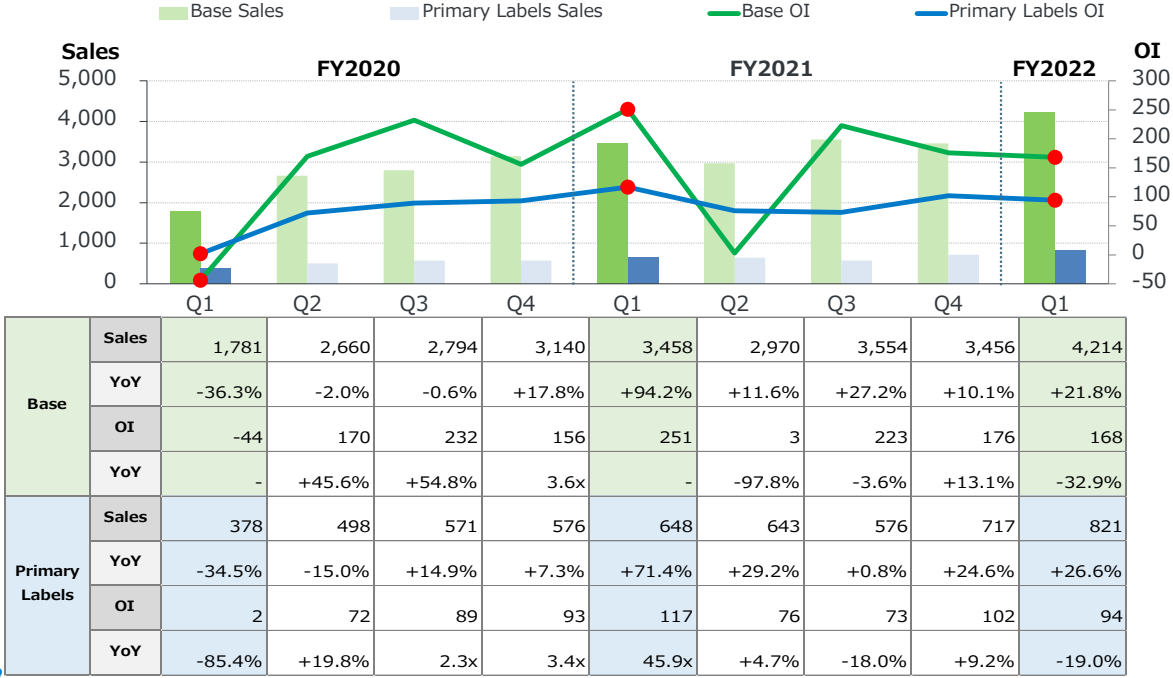


- We now look at each region.
- In the Americas, sales increased and OI decreased.
- Sales in the Base business increased owing to efforts to capture robust demand mainly in the U.S. retail market, and price revision effects. OI decreased due to higher raw material prices for labels and increase in labor costs.
- Sales in Primary Labels saw stable sales continue and OI increase. Price revisions are progressing steadily, but profits declined due to an increase in various costs caused by inflation.

Auto-ID Solutions Business (Overseas)

The Americas: Quarterly Sales & OI

(Millions of JPY)



- This slide shows figures by quarter.
- Quarterly sales in both Base and Primary Labels businesses posted record highs in Q1.

Breakdown by Region: Europe

Base business: Sales increased due to price revisions and continued focus on strong industries such as supermarkets and restaurants. Despite rising raw material prices for labels, OI increased due to the effect of increased sales.

Primary Labels business: Sales increased as Okil expanded business into existing accounts in food and beverages. OI increased as higher sales covered for increase in label material prices and forex impacts.

(Millions of JPY)

		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	3,195	2,746	+448	+16.3%	+10.8%
	Operating Income	170	115	+54	+46.9%	+42.4%
Primary Labels (Russian business)	Total Sales	3,867	2,256	+1,610	+71.4%	+24.1%
	Operating Income	(0)	(0)	(+0)	-	-
• Okil • X-Pack	Total Sales	159	149	+10	+6.8%	-22.6%
	Operating Income	(-66)	(-52)	(-14)	-	-
Total	Total Sales	7,063	5,003	+2,059	+41.2%	+16.8%
	Operating Income	(3,195)	(2,746)	(+448)	(+16.3%)	(+10.8%)
	Total Sales	329	264	+64	+24.4%	+5.8%
	Operating Income	(103)	(63)	(+39)	(+62.2%)	(+82.9%)

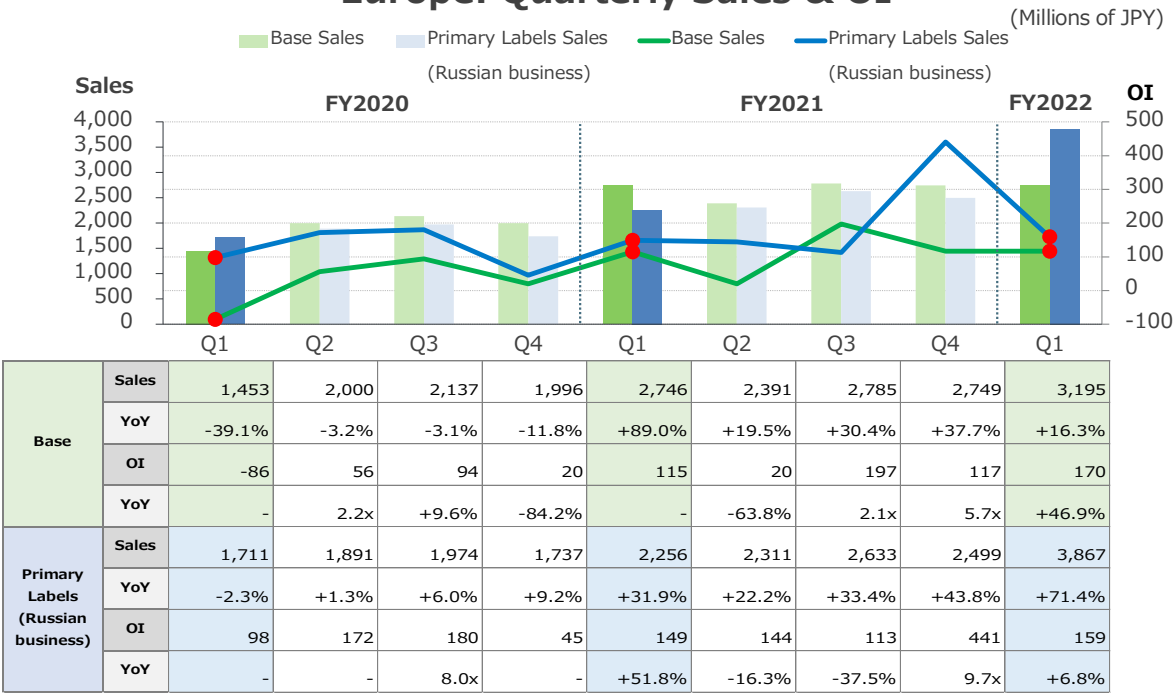


* Figures in parentheses exclude the Russian business.

- In Europe, both sales and OI increased.
- In the Base business, sales to supermarkets and restaurants were strong. OI increased as constraints in printer supply resolved and price revisions progressed. Higher sales absorbed cost increases, resulting in OI increase.
- Sales in the Primary Labels business increased as Okil expanded business into existing accounts in food and beverages. Despite rising costs and impacts from exchange rates, OI increased due mainly to the effects of increased sales.

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI



- This slide shows figures by quarter.
- Sales in the Base business reached a record high and OI was the second highest ever.
- Sales in Primary Labels also saw a record high.

Breakdown by Region: Asia/Oceania

Base business: Sales increased owing to sales subsidiaries in Thailand and India and Argox in Taiwan covering for the impact of lockdowns that mainly affected sales in China. Price revisions also contributed to the increase.
OI decreased as higher cost to manufacture printers curtailed factory profits.

(Millions of JPY)

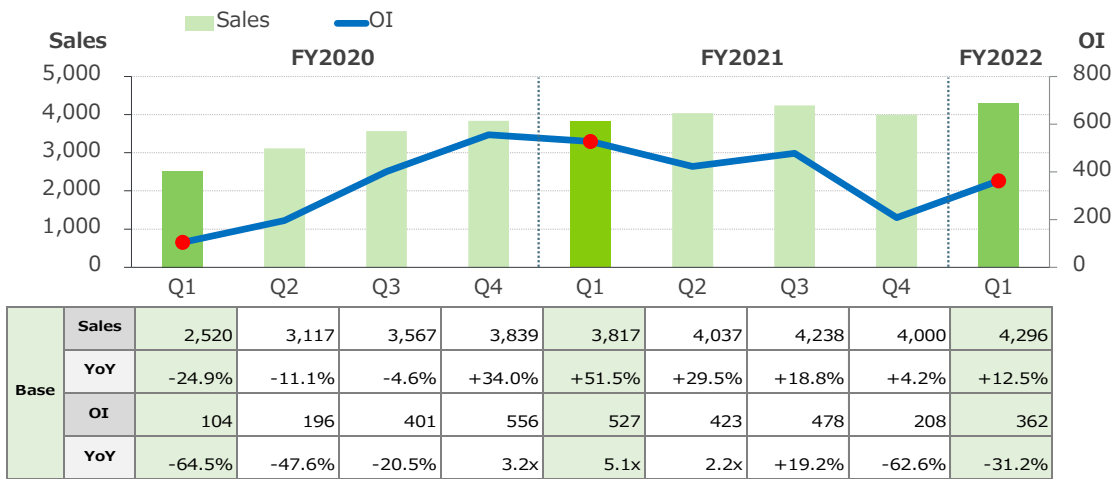
		FY2022	FY2021	Change		
					YoY	excl.FX Impact
Base	Total Sales	4,296	3,817	+478	+12.5%	-0.2%
	Operating Income	362	527	-164	-31.2%	-38.7%



- In Asia and Oceania, sales increased but OI declined.
- Lockdowns in China affected sales subsidiaries in China, Singapore and some others, but a strong recovery was seen mainly in India and Southeast Asia, particularly in Thailand. Argox in Taiwan also contributed to the sales increase.
- Higher cost of printer components impacted profits at factories in Malaysia and Vietnam, resulting in the OI decline.

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



- This slide shows figures by quarter.
- Sales rose to a record high.

Overview

Consumables sales grew owing to demand mainly from manufacturing and health care sectors, and product prices were revised across markets, yet overall sales remained flat as large mechatronics orders seen last FY in logistics and retail are no longer accounted for. OI decreased due to higher raw material prices, change in product mix, and increased R&D and shipping costs.

(Millions of JPY)

	FY2022	FY2021	Change	YoY
Mechatronics Sales	6,501	6,732	-231	-3.4%
Consumables Sales	10,790	10,515	+274	+2.6%
Total Sales	17,291	17,248	+43	+0.2%
Gross Profit	7,914	8,246	-331	-4.0%
Gross Profit %	45.8%	47.8%	-2.0pt	-
Operating Income	-8	585	-594	-
Operating Income %	-	3.4%	-	-

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

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

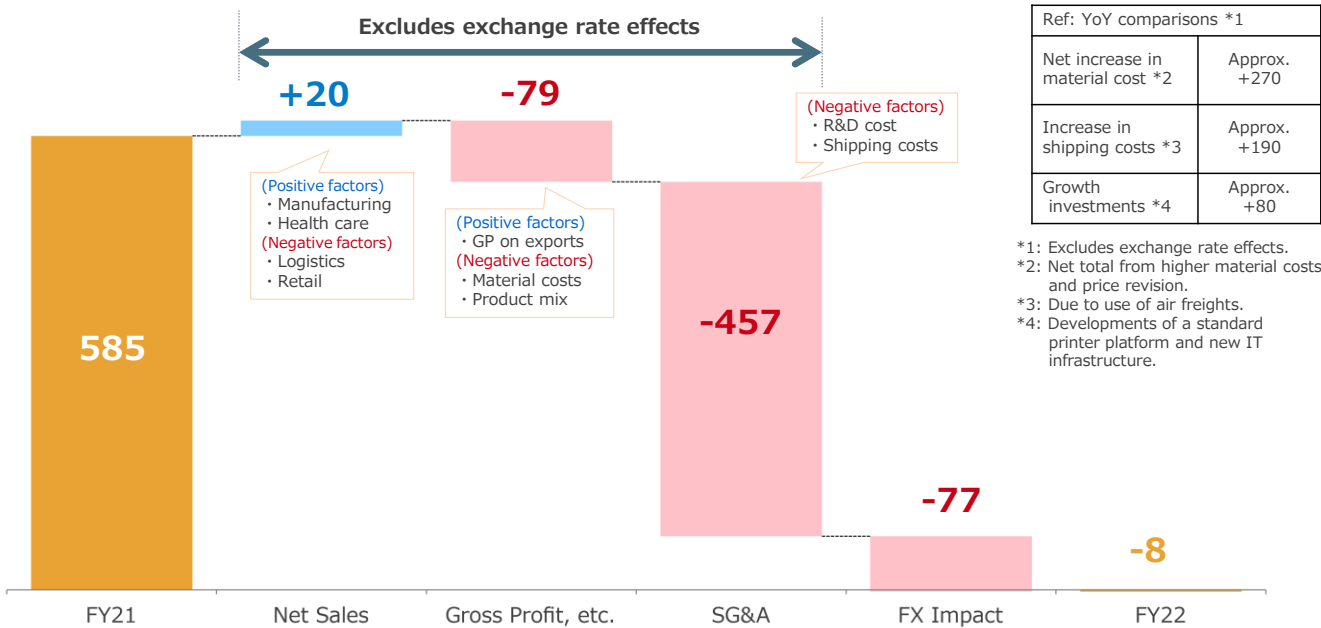
Note 2: Changes in accounting classifications of maintenance related costs from SG&A to COGS in FY22 lead to lower GPM (approx. 1 ppt).



- We now look at results in Japan.
- Consumables sales grew owing to demand mainly from manufacturing and health care sectors. We saw growth in consumables from the previous year and also from pre-pandemic FY2019.
- Price revisions are also progressing across markets.
- On the other hand, sales were flat, as large mechatronics orders seen last FY are no longer accounted for.
- Gross profit margin declined mainly due to the impact of higher printer component costs.
- We changed the accounting classification of maintenance-related expenses from SG&A expenses to COGS. This was another factor to the decline in gross profit margin.
- SG&A expenses rose, largely due to R&D expenses and other investments for growth, and higher shipping costs from increased use of air freight.
- These factors resulted in OI decline for Q1.

Major Gains/Losses in OI

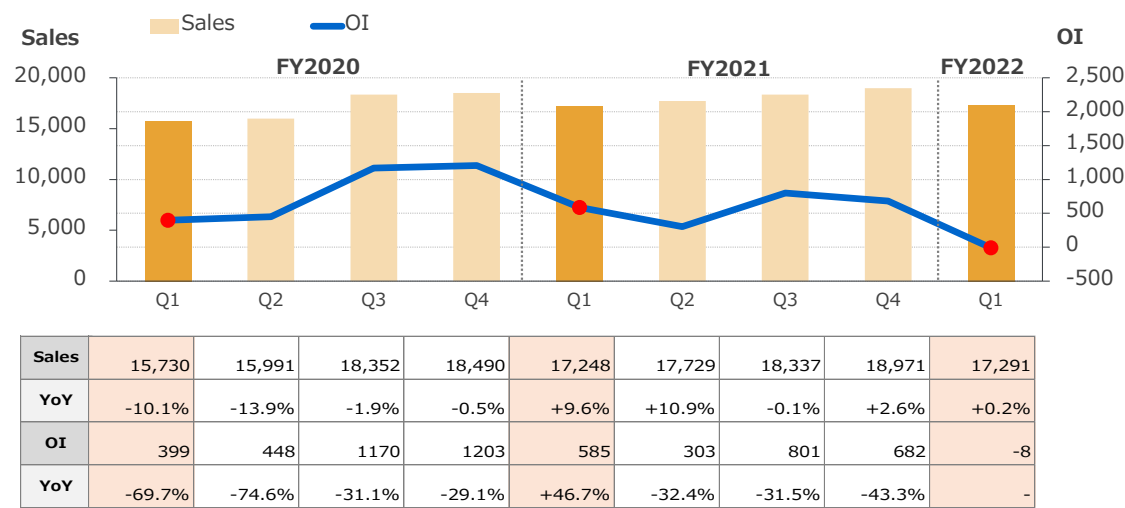
* Changes in accounting classifications (P.17) are not taken into account.
(Millions of JPY)



- This slide compares OI of Q1 with that of the previous year. The aforementioned change in the classification of maintenance expenses is not taken into account here.
- Gross profit was driven positively by an increase in printer exports due to strong demand overseas. Negative impacts are primarily due to higher raw material costs resulting from the supply chain disruption. As shown in the reference table on the right, YoY increase was approximately JPY 270 million. There was no increase in raw material costs for Q1.
- SG&A expenses increased mainly due to R&D expenses and shipping costs. Shipping costs include increases due to the use of air freight caused by supply chain disruptions. As shown in the reference table on the right, YoY increase was approximately JPY 190 million. There was no increase in shipping costs for Q1.
- As a result, OI in Q1 was a negative JPY 8 million.

Quarterly Sales & OI

(Millions of JPY)



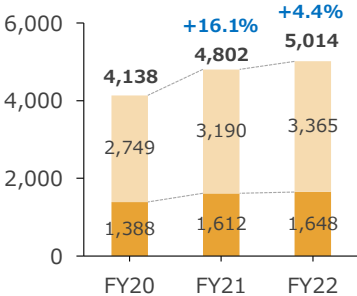
●This slide shows figures by quarter.

Sales by Vertical 1/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

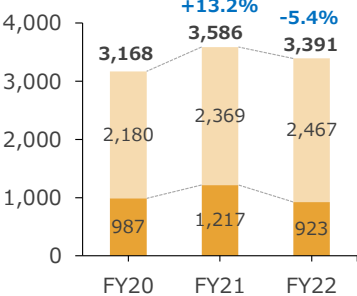
Manufacturing



Increased demand for semiconductors propelled electrical and electronic component industries. Meanwhile, production in the automobile and related industries were sluggish.

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

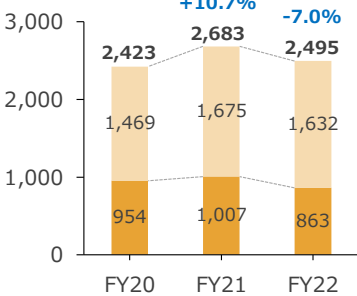
Logistics



The e-commerce industry remained brisk. Demand continued to grow for automation and DX in each industry.

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

Retail



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

Consumables sales increased in apparel but declined overall due to a pause in demand growth at supermarkets. Mechatronics continue to see demand from businesses seeking solutions to labor shortages but declined overall, as last FY's figures included large orders that are no longer accounted for.

Business environment

SATO



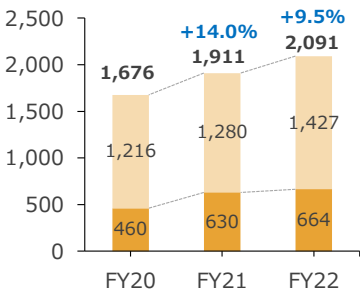
- And these are sales by vertical.
- Manufacturing: As solid performance continued in the machinery, electrical machinery, and electronic components industries, sales of consumables exceeded pre-pandemic FY2019 levels. Mechatronics sales also grew due to efforts in capturing robust RFID demand for more efficient operations and automation.
- Logistics: Consumables sales grew thanks to increase in volume from brisk demand in the e-commerce industry and recovery of the wholesale industries. Sales of mechatronics decreased as large mechatronics orders seen last FY are no longer accounted for, despite strong demand for automation and RFID related products.
- Retail: In general, companies are still eager to invest in automation and changes that streamline operations. Sales of mechatronics and consumables decreased, however, as demand growth at supermarkets halted and large mechatronics orders seen last year are no longer accounted for.

Sales by Vertical 2/2

(Millions of JPY)

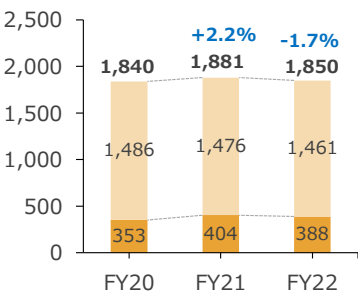
■ : Mechatronics ■ : Consumables * % indicates YoY change

Health Care



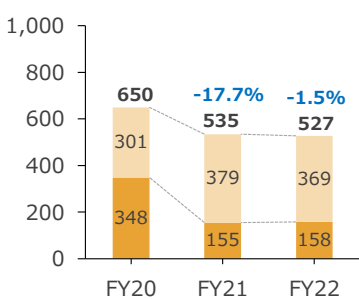
Demand remained firm overall for solutions that improve administrative efficiency and address labor shortages. Investment trends are back, particularly for automation and RFID.

Food & Beverage



Demand continued to stay strong for traceability, operational efficiency and automation solutions that address legal compliance, higher quality control awareness, and labor shortages.

Public



The overall business environment remained stable.

Business environment

SATO

Consumables rose as demand from hospitals returned and RFID use for improving administrative efficiency increased. Mechatronics grew thanks to automation demand in the pharmaceutical manufacturing industry.

Despite the strong recovery in demand from restaurants, consumables sales were flat due to decline in beverages. Mechatronics sales grew in food manufacturing from capturing automation needs, but declined overall, as last FY's figures included large orders in restaurants no longer accounted for.

Consumables decreased slightly due to delayed deliveries to large customers. Mechatronics demand generally remained stable and sales slightly increased.



- Health care: Consumables rose as demand from hospitals returned and RFID use for improving administrative efficiency increased. Mechatronics also grew owing to stable need to respond to labor shortages.
- Food: Demand continued to stay strong for traceability that address legal compliance and higher quality control awareness. In Q1, sales declined overall, as last year's figures included large orders in restaurants no longer accounted for.
- Public: The business environment remains stable, but results are affected by trends in large orders. Consumables declined slightly due to delays in delivery to large-lot customers, but mechatronics performed strongly.



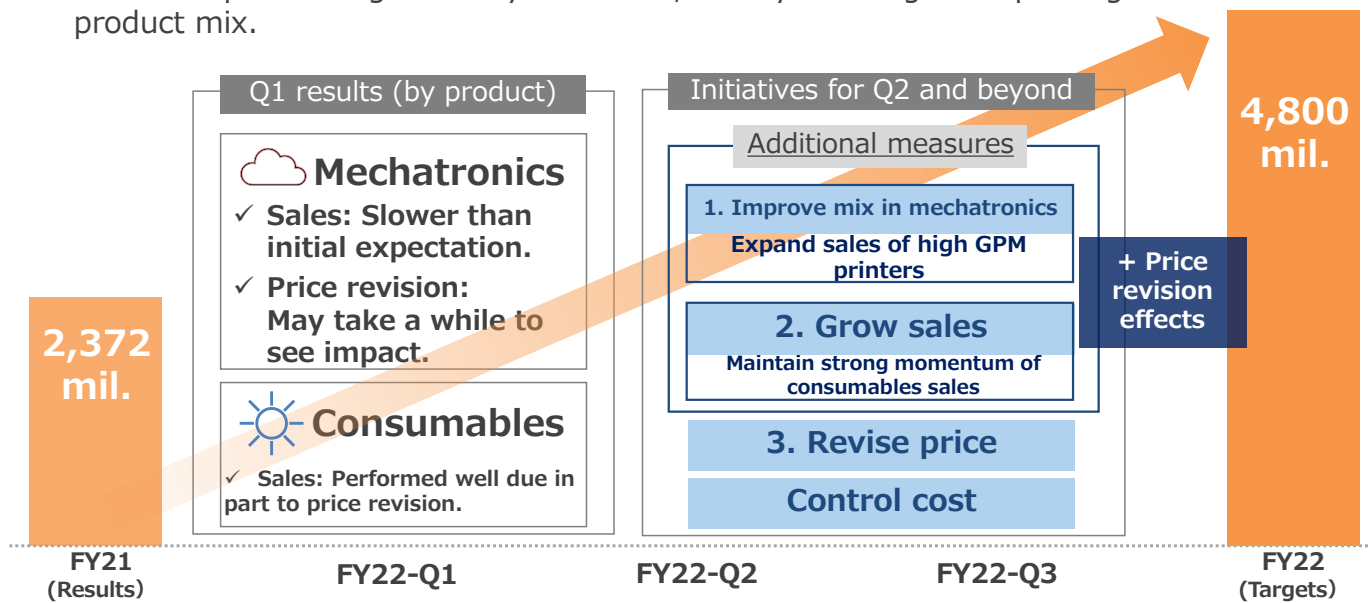
**FY22 Apr-Jun
Results**

**FY22
Forecast/
Initiatives**

- This section focuses on the outlook for FY2022 and our initiatives in the Japan business.
- The explanation is based on comparisons with full-year forecasts.

Japan: Achievements in Q1 and actions going forward

In Q1, sales of mechatronics were slower compared to our initial forecasts. We are implementing recovery measures, mainly focusing on improving product mix.



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- These are achievements in Q1 and actions going forward.

- First, we explain the progress made in Q1 toward the full-year forecast (JPY 4.8 billion).

- Sales of mechatronics were lower than planned. Main factors were weak demand in the automobile and related industries, delay in business talk proceedings, and the fact that price revisions take a while to show effects.

- Business talks slowed because customers had to deal with procurement difficulties as much as us and prioritize matters of higher urgency such as price revision.

- Sales of consumables performed better than expected, owing to increase in volume of goods and greater need to improve operational efficiency, as well as to price revisions.

- While sales of mechatronics were weaker than anticipated, consumables grew, which led to less-than-anticipated results in improvement of product mix and increase of gross profit.

- From these results, we will push forward with measures for Q2 and beyond as shown on the right. There are 3 measures.

- Initiative 1: Improve product mix in mechatronics by expanding sales of high GPM printers. This means we will be focusing on selling printers with particularly high GPM.

- Initiative 2: Grow overall sales by maintaining strong momentum of consumables sales.

- Initiative 3: Revise price.

- We aim to achieve the full-year plan by accelerating implementation, including the cost control initiatives we have been working on.

Japan Initiatives: 1. Improve mix in mechatronics

We already expect to achieve about 95% of the full-year forecast in mechatronics sales. Based on this pipeline, we hope to improve product mix by expanding sales of high GPM printers (Effects will be evident mainly in the 2H).



● Here are the details of each initiative.

● Initiative 1: Improve product mix in mechatronics

● With the Q1 results added in, we already expect to achieve about 95% of the full-year forecast for mechatronics sales that we formulated at the beginning of the fiscal year.

● This is based on the fact that we have approximately 15% more sales expected in our pipeline for Q2 onward than for the same period in FY2021. Considering that our mechatronics sales target for this fiscal is approximately 8% higher than the FY2021 actual, we already expect roughly double that increase.

● Through our ongoing initiative to take an “Everyone’s a sales” mindset, we aim to capture opportunities and create more leads.

● The remaining 5% on the right side of the bar will be largely covered by capturing opportunities in our pipelines and expanding sales of high GPM printers as we list as an additional measure.

● We will expand sales of high GPM industrial printers in markets of relatively high GPM such as manufacturing and health care, as well as in logistics. We will focus more on existing customers rather than new ones, promoting printer replacements.

● And rather than simply encouraging replacement, we will expand sales through market- and industry-specific solutions involving RFID and other products currently in strong demand.

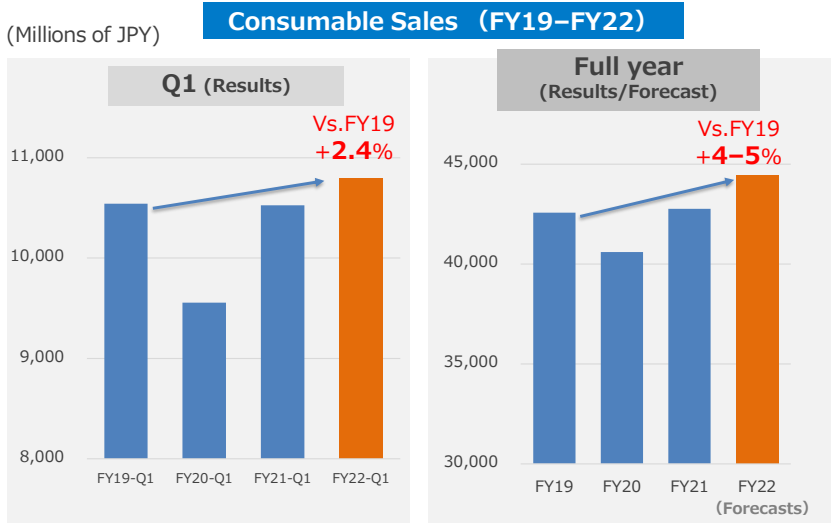
● The effects of these initiatives will be seen mainly in the 2H of the fiscal year.

● In addition, we are being flexible in changing design specifications in our printers and controlling PSI, aiming to enhance our adaptability to changes in material procurement and external circumstances.

Japan Initiatives: 2. Grow sales

Consumables sales in Q1 of FY22 exceeded those of Q1 FY19 before the pandemic. We will try to keep this momentum up.

We target full-year sales for FY22 to exceed FY19 results by 4–5%, taking advantage of price revisions.



- **Capture strong demand from better-performing industries.**
Manufacturing: Electronics, electronic parts
Logistics: E-commerce
Health care: Medical equipment manufacturers
- **Further promote price revisions that are showing apparent effects.**
- **Control cost**
Standardize operations, reconsider label materials, control PSI, etc.
- **Respond to future cost increases flexibly.**

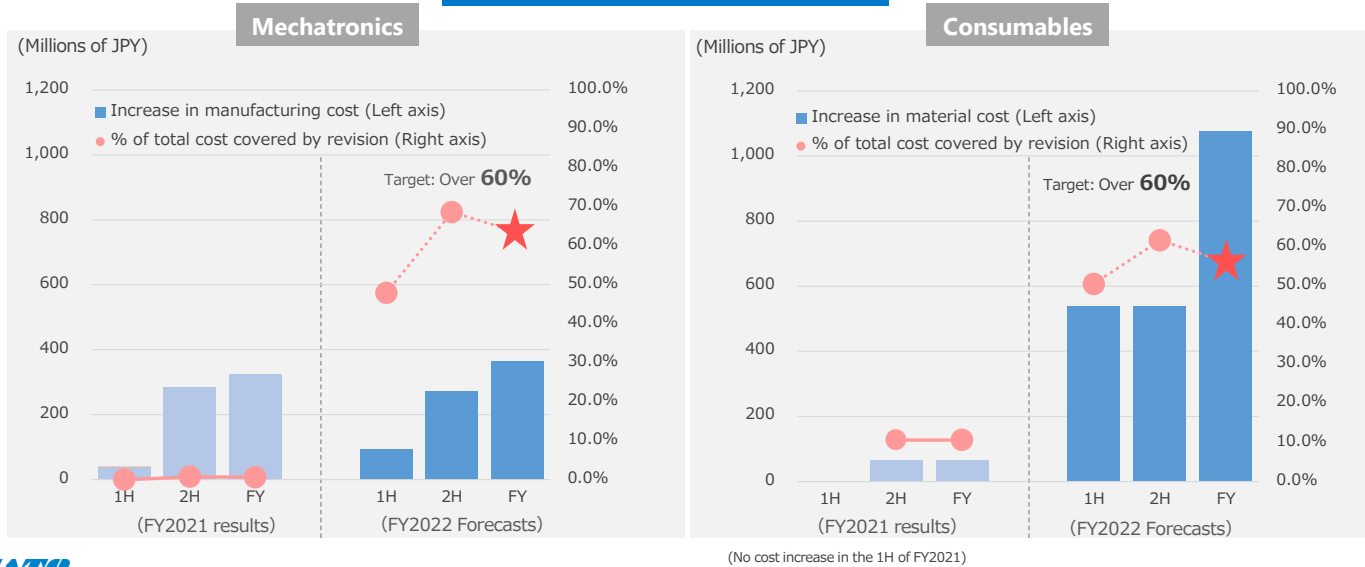


- Initiative 2: Grow sales
- Sales of consumables in FY2022-Q1 generated more-than-expected results, exceeding the pre-pandemic FY2019 levels.
- By implementing measures shown on the right, we aim to maintain this strong performance so that full-year sales exceed FY2019 results by 4-5%.
- Looking ahead, we will capture strong demand from better-performing industries.
- We are already seeing effects of price revisions, which we will continue to promote.
- We will continue to control costs and strengthen our resilience to external circumstances by selling more standardized products and reconsidering label materials.
- As there is a possibility of further cost increases going forward, we shall be prepared to respond flexibly.

Japan Initiatives: 3. Revise price (FY22 forecasts are plans as of the beginning of the fiscal)

We are revising product prices to cover for more than 60% of the total cost increase.

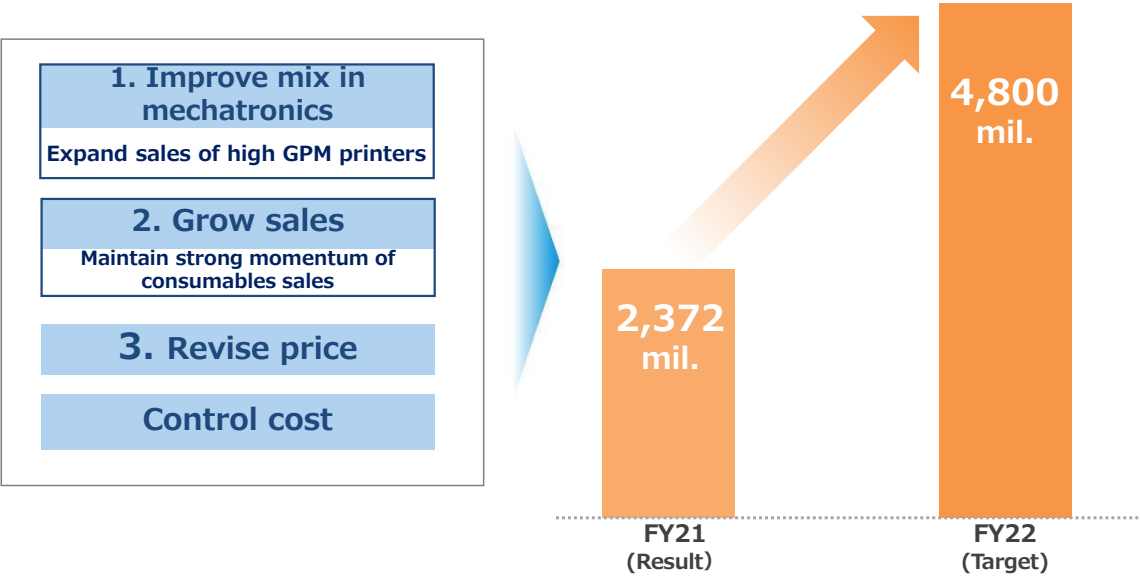
Cost increases and price revisions



- Initiative 3: Revise price
- We are working to cover for more than 60% of the full-year cost increase with price revisions.
- The graphs show status by product. The left shows Mechatronics and the right Consumables. Bars show cost increase, and lines show the percentage of total cost covered by price revision. Each graph presents 1H, 2H and full-year results for FY2021 and outlook for FY2022.
- Cost increases in mechatronics this year are about the same as FY2021, but the percentage of total cost covered by price revisions will grow significantly. Behind this is the fact that it takes time to see effects.
- Price revisions need to be accepted by customers primarily when a quote is made for a new deal. In the 2H of FY2021 when we started revising prices, many sales talks were already past the quoting stage.
- The graph for consumables expand on the price revision mentioned in the previous slide.
- Raw material prices are expected to rise significantly this fiscal year. We plan to cover for more than 60% of this total increase with the price revision. We are taking an "Everyone's a sales" mindset in this action, by having, for example, HQ announce the revisions and our contact centers negotiate with our small-lot customers.

Summary

We will achieve our OI target for FY22 by accelerating the three initiatives and controlling cost.



- To summarize our initiatives for the Japan business:
- We will accelerate on the three initiatives and cost control to try to cover for our slow start in Q1 and achieve the full-year OI target.

FY2022 Consolidated Forecasts

<Figures exclude the Russia business>

(Millions of JPY)

	Apr-Sep		Oct-Mar		FY2022	
	Plan	YoY	Plan	YoY	Plan	YoY
Net Sales	57,800	-4.1%	61,200	-5.1%	119,000	-4.6%
Operating Income	3,000	+7.9%	5,000	+38.0%	8,000	+24.9%
Ordinary Income	2,900	+7.6%	4,900	+45.7%	7,800	+28.8%
Profit attributable to owners of parent	1,900	+2.8%	1,500	-22.9%	3,400	-10.4%
<Reference>						
EBITDA*	10,861	←FY2021			12,500	+15.1%

* EBITDA = Operating Income +
Depreciation + Amortization

Exchange rates assumed in FY22 forecast: JPY 120/USD, JPY 135/EUR
Average exchange rates for Q1, FY22: JPY 129.72 /USD, JPY 138.25 /EUR
Average exchange rates for FY21: JPY 112.39/USD, JPY 130.54/EUR



- These are the consolidated forecasts for FY2022.
- Uncertainties yet lie ahead, but we will proceed with initiatives for our Overseas and Japan businesses that are in line with our strategies. We shall achieve our target formulated at the beginning of the fiscal year.

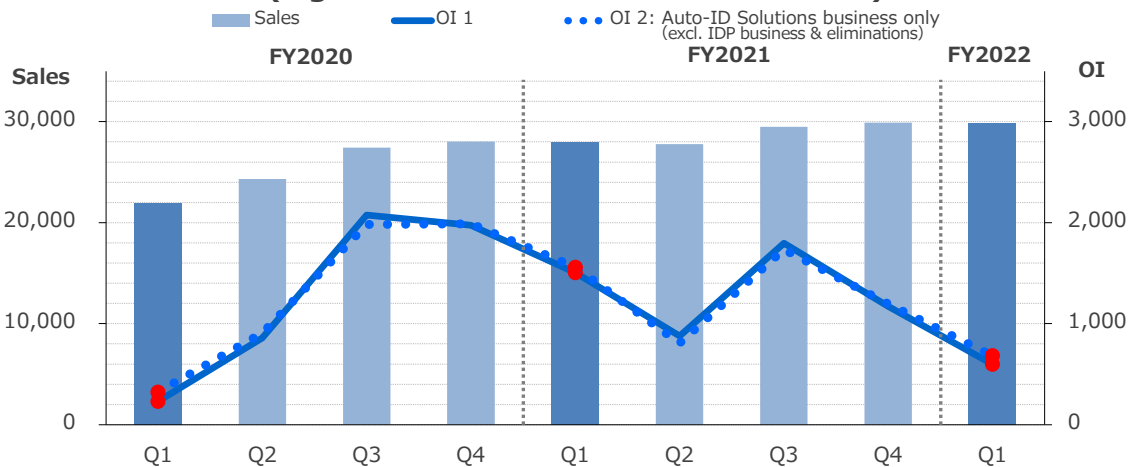
Appendix

Performance data Pages 30-43

SATO terminologies Pages 44-47

Quarterly Sales & OI
(Figures exclude the Russian business)

(Millions of JPY)

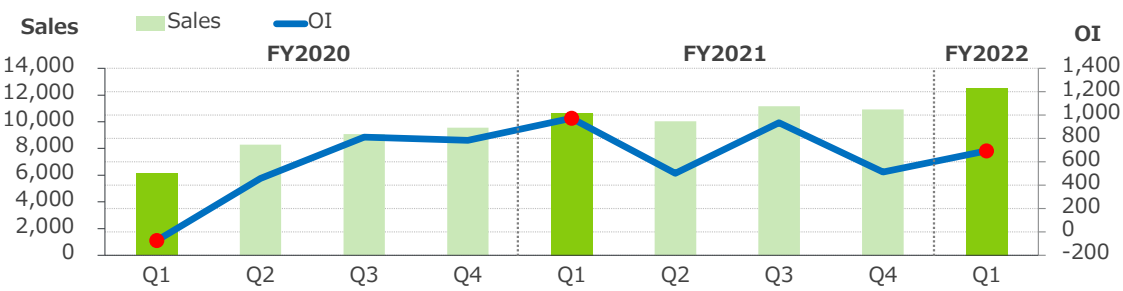


Sales	21,940	24,329	27,424	28,043	27,920	27,772	29,493	29,895	29,818
YoY	-17.9%	-11.7%	-2.3%	+3.9%	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%
OI 1	232	859	2,075	1,973	1,505	877	1,797	1,172	598
YoY	-84.5%	-56.3%	+2.8%	+11.1%	6.5x	+2.2%	-13.4%	-40.6%	-60.2%
OI 2	323	906	1,981	1,987	1,559	805	1,736	1,196	684
YoY	-82.7%	-60.6%	-16.9%	-1.0%	4.8x	-11.2%	-12.4%	-39.8%	-56.1%



Auto-ID Solutions Business (Overseas)

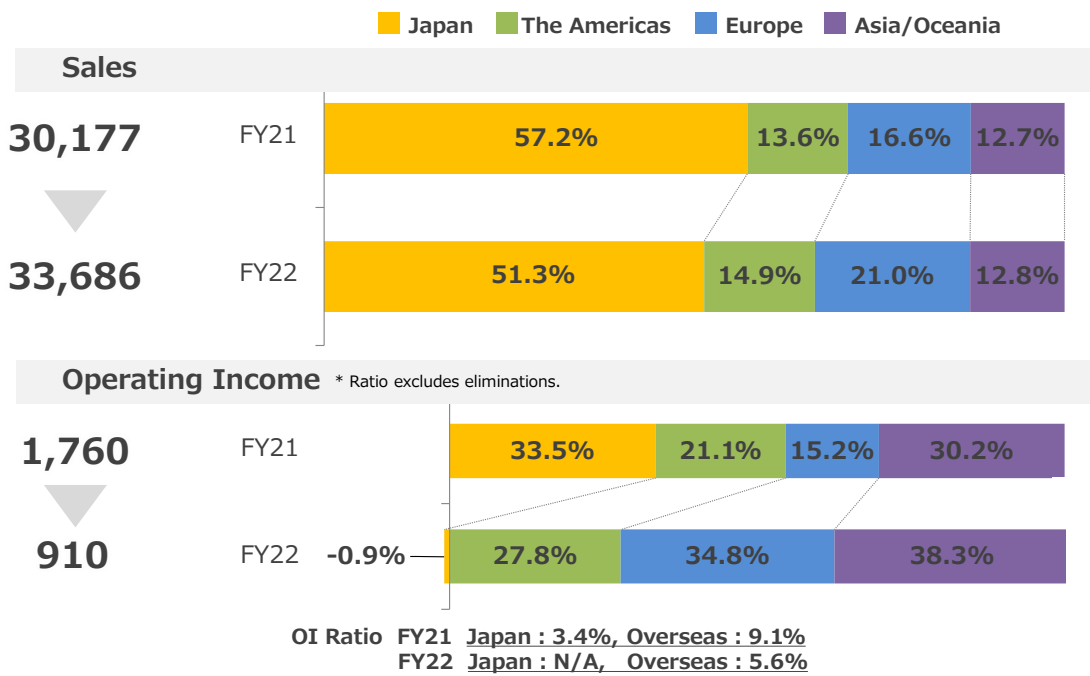
Quarterly Sales & OI
(Figures exclude the Russian business) (Millions of JPY)



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

Sales and OI by Region

(Millions of JPY)

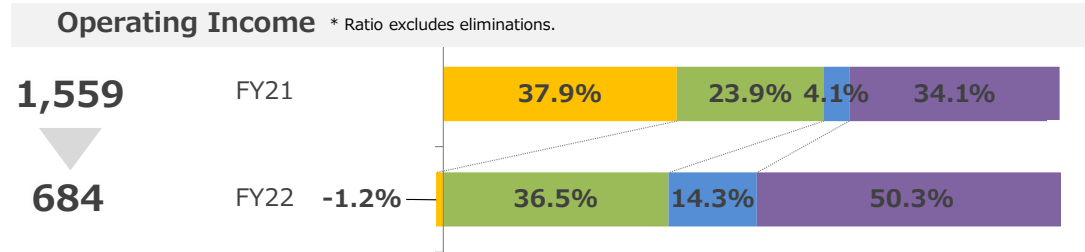
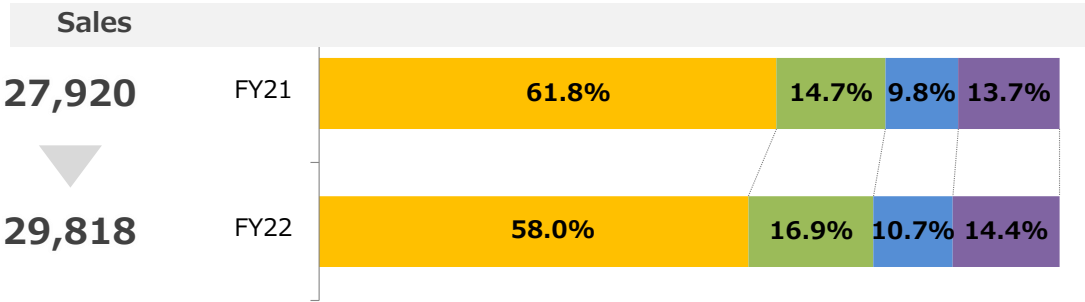


Sales and OI by Region

(Figures exclude the Russian business)

(Millions of JPY)

JapanThe AmericasEuropeAsia/Oceania



OI Ratio

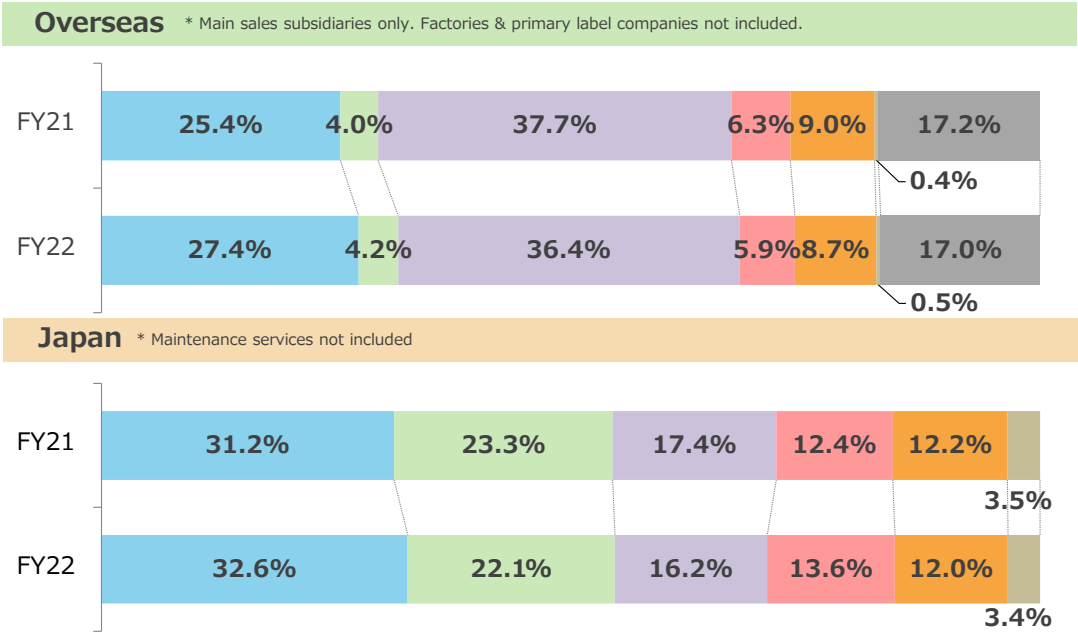
FY21 Japan : 3.4%, Overseas : 9.1%

FY22 Japan : N/A, Overseas : 5.5%



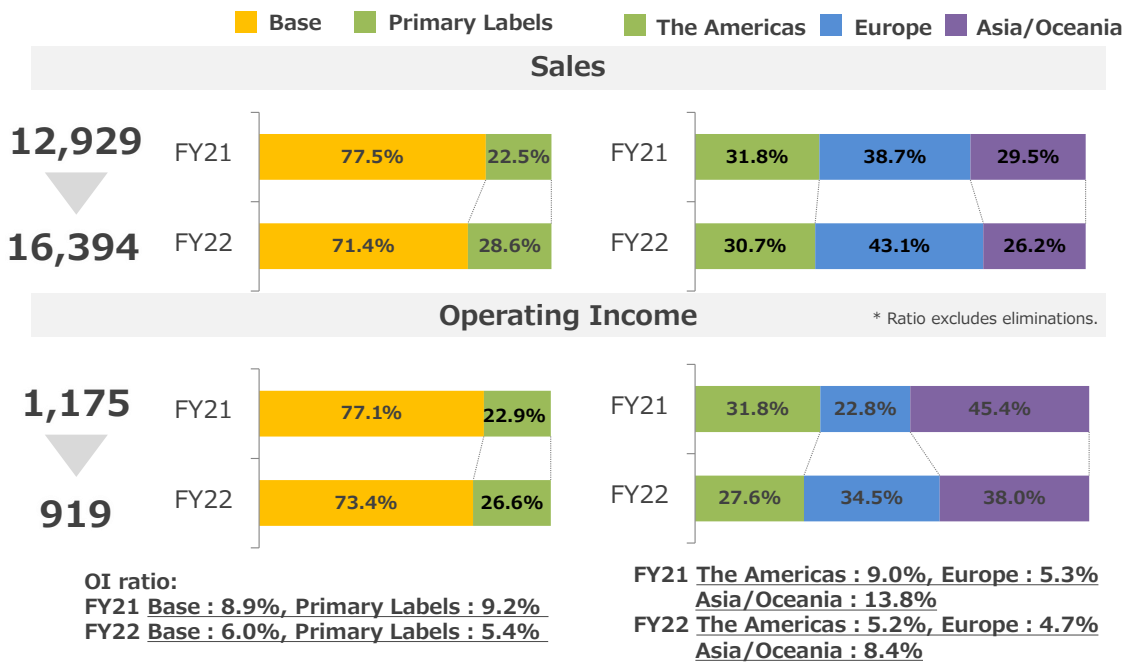
Sales by Vertical

Manufacturing Logistics Retail Health Care Food & Beverage Public Others



Sales and OI by Business Segment/Region

(Millions of JPY)



Sales and OI by Business Segment/Region

(Figures exclude the Russian business)

(Millions of JPY)

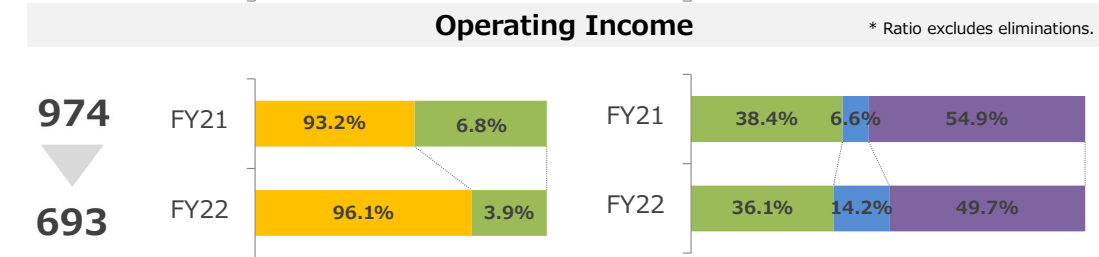
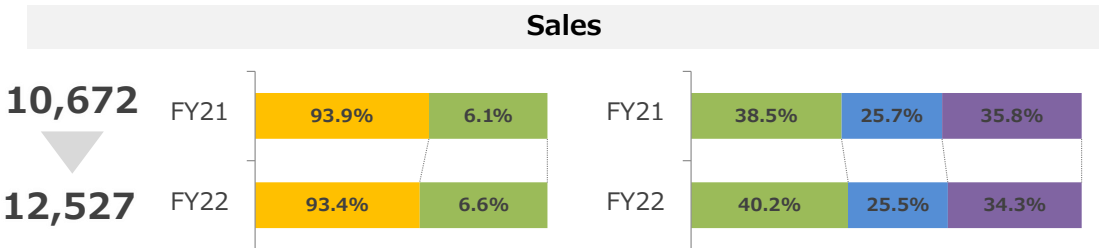
Base

Primary Labels

The Americas

Europe

Asia/Oceania



OI ratio:
FY21 Base : 8.9%, Primary Labels : 10.1%
FY22 Base : 6.0%, Primary Labels : 3.4%

FY21 The Americas : 9.0%, Europe : 2.3%
Asia/Oceania : 13.8%
FY22 The Americas : 5.2%, Europe : 3.2%
Asia/Oceania : 8.4%



Breakdown by Business Segment

(Millions of JPY)

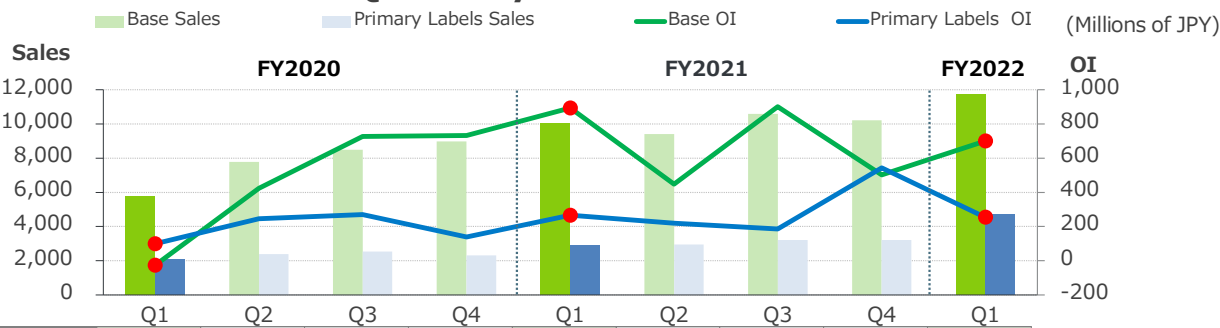
		FY2022	FY2021	Change	YoY	excl. FX impact
Base	Total Sales	11,706	10,023	+1,682	+16.8%	+4.0%
	Operating Income	701	894	-192	-21.5%	-29.4%
Primary Labels	Total Sales	4,688	2,905	+1,783	+61.4%	+21.2%
		(821)	(648)	(+172)	(+26.6%)	(+12.5%)
	Operating Income	254	266	-12	-4.6%	-20.8%
		(28)	(65)	(-36)	(-56.7%)	(-18.3%)
Eliminations	Operating Income	-36	14	-51	-	-
		(-36)	(14)	(-51)	-	-
Total	Total Sales	16,394	12,929	+3,465	+26.8%	+7.9%
		(12,527)	(10,672)	(+1,854)	(+17.4%)	(+4.4%)
	Operating Income	919	1,175	-256	-21.8%	-31.4%
		(693)	(974)	(-281)	(-28.8%)	(-34.1%)



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

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

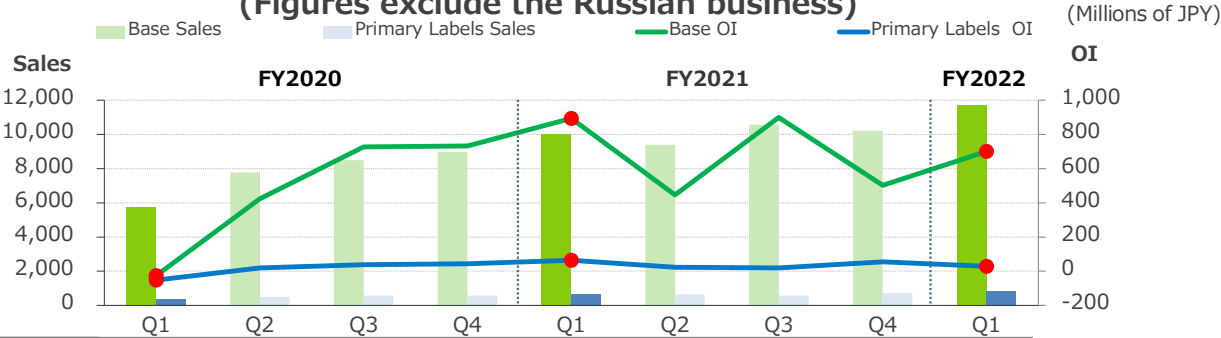


Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%
	OI	-26	423	727	733	894	447	900	502	701
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%
Primary Labels	Sales	2,089	2,389	2,546	2,313	2,905	2,955	3,209	3,217	4,688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



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI
(Figures exclude the Russian business)

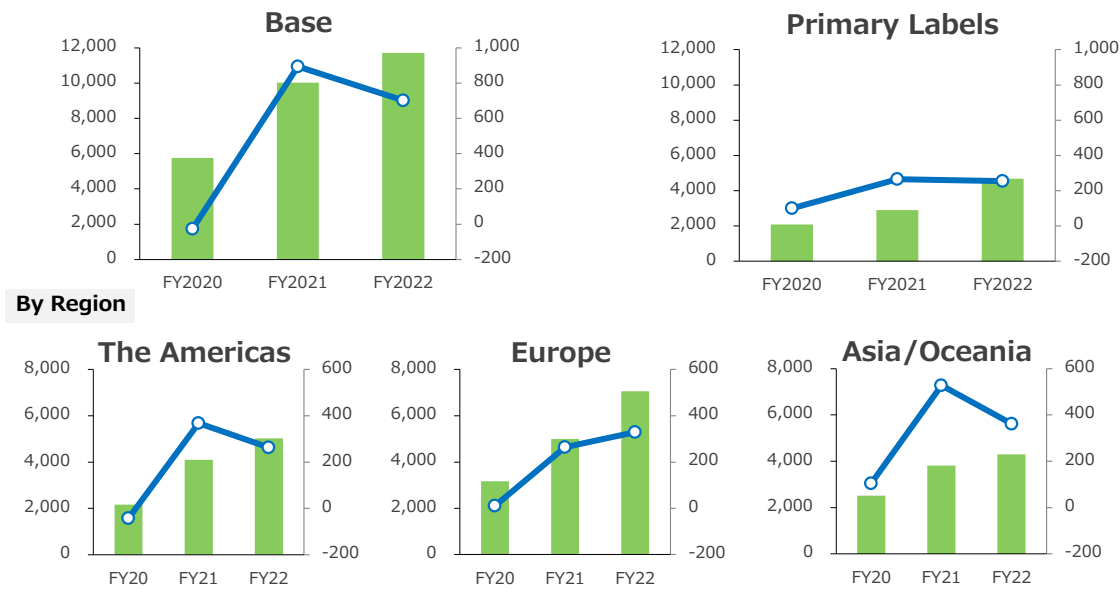


Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%
	OI	-26	423	727	733	894	447	900	502	701
	YoY	-	-18.2%	-1.8%	+110.5%	-	+5.8%	+23.7%	-31.5%	-21.5%
Primary Labels	Sales	378	498	571	576	648	643	576	717	821
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%
	OI	-52	19	39	43	65	24	20	55	28
	YoY	-	-	-	-	-	+25.0%	-48.2%	+29.2%	-56.7%



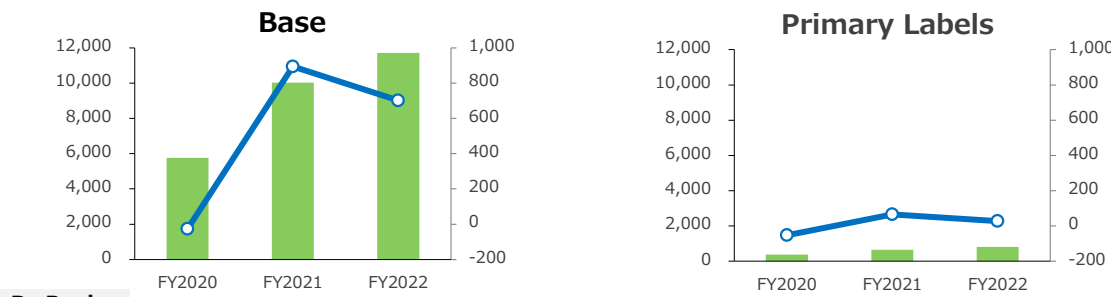
Sales and OI Trends by Business Segment and Region

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

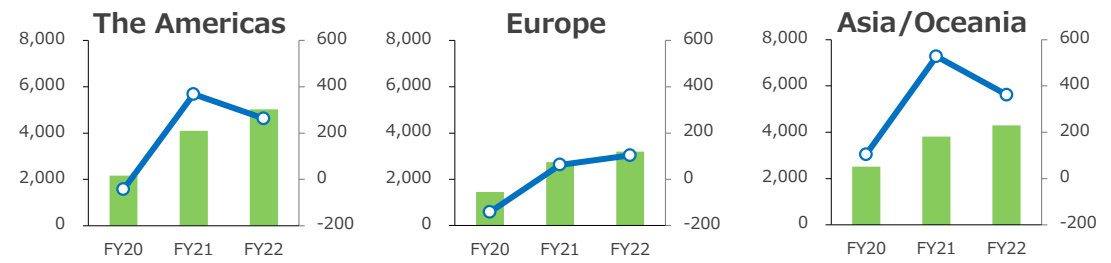


Sales and OI Trends by Business Segment and Region
(Figures exclude the Russian business)

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

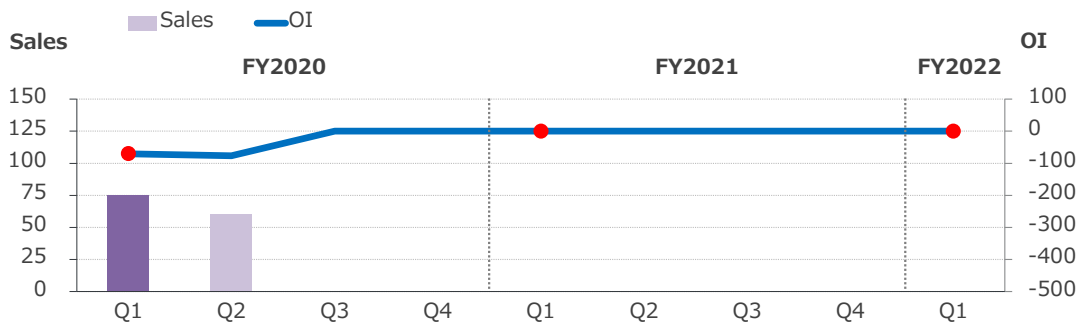


By Region



Quarterly Sales & OI

(Millions of JPY)



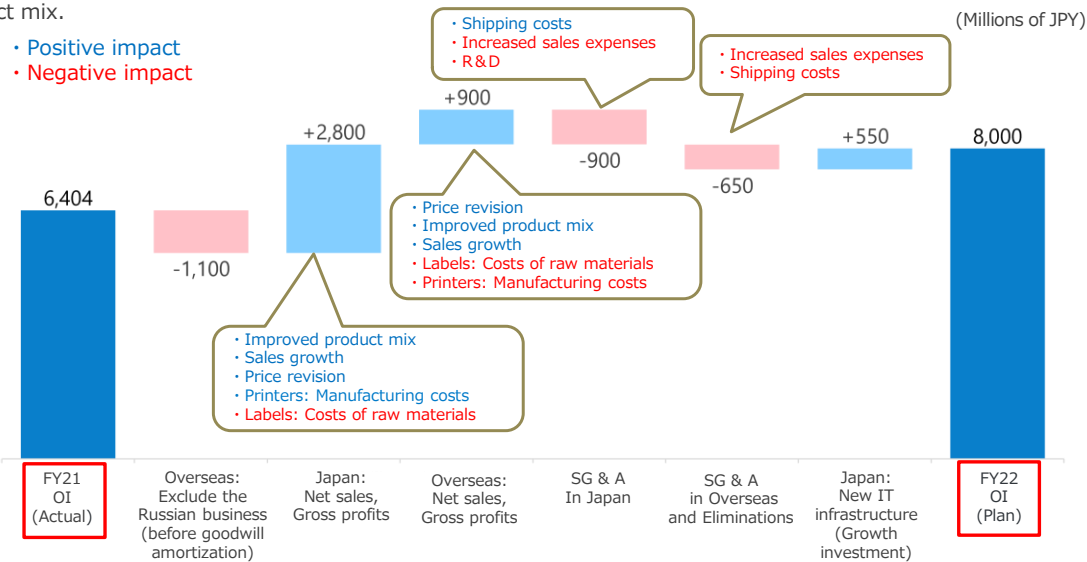
Sales	75	60	0	0	0	0	0	0	0
YoY	-24.6%	-35.9%	-	-	-	-	-	-	-
OI	-70	-77	0	0	0	0	0	0	0
YoY	-	-	-	-	-	-	-	-	-



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

FY2022 Operating Income Forecasts (Consolidated)

- Japan: Sales growth driven by robust demand, improved product mix, price revision and decrease of one-off costs.
- Overseas: Sales growth through region/market specific initiatives, price revision and improved product mix.



* Each planned figures are round numbers.

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>Achemar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia). Due to the uncertain external environment, the Russian business is excluded from our forecasts/targets for FY2022 onwards.
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (IDP). SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September 2020. IDP is a direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.
5	Koto-uri (Selling the solution, not the product)	Sales approach of selling not the product but combinations of products in the form of solutions that include hardware, <u>consumables</u> , maintenance services and software, together with ROI and other value propositions for the customer. The opposite concept of "Mono-uri", or selling single products.
6	Tagging	The process of physically attaching to something data that identifies and/or locates it. This involves digitizing information of the things it is tagged to so that the tagged data can be fed to and processed by core IT systems. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7	DCS & Labeling (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and <u>RFID</u>) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer <u>tagging</u> /labeling of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.



SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Tagging for Sustainability	Business model set as the next stage of <u>DCS & Labeling</u> that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of <u>tagging</u> .
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	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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