



November 9, 2023

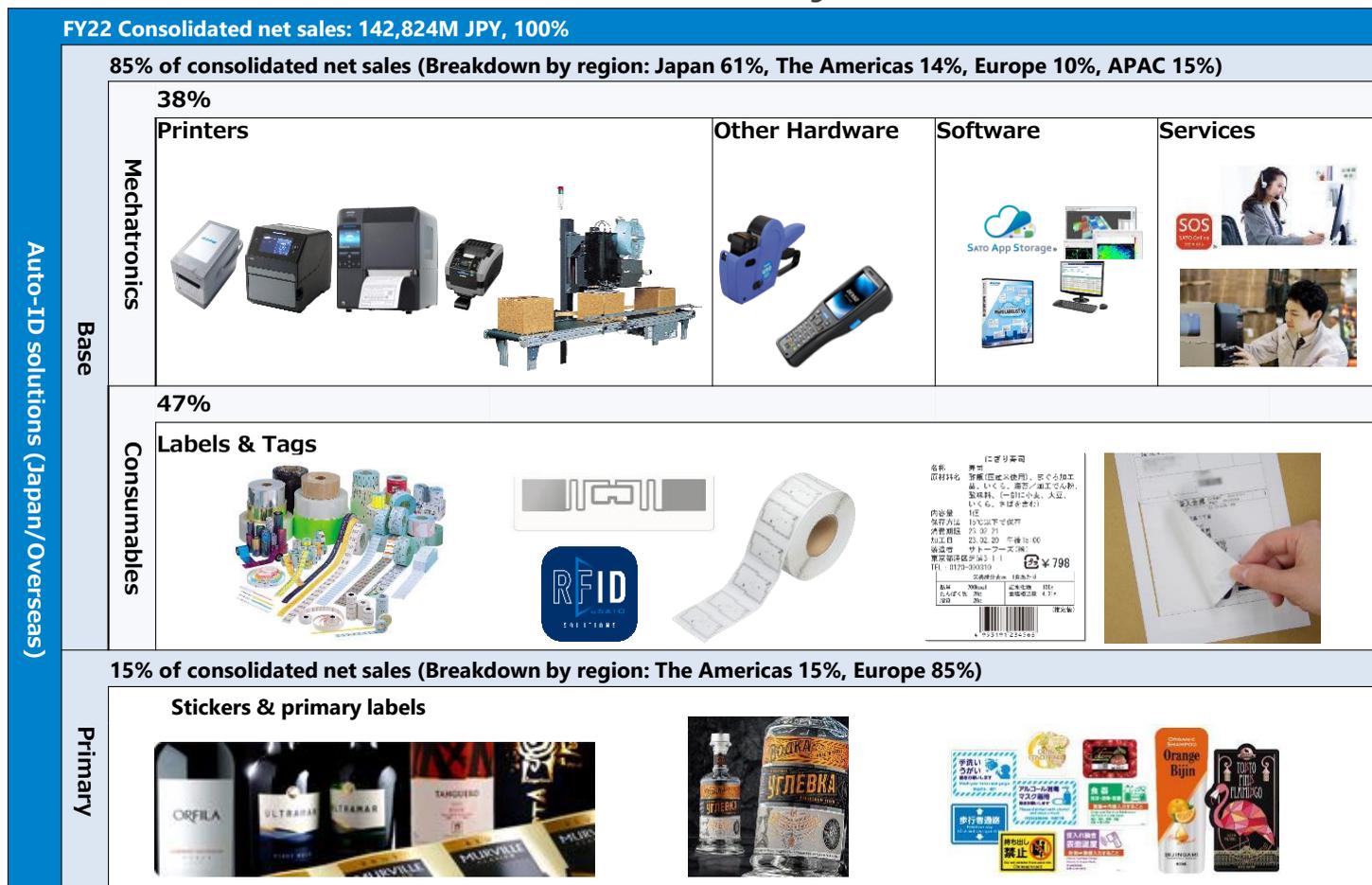
SATO HOLDINGS CORPORATION

FY2023 Q2 Financial Results
(Six Months Ended September 30, 2023)

Securities Code:
6287.T

- I am Konuma.
- Thank you for participating in our financial results briefing for the 2nd quarter of the fiscal year ending March 2024.
- Now, let me begin.

Business Overview by Product



Note: Sales of stickers & primary labels in Japan are included in consumables, since they account for a small portion of the total sales.



- This slide shows an overview of our products by business segment. We have added this slide to address questions we often receive.
- We have established a global presence with our business domain centered on auto-ID solutions. We have classified it into Base business and Primary Labels business based on product characteristics and value offered.
- The Base business represents 85% of consolidated net sales and consists of mechatronics (printers, hand labelers, scanners, other hardware, software and maintenance services) and consumables (labels and tags) that generate recurring sales. Mechatronics accounted for 38% and consumables for the remaining 47%.
- The Primary Labels business, which includes labels and packages for food & beverages, pharmaceuticals, cosmetics, household products and other consumer goods, accounts for 15% of consolidated net sales.
- Figures in parentheses indicate the regional breakdown of net sales.

**FY23 Apr-Sep Results
and
Full-Year Forecast**

**Medium-to
Long-Term
Initiatives**

- This presentation consists of two parts.

**FY23 Apr-Sep Results
and
Full-Year Forecast**

**Medium-to
Long-Term
Initiatives**

Summary

■ Q2 (Jul-Sep) Results

- Consolidated sales and OI declined YoY.
- The overseas business (excluding Russia) saw lower sales and OI. Lower sales were attributable to a lack of surge in printer demand that took place in the same period last year and an adjustment in printer inventories at distributors due to the economic downturn. Booking of allowance for doubtful accounts in the U.S. resulted in lower OI.
- Sales in Russia decreased. OI increased driven by GP margin improvement resulting from the FX impact* through transactions in non-ruble currencies and an increase in sales of high-end products.
- In the Japan business, sales increased, and OI decreased. Decrease in OI was due to a decline in printer exports and a rise in raw material costs for consumables.
- OI on a consolidated basis and in Russia exceeded our initial plan, while OI overseas (excluding Russia) and in the Japan business fell short.

■ Outlook for 2H (Oct-Mar) - Changes from initial perspectives -

- The overseas business (excluding Russia) is expected to see steady sales driven by consumables through koto-uri, despite anticipated sluggish printer sales due to prolonged impact of the economic downturn. OI is expected to decline due to adverse product mix.
- Q2 trend in Russia is expected to continue in 2H. Investments would be made with local cash on hand under strict risk control.
- In the Japan business, the demand environment is expected to be generally firm, with manufacturing vertical showing signs of recovery. 2H OI is expected to remain unchanged from its initial target thanks to accelerating price revisions.



* More than half of sales and part of purchases in Russia are denominated in non-ruble currencies, mostly euros. Therefore, EUR/RUB appreciation has a positive impact.

- The financial results for this term have two key highlights.
- I would like to start with our Q2 performance.
- Sales in the overseas business, excluding Russia, decreased due to weaker demand as a result of a surge in printer demand in the U.S. during the same period last year and printer inventory adjustments by distributors in response to the economic downturn. Lower sales, coupled with the recognition of an allowance for doubtful accounts, in the U.S. resulted in lower OI.
- Despite the decline in sales in Russia, OI increased due to an improved GP margin resulting from the exchange rate impact of transactions in non-ruble currencies, mainly in euros. An increase in sales of high value-added products, driven by a positive competitive environment, also contributed to this positive result. Please refer to the note section for the exchange rates used for transactions in Russia.
- Sales increased, while OI decreased in the Japan business. The decline in OI is attributable to lower GP in printer exports and higher costs of consumables.
- OI on a consolidated basis and in Russia exceeded our targets in the initial plan, but fell short of targets in the overseas business (excluding Russia) and the Japan business.
- I would now like to take you through the revisions we have made to our initial plan for 2H.
- The overseas business (excluding Russia) is expected to experience a prolonged economic downturn, resulting in a decline in printer sales. However, we are expecting steady sales, driven by consumables through koto-uri, our unique sales approach. Though OI is expected to be below our initial target due to the relatively low profitability of consumables, we are working to mitigate the negative impact of the market conditions.
- The ongoing trends surrounding the Russian subsidiaries are expected to persist. The deterioration in the competitive environment is likely to be slower than initially anticipated. The Russian subsidiaries will use cash on hand for capital investments under strict risk control to maintain competitiveness.
- In the Japan business, the demand environment is expected to be generally solid, with the manufacturing market showing signs of recovery. We are also enhancing our organization-wide efforts to revise our current prices and expect to meet the targets set in the initial plan for 2H. More details are provided in the following slides.

Sales and OI by Business Segment

(Millions of JPY)

		FY2023 Apr-Sep	FY2022 Apr-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	69,786 (61,757)	70,463 (61,820)	-1.0% (-0.1%)	+2.5% (-0.7%)	
	Operating Income	4,411 (2,124)	3,962 (2,809)	+11.3% (-24.4%)	+37.5% (-15.8%)	
	Overseas	Total Sales	33,557 (25,528)	34,878 (26,234)	-3.8% (-2.7%)	+3.2% (-4.0%)
		Operating Income	4,515 (2,227)	3,029 (1,875)	+49.1% (+18.8%)	+83.4% (+31.7%)
	Japan	Total Sales	36,229	35,585	+1.8%	+1.8%
		Operating Income	-103	933	-	-
Consolidated (incl. eliminations)	Total Sales	69,786 (61,757)	70,463 (61,820)	-1.0% (-0.1%)	+2.5% (-0.7%)	
	Operating Income	4,620 (2,332)	3,776 (2,622)	+22.4% (-11.1%)	+49.8% (-1.9%)	

* Figures in parentheses exclude the Russian subsidiaries.



- This slide shows the 1H results by business segment.
- Figures in parentheses exclude the Russian subsidiaries. This also applies to the subsequent slides.
- To find the results of the Russian subsidiaries, see the results of the Primary Label business in Europe on page 12.
- The elimination of profits resulting from intragroup transactions was positive at approximately JPY 200 million in cumulative total for 1H due to lower unrealized gains resulting from optimization of printers' inventories through enhanced PSI controls.

Sales and OI by Business Segment

(Millions of JPY)

		FY2023 Jul-Sep	FY2022 Jul-Sep	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	35,797 (31,455)	36,777 (32,001)	-2.7% (-1.7%)	+2.4% (-2.3%)
	Operating Income	2,452 (1,103)	3,051 (2,124)	-19.6% (-48.1%)	+4.4% (-42.1%)
Overseas	Total Sales	17,104 (12,762)	18,483 (13,707)	-7.5% (-6.9%)	+2.7% (-8.2%)
	Operating Income	2,346 (996)	2,109 (1,182)	+11.2% (-15.7%)	+46.7% (-3.8%)
Japan	Total Sales	18,692	18,294	+2.2%	+2.2%
	Operating Income	106	941	-88.7%	-90.2%
Consolidated (incl. eliminations)	Total Sales	35,797 (31,455)	36,777 (32,001)	-2.7% (-1.7%)	+2.4% (-2.3%)
	Operating Income	2,460 (1,110)	2,951 (2,024)	-16.6% (-45.1%)	+8.2% (-38.9%)

* Figures in parentheses exclude the Russian subsidiaries.



- The Q2 results are as shown in the table.

Consolidated Results

(Millions of JPY)

	FY2023 Apr-Sep	FY2022 Apr-Sep	Change	
				YoY
Net Sales	69,786 (61,757)	70,463 (61,820)	-677 (-62)	-1.0% (-0.1%)
Operating Income	4,620 (2,332)	3,776 (2,622)	+844 (-290)	+22.4% (-11.1%)
Operating Income %	6.6% (3.8%)	5.4% (4.2%)	+1.3pt (-0.5pt)	- -
Ordinary Income	4,307 (2,229)	4,968 (2,775)	-661 (-546)	-13.3% (-19.7%)
Profit attributable to owners of parent	1,991 (731)	3,229 (1,981)	-1,237 (-1,249)	-38.3% (-63.1%)
Effective Tax Rate	28.9%	25.0%	+3.9pt	-
EBITDA*	7,097 (4,564)	6,392 (4,859)	+705 (-295)	+11.0% (-6.1%)

Average foreign exchange rates for Apr-Sep FY23: JPY 141.05/USD, JPY 153.45 /EUR, Apr-Sep FY22: JPY 134.03/USD, JPY 138.76 /EUR
FX sensitivity for FY23: JPY +504million in sales and JPY +30million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Apr-Sep FY23: JPY 2,404 million (2,158 million)
· Amortization for Apr-Sep FY23: JPY 72 million (72 million)

Apr-Sep FY22: JPY 2,459 million (2,079 million)
Apr-Sep FY22: JPY 156 million (156 million)



* Figures in parentheses exclude the Russian subsidiaries.

- This slide shows the consolidated results for 1H.
- Net profit decreased significantly year-on-year due to the recognition of an extraordinary loss on an investment in an RFID business in North America, resulting from the difference between the carrying value and the appraised value.

Consolidated Results

(Millions of JPY)

	FY2023 Jul-Sep	FY2022 Jul-Sep	Change	
				YoY
Net Sales	35,797 (31,455)	36,777 (32,001)	-980 (-546)	-2.7% (-1.7%)
Operating Income	2,460 (1,110)	2,951 (2,024)	-491 (-913)	-16.6% (-45.1%)
Operating Income %	6.9% (3.5%)	8.0% (6.3%)	-1.2pt (-2.8pt)	- -
Ordinary Income	2,235 (1,005)	2,918 (2,023)	-683 (-1,018)	-23.4% (-50.3%)
Profit attributable to owners of parent	686 (-46)	2,033 (1,528)	-1,346 -	-66.2% -
Effective Tax Rate	28.0%	24.7%	+3.3pt	-
EBITDA*	3,708 (2,245)	4,266 (3,151)	-557 (-905)	-13.1% (-28.7%)

Average foreign exchange rates for Apr-Sep FY23: JPY 141.05/USD, JPY 153.45 /EUR, Apr-Sep FY22: JPY 134.03/USD, JPY 138.76 /EUR
FX sensitivity for FY23: JPY +504million in sales and JPY +30million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Jul-Sep FY23: JPY 1,213 million (1,100 million)
· Amortization for Jul-Sep FY23: JPY 34 million (34 million)

Jul-Sep FY22: JPY 1,234 million (1,047 million)
Jul-Sep FY22: JPY 80 million (80 million)



* Figures in parentheses exclude the Russian subsidiaries.

- This slide shows the consolidated results for Q2.

Auto-ID Solutions Business (Overseas)

Overview

Jul-Sep

Primary label companies performed well, but sales decreased due to a lack of surge in printer demand that took place in the same period last year and the economic downturn in the base business. OI increased driven by GP margin improvement resulting from the FX impact through transactions in non-ruble currencies and an increase in sales of high-end products.

(Millions of JPY)

	FY2023	FY2022	Change	YoY	excl. FX impact
	Jul-Sep	Jul-Sep			
Total Sales	17,104 (12,762)	18,483 (13,707)	-1,378 (-944)	-7.5% (-6.9%)	+2.7% (-8.2%)
Gross Profit	7,422 (5,385)	6,875 (5,342)	+546 (+42)	+8.0% (+0.8%)	-
Gross Profit %	43.4% (42.2%)	37.2% (39.0%)	+6.2pt (+3.2pt)	-	-
Operating Income	2,346 (996)	2,109 (1,182)	+236 (-185)	+11.2% (-15.7%)	+46.7% (-3.8%)
Operating Income %	13.7% (7.8%)	11.4% (8.6%)	+2.3pt (-0.8pt)	-	-

	FY2023	FY2022	Change	YoY	excl. FX impact
	Apr-Sep	Apr-Sep			
Total Sales	33,557 (25,528)	34,878 (26,234)	-1,320 (-706)	-3.8% (-2.7%)	+3.2% (-4.0%)
Gross Profit	13,807 (10,320)	12,150 (9,876)	+1,657 (+444)	+13.6% (+4.5%)	-
Gross Profit %	41.1% (40.4%)	34.8% (37.6%)	+6.3pt (+2.8pt)	-	-
Operating Income	4,515 (2,227)	3,029 (1,875)	+1,486 (+352)	+49.1% (+18.8%)	+83.4% (+31.7%)
Operating Income %	13.5% (8.7%)	8.7% (7.1%)	+4.8pt (+1.6pt)	-	-



* Figures in parentheses exclude the Russian subsidiaries.

9

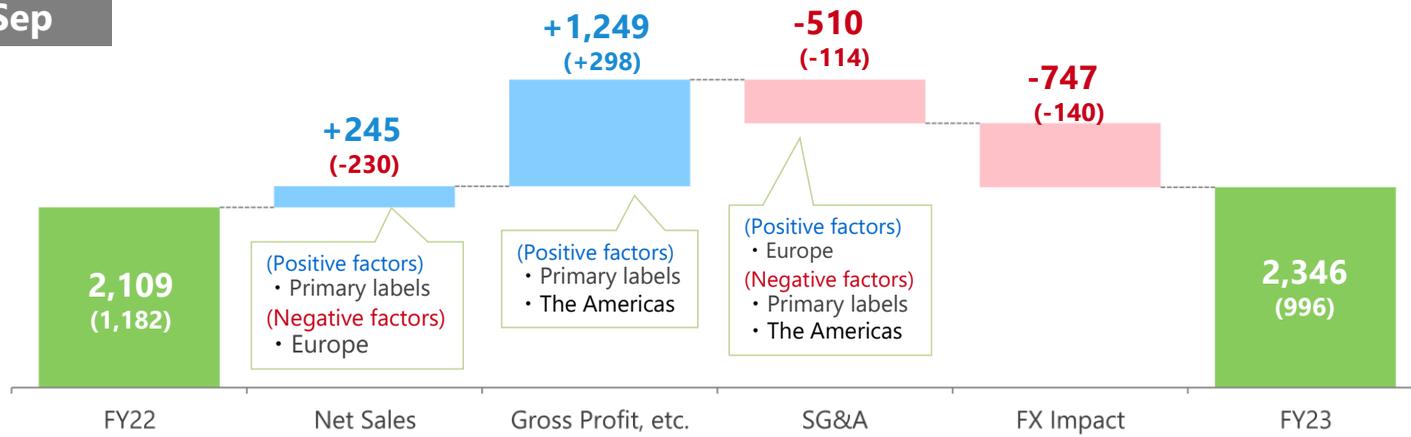
- Next, I will take you through the results of our overseas business. Figures in the upper table are the results for Q2.
- The key highlights are as shown in the summary on page 4. The following slides show the regional breakdown.
- In this quarter, both sales and OI fell short of the targets due to the performance of the Base business. However, our "koto-uri" approach successfully mitigated the negative market impact.

Auto-ID Solutions Business (Overseas)

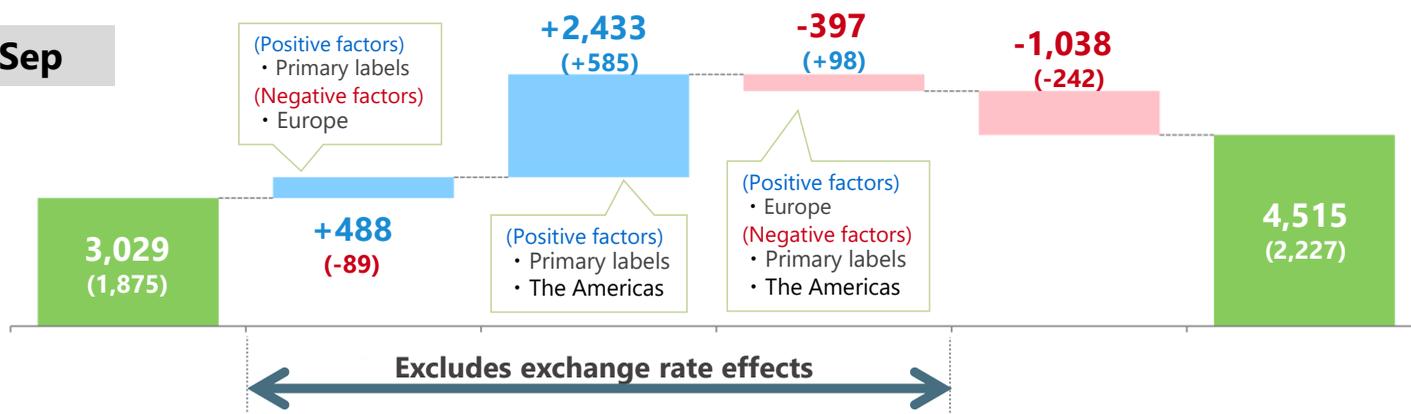
Major Gains/Losses in OI

(Millions of JPY)

Jul-Sep



Apr-Sep



* Figures in parentheses exclude the Russian subsidiaries. Comments shown in the bubble include the Russian subsidiaries.

10

- This slide shows a comparison of OI with last year's results.
- Information in the text boxes includes the Russian subsidiaries.
- The key highlight is that the Primary Labels business (including the Russian subsidiaries) performed well overall and contributed to the increase in OI.
- The exchange rate had a strong impact on the Primary Labels business and the results turned negative due to the depreciation of the local currency against yen.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Jul-Sep

Base business: Sales at U.S. decreased due to a lack of surge in printer demand that took place last year and an adjustment in printer inventories at distributors due to the economic downturn. A decrease in sales and book of an allowance for doubtful accounts in the U.S. resulted in lower OI.

Primary Labels business: Demand for the lifestyle infrastructure industry continues to be firm. In addition, sales and OI increased due to continued price revisions.

(Millions of JPY)

		FY2023	FY2022	Change	YoY	excl. FX impact
		Jul-Sep	Jul-Sep			
Base	Total Sales	4,412	4,694	-282	-6.0%	-7.5%
	Operating Income	80	328	-247	-75.5%	-58.1%
Primary Labels • Achernar • Prakolar	Total Sales	885	806	+78	+9.8%	+51.6%
	Operating Income	194	114	+80	+70.2%	3.0x
Total	Total Sales	5,297	5,501	-203	-3.7%	+1.2%
	Operating Income	274	442	-167	-37.9%	+9.6%

		FY2023	FY2022	Change	YoY	excl. FX impact
		Apr-Sep	Apr-Sep			
Base	Total Sales	8,766	8,909	-143	-1.6%	-4.1%
	Operating Income	278	497	-219	-44.1%	-28.8%
Primary Labels • Achernar • Prakolar	Total Sales	1,809	1,627	+182	+11.2%	+50.4%
	Operating Income	422	209	+213	2.0x	3.4x
Total	Total Sales	10,575	10,536	+39	+0.4%	+4.3%
	Operating Income	700	706	-5	-0.8%	+51.2%

11

- I will now look at the results by region.
- Both sales and OI decreased in the Americas.
- Sales in the Base business decreased due to a surge in demand during the same period last year and adjustments of printer inventories by distributors in response to the economic downturn.
- The retail market, our key market, performed well. However, the manufacturing market, with a relatively high percentage of indirect sales, was negatively affected by adjustments of printer inventories by distributors.
- Despite improved productivity in consumables, OI declined as a result of lower sales and the recognition of an allowance for doubtful accounts, particularly for one of our key customers.
- Sales in the Primary Labels business continued to be strong and stable. Despite continued inflation, both sales and OI increased due to the implementation of price revisions, which is progressing according to plan.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Jul-Sep

Base business: Sales declined due to the impact of printer inventory adjustments at distributors due to the economic downturn and a lack of large-scale projects last year. Despite a lack of large-scale projects carrying lower margin and a decrease in transportation costs, OI fell due to the impact of lower sales.

Primary Labels business: Higher sales on a local currency basis. OI increased driven by GP margin improvement resulting from the FX impact through transactions in non-ruble currencies and an increase in sales of high-end products.

(Millions of JPY)

		FY2023 Jul-Sep	FY2022 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	2,714	3,268	-553	-16.9%	-26.8%
	Operating Income	108	204	-96	-47.1%	-58.7%
Primary Labels (Russian business)	Total Sales	4,341	4,775	-434	-9.1%	+33.9%
	Operating Income	1,305	851	+453	+53.2%	2.2x
Total	Total Sales	7,055 (2,714)	8,043 (3,268)	-987 (-553)	-12.3% (-16.9%)	+9.2% (-26.8%)
	Operating Income	1,413 (63)	1,056 (128)	+357 (-64)	+33.8% (-50.4%)	+86.8% (-86.9%)

		FY2023 Apr-Sep	FY2022 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	5,705	6,463	-757	-11.7%	-20.0%
	Operating Income	595	374	+220	+58.8%	+44.8%
Primary Labels (Russian business)	Total Sales	8,028	8,643	-614	-7.1%	+25.2%
	Operating Income	2,190	1,010	+1,179	2.2x	2.9x
Total	Total Sales	13,734 (5,705)	15,106 (6,463)	-1,372 (-757)	-9.1% (-11.7%)	+5.8% (-20.0%)
	Operating Income	2,785 (497)	1,385 (232)	+1,399 (+265)	2.0x (2.1x)	2.5x (+76.8%)



* Figures in parentheses exclude the Russian subsidiaries.

12

- In Europe, sales decreased, while OI increased.
- In the Base business, sales decreased due to inventory adjustments by distributors and weaker demand following last year's surge in the retail market.
- In the same period last year, a large project with low GP and high airfreight costs for tight deadlines affected our OI. However, these factors were not present in this period. However, OI decreased as we were unable to absorb the impact of the decline in sales.
- Sales in the Primary Labels business increased in local currency terms, but decreased when translated into yen. OI increased due to an improved GP margin on non-ruble transactions and an increase in sales of high value-added products, despite the impact of the ruble-yen exchange rate.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Jul-Sep

Base business: Sales declined due to lower sales of Argox in Taiwan impacted by inventory adjustment at distributors, despite continued strong sales in Indonesian subsidiaries and Vietnam/Australia subsidiaries. OI decreased due to a decline in plant utilization at printer factories caused by lower demand.

(Millions of JPY)

		FY2023 Jul-Sep	FY2022 Jul-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	4,751	4,938			
	Operating Income	500	614	-113	-18.5%	-22.1%

		FY2023 Apr-Sep	FY2022 Apr-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	9,246	9,234			
	Operating Income	824	976	-152	-15.6%	-19.5%

13

- Both sales and OI decreased in Asia/Oceania.
- Although the sales companies in Vietnam and Australia performed well in Q2, as did the Indonesian sales companies, sales decreased due to lower sales at Argox in Taiwan as a result of printer inventory adjustments. The performance of the sales companies in China remained consistent with the previous year.
- OI decreased due to lower sales in the sales companies and lower factory utilization as a result of a decrease in printer shipments.

Auto-ID Solutions Business (Japan)

Overview

Jul-Sep Sales increased slightly due to growth in software for mechatronics and effects of price revisions for consumables. OI decreased due to a decrease in printer exports, a sharp rise in raw material costs for consumables, which cannot fully offset by price revisions and an increase in SG&A expenses including sale expenses.

(Millions of JPY)

	FY2023	FY2022	Change	YoY
	Jul-Sep	Jul-Sep		
Mechatronics Sales	7,379	7,168	+211	+3.0%
Consumables Sales	11,312	11,126	+186	+1.7%
Total Sales	18,692	18,294	+398	+2.2%
Gross Profit	8,018	8,620	-601	-7.0%
Gross Profit %	42.9%	47.1%	-4.2pt	-
Operating Income	106	941	-835	-88.7%
Operating Income %	0.6%	5.1%	-4.6pt	-

	FY2023	FY2022	Change	YoY
	Apr-Sep	Apr-Sep		
Mechatronics Sales	13,773	13,669	+104	+0.8%
Consumables Sales	22,455	21,916	+539	+2.5%
Total Sales	36,229	35,585	+643	+1.8%
Gross Profit	15,512	16,534	-1,022	-6.2%
Gross Profit %	42.8%	46.5%	-3.6pt	-
Operating Income	-103	933	-1,037	-
Operating Income %	-	2.6%	-	-

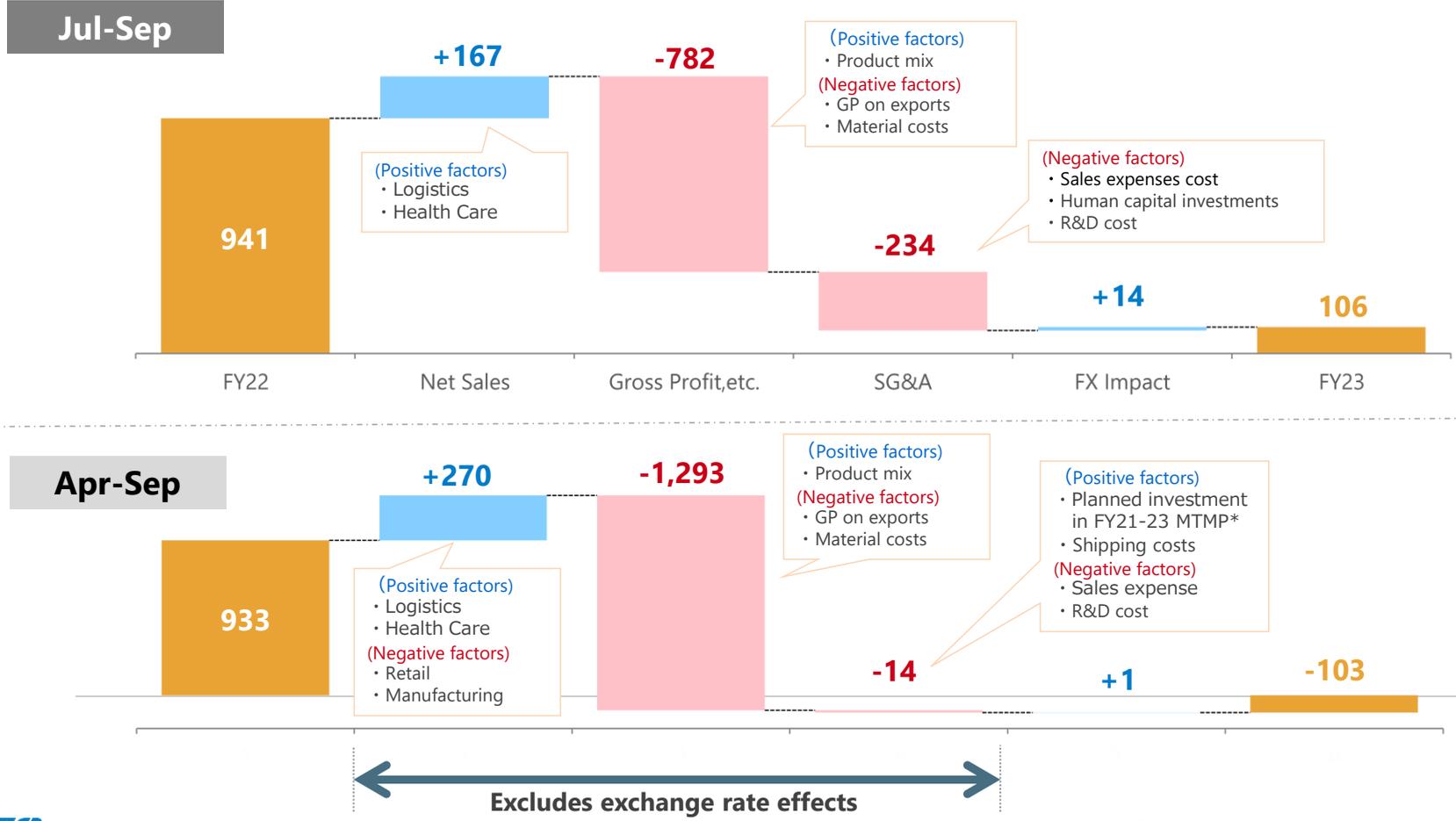
Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.
Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.



- Next, I would now like to look at the results of the Japan business. As with the overseas business, the figures in the upper table are for Q2.
- Sales increased slightly due to the strong performance of software for automation in mechatronics and the revisions of our existing consumables prices.
- OI decreased due to lower printer exports, higher material costs for consumables and SG&A expenses, which include the costs of sales activities.

Major Gains/Losses in OI

(Millions of JPY)



* MTMP: medium-term management plan

- This slide shows a year-on-year comparison of OI.
- As explained in the previous slide, OI decreased as the increase in sales was not sufficient to offset the decrease in the GP margin and the increase in SG&A expenses.
- SG&A expenses increased in Q2. However, they were well controlled in 1H and remain at FY2022 levels. We will continue to closely manage our SG&A expenses in 2H.

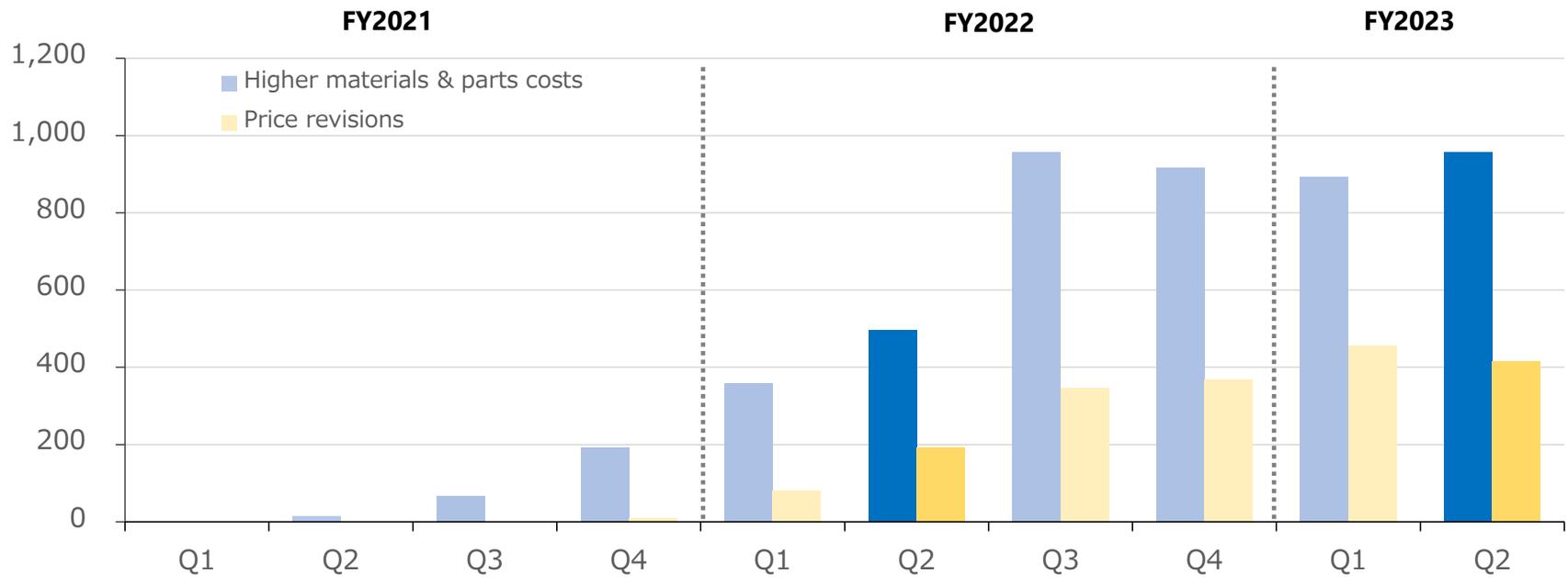
Higher Materials & Parts Costs and Price Revisions

Delay in price revisions compared to the initial plan*.

The results of the current acceleration of price revisions are expected to be delivered in 2H.

(Millions of JPY)

Higher materials & parts costs and Price revisions (Actual amount vs. FY2020, including FX impact)

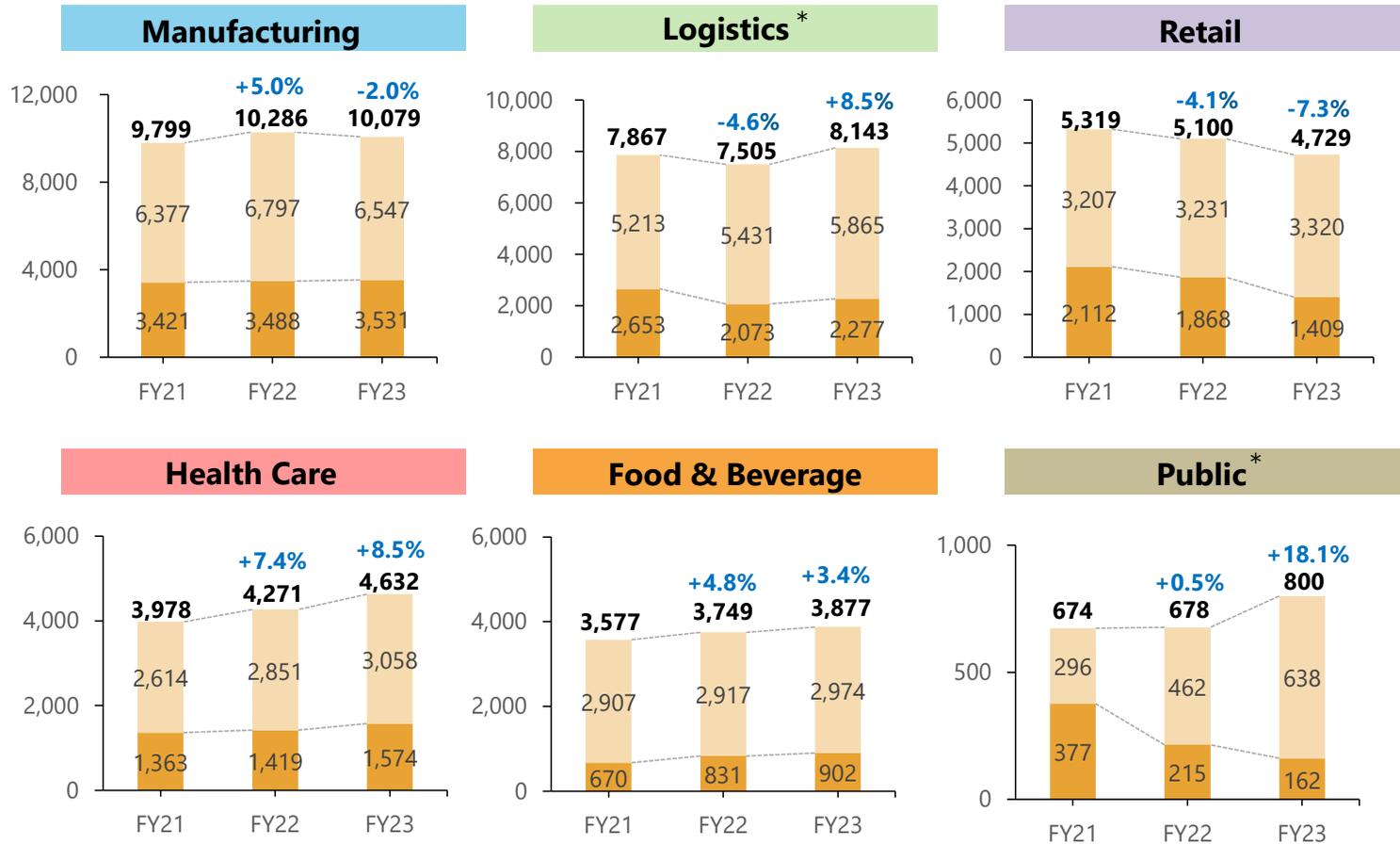


* Announced on May 15, 2023

- This slide shows the increase in material costs and the progress of our price revision initiatives.
- Price revisions, shown in yellow, took longer to implement than initially planned.
- Since August, we have been actively reinforcing our efforts to revise prices. We are starting to see the outcome materialize in 2H. I will provide more details on this later.

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



*From FY23-Q1, the classification of some industries has changed from public to logistics. The graph shows this change retroactively.

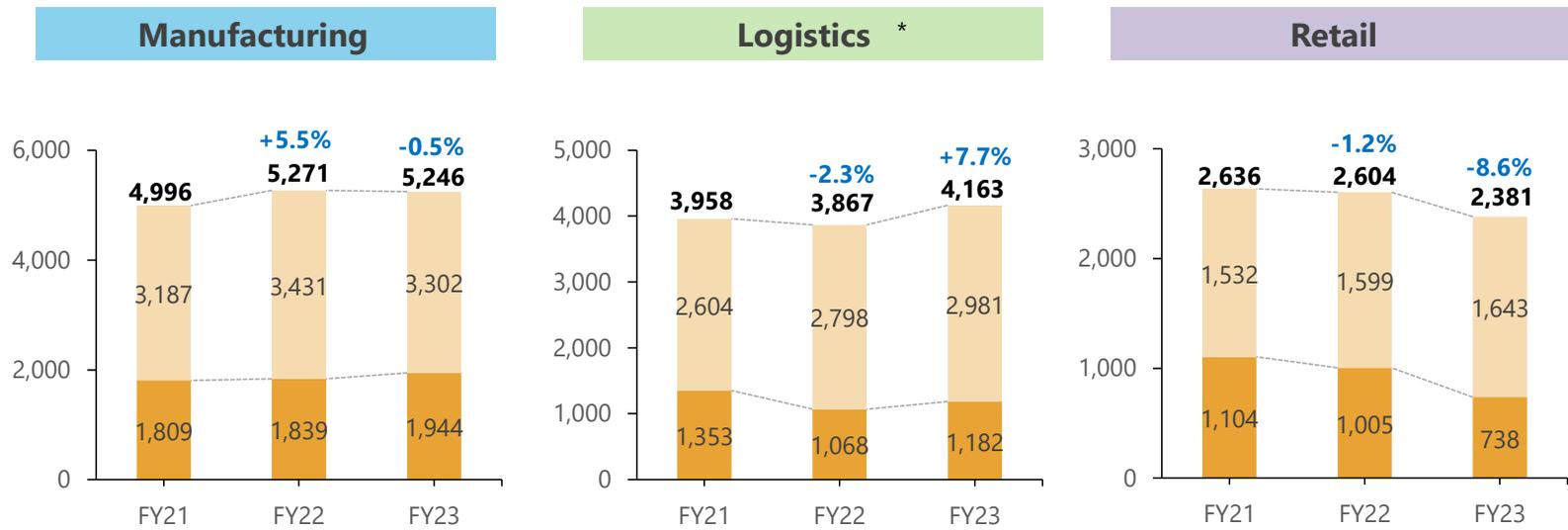


- This slide shows 1H cumulative sales by market.
- I will elaborate on the key highlights for Q2 in the following slides.

Sales by Vertical 1/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



<p>Business environment</p> <p>Investment appetite recovered in related industries as automotive production got back. Continued demand for automation and RFID to respond to labor shortages and DX.</p>	<p>Due to continued brisk EC and other positive factors including recovery in inbound tourists, overall sales were strong. Demand related to labor shortage and DX expanded to include work style reform law.</p>	<p>Supermarkets continued instore investment to enhance DX and efficiency. Capital expenditure in apparel EC took a rest.</p>
<p>SATO</p> <p>Consumables declined in electronic components due to inventory adjustments in semiconductor-related industries. Mechatronics increased thanks to a recovery in the automotive and machinery & electrical, and to the contribution of large automation projects.</p>	<p>Consumables increased in almost all industries resulted from increased volume of flow of goods. Mechatronics increased as well, driven by automation projects.</p>	<p>Robust demand in EC/mass retailer/supermarket was offset by sluggish other sectors resulting in overall slight increase in consumables. Mechatronics decreased due to lack of large projects in the same period last fiscal year.</p>



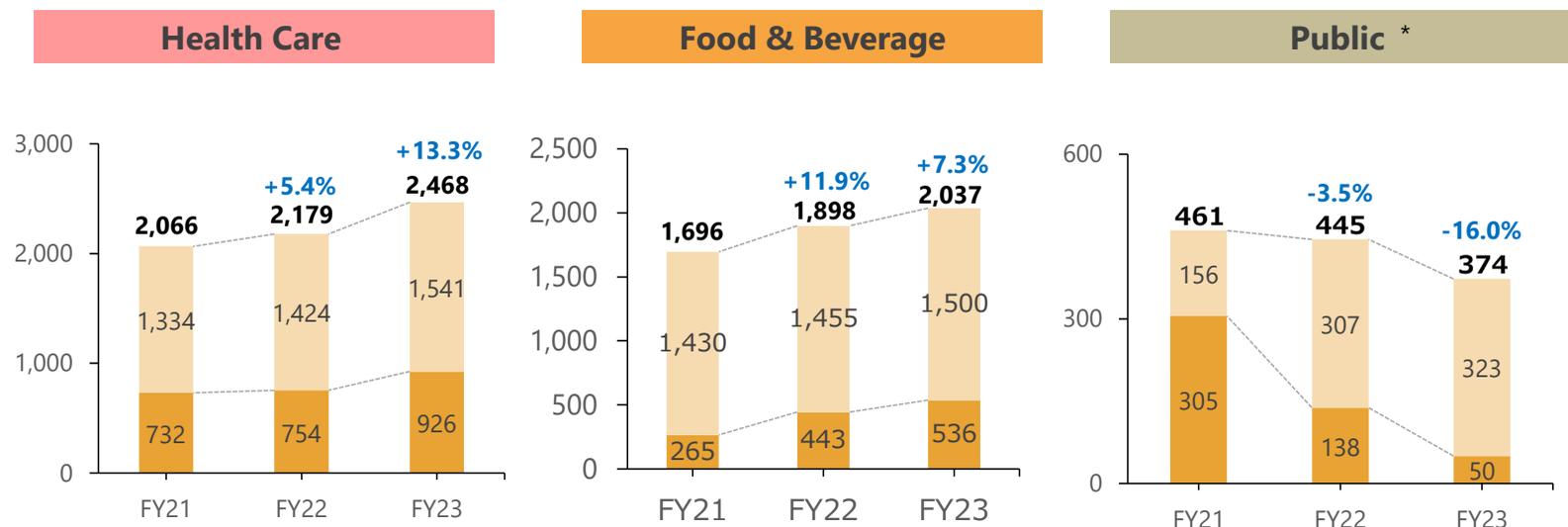
*From FY23-Q1, the classification of some industries has changed from public to logistics. The graph shows this change retroactively.

- The key highlight here is that we are beginning to see signs of recovery in the manufacturing market. The result in Q2 was -0.5% year-on-year. It represents a quarter-to-quarter improvement from -3.6% in Q1. This is mainly attributable to the contribution of the automotive market. We anticipate the pace of recovery to accelerate in 2H once the inventory adjustments related to semiconductors complete.
- Logistics remains robust across all industries. This is driven by a surge in logistics activity following the resurgence of the mobility of individuals. In addition to the projects for the "2024 issue" (shortage of truck drivers), we are also seeing an increase in projects aimed at addressing labor shortages and digitalization.
- Sales in retail decreased due to a large project in the EC industry during the same period last year.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



<p>Business environment</p> <p>Continued invest in RFID and other areas to enhance efficiency in administrative operations, and to respond to labor shortages. Demand remained firm overall.</p>	<p>Continued demand for automation, traceability, etc. to respond to issues including higher raw material costs and labor shortage.</p>	<p>The overall business environment remained stable.</p>
<p>SATO</p> <p>Consumables increased in all industries, driven by a recovery in the number of outpatient visiting healthcare facilities. Mechatronics increased due mainly to RFID and large automation projects.</p>	<p>Both consumables and mechatronics increased, driven by food manufacturing. Mechatronics increased due to large automation projects.</p>	<p>Consumables increased by orders from large customers. Mechatronics decreased due to a reaction to large-scale projects in the same period last fiscal year.</p>



*From FY23-Q1, the classification of some industries has changed from public to logistics. The graph shows this change retroactively.

- The highlight in health care was a recovery in the number of outpatient visits to hospitals. Projects involving RFID and automation also drove the growth in the medical equipment industry.
- Food & beverages performed well, driven by growth in the food manufacturing and food service industries following the recovery in individuals' mobility.
- Growth in public was driven by a large RFID project, which contributed to increased sales of consumables. The decrease in mechatronics is attributed to a large project during the same period last year.
- Quarterly performance in all markets is subject to the impact of large projects from last year. Nevertheless, we are now seeing an overall recovery.

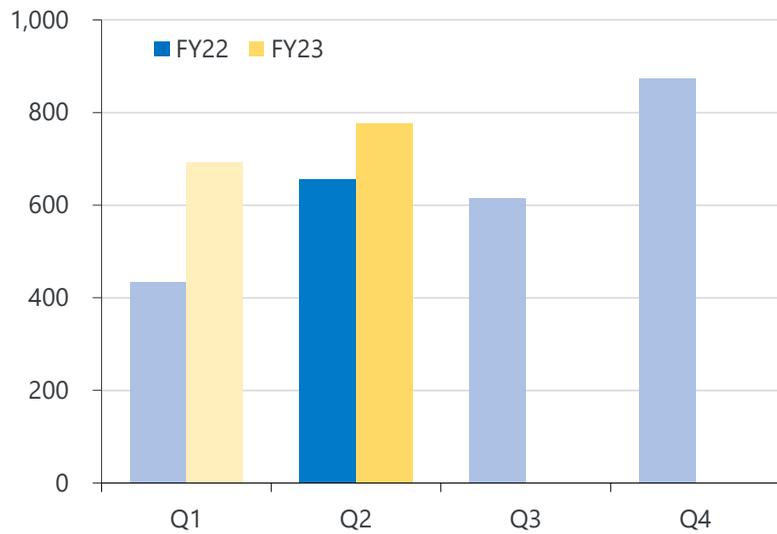
Sales Trends: RFID and Automation

Both solutions continued to perform strongly, driven by robust demand for digitization and labor shortage mitigation. RFID is growing in the health care market, whereas automation in the manufacturing and logistics markets.

(Millions of JPY)

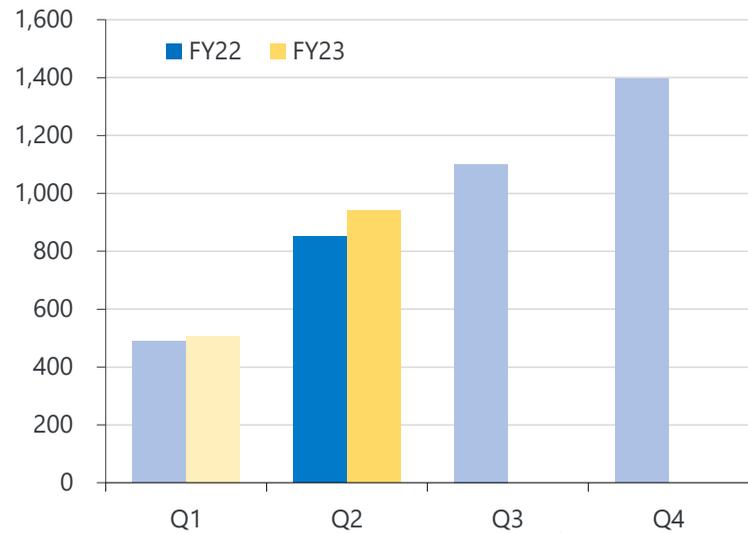
RFID

YoY sales increase in cumulative: **34.9%**



Automation

YoY sales increase in cumulative: **8.3%**



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



- This slide shows sales of RFID and automation solutions in Japan.
- Demand continued to be strong, with RFID being driven by the health care market.
- Sales of automation solutions are driven by the manufacturing and logistics markets. The "koto-uri" approach performed well, particularly in the manufacturing market, leading to increased software sales.
- To provide solutions to the challenges posed by serious labor shortages and the increasing demand for enhanced productivity in the markets, we are further reinforcing cross-functional collaborations among RFID, automation and software development teams.

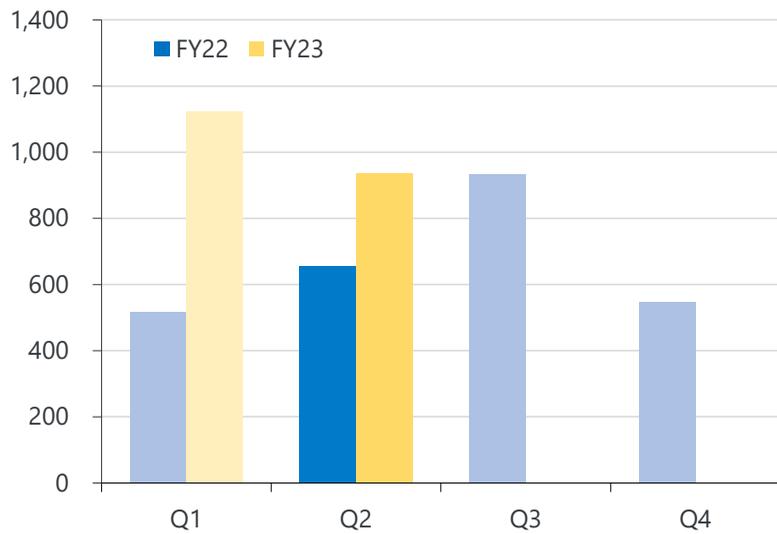
Sales Trends: RFID and Automation

Both solutions continued to perform steady, driven by robust demand for digitization and labor shortage mitigation. RFID performed well overall and grew in almost all markets, including the healthcare. Automation decreased due to economic downturn in Europe and North America.

(Millions of JPY)

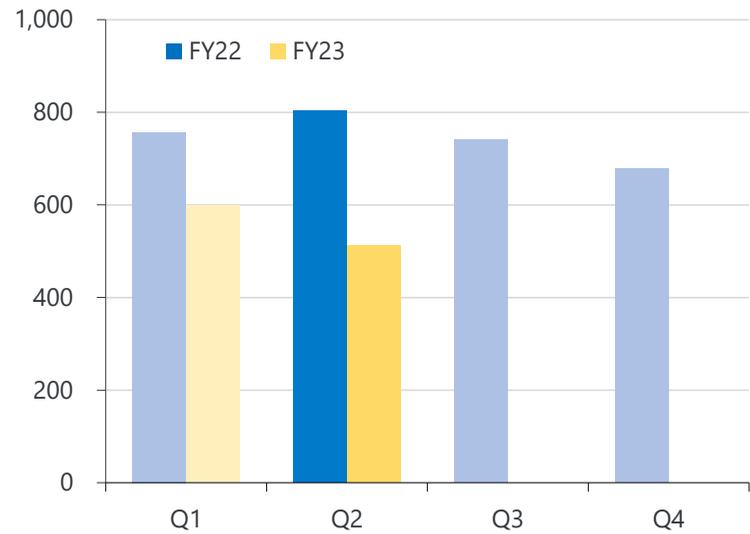
RFID

YoY sales increase in cumulative: **89.4%**



Automation

YoY sales decrease in cumulative: **28.8%**



* Figures in Automation is hardware sales only.



- This slide shows sales of RFID and automation solutions in the overseas business.
- RFID sales grew in all markets, driven not only by robust printer sales but also by increased sales of consumables, which contribute to recurring revenues.
- It seems that overseas customers are implementing solutions at a faster pace compared to customers in Japan. In response, we are urgently addressing the needs, for example, by increasing training opportunities.
- As part of this effort, we had a face-to-face information exchange at our headquarters last month with those involved in the RFID business based in Europe and Vietnam, where the solution implementation is gaining momentum. This will help us become more effective in our future customer negotiations.
- Sales of automation solutions decreased due to the economic downturn, particularly in Europe and the US. While uncertainty persists in the near future, the trend toward automation in both Europe and Asia is on the rise, and we are expecting growth.

FY2023 Consolidated Forecasts

(Millions of JPY)

	Apr-Sep		Oct-Mar		FY2023	
	Results	YoY	Plan	YoY	Plan	YoY
Net Sales	69,786	-1.0%	74,213	+2.6%	144,000	+0.8%
Operating Income Ordinary Income	4,620	+22.4%	4,879	-3.7%	9,500	+7.4%
Profit attributable to owners of parent	1,991	-38.3%	3,008	3.2x	5,000	+19.5%
<Reference>						
EBITDA *	13,961	←FY2022			14,600	+4.6%

* EBITDA = Operating Income +
Depreciation + Amortization

Average exchange rates assumed in FY23 forecast: JPY 143/USD, JPY 155/EUR (Initial plan: JPY 130/USD, JPY 140/EUR)
Average exchange rates for Apr-Sep, FY23: JPY 141.05 /USD, JPY 153.45 /EUR
Average exchange rates for FY22: JPY 135.49/USD, JPY 140.98/EUR



- This is our forecast for FY2023. We have revised both sales and OI upward.
- I will elaborate on the details of sales and OI in the next slide.
- We have revised our estimation of full-year exchange rates from JPY 130 to JPY 143 per dollar and from JPY 140 to JPY 155 per euro.

FY2023 Consolidated Forecasts <Breakdown>

Full-year consolidated net sales revised upward by JPY 4 billion and OI by JPY 1.5 billion.
 OI breakdown: Russian subsidiaries JPY +2.2 billion, Japan JPY -1.1 billion, eliminations JPY +0.3 billion,
 Overseas (excluding Russia) JPY +0.1 billion.

(Millions of JPY)

		Apr-Sep			Oct-Mar			FY2023		
		Initial Plan	Results	Change	Initial Plan	Revised Plan	Change	Initial Plan	Revised Plan	Change
Overseas	Net Sales	31,200	33,557	+2,357	32,800	34,442	+1,642	64,000	68,000	+4,000
	Operating Income	2,300	4,515	+2,215	2,900	2,984	+84	5,200	7,500	+2,300
Japan	Net Sales	36,800	36,229	-570	39,200	39,770	+570	76,000	76,000	+0
	Operating Income	1,000	-103	-1,103	1,800	1,803	+3	2,800	1,700	-1,100
Eliminations	Operating Income	0	208	+208	0	91	+91	0	300	+300
Consolidated	Net Sales	68,000	69,786	+1,786	72,000	74,213	+2,213	140,000	144,000	+4,000
	Operating Income	3,300	4,620	+1,320	4,700	4,879	+179	8,000	9,500	+1,500
<Reference>	Net Sales	5,600	8,028	+2,428	5,400	6,971	+1,571	11,000	15,000	+4,000
	Operating Income*	700	2,287	+1,587	600	1,212	+612	1,300	3,500	+2,200



* Before goodwill amortization

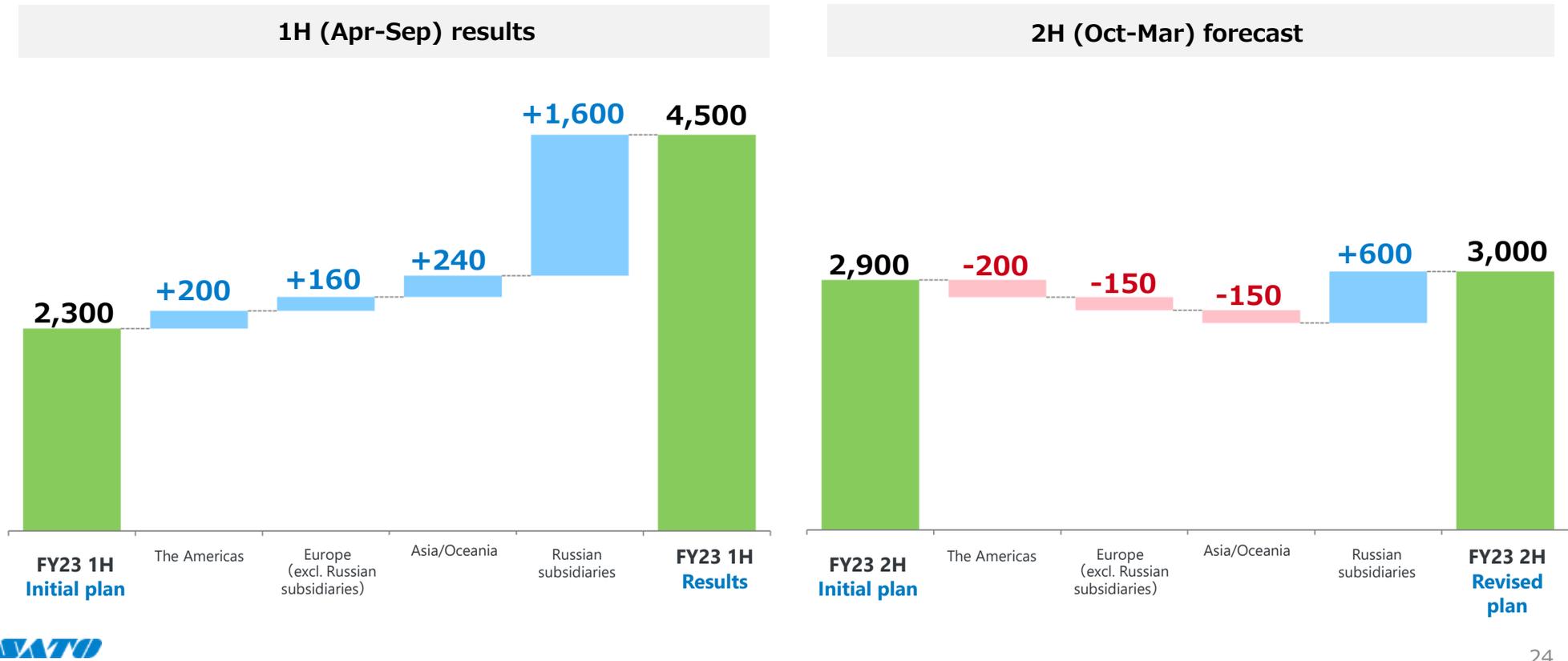
23

- On a consolidated basis, we have revised net sales and OI upward to JPY 4 billion and JPY 1.5 billion, respectively.
- The OI revision breaks down to JPY +2.2 billion for Russia, JPY -1.1 billion for Japan. JPY +0.3 billion after intracompany eliminations, and JPY +0.1 billion, excluding Russia.
- On the next slide, I will provide an overview of the OI revisions by business segment, separately for 1H and 2H.

Auto-ID Solutions Business (Overseas)

Overseas: Operating Income (vs. Initial Plan)

The revision of the full-year plan (JPY 5.2 billion to JPY 7.5 billion) was attributed to the performance of the Russian subsidiaries (1H: JPY +1.6 billion, 2H: JPY +0.6 billion). The overseas business (excluding Russia) is expected to achieve the full-year target, driven by the surplus in 1H, despite the continued economic slowdown in 2H.



- This slide shows the revisions to OI in the overseas business.
- The Russian subsidiaries showed a robust performance, exceeding our initial forecasts in both 1H and 2H. This was the primary factor leading to the revisions.
- Despite the ongoing economic downturn in the overseas business (excluding Russia), the full-year target is expected to be achieved, driven by the surplus from 1H.
- We plan to mitigate the negative market impact in 2H by leveraging our "koto-uri" approach.

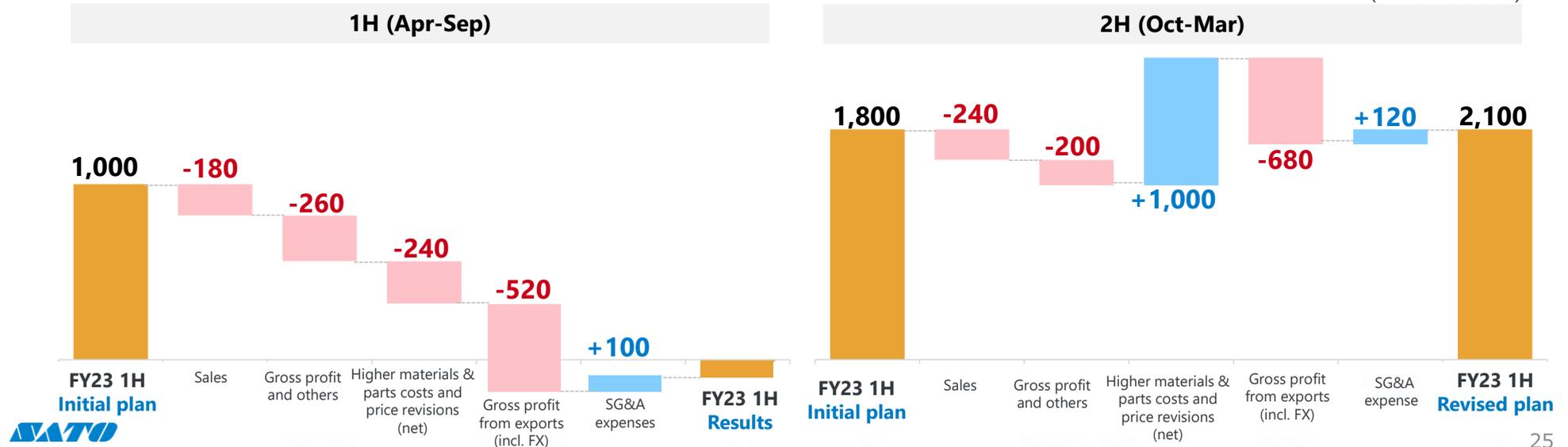
Auto-ID Solutions Business (Japan)

Japan: Operating Income (vs. Initial Plan)

The revision of the full-year plan (JPY 2.8 billion to JPY 1.7 billion) was made to reflect the shortfall (JPY 1.1 billion) in 1H. The 2H target (JPY 1.8 billion) is expected to be achieved.

	1H (Apr-Sep)	2H (Oct-Mar)
Sales	Expecting sluggish sales in the mechatronics sector for FY 2023	
Gross profit and others		
Higher materials & parts costs and price revisions	Delay in price revisions	Acceleration in price revisions
Gross profit from exports	Expecting a decline in sales of printers for FY 2023 due to the slowdown in overseas economies	

(Millions of JPY)



25

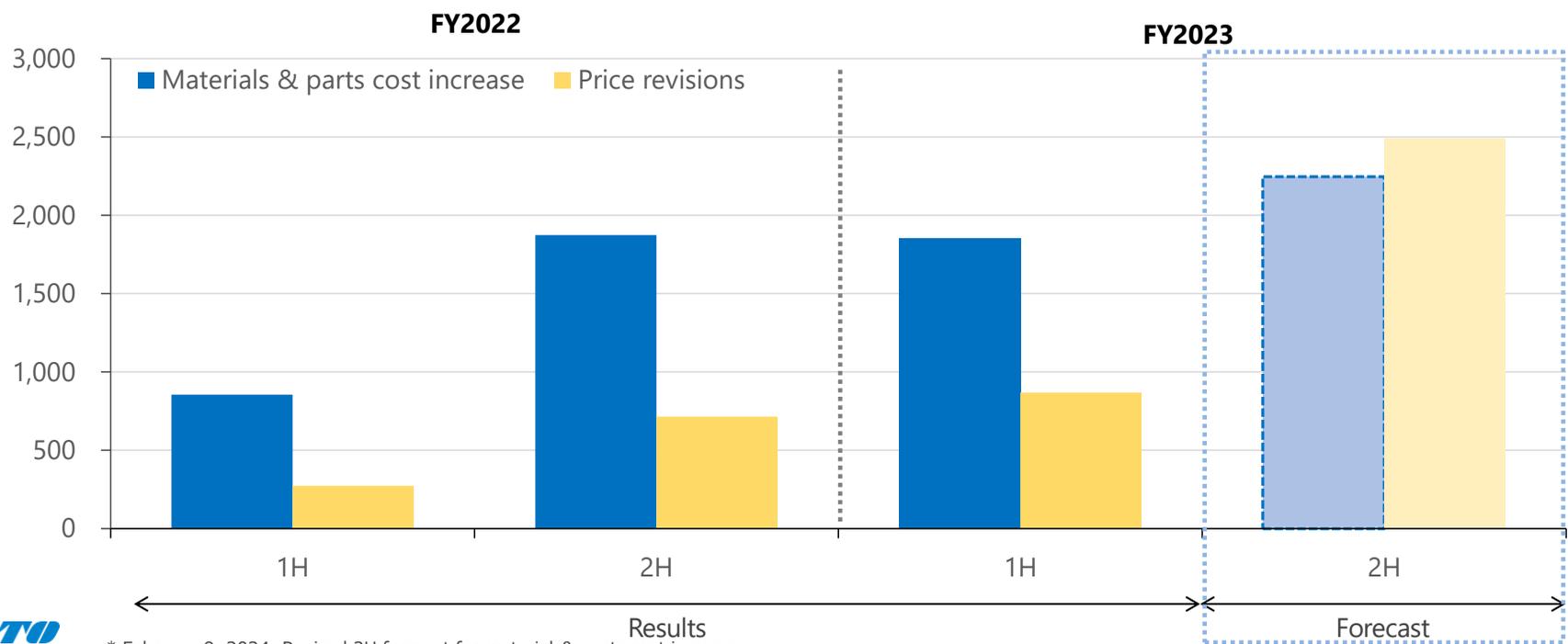
- Here are the details of the revisions made to OI in Japan.
- The full year plan has been revised to reflect the JPY 1.1 billion shortfall in 1H.
- In 2H, we expect to achieve our initial target of JPY 1.8 billion.
- In mechatronics, we have revised our sales and GP forecasts and expect full-year sales to be sluggish.
- We will accelerate our efforts to revise our current prices in 2H.
- In the following slides, I will elaborate on the changes in 2H.

Changes in 2H (1) : Effects of Price Revisions

Price revisions, announced on August 4, are set for accelerated implementation, driven by both robust management initiatives and sales efforts. They are expected to offset approximately 90 percent of the material cost increase in FY2023.

(Millions of JPY)

Materials & parts cost increase and price revisions (Amount increased vs. FY 2020, including currency effects)



* February 9, 2024: Revised 2H forecast for material & parts cost increase.

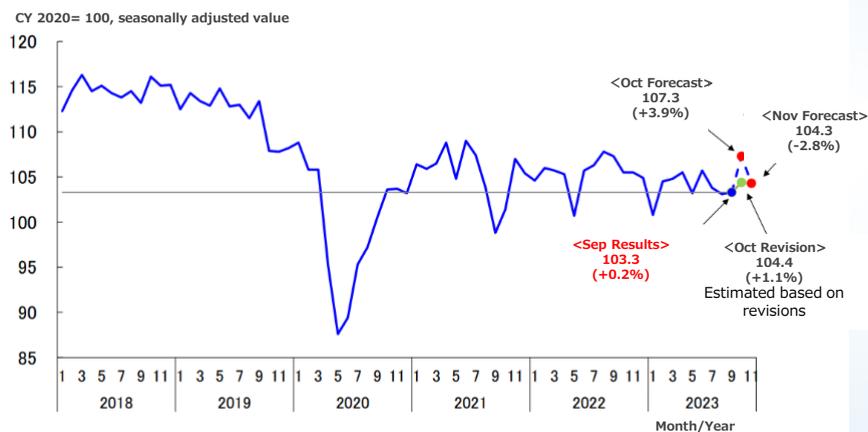
- Price revisions, announced on August 4, are set for accelerated implementation, driven by both robust management initiatives and sales efforts.
- Our customers have generally been understanding.
- Price revisions in 2H are expected to exceed the raw material cost increase in 2H, offsetting approximately 90 percent of the cost increase for the full fiscal year 2023.
- While we are not fully certain that there will be no further cost increase, we have determined it to be unlikely. As a result, we have not factored potential increases into our considerations.

Changes in 2H (1) : Signs of Bottoming Out in the Manufacturing Market

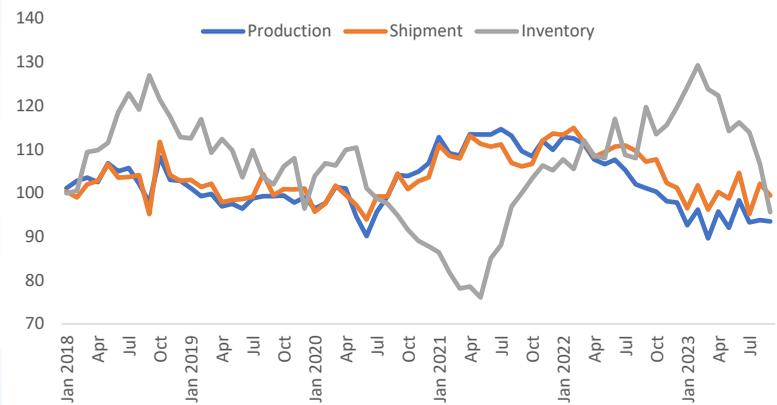
1H shows signs of bottoming out in market confidence, impacting our sales performance across major industries.

Manufacturing market conditions and our sales trends by industry

Industrial production index rose for the first time in three months in September



Electronic components inventory adjustment is in progress

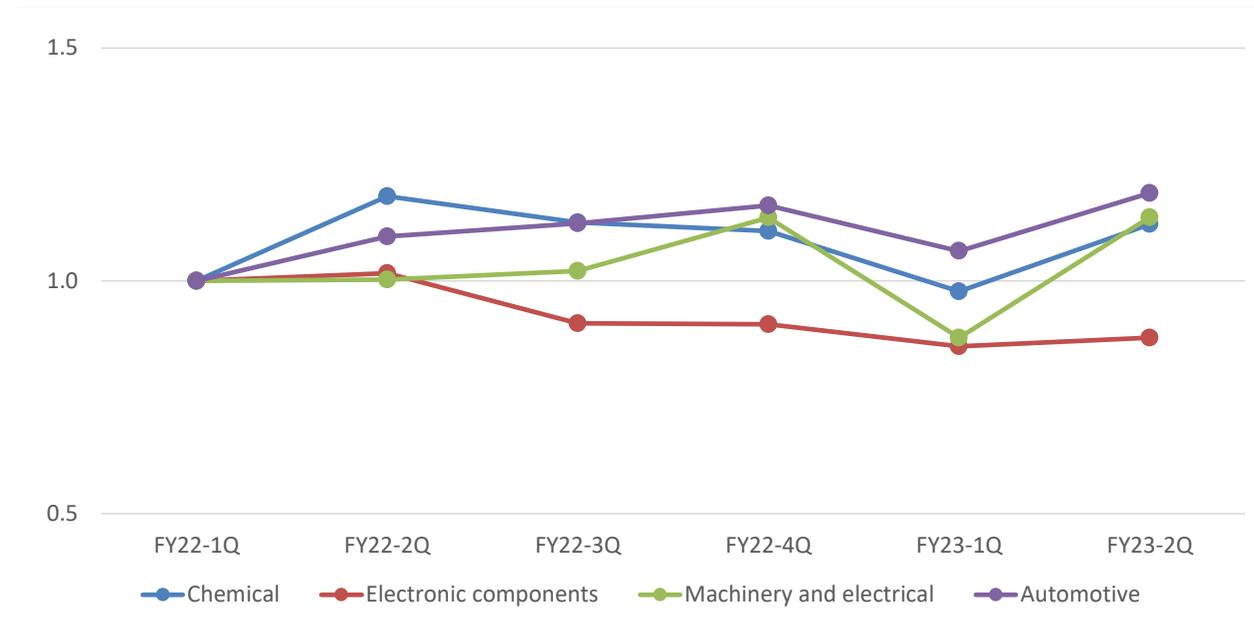


Source: Index of industrial production from Ministry of Economy, Trade and Industry

- The manufacturing market is also showing signs of bottoming out in 2H.
- The industrial production index also indicates a recovery in the economic landscape.
- 1H shows signs of bottoming out in market confidence, impacting our sales performance across major industries. In electronic components, shown in red, we are optimistic about the upcoming terms, as inventory adjustments have progressed to a level that can potentially drive sales upward going forward.

Changes in 2H (2) : Signs of Bottoming Out in the Manufacturing Market

1H shows signs of bottoming out in market confidence, impacting our sales performance across major industries.



Factory Innovation Week NADOYA
(Oct 25-27)
A view of our booth

- The photo was taken at our booth during Factory Innovation Week Nagoya last month. Both the number of visitors and negotiation opportunities exceeded our targets. Our booth, where we demonstrated our digitalization solutions, was a great success during the event.
- Looking ahead to 2H and beyond, we have several positive factors.

Auto-ID Solutions Business (Japan)

Changes in 2H : Reallocate Resources to High-Profit and High-Growth Areas (Health Care Market)

Integrate the sales organizations globally for the health care business and reallocate human resources. Accelerate growth by seamlessly sharing knowledge and global key account data between Japan and overseas.



29

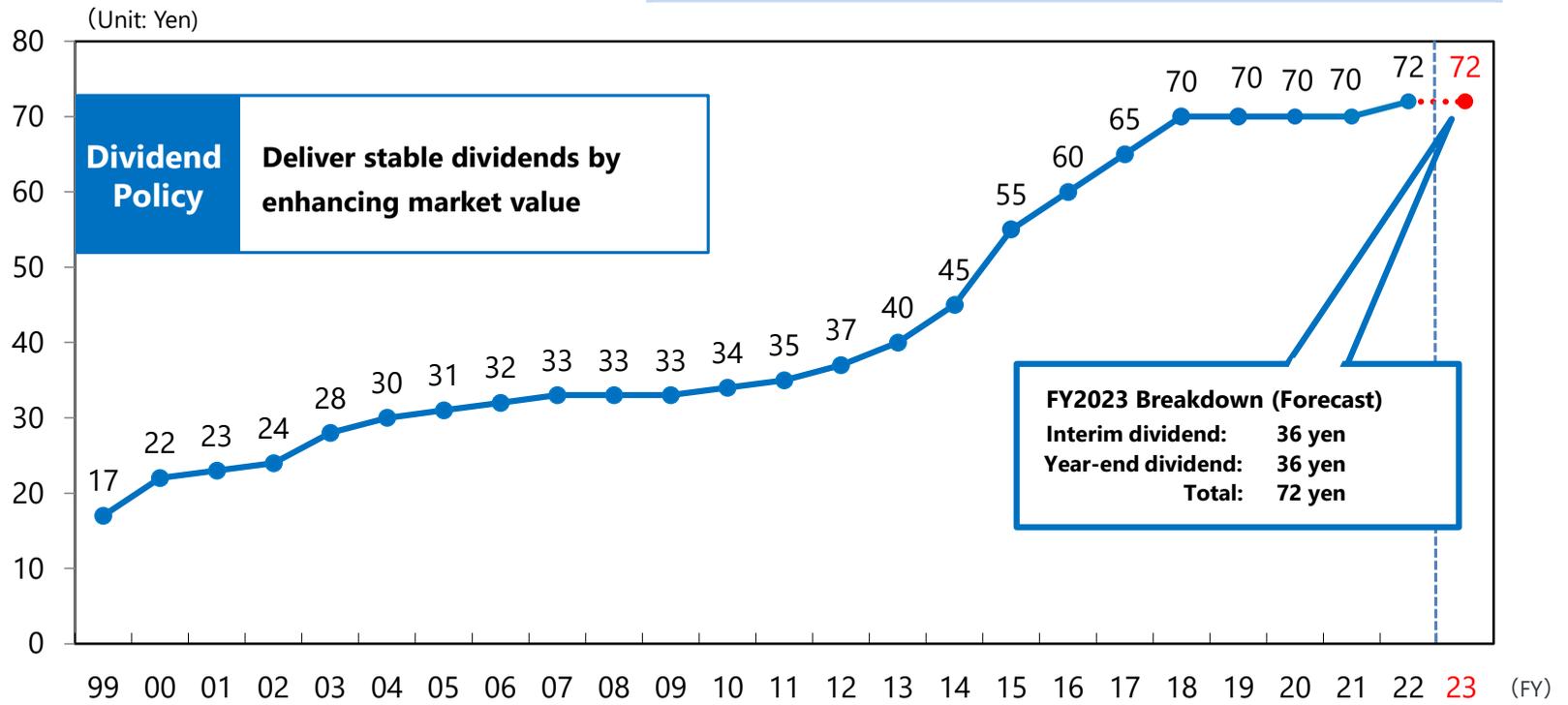
- The reallocation of resources, a project I have been driving, is also progressing.
- In 2H, the sales organizations have been integrated globally. We plan to leverage our large share of the health care market to build relationships with global key accounts. It is a high-profit market, and we plan to reallocate our resources strategically to enhance profitability across the organization.

Dividends

(JPY per share)

Interim dividend payment of 36 yen is scheduled.

	FY19	FY20	FY21	FY22	FY23* (Forecast)
EPS	-56.1yen	385.9yen	112.7yen	131.8yen	154.5yen
ROE	-3.6%	24.4%	6.3%	6.7%	7.3%
(Ref.) Payout ratio	-	18%	62%	55%	47%



- This slide shows the changes in our dividend payments.
- Our dividend payments for FY2023 remain stable, with an expected interim dividend of JPY 36 and a year-end dividend of JPY 36, totaling JPY 72.

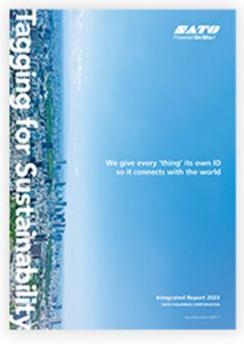
**FY23 Apr-Sep Results
and
Full-Year Forecast**

**Medium-to
Long-Term
Initiatives**

- Next, I would like to talk about our medium to long-term initiatives.

Medium-to Long-Term Initiatives: Toward the Realization of a Circular Economy (1)

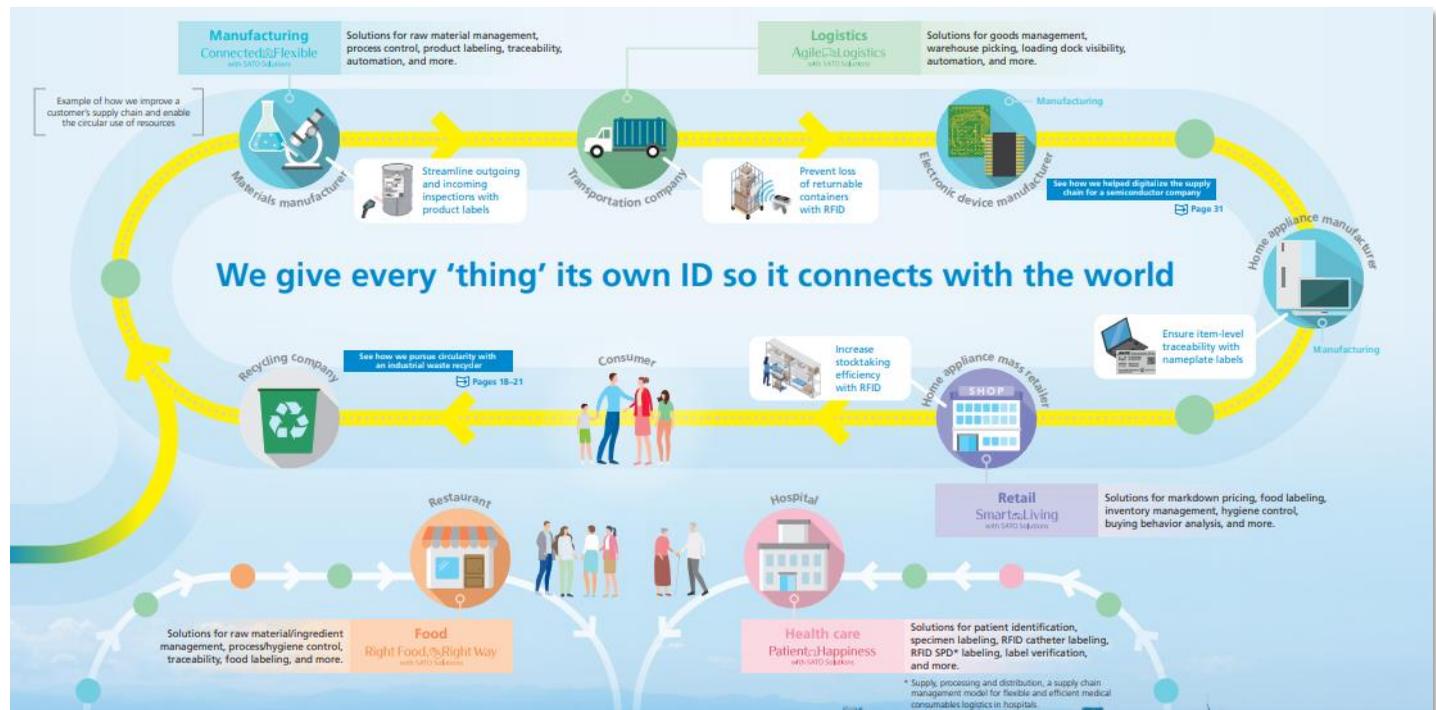
Strive to achieve a circular economy in the medium to long term, while providing support for digitalization across worksites and supply chains.



Integrated report 2023

(Page 8-9)

https://www.sato-global.com/ir/library/pdf/2023_e.pdf



32

- The image on this slide, illustrating our business fields, is taken from our integrated report issued in September.
- For now, our focus is on addressing the challenges our customers face in their operations. This includes, for example, streamlining shipping processes for raw material suppliers in the manufacturing market.
- We plan to extend it to the supply chain and circular economy, including reverse logistics, in the medium to long term.
- Semiconductor manufacturers and major grocery stores have begun utilizing RFID solutions to digitize their supply chains. Some of our initiatives are highlighted in our integrated report. We encourage you to explore the report to find out more.

<Integrated report 2023>

https://www.sato-global.com/ir/library/pdf/2023_e.pdf

Medium-to Long-Term Initiatives: Toward the Realization of a Circular Economy (2)

Announced a collaboration with Nakadai Holdings Co., Ltd., a leading industrial waste recycler known for its expertise in the reverse supply chain.

Tag and track recyclable waste through the process, from collection to production and reuse as homegrown resources.

Reverse logistics initiatives



Integrated report 2023 (Page 18-21)
https://www.sato-global.com/ir/library/pdf/2023_e.pdf

In conversation

Sumiyuki Nakadai
President
Nakadai Holdings Co., Ltd.

Hirayuki Konuma
President

What brought SATO and Nakadai together?

Konuma We met Nakadai just as we were exploring new tagging-based businesses to contribute to the circular economy as an in-house project.

This project we call "Our Way to Our 100th Anniversary" was launched to keep SATO innovating even when we reach our 100th anniversary in 2040 by tapping the collective strengths of employees who are empowered to think and act autonomously to initiate changes on their own.

We needed to cultivate a company culture that encourages new challenges and embraces failure to innovate with speed, and started by using the said project to engage young employees, who will play key roles in SATO's future, in leading various new business initiatives.

The project team was exploring new solutions to keep pace with global trends, and it was then when our paths crossed with Nakadai's.

After meeting Nakadai and learning about the complexities of processing and recycling waste, I thought our business technologies and solutions housed over the

the Kyoto Protocol. In response, we shifted to provide comprehensive recycling services in 2000 and are now in the remanufacturing business of selling reprocessed products or materials to markets that need them to bridge the use and disposal stages. At our main intermediate waste treatment plant in Hokkaido, we not only sort and process ferrous and nonferrous metals but also handle the city's bulky household waste and over 1,500 tons of industrial waste monthly from across Japan, boasting a recycling rate that exceeds 99 percent.

While we cannot predict when we realize what type of waste and in what quantity, we need to supply a stable and consistent amount of recycled materials to customers. This has been our biggest challenge for over two decades, and because most recycling companies are in a similar position, recycling can only progress slowly in our society.

How can SATO's tagging technology help waste recycling and reuse?

Creating value together to the circular use of resources

The circular economy is a system where industry and nature coexist products as resources. SATO started working with industrial waste to utilize the industry-government-academia network in circulating re "innovating use, designing disposal." SATO Group CEO Hirayuki Konuma and Sumiyuki Nakadai discussed the future of circular business.

<Public relations materials>

November 8, 2023

SATO and Nakadai Collaborate to Realize a Circular Economy
 Establishing a traceability scheme for recycled materials

SATO Holdings Corporation
 Nakadai Holdings Co., Ltd.

News release on collaboration
<https://www.sato-global.com/news/2023/release/11-14-1.html>



- We are already pursuing initiatives to create a circular economy.
- We recently announced a collaboration with Nakadai Holdings Co., Ltd., a leading industrial waste recycler known for its expertise in the reverse supply chain.
- President Nakadai, a leading expert in this field, attended a small group talk on circular economy held by Prime Minister Kishida at his office last month and spoke about resource recycling.
- In this collaboration, we tag and track recyclable waste throughout the process, from its collection to production and reuse as a resource.

- Since taking up my current role in April, I have made tangible progress on our short, medium and long-term initiatives. Price revisions in Japan, coupled with our "koto-uri" efforts overseas, are beginning to yield positive results.
- We are also developing a new medium-term management plan with specific actions, which will be released in March.

● I would like to conclude my presentation here. Thank you for your time.

Appendix

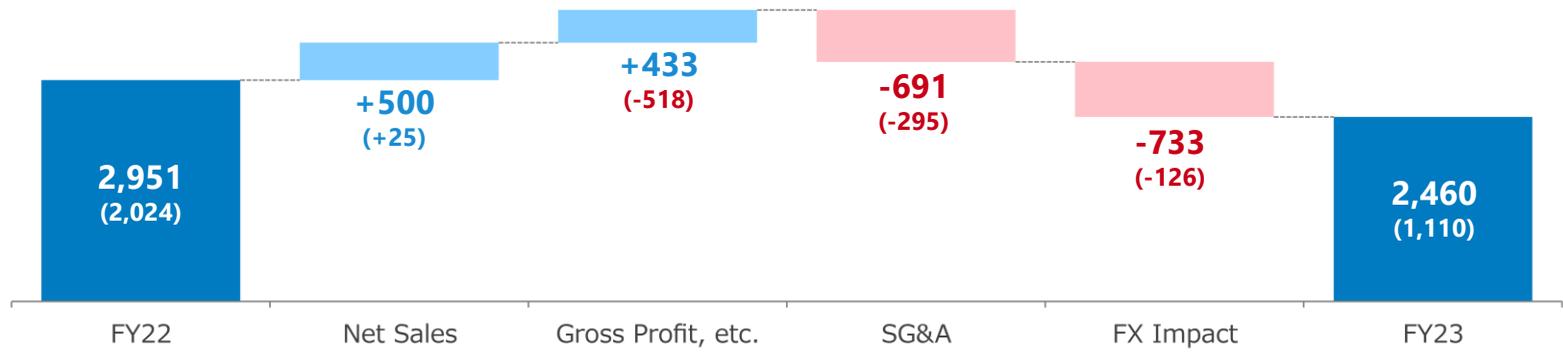
Performance data Pages 35-53

SATO terminologies Pages 54-57

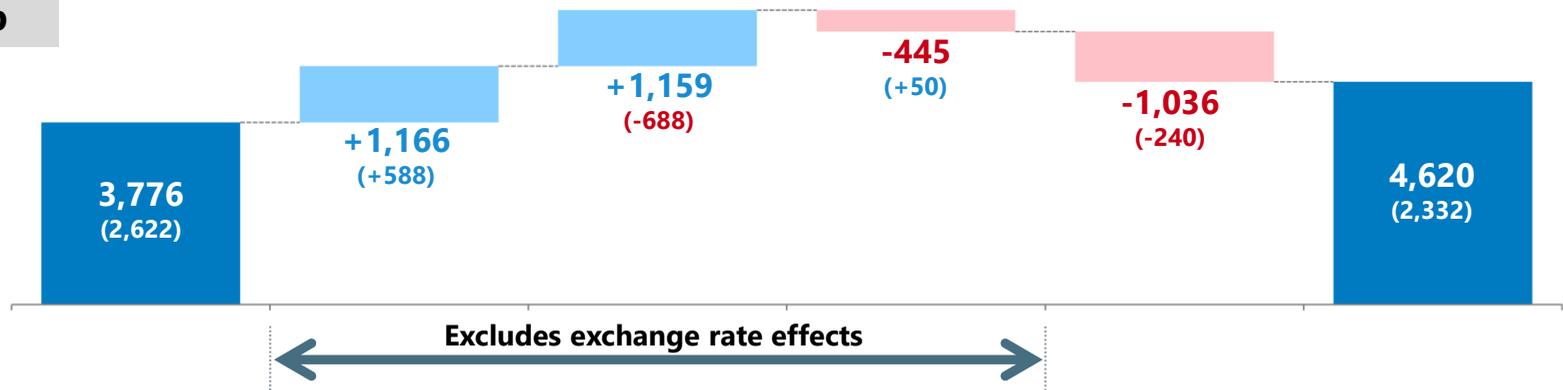
Major Gains/Losses in OI

(Millions of JPY)

Jul-Sep



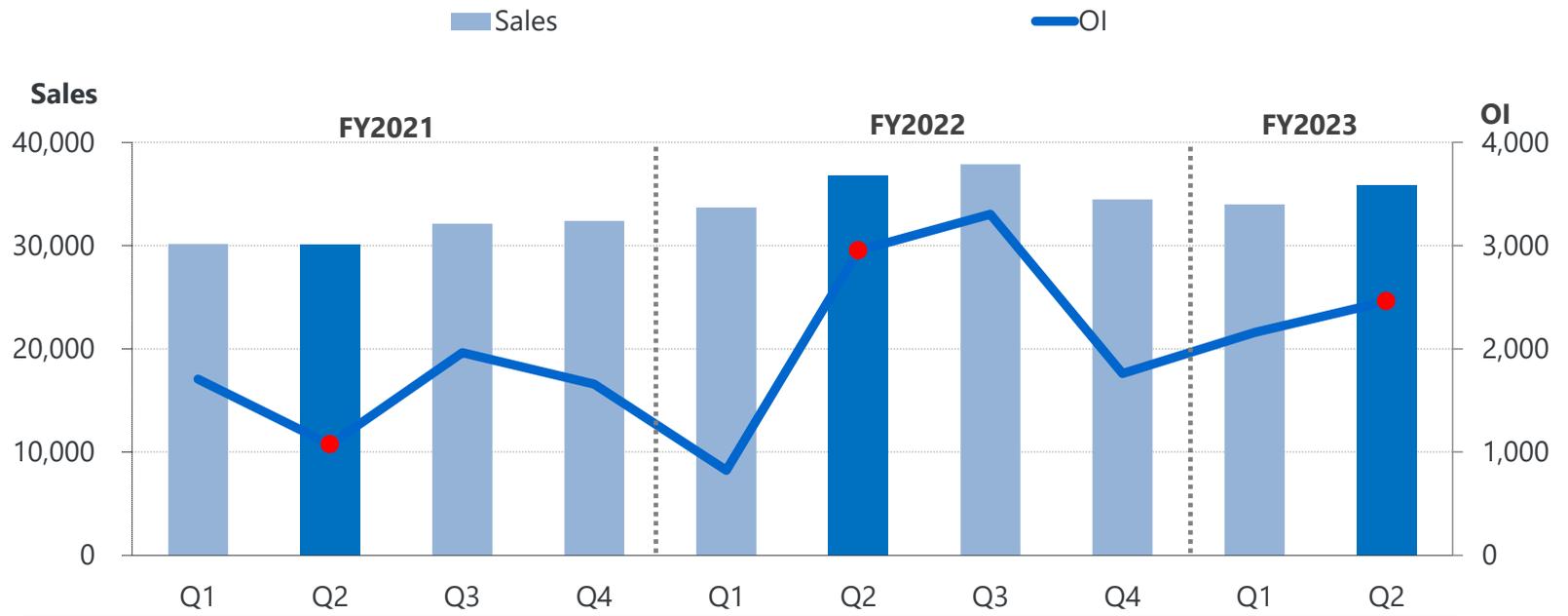
Apr-Sep



* Figures in parentheses exclude the Russian subsidiaries.

Quarterly Sales & OI

(Millions of JPY)

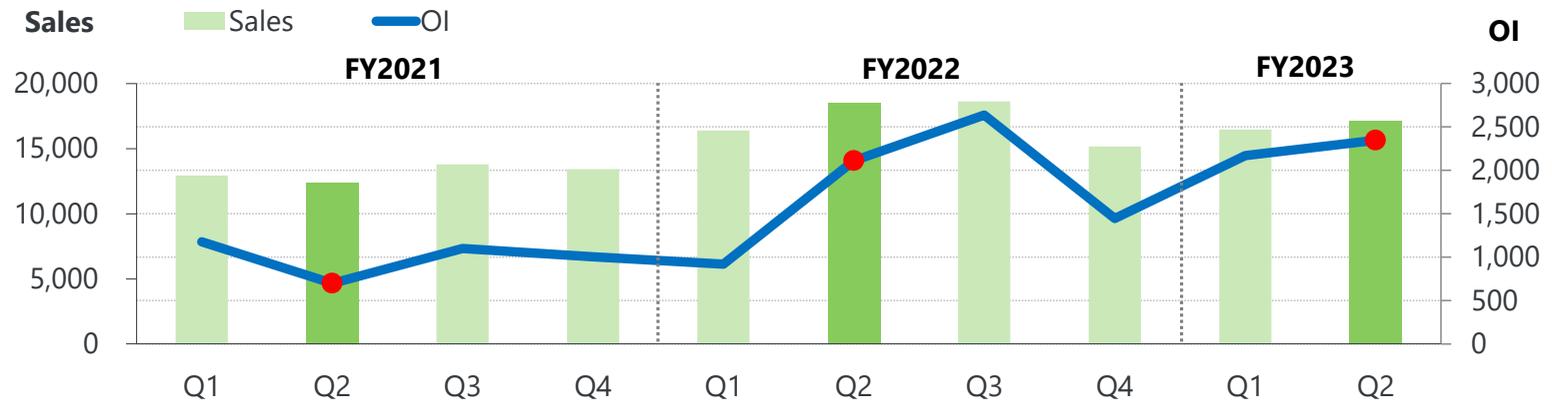


	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	30,177	30,084	32,126	32,395	33,686	36,777	37,871	34,489	33,989	35,797
YoY	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%	+17.9%	+6.5%	+0.9%	-2.7%
OI	1,706	1,073	1,963	1,660	824	2,951	3,304	1,760	2,160	2,460
YoY	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x	+68.3%	+6.0%	2.6x	-16.6%

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)

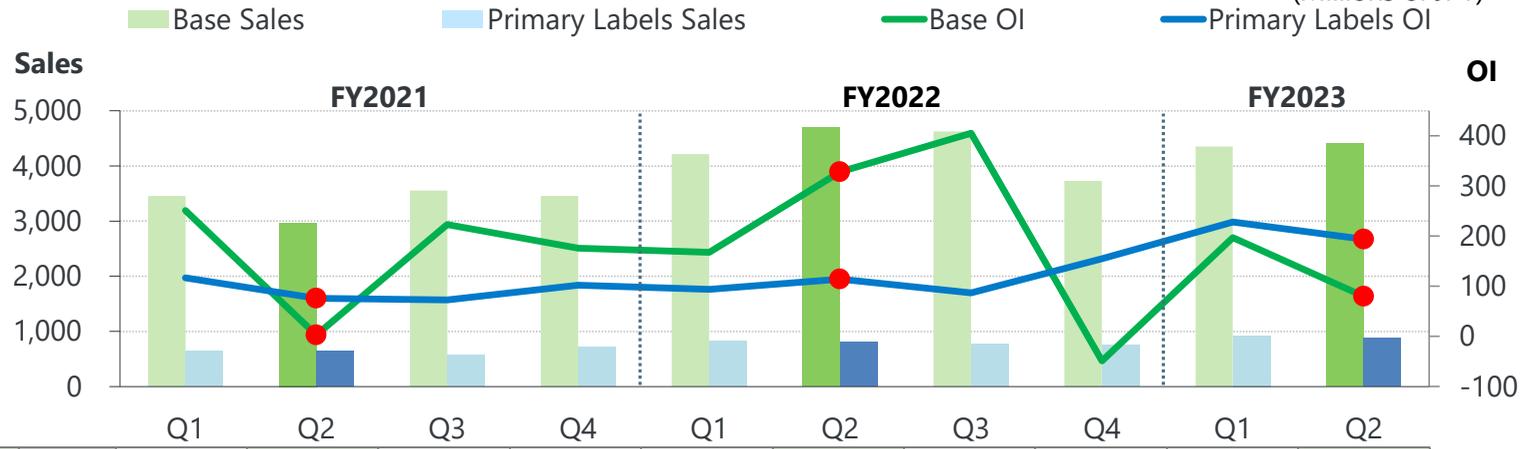


Sales	12,929	12,354	13,788	13,423	16,394	18,483	18,626	15,153	16,452	17,104
YoY	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%	+49.6%	+35.1%	+12.9%	+0.4%	-7.5%
OI	1,175	698	1,101	1,003	919	2,109	2,637	1,445	2,169	2,346
YoY	15.1x	+2.2%	+5.6%	+14.0%	-21.8%	3.0x	2.4x	+44.0%	2.4x	+11.2%

Auto-ID Solutions Business (Overseas)

The Americas: Quarterly Sales & OI

(Millions of JPY)



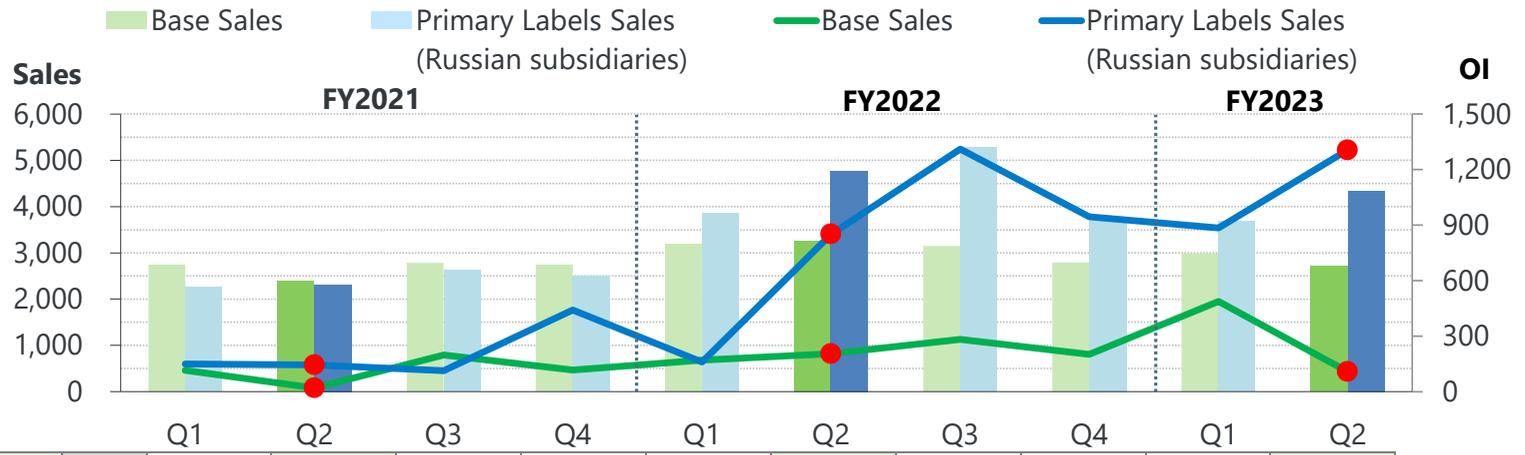
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		Base	Sales	3,458	2,970	3,554	3,456	4,214	4,694	4,626	3,731
	YoY	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%	+30.2%	+8.0%	+3.3%	-6.0%
	OI	251	3	223	176	168	328	405	-49	197	80
	YoY	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x	+81.1%	-	+17.0%	-75.5%
Primary Labels	Sales	648	643	576	717	821	806	769	752	924	885
	YoY	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%	+12.6%	+9.8%
	OI	117	76	73	102	94	114	87	155	228	194
	YoY	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%	+18.7%	+51.9%	2.4x	+70.2%



Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)



		FY2021				FY2022				FY2023	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Base	Sales	2,746	2,391	2,785	2,749	3,195	3,268	3,149	2,789	2,991	2,714
	YoY	+89.0%	+19.5%	+30.4%	+37.7%	+16.3%	+36.6%	+13.0%	+1.5%	-6.4%	-16.9%
	OI	115	20	197	117	170	204	196	201	487	108
	YoY	-	-63.8%	2.1x	5.7x	+46.9%	10.0x	-0.5%	+71.1%	2.9x	-47.1%
Primary Labels (Russian business)	Sales	2,256	2,311	2,633	2,499	3,867	4,775	5,282	3,741	3,687	4,341
	YoY	+31.9%	+22.2%	+33.4%	+43.8%	+71.4%	2.1x	2.0x	+49.6%	-4.7%	-9.1%
	OI	149	144	113	441	159	851	1,311	945	884	1,305
	YoY	+51.8%	-16.3%	-37.5%	9.7x	+6.8%	5.9x	11.6x	2.1x	5.6x	+53.2%



Auto-ID Solutions Business (Overseas)

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)

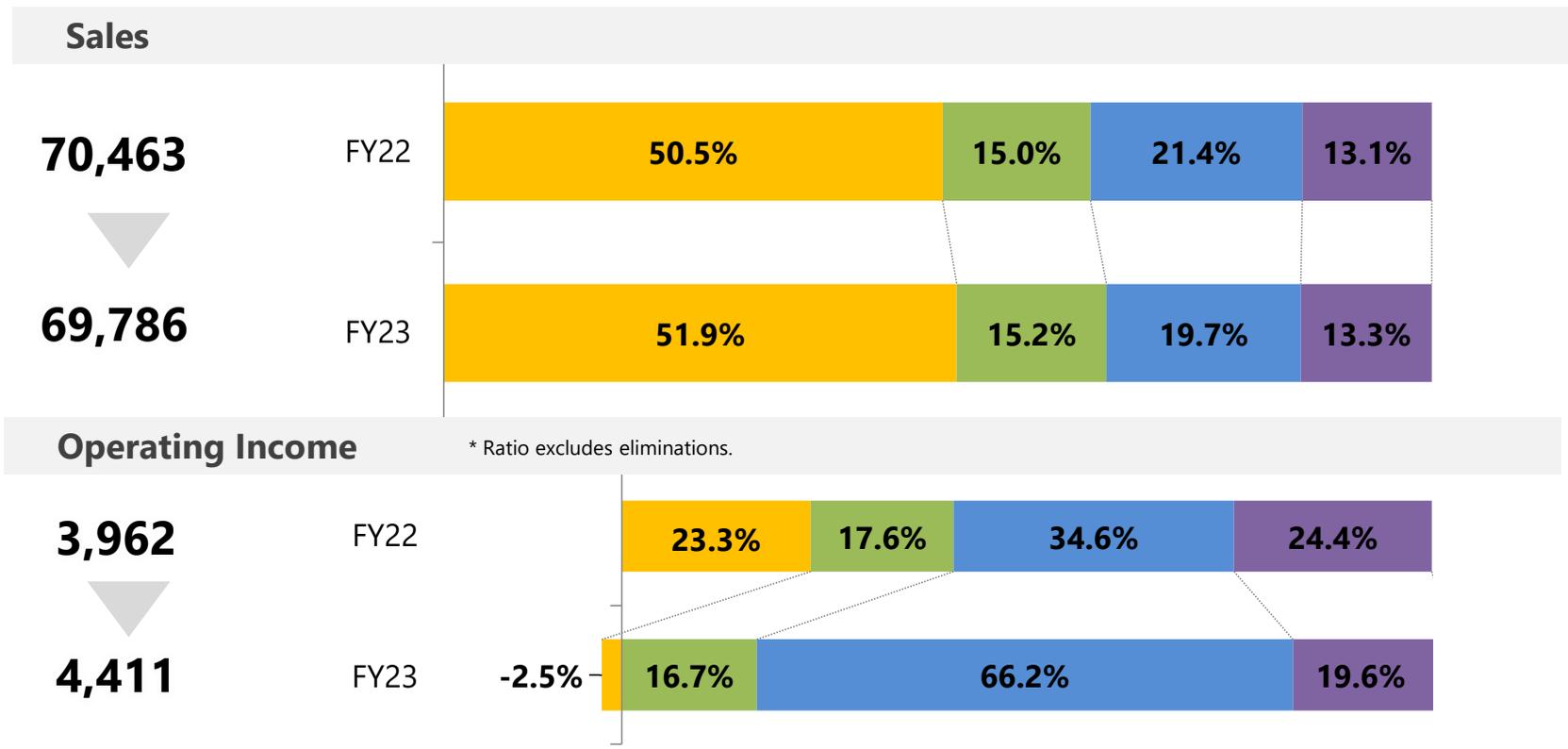


Base	Sales	3,817	4,037	4,238	4,000	4,296	4,938	4,799	4,138	4,495	4,751
	YoY	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%	+3.5%	+4.6%	-3.8%
	OI	527	423	478	208	362	614	736	264	324	500
	YoY	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%	+26.9%	-10.7%	-18.5%

Sales and OI by Region

(Millions of JPY)

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania



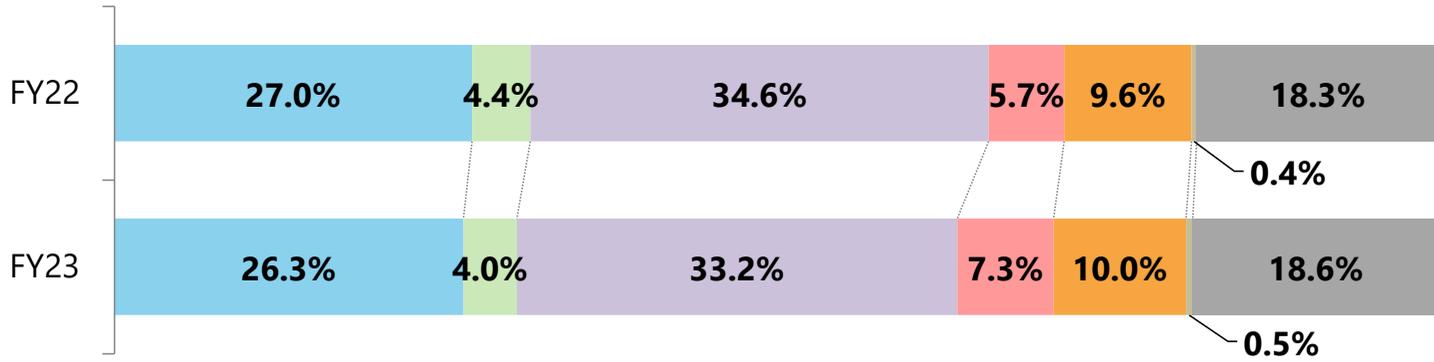
OI Ratio FY22 Japan : 2.6%, Overseas : 8.7%
 FY23 Japan : N/A%, Overseas : 13.5%



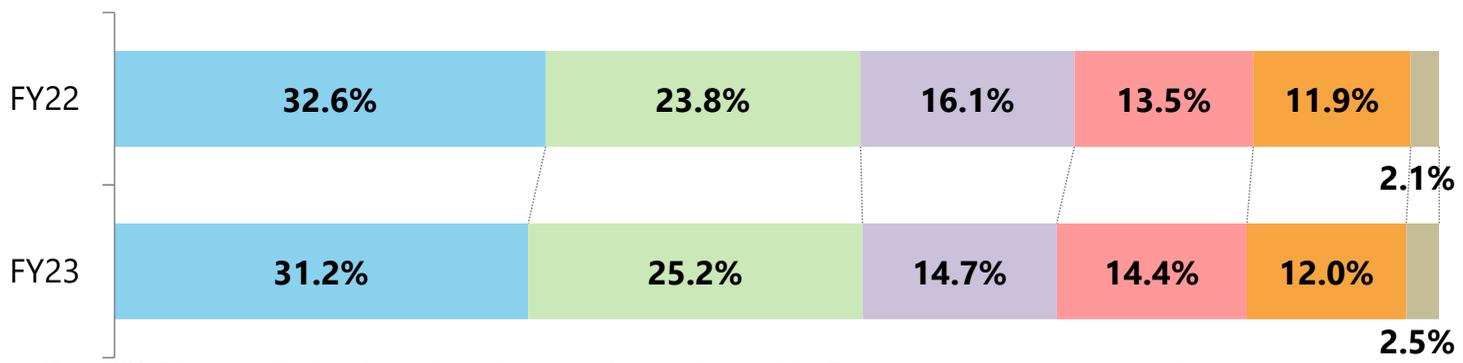
Sales by Vertical

■ 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



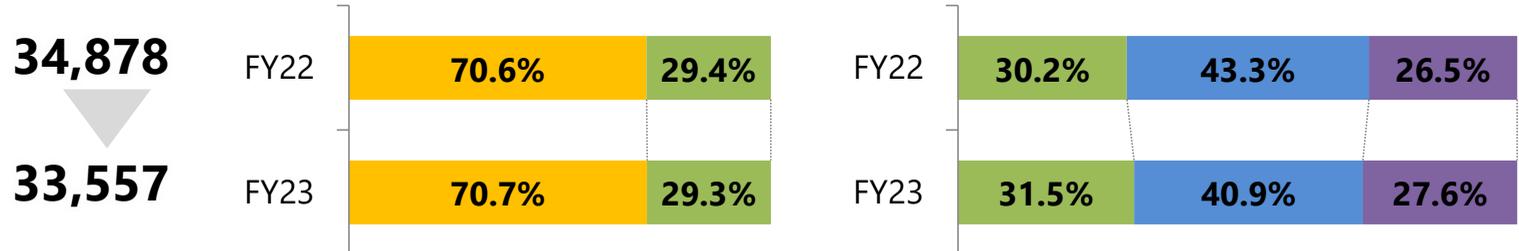
*From FY23-Q1, the classification of some industries changed from public to logistics. The graph shows this change retroactively.

Sales and OI by Business Segment/Region

(Millions of JPY)

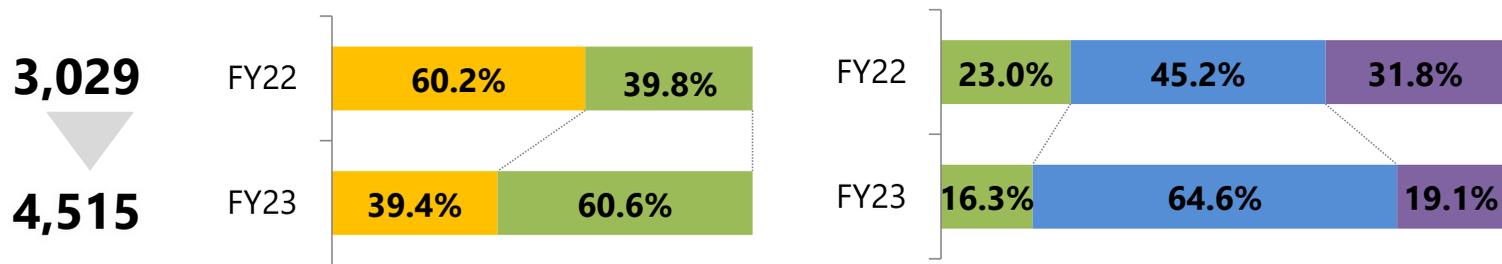
■ Base ■ Primary Labels ■ The Americas ■ Europe ■ Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.



OI ratio:

FY22 Base : 7.5%, Primary Labels : 11.9%

FY23 Base : 7.2%, Primary Labels : 26.6%

FY22 The Americas : 6.7%, Europe : 9.2%

Asia/Oceania : 10.6%

FY23 The Americas : 6.6%, Europe : 20.3%

Asia/Oceania : 8.9%



Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

(Millions of JPY)

		FY2023	FY2022	Change	Change	
		Jul-Sep	Jul-Sep		YoY	excl. FX impact
Base	Total Sales	11,877	12,901	-1,023	-7.9%	-11.9%
	Operating Income	689	1,147	-457	-39.9%	-38.9%
Primary Labels	Total Sales	5,226	5,582	-355	-6.4%	+36.4%
	Operating Income	1,499	966	+533	+55.2%	2.3x
Eliminations	Operating Income	157	-3	+160	-	-
Total	Total Sales	17,104	18,483	-1,378	-7.5%	+2.7%
	Operating Income	2,346	2,109	+236	+11.2%	+46.7%

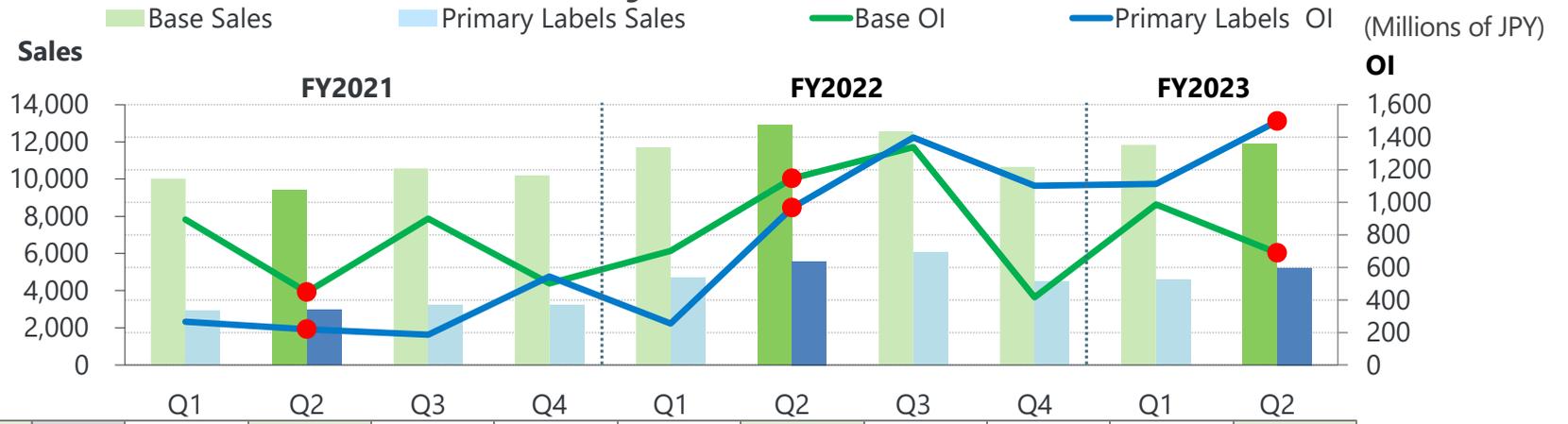
		FY2023	FY2022	Change	Change	
		Apr-Sep	Apr-Sep		YoY	excl. FX impact
Base	Total Sales	23,718	24,607	-888	-3.6%	-7.6%
	Operating Income	1,698	1,849	-151	-8.2%	-9.0%
Primary Labels	Total Sales	9,838	10,270	-432	-4.2%	+29.2%
	Operating Income	2,612	1,220	+1,392	2.1x	3.0x
Eliminations	Operating Income	204	-40	+244	-	-
Total	Total Sales	33,557	34,878	-1,320	-3.8%	+3.2%
	Operating Income	4,515	3,029	+1,486	+49.1%	+83.4%



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

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

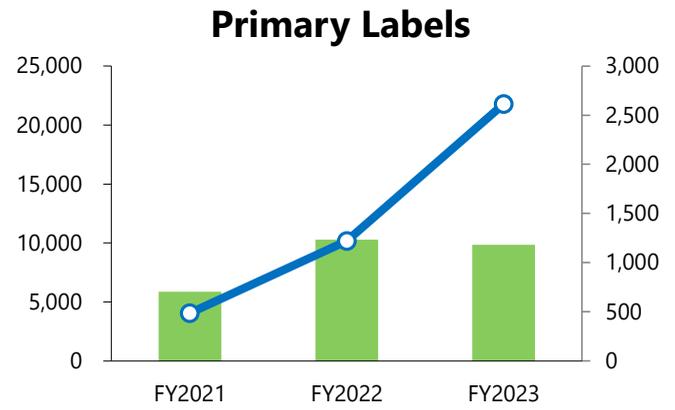
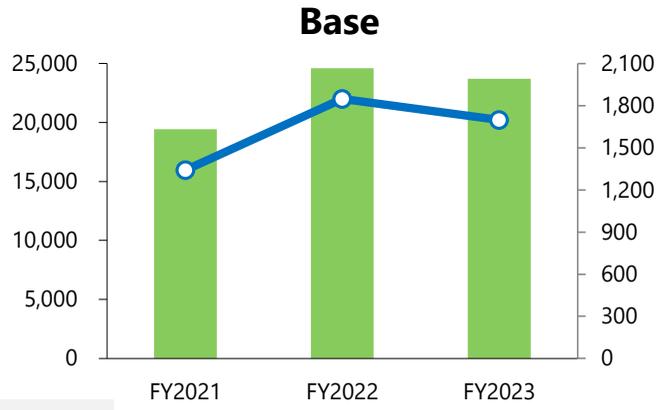


		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840	11,877
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%	-7.9%
	OI	894	447	900	502	701	1,147	1,338	416	1,008	689
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	+43.7%	-39.9%
Primary Labels	Sales	2,905	2,955	3,209	3,217	4,688	5,582	6,051	4,493	4,612	5,226
	YoY	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%	+88.6%	+39.7%	-1.6%	-6.4%
	OI	266	220	186	544	254	966	1,398	1,101	1,113	1,499
	YoY	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x	7.5x	2.0x	4.4x	+55.2%

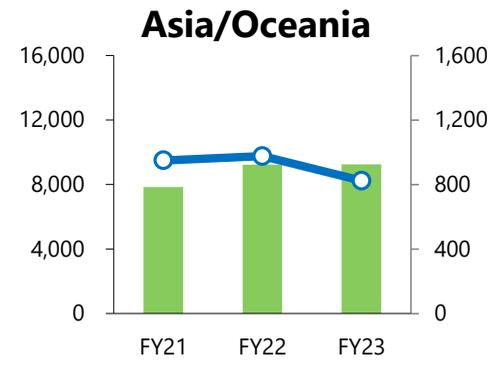
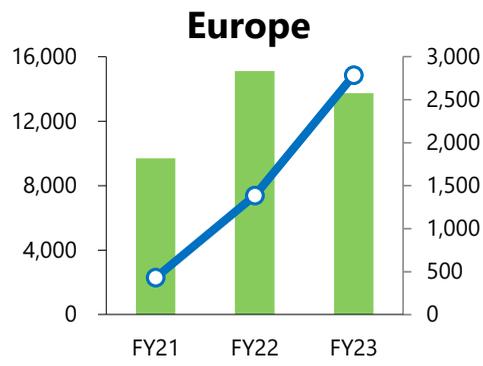
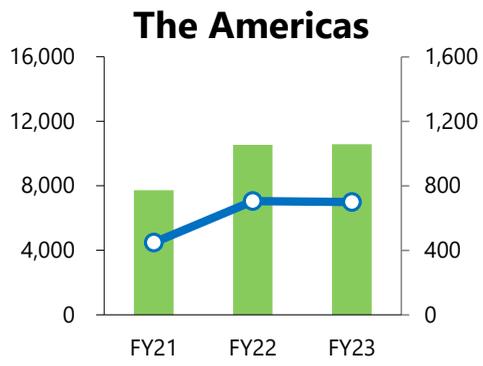


Sales and OI Trends by Business Segment and Region

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



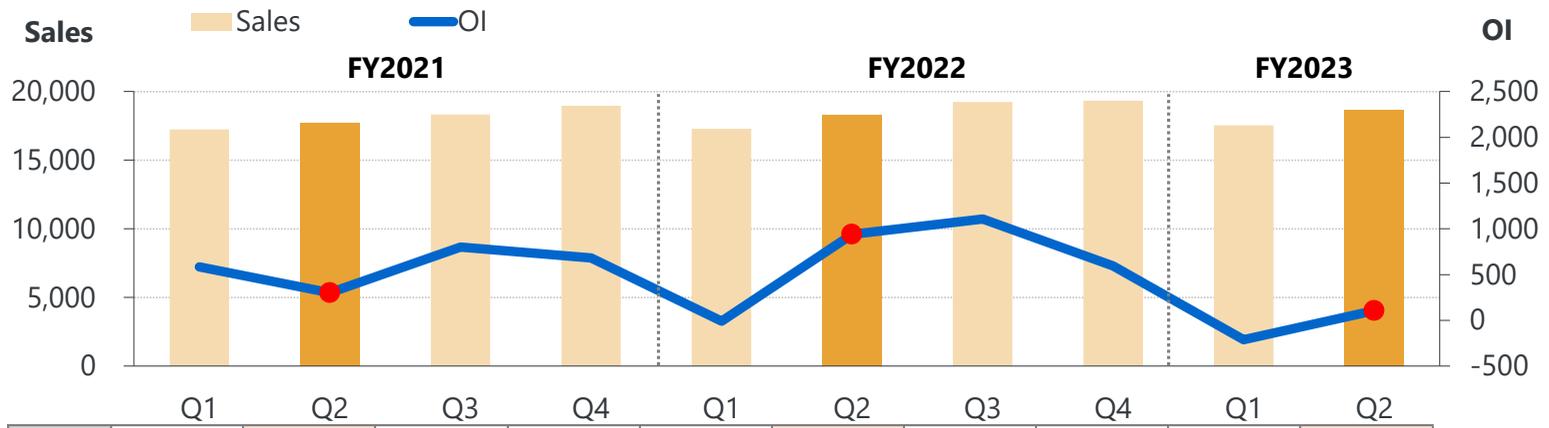
By Region



Auto-ID Solutions Business (Japan)

Quarterly Sales & OI

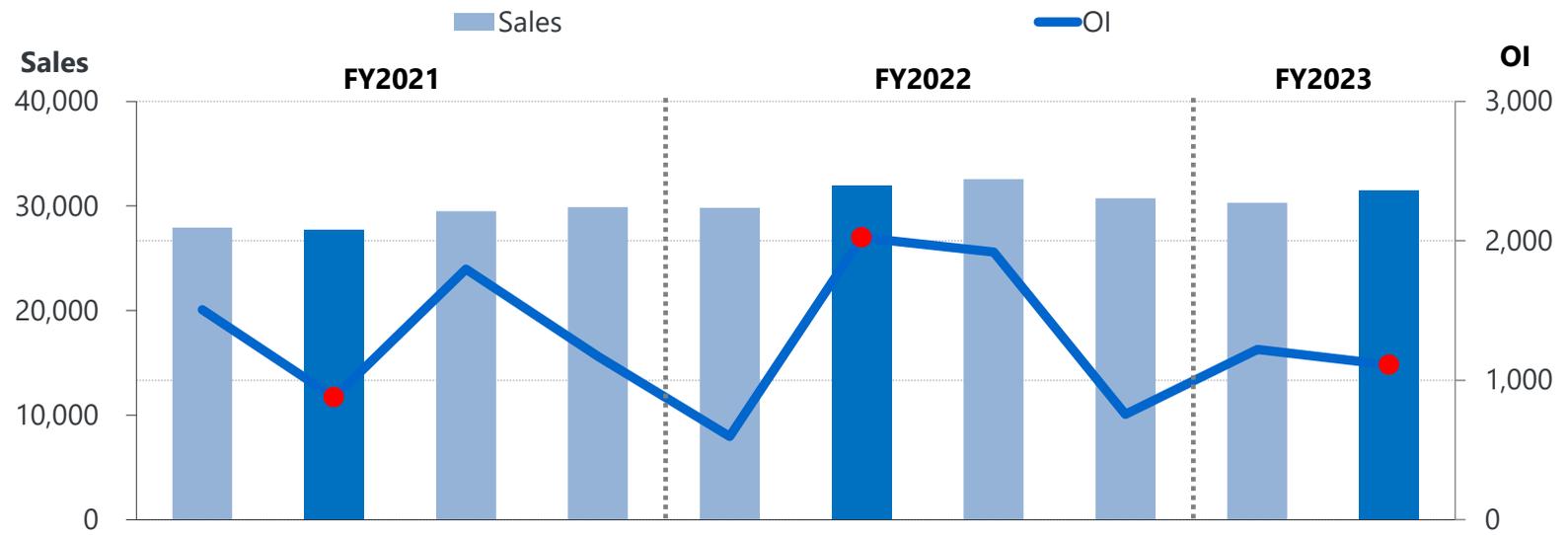
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	17,248	17,729	18,337	18,971	17,291	18,294	19,244	19,336	17,536	18,692
YoY	+9.6%	+10.9%	-0.1%	+2.6%	+0.2%	+3.2%	+4.9%	+1.9%	+1.4%	+2.2%
OI	585	303	801	682	-8	941	1,108	594	-210	106
YoY	+46.7%	-32.4%	-31.5%	-43.3%	-	3.1x	+38.3%	-12.8%	-	-88.7%

Quarterly Sales & OI
(Figures exclude the Russian subsidiaries)

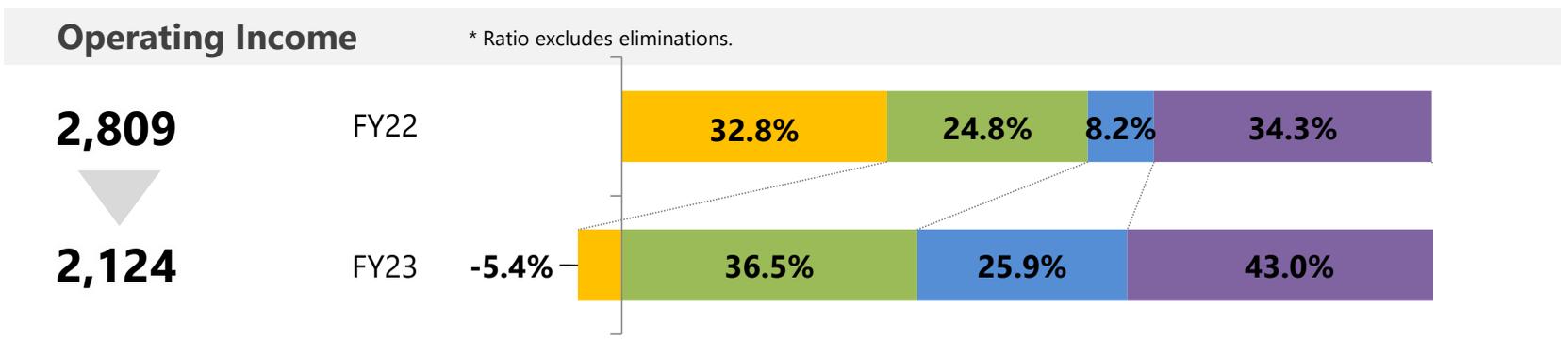
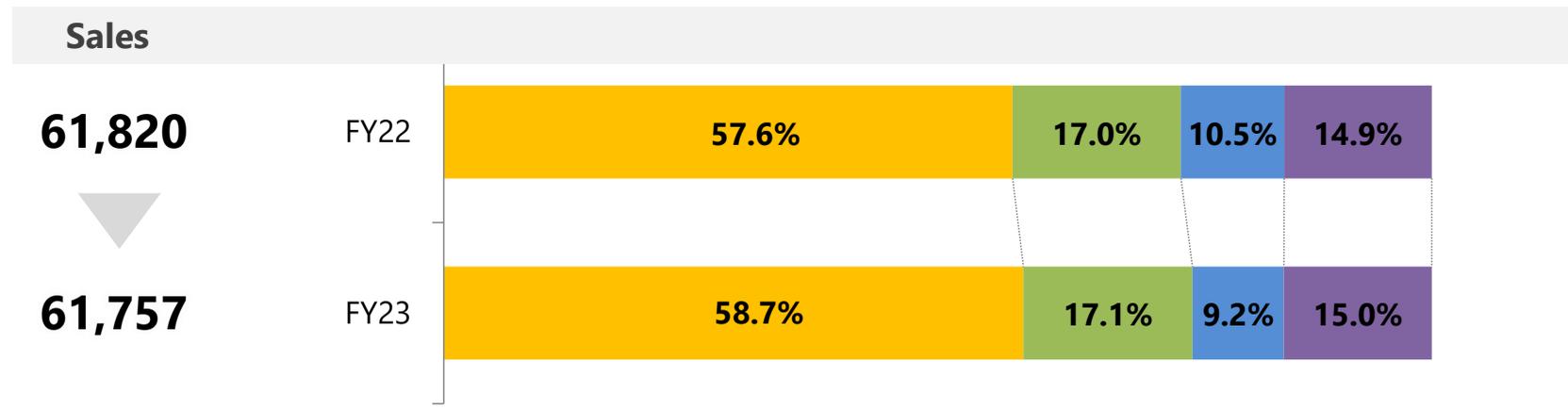
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	27,920	27,772	29,493	29,895	29,818	32,001	32,588	30,748	30,301	31,455
YoY	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%	+10.5%	+2.9%	+1.6%	-1.7%
OI	1,505	877	1,797	1,172	598	2,024	1,919	755	1,222	1,110
YoY	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x	+6.8%	-35.6%	2.0x	-45.1%

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

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania



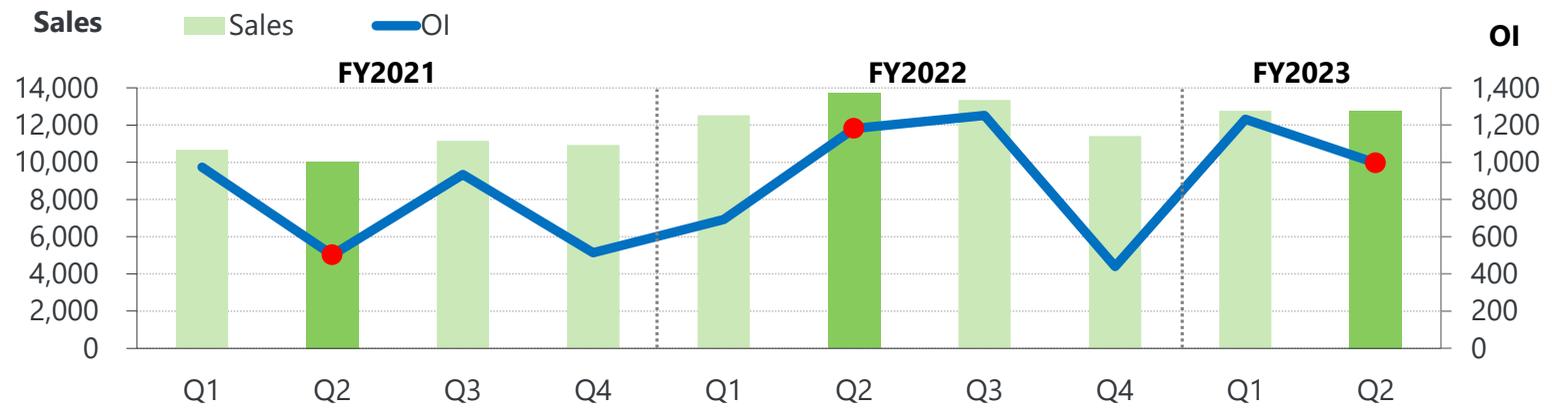
OI Ratio FY22 Japan : 2.6%, Overseas : 7.1%
 FY23 Japan : N/A, Overseas : 8.7%



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)



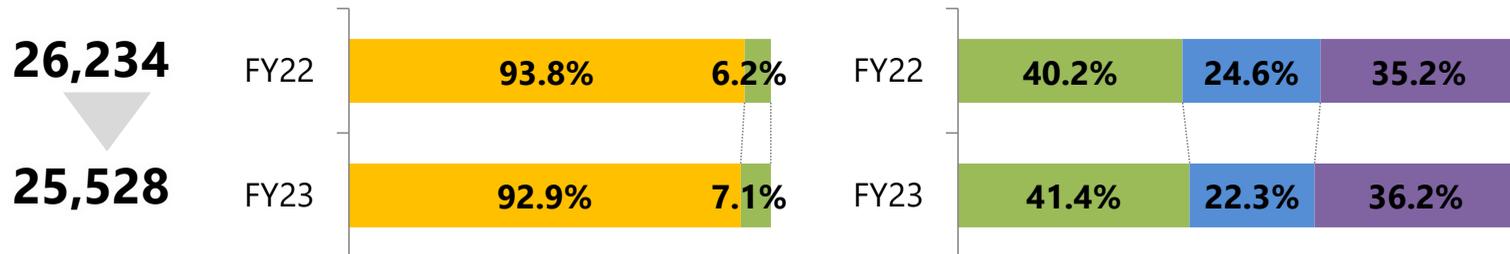
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	10,672	10,043	11,155	10,924	12,527	13,707	13,343	11,411	12,765	12,762
YoY	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%	+19.6%	+4.5%	+1.9%	-6.9%
OI	974	502	935	514	693	1,182	1,252	440	1,231	996
YoY	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x	+33.9%	-14.5%	+77.6%	-15.7%

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

(Millions of JPY)

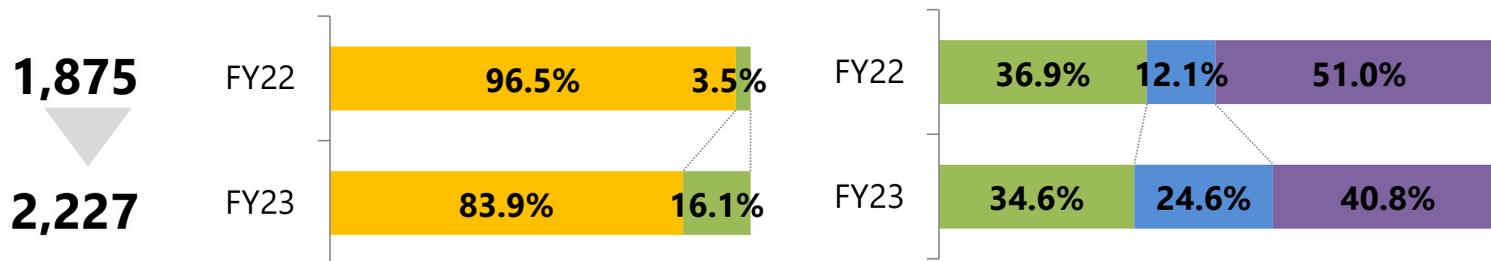
■ Base ■ Primary Labels ■ The Americas ■ Europe ■ Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.



OI ratio:

FY22 Base : 7.5%, Primary Labels : 4.1%
 FY23 Base : 7.2%, Primary Labels : 18.0%

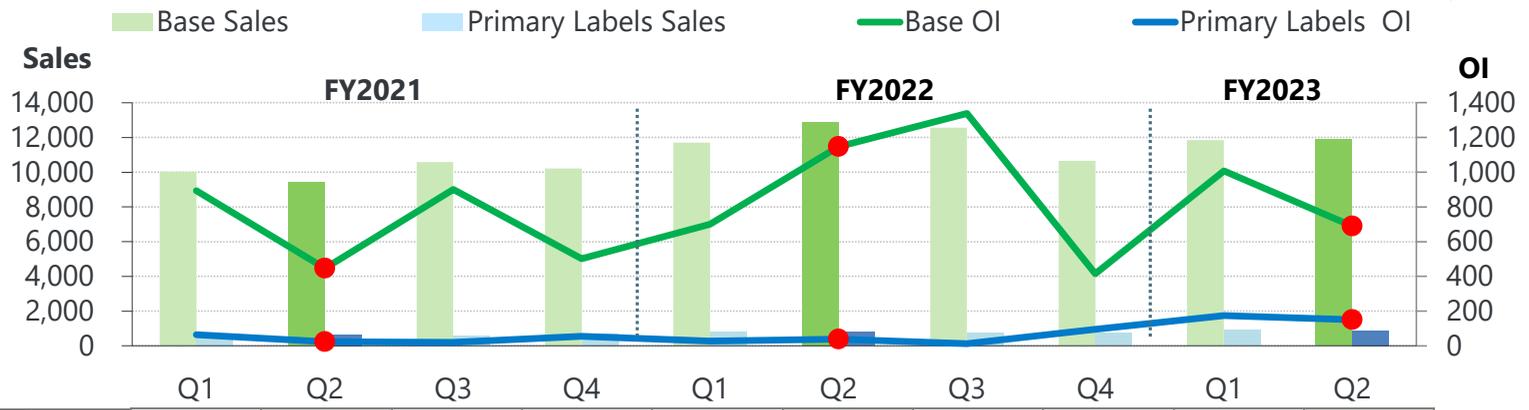
FY22 The Americas : 6.7%, Europe : 3.6%
Asia/Oceania : 10.6%
 FY23 The Americas : 6.6%, Europe : 8.7%
Asia/Oceania : 8.9%



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)

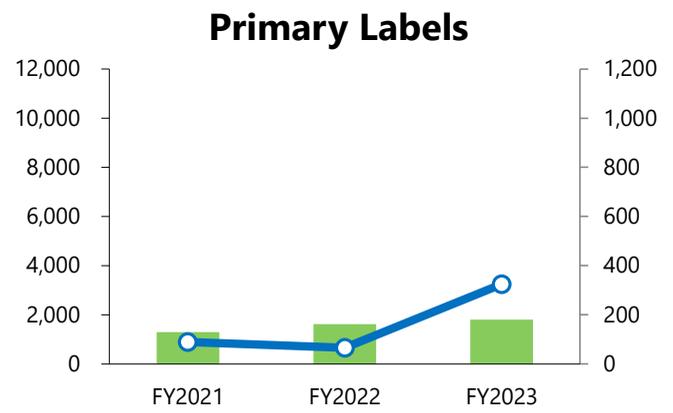
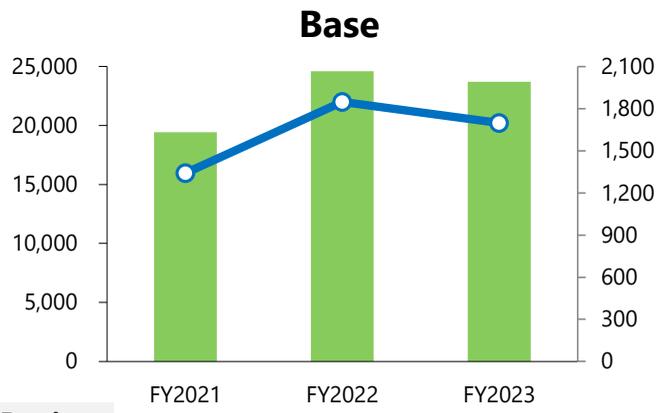


		FY2021				FY2022				FY2023	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840	11,877
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%	-7.9%
	OI	894	447	900	502	701	1,147	1,338	416	1,008	689
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	+43.7%	-39.9%
Primary Labels	Sales	648	643	576	717	821	806	769	752	924	885
	YoY	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%	+12.6%	+9.8%
	OI	65	24	20	55	28	38	13	95	174	150
	YoY	-	+25.0%	-48.2%	29.2%	-56.7%	+56.7%	-33.7%	71.4%	6.2x	3.9x

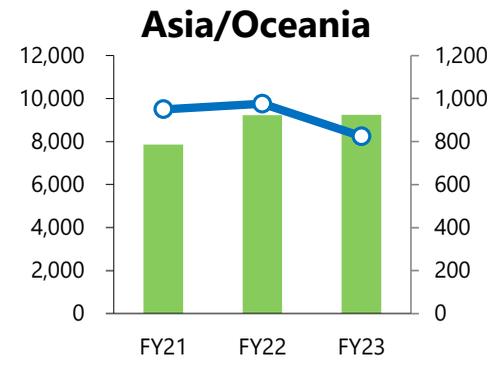
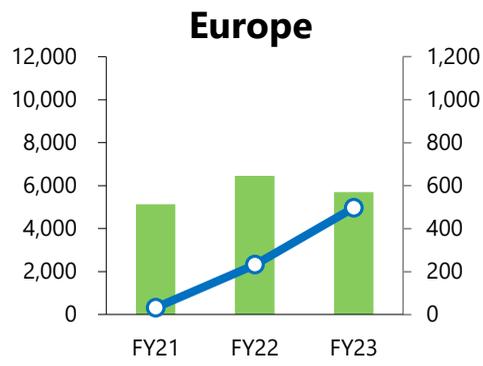
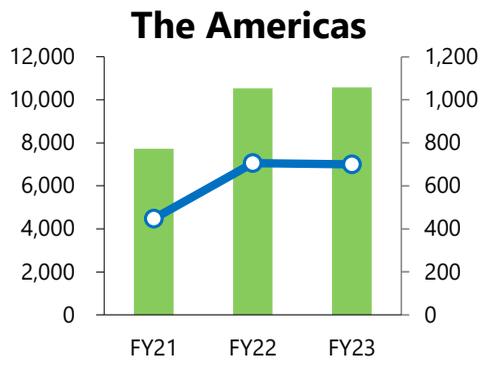


Sales and OI Trends by Business Segment and Region
(Figures exclude the Russian subsidiaries)

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



By Region



SATO terminologies (1/4)

(*) Underlined terms are described under its own heading

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS & 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</u> /labeling of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.



SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Tagging for Sustainability	Business model set as the next stage of <u>DCS & Labeling</u> that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of <u>tagging</u> .
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	"All-in sales" mindset	The idea of developing customer touch points not only through in-person sales but together with inside sales, marketing and servicing functions as well to produce high-quality leads for more efficient sales conversations. Also refers to the mindset for all of our non-sales functions in the value chain to take of pursuing customer-centricity.
11	Teiho	SATO's unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day with top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho reports are directly addressed to top management, it is also an effective means of compliance monitoring to prevent malpractice and other inappropriate behavior and assist in corporate governance. Some of our global offices have also started Teiho, with more to follow.
Products, services, Technologies		Description
1	Mechatronics	All products that are not <u>consumables</u> , including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than <u>consumables</u> . Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	"Consumable" products such as <u>variable information labels</u> , <u>RFID</u> tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> but incur low SG&A expenses ratio as they are typically sold through recurring business.



SATO terminologies (3/4)

Products, services, technologies		Description
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out <u>DCS & Labeling</u> . To meet ever complex and diverse customer challenges, SATO also looks beyond its own resources and interests by pursuing partnerships, for example, to enable location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.
4	SOS (SATO Online Services)	A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting. With SOS, users can view the status of their cloud-connected printers at a glance and manage them centrally with ease, while SATO can increase productivity of its service personnel, allowing for even small service teams (as is often the case overseas) to provide improved support.
5	AEP (Application Enabled Printing)	A powerful on-board intelligence which enables customization of printer operation. Printers can link to other systems on a stand-alone basis, without going through any computers.
6	Variable information labels	Blank or pre-printed labels used to print information elements such as barcode, product price and manufactured or expiry date that vary with every customer's site of operation. Unlike fixed information labels that are identical and printed at large quantities in a single run, variable information labels can be printed on-demand as and when needed.
7	RFID (Radio Frequency Identification)	A type of auto-ID technology that uses radio waves to read/write data from/to an RFID tag without making contact. RFID offers faster read rates (from reading multiple tags at the same time) and greater read range than traditional barcode technology. Also, unlike barcodes, RFID tags can be read when covered by another object or stained, and are read/write-capable to enable updates to the encoded data. Because of these key benefits, RFID can significantly improve operational efficiency.

SATO terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (Australia)	[2013] Company from which SATO acquired its business including PJM (Phase Jitter Modulation), a highly superior RFID 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.
6	Stafford Press, Inc. (U.S)	[2023] Company engaging in production and sales of horticulture tags and labels, and inkjet printers for on-demand color printing of such tags and 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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