

August 8, 2023

# **SATO HOLDINGS CORPORATION**

**FY2023 Q1 Financial Results**  
(Three Months Ended June 30, 2023)

Securities Code: 6287.T

# Summary

## ■ Q1 Results (YoY)

- Consolidated Sales and OI Increased, both reached record highs.
- Overseas business (excluding Russia) and Russia subsidiaries drove sales and OI.
- Sales increased and OI decreased in the Japan business. Lower profit attributable to lower printer exports and higher costs for consumables.
- Net sales and operating income exceeded forecasts for the consolidated, overseas business (excluding Russia), and Russia subsidiaries. Japan business was lower than forecasts.

## ■ Outlook for operating environment, management policy for Q2 and beyond

- Overseas business (excluding Russia) is expected to recover toward the end of the fiscal year, despite increasing uncertainty. Aiming to show the effects of measures such as strengthening the software development system.
- The Russian subsidiaries maintained a favorable environment compared to the initial forecast. Plan to invest with cash on hand of local subsidiaries based on appropriate risk control.
- In the Japan business, the demand environment is solid. Speed up measures to rebuild profits.

## Sales and OI by Business Segment

(Millions of JPY)

		FY2023	FY2022	YoY		
				excl. FX impact		
Auto-ID Solutions business	Total Sales	33,989 (30,301)	33,686 (29,818)	+0.9% (+1.6%)	+2.6% (+1.1%)	
	Operating Income	1,959 (1,021)	910 (684)	2.2x (+49.1%)	2.5x (+65.7%)	
	Overseas	Total Sales	16,452 (12,765)	16,394 (12,527)	+0.4% (+1.9%)	+3.9% (+0.6%)
		Operating Income	2,169 (1,231)	919 (693)	2.4x (+77.6%)	2.7x (+92.2%)
	Japan	Total Sales	17,536	17,291	+1.4%	+1.4%
		Operating Income	-210	-8	-	-
Consolidated (incl. eliminations)	Total Sales	33,989 (30,301)	33,686 (29,818)	+0.9% (+1.6%)	+2.6% (+1.1%)	
	Operating Income	2,160 (1,222)	824 (598)	2.6x 2.0x	3.0x 2.2x	

\* Figures in parentheses exclude the Russian subsidiaries.

## Consolidated Results

(Millions of JPY)

	FY2023	FY2022	Change	YoY
<b>Net Sales</b>	<b>33,989</b> (30,301)	<b>33,686</b> (29,818)	<b>+302</b> (+483)	<b>+0.9%</b> (+1.6%)
<b>Operating Income</b>	<b>2,160</b> (1,222)	<b>824</b> (598)	<b>+1,335</b> (+623)	<b>2.6x</b> (2.0x)
<b>Operating Income %</b>	<b>6.4%</b> (4.0%)	<b>2.4%</b> (2.0%)	<b>+3.9pt</b> (+2.0pt)	<b>-</b> -
<b>Ordinary Income</b>	<b>2,071</b> (1,224)	<b>2,049</b> (752)	<b>+22</b> (+472)	<b>+1.1%</b> (+62.7%)
<b>Profit attributable to owners of parent</b>	<b>1,304</b> (777)	<b>1,195</b> (452)	<b>+108</b> (+325)	<b>+9.1%</b> (+72.0%)
Effective Tax Rate	29.4%	25.4%	+4.0pt	-
<b>EBITDA*</b>	<b>3,389</b> (2,318)	<b>2,125</b> (1,707)	<b>+1,263</b> (+610)	<b>+59.4%</b> (+35.7%)

Average foreign exchange rates for Apr-Jun FY23: JPY 137.49/USD, JPY 149.58 /EUR, Apr-Jun FY22: JPY 129.72 /USD, JPY 138.25 /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-Jun FY23: JPY 1,191 million (1,058 million)  
· Amortization for Apr-Jun FY23: JPY 37 million (37 million)

Apr-Jun FY22: JPY 1,224 million (1,032 million)  
Apr-Jun FY22: JPY 76 million (76 million)

\* Figures in parentheses exclude the Russian subsidiaries.

## Overview

Although the impact of the economic downturn continued in Base Business, mainly in Europe and the Americas, sales increased due to steady growth in Asia/Oceania and Primary Labels. OI increased owing to the effect of increased sales, an improvement in gross profit margin at Russian subsidiaries, and a decrease in SG&A expenses at European subsidiaries.

(Millions of JPY)

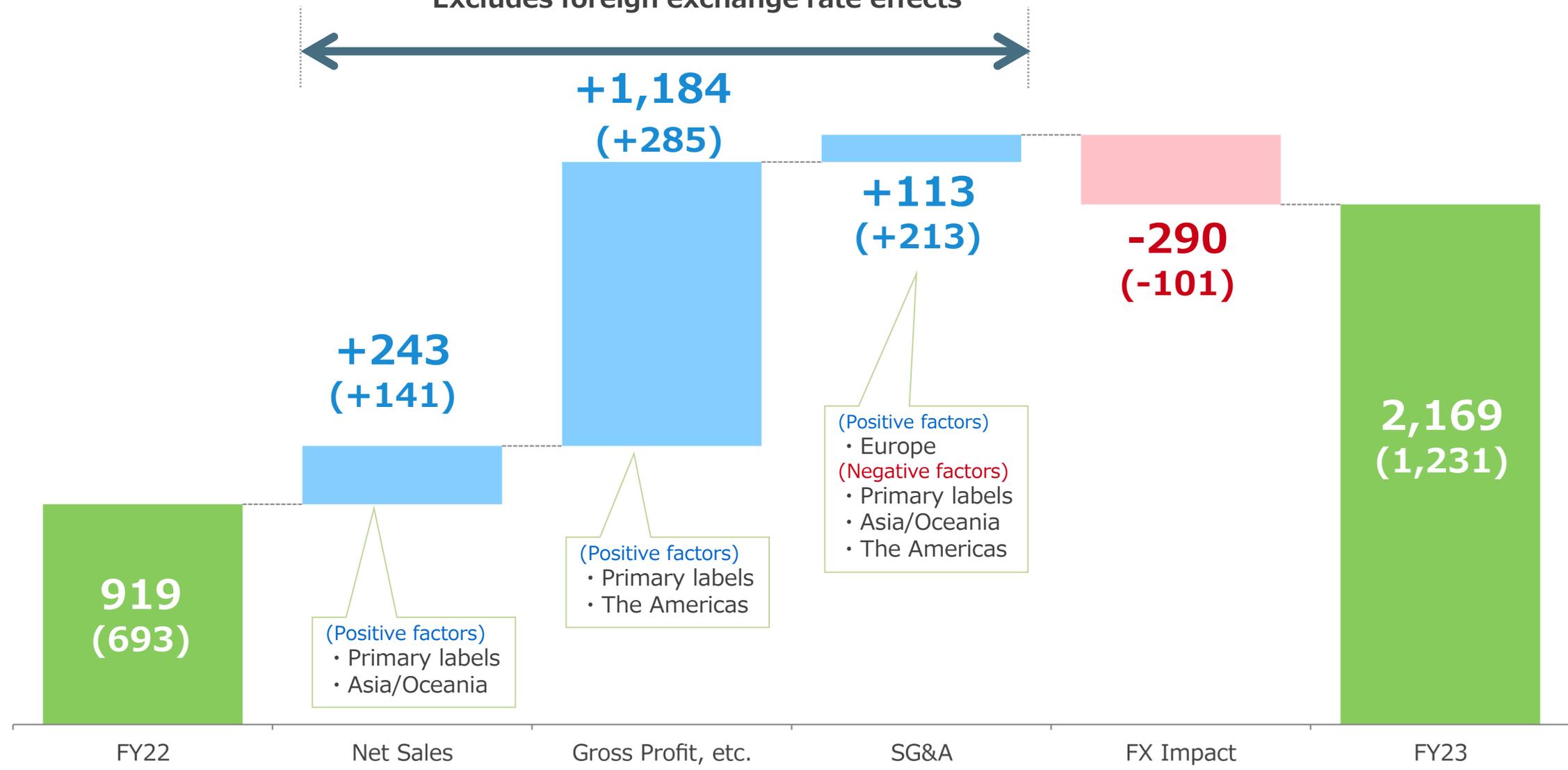
	FY2023	FY2022	Change	YoY	
				YoY	excl. FX impact
<b>Total Sales</b>	<b>16,452</b> (12,765)	<b>16,394</b> (12,527)	<b>+58</b> (+238)	<b>+0.4%</b> (+1.9%)	<b>+3.9%</b> (+0.6%)
Gross Profit	6,385 (4,934)	5,275 (4,533)	+1,110 (+401)	+21.0% (+8.8%)	- -
Gross Profit %	38.8% (38.7%)	32.2% (36.2%)	+6.6pt (+2.5pt)	- -	- -
<b>Operating Income</b>	<b>2,169</b> (1,231)	<b>919</b> (693)	<b>+1,250</b> (+537)	<b>2.4x</b> (+77.6%)	<b>2.7x</b> (+92.2%)
Operating Income %	13.2% (9.6%)	5.6% (5.5%)	7.6pt 4.1pt	- -	- -

\* Figures in parentheses exclude the Russian subsidiaries.

# Major Gains/Losses in OI

(Millions of JPY)

Excludes foreign exchange rate effects



**AUTO** \* Figures in parentheses exclude the Russian subsidiaries. Comments shown in the bubble include the Russian subsidiaries. 5

## Breakdown by Region: The Americas

**Base business:** Sales at U.S. sales subsidiary remained flat due to the cautious investment behavior of major retail customers and the impact of printer inventory adjustments at distributors. OI increased due to improvement in gross profit margin and control of SG&A expenses.

**Primary Labels business:** Sales and OI grew due to steady demand in the daily goods industry, in addition to continuous price revisions.

(Millions of JPY)

		FY2023	FY2022	Change	YoY	excl. FX impact
<b>Base</b>	<b>Total Sales</b>	<b>4,353</b>	<b>4,214</b>	<b>+139</b>	<b>+3.3%</b>	<b>-0.3%</b>
	<b>Operating Income</b>	<b>197</b>	<b>168</b>	<b>+28</b>	<b>+17.0%</b>	<b>+28.2%</b>
<b>Primary Labels</b> • Achernar • Prakolar	<b>Total Sales</b>	<b>924</b>	<b>821</b>	<b>+103</b>	<b>+12.6%</b>	<b>+49.3%</b>
	<b>Operating Income</b>	<b>228</b>	<b>94</b>	<b>+133</b>	<b>2.4x</b>	<b>3.9x</b>
<b>Total</b>	<b>Total Sales</b>	<b>5,278</b>	<b>5,035</b>	<b>+243</b>	<b>+4.8%</b>	<b>+7.8%</b>
	<b>Operating Income</b>	<b>425</b>	<b>263</b>	<b>+162</b>	<b>+61.5%</b>	<b>2.2x</b>

## Breakdown by Region: Europe

**Base business:** Sales decreased due to sluggish printer sales by the economic downturn. OI increased due to a decrease in SG&A expenses as a result of pension buyout adjustments, etc.

**Primary Labels business:** Sales and OI increased on local currency as Okil remained strong.

(Millions of JPY)

		FY2023	FY2022	Change	YoY	excl. FX impact
<b>Base</b>	Total Sales	2,991	3,195	-204	-6.4%	-13.1%
	Operating Income	487	170	+316	2.9x	2.7x
<b>Primary Labels (Russian subsidiaries)</b>	Total Sales	3,687	3,867	-180	-4.7%	+14.5%
		(0)	(0)	(0)	-	-
	Operating Income	884	159	+725	5.6x	6.7x
• Okil						
• X-Pack		(-53)	(-66)	(+13)	-	-
<b>Total</b>	Total Sales	6,678	7,063	-384	-5.4%	+2.0%
		(2,991)	(3,195)	(-204)	(-6.4%)	(-13.1%)
	Operating Income	1,371	329	+1,042	4.2x	4.6x
		(433)	(103)	(+330)	(4.2x)	(3.8x)



\* Figures in parentheses exclude the Russian subsidiaries.

## Breakdown by Region: Asia/Oceania

Base business: Sales increased due to strong performance by sales subsidiaries in Indonesia and India, and contributions from sales subsidiaries in China, which were affected by lockdowns in the same period last fiscal year. OI decreased mainly by the impact of lower sales in Argox due to its distributors' inventory adjustment.

(Millions of JPY)

		FY2023	FY2022	Change	YoY	excl.FX Impact
Base	Total Sales	4,495	4,296	+199	+4.6%	+2.3%
	Operating Income	324	362	-38	-10.7%	-15.1%

## Overview

Sales increased slightly thanks to higher sales in RFID solutions and price revision for consumables. OI decreased due to decline in exports of printers and to higher raw material costs for consumables, despite appropriate control of SG&A expenses.

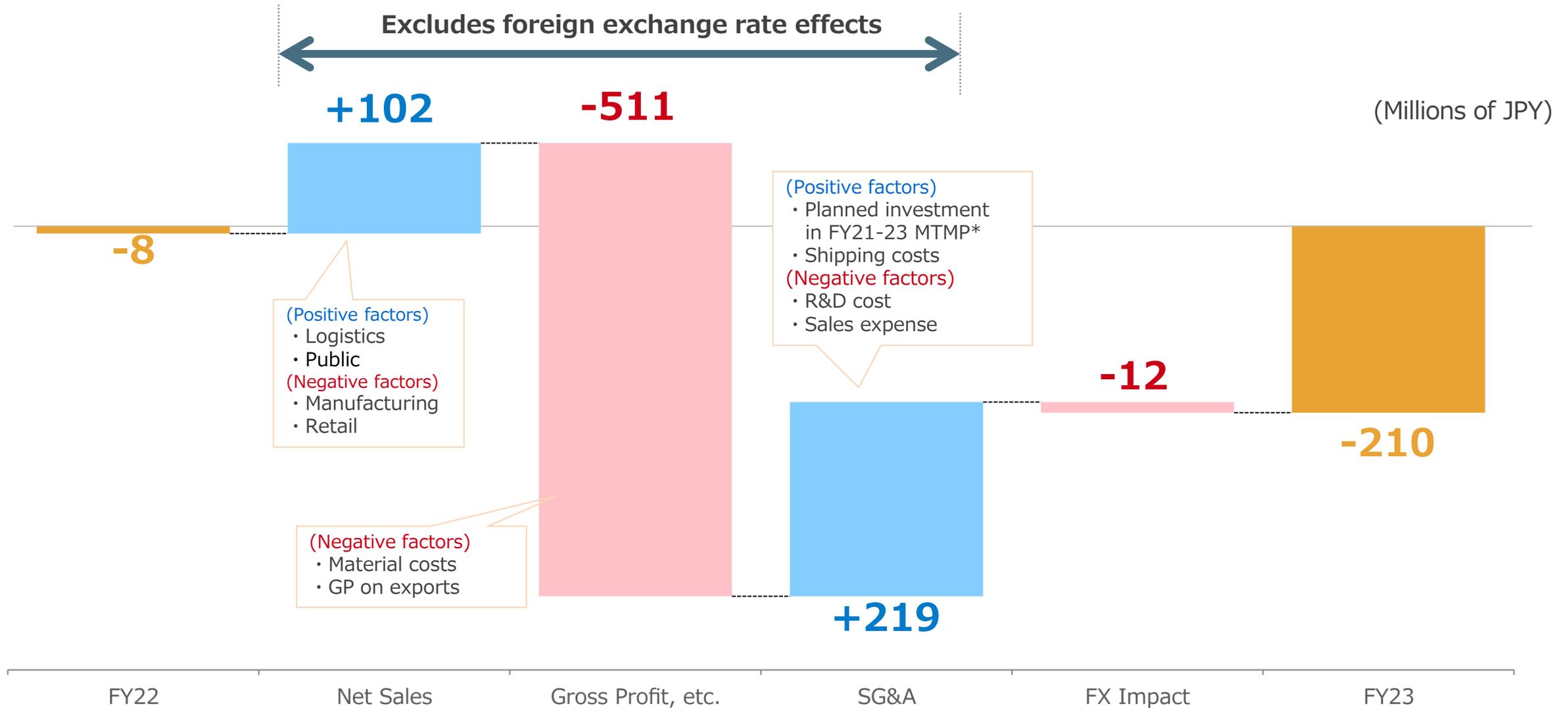
(Millions of JPY)

	FY2023	FY2022	Change	
				YoY
Mechatronics Sales	6,393	6,501	-107	-1.7%
Consumables Sales	11,142	10,790	+352	+3.3%
<b>Total Sales</b>	<b>17,536</b>	<b>17,291</b>	<b>+244</b>	<b>+1.4%</b>
Gross Profit	7,493	7,914	-421	-5.3%
Gross Profit %	42.7%	45.8%	-3.0pt	-
<b>Operating Income</b>	<b>-210</b>	<b>-8</b>	<b>-201</b>	<b>-</b>
Operating Income %	-	-	-	-

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.

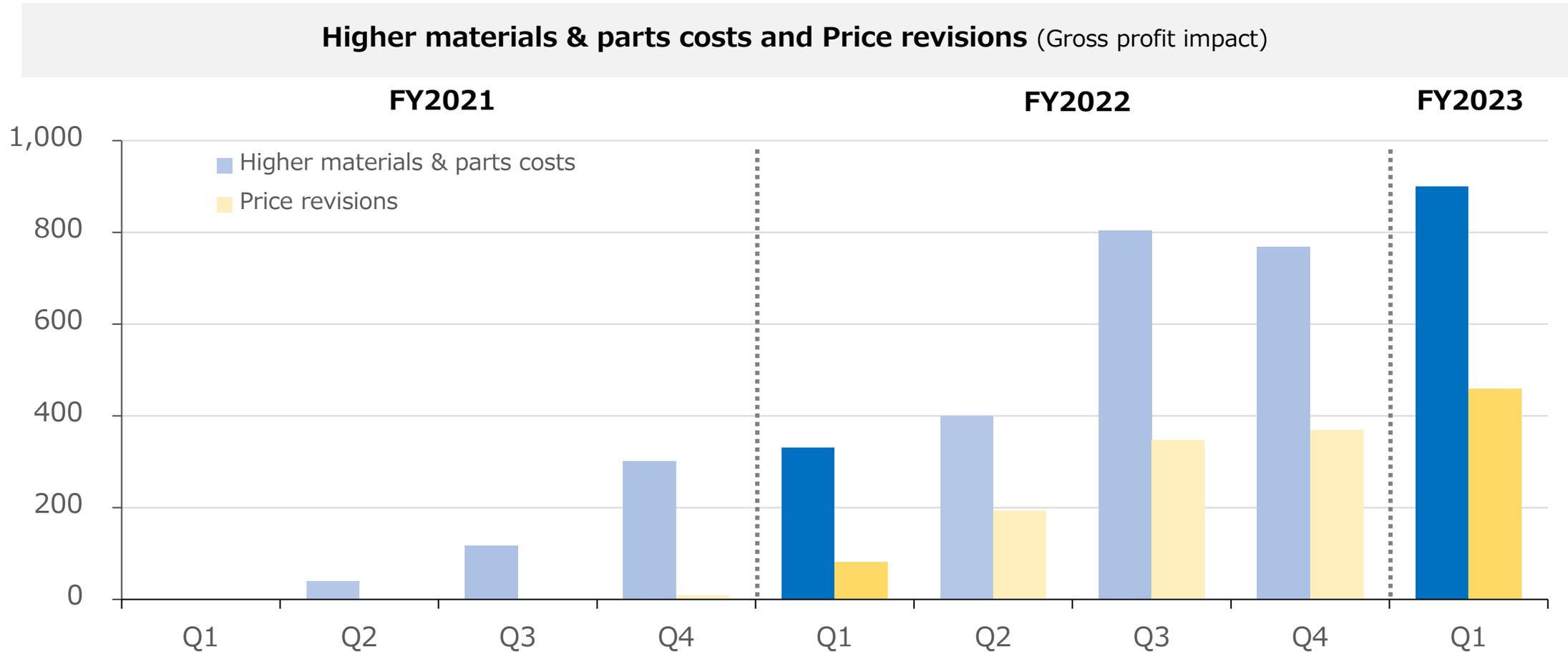
# Major Gains/Losses in OI



# Higher Materials & Parts Costs and Price Revisions

Price revision activities have generally progressed in line with the initial plan\*.

(Millions of JPY)

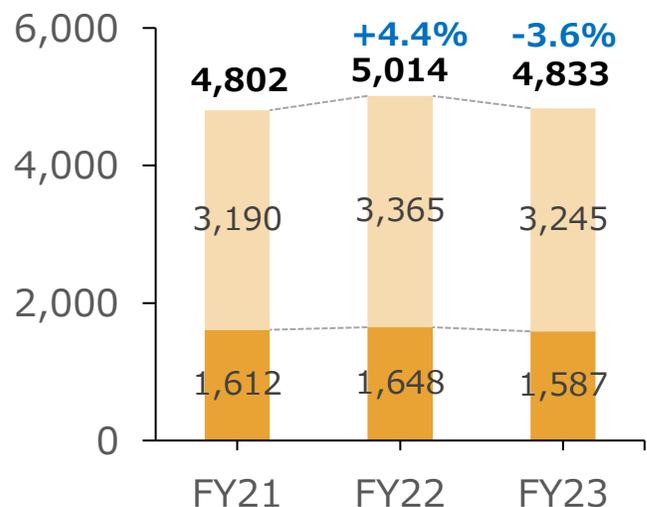


# Sales by Vertical 1/2

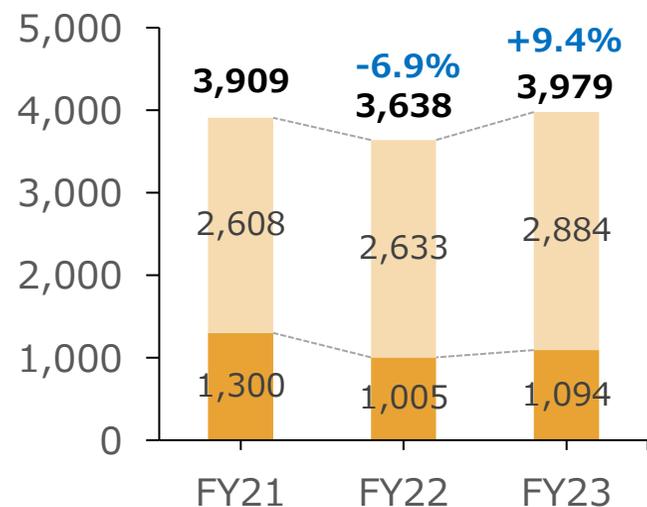
(Millions of JPY)

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

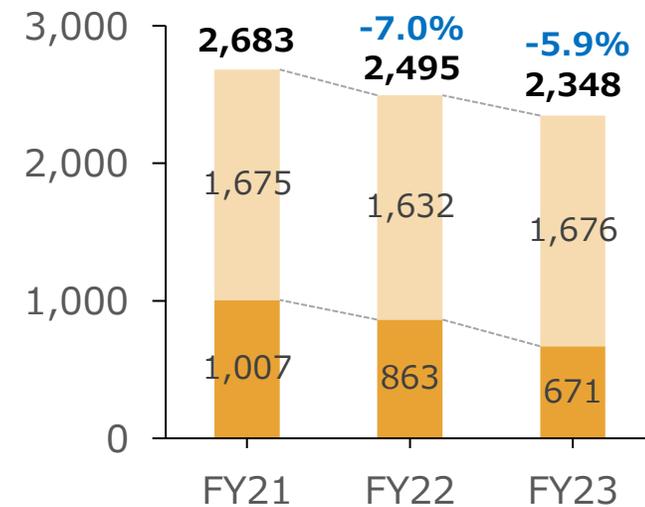
## Manufacturing



## Logistics \*



## Retail



Business environment

Investment that had been postponed due to COVID-19 is on a recovery trend. Continued demand for automation and RFID with clear ROI to respond to labor shortages.

In addition to continued EC activity, overall sales were strong due to a recovery in inbound tourists and other factors. In addition to labor shortages and DX, demand to respond to the 2024 issue appears.

In supermarkets, the company continues to invest in improving DX and streamlining at stores. Capital expenditures in EC sector pause.

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Decline in both mechatronics and consumables due to a pause in demand for semiconductors. Signs of a recovery in automobiles and steel.

Consumables increased in almost all industries due to increased volume. Mechatronics increased, driven by large-scale and automation projects.

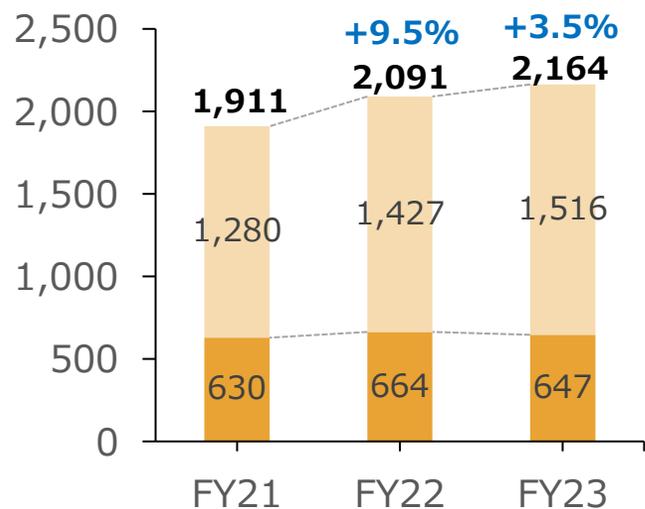
Consumables increased slightly overall, despite being driven by a recovery in the retail sector. Mechatronics decreased due to a reaction to large-scale projects in the same period last fiscal year.

# Sales by Vertical 2/2

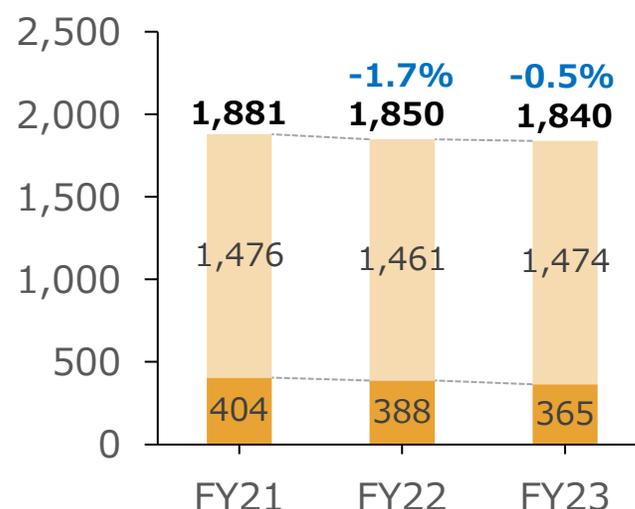
(Millions of JPY)

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

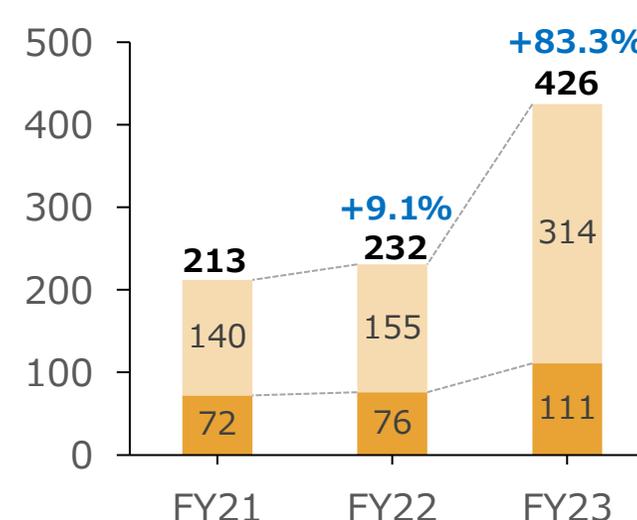
## Health Care



## Food & Beverage



## Public\*



Business environment

Continued to invest in RFID and other areas to streamline administrative operations and responding to labor shortages. Demand remained firm overall.

Demand for automation, traceability, etc. continues against the backdrop of rising costs stemming from rising raw material costs and demands to respond to labor shortages.

The overall business environment remained stable.

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Consumables increased due to RFID projects in medical devices and other areas.  
Mechatronics: Slight decrease due to a lack of large automation projects in the same period last fiscal year, despite being driven by large-scale printer projects.

Consumables increased slightly, driven by the food manufacturing and restaurant industries. Mechatronics decreased due to a lack of large automation projects in the food manufacturing industry in the same period last fiscal year.

Significant growth in both consumables and mechatronics due to orders from large customers



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

## 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 manufacturing and public market, whereas automation in manufacturing and logistics markets.

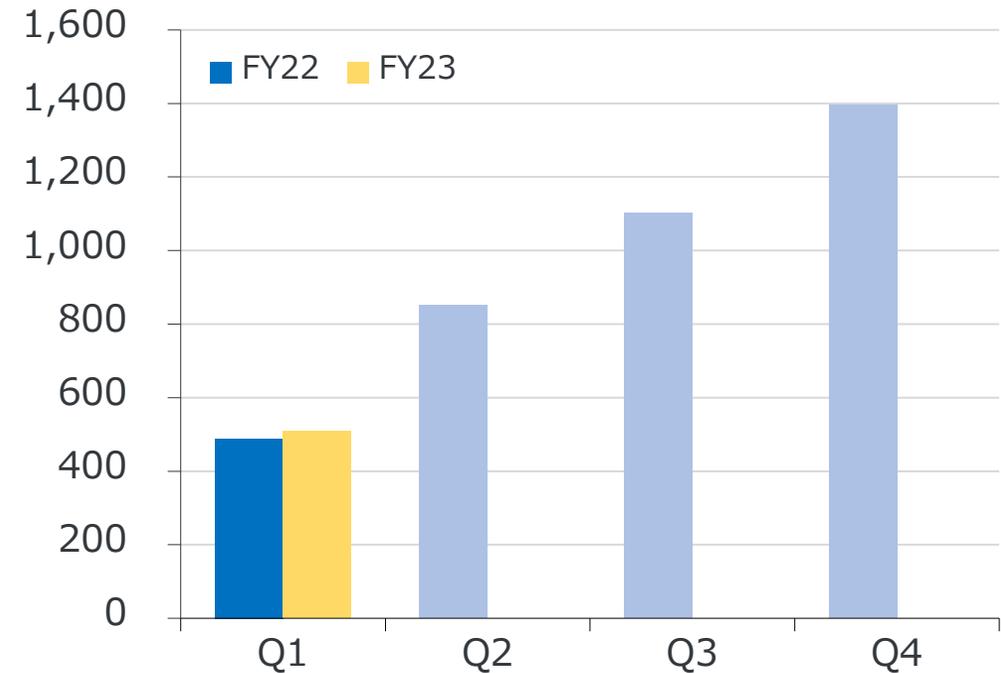
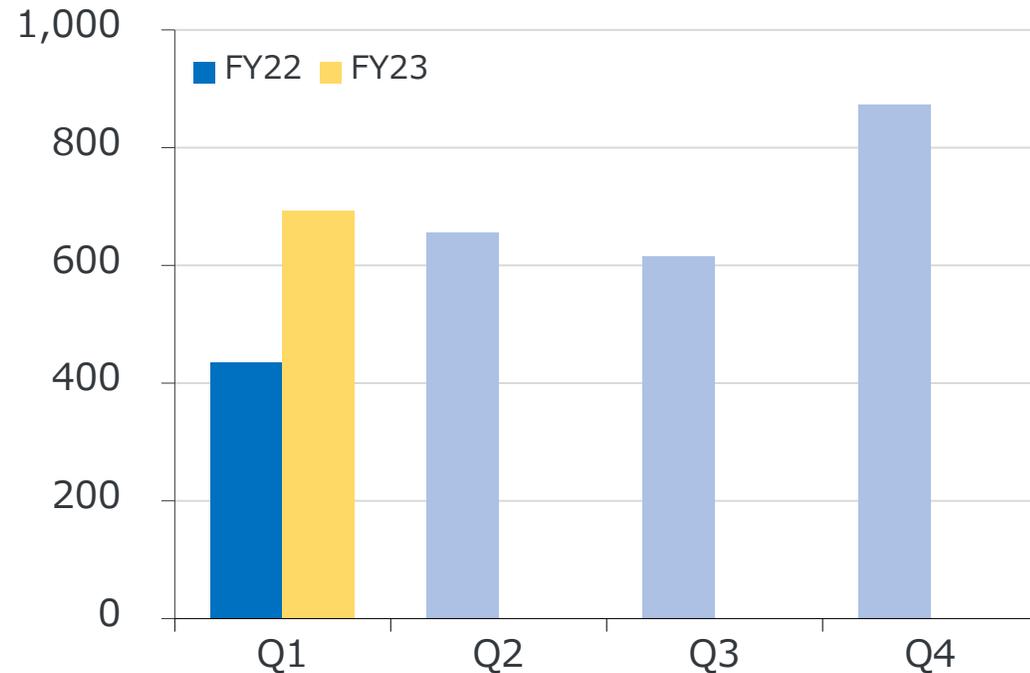
(Millions of JPY)

### RFID

### Automation

YoY sales increase in cumulative :**43.5%**

YoY sales increase in cumulative :**4.0%**



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

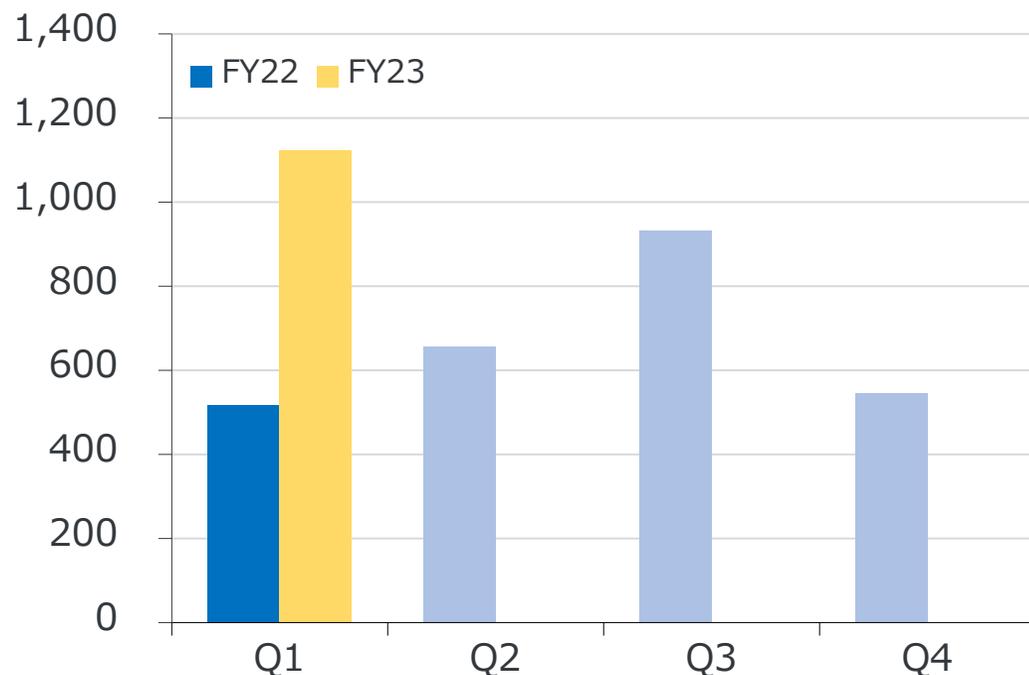
## Sales Trends: RFID and Automation

Both solutions continued to perform strongly, driven by robust demand for digitization and labor shortage mitigation. Growth in RFID was driven mainly by developing businesses with existing global customers. Automation decreased due to a lack of large orders in the same period last fiscal year.

(Millions of JPY)

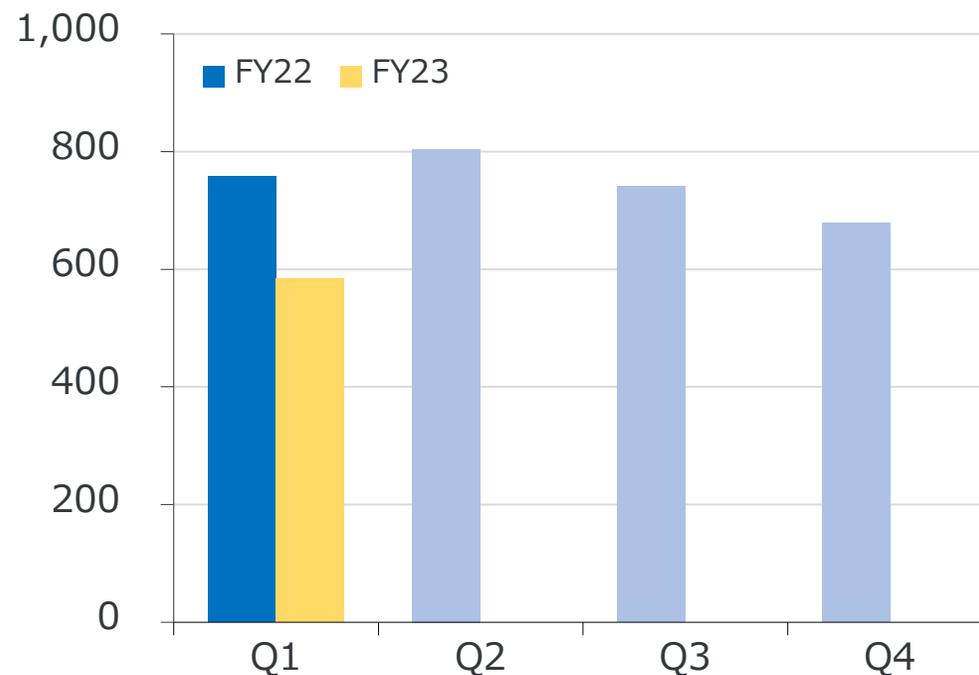
### RFID

YoY sales increase in cumulative : **2.2x**



### Automation

YoY sales decrease in cumulative : **22.9%**

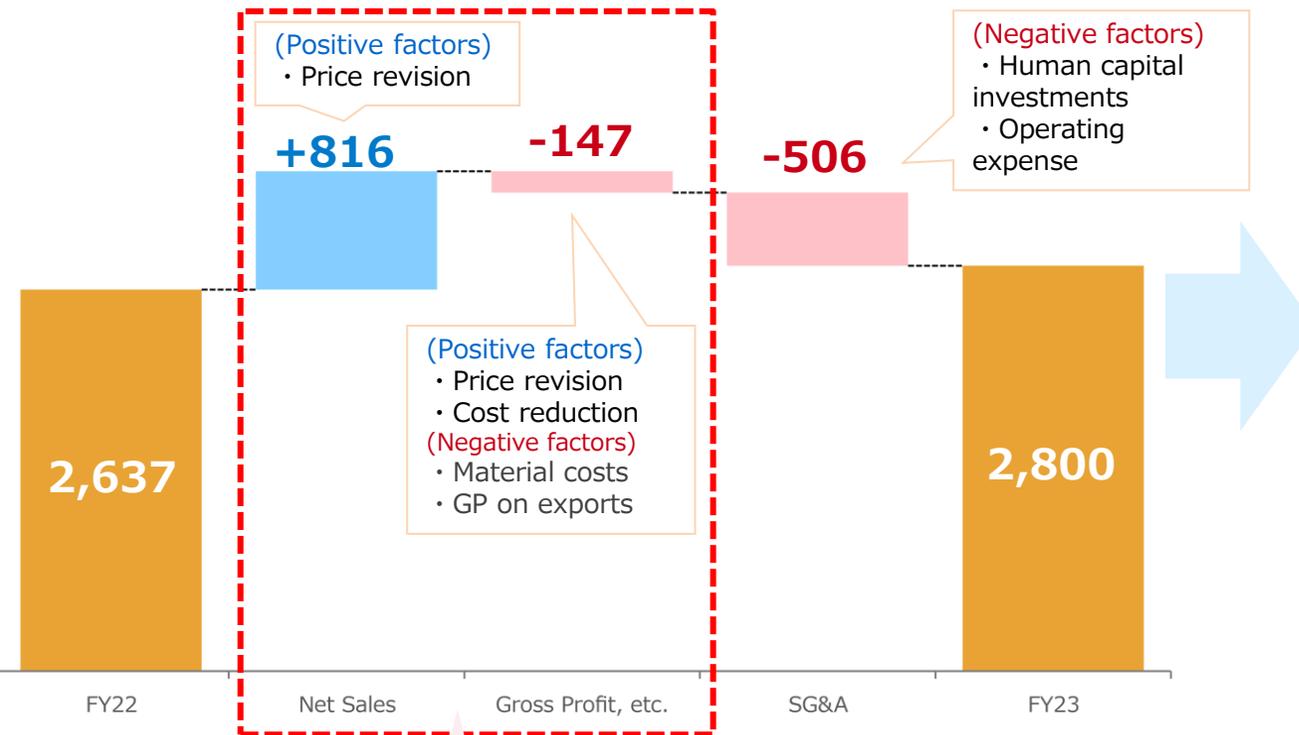


\* Figures in Automation is hardware sales only.

# Rebuilding profits in the Japan Business

## Initial plan\*

## Operational policies after Q2



- Take group-wide actions toward revising prices
- Continue to curb SG&A expenses
- Focus on high-profit, high-growth fields
- Accelerate reforms on in-house value chain

Q1 results (vs. initial plan)  
**Printer sales** ↓  
**Gross profit on printer exports** ↓

\* Revised price revision impact from the initial plan announced on May 15, 2023.



# Accelerating Growth in Overseas Businesses

Major global companies are increasingly using RFID in their businesses. We will capture these opportunities through efficient collaboration between head office and overseas subsidiaries.



## Examples of Major Global Companies

Manufacturing, health care, transportation, apparel, etc.



Digital supply chain

Productivity improvement

ESG compliance

- **Enhance HQ functions**  
Recruit global talent (China, Thailand)
- **Train sales reps at overseas subsidiaries**  
e-Learning, group training at HQ, etc.
- **Strengthen software development at major overseas subsidiaries**  
Establish R&D teams at major subsidiaries in the U.S. and other regions



Acquired Stafford Press, Inc., the U.S. leader in horticultural tags.\*  
We aim to increase market share in the retail market and expand production of tags/labels

\*As of Apr. 2023

M & A



### M&A policy

- Target companies that would serve as a production site for tag/labels or that specialize in software or a specific market/industry
- Will promptly act toward M&A if return on investment can be expected

## FY2023 Consolidated Forecasts

(Millions of JPY)

	FY2023					
	Apr-Sep		Oct-Mar		FY2023	
	Plan	YoY	Plan	YoY	Plan	YoY
<b>Net Sales</b>	68,000	-3.5%	72,000	-0.5%	140,000	-2.0%
<b>Operating Income</b>	3,300	-12.6%	4,700	-7.2%	8,000	-9.5%
<b>Ordinary Income</b>	3,200	-35.6%	4,600	+12.2%	7,800	-14.0%
<b>Profit attributable to owners of parent</b>	2,000	-38.1%	3,000	3.1x	5,000	+19.5%
<b>EBITDA*</b>	13,961				13,313	-4.6%

\* EBITDA = Operating Income +  
Depreciation + Amortization

Foreign exchange rates assumption for FY23: JPY 130/USD, JPY 140/EUR  
Average foreign exchange rates for Q1, FY23: JPY 137.49 /USD, JPY 149.58 /EUR  
Average foreign exchange rates for FY22: JPY 135.49/USD, JPY 140.98/EUR

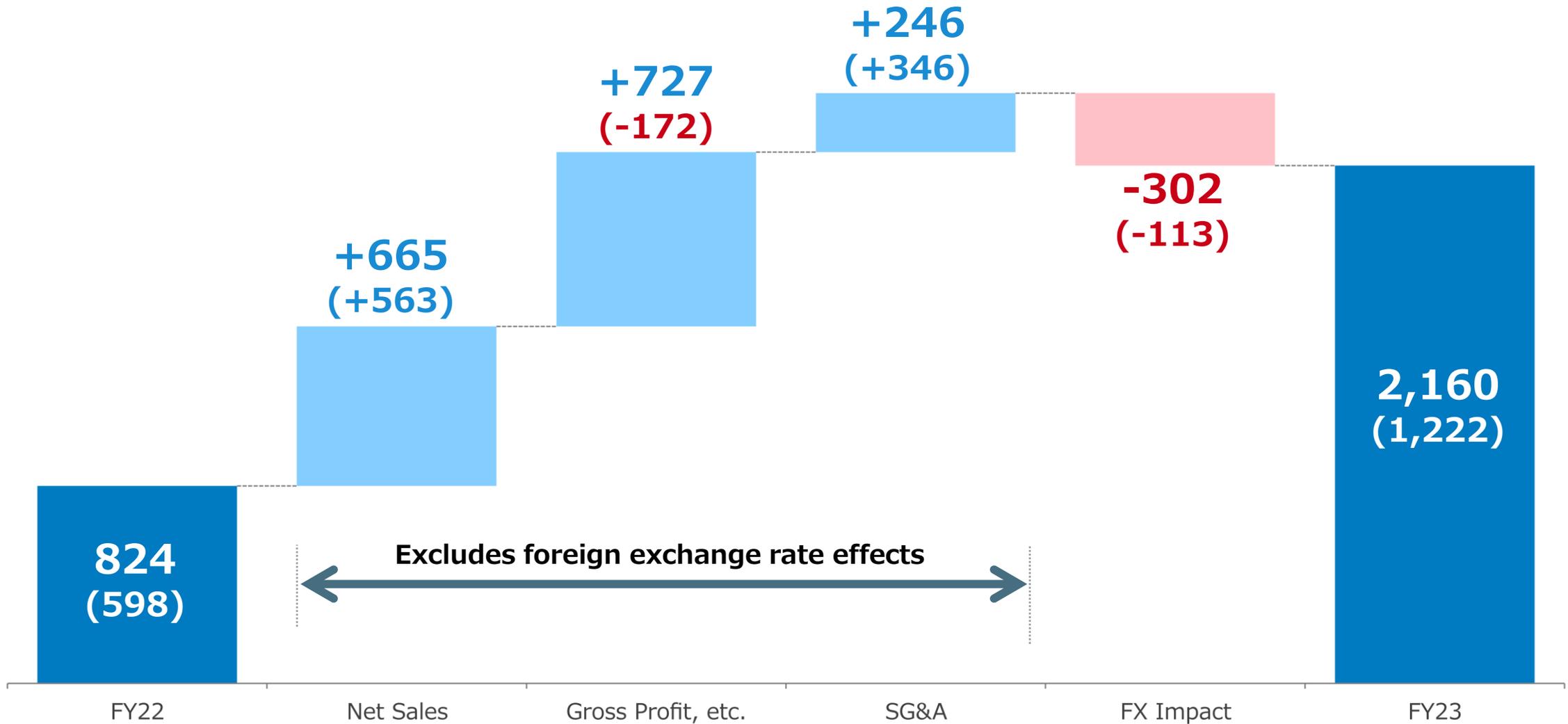
# Appendix

Performance data      Pages 20-38

SATO terminologies      Pages 39-42

# Major Gains/Losses in OI

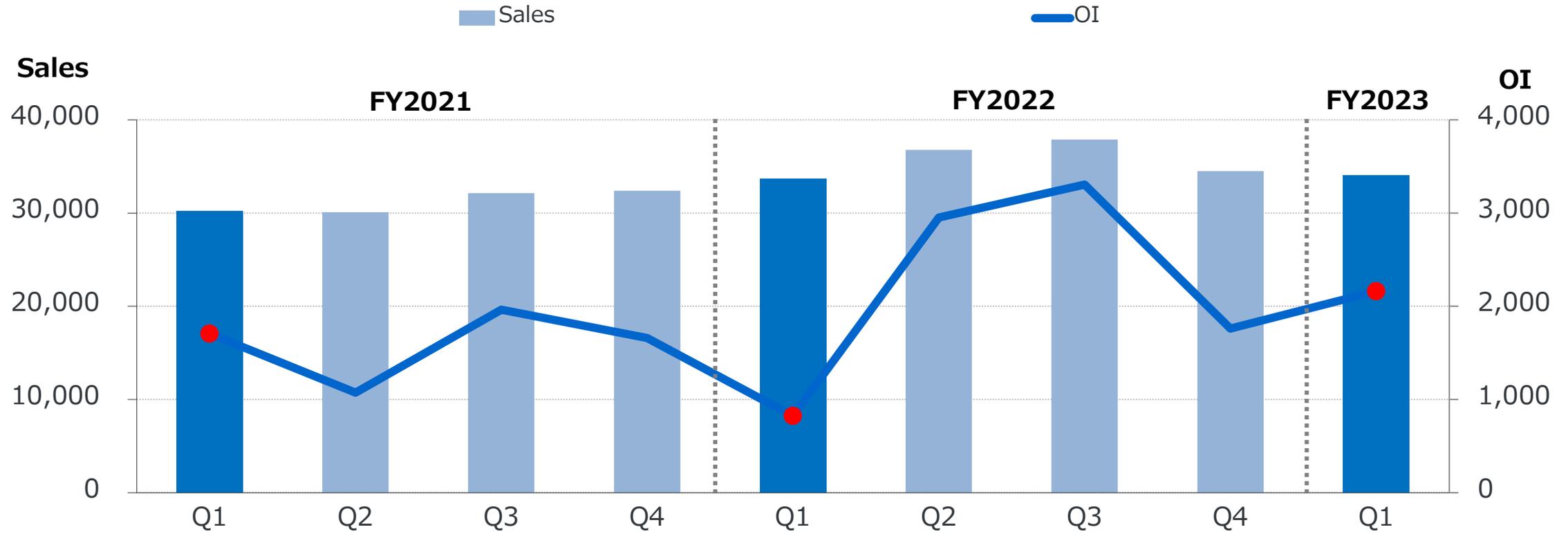
(Millions of JPY)



\* Figures in parentheses exclude the Russian subsidiaries.

# Quarterly Sales & OI

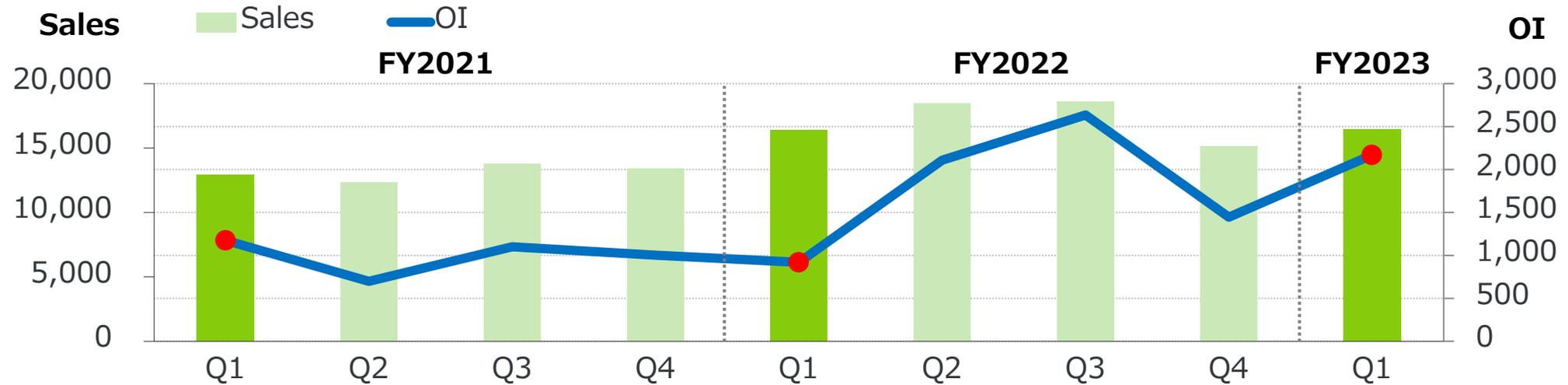
(Millions of JPY)



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

## Quarterly Sales & OI

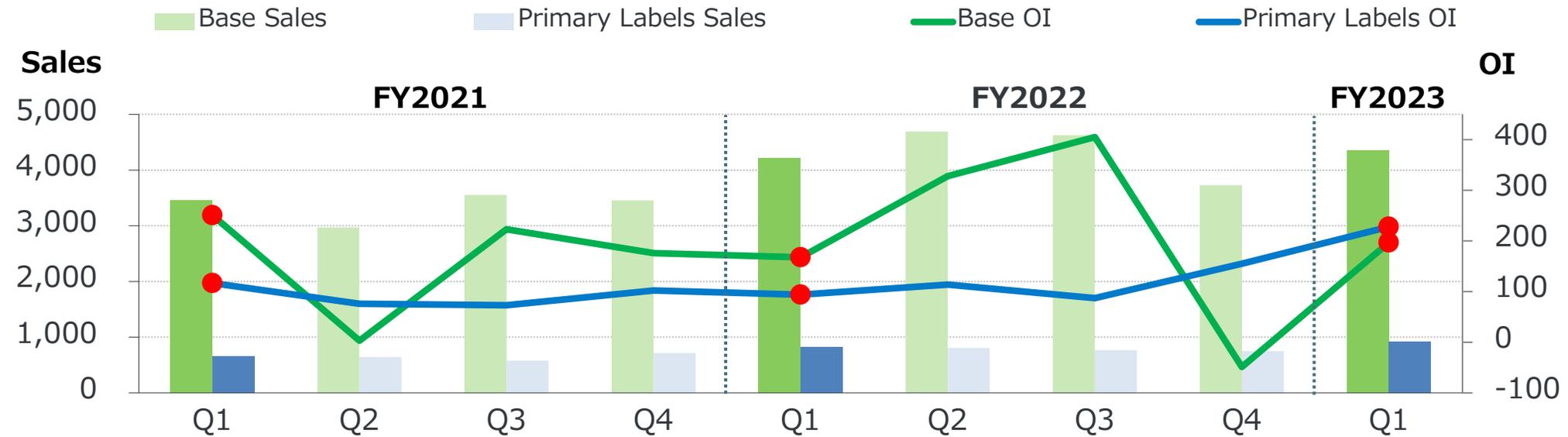
(Millions of JPY)



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

## The Americas: Quarterly Sales & OI

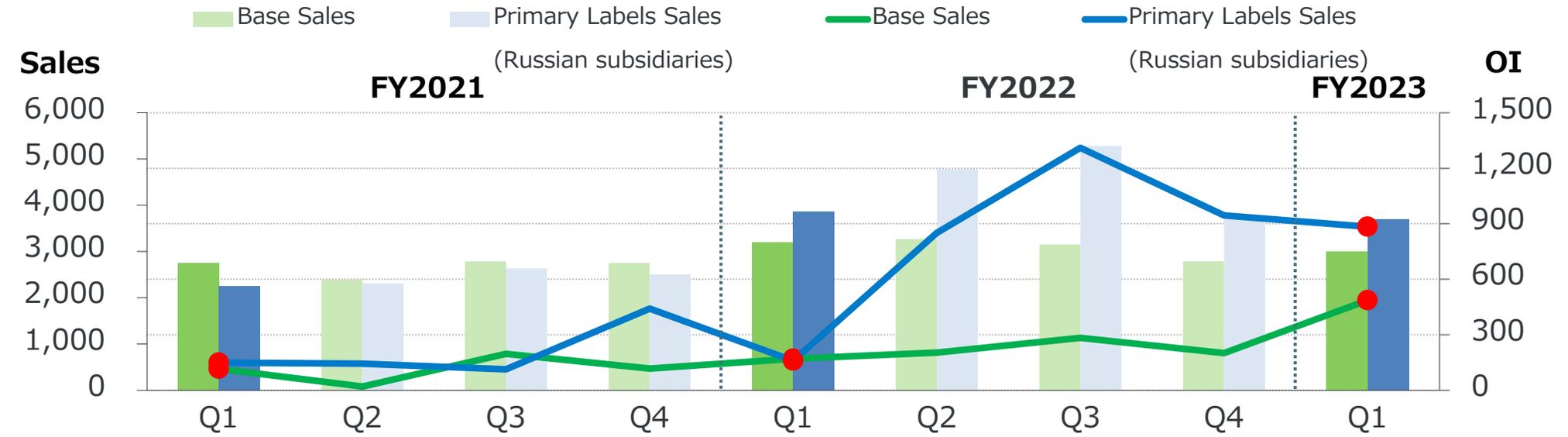
(Millions of JPY)



Base	Sales	3,458	2,970	3,554	3,456	4,214	4,694	4,626	3,731	4,353
	YoY	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%	+30.2%	+8.0%	+3.3%
	OI	251	3	223	176	168	328	405	-49	197
	YoY	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x	+81.1%	-	+17.0%
Primary Labels	Sales	648	643	576	717	821	806	769	752	924
	YoY	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%	+12.6%
	OI	117	76	73	102	94	114	87	155	228
	YoY	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%	+18.7%	+51.9%	2.4x

## Europe: Quarterly Sales & OI

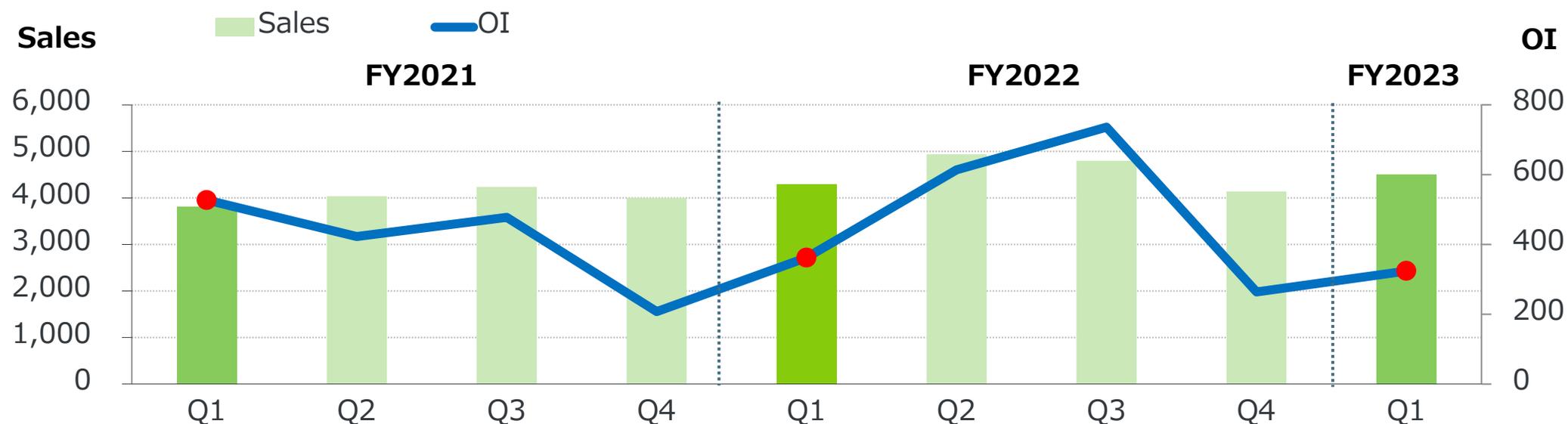
(Millions of JPY)



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

## 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
	YoY	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%	+3.5%	+4.6%
	OI	527	423	478	208	362	614	736	264	324
	YoY	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%	+26.9%	-10.7%

# Sales and OI by Region

(Millions of JPY)

Japan The Americas Europe Asia/Oceania

## Sales

33,686

FY22



33,989

FY23



## Operating Income

\* Ratio excludes eliminations.

910

FY22



1,959

FY23

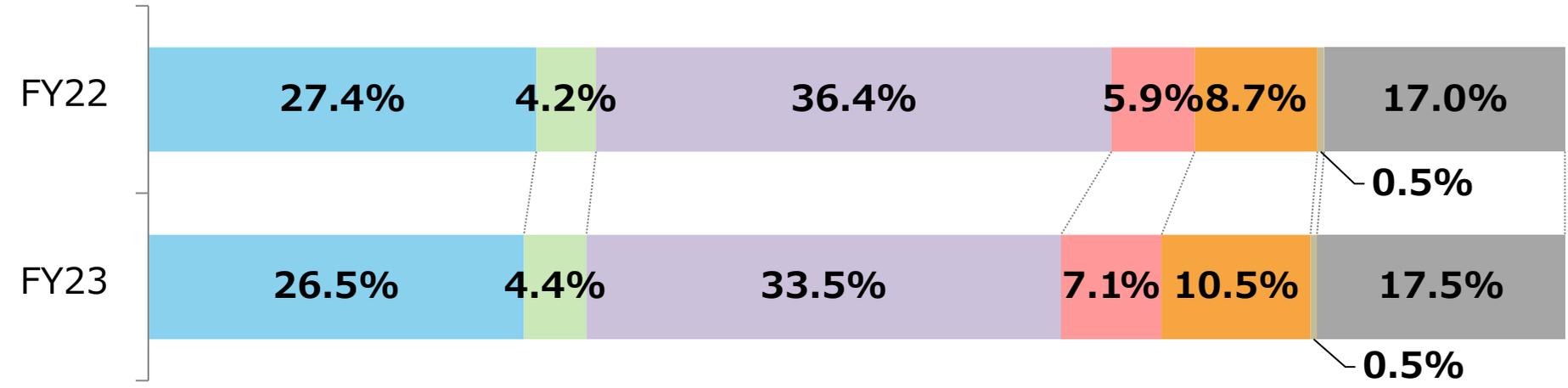


OI Ratio FY22 Japan : N/A, Overseas : 5.6%  
 FY23 Japan : N/A, Overseas : 13.2 %

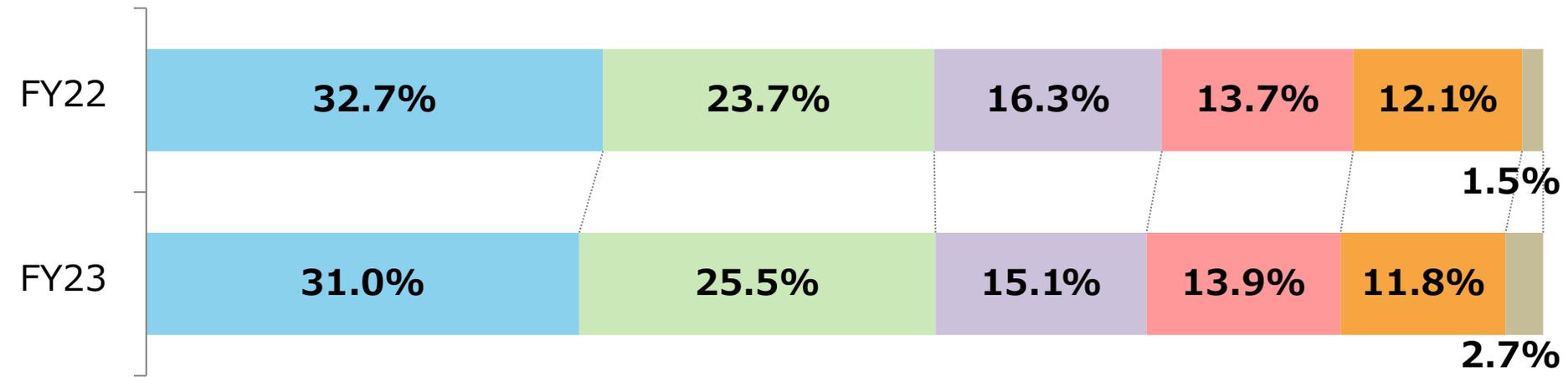
# Sales by Vertical

■ 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.



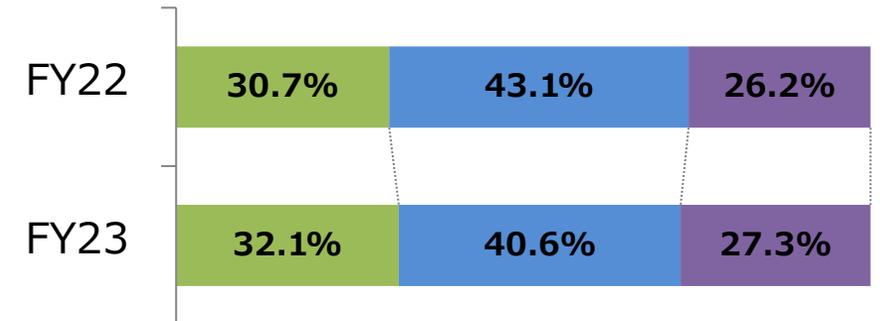
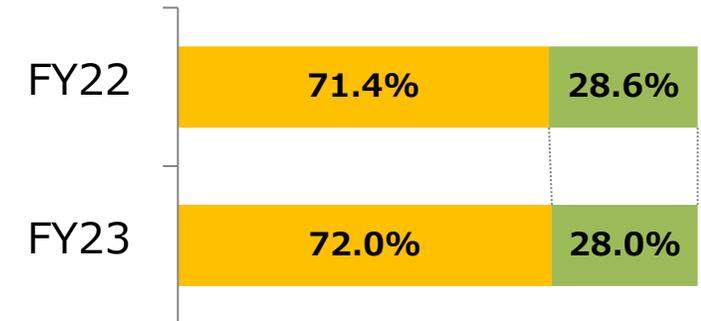
# Sales and OI by Business Segment/Region

(Millions of JPY)

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

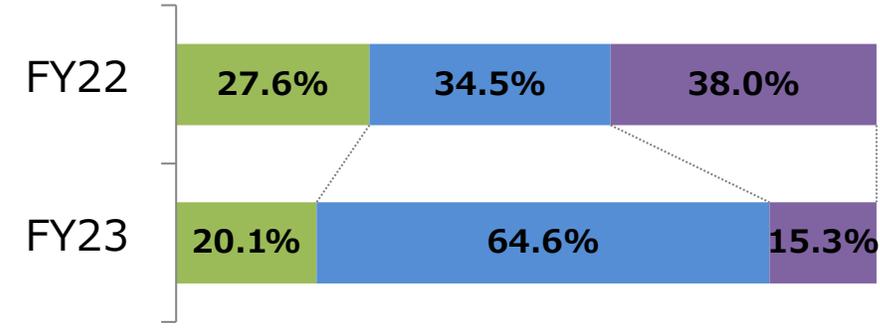
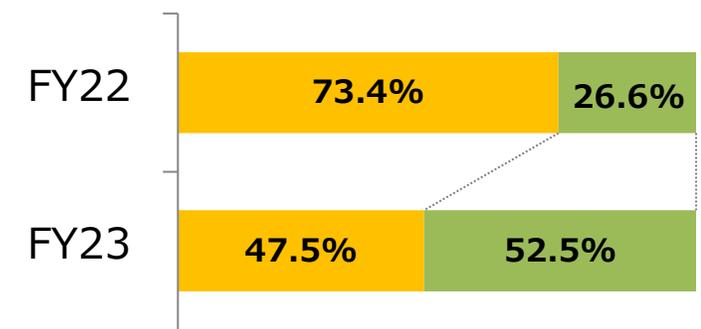
## Sales

**16,394**  
 ▼  
**16,452**



## Operating Income \* Ratio excludes eliminations.

**919**  
 ▼  
**2,169**



**OI ratio:**  
 FY22 Base : 6.0%, Primary Labels : 5.4%  
 FY23 Base : 8.5%, Primary Labels : 24.1%

FY22 The Americas : 5.2%, Europe : 4.7%  
Asia/Oceania : 8.4%  
 FY23 The Americas : 8.1%, Europe : 20.5%  
Asia/Oceania : 7.2%

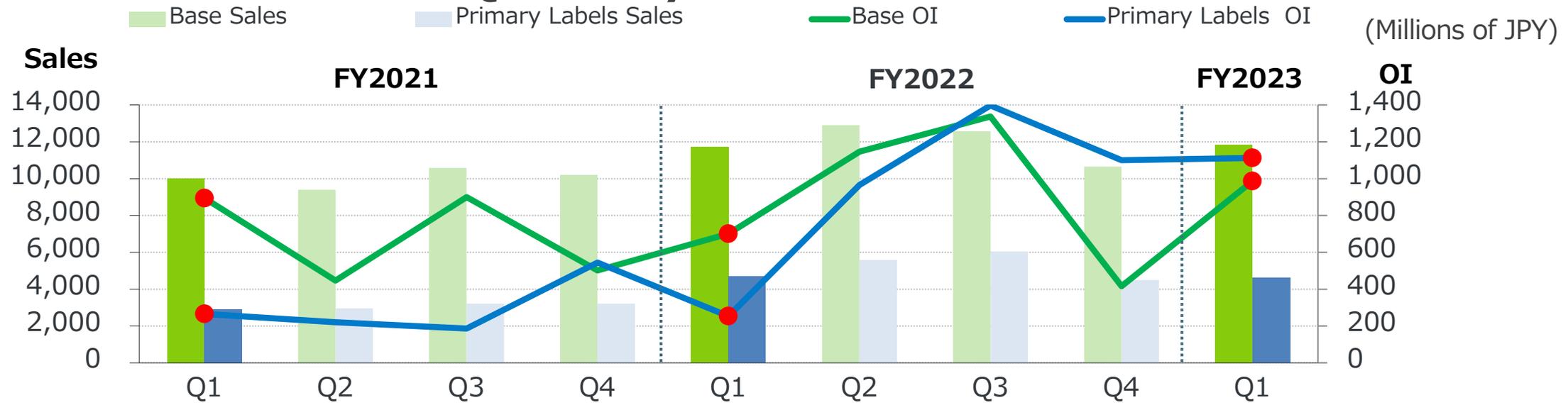
## Breakdown by Business Segment

(Millions of JPY)

		FY2023	FY2022	Change	YoY	excl. FX impact
Base	Total Sales	11,840	11,706	+134	+1.2%	-2.8%
	Operating Income	1,008	701	+306	+43.7%	+40.0%
Primary Labels	Total Sales	4,612 (924)	4,688 (821)	-76 (+103)	-1.6% (+12.6%)	+20.6% (+44.8%)
	Operating Income	1,113 (174)	254 (28)	+859 (+146)	4.4x (6.2x)	5.6x (8.4x)
Eliminations	Operating Income	47 (47)	-36 (-36)	+84 (+84)	- -	- -
Total	Total Sales	16,452 (12,765)	16,394 (12,527)	+58 (+238)	+0.4% (+1.9%)	+3.9% (+0.6%)
	Operating Income	2,169 (1,231)	919 (693)	+1,250 (+537)	2.4x (+77.6%)	2.7x (+92.2%)

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

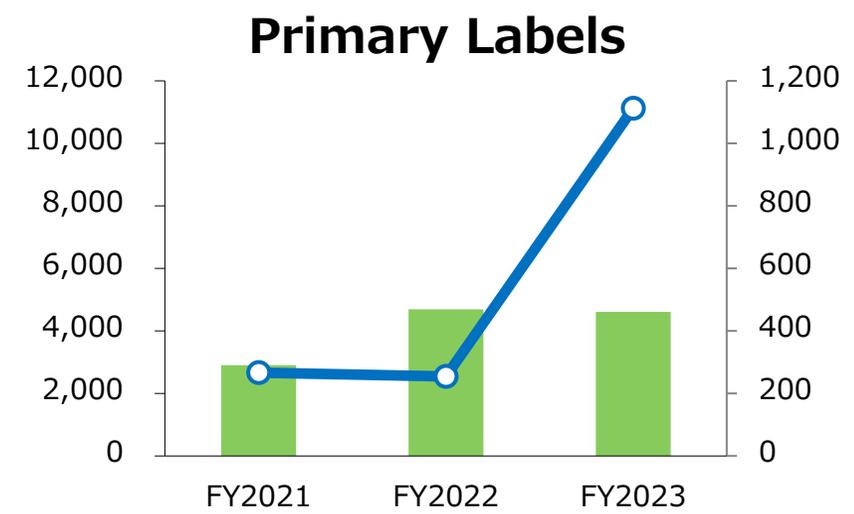
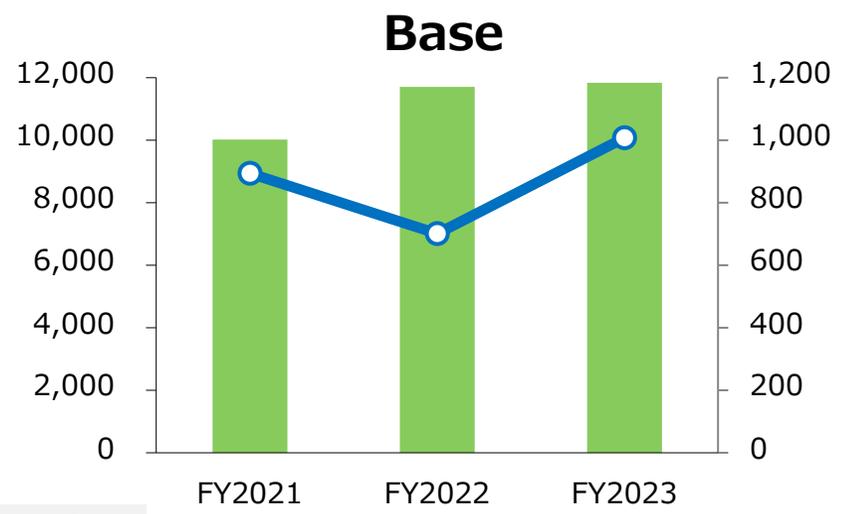
## Quarterly Sales & OI



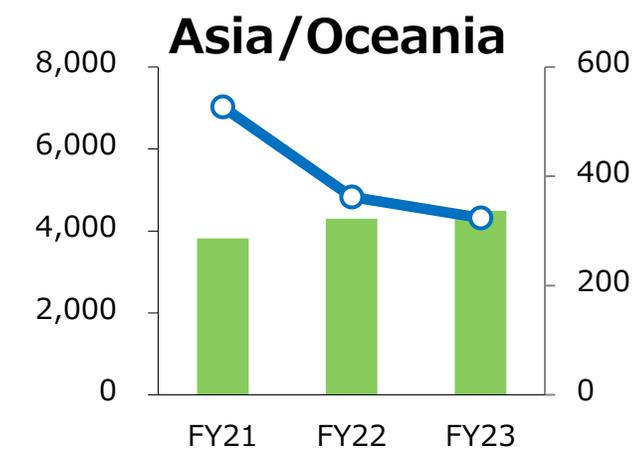
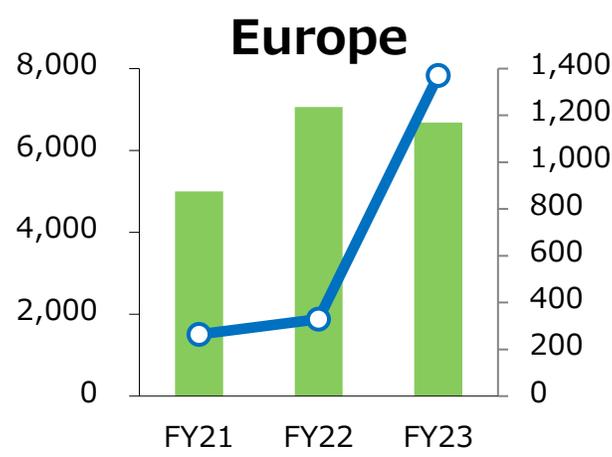
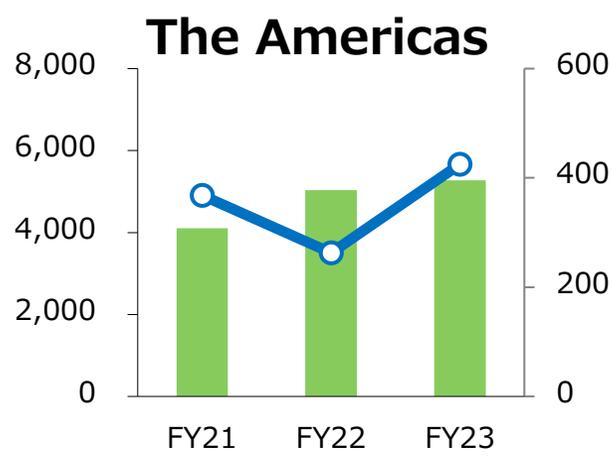
		FY2021				FY2022				FY2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%
	OI	894	447	900	502	701	1,147	1,338	416	1,008
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	43.7%
Primary Labels	Sales	2,905	2,955	3,209	3,217	4,688	5,582	6,051	4,493	4,612
	YoY	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%	+88.6%	+39.7%	-1.6%
	OI	266	220	186	544	254	966	1,398	1,101	1,113
	YoY	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x	7.5x	2.0x	4.4x

### Sales and OI Trends by Business Segment and Region

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

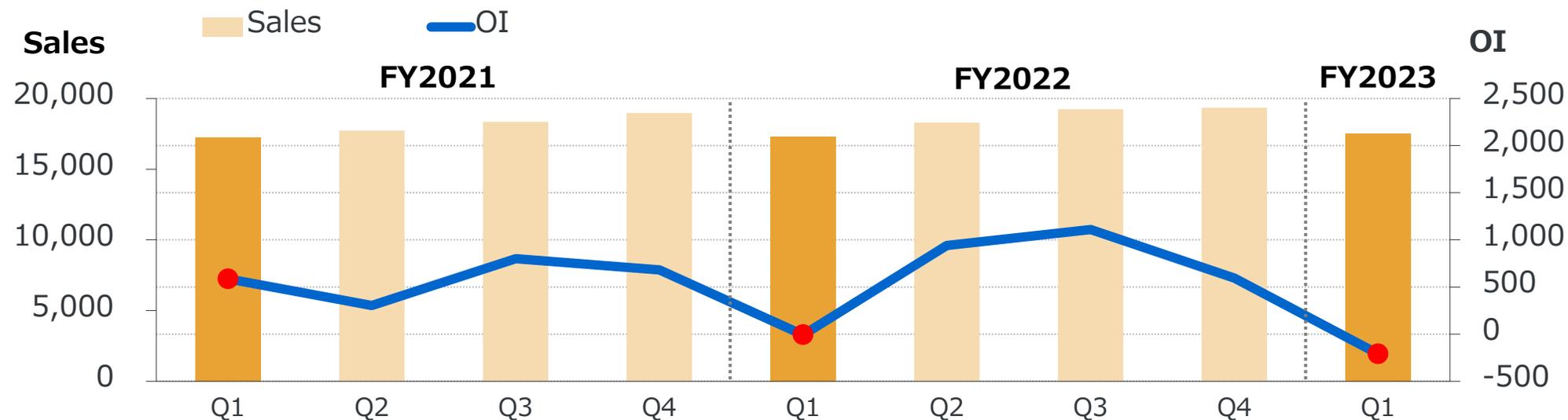


**By Region**



## Quarterly Sales & OI

(Millions of JPY)



<b>Sales</b>	17,248	17,729	18,337	18,971	17,291	18,294	19,244	19,336	17,536
<b>YoY</b>	+9.6%	+10.9%	-0.1%	+2.6%	+0.2%	+3.2%	+4.9%	+1.9%	+1.4%
<b>OI</b>	585	303	801	682	-8	941	1,108	594	-210
<b>YoY</b>	+46.7%	-32.4%	-31.5%	-43.3%	-	3.1x	+38.3%	-12.8%	-

## Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)

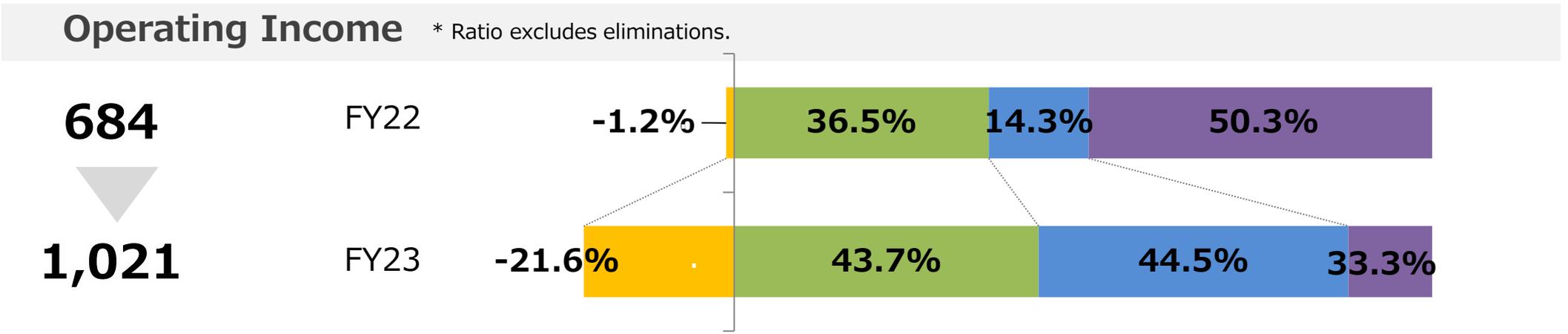
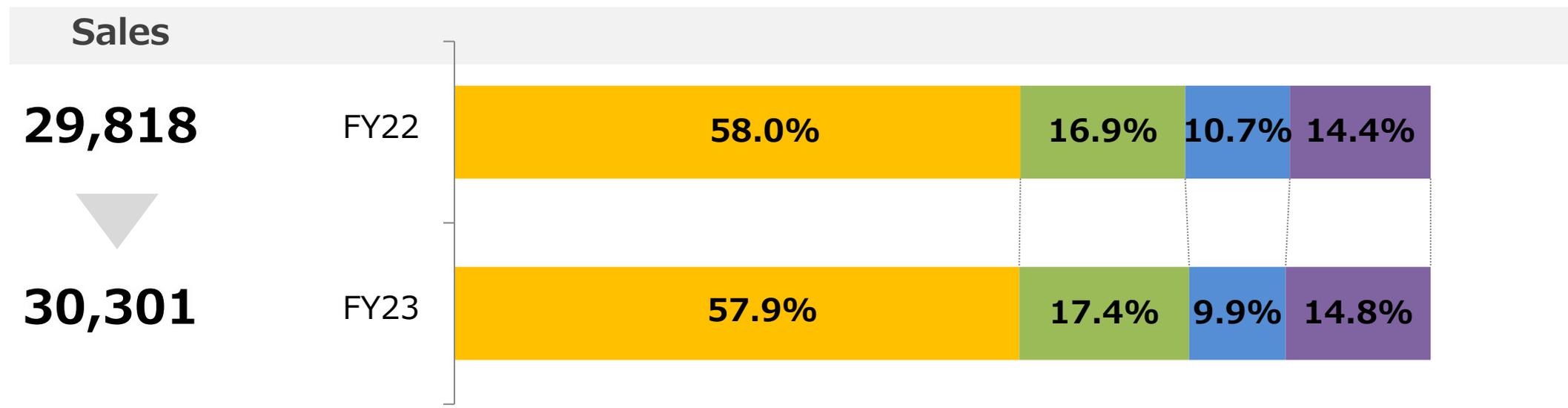


<b>Sales</b>	27,920	27,772	29,493	29,895	29,818	32,001	32,588	30,748	30,301
YoY	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%	+10.5%	+2.9%	+1.6%
<b>OI</b>	1,505	877	1,797	1,172	598	2,024	1,919	755	1,222
YoY	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x	+6.8%	-35.6%	2.0x

# Sales and OI by Region

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

■ Japan 
 ■ The Americas 
 ■ Europe 
 ■ Asia/Oceania

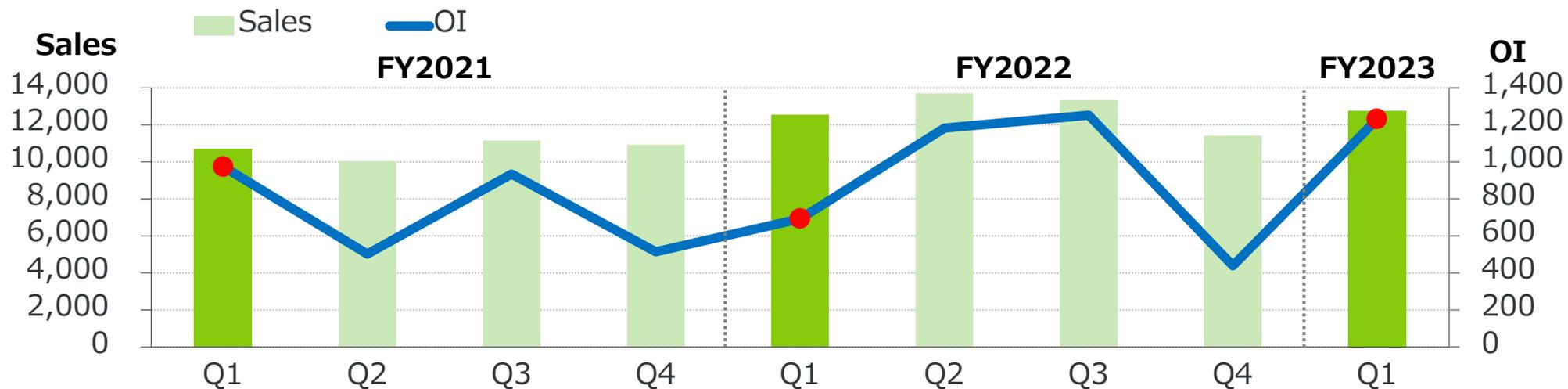


OI Ratio FY22 Japan : N/A %, Overseas : 5.5%  
 OI Ratio FY23 Japan : N/A %, Overseas : 9.6%



## Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)



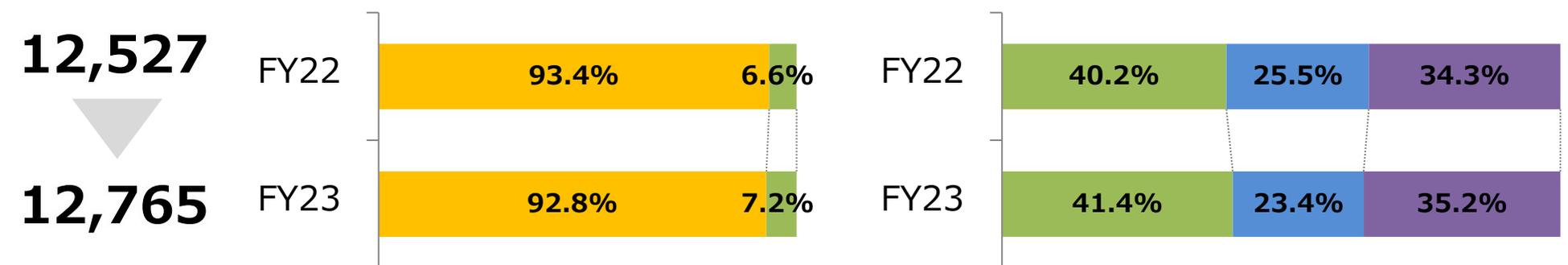
<b>Sales</b>	10,672	10,043	11,155	10,924	12,527	13,707	13,343	11,411	12,765
<b>YoY</b>	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%	+19.6%	+4.5%	+1.9%
<b>OI</b>	974	502	935	514	693	1,182	1,252	440	1,231
<b>YoY</b>	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x	+33.9%	-14.5%	+77.6%

# Sales and OI by Business Segment/Region

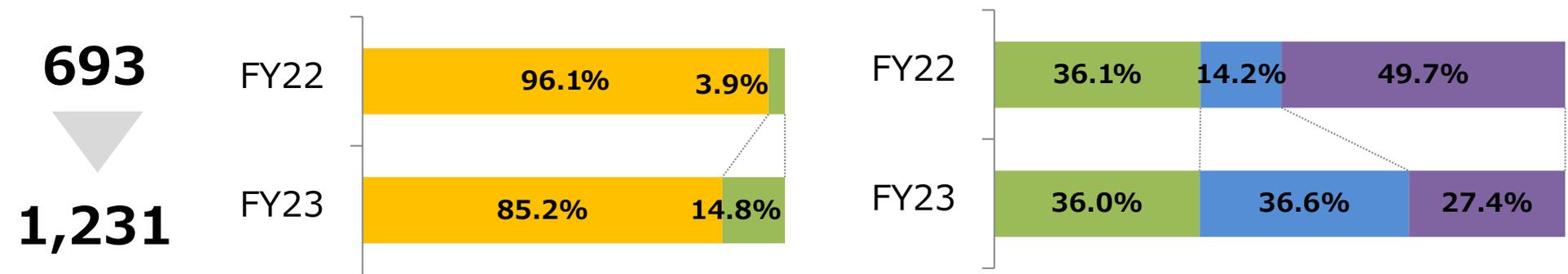
(Figures exclude the Russian subsidiaries) (Millions of JPY)

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

## Sales



## Operating Income \* Ratio excludes eliminations.



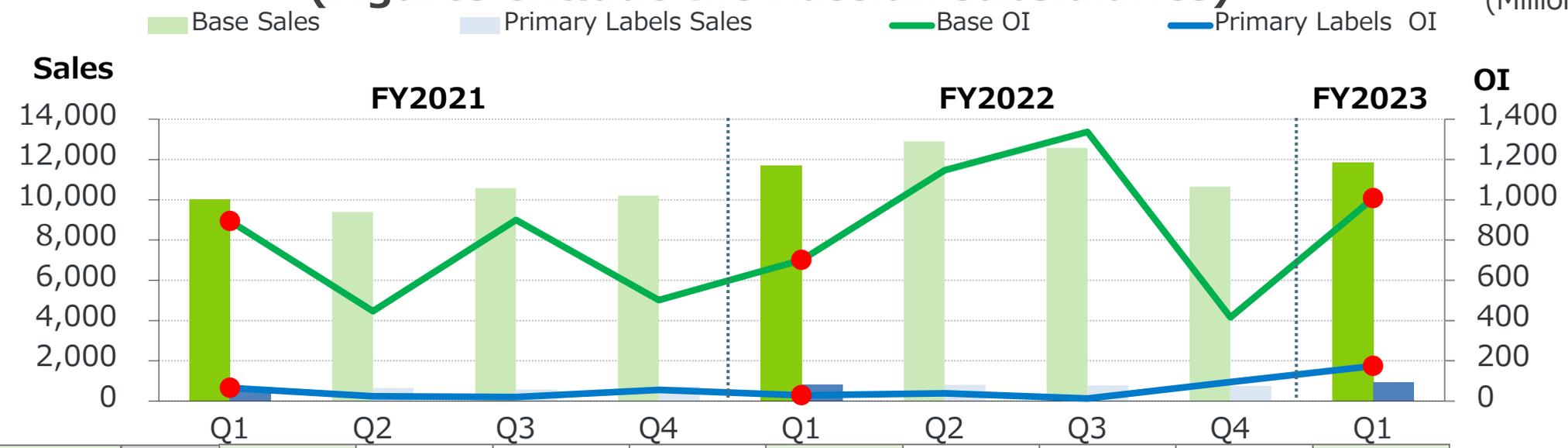
**OI ratio:**  
 FY22 Base : 6.0%, Primary Labels : 3.4%  
 FY23 Base : 8.5%, Primary Labels : 18.9%

FY22 The Americas : 5.2%, Europe : 3.2%  
Asia/Oceania : 8.4%  
 FY23 The Americas : 8.1%, Europe : 14.5%  
Asia/Oceania : 7.2%



## Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)

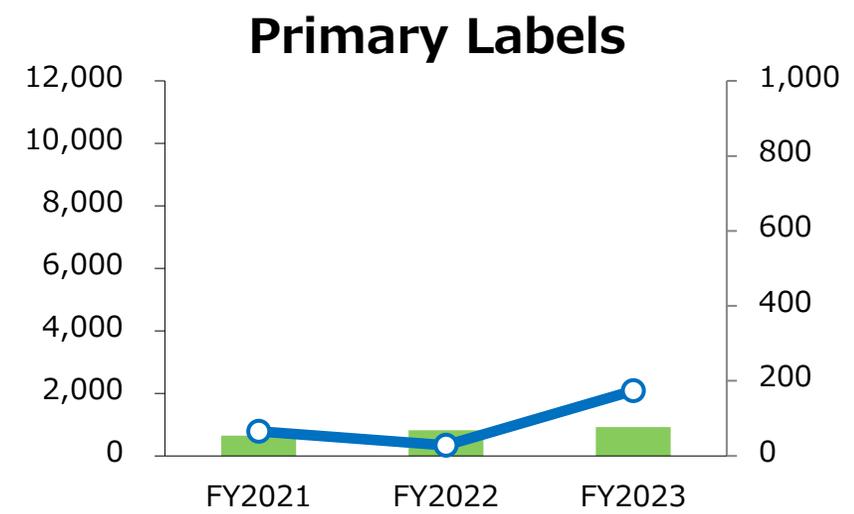
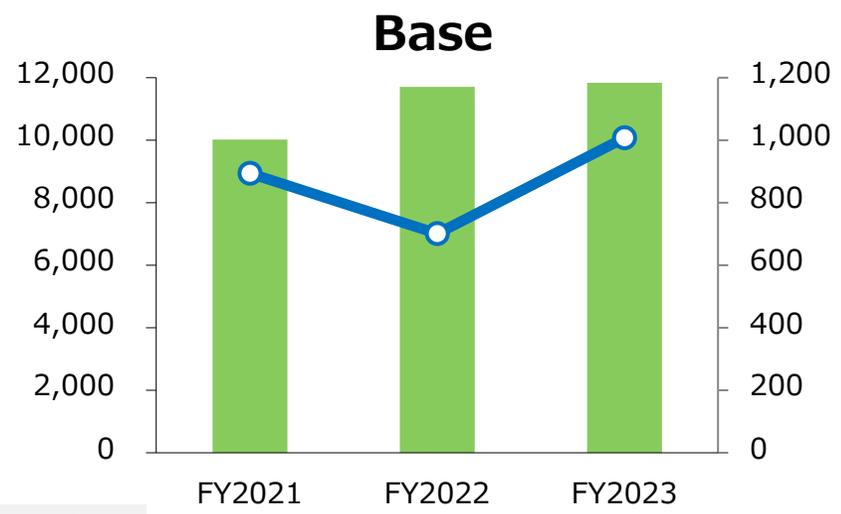


		FY2021				FY2022				FY2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%
	OI	894	447	900	502	701	1,147	1,338	416	1,008
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	43.7%
Primary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

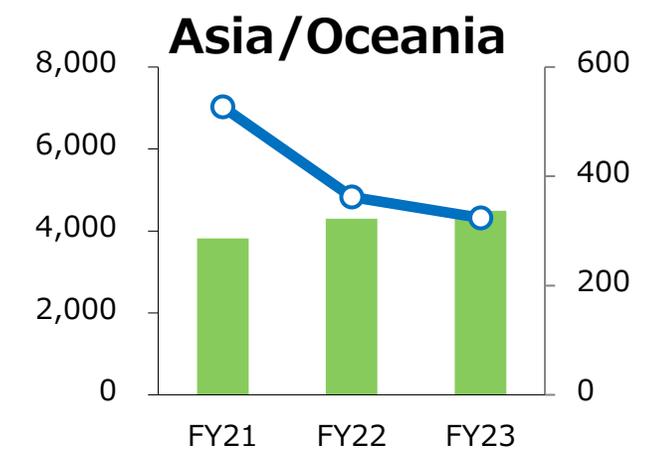
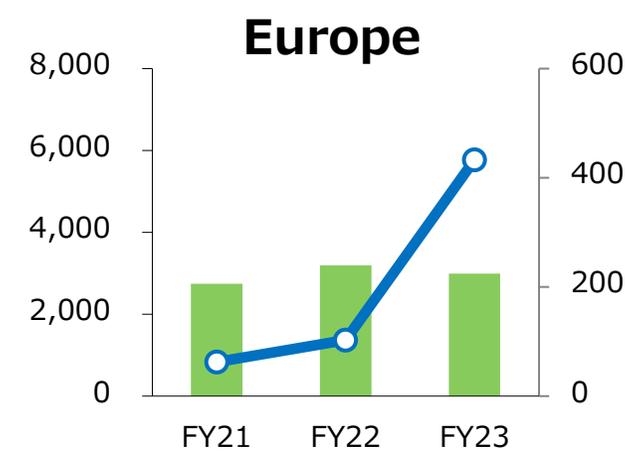
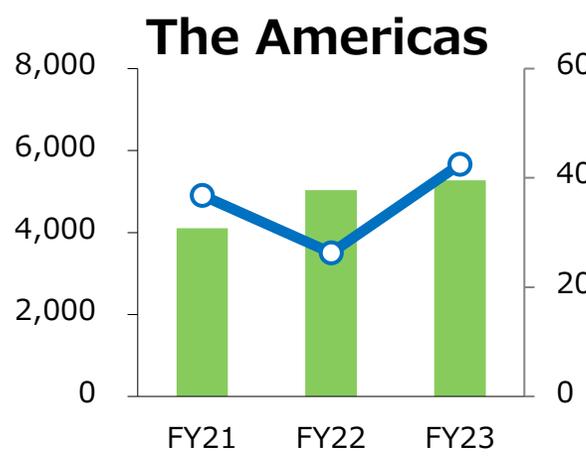


## Sales and OI Trends by Business Segment and Region (Figures exclude the Russian subsidiaries)

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

# SATO terminologies (2/4)

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

# SATO terminologies (3/4)

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

# SATO terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (Australia)	[2013] Company from which SATO acquired its business including PJM (Phase Jitter Modulation), a highly superior <u>RFID</u> technology that can quickly and accurately identify large volumes of tagged items stacked or stored in any physical orientation even in the presence of metals and liquids. Now SATO Vicinity Pty Ltd.
4	Okil-Holding, JSC (Russia)	[2014] Primary labels company in which SATO acquired 75% ownership stake. <u>X-Pack</u> is affiliated with Okil.
5	Prakolar Rótulos Autoadesivos LTDA. (Brazil)	[2015] Company specializing in primary labels.
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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