

SATO HOLDINGS CORPORATION

FY2017 Q1
Financial Results
(Three Months Ended June 30, 2017)

Securities Code: 6287

August 4, 2017

Summary

➤ **Auto-ID Solutions Business (Core business)** ➔ Increased in sales and OI

Japan : Proceeded well above forecast and previous year levels

Overseas: Suffered in OI, as transfer pricing policy was applied, and our

Russian business faced increased costs through FX impact

➤ **Materials Business** ➔ Progressed as planned with scheduled R&D

(Millions of JPY)

		FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	YoY	excl. FX impact
Auto-ID Solutions Business	Total Sales	26,717	25,321	105.5%	103.9%
	Operating Income	1,232	1,052	117.1%	112.4%
Japan	Total Sales	16,630	15,475	107.5%	--
	Operating Income	862	341	252.4%	--
Overseas	Total Sales	10,087	9,845	102.5%	98.2%
	Operating Income	369	710	52.0%	51.6%
Materials Business	Total Sales	82	19	413.1%	--
	Operating Income	-319	-53	--	--
Consolidated (incl. eliminations)	Total Sales	26,799	25,341	105.8%	104.1%
	Operating Income	851	1,047	81.3%	76.6%

Consolidated Results (Apr-Jun)

(Millions of JPY)	FY2017	FY2016	Change	YoY
Net Sales	26,799	25,341	+1,458	105.8%
Operating Income	851	1,047	-195	81.3%
Operating Income %	3.2%	4.1%	-1.0pt	--
Ordinary Income	721	850	-128	84.9%
Profit attributable to owners of parent	337	453	-115	74.5%
Effective Tax Rate*1	74.6%	43.6%	+31.0pt	
EBITDA*2	2,261	2,318	-57	97.5%

Average exchange rates for Apr-Jun FY17: JPY 111.09/USD, JPY 122.26/EUR
Apr-Jun FY16: JPY 108.04/USD, JPY 121.88/EUR

*1 Effective Tax Rate: Rose substantially due to additional goodwill impairment at ARGOX and losses incurred by some group companies including DataLase

*2 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for FY17: JPY 1,043 million

· Amortization for FY17: JPY 366 million (incl. 151 mil. for DataLase)

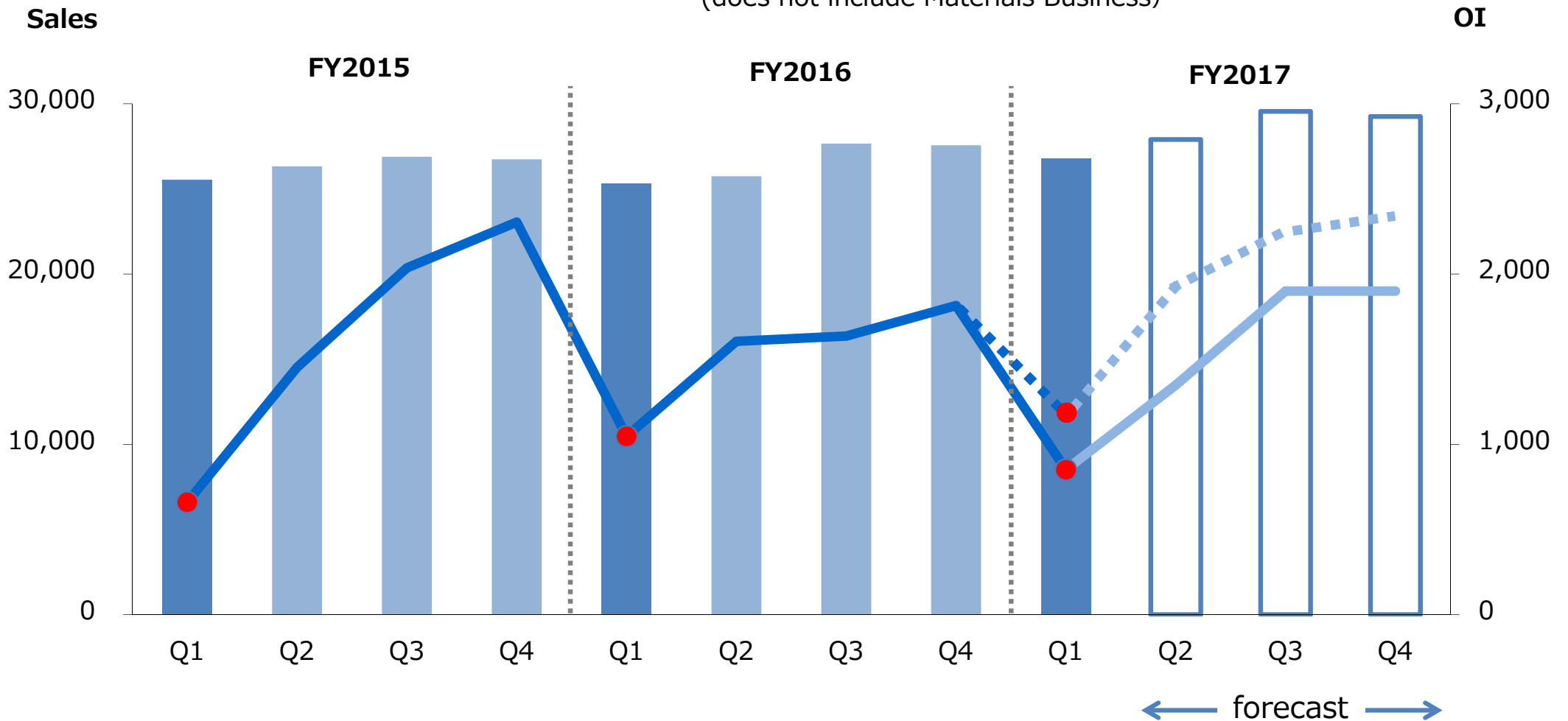
FY16: JPY 972 million

FY16: JPY 299 million

Quarterly Consolidated Sales & OI

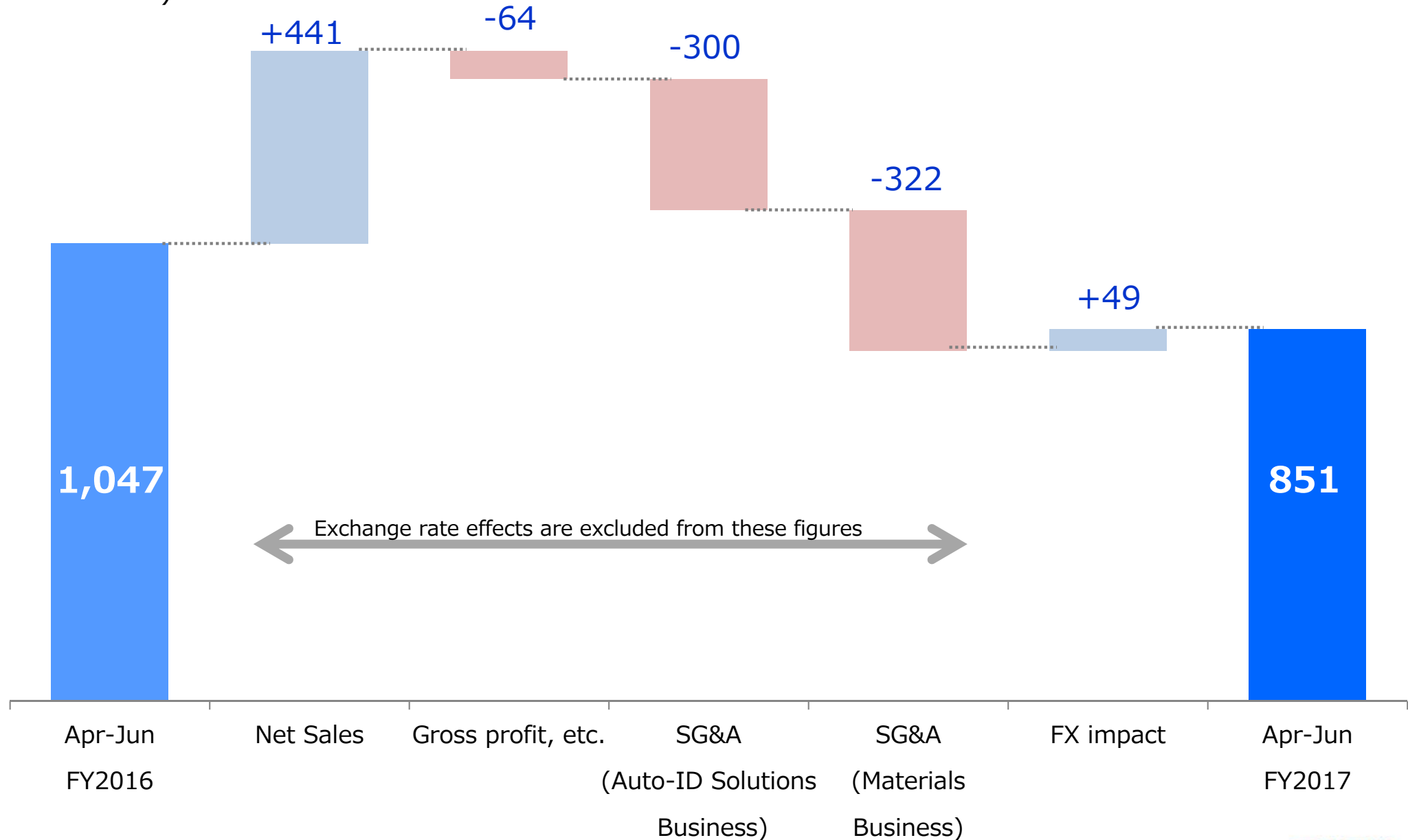
(Millions of JPY)

■ Sales
 — OI
 - - - OI: Auto-ID Solutions Business only
 (does not include Materials Business)



Major Gains/Losses in Consolidated OI

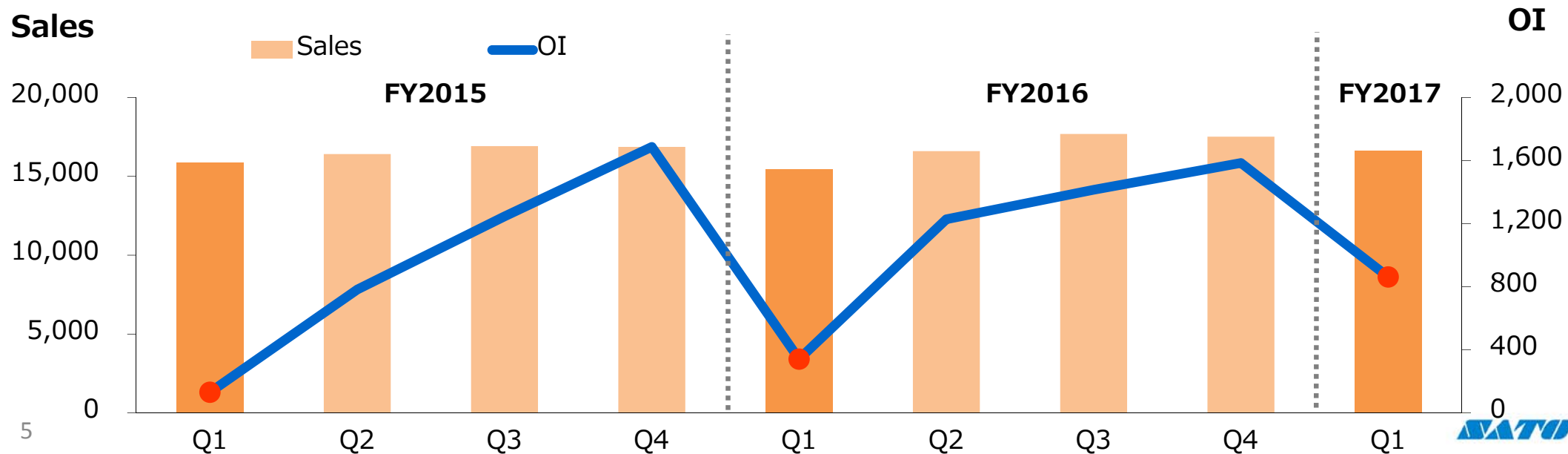
(Millions of JPY)



Auto-ID Solutions Business (Japan)

- Proceeded well above forecast on back of positive trends in all verticals including retail
- OI ratio improved by 3 percentage points YoY due mainly to better product mix in mechatronics

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	
				YoY
Mechatronics Sales	6,026	5,280	+745	114.1%
Consumables Sales	10,604	10,195	+408	104.0%
Total Sales	16,630	15,475	+1,154	107.5%
Gross Profit	7,895	7,021	+874	112.5%
Gross Profit %	47.5%	45.4%	+2.1pt	--
Operating Income	862	341	+520	252.4%
Operating Income %	5.2%	2.2%	+3.0pt	--



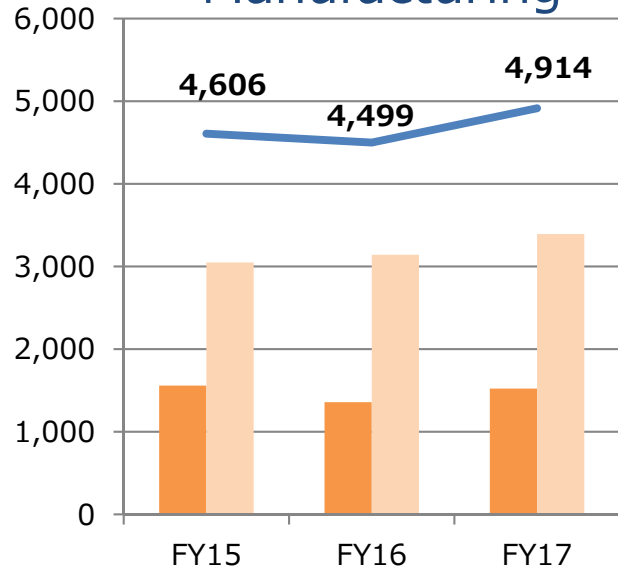
Auto-ID Solutions Business (Japan):

Sales by Vertical (Apr-Jun)

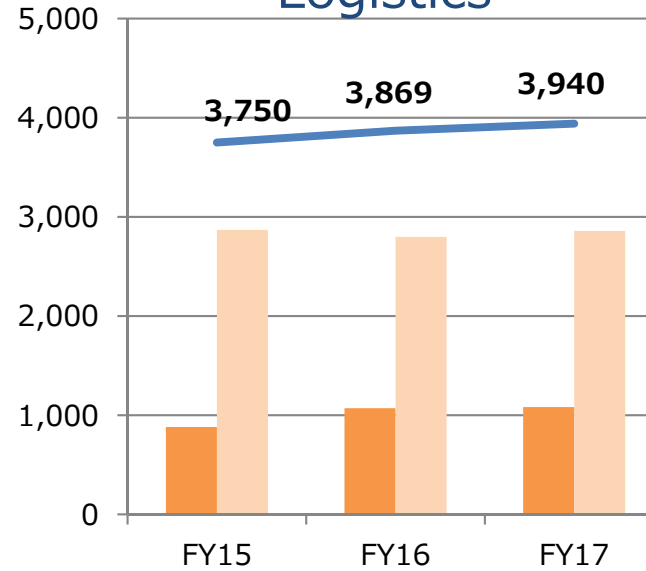
(Millions of JPY)

■ : Mechatronics ■ : Consumables
— : Total

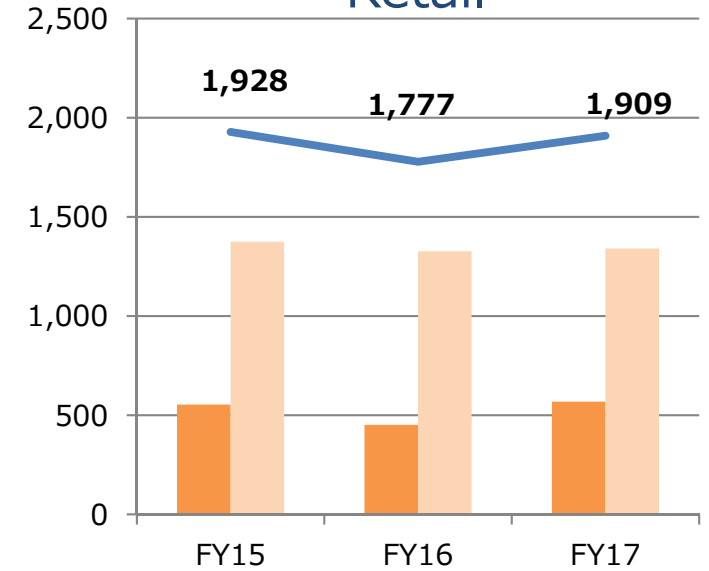
Manufacturing



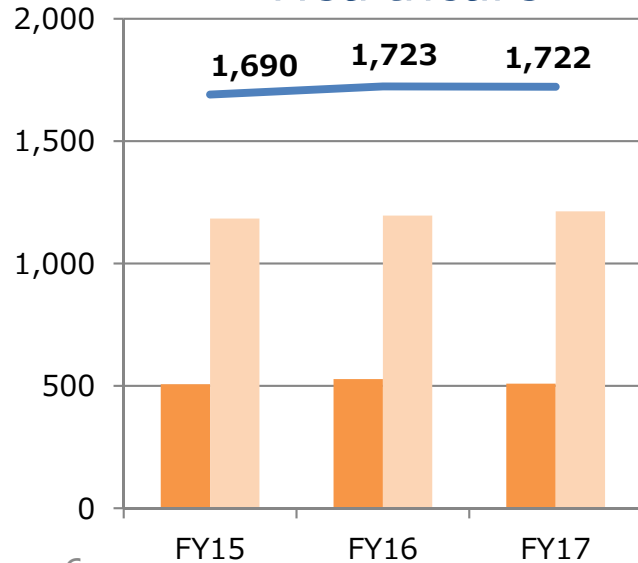
Logistics



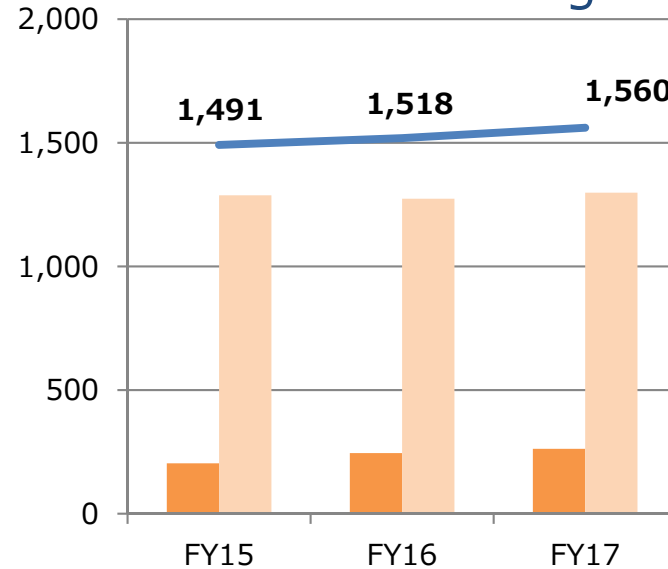
Retail



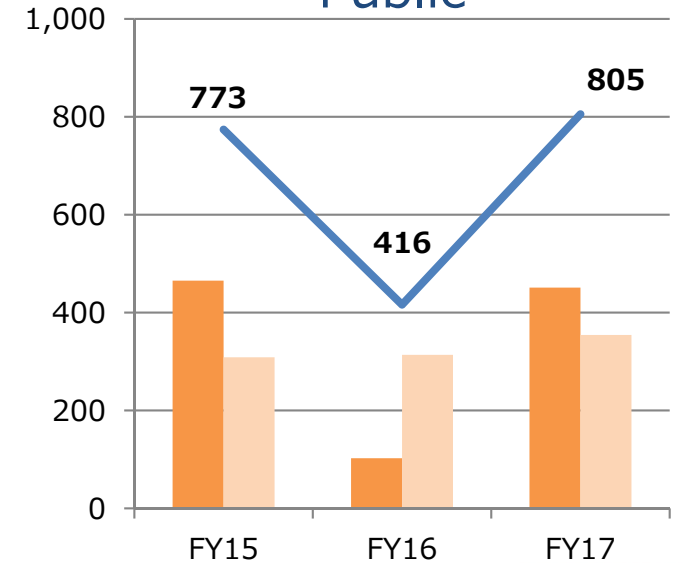
Healthcare



Food & Beverage

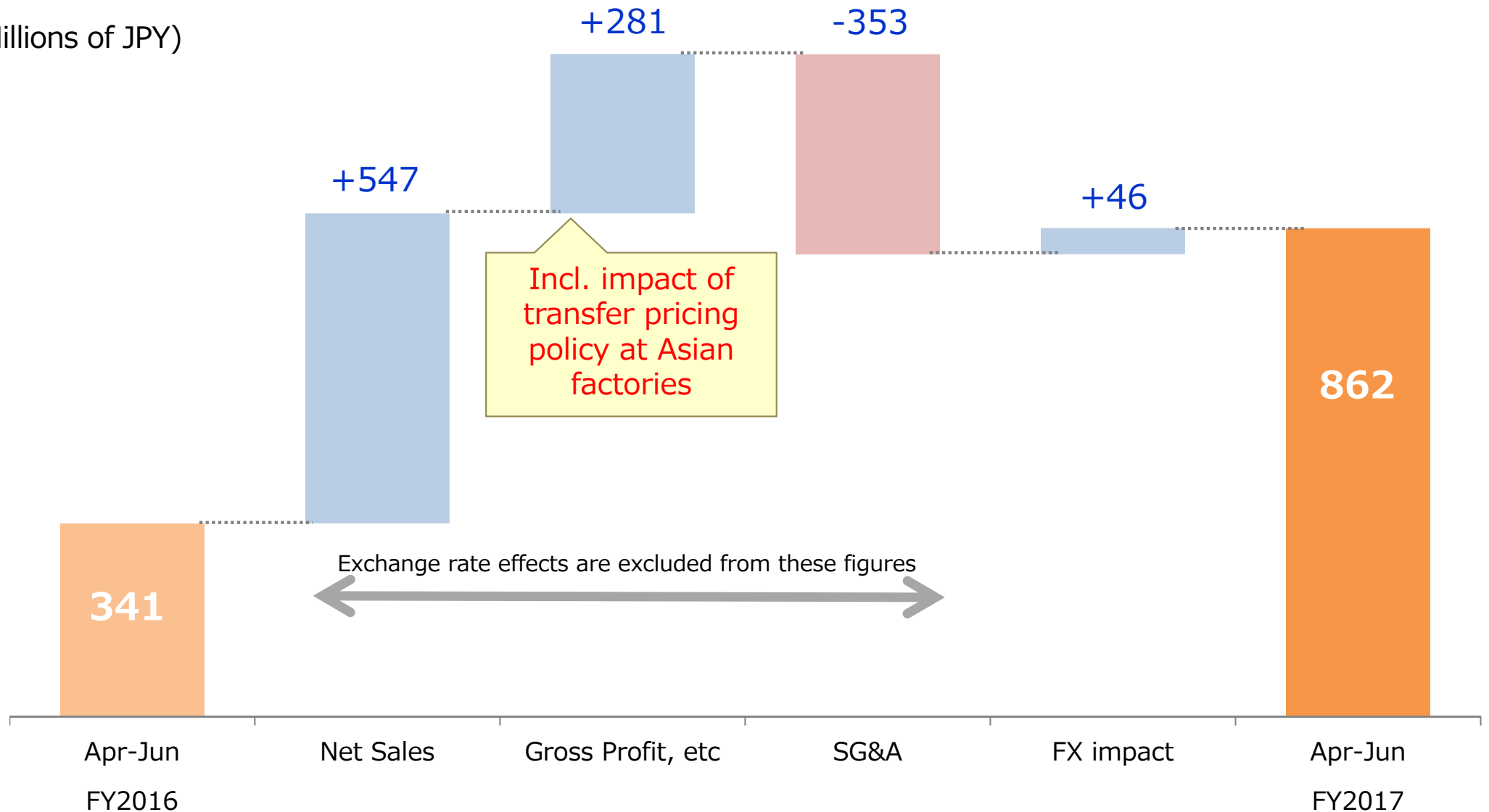


Public



Major Gains/Losses in OI (Auto-ID Solutions Business - Japan)

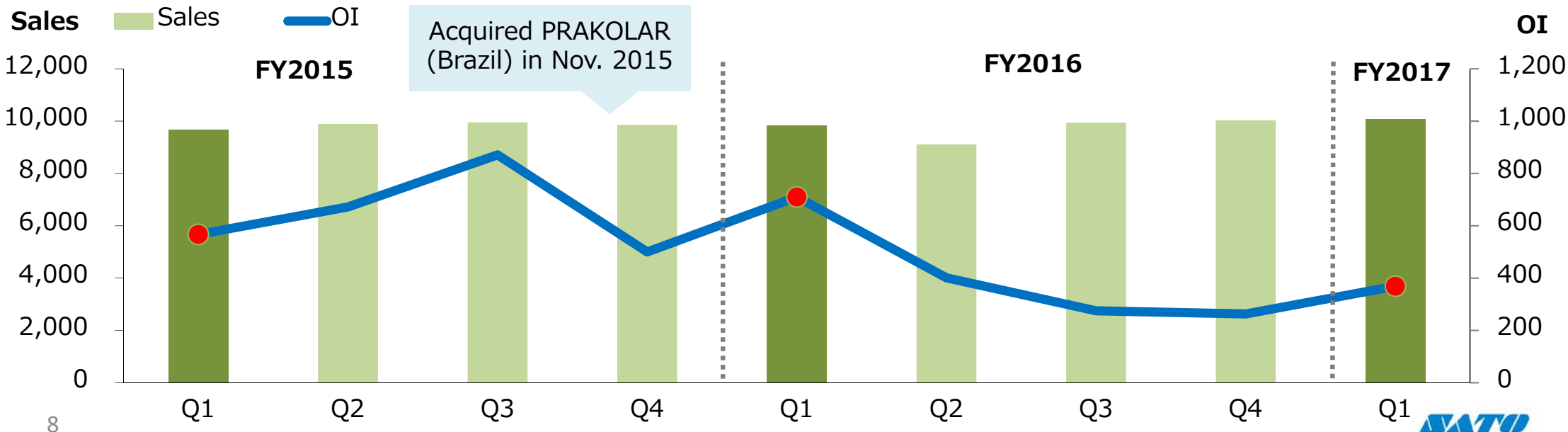
(Millions of JPY)



Auto-ID Solutions Business (Overseas)

- Quarterly OI decline halted to show modest signs of recovery
- Sales in North America declined while Europe, Asia, South America and PRAKOLAR saw increases YoY
- OI declined YoY due mainly to negative FX impact at OKIL in the Primary Label Business and to profit adjustments at Asian factories in accordance with the transfer pricing policy

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	Change	
				YoY	excl. FX impact
Total Sales	10,087	9,845	+241	102.5%	98.2%
Gross Profit	3,793	3,932	-138	96.5%	--
Gross Profit %	37.6%	39.9%	-2.3pt	--	--
Operating Income	369	710	-340	52.0%	51.6%
Operating Income %	3.7%	7.2%	-3.6pt	--	--

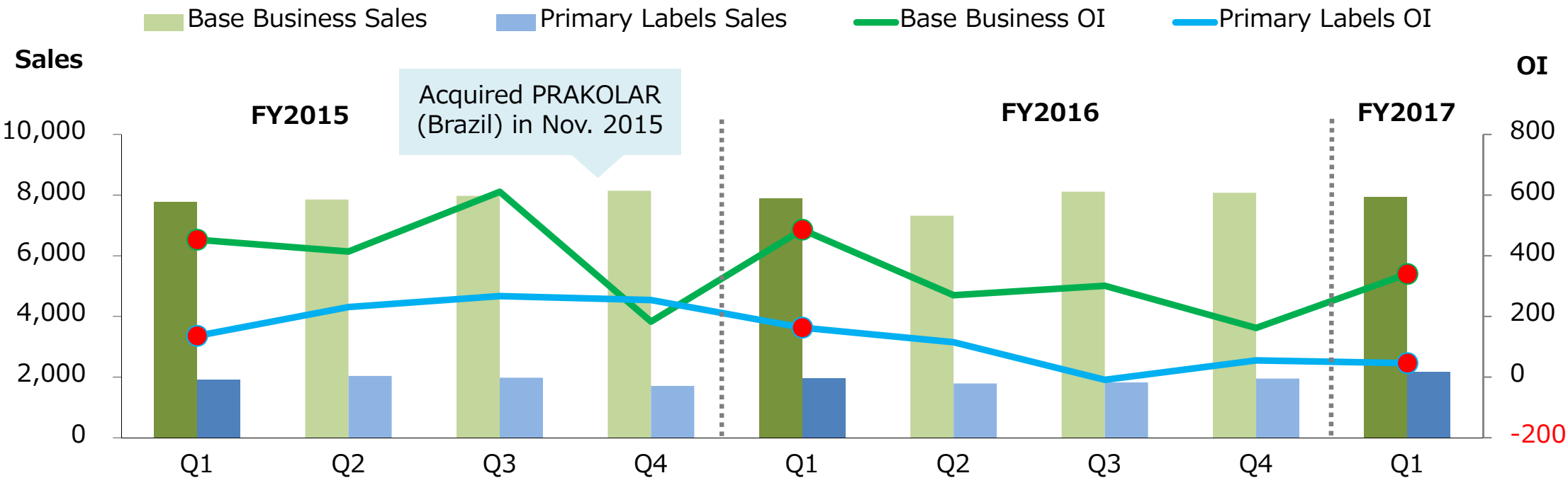


Auto-ID Solutions Business (Overseas Breakdown)

- OI at OKIL declined sharply owing to the appreciation of the ruble against the euro, which was evident since the end of 2016

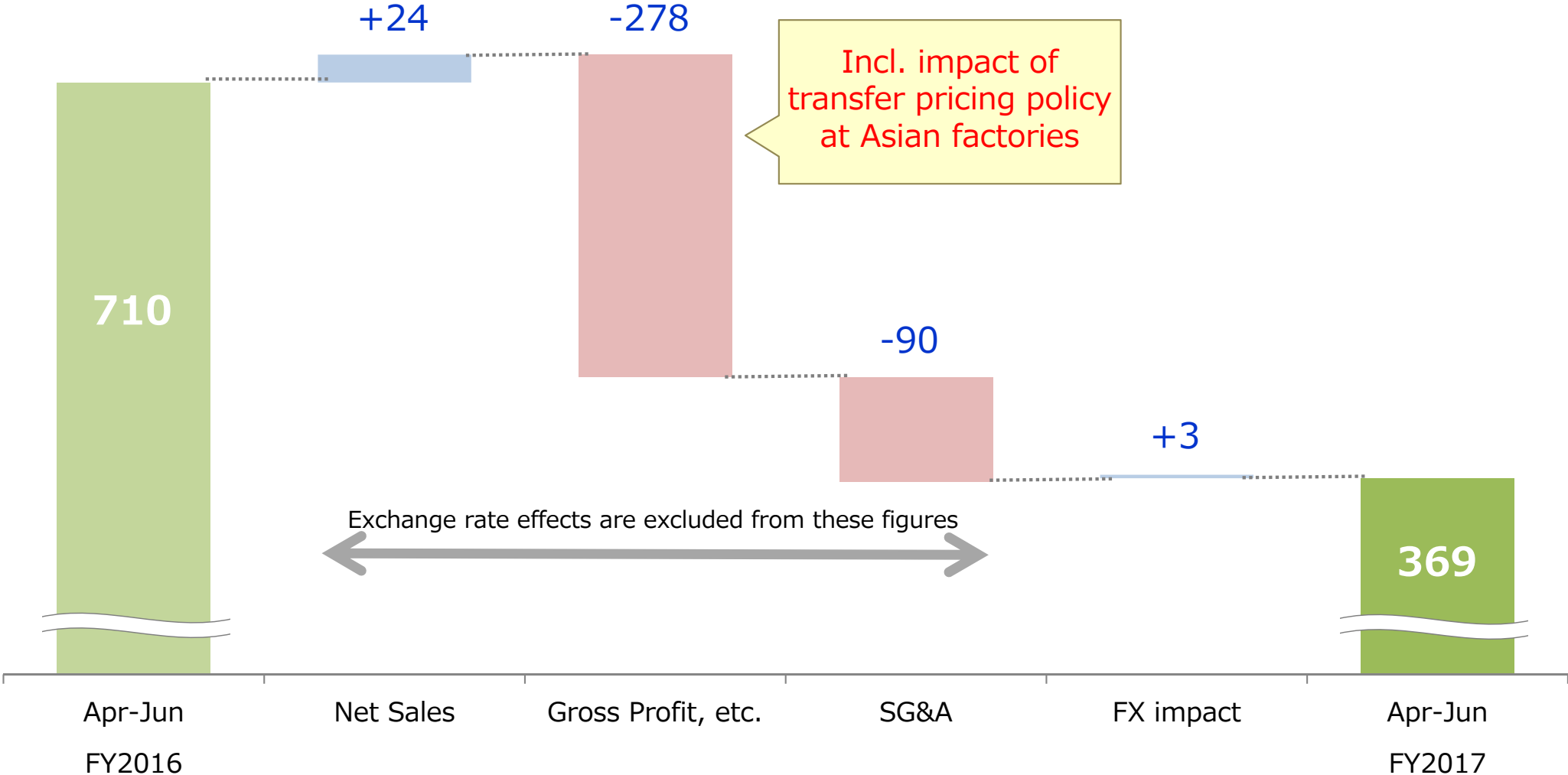
(Millions of JPY)

		FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	Change	
					YoY	excl. FX impact
Base Business	Total Sales	7,925	7,895	+29	100.4%	98.4%
	Operating Income	340	486	-145	70.1%	69.6%
Primary Labels	Total Sales	2,161	1,949	+212	110.9%	97.3%
	Operating Income	46	163	-117	28.5%	28.1%



Major Gains/Losses in OI (Auto-ID Solutions Business - Overseas)

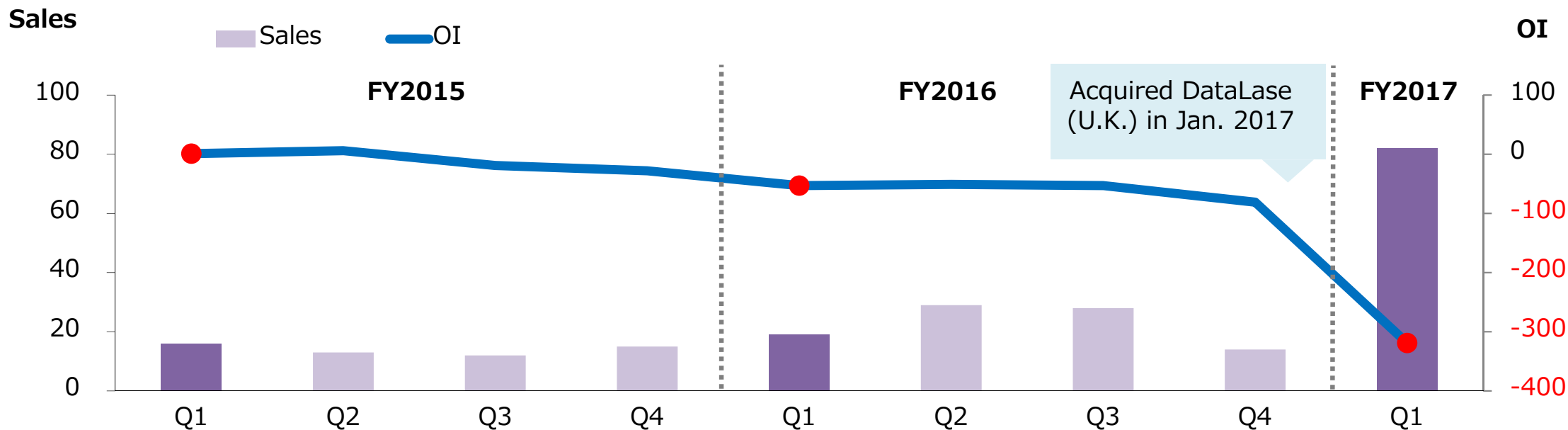
(Millions of JPY)



Materials Business

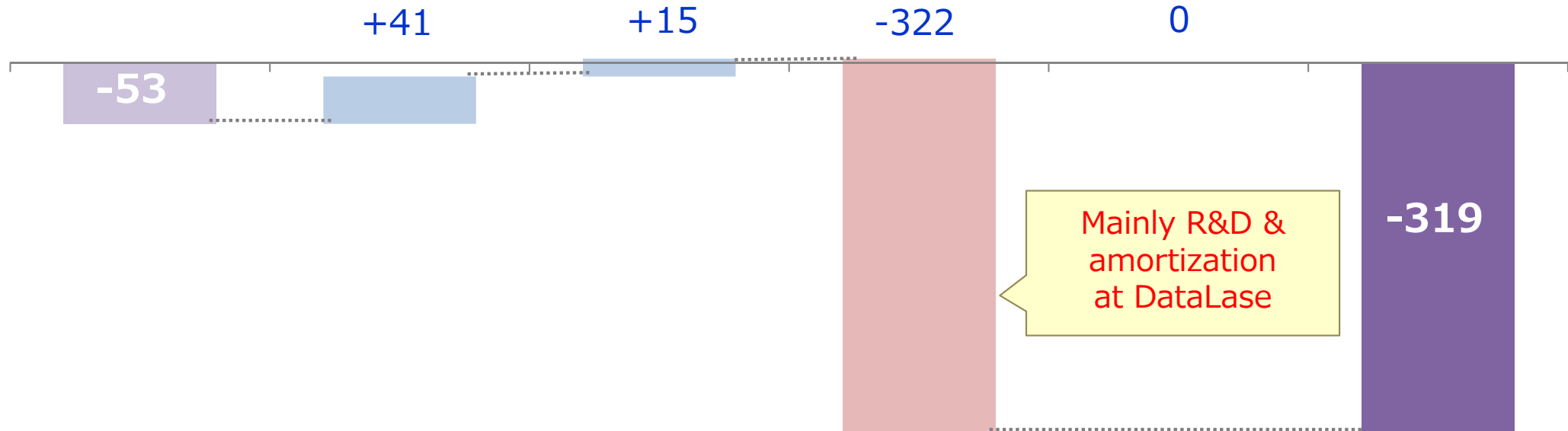
- The newly acquired DataLase proceeded with its scheduled R&D

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	
				YoY
Total Sales	82	19	+62	413.1%
Gross Profit	58	2	+55	2,045.5%
Gross Profit %	71.1%	14.4%	+56.8pt	--
Operating Income	-319	-53	-266	--
Operating Income %	--	--	--	--



Major Gains/Losses in OI (Materials Business)

(Millions of JPY)



Exchange rate effects are excluded from these figures



Apr-Jun
FY2016

Net Sales

Gross Profit, etc

SG&A

FX impact

Apr-Jun
FY2017

FY2017 Consolidated Forecasts

(Millions of JPY)	1H		2H		Full Year	
	Forecast	YoY	Forecast	YoY	Forecast	YoY
	Net Sales	54,700	107.1%	58,800	106.5%	113,500
Operating Income	2,200	82.9%	3,800	110.1%	6,000	98.3%
Ordinary Income	2,150	90.4%	3,750	123.1%	5,900	108.7%
Profit attributable to owners of parent	1,200	79.6%	2,400	140.0%	3,600	111.8%

<Reference>

EBITDA*	11,296	←FY2016 full year	11,600	102.7%
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Exchange rates assumed in FY17 forecast: JPY 110/USD, JPY 120/EUR

Average exchange rates for Apr-Jun FY17: JPY 111.09/USD, JPY 122.26/EUR

Average exchange rates for FY16: JPY 108.34/USD, JPY 118.74/EUR

* EBITDA = Operating income + Depreciation + Amortization

Appendix

(FY2017 Q1 results based on FY2016 classification)

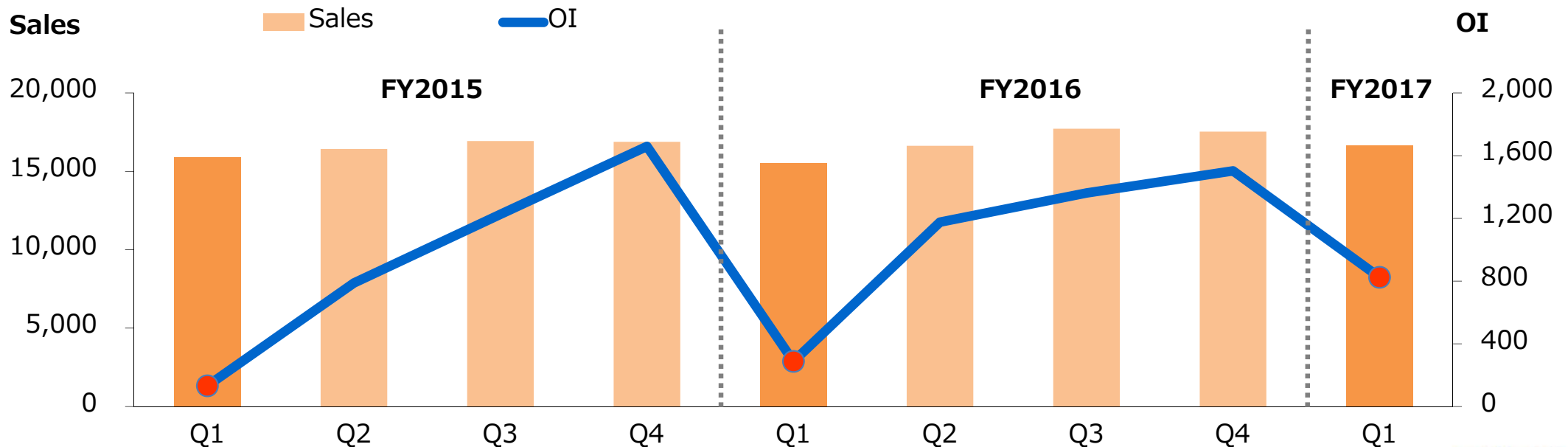
Consolidated Results

(Millions of JPY)

		FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	excl. FX impact
Japan	Total Sales	16,655	15,495	+1,160	107.5%	--
	Operating Income	824	288	+536	286.0%	--
North America	Total Sales	2,573	2,823	-249	91.2%	88.7%
	Operating Income	60	61	-1	98.1%	96.1%
South America	Total Sales	861	739	+122	116.6%	111.6%
	Operating Income	143	58	+84	244.2%	223.7%
Europe	Total Sales	3,478	3,109	+368	111.9%	105.5%
	Operating Income	-311	205	-516	--	--
Asia/ Oceania	Total Sales	3,229	3,172	+56	101.8%	98.2%
	Operating Income	213	366	-153	58.1%	58.8%
Overseas	Total Sales	10,143	9,845	+298	103.0%	98.8%
	Operating Income	105	692	-586	15.3%	14.8%
Elimination	Operating Income	-78	+66	-145	--	--
Consolidated	Total Sales	26,799	25,341	+1,458	105.8%	104.1%
	Operating Income	851	1,047	-195	81.3%	76.6%

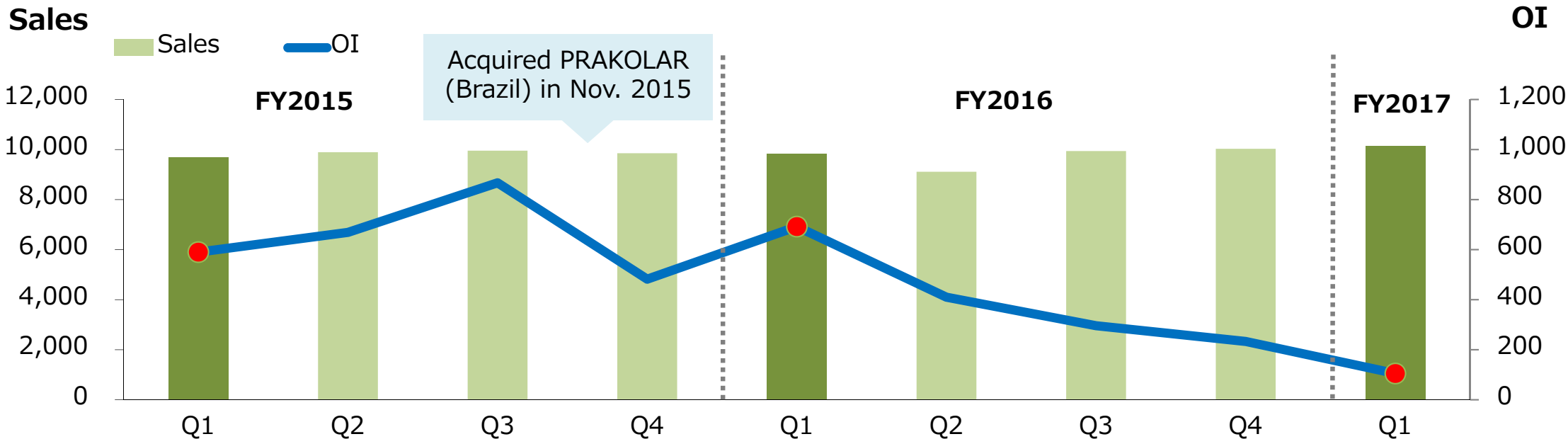
Japan

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	
				YoY
Mechatronics Sales	6,026	5,280	+745	114.1%
Consumables Sales	10,629	10,215	+414	104.1%
Total Sales	16,655	15,495	+1,160	107.5%
Gross Profit	7,900	7,020	+879	112.5%
Gross Profit %	47.4%	45.3%	+2.1pt	--
Operating Income	824	288	+536	286.0%
Operating Income %	5.0%	1.9%	+3.1pt	--



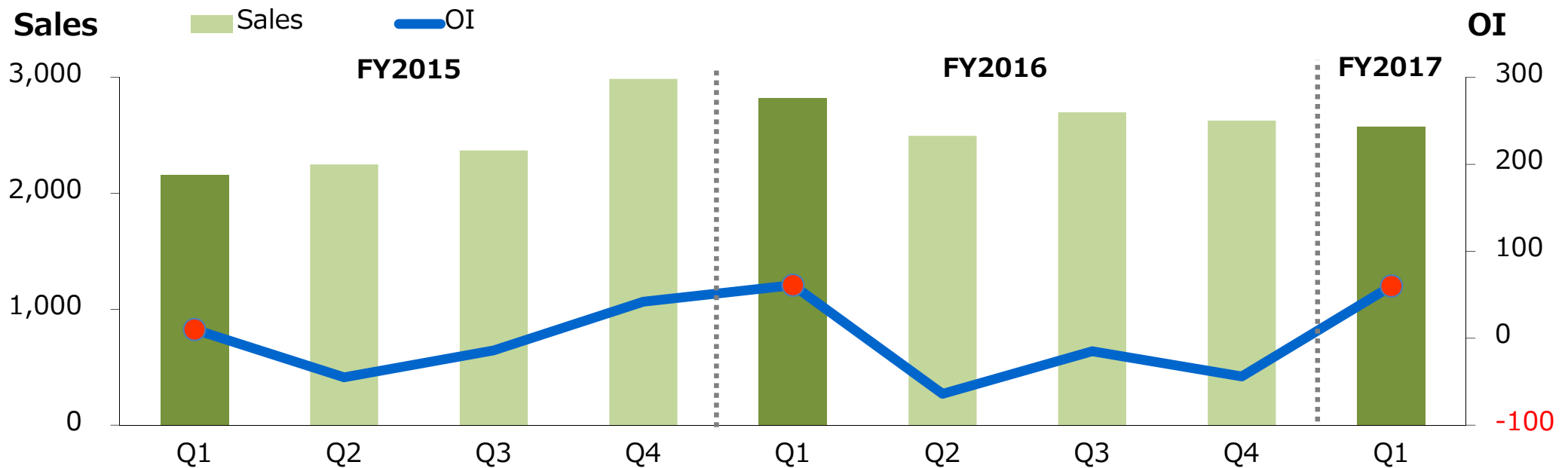
Overseas

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	
				YoY	excl. FX impact
Total Sales	10,143	9,845	+298	103.0%	98.8%
Gross Profit	3,849	3,915	-66	98.3%	--
Gross Profit %	38.0%	39.8%	-1.8pt	--	--
Operating Income	105	692	-586	15.3%	14.8%
Operating Income %	1.0%	7.0%	-6.0pt	--	--



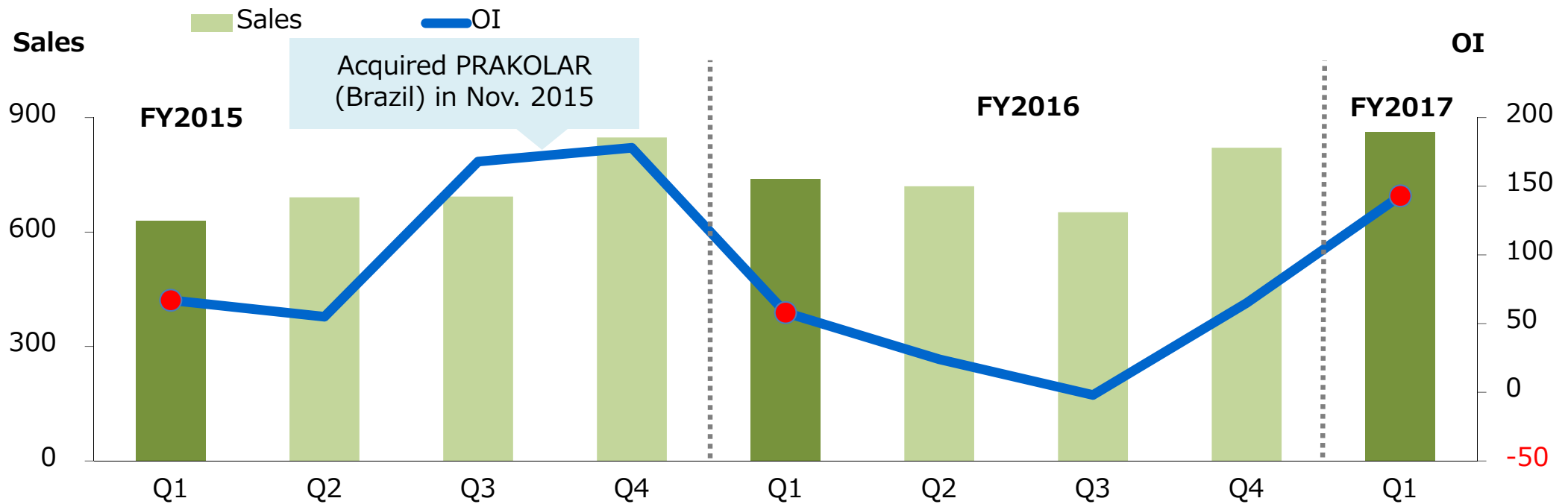
North America

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	excl. FX impact
Total Sales	2,573	2,823	-249	91.2%	88.7%
Gross Profit	740	789	-48	93.8%	--
Gross Profit %	28.8%	28.0%	+0.8pt	--	--
Operating Income	60	61	-1	98.1%	96.1%
Operating Income %	2.4%	2.2%	+0.2pt	--	--



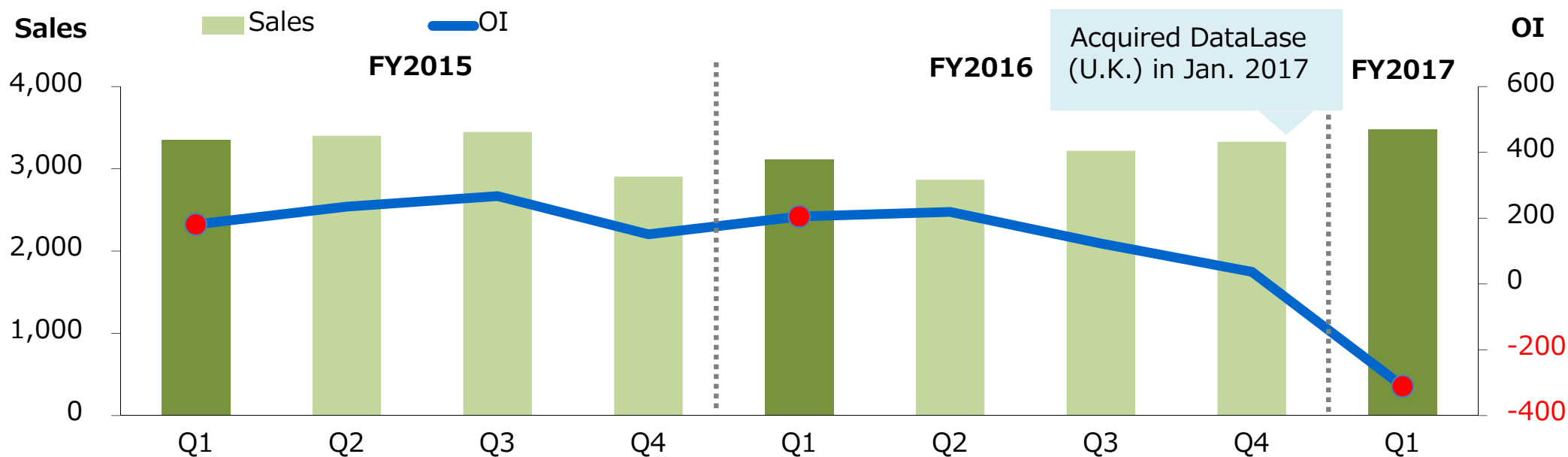
South America

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	excl. FX impact
Total Sales	861	739	+122	116.6%	111.6%
Gross Profit	405	305	+99	132.4%	--
Gross Profit %	47.0%	41.4%	+5.6pt	--	--
Operating Income	143	58	+84	244.2%	223.7%
Operating Income %	16.6%	7.9%	+8.7pt	--	--



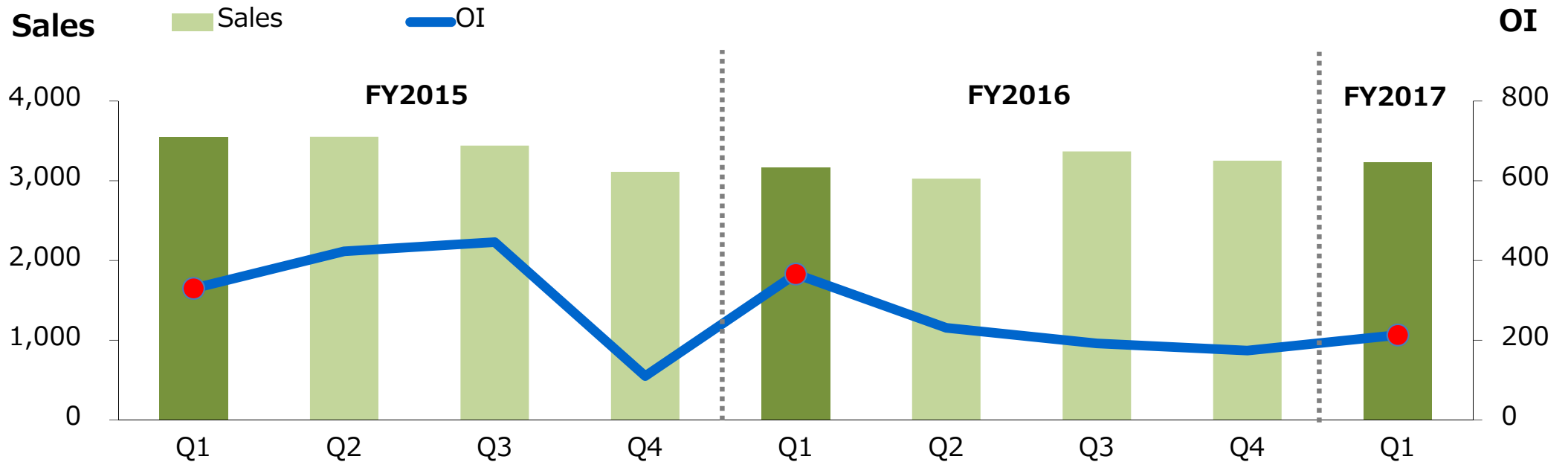
Europe

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	excl. FX impact
Total Sales	3,478	3,109	+368	111.9%	105.5%
Gross Profit	1,188	1,178	+10	100.9%	--
Gross Profit %	34.2%	37.9%	-3.7pt	--	--
Operating Income	-311	205	-516	--	--
Operating Income %	--	6.6%	--	--	--



Asia & Oceania

(Millions of JPY)	FY2017 (Apr-Jun)	FY2016 (Apr-Jun)	Change	YoY	excl. FX impact
Total Sales	3,229	3,172	+56	101.8%	98.2%
Gross Profit	1,515	1,641	-126	92.3%	--
Gross Profit %	46.9%	51.7%	-4.8pt	--	--
Operating Income	213	366	-153	58.1%	58.8%
Operating Income %	6.6%	11.6%	-5.0pt	--	--





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