



November 10, 2020

SATO HOLDINGS CORPORATION

FY2020 1H Financial Results
(Six Months Ended September 30, 2020)

Securities Code: 6287

**FY2020 Apr-Sep
Results**

**Medium-term
Management
Plan FY20-22**



**FY2020 Apr-Sep
Results**

**Medium-term
Management
Plan FY20-22**

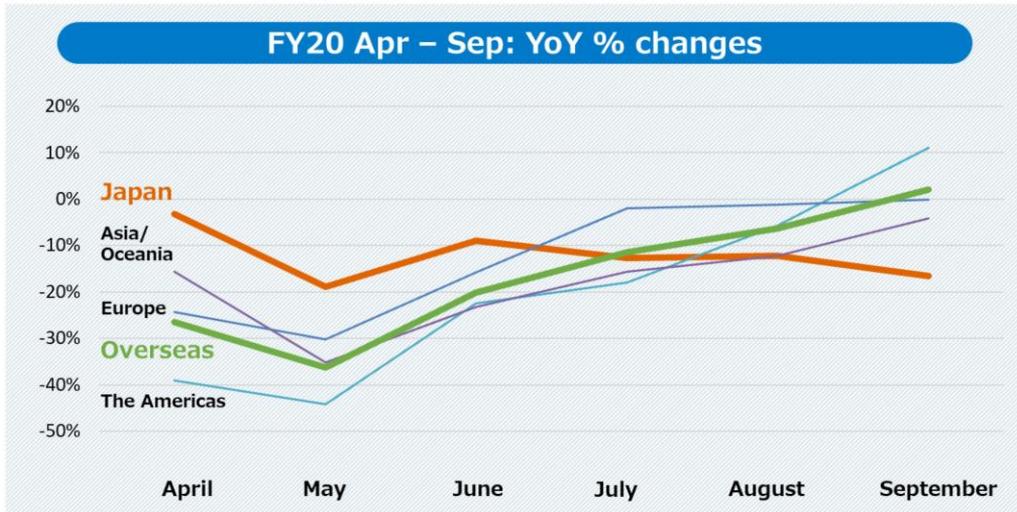


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- We will begin with our business performance in the first half of FY2020, then we will cover our Medium-term Management Plan.

Monthly sales trends by region

After bottoming out in May, performance, especially overseas, has markedly improved as sales activities and customer operations gradually restarted.



- Here we explain our monthly sales trends by region.
- After bottoming out in May, business recovered particularly overseas.
- Recovery began in the Americas and Europe in June. Consumables orders began returning in retail in the Americas in particular, and thanks to new orders, sales surpassed last year levels in September.
- On the other hand, our recovery in Japan during June was due to large orders we had received the previous fiscal year. The recovery slowed down from July onward and business remains sluggish.
- Business dealings have been increasing overall since the second quarter began, but we expect sales to be booked from these in the fourth quarter or later.

Summary

- Consolidated performance has been on a path to recovery, but sales and OI decreased YoY as a result of the slowdown in Q1.
- Sales and OI in the overseas Auto-ID Solutions business decreased.
While performance in the Base business has been improving, sales and OI decreased due to lasting effects of the Q1 slowdown. Primary Labels business was robust with industries that maintain essential infrastructure. While sales declined due to FX impact, OI increased due to reduced cost to sales ratio.
- In Japan, sales and OI decreased as business dealings from the previous fiscal year offered some support against the effects of the coronavirus pandemic in Q1, but recovery slowed in Q2 due to extended lead times before closing deals.
- Losses shrank in the IDP business. All shares of DataLase were transferred in September.



- The summary is as described here.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Apr-Sep	FY2019 Apr-Sep	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	49,736	57,680	-13.8%	-11.6%
	Operating Income	1,609	4,239	-62.0%	-61.7%
Overseas	Total Sales	18,013	21,607	-16.6%	-10.9%
	Operating Income	761	1,155	-34.1%	-26.3%
Japan	Total Sales	31,722	36,073	-12.1%	-12.1%
	Operating Income	847	3,083	-72.5%	-74.9%
IDP business	Total Sales	136	194	-30.1%	-29.5%
	Operating Income	-148	-737	-	-
Consolidated (incl. eliminations)	Total Sales	49,872	57,875	-13.8%	-11.7%
	Operating Income	1,470	3,542	-58.5%	-58.1%



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- The figures from the summary on the previous slide are as shown here.
- Foreign exchange had a negative impact of 1,200 million yen on consolidated total sales.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Jul-Sep	FY2019 Jul-Sep	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	26,160	29,317	-10.8%	-8.9%
	Operating Income	1,132	2,360	-52.0%	-50.7%
Overseas	Total Sales	10,168	10,739	-5.3%	-0.1%
	Operating Income	683	595	+14.8%	+27.1%
Japan	Total Sales	15,991	18,578	-13.9%	-13.9%
	Operating Income	448	1,765	-74.6%	-77.0%
IDP business	Total Sales	60	94	-35.9%	-39.1%
	Operating Income	-77	-343	-	-
Consolidated (incl. eliminations)	Total Sales	26,221	29,411	-10.8%	-9.0%
	Operating Income	1,084	2,028	-46.5%	-44.9%



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- This slide shows our total sales and operating income in the second quarter alone.
- Our business trended toward recovery in the second quarter, and the year-on-year decrease in our consolidated total sales improved from -16.9% in the first quarter to -10.8%.

Consolidated Results

(Millions of JPY)

	FY2020	FY2019	Change	
	Apr-Sep	Apr-Sep		YoY
Net Sales	49,872	57,875	-8,003	-13.8%
Operating Income	1,470	3,542	-2,072	-58.5%
Operating Income %	2.9%	6.1%	-3.2pt	-
Ordinary Income	1,231	3,237	-2,005	-61.9%
Profit attributable to owners of parent* ¹	3,249	2,880	+369	+12.8%
Effective Tax Rate* ²	-	26.7%	-	
EBITDA* ³	3,650	6,488	-2,838	-43.7%

Average exchange rates for Apr-Sep FY20: JPY 106.92/USD, JPY 121.33/EUR, Apr-Sep FY19: JPY 108.60/USD, JPY 121.40/EUR
FX sensitivity for FY20: JPY +352 million in sales and JPY +3 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1, 2 Profit attributable to owners of parent and Effective Tax Rate:

Income tax related to the impairment loss at DataLase in FY19 was adjusted following the transfer of its shares in Sep.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Sep FY20: JPY 2,066 million Apr-Sep FY19: JPY 2,509 million

· Amortization for Apr-Sep FY20: JPY 113 million*⁴ Apr-Sep FY19: JPY 436 million (incl. 290 mil. for DataLase)

*4 Full value of DataLase's goodwill was written off in FY19 Q4.

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- These are our consolidated results in the first half.
- In September, we transferred all shares of DataLase.
- In doing so, we recorded deferred corporate income taxes related to DataLase's impairment loss last fiscal year.
- As a result, despite the disappointing performance, net profit increased year-on-year.

Consolidated Results

(Millions of JPY)

	FY2020 Jul-Sep	FY2019 Jul-Sep	Change	
				YoY
Net Sales	26,221	29,411	-3,190	-10.8%
Operating Income	1,084	2,028	-943	-46.5%
Operating Income %	4.1%	6.9%	-2.8pt	-
Ordinary Income	613	1,898	-1,284	-67.7%
Profit attributable to owners of parent* ¹	3,036	2,038	+998	+49.0%
Effective Tax Rate* ²	-	24.3%	-	
EBITDA* ³	2,142	3,509	-1,367	-39.0%

Average exchange rates for Apr-Sep FY20: JPY 106.92/USD, JPY 121.33/EUR, Apr-Sep FY19: JPY 108.60/USD, JPY 121.40/EUR
FX sensitivity for FY20: JPY +352 million in sales and JPY +3 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1, 2 Profit attributable to owners of parent and Effective Tax Rate:

Income tax related to the impairment loss at DataLase in FY19 was adjusted following the transfer of its shares in Sep.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Sep FY20: JPY 1,001 million Apr-Sep FY19: JPY 1,268 million

· Amortization for Apr-Sep FY20: JPY 56 million*⁴ Apr-Sep FY19: JPY 212 million (incl. 140 mil. for DataLase)

*4 Full value of DataLase's goodwill was written off in FY19 Q4.

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- These are our consolidated performance results in the second quarter alone.
- For the same reason as in the previous slide, net profit for the quarter increased year-on-year.

Auto-ID Solutions Business (Overseas)

Overview

Jul-Sep

- Sales have been recovering after bottoming out in May, but are still down YoY.
- OI increased due to reduced cost to sales ratio and sales growth in the Primary Labels business.

(Millions of JPY)

	FY2020	FY2019	Change	Change	
	Jul-Sep	Jul-Sep		YoY	excl. FX impact
Total Sales	10,168	10,739	-570	-5.3%	-0.1%
Gross Profit	3,572	3,721	-149	-4.0%	-
Gross Profit %	35.1%	34.7%	+0.5pt	-	-
Operating Income	683	595	+87	+14.8%	+27.1%
Operating Income %	6.7%	5.5%	+1.2pt	-	-

	FY2020	FY2019	Change	Change	
	Apr-Sep	Apr-Sep		YoY	excl. FX impact
Total Sales	18,013	21,607	-3593	-16.6%	-10.9%
Gross Profit	6,323	7,506	-1182	-15.8%	-
Gross Profit %	35.1%	34.7%	+0.4pt	-	-
Operating Income	761	1,155	-394	-34.1%	-26.3%
Operating Income %	4.2%	5.3%	-1.1pt	-	-

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- From here we will explain the performances of the breakdowns in the second quarter alone.
- Business recovery overseas has varied by area, but overall we do see a recovery trend.
- Operating income increased year-on-year, and operating income ratio improved 1.2 percentage points year-on-year.

Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

Jul-Sep

Base business: While performance has been markedly improving, sales and OI decreased YoY due to the preceding steep decline.

Primary Labels business: Sales decreased slightly but OI increased sharply as sales were supported by business with customers in industries that maintain essential infrastructure such as food & beverage and pharmaceuticals. Sales and OI both increased on a local currency basis. (Millions of JPY)

		FY2020 Jul-Sep	FY2019 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	7,779	8,286	-506	-6.1%	-5.5%
	Operating Income	423	517	-94	-18.2%	-15.7%
Primary Labels	Total Sales	2,389	2,453	-64	-2.6%	+18.3%
	Operating Income	245	61	+184	4x	5x
Eliminations	Operating Income	14	16	-1	-11.8%	-
Total	Total Sales	10,168	10,739	-570	-5.3%	-0.1%
	Operating Income	683	595	+87	+14.8%	+27.1%

		FY2020 Apr-Sep	FY2019 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	13,534	16,825	-3290	-19.6%	-17.7%
	Operating Income	396	1,095	-698	-63.8%	-62.8%
Primary Labels	Total Sales	4,478	4,782	-303	-6.3%	+13.1%
	Operating Income	345	27	+318	12x	15x
Eliminations	Operating Income	18	32	-14	-43.3%	-
Total	Total Sales	18,013	21,607	-3,593	-16.6%	-10.9%
	Operating Income	761	1,155	-394	-34.1%	-26.3%

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- In our Base business, sales and profit decreased year-on-year as business improved but not enough to overcome the steep drop off in the first quarter.
- In our Primary Labels business, sales and profit increased on a local currency basis supported by strong demand in essential industries.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Base business: Sales are holding at a minor decrease thanks to more retail store reopening and restarting of sales activities in US. OI increased thanks to the recovery in sales.

Primary Labels business: Sales and OI significantly increased on a local currency basis for Achnar in Argentina, supported mainly by demand from food & beverage and cosmetics. Sales and OI also increased on a local currency basis for Prakolar in Brazil due to strong performance in sales to the pharmaceuticals, food & beverage, and cosmetics industries.

(Millions of JPY)

		FY2020 Jul-Sep	FY2019 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	2,660	2,714	-53	-2.0%	+1.4%
	Operating Income	170	117	+53	+45.6%	+51.4%
Primary Labels · Achnar · Prakolar	Total Sales	498	586	-88	-15.0%	+20.9%
	Operating Income	72	60	+11	+19.8%	+75.4%
Total	Total Sales	3,159	3,301	-142	-4.3%	+4.9%
	Operating Income	243	178	+65	+36.8%	+59.6%

		FY2020 Apr-Sep	FY2019 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	4,442	5,512	-1,070	-19.4%	-16.4%
	Operating Income	126	291	-165	-56.8%	-54.8%
Primary Labels · Achnar · Prakolar	Total Sales	876	1,163	-287	-24.7%	+8.4%
	Operating Income	75	78	-2	-3.8%	+45.1%
Total	Total Sales	5,318	6,675	-1,357	-20.3%	-12.0%
	Operating Income	201	370	-168	-45.6%	-33.7%

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- In our Base business in the Americas, profit increased significantly due largely to expanded re-openings of retailers.
- In our Primary Labels business, sales and profit increased on a local currency basis as we captured increased demand in Argentina and Brazil as stated in the comments above.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Jul-Sep

Base business: Despite the recovery in business with the retail market, sales decreased due to the impact from the large volume orders seen the previous year. OI increased as a result of cost reductions.

Primary Labels business: For the two subsidiaries in Russia, sales increased on a local currency basis due to increased demand for food & alcoholic beverages. OI increased due to sales growth and reduced cost to sales ratio.

(Millions of JPY)

		FY2020 Jul-Sep	FY2019 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	2,000	2,066		-65	-3.2%
	Operating Income	56	26	+30	2x	2x
Primary Labels · Okil · X-Pack	Total Sales	1,891	1,867	+23	+1.3%	+17.4%
	Operating Income	172	0	+172	503x	582x
Total	Total Sales	3,892	3,933	-41	-1.1%	+5.2%
	Operating Income	228	26	+202	8x	9x

		FY2020 Apr-Sep	FY2019 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	3,454	4,453		-998	-22.4%
	Operating Income	-29	135	-165	-	-
Primary Labels · Okil · X-Pack	Total Sales	3,602	3,618	-16	-0.4%	+14.6%
	Operating Income	270	-51	+321	-	-
Total	Total Sales	7,056	8,071	-1,014	-12.6%	-5.7%
	Operating Income	240	84	+156	2x	3x

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- In our Base business in Europe, profit increased thanks to a recovery in the second quarter mainly in retail, along with cost reductions.
- In our Primary Labels business, sales and profit increased due to new orders received through sales activities from last fiscal year and cost reductions, in addition to increased demand from stay-home consumption.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Jul-Sep

Base business: Sales and OI decreased due to the slow recovery in production activities by our customers. Sales increased slightly YoY in China, where economic activities resumed earlier than elsewhere. (Millions of JPY)

		FY2020 Jul-Sep	FY2019 Jul-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	3,117	3,504			
	Operating Income	196	374	-178	-47.6%	-47.2%

		FY2020 Apr-Sep	FY2019 Apr-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	5,638	6,860			
	Operating Income	300	668	-367	-55.0%	-54.5%



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- In Asia and Oceania, many of our customers are manufacturers so the regional recovery is taking time. Sales and profit thus decreased.
- China recovered earlier than elsewhere, and sales there increased slightly year-on-year.

Auto-ID Solutions Business (Japan)

Overview

Jul-Sep

Although business dealings have increased as sales activities moved online, sales decreased as recovery slowed due to longer lead times before closing deals for more complex solutions. OI also decreased due to lower sales and lower gross profit margins from adverse product mix.

(Millions of JPY)

	FY2020 Jul-Sep	FY2019 Jul-Sep	Change	YoY
Mechatronics Sales	6,319	7,675	-1,355	-17.7%
Consumables Sales	9,672	10,902	-1,230	-11.3%
Total Sales	15,991	18,578	-2,586	-13.9%
Gross Profit	7,613	9,317	-1,704	-18.3%
Gross Profit %	47.6%	50.2%	-2.5pt	-
Operating Income	448	1,765	-1,316	-74.6%
Operating Income %	2.8%	9.5%	-6.7pt	-

	FY2020 Apr-Sep	FY2019 Apr-Sep	Change	YoY
Mechatronics Sales	12,496	14,630	-2,133	-14.6%
Consumables Sales	19,226	21,443	-2,216	-10.3%
Total Sales	31,722	36,073	-4,350	-12.1%
Gross Profit	14,953	18,058	-3,104	-17.2%
Gross Profit %	47.1%	50.1%	-2.9pt	-
Operating Income	847	3,083	-2,235	-72.5%
Operating Income %	2.7%	8.5%	-5.9pt	-

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- In Japan, we increased business dealings by expanding our online sales.
- However, sales and profit decreased due to the impact of the coronavirus pandemic and longer lead times for business dealings as solutions became more sophisticated.
- Operating income decreased significantly due to lower sales and lower gross profit margins from adverse product mix.

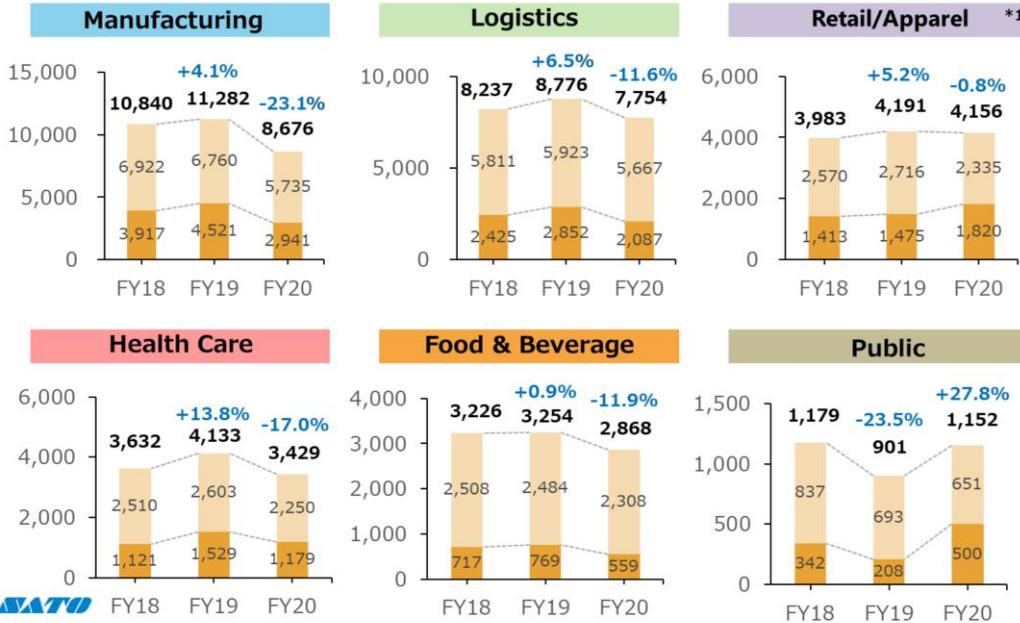
Auto-ID Solutions Business (Japan)

Apr-Sep

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail



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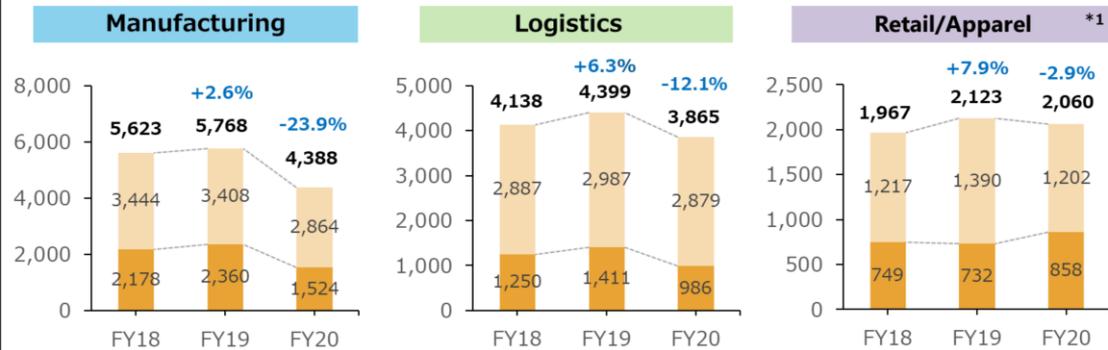
- Details by vertical in Japan for the second quarter will be explained in the following slide.

Sales by Vertical [1]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail



Business Environment Production activities have been recovering, but circumstances remain harsh compared to last year.

Logistics volume increased due to briskness in e-commerce. In addition to addressing labor shortages, needs for ensuring employee safety increased.

Sales were brisk in supermarkets and drug stores. Specialty stores bided their time as inbound demand slumped and sales at physical stores declined.

SATO Needs were robust for automated labeling and RFID, but growth in mechatronics sales abated as orders were delayed and printer replacements tapered off. Consumables sales declined as the market was sluggish overall.

Although automation to tackle labor shortages in 3PL grew, mechatronics sales decreased due to stagnant wholesale for restaurants and apparel. Despite increased logistics volume, consumables sales fell slightly due to sluggishness in wholesale.

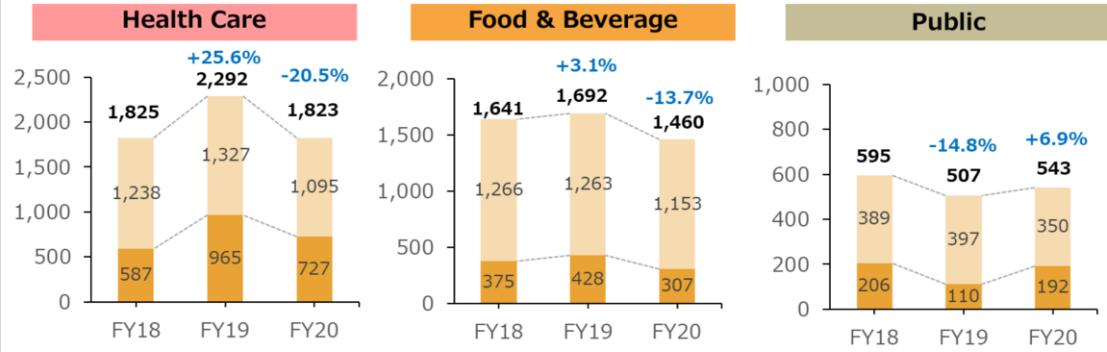
Mechatronics sales grew amidst larger orders along with needs for HACCP solutions and automated labeling. Consumables sales slowed due to slumping demand in labels for specialty stores.

- Details by vertical in Japan are as follows.
- In manufacturing, recovery was slow and the decline in sales was the largest among verticals. However, demand is strong for automation and RFID and we are working to capture it.
- In logistics, business in e-commerce is brisk, but sluggishness in wholesale which comprises a large portion of sales had a negative effect.
- Retail/apparel: Specialty stores performed poorly, but supermarkets and drug stores performed well.

Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change



Business Environment
 Numbers of outpatients at medical institutions remained significantly lower than before the pandemic, and logistics volume decreased overall.

Demand was strong for home cooking and take-home meals. Restaurant and institutional demand slumped.

The overall business environment remained stable. Business dealings in areas such as operational efficiency and asset management increased.

SATO
 In addition to the above, last minute demand before the consumption tax hike last year also impacted year-on-year numbers, resulting in less sales for both mechatronics and consumables.

Despite strong demand for automatic labeling, mechatronics sales decreased due to the drop in brisk printer replacements seen the previous year. Business slowed in consumables as food and beverage production for restaurants and business with restaurants slumped.

Mechatronics sales grew due to large-volume orders. Consumables sales shrank due to less transportation usage and shutdowns of educational institutions.

- In health care, outpatients have continued to stay at significantly low levels, thus mechatronics and consumables sales have struggled.
- In food and beverage, sales decreased for consumables in particular as the business climate for restaurants was harsh.
- In the public sector, sales in mechatronics increased thanks to large-volume orders.

Overview

Jul-Sep

Operating losses were trimmed with no more goodwill amortization and curbed R&D costs. All shares of DataLase leading the IDP business were transferred in September.

(Millions of JPY)

	FY2020	FY2019	Change	Change	
	Jul-Sep	Jul-Sep		YoY	excl. FX impact
Total Sales	60	94	-33	-35.9%	-39.1%
Gross Profit	42	70	-27	-39.2%	-
Gross Profit %	70.7%	74.5%	-3.8pt	-	-
Operating Income	-77	-343	+265	-	-
Operating Income %	-	-	-	-	-

	FY2020	FY2019	Change	Change	
	Apr-Sep	Apr-Sep		YoY	excl. FX impact
Total Sales	136	194	-58	-30.1%	-29.5%
Gross Profit	101	137	-36	-26.5%	-
Gross Profit %	74.4%	70.9%	+3.6pt	-	-
Operating Income	-148	-737	+589	-	-
Operating Income %	-	-	-	-	-

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- In IDP business, we reduced operating losses with the impairment of goodwill at the end of last fiscal year and by curtailing R&D expenses.
- In September, we transferred all shares of DataLase.
- We will explain in more detail about our withdrawal from the IDP business in the next slide.

Termination of the IDP Business

● Brief history

- Assumed partial ownership of DataLase by share transfer in 2015, made it a wholly-owned subsidiary in 2017
- Relinquished ownership of DataLase in 2020 by stock transfer

● Purpose of acquisition

- To commercialize revolutionary printing technology (direct printing via laser irradiation)
- To specifically enter the packaging industry with multi-color technology

● Reason for withdrawal

- Insurmountable technical issues related to the quality of high-speed monochrome printing became apparent
- Development of multi-color technology was significantly delayed

● Future direction

- Higher emphasis on due diligence from a technological perspective
- Stay close to our core business in our acquisition and alliance strategy

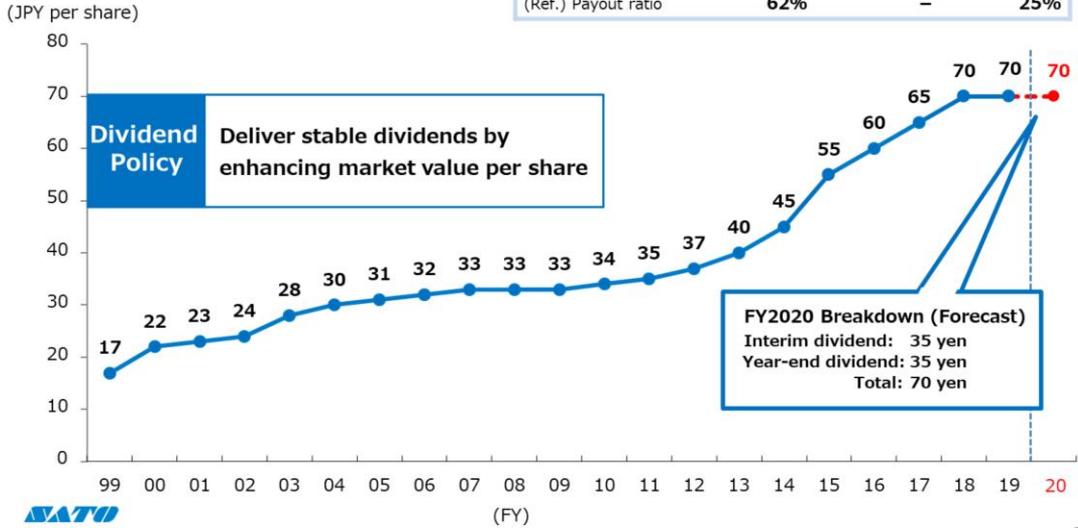


- The aim at the time of acquiring DataLase was printing on food & beverage packages using multi-color technology.
- However, development was significantly delayed due to technical issues, hence we decided to withdraw.
- Going forward, we will place higher emphasis on due diligence from a technological perspective and stay close to our core business in our acquisition and alliance strategy.

Dividends

Interim dividend payment of 35 yen is scheduled.

	FY2018	FY2019	FY2020 (Forecast)
EPS	112.5yen	-56.1yen	279.9yen
ROE	6.9%	-3.6%	18.3%
(Ref.) Payout ratio	62%	-	25%



- We apologize for being late to disclose our dividend projection.
- Continuing our policy of stable dividends payouts, our interim dividend this fiscal year will be 35 yen, and our year-end dividend is also forecasted to be 35 yen, thus totaling 70 yen for the fiscal year.

FY2020 Consolidated Forecasts

(Millions of JPY)

	1H		2H		Full Year	
	Results	YoY	Forecast	YoY	Forecast	YoY
Net Sales	49,872	-13.8%	52,627	-10.0%	102,500	-11.9%
Operating Income	1,470	-58.5%	2,129	-45.7%	3,600	-51.7%
Ordinary Income	1,231	-61.9%	2,068	-38.0%	3,300	-49.8%
Profit attributable to owners of parent	3,249	+12.8%	6,150	-	9,400	-
<Reference>						
EBITDA*	13,376	←FY2019 full year			8,300	-38.0%

* EBITDA=Operating Income + Depreciation + Amortization

Exchange rates assumed in FY20 forecast: JPY 106/USD, JPY 120/EUR
 Average exchange rates for Apr-Sep FY20: JPY 106.92/USD, JPY 121.33/EUR
 Average exchange rates for FY19 : JPY 108.69/USD, JPY 120.79/EUR



- We also apologize for being late to disclose our performance projections.
- This fiscal year we are projecting lower sales and significantly lower profit.
- In terms of net profit for the year, we will record an extraordinary gain involving the transfer of fixed assets announced in September of last year, and we are therefore projecting a significant increase in net profit after the net loss last fiscal year.



FY2020 Apr-Sep
Results

Medium-term
Management
Plan FY20-22

- Now we will discuss our Medium-term Management Plan for FY2020 through 2022.

Growth Strategy

Concentrate resources on the Auto-ID solutions business and establish sustainable growth and stable profits.

- 1** Advance and expand Auto-ID solutions business
- 2** Bolster and expand business through global alliances
- 3** Create B2B2C business that generates value for consumers



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- Following new needs for Auto-ID solutions arising from the coronavirus pandemic and the withdrawal from the IDP business, we will continue pursuing the main policy of our growth strategy, to stay close to our core business.

Review: Auto-ID Solutions Business

■ Medium-term plan at the beginning of FY2019



Overseas

The shift to *koto-uri* in 3 years has been taking longer than planned.

[External factors]
US-China trade friction, pandemic

[Internal factors]
Global collaboration faced more challenges than expected.

- Establishing mindsets
- Localizing solutions

[Progress]
Collaboration improved via the new global headquarters. *Koto-uri* expanded with increased partner collaboration.

- The market and application based H/Q structure boosted business dealings via expertise sharing with our global offices.
- Tie-ups with more partners drove expansion in sales channels and enhancement of solutions.

* Achievements on next page

Japan

Despite the impact from changes in environment, the announced initiatives progressed as planned

[Progress]

- Created new solutions suiting each industry
- Launched subscription businesses
- Expanded AAPs (Area Alliance Partners)

[Achievements]

- Automotive, 3PL: Warehouse navigation systems, asset management packages
- Supermarkets: Visualizing in-store behavior HACCP solutions
- Apparel: Visualizing supply chains
- Food & beverage production: HACCP solutions

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- Looking back on the efforts we have made in pursuit of our growth strategy, overseas the core focus of these efforts has been to facilitate understanding of the importance of *koto-uri* and instill it in business activities, while in Japan our focus has been to evolve *koto-uri*.

- Overseas, progress has been slower than expected. The reasons include external factors such as international trade friction and the pandemic. Internally, it has taken longer than expected to build collaborative frameworks between Japan and overseas.

- However, we did make progress by building a headquarters structure to support global offices in April. As a result, we feel that collaboration between Japan and overseas offices has moved forward even despite the coronavirus pandemic. We have bolstered our business dealings by supporting global offices and by collaborating in both the market and application bases of the structure.

- Tie-ups with partners have also increased. This seems to show that *koto-uri* is producing some positive effects.

- We will explain more about our overseas achievements starting on the next slide.

- In Japan, we were impacted by the external environment, but our progress was generally in line with our plan. We achieved some particularly positive results from ongoing market and industry oriented efforts.

Review: Auto-ID Solutions Business / Overseas Achievements (1)

Sales Headquarters

- Accelerating PDCA centered on CRM
- Specialized, specific support by market and industry
- Proliferation and localization of marketing tools and sharing of success cases

Bolstering *koto-uri* and partnerships by country, market, and industry



Major US retailer

- Centralized management of different printers
 - > Printers with emulation functions
 - > Asset management tool developed with partners
- Received orders for over 500 printers
 - > Potential to replace 10x or more in US



● Expand other business such as consumables





Localization of marketing tools



Visualizing solution applications for each industry

- Working closely with H/Q marketing team
 - > Advanced use of industry maps

SATO

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- In terms of overseas achievements, we built a CRM system and our headquarters marketing team created marketing tools by the end of last fiscal year.
- We are making the most of them this year to drive business. We are also providing specific, specialized market and application oriented support as mentioned in the previous slide.
- As a result, we are starting to see results from bolstering *koto-uri* and partnerships by country, market, and industry.
- The left side here shows a success case involving orders from a customer that is a major retailer in the US.
- This customer had been using printers from multiple suppliers and was struggling to centrally manage them. We reached a deal with them by proposing a solution to their problem utilizing our intelligence embedded printers.
- Another deciding factor in this proposal was the asset management tool offered through collaboration with a partner.
- The right side here shows the case of a marketing tool created in Japan for the retail industry, localized to accommodate local circumstances and needs.

Review: Auto-ID Solutions Business / Overseas Achievements (2)

Sales Headquarters

- Accelerating PDCA centered on CRM
- Specialized, specific support by market and industry
- Proliferation and localization of marketing tools and sharing of success cases

Bolstering *koto-uri* and partnerships by country, market, and industry

Regular CRM talks with headquarters

- Performance monitoring allows headquarters and local offices to identify issues
- In depth discussion and faster execution of market oriented measures
- *Koto-uri* promotion through collaboration with local partners

Sales by month in India

Month	FY20	FY19
April	Low	High
May	Low-Mid	High
June	Mid	High
July	High	Mid
August	Mid	Mid
September	Mid	Mid

Creating global solutions through timely information sharing

- Food delivery has grown globally
- Turning success cases into global solutions by sharing know-how

Package seals for product deliveries

- Greater RFID demands from manufacturers to achieve non-contact and efficient operations
- Deployed H/Q-developed ROI calculators on a global basis

SATO

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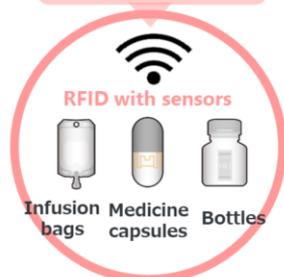
- The left side here describes how data that has been visualized in CRM accelerates PDCA cycles by serving as the basis for local staff in India to regularly communicate with global sales headquarters, share their issues, and execute specific measures along with the team in charge of that market.
- We are receiving more *koto-uri* orders through collaboration with local partners, and our business performance is quickly recovering despite being impacted by the pandemic.
- The right side shows how our headquarters marketing team and the teams in charge of markets are playing central roles in accelerating the sharing of information globally.
- Particularly because the common global issue of the coronavirus pandemic is looming, we are creating and offering global solutions.
- Here we present examples of these in food delivery and RFID solutions.

Review: Creating B2B2C Business

- B2B2C business made steady progress, proposing technologies, products, and operations that satisfy the needs of customers in different markets.
- Utilized and applied tagging expertise and partnerships accumulated in a wide range of markets and industries.

Health Care Market

- Medication history
- Traceability



Food & Beverage Market

- Temperature info
- Traceability



Retail Market

- In-store customer behavior (matched with POS data)



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● Here we will share the progress we have made in the third pillar of our growth strategy, to create B2B2C business.

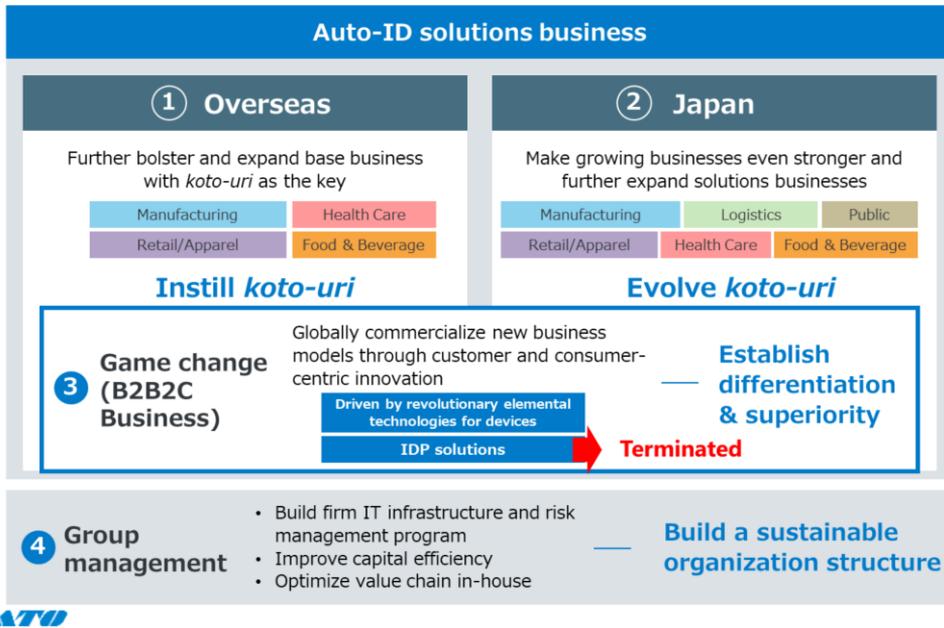
● In health care, we are providing a solution that uses RFID to tag infusion bags, medicine capsules, and bottles, in order to trace the treatment and medication history of patients.

● For food & beverage, we are providing special tags that attach IDs to high-end wines and log their temperature history among other factors to establish traceability. The red tag shown in this picture was a special product with a lock function. Proposing it enabled us to close a deal. Currently we are working to roll it out to similar customers.

● In retail, we conducted demo tests at Tsuruha Drug stores. With positioning technology at its core, this solution increases sales through better shopping experience by analyzing data on customer movement paths through the store before making their purchases, in combination with actual POS data in order to show the relationship between customer behavior and their purchases. This enables the drug store chain to design more appealing store layouts and create new types of shopping experiences.

● With initiatives such as these, we are leveraging a diverse array of auto-ID technologies to create new B2B2C business.

Medium-Term Business Plan Framework



- This slide shows the framework of our Medium-term Management Plan for FY2020 through 2022 as of May of this year.
- As explained earlier, we withdrew from IDP solutions in “(3) Game change” part of the plan in September this year.

Medium-Term Business Plan Framework



- Due to changes in the environment brought about by the coronavirus pandemic and our withdrawal from the IDP business, we have changed the framework of the plan. We have re-formulated our growth strategy in light of our future vision defined in April this year when formulating the brand statement on the right.
- B2B2C business is positioned as a growth strategy that is in line with our market-specific strategies in Auto-ID Solutions business, showing a chronological relationship.
- Auto-ID Solutions is the core of our business. We will further bolster country and market-specific strategies that have been successful, and at the same time strengthen partnerships.
- Overseas, we will drive growth by instilling *koto-uri*.
- In Japan, we will make greater effort to evolve *koto-uri* and improve profitability.
- For managing the Group, we will strengthen our sustainable management base to steadfastly increase our corporate value.

Auto-ID solutions business

Strengthening strategies for each market (1)

We aim for sustainable growth by further strengthening our **market strategies that are seeing notable results**

Key concepts

for each market

set in line with the group's vision



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- Now we will explain each of our strategies in more detail.
- To strengthen our strategies for each market, we formulated market concepts as our visions for each market based on our vision for the SATO Group, in order to further strengthen our market-specific strategies which are starting to produce results. We intend to grow our business according to these strategies.

Auto-ID Solutions Business

Strengthening strategies for each market (2)

- Our offerings have mostly been in response to prevailing needs.
- Leveraging on current initiatives, we aim to be proactive to societal & technological changes.
- Key concepts for each market will render clearer images for employees to shift gears and for customers and partners to feel united and to collaborate with SATO.
- With sights set on the future, our business would gain momentum and sustainability even amid rapid changes in the environment.

<How key concepts are set up>

Putting coming changes in sight, value propositions and solutions are identified along time horizons



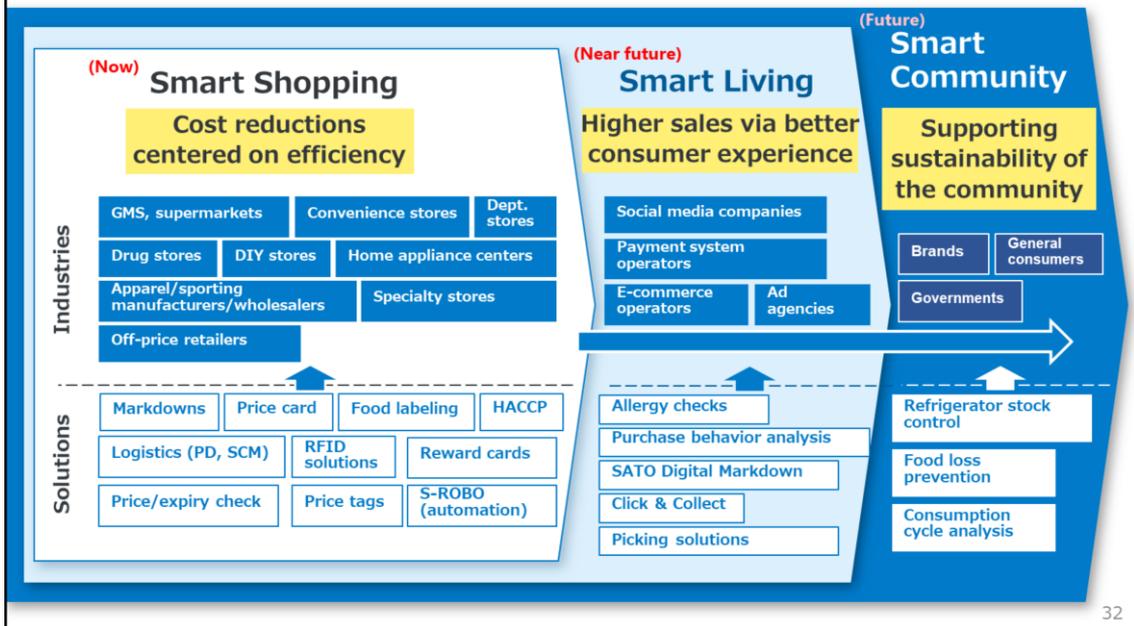
31

- Up until this point, our initiatives were admittedly in response to issues as they became evident.
- Going forward, we will actively project SATO'S role and our contributions to society, according to our concept – in other words our vision – for each market, and the story of how SATO is a step ahead of technological changes and is anticipating the future market environment.
- By vigorously advocating these messages, we aim to change our employees' behavior, make customers and strategic partners feel closer to us and expect more from us, then turn this into business strength and growth.
- If we always keep our sights firmly set on the future, we believe it will also have a positive effect on the development of our unbeatable offerings, our printers, consumables, solutions, maintenance services, and more, and we will be able to grow sustainable businesses globally.

Auto-ID solutions

Strengthening strategies for each market

[e.g., Our concept for the Retail/Apparel market 1]



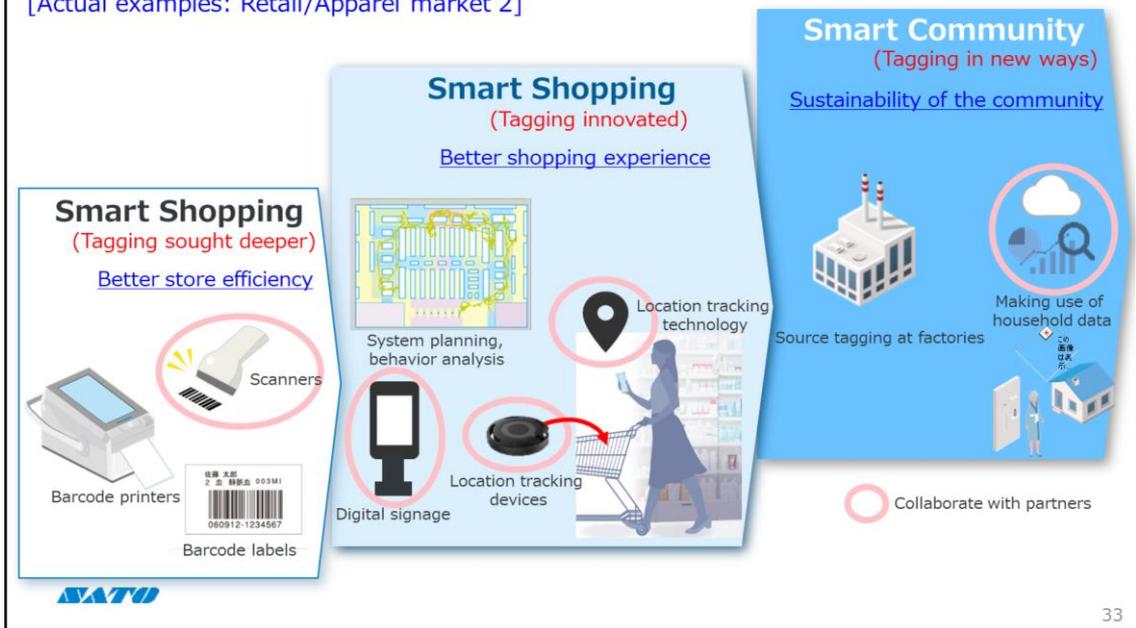
32

- For example, in the current retail/apparel market, the main value we provide is support for cost reduction rooted in improving productivity at stores, and we are also expanding sales of similar solutions overseas.
- We are helping to make “Smart Shopping” a reality by supporting efficiency improvements in supermarkets, convenience stores, and more.
- As the move to e-commerce gains momentum amid the pandemic, it will be imperative in the retail industry to acquire, analyze, and utilize data that reflects changes in consumer behavior and purchasing mentality.
- The move to omnichannel is progressing, and boosting sales by improving the in-store and online purchasing experience of consumers will be a business challenge for our retail customers.
- To meet these needs, we will work with partners such as social media companies, payment systems operators, and advertising agencies, and expand our domain from in-store efficiency improvements to consumer lifestyles. Doing so, we will offer solutions that help to boost sales with a focus on the purchasing experience.
- When we define and advocate such concepts and stories with sights set on the near future, SATO’s role will be more apparent to the world. Our customers will feel closer to us and have more expectation for our potential.
- If we also turn this into collaborative business in industries and with business partners where we currently have no affiliation, we will be able to find ways to further expand our business in the retail market.
- Looking to the future we aim to expand the value we provide into a solutions business that ranges from the in-store field to the fields of consumer lifestyles and the formation of sustainable communities, for deployment in a broader range of markets.

Auto-ID solutions business

Strengthening strategies for each market

[Actual examples: Retail/Apparel market 2]



- We will explain this even more specifically.
- Currently our customers' challenge is to make their store operations more efficient using printers, labels, and readers. However, as previously stated, looking at the near future their business challenge will be to improve consumers' purchasing experience. We consider this to be the "Smart Living" stage.
- In addressing this challenge, we will improve consumers' purchasing experiences while also helping increase sales for our customers in retail by aiding the visualization of consumers' behavior before they make their purchases and translating it into better display arrangements and more use of digital signage as shown earlier in the story of Tsuruha Drug stores. This is also an example of B2B2C business.
- We would like to provide explanations of specific success cases, offerings, and monetization plans in due course.

Auto-ID Solutions Business

Overseas: Instill *koto-uri*

The newly established Sales Headquarters has been steadily producing results

Japan: Evolve *koto-uri*

Market and industry-specific solutions have been produced persistently

Drive
Growth

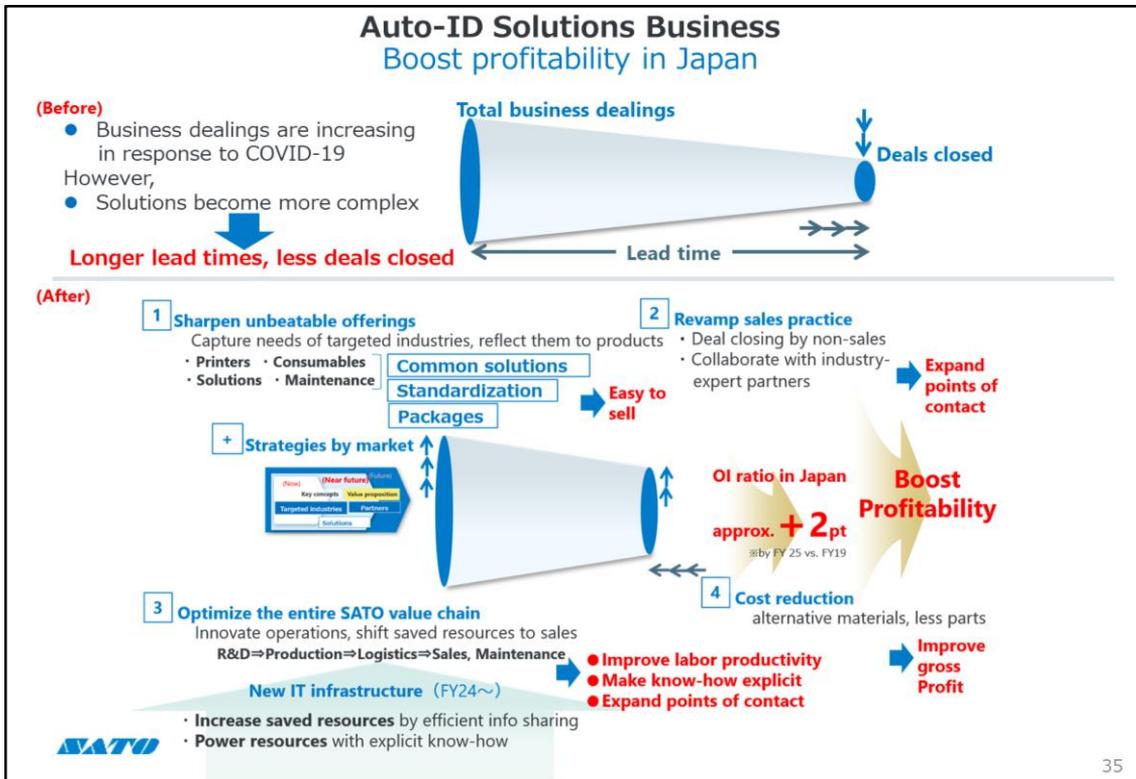
Drive
Profitability

- Bolster *koto-uri* through **alliance strategy** (globally & locally) 
- Sharpen **unbeatable offerings** (particularly printers & consumables)
- Create **market experts in each country**
- Sharpen **unbeatable offerings** (common solutions by market & industry)
- Revamp **sales practice**
- **Cost reduction**



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- Now we will explain individual initiatives overseas and in Japan.
- Overseas, we have been producing results since establishing the global sales headquarters, and we will steadily proceed with this initiative while strengthening alliances – especially with industry expert partners.
- We will particularly focus on printers and consumables, bolstering our lineup of differentiated products in each industry.
- We will also assign people to be specifically in charge of each market in top priority countries and have them work closely with teams in charge of markets at headquarters to drive business growth.
- Meanwhile, in Japan boosting profitability amid the coronavirus pandemic is a pressing issue.
- We will drive profitability from the four angles of sharpening our unbeatable offerings, revamping our sales practices, optimizing the entire SATO value chain, and reducing costs.



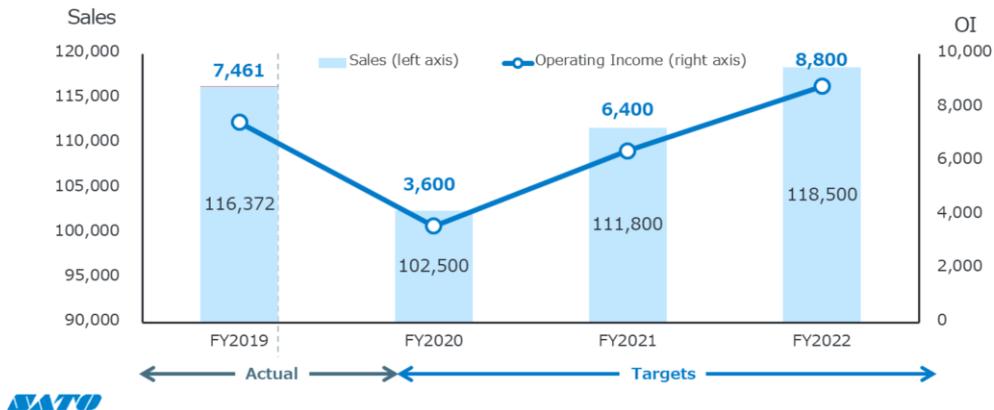
- In Japan we are seeing more complex and intricate solutions employing technologies such as RFID and positioning. We are also facing longer lead times for business dealings due to the pandemic, and less deals being closed.
- At the same time, there is increasing demand for ensuring social distance and avoiding the “3Cs”, as well as further visualization of supply chains.
- While we can expect business to recover and grow with the economy, we will need to make internal reforms that shorten the time it takes to negotiate business, close more deals, and drive profitability in order to stay ahead of the needs and achieve continuous growth with greater certainty.
- To that end, we are focusing efforts on the following four areas.
- We will sharpen our unbeatable offerings (differentiated products) for each target industry and usage application. We will globalize and standardize printers, consumables, solutions and maintenance services and increase the speed at which we package our services, all with sellability in mind.
- We will have employees in job types that interface with customers participate in the closing of business deals with existing customers, collaborate more with industry expert partners, and expand our points of contact (improve the productivity of our salespeople).
- We aim to improve our labor productivity and shift resources to high value-added work by innovating operations to optimize the SATO value chain.

- We aim to improve gross profit by achieving additional cost reductions.
- Through these efforts we aim for a roughly 2-percentage point increase in operating income ratio in Japan by FY2025 compared to FY2019.
- The IT infrastructure that will go into operation in FY2024 will reduce SG&A expenses by greatly improving labor productivity, while also freeing up human resources who can be shifted to high value-added work, and further improving our sales productivity (expanding points of contact).
- This new IT infrastructure will also make implicit sales know-how explicit and help to further revamp our sales practices.
- With these initiatives, we aim to improve our mid to long-term profitability.

Medium-term Targets (Consolidated)

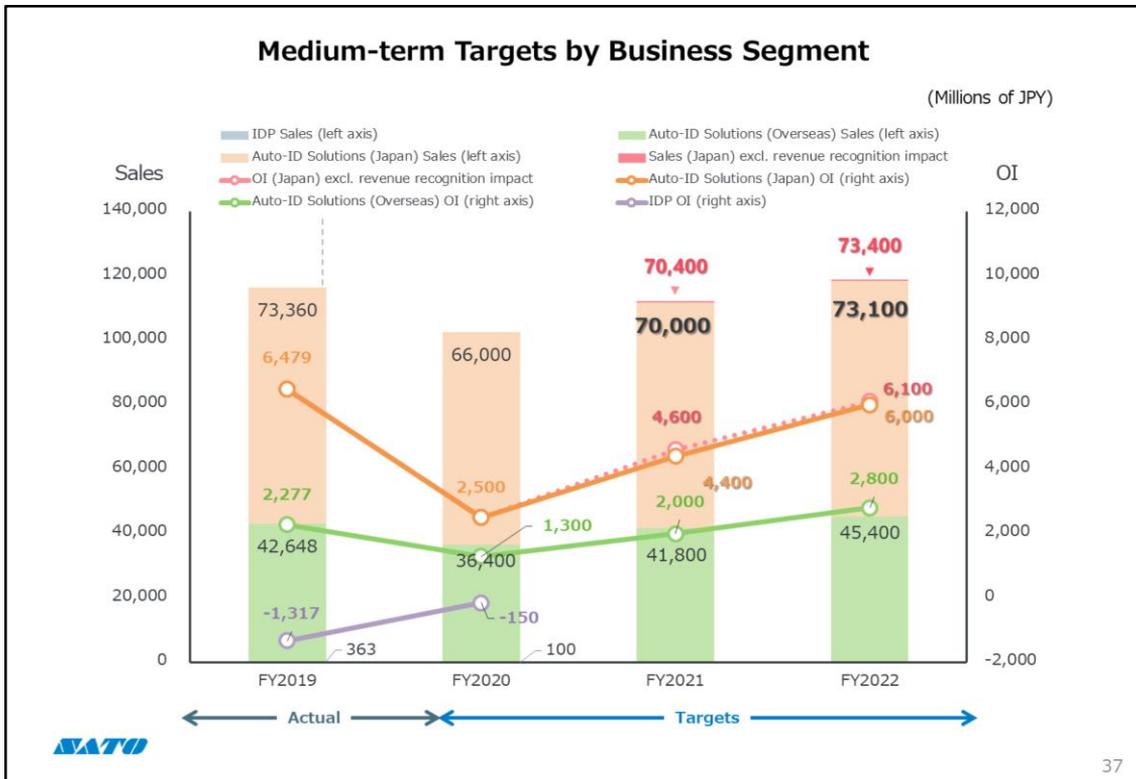
(Millions of JPY)

	FY2019		FY2022	
Sales	116,372		118,500	+0.6% (CAGR)
Operating Income	7,461		8,800	+5.7% (CAGR)
OI ratio	6.4%		7.4%	+1.0pt
ROIC	7.5%		8.0%	+0.5pt



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- With the aforementioned initiatives, we are targeting sales of 118,500 million yen, operating income of 8,800 million yen, operating income ratio of 7.4%, and ROIC of 8.0% in FY2022.
- Our sales CAGR would be 0.6%, but we are aiming for 5.7% in operating income.
- For this Medium-term Management Plan we are using return on invested capital (ROIC) in place of ROE used previously. We will strive to achieve this target as a metric for how efficiently invested capital is generating operating income.



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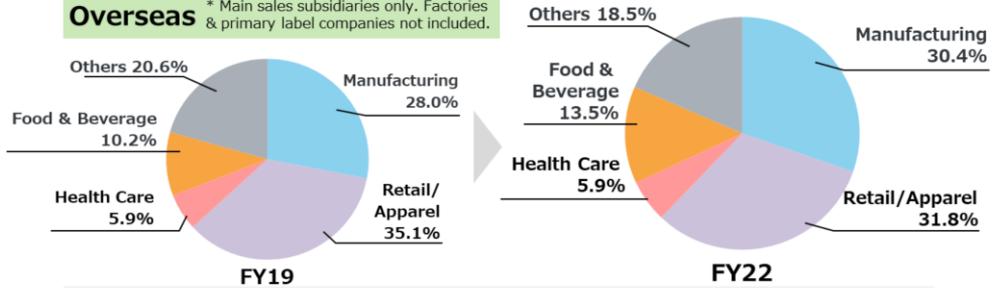
- These are our projections by business segment.
- For Japan, the red figures exclude revenue recognition impact. Under the accounting standards that will be applied starting in FY2021, maintenance contracts will go from being recorded as sales all at once to being divided proportionally over a set period of time. As a result, there is a difference from the assumptions of the past performances. On the graph, the red figures exclude this impact.

Medium-term Targets by Vertical

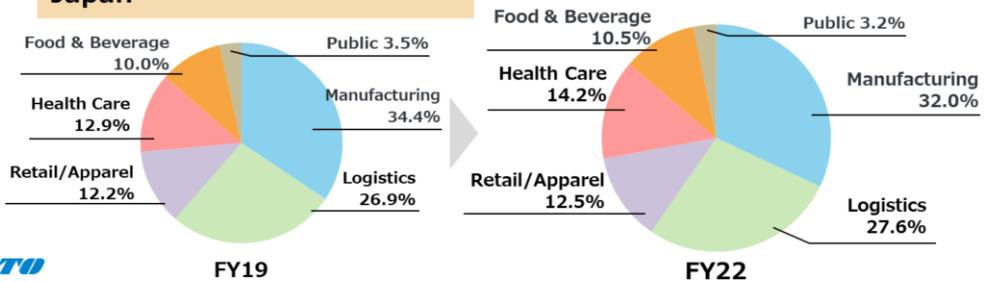
- Compositions of manufacturing and food overseas and health care in Japan are expected to grow

Overseas

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



Japan

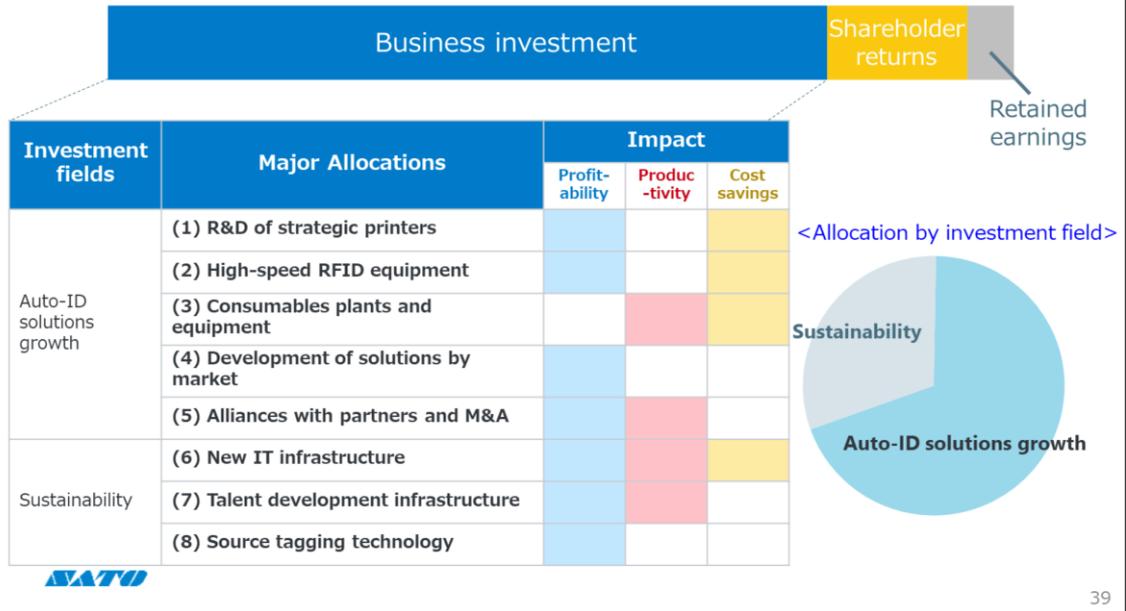


38

- This slide shows our forecasted change in the compositions of various markets in Japan and overseas.
- Overseas we expect manufacturing and food & beverage to increase their compositions, and in Japan we expect the composition of health care to grow.

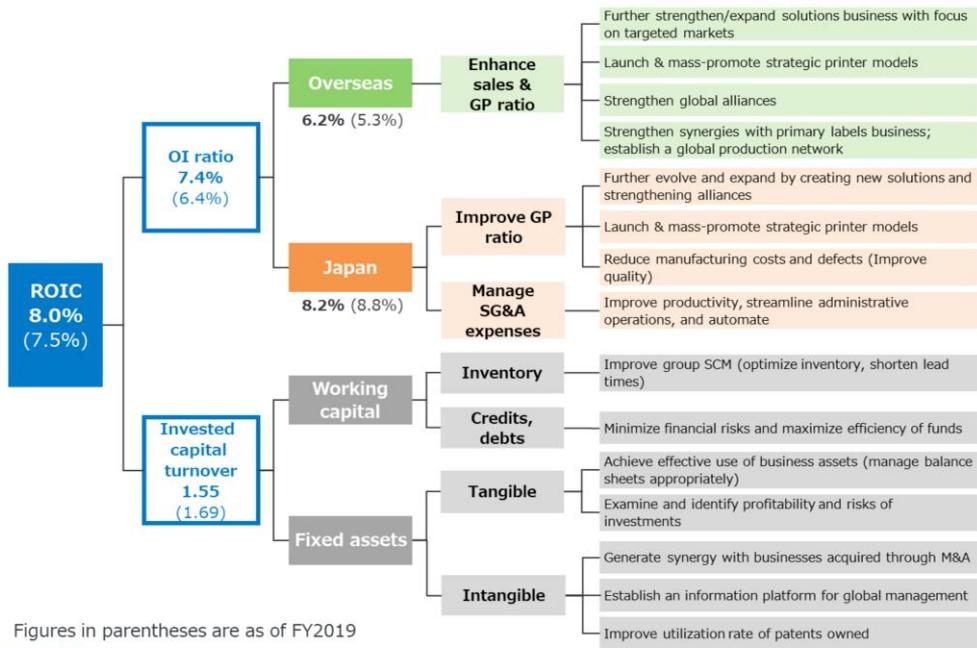
Cash allocation: based on our medium-term objectives

<from FY20 to FY22>



- Here we will explain our approach regarding cash allocation.
- The cash that we generate during the term of the current Medium-term Plan is planned to be allocated mainly to business investment.
- We have categorized business investment as strategic investment in either auto-ID solutions growth or sustainable growth, and this table shows the areas to receive major allocations in each category along with the corresponding impacts.
- The pie chart on the right shows the ratios at which we will allocate funds to these two categories.

ROIC tree for FY22: based on our medium-term objectives



Figures in parentheses are as of FY2019



- These are our measures to improve ROIC.
- We are aiming to achieve ROIC of 8.0% in FY2022 through the initiatives shown on the right side of the slide.

Appendix

Performance data Pages 42-57

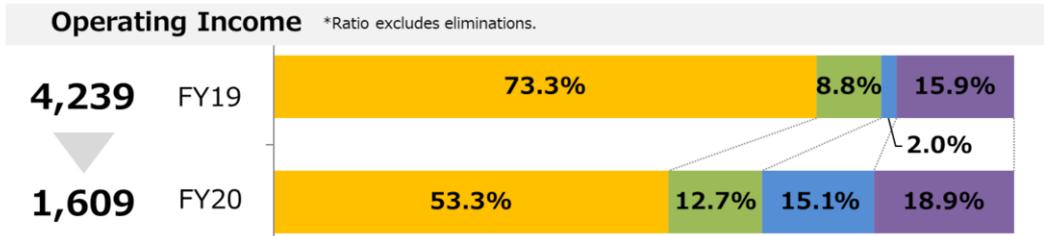
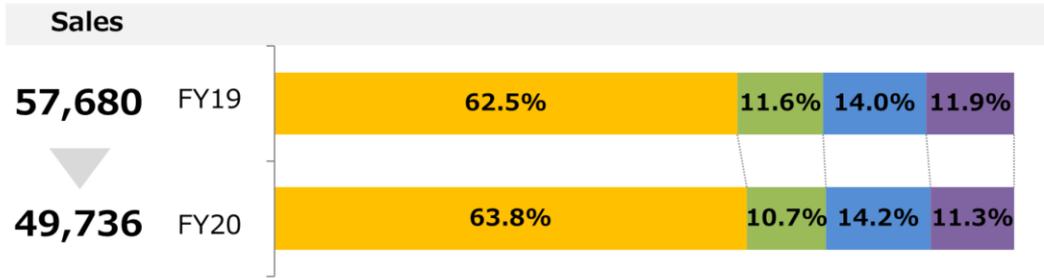
SATO terminologies Pages 58-61



Sales and OI by Region

(Millions of JPY)

■ Japan ■ The Americas ■ Europe ■ Asia/Oceania

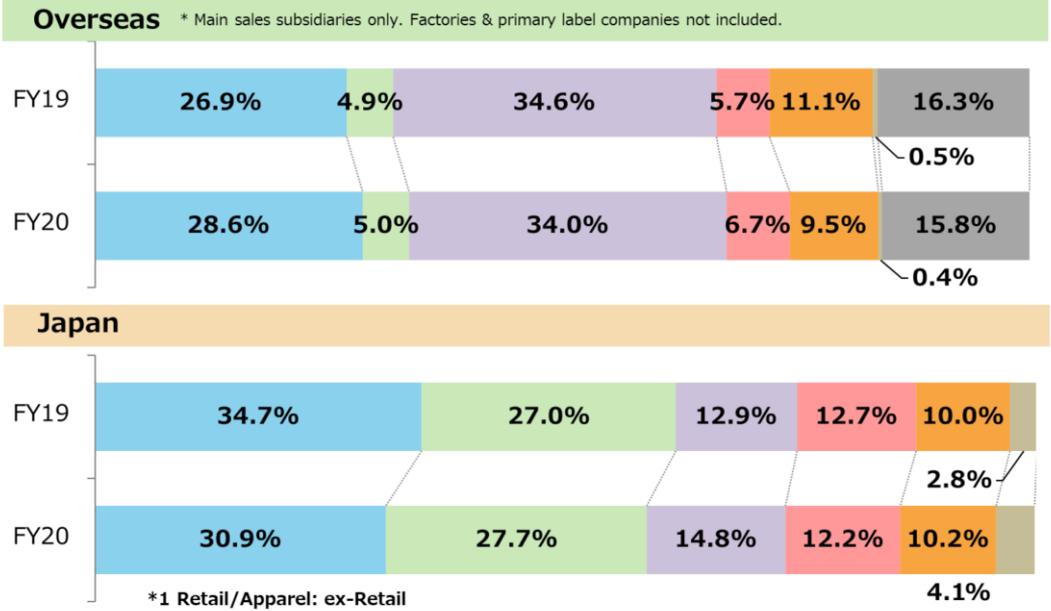


OI Ratio FY19 Japan : 8.5%, Overseas : 5.3%
 FY20 Japan : 2.7%, Overseas : 4.2 %



Sales by Vertical

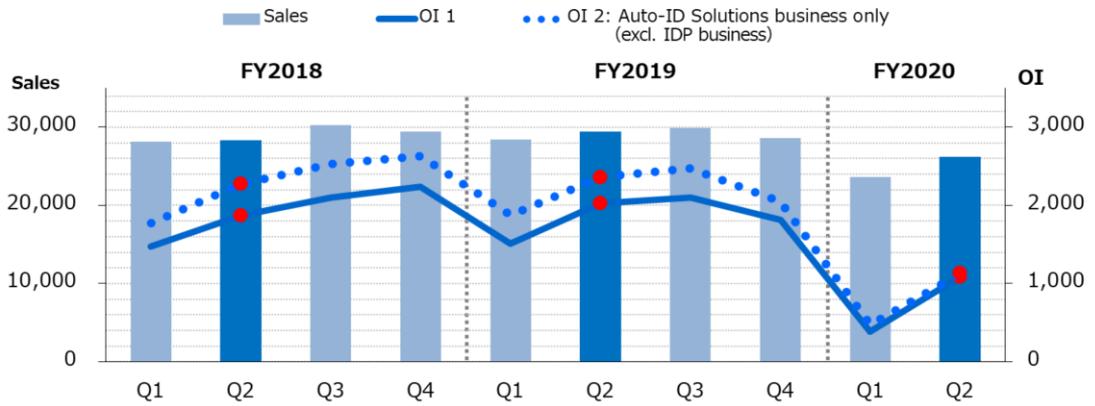
■ Manufacturing
 ■ Logistics
 ■ Retail/Apparel*¹
■ Health Care
 ■ Food & Beverage
 ■ Public
 ■ Others



Consolidated

Quarterly Sales & OI

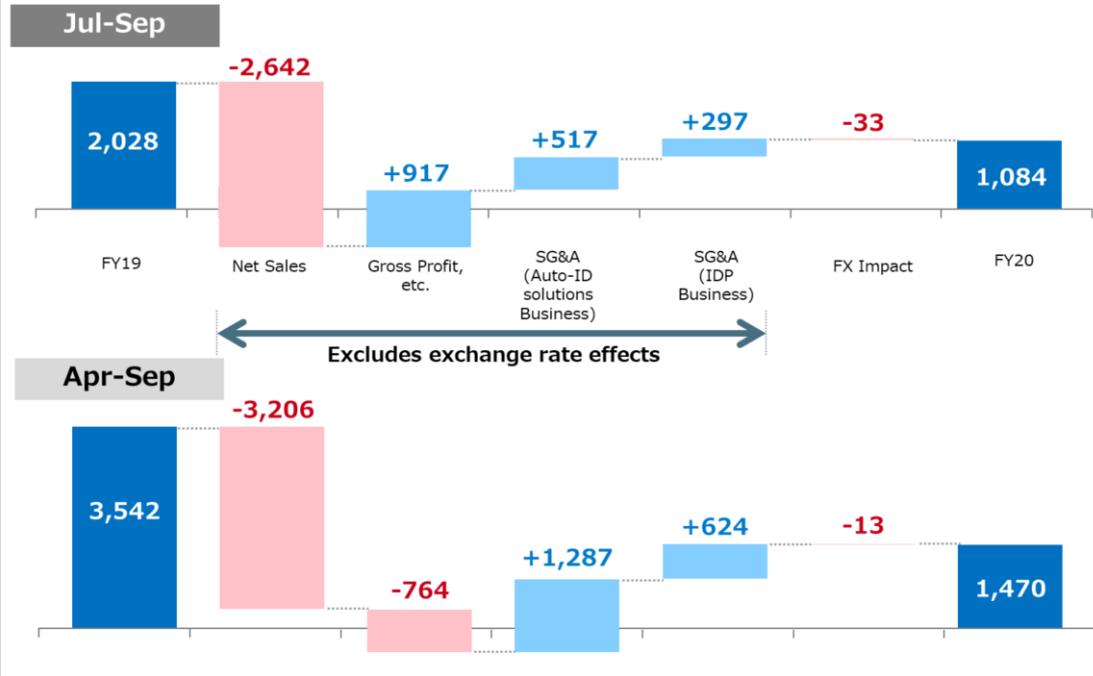
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569	23,651	26,221
YoY	+4.9%	+1.2%	+0.3%	+3.7%	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%
oi 1	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,815	385	1,084
YoY	+73.1%	+9.7%	-0.9%	+42.0%	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%
oi 2	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047	476	1,132
YoY	+44.3%	+9.6%	+0.8%	+40.6%	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%

Major Gains/Losses in OI

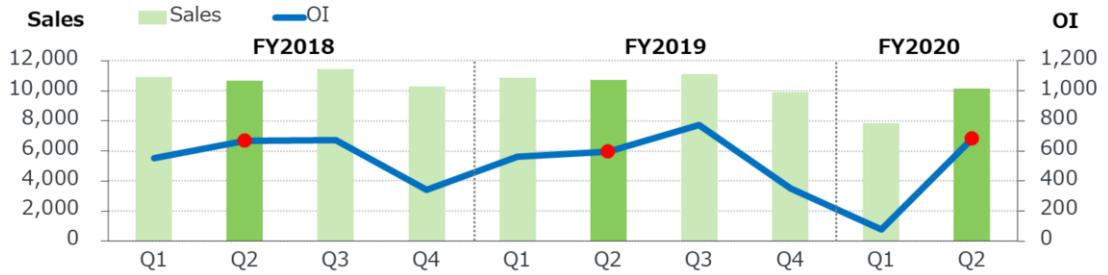
(Millions of JPY)



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



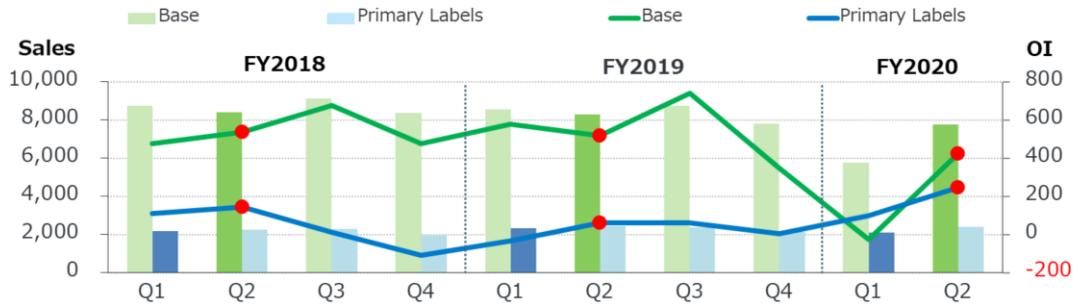
Sales	10,910	10,686	11,419	10,298	10,867	10,739	11,118	9,922	7,844	10,168
YoY	+8.2%	+1.6%	+1.7%	-4.2%	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%
OI	553	667	674	344	560	595	772	349	77	683
YoY	+49.8%	-8.6%	+1.6%	3x	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



		FY2018				FY2019				FY2020	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755	7,779
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%
	OI	477	538	678	478	577	517	740	348	-26	423
	YoY	+39.9%	-21.0%	-3.3%	18x	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%
Primary Labels	Sales	2,180	2,264	2,301	1,939	2,328	2,453	2,360	2,128	2,089	2,389
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%
	OI	112	146	12	-107	-33	61	61	6	100	245
	YoY	+141.7%	5x	-	-	-	-58.3%	4x	-	-	4x

Auto-ID Solutions Business (Overseas)

Major Gains/Losses in OI

(Millions of JPY)



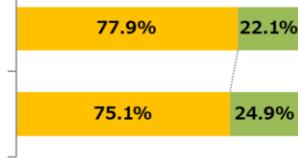
Sales and OI by Business Segment/Region

(Millions of JPY)

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

Sales

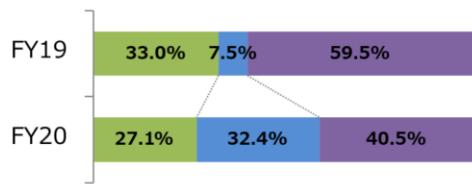
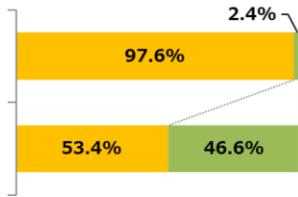
21,607 FY19
▼
18,013 FY20



Operating Income

*Ratio excludes eliminations.

1,155 FY19
▼
761 FY20



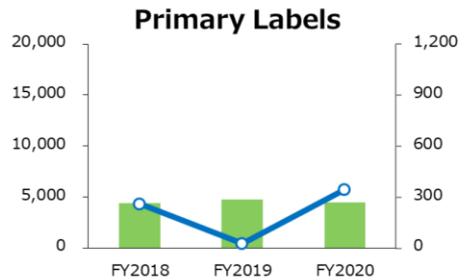
OI ratio:

AUTO FY19 Base : 6.5%, Primary Labels : 0.6%
FY20 Base : 2.9%, Primary Labels : 7.7%

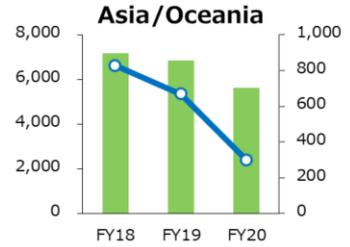
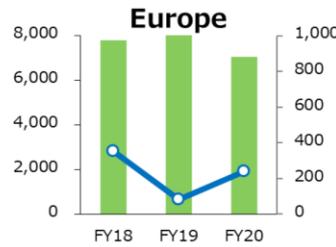
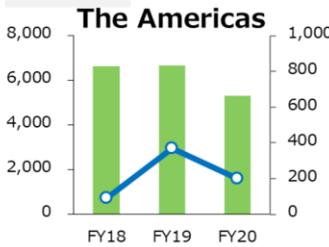
FY19 The Americas : 5.5%, Europe : 1.0%,
Asia/Oceania : 9.7%
FY20 The Americas : 3.8%, Europe : 3.4%,
Asia/Oceania : 5.3%

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 (Overseas)

The Americas: Quarterly Sales & OI (Millions of JPY)



		FY2018				FY2019				FY2020	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Base	Sales	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664	1,781	2,660
	YoY	+2.7%	-9.0%	-0.6%	-9.4%	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%
	OI	42	6	-45	11	174	117	149	42	-44	170
	YoY	-49.7%	-94.9%	-	-	4x	17x	-	3x	-	+45.6%
Primary Labels	Sales	546	584	587	550	577	586	497	536	378	498
	YoY	-16.9%	-12.4%	-9.9%	-19.6%	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%
	OI	9	34	11	28	17	60	38	27	2	72
	YoY	-92.1%	2x	-	-68.0%	+86.3%	+76.8%	3x	-1.1%	-85.4%	+19.8%

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)

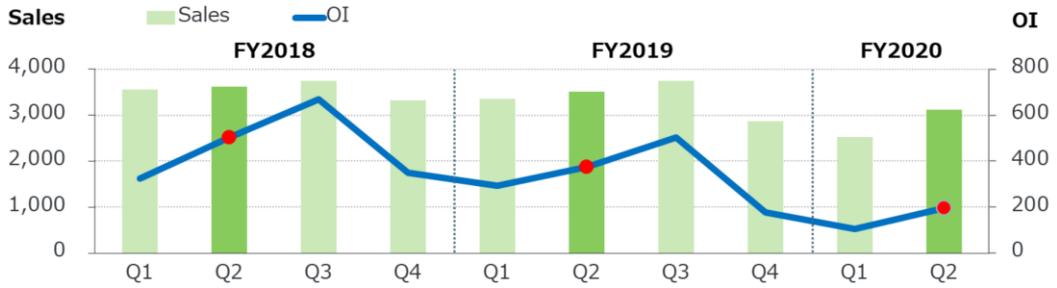


Base	Sales	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264	1,453	2,000
	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%
	OI	110	29	53	116	109	26	85	129	-86	56
	YoY	2x	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-	2x
Primary Labels	Sales	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591	1,711	1,891
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%
	OI	103	111	0	-135	-51	0	22	-21	98	172
	YoY	-	9x	3x	-	-	-99.7%	36x	-	-	503x

Auto-ID Solutions Business (Overseas)

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)

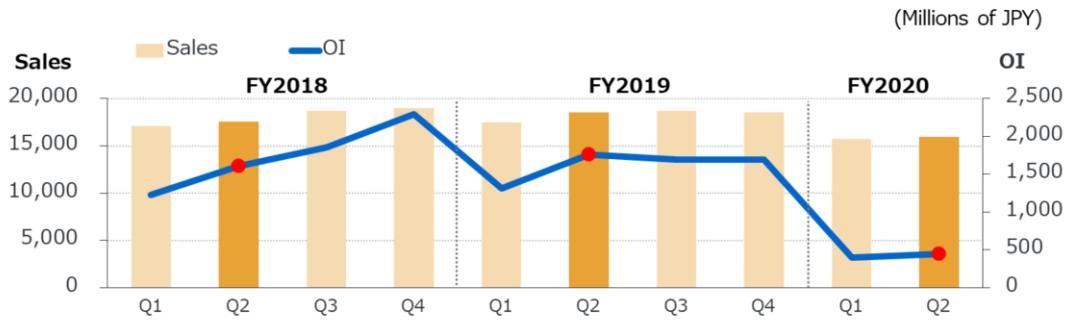


Base	Sales	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865	2,520	3,117
	YoY	+10.3%	+5.8%	-0.4%	-2.3%	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%
	OI	324	502	670	350	294	374	504	176	104	196
	YoY	+52.3%	-1.8%	+37.9%	+18.8%	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%



Auto-ID Solutions Business (Japan)

Quarterly Sales & OI



Sales	17,081	17,579	18,736	19,037	17,495	18,578	18,709	18,578	15,730	15,991
YoY	+2.7%	+0.9%	-0.9%	+8.7%	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%
OI	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697	399	448
YoY	+41.9%	+19.4%	+0.5%	+29.3%	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%



Auto-ID Solutions Business (Japan)

Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

(Millions of JPY)



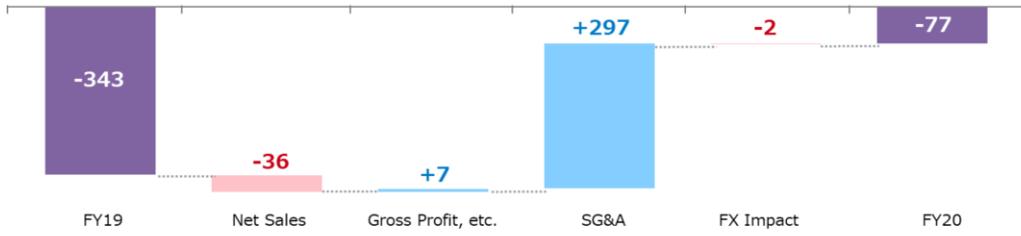
Sales	125	104	116	81	100	94	100	68	75	60
YoY	+53.2%	+34.0%	2x	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%
OI	-303	-372	-337	-407	-394	-343	-317	-261	-70	-77
YoY	-	-	-	-	-	-	-	-	-	-



Major Gains/Losses in OI

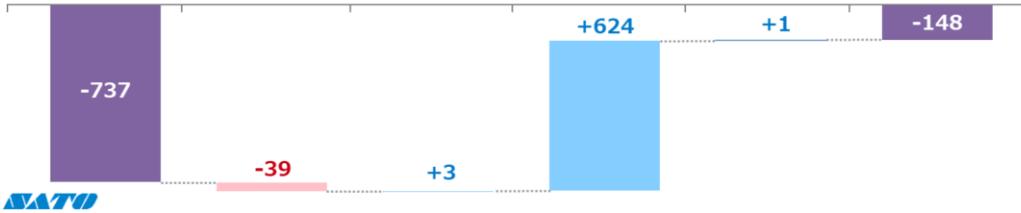
(Millions of JPY)

Jul-Sep



Apr-Sep

← Excludes exchange rate effects →



SATO terminologies (1/4)

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS & Labeling +One</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 barcodes, at customer's site of operations.
3	Primary Labels business	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achemar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (<u>IDP</u>). A reporting segment formerly named "Materials business."
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.
7	DCS & Labeling +One (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 "+One" technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.

(*) Underlined terms are described under its own heading



SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Matching data with people and things	Connecting people and things at customer sites with information. Ever since our days of pioneering in hand labelers that attached price and other information to products, this concept has remained central to SATO's business.
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	Teiho	Teiho is 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 to 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.
11	AAP (Area Alliance Partner) strategy	Our initiative in Japan to segment regions into smaller divisions and form alliances with partners having strong presence in areas/industries that we have yet to cover.
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 tags</u> , 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 ±One</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.
8 IDP (Inline Digital Printing)	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.



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. X-Pack is affiliated with Okil.
5	Prakolar Rótulos Autoadesivos LTDA. (Brazil)	[2015] Company specializing in primary labels.
6	DataLase Ltd. (UK)	[2017] Company engaging in the development, production and sales of the IDP color-change pigment and related products. SATO Holdings transferred all shares to DataLase Holdings Limited in September, 2020.
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 Healthcare Switzerland AG	[2018] A subsidiary specializing in health care, owned 100% by SATO Holdings.
3	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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