



February 9, 2021

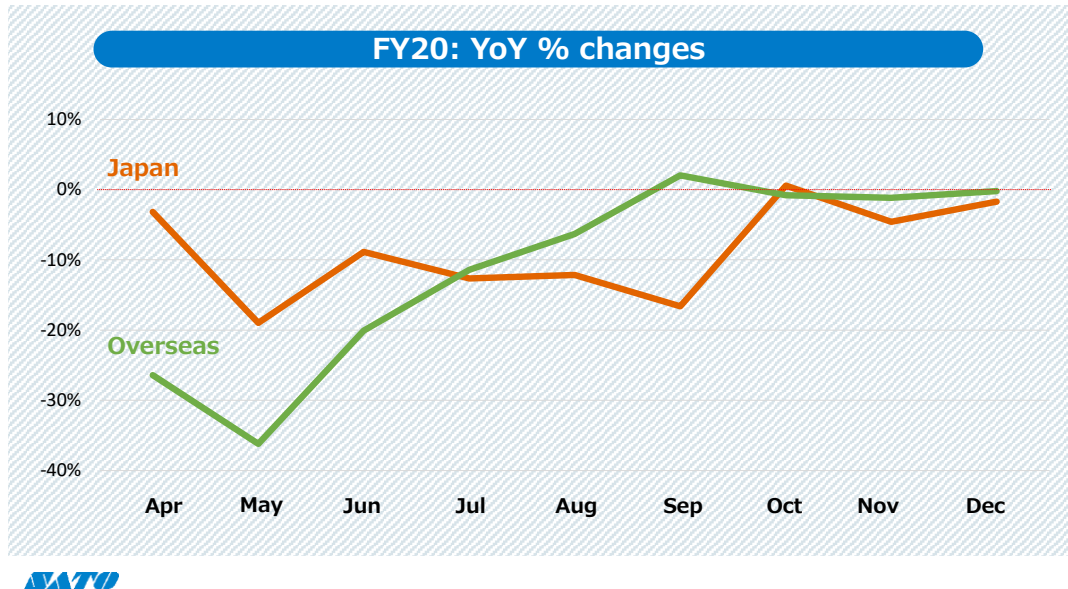
SATO HOLDINGS CORPORATION

FY2020 Q3 Financial Results
(Nine Months Ended December 31, 2020)

Securities Code: 6287

Monthly sales trends (Overseas/Japan)

Businesses both overseas and in Japan are recovering due to gradual resumption of sales activities and customer operations.



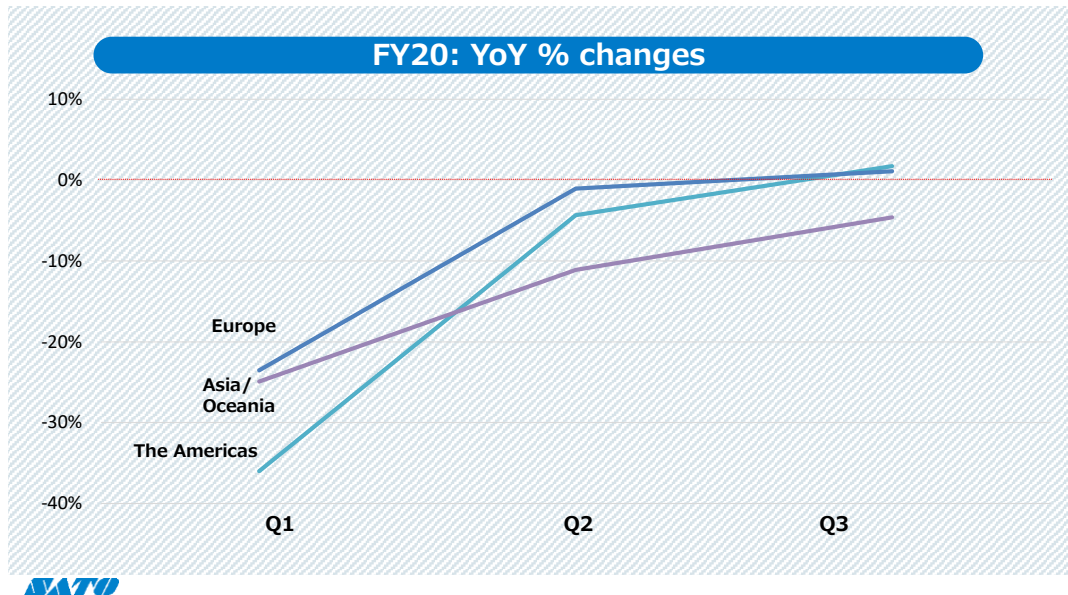
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- I will explain the monthly sales trends from April to December of the current fiscal year, both overseas and in Japan, compared to the previous year.
- Businesses both overseas and in Japan have recovered as a result of past sales activities bearing fruit and customers resuming operations.
- Overseas business maintained the recovery trend from Q2.
- Business in Japan has shown a clear recovery in Q3.

Auto-ID Solutions Business (Overseas)

Quarterly sales trends by region

Following the Americas and Europe, Asia and Oceania also moved to a recovery trend.



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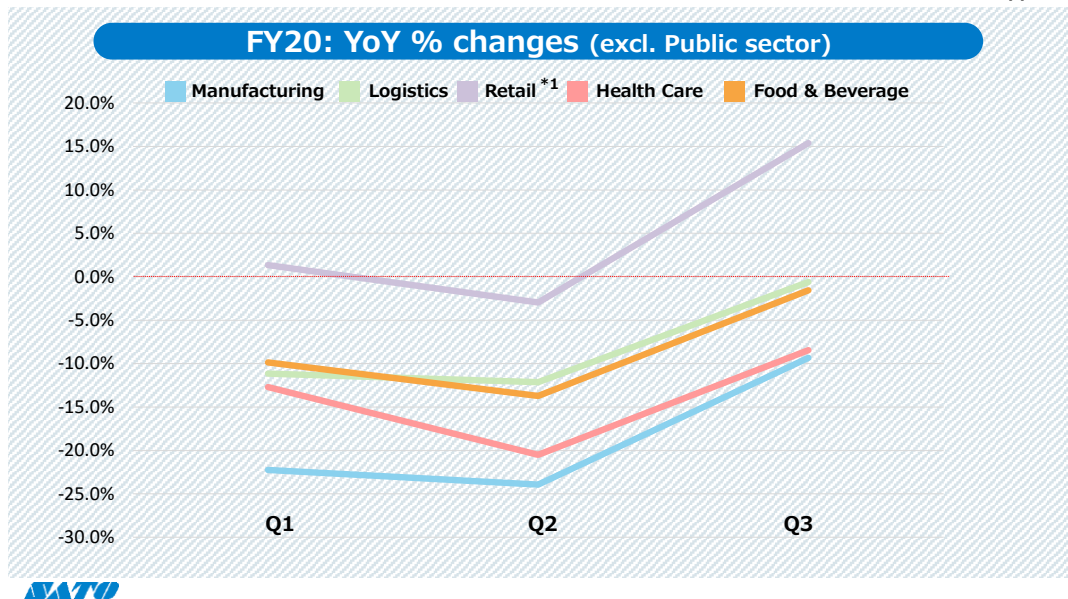
- These are the quarterly sales trends by region overseas for the same period as the previous slide, compared to the previous year.
- In Q3, Asia joined the recovery trend led by Europe and the Americas, driven by China's manufacturing industry (electrical and electronic components).

Auto-ID Solutions Business (Japan)

Quarterly sales trends by vertical

Recovery trends are seen in all markets, especially in retail.

*1 Retail: ex-Retail/Apparel



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- These are the quarterly sales trends for business in Japan by vertical for the same period, compared to the previous year.
- In Q3, the recovery trend was strong in all markets, especially in retail.

Summary

Consolidated

Sales and operating income decreased YoY, as faster recovery in each region failed to offset the initial slowdown caused by the coronavirus.

Auto-ID Solutions Business (Overseas)

Sales and income decreased YoY

- Base business: Sales and income decreased due to the slowdown in Q1, despite the ensuing improvement.
- Primary labels business: Continued to perform strongly with focus on daily life infrastructure industries.
Sales decreased slightly, but income increased significantly due to lower cost of sales ratio.

Auto-ID Solutions Business (Japan)

Sales and income decreased YoY as a result of the slowdown in the first half of the fiscal year, despite the subsequent recovery due to measures taken in the first half and the resumption of customer operations.



- The highlights are as noted.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Apr-Dec	FY2019 Apr-Dec	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	79,135	87,508	-9.6%	-7.3%
	Operating Income	3,822	6,710	-43.0%	-43.3%
	Overseas	Total Sales	32,725	-11.2%	-5.0%
		Operating Income	1,928	-6.4%	+2.5%
	Japan	Total Sales	54,782	-8.6%	-8.6%
		Operating Income	4,782	-57.8%	-61.8%
IDP business	Total Sales	136	294	-53.8%	-53.4%
	Operating Income	-148	-1,055	-	-
Consolidated (incl. eliminations)	Total Sales	79,271	87,803	-9.7%	-7.4%
	Operating Income	3,777	5,645	-33.1%	-33.5%



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● Most of the figures highlighted in the previous slide are shown here.

● In the Auto-ID Solutions business, the recovery trend accelerated in Q3, with the accumulated YoY rate of decline in sales narrowing from -13.8% in the first half to -9.6% and operating income from -62.0% to -43.0%.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	29,398	29,827	-1.4%	+1.2%
	Operating Income	2,213	2,471	-10.4%	-11.9%
	Overseas	Total Sales	11,045	-0.7%	+6.4%
		Operating Income	1,043	+35.1%	+45.7%
	Japan	Total Sales	18,352	-1.9%	-1.9%
		Operating Income	1,170	-31.1%	-38.0%
IDP business	Total Sales	0	100	-	-
	Operating Income	0	-317	-	-
Consolidated (incl. eliminations)	Total Sales	29,398	29,928	-1.8%	+0.9%
	Operating Income	2,307	2,103	+9.7%	+8.0%



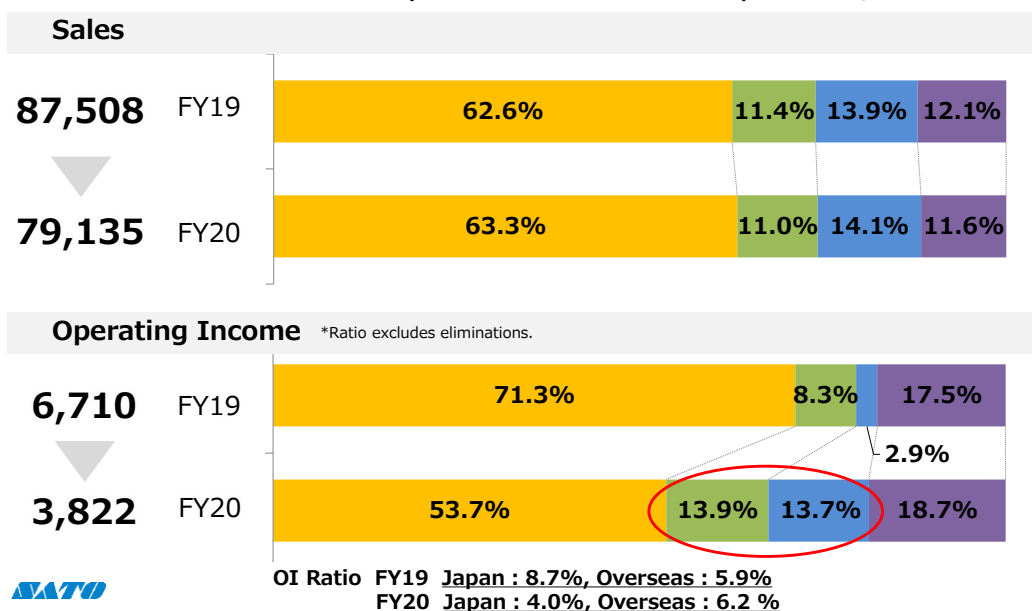
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- This is the sales and operating income for Q3 alone.
- In the Auto-ID Solutions business, sales recovered from -10.8% in Q2 to almost the same level (-1.4%) compared to the same period last year.
- Operating income recovered from -52.0% to -10.4% YoY due to significant contributions from overseas businesses.
- In the IDP business, no sales or operating income will be generated from Q3 onwards due to the transfer of all shares to DataLase Holdings Ltd. in September 2020.

Sales and OI by region

(Millions of JPY)

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania



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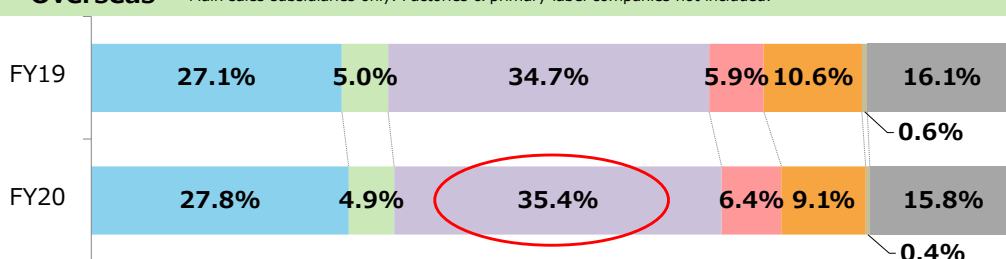
- This is the composition of sales and operating income by region for the nine months ended December 31, 2020.
- There have been no significant changes in the ratio of sales.
- As mentioned previously, while overseas businesses made a large contribution to operating income, the primary labels businesses in the Americas and Europe were particularly contributive, resulting in the Americas and Europe accounting for a higher percentage of operating income.
- On the other hand, the ratio for Japan has decreased. The business structure has a lot of fixed costs to support the selling of solutions, and the decline in sales was directly linked to the decline in operating income. In order to strengthen the profitability of business in Japan, we are working on the initiatives explained in the results briefing for the first half.

Sales by vertical

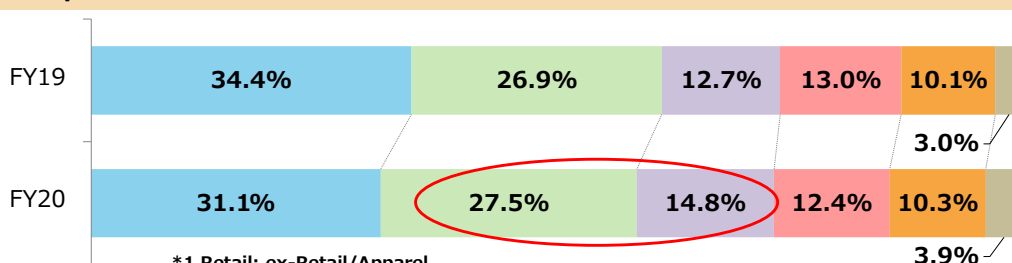
■ Manufacturing
 ■ Logistics
 ■ Retail *1
 ■ Health Care
 ■ Food & Beverage
 ■ Public
 ■ Others

Overseas

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

**Japan**

*Maintenance services not included



*1 Retail: ex-Retail/Apparel

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- This is the composition of sales by vertical for the nine months ended December 31, 2020.
- Overseas, the percentage of sales increased as a result of focusing on the strong retail market.
- In Japan, retail and logistics sales grew.
- QoQ, in addition to retail and logistics, growth in the ratio for manufacturing was seen in Japan.
- Manufacturing is the largest market with a high gross profit margin, and if the speed of recovery in this market increases, it will give momentum to the recovery of the entire business in Japan.

Consolidated Results

(Millions of JPY)

	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY
Net Sales	79,271	87,803	-8,532	-9.7%
Operating Income	3,777	5,645	-1,868	-33.1%
Operating Income %	4.8%	6.4%	-1.7pt	-
Ordinary Income	3,469	5,362	-1,892	-35.3%
Profit attributable to owners of parent* ¹	11,604	4,157	+7,447	2.8x
Effective Tax Rate* ²	8.3%	30.0%	-21.8pt	
EBITDA* ³	7,030	10,096	-3,066	-30.4%

Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR, Apr-Dec FY19: JPY 108.64/USD, JPY 121.02/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 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.

*2 Income tax was deducted due to the impairment loss booked in FY19 at DataLase, following the transfer of its shares in Sep 2020.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Dec FY20: JPY 3,084 million Apr-Dec FY19: JPY 3,794 million

· Amortization for Apr-Dec FY20: JPY 168 million*⁴ Apr-Dec FY19: JPY 656 million (incl. 439 mil. for DataLase)

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

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- These are the consolidated results for the first nine months of the fiscal year.
- Net income increased significantly, nearly tripling.
- This was due to the recording of an extraordinary gain following the transfer of fixed assets of the former head office in December 2020.
- In addition, the transfer of all shares of DataLase in September 2020 and the recording of an income tax adjustment related to the impairment loss on DataLase in the previous fiscal year also contributed to the increase.

Consolidated Results

(Millions of JPY)

	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY
Net Sales	29,398	29,928	-529	-1.8%
Operating Income	2,307	2,103	+203	+9.7%
Operating Income %	7.8%	7.0%	+0.8pt	-
Ordinary Income	2,237	2,125	+112	+5.3%
Profit attributable to owners of parent* ¹	8,354	1,276	+7,077	6.5x
Effective Tax Rate* ²	31.4%	36.6%	-5.2pt	
EBITDA* ²	3,379	3,608	-228	-6.3%

Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR, Apr-Dec FY19: JPY 108.64/USD, JPY 121.02/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 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.

*2 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Oct-Dec FY20: JPY 1,018million Oct-Dec FY19: JPY 1,285 million

· Amortization for Oct-Dec FY20: JPY 54 million*³ Oct-Dec FY19: JPY 219 million (incl. 148 mil. for DataLase)

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

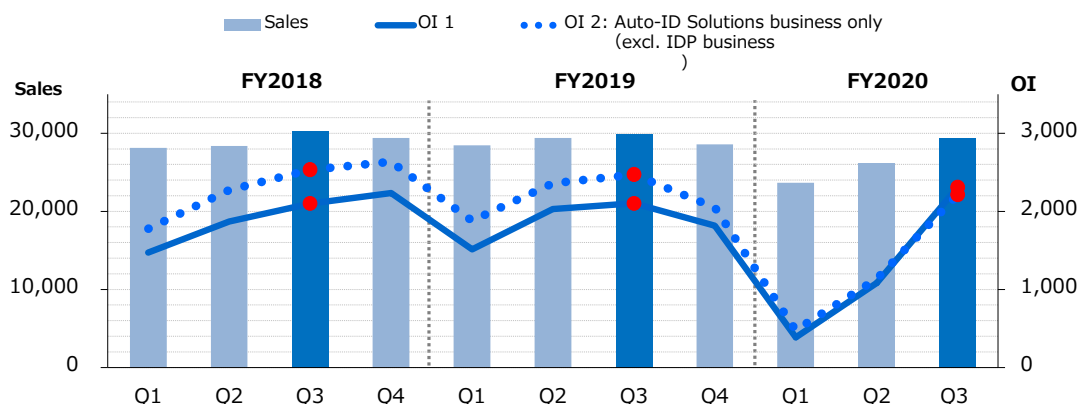
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- These are the consolidated results for Q3 alone.
- Net income increased 6.5 times YoY due to the factors mentioned in the previous slide and the improvement in operating income.

Consolidated

Quarterly Sales & OI

(Millions of JPY)



Sales	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569	23,651	26,221	29,398
YoY	+4.9%	+1.2%	+0.3%	+3.7%	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%
OI 1	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,815	385	1,084	2,307
YoY	+73.1%	+9.7%	-0.9%	+42.0%	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%
OI 2	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047	476	1,132	2,213
YoY	+44.3%	+9.6%	+0.8%	+40.6%	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%

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- This is the quarterly trend of consolidated sales and operating income.
- Operating income in Q3 of this fiscal year increased QoQ due to strong performance in the primary labels business and effective sales measures in response to the coronavirus pandemic.

Auto-ID Solutions Business (Overseas)

Overview

Oct-
Dec

• Sales recovered to almost flat YoY thanks to high-touch solutions provided to well-performing industries.
 @Operating income increased mainly due to higher sales and lower cost of sales ratio in the primary labels business. (Millions of JPY)

	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Total Sales	11,045	11,118	-72	-0.7%	+6.4%
Gross Profit	4,093	4,004	+89	+2.2%	-
Gross Profit %	37.1%	36.0%	+1.0pt	-	-
Operating Income	1,043	772	+270	+35.1%	+45.7%
Operating Income %	9.4%	6.9%	+2.5pt	-	-

	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Total Sales	29,059	32,725	-3,666	-11.2%	-5.0%
Gross Profit	10,416	11,510	-1,093	-9.5%	-
Gross Profit %	35.8%	35.2%	+0.7pt	-	-
Operating Income	1,804	1,928	-123	-6.4%	+2.5%
Operating Income %	6.2%	5.9%	+0.3pt	-	-

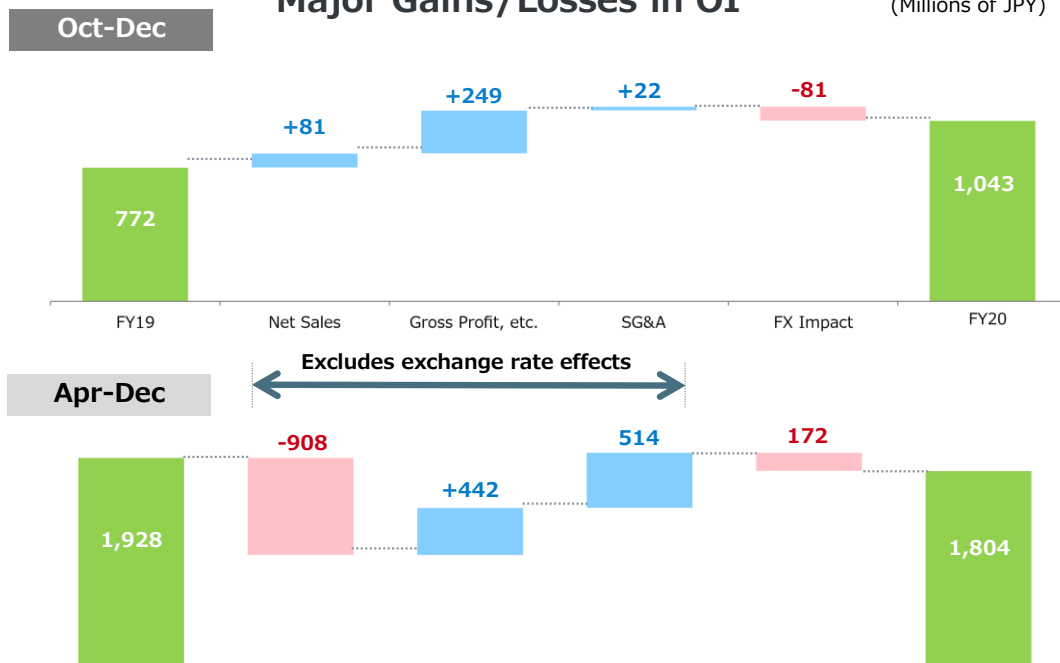
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- From here, I will explain the status of Q3 alone.
- While situations in the overseas businesses vary by country and market, they are on a recovery track overall.
- Our efforts to focus on providing solutions to industries that are performing well have proved to be successful. The strategic team at the head office, which is based on market and functional axes, collaborated with overseas operations and was able to conduct concrete business negotiations.
- Although it will take a little more time before these efforts are fully reflected in our business results, we feel that we are making progress even amid the coronavirus pandemic.
- In addition, the head office marketing team is taking the lead in accelerating the development and localization of online tools, which are also contributing.
- Operating income ratio improved by 2.5 percentage points, mainly due to the contribution of the primary labels business.

Auto-ID Solutions Business (Overseas)

Major Gains/Losses in OI

(Millions of JPY)



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- This is a comparison of operating income with the previous year.
- I will explain the comparison for Q3 alone, which is the top half of the slide. Excluding the impact of foreign exchange rate fluctuations, net sales impact turned positive.
- The +249 million yen from gross profit, etc. was mainly due to the impact of the primary labels business as explained in the previous page.

Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

Oct-
Dec

Base business: Sales and operating income recovered to almost the same level YoY by successfully providing solutions to industries with strong demand such as grocery supermarkets and electricals.

Primary labels business: Sales and income increased, driven by industries that support daily life infrastructure, such as food, beverage and pharmaceutical industries.

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	8,499	8,758	-258	-3.0%	-1.5%
	Operating Income	727	740	-13	-1.8%	-1.1%
Primary Labels	Total Sales	2,546	2,360	+186	+7.9%	+35.8%
	Operating Income	270	61	+209	4.4x	5.7x
Eliminations	Operating Income	45	-29	+74	-	-
Total	Total Sales	11,045	11,118	-72	-0.7%	+6.4%
	Operating Income	1,043	772	+270	+35.1%	+45.7%

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	22,034	25,583	-3,549	-13.9%	-12.2%
	Operating Income	1,124	1,836	-711	-38.8%	-37.9%
Primary Labels	Total Sales	7,025	7,142	-116	-1.6%	+20.6%
	Operating Income	616	88	+528	7.0x	8.7x
Eliminations	Operating Income	63	3	+60	18.5x	18.5x
Total	Total Sales	29,059	32,725	-3,666	-11.2%	-5.0%
	Operating Income	1,804	1,928	-123	-6.4%	+2.5%

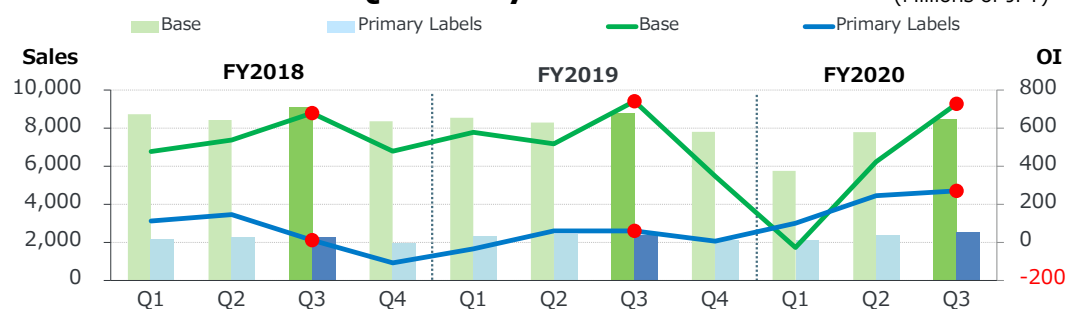
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- These are the trends for the overseas base business and primary labels business.
- As a result of a significant recovery in sales and operating income in 3Q QoQ, the base business recovered to almost the same level as the previous year.
- Sales in China, one of the first countries to recover from the coronavirus pandemic, grew by more than 20% YoY, driving overall sales.
- Operating income increased by approximately 50% in the US, where the ratio of mechatronics products increased as a result of direct sales of solutions.
- The primary labels business reaped the benefits of the strong demand in the essentials industry, resulting in higher sales and substantial profit growth.

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



		FY2018				FY2019				FY2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755	7,779	8,499	
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%	
	OI	477	538	678	478	577	517	740	348	-26	423	727	
	YoY	+39.9%	-21.0%	-3.3%	18.7x	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%	
Primary Labels	Sales	2,180	2,264	2,301	1,939	2,328	2,453	2,360	2,128	2,089	2,389	2,546	
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%	
	OI	112	146	12	-107	-33	61	61	6	100	245	270	
	YoY	2.4x	5.6x	-	-	-	-58.3%	4.9x	-	-	4.0x	4.4x	



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- This slide shows the quarterly trends.
- In FY2020, sales and operating income increased each quarter in both the base business and primary labels business.
- Q3 operating income in the base business was 727 million yen, the same level as the same period last year, while operating income in the primary labels business increased 4.4 times to 270 million yen.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Oct-
Dec

Base business: Sales were almost flat YoY as we focused on well-performing major US retailers. Operating income increased in line with mechatronics growth.

Primary labels business: Sales and income increased due to strong sales in the beverage and cosmetics industries at Achnar in Argentina and in the pharmaceutical, beverage, and cosmetics industries at Prakolar in Brazil.

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	2,794	2,811	-17	-0.6%	+4.8%
	Operating Income	232	149	+82	+54.8%	+62.0%
Primary Labels · Achnar · Prakolar	Total Sales	571	497	+74	+14.9%	+60.5%
	Operating Income	89	38	+51	2.3x	3.3x
Total	Total Sales	3,366	3,309	+57	+1.7%	+13.1%
	Operating Income	322	188	+133	+70.7%	+96.9%

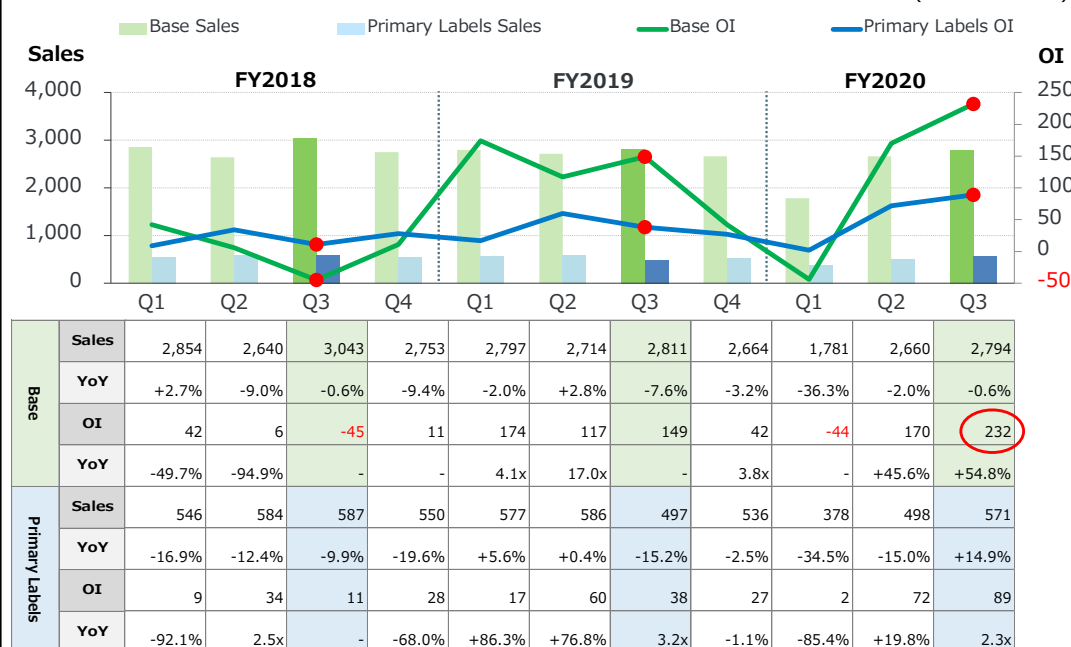
		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	7,236	8,323	-1,087	-13.1%	-9.2%
	Operating Income	358	441	-83	-18.9%	-15.2%
Primary Labels · Achnar · Prakolar	Total Sales	1,448	1,661	-212	-12.8%	+24.0%
	Operating Income	165	116	+48	+41.3%	2.0x
Total	Total Sales	8,685	9,985	-1,300	-13.0%	-3.7%
	Operating Income	523	558	-35	-6.3%	+10.4%

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- The base business in the Americas was driven by providing solutions to major U.S. retailers, which has been an approach that has performed well, and the closing of successful business negotiations with new and existing customers.
- As a result, sales were almost unchanged from the previous year. Excluding the impact of foreign exchange rates, revenue increased.
- An improved mix due to growth in mechatronics led to a significant increase in operating income.
- In the primary labels business, higher sales and income were achieved in both Argentina and Brazil by capturing demand from the essentials industry.
- In addition to the increase in sales, measures to increase profits such as securing raw materials at low costs also proved to be successful.

Auto-ID Solutions Business (Overseas)

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



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- This slide shows the quarterly trends.
- In the base business, operating income was low in FY2018 due to the burden of SGS's R&D costs.
- In the current fiscal year, the performance bottomed out in Q1 and has been on a rapid recovery path. The operating income of 232 million yen recorded in Q3 was a record high on a quarterly basis.
- The primary labels business posted a high level of operating income in Q3 of the current fiscal year.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Oct-
Dec

Base business: Performed well to book a slight decrease in sales with focus on the retail market, such as grocery supermarkets. Operating income increased due to cost reductions through changes in marketing styles in line with the coronavirus pandemic.

Primary labels business: Sales and income increased at the two Russian subsidiaries as a result of capturing demand for food and alcoholic beverages.

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	2,137	2,205	-68	-3.1%	-5.2%
	Operating Income	94	85	+8	+9.6%	+10.0%
Primary Labels • Okil • X-Pack	Total Sales	1,974	1,862	+112	+6.0%	+29.2%
	Operating Income	180	22	+158	8.0x	9.7x
Total	Total Sales	4,111	4,067	+43	+1.1%	+10.6%
	Operating Income	274	108	+166	2.5x	2.9x

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	5,591	6,658	-1,067	-16.0%	-16.5%
	Operating Income	64	221	-157	-71.0%	-70.2%
Primary Labels • Okil • X-Pack	Total Sales	5,576	5,480	+96	+1.8%	+19.5%
	Operating Income	451	-28	+479	-	-
Total	Total Sales	11,167	12,139	-971	-8.0%	-0.3%
	Operating Income	515	192	+322	2.7x	3.1x

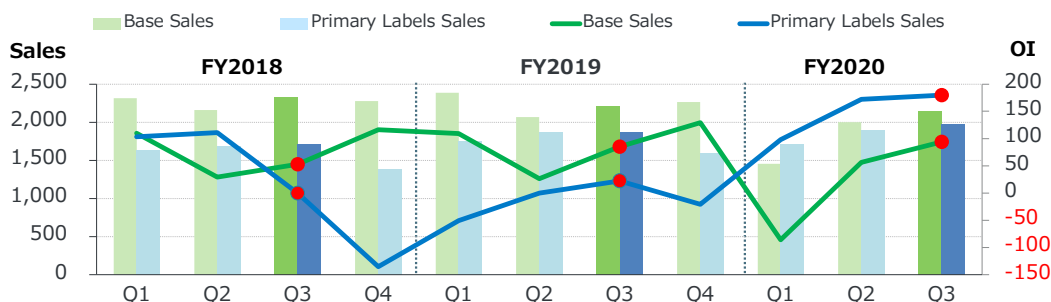
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- In Europe, the base business continued the recovery from Q2, mainly in the retail market such as grocery supermarkets. Sales managed to end up only slightly down YoY.
- On the other hand, in terms of operating income, we secured higher profits by reducing costs, mainly through the use of digital marketing tools.
- In the primary labels business, sales increased due to increased nesting demand and steady orders from major customers. Income increased due to lower cost of sales ratio.

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)



		FY2018				FY2019				FY2020		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Sales	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264	1,453	2,000	2,137
	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%
Base	OI	110	29	53	116	109	26	85	129	-86	56	94
	YoY	2.5x	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%
	Sales	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591	1,711	1,891	1,974
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%
Primary Labels	OI	103	111	0	-135	-51	0	22	-21	98	172	180
	YoY	-	9.1x	3.8x	-	-	-99.7%	36.2x	-	-	503.7x	8.0x

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- This slide shows the quarterly trends.
- In Europe, both the base business and the primary labels business have been relatively volatile in terms of both sales and operating income since FY2018.
- However, during the current fiscal year, despite the impact of the coronavirus, the base business achieved a stable recovery due to the penetration of the solutions sales approach.
- In the primary labels business, the expansion of the product lineup that we have been working on for several years has been successful, and sales and income have increased steadily.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Oct-
Dec

Base business: Sales and operating income declined as the manufacturing sector, which accounts for a high percentage of sales, has taken time to recover. However, both sales and income increased in China where recovery preceded others.

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	3,567	3,740	-173	-4.6%	-4.1%
	Operating Income	401	504	-103	-20.5%	-21.7%

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	9,206	10,601	-1,395	-13.2%	-11.7%
	Operating Income	701	1,173	-471	-40.2%	-40.4%



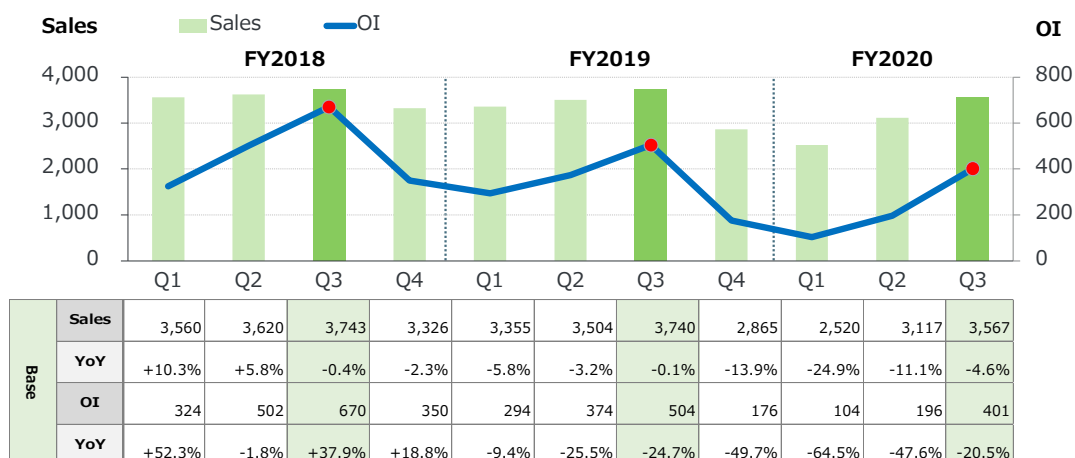
20

- In the Asia/Oceania region, about 40% of our customers are in the manufacturing industry, and some of them have yet to resume full production.
- As a result, both sales and operating income declined YoY. However, the speed of recovery in both sales and income increased QoQ.
- In China, which accounts for a high percentage of sales, sales grew by more than 20% YoY and operating income recovered to almost the same level as a result of focusing on strong industries such as electrical and electronic components and the prompt resumption of operations by customers. On a QoQ basis, sales grew by 30% and operating income by a whopping 85%.
- On the other hand, performance in Thailand, which also occupies a large composition, failed to fully recover on a YoY basis, but saw a QoQ recovery of nearly 20% in sales and 50% in operating income.

Auto-ID Solutions Business (Overseas)

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



21

- This slide shows the quarterly trends.
- Profitability was relatively high due to the large number of customers in the manufacturing industry, the greater penetration of solutions approach than in other regions, and the presence of printer factories.
- During the current fiscal year, the speed of the recovery from Q1 was not as fast as in the Americas and Europe, where retail is the main market, due to the fact that the manufacturing industry is the main source of sales and operating income.
- However, as the manufacturing sector recovered in Q3, the QoQ growth rate in Asia exceeded that of other regions.

Auto-ID Solutions Business (Japan)

Overview

Oct-
Dec

Although sales and operating income declined, both improved QoQ driven mainly by the consumables business due to recovery in sales activities and customer operations. By market, retail strongly led the overall performance.

(Millions of JPY)

	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY
Mechatronics Sales	7,027	7,456	-428	-5.7%
Consumables Sales	11,325	11,253	+71	+0.6%
Total Sales	18,352	18,709	-356	-1.9%
Gross Profit	8,662	9,136	-473	-5.2%
Gross Profit %	47.2%	48.8%	-1.6pt	-
Operating Income	1,170	1,698	-528	-31.1%
Operating Income %	6.4%	9.1%	-2.7pt	-

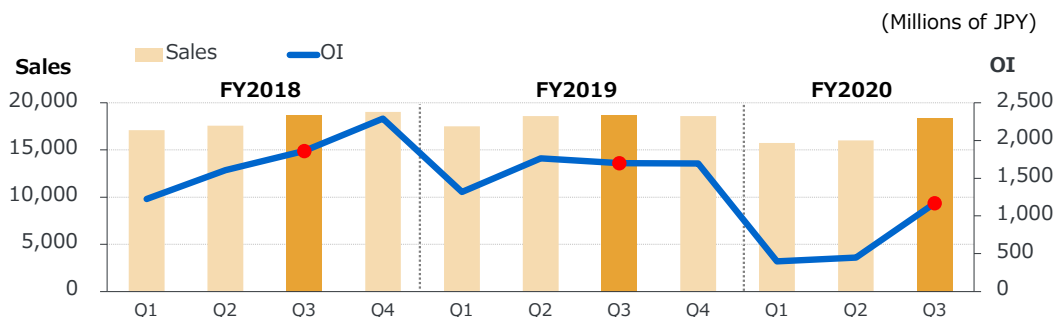
	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY
Mechatronics Sales	19,524	22,086	-2,561	-11.6%
Consumables Sales	30,551	32,696	-2,145	-6.6%
Total Sales	50,075	54,782	-4,707	-8.6%
Gross Profit	23,616	27,194	-3,578	-13.2%
Gross Profit %	47.2%	49.6%	-2.5pt	-
Operating Income	2,018	4,782	-2,764	-57.8%
Operating Income %	4.0%	8.7%	-4.7pt	-

22

- Sales and operating income decreased in the Japan business.
- Both sales and operating income improved QoQ driven mainly by the consumables business due to recovery in sales activities and customers' production.
- By market, sales in retail were the strongest driver, as a result of focusing on well-performing industries such as grocery supermarkets.
- To cope with the restrictions on sales activities in face of the coronavirus pandemic, we have expanded our digital marketing tools and enhanced solution introduction videos to facilitate meetings.
- These initiatives are also part of our efforts to speed up the closing process of increasingly advanced and complex solution negotiations effectively.
- The effects of these efforts from the first half of the current fiscal year have gradually become apparent, and sales of mechatronics are showing signs of recovery despite the limited willingness of manufacturing customers to invest.

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	18,352
YoY	+2.7%	+0.9%	-0.9%	+8.7%	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%
OI	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697	399	448	1,170
YoY	+41.9%	+19.4%	+0.5%	+29.3%	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%



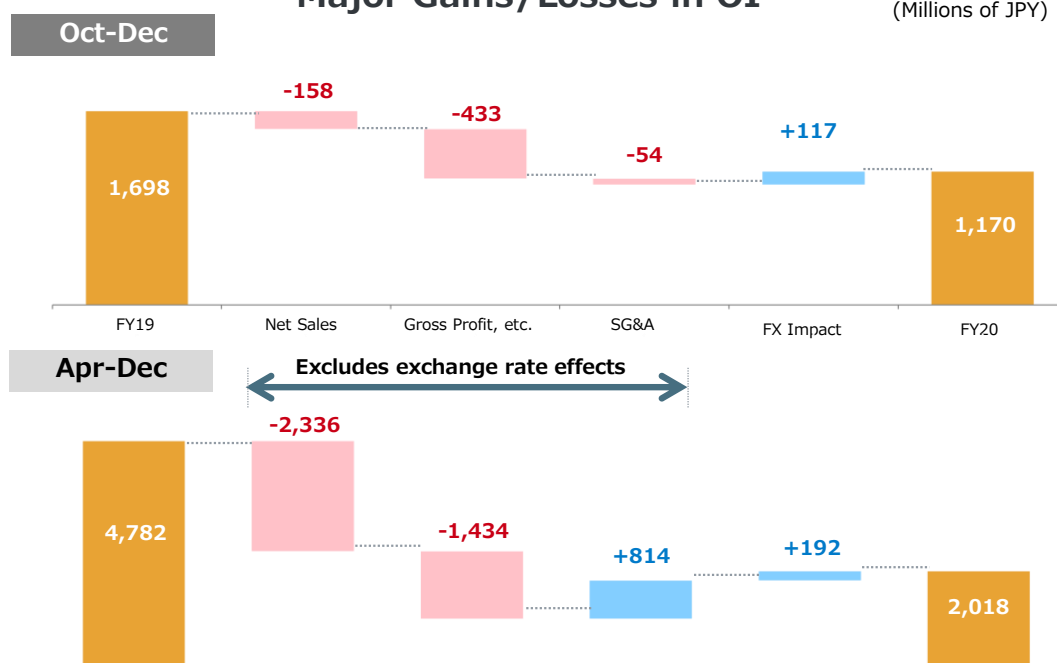
23

- This slide shows the quarterly trends.
- We maintained high profitability by expanding solution sales of unbeatable offerings including printers with high gross margins.
- Sales and operating income declined significantly in the first half of the current fiscal year.
- In spite of these difficult circumstances, we continued to sow seeds for business and carried out hands-on activities, which partly bore fruit in sales and income in Q3.

Auto-ID Solutions Business (Japan)

Major Gains/Losses in OI

(Millions of JPY)



24

- Here are the major gains and losses in operating income for Q3.
- The 433 million yen negative impact in gross profit, etc. was due to a decrease in the gross profit margin in the consumables business, a decrease in the mechatronics ratio, and a decrease in exports.
- SG&A expenses were a negative 54 million yen on a net basis due to an increase in rent for the new head office and expenses related to the development of a new IT system in order to improve productivity, despite efforts to optimize travel and other activity expenses.
- Exchange rate effects were positive due to a decrease in printer import costs caused by a stronger yen.

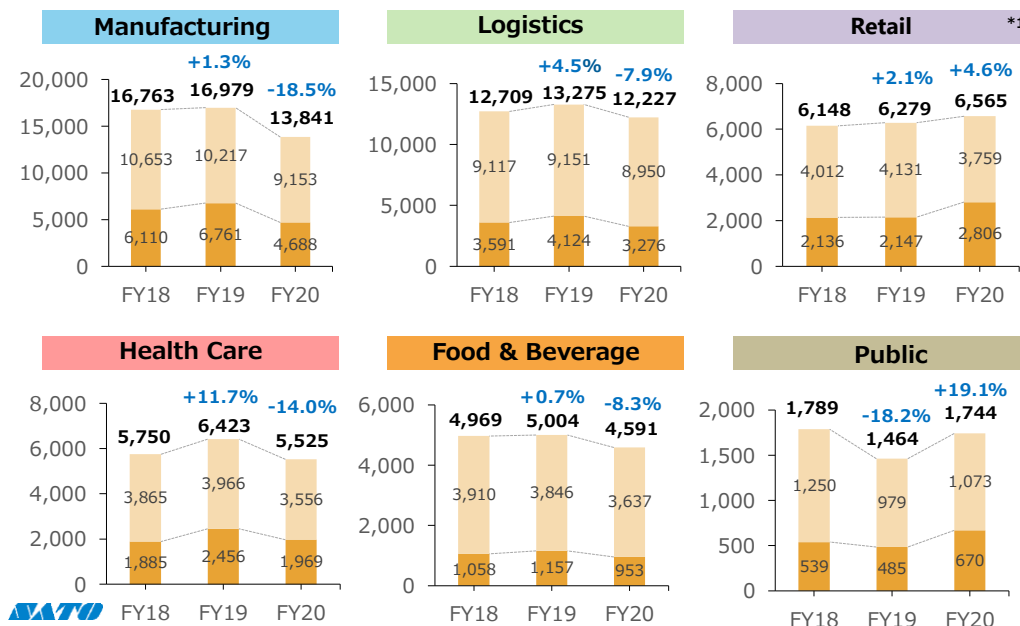
Auto-ID Solutions Business (Japan)

Apr-Dec

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail/Apparel



25

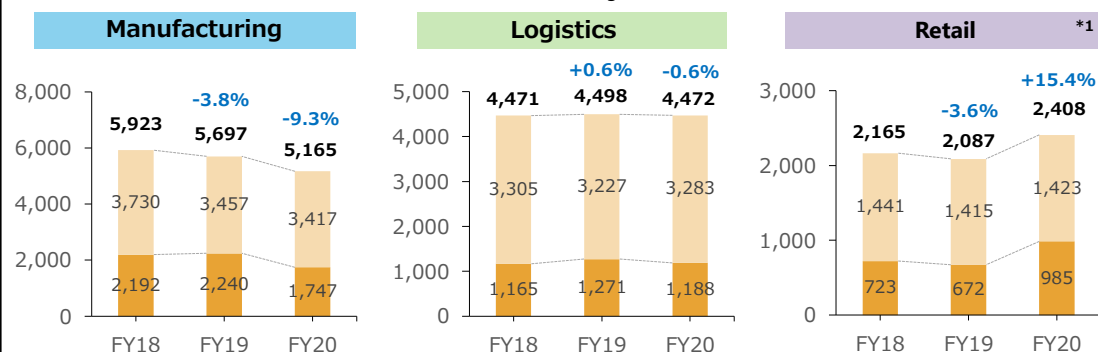
- The domestic situation by virtual will be explained in the next Q3 slides, not here.

Sales by Vertical [1]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail/Apparel



Business Environment
Production activity is recovering, and many industries saw a smaller YoY decline on a quarterly basis.

Volume of goods increased due to brisk activity in the e-commerce industry. In addition to responding to labor shortages, needs for ensuring employee safety are growing.

Grocery supermarkets remained active. Specialty stores were sluggish due to declining sales at physical stores, but a growing herd is rushing to e-commerce.

SATO
In mechatronics, sales measures implemented in 1H are gradually bearing fruit. Consumables business recovered strongly by capturing growing demand and was nearly flat YoY.

Both mechatronics and consumables recovered QoQ, mainly due to the needs of the robust e-commerce industry. For consumables in particular, sales increased even YoY due to higher volume in e-commerce.

Sales of mechatronics increased due to large orders for printers in response to the strong investment appetite of grocery supermarkets. Sales in the consumables business also increased for grocery supermarkets and e-commerce.

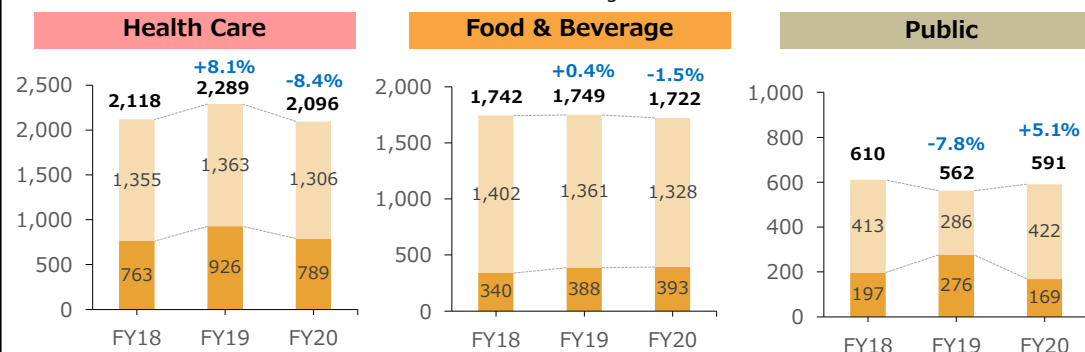
26

- Sales in Japan by vertical are as follows.
- Manufacturing: Production is recovering, and while there are variances between industries, the increase was particularly large in the automotive, chemical, and machinery industries QoQ.
- Logistics: Sales declined only slightly due to sales activities focusing on the e-commerce industry, including home delivery, which is performing well due to nesting demand.
- Retail: Retail is the most well-performing market, and there was strong growth in both the mechatronics and consumables businesses as a result of focusing sales activities on the solid grocery supermarket and retail-related e-commerce markets.

Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change



Business Environment

The number of outpatient visits to medical institutions is recovering, and the YoY decline in overall market volume is moderating.

SATO

Mechatronics are on a recovery track as 1H sales measures start to deliver results. Consumables sales increased QoQ on back of recovery in volume of goods.

Thanks to the continuation of nesting demand, eating at home and home-meals were firm. Demand for restaurants and commercial use remained weak.

Mechatronics sales increased due to on-going equipment installation for automation and efficiency improvement in well performing industries. Consumables business recovered overall QoQ despite weakness in food production for restaurants.

The overall business environment remained stable. Business dealings for operational efficiency increased.

Mechatronics saw an increase in orders, but a decrease in sales YoY due to the absence of large orders received last year. Consumables sales grew due to an increase in orders from large customers.

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- **Healthcare:** The mechatronics business was on a recovery track as the effects of sales measures implemented since the first half of the current fiscal year, such as proposals for automation to medical equipment manufacturers, became apparent. The consumables business has also recovered in hospitals and other sectors.
- **Food:** Sales of mechatronics increased slightly due to the steady installation of automation and efficiency-enhancing equipment in industries that are performing well, such as consumer food production, without delay even in face of the coronavirus pandemic.
- **Public:** The consumables business grew due to an increase in orders from large customers.

FY2020 Consolidated Forecasts

(Millions of JPY)

	Apr-Dec		Jan-Mar		Full Year	
	Results	YoY	Forecast	YoY	Forecast	YoY
Net Sales	79,271	-9.7%	26,728	-6.4%	106,000 (102,500)	-8.9%
Operating Income	3,777	-33.1%	1,322	-27.1%	5,100 (3,600)	-31.6%
Ordinary Income	3,469	-35.3%	1,230	+1.7%	4,700 (3,300)	-28.5%
Profit attributable to owners of parent	11,604	2.8 times	-1,204	-	10,400 (9,400)	-
<Reference> * Figures in parentheses are forecasts announced as of Nov. 10, 2020						
EBITDA*	13,376	←FY2019 full year			9,800 (8,300)	-26.7%

* EBITDA=Operating Income + Depreciation + Amortization



Exchange rates assumed in FY20 forecast: JPY 106/USD, JPY 123/EUR
Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR
Average exchange rates for FY19 : JPY 108.69/USD, JPY 120.79/EUR

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- We are revising upward our previous full-year forecasts.
- The reason for this is that some regions and verticals are recovering at a faster pace than anticipated, and this trend is expected to continue and grow in the near term.
- Specifically, this includes the retail market (off-price retailers) in the US and manufacturing (electrical and electronic components) and retail (apparel) in China when looking overseas, and retail (grocery supermarkets) in Japan.
- We are recording a net loss attributable to owners of parent in Q4. The pension buyout of the UK subsidiary, which was disclosed last November, was executed in January, and we expect the extraordinary loss to be approximately 1.6 billion yen as a result.

Appendix

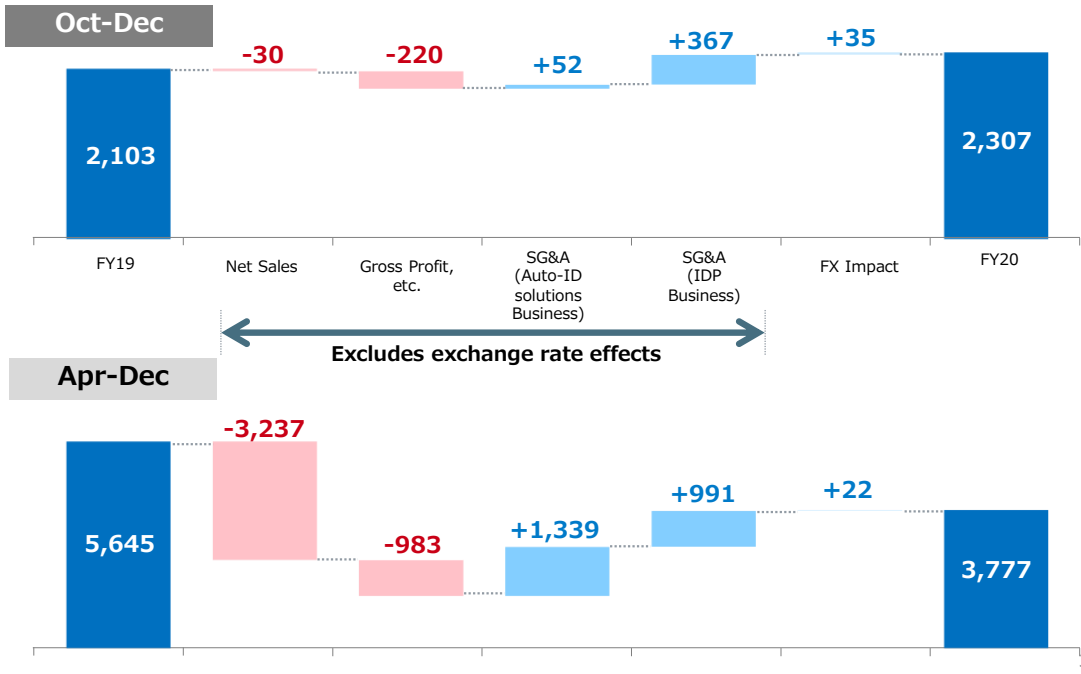
Performance data Pages 30-35

SATO terminologies Pages 36-39



Major Gains/Losses in OI

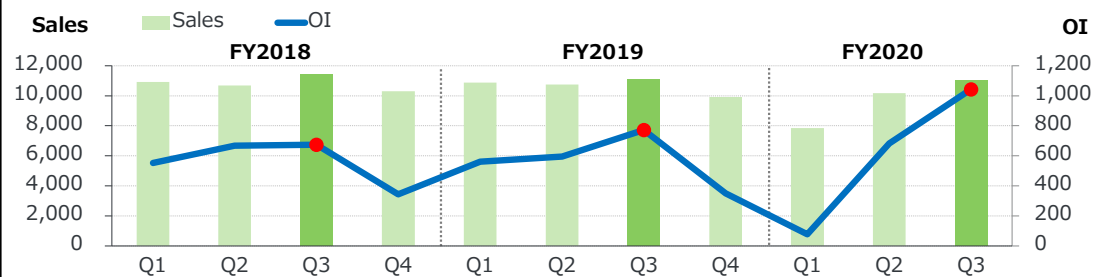
(Millions of JPY)



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	11,045
YoY	+8.2%	+1.6%	+1.7%	-4.2%	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%
OI	553	667	674	344	560	595	772	349	77	683	1,043
YoY	+49.8%	-8.6%	+1.6%	3.4x	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%

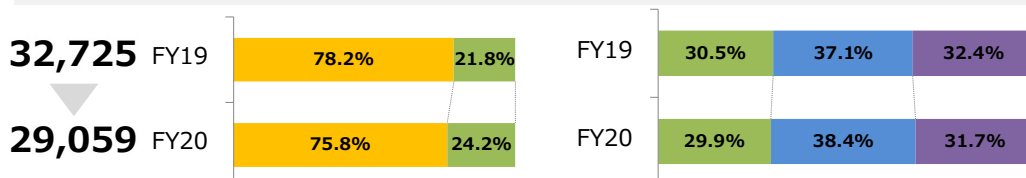


Sales and OI by Business Segment/Region

(Millions of JPY)

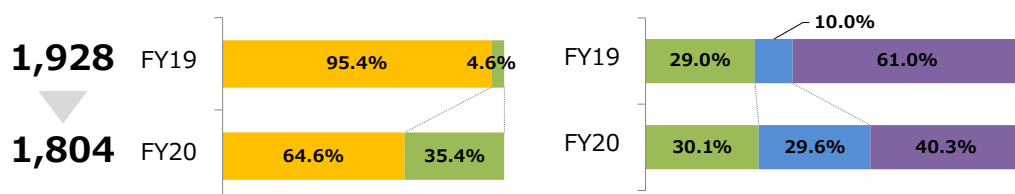
■ Base
 ■ Primary Labels
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

Sales



Operating Income

*Ratio excludes eliminations.



OI ratio:

AUTO FY19 Base : 7.2%, Primary Labels : 1.2%
 FY20 Base : 5.1%, Primary Labels : 8.8%

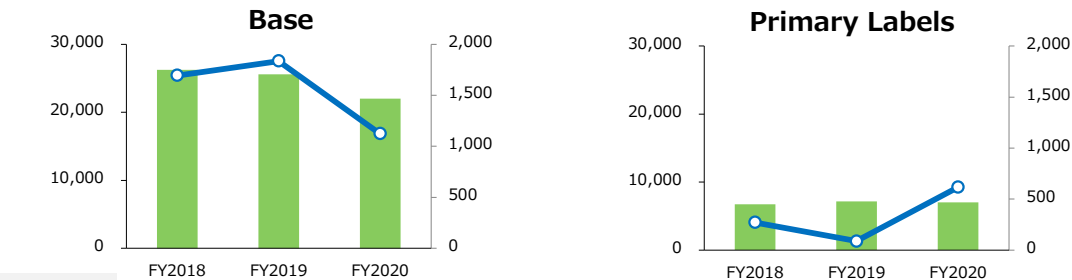
FY19 The Americas : 5.6%, Europe : 1.6%,
 Asia/Oceania : 11.1%

FY20 The Americas : 6.0%, Europe : 4.6%,
 Asia/Oceania : 7.6%

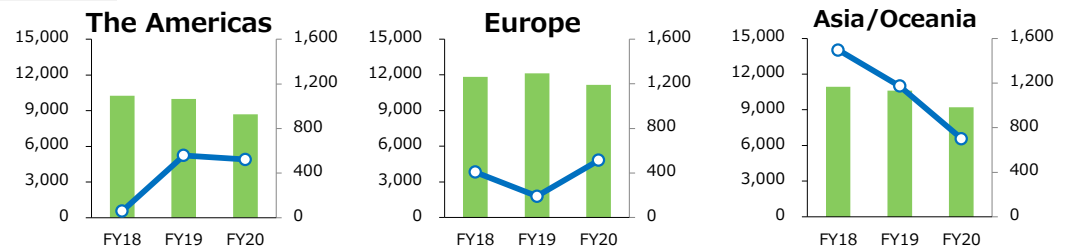
Sales and OI Trends by Business Segment and Region

By Business Segment

Sales OI (Millions of JPY, Sales (left axis), OI (right axis))

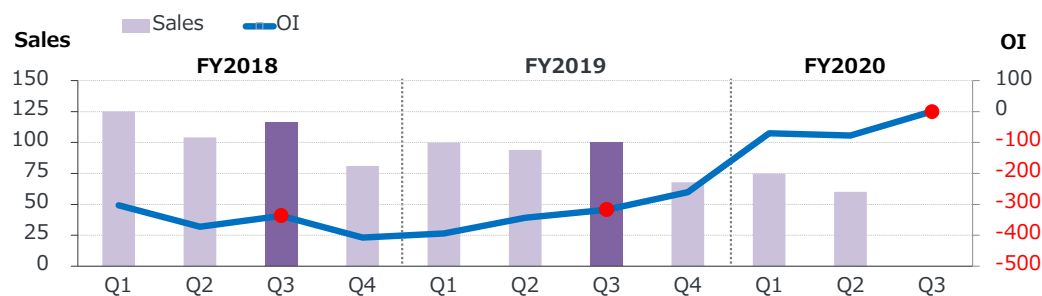


By Region



Quarterly Sales & OI

(Millions of JPY)

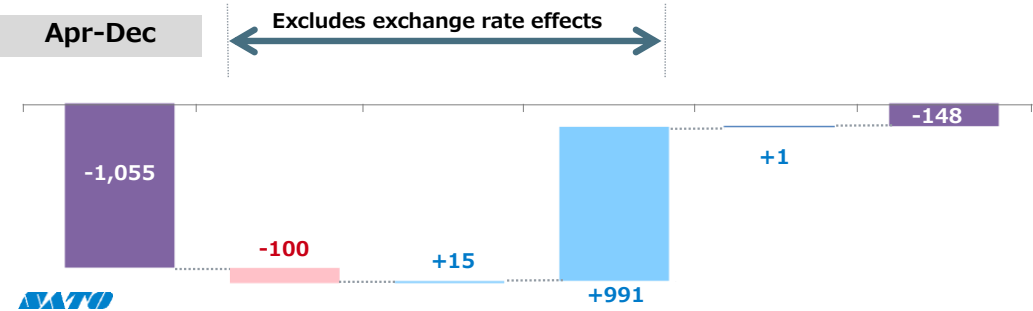
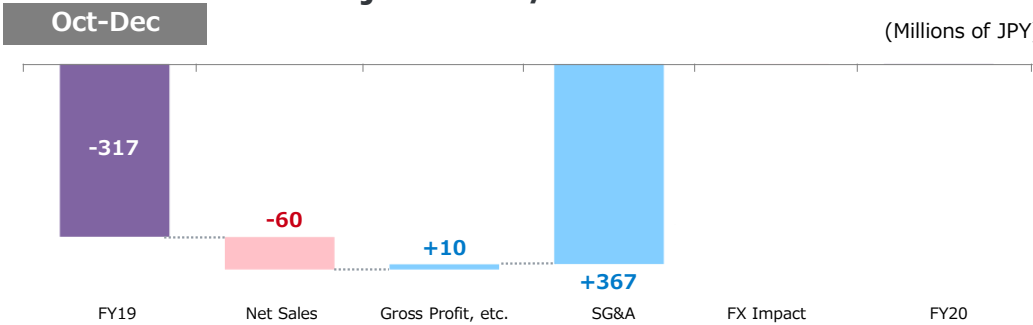


Sales	125	104	116	81	100	94	100	68	75	60	0
YoY	+53.2%	+34.0%	2.1x	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-
OI	-303	-372	-337	-407	-394	-343	-317	-261	-70	-77	0
YoY	-	-	-	-	-	-	-	-	-	-	-



Major Gains/Losses in OI

(Millions of JPY)



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 businesses</u> .
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." SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September, 2020.
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</u> /labeling of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added "+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</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 DCS & Labeling +One . 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 <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	DataLase Ltd. (UK)	[2017] Company engaging in the development, production and sales of the <u>IDP</u> color-change pigment and related products. SATO Holdings transferred all shares to DataLase Holdings Ltd 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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