

August 7, 2020

SATO HOLDINGS CORPORATION

FY2020 Q1 Financial Results
(Three Months Ended June 30, 2020)

Securities Code: 6287

Summary

- Consolidated sales and OI decreased YoY due to worldwide economic slowdown resulting from the spread of the novel coronavirus.
- Overseas, sales and OI decreased.
Both sales and OI decreased in the Base business due to significant restrictions on sales activities.
Sales in the Primary Labels business decreased as business with industries that support essential infrastructure could not fully compensate for sluggishness elsewhere—although OI increased mainly due to reduced cost to sales ratio.
- In Japan, sales and OI decreased due to an overall slowdown in economic activity.
- Commercialization of IDP business remains under consideration.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020	FY2019	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	23,575	28,363	-16.9%	-14.5%
	Operating Income	476	1,878	-74.6%	-75.5%
	Overseas	Total Sales	10,867	-27.8%	-21.6%
		Operating Income	560	-86.1%	-83.1%
	Japan	Total Sales	17,495	-10.1%	-10.1%
		Operating Income	1,318	-69.7%	-72.3%
IDP business	Total Sales	75	100	-24.6%	-20.4%
	Operating Income	-70	-394	-	-
Consolidated (incl. eliminations)	Total Sales	23,651	28,463	-16.9%	-14.5%
	Operating Income	385	1,514	-74.5%	-75.8%

Consolidated Results

(Millions of JPY)

	FY2020	FY2019	Change	YoY
Net Sales	23,651	28,463	-4,812	-16.9%
Operating Income	385	1,514	-1,128	-74.5%
Operating Income %	1.6%	5.3%	-3.7pt	-
Ordinary Income	618	1,338	-720	-53.8%
Profit attributable to owners of parent	213	842	-629	-74.7%
Effective Tax Rate	53.0%	31.8%	+21.3pt	
EBITDA *1	1,507	2,978	-1,471	-49.4%

Average exchange rates for Apr-Jun FY20: JPY 107.63/USD, JPY 118.59/EUR, Apr-Jun FY19 JPY 109.90/USD, JPY 123.49/EUR

FX sensitivity for FY20: JPY +400 million in sales and JPY +3 million in OI for +1 JPY against USD and assuming all others move by the same ratio
(Based on FY19 actuals)

*1 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Jun FY20: JPY 1,064 million

· Amortization for Apr-Jun FY20: JPY 57 million

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

Apr-Jun FY19: JPY 1,240 million

Apr-Jun FY19: JPY 224 million (incl. 150 mil. for DataLase) *2

Overview

- Sales decreased due to significant restrictions on sales activities and due to negative FX impact.
- OI decreased overall, mainly due to decreased sales in the Base business.

(Millions of JPY)

	FY2020	FY2019	Change	YoY	excl. FX impact
Total Sales	7,844	10,867	-3,023	-27.8%	-21.6%
Gross Profit	2,751	3,784	-1,033	-27.3%	
Gross Profit %	35.1%	34.8%	+0.2pt		
Operating Income	77	560	-482	-86.1%	-83.1%
Operating Income %	1.0%	5.2%	-4.2pt		

Breakdown by Business Segment

Base business: Sales and OI decreased mainly due to significant restrictions on sales activities in markets and industries which comprise a large portion of sales.

Primary Labels business: Sales and OI increased on a local currency basis as sales were supported by business with customers in industries that maintain essential infrastructure such as food & beverage and pharmaceuticals.

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	5,755	8,539	-2,784	-32.6%	-29.5%
	Operating Income	-26	577	-604	-	-
Primary Labels	Total Sales	2,089	2,328	-238	-10.3%	+7.6%
	Operating Income	100	-33	+134	-	-
Eliminations	Total Sales	3	16	-12	-75.8%	-
Total	Total Sales	7,844	10,867	-3,023	-27.8%	-21.6%
	Operating Income	77	560	-482	-86.1%	-83.1%

Breakdown by Region: The Americas

Base business: Sales and OI decreased mainly due to the impact of store closures in the retail industry which comprises a large portion of sales for our US subsidiary.

Primary Labels business: Sales and OI increased on a local currency basis for Achernar in Argentina, supported mainly by demand from customers in the food and beverage industries. On the other hand, sales and OI decreased on a local currency basis for Prakolar in Brazil whose brisk performance in pharmaceuticals could not fully compensate for poorly performing segments such as cosmetics.

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	1,781	2,797	-1,016	-36.3%	-33.6%
	Operating Income	-44	174	-219	-	-
Primary Labels • Achernar • Prakolar	Total Sales	378	577	-198	-34.5%	-4.3%
	Operating Income	2	17	-14	-85.4%	-59.8%
Total	Total Sales	2,159	3,374	-1,214	-36.0%	-28.6%
	Operating Income	-42	192	-234	-	-

Breakdown by Region: Europe

Base business: Sales and OI decreased due to the impact of store closures in the retail industry which comprises a large portion of sales.

Primary Labels business: Sales increased on a local currency basis due to increased needs from customers who comprise a large portion of sales such as those in the food and alcoholic beverage industries. OI increased due to sales growth and reduced cost to sales ratio.

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	1,453	2,386	-933	-39.1%	-36.3%
	Operating Income	-86	109	-195	-	-
Primary Labels • Okil • X-Pack	Total Sales	1,711	1,751	-40	-2.3%	+11.5%
	Operating Income	98	-51	+149	-	-
Total	Total Sales	3,164	4,137	-973	-23.5%	-16.1%
	Operating Income	11	57	-46	-79.8%	-60.5%

Breakdown by Region: Asia/Oceania

Base business: Sales and OI decreased mainly due to a slowdown in manufacturing. Sales remained flat YoY in China where economic activities resumed earlier than elsewhere.

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl.FX Impact
Base	Total Sales	2,520	3,355	-834	-24.9%	-21.2%
	Operating Income	104	294	-189	-64.5%	-63.8%

Overview

Sales declined due to slowdown in overall economy and delayed business dealings behind restrictions on sales activities.

OI decreased due to sales decline and lower gross profit margin as a result of unfavorable product mix. Impact on OI was mitigated, however, with reduced SG&A.

(Millions of JPY)

	FY2020	FY2019	Change	YoY
Mechatronics Sales	6,176	6,954	-777	-11.2%
Consumables Sales	9,554	10,540	-986	-9.4%
Total Sales	15,730	17,495	-1,764	-10.1%
Gross Profit	7,339	8,740	-1,400	-16.0%
Gross Profit %	46.7%	50.0%	-3.3pt	-
Operating Income	399	1,318	-919	-69.7%
Operating Income %	2.5%	7.5%	-5.0pt	-

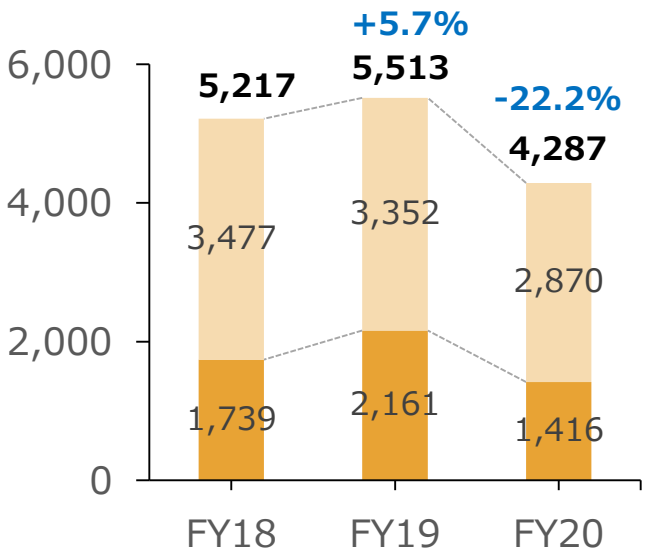
Sales by Vertical [1]

(Millions of JPY)

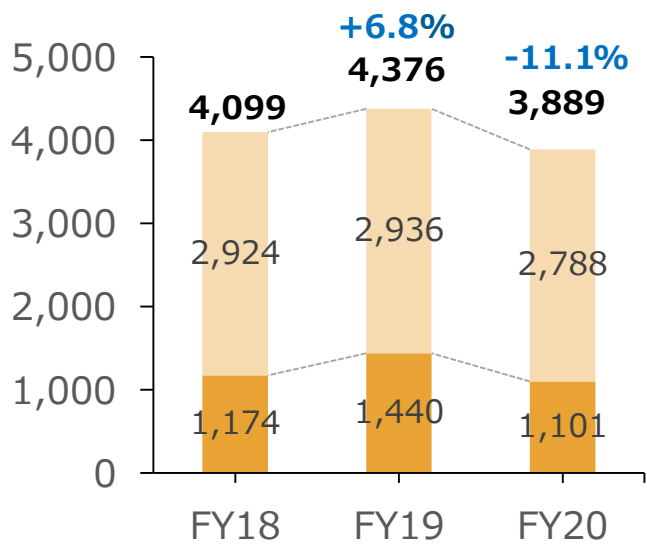
■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail

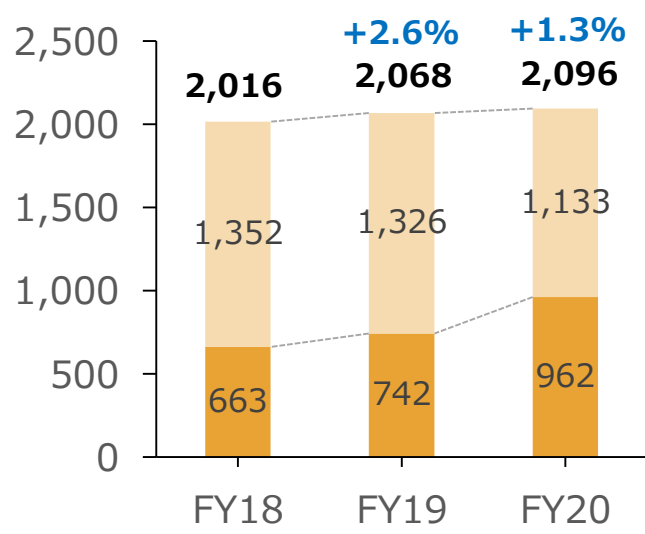
Manufacturing



Logistics



Retail/Apparel *1



Business Environment

Production was sluggish in many industries including automotive.

Logistics volume increased due to briskness in e-commerce from stay-home consumption. Labor shortages became even more conspicuous.

Sales were brisk mainly in supermarkets and drug stores. Specialty stores bided their time as nonessential consumption and inbound demand slumped.

SATO

Growth in mechatronics sales abated as sales were delayed or stagnant. Needs were robust for automated labeling and RFID. Sales in consumables decreased due to sluggish production activities.

Although needs for automation grew due to labor shortages in 3PL, mechatronics sales decreased due to a slump in wholesale for restaurants and apparel. Despite increased logistics volume from strong e-commerce performance, consumables sales fell due to sluggish performance in wholesale.

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

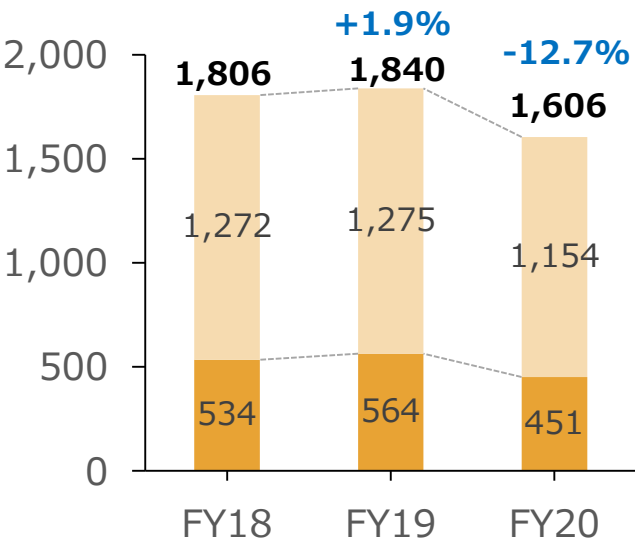


Sales by Vertical [2]

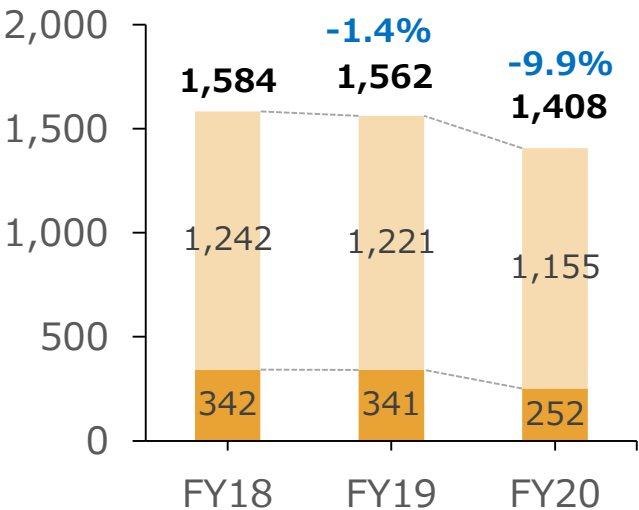
(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

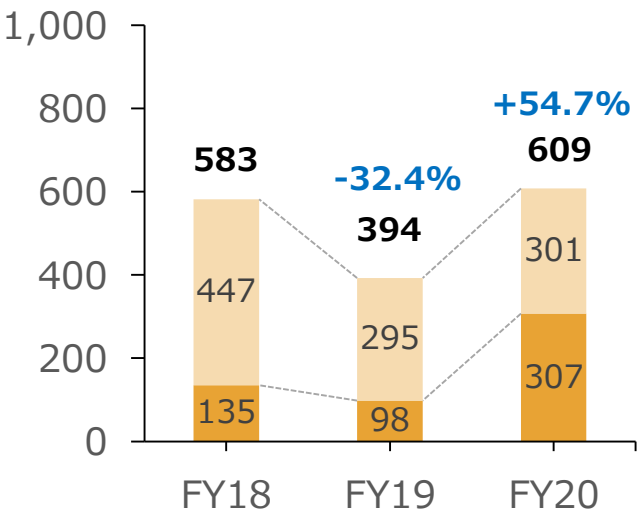
Health Care



Food & Beverage



Public



Business Environment

Outpatients at medical institutions decreased due to fears of the coronavirus, and logistics volume decreased in the market as a whole.

Sales were brisk in food and beverage production due to demand for compliance with regulatory changes. Conversely, sales slumped for restaurants.

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

SATO

As a result of the above, business has slowed for both mechatronics and consumables.

Business slowed in both mechatronics and consumables as food and beverage production for restaurants and business with restaurants slumped.

Mechatronics sales grew due to large-volume orders. Consumables remained flat.

Overview

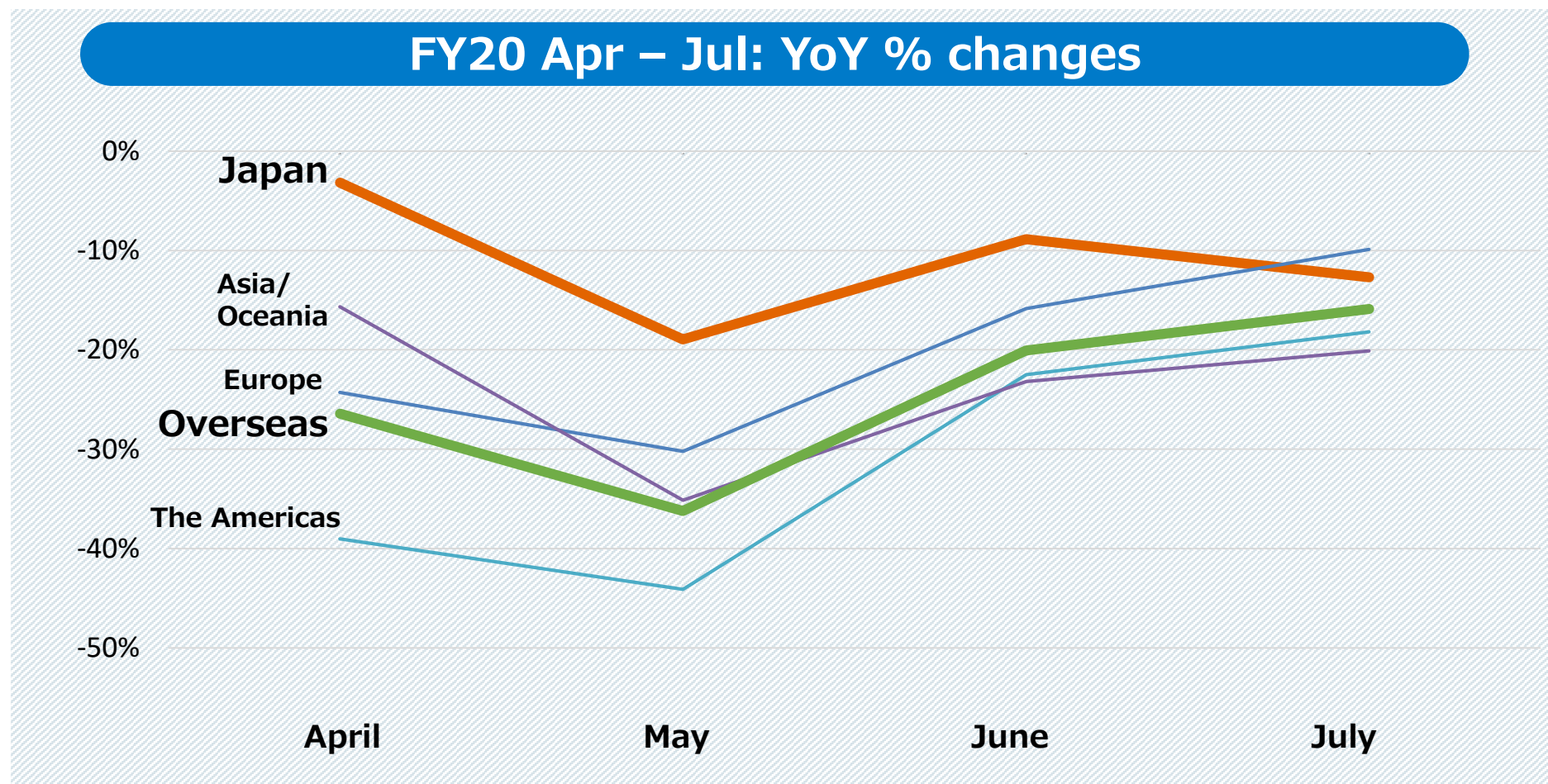
Commercialization of IDP business remains under consideration.

(Millions of JPY)

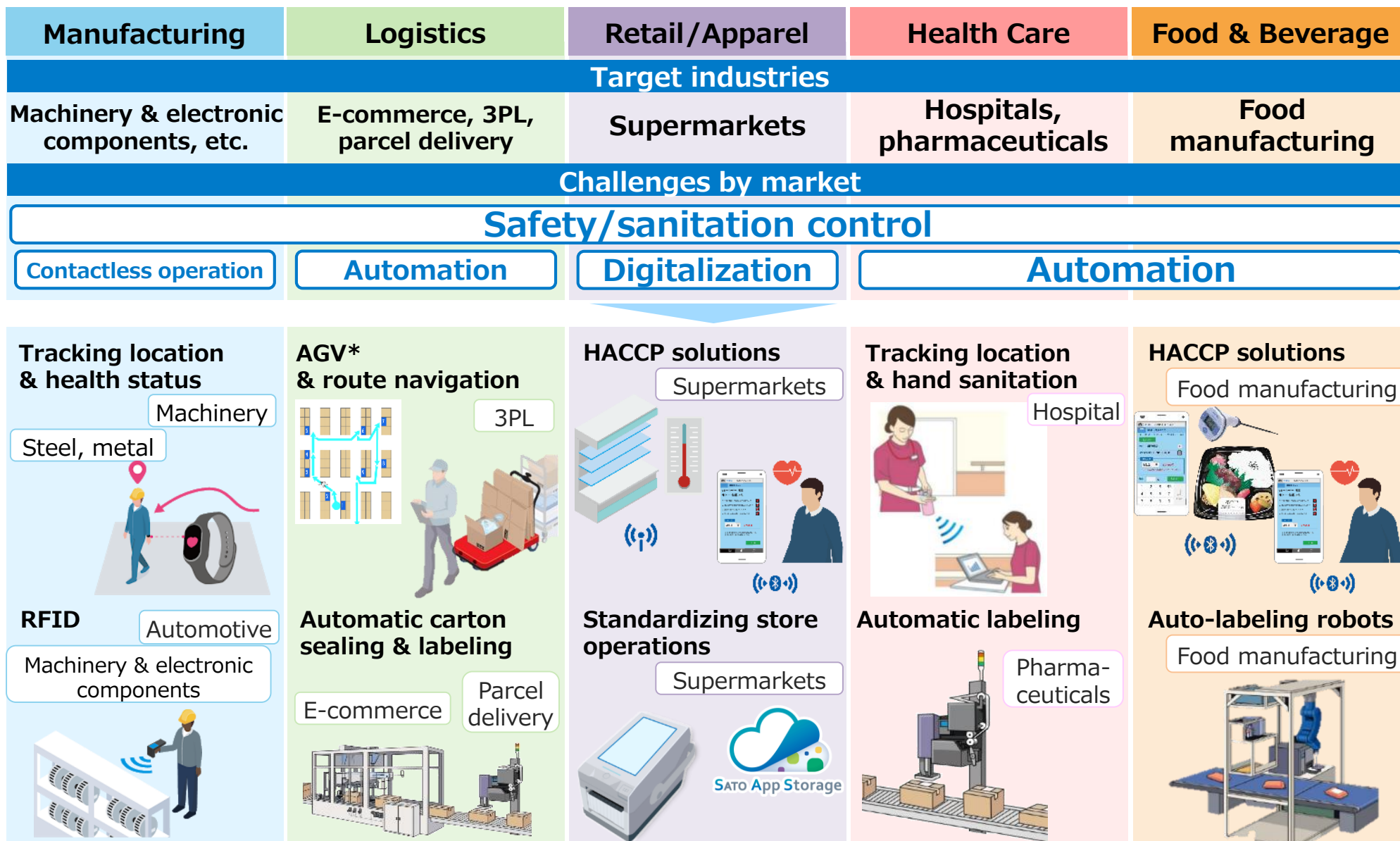
	FY2020	FY2019	Change	YoY	excl. FX impact
Total Sales	75	100	-24	-24.6%	-20.4%
Gross Profit	58	67	-9	-13.4%	-
Gross Profit %	77.5%	67.5%	+10.0pt	-	-
Operating Income	-70	-394	+323	-	-
Operating Income %	-	-	-	-	-

Monthly sales trends by region

Business dealings for this fiscal year and beyond are increasing after bottoming out in May as sales activities and customer operations gradually restart.



Key initiatives following the coronavirus outbreak

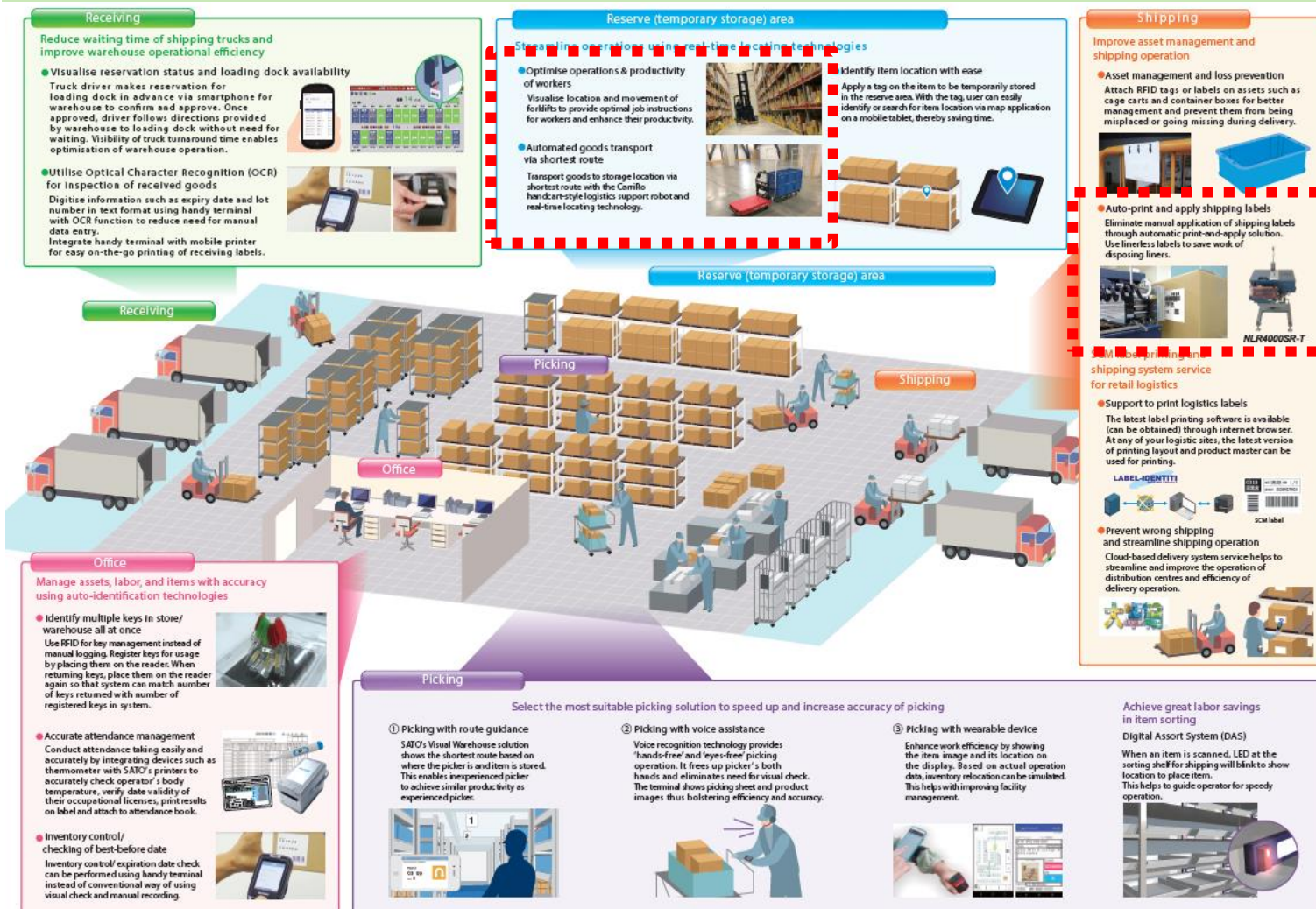


*AGV: Automated Guided Vehicles

Offering precisely the right solutions for customers' on-site operations that have come to face issues following the coronavirus outbreak

e.g. Logistics, e-commerce

Automation



Key initiatives following the coronavirus outbreak

Retail/Apparel	Food & Beverage	Manufacturing	Health Care
Target industries			
Supermarkets, convenience stores, off-price retailers*	Food manufacturing, fast food	Automotive, machinery & electronic components, pharmaceuticals, medical equipment	
Challenges by market			
Safety/sanitation control			
Automation			
	Traceability		
	Food waste		

Contactless



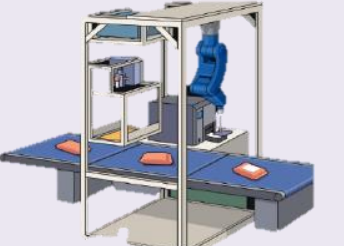
Labeling individual packages



Optimizing store operations



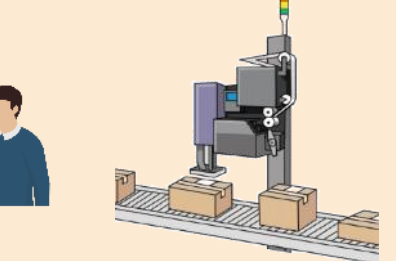
Auto-labeling robots



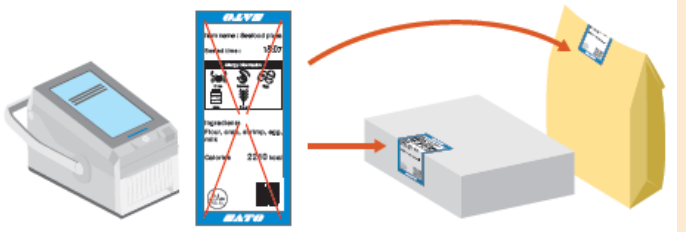
HACCP solution



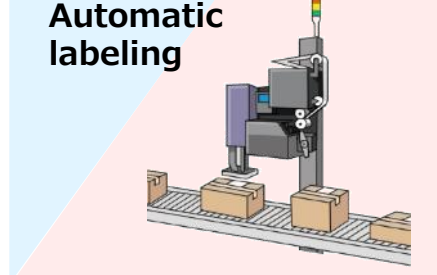
Auto-labeling machine



Tamper-evident labels, food labels



Automatic labeling



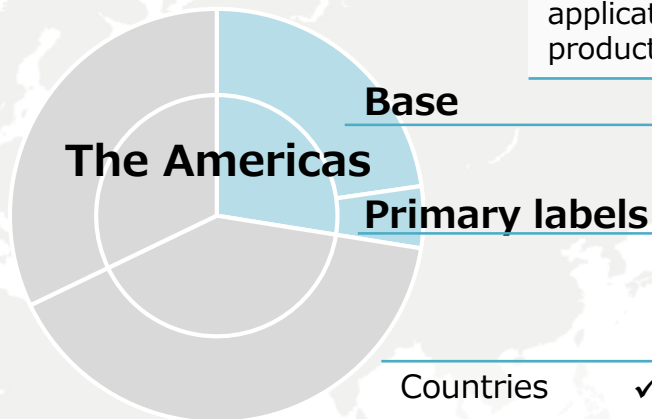
RFID



*Retailers who provide outdated brands or off-the-season items at discounts

Key initiatives following the coronavirus outbreak: The Americas

FY20 Q1
Overseas sales
by region



Country	✓ USA 
Activity updates	✓ Retail stores and restaurants tentatively reopened in May ✓ Customers visits are possible upon their requests
Target industries/ applications and products	✓ Supermarkets (Contact less, food labels) ✓ Off-price retailers (Automation)

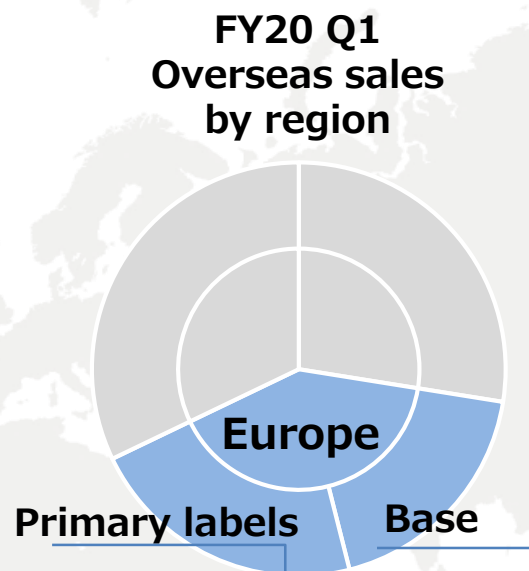
Countries ✓ Argentina  Brazil 

Activity updates ✓ Argentina **is still in lockdown**. Achernar continues producing and selling labels for **food & beverage and everyday goods** that are permitted to carry on operating.
✓ Prakolar in Brazil also **continued operating during the lockdown** that was in place until early June. **Business with pharmaceuticals is brisk**

Target industries ✓ **Essential industries**



Key initiatives following the coronavirus outbreak: Europe



Countries	✓ Germany  UK  France 
Activity updates	✓ Retail stores and restaurants tentatively reopened in June ✓ Customer visits , in general, are not possible
Target industries/ applications and products	✓ Supermarkets, convenience stores (Contactless, food labels, operation optimization) ✓ Food manufacturing (HACCP, automation, traceability, food waste) ✓ Fast food (Tamper-evident labels, food labels)

Country	✓ Russia 
Activity updates	✓ Okil in Russia continued operating during the lockdown that was in place until early June, producing and selling labels for food & beverage and everyday goods
Target industries	✓ Essential industries

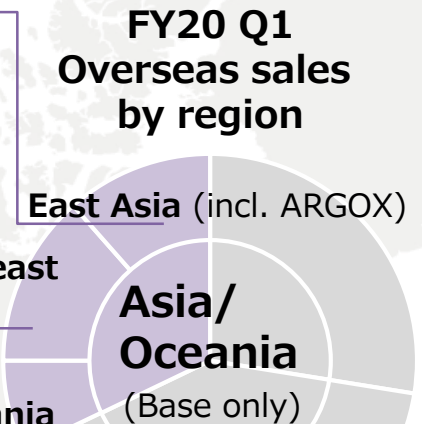


Key initiatives following the coronavirus outbreak: Asia/Oceania

Country	✓ China 
Activity updates	✓ Operating as normal , but production has slowed in manufacturing (particularly automotive) due to decreased exports
Target industries/ applications and products	✓ Automotive, machinery & electronic components (RFID, automation, traceability) ✓ Food manufacturing (HACCP, automation, traceability, food waste)

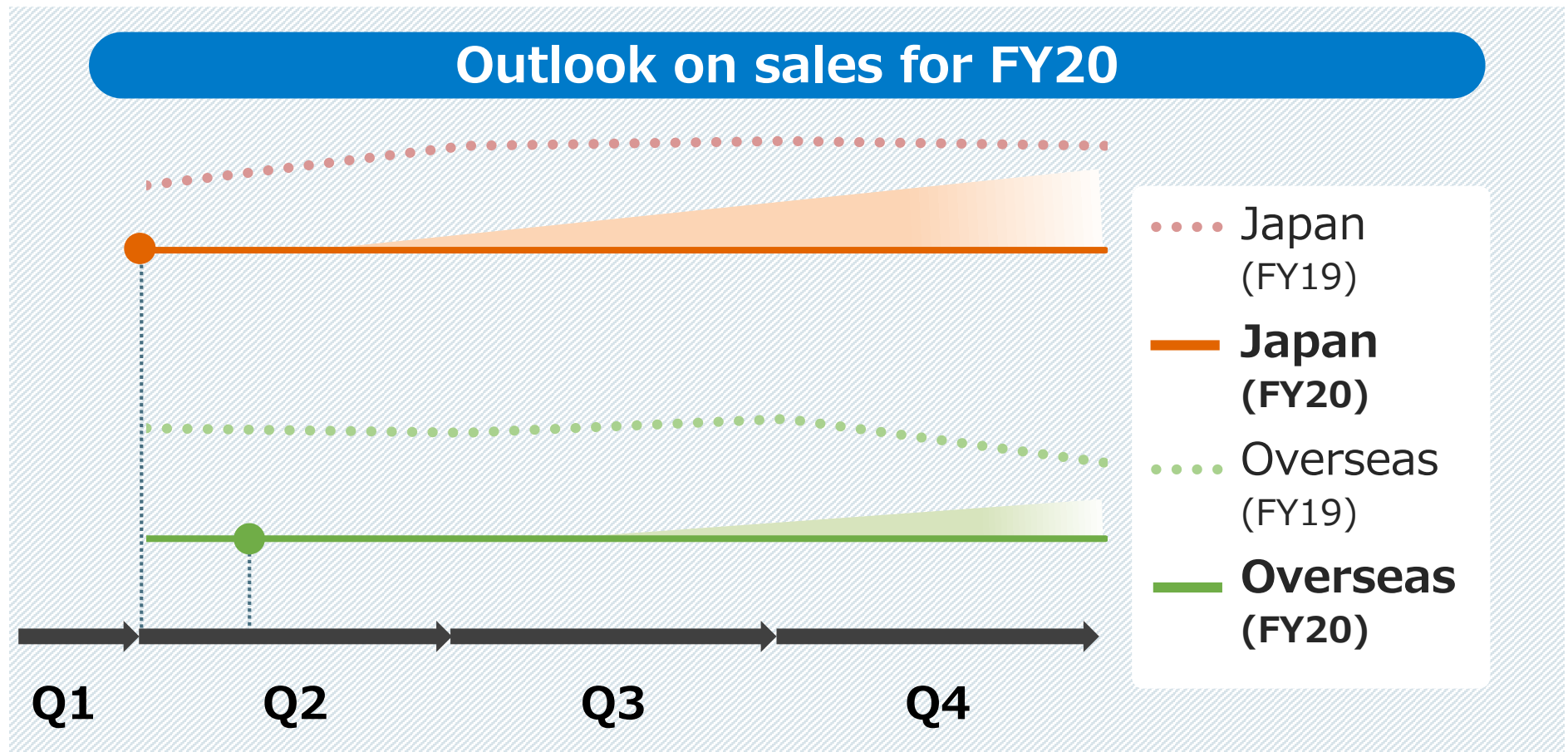
Countries	✓ Thailand  Singapore  India  Vietnam 
Activity updates	✓ Customer visits are not possible in Singapore or India ✓ Operating as normal in Thailand and Vietnam, but production has slowed due to decreased imports and exports
Target industries/ applications and products	✓ Automotive, machinery & electronic components (RFID, automation, traceability) ✓ Pharmaceuticals, medical equipment (Automation, traceability) ✓ Food manufacturing (HACCP, automation, traceability, food waste)

Countries	✓ Australia  New Zealand 
Activity updates	✓ As parts of Australia have gone back into lockdown , activities are mostly conducted from home. New Zealand is operating as normal
Target industries/ applications	✓ Off-price retailers (Automation) ✓ Food manufacturing (HACCP, automation, traceability, food waste)



Outlook for FY20

Japan and overseas businesses to gradually recover from Q2



Appendix

Performance data Pages 22-37

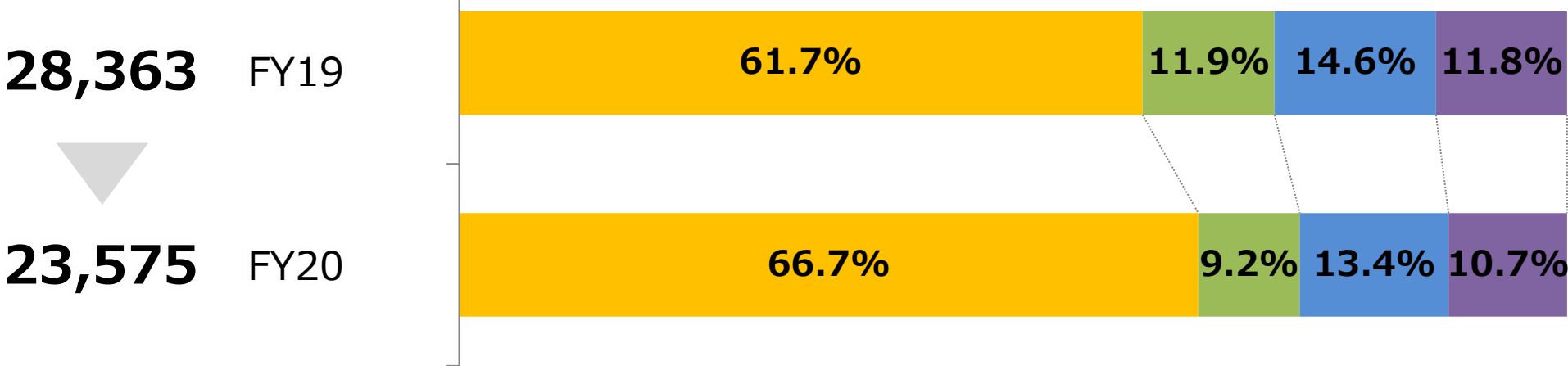
SATO terminologies Pages 38-41

Sales and OI by Region

(Millions of JPY)

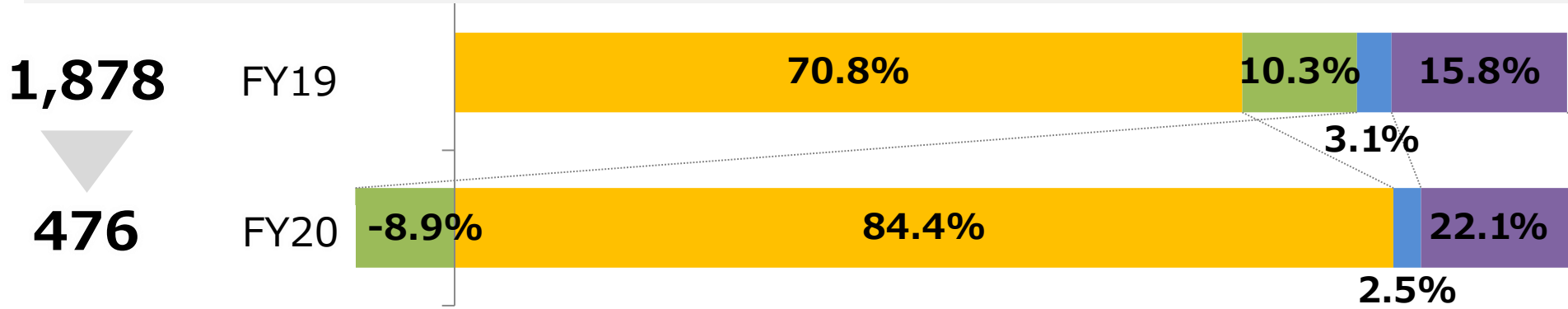
Japan The Americas Europe Asia/Oceania

Sales



Operating Income

*Ratio excludes eliminations.



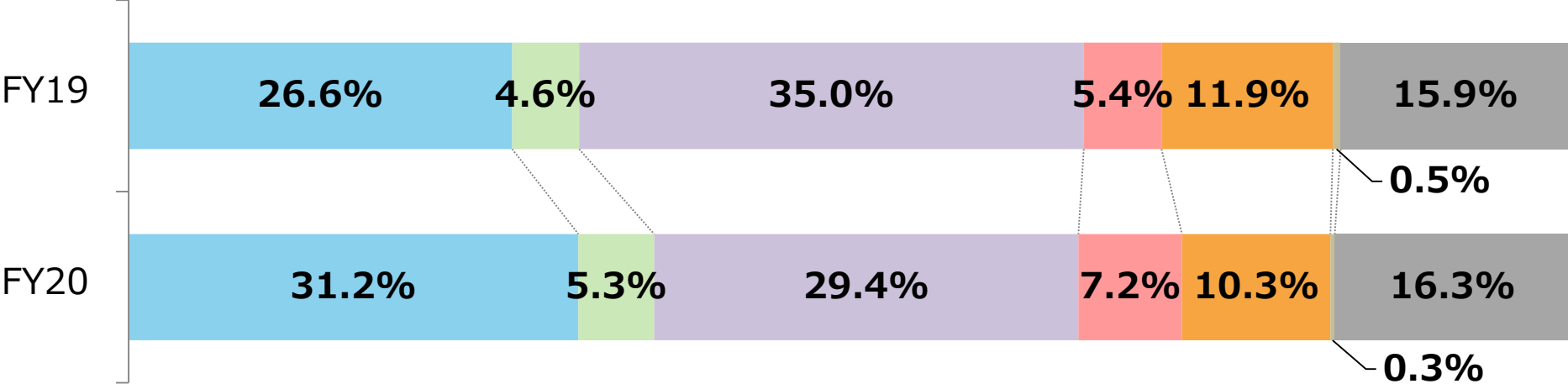
OI Ratio FY19 Japan : 7.5%, Overseas : 5.2%
FY20 Japan : 2.5%, Overseas : 1.0%



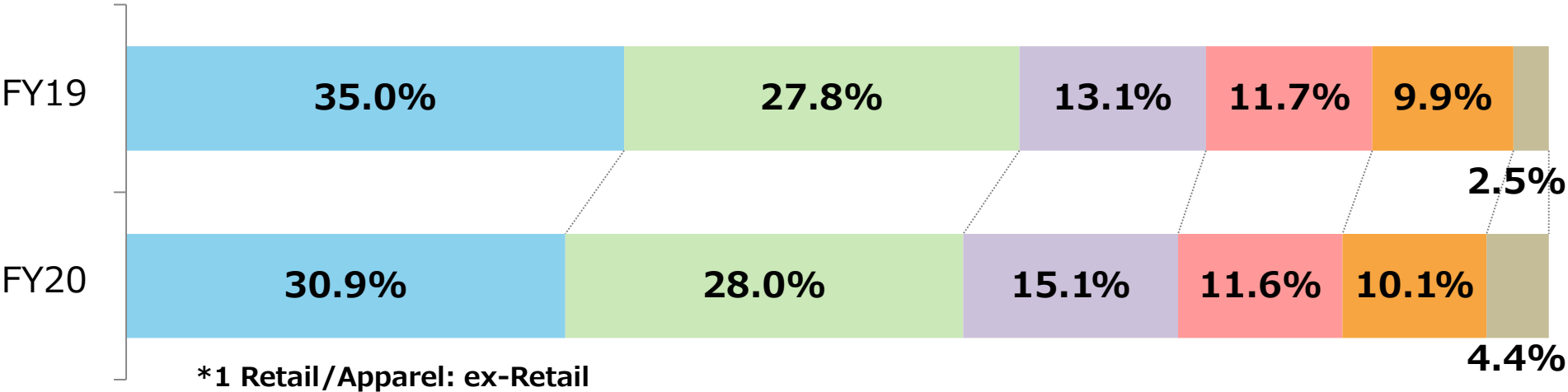
Sales by Vertical

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

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



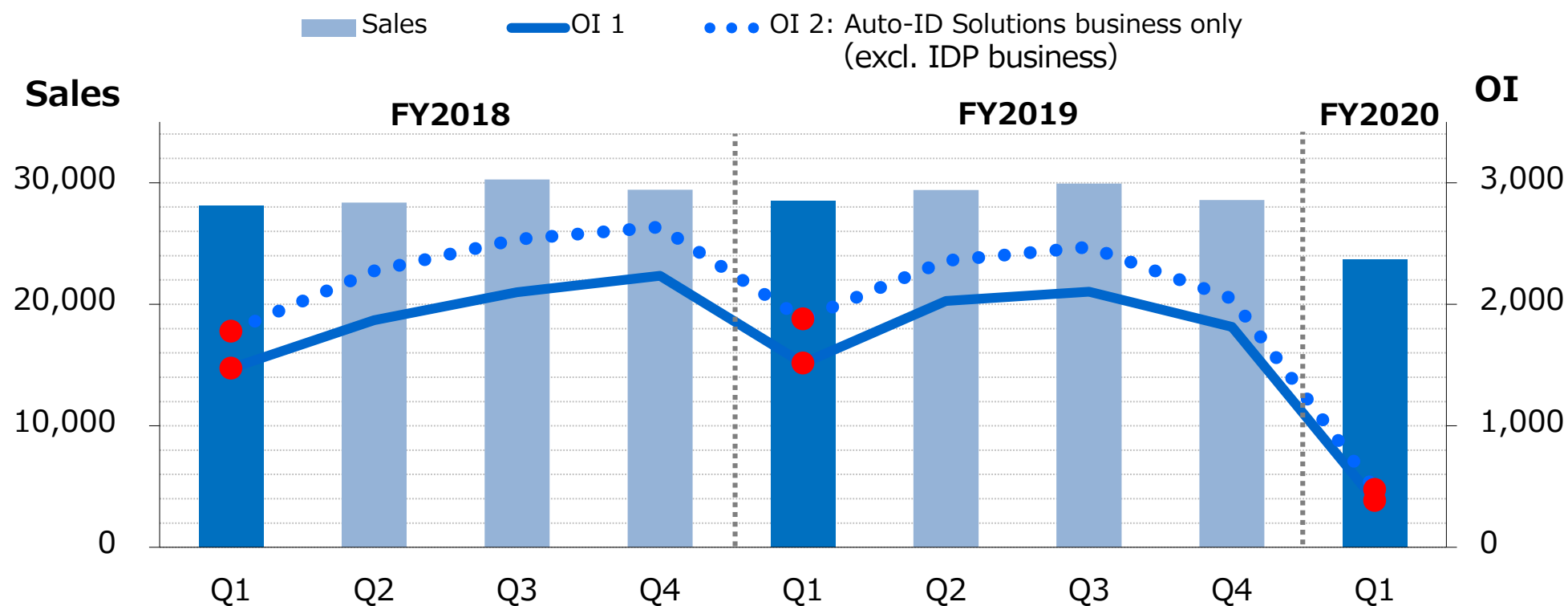
Japan



*1 Retail/Apparel: ex-Retail

Quarterly Sales & OI

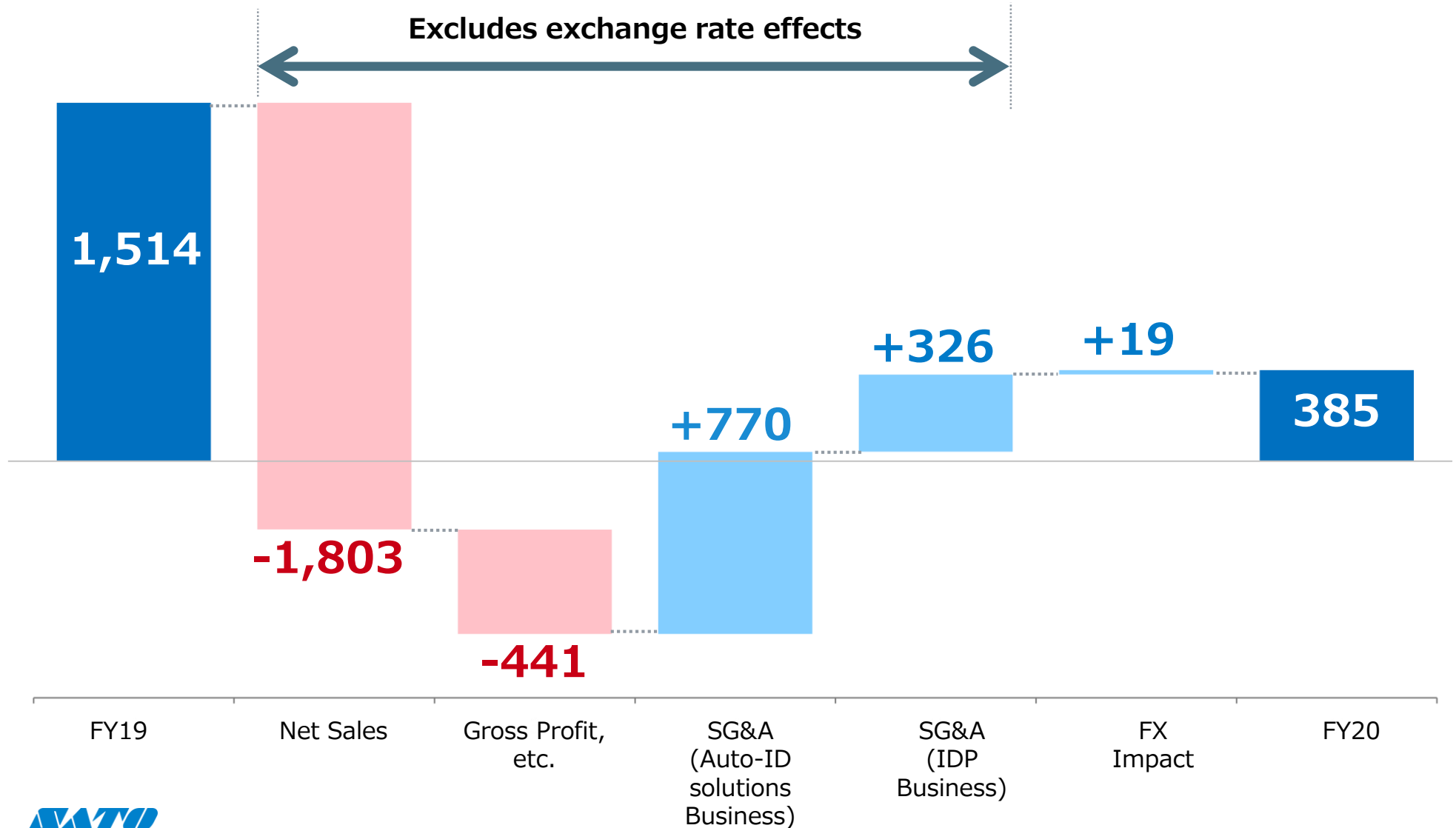
(Millions of JPY)



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

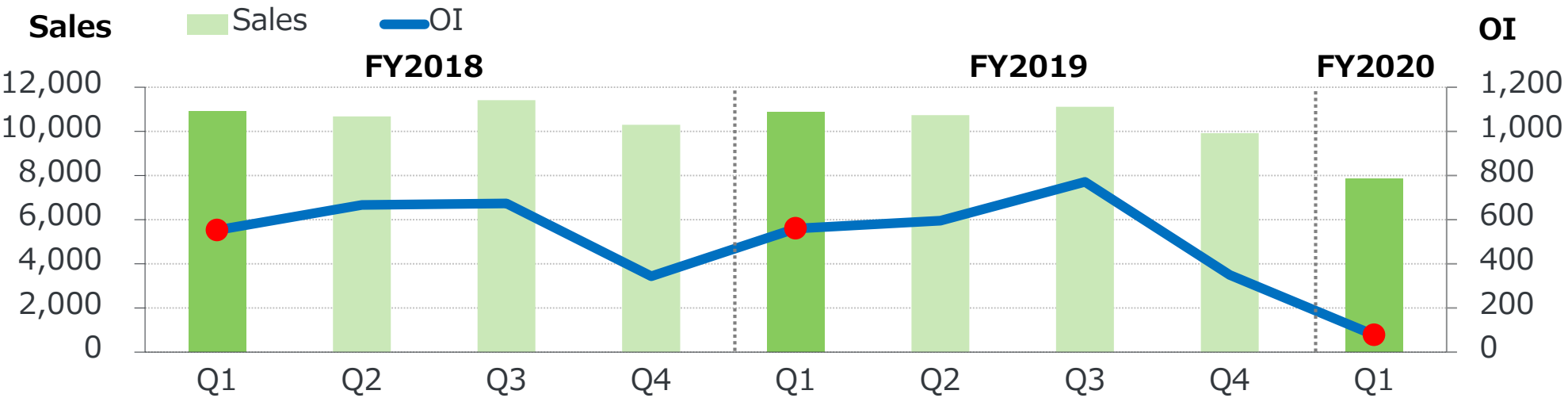
Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

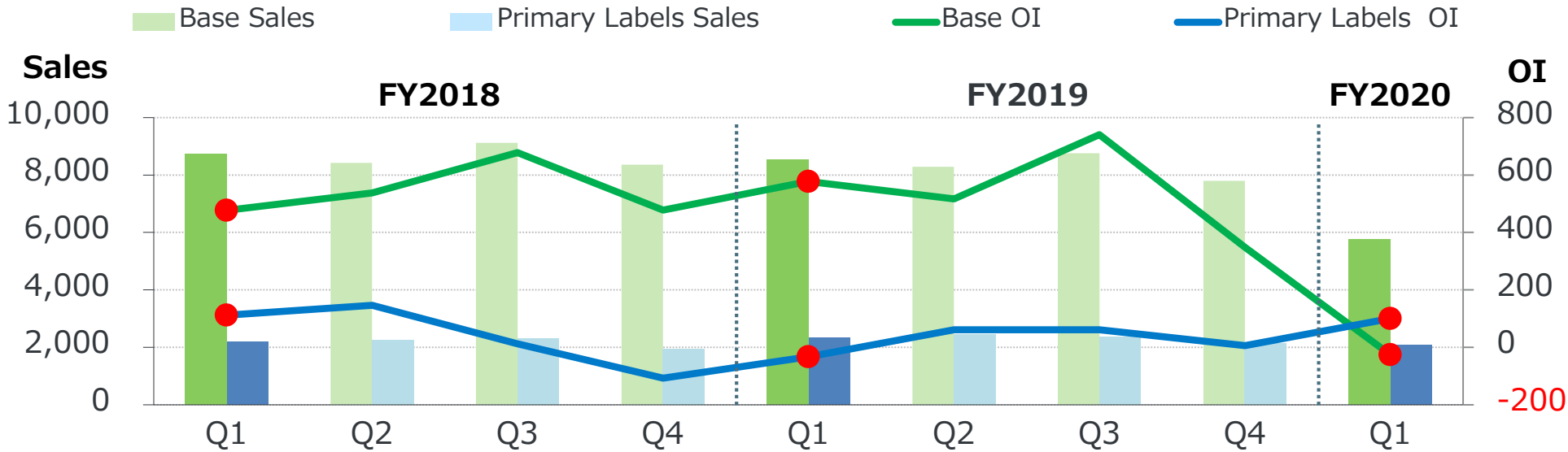
(Millions of JPY)



Sales	10,910	10,686	11,419	10,298	10,867	10,739	11,118	9,922	7,844
YoY	+8.2%	+1.6%	+1.7%	-4.2%	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%
OI	553	667	674	344	560	595	772	349	77
YoY	+49.8%	-8.6%	+1.6%	+236.8%	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%

Quarterly Sales & OI

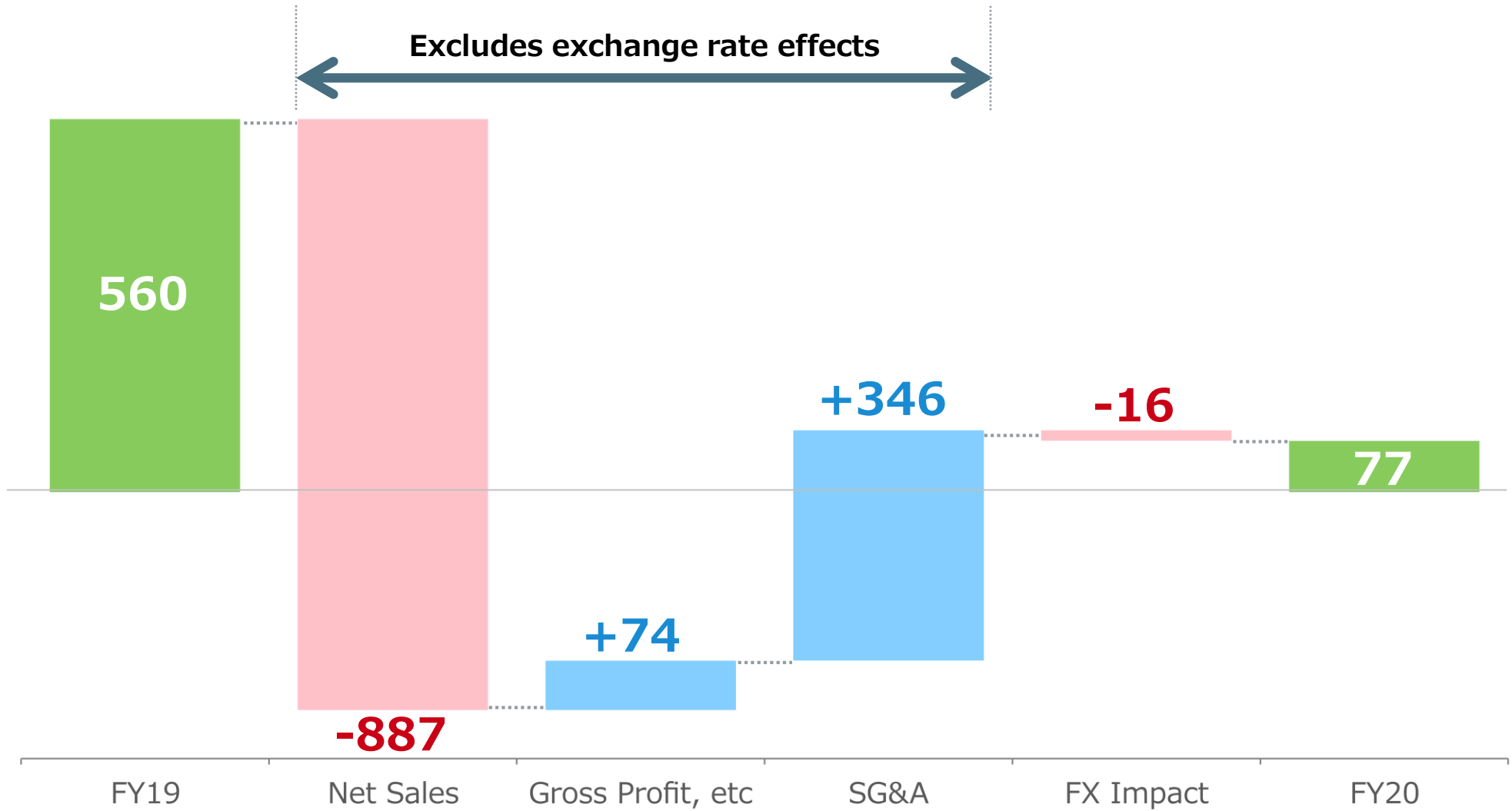
(Millions of JPY)



Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%
	OI	477	538	678	478	577	517	740	348	-26
	YoY	+39.9%	-21.0%	-3.3%	+1768.8%	+21.1%	-3.9%	+9.2%	-27.1%	-
Primary Labels	Sales	2,180	2,264	2,301	1,939	2,328	2,453	2,360	2,128	2,089
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%
	OI	112	146	12	-107	-33	61	61	6	100
	YoY	+141.7%	+457.4%	-	-	-	-58.3%	+388.8%	-	-

Major Gains/Losses in OI

(Millions of JPY)



Sales and OI by Business Segment/Region

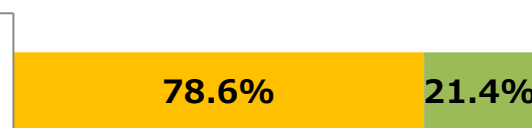
(Millions of JPY)

Base Primary Labels The Americas Europe Asia/Oceania

Sales

10,867

FY19



7,844

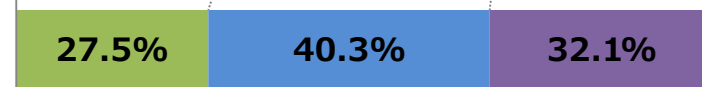
FY20



FY19



FY20

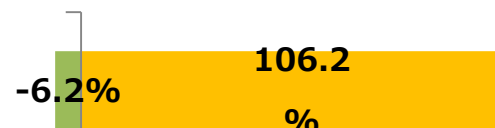


Operating Income

*Ratio excludes eliminations.

560

FY19

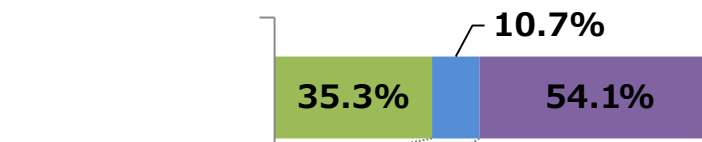


77

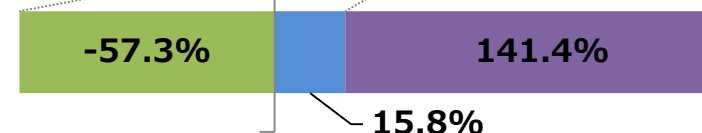
FY20



FY19



FY20



OI ratio:

FY19 Base : 6.8%, Primary Labels : N/A%

FY20 Base : N/A, Primary Labels : 4.8%

FY19 The Americas : 5.7%, Europe : 1.4%, Asia/Oceania : 8.8%

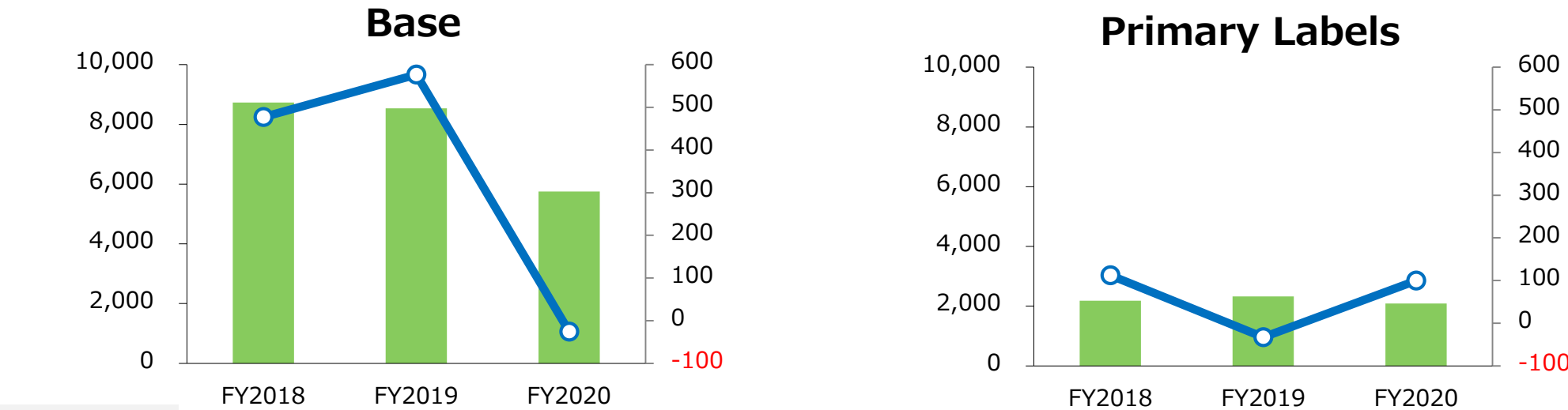
FY20 The Americas : N/A, Europe : 0.4%, Asia/Oceania : 4.1%

Sales and OI Trends by Business Segment and Region

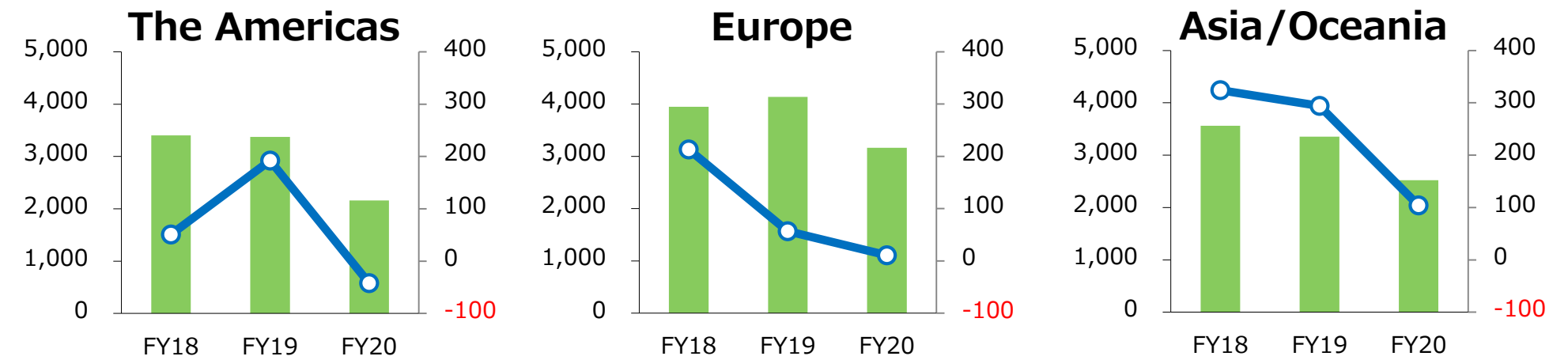
By Business Segment

Sales

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

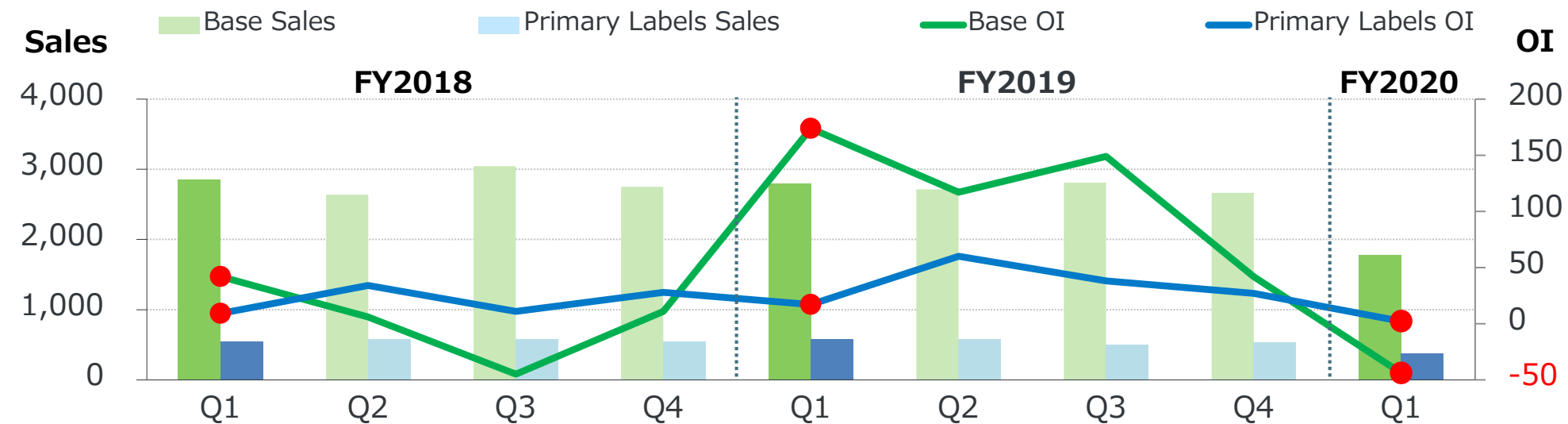


By Region



The Americas: Quarterly Sales & OI

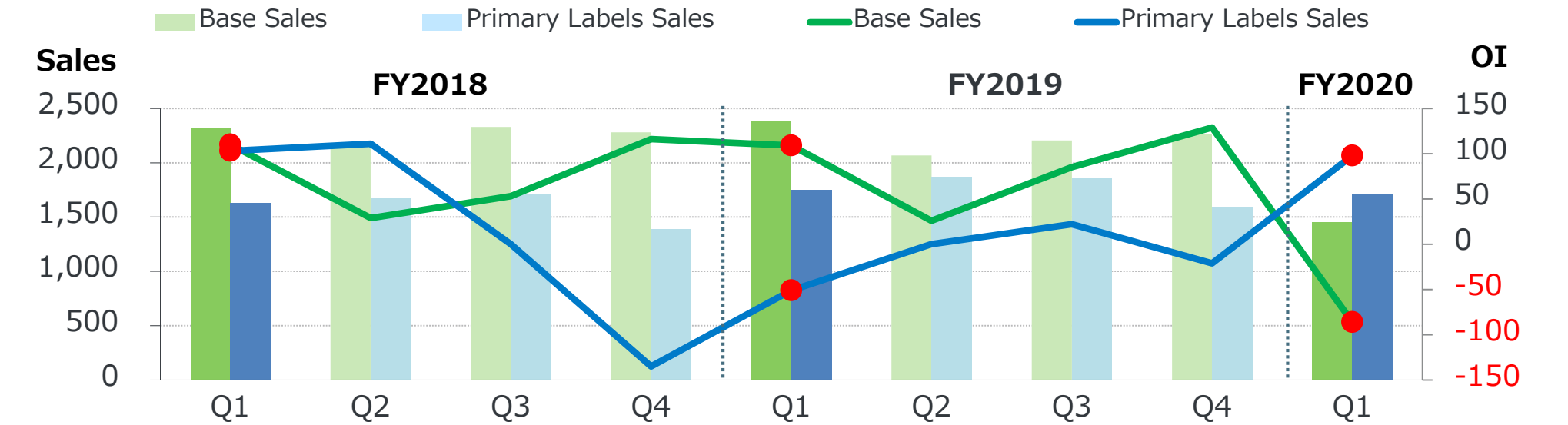
(Millions of JPY)



Base	Sales	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664	1,781
	YoY	+2.7%	-9.0%	-0.6%	-9.4%	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%
	OI	42	6	-45	11	174	117	149	42	-44
	YoY	-49.7%	-94.9%	-	-	+311.1%	+1599.3%	-	+276.4%	-
Primary Labels	Sales	546	584	587	550	577	586	497	536	378
	YoY	-16.9%	-12.4%	-9.9%	-19.6%	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%
	OI	9	34	11	28	17	60	38	27	2
	YoY	-92.1%	+145.4%	-	-68.0%	+86.3%	+76.8%	+224.6%	-1.1%	-85.4%

Europe: Quarterly Sales & OI

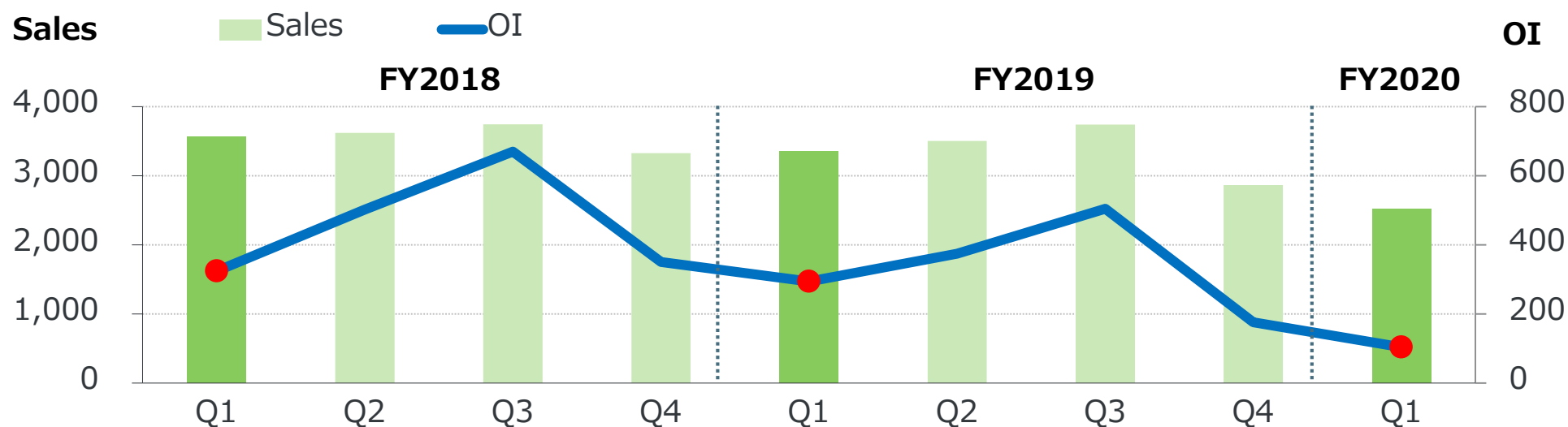
(Millions of JPY)



Base	Sales	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264	1,453
	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%
	OI	110	29	53	116	109	26	85	129	-86
	YoY	+153.7%	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-
Primary Labels	Sales	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591	1,711
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%
	OI	103	111	0	-135	-51	0	22	-21	98
	YoY	-	+813.3%	+282.6%	-	-	-99.7%	+3518.6%	-	-

Asia/Oceania: Quarterly Sales & OI

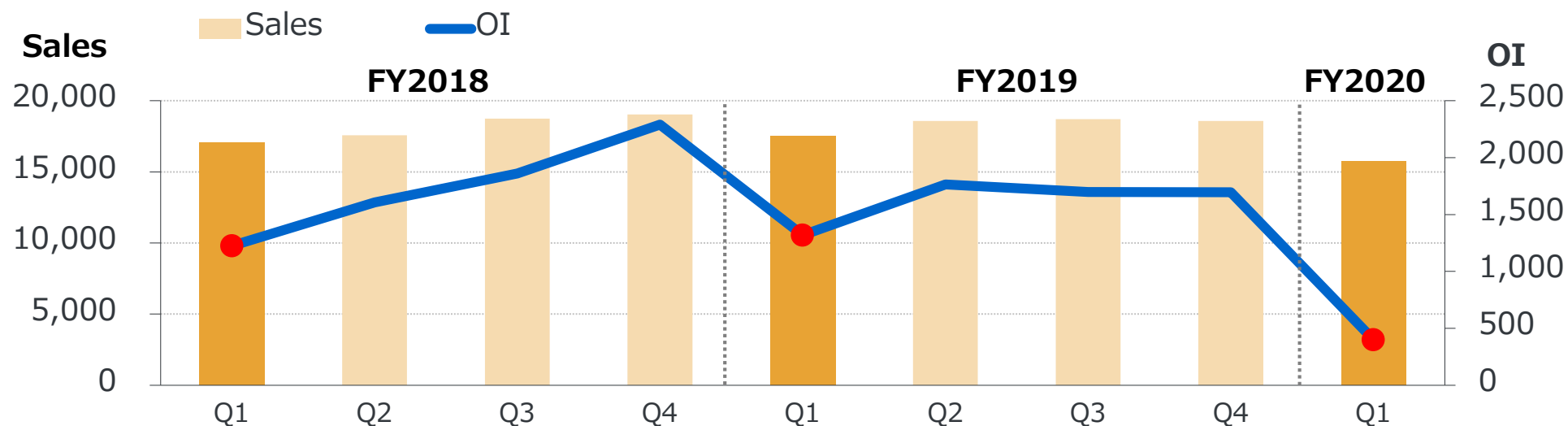
(Millions of JPY)



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

Quarterly Sales & OI

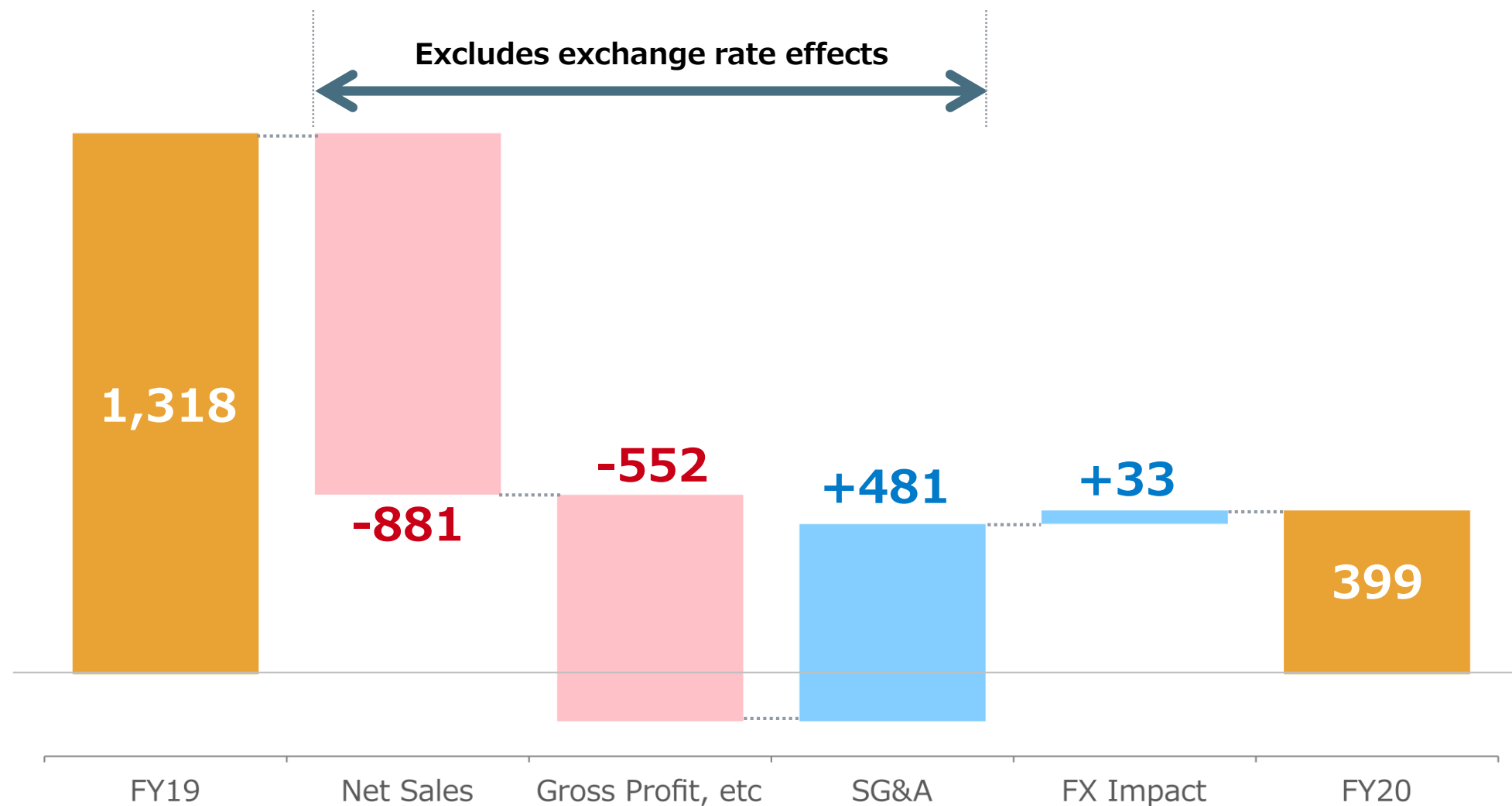
(Millions of JPY)



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

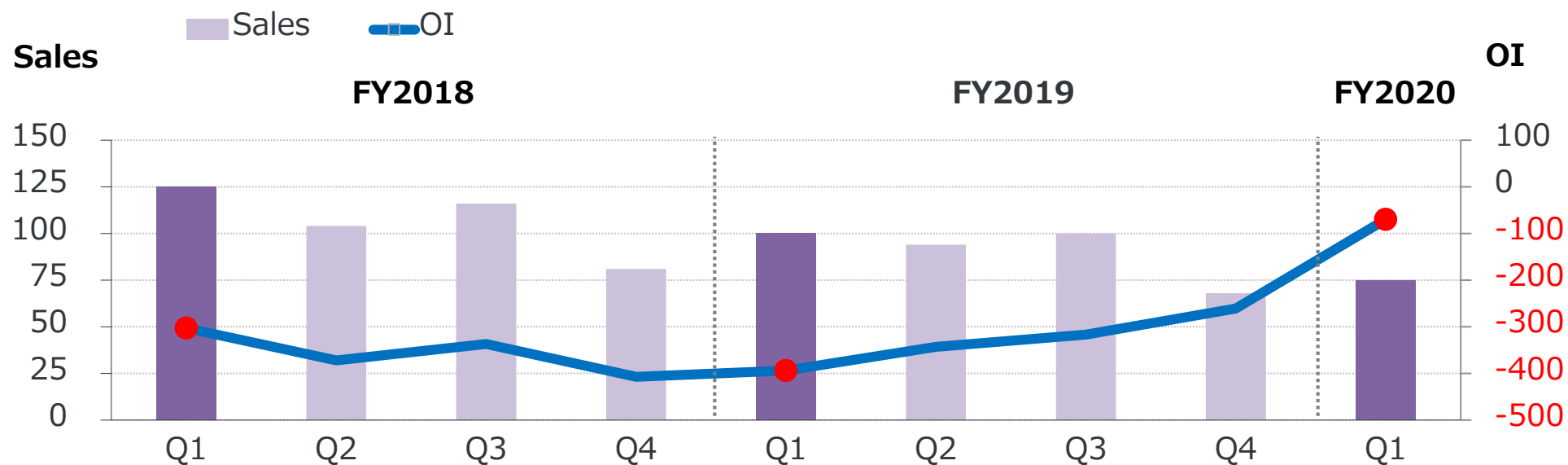
Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

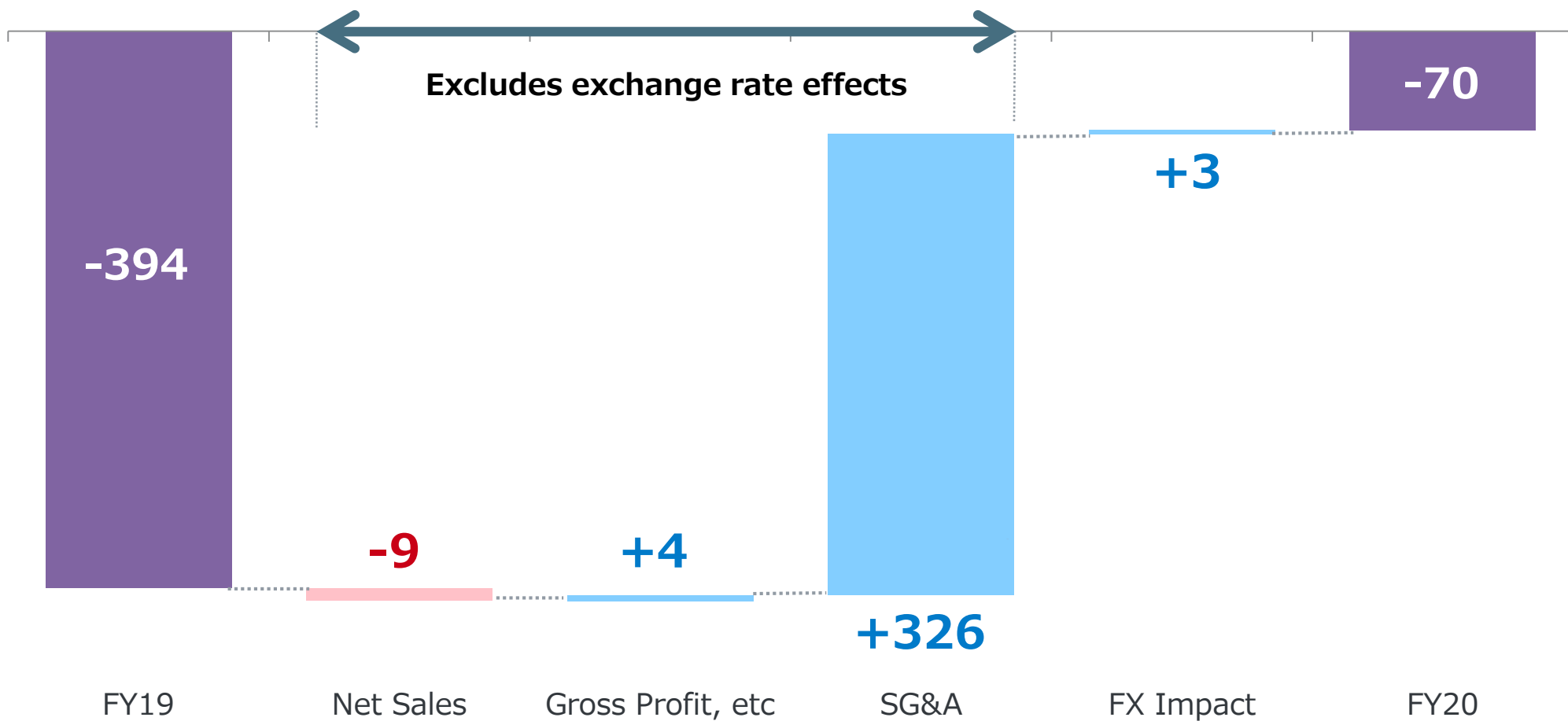
(Millions of JPY)



Sales	125	104	116	81	100	94	100	68	75
YoY	+53.2%	+34.0%	+111.3%	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%
OI	-303	-372	-337	-407	-394	-343	-317	-261	-70
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>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (<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</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.
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.

(*) Underlined terms are described under its own heading

SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
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) integrate products, services and technologies into solutions, working together with strategic partners, (2) address a wide range of market, industry and application needs with our expertise in sites of operations, 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)	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 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 repeat business.
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.

SATO terminologies (3/4)

Products, services, technologies		Description
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 revolutionary, 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. As IDP uses no ink or labels at the point of printing, it eliminates the need for labeling, minimizes stock keeping units (SKUs) and reduces waste, while shortening time spent on hardware maintenance. Besides delivering cost savings, productivity improvements and environmental benefits, IDP allows the printing of variable data for late stage customization/personalization of products and packaging, making it ideal for real-time, consumer-directed marketing.

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 healthcare business for 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. Now a SATO consolidated subsidiary.
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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