



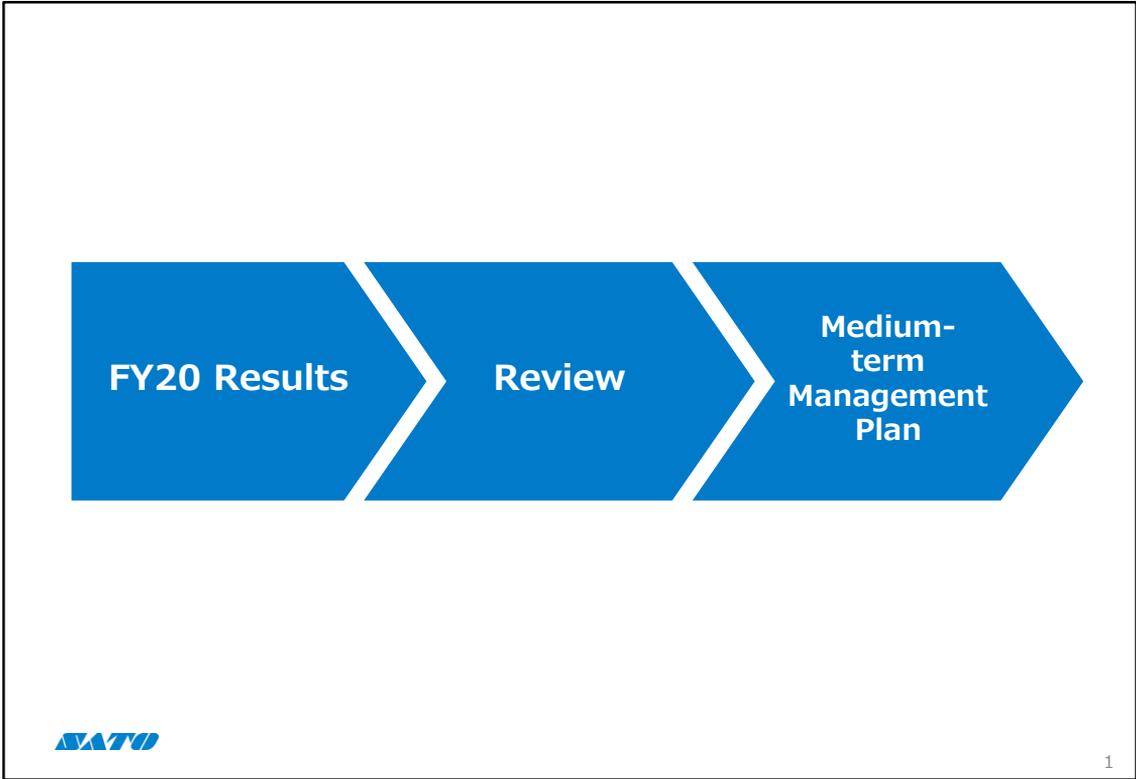
May 11, 2021

# SATO HOLDINGS CORPORATION

**FY2020 Financial Results**

(Fiscal Year Ended March 31, 2021)

Securities Code: 6287

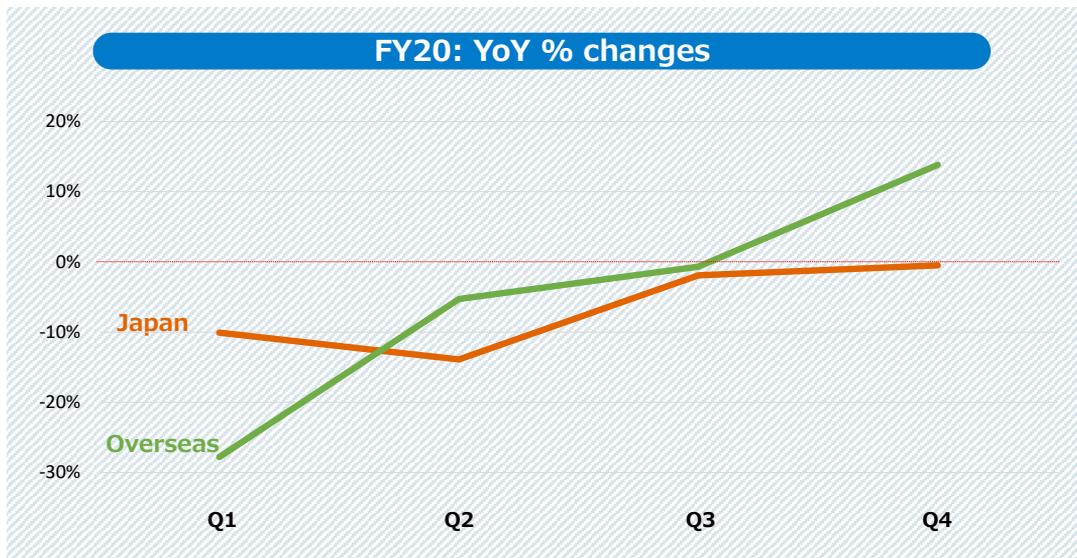


- This explanation will be in three parts.



### Quarterly sales trends (Overseas/Japan)

The recovery overseas accelerated further while that of Japan maintained its momentum.

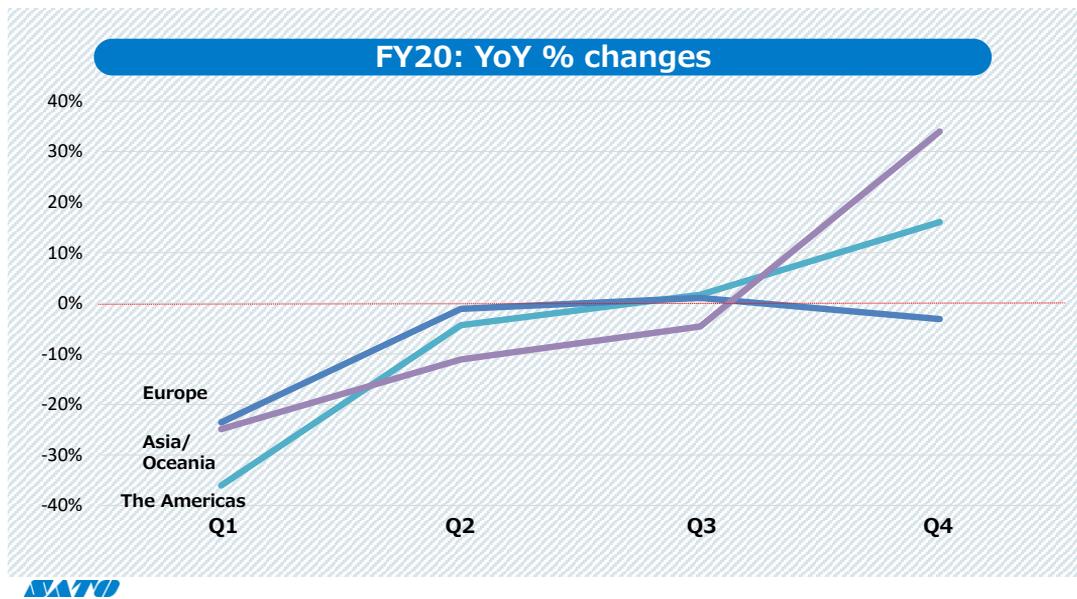


- This shows the year-on-year changes in quarterly sales during FY2020 both in Japan and overseas.
- During the fourth quarter, the recovery overseas accelerated further, while recovery in Japan maintained its momentum.

## Auto-ID Solutions Business (Overseas)

### Quarterly sales trends by region

Recovery in Asia/Oceania and the Americas accelerated, whereas Europe remained flattish.

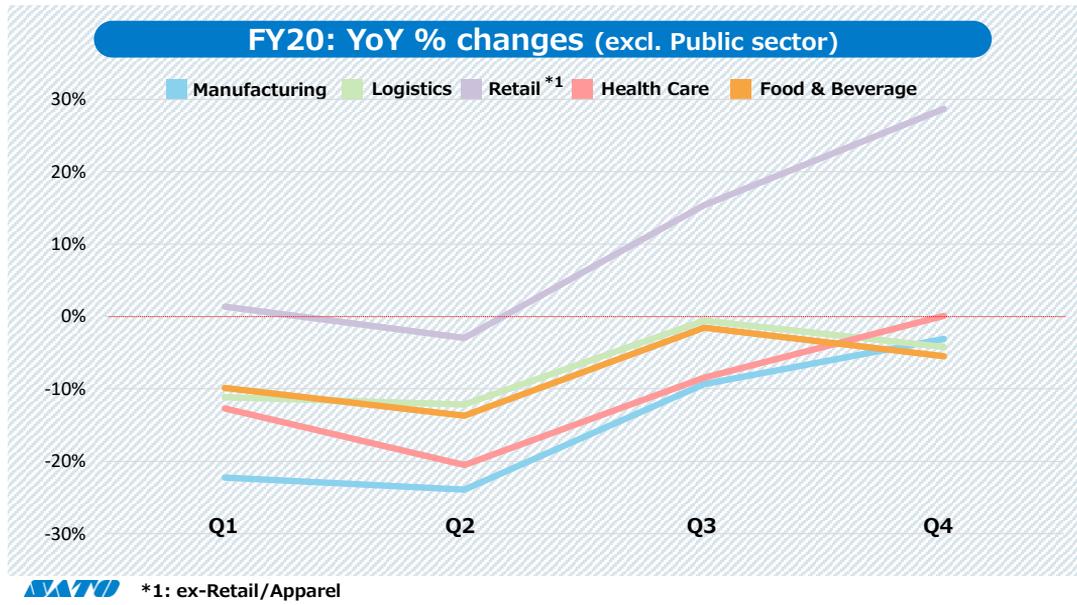


- This shows sales trends in each overseas region.
- During the fourth quarter, sales in Asia and Oceania trended upward to a 30% plus year-on-year increase.
- Recovery in the Americas accelerated due to increased demand from the economic recovery and sales expansion with the strong retail industry.
- In Europe the Base business was impacted by returns to stricter lockdowns, and fourth quarter sales ended up mostly unchanged.

## Auto-ID Solutions Business (Japan)

### Quarterly sales trends by vertical

Sales in retail grew strongly. Those of other markets reached almost the same levels YoY.



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- This shows sales trends in each market in Japan.
- In the fourth quarter, sales of both mechatronics and consumables in retail increased significantly.
- There were some quarterly fluctuations, but overall recovery is ongoing in all markets.

## Summary

### Consolidated

Although recovery accelerated in many regions quarter by quarter, it was not sufficient to offset the slowdown in 1H due to the coronavirus, leading to YoY decreases in sales and operating income.

### Auto-ID Solutions Business (Overseas)

Sales decreased and OI increased YoY.

- Base business: Although the improvement trend became even more evident, sales and OI declined due to the slowdown in Q1.
- Primary Labels business: Sales increased slightly with focus on daily life infrastructure industries. Significant increase in OI was seen due mainly to lower cost of sales ratio.

### Auto-ID Solutions Business (Japan)

Recovery momentum continued thanks to our initiatives from 1H and the resumption of production by customers. Sales and OI declined YoY due to the slowdown in 1H.



- Highlights are as shown in the slide.
- The IDP business was transferred in September of last year and thus has not generated any sales or profits from the second half onward.

## Sales and OI by Business Segment

(Millions of JPY)

		FY2020	FY2019	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	108,916	116,009	-6.1%	-4.1%
	Operating Income	5,906	8,757	-32.6%	-33.7%
Overseas	Total Sales	40,349	42,648	-5.4%	+0.2%
	Operating Income	2,684	2,277	+17.9%	+27.5%
Japan	Total Sales	68,566	73,360	-6.5%	-6.5%
	Operating Income	3,221	6,479	-50.3%	-55.2%
IDP business	Total Sales	136	363	-62.5%	-62.7%
	Operating Income	-148	-1,317	-	-
Consolidated (incl. eliminations)	Total Sales	109,052	116,372	-6.3%	-4.3%
	Operating Income	5,847	7,461	-21.6%	-22.9%



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- Here are the main figures related to the highlights in the previous slide.
- In Auto-ID Solutions, the recovery trend accelerated in the fourth quarter. The cumulative year-on-year change in total sales improved from -9.6% at the end of the third quarter to -6.1%, while the cumulative change in operating income improved from -43.0% to -32.6%.
- The cumulative year-on-year difference in operating income overseas was -6.4% at the end of the third quarter, but this turned positive to +17.9% for the year overall.
- In Japan, operating income fell significantly, but improved from a cumulative -57.8% year-on-year in the third quarter to -50.3% for the year.

## Consolidated Results

(Millions of JPY)

	FY2020	FY2019	Change	YoY
Net Sales	109,052	116,372	-7,320	-6.3%
Operating Income	5,847	7,461	-1,613	-21.6%
Operating Income %	5.4%	6.4%	-1.0pt	-
Ordinary Income	5,521	6,571	-1,049	-16.0%
Profit attributable to owners of parent*1	12,959	-1,882	+14,841	-
Effective Tax Rate*2	9.6%	410.7%	-401.0pt	
EBITDA*3	10,163	13,376	-3,212	-24.0%

Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR, FY19: JPY 108.69/USD, JPY 120.79/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 FY20: JPY 4,092 million FY19: JPY 5,043 million

· Amortization for FY20: JPY 223 million\*4 FY19: JPY 871 million (incl. 587 mil. for DataLase)

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

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- These are our full-year consolidated results for FY2020.
- Net profit increased from -1,882 million yen to +12,959 million yen.
- This was mainly due to extraordinary gain from the transfer of fixed assets in December 2020 involving the sale of the old headquarters property.

## Auto-ID Solutions Business (Overseas)

### Overview

**Jan-Mar** Overall sales and OI increased due to recovery in the base business, particularly in Asia/Oceania, and the continuous strong performance in the Primary Labels business. OI margin improved due to higher sales and a pick-up in gross profit margin.

(Millions of JPY)

	FY2020	FY2019	Change	YoY	excl. FX impact
	Jan-Mar	Jan-Mar			
<b>Total Sales</b>	<b>11,290</b>	<b>9,922</b>	<b>+1,367</b>	<b>+13.8%</b>	<b>+17.3%</b>
Gross Profit	4,018	3,362	+656	+19.5%	-
Gross Profit %	35.6%	33.9%	+1.7pt	-	-
<b>Operating Income</b>	<b>880</b>	<b>349</b>	<b>+530</b>	<b>2.5x</b>	<b>2.7x</b>
Operating Income %	7.8%	3.5%	+4.3pt	-	-

	FY2020	FY2019	Change	YoY	excl. FX impact
<b>Total Sales</b>	<b>40,349</b>	<b>42,648</b>	<b>-2,298</b>	<b>-5.4%</b>	<b>+0.2%</b>
Gross Profit	14,435	14,872	-436	-2.9%	-
Gross Profit %	35.8%	34.9%	+0.9pt	-	-
<b>Operating Income</b>	<b>2,684</b>	<b>2,277</b>	<b>+407</b>	<b>+17.9%</b>	<b>+27.5%</b>
Operating Income %	6.7%	5.3%	+1.3pt	-	-

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- From here, we will explain circumstances for the fourth quarter alone.
- Overseas, circumstances continued to vary by country and market, but there was a recovery trend overall.
- The Base business was driven particularly by China. The Primary Labels business continued to show underlying strength and sales and operating income both increased overall.
- The main reasons for the 4.3 point increase in operating income margin were increased income effects from the Asia and Oceania region as well as the Primary Labels business, improved gross profit margins at our US sales subsidiary and in the Primary Labels business, and lower expenses for business activities during the COVID-19 pandemic.
- Sales and profit for the year both increased on a local currency basis.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: The Americas

Jan-Mar

Base business: Sales and OI increased by successfully providing solutions to key U.S. accounts.  
Primary Labels business: Continued strong performance by capturing demand in industries that support daily lives resulted in increased sales and OI.

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	3,140	2,664	+475	+17.8%	+22.6%
	Operating Income	156	42	+113	3.6x	3.9x
Primary Labels · Achernar · Prakolar	Total Sales	576	536	+39	+7.3%	+45.5%
	Operating Income	93	27	+66	3.4x	4.8x
Total	Total Sales	3,716	3,201	+514	+16.1%	+26.4%
	Operating Income	250	70	+179	3.5x	4.3x

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	10,376	10,988	-612	-5.6%	-1.5%
	Operating Income	514	484	+29	+6.2%	+11.9%
Primary Labels · Achernar · Prakolar	Total Sales	2,024	2,198	-173	-7.9%	+29.3%
	Operating Income	259	144	+114	+79.1%	2.6x
Total	Total Sales	12,401	13,187	-785	-6.0%	+3.6%
	Operating Income	773	629	+144	+22.9%	+45.8%

- From here, we will explain fourth quarter overseas results by region.
- In Base business in the Americas, our US sales subsidiary deployed *koto-uri* (provided solutions) to key accounts including high-performing major retailers, and closed transactions mainly for high-margin printers.
- These major retailers have strong demand due to the economic recovery and diversifying sales channels, and both sales and profit increased year-on-year in our Base business in the Americas during the fourth quarter.
- The Primary Labels business in the Americas captured demand in essential infrastructure industries in Argentina and Brazil, and both sales and profit increased year-on-year as well.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: Europe

**Jan-Mar** Base business: Reinforced lock-downs slowed down customers' business and resulted in constraints to our sales operations, causing sales and OI to decline.  
 Primary Labels business: Sales increased due to new businesses continuously gained and to increased stay-at-home demand from industries such as food and beverages captured by Okil in Russia. OI increased due to sales growth and reduced cost of sales ratio. (Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl. FX impact
<b>Base</b>	Total Sales	1,996	2,264	-267	-11.8%	-16.7%
	Operating Income	20	129	-109	-84.2%	-84.9%
<b>Primary Labels</b> · Okil · X-Pack	Total Sales	1,737	1,591	+146	+9.2%	+25.1%
	Operating Income	45	-21	+67	-	-
<b>Total</b>	Total Sales	3,734	3,855	-121	-3.1%	+0.6%
	Operating Income	66	108	-42	-38.9%	-35.6%

		FY2020	FY2019	Change	YoY	excl. FX impact
<b>Base</b>	Total Sales	7,588	8,923	-1,334	-15.0%	-16.6%
	Operating Income	84	350	-266	-75.9%	-75.6%
<b>Primary Labels</b> · Okil · X-Pack	Total Sales	7,314	7,071	+242	+3.4%	+20.8%
	Operating Income	497	-49	+547	-	-
<b>Total</b>	Total Sales	14,902	15,994	-1,092	-6.8%	-0.1%
	Operating Income	581	300	+280	+93.3%	2.2x

- Our Base business in Europe had been trending toward until the third quarter but was impacted by returns to stricter lockdowns and constraints on sales operations, and both sales and profit declined year-on-year.
- In our Primary Labels business in Europe, sales increased due to strong demand for stay-home consumption and orders for new business from main customers. Profit increased significantly due to a reduced cost to sales ratio, including foreign exchange rate impact.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: Asia/Oceania

Jan-Mar

Base business: Sales and OI increased due to recoveries at almost all sales subsidiaries.

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl.FX Impact
		Jan-Mar	Jan-Mar			
Base	Total Sales	3,839	2,865	+974	+34.0%	+29.5%
	Operating Income	556	176	+380	3.2x	3.1x
		FY2020	FY2019	Change	YoY	excl.FX Impact
Base	Total Sales	13,045	13,466	-420	-3.1%	-2.9%
	Operating Income	1,258	1,349	-90	-6.7%	-7.4%



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- In Asia and Oceania, sales and profit increased at nearly all sales subsidiaries.
- In China which comprises a large portion of sales in the region, the closing of large-volume orders in retail made a particularly large contribution.
- Recovery also accelerated in Thailand, another country that comprises a lot of our business in the region, and quarterly sales increased year-on-year for the first time in FY2020.
- The SG&A expenses ratio fell due to the increase in sales. As a result, the rate of profit increase was significantly higher than the rate of increase in sales.

## Auto-ID Solutions Business (Japan)

### Overview

Jan-Mar

- Both mechatronics and consumables businesses remained on a recovery track. Sales came back to almost the same level YoY, due to continuous recovery trends across verticals.
- Overall GP margin improved due mainly to mechatronics contribution, but OP margin declined due to upfront investments.

(Millions of JPY)

	FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY
Mechatronics Sales	8,443	8,710	-267	-3.1%
Consumables Sales	10,047	9,867	+179	+1.8%
<b>Total Sales</b>	<b>18,490</b>	<b>18,578</b>	<b>-87</b>	<b>-0.5%</b>
Gross Profit	9,019	8,997	+21	+0.2%
Gross Profit %	48.8%	48.4%	+0.3pt	-
<b>Operating Income</b>	<b>1,203</b>	<b>1,697</b>	<b>-494</b>	<b>-29.1%</b>
Operating Income %	6.5%	9.1%	-2.6pt	-

	FY2020	FY2019	Change	YoY
Mechatronics Sales	27,968	30,797	-2,829	-9.2%
Consumables Sales	40,598	42,563	-1,965	-4.6%
<b>Total Sales</b>	<b>68,566</b>	<b>73,360</b>	<b>-4,794</b>	<b>-6.5%</b>
Gross Profit	32,635	36,192	-3,556	-9.8%
Gross Profit %	47.6%	49.3%	-1.7pt	-
<b>Operating Income</b>	<b>3,221</b>	<b>6,479</b>	<b>-3,258</b>	<b>-50.3%</b>
Operating Income %	4.7%	8.8%	-4.1pt	-

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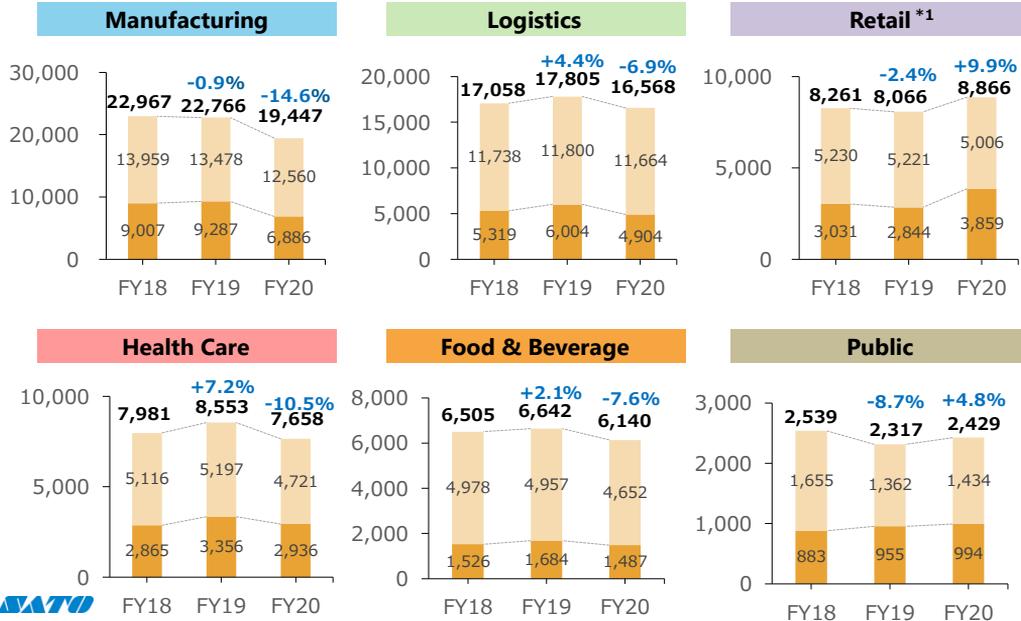
- In Japan, recovery continued in both consumables and mechatronics. The recovery trend continued in nearly all markets, and sales recovered to virtually the same level as the previous year.
- On the other hand, operating income margin declined due to upfront investments in IT to pursue in-house DX that can drive continuous growth.

### Sales by Vertical

■ : Mechatronics ■ : Consumables % indicates YoY change

(Millions of JPY)

\*1 : ex-Retail/Apparel



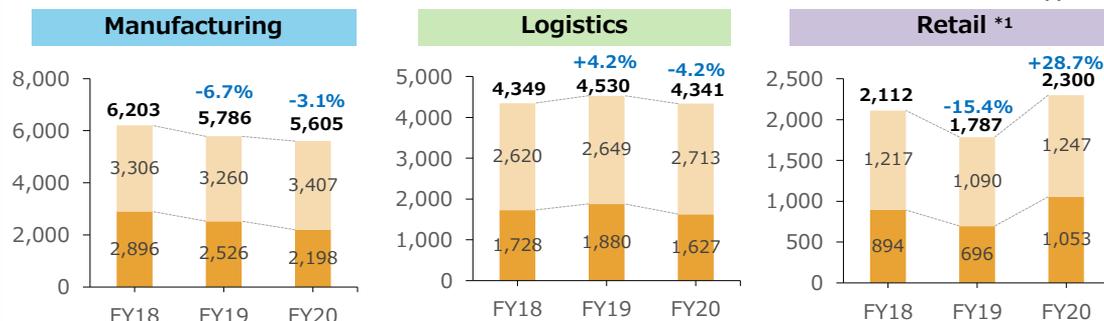
- The status of business in each market within Japan will be explained in the fourth quarter slides to follow, not in this slide.

## Sales by Vertical [1]

(Millions of JPY)

■ : Mechatronics ■ : Consumables % indicates YoY change

\*1 : ex-Retail/Apparel



**Business Environment** Overall, production activity recovered. Electronic components and machinery/electrical equipment sales increased YoY, but sales in other industry segments such as chemicals remained negative.

In addition to the brisk performance of the EC industry, general economic recovery led to increased volume of goods. Demand for EC initiatives and labor shortage measures increased.

Brisk activities continued in industries such as grocery supermarkets and EC. More specialty stores incorporated online sales channels.

**SATO** Consumables rose YoY in many industries. Mechatronics sales increased YoY in electronic components and machinery/electrical equipment, and YoY declines in other segments shrank.

Overall sales declined due to lack of a large order in transportation booked last year. Other industry segments showed YoY sales increases.

Sales in consumables and mechatronics increased YoY across most industries, including specialty stores.

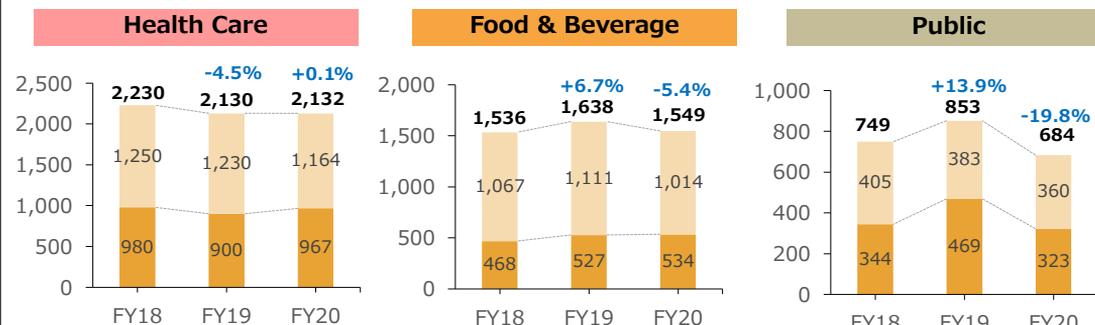
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- Sales circumstances for each market in Japan are as follows.
- Manufacturing: targeting high-performing industries such as electronic parts and electronics, we produced even better results in these industries than last year by offering products such as RFID for which demand is strong.
- However, this was unable to compensate for decreases in other industries such as chemicals, and sales fell year-on-year in the market overall.
- Logistics: Sales decreased year-on-year due to absence of orders that arose due to special demand in the transport industry the previous year, but excluding that factor, sales increased for both consumables and mechatronics.
- Retail: We captured demand from grocery supermarkets and from specialty stores hurrying to implement e-commerce. As a result, sales increased significantly for both consumables and mechatronics.

### Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables % indicates YoY change



**Business Environment** Although the number of outpatient visits to medical institutions recovered, the overall volume of goods in health care stayed negative YoY.

Stay-at-home demand remained strong resulting in favorable needs for eating at home and home-meals. Demand for restaurants and commercial-use was sluggish.

The overall business environment remained stable.

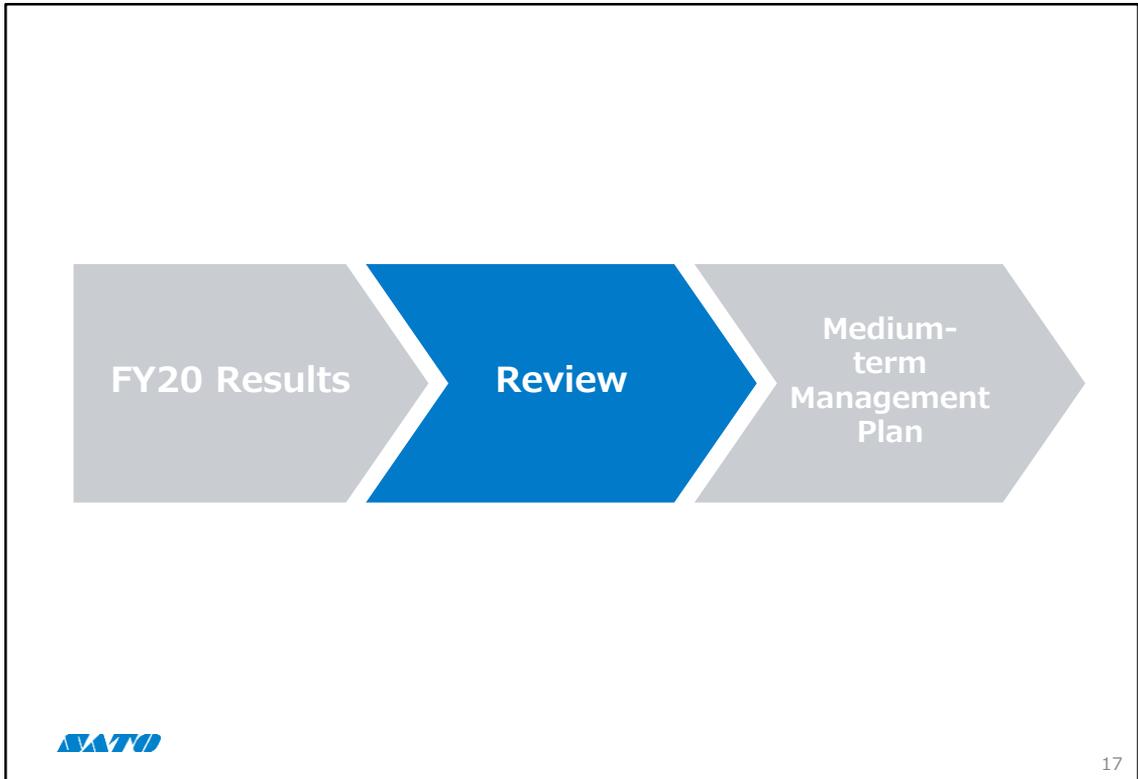
**SATO** Mechatronics grew thanks to our focus on industries with robust performance such as medical device manufacturers, leading to a slight growth in overall sales.

Consumables sales decreased due to less volume of goods in the food manufacturing industry, which accounts for a large share of sales. On the other hand, mechatronics increased reflecting our initiatives from 1H, such as promoting automation.

Sales in consumables decreased due to less orders from one of our major customers. Mechatronics declined due to the absence of large-scale order during the same period last year.



- **Health Care:** Logistics volume stagnated in the market overall, and sales of consumables declined. While the impact was particularly significant with hospitals, which comprise a large portion of sales in this market, sales of mechatronics still grew thanks to our focus on high-performing industries such as medical equipment manufacturing and pharmaceutical production. Sales recovered to the same level as last year in the market overall.
- **Food & Beverage:** Sales remained sluggish in consumables, which are associated with restaurants. However, implementations of equipment related to automation and efficiency improvement proceeded steadily in the food and beverage production industry where business is strong, resulting in a slight increase in mechatronics sales.
- **Public:** Sales of both consumables and mechatronics decreased due to absence of orders by a large customer during the same time the previous year.

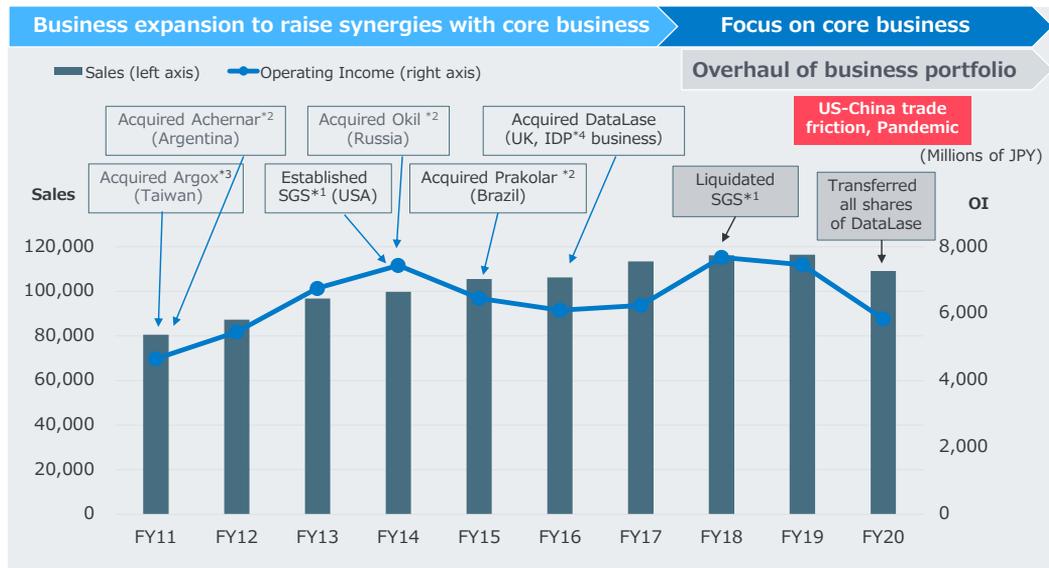


- From here we will review past performance and go into details about our Medium-term Management Plan.

## Review: FY2011~2020 (Consolidated)

- Management shifted resources in FY2018 to focus on our core business of tagging-based auto-ID solutions

### Sales and OI



\*1: Software development subsidiary, \*2: Primary labels business, \*3: Production & sales of affordable printers  
\*4: Inline Digital Printing

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- This slide reflects on business developments from 2011 through 2020.
- From FY2011 onward, we pushed forward with M&A of businesses peripheral to our core business with the expectation of harnessing synergies.
- In FY2018 we shifted management policy, adjusted our business portfolio, and focused business resources on our core business of Auto-ID Solutions.

## Review: FY2016~2020 (Overseas, Japan)

### Overseas

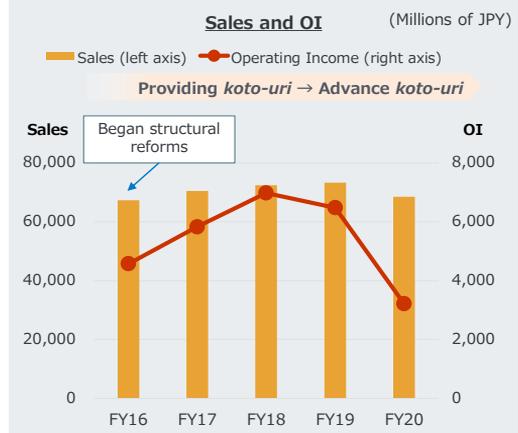
- In FY2018 transition from selling single products to *koto-uri*\* was initiated but took longer than expected to sink in.
- With increased Head Office support and horizontal collaboration overseas since FY2019, *koto-uri* infiltrated to a certain degree.  
The challenge going forward is to **accelerate growth**.



\* Sales approach of proposing optimal solutions with ROI for challenges that customers face on-site

### Japan

- **Structural reforms** began in FY2016 to focus on profitability and *koto-uri*. **Sales and OI** increased through FY2018 as a result. Our lineup of solution offerings expanded per market, industry, and application.
- From FY2019 onward OI margin declined due to lower sales and adverse product mix.  
The challenge going forward is to **improve profitability**.



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- This slide focuses on developments in each business segment over the last several years.
- Overseas, we fully began shifting from *mono-uri* (selling products) to *koto-uri* (providing solutions) in FY2018.
- Instilling the *koto-uri* mindset locally has taken longer than expected, but we have also been providing increased support from Head Office since FY2019, and *koto-uri* has become more widespread.
- In Japan, we pushed through structural reforms to shift focus toward improving gross profit and bolstering *koto-uri* starting in FY2016. Consequently, sales and profit both increased for three consecutive years through FY2018.
- We have also worked toward “evolving *koto-uri*” but since FY2019 profit margin has declined due to effects from US-China trade friction and COVID-19.

## Review: Achievements and challenges

	Key strategies	Achievements	Challenges	
Over-seas	Instill <i>koto-uri</i> and pursue <b>growth</b>	<ul style="list-style-type: none"> <li>Accumulated success stories with focus on specific countries, markets and industries, and <b>instilled <i>koto-uri</i></b> by sharing them across SATO Group.</li> <li><b>Enhanced collaboration</b> globally</li> </ul>	<ul style="list-style-type: none"> <li>Raise the <i>koto-uri</i> level of group companies still in transition</li> <li>Reinforce specialized resources for targeted markets and industries</li> <li>Accelerate growth</li> </ul>	
		USA		Retail: Supermarkets, Off-price retailers
		Europe		Retail: Supermarkets, Convenience stores Food & Beverage: Fast food
		Asia		Manufacturing: Autos, Electronic & electric, Food production
Japan	Advance <i>koto-uri</i> and increase <b>profitability</b>	<ul style="list-style-type: none"> <li>Generated <b>new solutions meeting industry requirements</b></li> <li><b>Increased marketing tools</b> (videos, leaflets, etc.) per market and industry</li> <li>Launched <b>subscription-based business</b></li> </ul>	<ul style="list-style-type: none"> <li>Increase profitability</li> <li>Increase capacity to close transactions</li> </ul>	



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● This slide shows achievements and challenges in each business segment.

● The overseas achievement “instilled *koto-uri*” mainly consists of increased transactions with major industry players initiated through *koto-uri*, and progress globally by deploying success cases in new locations.

● In April 2020 the Global Sales Headquarters was established and support from Head Office was bolstered, further enhancing collaboration between Japan and global operations.

● The areas shaded in yellow are examples of focus industries where we have produced achievements in each region.

● Challenges revolve around differences in the level of *koto-uri* being instilled in each country. We have confirmed that practicing *koto-uri* with key accounts of target industries in each country produced major achievements. We will add more human resources and strategic partners specialized in target markets, and further accelerate our growth.

● Our achievements in Japan include having generated new industry-specific solutions and expanded our arsenal of marketing tools.

● However, as the solutions we provide have become more advanced, we are increasingly confronted with the problem of longer lead times for business deals. In response, we are pushing forward with initiatives to shorten the time needed to complete business deals, close more deals, and improve earning power.

## <Ref.> Review : Sales and OI by Business Segment

(Millions of JPY)

	FY2018	FY2019	FY2020
<b>Auto-ID Solutions Business (Overseas)</b>			
Net sales	43,316	42,648	40,349
Operating Income	2,239	2,277	2,684
Operating Income %	5.2%	5.3%	6.7%
<b>Auto-ID Solutions Business (Japan)</b>			
Net sales	72,435	73,360	68,566
Operating Income	6,982	6,479	3,221
Operating Income %	9.6%	8.8%	4.7%
<b>IDP business*1</b>			
Net sales	427	363	136
Operating Income	-1,421	-1,317	-148
Operating Income %	-	-	-
<b>Consolidated</b>			
Net sales	116,179	116,372	109,052
Operating Income*2	7,679	7,461	5,847
Operating Income %	6.6%	6.4%	5.4%



\*1: SATO Holdings transferred all shares of DataLase to DataLase Holdings Limited in September, 2020

\*2: Including eliminations

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- For reference, these are our yearly results by business segment from FY2018 through FY2020.

## Current Assessment & Management Direction

### Changes in the business environment

- Digital shift
- Industrial structure dynamics
- Growing importance of Sustainability



### Tagging based Auto-ID solution



#### ➤ Increase in existing needs

- Productivity improvement
- Security & safety assurance



#### ➤ Increasing needs for a circular economy

- Truck & trace of things



**We give every 'thing' its own ID  
so it connects with the world**



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- Here we will explain our current assessment and our management direction going forward.
- The business environment is changing. In addition to labor shortages, this also includes the digital shift, dynamic revisions to supply chains, and the rising importance of sustainability. There will undoubtedly be more opportunities to improve customers' on-site productivity and deliver more safety and peace of mind through tagging, leveraging our core business of auto-ID technology to give people and things their own IDs.
- In recent years there has also been progress in efforts to create sustainable economic systems with minimal stock loss, particularly with the aim of establishing a circular economy.
- These movements have increased the importance of control by tracking and tracing each and every 'thing' through supply chains flowing in both directions.
- Taking the above into consideration, we will be striving to deliver on our brand statement "We give every 'thing' its own ID so it connects with the world" through tagging, which is the fundamental basis of our Auto-ID Solutions business.



- From here, we will explain our Medium-term Management Plan.

## FY2021 Consolidated Forecasts

(Millions of JPY)

	FY2021 (Targets)	FY2020	Change	YoY
<b>Net Sales</b>	117,000	109,052	+7,947	+7.3%
<b>Operating Income</b>	6,400	5,847	+552	+9.4%
<b>Operating Income %</b>	5.5%	5.4%	+0.1pt	-
<b>Ordinary Income</b>	6,200	5,521	+678	+12.3%
<b>Profit attributable to owners of parent</b>	4,000	12,959	-8,959	-69.1%
<b>EBITDA*</b>	10,800	10,163	+636	+6.3%

Exchange rates assumed in FY21 forecast: JPY 107/USD, JPY 128/EUR

Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR



\* EBITDA=Operating Income + Depreciation + Amortization

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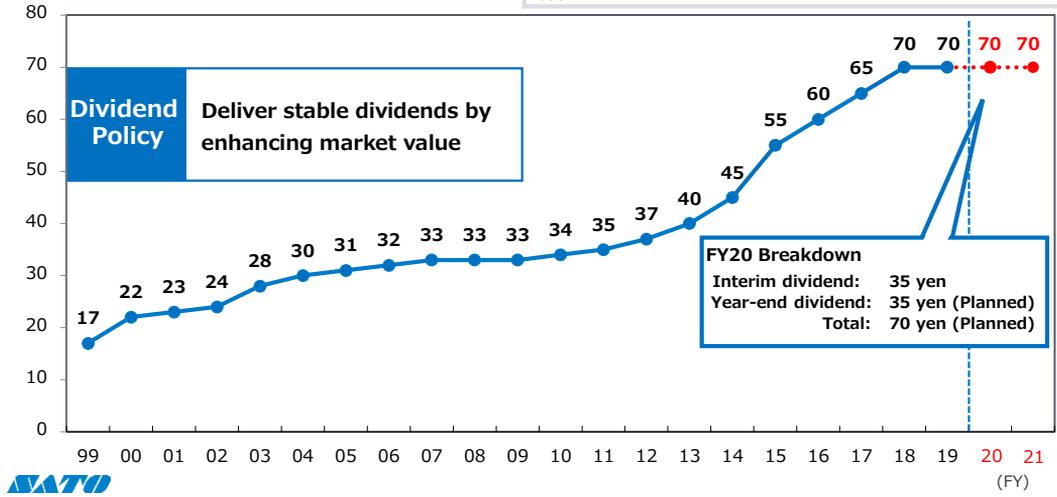
- This is our consolidated forecasts for FY2021.
- For net sales, we are forecasting a year-on-year increase of 7.3%. While market conditions are improving, this is only leading to active capital expenditures in a limited number of industries.
- There is also a certain level of risk involved in production and supply of our printers due to the global shortage of semiconductors.
- Since uncertainty cannot be avoided, we will continue bolstering our approaches to industries with high demand in each specific country in FY2021.
- For operating income, we are forecasting a year-on-year increase of 9.4%. We will invest in long-term growth, including in-house DX efforts and developing a common platform for printers. Details will be explained later.
- We are planning net profit of 4 billion yen this year after reversion from the extraordinary gain from the sale of our old Head Office in FY2020.

# Dividends

(JPY per share)

Total dividends planned for FY20: JPY 70 (unchanged YoY)  
 Total dividends forecast for FY21: JPY 70 (unchanged YoY)

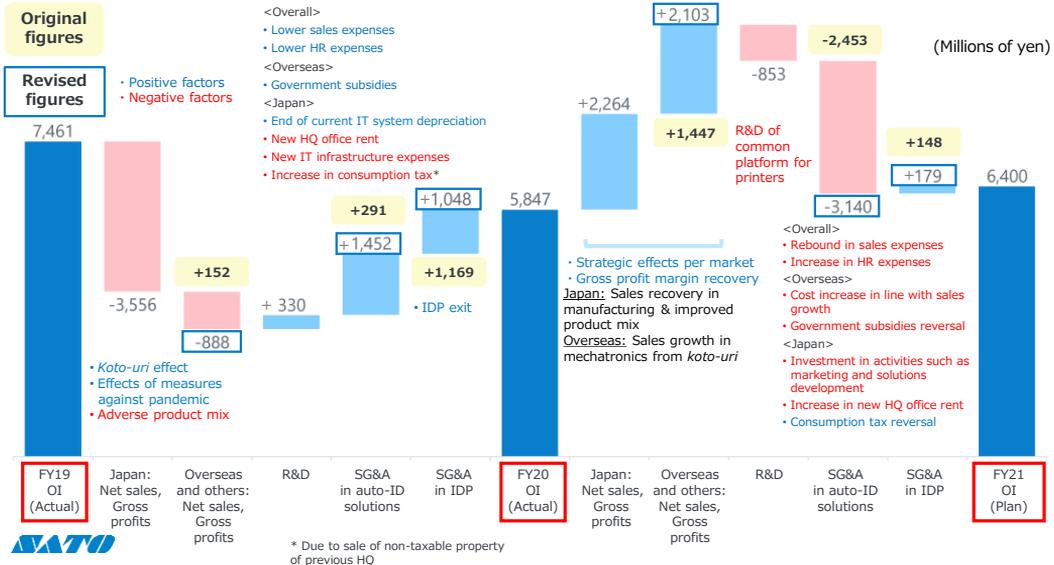
	FY17	FY18	FY19	FY20 (Planned)	FY21 (Forecast)
EPS	121.5	112.5	-56.1	385.9	119.1
ROE	7.6%	6.9%	-3.6%	24.4%	6.8%
(Ref.) Payout ratio	53%	62%	-	18%	59%



- We expect our FY2020 year-end dividend payout to be 35 yen per share as planned.
- Taking factors into consideration such as investing in future growth and securing business resources needed to deal with uncertainty, we will adhere to a policy of dividend stability and plan to pay the same total dividend of 70 yen as the previous year.

## FY2021 OI Target (Consolidated) Revised

- FY20: Measures against pandemic in Japan took time to produce effects as did demand to come back
- FY21: Expect positive effects from measures against pandemic and demand recovery globally. At the same time, strategic investment including R&D is planned for medium- to long-term growth

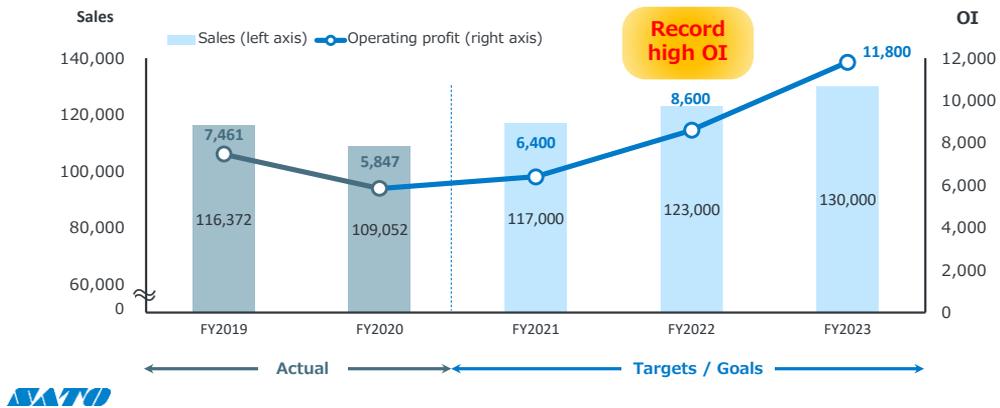


- This slide shows year-on-year comparisons of operating income in FY2020 and FY2021.
- From the center to the right, we explain our planned 6.4 billion yen in operating income for FY2021.
- In FY2021 we are forecasting a recovery in demand and effects from initiatives implemented in each country and industry up to last fiscal year. At the same time, we plan to actively invest in medium- to long-term growth, including R&D.
- Japan: In terms of net sales and gross profits, we are planning a profit increase of around 2.3 billion yen. This will mostly come from a recovery in sales in the manufacturing market where gross profit margin is high, and improved product mix through growth in mechatronics due to customers in general regaining their appetite for investment.
- Overseas: We are forecasting a profit increase of around 2.1 billion yen, including through further efforts to implement *koto-uri* which has high added-value, along with sales growth in mechatronics.
- Our plan for printer sales in Japan and overseas is particularly cautious considering the supply risk posed by the semiconductor shortage. At the same time, we are planning a negative profit effect of around 850 million yen for R&D expenses. This is mostly for the cost of developing a common printer platform, and details of this will be explained later.
- For SG&A expenses, we are planning an increase of around 3.1 billion yen. This is mainly investment for initiatives per country, market and industry, specifically for efforts such as generating business deals through digital marketing and developing new solutions.
- Factoring in the forecasted effects of our initiatives and demand recovery, along with printer supply risk and strategic investments including in printer development, we are planning 6.4 billion yen in operating income for FY2021.

## Medium-term Targets (Consolidated)

(Millions of JPY)

	FY2020 (Actual)		FY2023	
Net Sales	109,052		130,000	+6.0% (CAGR)
Operating Income	5,847		11,800	+26.4% (CAGR)
Operating Income %	5.4%		9.1%	+3.7pt
ROIC	5.8%		10.3%	+4.5pt



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- The medium-term plan for FY2021-FY2023 (hereinafter the “Medium-term Plan”) targets net sales of 130 billion yen, operating income of 11.8 billion yen, operating income margin of 9.1%, and return on invested capital (ROIC) of 10.3% in FY2023.
- The graph shows sales and operating income by year. We are aiming for record high operating income in FY2022.

## <Ref.> Sales and OI by Business Segment

(Millions of JPY)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY20-23 CAGR
	(Actual)		(Targets / Goals)			
<b>Auto-ID Solutions Business (Overseas)</b>						
Net sales	42,648	40,349	46,000	49,500	54,000	+10.2%
Operating Income	2,277	2,684	3,100	3,600	4,500	+18.8%
Operating Income %	5.3%	6.7%	6.7%	7.3%	8.3%	
<b>Auto-ID Solutions Business (Japan)</b>						
Net sales	73,360	68,566	71,000	73,500	76,000	+3.5%
Operating Income	6,479	3,221	3,300	5,000	7,300	+31.4%
Operating Income %	8.8%	4.7%	4.6%	6.8%	9.6%	
<b>Consolidated</b>						
Net sales	116,372	109,052	117,000	123,000	130,000	+6.0%
Operating Income	7,461	5,847	6,400	8,600	11,800	+26.4%
Operating Income %	6.4%	5.4%	5.5%	7.0%	9.1%	



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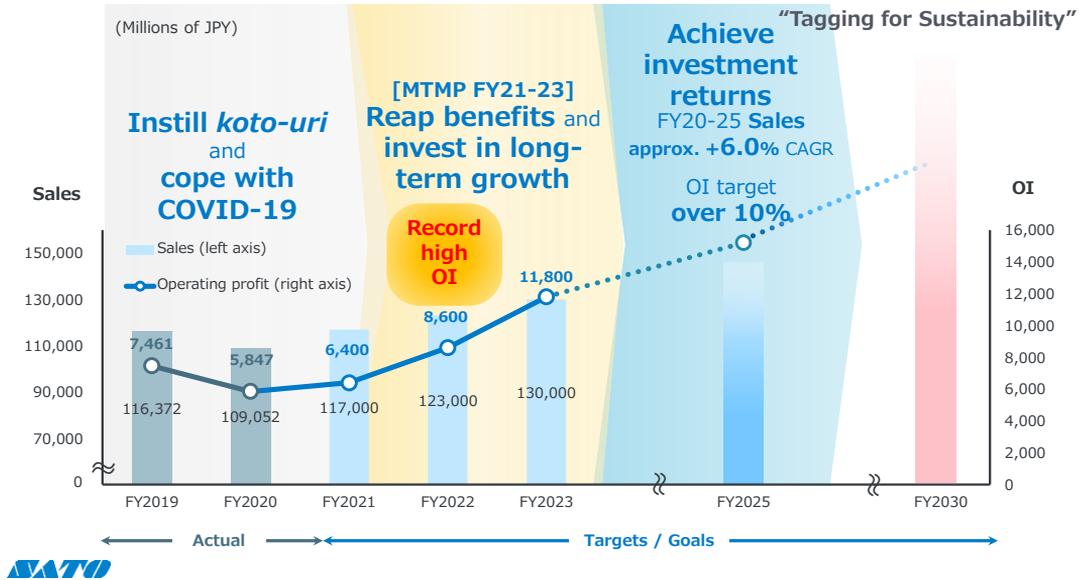
- For reference, these are our yearly performance targets/goals by business segment from FY2019 through FY2023.

## Medium-term Management Plan in Perspective

- Reap the benefits from instilling *koto-uri*
- Invest strategically to achieve long-term goals

[What SATO aims to be]

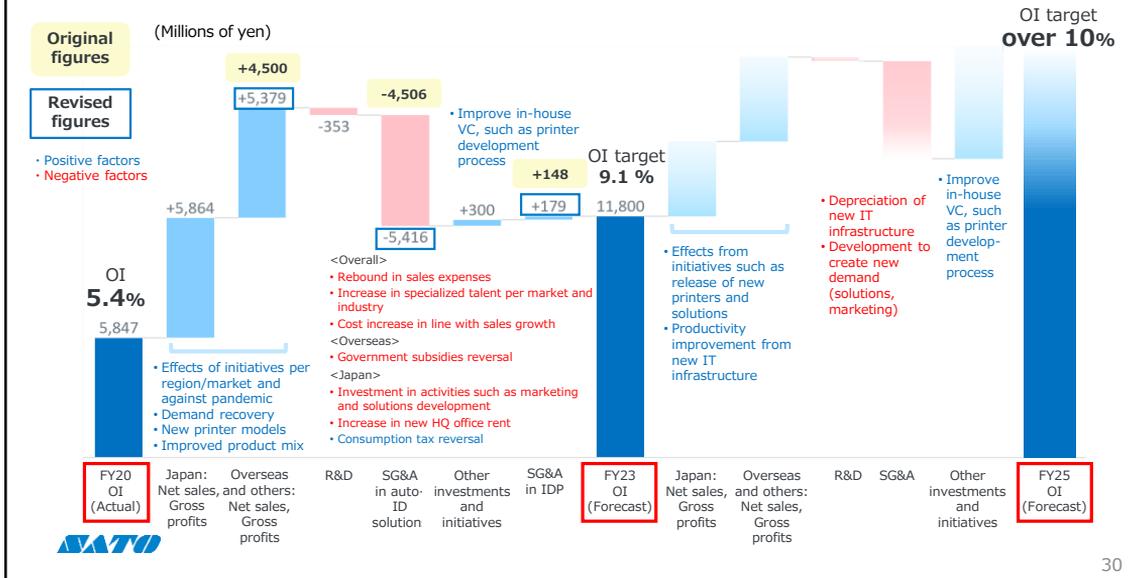
We give every 'thing' its own ID so it connects with the world



- This slide puts the Medium-term Plan into a long-term perspective.
- We consider this Medium-term Plan the time frame for achieving results from efforts up to now such as instilling *koto-uri*, and for growth investments to achieve our long-term goals.
- We believe that returns from the investments will materialize after the period of the Medium-term Plan. Our goals are for sales in FY2025 to be in line with the +6.0% compound annual growth rate between FY2020 and FY2025, and for operating income margin in FY2025 to be over 10%.

## FY2025 OI Target (Consolidated) Revised

- FY21-23: Benefit from initiatives and demand recovery, and invest strategically in long-term growth
- FY24-25: Grow OI through improved productivity and increase in high earners with new IT infrastructure, and timely release of new products through efficient development by establishing common printer platforms.



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- This slide shows comparisons of operating income from FY2020 through FY2023, and from FY2023 through FY2025.
- On the left side, we are forecasting increased profit of around 5.9 billion yen for Japan, and around 5.4 billion yen overseas. These can be broken down into effects of initiatives through activities targeting each region, market and industry, as well as demand recovery, and an improved product mix with mechatronics growth.
- For R&D factors, we forecast effects including reduced development time for new products due to completing the aforementioned common platform for printers. This is reducing R&D costs, and from the negative profit effect of roughly 850 million yen from FY2020 to FY2021 shown on page 26 we are forecasting a negative profit effect of 350 million yen through FY2023.
- For SG&A factors, we are planning cost increases of around 5.4 billion yen, most of which consists of developing solutions based on needs, bolstering strategic marketing activities, increasing specialized personnel in each market and industry.
- For other investments and initiatives, we are planning a positive profit effect of 300 million yen from improved efficiency in printer development processes and more efficient operations related to consumables.
- As a result of these, our plan sets out operating income of 11.8 billion yen in FY2023.
- Next we will explain our FY2025 operating income target from a qualitative perspective.
- In Japan and Overseas, the main positive income factors in our forecast include timely releases of new products through the move to a common platform for printers, and improved productivity through operation of the aforementioned new IT infrastructure.
- For SG&A, the negative income factors forecasted include increased development to meet new demand, and depreciation of the new IT infrastructure starting in FY2024.
- For other investments and initiatives, positive income factors forecasted include sales growth from the activities of increased front-office personnel through productivity improvement initiatives, and cost reductions from more efficient inhouse processes.
- As a result of these, we are aiming for operating income margin over 10% in FY2025.

## Long-term Perspective of Auto-ID Solutions

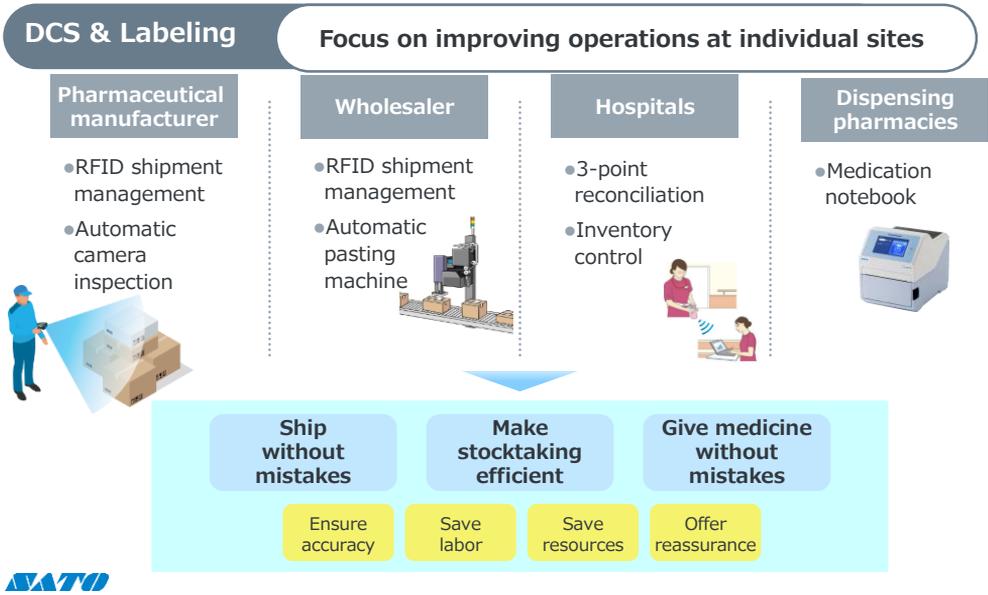
From limited worksite improvements, to optimizing society's movements through advanced technology



- Here we will explain our long-term outlook for Auto-ID Solutions.
- With a focus on tagging, we aim to help create a sustainable society by “giving every ‘thing’ its own ID so it connects with the world.” We will make this into a growth engine as “Tagging for Sustainability.”
- The direction of our efforts toward achieving this is illustrated in the diagram here. The horizontal axis indicates increasing expansion in the supply chains of target markets, and the vertical axis indicates increasingly sophisticated tagging and solution technology through technological innovation.
- On the horizontal axis, the ‘DCS & Labeling’ part represents the scope in which challenges at individual manufacturing, distribution, and sales sites can be solved by the solutions that we currently provide centered on giving every ‘thing’ its own ID.
- Demand for a sustainable economic system will significantly broaden the scope of ‘things’ related to our business within supply chains flowing in both directions.
- As we move on in the world of the circular economy, it will be highly important to visualize and utilize the tracking & tracing information of individual ‘things.’
- The information required differs depending on the things, so more sophisticated tagging technology which takes the materials and shape of the ‘thing’ into consideration as shown on the vertical axis will be needed in order to create such a world.
- We will be working on both the horizontal and vertical axes over the medium- to long-term in pursuit of ‘Tagging for Sustainability’ that helps to create a sustainable economic system.

# Toward Tagging for Sustainability

Example: Healthcare Market

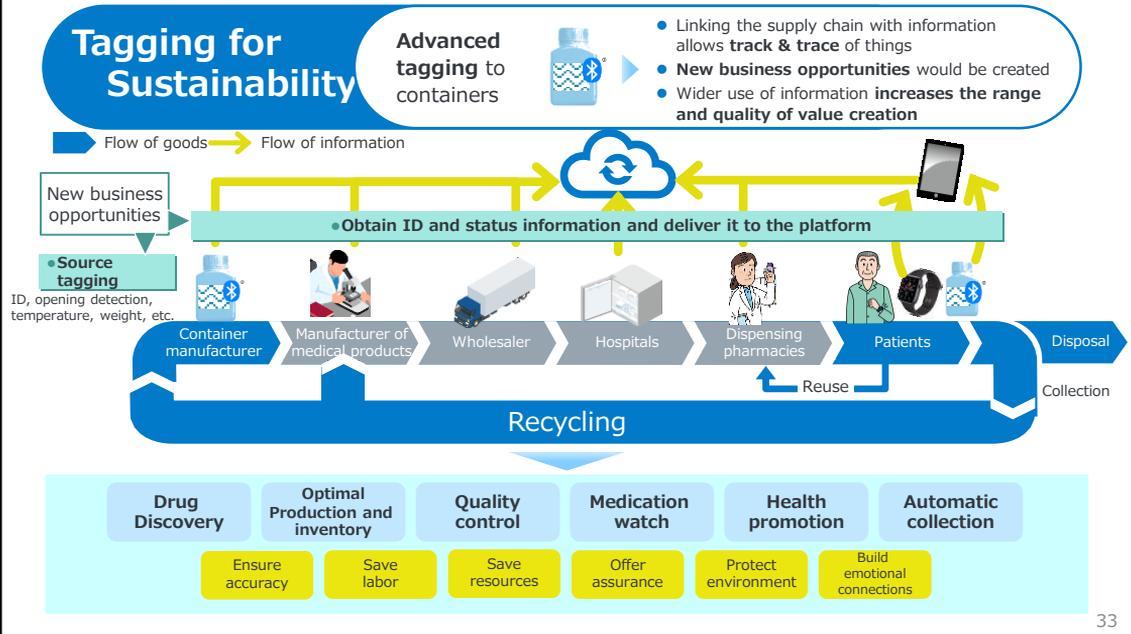


32

- Here we will explain an example of moving toward “Tagging for Sustainability” in the healthcare market.
- Currently in the healthcare market, we are providing RFID and auto-ID solutions that are optimized for each independent worksite of pharmaceutical manufacturers, wholesalers, and hospitals. This is the world of DCS & Labeling as mentioned in the previous slide.

# Toward Tagging for Sustainability

Example: Healthcare Market



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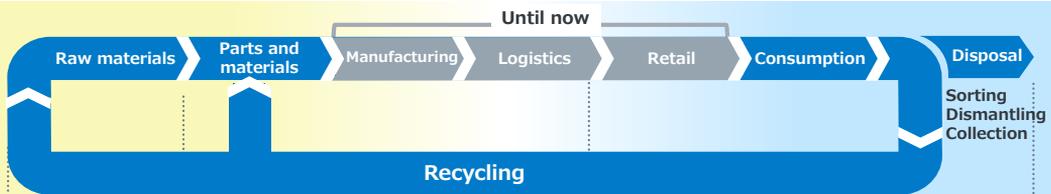
● In the world of “Tagging for Sustainability”, an advanced tag might be embedded in containers during the manufacturing stage in the healthcare market for example, which would connect different steps in the supply chain and make it possible to gain tracking & tracing information from these items.

● This would generate new business opportunities for SATO Group. Starting with “source tagging,” this will grow our scope of business at worksites along supply chains flowing in both directions. We will be able to provide solutions that deliver entirely new benefits, from drug discovery and optimized production and inventory management, to the re-use of drug dispensing flasks, collection and management of containers, and more.

## Creating New Businesses through "Tagging"



Track & trace data to provide value throughout the supply chain



Strong need for "tagging"

Source tagging

✓ We give every 'thing' its own ID

Auto-ID solutions  
business to optimize  
supply chain

High importance of "information  
gained through tagging"

Utilization of tagging  
information

✓ So it connects with  
the world



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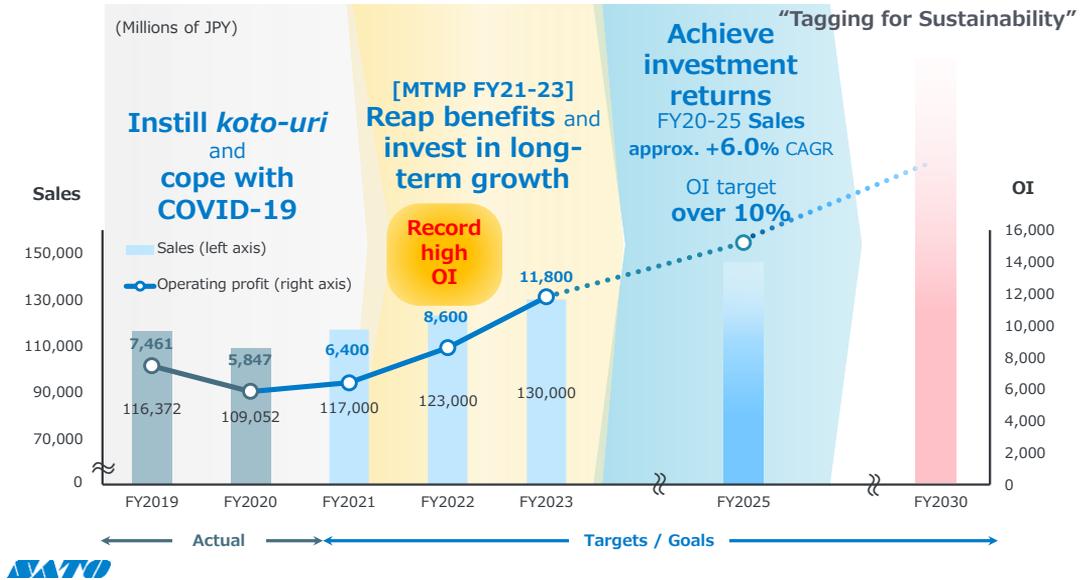
- This is a summary slide.
- In the world of "Tagging for Sustainability", source tagging can be utilized to create value by providing tracking and tracing data that is an asset for companies.
- Deploying source tagging would also create business opportunities for our group at things we have previously been unable to do. It can also generate potential demand at each worksite in supply chains which leads to business providing new solutions. This can also expand into business that utilizes information gained from 'things' flowing through supply chains in both directions.
- Doing so, we will be able to generate more business value and social value than ever before.

## Medium-term Management Plan in Perspective (repost)

- Reap the benefits from instilling *koto-uri*
- Invest strategically to achieve long-term goals

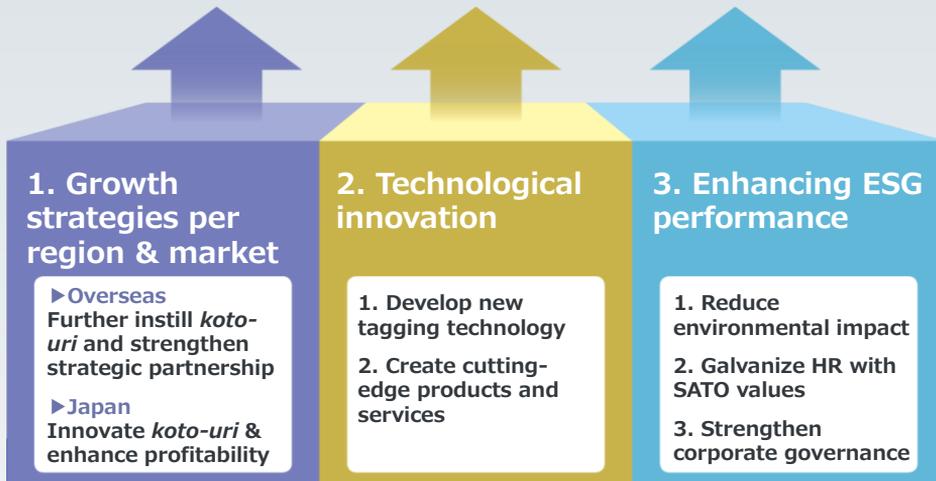
[What SATO aims to be]

We give every 'thing' its own ID so it connects with the world



- From here we will explain the growth strategy of our Medium-term Plan. This is the same slide as the one presented earlier.
- We consider this Medium-term Plan the time frame for achieving results from efforts up to now, and for long-term growth investments geared toward “Tagging for Sustainability”.

## Three Pillars of Growth Strategy

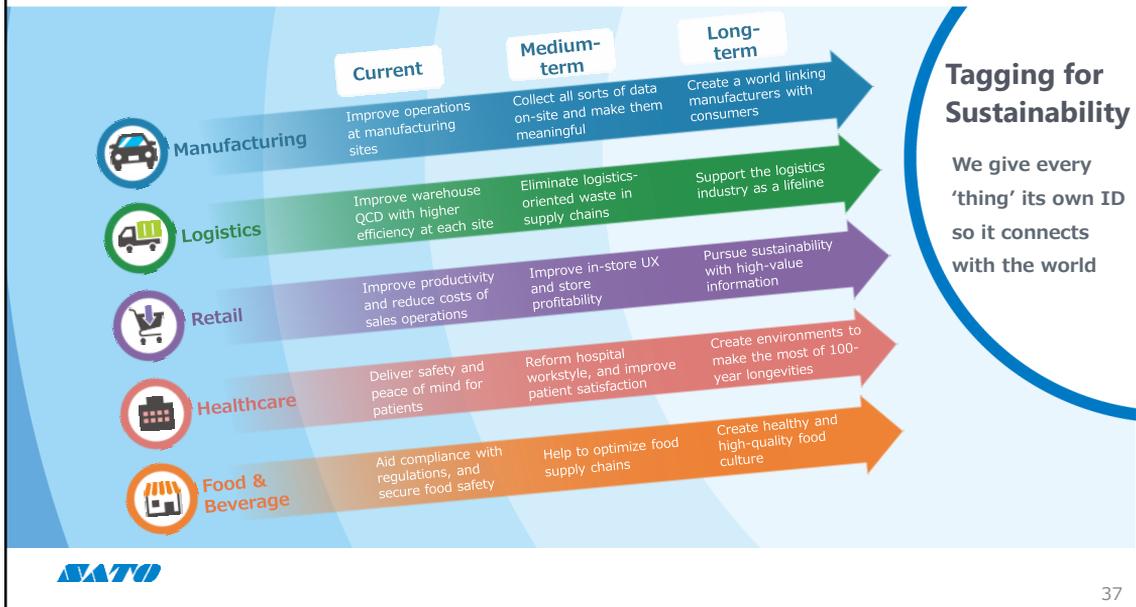


- We will work toward the following three pillars.
- First is to strengthen our “growth strategies per region and market” to cover a broader range of supply chains for ‘things.’ Second is “technological innovation” for more sophisticated tagging and solutions technologies, and third is “enhancing ESG performance” which supports the other two pillars.

## 1. Growth strategies per region & market

### Paths to “Tagging for Sustainability”

Expand tagging in each market

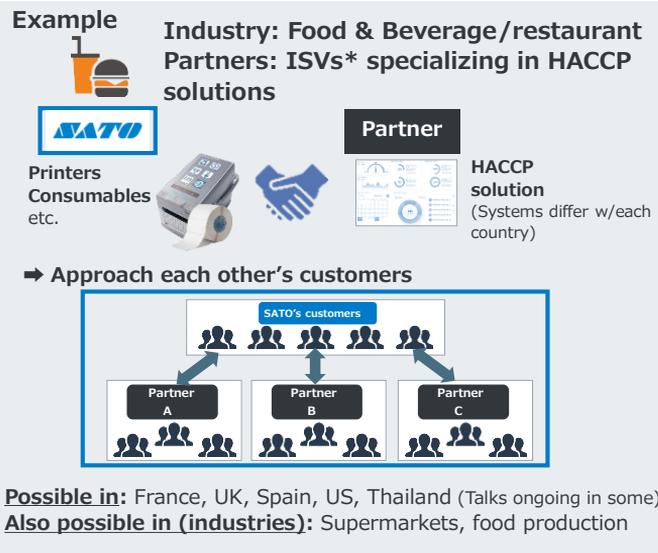
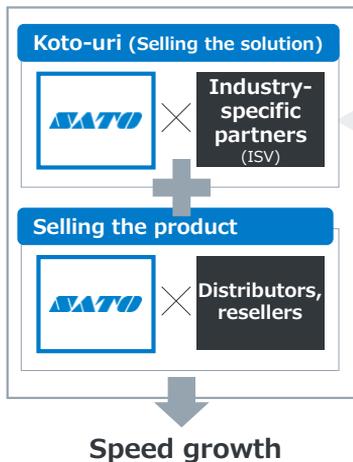


- This slide is about the first pillar, strengthening growth strategies per region and market.
- It is important to have medium- to long-term visions of future social changes in each market and industry in order to expand our business in a broad-range of supply chains. These visions are also scenarios of our paths toward turning “Tagging for Sustainability” into a reality.
- With these visions we will generate new tagging technologies, products, and solution services in the supply chains of ‘things’ in each market and industry, and subsequently expand our business in each market.
- From this perspective, we will push our strategy of gaining in-depth understanding of customer sites in each country, market, and industry, and providing solutions accordingly.

## 1. Growth strategy per region & market

### Overseas business "Further instill koto-uri" and "Strengthen strategic partnerships"

Create opportunities & expand customer range with strategic partners, to speed growth



\* Independent software vendors that are not a subsidiary of a particular manufacturer.

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- From here we will explain our focus efforts in each business segment.
- Overseas, we will accelerate growth by generating business opportunities through cooperation with strategic partners in each country and by expanding our customer base through direct sales to key accounts in each industry.
- The key point to both *koto-uri* and *mono-uri* is to find the optimal partners for each.
- When working on *koto-uri* with partners, we will be able to help customers overcome their challenges by partnering with companies that have in-depth knowledge of particular industries, rather than with companies that operate thinly across a broad range of industries.
- This slide presents an example of partnering with a software vendor specialized in HACCP solutions in the restaurant industry.
- While HACCP implementations are spreading worldwide, the regulations differ in each country. This partner provides HACCP solutions tailored to the regulations in each country, and by combining these with our printer solutions, consumables, and maintenance services, they can offer customers an even higher level of value. This yields a significant contribution to our profitability.
- Joining with industry-specialized partners efficiently accelerates business by making it possible to approach customers of both companies, and to deploy the same business in other countries.

## 1. Growth strategy per region & market

### Japan business “Innovate *koto-uri*” and “Enhance profitability”

Maximize results with four initiatives

FY2019

OI% (actual)  
8.8%

FY2025

OI% (goal)  
Up 2 pts

#### Enhance profitability

##### 1. Enhance on unbeatable offerings

Enhance product/service lineup  
Standardize & seek commonalities

##### 2. Optimize value chain

Streamline business-essential processes

##### 3. Change the way we sell

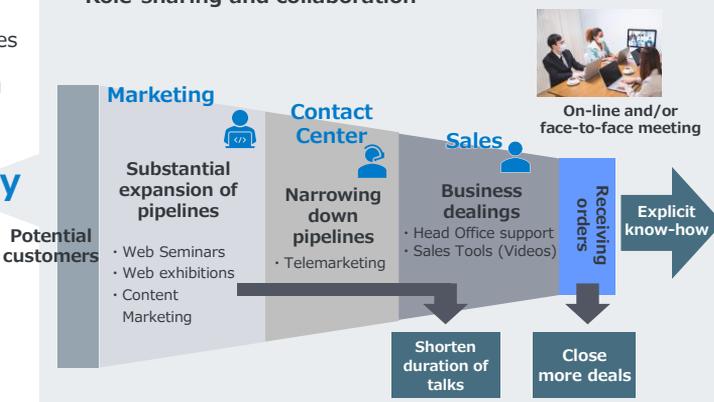
Shape into explicit knowledge; restructure organization

##### 4. Reduce cost



#### Reform of sales style under pandemic

- Full utilization of digital marketing
- Role-sharing and collaboration



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- Here we will explain about our business in Japan.
- Through our efforts to innovate *koto-uri* and enhance profitability, we aim to improve upon our operating profit margin of 8.8% in FY2019 by two percentage points in FY2025.
- We are frequently asked about how we change our sales style in response to COVID-19, and here we will explain part of our reforms in how we sell.
- Previously sales had handled everything from generating potential orders to turning them into business negotiations and securing the orders, which included participation in physical exhibitions, deeper penetration with existing customers, and activities to develop new customers.
- We used COVID-19 as an opportunity to enhance our digital marketing. Through online seminars, online exhibitions, content marketing, and other means, we have been able to approach an additional layer of potential customers that we hadn't reached before. This has led to a drastic increase in anticipated orders.
- Next, we narrow down the more highly likely orders from among the telemarketing of our contact centers, and pass these on to sales.
- Sales engages customers through a hybrid approach both in person and online, while also using digital tools such as videos. If there is a request for an advanced solution, we enlist the support of specialists for each market and solution as we proceed with negotiations.
- Dividing responsibilities and working in partnerships allows sales to focus efforts on the business deals with higher likelihood, resulting in more orders and less time spent closing deals for them.
- We will work to turn the expertise for each role into explicit knowledge, make it more repeatable, and enhance profitability.

## 2. Technological Innovation

### 1. Develop new tagging technologies



#### Enhance and diversify tagging

- Establishment of 2 new organizations

#### Short- to medium-term impact

##### RFID Headquarters

###### Purpose

- Expand RFID businesses globally

###### Role

- Integrate planning, development, manufacturing, and business promotion to steadily and speedily capture rising demand



#### Medium- to long-term impact

##### Innovation Lab

###### Purpose

- Creation of new tagging technologies

###### Role

- Combine new auto-ID technologies and other technologies
- Develop new tagging methods
- Develop production process of new tags

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● Here we will explain our second pillar of growth, technological innovation.

● We believe that innovation through the development of new component technologies for tagging will be essential to turn “Tagging for Sustainability” into a reality.

● This fiscal year we have established two organizations in order to enhance and diversify our tagging.

● RFID Headquarters is an organization that integrates the functions of planning, development, manufacturing, and business promotion which had previously been separate, in order to capture RFID needs which are proliferating throughout the world. Its aim is to capture demand quickly, with certainty, and produce short- to medium-term results.

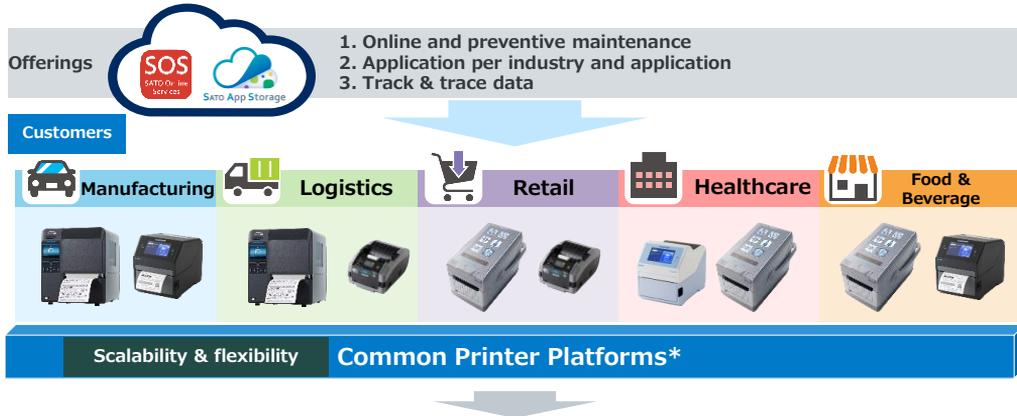
● The Innovation Lab is a team of technical experts established directly under the CEO, in charge of R&D for component technologies of tagging with the aim of producing results in the medium- to long-term. Rather than technologies for needs that are already apparent, its aim is to create entirely new tagging component technologies.

● Rather than focusing on doing things in-house or self-sufficiently, the Lab works with technological partner companies to handle things quickly and flexibly.

## 2. Technological Innovation

### 2. Create cutting-edge products and services

#### Expanding the lineup of smart printers



- **Flexibly combine printers and software to meet customer needs**
- **Timely response to changing needs** through collaboration with cloud services
- **Utilize acquired information** (ensure stable operation by utilizing track and trace data on operating status)
- **Cost reduction** (shorter development time, consolidation of parts)

**SATO** \*Development of hardware, interface, and applications per industry based on platform specifications

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● Next we will explain technological innovations for printers, which are our core products.

● The center of the slide shows some examples of printers that we currently offer.

● Since SATO Group is advancing strategies for each country and market, our ideal is to offer printers that fit the way customers use them in each of our desired industries. Since each printer model is used in various markets and industries, we are developing specific printer functions, applications, and features on an individual basis whenever special requirements arise.

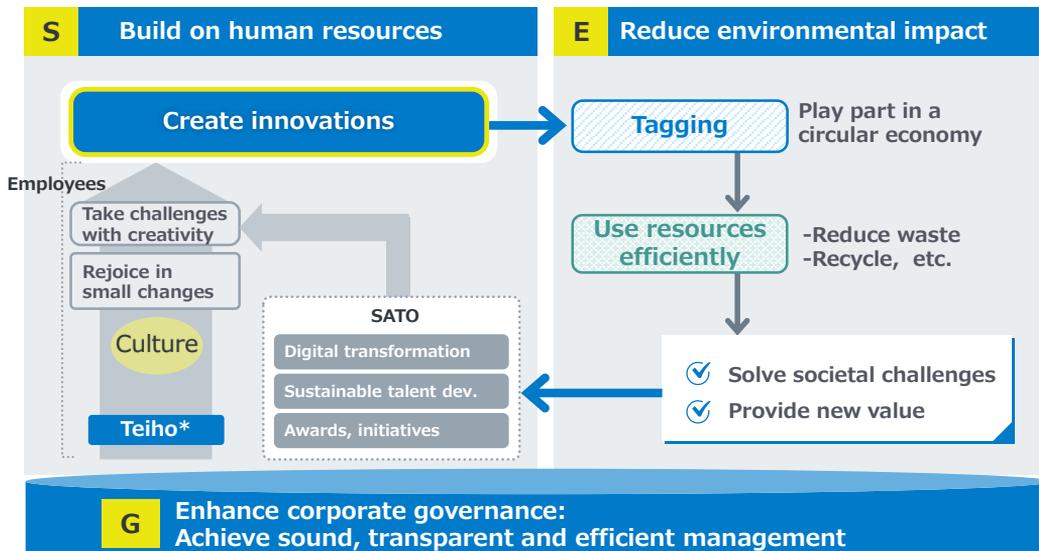
● Going forward, we expect customers' needs to diversify in each country and industry. In order to flexibly and spontaneously address these changing needs, we are currently working on developing a common platform for the insides of printers.

● This will improve scalability and flexibility, while allowing for more flexible combinations of printers and service offerings, giving us more ways to deliver added value to customers.

● At the same time, moving to a common platform will help to significantly control costs by reducing printer development time, improving quality, consolidating parts, and more.

### 3. Enhancing ESG performance

## Initiatives towards “Tagging for Sustainability”



\*Short reports that employees submit to top management regularly concerning original ideas, innovations and proposals aimed to make the company better and on how to put them into action.

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- Last we will explain the third pillar, enhancing ESG performance.
- We believe that forming a company culture that generates innovations as shown in “S” is essential in helping to create a circular economy through auto-ID solutions centered on tagging, as shown in “E” at top right.
- For more than 40 years, the culture of “rejoicing small changes” has been deeply ingrained within our group through the “Teiho” system of daily direct reports from employees to suggest ways to improve the company directly to management.
- We will expand this positive company culture as we stimulate autonomy, creativity, and enthusiasm in each of our employees from diverse backgrounds to build a stronger foundation for innovation.
- At the same time, we will push forward with productivity improvements through efforts toward in-house DX, creating environments where employees can harness their creativity as they engage in their work.
- Through these efforts, we want to create positive cycles which lead to an even higher level of employee motivation, to develop as many employees as possible who can think and act on their own and initiate change.
- It is corporate governance that underpins all of these ideals. We will be continuously enhancing our corporate governance, including the standpoints outlined in the published draft revision of the Corporate Governance Code.

# Capital Allocation

Distribution of cash reserves and cash generated during FY21-23



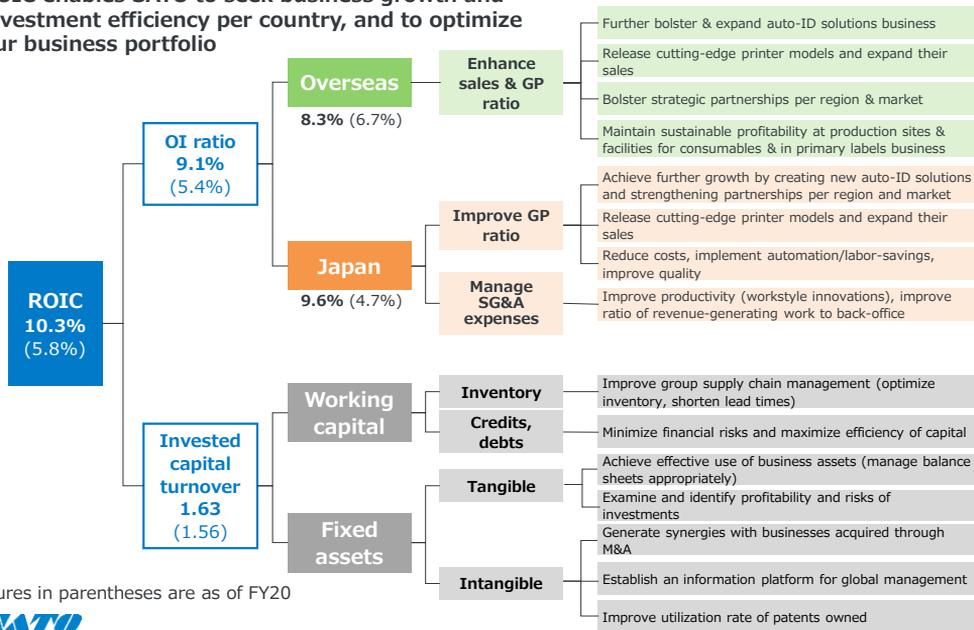
Pillars	Cash allocation	Main initiatives	Impact		
			Sales growth	Higher productivity	Lower cost
1. Growth strategies per region & market	Approx. 10%	Develop solution services per market	✓		
		Collaborate with partners, M&A	✓	✓	
2. Technological innovation	Approx. 70%	R&D, equipment upgrades (printers, consumables, RFID)	✓	✓	✓
		Develop new tagging technology	✓		
3. Enhancing ESG performance	Approx. 20%	Build HR development system	✓	✓	✓
		Develop eco-friendly products	✓	✓	
		Build new IT infrastructure	✓	✓	✓



- This slide shows our approach to allocation of capital toward each of the three pillars explained in the preceding slides.
- We will allocate our cash reserves plus the cash generated in the Medium-term Plan totaling around 50 billion yen to shareholder returns, strategic investments for growth, and retained earnings in order to be prepared for risks.
- The table shows percentage allocations of strategic investments toward each of the three pillars, and the main initiatives comprising each pillar.
- The portion allocated to technological innovation is high because it also includes replacements and upgrades of normal equipment.

## ROIC tree for FY23

- ROIC enables SATO to seek business growth and investment efficiency per country, and to optimize our business portfolio



Figures in parentheses are as of FY20



- These are our initiatives to improve ROIC which we have been working on since last year.
- Through each of the efforts listed on the right, we are pursuing business growth and investment efficiency on a per-country basis, and we are looking to put together an optimized business portfolio aiming for ROIC of 10.3% in FY2023.

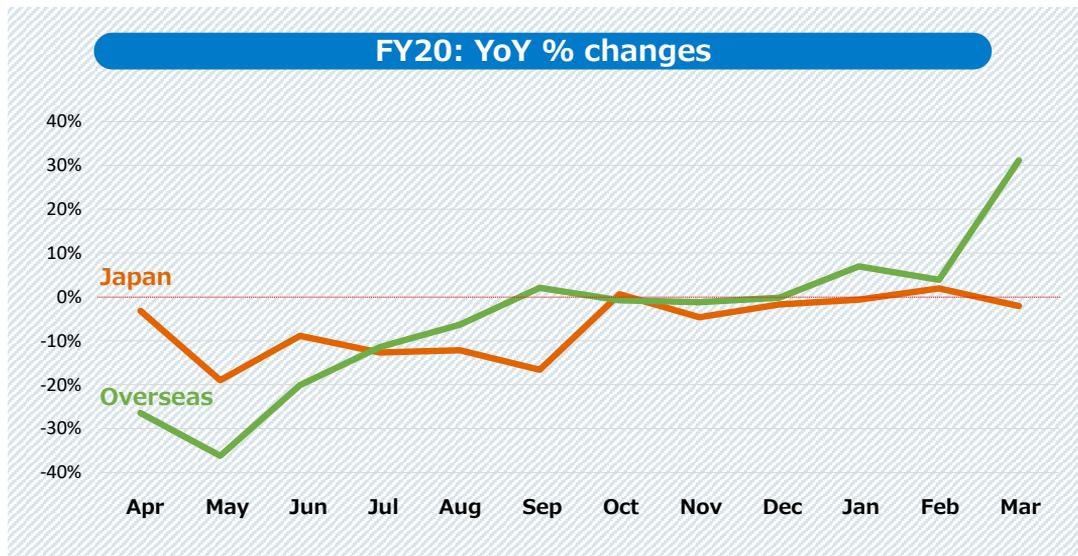
# Appendix

Performance data      Pages 46-64

SATO Terminologies      Pages 65-68



### Monthly sales trends (Overseas/Japan)



## Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	29,781	28,500	+4.5%	+5.7%
	Operating Income	2,083	2,047	+1.8%	+2.0%
Overseas	Total Sales	11,290	9,922	+13.8%	+17.3%
	Operating Income	880	349	2.5x	2.7x
Japan	Total Sales	18,490	18,578	-0.5%	-0.5%
	Operating Income	1,203	1,697	-29.1%	-36.4%
IDP business*	Total Sales	0	68	-	-
	Operating Income	0	-261	-	-
Consolidated (incl. eliminations)	Total Sales	29,781	28,569	+4.2%	+5.4%
	Operating Income	2,069	1,815	+14.0%	+9.9%



※IDP business : Transferred all shares of DataLase to DataLase Holdings Ltd in Sep 2020

## Consolidated Results

(Millions of JPY)

	FY2020 Jan-Mar	FY2019 Jan-Mar	Change	
				YoY
Net Sales	29,781	28,569	+1,212	+4.2%
Operating Income	2,069	1,815	+254	+14.0%
Operating Income %	6.9%	6.4%	+0.6pt	-
Ordinary Income	2,051	1,209	+842	+69.6%
Profit attributable to owners of parent *1	1,355	-6,039	+7,394	-
Effective Tax Rate	19.6%	-	-	-
<b>EBITDA</b> *2	<b>3,133</b>	<b>3,279</b>	<b>-145</b>	<b>-4.4%</b>

Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR, FY19: JPY 108.69/USD, JPY 120.79/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 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.

\*2 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Jan-Mar FY20: JPY 1,008million Jan-Mar FY19: JPY 1,249 million

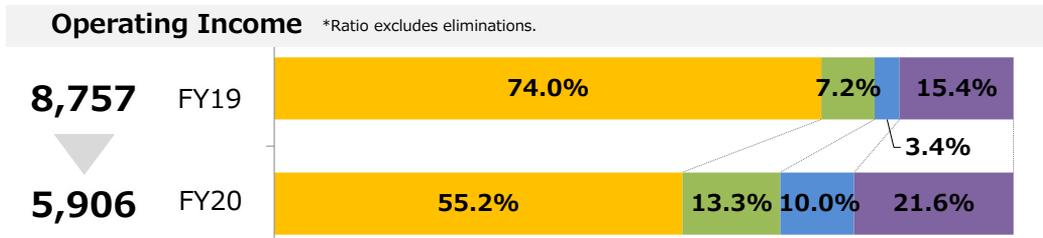
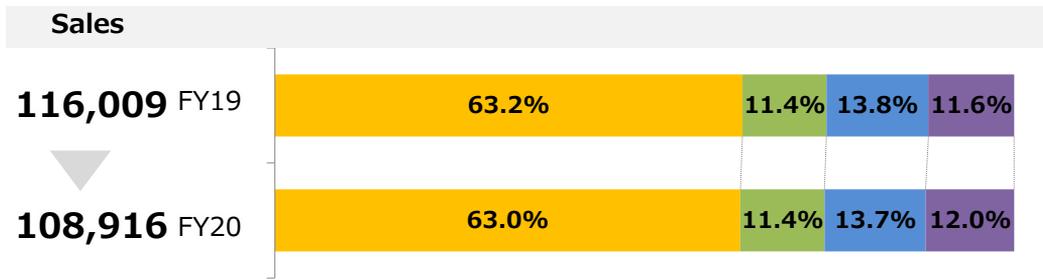
· Amortization for Jan-Mar FY20: JPY 55 million\*3 Jan-Mar FY19: JPY 215 million (incl. 148 mil. for DataLase)

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

### Sales and OI by region

(Millions of JPY)

■ Japan ■ The Americas ■ Europe ■ Asia/Oceania



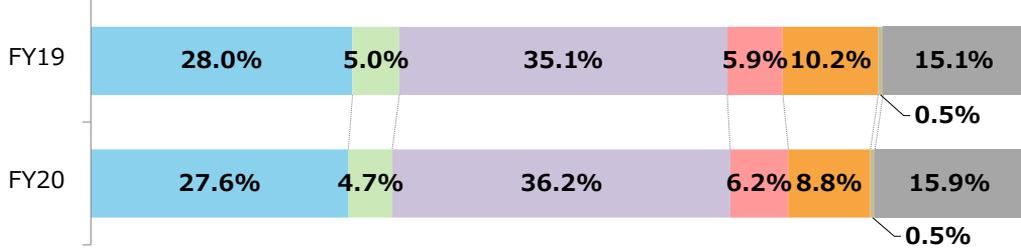
OI Ratio FY19 Japan : 8.8%, Overseas : 5.3%  
 FY20 Japan : 4.7%, Overseas : 6.7%



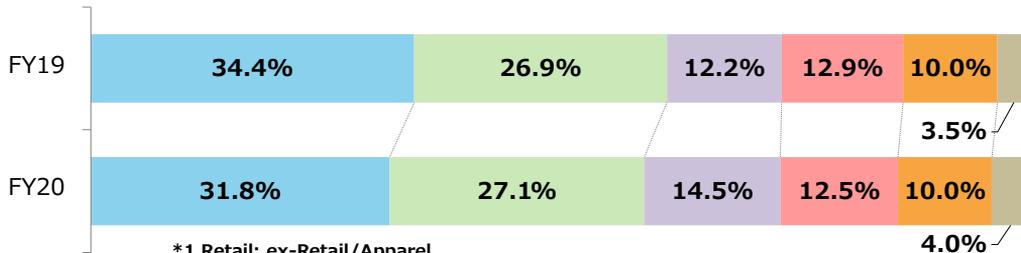
### Sales by vertical

■ 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

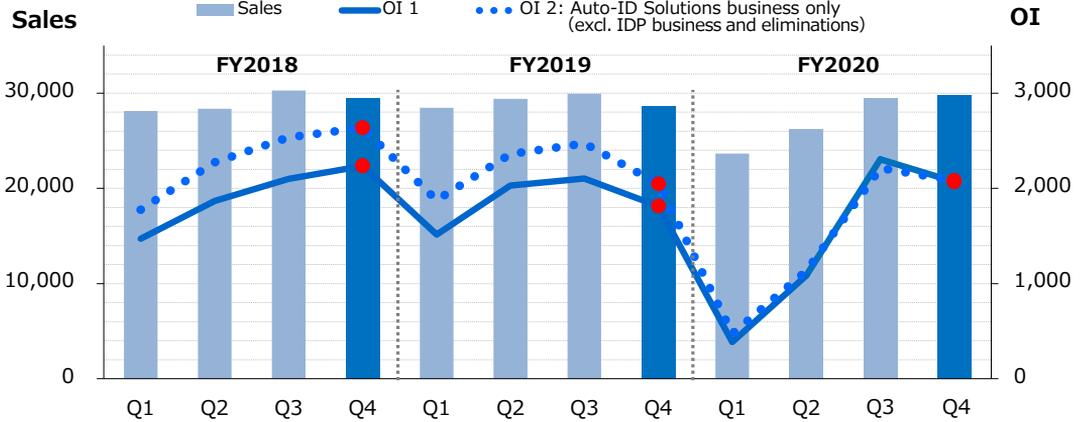


\*1 Retail: ex-Retail/Apparel

**Consolidated**

**Quarterly Sales & OI**

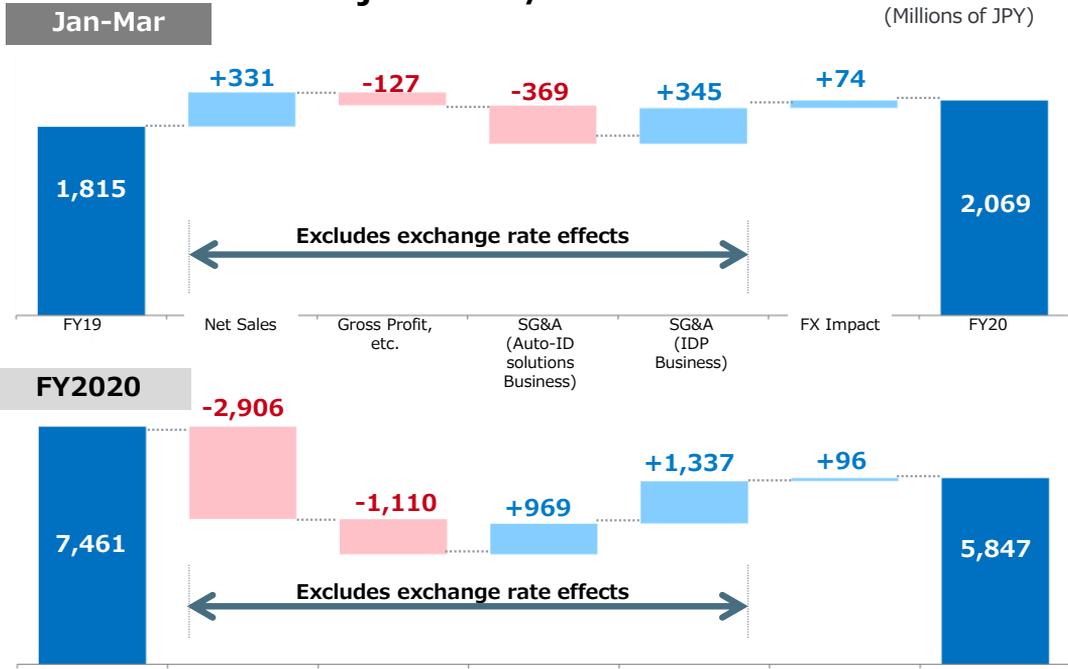
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569	23,651	26,221	29,398	29,781
YoY	+4.9%	+1.2%	+0.3%	+3.7%	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%	+4.2%
<b>OI 1</b>	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,815	385	1,084	2,307	2,069
YoY	+73.1%	+9.7%	-0.9%	+42.0%	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%	+14.0%
<b>OI 2</b>	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047	476	1,132	2,213	2,083
YoY	+44.3%	+9.6%	+0.8%	+40.6%	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%	+1.8%

### Major Gains/Losses in OI

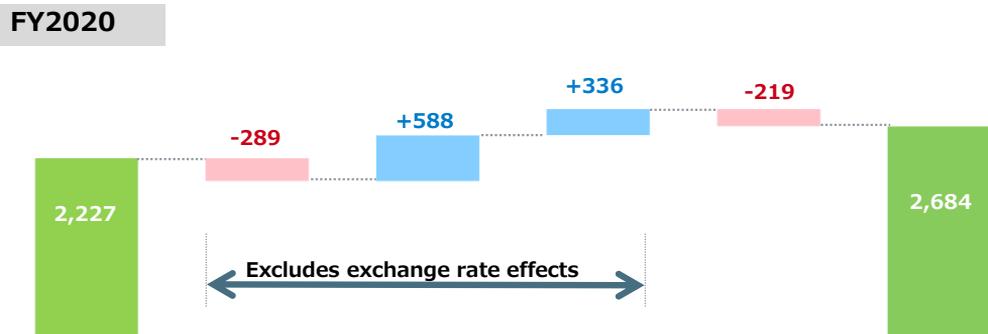
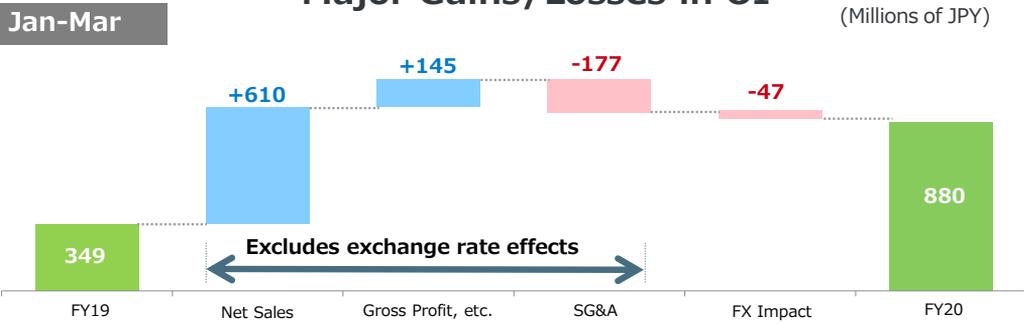
(Millions of JPY)



## Auto-ID Solutions Business (Overseas)

### Major Gains/Losses in OI

(Millions of JPY)



## Auto-ID Solutions Business (Overseas)

### Breakdown by Business Segment

(Millions of JPY)

		FY2020	FY2019	Change	YoY	excl. FX impact
		Jan-Mar	Jan-Mar			
<b>Base</b>	Total Sales	8,976	7,794	+1,181	+15.2%	+13.7%
	Operating Income	733	348	+385	2.1x	2.1x
<b>Primary Labels</b>	Total Sales	2,313	2,128	+185	+8.7%	+30.2%
	Operating Income	139	6	+133	22.0x	29.0x
<b>Eliminations</b>	Operating Income	6	-5	+12	-	-
<b>Total</b>	Total Sales	11,290	9,922	1,367	+13.8%	+17.3%
	Operating Income	880	349	+530	2.5x	2.7x

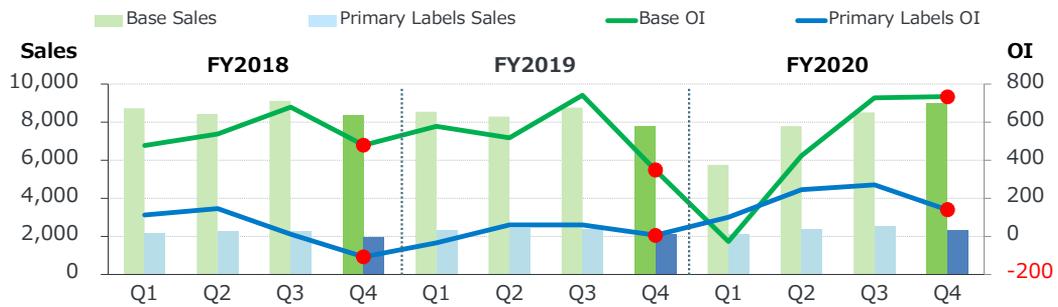
		FY2020	FY2019	Change	YoY	excl. FX impact
<b>Base</b>	Total Sales	31,010	33,378			
	Operating Income	1,857	2,184	-326	-15.0%	-14.1%
<b>Primary Labels</b>	Total Sales	9,339	9,270	+68	+0.7%	+22.8%
	Operating Income	756	94	+661	8.0x	10.1x
<b>Eliminations</b>	Operating Income	70	-2	+72	-	-
<b>Total</b>	Total Sales	40,349	42,648	-2,298	-5.4%	+0.2%
	Operating Income	2,684	2,277	+407	+17.9%	+27.5%

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## 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	Q4
Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755	7,779	8,499	8,976
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%	+15.2%
	OI	477	538	678	478	577	517	740	348	-26	423	727	733
	YoY	+39.9%	-21.0%	-3.3%	18.7x	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%	2.1x
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	2,313
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%	+8.7%
	OI	112	146	12	-107	-33	61	61	6	100	245	270	139
	YoY	2.4x	5.6x	-	-	-	-58.3%	4.9x	-	-	4.0x	4.4x	22.0x

Sales and OI by Business Segment/Region

(Millions of JPY)

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

Sales

42,648 FY19



FY19



40,349 FY20



FY20



Operating Income

\*Ratio excludes eliminations.

2,277 FY19



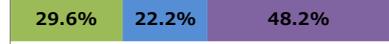
FY19



2,684 FY20



FY20



OI ratio:

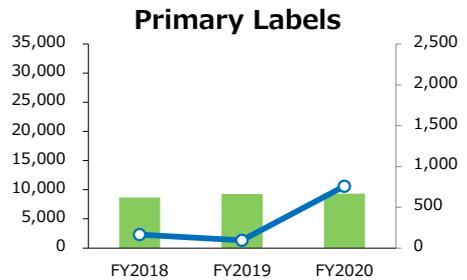
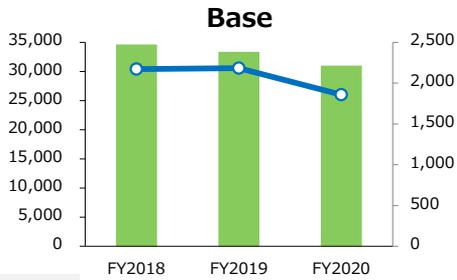
**FY19 Base : 6.5%, Primary Labels : 1.0%**  
**FY20 Base : 6.0%, Primary Labels : 8.1%**

**FY19 The Americas : 4.8%, Europe : 1.9%, Asia/Oceania : 10.0%**  
**FY20 The Americas : 6.2%, Europe : 3.9%, Asia/Oceania : 9.6%**

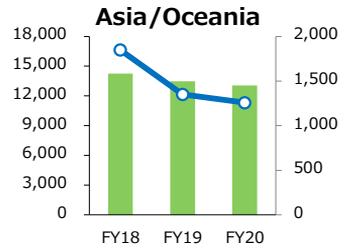
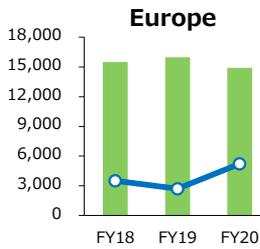
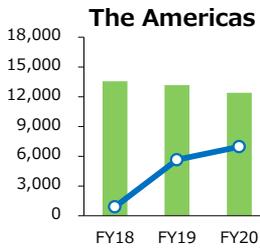


Sales and OI Trends by Business Segment and Region

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



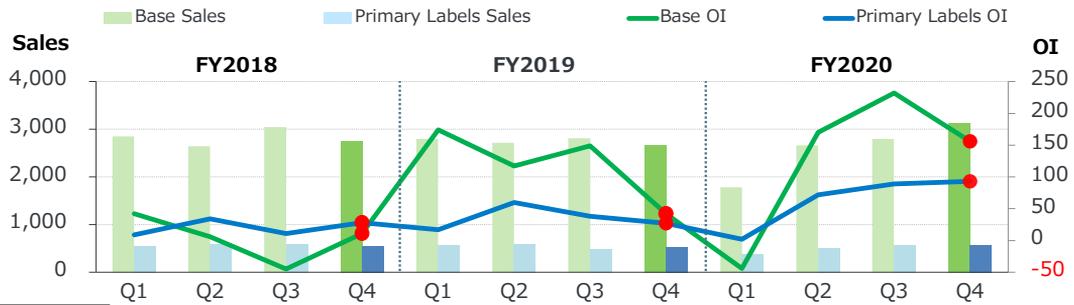
By Region



## Auto-ID Solutions Business (Overseas)

### The Americas: Quarterly Sales & OI

(Millions of JPY)



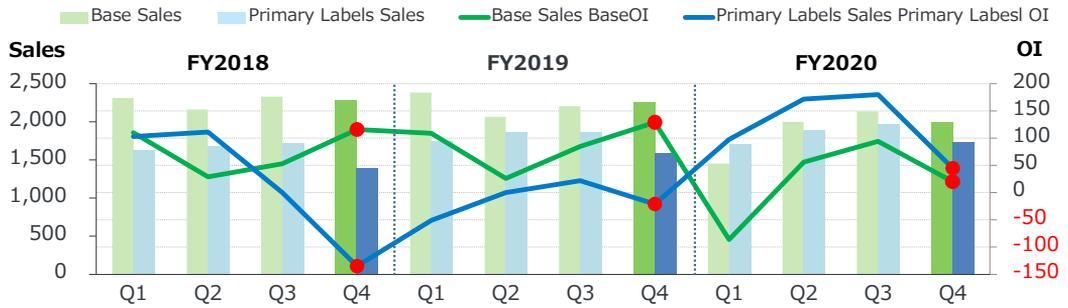
		FY2018				FY2019				FY2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	Sales	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664	1,781	2,660	2,794	3,140
	YoY	+2.7%	-9.0%	-0.6%	-9.4%	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%	+17.8%
	OI	42	6	-45	11	174	117	149	42	-44	170	232	156
	YoY	-49.7%	-94.9%	-	-	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%	3.6x
Primary Labels	Sales	546	584	587	550	577	586	497	536	378	498	571	576
	YoY	-16.9%	-12.4%	-9.9%	-19.6%	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%	+7.3%
	OI	9	34	11	28	17	60	38	27	2	72	89	93
	YoY	-92.1%	2.5x	-	-68.0%	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x	3.4x

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# Auto-ID Solutions Business (Overseas)

## Europe: Quarterly Sales & OI

(Millions of JPY)

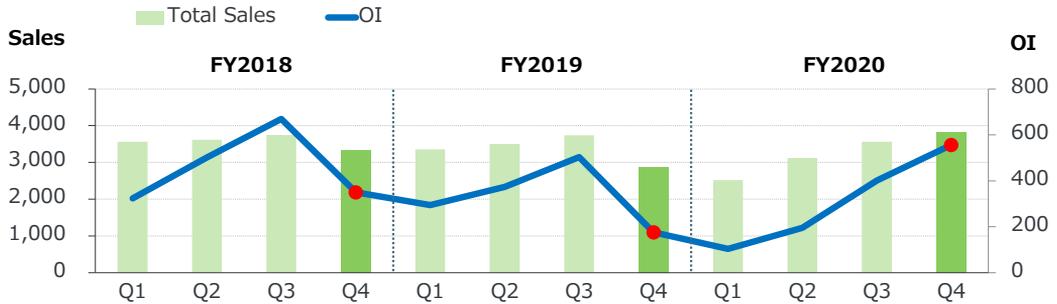


	Sales	FY2018				FY2019				FY2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%
	OI	110	29	53	116	109	26	85	129	-86	56	94	20
	YoY	2.5x	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%
	YoY	-	9.1x	3.8x	-	-	-99.7%	36.2x	-	-	503.7x	8.0x	-
Primary Labels	Sales	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591	1,711	1,891	1,974	1,737
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%
	OI	103	111	0	-135	-51	0	22	-21	98	172	180	45
	YoY	-	9.1x	3.8x	-	-	-99.7%	36.2x	-	-	503.7x	8.0x	-

## Auto-ID Solutions Business (Overseas)

### Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



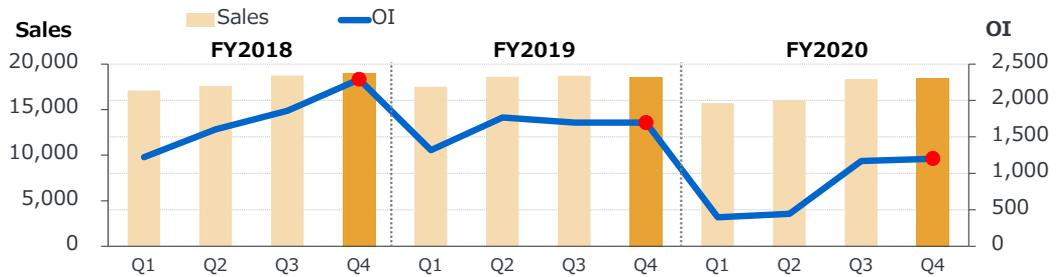
Base	Sales											
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865	2,520	3,117	3,567	3,839
YoY	+10.3%	+5.8%	-0.4%	-2.3%	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%	+34.0%
OI	324	502	670	350	294	374	504	176	104	196	401	556
YoY	+52.3%	-1.8%	+37.9%	+18.8%	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%	3.2x



## Auto-ID Solutions Business (Japan)

### Quarterly Sales & OI

(Millions of JPY)



<b>Sales</b>	17,081	17,579	18,736	19,037	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490
<b>YoY</b>	+2.7%	+0.9%	-0.9%	+8.7%	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%
<b>OI</b>	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697	399	448	1,170	1,203
<b>YoY</b>	+41.9%	+19.4%	+0.5%	+29.3%	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%

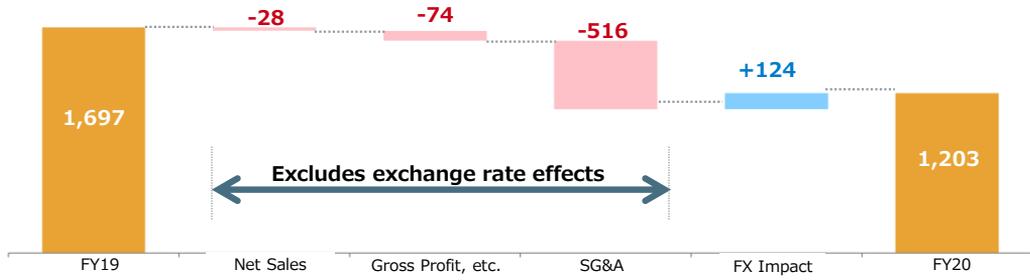


## Auto-ID Solutions Business (Japan)

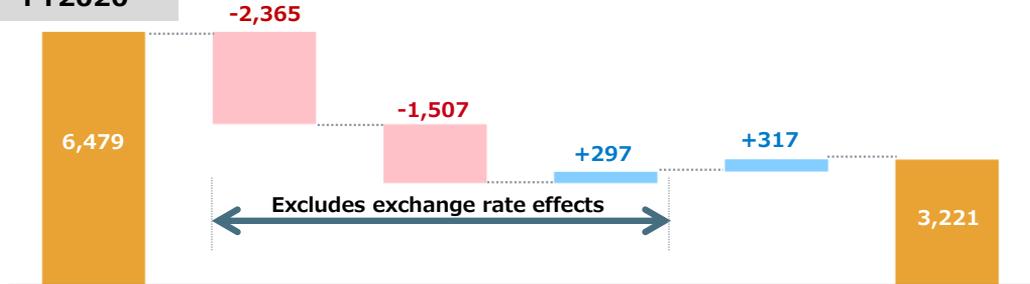
### Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar



FY2020



### Quarterly Sales & OI

(Millions of JPY)



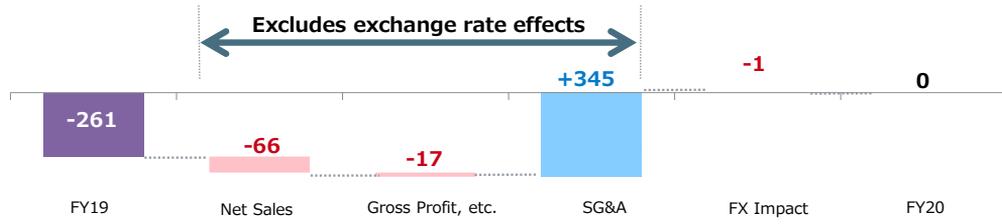
<b>Sales</b>	125	104	116	81	100	94	100	68	75	60	0	0
<b>YoY</b>	+53.2%	+34.0%	2.1x	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-	-
<b>OI</b>	-303	-372	-337	-407	-394	-343	-317	-261	-70	-77	0	0
<b>YoY</b>	-	-	-	-	-	-	-	-	-	-	-	-



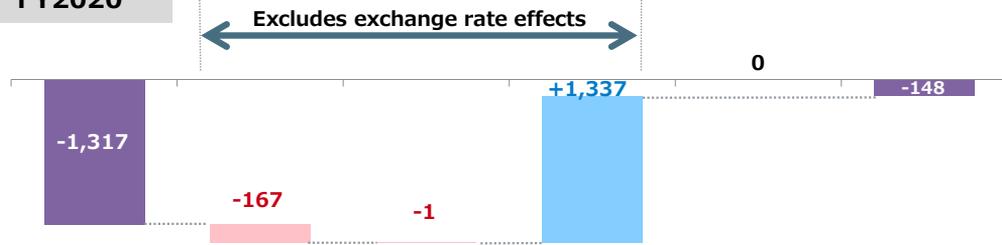
### Major Gains/Losses in OI

(Millions of JPY)

**Jan-Mar**



**FY2020**



## SATO terminologies (1/4)

SATO-unique business concepts/initiatives	Description*
1 Auto-ID Solutions business	Our business that carries out <u>DCS &amp; 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>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." 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. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7 DCS & Labeling +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	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.
9	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.
10	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 <b>DCS &amp; Labeling +One</b> . 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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