



August 6, 2021

# SATO HOLDINGS CORPORATION

**FY2021 Q1 Financial Results**

(Three Months Ended June 30, 2021)

Securities Code: 6287

## Summary

### Consolidated

Both overseas and Japan continued to recover, and sales and operating income increased year on year.

Sales increased and income decreased compared with the same period in FY2019.

### Auto-ID Solutions Business (Overseas)

Both sales and income increased in all regions YoY and versus FY2019.

- Base business: Both sales and income increased YoY and compared to FY2019 due to a recovery in existing demand.
- Primary Labels business: Both sales and income increased YoY and compared to FY2019 due to continued strong sales to the daily life infrastructure industry.

### Auto-ID Solutions Business (Japan)

Both sales and income increased YoY due to a recovery in existing demand. Both sales and profits declined compared to FY2019.



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- Highlights are as shown in the slide.
- In the overseas Base business, there was a conspicuous recovery in demand from existing customers in the retail market, which has been focused on by our sales subsidiaries in Europe and the United States. In addition, due to concerns about the supply of printers stemming from the semiconductor shortage, there was temporary demand, such as the restocking of printer inventories by distributors.
- The Primary Labels business continues to be strong in the daily life infrastructure industry, and it seems to be ongoing.
- The reasons why the Japan business has not recovered to the FY2019 level are as follows.
- By market, the recovery in each industry in manufacturing, which has the highest share of sales and profits, has been mixed.
- By product, consumables have seen a notable recovery, and sales returned to roughly the same level as in FY2019. However, the recovery of mechatronics, which has a higher profit margin, has been taking more time than expected. As a result, the gross profit margin has not improved through product mix.
- The improvement in operating income was limited due to an increase in SG&A expenses and investments for growth.

## Sales and OI by Business Segment

(Millions of JPY)

		FY2021	FY2020	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	30,177	23,575	+28.0%	+25.6%
	Operating Income	1,760	476	3.7x	3.6x
Overseas	Total Sales	12,929	7,844	+64.8%	+57.6%
	Operating Income	1,175	77	15.1x	14.8x
Japan	Total Sales	17,248	15,730	+9.6%	+9.6%
	Operating Income	585	399	+46.7%	+46.6%
IDP business*	Total Sales	0	75	-	-
	Operating Income	0	-70	-	-
Consolidated (incl. eliminations)	Total Sales	30,177	23,651	+27.6%	+25.2%
	Operating Income	1,706	385	4.4x	4.4x



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

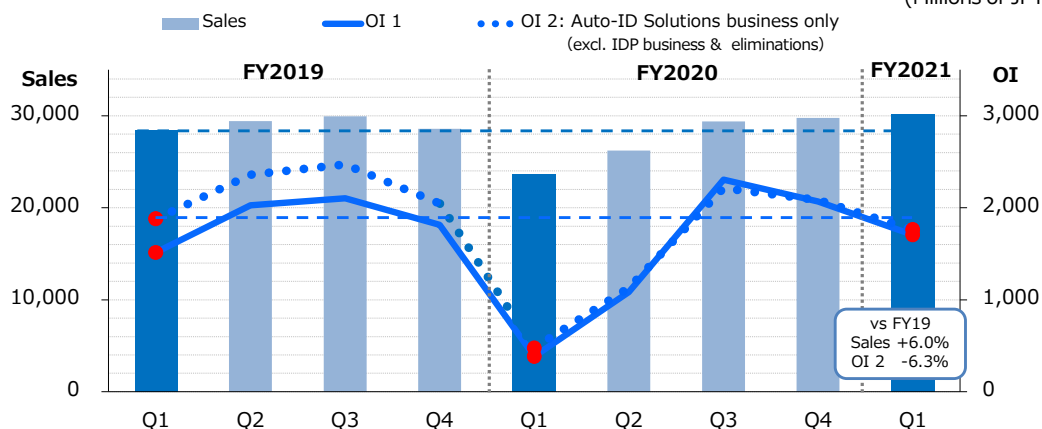
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- The main figures in the highlights of the previous slide are shown in the table.
- Sales in the Auto-ID Solutions business as a whole and sales and operating income in the overseas business were all-time highs on a quarterly basis.

## Consolidated

### Quarterly Sales & OI

(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Sales</b>	28,463	29,411	29,928	28,569	23,651	26,221	29,398	29,781	30,177
YoY	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%
<b>OI 1</b>	1,514	2,028	2,103	1,815	385	1,084	2,307	2,069	1,706
YoY	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%	+14.0%	4.4x
<b>OI 2</b>	1,878	2,360	2,471	2,047	476	1,132	2,213	2,083	1,760
YoY	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%	+1.8%	3.7x

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- This is the quarterly trend of consolidated sales and operating income.
- The slides on quarterly changes explain the FY2019 comparison hereafter.
- Sales were +6.0%, while operating income in the Auto-ID Solutions business excluding IDP and eliminations was -6.3%.
- This is attributable to the Japan business, and the background is as explained on the "Summary" page.

## Consolidated Results

(Millions of JPY)

	FY2021	FY2020	Change	YoY
Net Sales	30,177	23,651	+6,526	+27.6%
Operating Income	1,706	385	+1,320	4.4x
Operating Income %	5.7%	1.6%	+4.0pt	-
Ordinary Income	1,644	618	+1,026	2.7x
Profit attributable to owners of parent	1,085	213	+872	5.1x
Effective Tax Rate	28.6%	53.0%	-24.5pt	-
EBITDA*	2,798	1,507	+1,290	+85.6%

Average exchange rates for Apr-Jun FY21: JPY 109.51/USD, JPY 131.93/EUR, Apr-Jun FY20: JPY 107.63/USD, JPY 118.59/EUR

FX sensitivity for FY21: JPY +459 million in sales and JPY +17million in OI for +1 JPY against USD and assuming all others move by the same ratio

\* EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Jun FY21: JPY 1,033 million

· Amortization for Apr-Jun FY21: JPY 58 million

Apr-Jun FY20: JPY 1,064 million

Apr-Jun FY20: JPY 57 million



- These are the consolidated results for Q1.
- Mainly driven by the overseas business, operating income grew 4.4 times YoY, but ordinary income grew only 2.7 times due to forex losses.
- Net income increased 5.1 times YoY due to a decline in the effective tax rate.

## Overview

Sales and profits increased in all regions lead by initiatives for robust industries. Operating profit margin significantly improved due to increased sales and improved gross profit margin.  
(Sales and income increased vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

	FY2021	FY2020	Change	YoY	excl. FX impact
<b>Total Sales</b>	<b>12,929</b>	<b>7,844</b>	<b>+5,084</b>	<b>+64.8%</b>	<b>+57.6%</b>
Gross Profit	4,693	2,751	+1,942	+70.6%	-
Gross Profit %	36.3%	35.1%	+1.2pt	-	-
<b>Operating Income</b>	<b>1,175</b>	<b>77</b>	<b>+1,097</b>	<b>15.1x</b>	<b>14.8x</b>
Operating Income %	9.1%	1.0%	+8.1pt	-	-



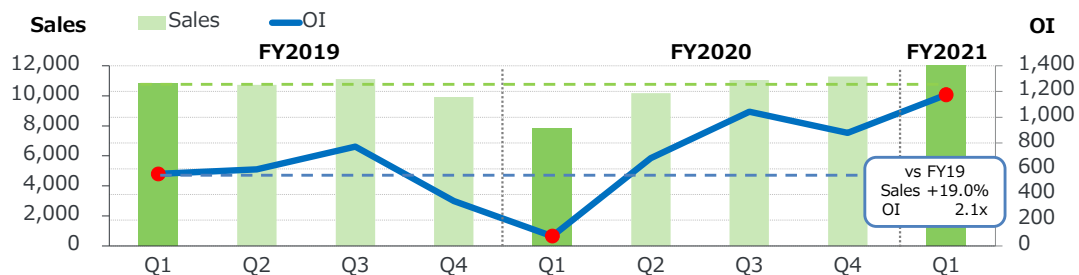
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- From here, the situation of each breakdown is explained.
- In the overseas business, both sales and operating income reached record highs.
- Of note, the operating income margin improved 8.1 percentage points from 1.0% to 9.1% thanks to the following.
- In the Base business, operating income increased mainly due to sales growth, particularly in the retail market. In addition to this, there was a one-off demand, such as the restocking of printer inventories by distributors due to concerns about the supply of printers.
- In the Primary Labels business, sales to the food and other daily life infrastructure industries remained strong, and in addition to the effects of the higher sales, the improvement in the gross profit margin also contributed.

## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

(Millions of JPY)



Sales	10,867	10,739	11,118	9,922	7,844	10,168	11,045	11,290	12,929
YoY	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%
OI	560	595	772	349	77	683	1,043	880	1,175
YoY	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%	2.5x	15.1x



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- This is the quarterly trend.
- Compared to FY2019, sales were +19.0% and operating income was 2.1 times higher.

## Breakdown by Business Segment

**Base business:** In addition to the recovery of customers' sales and production, securing the needs of robust industries lead to increased sales and return to operating profitability.

**Primary Labels business:** Sales and income increased by capturing the needs of the food, pharmaceutical, and other essential industries, which continued to perform well.  
(Sales and income in both businesses increased vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	10,023	5,755	+4,268	+74.2%	+62.6%
	Operating Income	894	-26	+921	-	-
Primary Labels	Total Sales	2,905	2,089	+816	+39.1%	+43.8%
	Operating Income	266	100	+165	2.6x	2.9x
Eliminations	Total Sales	14	3	+10	3.7x	3.7x
Total	Total Sales	12,929	7,844	+5,084	+64.8%	+57.6%
	Operating Income	1,175	77	+1,097	15.1x	14.8x



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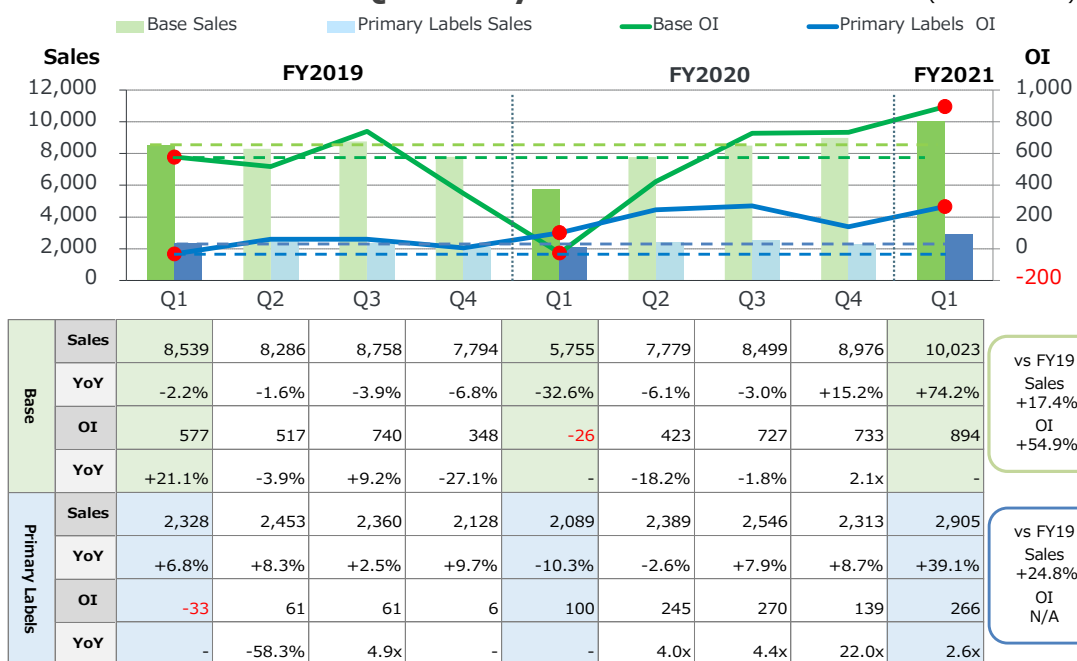
- These are the results for the overseas Base business and the Primary Labels business.
- In the Base business, in the Americas and Europe, demand recovered sharply from existing targeted customers in retail, whose earnings expanded through the pandemic. As a result, sales of consumables grew significantly by more than double YoY.
- Similarly, sales of printers nearly doubled YoY due to an increase in demand from existing retail customers, and a temporary increase in sales, such as the restocking of printer inventories by distributors due to concerns about supply in the overall market, and the supply by us of the portion that competitors were unable to supply. As a result of this increase in sales and the effects of curbing SG&A expenses, operating income also grew.
- In the Primary Labels business, sales grew due to ongoing stay-home demand and to new project orders from existing customers.



## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

(Millions of JPY)



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- This is the quarterly trend.
- Both businesses saw growth in sales and operating income compared with FY2019, as outlined on the right of the table.
- In the Base business, both sales and operating income reached record highs on a quarterly basis.

## Breakdown by Region: The Americas

Base business: Demand in U.S. was strong. Providing solutions to retail key accounts progressed. Sales and income increased by capturing demand through business partners as well.  
 Primary Labels business: Continued strong performance by capturing demand in industries that support daily lives resulted in increased sales and income.  
 (Sales and income in both businesses increased vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	3,458	1,781	+1,677	+94.2%	+91.5%
	Operating Income	251	-44	+296	-	-
Primary Labels · Achernar · Prakolar	Total Sales	648	378	+270	+71.4%	+89.6%
	Operating Income	117	2	+114	45.9x	55.1x
Total	Total Sales	4,107	2,159	+1,947	+90.2%	+91.2%
	Operating Income	368	-42	+410	-	-



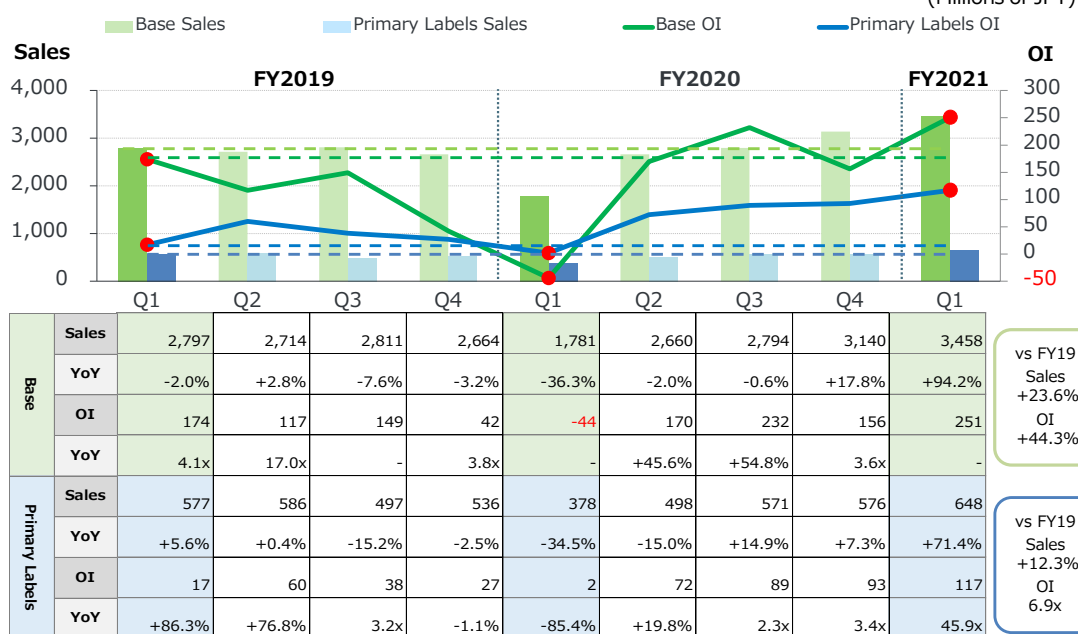
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- From here, we will explain Q1 results overseas by region.
- In the Americas Base business, demand recovered sharply from off-price retailers and food supermarkets in the targeted retail market.
- Consumable sales rose due to an increase in volume, and printer sales, which captured new applications, also grew due to the sale of providing solutions. As a result, sales in the retail market tripled YoY, driving the overall increase in sales in the Base business.
- There was also an increase in sales due to special demand for printers.
- As a result of these increased sales, operating income also improved significantly.
- In the Primary Labels business, in addition to the effects of higher sales due to continued stay-home demand, improvements in the gross profit margin due to measures to reduce the raw material cost ratio also contributed to the increase in profits.

## Auto-ID Solutions Business (Overseas)

### The Americas: Quarterly Sales & OI

(Millions of JPY)



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- This is the quarterly trend.
- Both businesses saw growth in sales and operating income compared with FY2019, as outlined on the right of the table.
- Sales and operating income were all-time highs on a quarterly basis for both the Base and Primary Labels businesses.

## Breakdown by Region: Europe

Base business: Sales and income increased with focus on strong industries such as grocery supermarkets.

Primary Labels business: Sales and income increased due to continued success at Okil in Russia in obtaining new businesses and by further probing existing businesses such as food and beverage.

(Sales and income in both businesses increased vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	2,746	1,453	+1,293	+89.0%	+68.9%
	Operating Income	115	-86	+202	-	-
Primary Labels • Okil • X-Pack	Total Sales	2,256	1,711	+545	+31.9%	+33.7%
	Operating Income	149	98	+50	+51.8%	+53.8%
Total	Total Sales	5,003	3,164	+1,839	+58.1%	+49.9%
	Operating Income	264	11	+253	22.7x	21.8x



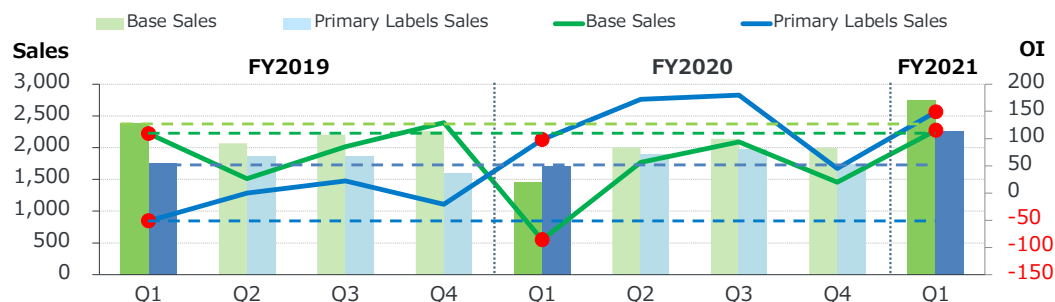
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- In the Base business in Europe, sales grew strongly by capturing demand from targeted food supermarkets and fast-food industry.
- For food supermarkets, replacement demand was captured mainly from major German customers.
- In the fast-food industry, increased demand for printers and labels for labeling applications was triggered by tighter regulations on food labeling in the United Kingdom.
- As a result of these increased sales, operating income returned to the black.
- In the Primary Labels business, as in the Americas, the daily life infrastructure industry performed well, and sales and income increased YoY due to new brand orders from and wider business with existing customers.

## Auto-ID Solutions Business (Overseas)

### Europe: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	2,386	2,066	2,205	2,264	1,453	2,000	2,137	1,996	2,746
	YoY	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%
	OI	109	26	85	129	-86	56	94	20	115
	YoY	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%	-
Primary Labels	Sales	1,751	1,867	1,862	1,591	1,711	1,891	1,974	1,737	2,256
	YoY	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%
	OI	-51	0	22	-21	98	172	180	45	149
	YoY	-	-	36.2x	-	-	-	8.0x	-	+51.8%

vs FY19  
Sales  
+15.1%  
OI  
+5.5%

vs FY19  
Sales  
+28.8%  
OI  
N/A

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- This is the quarterly trend.
- Both businesses saw growth in sales and operating income compared with FY2019, as outlined on the right of the table.
- Record quarterly sales for both the Base and Primary Labels businesses were marked.

## Breakdown by Region: Asia/Oceania

**Base business: Sales increased driven by Chinese sales subsidiaries and Argox.**  
**Income increased as profits at factories rose behind higher global printer sales.**

(Sales and income increased vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

		FY2021	FY2020	Change	YoY	excl.FX Impact
Base	Total Sales	3,817	2,520	+1,297	+51.5%	+38.4%
	Operating Income	527	104	+422	5.1x	4.7x



Argox: Company engaging in the development, production and sales of printers in Taiwan.

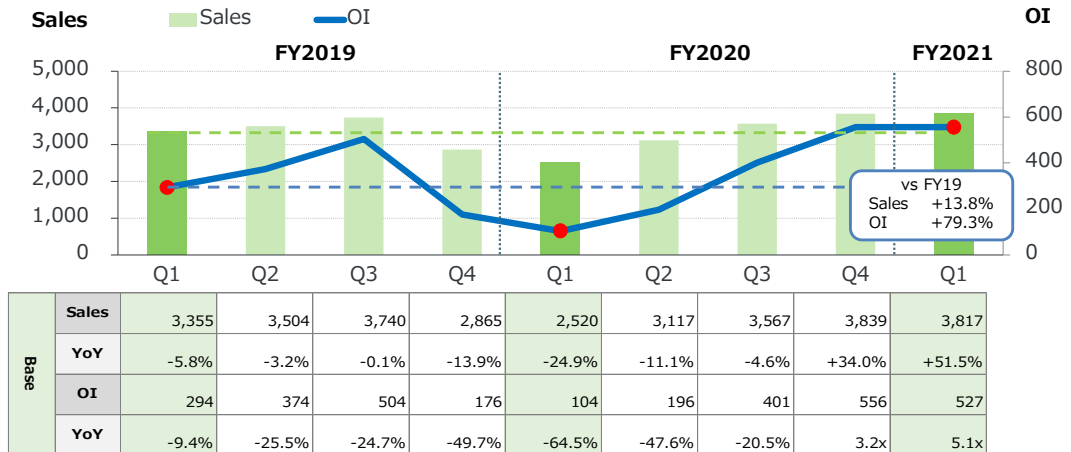
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- In Asia and Oceania, the targeted manufacturing market recovered. Sales rose at all sales subsidiaries due to strong performance in electrical machinery and electronic components.
- Operating income increased with higher sales and boosted income at printer factories in Asia benefiting from sales growth of printers worldwide.
- From the second half of Q1 onward, the recovery lost steam due to an increase in sales subsidiaries whose activities were restricted on back of lock-downs caused by another wave of Covid-19 infections.

## Auto-ID Solutions Business (Overseas)

### Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



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- This is the quarterly trend.
- Both sales and operating income grew compared to FY2019.

## Overview

Sales increased due to continued recovery in general across all markets. Although sales increased and GPM improved, the recovery in operating profit margin was limited due to investments for growth. (Sales decreases slightly and income dropped vs. FY2019.)

See the following slide for FY2019 results. (Millions of JPY)

	FY2021	FY2020	Change	YoY
Mechatronics Sales	6,739	6,176	+563	+9.1%
Consumables Sales	10,526	9,554	+972	+10.2%
<b>Total Sales</b>	<b>17,248</b>	<b>15,730</b>	<b>+1,517</b>	<b>+9.6%</b>
Gross Profit	8,246	7,339	+906	+12.3%
Gross Profit %	47.8%	46.7%	+1.2pt	-
<b>Operating Income</b>	<b>585</b>	<b>399</b>	<b>+186</b>	<b>+46.7%</b>
Operating Income %	3.4%	2.5%	+0.9pt	-

Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.  
Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.



Note : Total Sales is sum of mechatronics, consumables, and others.

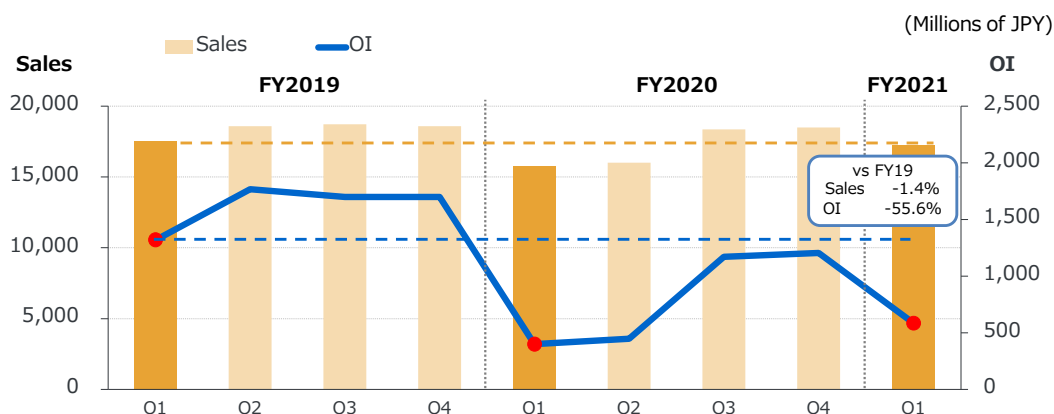
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- In the Japan business, mixed conditions by market and industry remained unchanged.
- Overall, the recovery was as expected at the beginning of the fiscal year, and sales and profits increased YoY.
- The situation by market is explained in detail later, but the consumables sales returned to almost the same level as in FY2019 with the recovery of customer activities. Mechatronics, meanwhile, fell -3.0% due to prolonged business dealings and constraints on sales activities.
- The sales recovery of consumables in the manufacturing market, which has a high gross profit margin, contributed to the 1.2 percentage point improvement in the gross profit margin compared to the previous year.
- However, as a result of investments for growth in line with the medium-term management plan and the rebound in operating expenses, the improvement in the operating income margin was limited to 0.9 percentage points.



## Auto-ID Solutions Business (Japan)

### Quarterly Sales & OI



Sales	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490	17,248
YoY	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%
OI	1,318	1,765	1,698	1,697	399	448	1,170	1,203	585
YoY	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%



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- This is the quarterly trend.
- Sales recovered almost to FY2019 levels, while operating income declined significantly.
- The factors are as follows.
- Recovery in the manufacturing market, which accounts for about 30% of sales, has been delayed. Although consumables has been recovering, the overall manufacturing market was -11.5% compared to FY2019.
- On the other hand, although the retail market grew by +7.2%, the impact on the improvement in operating income was small because the gross profit margin is lower than in the manufacturing market.
- While mixed conditions by market and industry remained unchanged, consumables sales returned to about the same level compared to FY2019. However, since mechatronics struggled with -3.0%, the gross profit margin did not recover to the 50.0% level seen in FY2019.
- SG&A expenses rose 10.5% over FY2020 due to investments for growth and a rebound in operating expenses.

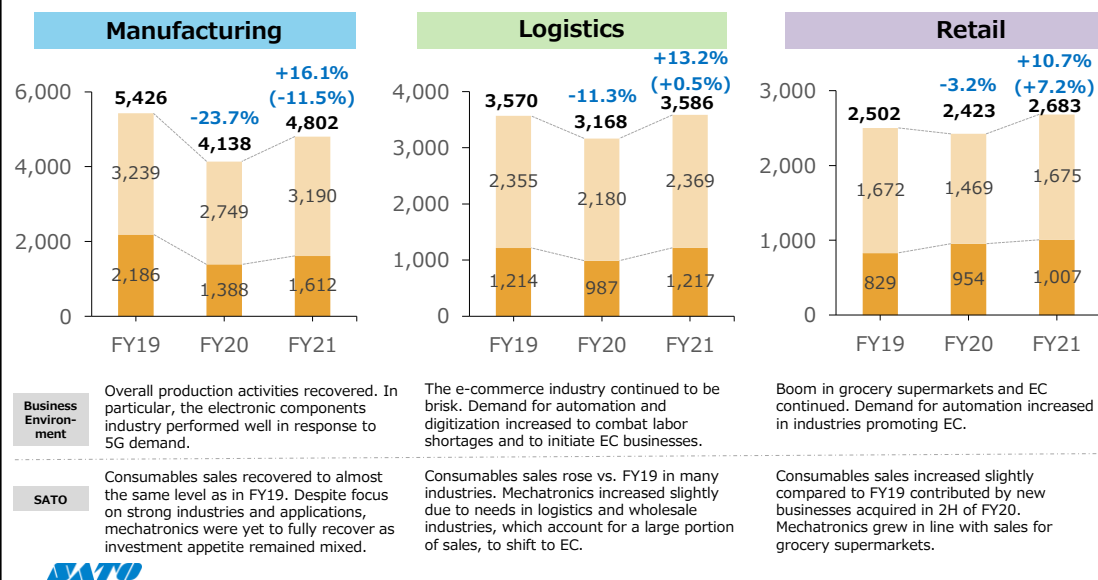
## Sales by Vertical [1]

(Millions of JPY)

N.B.: Market segmentation revised in FY2021. Figures for FY2019 and FY2020 have been retroactively adjusted.

\*Percentages indicate YoY changes, and those in parentheses indicate changes versus FY2019.

■ : Mechatronics   ■ : Consumables



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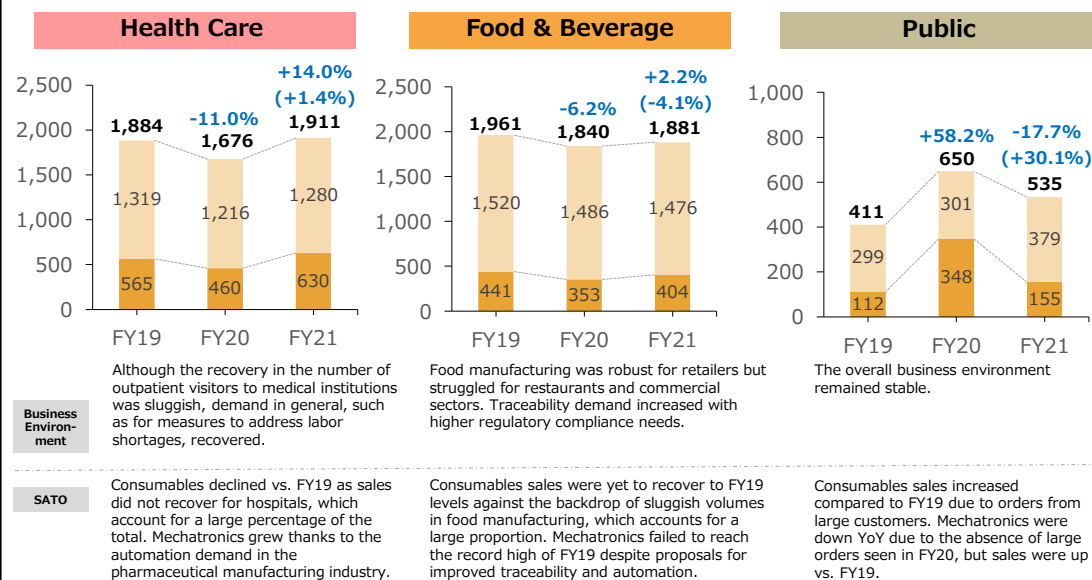
- Sales for each market in Japan are as follows.
- Manufacturing: Performance in electronic components, machinery and electrical machinery, and chemicals was strong, while automobiles and steel struggled, particularly in mechatronics.
- The recovery in investment appetite has been uneven among industries, and it will most likely take time for sales to return to FY2019 levels.
- Logistics: Both consumables and mechatronics sales grew due to the brisk e-commerce industry and robust demand for automation and digitization behind an increase in logistics volume.
- Retail: Food supermarkets remained strong, and both consumables and mechatronics sales grew as a result of continued demand for automation in industries expanding e-commerce.

## Sales by Vertical [2]

(Millions of JPY)

※Percentages indicate year-on-year changes, and figures in parentheses indicate year-on-year changes in 2019.

■ : Mechatronics   ■ : Consumables



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- **Healthcare:** While hospitals with a high share of sales have seen sluggish outpatient recovery, manufacturers of pharmaceuticals and medical devices have been recovering, and although consumables have not reached FY2019 levels, mechatronics have grown due to automation needs.
- **Food:** In the food manufacturing industry, sales to retailers were robust, but sales to restaurants and commercial-use struggled. As a result, both consumables and mechatronics fell short of FY2019 levels. However, demand for traceability is increasing due to the enforcement of the "Amended Food Sanitation Act" in June.
- **Public:** The market environment is stable, but performance is affected by trends in orders from large customers. Large consumables volume was seen in FY2021 and large mechatronics volume was booked in FY2020. Increases and decreases are a result of these large orders.

## FY2021 Consolidated Forecasts

(Millions of JPY)

	FY2021					
	Apr-Sep		Oct-Mar		FY2021	
	Plan	YoY	Plan	YoY	Plan	YoY
<b>Net Sales</b>	56,700	+13.7%	60,300	+1.9%	117,000	+7.3%
<b>Operating Income</b>	2,400	+63.2%	4,000	-8.6%	6,400	+9.4%
<b>Ordinary Income</b>	2,300	+86.7%	3,900	-9.1%	6,200	+12.3%
<b>Profit attributable to owners of parent</b>	1,500	-53.8%	2,500	-74.3%	4,000	-69.1%
<Reference>						
<b>EBITDA *</b>	10,163	←FY2020			10,800	+6.3%

\* EBITDA=Operating Income +

 Depreciation + Amortization

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

Average exchange rates for FY21 Q1: JPY 109.51/USD, JPY 131.93/EUR

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

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- These are our consolidated forecasts for FY2021.
- In Q1, progress exceeded plans, mainly due to a recovery in existing demand.
- In particular, overseas sales exceeded expectations. Focusing on strong industries paid off, which we intend to continue.
- The Japan business will continue to focus on industries that are performing well in each market. Investments for growth would continue while operating expenses are controlled as planned.
- However, from Q2 onward, the following are perceived as risks.
- The first is higher costs due to soaring prices for semiconductors and raw paper materials, and we expect this impact to be significant.
- The second factor is the risk of being unable to meet printer demand due to a decline in production capacity caused by a shortage of semiconductors and a decline in the operating rate due to the expansion of corona infections in regions where our factories are located. Actions, including alternative production measures, are being taken.
- The third point is the longer lead time and restrictions on sales activities in Japan due to the shift to providing sophisticated solutions and the re-expansion of Covid-19 infections.
- The fourth point is the drop-off of the one-off tailwind described earlier.
- In light of these risk factors that cannot be overlooked from Q2 onward, the full year forecasts have been left unchanged.
- By fully capturing demands in strong industries and minimizing the above risks, we aim to exceed the forecasts.

# Appendix

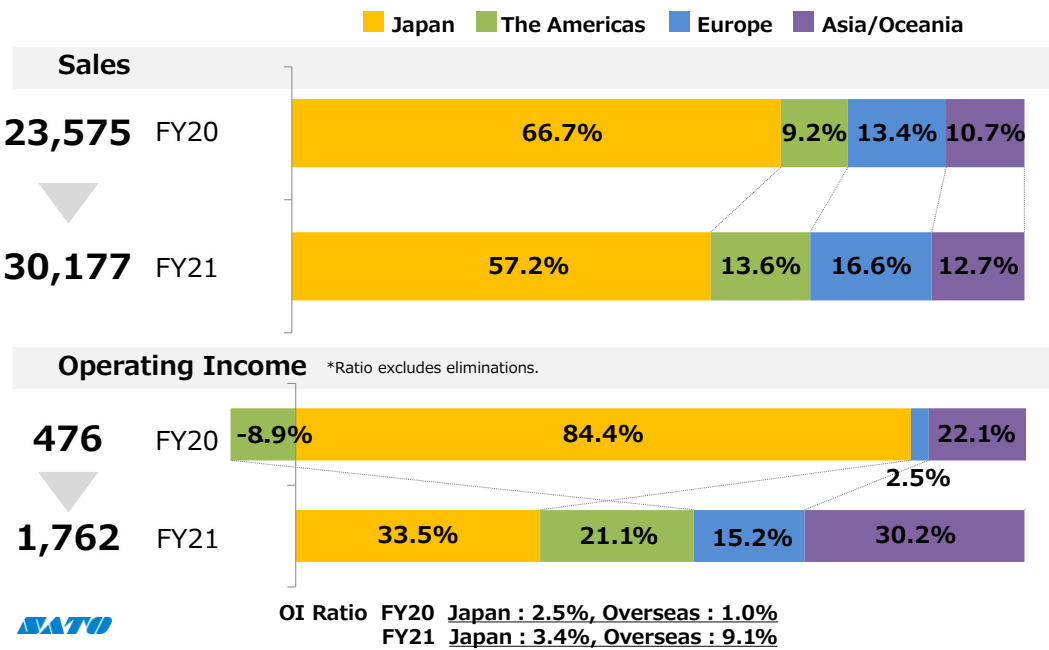
Performance data      Pages 21-28

SATO terminologies    Pages 29-32



Sales and OI by Region

(Millions of JPY)



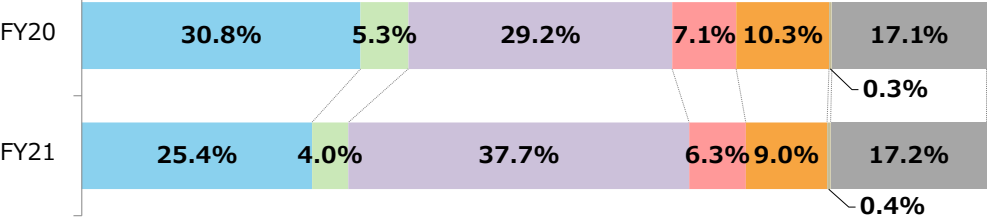
Sales by Vertical

Manufacturing Logistics Retail Health Care Food & Beverage Public Others

Overseas

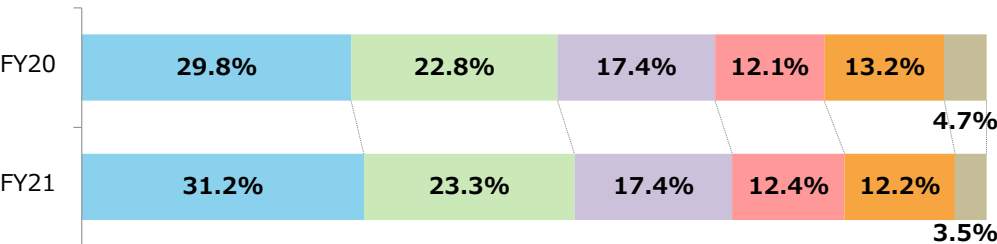
\* Main sales subsidiaries only. Factories & primary label companies not included.

N.B.: Market classifications of some sales subsidiaries were revised in FY2021.  
Figures for FY2020 have been retroactively adjusted.



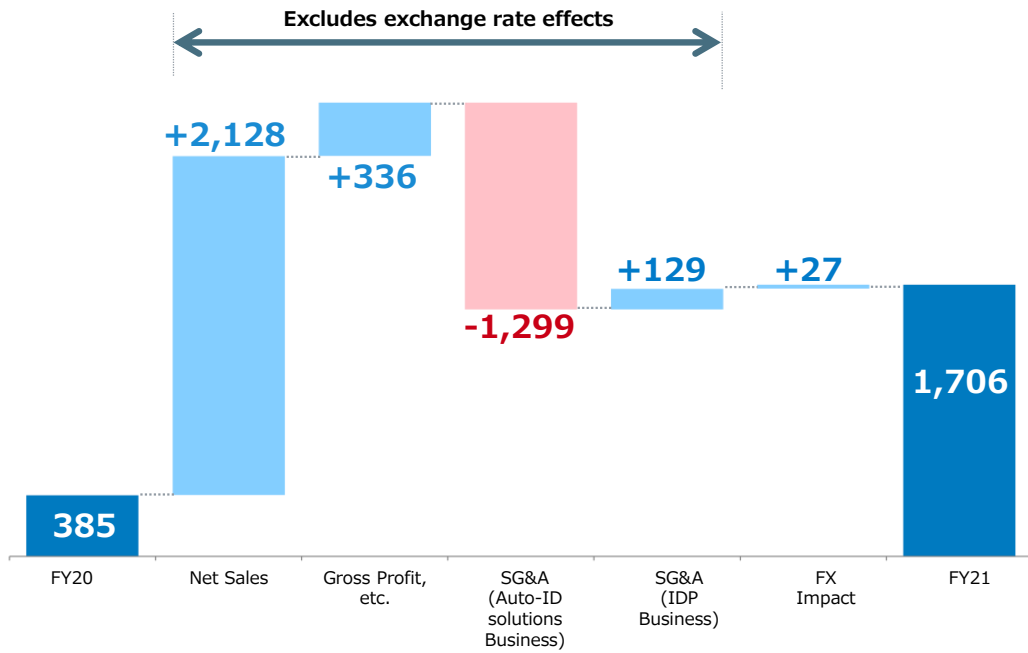
Japan

\*Maintenance services not included



## Major Gains/Losses in OI

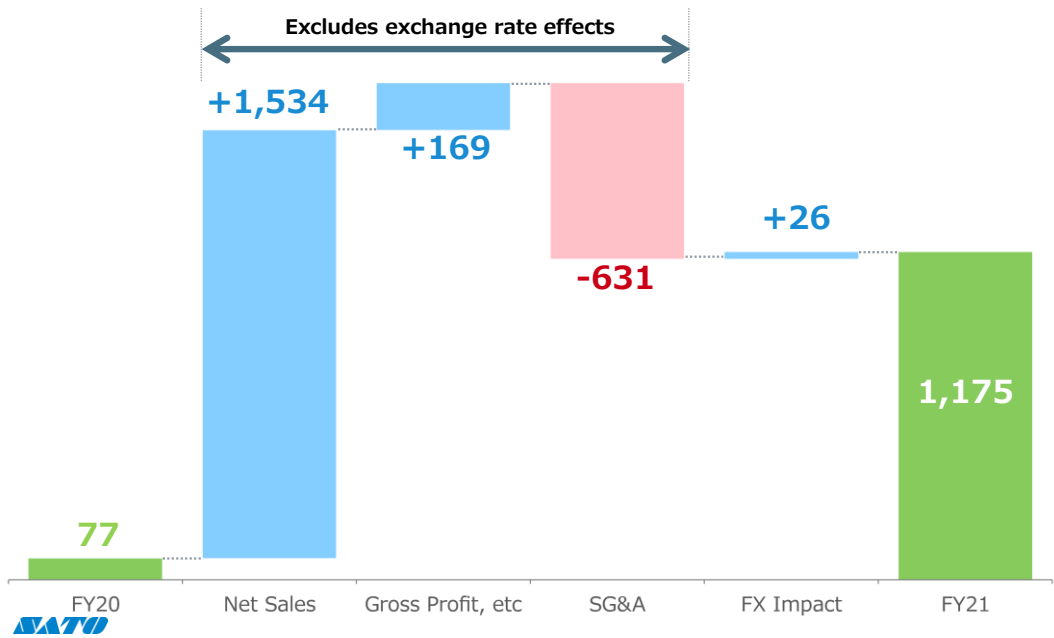
(Millions of JPY)





Major Gains/Losses in OI

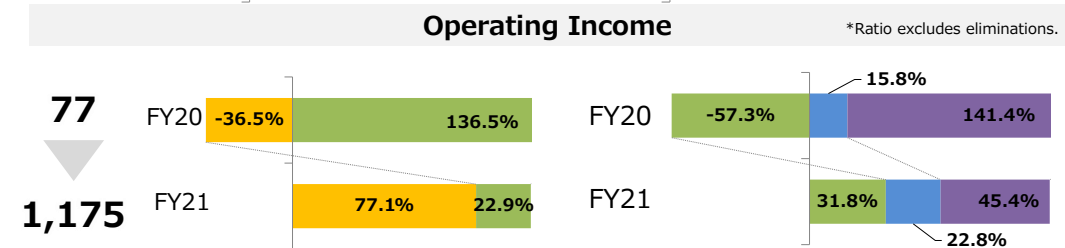
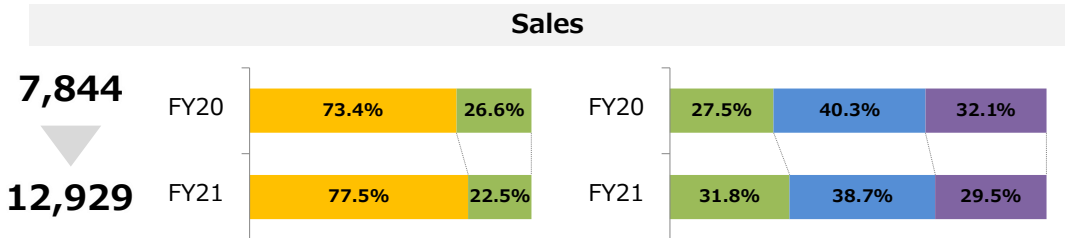
(Millions of JPY)



Sales and OI by Business Segment/Region

(Millions of JPY)

Base Primary Labels The Americas Europe Asia/Oceania

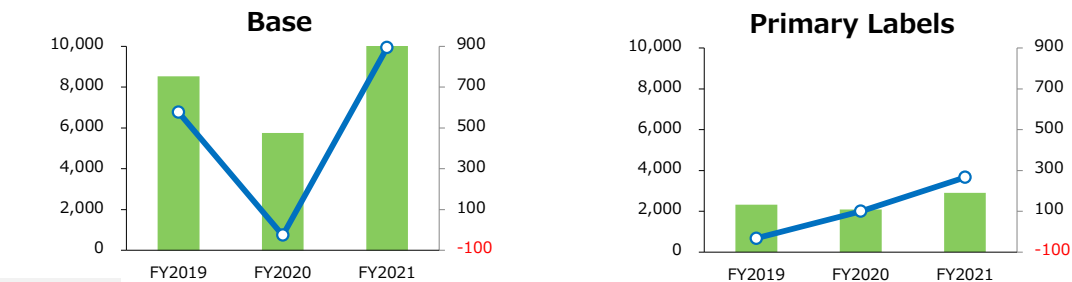


OI ratio:  
FY20 Base : N/A, Primary Labels : 4.8%  
FY21 Base : 8.9%, Primary Labels : 9.2%

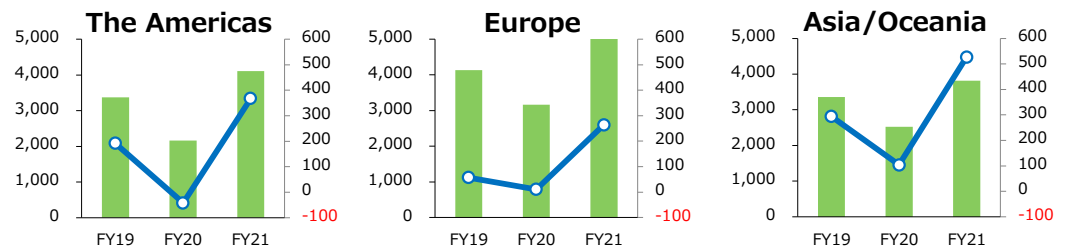
FY20 The Americas : N/A, Europe : 0.4%, Asia/Oceania : 4.1%  
FY21 The Americas : 9.0%, Europe : 5.3% Asia/Oceania : 13.8%

Sales and OI Trends by Business Segment and Region

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

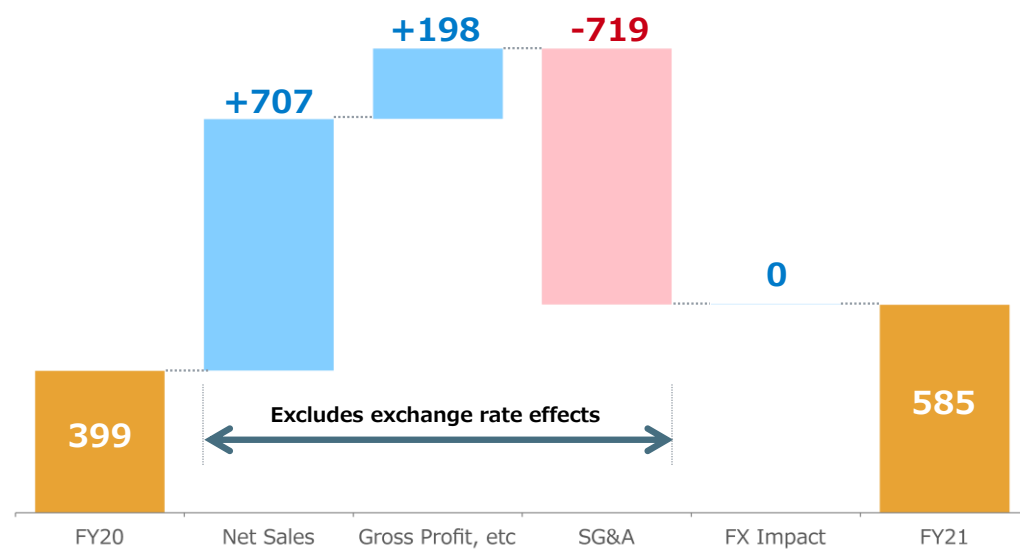


By Region



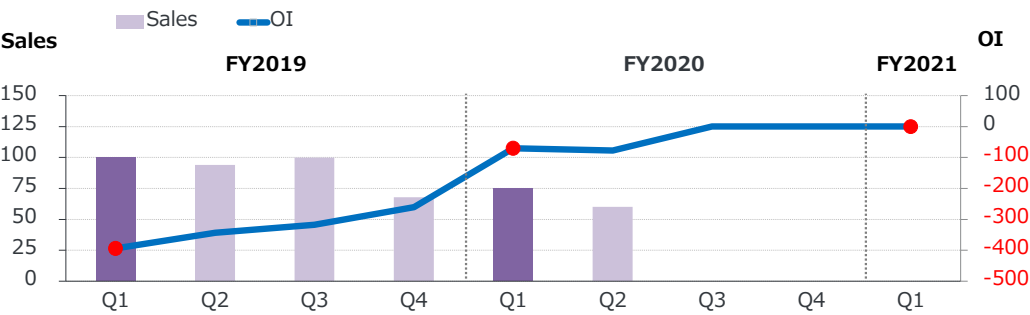
## Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

(Millions of JPY)



Sales	100	94	100	68	75	60	0	0	0
YoY	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-	-	-
OI	-394	-343	-317	-261	-70	-77	0	0	0
YoY	-	-	-	-	-	-	-	-	-



## SATO terminologies (1/4)

(\*) Underlined terms are described under its own heading

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 prices, manufacture dates and expiration dates in the form of barcodes and more.
3	Primary Labels business	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achemar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing ( <u>IDP</u> ). SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September, 2020. IDP is 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.
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/labeling</u> of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added "+One" technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.

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# 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.
Products, services, Technologies		Description
1	Mechatronics	All products that are not <u>consumables</u> , including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than <u>consumables</u> . Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	"Consumable" products such as <u>variable information labels</u> , <u>RFID</u> tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> , but incur low SG&A expenses ratio as they are typically sold through recurring business.



# SATO terminologies (3/4)

Products, services, technologies		Description
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out <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.





## 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.
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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