



November 10, 2021

SATO HOLDINGS CORPORATION

FY20211H Financial Results
(Six Months Ended September 30, 2021)

Securities Code: 6287

Key Points of 1H Results

【Sales】

**Both overseas and Japan continued to recover.
Demand remained strong.**

FY21-Q1

- Overseas : Record-high sales thanks to initiatives for robust industries and special printer demand.
- Japan : Mixed recovery depending on market and industry. Consumables recovered ahead of mechatronics.

FY21-Q2

- Overseas : Continued to perform well, but with a smaller increase YoY due to drop-off in special demand for printers.
- Japan : Some markets recovered pre-pandemic levels amid continued recovery in general.

【Profits】

Various risks emerged. Intended strategies were duly conducted.

Risks

- Rising costs (Components, raw materials, and shipping)
- Printer supply constraints

Strategies

- Conducted strategic initiatives at the expense of temporary decline in GPM.
- Made strategic investments for growth. Geared up sales activities.



- Key points of 1H financial results are as shown in the slide.
- Sales continued to recover both overseas and in Japan.
- Demand for our solutions is robust, and we have steadily captured this demand.
- Let me explain below that on a quarterly basis, the situations overseas and in Japan differ.
- Overseas sales in Q1 reached a record high, driven by robust industries and by special demand for printers. In Japan, markets and industries showed mixed signs of recovery, and consumables recovered ahead of mechatronics.
- Overseas sales remained strong in Q2, but the YoY growth was moderate compared to Q1 due to the dissipation of special printer demand in Q1. In Japan, while the overall recovery continued, some markets have recovered to levels before the pandemic. Results were in line with initial expectations.
- The key point of profits is that in Q2, the risks that may well affect results have emerged. On the other hand, we steadily conducted activities focused on robust industries and basic strategies such as investments for growth.
- The aforementioned risks include increases in the cost of electronic components for printers, raw materials for labels, and shipping costs of products. In addition, due to the lock-down by the spread of pandemic, there was a supply constraint due to a significant decrease in operation at overseas printer factories.
- Strategy to focus on robust industries was steadily carried out, while GPM temporarily declined due to the impact of product mix changes resulting from the earlier recovery in the less profitable consumables. In addition, there was a rebound in operating expenses due to higher levels of sales activities.
- To summarize, although sales grew in response to strong demand, risks with impact on profits emerged from Q2, such as increases in manufacturing costs and constraints on the supply of products.

Summary

Consolidated

1H sales and operating income increased YoY.
Q2 sales increased while OI remained flat.

Auto-ID Solutions Business (Overseas)

Sales and OI increased in 1H.

Sales increased in Q2 while OI was up slightly.

●Base business: 1H sales and OI increased due to recovery in existing demand and initiatives for robust industries.

●Primary Labels business: 1H sales and OI increased due to continued strong sales to the daily life infrastructure industry.

Auto-ID Solutions Business (Japan)

1H sales and OI increased due to recovery in existing demand and initiatives for robust industries.

Q2 sales were strong, but OI declined on higher costs and investments for long-term growth.



2

- Highlights for 1H are as described in the slide.
- On a consolidated basis, sales and operating income increased YoY due to focus on robust industries both overseas and in Japan. However, in Q2 alone, sales were firm, but OI was flat due to increased costs and investments for growth.
- Overseas sales and OI in the Auto-ID solutions business increased in all regions.
- In the Base business, the retail market targeted in Europe and the U.S. continued to be robust. In Asia, sales and OI grew, mainly in the targeted manufacturing market.
- Primary Labels business continued to perform well in the daily life infrastructure industry.
- Sales and OI also increased in Japan.
- Overall, the recovery continued, but with mixed results depending on industries.
- In Q2 alone, despite strong sales, OI declined due to higher costs and increased investments for growth, as well as increases in import costs due to the depreciation of the yen.

Consolidated

Apr-Sep

Sales and OI by Business Segment

(Millions of JPY)

		FY2021 Apr-Sep	FY2020 Apr-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	60,261	49,736	+21.2%	+18.9%	
	Operating Income	2,762	1,609	+71.7%	+73.9%	
	Overseas	Total Sales	25,284	18,013	+40.4%	+34.1%
		Operating Income	1,873	761	2.5x	2.4x
	Japan	Total Sales	34,977	31,722	+10.3%	+10.3%
		Operating Income	888	847	+4.8%	+14.7%
IDP business*	Total Sales	0	136	-	-	
	Operating Income	0	-148	-	-	
Consolidated (incl. eliminations)	Total Sales	60,261	49,872	+20.8%	+18.6%	
	Operating Income	2,779	1,470	+89.0%	+91.5%	

SATO

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

3



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

3

- The main figures highlighted in the previous slide are shown in the table.
- In 1H, consolidated sales and operating income exceeded targets by 6.3% and 15.8%, respectively, mainly due to higher sales and OI in the overseas business.

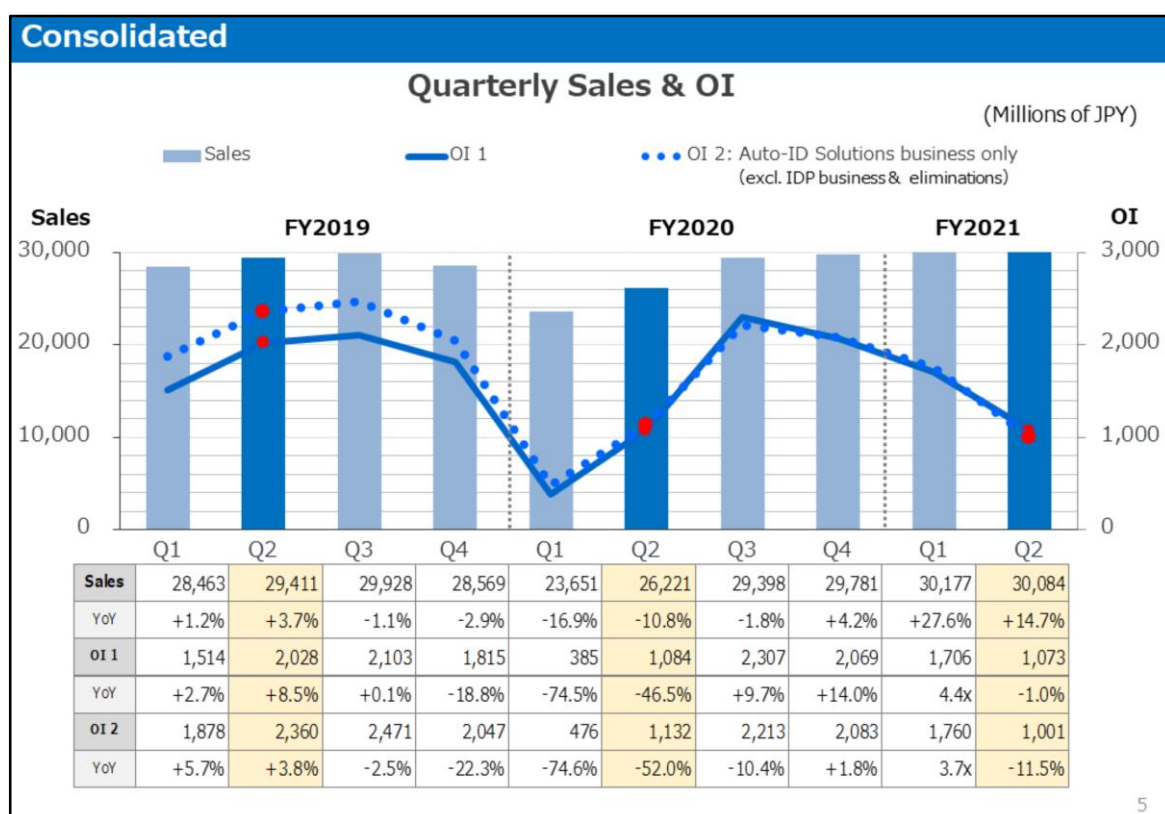
Consolidated		Jul-Sep			
Sales and OI by Business Segment		(Millions of JPY)			
		FY2021 Jul-Sep	FY2020 Jul-Sep	YoY	excl. FX impact
Auto-ID Solutions business	Total Sales	30,084	26,160	+15.0%	+12.9%
	Operating Income	1,001	1,132	-11.5%	-5.9%
	Overseas	Total Sales	12,354	+21.5%	+16.0%
		Operating Income	698	+2.2%	-0.9%
	Japan	Total Sales	17,729	+10.9%	+10.9%
		Operating Income	303	-32.4%	-13.6%
IDP business*	Total Sales	0	60	-	-
	Operating Income	0	-77	-	-
Consolidated (incl. eliminations)	Total Sales	30,084	26,221	+14.7%	+12.6%
	Operating Income	1,073	1,084	-1.0%	+4.9%



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

4

- Here are sales and operating income for Q2 alone.
- In the Auto-ID solutions business, while sales rose, OI declined due to rising material and shipping costs of products.



- This is the quarterly trend of consolidated sales and operating income.
- OI in Q2 alone, including the IDP business, was -1.0% YoY. Excluding the IDP business, which has had an operating loss, Auto-ID solutions alone was -11.5%.
- This is attributable to cost increases in such things as raw materials as explained on the "Summary" page.

Consolidated

Apr-Sep

Consolidated Results

(Millions of JPY)

	FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY
Net Sales	60,261	49,872	+10,389	+20.8%
Operating Income	2,779	1,470	+1,309	+89.0%
Operating Income %	4.6%	2.9%	+1.7pt	-
Ordinary Income	2,695	1,231	+1,463	2.2x
Profit attributable to owners of parent* ¹	1,848	3,249	-1,401	-43.1%
Effective Tax Rate* ²	25.7%	-	-	-
EBITDA* ³	4,974	3,650	+1,324	+36.3%

Average exchange rates for Apr-Sep FY21: JPY 109.81/USD, JPY 130.88/EUR, Apr-Sep FY20: JPY 106.92/USD, JPY 121.33/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

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

For FY2020, income tax related to the impairment loss at DataLase in FY19 was adjusted following the transfer of its shares in Sep 2020.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Sep FY21: JPY 2,076 million

Apr-Sep FY20: JPY 2,066 million

· Amortization for Apr-Sep FY21: JPY 117 million

Apr-Sep FY20: JPY 113 million

6

6

- These are the consolidated results for 1H.
- Higher sales and OI were mainly driven by overseas business.
- The main reason for the substantial decrease in net income YoY was that in Sep. 2020, due to the transfer of all DataLase's shares, the Company posted in Q2 FY2020 an adjustment for corporate tax related to the DataLase's write-down in FY2019.

Consolidated

Jul-Sep

Consolidated Results

(Millions of JPY)

	FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY
Net Sales	30,084	26,221	+3,863	+14.7%
Operating Income	1,073	1,084	-10	-1.0%
Operating Income %	3.6%	4.1%	-0.6pt	-
Ordinary Income	1,051	613	+437	+71.3%
Profit attributable to owners of parent* ¹	762	3,036	-2,274	-74.9%
Effective Tax Rate* ²	21.3%	-	-	-
EBITDA* ³	2,176	2,142	+33	+1.6%

Average exchange rates for Apr-Sep FY21: JPY 109.81/USD, JPY 130.88/EUR, FY20: JPY 106.92/USD, JPY 121.33/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

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

For FY2020, income tax related to the impairment loss at DataLase in FY19 was adjusted following the transfer of its shares in Sep 2020.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Jul-Sep FY21: JPY : 1,043 million

Jul-Sep FY20: JPY 1,001 million

· Amortization for Jul-Sep FY21: JPY : 59 million

Jul-Sep FY20: JPY 56 million

7

- These are consolidated results for Q2 alone.
- Although sales grew steadily compared to 1H in total, operating income was flat due to cost increases.
- The reason for the sharp YoY decline in net income is the same as in the previous slide.

Auto-ID Solutions Business (Overseas)

Overview

Jul-Sep

Sales increased in all regions due to recovery in existing demand and initiatives for robust industries. OI gains were limited against the backdrop of supply constraints on printers and soaring raw material prices.

(Millions of JPY)

	FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl. FX impact
Total Sales	12,354	10,168	+2,186	+21.5%	+16.0%
Gross Profit	3,992	3,572	+420	+11.8%	-
Gross Profit %	32.3%	35.1%	-2.8pt	-	-
Operating Income	698	683	+14	+2.2%	-0.9%
Operating Income %	5.7%	6.7%	-1.1pt	-	-

	FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY	excl. FX impact
Total Sales	25,284	18,013	+7,270	+40.4%	+34.1%
Gross Profit	8,686	6,323	+2,362	+37.4%	-
Gross Profit %	34.4%	35.1%	-0.7pt	-	-
Operating Income	1,873	761	+1,112	2.5x	2.4x
Operating Income %	7.4%	4.2%	+3.2pt	-	-

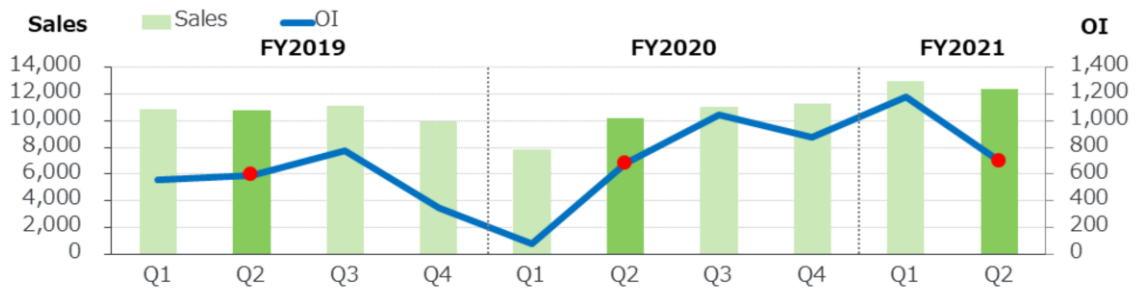
8

- From here on, we will explain each situation in Q2 alone.
- In Q2, overseas sales grew steadily and rose in all regions, but operating income increased only marginally.
- This was mainly attributable to an increase in manufacturing costs and a decrease in GPM due to a change in the product mix of consumables and printers.

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	12,354
YoY	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%
OI	560	595	772	349	77	683	1,043	880	1,175	698
YoY	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%



9

- This is the quarterly trend in the overseas business.
- Sales did not reach this year's Q1, but they were the second highest on record.

Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

Jul-Sep

Base business: Sales increased, driven mainly by consumables in the targeted retail market.
OI growth was limited due to constraints on printer supply and rising costs.
Primary Labels business: Sales increased due to robust sales to the daily life infrastructure industry.
OI decreased due to cost increases.

(Millions of JPY)

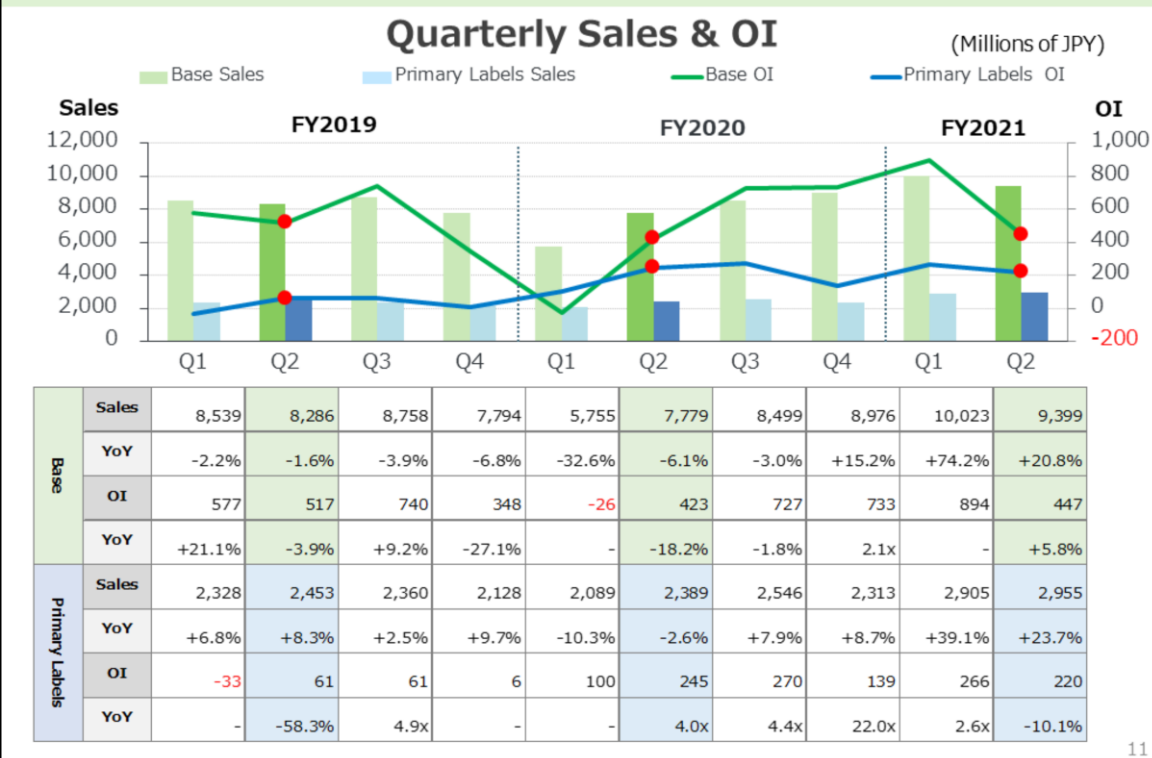
		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	9,399	7,779	+1,620	+20.8%	+14.5%
	Operating Income	447	423	+24	+5.8%	-0.7%
Primary Labels	Total Sales	2,955	2,389	+565	+23.7%	+20.9%
	Operating Income	220	245	-24	-10.1%	-7.4%
Eliminations	Operating Income	29	14	+15	2.0x	2.0x
Total	Total Sales	12,354	10,168	+2,186	+21.5%	+16.0%
	Operating Income	698	683	+14	+2.2%	-0.9%

		FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	19,423	13,534	+5,888	+43.5%	+35.0%
	Operating Income	1,342	396	+945	3.4x	3.2x
Primary Labels	Total Sales	5,860	4,478	+1,382	+30.9%	+31.6%
	Operating Income	486	345	+140	+40.7%	+50.0%
Eliminations	Operating Income	44	18	+25	2.4x	2.4x
Total	Total Sales	25,284	18,013	+7,270	+40.4%	+34.1%
	Operating Income	1,873	761	+1,112	2.5x	2.4x

10

- This slide explains the trends in overseas Base and Primary Labels business for Q2 alone.
- In the Base business, consumables sales grew in the Americas and Europe due to a significant increase in logistics volume in the targeted retail markets and a continued recovery in production by customers in manufacturing in Asia.
- Sales of printers grew by capturing customer demand in the targeted robust industries and by using air freights, despite supply constraints on some models.
- Growth in operating income was limited due to an increase in the sales mix of consumables with relatively low GPM, constraints on the supply of printers, and rising raw material prices.
- In the Primary Labels business, sales grew thanks to the robust performance of the daily life infrastructure industry and the rebound in consumer activities as a result of the economic recovery, as well as progress in customer cultivation activities, including the acquisition of new projects from existing customers.
- The Company has long been working to reduce costs, but OI declined due to the impact of rising raw material prices in all regions.

Auto-ID Solutions Business (Overseas)



- This is the quarterly trend overseas by segment.
- Base business sales were the second highest on record following Q1. On the other hand, as explained in the previous slide, the YoY growth in operating income was limited due to the rise in various costs.
- Primary Labels business sales were at a record high, while OI declined YoY due to rising costs.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Jul-Sep

Base business: Logistics volume increased in the brisk U.S. retail market. Sales increased, driven by consumables. OI decreased due to supply constraints on printers and rising costs for consumables.

Primary Labels business: Sales increased by capturing demand in the daily life infrastructure industry. OI growth was limited due to higher raw material costs.

(Millions of JPY)

		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	2,970	2,660	+309	+11.6%	+8.0%
	Operating Income	3	170	-167	-97.8%	-97.6%
Primary Labels · Achernar · Prakolar	Total Sales	643	498	+145	+29.2%	+34.3%
	Operating Income	76	72	+3	+4.7%	+21.7%
Total	Total Sales	3,614	3,159	+454	+14.4%	+12.1%
	Operating Income	79	243	-163	-67.2%	-62.0%

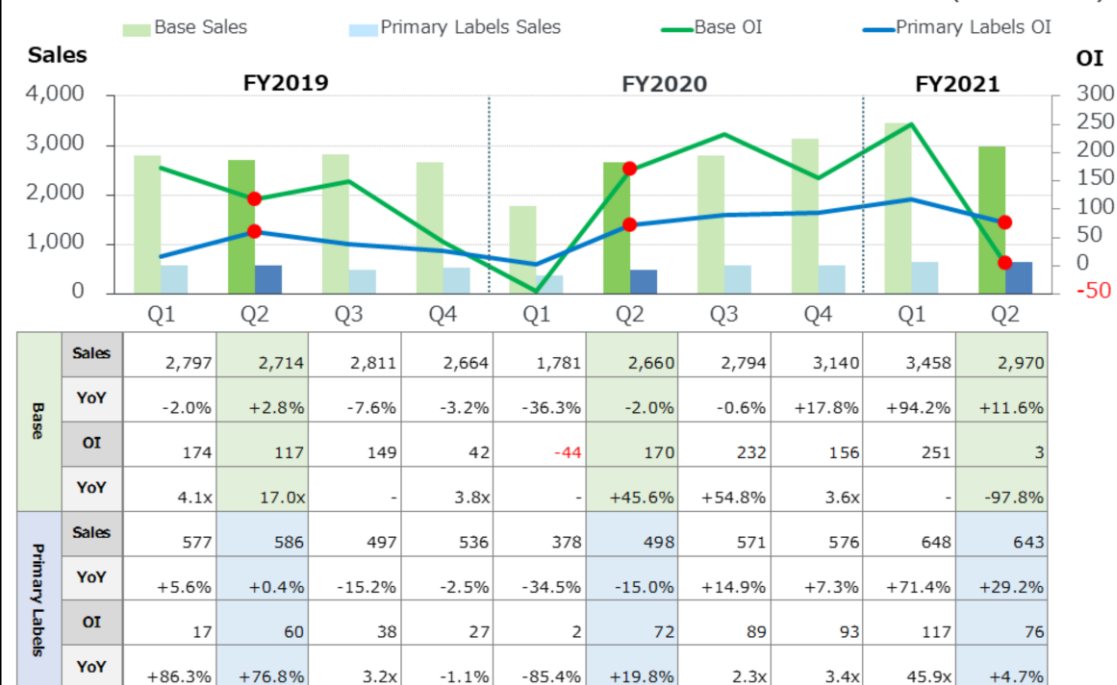
		FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	6,429	4,442	+1,987	+44.7%	+41.5%
	Operating Income	255	126	+129	2.0x	2.0x
Primary Labels · Achernar · Prakolar	Total Sales	1,292	876	+415	+47.4%	+58.2%
	Operating Income	193	75	+118	2.6x	3.1x
Total	Total Sales	7,721	5,318	+2,402	+45.2%	+44.2%
	Operating Income	448	201	+247	2.2x	2.4x

12

- From here, we will explain Q2 results overseas by region.
- In the Americas, sales were up and OI down in Q2 alone.
- In the Base business, consumables sales to major customers in the robust retail market grew significantly, while supply constraints restricted sales of printers.
- We are working to pass on cost increases to customers in response to rising prices of raw materials such as raw paper, and the effects are expected to be felt from 2H onwards.
- SG&A expenses rose YoY due to brisk sales activities.
- Primary Labels business continued to enjoy strong demand resulting in sales and OI growth.
- OI growth was limited, however, due to higher costs and forex impacts, despite efforts to pass on costs.

Auto-ID Solutions Business (Overseas)

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



13

- This is the quarterly trend in the Americas.
- Primary Labels business sales were the second highest ever, after Q1 this FY, reflecting strong demand.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Jul-Sep

Base business: Sales increased due to initiatives for strong-performing industries, such as food supermarkets, and recovering sectors, such as restaurants.

OI decreased due to constraints on printer supply and rising costs.

Primary Labels business: Sales increased due to deeper cultivation of existing businesses such as food and beverages at Okil in Russia. OI decreased due to cost increases in raw materials.

(Millions of JPY)

		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	2,391	2,000	+391	+19.5%	+13.2%
	Operating Income	20	56	-36	-63.8%	-60.2%
Primary Labels • Okil • X-Pack	Total Sales	2,311	1,891	+420	+22.2%	+17.3%
	Operating Income	144	172	-28	-16.3%	-19.7%
Total	Total Sales	4,703	3,892	+811	+20.8%	+15.2%
	Operating Income	164	228	-64	-28.0%	-29.7%

		FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	5,138	3,454	+1,684	+48.8%	+36.6%
	Operating Income	136	-29	+166	-	-
Primary Labels • Okil • X-Pack	Total Sales	4,568	3,602	+966	+26.8%	+25.1%
	Operating Income	293	270	+22	+8.4%	+7.0%
Total	Total Sales	9,707	7,056	+2,650	+37.6%	+30.8%
	Operating Income	429	240	+189	+78.6%	+73.0%

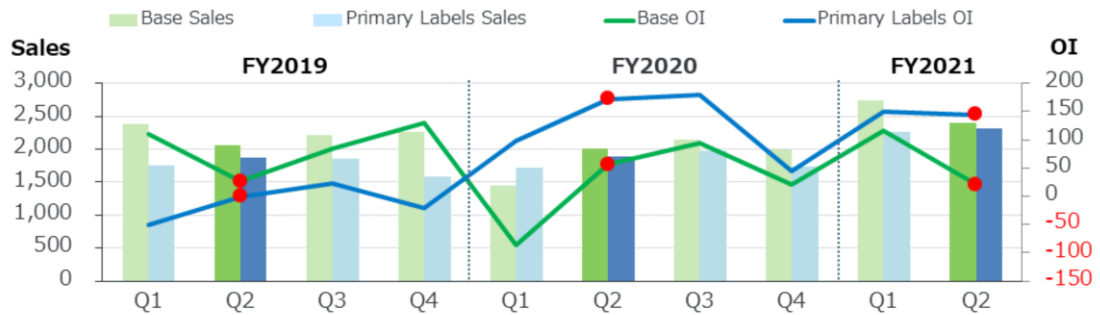
14

- Europe saw higher sales and lower OI in Q2 alone.
- In the Base business, sales increased by capturing demand from targeted supermarkets and the restaurant industry.
- In particular, demand for printers and labels expanded in preparation for the enforcement of food labeling regulations in the UK, while like in the Americas, there was a supply constraint on printers, an increase in raw material prices, and an increase in SG&A expenses YoY in Europe as well.
- Primary Labels business performed well, as in the Americas, but OI declined due to higher costs stemming from a manufacturing capacity upgrade in line with business expansion and an increase in SG&A expenses.

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	2,391
	YoY	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%
	OI	109	26	85	129	-86	56	94	20	115	20
	YoY	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%	-	-63.8%
Primary Labels	Sales	1,751	1,867	1,862	1,591	1,711	1,891	1,974	1,737	2,256	2,311
	YoY	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%
	OI	-51	0	22	-21	98	172	180	45	149	144
	YoY	-	-	36.2x	-	-	-	8.0x	-	+51.8%	-16.3%

15

- This is the quarterly trend in Europe.
- Primary Labels business sales were at a quarterly record high, reflecting strong demand as in the Americas.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Jul-Sep

Base business: Sales increased at all sales subsidiaries, driven particularly by those in China.
OI increased in line with increased sales.

(Millions of JPY)

		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	4,037	3,117	+919	+29.5%	+21.0%
	Operating Income	423	196	+227	2.2x	2.0x

		FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY	excl.FX Impact
Base	Total Sales	7,855	5,638	+2,217	+39.3%	+28.8%
	Operating Income	950	300	+650	3.2x	2.9x



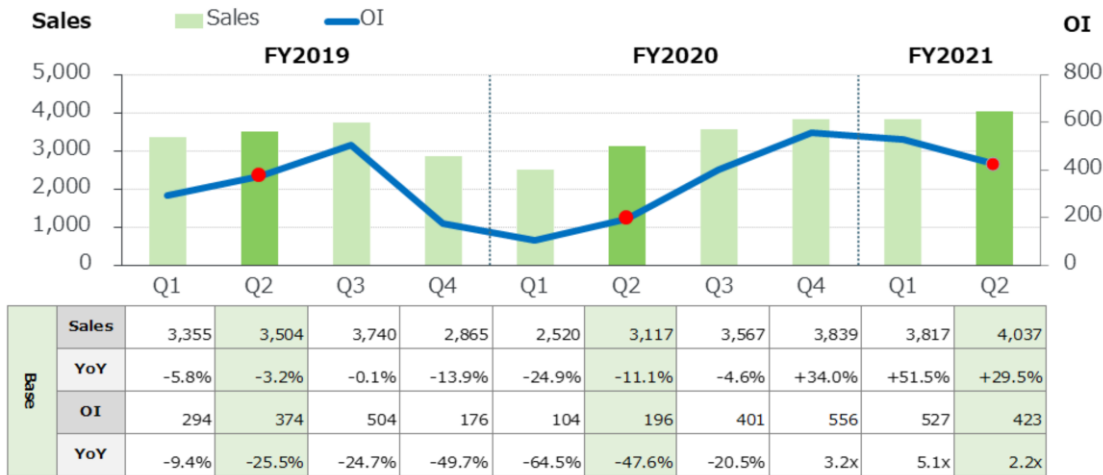
16

- In Asia and Oceania, sales and OI increased in Q2 alone.
- In the Base business, sales grew at all sales subsidiaries.
- Recovery was led by the targeted manufacturing industries, with automobiles and electrical and electronic components performing strongly.
- By sales subsidiary, in addition to China and Argox in Taiwan, sales were particularly strong in Thailand, Indonesia, and New Zealand.
- Thanks to the impact of higher sales, the operating income margin improved 4.2 percentage points, from 6.3% to 10.5%.

Auto-ID Solutions Business (Overseas)

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



17

- This is the quarterly trend in Asia and Oceania.
- Sales reached a record high on a quarterly basis thanks to the focus on the manufacturing market where SATO can leverage its strengths.

Auto-ID Solutions Business (Japan)

Overview

Jul-Sep

Sales increased on continued recovery overall. GPM declined due to increase in printer sales with relatively low gross profit as a result of strategic initiatives for robust industries. OI decreased due to higher shipping costs and investments for growth.

(Millions of JPY)

	FY2021 Jul-Sep	FY2020 Jul-Sep	Change	YoY
Mechatronics Sales	7,337	6,319	+1,017	+16.1%
Consumables Sales	10,405	9,672	+733	+7.6%
Total Sales	17,729	15,991	+1,737	+10.9%
Gross Profit	8,203	7,613	+590	+7.8%
Gross Profit %	46.3%	47.6%	-1.3pt	-
Operating Income	303	448	-145	-32.4%
Operating Income %	1.7%	2.8%	-1.1pt	-

	FY2021 Apr-Sep	FY2020 Apr-Sep	Change	YoY
Mechatronics Sales	14,076	12,496	+1,580	+12.6%
Consumables Sales	20,932	19,226	+1,705	+8.9%
Total Sales	34,977	31,722	+3,254	+10.3%
Gross Profit	16,450	14,953	+1,496	+10.0%
Gross Profit %	47.0%	47.1%	-0.1pt	-
Operating Income	888	847	+40	+4.8%
Operating Income %	2.5%	2.7%	-0.1pt	-

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.

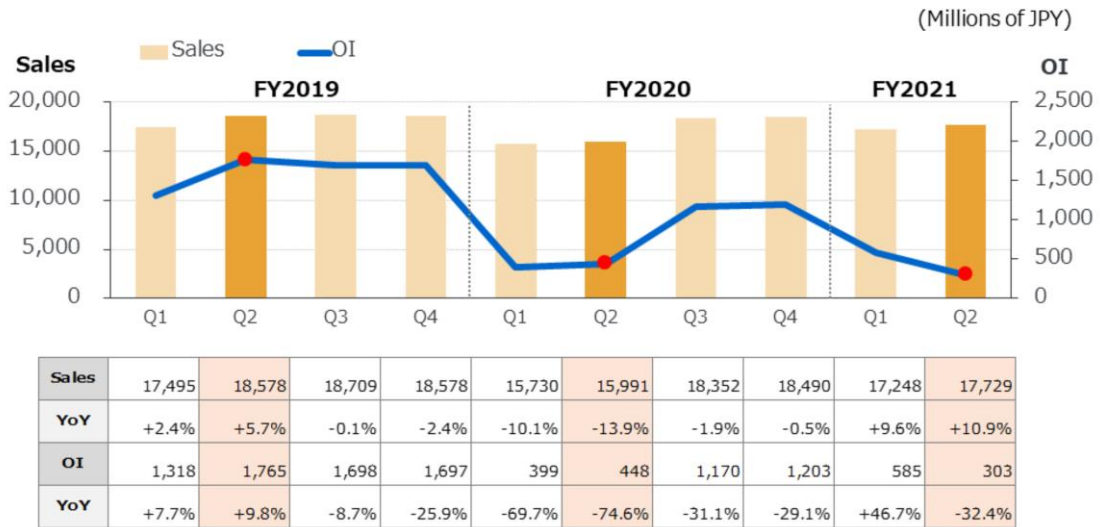
Note : Total Sales is sum of mechatronics, consumables, and others.

18

- In the Japan business, although there were one-off demand and large-scale projects in the same period of the previous FY, demand in robust industries was strong enough to result in an increase in sales.
- The degree of recovery in each market by industry remains mixed.
- Growth in printer sales to industries with relatively low prices, such as supermarkets, brought mechatronics GPM lower, as the Company strategically stepped up efforts in robust industries.
- SG&A expenses rose due to higher shipping costs stemming from increased air freights to meet requested delivery schedules by customers, and a rebound in operating expenses, resulting in a decline in OI in Q2 alone.

Auto-ID Solutions Business (Japan)

Quarterly Sales & OI



19

- In Japan, sales increased but operating income decreased QoQ due to an increase in various costs, as explained in previous slides.

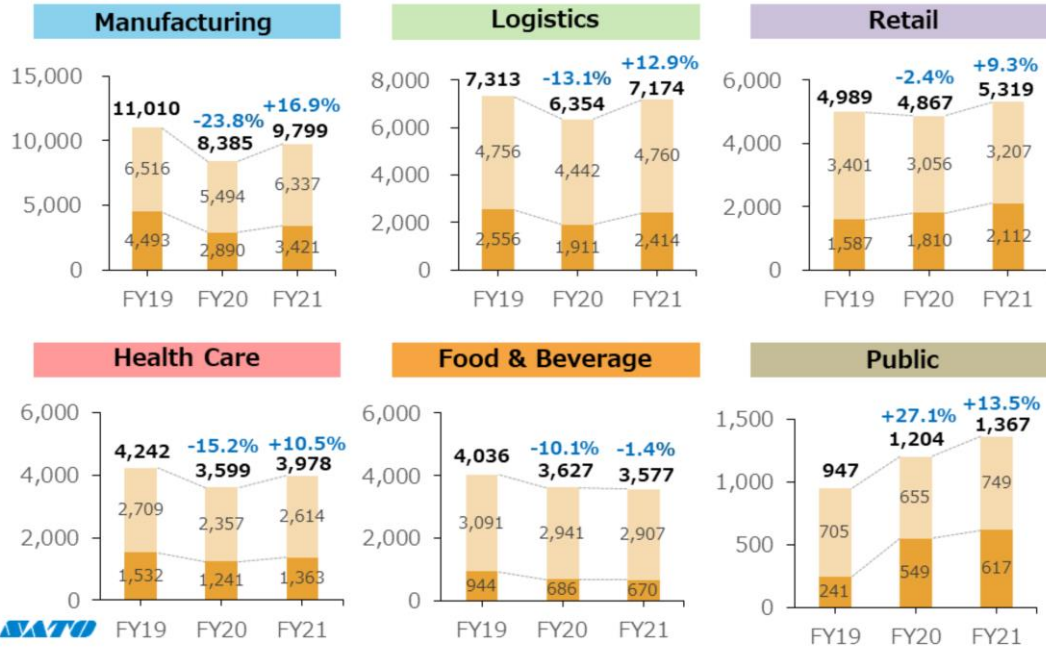
Auto-ID Solutions Business (Japan)

Apr-Sep

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

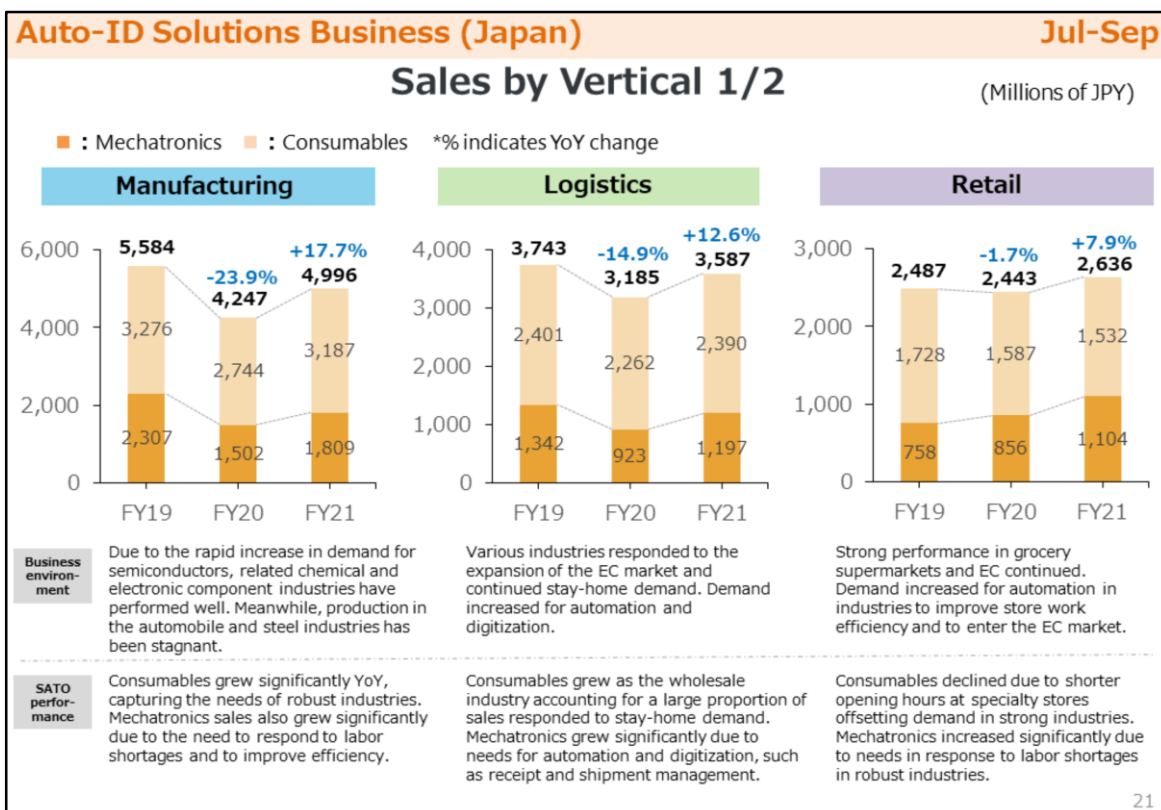
(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change



20

- 1H trends by market saw recoveries in logistics, retail, and the public sector to match FY2019 levels or higher.
- On the other hand, the recovery in the manufacturing and healthcare markets, which have relatively high GPM, is expected to take time.
- Key points by market will be explained in the following slides on Q2 alone.

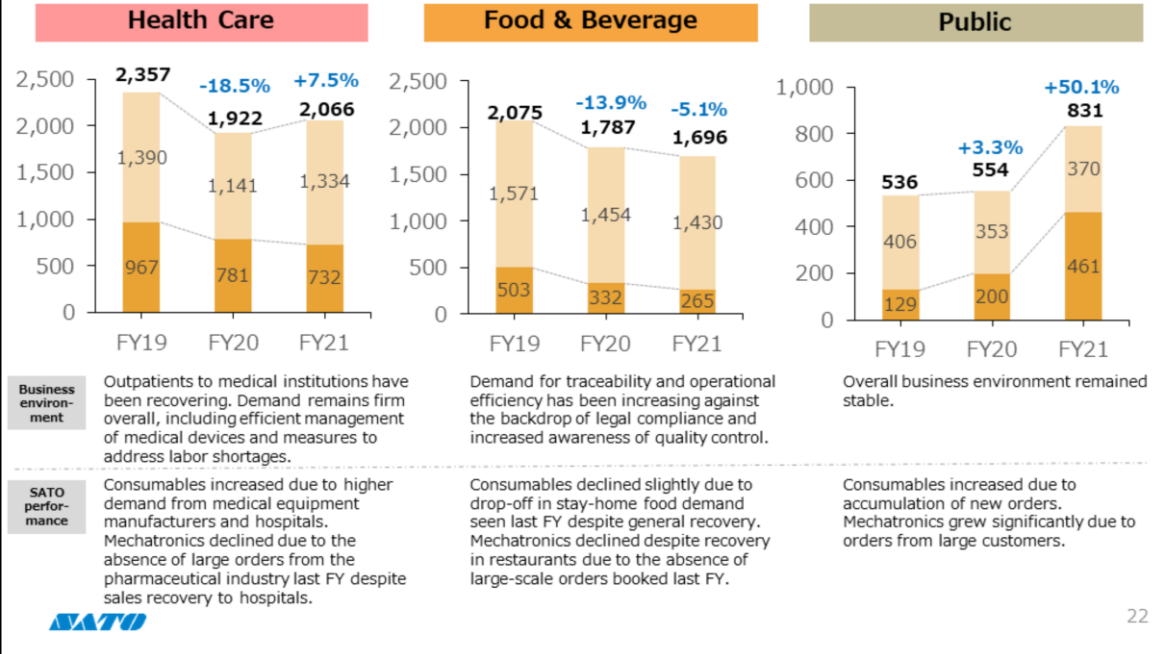


- Sales for each market in Japan are as follows.
- **Manufacturing:** Electronic components and chemicals performed well in both consumables and mechatronics, while automobiles, electrical machinery and steel struggled, particularly in mechatronics, due to a shortage of components such as semiconductors.
- Although the number and amount of business negotiations in the manufacturing market are similar to those before the pandemic, the degree of recovery in investment appetite remains mixed for each company even in same industries.
- **Logistics:** Both consumables and mechatronics grew due to a continuing increase in logistics volume driven by the brisk e-commerce industry and firm demand for automation and digitization.
- **Retail:** Mechatronics grew significantly, as supermarket performance remained robust and demand for automation continued due to labor shortages in retail industries shifting to e-commerce.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

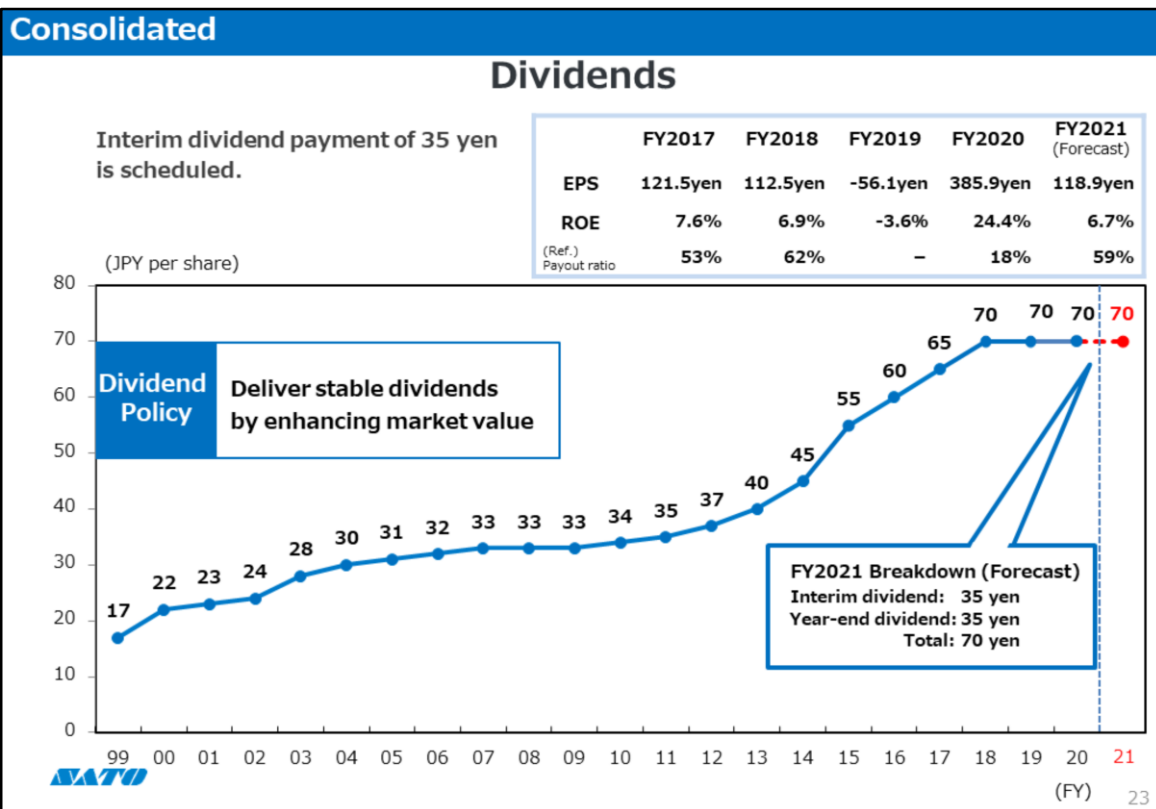


22

● **Healthcare:** Consumables used by medical device manufacturers and hospitals grew as the number of outpatients to hospitals which enjoys a high percentage of sales recovered. Mechatronics declined due to the absence of large-scale business orders for the pharmaceutical industry in the previous FY.

● **Food:** Despite an overall recovery trend, consumables declined slightly, and mechatronics to a larger extent due to reduced customer activities as a result of the State of Emergency. However, business negotiations for traceability and operational efficiency are increasing against the backdrop of legal compliance requirements and heightened awareness of quality control.

● **Public sector:** The business environment remains stable, but results are affected by trends in large orders. Consumables rose as a result of multiple new projects. Mechatronics grew significantly due to orders from large customers.



- With regard to dividends, after comprehensively considering investments that contribute to future growth and the securing of reserves that are deemed necessary to cope with uncertainty, the Company plans to continue paying a stable dividend, totaling JPY 70 for FY2021, consisting of an interim dividend of JPY 35 and a year-end payment of JPY 35.

Consolidated

FY2021 Consolidated Forecasts

Full year sales target revised upward while others left unchanged

(Millions of JPY)

Figures in parentheses are initial plans.	Apr-Sep		Oct-Mar		FY2021	
	Results	YoY	Targets	YoY	Targets	YoY
Net Sales	60,261 (56,700)	+20.8%	61,738 (60,300)	+4.3%	122,000 (117,000)	+11.9%
Operating Income	2,779 (2,400)	+89.0%	3,620 (4,000)	-17.3%	6,400	+9.4%
Ordinary Income	2,695 (2,300)	2.2x	3,504 (3,900)	-18.3%	6,200	+12.3%
Profit attributable to owners of parent	1,848 (1,500)	-43.1%	2,151 (2,500)	-77.8%	4,000	-69.1%
<Reference>						
EBITDA*	10,163	←FY2020			10,800	+6.3%

* EBITDA=Operating Income +
Depreciation + Amortization

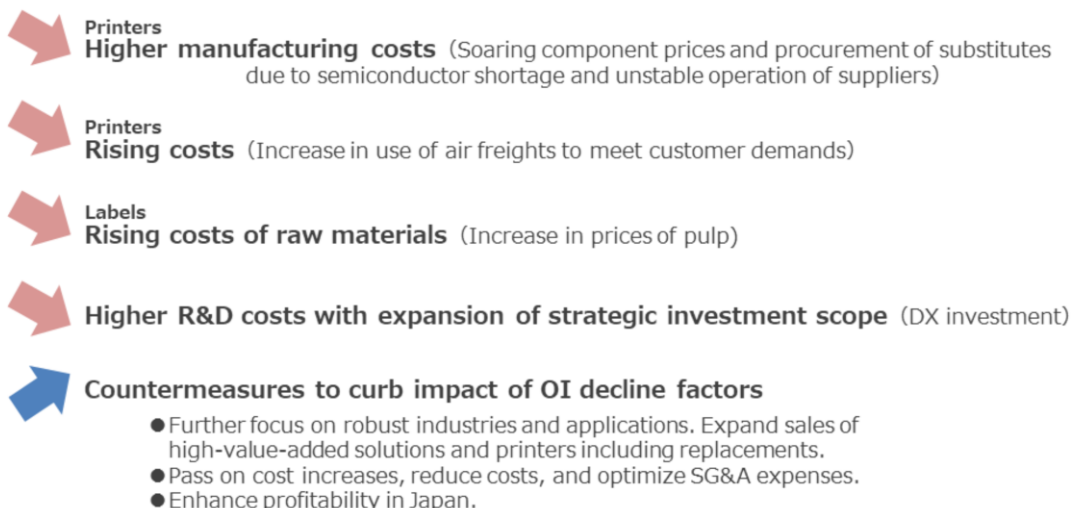
Exchange rates assumed in FY21 forecast : JPY 110/USD, JPY 131/EUR
Average exchange rates for Apr-Sep FY21 : JPY 109.81/USD, JPY 130.88/EUR
Average exchange rates for FY20 : JPY 106.10/USD, JPY 123.75/EUR 24

- These are the consolidated forecasts for FY2021 (Figures in parentheses are initial plans).
- For the full FY, sales were revised upward, while operating income and other profits were left unchanged.
- This means for 2H, sales were revised upward, while OI and other profits were revised downward. Sales are expected to grow due to continued robust demand, while forecasts for operating income and other profits incorporate risks that were not foreseen at the beginning of the FY.

Factors behind forecast of OI decline YoY and countermeasures

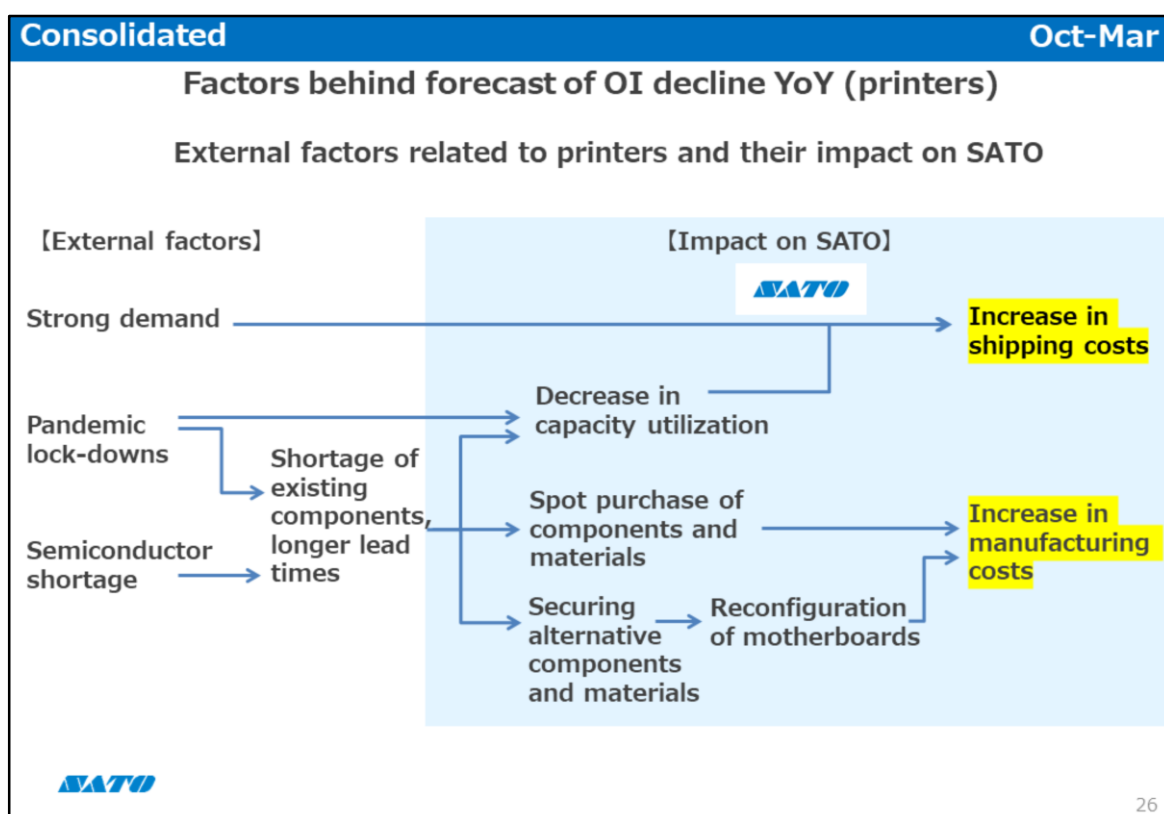
Demand remains strong, but unexpected costs have surfaced.
Short and medium to long-term countermeasures have been put in place.

■ OI decline factors ■ Countermeasures



25

- Here are factors behind the outlook for an OI decline in 2H and short and medium to long-term countermeasures.
- Explained below are the costs that were not expected at the beginning of the FY as factors behind the forecast for a decline in profits.
- What relates to printers is an increase in manufacturing and shipping costs. Details are described on the next slide.
- Regarding labels, prices of raw materials such as raw paper are rising.
- SG&A expenses are expected to increase due to the wider scope of the strategic DX investment.
- There are 3 measures to deal with these unexpected costs.
- The first is to accelerate proposals of high-value-added solutions to industries that have performed well as we have been doing since the previous FY. Examples will be discussed later. In addition, we will work to expand sales of printers by accelerating replacement, which tend to deliver quick results.
- Second, we intend to move forward with passing on cost increases and to wisely control SG&A expenses.
- The third point is to strengthen the profitability of the Japan business, which has been in the works since 2H of the previous FY. This is an effort to transform ourselves into a company structured to withstand unexpected circumstances such as the recent one, not only for this FY but also for the future.



● Regarding the outlook for a decline in profits for 2H mentioned on the previous slide, factors related to printers are shown here. The left side shows external factors, and the blue portion shows the impact on SATO.

● Increases in shipping and manufacturing costs stem from 3 external factors: strong demand, lock-downs, and shortage of semiconductors.

● Lock-downs directly leads to reduced capacity utilization of our plants in Malaysia and Vietnam, leading to higher shipping costs from using air freights to meet delivery demands.

● Lock-downs have affected not only our factories but also the supplier factories, causing reductions in the supply of existing parts and materials and longer delivery times. This leads to a decrease in the operation of our factories.

● Shortages in semiconductors have caused the decrease in supply and longer delivery times of existing components, leading to a decrease in the operation of our plants, the purchase of components whose market prices have soared, and the securing of alternative ones.

● The purchase of these components will increase manufacturing costs, and the securing of alternative parts will also require a change in mother board design, which also leads to an increase in manufacturing costs.

Expected impact of OI decline factors and countermeasures

Impact of OI decline factors to increase in 2H, but most will likely alleviate after FY2021.
Impact of countermeasures to come into effect mainly after Q3.

■ OI decline factors ■ Countermeasures

		Expected impact in 2H	Timeframe
Gross Profit	Printers Higher manufacturing costs	Large	Evident from Q2, to increase in 2H. Risk of continuation into FY2022.
	Labels Rising costs of raw materials	Large	Evident from Q2, to increase further in 2H. High risk of continuation thereafter.
	Expand sales of high-value-added solutions and printers	Medium	To be evident from Q3, to peak in Q4.
	Printers/Labels Pass on costs, reduce costs	Large	Slowly evident from Q2, to gradually expand thereafter.
SG&A	Printers Higher shipping costs	Medium	Evident from Q2, to increase in 2H. To alleviate by end of FY2021.
	Higher R&D costs with expansion of strategic investment scope	Medium	Limited to 2H
	Optimize SG&A expenses	Large	Emergency measures limited to 2H

27

● This section shows the expected impact of factors and countermeasures discussed earlier in terms of scale and timeframe, and explains them separately in terms of gross profit and SG&A expenses.

● Overall, factors accountable for the decline in profits are expected to expand in 2H but the main ones to recede thereafter, and the effects of countermeasures are expected to grow largely after Q4.

● The details are as follows.

● For gross profit, higher manufacturing costs of printers will have a major impact. The impact has been felt in Q2 and will likely increase in 2H, and may continue into FY2022.

● Raw material price increases for labels are also expected to weigh significantly. The impact has emerged in Q2 and may rise further in 2H and continue thereafter.

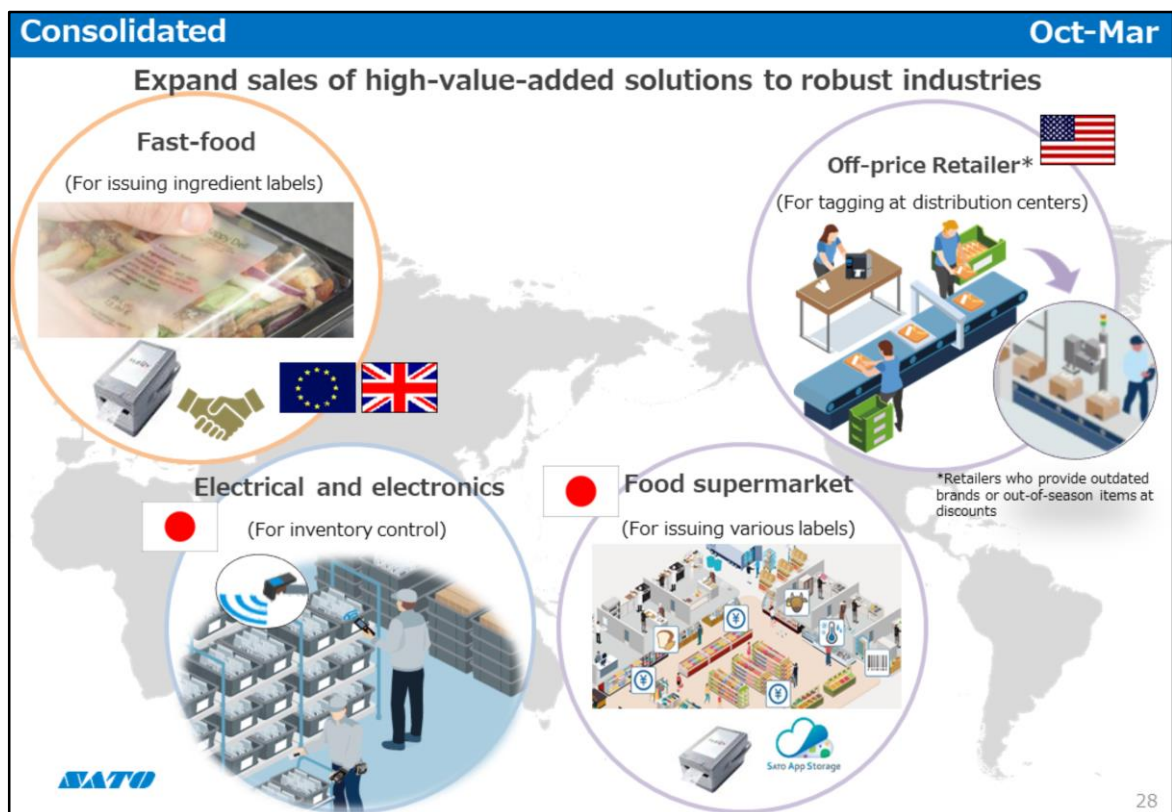
● The first countermeasure is to create new business leads through the proposal of high-value-added solutions and to close them in a timely fashion by enhancing the prospects. At the same time, we will focus on replacing printers to enjoy benefits at an early stage. The impact of these measures are moderate, and the effects are expected to gradually emerge from Q3 and peak for FY2021 in Q4.

● The second is the passing on of cost increases to customers and cost reduction of printers and labels. This impact is significant, and we intend to expand activities in steps.

● As for SG&A expenses, there is a medium impact expected from an increase in shipping costs for printers. Impacts are seen from Q2 and expected to peak in 2H with little lasting damage.

● The impact of expanding the scope of strategic investments is likely to be medium, and is expected to occur only in 2H of this FY.

● The countermeasure here is the efficient execution of SG&A expenses, and the Company will undertake multifaceted initiatives such as scrutinizing and reviewing development costs and improving efficiency by innovating work styles. The impact is thought to be large, and the urgent scheme is limited to 2H. However, we will continue to focus on strengthening the profitability of the Japan business going forward.



● These are examples of high-value-added solutions targeted at robust industries and applications.

● Off-price retailers in the U.S. are discount stores with robust performance despite difficult economic situations amid the pandemic. While volume is significantly increasing, it is difficult to hire staff, and there are persistent needs to improve productivity. For this reason, demand for printers and labels is strong in tagging applications at distribution centers. We are also proceeding with large-scale automation projects.

● In Europe, the Company is focusing on the fast-food industry. This is because, as in the UK, tougher food labeling regulations are making inroads throughout Europe and demand for printers and labels is strong. We are efficiently expanding sales in Europe by incorporating software vendors as partners.

● In Japan, the Company is capturing existing and new customers by differentiating its one-stop printing and cloud solutions that integrate and provide a variety of in-store applications to the robust supermarket industry.

● The electrical and electronics industries are also high flying due to the spread of 5G and remote working. The number of parts of products has dramatically increased through function enhancement and shorter life cycles, and parts management has become complicated. Even large companies are facing tedious manual operations of inventory control associated with manufacturing processes and are seeking solutions utilizing RFIDs.

Enhance profitability in Japan

Initiatives to support sales of high-value-added solutions by increasing contact points with customers and thereby to improve productivity per person.



1. Reform sales

Reform sales organization and share knowledge

- Increase business leads from marketing activities
- Expand printer replacements and consumables sales by sales assistants and maintenance services

2. Enhance unbeatable offerings

Strengthen products and services, in part through platforms and standardization

- Create competitive products such as RFID thermo loggers
- Expand sales of SATO standard labels

3. Optimize value chain

Improve efficiency of back office

- Consolidate functions into operations centers
 - Consolidate registration operations at sales offices
 - Consolidate operations to accommodate small customers

4. Reduce costs

- Optimize printer components and label materials

29

- This slide is about measures to strengthen the profitability of the Japan business.
- It is essential to build an organization that sales representatives can concentrate on cultivating new and deeper business with core customers in targeted industries. To this end, we have reviewed our internal value chain and will promote activities in which more employees increase points of contact with customers, thereby enhancing added value and productivity per person. There are 4 actual measures.
- The first is reforming the sales structure. Continuing from 1H, we will create business leads derived from marketing activities and promote business through maintenance and SE staff. This is to optimize the operations handled by sales by sharing them according to functionality.
- Second, for everyone to efficiently proceed with business negotiations, strengthening "unbeatable offerings," or product lineup, is indispensable. For example, consumables combining both UHF and NFC-equipped RFID and temperature logger functions, which were launched in 1H and can be utilized across industries, have enabled us to propose differentiated solutions, leading to creation of many other business leads.
- The third is the optimization of the internal value chain. For example, we will consolidate back-office operations, which had been handled by sales offices, and the follow-up of small-lot customers into operation centers. In this way, we will establish a system that enables sales office personnel to concentrate on targeted customers.
- The fourth is cost reduction that will make factories smarter based on targets set by our production division. In addition, we will continue to improve efficiency through carefully planned capital investment considering demand and productivity, automate production processes, and optimize purchasing.

Appendix

Performance data Pages 31-38

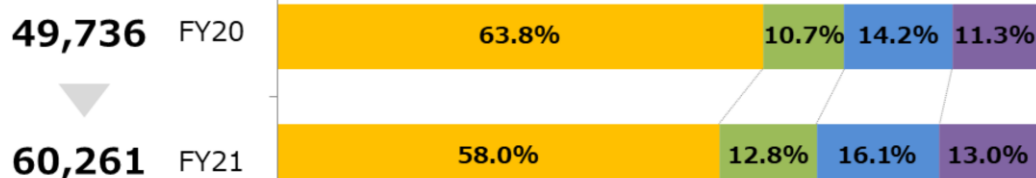
SATO terminologies Pages 39-42

Sales and OI by Region

(Millions of JPY)

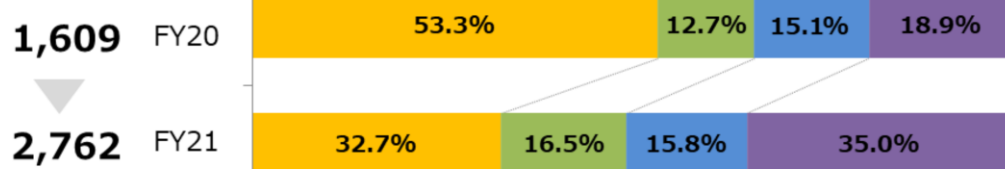
■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

Sales



Operating Income

*Ratio excludes eliminations.



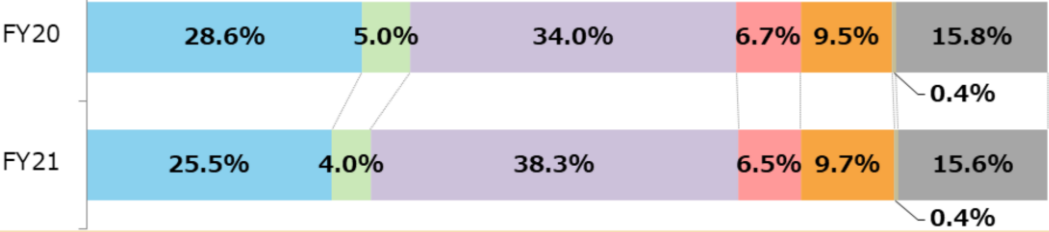
OI Ratio FY20 Japan : 2.7%, Overseas : 4.2 %
 FY21 Japan : 2.5%, Overseas : 7.4 %

Sales by Vertical

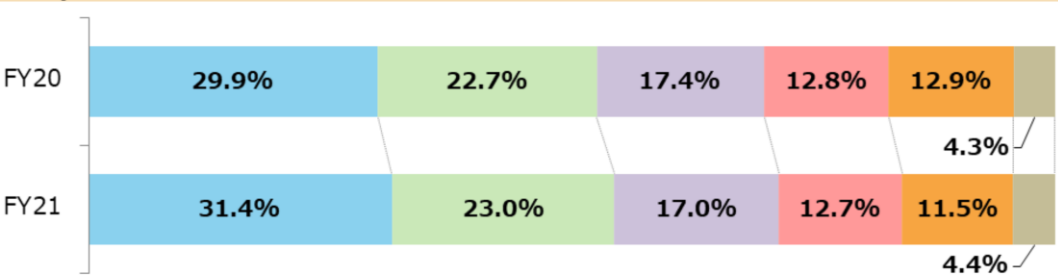
Manufacturing Logistics Retail Health Care Food & Beverage Public Others

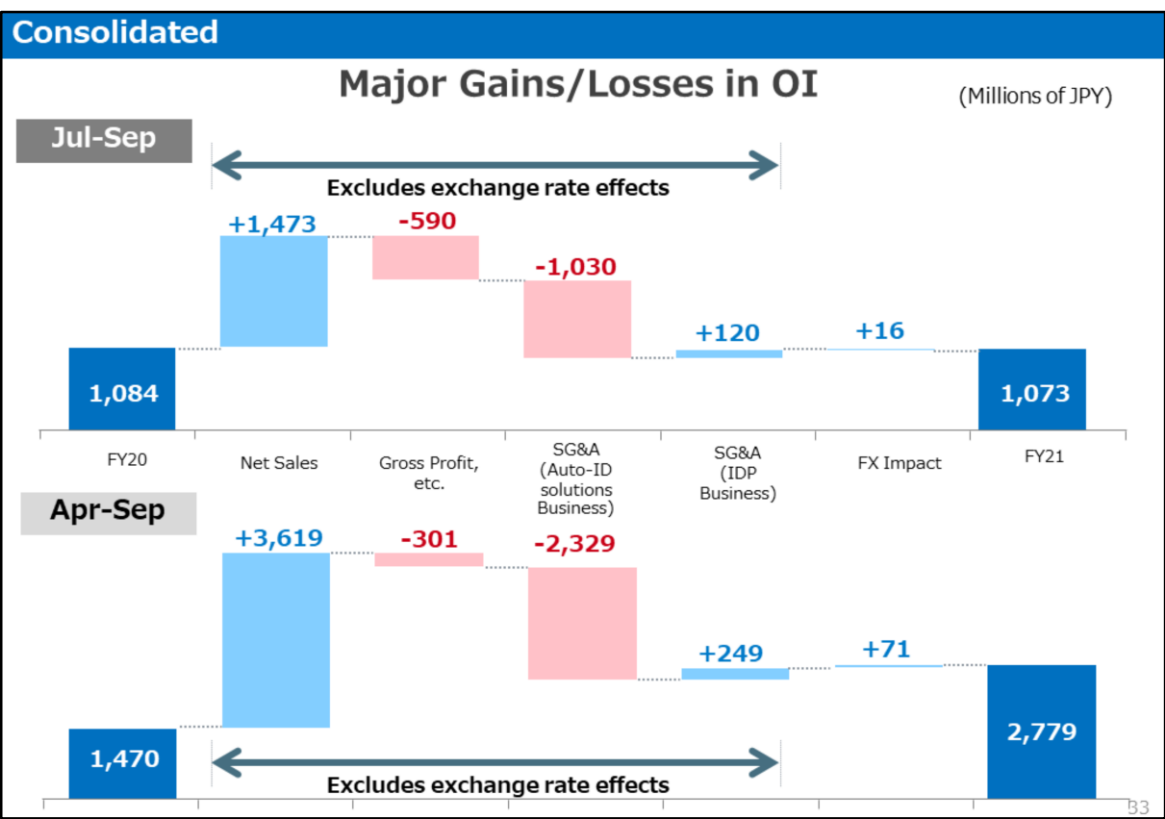
Overseas * Main sales subsidiaries only. Factories & primary label companies not included.

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



Japan *Maintenance services not included



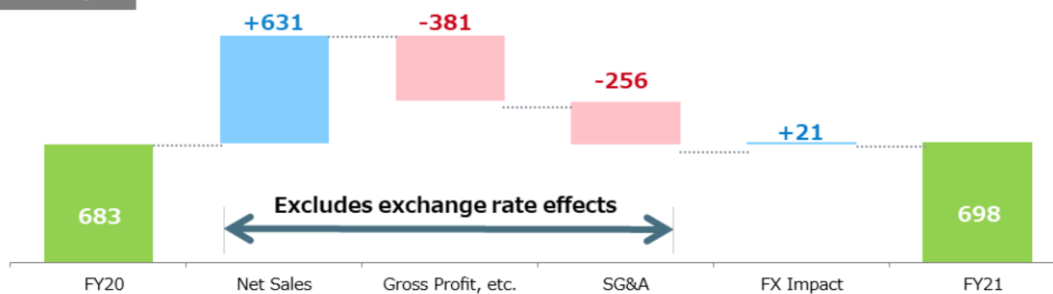


Auto-ID Solutions Business (Overseas)

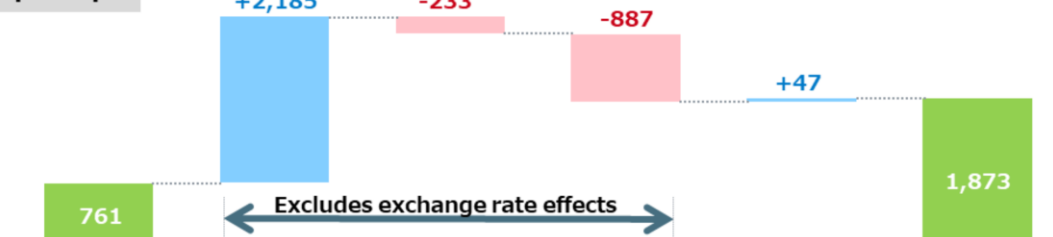
Major Gains/Losses in OI

(Millions of JPY)

Jul-Sep



Apr-Sep



Sales and OI by Business Segment/Region

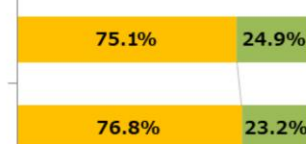
(Millions of JPY)

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

Sales

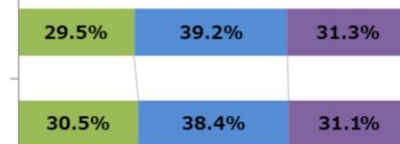
18,013 FY20

25,284 FY21



FY20

FY21



Operating Income

*Ratio excludes eliminations.

761 FY20

1,873 FY21



FY20

FY21



OI ratio:

FY20 Base : 2.9%, Primary Labels : 7.7%

FY21 Base : 6.9%, Primary Labels : 8.3%

FY20 The Americas : 3.8%, Europe : 3.4%, Asia/Oceania : 5.3%

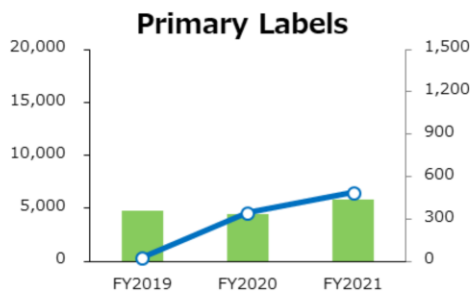
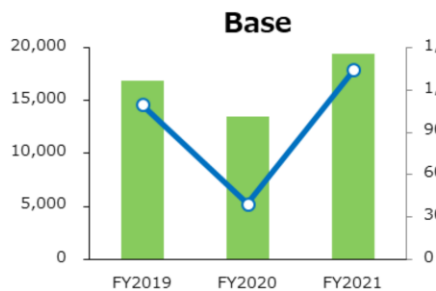
FY21 The Americas : 5.8%, Europe : 4.4%, Asia/Oceania : 12.1%



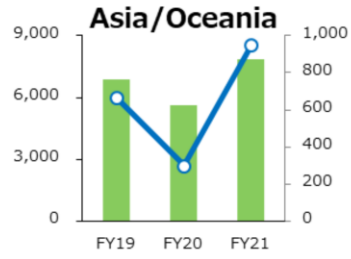
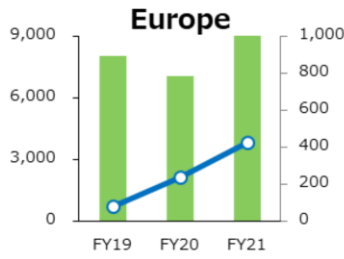
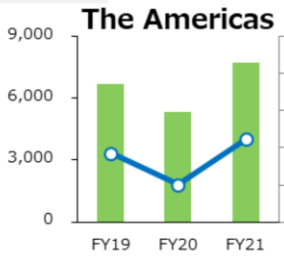
Sales and OI Trends by Business Segment and Region

By Business Segment

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



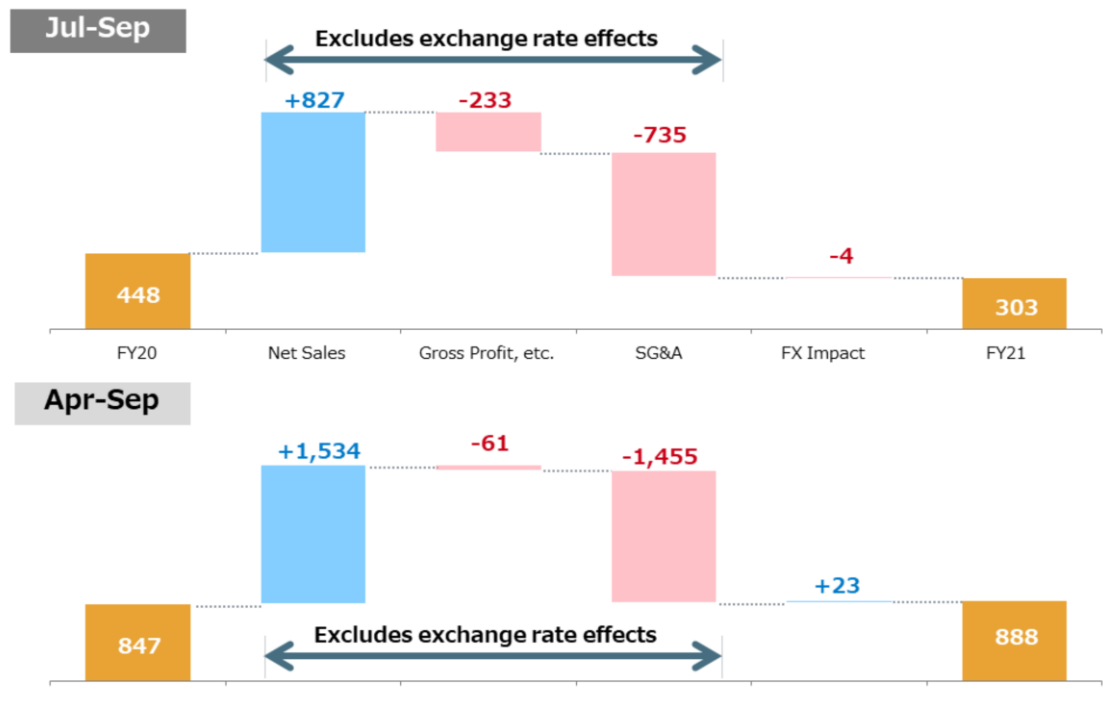
By Region



Auto-ID Solutions Business (Japan)

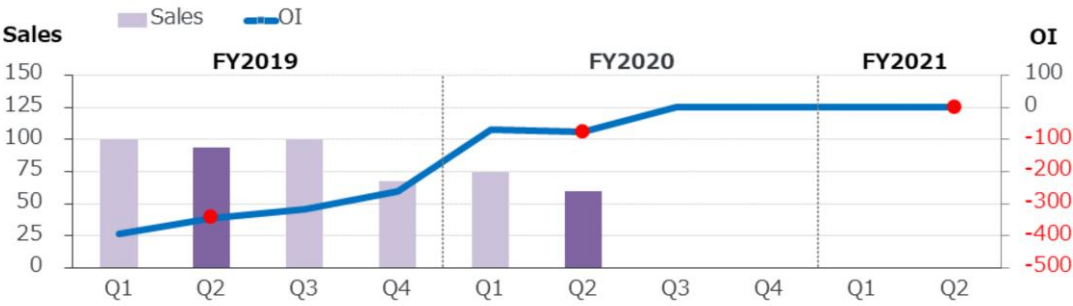
Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

(Millions of JPY)



Sales	100	94	100	68	75	60	0	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	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 DCS & Labeling +One. It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels businesses</u> .
2	Base business	Business of <u>tagging</u> variable information, such as 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 (IDP). 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</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.

39

SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Tagging for Sustainability	Business model set as the next stage of DCS & Labeling that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of <u>tagging</u> .
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	Teiho	Teiho is SATO's unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day to top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho reports are directly addressed to top management, it is also an effective means of compliance monitoring to prevent malpractice and other inappropriate behavior and assist in corporate governance. Some of our global offices have also started Teiho, with more to follow.
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 <u>DCS & Labeling +One</u> . To meet ever complex and diverse customer challenges, SATO also looks beyond its own resources and interests by pursuing partnerships, for example, to enable location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.
4	SOS (SATO Online Services)	A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting. With SOS, users can view the status of their cloud-connected printers at a glance and manage them centrally with ease, while SATO can increase productivity of its service personnel, allowing for even small service teams (as is often the case overseas) to provide improved support.
5	AEP (Application Enabled Printing)	A powerful on-board intelligence which enables customization of printer operation. Printers can link to other systems on a stand-alone basis, without going through any computers.
6	Variable information labels	Blank or pre-printed labels used to print information elements such as barcode, product price and manufactured or expiry date that vary with every customer's site of operation. Unlike fixed information labels that are identical and printed at large quantities in a single run, variable information labels can be printed on-demand as and when needed.
7	RFID (Radio Frequency Identification)	A type of auto-ID technology that uses radio waves to read/write data from/to an RFID tag without making contact. RFID offers faster read rates (from reading multiple tags at the same time) and greater read range than traditional barcode technology. Also, unlike barcodes, RFID tags can be read when covered by another object or stained, and are read/write-capable to enable updates to the encoded data. Because of these key benefits, RFID can significantly improve operational efficiency.



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 Productivity Solutions Mexico S.A. de C.V.	[2019] A sales subsidiary, mainly focusing on automobile industry, owned nearly 100% by SATO Holdings.



©2021 SATO HOLDINGS CORPORATION. All rights reserved.
This document is prepared based on information as of November 2021.
Specifications subject to change without notice.
Any unauthorized reproduction of the contents of this presentation, in part or whole, is strictly prohibited.
SATO is a registered trademark of SATO Holdings Corporation and its subsidiaries in Japan, the U.S. and other countries.
All other trademarks are the property of their respective owners.