February 8, 2022

SATO HOLDINGS CORPORATION

FY2021 Q3 Financial Results

(Nine Months Ended December 31, 2021)

Securities Code: 6287

Consolidated

Summary

Consolidated

Cumulative Q3 (Apr-Dec) saw year-on-year increases in sales and OI.
Sales were up and OI down in Q3 alone (Oct-Dec).

Auto-ID Solutions Business (Overseas)

Sales and OI increased in both cumulative Q3 and Q3 with record-high sales in the latter.

●Base business: Robust demand led to higher sales and OI in both cumulative Q3 and Q3 despite sharp cost increases. Q3 sales and OI booked record highs.

●Primary Labels business: Sales and OI increased in cumulative Q3 due to strong demand. Q3 saw higher sales but lower OI due to higher COGS.

Auto-ID Solutions Business (Japan)

Cumulative Q3 sales increased, driven by manufacturing and logistics.
OI declined due to temporary cost increases and growth investments.
In Q3, sales were flat as continued recovery in manufacturing and logistics offset absence of large orders seen last FY in retail and others.
OI decreased due to increase in costs.

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1

●Here we will explain our financial highlights.

●For cumulative Q3, sales and operating income rose YoY amid generally strong demand, thanks to the success of focusing on the well-performing industries. On the other hand, in Q3 alone, sales increased and OI decreased, due to an increase in raw material costs and growth investments mainly in Japan, despite solid sales.

●Overseas, the Auto-ID Solutions business saw higher sales and OI in all regions for both cumulative Q3 and Q3 alone.
Q3 sales set a record high.

●In the Base business, demand was robust, mainly in retail markets in Europe and the United States, and despite a temporary increase in costs, both cumulative Q3 and Q3 sales and OI increased. In addition, sales and OI in Q3 alone were record highs.

●In the Primary Labels business, the daily life infrastructure industries continued to perform well, and cumulative Q3 sales and OI increased. In Q3 alone, raw material costs rose, resulting in a decrease in OI despite an increase in sales.

●For cumulative in Q3 Japan, while sales rose on a recovery in manufacturing and other key markets, OI declined due to higher costs. In Q3 alone, sales were flat, as manufacturing and logistics covered the absence of a large retail orders in the previous year. OI fell in Q3 for the same reasons as for cumulative Q3.

Consolidated Apr-Dec

Sales and OI by Business Segment

(Millions of JPY)

			FY2021 Apr-Dec	FY2020 Apr-Dec	YoY	excl. FX impact
Auto-ID Solutions business		**Total Sales**	**92,388**	**79,135**	**+16.7%**	**+14.0%**
		Operating Income	**4,665**	**3,822**	**+22.1%**	**+19.4%**
	Overseas	Total Sales	39,072	29,059	+34.5%	+27.0%
		Operating Income	2,975	1,804	+64.9%	+58.2%
	Japan	Total Sales	53,315	50,075	+6.5%	+6.5%
		Operating Income	1,690	2,018	-16.2%	-15.3%
IDP business*		**Total Sales**	**0**	**136**	**-**	**-**
		Operating Income	**0**	**-148**	**-**	**-**
Consolidated (incl. eliminations)		**Total Sales**	**92,388**	**79,271**	**+16.5%**	**+13.8%**
		Operating Income	**4,743**	**3,777**	**+25.6%**	**+22.9%**

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

●Figures for cumulative Q3 in the previous slide are shown in the table.

●In the Auto-ID Solutions business, sales rose 16.7% and OI rose 22.1% YoY due to a sharp increase in overseas sales and OI.

Consolidated Oct-Dec

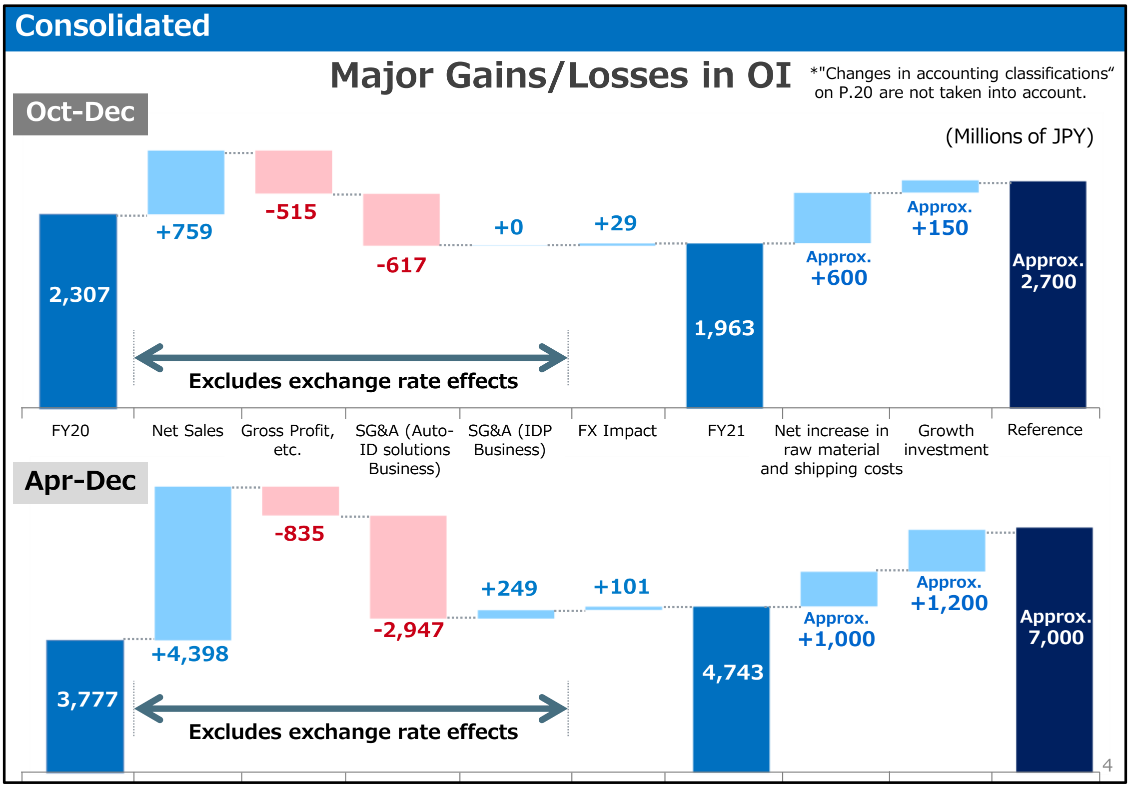
Sales and OI by Business Segment

(Millions of JPY)

			FY2021 Oct-Dec	FY2020 Oct-Dec	YoY	excl. FX impact
Auto-ID Solutions business		**Total Sales**	**32,126**	**29,398**	**+9.3%**	**+5.7%**
		Operating Income	**1,903**	**2,213**	**-14.0%**	**-15.3%**
	Overseas	Total Sales	13,788	11,045	+24.8%	+15.4%
		Operating Income	1,101	1,043	+5.6%	-1.4%
	Japan	Total Sales	18,337	18,352	-0.1%	-0.1%
		Operating Income	801	1,170	-31.5%	-27.8%
IDP business*		**Total Sales**	**0**	**0**	-	-
		Operating Income	**0**	**0**	-	-
Consolidated (incl. eliminations)		**Total Sales**	**32,126**	**29,398**	**+9.3%**	**+5.7%**
		Operating Income	**1,963**	**2,307**	**-14.9%**	**-16.2%**

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

●Here are sales and operating income for Q3 alone.
●In the Auto-ID Solutions business, sales rose 9.3%, but OI fell 14.0% YoY due to the negative impact of supply chain disruptions and growth investments in Japan.

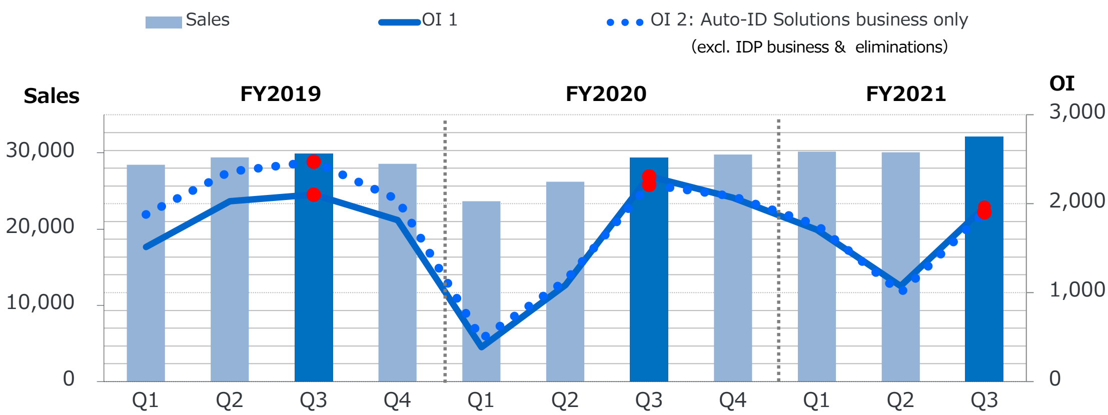


●This is the comparison of operating income with the previous year.
●On the right-hand side of FY2021 OI, we have illustrated extraordinary costs and expenses with large impacts to make it easier to understand their influences on a YoY basis.
●For example, the reference value for Q3 alone in the upper half is approximately JPY 2.7 billion, which would be an increase from the JPY 2.3 billion in the same period of the previous fiscal year.

Consolidated

Quarterly Sales & OI

(Millions of JPY)



Sales	28,463	29,411	29,928	28,569	23,651	26,221	29,398	29,781	30,177	30,084	32,126
YoY	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%
OI 1	1,514	2,028	2,103	1,815	385	1,084	2,307	2,069	1,706	1,073	1,963
YoY	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%
OI 2	1,878	2,360	2,471	2,047	476	1,132	2,213	2,083	1,760	1,001	1,903
YoY	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%	+1.8%	3.7x	-11.5%	-14.0%

●This is the quarterly trend of consolidated sales and operating income.
●Q3 alone saw higher sales and lower OI as mentioned above, but OI recovered to bottom out in Q2.

Consolidated Apr-Dec

Consolidated Results

(Millions of JPY)

	FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY
Net Sales	92,388	79,271	+13,116	+16.5%
Operating Income	4,743	3,777	+966	+25.6%
Operating Income %	5.1%	4.8%	+0.4pt	-
Ordinary Income	4,610	3,469	+1,140	+32.9%
Profit attributable to owners of parent*1	2,952	11,604	-8,651	-74.6%
Effective Tax Rate*2	31.9%	8.3%	+23.6pt	-
EBITDA*3	8,087	7,030	+1,057	+15.0%

Average exchange rates for Apr-Dec 2021: JPY 111.13 /USD, JPY 130.59 /EUR, Apr-Dec 2020: JPY 106.11/USD, JPY 122.43/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 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.

*2 Profit attributable to owners of parent and effective tax rate:
For FY20, 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-Dec 2021: JPY 3,166 million Apr-Dec 2020: JPY 3,084 million
·Amortization for Apr-Dec 2021: JPY 176million Apr-Dec 2020: JPY 168 million

6

- These are the consolidated results for cumulative Q3.
- Higher sales and OI were mainly driven by overseas business.
- The sharp YoY decrease in net income was mainly due to the special gain on the sale of the previous head office in Q3 FY2020.

Consolidated | Oct-Dec

Consolidated Results

(Millions of JPY)

	FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY
Net Sales	32,126	29,398	+2,727	+9.3%
Operating Income	1,963	2,307	-343	-14.9%
Operating Income %	6.1%	7.8%	-1.7pt	-
Ordinary Income	1,914	2,237	-323	-14.4%
Profit attributable to owners of parent*1	1,103	8,354	-7,250	-86.8%
Effective Tax Rate	40.4%	31.4%	+9.1pt	-
EBITDA*2	3,112	3,379	-267	-7.9%

Average exchange rates for Apr-Dec 2021: JPY 111.13 /USD, JPY 130.59/EUR, FY20: JPY 106.11/USD, JPY 122.43/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 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.

*2 EBITDA = Operating Income + Depreciation + Amortization

・Depreciation for Oct-Dec 2021: JPY 1,089 million Oct-Dec 2020: JPY 1,018 million

・Amortization for Oct-Dec 2021: JPY 59 million Oct-Dec 2020: JPY 54 million

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●These are the consolidated results for Q3 alone.
●Sales grew steadily, but OI declined mainly due to sharp increases in costs.
●The reason for the steep YoY decline in net income is the same as in the previous slide.

Auto-ID Solutions Business (Overseas)

Overview

Oct-Dec

Sales increased in all regions by firmly capturing robust demand.
OI increased overall despite temporary increases in costs of label materials and printer components.

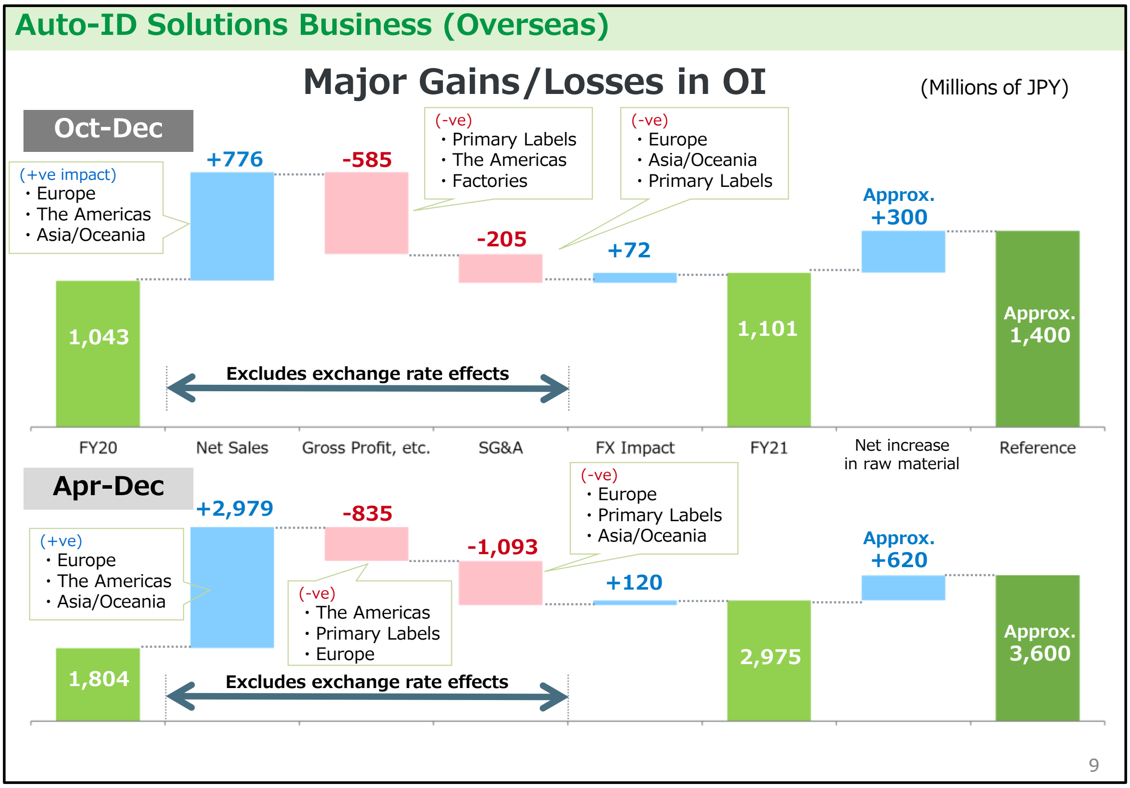
(Millions of JPY)

	FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY	excl. FX impact
Total Sales	**13,788**	**11,045**	**+2,742**	**+24.8%**	**+15.4%**
Gross Profit	4,602	4,093	+508	+12.4%	-
Gross Profit %	33.4%	37.1%	-3.7pt	-	-
Operating Income	**1,101**	**1,043**	**+58**	**+5.6%**	**-1.4%**
Operating Income %	8.0%	9.4%	-1.5pt	-	-

	FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY	excl. FX impact
Total Sales	**39,072**	**29,059**	**+10,013**	**+34.5%**	**+27.0%**
Gross Profit	13,288	10,416	+2,871	+27.6%	-
Gross Profit %	34.0%	35.8%	-1.8pt	-	-
Operating Income	**2,975**	**1,804**	**+1,170**	**+64.9%**	**+58.2%**
Operating Income %	7.6%	6.2%	+1.4pt	-	-

8

●From here on, we will mainly explain each situation in Q3 alone.
●In the overseas business, Q3 sales rose in all regions as demand was robust. Order backlogs from Q2 due to printer delivery constraints also contributed to higher sales.
●Despite the impact of a temporary increase in costs, an increase in OI was achieved overseas as a whole.

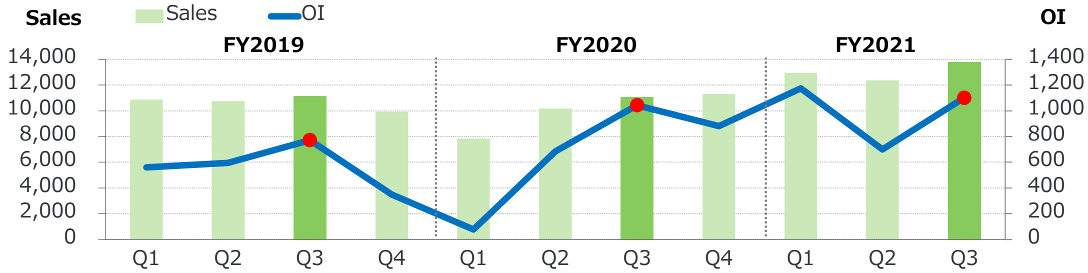


●This is the comparison of operating income overseas with the previous year.
●Sales increased in all regions.
●Negative gross profit impacts are primarily due to higher raw material costs resulting from the supply chain disruption.
●When the factors associated with these sudden changes were added back, the reference value for Q3 alone would be around JPY 1.4 billion.

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	13,788
YoY	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%
OI	560	595	772	349	77	683	1,043	880	1,175	698	1,101
YoY	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%

●This is the quarterly trend overseas.
●Q3 sales reached a record high. OI was the second highest ever, following a record high in Q1.

Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

Oct-Dec Base business: Sales increased, driven by printers for retail, with collective efforts to combat supply constraints. OI increased despite a temporary increase in costs.
Primary Labels business: Sales increased due to robust sales to daily life infrastructure industries. OI decreased due to sharp rises in cost of sales.

(Millions of JPY)

		FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	10,578	8,499	+2,079	+24.5%	+15.8%
	Operating Income	900	727	+172	+23.7%	+15.1%
Primary Labels	Total Sales	3,209	2,546	+663	+26.1%	+14.1%
	Operating Income	186	270	-84	-31.0%	-34.7%
Eliminations	Operating Income	14	45	-30	-67.9%	-67.9%
Total	Total Sales	13,788	11,045	+2,742	+24.8%	+15.4%
	Operating Income	1,101	1,043	+58	+5.6%	-1.4%

		FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	30,002	22,034	+7,967	+36.2%	+27.6%
	Operating Income	2,242	1,124	+1,118	+99.5%	+86.8%
Primary Labels	Total Sales	9,070	7,025	+2,045	+29.1%	+25.3%
	Operating Income	673	616	+56	+9.2%	+12.8%
Eliminations	Operating Income	58	63	-4	-7.6%	-7.6%
Total	Total Sales	39,072	29,059	+10,013	+34.5%	+27.0%
	Operating Income	2,975	1,804	+1,170	+64.9%	+58.2%

●This slide explains the trends in overseas Base business and Primary Labels business in Q3 alone.

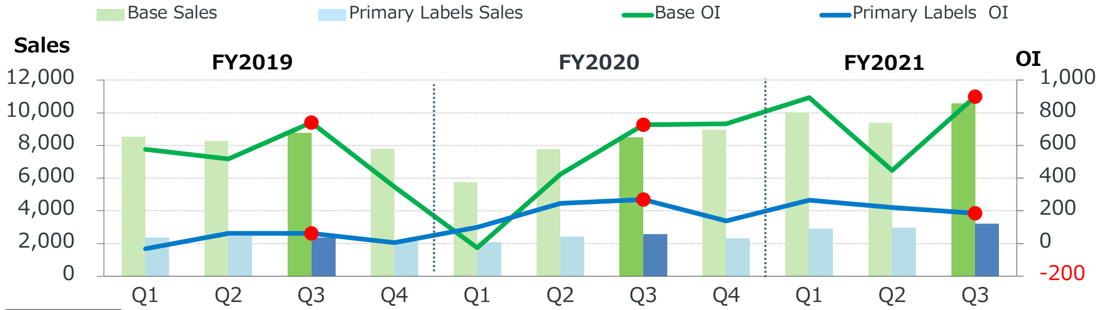
●In the Base business, sales rose as we collectively dealt with printer delivery constraints to capture robust demand, including order backlogs from Q2. Despite the impact of a rise in paper material costs, strong printer sales compensated for this, resulting in an increase in OI. Operating income margin was 8.5%, roughly the same level as the previous year.

●In the Primary Label business, strong performance in the daily life infrastructure industries and progress in acquiring new projects led to an increase in sales, but OI declined due to the impact of rising paper material costs.

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



Base	Sales	8,539	8,286	8,758	7,794	5,755	7,779	8,499	8,976	10,023	9,399	10,578
	YoY	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%
	OI	577	517	740	348	-26	423	727	733	894	447	900
	YoY	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%
Primary Labels	Sales	2,328	2,453	2,360	2,128	2,089	2,389	2,546	2,313	2,905	2,955	3,209
	YoY	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%	+8.7%	+39.1%	+23.7%	+26.1%
	OI	-33	61	61	6	100	245	270	139	266	220	186
	YoY	-	-58.3%	4.9x	-	-	4.0x	4.4x	22.0x	2.6x	-10.1%	-31.0%

12

- This is the quarterly trend overseas by business segment.
- Along with Q3 sales, OI in the Base business reached a record high, despite increases in various costs.
- Primary Labels business sales also reached a record high. OI remained at a high level, despite rising costs.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Oct-Dec

Base business: Printers in the brisk U.S. retail market drove sales higher.
OI decreased due to increase in cost of label materials.
Primary Labels business: Sales were flat. OI decreased mainly due to cost increases.

(Millions of JPY)

		FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	3,554	2,794	+759	+27.2%	+18.0%
	Operating Income	223	232	-8	-3.6%	-9.5%
Primary Labels ・Achernar ・Prakolar	Total Sales	576	571	+4	+0.8%	+3.7%
	Operating Income	73	89	-16	-18.0%	-9.4%
Total	Total Sales	4,131	3,366	+764	+22.7%	+15.5%
	Operating Income	297	322	-24	-7.6%	-9.4%

		FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	9,983	7,236	+2,746	+38.0%	+32.4%
	Operating Income	479	358	+120	+33.7%	+29.7%
Primary Labels ・Achernar ・Prakolar	Total Sales	1,869	1,448	+420	+29.0%	+36.7%
	Operating Income	267	165	+101	+61.7%	+88.2%
Total	Total Sales	11,852	8,685	+3,167	+36.5%	+33.1%
	Operating Income	746	523	+222	+42.6%	+48.2%

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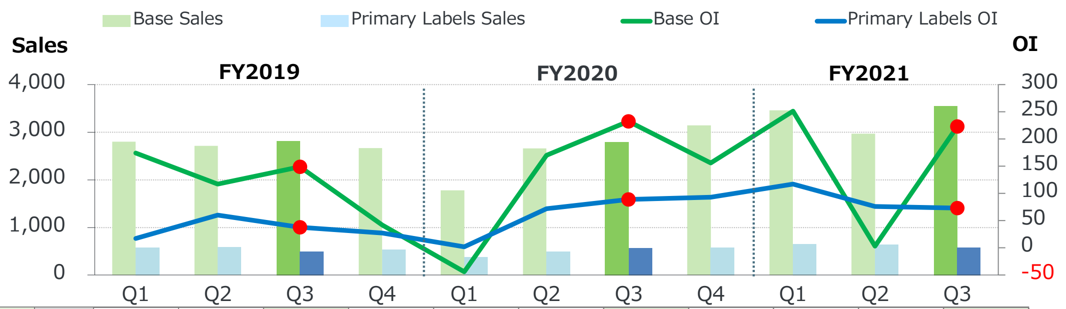
13

●From here, we will explain overseas results by region.
●In the Americas, sales were up and OI down in Q3 alone.
●In the Base business, sales increased, driven by printers to the retail market and order backlogs from Q2. OI declined due to a rise in the cost of paper materials, but without such impact, the OI margin would have improved by about 1 percentage point YoY.
●Primary Labels business maintained robust sales, but OI declined due to increased paper material costs.

Auto-ID Solutions Business (Overseas)

The Americas: Quarterly Sales & OI

(Millions of JPY)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	2,797	2,714	2,811	2,664	1,781	2,660	2,794	3,140	3,458	2,970	3,554
	YoY	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%
	OI	174	117	149	42	-44	170	232	156	251	3	223
	YoY	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%
Primary Labels	Sales	577	586	497	536	378	498	571	576	648	643	576
	YoY	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%
	OI	17	60	38	27	2	72	89	93	117	76	73
	YoY	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%

14

- This is the quarterly trend in the Americas.
- Sales in Q3 Base business saw record highs.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Oct-Dec

Base business: Sales increased due to continued focus on strong industries such as supermarkets and restaurants. OI increased in line with sales, absorbing increase in costs.
Primary Labels business: Sales increased due to deeper cultivation of existing businesses in food and beverages at Okil in Russia. OI decreased due to the impact of rising costs including paper materials and labor, in accordance with business expansion.

(Millions of JPY)

		FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	2,785	2,137	+648	+30.4%	+23.2%
	Operating Income	197	94	+103	2.1x	2.0x
Primary Labels ・Okil ・X-Pack	Total Sales	2,633	1,974	+658	+33.4%	+17.2%
	Operating Income	113	180	-67	-37.5%	-47.2%
Total	Total Sales	5,419	4,111	+1,307	+31.8%	+20.3%
	Operating Income	310	274	+35	+13.1%	+3.3%

		FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	7,924	5,591	+2,333	+41.7%	+31.5%
	Operating Income	334	64	+270	5.2x	4.9x
Primary Labels ・Okil ・X-Pack	Total Sales	7,201	5,576	+1,624	+29.1%	+22.3%
	Operating Income	406	451	-45	-10.0%	-14.8%
Total	Total Sales	15,126	11,167	+3,958	+35.4%	+26.9%
	Operating Income	740	515	+225	+43.7%	+35.8%

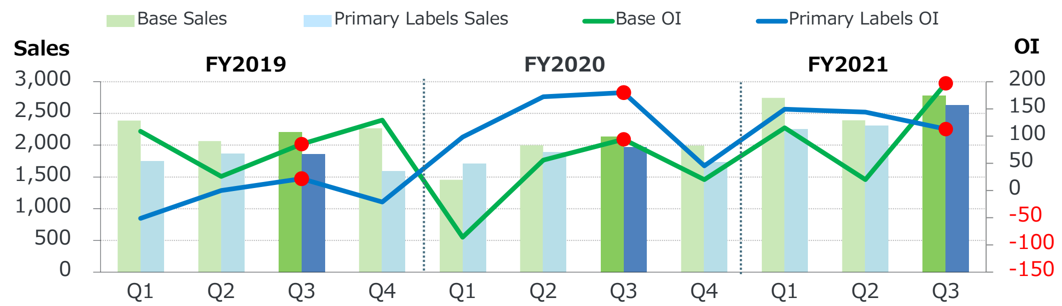
15

●Europe saw higher sales and OI in Q3 alone.
●In the Base business, sales were robust for supermarkets and the food-service industry, and order backlogs from Q2 also contributed to sales growth. Despite the impact of a rise in the cost of paper materials, OI increased in line with sales.
●Primary Labels business sales rose as Okil expanded its food and beverage-related businesses. OI declined due to higher paper material costs along with higher labor and depreciation costs in accordance with business expansion.

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)



		FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3
Base	Sales	2,386	2,066	2,205	2,264	1,453	2,000	2,137	1,996	2,746	2,391	2,785
	YoY	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%	+30.4%
	OI	109	26	85	129	-86	56	94	20	115	20	197
	YoY	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%	-	-63.8%	2.1x
Primary Labels	Sales	1,751	1,867	1,862	1,591	1,711	1,891	1,974	1,737	2,256	2,311	2,633
	YoY	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%	+33.4%
	OI	-51	0	22	-21	98	172	180	45	149	144	113
	YoY	-	-	36.2x	-	-	-	8.0x	-	+51.8%	-16.3%	-37.5%

- This is the quarterly trend in Europe.
- Both sales and OI for the Base business in Q3 were record highs.
- Primary Labels business sales in Q3 also reached a record high.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Oct-Dec

Base business: Sales increased at almost all sales subsidiaries, driven particularly by the one in China. OI increased in line with sales offsetting factory profit decline behind higher costs of printer components.

(Millions of JPY)

		FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	4,238	3,567	+670	+18.8%	+9.6%
	Operating Income	478	401	+77	+19.2%	+9.4%

		FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	12,093	9,206	+2,887	+31.4%	+21.4%
	Operating Income	1,429	701	+727	2.0x	+88.1%

SATO

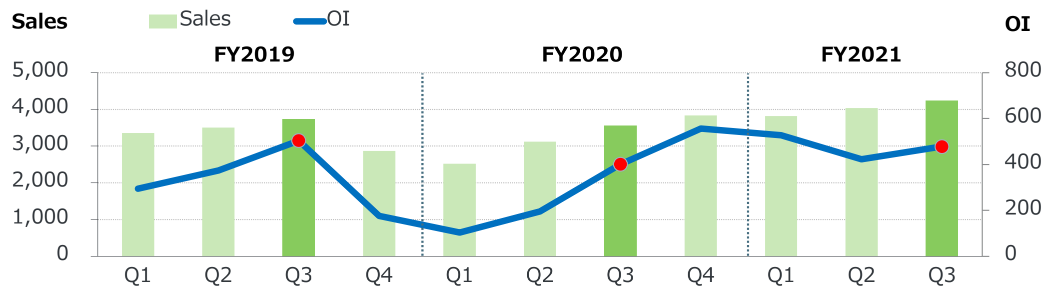
17

●In Asia and Oceania, sales and OI increased in Q3.
●Sales were up at all sales subsidiaries, excluding Vietnam, where sales declined slightly, and driven particularly by China. As in other regions, order backlogs from Q2 also contributed. Higher costs due to difficulty in procuring printer components depressed profits at factories in Malaysia and Vietnam, but OI rose overall on higher sales.

Auto-ID Solutions Business (Overseas)

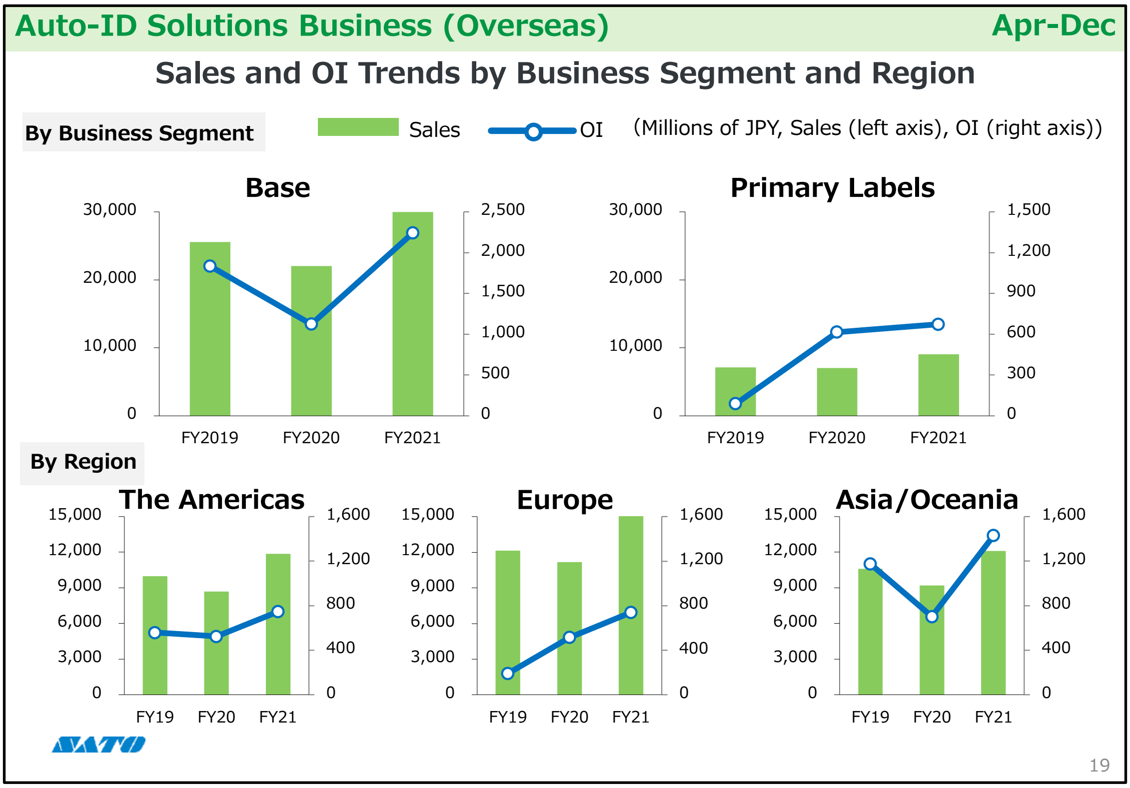
Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	3,355	3,504	3,740	2,865	2,520	3,117	3,567	3,839	3,817	4,037	4,238
	YoY	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%
	OI	294	374	504	176	104	196	401	556	527	423	478
	YoY	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%

- This is the quarterly trend in Asia and Oceania.
- Sales rose to a record high in Q3.



●This is the cumulative Q3 trend for 3 years in the overseas business.
●Both sales and OI grew by business and region, despite the impact of various cost increases.

Auto-ID Solutions Business (Japan)

Overview

Oct-Dec

Sales were flat. Continued recovery in manufacturing and logistics off-set the loss of large orders seen last FY in retail. Market mix improved, but OI declined due to higher costs for materials, components and shipping along with growth investments.

(Millions of JPY)

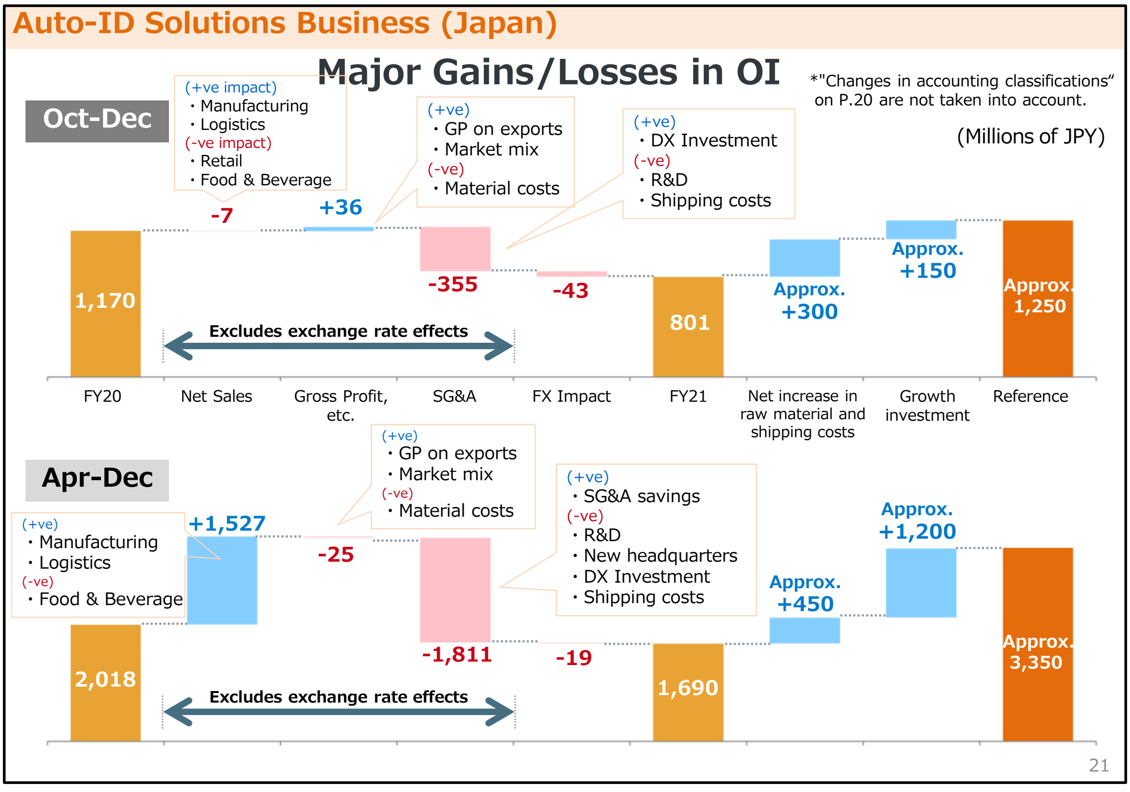
	FY2021 Oct-Dec	FY2020 Oct-Dec	Change	YoY
Mechatronics Sales	6,933	7,027	-94	-1.3%
Consumables Sales	11,417	11,325	+92	+0.8%
Total Sales	**18,337**	**18,352**	**-14**	**-0.1%**
Gross Profit	8,453	8,662	-209	-2.4%
Gross Profit %	46.1%	47.2%	-1.1pt	-
Operating Income	**801**	**1,170**	**-368**	**-31.5%**
Operating Income %	4.4%	6.4%	-2.0pt	-

	FY2021 Apr-Dec	FY2020 Apr-Dec	Change	YoY
Mechatronics Sales	21,010	19,524	+1,485	+7.6%
Consumables Sales	32,349	30,551	+1,798	+5.9%
Total Sales	**53,315**	**50,075**	**+3,239**	**+6.5%**
Gross Profit	24,903	23,616	+1,287	+5.5%
Gross Profit %	46.7%	47.2%	-0.5pt	-
Operating Income	**1,690**	**2,018**	**-327**	**-16.2%**
Operating Income %	3.2%	4.0%	-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 1: Total Sales is sum of mechatronics, consumables, and others.
Note 2: Changes in accounting classifications of maintenance related costs from SG&A to COGS lead to lower GPM.

20

●In the Japan business, Q3 sales were flat, as manufacturing and logistics, which continued to recover, covered the decline in retail sales, which saw large orders in the same period of the previous fiscal year.
●Growth in high-margin manufacturing contributed positively to gross profit, but GPM declined due to a change in the classification of maintenance-related expenses from SG&A to COGS, and the impact of higher costs for printer components.
●Despite the positive impact of the above-mentioned change in accounting classification, OI declined due to investments for growth, such as R&D expenses, and an increase in shipping costs due to increased usage of air freights.

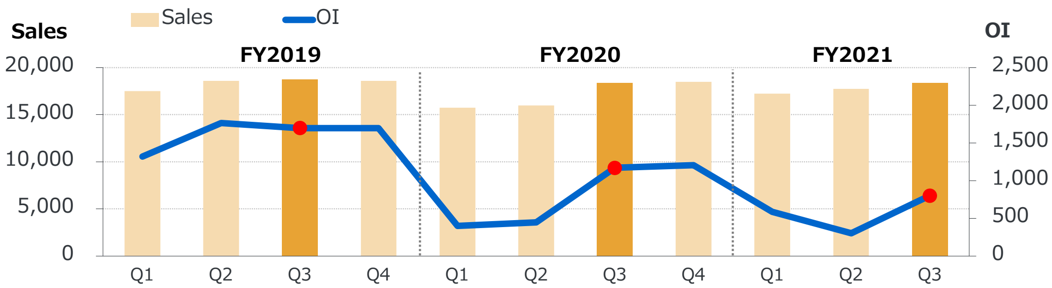


●This is the comparison of operating income in Japan with the previous year.
●The aforementioned change in the classification of maintenance expenses is not taken into account because the impact is neutral.
●Sales in Q3 were flat, with strong markets compensating for sluggish ones.
●Gross profit was driven positively by an increase in printer exports due to strong demand overseas and an improvement in the market mix. However, an increase in printer component costs affected negatively, resulting in a slight improvement on the net.
●SG&A expense impact was negative due to an increase in R&D expenses, mainly for common platforms for next-generation printers, and an increase in shipping costs due to higher air freight use, while appropriate control of DX investment and expenses for sales activities worked positively.
●Operating income amounted to approximately JPY 800 million in FY21, but the figure is estimated to be approximately JPY 1,250 million, excluding temporary cost increases and one-off investments for growth such as the printer development projects mentioned above.
●In cumulative Q3, OI declined by about JPY 300 million YoY, but the reference value is expected to be approximately JPY 3,350 million.

Auto-ID Solutions Business (Japan)

Quarterly Sales & OI

(Millions of JPY)



Sales	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490	17,248	17,729	18,337
YoY	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%	+10.9%	-0.1%
OI	1,318	1,765	1,698	1,697	399	448	1,170	1,203	585	303	801
YoY	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%	-32.4%	-31.5%

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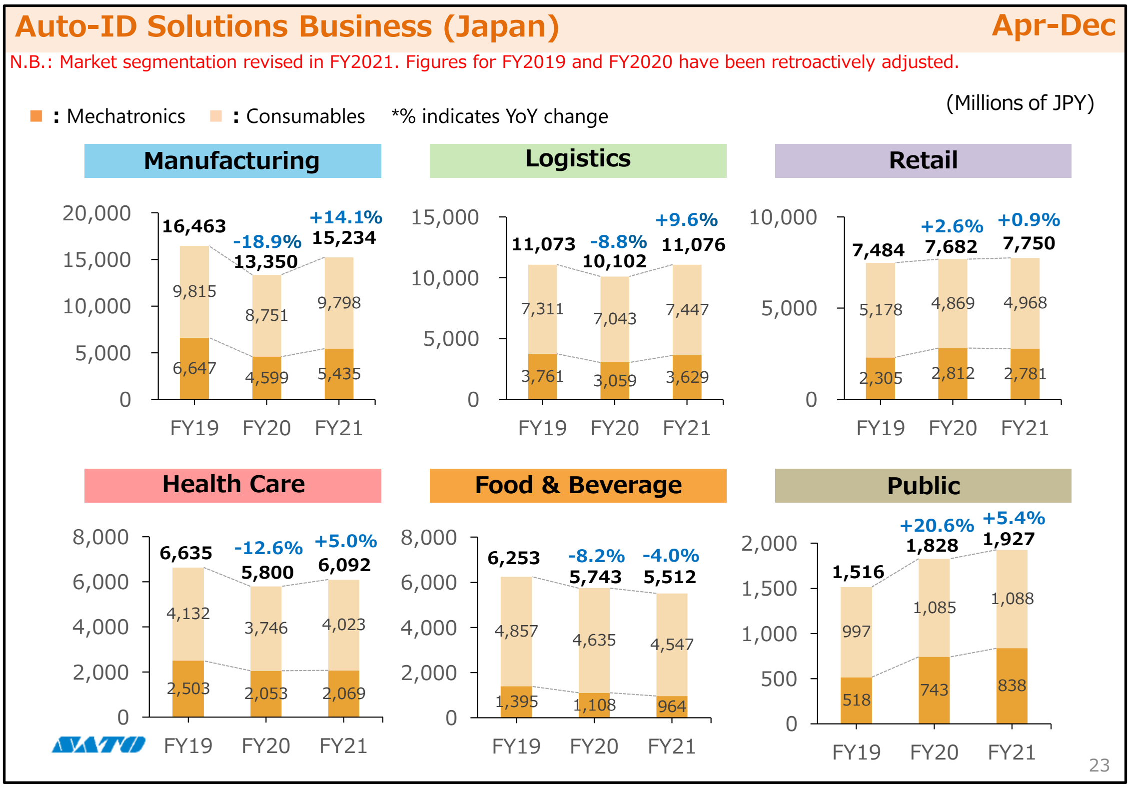
●This is the quarterly trend in Japan.
●Although various costs increased, Q3 operating income improved QoQ due to higher sales and gross profit, and appropriate control of expenses.



● In the cumulative Q3 trends by market, all markets other than food & beverage grew YoY, with significant growth in manufacturing.

● Manufacturing sales rose 14% YoY, with sales rising in almost all industries. However, compared to FY19, sales increased in the electronic components, machinery and electrical equipment industries, which accounted for approximately 1-third of manufacturing sales, while the remaining 2-thirds, such as automobiles and steel, are still in the process of recovery, and we believe there is significant room for them to grow.

● In logistics and retail, sales increased both YoY and compared to FY19, reflecting persistent labor shortages and increase in volume due to the Corona crisis.

● In healthcare, sales increased by 5% YoY in many industries, but hospitals and medical device manufacturers, which account for approximately 80% of healthcare sales, have not yet recovered.

● Food & beverage decreased both YoY and compared to FY19, due to a delay in the recovery of the food production industry, which accounted for 80 percent of the market. While demand for traceability and reassurance is robust, as most customers are small- and medium-sized, and amid an uncertain business environment, we think it will take more time until the overall volume and willingness to invest return.

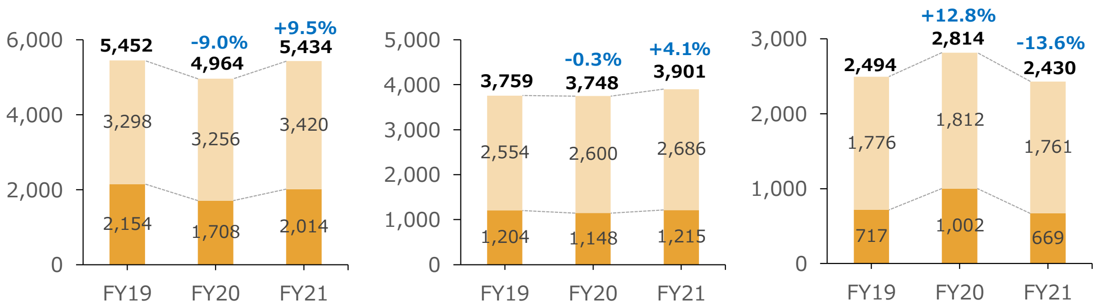
● The public sector business environment is stable, and sales increased both YoY and compared to FY19.

Auto-ID Solutions Business (Japan) Oct-Dec

Sales by Vertical 1/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change



	Manufacturing	Logistics	Retail
Business environ-ment	Increased demand for semiconductors propelled chemical and electronic component industries. Meanwhile, production in the automobile and steel industries has been stagnant.	Various industries took advantage of continued expansion of EC and stay-home demand. Demand continued to grow for automation and DX.	Despite a pause in growth at supermarkets, investments for DX, efficiency, and EC continued. EC industry remained brisk.
SATO perfor-mance	Consumables grew, driven by better-performing industries. In mechatronics, RFID sales were strong in response to labor shortages and shift to DX (Digital Transformation). Recovery continued.	Consumables grew with increased volume in almost all industries. Mechatronics sales continued to grow thanks to demand for shipping process automation and DX in managing shipping processes with RFID.	Consumables declined slightly due to a pause in stay-home related demand growth at supermarkets. Despite ongoing needs to address labor shortages, mechatronics declined due to absence of large orders seen last FY.

24

●Q3 sales for each market in Japan are as follows.
●Manufacturing: Sales of both consumables and mechatronics grew as RFID and automation orders remained strong in the machinery, electrical equipment and electronic components industries as were in Q2.
●Logistics: we continued to capture demand such as automation mainly in the e-commerce industry, and consumables and mechatronics both grew.
●Retail: Both consumables and mechatronics declined due to a pause in demand growth at supermarkets and the absence of large-scale orders in the previous fiscal year. However, willingness to investment continued.

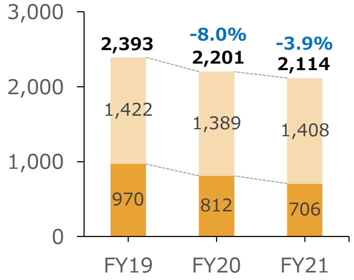
Auto-ID Solutions Business (Japan) Oct-Dec

Sales by Vertical 2/2

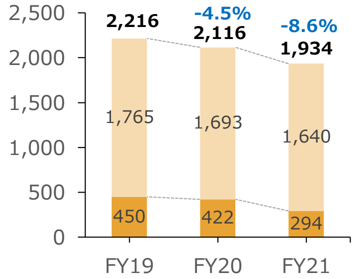
(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

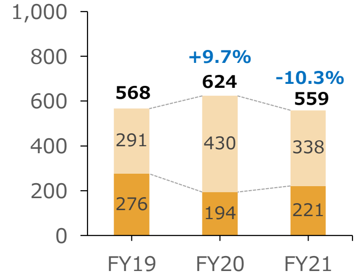
Health Care



Food & Beverage



Public



	Health Care	Food & Beverage	Public
Business environ-ment	The number of outpatients to medical institutions remained almost unchanged. Demand remained firm overall, including improvements in management efficiency and measures to address labor shortages.	Demand continued to stay strong for traceability and operational efficiency against the backdrop of legal compliance, higher quality control awareness, and labor shortages.	The overall business environment remained stable.
SATO perfor-mance	Consumables rose slightly along with a recovery in demand from manufacturers of medical devices and pharmaceuticals. Mechatronics sales decreased due to restrictions on sales activities and printer supply constraints caused by the pandemic.	Consumables declined due to a pause in stay-home related demand growth for the food industry. Despite the recovery in restaurants, mechatronics declined due to the absence of large orders in food manufacturing seen last FY.	Consumables demand generally remained at the same level as in FY20 but declined due to lack of a large-scale project seen last FY. Mechatronics grew strongly due to orders from large customers.

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●Healthcare: We think the recovery of medical institutions will take more time. In the manufacturing industries of medical devices and pharmaceuticals, demand for efficiency and automation due to labor shortages has been firm, so we see a recovery as a matter of time.
●Food & beverage: Sales declined, mostly due to the absence of large-scale orders in the previous fiscal year.
●Public sector: The business environment remains stable, but results are often affected by large orders. Q3 sales decreased as a large-scale order in consumables in the previous fiscal year failed to repeat.

Consolidated

Operating Income Impact (Gross Profit)

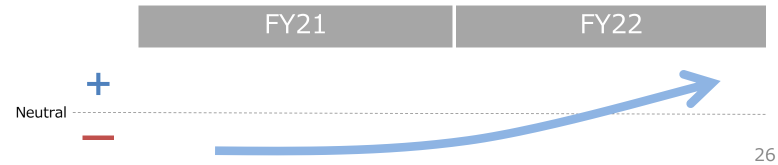
Costs to precede impacts of countermeasures.
Total impact expected to turn positive in 2H of FY22.

* Large: JPY 500 million or more,
Medium: JPY 300-500 million,
Small: JPY 300 million

Negative / Positive (countermeasures)

	FY21 Q1~Q3 (Results)	FY21 Q4 (Forecast) *
Printers **Higher manufacturing costs**	Approx. JPY 550 mil.	Medium
Labels **Rising costs of raw materials**	Approx. JPY 600 mil.	Medium
Printers **Pass on costs, reduce costs**	—	Small
Labels **Pass on costs, reduce costs**	Approx. JPY 400 mil.	Small
Expand sales of high-value added solutions and printers	—	Medium

Total impact



SATO

26

●This is the impact of temporary cost increases and countermeasures on consolidated operating income.
●Gross profit factors are explained on this slide and SG&A expenses on the next.
●The negative impact of cost increases is shown in red, and the positive impact of countermeasures is shown in blue. Each impact for cumulative Q3 and in Q4 alone is expressed separately.
●The lines behind the cumulative Q3 figures show how the impact amounts have changed quarterly. Q4 impacts are described as “Large, Medium, and Small“, representing the figures above the table.
●As shown in the bottom part of the slide, the total impact is expected to turn positive in 2H of the next fiscal year as costs precede the effects of countermeasures.
●Higher manufacturing costs for printers: Cumulative Q3 impact was about JPY 550 million, and it increased as the quarters went on. We expect the impact to be “Medium" in Q4. Amid robust demand all around, difficulty in securing materials and components, factory closures and disruptions on operations, led to build ups in order backlogs for mainstay models. Although backlogs receded somewhat in Q3, they are expected to carry on into Q1 FY22.
●Rising costs of raw materials for labels: The impact was approximately JPY 600 million in cumulative Q3, with impacts increasing quarterly. Q4 impact is expected to be “Medium" with overseas being affect the most.
●Pass on costs, reduce costs for printers: The cumulative Q3 impact was small. This "cost reduction" refers to measures in response to unexpected cost increases and does not include the measures planned at the beginning of FY21. Q4 impact is expected to be “Small," and full-scale effects are likely to be felt in the next fiscal year.
●Pass on costs, reduce costs for labels: Cumulative Q3 impact was about JPY 400 million, which was mainly attributable to overseas in Q3. Q4 impact is expected to be “Small," and full-scale effects are likely to be felt in the next fiscal year.
●Expand sales of high-value added solutions and printers: As with cost reductions, benefits are expected to appear in Q4 and beyond as measures were initiated during the fiscal year.

Consolidated

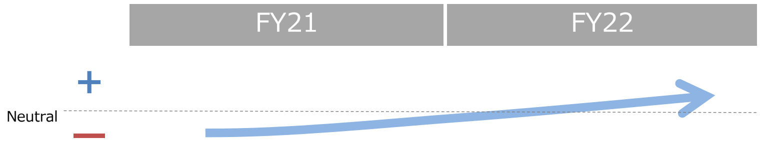
Operating Income Impact (SG&A)

Costs to precede impacts of countermeasures.
Total impact expected to turn positive in 1H of FY22.

* Large: JPY 500 million or more,
Medium: JPY 300-500 million,
Small: JPY 300 million

Negative / Positive (countermeasures)	FY21 Q1~Q3 (Results)	FY21 Q4 (Forecast) *
Printers **Higher shipping costs** (Negative)	Approx. JPY 300 mil.	Small
Higher R&D costs with expansion of strategic investment scope (Negative)	Approx. JPY 550 mil.	Small
Optimize SG&A expenses (Positive)	Approx. JPY 200 mil.	Small

Total impact



SATO

●As with the trend in gross profits, SG&A costs are to precede the impacts of countermeasures. As shown in the bottom part of the slide, the total impact is expected to turn positive in 1H of FY22.
●Higher shipping costs for printers: Cumulative Q3 impact was about JPY 300 million and increased quarterly. The Japanese business incurred all costs. Q4 impact is expected to be "Small" and wane down at a relatively early stage in the next fiscal year.
●Higher R&D costs with expansion of strategic investment scope: Cumulative Q3 impact was about JPY 550 million, with the same level of impact for all quarters. Q4 impact is expected to be "Small" with a peak expected in Q1 FY22.
●Optimize SG&A expenses: Cumulative Q3 impact was about JPY 200 million, and the Q4 impact is expected to be “Small."

Consolidated

FY2021 Consolidated Forecasts

(Millions of JPY)

Figures in parentheses are initial plans.	Apr-Dec		Jan-Mar		FY2021	
	Results	YoY	Targets	YoY	Targets	YoY
Net Sales	92,388	+16.5%	29,611	-0.6%	122,000 (117,000)	+11.9%
Operating Income	4,743	+25.6%	1,656	-20.0%	6,400	+9.4%
Ordinary Income	4,610	+32.9%	1,589	-22.5%	6,200	+12.3%
Profit attributable to owners of parent	2,952	-74.6%	1,047	-22.7%	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-Dec 2021: JPY 111.13/USD, JPY 130.59/EUR
Average exchange rates for FY20 : JPY 106.10/USD, JPY 123.75/EUR

28

●These are the consolidated forecasts for FY21 (The figure in parentheses was the target before the mid-year revision).

●There is no change to the full-year forecasts announced along with 1H results in November. In Q4, we expect sales to decline slightly YoY and OI to decline by a larger margin.

●While robust demand for printers persists, inventories are tight, so sales and gross profit growths are expected to be limited. OI decline is likely to be steeper because the temporary cost burden is expected to be about the same as or even more than in Q3.

●In the next fiscal year, we will keep on striving to capture robust demand while containing costs and achieving appropriate selling prices.

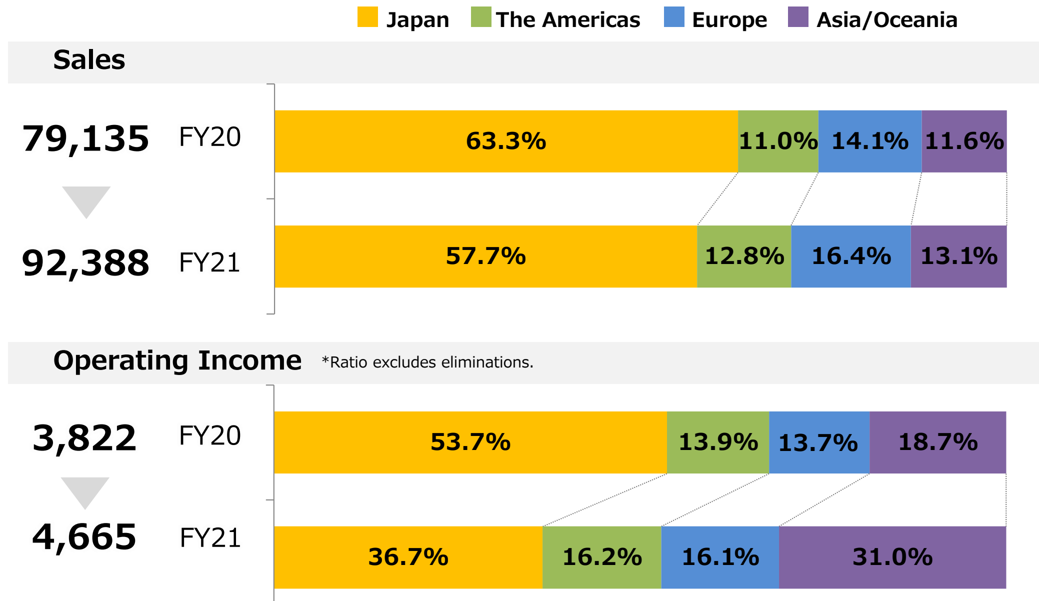
Appendix

Performance data Pages 30-33

SATO terminologies Pages 34-37

Sales and OI by Region

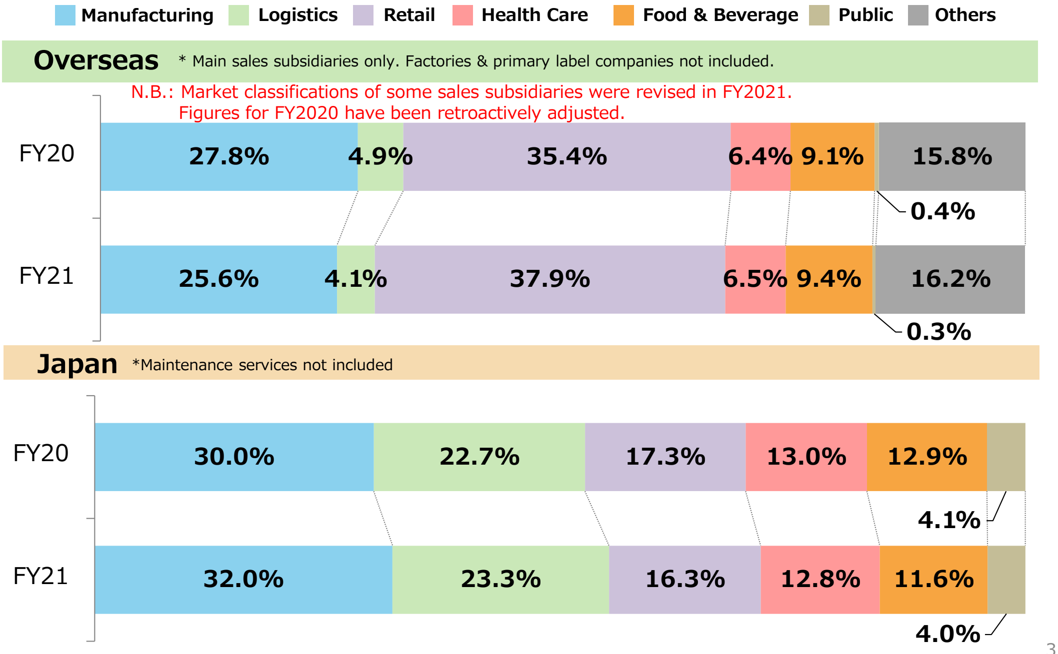
(Millions of JPY)



OI Ratio FY20 Japan : 4.0%, Overseas : 6.2 %
FY21 Japan : 3.2%, Overseas : 7.6 %

Auto ID Solutions Business Apr-Dec

Sales by Vertical



31

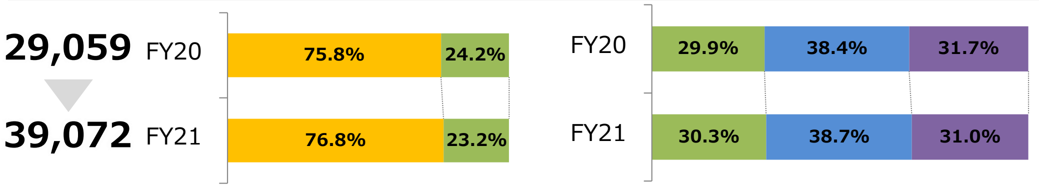
Auto-ID Solutions Business (Overseas) Apr-Dec

Sales and OI by Business Segment/Region

(Millions of JPY)

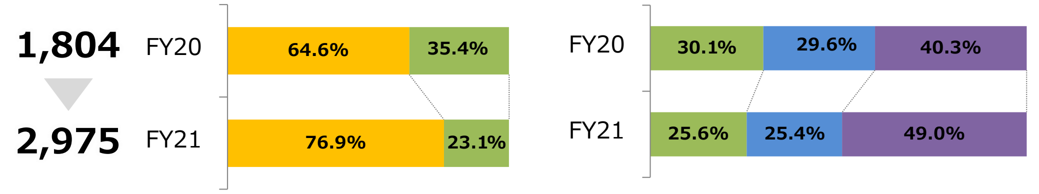
Base Primary Labels The Americas Europe Asia/Oceania

Sales



Operating Income

*Ratio excludes eliminations.



OI ratio: FY20 Base : 5.1%, Primary Labels : 8.8%
FY21 Base : 7.5%, Primary Labels : 7.4%

FY20 The Americas : 6.0%, Europe : 4.6%, Asia/Oceania : 7.6%
FY21 The Americas : 6.3%, Europe : 4.9%, Asia/Oceania : 11.8%

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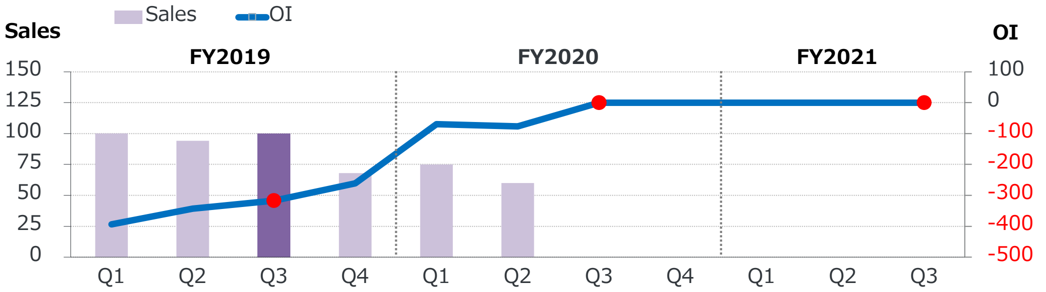
IDP Business

Quarterly Sales & OI

(Millions of JPY)



Sales	100	94	100	68	75	60	0	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	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 Base and the Primary Labels businesses.
2	Base business	Business of tagging variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
3	Primary Labels business	Overseas business of tagging fixed information via product labels and other media. This business operates from SATO Group companies; Achernar (Argentina), Prakolar (Brazil), Okil (Russia) and X-Pack (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, consumables, 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 RFID) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer tagging/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.

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 tagging.
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	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 with 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 consumables, including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than consumables. Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	"Consumable" products such as variable information labels, RFID tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than mechatronics but incur low SG&A expenses ratio as they are typically sold through recurring business.

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SATO terminologies (3/4)

	Products, services, technologies	Description
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out DCS & Labeling +One. To meet ever complex and diverse customer challenges, SATO also looks beyond its own resources and interests by pursuing partnerships, for example, to enable location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.
4	SOS (SATO Online Services)	A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting. With SOS, users can view the status of their cloud-connected printers at a glance and manage them centrally with ease, while SATO can increase productivity of its service personnel, allowing for even small service teams (as is often the case overseas) to provide improved support.
5	AEP (Application Enabled Printing)	A powerful on-board intelligence which enables customization of printer operation. Printers can link to other systems on a stand-alone basis, without going through any computers.
6	Variable information labels	Blank or pre-printed labels used to print information elements such as barcode, product price and manufactured or expiry date that vary with every customer's site of operation. Unlike fixed information labels that are identical and printed at large quantities in a single run, variable information labels can be printed on-demand as and when needed.
7	RFID (Radio Frequency Identification)	A type of auto-ID technology that uses radio waves to read/write data from/to an RFID tag without making contact. RFID offers faster read rates (from reading multiple tags at the same time) and greater read range than traditional barcode technology. Also, unlike barcodes, RFID tags can be read when covered by another object or stained, and are read/write-capable to enable updates to the encoded data. Because of these key benefits, RFID can significantly improve operational efficiency.

SATO

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 RFID 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. X-Pack 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 Primary Labels business, 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.