

**May 10, 2022**

# **SATO HOLDINGS CORPORATION**

**FY2021 Financial Results**  
(Fiscal Year Ended March 31, 2022)

**Securities Code: 6287**



**FY21 Results**

**Medium-  
term  
Management  
Plan  
FY21-23**



**FY21 Results**

**Medium-  
term  
Management  
Plan  
FY21-23**

## Summary

### Consolidated

For the full FY, sales and OI increased YoY. Sales exceeded targets and marked a record-high. OI was in line with the forecast despite increase in costs.

For Q4 (Jan-Mar) alone, sales were up and OI down.

### Auto-ID Solutions Business (Overseas)

Sales and OI increased YoY for Q4 and the full FY.

For the full FY, sales and OI exceeded targets and were all-time highs.

### Auto-ID Solutions Business (Japan)

Full FY sales increased YoY and exceeded targets, driven mainly by manufacturing. OI declined and fell short of the forecast due to temporary cost increases and growth investments.

For Q4, sales increased slightly. OI decreased due to increase in costs.

## Sales and OI by Business Segment

(Millions of JPY)



new highs

		FY2021	FY2020	YoY	excl. FX impact
<div>Auto-ID Solutions business</div> <div>Overseas</div> <div>Japan</div> <div>IDP business<sup>*1</sup></div> <div>Consolidated (incl. eliminations)</div>	Total Sales	124,783	108,916	+14.6%	+12.1%
	Operating Income	6,350	5,906	+7.5%	+6.5%
	Total Sales	52,496 (50,000)	40,349	+30.1%	+23.4%
	Operating Income	3,978 (3,400)	2,684	+48.2%	+42.8%
	Total Sales	72,287 (72,000)	68,566	+5.4%	+5.4%
	Operating Income	2,372 (2,900)	3,221	-26.4%	-23.7%
	Total Sales	0	136	-	-
	Operating Income	0	-148	-	-
Total Sales		124,783 (122,000)	109,052	+14.4%	+11.9%
Operating Income		6,404 (6,400)	5,847	+9.5%	+8.5%



\*1 IDP business : Transferred all shares of DataLase to DataLase Holdings Ltd in Sep 2020.

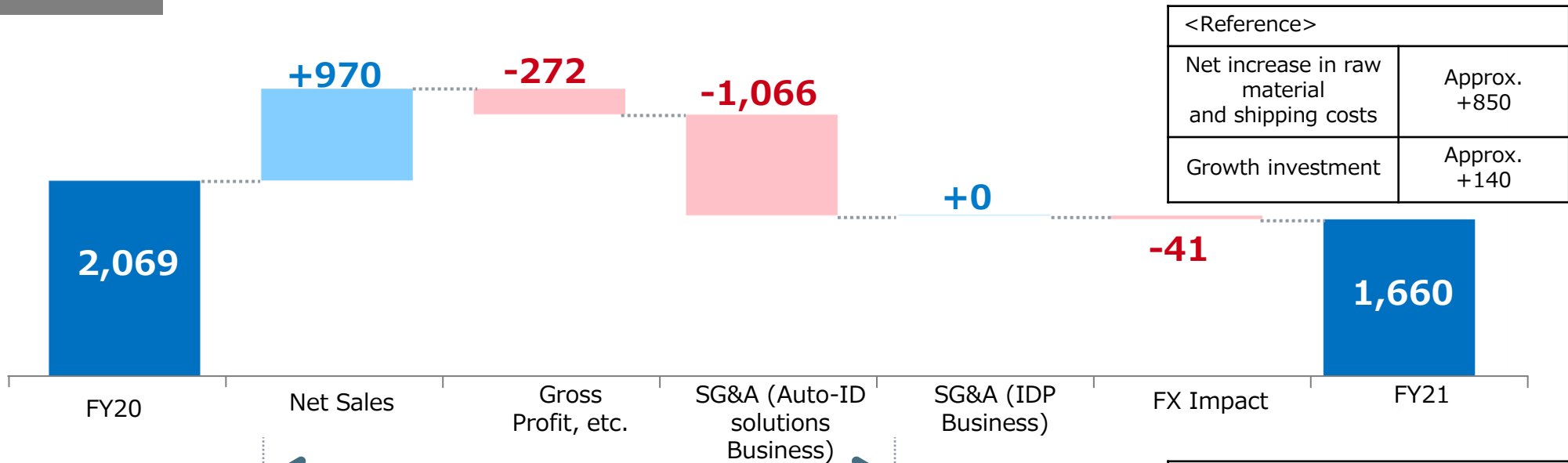
\*2 Numbers in parentheses are as of Nov. 10, 2021.

# Major Gains/Losses in OI

\*"Changes in accounting classifications" on P.13 are not taken into account.

Jan-Mar

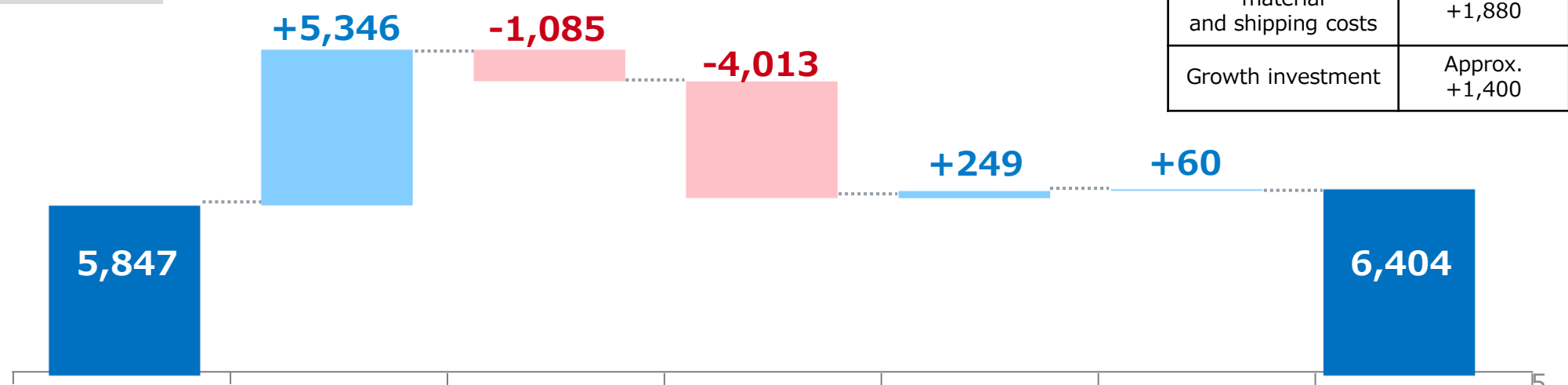
(Millions of JPY)



<Reference>	
Net increase in raw material and shipping costs	Approx. +850
Growth investment	Approx. +140

FY2021

Excludes exchange rate effects



<Reference>	
Net increase in raw material and shipping costs	Approx. +1,880
Growth investment	Approx. +1,400

## Consolidated Results

(Millions of JPY)

	FY2021	FY2020	Change	YoY
Net Sales	124,783	109,052	+15,731	+14.4%
Operating Income	6,404	5,847	+556	+9.5%
Operating Income %	5.1%	5.4%	-0.2pt	-
Ordinary Income	6,057	5,521	+535	+9.7%
Profit attributable to owners of parent <sup>*1</sup>	3,794	12,959	-9,165	-70.7%
Effective Tax Rate <sup>*2</sup>	33.6%	9.6%	+24.0pt	-
EBITDA <sup>*3</sup>	10,861	10,163	+697	+6.9%

Average exchange rates for FY2021: JPY 112.39 /USD, JPY 130.54 /EUR, FY20: JPY 106.10/USD, JPY 123.75/EUR

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

\*1 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.

\*2 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 FY21: JPY 4,220 million FY20: JPY 4,092 million

· Amortization for FY21: JPY 236million FY20: JPY 223 million

Overview

Jan-  
Mar

Sales increased in all regions, as sales companies met robust demand with printers and solutions.  
OI increased, as greater sales absorbed cost increases while higher price settings also covered for the costs.

(Millions of JPY)

	FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY	excl. FX impact
Total Sales	13,423	11,290	+2,133	+18.9%	+14.0%
Gross Profit	4,851	4,018	+832	+20.7%	-
Gross Profit %	36.1%	35.6%	+0.5pt	-	-
Operating Income	1,003	880	+123	+14.0%	+11.2%
Operating Income %	7.5%	7.8%	-0.3pt	-	-

	FY2021	FY2020	Change	YoY	excl. FX impact
Total Sales	52,496	40,349	+12,146	+30.1%	+23.4%
Gross Profit	18,140	14,435	+3,704	+25.7%	-
Gross Profit %	34.6%	35.8%	-1.2pt	-	-
Operating Income	3,978	2,684	+1,293	+48.2%	+42.8%
Operating Income %	7.6%	6.7%	+0.9pt	-	-



## Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar

(+ve impact)

- Europe
- Primary Labels

+682

-60

-523

+24

880

1,003

FY20

Net Sales

Gross Profit, etc.

SG&A

FX Impact

FY21

<Reference>

Net increase in  
raw material

Approx.  
+260

(+ve)

- Primary Labels
- (-ve)
- Factories

(-ve)

- Europe
- Asia/Oceania
- Primary Labels

Excludes exchange rate effects

FY2021

+3,631

-866

-1,616

+145

2,684

3,978

(+ve impact)

- Europe
- Primary Labels
- The Americas

(+ve impact)

- Asia/Oceania
- (-ve)
- Factories
- The Americas
- Europe

(-ve)

- Europe
- Asia/Oceania
- Primary Labels

<Reference>

Net increase in  
raw material

Approx.  
+880

## Breakdown by Region: The Americas

Jan-Mar

Base business: Printer sales in the brisk U.S. retail market drove the sales increase. OI increased, as greater sales absorbed increase in costs.

Primary Labels business: Both sales and OI increased due to robust sales to daily life infrastructure industries.

(Millions of JPY)

		FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	3,456	3,140	+316	+10.1%	+0.7%
	Operating Income	176	156	+20	+13.1%	+4.1%
Primary Labels • Achernar • Prakolar	Total Sales	717	576	+141	+24.6%	+19.6%
	Operating Income	102	93	+8	+9.2%	+13.8%
Total	Total Sales	4,174	3,716	+458	+12.3%	+3.6%
	Operating Income	279	250	+29	+11.6%	+7.8%

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	13,440	10,376	+3,063	+29.5%	+22.8%
	Operating Income	655	514	+141	+27.5%	+21.9%
Primary Labels • Achernar • Prakolar	Total Sales	2,586	2,024	+561	+27.7%	+31.8%
	Operating Income	369	259	+110	+42.7%	+61.3%
Total	Total Sales	16,026	12,401	+3,625	+29.2%	+24.3%
	Operating Income	1,025	773	+251	+32.6%	+35.1%

## Breakdown by Region: Europe

Jan-  
Mar

Base business: Sales increased due to continued focus on strong industries such as supermarkets and restaurants. OI increased, as greater sales absorbed increase in costs.

Primary Labels business: Sales increased due to deeper cultivation of existing businesses in food and beverages at Okil in Russia. OI increased mainly due to higher sales.

(Millions of JPY)

		FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	2,749	1,996	+752	+37.7%	+33.6%
	Operating Income	117	20	+96	5.7x	5.6x
Primary Labels • Okil • X-Pack	Total Sales	2,499	1,737	+762	+43.8%	+50.6%
	Operating Income	441	45	+396	9.7x	9.7x
Total	Total Sales	5,249	3,734	+1,514	+40.6%	+41.5%
	Operating Income	559	66	+493	8.5x	8.4x

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	10,674	7,588	+3,085	+40.7%	+32.1%
	Operating Income	451	84	+367	5.3x	5.1x
Primary Labels • Okil • X-Pack	Total Sales	9,701	7,314	+2,387	+32.6%	+29.0%
	Operating Income	848	497	+351	+70.7%	+66.0%
Total	Total Sales	20,375	14,902	+5,472	+36.7%	+30.6%
	Operating Income	1,300	581	+718	2.2x	2.2x

## Breakdown by Region: Asia/Oceania

Jan-  
Mar

Base business: Sales increased despite some subsidiaries experiencing restrictions on sales activities caused by the pandemic. OI decreased mainly due to higher cost of printer components impacting factory profit.

(Millions of JPY)

		FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY	excl.FX Impact
Base	Total Sales	4,000	3,839	+161	+4.2%	-2.7%
	Operating Income	208	556	-348	-62.6%	-64.7%

		FY2021	FY2020	Change	YoY	excl.FX Impact
Base	Total Sales	16,094	13,045	+3,048	+23.4%	+14.3%
	Operating Income	1,637	1,258	+379	+30.1%	+20.5%

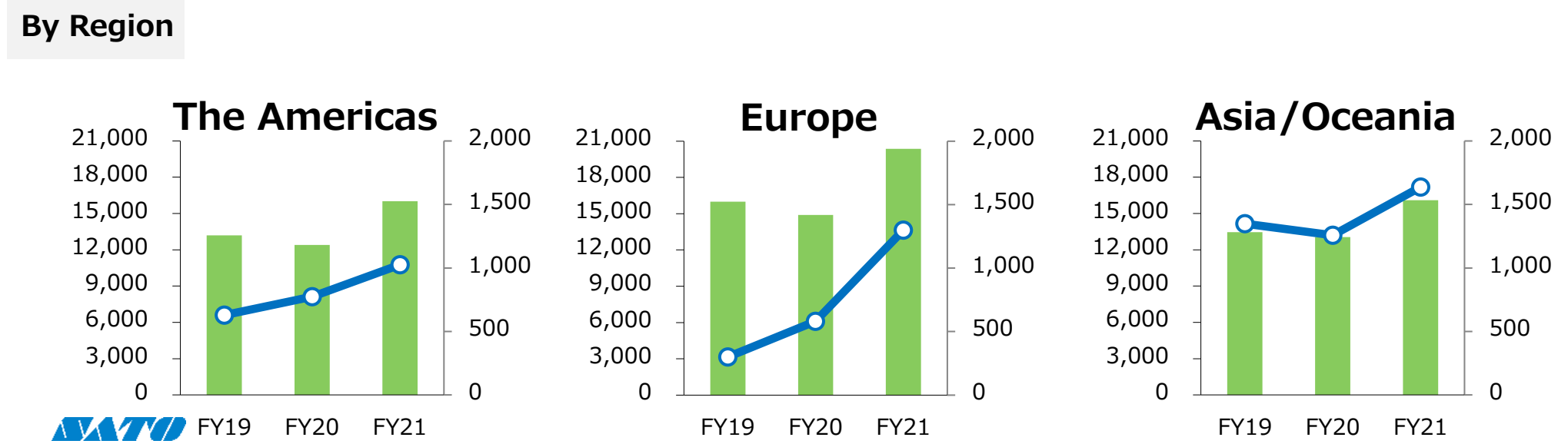
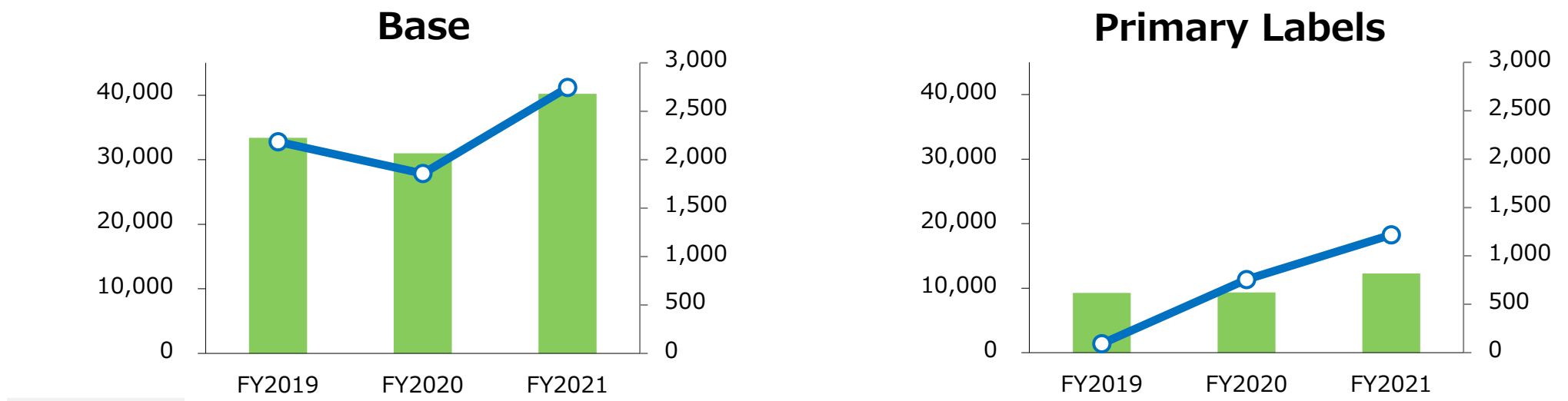
Sales and OI Trends by Business Segment and Region

By Business Segment

Sales

OI

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



## Overview

Jan-Mar

Sales slightly increased. Continued recovery in manufacturing and large orders in health care off-set the loss of large orders seen last FY in retail. OI declined due to higher costs for materials, components and shipping and to growth investments.

(Millions of JPY)

	FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY
Mechatronics Sales	8,567	8,443	+123	+1.5%
Consumables Sales	10,404	10,047	+356	+3.6%
<b>Total Sales</b>	<b>18,971</b>	<b>18,490</b>	<b>+480</b>	<b>+2.6%</b>
Gross Profit	8,712	9,019	-306	-3.4%
Gross Profit %	45.9%	48.8%	-2.9pt	-
<b>Operating Income</b>	<b>682</b>	<b>1,203</b>	<b>-521</b>	<b>-43.3%</b>
Operating Income %	3.6%	6.5%	-2.9pt	-

	FY2021	FY2020	Change	YoY
Mechatronics Sales	29,560	27,968	+1,592	+5.7%
Consumables Sales	42,726	40,598	+2,128	+5.2%
<b>Total Sales</b>	<b>72,287</b>	<b>68,566</b>	<b>+3,720</b>	<b>+5.4%</b>
Gross Profit	33,616	32,635	+980	+3.0%
Gross Profit %	46.5%	47.6%	-1.1pt	-
<b>Operating Income</b>	<b>2,372</b>	<b>3,221</b>	<b>-848</b>	<b>-26.4%</b>
Operating Income %	3.3%	4.7%	-1.4pt	-

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.

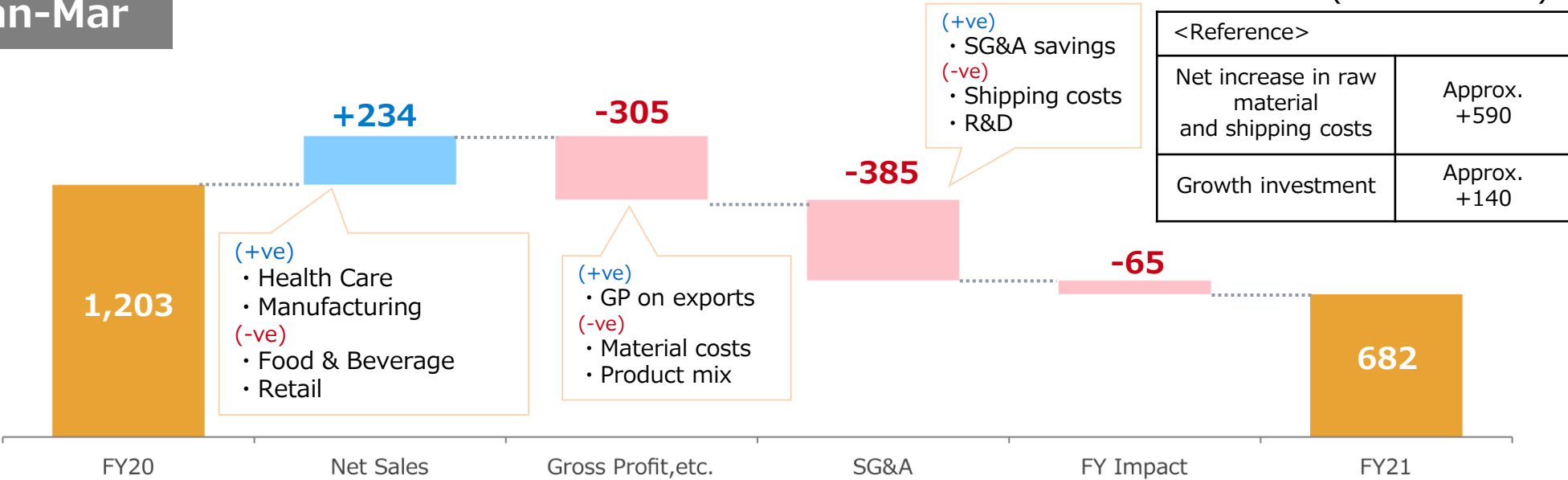
Note: Changes in accounting classifications of maintenance related costs from SG&A to COGS lead to lower GPM.

Major Gains/Losses in OI

\*"Changes in accounting classifications" on P.13 are not taken into account.

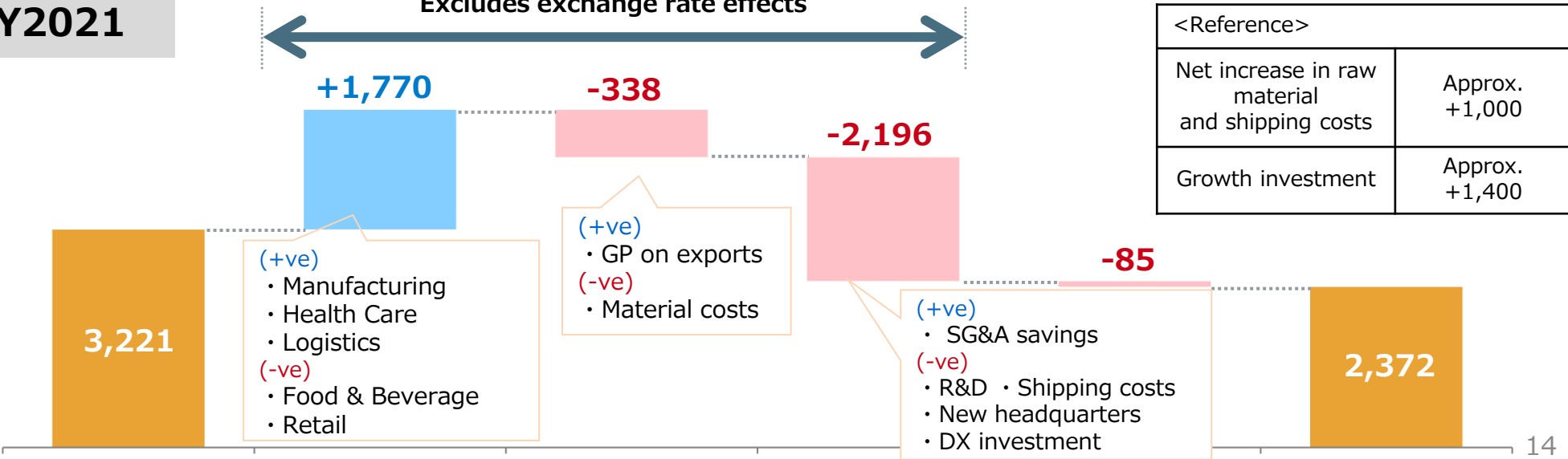
(Millions of JPY)

Jan-Mar



FY2021

Excludes exchange rate effects

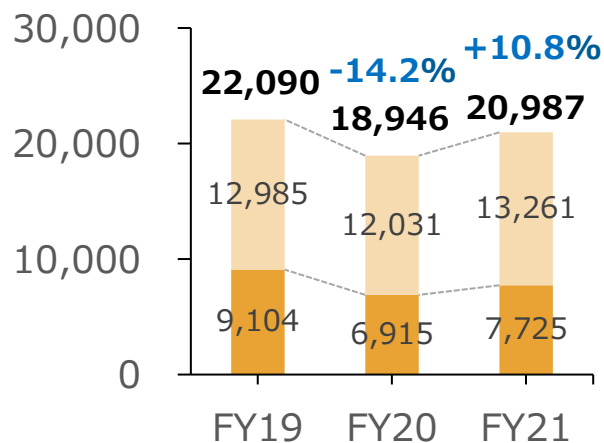


N.B.: Market segmentation revised in FY2021. Figures for FY2019 and FY2020 have been retroactively adjusted.

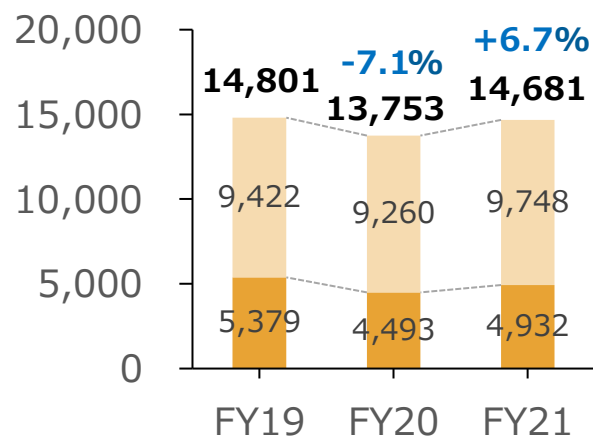
■ : Mechatronics ■ : Consumables \*% indicates YoY change

(Millions of JPY)

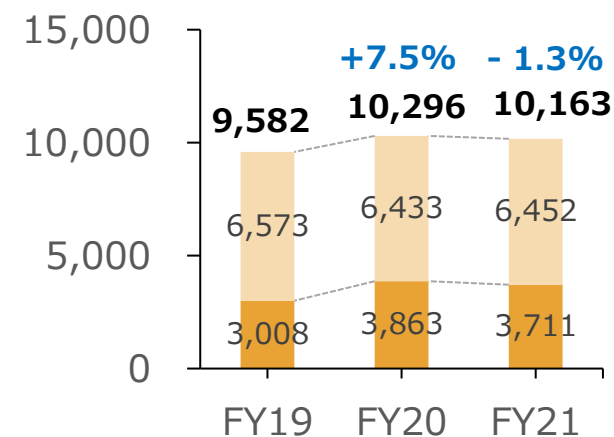
## Manufacturing



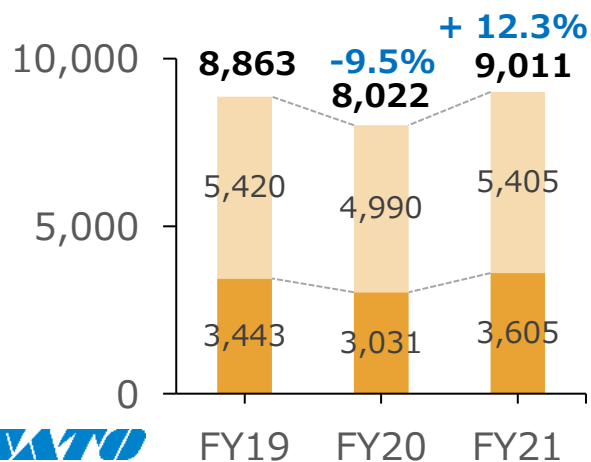
## Logistics



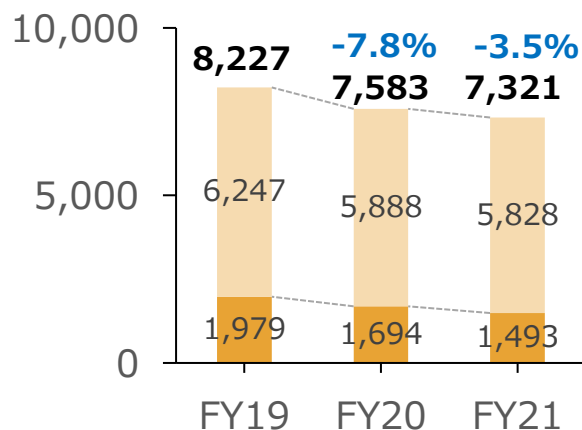
## Retail



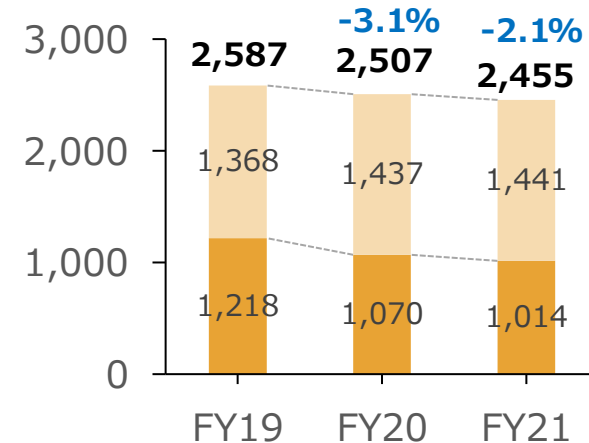
## Health Care



## Food & Beverage



## Public



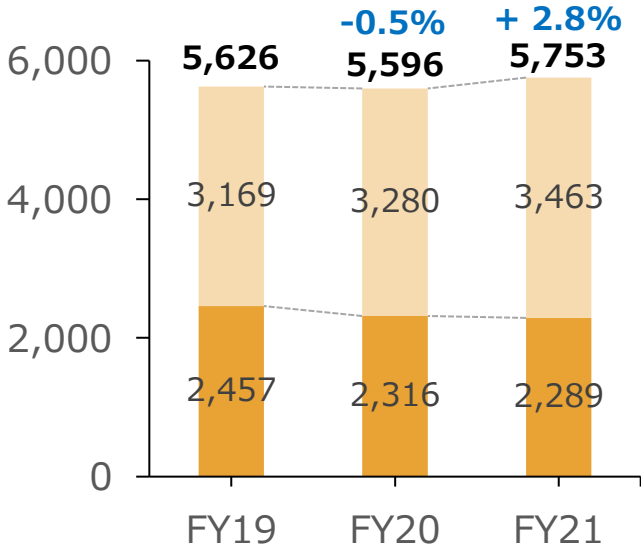


Sales by Vertical 1/2

(Millions of JPY)

■ : Mechatronics   ■ : Consumables   \*% indicates YoY change

Manufacturing



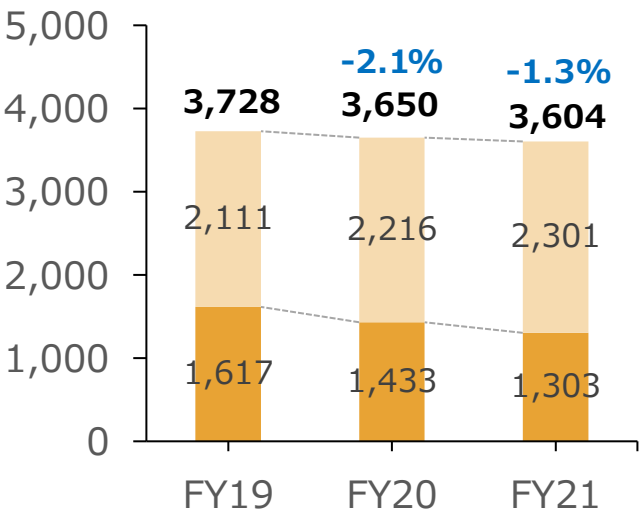
Business environment

Increased demand for semiconductors propelled chemical and electronic component industries. Meanwhile, production in the automobile and steel industries has been stagnant.

SATO performance

Consumables grew, driven by better-performing industries. Mechatronics slightly declined due to delayed orders, despite RFID selling strong in response to labor shortages and shift to DX (Digital Transformation).

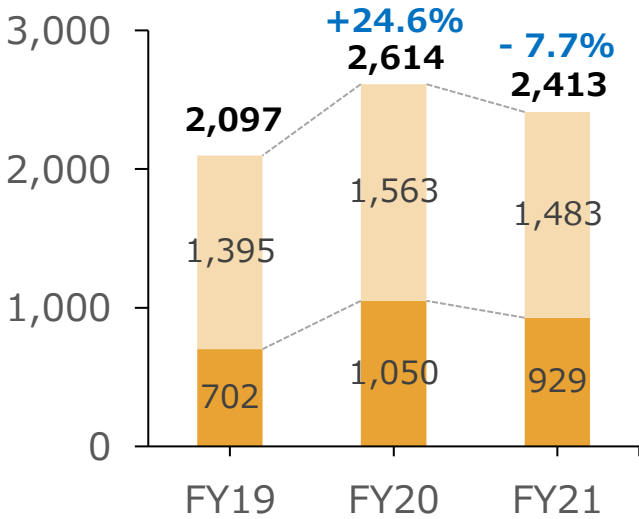
Logistics



Various industries took advantage of the continued growth of e-commerce and stay-home demand. Demand continued to grow for automation and DX.

Consumables grew with increased logistics volume. Mechatronics sales declined as recovery slowed in wholesales, despite demand growing for automation and RFID for use in shipping/receiving control.

Retail



Despite a pause in growth at supermarkets, investments continued for DX, operational efficiency and shift to e-commerce. The e-commerce industry remained brisk.

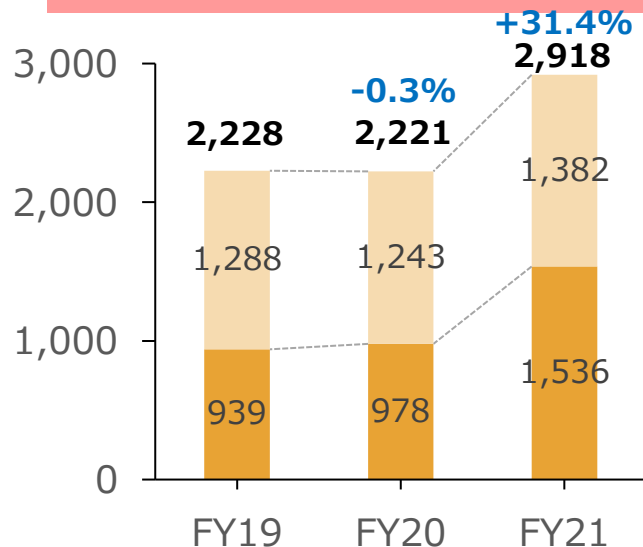
Consumables declined due to a pause in stay-home related demand growth at supermarkets. Mechatronics continue to see demand from businesses seeking solutions to labor shortages but declined due to absence of large orders seen last FY.

## Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables \*% indicates YoY change

### Health Care



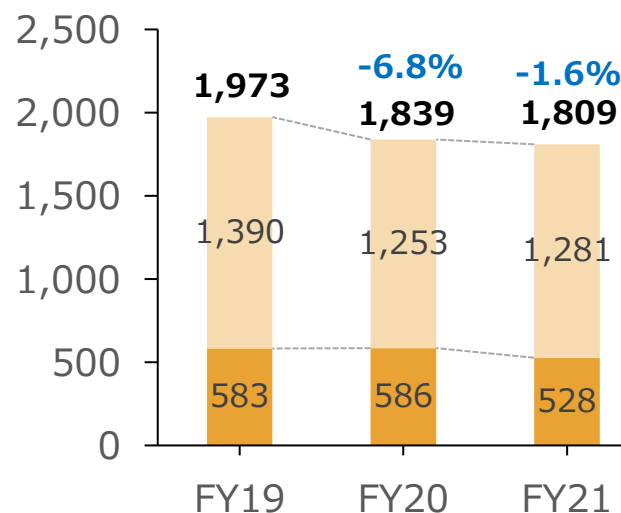
#### Business environment

Demand remained firm overall for solutions that improve administrative efficiency and address labor shortages. Investment trends are back, particularly for automation.

#### SATO performance

Both consumables and mechatronics rose significantly as demand from hospitals returned and large orders came from medical device manufacturers.

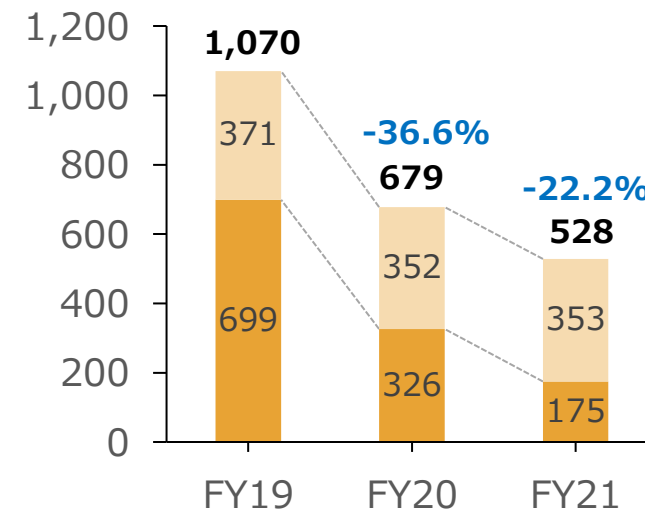
### Food & Beverage



Demand continued to stay strong for traceability, operational efficiency and automation solutions that address legal compliance, higher quality control awareness, and labor shortages.

Consumables slightly grew due to continued demand for food labeling. Despite the recovery in demand from restaurants, mechatronics declined due to the absence of large orders in food manufacturing seen last FY.

### Public



The overall business environment remained stable.

Consumables demand generally remained stable and sales were flat. Mechatronics declined due to lack of a large-scale project seen last FY.

# Operating Income Impact (Summary)

Incurred unexpected costs early in the FY but reduced their impact by implementing countermeasures.

Negative impact	Approx. JPY 3,000 mil.
Positive impact	Approx. JPY 1,970 mil.
Total impact	Approx. JPY 1,030 mil.

Progress of passing on costs		
	Overseas	Japan
Printers	Started raising prices on new deals. May take a while to see impact.	(Same as left)
Labels	Started raising prices at an early stage. Seeing some effects already.	Started raising prices from Q4. Announced average price increase of 10% effective FY22.

## Operating Income Impact (Gross Profit, SG&A)

- **Gross Profit:** Costs increased more than forecasted in Q3, but they were covered to a certain extent by raising product prices.
- **SG&A expenses:** Despite shipping costs increase, efficient operations curbed costs and resulted as forecasted in Q3.

<div> <div></div> Negative           <div></div> Positive (countermeasures)         </div>		FY21 (Results)	Difference from Q3 forecast
Gross Profit	Printers Higher manufacturing costs	Approx. JPY 1,000 mil.	Increased
	Labels Rising costs of raw materials	Approx. JPY 1,200 mil.	Increased
	Printers Pass on costs, reduce costs	Approx. JPY 20 mil.	Decreased
	Labels Pass on costs, reduce costs	Approx. JPY 1,000 mil.	Increased
	Expand sales of high-value added solutions and printers	Approx. JPY 350 mil.	Increased
SG & A	Printers Higher shipping costs	Approx. JPY 650 mil.	Increased
	Higher R&D costs with expansion of strategic investment scope *	Approx. JPY 150 mil.	Decreased
	Optimize SG&A expenses	Approx. JPY 600 mil.	Increased

## FY2022 Consolidated Forecasts

(Millions of JPY)

	FY2022 (Targets)	FY2021	Change	YoY
<b>Net Sales</b>	119,000	124,783	-5,783	-4.6%
<b>Operating Income</b>	8,000	6,404	+1,595	+24.9%
<b>Operating Income %</b>	6.7%	5.1%	+1.6pt	-
<b>Ordinary Income</b>	7,800	6,057	+1,742	+28.8%
<b>Profit attributable to owners of parent</b>	3,400	3,794	-394	-10.4%
<b>EBITDA<sup>*</sup></b>	12,500	10,861	+1,638	+15.1%

\* EBITDA=Operating Income +  
Depreciation + Amortization

Exchange rates assumed in FY22 forecast: JPY 120/USD, JPY 135/EUR  
Average exchange rates for FY20 : JPY 112.39/USD, JPY 130.54/EUR



The diagram consists of two chevron shapes pointing to the right. The first chevron is light gray and contains the text 'FY20 Results'. The second chevron is blue and contains the text 'Medium-term Management Plan FY21-23'. The two chevrons are connected at their right edges, creating a continuous arrow shape.

**FY20 Results**

**Medium-term  
Management  
Plan  
FY21-23**

#### **CONTENTS**

- ✓ **Our commitment**
- ✓ **Medium-term management plan in perspective**
- ✓ **Three growth strategies**
- ✓ **Organizational structure, capital allocation and ROIC tree**

## Our commitment in the medium-term management plan

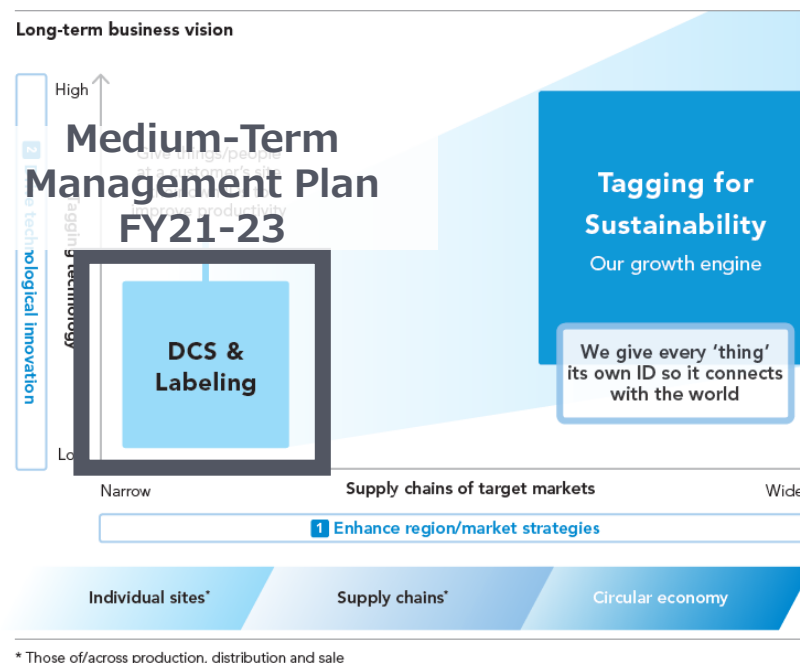
# Achieve strategic results and invest in long-term growth

Achieve strategic results

- Achieve growth in DCS & Labeling<sup>\*1</sup> -related business through *koto-uri*<sup>\*2</sup>

Invest in long-term growth

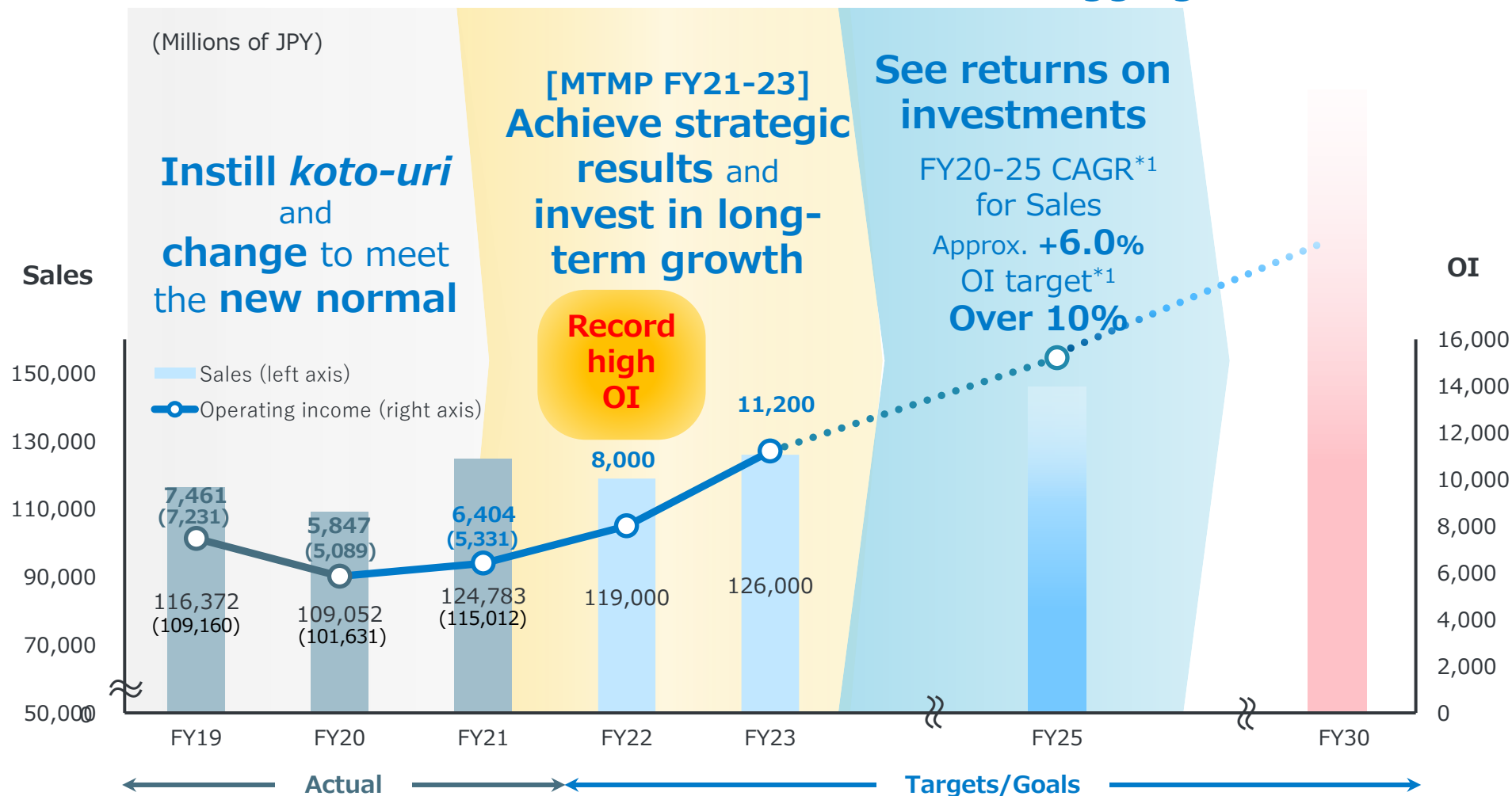
- Invest in initiatives related to DCS & Labeling and Tagging for Sustainability
- Invest in strengthening our management foundation (DX, etc.)



# Medium-term management plan in perspective



## Tagging for Sustainability



\*Figures in parentheses for FY21 and earlier exclude the Russian business (before goodwill amortization). Figures from FY22 exclude the Russian business.  
\*<sup>1</sup> Figures exclude the Russian business.



# Medium-term targets (Consolidated)

Give things/people  
at a customer's site  
their own IDs to  
improve productivity

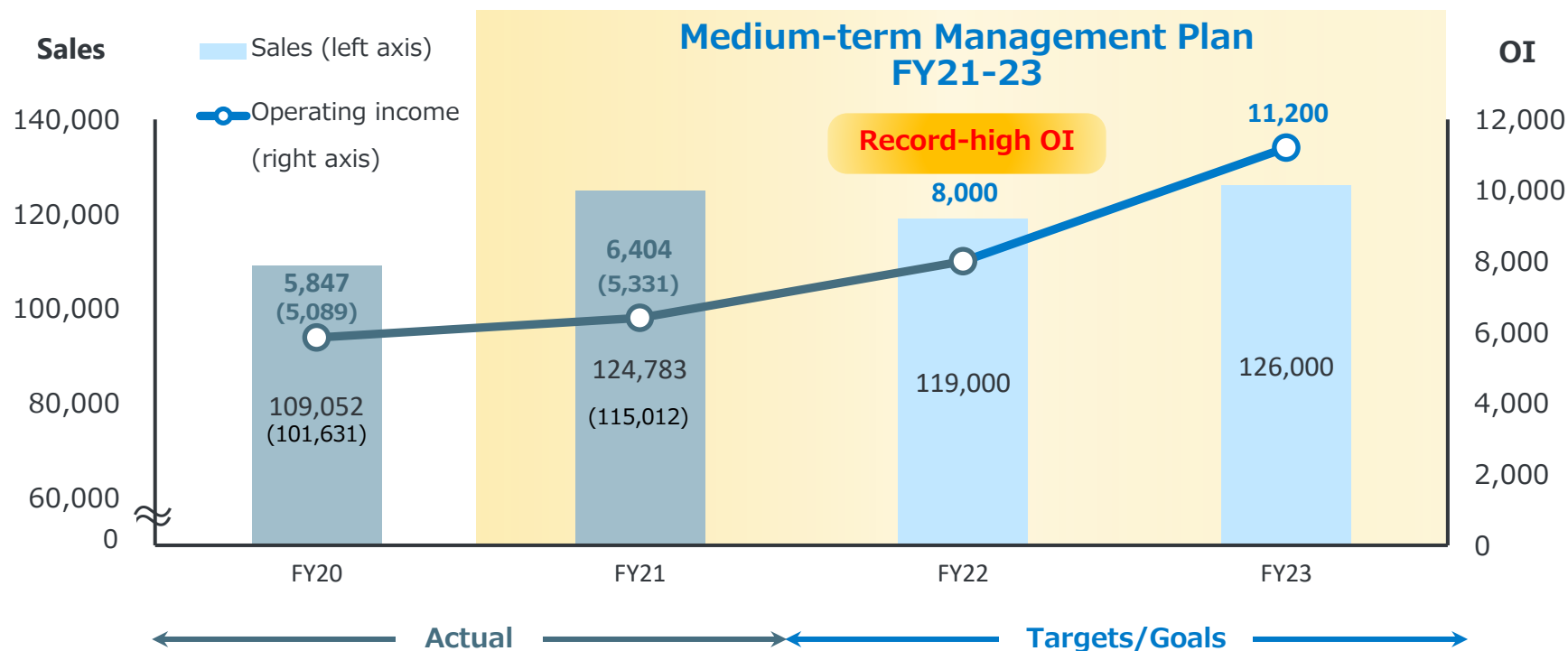
DCS &  
Labeling

Tagging for  
Sustainability  
Our growth engine

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

(Millions of JPY)

	FY2020 (Actual)		FY2023	
Net Sales	109,052	Net Sales	126,000	+7.4% (CAGR*1)
Operating Income	5,847	Operating Income	11,200	+30.1% (CAGR*1)
Operating Income %	5.4%	Operating Income %	8.9%	+3.5pt
ROIC	5.8%	ROIC	9.4%	+3.6pt



\*Figures in parentheses for FY21 and earlier exclude the Russian business (before goodwill amortization). Figures from FY22 exclude the Russian business.  
\*1 Figures exclude the Russian business.

## <Ref.> Sales and OI by business segment

(Millions of JPY)

	FY19	FY20	FY21	FY22	FY23	FY20-23 CAGR <sup>*1</sup>
	(Actual)			(Targets /Goals)		
Auto-ID Solutions Business (Overseas)						
Net sales	42,648 (35,436)	40,349 (32,929)	52,496 (42,725)	44,000	47,000	+ 12.6%
Operating Income	2,277 (2,047)	2,684 (1,926)	3,978 (2,906)	3,200	3,900	+26.5%
Operating Income %	5.3% (5.8%)	6.7% (5.8%)	7.6% (6.8%)	7.3%	8.3%	
Auto-ID Solutions Business (Japan)						
Net sales	73,360	68,566	72,287	75,000	79,000	+4.8%
Operating Income	6,479	3,221	2,363	4,800	7,300	+31.3%
Operating Income %	8.8%	4.7%	3.2%	6.4%	9.2%	
Consolidated						
Net sales	116,372 (109,160)	109,052 (101,631)	124,783 (115,012)	119,000	126,000	+7.4%
Operating Income	7,461 (7,231)	5,847 (5,089)	6,404 (5,331)	8,000	11,200	+30.1%
Operating Income %	6.4% (6.6%)	5.4% (5.0%)	5.1% (4.6%)	6.7%	8.9%	



\*Figures in parentheses for FY21 and earlier exclude the Russian business (before goodwill amortization). Figures from FY22 exclude the Russian business.

\*1 Figures exclude the Russian business.

# Three growth strategies

Give things/people  
at a customer's site  
their own IDs to  
improve productivity

DCS &  
Labeling

Tagging for  
Sustainability  
Our growth engine

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

## 1. Enhance region/market strategies

### ► Overseas

Establish the groundworks for sustainable profit growth

### ► Japan

Innovate *koto-uri* & enhance profitability

Grow sales and improve gross profit with "Everyone's a sales" mindset

## 2. Drive technological innovation

► Develop new underlying technologies for tagging

► Strengthen lineup of innovative products and services

► Develop solutions

## 3. Integrate ESG into our corporate model

► Reduce environmental impact

► Build on human resources (through a corporate culture of innovation)

► Strengthen corporate governance

► Plan for geopolitical risks and business continuity

# Three growth strategies



- 1. Enhance region/market strategies**
- 2. Drive technological innovation**
- 3. Integrate ESG into our corporate model**

## Changes in the business environment and where SATO stands

Demand for DCS & Labeling is surging amid environmental changes. Customer value is shifting rapidly from products to solutions.

➡ SATO faces strong demand and “growing pains.”

### Changes in business environment

- Society/industry structure, prompted by COVID-19 (incl. supply chain disruptions)
- Growing importance of sustainability
- Digitalization and new technologies
- New resources to work with and ways of working, e.g., diversity and shrinking/aging population
- Geopolitical risks, hyperinflation



### Where SATO stands

● Achievements ● Issues

#### Strong demand for DCS & Labeling

- Instilled *koto-uri*
- Need to accommodate rising costs

#### **[Overseas]**

- Developed relationships with new/existing customers
- Strengthened business with BPs\* (enhanced sales channels)
- Need to establish a management foundation that drives sustainable profit and growth

#### **[Japan]**

- Created solutions using new technologies
- Business negotiations becoming more technical and taking longer to close

# 1. Enhance region/market strategies

## Roadmap

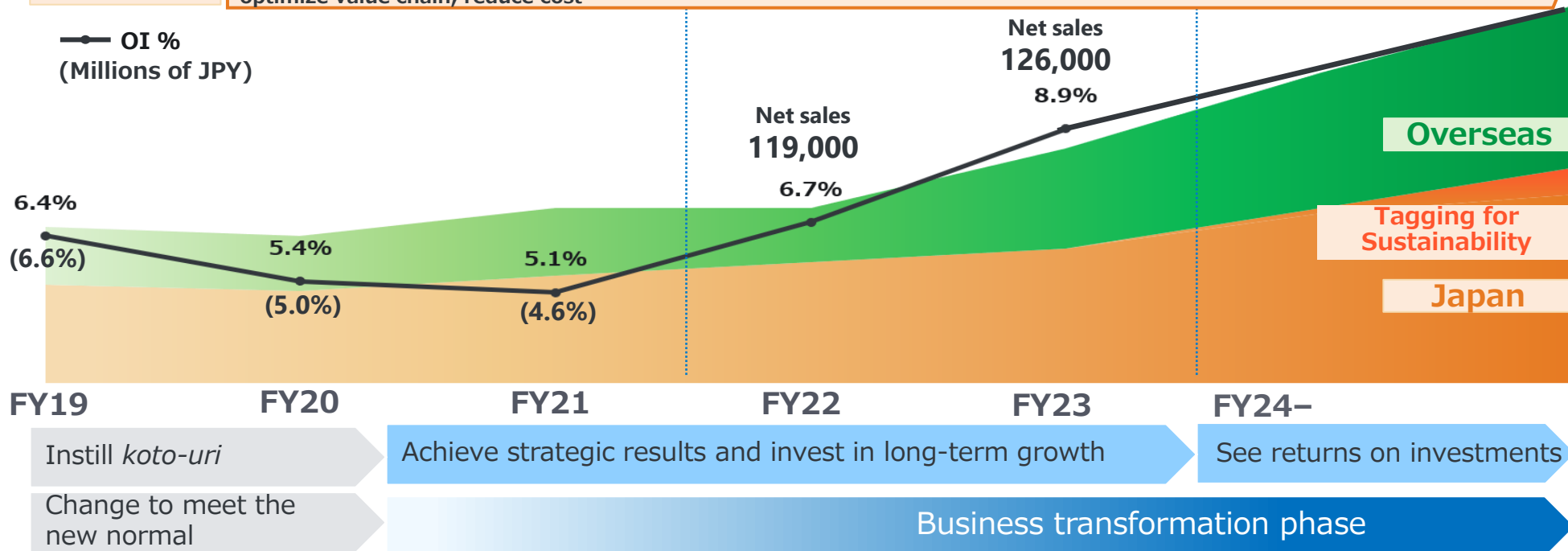
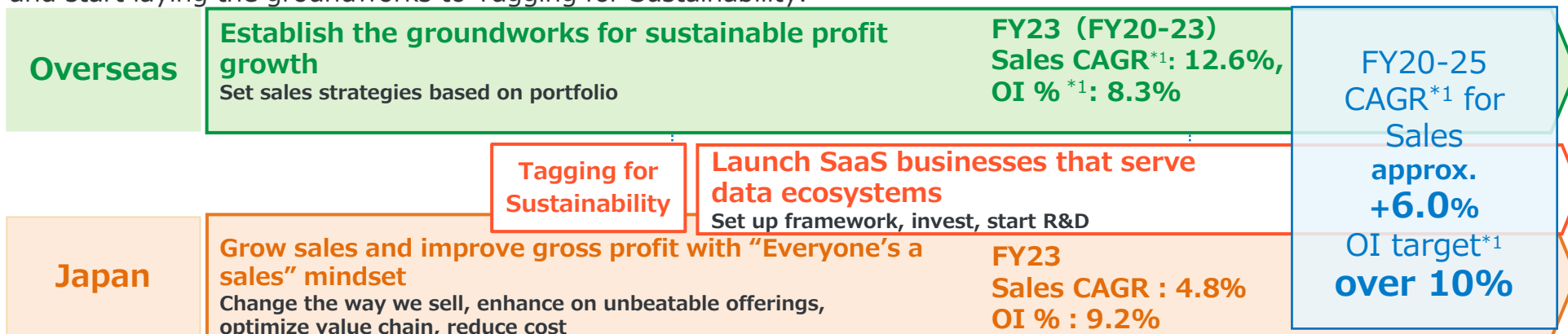
Setting our eyes on FY2024 and beyond, we shall overcome the “growing pains” of DCS & Labeling by FY2023 and start laying the groundworks to Tagging for Sustainability.

Give things people at a customer's site their own IDs to improve productivity

DCS & Labeling

Tagging for Sustainability  
Our growth engine

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



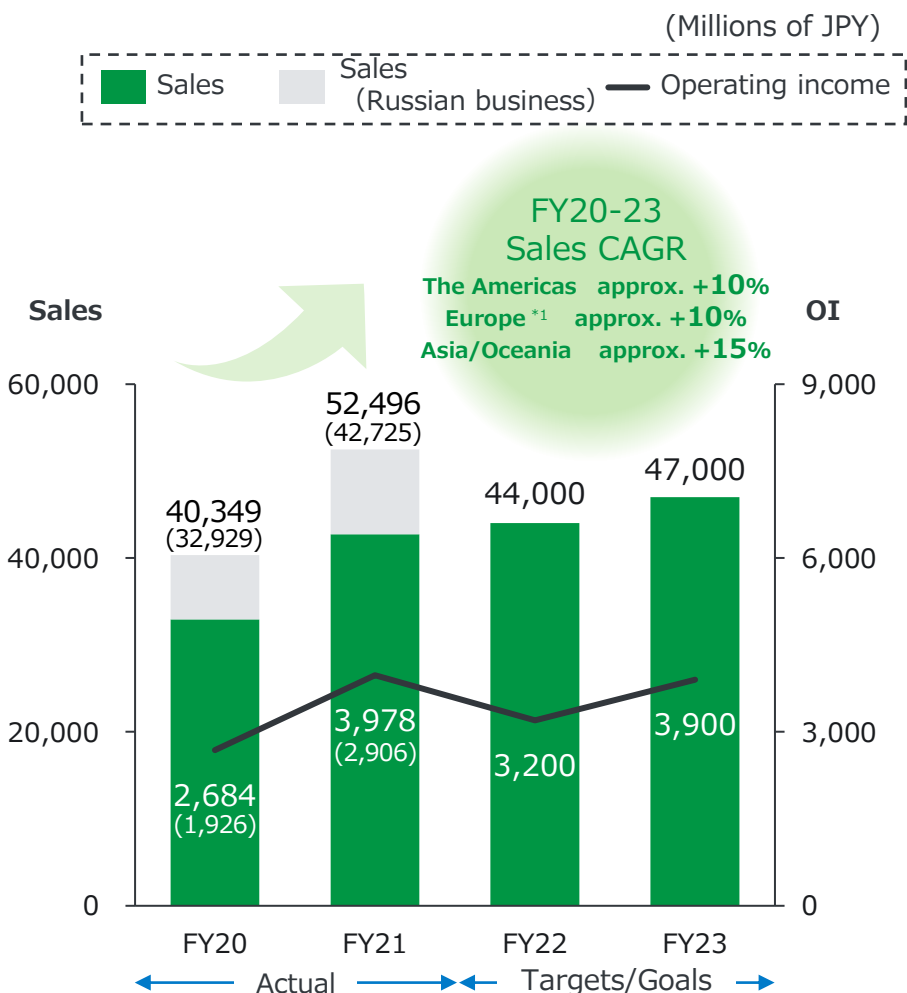
\*Figures in parentheses for FY21 and earlier exclude the Russian business (before goodwill amortization). Figures from FY22 exclude the Russian business.

\*1 Figures exclude the Russian business.

## Overseas business: Targets, and policy on strategy

Establish the groundworks for sustainable profit growth

Set sales strategies based on portfolio



### Setting strategies

Before

Set sales strategy from sales expansion initiatives, so that subsidiaries can "run on their own."

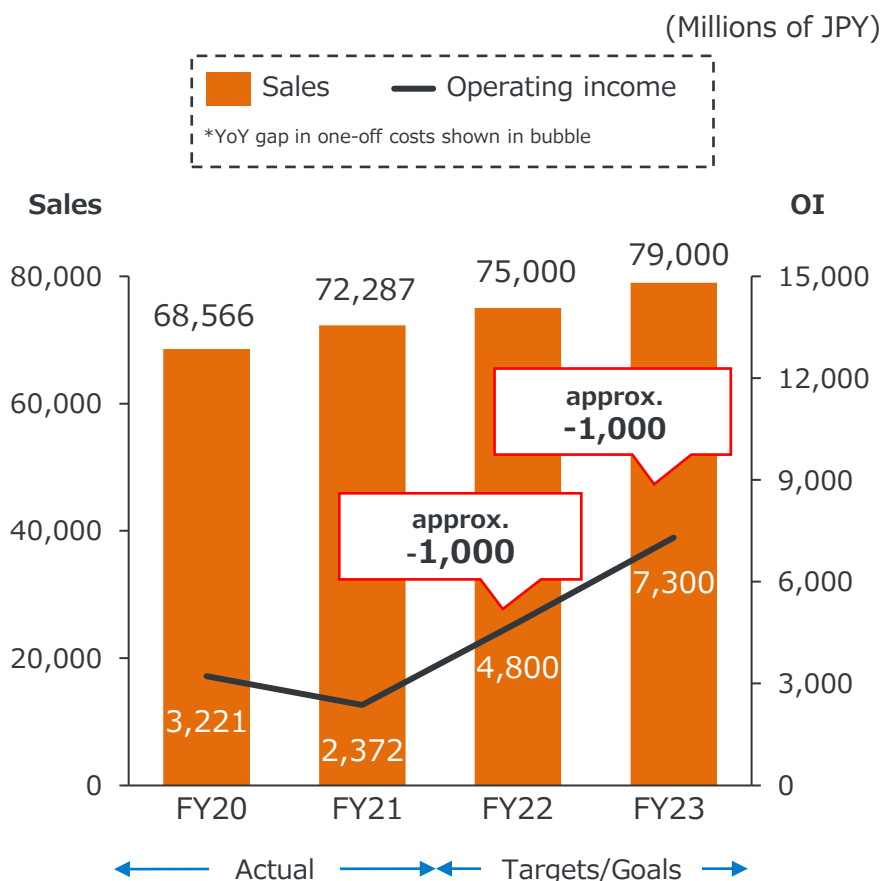
From now

Seek how each subsidiary should position itself in its country and within SATO.  
See each subsidiary's management in terms of its portfolio to identify how much each company is deviating from how it should be, and allocate necessary management resources to allow it to establish a management groundwork that contributes to sustainable profit growth.

## Japan business: Targets, themes and actions

**Grow sales and improve gross profit with “Everyone’s a sales” mindset, backed by DX investment**

**Change the way we sell, enhance on unbeatable offerings, optimize value chain, reduce cost**



### Related themes

### Actions

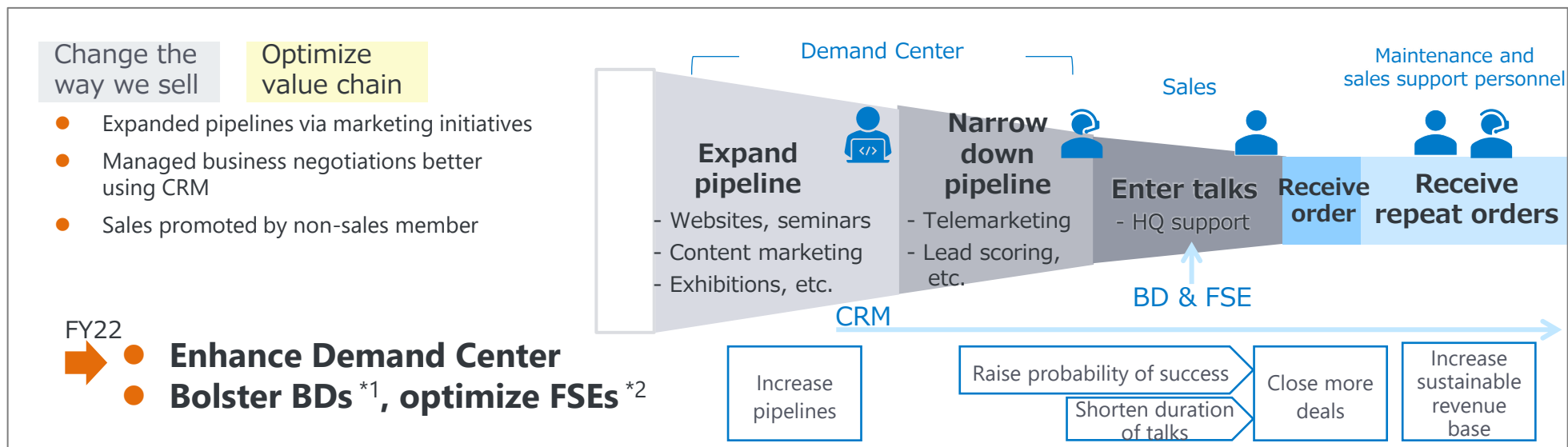
Sales	<ul style="list-style-type: none"> <li>- Change the way we sell</li> <li>- Enhance on unbeatable offerings</li> </ul>	<ul style="list-style-type: none"> <li>- More detailed customer targeting (selection and concentration)</li> <li>- Create market-specific solutions and solution packages (standardized customizations)</li> <li>- Develop a standard printer platform</li> <li>- Enhance branding/marketing</li> </ul>
OI	<ul style="list-style-type: none"> <li>- Optimize value chain</li> </ul>	<ul style="list-style-type: none"> <li>- Reallocate human resources (increase touch-points)</li> <li>- Optimize processes and systems over the value chain</li> </ul>
GP ratio	<ul style="list-style-type: none"> <li>- Reduce cost</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance manufacturing technologies</li> <li>- Strengthen procurement</li> <li>- Sell at optimal prices (raise price to cover for cost increases)</li> <li>- Improve subscription of maintenance contracts and other services</li> </ul>

- Enhance IT infrastructure
- Innovate workstyle

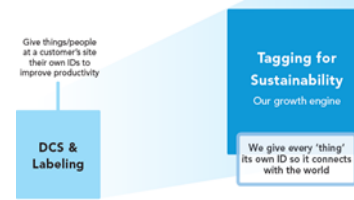


# 1. Enhance region/market strategies

## Japan business: Actions taken in FY21 and expected for FY22



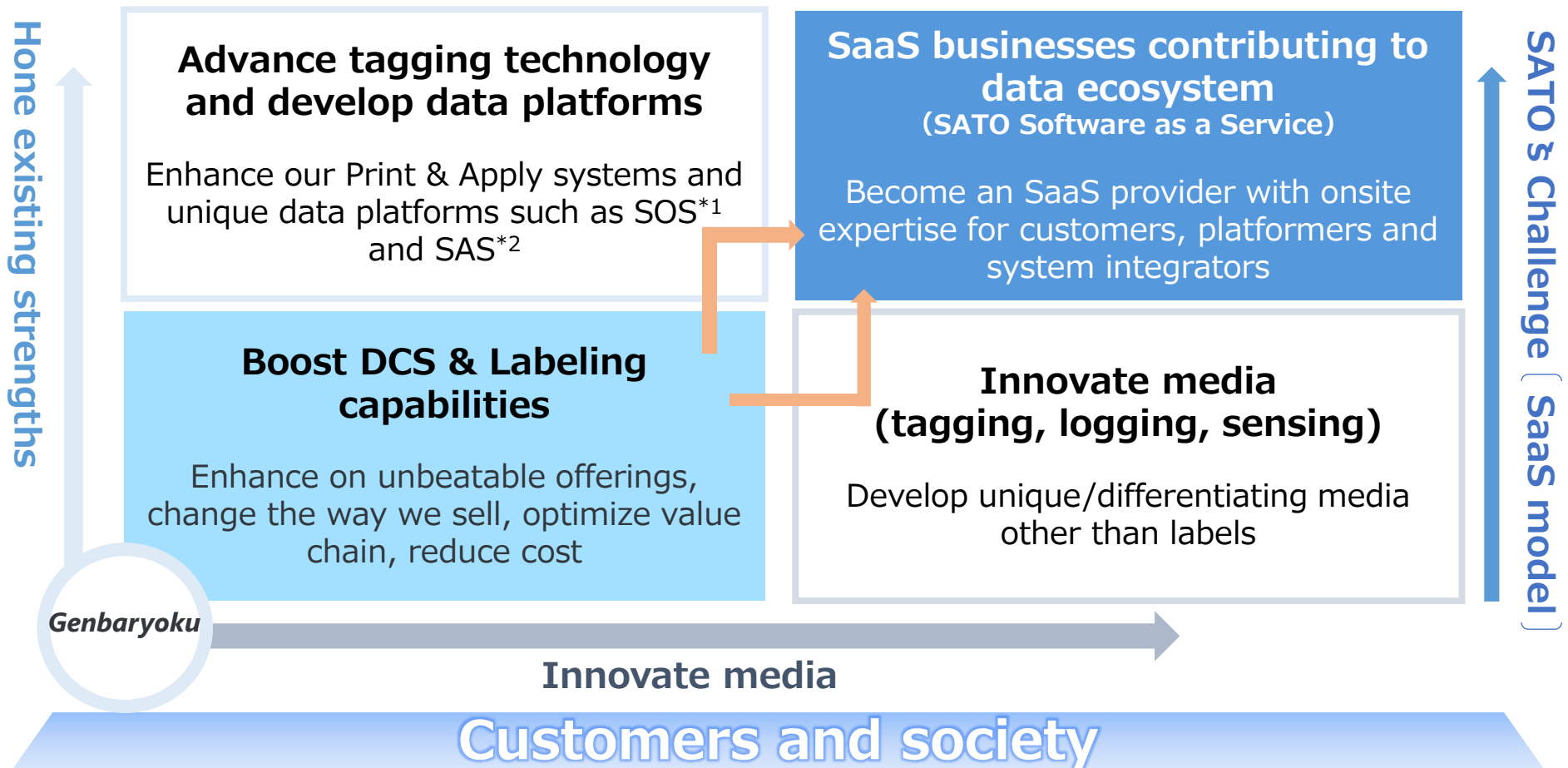
# Three growth strategies



1. Enhance region/market strategies
2. **Drive technological innovation**
3. Integrate ESG into our corporate model

### Overview

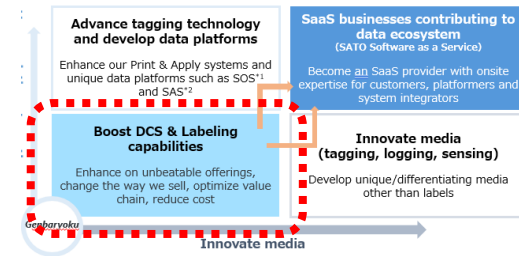
We will promote new initiatives together with DCS & Labeling



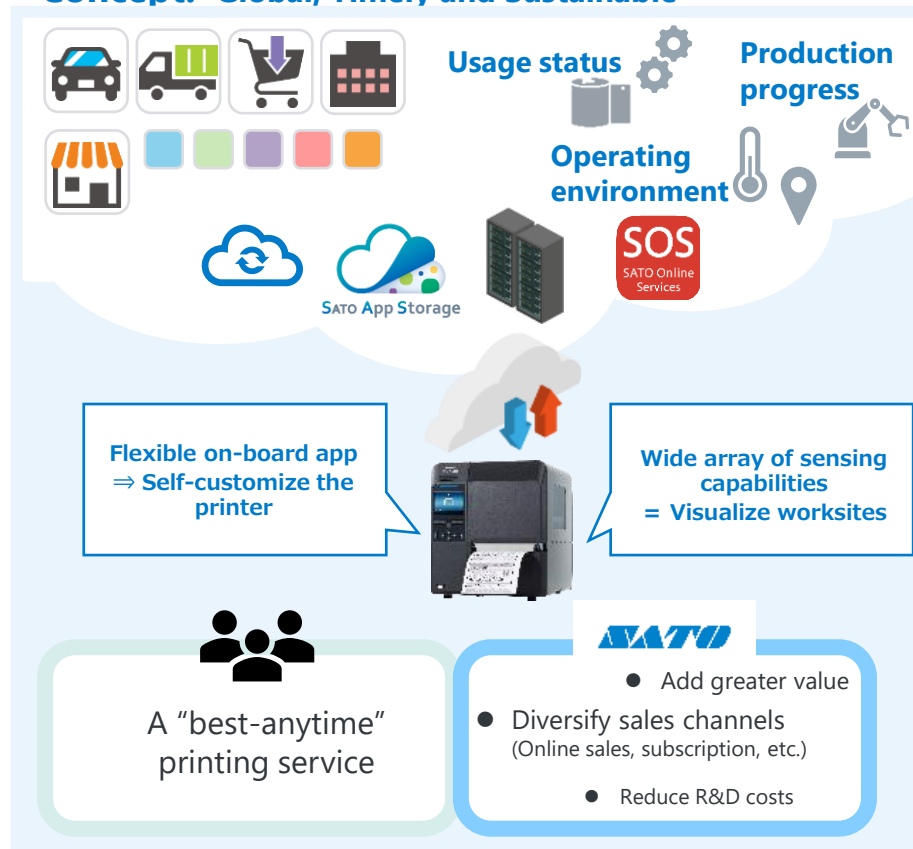
## 2. Drive technological innovation

### Boost DCS & Labeling capabilities — Standardize printer platforms

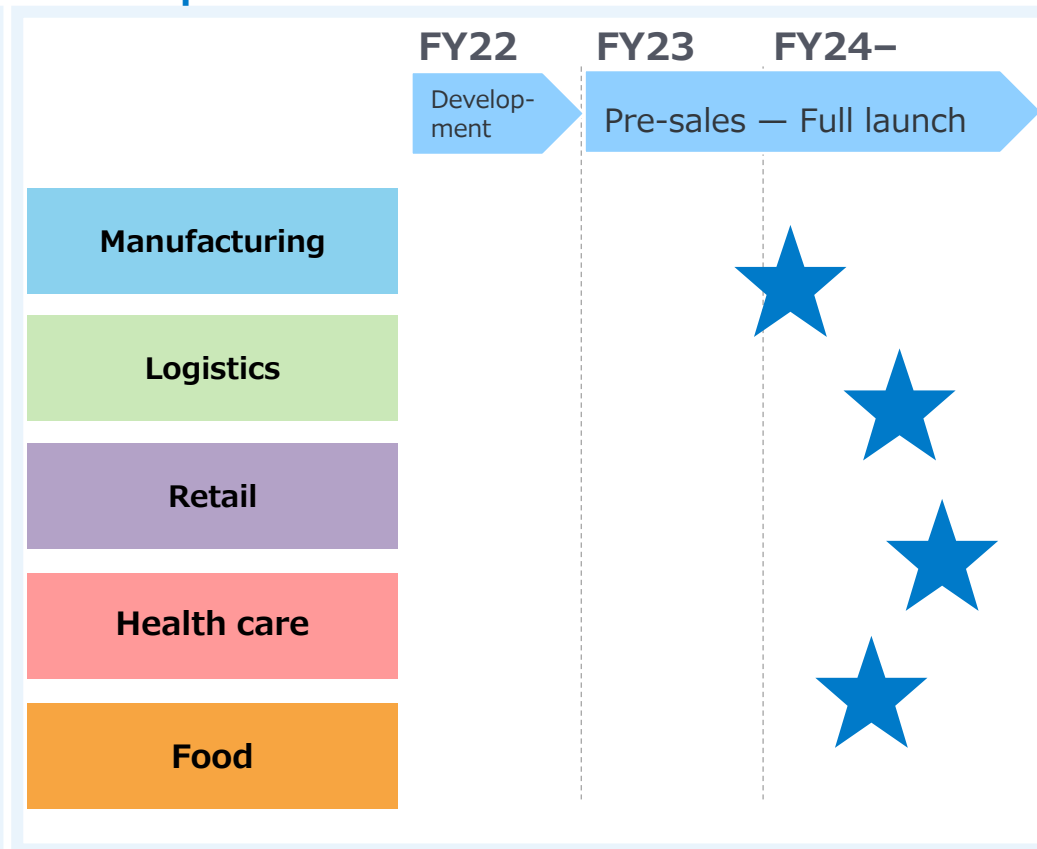
- Under way in line with plans.
- Aiming to create customer value in IoT/DX and streamline R&D.



#### Concept: Global, Timely and Sustainable



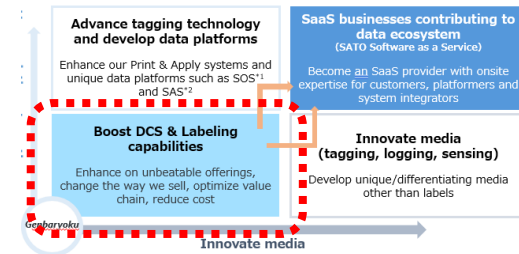
#### Roadmap to commercialization:



## 2. Drive technological innovation

### Boost DCS & Labeling capabilities — RFID Solutions

RFID Headquarters delivering global business expansion at speed



#### RFID Headquarters

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



**FY22–**

**Overseas**

More sales subsidiaries now handle RFID-related business talks  
⇒ Accumulate experience & know-how

**Japan**

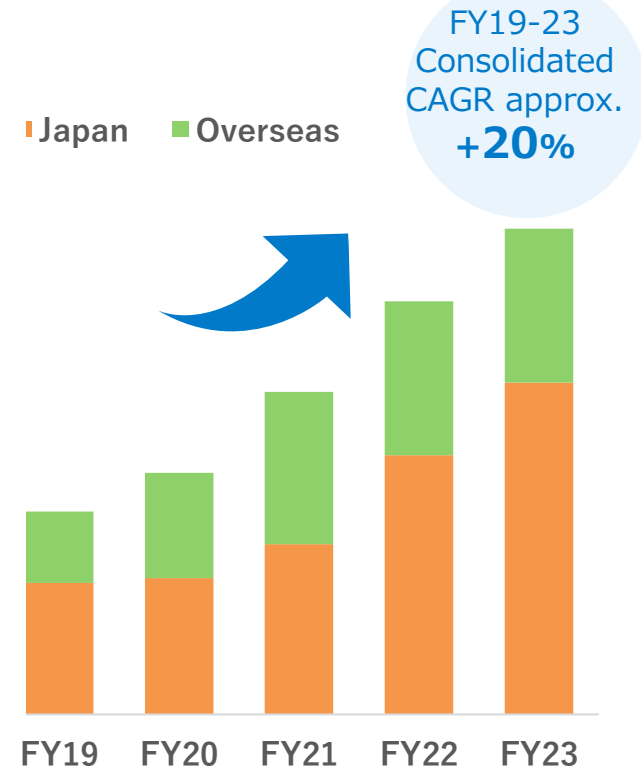
Successfully accumulated experience & know-how  
⇒ RFID HQ can now be less involved

Manu-  
facturing

Retail

Health  
care

#### RFID business sales



## 2. Drive technological innovation

### Advance tagging technology and develop data platforms, innovate media

Developed new solutions that reflect market-wide demand in our aim to “standardize customizations.”

#### Advance tagging technology: Print & Apply systems

- Equips advanced image recognition technology to apply labels on a variety of items with speed and accuracy.



Simply place products on conveyor

Meets the needs of businesses/markets seeking solutions to labor shortages and high-mix, low-volume production.

Manu-  
facturing

Logistics

Retail

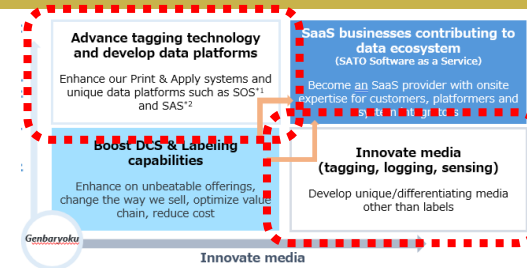
Health  
care

Food



#### Innovate media: Positioning technology

- Visualizes work status with the use of active tags.
- Helps worksites analyze layout of production lines and worker routes to raise productivity.

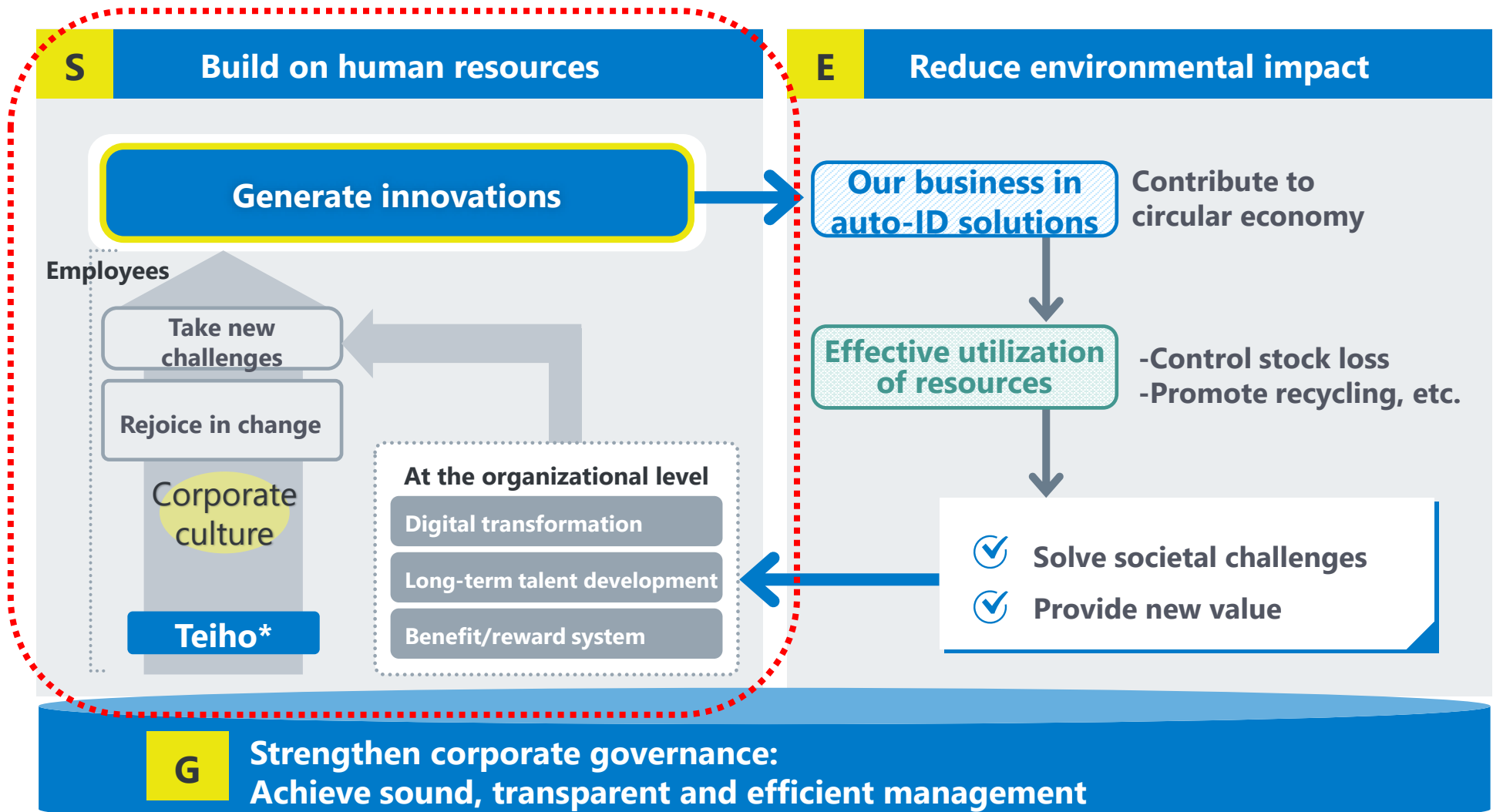


# Three growth strategies



1. Enhance region/market strategies
2. Drive technological innovation
3. **Integrate ESG into our corporate model**

## ESG efforts toward sustainable growth





## Build on human resources

**Launched the “Our 100<sup>th</sup>” Project<sup>\*1</sup> in FY21, with several divisions leading their own initiatives.**

- A “more advanced” Teiho: As a way to encourage employees to take more challenges, feel that they are contributing to the company, and improve communication, we are testing a new category of Teiho reports that are escalated directly to the writer’s own division rather than to the CEO.
- HR Development: Launched **SATO Campus**, a platform for long-term talent development.
- Diversity & Inclusion: **Collaborated with our External Directors and experts outside the company.**

**DCS &  
Labeling**

**Tagging for  
Sustainability**

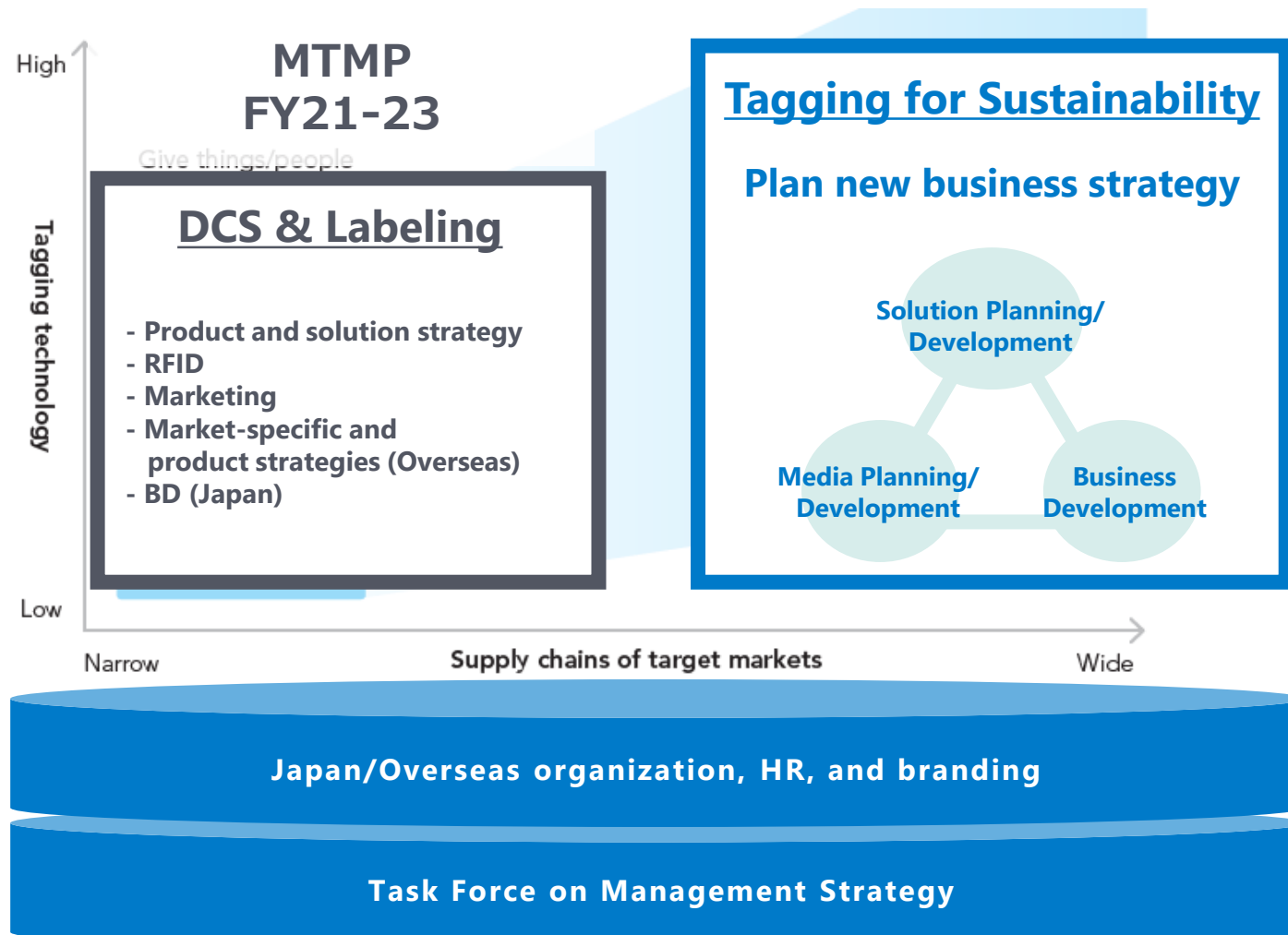
**“Our 100<sup>th</sup>” Project  
To build a culture that can  
create innovation**

**➡ Planned for FY22:**

- Set up a dedicated team of prospective employees to plan and lead initiatives.

# Organizational structure

We reinforced our organizational structure geared towards achieving the medium-term management plan and fulfilling our long-term vision.



# Cash allocation Distribution of cash reserves and cash generated during FY21-23

**Approx. JPY 50 billion**



## <Strategic investments>

- Policy :** 1. Allocate cash primarily for strengthening DCS & Labeling (approx. 60%)  
 2. Make upfront investments geared toward long-term growth and Tagging for Sustainability (approx. 40%)

Strategies	Cash allocation	Main initiatives	Impact		
			Sales growth	Higher productivity	Lower cost
1. Enhance region/market strategies	Approx. 20%	Develop unbeatable offerings in our core business for each key market	✓		
		Seek business alliances (M&A, investments, JVs, etc.)	✓	✓	
2. Drive technological innovation	Approx. 60%	Reinforce manufacturing capabilities and upgrade facilities (Printers, consumables, RFID)	✓	✓	✓
		Develop advanced technologies such as tagging technologies and solutions	✓		
3. Integrate ESG into our corporate model	Approx. 20%	Build HR development system	✓	✓	✓
		Develop eco-friendly products	✓	✓	
		Build new IT infrastructure	✓	✓	✓

## <Shareholder returns>

**Policy :** Deliver stable dividends by enhancing market value and flexibly buying back shares when necessary

	FY2021	FY2022
Dividend	JPY 70	JPY 72

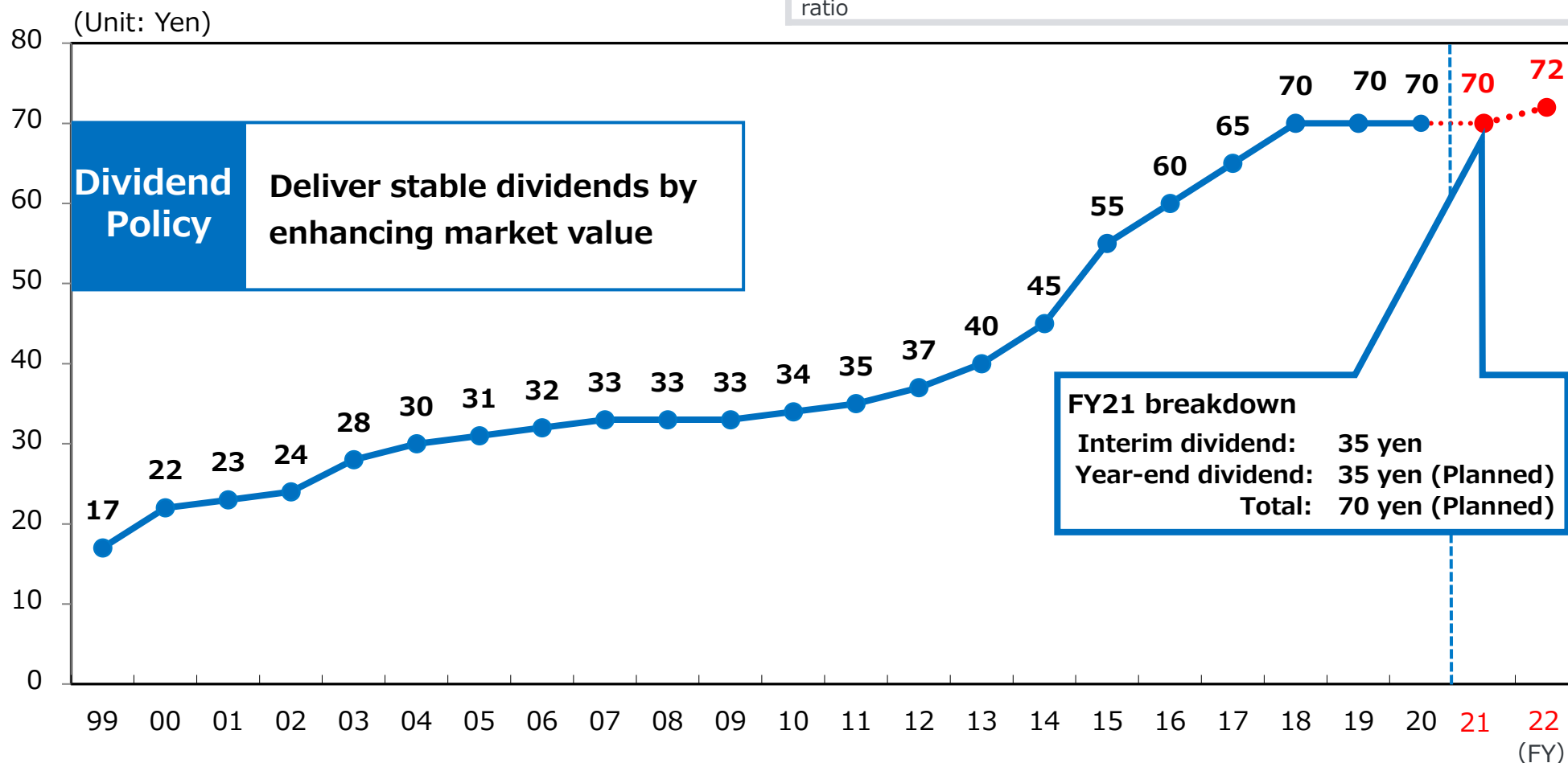
# Dividends

(JPY per share)

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

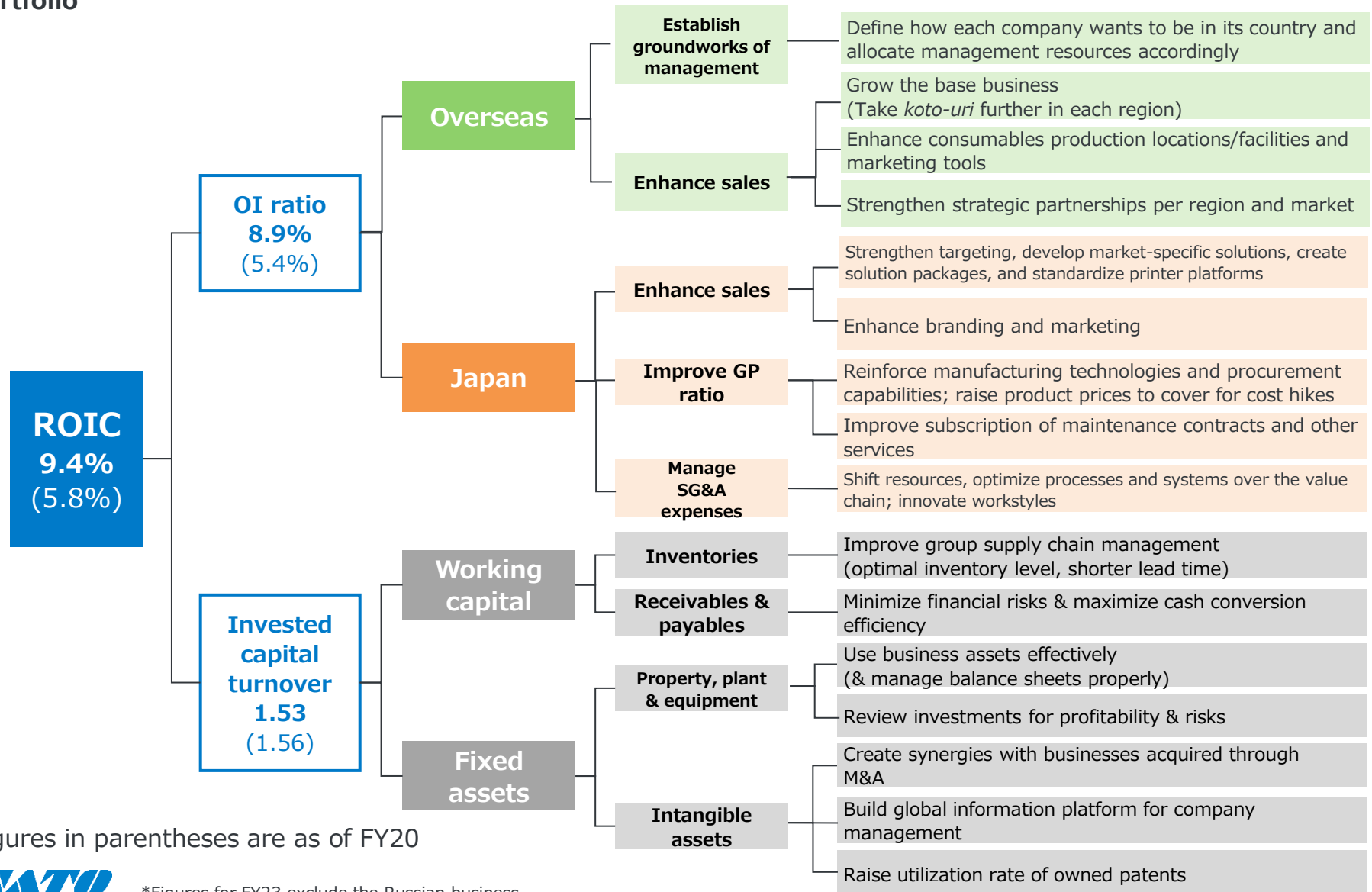
Total dividends forecast for FY22: JPY 72 (up 2 yen YoY)

	FY18	FY19	FY20	FY21 (Planned)	FY22* (Forecast)
EPS	112.5	-56.1	385.9	112.7	98.0
ROE	6.9%	-3.6%	24.4%	6.3%	5.2%
(Ref.) Payout ratio	62%	—	18%	62%	73%



# ROIC tree for FY23\*

ROIC helps us seek business growth and investment efficiency per country and optimize our business portfolio



Figures in parentheses are as of FY20



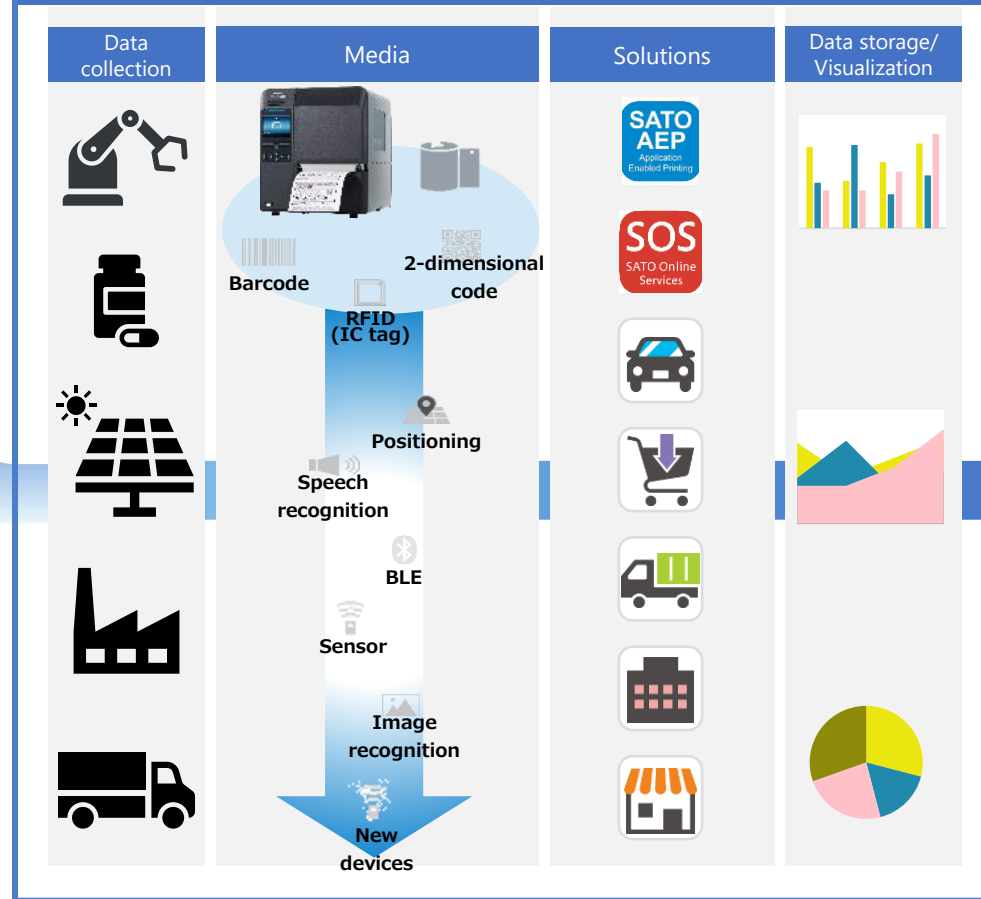
\*Figures for FY23 exclude the Russian business.

# Finally...

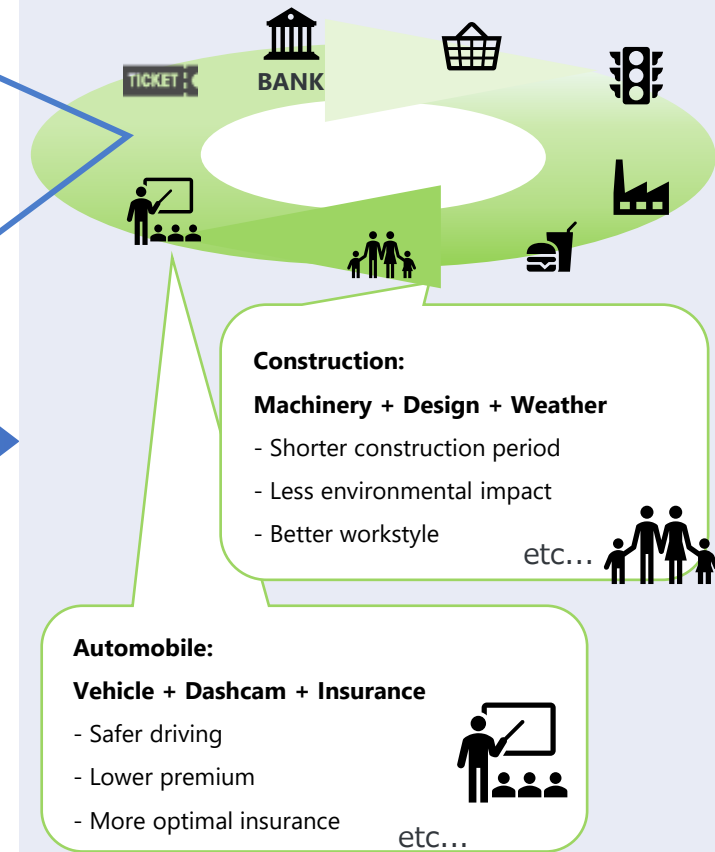
If every 'thing' had its own ID, and connected with the world...

⇒ We can create new value for society with real, sophisticated data and realize a sustainable society

## SATO's Vision for Tagging for Sustainability



## Data-driven ecosystem



# Appendix

Performance data      Pages 47-60

SATO terminologies      Pages 61-64

## Sales and OI by Business Segment

(Millions of JPY)

new high

		FY2021 Jan-Mar	FY2020 Jan-Mar	YoY	excl. FX impact
<div> <div>Auto-ID Solutions business</div> <div> <div>Overseas</div> <div>Japan</div> </div> <div>IDP business*</div> <div>Consolidated (incl. eliminations)</div> </div>	Total Sales	32,395	29,781	+8.8%	+6.9%
	Operating Income	1,685	2,083	-19.1%	-17.1%
	Total Sales	13,423	11,290	+18.9%	+14.0%
	Operating Income	1,003	880	+14.0%	+11.2%
	Total Sales	18,971	18,490	+2.6%	+2.6%
	Operating Income	682	1,203	-43.3%	-37.9%
	Total Sales	0	0	-	-
	Operating Income	0	0	-	-
Total Sales	32,395	29,781	+8.8%	+6.9%	
Operating Income	1,660	2,069	-19.8%	-17.8%	



## Consolidated Results

(Millions of JPY)

	FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY
Net Sales	32,395	29,781	+2,614	+8.8%
Operating Income	1,660	2,069	-409	-19.8%
Operating Income %	5.1%	6.9%	-1.8pt	-
Ordinary Income	1,447	2,051	-604	-29.5%
Profit attributable to owners of parent	841	1,355	-513	-37.9%
Effective Tax Rate	39.1%	19.6%	+19.5pt	-
EBITDA*	2,773	3,133	-359	-11.5%

Average exchange rates for FY2021: JPY 112.39 /USD, JPY 130.54 /EUR, FY20: JPY 106.10/USD, JPY 123.75/EUR

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

\* EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Jan-Mar 2021: JPY 1,053 million Jan-Mar 2020: JPY 1,008 million

· Amortization for Jan-Mar 2021: JPY 59 million Jan-Mar 2020: JPY 55 million

# Sales and OI by Region

(Millions of JPY)

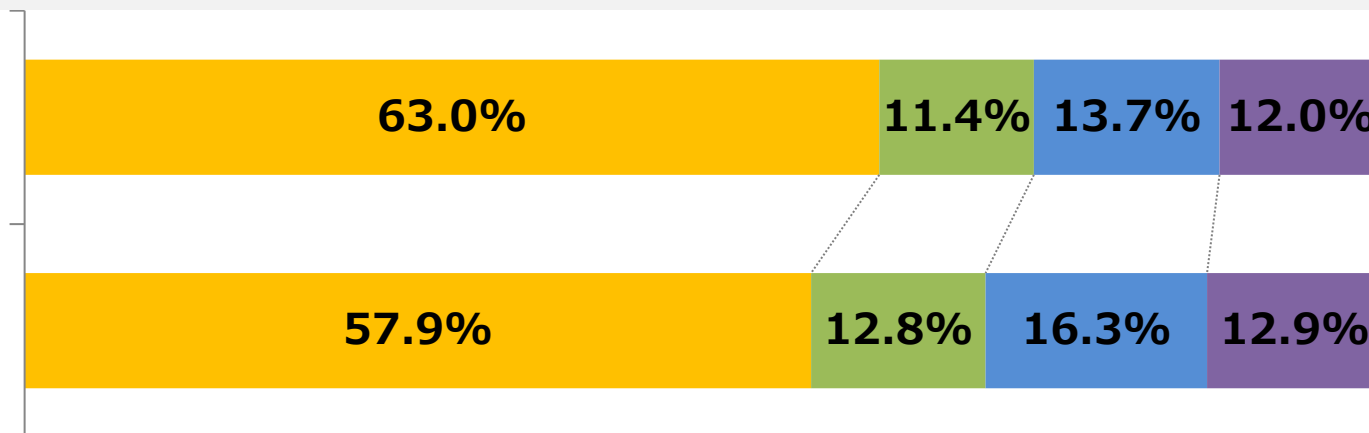
■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

## Sales

**108,916** FY20



**124,783** FY21



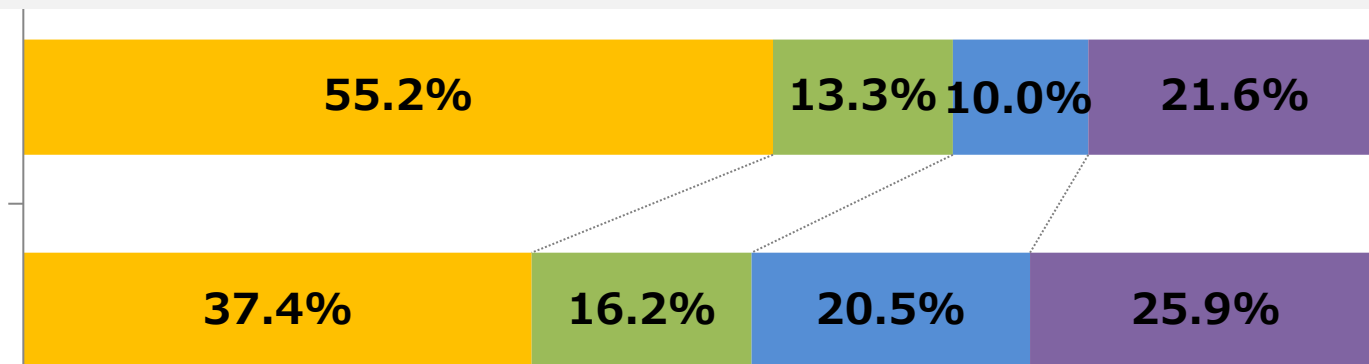
## Operating Income

\*Ratio excludes eliminations.

**5,906** FY20



**6,350** FY21



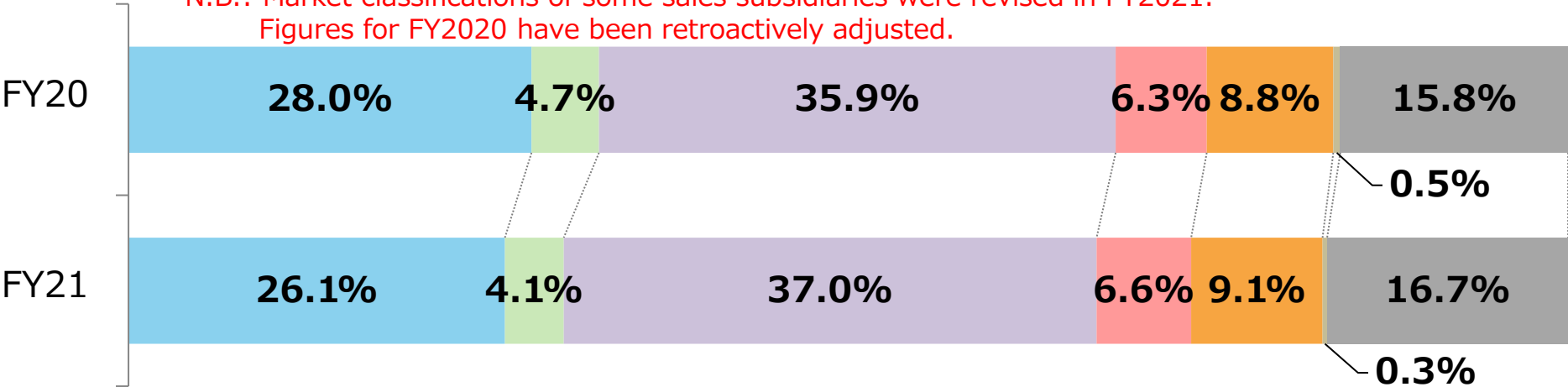
OI Ratio FY20 Japan : 4.7%, Overseas : 6.7 %  
 FY21 Japan : 3.3%, Overseas : 7.6 %

Sales by Vertical

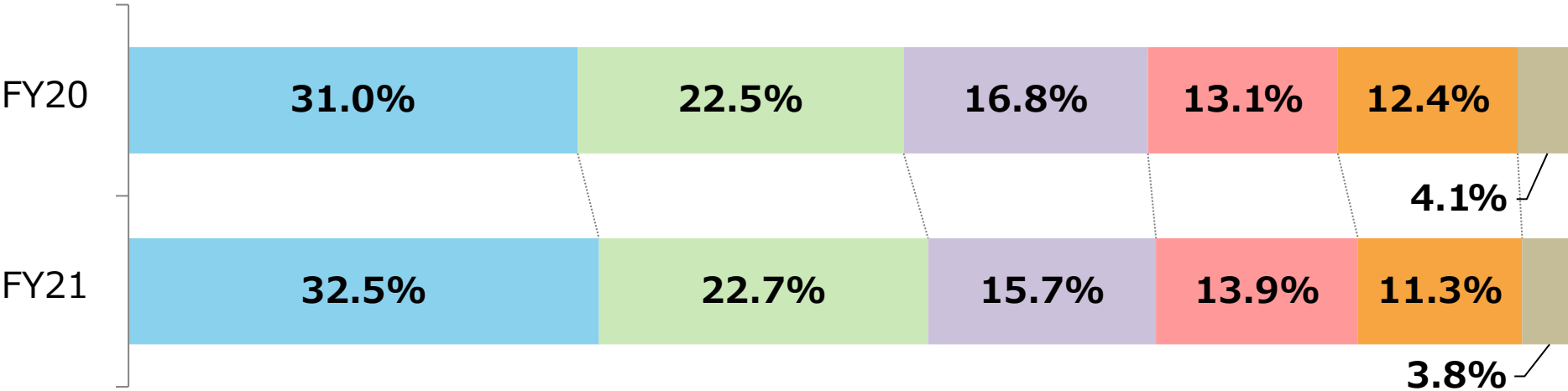
Manufacturing   Logistics   Retail   Health Care   Food & Beverage   Public   Others

**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.

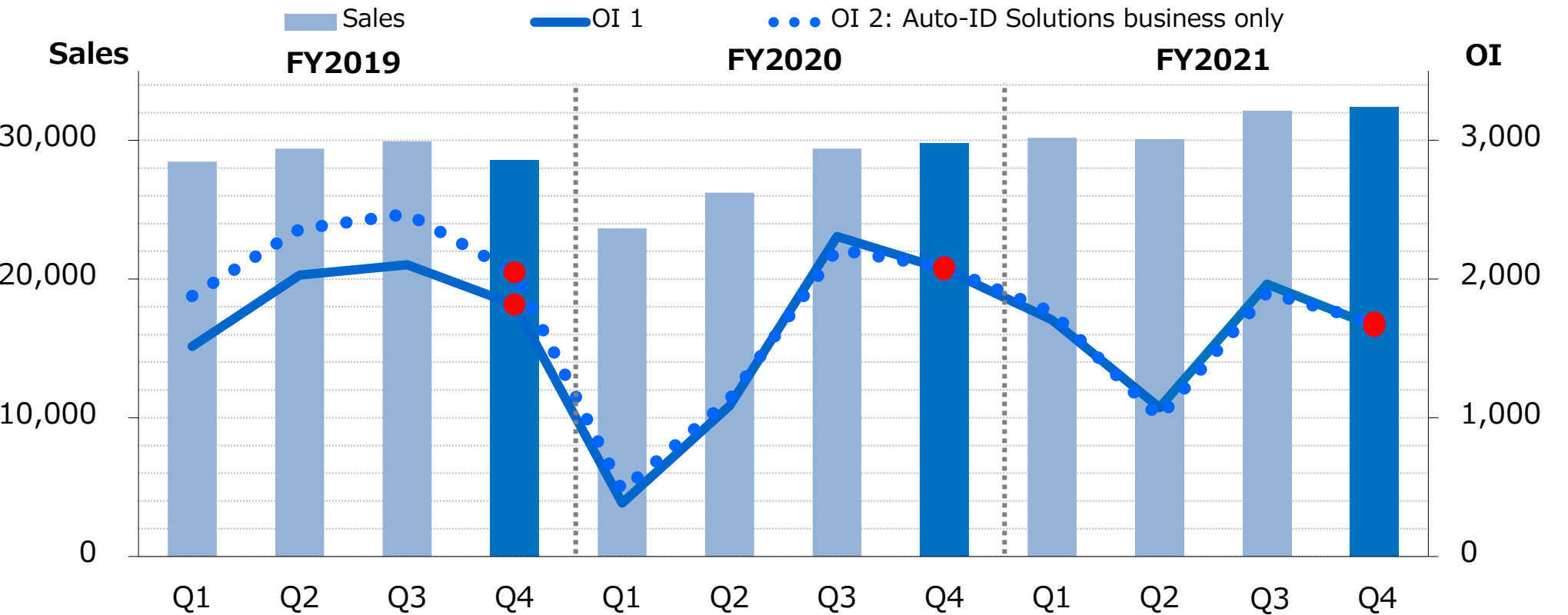


**Japan**   \*Maintenance services not included



Quarterly Sales & OI

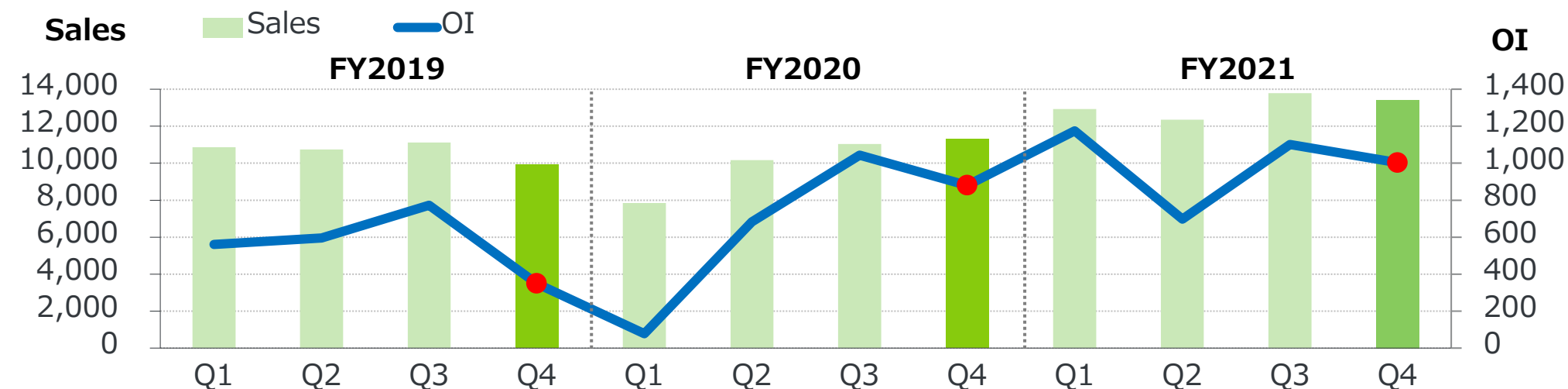
(Millions of JPY)



Sales	28,463	29,411	29,928	28,569	23,651	26,221	29,398	29,781	30,177	30,084	32,126	32,395
YoY	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%
OI 1	1,514	2,028	2,103	1,815	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660
YoY	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%
OI 2	1,878	2,360	2,471	2,047	476	1,132	2,213	2,083	1,760	1,001	1,903	1,685
YoY	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%	+1.8%	3.7x	-11.5%	-14.0%	-19.5%

## 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	13,423
YoY	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%	+18.9%
OI	560	595	772	349	77	683	1,043	880	1,175	698	1,101	1,003
YoY	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%	+14.0%

## Breakdown by Business Segment

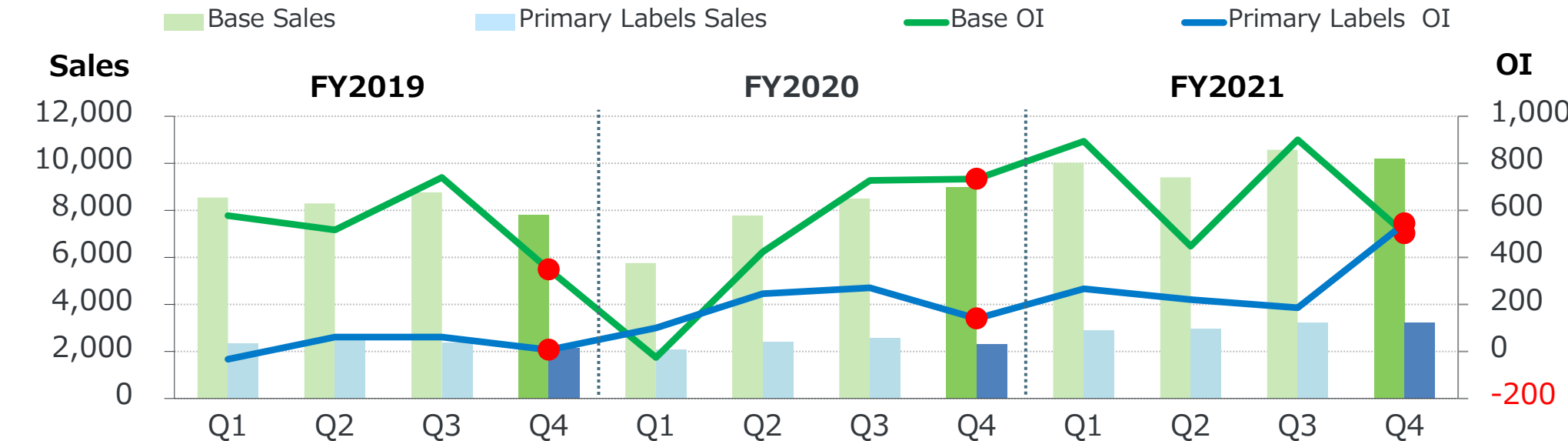
(Millions of JPY)

		FY2021 Jan-Mar	FY2020 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	10,206	8,976	+1,230	+13.7%	+6.6%
	Operating Income	502	733	-231	-31.5%	-35.2%
Primary Labels	Total Sales	3,217	2,313	+903	+39.0%	+42.9%
	Operating Income	544	139	+404	3.9x	3.9x
Eliminations	Operating Income	-43	6	-50	-	-
Total	Total Sales	13,423	11,290	+2,133	+18.9%	+14.0%
	Operating Income	1,003	880	+123	+14.0%	+11.2%

		FY2021	FY2020	Change	YoY	excl. FX impact
Base	Total Sales	40,208	31,010	+9,197	+29.7%	+21.5%
	Operating Income	2,745	1,857	+887	+47.8%	+38.6%
Primary Labels	Total Sales	12,287	9,339	+2,948	+31.6%	+29.6%
	Operating Income	1,218	756	+461	+61.1%	+64.4%
Eliminations	Operating Income	14	70	-55	-78.9%	-78.9%
Total	Total Sales	52,496	40,349	+12,146	+30.1%	+23.4%
	Operating Income	3,978	2,684	+1,293	+48.2%	+42.8%

Quarterly Sales & OI

(Millions of JPY)



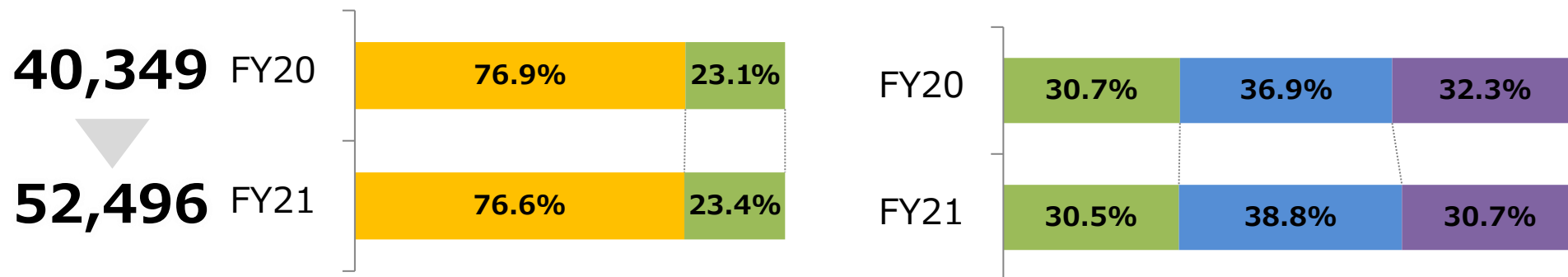
Base	Sales	8,539	8,286	8,758	7,794	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206
	YoY	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%
	OI	577	517	740	348	-26	423	727	733	894	447	900	502
	YoY	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%
Primary Labels	Sales	2,328	2,453	2,360	2,128	2,089	2,389	2,546	2,313	2,905	2,955	3,209	3,217
	YoY	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%	+8.7%	+39.1%	+23.7%	+26.1%	+39.0%
	OI	-33	61	61	6	100	245	270	139	266	220	186	544
	YoY	-	-58.3%	4.9x	-	-	4.0x	4.4x	22.0x	2.6x	-10.1%	-31.0%	3.9x

## Sales and OI by Business Segment/Region

(Millions of JPY)

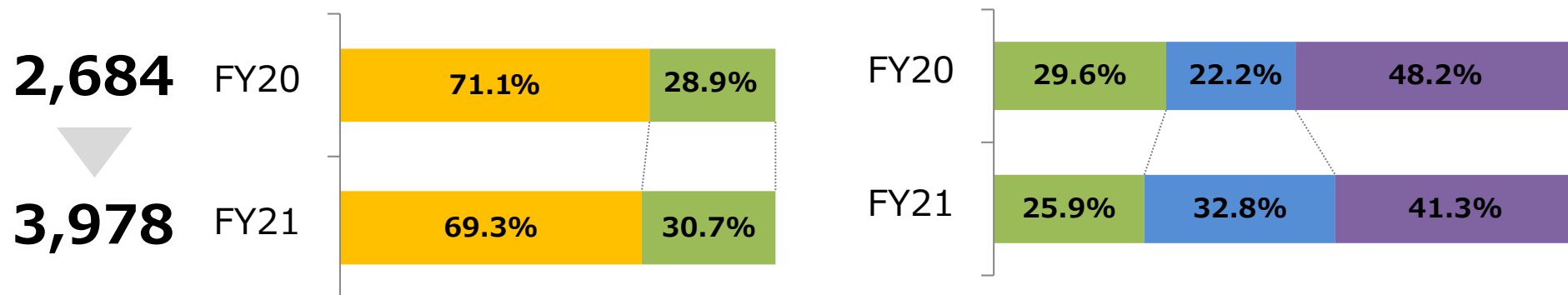
■ Base 
 ■ Primary Labels 
 ■ The Americas 
 ■ Europe 
 ■ Asia/Oceania

### Sales



### Operating Income

\*Ratio excludes eliminations.



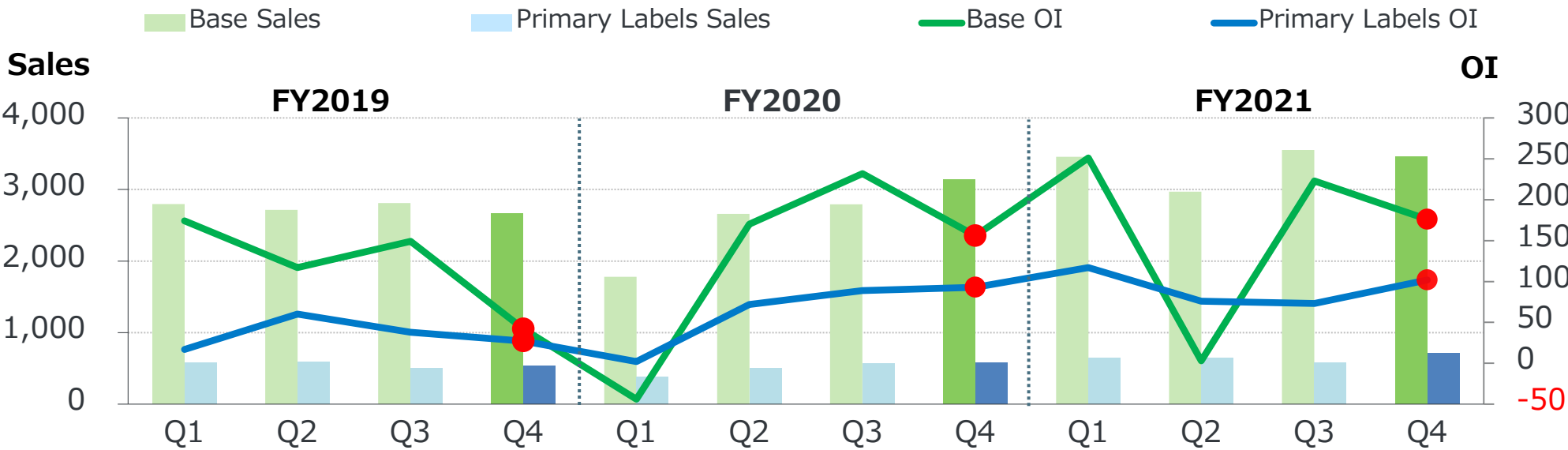
OI ratio: FY20 Base : 6.0%, Primary Labels : 8.1%  
 FY21 Base : 6.8%, Primary Labels : 9.9%

FY20 The Americas : 6.2%, Europe : 3.9%, Asia/Oceania : 9.6%  
 FY21 The Americas : 6.4%, Europe : 6.4%, Asia/Oceania : 10.2%



# The Americas: Quarterly Sales & OI

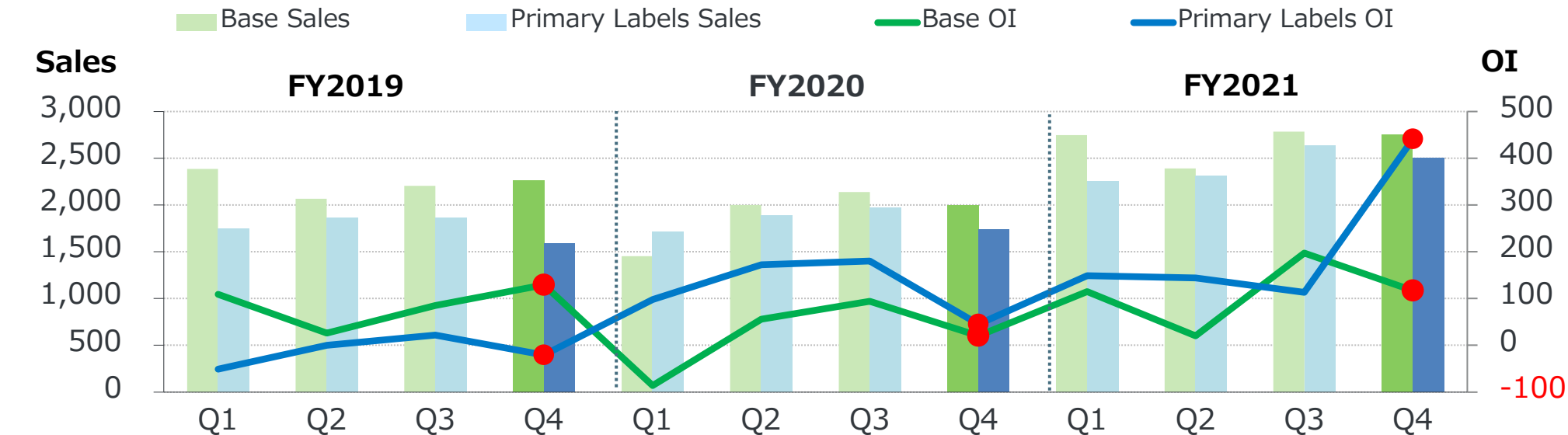
(Millions of JPY)



Base	Sales	2,797	2,714	2,811	2,664	1,781	2,660	2,794	3,140	3,458	2,970	3,554	3,456
	YoY	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%	+10.1%
	OI	174	117	149	42	-44	170	232	156	251	3	223	176
	YoY	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%	+13.1%
Primary Labels	Sales	577	586	497	536	378	498	571	576	648	643	576	717
	YoY	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%
	OI	17	60	38	27	2	72	89	93	117	76	73	102
	YoY	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%	+9.2%

Europe: Quarterly Sales & OI

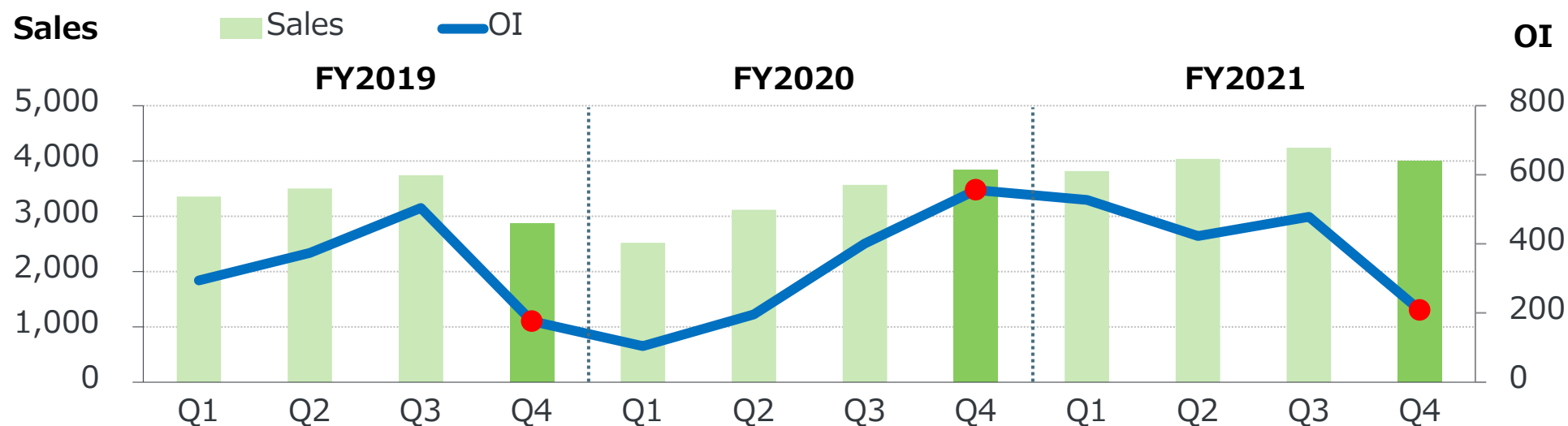
(Millions of JPY)



Base	Sales	2,386	2,066	2,205	2,264	1,453	2,000	2,137	1,996	2,746	2,391	2,785	2,749
	YoY	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%	+30.4%	+37.7%
	OI	109	26	85	129	-86	56	94	20	115	20	197	117
	YoY	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%	-	-63.8%	2.1x	5.7x
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	2,499
	YoY	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%	+33.4%	+43.8%
	OI	-51	0	22	-21	98	172	180	45	149	144	113	441
	YoY	-	-	36.2x	-	-	-	8.0x	-	+51.8%	-16.3%	-37.5%	9.7x

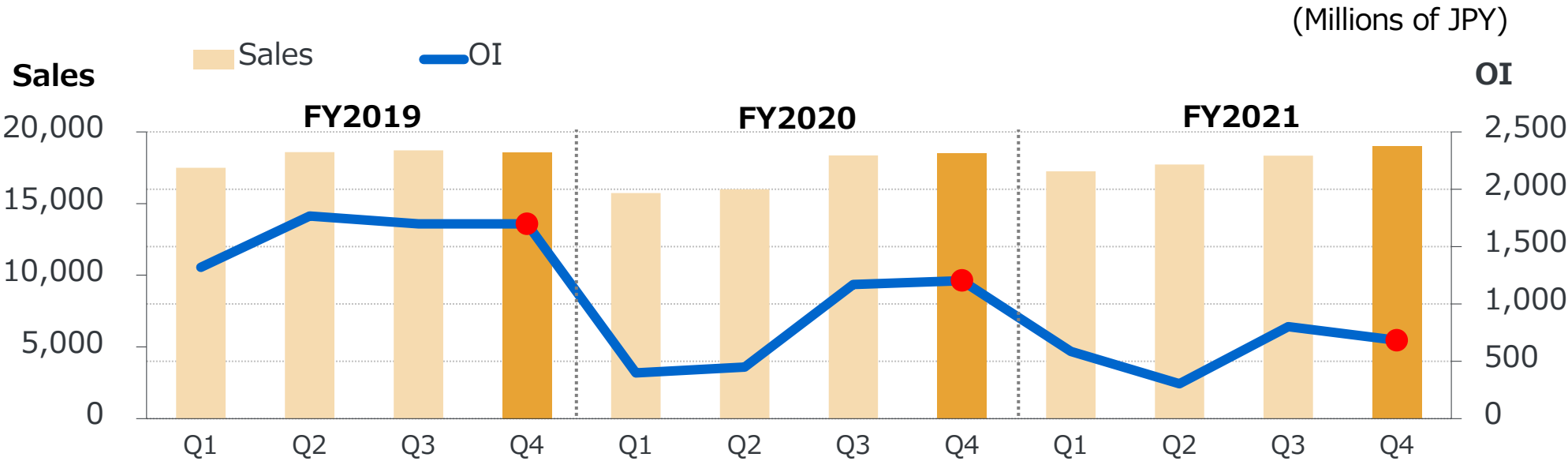
## Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	3,355	3,504	3,740	2,865	2,520	3,117	3,567	3,839	3,817	4,037	4,238	4,000
	YoY	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%	+4.2%
	OI	294	374	504	176	104	196	401	556	527	423	478	208
	YoY	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%	-62.6%

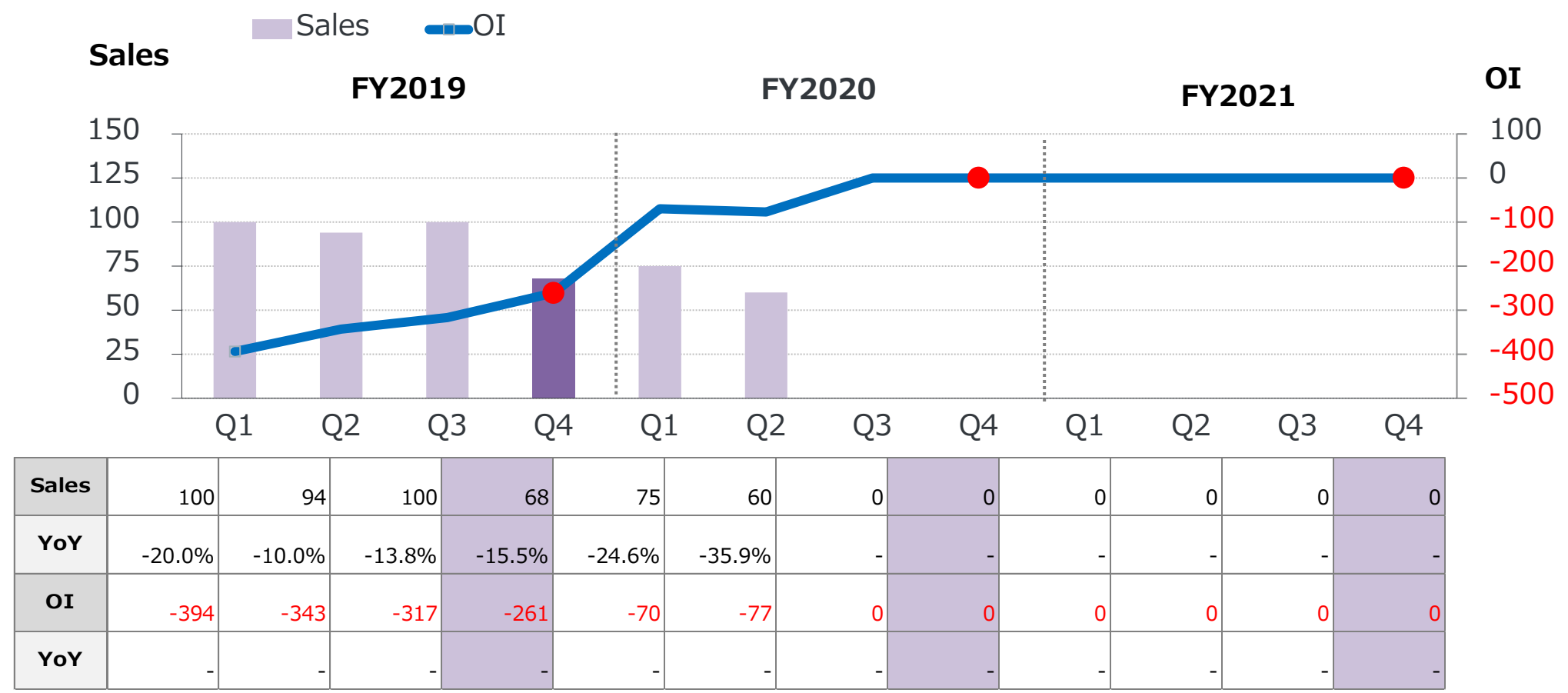
Quarterly Sales & OI



Sales	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490	17,248	17,729	18,337	18,971
YoY	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%	+10.9%	-0.1%	+2.6%
OI	1,318	1,765	1,698	1,697	399	448	1,170	1,203	585	303	801	682
YoY	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%	-32.4%	-31.5%	-43.3%

# Quarterly Sales & OI

(Millions of JPY)



# SATO terminologies (1/4)

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

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS &amp; Labeling</u> . It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels businesses</u> .
2	Base business	Business of <u>tagging</u> variable information, such as prices, manufactured 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>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (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 (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 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 <u>DCS &amp; Labeling</u> 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	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 <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 &amp; Labeling</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.

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