



February 10, 2023

SATO HOLDINGS CORPORATION

FY2022 Q3 Financial Results
(Nine Months Ended December 31, 2022)

Securities Code: 6287

Summary

Consolidated

Cumulative Q3 (Apr-Dec) and Q3 alone (Oct-Dec) saw YoY increases in sales and OI.

Auto-ID Solutions Business (Overseas)

Sales and OI increased YoY in both cumulative Q3 and Q3.

- **Base business:** Sales grew due to capturing steady demand and price revisions. OI increased due to higher sales and lower printer manufacturing costs.
- **Primary Labels business:** Sales and OI increased owing to solid sales in major markets including daily commodities industry and price revisions.

Auto-ID Solutions Business (Japan)

Sales and OI increased YoY in both cumulative Q3 and Q3.

Sales both in mechatronics and consumables grew driven mainly by the automation solutions. OI increased due to higher sales, increase in gross profit on export backed by printer sales in the Overseas business, and control of SG&A expenses.

- This is a summary of our financial performance for this fiscal year through Q3 and for Q3 alone.
- Sales and operating income for Q1–Q3 and Q3 alone were up YoY for both Overseas and Japan businesses and in consolidated figures.
- In the Overseas Base business, sales increased by capturing stable demand in all regions and continuing price revision activities. OI increased due to higher sales and improvement in factory profits as rises in printer manufacturing costs peaked out.
- Sales and OI rose in the Primary Labels business, backed by firm demand and progress in price revision activities.
- In the Japan business, RFID and automation solutions contributed to sales growth as demand remained firm for solutions addressing labor shortages and DX (digital transformation).
- OI increased thanks to higher sales, increase in gross profit from exports backed by strong printer sales in the Overseas business, and controlling of SG&A expenses.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022 Apr-Dec	FY2021 Apr-Dec	YoY	
					excl. FX impact
Auto-ID Solutions business	Total Sales	108,334 (94,408)	92,388 (85,186)	+17.3% (+10.8%)	+7.0% (+4.9%)
	Operating Income	7,709 (5,170)	4,665 (4,101)	+65.2% (+26.0%)	+43.4% (+20.6%)
Overseas	Total Sales	53,504 (39,578)	39,072 (31,871)	+36.9% (+24.2%)	+12.7% (+8.2%)
	Operating Income	5,666 (3,128)	2,975 (2,411)	+90.5% (+29.7%)	+53.1% (+16.7%)
Japan	Total Sales	54,829	53,315	+2.8%	+2.8%
	Operating Income	2,042	1,690	+20.8%	+26.2%
Consolidated (incl. eliminations)	Total Sales	108,334 (94,408)	92,388 (85,186)	+17.3% (+10.8%)	+7.0% (+4.9%)
	Operating Income	7,081 (4,542)	4,743 (4,180)	+49.3% (+8.7%)	+27.8% (+3.3%)

* Figures in parentheses exclude the Russian business.



- The main figures related to the previous slide are as shown in this table.
- Figures in parentheses exclude the Russian business. The same convention applies to slides that follow.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022 Oct-Dec	FY2021 Oct-Dec	YoY	
					excl. FX impact
Auto-ID Solutions business	Total Sales	37,871 (32,588)	32,126 (29,493)	+17.9% (+10.5%)	+7.3% (+4.4%)
	Operating Income	3,746 (2,361)	1,903 (1,736)	+96.9% (+36.0%)	+67.2% (+28.2%)
Overseas	Total Sales	18,626 (13,343)	13,788 (11,155)	+35.1% (+19.6%)	+10.3% (+3.5%)
	Operating Income	2,637 (1,252)	1,101 (935)	2.4x (+33.9%)	+88.4% (+19.7%)
Japan	Total Sales	19,244	18,337	+4.9%	+4.9%
	Operating Income	1,108	801	+38.3%	+38.2%
Consolidated (incl. eliminations)	Total Sales	37,871 (32,588)	32,126 (29,493)	+17.9% (+10.5%)	+7.3% (+4.4%)
	Operating Income	3,304 (1,919)	1,963 (1,797)	+68.3% (+6.8%)	+39.6% (-0.7%)

* Figures in parentheses exclude the Russian business.



- The main figures related to Q3 alone are as shown in this table.

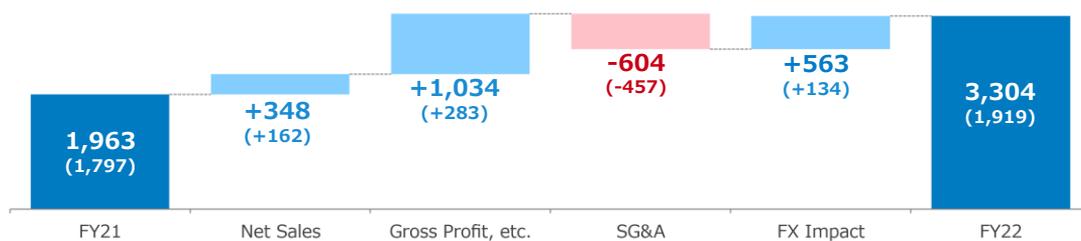
Consolidated

Major Gains/Losses in OI

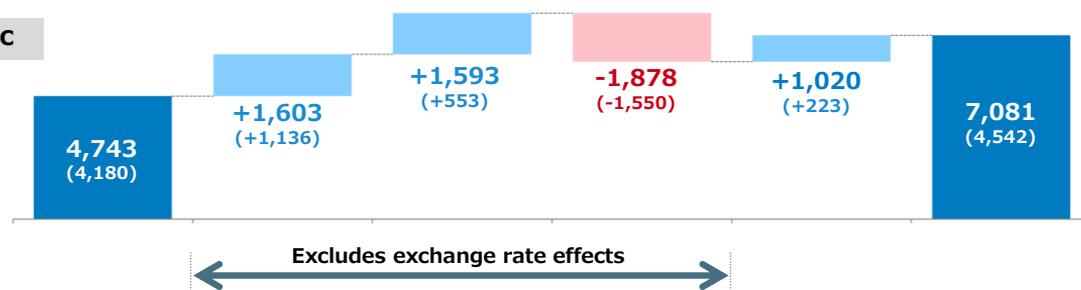
* Changes in accounting classifications (P.17) are not taken into account.

(Millions of JPY)

Oct-Dec



Apr-Dec

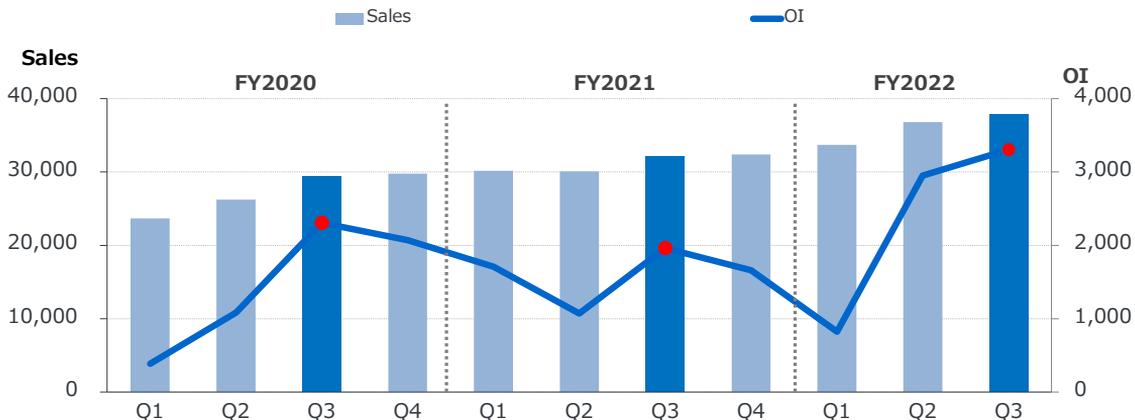


VAIO * Figures in parentheses exclude the Russian business.

- This slide compares consolidated OI figures with those of the previous year.
- Details will be explained in later slides for Overseas and Japan.

Quarterly Sales & OI

(Millions of JPY)



Sales	23,651	26,221	29,398	29,781	30,177	30,084	32,126	32,395	33,686	36,777	37,871
YoY	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%	+17.9%
OI	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660	824	2,951	3,304
YoY	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x	+68.3%



- This slide shows consolidated sales and operating income by quarter.
- In Q3, both sales and operating income reached record highs.

Consolidated Results

(Millions of JPY)

	FY2022 Apr-Dec	FY2021 Apr-Dec	Change	YoY
Net Sales	108,334 (94,408)	92,388 (85,186)	+15,946 (+9,221)	+17.3% (+10.8%)
Operating Income	7,081 (4,542)	4,743 (4,180)	+2,337 (+362)	+49.3% (+8.7%)
Operating Income %	6.5% (4.8%)	5.1% (4.9%)	+1.4pt (-0.1pt)	- -
Ordinary Income	7,676 (4,528)	4,610 (3,950)	+3,065 (+577)	+66.5% (+14.6%)
Profit attributable to owners of parent	5,116 (3,211)	2,952 (2,524)	+2,164 (+686)	+73.3% (+27.2%)
Effective Tax Rate	23.6%	31.9%	-8.3pt	-
EBITDA*	10,991 (7,893)	8,087 (7,179)	+2,903 (+713)	+35.9% (+9.9%)

Average exchange rates for Apr-Dec FY22: JPY 136.49/USD, JPY 140.60/EUR, Apr-Dec FY21: JPY 111.13/USD, JPY 130.59/EUR
FX sensitivity for FY22: JPY +461 million in sales and JPY +9 million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Apr-Dec FY22: JPY 3,672 million (3,113 million)
· Amortization for Apr-Dec FY22: JPY 237 million (237 million)

Apr-Dec FY21: JPY 3,166 million (2,822 million)
Apr-Dec FY21: JPY 176 million (176 million)



* Figures in parentheses exclude the Russian business.

- These are the consolidated results for Q1–Q3.
- Sales and OI increased for Q1–Q3 as they had for Q1–Q2.

Consolidated Results

Original figures

(Millions of JPY)

	FY2022 Oct-Dec		FY2021 Oct-Dec		Change	YoY
Net Sales	37,871	(32,588)	32,126	(29,493)	+5,744 (+3,095)	+17.9% (+10.5%)
Operating Income	3,304	(1,919)	1,963	(1,797)	+1,341 (+122)	+68.3% (+6.8%)
Operating Income %	8.7%	(5.9%)	6.1%	(6.1%)	+2.6pt (-0.2pt)	- -
Ordinary Income	2,708	(1,752)	1,914	(1,733)	+793 (+18)	+41.4% (+1.0%)
Profit attributable to owners of parent	1,887	(1,230)	1,103	(987)	+783 (+243)	+71.0% (+27.3%)(+24.6%)
Effective Tax Rate		20.9%		40.4%	-19.5pt	-
EBITDA*	4,599	(3,034)	3,112	(2,824)	+1,486 (+209)	+47.8% (+7.4%)

Average exchange rates for Apr-Dec FY22: JPY 136.49/USD, JPY 140.60 /EUR, Apr-Dec FY21: JPY 111.13 /USD, JPY 130.59 /EUR
FX sensitivity for FY22: JPY +461 million in sales and JPY +9 million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Oct-Dec FY22: JPY 1,213 million (1,034 million)
· Amortization for Oct-Dec FY22: JPY 80 million (80 million)

Oct-Dec FY21: JPY 1,089 million (968 million)
Oct-Dec FY21: JPY 59 million (59 million)



* Figures in parentheses exclude the Russian business.

- These are the consolidated results for Q3 alone.
- Thanks to initiatives implemented this fiscal year, Q3 saw consecutive increase in sales and OI from Q2.

Auto-ID Solutions Business (Overseas)

Overview

Oct-Dec Sales increased in all regions thanks to steadily capturing demand through instilled *koto-uri* and continued price revision initiatives. OI increased due mainly to a profitability improvement in the printer manufacturing sites caused by lower printer manufacturing costs. (Millions of JPY)

	FY2022	FY2021	Change	YoY	
	Oct-Dec	Oct-Dec		YoY	excl. FX impact
Total Sales	18,626 (13,343)	13,788 (11,155)	+4,838 (+2,188)	+35.1% (+19.6%)	+10.3% (+3.5%)
Gross Profit	7,343 (5,250)	4,602 (4,091)	+2,740 (+1,158)	+59.6% (+28.3%)	-
Gross Profit %	39.4% (39.3%)	33.4% (36.7%)	+6.0pt (+2.7pt)	-	-
Operating Income	2,637 (1,252)	1,101 (935)	+1,536 (+317)	2.4x (+33.9%)	+88.4% (+19.7%)
Operating Income %	14.2% (9.4%)	8.0% (8.4%)	+6.2pt (+1.0pt)	-	-

	FY2022	FY2021	Change	YoY	
	Apr-Dec	Apr-Dec		YoY	excl. FX impact
Total Sales	53,504 (39,578)	39,072 (31,871)	+14,432 (+7,707)	+36.9% (+24.2%)	+12.7% (+8.2%)
Gross Profit	19,493 (15,126)	13,288 (11,797)	+6,205 (+3,328)	+46.7% (+28.2%)	-
Gross Profit %	36.4% (38.2%)	34.0% (37.0%)	+2.4pt (+1.2pt)	-	-
Operating Income	5,666 (3,128)	2,975 (2,411)	+2,691 (+716)	+90.5% (+29.7%)	+53.1% (+16.7%)
Operating Income %	10.6% (7.9%)	7.6% (7.6%)	+3.0pt (+0.3pt)	-	-

 * Figures in parentheses exclude the Russian business.

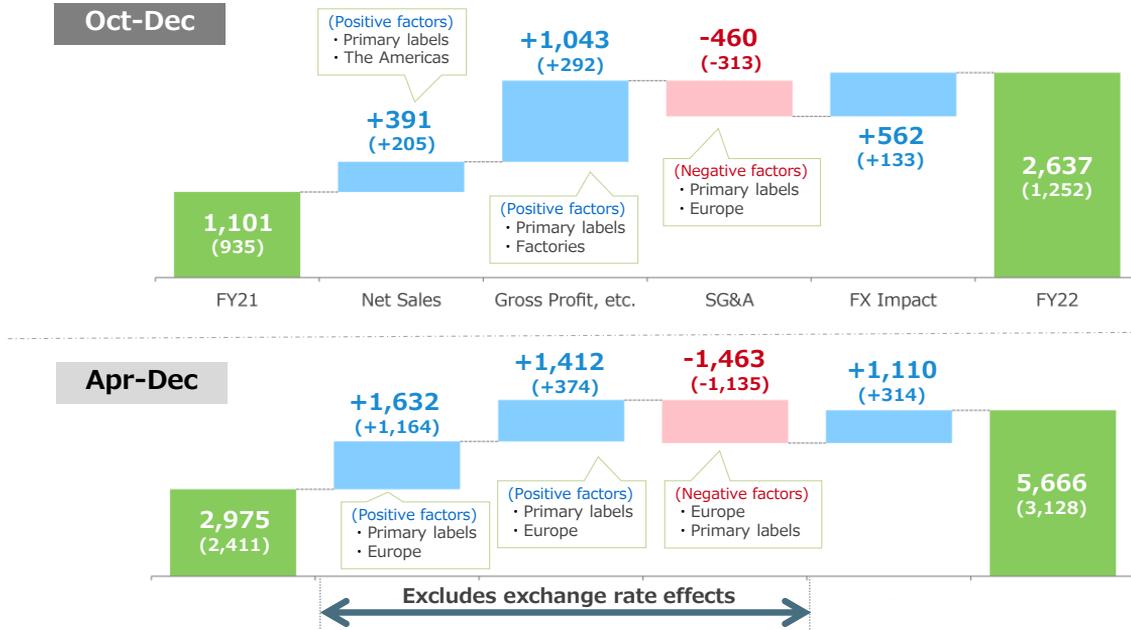
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- We now explain the results from our Overseas business for Q3 alone.
- Although there were signs of sluggish demand due to economic slowdown, this was offset by strong performance in general.
- Sales increased in all regions capturing stable demand. OI increased due to higher sales and lower costs as rises in printer manufacturing costs peaked out.

Auto-ID Solutions Business (Overseas)

Major Gains/Losses in OI

(Millions of JPY)



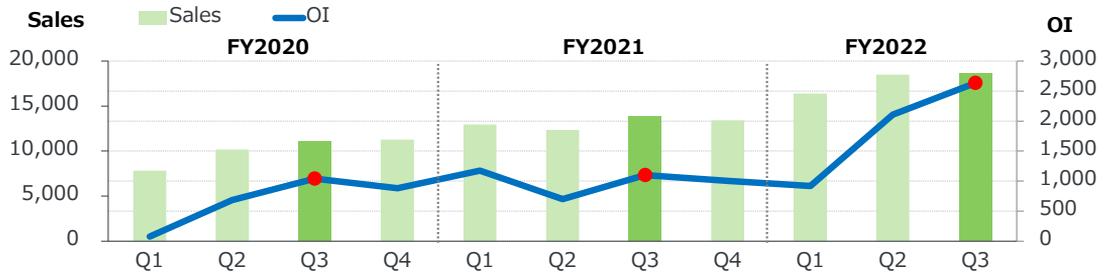
SATO * Figures in parentheses exclude the Russian business. Details shown in the bubble include the Russian business.

- This slide compares consolidated OI figures with those of the previous year.
- Factors listed in the bubbles include those from the Russian business.
- OI for Q3 increased thanks to higher sales and gross profit in all regions that absorbed increases in SG&A expenses.

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



Sales	7,844	10,168	11,045	11,290	12,929	12,354	13,788	13,423	16,394	18,483	18,626
YoY	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%	+49.6%	+35.1%
OI	77	683	1,043	880	1,175	698	1,101	1,003	919	2,109	2,637
YoY	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%	+14.0%	-21.8%	3.0x	2.4x



- This slide shows sales and operating income by quarter.
- Both sales and operating income reached record highs on a quarterly basis.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: The Americas

Oct-
Dec

Base business: Sales and OI increased thanks to efforts to seize steady demand through *koto-uri* in the U.S. retail market, resulting in higher printer sales, and to continue price revisions.

Primary Labels business: Sales and OI grew due to steady demand in the daily commodities industry and continuous price revisions.

(Millions of JPY)

		FY2022	FY2021	Change	Change	
		Oct-Dec	Oct-Dec		YoY	excl. FX impact
Base	Total Sales	4,626	3,554	+1,071	+30.2%	+6.1%
	Operating Income	405	223	+181	+81.1%	+54.0%
Primary Labels · Achernar · Prakolar	Total Sales	769	576	+192	+33.4%	+26.9%
	Operating Income	87	73	+13	+18.7%	+48.9%
Total	Total Sales	5,395	4,131	+1,264	+30.6%	+9.0%
	Operating Income	493	297	+195	+65.7%	+52.7%

		FY2022	FY2021	Change	Change	
		Apr-Dec	Apr-Dec		YoY	excl. FX impact
Base	Total Sales	13,535	9,983	+3,551	+35.6%	+11.3%
	Operating Income	902	479	+423	+88.4%	+58.5%
Primary Labels · Achernar · Prakolar	Total Sales	2,396	1,869	+527	+28.2%	+17.1%
	Operating Income	296	267	+29	+11.1%	+20.6%
Total	Total Sales	15,932	11,852	+4,079	+34.4%	+12.3%
	Operating Income	1,199	746	+453	+60.7%	+44.9%

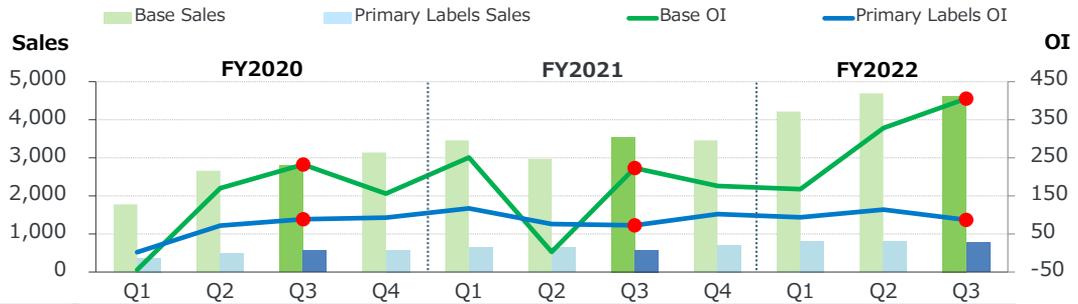
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- We now look at each region.
- In the Americas, sales and OI increased for Q3.
- Sales in the Base business increased owing to efforts to capture stable demand mainly in the U.S. retail market, together with printer sales growth through distributors. In addition, continued price revision activities contributed to higher sales and profits.
- Sales in Primary Labels remain stable. Price revisions resulted in increase in sales and OI despite the ongoing inflation.

Auto-ID Solutions Business (Overseas)

The Americas: Quarterly Sales & OI

(Millions of JPY)



		FY2020				FY2021				FY2022		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	1,781	2,660	2,794	3,140	3,458	2,970	3,554	3,456	4,214	4,694	4,626
	YoY	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%	+30.2%
	OI	-44	170	232	156	251	3	223	176	168	328	405
	YoY	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x	+81.1%
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806	769
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%
	OI	2	72	89	93	117	76	73	102	94	114	87
	YoY	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%	+18.7%



- This slide shows figures by quarter.
- In the base business, sales reached record highs on a quarterly basis.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Europe

Oct-
Dec

Base business: Sales increased due to continued focus on target industries such as restaurants and retail, and price revision activities. OI was flat because of limited sales to distributors unlike strong direct sales.

Primary Labels business: Sales and OI increased as Okil expanded business into existing accounts in food and beverages, and progressed price revisions.

(Millions of JPY)

		FY2022	FY2021	Change	Change	
		Oct-Dec	Oct-Dec		YoY	excl. FX impact
Base	Total Sales	3,149	2,785	+363	+13.0%	+2.2%
	Operating Income	196	197	+0	-0.5%	-9.5%
Primary Labels (Russian business)	Total Sales	5,282	2,633	+2,649	2.0x	+39.1%
	Operating Income	1,311	113	+1,198	11.6x	8.0x
Total	Total Sales	8,431	5,419	+3,012	+55.6%	+20.2%
	Operating Income	1,508	310	+1,197	4.9x	3.5x
		(122)	(144)	(-21)	(-15.0%)	(-11.7%)

		FY2022	FY2021	Change	Change	
		Apr-Dec	Apr-Dec		YoY	excl. FX impact
Base	Total Sales	9,612	7,924	+1,687	+21.3%	+12.8%
	Operating Income	571	334	+237	+71.1%	+61.0%
Primary Labels (Russian business)	Total Sales	13,926	7,201	+6,724	+93.4%	+32.7%
	Operating Income	2,322	406	+1,915	5.7x	3.9x
Total	Total Sales	23,538	15,126	+8,412	+55.6%	+22.3%
	Operating Income	2,893	740	+2,153	3.9x	2.9x
		(355)	(177)	(+178)	(2.0x)	(2.2x)

 * Figures in parentheses exclude the Russian business.

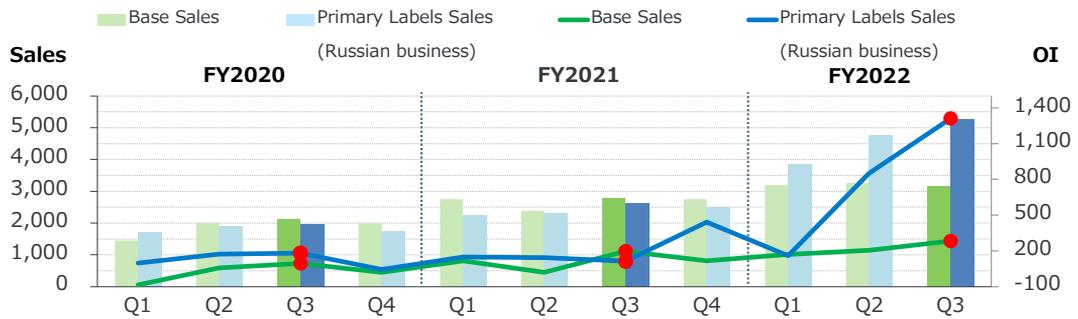
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- Europe also saw higher YoY sales and OI for Q3.
- In the Base business, sales to restaurants continued strongly. In addition, sales increased due to continued price revisions. On the other hand, operating income was flat as supply constraints that continued through the first half were eased and distributors began adjusting their inventory.
- Sales and OI in the Primary Labels business increased as Okil expanded business into existing accounts in food and beverages and continued revising its prices.

Auto-ID Solutions Business (Overseas)

Europe: Quarterly Sales & OI

(Millions of JPY)



		FY2020				FY2021				FY2022		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	1,453	2,000	2,137	1,996	2,746	2,391	2,785	2,749	3,195	3,268	3,149
	YoY	-39.1%	-3.2%	-3.1%	-11.8%	+89.0%	+19.5%	+30.4%	+37.7%	+16.3%	+36.6%	+13.0%
	OI	-86	56	94	20	115	20	197	117	170	204	196
	YoY	-	2.2x	+9.6%	-84.2%	-	-63.8%	2.1x	5.7x	+46.9%	10.0x	-0.5%
Primary Labels (Russian business)	Sales	1,711	1,891	1,974	1,737	2,256	2,311	2,633	2,499	3,867	4,775	5,282
	YoY	-2.3%	+1.3%	+6.0%	+9.2%	+31.9%	+22.2%	+33.4%	+43.8%	+71.4%	2.1x	2.0x
	OI	98	172	180	45	149	144	113	441	159	851	1,311
	YoY	-	-	8.0x	-	+51.8%	-16.3%	-37.5%	9.7x	+6.8%	5.9x	11.6x



- This slide shows figures by quarter.
- Sales and OI in Primary Labels reached highest ever figures on a quarterly basis.

Auto-ID Solutions Business (Overseas)

Breakdown by Region: Asia/Oceania

Oct-
Dec

Base business: Sales increased at almost all sales subsidiaries.

Profit increased due to higher sales at sales subsidiaries and a factory profit improvement behind lower printer manufacturing costs and an increase in printer shipments.

(Millions of JPY)

		FY2022	FY2021	Change	Change	
		Oct-Dec	Oct-Dec		YoY	excl.FX Impact
Base	Total Sales	4,799	4,238	+561	+13.2%	-0.9%
	Operating Income	736	478	+257	+53.9%	+33.1%
		FY2022	FY2021	Change	Change	
		Apr-Dec	Apr-Dec		YoY	excl.FX Impact
Base	Total Sales	14,033	12,093	+1,940	+16.0%	+1.2%
	Operating Income	1,713	1,429	+283	+19.9%	+3.7%

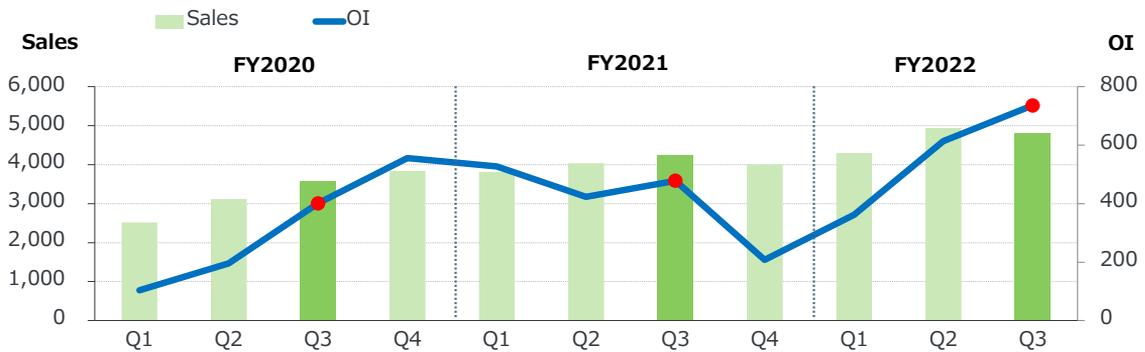
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- In Asia and Oceania, sales and OI increased for Q3.
- Sales increased, driven by sales companies in Vietnam and other Southeast Asian countries. After continuing YoY sales decline through Q2, sales subsidiaries in China bounced back in Q3, owing partially to last-minute printer purchases before the price revision that started in January 2023.
- Such increase in sales at subsidiaries and higher profitability at printer factories due to rises in manufacturing costs peaking out and increase in printer shipments contributed to an OI increase.

Auto-ID Solutions Business (Overseas)

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



Base	Sales	2,520	3,117	3,567	3,839	3,817	4,037	4,238	4,000	4,296	4,938	4,799
	YoY	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%
Base	OI	104	196	401	556	527	423	478	208	362	614	736
	YoY	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%



- This slide shows figures by quarter.
- OI reached record highs on a quarterly basis.
- While signs of sluggish demand were seen due to economic slowdown, the Overseas business maintained stable sales and OI for Q3 in all regions.

Auto-ID Solutions Business (Japan)

Overview

Oct-
Dec

Sales both in mechatronics and consumables grew. Mechatronics sales are driven by the automation business, and service and support. OI increased due to higher sales, increase in gross profit on export backed by printer sales in the Overseas business, and control of SG&A expenses.

(Millions of JPY)

	FY2022 Oct-Dec	FY2021 Oct-Dec	Change	YoY
Mechatronics Sales	7,540	6,928	+612	+8.8%
Consumables Sales	11,703	11,409	+294	+2.6%
Total Sales	19,244	18,337	+906	+4.9%
Gross Profit	8,797	8,453	+343	+4.1%
Gross Profit %	45.7%	46.1%	-0.4pt	-
Operating Income	1,108	801	+307	+38.3%
Operating Income %	5.8%	4.4%	+1.4pt	-

	FY2022 Apr-Dec	FY2021 Apr-Dec	Change	YoY
Mechatronics Sales	21,210	20,992	+217	+1.0%
Consumables Sales	33,619	32,322	+1,297	+4.0%
Total Sales	54,829	53,315	+1,514	+2.8%
Gross Profit*	25,332	24,903	+428	+1.7%
Gross Profit %	46.2%	46.7%	-0.5pt	-
Operating Income	2,042	1,690	+351	+20.8%
Operating Income %	3.7%	3.2%	+0.6pt	-

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.

Total Sales is the sum of mechatronics, consumables, and others. Segmentation revised in FY21-Q4.

* Changes in accounting classifications of maintenance related costs from SG&A to COGS since FY21-Q3 lead to lower GPM (approx. 0.7 ppt).



17

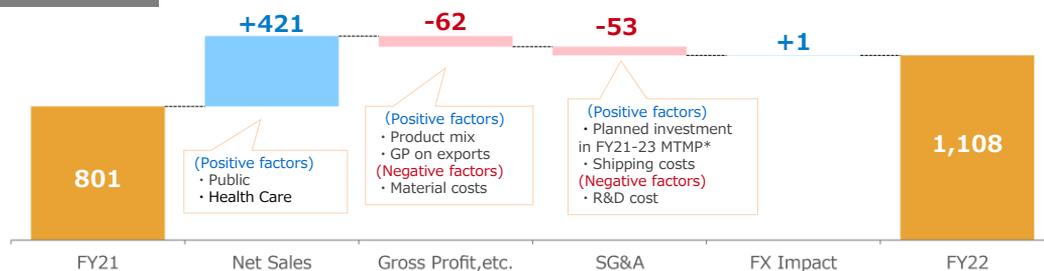
- We now explain the results of our Japan business for Q3.
- Sales increased YoY due to stable sales growth in both mechatronics and consumables.
- Sales of consumables remained strong, due to stable demand and continued price revision activities. Growth was particularly prominent in logistics and public sectors.
- In mechatronics, printer sales were sluggish but were covered by active sales opportunities for automation solutions and sales growth in servicing.
- OI increased thanks to higher sales, increase in gross profit from exports backed by printer sales in the Overseas business, and controlling of SG&A expenses.

Major Gains/Losses in OI

* Changes in accounting classifications (P.17) are not taken into account.

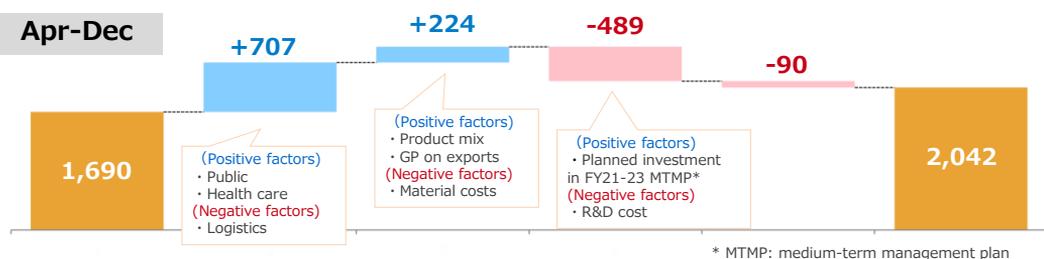
(Millions of JPY)

Oct-Dec



Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +410
Increase in shipping costs *3	Approx. -170
Planned investment in FY21-23 MTMP *4	Approx. -210

Apr-Dec



Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +820
Increase in shipping costs *3	Approx. -30
Planned investment in FY21-23 MTMP *4	Approx. -370

*1: Excludes exchange rate effects.
 *2: Net total from higher material costs and price revision.
 *3: Due to use of air freights.
 *4: Developments of a standard printer platform and new IT infrastructure.

* MTMP: medium-term management plan

← Excludes exchange rate effects →

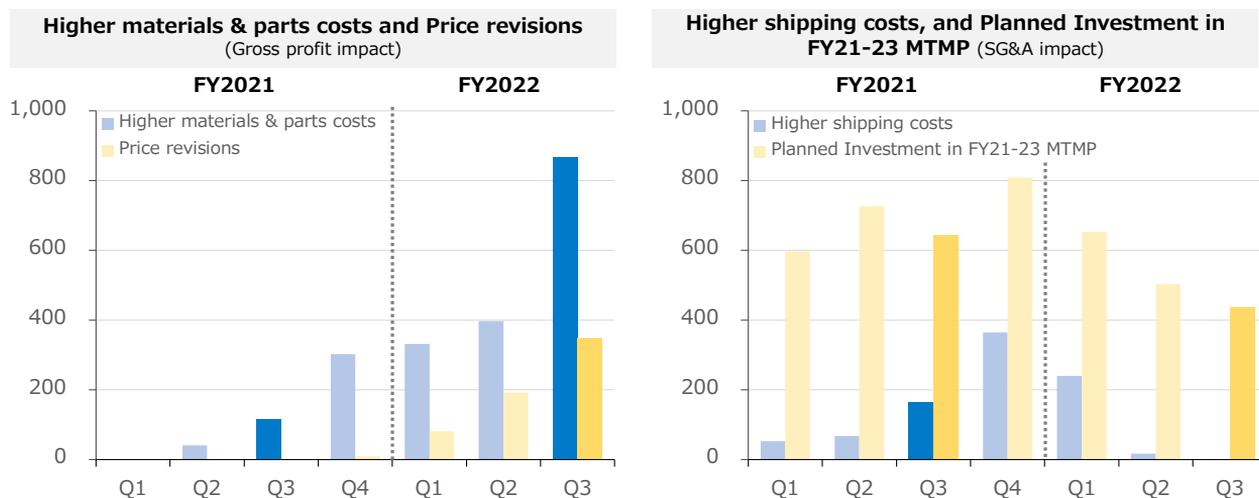


- This slide compares OI figures with those of the previous year. The aforementioned change in the classification of maintenance expenses is not taken into account here.
- Gross profit benefited from improved product mix driven by growth in maintenance and support and increased printer exports. Negative impacts came primarily from higher raw material costs. As shown in the reference table on the right, YoY increase was approximately JPY 410 million.
- SG&A expenses were also controlled appropriately. Growth investment for FY21-23 medium-term management plan (MTMP) and shipping costs declined as planned. On the other hand, expenses increased in R&D and sales related activities, which were conducted in order of priority.
- These factors resulted in OI of approximately JPY 1.1 billion for Q3.

Higher Supply Chain Costs and Investments

Steady trend in line with forecasts*

(Millions of JPY)



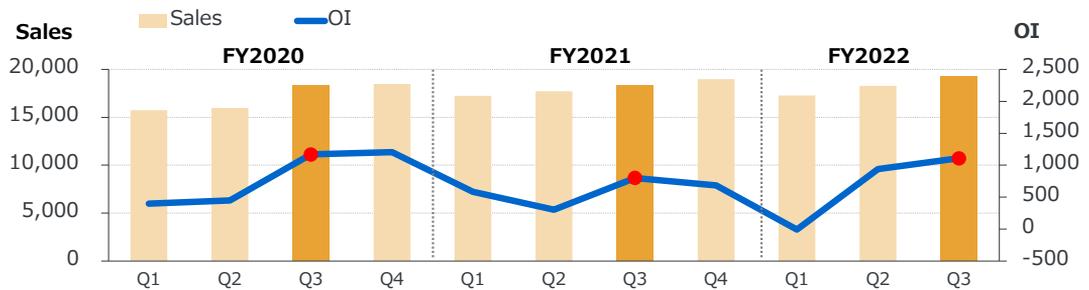
* As of Nov. 9, 2022

- This slide shows quarterly changes in raw material cost and price revisions, shipping costs, and growth investment for FY21-23 MTMP as mentioned as reference in the previous slide.
- In the graph on the left, blue indicates raw material cost increase, and yellow indicates price revision.
- In the graph on the right, blue indicates shipping costs and yellow indicates growth investments for FY21-23 MTMP.
- For Q3, both were steadily in line with forecasts as of the 1H announcement.
- Some price revision negotiations on consumables take longer to settle than we anticipate, so the situation is unpredictable.
- Many negotiations will be closing as the fiscal year ends, so sales will aim to achieve our price revision targets while tapping into our non-sales resources as well.

Auto-ID Solutions Business (Japan)

Quarterly Sales & OI

(Millions of JPY)

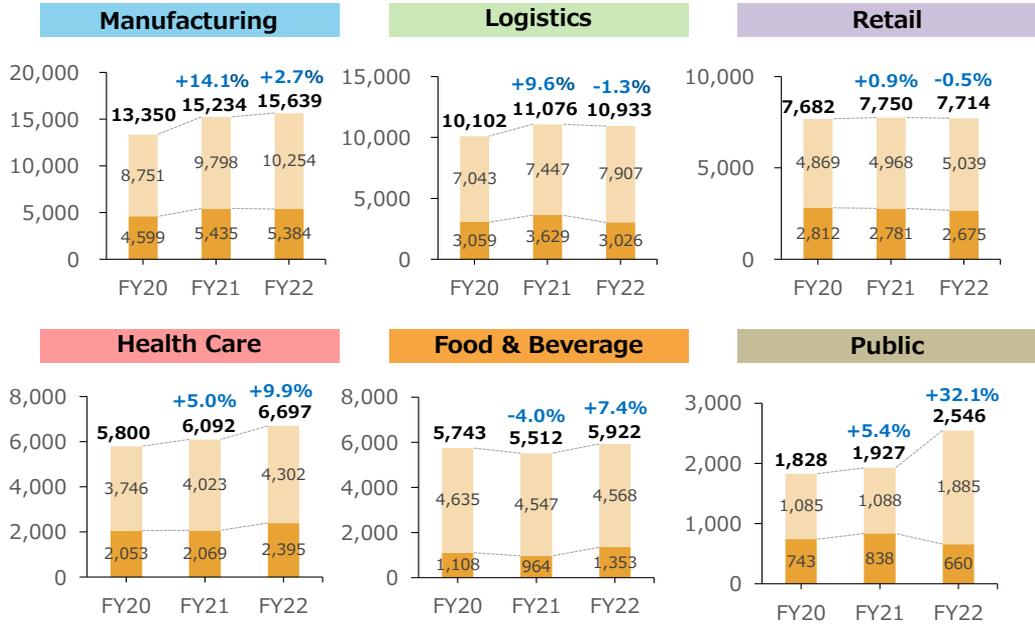


	FY2020				FY2021				FY2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	15,730	15,991	18,352	18,490	17,248	17,729	18,337	18,971	17,291	18,294	19,244
YoY	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%	+10.9%	-0.1%	+2.6%	+0.2%	+3.2%	+4.9%
OI	399	448	1,170	1,203	585	303	801	682	-8	941	1,108
YoY	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%	-32.4%	-31.5%	-43.3%	-	3.1x	+38.3%

● This slide shows figures by quarter. Sales were at a record high level on a quarterly basis.

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change



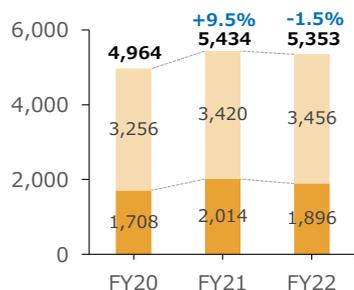
- This slide shows sales trends for each vertical in Japan for Q3.
- Primary changes from 1H were slowdown in the manufacturing market and recovery in logistics and retail.
- Domestic market conditions will be explained in the Q3 slides that follow.

Sales by Vertical 1/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

Manufacturing



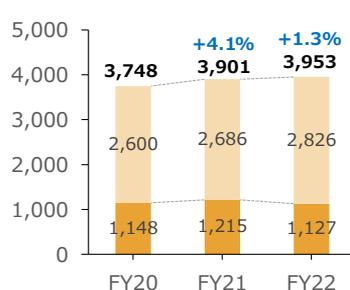
With the semiconductor shortage settling, related industries of electrical, electronic components and chemicals also showed signs of their production settling down. Investments in productivity improvement are becoming more selective.

Consumables sales increased slightly, as demand recovered in automotive but declined in chemicals. Despite increase in automation projects, mechatronics sales declined as demand from electronic components and electrical industries that was brisk last year slowed.

Business environment

SATO

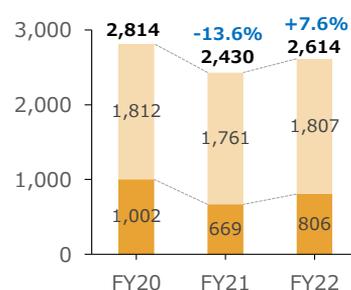
Logistics



Logistics sector was generally favorable with a brisk e-commerce industry and recovery trend in inbound tourism. Demand for DX (digital transformation) and labor-saving solutions continued due to increased logistics volume.

Consumables grew, driven mainly by the recovery of the wholesale industries. Mechatronics demand for automation and RFID purposes was strong, but YoY sales declined as last year's figures had included printer replacement orders.

Retail



Investments continue at supermarkets and other retail stores seeking DX and operational efficiency. The e-commerce industry remained stable.

Consumables increased slightly, mainly due to measures to cope with labor shortages in the merchandise retailing industry. Mechatronics increased, driven by automation needs in apparel and other areas.



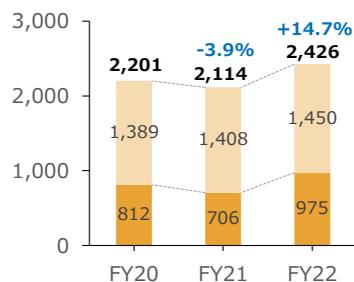
- These are sales by vertical for Q3 alone.
- Manufacturing: Up to the 1H, sales were positive year on year, driven mainly by consumables. Consumables sales grew slightly. Sales of mechatronics declined YoY as slowdown in semiconductor demand caused sales to related electronic components and electrical machinery industries decrease.
- Logistics: Consumables sales increased owing to stable demand in all industries, particularly wholesale. As a result, YoY change was negative in the 1H but turned positive in Q3.
- Retail: Sales of consumables increased, driven by supermarkets. Sales of mechatronics increased, mainly driven by automation need from the apparel industry. YoY change was negative in the 1H but turned positive in Q3.

Sales by Vertical 2/2

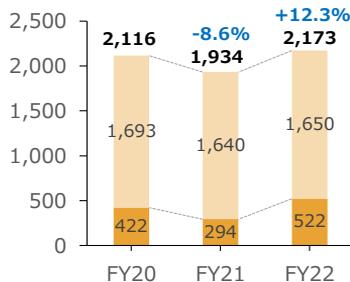
(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

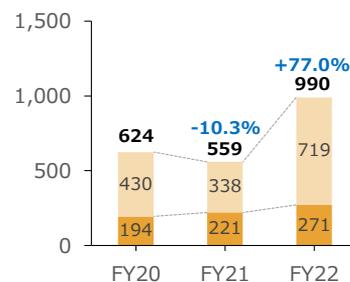
Health Care



Food & Beverage



Public



Business environment

Demand remained firm overall for solutions that improve administrative efficiency and address labor shortages. Investments for automation continued.

Demand for automation and traceability continued due to rising raw material prices and needs to respond to labor shortages.

The overall business environment remained stable.

SATO

Consumables increased slightly due to the use of RFID to respond to administrative needs. Mechatronics grew significantly, mainly reflecting automation needs at medical device manufacturers.

Consumables sales recovered in the restaurant business but dropped in food manufacturing, remaining flat overall. Mechatronics increased significantly, driven by automation deals in the beverage and food manufacturing industries.

Both consumables and mechatronics sales grew significantly due to orders from large-lot customers.



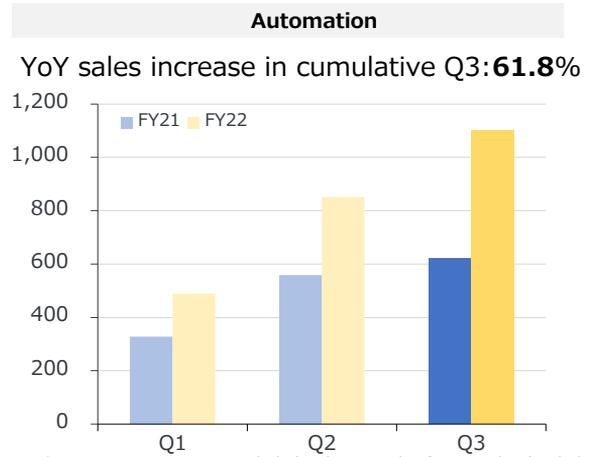
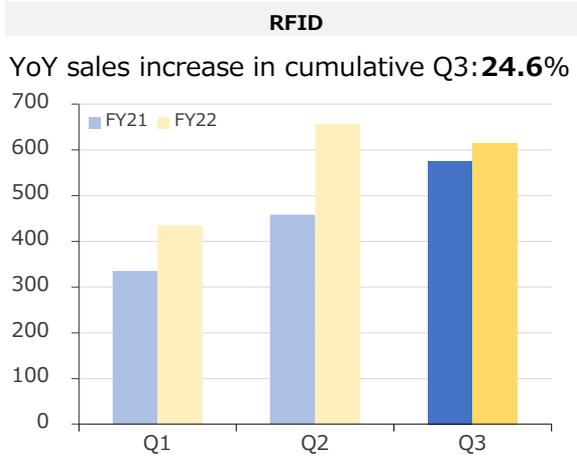
- Health care: YoY growth rate exceeded that for 1H. Sales of both mechatronics and consumables were brisk in the medical device field.
- Food: YoY growth rate exceeded that for 1H. This was driven by increase in consumables owing to recovery in restaurants, and increase in mechatronics as automation-related negotiations were active with food and beverage manufacturers.
- Public: The business environment remains stable, but results are affected by trends in large orders. Both mechatronics and consumables grew significantly due to orders from large customers.
- The Japan business overall for Q3 performed in line with forecasts. We will continue to stay alert for changes that some industries are facing in their external circumstances.

Sales Trends: RFID and Automation

Demand for RFID and automation solutions was favorable against the backdrop of labor shortage and responses to DX.

Sales increased YoY thanks in part to the internal value chain efforts including manufacturing, development and design.

(Millions of JPY)



* Figures in Automation include hardware and software sales (excluding consumables and service and support sales).



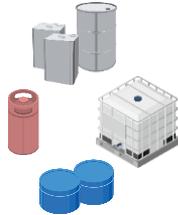
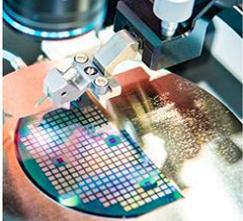
- This slide shows sales of RFID and automation solutions in the Japan business.
- The left shows RFID and the right shows automation solutions. The blue bars show figures for FY21 and the yellow for FY22.
- Both categories are performing well, with RFID growing by about 25% and automation by about 62% YoY in Q1–Q3 totals.
- This owes to strong needs in various markets to respond to labor shortages and DX, and the enhancements we made to our supply chain to promptly meet this demand.
- Although some customers are cautious about these investments in the short term due to the uncertainty of the external environment, we expect demand to continue in the medium to long term.

Consolidated

Topics: RFID and automation for building digital supply chains

Global deployment

Innovation of semiconductor manufacturer's supply chain with RFID



Tech innovation

Collaboration with wireless power leader for next-gen smart stores



Revenue model diversification

New temperature log management solution with a pay-for-use model (Japan)



● Customers' pain points	Sharp increase in demand, supply chain disruptions	Missed sales opportunities, labor shortage	Poor traceability quality
● Solutions	Offering RFID tagging for shipments for diverse suppliers across multiple countries to improve supply chain	Creating next-generation store solutions combining energous' cutting-edge technological know-how and Wiilot IoT Pixels* with our knowledge of on-site needs in the retail industry	Total solutions combined RFID tags equipped with temperature-log functions with cloud services, leading to better temperature visibility within supply chain
● Competitive edge	Global direct sales system, Product quality (tags, packaged software), Tagging know-how	● Possible solutions: Real-time visualization of product quantities and conditions on store shelves, etc.	Product quality (tag, cloud functionality), Solution Design (better useability)
● Value proposition	Optimizing production and inventory, improving productivity	Reducing missed sales, improving productivity, and improving customer service	Offering reassurance
● Future Expansion	Assembly manufacturers, supermarkets and restaurants	Solutions developed in partnership to improve retail store profitability	Food, logistics, manufacturing, and Overseas markets in the future

*Bluetooth Low Energy tags that sense humidity, proximity, temperature, etc., developed by Israel-based Wiilot 25

- RFID and automation solutions are essential for customers in building digital supply chains not only in Japan but around the world as well.
- We have three key initiatives that we are working on in and outside Japan.
 - One is to support the supply chain of major semiconductor manufacturers with RFID.
 - As you are aware, the pandemic has caused semiconductor demand to surge while disrupting the supply chain and material procurements. Stabilizing procurement has become a pressing issue for manufacturers. That's why many manufacturers are turning to RFID to visualize and streamline their supply chains.
 - Our competitive advantage is in (1) our global, direct sales network, (2) the quality of RFID tags and packaged software, and (3) our on-site tagging expertise. As a semiconductor manufacturer has hundreds of suppliers across multiple countries and regions, and also handles a variety of goods (that take tags), these three benefits are key criteria for customers in selecting a partner.
 - We hope to take our solutions to other markets as well, to other assembly-type manufacturers and even to food, where some major supermarkets and restaurant chains overseas are already pushing suppliers to start tagging with RFID.
- Two involves collaboration with Energous, the U.S. leader in wireless power supply technology.
 - Our goal is to create next-generation solutions for the retail industry. For example, we aim to reduce the loss of sales opportunities and improve the efficiency of in-store operations by visualizing whether products are on store shelves or not in real time and optimizing the timing of replenishing products.
 - These partnerships will become increasingly important for us in creating solutions to challenges faced by customers and society. As long as we center on tagging, we will not stick to doing things in-house or self-sufficiently.
- And three is a temperature log management solution that takes a pay-per-use model.
 - This solutions consists of RFID tags equipped with a temperature-logging function that, together with a cloud service, leads to better temperature visibility within a supply chain. We have received many inquiries from food and logistics customers who face challenges in the quality of traceability.
 - We are eyeing roll out overseas as well.

FY2022 Consolidated Forecasts

(Millions of JPY)

Figures in parentheses exclude the Russian business.

	Apr-Dec		Jan-Mar		FY2022			
	Results	YoY	Revised Plan	YoY	Revised Plan <small>As of Feb. 10, 2023</small>	Previous Plan <small>As of Nov. 9, 2022</small>	Change	YoY
Net Sales	108,334 (94,408)	+17.3% (+10.8%)	34,665 (31,591)	+7.0% (+5.7%)	143,000 (126,000)	142,000 (127,000)	+1,000 (-1,000)	+14.6% (+9.5%)
Operating Income	7,081 (4,542)	+49.3% (+8.7%)	2,418 (1,957)	+45.6% (+67.0%)	9,500 (6,500)	8,500 (7,000)	+1,000 (-500)	+48.3% (+21.4%)
Ordinary Income	7,676	+66.5%	2,423	+67.5%	10,100	9,700	+400	+66.7%
Profit attributable to owners of parent	5,116	+73.3%	-516	-	4,600	4,400	+200	+21.2%
	<Reference>							
EBITDA*	10,861	←FY2021			14,600	13,600	+1,000	+34.4%

* EBITDA = Operating Income +
Depreciation + Amortization

Exchange rates assumed in FY22 forecast: JPY 134/USD, JPY 138/EUR
Average exchange rates for Apr-Dec, FY22: JPY 136.49 /USD, JPY 140.60 /EUR
Average exchange rates for FY21: JPY 112.39/USD, JPY 130.54/EUR



- These are consolidated forecasts for FY2022.
- We revised our full-year consolidated forecasts mainly in response to robust sales and OI in the Russian business.
- Sales are set JPY 1 billion higher, anticipating +2 billion in our Russian business and -1 billion from our Japan business.
- Operating income is also set JPY 1 billion higher, anticipating +1.5 billion from the Russian business and -500 million from the Japan business.
- The plan excluding the Russian business (shown in parentheses) was revised downward in terms of sales and operating income.
- This revision is attributable to the Japan business. The main reason is that printers are not selling as planned, as we focused on price revisions. Another reason is that customers are replacing printers at much longer cycles due to economic trends and other factors.
- As for the Q4 net income finishing lower than planned: This is because we expect to book extraordinary loss due to the pension buyout at our UK subsidiary as announced in November 2020.
- On Jan. 17, 2023, I announced our shift to a new management team. Since assuming the post of President and CEO in April 2018, I had concentrated on setting our business to focus on and expand auto-ID solutions. But as the pandemic brought about dramatically faster changes to the business environment to which SATO must adapt to in order to achieve sustainable growth, I have decided to pass the reins over to Hiroyuki Konuma, who, with his strong drive for change and action, shall steer our business flexibly yet boldly into the next era with a new management team.
- SATO has, and always will, accelerate business growth by delivering solutions that address societal issues and contributing to a better world. We will refine our performance plans and act with stronger commitment than ever before to enhance visibility of our profitability and win greater trust of our stakeholders.
- I would like to express my sincere gratitude for all the support that was given to me, and ask the same for Konuma as well.

Appendix

Performance data Pages 28-40

SATO terminologies Pages 41-44

Quarterly Sales & OI (Figures exclude the Russian business)

(Millions of JPY)

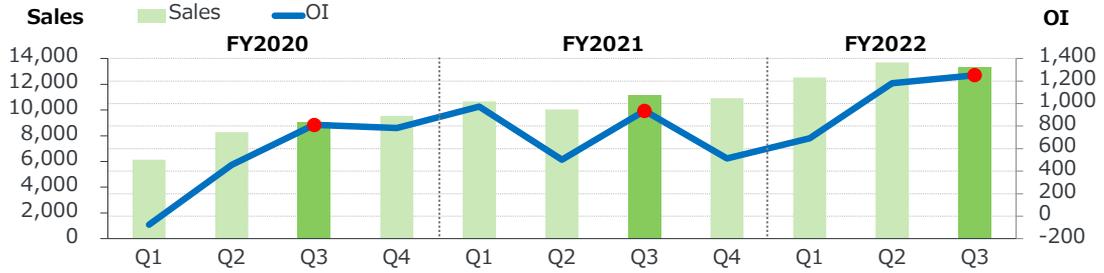


	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	21,940	24,329	27,424	28,043	27,920	27,772	29,493	29,895	29,818	32,001	32,588
YoY	-17.9%	-11.7%	-2.3%	+3.9%	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%	+10.5%
OI	232	859	2,075	1,973	1,505	877	1,797	1,172	598	2,024	1,919
YoY	-84.5%	-56.3%	+2.8%	+11.1%	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x	+6.8%

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI (Figures exclude the Russian business)

(Millions of JPY)

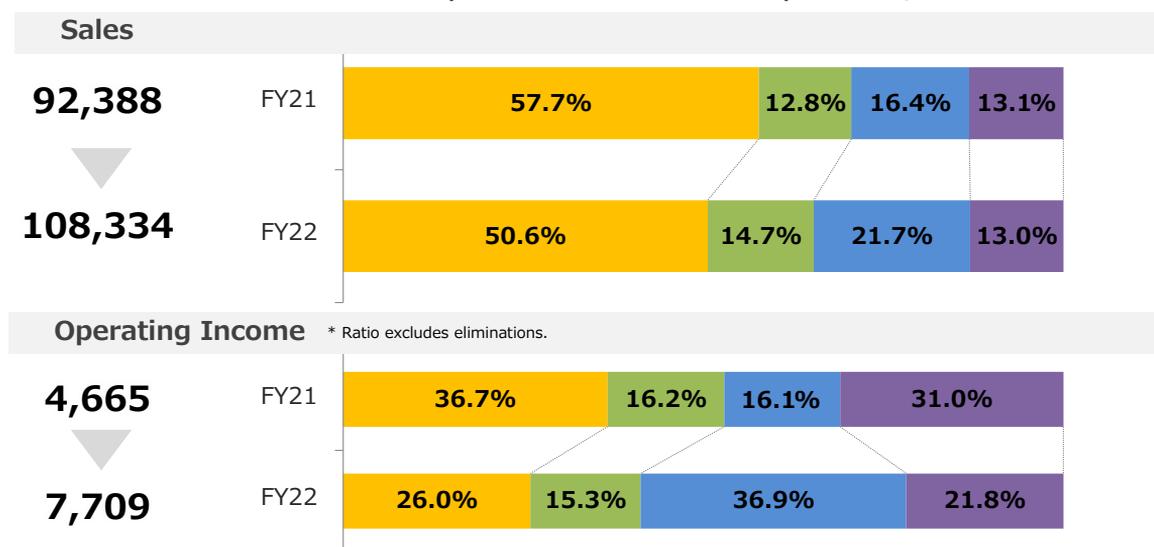


Sales	6,133	8,277	9,071	9,552	10,672	10,043	11,155	10,924	12,527	13,707	13,343
YoY	-32.7%	-6.7%	-2.0%	+14.7%	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%	+19.6%
OI	-75	457	811	783	974	502	935	514	693	1,182	1,252
YoY	-	-14.2%	+18.0%	2.5x	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x	+33.9%

Sales and OI by Region

(Millions of JPY)

Japan The Americas Europe Asia/Oceania

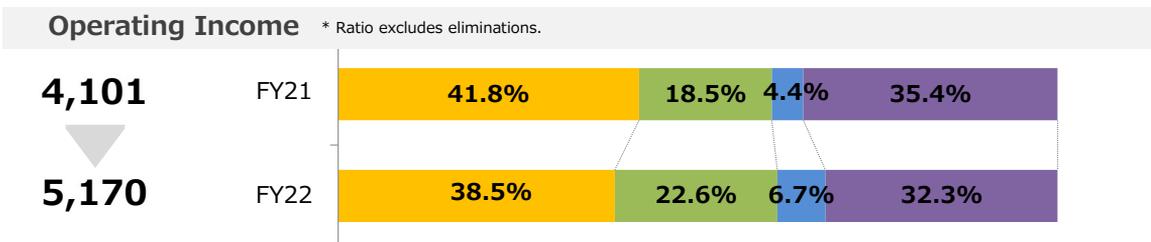
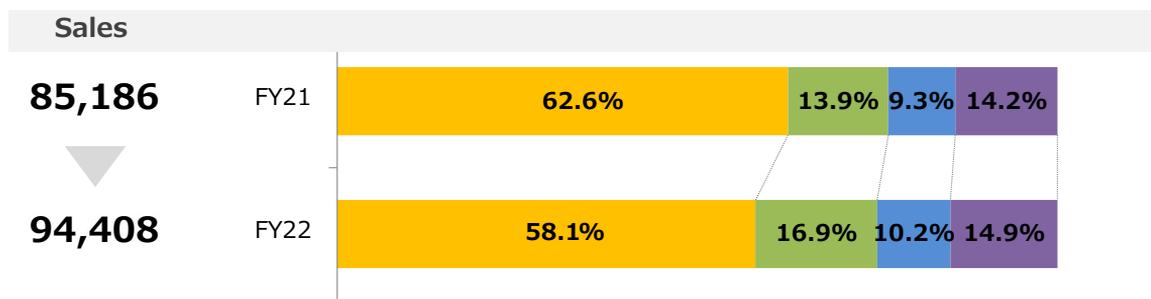


OI Ratio FY21 Japan : 3.2%, Overseas : 7.6%
 FY22 Japan : 3.7%, Overseas : 10.6 %



Sales and OI by Region (Figures exclude the Russian business) (Millions of JPY)

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania



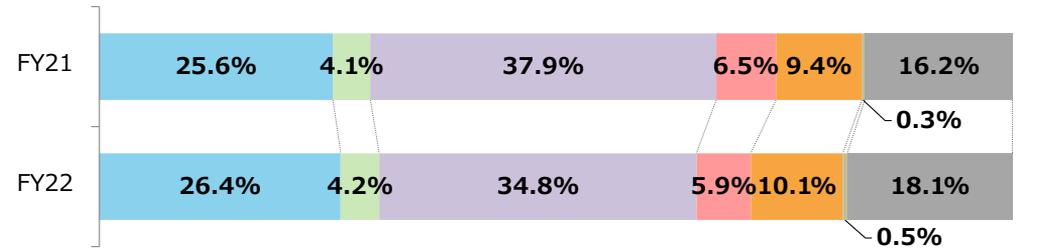
OI Ratio FY21 Japan : 3.2%, Overseas : 7.6%
 FY22 Japan : 3.7%, Overseas : 7.9%



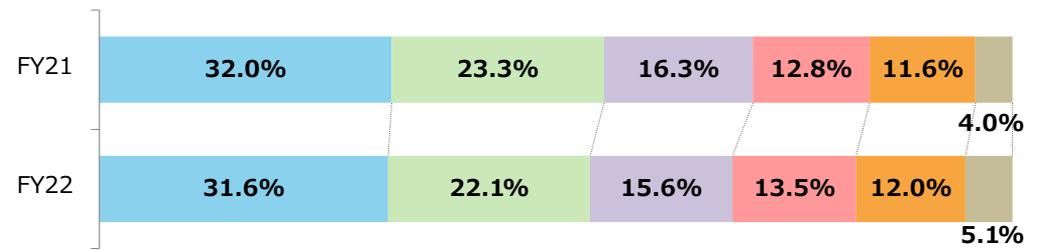
Sales by Vertical

■ Manufacturing
 ■ Logistics
 ■ Retail
 ■ Health Care
 ■ Food & Beverage
 ■ Public
 ■ Others

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



Japan * Maintenance services not included

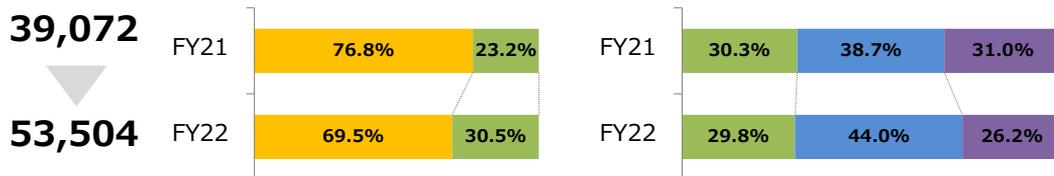


Sales and OI by Business Segment/Region

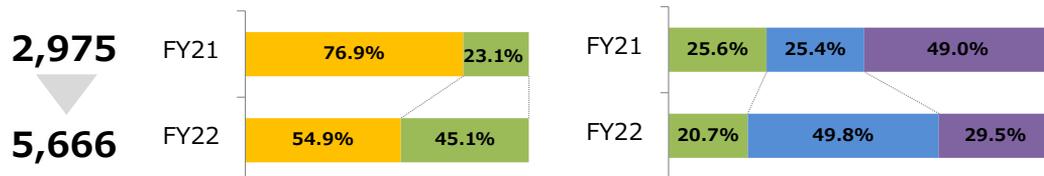
(Millions of JPY)

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

Sales



Operating Income * Ratio excludes eliminations.



OI ratio:
 FY21 Base : 7.5%, Primary Labels : 7.4%
 FY22 Base : 8.6%, Primary Labels : 16.0%

FY21 The Americas : 6.3%, Europe : 4.9%
 Asia/Oceania : 11.8%
 FY22 The Americas : 7.5%, Europe : 12.3%
 Asia/Oceania : 12.2%

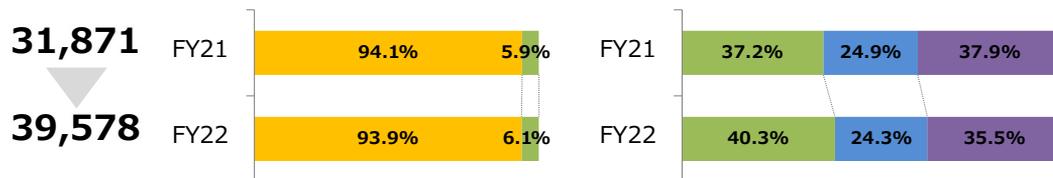


Sales and OI by Business Segment/Region (Figures exclude the Russian business)

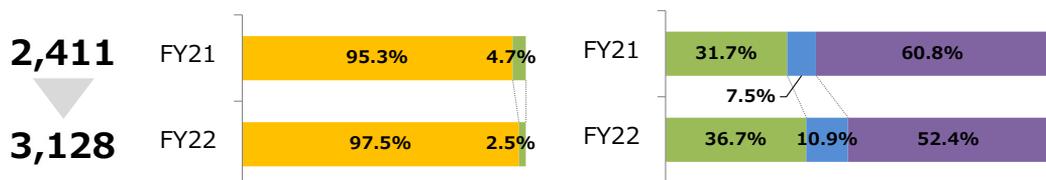
(Millions of JPY)

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

Sales



Operating Income * Ratio excludes eliminations.



OI ratio:
 FY21 Base : 7.5%, Primary Labels : 5.9%
 FY22 Base : 8.6%, Primary Labels : 3.3%

FY21 The Americas : 6.3%, Europe : 2.2%
 Asia/Oceania : 11.8%
 FY22 The Americas : 7.5%, Europe : 3.7%
 Asia/Oceania : 12.2%



Auto-ID Solutions Business (Overseas)

Breakdown by Business Segment

(Millions of JPY)

		FY2022	FY2021	Change	YoY	
		Oct-Dec	Oct-Dec			excl. FX impact
Base	Total Sales	12,574	10,578	+1,996	+18.9%	+2.3%
	Operating Income	1,338	900	+438	+48.7%	+28.9%
Primary Labels	Total Sales	6,051	3,209	+2,842	+88.6%	+36.9%
	Operating Income	1,398	186	+1,211	7.5x	5.4x
Eliminations	Operating Income	-99	14	-114	-	-
		(-99)	(14)	(-114)		
Total	Total Sales	18,626	13,788	+4,838	+35.1%	+10.3%
	Operating Income	2,637	1,101	+1,536	2.4x	+88.4%
		(13,343)	(11,155)	(+2,188)	(+19.6%)	(+3.5%)
		(1,252)	(935)	(+317)	(+33.9%)	(+19.7%)

		FY2022	FY2021	Change	YoY	
		Apr-Dec	Apr-Dec			excl. FX impact
Base	Total Sales	37,181	30,002	+7,179	+23.9%	+7.7%
	Operating Income	3,187	2,242	+945	+42.1%	+24.0%
Primary Labels	Total Sales	16,322	9,070	+7,252	+80.0%	+29.5%
	Operating Income	2,618	673	+1,945	3.9x	2.8x
Eliminations	Operating Income	-139	58	-198	-	-
		(-139)	(58)	(-198)		
Total	Total Sales	53,504	39,072	+14,432	+36.9%	+12.7%
	Operating Income	5,666	2,975	+2,691	+90.5%	+53.1%
		(39,578)	(31,871)	(+7,707)	(+24.2%)	(+8.2%)
		(3,128)	(2,411)	(+716)	(+29.7%)	(+16.7%)



* Figures in parentheses in the lower part of the table exclude the Russian business.

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI



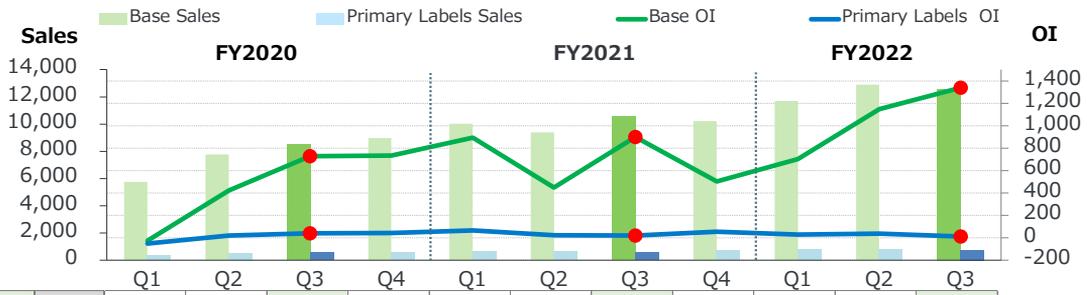
		FY2020				FY2021				FY2022		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901	12,574
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%
	OI	-26	423	727	733	894	447	900	502	701	1,147	1,338
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%
Primary Labels	Sales	2,089	2,389	2,546	2,313	2,905	2,955	3,209	3,217	4,688	5,582	6,051
	YoY	-10.3%	-2.6%	+7.9%	+8.7%	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%	+88.6%
	OI	100	245	270	139	266	220	186	544	254	966	1,398
	YoY	-	4.0x	4.4x	22.0x	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x	7.5x



Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI (Figures exclude the Russian business)

(Millions of JPY)

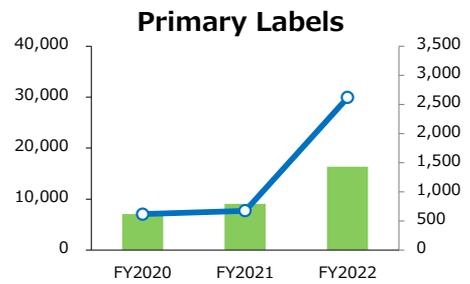
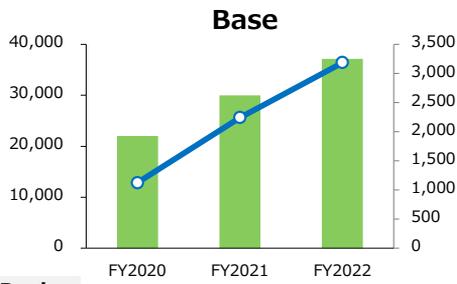


Base	Sales	5,755	7,779	8,499	8,976	10,023	9,399	10,578	10,206	11,706	12,901	12,574
	YoY	-32.6%	-6.1%	-3.0%	+15.2%	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%
	OI	-26	423	727	733	894	447	900	502	701	1,147	1,338
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806	769
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%
	OI	-52	19	39	43	65	24	20	55	28	38	13
	YoY	-	-	-	-	-	+25.0%	-48.2%	+29.2%	-56.7%	+56.7%	-33.7%

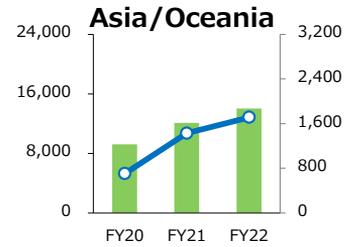
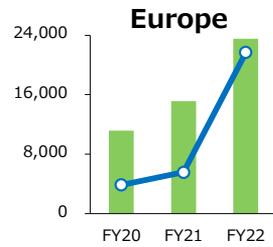
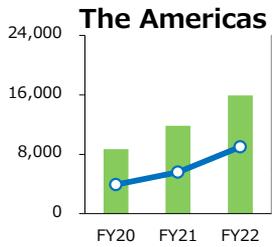


Sales and OI Trends by Business Segment and Region

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

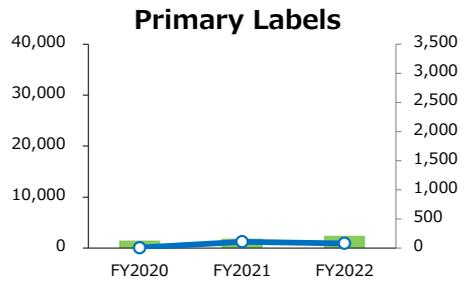
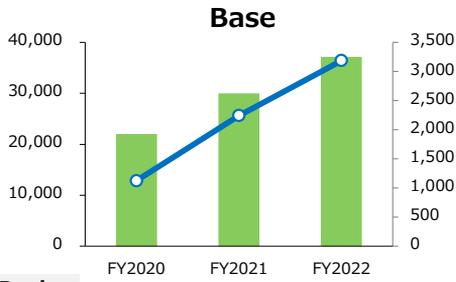


By Region

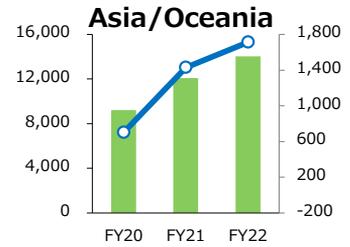
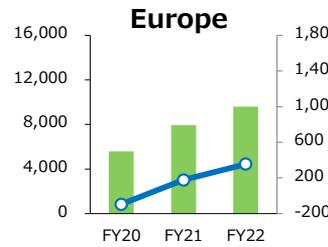
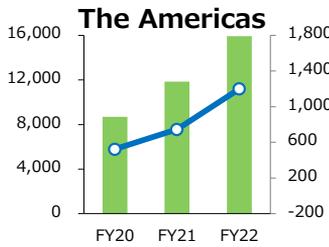


Sales and OI Trends by Business Segment and Region
(Figures exclude the Russian business)

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

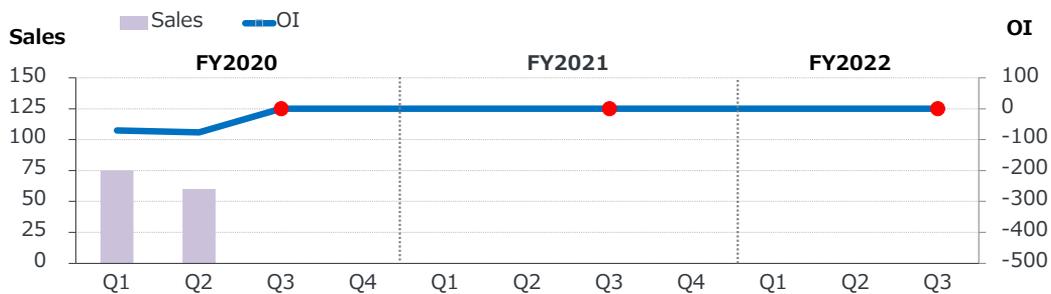


By Region



Quarterly Sales & OI

(Millions of JPY)



Sales	75	60	0	0	0	0	0	0	0	0	0
YoY	-24.6%	-35.9%	-	-	-	-	-	-	-	-	-
OI	-70	-77	0	0	0	0	0	0	0	0	0
YoY	-	-	-	-	-	-	-	-	-	-	-



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

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 & 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). Due to the uncertain external environment, the Russian business is excluded from our forecasts/targets for FY2022 onwards.
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 DCS & Labeling that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of <u>tagging</u> .
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	"All-in sales" mindset	The idea of developing customer touch points not only through in-person sales but together with inside sales, marketing and servicing functions as well to produce high-quality leads for more efficient sales conversations. Also refers to the mindset for all of our non-sales functions in the value chain to take of pursuing customer-centricity.
11	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 tags</u> , primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> but incur low SG&A expenses ratio as they are typically sold through recurring business.

SATO terminologies (3/4)

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