

August 8, 2023

# SATO HOLDINGS CORPORATION

## FY2023 Q1 Financial Results

(Three Months Ended June 30, 2023)

Securities Code: 6287.T

- I am Konuma.
- Thank you for participating in our financial results briefing for 1st Quarter of the fiscal year 2023.
- Now, let me begin.

## Summary

### ■ Q1 Results (YoY)

- Consolidated Sales and OI Increased, both reached record highs.
- Overseas business (excluding Russia) and Russia subsidiaries drove sales and OI.
- Sales increased and OI decreased in the Japan business. Lower profit attributable to lower printer exports and higher costs for consumables.
- Net sales and operating income exceeded forecasts for the consolidated, overseas business (excluding Russia), and Russia subsidiaries. Japan business was lower than forecasts.

### ■ Outlook for operating environment, management policy for Q2 and beyond

- Overseas business (excluding Russia) is expected to recover toward the end of the fiscal year, despite increasing uncertainty. Aiming to show the effects of measures such as strengthening the software development system.
- The Russian subsidiaries maintained a favorable environment compared to the initial forecast. Plan to invest with cash on hand of local subsidiaries based on appropriate risk control.
- In the Japan business, the demand environment is solid. Speed up measures to rebuild profits.



● I'll start with the highlights of this briefing. There are two key takeaways.

● First, consolidated sales and operating income increased, reaching record highs in Q1.

● Overseas business (excluding Russia) and Russia subsidiaries drove sales and OI.

● Sales increased and OI decreased in the Japan business. The decline in OI is attributed to lower gross profit from printer exports and higher costs of consumables.

● Net sales and OI exceeded forecasts for the consolidated, overseas business (excluding Russia), and Russia subsidiaries. Japan business was lower than forecasts.

● In the Overseas business, Q1 results were higher than forecasts. Higher sales attributable to a weaker yen, and higher OI is attributable to one-time factors. Uncertainty will increase after Q2, but this is expected to subside toward the end of the fiscal year. Aiming to show the effects of measures such as strengthening the software development system to accelerate *koto-uri* and its deployment in other regions.

● The Russian subsidiaries are expected to experience a slower deterioration in the competitive environment than was anticipated at the beginning of the fiscal year. We intend to invest with cash on hand of local subsidiaries based on appropriate risk control.

● In the Japan business, we expect demand to remain solid in all markets. Meanwhile, there is an urgent need to rebuild profits. We will accelerate our efforts. Details will be provided later.

## Sales and OI by Business Segment

(Millions of JPY)

		FY2023	FY2022	YoY	
					excl. FX impact
Auto-ID Solutions business	Total Sales	<b>33,989</b> (30,301)	<b>33,686</b> (29,818)	<b>+0.9%</b> (+1.6%)	<b>+2.6%</b> (+1.1%)
	Operating Income	<b>1,959</b> (1,021)	<b>910</b> (684)	<b>2.2x</b> (+49.1%)	<b>2.5x</b> (+65.7%)
Overseas	Total Sales	16,452 (12,765)	16,394 (12,527)	+0.4% (+1.9%)	+3.9% (+0.6%)
	Operating Income	2,169 (1,231)	919 (693)	2.4x (+77.6%)	2.7x (+92.2%)
Japan	Total Sales	17,536	17,291	+1.4%	+1.4%
	Operating Income	-210	-8	-	-
Consolidated (incl. eliminations)	Total Sales	<b>33,989</b> (30,301)	<b>33,686</b> (29,818)	<b>+0.9%</b> (+1.6%)	<b>+2.6%</b> (+1.1%)
	Operating Income	<b>2,160</b> (1,222)	<b>824</b> (598)	<b>2.6x</b> 2.0x	<b>3.0x</b> 2.2x

\* Figures in parentheses exclude the Russian subsidiaries.



- This slide is about sales and OI by business segment.
- Figures in parentheses do not include numbers coming from the Russian subsidiaries. This applies to all the contents in the slides that follow.
- The elimination of profits resulting from intragroup transactions was positive at approximately 200 million yen due to lower unrealized gains resulting from optimization of printers' inventories through enhanced PSI controls. We are trying to reach a reasonable level by the end of 1H.

## Consolidated Results

(Millions of JPY)

	FY2023	FY2022	Change	YoY
Net Sales	<b>33,989</b> (30,301)	<b>33,686</b> (29,818)	<b>+302</b> (+483)	<b>+0.9%</b> (+1.6%)
Operating Income	<b>2,160</b> (1,222)	<b>824</b> (598)	<b>+1,335</b> (+623)	<b>2.6x</b> (2.0x)
Operating Income %	<b>6.4%</b> (4.0%)	<b>2.4%</b> (2.0%)	<b>+3.9pt</b> (+2.0pt)	- -
Ordinary Income	<b>2,071</b> (1,224)	<b>2,049</b> (752)	<b>+22</b> (+472)	<b>+1.1%</b> (+62.7%)
Profit attributable to owners of parent	<b>1,304</b> (777)	<b>1,195</b> (452)	<b>+108</b> (+325)	<b>+9.1%</b> (+72.0%)
Effective Tax Rate	29.4%	25.4%	+4.0pt	-
<b>EBITDA*</b>	<b>3,389</b> (2,318)	<b>2,125</b> (1,707)	<b>+1,263</b> (+610)	<b>+59.4%</b> (+35.7%)

Average foreign exchange rates for Apr-Jun FY23: JPY 137.49/USD, JPY 149.58 /EUR, Apr-Jun FY22: JPY 129.72 /USD, JPY 138.25 /EUR  
FX sensitivity for FY23: JPY +504million in sales and JPY +30million in OI for +1 JPY against USD and assuming all others move by the same ratio

\* EBITDA = Operating Income + Depreciation + Amortization  
· Depreciation for Apr-Jun FY23: JPY 1,191 million (1,058 million)  
· Amortization for Apr-Jun FY23: JPY 37 million (37 million)

Apr-Jun FY22: JPY 1,224 million (1,032 million)  
Apr-Jun FY22: JPY 76 million (76 million)



\* Figures in parentheses exclude the Russian subsidiaries.

- This slide shows the consolidated results.

## Overview

Although the impact of the economic downturn continued in Base Business, mainly in Europe and the Americas, sales increased due to steady growth in Asia/Oceania and Primary Labels. OI increased owing to the effect of increased sales, an improvement in gross profit margin at Russian subsidiaries, and a decrease in SG&A expenses at European subsidiaries.

(Millions of JPY)

	FY2023	FY2022	Change	YoY	excl. FX impact
<b>Total Sales</b>	<b>16,452</b> (12,765)	<b>16,394</b> (12,527)	<b>+58</b> (+238)	<b>+0.4%</b> (+1.9%)	<b>+3.9%</b> (+0.6%)
Gross Profit	6,385 (4,934)	5,275 (4,533)	+1,110 (+401)	+21.0% (+8.8%)	-
Gross Profit %	38.8% (38.7%)	32.2% (36.2%)	+6.6pt (+2.5pt)	-	-
<b>Operating Income</b>	<b>2,169</b> (1,231)	<b>919</b> (693)	<b>+1,250</b> (+537)	<b>2.4x</b> (+77.6%)	<b>2.7x</b> (+92.2%)
Operating Income %	13.2% (9.6%)	5.6% (5.5%)	7.6pt 4.1pt	-	-

\* Figures in parentheses exclude the Russian subsidiaries.

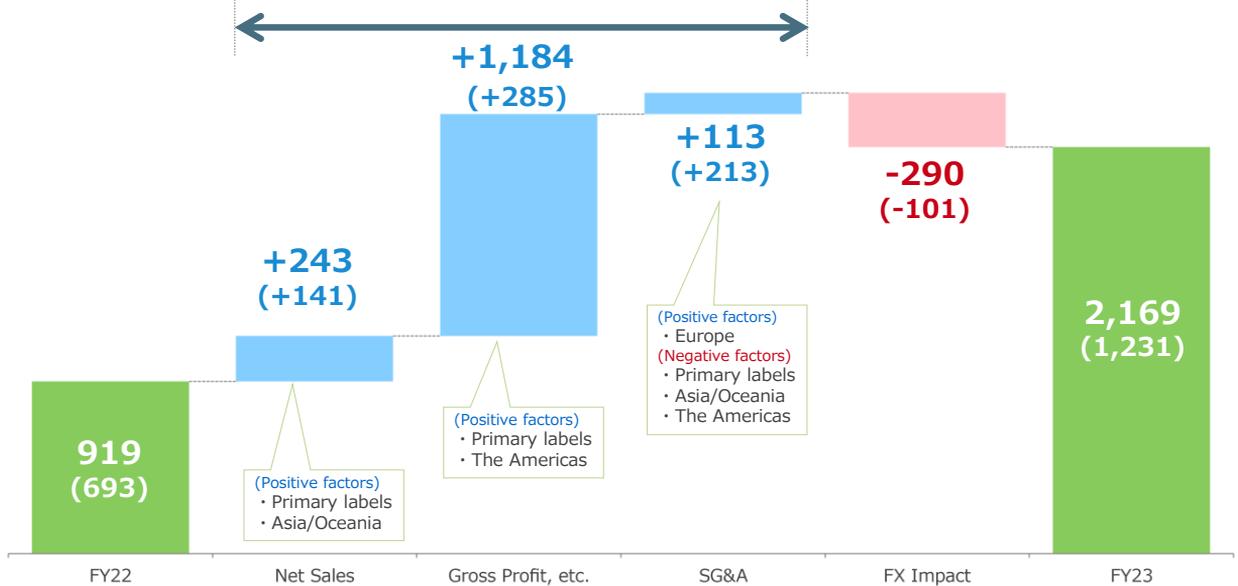


- From here, I will focus on the overseas business.
- Sales increased as the impact of slowdowns in the base business in Europe and the US attributable to the economic downturns was offset by the brisk Asia/Oceania and primary label business.
- OI increased owing to the effect of increased sales, an improvement in gross profit margin at Russian subsidiaries, and a decrease in SG&A expenses at European subsidiaries.

### Major Gains/Losses in OI

(Millions of JPY)

Excludes foreign exchange rate effects



**AUTO** \* Figures in parentheses exclude the Russian subsidiaries. Comments shown in the bubble include the Russian subsidiaries. 5

- This slide compares this fiscal year's operating income against the previous year's.
- Positive/negative factors listed in the balloons include those of the Russian subsidiaries.
- Overseas business (excluding Russia) and Russia subsidiaries contributed to the increase in OI.

## Breakdown by Region: The Americas

**Base business:** Sales at U.S. sales subsidiary remained flat due to the cautious investment behavior of major retail customers and the impact of printer inventory adjustments at distributors. OI increased due to improvement in gross profit margin and control of SG&A expenses.

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

(Millions of JPY)

		FY2023	FY2022	Change		
					YoY	excl. FX impact
Base	Total Sales	4,353	4,214	+139	+3.3%	-0.3%
	Operating Income	197	168	+28	+17.0%	+28.2%
Primary Labels • Achernar • Prakolar	Total Sales	924	821	+103	+12.6%	+49.3%
	Operating Income	228	94	+133	2.4x	3.9x
Total	Total Sales	5,278	5,035	+243	+4.8%	+7.8%
	Operating Income	425	263	+162	+61.5%	2.2x



- Sales and OI increased in the Americas.
- In the base business, sales at U.S. sales subsidiary remained flat due to the cautious investment behavior of major retail customers on alert for a recession and the impact of printer inventory adjustments at distributors.
- OI increased due to an improvement in gross profit margin from price revisions and a decrease in SG&A expenses from one-time factors, including labor cost control.
- In our primary label businesses, both sales and OI increased, driven by brisk demand in the daily commodities industry and our ongoing efforts to revise prices.

## Breakdown by Region: Europe

Base business: Sales decreased due to sluggish printer sales by the economic downturn. OI increased due to a decrease in SG&A expenses as a result of pension buyout adjustments, etc.

Primary Labels business: Sales and OI increased on local currency as Okil remained strong.

(Millions of JPY)

		FY2023	FY2022	Change	YoY	
					YoY	excl. FX impact
Base	Total Sales	2,991	3,195	-204	-6.4%	-13.1%
	Operating Income	487	170	+316	2.9x	2.7x
Primary Labels (Russian subsidiaries)	Total Sales	3,687 (0)	3,867 (0)	-180 (0)	-4.7%	+14.5%
	Operating Income	884 (-53)	159 (-66)	+725 (+13)	5.6x	6.7x
Total	Total Sales	6,678 (2,991)	7,063 (3,195)	-384 (-204)	-5.4%	+2.0%
	Operating Income	1,371 (433)	329 (103)	+1,042 (+330)	4.2x	4.6x



\* Figures in parentheses exclude the Russian subsidiaries.

7

- In Europe, sales decreased, while OI increased. However, sales and OI increased in local currencies.
- In the base business, sales decreased for the same reasons as in the Americas. OI increased due to a decrease in SG&A expenses as a result of pension buyout adjustments, etc. The pension buyout adjustment was one-time and had a positive impact of just under 300 million yen.
- Our primary label companies faced a slower deterioration in the competitive environment than Okil had anticipated at the beginning of the fiscal year. We maintained the share gained last year thanks to this, with an increase in sales and OI on a local currency basis.

## Breakdown by Region: Asia/Oceania

Base business: Sales increased due to strong performance by sales subsidiaries in Indonesia and India, and contributions from sales subsidiaries in China, which were affected by lockdowns in the same period last fiscal year. OI decreased mainly by the impact of lower sales in Argox due to its distributors' inventory adjustment.

(Millions of JPY)

		FY2023	FY2022	Change		
					YoY	excl.FX Impact
Base	Total Sales	4,495	4,296	+199	+4.6%	+2.3%
	Operating Income	324	362	-38	-10.7%	-15.1%

- In Asia/Oceania, sales increased and OI decreased.
- A large-scale RFID project in the retail market contributed to the performance of the Indonesian sales companies, and the Indian sales company performed well in the manufacturing market. Sales increased in Chinese sales companies year-on-year, recovering from the impact of lockdown.
- The decline in OI is mainly attributed to lower sales in Argox due to inventory adjustments at distributors.

## Overview

Sales increased slightly thanks to higher sales in RFID solutions and price revision for consumables. OI decreased due to decline in exports of printers and to higher raw material costs for consumables, despite appropriate control of SG&A expenses.

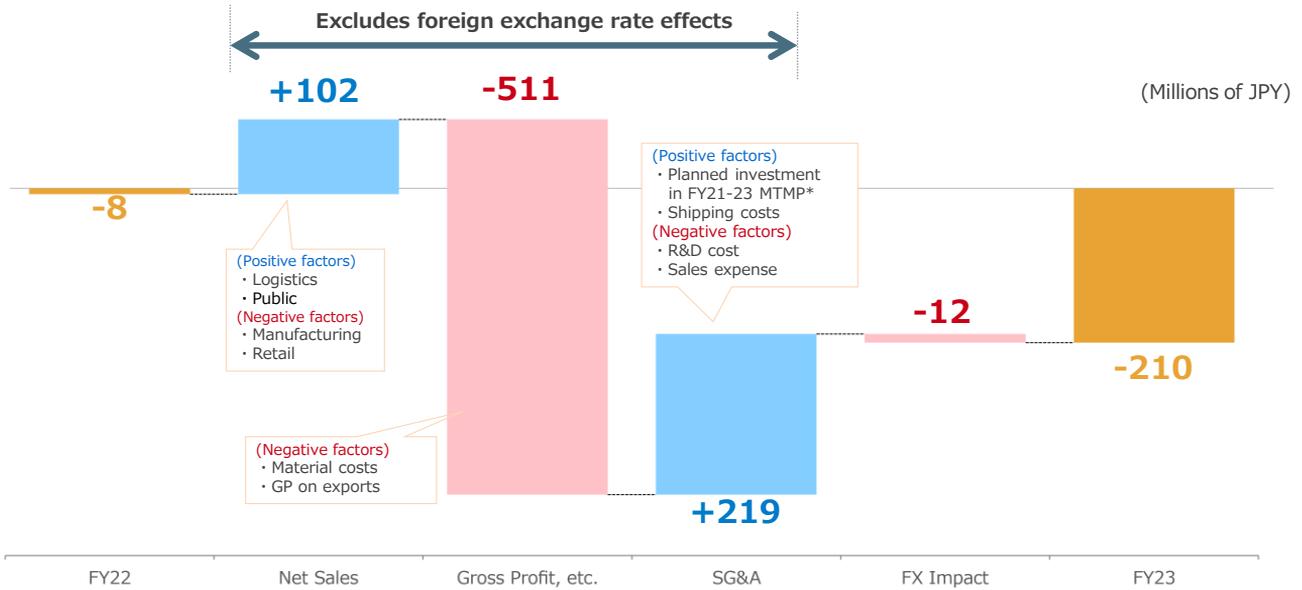
(Millions of JPY)

	FY2023	FY2022	Change	YoY
Mechatronics Sales	6,393	6,501	-107	-1.7%
Consumables Sales	11,142	10,790	+352	+3.3%
<b>Total Sales</b>	<b>17,536</b>	<b>17,291</b>	<b>+244</b>	<b>+1.4%</b>
Gross Profit	7,493	7,914	-421	-5.3%
Gross Profit %	42.7%	45.8%	-3.0pt	-
<b>Operating Income</b>	<b>-210</b>	<b>-8</b>	<b>-201</b>	-
Operating Income %	-	-	-	-

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.

- This section shows results of our Japan business.
- Despite a decrease in sales of mechatronics products, sales increased slightly thanks to higher sales of RFID solutions and price revisions for consumables.
- We appropriately controlled SG&A expenses, but it wasn't enough to cover the decline in printer exports and the higher raw material costs, and as a result, OI decreased.

### Major Gains/Losses in OI



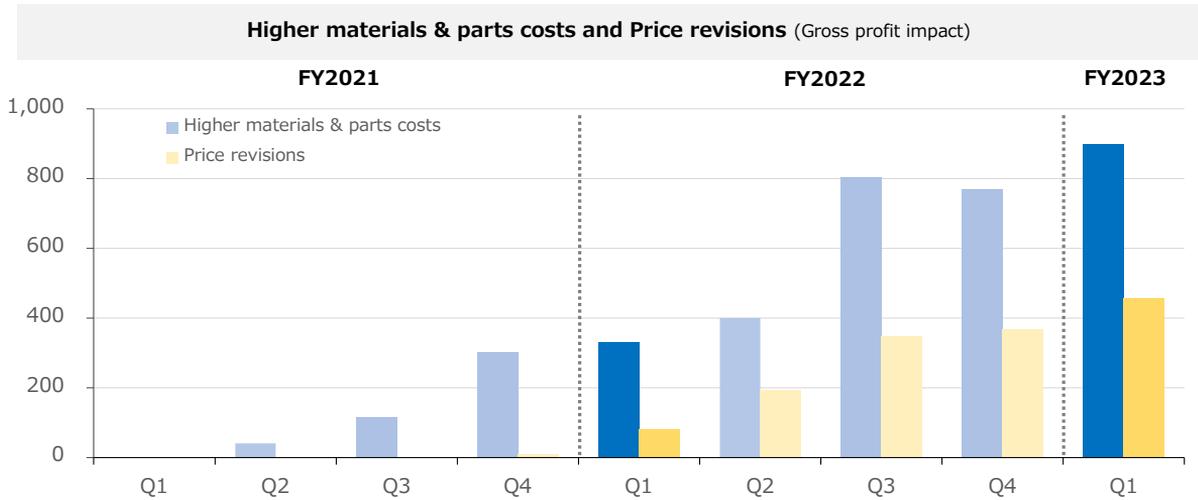
\* MTMP: medium-term management plan

- This slide compares this fiscal year's operating income against the previous year's.
- As explained in the previous slide, the higher sales and well-controlled SG&A expenses were not enough to fully offset the increase in raw material costs and the decline in printer exports, and as a result the Japan business saw a decline in OI.

## Higher Materials & Parts Costs and Price Revisions

Price revision activities have generally progressed in line with the initial plan\*.

(Millions of JPY)



\* Announced on May 15, 2023

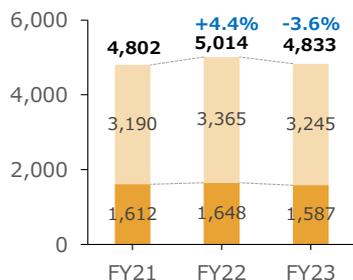
- This slide shows quarterly figures of raw material cost increases and price revisions.
- Price revision activities indicated in yellow have generally progressed in line with the initial plan. Costs increased as forecasted.
- To promote an "All-in sales" mindset, HQ takes on price negotiations on a case-by-case basis when they take time, and contact centers with high close rates handle more customers.

### Sales by Vertical 1/2

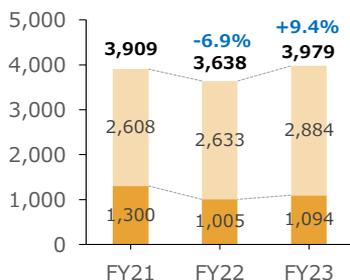
(Millions of JPY)

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

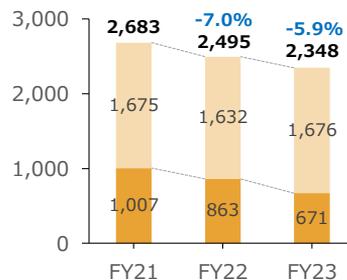
#### Manufacturing



#### Logistics \*



#### Retail



Business environment

Investment that had been postponed due to COVID-19 is on a recovery trend. Continued demand for automation and RFID with clear ROI to respond to labor shortages.

In addition to continued EC activity, overall sales were strong due to a recovery in inbound tourists and other factors. In addition to labor shortages and DX, demand to respond to the 2024 issue appears.

In supermarkets, the company continues to invest in improving DX and streamlining at stores. Capital expenditures in EC sector pause.

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Decline in both mechatronics and consumables due to a pause in demand for semiconductors. Signs of a recovery in automobiles and steel.

Consumables increased in almost all industries due to increased volume. Mechatronics increased, driven by large-scale and automation projects.

Consumables increased slightly overall, despite being driven by a recovery in the retail sector. Mechatronics decreased due to a reaction to large-scale projects in the same period last fiscal year.



\*From FY23-Q1, the classification of some industries has changed from public to logistics. The graph shows this change retroactively. 12

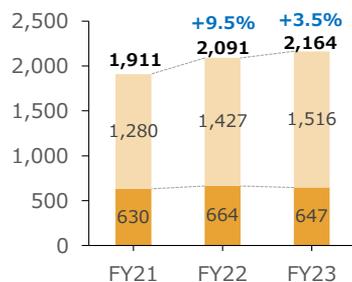
- This slide shows sales in Japan by market.
- In manufacturing, demand for both mechatronics and consumables declined due to a pause in semiconductor-related demand. On the other hand, demand recovered in automobiles and steel. We also expect recovery in semiconductors, as RFID-related negotiations with major semiconductor manufacturers are expected from 2H.
- In logistics, sales increased for both consumables and mechatronics due to strong performance in all industries against the backdrop of increased logistics volume. In addition to labor shortages and shift to DX, the logistics market is starting to see its "2024 issue" surface, to which we would also respond with solutions.
- In retail, the merchandise industry showed recovery and our consumables sales increased slightly. Mechatronics sales, on the other hand, declined as a large-scale project in the EC sector last year is no longer accounted for.

### Sales by Vertical 2/2

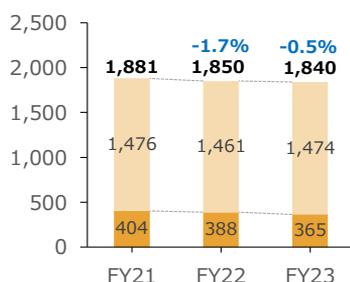
(Millions of JPY)

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

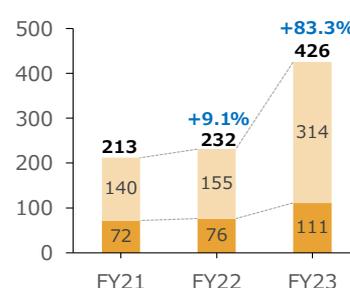
#### Health Care



#### Food & Beverage



#### Public\*



Business environment

Continued to invest in RFID and other areas to streamline administrative operations and responding to labor shortages. Demand remained firm overall.

Demand for automation, traceability, etc. continues against the backdrop of rising costs stemming from rising raw material costs and demands to respond to labor shortages.

The overall business environment remained stable.

SATO

Consumables increased due to RFID projects in medical devices and other areas.

Mechatronics: Slight decrease due to a lack of large automation projects in the same period last fiscal year, despite being driven by large-scale printer projects.

Consumables increased slightly, driven by the food manufacturing and restaurant industries. Mechatronics decreased due to a lack of large automation projects in the food manufacturing industry in the same period last fiscal year.

Significant growth in both consumables and mechatronics due to orders from large customers



\*From FY23-Q1, the classification of some industries has changed from public to logistics. The graph shows this change retroactively. 13

- In health care, particularly in medical equipment, sales of RFID labels and other consumables increased. Mechatronics sales were driven by volume orders of printers but declined slightly overall, as a large-scale project last year for automation solutions is no longer accounted for.
- In the food business, the food manufacturing industry and restaurants performed well owing to factors such as the recovery in inbound demand, resulting in a slight increase in consumables. On the other hand, sales decreased in the food manufacturing industry as a large-scale project last year for automation solutions is no longer accounted for.
- In the public sector, sales of mechatronics and consumables grew significantly year on year due to large-scale projects.
- As described above, quarterly sales for all markets were affected by large-scale projects, but demand remains generally firm.

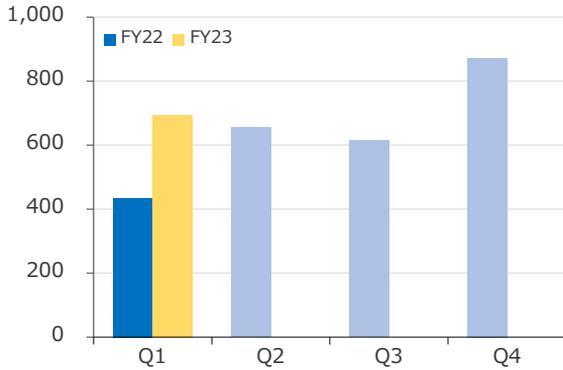
## Sales Trends: RFID and Automation

Both solutions continued to perform strongly, driven by robust demand for digitization and labor shortage mitigation. RFID is growing in manufacturing and public market, whereas automation in manufacturing and logistics markets.

(Millions of JPY)

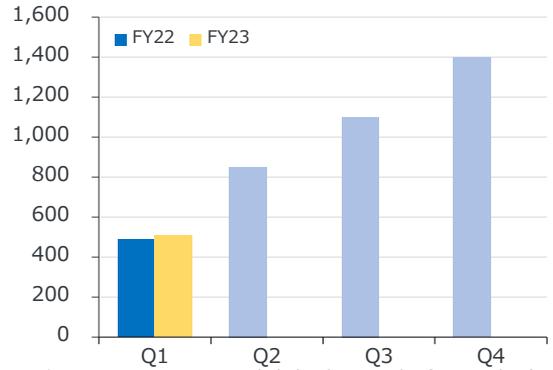
### RFID

YoY sales increase in cumulative :**43.5%**



### Automation

YoY sales increase in cumulative :**4.0%**



\* 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 Japan.
- Demand is firm owing to needs for solutions addressing labor shortages and shift to DX.
- RFID and automation businesses are driven by sales in the manufacturing and logistics markets. RFID sales in Q1 grew significantly year on year, partly due to large-scale projects.

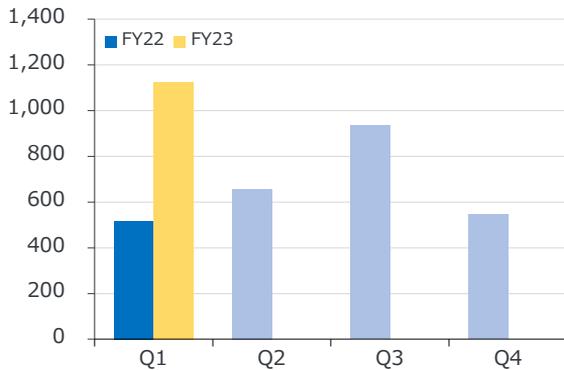
## Sales Trends: RFID and Automation

Both solutions continued to perform strongly, driven by robust demand for digitization and labor shortage mitigation. Growth in RFID was driven mainly by developing businesses with existing global customers. Automation decreased due to a lack of large orders in the same period last fiscal year.

(Millions of JPY)

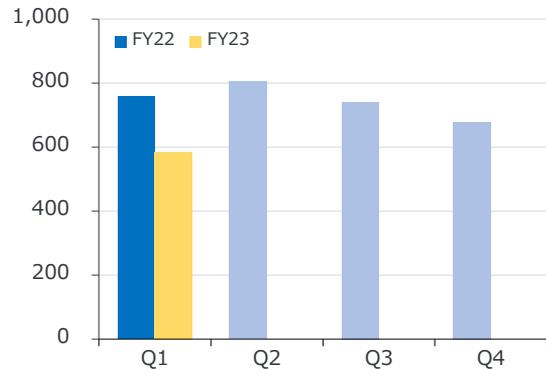
### RFID

YoY sales increase in cumulative :**2.2x**



### Automation

YoY sales decrease in cumulative :**22.9%**



\* Figures in Automation is hardware sales only.

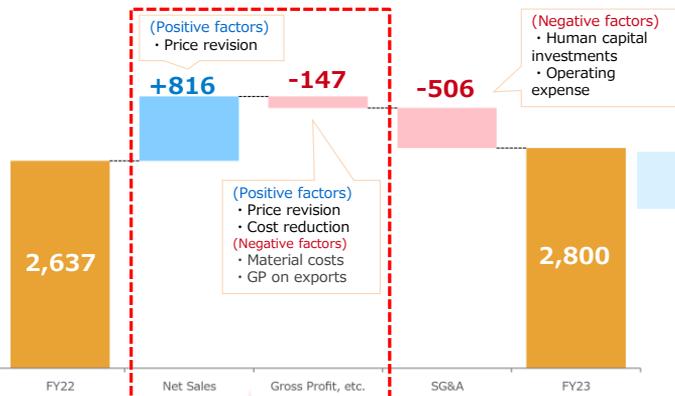


- This slide shows sales of RFID and automation solutions in the overseas business.
- Demand is strong for the same reasons as in Japan.
- RFID sales approximately doubled year on year, owing to orders from existing global customers. Q1 results were, in fact, too good, and we expect figures to level out.
- Automation solution sales declined as a large-scale order received in the same period last year is no longer accounted for. We expect sales to recover through the second half of the fiscal year.

## Rebuilding profits in the Japan Business

### Initial plan\*

### Operational policies after Q2



- Take group-wide actions toward revising prices
- Continue to curb SG&A expenses
- Focus on high-profit, high-growth fields
- Accelerate reforms on in-house value chain

Q1 results (vs. initial plan)

Printer sales

Gross profit on printer exports



\* Revised price revision impact from the initial plan announced on May 15, 2023.



16

- This slide shows how we will rebuild profits in the Japan business from Q2.
- At the beginning of the fiscal year under review, we had planned operating income of 2.8 billion for the current fiscal year.
- In Q1, domestic printer sales and gross profit from exports fell short of initial plans, resulting in a negative impact on gross profit factors. We hope to recover these figures from Q2.
- The four points indicated are our recovery measures.
- As for price revisions, we will continue our "All-in sales" mindset while the company takes the initiative in implementing appropriate prices with agility.
- Controlling SG&A expenses will be implemented at a faster pace.
- We are also moving ahead of initial plans to shift human resources to new, blue ocean markets where we expect high profitability and high growth. This initiative is aimed at structural reform, and is what I will be focusing on. As it takes a certain amount of time for results to appear, we started on it early.
- And as for value chain reforms, we will speed it up, reviewing low-margin products and promoting label standardization.

# Accelerating Growth in Overseas Businesses

Major global companies are increasingly using RFID in their businesses. We will capture these opportunities through efficient collaboration between head office and overseas subsidiaries.



## Examples of Major Global Companies

Manufacturing, health care, transportation, apparel, etc.



- Digital supply chain
- Productivity improvement
- ESG compliance

- **Enhance HQ functions**  
Recruit global talent (China, Thailand)
- **Train sales reps at overseas subsidiaries**  
e-Learning, group training at HQ, etc.
- **Strengthen software development at major overseas subsidiaries**  
Establish R&D teams at major subsidiaries in the U.S. and other regions



Acquired Stafford Press, Inc., the U.S. leader in horticultural tags.\*  
We aim to increase market share in the retail market and expand production of tags/labels

\*As of Apr. 2023



### M&A policy

- Target companies that would serve as a production site for tag/labels or that specialize in software or a specific market/industry
- Will promptly act toward M&A if return on investment can be expected

- Here are initiatives to accelerate growth in our overseas business.
- Currently, RFID management is expanding particularly among major global companies.
- It's expanding in apparel, where RFID use was already prominent, as well as to other markets and industries such as manufacturing, health care and transportation. Customers use RFID to primarily digitalize their supply chain, improve productivity and comply with ESG needs.
- We are responding to these trends by hiring talents proficient in local markets to our department at HQ that promotes RFID business overseas, strengthening our support to sales offices worldwide. We are also expanding functions of and human resources at HQ, local sales offices and regional HQs, training local sales representatives and setting up software development teams at major regional subsidiaries in order to capture robust demand efficiently.
- Setting up software development teams overseas is something we commit to, as we can differentiate ourselves from competitors who only "sell the product," and because we believe it's highly profitable.
- Software development requires seeing the customer's site and hearing out customer needs in linking on-site data with higher-level systems, which are essential actions to selling the solution, not the product.
- We conducted an M&A in the U.S. this April.
- Since its establishment in 1992, Stafford has been the pioneer and number one manufacturer of horticultural tags in the U.S., and boasts a solid customer base. As our U.S. sales company focuses on the retail market that includes horticulture, we expect to take advantage of this M&A to enhance cross-selling.
- The U.S. sales company also had an issue supplying labels to the West Coast, as it only had label factories in the country's east. Stafford has a labeling plant in Washington, which is expected to generate synergy in terms of production.
- Last month, I visited our U.S. sales company last month and learned that the horticultural market is performing favorably, owing to the recent shift in people's values such as working from home prompted by the pandemic. As it also presents strong affinity with the retail market, I felt strong potential for growth.
- I also visited the Stafford production plant. Having a label production base that allows us to serve a greater area only helps our *koto-uri* in the U.S. and is highly encouraging.
- The overseas market has plenty of growth potential, so we will continue to consider M&A opportunities based on the policy described here.

## FY2023 Consolidated Forecasts

(Millions of JPY)

	Apr-Sep		Oct-Mar		FY2023	
	Plan	YoY	Plan	YoY	Plan	YoY
	<b>Net Sales</b>	68,000	-3.5%	72,000	-0.5%	140,000
<b>Operating Income</b>	3,300	-12.6%	4,700	-7.2%	8,000	-9.5%
<b>Ordinary Income</b>	3,200	-35.6%	4,600	+12.2%	7,800	-14.0%
<b>Profit attributable to owners of parent</b>	2,000	-38.1%	3,000	3.1x	5,000	+19.5%
<b>EBITDA*</b>	13,961				13,313	-4.6%

\* EBITDA = Operating Income +  
Depreciation + Amortization

Foreign exchange rates assumption for FY23: JPY 130/USD, JPY 140/EUR  
Average foreign exchange rates for Q1, FY23: JPY 137.49 /USD, JPY 149.58 /EUR  
Average foreign exchange rates for FY22: JPY 135.49/USD, JPY 140.98/EUR



- Finally, this slide shows our consolidated forecasts.
- We aim to achieve these forecasts closely monitoring economic trends and geopolitical risks and implementing measures explained.
- The situation is not necessarily optimistic, but there are some products such as RFID and automation that I look forward to seeing the results of.
- Since assuming Group CEO in April, I have visited our sales companies in Europe and the U.S. and felt our *koto-uri* approach well instilled.
- One of my responsibilities is to spread our *koto-uri* approach efficiently, group-wide. Because that's what I believe will drive our growth.
- Creating together is one of my management policies that will be the key here. In my visits, I conveyed these policies of mine to local employees while building new relationships and creating business opportunities. I met with the president of a major global distributor, and also teamed with the president of a partner company with whom I have a close relationship in Japan to make a sales visit to a prospective local customer.
- Conditions remain challenging for us in the short term, but we will focus on meeting these challenges while we continue to implement initiatives eyeing medium- to long-term growth.
- Thank you.

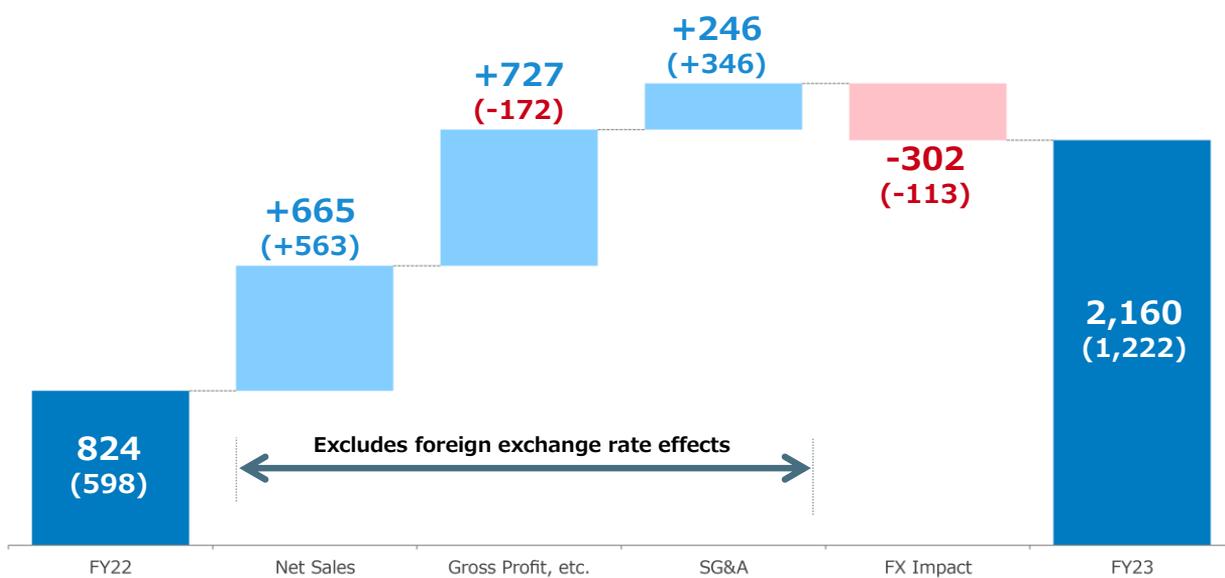
# Appendix

Performance data      Pages 20-38

SATO terminologies      Pages 39-42

### Major Gains/Losses in OI

(Millions of JPY)



**AVTO** \* Figures in parentheses exclude the Russian subsidiaries.

### Quarterly Sales & OI

(Millions of JPY)

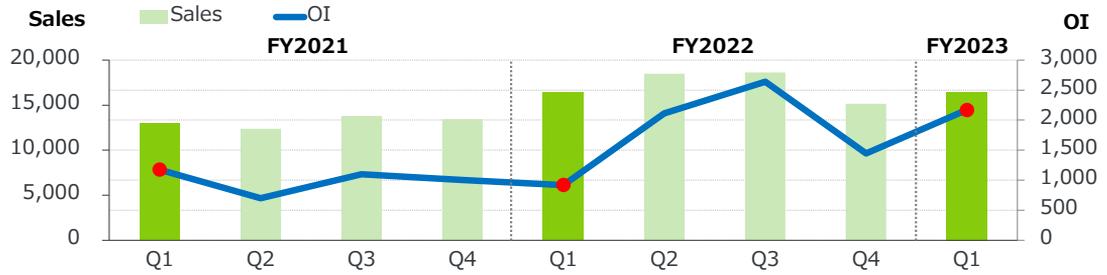


<b>Sales</b>	30,177	30,084	32,126	32,395	33,686	36,777	37,871	34,489	33,989
YoY	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%	+17.9%	+6.5%	+0.9%
<b>OI</b>	1,706	1,073	1,963	1,660	824	2,951	3,304	1,760	2,160
YoY	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x	+68.3%	+6.0%	2.6x

## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

(Millions of JPY)



<b>Sales</b>	12,929	12,354	13,788	13,423	16,394	18,483	18,626	15,153	16,452
<b>YoY</b>	+64.8%	+21.5%	+24.8%	+18.9%	+26.8%	+49.6%	+35.1%	+12.9%	+0.4%
<b>OI</b>	1,175	698	1,101	1,003	919	2,109	2,637	1,445	2,169
<b>YoY</b>	15.1x	+2.2%	+5.6%	+14.0%	-21.8%	3.0x	2.4x	+44.0%	2.4x

# Auto-ID Solutions Business (Overseas)

## The Americas: Quarterly Sales & OI

(Millions of JPY)



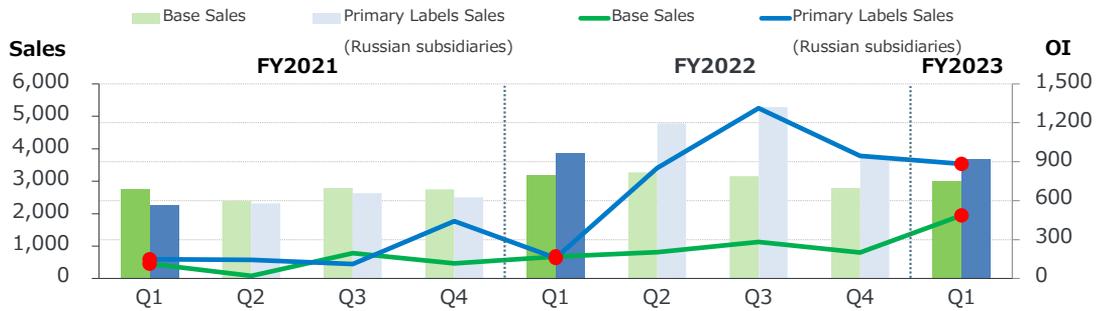
		FY2021				FY2022				FY2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Base	Sales	3,458	2,970	3,554	3,456	4,214	4,694	4,626	3,731	4,353
	YoY	+94.2%	+11.6%	+27.2%	+10.1%	+21.8%	+58.1%	+30.2%	+8.0%	+3.3%
	OI	251	3	223	176	168	328	405	-49	197
	YoY	-	-97.8%	-3.6%	+13.1%	-32.9%	87.3x	+81.1%	-	+17.0%
Primary Labels	Sales	648	643	576	717	821	806	769	752	924
	YoY	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%	+12.6%
	OI	117	76	73	102	94	114	87	155	228
	YoY	45.9x	+4.7%	-18.0%	+9.2%	-19.0%	+50.2%	+18.7%	+51.9%	2.4x



# Auto-ID Solutions Business (Overseas)

## Europe: Quarterly Sales & OI

(Millions of JPY)



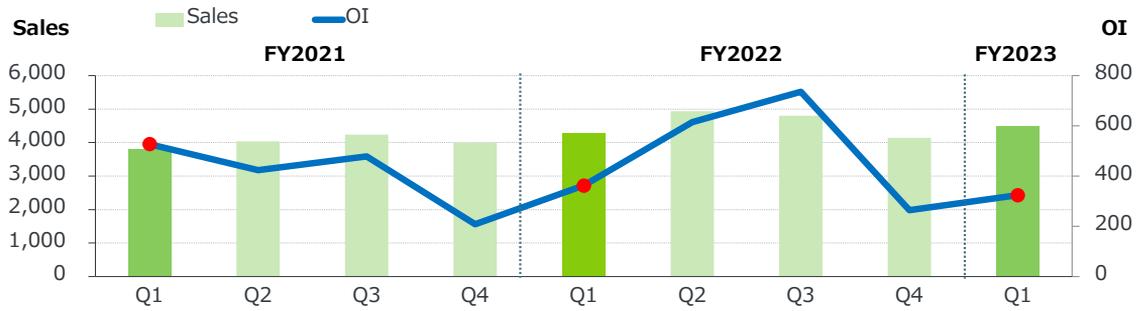
	Sales	FY2021				FY2022				FY2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Base	Sales	2,746	2,391	2,785	2,749	3,195	3,268	3,149	2,789	2,991
	YoY	+89.0%	+19.5%	+30.4%	+37.7%	+16.3%	+36.6%	+13.0%	+1.5%	-6.4%
	OI	115	20	197	117	170	204	196	201	487
	YoY	-	-63.8%	2.1x	5.7x	+46.9%	10.0x	-0.5%	+71.1%	2.9x
Primary Labels (Russian subsidiaries)	Sales	2,256	2,311	2,633	2,499	3,867	4,775	5,282	3,741	3,687
	YoY	+31.9%	+22.2%	+33.4%	+43.8%	+71.4%	2.1x	2.0x	+49.6%	-4.7%
	OI	149	144	113	441	159	851	1,311	945	884
	YoY	+51.8%	-16.3%	-37.5%	9.7x	+6.8%	5.9x	11.6x	2.1x	5.6x



## Auto-ID Solutions Business (Overseas)

### Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)

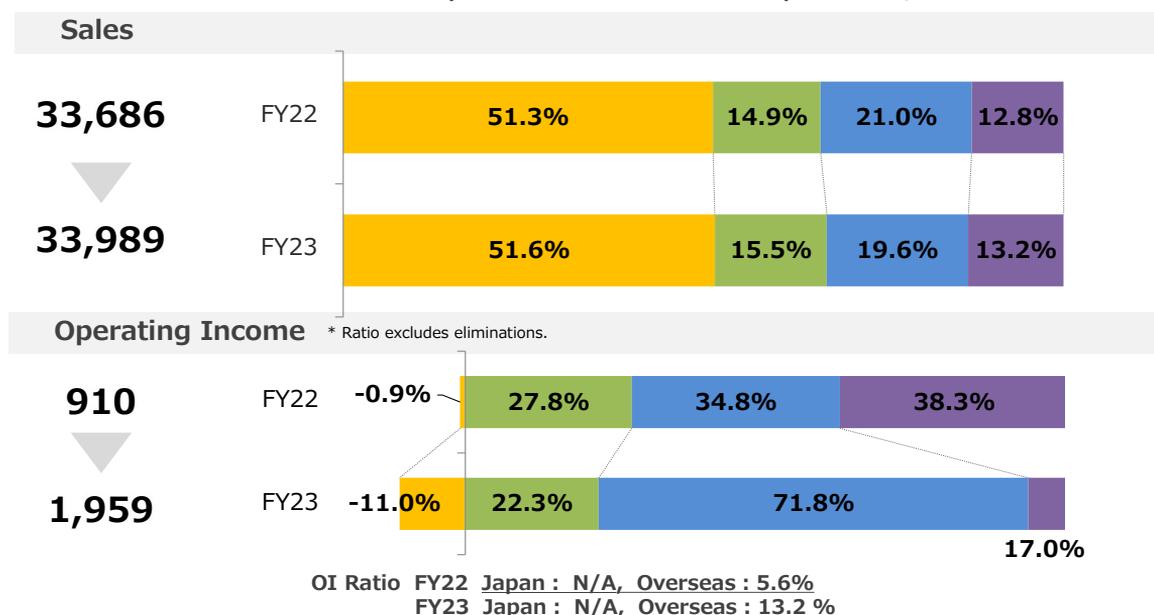


Base	Sales	3,817	4,037	4,238	4,000	4,296	4,938	4,799	4,138	4,495
	YoY	+51.5%	+29.5%	+18.8%	+4.2%	+12.5%	+22.3%	+13.2%	+3.5%	+4.6%
	OI	527	423	478	208	362	614	736	264	324
	YoY	5.1x	2.2x	+19.2%	-62.6%	-31.2%	+44.9%	+53.9%	+26.9%	-10.7%

### Sales and OI by Region

(Millions of JPY)

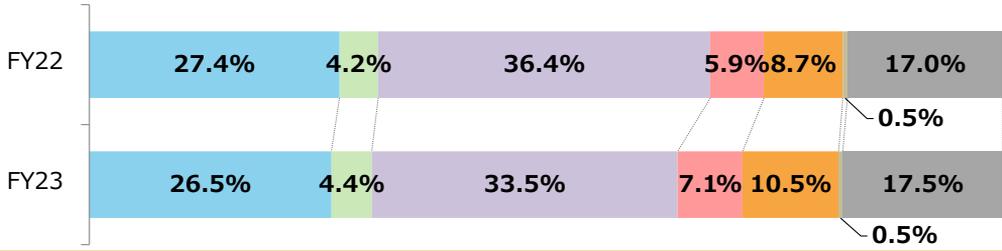
Japan The Americas Europe Asia/Oceania



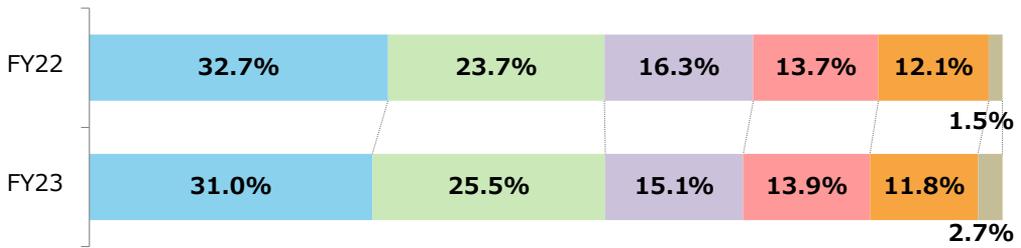
### Sales by Vertical

■ 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



\*From FY23-Q1, the classification of some industries changed from public to logistics. The graph shows this change retroactively.

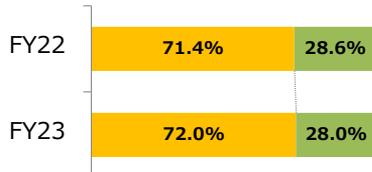
### Sales and OI by Business Segment/Region

(Millions of JPY)

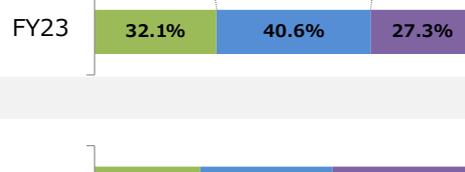
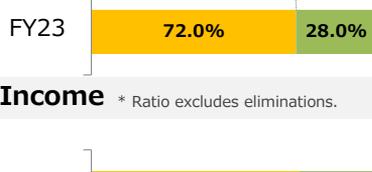
■ Base ■ Primary Labels ■ The Americas ■ Europe ■ Asia/Oceania

#### Sales

16,394

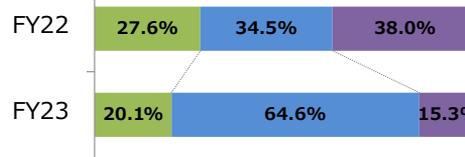


16,452

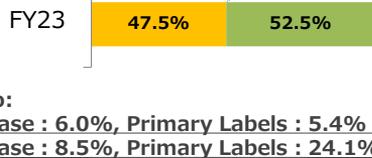


#### Operating Income \* Ratio excludes eliminations.

919



2,169



OI ratio:  
 FY22 Base : 6.0%, Primary Labels : 5.4%  
 FY23 Base : 8.5%, Primary Labels : 24.1%

FY22 The Americas : 5.2%, Europe : 4.7%  
 Asia/Oceania : 8.4%  
 FY23 The Americas : 8.1%, Europe : 20.5%  
 Asia/Oceania : 7.2%



## Breakdown by Business Segment

(Millions of JPY)

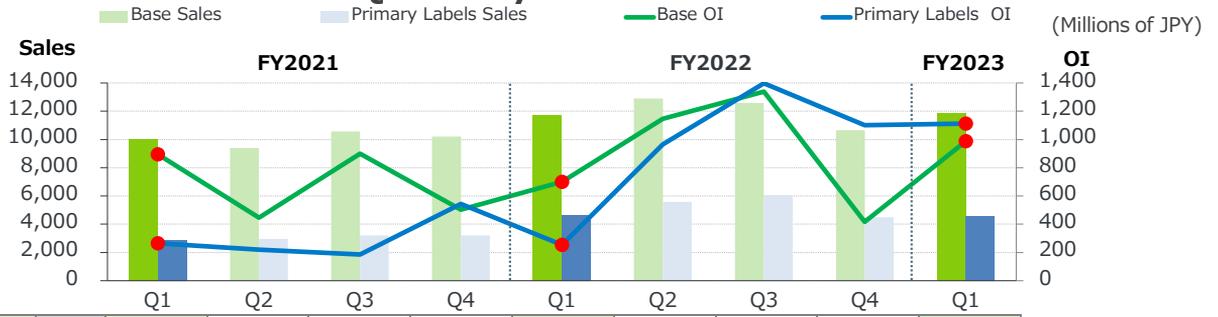
		FY2023	FY2022	Change		
					YoY	excl. FX impact
Base	Total Sales	11,840	11,706	+134	+1.2%	-2.8%
	Operating Income	1,008	701	+306	+43.7%	+40.0%
Primary Labels	Total Sales	4,612 (924)	4,688 (821)	-76 (+103)	-1.6% (+12.6%)	+20.6% (+44.8%)
	Operating Income	1,113 (174)	254 (28)	+859 (+146)	4.4x (6.2x)	5.6x (8.4x)
Eliminations	Operating Income	47 (47)	-36 (-36)	+84 (+84)	- -	- -
	Total Sales	16,452 (12,765)	16,394 (12,527)	+58 (+238)	+0.4% (+1.9%)	+3.9% (+0.6%)
Total	Operating Income	2,169 (1,231)	919 (693)	+1,250 (+537)	2.4x (+77.6%)	2.7x (+92.2%)



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

## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

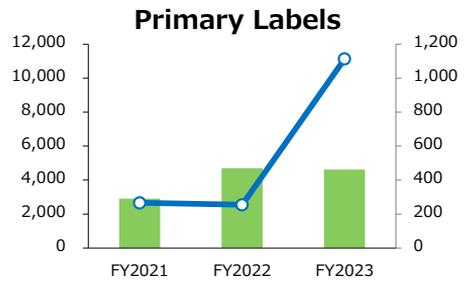
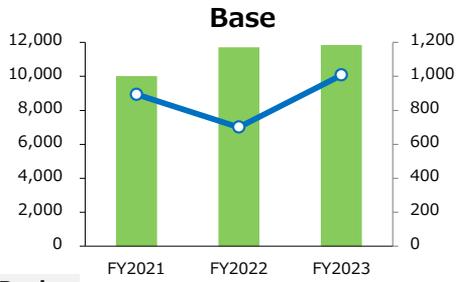


		FY2021				FY2022				FY2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%
	OI	894	447	900	502	701	1,147	1,338	416	1,008
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	43.7%
Primary Labels	Sales	2,905	2,955	3,209	3,217	4,688	5,582	6,051	4,493	4,612
	YoY	+39.1%	+23.7%	+26.1%	+39.0%	+61.4%	+88.9%	+88.6%	+39.7%	-1.6%
	OI	266	220	186	544	254	966	1,398	1,101	1,113
	YoY	2.6x	-10.1%	-31.0%	3.9x	-4.6%	4.4x	7.5x	2.0x	4.4x

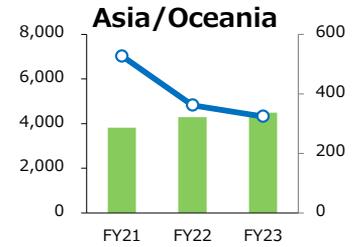
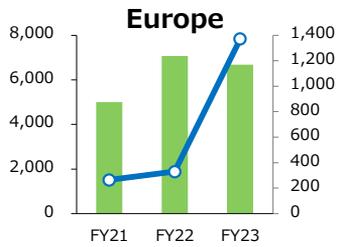
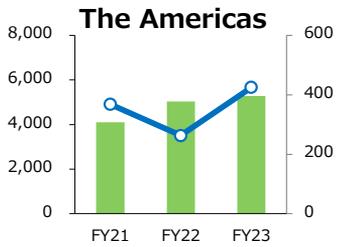


Sales and OI Trends by Business Segment and Region

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



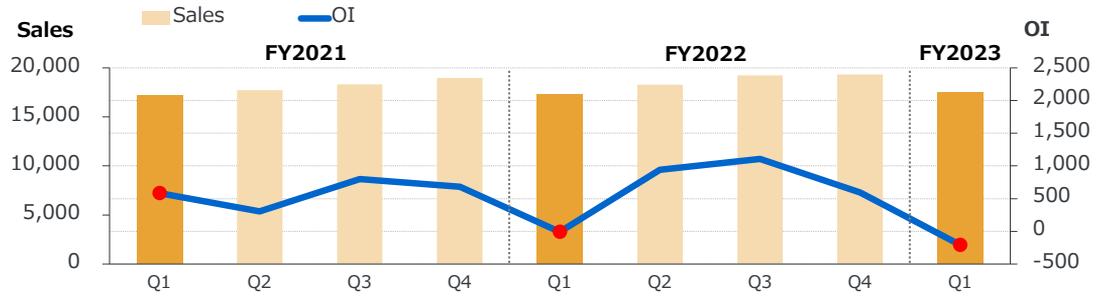
By Region



## Auto-ID Solutions Business (Japan)

### Quarterly Sales & OI

(Millions of JPY)



<b>Sales</b>	17,248	17,729	18,337	18,971	17,291	18,294	19,244	19,336	17,536
<b>YoY</b>	+9.6%	+10.9%	-0.1%	+2.6%	+0.2%	+3.2%	+4.9%	+1.9%	+1.4%
<b>OI</b>	585	303	801	682	-8	941	1,108	594	-210
<b>YoY</b>	+46.7%	-32.4%	-31.5%	-43.3%	-	3.1x	+38.3%	-12.8%	-

### Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)

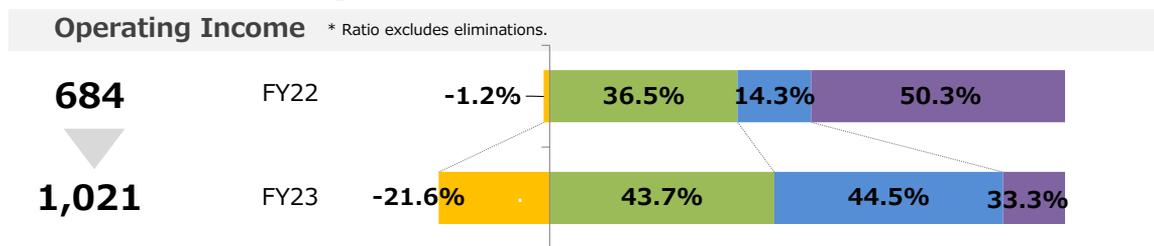
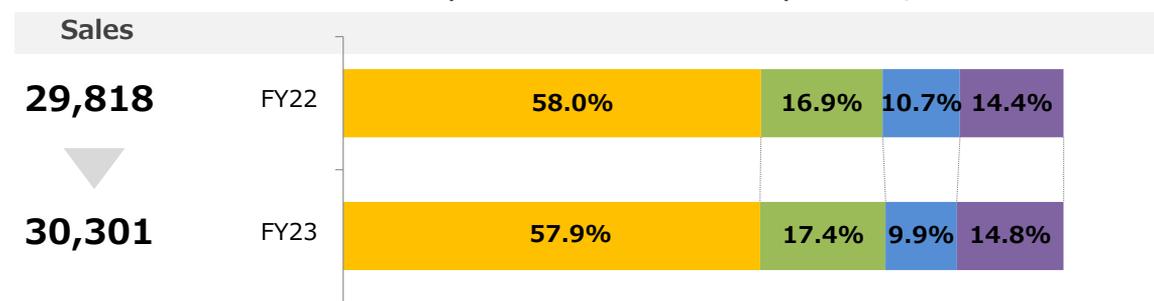


<b>Sales</b>	27,920	27,772	29,493	29,895	29,818	32,001	32,588	30,748	30,301
YoY	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%	+10.5%	+2.9%	+1.6%
<b>OI</b>	1,505	877	1,797	1,172	598	2,024	1,919	755	1,222
YoY	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x	+6.8%	-35.6%	2.0x



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

Japan The Americas Europe Asia/Oceania



OI Ratio FY22 Japan : N/A %, Overseas : 5.5%  
 FY23 Japan : N/A %, Overseas : 9.6%



## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)



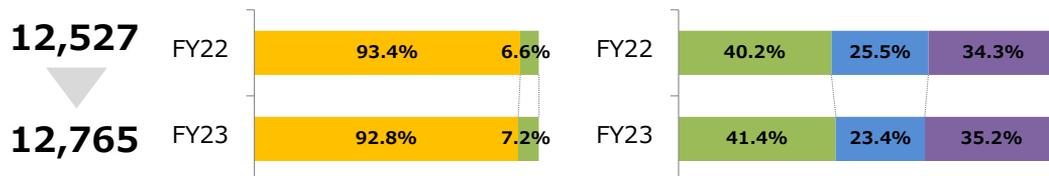
<b>Sales</b>	10,672	10,043	11,155	10,924	12,527	13,707	13,343	11,411	12,765
<b>YoY</b>	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%	+19.6%	+4.5%	+1.9%
<b>OI</b>	974	502	935	514	693	1,182	1,252	440	1,231
<b>YoY</b>	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x	+33.9%	-14.5%	+77.6%

### Sales and OI by Business Segment/Region

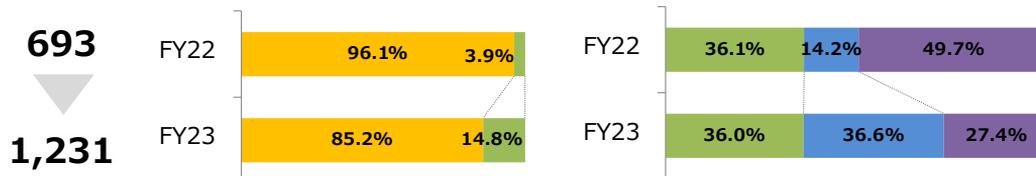
(Figures exclude the Russian subsidiaries) (Millions of JPY)

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

#### Sales



#### Operating Income \* Ratio excludes eliminations.



OI ratio:  
 FY22 Base : 6.0%, Primary Labels : 3.4%  
 FY23 Base : 8.5%, Primary Labels : 18.9%

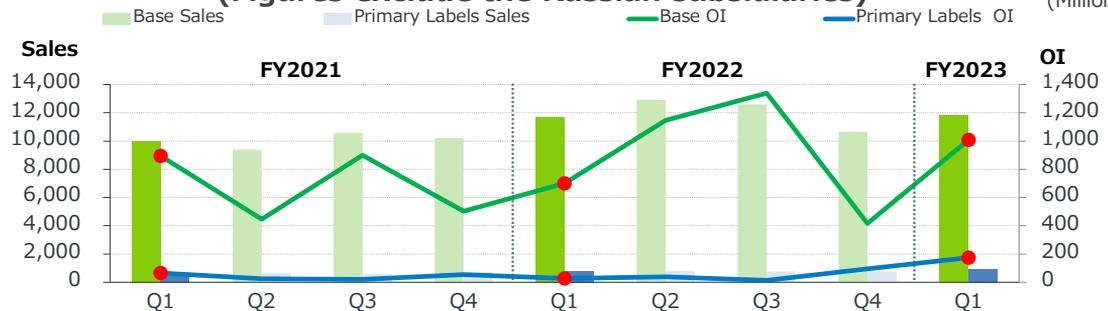
FY22 The Americas : 5.2%, Europe : 3.2%  
 Asia/Oceania : 8.4%  
 FY23 The Americas : 8.1%, Europe : 14.5%  
 Asia/Oceania : 7.2%



## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI (Figures exclude the Russian subsidiaries)

(Millions of JPY)

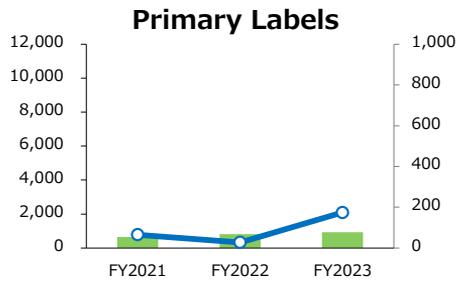
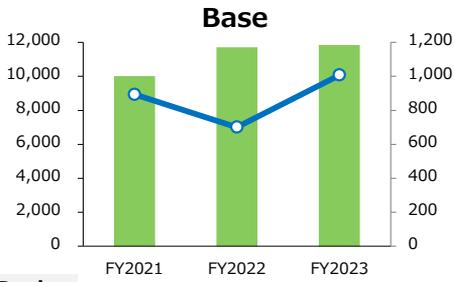


Base	Sales	10,023	9,399	10,578	10,206	11,706	12,901	12,574	10,659	11,840
	YoY	+74.2%	+20.8%	+24.5%	+13.7%	+16.8%	+37.2%	+18.9%	+4.4%	+1.2%
	OI	894	447	900	502	701	1,147	1,338	416	1,008
	YoY	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x	+48.7%	-17.2%	43.7%
Primary Labels	Sales	648	643	576	717	821	806	769	752	924
	YoY	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%	+33.4%	+4.8%	+12.6%
	OI	65	24	20	55	28	38	13	95	174
	YoY	-	+25.0%	-48.2%	+29.2%	-56.7%	+56.7%	-33.7%	+71.4%	6.2x

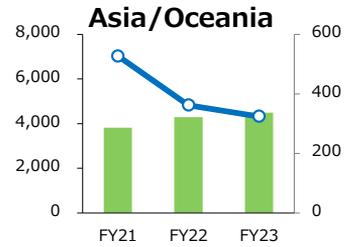
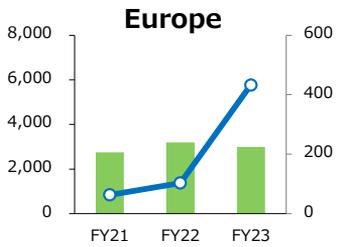
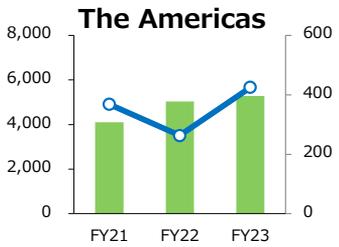


Sales and OI Trends by Business Segment and Region  
(Figures exclude the Russian subsidiaries)

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



By Region



# 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>Acherna</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 RFID) 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 &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.
6	Stafford Press, Inc. (U.S)	[2023] Company engaging in production and sales of horticulture tags and labels, and inkjet printers for on-demand color printing of such tags and 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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