



August 8, 2024

SATO HOLDINGS CORPORATION

Q1 FY2024 Financial Results (Three Months Ended June 30, 2024)

Securities Code: 6287.T

- This is Masuko, the CFO newly appointed in April.
- Thank you for taking time out of your busy schedule to join us today.
- Let's get started.



●Today, I will explain in two parts, “Apr-Jun 2024 Results” and “Measures to Implement Management that is Conscious of Cost of Capital and Stock Price”.

**Apr-Jun 2024
Results**

**Measures to Implement Management
that is Conscious of
Cost of Capital and Stock Price**



Summary

■ Apr-Jun Results

- **Consolidated sales and OI increased year-on-year.**
Both sales and OI reached record highs for the first quarter.
- **Sales and OI increased in all overseas and Japan business segments.**
 - ✓ Overseas Base business: Sales and OI increased
 - ✓ Overseas Primary Labels business: Sales and OI increased
 - ✓ Japan business: Sales and OI increased
- **Sales and OI exceeded plans overseas but fell short in Japan.**
 - ✓ Base businesses in Asia and Oceania and Primary business lead solid performance overseas.
 - ✓ In Japan, mechatronics sales recovered but fell short of plan overall.



●The following is the summary of the Apr-Jun results.

●Firstly, both sales and operating income increased year-on-year on a consolidated basis. This was a record high for the first quarter, exceeding the previous record set in the same period of the last fiscal year.

●Sales and OI increased in all overseas and Japan business segments.

●Overseas Base Business: Sales and OI increased due to steady demand and positive impact of foreign exchange.

●Overseas Primary Labels business: Sales and OI increased mainly due to an increase in sales of high value-added products.

●The Japan business recorded an increase in both sales and OI due to the demand in response to the "2024 logistics issues" (shortage of truck drivers) and progress in price revisions.

●Compared to the internal plan, the overseas business was better than expected and the Japan business fell short.

●Overseas Business: Improved earnings at factories in Asia due to increased sales of printers and strong sales at the Australian subsidiary in the Base business, as well as increased sales of high-value-added products in the Primary Labels business contributed to the solid performance.

●In the Japan business, although mechatronics sales recovered as a result of capturing the above-mentioned demand, mechatronics sales did not grow as much as expected due to uneven sales by industry, hence the plan was not achieved.

●More details are provided hereafter.


Sales and OI by Business Segment

(Millions of JPY)

		FY23	FY24	YoY	In local currencies
Consolidated	Total Sales	33,989	37,674	+10.8%	+10.0%
	Operating Income	2,160	2,864	+32.6%	+49.8%
Overseas	Base				
	Total Sales	11,776	13,355	+13.4%	+4.0%
	Operating Income	1,003	1,277	+27.3%	+21.5%
	Primary Labels				
	Total Sales	4,676	5,966	+27.6%	+45.2%
	Operating Income	1,118	1,301	+16.4%	+52.8%
	Eliminations				
	Operating Income	47	7	-84.9%	-84.9%
	Total				
	Total Sales	16,452	19,321	+17.4%	+15.7%
	Operating Income	2,169	2,586	+19.2%	+35.3%
Japan	Total Sales	17,536	18,353	+4.7%	+4.7%
	Operating Income	-210	186	-	-
Eliminations	Operating Income	201	92	-54.1%	-54.1%



- From this slide onward, analyses are provided on a year-on-year basis.
- The table shows figures related to the summary from the previous slide.
- Please refer to P.12 for the results of the Russian subsidiaries that were included here previously.
- Additionally, please note that the format of some other slides has been revised.

Auto-ID Solutions Business (Consolidated)				Apr-Jun
Consolidated Results				
(Millions of JPY)				
	FY23	FY24	Change	YoY
Net Sales	33,989	37,674	+3,685	+10.8%
Operating Income	2,160	2,864	+704	+32.6%
Operating Income %	6.4%	7.6%	+1.2pt	-
Ordinary Income	2,071	2,411	+339	+16.4%
Profit attributable to owners of parent	1,304	1,197	-107	-8.2%
Effective Tax Rate	29.4%	41.0%	+11.6pt	-
EBITDA*	3,389	4,174	+785	+23.2%
FX sensitivity for FY24: JPY +503 mil in sales and JPY +19 mil in OI for +1 JPY against USD and assuming all others move by the same ratio				
Average FX for Apr-Jun 2024: JPY 155.85/USD, JPY 167.84/EUR (Apr-Jun 2023: JPY 137.49/USD, JPY 149.58/EUR)				
* EBITDA = Operating Income + Depreciation + Amortization				
· Depreciation for Apr-Jun 2024: JPY 1,270 million (Apr-Jun 2023: JPY 1,191 million)				
· Amortization for Apr-Jun 2024: JPY 38 million (Apr-Jun 2023: JPY 37 million)				
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- This slide shows the consolidated results.
- The improvement in the operating income margin was mainly due to the improvement in the operating income margin of the Japan business and the overseas Base business.
- The effective tax rate has increased due to the lump-sum posting of deferred tax assets for FY23 in the current quarter due to the change in the tax treaty with Russia.

Overview

(Millions of JPY)

	FY23	FY24	Change	YoY	In local currencies
Base business Total Sales	11,776	13,355	+1,578	+13.4%	+4.0%
Primary Labels business Total Sales	4,676	5,966	+1,290	+27.6%	+45.2%
Total Sales	16,452	19,321	+2,868	+17.4%	+15.7%
Gross Profit	6,385	7,964	+1,579	+24.7%	-
Gross Profit %	38.8%	41.2%	+2.4pt	-	-
Base business Operating Income	1,003	1,277	+273	+27.3%	+21.5%
Primary Labels business Operating Income	1,118	1,301	+183	+16.4%	+52.8%
Elimination Operating Income	47	7	-40	-84.9%	-84.9%
Operating Income	2,169	2,586	+417	+19.2%	+35.3%
Operating Income %	13.2%	13.4%	+0.2pt	-	-

* Includes impact of IAS 29, Financial Reporting in Hyperinflationary Economies ("Hyperinflation Accounting") in Argentina.

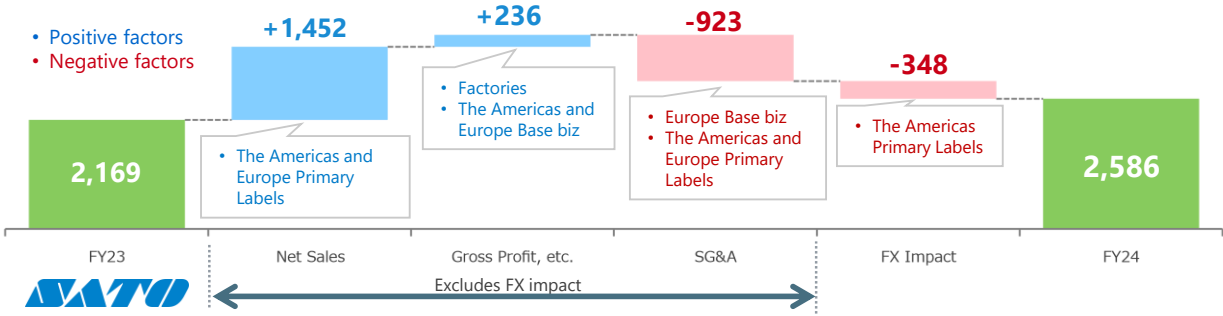
Sales

- Base business increased driven by Asia and Oceania.
- Primary business increased owing to steady performance overall.

OI

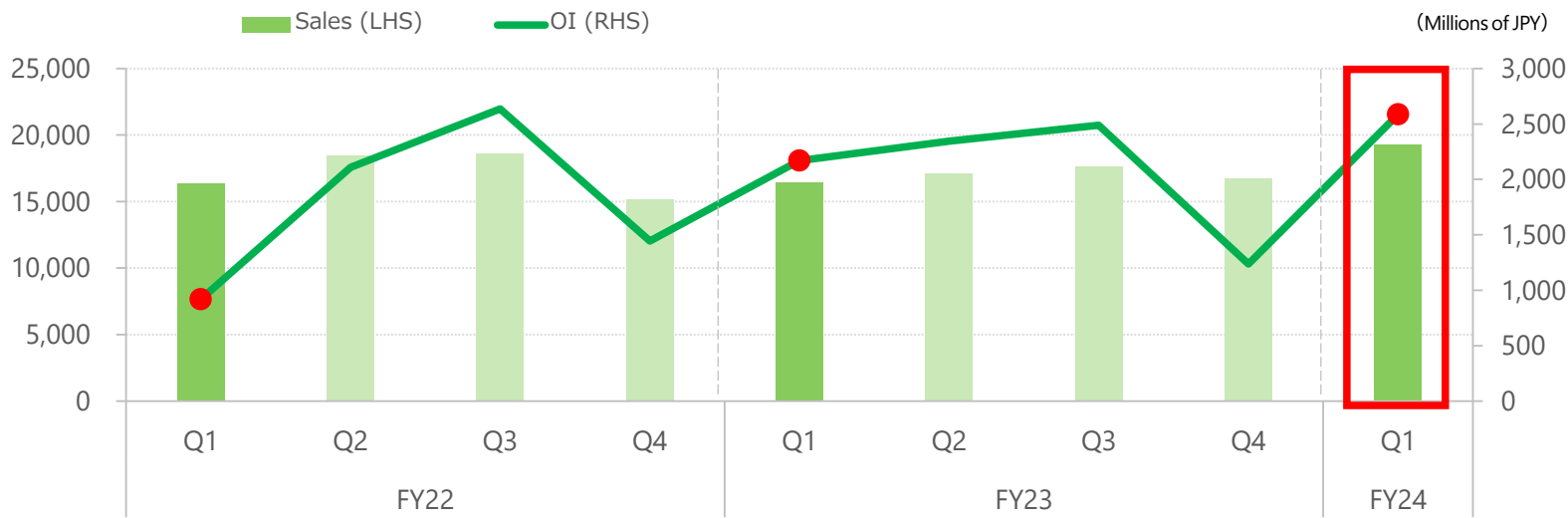
- Base business increased due to improvement in factory earnings amid printer inventory reduction at distributors.
- Increased sales of high value-added products in the Primary business contributed to its OI growth.

Major Gains/Losses in OI



- Next, I will take you through the results of our overseas business.
- Overseas business increased in both sales and OI.
- Sales of the Base business increased mainly in Asia and Oceania, while sales of the Primary business increased due to firm demand across the board for household goods.
- Operating income increased due to an improvement in factory earnings as inventories of printers at distributors ran their course in the Base business. In Russia, sales of high-value-added products increased in addition to strong demand.
- Further details for each region will be provided in the following slides.

Quarterly Sales & OI



Sales	16,394	18,483	18,626	15,153	16,452	17,104	17,648	16,725	19,321
YoY	+26.8%	+49.6%	+35.1%	+12.9%	+0.4%	-7.5%	-5.3%	+10.4%	+17.4%
OI	919	2,109	2,637	1,445	2,169	2,346	2,490	1,238	2,586
YoY	-21.8%	3.0x	2.4x	+44.0%	2.4x	+11.2%	-5.6%	-14.3%	+19.2%



- This is a quarterly sales & OI trend.
- Both sales and operating income were record highs for the first quarter.

The Americas Base business

(Millions of JPY)

	FY23	FY24	Change	YoY	In local currencies
Total Sales	4,353	4,568	+214	+4.9%	-0.8%
Operating Income	197	318	+120	+61.3%	+77.0%

* Includes impact of IAS 29, Financial Reporting in Hyperinflationary Economies ("Hyperinflation Accounting") in Argentina.

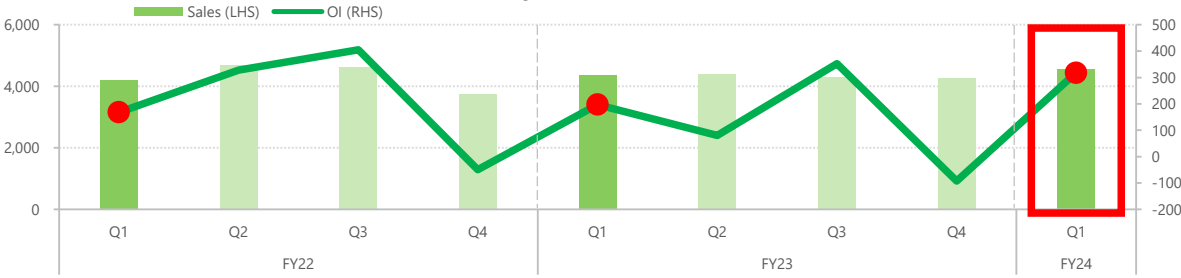
Sales

- Sales increased due to positive FX impact and solutions capturing retail market demand, despite adverse economic conditions in U.S.

OI

- Profit increased mainly due to reversal of allowance for doubtful accounts in U.S.

Quarterly Sales & OI



Sales	4,214	4,694	4,626	3,731	4,353	4,412	4,293	4,274	4,568
YoY	+21.8%	+58.1%	+30.2%	+8.0%	+3.3%	-6.0%	-7.2%	+14.6%	+4.9%
OI	168	328	405	-49	197	80	352	-92	318
YoY	-32.9%	87.3x	+81.1%	-	+17.0%	-75.5%	-13.1%	-	+61.3%



- Now, I will explain the results of Base business by region.
- In the Americas, Sales and OI increased.
- Although sales were affected by the economic downturn in the United States, sales increased due to the positive impact of foreign exchange and the capture of global projects for the retail market by providing solutions.
- Operating income increased in the U.S. due to the reversal of allowance for doubtful accounts recorded for a certain major customer in the second quarter of FY23.

Europe Base business

(Millions of JPY)

	FY23	FY24	Change	YoY	In local currencies
Total Sales	2,991	3,221	+230	+7.7%	-4.7%
Operating Income	487	105	-381	-78.3%	-81.2%

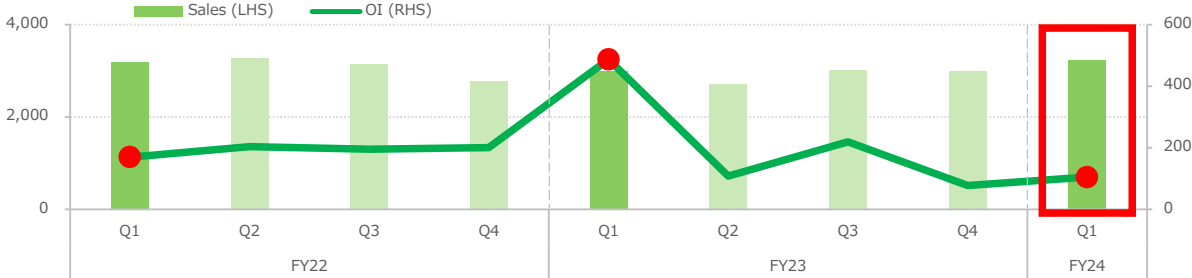
Sales

- Sales increased due to recovery in business with distributors as inventory adjustments ran their course and to positive FX impact.
- Sales increased helped by large scale UK orders in the retail and food markets.

OI

- OI decreased as one-off adjustment of UK pension buy-out booked last year disappeared.
- OI fell despite curbing SG&A due to sluggish sales in Germany and France amid economic downturn.

Quarterly Sales & OI



Sales	3,195	3,268	3,149	2,789	2,991	2,714	3,008	2,999	3,221
YoY	+16.3%	+36.6%	+13.0%	+1.5%	-6.4%	-16.9%	-4.5%	+7.5%	+7.7%
OI	170	204	196	201	487	108	219	78	105
YoY	+46.9%	10.0x	-0.5%	+71.1%	2.9x	-47.1%	+11.2%	-60.9%	-78.3%



- In Europe, sales increased but OI decreased.
- In terms of sales, printer orders from distributors recovered as inventory adjustments by distributors ran their course. In addition, sales increased due to the positive impact of foreign exchange.
- Large orders for food and allergen labelling for the retail and food markets contributed at the UK subsidiary.
- Operating income decreased due to the absence of a one time decrease in SG&A expenses caused by pension buyout adjustments in the same period of the previous fiscal year.
- In addition, sales in Germany and France were weaker than expected due to the impact of the economic downturn. Although SG&A expenses were controlled, profit decreased.

Asia/Oceania Base business

(Millions of JPY)

	FY23	FY24	Change	YoY	In local currencies
Total Sales	4,431	5,564	+1,133	+25.6%	+14.5%
Operating Income	318	853	+534	2.7x	2.4x

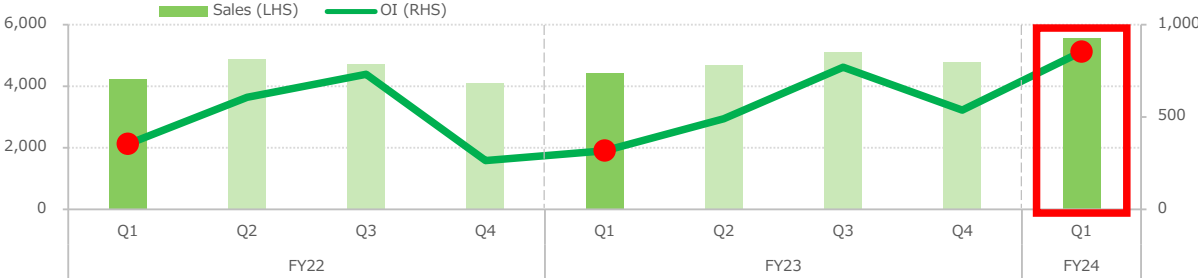
Sales

- Large scale RFID projects in Australia contributed to the strong performance.
- Sales increased due to recovery in China and solid demand at Argox in Taiwan.

OI

- OI increased as profitability of factories and Argox improved due to reduced printer inventory at distributors.
- The above-mentioned projects in Australia contributed to the OI increase.

Quarterly Sales & OI



Sales	4,227	4,870	4,733	4,085	4,431	4,679	5,120	4,790	5,564
YoY	+12.0%	+21.9%	+12.9%	+3.5%	+4.8%	-3.9%	+8.2%	+17.3%	+25.6%
OI	354	607	732	265	318	490	769	537	853
YoY	-32.6%	+43.7%	+53.2%	+30.2%	-10.0%	-19.3%	+4.9%	2.0x	2.7x



- In Asia and Oceania, sales and OI increased.
- Sales increased due to large RFID projects at our Australian subsidiary and steady sales in China and at Argox in Taiwan.
- Operating income increased due to improved earnings at the factories and Argox as inventory adjustments at overseas distributors ran their course.
- In addition to the contribution of the above-mentioned large-scale projects in Australia, other markets there also performed well. The increase in sales contributed to the increase in profit.

Primary Labels business

(Millions of JPY)

		FY23	FY24	Change	YoY	In local currencies
The Americas Achernar (Argentina) Plakorar (Brazil)	Total Sales	924	960	+36	+3.9%	2.0x
	Operating Income	228	255	+27	+12.0%	3.0x
Europe Okil/ X-pack (Russian)	Total Sales	3,687	4,904	+1,217	+33.0%	+31.5%
	Operating Income	884	1,028	+143	+16.2%	+14.8%
Asia/Oceania Hirich (Vietnam)	Total Sales	64	101	+36	+57.2%	+42.2%
	Operating Income	5	17	+12	3.2x	2.9x
Total Sales	Total Sales	4,676	5,966	+1,290	+27.6%	+45.2%
	Operating Income	1,118	1,301	+183	+16.4%	+52.8%

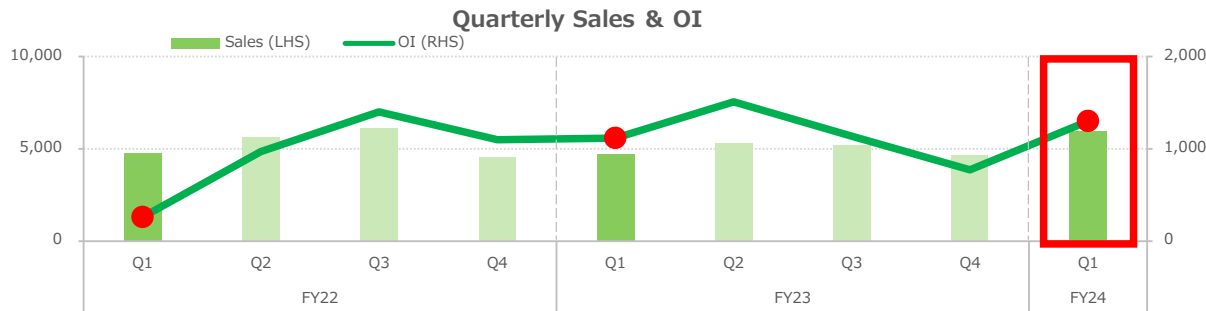
* Includes impact of IAS 29, Financial Reporting in Hyperinflationary Economies ("Hyperinflation Accounting") in Argentina.

Sales

- Demand for daily necessities remained firm in both the Americas and Europe.
- Sales increased on back of continued contribution from high value-added products in Europe.

OI

- OI increased thanks to increased sales of high value-added products offsetting increase in operating expenses behind intensified competition in Europe.



Sales	4,757	5,649	6,117	4,546	4,676	5,297	5,226	4,661	5,966
YoY	+61.3%	+88.6%	+88.0%	+39.0%	-1.7%	-6.2%	-14.6%	+2.5%	+27.6%
OI	262	972	1,402	1,100	1,118	1,509	1,136	775	1,301
YoY	-1.9%	4.4x	7.5x	2.0x	4.3x	+55.2%	-18.9%	-29.5%	+16.4%



- Primary Labels business increased sales and OI.
- Sales were strong in both Europe and the Americas due to strong demand for household products.
- In Europe, sales increased due to continued growth in sales of high-value-added products.
- Operating income increased as an increase in sales of high value-added products compensated for the negative impact of an increase in SG&A expenses, such as sales activity expenses, due to the intensification of the competitive environment caused by the recovery of the supply chain of other companies in the same industry in Europe.
- From this financial results presentation material, Hirich in Vietnam is included in the Primary business in Asia/Oceania. The company has been selling primary labels, but as with Primary Labels business in Japan, the share of sales and profits within the region has been low, so it has been categorized as a Base business. In order to clarify the scope of this business, the categorization has been changed in light of the increase in the proportion of overseas Primary business to the consolidated total.

Overview

(Millions of JPY)

	FY23	FY24	Change	YoY
Mechatronics Sales	6,393	6,847	+453	+7.1%
Consumables Sales	11,142	11,505	+363	+3.3%
Total Sales	17,536	18,353	+817	+4.7%
Gross Profit	7,493	8,127	+634	+8.5%
Gross Profit %	42.7%	44.3%	+1.6pt	-
Operating Income	-210	186	+396	-
Operating Income %	-	1.0%	-	-

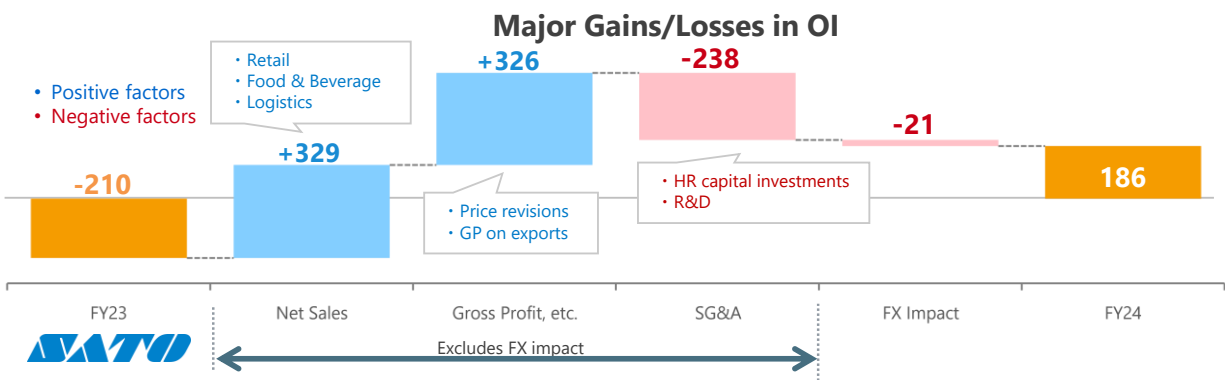
Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.
Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.

Sales

- **Mechatronics:** Sales Increased as solutions captured demand related to the "2024 logistics issue" (shortage of truck drivers).
- **Consumables:** Sales increased with price revisions and RFID solutions.

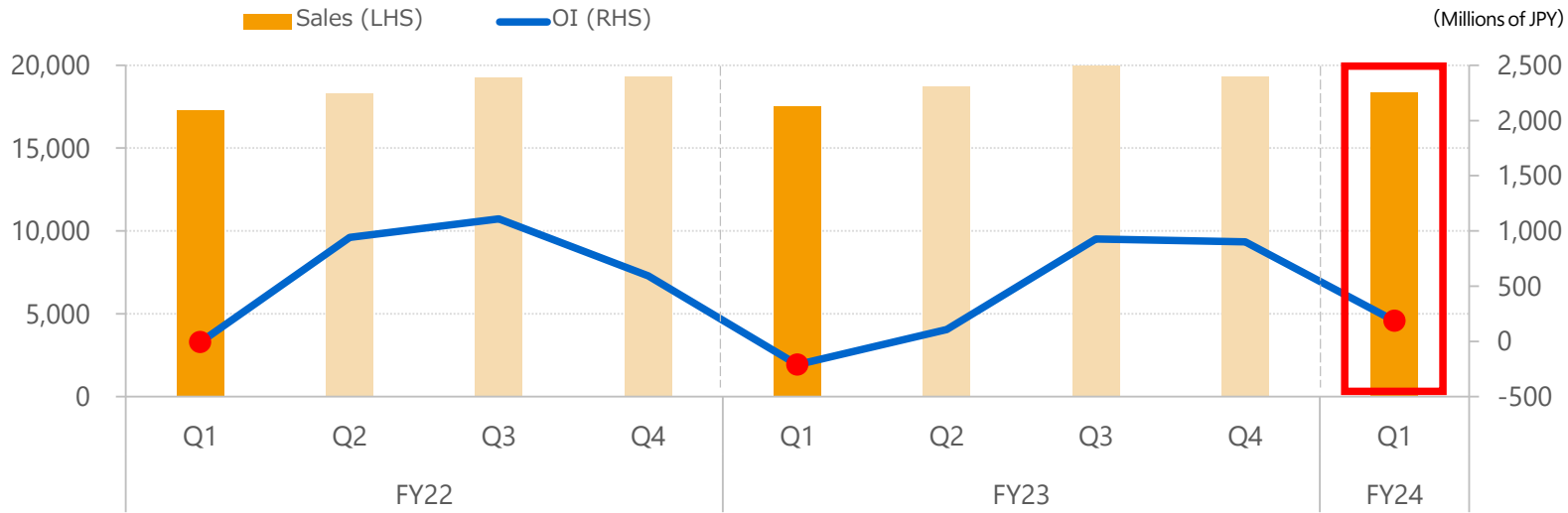
OI

- OI grew due to the above-mentioned increase in sales, price revisions and increase in printer exports, offsetting higher SG&A expenses.



- From here, I will explain the Japan business.
- Japan business: Sales and OI increased.
- Mechatronics sales increased as demand related to the "2024 logistics issue" was captured by providing solutions.
- Consumables increased due to price revisions and contribution from sales of RFID solutions.
- Operating income increased despite an increase in SG&A expenses resulting from an increase in capital investment in human resources and printer development costs, which were offset by the above-mentioned impact of increased sales, price revisions for consumables and an increase in export gross profit resulting from an increase in overseas printer sales.

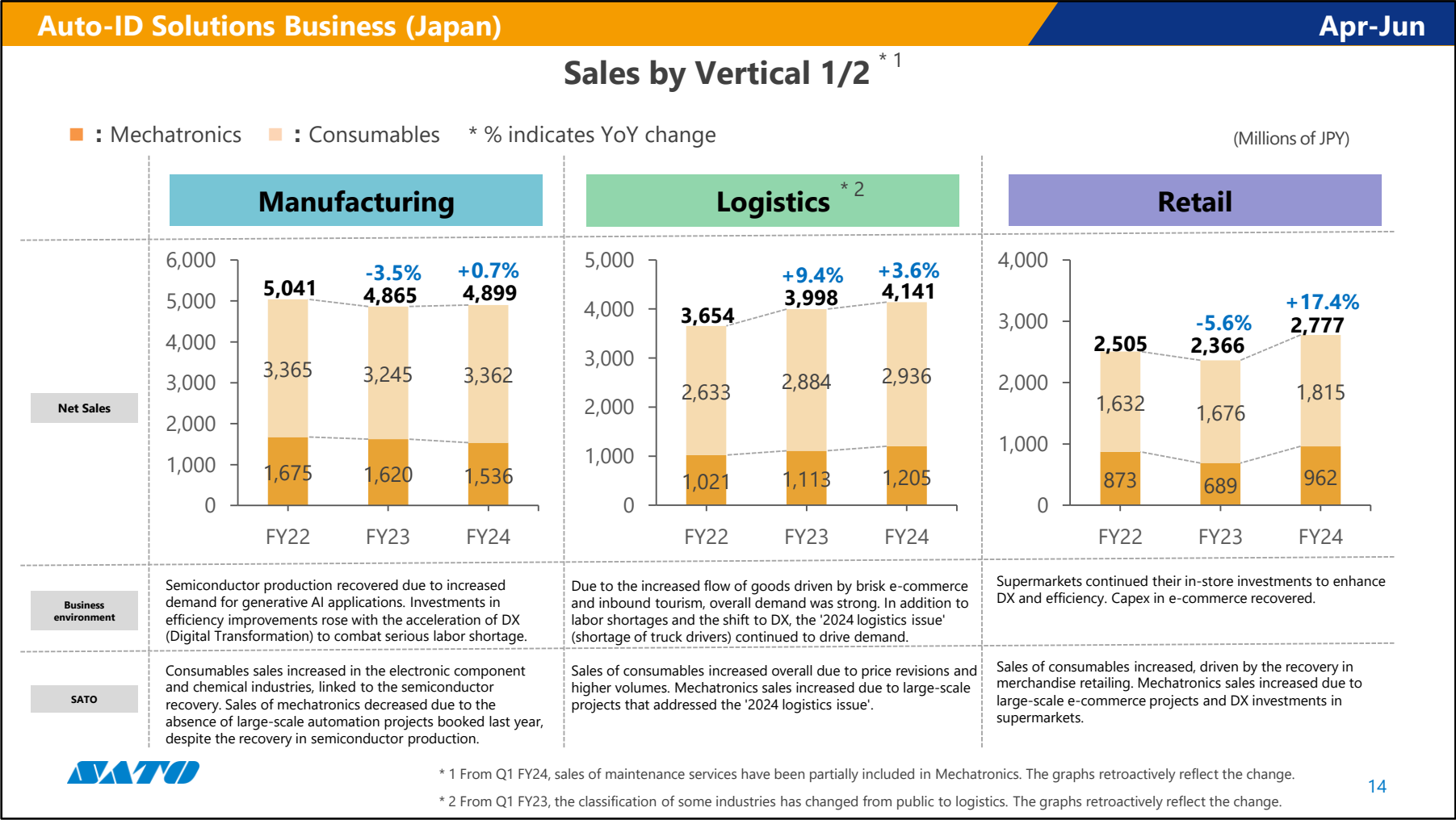
Quarterly Sales & OI



Sales	17,291	18,294	19,244	19,336	17,536	18,692	19,980	19,305	18,353
YoY	+0.2%	+3.2%	+4.9%	+1.9%	+1.4%	+2.2%	+3.8%	-0.2%	+4.7%
OI	-8	941	1,108	594	-210	106	927	901	186
YoY	-	3.1x	+38.3%	-12.8%	-	-88.7%	-16.4%	+51.5%	-



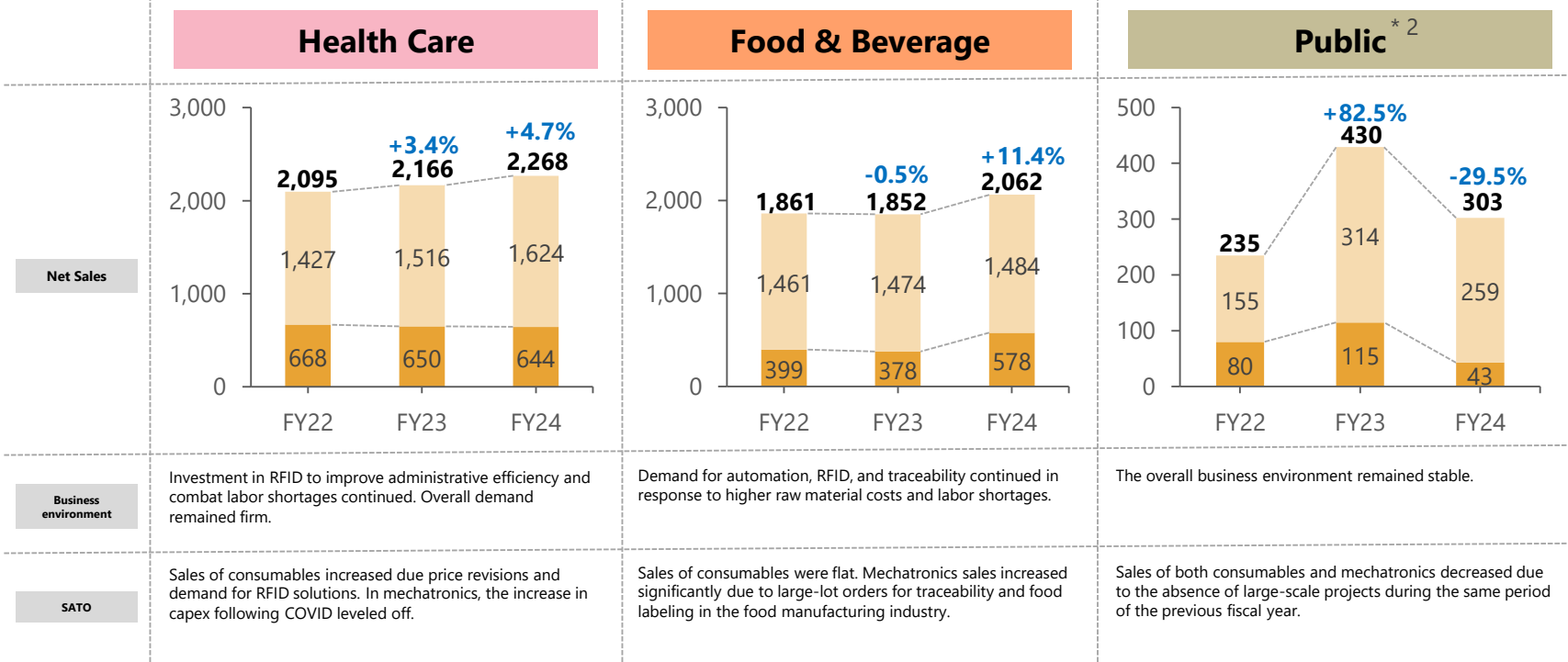
- This is the quarterly sales & OI trend.
- In the past two years, we had an operating loss in the first quarter, but we turned to an operating income in FY24.



Sales by Vertical 2/2 ^{* 1}

■ : Mechatronics ■ : Consumables * % indicates YoY change

(Millions of JPY)



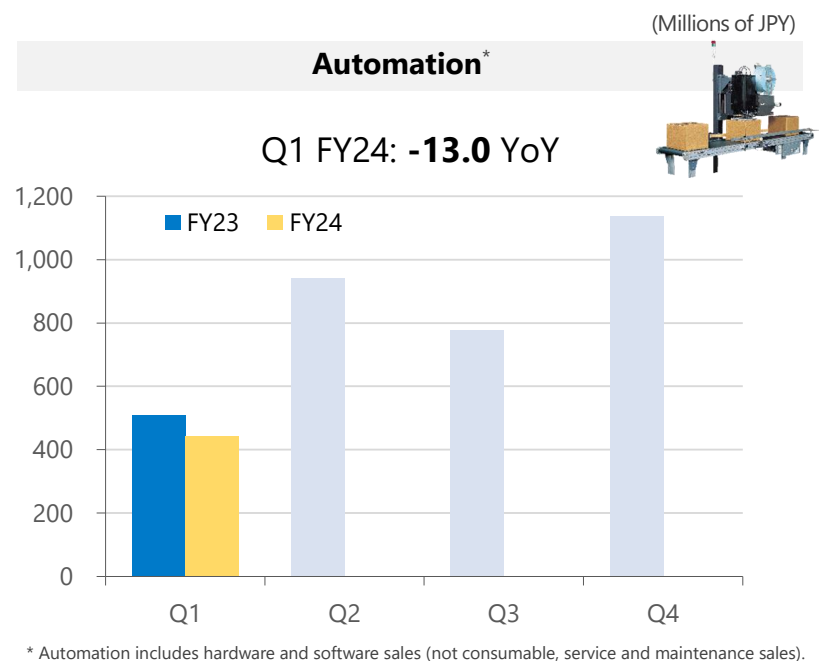
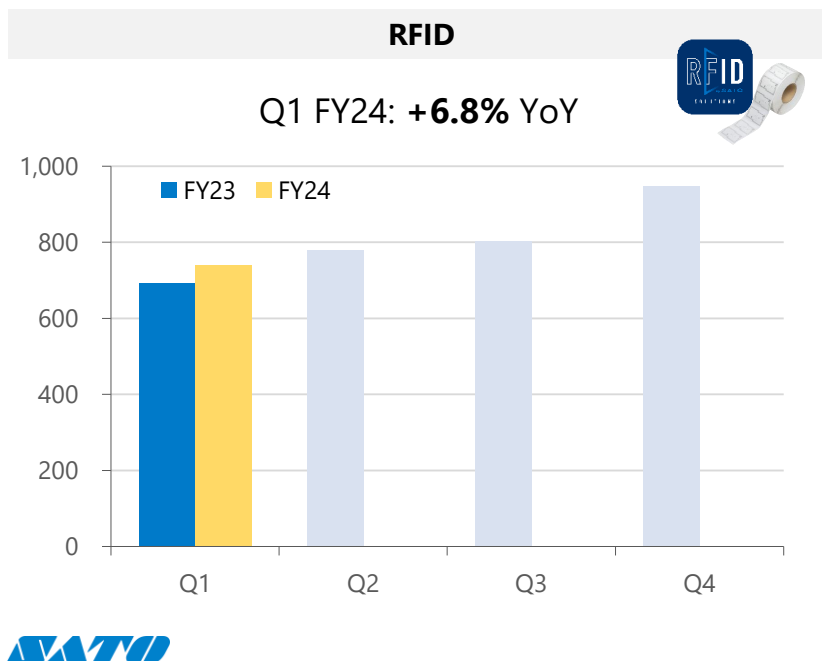
* 1 From Q1 FY24, sales of maintenance services have been partially included in Mechatronics. The graphs retroactively reflect the change.

* 2 From Q1 FY23, the classification of some industries has changed from public to logistics. The graphs retroactively reflect the change.

- In healthcare, although the post-COVID increase in the number of outpatients and capital investment has come to a halt, the demand for business efficiency is increasing, and there are constant solution business opportunities utilizing automation and RFID. In addition, there were many inquiries for such solutions at an exhibition in July, and we can expect to obtain orders going forward.
- In Food, sales of consumables increased due to demand for efficiency improvement and price revisions against the backdrop of labor shortages. Sales of mechatronics increased significantly due to traceability and large-lot orders for food labeling in the food manufacturing industry.
- Orders from the public sector decreased due to an absence of large-lot orders in both consumables and mechatronics, despite a stable external environment.
- Although quarterly sales are affected by large-lot orders, price revisions contributed in all markets and demand remained generally firm.

RFID and Automation Sales

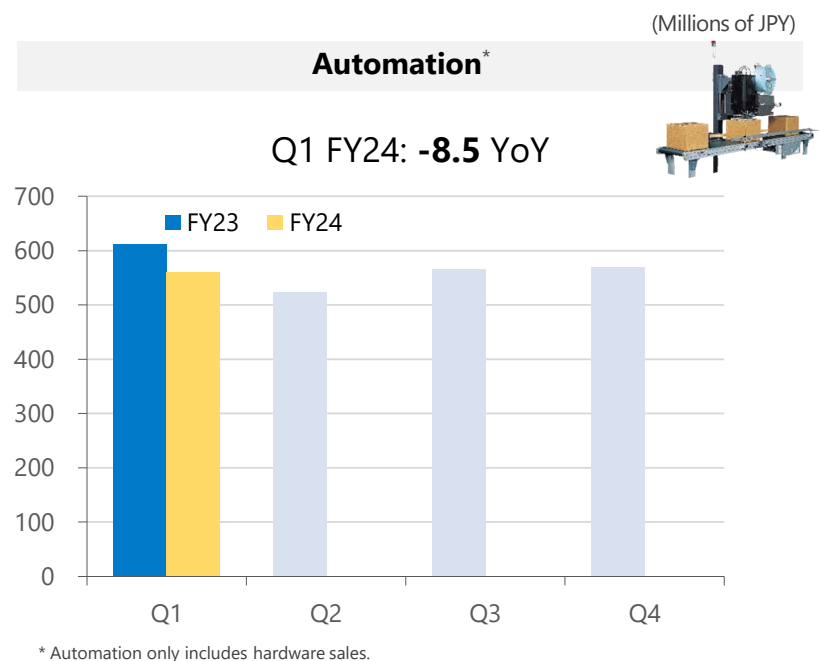
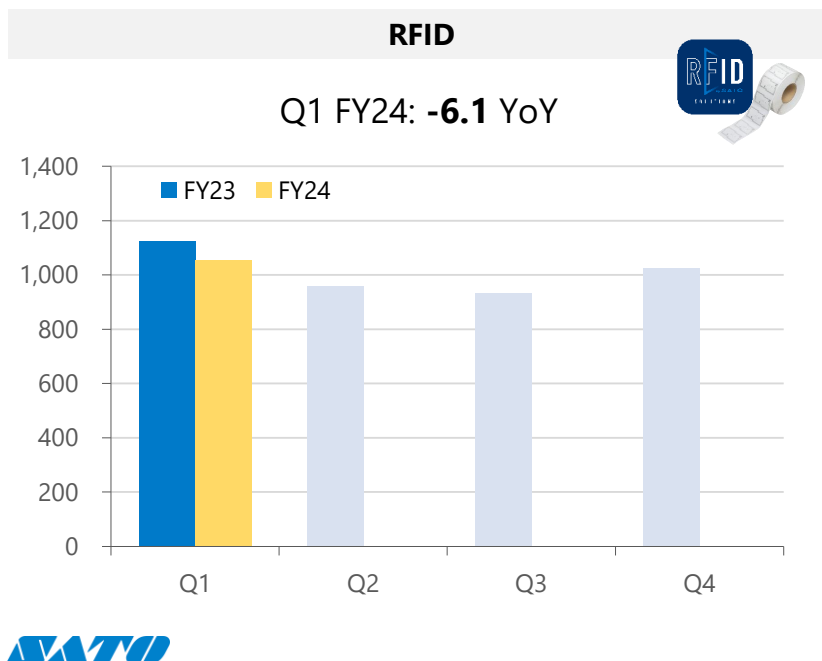
Both solutions continued to perform steadily, driven by robust DX demand and labor shortage. The RFID growth was led by healthcare. Despite increased sales for healthcare, automation declined overall due to drop off in large-scale projects seen last year.



- This slide shows the quarterly sales of RFID and automation solutions in Japan.
- Demand remained strong for RFID driven by healthcare. Sales of labels for in-hospital distribution and large-scale orders for medical equipment manufacturers contributed to the increase.
- Automation decreased in total due to a dissipation of large-scale projects in the manufacturing market in the same period of the previous fiscal year, despite growth in the healthcare market.

RFID and Automation Sales

Both solutions continued to perform steadily, driven by robust DX demand and labor shortage. Despite growth in manufacturing, RFID declined overall due to drop off in large-scale projects from previous year. Automation decreased for the same reason and due to economic slowdown.



- This slide shows quarterly sales of RFID and automation solutions in the overseas business.
- As in Japan, overseas demand is firm against the backdrop of labor shortages and the shift to DX.
- Although RFID saw an increase through large-lot orders in manufacturing, there was a retreat of large-lot orders in the retail market in the same period of the previous fiscal year, resulting in an overall decrease.
- Automation also decreased due to the economic downturn and the retreat of large-scale projects in the retail market similar to RFID. However, we are aiming for a recovery in Jul-Sep and beyond as there are also leads for large-scale business negotiations.

Auto-ID Solutions Business (Consolidated)

FY24 Forecasts

(Millions of JPY)

	Apr-Sep		Oct-Mar		Full Year	
	Targets	YoY	Targets	YoY	Targets	YoY
Net Sales	73,600	+5.5%	77,400	+5.1%	151,000	+5.3%
Operating Income	4,800	+3.9%	5,600	-2.8%	10,400	+0.2%
Ordinary Income	4,700	+9.1%	5,500	+18.2%	10,200	+13.8%
Profit attributable to owners of parent	2,900	+45.6%	3,500	+122.4%	6,400	+79.5%
<Reference>						
EBITDA*	15,456	←FY23			15,900	+2.9%

* EBITDA = Operating Income + Depreciation + Amortization

FX assumption for FY24: JPY 145/USD, JPY 155/EUR
Average FX for Q1 FY24: JPY 155.85/USD, JPY 167.84/EUR
Average FX for FY23: JPY 144.58/USD, JPY 156.74/EUR

AATO

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- Here are the consolidated forecasts for this fiscal year.
- Performance has been encouraging through Apr-Jun and we aim to achieve the plan by implementing various measures while ascertaining customer needs.



● Following the Apr-Jun results, I will explain Measures to Implement Management that is Conscious of Cost of Capital and Stock Price.

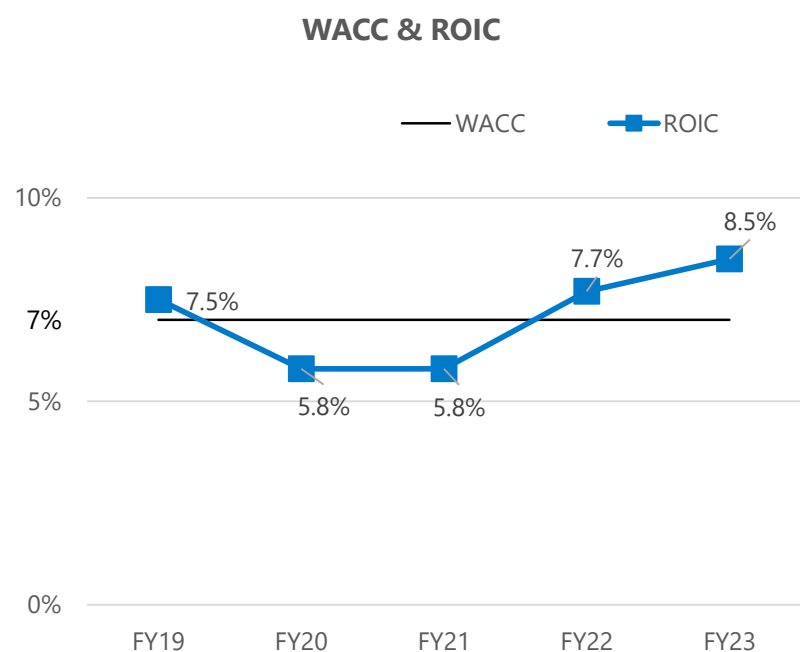
Analysis and Evaluation of Current Status

**Our WACC is estimated at 7%.
Current ROIC exceeds WACC.**

WACC=7% (incl. premium)

- Cost of equity is assumed with reference to CAPM.
- Hurdle rates are set individually by currency and country, depending on respective risks.

(e.g., JPY: 7%, USD: 8%, EUR: 7%)

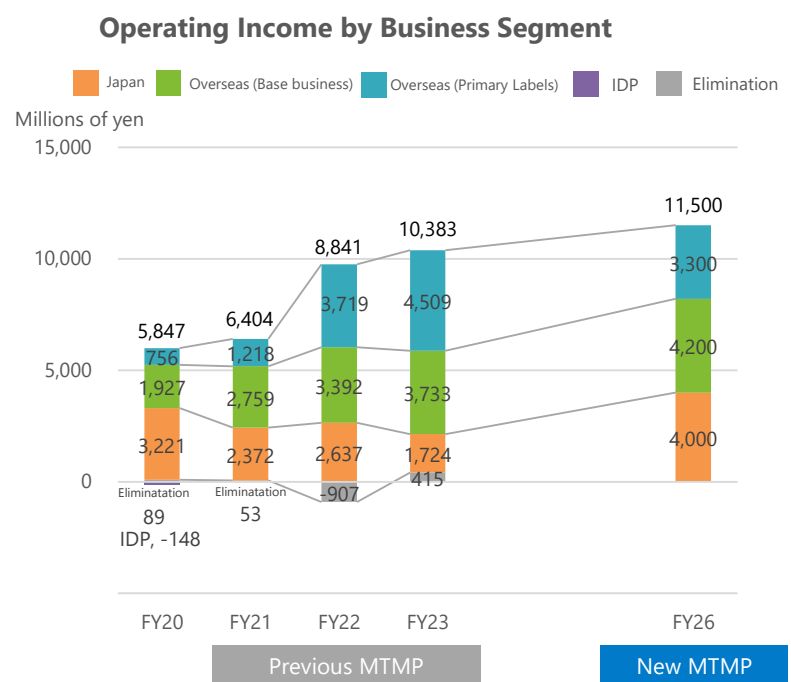
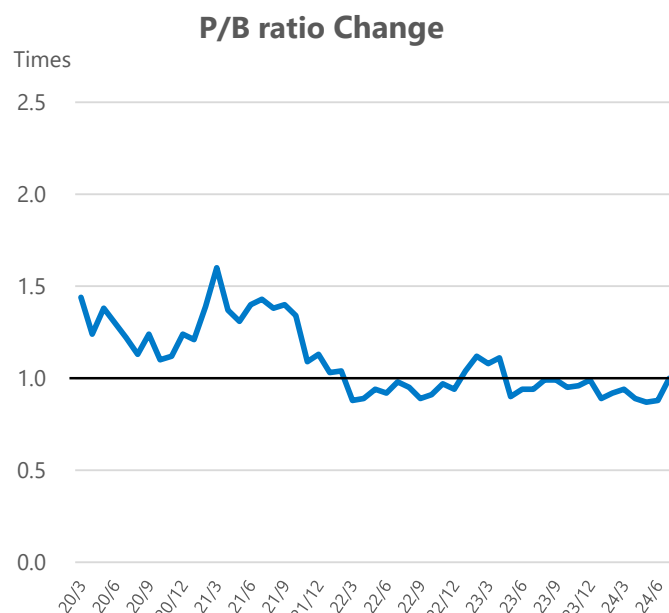


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- This slide is analysis of the current situation.
- The WACC of the Company has been revised to 7%, taking into account a calculation using CAPM and a Company-specific premium.
- The Company uses WACC as a hurdle rate when making investment decisions. In the past, a single rate was used, but the rate has now been set individually for each currency and country according to respective risks. Examples of individual rates are shown on the slide.
- The graph on the right compares WACC and ROIC.
- ROIC fell below WACC in FY20-21 due to product mix deterioration, cost increases and delays in price revisions, but ROIC has exceeded WACC since FY22 due to the growth of overseas primary business.

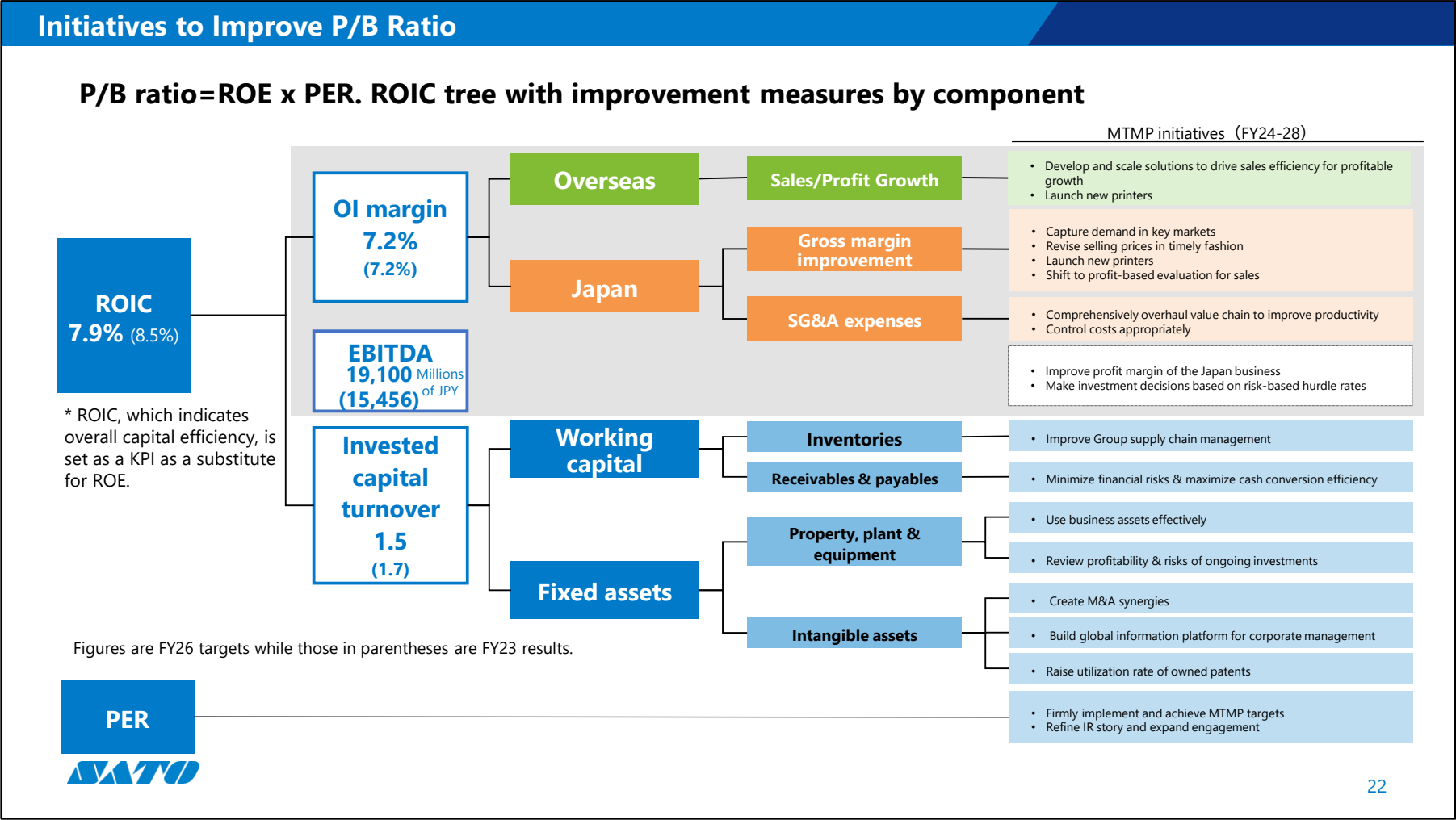
Analysis and Evaluation of Current Status

Current ROIC exceeds WACC, but P/B ratio is hovering around 1.0x, due to stagnation in the Japan business, which should be a stable income source, and increased composition of the highly volatile overseas Primary Labels business.



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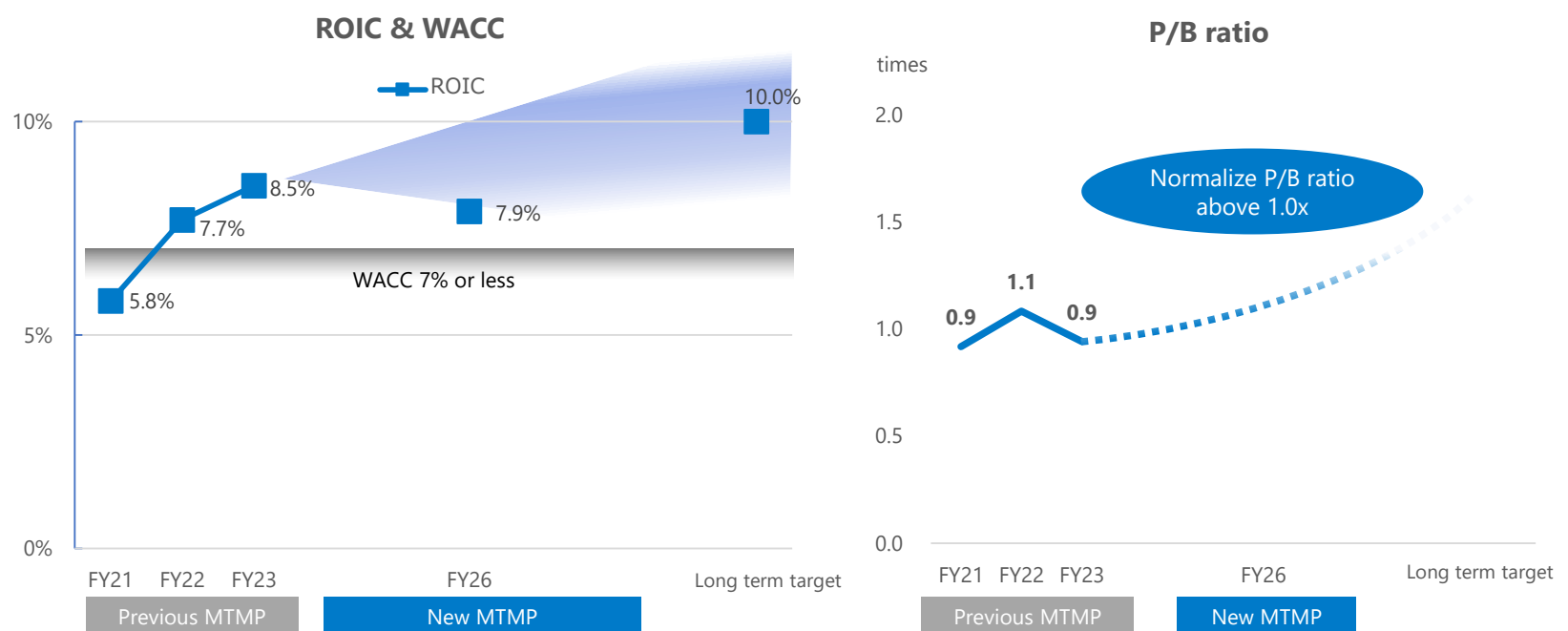
- Next, I will talk about evaluation.
- The graph on the left shows the P/B Ratio trend.
- As ROIC fell below WACC from FY20, P/B Ratio also declined. ROIC has recovered to above WACC since FY22, but P/B Ratio continues to hover around 1.0x.
- While the Japan business, which had been a stable source of revenue, has stagnated, we believe that this is due to an increase in the weight of the volatile overseas Primary business.
- For this reason, we have set the first two years of the New Medium-Term Management Plan starting this fiscal year, as the period for recovering profits in Japan, and are taking various measures.
- By recovering profits in the Japan business and growing profits in the overseas Base business, we aim to lower the composition of overseas Primary business and stabilize the performance of the entire group.



- Here we explain our initiatives to improve the P/B Ratio.
- P/B Ratio can be broken down into ROE and PER, but we use ROIC as a substitute for ROE and are working to improve ROIC and PER.
- We also emphasize EBITDA as a profit indicator and are working to improve it.
- First, ROIC is broken down into operating profit margin and invested capital turnover, and each is further broken down to improve and enhance the components listed on the slide.
- Together with the business divisions, we will set specific KPIs for each item, monitor the progress, and make tenacious improvements, including reforming the consciousness of the entire company.
- We recognize that steady execution and achievement of the Medium-Term Management Plan is important for improving PER. We have been unable to achieve the targets of past MTMP, and we have received difficult comments from investors. This time, we will strive to achieve the Plan through steady implementation of the initiatives and gain the trust of our stakeholders.

ROIC, WACC, and P/B Ratio Goals

Expand ROIC spread and normalize P/B ratio above 1.0x

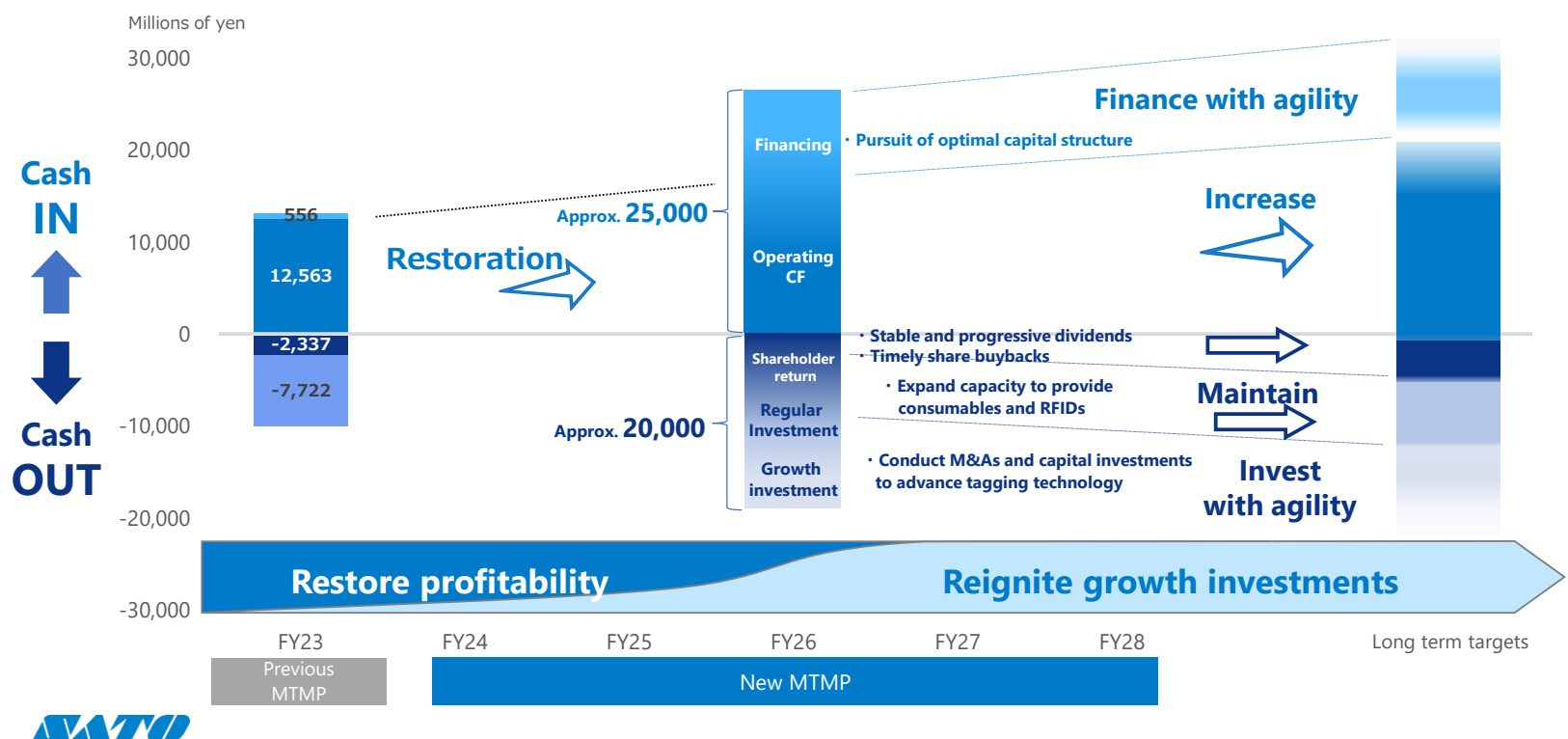


23

- Here are the ROIC, WACC, and P/B Ratio goals.
- ROIC is expected to decline temporarily in FY26 due to investment for growth, but we will aim for ROIC of 10% over the medium to long term by reaping the fruits of investment and the initiatives to improve ROIC described in the previous slide
- By doing so, we intend to widen the ROIC spread, which is the difference between WACC and ROIC, and aim to normalize P/B Ratio over 1.0x.

Capital Allocation

Restore profit-generating capability and make strategic investments to advance tagging
Aim for stable and progressive dividends by increasing corporate value



- Finally, I will explain the capital allocation policy.
- With FY24-25 as the "profit recovery phase," we will focus on the Japan business to recover operating cash flow.
- At the same time, we aim to maximize free cash flow by making investments after careful assessment of ROI, such as maintenance investment and improvement of label and RFID capacity as for ordinary investment in the Base businesses,
- We will resume investment for growth while keeping an eye on profit recovery. We will flexibly invest in "Perfect and Unique Tagging", which is an advanced technology of tagging as advocated in the Medium-Term Management Plan and conduct related M&A.
- With regard to financing, we will diversify financing sources based on the basic policy of pursuing an optimal capital structure.
- We assume a scenario in which the cost of capital decreases as a result of effective investment that contributes to the Company's growth and debt financing, and do not aim to increase leverage itself.
- Regarding dividends, we will determine the payout based on medium- to long-term profits and cash flow. In May, we revised our dividend policy to "aim for stable and progressive dividends." This is virtually putting into words out long-held practice since the listing on TSE.
- The Company intend to flexibly conduct share buybacks and, in principle, promptly cancel them when conducted.
- That's all for my explanation. Thank you very much.

Appendix

Performance data	Pages 27-34
SATO terminologies	Pages 35-38

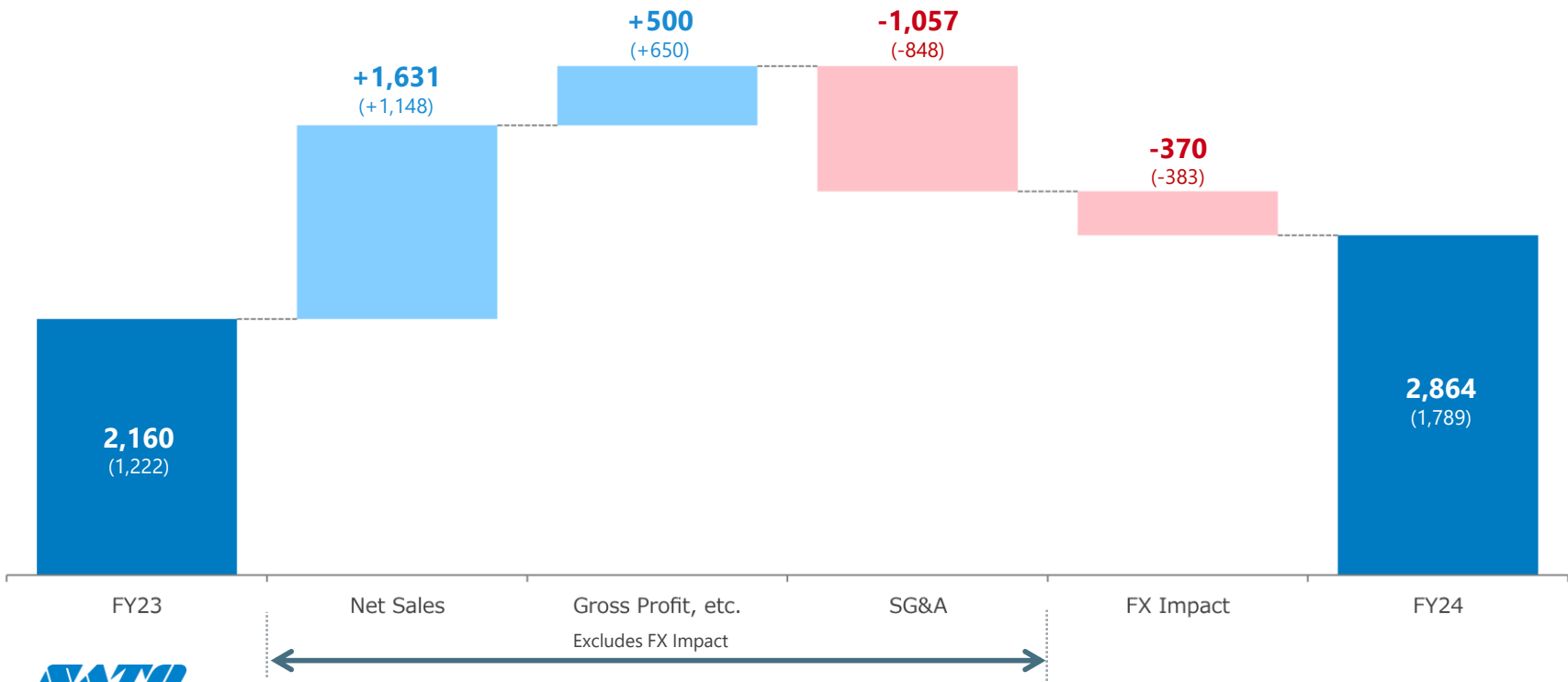


Business Overview by Product



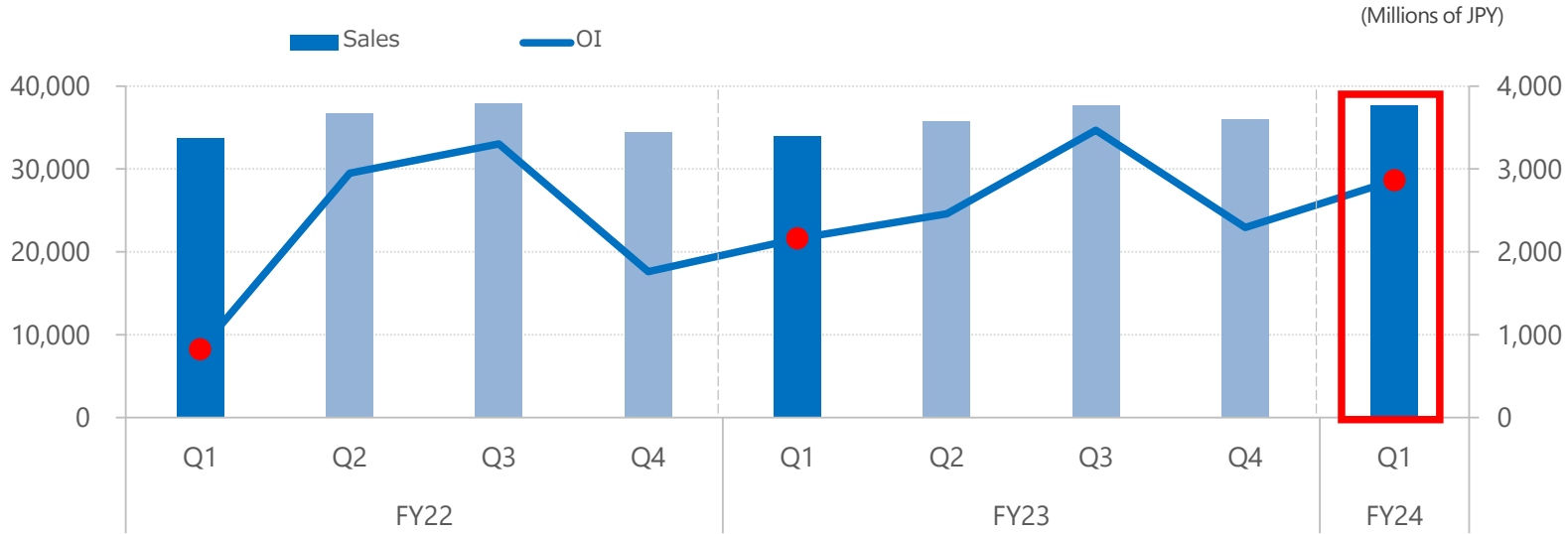
Major Gains/Losses in OI

(Millions of JPY)



* Figures in parentheses exclude the Russian subsidiaries.

Quarterly Sales & OI



Sales	33,686	36,777	37,871	34,489	33,989	35,797	37,628	36,031	37,674
YoY	+11.6%	+22.2%	+17.9%	+6.5%	+0.9%	-2.7%	-0.6%	+4.5%	+10.8%
OI	824	2,951	3,304	1,760	2,160	2,460	3,467	2,295	2,864
YoY	-51.7%	2.7x	+68.3%	+6.0%	2.6x	-16.6%	+4.9%	+30.4%	+32.6%



Sales and OI by Region

(Millions of JPY)

Japan The Americas Europe Asia/Oceania

Sales

33,989

FY23

51.6%

15.5%

19.6%

13.2%

37,674

FY24

48.7%

14.7%

21.6%

15.0%

Operating Income

* Ratio excludes eliminations.

1,959

FY23

-11.0%

22.3%

71.8%

17.0%

2,772

FY24

6.7%

20.8%

41.0%

31.5%



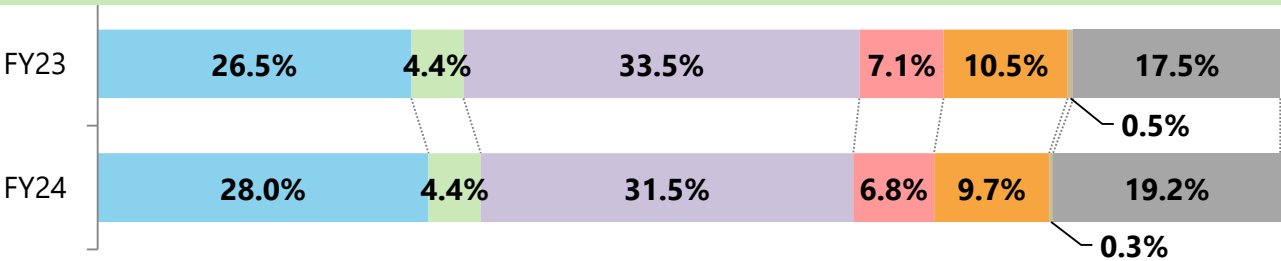
OI Ratio FY23 Japan : N/A, Overseas : 13.2%
FY24 Japan : 1.0%, Overseas : 13.4%

Sales by Vertical

Manufacturing Logistics Retail Health Care Food & Beverage Public Others

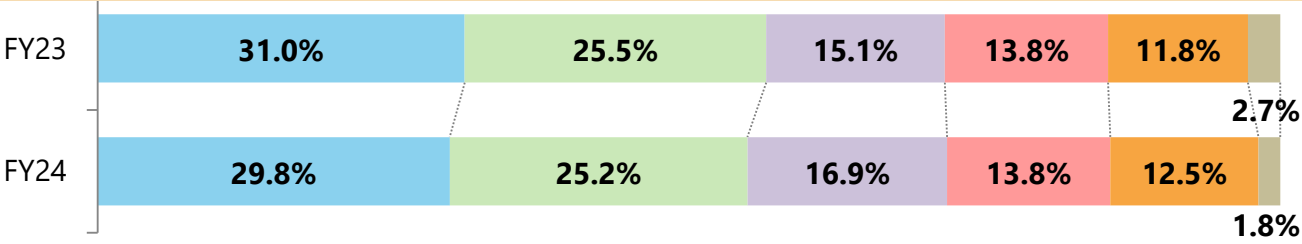
Overseas

* Main sales subsidiaries only. Factories & Primary Label companies not included.



Japan

* Maintenance services not included



*From Q1 FY23, the classification of some industries has changed from public to logistics in Japan. The graphs retroactively reflect the change.

Sales and OI by Business Segment/Region

(Millions of JPY)

Base business Primary Labels The Americas Europe Asia/Oceania

Sales

16,452

FY23

71.6%

28.4%

FY23

32.1%

40.6%

27.3%

19,321

FY24

69.1%

30.9%

FY24

28.6%

42.1%

29.3%

Operating Income

* Ratio excludes eliminations.

2,169

FY23

47.3%

52.7%

FY23

20.1%

64.6%

15.3%

2,586

FY24

49.5%

50.5%

FY24

22.3%

44.0%

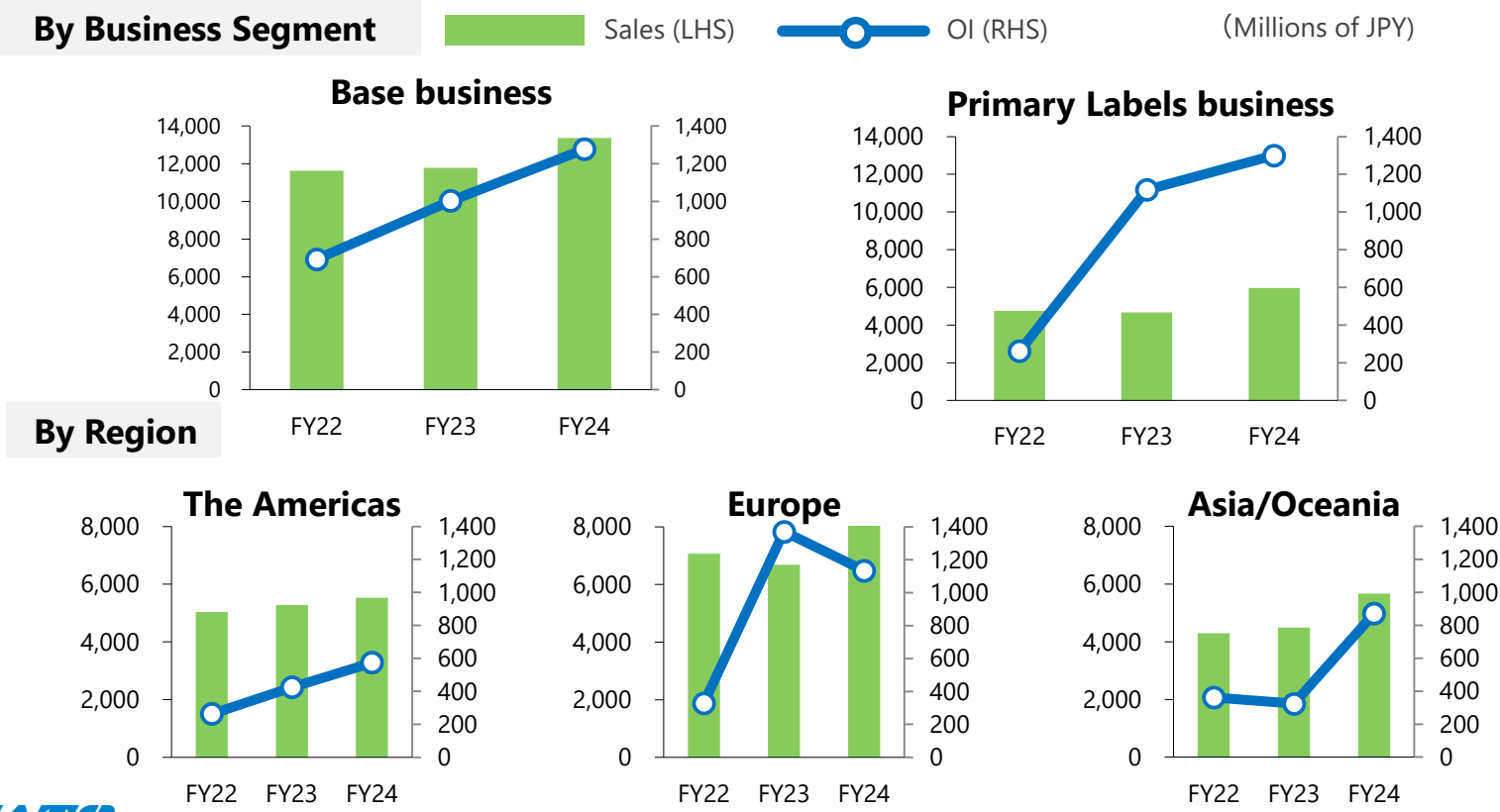
33.8%

OI ratio:
FY23 Base business : 8.5%, Primary Labels : 23.9%
FY24 Base business : 9.6%, Primary Labels : 21.8%

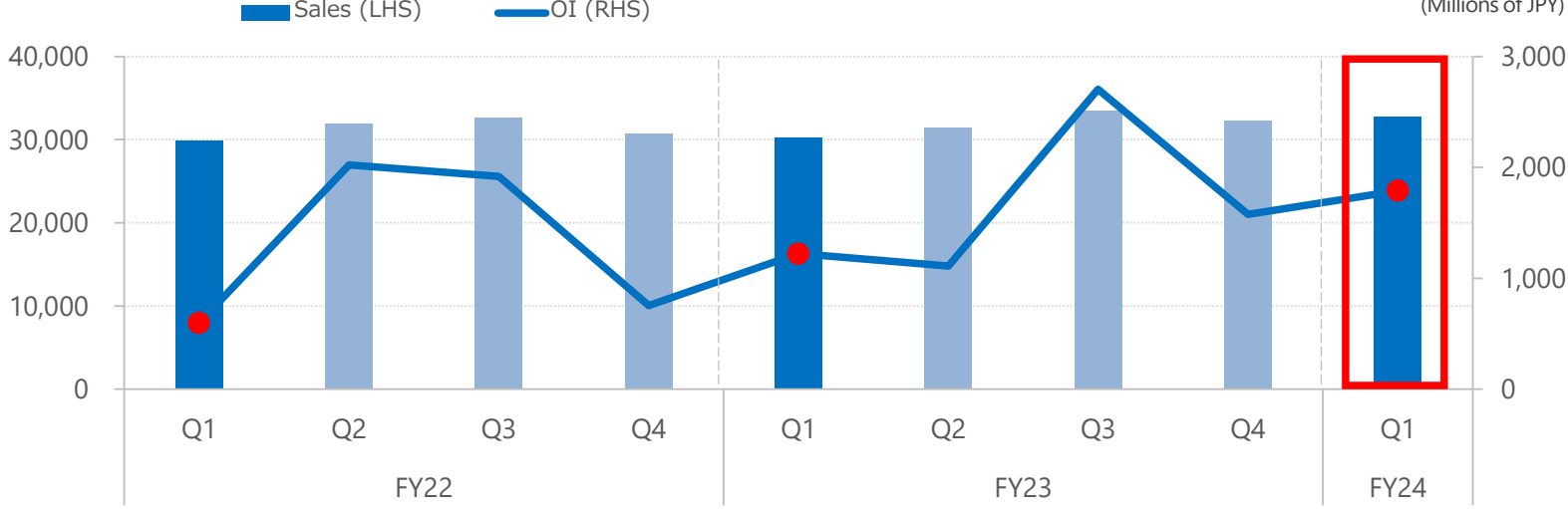
FY23 The Americas : 8.1%, Europe : 20.5%
Asia/Oceania : 7.2%
FY24 The Americas : 10.4%, Europe : 13.9%
Asia/Oceania : 15.4%



Sales and OI Trends by Business Segment and Region



Quarterly Sales & OI
(Figures exclude the Russian subsidiaries)



Sales	29,818	32,001	32,588	30,748	30,301	31,455	33,433	32,257	32,770
YoY	+6.8%	+15.2%	+10.5%	+2.9%	+1.6%	-1.7%	+2.6%	+4.9%	+8.1%
OI	598	2,024	1,919	755	1,222	1,110	2,704	1,577	1,789
YoY	-60.2%	2.3x	+6.8%	-35.6%	2.0x	-45.1%	+40.9%	2.1x	+46.5%



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	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.
3	Base business	Business of <u>tagging</u> variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
4	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).
5	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 domain, 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.
6	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.
7	PUT (Perfect and Unique Tagging)	A high-level problem-solving technology that makes it possible to trace complete and unique individual information by tagging not only proprietary data such as IDs but also position and status information obtained from sensors to objects and people. The status can be identified and managed by fully automated reading integrated with the operation without manual intervention. Through solutions utilizing PUT, we aim to address not only on-site issues at individual customers but also common issues for society as a whole.



SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	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.
9	Teiho	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	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.
2	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.
3	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.
4	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.



SATO terminologies (3/4)

Products, services, technologies		Description
5	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.
6	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.
7	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.
8	Source tagging	A supply chain management practice of instructing vendors or suppliers to affix labels containing specified information of products upon delivery.



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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