

February 8, 2022

SATO HOLDINGS CORPORATION

FY2021 Q3 Financial Results

(Nine Months Ended December 31, 2021)

Securities Code: 6287

Summary

Consolidated

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

Auto-ID Solutions Business (Overseas)

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

- Base business: Robust demand led to sales and OI increases in both cum. Q3 and Q3 despite sharp cost increases. Q3 sales and OI booked record highs.
- Primary Labels business: Sales and OI increased in cum. Q3 due to strong demand. Q3 saw higher sales but lower OI due to higher COGS.

Auto-ID Solutions Business (Japan)

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

Sales and OI by Business Segment

(Millions of JPY)

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



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

Sales and OI by Business Segment

(Millions of JPY)

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



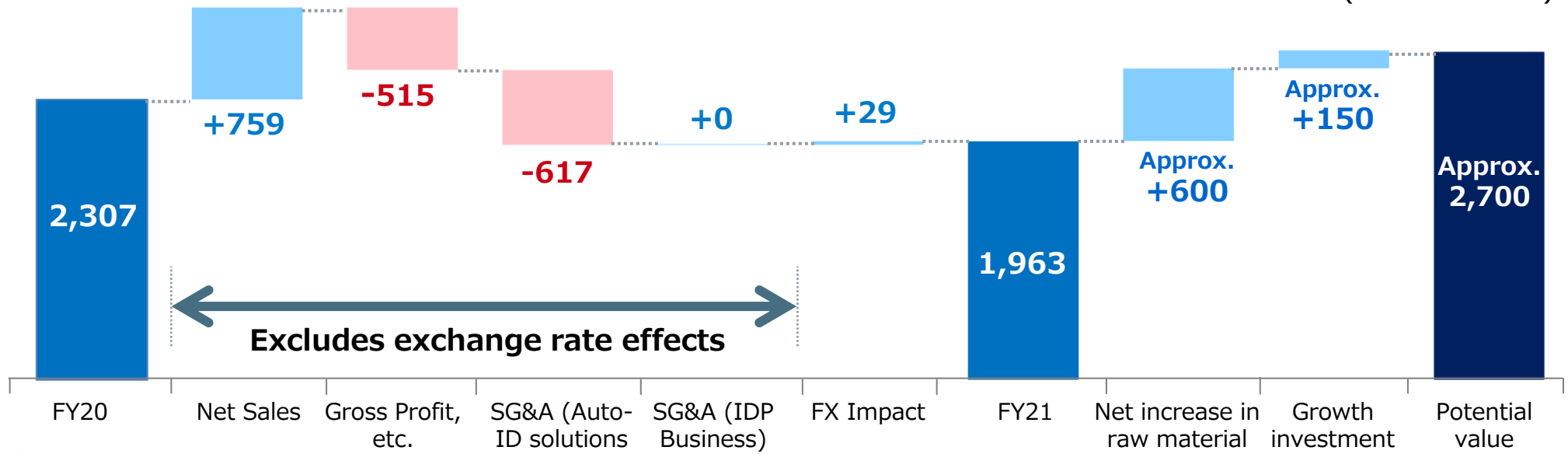
*IDP business : Transferred all shares of DataLase to DataLase Holdings Ltd in Sep 2020

Major Gains/Losses in OI

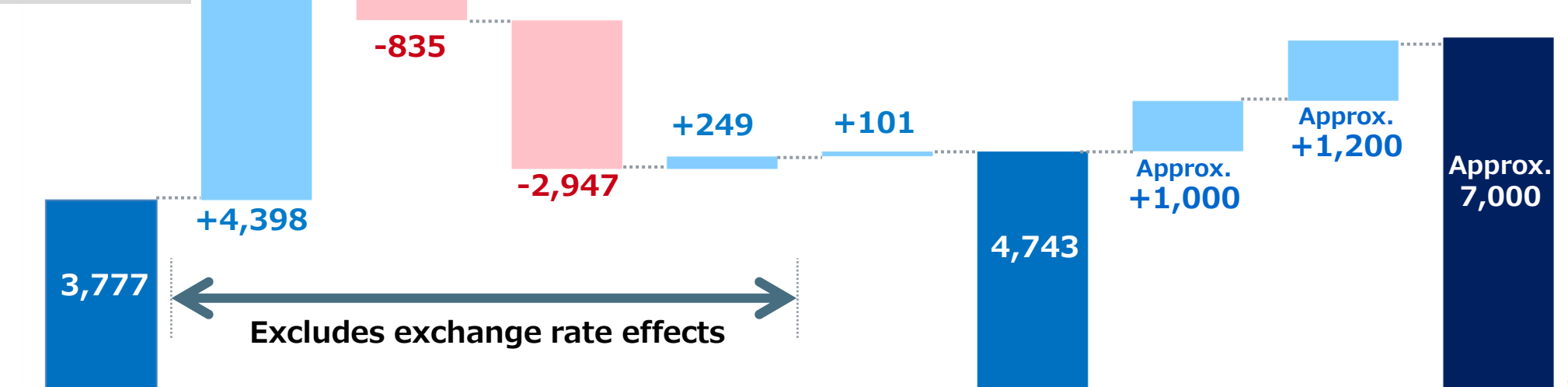
*"Changes in accounting classifications" on P.20 are not taken into account.

(Millions of JPY)

Oct-Dec



Apr-Dec



Quarterly Sales & OI

(Millions of JPY)

■ Sales

— OI 1

●●● OI 2: Auto-ID Solutions business only
(excl. IDP business & eliminations)

Sales

FY2019

FY2020

FY2021

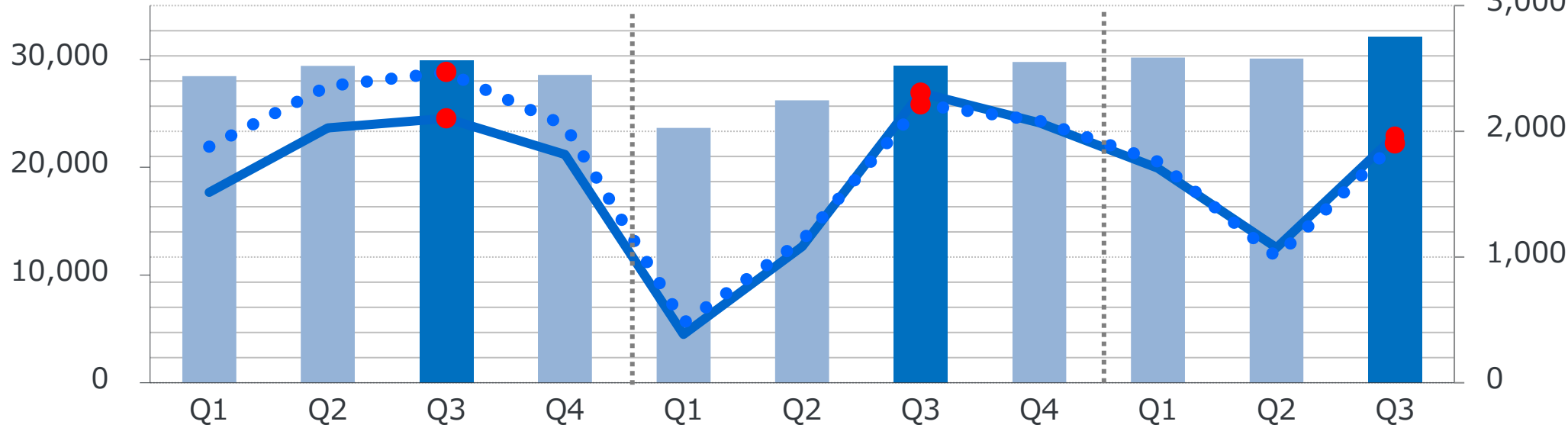
OI

3,000

2,000

1,000

0



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

Consolidated Results

(Millions of JPY)

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

Average exchange rates for Apr-Dec 2021: JPY 111.13 /USD, JPY 130.59 /EUR, Apr-Dec 2020: JPY 106.11/USD, JPY 122.43/EUR

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

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

*2 Profit attributable to owners of parent and effective tax rate:

For FY20, income tax related to the impairment loss at DataLase in FY19 was adjusted following the transfer of its shares in Sep 2020.

*3 EBITDA = Operating Income + Depreciation + Amortization

· Depreciation for Apr-Dec 2021: JPY 3,166 million Apr-Dec 2020: JPY 3,084 million

· Amortization for Apr-Dec 2021: JPY 176million Apr-Dec 2020: JPY 168 million

Consolidated Results

(Millions of JPY)

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

Average exchange rates for Apr-Dec 2021: JPY 111.13 /USD, JPY 130.59/EUR, FY20: JPY 106.11/USD, JPY 122.43/EUR

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

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

*2 EBITDA = Operating Income + Depreciation + Amortization

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

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

Overview

Oct-
Dec

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

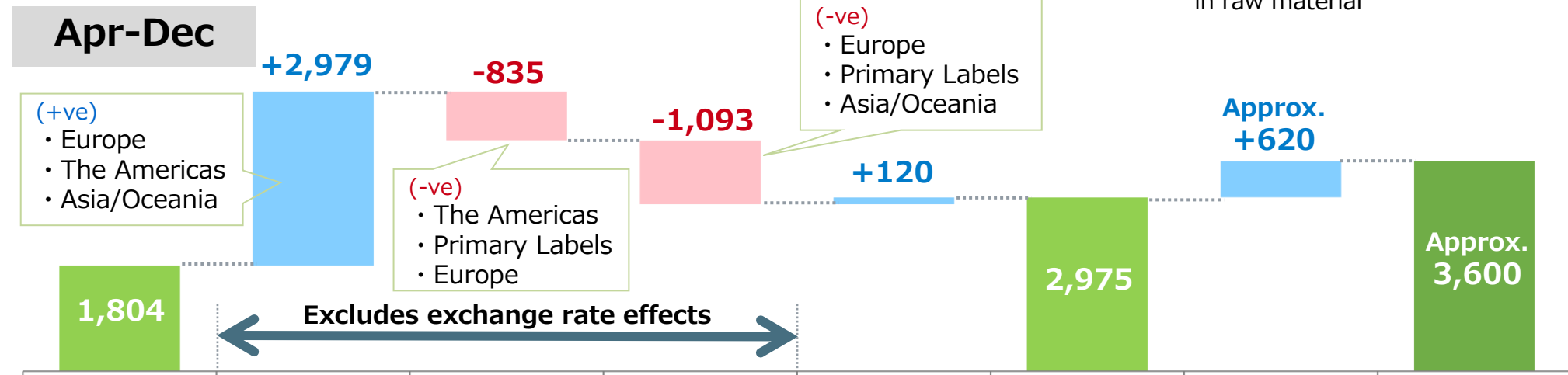
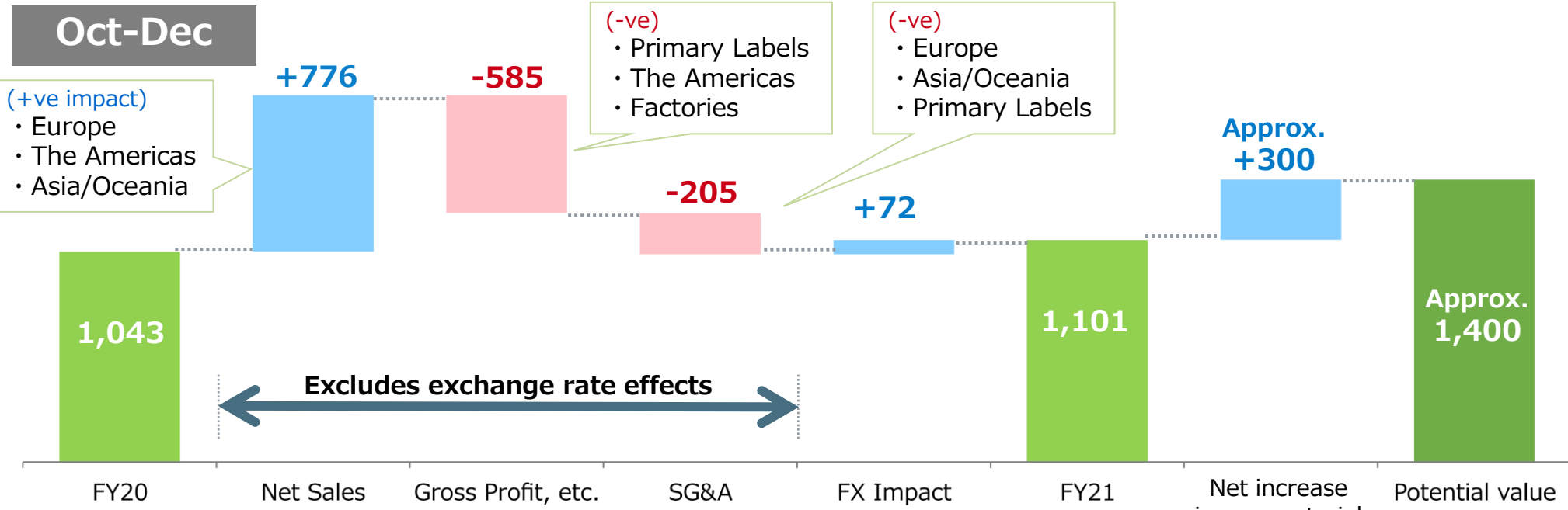
(Millions of JPY)

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

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

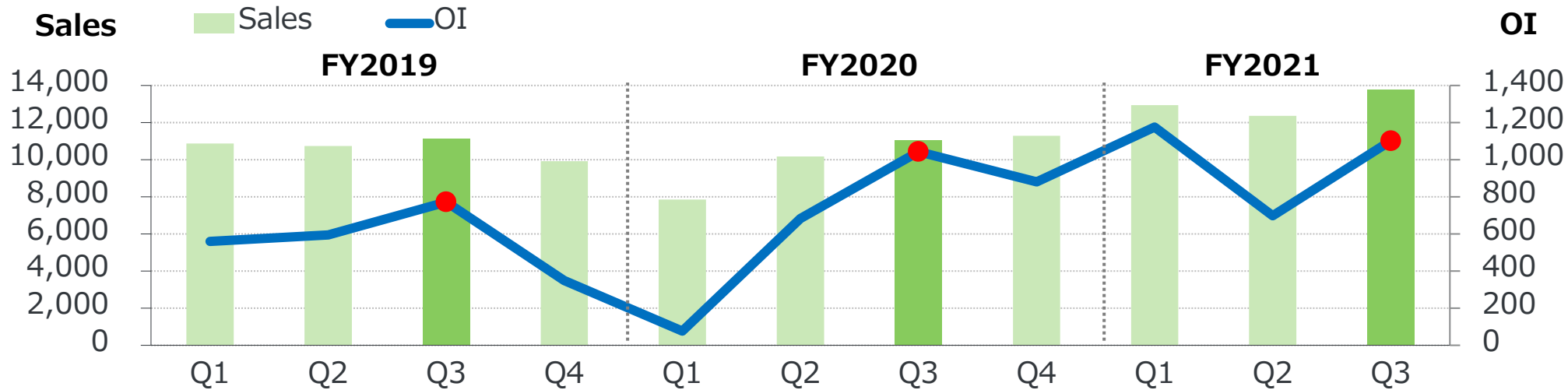
Major Gains/Losses in OI

(Millions of JPY)



Quarterly Sales & OI

(Millions of JPY)



Sales	10,867	10,739	11,118	9,922	7,844	10,168	11,045	11,290	12,929	12,354	13,788
YoY	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%	+13.8%	+64.8%	+21.5%	+24.8%
OI	560	595	772	349	77	683	1,043	880	1,175	698	1,101
YoY	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%	2.5x	15.1x	+2.2%	+5.6%

Breakdown by Business Segment

Oct-
Dec

Base business: Sales increased, driven by printers for retail, with collective efforts to combat supply constraints. OI increased despite a temporary increase in costs.

Primary Labels business: Sales increased due to robust sales to daily life infrastructure industries. OI decreased due to sharp rises in cost of sales.

(Millions of JPY)

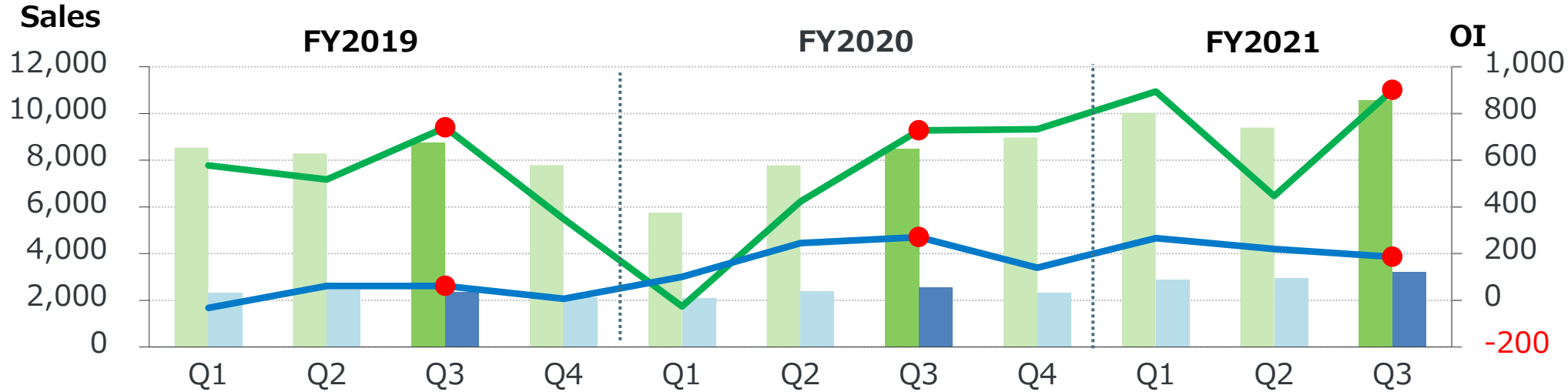
		FY2021	FY2020	Change	YoY	excl. FX impact
		Oct-Dec	Oct-Dec			
Base	Total Sales	10,578	8,499	+2,079	+24.5%	+15.8%
	Operating Income	900	727	+172	+23.7%	+15.1%
Primary Labels	Total Sales	3,209	2,546	+663	+26.1%	+14.1%
	Operating Income	186	270	-84	-31.0%	-34.7%
Eliminations	Operating Income	14	45	-30	-67.9%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

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

Quarterly Sales & OI

(Millions of JPY)

■ Base Sales
 ■ Primary Labels Sales
 —● Base OI
 —● Primary Labels OI



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

Breakdown by Region: The Americas

Oct-
Dec

Base business: Printers in the brisk U.S. retail market drove sales higher.

OI decreased due to increase in cost of label materials.

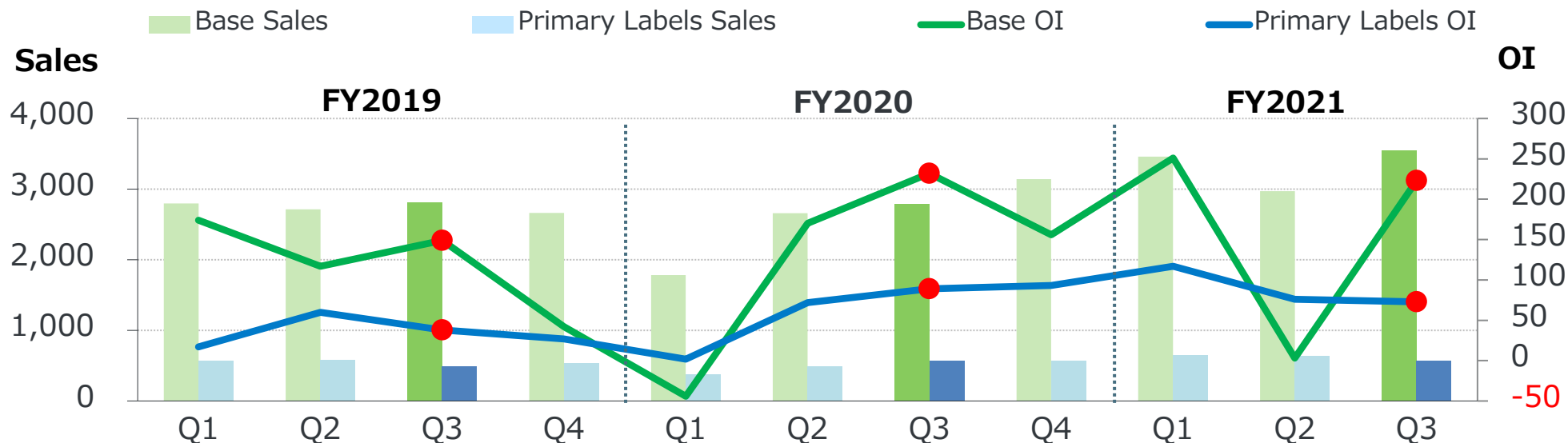
Primary Labels business: Sales were flat. OI decreased mainly due to cost increases.

(Millions of JPY)

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

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

The Americas: Quarterly Sales & OI (Millions of JPY)



		FY2019				FY2020				FY2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Base	Sales	2,797	2,714	2,811	2,664	1,781	2,660	2,794	3,140	3,458	2,970	3,554	
	YoY	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%	+17.8%	+94.2%	+11.6%	+27.2%	
	OI	174	117	149	42	-44	170	232	156	251	3	223	
	YoY	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%	3.6x	-	-97.8%	-3.6%	
Primary Labels	Sales	577	586	497	536	378	498	571	576	648	643	576	
	YoY	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	
	OI	17	60	38	27	2	72	89	93	117	76	73	
	YoY	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x	3.4x	45.9x	+4.7%	-18.0%	

Breakdown by Region: Europe

Oct-
Dec

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

Primary Labels business: Sales increased due to deeper cultivation of existing businesses in food and beverages at Okil in Russia. OI decreased due to the impact of rising costs including paper materials and labor, in accordance with business expansion.

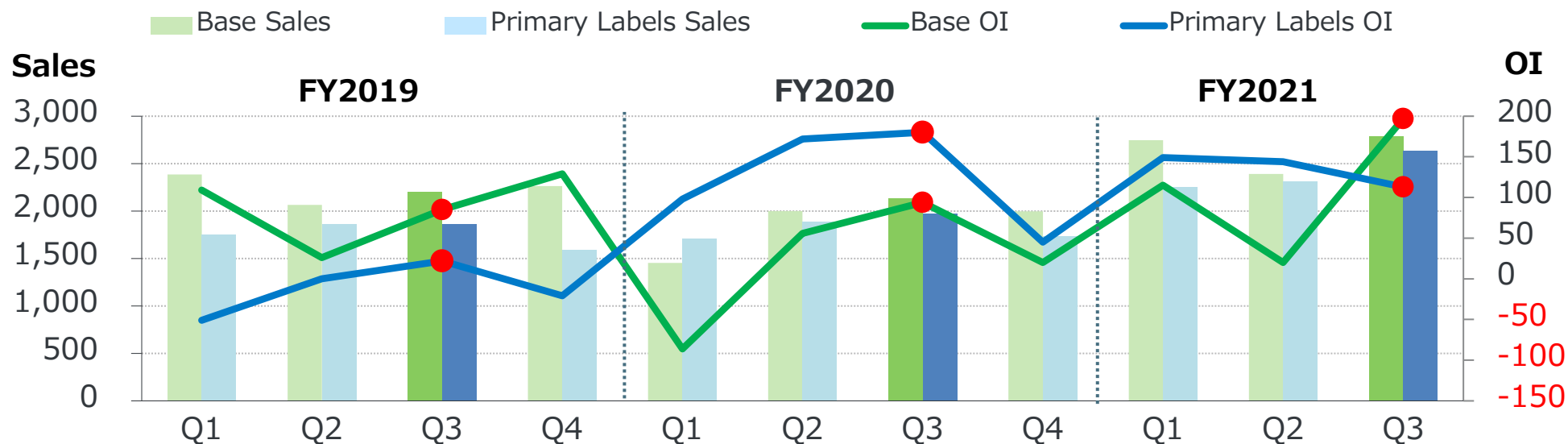
(Millions of JPY)

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

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

Europe: Quarterly Sales & OI

(Millions of JPY)



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

Breakdown by Region: Asia/Oceania

Oct-
Dec

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

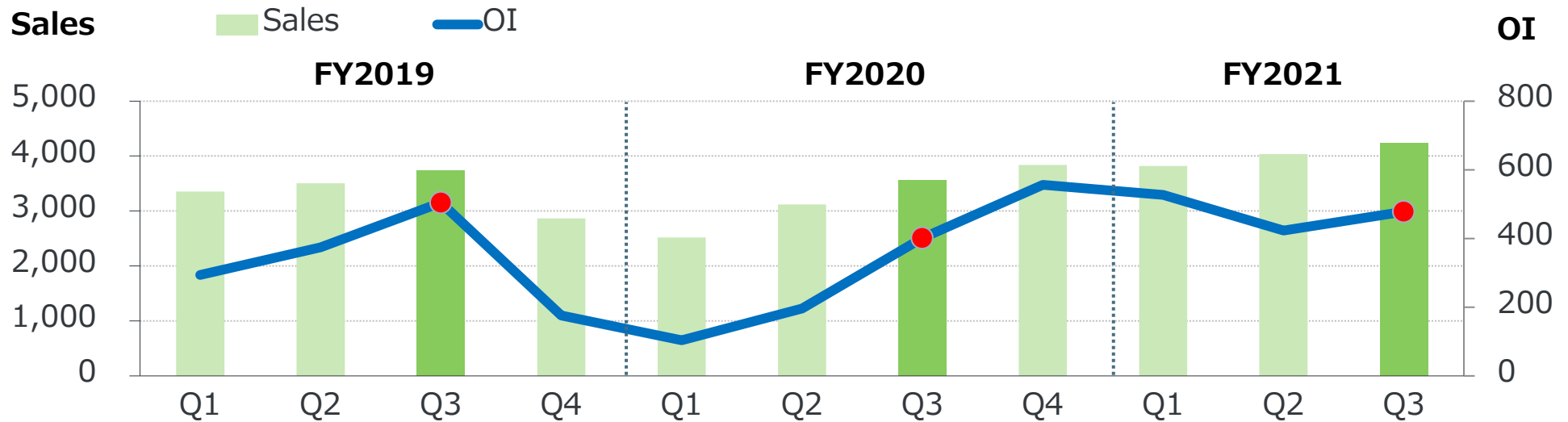
(Millions of JPY)

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

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

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)

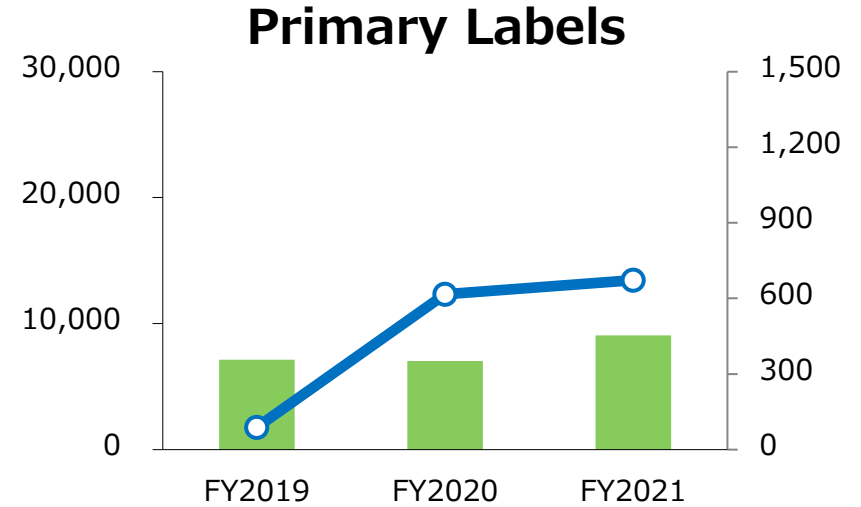
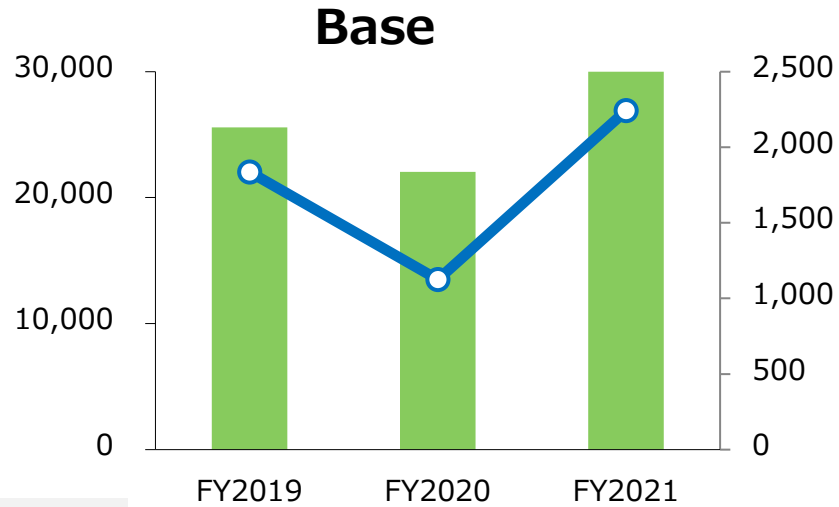


Base	Sales	3,355	3,504	3,740	2,865	2,520	3,117	3,567	3,839	3,817	4,037	4,238
	YoY	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%	+34.0%	+51.5%	+29.5%	+18.8%
	OI	294	374	504	176	104	196	401	556	527	423	478
	YoY	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%	3.2x	5.1x	2.2x	+19.2%

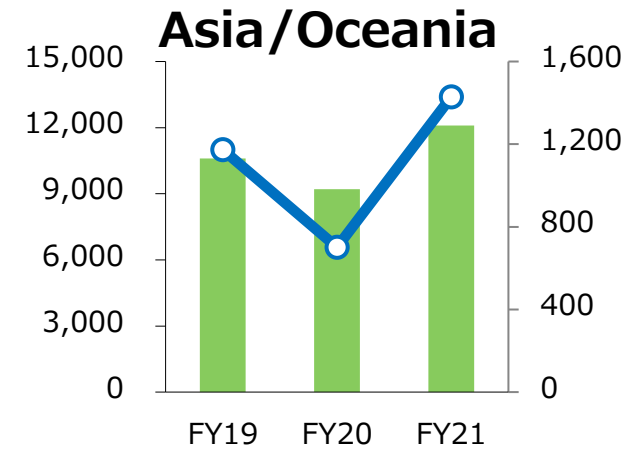
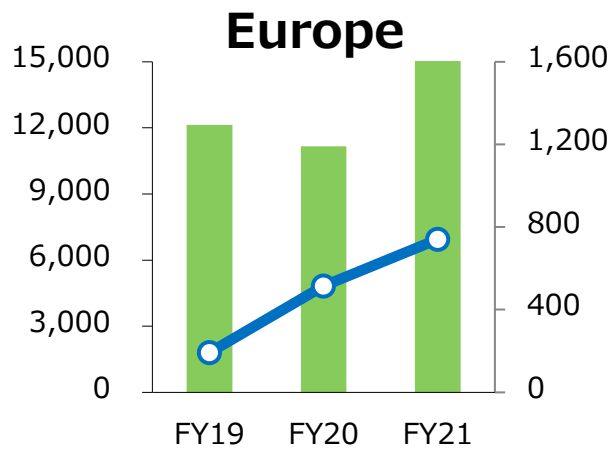
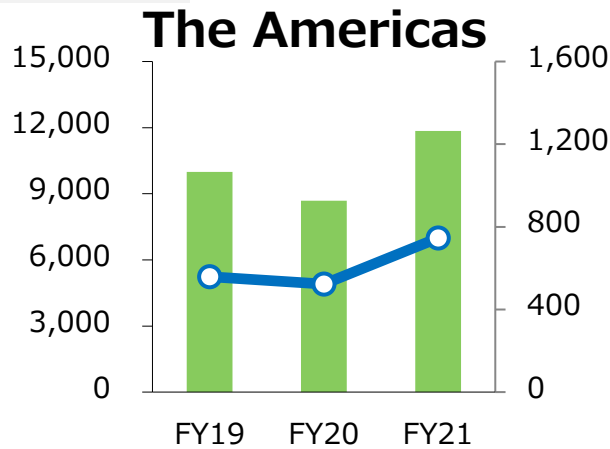
Sales and OI Trends by Business Segment and Region

By Business Segment

■ Sales —○— OI (Millions of JPY, Sales (left axis), OI (right axis))



By Region



Overview

Oct-
Dec

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

(Millions of JPY)

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

	FY2021	FY2020	Change	
	Apr-Dec	Apr-Dec		YoY
Mechatronics Sales	21,010	19,524	+1,485	+7.6%
Consumables Sales	32,349	30,551	+1,798	+5.9%
Total Sales	53,315	50,075	+3,239	+6.5%
Gross Profit	24,903	23,616	+1,287	+5.5%
Gross Profit %	46.7%	47.2%	-0.5pt	-
Operating Income	1,690	2,018	-327	-16.2%
Operating Income %	3.2%	4.0%	-0.9pt	-

Mechatronics: Hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services.

Consumables: Products such as variable information labels, RFID tags, primary labels (product labels) and ribbons.

Note 1: Total Sales is sum of mechatronics, consumables, and others.

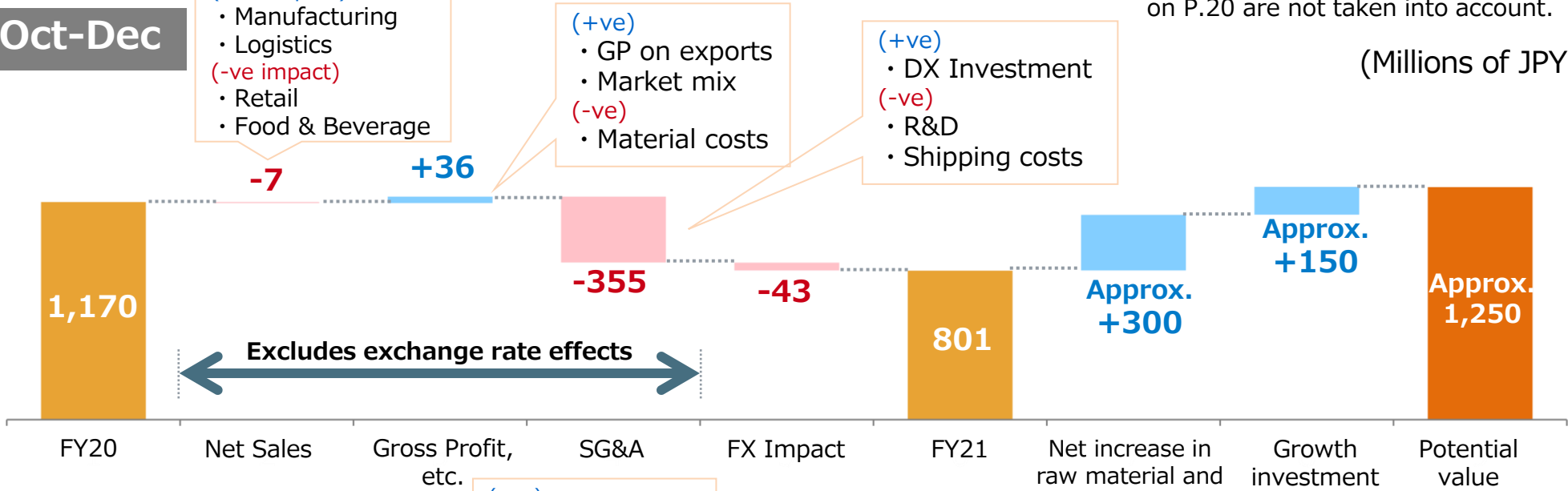
Note 2: Changes in accounting classifications of maintenance related costs from SG&A to COGS lead to lower GPM.

Major Gains/Losses in OI

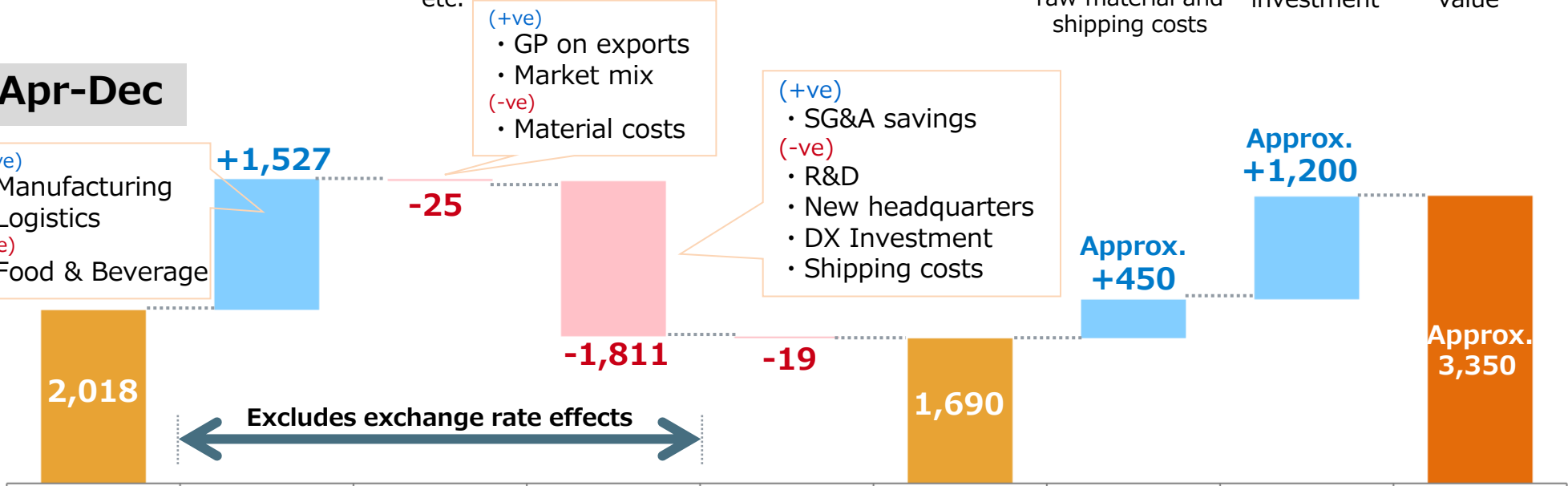
*"Changes in accounting classifications" on P.20 are not taken into account.

(Millions of JPY)

Oct-Dec

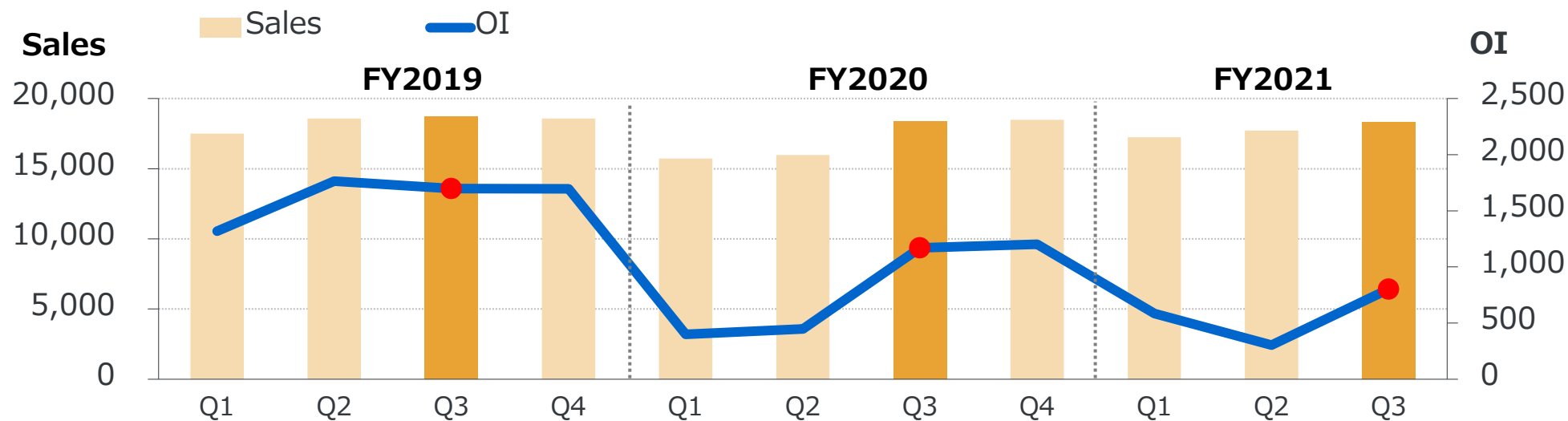


Apr-Dec



Quarterly Sales & OI

(Millions of JPY)



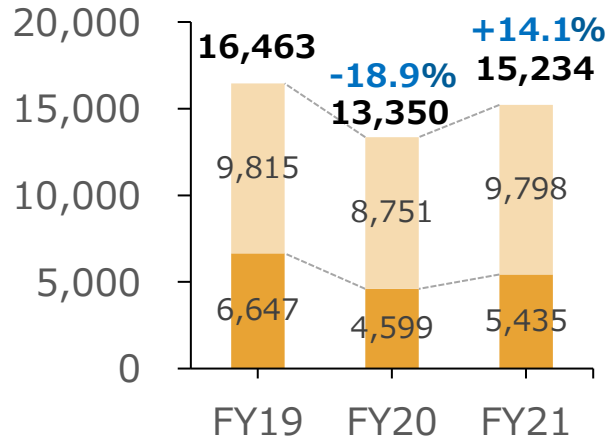
Sales	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490	17,248	17,729	18,337
YoY	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%	+9.6%	+10.9%	-0.1%
OI	1,318	1,765	1,698	1,697	399	448	1,170	1,203	585	303	801
YoY	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%	+46.7%	-32.4%	-31.5%

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

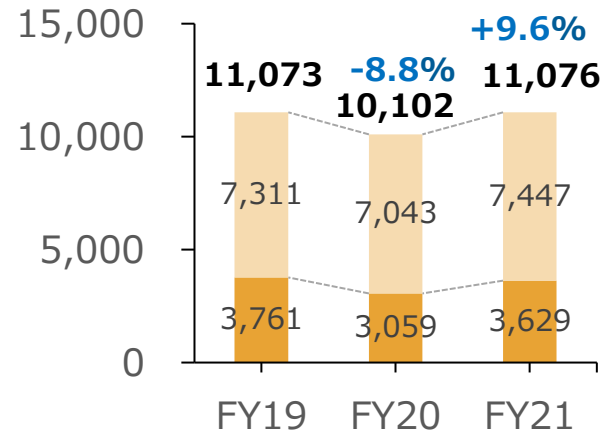
■ : Mechatronics ■ : Consumables *% indicates YoY change

(Millions of JPY)

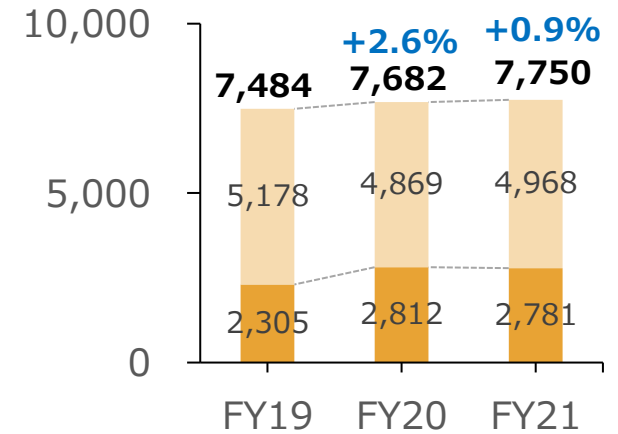
Manufacturing



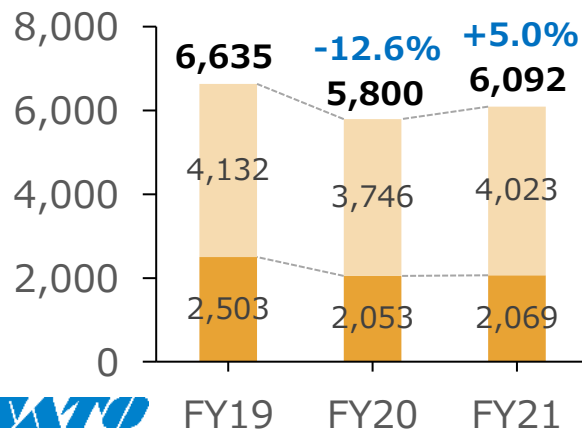
Logistics



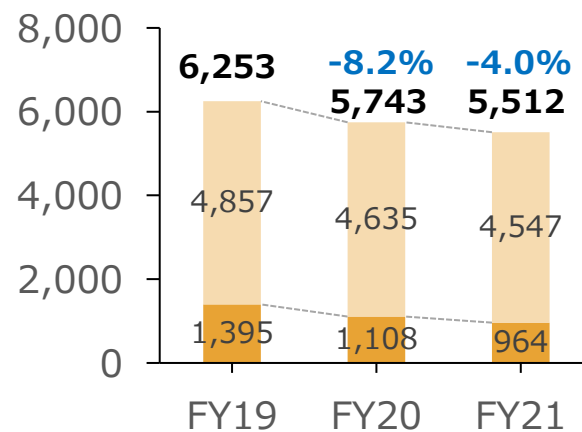
Retail



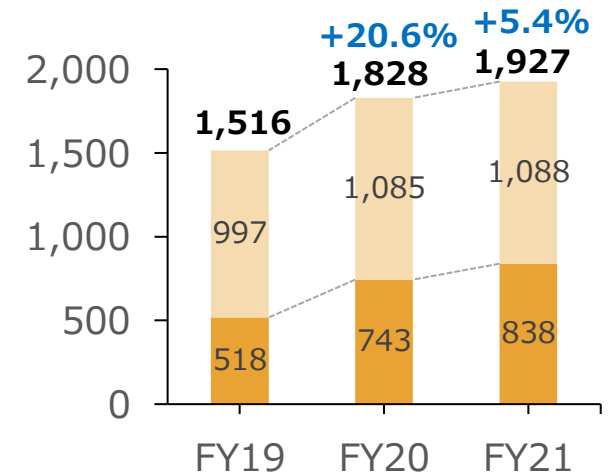
Health Care



Food & Beverage



Public



Sales by Vertical 1/2

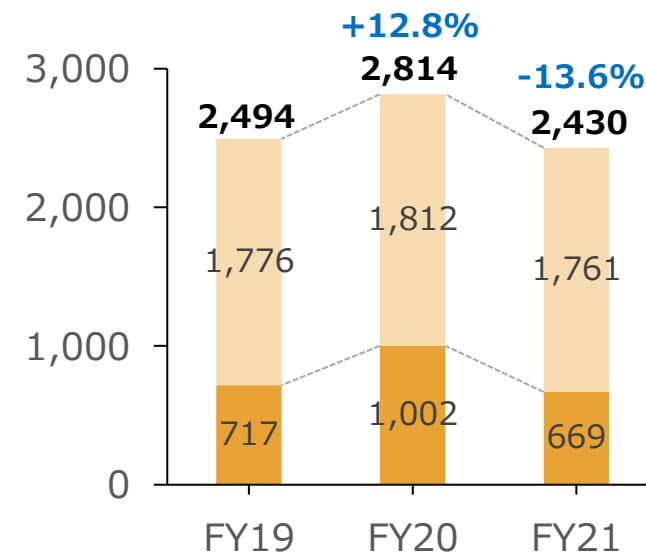
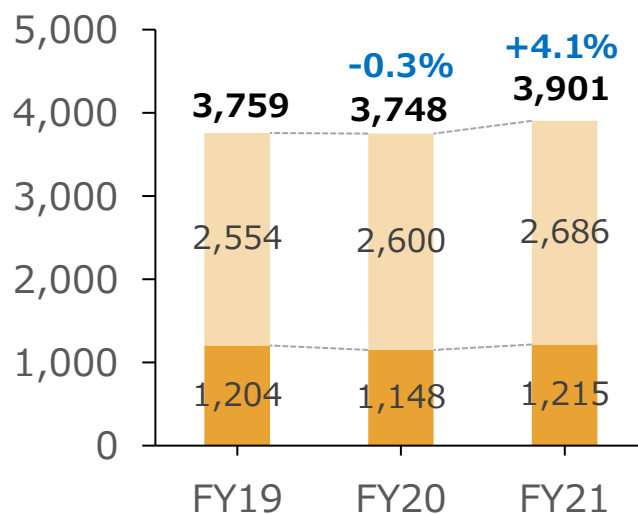
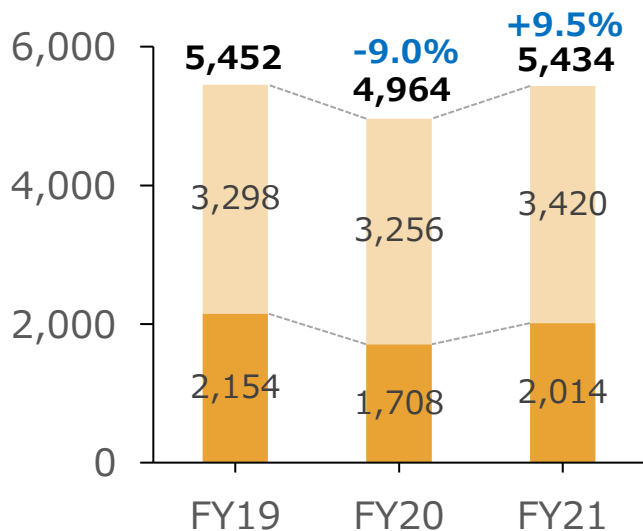
(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

Manufacturing

Logistics

Retail



Business environment

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

Various industries took advantage of continued expansion of EC and stay-home demand. Demand continued to grow for automation and DX.

Despite a pause in growth at supermarkets, investments for DX, efficiency, and EC continued. EC industry remained brisk.

SATO performance

Consumables grew, driven by better-performing industries. In mechatronics, RFID sales were strong in response to labor shortages and shift to DX (Digital Transformation). Recovery continued.

Consumables grew with increased volume in almost all industries. Mechatronics sales continued to grow thanks to demand for shipping process automation and DX in managing shipping processes with RFID.

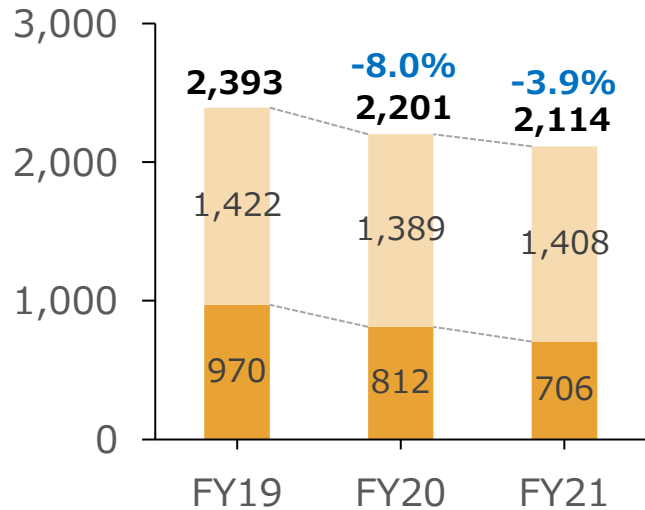
Consumables declined slightly due to a pause in stay-home related demand growth at supermarkets. Despite ongoing needs to address labor shortages, mechatronics declined due to absence of large orders seen last FY.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

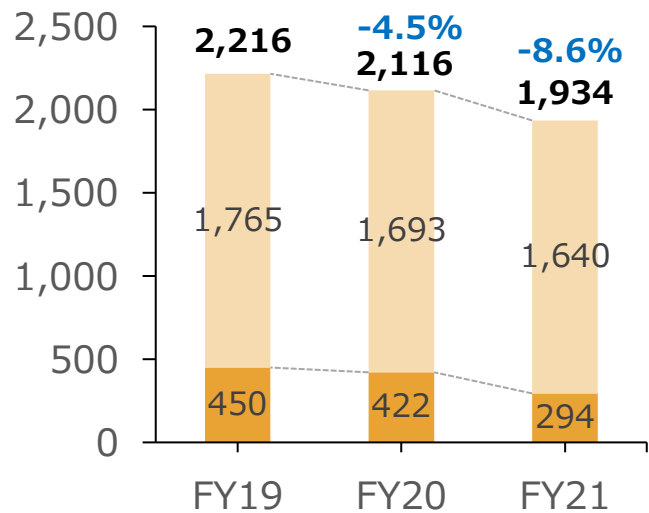
Health Care



The number of outpatients to medical institutions remained almost unchanged. Demand remained firm overall, including improvements in management efficiency and measures to address labor shortages.

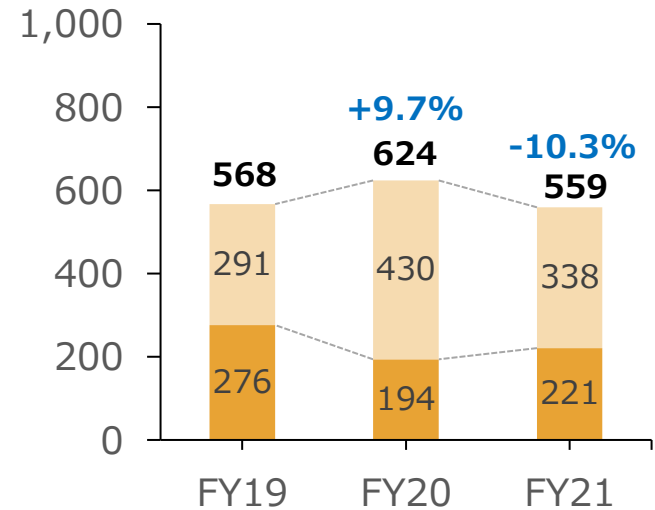
Business environment

Food & Beverage



Demand continued to stay strong for traceability and operational efficiency against the backdrop of legal compliance, higher quality control awareness, and labor shortages.

Public



The overall business environment remained stable.

SATO performance

Consumables rose slightly along with a recovery in demand from manufacturers of medical devices and pharmaceuticals. Mechatronics sales decreased due to restrictions on sales activities and printer supply constraints caused by the pandemic.

Consumables declined due to a pause in stay-home related demand growth for the food industry. Despite the recovery in restaurants, mechatronics declined due to the absence of large orders in food manufacturing seen last FY.

Consumables demand generally remained at the same level as in FY20 but declined due to lack of a large-scale project seen last FY. Mechatronics grew strongly due to orders from large customers.

Operating Income Impact (Gross Profit)

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

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

	FY21 Q1~Q3 (Results)	FY21 Q4 (Forecast) *
Printers Higher manufacturing costs	Approx. JPY 550 mil.	Medium
Labels Rising costs of raw materials	Approx. JPY 600 mil.	Medium
Printers Pass on costs, reduce costs	—	Small
Labels Pass on costs, reduce costs	Approx. JPY 400 mil.	Small
Expand sales of high-value added solutions and printers	—	Medium
	FY21	FY22

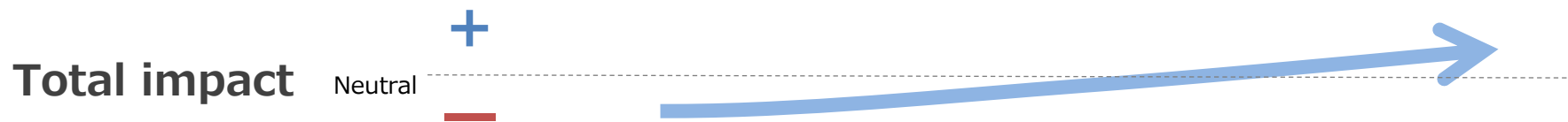


Operating Income Impact (SG&A)

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

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

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



FY2021 Consolidated Forecasts

(Millions of JPY)

Figures in parentheses are initial plans.

	Apr-Dec		Jan-Mar		FY2021	
	Results	YoY	Targets	YoY	Targets	YoY
Net Sales	92,388	+16.5%	29,611	-0.6%	122,000 (117,000)	+11.9%
Operating Income	4,743	+25.6%	1,656	-20.0%	6,400	+9.4%
Ordinary Income	4,610	+32.9%	1,589	-22.5%	6,200	+12.3%
Profit attributable to owners of parent	2,952	-74.6%	1,047	-22.7%	4,000	-69.1%

<Reference>

EBITDA *	10,163	←FY2020	10,800	+6.3%
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* EBITDA=Operating Income +
Depreciation + Amortization

Exchange rates assumed in FY21 forecast: JPY 110/USD, JPY 131/EUR
Average exchange rates for Apr-Dec 2021: JPY 111.13/USD, JPY 130.59/EUR
Average exchange rates for FY20 : JPY 106.10/USD, JPY 123.75/EUR

Appendix

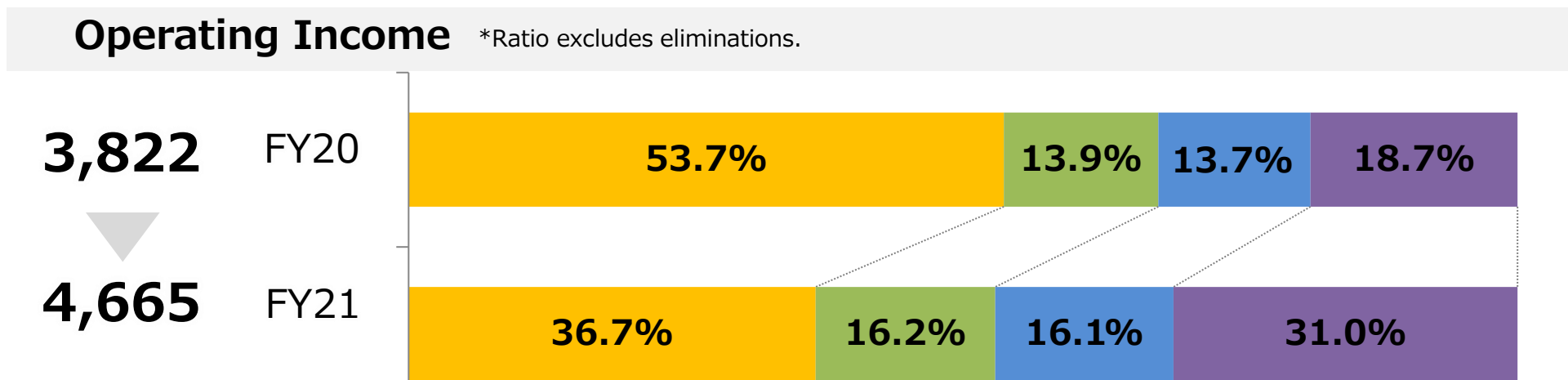
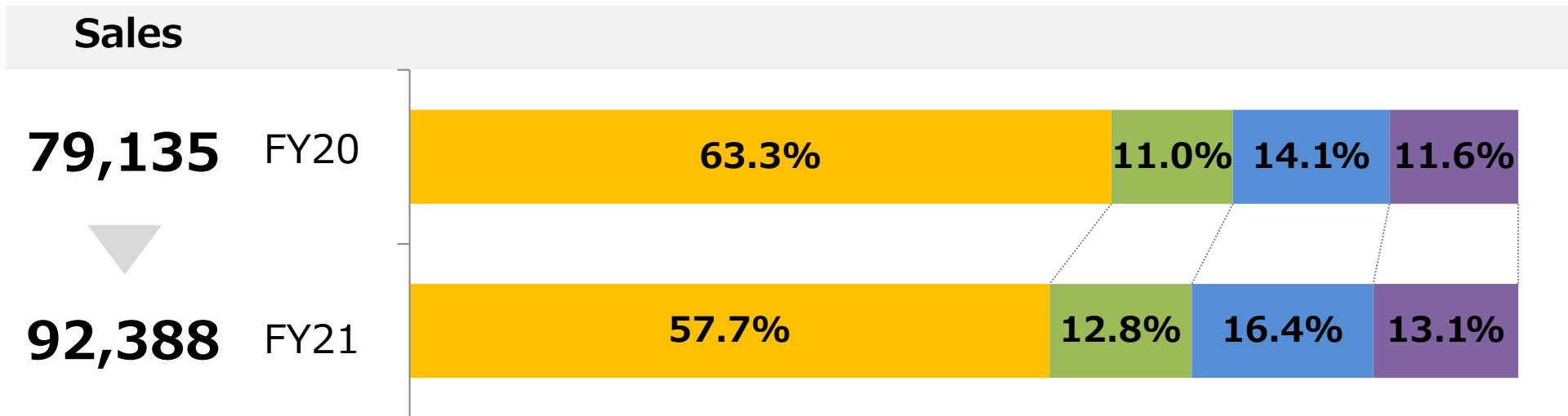
Performance data Pages 30-33

SATO terminologies Pages 34-37

Sales and OI by Region

(Millions of JPY)

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania



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

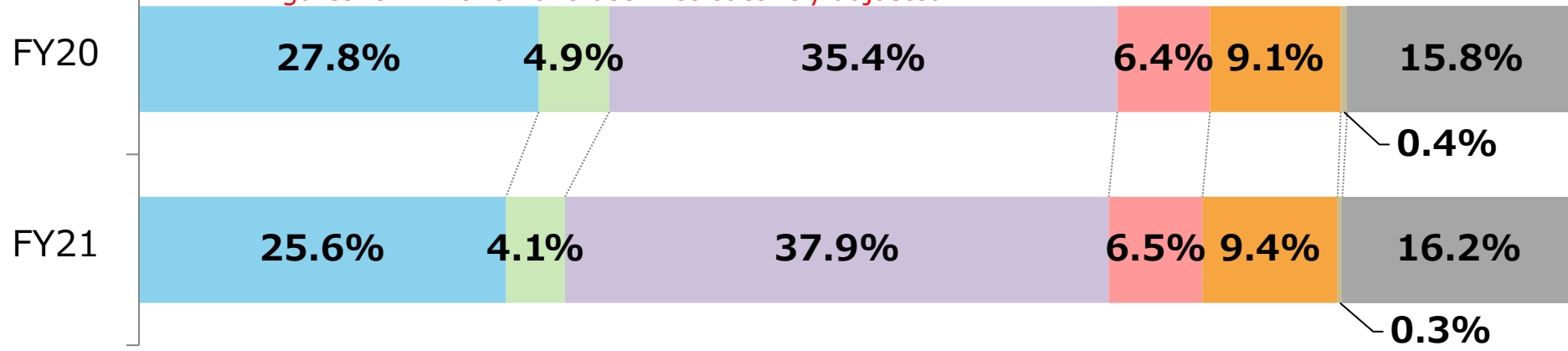


Sales by Vertical

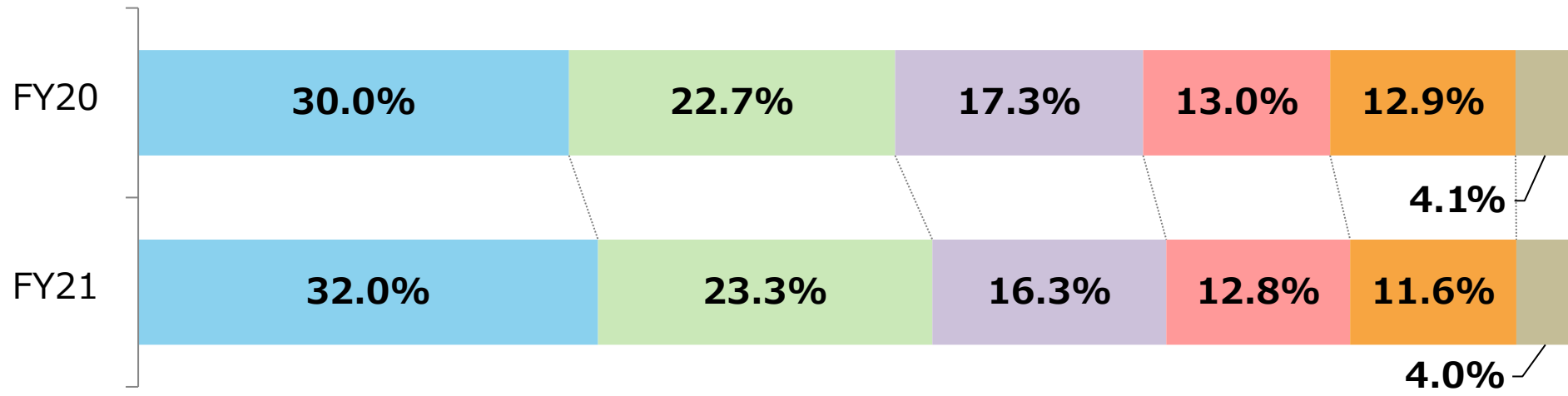
■ Manufacturing
 ■ Logistics
 ■ Retail
 ■ Health Care
 ■ Food & Beverage
 ■ Public
 ■ Others

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

N.B.: Market classifications of some sales subsidiaries were revised in FY2021. Figures for FY2020 have been retroactively adjusted.



Japan *Maintenance services not included

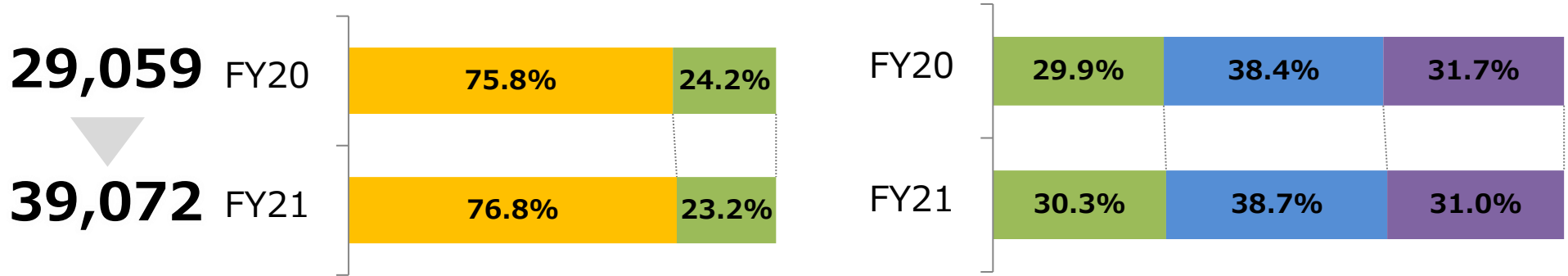


Sales and OI by Business Segment/Region

(Millions of JPY)

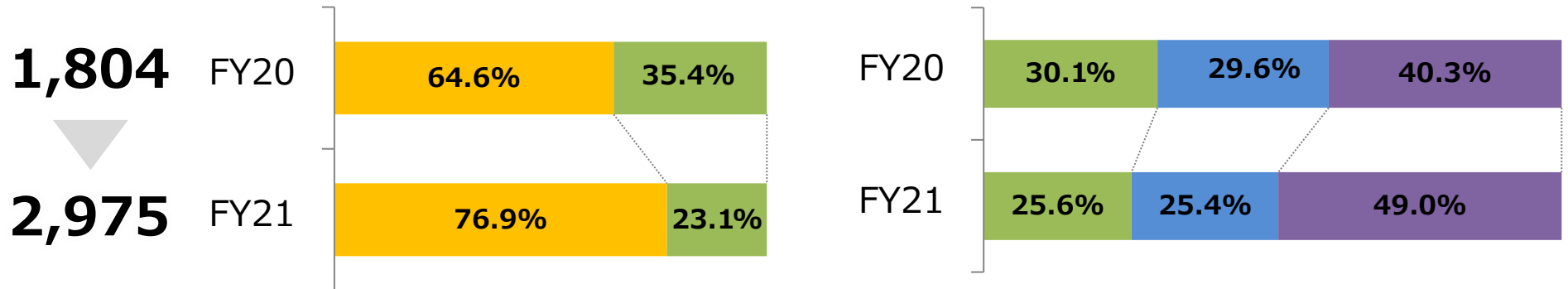
■ Base
 ■ Primary Labels
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

Sales



Operating Income

*Ratio excludes eliminations.



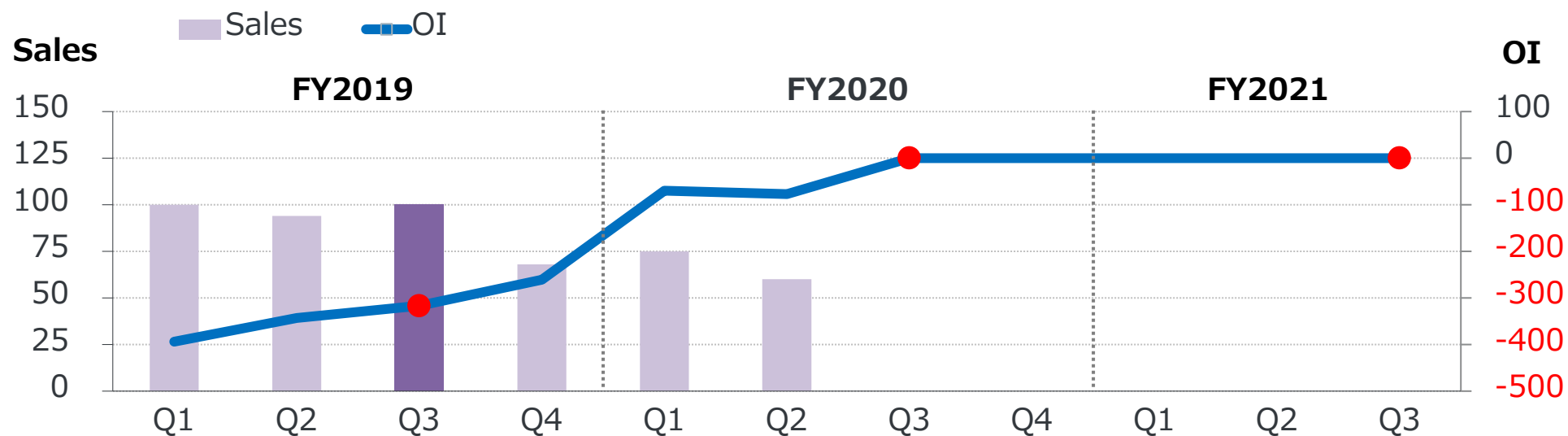
OI ratio: FY20 Base : 5.1%, Primary Labels : 8.8%
FY21 Base : 7.5%, Primary Labels : 7.4%

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



Quarterly Sales & OI

(Millions of JPY)



Sales	100	94	100	68	75	60	0	0	0	0	0
YoY	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-	-	-	-	-
OI	-394	-343	-317	-261	-70	-77	0	0	0	0	0
YoY	-	-	-	-	-	-	-	-	-	-	-

SATO terminologies (1/4)

(* Underlined terms are described under its own heading)

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS & Labeling +One</u> . It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels businesses</u> .
2	Base business	Business of <u>tagging</u> variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
3	Primary Labels business	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (IDP). SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September 2020. IDP is a direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.
5	Koto-uri (Selling the solution, not the product)	Sales approach of selling not the product but combinations of products in the form of solutions that include hardware, <u>consumables</u> , maintenance services and software, together with ROI and other value propositions for the customer. The opposite concept of "Mono-uri", or selling single products.
6	Tagging	The process of physically attaching to something data that identifies and/or locates it. This involves digitizing information of the things it is tagged to so that the tagged data can be fed to and processed by core IT systems. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7	DCS & Labeling +One (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/labeling</u> of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added "+One" technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.

SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
8	Tagging for Sustainability	Business model set as the next stage of <u>DCS & Labeling</u> that aims to resolve customers' operational and societal challenges geared toward achieving a sustainable world. Shaped using new technologies and media not limited to labels that innovate our traditional domain of <u>tagging</u> .
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	Teiho	SATO's unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day with top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho reports are directly addressed to top management, it is also an effective means of compliance monitoring to prevent malpractice and other inappropriate behavior and assist in corporate governance. Some of our global offices have also started Teiho, with more to follow.
Products, services, Technologies		Description
1	Mechatronics	All products that are not <u>consumables</u> , including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than <u>consumables</u> . Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	"Consumable" products such as <u>variable information labels</u> , <u>RFID</u> tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> but incur low SG&A expenses ratio as they are typically sold through recurring business.

SATO terminologies (3/4)

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

SATO terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (Australia)	[2013] Company from which SATO acquired its business including PJM (Phase Jitter Modulation), a highly superior <u>RFID</u> technology that can quickly and accurately identify large volumes of tagged items stacked or stored in any physical orientation even in the presence of metals and liquids. Now SATO Vicinity Pty Ltd.
4	Okil-Holding, JSC (Russia)	[2014] Primary labels company in which SATO acquired 75% ownership stake. <u>X-Pack</u> is affiliated with Okil.
5	Prakolar Rótulos Autoadesivos LTDA. (Brazil)	[2015] Company specializing in primary labels.
Overseas subsidiaries founded after 2017		Description
1	X-Pack (Russia)	[2017] A subsidiary producing and selling shrink sleeves, in-mould labels and soft packages in <u>Primary Labels business</u> , owned 60% by SATO Holdings.
2	SATO Productivity Solutions Mexico S.A. de C.V.	[2019] A sales subsidiary, mainly focusing on automobile industry, owned nearly 100% by SATO Holdings.

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