

November 9, 2022

SATO HOLDINGS CORPORATION

FY2022 1H Financial Results
(Six Months Ended September 30, 2022)

Securities Code: 6287

Summary

Consolidated

Sales and OI increased YoY for Q2 and 1H. Performance has improved QoQ.

Auto-ID Solutions Business (Overseas)

Sales and OI increased YoY for Q2 and 1H.

- **Base business:** Sales and OI increased due to robust demand captured through efforts in sales, manufacturing and logistics divisions.
- **Primary Labels business:** Sales and OI increased owing to solid sales to the daily commodities industry and price revisions covering for higher costs.

Auto-ID Solutions Business (Japan)

Sales and OI increased YoY for Q2 and 1H.

Sales increased thanks to continued strong momentum of consumables sales, covering sluggish mechatronics sales. OI increased due to higher sales, increase in gross profit on export backed by strong printer sales in the Overseas business, and control of SG&A expenses.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022 Apr-Sep	FY2021 Apr-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	70,463 (61,820)	60,261 (55,693)	+16.9% (+11.0%)	+6.9% (+5.1%)	
	Operating Income	3,962 (2,809)	2,762 (2,365)	+43.4% (+18.8%)	+26.9% (+15.0%)	
	Overseas	Total Sales	34,878 (26,234)	25,284 (20,715)	+37.9% (+26.6%)	+14.0% (+10.7%)
		Operating Income	3,029 (1,875)	1,873 (1,476)	+61.7% (+27.0%)	+32.4% (+14.8%)
	Japan	Total Sales	35,585	34,977	+1.7%	+1.7%
		Operating Income	933	888	+5.0%	+15.3%
Consolidated (incl. eliminations)	Total Sales	70,463 (61,820)	60,261 (55,693)	+16.9% (+11.0%)	+6.9% (+5.1%)	
	Operating Income	3,776 (2,622)	2,779 (2,382)	+35.8% (+10.1%)	+19.4% (+6.3%)	

* Figures in parentheses exclude the Russian business.

Sales and OI by Business Segment

(Millions of JPY)

		FY2022 Jul-Sep	FY2021 Jul-Sep	YoY	excl. FX impact	
Auto-ID Solutions business	Total Sales	36,777 (32,001)	30,084 (27,772)	+22.2% (+15.2%)	+10.3% (+8.3%)	
	Operating Income	3,051 (2,124)	1,001 (805)	3.0x (2.6x)	2.6x (2.5x)	
	Overseas	Total Sales	18,483 (13,707)	12,354 (10,043)	+49.6% (+36.5%)	+20.5% (+17.4%)
		Operating Income	2,109 (1,182)	698 (502)	3.0x (2.4x)	2.4x (2.1x)
	Japan	Total Sales	18,294	17,729	+3.2%	+3.2%
		Operating Income	941	303	3.1x	3.2x
Consolidated (incl. eliminations)	Total Sales	36,777 (32,001)	30,084 (27,772)	+22.2% (+15.2%)	+10.3% (+8.3%)	
	Operating Income	2,951 (2,024)	1,073 (877)	2.7x (2.3x)	2.4x (2.2x)	

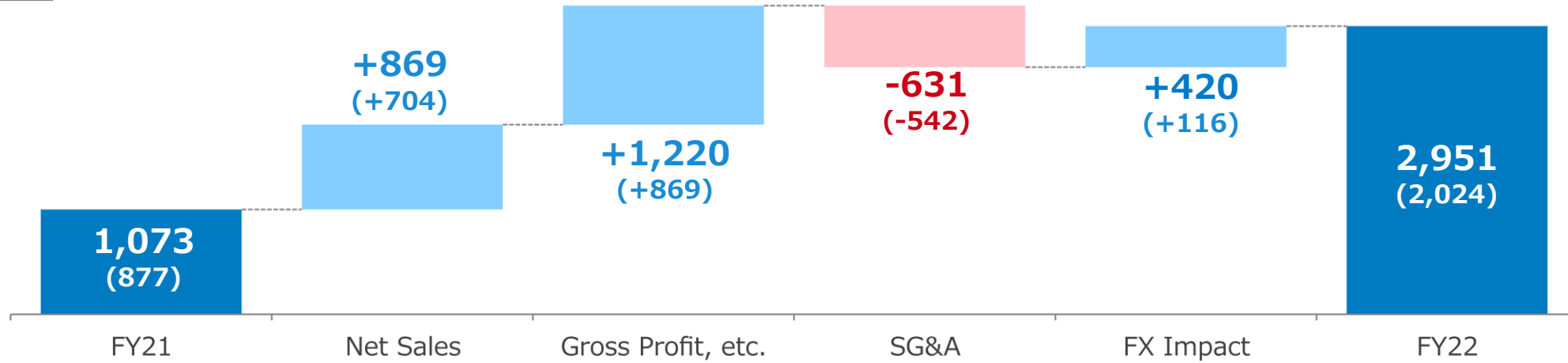
* Figures in parentheses exclude the Russian business.

Major Gains/Losses in OI

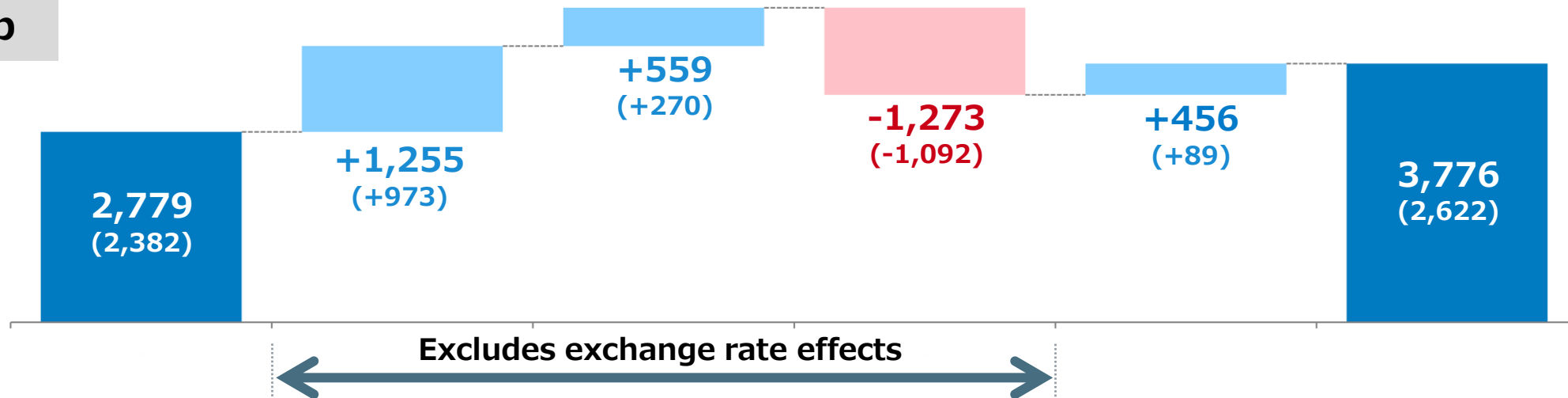
* Changes in accounting classifications (P.17) are not taken into account.

(Millions of JPY)

Jul-Sep



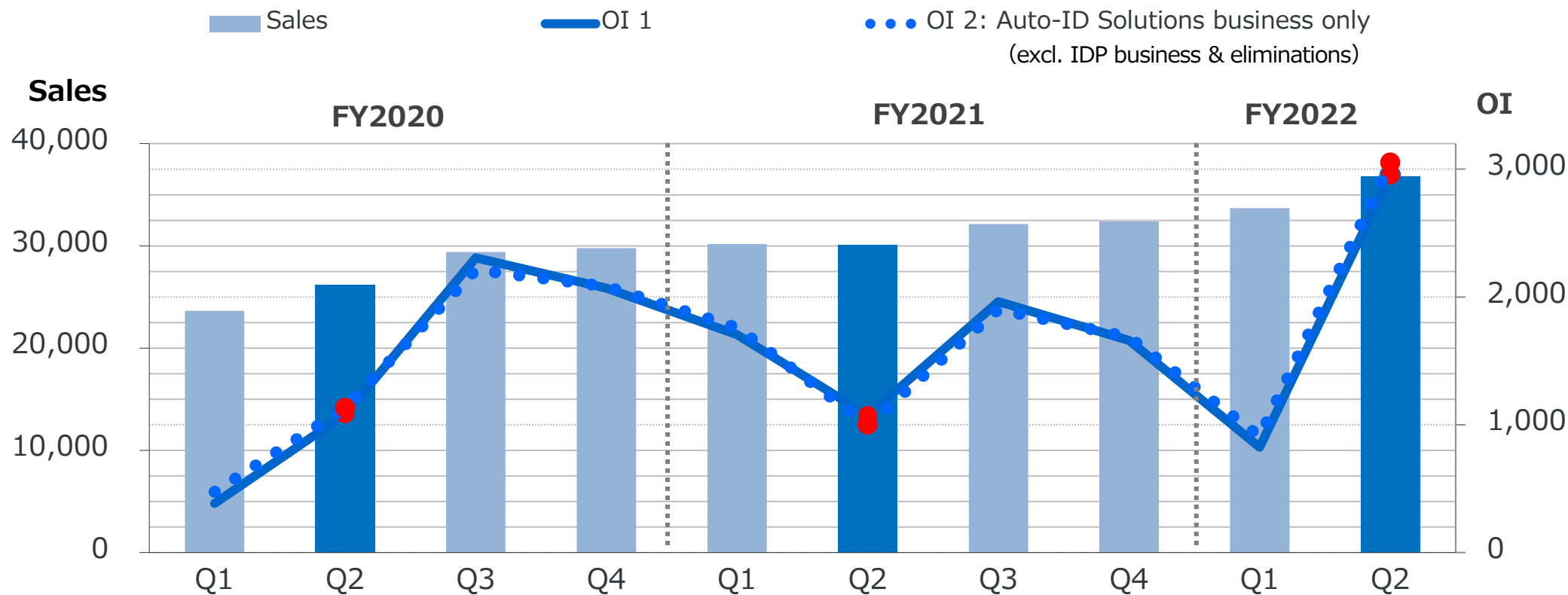
Apr-Sep



* Figures in parentheses exclude the Russian business.

Quarterly Sales & OI

(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	23,651	26,221	29,398	29,781	30,177	30,084	32,126	32,395	33,686	36,777
YoY	-16.9%	-10.8%	-1.8%	+4.2%	+27.6%	+14.7%	+9.3%	+8.8%	+11.6%	+22.2%
OI 1	385	1,084	2,307	2,069	1,706	1,073	1,963	1,660	824	2,951
YoY	-74.5%	-46.5%	+9.7%	+14.0%	4.4x	-1.0%	-14.9%	-19.8%	-51.7%	2.7x
OI 2	476	1,132	2,213	2,083	1,760	1,001	1,903	1,685	910	3,051
YoY	-74.6%	-52.0%	-10.4%	+1.8%	3.7x	-11.5%	-14.0%	-19.5%	-48.3%	3.0x

Consolidated Results

(Millions of JPY)

	FY2022	FY2021	Change	
	Apr-Sep	Apr-Sep		YoY
Net Sales	70,463 (61,820)	60,261 (55,693)	+10,201 (+6,126)	+16.9% (+11.0%)
Operating Income	3,776 (2,622)	2,779 (2,382)	+996 (+239)	+35.8% (+10.1%)
Operating Income %	5.4% (4.2%)	4.6% (4.3%)	+0.7pt (-0.0pt)	- -
Ordinary Income	4,968 (2,775)	2,695 (2,216)	+2,272 (+559)	+84.3% (+25.2%)
Profit attributable to owners of parent	3,229 (1,981)	1,848 (1,537)	+1,380 (+443)	+74.7% (+28.9%)
Effective Tax Rate	25.0%	25.7%	-0.7pt	-
EBITDA*	6,392 (4,859)	4,974 (4,355)	+1,417 (+503)	+28.5% (+11.6%)

Average exchange rates for Apr-Sep FY22: JPY 134.03/USD, JPY 138.76 /EUR, Apr-Sep FY21: JPY 109.81 /USD, JPY 130.88 /EUR
FX sensitivity for FY22: JPY +461million in sales and JPY +9million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Apr-Sep FY22: JPY 2,459 million (2,079 million)
· Amortization for Apr-Sep FY22: JPY 156 million (156 million)

Apr-Sep FY21: JPY 2,076 million (1,854 million)
Apr-Sep FY21: JPY 117 million (117 million)

* Figures in parentheses exclude the Russian business.

Consolidated Results

(Millions of JPY)

	FY2022 Jul-Sep	FY2021 Jul-Sep	Change	
				YoY
Net Sales	36,777 (32,001)	30,084 (27,772)	+6,693 (+4,228)	+22.2% (+15.2%)
Operating Income	2,951 (2,024)	1,073 (877)	+1,877 (+1,146)	2.7x (2.3x)
Operating Income %	8.0% (6.3%)	3.6% (3.2%)	+4.5pt (+3.2pt)	- -
Ordinary Income	2,918 (2,023)	1,051 (834)	+1,867 (+1,189)	2.8x (2.4x)
Profit attributable to owners of parent	2,033 (1,528)	762 (621)	+1,270 (+907)	2.7x (2.5x)
Effective Tax Rate	24.7%	21.3%	+3.4pt	-
EBITDA*	4,266 (3,151)	2,176 (1,867)	+2,089 (+1,284)	+96.0% (+68.8%)

Average exchange rates for Apr-Sep FY22: JPY 134.03 /USD, JPY 138.76 /EUR, Apr-Sep FY21: JPY 109.81 /USD, JPY 130.88 /EUR
FX sensitivity for FY22: JPY +461million in sales and JPY +9million in OI for +1 JPY against USD and assuming all others move by the same ratio

* EBITDA = Operating Income + Depreciation + Amortization
· Depreciation for Jul-Sep FY22: JPY 1,234 million (1,047 million)
· Amortization for Jul-Sep FY22: JPY 80 million (80 million)

Jul-Sep FY21: JPY 1,043 million (929 million)
Jul-Sep FY21: JPY 59 million (59 million)

* Figures in parentheses exclude the Russian business.

Overview

Jul-Sep

Sales and OI increased in all regions due to steadily capturing robust demand through instilled *koto-uri* and improvements in manufacturing and logistics, together with progress in price revisions.

(Millions of JPY)

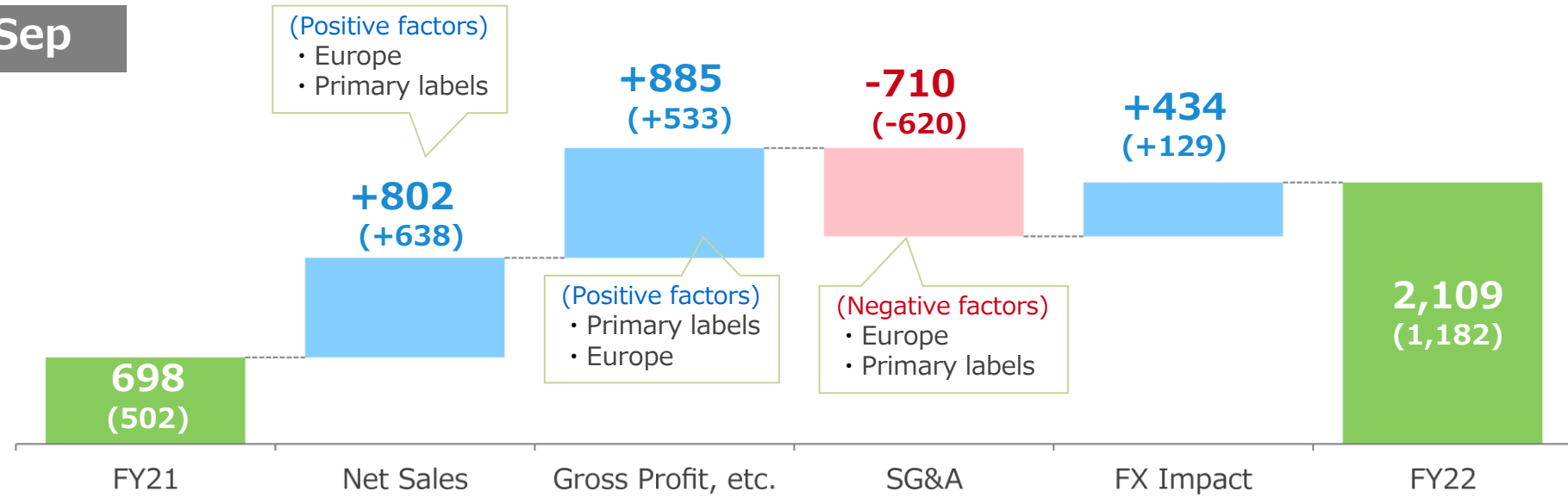
	FY2022	FY2021	Change	Change	
	Jul-Sep	Jul-Sep		YoY	excl. FX impact
Total Sales	18,483 (13,707)	12,354 (10,043)	+6,128 (+3,663)	+49.6% (+36.5%)	+20.5% (+17.4%)
Gross Profit	6,875 (5,342)	3,992 (3,495)	+2,882 (+1,847)	+72.2% (+52.8%)	-
Gross Profit %	37.2% (39.0%)	32.3% (34.8%)	+4.9pt (+4.2pt)	-	-
Operating Income	2,109 (1,182)	698 (502)	+1,411 (+680)	3.0x (2.4x)	2.4x (2.1x)
Operating Income %	11.4% (8.6%)	5.7% (5.0%)	+5.8pt (+3.6pt)	-	-

	FY2022	FY2021	Change	Change	
	Apr-Sep	Apr-Sep		YoY	excl. FX impact
Total Sales	34,878 (26,234)	25,284 (20,715)	+9,593 (+5,518)	+37.9% (+26.6%)	+14.0% (+10.7%)
Gross Profit	12,150 (9,876)	8,686 (7,705)	+3,464 (+2,170)	+39.9% (+28.2%)	-
Gross Profit %	34.8% (37.6%)	34.4% (37.2%)	+0.5pt (+0.4pt)	-	-
Operating Income	3,029 (1,875)	1,873 (1,476)	+1,155 (+399)	+61.7% (+27.0%)	+32.4% (+14.8%)
Operating Income %	8.7% (7.1%)	7.4% (7.1%)	+1.3pt (+0.0pt)	-	-

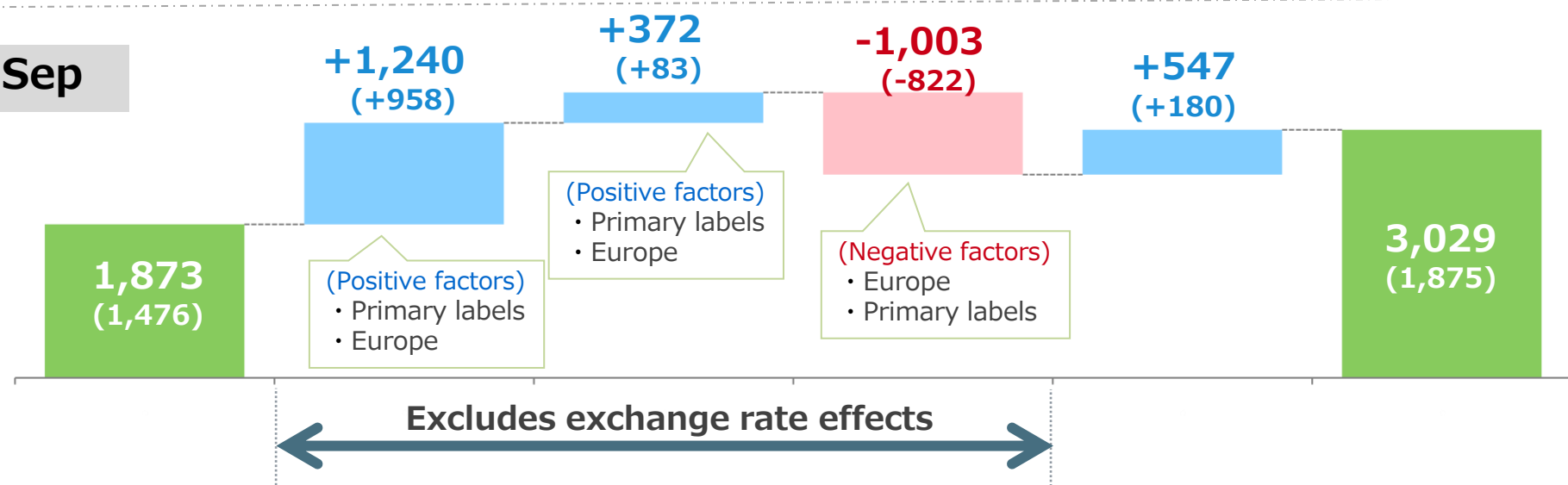
Major Gains/Losses in OI

(Millions of JPY)

Jul-Sep



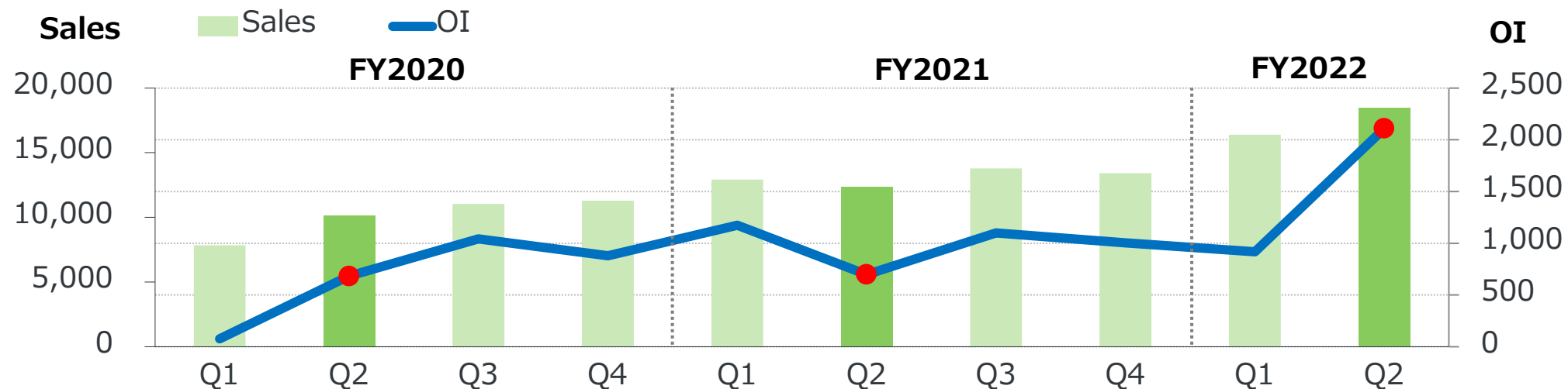
Apr-Sep



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

Quarterly Sales & OI

(Millions of JPY)



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

Breakdown by Region: The Americas

Jul-Sep

Base business: Sales and OI increased owing to efforts to capture robust demand mainly in the U.S. retail market, together with efforts of price revisions and reduction in backlog of printer orders.

Primary Labels business: Sales and OI increased due to robust demand in the daily commodities industry and price revisions.

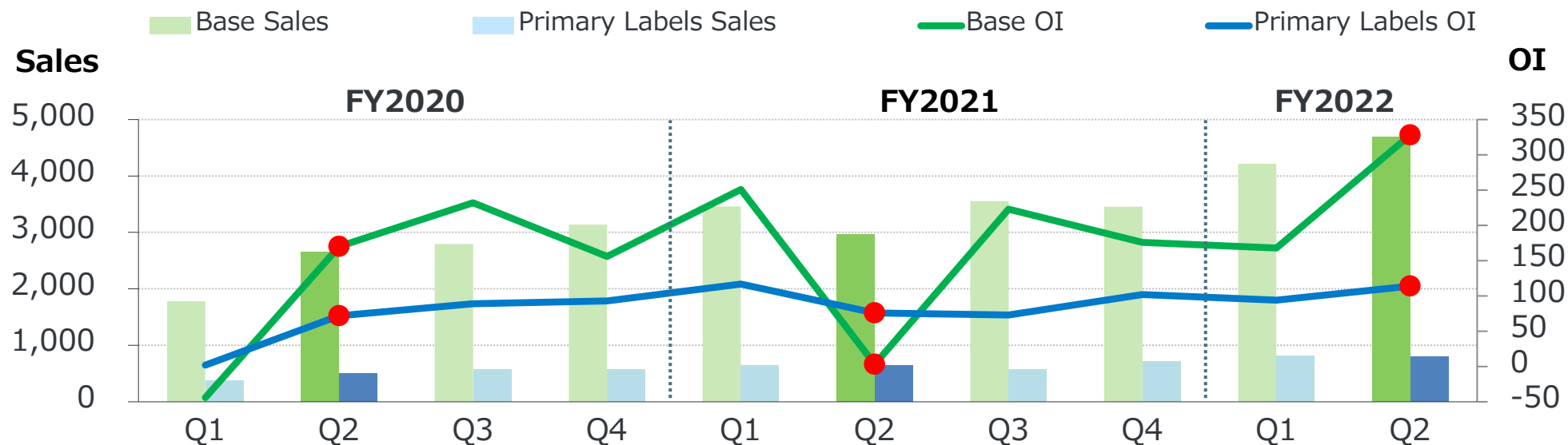
(Millions of JPY)

		FY2021 Jul-Sep	FY2020 Jul-Sep	Change	Change	
					YoY	excl. FX impact
Base	Total Sales	4,694	2,970	+1,724	+58.1%	+27.1%
	Operating Income	328	3	+324	87.3x	72.0x
Primary Labels • Achernar • Prakolar	Total Sales	806	643	+162	+25.3%	+14.1%
	Operating Income	114	76	+38	+50.2%	+53.3%
Total	Total Sales	5,501	3,614	+1,887	+52.2%	+24.8%
	Operating Income	442	79	+362	5.5x	4.9x

		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	Change	
					YoY	excl. FX impact
Base	Total Sales	8,909	6,429	+2,480	+38.6%	+14.3%
	Operating Income	497	255	+241	+94.8%	+62.4%
Primary Labels • Achernar • Prakolar	Total Sales	1,627	1,292	+334	+25.9%	+12.7%
	Operating Income	209	193	+15	+8.2%	+9.8%
Total	Total Sales	10,536	7,721	+2,814	+36.5%	+14.0%
	Operating Income	706	448	+257	+57.5%	+39.7%

The Americas: Quarterly Sales & OI

(Millions of JPY)



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

Breakdown by Region: Europe

Jul-Sep

Base business: Sales and OI increased due to efforts to focus on better-performing industries such as restaurants and retail, progress in price revisions, and reduction in backlog of printer orders.

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

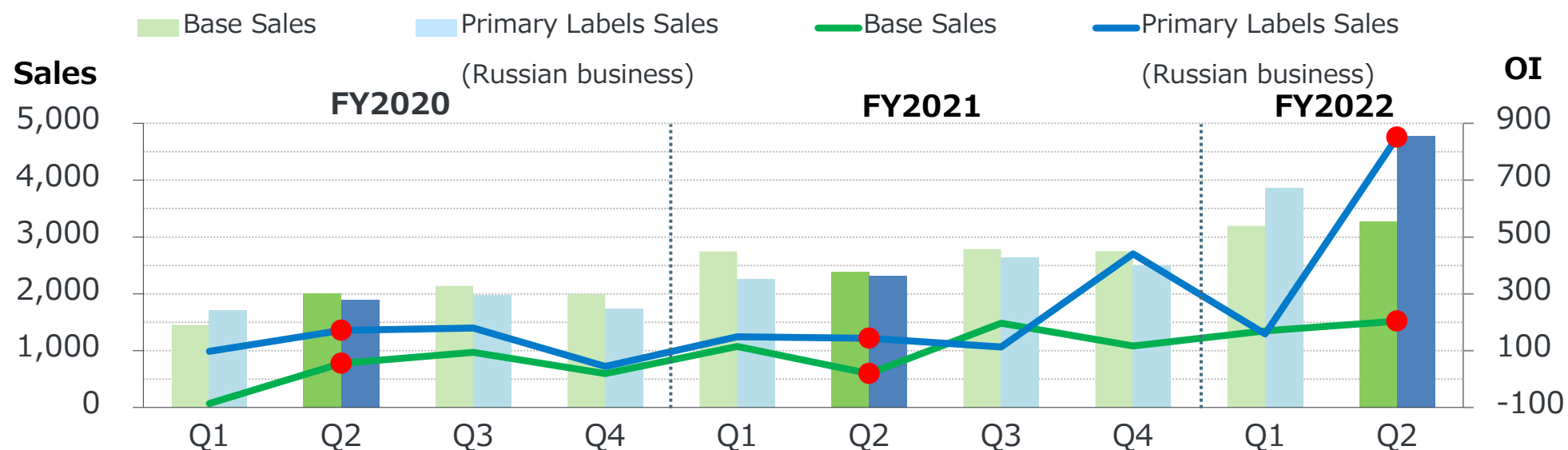
(Millions of JPY)

		FY2022 Jul-Sep	FY2021 Jul-Sep	Change	YoY	excl. FX impact
Base	Total Sales	3,268	2,391	+876	+36.6%	+27.5%
	Operating Income	204	20	+184	10.0x	9.5x
Primary Labels (Russian business)	Total Sales	4,775	2,311	+2,464	2.1x	+33.9%
	Operating Income	851	144	+707	5.9x	4.0x
		(0)	(0)	(0)	-	-
		(-75)	(-51)	(-24)	-	-
Total	Total Sales	8,043	4,703	+3,340	+71.0%	+30.6%
	Operating Income	1,056	164	+891	6.4x	4.7x
		(3,268)	(2,391)	(+876)	(+36.6%)	(+27.5%)
		(128)	(-31)	(+159)	-	-

		FY2022 Apr-Sep	FY2021 Apr-Sep	Change	YoY	excl. FX impact
Base	Total Sales	6,463	5,138	+1,324	+25.8%	+18.6%
	Operating Income	374	136	+238	2.8x	2.6x
Primary Labels (Russian business)	Total Sales	8,643	4,568	+4,075	+89.2%	+29.0%
	Operating Income	1,010	293	+717	3.4x	2.4x
		(0)	(0)	(0)	-	-
		(-142)	(-103)	(-38)	-	-
Total	Total Sales	15,106	9,707	+5,399	+55.6%	+23.5%
	Operating Income	1,385	429	+956	3.2x	2.4x
		(6,463)	(5,138)	(+1,324)	(+25.8%)	(+18.6%)
		(232)	(32)	(+199)	(7.1x)	(8.0x)

Europe: Quarterly Sales & OI

(Millions of JPY)



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

Breakdown by Region: Asia/Oceania

Jul-
Sep

Base business: Sales increased driven by strong performance in Southeast Asian subsidiaries and Argox in Taiwan.
OI increased due to higher sales and improvement in factory profits backed by higher printer shipments.

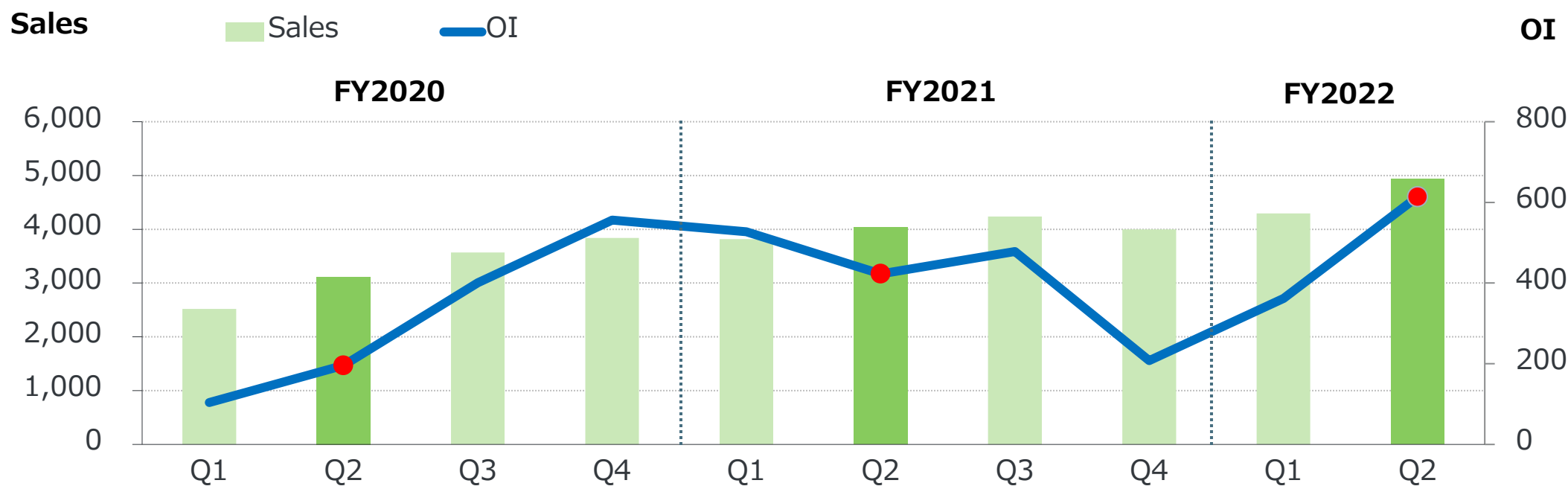
(Millions of JPY)

		FY2022	FY2021	Change	Change	
		Jul-Sep	Jul-Sep		YoY	excl.FX Impact
Base	Total Sales	4,938	4,037	+900	+22.3%	+4.9%
	Operating Income	614	423	+190	+44.9%	+23.4%

		FY2022	FY2021	Change	Change	
		Apr-Sep	Apr-Sep		YoY	excl.FX Impact
Base	Total Sales	9,234	7,855	+1,379	+17.6%	+2.4%
	Operating Income	976	950	+26	+2.7%	-11.0%

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



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

Overview

Jul-Sep

Sales increased due to continued strong momentum of consumables sales and price revisions, covering sluggish mechatronics sales.

OI increased thanks to higher sales, increase in gross profit on export backed by strong printer sales in the Overseas business, and control of SG&A expenses.

(Millions of JPY)

	FY2022	FY2021	Change	
	Jul-Sep	Jul-Sep		YoY
Mechatronics Sales	7,168	7,331	-163	-2.2%
Consumables Sales	11,126	10,397	+728	+7.0%
Total Sales	18,294	17,729	+565	+3.2%
Gross Profit	8,620	8,203	+416	+5.1%
Gross Profit %	47.1%	46.3%	+0.8pt	-
Operating Income	941	303	+638	3.1x
Operating Income %	5.1%	1.7%	+3.4pt	-

	FY2022	FY2021	Change	
	Apr-Sep	Apr-Sep		YoY
Mechatronics Sales	13,669	14,064	-394	-2.8%
Consumables Sales	21,916	20,913	+1,002	+4.8%
Total Sales	35,585	34,977	+608	+1.7%
Gross Profit	16,534	16,450	+84	+0.5%
Gross Profit %	46.5%	47.0%	-0.6pt	-
Operating Income	933	888	+44	+5.0%
Operating Income %	2.6%	2.5%	+0.1pt	-

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

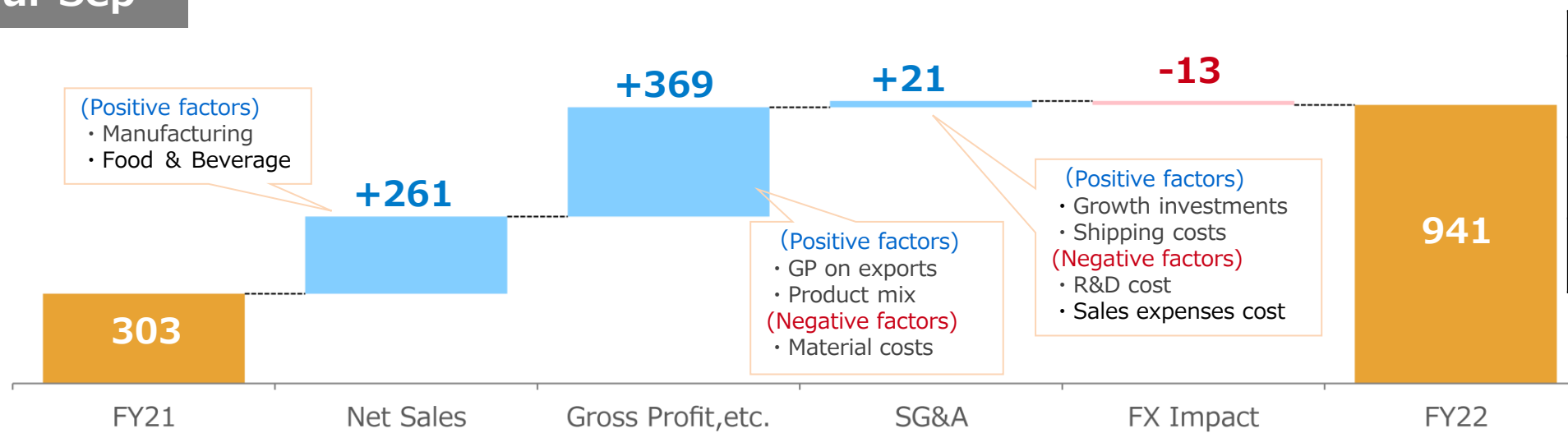
Note 2: Changes in accounting classifications of maintenance related costs from SG&A to COGS in FY22 lead to lower GPM (approx. 1 ppt).

Major Gains/Losses in OI

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

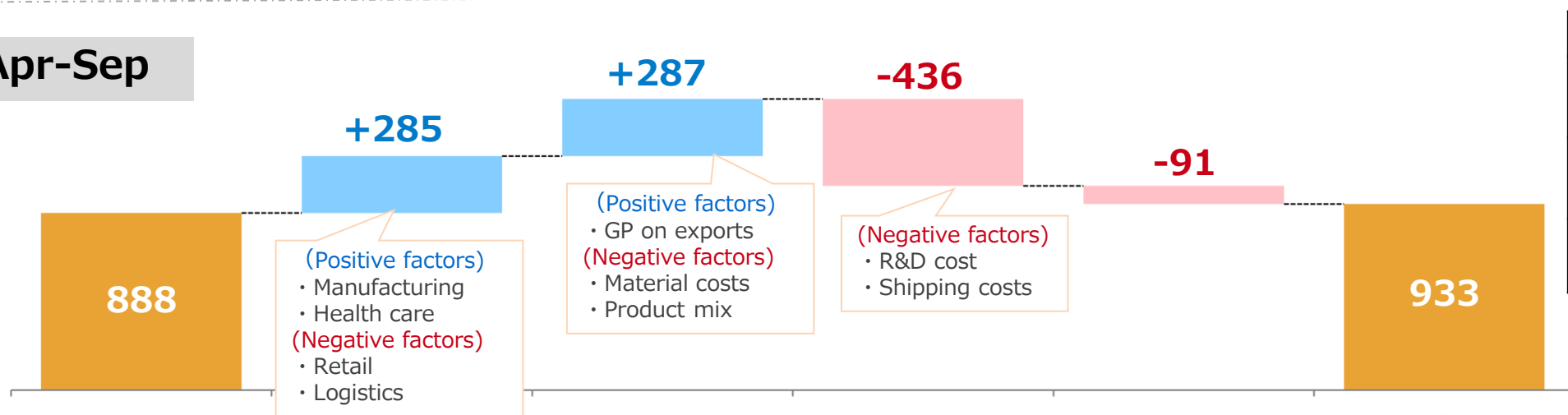
(Millions of JPY)

Jul-Sep



Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +140
Increase in shipping costs *3	Approx. -50
Growth investments *4	Approx. -180

Apr-Sep



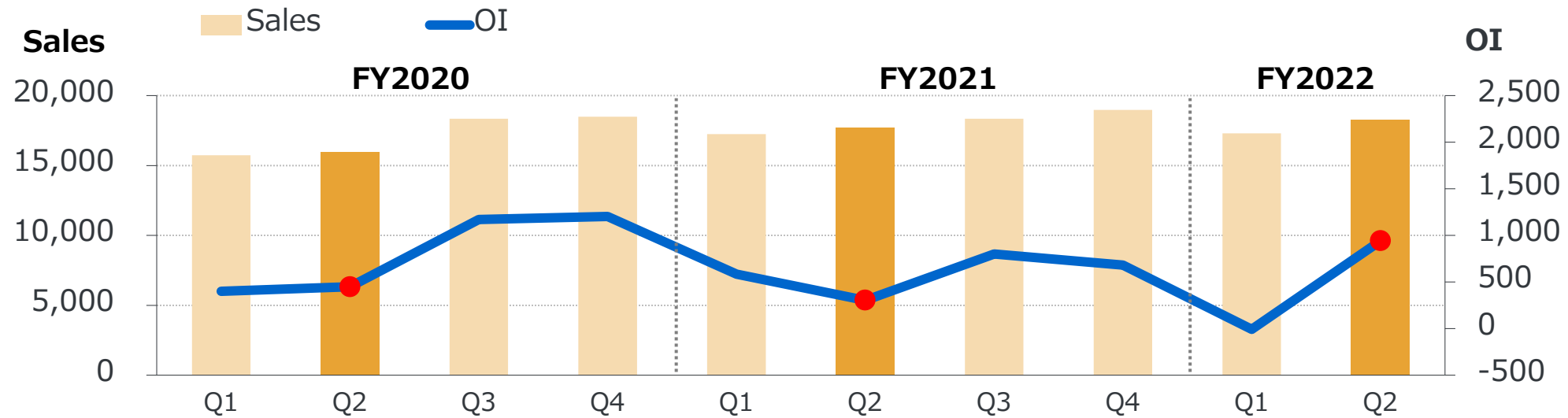
Ref: YoY comparisons *1	
Net increase in material cost *2	Approx. +420
Increase in shipping costs *3	Approx. +140
Growth investments *4	Approx. -100

← Excludes exchange rate effects →

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

Quarterly Sales & OI

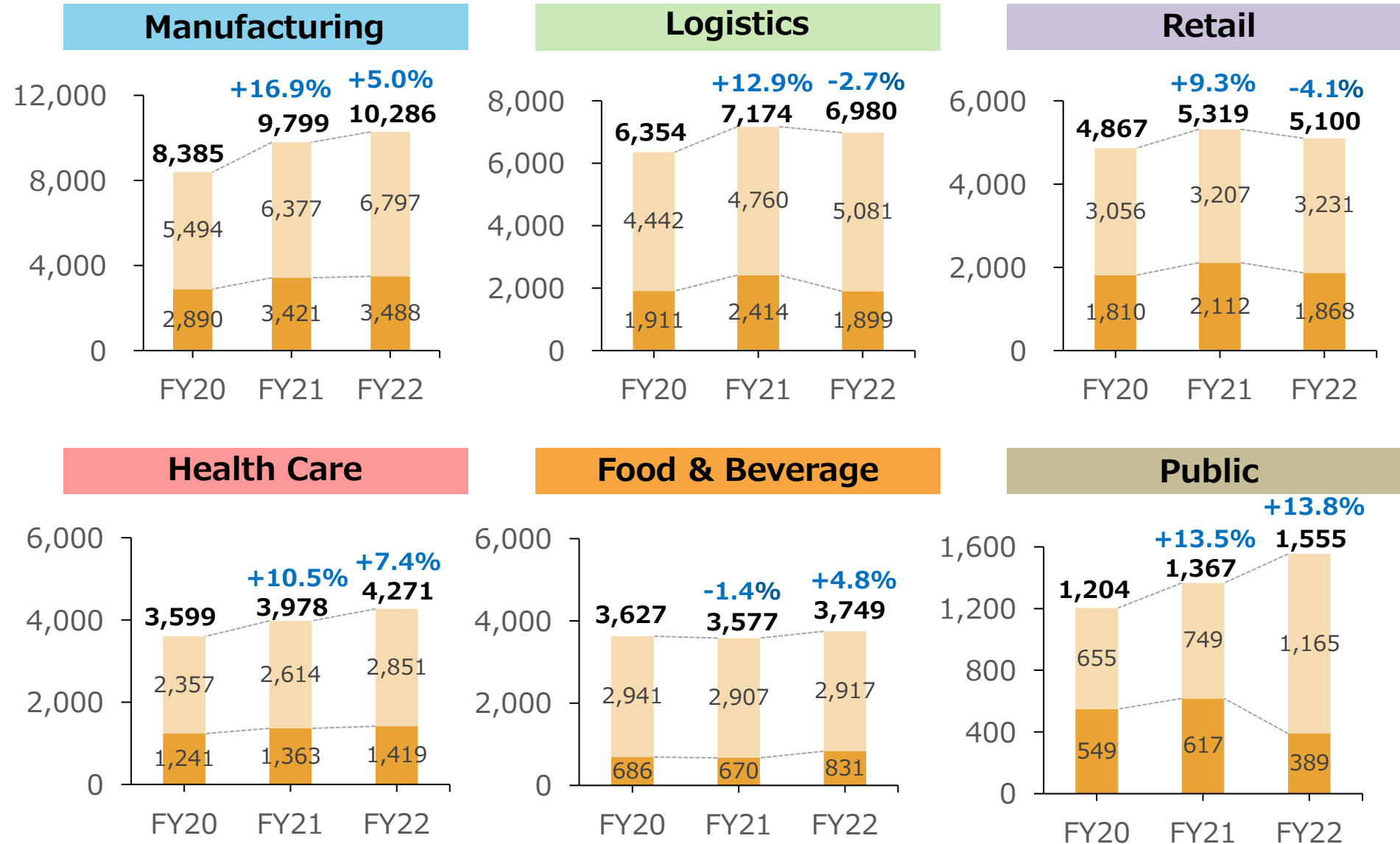
(Millions of JPY)



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

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

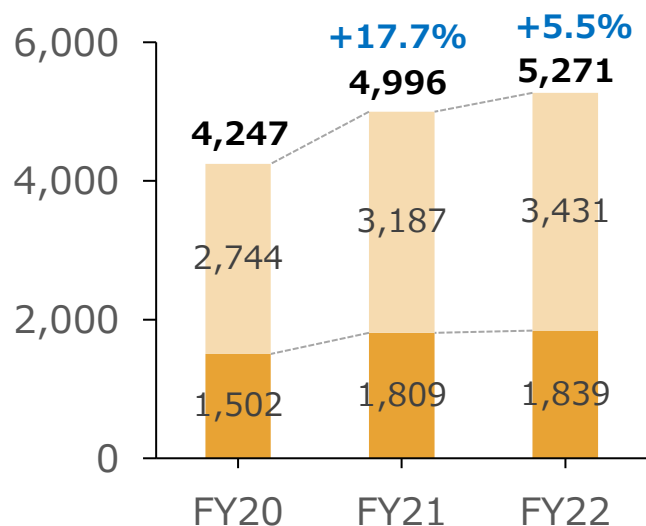


Sales by Vertical 1/2

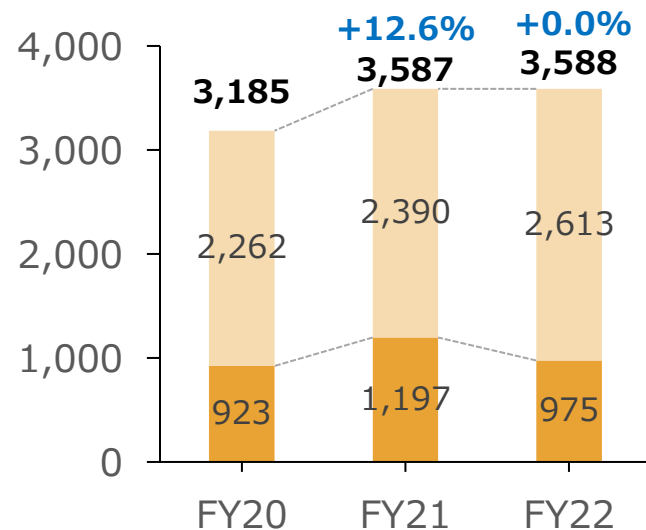
(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

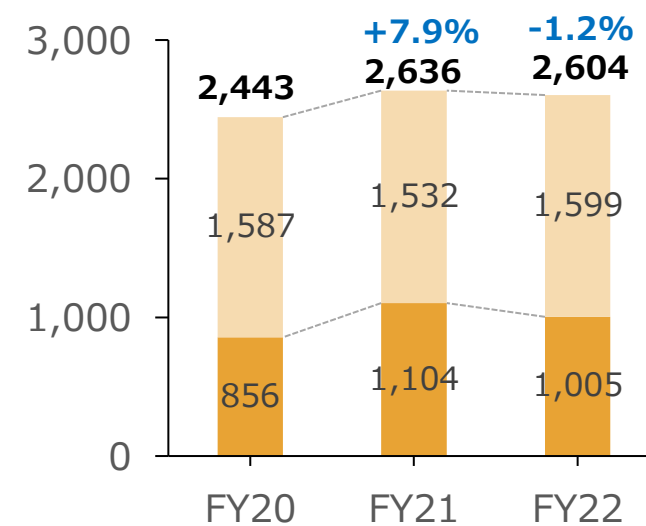
Manufacturing



Logistics



Retail



Business environment

Due to increased demand for semiconductors, chemical, electronic components and electrical industries remained strong. Meanwhile, it takes time for automobile and related industries to fully recover.

The e-commerce industry remained brisk. Demand for addressing labor shortages and DX, driven by increase in volume in various industries increased.

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

SATO

Consumables grew across industries. Mechatronics increased due to efforts in capturing automation and RFID demand in response to labor shortages and DX (digital transformation).

Consumables grew, driven mainly by the recovery of the wholesale industries. Despite mechatronics demand growing for automation and RFID for use in shipping/receiving control, overall sales declined, as last FY's figures included large orders in wholesaling.

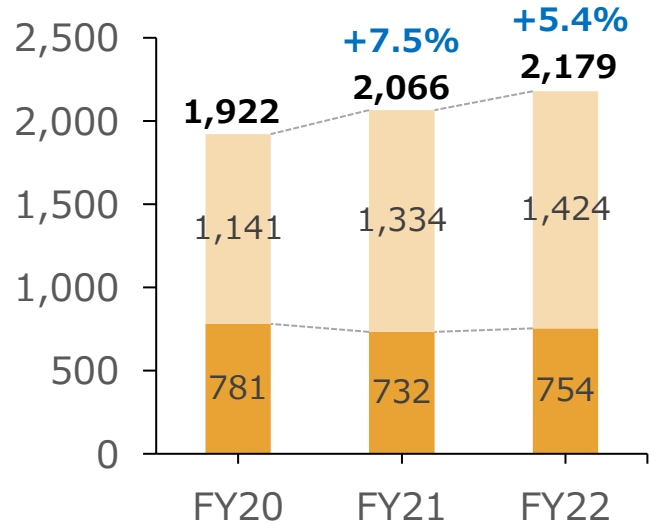
Consumables increased, driven by recovery in apparel. Mechatronics continue to see demand from businesses seeking solutions to labor shortages but declined overall, as last FY's figures included large orders.

Sales by Vertical 2/2

(Millions of JPY)

■ : Mechatronics ■ : Consumables * % indicates YoY change

Health Care



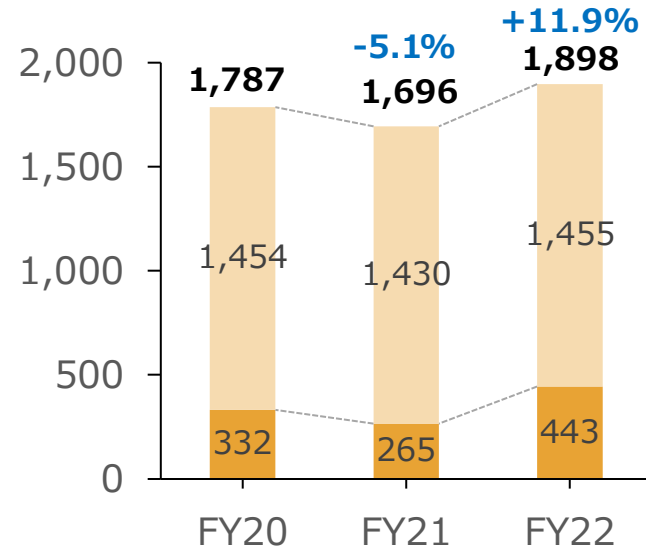
Demand remained firm overall for solutions that improve administrative efficiency and address labor shortages. Investment trends are back, particularly for automation and RFID.

Business environment

Consumables rose as demand from hospitals returned and RFID use for improving administrative efficiency increased. Mechatronics grew thanks to automation demand in the manufacturers of medical devices and pharmaceuticals.

SATO

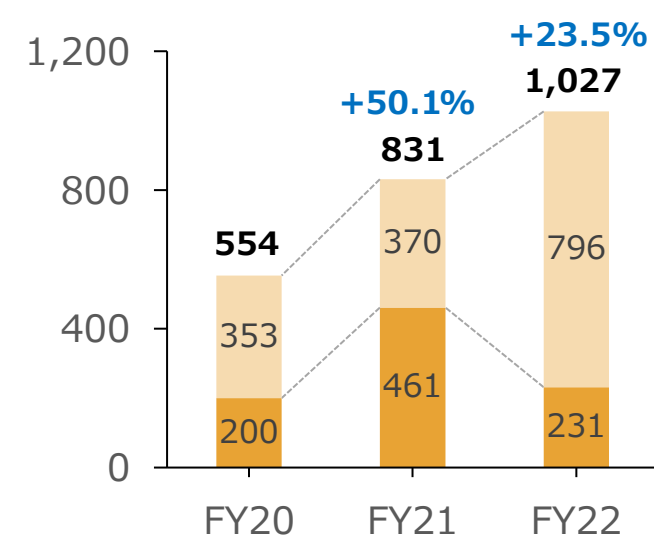
Food & Beverage



Demand continued to stay for automation and traceability against the backdrop of response to raw material price hikes and labor shortages.

Consumables increased slightly, driven by food manufacturing. Mechatronics sales increased significantly thanks to automation related solutions in the food manufacturing and beverage industries.

Public



The overall business environment remained stable.

Consumables increased significantly due to orders from large customers. Mechatronics sales declined, as last FY's figures included large orders.

FY2022 Consolidated Forecasts

<Figures include the Russian business>

(Millions of JPY)

	Apr-Sep		Oct-Mar		FY2022	
	Results	YoY	Plan	YoY	Plan	YoY
Net Sales	70,463	+16.9%	71,536	+10.9%	142,000	+13.8%
Operating Income Ordinary Income	3,776	+35.8%	4,723	+30.3%	8,500	+32.7%
Income	4,968	+84.3%	4,731	+40.7%	9,700	+60.1%
Profit attributable to owners of parent	3,229	+74.7%	1,170	-39.8%	4,400	+16.0%
	<Reference>					
EBITDA*	10,861	←FY2021			13,600	+25.2%

* EBITDA = Operating Income +
Depreciation + Amortization

Exchange rates assumed in FY22 forecast: JPY 134/USD, JPY 138/EUR
Average exchange rates for Apr-Sep, FY22: JPY 134.03 /USD, JPY 138.76 /EUR
Average exchange rates for FY21: JPY 112.39/USD, JPY 130.54/EUR

FY2022 Consolidated Forecasts

<Breakdown>

(Millions of JPY)

		Apr-Sep			Oct-Mar			FY2022			
		Initial Plan	Results	Change	Initial Plan	Revised Plan	Change	Initial Plan	Revised Plan	Change	
Overseas <small>Exclude the Russian business</small>	Net Sales	21,600	26,234	+4,634	22,400	25,765	+3,365	44,000	52,000	+8,000	
	Operating Income	1,300	1,875	+575	1,900	1,624	-275	3,200	3,500	+300	
Japan	Net Sales	36,200	35,585	-614	38,800	39,414	+614	75,000	75,000	+0	
	Operating Income	1,700	933	-766	3,100	2,666	-433	4,800	3,600	-1,200	
Consolidated	Net Sales	57,800	61,820	+4,020	61,200	65,179	+3,979	119,000	127,000	+8,000	
	Operating Income	3,000	2,622	-377	5,000	4,377	-622	8,000	7,000	-1,000	
	Eliminations	0	-186	-186	0	86	+86	0	-100	-100	
<Reference>	The Russian business	Net Sales	0	8,643	+8,643	0	6,356	+6,356	0	15,000	+15,000
	Operating Income	0	1,153	+1,153	0	346	+346	0	1,500	+1,500	

< Oct-Mar Revision >

Overseas Net Sales: Expect to increase due to further instilling *Koto-uri* and the depreciation of the yen.
Operating Income: Expect to decrease due to normalization of backlog of printer orders and risks including further inflation and cost rise.

Japan Net Sales: Expect to increase reflecting strong consumables.
Operating Income: Expect to decrease due to higher raw material costs for consumables, delay in sales expansion of high GPM printers, and the yen depreciation, despite efforts to control SG&A expenses.

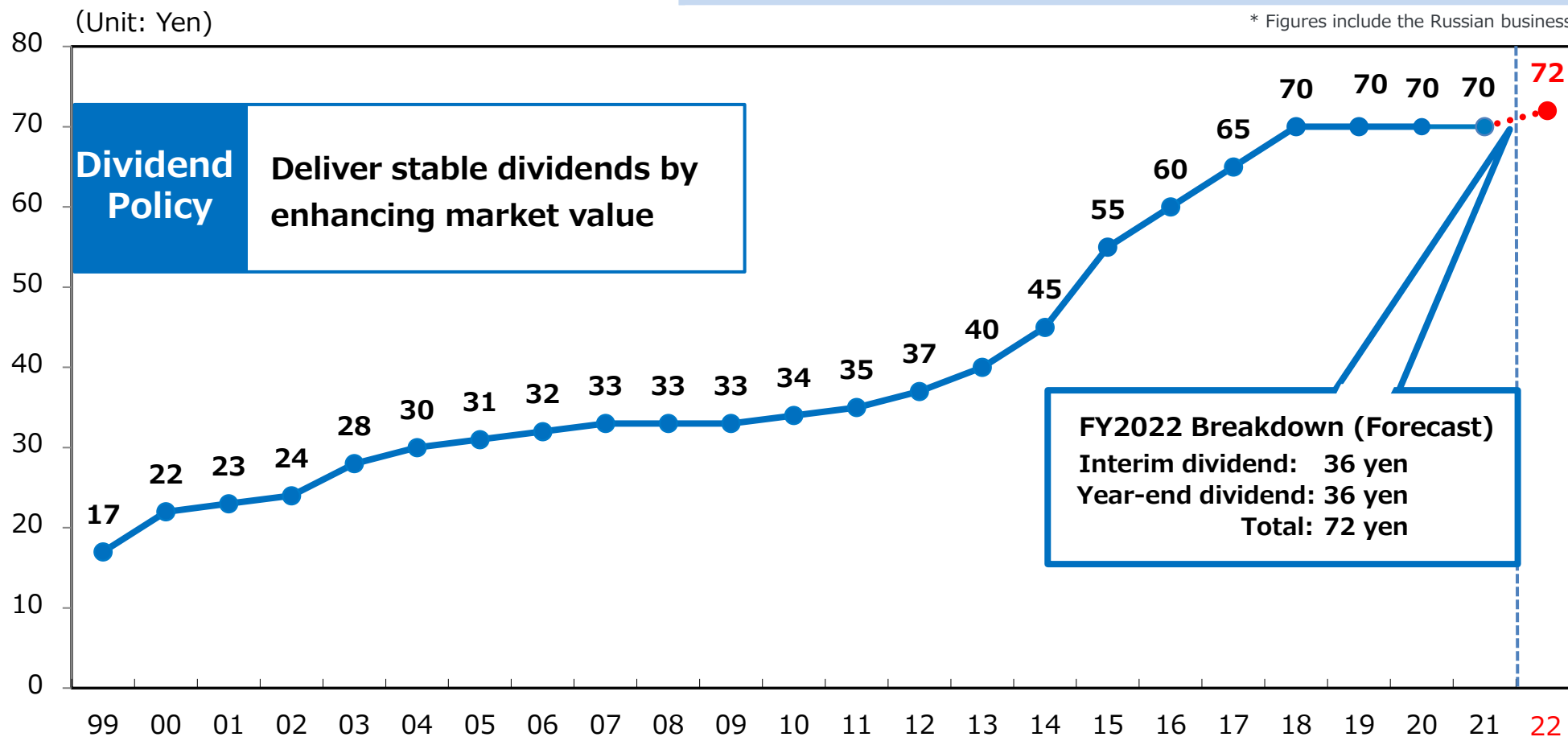
Dividends

(JPY per share)

Interim dividend payment of 36 yen is scheduled.

	FY18	FY19	FY20	FY21	FY22 * (Forecast)
EPS	112.5yen	-56.1yen	385.9yen	112.7yen	131.8yen
ROE	6.9%	-3.6%	24.4%	6.3%	6.7%
(Ref.) Payout ratio	62%	-	18%	62%	55%

* Figures include the Russian business.



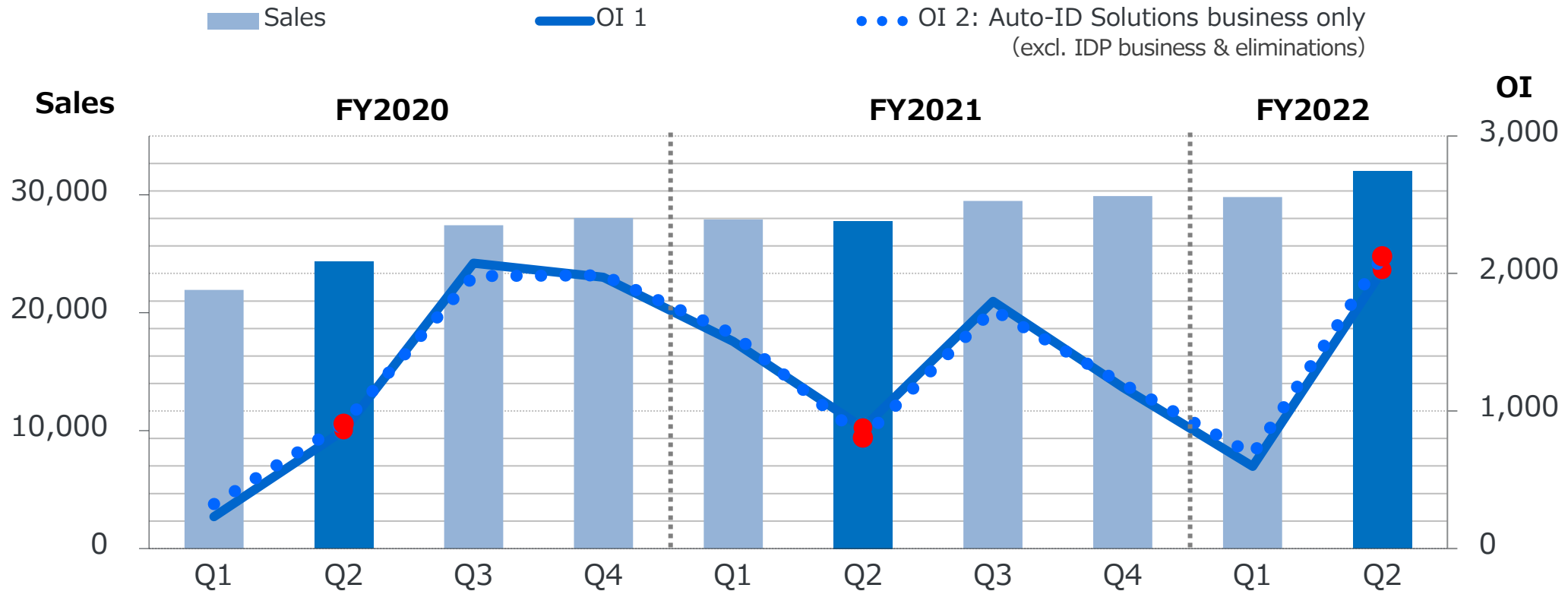
Appendix

Performance data Pages 27-39

SATO terminologies Pages 40-43

Quarterly Sales & OI (Figures exclude the Russian business)

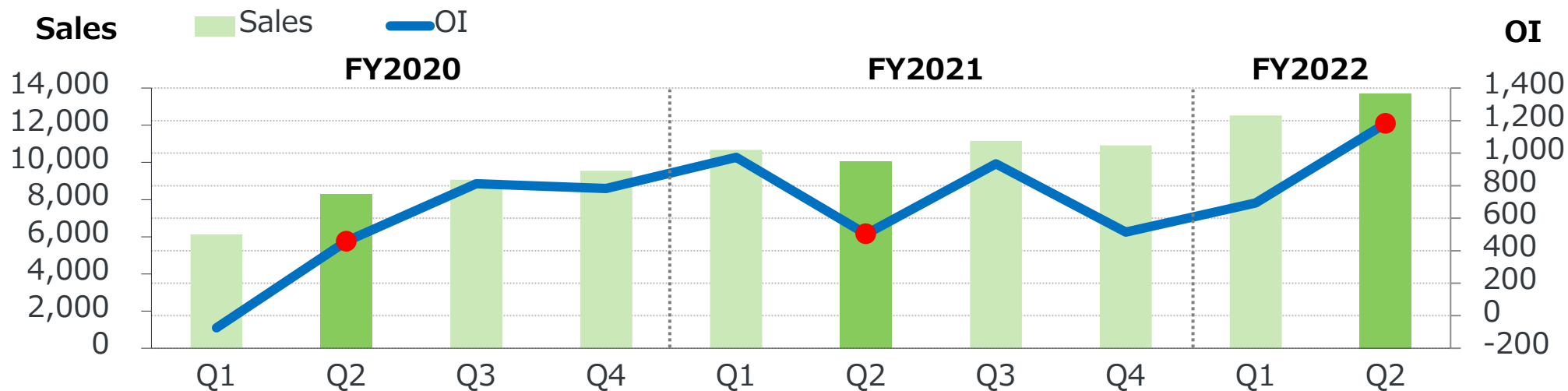
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	21,940	24,329	27,424	28,043	27,920	27,772	29,493	29,895	29,818	32,001
YoY	-17.9%	-11.7%	-2.3%	+3.9%	+27.3%	+14.2%	+7.5%	+6.6%	+6.8%	+15.2%
OI 1	232	859	2,075	1,973	1,505	877	1,797	1,172	598	2,024
YoY	-84.5%	-56.3%	+2.8%	+11.1%	6.5x	+2.2%	-13.4%	-40.6%	-60.2%	2.3x
OI 2	323	906	1,981	1,987	1,559	805	1,736	1,196	684	2,124
YoY	-82.7%	-60.6%	-16.9%	-1.0%	4.8x	-11.2%	-12.4%	-39.8%	-56.1%	2.6x

Quarterly Sales & OI (Figures exclude the Russian business)

(Millions of JPY)

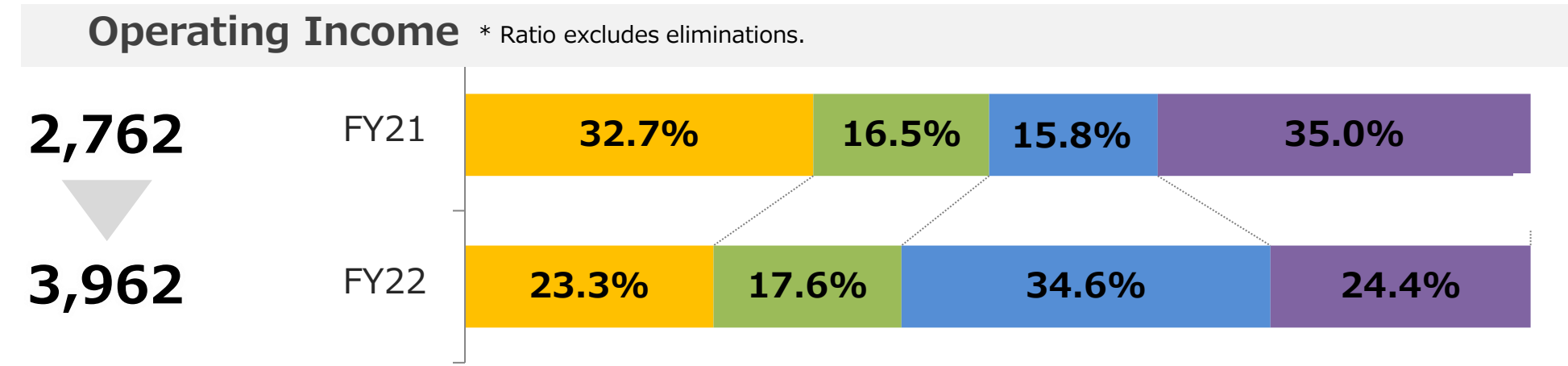
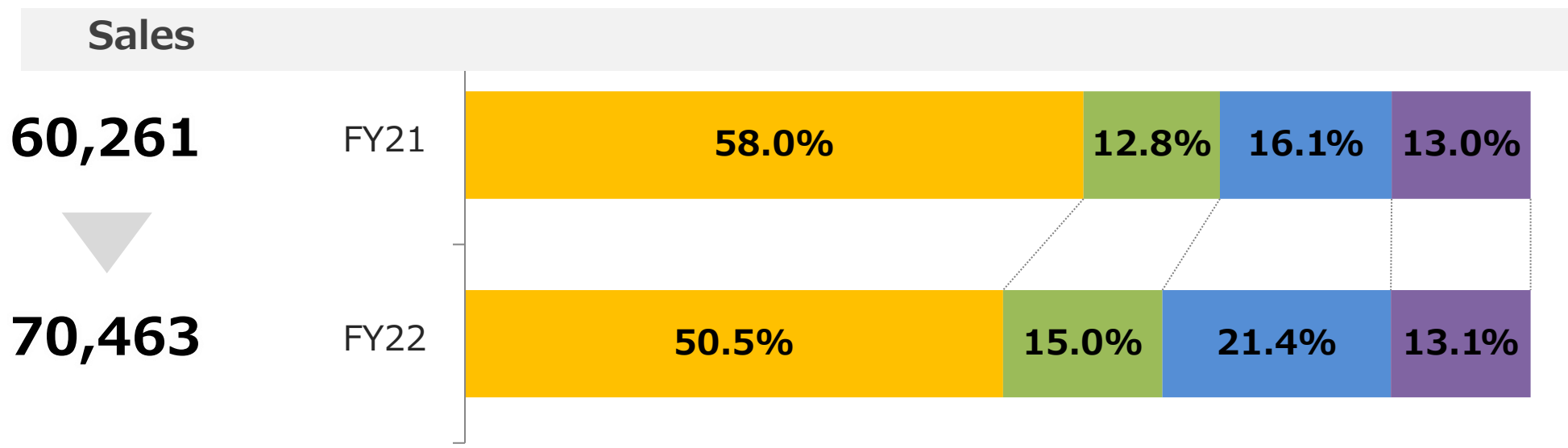


Sales	6,133	8,277	9,071	9,552	10,672	10,043	11,155	10,924	12,527	13,707
YoY	-32.7%	-6.7%	-2.0%	+14.7%	+74.0%	+21.3%	+23.0%	+14.4%	+17.4%	+36.5%
OI	-75	457	811	783	974	502	935	514	693	1,182
YoY	-	-14.2%	+18.0%	2.5x	-	+9.7%	+15.2%	-34.3%	-28.8%	2.4x

Sales and OI by Region

(Millions of JPY)

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

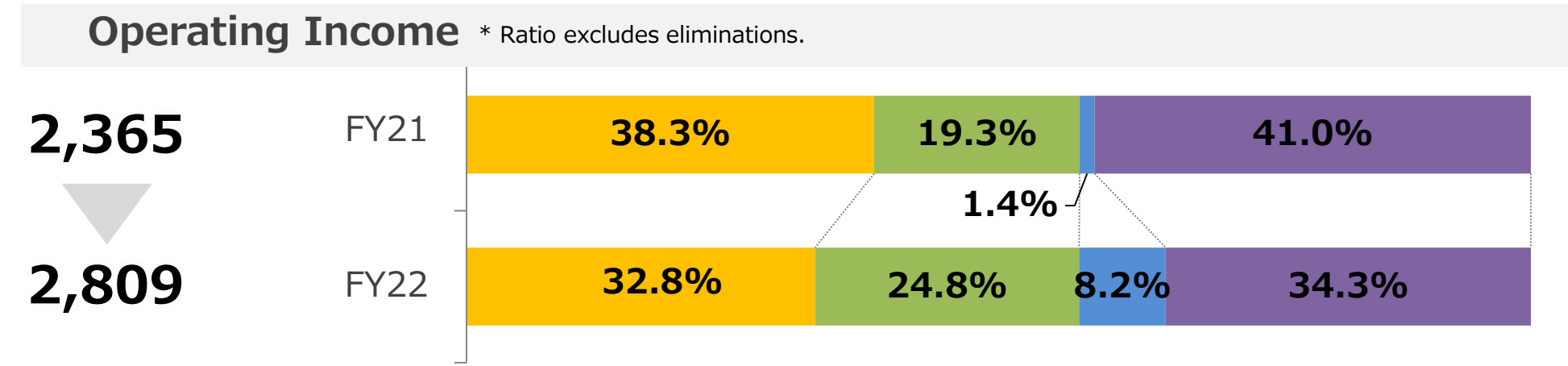
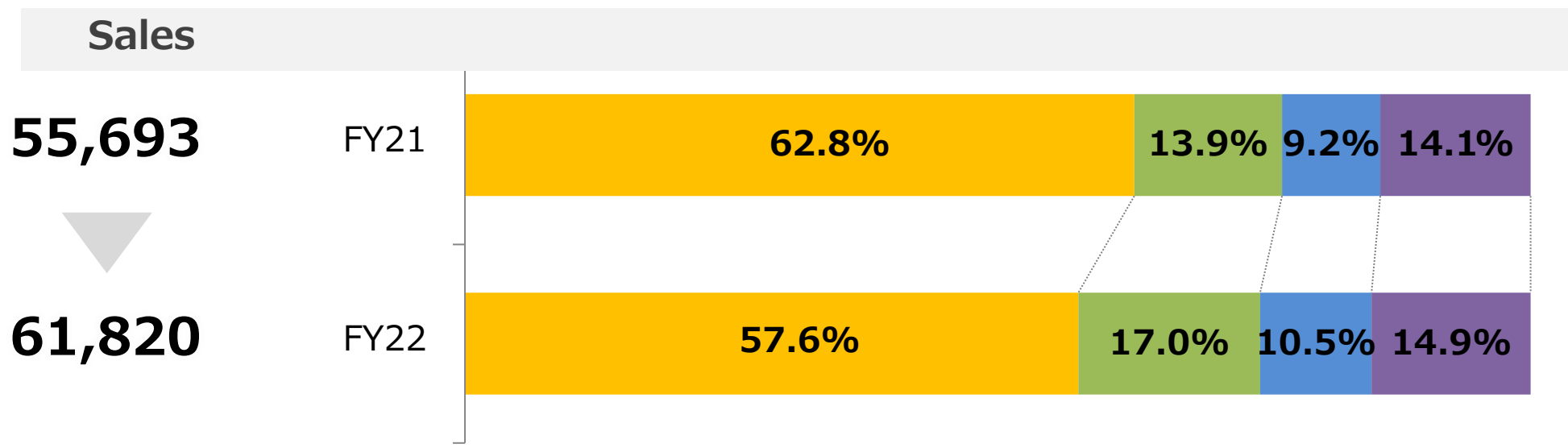


OI Ratio FY21 Japan : 2.5%, Overseas : 7.4%
 FY22 Japan : 2.6%, Overseas : 8.7%

Sales and OI by Region

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

■ Japan
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

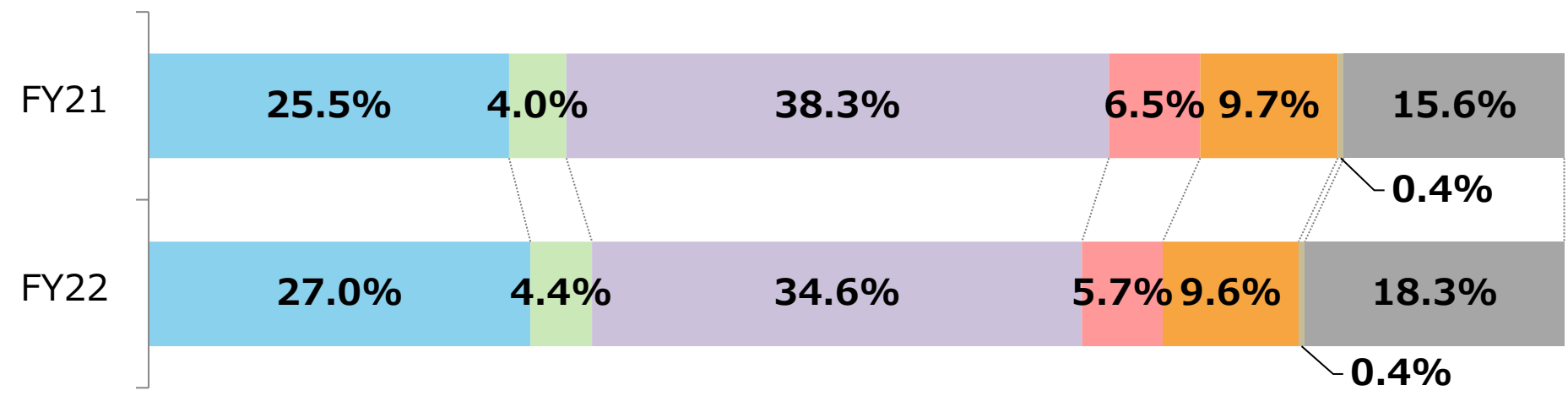


OI Ratio FY21 Japan : 2.5%, Overseas : 7.1%
 FY22 Japan : 2.6%, Overseas : 7.1%

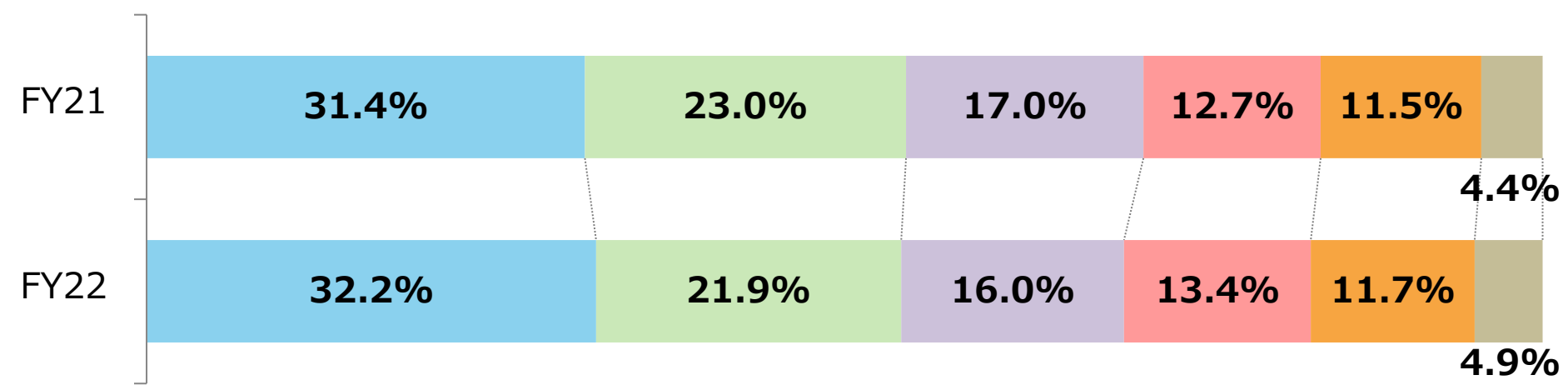
Sales by Vertical

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

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



Japan * Maintenance services not included

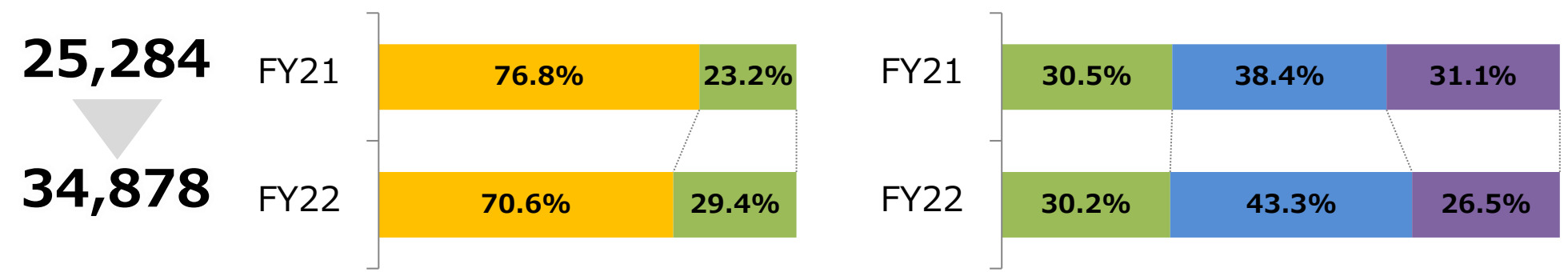


Sales and OI by Business Segment/Region

(Millions of JPY)

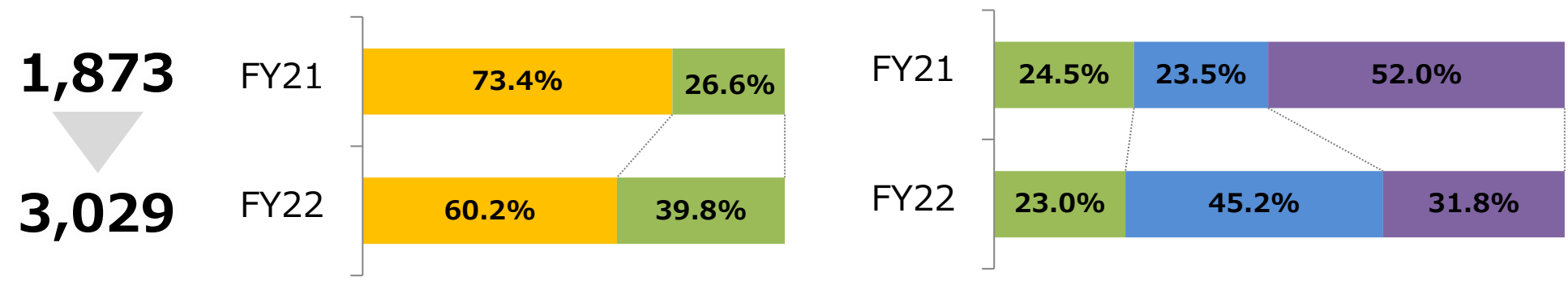
■ Base
 ■ Primary Labels
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.



OI ratio:
 FY21 Base : 6.9%, Primary Labels : 8.3%
 FY22 Base : 7.5%, Primary Labels : 11.9%

FY21 The Americas : 5.8%, Europe : 4.4%
Asia/Oceania : 12.1%
 FY22 The Americas : 6.7%, Europe : 9.2%
Asia/Oceania : 10.6%

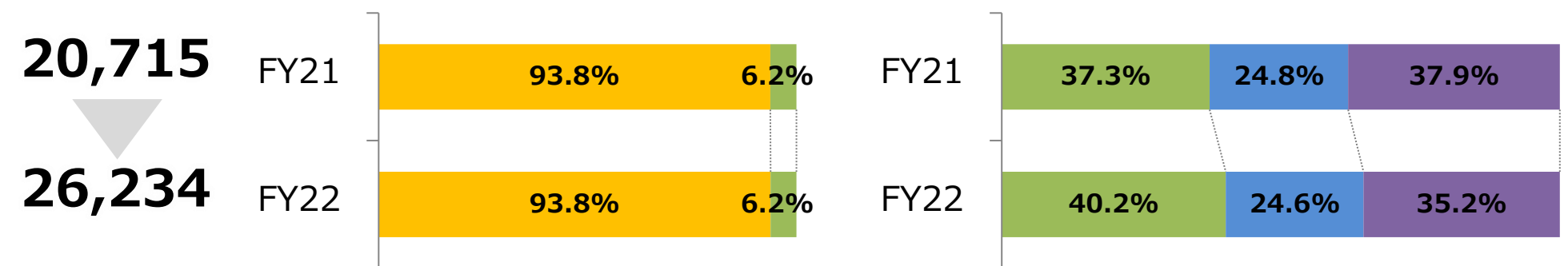


Sales and OI by Business Segment/Region (Figures exclude the Russian business)

(Millions of JPY)

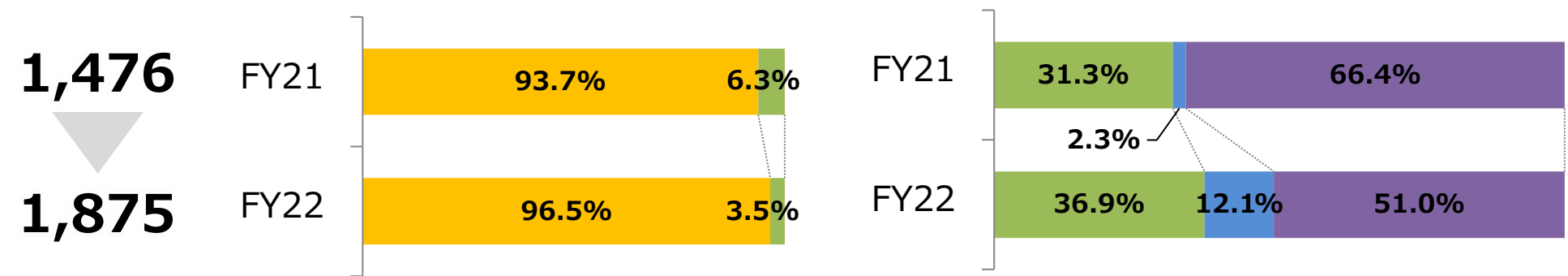
■ Base
 ■ Primary Labels
 ■ The Americas
 ■ Europe
 ■ Asia/Oceania

Sales



Operating Income

* Ratio excludes eliminations.



OI ratio:
 FY21 Base : 6.9%, Primary Labels : 6.9%
 FY22 Base : 7.5%, Primary Labels : 4.1%

FY21 The Americas : 5.8%, Europe : 0.6%
Asia/Oceania : 12.1%
 FY22 The Americas : 6.7%, Europe : 3.6%
Asia/Oceania : 10.6%



Breakdown by Business Segment

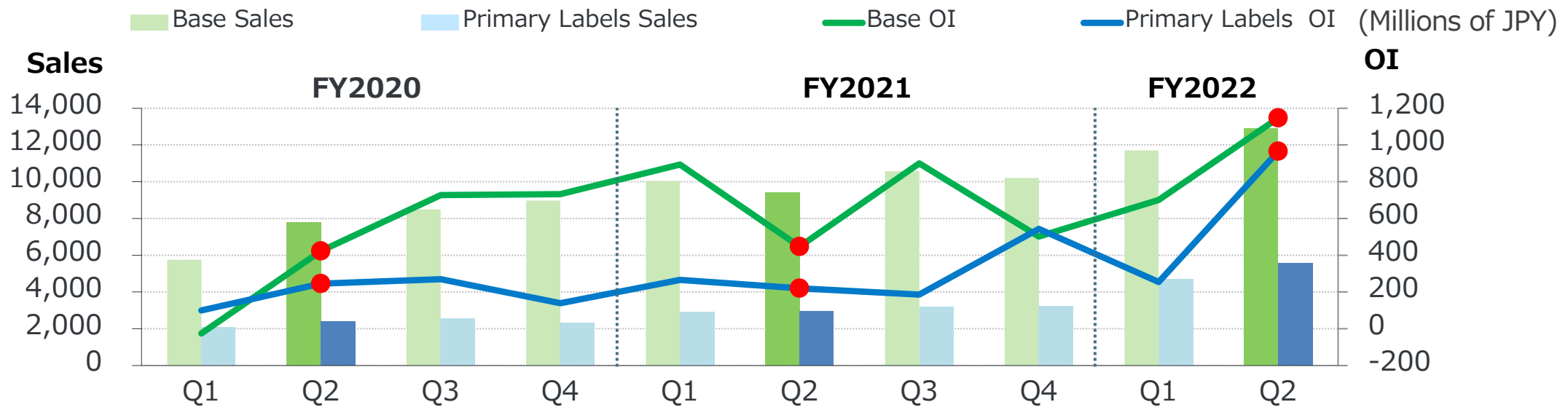
Jul-Sep

(Millions of JPY)

		FY2022	FY2021	Change	Change	
		Jul-Sep	Jul-Sep		YoY	excl. FX impact
Base	Total Sales	12,901	9,399	+3,501	+37.2%	+17.7%
	Operating Income	1,147	447	+699	2.6x	2.2x
Primary Labels	Total Sales	5,582	2,955	+2,626	+88.9%	+29.6%
	Operating Income	966	220	+745	4.4x	3.1x
Eliminations	Operating Income	-3	29	-32	-	-
Total	Total Sales	18,483	12,354	+6,128	+49.6%	+20.5%
	Operating Income	2,109	698	+1,411	3.0x	2.4x

		FY2022	FY2021	Change	Change	
		Apr-Sep	Apr-Sep		YoY	excl. FX impact
Base	Total Sales	24,607	19,423	+5,183	+26.7%	+10.6%
	Operating Income	1,849	1,342	+506	+37.7%	+20.7%
Primary Labels	Total Sales	10,270	5,860	+4,410	+75.2%	+25.4%
	Operating Income	1,220	486	+733	2.5x	+85.3%
Eliminations	Operating Income	-40	44	-84	-	-
Total	Total Sales	34,878	25,284	+9,593	+37.9%	+14.0%
	Operating Income	3,029	1,873	+1,155	+61.7%	+32.4%

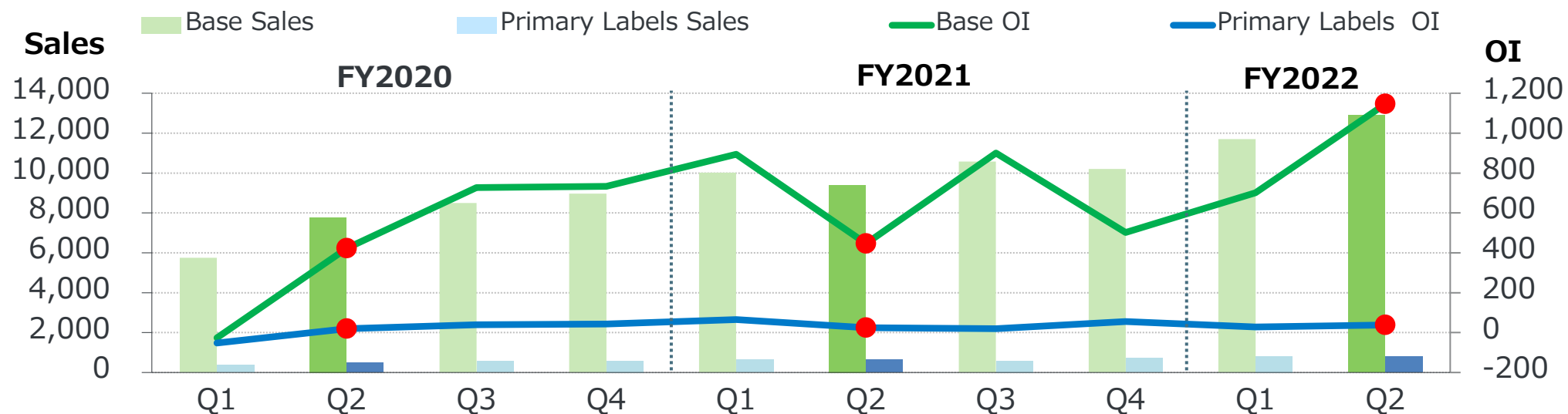
Quarterly Sales & OI



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

Quarterly Sales & OI (Figures exclude the Russian business)

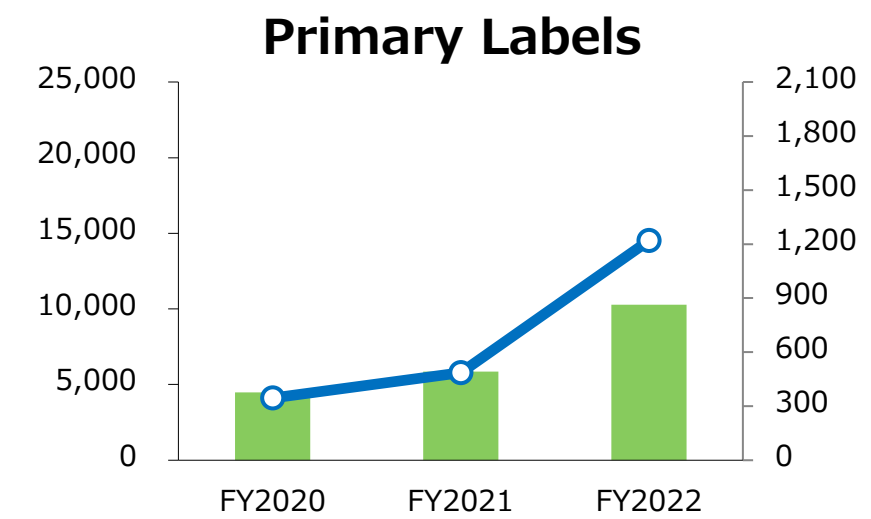
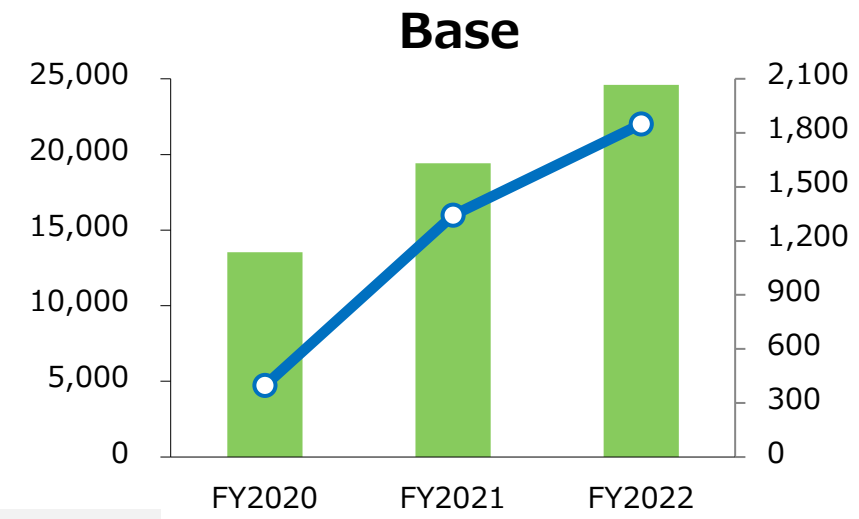
(Millions of JPY)



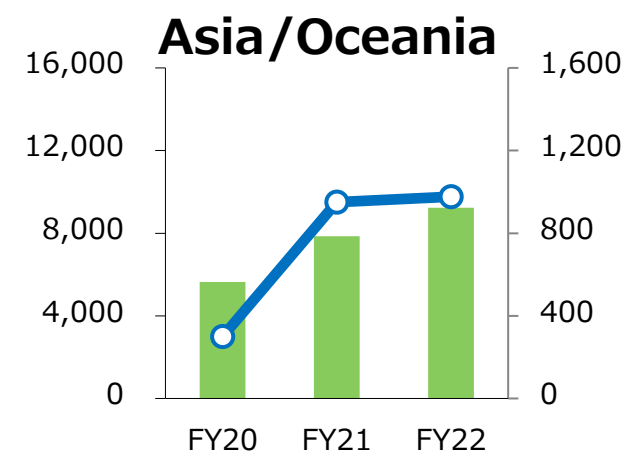
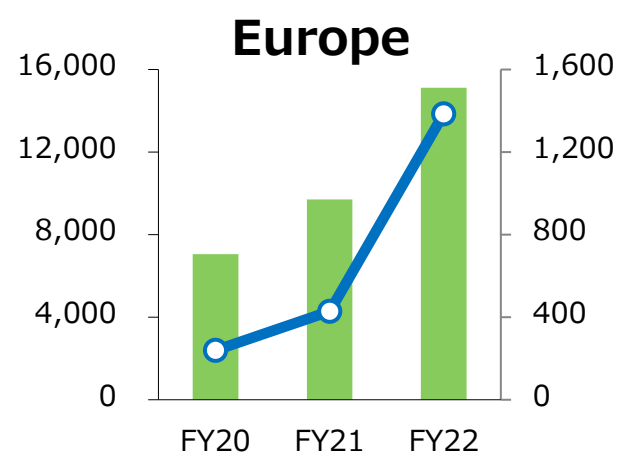
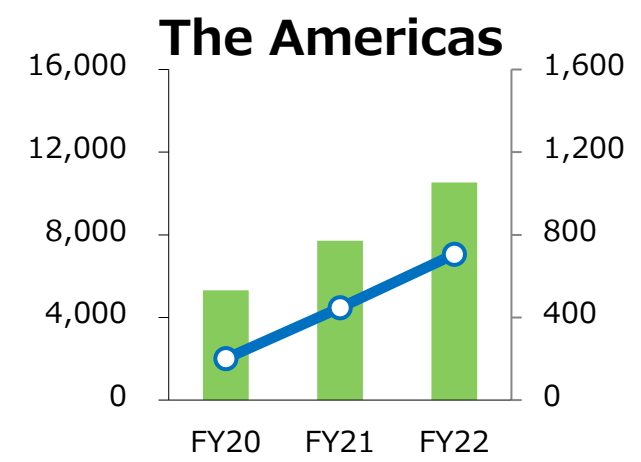
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	OI	-26	423	727	733	894	447	900	502	701	1,147
	YoY	-	-18.2%	-1.8%	2.1x	-	+5.8%	+23.7%	-31.5%	-21.5%	2.6x
Primary Labels	Sales	378	498	571	576	648	643	576	717	821	806
	YoY	-34.5%	-15.0%	+14.9%	+7.3%	+71.4%	+29.2%	+0.8%	+24.6%	+26.6%	+25.3%
	OI	-52	19	39	43	65	24	20	55	28	38
	YoY	-	-	-	-	-	+25.0%	-48.2%	+29.2%	-56.7%	+56.7%

Sales and OI Trends by Business Segment and Region

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

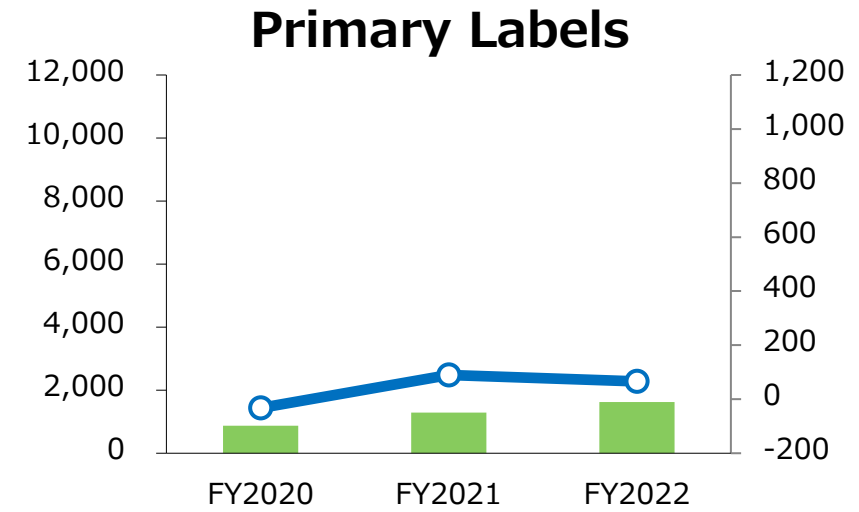
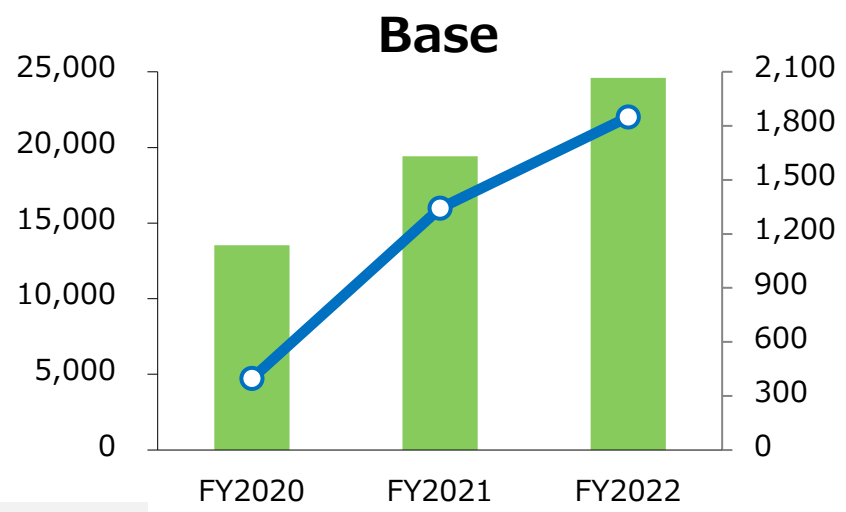


By Region

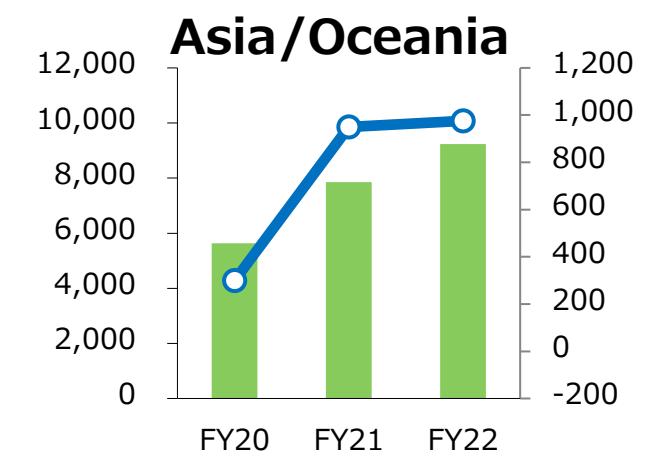
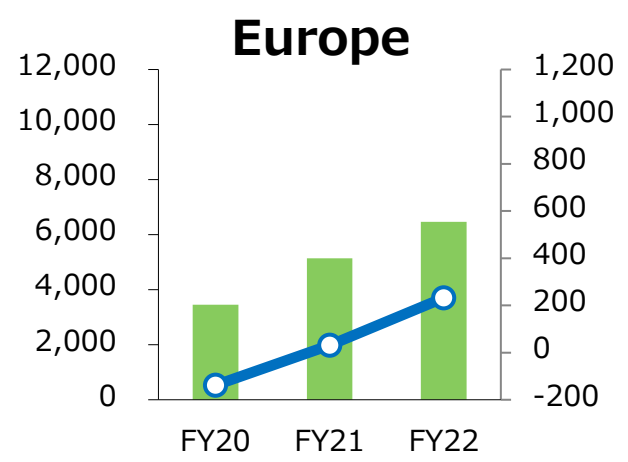
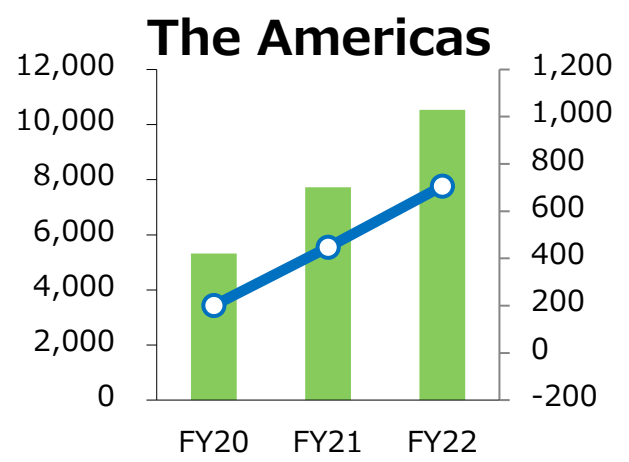


Sales and OI Trends by Business Segment and Region (Figures exclude the Russian business)

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

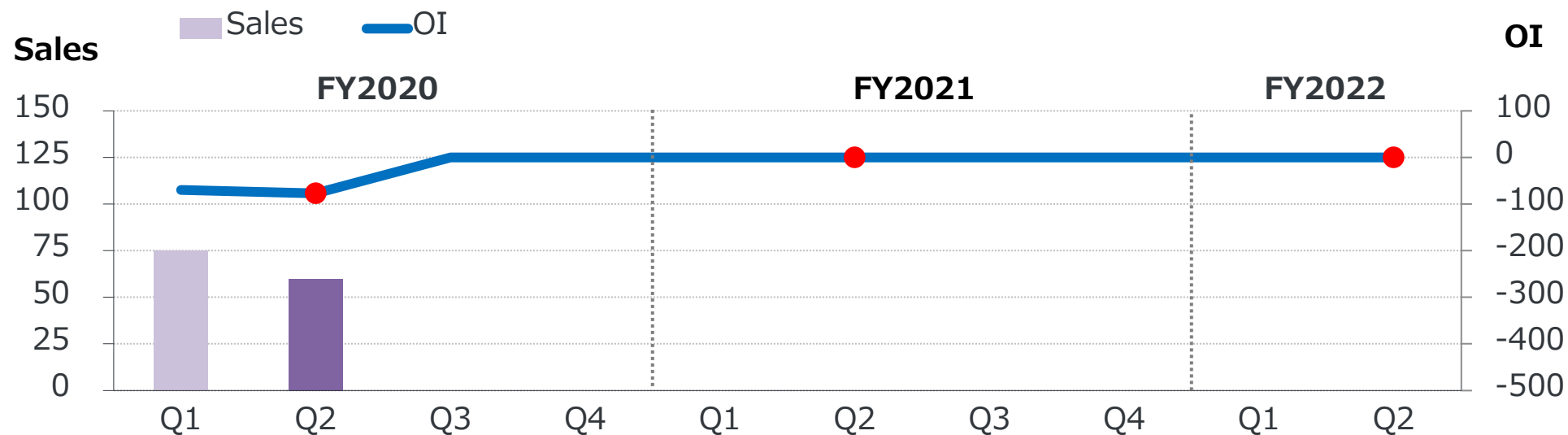


By Region



Quarterly Sales & OI

(Millions of JPY)



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

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

SATO terminologies (1/4)

(*) Underlined terms are described under its own heading

SATO-unique business concepts/initiatives		Description*
1	Auto-ID Solutions business	Our business that carries out <u>DCS & Labeling</u> . It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels</u> businesses.
2	Base business	Business of <u>tagging</u> variable information, such as prices, manufactured dates and expiration dates in the form of barcodes and more.
3	Primary Labels business	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia). Due to the uncertain external environment, the Russian business is excluded from our forecasts/targets for FY2022 onwards.
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (IDP). SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September 2020. IDP is a direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.
5	Koto-uri (Selling the solution, not the product)	Sales approach of selling not the product but combinations of products in the form of solutions that include hardware, <u>consumables</u> , maintenance services and software, together with ROI and other value propositions for the customer. The opposite concept of "Mono-uri", or selling single products.
6	Tagging	The process of physically attaching to something data that identifies and/or locates it. This involves digitizing information of the things it is tagged to so that the tagged data can be fed to and processed by core IT systems. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7	DCS & Labeling (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and <u>RFID</u>) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer <u>tagging/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 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	"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</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</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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