Ceaseless Creativity for a Sustainable World

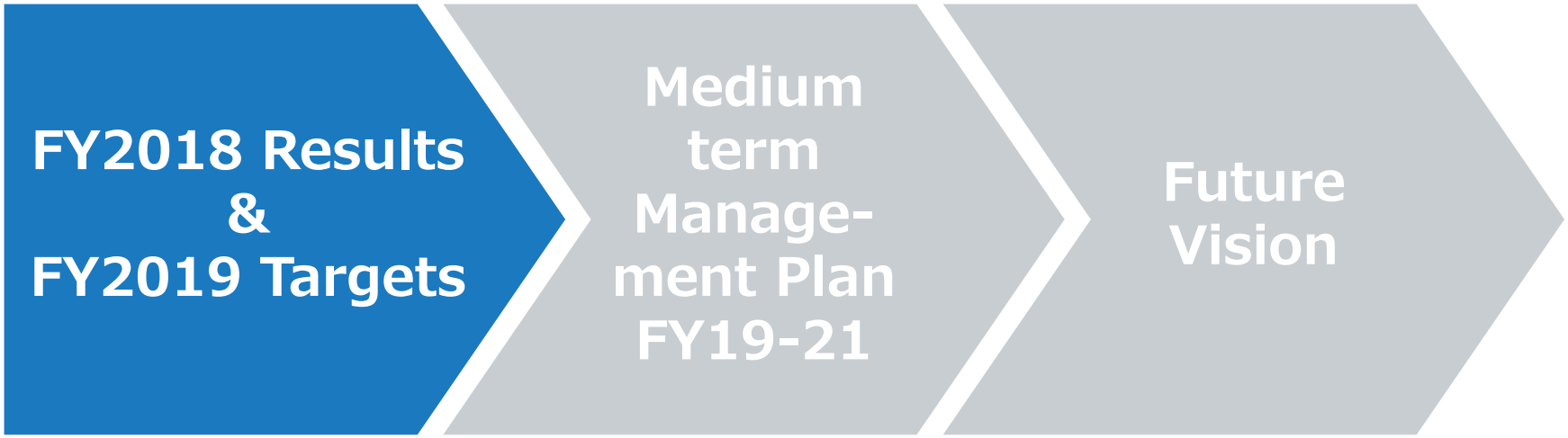
May 13, 2019

SATO HOLDINGS CORPORATION

FY2018 Financial Results
(Fiscal Year Ended March 31, 2019)

Securities Code: 6287


FY2018 Results
&
FY2019 Targets
Medium
term
Manage-
ment Plan
FY19-21
Future
Vision


FY2018 Results
&
FY2019 Targets
Medium term Manage-ment Plan FY19-21
Future Vision

Summary

Achieved record highs in consolidated sales and OI.

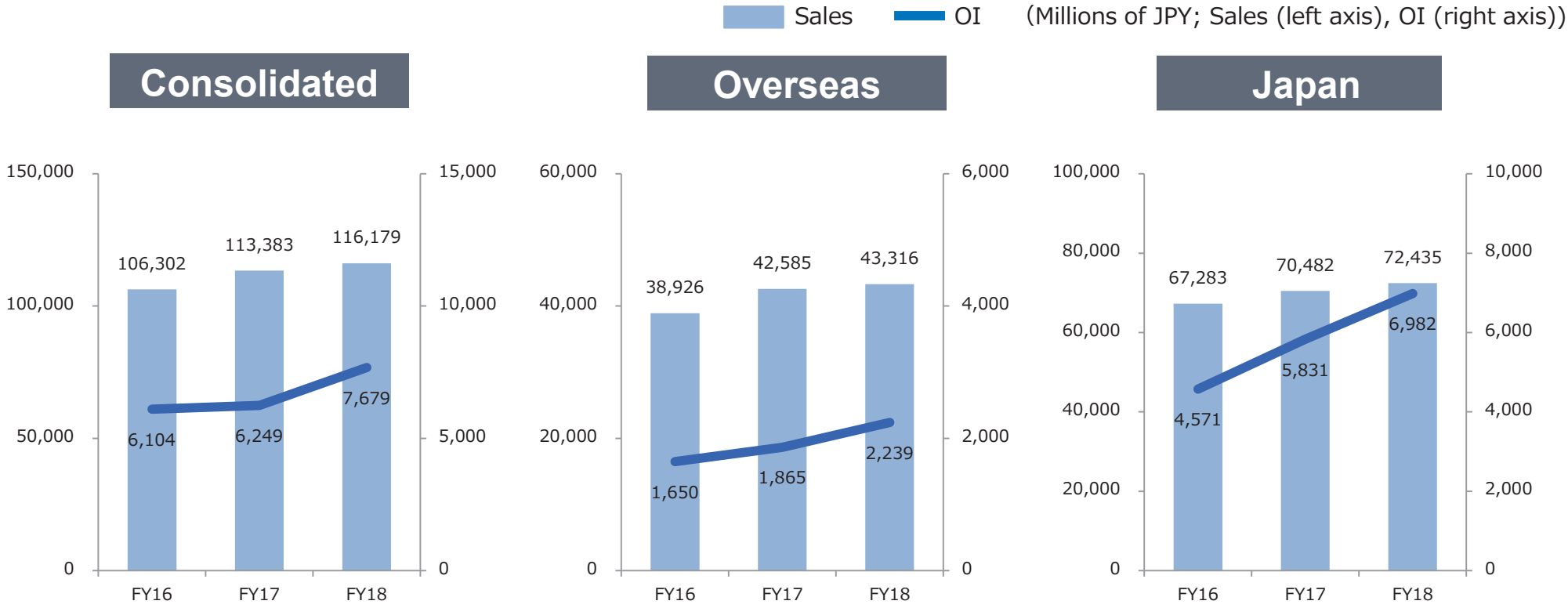
Auto-ID Solutions business ▶ Progressed steadily.

Overseas
Sales and OI increased due mainly to growth in Base business. Unachieved targets as more time was required to transform strategies.

Japan
Recorded higher YoY sales and highest-ever OI through business expansion and better product mix led by industry-specific strategies since FY2016 and structurally favorable environments.

IDP business ▶ R&D progressed largely as planned.

Review: FY2016–FY2018



FY18 vs FY16

Sales	**+4.5%**
OI	**+12.2%**
OI Ratio	**5.7%→6.6%**

ROE **6.2%→6.9%**

FY18 vs FY16

Sales	**+5.5%**
OI	**+16.5%**
OI Ratio	**4.2%→5.2%**

FY18 vs FY16

Sales	**+3.8%**
OI	**+23.6%**
OI Ratio	**6.8%→9.6%**

Mechatronics	**37.4%→40.3%**
GP Ratio	**46.0%→49.7%**

Figures for Sales & OI denote CAGR

Sales and OI by Business Segment

Made new highs for sales & OI in Auto-ID Solutions & consolidated results.

new highs

(Millions of JPY)

		FY2018	FY2017	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**115,751**	**113,068**	**102.4%**	**104.4%**
	Operating Income	**9,221**	**7,697**	**119.8%**	**122.9%**
Overseas	Total Sales	43,316	42,585	101.7%	107.0%
	Operating Income	2,239	1,865	120.0%	125.1%
Japan	Total Sales	72,435	70,482	102.8%	102.8%
	Operating Income	6,982	5,831	119.7%	122.2%
IDP business	**Total Sales**	**427**	**315**	**135.7%**	**136.7%**
	Operating Income	**-1,421**	**-1,426**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**116,179**	**113,383**	**102.5%**	**104.4%**
	Operating Income	**7,679**	**6,249**	**122.9%**	**126.5%**

Consolidated Results

(Millions of JPY)

new highs

	FY2018	FY2017	Change	YoY
Net Sales	116,179	113,383	+2,796	102.5%
Operating Income	7,679	6,249	+1,430	122.9%
Operating Income %	6.6%	5.5%	+1.1pt	-
Ordinary Income	7,618	5,888	+1,730	129.4%
Profit attributable to owners of parent*1	3,773	4,074	-301	92.6%
Effective Tax Rate*2	42.4%	39.5%	+3.0pt	-
EBITDA*3	13,250	11,814	+1,435	112.2%

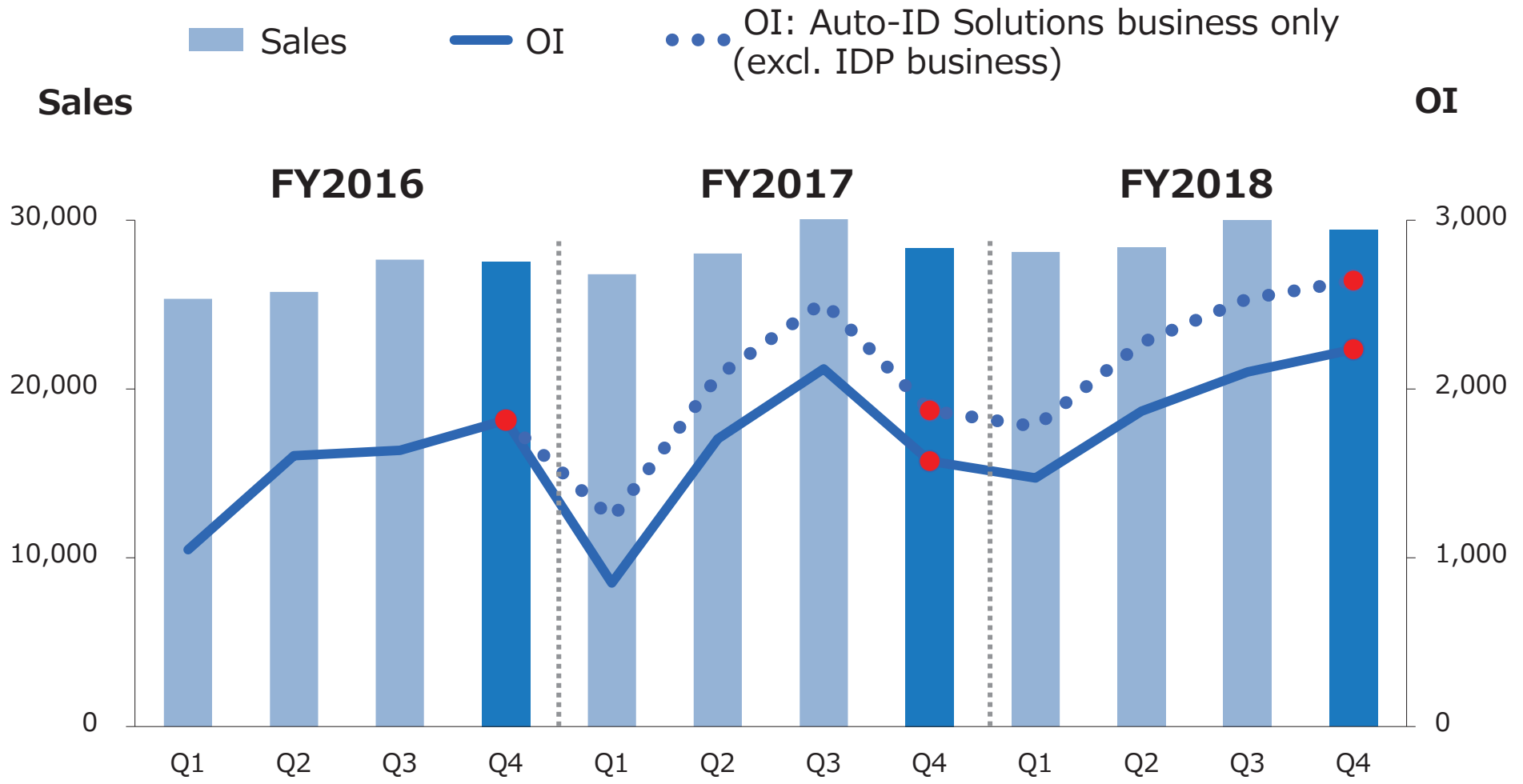
Average exchange rates: FY18: JPY 110.92/USD, JPY 128.44/EUR, FY17: JPY 110.85/USD, JPY 129.65/EUR
FX sensitivity for FY18: JPY +435 million in sales and JPY -11 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1 Profit attributable to owners of parent for FY18 reflected impairment at a UK subsidiary and that for FY17 reflected extraordinary income from gain on sales of non-current assets.
*2 Effective Tax Rate was high for FY18 due to impairment at a UK subsidiary and for FY17 due mainly to additional goodwill impairment at Argox.
*3 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for FY18: JPY 4,489 million FY17: JPY 4,307 million
・Amortization for FY18: JPY 1,081 million (incl. 620 mil. for DataLase) FY17: JPY 1,258 million (incl. 625 mil. for DataLase)

Consolidated

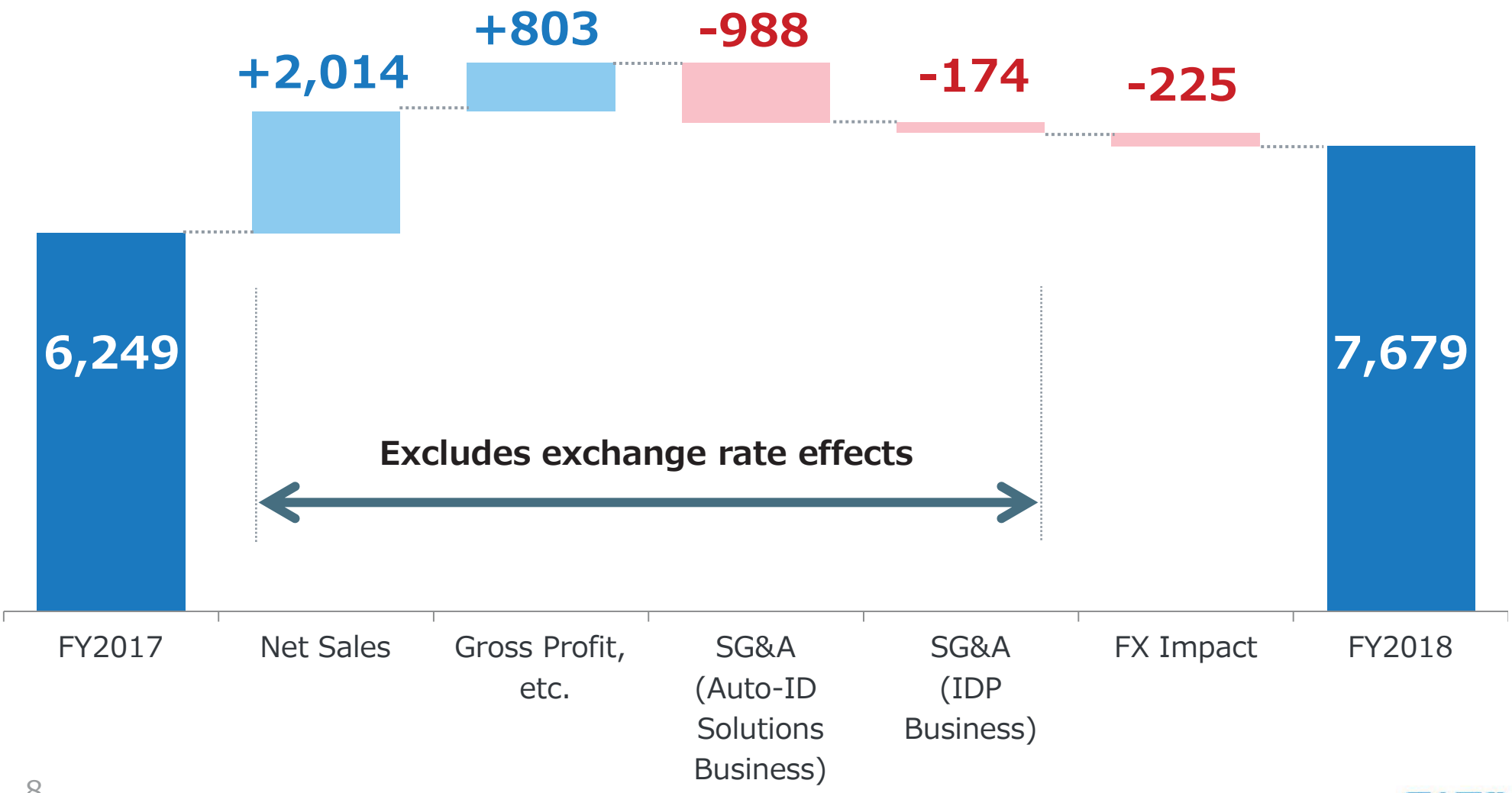
Quarterly Consolidated Sales & OI

(Millions of JPY)



Major Gains/Losses in OI

(Millions of JPY)

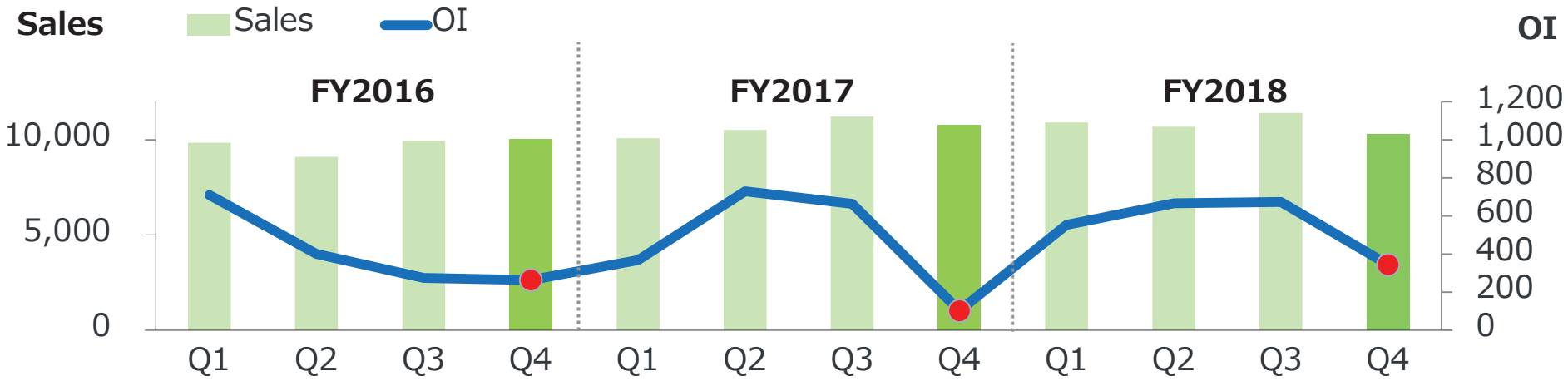


Overview

Sales and OI increased due mainly to growth in Base business.
Unachieved targets as more time was required to transform strategies.

(Millions of JPY)

	FY2018	FY2017	Change	YoY	excl. FX impact
Total Sales	**43,316**	**42,585**	**+730**	**101.7%**	**107.0%**
Gross Profit	15,812	15,853	-41	99.7%	-
Gross Profit %	36.5%	37.2%	-0.7pt	-	-
Operating Income	**2,239**	**1,865**	**+373**	**120.0%**	**125.1%**
Operating Income %	5.2%	4.4%	+0.8pt	-	-



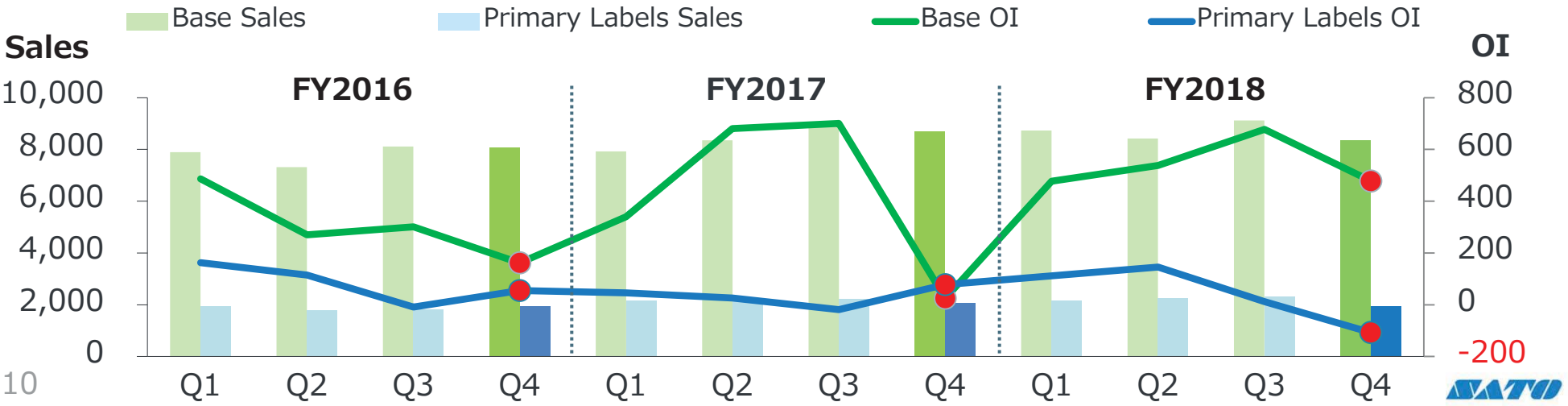
Breakdown by Business Segment

Base business: Sales and OI increased as a whole, with solution offerings succeeding in APAC and action plans in the Americas and Europe expected to bear fruit in FY19.

Primary Labels business: Sales increased due mainly to new transactions and positive FX impact in Russia. OI increased, covering for costs on new business developments there.

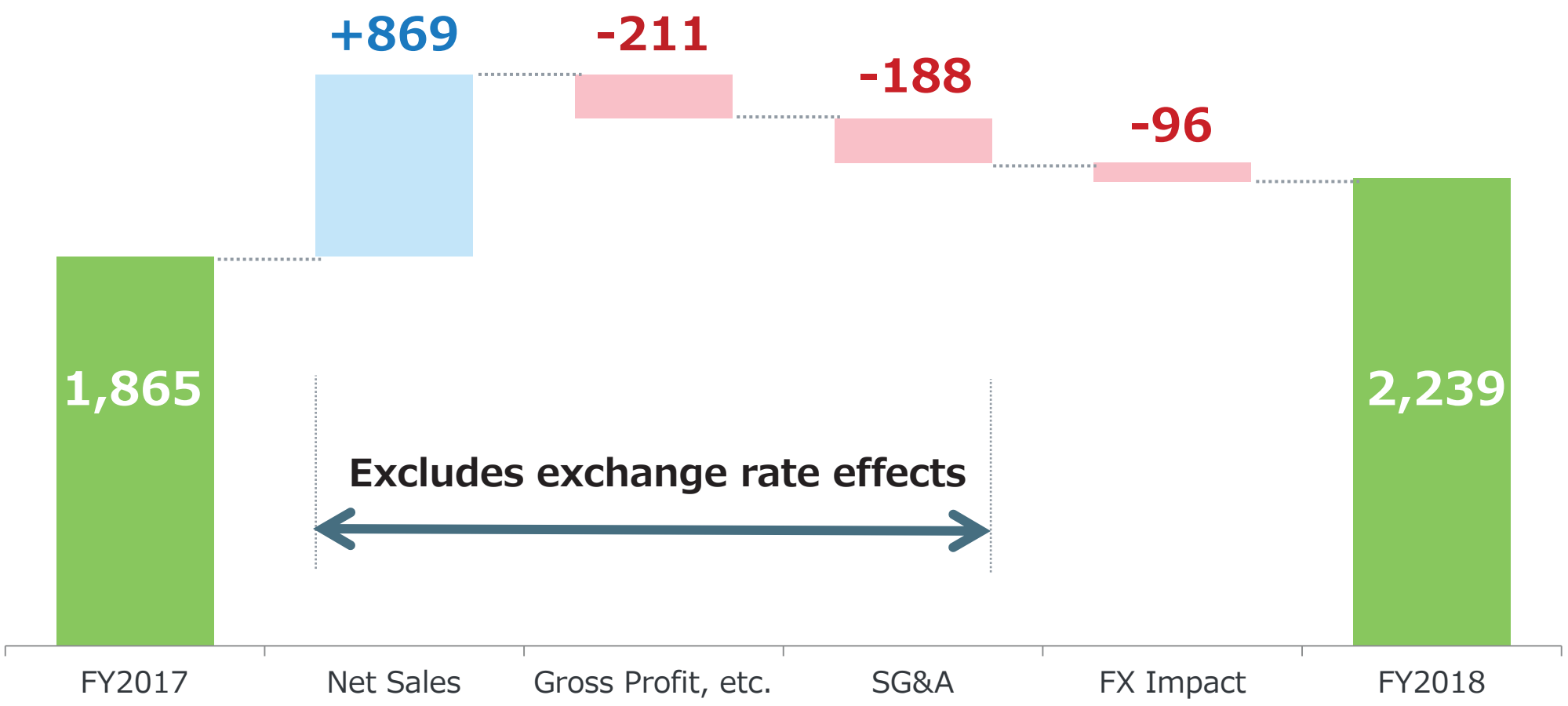
(Millions of JPY)

		FY2018	FY2017	Change	YoY	excl. FX impact
Base	Total Sales	34,630	33,964	+665	102.0%	103.8%
	Operating Income	2,172	1,749	+422	124.2%	126.3%
Primary Labels	Total Sales	8,685	8,620	+64	100.7%	119.3%
	Operating Income	163	131	+32	124.8%	169.1%
Eliminations	Operating Income	-96	-15	-81	-	-



Major Gains/Losses in OI

(Millions of JPY)

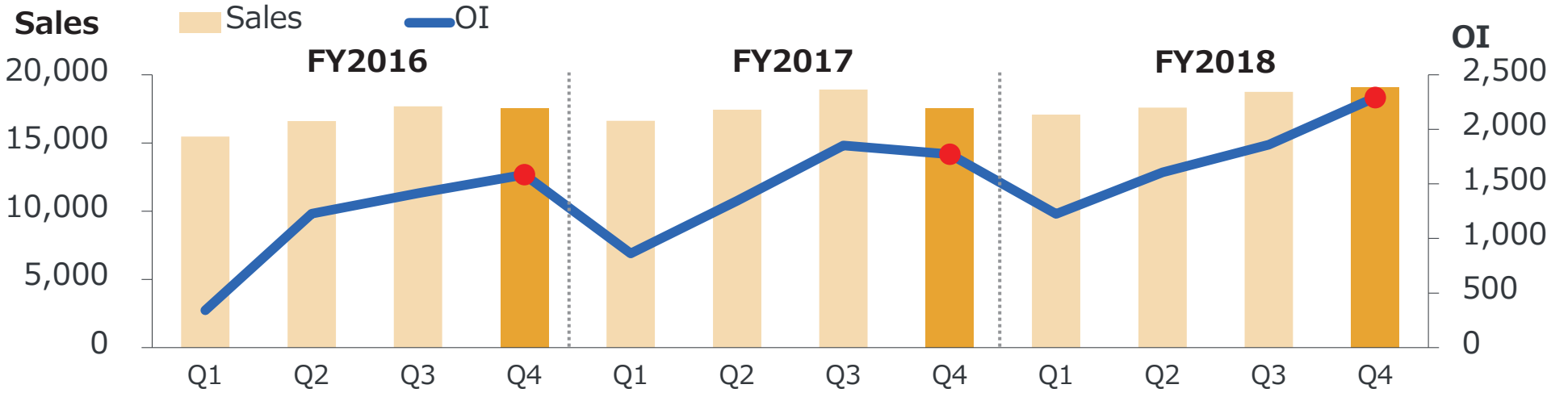


Overview

Recorded higher YoY sales and highest-ever OI through business expansion and better product mix led by industry-specific strategies since FY2016 and structurally favorable environments.

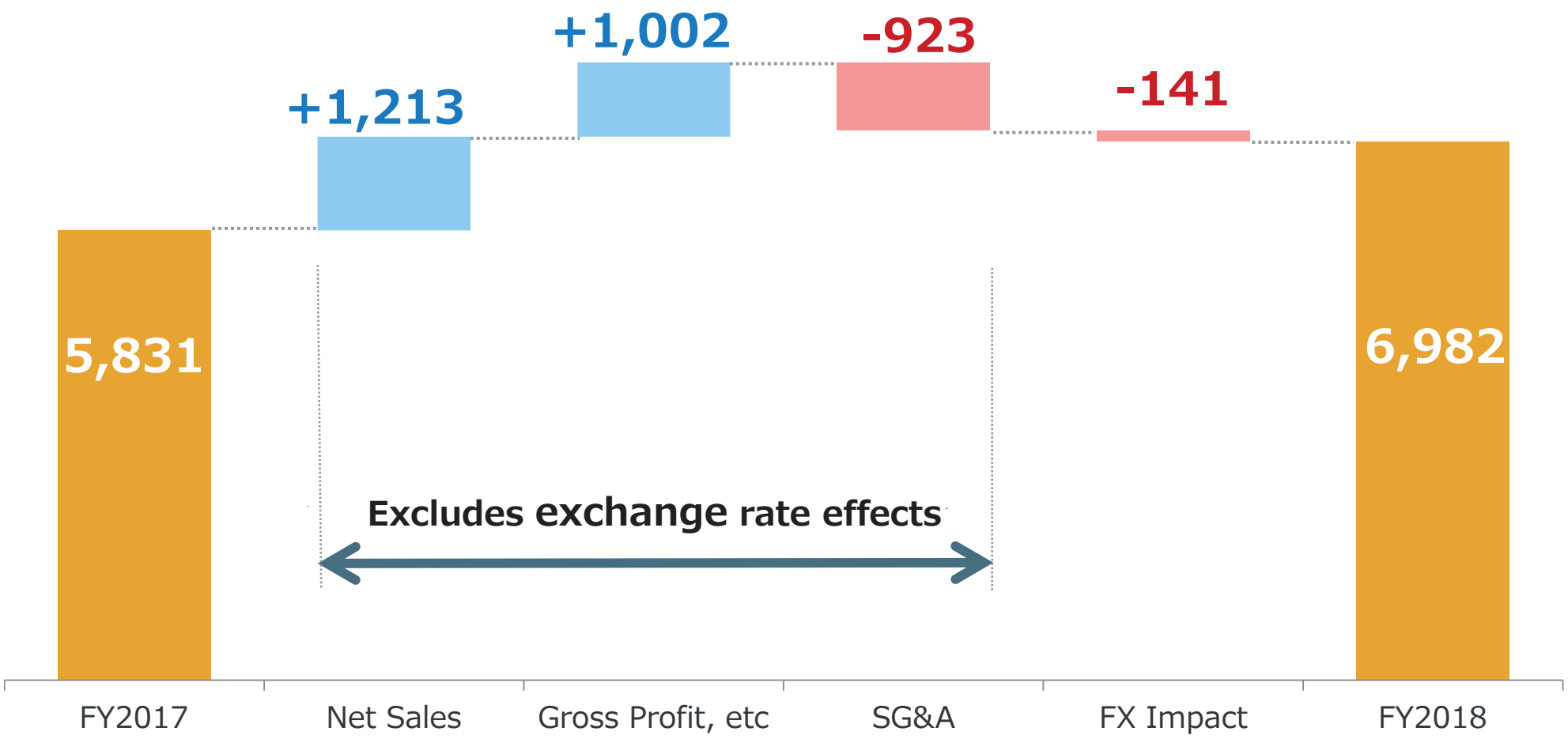
(Millions of JPY)

	FY2018	FY2017	Change	YoY
Mechatronics Sales	29,197	27,564	+1,632	105.9%
Consumables Sales	43,238	42,917	+320	100.7%
Total Sales	**72,435**	**70,482**	**+1,952**	**102.8%**
Gross Profit	35,970	33,896	+2,074	106.1%
Gross Profit %	49.7%	48.1%	+1.6pt	-
Operating Income	**6,982**	**5,831**	**+1,151**	**119.7%**
Operating Income %	9.6%	8.3%	+1.4pt	-



Major Gains/Losses in OI

(Millions of JPY)

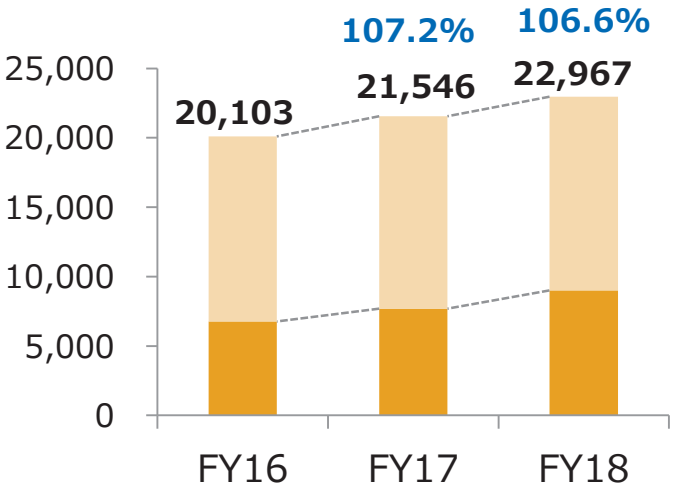


Sales by Vertical [1]

(Millions of JPY)

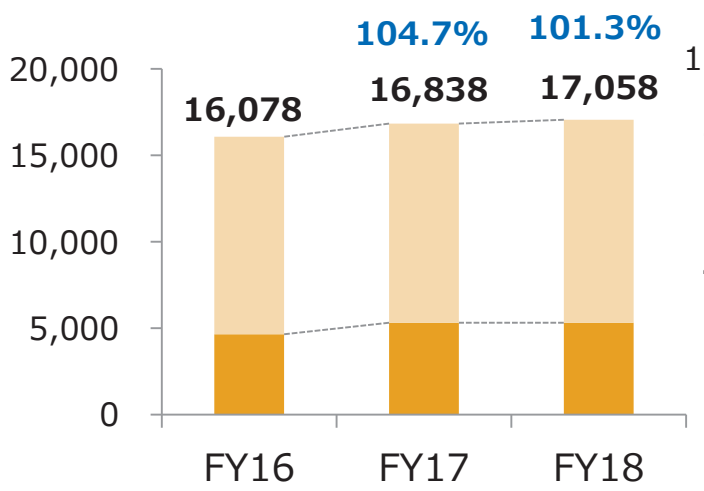
■: Mechatronics ■: Consumables *Figures are total sales; % indicates YoY change

Manufacturing



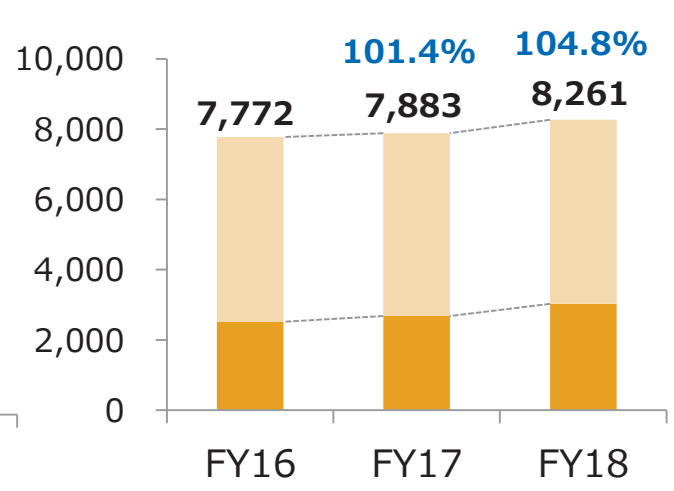
- Production cuts in industries including electronic components negatively impacted consumables sales, while investments to improve productivity and visibility remained solid.
- Our solutions to meet robust demand for automation and visibility enhancement in almost all industries helped to drive sales.

Logistics



- Business environment remained favorable reflecting e-commerce and C2C market expansion and labor shortage.
- Mechatronics sales remained flat as printer-replacement orders came to a pause, while sales in consumables were steady reflecting increased flow of goods.

Retail



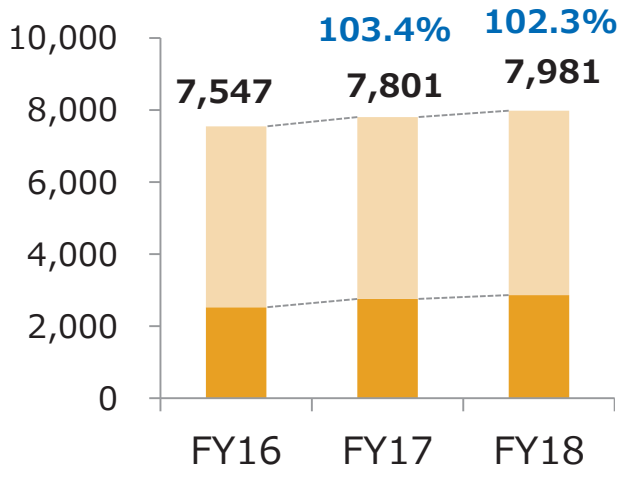
- Sales for real stores remained sluggish, while demands to meet labor shortage, e-commerce expansion and compliance to amended regulations were steady.
- Printer-replacement orders remained firm, and solutions including RFID and HACCP compliance contributed to sales.

Sales by Vertical [2]

(Millions of JPY)

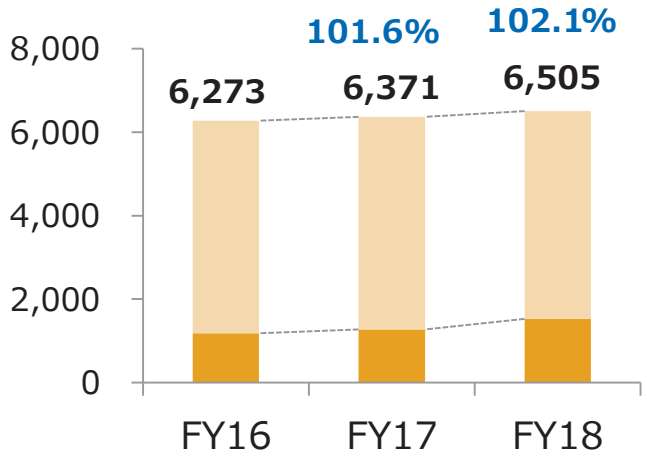
■: Mechatronics ■: Consumables *Figures are total sales; % indicates YoY change

Health Care



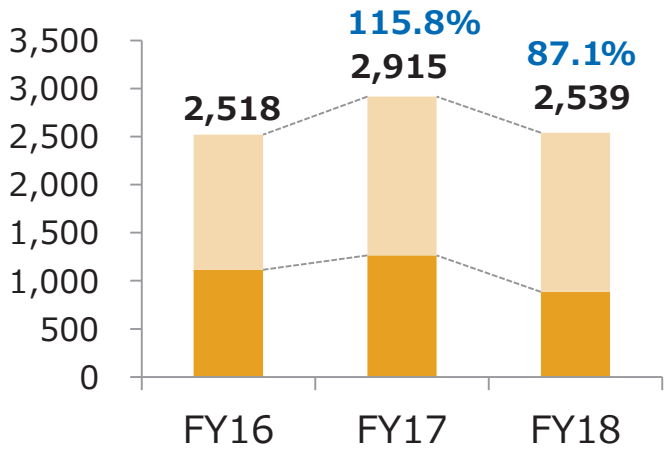
- Business environment remained favorable due mainly to reinforcement of regulations related to barcode labeling of drugs and medical devices, and labor shortage.
- In addition to barcodes, demand for solutions utilizing RFID and positioning systems remained steady.

Food & Beverage



- Business environment remained favorable as the industry sought compliance to the amended Food Labeling Act and automation to mitigate labor shortage.
- Mechatronics sales increased as our internal initiatives took advantage of printer-replacement opportunities.

Public



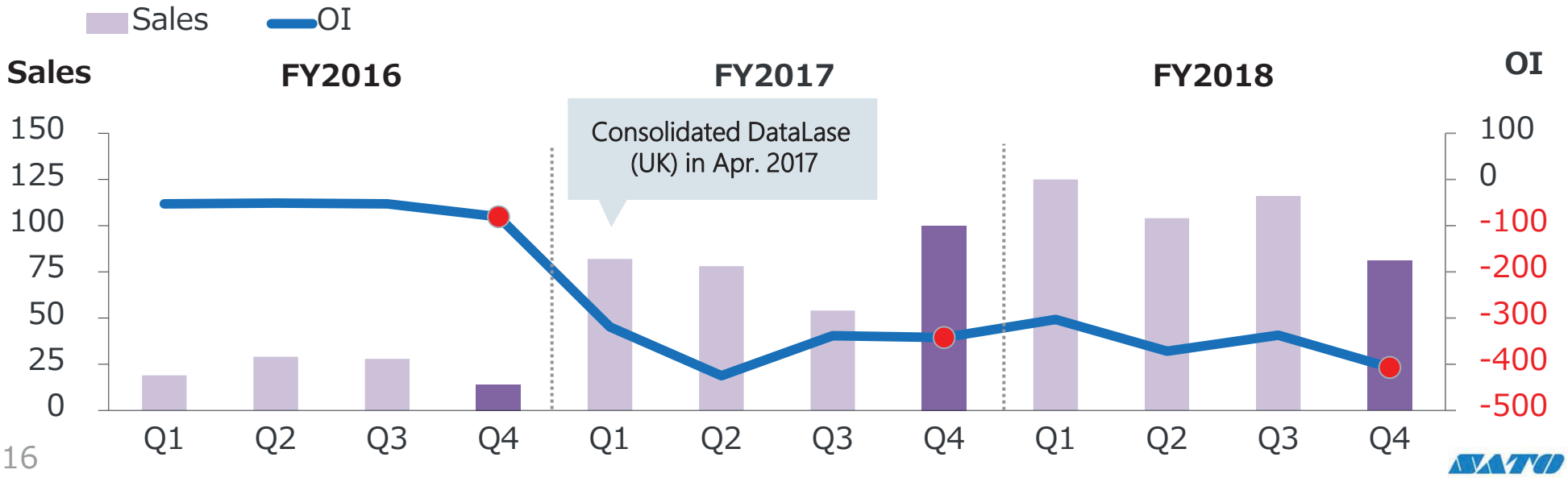
- Business environment remained stable.
- Consumables sales were sluggish owing to the lack of a large printer order seen in FY17, and to reduced orders from the same customer seeking operational efficiency and order smoothing.

Overview

R&D progressed largely as planned.

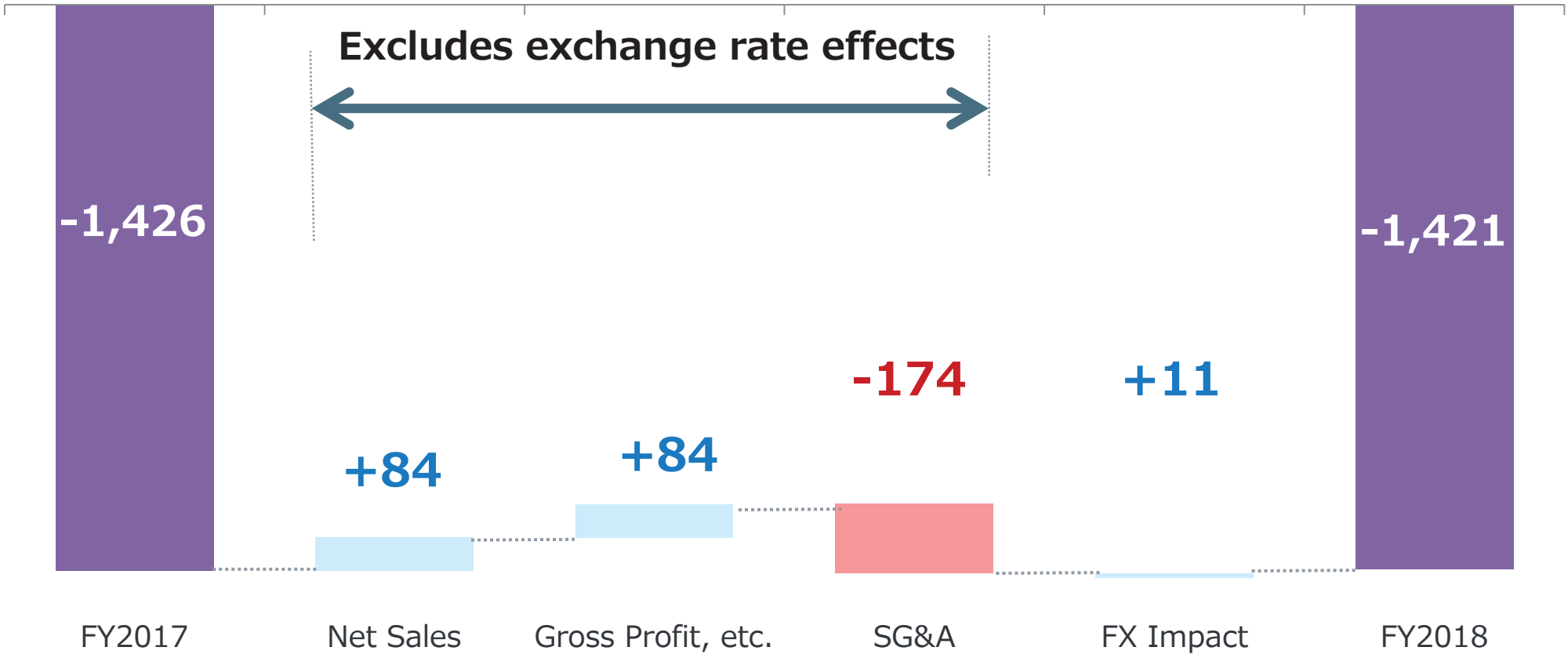
(Millions of JPY)

	FY2018	FY2017	Change	YoY	excl. FX impact
Total Sales	**427**	**315**	**+112**	**135.7%**	**136.7%**
Gross Profit	399	234	+164	170.2%	-
Gross Profit %	93.4%	74.4%	+19.0pt	-	-
Operating Income	**-1,421**	**-1,426**	**+4**	**-**	**-**
Operating Income %	-	-	-	-	-



Major Gains/Losses in OI

(Millions of JPY)

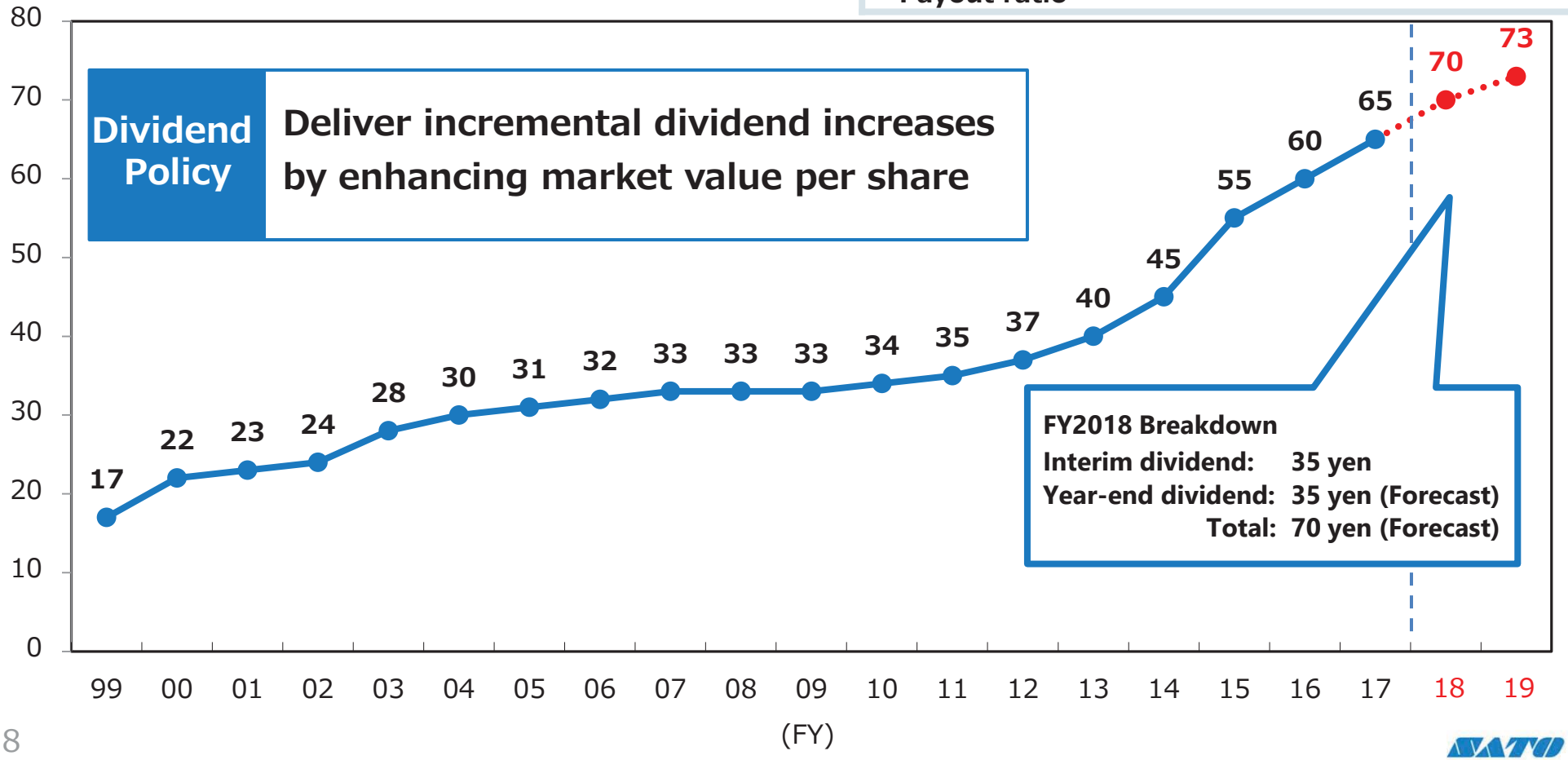


Dividends

Total dividends planned for FY18: JPY 70 (+5 yen YoY)
Total dividends planned for FY19: JPY 73 (+3 yen YoY)

	FY2017	FY2018	FY2019 (Forecast)
EPS	¥121.5	¥112.5	¥149.0
ROE	7.6%	6.9%	8.8%
(Ref.) Payout ratio	53%	62%	49%

(JPY per share)



FY2019 Consolidated Forecasts

(Millions of JPY)

	FY2019 (Targets)	FY2018	Full Year	%
Net Sales	120,000	116,179	+3,820	103.3%
Operating Income	8,500	7,679	+820	110.7%
Operating Income%	7.1%	6.6%	+0.5pt	-
Ordinary Income	8,300	7,618	+681	108.9%
Profit attributable to owners of parent	5,000	3,773	+1,226	132.5%
EBITDA※	14,100	13,250	+849	106.4%

Exchange rates assumed in FY19 forecast: JPY 112/USD, JPY 130/EUR
Average exchange rates for FY18: JPY 110.92/USD, JPY 128.44/EUR
※ EBITDA＝Operating Income + Depreciation + Amortization


FY2018 Results
&
FY2019 Targets
Medium term Manage-ment Plan FY19-21
Future Vision

Management Policy & Growth Strategy

No change has been made to our management policy & growth strategy. We will concentrate resources on Auto-ID Solutions business where high potential lies.

Management Policy

Concentrate resources on the Auto-ID solutions business and establish sustainable growth and stable profits.

Growth Strategy

1. Grow and evolve the Auto-ID Solutions business
2. Strengthen and expand business through global alliances
3. Develop B2B2C business to create consumer value

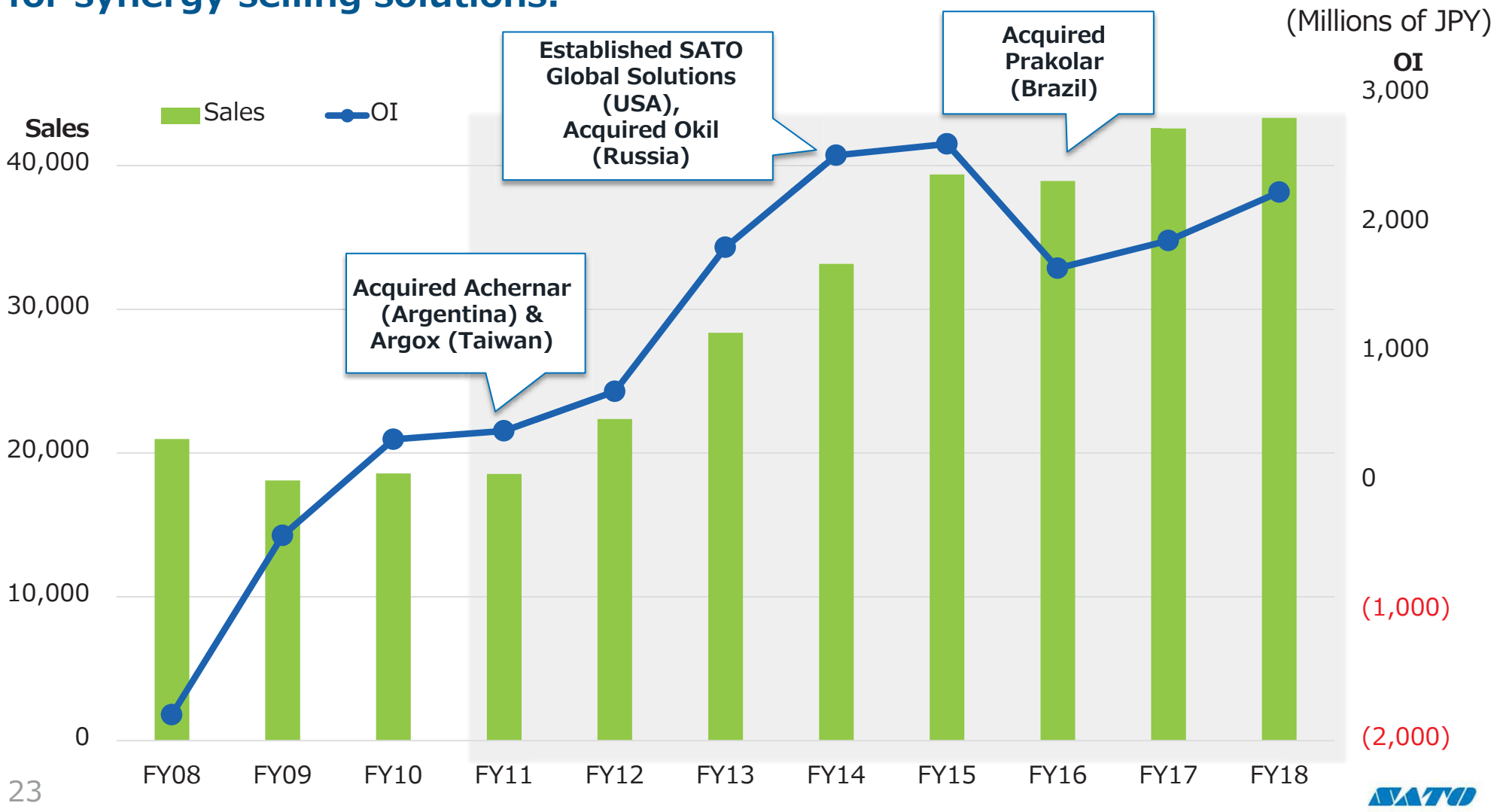
   (Commercialization of IDP solutions and new RFID technology)

Strategic policy for FY2019

Accelerate growth by zooming in industry & area specific potentials and by executing focused strategies & investments.

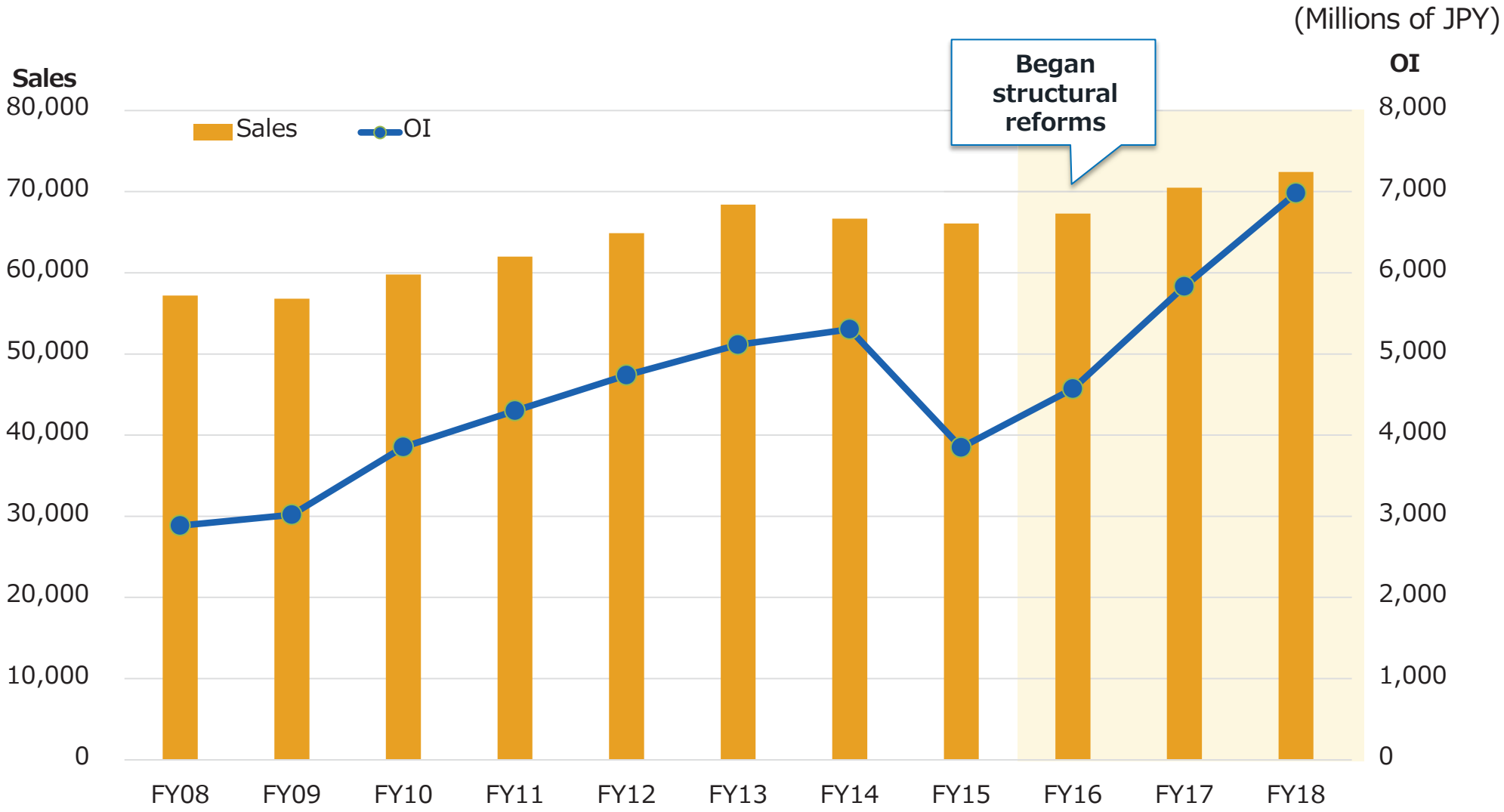
Overseas Review

We have yet to see our recent M&As achieve sufficient synergy with our base business.
Despite the current strain on our management resources, we see potential for synergy selling solutions.



Japan Review

Structural reforms since FY2016 focusing on improving profitability and selling solutions took effect to form the foundation for our solutions business.



What we aim to be

A global solutions provider for a sustainable world

Medium Term Management Plan FY19-21

Growth strategy

- Grow and evolve the Auto-ID Solutions business
- Strengthen and expand business through global alliances
- Develop B2B2C business to create consumer value

Sustainable World

Global Solutions Provider

koto-uri=
Selling the solutions

Environment

Social issues

- Supply chain diversification
- Security threat
- Shift in demographics
- Global warming

Technological innovation

- IoT
- AI
- 5G
- Sensors
- Robotics

Opportunities

Heath Care | Food & Beverage | Manufac-turing | Retail | Public | Logistics

Tagging
information to People & things

Genba-ryoku

Auto-ID Solutions business
Continual creation of "killer" offerings
(Key solutions, products, services & devices)

FY2025 targets
Sales: JPY 200 billion
OI: JPY 24 billion

3 GOOD HEALTH AND WELL-BEING | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainability
Value creation for customers & SATO

Corporate Governance
Focus on overseas subsidiaries

Differentiating ourselves from Competitors

Establish competitive advantage as a solutions provider with onsite expertise

Core IT System

System Integrators

Partnership

Solution services

Core IT System



Tag

information to People & things



Differentiation

Competitors

Solution services

Products

Competitive advantage

Genba-ryoku*

- Customer coverage
- Integration
- Maintenance service

&

"Killer" offerings

Continual innovation of key products, services, devices & solutions

(*) Refer to "SATO Terminologies, " page 64, #8.

Strengths and Potentials

Selling the solution: Learning customer operations by industry to identify pain points and deliver solutions on a continual basis.

Industries within verticals

Manufacturing	Logistics	Retail	Health Care	Food & Beverage
Automobile	Transportation	Supermarkets	Hospitals	QSR
Robots/ Machinery	Warehouses	Specialty stores	Pharmaceuticals	Restaurants
Electronic components	Manufacturer logistics	Drug stores	Medical equipment	Food manufacturing
Steel/Metal	3PL	CVS	Medical supplies	Food processing
Chemicals	・	・	Blood testing	・
・	・	・	・	・
・	・	・	・	・

Strengths and Potentials

Customer operations and suitable solutions vary by industry while their management challenges are universal.

e.g., Manufacturing (Electric machinery factory)



Receiving & stocking
- ✓ Enhance efficiency with printers & labels
- ✓ Ensure FIFO

Production line
- ✓ Enable traceability with identification
- ✓ Improve productivity with RFID

Overseas

Few sales offices had focused sufficiently on their key industries. Strong potential for growth is evident.

Japan

Huge potential in solutions that incorporate new technologies and that answer to more latent needs of individual customers.

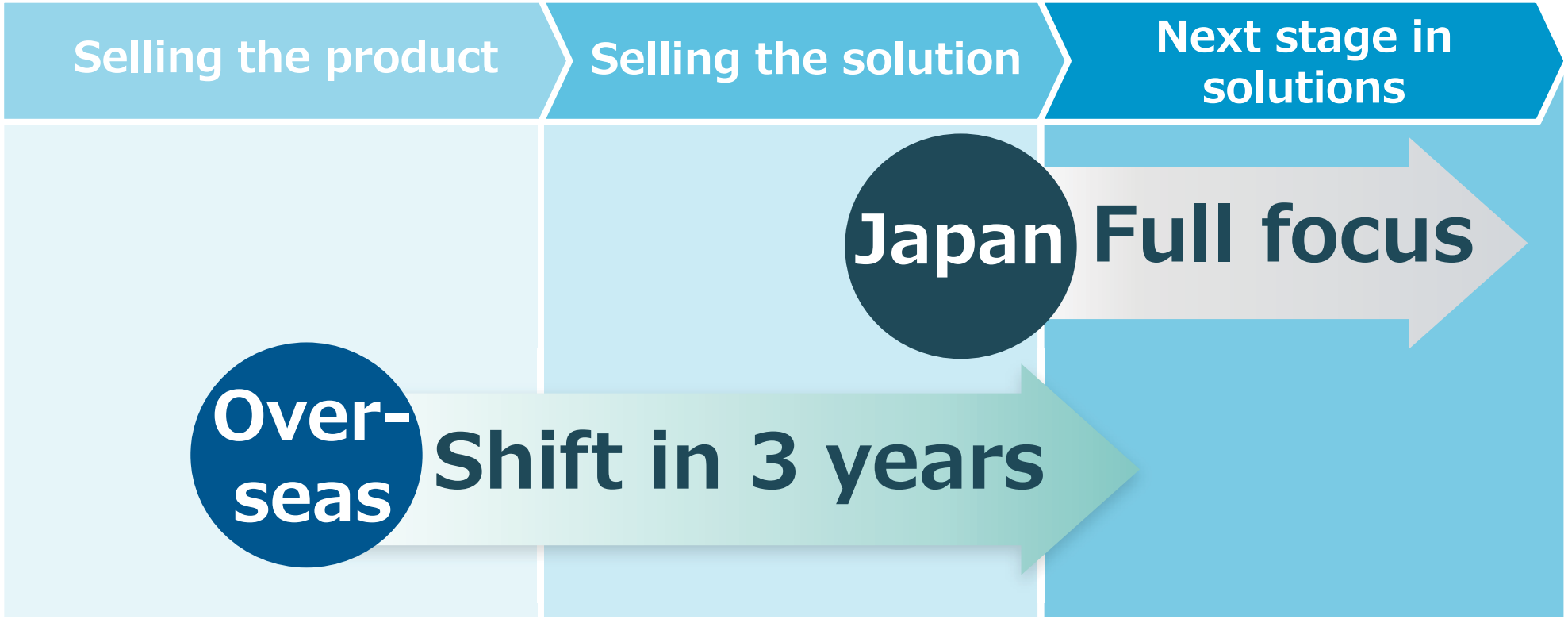
Office
- ✓ Automate entrance & exit control
- ✓ Manage fixed assets

Shipping
- ✓ Enhance picking efficiency with navigation guides
- ✓ Trace shipments

Inspection
- ✓ Use image recognition to print and inspect at same time

Growth Strategy: What it means

Overseas: Shift to “Sell the solution, not the product” (koto-uri).
Do in three years what took Japan about 20 years to do.
Japan: Focus on selling solutions at the next level.



Overseas Strategy Overview

Speed execution of strategies, action plans and investments by focusing on specific countries, areas and industries.

Priorities[*1]

India	Vietnam	USA
8th highest GDP growth in 2018[*2]	7th highest GDP growth in 2018[*2]	24.2% of global GDP in 2018[*2]
Aim to grow sales 10 fold by FY2025	Aim to grow sales 5 fold by FY2025	Aim to grow sales 3 fold by FY2025

Main strategies

1. Optimize offices & personnel according to focal areas & industries
2. Expand our line of products, services & solutions
3. Provide tools to support solutions business
4. Build global alliances
5. Enhance infrastructure

Investments

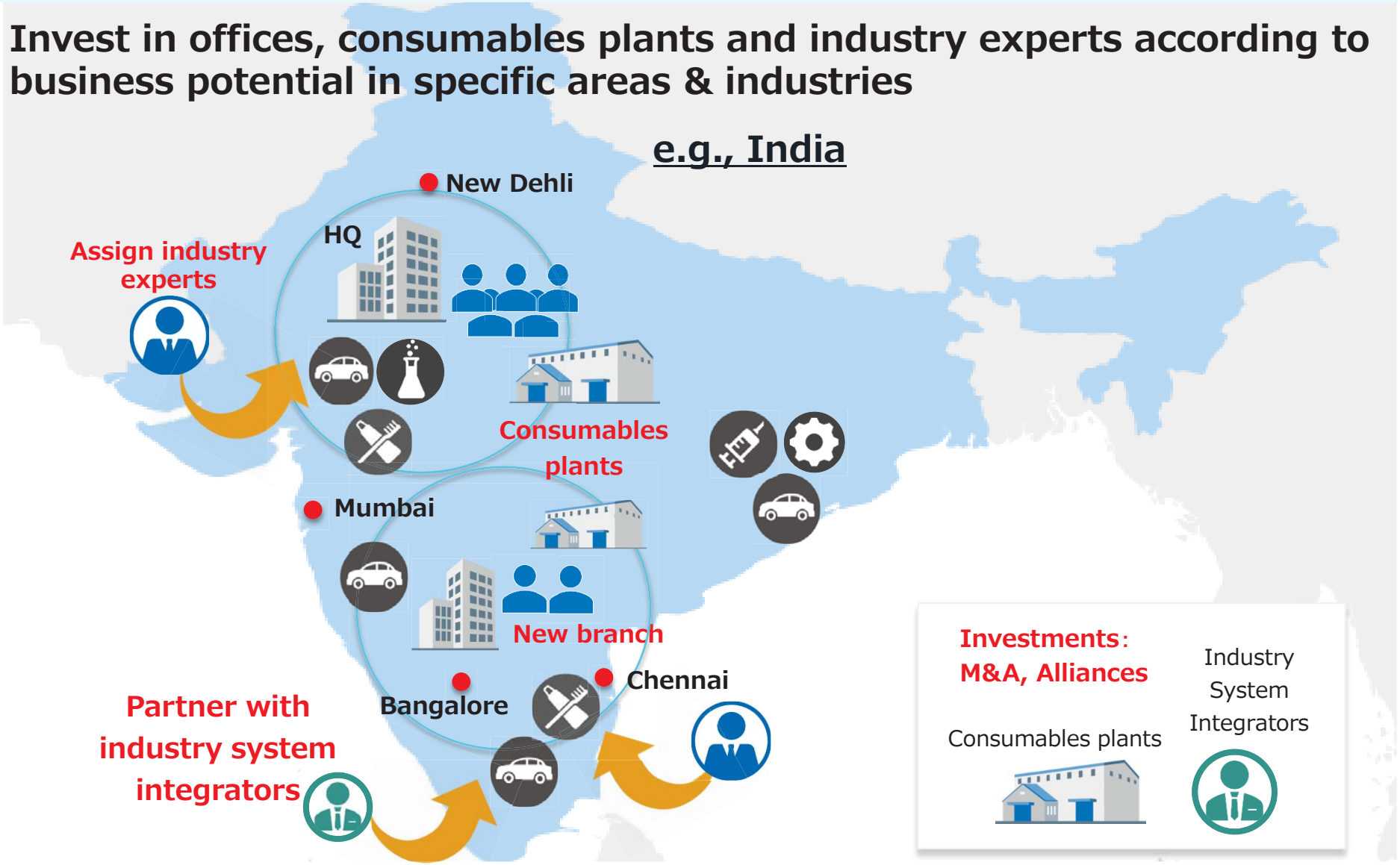


*1 Based on market potential, infrastructure and opportunities for SATO. *2 Source : IMF

Overseas Strategy Details

1. Optimize offices & personnel according to focal areas & industries

Invest in offices, consumables plants and industry experts according to business potential in specific areas & industries



Overseas Strategy Details

2. Expand our line of products, services & solutions

Focus on base business with timely launches of competitive printers

FY2014

CL4NX
CL6NX



Main mid-range model

FY2016

LR4NX-FA



Print & apply model

FY2018

PW208NX



Mobile model

FY2018

FX3-LX



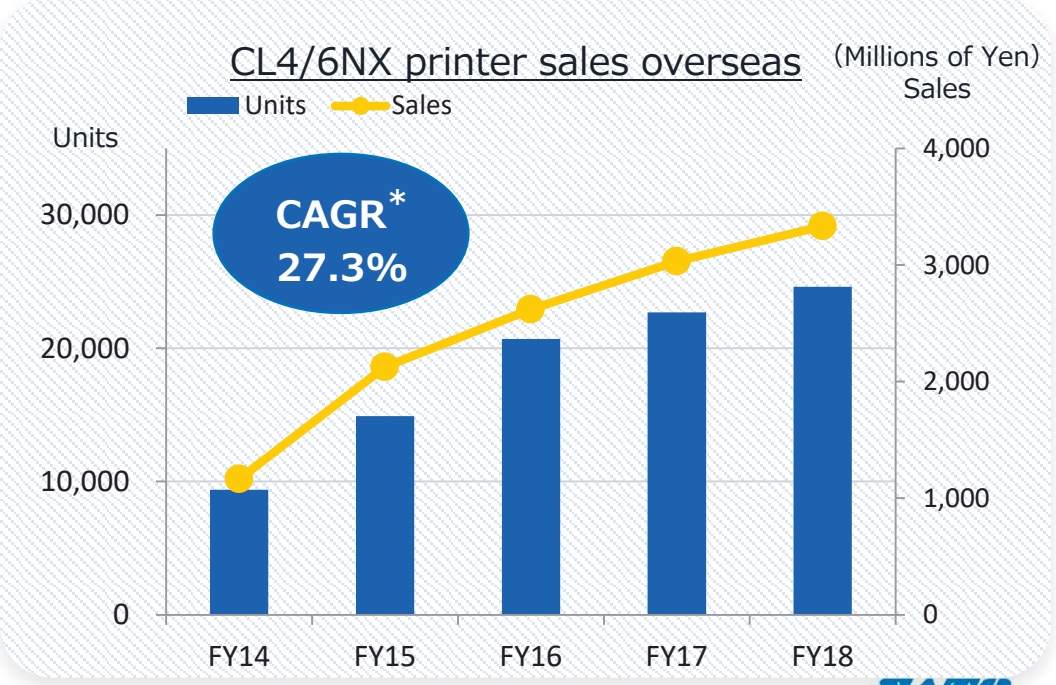
Intelligent standalone model

FY2019

Compact printer

Main compact model





Overseas Strategy Details

2. Expand our line of products, services & solutions

Commercialize IDP (Inline Digital Printing) technology

✓ **Pursue consumer value and help retailers boost sales & profits.**

Change in consumer (C) behavior → **Challenges for brand owners (B)**







IDP solution

Prompt printing of variable information, helping brand owners to grow sales and reduce costs.



10 billion ***cups***

1 trillion ***bottles***



Tests ongoing as planned with customers overseas, targeting commercialization within FY2019.

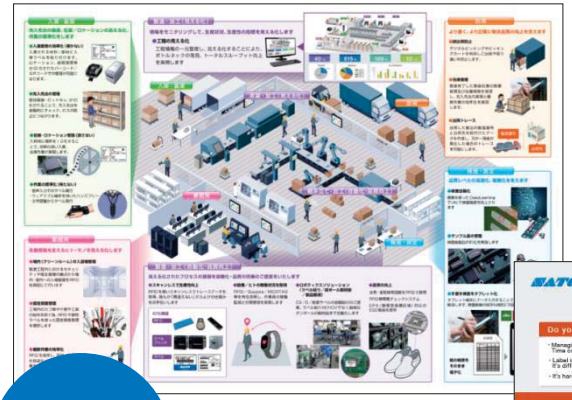
Overseas Strategy Details

3. Provide tools to support solutions business

Strengthen global marketing

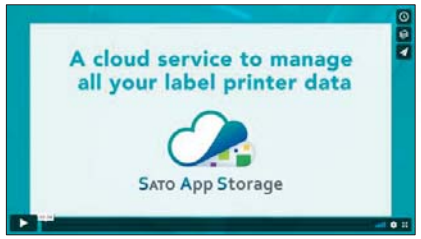
Establish framework for selling successfully

- ✓ Set up global marketing function to connect overseas and Head Office
- ✓ Send/station industry experts
- ✓ Share tools that allow overseas subsidiaries to analyze needs per industry



Overview of solutions per industry

Videos





Contact → Consultation → Proposal → Closing



Marketing leaflets of individual solutions



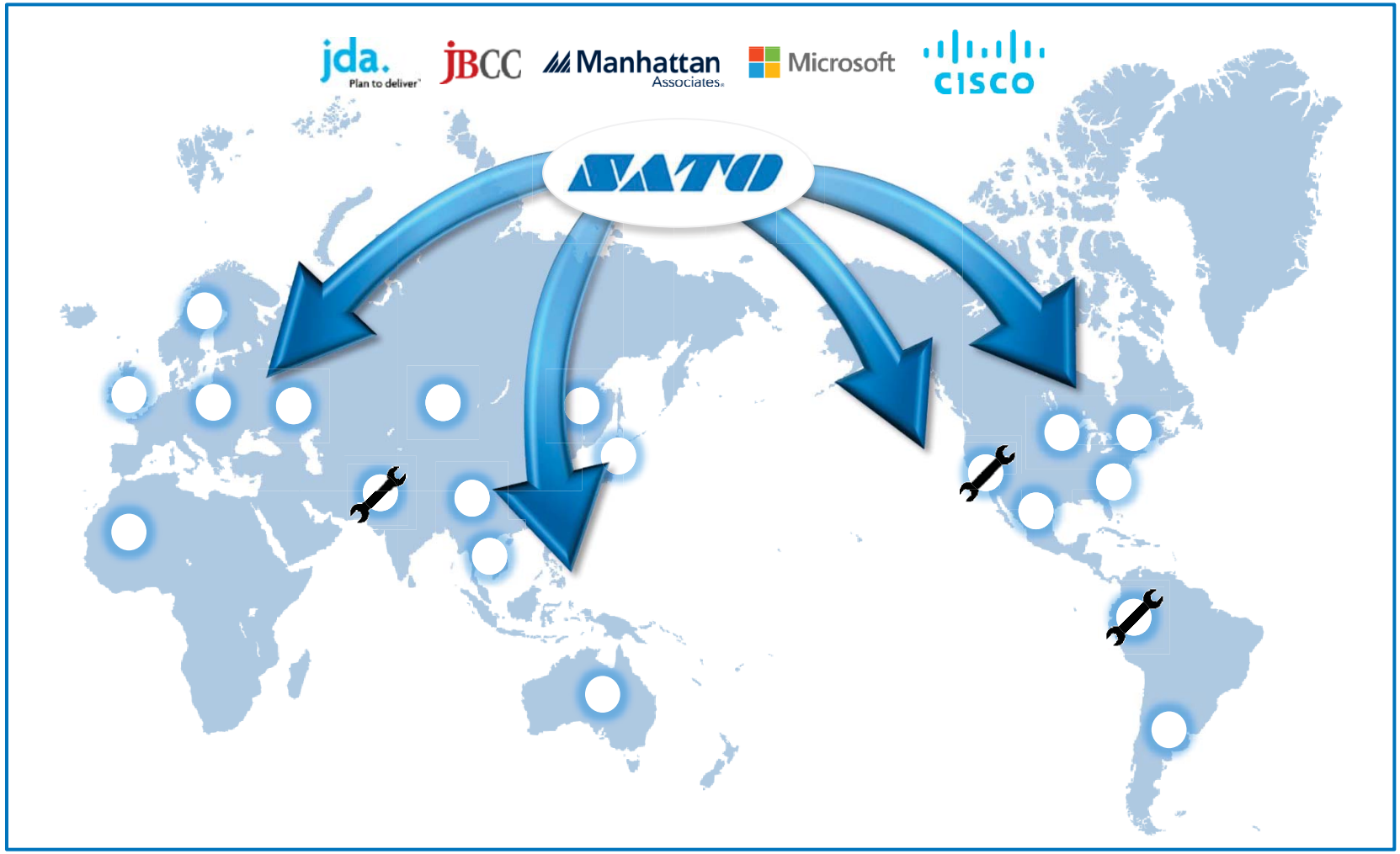
Proposal materials

Overseas Strategy Details

4. Build global alliances

Find optimal partners by industry and need

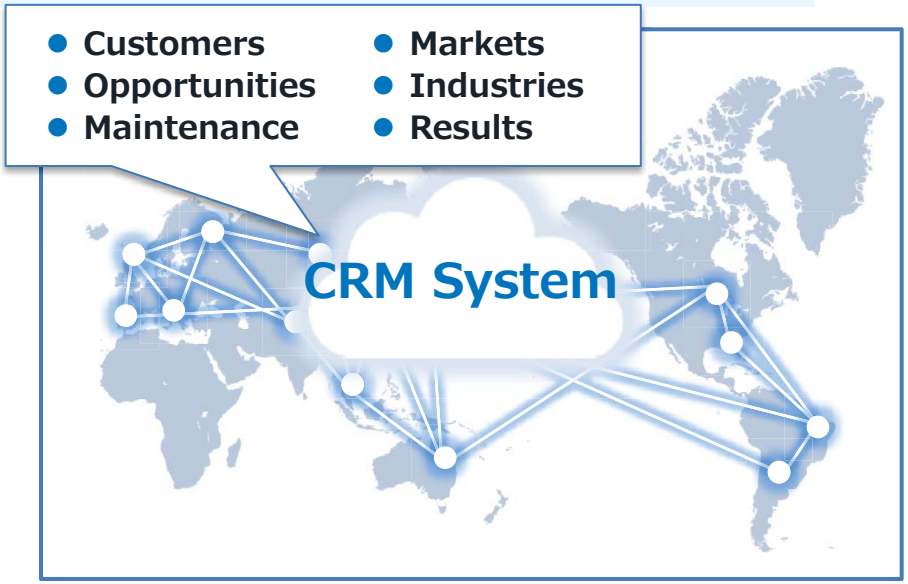
➡ Label manufacturers, system integrators, engineering firms, etc.



5. Enhance infrastructure

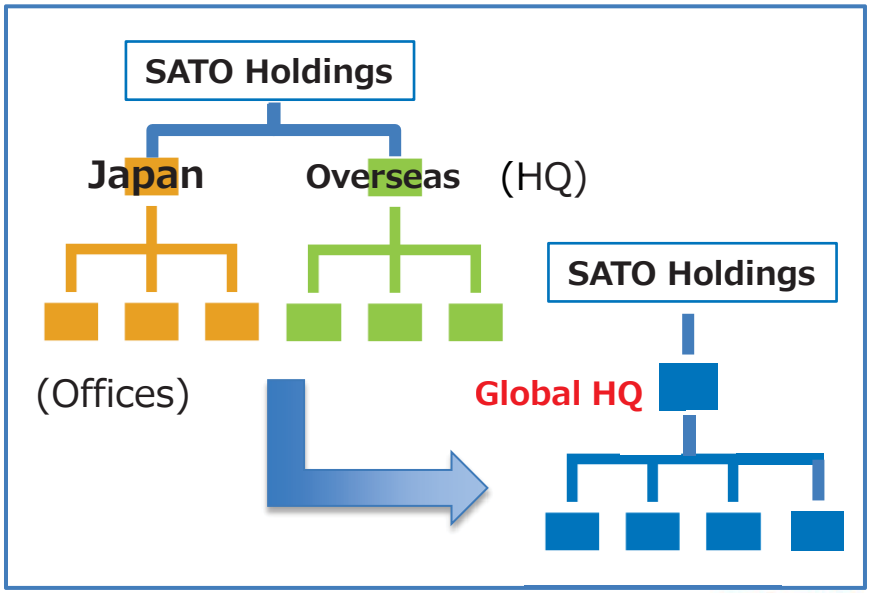
CRM System

- ✓ Share industry information globally
- ✓ Strategically run the PDCA cycle to speed up closing of opportunities



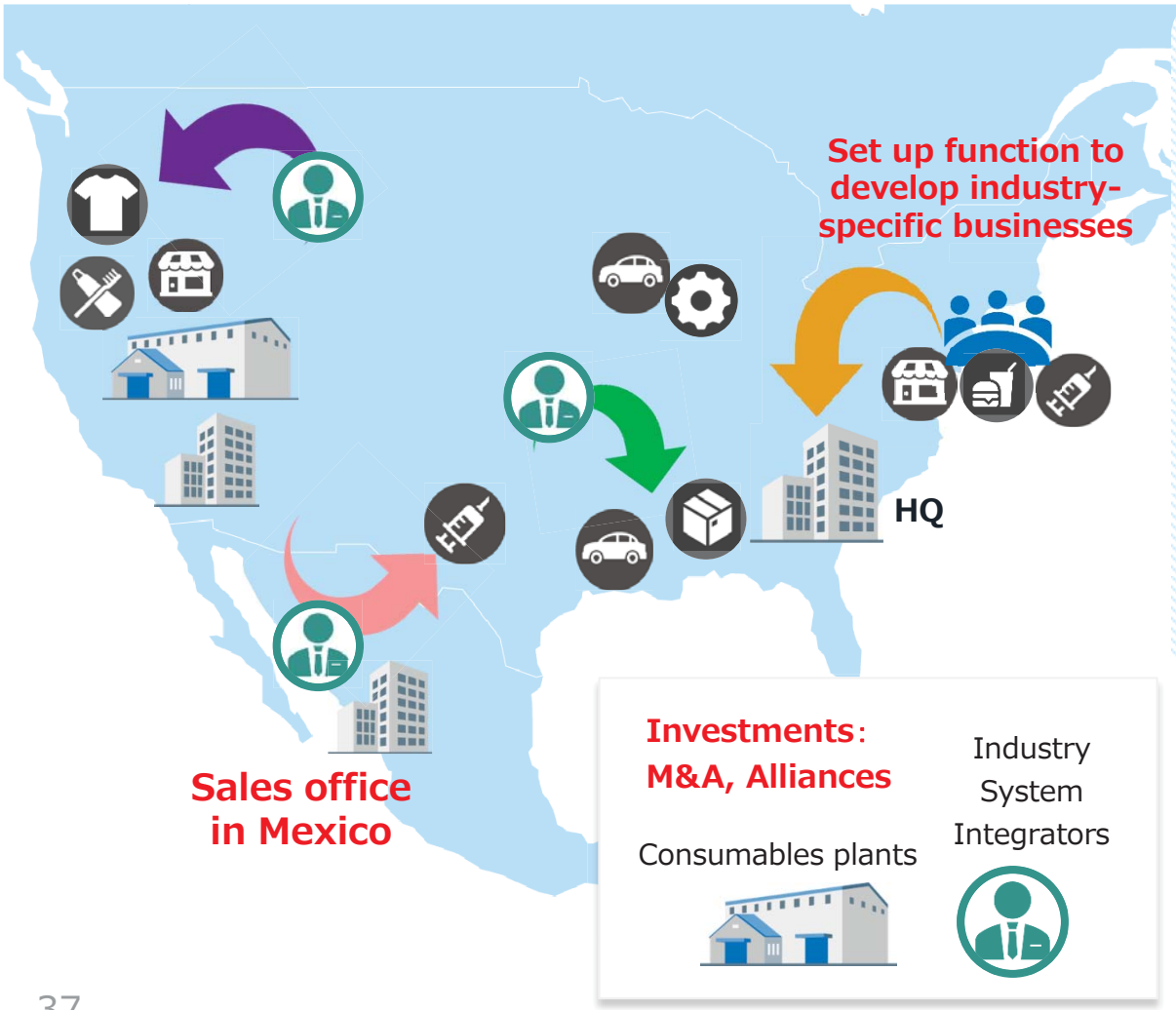
Organizational reform: Set up Global Headquarters

- ✓ Develop an HQ that oversees the entire world for better collaboration



Overseas by region – North America

Capture business with global key accounts through direct sales and build strong ties with system integrators in target industries for channel sales.



- ✓ Set up function at North America HQ geared toward developing business with global key accounts.
- ✓ Optimize consumable supply
- ✓ Open sales office in Mexico

Overseas by region – South America

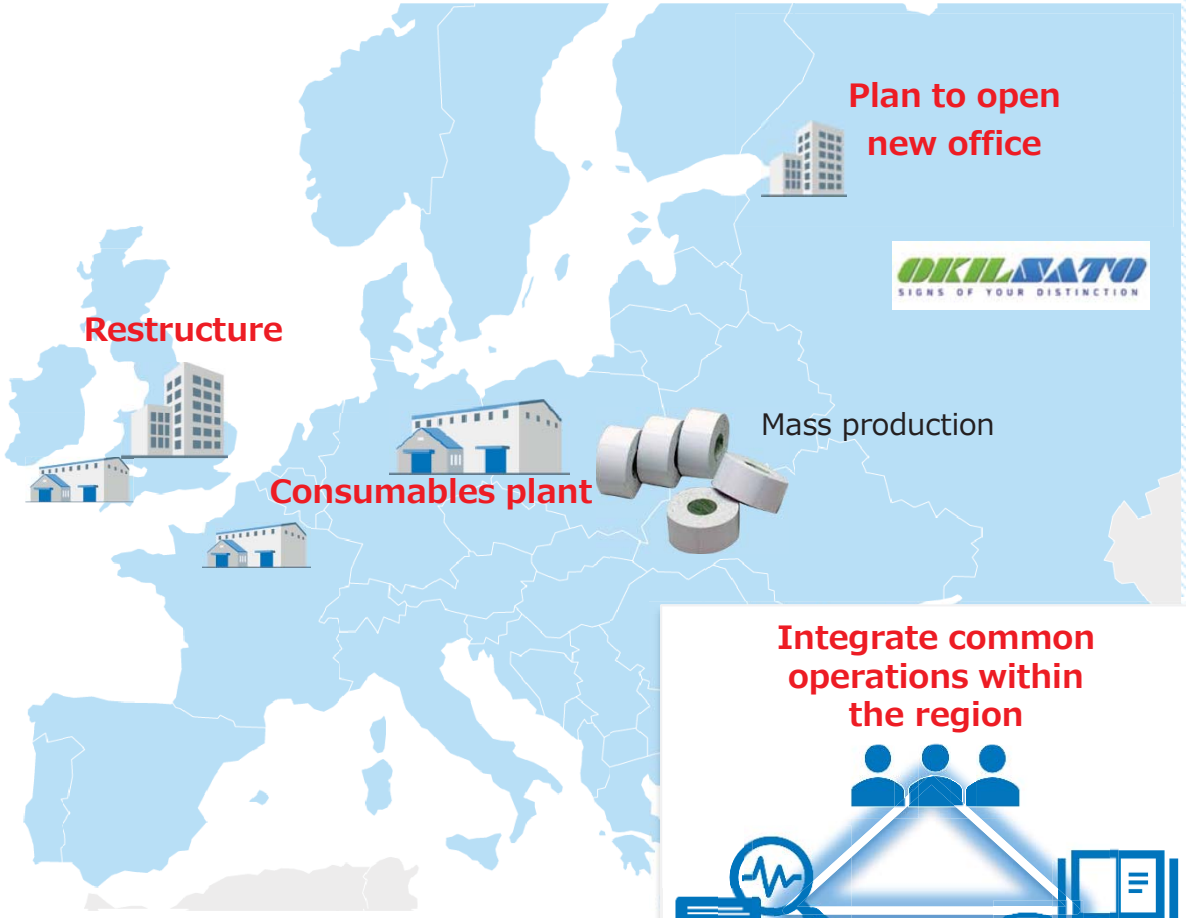
Create synergies between base & primary label businesses.



- ✓ Consolidate base and primary label offices in Brazil and Argentina
- ✓ Coordinate in exploring solutions by sharing customer information with one another

Overseas by region – Europe

Enhance efficiency by optimizing businesses, operations and production within the region.



- ✓ Shift to a leaner structure by integrating common operations
- ✓ Optimize consumables production by integrating factories
- ✓ Control costs by restructuring unprofitable operations
- ✓ Plan to open new office in Russia following the recent opening in Switzerland

Overseas by region – Asia/Oceania

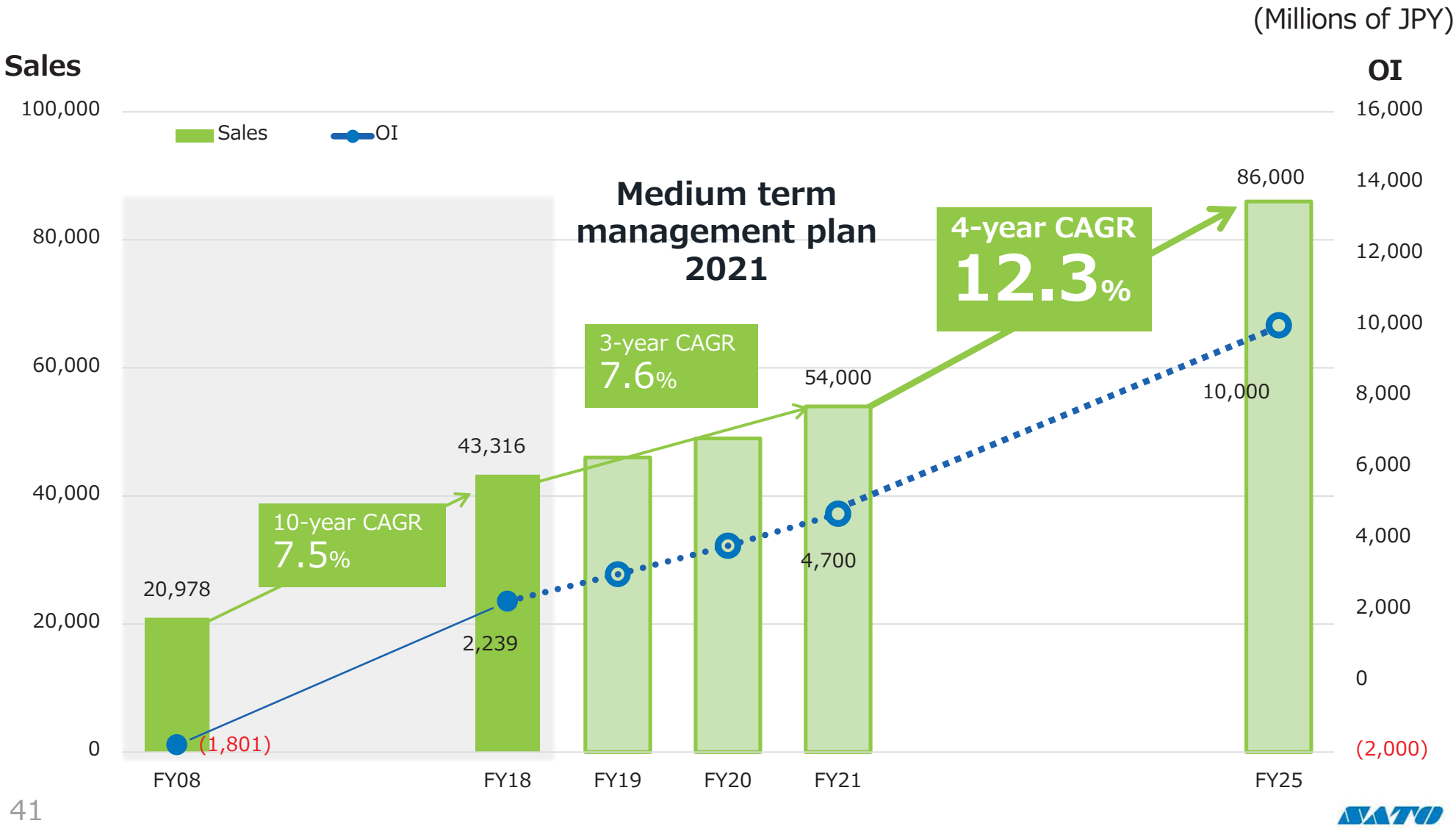
Further evolve and accelerate solutions business.
Reshape Asia management to ensure capturing of growth potentials.



- ✓ Accelerate growth by selective investment in high growth countries
- ✓ Accelerate country-specific action plans by reshaping management structure in Asia
- ✓ Promote solutions business with food manufacturers and retailers in Oceania

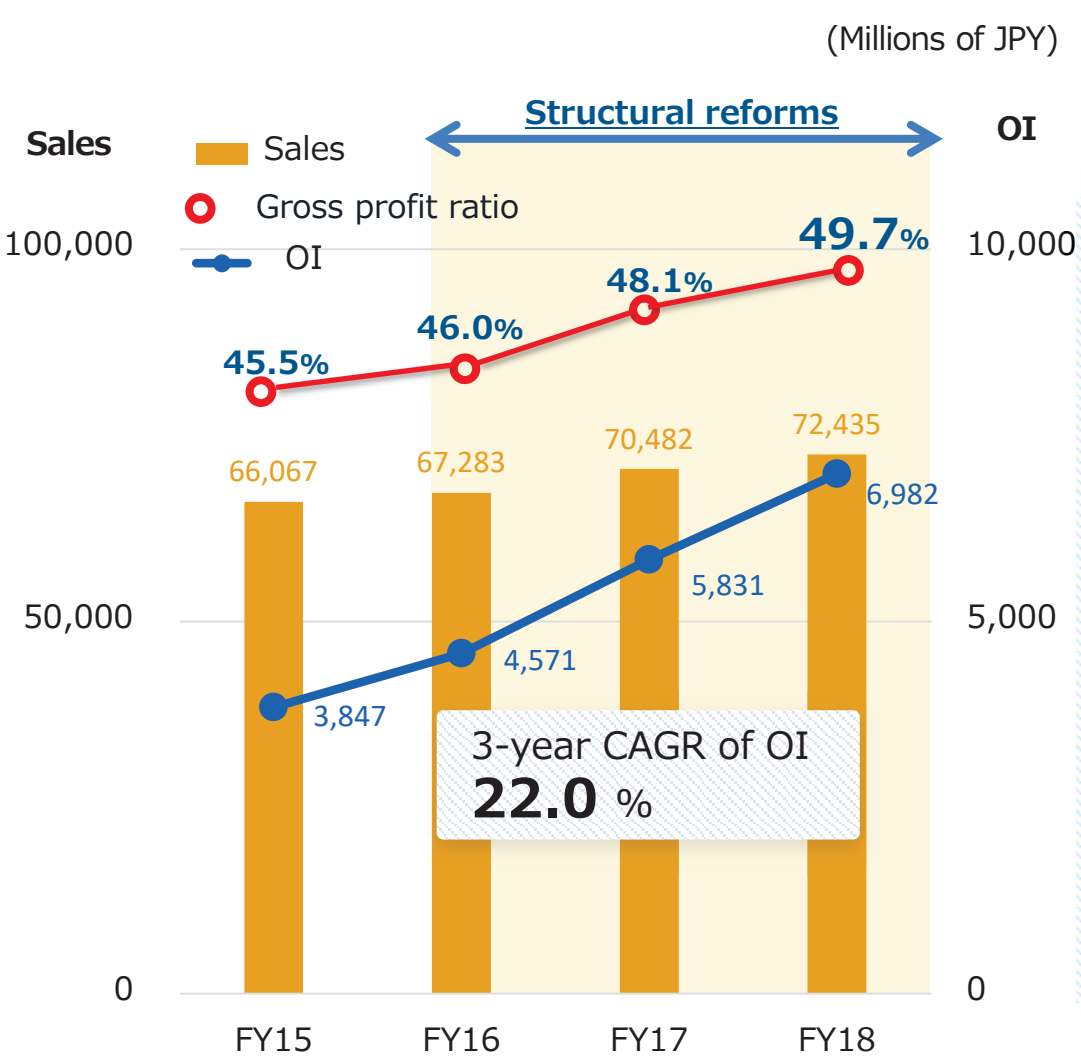
Overseas Sales & OI

Accelerate growth by laying a firm foundation for koto-uri.



Japan Review

Profitability improved massively thanks to structural reform actions.





- ✓ **Strategic replacement of printers**
- ✓ **Actions to propose new & greater value to customers per vertical/industry.**
- ✓ **Information sharing through CRM system support**

Japan Strategy Overview

Focus on creating solutions with new technologies and on seeking more latent needs from each customer to solve universal challenges.



Growth business

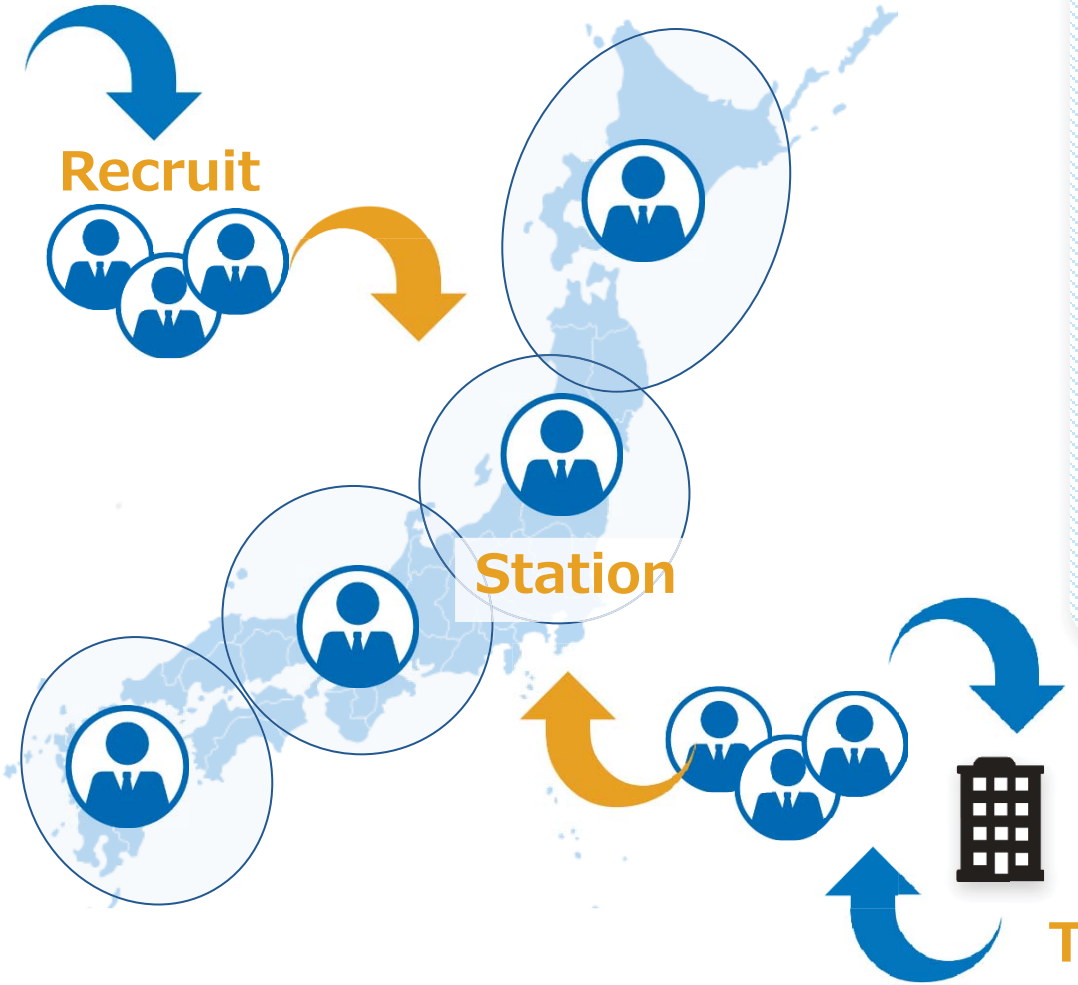
Base business

Main strategies

1. Train/recruit solution experts
2. Increase market share in each area by developing partnerships

Japan Strategy Details

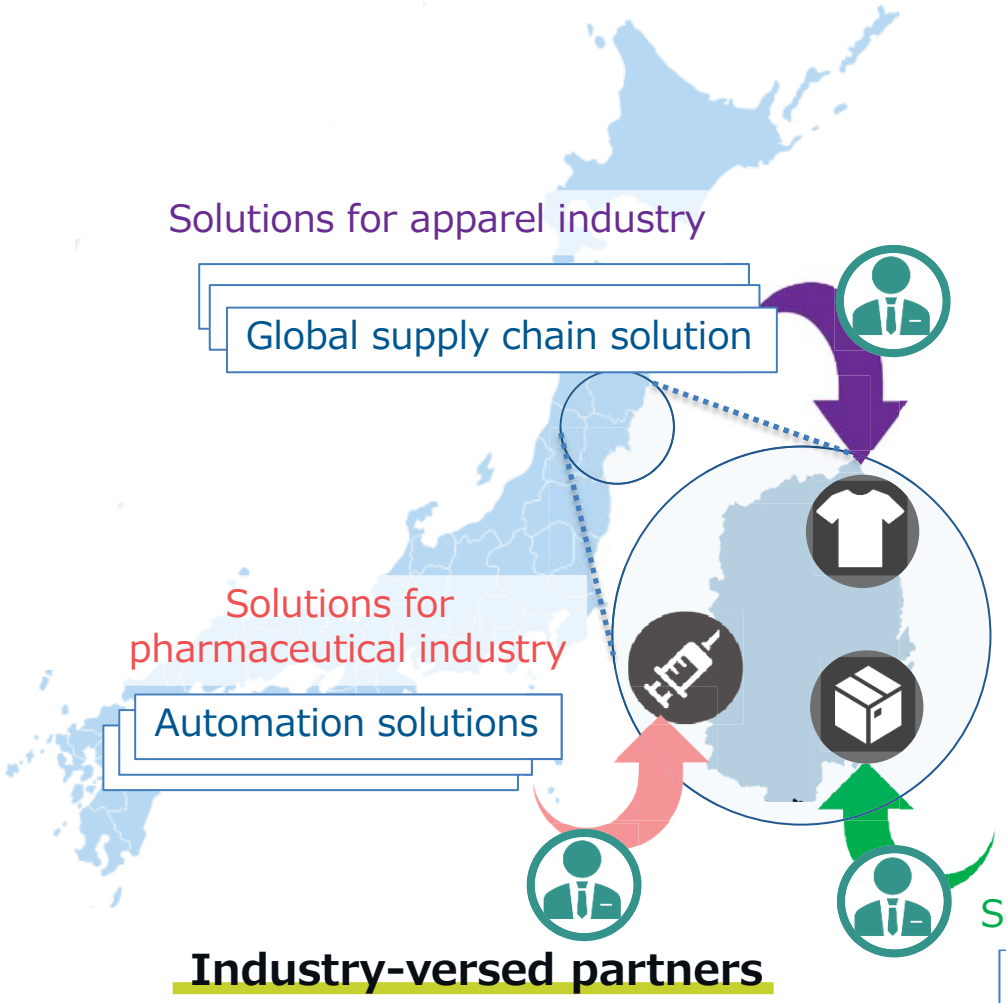
1. Train/recruit solution experts



- ✓ **Boost recruitment**
- ✓ **Send to consulting firms for training**
- ✓ **Station solution experts in each region**

Japan Strategy Details

2. Increase market share in each area by developing partnerships



Solutions for warehouse industry

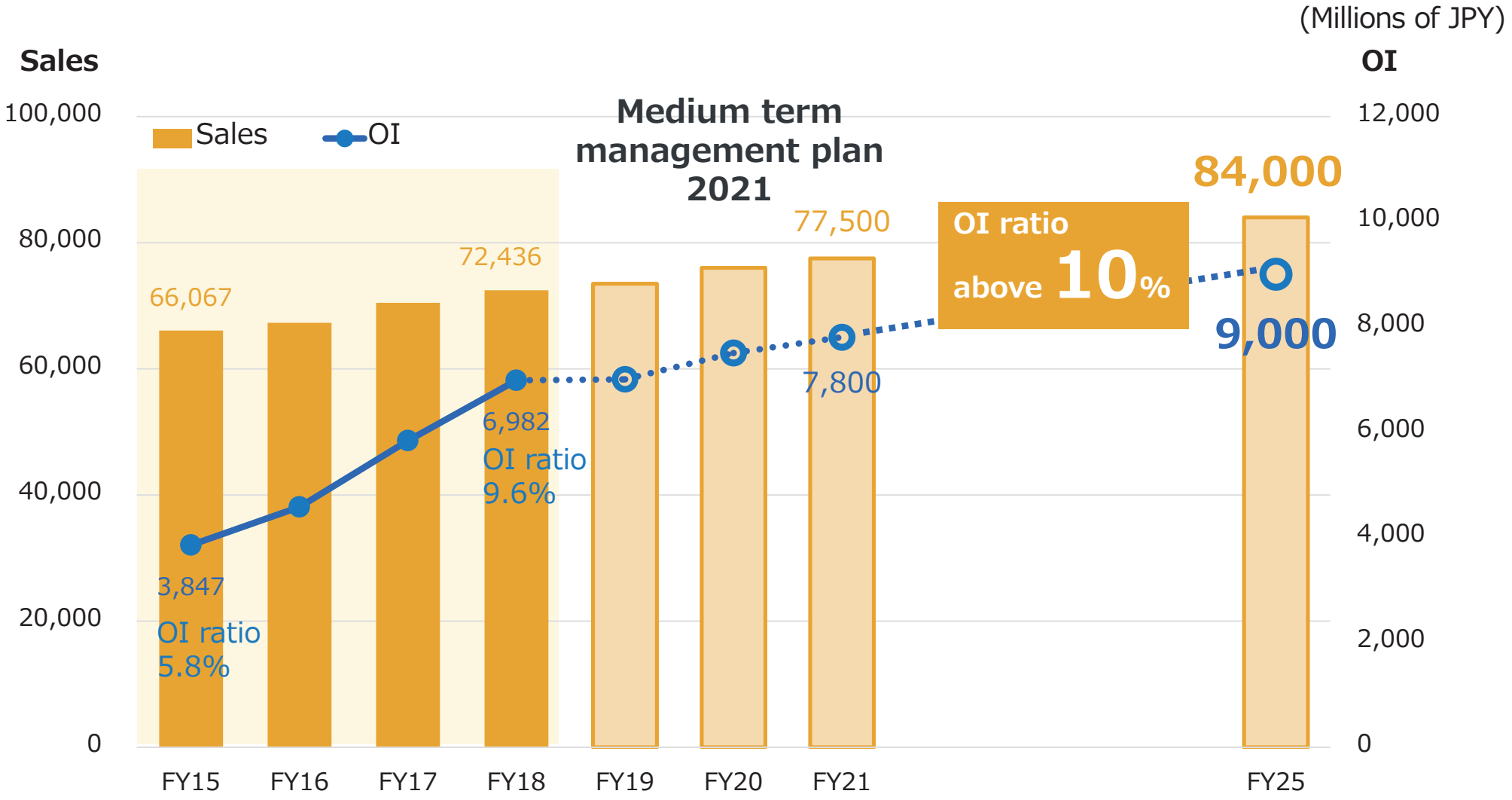
Visual Warehouse

- ✓ **Cover customers by area and by industry with solutions**
- ✓ **Enhance business & area coverage by engaging in AAP* (Area Alliance Partner) contracts with <u>partners versed in the industry</u>**

(*) Refer to “SATO Terminologies, “ page 64, #10.

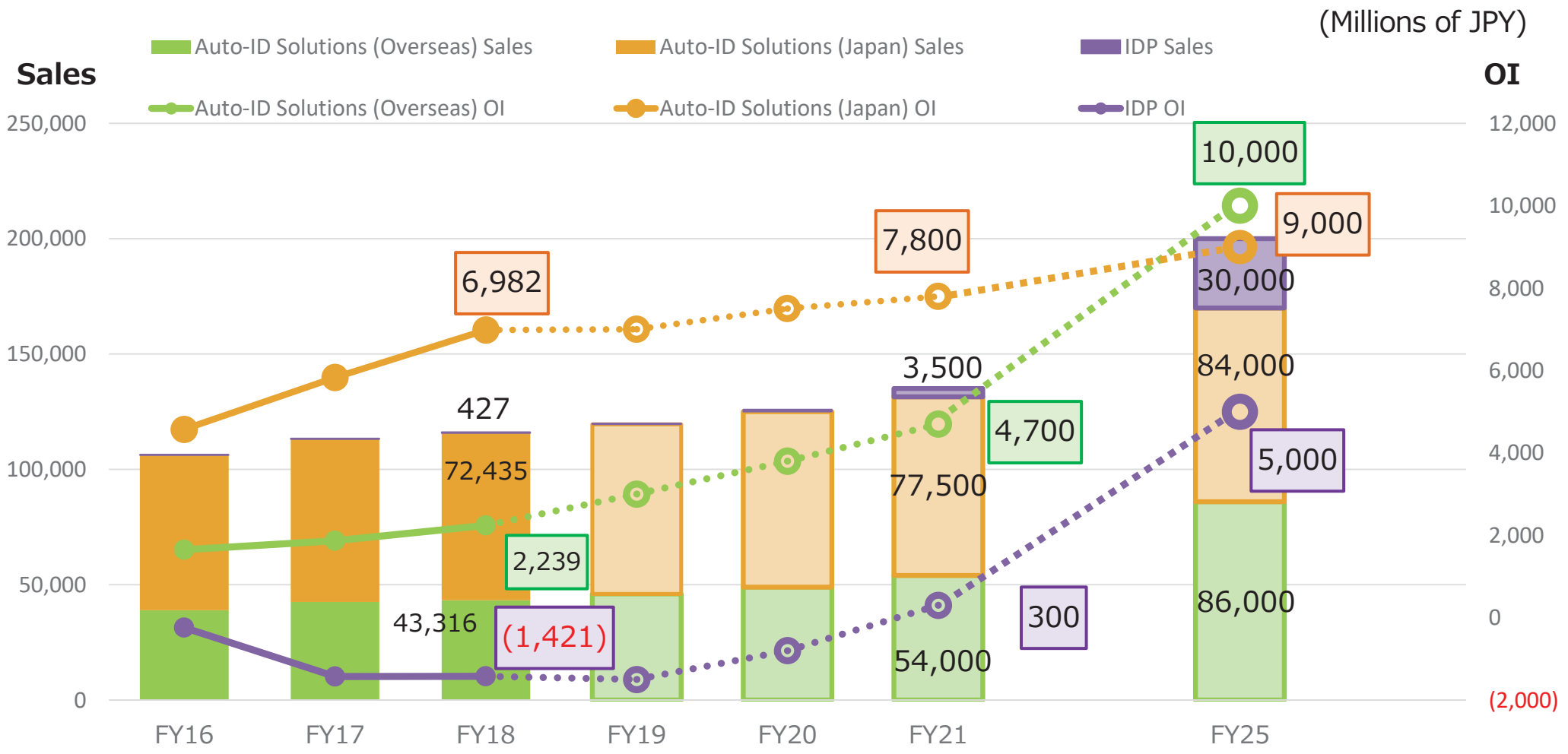
Japan Sales & OI

Lead our global shift to selling solutions by taking koto-uri to the next level, and continue to improve profitability



Sales and OI by Business Segment

Concentrate resources on the Auto-ID solutions business and establish sustainable growth and stable profits by capturing ample opportunities.



Sales and OI by Business Segment

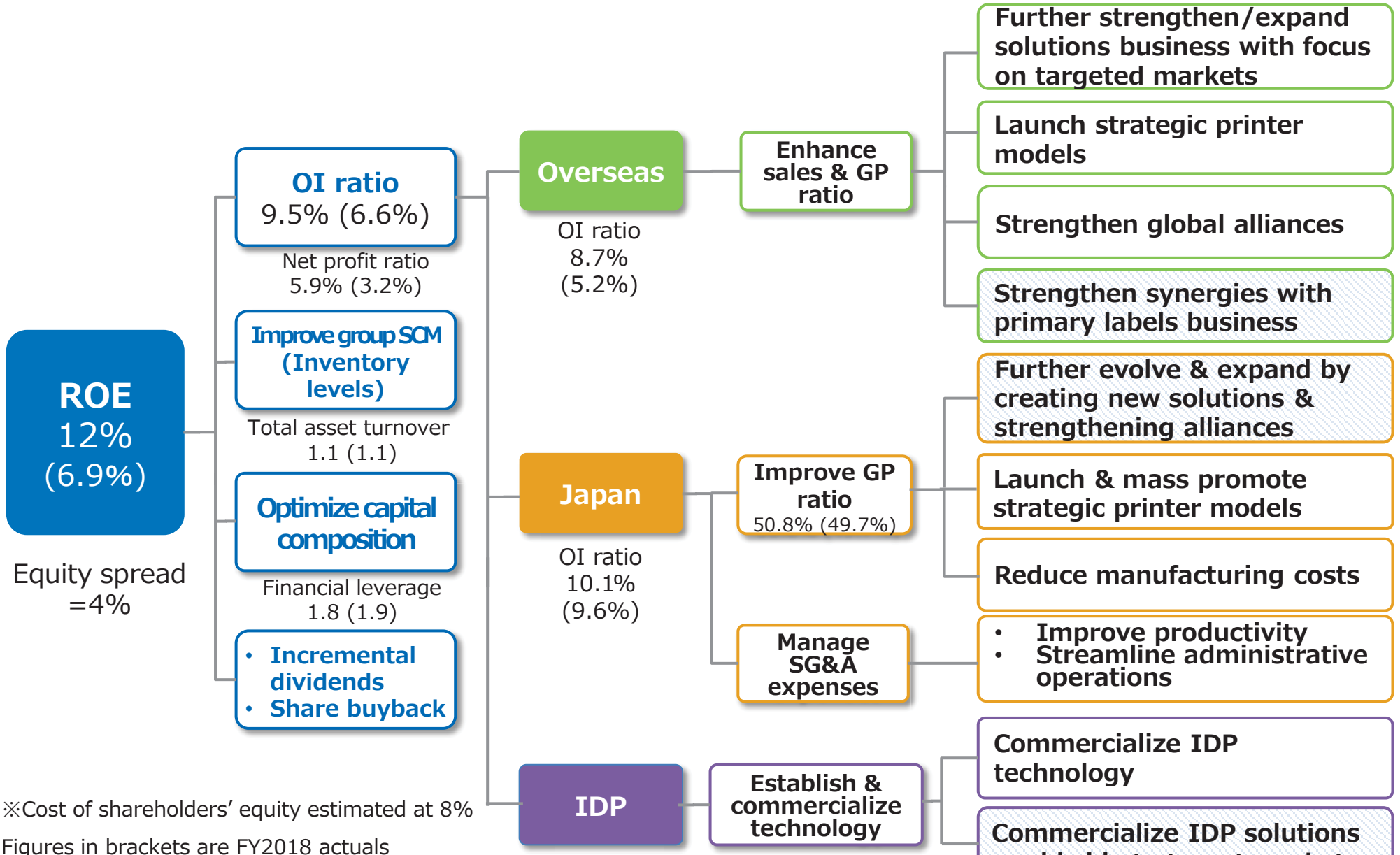
(Millions of JPY)

	FY2018		FY2019 (Targets)		FY2020 (Targets)		FY2021 (Targets)
	Actual	Previous	New	Previous	New	Previous	New
1. Auto-ID Solutions (Overseas)							
Sales	43,316	44,600	46,000	51,500	49,000	55,700	54,000
OI	2,239	2,800	3,000	4,000	3,800	5,100	4,700
2. Auto-ID Solutions (Japan)							
Sales	72,435	72,000	73,500	73,500	76,000	76,000	77,500
OI	6,982	6,400	7,000	6,300	7,500	7,700	7,800
3. IDP Solutions							
Sales	427	400	500	1,000	1,000	3,300	3,500
OI	-1,421	-1,600	-1,500	-1,000	-800	0	300
Consolidated							
Sales	116,179	117,000	120,000	126,000	126,000	135,000	135,000
OI	7,679※	7,600	8,500	9,300	10,500	12,800	12,800
OI ratio	6.6%	6.5%	7.1%	7.4%	8.3%	9.5%	9.5%

Figures under “Previous” are those as of 5 Nov. 2018

※ Includes eliminations

Consolidated: Roadmap to Higher Capital Efficiency（FY2019–FY2021）



※Cost of shareholders' equity estimated at 8%

Figures in brackets are FY2018 actuals

denotes changes from previous roadmap

※Aiming to reach operating profitability in FY2021 from the JPY 1.4 billion OI loss in FY2018


FY2018 Results
&
FY2019 Targets
Medium
term
Manage-
ment Plan
2021
Future
Vision

SATO's IoE Solution

Tagging solutions to "connect" featuring auto-ID and auto-sensing. Our core concept to making IoE* real.

Data utilization (Big Data, AI)



Internet service providers offer "connectable" systems

SATO offers solutions to "connect"

SATO's IoE Solution

- **Auto-ID**
  Identification of people and things
  e.g., recognition of products ("shampoo")

+

- **Auto-sensing**
  Status of people and things
  e.g., location or remaining amount

Tagging information to people and things at sites of operation



"What would our world look like when things without power and people are connected to the internet?"

(*) The term IoE (Internet of Everything) was devised by Cisco Systems in 2012. It is an advanced concept of IoT in which everything and everyone is connected to the internet.

What can be done with SATO's IoE Solutions

Create a sustainable world connecting people and things

Matching production (supply) and consumption (demand)



- Reduce amount & time of distribution stock
- Reduce waste



Innovate supply chain with next-generation auto-ID technology

Develop B2B2C business with new RFID technology

Began talks with alliance partners to make IoE solution a reality

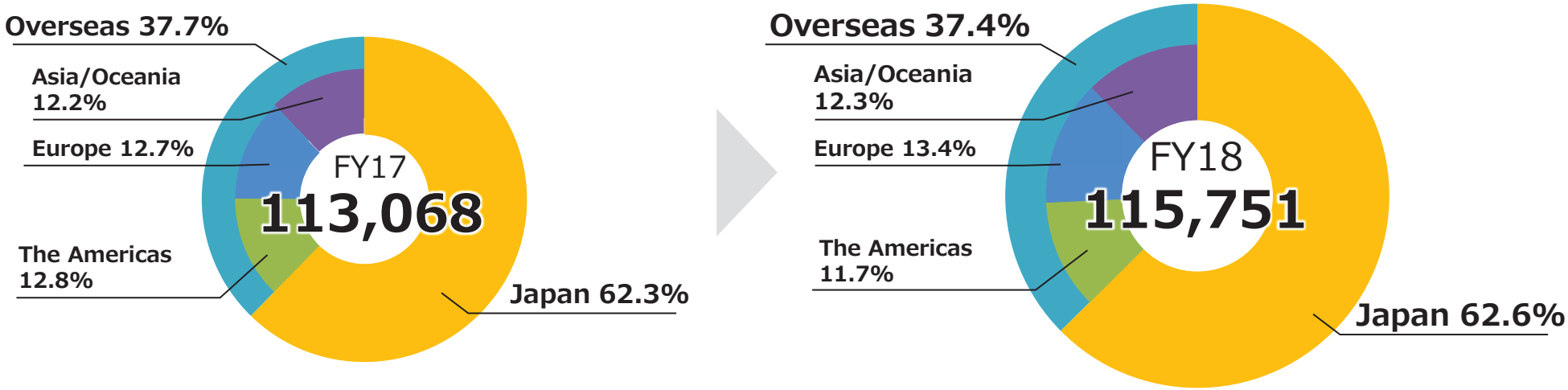


Appendix

Sales and OI by Region

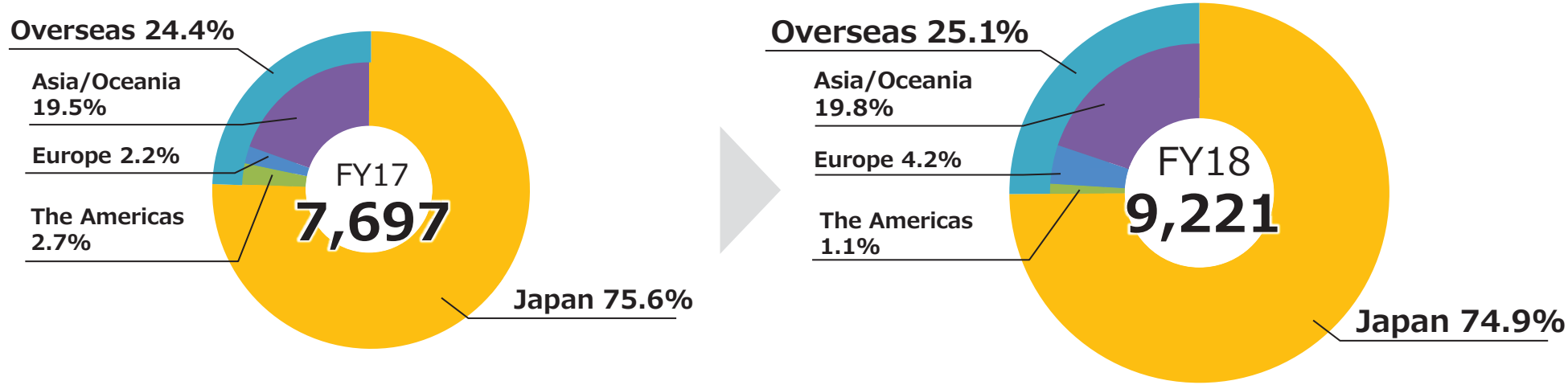
(Millions of JPY)

Sales



Operating Income

*Ratio excludes eliminations.



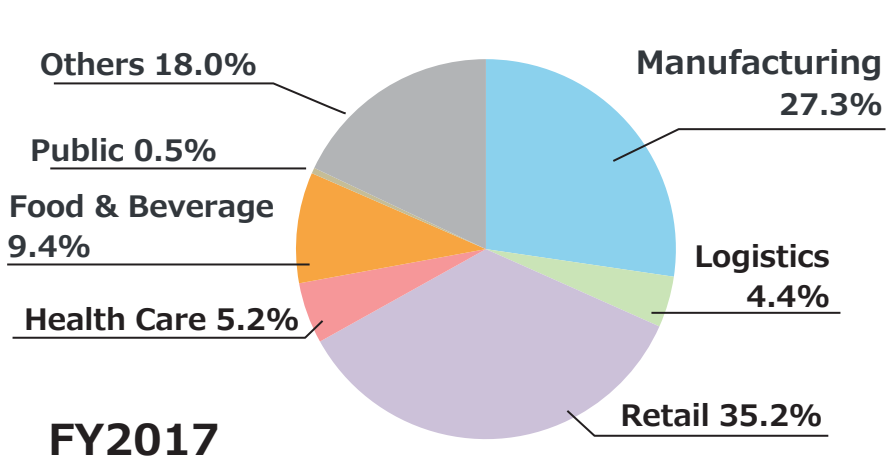
OI Ratio : **Japan : 8.3%, Overseas : 4.4%**

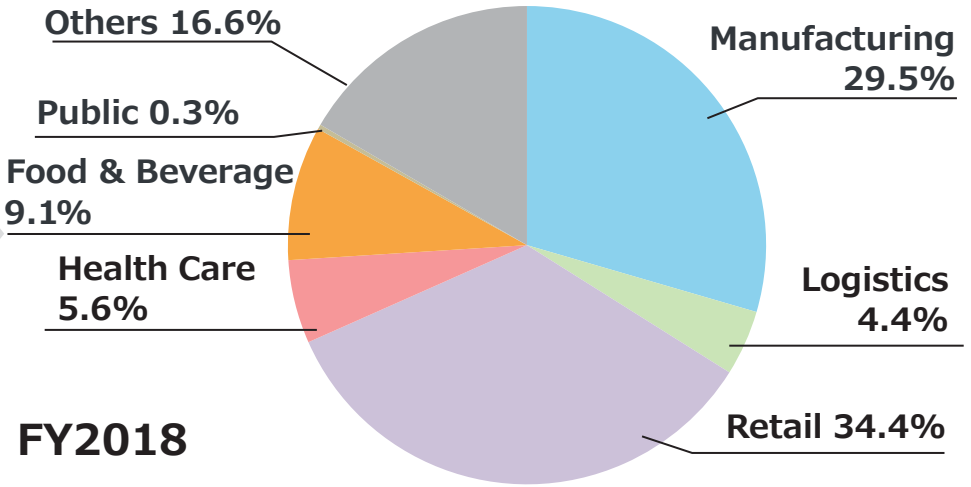
OI Ratio: **Japan : 9.6%, Overseas : 5.2%**

Sales by Vertical

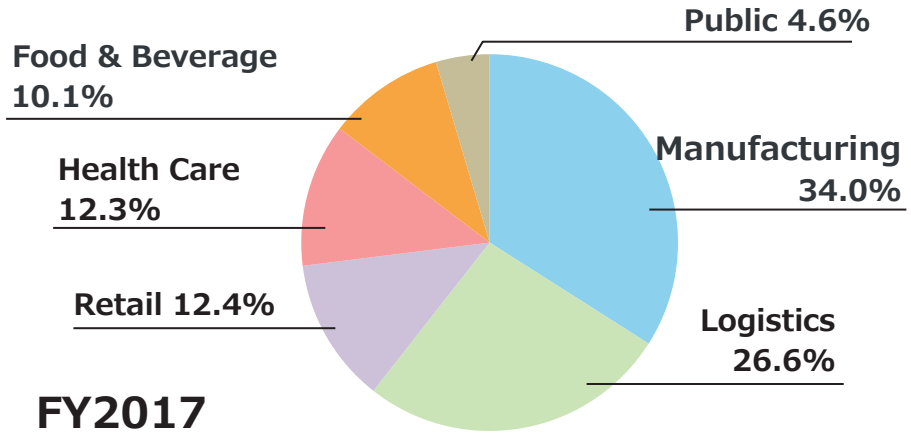
Overseas

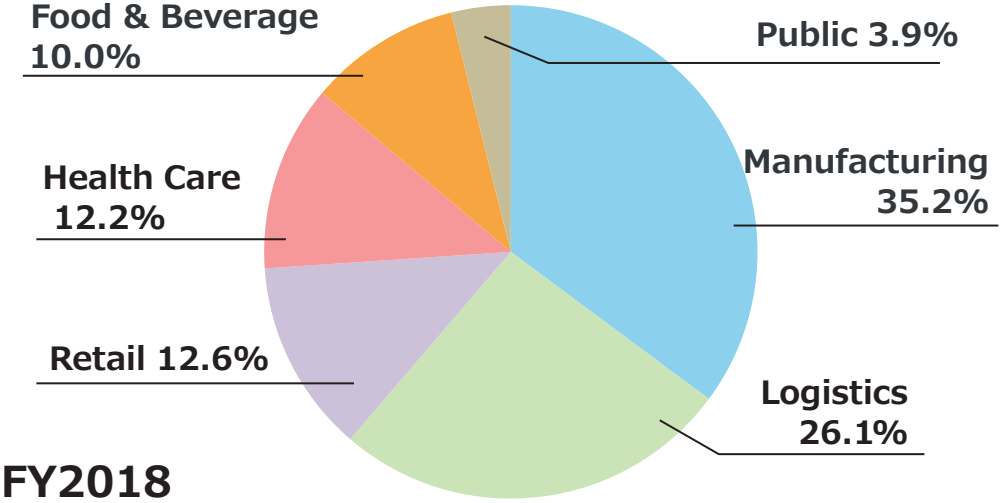
* Main sales subsidiaries only. Factories & primary label companies not included.





Japan

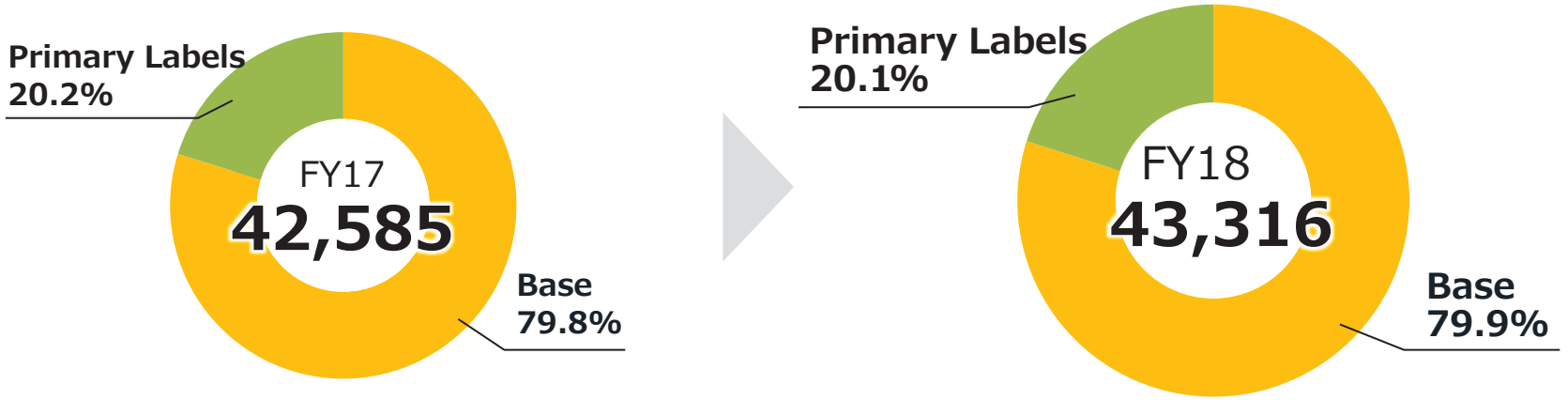




Breakdown of Sales and OI by Business Segment

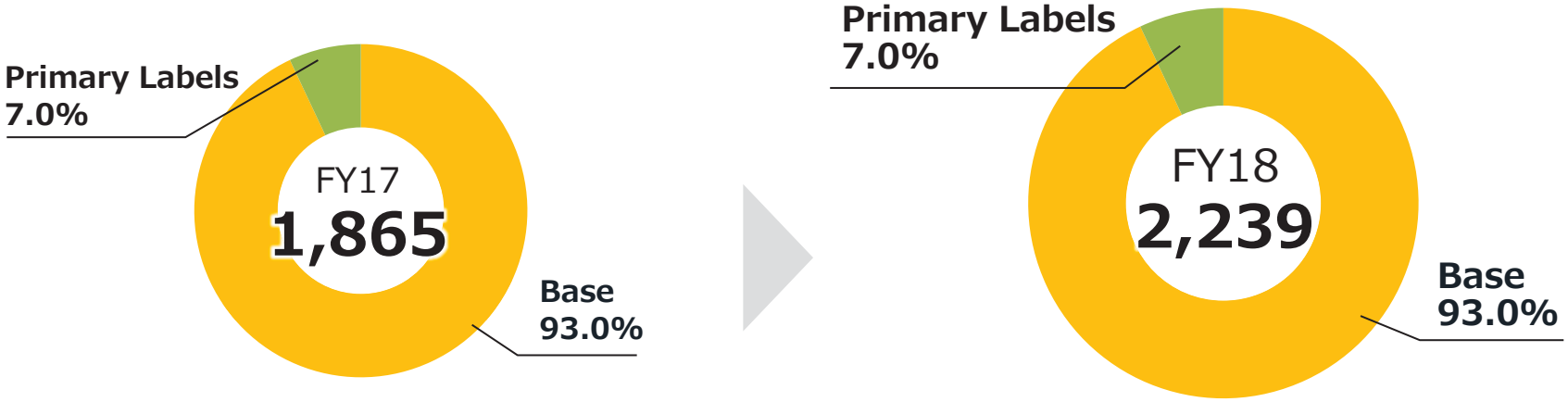
(Millions of JPY)

Sales



Operating Income

*Ratio excludes eliminations.



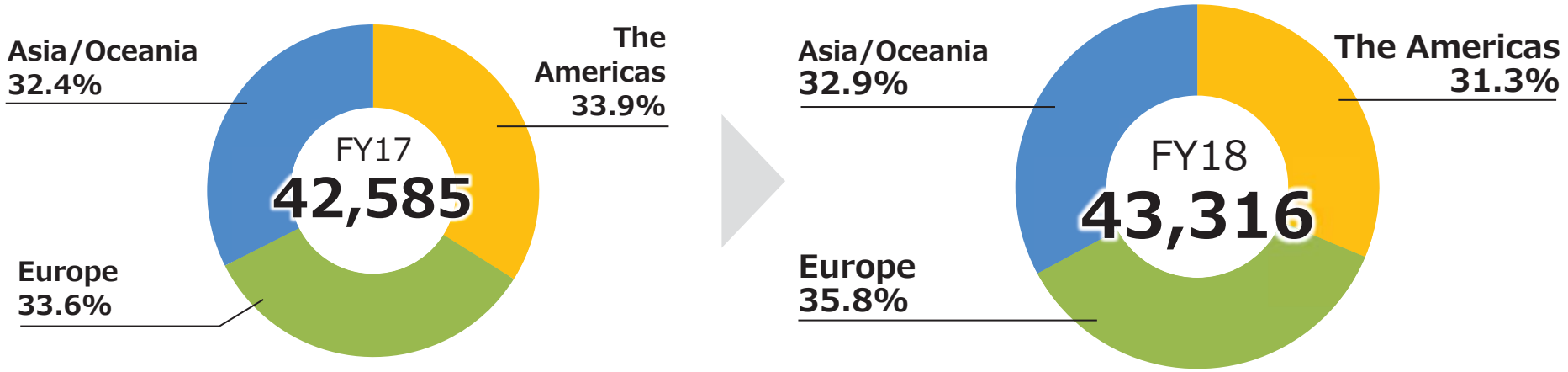
OI ratio: **Base : 5.2%, Primary Labels : 1.5%**

OI ratio: **Base : 6.3%, Primary Labels : 1.9%**

Breakdown of Sales and OI by Region

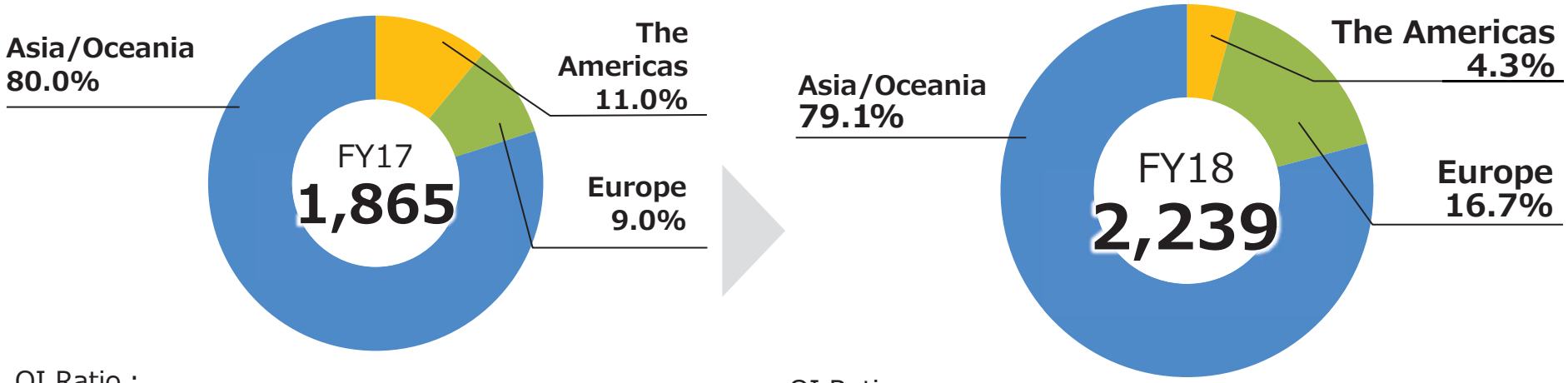
(Millions of JPY)

Sales



Operating Income

*Ratio excludes eliminations.



OI Ratio :
The Americas : 1.4%, Europe : 1.2%, Asia/Oceania : 10.9%

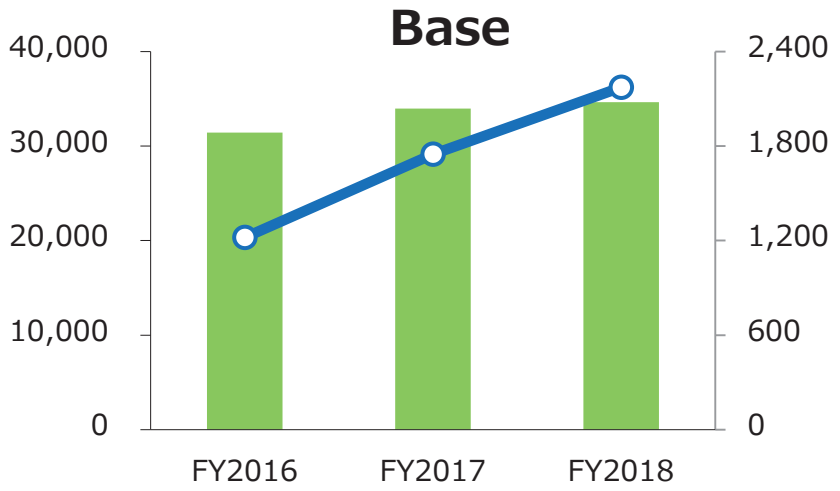
OI Ratio :
The Americas : 0.7%, Europe : 2.5%, Asia/Oceania : 13.0%

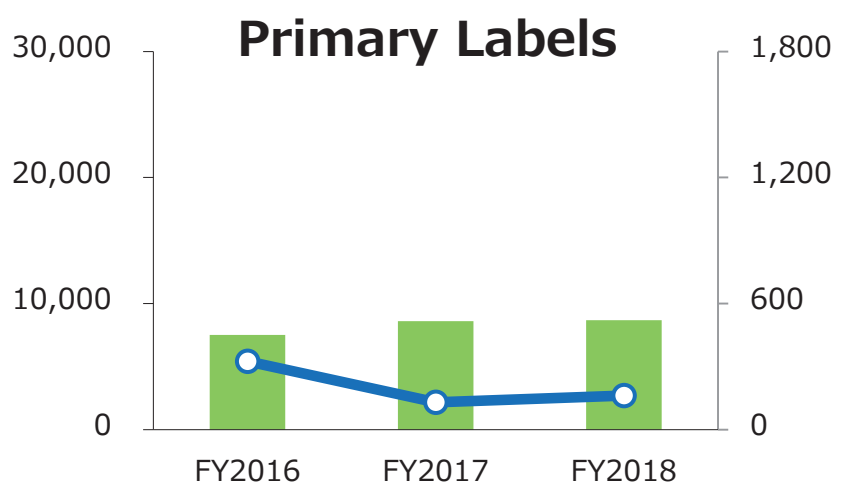
Sales and OI Trends by Business Segment and Region

By Business Segment

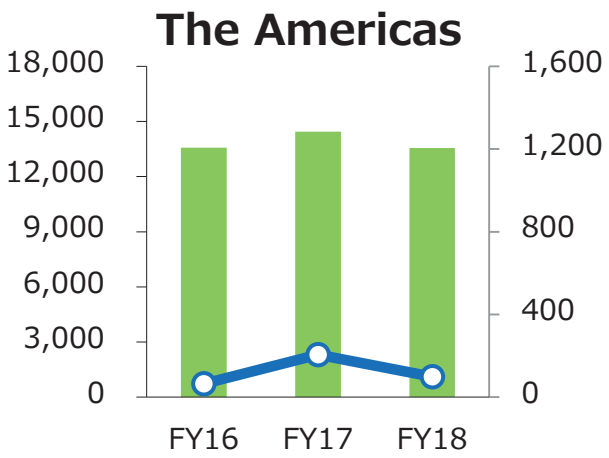


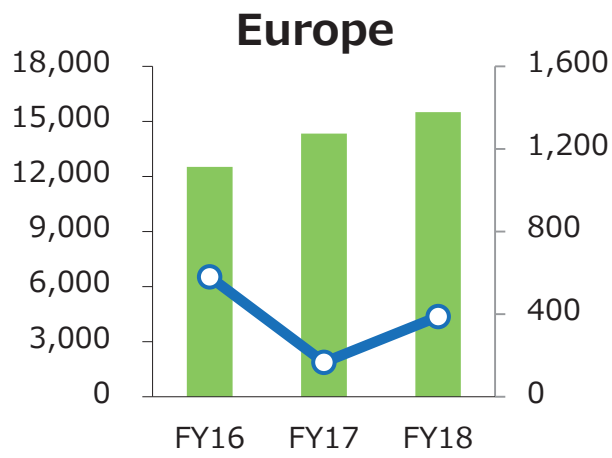
(Millions of JPY; Sales (left axis), OI (right axis))

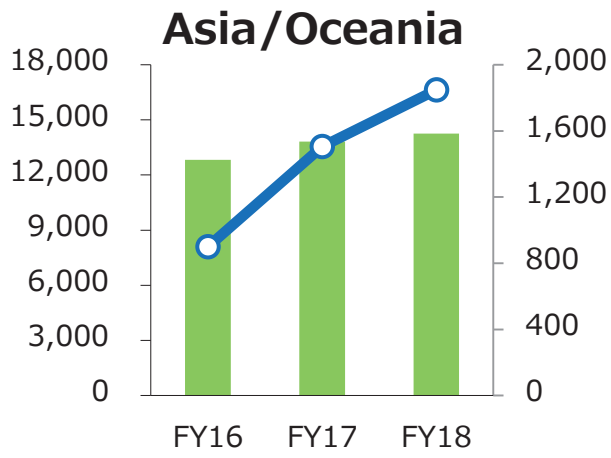




By Region







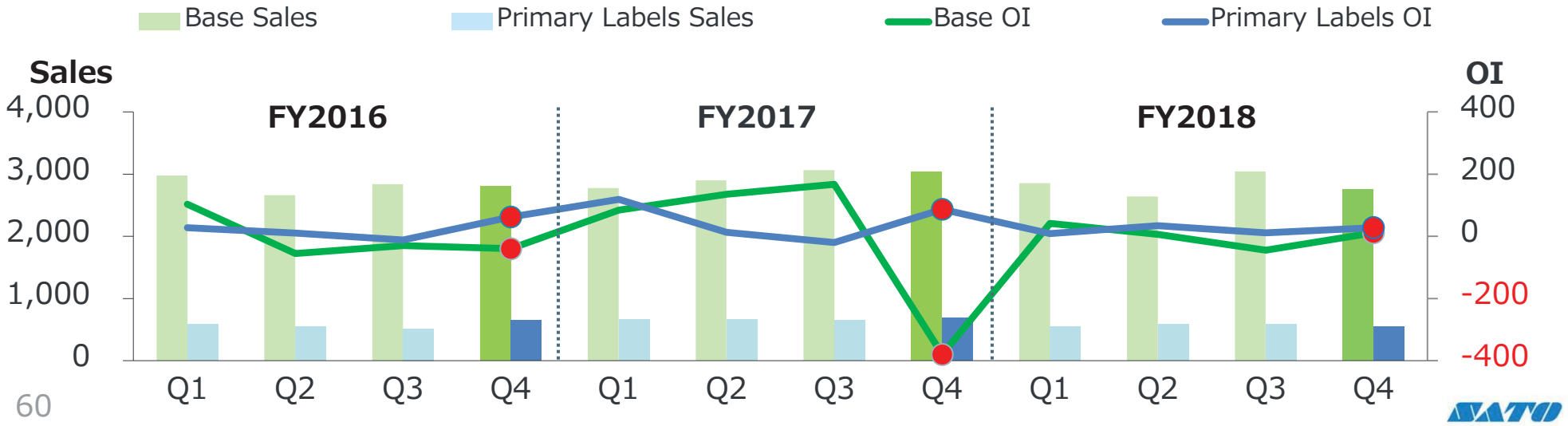
Breakdown by Region: The Americas

Base business: Saw less orders from large customers. OI grew due to R&D cost decrease from liquidating of former SGS.

Primary Labels business: Despite Achernar passing on raw material price increases, loss of high a margin order in FY17 at Prakolar translated to decreases in sales and OI YoY worsened by FX impact.

(Millions of JPY)

		FY2018	FY2017	Change	YoY	excl. FX impact
Base	Total Sales	11,292	11,783	-490	95.8%	98.3%
	Operating Income	15	5	+9	264.7%	859.3%
Primary Labels • Achernar • Prakolar	Total Sales	2,268	2,661	-392	85.3%	115.6%
	Operating Income	83	200	-117	41.7%	65.7%



Breakdown by Region: Europe

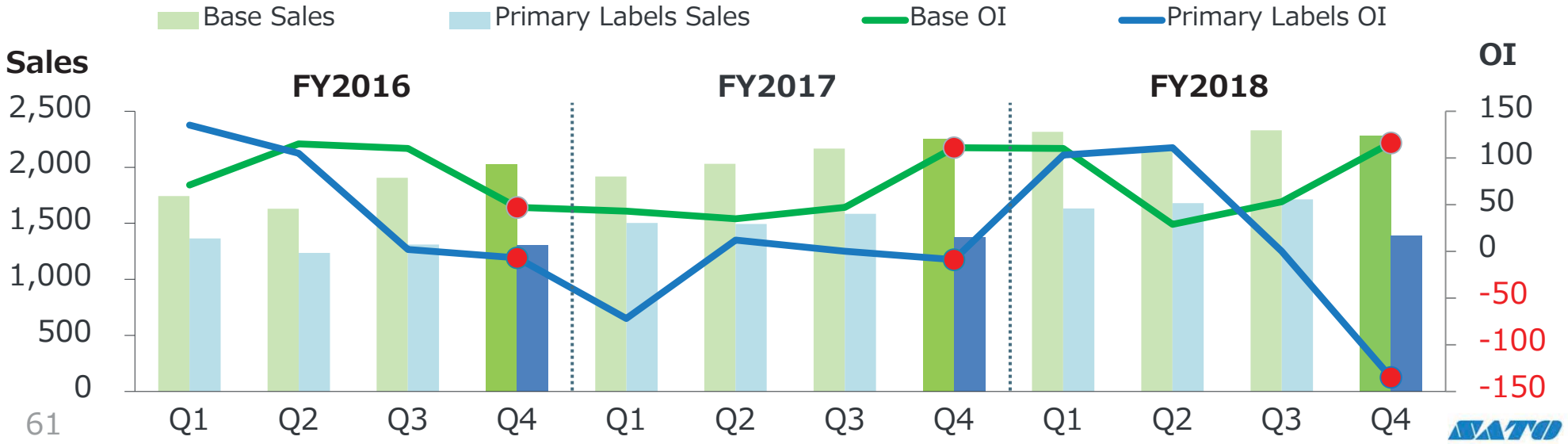
Base business: Sales increased due to measures to expand customer base. OI grew with increase in sales and restructuring benefits in UK.

Primary Labels business: Sales increased at Okil due mainly to new transaction and positive FX impact. OI increased, covering the cost of new business development at X-Pack.

(Millions of JPY)

*X-Pack: A Russian subsidiary owned 60% by SATO Holdings. Produces and sells shrink sleeves, in-mould labels and soft packages.

		FY2018	FY2017	Change	YoY	excl. FX impact
Base	Total Sales	9,086	8,368	+717	108.6%	109.6%
	Operating Income	309	238	+70	129.8%	132.2%
Primary Labels • Okil • X-Pack*	Total Sales	6,416	5,959	+457	107.7%	121.0%
	Operating Income	79	-69	+149	-	-

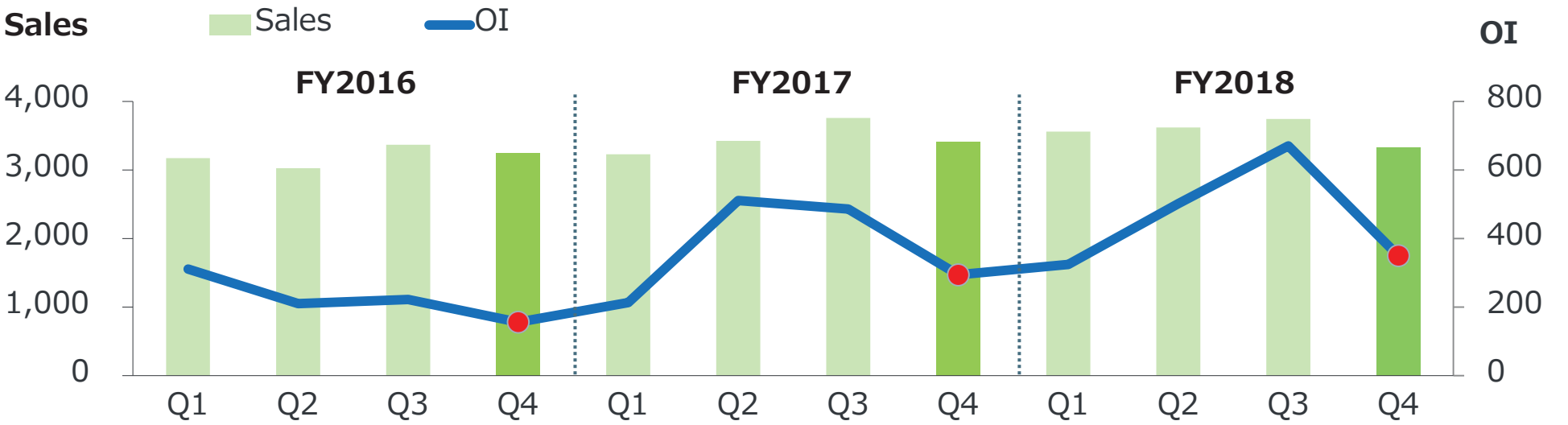


Breakdown by Region: Asia/Oceania

Base business: Established a stable profit base as the shift to “sell the solution, not the product” succeeded.

(Millions of JPY)

		FY2018	FY2017	Change	YoY	excl. FX impact
Base	Total Sales	14,251	13,813	+438	103.2%	105.1%
	Operating Income	1,847	1,505	+342	122.7%	122.5%



SATO Terminologies (1/4)

	SATO-unique business concepts/initiatives	Description
1	Auto-ID Solutions business	Our business that carries out DCS & Labeling +One. It is specifically about integrating barcode printers/labels, software and services designed in-house and products from partners to resolve customers' worksite issues. It involves matching data with people and things by tagging them with variable information. It breaks down into Overseas and Japan businesses. The latter is made up of Base and Primary Labels businesses.
2	Auto-ID Solutions business overseas: Base business and Primary Labels business	The overseas segment of our auto-ID Solutions business is made up of Base business (tagging variable information at worksites) and Primary Labels business (tagging fixed information, i.e., labels on products such as beverages and everyday goods.) The Primary Labels business consists of Achernar (Argentina), Prakolar (Brazil), Okil (Russia) and X-Pack (Russia).
3	IDP business	Develops, manufactures and sells special materials used mainly in Inline Digital Printing. A reporting segment established new in FY 2017 as "Materials business," it was renamed to "IDP business" in FY 2018 to reflect our focus on IDP technology.
4	Koto-uri solutions sales approach	Sales approach with focus on increasing customer value, involving selling not only single products, but combinations of providing solutions including hardware, consumables, maintenance services and software.
5	Tagging	The physical process of attaching identifier data to things and people. SATO is committed to tagging a diverse range of objects handled by different businesses, drawing upon a wealth of practical, technical know-how in auto-ID solutions backed by *Genbaryoku*.
6	DCS & Labeling +One (DCS: Data Collection Systems)	SATO's business model based on a) the systematic collection of data on people and things at business sites and b) tagging/labeling of information, using accurate, efficient and optimized solutions that incorporate auto-ID technology such as barcodes and RFID with printers and labels/labeling services. 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 recognition, voice recognition and location tracking to its legacy business model to deliver greater customer value.
7	Matching data with people and things	Connecting people and things at customer sites with information. Ever since our days of pioneering in hand labelers that tagged price and other information to products, this concept has remained central to SATO's business.

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.
9	Teiho	Teiho is 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 to 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 involves all employees regardless of rank or years of service, 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.
10	AAP (Area Alliance Partner)	Our initiative in Japan to segment regions into smaller divisions and form alliances with partners having strong presence in areas/industries that we have yet to cover.
Products, services, technologies		**Description**
1	Mechatronics	All products not consumables, including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than consumables. Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	“Consumable” products such as printer labels, RFID tags, primary labels (product labels) and ribbons. They generate lower gross profit margin than mechatronics, but incur low SG&A expenses as they are typically sold through repeat business.
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to connect people, things and information. To meet ever complex and diverse user needs, SATO also looks beyond its own resources and interests to pursue open partnerships, for example, to enable solutions combining auto-ID and location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.
4	CLNX series	SATO's first universal printer released worldwide in 2014 (2015 for the Japan market). Engineered for zero downtime, the CLNX series is built to be strong, simple to operate and ready for use with SOS (SATO Online Services), the industry's first IoT maintenance platform for printers.

SATO Terminologies (3/4)

Products, services, technologies		Description
5	SOS (SATO Online Services)	A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting. With SOS, users can remotely 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 through preventative maintenance and improve responsiveness over widely spread areas outside Japan with limited service teams.
6	AEP (Application Enabled Printing)	Intelligence (i.e. label/tag printing application installed) inside the printer to enable PC-less printing. AEP-enabled printers also support communication with host databases or IT systems.
7	API (Application Programming Interface)	A set of programming instructions and standards that allows applications to communicate with each other and exchange data, making it easier to create applications across a wide variety of platforms, devices, and programming languages.
8	Variable information labels	Blank or pre-printed labels used to print variable elements such as barcode, product price, manufactured or expiry date on-demand at the customer's site of operations. Unlike fixed information labels that are identical and printed at large quantities in a single run, variable information labels offer flexibility to print whenever and wherever needed.
9	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.
10	IDP (Inline Digital Printing)	A revolutionary, direct marking technology comprised of a special color-change pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change. As IDP uses no labels or ink at the point of printing, it eliminates the need for applying labels and reduces waste, while also shortening time spent on hardware maintenance. Besides delivering cost savings, productivity improvements and environmental benefits, IDP allows the printing of variable data for late stage customization/personalization of boxes and packaging, making it ideal for real-time, consumer-directed marketing in addition to minimizing stock keeping units (SKUs). Development for multi-color capability – crucial for marketing applications – is currently underway with target commercialization in FY 2021.

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 healthcare business for PJM (Phase Jitter Modulation), a highly unique RFID 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 label company in which SATO acquired 75% ownership stake. X-Pack who produces and sells shrink sleeves, in-mould labels and soft packages is 60% owned by SATO and affiliated with Okil.
5	Prakolar Rótulos Autoadesivos LTDA. (Brazil)	[2015] Company specializing in primary labels.
6	DataLase Ltd. (UK)	[2017] Company engaging in the development, production and sales of the IDP color-change pigment and related products. Now a SATO consolidated subsidiary.



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