May 15, 2020

SATO HOLDINGS CORPORATION

FY2019 Financial Results
(Fiscal Year Ended March 31, 2020)

Securities Code: 6287

Concerning our business forecast

- In light of the current circumstances where the outlook for the novel coronavirus remains extremely unclear in various areas around the world, SATO has decided to withhold announcement of its business performance forecast for FY2020 and beyond, considering the difficulties in formulating any credible guidance at this point. We intend to disclose such forecast as soon as practically possible.

- For your reference, sales performances for April, 2020 were as follows.

➢ Auto-ID Solutions business (Overseas): 72% YoY
Although situations vary from one country to another, the Base business in general has been heavily disrupted whereas the Primary Label business has been less affected.

➢ Auto-ID Solutions business (Japan): 97% YoY
Full impact of the novel coronavirus remains to be seen. Some sales booked in April were a result of slower progress towards the end of FY2019.

FY2019 Results

Medium-term Management Plan FY20-22

FY2019 Results

Medium-term Management Plan FY20-22

Summary

- Sales remained flat and OI decreased YoY on a consolidated basis due to US-China trade friction and the spread of the novel coronavirus, despite growth in new demands in targeted markets and applications.
- Overseas, sales decreased and OI increased. Both sales and OI increased on a local currency basis as progress was made in approaching targeted customers.
- In Japan, sales remained flat and OI decreased. Mechatronic sales grew behind increased solutions business but lost steam due to the spread of the novel coronavirus.
- IDP business advanced from R&D to customer evaluation stage, but impairment loss was booked as decisions on commercialization were postponed.

Sales and OI by Business Segment

(Millions of JPY)

		FY2019	Forecast as of Feb. 7*	FY2018	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**116,009**	117,650	**115,751**	**100.2%**	**102.1%**
	Operating Income	**8,757**	9,200	**9,221**	**95.0%**	**96.6%**
Overseas	Total Sales	**42,648**	43,750	43,316	98.5%	103.5%
	Operating Income	**2,277**	2,500	2,239	101.7%	109.5%
Japan	Total Sales	**73,360**	73,900	72,435	101.3%	101.3%
	Operating Income	**6,479**	6,700	6,982	92.8%	92.5%
IDP business	**Total Sales**	**363**	350	**427**	**85.0%**	**89.4%**
	Operating Income	**-1,317**	-1,400	**-1,421**	-	-
Consolidated (incl. eliminations)	**Total Sales**	**116,372**	118,000	**116,179**	**100.2%**	**102.1%**
	Operating Income	**7,461**	7,800	**7,679**	**97.2%**	**98.3%**

(*) not including the novel coronavirus impact

Sales and OI by Business Segment

(Millions of JPY)

		FY2019 Jan-Mar	Forecast as of Feb. 7*	FY2018 Jan-Mar	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**28,500**	30,141	**29,336**	**97.2%**	**98.6%**
	Operating Income	**2,047**	2,490	**2,635**	**77.7%**	**78.4%**
Overseas	Total Sales	**9,922**	11,024	10,298	96.3%	100.6%
	Operating Income	**349**	572	344	101.4%	107.4%
Japan	Total Sales	**18,578**	19,117	19,037	97.6%	97.6%
	Operating Income	**1,697**	1,918	2,291	74.1%	74.1%
IDP business	**Total Sales**	**68**	55	**81**	**84.5%**	**86.5%**
	Operating Income	**-261**	-345	**-407**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**28,569**	30,196	**29,417**	**97.1%**	**98.6%**
	Operating Income	**1,815**	2,154	**2,235**	**81.2%**	**81.8%**

(*) not including the novel coronavirus impact

Consolidated Results

(Millions of JPY)

	FY2019	FY2018	Change	YoY
Net Sales	116,372	116,179	+193	100.2%
Operating Income	7,461	7,679	-218	97.2%
Operating Income %	6.4%	6.6%	-0.2pt	-
Ordinary Income *1	6,571	7,618	-1,047	86.3%
Profit attributable to owners of parent*2	-1,882	3,773	-5,655	-
Effective Tax Rate	410.7%	42.4%	+368.2pt	
EBITDA*3	13,376	13,250	+125	100.9%

Average exchange rates: FY19: JPY 108.69/USD, JPY 120.79/EUR, FY18: JPY 110.92/USD, JPY 128.44/EUR
FX sensitivity for FY19: JPY +423 million in sales and JPY +5 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1 Ordinary Income for FY19 decreased mainly due to FX losses.
*2 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.
*3 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for FY19: JPY 5,043 million FY18: JPY 4,489 million
・Amortization for FY19: JPY 871 million (incl. 587 mil. for DataLase) FY18: JPY 1,081 million (incl. 620 mil. for DataLase)

Consolidated Results

(Millions of JPY)

	FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY
Net Sales	28,569	29,417	-848	97.1%
Operating Income	1,815	2,235	-420	81.2%
Operating Income %	6.4%	7.6%	-1.2pt	-
Ordinary Income *1	1,209	2,514	-1,305	48.1%
Profit attributable to owners of parent *2	-6,039	695	-6,734	-
Effective Tax Rate	-	51.5%	-	
EBITDA *3	3,279	3,621	-324	90.6%

Average exchange rates: FY19: JPY 108.69/USD, JPY 120.79/EUR, FY18: JPY 110.92/USD, JPY 128.44/EUR
FX sensitivity for FY19: JPY +423 million in sales and JPY +5 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1 Ordinary Income for FY19 decreased mainly due to FX losses.
*2 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.
*3 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for FY19 Jan-Mar: JPY 1,249 million FY18 Jan-Mar: JPY 1,154 million
・Amortization for FY19 Jan-Mar: JPY 215 million (incl. 148 mil. for DataLase) FY18 Jan-Mar: JPY 232 million (incl. 153 mil. for DataLase)

Overview

Jan-Mar

Despite dealing with increased demands in targeted markets and applications, sales lost steam to end in decline YoY due to the spread of the novel coronavirus.
OI remained flat behind reduced cost burden in US.

(Millions of JPY)

	FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY	excl. FX impact
Total Sales	**9,922**	**10,298**	**-376**	**96.3%**	**100.6%**
Gross Profit	3,362	3,567	-205	94.3%	-
Gross Profit %	33.9%	34.6%	-0.8pt		
Operating Income	**349**	**344**	**+4**	**101.4%**	**107.5%**
Operating Income %	3.5%	3.3%	+0.2pt	-	-

	FY2019	FY2018	Change	YoY	excl. FX impact
Total Sales	**42,648**	**43,316**	**-667**	**98.5%**	**103.5%**
Gross Profit	14,872	15,812	-939	94.1%	-
Gross Profit %	34.9%	36.5%	-1.6pt	-	-
Operating Income	**2,277**	**2,239**	**+38**	**101.7%**	**109.5%**
Operating Income %	5.3%	5.2%	+0.2pt	-	-

Breakdown by Business Segment

Jan-Mar

Base business: Various measures produced results, but sales decreased YoY due to the spread of the novel coronavirus. OI decreased as cost reduction at the UK sales subsidiary and diminished R&D costs at the liquidated US software development subsidiary were wiped out by lower sales and HR expenditure to implement strategies.

Primary Label business: Sales increased thanks to Okil in Russia. OI also increased on back of positive FX impact at Okil.

(Millions of JPY)

		FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	7,794	8,359	-565	93.2%	96.4%
	Operating Income	348	478	-129	72.9%	74.4%
Primary Labels	Total Sales	2,128	1,939	+188	109.7%	118.7%
	Operating Income	6	-107	+114	-	-
Eliminations	Operating Income	-5	-25	+20	-	-
Total	Total Sales	9,922	10,298	-376	96.3%	100.6%
	Operating Income	349	344	+4	101.4%	107.4%

		FY2019	FY2018	Change	YoY	excl. FX impact
Base	Total Sales	33,378	34,630	-1252	96.4%	100.6%
	Operating Income	2,184	2,172	12	100.6%	104.4%
Primary Labels	Total Sales	9,270	8,685	+584	106.7%	115.5%
	Operating Income	94	163	-68	57.94%	114.40%
Eliminations	Operating Income	-2	-96	+94	-	-
Total	Total Sales	42,648	43,316	-667	98.5%	103.5%
	Operating Income	2,277	2,239	+38	101.7%	109.5%

Breakdown by Region: The Americas

Jan-Mar

Base business: Direct sales grew at the US subsidiary, but sales decreased YoY due to less orders from large customers. OI increased due to the elimination of R&D cost from the liquidated US software development subsidiary.

Primary Labels business: Sales dropped slightly due to adverse FX impact. OI remained flat thanks to contributions from Achernar in Argentina, which managed to pass on cost increases to customers. Both sales and OI increased massively on a local currency basis.

(Millions of JPY)

		FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	2,664	2,753	-88	96.8%	99.4%
	Operating Income	42	11	+31	376.4%	410.0%
Primary Labels ・Achernar ・Prakolar	Total Sales	536	550	-13	97.5%	129.5%
	Operating Income	27	28	+0	98.9%	148.2%
Total	Total Sales	3,201	3,304	-102	96.9%	104.4%
	Operating Income	70	39	+31	178.9%	223.7%

		FY2019	FY2018	Change	YoY	excl. FX impact
Base	Total Sales	10,988	11,292	-303	97.3%	100.9%
	Operating Income	484	15	+469	31x	33x
Primary Labels ・Achernar ・Prakolar	Total Sales	2,198	2,268	-70	96.9%	124.8%
	Operating Income	144	83	+60	172.8%	284.2%
Total	Total Sales	13,187	13,561	-373	97.2%	104.9%
	Operating Income	629	99	+530	633.6%	759.0%

Breakdown by Region: Europe

Jan-Mar

Base business: Sales remained flat due to the spread of the novel coronavirus though large orders remained firm as progress was made in approaching targeted customers. OI increased thanks to cost reduction at the UK sales subsidiary.

Primary Labels business: Sales increased at Okil due to ongoing new transactions and demand rise in food and beverage industry due to the effects from the novel coronavirus. OI grew with increase in sales and positive FX impact.

(Millions of JPY)

		FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	2,264	2,279	-14	99.3%	103.5%
	Operating Income	129	116	+12	111.1%	116.9%
Primary Labels ・Okil ・X-Pack	Total Sales	1,591	1,388	+202	114.6%	114.4%
	Operating Income	-21	-135	+114	-	-
Total	Total Sales	3,855	3,667	+187	105.1%	107.6%
	Operating Income	108	-19	+127	-	-

		FY2019	FY2018	Change	YoY	excl. FX impact
Base	Total Sales	8,923	9,086	-162	98.2%	104.2%
	Operating Income	350	309	+41	113.5%	121.5%
Primary Labels ・Okil ・X-Pack	Total Sales	7,071	6,416	+654	110.2%	112.2%
	Operating Income	-49	79	-129	-	-
Total	Total Sales	15,994	15,502	+491	103.2%	107.5%
	Operating Income	300	389	-88	77.3%	83.5%

Breakdown by Region: Asia/Oceania

Jan-Mar Base business: Both sales and OI declined due to sluggish production activities in response to the **novel coronavirus** crisis.

(Millions of JPY)

		FY2019 Jan-Mar	FY2018 Jan-Mar	Change		
					YoY	excl.FX Impact
Base	Total Sales	2,865	3,326	-461	86.1%	89.0%
	Operating Income	176	350	-174	50.3%	49.3%

		FY2019	FY2018	Change		
					YoY	excl.FX Impact
Base	Total Sales	13,466	14,251	-785	94.5%	97.9%
	Operating Income	1,349	1,847	-498	73.0%	74.5%

Overview

Jan-Mar

Mechatronic sales were solid driven by solution offerings, but slowed down as some orders were pushed back due to the spread of the novel coronavirus. Sales and OI decreased YoY as demand dropped for both mechatronics and consumables due to sluggish production activities despite securing several large orders.

(Millions of JPY)

	FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY
Mechatronics Sales	8,710	9,029	-318	96.5%
Consumables Sales	9,867	10,008	-141	98.6%
Total Sales	**18,578**	**19,037**	**-459**	**97.6%**
Gross Profit	8,997	9,616	-618	93.6%
Gross Profit %	48.4%	50.5%	-2.1pt	-
Operating Income	**1,697**	**2,291**	**-593**	**74.1%**
Operating Income %	9.1%	12.0%	-2.9pt	-

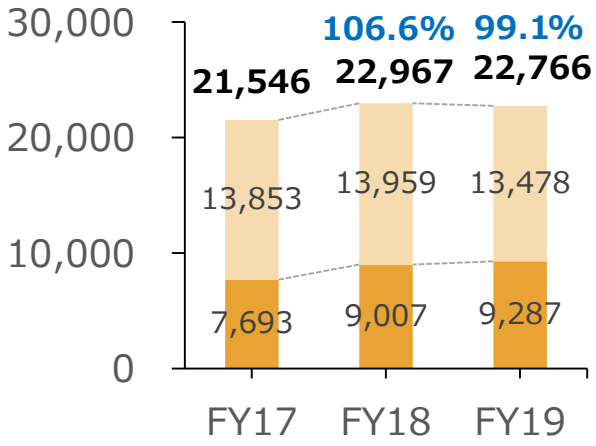
	FY2019	FY2018	Change	YoY
Mechatronics Sales	30,797	29,197	+1,599	105.5%
Consumables Sales	42,563	43,238	-674	98.4%
Total Sales	**73,360**	**72,435**	**+925**	**101.3%**
Gross Profit	36,192	35,970	+221	100.6%
Gross Profit %	49.3%	49.7%	-0.3pt	-
Operating Income	**6,479**	**6,982**	**-502**	**92.8%**
Operating Income %	8.8%	9.6%	-0.8pt	-

Sales by Vertical

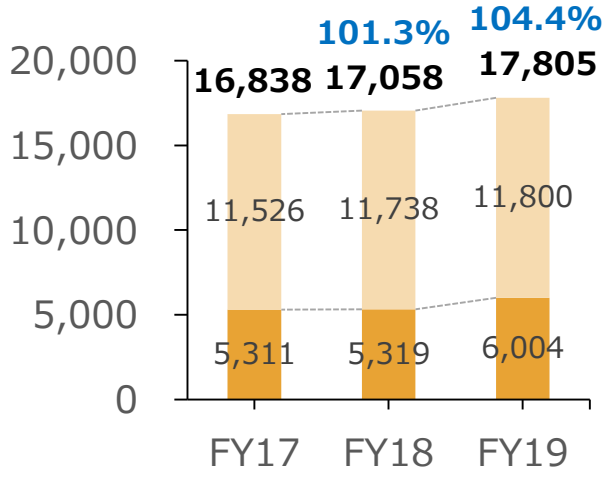
■ : Mechatronics ■ : Consumables *% indicates YoY change

(Millions of JPY)

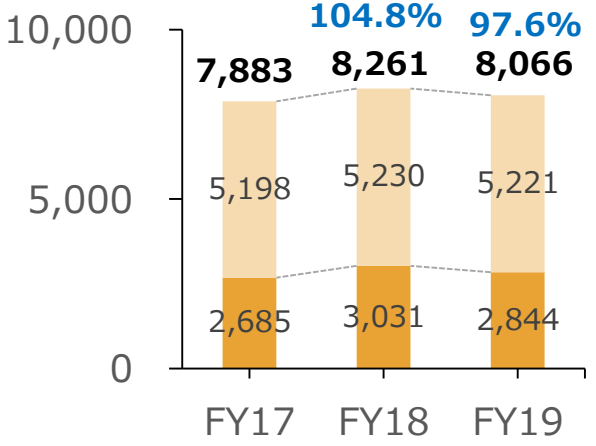
Manufacturing



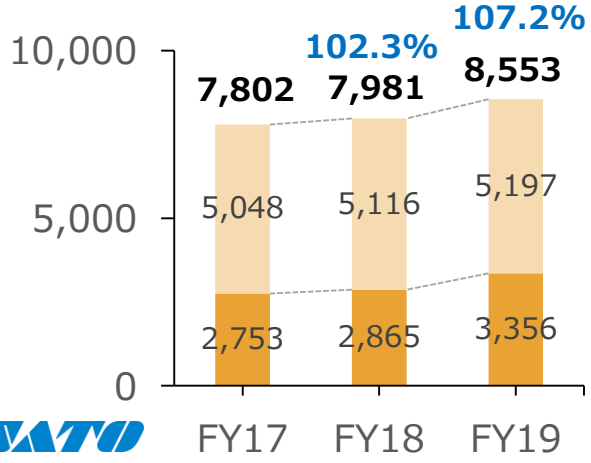
Logistics



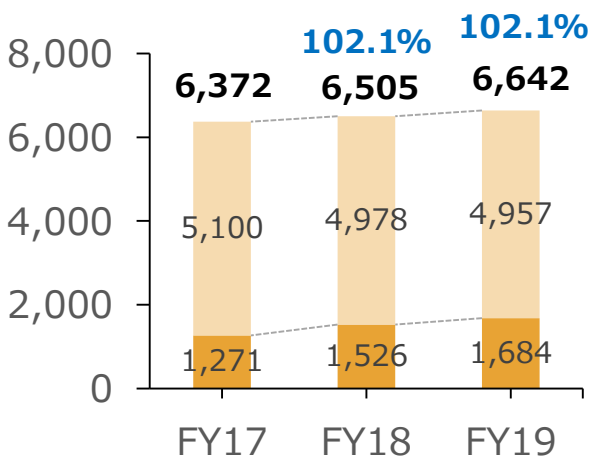
Retail



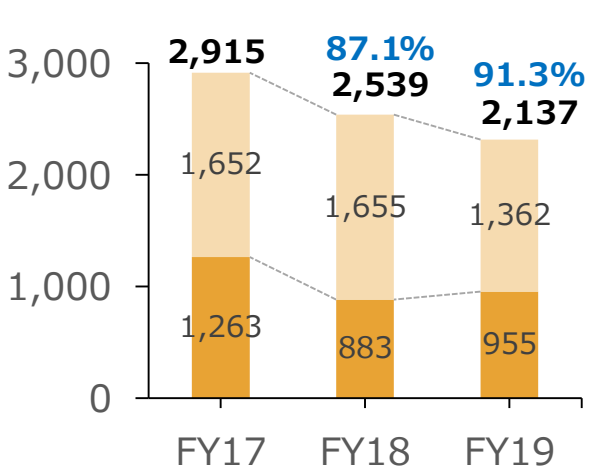
Health Care



Food & Beverage



Public

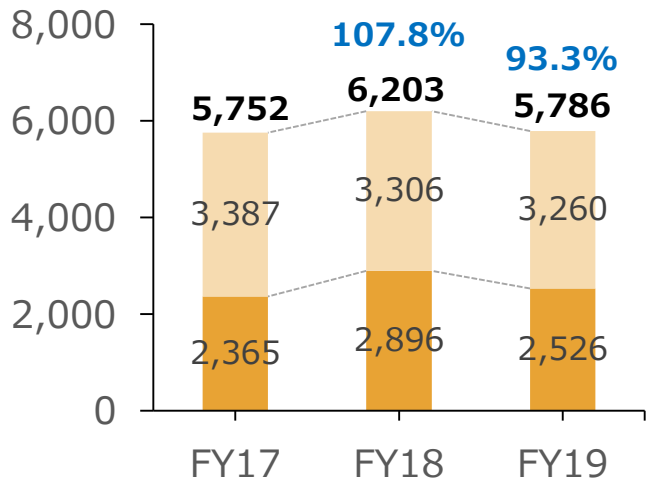


Sales by Vertical [1]

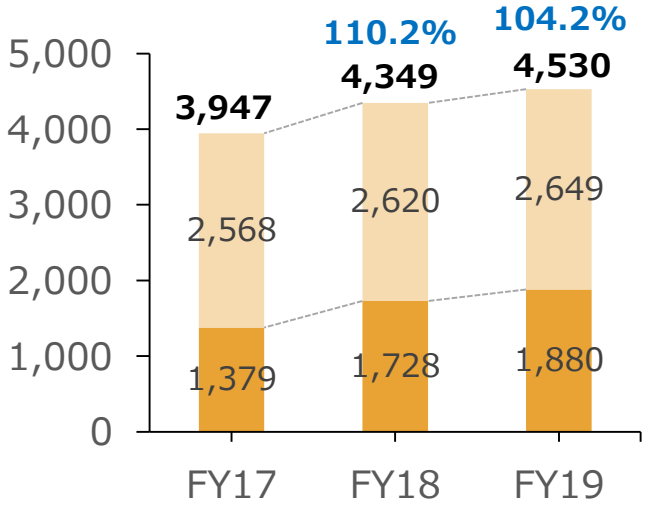
(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

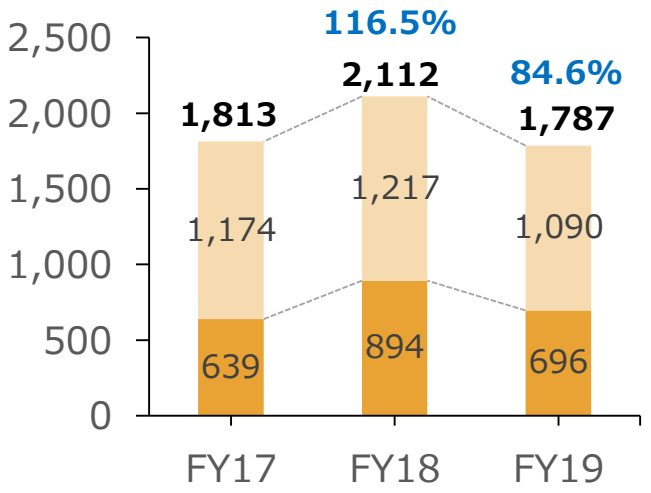
Manufacturing



Logistics



Retail



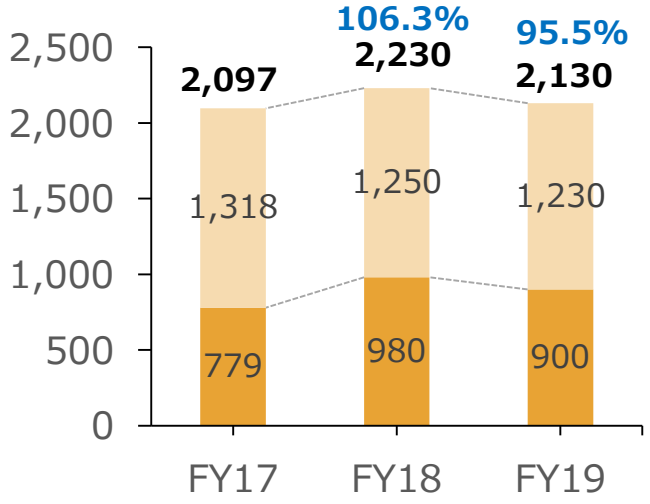
	Manufacturing	Logistics	Retail
Business Environment	Production was sluggish in many industries including automotive and machinery.	Logistics volume increased due to even more briskness in the e-commerce market and hoarding behavior by consumers. Labor shortages became even more conspicuous.	While supermarkets were busy, specialty stores bided their time as non-essential consumption and inbound demand slumped.
SATO	Growth in mechatronics sales abated as orders were pushed back due to the spread of novel coronavirus. Consumables slumped due to sluggish production activities.	Mechatronics sales grew due to large orders for the transport industry and automation demands to address labor shortages. Consumables sales grew as the novel coronavirus increased handling volumes of mainly everyday goods.	Despite stronger sanitation control and legal compliance needs driving HACCP solutions, mechatronics declined as a whole with restrained overall investment. Consumables sales decreased due to lower logistics volumes.

Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

Health Care



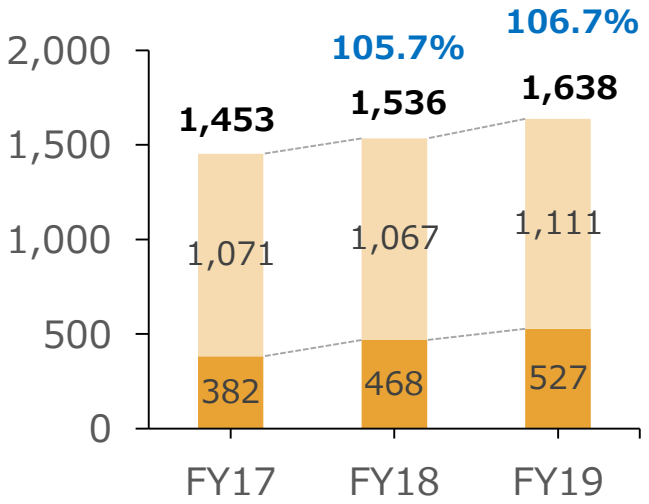
Business Environment

Outpatients at medical institutions decreased mainly due to fears of the novel coronavirus, and logistics volume decreased in the market as a whole.

SATO

As a result of the above, business has slowed for both mechatronics and consumables.

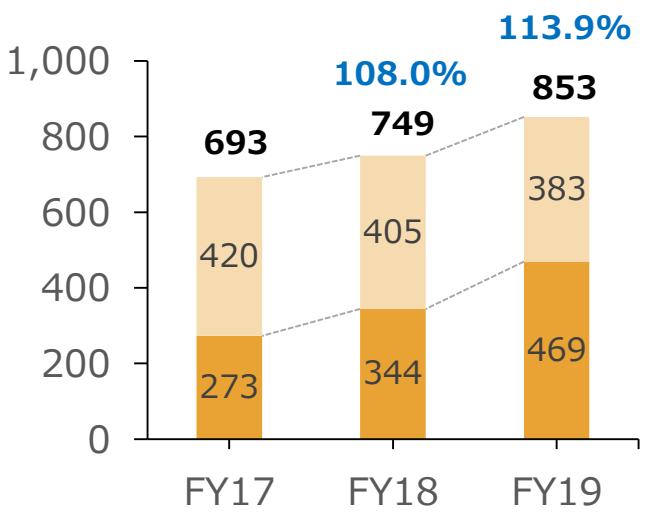
Food & Beverage



Sales were brisk in food and beverage production due to effects from the novel coronavirus and demand for compliance with regulatory changes. Conversely, sales slumped for restaurants.

Compliance with regulatory changes led to sales growth in mechatronics. Sales also grew in consumables due to strong performance in food and beverage production, which comprises a large portion of sales.

Public



The overall business environment remained stable.

Mechatronics performed well due to large-volume orders. Sales in consumables increased as inventory adjustments leveled off at main customers.

Overview

Jan-Mar **IDP business advanced from R&D to customer evaluation stage, but impairment loss was booked as decisions on commercialization were postponed.**

(Millions of JPY)

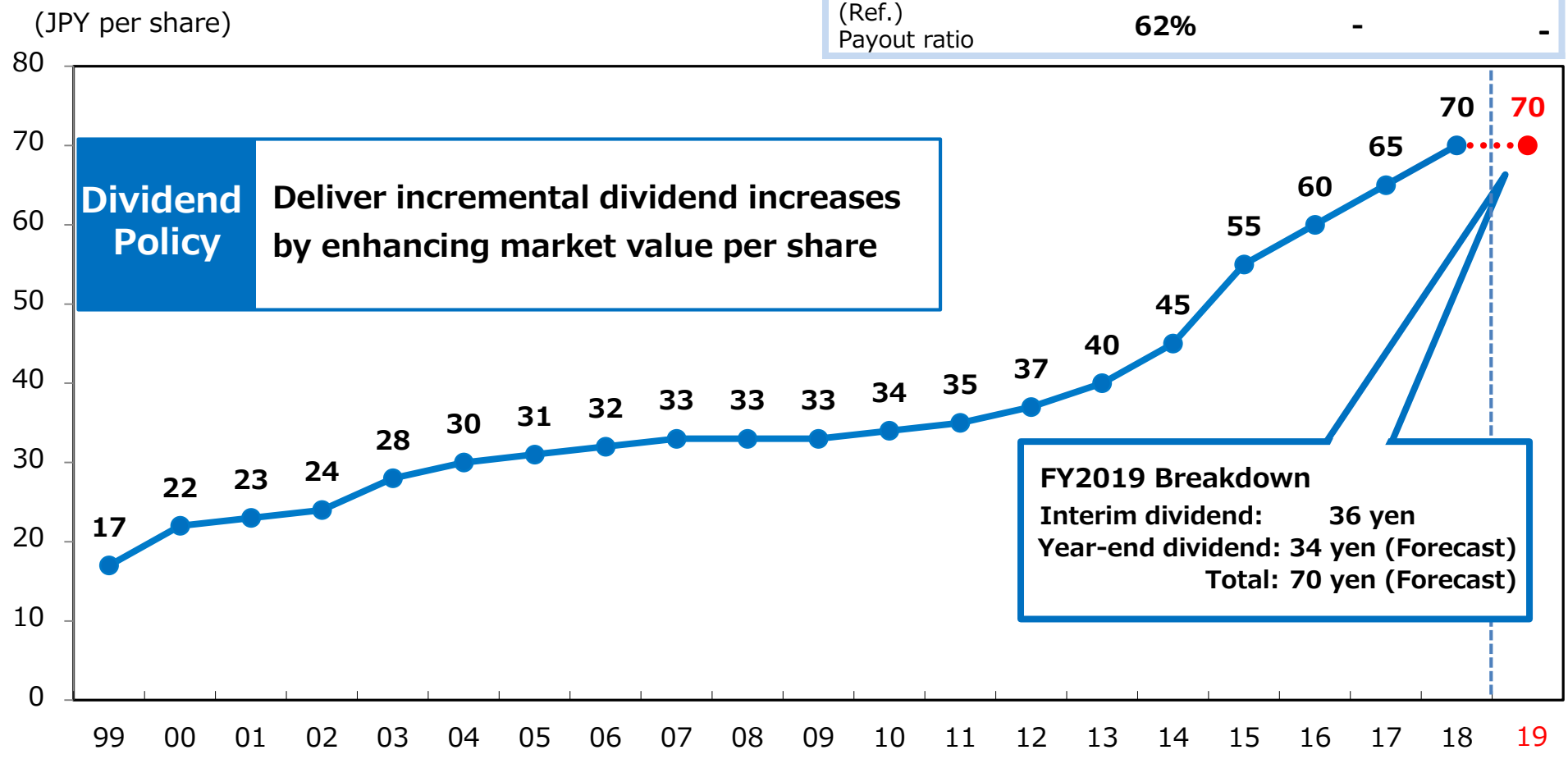
	FY2019 Jan-Mar	FY2018 Jan-Mar	Change	YoY	excl. FX impact
Total Sales	**68**	**81**	**-12**	**84.5%**	**86.5%**
Gross Profit	80	75	+4	106.6%	-
Gross Profit %	117.3%	93.0%	+24.4pt	-	-
Operating Income	**-261**	**-407**	**+145**	-	-
Operating Income %	-	-	-	-	-

	FY2019	FY2018	Change	YoY	excl. FX impact
Total Sales	**363**	**427**	**-64**	**85.0%**	**89.4%**
Gross Profit	268	399	-130	67.3%	-
Gross Profit %	74.0%	93.4%	-19.5pt	-	-
Operating Income	**-1,317**	**-1,421**	**+104**	-	-
Operating Income %	-	-	-	-	-

Dividends

Total dividends planned for FY19: JPY 70 (unchanged)
Total dividends planned for FY20: TBA

	FY2018	FY2019	FY2020 (Forecast)
EPS	¥112.5	-¥56.1	-
ROE	6.9%	-3.6%	-
(Ref.) Payout ratio	62%	-	-



FY2019 Results

Medium-term Management Plan FY20-22

◆Review and analysis

◆Medium-term Management Plan FY2020-2022

◆Sustainability

◆**Review and analysis**

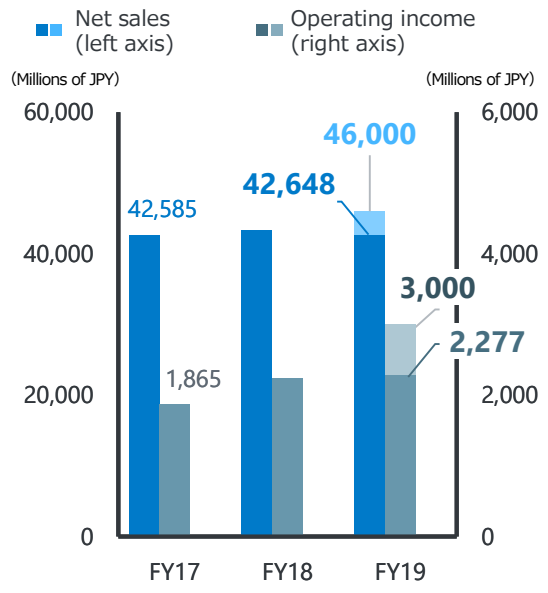
◆**Medium-term Management Plan FY2020-2022**

◆**Sustainability**

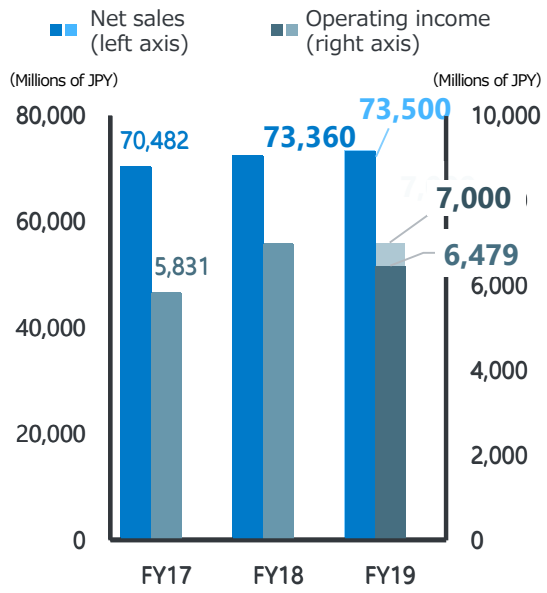
Performance review up to FY19

(FY19: light bars - forecast as of May 2019, dark bars – actuals)

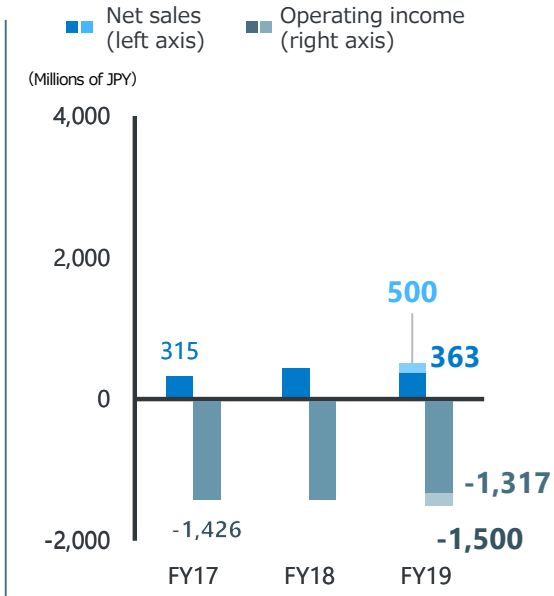
Overseas



Japan



IDP



	Overseas	Japan	IDP
Progress	・Began *koto-uri* sales* through direct business with selected targets ・Arranged marketing tools and CRM systems	・Increased the proportion of mechatronics by establishing *koto-uri* ・Expanded range of solutions by industry ・Expanded range of cross-industry solutions such as automation ・Improved OI ratio through the above	・R&D for commercialization
Issues	・Securing talent in solutions ・Getting *koto-uri* sales on the right track	・Securing talent in solutions ・Recovery in consumables sales	・Overcoming technical challenges ・Deciding on commercialization
Remarks	・Worsening business sentiment ・Negative impact of exchange rates	・Worsening business sentiment	・Booked impairment of goodwill

* “Selling the solution” - Sales approach of selling combinations of products and services that are optimal for the customer’s on-site operations and applications, and solving problems. The opposite concept of *mono-uri* - “selling single products”

What SATO aims to be

Brand statement

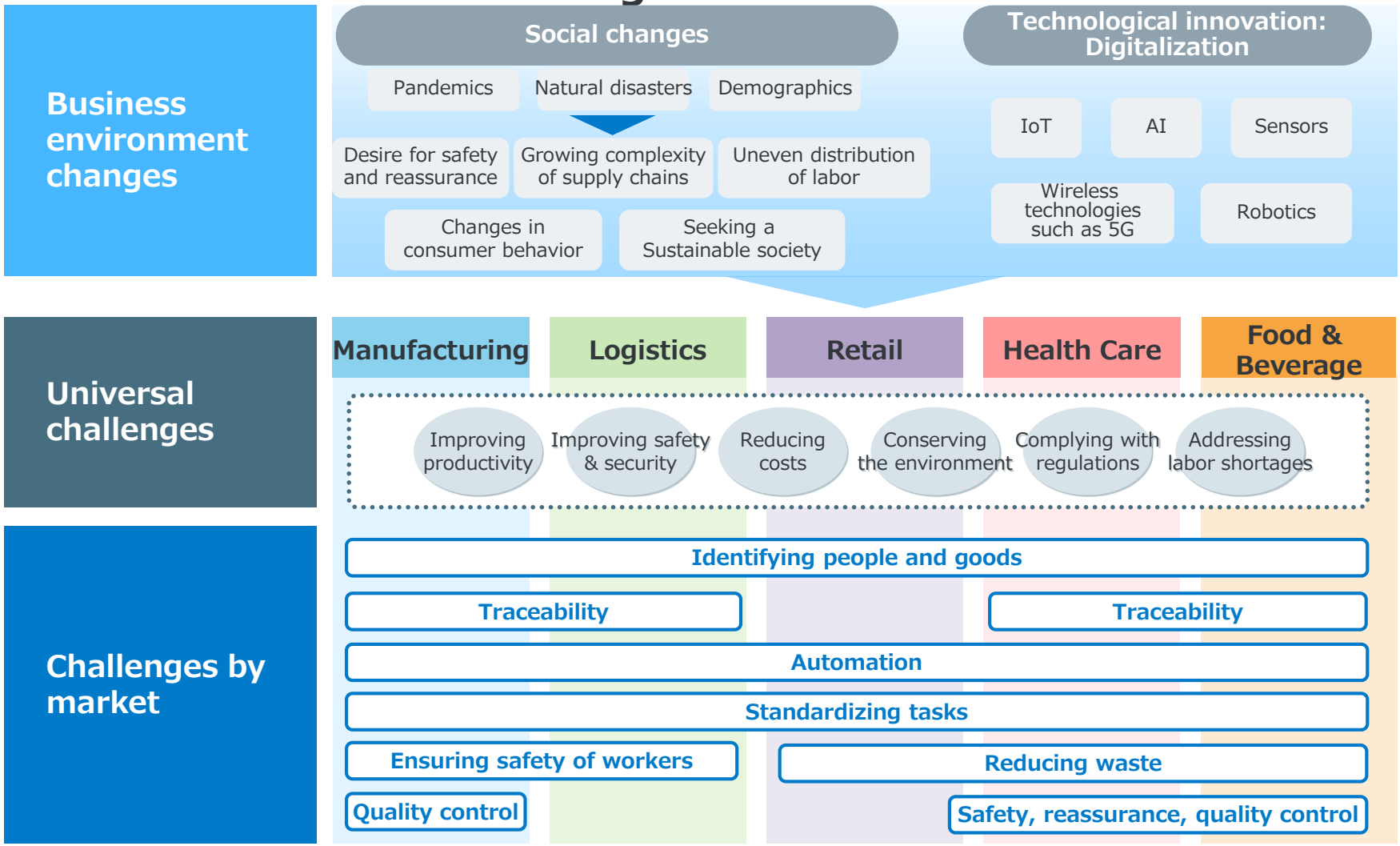
We give every 'thing' its own ID so it connects with the world

As businesses today search for how big data can benefit them,
at SATO, we focus on the more immediate question:
“How can we make that ‘thing’ big data?”
In a world where most things have yet to be digitized,
our auto-identification solutions provide the answer.
We tag IDs to anything — and everything —
to track items and help businesses run smoothly, without stopping.
A connected world of productivity, safety, reassurance and sustainability
starts with somebody physically seeing the real situation on site
and handcrafting answers that work.
That’s what we do. And we start where you are.
Because we are Powered On Site.

Slogan **Powered On Site**

A customer-centric global solutions provider

Changes to the Business Environment and Challenges in Each Market



SWOT Analysis

Strengths

Onsite capabilities

- **Coverage**
  Workplace insight across industries
- **Integration**
  Ability to create the optimal solution through combinations
- **Maintenance**
  Ability to reproduce improvements at customer worksites

Killer contents

- Creating value chains in-house
- Global sales operation

Weaknesses

- Personnel for solutions and maintenance
- Expertise being unshared
- Commercialization of elemental technologies
- Speed of product development
- Branding

Opportunities

- Regulatory changes
- Labor shortages
- Changes in consumer behavior
- Technology innovation
- Seeking a sustainable society

Focus on core business

- **Identify people and goods**
- **Expand traceability**
- **Advance automation**
- **Ensure quality**
- **Grow biz through alliances/M&A**

Strengthen core business

- **Turn tacit knowledge into shared knowledge**
- **Partner alliances and M&A**
- **Strengthen headquarters functions**

Threats

- Catastrophes (pandemics & natural disasters)
- Going label-less
- More solution providers
- Commoditization of own products

Strengthen core business

- **Develop solutions for each industry application**
- **Develop industry specific products**
- **Visualize global operations**

Risk avoidance

- **Design innovative devices**
- **Devise supply chain BCP**
- **Promote sustainability**

Implications of the novel coronavirus

	Short-term	Mid- to long term
Manufacturing	• Less production across industries, especially autos • Higher production in essential goods industries • Greater demand for staff health care	• Greater requirements for supply chain visibility to optimize inventories • Review of supply chains with focus on BCP • More automation and contact free operations • Demand for higher productivity and quality
Logistics	• Higher volume in e-commerce & daily necessities • Lower volume in apparel due to stay-home orders • Delays in Capex projects for distribution centers • Greater demand for staff health care	• Levelling operations across supply chains • Changes in consumer behaviors • Automation to mitigate labor shortage
Retail/Apparel (ex-Retail)	• Higher sales in supermarkets, lower in specialties • Social distancing among staff and customers • School closures forcing caretakers to leave work • Increased demand for selling out fresh food with shorter business hours	• Consumer behavior changes and dynamic pricing making operations more complex • Automation to mitigate labor shortage • Higher focus on food safety at home • Greater needs of stock control of daily necessities at home
Health Care	• Increase in number of patients and specimen • Greater demand for staff health care	• Prevention of hospital infection with advanced contact tracking and sanitation control • Pursuit of contact free and remote diagnosis
Food & Beverage	• Busy food production, empty restaurants • Surge in food delivery • Greater demand for staff health care	• Less workers and contact through automation • Quality labeling to fit take-out/delivery growth • Better traceability of products and workers

◆Review and analysis

◆**Medium-term Management Plan FY2020-2022**

◆Sustainability

Growth Strategy

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

1. Advance and expand Auto-ID solutions business
2. Bolster and expand business through global alliances
3. Create B2B2C business that generates value for consumers (originating from revolutionary elemental technologies for devices, IDP solutions)

Structure of Previous Medium-term Plan

Auto-ID solutions business

① Overseas

Further bolster and expand base business with *koto-uri* as the key

Back to basics

② Japan

Make growing businesses even stronger and further expand solutions businesses

Bolster profitability

New RFID devices, new solutions, etc. → **Development & commercialization**

IDP business

Commercialize IDP technology

③ Game changing

Globally commercialize new business models through customer and consumer-centric innovation → **Establish differentiation & superiority**

④ Group management

Optimize management of the group overall, and solidify business infrastructure → **Build a sustainable organization structure**

Structure of New Medium-term Plan

Auto-ID solutions business

① Overseas

Further bolster and expand base business with *koto-uri* as the key

- Manufacturing
- Health Care
- Retail/Apparel ID
- Food & Beverage

Instill *koto-uri*

② Japan

Make growing businesses even stronger and further expand solutions businesses

- Manufacturing
- Logistics
- Public
- Retail/Apparel ID
- Health Care
- Food & Beverage

Evolve *koto-uri*

③ Game change (B2B2C Business)

Globally commercialize new business models through customer and consumer-centric innovation

- **Driven by revolutionary elemental technologies for devices**
- **IDP solutions**

→ **Establish differentiation & superiority**

④ Group management

- Build firm IT infrastructure and risk management program
- Improve capital productivity
- Optimize value chain in-house

→ **Build a sustainable organization structure**

Where to Focus 1

Narrowing-down focus

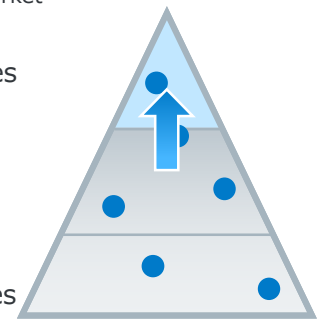
① Customer segments

Business size of the customers in each market

Overseas

Large businesses

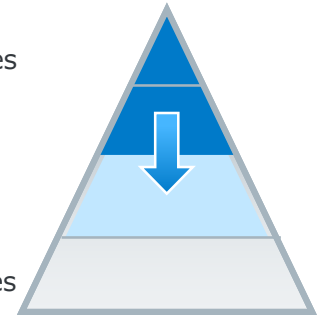
Small businesses



Japan

Large businesses

Small businesses



: Domains that SATO already covers

: Domains that SATO aims to cover

② Priority countries & target industries

Top priority countries



India

- Automotive
- Electronics & machinery
- Pharmaceuticals



Vietnam

- Automotive
- Electronic components
- Health care



USA

- Retail/Apparel
- Health care
- Restaurants and Fast food

Focus countries



Thailand

- Automotive
- Electronic components
- Food and beverage production



China

- Automotive
- Electronic components
- Food and beverage production



Indonesia

- Automotive
- Electronic components
- Food and beverage production



Philippines

- Automotive
- Electronic components
- Hospitals



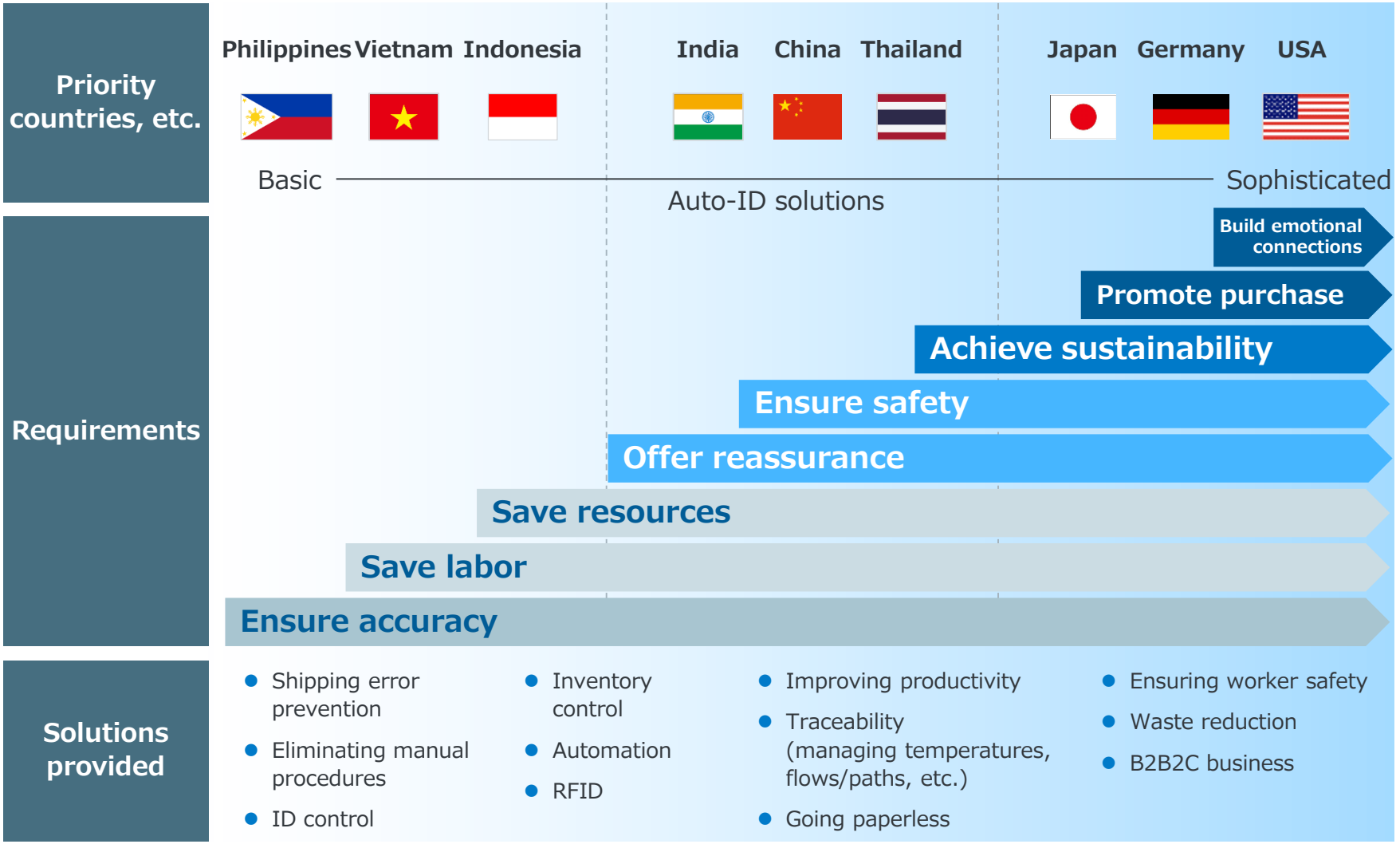
Russia

- Supermarkets
- Fast food
- Consumer product manufacturers

Where to Focus 2

Providing solutions meeting requirements

- Examples of manufacturing markets -



Approach 1

Based on *Koto-uri*

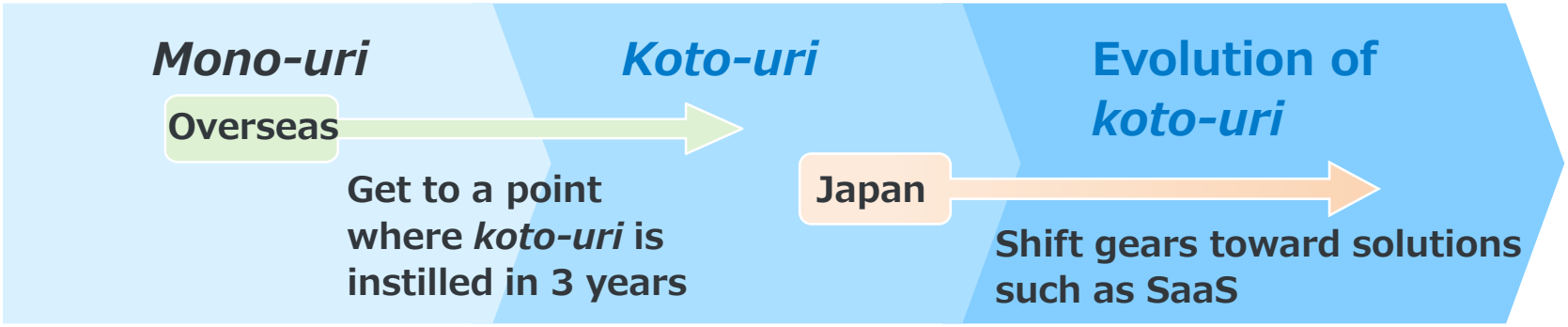
Koto-uri

Direct business

Clarify targets

	Markets		
	Industry A	Industry B	Industry C
Application (1)		■	
Application (2)		■	■
Application (3)	■	■	

[Milestones in the Medium-term Plan]



Approach 2

Bolster and Expand Business through Collaboration with Partners

SATO

×

Global alliance partners

Microsoft　Manhattan Associates　BlueYonder

Partners in specific local industries

Companies specialized in particular industries and applications

Targets

	Markets		
	Industry A	Industry B	Industry C
Application (1)	Collaborate with partners	Direct business	
Application (2)	Collaborate with partners		Direct business
Application (3)	Direct business	Direct business	Collaborate with partners

1. **Expand sales channels**
2. **Mutually leverage value creation**
3. **Jointly develop new solutions**

Our weapons 1

Core products with competitiveness

Products that amaze
and inspire customers



Printers

Products that meet customers'
applications and pain points



Consumables

Designing technologies for devices
that link people and goods with dynamic information



Wireless and sensing technology
(position, temperature/humidity, vital signs)

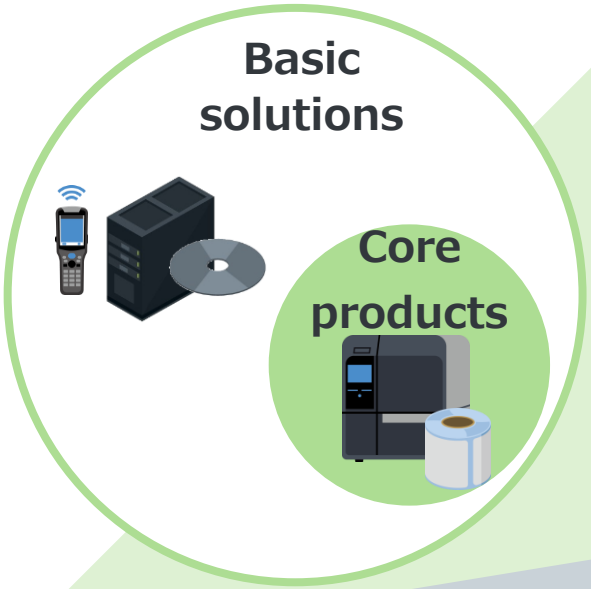
Our weapons 2

Solutions founded on core products suiting actual requirements

Overseas

Strategic growth

***Koto-uri* + Partners**



Sales growth through economic growth

Grow existing business

Japan

Strategic growth

Evolution of *koto-uri*



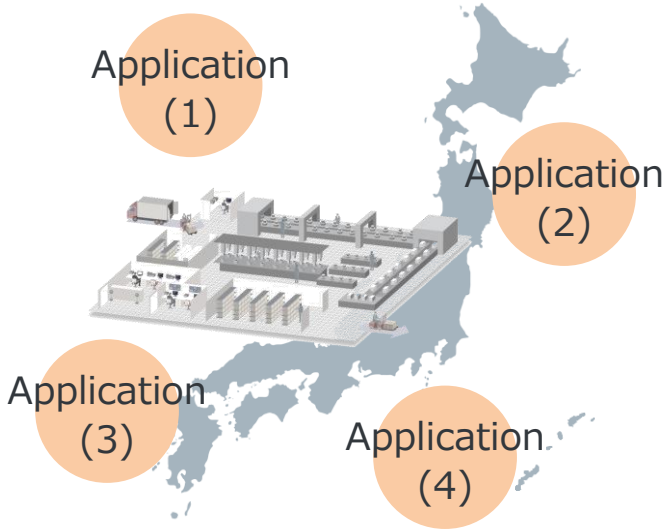
Sales growth through economic growth

Grow existing business

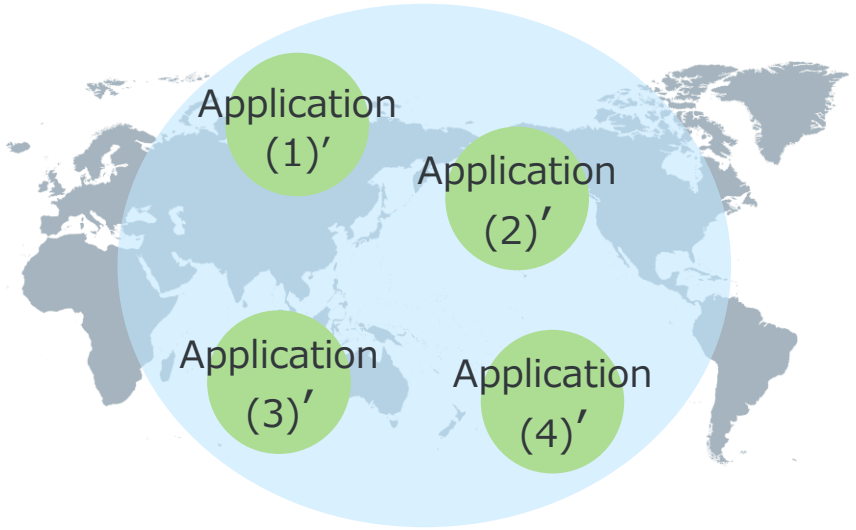
How to Bolster Overseas Business

Localize & provide solutions created in Japan for target industries

Solutions created in Japan



Overseas targets

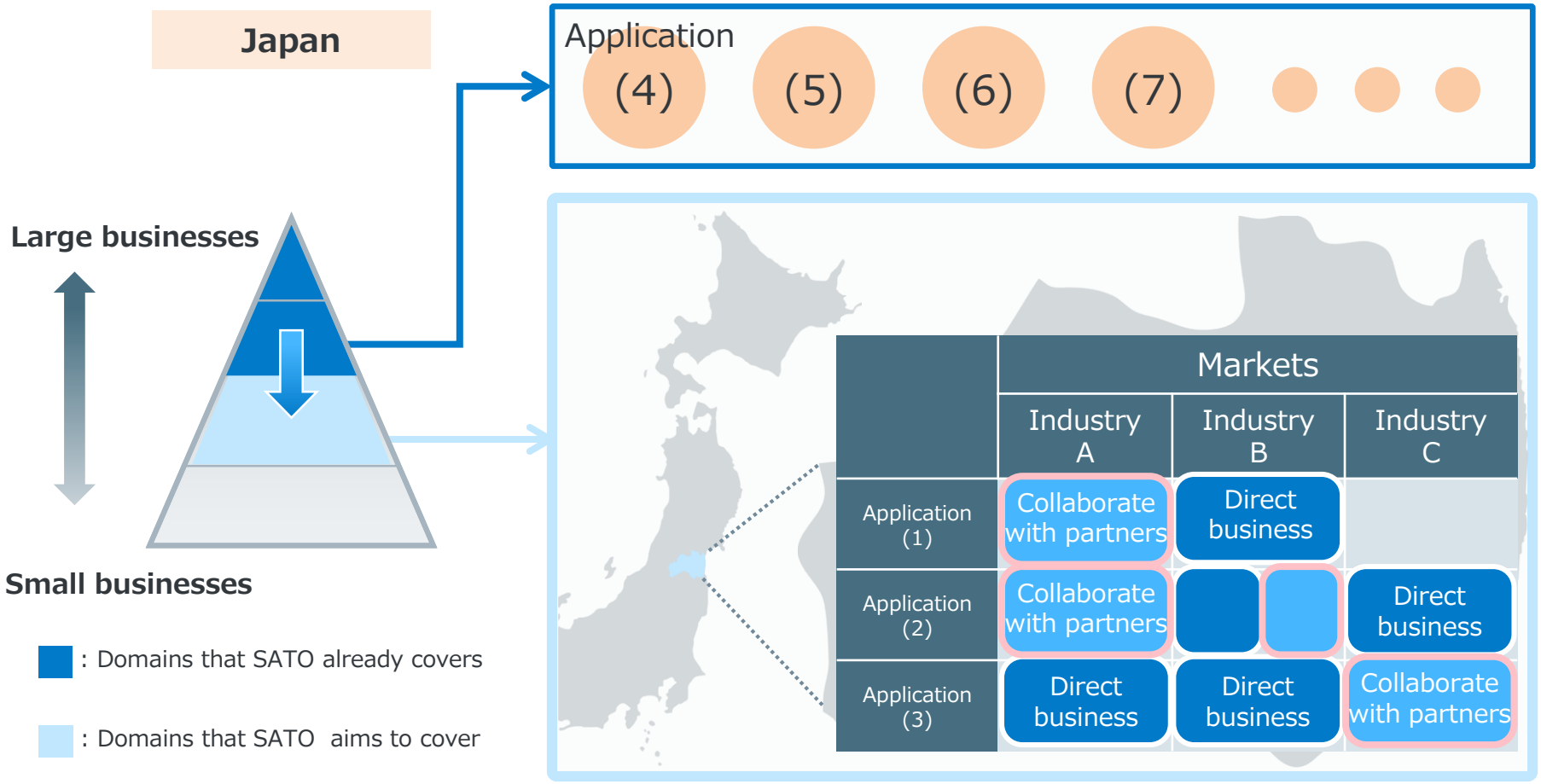


Support system & tools

- Support with a global headquarters system
- Utilize marketing tools and CRM
- Optimize maintenance resources and consumables supply chain in focal areas and countries

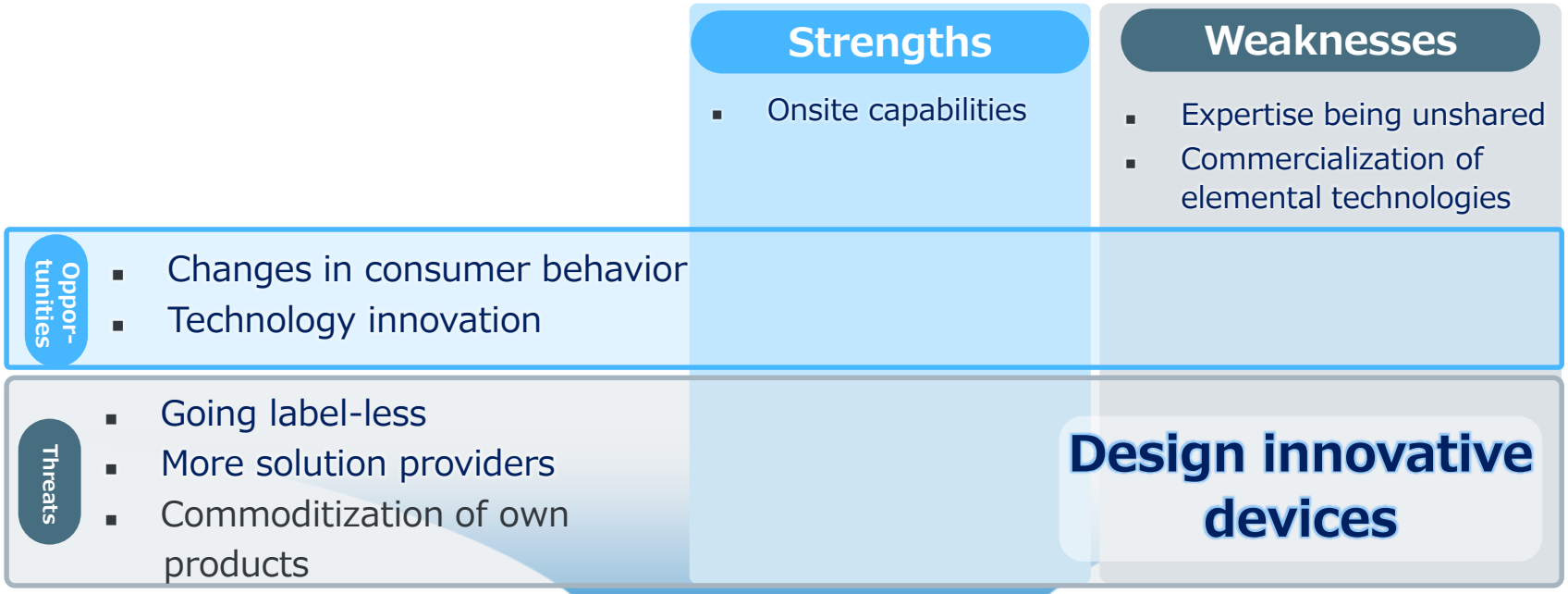
How to Bolster Business in Japan

For existing customers, create and provide solutions that address evolving challenges. For new domains, identify targets in each region and collaborate with partners on approaching them.



Why B2B2C Business?

(Rationale to target consumer goods manufacturers)



Enhance business sustainability

- **Build greater resistance to economic fluctuations** by targeting consumer goods manufacturers
- **Create business with stronger competitive advantage** by designing innovative devices

Overview of B2B2C Business

Meeting specific demands for consumer goods manufacturers and SPAs*

Beverage manufacturer



Learn pre-purchase information

FMCG manufacturer



Connect with consumers through products

Furniture manufacturer



Learn post-purchase information

Medium-term business opportunity

Device business

Wireless technology

Blue-tooth | NFC | UHF | 5G



Sensor technology

Tempe-rature | Weight | Position

Elemental device technology to collect Consumer information via IoT

(Design and develop through alliances)



Medium-term business opportunity

Marketing data business



New value proposition



Long-term business opportunity

Auto-ID solutions business through supply chains



(*)Specialty store retailer of Private label Apparel

◆Review and analysis

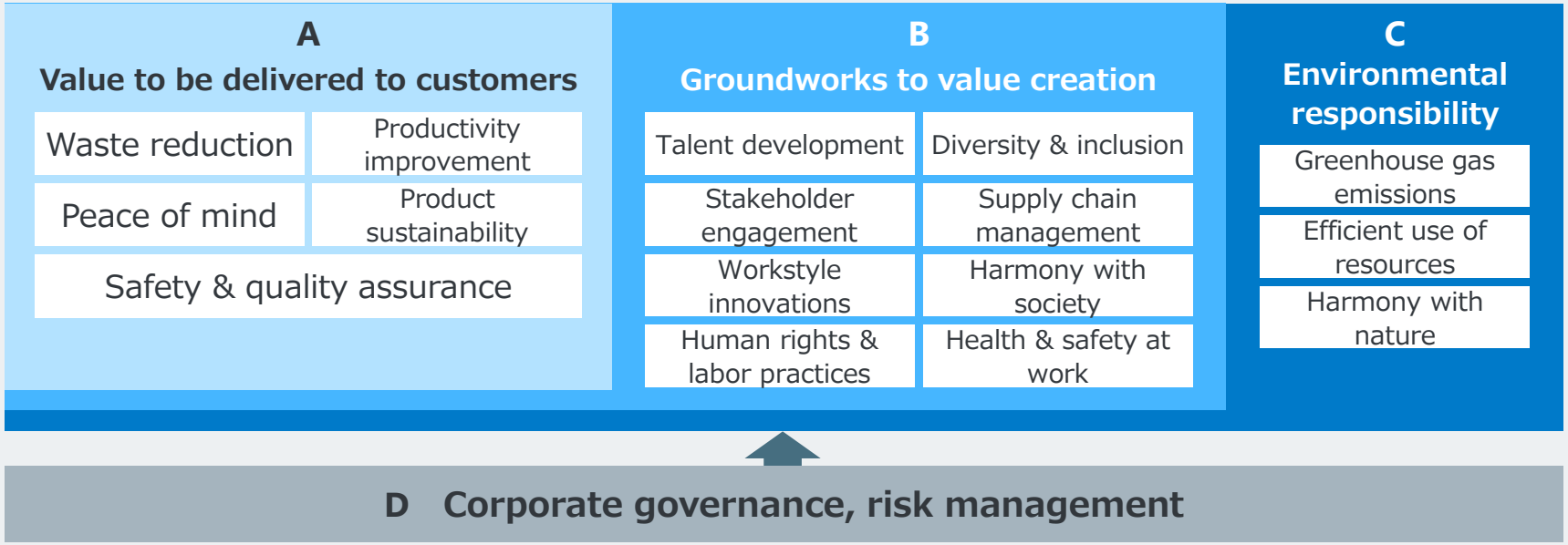
◆Medium-term Management Plan FY2020-2022

◆Sustainability

Our framework of sustainability promotion

Setting “Value to be delivered to customers” as our core materiality

Materiality overview



- **A** What we aim to offer through our core business to help customers cope with societal challenges
- **B** What we undertake internally/externally to enable the continuous creation of customer value
- **C** What we do to protect the global environment where we live and do business
- **D** Underlying foundation

Approach to Sustainability Promotion

Materiality initiatives through our core business

Value proposition to customers (Materiality examples)	SATO core business (examples on following slides)	Sustainability promotion
Reducing waste	● Improving demand forecasting ● Reducing unsold food	● Recycling-based society
Improving productivity	● Optimizing operations ● Automating manual tasks	● Efficient work styles
Providing safety & reassurance	● Preventing medical errors ● Preventing food contamination	● Avoiding healthcare collapse ● Healthy diets
Offering environmentally-friendly products	● Reducing CO2 missions	● Mitigating climate change

Examples of Sustainability Promotion 1

Sustainability promotion is inextricable from our core business, and syncs to our business strategy

Reducing waste

[Through supply chains]

- Forecast demand with better accuracy by visualizing the flow of goods

[At food stores]

- Reduce unsold food (=food loss) through adept utilization of discount labeling



Improving productivity

[At production & logistics worksites]

- Optimize work flows/paths and the allocation of staff by identifying the locations of goods and workers
- Address labor shortages with automated labeling



Examples of Sustainability Promotion 2

Providing safety & reassurance

[At medical settings]

- Match together patients, nurses and medications to prevent medication errors

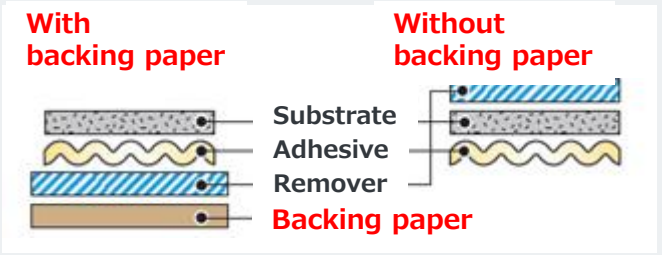
[At food stores]

- Deliver thorough food sanitation by systematizing temperature control



Offering environmentally-friendly products

- Reduce CO2 emissions from burning waste by eliminating the backing paper from labels







- Preserve the environment by procuring paper inputs from adequately-managed forests

Appendix

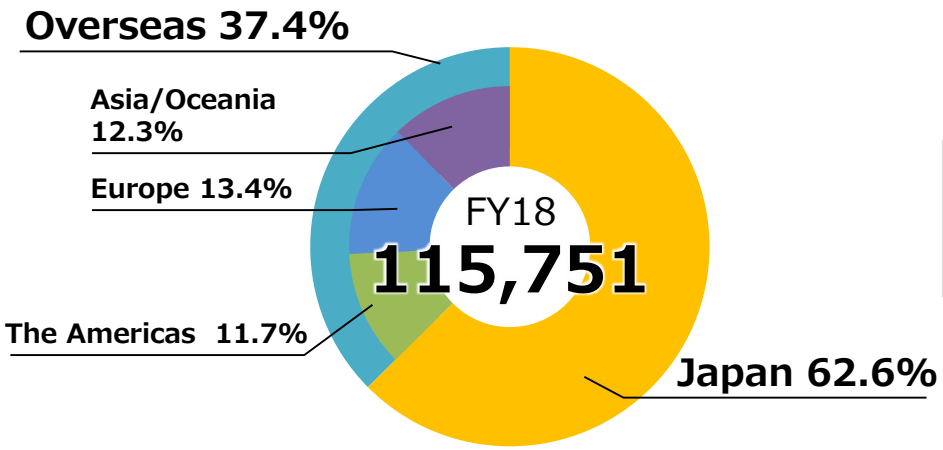
Performance data Pages 48-64

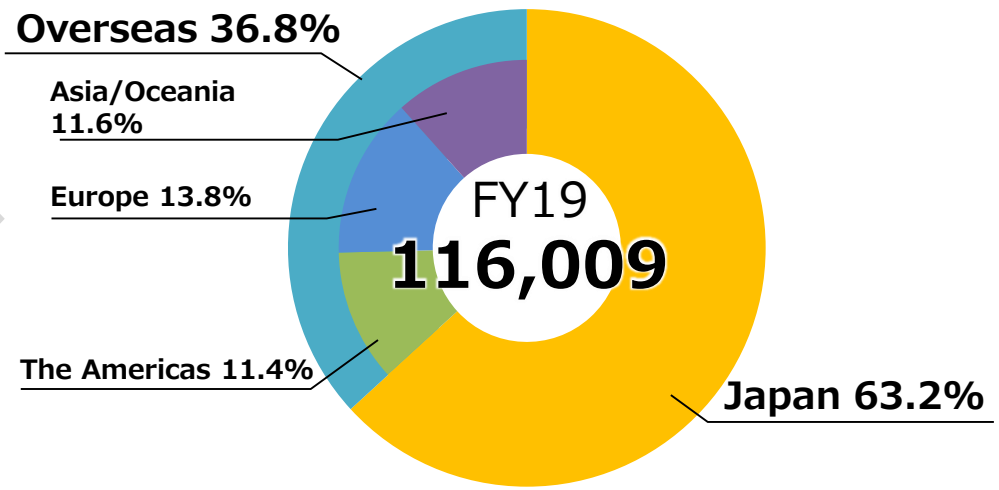
SATO Terminologies Pages 65–68

Sales and OI by Region

(Millions of JPY)

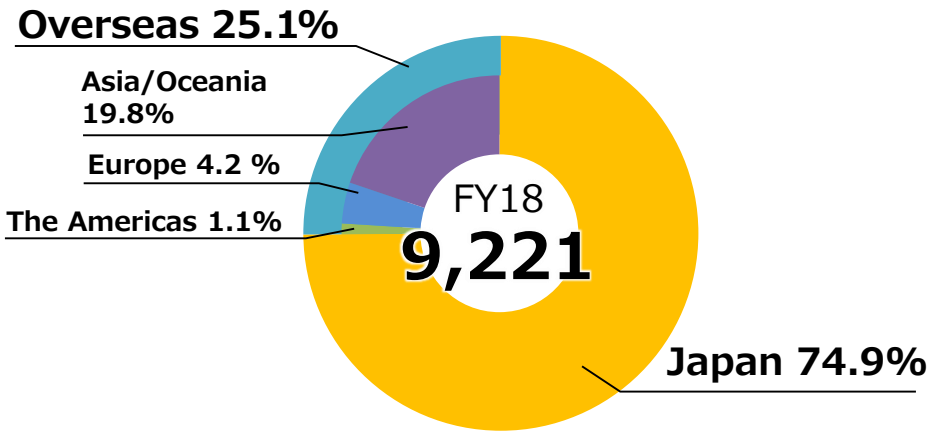
Sales

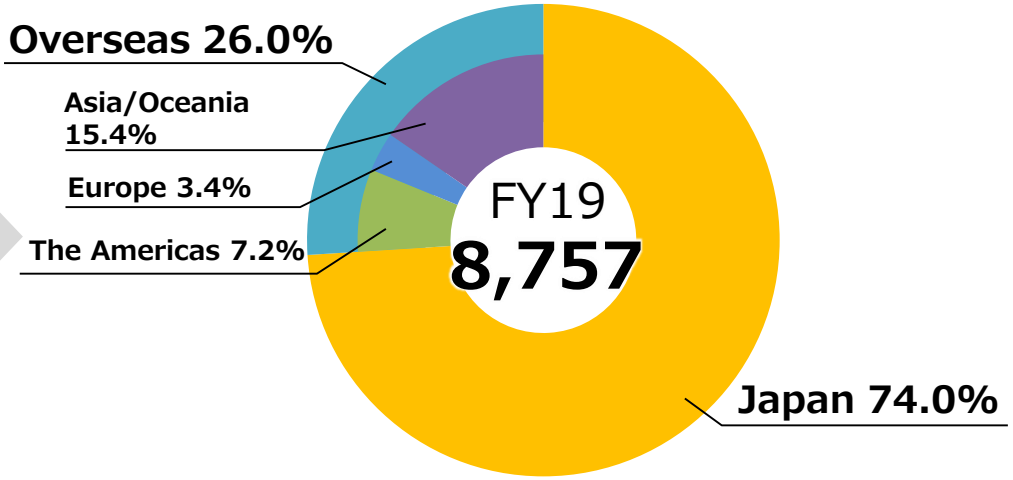




Operating Income

*Ratio excludes eliminations.





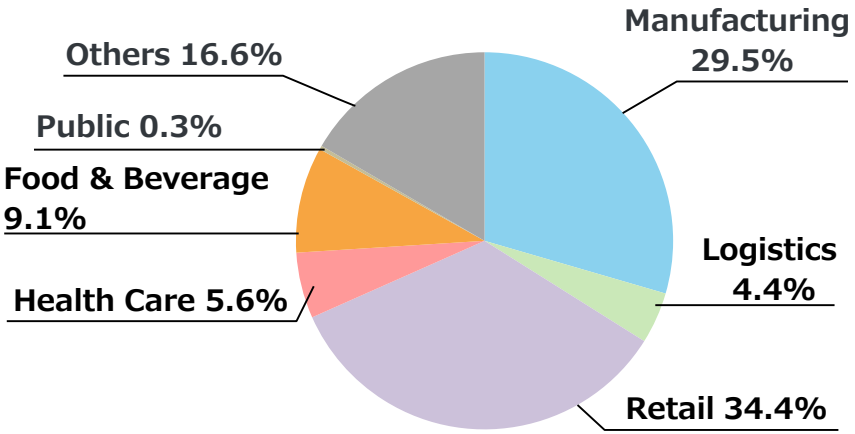
OI Ratio: **Japan : 9.6%, Overseas : 5.2%**

OI Ratio : **Japan : 8.8%, Overseas : 5.3%**

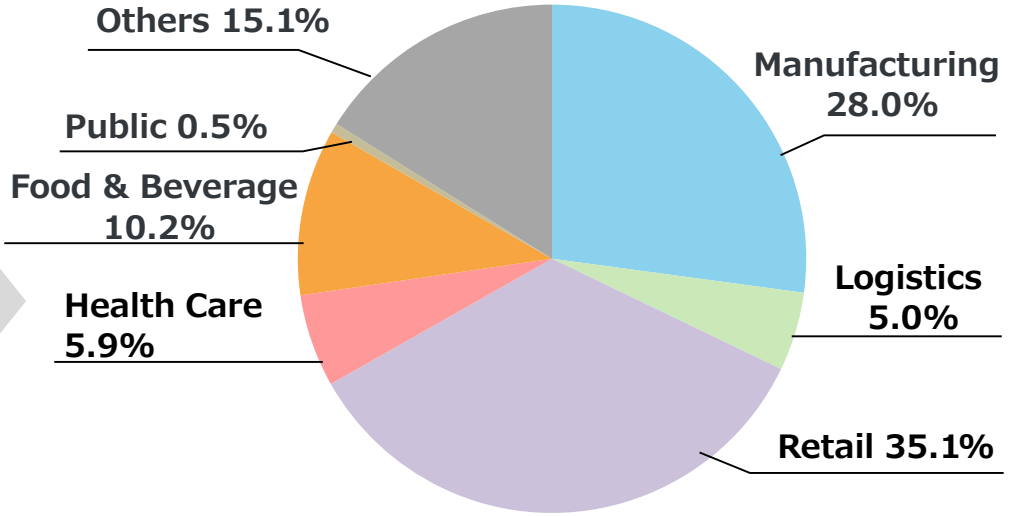
Sales by Vertical

Overseas

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

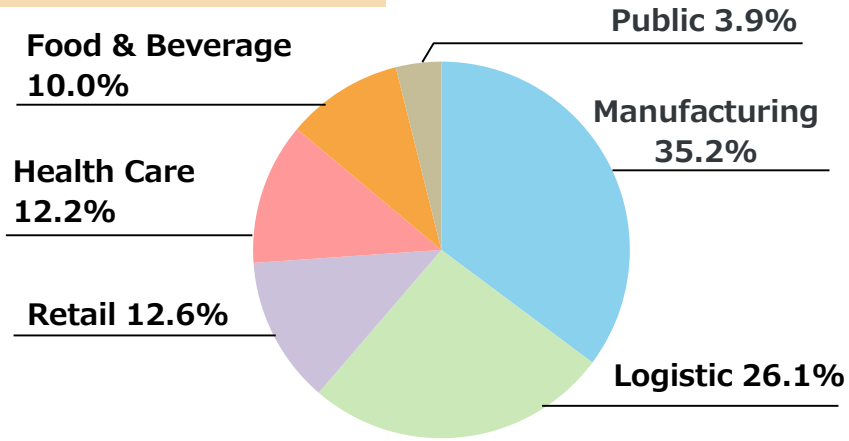


FY18

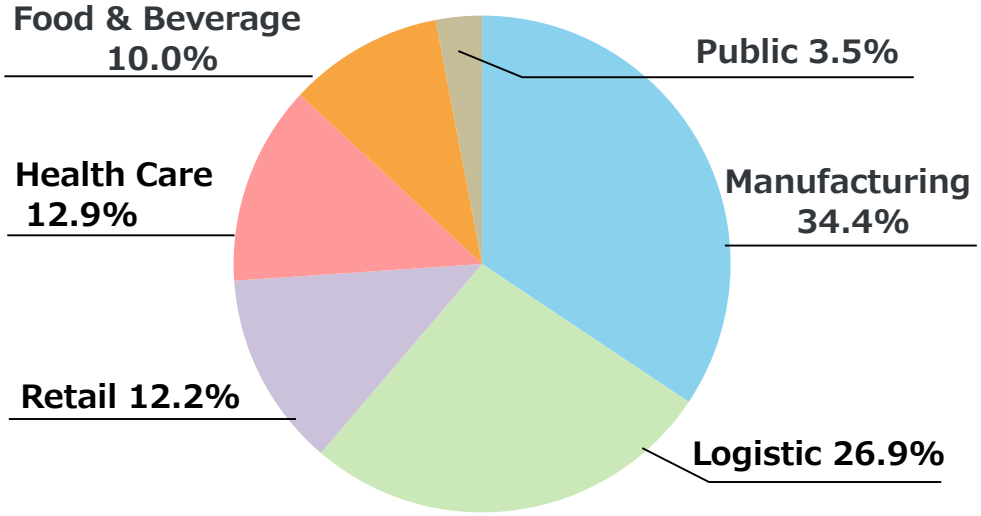


FY19

Japan



FY18

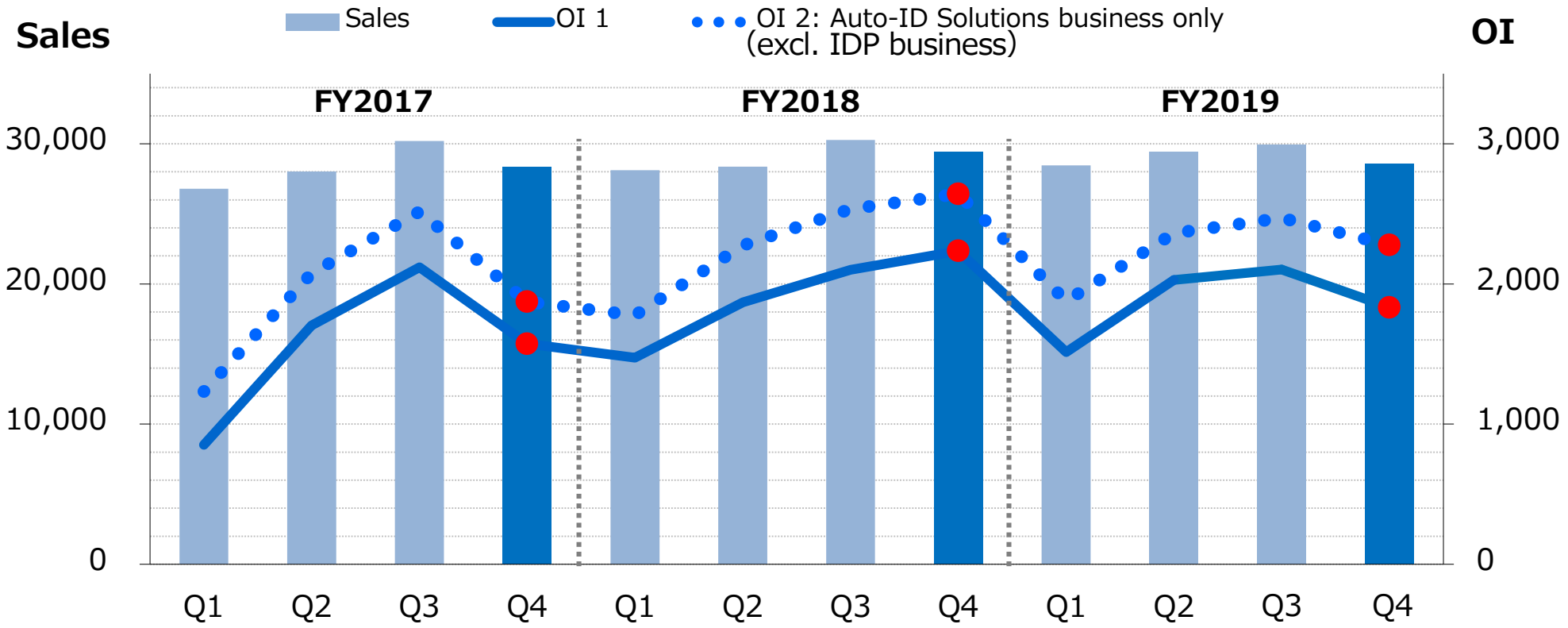


FY19

Consolidated

Quarterly Sales & OI

(Millions of JPY)

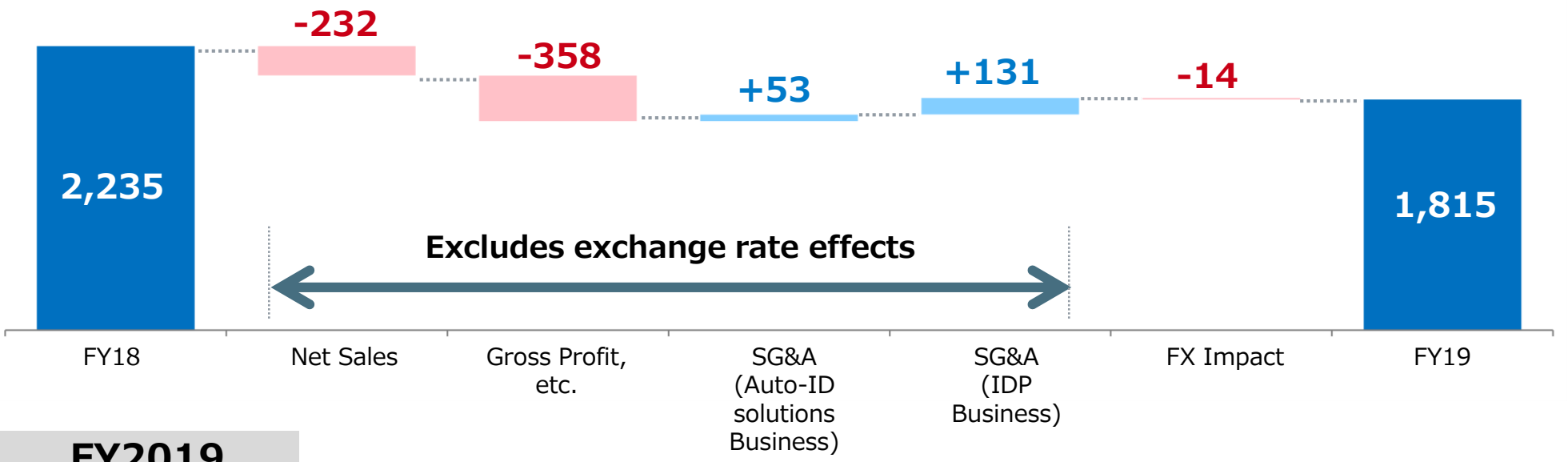


Sales	26,799	28,024	30,192	28,367	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569
YoY	105.8%	108.9%	109.2%	102.9%	104.9%	101.2%	100.3%	103.7%	101.2%	103.7%	98.9%	97.1%
OI 1	851	1,704	2,119	1,573	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,814
YoY	81.3%	106.2%	129.5%	86.7%	173.1%	109.7%	99.1%	142.0%	102.7%	108.5%	100.1%	81.2%
OI 2	1,232	2,075	2,515	1,873	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047
YoY	117.1%	127.3%	148.7%	101.4%	144.3%	109.6%	100.8%	140.6%	105.7%	103.8%	97.5%	77.7%

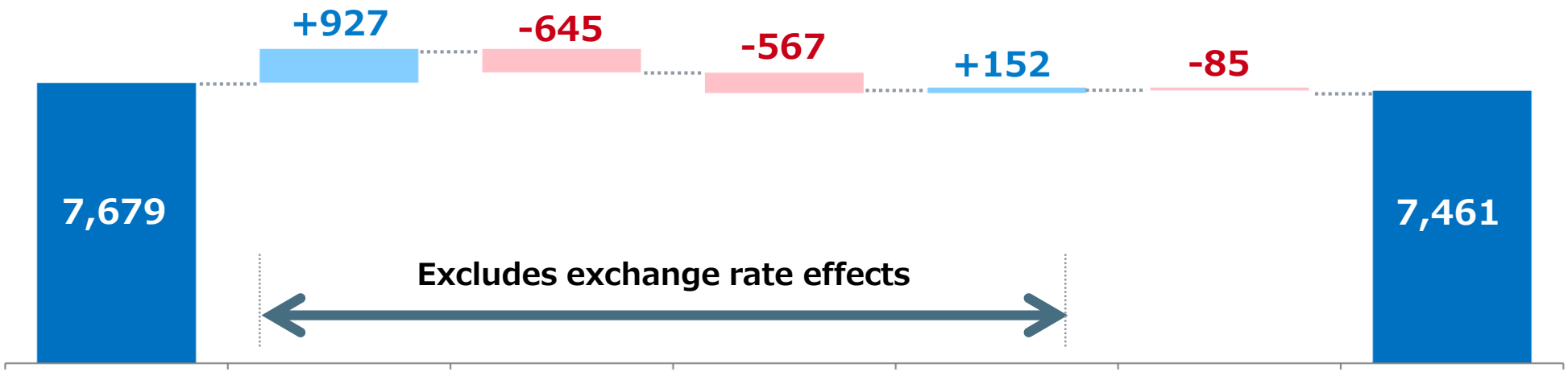
Major Gains/Losses in OI

Jan-Mar

(Millions of JPY)

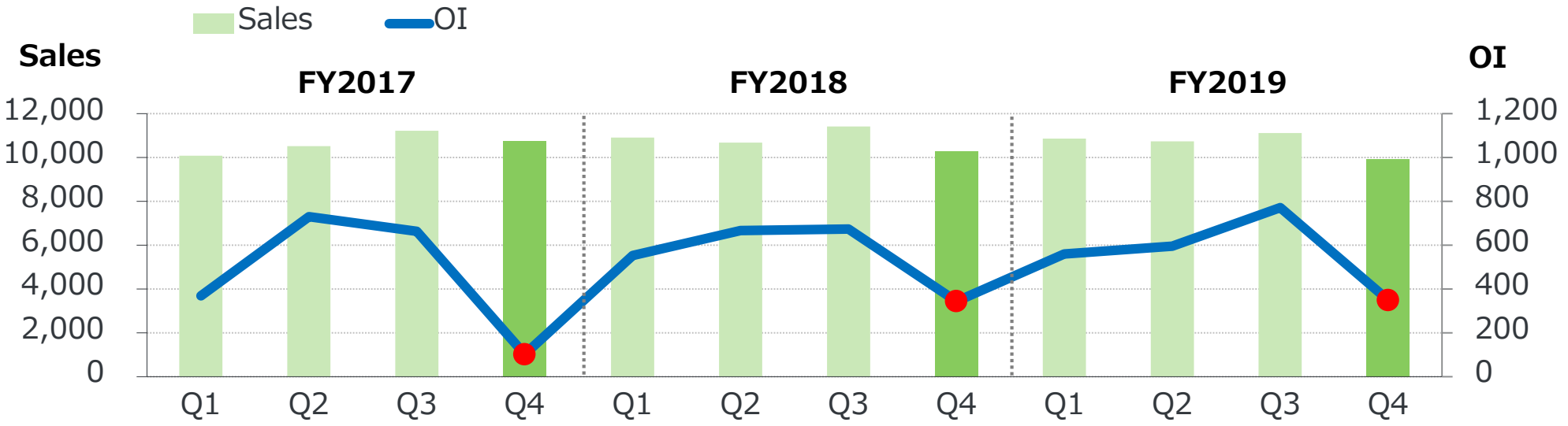


FY2019



Quarterly Sales & OI

(Millions of JPY)

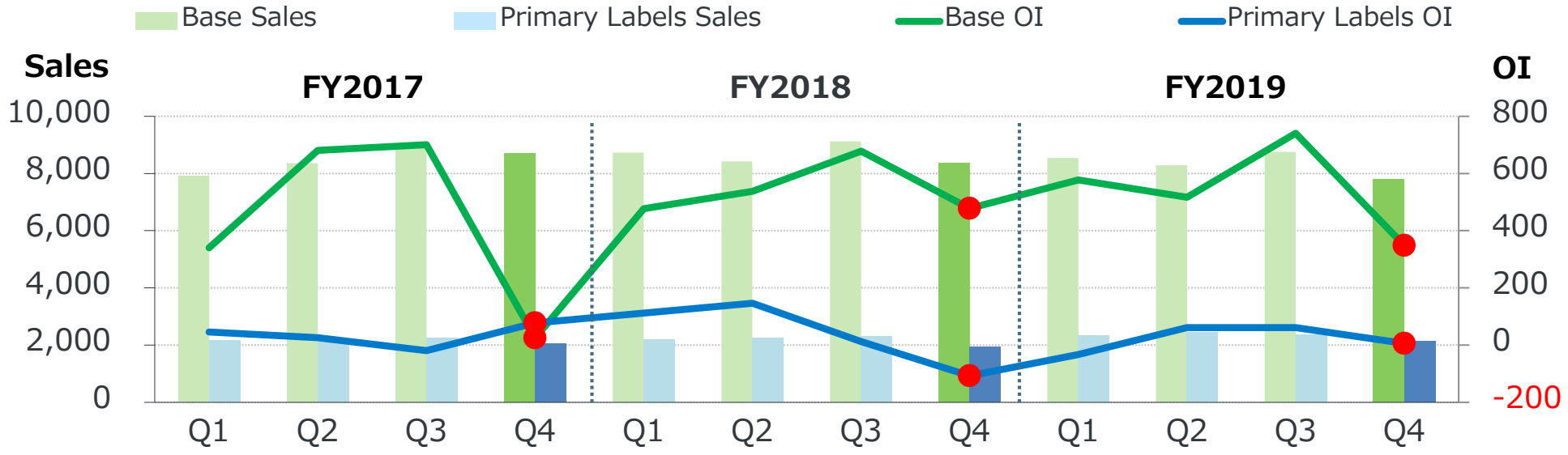


Sales	10,087	10,517	11,224	10,755	10,910	10,686	11,419	10,298	10,867	10,739	11,118	9,922
YoY	102.5%	115.4%	112.9%	107.2%	108.2%	101.6%	101.7%	95.8%	99.6%	100.5%	97.4%	96.3%
OI	369	730	663	102	553	667	674	344	560	595	772	349
YoY	52.0%	181.8%	241.3%	38.9%	149.8%	91.4%	101.6%	336.8%	101.2%	89.3%	114.6%	101.4%

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)

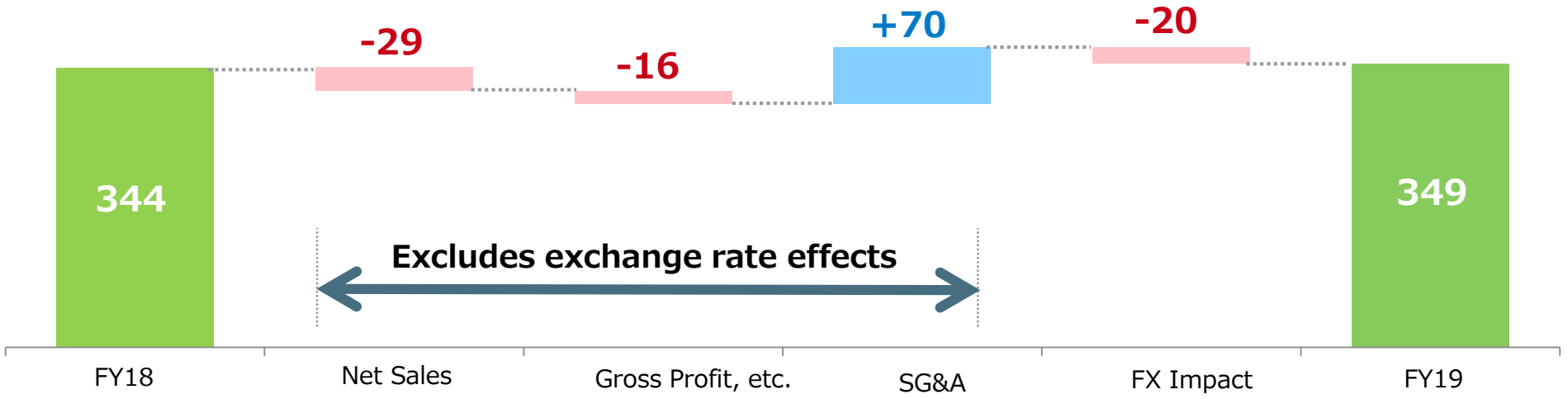


		FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4
Base	Sales	7,925	8,356	8,987	8,696	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794
	YoY	100.4%	114.1%	110.8%	107.6%	110.2%	100.8%	101.5%	96.1%	97.8%	98.4%	96.1%	93.2%
	OI	340	681	701	25	477	538	678	478	577	517	740	348
	YoY	70.1%	252.5%	232.3%	15.7%	139.9%	79.0%	96.7%	1868.8%	121.1%	96.1%	109.2%	72.9%
Primary Labels	Sales	2,161	2,161	2,237	2,059	2,180	2,264	2,301	1,939	2,328	2,453	2,360	2,128
	YoY	110.9%	120.8%	122.6%	105.6%	100.8%	104.8%	102.9%	94.1%	106.8%	108.3%	102.5%	109.7%
	OI	46	26	-19	78	112	146	12	-107	-33	61	61	6
	YoY	28.5%	22.7%	-	141.6%	241.7%	557.4%	-	-	-	41.7%	488.8%	-

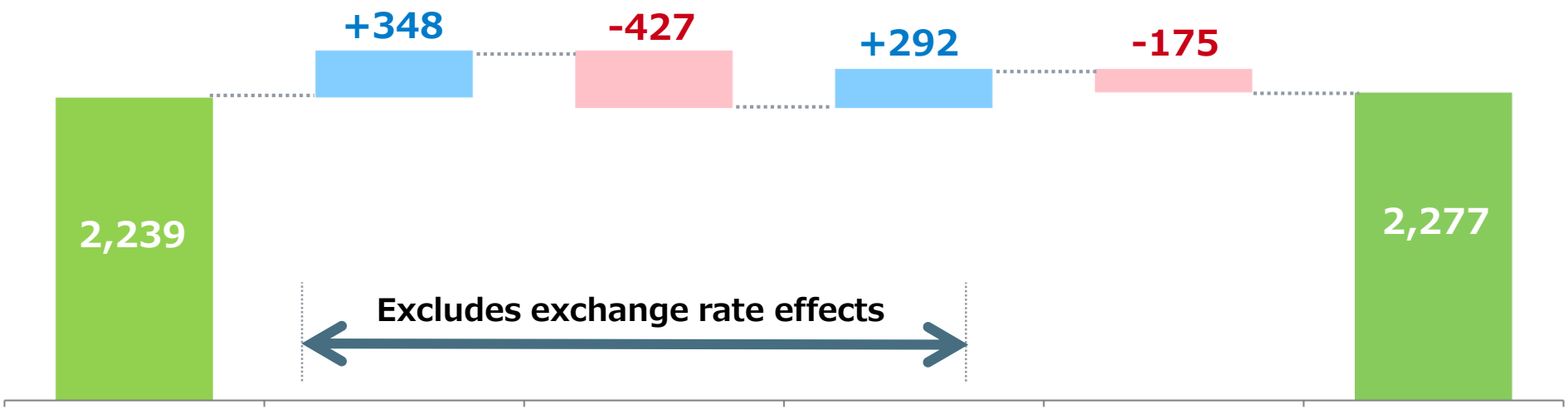
Major Gains/Losses in OI

Jan-Mar

(Millions of JPY)



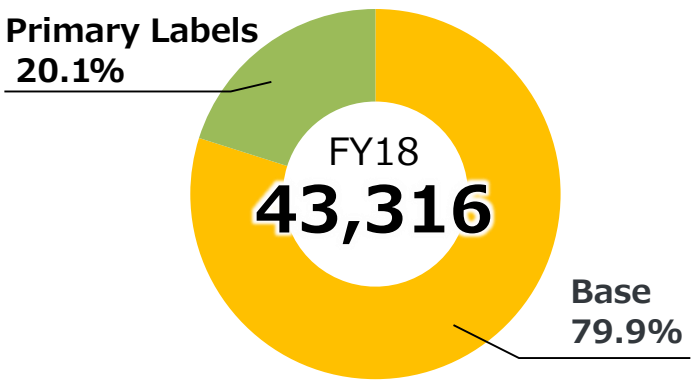
FY2019

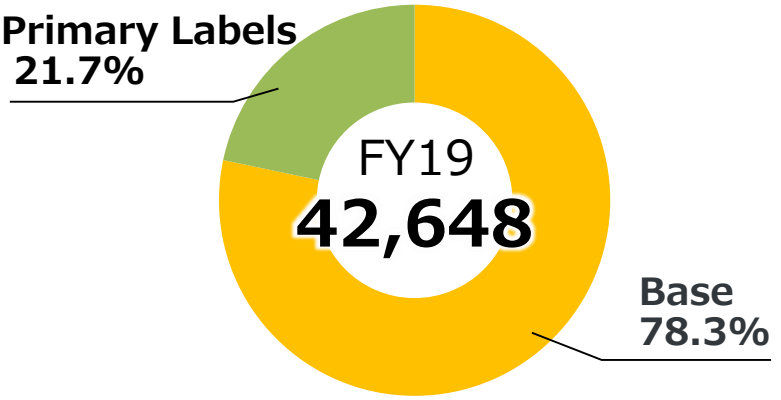


Sales and OI by Business Segment

(Millions of JPY)

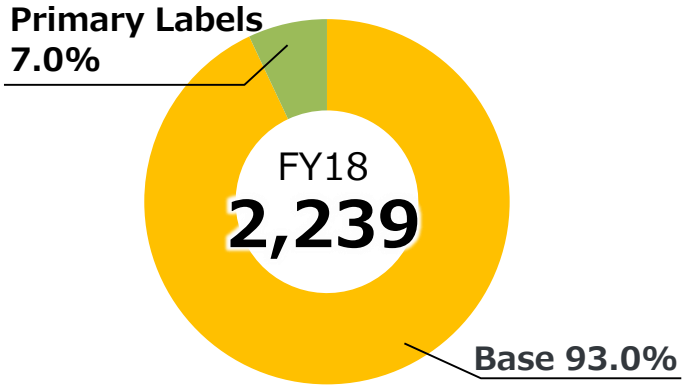
Sales

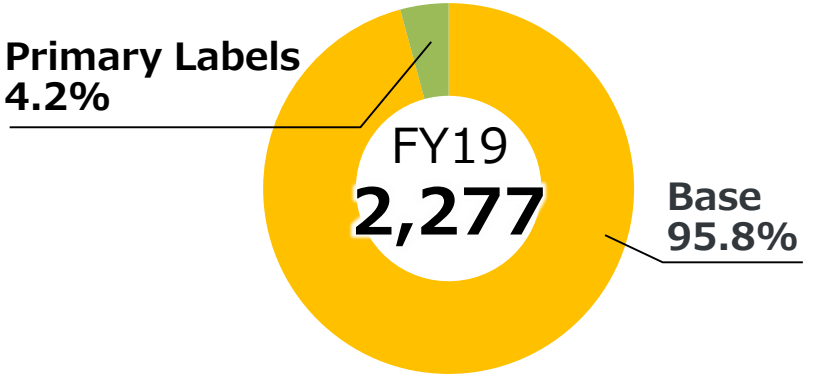




Operating Income

*Ratio excludes eliminations.





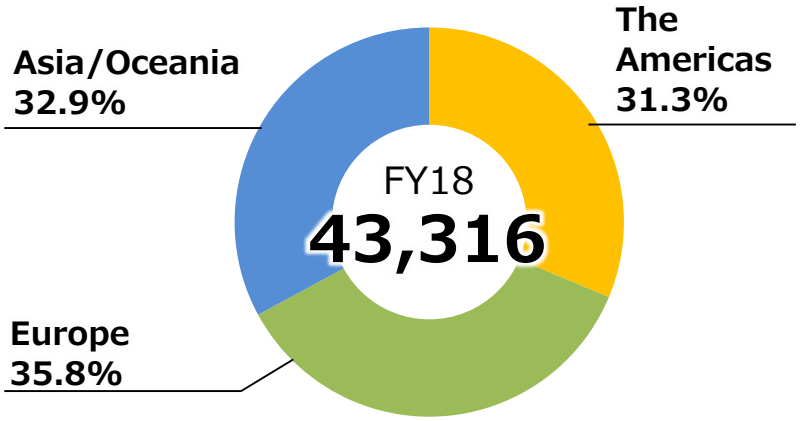
OI ratio: **Base : 6.3%, Primary Labels : 1.9%**

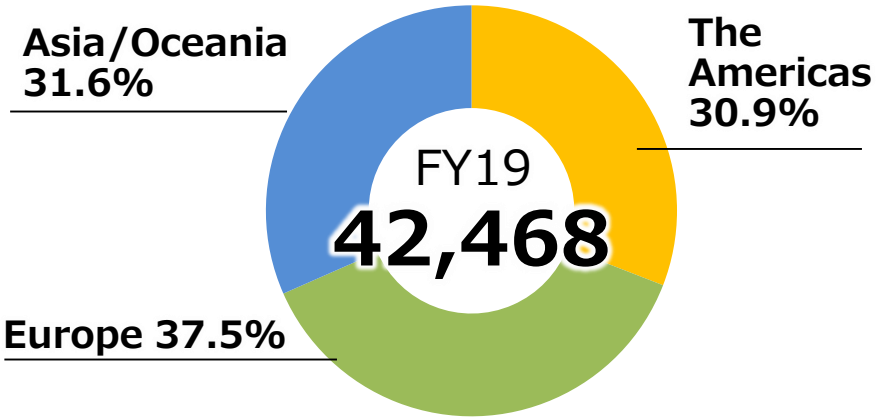
OI ratio: **Base : 6.5%, Primary Labels : 1.0%**

Sales and OI by Region

(Millions of JPY)

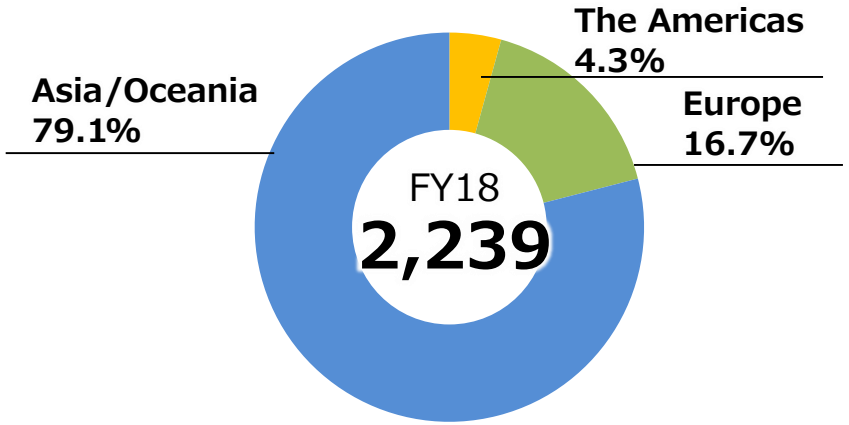
Sales



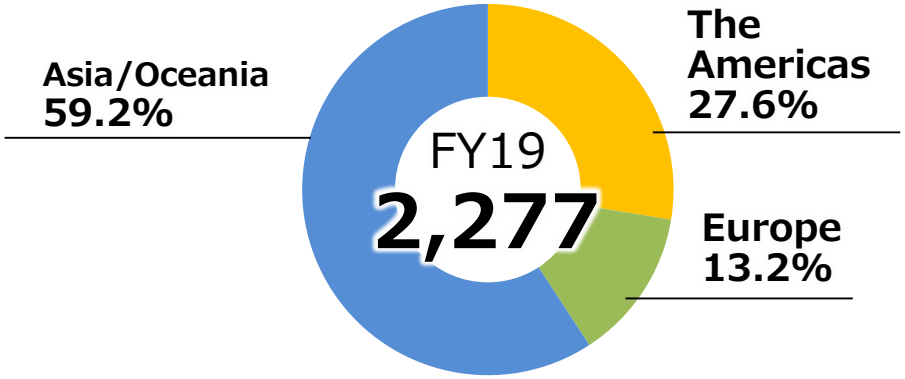


Operating Income

*Ratio excludes eliminations.



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



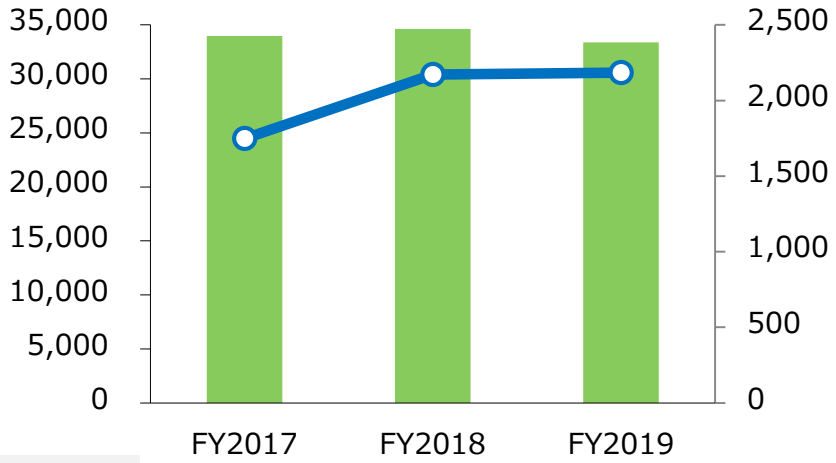
OI Ratio :
The Americas : 4.8%, Europe : 1.9%, Asia/Oceania : 10.0%

Sales and OI Trends by Business Segment and Region

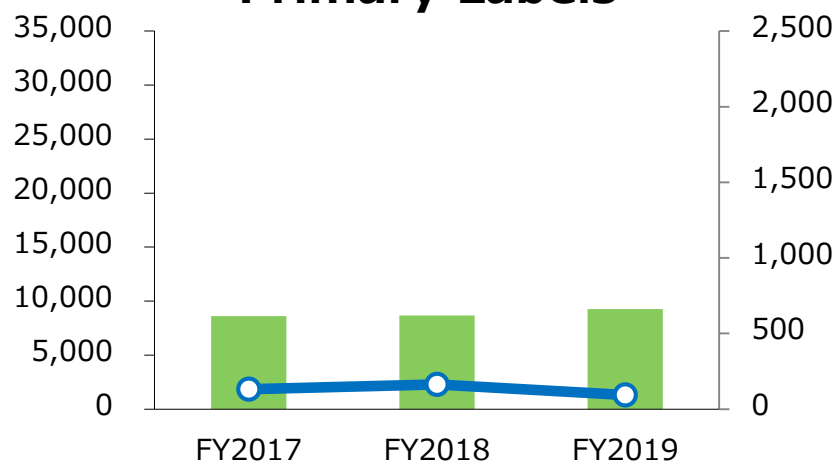
By Business Segment

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

Base

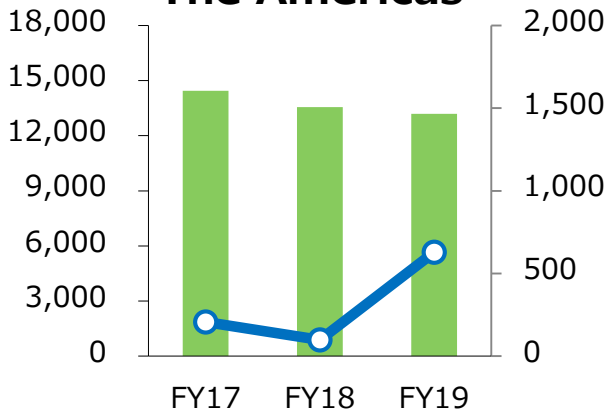


Primary Labels

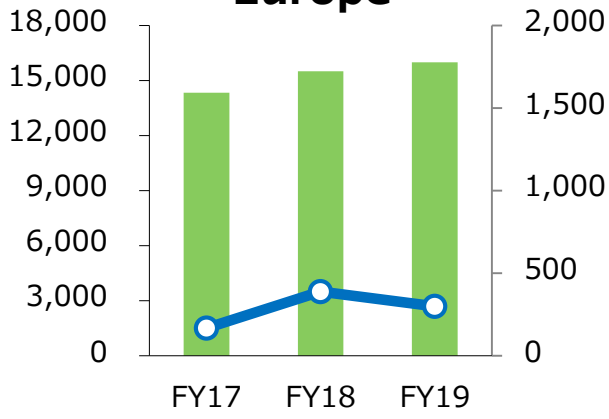


By Region

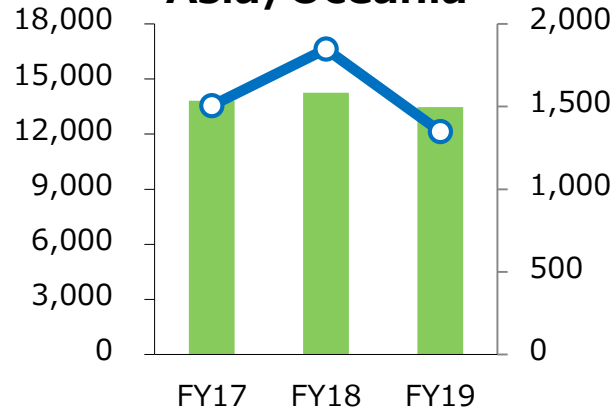
The Americas



Europe

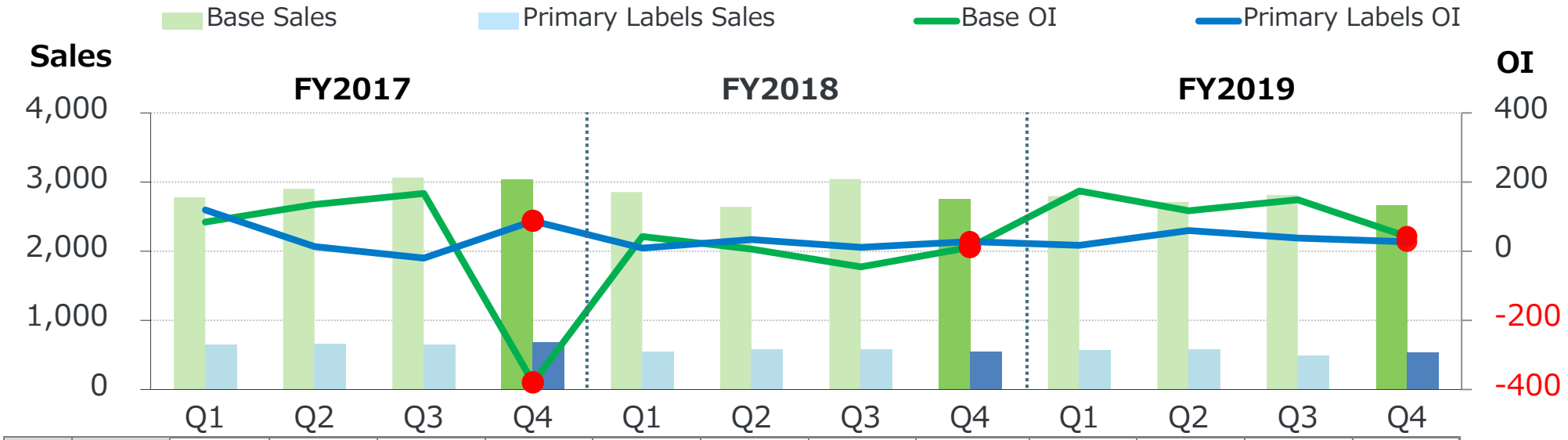


Asia/Oceania



The Americas: Quarterly Sales & OI

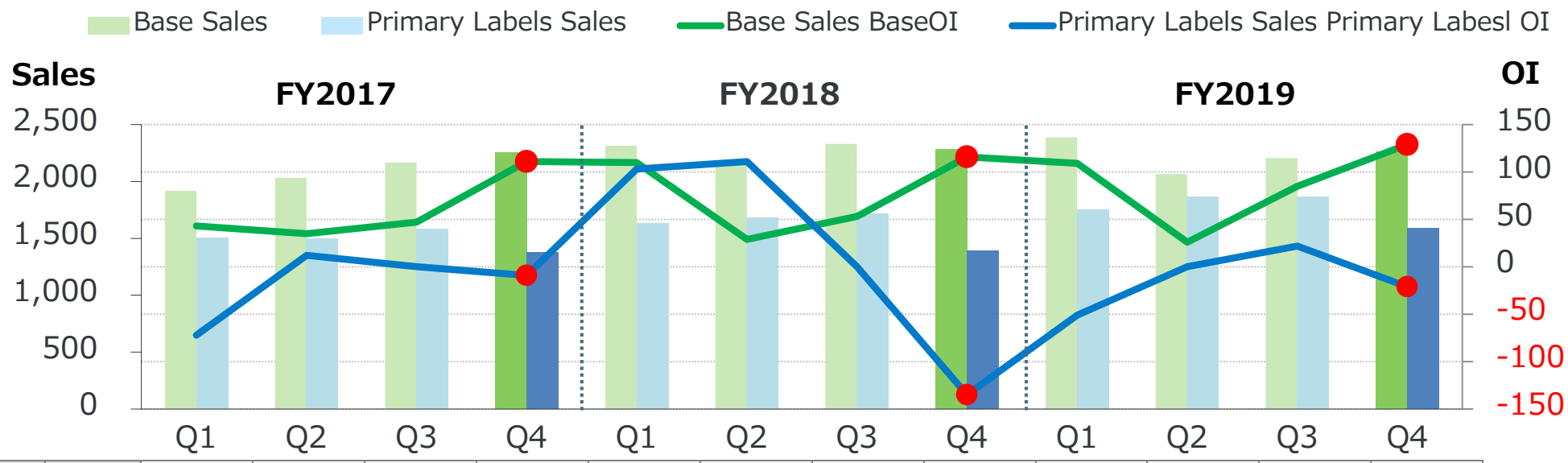
(Millions of JPY)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	Sales	2,778	2,901	3,063	3,040	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664
	YoY	93.2%	108.9%	107.9%	108.5%	102.7%	91.0%	99.4%	90.6%	98.0%	102.8%	92.4%	96.8%
	OI	84	135	167	-380	42	6	-45	11	174	117	149	42
	YoY	81.4%	-	-	-	50.3%	5.1%	-	-	411.1%	1699.3%	-	376.4%
Primary Labels	Sales	657	666	651	685	546	584	587	550	577	586	497	536
	YoY	112.7%	120.4%	127.0%	105.9%	83.1%	87.6%	90.1%	80.4%	105.6%	100.4%	84.8%	97.5%
	OI	119	13	-20	87	9	34	11	28	17	60	38	27
	YoY	426.0%	134.0%	-	140.6%	7.9%	245.4%	-	32.0%	186.3%	176.8%	324.6%	98.9%

Europe: Quarterly Sales & OI

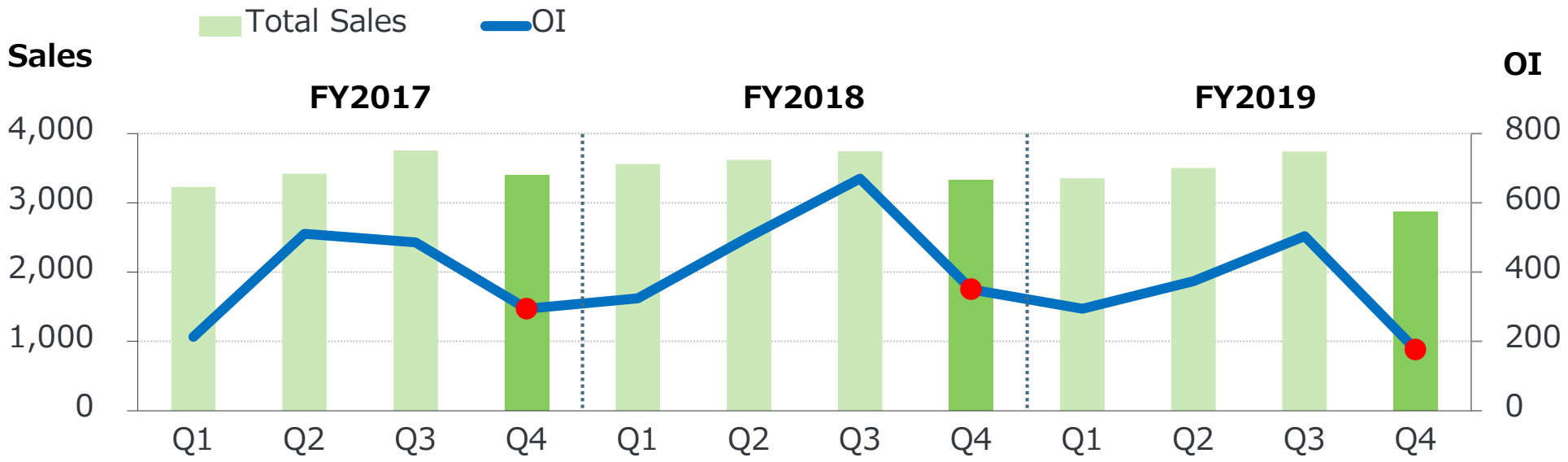
(Millions of JPY)



		Q1 FY2017	Q2 FY2017	Q3 FY2017	Q4 FY2017	Q1 FY2018	Q2 FY2018	Q3 FY2018	Q4 FY2018	Q1 FY2019	Q2 FY2019	Q3 FY2019	Q4 FY2019
Base	Sales	1,917	2,031	2,166	2,252	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264
	YoY	110.0%	124.5%	113.6%	111.3%	120.8%	106.3%	107.6%	101.2%	103.1%	95.6%	94.6%	99.3%
	OI	43	35	47	111	110	29	53	116	109	26	85	129
	YoY	60.6%	30.3%	43.6%	234.7%	253.7%	82.8%	110.6%	104.5%	99.2%	89.3%	161.7%	111.1%
Primary Labels	Sales	1,504	1,494	1,585	1,374	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591
	YoY	110.1%	120.9%	120.9%	105.4%	108.6%	112.5%	108.1%	101.0%	107.2%	111.1%	108.6%	114.6%
	OI	-72	12	0	-9	103	111	0	-135	-51	0	22	-21
	YoY	-	11.7%	5.8%	-	-	913.3%	382.6%	-	-	0.3%	3618.6%	-

Asia/Oceania: Quarterly Sales & OI

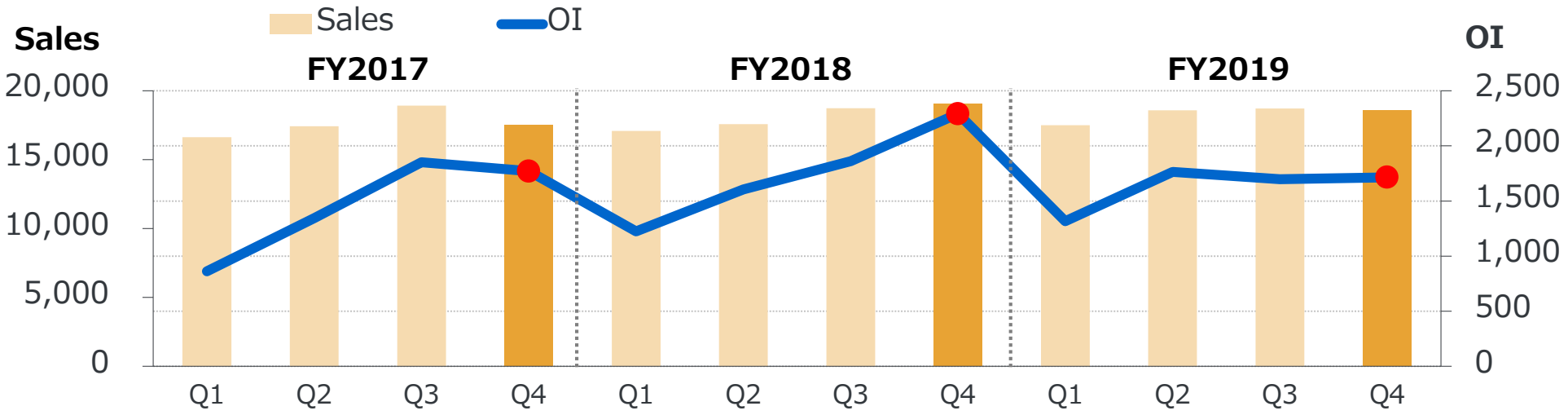
(Millions of JPY)



Base	Sales	3,229	3,422	3,757	3,403	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865
	YoY	101.8%	113.1%	111.6%	104.6%	110.3%	105.8%	99.6%	97.7%	94.2%	96.8%	99.9%	86.1%
	OI	213	511	486	294	324	502	670	350	294	374	504	176
	YoY	68.5%	243.6%	219.0%	188.9%	152.3%	98.2%	137.9%	118.8%	90.6%	74.5%	75.3%	50.3%

Quarterly Sales & OI

(Millions of JPY)

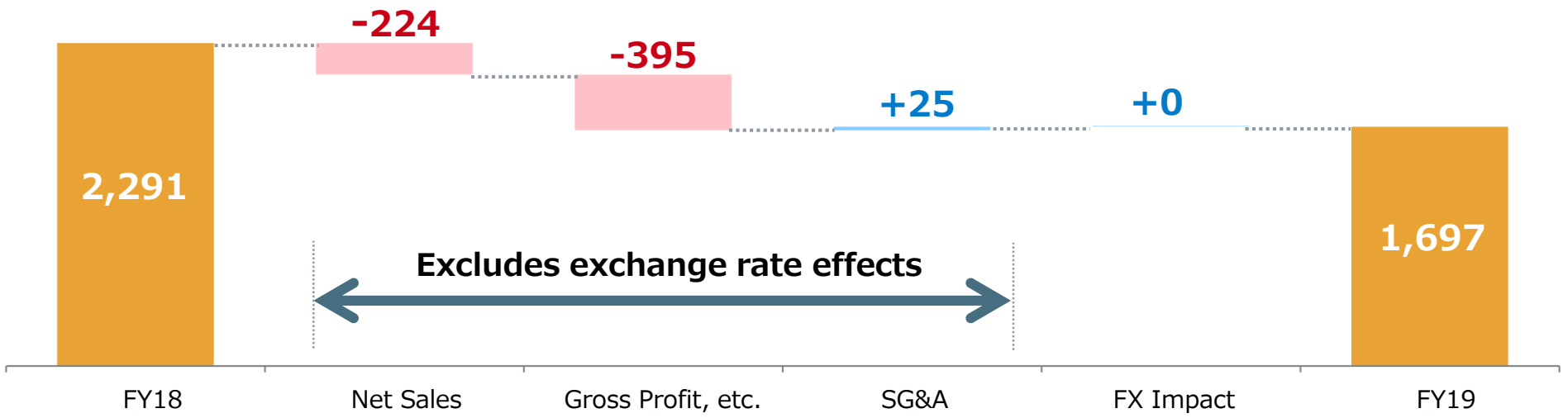


Sales	16,630	17,428	18,912	17,511	17,081	17,579	18,736	19,037	17,495	18,578	18,709	18,578
YoY	107.5%	105.0%	106.9%	100.0%	102.7%	100.9%	99.1%	108.7%	102.4%	105.7%	99.9%	97.6%
OI	862	1,345	1,851	1,771	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697
YoY	252.4%	109.5%	130.8%	111.7%	141.9%	119.4%	100.5%	129.3%	107.7%	109.8%	91.3%	74.1%

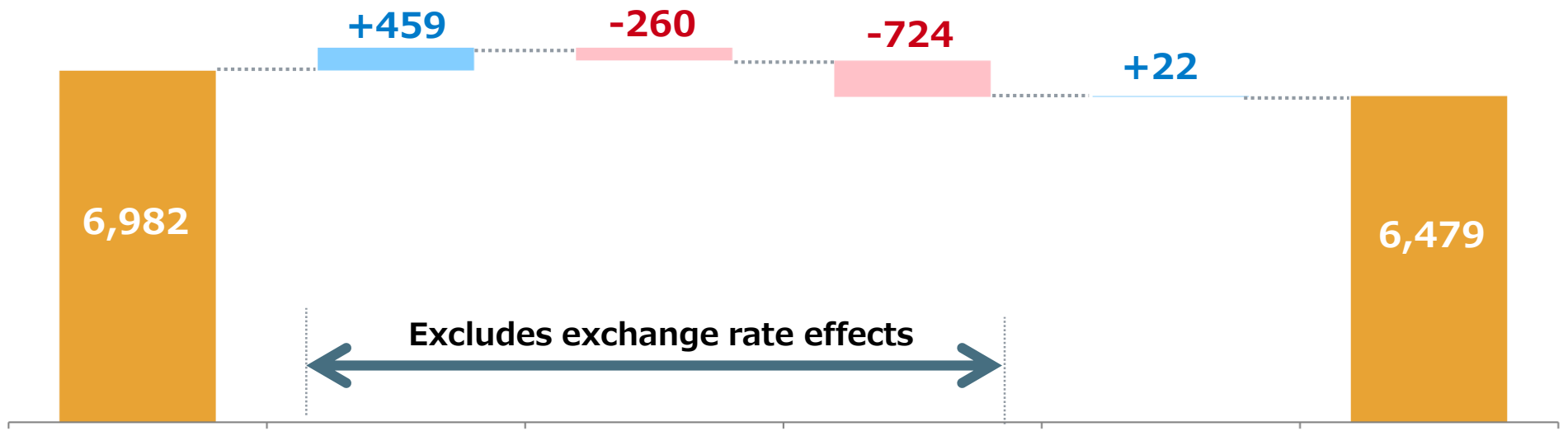
Major Gains/Losses in OI

Jan-Mar

(Millions of JPY)

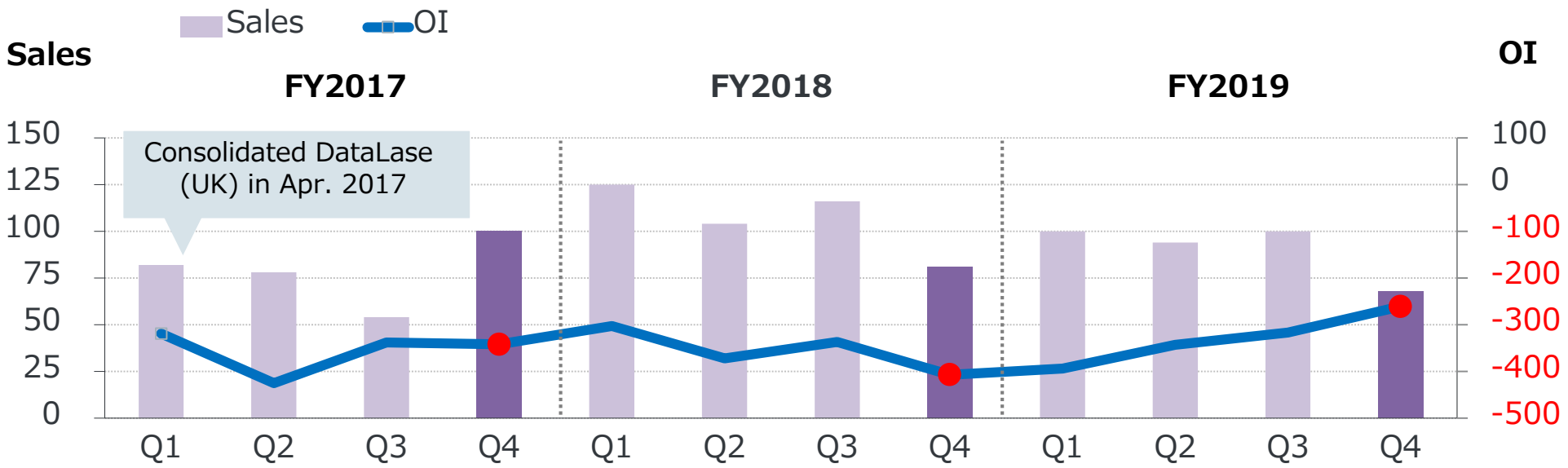


FY2019



Quarterly Sales & OI

(Millions of JPY)

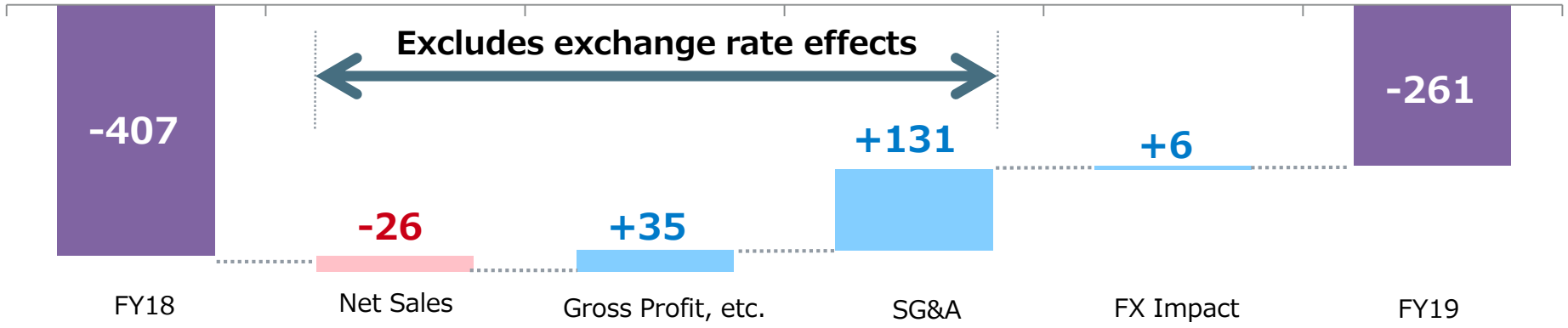


Sales	82	78	54	100	125	104	116	81	100	94	100	68
YoY	413.1%	269.3%	194.5%	673.2%	153.2%	134.0%	211.3%	81.1%	80.0%	90.0%	86.2%	84.5%
OI	-319	-425	-338	-342	-303	-372	-337	-407	-394	-343	-317	-261
YoY	-	-	-	-	-	-	-	-	-	-	-	-

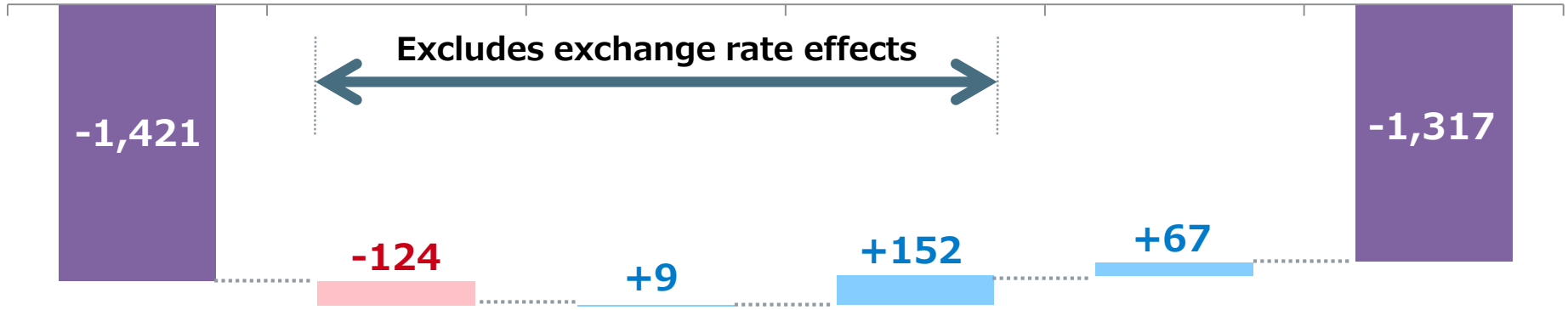
Major Gains/Losses in OI

Jan-Mar

(Millions of JPY)



FY2019



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 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 Base and the Primary Labels businesses.
2	Base business	Business of tagging variable information, such as barcodes, at customer's site of operations.
3	Primary Labels business	Overseas business of tagging fixed information via product labels and other media. This business operates from SATO Group companies; Achernar (Argentina), Prakolar (Brazil), Okil (Russia) and X-Pack (Russia).
4	IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing (IDP). A reporting segment formerly named "Materials business."
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, consumables, 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.
7	DCS & Labeling +One (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and RFID) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer tagging/labeling of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added "+One" technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.
8	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 attached price and other information to products, this concept has remained central to SATO's business.

(*) Underlined terms are described under its own heading

SATO Terminologies (2/4)

SATO-unique business concepts/initiatives		Description
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) integrate products, services and technologies into solutions, working together with strategic partners, (2) address a wide range of market, industry and application needs with our expertise in sites of operations, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	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 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.
11	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 variable information 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 carry out DCS & Labeling +One. 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.

SATO Terminologies (3/4)

Products, services, technologies		Description
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.
8	IDP (Inline Digital Printing)	A revolutionary, 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. As IDP uses no ink or labels at the point of printing, it eliminates the need for labeling, minimizes stock keeping units (SKUs) and reduces waste, while 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 products and packaging, making it ideal for real-time, consumer-directed marketing.

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 superior 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 labels company in which SATO acquired 75% ownership stake. X-Pack is 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.
Overseas subsidiary founded after 2017		**Description**
1	X-Pack (Russia)	[2017] A subsidiary producing and selling shrink sleeves, in-mould labels and soft packages in Primary Labels business, owned 60% by SATO Holdings.
2	SATO Healthcare Switzerland AG	[2018] A subsidiary specializing in health care, owned 100% by SATO Holdings.
3	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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