February 9, 2021

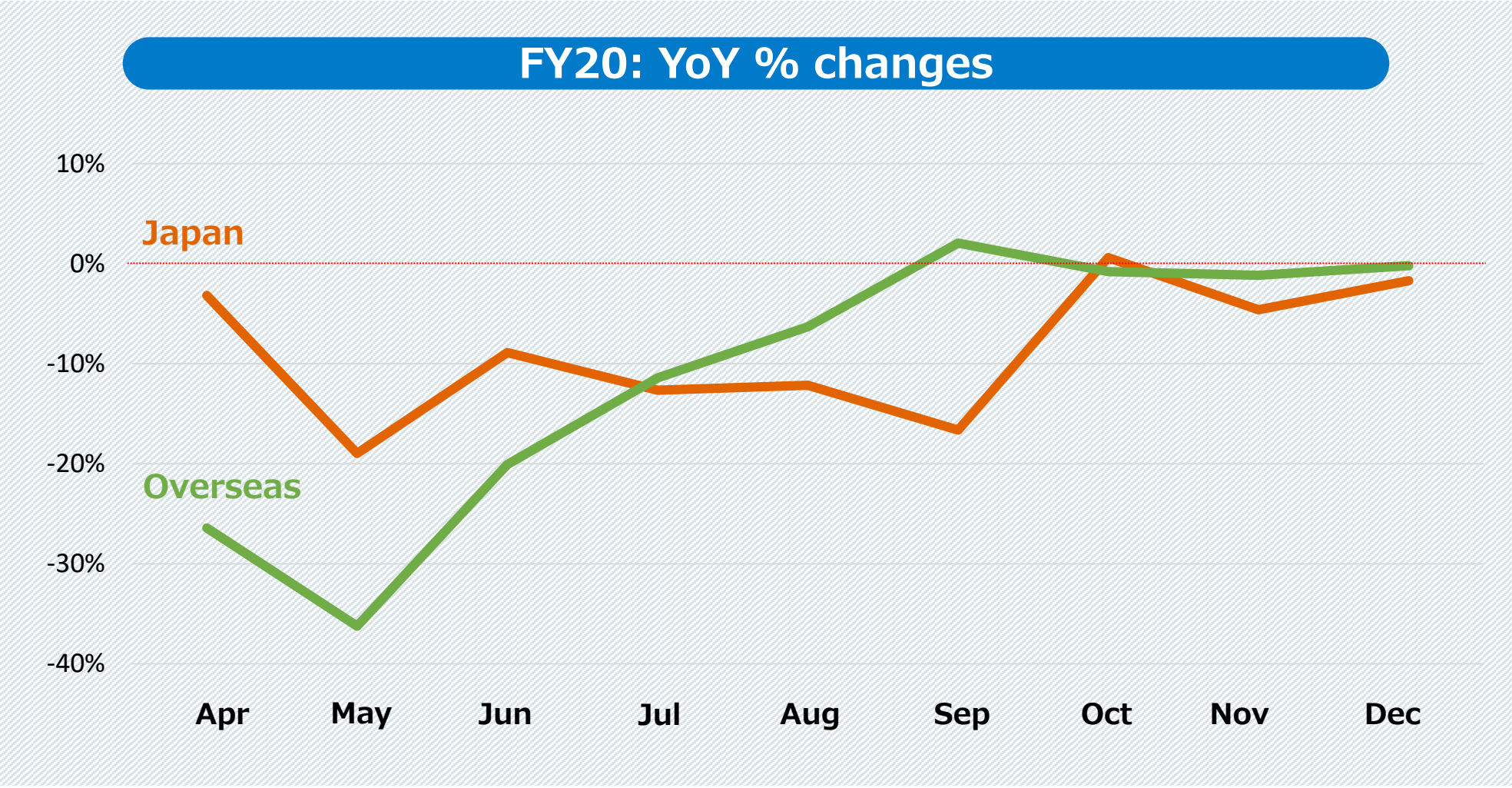
SATO HOLDINGS CORPORATION

FY2020 Q3 Financial Results
(Nine Months Ended December 31, 2020)

Securities Code: 6287

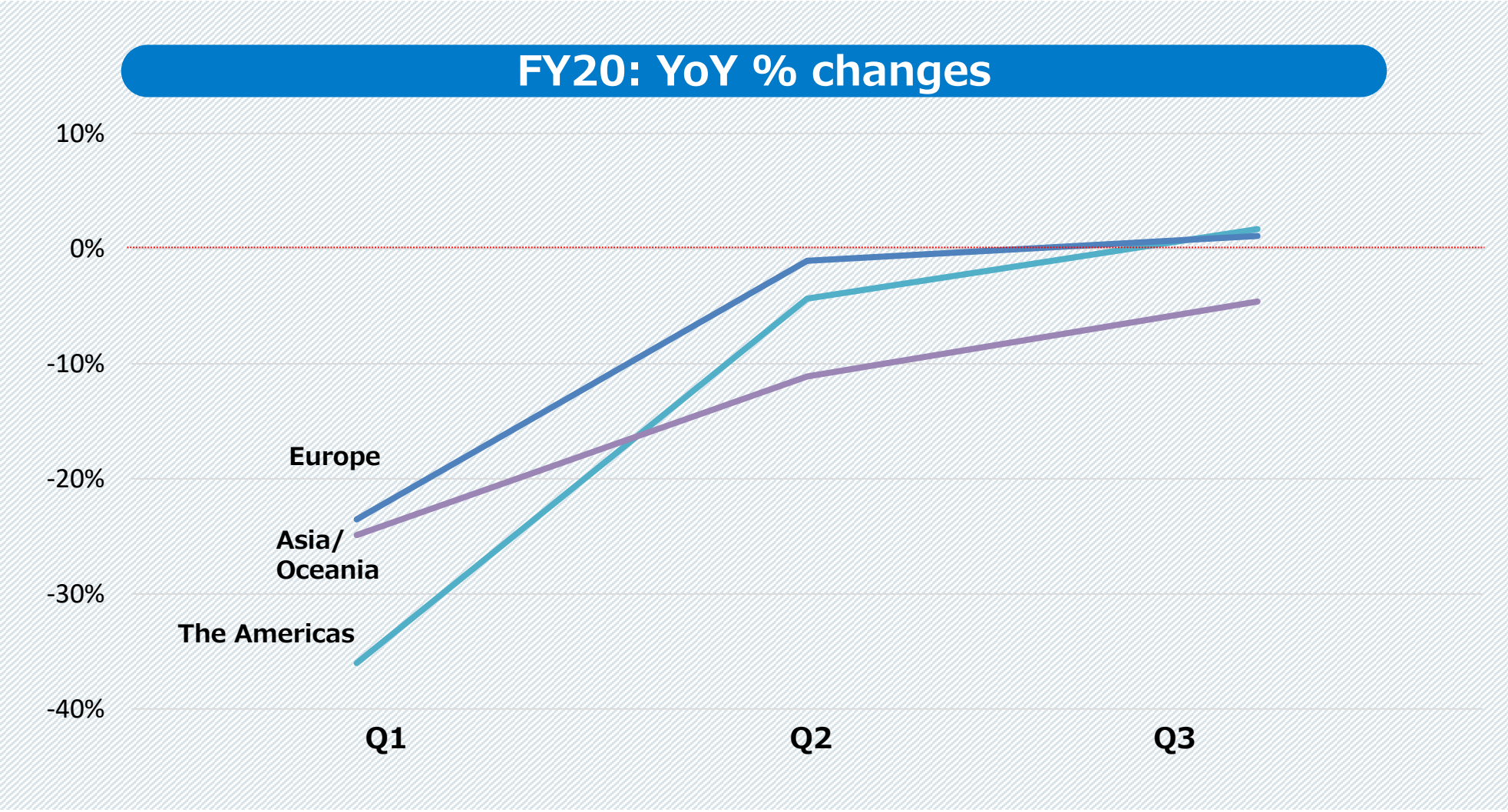
Monthly sales trends (Overseas/Japan)

Businesses both overseas and in Japan are recovering due to gradual resumption of sales activities and customer operations.



Quarterly sales trends by region

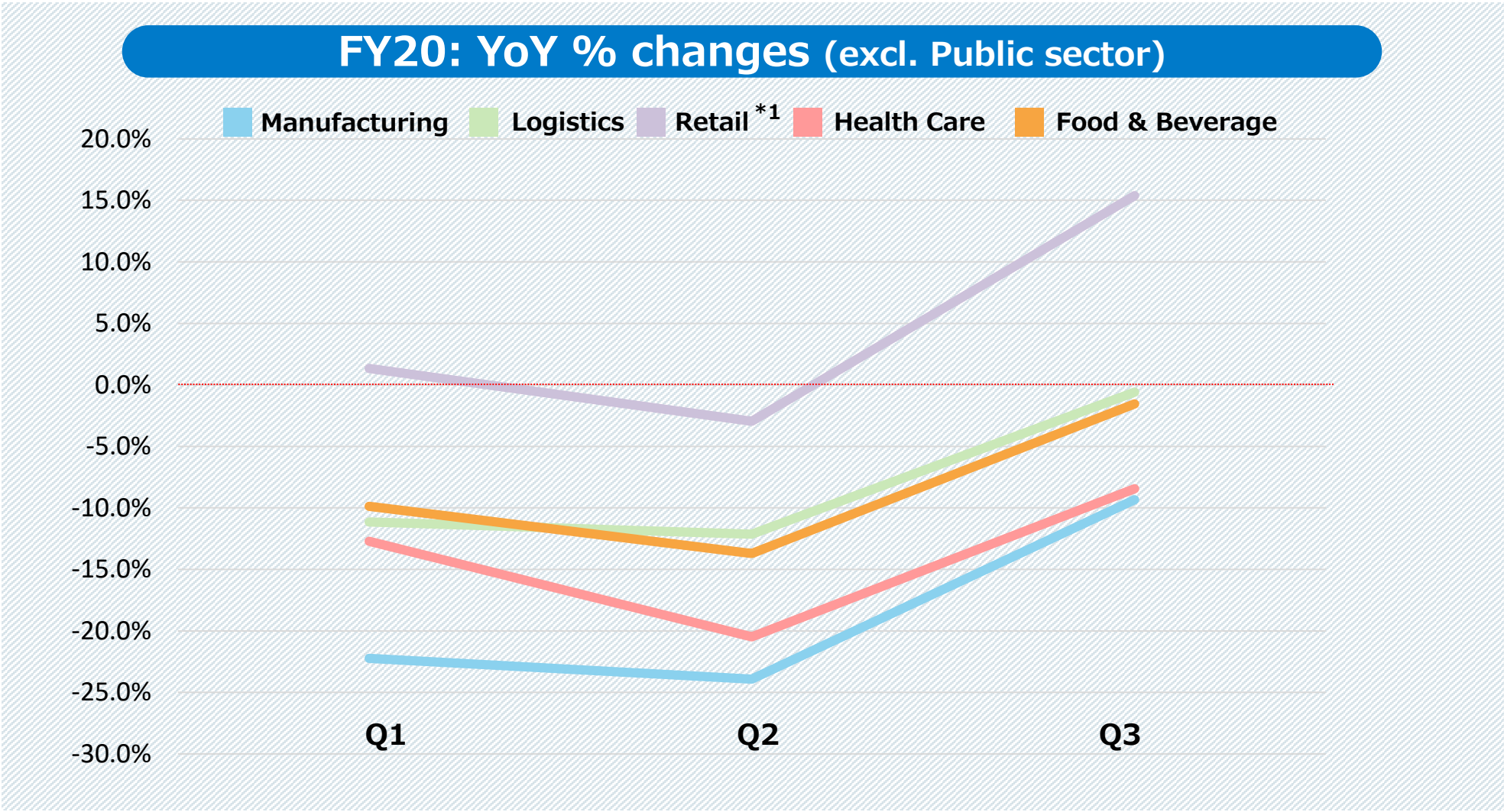
Following the Americas and Europe, Asia and Oceania also moved to a recovery trend.



Quarterly sales trends by vertical

Recovery trends are seen in all markets, especially in retail.

*1 Retail: ex-Retail/Apparel



Summary

Consolidated

Sales and operating income decreased YoY, as faster recovery in each region failed to offset the initial slowdown caused by the coronavirus.

Auto-ID Solutions Business (Overseas)

Sales and income decreased YoY

- Base business: Sales and income decreased due to the slowdown in Q1, despite the ensuing improvement.
- Primary labels business: Continued to perform strongly with focus on daily life infrastructure industries.
  Sales decreased slightly, but income increased significantly due lower cost of sales ratio.

Auto-ID Solutions Business (Japan)

Sales and income decreased YoY as a result of the slowdown in the first half of the fiscal year, despite the subsequent recovery due to measures taken in the first half and the resumption of customer operations.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Apr-Dec	FY2019 Apr-Dec	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**79,135**	**87,508**	**-9.6%**	**-7.3%**
	Operating Income	**3,822**	**6,710**	**-43.0%**	**-43.3%**
Overseas	Total Sales	29,059	32,725	-11.2%	**-5.0%**
	Operating Income	1,804	1,928	-6.4%	**+2.5%**
Japan	Total Sales	50,075	54,782	-8.6%	**-8.6%**
	Operating Income	2,018	4,782	-57.8%	**-61.8%**
IDP business	**Total Sales**	**136**	**294**	**-53.8%**	**-53.4%**
	Operating Income	**-148**	**-1,055**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**79,271**	**87,803**	**-9.7%**	**-7.4%**
	Operating Income	**3,777**	**5,645**	**-33.1%**	**-33.5%**

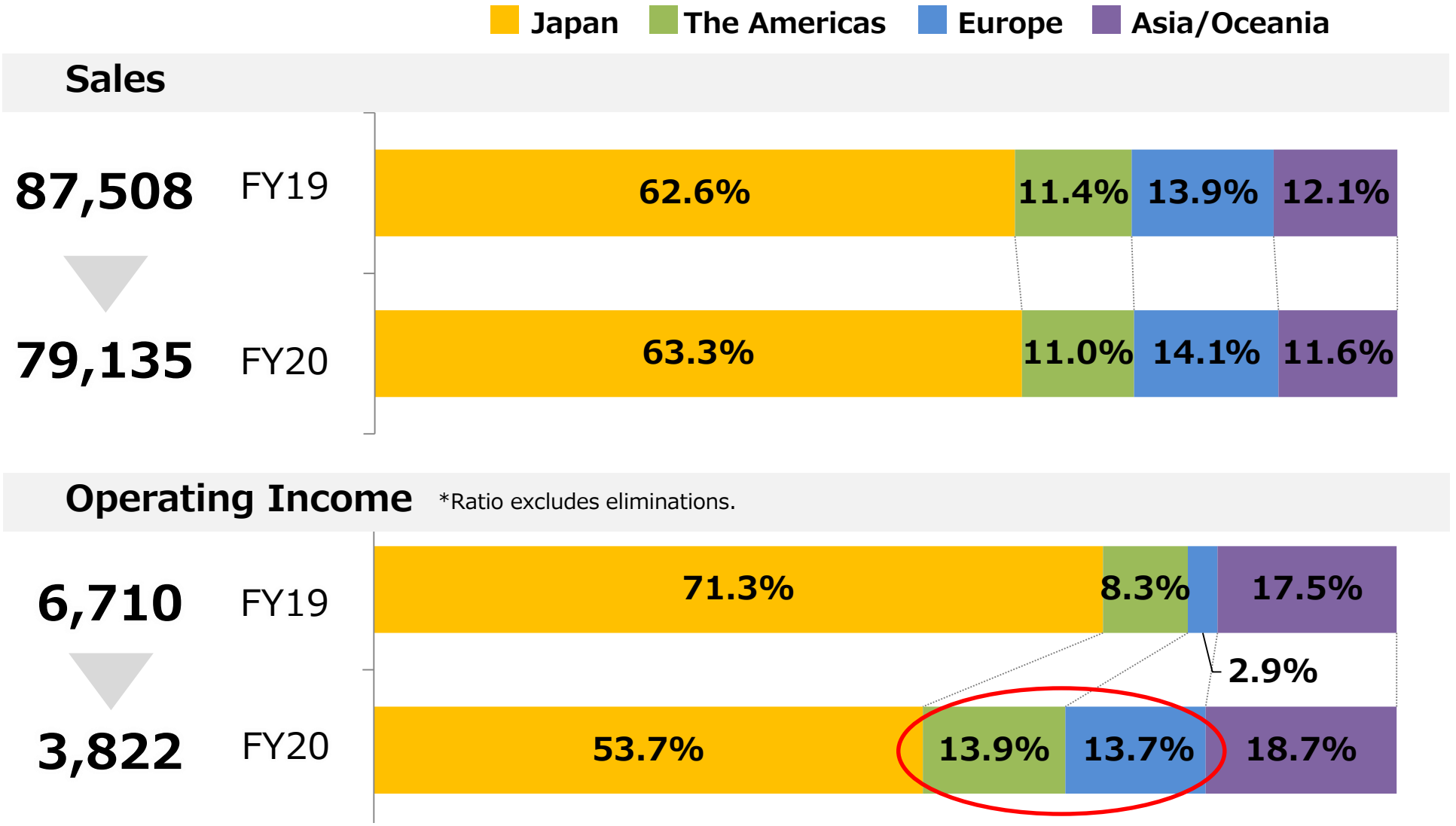
Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**29,398**	**29,827**	**-1.4%**	**+1.2%**
	Operating Income	**2,213**	**2,471**	**-10.4%**	**-11.9%**
Overseas	Total Sales	11,045	11,118	-0.7%	**+6.4%**
	Operating Income	1,043	772	+35.1%	**+45.7%**
Japan	Total Sales	18,352	18,709	-1.9%	**-1.9%**
	Operating Income	1,170	1,698	-31.1%	**-38.0%**
IDP business	**Total Sales**	**0**	**100**	**-**	**-**
	Operating Income	**0**	**-317**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**29,398**	**29,928**	**-1.8%**	**+0.9%**
	Operating Income	**2,307**	**2,103**	**+9.7%**	**+8.0%**

Sales and OI by region

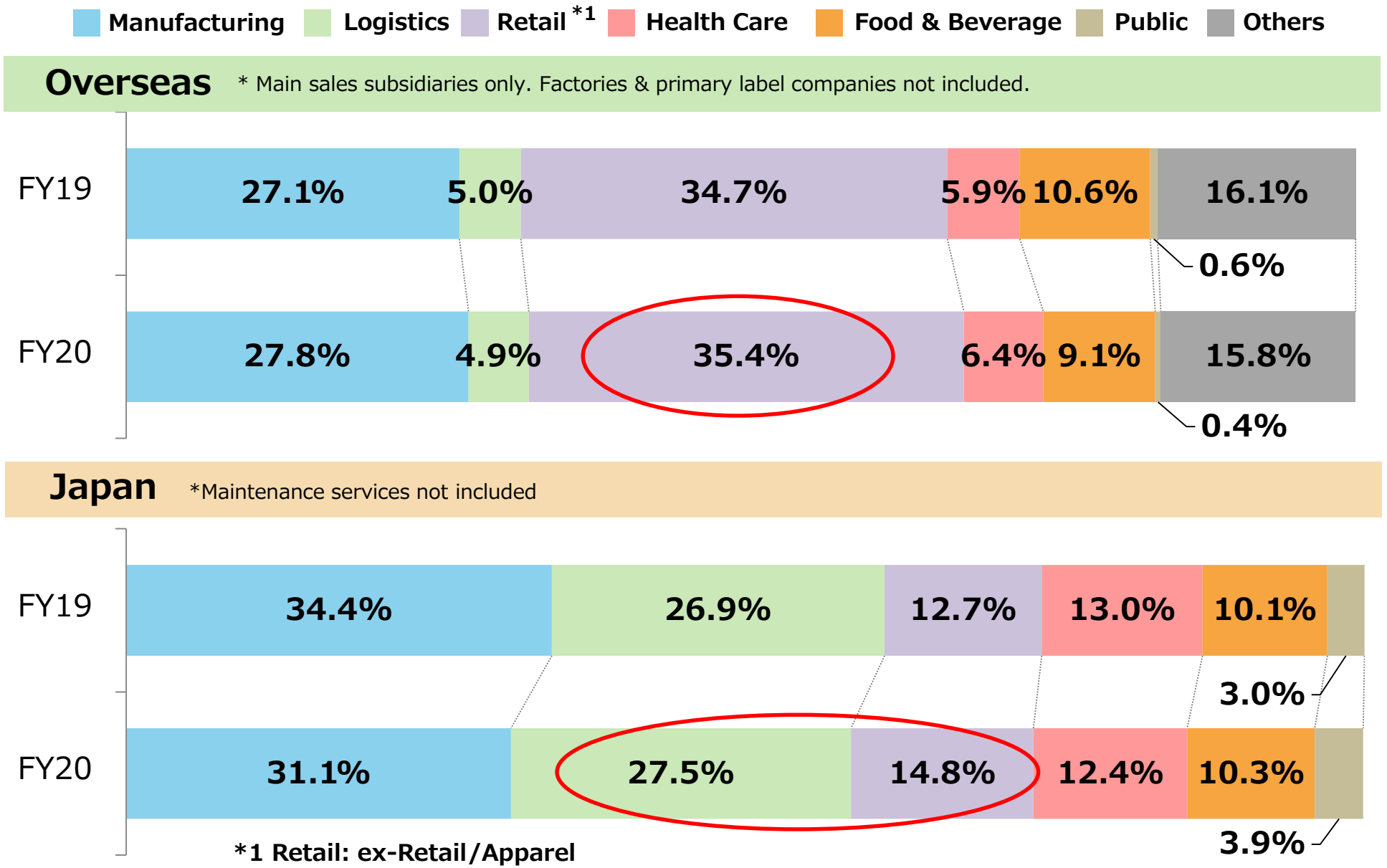
(Millions of JPY)



OI Ratio FY19 Japan : 8.7%, Overseas : 5.9%

FY20 Japan : 4.0%, Overseas : 6.2 %

Sales by vertical



Consolidated Results

(Millions of JPY)

	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY
Net Sales	79,271	87,803	-8,532	-9.7%
Operating Income	3,777	5,645	-1,868	-33.1%
Operating Income %	4.8%	6.4%	-1.7pt	-
Ordinary Income	3,469	5,362	-1,892	-35.3%
Profit attributable to owners of parent*1	11,604	4,157	+7,447	2.8x
Effective Tax Rate*2	8.3%	30.0%	-21.8pt	
EBITDA*3	7,030	10,096	-3,066	-30.4%

Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR, Apr-Dec FY19: JPY 108.64/USD, JPY 121.02/EUR
FX sensitivity for FY20: JPY +352 million in sales and JPY +3 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.
*2 Income tax was deducted due to the impairment loss booked in FY19 at DataLase, following the transfer of its shares in Sep 2020.
*3 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for Apr-Dec FY20: JPY 3,084 million Apr-Dec FY19: JPY 3,794 million
・Amortization for Apr-Dec FY20: JPY 168 million*4 Apr-Dec FY19: JPY 656 million (incl. 439 mil. for DataLase)
*4 Full value of DataLase's goodwill was written off in FY19 Q4.

Consolidated Results

(Millions of JPY)

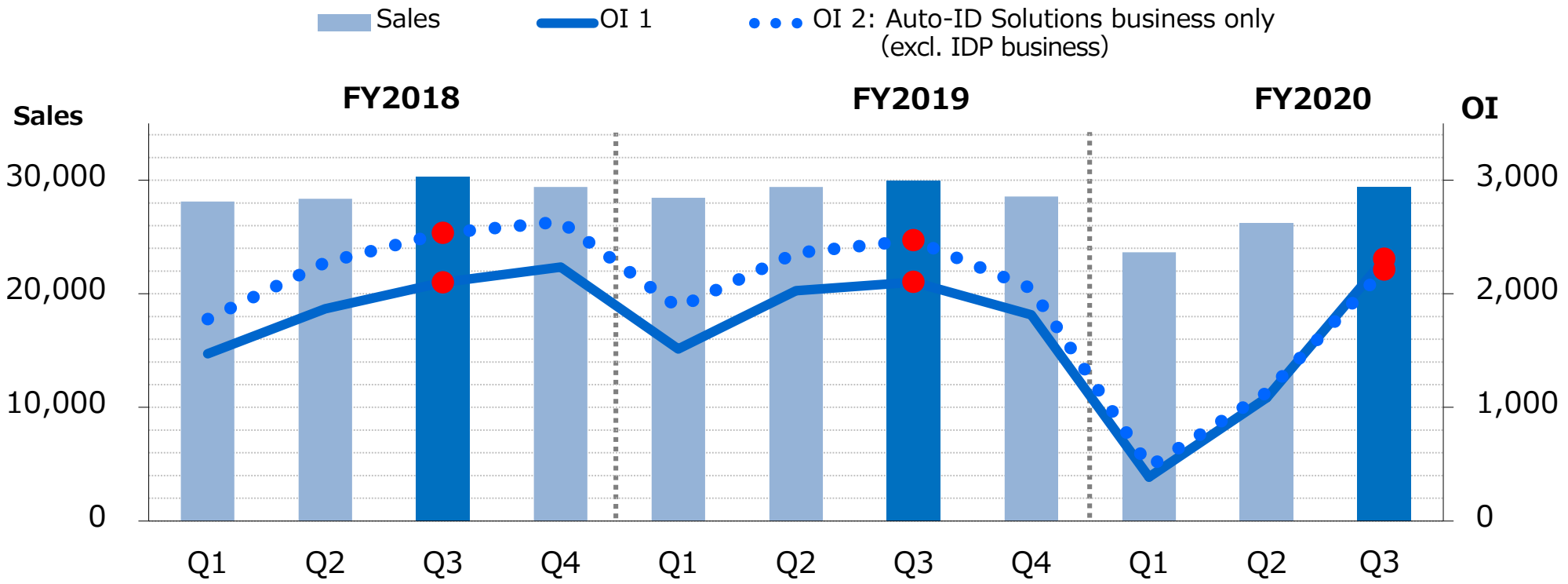
	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY
Net Sales	29,398	29,928	-529	-1.8%
Operating Income	2,307	2,103	+203	+9.7%
Operating Income %	7.8%	7.0%	+0.8pt	-
Ordinary Income	2,237	2,125	+112	+5.3%
Profit attributable to owners of parent*1	8,354	1,276	+7,077	6.5x
Effective Tax Rate	31.4%	36.6%	-5.2pt	
EBITDA*2	3,379	3,608	-228	-6.3%

Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR, Apr-Dec FY19: JPY 108.64/USD, JPY 121.02/EUR
FX sensitivity for FY20: JPY +352 million in sales and JPY +3 million in OI for +1 JPY against USD and assuming all others move by the same ratio

*1 Gain on sales of property, plant and equipment associated with the sale of the previous head office was recorded in FY20 Q3.
*2 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for Oct-Dec FY20: JPY 1,018million Oct-Dec FY19: JPY 1,285 million
・Amortization for Oct-Dec FY20: JPY 54 million*3 Oct-Dec FY19: JPY 219 million (incl. 148 mil. for DataLase)
*3 Full value of DataLase's goodwill was written off in FY19 Q4.

Quarterly Sales & OI

(Millions of JPY)



Sales	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569	23,651	26,221	29,398
YoY	+4.9%	+1.2%	+0.3%	+3.7%	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%
OI 1	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,815	385	1,084	2,307
YoY	+73.1%	+9.7%	-0.9%	+42.0%	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%
OI 2	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047	476	1,132	2,213
YoY	+44.3%	+9.6%	+0.8%	+40.6%	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%

Overview

Oct-Dec

- Sales recovered to almost flat YoY thanks to high-touch solutions provided to well-performing industries.
- Operating income increased mainly due to higher sales and lower cost of sales ratio in the primary labels business.

(Millions of JPY)

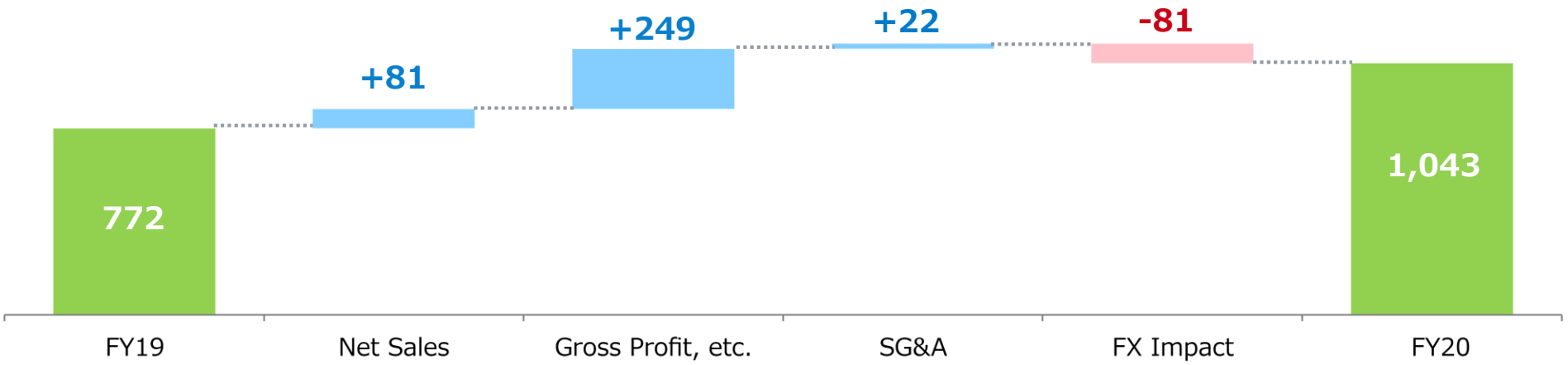
	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Total Sales	**11,045**	**11,118**	**-72**	**-0.7%**	**+6.4%**
Gross Profit	4,093	4,004	+89	+2.2%	-
Gross Profit %	37.1%	36.0%	+1.0pt	-	-
Operating Income	**1,043**	**772**	**+270**	**+35.1%**	**+45.7%**
Operating Income %	9.4%	6.9%	+2.5pt	-	-

	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Total Sales	**29,059**	**32,725**	**-3,666**	**-11.2%**	**-5.0%**
Gross Profit	10,416	11,510	-1,093	-9.5%	-
Gross Profit %	35.8%	35.2%	+0.7pt	-	-
Operating Income	**1,804**	**1,928**	**-123**	**-6.4%**	**+2.5%**
Operating Income %	6.2%	5.9%	+0.3pt	-	-

Major Gains/Losses in OI

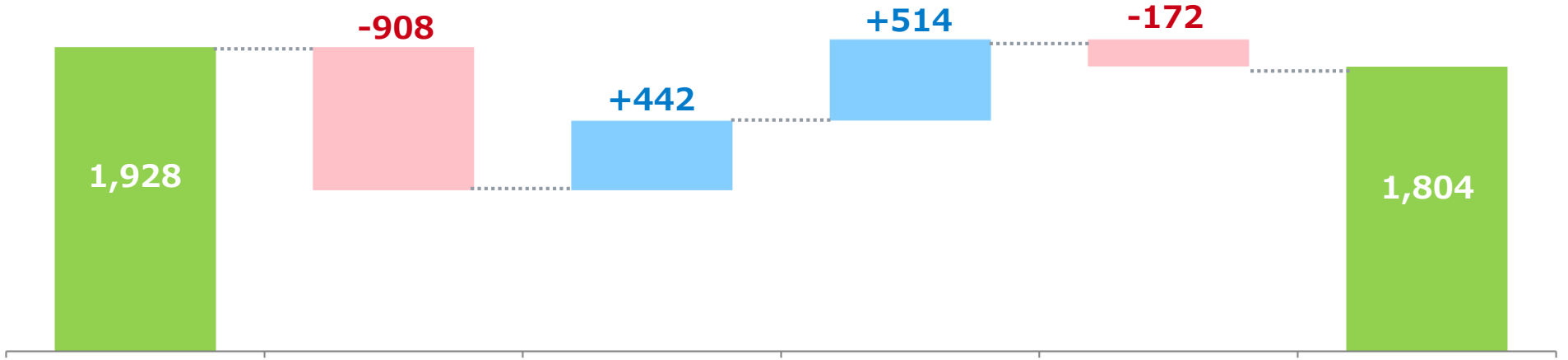
(Millions of JPY)

Oct-Dec



Apr-Dec

Excludes exchange rate effects



Breakdown by Business Segment

Oct-Dec

Base business: Sales and operating income recovered to almost the same level YoY by successfully providing solutions to industries with strong demand such as grocery supermarkets and electricals.
Primary labels business: Sales and income increased, driven by industries that support daily life infrastructure, such as food, beverage and pharmaceutical industries.

(Millions of JPY)

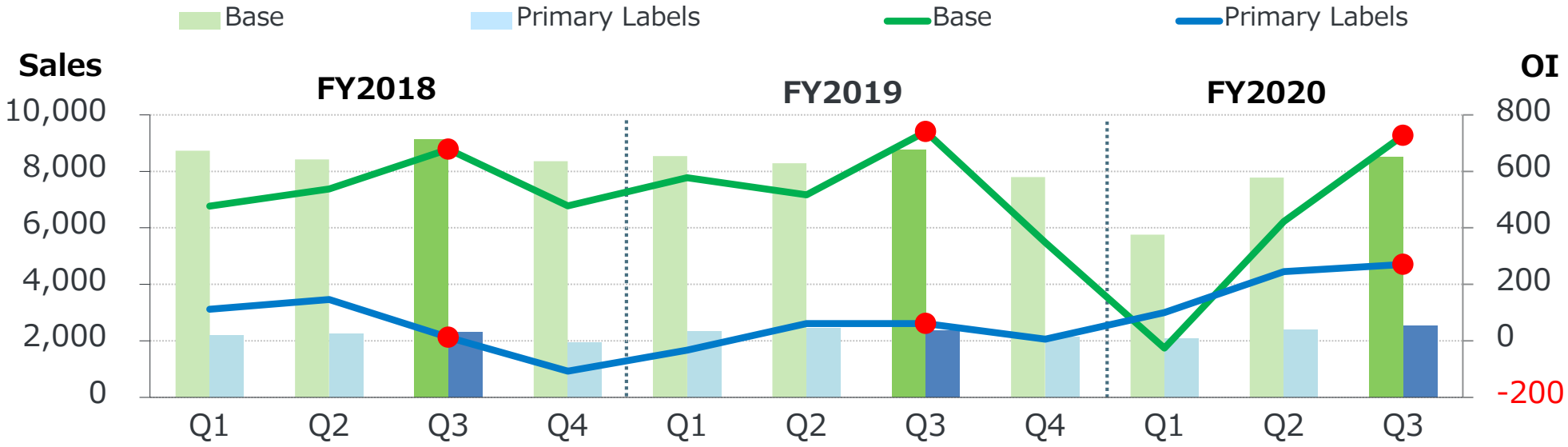
		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	8,499	8,758	-258	-3.0%	-1.5%
	Operating Income	727	740	-13	-1.8%	-1.1%
Primary Labels	Total Sales	2,546	2,360	+186	+7.9%	+35.8%
	Operating Income	270	61	+209	4.4x	5.7x
Eliminations	Operating Income	45	-29	+74	-	-
Total	Total Sales	11,045	11,118	-72	-0.7%	+6.4%
	Operating Income	1,043	772	+270	+35.1%	+45.7%

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	22,034	25,583	-3,549	-13.9%	-12.2%
	Operating Income	1,124	1,836	-711	-38.8%	-37.9%
Primary Labels	Total Sales	7,025	7,142	-116	-1.6%	+20.6%
	Operating Income	616	88	+528	7.0x	8.7x
Eliminations	Operating Income	63	3	+60	18.5x	18.5x
Total	Total Sales	29,059	32,725	-3,666	-11.2%	-5.0%
	Operating Income	1,804	1,928	-123	-6.4%	+2.5%

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)



Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755	7,779	8,499
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%
	OI	477	538	678	478	577	517	740	348	-26	423	727
	YoY	+39.9%	-21.0%	-3.3%	18.7x	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%
Primary Labels	Sales	2,180	2,264	2,301	1,939	2,328	2,453	2,360	2,128	2,089	2,389	2,546
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%
	OI	112	146	12	-107	-33	61	61	6	100	245	270
	YoY	2.4x	5.6x	-	-	-	-58.3%	4.9x	-	-	4.0x	4.4x

Breakdown by Region: The Americas

Oct-Dec

Base business: Sales were almost flat YoY as we focused on well-performing major US retailers. Operating income increased in line with mechatronics growth.

Primary labels business: Sales and income increased due to strong sales in the beverage and cosmetics industries at Achernar in Argentina and in the pharmaceutical, beverage, and cosmetics industries at Prakolar in Brazil.

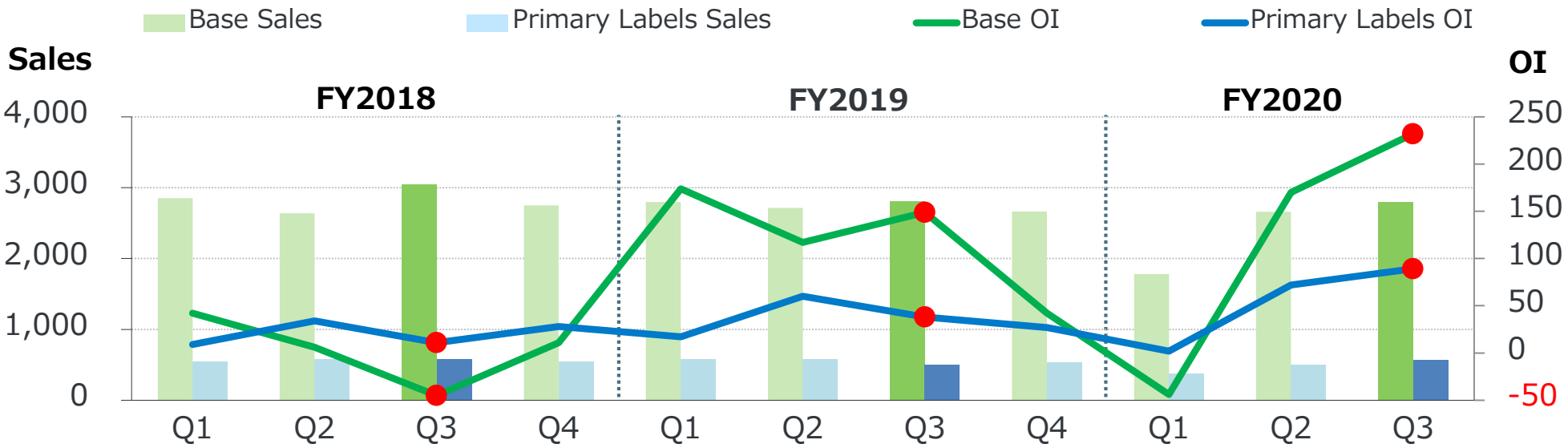
(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	2,794	2,811	-17	-0.6%	+4.8%
	Operating Income	232	149	+82	+54.8%	+62.0%
Primary Labels ・Achernar ・Prakolar	Total Sales	571	497	+74	+14.9%	+60.5%
	Operating Income	89	38	+51	2.3x	3.3x
Total	Total Sales	3,366	3,309	+57	+1.7%	+13.1%
	Operating Income	322	188	+133	+70.7%	+96.9%

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	7,236	8,323	-1,087	-13.1%	-9.2%
	Operating Income	358	441	-83	-18.9%	-15.2%
Primary Labels ・Achernar ・Prakolar	Total Sales	1,448	1,661	-212	-12.8%	+24.0%
	Operating Income	165	116	+48	+41.3%	2.0x
Total	Total Sales	8,685	9,985	-1,300	-13.0%	-3.7%
	Operating Income	523	558	-35	-6.3%	+10.4%

The Americas: Quarterly Sales & OI

(Millions of JPY)



		Q1 FY2018	Q2 FY2018	Q3 FY2018	Q4 FY2018	Q1 FY2019	Q2 FY2019	Q3 FY2019	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020
Base	Sales	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664	1,781	2,660	2,794
	YoY	+2.7%	-9.0%	-0.6%	-9.4%	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%
	OI	42	6	-45	11	174	117	149	42	-44	170	232
	YoY	-49.7%	-94.9%	-	-	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%
Primary Labels	Sales	546	584	587	550	577	586	497	536	378	498	571
	YoY	-16.9%	-12.4%	-9.9%	-19.6%	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%
	OI	9	34	11	28	17	60	38	27	2	72	89
	YoY	-92.1%	2.5x	-	-68.0%	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x

Breakdown by Region: Europe

Oct-Dec

Base business: Performed well to book a slight decrease in sales with focus on the retail market, such as grocery supermarkets. Operating income increased due to cost reductions through changes in marketing styles in line with the coronavirus pandemic.

Primary labels business: Sales and income increased at the two Russian subsidiaries as a result of capturing demand for food and alcoholic beverages.

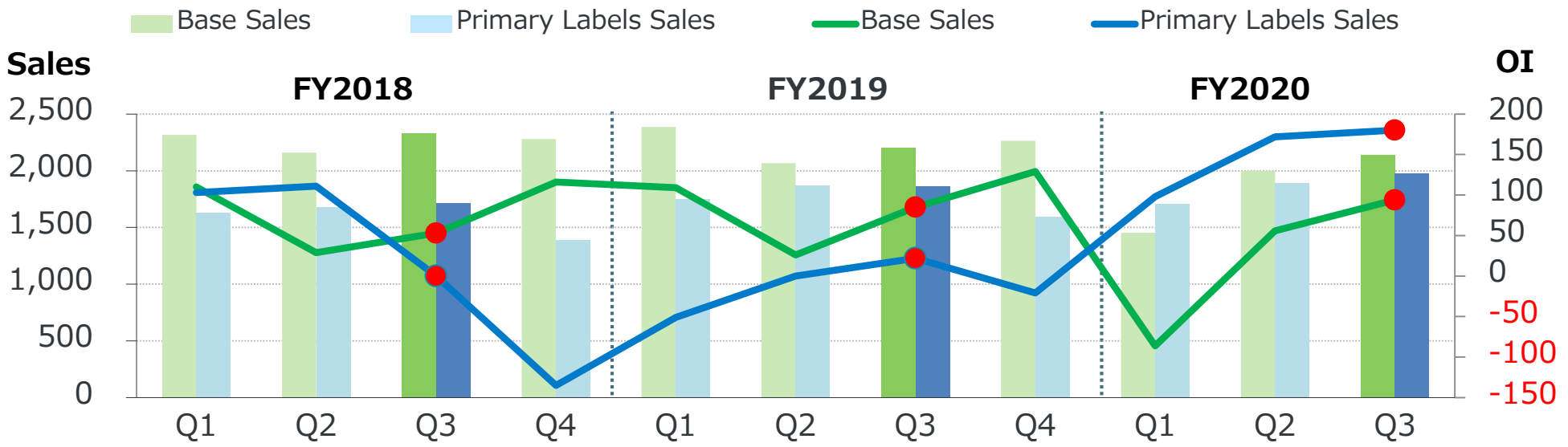
(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl. FX impact
Base	Total Sales	2,137	2,205	-68	-3.1%	-5.2%
	Operating Income	94	85	+8	+9.6%	+10.0%
Primary Labels ・Okil ・X-Pack	Total Sales	1,974	1,862	+112	+6.0%	+29.2%
	Operating Income	180	22	+158	8.0x	9.7x
Total	Total Sales	4,111	4,067	+43	+1.1%	+10.6%
	Operating Income	274	108	+166	2.5x	2.9x

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl. FX impact
Base	Total Sales	5,591	6,658	-1,067	-16.0%	-16.5%
	Operating Income	64	221	-157	-71.0%	-70.2%
Primary Labels ・Okil ・X-Pack	Total Sales	5,576	5,480	+96	+1.8%	+19.5%
	Operating Income	451	-28	+479	-	-
Total	Total Sales	11,167	12,139	-971	-8.0%	-0.3%
	Operating Income	515	192	+322	2.7x	3.1x

Europe: Quarterly Sales & OI

(Millions of JPY)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264	1,453	2,000	2,137
	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%
	OI	110	29	53	116	109	26	85	129	-86	56	94
	YoY	2.5x	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%
Primary Labels	Sales	1,633	1,680	1,714	1,388	1,751	1,867	1,862	1,591	1,711	1,891	1,974
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%
	OI	103	111	0	-135	-51	0	22	-21	98	172	180
	YoY	-	9.1x	3.8x	-	-	-99.7%	36.2x	-	-	503.7x	8.0x

Breakdown by Region: Asia/Oceania

Oct-Dec

Base business: Sales and operating income declined as the manufacturing sector, which accounts for a high percentage of sales, has taken time to recover.
However, both sales and income increased in China where recovery preceded others.

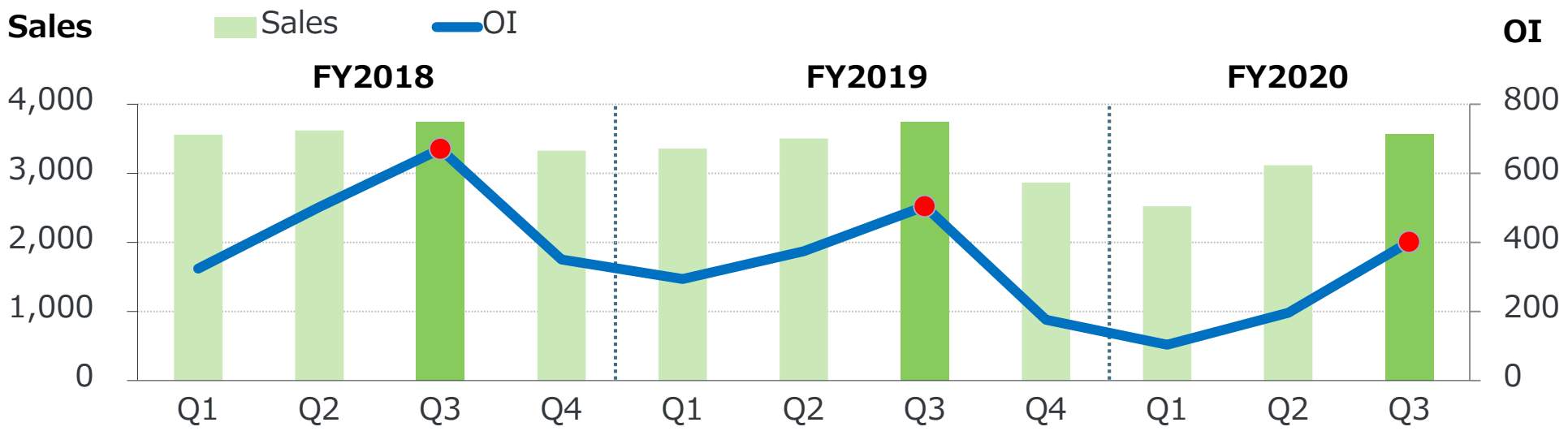
(Millions of JPY)

		FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	3,567	3,740	-173	-4.6%	-4.1%
	Operating Income	401	504	-103	-20.5%	-21.7%

		FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY	excl.FX Impact
Base	Total Sales	9,206	10,601	-1,395	-13.2%	-11.7%
	Operating Income	701	1,173	-471	-40.2%	-40.4%

Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Base	Sales	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865	2,520	3,117	3,567
	YoY	+10.3%	+5.8%	-0.4%	-2.3%	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%
	OI	324	502	670	350	294	374	504	176	104	196	401
	YoY	+52.3%	-1.8%	+37.9%	+18.8%	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%

Overview

Oct-Dec

Although sales and operating income declined, both improved QoQ driven mainly by the consumables business due to recovery in sales activities and customer operations. By market, retail strongly led the overall performance.

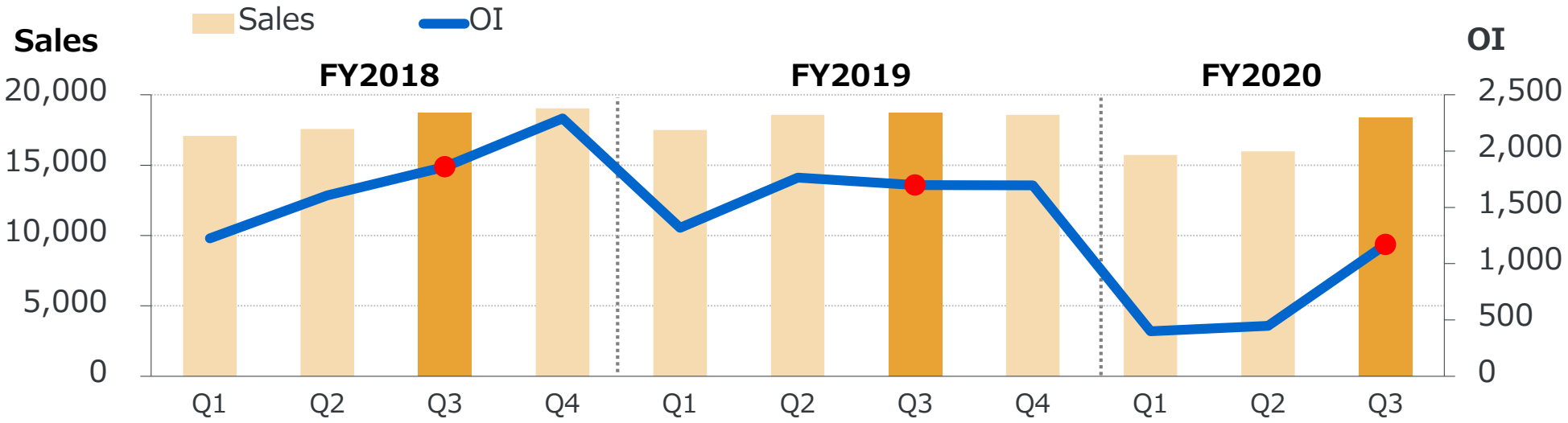
(Millions of JPY)

	FY2020 Oct-Dec	FY2019 Oct-Dec	Change	YoY
Mechatronics Sales	7,027	7,456	-428	-5.7%
Consumables Sales	11,325	11,253	+71	+0.6%
Total Sales	**18,352**	**18,709**	**-356**	**-1.9%**
Gross Profit	8,662	9,136	-473	-5.2%
Gross Profit %	47.2%	48.8%	-1.6pt	-
Operating Income	**1,170**	**1,698**	**-528**	**-31.1%**
Operating Income %	6.4%	9.1%	-2.7pt	-

	FY2020 Apr-Dec	FY2019 Apr-Dec	Change	YoY
Mechatronics Sales	19,524	22,086	-2,561	-11.6%
Consumables Sales	30,551	32,696	-2,145	-6.6%
Total Sales	**50,075**	**54,782**	**-4,707**	**-8.6%**
Gross Profit	23,616	27,194	-3,578	-13.2%
Gross Profit %	47.2%	49.6%	-2.5pt	-
Operating Income	**2,018**	**4,782**	**-2,764**	**-57.8%**
Operating Income %	4.0%	8.7%	-4.7pt	-

Quarterly Sales & OI

(Millions of JPY)

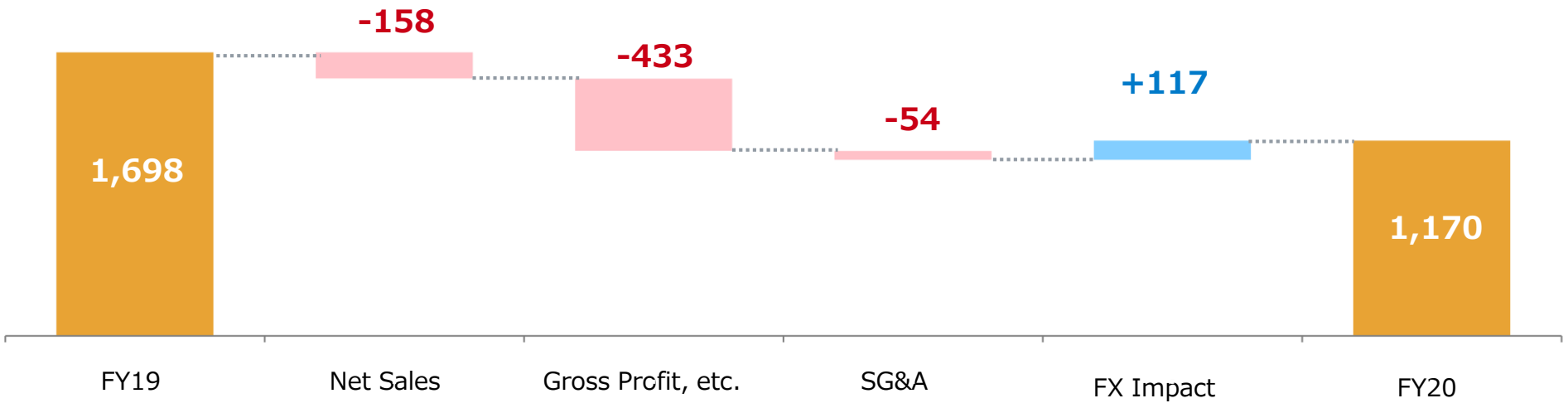


Sales	17,081	17,579	18,736	19,037	17,495	18,578	18,709	18,578	15,730	15,991	18,352
YoY	+2.7%	+0.9%	-0.9%	+8.7%	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%
OI	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697	399	448	1,170
YoY	+41.9%	+19.4%	+0.5%	+29.3%	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%

Major Gains/Losses in OI

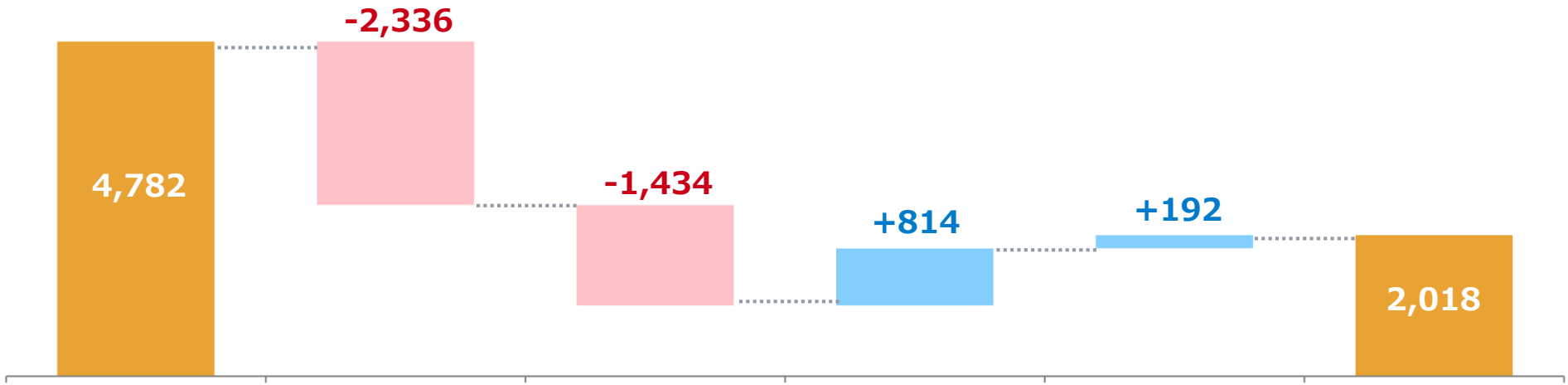
(Millions of JPY)

Oct-Dec



Apr-Dec

Excludes exchange rate effects



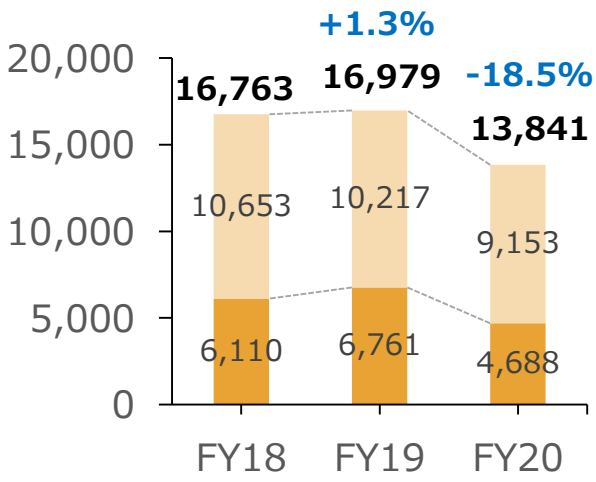
Auto-ID Solutions Business (Japan) Apr-Dec

(Millions of JPY)

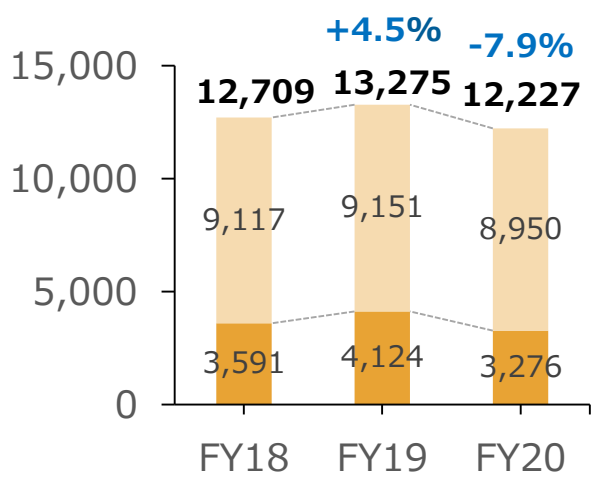
■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail/Apparel

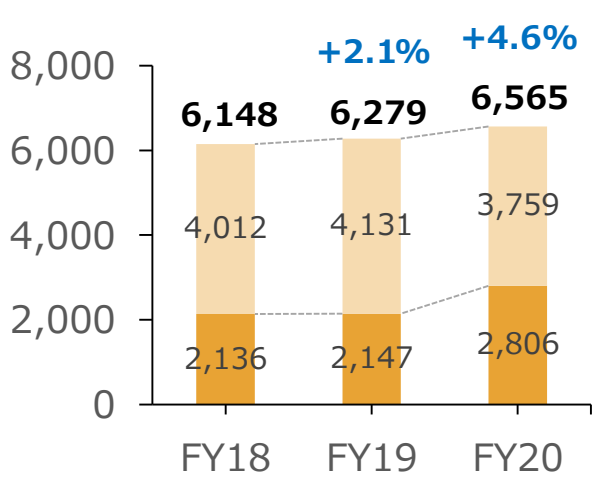
Manufacturing



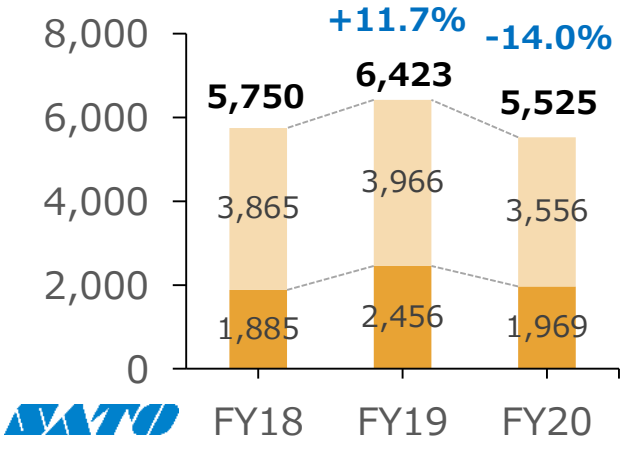
Logistics



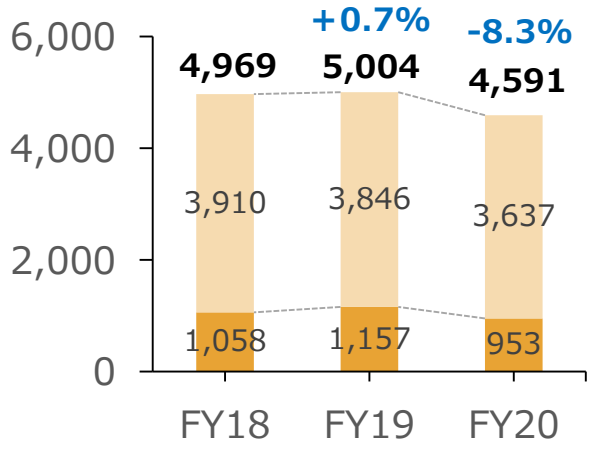
Retail *1



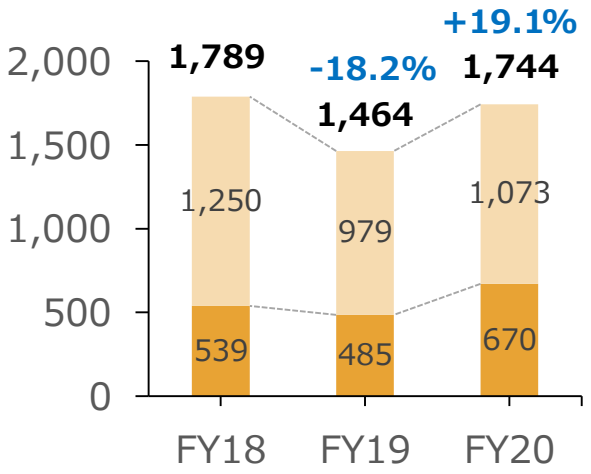
Health Care



Food & Beverage



Public



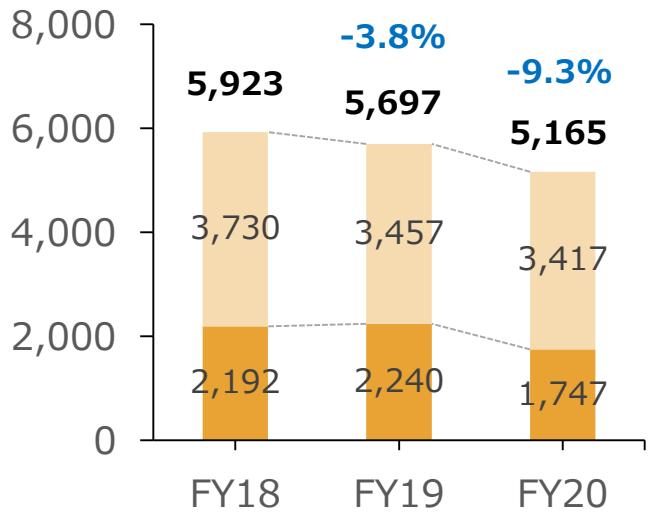
Sales by Vertical [1]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

*1 : ex-Retail/Apparel

Manufacturing



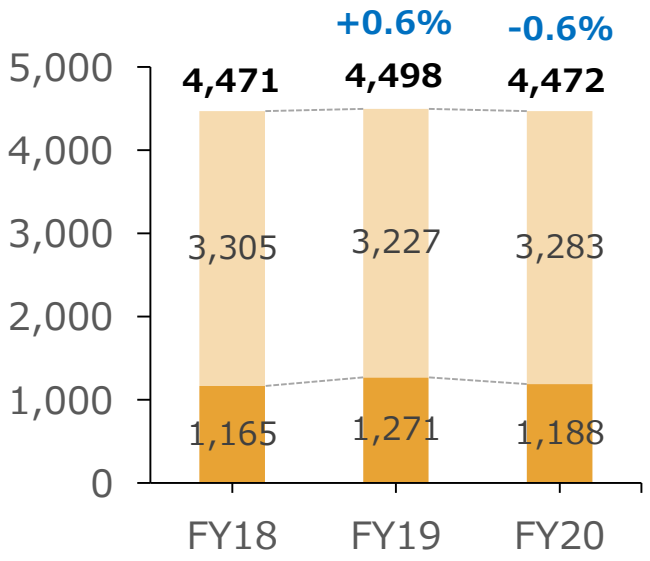
Business Environment

Production activity is recovering, and many industries saw a smaller YoY decline on a quarterly basis.

SATO

In mechatronics, sales measures implemented in 1H are gradually bearing fruit.
Consumables business recovered strongly by capturing growing demand and was nearly flat YoY.

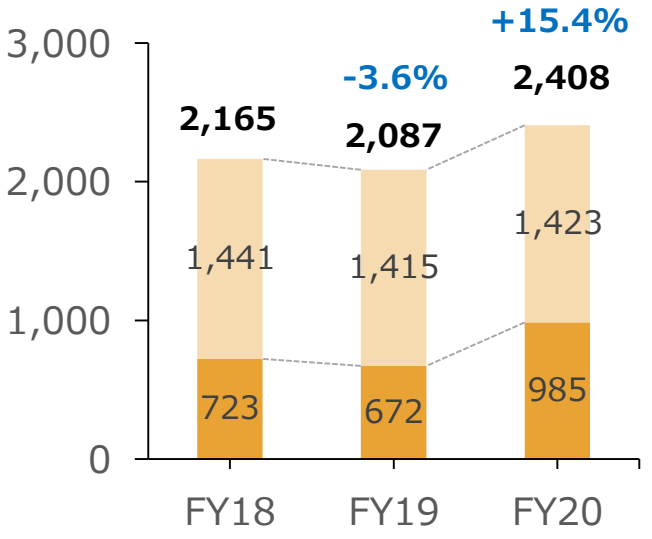
Logistics



Volume of goods increased due to brisk activity in the e-commerce industry.
In addition to responding to labor shortages, needs for ensuring employee safety are growing.

Both mechatronics and consumables recovered QoQ, mainly due to the needs of the robust e-commerce industry.
For consumables in particular, sales increased even YoY due to higher volume in e-commerce.

Retail *1



Grocery supermarkets remained active.
Specialty stores were sluggish due to declining sales at physical stores, but a growing herd is rushing to e-commerce.

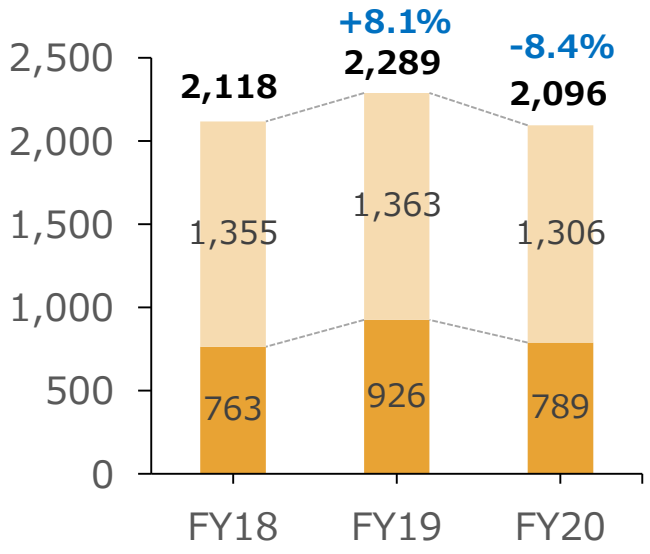
Sales of mechatronics increased due to large orders for printers in response to the strong investment appetite of grocery supermarkets.
Sales in the consumables business also increased for grocery supermarkets and e-commerce.

Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables *% indicates YoY change

Health Care



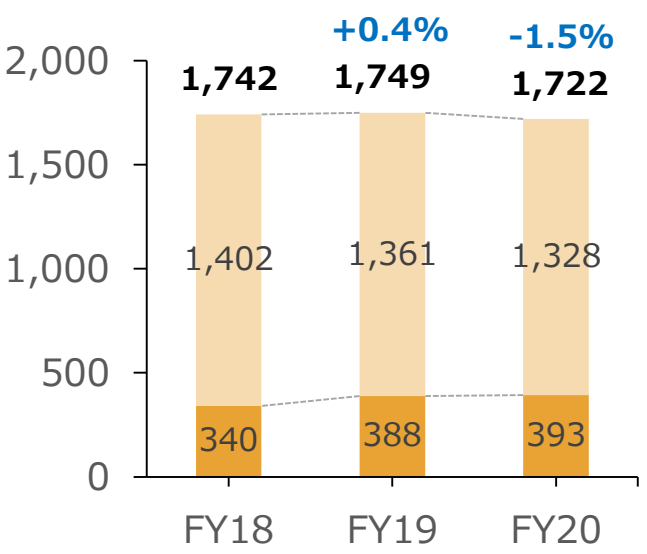
Business Environment

The number of outpatient visits to medical institutions is recovering, and the YoY decline in overall market volume is moderating.

SATO

Mechatronics are on a recovery track as 1H sales measures start to deliver results.
Consumables sales increased QoQ on back of recovery in volume of goods.

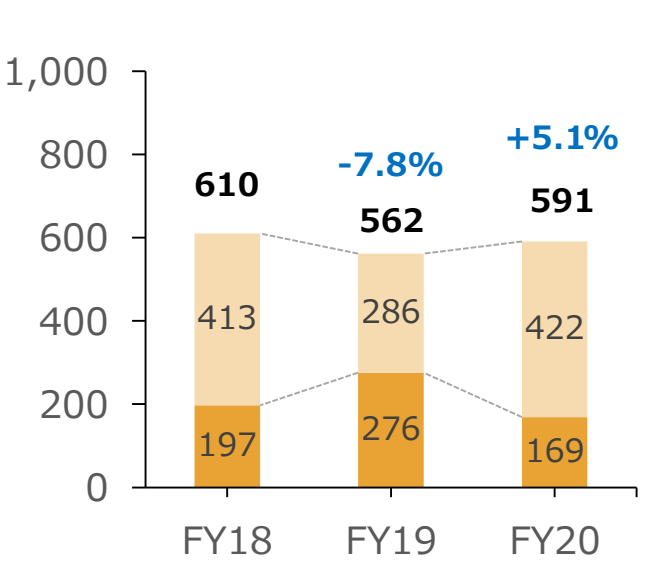
Food & Beverage



Thanks to the continuation of nesting demand, eating at home and home-meals were firm.
Demand for restaurants and commercial use remained weak.

Mechatronics sales increased due to on-going equipment installation for automation and efficiency improvement in well performing industries.
Consumables business recovered overall QoQ despite weakness in food production for restaurants.

Public



The overall business environment remained stable. Business dealings for operational efficiency increased.

Mechatronics saw an increase in orders, but a decrease in sales YoY due to the absence of large orders received last year.
Consumables sales grew due to an increase in orders from large customers.

FY2020 Consolidated Forecasts

(Millions of JPY)

	Apr-Dec		Jan-Mar		Full Year	
	Results	YoY	Forecast	YoY	Forecast	YoY
Net Sales	79,271	-9.7%	26,728	-6.4%	106,000 (102,500)	-8.9%
Operating Income	3,777	-33.1%	1,322	-27.1%	5,100 (3,600)	-31.6%
Ordinary Income	3,469	-35.3%	1,230	+1.7%	4,700 (3,300)	-28.5%
Profit attributable to owners of parent	11,604	2.8倍	-1,204	-	10,400 (9,400)	-

* Figures in parentheses are forecasts announced as of Nov. 10, 2020

<Reference>

EBITDA*	13,376	←FY2019 full year			9,800 (8,300)	-26.7%

* EBITDA=Operating Income + Depreciation + Amortization

Exchange rates assumed in FY20 forecast: JPY 106/USD, JPY 123/EUR
Average exchange rates for Apr-Dec FY20: JPY 106.11/USD, JPY 122.43/EUR
Average exchange rates for FY19 : JPY 108.69/USD, JPY 120.79/EUR

Appendix

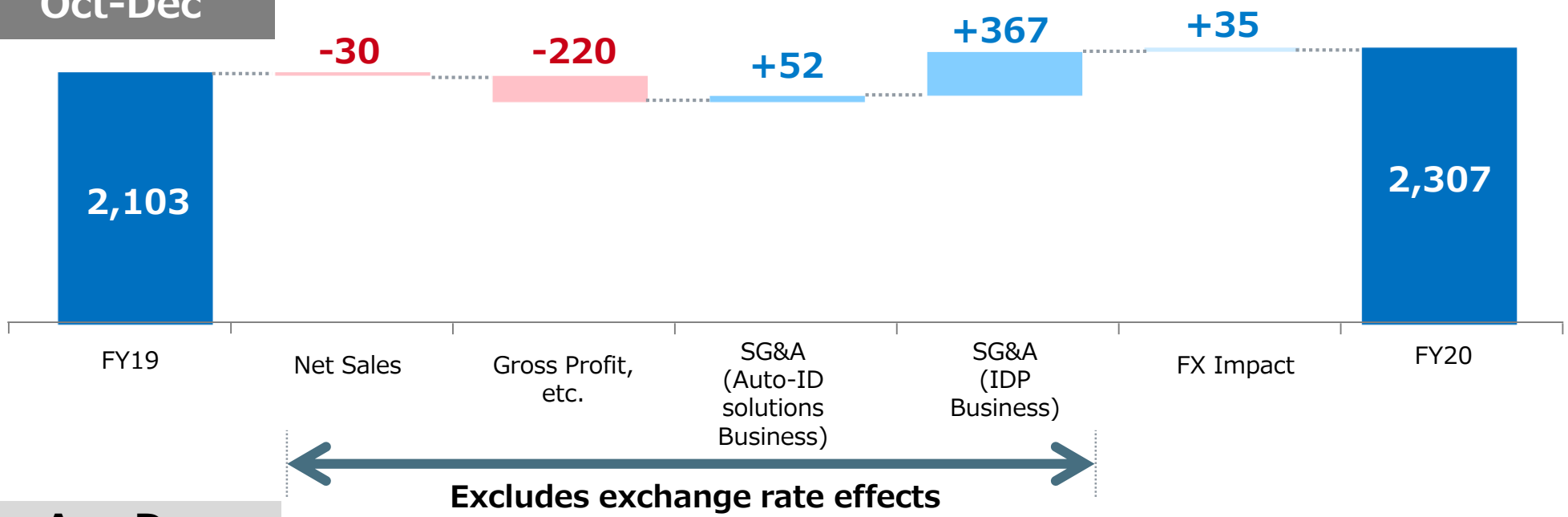
Performance data Pages 30-35

SATO terminologies Pages 36-39

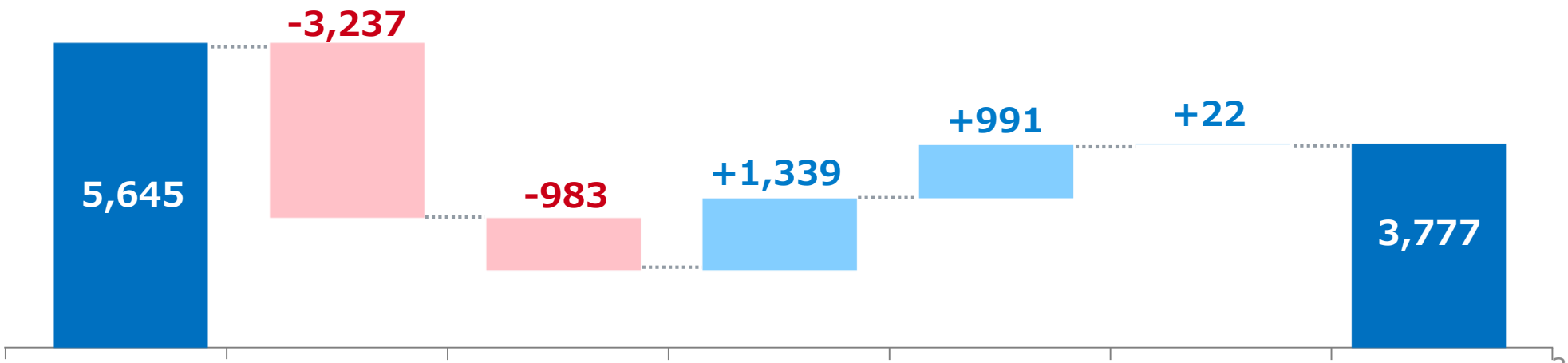
Major Gains/Losses in OI

(Millions of JPY)

Oct-Dec

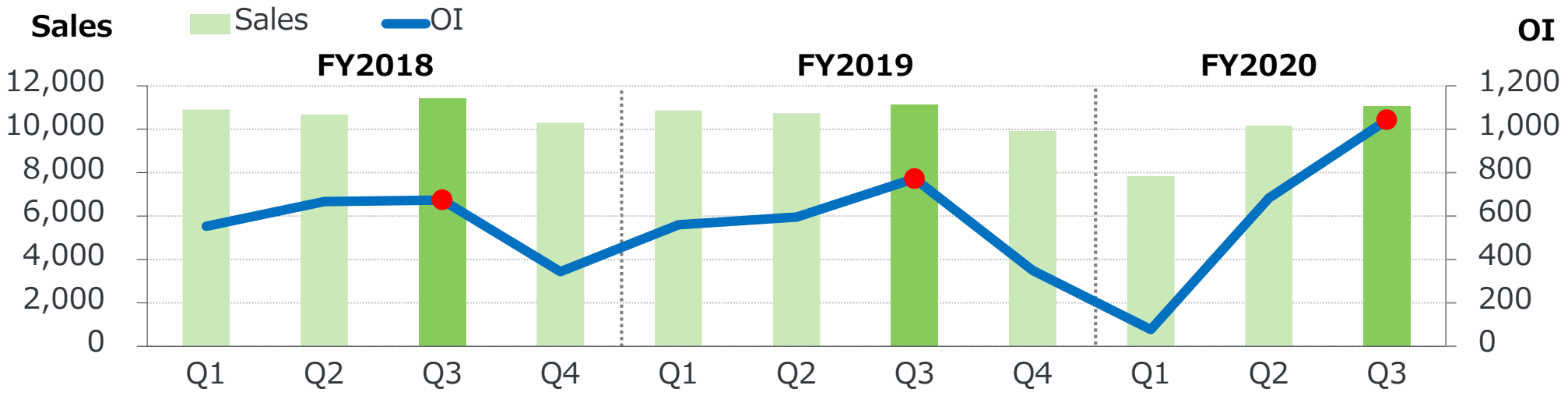


Apr-Dec



Quarterly Sales & OI

(Millions of JPY)

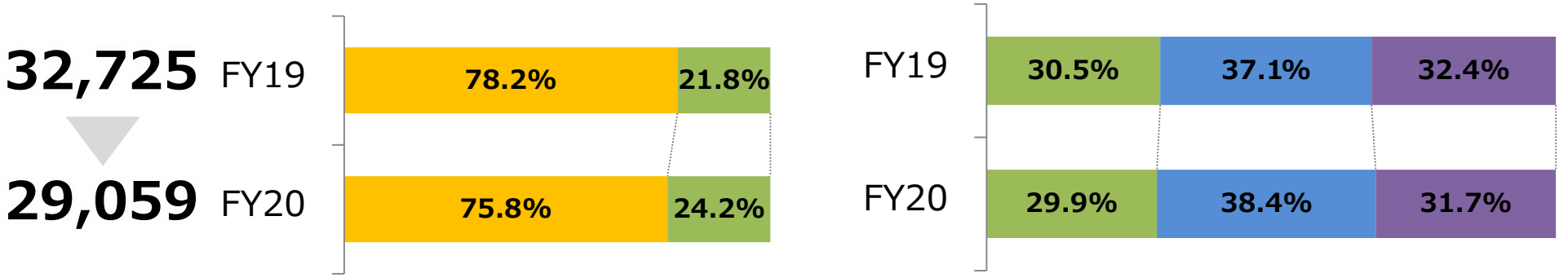


Sales	10,910	10,686	11,419	10,298	10,867	10,739	11,118	9,922	7,844	10,168	11,045
YoY	+8.2%	+1.6%	+1.7%	-4.2%	-0.4%	+0.5%	-2.6%	-3.7%	-27.8%	-5.3%	-0.7%
OI	553	667	674	344	560	595	772	349	77	683	1,043
YoY	+49.8%	-8.6%	+1.6%	3.4x	+1.2%	-10.7%	+14.6%	+1.4%	-86.1%	+14.8%	+35.1%

Sales and OI by Business Segment/Region

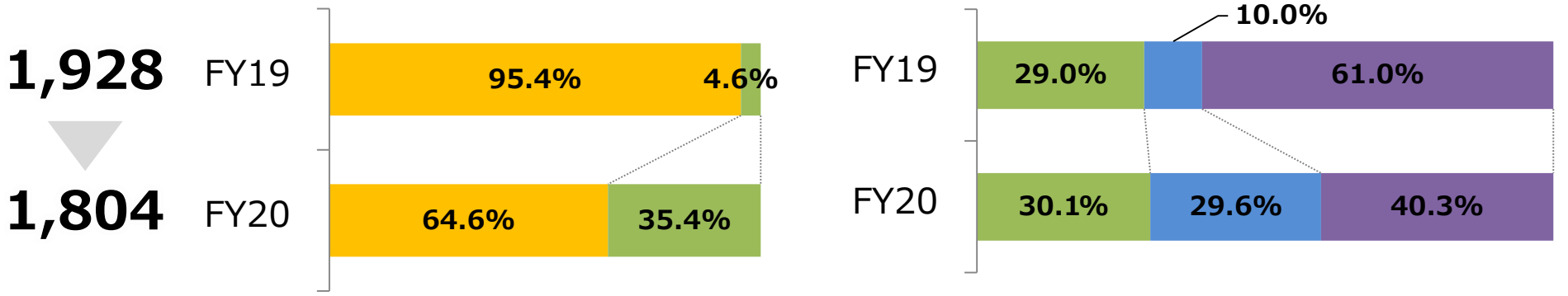
(Millions of JPY)

Sales



Operating Income

*Ratio excludes eliminations.



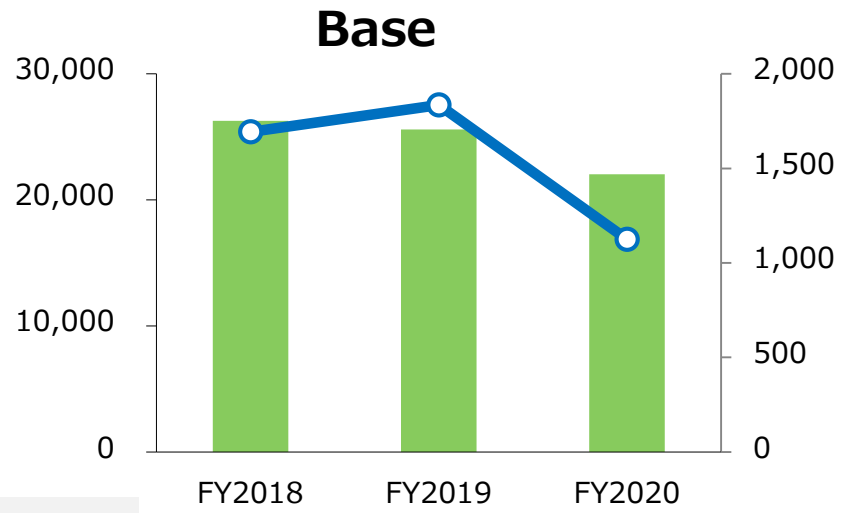
OI ratio:
FY19 Base : 7.2%, Primary Labels : 1.2%
FY20 Base : 5.1%, Primary Labels : 8.8%

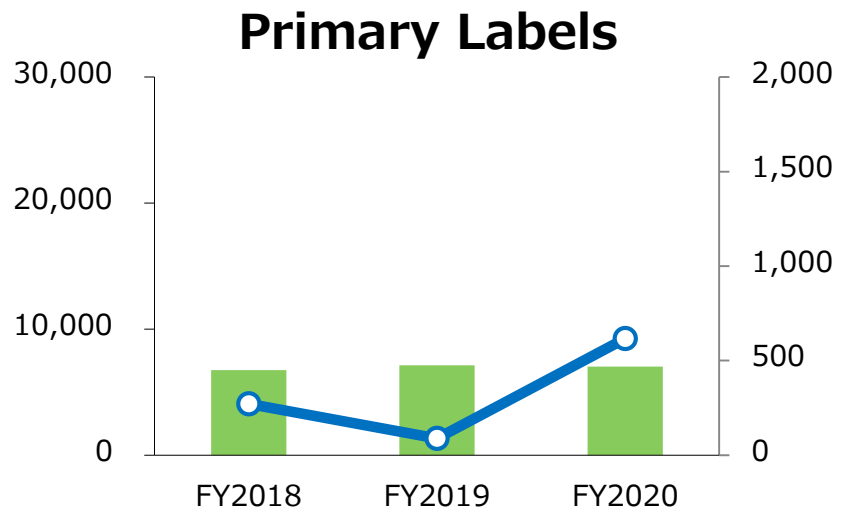
FY19 The Americas : 5.6%, Europe : 1.6%, Asia/Oceania : 11.1%
FY20 The Americas : 6.0%, Europe : 4.6%, Asia/Oceania : 7.6%

Sales and OI Trends by Business Segment and Region

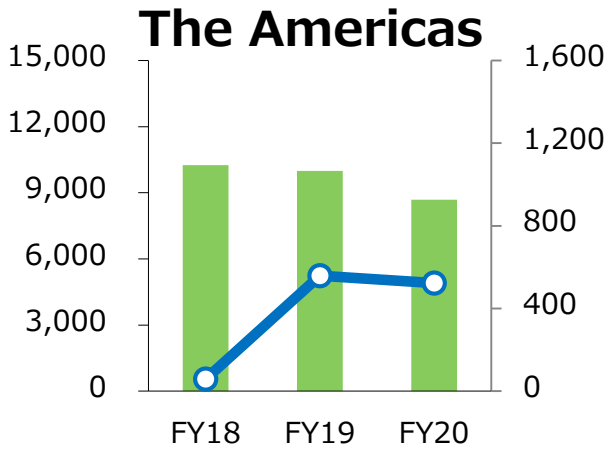
By Business Segment

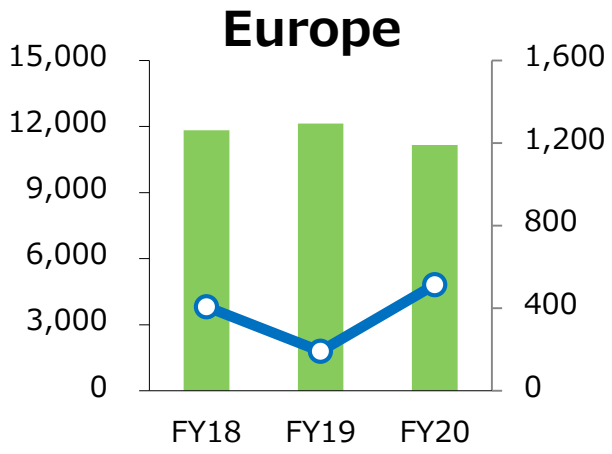
Sales OI (Millions of JPY, Sales (left axis), OI (right axis))

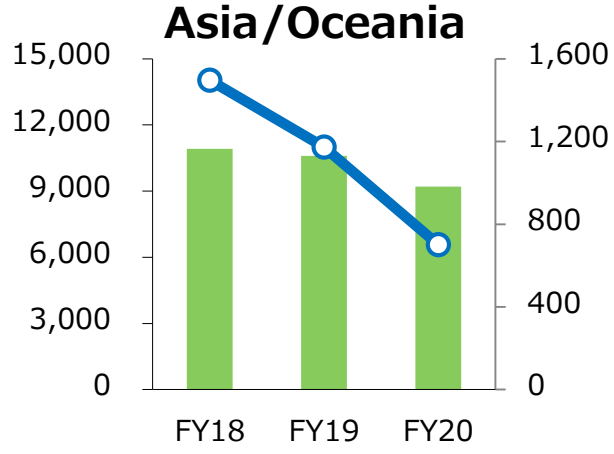




By Region

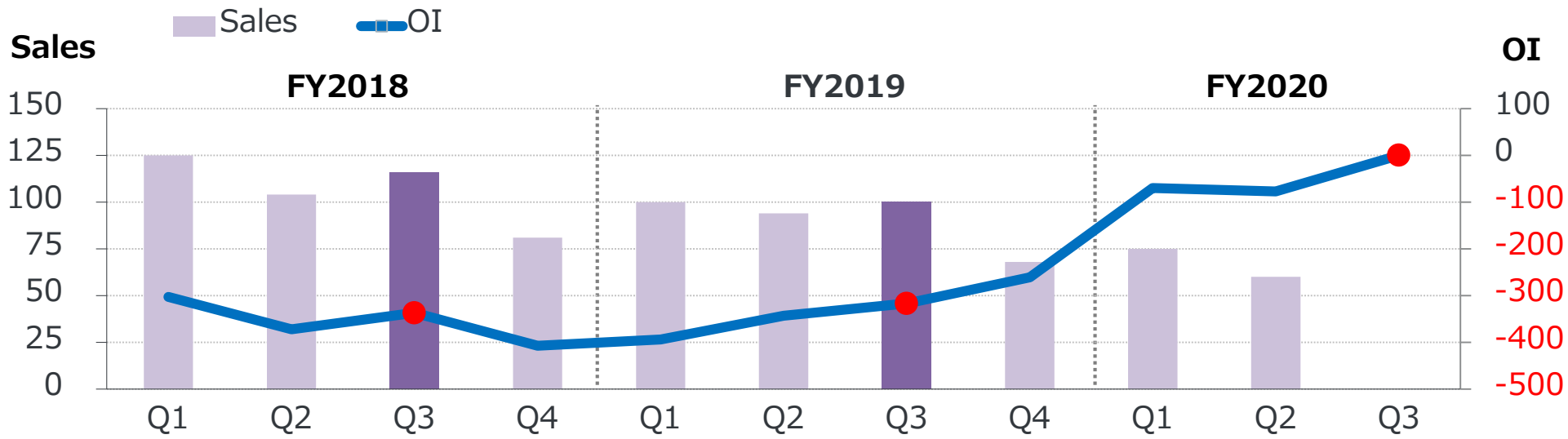






Quarterly Sales & OI

(Millions of JPY)

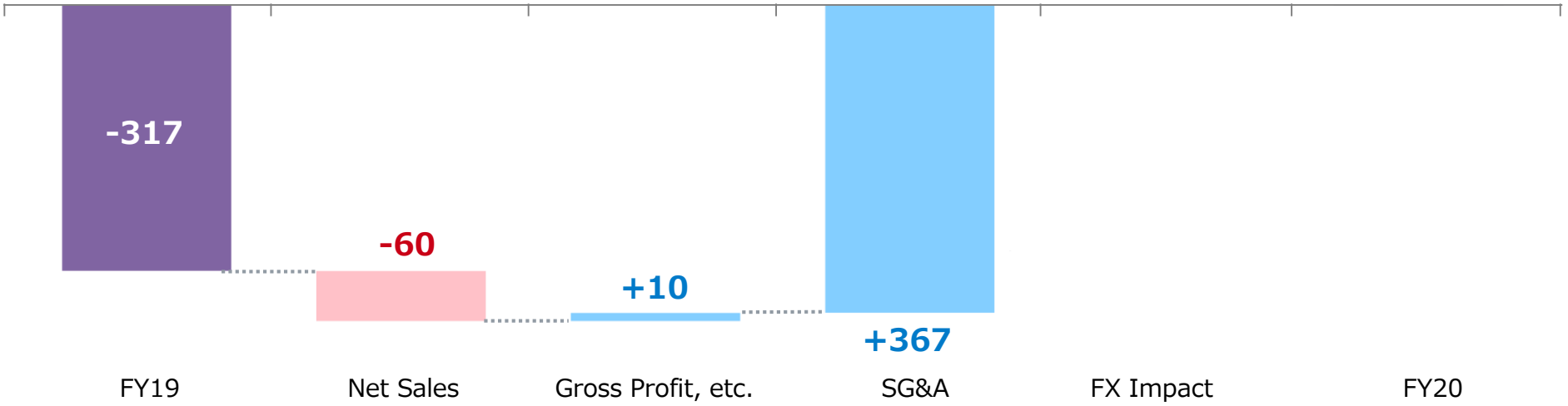


Sales	125	104	116	81	100	94	100	68	75	60	0
YoY	+53.2%	+34.0%	2.1倍	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-
OI	-303	-372	-337	-407	-394	-343	-317	-261	-70	-77	0
YoY	-	-	-	-	-	-	-	-	-	-	-

Major Gains/Losses in OI

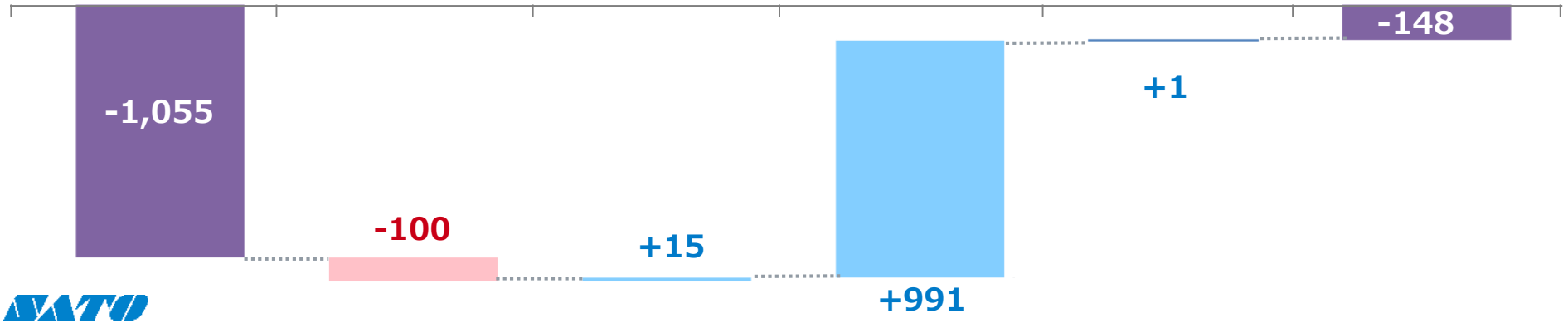
Oct-Dec

(Millions of JPY)



Apr-Dec

Excludes exchange rate effects



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." SATO Holdings transferred all shares of SATO consolidated subsidiary DataLase Ltd. that conducted the business to DataLase Holdings Limited in September, 2020.
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.

(*) Underlined terms are described under its own heading

SATO terminologies (2/4)

SATO-unique business concepts/initiatives		Description
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.
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) address a wide range of market, industry and application needs with our expertise in sites of operations, (2) integrate products, services and technologies into solutions, working together with strategic partners, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	Teiho	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) strategy	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 that are 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 ratio as they are typically sold through recurring business.

SATO terminologies (3/4)

	Products, services, technologies	Description
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out 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.
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 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.

SATO terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (Australia)	[2013] Company from which SATO acquired its business including PJM (Phase Jitter Modulation), a highly superior 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. SATO Holdings transferred all shares to DataLase Holdings Ltd in September, 2020.
Overseas subsidiaries founded after 2017		**Description**
1	X-Pack (Russia)	[2017] A subsidiary producing and selling shrink sleeves, in-mould labels and soft packages in 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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