May 11, 2021

SATO HOLDINGS CORPORATION

FY2020 Financial Results

(Fiscal Year Ended March 31, 2021)

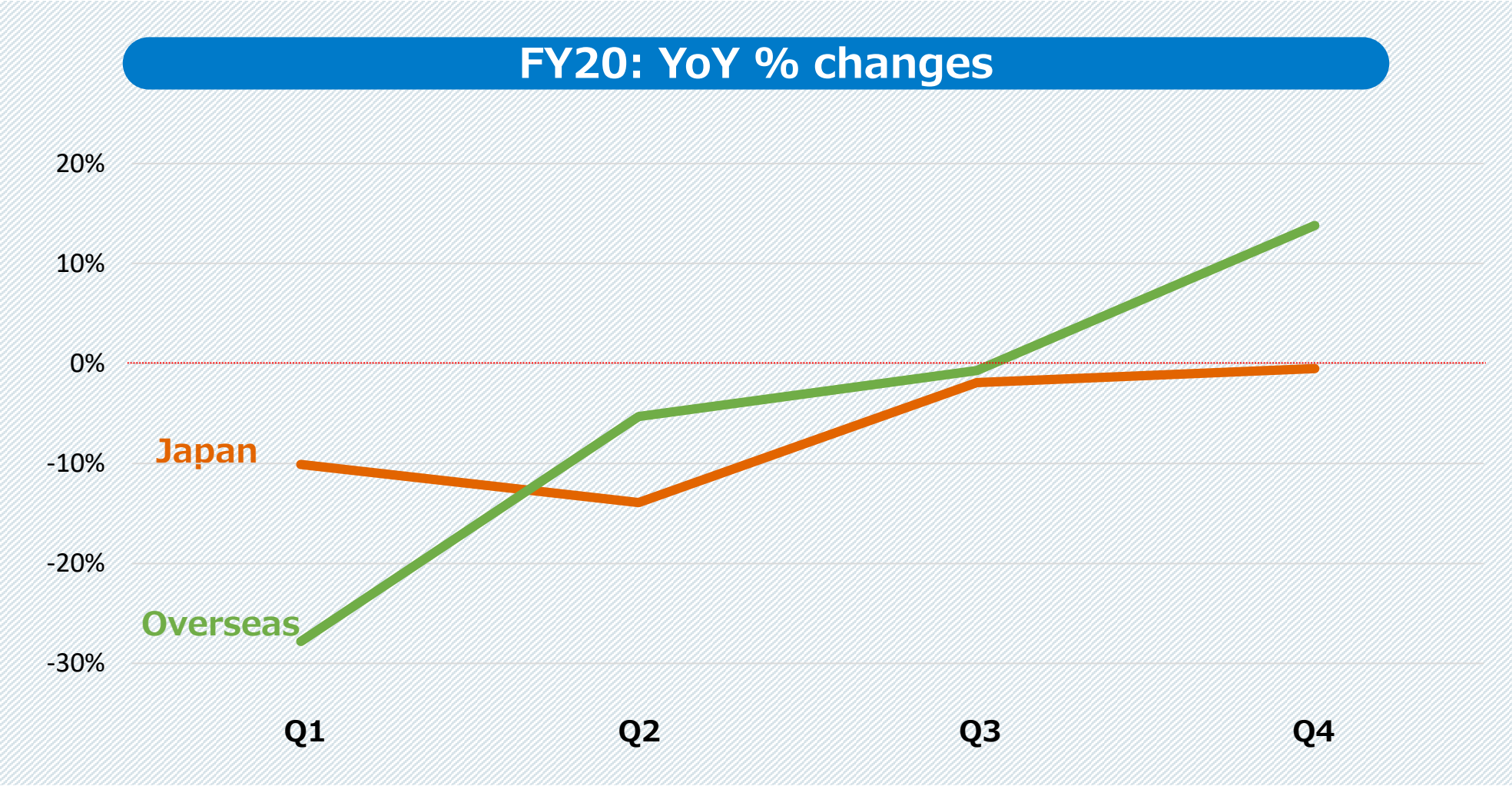
Securities Code: 6287


FY20 Results
Review
Medium-term Management Plan


FY20 Results
Review
Medium-term Management Plan

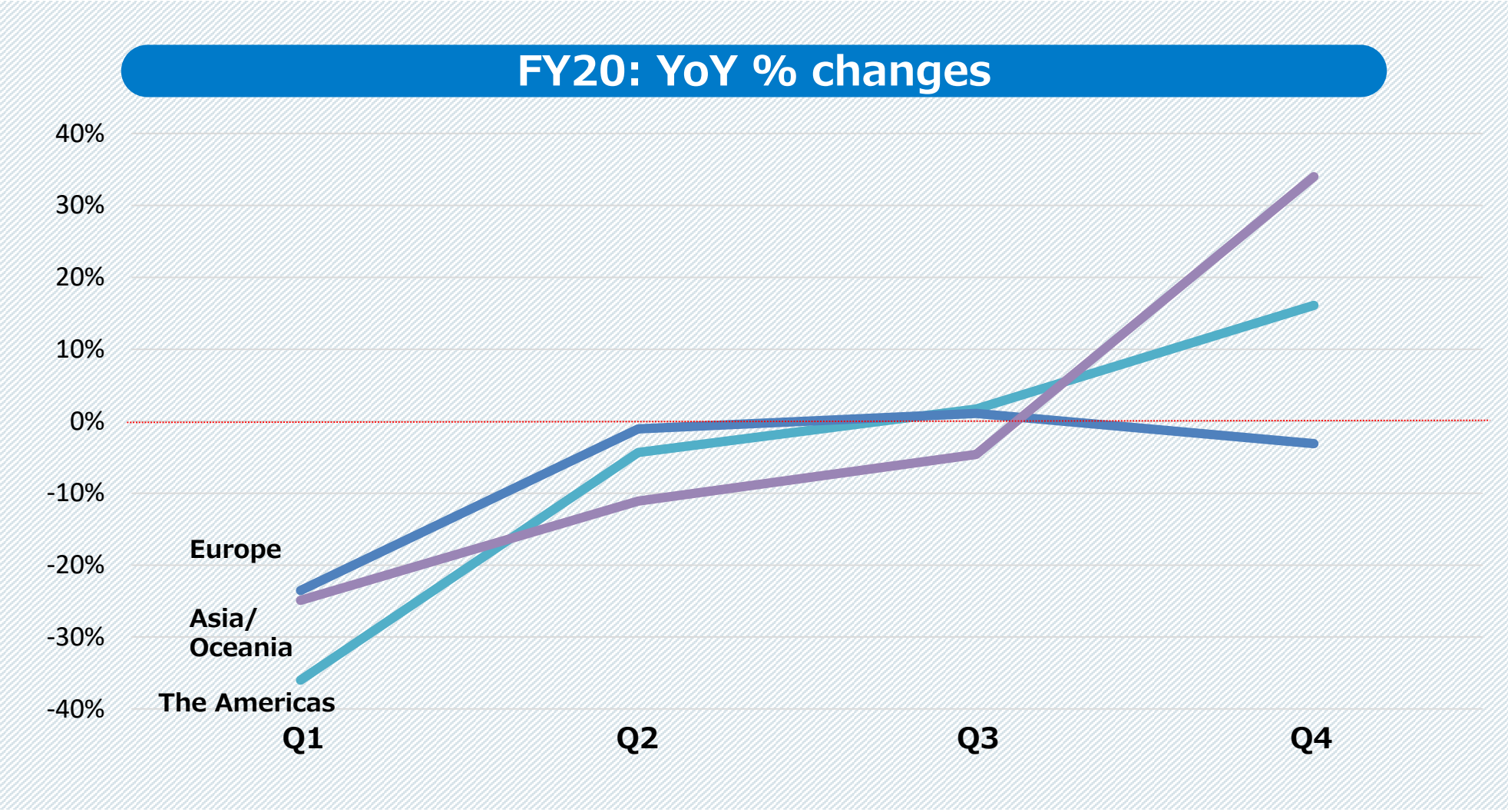
Monthly sales trends (Overseas/Japan)

The recovery overseas accelerated further while that of Japan maintained its momentum.



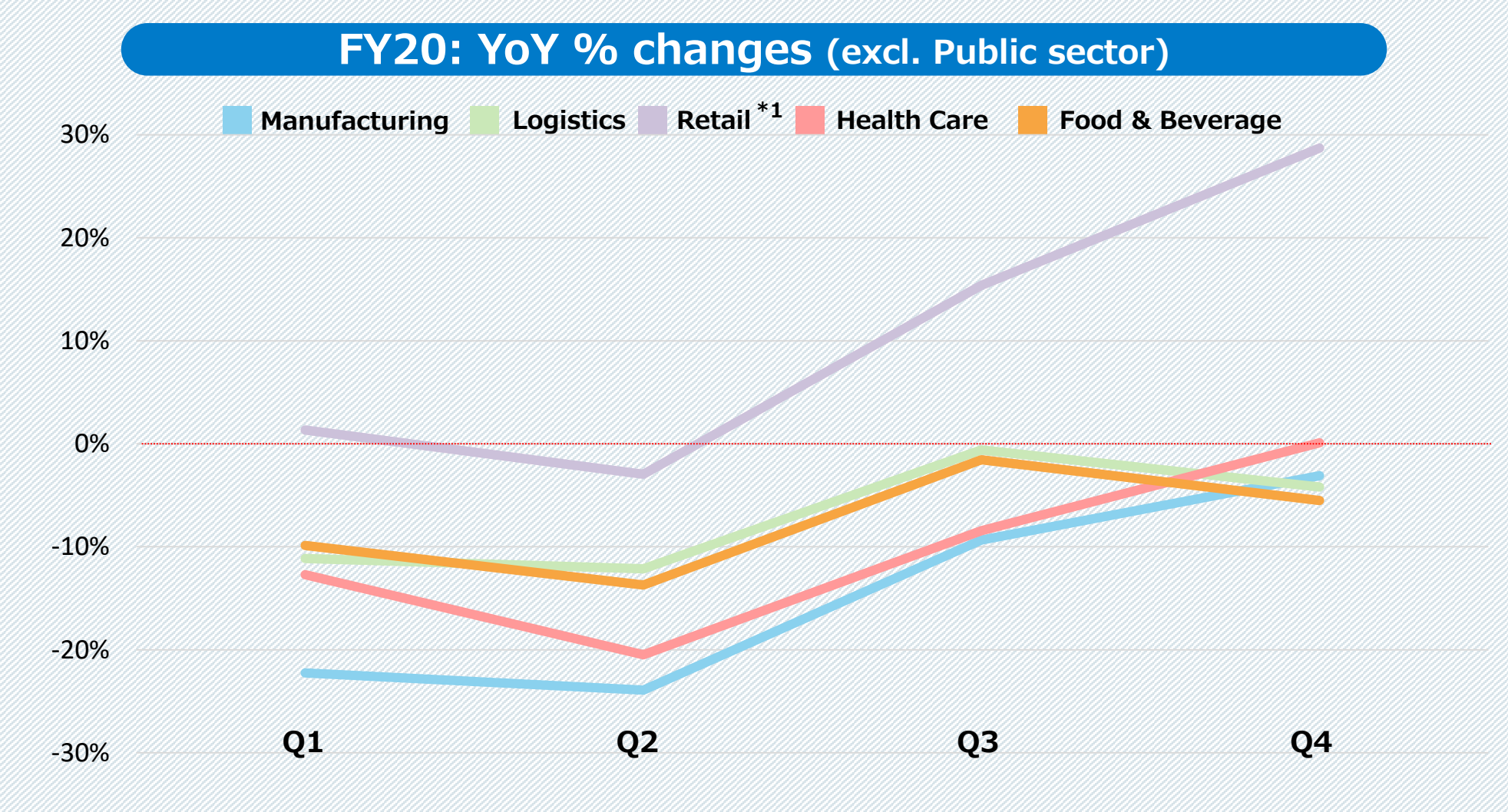
Quarterly sales trends by region

Recovery in Asia/Oceania and the Americas accelerated, whereas Europe remained flattish.



Quarterly sales trends by vertical

Sales in retail grew strongly. Those of other markets reached almost the same levels YoY.



*1: ex-Retail/Apparel

Summary

Consolidated

Although recovery accelerated in many regions quarter by quarter, it was not sufficient to offset the slowdown in 1H due to the coronavirus, leading to YoY decreases in sales and operating income.

Auto-ID Solutions Business (Overseas)

Sales decreased and OI increased YoY.

- Base business: Although the improvement trend became even more evident, sales and OI declined due to the slowdown in Q1.
- Primary Labels business: Sales increased slightly with focus on daily life infrastructure industries. Significant increase in OI was seen due mainly to lower cost of sales ratio.

Auto-ID Solutions Business (Japan)

Recovery momentum continued thanks to our initiatives from 1H and the resumption of production by customers. Sales and OI declined YoY due to the slowdown in 1H.

Sales and OI by Business Segment

(Millions of JPY)

		FY2020	FY2019	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**108,916**	**116,009**	**-6.1%**	**-4.1%**
	Operating Income	**5,906**	**8,757**	**-32.6%**	**-33.7%**
Overseas	Total Sales	40,349	42,648	-5.4%	**+0.2%**
	Operating Income	2,684	2,277	+17.9%	**+27.5%**
Japan	Total Sales	68,566	73,360	-6.5%	**-6.5%**
	Operating Income	3,221	6,479	-50.3%	**-55.2%**
IDP business	**Total Sales**	**136**	**363**	**-62.5%**	**-62.7%**
	Operating Income	**-148**	**-1,317**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**109,052**	**116,372**	**-6.3%**	**-4.3%**
	Operating Income	**5,847**	**7,461**	**-21.6%**	**-22.9%**

Consolidated Results

(Millions of JPY)

	FY2020	FY2019	Change	YoY
Net Sales	109,052	116,372	-7,320	-6.3%
Operating Income	5,847	7,461	-1,613	-21.6%
Operating Income %	5.4%	6.4%	-1.0pt	-
Ordinary Income	5,521	6,571	-1,049	-16.0%
Profit attributable to owners of parent*1	12,959	-1,882	+14,841	-
Effective Tax Rate*2	9.6%	410.7%	-401.0pt	
EBITDA*3	10,163	13,376	-3,212	-24.0%

Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR, FY19: JPY 108.69/USD, JPY 120.79/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 FY20: JPY 4,092 million FY19: JPY 5,043 million
・Amortization for FY20: JPY 223 million*4 FY19: JPY 871 million (incl. 587 mil. for DataLase)
*4 Full value of DataLase's goodwill was written off in FY19 Q4.

Overview

Jan-Mar

Overall sales and OI increased due to recovery in the base business, particularly in Asia/Oceania, and the continuous strong performance in the Primary Labels business. OI margin improved due to higher sales and a pick-up in gross profit margin.

(Millions of JPY)

	FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl. FX impact
Total Sales	**11,290**	**9,922**	**+1,367**	**+13.8%**	**+17.3%**
Gross Profit	4,018	3,362	+656	+19.5%	-
Gross Profit %	35.6%	33.9%	+1.7pt	-	-
Operating Income	**880**	**349**	**+530**	**2.5x**	**2.7x**
Operating Income %	7.8%	3.5%	+4.3pt	-	-

	FY2020	FY2019	Change	YoY	excl. FX impact
Total Sales	**40,349**	**42,648**	**-2,298**	**-5.4%**	**+0.2%**
Gross Profit	14,435	14,872	-436	-2.9%	-
Gross Profit %	35.8%	34.9%	+0.9pt	-	-
Operating Income	**2,684**	**2,277**	**+407**	**+17.9%**	**+27.5%**
Operating Income %	6.7%	5.3%	+1.3pt	-	-

Breakdown by Region: The Americas

Jan-Mar

Base business: Sales and OI increased by successfully providing solutions to key U.S. accounts.
Primary Labels business: Continued strong performance by capturing demand in industries that support daily lives resulted in increased sales and OI.

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	Change		
					YoY	excl. FX impact
Base	Total Sales	3,140	2,664	+475	+17.8%	+22.6%
	Operating Income	156	42	+113	3.6x	3.9x
Primary Labels ・Achernar ・Prakolar	Total Sales	576	536	+39	+7.3%	+45.5%
	Operating Income	93	27	+66	3.4x	4.8x
Total	Total Sales	3,716	3,201	+514	+16.1%	+26.4%
	Operating Income	250	70	+179	3.5x	4.3x

		FY2020	FY2019	Change		
					YoY	excl. FX impact
Base	Total Sales	10,376	10,988	-612	-5.6%	-1.5%
	Operating Income	514	484	+29	+6.2%	+11.9%
Primary Labels ・Achernar ・Prakolar	Total Sales	2,024	2,198	-173	-7.9%	+29.3%
	Operating Income	259	144	+114	+79.1%	2.6x
Total	Total Sales	12,401	13,187	-785	-6.0%	+3.6%
	Operating Income	773	629	+144	+22.9%	+45.8%

Breakdown by Region: Europe

Jan-Mar

Base business: Reinforced lock-downs slowed down customers' business and resulted in constraints to our sales operations, causing sales and OI to decline.

Primary Labels business: Sales increased due to new businesses continuously gained and to increased stay-at-home demand from industries such as food and beverages captured by Okil in Russia. OI increased due to sales growth and reduced cost of sales ratio.

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	1,996	2,264	-267	-11.8%	-16.7%
	Operating Income	20	129	-109	-84.2%	-84.9%
Primary Labels ・Okil ・X-Pack	Total Sales	1,737	1,591	+146	+9.2%	+25.1%
	Operating Income	45	-21	+67	-	-
Total	Total Sales	3,734	3,855	-121	-3.1%	+0.6%
	Operating Income	66	108	-42	-38.9%	-35.6%

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	7,588	8,923	-1,334	-15.0%	-16.6%
	Operating Income	84	350	-266	-75.9%	-75.6%
Primary Labels ・Okil ・X-Pack	Total Sales	7,314	7,071	+242	+3.4%	+20.8%
	Operating Income	497	-49	+547	-	-
Total	Total Sales	14,902	15,994	-1,092	-6.8%	-0.1%
	Operating Income	581	300	+280	+93.3%	2.2x

Breakdown by Region: Asia/Oceania

Jan-Mar Base business: Sales and OI increased due to recoveries at almost all sales subsidiaries.

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl.FX Impact
Base	Total Sales	3,839	2,865	+974	+34.0%	+29.5%
	Operating Income	556	176	+380	3.2x	3.1x

		FY2020	FY2019	Change	YoY	excl.FX Impact
Base	Total Sales	13,045	13,466	-420	-3.1%	-2.9%
	Operating Income	1,258	1,349	-90	-6.7%	-7.4%

Overview

Jan-Mar

- **Both mechatronics and consumables businesses remained on a recovery track. Sales came back to almost the same level YoY, due to continuous recovery trends across verticals.**
- **Overall GP margin improved due mainly to mechatronics contribution, but OP margin declined due to upfront investments.**

(Millions of JPY)

	FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY
Mechatronics Sales	8,443	8,710	-267	-3.1%
Consumables Sales	10,047	9,867	+179	+1.8%
Total Sales	**18,490**	**18,578**	**-87**	**-0.5%**
Gross Profit	9,019	8,997	+21	+0.2%
Gross Profit %	48.8%	48.4%	+0.3pt	-
Operating Income	**1,203**	**1,697**	**-494**	**-29.1%**
Operating Income %	6.5%	9.1%	-2.6pt	-

	FY2020	FY2019	Change	YoY
Mechatronics Sales	27,968	30,797	-2,829	-9.2%
Consumables Sales	40,598	42,563	-1,965	-4.6%
Total Sales	**68,566**	**73,360**	**-4,794**	**-6.5%**
Gross Profit	32,635	36,192	-3,556	-9.8%
Gross Profit %	47.6%	49.3%	-1.7pt	-
Operating Income	**3,221**	**6,479**	**-3,258**	**-50.3%**
Operating Income %	4.7%	8.8%	-4.1pt	-

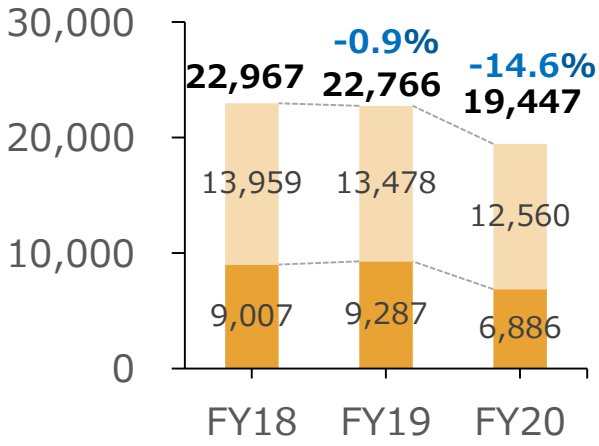
Sales by Vertical

(Millions of JPY)

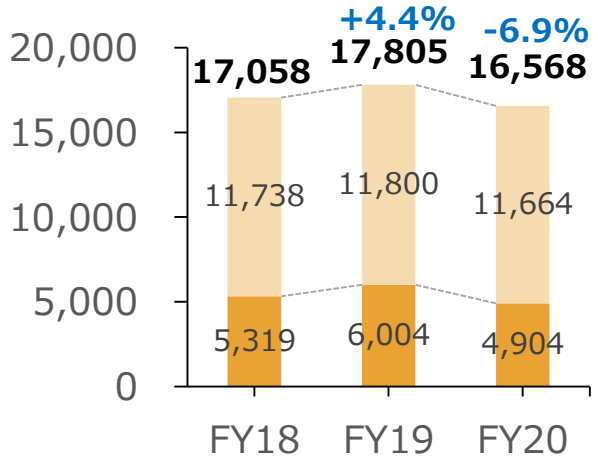
■ : Mechatronics ■ : Consumables % indicates YoY change

*1 : ex-Retail/Apparel

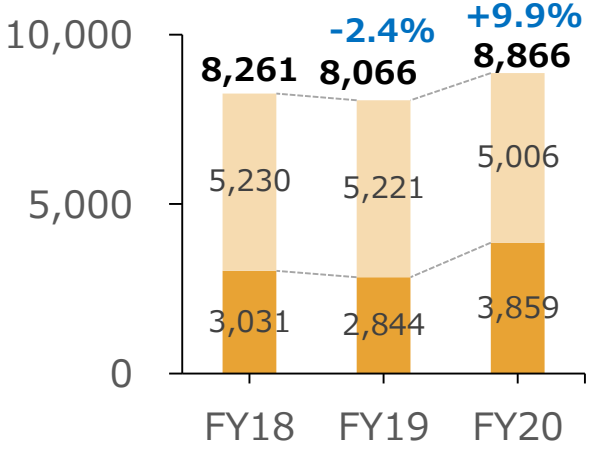
Manufacturing



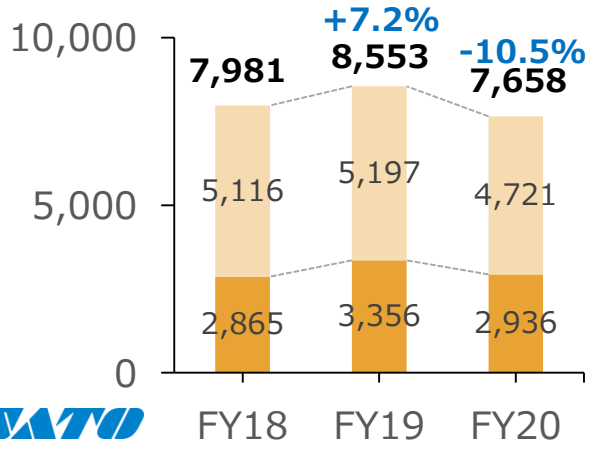
Logistics



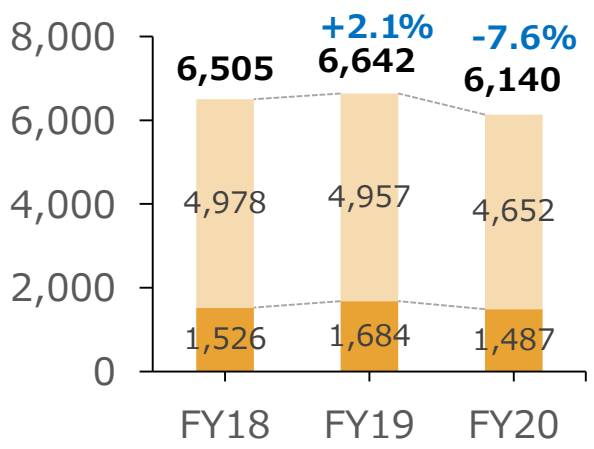
Retail *1



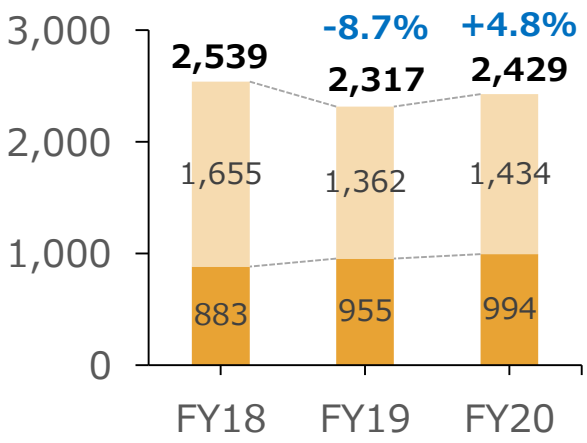
Health Care



Food & Beverage



Public



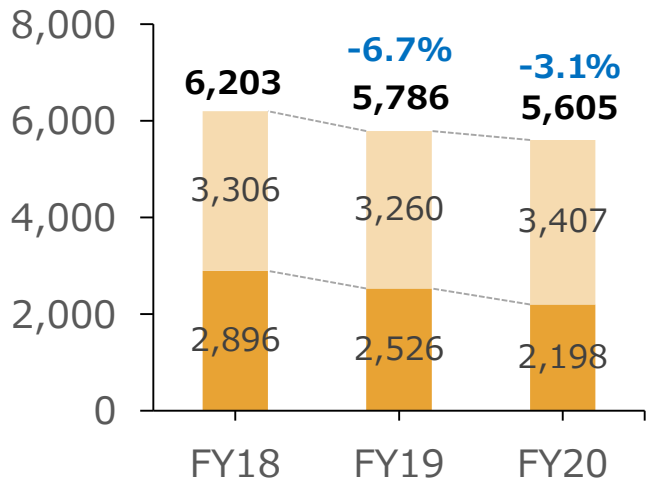
Sales by Vertical [1]

(Millions of JPY)

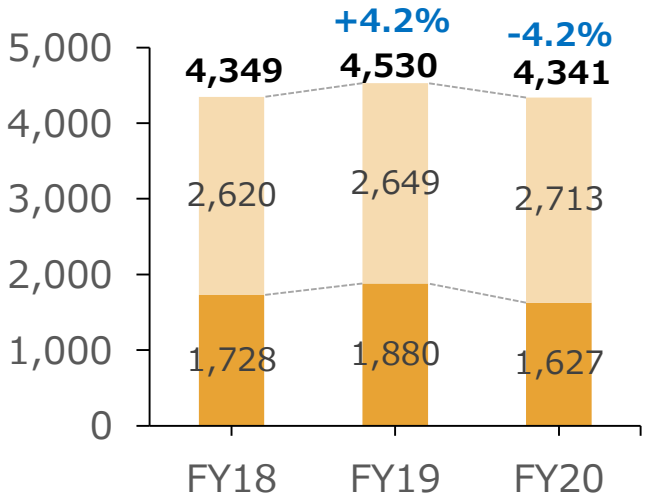
■ : Mechatronics ■ : Consumables % indicates YoY change

*1 : ex-Retail/Apparel

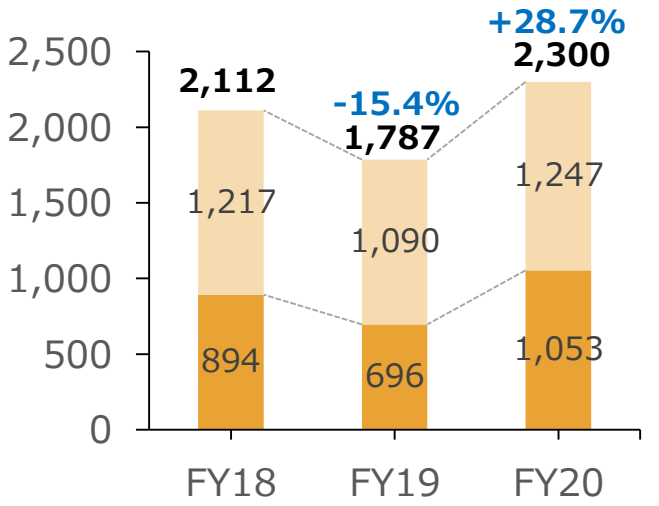
Manufacturing



Logistics



Retail *1



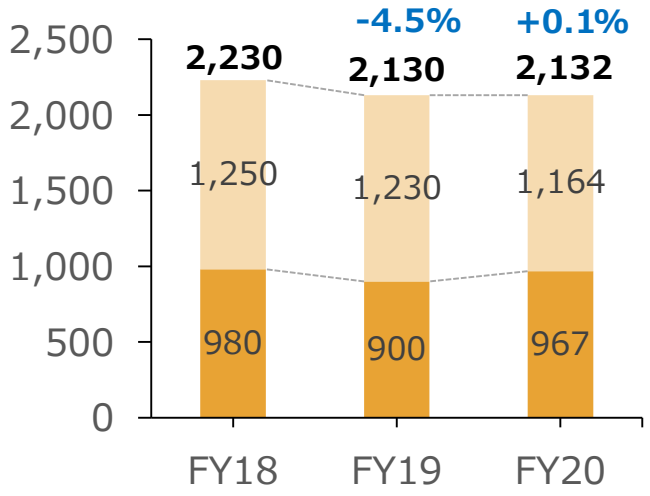
	Manufacturing	Logistics	Retail *1
Business Environment	Overall, production activity recovered. Electronic components and machinery/electrical equipment sales increased YoY, but sales in other industry segments such as chemicals remained negative.	In addition to the brisk performance of the EC industry, general economic recovery led to increased volume of goods. Demand for EC initiatives and labor shortage measures increased.	Brisk activities continued in industries such as grocery supermarkets and EC. More specialty stores incorporated online sales channels.
SATO	Consumables rose YoY in many industries. Mechatronics sales increased YoY in electronic components and machinery/electrical equipment, and YoY declines in other segments shrank.	Overall sales declined due to lack of a large order in transportation booked last year. Other industry segments showed YoY sales increases.	Sales in consumables and mechatronics increased YoY across most industries, including specialty stores.

Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables % indicates YoY change

Health Care



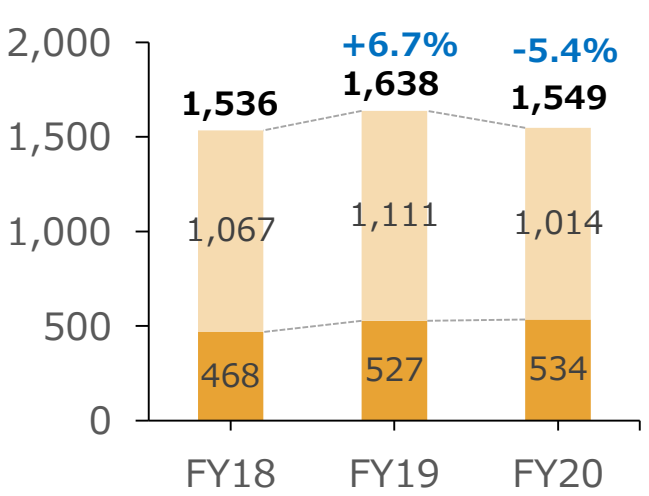
Business Environment

Although the number of outpatient visits to medical institutions recovered, the overall volume of goods in health care stayed negative YoY.

SATO

Mechatronics grew thanks to our focus on industries with robust performance such as medical device manufacturers, leading to a slight growth in overall sales.

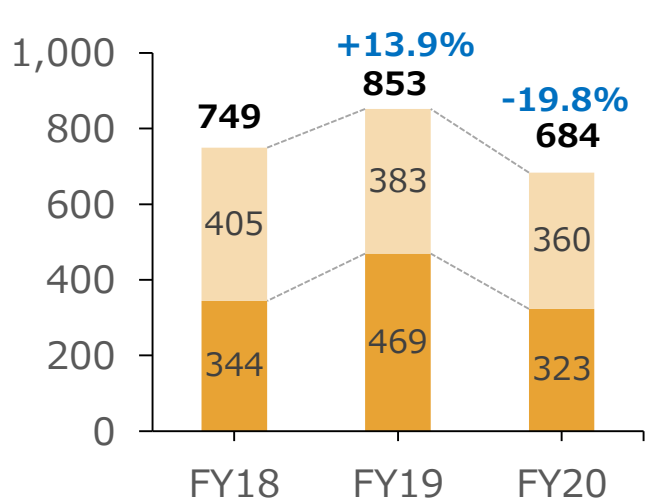
Food & Beverage



Stay-at-home demand remained strong resulting in favorable needs for eating at home and home-meals. Demand for restaurants and commercial-use was sluggish.

Consumables sales decreased due to less volume of goods in the food manufacturing industry, which accounts for a large share of sales. On the other hand, mechatronics increased reflecting our initiatives from 1H, such as promoting automation.

Public



The overall business environment remained stable.

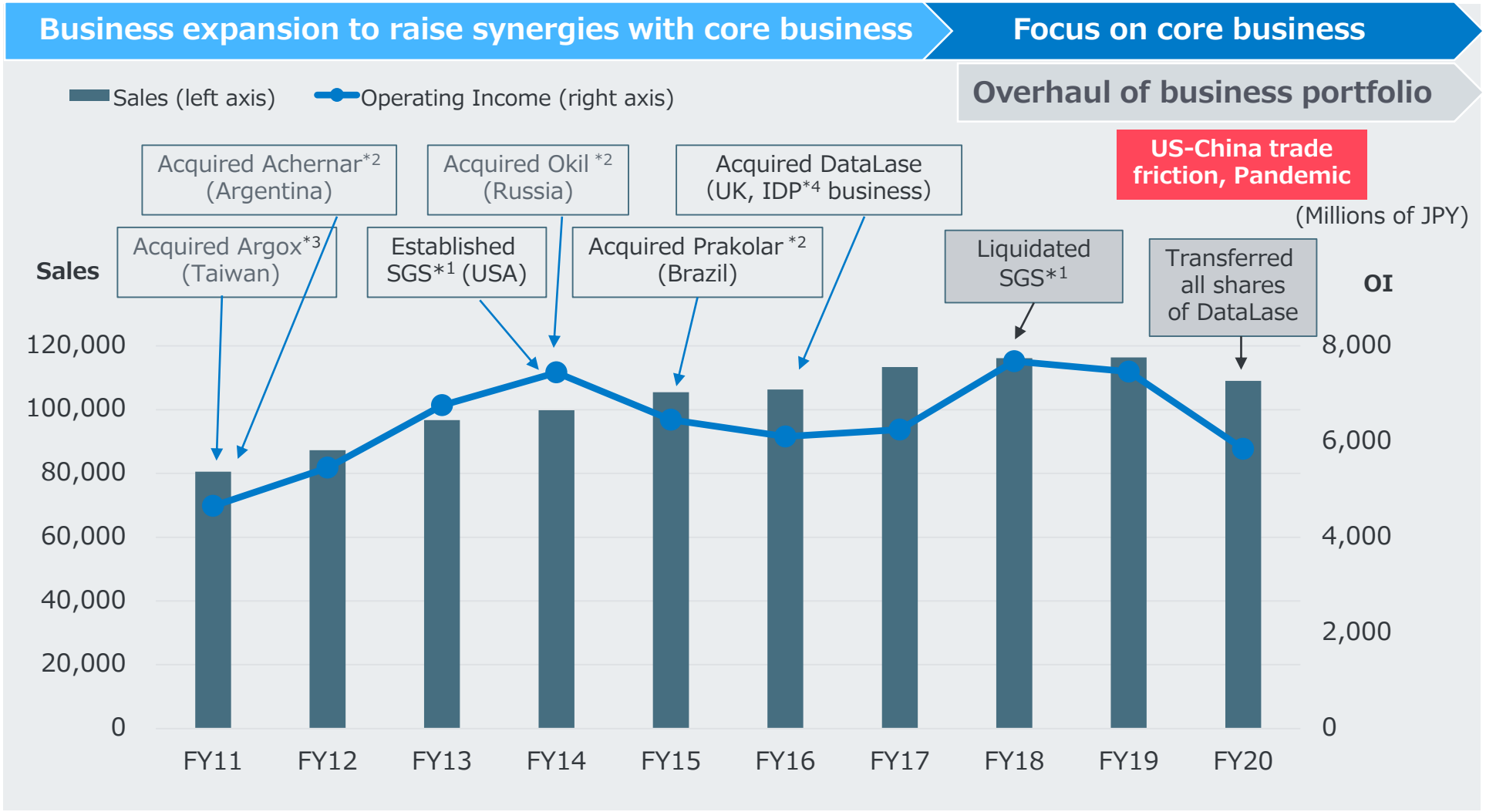
Sales in consumables decreased due to less orders from one of our major customers. Mechatronics declined due to the absence of large-scale order during the same period last year.


FY20 Results
Review
Medium-term Management Plan

Review: FY2011～2020 (Consolidated)

- Management shifted resources in FY2018 to focus on our core business of tagging-based auto-ID solutions

Sales and OI



*1: Software development subsidiary, *2: Primary labels business, *3: Production & sales of affordable printers
*4: Inline Digital Printing

Review: FY2016～2020 (Overseas, Japan)

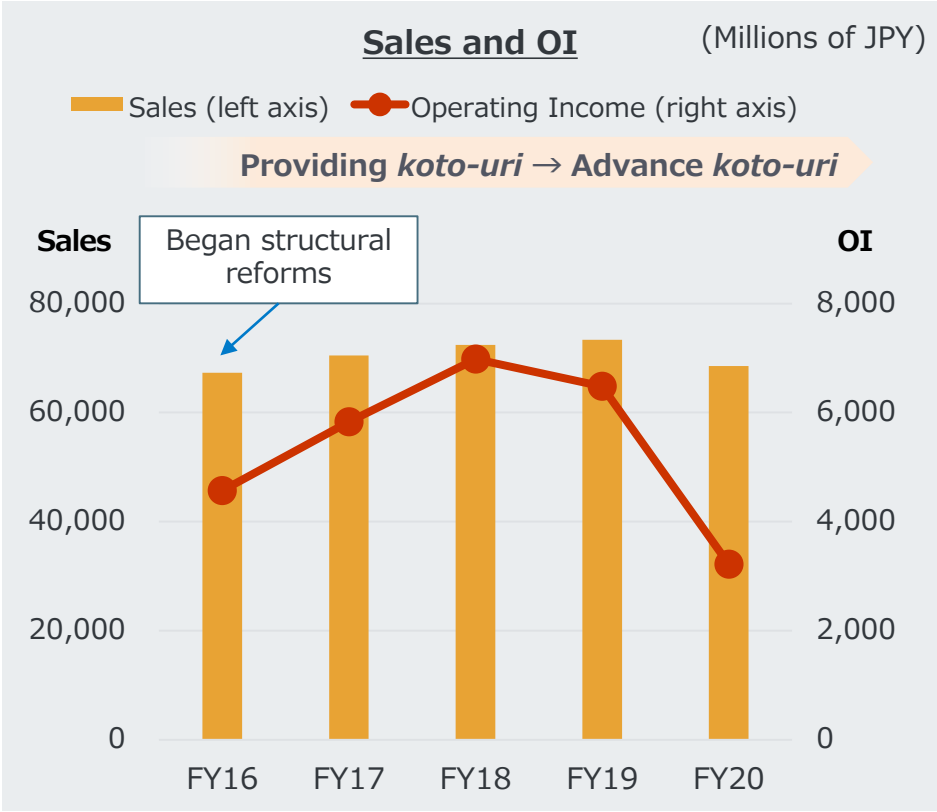
Overseas

- In FY2018 **transition from selling single products to *koto-uri**** was initiated but took longer than expected to sink in.
- With increased Head Office support and horizontal collaboration overseas since FY2019, ***koto-uri* infiltrated to a certain degree.**
  The challenge going forward is to **accelerate growth.**



Japan

- **Structural reforms** began in FY2016 to focus on profitability and *koto-uri*. **Sales and OI** increased through FY2018 as a result. Our lineup of solution offerings expanded per market, industry, and application.
- From FY2019 onward OI margin declined due to lower sales and adverse product mix.
  The challenge going forward is to **improve profitability.**



* Sales approach of proposing optimal solutions with ROI for challenges that customers face on-site

Review: Achievements and challenges

	Key strategies	Achievements		Challenges
Over-seas	Instill *koto-uri* and pursue **growth**	• Accumulated success stories with focus on specific countries, markets and industries, and **instilled *koto-uri*** by sharing them across SATO Group. • **Enhanced collaboration** globally		• Raise the *koto-uri* level of group companies still in transition • Reinforce specialized resources for targeted markets and industries • Accelerate growth
		USA	Retail: Supermarkets, Off-price retailers	
		Europe	Retail: Supermarkets, Convenience stores Food & Beverage: Fast food	
		Asia	Manufacturing: Autos, Electronic & electric, Food production	
Japan	Advance *koto-uri* and increase **profitability**	• Generated **new solutions meeting industry requirements** • **Increased marketing tools** (videos, leaflets, etc.) per market and industry • Launched **subscription-based business**		• Increase profitability • Increase capacity to close transactions

<Ref.> Review : Sales and OI by Business Segment

(Millions of JPY)

	FY2018	FY2019	FY2020
Auto-ID Solutions Business (Overseas)			
Net sales	43,316	42,648	40,349
Operating Income	2,239	2,277	2,684
Operating Income %	5.2%	5.3%	6.7%
Auto-ID Solutions Business (Japan)			
Net sales	72,435	73,360	68,566
Operating Income	6,982	6,479	3,221
Operating Income %	9.6%	8.8%	4.7%
IDP business*1			
Net sales	427	363	136
Operating Income	-1,421	-1,317	-148
Operating Income %	-	-	-
Consolidated			
Net sales	116,179	116,372	109,052
Operating Income*2	7,679	7,461	5,847
Operating Income %	6.6%	6.4%	5.4%

*1: SATO Holdings transferred all shares of DataLase to DataLase Holdings Limited in September, 2020
*2: Including eliminations

Current Assessment & Management Direction

Changes in the business environment

- Digital shift
- Industrial structure dynamics
- Growing importance of Sustainability

Tagging based Auto-ID solution

➢ **Increase in existing needs**
- Productivity improvement
- Security & safety assurance

➢ **Increasing needs for a circular economy**
- Truck & trace of things

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


FY20 Results
Review
Medium-term Management Plan

FY2021 Consolidated Forecasts

(Millions of JPY)

	FY2021 (Targets)	FY2020	Change	YoY
Net Sales	117,000	109,052	+7,947	+7.3%
Operating Income	6,400	5,847	+552	+9.4%
Operating Income %	5.5%	5.4%	+0.1pt	-
Ordinary Income	6,200	5,521	+678	+12.3%
Profit attributable to owners of parent	4,000	12,959	-8,959	-69.1%
EBITDA*	10,800	10,163	+636	+6.3%

Exchange rates assumed in FY21 forecast: JPY 107/USD, JPY 128/EUR
Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR

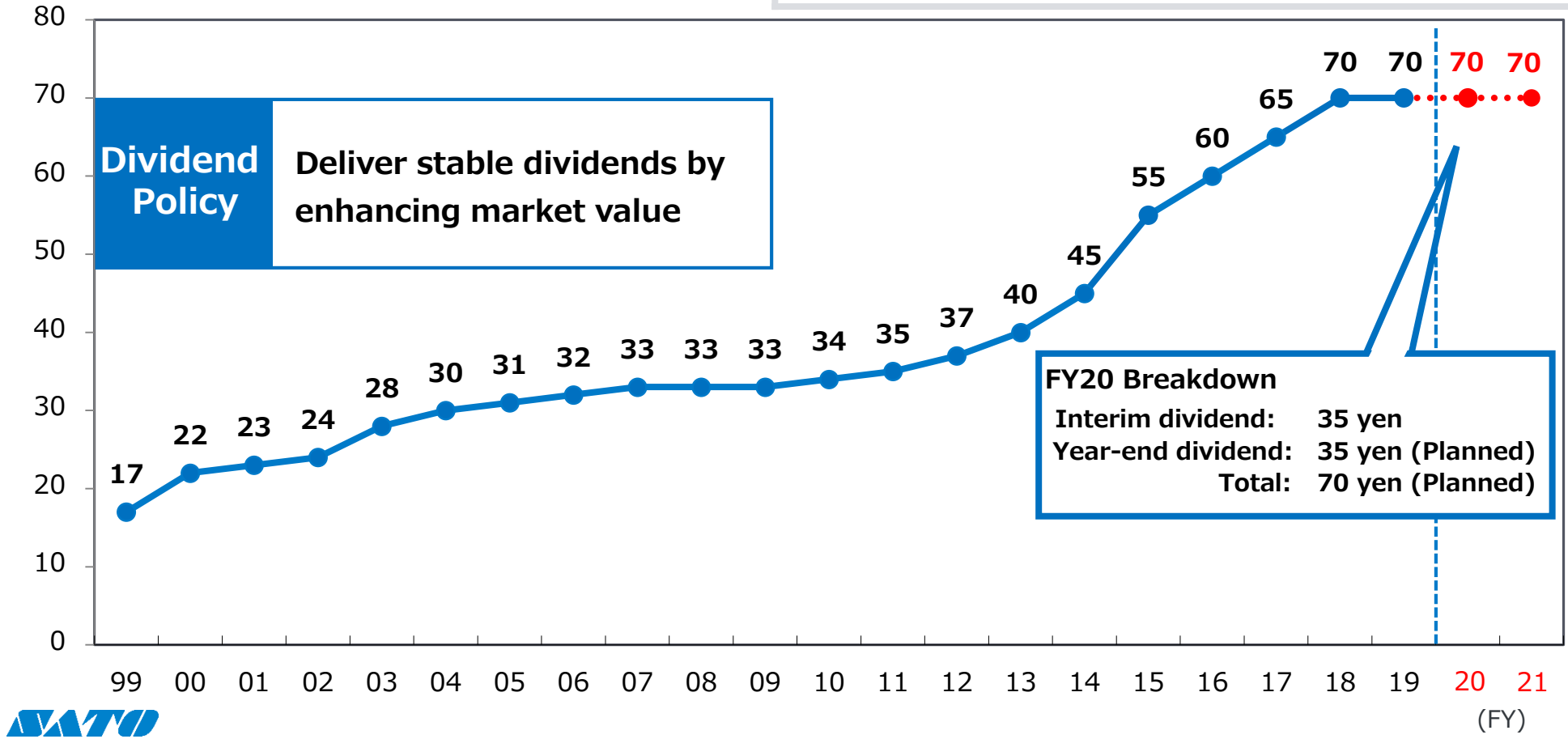
* EBITDA=Operating Income + Depreciation + Amortization

Dividends

(JPY per share)

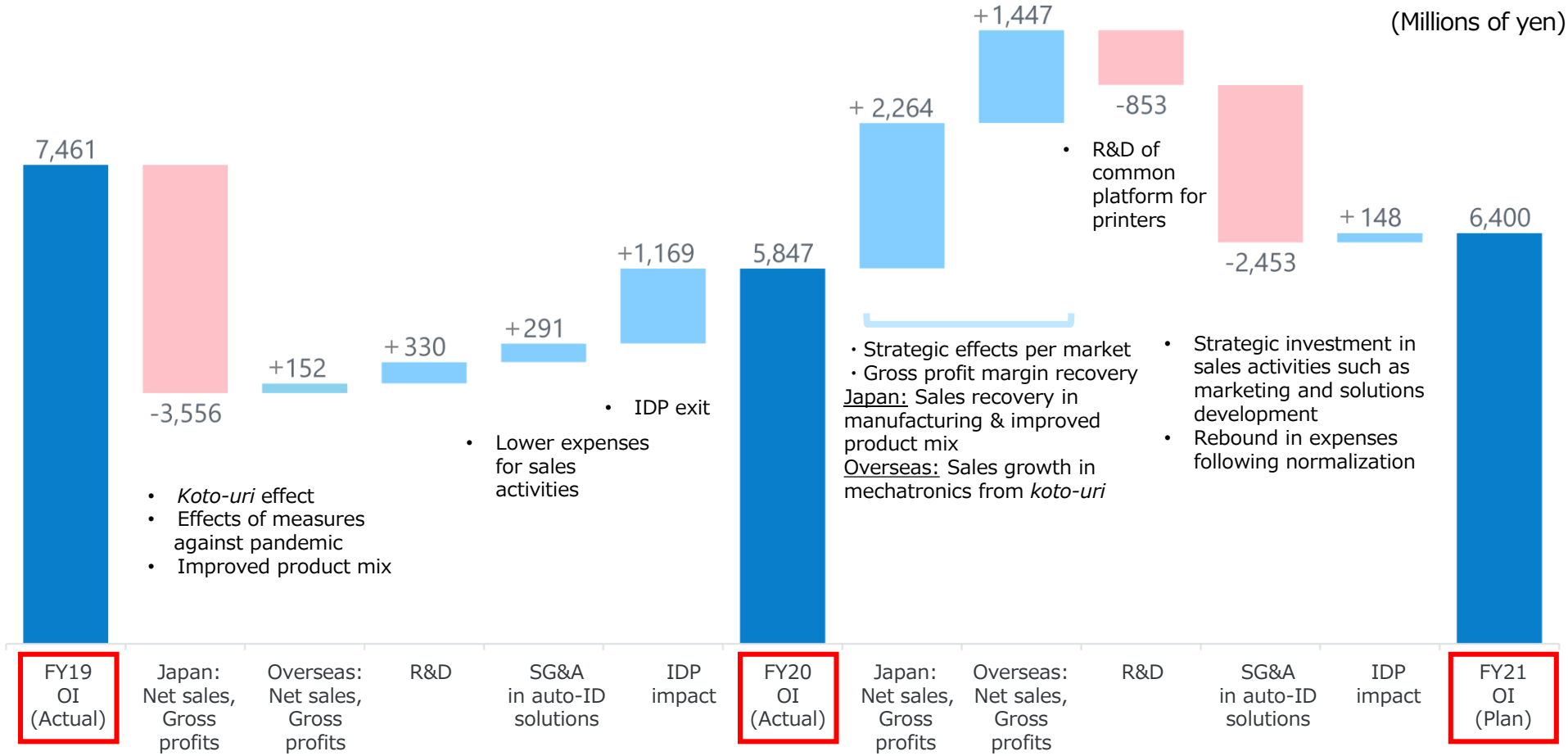
Total dividends planned for FY20: JPY 70 (unchanged YoY)
Total dividends forecast for FY21: JPY 70 (unchanged YoY)

	FY17	FY18	FY19	FY20 (Planned)	FY21 (Forecast)
EPS	121.5	112.5	-56.1	385.9	119.1
ROE	7.6%	6.9%	-3.6%	24.4%	6.8%
(Ref.) Payout ratio	53%	62%	–	18%	59%



FY2021 OI Target (Consolidated)

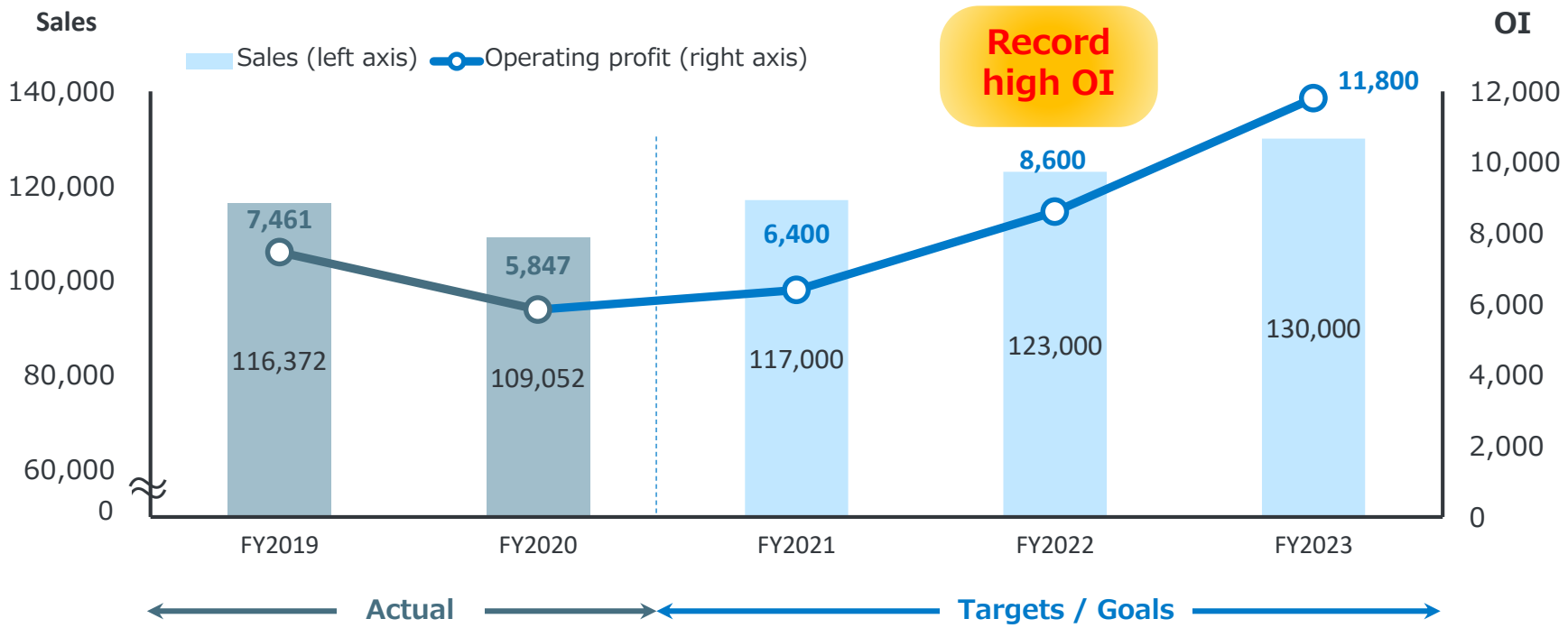
- FY20: Measures against pandemic in Japan took time to produce effects as did demand to come back
- FY21: Expect positive effects from measures against pandemic and demand recovery globally. At the same time, strategic investment including R&D is planned for medium- to long-term growth



Medium-term Targets (Consolidated)

(Millions of JPY)

	FY2020 (Actual)		FY2023	
Net Sales	109,052	Net Sales	130,000	+6.0% (CAGR)
Operating Income	5,847	Operating Income	11,800	+26.4% (CAGR)
Operating Income %	5.4%	Operating Income %	9.1%	+3.7pt
ROIC	5.8%	ROIC	10.3%	+4.5pt



<Ref.> Sales and OI by Business Segment

(Millions of JPY)

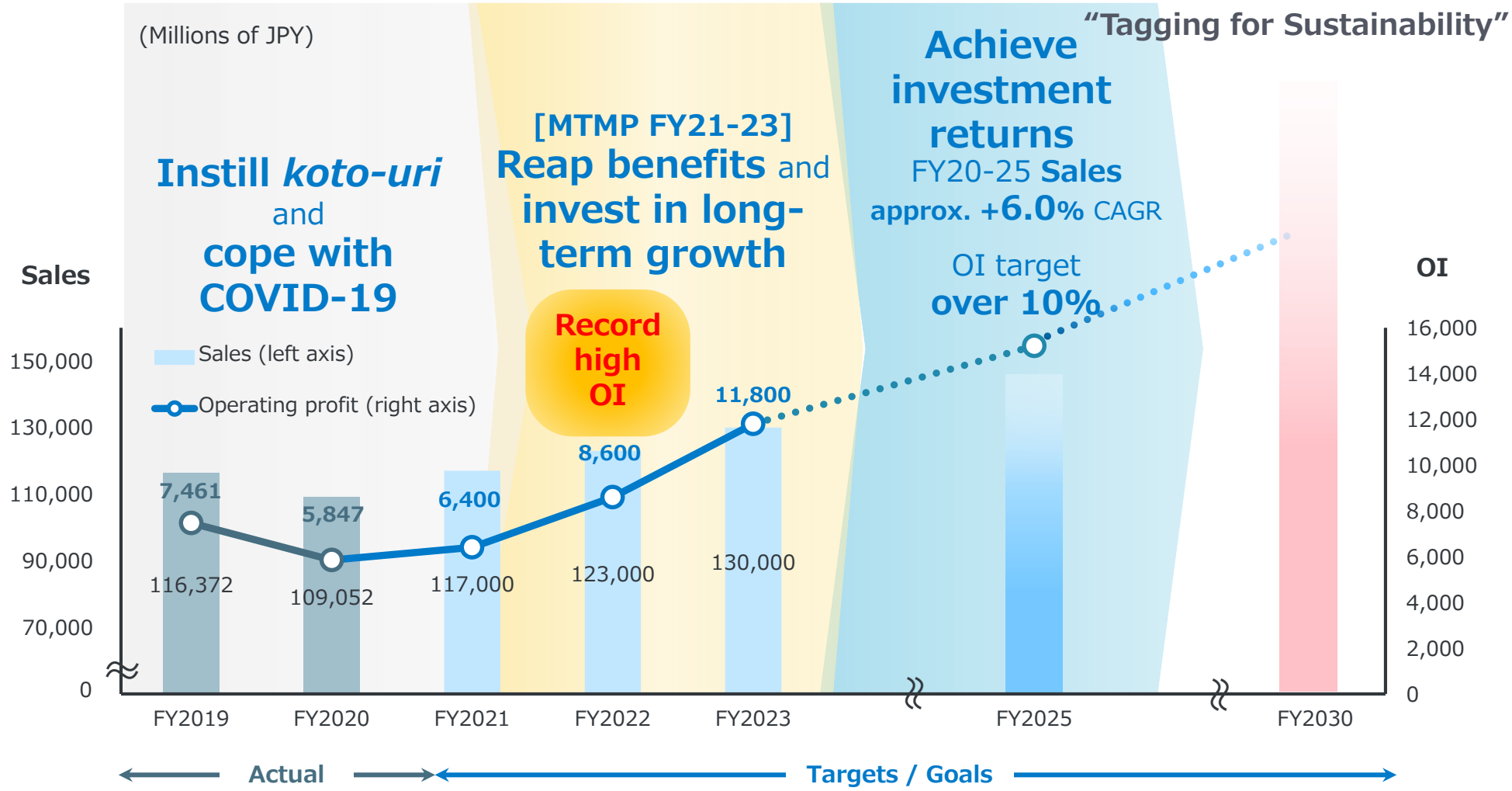
	FY2019	FY2020	FY2021	FY2022	FY2023	FY20-23 CAGR
	(Actual)		(Targets / Goals)			
Auto-ID Solutions Business (Overseas)						
Net sales	42,648	40,349	46,000	49,500	54,000	+10.2%
Operating Income	2,277	2,684	3,100	3,600	4,500	+18.8%
Operating Income %	5.3%	6.7%	6.7%	7.3%	8.3%	
Auto-ID Solutions Business (Japan)						
Net sales	73,360	68,566	71,000	73,500	76,000	+3.5%
Operating Income	6,479	3,221	3,300	5,000	7,300	+31.4%
Operating Income %	8.8%	4.7%	4.6%	6.8%	9.6%	
Consolidated						
Net sales	116,372	109,052	117,000	123,000	130,000	+6.0%
Operating Income	7,461	5,847	6,400	8,600	11,800	+26.4%
Operating Income %	6.4%	5.4%	5.5%	7.0%	9.1%	

Medium-term Management Plan in Perspective

- **Reap the benefits from instilling *koto-uri***
- **Invest strategically to achieve long-term goals**

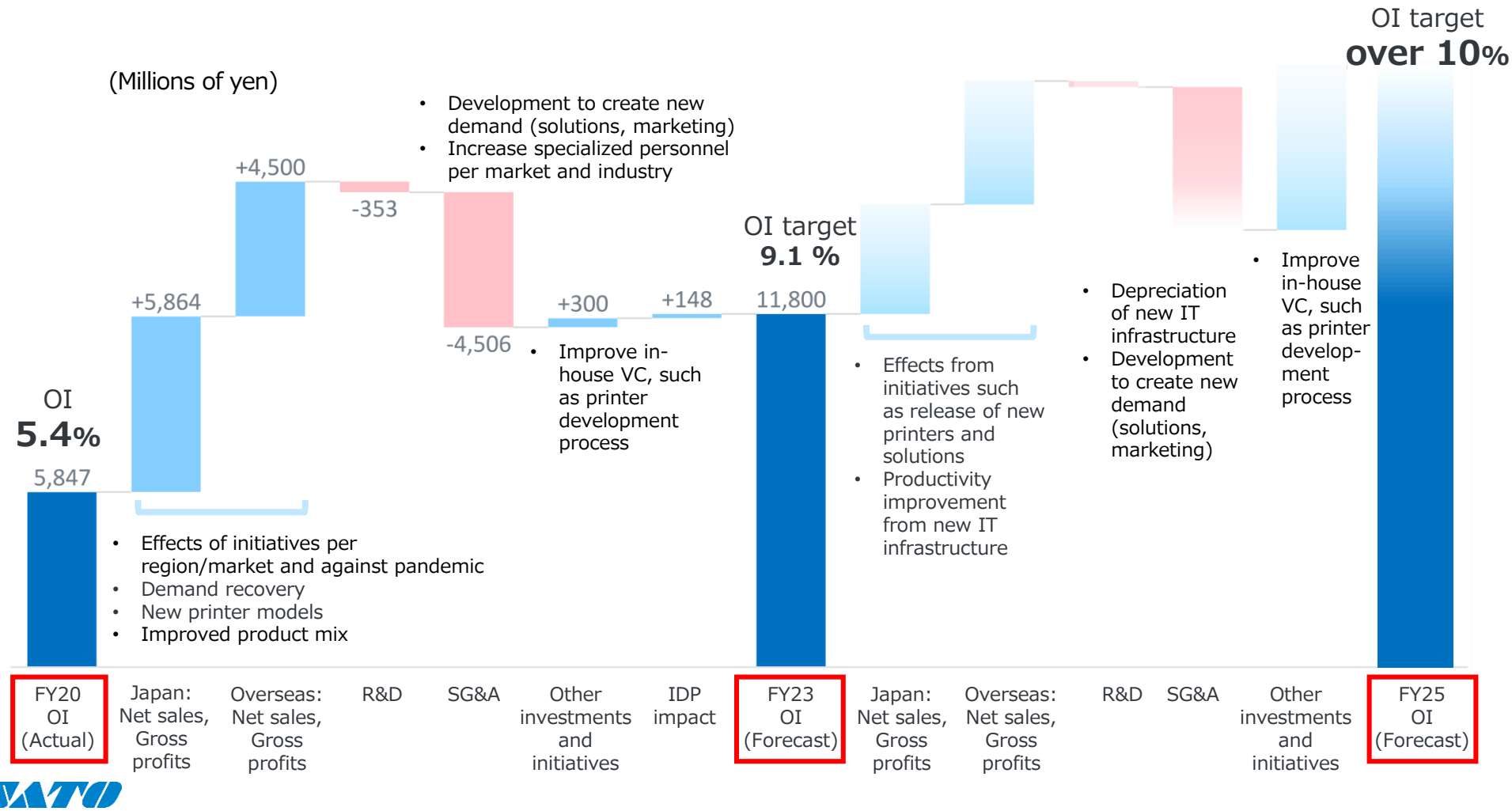
[What SATO aims to be]

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



FY2025 OI Target (Consolidated)

- FY21-23: Benefit from initiatives and demand recovery, and invest strategically in long-term growth
- FY24-25: Grow OI through improved productivity and increase in high earners with new IT infrastructure, and timely release of new products through efficient development by establishing common printer platforms.

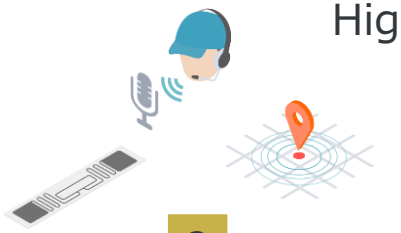


Long-term Perspective of Auto-ID Solutions

From limited worksite improvements, to optimizing society's movements through advanced technology

Technology

High



2

More sophisticated tagging technology

Innovation



Low

Improve productivity on an individual basis by giving everything and everyone on-site their own IDs

DCS & Labeling

Tagging for Sustainability

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

Narrow — Supply chains of target markets — Broad

1 **More wide-ranging supply chain** ▶ Growth strategies per region/market

Manufacturing, distribution, and sales sites

Supply chains across manufacturing, distribution, and sales

Supply chains including consumers

Circular economy

Toward Tagging for Sustainability

Example: Healthcare Market

DSC & Labeling — **Focus on improving operations at individual sites**

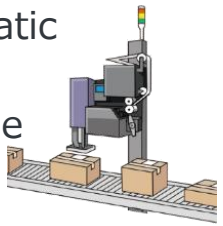
Pharmaceutical manufacturer

- RFID shipment management
- Automatic camera inspection



Wholesaler

- RFID shipment management
- Automatic pasting machine



Hospitals

- 3-point reconciliation
- Inventory control



Dispensing pharmacies

- Medication notebook



Ship without mistakes — Ensure accuracy

Make stocktaking efficient — Save labor; Save resources

Give medicine without mistakes — Offer reassurance

Toward Tagging for Sustainability

Example: Healthcare Market

Tagging for Sustainability

Advanced tagging to containers



- Linking the supply chain with information allows **track & trace** of things
- **New business opportunities** would be created
- Wider use of information **increases the range and quality of value creation**

Flow of goods → Flow of information

New business opportunities

- **Source tagging**

ID, opening detection, temperature, weight, etc.

- **Obtain ID and status information and deliver it to the platform**








Container manufacturer → Manufacturer of medical products → Wholesaler → Hospitals → Dispensing pharmacies → Patients → Disposal

Reuse

Collection

Recycling

Drug Discovery	Optimal Production and inventory	Quality control	Medication watch	Health promotion	Automatic collection
Ensure accuracy	Save labor	Save resources	Offer assurance	Protect environment	Build emotional connections

Creating New Businesses through "Tagging"



Track & trace data to provide value throughout the supply chain

Until now

Raw materials | Parts and materials | Manufacturing | Logistics | Retail | Consumption | Disposal

Sorting
Dismantling
Collection

Recycling

Strong need for "tagging"

Source tagging

We give every 'thing' its own ID

Auto-ID solutions business to optimize supply chain

High importance of "information gained through tagging"

Utilization of tagging information

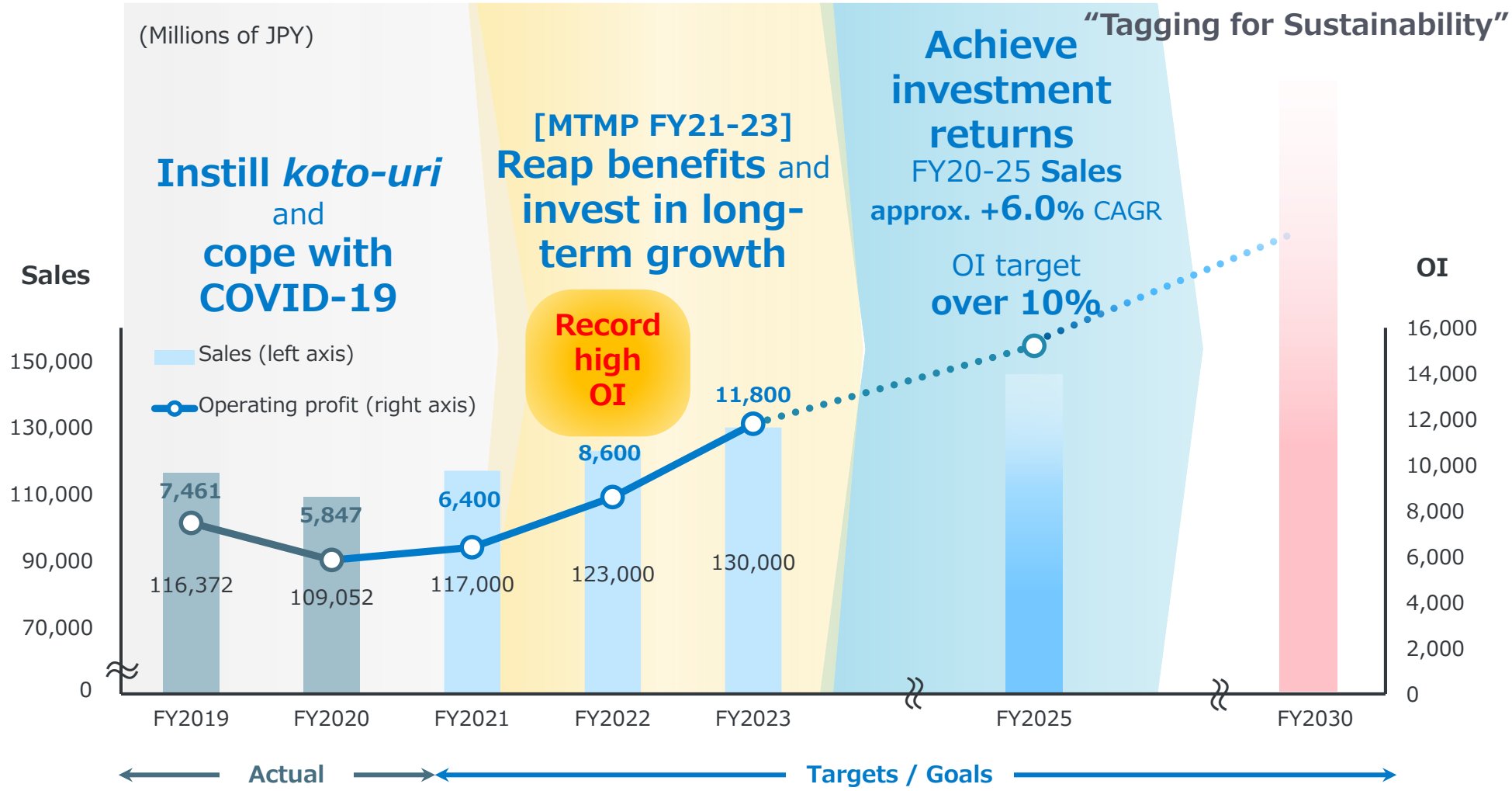
So it connects with the world

Medium-term Management Plan in Perspective (repost)

- Reap the benefits from instilling *koto-uri*
- Invest strategically to achieve long-term goals

[What SATO aims to be]

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



Three Pillars of Growth Strategy



1. Growth strategies per region & market

▶Overseas
Further instill *koto-uri* and strengthen strategic partnership

▶Japan
Innovate *koto-uri* & enhance profitability

2. Technological innovation

1. Develop new tagging technology
2. Create cutting-edge products and services

3. Enhancing ESG performance

1. Reduce environmental impact
2. Galvanize HR with SATO values
3. Strengthen corporate governance

Paths to "*Tagging for Sustainability*"

Expand tagging in each market



	Current	Medium-term	Long-term
Manufacturing	Improve operations at manufacturing sites	Collect all sorts of data on-site and make them meaningful	Create a world linking manufacturers with consumers
Logistics	Improve warehouse QCD with higher efficiency at each site	Eliminate logistics-oriented waste in supply chains	Support the logistics industry as a lifeline
Retail	Improve productivity and reduce costs of sales operations	Improve in-store UX and store profitability	Pursue sustainability with high-value information
Healthcare	Deliver safety and peace of mind for patients	Reform hospital workstyle, and improve patient satisfaction	Create environments to make the most of 100-year longevities
Food & Beverage	Aid compliance with regulations, and secure food safety	Help to optimize food supply chains	Create healthy and high-quality food culture

Tagging for Sustainability

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

Overseas business "Further instill koto-uri" and "Strengthen strategic partnerships"

Create opportunities & expand customer range with strategic partners, to speed growth

Koto-uri (Selling the solution)

SATO × Industry-specific partners (ISV)

Selling the product

SATO × Distributors, resellers

Speed growth

Example

Industry: Food & Beverage/restaurant
Partners: ISVs* specializing in HACCP solutions

SATO

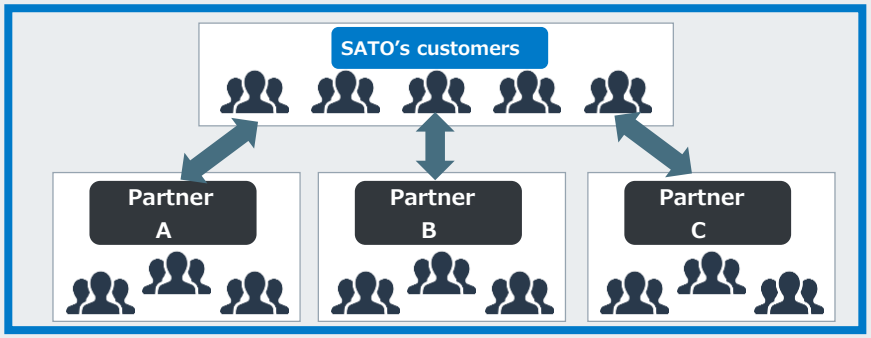
Printers
Consumables
etc.



Partner

HACCP solution
(Systems differ w/each country)

➡ **Approach each other's customers**



Possible in: France, UK, Spain, US, Thailand (Talks ongoing in some)
Also possible in (industries): Supermarkets, food production

* Independent software vendors that are not a subsidiary of a particular manufacturer.

Japan business "Innovate *koto-uri*" and "Enhance profitability"

Maximize results with four initiatives

FY2019	FY2025
OI% (actual) 8.8%	OI% (goal) Up 2 pts

Enhance profitability

1. Enhance on unbeatable offerings

Enhance product/service lineup
Standardize & seek commonalities

2. Optimize value chain

Streamline business-essential processes

3. Change the way we sell

Shape into explicit knowledge; restructure organization

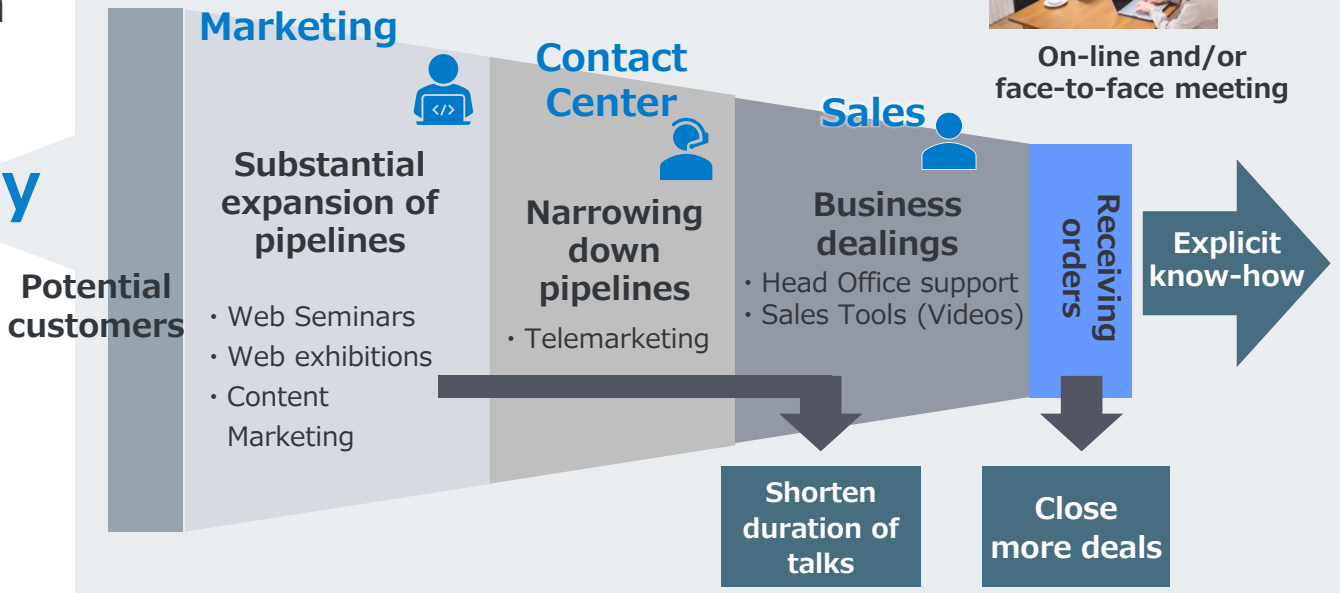
4. Reduce cost

Reform of sales style under pandemic

- Full utilization of digital marketing
- Role-sharing and collaboration



On-line and/or face-to-face meeting



1. Develop new tagging technologies



Enhance and diversify tagging

- **Establishment of 2 new organizations**

Short- to medium-term impact

RFID Headquarters

Purpose

- Expand RFID businesses globally

Role

- Integrate planning, development, manufacturing, and business promotion to steadily and speedily capture rising demand

Medium- to long-term impact

Innovation Lab

Purpose

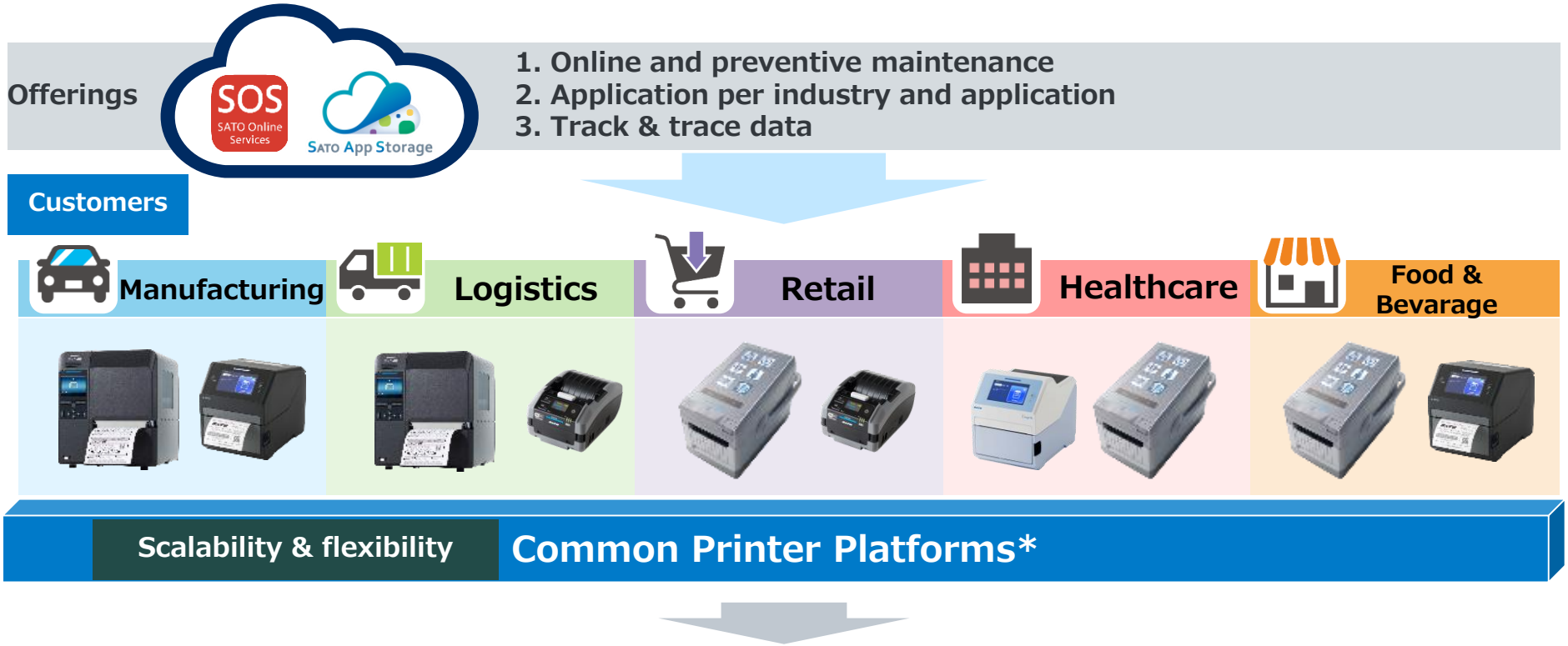
- Creation of new tagging technologies

Role

- Combine new auto-ID technologies and other technologies
- Develop new tagging methods
- Develop production process of new tags

2. Create cutting-edge products and services

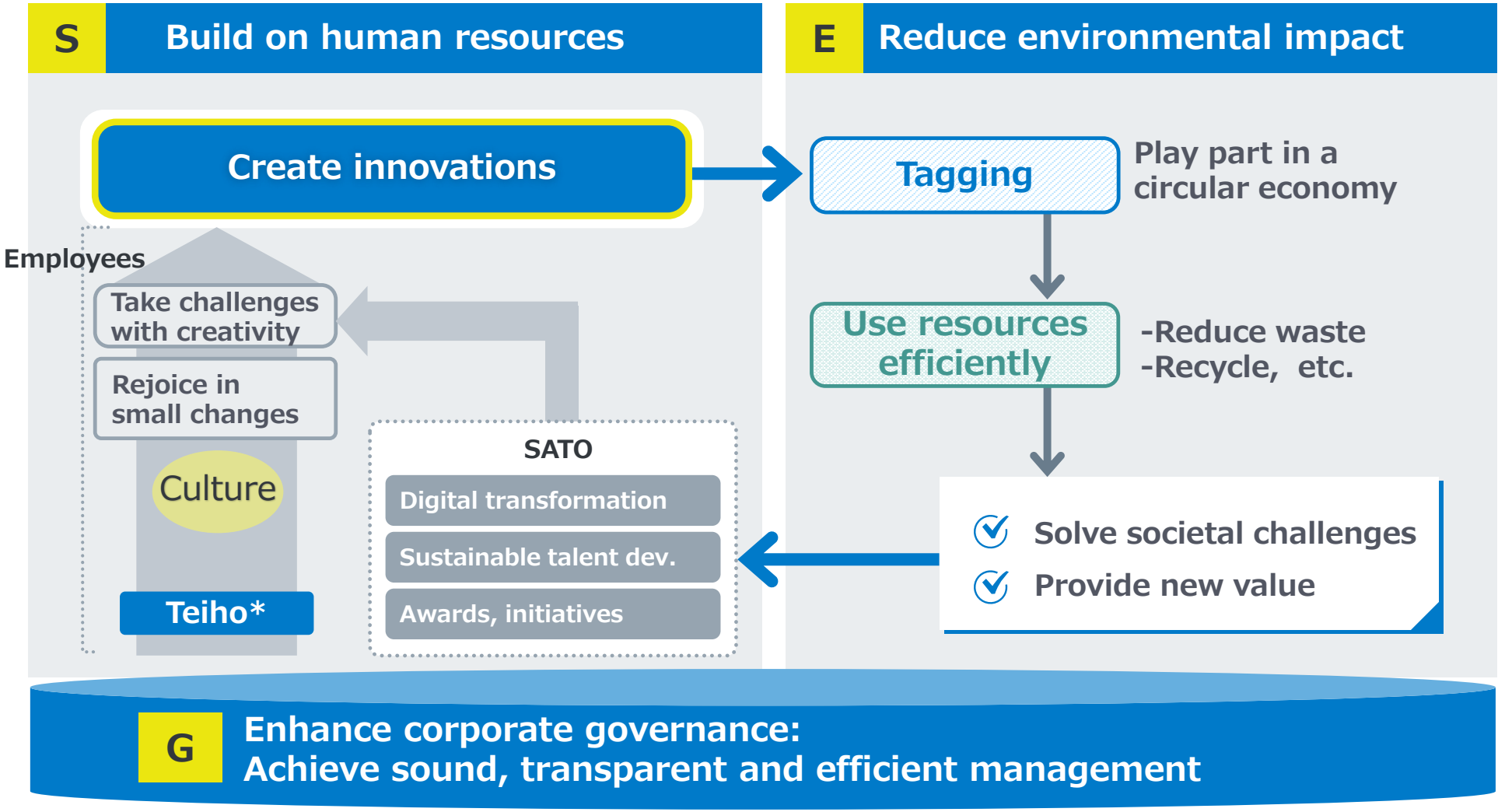
Expanding the lineup of smart printers



- **Flexibly combine printers and software to meet customer needs**
- **Timely response to changing needs** through collaboration with cloud services
- **Utilize acquired information** (ensure stable operation by utilizing track and trace data on operating status)
- **Cost reduction** (shorter development time, consolidation of parts)

*Development of hardware, interface, and applications per industry based on platform specifications

Initiatives towards “Tagging for Sustainability”



*Short reports that employees submit to top management regularly concerning original ideas, innovations and proposals aimed to make the company better and on how to put them into action.

Capital Allocation

Distribution of cash reserves and cash generated during FY21-23

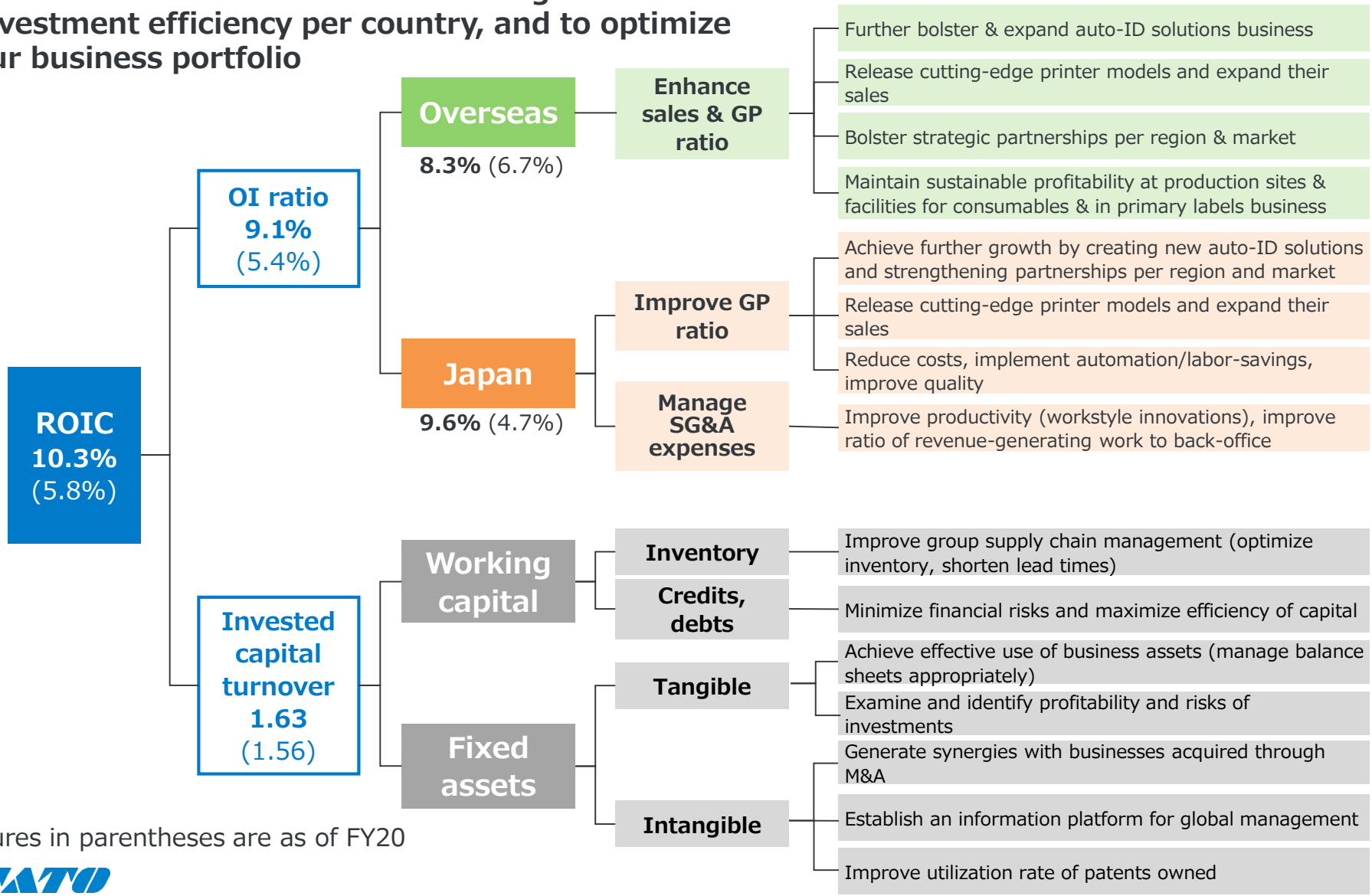
Approx. JPY 50 billion



Pillars	Cash allocation	Main initiatives	Impact		
			Sales growth	Higher productivity	Lower cost
1. Growth strategies per region & market	Approx. 10%	Develop solution services per market	✓		
		Collaborate with partners, M&A	✓	✓	
2. Technological innovation	Approx. 70%	R&D, equipment upgrades (printers, consumables, RFID)	✓	✓	✓
		Develop new tagging technology	✓		
3. Enhancing ESG performance	Approx. 20%	Build HR development system	✓	✓	✓
		Develop eco-friendly products	✓	✓	
		Build new IT infrastructure	✓	✓	✓

ROIC tree for FY23

- **ROIC enables SATO to seek business growth and investment efficiency per country, and to optimize our business portfolio**



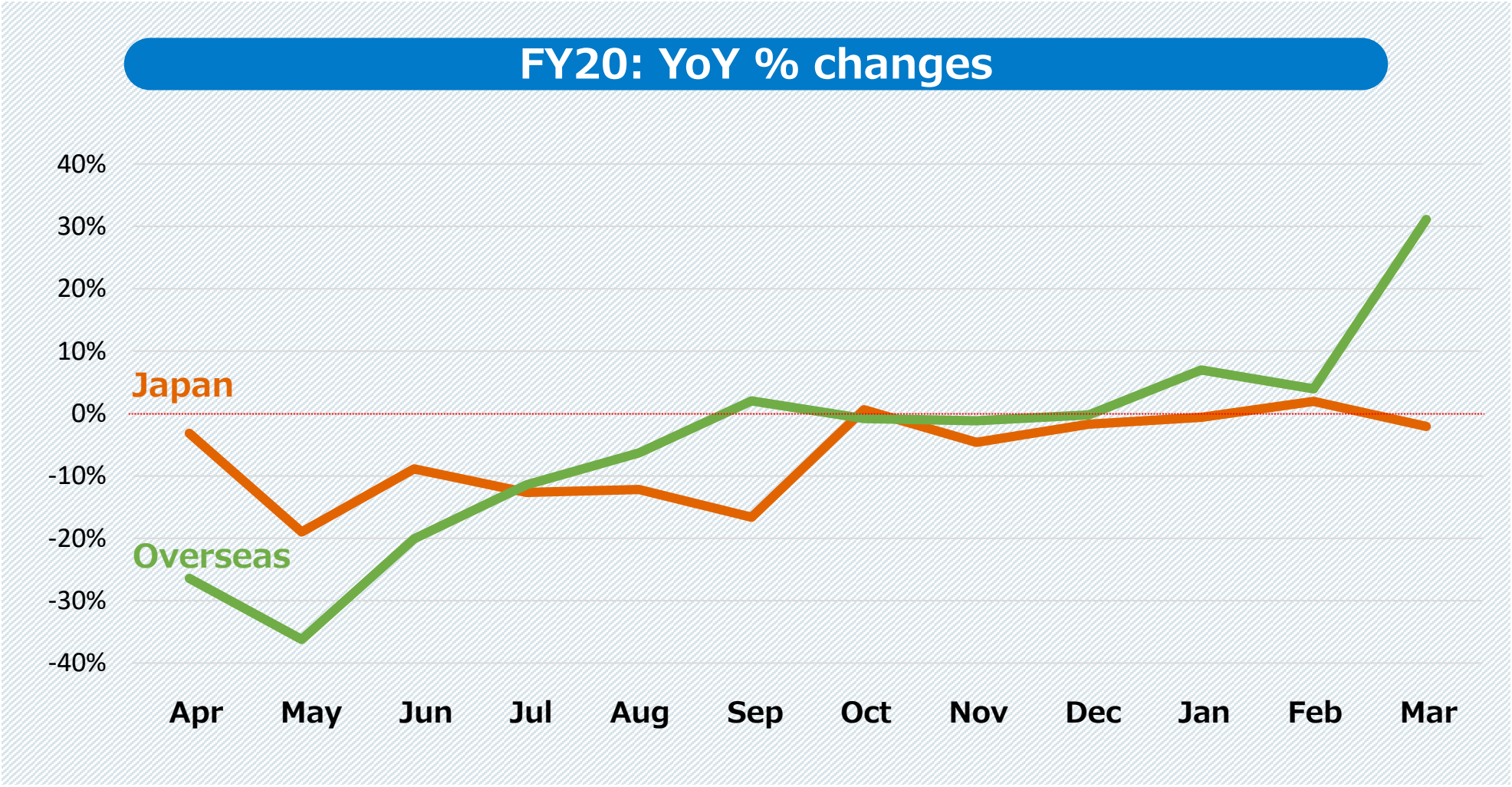
Figures in parentheses are as of FY20

Appendix

Performance data Pages 46-64

SATO Terminologies Pages 65–68

Monthly sales trends (Overseas/Japan)



Sales and OI by Business Segment

(Millions of JPY)

		FY2020 Jan-Mar	FY2019 Jan-Mar	YoY	excl. FX impact
Auto-ID Solutions business	**Total Sales**	**29,781**	**28,500**	**+4.5%**	**+5.7%**
	Operating Income	**2,083**	**2,047**	**+1.8%**	**+2.0%**
Overseas	Total Sales	11,290	9,922	+13.8%	**+17.3%**
	Operating Income	880	349	2.5x	**2.7x**
Japan	Total Sales	18,490	18,578	-0.5%	**-0.5%**
	Operating Income	1,203	1,697	-29.1%	**-36.4%**
IDP business*	**Total Sales**	**0**	**68**	**-**	**-**
	Operating Income	**0**	**-261**	**-**	**-**
Consolidated (incl. eliminations)	**Total Sales**	**29,781**	**28,569**	**+4.2%**	**+5.4%**
	Operating Income	**2,069**	**1,815**	**+14.0%**	**+9.9%**

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

Consolidated Results

(Millions of JPY)

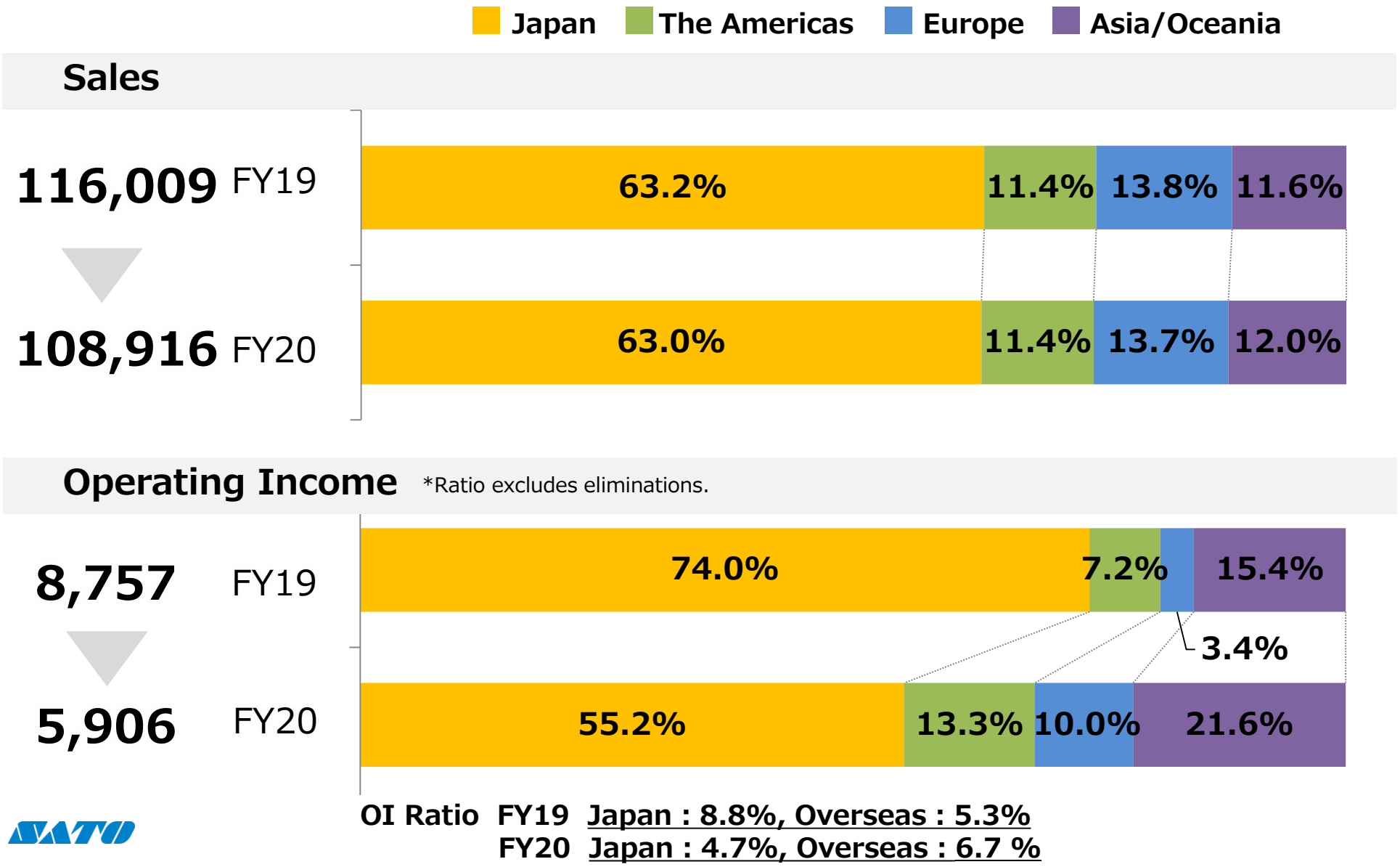
	FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY
Net Sales	29,781	28,569	+1,212	+4.2%
Operating Income	2,069	1,815	+254	+14.0%
Operating Income %	6.9%	6.4%	+0.6pt	-
Ordinary Income	2,051	1,209	+842	+69.6%
Profit attributable to owners of parent *1	1,355	-6,039	+7,394	-
Effective Tax Rate	19.6%	-	-	
EBITDA *2	3,133	3,279	-145	-4.4%

Average exchange rates for FY20: JPY 106.10/USD, JPY 123.75/EUR, FY19: JPY 108.69/USD, JPY 120.79/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 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.
*2 EBITDA = Operating Income + Depreciation + Amortization
・Depreciation for Jan-Mar FY20: JPY 1,008million Jan-Mar FY19: JPY 1,249 million
・Amortization for Jan-Mar FY20: JPY 55 million*3 Jan-Mar FY19: JPY 215 million (incl. 148 mil. for DataLase)
*3 Full value of DataLase's goodwill was written off in FY19 Q4.

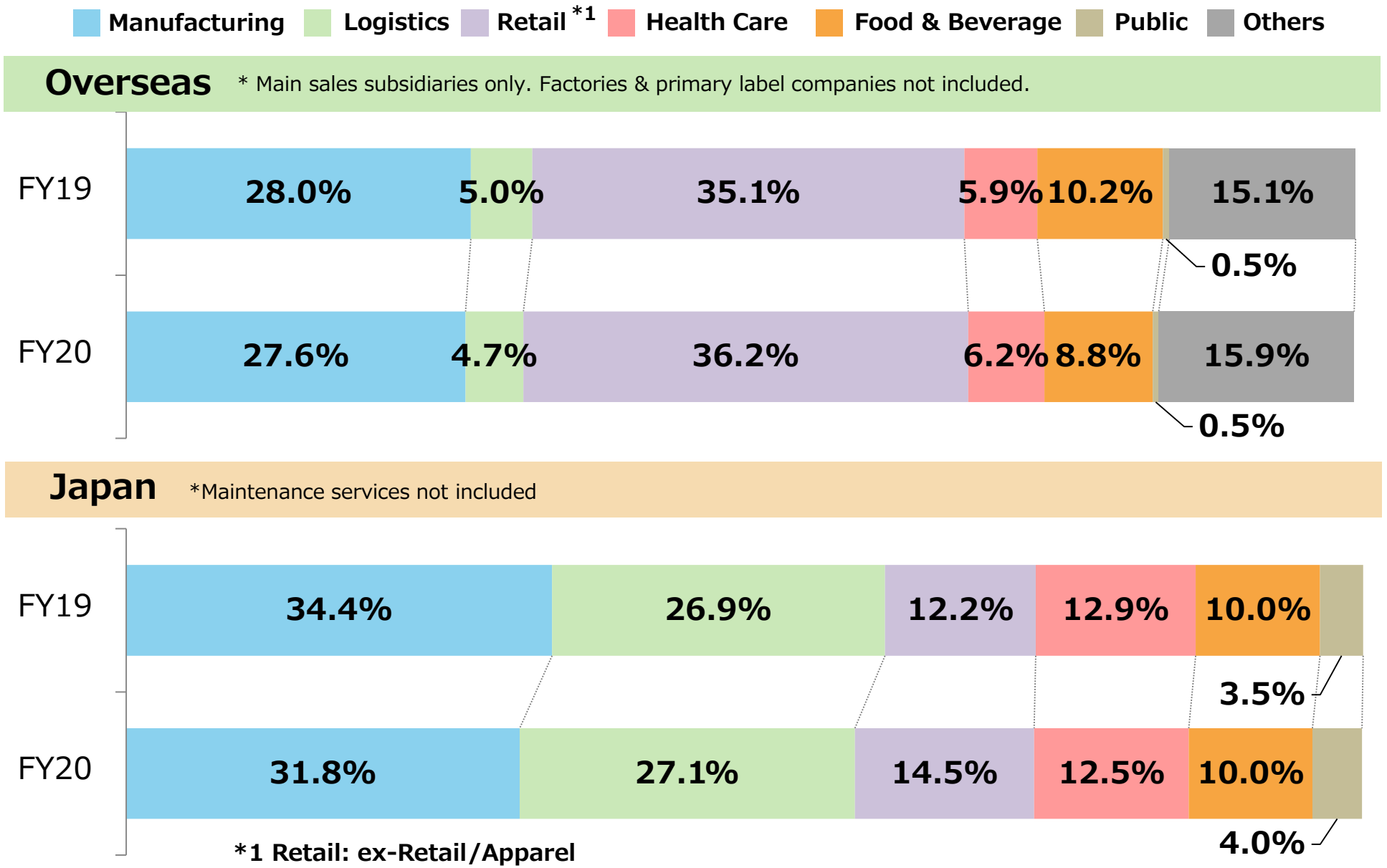
Sales and OI by region

(Millions of JPY)



OI Ratio FY19 Japan : 8.8%, Overseas : 5.3%
FY20 Japan : 4.7%, Overseas : 6.7 %

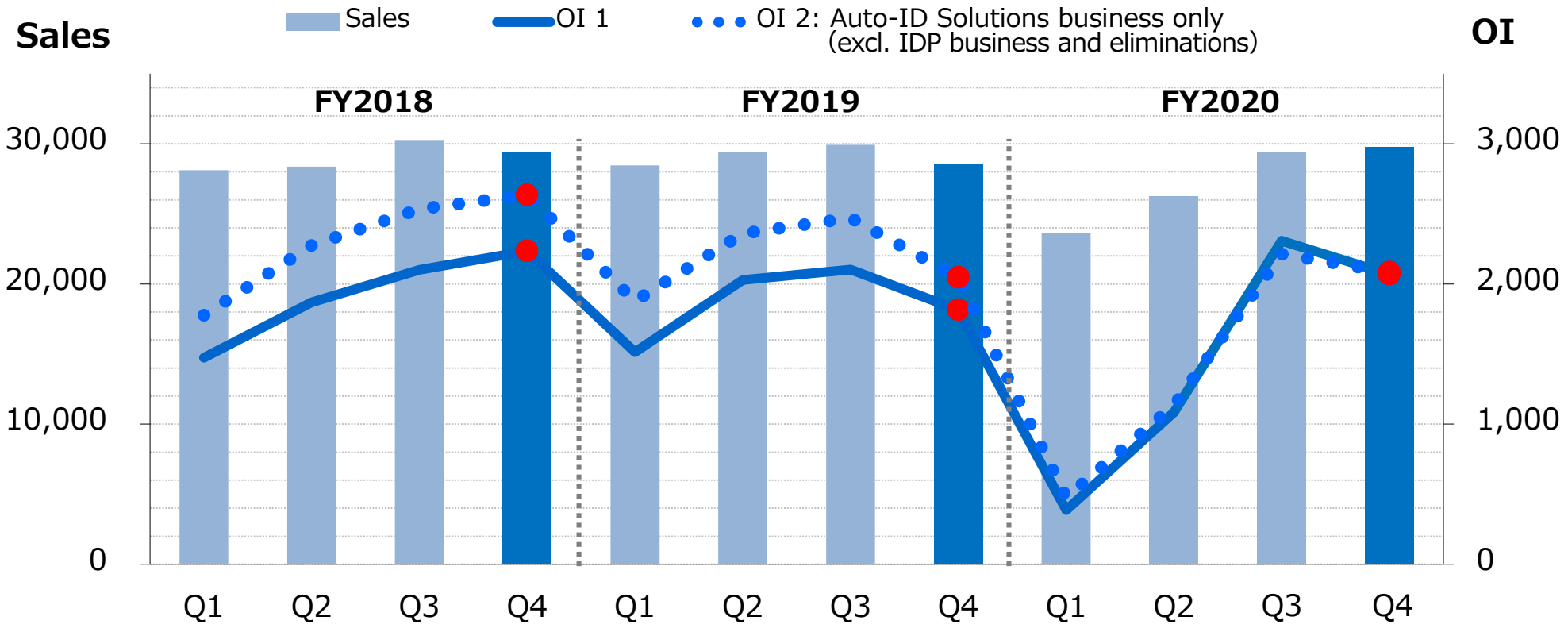
Sales by vertical



Consolidated

Quarterly Sales & OI

(Millions of JPY)

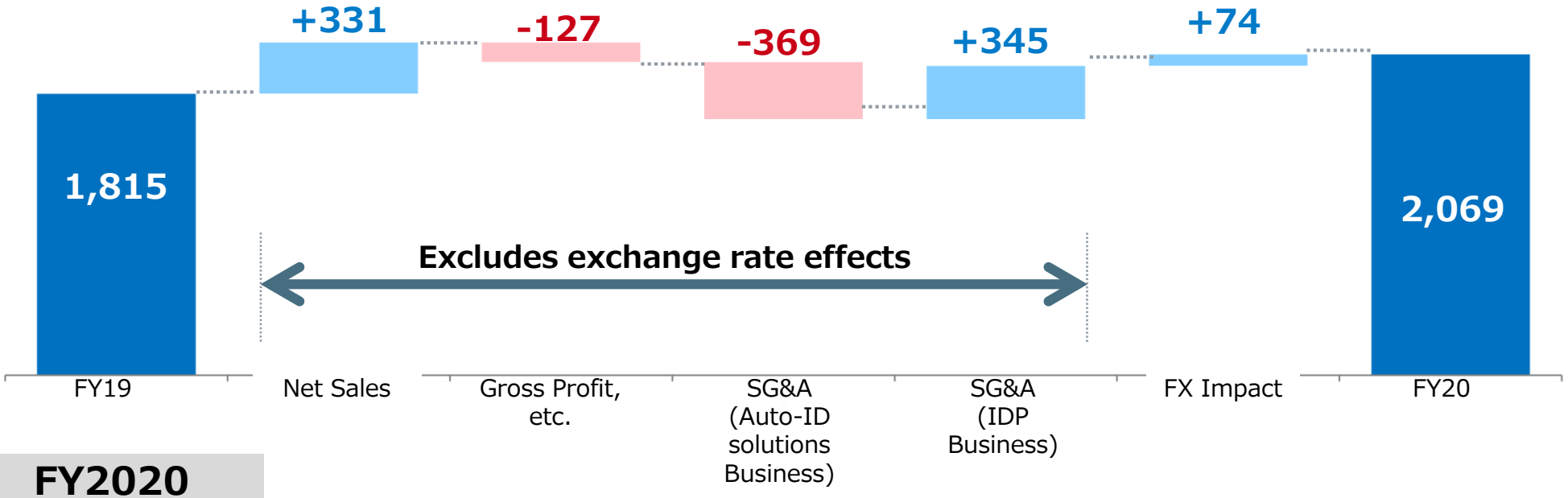


Sales	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569	23,651	26,221	29,398	29,781
YoY	+4.9%	+1.2%	+0.3%	+3.7%	+1.2%	+3.7%	-1.1%	-2.9%	-16.9%	-10.8%	-1.8%	+4.2%
OI 1	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,815	385	1,084	2,307	2,069
YoY	+73.1%	+9.7%	-0.9%	+42.0%	+2.7%	+8.5%	+0.1%	-18.8%	-74.5%	-46.5%	+9.7%	+14.0%
OI 2	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047	476	1,132	2,213	2,083
YoY	+44.3%	+9.6%	+0.8%	+40.6%	+5.7%	+3.8%	-2.5%	-22.3%	-74.6%	-52.0%	-10.4%	+1.8%

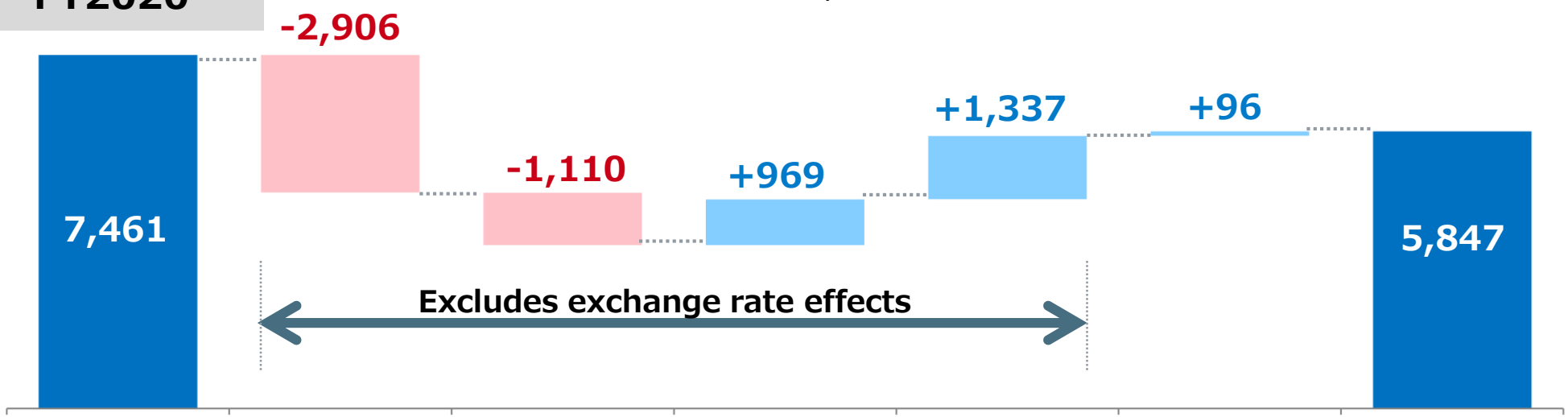
Major Gains/Losses in OI

Jan-Mar

(Millions of JPY)



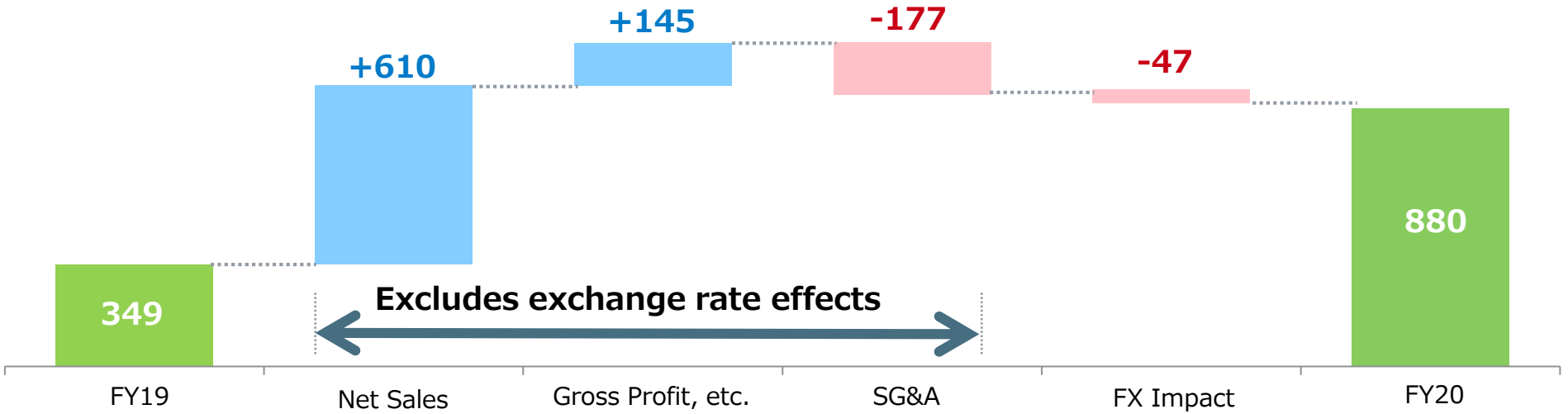
FY2020



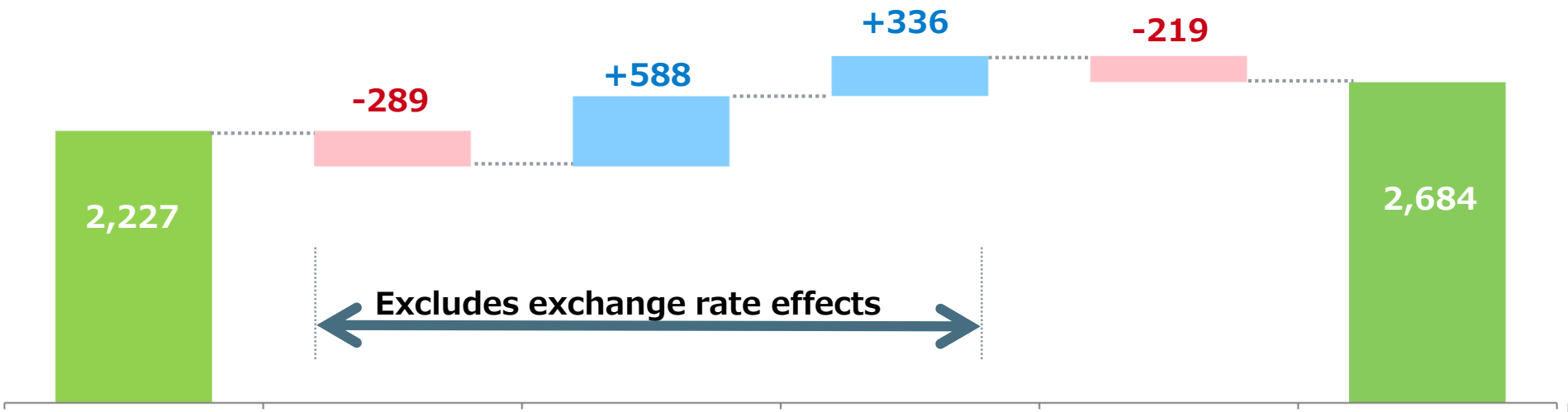
Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar



FY2020



Breakdown by Business Segment

(Millions of JPY)

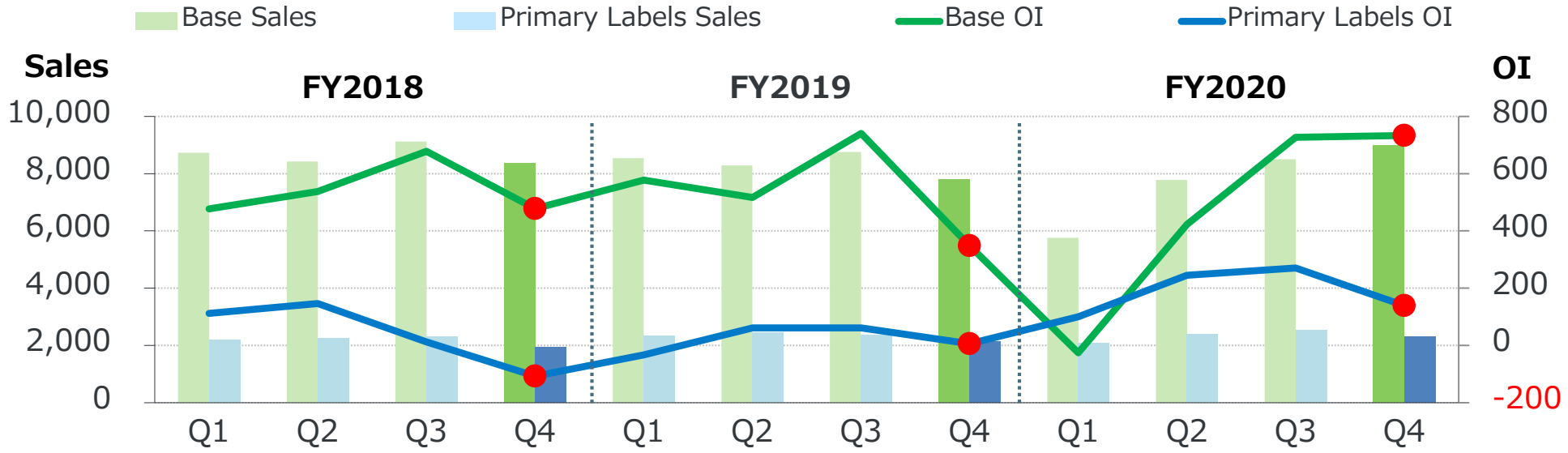
		FY2020 Jan-Mar	FY2019 Jan-Mar	Change	YoY	excl. FX impact
Base	Total Sales	8,976	7,794	+1,181	+15.2%	+13.7%
	Operating Income	733	348	+385	2.1x	2.1x
Primary Labels	Total Sales	2,313	2,128	+185	+8.7%	+30.2%
	Operating Income	139	6	+133	22.0x	29.0x
Eliminations	Operating Income	6	-5	+12	-	-
Total	Total Sales	11,290	9,922	1,367	+13.8%	+17.3%
	Operating Income	880	349	+530	2.5x	2.7x

		FY2020	FY2019	Change	YoY	excl. FX impact
Base	Total Sales	31,010	33,378	-2,367	-7.1%	-6.1%
	Operating Income	1,857	2,184	-326	-15.0%	-14.1%
Primary Labels	Total Sales	9,339	9,270	+68	+0.7%	+22.8%
	Operating Income	756	94	+661	8.0x	10.1x
Eliminations	Operating Income	70	-2	+72	-	-
Total	Total Sales	40,349	42,648	-2,298	-5.4%	+0.2%
	Operating Income	2,684	2,277	+407	+17.9%	+27.5%

Auto-ID Solutions Business (Overseas)

Quarterly Sales & OI

(Millions of JPY)

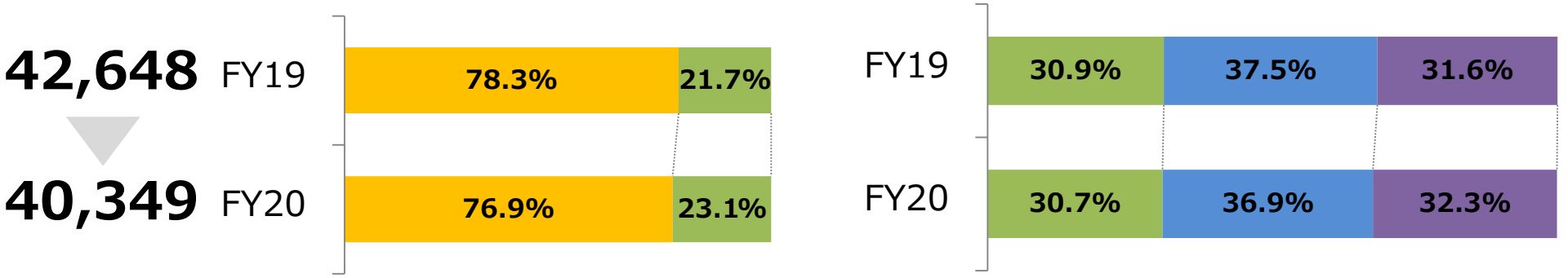


		FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4
Base	Sales	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794	5,755	7,779	8,499	8,976
	YoY	+10.2%	+0.8%	+1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-32.6%	-6.1%	-3.0%	+15.2%
	OI	477	538	678	478	577	517	740	348	-26	423	727	733
	YoY	+39.9%	-21.0%	-3.3%	18.7x	+21.1%	-3.9%	+9.2%	-27.1%	-	-18.2%	-1.8%	2.1x
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	2,313
	YoY	+0.8%	+4.8%	+2.9%	-5.9%	+6.8%	+8.3%	+2.5%	+9.7%	-10.3%	-2.6%	+7.9%	+8.7%
	OI	112	146	12	-107	-33	61	61	6	100	245	270	139
	YoY	2.4x	5.6x	-	-	-	-58.3%	4.9x	-	-	4.0x	4.4x	22.0x

Sales and OI by Business Segment/Region

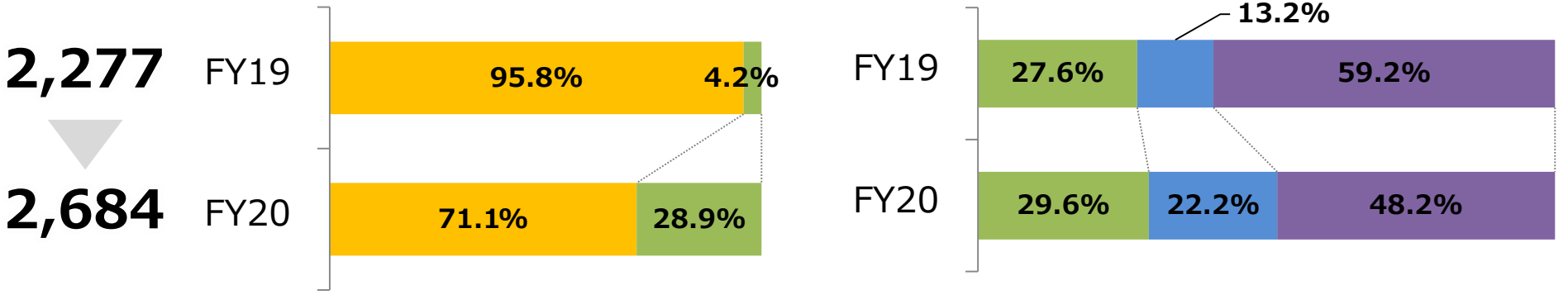
(Millions of JPY)

Sales



Operating Income

*Ratio excludes eliminations.



OI ratio:
FY19 Base : 6.5%, Primary Labels : 1.0%
FY20 Base : 6.0%, Primary Labels : 8.1%

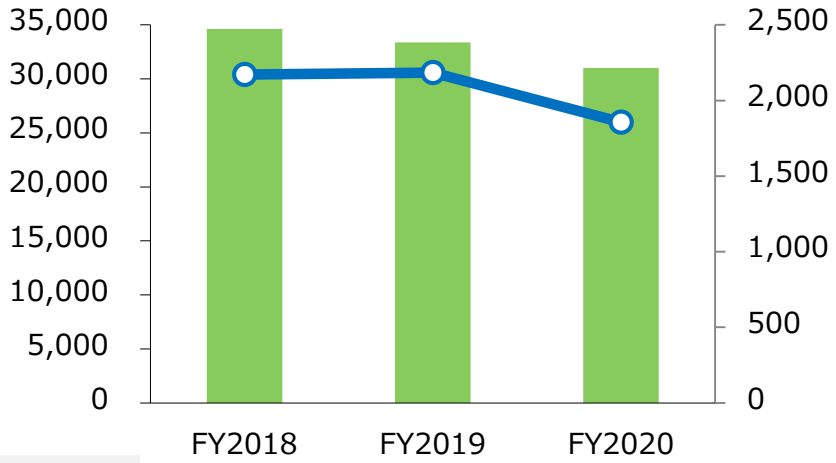
FY19 The Americas : 4.8%, Europe : 1.9%, Asia/Oceania : 10.0%
FY20 The Americas : 6.2%, Europe : 3.9%, Asia/Oceania : 9.6%

Sales and OI Trends by Business Segment and Region

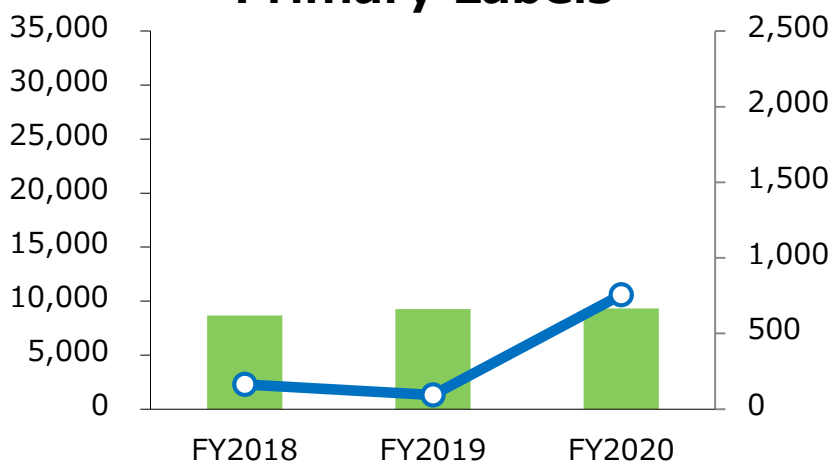
By Business Segment

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

Base

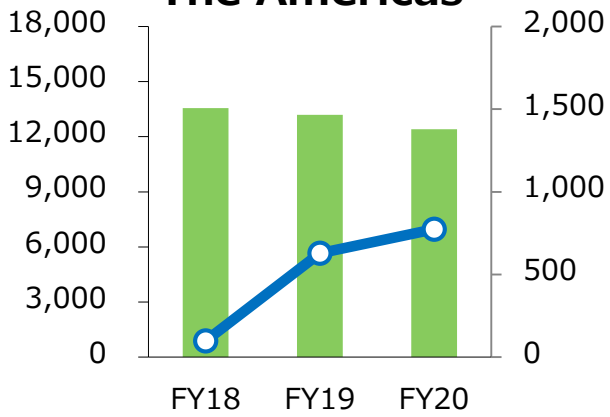


Primary Labels

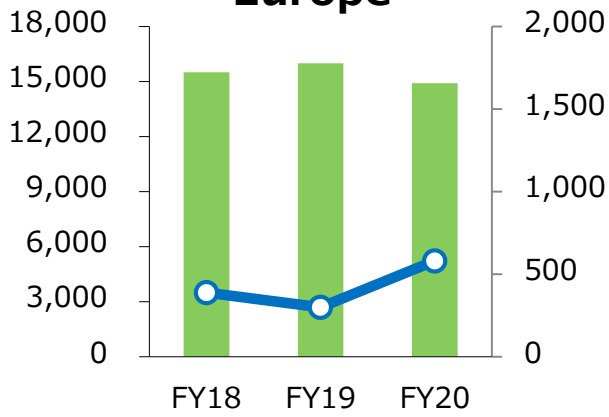


By Region

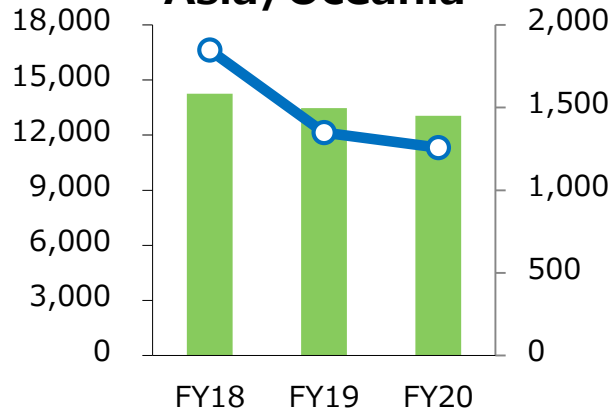
The Americas



Europe

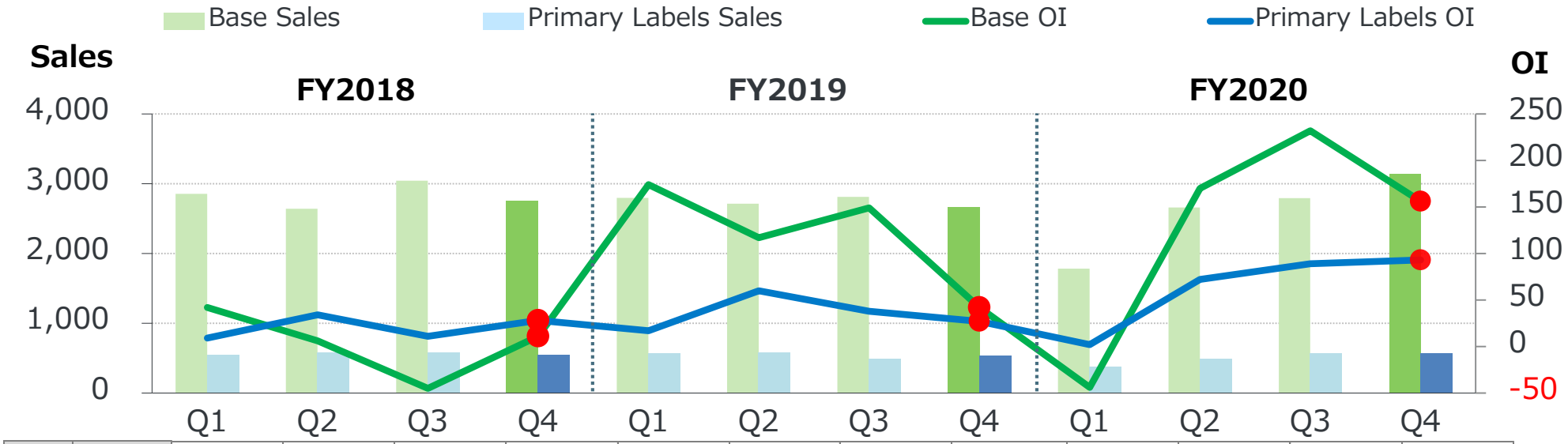


Asia/Oceania



The Americas: Quarterly Sales & OI

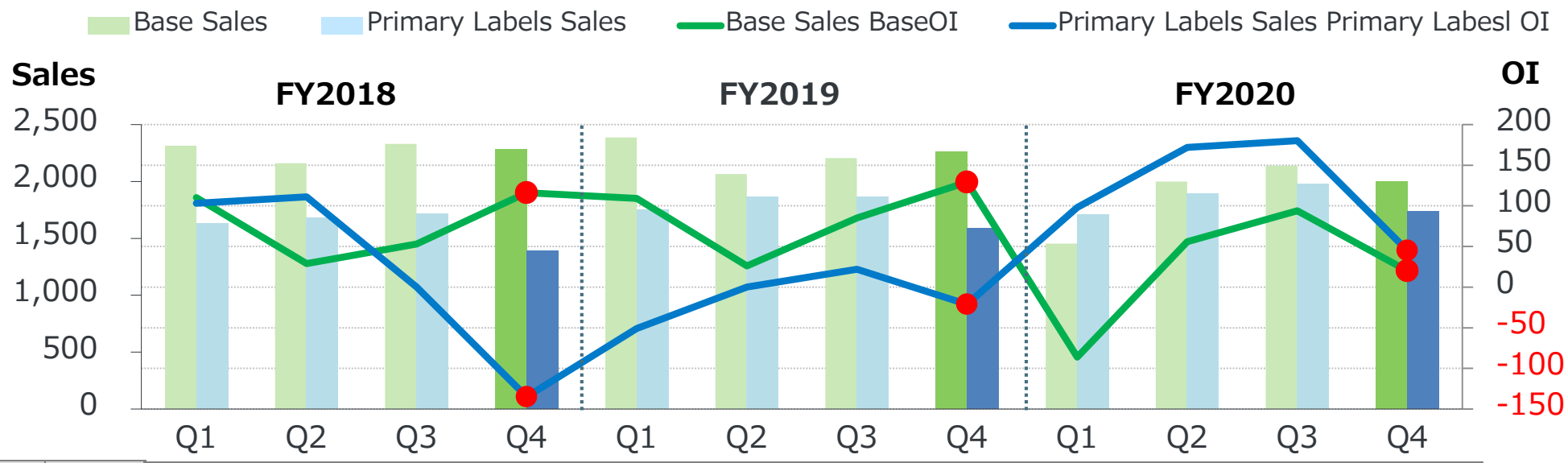
(Millions of JPY)



		Q1 FY2018	Q2 FY2018	Q3 FY2018	Q4 FY2018	Q1 FY2019	Q2 FY2019	Q3 FY2019	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 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	3,140
	YoY	+2.7%	-9.0%	-0.6%	-9.4%	-2.0%	+2.8%	-7.6%	-3.2%	-36.3%	-2.0%	-0.6%	+17.8%
	OI	42	6	-45	11	174	117	149	42	-44	170	232	156
	YoY	-49.7%	-94.9%	-	-	4.1x	17.0x	-	3.8x	-	+45.6%	+54.8%	3.6x
Primary Labels	Sales	546	584	587	550	577	586	497	536	378	498	571	576
	YoY	-16.9%	-12.4%	-9.9%	-19.6%	+5.6%	+0.4%	-15.2%	-2.5%	-34.5%	-15.0%	+14.9%	+7.3%
	OI	9	34	11	28	17	60	38	27	2	72	89	93
	YoY	-92.1%	2.5x	-	-68.0%	+86.3%	+76.8%	3.2x	-1.1%	-85.4%	+19.8%	2.3x	3.4x

Europe: Quarterly Sales & OI

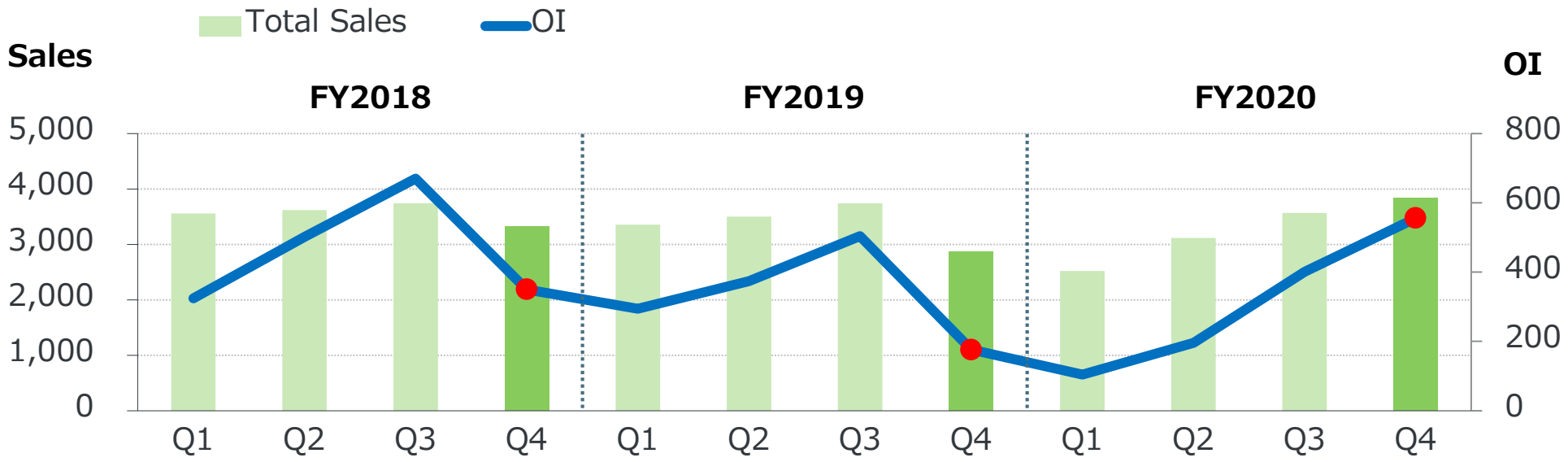
(Millions of JPY)



		FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4
Base	Sales	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264	1,453	2,000	2,137	1,996
	YoY	+20.8%	+6.3%	+7.6%	+1.2%	+3.1%	-4.4%	-5.4%	-0.7%	-39.1%	-3.2%	-3.1%	-11.8%
	OI	110	29	53	116	109	26	85	129	-86	56	94	20
	YoY	2.5x	-17.2%	+10.6%	+4.5%	-0.8%	-10.7%	+61.7%	+11.1%	-	2.2x	+9.6%	-84.2%
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	1,737
	YoY	+8.6%	+12.5%	+8.1%	+1.0%	+7.2%	+11.1%	+8.6%	+14.6%	-2.3%	+1.3%	+6.0%	+9.2%
	OI	103	111	0	-135	-51	0	22	-21	98	172	180	45
	YoY	-	9.1x	3.8x	-	-	-99.7%	36.2x	-	-	503.7x	8.0x	-

Asia/Oceania: Quarterly Sales & OI

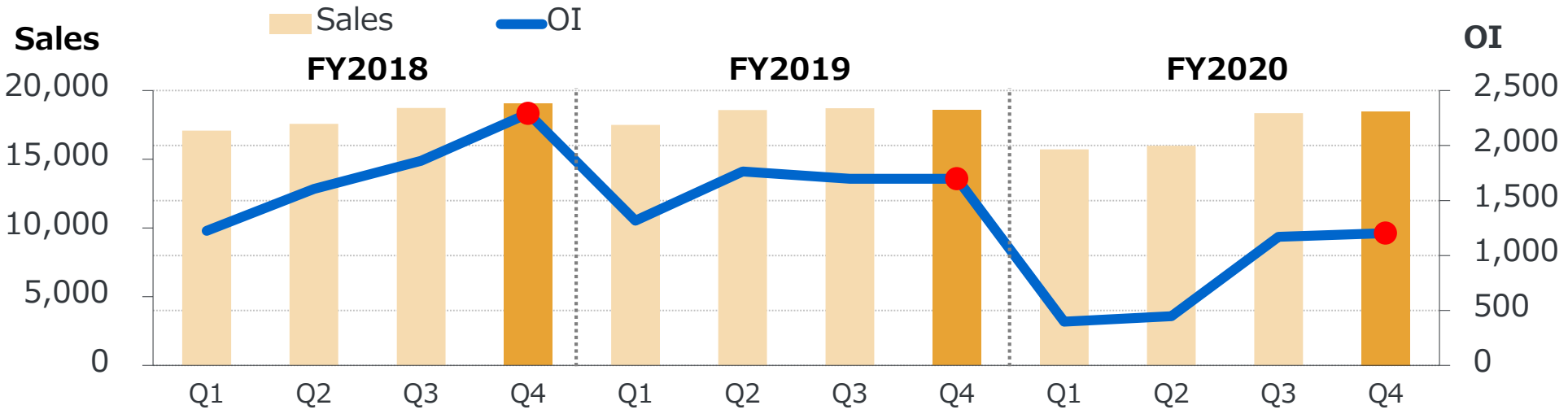
(Millions of JPY)



Base	Sales	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865	2,520	3,117	3,567	3,839
	YoY	+10.3%	+5.8%	-0.4%	-2.3%	-5.8%	-3.2%	-0.1%	-13.9%	-24.9%	-11.1%	-4.6%	+34.0%
	OI	324	502	670	350	294	374	504	176	104	196	401	556
	YoY	+52.3%	-1.8%	+37.9%	+18.8%	-9.4%	-25.5%	-24.7%	-49.7%	-64.5%	-47.6%	-20.5%	3.2x

Quarterly Sales & OI

(Millions of JPY)

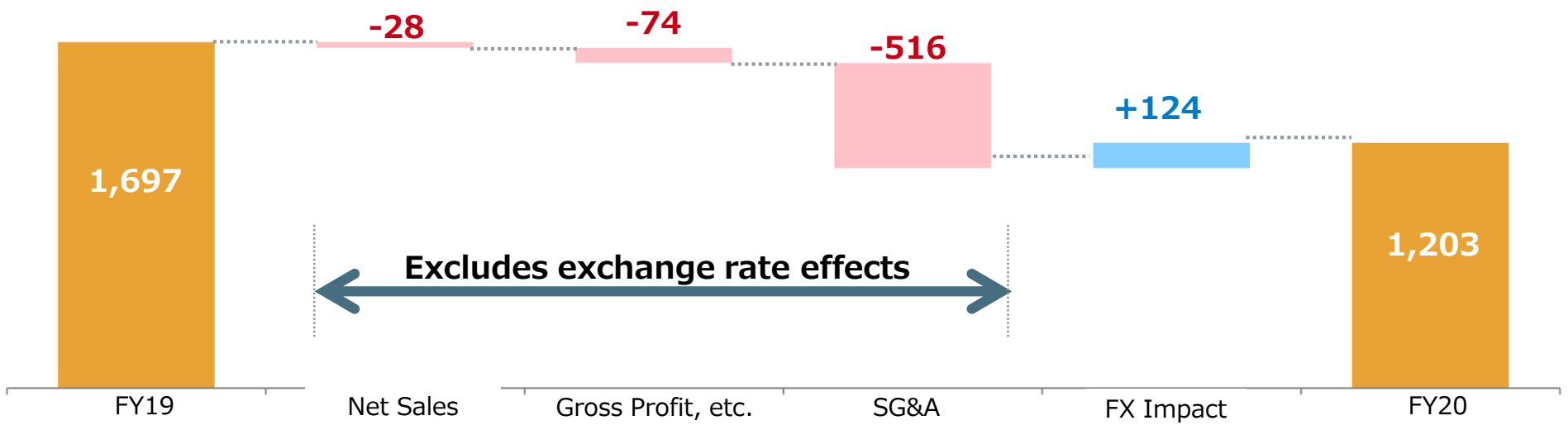


Sales	17,081	17,579	18,736	19,037	17,495	18,578	18,709	18,578	15,730	15,991	18,352	18,490
YoY	+2.7%	+0.9%	-0.9%	+8.7%	+2.4%	+5.7%	-0.1%	-2.4%	-10.1%	-13.9%	-1.9%	-0.5%
OI	1,224	1,606	1,860	2,291	1,318	1,765	1,698	1,697	399	448	1,170	1,203
YoY	+41.9%	+19.4%	+0.5%	+29.3%	+7.7%	+9.8%	-8.7%	-25.9%	-69.7%	-74.6%	-31.1%	-29.1%

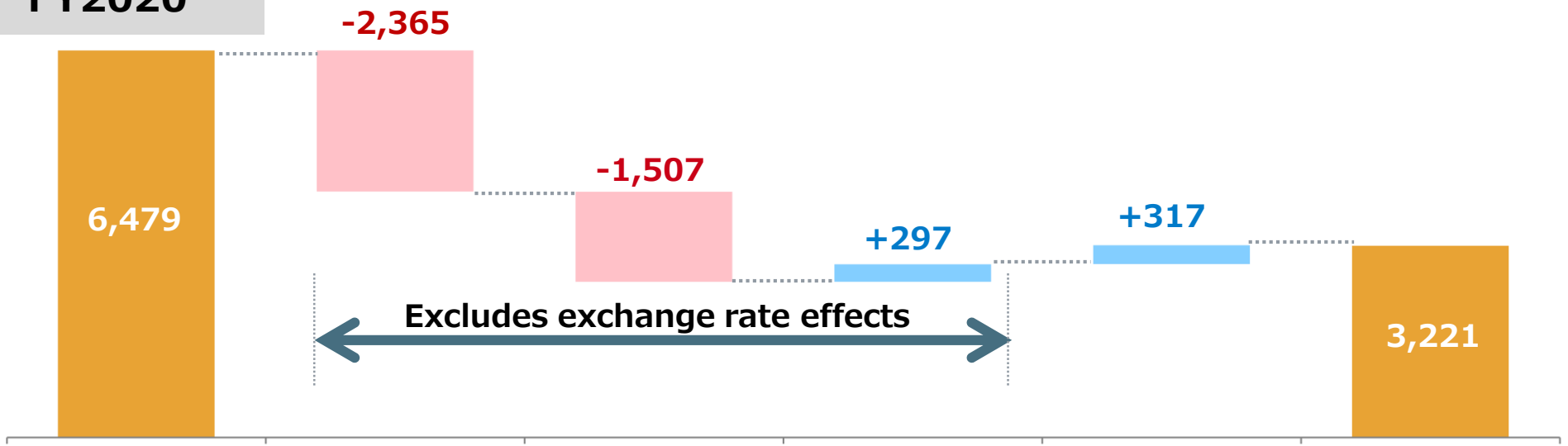
Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar

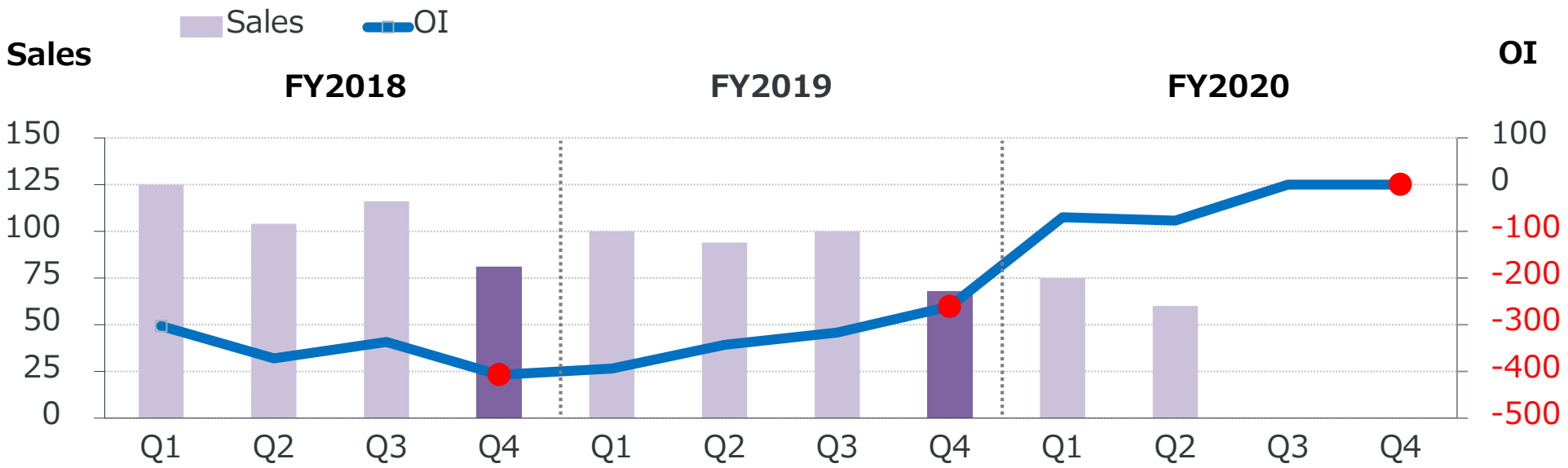


FY2020



Quarterly Sales & OI

(Millions of JPY)

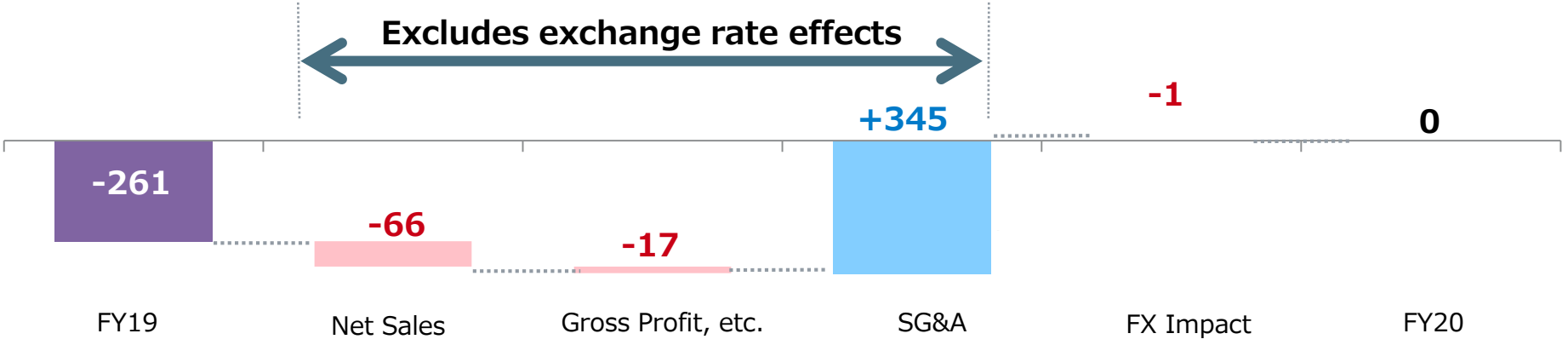


Sales	125	104	116	81	100	94	100	68	75	60	0	0
YoY	+53.2%	+34.0%	2.1x	-18.9%	-20.0%	-10.0%	-13.8%	-15.5%	-24.6%	-35.9%	-	-
OI	-303	-372	-337	-407	-394	-343	-317	-261	-70	-77	0	0
YoY	-	-	-	-	-	-	-	-	-	-	-	-

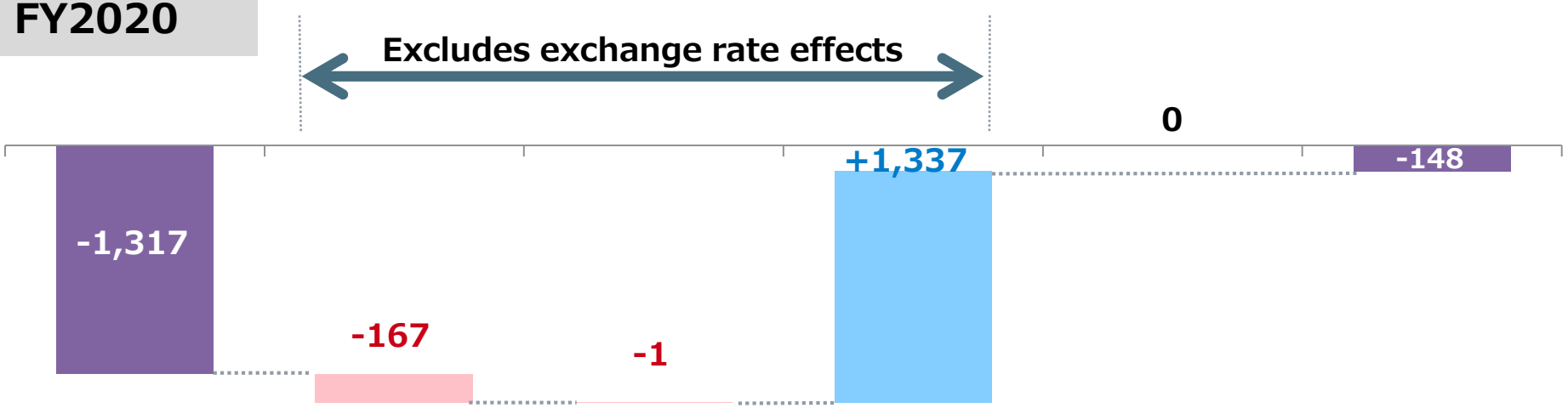
Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar



FY2020



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. This concept, connecting people and things with information, has remained central to SATO's business, ever since our days of pioneering in hand labelers that attached price and other information to products.
7	DCS & Labeling +One (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and 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	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.
9	Teiho	Teiho is SATO‘s unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day to top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho 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.
10	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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