



May 15, 2020

# **SATO HOLDINGS CORPORATION**

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

Securities Code: 6287

## Concerning our business forecast

- In light of the current circumstances where the outlook for the novel coronavirus remains extremely unclear in various areas around the world, SATO has decided to withhold announcement of its business performance forecast for FY2020 and beyond, considering the difficulties in formulating any credible guidance at this point. We intend to disclose such forecast as soon as practically possible.
- For your reference, sales performances for April, 2020 were as follows.
  - Auto-ID Solutions business (Overseas): 72% YoY  
Although situations vary from one country to another, the Base business in general has been heavily disrupted whereas the Primary Label business has been less affected.
  - Auto-ID Solutions business (Japan): 97% YoY  
Full impact of the novel coronavirus remains to be seen. Some sales booked in April were a result of slower progress towards the end of FY2019.



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- Many apologies for the delay in the announcement of the financial results.
- In light of the extreme uncertainty surrounding the spread of the novel coronavirus and when it will subside, we have decided to withhold announcement of our business performance forecast for FY2020 and beyond due to the difficulties in formulating any credible guidance at this point.
- Sales for April 2020 were as shown. Although the impact of the novel coronavirus was not evident in the April figures particularly for consumables, both in Japan and overseas, we have only been able to engage in a limited scale of sales activities to this point. This is one reason that we are withholding announcement of our forecast. We appreciate your understanding.



**FY2019 Results**



**Medium-term  
Management  
Plan FY20-22**



- First we will discuss our results for FY2019 and then our Medium-term Management Plan.

**FY2019 Results**

Medium-term  
Management  
Plan FY20-22

## Summary

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



- Here is an overall summary of our results.

## Sales and OI by Business Segment

(Millions of JPY)

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



(\*) not including the novel coronavirus impact

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- For the year, sales remained flat and operating income decreased on a consolidated basis.
- Compared to the forecast as of February 7 which does not include the coronavirus impact, performance in all segments other than IDP fell short of the forecasted numbers.
- We are estimating the impact of the coronavirus to be about 1.6 billion yen in consolidated sales, and about 300 million yen in operating income.

## Sales and OI by Business Segment

(Millions of JPY)

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



(\*) not including the novel coronavirus impact

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- These results are for the fourth quarter alone, January through March. Cumulatively up to the third quarter, total sales had increased 1.2% year-on-year and operating income had similarly increased 3.7%, but business decelerated due to the coronavirus impact in the fourth quarter.

## Consolidated Results

(Millions of JPY)

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

Average exchange rates: FY19: JPY 108.69/USD, JPY 120.79/EUR, FY18: JPY 110.92/USD, JPY 128.44/EUR

FX sensitivity for FY19: JPY +423 million in sales and JPY +5 million in OI for +1 JPY against USD and assuming all others move by the same ratio

\*1 Ordinary Income for FY19 decreased mainly due to FX losses.

\*2 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.

\*3 EBITDA = Operating Income + Depreciation + Amortization

·Depreciation for FY19: JPY 5,043 million

FY18: JPY 4,489 million

·Amortization for FY19: JPY 871 million (incl. 587 mil. for DataLase)

FY18: JPY 1,081 million (incl. 620 mil. for DataLase)

- Net profit for the year was negative 1.882 billion yen due to recording of extraordinary loss from the impairment in IDP business announced on March 6.



## Consolidated Results

(Millions of JPY)

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

Average exchange rates: FY19: JPY 108.69/USD, JPY 120.79/EUR, FY18: JPY 110.92/USD, JPY 128.44/EUR

FX sensitivity for FY19: JPY +423 million in sales and JPY +5 million in OI for +1 JPY against USD and assuming all others move by the same ratio

\*1 Ordinary Income for FY19 decreased mainly due to FX losses.

\*2 Profit attributable to owners of parent for FY19 reflects impairment loss for IDP business as decisions on commercialization were postponed.

\*3 EBITDA = Operating Income + Depreciation + Amortization

·Depreciation for FY19 Jan-Mar: JPY 1,249 million

FY18 Jan-Mar: JPY 1,154 million

·Amortization for FY19 Jan-Mar: JPY 215 million (incl. 148 mil. for DataLase)

FY18 Jan-Mar: JPY 232 million (incl. 153 mil. for DataLase)

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- These are our consolidated results for the fourth quarter alone, January through March. Net profit for the fourth quarter was negative 6.039 billion yen due to factors including impairment loss for DataLase conducting IDP business.

## Auto-ID Solutions Business (Overseas)

### Overview

Jan-Mar

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

(Millions of JPY)

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

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

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- The upper table is for the fourth quarter alone, January through March, and the lower table is for the full fiscal year. Here I will talk mostly about the fourth quarter.
- Overseas, progress was made in approaching customers but sales slowed and ultimately decreased due to the impact of the coronavirus. Operating income remained flat due to factors including reduced cost burden in the US.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Business Segment

Jan-Mar

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

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

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

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

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- In our base business, profit decreased due to slowdown from the impact of the coronavirus and due to cost increases from implementing strategies.
- In our primary labels business, greater needs for everyday goods led to a notable increase in sales.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: The Americas

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

Jan-Mar

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

(Millions of JPY)

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

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

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- In our base business in the Americas, direct business at our US subsidiary made progress, but sales decreased due to less consumables orders from large existing customers.
- In primary labels business, sales and profit increased significantly on a local currency basis due to the effect of passing on cost increases to customers.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: Europe

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

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

(Millions of JPY)

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

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

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- In our base business in Europe, sales remained flat due to the impact of the coronavirus. Reforms progressed at our UK sales subsidiary which traditionally has produced low sales numbers, and successful cost reductions along with sales growth resulted in increased profit.
- In our primary labels business, sales increased significantly due to ongoing new business transactions for Okil and increased household needs for everyday goods due to the impact of the coronavirus. Sales growth and positive foreign exchange impact led to increased profit.

## Auto-ID Solutions Business (Overseas)

### Breakdown by Region: Asia/Oceania

Jan-Mar

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

(Millions of JPY)

		FY2019	FY2018	Change	YoY	excl.FX Impact
		Jan-Mar	Jan-Mar			
Base	Total Sales	2,865	3,326	-461	86.1%	89.0%
	Operating Income	176	350	-174	50.3%	49.3%
		FY2019	FY2018	Change	YoY	excl.FX Impact
Base	Total Sales	13,466	14,251	-785	94.5%	97.9%
	Operating Income	1,349	1,847	-498	73.0%	74.5%



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- In Asia and Oceania, sales and profit declined as US-China trade friction affected manufacturing leading up to the third quarter and as the appearance of coronavirus effects in the fourth quarter further slowed the production activities of customers.

## Auto-ID Solutions Business (Japan)

### Overview

Jan-Mar

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

(Millions of JPY)

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

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

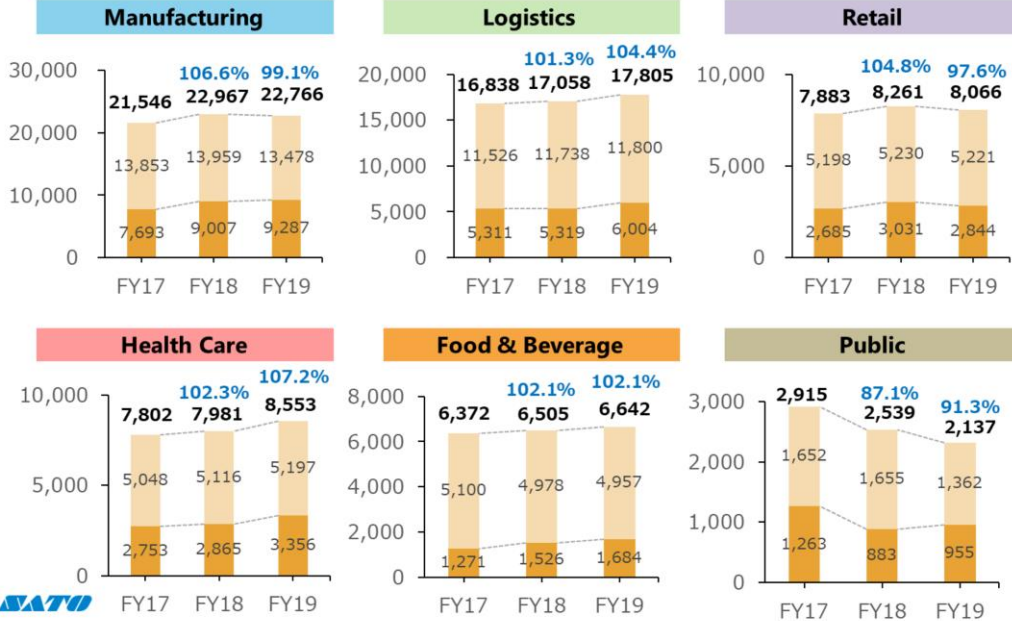
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- In Japan, sales were driven by large numbers of transactions from solution offerings leading up to the third quarter, and mechatronics sales were very strong with a 9% year-on-year increase in cumulative third quarter sales.
- However, due to the impact of the coronavirus in the fourth quarter, many sales transactions have been postponed and put on hold. Sluggish production activities of customers led to lower sales in both consumables and mechatronics.
- The worse product mix between mechatronics and consumables resulted in lower profits.

Sales by Vertical

■ : Mechatronics ■ : Consumables \*% indicates YoY change

(Millions of JPY)



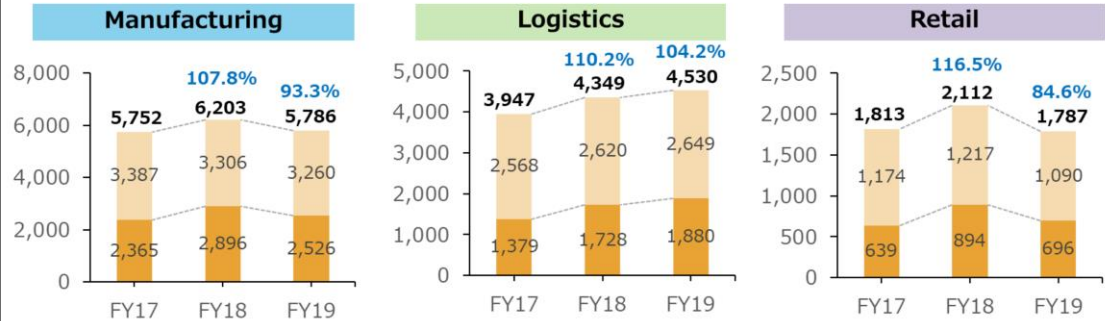
- The fourth quarter was the key to the circumstances in each vertical, so we will explain them in the next couple of slides.



Sales by Vertical [1]

(Millions of JPY)

■ : Mechatronics ■ : Consumables \*% indicates YoY change



**Business Environment**  
 Production was sluggish in many industries including automotive and machinery.

**SATO**  
 Growth in mechatronics sales abated as orders were pushed back due to the spread of novel coronavirus. Consumables slumped due to sluggish production activities.

Logistics volume increased due to even more briskness in the e-commerce market and hoarding behavior by consumers. Labor shortages became even more conspicuous.

Mechatronics sales grew due to large orders for the transport industry and automation demands to address labor shortages. Consumables sales grew as the novel coronavirus increased handling volumes of mainly everyday goods.

While supermarkets were busy, specialty stores bided their time as non-essential consumption and inbound demand slumped.

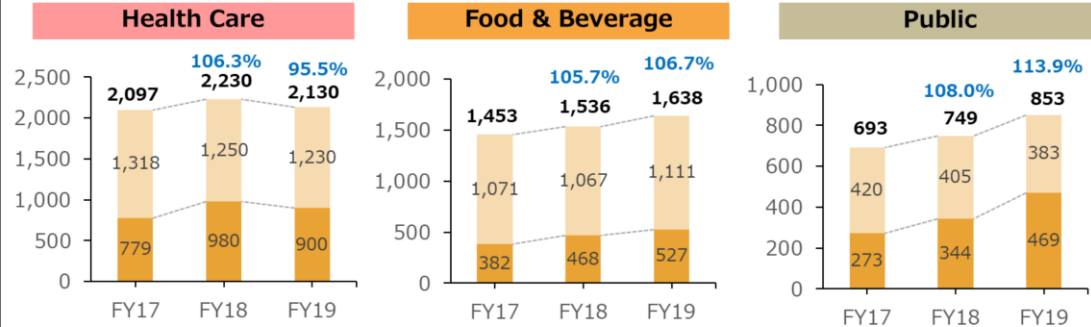
Despite stronger sanitation control and legal compliance needs driving HACCP solutions, mechatronics declined as a whole with restrained overall investment. Consumables sales decreased due to lower logistics volumes.

- In manufacturing, sales decreased due to sluggish production activities of customers.
- In logistics, sales rose due to increased logistics volume in businesses such as e-commerce.
- In retail, sales decreased as business was strong in supermarkets but there was also a decreased sales effect from closures of specialty stores.

### Sales by Vertical [2]

(Millions of JPY)

■ : Mechatronics ■ : Consumables \*% indicates YoY change



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

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

The overall business environment remained stable.

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

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

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



- In health care, sales decreased due to less outpatients.
- In food and beverage, sales increased thanks to brisk business in food and beverage production.
- In the public sector, sales increased due to large-volume orders in mechatronics.

## Overview

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

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

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

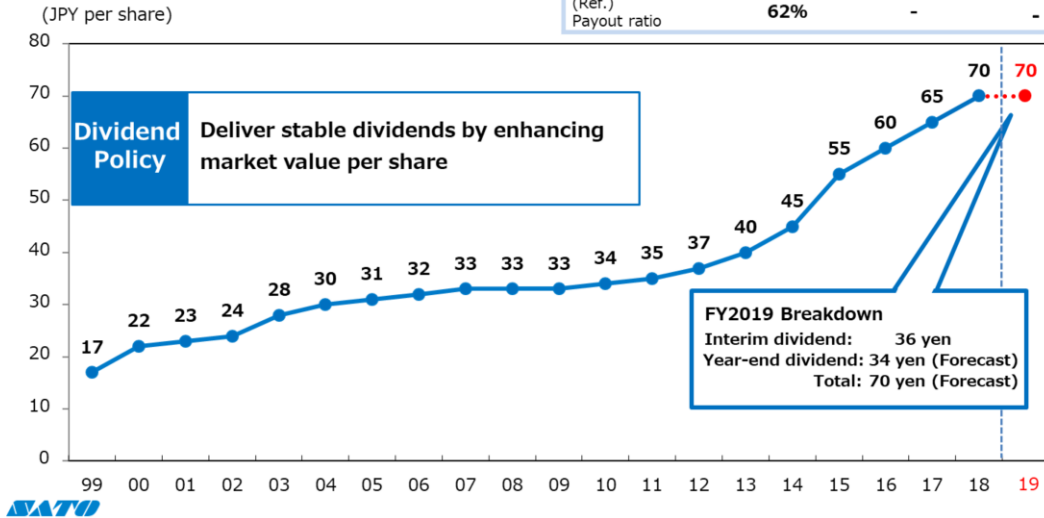
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- In IDP business, we curtailed R&D costs to a level lower than planned.

## Dividends

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

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



- Taking into consideration the drastic changes in our business climate caused by the impact of the coronavirus, we plan to keep our FY2019 full-year dividend unchanged from the previous year at 70 yen per share out of a desire to invest in social contribution activities and maintaining employment. This is consistent with the commitment in our credo to share business returns with our four stakeholders - shareholders, employees, society and the company.
- We plan to set our FY2020 full-year dividend in accordance with our dividend policy and announce it simultaneously with our business performance forecast for the year.

FY2019 Results

Medium-term  
Management  
Plan FY20-22

◆ **Review and analysis**

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

◆ **Sustainability**



- Now we will discuss our Medium-Term Management Plan (for FY2020 to 2022).

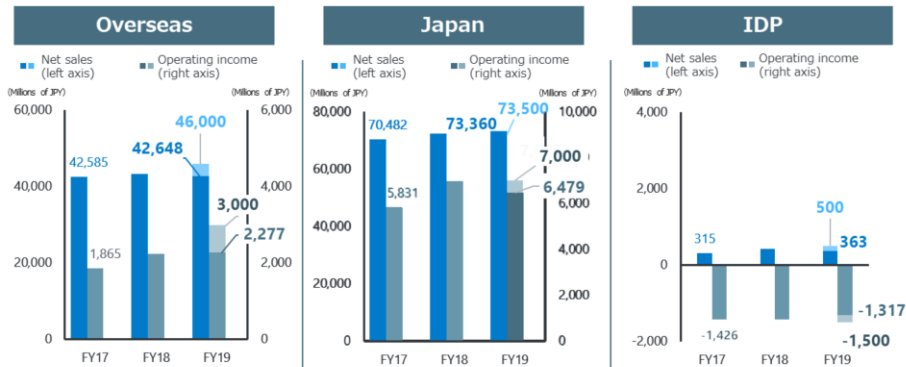
◆ **Review and analysis**

◆ Medium-term Management Plan FY2020-2022

◆ Sustainability

## Performance review up to FY19

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



<b>Progress</b>	<ul style="list-style-type: none"> <li>Began <i>koto-uri</i> sales* through direct business with selected targets</li> <li>Arranged marketing tools and CRM systems</li> </ul>	<ul style="list-style-type: none"> <li>Increased the proportion of mechatronics by establishing <i>koto-uri</i></li> <li>Expanded range of solutions by industry</li> <li>Expanded range of cross-industry solutions such as automation</li> <li>Improved OI ratio through the above</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D for commercialization</li> </ul>
<b>Issues</b>	<ul style="list-style-type: none"> <li>Securing talent in solutions</li> <li>Getting <i>koto-uri</i> sales on the right track</li> </ul>	<ul style="list-style-type: none"> <li>Securing talent in solutions</li> <li>Recovery in consumables sales</li> </ul>	<ul style="list-style-type: none"> <li>Overcoming technical challenges</li> <li>Deciding on commercialization</li> </ul>
<b>Remarks</b>	<ul style="list-style-type: none"> <li>Worsening business sentiment</li> <li>Negative impact of exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Worsening business sentiment</li> </ul>	<ul style="list-style-type: none"> <li>Booked impairment of goodwill</li> </ul>



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

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- Having reviewed our performance up to last fiscal year, we will work on the following.
- Overseas, we will recalibrate our targets to focus on essential industries and further bolster our business partnerships and *koto-uri* efforts based on the social and business implications of the novel coronavirus.
- In Japan, we will get a firm grasp on the changing challenges that our customers face, and bolster our efforts to propose optimal solutions.
- In IDP business, we will examine the technical challenges and make a decision regarding commercialization.



## What SATO aims to be

### Brand statement

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

As businesses today search for how big data can benefit them,  
at SATO, we focus on the more immediate question:

“How can we make that ‘thing’ big data?”

In a world where most things have yet to be digitized,  
our auto-identification solutions provide the answer.

We tag IDs to anything — and everything —  
to track items and help businesses run smoothly, without stopping.

A connected world of productivity, safety, reassurance and  
sustainability

starts with somebody physically seeing the real situation on site  
and handcrafting answers that work.

That’s what we do. And we start where you are.

Because we are Powered On Site.

Slogan

**Powered On Site**

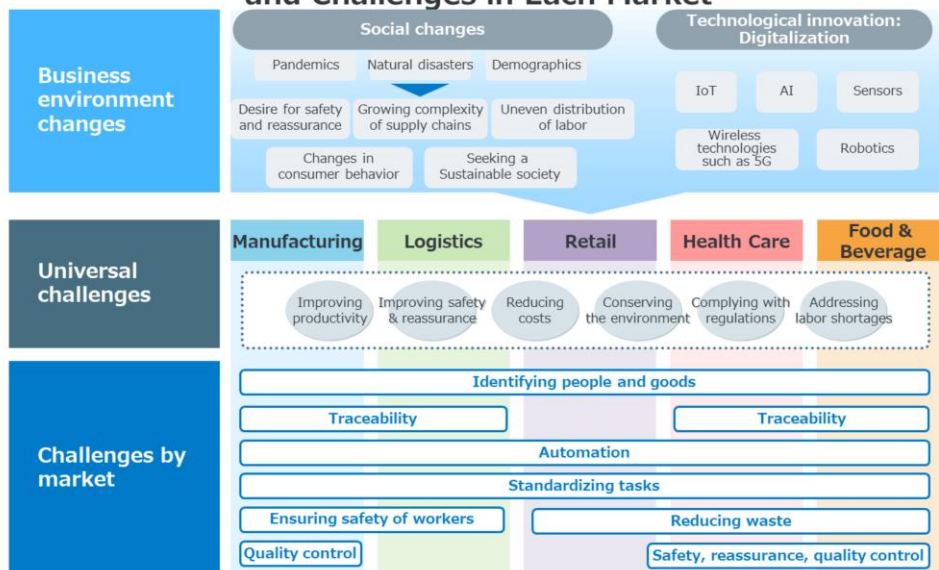
**A customer-centric global solutions provider**



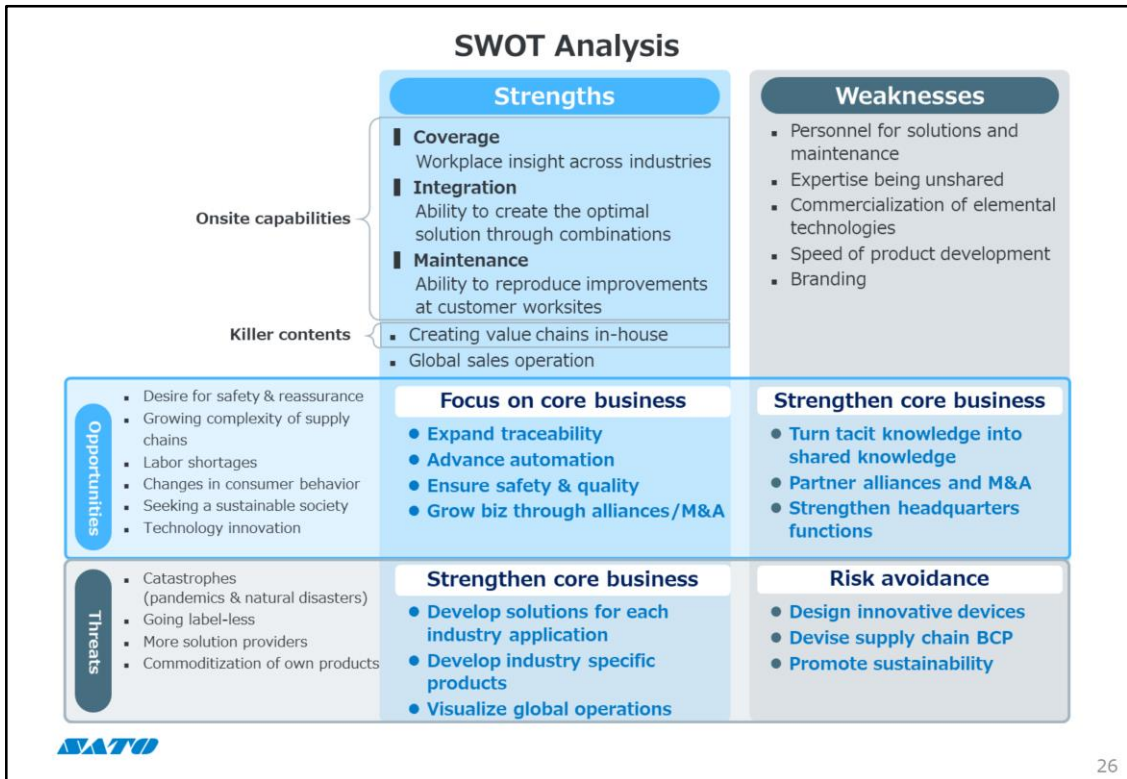
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- Our brand statement “We give every ‘thing’ its own ID so it connects with the world” was decided with sights set on what the SATO Group aims to be.
- With “Powered On Site” as our slogan, we will bolster our branding while simultaneously aiming to become a global onsite solution provider.

## Changes to the Business Environment and Challenges in Each Market



- Getting a firm grasp on the universal challenges in each market based on changes to the business environment, we will provide solutions tailored to the issues in each market.



- The main part of our strategy is to focus on our core business with awareness of our opportunities and strengths.
- Strengthening our core business while at the same time avoiding risks is also the backbone of our medium-term plan.

## Implications of the novel coronavirus

	Short-term	Mid- to long term
<b>Manufacturing</b>	<ul style="list-style-type: none"> <li>• Less production across industries, especially autos</li> <li>• Higher production in essential goods industries</li> <li>• Greater demand for staff health care</li> </ul>	<ul style="list-style-type: none"> <li>• Greater requirements for supply chain visibility to optimize inventories</li> <li>• Review of supply chains with focus on BCP</li> <li>• More automation and contact free operations</li> <li>• Demand for higher productivity and quality</li> </ul>
<b>Logistics</b>	<ul style="list-style-type: none"> <li>• Higher volume in e-commerce &amp; daily necessities</li> <li>• Lower volume in apparel due to stay-home orders</li> <li>• Delays in Capex projects for distribution centers</li> <li>• Greater demand for staff health care</li> </ul>	<ul style="list-style-type: none"> <li>• Levelling operations across supply chains</li> <li>• Changes in consumer behaviors</li> <li>• Automation to mitigate labor shortage</li> </ul>
<b>Retail/Apparel (ex-Retail)</b>	<ul style="list-style-type: none"> <li>• Higher sales in supermarkets, lower in specialties</li> <li>• Social distancing among staff and customers</li> <li>• School closures forcing caretakers to leave work</li> <li>• Increased demand for selling out fresh food with shorter business hours</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer behavior changes and dynamic pricing making operations more complex</li> <li>• Automation to mitigate labor shortage</li> <li>• Higher focus on food safety at home</li> <li>• Greater needs of stock control of daily necessities at home</li> </ul>
<b>Health Care</b>	<ul style="list-style-type: none"> <li>• Increase in number of patients and specimen</li> <li>• Greater demand for staff health care</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention of hospital infection with advanced contact tracking and sanitation control</li> <li>• Pursuit of contact free and remote diagnosis</li> </ul>
<b>Food &amp; Beverage</b>	<ul style="list-style-type: none"> <li>• Busy food production, empty restaurants</li> <li>• Surge in food delivery</li> <li>• Greater demand for staff health care</li> </ul>	<ul style="list-style-type: none"> <li>• Less workers and contact through automation</li> <li>• Quality labeling to fit take-out/delivery growth</li> <li>• Better traceability of products and workers</li> </ul>

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- We will implement measures in each market based on our analysis of the business implications of the novel coronavirus.

◆ Review and analysis

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

◆ Sustainability

## Growth Strategy

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

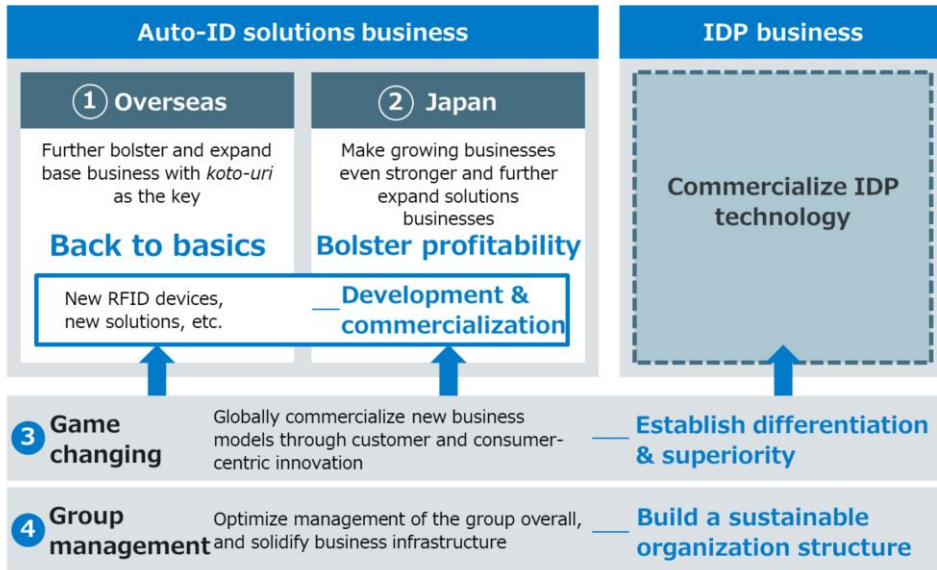
- 1** Advance and expand Auto-ID solutions business
- 2** Bolster and expand business through global alliances
- 3** Create B2B2C business that generates value for consumers (originating from revolutionary elemental technologies for devices, IDP solutions)



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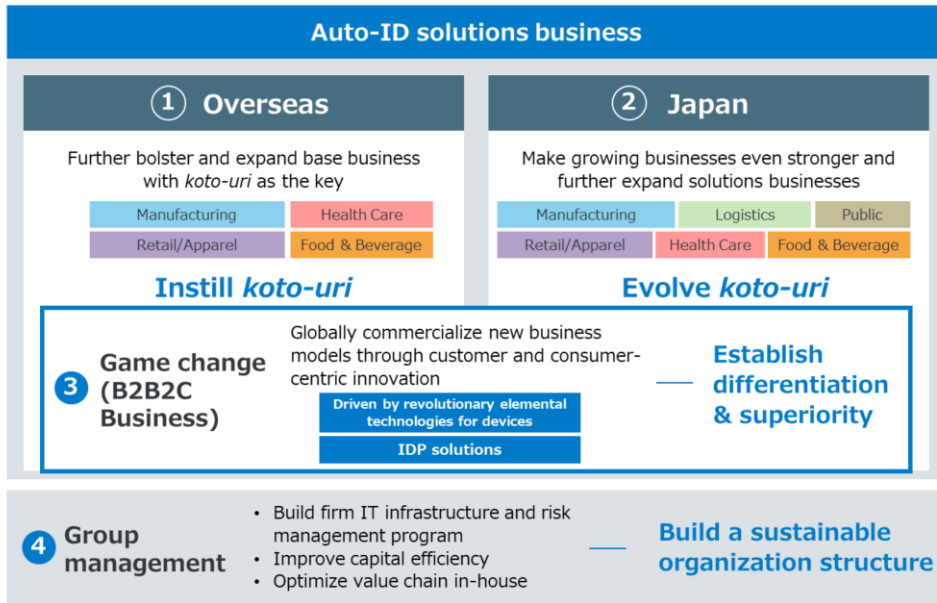
- 1. The centerpiece of our growth strategy is focus on our core business.
- 2. We will bolster alliances and partnerships to further expand our core business.
- 3. To drive growth we will cultivate new businesses that are in line with our core business.

## Structure of Previous Medium-term Plan



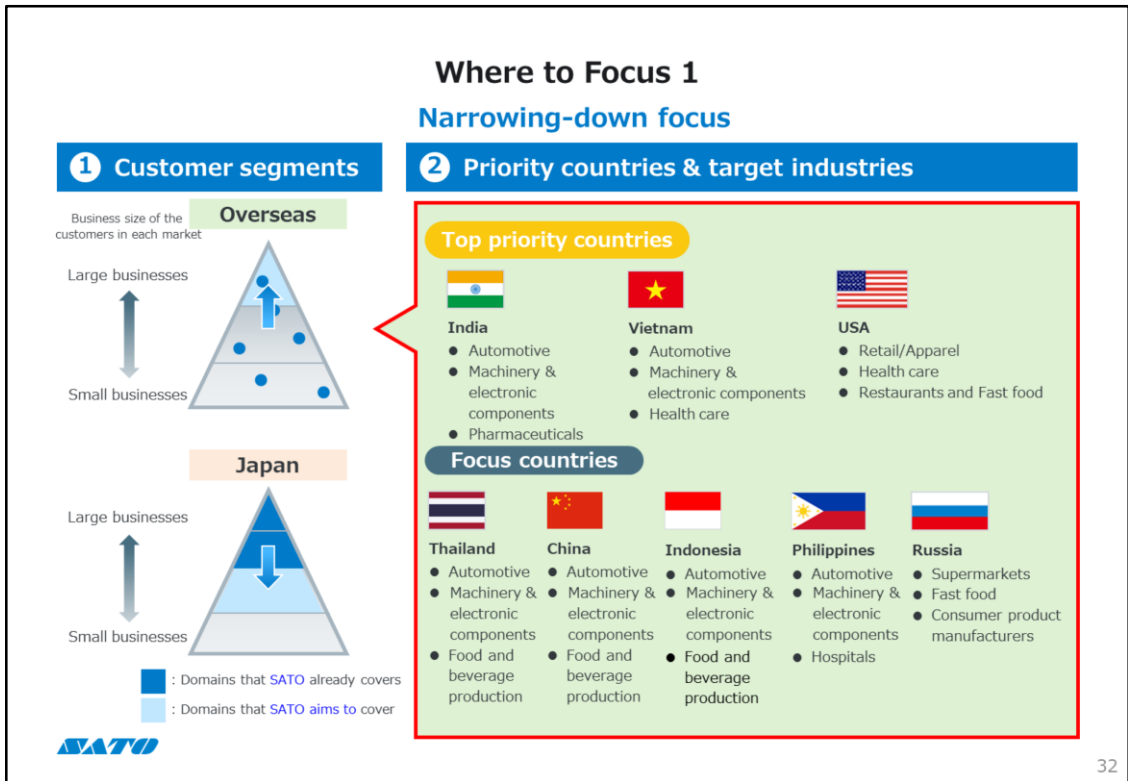
- The structure of our previous medium-term plan was comprised of two business segments: auto-ID solutions and IDP. The new medium-term plan focuses on our core business of auto-ID solutions, and assumes new businesses with high affinity as growth drivers.

## Structure of New Medium-term Management Plan

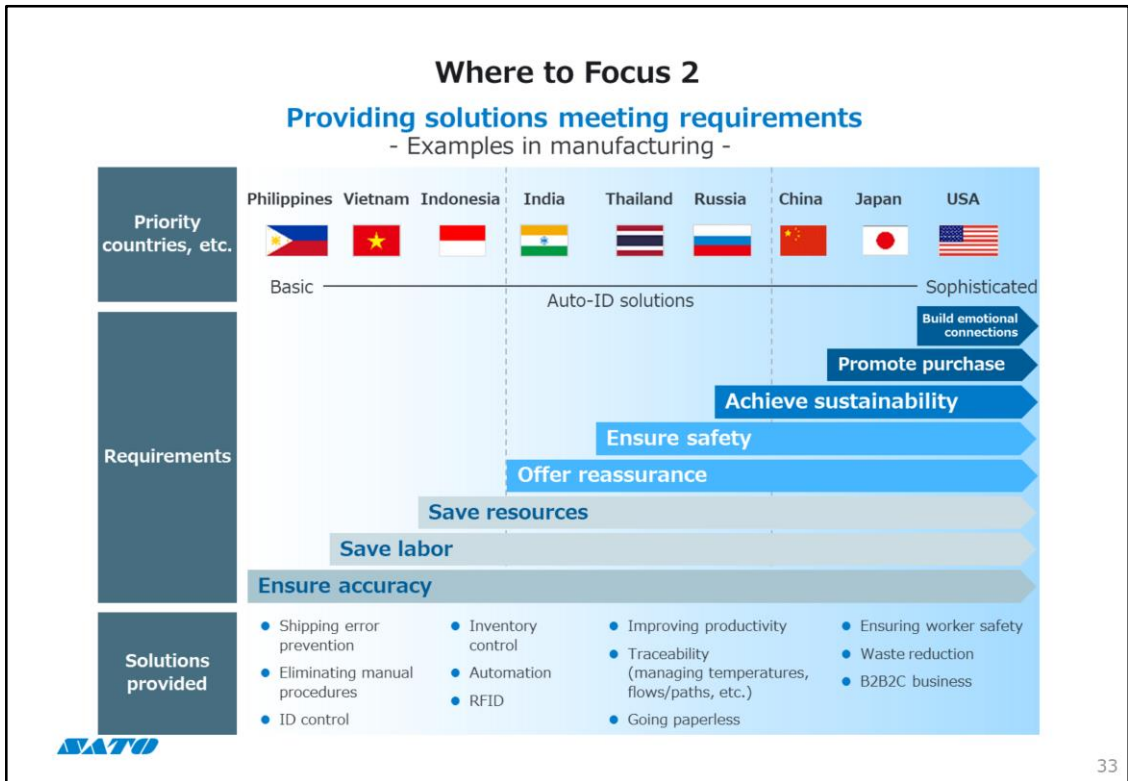


- We will deploy our unique strength of *koto-uri* both in Japan and overseas.
- With B2B2C business as our game-changer, our main growth drivers will be business architecture driven by revolutionary elemental technologies for devices and IDP solutions.
- For Group management, we will take measures against risks and use these to build a stable organization structure as shown in the SWOT analysis slide.





- We thoroughly narrowed down the areas where we will focus our efforts.
- As indicated by the upper pyramid in the slide, our penetration into markets and industries overseas has been uneven to this point, so we will bolster sales activities based on direct business focusing on larger businesses.
- In Japan we will work to bolster sales to mid-size businesses through collaboration with regional business partners, and increase our market share in each prefecture and region.

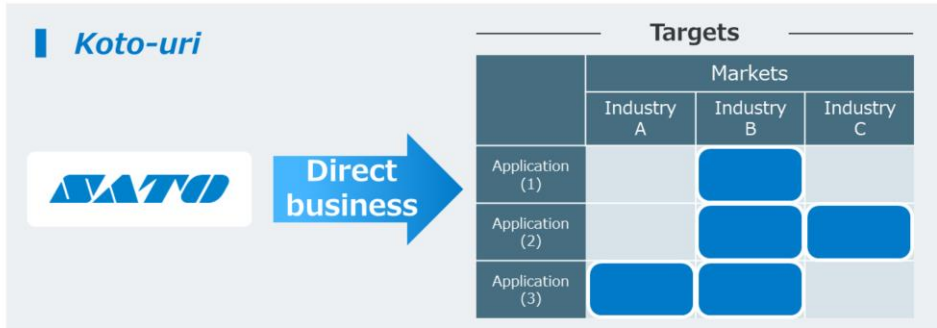


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- This slide shows the situation in each country where we operate. We will provide solutions tailored to the economy and market needs of each country.

## Approach 1

Strategies by market, industry and application, based on *Koto-uri*



[Milestones in the Medium-term Management Plan]

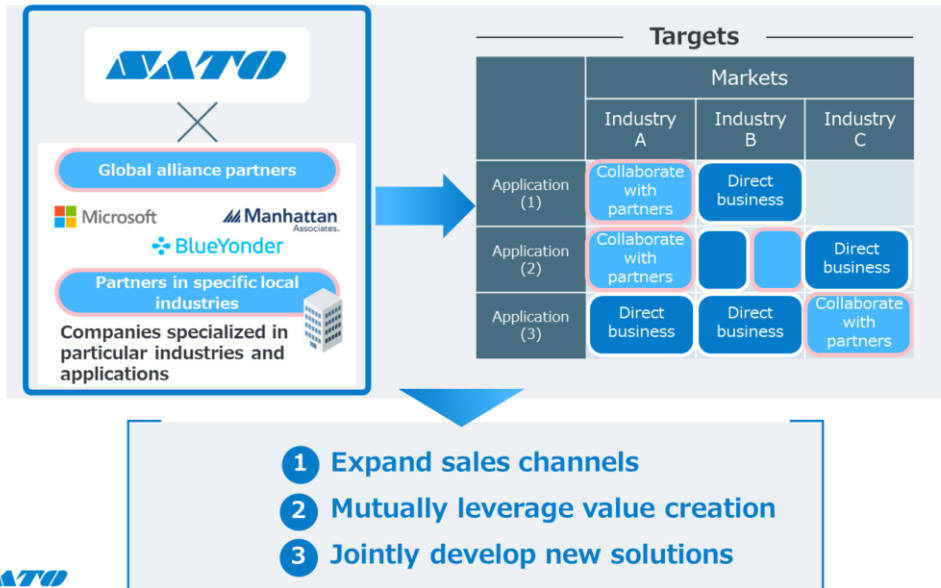


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- We will deploy specific strategies for each country, market, industry, and usage application, based on *koto-uri*.
- Expanding *koto-uri* through direct business, we will increase our coverage in each market.
- Overseas, we will aim to reach a point where *koto-uri* is instilled in three years, and in Japan, we will shift gears toward solutions such as SaaS.

## Approach 2

### Bolster and expand business through collaboration with partners



- To increase the effects of direct sales through *koto-uri*, we will bolster and expand business through collaboration with business partners.
- We are jointly working to expand sales channels, mutually sell the solutions we create, and work together on R&D for new solutions.

## Our weapons 1

### Core products with competitiveness

Products that amaze and inspire customers



Printers

Products that meet customers' applications and pain points



Consumables

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



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



- We will reinforce the foundation of our competitiveness through sales of SATO printers and consumables.
- We will add devices that incorporate wireless and cutting-edge technologies as key elements of our core products.

## Our weapons 2

Solutions founded on core products meeting actual requirements

Overseas

Japan

Strategic growth  
*Koto-uri* + Partners

Strategic growth  
Evolution of *koto-uri*

Standard solutions

Sophisticated solutions

Core products

Core products

Sales growth through economic growth  
Grow existing business

Sales growth through economic growth  
Grow existing business

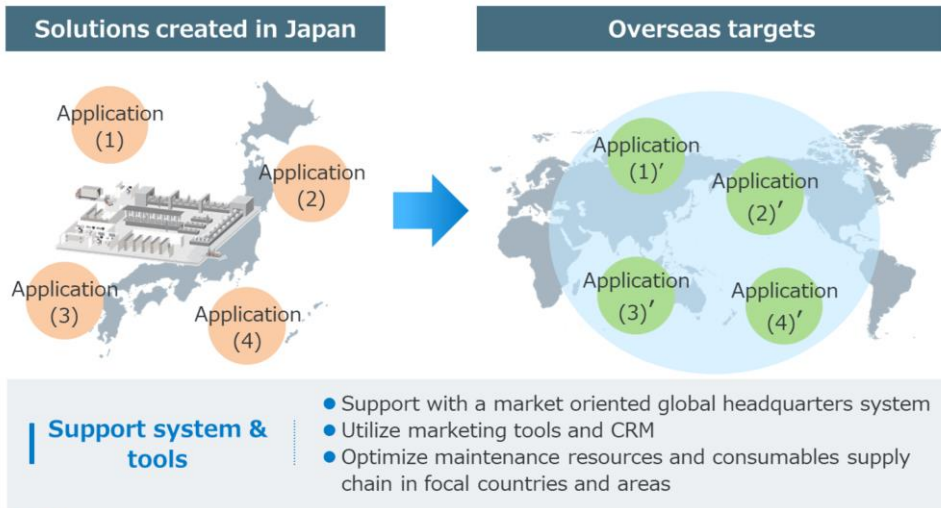


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- With our core products as the foundation, we will provide solution services for each industry and usage application.
- Our basic strategy is to utilize *koto-uri* and work with alliance partners to deploy standard solutions centered on our core products overseas, and in Japan, to bolster our sophisticated solutions that take *koto-uri* to the next level.

## How to Bolster Overseas Business

### Localize & provide solutions created in Japan

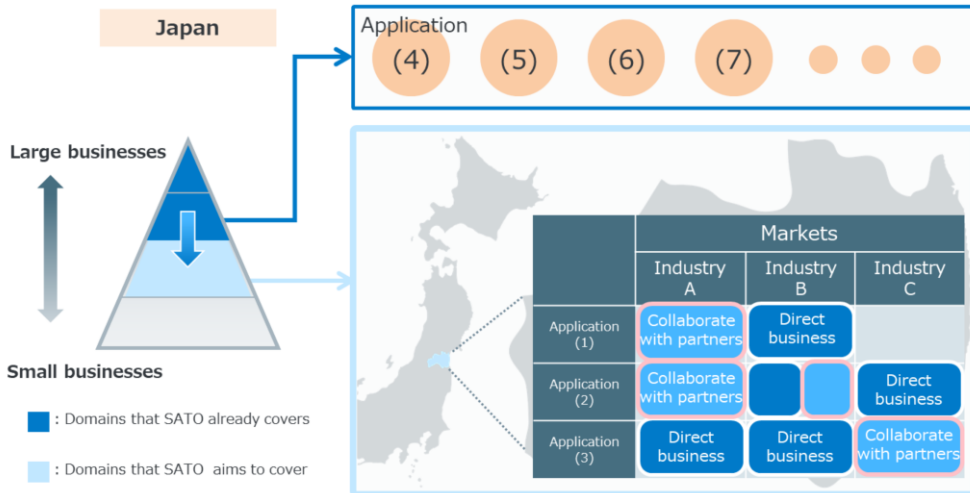


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- We intend to bolster our overseas business by localizing and deploying solutions created in Japan.
- Of course, we will also deploy solutions from specific overseas regions in Japan and other regions.
- Currently we are providing support from global headquarters, providing various types of tools, and arranging systems for maintenance services and consumables supply.

## How to Bolster Japan Business

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

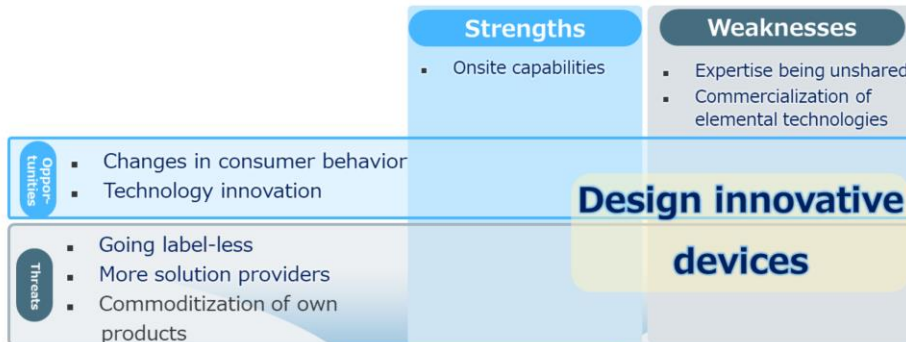


- We intend to bolster our business in Japan by continuing to create and provide solutions that address the evolving challenges of existing customers.
- In the new, untapped domain of mid-size businesses, we will approach customers by collaborating with business partners that have experience with our designated targets in each region.



## Why B2B2C Business?

(Rationale to target consumer goods manufacturers)

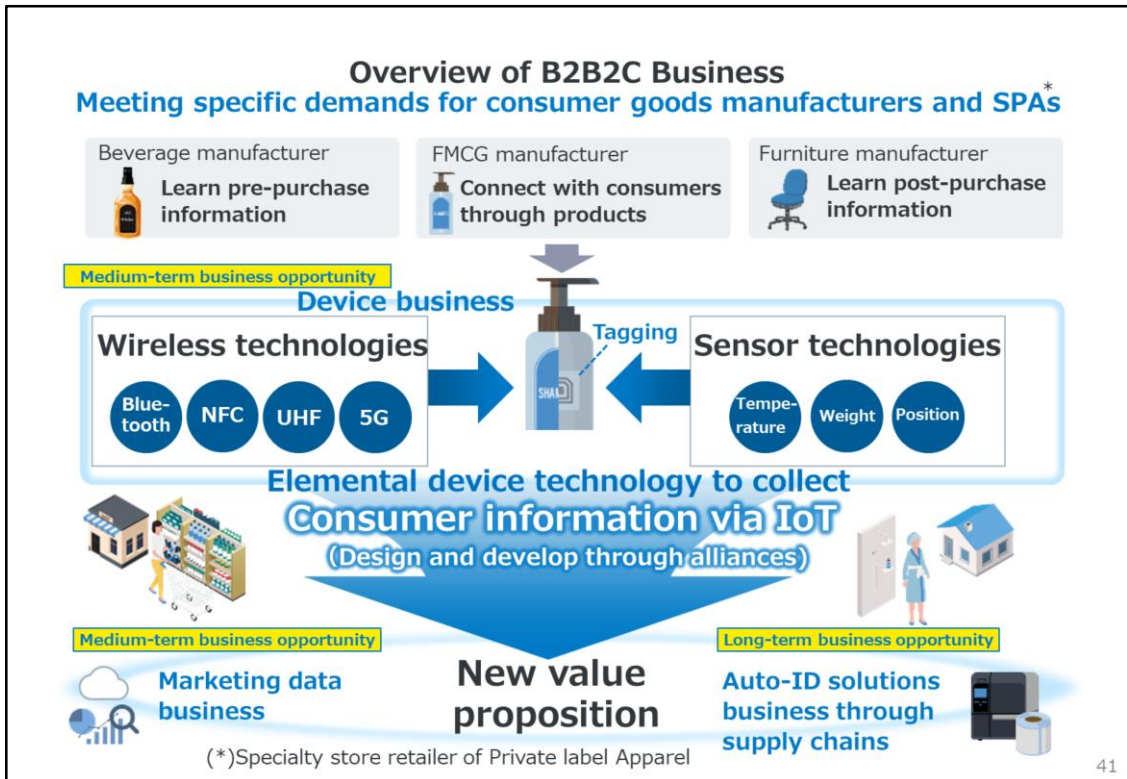


### Enhance business sustainability

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



- The background for making B2B2C business our growth driver is the rising expectations of brand owners that it can offer a completely new type of marketing for them.
- To grasp opportunities and address potentially threatening changes, we will build further resilience to economic fluctuations by actively approaching consumer goods manufacturers.
- We aim to create new businesses with even stronger competitiveness by getting involved in the designing and development of revolutionary devices.



- Through the revolutionary marketing of consumer goods manufacturers (brand owners),
- We will design and develop devices that combine elemental wireless and sensing technologies.
- We will create businesses based on these devices in every setting, from the manufacturing stage throughout the supply chain.
- Home electronics and electronic devices connect to the IoT by themselves, but we will create new businesses by connecting things which are not connected, as well as people, to the IoT.

◆ Review and analysis

◆ Medium-term Management Plan FY2020-2022

◆ **Sustainability**



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- Here we will briefly discuss our endeavors in sustainability.





**Our framework of sustainability promotion**  
**Setting “Value to be delivered to customers”**  
**as our core materiality**



- We have split our materiality into three categories, with “value to be delivered to customers” at the core.

## Approach to Sustainability Promotion

### Materiality initiatives through our core business

Value proposition to customers (Materiality examples)	SATO core business (examples on following slides)	Sustainability promotion
<b>Reducing waste</b>	<ul style="list-style-type: none"> <li>Improving demand forecasting</li> <li>Reducing unsold food</li> </ul>	<ul style="list-style-type: none"> <li>Recycling-based society</li> </ul> 
<b>Improving productivity</b>	<ul style="list-style-type: none"> <li>Optimizing operations</li> <li>Automating manual tasks</li> </ul>	<ul style="list-style-type: none"> <li>Efficient work styles</li> </ul> 
<b>Providing safety &amp; reassurance</b>	<ul style="list-style-type: none"> <li>Preventing medical errors</li> <li>Preventing food contamination</li> </ul>	<ul style="list-style-type: none"> <li>Avoiding healthcare collapse</li> <li>Healthy diets</li> </ul> 
<b>Offering environmentally-friendly products</b>	<ul style="list-style-type: none"> <li>Reducing CO2 emissions</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating climate change</li> </ul> 



- We will work on value to be delivered to customers through our core business and monitor our contributions to sustainability.



## Examples of Sustainability Promotion 2

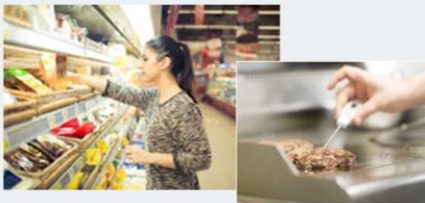
### Providing safety & reassurance

#### [At medical settings]

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

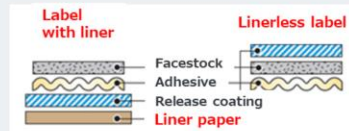
#### [At food stores]

- Deliver thorough food sanitation by systematic temperature control



### Offering environmentally-friendly products

- Reduce CO2 emissions by eliminating backing paper to be burnt from labels



- Preserve the environment by procuring paper materials from responsibly managed forests

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### Examples

(3) Providing safety and reassurance: Monitoring the effects of solutions provided for safety and reassurance in medical settings and food stores respectively

(4) Offering environmentally-friendly products: Helping to reduce CO2 emissions released when burning waste by eliminating label backing paper which ends up being discarded. Also, monitoring the environmental conservation effects of FSC-certified materials procurement (procuring paper materials from responsibly managed forests).

- First off, we will work toward promoting sustainability through the products and solution services we provide through our core business, in line with our materiality of delivering value to customers.

# Appendix

Performance data      Pages 48-64

SATO Terminologies      Pages 65-68

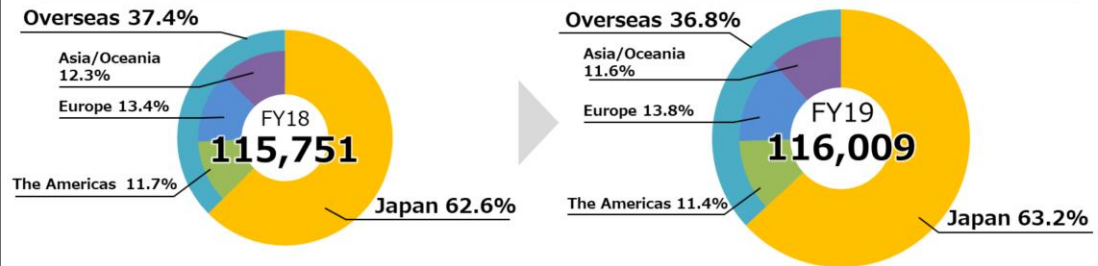




### Sales and OI by Region

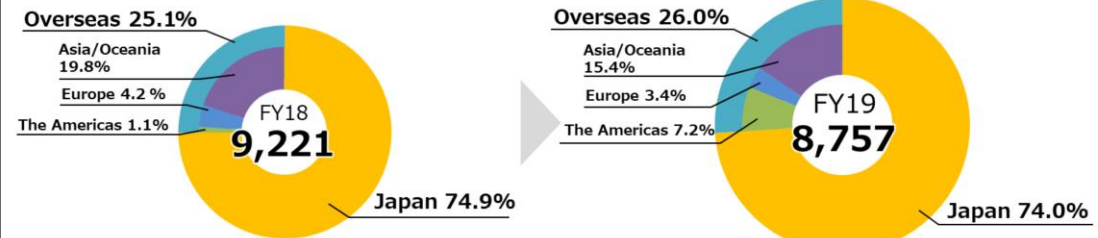
(Millions of JPY)

#### Sales



#### Operating Income

\*Ratio excludes eliminations.

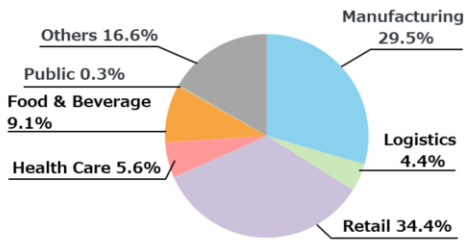


OI Ratio: Japan : 9.6%, Overseas : 5.2%

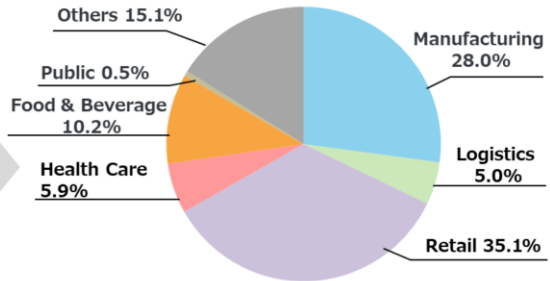
OI Ratio : Japan : 8.8%, Overseas : 5.3%

### Sales by Vertical

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

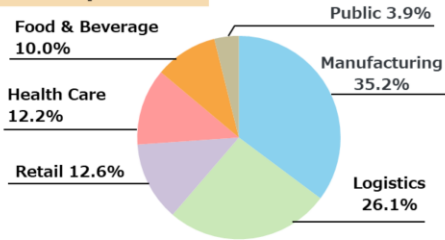


FY18

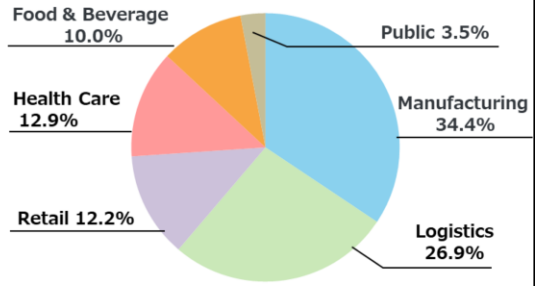


FY19

### Japan



FY18

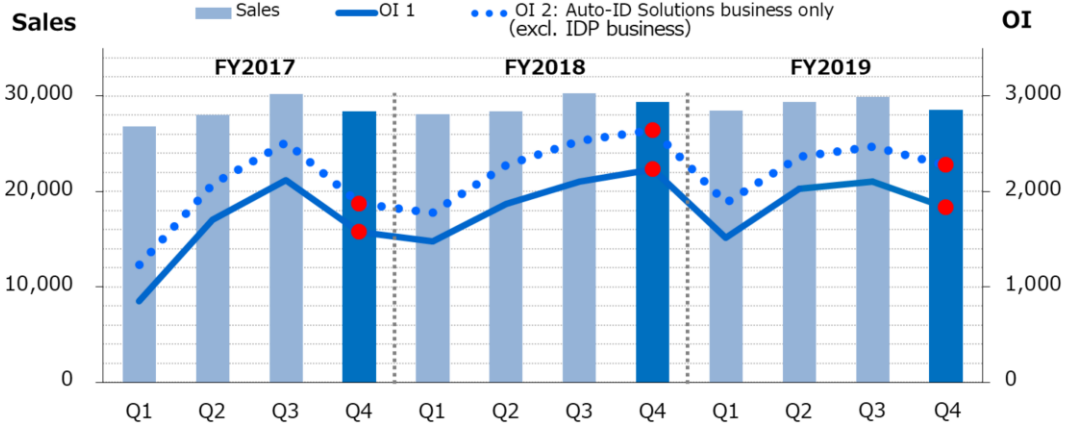


FY19

**Consolidated**

**Quarterly Sales & OI**

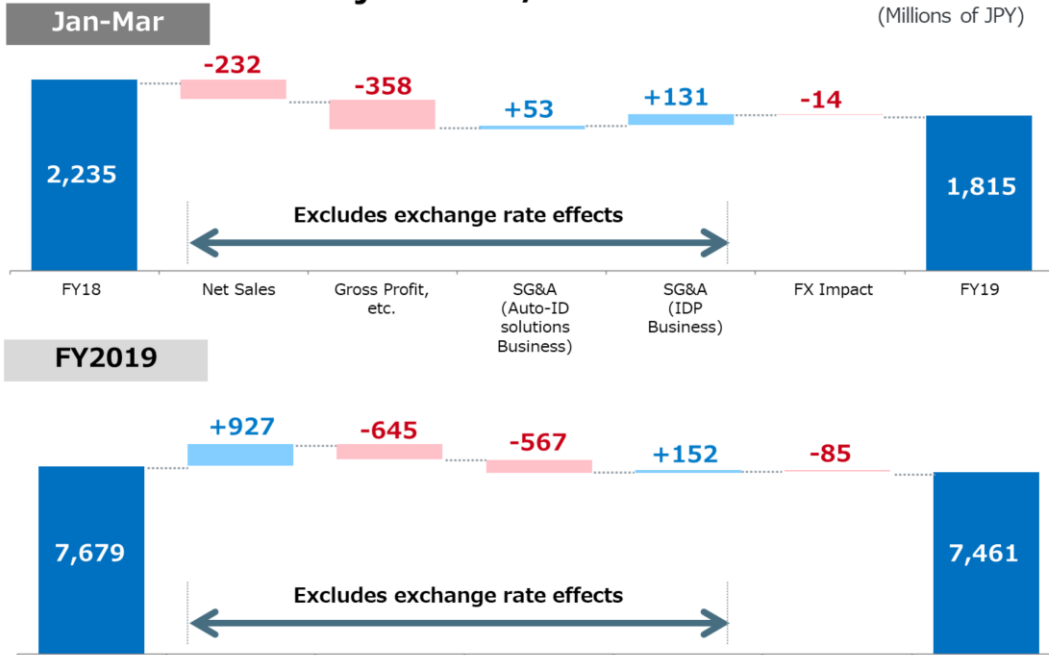
(Millions of JPY)



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>	26,799	28,024	30,192	28,367	28,118	28,371	30,272	29,417	28,463	29,411	29,928	28,569
YoY	105.8%	108.9%	109.2%	102.9%	104.9%	101.2%	100.3%	103.7%	101.2%	103.7%	98.9%	97.1%
<b>OI 1</b>	851	1,704	2,119	1,573	1,473	1,869	2,100	2,235	1,514	2,028	2,103	1,814
YoY	81.3%	106.2%	129.5%	86.7%	173.1%	109.7%	99.1%	142.0%	102.7%	108.5%	100.1%	81.2%
<b>OI 2</b>	1,232	2,075	2,515	1,873	1,777	2,274	2,534	2,635	1,878	2,360	2,471	2,047
YoY	117.1%	127.3%	148.7%	101.4%	144.3%	109.6%	100.8%	140.6%	105.7%	103.8%	97.5%	77.7%

### Major Gains/Losses in OI

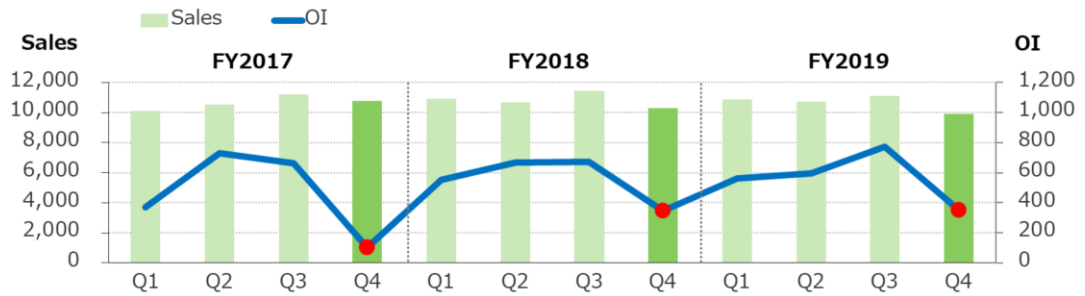
(Millions of JPY)



## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

(Millions of JPY)



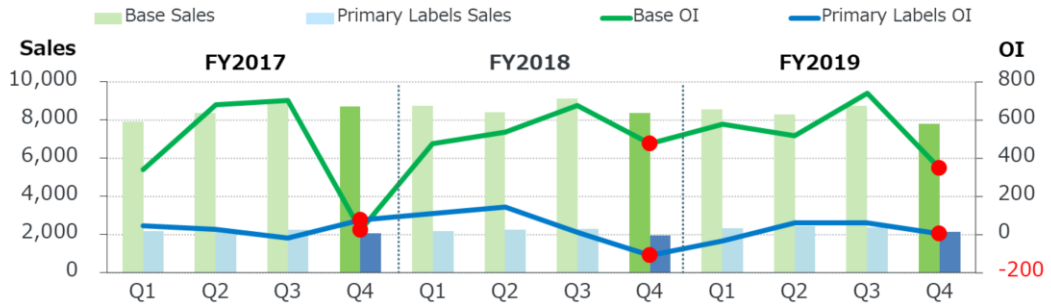
<b>Sales</b>	10,087	10,517	11,224	10,755	10,910	10,686	11,419	10,298	10,867	10,739	11,118	9,922
<b>YoY</b>	102.5%	115.4%	112.9%	107.2%	108.2%	101.6%	101.7%	95.8%	99.6%	100.5%	97.4%	96.3%
<b>OI</b>	369	730	663	102	553	667	674	344	560	595	772	349
<b>YoY</b>	52.0%	181.8%	241.3%	38.9%	149.8%	91.4%	101.6%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



## Auto-ID Solutions Business (Overseas)

### Quarterly Sales & OI

(Millions of JPY)



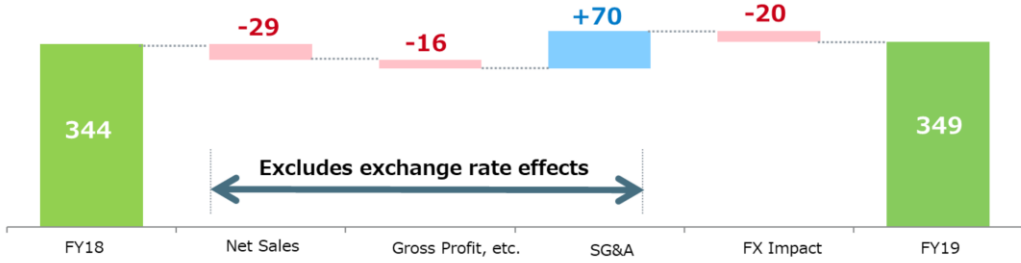
	Sales												
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Base	Sales	7,925	8,356	8,987	8,696	8,730	8,421	9,118	8,359	8,539	8,286	8,758	7,794
	YoY	100.4%	114.1%	110.8%	107.6%	110.2%	100.8%	101.5%	96.1%	97.8%	98.4%	96.1%	93.2%
	OI	340	681	701	25	477	538	678	478	577	517	740	348
	YoY	70.1%	252.5%	232.3%	15.7%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

**Auto-ID Solutions Business (Overseas)**

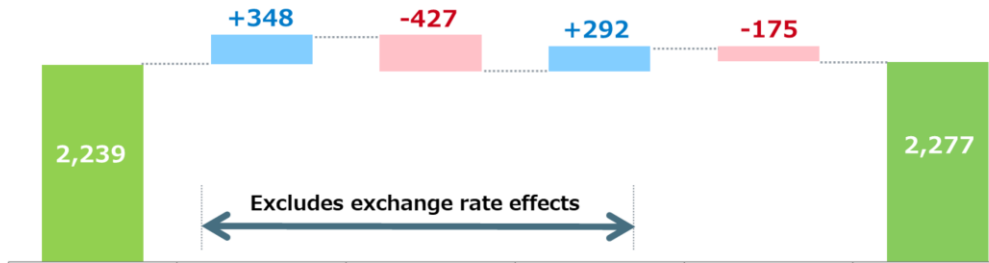
**Major Gains/Losses in OI**

(Millions of JPY)

**Jan-Mar**



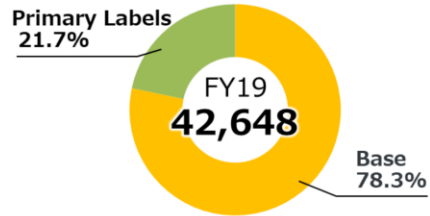
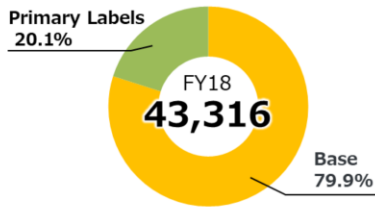
**FY2019**



### Sales and OI by Business Segment

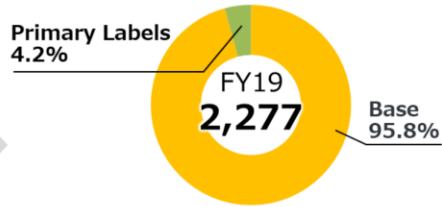
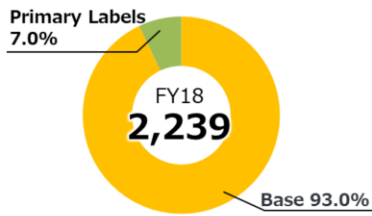
(Millions of JPY)

#### Sales



#### Operating Income

\*Ratio excludes eliminations.



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

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

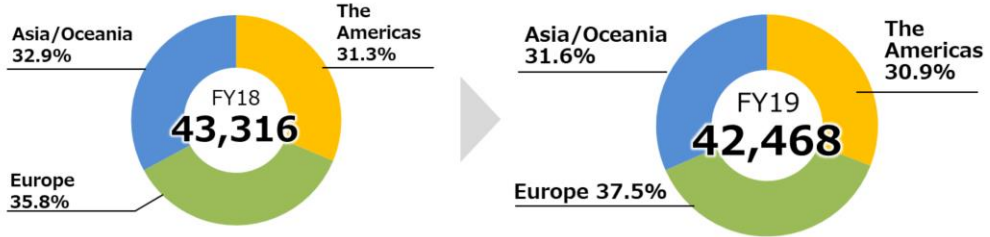




### Sales and OI by Region

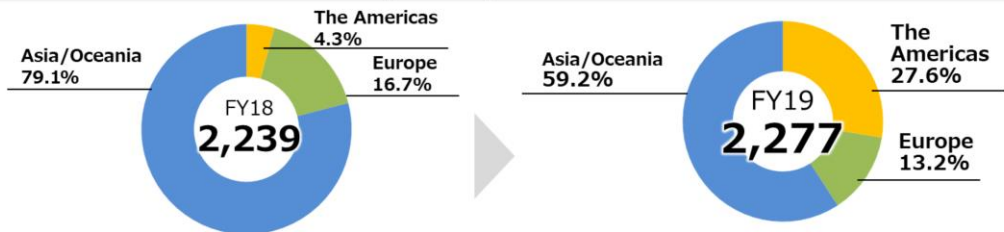
(Millions of JPY)

#### Sales



#### Operating Income

\*Ratio excludes eliminations.

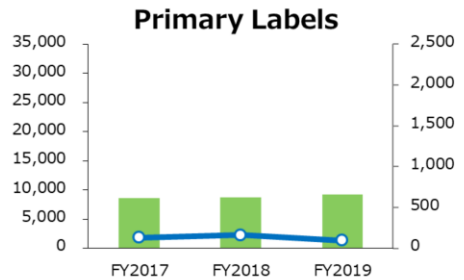
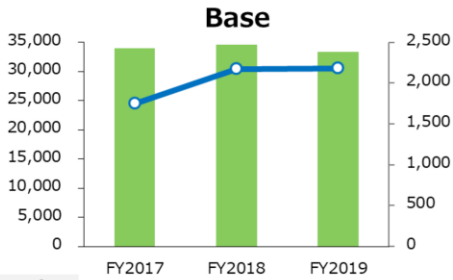


OI Ratio :  
**The Americas : 0.7%, Europe : 2.5%,  
 Asia/Oceania : 13.0%**

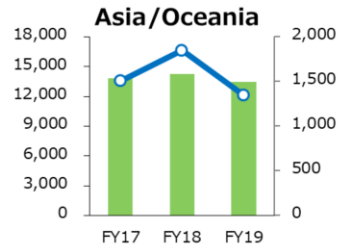
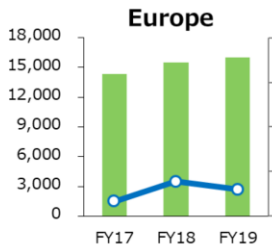
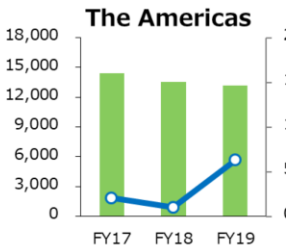
OI Ratio :  
**The Americas : 4.8%, Europe : 1.9%,  
 Asia/Oceania : 10.0%**

Sales and OI Trends by Business Segment and Region

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



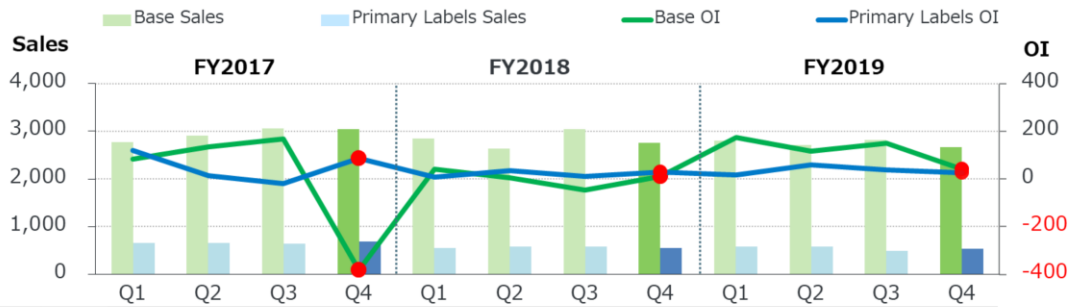
By Region



## Auto-ID Solutions Business (Overseas)

### The Americas: Quarterly Sales & OI

(Millions of JPY)

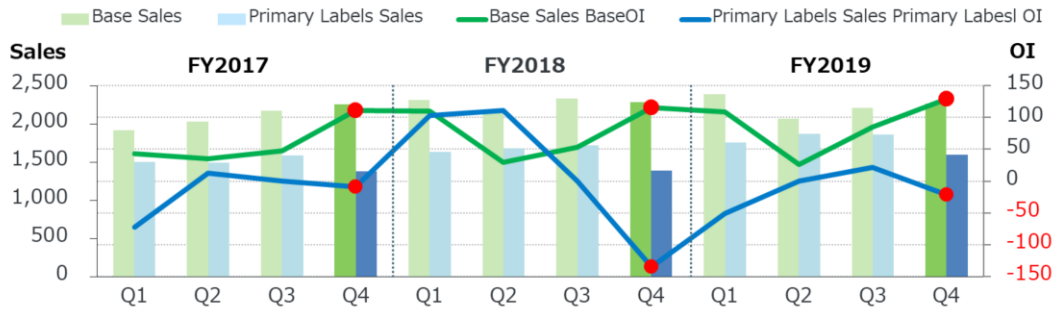


		FY2017				FY2018				FY2019			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	Sales	2,778	2,901	3,063	3,040	2,854	2,640	3,043	2,753	2,797	2,714	2,811	2,664
	YoY	93.2%	108.9%	107.9%	108.5%	102.7%	91.0%	99.4%	90.6%	98.0%	102.8%	92.4%	96.8%
	OI	84	135	167	-380	42	6	-45	11	174	117	149	42
	YoY	81.4%	-	-	-	50.3%	5.1%	-	-	411.1%	1699.3%	-	376.4%
Primary Labels	Sales	657	666	651	685	546	584	587	550	577	586	497	536
	YoY	112.7%	120.4%	127.0%	105.9%	83.1%	87.6%	90.1%	80.4%	105.6%	100.4%	84.8%	97.5%
	OI	119	13	-20	87	9	34	11	28	17	60	38	27
	YoY	426.0%	134.0%	-	140.6%	7.9%	245.4%	-	32.0%	186.3%	176.8%	324.6%	98.9%

## Auto-ID Solutions Business (Overseas)

### Europe: Quarterly Sales & OI

(Millions of JPY)

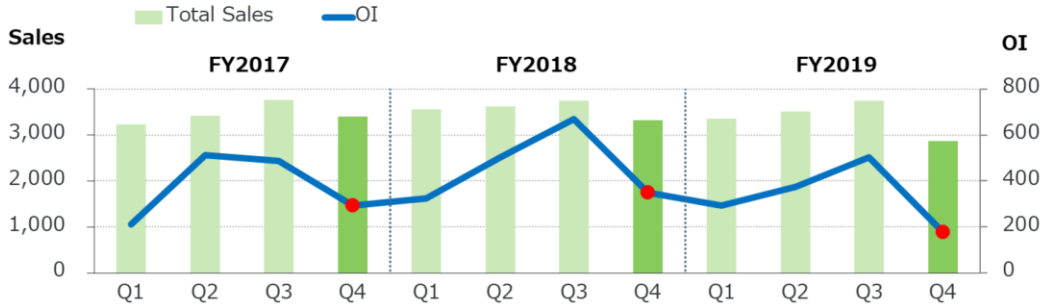


		FY2017				FY2018				FY2019			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base	Sales	1,917	2,031	2,166	2,252	2,315	2,160	2,330	2,279	2,386	2,066	2,205	2,264
	YoY	110.0%	124.5%	113.6%	111.3%	120.8%	106.3%	107.6%	101.2%	103.1%	95.6%	94.6%	99.3%
	OI	43	35	47	111	110	29	53	116	109	26	85	129
	YoY	60.6%	30.3%	43.6%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

## Auto-ID Solutions Business (Overseas)

### Asia/Oceania: Quarterly Sales & OI

(Millions of JPY)



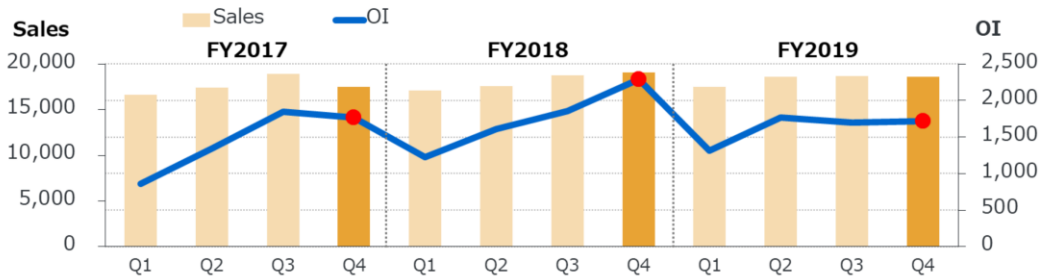
Base	Sales	3,229	3,422	3,757	3,403	3,560	3,620	3,743	3,326	3,355	3,504	3,740	2,865
	YoY	101.8%	113.1%	111.6%	104.6%	110.3%	105.8%	99.6%	97.7%	94.2%	96.8%	99.9%	86.1%
	OI	213	511	486	294	324	502	670	350	294	374	504	176
	YoY	68.5%	243.6%	219.0%	188.9%	152.3%	98.2%	137.9%	118.8%	90.6%	74.5%	75.3%	50.3%



## Auto-ID Solutions Business (Japan)

### Quarterly Sales & OI

(Millions of JPY)



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



## Auto-ID Solutions Business (Japan)

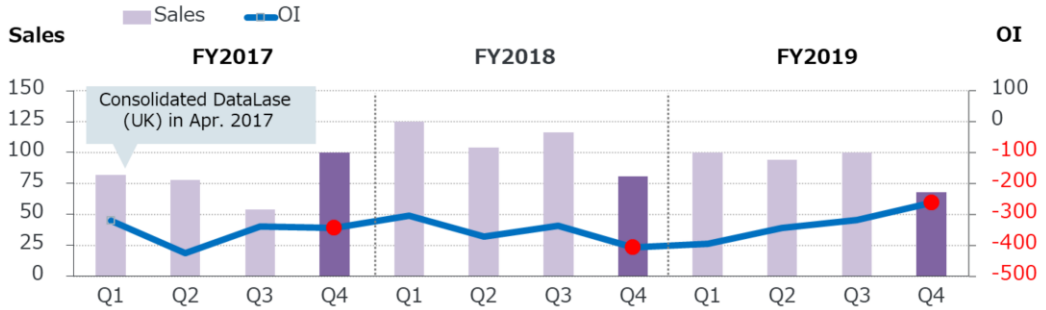
### Major Gains/Losses in OI

(Millions of JPY)



### Quarterly Sales & OI

(Millions of JPY)



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

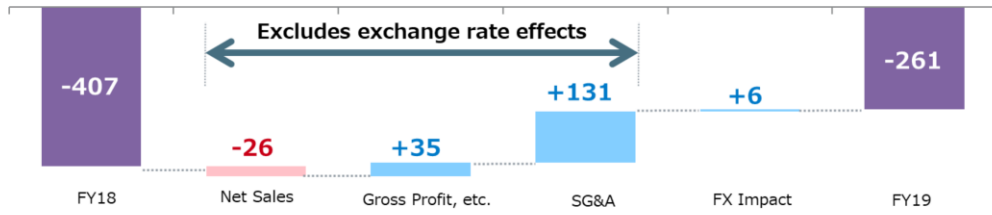




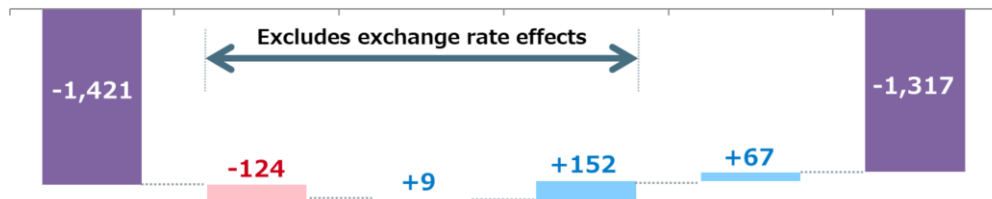
### Major Gains/Losses in OI

(Millions of JPY)

Jan-Mar



FY2019



## SATO Terminologies (1/4)

SATO-unique business concepts/initiatives	Description*
1 Auto-ID Solutions business	Our business that carries out <u>DCS &amp; Labeling +One</u> . It is specifically about integrating barcode printers/labels, software and services designed in-house with products and technologies from partners to resolve customers' worksite issues. This business is separated into Overseas and Japan segments, with the former comprised of the <u>Base</u> and the <u>Primary Labels businesses</u> .
2 Base business	Business of <u>tagging</u> variable information, such as barcodes, at customer's site of operations.
3 Primary Labels business	Overseas business of <u>tagging</u> fixed information via product labels and other media. This business operates from SATO Group companies; <u>Achernar</u> (Argentina), <u>Prakolar</u> (Brazil), <u>Okil</u> (Russia) and <u>X-Pack</u> (Russia).
4 IDP business	Develops, manufactures and sells materials used mainly in Inline Digital Printing ( <u>IDP</u> ). A reporting segment formerly named "Materials business."
5 Koto-uri (Selling the solution, not the product)	Sales approach of selling not the product but combinations of products in the form of solutions that include hardware, <u>consumables</u> , maintenance services and software, together with ROI and other value propositions for the customer. The opposite concept of "Mono-uri", or selling single products.
6 Tagging	The process of physically attaching to something data that identifies and/or locates it. This involves digitizing information of the things it is tagged to so that the tagged data can be fed to and processed by core IT systems.
7 DCS & Labeling +One (DCS: Data Collection Systems)	SATO's business model that incorporates auto-ID technology (such as barcodes and <u>RFID</u> ) with barcode printers and labels/labeling services to (a) systematically collect data on people and things at business sites and (b) offer <u>tagging/labeling</u> of information, using accurate, efficient and optimized solutions. In line with increasingly sophisticated user needs, SATO also pursues a policy of open innovation and partnerships to provide value-added "+One" technologies such as image/voice recognition, location tracking and sensors to its legacy business model to better solve customer challenges.
8 Matching data with people and things	Connecting people and things at customer sites with information. Ever since our days of pioneering in hand labels that attached price and other information to products, this concept has remained central to SATO's business.

(\*) Underlined terms are described under its own heading



## SATO Terminologies (2/4)

SATO-unique business concepts/initiatives		Description
9	Genbaryoku	Our core competency of going to customer sites to understand their operations and identify the essence of issues to offer optimized solutions. It is our ability to (1) integrate products, services and technologies into solutions, working together with strategic partners, (2) address a wide range of market, industry and application needs with our expertise in sites of operations, and (3) offer maintenance services and solutions continuously to build trust and establish lasting relationships with customers.
10	Teiho	Teiho is SATO's unique system of reports and proposals in effect since 1976. Employees share new information and ideas they come across on-site every day to top management via the Teiho system. Teiho helps top management gain immediate insight into the internal/external business situation to facilitate quick decision-making and execution of initiatives, while allowing "participation by all" in the management of the company. As Teiho reports are directly addressed to top management, it is also an effective means of compliance monitoring to prevent malpractice and other inappropriate behavior and assist in corporate governance. Some of our global offices have also started Teiho, with more to follow.
11	AAP (Area Alliance Partner)	Our initiative in Japan to segment regions into smaller divisions and form alliances with partners having strong presence in areas/industries that we have yet to cover.
Products, services, technologies		Description
1	Mechatronics	All products not <u>consumables</u> , including hardware (e.g., printers, automatic labelers, scanners, hand labelers), software and maintenance services. They generate higher gross profit margin than <u>consumables</u> . Printers are manufactured in Malaysia, Vietnam and Taiwan.
2	Consumables	"Consumable" products such as <u>variable information labels</u> , <u>RFID tags</u> , primary labels (product labels) and ribbons. They generate lower gross profit margin than <u>mechatronics</u> , but incur low SG&A expenses as they are typically sold through repeat business.
3	Auto-ID Solutions	Combination of products such as printers, labels, software and maintenance services using auto-ID technologies to carry out <u>DCS &amp; Labeling +One</u> . To meet ever complex and diverse customer challenges, SATO also looks beyond its own resources and interests by pursuing partnerships, for example, to enable location technologies to track items by tags and inventory/worker movements in real time for managing manufacturing processes and visualizing productivity on-site.



## SATO Terminologies (3/4)

Products, services, technologies	Description
4 SOS (SATO Online Services)	<p>A cloud-based monitoring service for printers that enables preventative maintenance and on-the-spot troubleshooting.</p> <p>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.</p>
5 AEP (Application Enabled Printing)	<p>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.</p>
6 Variable information labels	<p>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.</p>
7 RFID (Radio Frequency Identification)	<p>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.</p>
8 IDP (Inline Digital Printing)	<p>A revolutionary, direct marking technology comprised of a special heat-sensitive pigment that can be applied as a coating to virtually any substrate and exposed to a laser beam to create a color change.</p> <p>As IDP uses no ink or labels at the point of printing, it eliminates the need for labeling, minimizes stock keeping units (SKUs) and reduces waste, while shortening time spent on hardware maintenance. Besides delivering cost savings, productivity improvements and environmental benefits, IDP allows the printing of variable data for late stage customization/personalization of products and packaging, making it ideal for real-time, consumer-directed marketing.</p>



## SATO Terminologies (4/4)

Key acquisitions since 2012		Description
1	Argox Information Co., Ltd. (Taiwan)	[2012] Company engaging in the development, production and sales of entry level printers.
2	Achernar S.A. (Argentina)	[2012] Company specializing in primary labels.
3	Magellan Technology Pty Ltd. (Australia)	[2013] Company from which SATO acquired its healthcare business for PJM (Phase Jitter Modulation), a highly superior RFID technology that can quickly and accurately identify large volumes of tagged items stacked or stored in any physical orientation even in the presence of metals and liquids. Now SATO Vicinity Pty Ltd.
4	Okil-Holding, JSC (Russia)	[2014] Primary labels company in which SATO acquired 75% ownership stake. <u>X-Pack</u> 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 <u>IDP</u> color-change pigment and related products. Now a SATO consolidated subsidiary.
Overseas subsidiary founded after 2017		Description
1	X-Pack (Russia)	[2017] A subsidiary producing and selling shrink sleeves, in-mould labels and soft packages in <u>Primary Labels business</u> , 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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