

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **May 15, 2020**, SATO Holdings Corporation announced earnings results for full-year FY03/20.

Cumulative (JPYmm)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	26,799	54,823	85,016	113,383	28,118	56,489	86,761	116,179	28,463	57,875	87,803	116,372	-
YoY	5.8%	7.3%	8.0%	6.7%	4.9%	3.0%	2.1%	2.5%	1.2%	2.5%	1.2%	0.2%	-
Gross profit	11,360	23,712	36,389	48,655	12,332	24,894	37,730	50,676	12,298	25,129	37,970	50,179	-
YoY	5.0%	9.0%	9.7%	8.1%	8.6%	5.0%	3.7%	4.2%	-0.3%	0.9%	0.6%	-1.0%	-
Gross profit margin	42.4%	43.3%	42.8%	42.9%	43.9%	44.1%	43.5%	43.6%	43.2%	43.4%	43.2%	43.1%	-
SG&A expenses	10,509	21,156	31,714	42,405	10,858	21,550	32,286	42,997	10,784	21,586	32,324	42,718	-
YoY	7.5%	10.7%	9.8%	9.0%	3.3%	1.9%	1.8%	1.4%	-0.7%	0.2%	0.1%	-0.6%	-
SG&A ratio	39.2%	38.6%	37.3%	37.4%	38.6%	38.1%	37.2%	37.0%	37.9%	37.3%	36.8%	36.7%	-
Operating profit	851	2,556	4,675	6,249	1,473	3,343	5,444	7,679	1,514	3,542	5,645	7,461	-
YoY	-18.7%	-3.6%	9.0%	2.4%	73.1%	30.8%	16.4%	22.9%	2.8%	6.0%	3.7%	-2.8%	-
Operating profit margin	3.2%	4.7%	5.5%	5.5%	5.2%	5.9%	6.3%	6.6%	5.3%	6.1%	6.4%	6.4%	-
Recurring profit	721	2,369	4,381	5,888	1,403	3,190	5,104	7,618	1,338	3,237	5,362	6,571	-
YoY	-15.2%	-0.4%	1.6%	8.5%	94.6%	34.7%	16.5%	29.4%	-4.6%	1.5%	5.1%	-13.7%	-
Recurring profit margin	2.7%	4.3%	5.2%	5.2%	5.0%	5.6%	5.9%	6.6%	4.7%	5.6%	6.1%	5.6%	-
Net income	337	2,413	3,565	4,074	781	1,919	3,078	3,773	842	2,880	4,157	-1,882	-
YoY	-25.7%	60.1%	30.8%	26.5%	131.8%	-20.5%	-13.7%	-7.4%	7.8%	50.1%	35.1%	-	-
Net margin	1.3%	4.4%	4.2%	3.6%	2.8%	3.4%	3.5%	3.2%	3.0%	5.0%	4.7%	-1.6%	-

Quarterly (JPYmm)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	26,799	28,024	30,193	28,367	28,118	28,371	30,272	29,418	28,463	29,412	29,928	28,569	-
YoY	5.8%	8.9%	9.2%	2.9%	4.9%	1.2%	0.3%	3.7%	1.2%	3.7%	-1.1%	-2.9%	-
Gross profit	11,360	12,352	12,677	12,266	12,332	12,562	12,836	12,946	12,298	12,831	12,841	12,209	-
YoY	5.0%	12.9%	11.2%	3.5%	8.6%	1.7%	1.3%	5.5%	-0.3%	2.1%	0.0%	-5.7%	-
Gross profit margin	42.4%	44.1%	42.0%	43.2%	43.9%	44.3%	42.4%	44.0%	43.2%	43.6%	42.9%	42.7%	-
SG&A expenses	10,509	10,647	10,558	10,691	10,858	10,692	10,736	10,711	10,784	10,802	10,738	10,394	-
YoY	7.5%	14.1%	8.1%	6.5%	3.3%	0.4%	1.7%	0.2%	-0.7%	1.0%	0.0%	-3.0%	-
SG&A ratio	39.2%	38.0%	35.0%	37.7%	38.6%	37.7%	35.5%	36.4%	37.9%	36.7%	35.9%	36.4%	-
Operating profit	851	1,705	2,119	1,574	1,473	1,870	2,101	2,235	1,514	2,028	2,103	1,816	-
YoY	-18.7%	6.2%	29.6%	-13.3%	73.1%	9.7%	-0.8%	42.0%	2.8%	8.4%	0.1%	-18.7%	-
Operating profit margin	3.2%	6.1%	7.0%	5.5%	5.2%	6.6%	6.9%	7.6%	5.3%	6.9%	7.0%	6.4%	-
Recurring profit	721	1,648	2,012	1,507	1,403	1,787	1,914	2,514	1,338	1,899	2,125	1,209	-
YoY	-15.2%	7.8%	4.1%	35.4%	94.6%	8.4%	-4.9%	66.8%	-4.6%	6.3%	11.0%	-51.9%	-
Recurring profit margin	2.7%	5.9%	6.7%	5.3%	5.0%	6.3%	6.3%	8.5%	4.7%	6.5%	7.1%	4.2%	-
Net income	337	2,076	1,152	509	781	1,138	1,159	695	842	2,038	1,277	-6,039	-
YoY	-25.7%	97.0%	-5.4%	2.6%	131.8%	-45.2%	0.6%	36.5%	7.8%	79.1%	10.2%	-	-
Net margin	1.3%	7.4%	3.8%	1.8%	2.8%	4.0%	3.8%	2.4%	3.0%	6.9%	4.3%	-21.1%	-

Source: Shared Research based on company data

By segment Quarterly (JPYmm)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	26,799	28,024	30,193	28,367	28,118	28,371	30,272	29,418	28,463	29,412	29,928	28,569	-
YoY	5.8%	8.9%	9.2%	2.9%	4.9%	1.2%	0.3%	3.7%	1.2%	3.7%	-1.1%	-2.9%	-
Auto-ID Solutions	26,717	27,945	30,138	28,267	27,991	28,267	30,156	29,337	28,362	29,318	29,827	28,501	-
YoY	5.5%	8.7%	9.1%	2.6%	4.8%	1.2%	0.1%	3.8%	1.3%	3.7%	-1.1%	-2.8%	-
% of total sales	99.7%	99.7%	99.8%	99.6%	99.5%	99.6%	99.6%	99.7%	99.6%	99.7%	99.7%	99.8%	-
Overseas	10,087	10,517	11,225	10,756	10,910	10,687	11,420	10,299	10,867	10,740	11,118	9,923	-
YoY	2.5%	15.4%	12.9%	7.2%	8.2%	1.6%	1.7%	-4.2%	-0.4%	0.5%	-2.6%	-3.7%	-
% of total sales	37.6%	37.5%	37.2%	37.9%	38.8%	37.7%	37.7%	35.0%	38.2%	36.5%	37.1%	34.7%	-
Japan	16,630	17,428	18,913	17,511	17,081	17,580	18,736	19,038	17,495	18,578	18,709	18,578	-
YoY	7.5%	5.0%	6.9%	0.0%	2.7%	0.9%	-0.9%	8.7%	2.4%	5.7%	-0.1%	-2.4%	-
% of total sales	62.1%	62.2%	62.6%	61.7%	60.7%	62.0%	61.9%	64.7%	61.5%	63.2%	62.5%	65.0%	-
IDP	82	78	55	100	125	105	116	81	100	94	100	69	-
YoY	331.6%	169.0%	89.7%	566.7%	52.4%	34.6%	110.9%	-19.0%	-20.0%	-10.5%	-13.8%	-14.8%	-
% of total sales	0.3%	0.3%	0.2%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.3%	0.3%	0.2%	-
Operating profit	851	1,705	2,119	1,574	1,473	1,870	2,101	2,235	1,514	2,028	2,103	1,816	-
YoY	-18.7%	6.2%	29.6%	-13.3%	73.1%	9.7%	-0.8%	42.0%	2.8%	8.4%	0.1%	-18.7%	-
OPM	3.2%	6.1%	7.0%	5.5%	5.2%	6.6%	6.9%	7.6%	5.3%	6.9%	7.0%	6.4%	-
Auto-ID Solutions	1,231	2,076	2,515	1,874	1,777	2,274	2,534	2,636	1,878	2,360	2,472	2,046	-
YoY	17.1%	27.3%	48.9%	1.3%	44.4%	9.5%	0.8%	40.7%	5.7%	3.8%	-2.4%	-22.4%	-
OPM	4.6%	7.4%	8.3%	6.6%	6.3%	8.0%	8.4%	9.0%	6.6%	8.0%	8.3%	7.2%	-
Overseas	369	730	664	102	553	667	674	345	560	595	773	349	-
YoY	-48.0%	81.6%	142.3%	-61.4%	49.9%	-8.6%	1.5%	238.2%	1.3%	-10.8%	14.7%	1.2%	-
OPM	3.7%	6.9%	5.9%	0.9%	5.1%	6.2%	5.9%	3.3%	5.2%	5.5%	7.0%	3.5%	-
Japan	862	1,346	1,851	1,772	1,224	1,607	1,860	2,291	1,318	1,765	1,699	1,697	-
YoY	152.8%	9.5%	30.8%	11.7%	42.0%	19.4%	0.5%	29.3%	7.7%	9.8%	-8.7%	-25.9%	-
OPM	5.2%	7.7%	9.8%	10.1%	7.2%	9.1%	9.9%	12.0%	7.5%	9.5%	9.1%	9.1%	-
IDP	-319	-426	-338	-343	-303	-373	-337	-408	-394	-343	-318	-262	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
OPM	-389.0%	-546.2%	-614.5%	-343.0%	-242.4%	-355.2%	-290.5%	-503.7%	-394.0%	-364.9%	-318.0%	-379.7%	-
Adjustments	-61	55	-58	43	-1	-31	-96	7	30	11	-51	32	-

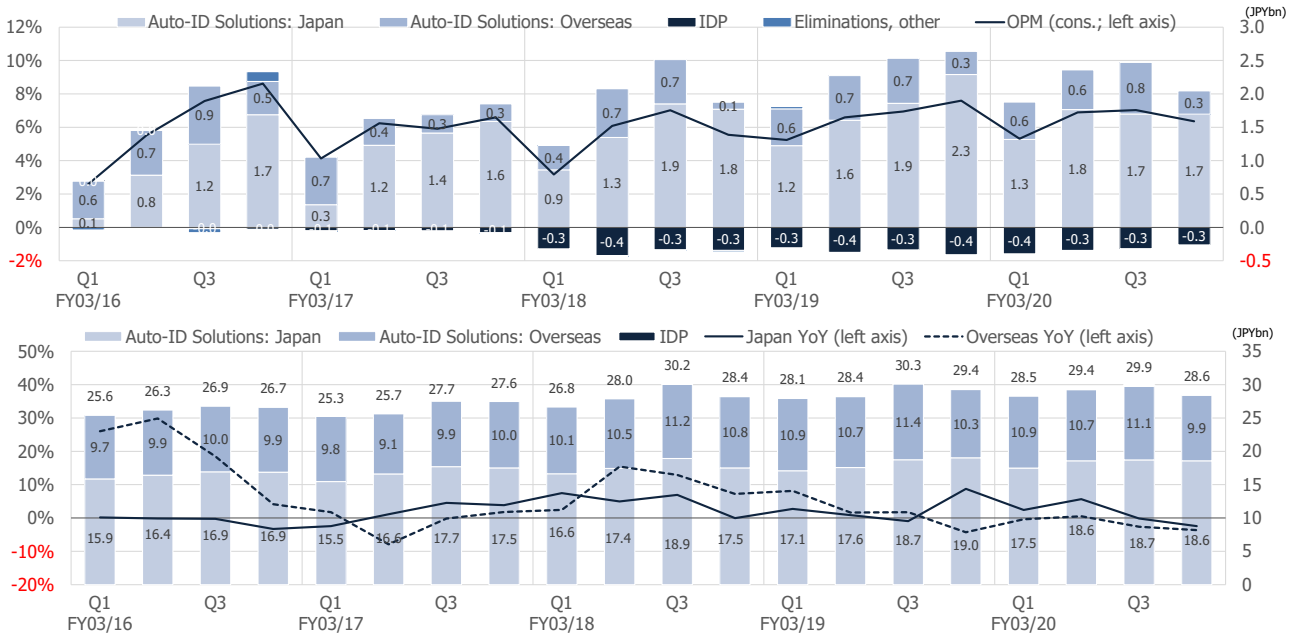
Source: Shared Research based on company data

Full-year FY03/20 results (out May 15, 2020)

Summary

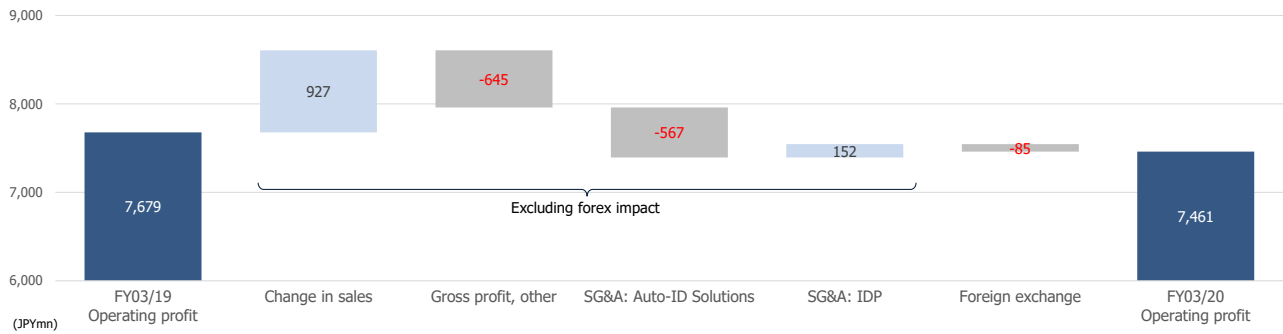
- ▷ In FY03/20, SATO generated sales of JPY116.4bn (+0.2% YoY), operating profit of JPY7.5bn (-2.8% YoY), and net loss of JPY1.9bn (net income of JPY3.8bn in FY03/19). It made progress on solutions-related negotiations in Japan and had some success winning new orders overseas both by market and by application, but lost steam in Q4 with the impact of the COVID-19 pandemic. The net loss was caused by booking of a JPY6.4bn impairment loss in the IDP business. SATO announced a downward revision of its FY03/20 forecast on March 6, and these earnings results were essentially in line with the revised forecast. In Q4, the company generated sales of JPY28.6bn (-2.9% YoY), operating profit of JPY1.8bn (-18.7% YoY), and net loss of JPY6.0bn (net income of JPY695mn in Q4 FY03/19). The annual dividend was flat YoY at JPY70 per share (although the initial plan was JPY72 per share). The FY03/21 forecast is pending.
- ▷ Auto-ID Solutions (Japan): The segment generated sales of JPY73.4bn (+1.3% YoY) and operating profit of JPY6.5bn (-7.2% YoY). Sales activities focusing on the provision of solutions proved successful, and sales of mechatronics products were trending upward, but delays arose in Q4 with the impact of COVID-19. By market, sales rose YoY by 4.4% in logistics, 7.2% in healthcare, and 2.1% in food, but fell YoY by 0.9% in manufacturing, 2.4% in retail, 8.7% in public. In Q4, the segment generated sales of JPY18.6bn (-2.4% YoY) and operating profit of JPY1.7bn (-25.9% YoY).
- ▷ Auto-ID Solutions (Overseas): The segment generated sales of JPY42.6bn (-1.5% YoY) and operating profit of JPY2.3bn (+1.7% YoY). Excluding the foreign exchange impact, sales rose 3.5% YoY and operating profit rose 9.5% YoY. In its base business, SATO aims to achieve a shift toward selling solutions to improve on-site operations by country, market, and industry. Although various measures are beginning to produce results, the company lost steam in Q4 with the impact of COVID-19. The primary labels business secured an increase in sales YoY by developing new customers, but profit declined YoY due to higher costs and a foreign exchange impact (although the effects of a price hike became apparent in 2H). In Q4, the segment generated sales of JPY9.9bn (-3.7% YoY) and operating profit of JPY349mn (+1.2% YoY). Excluding the foreign exchange impact, sales rose 0.6% YoY and operating profit rose 7.4% YoY.
- ▷ IDP: The segment generated sales of JPY363mn (-15.0% YoY) and operating loss of JPY1.3bn (loss of JPY1.4bn in FY03/19). SATO believes inline digital printing (IDP) technology promotes consumer engagement with retail businesses and brands. It has moved from the research and development phase to the customer evaluation phase, but customers have proposed new technological issues, delaying the decision to move forward with commercialization. Because of this, SATO booked impairment loss on fixed assets, including goodwill.
- ▷ The company's FY03/21 forecast is pending, since the COVID-19 pandemic makes it unclear when economic activity will be restarted both domestically and internationally. SATO plans to release a forecast as soon as it can reasonably formulate one. In April, Auto-ID Solutions (Japan) sales fell 3% YoY (including booking of sales from FY03/19 negotiations) and Auto-ID Solutions (Overseas) sales fell 28% YoY.
- ▷ Medium-term business plan: Under its medium-term business plan (FY03/21–FY03/23), the company plans to devote management resources to its Auto-ID Solutions businesses as it aims to achieve sustainable growth and a robust earnings base. Key initiatives include 1) evolving and expanding the Auto-ID Solutions businesses, 2) enhancing its businesses through global alliances, and 3) creating a B2B2C business to generate consumer value.

Quarterly operating profit (top) and sales (bottom) (JPYbn)



Source: Shared Research based on company data
 Note: Sales in the new Materials segment are still low, and thus hidden in other graphs. Additionally, YoY detail not displayed due to high degree of fluctuation

Factors affecting operating profit (JPYmn)



Source: Shared Research based on company data

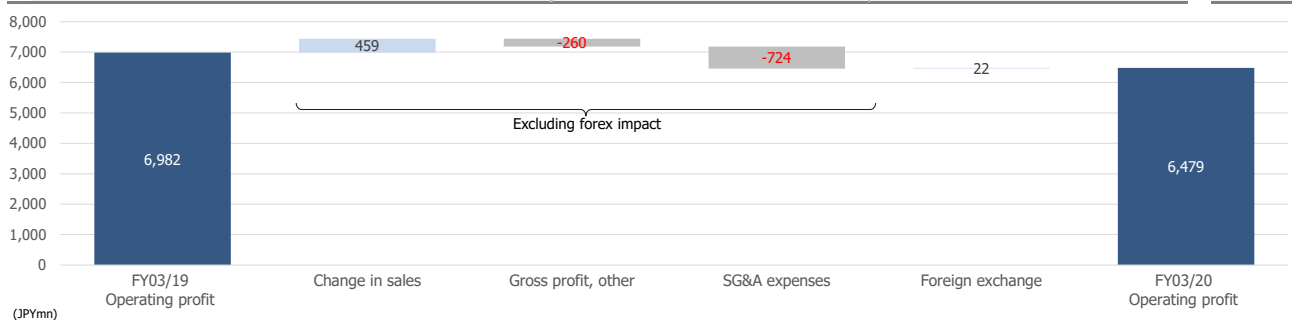
Factors affecting change in the operating profit

Factors affecting OP change Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating profit	851	1,705	2,119	1,574	1,473	1,870	2,101	2,235	1,514	2,028	2,103	1,816
YoY change	-196	100	483	-242	622	165	-18	661	41	158	2	-419
Sales change	441	653	711	305	854	145	316	699	364	709	86	-232
GP-related factors	-64	359	363	135	164	309	117	213	-231	-205	148	-357
SG&A: Auto-ID Solutions	-300	-571	-314	-372	-326	-209	-309	-144	-51	-340	-229	53
SG&A: IDP	-322	-432	-310	-278	-52	28	-75	-75	-37	9	49	131
Forex impact	49	91	33	-32	-18	-108	-67	-32	-4	-15	-52	-14
Auto-ID Solutions: Overseas	369	730	664	102	553	667	674	345	560	595	773	349
YoY change	-341	328	390	-162	184	-63	10	243	7	-72	99	4
Sales change	24	314	211	226	298	167	340	64	177	178	22	-29
GP-related factors	-278	-49	23	-102	-42	51	-17	-203	-209	-230	29	-17
SG&A-related factors	-90	13	106	-287	-78	-254	-268	412	77	47	97	71
Forex impact	3	50	49	2	6	-27	-45	-30	-38	-67	-49	-21
Auto-ID Solutions: Japan	862	1,346	1,851	1,772	1,224	1,607	1,860	2,291	1,318	1,765	1,699	1,697
YoY change	521	117	436	186	362	261	9	519	94	158	-161	-594
Sales change	547	332	585	30	455	42	31	685	205	498	-20	-224
GP-related factors	281	480	386	284	163	246	145	448	19	31	87	-397
SG&A-related factors	-353	-735	-520	-94	-243	52	-136	-596	-145	-390	-215	26
Forex impact	46	40	-15	-34	-13	-79	-31	-18	15	19	-13	1
IDP	-319	-426	-338	-343	-303	-373	-337	-408	-394	-343	-318	-262
YoY change	-266	-375	-284	-261	16	53	1	-65	-91	30	19	146
Sales change	41	42	13	60	38	19	25	2	-52	-18	-27	-27
GP-related factors	15	15	13	-43	42	8	41	-7	-20	6	-13	36
SG&A-related factors	-322	-432	-310	-278	-52	28	-75	-75	-37	9	49	131
Forex impact	0	0	0	0	-12	-2	10	15	18	33	10	6

Source: Shared Research based on company data

Auto-ID Solutions (Japan)

Auto-ID Solutions: Japan Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	16,630	17,428	18,913	17,511	17,081	17,580	18,736	19,038	17,495	18,578	18,709	18,578	-
YoY	7.5%	5.0%	6.9%	0.0%	2.7%	0.9%	-0.9%	8.7%	2.4%	5.7%	-0.1%	-2.4%	-
Mechanics	6,026	6,894	7,201	7,443	6,220	6,997	6,951	9,029	6,954	7,676	7,456	8,711	-
YoY	14.1%	10.4%	14.8%	1.4%	3.2%	1.5%	-3.5%	21.3%	11.8%	9.7%	7.3%	-3.5%	-
Consumables	10,604	10,534	11,711	10,068	10,861	10,582	11,786	10,009	10,540	10,903	11,253	9,867	-
YoY	4.0%	1.7%	2.6%	-2.0%	2.4%	0.5%	0.6%	-0.6%	-3.0%	3.0%	-4.5%	-1.4%	-
Gross profit	7,895	8,560	8,940	8,501	8,500	8,769	9,084	9,617	8,740	9,318	9,136	8,998	-
YoY	12.4%	11.1%	12.0%	3.4%	7.7%	2.4%	1.6%	13.1%	2.8%	6.3%	0.6%	-6.4%	-
GPM	47.5%	49.1%	47.3%	48.5%	49.8%	49.9%	48.5%	50.5%	50.0%	50.2%	48.8%	48.4%	-
Operating profit	862	1,346	1,851	1,772	1,224	1,607	1,860	2,291	1,318	1,765	1,699	1,697	-
YoY	152.8%	9.5%	30.8%	11.7%	42.0%	19.4%	0.5%	29.3%	7.7%	9.8%	-8.7%	-25.9%	-
OPM	5.2%	7.7%	9.8%	10.1%	7.2%	9.1%	9.9%	12.0%	7.5%	9.5%	9.1%	9.1%	-



Source: Shared Research based on company data

Sales by market (JPYmm)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	16,630	17,428	18,913	17,511	17,081	17,580	18,736	19,038	17,495	18,578	18,709	18,578
YoY	7.5%	5.0%	6.9%	0.0%	2.7%	0.9%	-0.9%	8.7%	2.4%	5.7%	-0.1%	-2.4%
Manufacturing	4,914	5,263	5,615	5,752	5,217	5,623	5,923	6,203	5,513	5,768	5,697	5,786
YoY	9.2%	2.1%	8.5%	9.1%	6.2%	6.8%	5.5%	7.8%	5.7%	2.6%	-3.8%	-6.7%
% of total sales	29.5%	30.2%	29.7%	32.8%	30.5%	32.0%	31.6%	32.6%	31.5%	31.0%	30.5%	31.1%
Logistics	3,940	4,288	4,661	3,947	4,099	4,138	4,471	4,349	4,376	4,399	4,498	4,530
YoY	1.8%	7.7%	9.9%	-0.9%	4.0%	-3.5%	-4.1%	10.2%	6.8%	6.3%	0.6%	4.2%
% of total sales	23.7%	24.6%	24.6%	22.5%	24.0%	23.5%	23.9%	22.8%	25.0%	23.7%	24.0%	24.4%
Retail	1,909	1,865	2,294	1,813	2,016	1,967	2,165	2,112	2,068	2,123	2,087	1,787
YoY	7.4%	1.7%	8.7%	-11.6%	5.6%	5.5%	-5.6%	16.5%	2.6%	7.9%	-3.6%	-15.4%
% of total sales	11.5%	10.7%	12.1%	10.4%	11.8%	11.2%	11.6%	11.1%	11.8%	11.4%	11.2%	9.6%
Healthcare	1,722	1,933	2,047	2,097	1,806	1,825	2,118	2,230	1,840	2,292	2,289	2,130
YoY	-0.1%	1.8%	8.5%	2.9%	4.9%	-5.6%	3.5%	6.3%	1.9%	25.6%	8.1%	-4.5%
% of total sales	10.4%	11.1%	10.8%	12.0%	10.6%	10.4%	11.3%	11.7%	10.5%	12.3%	12.2%	11.5%
Food	1,560	1,586	1,770	1,453	1,584	1,641	1,742	1,536	1,562	1,692	1,749	1,638
YoY	2.8%	0.8%	5.9%	-3.6%	1.5%	3.5%	-1.6%	5.7%	-1.4%	3.1%	0.4%	6.6%
% of total sales	9.4%	9.1%	9.4%	8.3%	9.3%	9.3%	9.3%	8.1%	8.9%	9.1%	9.3%	8.8%
Public	805	693	723	693	583	595	610	749	394	507	562	853
YoY	93.5%	60.4%	-10.2%	-19.8%	-27.6%	-14.1%	-15.6%	8.1%	-32.4%	-14.8%	-7.9%	13.9%
% of total sales	4.8%	4.0%	3.8%	4.0%	3.4%	3.4%	3.3%	3.9%	2.3%	2.7%	3.0%	4.6%

Source: Shared Research based on company data

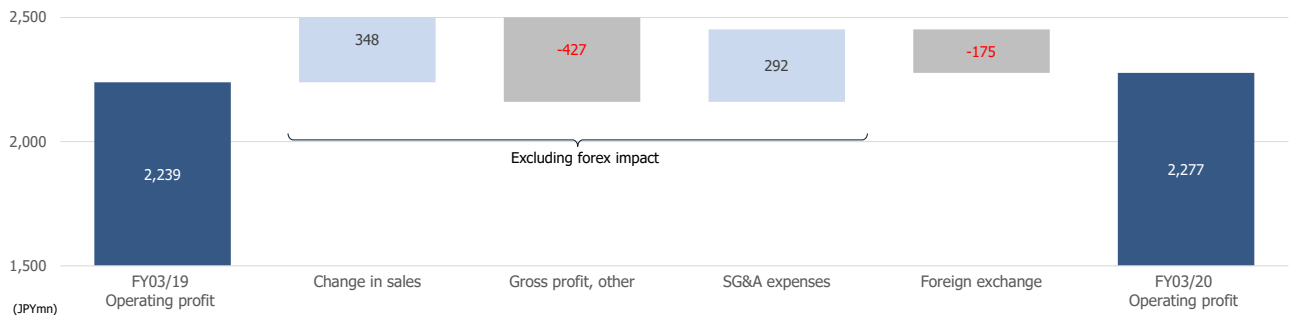
Sales trends by market

(JPYmm)		FY03/18	FY03/19	FY03/20	Change	Description		
Manufacturing	Q1	Sales	4,914	5,217	5,513	+296	Industry: Production cuts in electric appliance and electronic component industries negatively impacted consumables sales, while investments to improve productivity and visibility remained solid.	
		YoY	+9.2%	+6.2%	+5.7%		SATO: In addition to fresh investments in the automotive industry, SATO's solutions to meet robust demand for automation and visibility enhancement in general helped to drive sales.	
	1H	Sales	10,178	10,840	11,282	+442	Industry: The industry of electronic components slumped, but high-performance chemical and steel materials grew. Overall, there was continued willingness to invest in productivity improvements.	
		YoY	+5.4%	+6.5%	+4.1%		SATO: In addition to printer-replacement orders, response has also been good for a variety of solutions involving RFID and location tracking systems.	
	Cml Q3	Sales	15,793	16,763	16,979	+216	Industry: Electronic components were slow to recover, but high-performance chemical and steel materials continued to perform well. Overall, there was continued willingness to invest in productivity improvements.	
		YoY	+6.5%	+6.1%	+1.3%		SATO: Solutions involving RFID and location tracking systems expanded and mechatronics sales performed well, mainly in addressing labor shortages.	
	Full year	Sales	21,546	22,967	22,766	-201	Industry: Production was sluggish in many industries including automotive and machinery.	
		YoY	+7.2%	+6.6%	-0.9%		SATO: Growth in mechatronics sales abated as orders were pushed back due to the COVID-19 outbreak. Consumables slumped due to sluggish production activities.	
	Logistics	Q1	Sales	3,940	4,099	4,376	+277	Industry: Business environment in e-commerce and C2C market remained favorable. Investments for automation and digitization to cover for labor shortage remained solid.
			YoY	+1.8%	+4.0%	+6.8%		SATO: Mechatronics sales performed well thanks to solutions combining printers, RFID and location tracking technology.
1H		Sales	8,228	8,237	8,776	+539	Industry: Demand was strong mainly due to buoyant e-commerce, as well as labor shortages and regulatory compliance.	
		YoY	+4.8%	+0.1%	+6.5%		SATO: Mechatronics sales performed well as business expanded in solutions, owing to increased demand in automated labeling and carton forming/sealing.	
Cml Q3		Sales	12,890	12,709	13,275	+566	Industry: Demand for digitalization was strong due to increased logistics volume resulting from buoyant e-commerce, as well as labor shortages and regulatory compliance.	
		YoY	+6.6%	-1.4%	+4.5%		SATO: Mechatronics sales performed well as business expanded in solutions in addition to automated printing/labeling and carton forming/sealing.	
Full year		Sales	16,838	17,058	17,805	+747	Industry: Logistics volume increased due to increased e-commerce transactions and hoarding behavior by consumers. Labor shortages became even more conspicuous.	
		YoY	+4.7%	+1.3%	+4.4%		SATO: Consumables sales grew due to large orders for the transport industry and automation demands to address labor shortages. Consumables sales grew as the COVID-19 outbreak brought increase in handling volumes of daily goods and other products.	
Retail		Q1	Sales	1,909	2,016	2,068	+52	Industry: Sales to physical stores remained sluggish, while demands to meet labor shortage, omnichannel retailing and compliance to amended regulations were steady.
			YoY	+7.4%	+5.6%	+2.6%		SATO: Mechatronics sales grew on the back of orders to develop customized software and HACCP compliance solutions.
	1H	Sales	3,774	3,983	4,191	+208	Industry: Logistics volume increased as more retailers entered the e-commerce market. Demand related to regulatory compliance remained strong.	
		YoY	+4.5%	+5.5%	+5.2%		SATO: Increased logistics volume promoted growth in consumables. Sales increased in mechatronics due to progress in providing solutions for HACCP compliance.	
	Cml Q3	Sales	6,069	6,148	6,279	+131	Industry: Logistics volume increased due to the entry of more retailers into the e-commerce market. Demand related to labor shortages and regulatory compliance remain strong.	
		YoY	+6.1%	+1.3%	+2.1%		SATO: Increased logistics volume drove increase in consumables sales. Mechatronics sales performed well due to solutions for automation and HACCP compliance.	
	Full year	Sales	7,883	8,261	8,066	-195	Industry: While supermarkets were busy, specialty stores saw slow sales as non-essential consumption and demand from inbound tourists slumped.	
		YoY	+1.4%	+4.8%	-2.4%		SATO: Despite stronger sanitation control and legal compliance needs driving HACCP solutions, mechatronics sales declined as a whole due to restrained overall investments. Consumables sales decreased due to lower logistics volume.	
	Healthcare	Q1	Sales	1,722	1,806	1,840	+34	Industry: Business environment remained favorable due mainly to steady demand related to barcode labeling of drugs and medical devices, and labor shortage.
			YoY	-0.1%	+4.9%	+1.9%		SATO: Sales of solutions utilizing RFID and location tracking technology as well as barcodes performed well.
1H		Sales	3,655	3,632	4,133	+501	Industry: Business environment remained favorable due mainly to steady demand related to barcode labeling of drugs and medical devices, and labor shortage.	
		YoY	+0.9%	-0.6%	+13.8%		SATO: Sales of solutions utilizing RFID and location tracking technology as well as barcodes performed well.	
Cml Q3		Sales	5,703	5,750	6,423	+673	Industry: Business environment remained favorable due mainly to steady demand related to labeling of drugs and medical devices, and labor shortage.	
		YoY	+3.5%	+0.8%	+11.7%		SATO: Sales of solutions utilizing barcodes and RFIDs performed well. Balanced sales approach has led to a better mix of business opportunities.	
Full year		Sales	7,801	7,981	8,553	+572	Industry: Outpatients at medical institutions decreased mainly due to fears of COVID-19, and logistics volume decreased in the market as a whole.	
		YoY	+3.4%	+2.3%	+7.2%		SATO: As a result of the above, business has slowed for both mechatronics and consumables.	
Food		Q1	Sales	1,560	1,584	1,562	-22	Industry: Business environment remained favorable as the industry sought compliance to amended regulations and enhancement of manufacturing process control.
			YoY	+2.8%	+1.5%	-1.4%		SATO: Despite printer-replacement orders and regulation-related demand, sales of mechatronics and consumables slightly declined due to loss of a large order from a restaurant chain seen last fiscal year.
	1H	Sales	3,147	3,226	3,254	+28	Industry: Business environment remained favorable as the industry sought compliance to amended regulations and enhancement of manufacturing process control.	
		YoY	+1.8%	+2.5%	+0.9%		SATO: Printer-replacement orders and compliance with regulatory revisions led to sales growth in mechatronics. Despite lower sales in consumables, effective measures improved profitability.	
	Cml Q3	Sales	4,918	4,969	5,004	+35	Industry: Business environment remained favorable as the industry sought compliance to amended regulations and enhancement of manufacturing process control.	
		YoY	+3.2%	+1.0%	+0.7%		SATO: Printer-replacement orders and compliance with regulatory revisions led to sales growth in mechatronics. Consumables sales were down slightly due to factors such as reducing low margin businesses.	
	Full year	Sales	6,371	6,505	6,642	+137	Industry: Sales were brisk in food and beverage production affected by COVID-19 outbreak and demand for compliance with regulatory changes. On the other hand, sales slumped at restaurants.	
		YoY	+1.6%	+2.1%	+2.1%		SATO: Compliance with regulatory changes led to sales growth in mechatronics. Sales also grew in consumables due to strong performance in food and beverage production industries, which comprises a large portion of sales.	
	Public	Q1	Sales	805	583	394	-189	Industry: Business environment remained stable on the whole.
			YoY	+93.5%	-27.6%	-32.4%		SATO: While approaches are being made to new industries, sales dropped as a whole YoY as a volume-order customer adjusted inventories of consumables.
1H		Sales	1,498	1,179	901	-278	Industry: Business environment remained stable.	
		YoY	+76.4%	-21.3%	-23.6%		SATO: While approaches are being made to new industries, sales dropped as a whole YoY as a volume-order customer adjusted inventories of consumables.	
Cml Q3		Sales	2,221	1,789	1,464	-325	Industry: Business environment remained stable.	
		YoY	+34.3%	-19.5%	-18.2%		SATO: While new orders increased, most are coming in Q4. Sales dropped YoY as a volume-order customer adjusted inventories of consumables.	
Full year		Sales	2,915	2,539	2,137	-402	Industry: The overall business environment remained stable.	
		YoY	+15.8%	-12.9%	-15.8%		SATO: Mechatronics performed well due to large-volume orders. Sales in consumables increased as inventory adjustments leveled off at main customers.	

Source: Shared Research based on company data

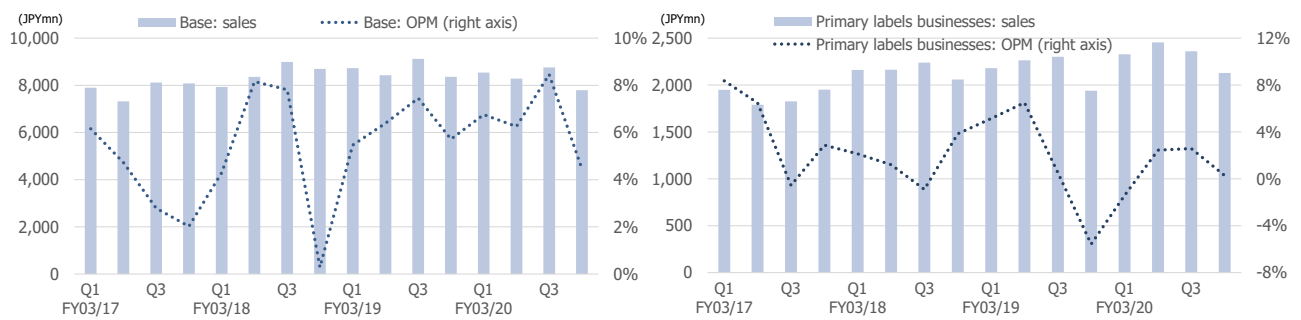
Auto-ID Solutions (Overseas)

Auto-ID Solutions: Overseas Quarterly (JPYmm)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	10,087	10,517	11,225	10,756	10,910	10,687	11,420	10,299	10,867	10,740	11,118	9,923	-
YoY	2.5%	15.4%	12.9%	7.2%	8.2%	1.6%	1.7%	-4.2%	-0.4%	0.5%	-2.6%	-3.7%	-
Base	7,925	8,356	8,987	8,696	8,730	8,422	9,118	8,360	8,539	8,286	8,758	7,795	-
YoY	0.4%	14.1%	10.7%	7.6%	10.2%	0.8%	1.5%	-3.9%	-2.2%	-1.6%	-3.9%	-6.8%	-
Primary labels	2,161	2,162	2,238	2,059	2,180	2,264	2,302	1,939	2,328	2,454	2,360	2,128	-
YoY	10.9%	20.8%	22.6%	5.5%	0.9%	4.7%	2.9%	-5.8%	6.8%	8.4%	2.5%	9.7%	-
Gross profit	3,793	4,004	4,120	3,936	4,012	4,045	4,188	3,567	3,784	3,722	4,004	3,362	-
YoY	-3.5%	18.5%	14.0%	3.6%	5.8%	1.0%	1.7%	-9.4%	-5.7%	-8.0%	-4.4%	-5.7%	-
GPM	37.6%	38.1%	36.7%	36.6%	36.8%	37.8%	36.7%	34.6%	34.8%	34.7%	36.0%	33.9%	-
Operating profit	369	730	664	102	553	667	674	345	560	595	773	349	-
YoY	-48.0%	81.6%	142.3%	-61.4%	49.9%	-8.6%	1.5%	238.2%	1.3%	-10.8%	14.7%	1.2%	-
OPM	3.7%	6.9%	5.9%	0.9%	5.1%	6.2%	5.9%	3.3%	5.2%	5.5%	7.0%	3.5%	-
Base	340	682	702	25	477	538	679	478	577	518	741	348	-
YoY	-30.0%	97.1%	210.6%	-84.7%	40.3%	-21.1%	-3.3%	1812.0%	21.0%	-3.7%	9.1%	-27.2%	-
OPM	4.3%	8.2%	7.8%	0.3%	5.5%	6.4%	7.4%	5.7%	6.8%	6.3%	8.5%	4.5%	-
Primary labels	46	26	-20	79	112	147	12	-108	-33	60	61	6	-
YoY	-71.8%	-77.6%	-	41.1%	143.5%	465.4%	-	-	-	-59.2%	408.3%	-	-
OPM	2.1%	1.2%	-0.9%	3.8%	5.1%	6.5%	0.5%	-5.6%	-1.4%	2.4%	2.6%	0.3%	-
Overseas eliminations	-18	22	-17	-2	-36	-18	-16	-26	16	16	-29	-5	-



Source: Shared Research based on company data

Base business sales and OPM (left), primary labels businesses sales and OPM (right)



Source: Shared Research based on company data

Auto-ID Solutions (Overseas): Earnings by region

The Americas Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,435	3,568	3,715	3,726	3,400	3,225	3,631	3,304	3,374	3,301	3,309	3,202
YoY	-	-	-	-	-1.0%	-9.6%	-2.3%	-11.3%	-0.8%	2.4%	-8.9%	-3.1%
Base	2,778	2,901	3,063	3,041	2,854	2,641	3,043	2,754	2,797	2,715	2,811	2,665
YoY	-	-	-	-	2.7%	-9.0%	-0.7%	-9.4%	-2.0%	2.8%	-7.6%	-3.2%
Primary labels	657	667	652	685	546	584	588	550	577	586	498	537
YoY	-	-	-	-	-16.9%	-12.4%	-9.8%	-19.7%	5.7%	0.3%	-15.3%	-2.4%
Operating profit	203	149	147	-294	51	41	-33	39	191	178	188	71
YoY	-	-	-	-	-74.9%	-72.5%	-	-	274.5%	334.1%	-	82.1%
OPM	5.9%	4.2%	4.0%	-7.9%	1.5%	1.3%	-0.9%	1.2%	5.7%	5.4%	5.7%	2.2%
Base	84	135	167	-381	42	7	-45	11	174	117	150	43
YoY	-	-	-	-	-50.0%	-94.8%	-	-	314.3%	1571.4%	-	290.9%
OPM	3.0%	4.7%	5.5%	-12.5%	1.5%	0.3%	-1.5%	0.4%	6.2%	4.3%	5.3%	1.6%
Primary labels	119	14	-20	87	9	34	12	28	17	61	38	28
YoY	-	-	-	-	-92.4%	142.9%	-	-67.8%	88.9%	79.4%	216.7%	0.0%
OPM	18.1%	2.1%	-3.1%	12.7%	1.6%	5.8%	2.0%	5.1%	2.9%	10.4%	7.6%	5.2%

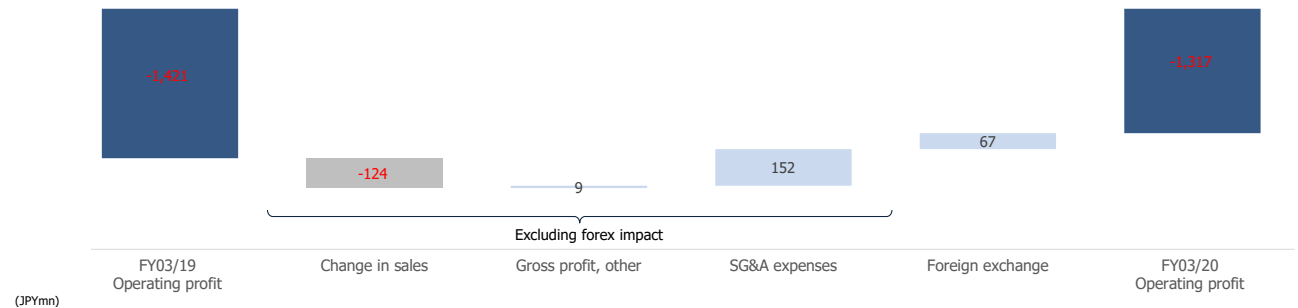
Europe Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	3,421	3,527	3,751	3,628	3,948	3,841	4,045	3,668	4,137	3,934	4,067	3,856
YoY	-	-	-	-	15.4%	8.9%	7.8%	1.1%	4.8%	2.4%	0.5%	5.1%
Base	1,917	2,032	2,166	2,253	2,315	2,160	2,331	2,280	2,386	2,067	2,205	2,265
YoY	-	-	-	-	20.8%	6.3%	7.6%	1.2%	3.1%	-4.3%	-5.4%	-0.7%
Primary labels	1,504	1,495	1,585	1,375	1,633	1,681	1,714	1,388	1,751	1,867	1,862	1,591
YoY	-	-	-	-	8.6%	12.4%	8.1%	0.9%	7.2%	11.1%	8.6%	14.6%
Operating profit	-29	47	48	103	213	141	53	-19	58	26	109	108
YoY	-	-	-	-	-	200.0%	10.4%	-	-72.8%	-81.6%	105.7%	-
OPM	-0.8%	1.3%	1.3%	2.8%	5.4%	3.7%	1.3%	-0.5%	1.4%	0.7%	2.7%	2.8%
Base	43	35	48	112	110	29	53	117	109	26	86	129
YoY	-	-	-	-	155.8%	-17.1%	10.4%	4.5%	-0.9%	-10.3%	62.3%	10.3%
OPM	2.2%	1.7%	2.2%	5.0%	4.8%	1.3%	2.3%	5.1%	4.6%	1.3%	3.9%	5.7%
Primary labels	-72	12	0	-9	103	112	0	-136	-51	0	23	-21
YoY	-	-	-	-	-	833.3%	-	-	-	-	-	-
OPM	-4.8%	0.8%	0.0%	-0.7%	6.3%	6.7%	0.0%	-9.8%	-2.9%	0.0%	1.2%	-1.3%

Asia and Oceania Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Base												
Sales	3,229	3,423	3,757	3,404	3,560	3,621	3,744	3,326	3,355	3,505	3,741	2,865
YoY	-	-	-	-	10.3%	5.8%	-0.3%	-2.3%	-5.8%	-3.2%	-0.1%	-13.9%
Operating profit	213	511	486	295	324	503	670	350	294	374	505	176
YoY	-	-	-	-	52.1%	-1.6%	37.9%	18.6%	-9.3%	-25.6%	-24.6%	-49.7%
OPM	6.6%	14.9%	12.9%	8.7%	9.1%	13.9%	17.9%	10.5%	8.8%	10.7%	13.5%	6.1%

Source: Shared Research based on company data

IDP segment

IDP Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20				FY03/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	82	78	55	100	125	105	116	81	100	94	100	69	-
YoY	331.6%	169.0%	89.7%	566.7%	52.4%	34.6%	110.9%	-19.0%	-20.0%	-10.5%	-13.8%	-14.8%	-
Gross profit	58	62	29	85	143	88	93	75	67	70	51	80	-
YoY	2800.0%	1140.0%	625.0%	26.9%	146.6%	41.9%	220.7%	-11.8%	-53.1%	-20.5%	-45.2%	6.7%	-
GPM	70.7%	79.5%	52.7%	85.0%	114.4%	83.8%	80.2%	92.6%	67.0%	74.5%	51.0%	115.9%	-
Operating profit	-319	-426	-338	-343	-303	-373	-337	-408	-394	-343	-318	-262	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
OPM	-389.0%	-546.2%	-614.5%	-343.0%	-242.4%	-355.2%	-290.5%	-503.7%	-394.0%	-364.9%	-318.0%	-379.7%	-



Source: Shared Research based on company data

Company forecast for FY03/21

(JPYmn)	FY03/19			FY03/20			FY03/21		
	1H	2H	FY	1H	2H	FY	1H Est.	2H Est.	FY Est.
Sales	56,489	59,690	116,179	57,875	58,497	116,372	-	-	-
YoY	3.0%	1.9%	2.5%	2.5%	-2.0%	0.2%	-	-	-
Gross profit	24,894	25,782	50,676	25,129	25,050	50,179	-	-	-
YoY	5.0%	3.4%	4.2%	0.9%	-2.8%	-1.0%	-	-	-
Gross profit margin	44.1%	43.2%	43.6%	43.4%	42.8%	43.1%	-	-	-
SG&A expenses	21,550	21,447	42,997	21,586	21,132	42,718	-	-	-
YoY	1.9%	0.9%	1.4%	0.2%	-1.5%	-0.6%	-	-	-
SG&A ratio	38.1%	35.9%	37.0%	37.3%	36.1%	36.7%	-	-	-
Operating profit	3,343	4,336	7,679	3,542	3,919	7,461	-	-	-
YoY	30.8%	17.4%	22.9%	6.0%	-9.6%	-2.8%	-	-	-
Operating profit margin	5.9%	7.3%	6.6%	6.1%	6.7%	6.4%	-	-	-
Recurring profit	3,190	4,428	7,618	3,237	3,334	6,571	-	-	-
YoY	34.7%	25.8%	29.4%	1.5%	-24.7%	-13.7%	-	-	-
Recurring profit margin	5.6%	7.4%	6.6%	5.6%	5.7%	5.6%	-	-	-
Net income	1,919	1,854	3,773	2,880	-4,762	-1,882	-	-	-
YoY	-20.5%	11.6%	-7.4%	50.1%	-	-	-	-	-
Net margin	3.4%	3.1%	3.2%	5.0%	-8.1%	-1.6%	-	-	-

Source: Shared Research based on company data

Historical performance versus company estimates

Results vs. Initial Est.		FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20
(JPYmn)		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	Initial Est.	82,000	88,000	96,000	100,000	110,000	113,000	113,500	120,000	120,000
	Results	80,536	87,257	96,774	99,831	105,505	106,302	113,383	116,179	116,372
	Results vs. Initial Est.	-1.8%	-0.8%	0.8%	-0.2%	-4.1%	-5.9%	-0.1%	-3.2%	-3.0%
Operating profit	Initial Est.	4,800	5,800	6,500	8,000	8,500	8,000	6,000	7,300	8,500
	Results	4,652	5,453	6,759	7,444	6,455	6,104	6,249	7,679	7,461
	Results vs. Initial Est.	-3.1%	-6.0%	4.0%	-6.9%	-24.1%	-23.7%	4.2%	5.2%	-12.2%
Recurring profit	Initial Est.	4,600	5,600	6,300	7,900	8,400	7,900	5,900	7,100	7,300
	Results	4,171	5,430	7,084	7,484	6,120	5,426	5,888	7,618	6,571
	Results vs. Initial Est.	-9.3%	-3.0%	12.4%	-5.3%	-27.1%	-31.3%	-0.2%	7.3%	-10.0%
Net income	Initial Est.	2,400	3,200	3,600	5,000	5,500	5,000	3,600	4,100	5,000
	Results	1,953	2,726	4,295	3,763	3,688	3,221	4,074	3,773	-1,882
	Results vs. Initial Est.	-18.6%	-14.8%	19.3%	-24.7%	-33.0%	-35.6%	13.2%	-8.0%	-

Source: Share Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

 This note is the most recent addition to the [full report](#).

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp