

Key questions and answers from CEO Small Meeting
(Held on March 19, 2026)

1. What are SATO's strengths and challenges in fulfilling the needs for item-level management and standardization?
 - Strengths
 - SATO has many points of contact with industry bodies and customers across markets, which position us well to assist them through the process of establishing and releasing new standards.
 - Our track record of collaboration with industry bodies and government authorities affords us a position where we can participate in the development of standards.
 - We are able to propose consumables optimal for the material characteristics of the substrates used by customers across different markets and industries.
 - We offer solutions tailored to customer needs, combining not just our products but also our partners'.
 - Challenges
 - The amount of data handled is expected to rise further as new standards, such as GS1's Sunrise 2027, pave the way for attaching additional information, including lot numbers, (to goods) while status information, such as temperatures and locations, is to be added on top of that. To make data analytics of the newly available data efficient, use of AI to organize and process data is essential. However, hiring AI and software engineers is highly competitive, and securing enough resources in these fields is a challenge. We will strengthen collaboration with partners to build a framework that ensures efficient data processing and utilization.

2. What is the difference in operating margin between the focused business domains and the core business?
 - We expect the operating margins of focused business domains to equal or exceed those of the core business, as the latter will improve through initiatives of the medium-term management plan (MTMP) FY 2024-28.
 - However, the amount of profit for FY 2030 from focused domains will only represent a small portion of the consolidated operating income with limited impact on the company's overall performance. As Perfect and Unique Tagging enables acquisition of item-level status data and purchase data that companies can use to improve their operational processes and marketing activities, the value of data will increase further. And sales of such data will allow us to boost the margin further.
 - We expect the full-scale launch of the data business to be around 2030.

3. How would you evaluate yourself in the role of CEO since taking over the position three years ago?

- Things that progressed according to plan
 - I. Change of organizational structure
 - We shifted from a functional organizational structure, where we grouped people by function, such as development, production or sales, to a product organizational structure, where we organized functions around the product lines of mechatronics and consumables.
 - Making each product division responsible for everything from their products' development to sales resulted in shorter development times and improved manufacturability.
 - We made the holding company absorb the core operating company to streamline overlapping operations.
 - We expect to see further benefits from these changes.
 - II. Revamped personnel management and evaluation systems
 - We overhauled personnel management system in Japan for the first time in twenty-plus years. We will be introducing role-based grading system and absolute rating in FY 2026.
 - In FY 2024, we changed the key metric for appraising performance of sales personnel from sales amount to gross profit, and the new system has largely taken root.
- Things that took more time than expected
 - I. Launch of the new printer CL4/6-SXR
 - Development of the common platform took longer than planned, delaying the completion of the printer development from the end of FY 2024 to January 2025.
 - We regret that the printer will not be contributing to the company's revenue until FY 2026 as the result.
- There is still plenty of room for improvement. We will continue to devise and implement necessary measures for improvement.

4. Is SATO's software engineering capability sufficient?

- We have a certain level of software engineering capability in-house, which we acquired through hiring and training engineers, and through past mergers and acquisitions.
- We need to develop market- and industry-specific software to develop business in focused business domains. We will obtain necessary engineering capability through M&As, partner alliance and/or acquisition of stake in companies with such capability.

5. Is there any potential factors that could boost operating margin substantially beyond the FY 2030 target of 10.5%?
- As an external factor, the growing global needs for item-level management will give us great growth potential.
 - As practice of item-level management goes beyond the health care market — where it is already used — to other markets and industries, the number of companies that print variable information with printers will increase. We expect to see its meaningful impact on our performance from FY 2030 after the standard is enforced and the practice has taken root.
 - As an internal factor, our overseas sales companies are now ready to grow. With their reorganization complete, they are expected to accelerate their contribution to the company's profit in the latter half of the period covered by the MTMP FY2024-28.
6. How do you address geopolitical and procurement risks?
- Geopolitical risks
 - We target politically stable countries and regions where robust population and economic growth are expected to help mitigate overall risks to the company.
 - Procurement risks
 - We have limited risks related to consumables, as we manufacture them in countries and regions where our sales companies are located.
 - As for mechatronics products, we produce them in Malaysia and Vietnam, which involves certain levels of tariff-related risks. We aim to reduce their component costs with the higher leverage we have in negotiating purchase prices, as the common printer platform now allows us to use common electronic parts across different printers, increasing purchase volume per part.
7. What is your plan for cash allocation from FY 2029 onward?
- We will continue strategic investments beyond FY 2028, adjusting areas and amounts of investment based on the outcomes and the impact of strategic investments we have made up to that point.
 - Based on our progressive dividend policy, we will either maintain or increase our dividends per share in line with profit growth for the shareholders.
8. What would be your approach to cash allocation when operating cash flow increases or decreases?
- We aim to strike the right balance between investments and returns to our shareholders considering the medium- to long-term operating cash flow and adhering to the progressive dividend policy. When we are short, we will use debt finance to finance investments.

End