

**FAQs following the Announcement of Financial Results for Q2 FY2025**

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**Q2 (Jul - Sep) Results**

1. What were the regional variances between planned and actual operating income?
  - Overall: Below target.
  - Japan: Met the plan due to strong consumables and mechatronics sales and SG&A control.
  - Overseas: Below target. In the Primary Labels business, Europe (Russia) fell short of plan. Although the Base business in the US and Asia/Oceania achieved their plans, it was not enough to cover the shortfall in the Primary Labels business.

**Overseas Base Business**

2. Americas: How did the Q2 results compare with the plan?
  - Net sales: Although print & apply system projects for the logistics market and label-related demand in the healthcare market contributed positively, overall results were below plan due to weakened demand amid inflationary pressures.
  - Operating income: Operating income met the plan, supported by improvements in product mix and disciplined SG&A expense control.
3. Europe: How did the Q2 results compare with the plan?
  - Net sales: Demand for PJM RFID labels in the healthcare market remained strong; however sluggish conditions in the retail and food markets led to overall results falling short of plan.
  - Operating income: While the shift toward higher-margin healthcare products improved the sales mix, operating income did not reach the target due to rising costs, including personnel expenses.

4. Asia/Oceania: How did the Q2 results compare with the plan?
- Net sales: Strong performance was seen in RFID projects (readers for entertainment facilities) in Oceania. However, weaker results in Southeast Asia and from Argox (Taiwan) led to overall regional sales falling short of plan.
  - Operating income: Operating income exceeded the plan, driven by an improved product mix and higher factory utilization associated with large-scale orders from Japan.

#### **Overseas Primary Labels Business**

5. How did the Q2 results compare with the plan?
- Net sales: In Russia, sales fell below plan due to lower demand for beverage labels resulting from an unseasonably cool summer, as well as a reactionary downturn following temporary demand driven by tax policy changes.
  - Operating income: In addition to lower sales, operating income fell below plan due to increased personnel and raw material costs.
6. What is the expected operating income margin of the Russian subsidiary going forward?
- The normalized operating income margin is expected to be in the low-teens range. The approximately 20% margin recorded during FY22 - 24 was exceptional, largely driven by temporary supply shortages of raw paper among competitors.
7. Will the Russian subsidiary continue its operations?
- The Company is working closely with local management and evaluating multiple strategic options.
  - While financial impacts and associated risks are being carefully assessed, the current policy is to continue operations, subject to ongoing review depending on changes in the business environment.

#### **Japan Business**

8. How did the Q2 results compare with the plan?
- Net sales: Strong sales of mechatronics products in the manufacturing and logistics markets, together with solid performance in consumables, resulted in net sales meeting the plan.
  - Operating income: Met the plan, supported by an improved product mix, cost control of SG&A expenses, and timing differences in certain expense items.
9. What was the contribution of the large strategic project to results?
- The large strategic project contributed positively to net sales; however, profit margins were relatively low due to the scale of the projects.
  - From the next fiscal year onward, the Company expects an improved product mix driven by higher sales of consumables and maintenance services.

### **FY25 Forecast**

10. How has the outlook changed by region?

- Overall: The full-year forecast has been revised downward.
- Overseas business: The Base Business forecast has been revised upward, reflecting stronger-than-expected performance in the Americas and Asia in the first half. Conversely, the Primary Labels business forecast has been revised downward due to continued cost pressures, including personnel and raw material expenses, which are expected to persist into the second half.
- Japan Business: The full-year forecast has been revised upward, primarily due to the deferral of certain expenses originally expected in the first half. However, the outlook for the second half has been revised downward for the same reason.

### **Medium-term Management Plan**

11. Why was the medium-term management plan updated?

- Within the FY24 – 28 period, FY24 – 25 are positioned as a phase for restore profitability, while FY26 and beyond are focused on speed up growth investments. The plan was updated in preparation for a full-scale transition into this growth investment phase.
- The update clarifies key challenges, defines focused business domains, and sets FY28 performance targets and capital policy.
- The medium-term management policy toward achieving our 2030 vision are as follows:
  - Improve the global management infrastructure
  - Develop a robust revenue base for the core business
  - Commercialization of the Perfect and Unique Tagging concept.
- \* For details, please refer to the [medium-term management plan update briefing materials](#) and [key questions and answers](#).

12. When will the new printer begin contributing to sales?

- The new printer is scheduled for release on January 26, 2026.
- Through flexible responses to customer needs and co-creation initiatives that extend beyond existing applications, sales contributions are expected to peak within two to three years.
- The current and new models will be sold concurrently, and any pre-launch impact on current printer sales is expected to be limited.

### **Other Businesses-related Topics**

13. What was the RFID net sales scale and profit margin?

- RFID-related net sales account for approximately 5% of consolidated revenue. Gross profit margins are generally in line with those of the Base Business overall.

14. What differentiates SATO's RFID technology and its applications?

- PJM RFID enables rapid and accurate reading of up to 600 tags per second and offers superior performance under challenging conditions, including:
  - Operation at temperatures as low as -80°C
  - Resistance to liquid interference
  - Accurate reading of stacked tags
  - Radiation resistance for medical sterilization applications
- SATO holds numerous patents related to reading circuits and systems for implementing PJM RFID.

**Institutional investors' View on SATO**

Japan long-only/hedge funds

- Some investors have expressed that the feasibility of the focused business domains presented in the updated medium-term management plan is difficult to assess, given limited disclosure on timelines and outcomes. They have requested clearer disclosure on the breakdown, progress, and scheduling of these initiatives. Clear articulation of capital allocation has been viewed positively.

Overseas long-only

- Investors acknowledge that SATO occupies a unique position as a gateway to data on the movement of goods and people across various operational sites. They expect further developments to translate this potential into tangible value creation.

\* The above comments reflect selected feedback from institutional investors and are not representative of all investor opinions.

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[Explanation regarding the appropriate use of performance forecasts]

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. They do not constitute guarantees of future performance by the Company. Actual results may differ significantly from these forecasts due to various factors. Please refer to the Summary of Financial Results for the assumptions that form the basis of the earnings forecasts.