

**FAQs following the Announcement of Financial Results for Q3 FY2025**

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**Q3 (Oct - Dec) Results**

1. What were the regional variances between planned and actual operating income?
  - Overall: Met the plan
  - Japan: Met the plan
  - Overseas: Met the plan. In the base business, Asia/Oceania and Europe achieved their plans, but the primary labels business fell short mainly in Europe (Russia).

**Overseas Base Business**

2. Americas: How did the Q3 results compare with the plan?
  - Net sales: Although print & apply system projects for the logistics market contributed, the plan was not achieved due to a decline in demand caused by the impact of inflation.
  - Operating income: The plan was achieved due to the impact of changes in procurement and sales conditions related to the revision of U.S. tariff rates and the control of selling, general and administrative expenses.
3. Europe: How did the Q3 results compare with the plan?
  - Net sales: In addition to large-scale deals, we achieved the plan thanks to solid demand for PJM RFID labels in the healthcare market.
  - Operating income: We achieved the plan thanks to increased revenue from large-scale deals and an improved mix driven by higher sales to the high-margin healthcare market.

4. Asia/Oceania: How did the Q3 results compare with the plan?

- Net sales: In addition to East and Southeast Asia, Oceania, where RFID projects (readers for entertainment facilities) performed well, drove the results, enabling us to achieve the plan.
- Operating income: We achieved our plan thanks to rising factory utilization rates due to handling major deals in the Americas.

**Overseas Primary Labels Business**

5. How did the Q3 results compare with the plan?

- Net sales: The plan was achieved. This was despite (1) a decline in unit prices due to the normalization of the competitive environment, and (2) a decrease in local-currency-based net sales resulting from the negative impact of a weaker euro and the stronger local currency. These factors were offset by (3) favorable foreign exchange effects from a weaker yen and the stronger local currency, which supported reported net sales.
- Operating income: In addition to the aforementioned decline in unit prices, it fell short of the plan due to increases in 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 business in the future?

- We are working closely with the local office and considering various 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 Q3 results compare with the plan?

- Net sales: Mechatronics performed well in the logistics and food markets, consumables captured solid demand and kept sales flat, and overall we achieved the plan.
- Operating income: We achieved the plan through improvement in product mix driven by the accumulation of small and medium-sized deals and by controlling selling, general and administrative expenses.

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, we expect a better mix driven by net sales of consumables and maintenance services.

### **FY25 Forecast**

10. What is the status of the full-year operating income forecast by region?

- Consolidated results: Maintained
- Overseas business: the base business has been revised upward. We have reflected the upside at factories in Asia in the full-year forecast. Revised downward due to lower unit prices and higher costs such as personnel and raw material expenses in primary labels business.
- Japan business: Maintained

11. Are the risks incorporated into the Japan FY25 Q4 outlook in line with actual conditions?

- Against a backdrop of exchange rate trends, interest rates, and policy uncertainty, we are seeing cases where customers' capital investment decisions are being postponed rather than canceled.
- There is potential upside of up to around 1 billion yen in net sales, but from the standpoint of probability, this has not been factored into the plan.

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

12. What will drive growth in the Japan and overseas business, respectively?

- Japan business: In the short term, new industrial printers will drive growth, while in the medium to long term, smart packaging and circular-economy-related areas will be the drivers.
- Overseas Base business: Sales growth through the development of global key accounts, and improved profit margins through a shift toward manufacturing and healthcare, mainly in Europe and the U.S.
- Overseas primary labels business (Russia, etc.): Improve profit margins by expanding sales of high value-added products (for digital printing and authentication applications).

13. What is the ramp-up status of the new CL4/6-SXR printer, which was launched on January 26, 2026?

- Inquiries are at a level that greatly exceeds that at the time of the launch of the previous CL4/6NX models.
- Full-fledged profit contribution is expected from fiscal year 2026 onward.

14. What is the progress of the blood and specimen SCM

- The deal pipeline has expanded from approximately 80 to approximately 130 cases, with large projects making headway mainly in Europe.
- It is easy to roll out horizontally to other blood centers and hospitals, and we expect growth to accelerate going forward.

15. What is the basic policy on shareholder returns and capital allocation?

- Our basic policy is progressive dividends.
- First, prioritize strategic investments and return the results of those investments.
- We expect shareholder returns to be 10 to 20 billion yen during FY25–28.

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

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

- Net sales accounted for 5% of consolidated net sales. The gross profit margin is roughly the same as that of the overall base business.

17. What are the differentiating factors of RFID in terms of technology and 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  $-80^{\circ}\text{C}$ , 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 fund

- The structure of the medium-term management plan, which prioritizes profit recovery and then shifts to growth investment, is rational. The fact that profit recovery progressed faster than expected is commendable.
- With multiple dimensions in terms of businesses, regions, and applications, it is difficult to see “what is driving company-wide performance” and “what the swing factors are.” This may be contributing to the stock being undervalued.

Overseas long-only/hedge fund

- While positive developments can be expected regarding the management reforms, at this point it is necessary to carefully assess the situation.

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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.