

Key questions and answers from the financial results briefing for FY2018

1. Have you seen any concrete results from the strategic partnerships you have formed as a solutions provider?
 - One major result is how we have changed from being a company that needed to promote its products for them to be bought to one that companies would approach for partnership recognizing the value of its products and solutions. Overseas, we have formed alliances. In Japan, we are working on initiatives that combine our solutions with those of our partners.
 - When we introduced an RFID solution to a furniture manufacturer, they appreciated the fact that we understood what people on their sites actually needed and made proposals based on this understanding. The tagging business model has high added value. The factor that can differentiate us from our competitors who uniformly propose ready-made solutions packages is our ability to propose improvement solutions based on on-site needs.

2. You have previously explained that it would be difficult to secure profit if you focus on solutions. What is your opinion about it now?
 - If each partner incorporates SATO's solutions and "Killer" offerings, our sales volume and options will multiply.
 - Shifting to a fee charging service will certainly slow down our sales growth.
 - However, we can increase our sales volume through our partners. We are therefore not expecting lower gross profit margins.
 - We aim to increase sales in the solutions business from around 2 billion yen to 5 billion yen during the period of the Medium-Term Management Plan.

3. Will Okil's sales keep growing in FY2019?
 - In addition to the primary labels business, Okil invests in and develops the soft packaging business for foods and consumer goods. Although there are uncertainties such as the impact of the exchange rate, we expect Okil to steadily grow as a business.

4. What do you consider of the situation in South America?
 - I do not expect a major growth. However, I believe that domestic demand will grow because it is still small in size.

5. What is the impact of the deterioration in the US-China relationship?

- We began seeing its impact on consumables sales to the Japanese electronics parts industry. However, because our business with other manufacturing sectors is growing, this has not slowed the growth speed of our business.
- Overseas, there have been some impacts on Argox, whose main market is China and Chinese distributors. We will monitor the situation and change our strategy as needed.

6. Why did you liquidate the US group company?

- It was a company that developed solutions services specifically targeting the apparel industry. Because the company did not have enough “Killer” offerings, it could not differentiate itself from solutions developed by higher-ranked system integrators. This is why we decided not to continue this business.