

Key Questions and Answers from Financial Results Briefing for 1st Quarter of
FY2020

1. You explained that your customer visits in Japan were severely restricted in April and May due to the state of emergency declaration, and that these visits have gradually resumed from June onward, but what is the current status? Do you have any new initiatives in response to the changing circumstances?
 - We have been traveling out to customers at their request when circumstances allow, but in other cases we switch to conference calls or online meetings. Whenever we need to see the actual worksites to make detailed solution proposals, business is conducted through arrangements such as sending only one person to visit the customer, then having engineers and other related staff participate via online channels.
 - For printer maintenance, we offer SATO Online Services (SOS) to support stable operations, an existing platform to perform preventative maintenance remotely. Just under 70% of our main products are connected through SOS. Previously we had been making visits to perform work when operating status gives notice in advance of when consumable parts needed to be replaced. Since the printer screens now show videos of how to perform the task, customers can easily handle maintenance themselves. This is beneficial in reducing physical contact during the coronavirus pandemic.

2. Amongst your main initiatives in response to the coronavirus pandemic in Japan, are there any particular solutions that appear to have big potential?
 - We believe there are business opportunities in the cloud-based HACCP solutions for food & beverage and retail because they can be implemented easily in a relatively short amount of time. This would simplify management processes and save time by switching from manual to paperless for procedure logs and information management to comply with regulations. Customer needs have grown since employee health management was added as a key item on top of the existing ones, and customer inquiries have increased as a result.
 - In manufacturing, inquiries for “contact-free” RFID-related solutions are increasing in addition to existing automation needs for various tasks.

3. What is the current state of your IDP business? And when will decisions on commercialization be made?
 - In the UK where IDP is based, we have resumed work to look into the technical challenges.

- We expect to make decisions within the first half of this fiscal year, including decisions on whether or not to deal with the technical challenges and to commercialize the business.
4. What cost reductions are you implementing in response to declining sales amid the coronavirus pandemic?
- We are making meticulous adjustments to SG&A expenses throughout the company, and these have produced some effects during the 1st quarter. We are working on further cost reductions in printers and consumables production, which we believe will produce continuous positive effects from the 2nd quarter onward.
5. You said that needs for automation and labor saving have been increasing since before the coronavirus, and inquiries for “contact-free” solutions have been increasing recently. When do you expect related sales to appear?
- It may vary, but we believe many of these will be recorded in the 4th quarter and thereafter.
6. Are you making progress creating solutions collaboratively with systems integrators and business partners? And which are the target markets?
- We are making more proposals with them that utilize the cloud. For the example that I mentioned earlier about process reduction and the move to paperless in HACCP solutions, in addition to customers in food & beverage and retail, customers in manufacturing also have needs in this area. Often our business partners are the customer interface for the solutions we provide in retail and manufacturing. In the health care market, we have also begun to tie up with alliance partners to commercialize cloud services that utilize AI such as online medical examinations.
7. Have you made any progress in your plan to establish new sales subsidiaries? Also, if you are going to continue reorganizing business locations and building supply systems for consumables according to your existing plan, in what area will you focus your efforts?
- As of now, we have no plans to establish new sales subsidiaries.
 - We have strategically narrowed down our target areas for building supply systems in our top priority countries, the US, India, and Vietnam. We are making progress to establish consumables supply systems and choose business partners in order to expand our service locations in these countries.