

## Key questions and answers from the financial results briefing for 3rd Quarter of FY2022

### 1. What is the outlook for SATO's Japan and overseas businesses in Q4 and FY2023?

- In the past nine months, we have been taking time to respond to cost surges and other changes surrounding our Japan business. Considering the large potential cumulative benefits from implementing price revisions, we focused on that area, inevitably dedicating less-than-usual resources to selling printer products and closing new deals.
- While we've improved price revision efforts, our printer sales may take some time to return to solid growth. This is because of slow recovery in demand from primarily the manufacturing sector and plateauing demand from other sectors that have been going strong. However, we expect our new product release (industrial printer model, primarily for manufacturing and logistics markets) in FY2024 to spur demand, and are coming up with matching strategies.
- We foresee recovery in demand from across all sectors in Japan starting FY2023, but we don't want to be overly optimistic. We will work steadily on price revisions and closing deals to further improve profitability at a quicker speed.
- Outside Japan, our business has largely progressed as planned for the past nine months. This was thanks to a good balance of *koto-uri*\* and product-selling in our sales strategies across regions and the significant reduction of unfulfilled printer orders following production and logistics improvements from the first half of the fiscal year.
- But our financial performance from Q4 onward may be affected as our competitors experience the same easing of supply constraints. With the business environment remaining uncertain amid concerns of economic slowdown mainly in Europe and the Americas, we'll continue to strengthen how we manage business deals and their progress.

\*Sales approach of selling not just the product but combinations of products in the form of solutions that include hardware, consumables, maintenance services and software, demonstrating ROI and other value propositions for the customer. The opposite concept of selling single products.

### 2. What is SATO's price revision plan for Q4 and FY2023, based on cost trends for production inputs?

- Our overseas business has been able to absorb cost surges almost at real time with the prompt implementation of price revisions for both mechatronics and consumables products.
- However, things are slightly different in Japan. For example, our Japan business saw cost surges as early as in second half of FY2021 but only started to realize benefits from product price revisions in FY2022's first quarter.
- Printer parts and components are now stabilized in supply, with their price surge starting to peak out. We expect that trend to continue but given the possibility of rising consumables production

costs again in FY2023, we will consider rolling out price revisions to absorb any potential impact. We aim to revise product prices sufficiently to cover all cost surges in FY2023.

3. What are SATO's forecasts for SG&A expenses and capital investments into FY2023 and beyond?

- Our personnel expenses may increase due to plans for pay raises but we will continue efforts to control SG&A expenses overall.
- As for investments, we'll prioritize and invest in what contributes to sustainable business growth. For example, we plan to invest more in maintaining and strengthening a stable RFID supply system, in view of robust market demand. From the long-term perspective, we will also invest in new businesses while keeping them in the right balance with other investments.

4. What is the current business situation in Russia and SATO's future approach?

- For the two SATO Group companies in Russia, they are performing steadily as they mainly deal with the F&B and daily necessities industries and keep their trade flows within the country. Amid difficulties in sourcing raw materials and other supply constraints, they have made various efforts for successful procurement management to expand their market share against competitors.
- However, the business faces many future uncertainties, and we will continue to review a full range of strategic options to adapt our approach as appropriate.

5. How would CEO Ryutaro Kotaki reflect on his tenure at SATO? What are some changes to expect with the new management team?

- Looking back, I think we have achieved the following during my tenure.  
First, we've established a business structure to focus on and advance our core business in auto-ID solutions. This involved exiting businesses that were unprofitable or not closely related to our core business so that we could restructure our business portfolio to focus on core areas that have high potential.  
Second, we have strengthened and expanded our overseas business. Through collaboration with Japan, our overseas sales companies now widely practice the *koto-uri* approach, whereby we present solutions to market/industry-specific issues that our target customers face.  
Eying medium- to long-term business growth, we've also started building new IT infrastructure, which involved introducing and promoting the use of the CRM system and investing in new platforms.  
Lastly, we have made progress in developing new products/services (including a new standard platform for SATO printers) that would give us the competitive advantage we need in the era of

IoT and digital transformation.

We weren't able to get some things up to speed though as our Japan business has been taking longer than expected to recover.

- As the business environment changes at an increasing speed due to the pandemic, we need to manage our businesses with renewed ambitions to steer the SATO Group into the next generation and toward sustainable growth. This is why I decided to pass the reins over to Hiroyuki Konuma, who has proven himself with his strong drive for change and action.
- Under Konuma and his new management team, SATO will continue to pursue our goals of speeding up revenue and business growth through delivering solutions that address societal challenges and contribute toward a better and more sustainable world. But we will also make some changes, for example, to further refine business plans and manage their progress more thoroughly.
- The Japan business is already making improvements in business planning and progress tracking from utilizing consumables sales forecasting and the CRM system to better manage sales pipelines. We will enhance these practices in Japan and share them with our overseas sales companies. These improvements will also lead to the optimization of production, delivery and other functions in our in-house value chain.
- To increase corporate value, we will also work to manage our SG&A expenses more efficiently (by making investments in the order of their priority) and execute business plans steadily.