

Key questions and answers from the financial results briefing for FY2023

1. What are the reasons for the projected increase in OI in the FY24 forecasts for the Japan business?
 - There are three factors driving this increase.
 - First, we are strategically reallocating resources toward high-margin sectors such as healthcare and manufacturing. Manufacturing market is on the road to recovery and investment appetite is on the rise. We aim to capture this demand and increase sales. In addition, within the retail and food and beverage markets, the focus extends beyond traditional product offerings to include high-margin solutions such as AI-based markdown systems and traceability-related software.
 - Second, we are adjusting the pricing of mechatronics and intangible products to ensure they align with market dynamics while maintaining profitability.
 - Third, we are addressing the truck driver shortage, that has led to increased pressure on shippers to optimize logistics operations. There is a growing demand for efficiency improvements in material procurement, manufacturing processes, and shipment preparation. This demand is being met through the implementation of solutions such as RFID technology and automation.
 - These efforts will contribute to the significant increase in FY24 forecasts for our Japan business.
2. What is the status of price revisions in the Japan business, and what approach will be taken post-FY24?
 - By FY23, approximately 80% of price revisions for mechatronics and consumables products have been implemented in response to rising material costs. It is only recently that price adjustments have caught up with the upward trend in material expenses.
 - Until FY23, we focused on revising prices for consumables due to their significant impact on performance as recurring business essentials. However, starting from FY24, we will also be revising prices for mechatronics and intangible products.
3. What are the factors behind the sluggish Q4 results and ongoing momentum in the Americas on the base business?
 - The significant impact from financial adjustments due to hyper-inflation accounting in Argentina is a notable factor. Additionally, increases in costs such as inventory write-downs and investments for growth have influenced the Q4 performance.
 - In FY24, we anticipate an increase in sales driven by heightened orders from distributors, robust performances from major direct-sales customers, acquisition of new pipelines, and printer inventory turnover at distributors. These factors, combined with the aforementioned investments in growth initiatives, will lead to a positive OI for the fiscal year.
4. How has the composition of sales representatives by market changed from FY23 to FY24 in the Japan business, and what strategies are in place to focus on high-profit markets?
 - Determining the exact composition of sales representatives by market is challenging as each sales representative serves

customers across multiple markets within their respective locations. With the exception of the healthcare market, which is segmented by a dedicated company, it is difficult to determine the precise number of employees per market.

- To prioritize high-profit markets, we leverage customer relationship management (CRM) tools to visualize and analyze business activities. For example, we use CRM insights to enhance activities in the manufacturing market at each site, facilitating strategic reallocation of resources.
 - We also aim to expand the use of CRM globally.
5. What progress has been made in the transition to the profit-based evaluation system in the sales division?
- We have successfully reached agreements with all site managers regarding the adjustment to the personnel evaluation system. Comprehensive explanations will be provided to all sales representatives in June, following which the implementation process will commence.
6. What changes can investors expect from SATO in the future?
- Investors can anticipate several significant developments from SATO geared toward enhancing corporate value and capital efficiency, with a notable emphasis on profitability through both short-term and medium- to long-term initiatives. These changes encompass three key points.
 - First, SATO is focusing on optimizing the internal value chain, particularly within the mechatronics and consumables axis starting from FY24. Looking ahead to FY25, we will undertake the challenge of integrating the holding company and the core operating entity without traditional constraints. Organizational reforms will delegate authority to the frontline after setting strategic direction, drawing on the CEO's experience in leading the healthcare business company. This will lead to swift decision-making and contribute to structures that enhance profitability.
 - Second, SATO will advocate the new concept of "Perfect & Unique Tagging" and actively pursue its development. This initiative, inspired by the CEO's insights from the healthcare sector, recognizes the heightened demand for precise tagging in environments with unique items such as blood and biological samples. SATO believes this concept holds promise not only in healthcare but also across various industries, underscoring its commitment to exploring new avenues for growth.
 - Third, SATO is strengthening its financial strategy with the appointment of a new CFO. Strategic initiatives are already underway aimed at optimizing financial performance and capital utilization.
7. What are the trends and prospects for the RFID market over the next three years, and how is SATO positioned?
- SATO holds an optimistic view regarding the growth potential of RFID technology, recognizing its significance in various industries.
 - There is currently widespread customer recognition of the value proposition offered by non-contact and bulk reading capabilities of RFID.
 - RFID's unique IC chip, equipped with individual chip ID, presents unparalleled potential for item-level control, making it indispensable for managing longer and more complex supply chains. Consequently, the adoption of RFID is expected to

increase across various industries.

- We anticipate growing demand not only in forward logistics but also in reverse logistics and resource recycling, which will drive an overall demand for the RFID market. SATO is strategically positioned to capitalize on these evolving demands by offering tailored solutions encompassing RFID tags, printers, software and maintenance services.
- This holistic approach enables SATO to provide comprehensive solutions to its customers, setting it apart within the industry. SATO is committed to achieving double-digit annual growth moving forward.
- Looking ahead over the next three years, SATO anticipates a further acceleration in demand for fully integrated and unique RFID solutions. To meet this demand, we will continue to strategically allocate resources, including human capital and investment in development initiatives.