

Q&A summary from the Q2 FY2025 financial results briefing

1. Why have the second-half (Oct-Mar) forecasts for the Japan business been revised downward from the initial plan?
 - This is because we expect demand to decline in H2 relative to H1, which experienced temporary surges before the changes to the U.S. tariff rates. Customers, mainly in manufacturing, are reassessing their production systems after new tariff rates were implemented.
 - This expectation is backed by the reports from our sales representatives that customers are taking a wait-and-see approach to new capital investments; we expect seasonal trends of this second half to be different from typical ones.
 - The timing of some SG&A spending (such as R&D expenses) has been delayed, with more of SG&A spending happening later this fiscal year.
2. What is the current situation of the primary labels business in Russia? And why is the competitive environment becoming more severe?
 - The competitive environment has grown more severe than expected.
 - Orders for our value-added labels for beverage products were weak due to the cool summer in Russia.
 - We expect demand to pick up in H2 and beyond for products affected by the excise tax rate changes in H1 (Apr-Oct), during which demand slumped after the last-minute surge.
3. What is the outlook for the primary labels business in Europe (i.e., Russia) for FY26?
 - We cannot disclose the FY26 business plan, but expect the current competitive environment to continue into FY26.
 - In terms of operating income margin, maintaining the growth rate achieved between FY22 and FY24 will be challenging. We will focus on high-value-added products and appropriately reflect inflation-induced increases in labor costs in our pricing to keep the OI margin above the current level (7%).
 - We will disclose forecast numbers for FY26 when we announce the full-year financial results for FY25.
4. When will you start seeing synergies between the overseas primary labels business and the base business?
 - We expect it will take a few more years for synergies to reach a scale large enough to impact the performance of the entire SATO Group.
 - To shorten that time, we are making changes to the sales structure and strengthening collaboration between primary labels companies and subsidiaries specialized in the base business in countries — such as those in South America — where both types of subsidiaries exist, so they can jointly make proposals to our customers.
5. Why isn't the growth in OI from the previous quarter (Apr-June) (+JPY 200 mil.) as strong as the growth in

sales from the same quarter (+JPY 2,400 mil.) in the Japan business?

- This is partly due to the large-scale strategic project in logistics; the margin of this project is relatively low, which unfavorably impacted the product mix.
 - Higher depreciation and other expenses related to the introduction of a new IT system also pushed down the OI margin.
6. How does the status of SG&A spending in the Japan business compare against the initial plan?
- H1: Spending is below plan due to delays in the timing of expenditures, such as R&D investments, resulting in lower expenses versus plan.
 - Full year: Spending is expected to be in line with the plan.
 - We are carefully examining every investment to ensure it contributes to this fiscal year's results; if it does not, we do not proceed with the investment.
7. Please explain the notice "Regarding the Possibility of Information Leakage at Overseas Group Companies" posted on the website on November 10, 2025.
- On November 10, 2025, we posted a notice on our website about a possible information leakage caused by a cyberattack in the cloud service environment used by overseas group companies.
 - The attack, which exploits a zero-day vulnerability (a security flaw unknown to the developer) in the Oracle E-Business Suite, was reported by a service provider on October 12, 2025.
 - Preparation by attackers was detected in July 2025, and the first infiltration occurred in August.
 - The vulnerability was patched on October 5 and 6, 2025. Our systems are no longer under attack and operating normally.
 - Group companies (subsidiaries) in the United States, Singapore, Malaysia, Europe (Germany, Italy, Netherlands, Spain, Turkey and Poland), and the United Kingdom may have been affected by the attack, but those in Japan were not, as they use software in the on-premises environments.
 - We have taken measures to prevent recurrence, enhanced monitoring and reported the incident to the relevant authorities in the subsidiaries' respective countries.
 - We are contacting parties that may have been affected individually. In addition, we have established a dedicated point of contact for inquiries regarding this matter. For details, see "[Regarding the Possibility of Information Leakage at Overseas Group Companies](#)".
 - We sincerely apologize for any inconvenience or concern this incident may have caused. We will continue to strengthen our security measures to prevent recurrence.
8. How do you plan to grow the primary labels business?
- We plan to grow it, especially in countries with a demographic dividend (e.g., India, Indonesia, Brazil), as primary labels are used for consumer goods.

- We will target industries in the health care market that have potential demand for value-added packages.
- We aim to create synergy between the base business (variable information printing) and the primary labels business. New guidelines are being considered that would require variable information to be placed in a specified part of primary labels. We will work to capture the demand created by this development.
- We will share more details, including investment plans, when we update our medium-term management plan in December.

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