Company Report
November 21 , 2025

Strategy Advisors Co., Ltd.
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FY3/26 H1 Results: Forecasts Revised Downward Due to Sluggish Overseas Primary Labels Business. Medium-Term Plan Measures Progressing Steadily.

SATO reported a slight increase in sales and a decrease in profits for FY3/26 H1 (April-September), with net sales increasing to ¥78.2 billion (+2.8% YoY) and operating income to ¥5.1 billion (-11.7% YoY). Both net sales and operating income fell short of the first half company forecasts announced in May (net sales of ¥78.6 billion and operating income of ¥5.5 billion). Taking into account the results of the first half and the current situation, the company has now maintained its net sales forecast but announced downward revisions to operating income and other items. For the second quarter, net sales increased to ¥40.42 billion (+5.2% YoY) and operating income decreased to ¥2.74 billion (-5.9% YoY).

The main reason why H1results fell short of company forecasts was sluggish performance in Europe (Russia) and in the overseas (Primary Labels Business). Strong sales of Mechatronics products in the Japan business and growth in Asia and Oceania in the overseas (Base Business) both exceeded company forecasts, but this was not enough to make up for the shortfall. Excluding the impact of the Russian subsidiary, which has high volatility in performance, operating income increased to ¥4.3 billion (+22.2% YoY), a significant increase in profits. Steady progress is being made in the mid-term plan and it is safe to say that there are no major changes in the company's fundamentals.

Based on the results of its financial results, the company has revised its FY3/26 forecasts. Net sales remained unchanged at ¥161 billion (+4.0%), but operating income was revised down to ¥11.0 billion (-10.9%) and net profit for the period was revised down to ¥6.8 billion (-4.9%). In addition to sufficiently lowering the assumptions for the overseas (Primary Labels Business) in the new forecasts, the outlook for H2 for the Japan business and the overseas (Base Business), which performed well in H1, remains somewhat conservative. Therefore, the probability of achieving the revised company forecasts is considered to be quite high at this point.

FY3/26, currently the second year of the mid-term plan (FY3/25-FY3/29), has already reached its operating income target of ¥12.3 billion by FY3/27 in FY3/25. The company is scheduled to announce a revised mid-term plan in December.

Stock Price and Trading Volumes (Past Year)

Source: Strategy Advisors

Key Indicators

Stock Price (11/20/25)	2,192
52-Week High (9/24/25)	2,344
52-Week Low (4/07/25)	1,791
All-Time High (9/26/18)	3,795
All-Time Low (3/13/09)	634
Number of Shares Issued	32.5
Market Capitalization	71.2
EV (¥bn)	66.9
Equity Ratio (FY3/25, %)	54.8
ROE (FY3/25 Actual, %)	9.7
PER (FY3/26 CoE, x)	10.5
PBR (FY3/25 Actual, x)	0.9
Yield (FY3/26 CoE, %)	3.5

Source: Strategy Advisors

While the stock price is on an upward trend, the FY3/26 company forecast PER remains low at 10.5x, while the FY3/25 actual PBR remains low at 0.9x. Our view of the company's equity story is that it will leverage its on-site expertise accumulated through its solutions development in Japan to transform its overseas operations, which are still primarily focused on selling products into a solutions-based business, thereby increasing its global share in the rapidly growing auto-identification market (see the April 1, 2025, Initial Report: SATO (6287): A Company that Solves Social Issues with Tagging Solutions. Capturing Growing Demand with a Unique Business Model). As business performance excluding the impact of the Russian subsidiary has been steadily expanding, expectations for the revised medium-term plan are also growing. If the business performance of the Russian subsidiary stabilizes and the equity story becomes more feasible, there will be room for further increases in the stock price valuation.

Japanese GAAP - Consolidated

FY	Net Sales (¥mn)	YoY (%)	Operating Income (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/25 H1	76,090	9.0	5,778	25.1	4,883	13.4	3,028	52.1	93.36	37.0
3/26 H1	**78,248**	**2.8**	**5,101**	**-11.7**	**4,460**	**-8.7**	**3,052**	**0.8**	**94.02**	**38.0**
3/23	142,824	14.5	8,841	38.1	9,068	49.7	4,184	10.3	126.7	72.0
3/24	143,446	0.4	10,383	17.4	8,961	-1.2	3,565	-14.8	110.0	73.0
3/25	154,807	7.9	12,341	18.9	11,144	24.4	7,151	100.6	220.4	75.0
3/26 CoE Old	161,000	4.0	12,500	1.3	12,100	8.6	7,700	7.7	237.3	76.0
3/26 CoE New	161,000	4.0	11,000	-10.9	10,100	-9.4	6,800	-4.9	209.6	76.0

CoE: Company Estimates

Source: Company Data, compiled by Strategy Advisors

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1. Overview of FY3/26 H1 Financial Results

H1 Results Show YoY Increase in Sales, But Decrease in Profits

The first half of FY3/26 financial results, announced on November 12th, showed net sales increasing to ¥78.2 billion (+2.8% YoY), while operating income decreased to ¥5.1 billion (-11.7% YoY), resulting in a slight increase in sales, but a decrease in profits.

Even in Q2, the Russian Subsidiary of the Overseas Primary Labels Business Continues to Struggle

In Q2, net sales increased to ¥40.42 billion (+5.2% YoY), while operating income decreased to ¥2.74 billion (-5.9% YoY), resulting in a decrease in profits. The YoY change in operating income of -¥170 million (+720 million excluding the Russian subsidiary) was broken down as follows: Japan +¥260 million, overseas (Base business) +¥80 million, and overseas (Primary Labels Business) -¥820 million (+¥70 million excluding the Russian subsidiary), with only the Russian subsidiary of the overseas (Primary Labels Business) making a negative contribution. The sluggish performance of the Russian subsidiary continued in Q2, following on from Q1.

Operating Income from Overseas Base Business & Japan Business Exceeded Company Forecasts H1

In the first half of the year (April-September), net sales fell short of the company's plan announced in May by ¥350 million and operating income fell short by ¥400 million. Q2 also fell short of plan, primarily due to sluggish sales in Russia in the overseas (Primary Labels Business). Operating income exceeded company forecasts due to strong sales of Mechatronics products in the Japan business and growth in Asia and Oceania in the overseas (Base Business).

However, this was not enough to offset the sluggish performance of the overseas (Primary Labels Business). Excluding the impact of the Russian subsidiary, which has high volatility in business performance, operating income was strong, increasing to ¥4.3 billion (+22.2% YoY). Steady progress is being made in implementing the mid-term management plan and there appears to be no significant changes in the company's fundamentals.

Figure 1. Summary of FY3/26 H1 Financial Results

(¥mn)	3/25 H1	3/26 H1 (A)	YoY	YTD (A)/(B)	3/25	3/26 CoE (B)
Net Sales	**76,090**	**78,248**	**2.8%**	**48.6%**	**154,807**	**161,000**
Overseas	38,545	37,682	-2.2%	48.3%	75,587	78,000
Base Business	26,162	25,650	-2.0%	47.5%	52,632	54,000
Primary Labels Business	12,383	12,032	-2.8%	50.1%	22,955	24,000
Domestic	37,545	40,565	8.0%	48.9%	79,220	83,000
Mechatronics	14,407	16,924	17.5%	-	31,627	-
Consumables	23,138	23,641	2.2%	-	47,593	-
(Consumables Ratio)	30.4%	30.2%	-	-	30.7%	-
Operating Income	**5,778**	**5,101**	**-11.7%**	**46.4%**	**12,341**	**11,000**
OP Margin	7.6%	6.5%	-14.2%	-	8.0%	6.8%
Overseas	4,889	3,255	-33.4%	47.9%	8,478	6,800
OP Margin	12.7%	8.6%	-31.9%	-	11.2%	8.7%
Base Business	2,330	2,251	-3.4%	53.6%	4,317	4,200
OP Margin	8.9%	8.8%	-1.5%	-	8.2%	7.8%
Primary Labels Business	2,592	1,030	-60.3%	39.6%	4,199	2,600
OP Margin	20.9%	8.6%	-59.1%	-	18.3%	10.8%
Domestic	959	1,901	98.2%	44.2%	3,906	4,300
OP Margin	2.6%	4.7%	83.5%	-	4.9%	5.2%
Elimination	-70	- 55	-	-	-43	-100

Source: Company Data, compiled by Strategy Advisors

Figure 2. Summary of FY3/26 H1 Financial Results (Qtly)

(¥mn)	3/25 Q1	Q2	Q3	Q4	3/26 Q1	Q2	3/25 FY	3/26 CoE FY
Sales	**37,674**	**38,415**	**40,121**	**38,596**	**37,829**	**40,418**	**154,807**	**161,000**
YoY	10.8%	7.3%	6.6%	7.1%	0.4%	5.2%	7.9%	4.0%
Overseas	19,321	19,223	19,104	17,937	18,737	18,944	75,587	78,000
YoY	17.4%	12.4%	8.3%	7.2%	-3.0%	-1.5%	11.3%	3.2%
Base Business	13,355	12,806	13,329	13,141	12,628	13,022	52,632	54,000
YoY	13.4%	8.5%	7.3%	8.9%	-5.4%	1.7%	9.5%	2.6%
Primary Labels Business	5,966	6,416	5,775	4,796	6,109	5,922	22,955	24,000
YoY	27.6%	21.1%	10.5%	2.9%	2.4%	-7.7%	15.6%	4.6%
Domestic	18,353	19,191	21,016	20,658	19,092	21,473	79,220	83,000
YoY	4.7%	2.7%	5.2%	7.0%	4.0%	11.9%	4.9%	4.8%
Mechatronics	6,848	7,559	7,987	9,231	7,181	9,743	31,627	-
YoY	7.1%	2.4%	7.2%	8.9%	4.9%	28.9%	6.5%	-
Consumables	11,505	11,633	13,029	11,426	11,911	11,730	47,593	-
YoY	3.3%	2.8%	4.0%	5.5%	3.5%	0.8%	3.9%	-
(Consumables Ratio)	30.5%	30.3%	32.5%	29.6%	31.5%	29.0%	30.7%	-
Operating Income	**2,864**	**2,914**	**4,086**	**2,475**	**2,359**	**2,741**	**12,341**	**11,000**
YoY	32.6%	18.5%	17.9%	7.8%	-17.6%	-5.9%	18.9%	-10.9%
OP Margin	7.6%	7.6%	10.2%	6.4%	6.2%	6.8%	8.0%	6.8%
Overseas	2,586	2,303	2,405	1,183	1,629	1,626	8,478	6,800
YoY	19.2%	-1.8%	-3.4%	-4.4%	-37.0%	-29.4%	2.9%	-19.8%
OP Margin	13.4%	12.0%	12.6%	6.6%	8.7%	8.6%	11.2%	8.7%
Base Business	1,277	1,053	1,200	785	1,118	1,133	4,317	4,200
YoY	27.3%	55.1%	-10.4%	50.1%	-12.5%	7.6%	21.7%	-2.7%
OP Margin	9.6%	8.2%	9.0%	6.0%	8.9%	8.7%	8.2%	7.8%
Primary Labels Business	1,301	1,290	1,198	409	561	468	4,199	2,600
YoY	16.4%	-14.5%	5.5%	-47.2%	-56.9%	-63.7%	-7.5%	-38.1%
OP Margin	21.8%	20.1%	20.7%	8.5%	9.2%	7.9%	18.3%	10.8%
Domestic	186	773	1,824	1,123	864	1,036	3,906	4,300
YoY	-	622.4%	96.8%	24.6%	364.5%	34.0%	126.6%	10.1%
OP Margin	1.0%	4.0%	8.7%	5.4%	4.5%	4.8%	4.9%	5.2%
Elimination	92	-162	-143	169	-134	78	-43	-100

Source: Company Data, compiled by Strategy Advisors

2. Trends by Sector: Q2 (3-Months)

1) Overseas (Based Business)

Europe and Asia/Oceania Perform Well

Overseas (Base Business) results for Q2 (3-months) showed net sales of ¥13.02 billion (1.7% YoY) and operating income of ¥1.13 billion (+7.6% YoY). Net sales increased YoY, driven by strong performance in Europe and Asia/Oceania. Operating income also increased YoY, driven by solid performance in the Americas and Asia/Oceania. The situation by region is described below.

RFID and Automation Solutions Also Saw YoY Sales Growth

Demand for solutions continues to increase due to labor shortages and responses to digital transformation. RFID sales increased 16.5% YoY due to a continued increase in high-value projects in the manufacturing market. Automation solutions (automatic labelers) sales increased 17.8% YoY due to a continued increase in large-scale projects in the US logistics market, as well as demand stemming from labor shortages and rising labor costs in Asia.

Americas - Logistics is Strong & Control of SG&A Expenses Also Contributed

Sales and profits increased YoY in the Americas. Net sales were driven by high-value contracts for automatic labeling in the US logistics market. Operating income increased due to the effect of increased sales as well as the contribution of controlling SG&A expenses. Demand was also strong in South America, but sales decreased due to the impact of exchange rate fluctuations. Operating income decreased due to the negative impact of increased costs such as labor costs in an inflationary environment. Going forward, attention will be focused on expanding sales in the retail market.

Europe - Demand is Sluggish Due to the Economic Downturn, But Healthcare is Doing Well

In Europe, sales increased YoY but profits decreased. Although demand itself was sluggish due to the general economic recession, exchange rate fluctuations provided a tailwind and sales increased. The healthcare market performed well. Operating income decreased as the negative factors associated with increased SG&A expenses could not be offset by the positive effects of increased sales and an improved mix (strong performance in healthcare, etc.).

Asia/Oceania - Taiwan's Argox is Sluggish, But Australia and China Are Doing Well

Asia & Oceania saw an increase in both sales and profits YoY. In addition to the continued large-scale RFID projects in Australia, the China sales office saw increased demand driven by last-minute orders ahead of U.S. tariff policies and direct sales of Koto-uri (solution sales). This offset the decline in demand due to inventory adjustments by Taiwan's Argox customers, securing revenue growth.

The strong performance in China can be attributed to the success of developing external demand (i.e., exports) amid sluggish domestic demand and expanding sales channels to strong local customers.

Operating income increased due to an increase in the utilization rate of the Vietnam factory following an increase in printer exports and the effect of the above-mentioned increased sales.

Figure 3. Overseas (Base Business) Revenue Trends (Half/Qtly)

(¥mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	**23,583**	**24,486**	**26,161**	**26,471**	**25,650**
Americas	8,766	8,568	8,863	9,272	8,579
Europe	5,705	6,008	6,250	6,228	6,320
Asia/Oceania	9,246	9,777	11,047	10,974	10,751
Operating Income	**1,682**	**1,864**	**2,330**	**1,987**	**2,251**
Americas	278	261	372	3	297
Europe	595	298	250	160	205
Asia/Oceania	824	1,292	1,707	1,823	1,748
OP Margin	**7.1%**	**7.6%**	**8.9%**	**7.5%**	**8.8%**
Americas	3.2%	3.0%	4.2%	0.0%	3.5%
Europe	10.4%	5.0%	4.0%	2.6%	3.2%
Asia/Oceania	8.9%	13.2%	15.5%	16.6%	16.3%

(¥mn)	3/25				3/26			3/26 CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Sales	**13,355**	**12,806**	**13,329**	**13,141**	**12,628**	**13,022**	**52,632**	**54,000**
Americas	4,568	4,295	4,503	4,769	4,264	4,315	18,135	-
Europe	3,221	3,029	3,106	3,122	3,129	3,191	12,478	-
Asia/Oceania	5,564	5,483	5,718	5,256	5,234	5,516	22,021	-
Operating Income	**1,277**	**1,053**	**1,200**	**785**	**1,118**	**1,133**	**4,317**	**4,200**
Americas	318	54	-24	27	164	133	375	-
Europe	105	145	73	87	109	95	410	-
Asia/Oceania	853	854	1,151	672	843	904	3,530	-
OP Margin	**9.6%**	**8.2%**	**9.0%**	**6.0%**	**8.9%**	**8.7%**	**8.2%**	**7.8%**
Americas	7.0%	1.3%	-0.5%	0.6%	3.8%	3.1%	2.1%	-
Europe	3.3%	4.8%	2.4%	2.8%	3.5%	3.0%	3.3%	-
Asia/Oceania	15.3%	15.6%	20.1%	12.8%	16.1%	16.4%	16.0%	-

Sales Breakdown by Application

	3/24	3/25
	FY	FY
Manufacturing	26.7%	28.5%
Logistics	4.2%	4.0%
Retail	32.1%	30.8%
Healthcare	7.5%	7.3%
Food	10.0%	9.2%
Public Sector	0.5%	0.4%
Others	19.0%	19.8%

Note: The figures for sales breakdown is based on segment information. Operating breakdown income is based on segment information and presentation materials.
Source: Company Data, compiled by Strategy Advisors

2) Overseas (Primary Labels Business)

The Environment in Russia is Once Again Tough, with a Cool Summer Leading to a Decline in Demand

Overseas (Primary Labels business), net sales fell to ¥5.92 billion (-7.7% YoY), and operating income fell to ¥470 million (-63.7% YoY), resulting in increased sales but decreased profits. In Russia, the competitive environment for existing label products returned to its previous tough state; and reduced demand for beverages due to the cool summer contributed negatively to the decrease in sales. However, sluggish sales of certain products due to tax changes are gradually improving. In addition to the factors behind the decrease in sales, operating income was negatively affected by the inflationary environment and increased costs (including labor costs) associated with capacity expansion, resulting in a significant decrease in profits. In South America, demand was strong even amid an inflationary environment, but profitability declined due to increased costs such as labor costs.

Figure 4. Overseas (Primary Business) Revenue Trends (Half/Qtly)

(¥mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	**9,974**	**9,888**	**12,383**	**10,572**	**12,032**
Americas	1,809	1,765	1,787	1,688	1,827
Europe	8,029	7,969	10,402	8,692	10,019
Asia/Oceania					
Operating Income	**2,628**	**1,912**	**2,592**	**1,607**	**1,030**
Americas	422	506	391	240	252
Europe	2,191	1,389	2,264	1,261	759
Asia/Oceania					
OP Margin	**26.3%**	**19.3%**	**20.9%**	**15.2%**	**8.6%**
Americas	23.3%	28.7%	21.9%	14.2%	13.8%
Europe	27.3%	17.4%	21.8%	14.5%	7.6%
Asia/Oceania	0.0%	0.0%	14.9%	6.3%	9.8%

(¥mn)	3/25				3/26			3/26 CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Sales	**5,966**	**6,416**	**5,775**	**4,796**	**6,109**	**5,922**	**22,955**	**24,000**
Americas	960	827	794	894	922	905	3,475	-
Europe	4,904	5,498	4,882	3,810	5,089	4,930	19,094	-
Asia/Oceania	101	93	98	92	97	87	384	-
Operating Income	**1,301**	**1,290**	**1,198**	**409**	**561**	**468**	**4,199**	**2,600**
Americas	255	136	82	158	135	116	631	-
Europe	1,028	1,236	1,110	151	413	346	3,525	-
Asia/Oceania	17	12	6	6	12	5	41	-
OP Margin	**21.8%**	**20.1%**	**20.7%**	**8.5%**	**9.2%**	**7.9%**	**18.3%**	**10.8%**
Americas	26.6%	16.4%	10.3%	17.7%	14.6%	12.8%	18.2%	-
Europe	21.0%	22.5%	22.7%	4.0%	8.1%	7.0%	18.5%	-
Asia/Oceania	16.8%	12.9%	6.1%	6.5%	12.4%	5.7%	10.7%	-

Source: Company Data, compiled by Strategy Advisors

3) Japan

Mechatronics Sales Increase Significantly YoY, Demand for Consumables Also Strong

The Japan business saw an increase in both sales and profits, with net sales increasing to ¥21.47 billion (+11.9% YoY) and operating income increasing to ¥1.04 billion (+34% YoY). Mechatronics product (printers, etc.) sales increased 28.9% YoY, driven by large-scale business deals in the logistics market, increased demand related to the revised Logistics Efficiency Act and efficiency investments in the manufacturing market. Demand for consumables (labels, etc.) was also generally strong, with sales increasing 0.8% YoY. Operating income increased due to the effect of increased sales, improved product mix, and control of SG&A expenses. The improvement in the product mix was also contributed to by progress in capturing replacement demand in small and medium-sized business opportunities.

The Decline in Gross Profit in Q2 Will Be Recovered in the Future

On a QoQ basis, net sales increased by ¥2.38 billion, while operating income only increased by ¥170 million, resulting in an operating income rate of 4.8%, showing little growth. This was due to a temporary decline in gross profit margin due to a large strategic project for Mechatronics products for logistics, which was factored into the company's plan. The impact of the decline in gross profit margin for this product is expected to be mitigated from the second half onwards. Going forward, the company plans to recover from the negative impact of the decline in gross profit through increased sales of consumables, maintenance, etc.

RFID and Automation Solutions Also Saw a YoY Decrease in Revenue

Demand for solutions continues to increase, driven by labor shortages and the shift to digital transformation, just as it is overseas (Base Business). However, while RFID saw robust sales of packaging software in each market, sales were unable to cover the rebound decline in the food market from large orders from the previous year, resulting in a decrease of 3.0% YoY in sales. Automation solutions (automatic labelers) saw a temporary adjustment phase in each market, resulting in a decrease of 27.8% YoY in sales.

Mechatronics Booming Due to Strong Performance in Advanced Semiconductor Production

In the manufacturing market (including the public sector market), with the strong performance of advanced semiconductor production, investments in efficiency against the backdrop of accelerating digital transformation are trending steadily in almost all industries, including electronic parts and chemicals. In the mechatronics sector, large-scale business deals for automatic labelers in the chemical industry, increased demand in the automotive industry and strong sales of packaged software contributed to the performance. Consumables also performed steadily in almost all industries.

Mechatronics on the Rise Due to Booming E-commerce and Inbound Demand

The logistics market continues to see an increase in logistics due to the booming demand from e-commerce and inbound tourism. Mechatronics is performing well due to the contribution of large-scale strategic deals (terminals for delivery drivers), as well as increased demand related to the revised Logistics Efficiency Laws and printers for inbound-related package delivery. Overall demand for consumables is also expanding due to the increase in cargo volume.

Growing Demand for Store Digital Transformation in Supermarkets, Etc

In the retail market, digital transformation of supermarkets is progressing, and investment in the e-commerce industry is also trending steadily. Mechatronics grew, driven by large-scale projects in specialty stores and merchandise retailers. Consumables grew, driven by merchandise retailers benefiting from strong inbound demand.

Healthcare Market - Solution Negotiations Are Increasing

In the healthcare market, demand for solutions utilizing automatic labeling and RFID is increasing to improve administrative efficiency. Mechatronics grew, driven by large-scale RFID and automatic labeling projects in the hospital and pharmaceutical industries. Consumables sales decreased, as the increase in RFID solution deals could not fully cover the rebound decline in large projects.

Food Market: Increased Sales of Packaged Software Offsets the Decline in Sales of High-Value Projects

In the food market, investments in efficiency (RFID, automation) are booming against the backdrop of rising costs and labor shortages. Mechatronics remained roughly flat YoY, offsetting a drop in sales of high-value projects from the previous fiscal year with sales of traceability-related packaged software. Consumables sales decreased due to a drop in sales of specific products in the food manufacturing industry. However, demand itself remains strong overall.

Figure 5. Revenue Trends in Japan (Half/Qtly)

(¥mn)	3/24		3/25		3/26
	H1	H2	H1	H2	H1
Sales	**36,229**	**39,285**	**37,545**	**41,675**	**40,565**
Manufacturing	10,953	10,435	10,758	13,292	11,653
Logistics	8,182	8,736	8,475	9,055	9,848
Retail	4,765	5,321	5,587	5,913	6,183
Healthcare	4,639	5,195	4,754	5,298	4,711
Food	3,902	4,218	4,194	4,192	3,925
Public Sector	808	736	-	-	-
Others	2,980	4,644	3,777	3,925	4,245

(¥mn)	3/25				3/26			3/26 CoE
	Q1	Q2	Q3	Q4	Q1	Q2	FY	FY
Sales	**18,353**	**19,191**	**21,016**	**20,658**	**19,092**	**21,473**	**79,220**	**83,000**
Manufacturing	4,899	5,330	5,981	6,550	5,632	6,021	22,762	-
Logistics	4,141	4,334	4,684	4,370	4,410	5,438	17,530	-
Retail	2,777	2,809	3,207	2,705	2,938	3,245	11,500	-
Healthcare	2,268	2,486	2,581	2,716	2,233	2,478	10,052	-
Food	2,062	2,131	2,298	1,893	1,899	2,026	8,386	-
Public Sector	303	226	279	479	-	-	1,288	-
Others	1,903	1,873	1,986	1,940	1,980	2,265	7,702	-

Source: Company Data, compiled by Strategy Advisors

3. Outlook and Progress of the Business Strategy

Company Forecast for Operating Income Revised Downward by ¥1.5 billion to ¥11 billion

The company's forecast for the full fiscal year FY3/26, which has been revised downward, is for net sales to remain unchanged at ¥161 billion (+4.0% YoY), however, operating income has been reduced by ¥1.5 billion to ¥11 billion (-10.9% YoY), reflecting factors such as a slump at its Russian subsidiary. On a half-year basis, H1 results were net sales of ¥78.2 billion and operating income of ¥5.1 billion, while H2 forecasts are for net sales of ¥82.8 billion and operating income of ¥5.9 billion. The exchange rate is USD/JPY147 (H1 actual result: ¥146, H2 assumed: ¥148). The annual negative impact of ¥1 appreciation of the yen would be ¥561 million on net sales and ¥35 million on operating income (company estimates).

Overseas (Primary Labels Business), Including the Sluggish Russia Business, Fell Short of Initial Expectations

While H1 results fell short of company forecasts, both the Japan and overseas businesses (Base Businesses) exceeded expectations, with the exception of the overseas business (Primary Labels Business), which is experiencing a slump in Russia. Therefore, the company's fundamentals, excluding the Primary Labels business, can be considered solid. In H2, the Primary Labels business is expected to see a slight recovery as its Russian subsidiary bottoms out and demand in both Japan and overseas businesses (Base Businesses) is expected to remain generally strong, so the revised company forecasts are likely to be achievable. Operating income in Japan for H1 was ¥1.9 billion, ¥600 million higher than the initial forecast, but the new H2 forecast is ¥2.4 billion, ¥500 million lower than the initial forecast. This is primarily due to the postponement of approximately ¥400 million of research and development expenses that were scheduled to be recorded in the first half to the second half, which is a neutral factor when viewed overall in FY3/26.

Explanation of Business Strategy Development & Progress

At the briefing, the development and progress of business strategies were discussed. First, there was an explanation of the strategy for the overseas (Primary Labels Business) where poor performance were observed in the first half of the year. In addition, there were comments on 2 themes: "pursuing sustainable and efficient growth" for the overseas (Base Business) and "restoring profitability and building a foundation for sustainable growth" for the Japanese Business. The contents of the briefing are described below.

Primary Labels Business Builds Global Structure Through M&A

The primary Business refers to the manufacturing and supply of labels with fixed information printed on products such as beverages and food. SATO itself began the business in 1979. Since then, SATO has acquired several overseas Primary Labels Business subsidiaries through M&A and has now established a global manufacturing and sales system. Specific examples include Achernar (Argentina) in 2012, Okil (Russia) in 2014, Prakolar (Brazil) in 2015, and High Rich (Vietnam) in 2017. Okil, among others, has four production bases, including its subsidiary X-Pack and has the largest market share in Russia.

Strategy to Shift to High Value-Added Products

The company group's high-performance printing equipment allows it to produce advanced technologies such as "adhesive", "shrink sleeves" and "In-Mold". It is adopting a strategy of utilizing these to gradually shift to profitable, high-value-added products (currently accounting for 25-30% of net sales: Strategy Advisors estimate).

Aiming to Enter Smart Packaging

The company is also aiming to create technological synergies between its Primary Labels Business and its Base Business (Consumables and RFID) and enter a new business field known as smart packaging. Smart packaging refers to next-generation packaging technology that combines digital linkage technologies (RFID, NFC, 2D codes, etc.) and other functional elements with label packaging. The company group's strengths are its ability to propose label designs that utilize the know-how it has cultivated in its Base business, as well as its ability to design information flow management that takes the entire consumables chain into consideration. The smart packaging market is expected to grow at a CAGR of 6.2% going forward, reaching a scale of ¥6.5 trillion by 2030 (According to company materials, source: Grand View Research).

Overseas (Base Business): Key Theme is "Pursuing Sustainable and Efficient Growth"

The overseas (base business) theme is "pursuing sustainable and efficient growth". At the briefing, comments were made on the progress of the following 4 items:

(1) To increase revenue from consumables, the company has set a target of increasing the ratio of recurring revenue (consumables and maintenance) to net sales to 60% or more by FY3/27. It plans to make capital investments related to RFID and linerless labels in FY3/26 H2.

(2) As a result of the review of the roles and functions of the headquarters and bases, several highly promising global key account negotiations are underway in FY3/26 H2. In addition, information sharing between sales companies has progressed and this has begun to have an impact on accounts other than key accounts.

(3) The results of the efforts to create optimal solutions for each region are evident in the acquisition of demand for automated labeling from the manufacturing industry in Southeast Asia. In addition, the company is currently expanding its solutions sales to related customers, taking advantage of the opportunity provided by its support for the European Digital Product Passport (DPP).

(4) In terms of expanding solutions horizontally, a good example is the expansion of a blood bag management solution that has a proven track record in Asia to Europe and the number of business negotiations in Europe is steadily increasing.

Japan Business: Key Theme is About "Returning to a Profitable Structure"

The theme for the Japanese business is "returning to a profitable structure". The following 4 points were explained.

(1) In order to capture key markets, the company is promoting sales of "IritoDe", a package software for managing shipments and inventory in the manufacturing market. The sales amount of "IritoDe" has grown rapidly, increasing 4.7x in 2 years. The company is capturing the growing needs for reducing truck waiting times at shipping sites.

(2) In the sales department, in addition to raising awareness by shifting the evaluation of sales personnel from a sales-oriented perspective to a profit-oriented perspective, the company is promoting the strengthening of its profit structure by visualizing profitability data. By collaborating with the maintenance department when proposing replacement of Mechatronics (printers, etc.), the company is also working to improve both profitability and sales efficiency.

(3) In terms of value chain management, the company will pursue optimization through the integration of development, manufacturing and sales. By adopting a common platform, the company will reduce the number of models and improve development efficiency, while also aiming to improve capital efficiency through improved inventory turnover. (See the October 21, 2025, report: "SATO: Overseas Business Briefing Held. Southeast Asian Sales Subsidiaries are Pioneering the Global Rollout of Cutting-Edge Solutions for Manufacturing DX & SX Challenges").

(4) The CL4/6-SXR, a new printer that will be the first to adopt the above common platform, is scheduled to be released in January 2026. Global sales of approximately 300,000 units are planned for FY3/26-FY3/31.

A New Mid-term Plan (Revised Version) Will Be Formulated and Announced on December 16th

The current mid-term plan (FY3/25-FY3/29) had set targets for FY3/27 as the midpoint (net sales of ¥160 billion, operating income of ¥11.5 billion). However, as actual operating income for FY3/25 was ¥12.3 billion, which has already exceeded the target, the company is currently formulating a revised mid-term plan. The company will hold a "Mid-Term Plan Update Briefing - Improving Corporate Value by Realizing the 2030 Vision" on December 16th next month, where it plans to announce details.

Figure 6. Income Statement (Qtly)

(¥mn)	3/25 Q1	Q2	Q3	Q4	3/26 Q1	Q2	3/26 CoE H2	3/26 CoE FY
Net Sales	**37,674**	**38,415**	**40,121**	**38,596**	**37,829**	**40,419**	**82,752**	**161,000**
Cost of Sales	22,070	22,902	23,393	22,972	22,497	24,315	-	-
Gross Profit	15,604	15,513	16,728	15,624	15,332	16,104	-	-
Gross Profit Margin	41%	40%	42%	40%	41%	40%	-	-
SG&A Expenses	12,740	12,598	12,641	13,148	12,973	13,361	-	-
Sales to SG&A Expenses Ratio	33.8%	32.8%	31.5%	34.1%	34.3%	33.1%	-	-
Operating Income	**2,864**	**2,914**	**4,086**	**2,475**	**2,359**	**2,742**	**5,899**	**11,000**
OP Margin	7.6%	7.6%	10.2%	6.4%	6.2%	6.8%	7.1%	6.8%
Non-Operating Income/Expenses	-453	-442	-47	-255	-474	-167	-	-
Ordinary Profit	**2,411**	**2,472**	**4,040**	**2,221**	**1,885**	**2,575**	**5,640**	**10,100**
Ordinary profit margin	6.4%	6.4%	10.1%	5.8%	5.0%	6.4%	6.8%	6.3%
Extraordinary Profit/Losses	-8	4	8	514	-67	7	-	-
Profit Before Tax	2,404	2,474	4,049	2,735	1,819	2,580	-	-
Corporate Tax, etc.	984	415	1,276	1,155	556	702	-	-
(Corporate Tax Rate)	40.9%	16.8%	31.5%	42.2%	30.6%	27.2%	-	-
Profit Attributable to Owners of Parent	**1,197**	**1,830**	**2,564**	**1,558**	**1,211**	**1,841**	**3,748**	**6,800**
Net Income Margin	3.2%	4.8%	6.4%	4.0%	3.2%	4.6%	4.5%	4.2%

Source: Company Data, compiled by Strategy Advisors

4. Stock Price and Valuation

The Stock Price is Currently Hovering Around ¥2,200

The company's stock price has generally fluctuated between ¥2,000 and ¥2,300 between January and March 2025, but plummeted after President Trump's remarks on April 2 regarding the imposition of reciprocal tariffs. After bottoming out at ¥1,776 in intraday trading on April 7, it gradually recovered and returned to around ¥2,000. While the stock price did not significantly react to the financial results announced on May 15, it has been rising steadily since July. On September 24, the intraday trading price reached ¥2,356, its highest price since April. The stock price declined slightly in October and is currently trading around ¥2,200.

However, there has been no significant change in the company's low valuation. The H1 financial results highlighted the risks of the company's Russian business, which was the primary reason for the downward revision of its full-year forecast. Currently, the stock market has yet to build confidence in the viability of the equity story and this does not appear to have led to a substantial share price rise.

If the Equity Story Becomes More Feasible, it Will Be a

Strategy Advisors believes the company's equity story is to "increase its global share in the rapidly growing auto-identification market by utilizing

Factor in Pushing Up the Stock Price

the on-site knowledge it has accumulated through the development of solutions in Japan and by transforming its overseas operations, which are still primarily focused on selling products, into a solutions seller" (see report published on April 1, 2025, "SATO (6287): A Company that Solves Social Issues with Tagging Solutions. Capturing Growing Demand with a Unique Business Model"). If the equity story becomes more feasible, we believe that this will be a factor in pushing up the stock price through increases in ROE and PER.

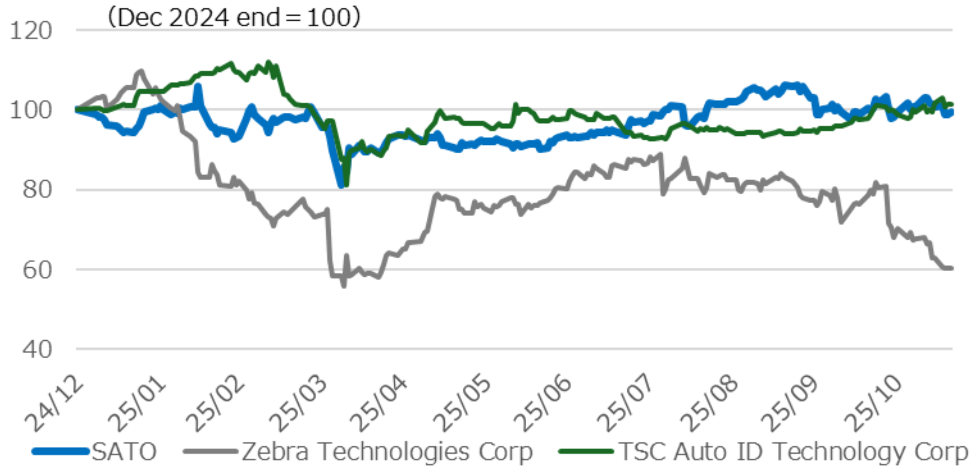
To Increase PER, Steady Implementation & Achievement of the Mid-Term Plan is Necessary

In order to increase the PER, it is necessary to steadily implement and achieve the measures in the medium-term plan. Currently, both the Japanese business and the overseas (Base Business) are steadily capturing demand for solutions aimed at resolving common global issues and continuing to grow. We look forward to the new measures and target figures announced at the mid-term plan update briefing scheduled for December 16th. In addition, regarding the Primary Labels Business (including the Russian subsidiary), which is a risk factor, attention will be focused on the medium to long-term business outlook and future efforts in the smart packaging market, which are expected to create synergies with the Base Business.

Comparison with Label Printer Companies

The company's stock price trends are compared with those of label printer companies. Its leading competitor, Zebra Technologies, has seen its stock price trend decline since 2025 due to concerns about an economic recession centered on the US. After bottoming out in April, the stock price began to recover but has been sluggish again since July. Meanwhile, the company has entered a phase of steadily capturing new demand to solve global social issues such as labor shortages and improving business efficiency through Koto-uri (Selling the solution, not the product) and is gradually becoming less susceptible to economic fluctuations. The volatility of its stock price has been relatively contained, providing a sense of stability compared to Zebra's stock price trends.

Figure 7. SATO & Label Printer Companies Stock Price Comparison

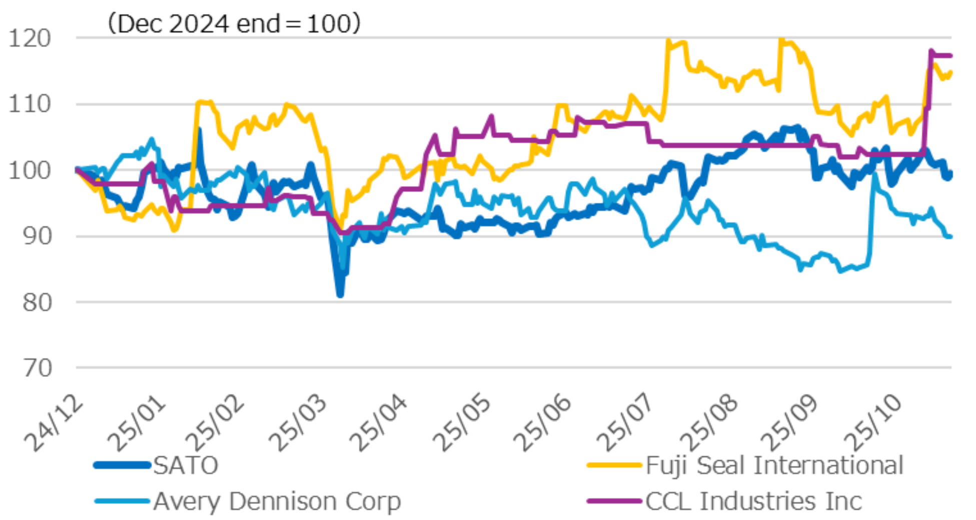


Source: Company Data, compiled by Strategy Advisors

Comparison with Consumables Companies

We will also compare the company's stock price with companies in the consumables (stickers) category. Comparing the stock price performance of its main competitor, Avery Dennison, the company had a slight advantage until September; but Avery Dennison made a comeback following the strong financial results announced on October 22nd. The company, which places emphasis on selling "services", has the disadvantage of a high selling and general administrative expense ratio to net sales. The company will strive to eliminate this disadvantage by expanding its solutions business and increasing the added value of its business. Differentiating itself from competitors by leveraging its unique business model of having both printers and consumables will be important for the company's stock price.

Figure 8. SATO & Consumables Firm (Stickers) Stock Price Comparison



Source: Company Data, compiled by Strategy Advisors

PER/PBR Trends

Figures 9 and 10 compare SATO's profitability and valuation with those of label printer manufacturers, consumables manufacturers and general printer-related companies. SATO's valuation remains low. The company's forecast-based PER is 10.5x and its PBR based on FY3/25 actual BPS is 0.9x. The dividend yield based on this fiscal year's forecast is 3.5%. The PER is low among competitors, roughly on a par with Fuji Stickers International. The PBR is the lowest, excluding general printer companies. Furthermore, ROE recovered from 5.2% in FY3/24 to 9.7% in FY3/25. However, while it is higher than general printer companies, it has not yet exceeded 10% and remains low among competitors.

Valuation Comparison with Other Companies in the Same Industry

Meanwhile, Zebra Technologies, the industry leader, has a PER of 14.6x and a PBR of 3.3x, while Avery Dennison, the largest consumables manufacturer, has a PER of 17.7x and a PBR of 5.8x, making these two companies far and away the highest in both PER and PBR. We will be focusing on the company's improvement in ROIC (and ROE) as it seeks to break away from its low valuation situation.

Future Stock Price Direction

We believe there is room for upside for the company's stock price going forward. One reason is that while the company's forecast for FY3/26 was revised downward, the sluggish overseas Primary Labels business (particularly in Russia) has overcome the worst of Q2 and is likely to recover slightly in H2. The second reason is that the company will announce its revised medium-term plan on December 16th. At the briefing, the company will likely present more specific details about measures to improve its operating income rate and capital policy within its medium- to long-term growth scenario. We will be keeping an eye on this as a catalyst for a rise in the stock price.

Figure 9. Profitability Comparison with Companies in the Same Industry

Company Name	Code	FY	Curr.	Sales (¥mn)	OP (¥mn)	OPM (%)	ROE (%)	ROIC (%)	Equity Ratio (%)
SATO	**6287**	**3/25**	**JPY**	**154,807**	**12,341**	**8.0**	**9.7**	**9.3**	**54.8**
Zebra Technologies	ZBRA	12/24	USD	755,578	116,044	15.4	15.9	9.3	45.0
TSC Auto ID Technology	3611.TW	12/24	NTD	41,552	4,329	10.4	12.8	8.8	40.1
Fuji Seal International	7864	3/25	JPY	212,345	18,844	8.9	8.8	9.0	69.2
Avery Dennison	AVY	12/24	USD	1,328,170	169,197	12.7	31.8	15.2	27.5
Ricoh	7752	3/25	JPY	2,527,876	63,829	2.5	4.4	2.6	43.7
Canon	7751	12/24	JPY	4,509,821	279,754	6.2	4.8	3.8	63.2
Seiko Epson	6724	3/25	JPY	1,362,944	75,108	5.5	6.8	5.1	55.3
Brother Industries	6448	3/25	JPY	876,558	69,888	8.0	8.1	7.2	74.1
Konica Minolta	4902	3/25	JPY	1,127,882	-64,014	-5.7	-9.5	-8.1	38.0

Source: Company Data, compiled by Strategy Advisors

Figure 10. Valuation Comparison with Peer Companies

Company Name	Code	FY	Curr.	Stock Price (11/20)	Market Cap. (¥mn)	PER (CoE, x)	PBR (Actual, x)	EV/ EBITDA (x)	Dividend Yield (CoE, %)	ROE (Actual, %)
SATO	**6287**	**3/25**	**JPY**	**2,192**	**71,164**	**10.5**	**0.9**	**4.0**	**3.5**	**9.7**
Zebra Technologies	ZBRA	12/24	USD	231	1,841,247	14.6	3.3	11.3	-	13.5
TSC Auto ID Technology	3611.TW	12/24	NTD	201	48,220	11.1	1.9	-	-	17.0
Fuji Seal International	7864	3/25	JPY	2,920	155,650	9.1	1.1	4.7	2.4	11.7
Avery Dennison	AVY	12/24	USD	168	2,047,859	17.7	5.8	10.9	-	33.6
Ricoh	7752	3/25	JPY	1,347	766,758	13.7	0.7	5.8	3.0	5.2
Canon	7751	12/24	JPY	4,450	3,909,886	12.4	1.2	6.3	3.6	10.3
Seiko Epson	6724	3/25	JPY	1,872	599,681	14.6	0.7	4.1	4.0	5.0
Brother Industries	6448	3/25	JPY	2,949	744,139	11.7	1.1	4.5	3.4	8.9
Konica Minolta	4902	3/25	JPY	607	299,703	11.1	0.6	5.8	1.6	5.4

Note: For overseas companies, closing prices are as of Nov. 19, 2025. ROE (company forecast) is calculated by dividing the company's forecast net profit for the current period by the equity capital at the end of the most recent quarterly financial period. For overseas companies, it is the FactSet consensus forecast. EBITDA in EV/EBITDA is calculated by adding the company's forecast operating income for the full year to the depreciation expenses of the most recent full year.
Source: Company Data, compiled by Strategy Advisors

Figure 11. Income Statement (¥mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	113,383	116,179	116,372	109,052	124,783	142,824	143,446	154,807	161,000
Cost of Sales	64,728	65,503	66,193	63,317	74,385	86,140	84,329	91,337	-
Gross Profit	48,655	50,676	50,179	45,735	50,398	56,684	59,117	63,470	-
Gross Profit Margin	42.9%	43.6%	43.1%	41.9%	40.4%	39.7%	41.2%	41.0%	-
SG&A Expenses	42,405	42,997	42,718	39,888	43,994	47,843	48,733	51,129	-
Operating Income	6,249	7,679	7,461	5,847	6,404	8,841	10,383	12,341	11,000
OP Margin	5.5%	6.6%	6.4%	5.4%	5.1%	6.2%	7.2%	8.0%	6.8%
Non-Operating Income	455	569	324	393	404	610	804	863	-
Non-Operating Expenses	816	629	1,213	719	751	384	2,226	2,060	-
Ordinary Profit	5,888	7,618	6,571	5,521	6,057	9,068	8,961	11,144	10,100
Ordinary Profit Margin	5.2%	6.6%	5.6%	5.1%	4.9%	6.3%	6.2%	7.2%	6.3%
Extraordinary Profit	2,835	11	824	10,454	49	37	42	1,220	-
Extraordinary Loss es	2,229	1,057	6,760	1,519	143	1,958	3,341	702	-
Income Before Income Tax	6,494	6,573	636	14,457	5,963	7,147	5,662	11,662	-
Income Taxes - Current	2,544	2,971	2,076	1,403	1,958	2,760	2,246	2,568	-
Income Taxes - Deferred	19	-182	536	-10	47	-570	-784	1,262	-
Total Income Taxes	2,563	2,789	2,612	1,393	2,005	2,190	1,462	3,830	-
(Corporate Tax Rate)	39.5%	42.4%	410.7%	9.6%	33.6%	30.6%	25.8%	32.8%	-
Profit Attributable to Owners of Parent	4,074	3,773	-1,882	12,959	3,794	4,184	3,565	7,151	6,800
Net Income Margin	3.6%	3.2%	-1.6%	11.9%	3.0%	2.9%	2.5%	4.6%	4.2%
EPS (¥)	121.54	112.46	-56.06	385.86	112.74	126.66	110.02	220.39	209.60

Source: Company Data, compiled by Strategy Advisors

Figure 12. Balance Sheet (¥mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Current Assets	**57,161**	**59,367**	**66,195**	**74,641**	**81,950**	**81,137**	**86,268**	**91,558**
Cash and Deposits	16,461	16,837	23,796	33,037	29,854	21,923	25,078	27,481
Accounts Receivable	24,737	25,522	23,766	24,878	26,688	27,113	28,617	29,697
Accounts Receivable and Unearned Revenue	1,780	1,834	3,759	1,784	2,177	1,763	1,994	2,123
Inventory	11,365	13,453	13,053	13,072	20,418	26,854	27,135	28,955
Others	2,818	1,721	1,821	1,870	2,813	3,484	3,444	3,302
Allowance For Doubtful Accounts	-208	-153	-185	-236	-234	-230	-451	-275
Fixed Assets	**49,286**	**48,206**	**36,952**	**34,671**	**38,054**	**41,721**	**46,188**	**48,198**
Tangible Fixed Assets	31,398	30,720	28,936	27,306	30,390	32,331	36,406	38,725
Intangible Fixed Assets	14,436	11,933	3,688	3,356	3,256	4,372	3,841	5,362
Investments and Other Assets	3,450	5,552	4,326	4,007	4,407	5,017	5,941	4,110
Investment Securities	1,498	1,607	1,188	1,192	1,479	928	1,122	163
Deferred Tax Assets	1,782	1,865	1,311	1,011	1,087	2,132	2,919	1,899
Others	170	2,080	1,827	1,804	1,841	1,957	1,900	2,048
Total Assets	**106,447**	**107,574**	**103,147**	**109,312**	**120,005**	**122,858**	**132,457**	**139,757**
Current Liabilities	**34,064**	**36,904**	**41,492**	**36,988**	**42,071**	**44,963**	**43,064**	**41,677**
Trade Payables	18,311	18,954	18,095	17,740	20,644	19,360	19,402	16,705
Accounts Payable and Accrued Expenses	3,038	2,835	2,566	3,080	4,705	4,212	4,399	4,920
Interest -Bearing Debt	4,049	4,966	8,549	4,792	4,720	7,722	5,085	4,556
Advance Payment	0	0	4,915	5,536	6,820	7,322	7,518	7,761
Deferred Tax Liabilities	0	0	0	0	0	0	0	0
Others	8,666	10,149	7,367	5,840	5,182	6,347	6,660	7,735
Fixed Liabilities	**16,157**	**14,000**	**12,832**	**12,862**	**13,426**	**10,200**	**15,307**	**17,842**
Interest -Bearing Debt	12,671	10,917	9,798	10,555	11,011	7,795	12,562	14,934
Retirement Benefits/Salary Reserves	2,181	1,843	1,800	1,193	1,227	1,002	1,065	975
Others	1,305	1,240	1,234	1,114	1,188	1,403	1,680	1,933
Net Assets	**56,225**	**56,668**	**48,823**	**59,462**	**64,508**	**67,694**	**74,085**	**80,237**
Shareholders' Equity	54,664	56,245	51,999	62,646	64,144	63,451	63,149	68,012
Capital and Surplus	16,180	16,205	16,206	16,208	16,233	16,232	16,231	13,815
Retained Earnings	41,145	42,624	38,345	48,974	50,256	52,061	51,718	56,461
Treasury Stock	-2,662	-2,584	-2,552	-2,537	-2,345	-4,842	-4,801	-2,265
Accumulated Other Comprehensive Income	140	-870	-4,206	-4,372	-1,008	2,001	8,127	8,528
Stock Acquisition Rights	99	57	39	28	28	28	19	12
Non -Controlling Interests	1,320	1,235	990	1,159	1,343	2,213	2,789	3,685
Liabilities and Net Assets	**106,447**	**107,574**	**103,147**	**109,312**	**120,005**	**122,858**	**132,457**	**139,757**
Interest -Bearing Debt	16,792	15,957	18,423	15,425	15,814	15,599	17,732	19,490
Equity Ratio	51.6%	51.5%	46.4%	53.3%	52.6%	53.3%	53.8%	54.8%
D / E Ratio	0.31	0.29	0.39	0.26	0.25	0.24	0.25	0.25

Source: Company Data, compiled by Strategy Advisors

Figure 13. Cash Flow Statement (¥mn)

FY	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash Flows from Operating Activities								
Profit Before Tax	6,494	6,573	636	14,457	5,963	7,147	5,662	11,662
Depreciation	4,307	4,489	5,043	4,092	4,220	4,855	4,926	5,414
Amortization of Goodwill	1,258	1,081	871	223	236	264	146	127
Impairment Loss	656	1,024	6,397	448	11	0	2,168	631
Profit /Loss On Sale of Fixed Assets	-2,664	-11	-711	-10,414	-30	-4	-32	-29
Increase /Decrease in Accounts Receivable	-1,766	-1,093	1,006	-598	-1,633	35	-953	-1,199
Increase /Decrease in Accounts Payable	-1,063	713	-139	-867	2,557	-1,827	-816	-2,152
Increase /Decrease in Inventory	-576	-2,254	-291	183	-6,288	-5,907	1,297	-1,647
Increase /Decrease in Accounts Payable	949	-188	-96	221	580	378	106	542
Receipts of Interest and Dividends	160	143	121	93	140	301	613	568
Interest Payment	-141	-140	-187	-220	-217	-252	-340	-679
Corporate Tax Paid	-2,985	-1,391	-2,469	-1,510	-1,505	-2,230	-2,766	-2,329
Others	1,555	419	1,078	-302	-732	2,430	2,552	1,562
Total	6,184	9,365	11,259	5,806	3,302	5,190	12,563	12,471
Cash Flows from Investing Activities								
Income And Expenditures from Acquisition and Sale of Tangible Fixed Assets	-6,064	-3,672	-2,858	-3,516	-2,550	-5,247	-5,657	-5,736
Income And Expenditures from Acquisition and Sale of Intangible Fixed Assets	2,604	-545	411	13,564	-1,053	-1,903	-2,018	-3,251
Income And Expenditure from Fixed Term Deposits	191	33	0	-10,000	-201	9,562	282	-729
Income And Expenditures from Acquisition and Sale of Subsidiary Shares	0	0	0	-169	0	0	-617	0
Others	-235	-1,028	-2	19	66	-122	76	1,508
Total	-3,504	-5,212	-2,449	-102	-3,738	2,290	-7,934	-8,208
Cash Flows from Financing Activities								
Net Increase/Decrease in Short-Term Borrowings	-1,353	-101	2,683	-3,522	-262	-295	-3,154	-333
Net Increase/Decrease in Long-Term Borrowings	400	-386	-977	-27	-15	-21	4,924	2,396
Expenditures From Sales of Treasury Stock	0	0	0	0	0	0	0	0
Repayment Of Lease Obligations	-628	-752	-621	-1,251	-1,345	-1,116	-1,214	-1,734
Dividend Payment	-2,089	-2,293	-2,393	-2,329	-2,362	-2,376	-2,337	-2,404
Expenditures For Acquisition of Treasury Stock	0	0	0	0	0	-2,500	0	-1
Others	212	-2	-3	-2	-3	-1	30	-1
Total	-3,458	-3,534	-1,311	-7,131	-3,987	-6,309	-1,751	-2,077
Exchange Differences on Cash	47	-214	-626	629	983	438	473	-403
Cash Increase/Decrease	-731	404	6,871	-798	-3,439	1,610	3,350	1,781
Cash Beginning Balance	16,757	16,026	16,430	23,379	22,580	19,140	20,751	24,102
Ending Cash Balance	16,026	16,430	23,379	22,580	19,140	20,751	24,102	25,883

Source: Company Data, compiled by Strategy Advisors

Figure 14. Key Indicators

	3/18	3/19	3/20	3/21	3/22	3/23	3/24	3/25
EPS (¥)	121.54	112.46	-56.06	385.86	112.74	126.66	110.02	220.39
BPS (¥)	1,634.69	1,649.86	1,423.30	1,735.04	1,874.97	2,020.83	2,199.41	2,357.76
DPS (¥)	65.0	70.0	70.0	70.0	70.0	72.0	73.0	75.0
Dividend Payout Ratio	53.5%	62.2%	-124.9%	18.1%	62.1%	56.8%	66.4%	34.0%
No. of Shares Issued ('000)	34,921	34,921	34,921	34,921	34,921	34,921	34,921	33,636
Treasury Stock ('000)	1,395	1,358	1,342	1,334	1,248	2,532	2,514	1,173
Number of Shares (Excl. Treasury Stock, '000)	33,526	33,564	33,579	33,587	33,673	32,389	32,407	32,463
Average Number of Shares (Excl. Treasury Stock, '000)	33,527	33,558	33,571	33,587	33,654	33,035	32,403	32,449
Equity Ratio	51.6%	51.5%	46.4%	53.3%	52.6%	53.3%	53.8%	54.8%
Interest-Bearing Debt (¥mn)	16,792	15,957	18,423	15,425	15,814	15,599	17,732	19,490
Net Interest-Bearing Debt (¥mn)	331	-880	-5,373	-17,612	-14,040	-6,324	-7,346	-7,991
D/E Ratio	0.31	0.29	0.39	0.26	0.25	0.24	0.25	0.25
Net D/E Ratio	0.01	-0.02	-0.11	-0.30	-0.22	-0.10	-0.10	-0.10
Operating Profit Margin	5.5%	6.6%	6.4%	5.4%	5.1%	6.2%	7.2%	8.0%
EBITDA (¥mn)	11,814	13,249	13,375	10,162	10,860	13,961	15,456	17,884
EBITDA Margin	10.4%	11.4%	11.5%	9.3%	8.7%	9.8%	10.8%	11.6%
ROE	7.5%	6.8%	-3.6%	24.4%	6.2%	6.5%	5.2%	9.7%
ROIC	6.1%	7.5%	7.5%	5.8%	5.8%	7.7%	8.5%	9.3%
Number of Employees	5,076	5,307	5,429	5,451	5,656	5,637	5,744	5,986

Note: The figures for ROIC is calculated as NOPAT/(Average of Invested Capital During the Period).
Source: Company Data, compiled by Strategy Advisors

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