SATO | 6287 (TSE Prime)

Company Report

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Strategy Advisors Co., Ltd.
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Q1 Results: Revised Upward Full-Year Forecast — Mid-Term Initiatives Bear Fruit, Sales of New Printer Models Remain Strong

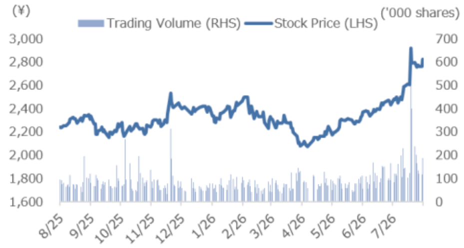
SATO ("the Company") reported its Q1 results (April–June) for FY3/27, posting sales of ¥44.62 billion (+18.0% YoY) and operating income of ¥3.43 billion (+45.3% YoY), marking growth in both sales and operating income. The progress rate against the Company's May forecast stood at 26.5% for sales and 29.3% for operating income. Against the backdrop of strong performance in the Japan business, both sales and operating income exceeded initial expectations. Overseas, however, overall results fell short of the initial plan due to a downturn in the Base business.

By region, Japan posted higher sales and profit due to strong sales of new printer models, as well as front-loaded demand for consumables (such as labels) in anticipation of deteriorating conditions in the Middle East and upcoming price revisions. The strong performance of new printer models can be attributed to the successful implementation of various mid-term management initiatives. Overseas, sales increased as the Base business benefited from solid demand across all regions, but profits declined due to higher costs and other factors. The Primary Labels business also saw a decline in sales on a local currency basis as the competitive environment in Russia returned to normal, and profits fell due to higher costs as well.

The Company's forecast for FY3/27 was revised upward in light of strong Q1 results. Sales were revised upward by ¥3.5 billion to ¥172.0 billion, and operating income was revised upward by ¥400 million to ¥12.1 billion. The upward revision applies only to H1 in Japan, while the forecast for overseas operations remains unchanged. In Japan, while the H1 forecast incorporates the better-than-expected results from the Q1 earnings, the company plans to maintain its initial forecast for the H2 by offsetting the decline resulting from a pullback in demand following the advance of consumables with positive factors such as the newly consolidated Hirano-ya Bussan (sales only) and price revisions. However, if strong sales of the new printer model continue into the H2, there is a strong possibility that FY3/27 results will exceed the Company's forecast.

Against the backdrop of strong earnings, the stock price has risen and is currently trading around ¥2,800. However, while the PER based on the company's forecast for FY3/27 stands at 11.8x, and the PBR based on actual results for FY3/26 has exceeded 1.0x, it remains at a low level of 1.1x. Our view of the Company's equity story is that it will leverage its on-site competency accumulated through its solutions development in Japan to transform its overseas operations. These operations are still primarily focused on selling products, into a solutions-based business, thereby

Stock Price and Trading Volumes (Past Year)



Source: Strategy Advisors

Key Indicators

Stock Price (8/25/26)	2,824
52-Week High (8/13/26)	2,920
52-Week Low (5/01/26)	2,073
All-Time High (9/26/18)	3,795
All-Time Low (3/13/09)	634
Number of Shares Issued	32.5
Market Capitalization (¥bn)	91.7
EV (¥bn)	85.0
Equity Ratio (FY3/26, %)	58.6
ROE (FY3/26 Actual, %)	6.3
PER (FY3/27 CoE, x)	11.8
PBR (FY3/26 Actual, x)	1.1
Yield (FY3/27 CoE, %)	2.8

CoE: Company estimates
Source: Strategy Advisors

increasing its global share in the rapidly growing auto-ID market driven by the widespread adoption of AI" (Please refer our report published on June 24). The company's approach—steadily "strengthening global management infrastructure" while simultaneously developing a robust sales base for the core business and commercializing the PUT (Perfect and Unique Tagging) concept—"is worthy of praise. Going forward, if the feasibility of this equity story increases in tandem with sustained earnings growth, there will be room for the stock's valuation to rise.

Japanese GAAP- Consolidated

FY	Net Sales (¥mn)	YoY (%)	Operating Income (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/26 Q1	37,829	0.4	2,359	-17.6	1,885	-21.8	1,211	1.1	37.31	-
3/27 Q1	**44,621**	**18.0**	**3,429**	**45.3**	**3,245**	**72.1**	**2,538**	**109.6**	**78.18**	**-**
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	163,434	5.6	11,041	-10.5	9,881	-11.3	5,086	-28.9	156.69	76
3/27 CoE Old	168,500	3.1	11,700	6.0	11,200	13.3	7,400	45.5	227.94	80
3/27 CoE New	**172,000**	**5.2**	**12,100**	**9.6**	**11,600**	**17.4**	**7,700**	**51.4**	**239.29**	**80**

Note: Net profit refers to the profit attributable to owners of the parent.
Source: Company Data, compiled by Strategy Advisors

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1. Overview of Q1 Results for FY3/27

Q1 Results Showed YoY Growth in Both Sales and Profit

The Q1 financial results announced on August 12 showed sales of ¥44.62 billion (+18.0% YoY), and operating income of ¥3.43 billion (+45.3% YoY), marking a YoY increase in both sales and operating income. By segment, the overseas Base business saw sales rise of 17.5% YoY, but operating profit fell 10.9% YoY due to increased SG&A expenses in Europe and the Vietnam plant's capacity utilization rate returning to normal levels from the high levels of the previous year. The overseas Primary Labels business saw sales increase of 13.4% YoY, but operating profit fell 14.9% YoY as the competitive environment returned to normal and costs rose. In contrast, the Japan segment posted strong results, with sales up 19.7% YoY and operating income 2.1x higher than the previous year.

Hirano-ya Bussan Becomes a Wholly Owned Subsidiary

In a press release dated June 23, the Company disclosed the acquisition of shares in Hirano-ya Bussan Co., Ltd. (making it a wholly owned subsidiary). This move aims to expand the foundation of the smart packaging business in order to realize the commercialization of the Perfect and Unique Tagging concept, which is positioned as a strategic investment in the current medium-term management plan (see Chapter 3). Hirano-ya Bussan (located in Onojo City, Fukuoka Prefecture; 125 employees as of the end of May) is a company that handles flexible packaging materials for food and daily necessities, and possesses an integrated production system ranging from plate making to bag manufacturing. The share transfer was executed on June 15.

Both Sales and Operating Income Exceeded the Company's May Projections

Compared to the Company's May forecast, sales and operating income exceeded expectations. In Japan, sales of Mechatronics products (hereinafter "Mechatronics") grew due to strong sales of new printers; in the consumables segment, demand was driven by the deteriorating situation in the Middle East and customers bringing forward purchases in anticipation of price revisions. Overseas, stronger-than-expected performance in the Base business offset weaker-than-expected results in the Primary Labels business, and overall, both sales and operating income remained in line with the company's plan.

Company Forecast Revised Upward

The Company announced an upward revision to its initial fiscal-year forecast released in May (see Chapter 3). While plans for its overseas operations remain unchanged, the company has revised its forecast for its operations in Japan upward for the H1 FY3/27 only. The exchange rate assumptions were revised as follows: from ¥150/USD to ¥155/USD, and from ¥175/EUR to ¥180/EUR.

Figure 1. Summary of Q1 FY3/27 Financial Results (¥mn)

FY	Q1 3/26	**Q1 3/27** (A)	YoY	Progress Rate (A)/(B)	3/26	3/27 CoE (Old)	3/27 CoE (New) (B)
Net Sales	**37,829**	**44,621**	**18.0%**	**25.9%**	**163,434**	**168,500**	**172,000**
Overseas	18,737	21,762	16.1%	26.5%	78,396	82,000	82,000
Base Business	12,628	14,832	17.5%	25.8%	53,833	57,400	57,400
Primary Labels Business	6,109	6,929	13.4%	28.2%	24,562	24,600	24,600
Domestic	19,091	22,858	19.7%	25.4%	85,038	86,500	90,000
Mechatronics	7,180	9,354	30.3%	-	36,769	-	-
Consumables	11,911	13,503	13.4%	-	48,269	-	-
(Consumables Ratio)	62.4%	59.1%	-	-	56.8%	-	-
Operating Income	**2,359**	**3,429**	**45.3%**	**28.3%**	**11,041**	**11,700**	**12,100**
(OP Margin)	6.2%	7.7%	-	-	6.8%	6.9%	7.0%
Overseas	1,629	1,526	-6.3%	24.6%	5,704	6,200	6,200
(OP Margin)	8.7%	7.0%	-	-	7.3%	7.6%	7.6%
Base Business	1,118	996	-10.9%	23.2%	3,822	4,300	4,300
(OP Margin)	8.9%	6.7%	-	-	7.1%	7.5%	7.5%
Primary Labels Business	561	478	-14.9%	25.2%	1,970	1,900	1,900
(OP Margin)	9.2%	6.9%	-	-	8.0%	7.7%	7.7%
Domestic	864	1,850	114.1%	31.4%	5,415	5,500	5,900
(OP Margin)	4.5%	8.1%	-	-	6.4%	6.4%	6.6%
Elimination	-134	52	-	-	-78	-	-

Source: Company Data, compiled by Strategy Advisors

Figure 2. Summary of Q1 FY3/27 Financial Results (¥mn, Qtly)

FY	3/26				3/27	3/26	3/27 CoE
	Q1	Q2	Q3	Q4	Q1	FY	FY
Sales	**37,829**	**40,418**	**43,507**	**41,679**	**44,621**	**163,434**	**172,000**
(YoY)	0.4%	5.2%	8.4%	8.0%	18.0%	5.6%	5.2%
Overseas	18,737	18,944	20,648	20,064	21,762	78,396	82,000
(YoY)	-3.0%	-1.4%	8.1%	11.9%	16.1%	3.7%	4.6%
Base Business	12,628	13,022	13,915	14,267	14,832	53,833	57,400
(YoY)	-5.4%	1.7%	4.4%	8.6%	17.5%	2.3%	6.6%
Primary Labels Business	6,109	5,922	6,733	5,797	6,929	24,562	24,600
(YoY)	2.4%	-7.7%	16.6%	20.9%	13.4%	7.0%	0.2%
Domestic	19,091	21,473	22,858	21,614	22,858	85,038	90,000
(YoY)	4.0%	11.9%	8.8%	4.6%	19.7%	7.3%	5.8%
Mechatronics	7,180	9,743	9,868	9,976	9,354	36,769	-
(YoY)	4.8%	28.9%	23.6%	8.1%	30.3%	16.3%	-
Consumables	11,911	11,729	12,989	11,638	13,503	48,269	-
(YoY)	3.5%	0.8%	-0.3%	1.9%	13.4%	1.4%	-
(Consumables Ratio)	62.4%	54.6%	56.8%	53.8%	59.1%	56.8%	-
Operating Income	**2,359**	**2,741**	**3,571**	**2,368**	**3,429**	**11,041**	**12,100**
(YoY)	-17.6%	-5.9%	-12.6%	-4.3%	45.3%	-10.5%	9.6%
(OP Margin)	6.2%	6.8%	8.2%	5.7%	7.7%	6.8%	7.0%
Overseas	1,629	1,626	1,782	666	1,526	5,704	6,200
(YoY)	-37.0%	-29.4%	-25.9%	-43.7%	-6.3%	-32.7%	8.7%
(OP Margin)	8.7%	8.6%	8.6%	3.3%	7.0%	7.3%	7.6%
Base Business	1,118	1,133	1,147	423	996	3,822	4,300
(YoY)	-12.5%	7.6%	-4.5%	-46.1%	-10.9%	-11.5%	12.5%
(OP Margin)	8.9%	8.7%	8.2%	3.0%	6.7%	7.1%	7.5%
Primary Labels Business	561	468	658	281	478	1,970	1,900
(YoY)	-56.9%	-63.7%	-45.1%	-31.3%	-14.9%	-53.1%	-3.6%
(OP Margin)	9.2%	7.9%	9.8%	4.8%	6.9%	8.0%	7.7%
Domestic	864	1,036	1,830	1,682	1,850	5,415	5,900
(YoY)	364.5%	34.0%	0.4%	49.8%	114.1%	38.6%	9.0%
(OP Margin)	4.5%	4.8%	8.0%	7.8%	8.1%	6.4%	6.6%
Elimination	-134	78	-41	20	52	-78	-

Source: Company Data, compiled by Strategy Advisors

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

1) Overseas (Base Business)

Sales Were Solid Across All Regions; Operating Income Declined Due to Factors Such as Increased SG&A Expenses in Europe

For the overseas base business in Q1 (3 months), sales increased to ¥14.83 billion (+17.5% YoY), while operating income decreased to ¥1.0 billion (-10.9% YoY). Sales increased YoY due to steady performance across all regions, coupled with favorable foreign exchange movements. While the sales growth had a positive impact on operating income, increased SG&A expenses in Europe and lower profitability at the Vietnam plant acted as negative factors, resulting in an overall YoY decline in operating income.

Below the Company's May Forecast

Excluding the impact of exchange rates, both sales and operating income fell short of the Company's initial forecast in May. Sales were affected by sluggish demand in Europe. Regarding operating income, rising raw material costs, combined with higher-than-expected costs incurred to strengthen the Company's structure in Europe, had a negative impact.

RFID Sales Increased, While Automation Solutions Sales Declined

Demand for solutions continues to grow, driven by labor shortages and the push toward digital transformation (DX). In the RFID segment, although a large project in Australia slowed down, this was offset by a large project in the Americas, resulting in a 7.1% YoY increase in sales. In the automation solutions (automatic labelers) segment, sales decreased by 9.1% YoY due to a decline in large projects for the U.S. Retail and Logistics markets compared to the same period last year.

<Performance by Region>

Americas: Contributed by Large Projects Involving BLE Sensor Tags for the Retail Sector, Among Others

The Americas region posted YoY growth in both sales and profit. In terms of sales, in the U.S., large projects related to BLE (Bluetooth Low Energy) sensor tags for the Retail sector, as well as large projects for the Logistics sector (e-commerce distribution centers), contributed to the growth. In South America, Argentina and Brazil performed well, driven by the Healthcare sector. Operating income increased in both regions: in the U.S., higher sales offset rising costs, while in South America, improved sales were complemented by an improved product mix.

Europe: Recognized Upfront Costs to Strengthen the Regional Headquarters Structure

In Europe, sales increased YoY, but operating income declined. Although the overall demand environment remained challenging, sales were driven by growth in consumables for the Logistics and Retail sectors. Operating income was negatively impacted by rising costs, such as labor expenses, and the recognition of upfront costs (¥180 million) to strengthen the regional headquarters' structure, despite the positive effect of higher sales.

Asia-Oceania: Profit Decline Attributed to the Malaysia Plant Returning to Normal Operations

Asia and Oceania also saw a YoY increase in sales but a decline in profit. Sales increased as positive factors—including robust demand centered on the Manufacturing market (automotive, etc.) in Thailand and the completion of customer inventory adjustments at Argox in Taiwan—offset the negative impact of a lull in a large RFID project in Australia. Operating income saw a positive impact from the sales increase; however, while the Vietnam plant operated at a higher-than-usual capacity in the previous Q1 due to large U.S. projects, the return to normal operating levels in the current Q1 had a negative effect, resulting in a slight overall decline in operating income.

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

FY	3/25		3/26	
	H1	H2	H1	H2
Sales	**26,161**	**26,471**	**25,650**	**28,183**
Americas	8,863	9,273	8,579	9,458
Europe	6,250	6,229	6,320	7,040
Asia/Oceania	11,047	10,971	10,751	11,684
Operating Income	**2,330**	**1,987**	**2,251**	**1,571**
Americas	372	4	297	211
Europe	250	160	205	9
Asia/Oceania	1,707	1,823	1,748	1,351
OP Margin	**8.9%**	**7.5%**	**8.8%**	**5.6%**
Americas	4.2%	0.0%	3.5%	2.2%
Europe	4.0%	2.6%	3.2%	0.1%
Asia/Oceania	15.5%	16.6%	16.3%	11.6%

FY	3/26				3/27	3/26	3/27 CoE
	Q1	Q2	Q3	Q4	Q1	FY	FY
Sales	**12,628**	**13,022**	**13,915**	**14,267**	**14,832**	**53,833**	**57,400**
Americas	4,264	4,315	4,450	5,008	4,974	18,037	-
Europe	3,129	3,191	3,582	3,457	3,627	13,360	-
Asia/Oceania	5,234	5,516	5,882	5,801	6,230	22,435	-
Operating Income	**1,118**	**1,133**	**1,147**	**423**	**996**	**3,822**	**4,300**
Americas	164	133	27	183	184	508	-
Europe	109	95	133	-125	0	214	-
Asia/Oceania	843	904	986	364	812	3,099	-
OP Margin	**8.9%**	**8.7%**	**8.2%**	**3.0%**	**6.7%**	**7.1%**	**7.5%**
Americas	3.8%	3.1%	0.6%	3.7%	3.7%	2.8%	-
Europe	3.5%	3.0%	3.7%	-3.6%	0.0%	1.6%	-
Asia/Oceania	16.1%	16.4%	16.8%	6.3%	13.0%	13.8%	-

Sales Breakdown by Application

	3/25 FY	3/26 FY
Manufacturing	28.9%	29.5%
Logistics	4.0%	3.9%
Retail	30.8%	30.4%
Healthcare	7.3%	7.3%
Food	9.2%	9.6%
Public Sector	-	-
Other	19.8%	19.3%

Note: The figures for sales breakdown are 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)

Europe (Russia) Has Returned to a Highly Competitive Environment

The Overseas (Primary Labels Business) reported a sales increase to ¥6.93 billion (+13.4% YoY), while operating income decreased to ¥480 million (-14.9% YoY), resulting in higher sales but lower profit. In Europe (Russia), although the expansion of production facilities had a positive effect, sales declined on a local currency basis as the competitive environment returned to its previous challenging state; however, favorable exchange rate fluctuations helped secure an increase in sales. Operating income declined due to the negative impact of increased costs (including labor costs) associated with capacity expansion. In South America, sales decreased due to the impact of inflation. On the other hand, operating income increased due to an improved product mix, despite higher costs such as labor expenses.

Results Exceeded the Company's May Forecast

Compared to the Company's initial forecast in May, both sales and operating income exceeded expectations. While Europe was generally in line with plans, South America exceeded expectations due to strong performance in Argentina, serving as the driving force for the overall results.

Figure 4. Overseas (Primary Business) Earnings Trends (Half-Year/Quarterly, ¥mn)

FY	3/25		3/26	
	H1	H2	H1	H2
Sales	**12,383**	**10,572**	**12,032**	**12,530**
Americas	1,787	1,688	1,827	1,932
Europe	10,401	8,693	10,019	10,379
Asia/Oceania	194	190	184	221
Operating Income	**2,592**	**1,607**	**1,030**	**940**
Americas	391	240	252	343
Europe	2,171	1,354	759	591
Asia/Oceania	29	12	18	5
OP Margin	**20.9%**	**15.2%**	**8.6%**	**7.5%**
Americas	21.9%	14.2%	13.8%	17.8%
Europe	20.9%	15.6%	7.6%	5.7%
Asia/Oceania	14.9%	6.3%	9.8%	2.3%

FY	3/26				3/27	3/26	3/27 CoE
	Q1	Q2	Q3	Q4	Q1	FY	FY
Sales	**6,109**	**5,922**	**6,733**	**5,797**	**6,929**	**24,562**	**24,600**
Americas	922	905	908	1,022	994	3,759	-
Europe	5,089	4,930	5,714	4,664	5,806	20,398	-
Asia/Oceania	97	87	110	110	128	405	-
Operating Income	**561**	**468**	**658**	**281**	**478**	**1,970**	**1,900**
Americas	135	116	155	187	183	595	-
Europe	413	346	495	96	284	1,351	-
Asia/Oceania	12	5	7	-2	9	23	-
OP Margin	**9.2%**	**7.9%**	**9.8%**	**4.8%**	**6.9%**	**8.0%**	**7.7%**
Americas	14.6%	12.8%	17.1%	18.3%	18.4%	15.8%	-
Europe	8.1%	7.0%	8.7%	2.1%	4.9%	6.6%	-
Asia/Oceania	12.4%	5.7%	6.4%	-1.8%	7.0%	5.7%	-

Source: Company Data, compiled by Strategy Advisors

3) Japan

Mechatronics Saw Strong Sales of New Printer Models, While the Consumables Segment Experienced Demand Brought Forward

The Japan business posted both sales and operating income growth, with sales up 19.7% YoY to ¥22.86 billion and operating income 2.1x higher YoY at ¥1.85 billion. In the Mechatronics segment, strong sales of new printer models—primarily in the Manufacturing market—drove a significant 30.3% YoY sales increase. In the Consumables segment, although performance varied by market, overall sales increased by 13.4% YoY due to demand brought forward in anticipation of deteriorating conditions in the Middle East and upcoming price revisions. Operating income saw a significant increase, driven by the sales growth and an improved product mix resulting from the launch of new printer models, despite the negative impact of one-time expenses (approximately ¥200 million) related to human capital investment and M&A.

The Operating Income Margin for Q1 (3 Months) Was 8.1%, Rising to Approximately 9% on an Underlying Basis

On a QoQ basis (compared to Q4 of the previous fiscal year), while sales increased by ¥1.24 billion, operating income rose only slightly by ¥170 million; the operating margin rose to 8.1% in Q1 (3 months) from 7.8% in Q4 (3 months). However, when the aforementioned one-time expenses (approximately ¥200 million) are taken into account, the operating margin on an underlying basis is calculated to be approximately 9%. The short-term factors contributing to the decline in gross margin associated with the acquisition of a large mechatronics project in FY3/26 have already run their course, and profit margins are expected to improve starting in FY3/27 due to an improved product mix.

Results Exceeded the Company's May Forecast

Compared to the Company's initial forecast in May, strong sales of new printer models drove growth in the Mechatronics segment, contributing positively to results. Furthermore, in the Consumables segment, demand was pulled forward in anticipation of deteriorating conditions in the Middle East and upcoming price revisions, which also contributed to the results. However, the Company expects a pullback in demand in the H2 FY3/27 as a reaction to this forward-shifted demand.

Sales Growth in Both RFID and Automation Solutions

Demand for solutions remains robust, driven by labor shortages and the push toward digital transformation (DX). The RFID segment performed well in nearly all markets due to demand brought forward in anticipation of deteriorating conditions in the Middle East, as well as large projects, resulting in a 30.9% YoY sales increase. Meanwhile, the automation solutions segment (automatic labelers) saw strong performance in both the Manufacturing and Retail markets, leading to a 24.8% YoY sales increase.

Sales Volumes of New Printer Models Exceeded Initial Forecasts and Remained Strong

Sales volumes of new printer models in Q1 have exceeded initial projections. This is attributable to the following four factors: (1) The dissolution of the holding company and the streamlining of the company-wide organization; (2) The clarification of responsibilities through a product-based organizational restructuring;(3) The adoption of profit-based performance metrics for sales teams has taken hold. (4) Improved operational efficiency through a new personnel system that clarifies roles and performance evaluations. Furthermore, the management initiatives outlined in (1) through (4) enabled the implementation of various cross-functional measures to stimulate demand for replacing existing customers' older printer models with new ones, which has contributed to the strong sales performance.

<Situation by Market>

Manufacturing Market — Sales of New Printer Models Are Growing

In the manufacturing market, production of cutting-edge semiconductors remains strong against the backdrop of widespread AI adoption, and investment in digital transformation (DX) remains robust due to labor shortages. On the supply side, the market performed well, driven by increased demand in sectors such as chemicals and electronic components related to semiconductor production, as well as demand brought forward. In the Mechatronics sector, growth was driven by strong sales of new printer models, as well as high-value projects for RFID and automation solutions.

Logistics Market — Consumables: Sales Increased, Led by the Wholesale Sector

In the Logistics market, labor shortages and the need to comply with the revised Logistics Efficiency Act continue to be key factors. On the supply side, sales grew, primarily in the wholesale sector, driven by strong sales at retail companies, and were further bolstered by demand brought forward. In Mechatronics, sales increased due to rising sales of new printer models, as well as increased demand related to the revised Logistics Efficiency Act and large projects for self-service shipping (installed at convenience stores) associated with peer-to-peer transactions.

Retail Market — Demand for Store Digital Transformation Expanding at Food Supermarkets and Other Retailers

In the retail market, in-store digital transformation is progressing at food supermarkets, and investment in the e-commerce industry remains robust. In the Consumables segment, growth was driven by the merchandise retail sector, which benefited from strong inbound tourism demand. In the Mechatronics segment, in addition to steadily capturing demand for printer upgrades, sales increased for large projects for e-commerce (apparel) distribution centers and for inventory management solutions ("IritoDe").

Healthcare Market — Driven by RFID-Based Solutions

In the Healthcare market, demand for RFID-based solutions aimed at streamlining administrative operations is on the rise. In the Consumables segment, sales were strong for medical wristbands and RFID labels for hospital logistics. In the Mechatronics segment , sales grew as the division secured new business for RFID and automation solutions in the medical device industry while steadily capturing printer replacement demand in the hospital sector.

Food Market — Continued Investment in Efficiency Amid Labor Shortages

In the food market, investments in efficiency improvements (such as RFID and automation) are continuing against a backdrop of rising raw material and logistics costs, as well as labor shortages. In the supply sector, demand was brought forward across nearly all industries, leading to increased sales. In the Mechatronics sector, growth was driven by increased sales of new printers, in addition to contributions from large projects for "@Form", a solution compliant with HACCP (an international standard for food safety management) in the food manufacturing industry.

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

FY	3/25		3/26	
	H1	H2	H1	H2
Sales	**37,545**	**41,675**	**40,565**	**44,473**
Manufacturing	10,758	13,292	11,653	13,506
Logistics	8,475	9,055	9,848	10,735
Retail	5,587	5,913	6,183	5,899
Healthcare	4,754	5,298	4,711	5,600
Food	4,194	4,192	3,925	4,624
Other	3,777	3,925	4,245	4,109

FY	3/26				3/27	3/26	3/27 CoE
	Q1	Q2	Q3	Q4	Q1	FY	FY
Sales	**19,091**	**21,473**	**22,858**	**21,614**	**22,858**	**85,038**	**90,000**
Manufacturing	5,633	6,021	6,292	7,212	7,505	25,159	-
Logistics	4,410	5,438	5,927	4,806	5,168	20,583	-
Retail	2,938	3,244	3,140	2,758	3,265	12,082	-
Healthcare	2,233	2,477	2,736	2,863	2,710	10,311	-
Food	1,899	2,026	2,511	2,112	2,396	8,549	-
Other	1,978	2,267	2,252	1,863	1,814	8,354	-

Source: Company Data, compiled by Strategy Advisors

3. Outlook for FY3/27 and Highlights from the Investor Briefing

Company Forecast: Sales of ¥172.0 billion, Operating Income of ¥12.1 billion

The Company's full-year forecast for FY3/27 projects sales of ¥172.0 billion—an increase of ¥3.5 billion (+5.2% YoY)—and operating income of ¥12.1 billion—an increase of ¥400 million (+9.6% YoY). By segment, there are no revisions to sales or operating income for the overseas business, covering both the Base business and the Primary Labels business. The entire increase is attributable to the Japan business. However, there are no revisions for the H2 of the fiscal year; the increase of ¥3.5 billion in sales and ¥400 million in operating income applies only to H1. The exchange rate assumptions in the new forecast are ¥155/USD and ¥180/EUR.

For the Japan Business, Increased Costs Were Factored into the Second Quarter, and the Initial Forecast for the H2 Remains Unchanged

The Japan business posted strong Q1 results, with sales of ¥22.86 billion and operating income of ¥1.85 billion. The Company's forecast for Q2 (July–September) projects sales of ¥22.64 billion—a decrease of ¥220 million QoQ—and operating income of ¥950 million, a decrease of ¥900 million QoQ. This forecast factors in increased costs (approximately ¥1 billion) resulting from rising raw material prices as a negative factor. On the other hand, the Company has not revised its initial forecast for the H2 (October–March), projecting sales of ¥44.5 billion and operating income of ¥3.1 billion (both flat compared to the H1). The forecast factors in negative factors such as a decline in demand resulting from the deterioration of the situation in the

Middle East—which was one of the reasons for the strong performance in Q1—and the pull-forward effect of consumables due to price revisions. However, it is structured to offset these by generating positive factors, primarily starting in the H2, including the effects of price revisions, improvements in the product mix, and the impact of consolidating Hirano-ya Bussan (sales only, approximately ¥2.5 billion over 9 months). Note that the second half plan does not factor in the positive effects resulting from strong sales of new printer models.

3 Key Topics at the Briefing

At the Q1 earnings briefing, in addition to explaining the performance trends, progress on the medium-term plan was discussed. The medium-term plan positions the three-year period from FY3/27 to FY3/29 as a phase for resuming growth investments to commercialize the Perfect and Unique Tagging concept, with FY3/27 marking the first year. The themes were “Progress on Capital Allocation”, “Strategic Investments in Growth Areas”, and “Capital Allocation and Shareholder Returns”.

Progress on Capital Allocation

- Stepping Up Strategic Investments Starting in FY3/27

Regarding “Progress on Capital Allocation”, in FY3/26, the company utilized operating cash flow (¥13.3 billion) primarily for investments in the business foundation (¥7.8 billion) and shareholder returns (dividends of ¥2.5 billion), while strategic investments were limited to the exploration and evaluation of investment opportunities. As for debt financing, the company prioritized loan repayments, resulting in net utilization of debt that was essentially zero. For FY3/27, the plan is to actively acquire the resources necessary to commercialize the Perfect and Unique Tagging concept as strategic investments through M&A and other means (focusing on smart packaging, blood and specimen supply chain management (SCM), the circular economy, and logistics digital transformation (DX)).

Meanwhile, regarding investments in the business foundation, the Company will proceed with enhancing the competitiveness of its core businesses (strengthening the global production system for consumables, and R&D and commercialization of printers) and reinforcing its management foundation (enhancing IT and security, utilizing AI, and building a global brand foundation). Regarding shareholder returns, the Company’s basic policy is to pay progressive dividends targeting a consolidated dividend on equity (DOE) of 3% or more, while implementing flexible additional returns (such as share buybacks) in accordance with the Company’s financial capacity.

Investment Strategy for Focused Business Domains (1)

- Bringing Hirano-ya Bussan into the Group to Strengthen Smart Packaging

The first of the Company’s “Strategic Investments in Focused Business Domains ” concerns the integration of Hirano-ya Bussan into the group, aimed at strengthening smart packaging. Smart packaging refers to next-generation packaging technology that creates new added value by combining variable information with the label packaging (which contains fixed information) of products for sale. Major applications include authenticity verification, tamper detection, and traceability. The SATO Group’s strength lies not only in its ability to propose label designs that leverage the know-how cultivated through its Primary Labels business but also in its capacity to design information flow management systems that take the entire supply chain into account. Hirano-ya Bussan, which has now joined the group, specializes in flexible packaging such as pouches and bags, and possesses a vertically integrated manufacturing system—from plate making to bag production—as well as a strong track record in high-value-added products. This initiative expands SATO's business scope from "labels" to "primary packaging", which consumers handle directly. As a medium to long-term strategy, the company will build a system capable of providing end-to-end solutions—ranging from assigning IDs to packaging materials to managing variable information such as inspections and history tracking, and integrating data. The plan is to begin by leveraging the customer bases of both companies to promote cross-selling between flexible packaging and SATO's solutions.

Investment Strategy for Focused Business Domains (2)

- Securing a Blood and Specimen SCM Project in Singapore

The second component of the "Strategic Investment in Focused Business Domains" pertains to blood and specimen supply chain management (SCM). The Company's strength lies in its proprietary PJM-RFID technology (patented), which enables high-precision data reading suitable for blood management. However, to expand its business globally, it is essential to build an ecosystem that connects blood bags, storage facilities, and blood management systems, in addition to the Company's proprietary technology. The Company has been advancing a partner strategy through M&A, investments, and collaborations, and has been developing solutions primarily in Europe and Asia. As a result of these efforts, the Company's PJM-RFID technology has begun to be adopted in a next-generation blood supply management system covering all of Singapore. To facilitate future expansion into other countries and regions, the company has established a global operational framework. Specifically, it is working to expand its pool of specialized talent, starting with the appointment of Mr. Nagumo—who has experience managing overseas operations at a major medical device manufacturer (Terumo)—as an executive officer.

Capital Allocation and Shareholder Returns

- Announcement of Treasury Stock Purchase

With regard to "Capital Allocation and Shareholder Returns", the Company's policy is to rely primarily on operating cash flow as the source of funds, while flexibly utilizing debt financing in a manner that takes into account financial soundness and the maintenance of credit ratings. In terms of capital allocation, the Company will prioritize carefully selected strategic investments, taking into account the cost of capital, and will also steadily make investments to strengthen its business foundation. Regarding shareholder returns, the Company's basic policy is to implement progressive dividends targeting a dividend on equity (DOE) of 3% or higher. Based on this, the Company will determine the timing, methods, and scale of additional returns by taking into account the progress of investments, future funding needs, financial flexibility, and capital market conditions. The ROE target for FY3/29 is set at 10.2%. Additionally, regarding the stock price, the Company aims to achieve a PBR of 1x or higher at the earliest opportunity. Concurrent with the announcement of its financial results (August 12), the Company announced a share buyback program (up to ¥2 billion, 1 million shares). The buyback period is from August 13,2026 to February 26, 2027, and the company plans to cancel all of the treasury shares to be acquired.

Figure 6. Income Statement (Qtly, ¥mn)

FY	3/26				3/27			
	Q1	Q2	Q3	Q4	Q1	Q2 CoE	H2 CoE	FY CoE
Net Sales	**37,829**	**40,419**	**43,507**	**41,679**	**44,621**	**41,479**	**85,900**	**172,000**
Cost of Sales	22,497	24,315	26,469	24,822	26,497			
Gross Profit	15,332	16,104	17,038	16,857	18,123			
Gross Profit Margin	40.5%	39.8%	39.2%	40.4%	40.6%			
SG&A Expenses	12,973	13,361	13,467	14,488	14,694			
SG&A Margin	34.3%	33.1%	31.0%	34.8%	32.9%			
Operating Income	**2,359**	**2,742**	**3,572**	**2,368**	**3,429**	**2,571**	**6,100**	**12,100**
OP Margin	6.2%	6.8%	8.2%	5.7%	7.7%	6.2%	7.1%	7.0%
Non-Operating Income/Expenses	-474	-167	-154	-366	-184			
Ordinary Income	**1,885**	**2,575**	**3,417**	**2,004**	**3,245**	**2,555**	**5,800**	**11,600**
Ordinary Income Margin	5.0%	6.4%	7.9%	4.8%	7.3%	6.2%	6.8%	6.7%
Extraordinary Gains/Losses	-67	7	-28	-1,444	11			
Pre-Tax Profit	1,819	2,580	3,390	560	3,255			
Corporate taxes, etc.	556	702	1,259	592	678			
(Corporate Tax Rate)	30.6%	27.2%	37.1%	-	20.8%			
Profit Attributable to Owners of Parent	**1,211**	**1,841**	**2,053**	**-19**	**2,538**	**1,362**	**3,800**	**7,700**
Net Profit Margin	3.2%	4.6%	4.7%	-	5.7%	3.3%	4.4%	4.5%

Source: Company Data, compiled by Strategy Advisors

4. Stock Price and Valuation

The Stock Price Is Currently Trading Around ¥2,700

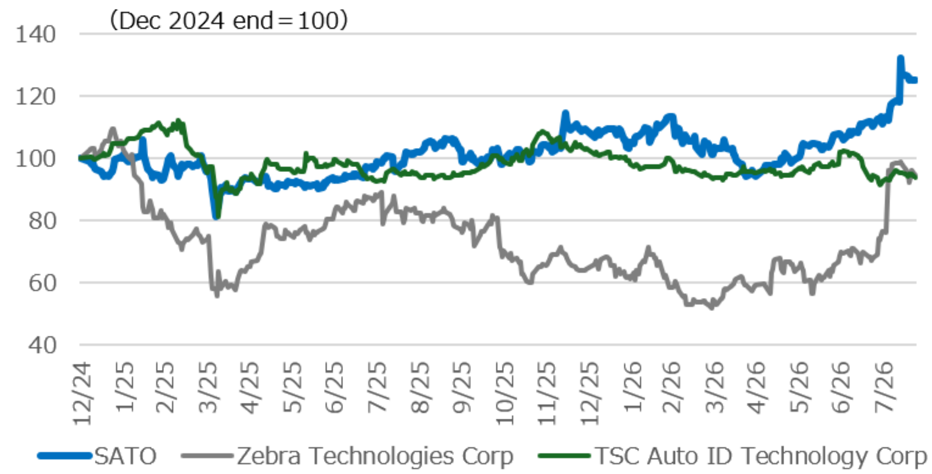
SATO ("the Company")'s stock price plummeted following President Trump's April 2025 announcement regarding the imposition of reciprocal tariffs. After hitting a low of ¥1,776 during regular trading on April 7, the stock rebounded and continued to rise steadily. Immediately following the mid-term plan update on December 16, the stock surged further, hitting a high of ¥2,565 during intraday trading the following day, December 16. In 2026, the stock price stabilized somewhat, trading within a range of ¥2,100 to ¥2,500, but rose following strong Q1 earnings. It is currently trading around ¥2,800.

Comparison with Label Printer Companies

We compare the company's stock price trends with those of other label printer manufacturers. Zebra Technologies, the leading competitor, saw its stock price remain sluggish in 2025 amid stagnant business performance. However, following strong results for Q2 (April–June) of FY12/26, its stock price has recently begun to rise.

Meanwhile, the company has entered a phase where it is steadily capturing new demand by addressing global social challenges—such as labor shortages and operational efficiency—through "Koto-uri" (Selling the solution, not the product). It is currently in the process of gradually transforming into a business model that is less susceptible to economic fluctuations. The content of its updated mid-term management plan has also been well-received. As a result, stock price volatility has been relatively contained, and the stock has shown greater stability compared to Zebra's stock price trends.

Figure 7. SATO & Label Printer Companies Stock Price Comparison



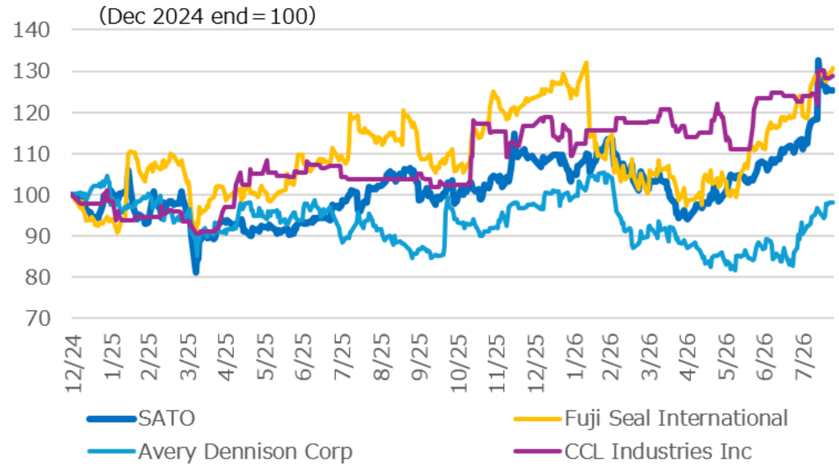
Source: Company Data, compiled by Strategy Advisors

Comparison with Consumables (Stickers) Companies

We also compare the company's stock price with that of consumables (Stickers) manufacturers. In a comparison of stock price performance with its primary competitor, Avery Dennison, the company held a slight edge through May 2026. However, Avery Dennison has recently made a slight comeback following the strong Q2 (April–June) earnings results announced at the end of July.

A key characteristic of the company is its business model, which emphasizes "selling the solutions", but this comes with the drawback of a high SG&A ratio relative to sales. The company aims to address this drawback by expanding its solutions business and increasing the value added by its operations. Currently, the company is implementing an aggressive sales expansion strategy, including efforts to increase production capacity for consumables overseas. Leveraging its unique business model—which encompasses both printers and consumables—to differentiate itself from competitors will be crucial for the company's stock price.

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



Source: Company Data, compiled by Strategy Advisors

Trends in PER and PBR Ratios

Figure 9 and 10 compare the company's profitability and valuation with those of label printer manufacturers, consumables manufacturers, and general printer-related companies. SATO's valuation remains low. Based on the company's forecast for FY3/27, the PER is 11.8x, and based on actual BPS for FY3/26, the PBR is 1.1x. The dividend yield based on the forecast for FY3/27 is 2.8%. The PER remains relatively low among competing companies. Although the PBR has finally exceeded 1x, it remains low when excluding general printer companies. Meanwhile, ROE fell from 9.7% in FY3/25 to 6.3% in FY3/26, partly due to extraordinary losses. While this places the company in the middle range when compared to general printer companies, it remains at a low level among its direct competitors.

Valuation Comparison with Peer Companies

In contrast, Zebra Technologies, the industry leader, has a PER of 17.3x and a PBR of 5.0x, while Avery Dennison, the leading consumables supplier, has a PER of 18.1x and a PBR of 6.3x; these two companies stand out as having significantly higher PER and PBR ratios than the rest of the industry. We are focusing on improvements in the company's ROIC (and ROE) as a means of breaking out of its current low-valuation state.

Upside Potential for the Stock Price

We believe the Company's stock price has upside potential going forward, driven by a rise in valuation resulting from improvements in ROIC (and ROE) accompanying business growth.

Reason (1): Overseas Primary Labels Business Has Bottomed Out

The first reason is that the struggling overseas Primary Labels business (particularly in Russia) has emerged from its worst period in FY3/26, and it is highly likely that it will not be a negative factor for earnings in FY3/27. Although Q1 results remained at a low level, they indicated that the business has bottomed out. We will continue to closely monitor the situation in Russia from Q2 onward.

Reason (2): Base Business Has Begun to Drive Growth

Second, the core base business (both in Japan and overseas) is expected to enter a phase where it drives earnings growth through the implementation of updated mid-term strategic initiatives. By region, key priorities going forward will be improving profitability in Japan and expanding the solution-based business overseas. Domestic sales of the new printer model—the first to feature the company's proprietary common platform—were exceptionally strong in Q1, and expectations are likely to rise for its overseas rollout starting in Q2 (the U.S. in July and Europe in September). Regarding "Smart Packaging", a key theme under the "commercialization of the Perfect and Unique Tagging concept", the company has clearly demonstrated its commitment to building a foundation for future business expansion through the acquisition of Hirano-ya Bussan. Furthermore, in the "Blood and Specimen SCM" segment, the company announced that it had secured large projects in Singapore thanks to its steady efforts to build a partner ecosystem. Overall, these developments demonstrate a positive management stance aimed at steadily advancing the process of commercializing the Perfect and Unique Tagging concept from a medium to long-term perspective.

Figure 9. Profitability Comparison with Peer Companies

Company Name	Code	FY	Curr.	Sales (¥mn)	OP (¥mn)	OPM (%)	ROE (%)	ROIC (%)	Equity Ratio (%)
SATO	**6287**	**3/26**	**JPY**	**163,434**	**11,041**	**6.8**	**6.3**	**7.7**	**58.6**
Zebra Technologies	ZBRA	12/25	USD	807,306	119,690	14.8	11.7	8.6	42.2
TSC Auto ID Technology	3611.TW	12/25	NTD	55,443	5,552	10.0	17.9	10.5	42.6
Fuji Seal International	7864	3/26	JPY	217,752	20,463	9.4	13.5	10.3	71.3
Avery Dennison	AVY	12/25	USD	1,324,888	168,134	12.7	30.2	14.4	25.5
Ricoh	7752	3/26	JPY	2,608,314	90,713	3.5	5.1	3.4	45.5
Canon	7751	12/25	JPY	4,624,727	455,390	9.8	9.7	7.3	56.9
Seiko Epson	6724	3/26	JPY	1,413,251	49,558	3.5	2.2	1.7	55.6
Brother Industries	6448	3/26	JPY	893,464	77,868	8.7	9.3	7.7	74.9
Konica Minolta	4902	3/26	JPY	1,087,738	49,869	4.6	6.1	4.3	43.4

Source: Company Data, compiled by Strategy Advisors

Figure 10. Valuation Comparison with Peer Companies

Company Name	Code	FY	Curr.	Stock Price (8/25)	Market Cap. (¥mn)	PER (CoE, x)	PBR (Actual, x)	EV/ EBITDA (x)	Dividend Yield (CoE, %)	ROE (CoE, %)
SATO	**6287**	**3/26**	**JPY**	**2,824**	**91,693**	**11.8**	**1.1**	**4.6**	**2.8**	**8.9**
Zebra Technologies	ZBRA	12/25	USD	363	2,735,292	17.3	5.0	13.4	-	20.6
TSC Auto ID Technology	611.TW	12/25	NTD	186	44,128	9.3	1.6	-	-	15.0
Fuji Seal International	7864	3/26	JPY	3,330	177,708	11.6	1.1	4.9	2.6	9.3
Avery Dennison	AVY	12/25	USD	184	2,215,471	18.1	6.3	11.4	-	33.2
Ricoh	7752	3/26	JPY	1,677	947,197	15.1	0.8	6.0	2.6	5.3
Canon	7751	12/25	JPY	4,609	3,914,602	11.6	1.2	6.4	3.5	9.8
Seiko Epson	6724	3/26	JPY	3,117	998,773	14.5	1.2	5.3	2.6	8.0
Brother Industries	6448	3/26	JPY	4,660	1,152,593	14.6	1.5	7.0	2.1	9.6
Konica Minolta	4902	3/26	JPY	651	321,894	11.3	0.6	5.6	2.8	5.2

Note: For overseas companies, as of Aug. 24, 2026 closing price. ROE 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	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26	3/27CoE
Net Sales	**116,179**	**116,372**	**109,052**	**124,783**	**142,824**	**143,446**	**154,807**	**163,434**	**172,000**
Cost of Sales	65,503	66,193	63,317	74,385	86,140	84,329	91,337	98,103	
Gross Profit	50,676	50,179	45,735	50,398	56,684	59,117	63,470	65,331	
Gross Profit Margin	43.6%	43.1%	41.9%	40.4%	39.7%	41.2%	41.0%	40.0%	
SG&A Expenses	42,997	42,718	39,888	43,994	47,843	48,733	51,129	54,289	
Operating Income	**7,679**	**7,461**	**5,847**	**6,404**	**8,841**	**10,383**	**12,341**	**11,041**	**12,100**
OP Margin	6.6%	6.4%	5.4%	5.1%	6.2%	7.2%	8.0%	6.8%	7.0%
Non-Operating Income	569	324	393	404	610	804	863	908	
Non-Operating Expenses	629	1,213	719	751	384	2,226	2,060	2,069	
Ordinary Profit	**7,618**	**6,571**	**5,521**	**6,057**	**9,068**	**8,961**	**11,144**	**9,881**	**11,600**
Ordinary Profit Margin	6.6%	5.6%	5.1%	4.9%	6.3%	6.2%	7.2%	6.0%	6.7%
Extraordinary Profit	11	824	10,454	49	37	42	1,220	59	
Extraordinary Loss	1,057	6,760	1,519	143	1,958	3,341	702	1,591	
Income Before Income Taxes	6,573	636	14,457	5,963	7,147	5,662	11,662	8,349	
Income Taxes – Current	2,971	2,076	1,403	1,958	2,760	2,246	2,568	2,691	
Income Taxes – Deferred	-182	536	-10	47	-570	-784	1,262	418	
Total Income Taxes	2,789	2,612	1,393	2,005	2,190	1,462	3,830	3,109	
(Corporate Tax Rate)	42.4%	410.7%	9.6%	33.6%	30.6%	25.8%	32.8%	37.2%	
Profit Attributable to Owners of Parent	**3,773**	**-1,882**	**12,959**	**3,794**	**4,184**	**3,565**	**7,151**	**5,086**	**7,700**
Net Profit Margin	3.2%	-1.6%	11.9%	3.0%	2.9%	2.5%	4.6%	3.1%	4.5%
EPS (¥)	**112.46**	**-56.06**	**385.86**	**112.74**	**126.66**	**110.02**	**220.39**	**156.69**	**239.29**

Source: Company Data, compiled by Strategy Advisors

Figure 12. Balance Sheet (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26
Current Assets	**59,367**	**66,195**	**74,641**	**81,950**	**81,137**	**86,268**	**91,558**	**94,274**
Cash and Deposits	16,837	23,796	33,037	29,854	21,923	25,078	27,481	28,312
Accounts Receivable	25,522	23,766	24,878	26,688	27,113	28,617	29,697	31,020
Accounts Receivable and Unearned Revenue	1,834	3,759	1,784	2,177	1,763	1,994	2,123	2,014
Inventory	13,453	13,053	13,072	20,418	26,854	27,135	28,955	29,632
Others	1,721	1,821	1,870	2,813	3,484	3,444	3,302	3,296
Allowance For Doubtful Accounts	-153	-185	-236	-234	-230	-451	-275	-389
Fixed Assets	**48,206**	**36,952**	**34,671**	**38,054**	**41,721**	**46,188**	**48,198**	**51,184**
Tangible Fixed Assets	30,720	28,936	27,306	30,390	32,331	36,406	38,725	41,765
Intangible Fixed Assets	11,933	3,688	3,356	3,256	4,372	3,841	5,362	6,257
Investments and Other Assets	5,552	4,326	4,007	4,407	5,017	5,941	4,110	3,161
Investment Securities	1,607	1,188	1,192	1,479	928	1,122	163	155
Deferred Tax Assets	1,865	1,311	1,011	1,087	2,132	2,919	1,899	1,153
Others	2,080	1,827	1,804	1,841	1,957	1,900	2,048	1,853
Total Assets	**107,574**	**103,147**	**109,312**	**120,005**	**122,858**	**132,457**	**139,757**	**145,459**
Current Liabilities	**36,904**	**41,492**	**36,988**	**42,071**	**44,963**	**43,064**	**41,677**	**38,489**
Trade Payables	18,954	18,095	17,740	20,644	19,360	19,402	16,705	14,133
Accounts Payable and Accrued Expenses	2,835	2,566	3,080	4,705	4,212	4,399	4,920	5,043
Interest-Bearing Debt	4,966	8,549	4,792	4,720	7,722	5,085	4,556	2,575
Advance Payment	0	4,915	5,536	6,820	7,322	7,518	7,761	8,582
Deferred Tax Liabilities	0	0	0	0	0	0	0	0
Others	10,149	7,367	5,840	5,182	6,347	6,660	7,735	8,156
Fixed Liabilities	**14,000**	**12,832**	**12,862**	**13,426**	**10,200**	**15,307**	**17,842**	**17,384**
Interest -Bearing Debt	10,917	9,798	10,555	11,011	7,795	12,562	14,934	14,690
Retirement Benefits/Salary Reserves	1,843	1,800	1,193	1,227	1,002	1,065	975	1,006
Others	1,240	1,234	1,114	1,188	1,403	1,680	1,933	1,688
Net Assets	**56,668**	**48,823**	**59,462**	**64,508**	**67,694**	**74,085**	**80,237**	**89,585**
Shareholders' Equity	56,245	51,999	62,646	64,144	63,451	63,149	68,012	70,623
Capital and Surplus	16,205	16,206	16,208	16,233	16,232	16,231	13,815	13,815
Retained Earnings	42,624	38,345	48,974	50,256	52,061	51,718	56,461	59,070
Treasury Stock	-2,584	-2,552	-2,537	-2,345	-4,842	-4,801	-2,265	-2,262
Accumulated Other Comprehensive Income	-870	-4,206	-4,372	-1,008	2,001	8,127	8,528	14,685
Stock Acquisition Rights	57	39	28	28	28	19	12	12
Non-Controlling Interests	1,235	990	1,159	1,343	2,213	2,789	3,685	4,263
Liabilities and Net Assets	**107,574**	**103,147**	**109,312**	**120,005**	**122,858**	**132,457**	**139,757**	**145,459**
Interest -Bearing Debt	15,960	18,425	15,428	15,817	15,600	17,734	19,578	17,352
Equity Ratio	51.5%	46.3%	53.3%	52.6%	53.3%	53.8%	54.8%	58.6%
D/E Ratio	0.29	0.39	0.26	0.25	0.24	0.25	0.26	0.20

Source: Company Data, compiled by Strategy Advisors

Figure 13. Cash Flow Statement (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26
Cash Flows from Operating Activities								
Profit Before Tax	6,573	636	14,457	5,963	7,147	5,662	11,662	8,349
Depreciation	4,489	5,043	4,092	4,220	4,855	4,926	5,414	5,973
Amortization of Goodwill	1,081	871	223	236	264	146	127	14
Impairment Loss	1,024	6,397	448	11	0	2,168	631	1,241
Profit/Loss On Sale of Fixed Assets	-11	-711	-10,414	-30	-4	-32	-29	-55
Increase/Decrease in Accounts Receivable	-1,093	1,006	-598	-1,633	35	-953	-1,199	-59
Increase/Decrease in Accounts Payable	713	-139	-867	2,557	-1,827	-816	-2,152	-2,986
Increase/Decrease in Inventory	-2,254	-291	183	-6,288	-5,907	1,297	-1,647	1,482
Increase/Decrease in Accounts Payable	-188	-96	221	580	378	106	542	-56
Receipts of Interest and Dividends	143	121	93	140	301	613	568	568
Interest Payment	-140	-187	-220	-217	-252	-340	-679	-662
Corporate Tax Paid	-1,391	-2,469	-1,510	-1,505	-2,230	-2,766	-2,329	-1,655
Others	419	1,078	-302	-732	2,430	2,552	1,562	1,119
Total	9,365	11,259	5,806	3,302	5,190	12,563	12,471	13,273
Cash Flows from Investing Activities								
Income and Expenditures from Acquisition and Sale of Tangible Fixed Assets	-3,672	-2,858	-3,516	-2,550	-5,247	-5,657	-5,736	-5,032
Income and Expenditures from Acquisition and Sale of Intangible Fixed Assets	-545	411	13,564	-1,053	-1,903	-2,018	-3,251	-2,963
Income and Expenditure from Fixed Term Deposits	33	0	-10,000	-201	9,562	282	-729	-98
Income and Expenditures from Acquisition and Sale of Subsidiary Shares	0	0	-169	0	0	-617	0	0
Others	-1,028	-2	19	66	-122	76	1,508	-24
Total	-5,212	-2,449	-102	-3,738	2,290	-7,934	-8,208	-8,117
Cash Flows from Financing Activities								
Net Increase/Decrease in Short-Term Borrowings	-101	2,683	-3,522	-262	-295	-3,154	-333	-2,102
Net Increase/Decrease in Long-Term Borrowings	-386	-977	-27	-15	-21	4,924	2,396	-72
Expenditures From Sales of Treasury Stock	0	0	0	0	0	0	0	0
Repayment Of Lease Obligations	-752	-621	-1,251	-1,345	-1,116	-1,214	-1,734	-1,482
Dividend Payment	-2,293	-2,393	-2,329	-2,362	-2,376	-2,337	-2,404	-2,474
Expenditures For Acquisition of Treasury Stock	0	0	0	0	-2,500	0	-1	-1
Others	-2	-3	-2	-3	-1	30	-1	-3
Total	-3,534	-1,311	-7,131	-3,987	-6,309	-1,751	-2,077	-6,134
Exchange Differences on Cash	-214	-626	629	983	438	473	-403	1,529
Cash Increase/Decrease	404	6,871	-798	-3,439	1,610	3,350	1,781	550
Cash Beginning Balance	16,026	16,430	23,379	22,580	19,140	20,751	24,102	25,883
Ending Cash Balance	16,430	23,379	22,580	19,140	20,751	24,102	25,883	26,434

Source: Company Data, compiled by Strategy Advisors

Figure 14. Key Indicators

	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26
EPS (¥)	112.46	-56.06	385.86	112.74	126.66	110.02	220.39	156.69
BPS (¥)	1,649.86	1,423.30	1,735.04	1,874.97	2,020.83	2,199.41	2,357.76	2,627.77
DPS (¥)	70.0	70.0	70.0	70.0	72.0	73.0	75.0	76.0
Dividend Payout Ratio	62.2%	-24.9%	18.1%	62.1%	56.8%	66.4%	34.0%	48.5%
#. of Shares Issued ('000)	34,921	34,921	34,921	34,921	34,921	34,921	33,636	33,636
Treasury Stock ('000)	1,358	1,342	1,334	1,248	2,532	2,514	1,173	1,171
# of Shares (Excl. Treasury Stock, '000)	33,564	33,579	33,587	33,673	32,389	32,407	32,463	32,465
Average # of Shares (Excl. Treasury Stock, '000)	33,558	33,571	33,587	33,654	33,035	32,403	32,449	32,465
Equity Ratio	51.5%	46.3%	53.3%	52.6%	53.3%	53.8%	54.8%	58.6%
Interest-Bearing Debt (¥mn)	15,960	18,425	15,428	15,817	15,600	17,734	19,578	17,352
Net Interest-Bearing Debt (¥mn)	-877	-5,371	-17,609	-14,037	-6,323	-7,344	-7,903	-10,960
D/E Ratio	0.29	0.39	0.26	0.25	0.24	0.25	0.26	0.20
Net D/E Ratio	-0.02	-0.11	-0.30	-0.22	-0.10	-0.10	-0.10	-0.13
OP Margin	6.6%	6.4%	5.4%	5.1%	6.2%	7.2%	8.0%	6.8%
EBITDA (¥mn)	13,249	13,375	10,162	10,860	13,961	15,456	17,884	17,028
EBITDA Margin	11.4%	11.5%	9.3%	8.7%	9.8%	10.8%	11.6%	10.4%
ROE	6.8%	-3.6%	24.4%	6.2%	6.5%	5.2%	9.7%	6.3%
ROIC	7.5%	7.5%	5.8%	5.8%	7.7%	8.5%	9.3%	7.7%
Number of Employees	5,307	5,429	5,451	5,656	5,637	5,744	5,986	6,012

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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