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## **Notice on Extraordinary Loss, Revision to Financial Results Forecasts and Cuts in Executive Pay**

For the fourth quarter of the fiscal year 2025 (ended March 31, 2026), SATO Corporation recorded an extraordinary loss as detailed below. We consequently revised our consolidated financial results forecasts for the full fiscal year 2025 which we announced on November 12, 2025. In the light of these developments, we are implementing cuts in executive pay.

### **1. Details of extraordinary loss**

Since the fiscal year 2020 (ended March 2021), we have been developing a new backbone system to replace our current one, with the aim of improving business processes and renewing part of the systems that have become outdated.

In the fiscal year 2023 (ended March 2024), we determined that some of the functions in the initial plan would be difficult to implement and therefore revised the plan to limit the scope to a phased replacement of the backbone system, the consumables production system and the maintenance service system.

Of these, development for the backbone system and the consumables production system is progressing according to the revised plan. However, in the development for the maintenance service system, we faced the following critical issues:

- A) Need for significant customization on the standard system
- B) Delays against the plan caused by development quality issues

After internal evaluation and consultation of third party experts on these issues, we concluded that it was not reasonable to continue with the plan. Accordingly, in compliance with Japan's Accounting Standard for Impairment of Fixed Assets, we recognized an impairment loss (under extraordinary losses) for the fourth quarter of the fiscal year 2025 (ended March 2026) on the fixed assets (software in progress) that would not be available for use as planned. Included in the loss are outsourcing costs, internal personnel costs and relevant license fees. The impact on our consolidated financial results is shown below.

### **Impact on consolidated results**

Impairment of approximately 1.3 billion yen on fixed assets recorded under extraordinary losses

## 2. Revisions to financial results forecasts

A) We have revised consolidated financial results forecasts for the fiscal year 2025 (ended March 31, 2026) as detailed below.

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecasts (A)	161,000	11,000	10,100	6,800	209.46
Revised forecasts (B)	161,000	11,000	10,100	5,800	178.66
Change (B-A)	0	0	0	△1,000	△30.80
Percentage change (%)	0	0	0	△14.7	△14.7
(Ref.) Consol. results for previous fiscal year (ended March 2025)	154,807	12,341	11,144	7,151	220.39

B) Reason for revising financial results forecasts

Due to the extraordinary loss mentioned above, profit attributable to owners of the parent company is expected to decrease to 5.8 billion yen.

## 3. Dividend forecast

The year-end dividend forecast remains unchanged at 38 yen per share, consistent with the previously announced forecast.

## 4. Cuts in executive pay

In the light of the impairment loss and the subsequent revision to financial results forecasts, the company has decided to reduce executive compensation. This decision underscores our commitment to operational accountability.

A) Details of cuts in executive pay

Representative Director, President and Group CEO:	20% reduction in monthly remuneration
Director and Vice President:	20% reduction in monthly remuneration

B) Applicable period

Effective for three months from April to June 2026

(Note) The forecasts in this announcement are based on information available to us as of the date of publication. Actual financial results may differ materially from these forecasts due to various factors.

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