

Consolidated Financial Report for the March 2024 Term

<Under Japanese GAAP>

May 15, 2024

SATO HOLDINGS CORPORATION

Company code: 6287
 Website: www.sato-global.com
 Shares traded on: TSE Prime
 Executive position of legal representative: Hiroyuki Konuma, Representative Director,
 President and Group CEO
 Please address all communications to: Osamu Masuko, Executive Officer and CFO
 Phone: +81-3-6628-2423
 Date of General Meeting of Shareholders: June 21, 2024
 Commencement date of dividend payments: June 24, 2024
 Scheduled submission date for annual securities report: June 24, 2024
 Supplementary explanatory materials for financial results: Available
 Holding of meeting to explain financial results (for analysts and institutional investors): Yes

1. Consolidated operating results for fiscal year 2023 (from April 1, 2023 to March 31, 2024)

(1) Consolidated financial results

(Percentage figures show year-on-year change)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	143,446	0.4	10,383	17.4	8,961	(1.2)	3,565	(14.8)
March 31, 2023	142,824	14.5	8,841	38.1	9,068	49.7	4,184	10.3

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥8,568 million (6.3%)
 Fiscal year ended March 31, 2023: ¥8,063 million (9.8%)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity ratio	Ratio of ordinary income to total asset	Ratio of operating income to net sales
	Yen	Yen	%	%	%
March 31, 2024	110.02	110.00	5.2	7.0	7.2
March 31, 2023	126.66	126.61	6.5	7.5	6.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	132,457	74,085	53.8	2,199.41
March 31, 2023	122,858	67,694	53.3	2,020.83

(Note) Total equity: As of March 31, 2024: ¥71,276 million
As of March 31, 2023: ¥65,452 million

(3) Consolidated cash flows statement

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	12,563	(7,934)	(1,751)	24,102
March 31, 2023	5,190	2,290	(6,309)	20,751

2. Dividends

	Annual dividend per share					Total dividends paid	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year 2022	–	36.00	–	36.00	72.00	2,367	56.8	3.7
Fiscal year 2023	–	36.00	–	37.00	73.00	2,372	66.4	3.5
Fiscal year 2024 (Forecast)	–	37.00	–	37.00	74.00		37.5	

3. Consolidated forecasts for fiscal year 2024 (from April 1, 2024 to March 31, 2025)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
Six months	73,600	5.5	4,800	3.9	4,700	9.1	2,900	45.6	89.50
Full year	151,000	5.3	10,400	0.2	10,200	13.8	6,400	79.5	197.51

*** Notes**

(1) Changes in subsidiaries during the term (changes resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and estimates, and restatement of prior-period financial statements after error corrections

1) Changes in accounting policies due to revisions to accounting standards: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement of prior-period financial statements after error corrections: None

(3) Number of issued shares (common shares)

1) Number of issued shares (including treasury shares) at the end of term:

As of March 31, 2024: 34,921,242 shares

As of March 31, 2023: 34,921,242 shares

2) Number of treasury shares at the end of term:

As of March 31, 2024: 2,513,996 shares

As of March 31, 2023: 2,532,252 shares

3) Average number of shares during the term:

Fiscal year ended March 31, 2024: 32,402,802 shares

Fiscal year ended March 31, 2023: 33,034,852 shares

*** Financial reports are not subject to audit conducted by certified public accountants or audit firms.**

*** Explanation about the proper use of consolidated forecasts and other notes**

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Any statements herein do not assure particular results by the Company. Results may differ from the consolidated forecasts due to various factors. Please refer to page 4 of the attached materials for assumptions behind the consolidated forecasts and cautions concerning the use thereof.

Attached Materials

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1. Overview of Financial Performance and Others

(1) Overview of financial performance during fiscal year 2023

The SATO Group, with its vision to “be the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world,” conducted its business for the fiscal year under review based on management principles, growth strategies and business targets defined in its Medium-term Management Plan that had set FY 2023 as the final year of its scope.

We concentrate resources on our auto-ID solutions business, which involves offering solutions centered on tagging — the process of physically attaching information to things and people — for customers operating in diverse markets and industries, so that on-site information can be collected in real time, converted into meaningful data, and fed to their core IT systems to optimize individual worksites, supply chains and even the circular economy. With this data that provides visibility into frontline operations, we help businesses and societies run smoothly so as to achieve “Tagging for Sustainability” and contribute toward a better and more sustainable world in the long term. To grow our business and profit sustainably, we had set the following three priority agendas to be coordinated toward the goal, to which we work for looking into multiple angles to make strategic investments and allocate resources with precision.

(i) Global business strategies: To grow our overseas business by applying our auto-ID solutions horizontally across multiple customers/industries with the same pain points, and to improve the selling and earning capabilities of our Japan business from value chain perspectives.

(ii) Innovation and R&D: To advance our tagging technologies (automation, RFID, sensors, software, etc.) and establish businesses for “Tagging for Sustainability” by shifting to data-driven business and entering new domains.

(iii) Sustainability management: To create value for customers and society through our value propositions and response to climate change, and to increase our corporate value with strong corporate governance and human capital management.

Despite concerns of economic slowdown due to rising interest rates and other factors in Europe and the Americas, demand for auto-ID solutions outside Japan in the fiscal year under review was firm, and we closed an increasing number of deals for market/industry-specific solutions, particularly in Asia and Oceania. As such, our consolidated sales and operating income reached record highs.

Also in the fiscal year under review, accounting adjustments were made to the financial statements of our Argentine subsidiaries in accordance with “Financial Reporting in Hyperinflationary Economies” (IAS 29), and the effect of these adjustments was recorded in non-operating expenses as a loss on net monetary position.

As a result, the SATO Group posted net sales of ¥143,446 million (up 0.4% from the previous fiscal year), operating income of ¥10,383 million (up 17.4%), ordinary income of ¥8,961 million (down 1.2%), and net income attributable to owners of parent of ¥3,565 million (down 14.8%).

Performance by segment is as follows.

Auto-ID solutions (Japan)

Net sales increased, thanks to price revisions on our consumables products and increased sales for RFID-related solutions. Segment profit decreased year on year, however, due to the effect of rising raw material costs and other factors, despite adequate control of SG&A expenses.

As for sales by market, mechatronics and consumables sales both increased, with labor shortages driving demand for warehouse automation in the logistics sector. In addition, consumables sales in the health care sector increased from heightened demand driven by a greater number of outpatients at medical institutions. In manufacturing, sales of mechatronics increased, contributed by renewal demand for printers and other products on the back of recovery in automobile production, in addition to automation-related deals in the chemical industry. On the other hand, our sales in retail decreased year on year because of the absence of large-scale mechatronics deals from the e-commerce industry that were recorded in the previous fiscal year.

Under these circumstances, net sales increased 1.8% to ¥75,514 million, and segment profit decreased 34.6% to ¥1,724 million, compared with the previous fiscal year.

Auto-ID solutions (Overseas)

Outside Japan, while we increased sales in Asia and Oceania by steadily capturing firm demand, net sales declined in the Americas and Europe as major customers were less inclined to make new investments for fear of recession, but segment profit increased.

For our base business, printer inventory adjustments at US distributors continued through the third quarter, but these adjustments ran their course in the fourth quarter and sales began to increase. In Europe, profit increased as shipping costs normalized owing to less use of air freights as “emergency” means of transport and projects with low gross margin were eliminated. In Asia and Oceania, sales and profit increased due to the contribution of large-scale deals at the Australian sales subsidiary and the recovery trend in the manufacturing market at the Chinese sales subsidiary.

Our companies specializing in primary labels increased sales and profit on a local currency basis, thanks to strong demand from essential industries (that provide daily commodities such as food, beverages and sanitary supplies) since the previous fiscal year and steady progress with price revisions. However, in yen-denominated terms, sales declined while profit increased, absorbing foreign currency effects.

Under these circumstances, net sales decreased 1.1% to ¥67,931 million (increase of 4.8%, excluding foreign currency effects), and segment profit increased 15.9% to ¥8,243 million, compared with the previous fiscal year.

(2) Overview of financial position at the end of fiscal year 2023

At the end of the fiscal year, the balance of current assets increased by ¥5,131 million to ¥86,268 million (from ¥81,137 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥3,150 million in cash and deposits, ¥1,503 million in notes and accounts receivable (-trade) and contract assets, ¥228 million in work in process, and ¥231 million in accounts receivable (-other). The balance of non-current assets increased by ¥4,467 million to ¥46,188 million (from ¥41,721 million at the end of the previous fiscal year). This was primarily due to an increase of ¥4,074 million in property, plant and equipment, a decrease of ¥530 million in intangible assets, and an increase of ¥923 million in investments and other assets.

The balance of current liabilities decreased by ¥1,898 million to ¥43,064 million (from ¥44,963 million at the end of the previous fiscal year). This was mainly due to a decrease of ¥2,631 million in short-term borrowings and increases of ¥440 million in provision for bonuses and ¥321 million in electronically recorded obligations (-operating). The balance of non-current liabilities increased by ¥5,107 million to ¥15,307 million (from ¥10,200 million at the end of the previous fiscal year), primarily due to increases of ¥4,753 million in long-term borrowings and ¥63 million in retirement benefit liability.

At the end of the fiscal year, the balance of net assets increased by ¥6,390 million to ¥74,085 million (from ¥67,694 million at the end of the previous fiscal year), primarily due to a decrease of ¥342 million in retained earnings and increases of ¥837 million in valuation difference on available-for-sale securities and ¥5,416 million in foreign currency translation adjustment.

(3) Overview of cash flows during fiscal year 2023

At the end of the fiscal year under review, cash and cash equivalents stood at ¥24,102 million, an increase of ¥3,350 million from the end of the previous fiscal year.

Cash flows from operating activities

Cash flow from operating activities was positive at ¥12,563 million.

This resulted primarily from cash inflows including ¥5,662 million of income before income taxes, ¥4,926 million of depreciation and amortization, ¥2,168 million of impairment losses, and a ¥1,297 million decrease in inventories, and cash outflows including ¥2,766 million of income taxes paid.

Cash flows from investing activities

Cash flow from investing activities was negative at ¥7,934 million.

This was primarily due to proceeds of ¥1,338 million from withdrawal of time deposits, and expenditures of ¥5,657 million for purchase of property, plant and equipment, ¥2,065 million for purchase of intangible assets, and ¥1,056 million for payments into time deposits.

Cash flows from financing activities

Cash flow from financing activities was negative at ¥1,751 million.

This resulted primarily from cash inflows including ¥7,936 million proceeds from long-term borrowings, and cash outflows including ¥2,337 million dividends paid, ¥3,012 million repayment of long-term borrowings, and ¥1,214 million repayment of lease obligations.

Trend in cash flow indices

Fiscal year ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Equity ratio (%)	53.3	52.6	53.3	53.8
Equity ratio based on market value (%)	88.6	48.2	57.7	56.2
Ratio of cash flow to interest-bearing debt (%)	265.7	479.0	300.6	141.2
Interest coverage ratio (times)	26.4	15.2	20.5	36.9

(Notes)

The equity ratio is equal to shareholders' equity divided by total assets.

The equity ratio based on market value is equal to total stock market capitalization divided by total assets.

The ratio of cash flow to interest-bearing debt is equal to interest-bearing debts divided by operating cash flow.

The interest coverage ratio is equal to operating cash flow divided by interest payments.

- * All the above indicators are calculated on a consolidated basis.
- * Total stock market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the number of issued shares (excluding treasury shares) as of the corresponding fiscal year-end.
- * Operating cash flow equals total net cash flows provided by operating activities as stated in the consolidated statements of cash flows. Interest-bearing debts include all debts on which interest is paid, as stated in the consolidated balance sheets. Interest payments are equal to interest paid as stated in the consolidated statements of cash flows.

(4) Forecasts

Considering recent business developments, changes in business environment, and operating results for the fiscal year under review, the SATO Group set its 2030 vision on creating a future where “Perfect and Unique Tagging” will “give every ‘thing’ its own ID so it connects with the world,” and drafted a five-year Medium-term Management Plan (FY 2024-FY 2028). (Details can be found in the briefing materials for the Medium-term Management Plan uploaded on the Company’s website.)

We have prepared forecasts for the fiscal year ending March 31, 2025 (first year of the Medium-term Management Plan), as follows.

Consolidated forecasts for the fiscal year ending March 31, 2025

Net sales	¥151,000 million	(increase by 5.3% year on year)
Operating income	¥10,400 million	(increase by 0.2% year on year)
Ordinary income	¥10,200 million	(increase by 13.8% year on year)
Net income attributable to owners of parent	¥6,400 million	(increase by 79.5% year on year)

The foreign exchange rates assumed in the above forecasts are US\$1 = ¥145 and €1 = ¥155.

Forward-looking statements, including the consolidated forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ from the consolidated forecasts due to various factors.

2. Our Basic Stance regarding Selection of Accounting Standards

The SATO Group chooses to use Japanese GAAP for accounting because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRSs) in Europe.

With regard to future adoption of IFRSs, the Group will give due consideration to domestic and international circumstances and take action accordingly.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

Unit: Millions of yen

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	21,879	25,029
Notes and accounts receivable - trade, and contract assets	27,113	28,617
Securities	44	49
Merchandise and finished goods	13,685	13,691
Work in process	590	818
Raw materials and supplies	12,579	12,626
Accounts receivable - other	1,763	1,994
Other	3,712	3,892
Allowance for doubtful accounts	(230)	(451)
Total current assets	81,137	86,268
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,521	25,549
Accumulated depreciation	(8,558)	(10,140)
Buildings and structures, net	13,962	15,409
Machinery, equipment and vehicles	32,172	35,033
Accumulated depreciation	(20,569)	(22,117)
Machinery, equipment and vehicles, net	11,602	12,915
Tools, furniture and fixtures	8,096	9,330
Accumulated depreciation	(5,837)	(6,559)
Tools, furniture and fixtures, net	2,258	2,771
Land	3,776	3,936
Construction in progress	730	1,373
Total property, plant and equipment	32,331	36,406
Intangible assets		
Goodwill	222	380
Software	1,780	1,541
Software in progress	1,682	1,157
Other	687	763
Total intangible assets	4,372	3,841
Investments and other assets		
Investment securities	928	1,122
Long-term loans receivable	0	–
Guarantee deposits	1,493	1,489
Deferred tax assets	2,132	2,919
Retirement benefit asset	17	20
Other	466	410
Allowance for doubtful accounts	(20)	(23)
Total investments and other assets	5,017	5,941
Total non-current assets	41,721	46,188
Total assets	122,858	132,457

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,379	7,099
Electronically recorded obligations - operating	11,981	12,303
Short-term borrowings	6,364	3,732
Lease obligations	1,358	1,353
Contract liabilities	7,322	7,518
Accounts payable - other	4,212	4,399
Provision for contract loss	–	42
Income taxes payable	1,082	558
Provision for bonuses	598	1,038
Provision for product warranties	98	116
Other provisions	812	1,026
Other	3,751	3,874
Total current liabilities	44,963	43,064
Non-current liabilities		
Long-term borrowings	3,613	8,366
Lease obligations	4,182	4,196
Retirement benefit liability	1,002	1,065
Provision for share-based remuneration for directors (and other officers)	108	156
Other provisions	227	262
Provision for contract loss	–	123
Other	1,065	1,136
Total non-current liabilities	10,200	15,307
Total liabilities	55,163	58,372
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,764	7,763
Retained earnings	52,061	51,718
Treasury shares	(4,842)	(4,801)
Total shareholders' equity	63,451	63,149
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(408)	429
Foreign currency translation adjustment	2,272	7,689
Remeasurements of defined benefit plans	136	9
Total accumulated other comprehensive income	2,001	8,127
Share acquisition rights	28	19
Non-controlling interests	2,213	2,789
Total net assets	67,694	74,085
Total liabilities and net assets	122,858	132,457

(2) Consolidated statements of (comprehensive) income

Consolidated statements of income

Unit: Millions of yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	142,824	143,446
Cost of sales	86,139	84,328
Gross profit	56,684	59,117
Selling, general and administrative expenses	47,843	48,733
Operating income	8,841	10,383
Non-operating income		
Interest income	257	612
Dividend income	43	9
Purchase discounts	25	14
Rental income	11	21
Foreign exchange gains	31	–
Settlement income	–	99
Other	240	45
Total non-operating income	610	804
Non-operating expenses		
Interest expenses	252	357
Foreign exchange losses	–	730
Loss on valuation of securities	–	35
Loss on net monetary position	–	767
Factoring fee	–	114
Other	131	221
Total non-operating expenses	384	2,226
Ordinary income	9,068	8,961
Extraordinary income		
Gain on sale of non-current assets	17	42
Gain on sale of shares of subsidiaries and associates	20	–
Other	–	0
Total extraordinary income	37	42
Extraordinary losses		
Loss on sale of non-current assets	12	9
Loss on retirement of non-current assets	44	43
Impairment losses	–	2,168
Loss on valuation of investment securities	–	950
Provision for contract loss	–	165
Loss on business restructuring	3	1
Retirement benefit expenses	1,898	0
Total extraordinary losses	1,958	3,341
Income before income taxes	7,147	5,662
Income taxes - current	2,760	2,246
Income taxes - deferred	(570)	(784)
Total income taxes	2,189	1,462
Net income	4,957	4,200
Net income attributable to non-controlling interests	773	635
Net income attributable to owners of parent	4,184	3,565

Consolidated statements of comprehensive income

Unit: Millions of yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income	4,957	4,200
Other comprehensive income		
Valuation difference on available-for-sale securities	(573)	837
Foreign currency translation adjustment	1,691	3,657
Remeasurements of defined benefit plans, net of tax	1,988	(127)
Total other comprehensive income	3,106	4,368
Comprehensive income	8,063	8,568
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,194	7,992
Comprehensive income attributable to non-controlling interests	869	575

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,765	50,256	(2,345)	64,144
Changes during period					
Dividends of surplus			(2,379)		(2,379)
Net income attributable to owners of parent			4,184		4,184
Purchase of treasury shares				(2,500)	(2,500)
Disposal of treasury shares		(0)		4	3
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	1,804	(2,496)	(692)
Balance at end of period	8,468	7,764	52,061	(4,842)	63,451

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	164	678	(1,851)	(1,008)	28	1,343	64,508
Changes during period							
Dividends of surplus						(0)	(2,379)
Net income attributable to owners of parent							4,184
Purchase of treasury shares							(2,500)
Disposal of treasury shares							3
Net changes in items other than shareholders' equity	(573)	1,594	1,988	3,010		869	3,879
Total changes during period	(573)	1,594	1,988	3,010	–	869	3,186
Balance at end of period	(408)	2,272	136	2,001	28	2,213	67,694

Fiscal year ended March 31, 2024

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,764	52,061	(4,842)	63,451
Hyperinflation adjustment			(1,567)		(1,567)
Restated balance	8,468	7,764	50,494	(4,842)	61,884
Changes during period					
Dividends of surplus			(2,340)		(2,340)
Net income attributable to owners of parent			3,565		3,565
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(1)		41	40
Net changes in items other than shareholders' equity					
Total changes during period	–	(1)	1,224	40	1,264
Balance at end of period	8,468	7,763	51,718	(4,801)	63,149

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(408)	2,272	136	2,001	28	2,213	67,694
Hyperinflation adjustment		1,699		1,699			132
Restated balance	(408)	3,971	136	3,700	28	2,213	67,826
Changes during period							
Dividends of surplus							(2,340)
Net income attributable to owners of parent							3,565
Purchase of treasury shares							(0)
Disposal of treasury shares							40
Net changes in items other than shareholders' equity	837	3,717	(127)	4,427	(9)	575	4,993
Total changes during period	837	3,717	(127)	4,427	(9)	575	6,258
Balance at end of period	429	7,689	9	8,127	19	2,789	74,085

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Income before income taxes	7,147	5,662
Depreciation and amortization	4,855	4,926
Amortization of goodwill	264	146
Retirement benefit expenses	1,715	0
Impairment losses	–	2,168
Loss on business restructuring	3	1
Loss on net monetary position	–	767
Loss (gain) on sale of non-current assets	(4)	(32)
Loss on retirement of non-current assets	44	43
Increase (decrease) in allowance for doubtful accounts	(8)	212
Increase (decrease) in provision for bonuses	34	404
Increase (decrease) in retirement benefit liability	106	(133)
Interest and dividend income	(301)	(613)
Loss (gain) on sale of shares of subsidiaries and associates	(20)	–
Interest expenses	252	340
Foreign exchange losses (gains)	(310)	204
Loss (gain) on valuation of investment securities	(17)	950
Decrease (increase) in trade receivables and contract assets	35	(953)
Decrease (increase) in inventories	(5,907)	1,297
Increase (decrease) in accrued consumption taxes	375	133
Decrease (increase) in accounts receivable - other	414	(211)
Increase (decrease) in trade payables	(1,827)	(816)
Increase (decrease) in accounts payable - other	378	106
Other, net	146	452
Subtotal	7,375	15,058
Interest and dividends received	301	613
Interest paid	(252)	(340)
Payments for business restructuring	(3)	(1)
Income taxes paid	(2,230)	(2,766)
Net cash provided by (used in) operating activities	5,190	12,563

Unit: Millions of yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,247)	(5,657)
Purchase of intangible assets	(2,009)	(2,065)
Proceeds from sale of property, plant and equipment and intangible assets	106	47
Payments into time deposits	(1,116)	(1,056)
Proceeds from withdrawal of time deposits	10,678	1,338
Proceeds from sale of shares of subsidiaries and associates	32	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(617)
Other, net	(153)	77
Net cash provided by (used in) investing activities	2,290	(7,934)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(295)	(3,154)
Proceeds from long-term borrowings	–	7,936
Repayments of long-term borrowings	(21)	(3,012)
Repayments of lease obligations	(1,116)	(1,214)
Dividends paid	(2,376)	(2,337)
Purchase of treasury shares	(2,500)	(0)
Increase (decrease) in money held in trust for purchase of treasury shares	(1)	–
Other, net	3	31
Net cash provided by (used in) financing activities	(6,309)	(1,751)
Effect of exchange rate change on cash and cash equivalents	438	473
Net increase (decrease) in cash and cash equivalents	1,610	3,350
Cash and cash equivalents at beginning of period	19,140	20,751
Cash and cash equivalents at end of period	20,751	24,102

(5) Notes to consolidated financial statements

Notes related to going-concern assumption

Not applicable

Notes in the event of material changes in amount of shareholders' equity

Not applicable

Changes in accounting policies

Not applicable

Changes in classification of items

Consolidated statements of cash flows — loss (gain) on valuation of investment securities

The “Loss (gain) on valuation of investment securities” item is considered to be material in amount and presented in a separate line starting the fiscal year under review.

Applying this change retrospectively, the ¥128 million presented as “Other, net” under cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year has been restated to loss (gain) on valuation of investment securities of ¥(17) million and other, net of ¥146 million.

Additional information

Financial statements of subsidiaries in a hyperinflationary economy

The financial statements of consolidated subsidiaries using the Argentine peso as functional currency have been adjusted and consolidated in accordance with the requirements prescribed in “Financial Reporting in Hyperinflationary Economies” (IAS 29) due to the increased materiality of changes in monetary values to the Group since the beginning of the fiscal year under review. As a cumulative result of applying this accounting standard, retained earnings decreased by ¥1,567 million and foreign currency translation adjustment increased by ¥1,699 million at the beginning of the fiscal year under review. The effect of inflation on the net monetary position in the fiscal year under review is presented as loss on net monetary position under non-operating expenses.

No revision of comparative information was made in the fiscal year under review.

Segment information

1. Overview of reportable segments

The Company's reportable segments are its constituent business units for which financial information is separately available. The Company's management team periodically reviews operating results of, and allocation of business resources to, these segments.

The SATO Group runs the auto-ID solutions business, which involves offering solutions centered on tagging — the process of physically attaching information to people and things — for customers in diverse markets and industries around the world, so that on-site information can be collected in real time, converted into meaningful data, and fed to their core IT systems to optimize individual worksites, supply chains and even the circular economy.

We classify our auto-ID solutions business into domestic and overseas categories under strategies set forth in the Company's Medium-term Management Plan. Accordingly, the Company defines its reportable segments as follows: Auto-ID solutions (Japan) and Auto-ID solutions (Overseas).

2. Computation method for net sales, profit or loss, assets, liabilities, and other item amounts by reportable segment

The method of accounting by reportable segment is largely the same as the method of accounting used for the preparation of consolidated financial statements.

Income figures stated in the reportable segments are based on operating income.

Intersegment income and transfer figures are based on consideration of prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities and other item amounts by reportable segment

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	74,166	68,657	142,824
Intersegment sales and transfer	10,588	12,546	23,135
Total	84,755	81,204	165,959
Segment profit	2,637	7,111	9,748
Segment assets	89,659	64,010	153,670
Other items			
Depreciation and amortization	2,221	2,634	4,855
Increases in property, plant and equipment and intangible assets	4,559	2,271	6,830

Fiscal year ended March 31, 2024

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	75,514	67,931	143,446
Intersegment sales and transfer	6,572	10,539	17,112
Total	82,087	78,471	160,558
Segment profit	1,724	8,243	9,968
Segment assets	91,231	71,813	163,045
Other items			
Depreciation and amortization	2,356	2,570	4,926
Increases in property, plant and equipment and intangible assets	5,290	4,389	9,679

4. Differences in net sales and other items between reportable segments total and amount recorded on consolidated financial statements, and major breakdown of the difference (Matters related to difference adjustment)

Unit: Millions of yen

Net sales	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	165,959	160,558
Intersegment eliminations	(23,135)	(17,112)
Net sales on the consolidated statements of income	142,824	143,446

Unit: Millions of yen

Profit	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	9,748	9,968
Intersegment eliminations	0	0
Adjustment of inventories	(907)	415
Operating income on the consolidated statements of income	8,841	10,383

Unit: Millions of yen

Assets	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Reportable segments total	153,670	163,045
Intersegment eliminations	(29,524)	(29,716)
Other adjustment	(1,286)	(871)
Total assets on the consolidated balance sheets	122,858	132,457

Unit: Millions of yen

Other items	Reportable segments total		Adjustment		Amount recorded on consolidated financial statements	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Depreciation and amortization	4,855	4,926	–	–	4,855	4,926
Increases in property, plant and equipment and intangible assets	6,830	9,679	–	–	6,830	9,679

[Pertinent information]

Fiscal year ended March 31, 2023

1. Information by product or service

Omitted because this information is the same as segment information.

2. Information by region

1) Net sales

Unit: Millions of yen						
Japan	Americas		Europe		Asia and Oceania	Total
		Of which, USA		Of which, Russia		
74,166	20,415	16,138	30,068	17,667	18,172	142,824

2) Property, plant and equipment

Unit: Millions of yen					
Japan	Americas	Europe		Asia and Oceania	Total
			Of which, Russia		
15,203	3,086	7,660	5,378	6,381	32,331

3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

Fiscal year ended March 31, 2024

1. Information by product or service

Omitted because this information is the same as segment information.

2. Information by region

1) Net sales

Unit: Millions of yen						
Japan	Americas		Europe		Asia and Oceania	Total
		Of which, USA		Of which, Russia		
75,514	20,908	16,078	27,711	15,998	19,311	143,446

2) Property, plant and equipment

Unit: Millions of yen					
Japan	Americas	Europe		Asia and Oceania	Total
			Of which, Russia		
16,651	3,447	9,148	6,220	7,159	36,406

3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

[Information on impairment loss of non-current assets by reportable segment]

Fiscal year ended March 31, 2023

Not applicable

Fiscal year ended March 31, 2024

In Auto-ID solutions (Japan), the Company had been developing a new core IT system but decided that it would be difficult to realize some of the originally planned functions, and recorded an impairment loss of ¥2,121 million for non-current assets.

In Auto-ID solutions (Overseas), an impairment loss of ¥46 million for non-current assets was recorded due to a decrease in orders and the suspension of operations caused by breakdowns at Vietnamese subsidiary HIGH RICH LABELS PRINTING AND PRODUCTION COMPANY LIMITED.

[Information on goodwill amortization and remaining goodwill balance by reportable segment]

Fiscal year ended March 31, 2023

				Unit: Millions of yen
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Amortization of goodwill	–	264	–	264
Balance at end of period	–	222	–	222

Fiscal year ended March 31, 2024

				Unit: Millions of yen
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Amortization of goodwill	–	146	–	146
Balance at end of period	–	380	–	380

[Information on gain on negative goodwill by reportable segment]

Not applicable

Per share information

Unit: Yen

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	2,020.83	2,199.41
Basic earnings per share	126.66	110.02
Diluted earnings per share	126.61	110.00

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

2. For the calculation of basic earnings per share, shares of the Company owned by a trust account, which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares excluded for the calculation of the average number of shares during the term. And for the calculation of net assets per share, they are included in the number of treasury shares excluded from the number of shares outstanding at the end of term.

The average number of treasury shares owned by the Board Incentive Plan (BIP) trust during the term and deducted in calculating basic earnings per share was 113,000 for the previous fiscal year and 101,000 for the current fiscal year. The number of treasury shares owned by the BIP trust at the end of term and deducted in calculating net assets per share was 112,000 for the previous fiscal year and 97,000 for the current fiscal year.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Basic earnings per share		
Net income attributable to owners of parent (Millions of yen)	4,184	3,565
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to owners of parent pertaining to common shares (Millions of yen)	4,184	3,565
Average number of shares during the term (Thousands of shares)	33,034	32,402
Diluted earnings per share		
Adjustment of net income attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	12	8
[Of which, share acquisition rights (Thousands of shares)]	[12]	[8]

3. The basis for calculating net assets per share is as follows.

	As of March 31, 2023	As of March 31, 2024
Total net assets on the consolidated balance sheet (Millions of yen)	67,694	74,085
Amount deducted from total net assets on the consolidated balance sheet (Millions of yen)	2,242	2,808
[Of which, share acquisition rights (Millions of yen)]	[28]	[19]
[Of which, non-controlling interests (Millions of yen)]	[2,213]	[2,789]
Net assets pertaining to common shares at the end of term (Millions of yen)	65,452	71,276
Number of common shares at the end of term used in the calculation of net assets per share (Thousands of shares)	32,388	32,407

Significant subsequent events

Absorption-type merger of wholly owned subsidiary

At the Company's board of directors meeting held on April 9, 2024, the Company resolved to conduct an absorption-type merger, with the Company as the surviving company and SATO Corporation, a wholly owned subsidiary of the Company, as the disappearing company, and entered into a merger agreement on the same date.

1. Outline of business combination

- (1) Name and business descriptions of the disappearing company in the absorption-type merger

Name of the disappearing company in the absorption-type merger: SATO Corporation

Business descriptions: Auto-ID solutions

- (2) Date of the business combination

April 1, 2025 (scheduled)

- (3) Legal form of the business combination

Form of absorption-type merger in which the Company is the surviving company and SATO Corporation is the disappearing company.

- (4) Name of entity after the business combination

The Company will change its trade name to SATO Corporation.

- (5) Other items regarding overview of transaction

In October 2011, the SATO Group shifted to a holding company structure with the objectives of strengthening the profitability and growth potential of the entire group, promoting innovation, fostering next-generation management personnel, and actively investing in growth and new businesses, and we have achieved certain results under this structure. In addition, the Medium-term Management Plan announced in March 2024, covering the five-year period from FY 2024 to FY 2028, aims to establish a revenue base that will enable stable profit growth and strengthen the management foundation.

SATO Corporation, which has the main functions of the Group's business, and the Group's head office functions will be integrated to change the segmented organization into a simpler structure, and by clarifying responsibilities and authority, we will establish a structure that will enable rapid decision-making under a single organization and selection and concentration of management resources. Furthermore, we will make effective use of human capital and strengthen governance to ensure the achievement of

the Medium-term Management Plan, thereby achieving sustainable growth and becoming a company that is always essential in an ever-changing world.

2. Overview of accounting treatment

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), we plan to account for the business combination as a transaction under common control.

Cancellation of treasury shares

At the Company’s board of directors meeting held on May 15, 2024, the Company resolved to cancel treasury shares in accordance with Article 178 of the Companies Act of Japan.

1. Class of shares to be cancelled

Common shares of the Company

2. Total number of shares to be cancelled

1,285,300 shares (3.68% of total issued shares)

3. Scheduled date of cancellation

June 28, 2024

4. Total number of issued shares (including treasury shares) after cancellation

Total number of issued shares: 33,635,942 shares