

Consolidated Financial Report  
for the First Nine Months of Fiscal Year Ending March 2024

<Under Japanese GAAP>

February 9, 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  
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 Scheduled submission date for quarterly securities report: February 14, 2024  
 Commencement date of dividend payments: –  
 Supplementary explanatory materials for quarterly results: Available  
 Holding of meeting to explain quarterly results (for analysts and institutional investors): Yes

**1. Consolidated operating results for the first nine months (from April 1, 2023 to December 31, 2023) of fiscal year 2023**

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

Nine months ended	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	107,415	(0.8)	8,087	14.2	7,767	1.2
December 31, 2022	108,334	17.3	7,081	49.3	7,676	66.5

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥6,243 million (-5.8%)  
 Nine months ended December 31, 2022: ¥6,629 million (46.2%)

Nine months ended	Net income attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
December 31, 2023	4,806	(6.1)	148.34	148.30
December 31, 2022	5,116	73.3	154.04	153.98

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2023	128,172	71,627	53.8	2,127.85
March 31, 2023	122,858	67,694	53.3	2,020.83

(Note) Total equity: As of December 31, 2023: ¥68,958 million  
As of March 31, 2023: ¥65,452 million

## 2. Dividends

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2022	–	36.00	–	36.00	72.00
Fiscal year 2023	–	36.00	–		
Fiscal year 2023 (Forecast)				36.00	72.00

(Note) Revision to recently announced dividend forecast: None

## 3. Consolidated forecasts for fiscal year 2023 (from April 1, 2023 to March 31, 2024)

(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	%	Yen
Full year	144,000	0.8	9,900	12.0	9,500	4.8	5,600	33.8	172.83

(Note) Revision to recently announced consolidated forecast: Yes

*For details, please refer to section 1-(3) "Explanation of consolidated forecasts and other projections" (page 5) of the attached materials.*

**\* Notes**

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

(2) Application of special accounting procedures for preparing the quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common shares)

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

As of December 31, 2023: 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 December 31, 2023: 2,513,703 shares

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

3) Average number of shares during the term (cumulative from the beginning of the fiscal year):

Nine months ended December 31, 2023: 32,401,258 shares

Nine months ended December 31, 2022: 33,216,688 shares

**\* Quarterly financial reports are not subject to quarterly reviews 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 section 1-(3) "Explanation of consolidated forecasts and other projections" (page 5) of the attached materials for assumptions behind the consolidated forecasts and other information.*

## Attached Materials

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## 1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months

### (1) Explanation of financial results (percentage changes, year-on-year)

The SATO Group runs its business based on management principles, growth strategies and business targets set out in its most recent three-year Medium-term Management Plan (FY 2021–2023), with the vision to be “the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world.”

We concentrate resources on our auto-ID solutions business, which involves offering solutions centered on tagging — the process of physically attaching information to people and things — 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 have set three new priority agendas as follows and will coordinate how we work on them while 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 to establish businesses for “Tagging for Sustainability” by shifting to data-driven business and entering new domains.

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

In the first nine months of this fiscal year, we closed an increasing number of deals for market/industry-specific solutions but recorded slightly lower sales for our auto-ID solutions business year on year as resellers in Europe and the Americas adjusted their printer inventories over economic slowdown concerns. Operating income increased, however, as our sales subsidiaries in Europe and Asia and primary labels companies maintained favorable performances.

As a result, the SATO Group posted net sales of ¥107,415 million (down 0.8% compared with the same period of the previous fiscal year), operating income of ¥8,087 million (up 14.2%), ordinary income of ¥7,767 million (up 1.2%), and net income attributable to owners of parent of ¥4,806 million (down 6.1%).

Performance by segment is as follows.

#### ***Auto-ID solutions (Japan)***

Net sales increased slightly, thanks to price revision effects for consumables products and increased sales pipelines for RFID-related solutions. Segment profit decreased, however, due to reduced printer exports (to overseas subsidiaries), cost of raw materials for consumables rising beyond what we could offset with the repricing of finished products, and higher SG&A

expenses.

As for sales by market, mechatronics and consumables sales in logistics and health care sectors both increased, with labor shortages driving demand for warehouse automation and hospital management solutions that improve productivity. Rising e-commerce delivery volumes and a greater number of outpatients visiting medical institutions also contributed to higher sales. On the other hand, our sales in manufacturing were flat because of slowing mechatronics and consumables demand from semiconductor manufacturing and related industries while 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 same period last year.

Under these circumstances, net sales increased 2.5% to ¥56,209 million, and segment profit decreased 59.7% to ¥823 million, compared with the same period of the previous fiscal year.

### ***Auto-ID solutions (Overseas)***

Outside Japan, net sales declined mainly due to the delayed closing of deals amid economic slowdown in Europe and the Americas and due to the absence of the demand spike for printers in the US, unlike a year ago. However, segment profit increased as we reduced SG&A expenses in Europe and captured robust market needs through our primary labels companies.

For our base business, the Americas and Europe posted lower net sales as resellers adjusted their printer inventories and major customers were less inclined to make new investments for fear of recession. Profit increased, however, as the European business used less air freight, which helped keep shipping costs in check. Meanwhile, in Asia and Oceania, our Vietnamese and Australian sales subsidiaries continued going strong and Taiwanese sales subsidiaries improved business as inventory levels at their resellers returned to normal. But because factories received less printer orders and ended up underutilizing their production capacity, the region reported lower profit year on year.

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.

Under these circumstances, net sales decreased 4.3% to ¥51,205 million (increase of 3.7%, excluding foreign currency effects), and segment profit increased 23.6% to ¥7,005 million, compared with the same period of the previous fiscal year.

## **(2) Explanation of financial position**

At the end of the third quarter, the balance of current assets increased by ¥2,310 million to ¥83,448 million (from ¥81,137 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥1,044 million in notes and accounts receivable - trade, and contract assets, ¥413 million in cash and deposits, ¥226 million in work in process, ¥173 million in accounts receivable - other, ¥53 million in raw materials and supplies, and ¥301 million in advance payments (included in other current assets), as well as a decrease of ¥190 million in merchandise and finished goods. The balance of non-current assets increased by ¥3,003 million to ¥44,724 million (from ¥41,721 million at the end of the previous fiscal year). This was primarily due to increases of ¥811 million in buildings and structures, ¥479 million in machinery, equipment and vehicles (both included in property, plant and equipment), and ¥1,270 million in software in progress (included in intangible assets).

The balance of current liabilities decreased by ¥3,007 million to ¥41,955 million (from ¥44,963 million at the end of the previous fiscal year). This was mainly due to decreases of ¥2,043 million in short-term borrowings and ¥928 million in income taxes payable. The balance of non-current liabilities increased by ¥4,388 million to ¥14,589 million (from ¥10,200 million at the end of the previous fiscal year), primarily due to an increase of ¥4,839 million in long-term borrowings.

At the end of the third quarter, the balance of net assets increased by ¥3,932 million to ¥71,627 million (from ¥67,694 million recorded at the end of the previous fiscal year), primarily due to increases of ¥2,464 million in retained earnings (resulting from the recording of net income attributable to owners of parent) and ¥734 million in foreign currency translation adjustment.

### ***Cash flows***

At the end of the third quarter, cash and cash equivalents stood at ¥21,564 million, an increase of ¥812 million from the end of the previous fiscal year.

### ***Cash flows from operating activities***

Cash flow from operating activities was positive at ¥7,188 million.

This resulted primarily from cash inflows including ¥6,821 million of income before income taxes and ¥3,625 million of depreciation and amortization, and cash outflows including ¥2,184 million of income taxes paid and a ¥1,103 million decrease in trade payables.

### ***Cash flows from investing activities***

Cash flow from investing activities was negative at ¥5,617 million.

This was primarily due to proceeds of ¥706 million from withdrawal of time deposits, and expenditures of ¥3,860 million for purchase of property, plant and equipment, ¥1,739 million for purchase of intangible assets, and ¥610 million for purchase of shares of subsidiaries resulting in change in scope of consolidation.

### ***Cash flows from financing activities***

Cash flow from financing activities was negative at ¥742 million.

This resulted primarily from cash inflows including ¥7,930 million proceeds from long-term

borrowings, and cash outflows including ¥2,980 million repayment of long-term borrowings, a ¥2,441 million net decrease in short-term borrowings, ¥2,330 million dividends paid, and ¥950 million repayment of lease obligations.

### **(3) Explanation of consolidated forecasts and other projections**

Considering our operating results for the first nine months, we have revised upward our full-year forecasts announced on November 9, 2023 as follows.

Consolidated forecasts for the fiscal year ending March 31, 2024

Net sales	¥144,000 million	(no change)
Operating income	¥9,900 million	(previous forecast ¥9,500 million)
Ordinary income	¥9,500 million	(previous forecast ¥9,100 million)
Net income attributable to owners of parent	¥5,600 million	(previous forecast ¥5,000 million)

The foreign exchange rates assumed in the above forecasts are US\$1 = ¥143 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. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheets

Unit: Millions of yen

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	21,879	22,292
Notes and accounts receivable - trade, and contract assets	27,113	28,158
Securities	44	47
Merchandise and finished goods	13,685	13,494
Work in process	590	816
Raw materials and supplies	12,579	12,633
Accounts receivable - other	1,763	1,936
Other	3,712	4,467
Allowance for doubtful accounts	(230)	(401)
Total current assets	81,137	83,448
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,962	14,774
Machinery, equipment and vehicles, net	11,602	12,082
Land	3,776	3,871
Other, net	2,988	3,760
Total property, plant and equipment	32,331	34,488
Intangible assets		
Software	1,780	1,491
Software in progress	1,682	2,952
Goodwill	222	395
Other	687	758
Total intangible assets	4,372	5,598
Investments and other assets	5,017	4,637
Total non-current assets	41,721	44,724
Total assets	122,858	128,172
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,379	6,497
Electronically recorded obligations - operating	11,981	12,949
Short-term borrowings	6,364	4,320
Contract liabilities	7,322	7,174
Accounts payable - other	4,212	3,738
Income taxes payable	1,082	154
Provisions	1,510	1,769
Other	5,109	5,351
Total current liabilities	44,963	41,955
Non-current liabilities		
Long-term borrowings	3,613	8,452
Lease obligations	4,182	3,707
Retirement benefit liability	1,002	1,036
Other	1,401	1,393
Total non-current liabilities	10,200	14,589
Total liabilities	55,163	56,544

Unit: Millions of yen

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,764	7,763
Retained earnings	52,061	54,525
Treasury shares	(4,842)	(4,800)
Total shareholders' equity	63,451	65,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(408)	(67)
Foreign currency translation adjustment	2,272	3,007
Remeasurements of defined benefit plans	136	61
Total accumulated other comprehensive income	2,001	3,001
Share acquisition rights	28	19
Non-controlling interests	2,213	2,650
Total net assets	67,694	71,627
Total liabilities and net assets	122,858	128,172

## (2) Consolidated statements of (comprehensive) income

### Consolidated statements of income

Unit: Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	108,334	107,415
Cost of sales	65,283	62,879
Gross profit	43,051	44,535
Selling, general and administrative expenses	35,970	36,447
Operating income	7,081	8,087
Non-operating income		
Interest income	146	437
Dividend income	43	0
Foreign exchange gains	475	–
Other	180	133
Total non-operating income	845	571
Non-operating expenses		
Interest expenses	172	221
Foreign exchange losses	–	477
Compensation expenses	4	–
Other	72	193
Total non-operating expenses	250	892
Ordinary income	7,676	7,767
Extraordinary income		
Gain on sale of non-current assets	16	35
Gain on sale of shares of subsidiaries and associates	20	–
Other	0	0
Total extraordinary income	37	35
Extraordinary losses		
Loss on retirement of non-current assets	43	41
Loss on sale of non-current assets	13	6
Retirement benefit expenses	66	0
Loss on valuation of investment securities	–	930
Loss on business restructuring	1	1
Total extraordinary losses	125	981
Income before income taxes	7,588	6,821
Income taxes - current	1,765	1,479
Income taxes - deferred	26	(23)
Total income taxes	1,791	1,455
Net income	5,796	5,365
Net income attributable to non-controlling interests	680	559
Net income attributable to owners of parent	5,116	4,806

## Consolidated statements of comprehensive income

Unit: Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net income	5,796	5,365
Other comprehensive income		
Valuation difference on available-for-sale securities	(724)	341
Foreign currency translation adjustment	1,418	611
Remeasurements of defined benefit plans, net of tax	138	(75)
Total other comprehensive income	832	877
Comprehensive income	6,629	6,243
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,810	5,806
Comprehensive income attributable to non-controlling interests	819	436

### (3) Consolidated statements of cash flows

Unit: Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Cash flows from operating activities</b>		
Income before income taxes	7,588	6,821
Depreciation and amortization	3,672	3,625
Amortization of goodwill	237	109
Loss (gain) on sale of non-current assets	(3)	(29)
Loss on retirement of non-current assets	43	41
Loss on business restructuring	1	1
Loss (gain) on valuation of investment securities	–	930
Increase (decrease) in provision for bonuses	5	222
Increase (decrease) in allowance for doubtful accounts	(27)	183
Increase (decrease) in retirement benefit liability	65	168
Interest and dividend income	(189)	(438)
Loss (gain) on sale of shares of subsidiaries and associates	(20)	–
Interest expenses	172	221
Foreign exchange losses (gains)	(625)	(443)
Decrease (increase) in trade receivables and contract assets	(1,255)	(864)
Decrease (increase) in inventories	(5,305)	524
Increase (decrease) in trade payables	(1,207)	(1,103)
Increase (decrease) in accrued consumption taxes	503	187
Decrease (increase) in accounts receivable - other	201	(260)
Increase (decrease) in accounts payable - other	103	(115)
Other, net	(173)	(626)
Subtotal	3,788	9,157
Interest and dividends received	189	438
Interest paid	(172)	(221)
Income taxes paid	(1,676)	(2,184)
Payments for business restructuring	(1)	(1)
Net cash provided by (used in) operating activities	2,126	7,188
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,181)	(3,860)
Purchase of intangible assets	(1,206)	(1,739)
Proceeds from sale of property, plant and equipment and intangible assets	106	46
Payments into time deposits	–	(250)
Proceeds from withdrawal of time deposits	10,000	706
Proceeds from sale of shares of subsidiaries and associates	32	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(610)
Other, net	(172)	90
Net cash provided by (used in) investing activities	4,578	(5,617)

Unit: Millions of yen

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	553	(2,441)
Proceeds from long-term borrowings	–	7,930
Repayments of long-term borrowings	–	(2,980)
Repayments of lease obligations	(918)	(950)
Dividends paid	(2,370)	(2,330)
Purchase of treasury shares	(1,788)	(0)
Increase (decrease) in money held in trust for purchase of treasury shares	(718)	–
Other, net	3	31
Net cash provided by (used in) financing activities	(5,237)	(742)
Effect of exchange rate change on cash and cash equivalents	175	(15)
Net increase (decrease) in cash and cash equivalents	1,643	812
Cash and cash equivalents at beginning of period	19,140	20,751
Cash and cash equivalents at end of period	20,783	21,564

#### (4) 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

##### Segment information

###### I. Nine months ended December 31, 2022

###### 1. Information on net sales and profit or loss by reportable segment

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	54,829	53,504	108,334
Intersegment sales and transfer	8,737	9,945	18,682
Total	63,567	63,449	127,017
Segment profit (loss)	2,042	5,666	7,709

###### 2. Difference between the total amount of profit or loss for reportable segments and the amount recorded on the consolidated statements of income, and a major breakdown of the difference (Matters related to difference adjustment)

Profit	Amount
Reportable segments total	7,709
Adjustment of inventories	(627)
Operating income on the consolidated statements of income	7,081

###### 3. Matters related to changes in reportable segments

Not applicable

###### 4. Information on impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

Not applicable

## II. Nine months ended December 31, 2023

### 1. Information on net sales and profit or loss by reportable segment

Unit: Millions of yen			
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	56,209	51,205	107,415
Intersegment sales and transfer	4,681	7,664	12,346
Total	60,890	58,870	119,761
Segment profit (loss)	823	7,005	7,829

### 2. Difference between the total amount of profit or loss for reportable segments and the amount recorded on the consolidated statements of income, and a major breakdown of the difference (Matters related to difference adjustment)

Unit: Millions of yen	
Profit	Amount
Reportable segments total	7,829
Adjustment of inventories	258
Operating income on the consolidated statements of income	8,087

### 3. Matters related to changes in reportable segments

Not applicable

### 4. Information on impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

Not applicable