

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

<Under Japanese GAAP>

November 9, 2023

**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: November 13, 2023  
 Commencement date of dividend payments: December 11, 2023  
 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 six months (from April 1, 2023 to September 30, 2023) of fiscal year 2023**

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

Six months ended	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2023	69,786	(1.0)	4,620	22.4	4,307	(13.3)
September 30, 2022	70,463	16.9	3,776	35.8	4,968	84.3

(Note) Comprehensive income: Six months ended September 30, 2023: ¥4,748 million (-52.6%)  
 Six months ended September 30, 2022: ¥10,010 million (293.7%)

Six months ended	Net income attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
September 30, 2023	1,991	(38.3)	61.47	61.46
September 30, 2022	3,229	74.7	96.70	96.66

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2023	125,193	71,302	55.0	2,124.58
March 31, 2023	122,858	67,694	53.3	2,020.83

(Note) Total equity: As of September 30, 2023: ¥68,852 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	9,500	7.4	9,100	0.4	5,000	19.5	154.33

(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 six 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 September 30, 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 September 30, 2023:	2,513,693 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 to the end of the first six months):

Six months ended September 30, 2023:	32,398,100 shares
Six months ended September 30, 2022:	33,394,038 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 Six 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 “Tagging for Sustainability” business 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 six 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 recession concerns. Operating income increased, however, as our primary labels companies maintained a favorable performance.

As a result, the SATO Group posted net sales of ¥69,786 million (down 1.0% compared with the same period of the previous fiscal year), operating income of ¥4,620 million (up 22.4%), ordinary income of ¥4,307 million (down 13.3%), and net income attributable to owners of parent of ¥1,991 million (down 38.3%).

Performance by segment is as follows.

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

Net sales increased slightly, thanks to improved sales for mechatronics products (primarily software) and price revision effects for consumables products. 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 heightened demand driven by rising delivery volumes and a greater number of outpatients visiting medical institutions. On the other hand, our sales in manufacturing and retail both decreased year on year, because of slowing mechatronics and consumables demand from semiconductor manufacturing and related industries, and 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 1.8% year on year to ¥36,229 million, and segment loss of ¥103 million was incurred (compared with segment profit of ¥933 million in the same period of the previous fiscal year).

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

Outside Japan, net sales declined for the first six months mainly due to resellers adjusting their printer inventories and due to the absence of demand spike for printers in the US, unlike a year ago. However, segment profit increased as we 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, staying on the lookout for recession. That, coupled with the bankruptcy filing of a major customer, led to lower profit as well. Meanwhile, Asia and Oceania also reported lower profit although sales subsidiaries in Vietnam and Australia were going strong. This is because sales subsidiaries in Taiwan sold less printers due to inventory adjustments at their resellers and because factories received less printer orders and ended up underutilizing their production capacity.

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 3.8% to ¥33,557 million (increase of 3.2%, excluding foreign currency effects), and segment profit increased 49.1% to ¥4,515 million, compared with the same period of the previous fiscal year.

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

At the end of the second quarter, the balance of current assets decreased by ¥887 million to ¥80,249 million (from ¥81,137 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥654 million in notes and accounts receivable - trade, and contract assets, ¥386 million in raw materials and supplies, ¥180 million in merchandise and finished goods, and ¥193 million in work in process, and a decrease of ¥2,393 million in cash and deposits. The balance of non-current assets increased by ¥3,222 million to ¥44,943 million (from ¥41,721 million at the end of the previous fiscal year). This was primarily due to increases of ¥1,003 million in buildings and structures, ¥195 million in machinery, equipment and vehicles (both included in property, plant and equipment), ¥1,085 million in software in progress and ¥222 million in goodwill (both included in intangible assets).

The balance of current liabilities decreased by ¥1,060 million to ¥43,902 million (from ¥44,963 million at the end of the previous fiscal year). This was primarily due to decreases of ¥1,219 million in notes and accounts payable - trade and ¥662 million in short-term borrowings, and increases of ¥370 million in electronically recorded obligations - operating and ¥298 million in contract liabilities. The balance of non-current liabilities decreased by ¥212 million to ¥9,987 million (from ¥10,200 million at the end of the previous fiscal year), primarily due to a decrease of ¥212 million in long-term lease obligations.

At the end of the second quarter, the balance of net assets increased by ¥3,608 million to ¥71,302 million (from ¥67,694 million recorded at the end of the previous fiscal year), primarily due to increases of ¥819 million in retained earnings and ¥2,200 million in foreign currency translation adjustment (classified under accumulated other comprehensive income).

### ***Cash flows***

At the end of the second quarter, cash and cash equivalents stood at ¥18,527 million, a decrease of ¥2,223 million from the end of the previous fiscal year.

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

Cash flow from operating activities was positive at ¥4,648 million.

This resulted primarily from cash inflows including ¥3,379 million of income before income taxes, ¥2,404 million of depreciation and amortization, and ¥915 million of loss on valuation of investment securities, and cash outflows including ¥1,107 million of income taxes paid.

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

Cash flow from investing activities was negative at ¥4,940 million.

This was primarily due to proceeds of ¥1,180 million from withdrawal of time deposits, and expenditures of ¥949 million for payments into time deposits, ¥3,529 million for purchase of property, plant and equipment, ¥1,122 million for purchase of intangible assets, and ¥600 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 ¥2,618 million.

This resulted primarily from cash inflows including ¥2,930 million proceeds from long-term

borrowings, and cash outflows including ¥2,963 million repayment of long-term borrowings, a ¥872 million net decrease in short-term borrowings and ¥1,167 million dividends paid.

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

Considering the trend in our operating results for the first six months, we have revised our consolidated forecasts for the full fiscal year as follows.

Consolidated forecasts for the fiscal year ending March 31, 2024

Net sales	¥144,000 million	(previous forecast ¥140,000 million)
Operating income	¥9,500 million	(previous forecast ¥8,000 million)
Ordinary income	¥9,100 million	(previous forecast ¥7,800 million)
Net income attributable to owners of parent	¥5,000 million	(no change)

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 September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	21,879	19,485
Notes and accounts receivable - trade, and contract assets	27,113	27,768
Securities	44	48
Merchandise and finished goods	13,685	13,865
Work in process	590	784
Raw materials and supplies	12,579	12,966
Accounts receivable - other	1,763	1,791
Other	3,712	3,960
Allowance for doubtful accounts	(230)	(420)
Total current assets	81,137	80,249
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,962	14,965
Machinery, equipment and vehicles, net	11,602	11,798
Land	3,776	3,934
Other, net	2,988	3,641
Total property, plant and equipment	32,331	34,339
Intangible assets		
Software	1,780	1,589
Software in progress	1,682	2,767
Goodwill	222	444
Other	687	792
Total intangible assets	4,372	5,594
Investments and other assets	5,017	5,009
Total non-current assets	41,721	44,943
Total assets	122,858	125,193
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,379	6,160
Electronically recorded obligations - operating	11,981	12,352
Short-term borrowings	6,364	5,701
Contract liabilities	7,322	7,620
Accounts payable - other	4,212	4,197
Income taxes payable	1,082	1,028
Provisions	1,510	1,603
Other	5,109	5,237
Total current liabilities	44,963	43,902
Non-current liabilities		
Long-term borrowings	3,613	3,537
Lease obligations	4,182	3,969
Retirement benefit liability	1,002	1,053
Other	1,401	1,426
Total non-current liabilities	10,200	9,987
Total liabilities	55,163	53,890

Unit: Millions of yen

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,764	7,763
Retained earnings	52,061	52,881
Treasury shares	(4,842)	(4,800)
Total shareholders' equity	63,451	64,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(408)	–
Foreign currency translation adjustment	2,272	4,473
Remeasurements of defined benefit plans	136	66
Total accumulated other comprehensive income	2,001	4,540
Share acquisition rights	28	19
Non-controlling interests	2,213	2,431
Total net assets	67,694	71,302
Total liabilities and net assets	122,858	125,193

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

### Consolidated statements of income

Unit: Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	70,463	69,786
Cost of sales	42,805	41,093
Gross profit	27,657	28,692
Selling, general and administrative expenses	23,881	24,071
Operating income	3,776	4,620
Non-operating income		
Interest income	75	251
Dividend income	42	0
Foreign exchange gains	1,093	–
Other	139	96
Total non-operating income	1,350	349
Non-operating expenses		
Interest expenses	105	188
Foreign exchange losses	–	386
Compensation expenses	3	–
Other	50	86
Total non-operating expenses	159	662
Ordinary income	4,968	4,307
Extraordinary income		
Gain on sale of non-current assets	13	26
Other	0	–
Total extraordinary income	13	26
Extraordinary losses		
Loss on retirement of non-current assets	0	29
Loss on sale of non-current assets	12	6
Loss on valuation of investment securities	–	915
Loss on business restructuring	0	1
Retirement benefit expenses	–	1
Other	6	–
Total extraordinary losses	20	954
Income before income taxes	4,961	3,379
Income taxes - current	997	1,141
Income taxes - deferred	243	(165)
Total income taxes	1,241	976
Net income	3,720	2,402
Net income attributable to non-controlling interests	490	411
Net income attributable to owners of parent	3,229	1,991

## Consolidated statements of comprehensive income

Unit: Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net income	3,720	2,402
Other comprehensive income		
Valuation difference on available-for-sale securities	(351)	408
Foreign currency translation adjustment	6,485	2,007
Remeasurements of defined benefit plans, net of tax	155	(70)
Total other comprehensive income	6,289	2,346
Comprehensive income	10,010	4,748
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,568	4,530
Comprehensive income attributable to non-controlling interests	1,441	217

### (3) Consolidated statements of cash flows

Unit: Millions of yen

	Six months ended September 30, 2022	Six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Income before income taxes	4,961	3,379
Depreciation and amortization	2,459	2,404
Amortization of goodwill	156	72
Loss (gain) on sale of non-current assets	(0)	(20)
Loss on retirement of non-current assets	0	29
Loss on business restructuring	0	1
Increase (decrease) in provision for bonuses	(21)	2
Increase (decrease) in allowance for doubtful accounts	30	172
Increase (decrease) in retirement benefit liability	101	218
Interest and dividend income	(118)	(202)
Interest expenses	105	139
Foreign exchange losses (gains)	(1,449)	(573)
Loss (gain) on valuation of investment securities	–	915
Decrease (increase) in trade receivables and contract assets	1,526	(43)
Decrease (increase) in inventories	(3,902)	433
Increase (decrease) in trade payables	(2,604)	(654)
Increase (decrease) in accounts payable - other	(3)	(414)
Other, net	338	(166)
Subtotal	1,580	5,693
Interest and dividends received	118	202
Interest paid	(105)	(139)
Income taxes paid	(758)	(1,107)
Payments for business restructuring	(0)	(1)
Net cash provided by (used in) operating activities	835	4,648
<b>Cash flows from investing activities</b>		
Payments into time deposits	–	(949)
Proceeds from withdrawal of time deposits	7,000	1,180
Purchase of property, plant and equipment	(3,414)	(3,529)
Purchase of intangible assets	(603)	(1,122)
Proceeds from sale of property, plant and equipment and intangible assets	101	37
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(600)
Other, net	(104)	43
Net cash provided by (used in) investing activities	2,978	(4,940)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	503	(872)
Proceeds from long-term borrowings	–	2,930
Repayments of long-term borrowings	–	(2,963)
Repayments of lease obligations	(591)	(575)
Dividends paid	(1,180)	(1,167)
Purchase of treasury shares	(967)	(0)
Increase (decrease) in money held in trust for purchase of treasury shares	(1,506)	–
Other, net	0	31
Net cash provided by (used in) financing activities	(3,742)	(2,618)
Effect of exchange rate change on cash and cash equivalents	867	687
Net increase (decrease) in cash and cash equivalents	938	(2,223)
Cash and cash equivalents at beginning of period	19,140	20,751
Cash and cash equivalents at end of period	20,079	18,527

#### (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. Six months ended September 30, 2022

###### 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	35,585	34,878	70,463
Intersegment sales and transfer	5,827	6,661	12,488
Total	41,413	41,539	82,952
Segment profit (loss)	933	3,029	3,962

###### 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	3,962
Intersegment eliminations	0
Adjustment of inventories	(186)
Operating income on the consolidated statements of income	3,776

###### 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. Six months ended September 30, 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	36,229	33,557	69,786
Intersegment sales and transfer	2,817	4,823	7,640
Total	39,046	38,380	77,427
Segment profit (loss)	(103)	4,515	4,411

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	4,411
Intersegment eliminations	0
Adjustment of inventories	208
Operating income on the consolidated statements of income	4,620

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