Consolidated Financial Report for the First Nine Months of the March 2012 Term
<Under Japanese GAAP>

February 3, 2012

SATO HOLDINGS CORPORATION

Company code number: 6287
(URL http://www.sato.co.jp)
Shares traded on: TSE1
Executive position of legal representative: Kazuo Matsuyama, President and CEO, Representative Director
Please address all communications to: Akihiro Kushida, Senior Executive Officer, General Manager, Corporate Planning Division
Phone: 03-6665-0639
Scheduled submission date for quarterly securities report: February 10, 2012
Date of commencement 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 of the fiscal year ending March 31, 2012 (from April 1, 2011 to December 31, 2011)

(1) Consolidated financial results (cumulative)

(In millions of yen, with fractional amounts discarded)
(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income	
Nine months ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2011	59,858	1.5	3,379	3.3	2,878	4.6
December 31, 2010	58,993	5.3	3,271	82.5	2,752	61.3

(Note) Comprehensive income: Nine months ended December 31, 2011: ¥(27) million (-%)
Nine months ended December 31, 2010: ¥488 million (-%)

	Net income		Net income per share	Net income per share, fully diluted
Nine months ended	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2011	988	(28.6)	32.82	–
December 31, 2010	1,383	112.3	45.96	–

(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, 2011	65,692	33,839	51.4	1,121.16
March 31, 2011	66,134	34,929	52.7	1,156.88

(N.B.) Total equity:
As of December 31, 2011: ¥33,758 million As of March 31, 2011: ¥34,834 million

2. Dividends

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2011	–	16.00	–	18.00	34.00
March 31, 2012	–	17.00	–		
March 31, 2012 (Forecast)				17.00	34.00

(Note) Revisions of projected dividends most recently announced: None

3. Consolidated forecasts for the fiscal year ending March 31, 2012 (from April 1, 2011 to March 31, 2012)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Annual	80,000	2.1	4,800	13.6	4,200	13.6	1,900	277.6	63.10

(Note) Revisions of consolidated forecasts most recently announced: Yes

4. Others

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

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

(3) Changes in accounting policies, changes in accounting 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 stock)

1) Number of issued shares at the end of term (including treasury stock):
   As of December 31, 2011: 32,001,169 shares
   As of March 31, 2011: 32,001,169 shares
2) Number of shares of treasury stock at the end of term:
   As of December 31, 2011: 1,891,048 shares
   As of March 31, 2011: 1,890,699 shares
3) Average number of shares during the term (cumulative from the beginning of the fiscal year to the end of the first nine months)
   Nine months ended December 31, 2011: 30,110,217 shares
   Nine months ended December 31, 2010: 30,110,877 shares

*** Indication about carrying-out of the quarterly review procedures**

This quarterly financial report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial report, the procedures to review quarterly financial statements based on the Financial Instruments and Exchange Act have not been completed.

*** 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. Results may differ materially from the consolidated forecasts due to various factors. Please refer to the section of "Qualitative information on consolidated forecasts" on page 5 of the attached materials to the quarterly financial report for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.

Attached Materials

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

(1) Qualitative information on consolidated financial results (percentage changes, year-on-year)

In the first nine months ended December 31, 2011, the business environment surrounding the SATO Group overseas was impacted by a number of factors including the global economic slowdown due to the European debt crisis, flood damage in Thailand, and a weakening of economic growth in the emerging countries, particularly China, and these factors have led to greater future uncertainty. In Japan, recovery from the Great East Japan Earthquake progressed gradually, contributing to a gentle recovery in corporate production activities and personal consumption. Nevertheless, elements of instability remain, such as the persistently strong yen resulting from the stagnant overseas economy.

Under this business environment, the SATO Group, while fulfilling its responsibility as a supplier for recovery-related demand, worked to develop approaches for new markets, improve productivity, reduce manufacturing costs and find savings in various business expenses. Aiming to grow sales in the rapidly expanding markets of the emerging countries, we are also fortifying efforts to achieve business expansion. Specifically, the SATO Group made Argox Information Co., Ltd. of Taiwan a wholly owned subsidiary on January 17, 2012, following a resolution at the Board of Directors meeting held on December 16, 2011 to acquire all shares of the said company. For details, please refer to “(7) Significant subsequent events.”

As a result of these activities, during the first nine months, the SATO Group recorded an increase in net sales, up 1.5% from the same period of the previous fiscal year to ¥59,858 million and an increase in operating income, up 3.3% to ¥3,379 million. Ordinary income increased by 4.6% to ¥2,878 million due to the effect of the strong yen. Net income decreased by 28.6% to ¥988 million as a result of a reversal of deferred tax assets accompanying the lowering of the corporate tax rate.

By segment, the SATO Group reported the following:

<Japan>

As recovery from the Great East Japan Earthquake progressed, each of our business units continued to utilize its specialist knowledge in its respective markets to proactively offer proposals that accurately met consumer needs. As a result, inquiries became more active. In particular, during the third quarter, not only did sales of mechatronic products, mostly electronic printers, achieve double-digit year-on-year growth in the factory automation, retail, food and medical sectors, but also sales of supply products fared strongly in the respective sectors of retail, food and logistics. As a result, we broke a new domestic sales record on a quarterly basis. We expect to achieve new market development for the future through business expansion in growth markets and energetic proposals of new applications for our products. As a result of these efforts, net sales rose 2.8% to ¥46,377 million while operating income rose 9.6% to ¥3,177 million, compared to the same period of the previous fiscal year.

<Americas>
Hardware sales were weak, particularly with respect to inquiries from OEMs. However, inquiries for markdown systems for large retailers as well as consumables expiry date management systems for food products are in progress, and we expect sales to expand in the future. Also, in addition to bolstering sales activities to boost the sales of our apparel tag printing service bureau, we continued our business expansion in South America. We worked to expand our business locations, by establishing local subsidiaries in Argentina and Brazil and preparing the framework to expand the label producing functions. As a result, net sales fell 7.5% to ¥4,312 million (a rise of 1.7%, however, excluding foreign currency effects), and operating income fell 29.9% to ¥68 million, compared to the same period of the previous fiscal year.

<Europe>
A new label factory in Poland is now in full operation, and we have established a system that enables supply products to be produced and supplied at a low cost to Germany and the Benelux region. Following this, the manufacturing subsidiary in Germany went into liquidation and this, together with other measures, marked the end of the structural reform measures that we have undertaken in order to strengthen our earnings base. We began to see a clear path towards profitability, and we aim for our European operations to remain in profit from the next fiscal year onwards. As for sales, the slowdown in economic activity due to the European debt crisis weakened sales. However, there was brisk activity with respect to inquiries for markdown systems, and we prepared to cultivate new sales channels by enhancing our distributor network and promoting business cooperation with system dealers. As a result, net sales fell 4.1% to ¥4,409 million (a fall of 0.8%, however, excluding foreign currency effects), and there was an operating loss of ¥171 million, compared with an operating loss of ¥168 million in the same period of the previous fiscal year.

<Asia and Oceania>
In the Asia region, the lull in orders from Japanese-owned companies in Asia, due to the effect of the earthquake in the first half of the current period, was moving toward recovery. However, recovery slowed due to such factors as the flooding in Thailand, and reduced exports to Europe and tight monetary policies to curb inflation in China, leading to overall economic stagnation and weaker-than-before growth.

Facing these circumstances, we implemented initiatives in each country to create new demand for sectors such as the manufacturing industry, major distribution companies and government projects. While doing so, we actively expanded our sales activities mainly by further strengthening support from Japan. In China we are conducting measures to capitalize on demands in the growing market such as the continuing advancement into China by Japanese manufacturers and major distribution companies, seizing the demand for rationalization arising from soaring personnel expenses, starting operations of product assembly plants in China to satisfy the demand for “made in China” products, and strengthening label supply capacity.

In the Oceania region, although inquiries for large projects for health care applications, large department stores and fast food chains, etc. tended to be slower on account of the effect of the stagnant economy, thanks to an accumulation of inquiries for medium and small projects such as for dairy produce and transportation related sectors, sales rose year on year. As a result of these efforts, net sales rose 2.7% to ¥4,759 million (a rise of 5.1%, however, excluding foreign currency effects), and operating income fell 1.9% to ¥384 million, compared to the same period of the previous fiscal year.

By product, the SATO Group reported the following:

a. Net sales of mechatronic products increased by 3.5% to ¥22,461 million compared to the same period of the previous fiscal year.

b. Net sales of supply products increased by 0.3% to ¥37,396 million compared to the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

Total assets at the end of the third quarter were ¥65,692 million, a decrease of ¥441 million compared to the end of the previous fiscal year. This was primarily the result of decreases in cash and deposits and inventories. Net assets were ¥33,839 million, a ¥1,090 million decrease, due to the payment of cash dividends and a decrease in foreign currency translation adjustment.

Cash flows

At the end of the third quarter, cash and cash equivalents (referred to below as “cash”) stood at ¥9,826 million, a decrease of ¥987 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥1,994 million, an increase of 15.4% compared to the same period of the previous fiscal year.

The increase in cash reflected principally income before income taxes and minority interests of ¥2,765 million and ¥1,409 million in depreciation and amortization. Contributing to a decrease in cash were ¥2,349 million increase in notes and accounts receivable-trade and ¥552 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥668 million, a decrease of 83.0% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥402 million for the purchase of property, plant and equipment and ¥251 million for the purchase of intangible assets.

Net cash used in financing activities

Net cash used in financing activities totaled ¥1,859 million, compared to ¥206 million cash provided by financing activities in the same period of the previous fiscal year.

This primarily reflected repayment of long-term loans payable of ¥508 million and cash dividends paid of ¥1,049 million.

(3) Qualitative information on consolidated forecasts

With regard to the consolidated forecasts for the fiscal year ending March 31, 2012 (from April 1, 2011 to March 31, 2012), we have downwardly revised net sales in light of concerns over the impact of such factors as a decline in sales in Japanese yen, which are converted from local currencies at overseas local subsidiaries, due to the further strengthening of the yen, the recent economic deterioration in Europe and the U.S., the large-scale flooding in Thailand, and the economic slowdown in the emerging countries. As for operating income and ordinary income, no changes have been made to the previous forecasts thanks to improvements in profitability in Japan and our results achieved from the completion of structural reforms in Europe. We have downwardly revised net income as a result of an increase in income taxes-deferred due to a partial reversal of deferred tax assets accompanying tax reform. The new forecasts are set forth below.

Revision of consolidated forecasts for the fiscal year ending March 31, 2012
(from April 1, 2011 to March 31, 2012)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Yen)
Previous forecasts (A)	82,000	4,800	4,200	2,400	79.71
Current forecasts (B)	80,000	4,800	4,200	1,900	63.10
Change (B-A)	(2,000)	-	-	(500)	-
Change (%)	(2.4)	-	-	(20.8)	-
(Reference) Actual results of the fiscal year ended March 31, 2011	78,368	4,226	3,696	503	16.71

The assumed average foreign exchange rates for the period from January 1, 2012 to March 31, 2012 are US$1 = ¥77 and €1 = ¥100.

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 materially from the consolidated forecasts due to various factors.

2. Matters Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the first nine months

Not Applicable

(2) Application of special accounting for preparing the quarterly consolidated financial statements

Not Applicable

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

Not Applicable

3.Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2011	December 31, 2011
Assets		
Current assets		
Cash and deposits	10,680	9,716
Notes and accounts receivable-trade	17,253	19,139
Short-term investment securities	184	132
Merchandise and finished goods	6,331	6,005
Work in process	125	118
Raw materials and supplies	1,609	1,494
Other	3,768	4,065
Allowance for doubtful accounts	(113)	(95)
Total current assets	39,841	40,577
Noncurrent assets		
Property, plant and equipment		
Land	7,672	7,666
Other, net	10,236	9,899
Total property, plant and equipment	17,908	17,565
Intangible assets		
Goodwill	454	378
Other	1,390	1,295
Total intangible assets	1,845	1,674
Investments and other assets	6,538	5,875
Total noncurrent assets	26,293	25,115
Total assets	66,134	65,692

Unit: Millions of yen

	March 31, 2011	December 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,751	4,676
Short-term loans payable	5,573	5,426
Accounts payable-other	12,229	12,524
Income taxes payable	205	1,444
Provision	258	155
Other	3,230	3,563
Total current liabilities	26,247	27,791
Noncurrent liabilities		
Long-term loans payable	1,377	885
Provision for retirement benefits	1,696	1,229
Other	1,884	1,946
Total noncurrent liabilities	4,957	4,061
Total liabilities	31,204	31,852
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	27,837	27,939
Treasury stock	(3,458)	(3,459)
Total shareholders' equity	36,508	36,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(1)
Foreign currency translation adjustment	(1,674)	(2,851)
Total accumulated other comprehensive income	(1,674)	(2,852)
Subscription rights to shares	86	72
Minority interests	9	9
Total net assets	34,929	33,839
Total liabilities and net assets	66,134	65,692

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

Unit: Millions of yen

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net sales	58,993	59,858
Cost of sales	34,039	34,522
Gross profit	24,954	25,335
Selling, general and administrative expenses	21,683	21,956
Operating income	3,271	3,379
Non-operating income		
Interest income	23	34
Dividends income	0	0
Purchase discounts	13	15
Rent income	72	78
Other	71	76
Total non-operating income	181	204
Non-operating expenses		
Interest expenses	86	85
Foreign exchange losses	516	510
Other	96	110
Total non-operating expenses	700	706
Ordinary income	2,752	2,878
Extraordinary income		
Gain on sales of noncurrent assets	17	1
Gain on reversal of subscription rights to shares	2	14
Other	2	-
Total extraordinary income	22	15
Extraordinary loss		
Restructuring loss	99	116
Loss on retirement of noncurrent assets	35	6
Loss on sales of noncurrent assets	3	0
Office transfer expenses	70	-
Loss on valuation of investment securities	-	4
Other	27	-
Total extraordinary losses	237	128
Income before income taxes and minority interests	2,537	2,765
Income taxes-current	1,099	1,579
Income taxes-deferred	53	196
Total income taxes	1,152	1,776
Income before minority interests	1,385	989
Minority interests in income	1	0
Net income	1,383	988

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Income before minority interests	1,385	989
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(896)	(1,016)
Total other comprehensive income	(896)	(1,016)
Comprehensive income	488	(27)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	487	(27)
Comprehensive income attributable to minority interests	1	0

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,537	2,765
Depreciation and amortization	1,537	1,409
Amortization of goodwill	82	65
Loss (gain) on sales of noncurrent assets	(14)	(1)
Loss on retirement of noncurrent assets	35	6
Loss on business restructuring	99	116
Increase (decrease) in provision	(32)	(98)
Increase (decrease) in allowance for doubtful accounts	(20)	20
Increase (decrease) in provision for retirement benefits	(16)	(44)
Interest and dividends income	(23)	(34)
Interest expenses	86	85
Foreign exchange losses (gains)	97	(156)
Decrease (increase) in notes and accounts receivable-trade	(1,913)	(2,349)
Decrease (increase) in inventories	(448)	(19)
Increase (decrease) in notes and accounts payable-trade	(220)	(12)
Increase (decrease) in accounts payable-other	838	208
Other, net	513	220
Subtotal	3,139	2,179
Interest and dividends income received	23	34
Interest expenses paid	(85)	(85)
Payments for business restructuring	(99)	-
Income taxes paid	(1,248)	(552)
Income taxes refund	-	419
Net cash provided by (used in) operating activities	1,728	1,994
Net cash provided by (used in) investing activities		
Payments into time deposits	(9)	(39)
Proceeds from withdrawal of time deposits	31	68
Purchase of investment securities	-	(112)
Purchase of property, plant and equipment	(3,903)	(402)
Proceeds from sales of property, plant and equipment	35	15
Purchase of intangible assets	(168)	(251)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(284)	(43)
Other, net	359	97
Net cash provided by (used in) investing activities	(3,939)	(668)

Unit: Millions of yen

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(242)	(124)
Proceeds from long-term loans payable	2,000	-
Repayment of long-term loans payable	(457)	(508)
Cash dividends paid	(985)	(1,049)
Other, net	(107)	(177)
Net cash provided by (used in) financing activities	206	(1,859)
Effect of exchange rate change on cash and cash equivalents	(417)	(368)
Net increase (decrease) in cash and cash equivalents	(2,422)	(901)
Cash and cash equivalents at beginning of period	13,774	10,813
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(85)
Cash and cash equivalents at end of period	11,351	9,826

(4) Notes related to going-concern assumption

Not Applicable

(5) Segment information

I. Nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010)

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

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	45,100	4,661	4,598	4,632	58,993
Intersegment sales and transfer	3,566	76	188	4,155	7,987
Total	48,666	4,738	4,786	8,788	66,980
Segment profit (loss)	2,898	98	(168)	391	3,220

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

Unit: Millions of yen

Profit	Amount
Reportable segments total	3,220
Intersegment eliminations	5
Amortization of goodwill	(66)
Adjustment of inventories	104
Other adjustment	6
Operating income on the consolidated statements of income	3,271

3. Information on impairment loss of noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

Not Applicable

II. Nine months ended December 31, 2011 (from April 1, 2011 to December 31, 2011)

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

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	46,377	4,312	4,409	4,759	59,858
Intersegment sales and transfer	3,305	40	191	3,976	7,514
Total	49,683	4,352	4,600	8,736	67,373
Segment profit (loss)	3,177	68	(171)	384	3,458

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

Unit: Millions of yen

Profit	Amount
Reportable segments total	3,458
Intersegment eliminations	(10)
Amortization of goodwill	(24)
Adjustment of inventories	(43)
Other adjustment	(0)
Operating income on the consolidated statements of income	3,379

3. Information on impairment loss of noncurrent assets, goodwill and negative goodwill, etc. by reportable segment

Not Applicable

(6) Notes in the event of material changes in amount of shareholders' equity

Not Applicable

(7) Significant subsequent events

The Company, at the Board of Directors meeting held on December 16, 2011, resolved to acquire all shares of Argox Information Co., Ltd. (hereinafter "Argox") of Taiwan, and all the shares of Argox were acquired on January 17, 2012. As a result, Argox was made a wholly owned subsidiary of the Company effective the same day.

1. Reason for acquisition of shares

Argox was founded in 1996 as a manufacturer of compact barcode printers, barcode scanners and terminal devices, and it is engaged in the development, design, production and sales of these products. By adopting business models that focus on the markets of emerging countries, Argox has become one of the world's top brands for its competitively priced compact printers. It has built a position as a main provider in the auto-identification market in such emerging countries as China, Brazil, Turkey, India, Russia and South Africa and in recent years, its sales volume is rapidly expanding particularly in China, which is experiencing rapid growth. In terms of its development and production capabilities, it has a plant in the outskirts of Taipei and it has established a parts procurement network in Taiwan, which has a national commitment to electronics technology.

Up until now, the SATO Group has been working to expand into overseas markets by promoting its broad lineup from compact models to industrial-purpose high function models. However, in order to accelerate overseas business, we recognized the urgent need to establish competitive superiority in the markets of emerging countries which are experiencing rapid expansion. We also are aiming to further increase price competitiveness in the developed countries in the field of compact printers, which are growing in demand in the medical and logistics sectors. For these reasons, we decided to make Argox a wholly owned subsidiary.

2. Overview of acquired company

a. Name: Argox Information Co., Ltd.
b. Location: New Taipei City, Taiwan, R.O.C.
c. Name and title of representative: Tong-Lung Wei, Chairman
d. Business activities: Manufacturing and sales of electronic printers, and scanners and terminals
e. Capital: NT$480 million
f. Net sales (consolidated): NT$1,080 million (for the fiscal year ended December 31, 2010)
g. Founded: July 26, 1996

3. Names of other parties in acquisition of shares

Tong-Lung Wei, other executives, relatives of executives, employees (total 121 persons)

4. Date of acquisition of shares
   January 17, 2012

5. Number of shares acquired, acquisition price and ownership after acquisition
   a. Number of shares acquired: 48,000,000 shares
   b. Acquisition price: Cash NT$2,253 million
   c. Ownership after acquisition: 100%

6. Method of financing
   Funds for the acquisition were borrowings from financial institutions.