Consolidated Financial Report for the March 2012 Term
<Under Japanese GAAP>

April 27, 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, Chief Financial Officer (CFO)
Phone: 03-6665-0639
Date of regular General Meeting of Shareholders: June 22, 2012
Date of commencement of dividend payments: June 25, 2012
Scheduled submission date for annual securities report: June 25, 2012
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 the fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

(1) Consolidated financial results

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2012	80,536	2.8	4,652	10.1	4,171	12.8	1,953	288.2
March 31, 2011	78,368	4.6	4,226	64.2	3,696	65.4	503	(35.6)

(Note) Comprehensive income: Fiscal year ended March 31, 2012: ¥2,377 million (-%)
Fiscal year ended March 31, 2011: ¥(57) million (-%)

	Net income per share	Net income per share fully diluted	Return on equity ratio	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2012	64.87	–	5.5	5.9	5.8
March 31, 2011	16.71	–	1.4	5.7	5.4

(N.B.) Equity in earnings or losses of affiliates: Fiscal year ended March 31, 2012: –
Fiscal year ended March 31, 2011: –

(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, 2012	74,830	36,172	48.3	1,201.02
March 31, 2011	66,134	34,929	52.7	1,156.88

(N.B.) Total equity:

As of March 31, 2012: ¥36,162 million　　As of March 31, 2011: ¥34,834 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, 2012	4,434	(7,015)	3,273	11,377
March 31, 2011	1,595	(4,283)	(3)	10,813

2. Dividends

	Annual dividend per share					Total dividends paid (total)	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)	%	%
March 31, 2011	–	16.00	–	18.00	34.00	1,023	203.5	2.9
March 31, 2012	–	17.00	–	18.00	35.00	1,053	54.0	3.0
March 31, 2013 (Forecast)	–	17.00	–	18.00	35.00		–	

3. Consolidated forecasts for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(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)
Six months	43,000	9.5	2,400	28.7	2,300	78.2	1,300	86.4	43.17
Annual	88,000	9.3	5,800	24.7	5,600	34.2	3,200	63.8	106.28

* Notes

(1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated subsidiaries: 1 subsidiary
Name: ARGOX INFORMATION CO., LTD.

Companies excluded from scope of consolidation: None

(2) 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

(3) Number of issued shares (common stock)

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

As of March 31, 2012:	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 March 31, 2012:	1,891,242 shares
As of March 31, 2011:	1,890,699 shares

3) Average number of shares during the term

Fiscal year ended March 31, 2012:	30,110,162 shares
Fiscal year ended March 31, 2011:	30,110,800 shares

*** Indication about carrying-out of the audit procedures**

This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this financial report, the audit procedures for 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 page 5 of the attached materials to the financial report for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.

Attached Materials

Index

1. Results of Operations

(1) Analysis of financial performance

In the fiscal year under review, 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 and flood damage in Thailand, 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, undertook various measures to improve its business performance such as developing approaches for new markets, improving productivity, reducing manufacturing costs and finding savings in various business expenses.

The SATO Group has set two core challenges for its new growth strategy: substantially growing its overseas business, and strengthening its profitability. To advance progress in these objectives, on January 17, 2012 we acquired all shares in Argox Information Co., Ltd. of Taiwan, making it a wholly owned subsidiary with the aim of expanding sales in the markets of emerging countries, where rapid growth in demand is expected. Argox Information is one of the global top brands for competitively priced compact printers. Its business activities include development, design, production and sales of compact barcode printers, barcode scanners and terminal devices. 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.

In addition, on March 13, 2012, we made Achernar S.A. of Argentina our subsidiary, aiming to establish the SATO Group's own supply system for seal and label products and strengthen its sales force in the remarkably fast growing South American market. Through mutual use of management resources with its various group companies, the SATO Group will accelerate its development into the markets of emerging countries and work to quickly strengthen and enhance its overseas business by establishing a superior competitive position.

As a result of these activities, during the fiscal year under review, the SATO Group recorded an increase in net sales, up 2.8% from the previous fiscal year to ¥80,536 million and an increase in operating income, up 10.1% to ¥4,652 million. Ordinary income increased by 12.8% to ¥4,171 million due to the effect of the strong yen. Net income increased by 288.2% to ¥1,953 million mainly 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. Particularly in the second half of the fiscal year, signs of recovery began to emerge. Not only did sales of mechatronic products, mostly electronic printers, achieve double-digit year-on-year growth in the manufacturing, distribution, food and medical sectors, but also supply products reached new sales records in each quarter. 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 during the fiscal year, net sales in Japan rose 3.7% to ¥61,986 million while operating income rose 11.6% to ¥4,299 million, compared to the previous fiscal year.

<Americas>

In the fiscal year under review, sales of mechatronic products were weak due to a temporary lull 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 for our apparel tag printing service bureau, we made Achernar S.A. a subsidiary to strengthen our sales force in the remarkably fast growing South American market (announced March 14, 2012). Achernar is a company that manufacturers and sells seal and label products in Argentina.

In South America, as part of our business expansion strategy for that market, the SATO Group established its first South American sales base in Argentina in May 2010, and then in September 2011, it made a distributor in Brazil that handles printers, consumables, scanners, software and maintenance services into a subsidiary. In addition, Argox Information Co., Ltd. of Taiwan, which was acquired in January 2012, holds a large market share in the South American market. Now, through the inclusion of Achernar to the SATO Group, the Group has bolstered its own supply system for seal and label products and it has now established a system upon which to comprehensively expand the Company’s auto-identification solutions. The SATO Group will work to achieve further business expansion in the South American market through mutual use of management resources with its various group companies.

As a result, net sales fell 5.3% to ¥5,872 million (a rise of 2.7%, however, excluding foreign currency effects), and operating income rose 11.1% to ¥139 million, compared to 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, and we began to see a clear path towards profitability. Presently, the recovery to profitability is being kept at a slow pace on account of weak sales due to the slowdown in economic activity caused by the European debt crisis as well as a temporary hike in costs that accompanied the final phase of our structural reform measures. Nevertheless, we aim to be back in the black from the next fiscal year onwards thanks to brisk activity with respect to inquiries throughout Europe for markdown systems and our preparations to cultivate new sales channels by enhancing the distributor network and promoting business cooperation with system dealers.

As a result, net sales fell 6.8% to ¥5,789 million (a fall of 2.6%, however, excluding foreign currency effects), and there was an operating loss of ¥257 million, compared with an operating loss of ¥298 million in the previous fiscal year.

<Asia and Oceania>

Orders from Japanese-owned companies in Asia were moving toward recovery in the wake of the Great East Japan Earthquake, which occurred in March 2011. 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 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 promptly implementing measures to capitalize on demands in the growing market such as the continuing advancement into China by Japanese manufacturers and major distribution companies by seizing the demand for rationalization arising from soaring personnel expenses, and starting operations of product assembly plants to satisfy the demand for “made in China” products as well as strengthen label supply capacity. We intend to accelerate our development in the markets of emerging countries and establish a superior competitive position by directly managing our Chinese operations in unity with our Japanese operations, as well as through our alliance with Argox Information.

As a result of these efforts, net sales rose 11.8% to ¥6,888 million (a rise of 13.8%, however, excluding foreign currency effects), and operating income rose 2.2% to ¥511 million, compared to the previous fiscal year.

In the next fiscal year, the SATO Group expects the global economy to maintain a gradual pace of recovery, boosted by the growth in China and other Asian countries as well as the economic growth of emerging countries. Nevertheless, elements of instability are expected to remain, including the credit crisis in Europe, persistently strong yen, and high crude oil prices due to political instability in the Middle East.

Operating in this business environment, the SATO Group formulated a new Medium-term Management Plan from the fiscal year ending March 31, 2013 to the fiscal year ending March 31, 2015. For an overview of this plan, please see “3. Management Policies.”

Our annual consolidated forecasts are as follows.

Net sales	¥88,000 million	(increase by 9.3% year on year)
Operating income	¥5,800 million	(increase by 24.7% year on year)
Ordinary income	¥5,600 million	(increase by 34.2% year on year)
Net income	¥3,200 million	(increase by 63.8% year on year)

The average foreign exchange rates during the period assumed in the above forecast:
US$ = ¥78 and Euro = ¥104.

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) Analysis of financial position

a. Assets, liabilities and net assets

At the end of the fiscal year under review, the balance of current assets was ¥44,632 million, an increase of ¥4,791 million (¥39,841 million recorded at the end of the previous fiscal year). This was primarily the result of an increase in cash and deposits of ¥1,932 million and an increase in notes and accounts receivable-trade of ¥2,358 million. The balance of noncurrent assets was ¥ 30,198 million (¥26,293 million at the end of the previous fiscal year), an increase of ¥ 3,904 million. This is mainly the result of an increase in goodwill of ¥4,670 million.

The balance of current liabilities was ¥33,621 million (¥26,247 million at the end of the previous fiscal year), an increase of ¥7,374 million. This was primarily due to increases of ¥4,316 million in short-term loans payable and of ¥1,962 million in income taxes payable. The balance of noncurrent liabilities was ¥5,036 million (¥4,957 million at the end of the previous fiscal year), an increase of ¥78 million. This was mainly the result of an increase in long-term loans payable of ¥423 million and a decrease in provision for retirement benefits of ¥427 million.

Net assets at the end of the fiscal year under review were ¥36,172 million (¥34,929 million at the end of the previous fiscal year), an increase of ¥1,243 million. This was primarily due to increases of ¥1,067 million in retained earnings and of ¥262 million in foreign currency translation adjustment.

b. Cash flows

At the end of the fiscal year under review, cash and cash equivalents (referred to below as “cash”) stood at ¥11,377 million, an increase of ¥564 million compared to the end of the previous fiscal year.

The major cash flow-related factors for the fiscal year ended March 31, 2012 are outlined below.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥4,434 million.

The increase in cash primarily reflected an increase of ¥2,166 million in notes and accounts receivable-trade, ¥1,045 million decrease in notes and accounts payable-trade, and ¥564 million in income taxes paid as well as ¥4,115 million in income before income taxes and minority interests, ¥1,930 million in depreciation and amortization, which does not affect cash in or out flow, and an increase of ¥740 million in accounts payable-other.

Net cash used in investing activities

Net cash used in investing activities totaled ¥ 7,015 million.

This resulted primarily from expenditures of ¥6,038 million for the purchase of investments in subsidiaries.

Net cash provided by financing activities

Net cash provided by financing activities was ¥3,273 million. On one hand, there were cash dividends paid of ¥1,053 million and repayment of long-term loans payable of ¥2,177 million, while on the other, there was an increase in short-term loans payable of ¥5,760 million.

Trend in cash flow indices

	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Equity ratio (%)	58.0	55.9	52.7	48.3
Equity ratio based on market value (%)	35.0	62.5	50.0	46.9
Ratio of cash flow to interest-bearing debt (%)	110.9	120.2	542.7	311.6
Interest-coverage ratio (times)	35.3	49.3	13.7	35.0

(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 of 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 stock) 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.

(3) Policy regarding the distribution of profits and dividends

The Company's fundamental policy regarding distribution of profits is to provide four-way returns to our stakeholders: shareholders, its employees, society, and the Company. The Company decides the distribution of profits and dividends based on the basic principle of ensuring stable and continuous dividends while retaining internal reserves for future business expansion, comprehensively considering business performance and climate.

Based on the above policy, the Company will pay a year-end dividend of ¥18 per share for the fiscal year ended March 31, 2012. Combined with the interim dividend of ¥17 per share that has already been paid, this amounts to total dividends for the fiscal year ended March 31, 2012 of ¥35 per share, an increase of ¥1 per share compared with the previous fiscal year.

We plan to raise this matter for approval at the Ordinary General Meeting of Shareholders to be held in June 2012.

As for total dividends for the fiscal year ending March 31, 2013, we plan to pay ¥35 per share, consisting of an interim dividend of ¥17 and a year-end dividend of ¥18.

(4) Risk factors

a. Business in Japan

The SATO Group operates its business by providing customers with optimal solutions for using auto-identification technology media such as barcodes, 2D codes and RFID by integrally combining mechatronic products, supply products, and software technology. Since the SATO Group operates primarily in the supply products business in a broad range of industries including not only distribution and retail, but also manufacturing, transportation, medical, and food processing, the Group is resistant to the effects of economic trends. Nevertheless, in order to accumulate the know-how and create the sales tools to provide the value-added aspect required in a solutions-based business, we must allocate a large portion of operating revenues to selling, general and administrative expenses. A sudden drop in net sales due to broad-reaching and severe downturn in the economy could significantly affect the Group's financial results.

b. Business overseas

The SATO Group possesses multiple production and sales subsidiaries in various regions including the Americas, Europe, Asia and Oceania. In conducting business in these overseas markets, the Group exposes itself to the following risks.

(a) Unexpected changes in laws and regulations.

(b) Occurrence of unexpected political or economic factors.

(c) Changes to the tax system or tax rate that have adverse effect.

(d) Social turmoil, etc. caused by terrorist attacks, wars, natural disasters, infectious disease epidemics, or by other factors.

Any of the above events could significantly affect the Group's financial results.

c. Currency fluctuations

The SATO Group carries out manufacturing and sales on a global scale and conducts transactions between the Company and overseas subsidiaries in multiple foreign currencies. A considerable currency fluctuation could significantly affect the Group's product competitiveness, profitability and other aspects of its financial results.

d. Intellectual property rights

The SATO Group conducts surveys and negotiations to avoid trouble with respect to intellectual property rights, and it proactively pursues the acquisition of intellectual property rights. At present, there are no cases of the Group breaching the intellectual property rights of a third party. There is a risk, however, that in the future, the Group could be involved in a legal suit. A situation whereby the Group is disadvantaged by such a legal suit could significantly affect the Group's financial results.

e. Procurement of raw materials, etc.

The SATO Group procures raw materials and parts from numerous external sources. If the Group is unable to obtain these at the planned quantity or price due to any reason and is unable to reduce costs or pass on that extra cost to the price of the finished product, such a situation could significantly affect the Group's financial results.

f. Disposal or loss on valuation of inventories

The SATO Group pays adequate attention to quality, environmental standards and inventory management for its finished products and parts. However, if it becomes necessary to revise the values of finished products and work in process because of sudden changes in market trends, technological innovation, or the product lifecycle, and if inventories are disposed of or loss on valuation is recorded on them, such a situation could significantly affect the Group's financial results.

2. Group Organization

The SATO Group is a corporate group with the Company at the center involved primarily in the production and sales of electronic printers, hand labelers and other related mechatronic products, as well as supply products including IC tags/labels, stickers, labels, tags, tickets, ribbons, and MC-cards.

All fifty-three subsidiaries involved in the Company’s business are consolidated subsidiaries and their roles and business segment information are as shown below.

Segment	Companies and Subsidiary Companies	Role
Japan	SATO HOLDINGS CORPORATION	Management strategy development and business administration for the Group
	SATO CORPORATION	Sales of mechatronic products and supply products
	SATO BUSINESS SERVICES CO., LTD.	Sales of knowledge management system
	IN.OUT CO., LTD.	Development and sales of application software
	SATO SYSTEM SUPPORT CO., LTD.	Maintenance services for electronic printers, etc.
	SATO MECHATRONICS CO., LTD.	Production of mechatronic products
	SATO PRINTING CO., LTD.	Production of supply products
	SANKYO PRINTING CO., LTD.	Production and sales of supply products
	SATO MATERIAL CO., LTD.	Production and sales of industrial rubber products, synthetic resin and RFID tags
	SATO PRINTING TECHNOLOGY CENTER CO., LTD.	Production, research and development of supply products
	SATO QUALITY ASSURANCE CENTER CO., LTD.	Quality assurance and quality control of mechatronic products and supply products
	SATO TECHNO LAB CO., LTD.	Development and design of mechatronic products
	SATO LOGISTICS CO., LTD.	Transportation of general and special goods, inspection and assembly of electronic equipment
	SATO COMMUNICATIONS CO., LTD.	Management of supply product orders, printing service
	SATO INTELLECTUAL PROPERTY INSTITUTE CO., LTD.	Creating, protecting, utilizing, and maintaining intellectual property
	SATO OPERATIONS SUPPORT CO., LTD.	Shared services
Americas	SATO INTERNATIONAL AMERICA, INC. (U. S. A.)	Regional administration
	SATO AMERICA, INC. (U. S. A.)	Production and sales of supply products, sales of mechatronic products
	SATO LABELING SOLUTIONS AMERICA, INC. (U. S. A.)	
	SATO AUTO-ID DO BRASIL LTDA. (Brazil)	
	ACHERNAR S.A. (Argentina)	
	SATO ARGENTINA S.A. (Argentina)	Sales of supply products and mechatronic products
Europe	SATO INTERNATIONAL EUROPE N. V. (Belgium)	Regional administration
	SATO UK LTD. (U. K.)	Production and sales of supply products, sales of mechatronic products
	SATO FRANCE S. A. S. (France)	
	SATO IBERIA S. A. U. (Spain)	
	SATO BENELUX B.V. (Netherlands)	Sales of supply products and mechatronic products
	SATO POLSKA SP. Z O. O. (Poland)	
	SATO GERMANY GmbH (Germany)	
	SATO LABELING POLAND SP. Z O. O. (Poland)	Production of supply products
	S. A. R. L. DES BOIS BLANCS (France)	Real estate management
	SATO TECHNO LAB EUROPE AB	Development of mechatronic products, support for technology and business development

Segment	Companies and Subsidiary Companies	Role
Asia Pacific	SATO INTERNATIONAL ASIA PACIFIC PTE. LTD. (Singapore)	Regional administration
	SATO GLOBAL BUSINESS SERVICES PTE. LTD. (Singapore)	Shared services
	SATO ASIA PACIFIC PTE. LTD. (Singapore)	Production and sales of supply products, sales of mechatronic products
	SATO AUTO-ID (THAILAND) CO., LTD. (Thailand)	
	SATO AUSTRALIA PTY LTD. (Australia)	
	SATO NEW ZEALAND LTD. (New Zealand)	
	SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia)	Sales of supply products and mechatronic products
	SATO SHANGHAI CO., LTD. (China)	
	SATO AUTO-ID INDIA PVT. LTD. (India)	
	SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia)	Production of mechatronic products
	SATO VIETNAM CO., LTD. (Vietnam)	
	SATO MALAYSIA SDN. BHD. (Malaysia)	Production of supply products
	SATO PRINT CONNECT HONG KONG LTD. (Hong Kong)	Printing service
	WUXI SONGXING ELECTRONIC COMPONENTS CO., LTD. (China)	Production of supply products and mechatronic products
	ARGOX INFORMATION CO., LTD. (Taiwan)	Production and sales of mechatronic products
	SATO HOLDING (THAILAND) CO., LTD. (Thailand)	Holding company

(Notes)

1. SATO FRANCE S. A. S., SATO POLSKA SP. Z O. O. and SATO LABELING POLAND SP.Z O.O. are subsidiaries of SATO INTERNATIONAL EUROPE N. V.
2. SATO AUTO-ID MALAYSIA SDN. BHD. is a subsidiary of SATO MALAYSIA SDN. BHD.
3. SATO AUTO-ID (THAILAND) CO., LTD. is a subsidiary of SATO HOLDING (THAILAND) CO., LTD.
4. S. A. R. L. DES BOIS BLANCS is a subsidiary of SATO FRANCE S. A. S.
5. SATO AMERICA, INC. and SATO LABELING SOLUTIONS AMERICA, INC. are subsidiaries of SATO INTERNATIONAL AMERICA, INC.
6. SATO PRINT CONNECT HONG KONG LTD. is a subsidiary of SATO LABELING SOLUTIONS AMERICA, INC.
7. SATO ARGENTINA S.A., SATO AUTO-ID DO BRASIL LTDA. and ACHERNAR S.A. are subsidiaries of SATO AMERICA, INC.
8. SATO AUTO-ID INDIA PVT. LTD. is a subsidiary of SATO INTERNATIONAL ASIA PACIFIC PTE.LTD.

The SATO Group’s main products are as follows.

Business	Main products and services
Mechatronic products	Electronic printers, labeling robots, automatic labelers, one line hand labelers, multiline hand labelers, software, maintenance services
Supply products	Labels/tags for electronic printers, labels for hand labelers, IC tags/labels, stickers, tickets, ribbons, MC-cards

3. Management Policies

(1) Fundamental policy

The fundamental management policy of the SATO Group is to promote “Ceaseless Creativity for a Sustainable World” while aspiring to the long-term vision of “becoming the world’s No. 1 auto-identification company that, through ceaseless creativity, is continually chosen by its customers” and contribute to society by providing value not only in terms of the Group’s traditionally upheld goals of “precision, labor savings, and resources savings”, but also in terms of “peace-of-mind and ecology”.

(2) Management indices

In terms of management indices, the Group places great importance on net sales, the ratio of operating income to net sales and return on equity (ROE). It recognizes these indices as benchmarks for raising shareholder value.

With the formulation of a new Medium-term Management Plan starting with the fiscal year ending March 31, 2013, we have put in place management index targets of consolidated net sales of at least ¥100.0 billion (with an overseas net sales component of at least 30%), consolidated operating income ratio of at least 8%, and return on equity (ROE) of at least 10%, which we aim to achieve by the fiscal year ending March 31, 2015.

(3) Medium- to long-term management strategy and issues requiring action

Following the basic strategy of the “pursuit of globalization and maximization of customer value,” the SATO Group has formulated the Medium-term Management Plan from the fiscal year ending March 31, 2013 to the fiscal year ending March 31, 2015 with the management objective of establishing an earnings base capable of continual growth.

Following are the Six Key Strategies:.

① Apply the success achieved with the business unit structure in Japan to other countries

② Develop growing markets in emerging countries

③ Establish highly profitable consumables business overseas

④ Execute measures to strengthen earning power (Business, Applications, Products, Cost)

⑤ Optimise management group-wide (IT, SCM, Finance, Human Resource Development)

⑥ Expand environmental conservation business

4. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2011	March 31, 2012
Assets		
Current assets		
Cash and deposits	10,680	12,613
Notes and accounts receivable-trade	17,253	19,611
Short-term investment securities	184	143
Merchandise and finished goods	6,331	6,262
Work in process	125	330
Raw materials and supplies	1,609	1,695
Accounts receivable-other	645	660
Deferred tax assets	2,000	2,507
Other	1,123	893
Allowance for doubtful accounts	(113)	(86)
Total current assets	39,841	44,632
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	11,509	11,514
Accumulated depreciation	(5,692)	(5,981)
Buildings and structures, net	5,817	5,532
Machinery, equipment and vehicles	11,174	11,700
Accumulated depreciation	(7,741)	(8,122)
Machinery, equipment and vehicles, net	3,432	3,577
Tools, furniture and fixtures	4,794	4,618
Accumulated depreciation	(3,860)	(3,710)
Tools, furniture and fixtures, net	933	907
Land	7,672	7,654
Construction in progress	52	29
Total property, plant and equipment	17,908	17,702
Intangible assets		
Goodwill	454	5,125
Software	950	950
Leasehold right	175	168
Other	264	345
Total intangible assets	1,845	6,590
Investments and other assets		
Investment securities	248	245
Long-term loans receivable	450	255
Guarantee deposits	691	659
Deferred tax assets	3,877	3,479
Other	1,331	1,622
Allowance for doubtful accounts	(59)	(356)
Total investments and other assets	6,538	5,905
Total noncurrent assets	26,293	30,198
Total assets	66,134	74,830

Unit: Millions of yen

	March 31, 2011	March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,751	4,025
Short-term loans payable	5,573	9,889
Lease obligations	268	361
Accounts payable-other	12,229	13,174
Income taxes payable	205	2,167
Provision for bonuses	186	165
Provision for directors’ bonuses	41	50
Provision for product warranties	30	38
Other	2,962	3,747
Total current liabilities	26,247	33,621
Noncurrent liabilities		
Long-term loans payable	1,377	1,800
Lease obligations	1,306	1,627
Provision for retirement benefits	1,696	1,268
Long-term accounts payable for directors’ retirement benefits	199	-
Other	377	340
Total noncurrent liabilities	4,957	5,036
Total liabilities	31,204	38,657
Net assets		
Shareholders’ equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	27,837	28,904
Treasury stock	(3,458)	(3,459)
Total shareholders’ equity	36,508	37,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,674)	(1,412)
Total accumulated other comprehensive income	(1,674)	(1,412)
Subscription rights to shares	86	-
Minority interests	9	10
Total net assets	34,929	36,172
Total liabilities and net assets	66,134	74,830

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales	78,368	80,536
Cost of sales	45,350	46,319
Gross profit	33,018	34,217
Selling, general and administrative expenses	28,791	29,564
Operating income	4,226	4,652
Non-operating income		
Interest income	32	53
Dividends income	0	0
Purchase discounts	17	25
Rent income	87	111
Insurance income	-	174
Profit on adjustment of extraordinary retirement allowance	-	81
Other	87	111
Total non-operating income	225	557
Non-operating expenses		
Interest expenses	117	126
Foreign exchange losses	496	677
Other	142	235
Total non-operating expenses	755	1,039
Ordinary income	3,696	4,171
Extraordinary income		
Gain on sales of noncurrent assets	21	6
Gain on sales of investment securities	13	-
Gain on reversal of subscription rights to shares	-	86
Other	7	-
Total extraordinary income	42	93
Extraordinary loss		
Restructuring loss	498	116
Loss on sales of noncurrent assets	3	0
Loss on retirement of noncurrent assets	45	8
Loss on valuation of investment securities	-	4
Contributions for withdrawing from the pension fund	2,300	-
Other	137	18
Total extraordinary losses	2,986	149
Income before income taxes and minority interests	752	4,115
Income taxes-current	700	2,333
Income taxes-deferred	(453)	(172)
Total income taxes	247	2,160
Income before minority interests	505	1,954
Minority interests in income	1	1
Net income	503	1,953

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Income before minority interests	505	1,954
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(0)
Foreign currency translation adjustment	(556)	423
Total other comprehensive income	(562)	423
Comprehensive income	(57)	2,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(59)	2,376
Comprehensive income attributable to minority interests	1	1

(3) Consolidated statements of changes in net assets

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,331	6,331
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,331	6,331
Capital surplus		
Balance at the beginning of current period	5,799	5,799
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	5,799	5,799
Retained earnings		
Balance at the beginning of current period	28,327	27,837
Changes of items during the period		
Dividends from surplus	(993)	(1,053)
Net income	503	1,953
Change of scope of consolidation	-	167
Total changes of items during the period	(490)	1,067
Balance at the end of current period	27,837	28,904
Treasury stock		
Balance at the beginning of current period	(3,457)	(3,458)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(3,458)	(3,459)
Total shareholders' equity		
Balance at the beginning of current period	37,000	36,508
Changes of items during the period		
Dividends from surplus	(993)	(1,053)
Net income	503	1,953
Change of scope of consolidation	-	167
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(491)	1,066
Balance at the end of current period	36,508	37,575
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	5	(0)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6)	(0)
Total changes of items during the period	(6)	(0)
Balance at the end of current period	(0)	(0)

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Foreign currency translation adjustment		
Balance at the beginning of current period	(1,118)	(1,674)
Changes of items during the period		
Net changes of items other than shareholders' equity	(556)	262
Total changes of items during the period	(556)	262
Balance at the end of current period	(1,674)	(1,412)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(1,112)	(1,674)
Changes of items during the period		
Net changes of items other than shareholders' equity	(562)	262
Total changes of items during the period	(562)	262
Balance at the end of current period	(1,674)	(1,412)
Subscription rights to shares		
Balance at the beginning of current period	89	86
Changes of items during the period		
Net changes of items other than shareholders' equity	(3)	(86)
Total changes of items during the period	(3)	(86)
Balance at the end of current period	86	-
Minority interests		
Balance at the beginning of current period	7	9
Changes of items during the period		
Net changes of items other than shareholders' equity	1	0
Total changes of items during the period	1	0
Balance at the end of current period	9	10
Total net assets		
Balance at the beginning of current period	35,985	34,929
Changes of items during the period		
Dividends from surplus	(993)	(1,053)
Net income	503	1,953
Change of scope of consolidation	-	167
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	(564)	176
Total changes of items during the period	(1,055)	1,243
Balance at the end of current period	34,929	36,172

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	752	4,115
Depreciation and amortization	2,074	1,930
Amortization of goodwill	116	247
Gain on sales of fixed assets	(21)	(6)
Loss on sales of fixed assets	3	0
Loss on retirement of noncurrent assets	45	8
Loss on business restructuring	498	116
Contributions for withdrawing from the pension fund	2,300	-
Increase (decrease) in allowance for doubtful accounts	(52)	7
Increase (decrease) in provision for bonuses	91	(104)
Increase (decrease) in provision for retirement benefits	(6)	(34)
Increase (decrease) in provision for directors' bonuses	6	9
Interest and dividends income	(32)	(54)
Interest expenses	117	126
Foreign exchange losses (gains)	105	102
Decrease (increase) in notes and accounts receivable-trade	(981)	(2,166)
Decrease (increase) in inventories	(474)	228
Decrease (increase) in prepaid expenses	7	(72)
Decrease (increase) in accounts receivable-other	(49)	(8)
Increase (decrease) in notes and accounts payable-trade	15	(1,045)
Increase (decrease) in accounts payable-other	646	740
Other, net	212	511
Subtotal	5,375	4,651
Interest and dividends income received	32	55
Interest expenses paid	(116)	(126)
Payments for business restructuring	(102)	-
Contributions for withdrawing from the pension fund paid	(2,300)	-
Income taxes paid	(1,292)	(564)
Income taxes refund	-	419
Net cash provided by (used in) operating activities	1,595	4,434
Net cash provided by (used in) investing activities		
Purchase of investment securities	-	(112)
Purchase of property, plant and equipment	(4,233)	(568)
Proceeds from sales of property, plant and equipment	44	43
Purchase of intangible assets	(228)	(402)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(284)	(6,038)
Other, net	418	63
Net cash provided by (used in) investing activities	(4,283)	(7,015)

Unit: Millions of yen

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(235)	5,760
Proceeds from long-term loans payable	2,000	1,000
Repayment of long-term loans payable	(627)	(2,177)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(992)	(1,053)
Other, net	(146)	(255)
Net cash provided by (used in) financing activities	(3)	3,273
Effect of exchange rate change on cash and cash equivalents	(270)	(42)
Net increase (decrease) in cash and cash equivalents	(2,960)	650
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	10,813	11,377

(5) Notes to consolidated financial statements

(Segment information)

a. Segment information

I. Fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)

1. Overview of reportable segments

   The reportable segments of SATO CORPORATION are constituent units of the Company whose separate financial information is obtainable. These segments are periodically examined by the Board of Directors with the purposes of deciding the allocation of management resources and evaluating operating results.

   By freely using auto-identification technology both inside Japan and overseas, the SATO Group has continued to develop its unique business model of "DCS & Labeling." It has adapted this model to meet the specific characteristics of each region, and is conducting the manufacturing and sales of mechatronic and supply products, as well as providing software and maintenance services to its users.

   Under the current organizational system, the Company, situated in Japan, leads and manages all regions through providing management guidance together with strategies for production and sales to each local subsidiary company working under our local area management companies in the Americas, Europe, Asia and Oceania.

   Accordingly, the Company makes its reportable segments the following four geographic regions: Japan, Americas (mainly U.S.A.), Europe (mainly U.K. and Germany), and Asia & Oceania (mainly Singapore and Malaysia). Each of these segments forms a regional base that forms a separate production and marketing system.

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 roughly the same as the method of accounting used for the preparation of consolidated financial statements.

   The income stated in the reportable segments is a figure based on operating income.

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

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	59,793	6,199	6,214	6,161	78,368
Intersegment sales and transfer	4,779	89	241	5,544	10,654
Total	64,573	6,289	6,455	11,705	89,023
Segment profit (loss)	3,853	125	(298)	500	4,181
Segment assets	70,881	3,658	3,511	14,192	92,244
Other items					
Depreciation and amortization	1,387	81	123	481	2,074
Amount of increases in property, plant and equipment and intangible assets	4,746	106	158	342	5,354

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

Unit: Millions of yen

Profit	Amount
Reportable segments total	4,181
Intersegment eliminations	7
Amortization of goodwill	(88)
Adjustment of inventories	119
Other adjustment	7
Operating income on the consolidated statements of income	4,226

Assets	Amount
Reportable segments total	92,244
Intersegment eliminations	(26,099)
Other adjustment	(10)
Total assets on the consolidated balance sheets	66,134

II. Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

1. Overview of reportable segments

   The reportable segments of SATO CORPORATION are constituent units of the Company whose separate financial information is obtainable. These segments are periodically examined by the Board of Directors with the purposes of deciding the allocation of management resources and evaluating operating results.

   By freely using auto-identification technology both inside Japan and overseas, the SATO Group has continued to develop its unique business model of "DCS & Labeling." It has adapted this model to meet the specific characteristics of each region, and is conducting the manufacturing and sales of mechatronic and supply products, as well as providing software and maintenance services to its users.

   Under the current organizational system, the Company, situated in Japan, leads and manages all regions through providing management guidance together with strategies for production and sales to each local subsidiary company working under our local area management companies in the Americas, Europe, Asia and Oceania.

   Accordingly, the Company makes its reportable segments the following four geographic regions: Japan, Americas (mainly U.S.A.), Europe (mainly U.K. and Germany), and Asia & Oceania (mainly Singapore and Malaysia). Each of these segments forms a regional base that forms a separate production and marketing system.

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 roughly the same as the method of accounting used for the preparation of consolidated financial statements.

   The income stated in the reportable segments is a figure based on operating income.

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

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	61,986	5,872	5,789	6,888	80,536
Intersegment sales and transfer	4,292	60	247	5,247	9,847
Total	66,278	5,932	6,036	12,136	90,384
Segment profit (loss)	4,299	139	(257)	511	4,692
Segment assets	78,273	4,347	3,270	21,116	107,008
Other items					
Depreciation and amortization	1,354	78	100	396	1,930
Amount of increases in property, plant and equipment and intangible assets	1,290	40	131	256	1,719

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

Unit: Millions of yen

Profit	Amount
Reportable segments total	4,692
Intersegment eliminations	33
Amortization of goodwill	(36)
Adjustment of inventories	(35)
Other adjustment	(0)
Operating income on the consolidated statements of income	4,652

Assets	Amount
Reportable segments total	107,008
Intersegment eliminations	(31,856)
Other adjustment	(321)
Total assets on the consolidated balance sheets	74,830

b. Pertinent Information

I. Fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)

1. Information by product or service

Unit: Millions of yen

	Mechatronic products	Supply products	Total
External customer sales	29,460	48,908	78,368

2. Information by region

1) Net sales

This information has been omitted, as classification is the same as for reportable segments.

2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
15,722	301	499	1,385	17,908

3. Information by major customers

Disclosure of this item is omitted because out of the customers included in external customer sales, there are no customers that make up 10% or more of the net sales of the consolidated statements of income.

II. Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

1. Information by product or service

Unit: Millions of yen

	Mechatronic products	Supply products	Total
External customer sales	31,300	49,236	80,536

2. Information by region

1) Net sales

This information has been omitted, as classification is the same as for reportable segments.

2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
15,540	309	394	1,458	17,702

3. Information by major customers

Disclosure of this item is omitted because out of the customers included in external customer sales, there are no customers that make up 10% or more of the net sales of the consolidated statements of income.

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

Fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)

Not Applicable

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

Not Applicable

d. Information on amortization of goodwill and remaining goodwill balance

Fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)

Unit: Millions of yen

	Reportable segments				Eliminations and corporate	Total
	Japan	Americas	Europe	Asia and Oceania		
Amount of amortization	27	-	-	-	88	116
Balance at the end of period	234	-	-	-	220	454

(Note)

Goodwill of the SATO Group cannot be attributable to reportable segments. Goodwill consists of the goodwill recognized when the Company received the transfer of the barcode related business.

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

Unit: Millions of yen

	Reportable segments				Eliminations and corporate	Total
	Japan	Americas	Europe	Asia and Oceania		
Amount of amortization	54	9	-	147	36	247
Balance at the end of period	180	582	-	4,164	196	5,125

(Note)

Goodwill of the SATO Group cannot be attributable to reportable segments. Goodwill consists of the goodwill recognized when the Company received the transfer of the barcode related business.

e. Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011)

Not Applicable

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

Not Applicable