

Consolidated Financial Report
for the First Three Months of the March 2013 Term
<Under Japanese GAAP>

July 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 and
 Chief Financial Officer (CFO), Director
 Phone: 03-6665-0639
 Scheduled submission date for quarterly securities report: August 9, 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

(In millions of yen, with fractional amounts discarded)

**1. Consolidated operating results for the first three months of the fiscal year ending
 March 31, 2013 (from April 1, 2012 to June 30, 2012)**

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

Three months ended	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2012	21,208	8.3	1,068	18.1	714	(10.4)
June 30, 2011	19,578	1.5	904	0.3	798	3.3

(Note) Comprehensive income: Three months ended June 30, 2012: ¥(775) million (-%)
 Three months ended June 30, 2011: ¥288 million (-%)

Three months ended	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
June 30, 2012	224	(52.0)	7.46	6.79
June 30, 2011	467	55.5	15.54	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2012	70,484	34,875	49.5	1,157.92
March 31, 2012	74,830	36,172	48.3	1,201.02

(N.B.) Total equity:

As of June 30, 2012: ¥34,864 million

As of March 31, 2012: ¥36,162 million

2. Dividends

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2012	–	17.00	–	18.00	35.00
March 31, 2013	–				
March 31, 2013 (Forecast)		17.00	–	18.00	35.00

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

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	2,000	55.0	1,000	43.4	33.21
Annual	88,000	9.3	5,800	24.7	5,600	34.2	3,200	63.8	106.28

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

*** Notes**

- (1) Changes in significant subsidiaries during the first three 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: Yes
 - 2) Changes in accounting policies due to other reasons: None
 - 3) Changes in accounting estimates: Yes
 - 4) Restatement of prior period financial statements after error corrections: None

(Note) These items fall in those set forth in Article 10-5 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.” For details, please refer to the section of “(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections” of “2. Matters Regarding Summary Information (Notes)” on page 6 of the attached materials.

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

As of June 30, 2012:	32,001,169 shares
As of March 31, 2012:	32,001,169 shares
 - 2) Number of shares of treasury stock at the end of term:

As of June 30, 2012:	1,891,299 shares
As of March 31, 2012:	1,891,242 shares
 - 3) Average number of shares during the term (cumulative from the beginning of the fiscal year to the end of the first three months)

Three months ended June 30, 2012:	30,109,900 shares
Three months ended June 30, 2011:	30,110,329 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 Three Months

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

In the first three months ended June 30, 2012, the business environment surrounding the SATO Group overseas was impacted by global economic slowdown due to the European debt crisis and economic downturn in China and other Asian countries.

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.

Operating in this business environment, the SATO Group has formulated a new 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 the basic strategy of the “pursuit of globalization and maximization of customer value.” SATO Group is implementing various measures under the following 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

As a result of these activities, during the first three months, the SATO Group recorded an increase in net sales, up 8.3% from the same period of the previous fiscal year to ¥21,208 million and an increase in operating income, up 18.1% to ¥1,068 million. Ordinary income decreased by 10.4% to ¥714 million due to the effect of the strong yen particularly against the European currencies. Net income decreased by 52.0% to ¥224 million mainly as a result of a reversal of deferred tax assets.

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 have become more active. Mechatronic products, mostly electronic printers, have continued to sell strongly since the second half of the previous fiscal year. Although solid sales were also posted for supply

products, a drop in gross profit ratio was observed for a portion of inquiries. Having earned a reputation in each market for proposing new applications for our products that utilize specialist knowledge, inquiries from major clients are increasing and the SATO Group is expanding sales activities aimed at future business expansion.

As a result of these efforts, net sales rose 6.5% to ¥15,836 million while operating income rose 6.8% to ¥898 million, compared to the same period of the previous fiscal year.

<Americas>

Inquiries from OEMs became more active, and there was an increase in demand for printers from large transportation companies and the medical industry. There was also increased activity at our apparel tag printing service bureau. Meanwhile, sales recovered in the horticulture business, which had been affected by the economic slowdown. Achernar S.A. of Argentina also made a contribution to sales. Achernar, which manufactures and sells seal () and label products, was acquired in March 2012 to expand our business in the South American market.

As a result of these efforts, net sales rose 20.0% to ¥1,817 million (a rise of 22.0%, however, excluding foreign currency effects), and operating income rose 494.1% to ¥95 million, compared to the same period of the previous fiscal year.

<Europe>

The recovery to profitability has been kept at a slow pace on account of weak sales due to the slowdown in economic activities caused by the European debt crisis. Nevertheless, profitability improvements were achieved as a result of the structural reform measures carried out until now. Various steps are being taken to expand sales, such as by restructuring organizations, in order to strengthen the sales force. We are continuing to develop sales channels by enhancing our distributor network and promoting business cooperation with system dealers.

As a result of these efforts, net sales fell 18.2% to ¥1,294 million (a fall of 8.1%, however, excluding foreign currency effects), and there was an operating loss of ¥48 million, compared with an operating loss of ¥69 million in the same period of the previous fiscal year.

<Asia and Oceania>

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 implementing measures to capitalize on demands in the growing market such as launching competitively priced printers as well as strengthening label supply capacity in response to the continuing advancement into China by Japanese manufacturers and major distribution companies and the demand for rationalization arising from soaring personnel expenses. 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 Co., Ltd. of Taiwan, which was acquired in January 2012.

As a result of these efforts, net sales rose 40.3% to ¥2,260 million (a rise of 43.9%, however, excluding foreign currency effects), and operating income rose 65.1% to ¥152 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 11.5% to ¥8,130 million compared to the same period of the previous fiscal year.
- b. Net sales of supply products increased by 6.5% to ¥13,077 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 first quarter were ¥70,484 million, a decrease of ¥4,346 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 ¥34,875 million, a ¥1,297 million decrease, due to the payment of cash dividends and a decrease in foreign currency translation adjustment.

Cash flows

At the end of the first quarter, cash and cash equivalents (referred to below as “cash”) stood at ¥7,856 million, a decrease of ¥3,521 million compared to the end of the previous fiscal year.

Net cash used in operating activities

Net cash used in operating activities amounted to ¥1,041 million, compared to ¥698 million cash provided by operating activities in the same period of the previous fiscal year.

The increase in cash reflected principally ¥715 million in income before income taxes and minority interests, ¥469 million in depreciation and amortization and a ¥286 million increase in accounts payable-other. Contributing to a decrease in cash were ¥103 million increase in notes and accounts receivable-trade and ¥2,004 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥468 million, an increase of 7.4% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥258 million for the purchase of property, plant and equipment and ¥202 million for payments into time deposits.

Net cash used in financing activities

Net cash used in financing activities was ¥1,750 million, an increase of 105.2% compared to the same period of the previous fiscal year.

This resulted primarily from ¥500 million in cash dividends paid and a ¥6,016 million decrease

in short-terms loans payable offsetting ¥5,000 million in proceeds from issuance of bonds with subscription rights to shares.

(3) Qualitative information on consolidated forecasts

With regard to the consolidated forecasts, 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, in addition to the robust domestic demand during the first three months. On the other hand, the European debt crisis led to a rapid strengthening of the yen against the Euro during the first three months. Considering this foreign exchange impact, as well as a partial reversal of deferred tax assets, we have revised the consolidated forecasts for the first six months ending September 30, 2012 as follows.

Consolidated forecasts for the first six months ending September 30, 2012

Net sales	¥43,000 million	(previous forecast ¥43,000 million)
Operating income	¥2,400 million	(previous forecast ¥2,400 million)
Ordinary income	¥2,000 million	(previous forecast ¥2,300 million)
Net income	¥1,000 million	(previous forecast ¥1,300 million)

No revisions have been made to the annual consolidated forecasts.

The average foreign exchange rates during the period assumed in the above forecasts:

US\$ 1 = ¥78 and Euro 1 = ¥100.

(Initial assumption: US\$ 1 = ¥78 and Euro 1 = ¥104)

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the first three 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

Changes in accounting policies

Change in depreciation method

Following the revision of the Corporation Tax Act, the Company and domestic consolidated subsidiaries applied the depreciation method in compliance with the revised Corporation Tax Act to property, plant and equipment acquired on or after April 1, 2012, from the first quarter ended June 30, 2012.

The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the first three months was immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2012	June 30, 2012
Assets		
Current assets		
Cash and deposits	12,613	9,194
Notes and accounts receivable-trade	19,611	19,496
Short-term investment securities	143	145
Merchandise and finished goods	6,262	6,125
Work in process	330	169
Raw materials and supplies	1,695	1,573
Other	4,061	4,290
Allowance for doubtful accounts	(86)	(73)
Total current assets	44,632	40,922
Noncurrent assets		
Property, plant and equipment		
Land	7,654	7,650
Other, net	10,047	9,822
Total property, plant and equipment	17,702	17,473
Intangible assets		
Goodwill	5,125	4,686
Other	1,464	1,394
Total intangible assets	6,590	6,081
Investments and other assets	5,905	6,008
Total noncurrent assets	30,198	29,562
Total assets	74,830	70,484
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,734	4,721
Short-term loans payable	9,889	3,859
Accounts payable-other	12,465	12,686
Income taxes payable	2,167	259
Provision	254	228
Other	4,109	3,999
Total current liabilities	33,621	25,754
Noncurrent liabilities		
Bonds with subscription rights to shares	-	5,000
Long-term loans payable	1,800	1,624
Provision for retirement benefits	1,268	1,266
Other	1,967	1,964
Total noncurrent liabilities	5,036	9,854
Total liabilities	38,657	35,609

Unit: Millions of yen

	March 31, 2012	June 30, 2012
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,904	28,586
Treasury stock	(3,459)	(3,459)
Total shareholders' equity	37,575	37,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,412)	(2,392)
Total accumulated other comprehensive income	(1,412)	(2,392)
Minority interests	10	10
Total net assets	36,172	34,875
Total liabilities and net assets	74,830	70,484

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

Unit: Millions of yen

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	19,578	21,208
Cost of sales	11,301	12,378
Gross profit	8,277	8,829
Selling, general and administrative expenses	7,373	7,761
Operating income	904	1,068
Non-operating income		
Interest income	10	11
Dividends income	0	0
Rent income	27	33
Other	25	22
Total non-operating income	63	66
Non-operating expenses		
Interest expenses	28	30
Foreign exchange losses	105	351
Other	35	37
Total non-operating expenses	169	420
Ordinary income	798	714
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on reversal of subscription rights to shares	13	-
Total extraordinary income	13	1
Extraordinary loss		
Loss on retirement of noncurrent assets	-	0
Loss on sales of noncurrent assets	0	0
Other	5	-
Total extraordinary losses	5	0
Income before income taxes and minority interests	805	715
Income taxes-current	357	108
Income taxes-deferred	(19)	382
Total income taxes	337	490
Income before minority interests	468	225
Minority interests in income	0	0
Net income	467	224

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Three months ended June 30, 2011	Three months ended June 30, 2012
Income before minority interests	468	225
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(179)	(980)
Total other comprehensive income	(179)	(980)
Comprehensive income	288	(755)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	288	(755)
Comprehensive income attributable to minority interests	(0)	0

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	805	715
Depreciation and amortization	465	469
Amortization of goodwill	17	203
Loss (gain) on sales of noncurrent assets	0	(1)
Loss on retirement of noncurrent assets	-	0
Increase (decrease) in provision	(26)	(16)
Increase (decrease) in allowance for doubtful accounts	10	(9)
Increase (decrease) in provision for retirement benefits	(4)	17
Interest and dividends income	(10)	(11)
Interest expenses	28	30
Foreign exchange losses (gains)	0	(48)
Decrease (increase) in notes and accounts receivable-trade	426	(103)
Decrease (increase) in inventories	(226)	147
Increase (decrease) in notes and accounts payable-trade	(304)	43
Increase (decrease) in accounts payable-other	125	286
Other, net	(256)	(742)
Subtotal	1,051	982
Interest and dividends income received	10	11
Interest expenses paid	(28)	(31)
Income taxes paid	(334)	(2,004)
Net cash provided by (used in) operating activities	698	(1,041)
Net cash provided by (used in) investing activities		
Payments into time deposits	(11)	(202)
Proceeds from withdrawal of time deposits	35	27
Purchase of investment securities	(112)	(0)
Purchase of property, plant and equipment	(182)	(258)
Proceeds from sales of property, plant and equipment	4	14
Purchase of intangible assets	(59)	(91)
Other, net	(110)	42
Net cash provided by (used in) investing activities	(435)	(468)

Unit: Millions of yen

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(136)	(6,016)
Repayment of long-term loans payable	(169)	(171)
Proceeds from issuance of bonds with subscription rights to shares	-	5,000
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(489)	(500)
Other, net	(57)	(62)
Net cash provided by (used in) financing activities	(853)	(1,750)
Effect of exchange rate change on cash and cash equivalents	(63)	(260)
Net increase (decrease) in cash and cash equivalents	(653)	(3,521)
Cash and cash equivalents at beginning of period	10,813	11,377
Cash and cash equivalents at end of period	10,159	7,856

(4) Notes related to going-concern assumption

Not Applicable

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

Not Applicable

(6) Segment information

I. Three months ended June 30, 2011 (from April 1, 2011 to June 30, 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	14,871	1,513	1,581	1,611	19,578
Intersegment sales and transfer	1,135	15	64	1,460	2,676
Total	16,007	1,529	1,646	3,071	22,255
Segment profit (loss)	841	15	(69)	92	880

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	880
Intersegment eliminations	0
Amortization of goodwill	(3)
Adjustment of inventories	24
Other adjustment	1
Operating income on the consolidated statements of income	904

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

Not Applicable

II. Three months ended June 30, 2012 (from April 1, 2012 to June 30, 2012)

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	15,836	1,817	1,294	2,260	21,208
Intersegment sales and transfer	970	13	65	1,250	2,298
Total	16,806	1,830	1,359	3,511	23,506
Segment profit (loss)	898	95	(48)	152	1,097

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	1,097
Intersegment eliminations	6
Amortization of goodwill	(10)
Adjustment of inventories	(24)
Other adjustment	0
Operating income on the consolidated statements of income	1,068

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

Not Applicable