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

October 26, 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: November 9, 2012
Date of commencement of dividend payments: December 5, 2012
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 six months of the fiscal year ending March 31, 2013 (from April 1, 2012 to September 30, 2012)

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income	
Six months ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2012	42,666	8.6	2,391	28.3	1,819	41.0
September 30, 2011	39,279	1.7	1,864	2.5	1,290	(20.1)

(Note) Comprehensive income: Six months ended September 30, 2012: ¥(179) million (-%)
Six months ended September 30, 2011: ¥(317) million (-%)

	Net income		Net income per share	Net income per share, fully diluted
Six months ended	(Millions of yen)	%	(Yen)	(Yen)
September 30, 2012	729	4.6	24.22	21.89
September 30, 2011	697	0.5	23.16	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2012	71,173	35,552	49.8	1,177.12
March 31, 2012	74,830	36,172	48.3	1,201.02

(N.B.) Total equity:

As of September 30, 2012: ¥35,442 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	–	17.00			
March 31, 2013 (Forecast)			–	19.00	36.00

(Note) Revisions of projected dividends most recently announced: Yes

For details, please refer to the Japanese news release dated October 26, 2012, “SATO (Upwardly) Revises Year-end Dividend Forecast.”

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)
Annual	88,000	9.3	5,800	24.7	5,200	24.7	2,600	33.1	86.35

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

* Notes

(1) Changes in significant subsidiaries during the first six 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.

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 September 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 September 30, 2012:	1,891,498 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 six months)

Six months ended September 30, 2012:	30,109,818 shares
Six months ended September 30, 2011:	30,110,249 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

Index

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

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

In the first six months ended September 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, uncertainty continues to prevail, particularly due to the persistently strong yen resulting from the slowdown in the 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 six months, the SATO Group recorded an increase in net sales, up 8.6% from the same period of the previous fiscal year to ¥42,666 million and an increase in operating income, up 28.3% to ¥2,391 million. Ordinary income, which included foreign exchange losses of ¥549 million, increased by 41.0% to ¥1,819 million. Net income increased by 4.6% to ¥729 million.

By segment, the SATO Group reported the following:

<Japan>
Each of SATO Group’s business units in Japan has been structured to serve a different market. By utilizing the specialist knowledge of its respective market, and proactively offering proposals that accurately met consumer needs, each business unit enjoyed brisk inquiries with an increase in those from major clients. Sales of mechatronic products, mostly electronic printers, continued to fare strongly. Sales of supply products, benefitting from steady cultivation of clients, were a record high for a first-half period. We intend to capture new demand by continuing to expand into growing markets and propose new applications.

Accordingly, the SATO Group is expanding sales activities aimed at future business expansion.

As a result of these efforts, net sales rose 6.7% to ¥31,981 million while operating income rose 21.8% to ¥2,068 million, compared to the same period of the previous fiscal year.

<Americas>
In the North American market, despite a part of OEM inquiries being delayed until the second half of the fiscal year, the overall results were level with the same period of the previous year as there was demand for printers from large transportation companies and the medical industry and brisk sales of our apparel tag printing service bureau. Sales also recovered in the horticulture business, which had been impacted by the economic slowdown. In the South American market, Achernar S.A. of Argentina, which manufactures and sells stickers and label products and was acquired in March 2012, made a contribution to sales.

As a result of these efforts, net sales rose 15.4% to ¥3,461 million (a rise of 15.8%, however, excluding foreign currency effects), and operating income rose 113.8% to ¥141 million, compared to the same period of the previous fiscal year.

<Europe>
Profitability in Germany has improved considerably as a result of the implementation of structural reform measures and our operations are expected to be back in the black for the second half of the fiscal year. However, 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. In this environment, we successfully expanded our sales channels, achieving successful outcomes from inquiries for markdown systems for large department stores in Germany as well as from label inquiries for large transport companies and department stores in U.K.

Against this background, net sales fell 17.0% to ¥2,526 million (a fall of 8.2%, however, excluding foreign currency effects), and there was an operating loss of ¥114 million, compared with an operating loss of ¥121 million in the same period of the previous fiscal year.

<Asia and Oceania>
We implemented initiatives in each country in Asia 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. Following on from the measures we implemented in China, we intend to realize more strongly coordinated activities in Thailand, Vietnam and Indonesia by directly managing these operations from Japan to implement measures to capitalize on demands in the growing markets. In Oceania, sales grew steadily thanks to inquiries for markdown systems for large department stores and a comprehensive service contract with a major dairy product manufacturer.

In addition, the operating results of Argox Information Co., Ltd. of Taiwan, which was acquired in January 2012, showed satisfactory progress. Through our synergy with this company, we intend to accelerate our development of the markets in emerging countries and establish a superior competitive position by starting the supply of products through mutual use of both companies' sales channels.

As a result of these efforts, net sales rose 44.5% to ¥4,697 million (a rise of 46.8%, however, excluding foreign currency effects), and operating income rose 41.3% to ¥316 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 ¥16,743 million compared to the same period of the previous fiscal year.

b. Net sales of supply products increased by 6.8% to ¥25,922 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 second quarter were ¥71,173 million, a decrease of ¥3,657 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 ¥35,552 million, a ¥620 million decrease, due to the payment of cash dividends and a decrease in foreign currency translation adjustment.

Cash flows

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at ¥9,583 million, a decrease of ¥1,794 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥1,133 million, an increase of 5.8% compared to the same period of the previous fiscal year.

The increase in cash reflected principally ¥1,819 million in income before income taxes and minority interests, ¥916 million in depreciation and amortization and a ¥443 million decrease in inventories. Contributing to a decrease in cash were a ¥153 million increase in notes and accounts receivable-trade and ¥2,150 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥755 million, an increase of 6.1% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥371 million for the purchase of property, plant and equipment and ¥371 million for the purchase of intangible assets.

Net cash used in financing activities

Net cash used in financing activities was ¥1,938 million, an increase of 72.9% compared to the same period of the previous fiscal year.

This resulted primarily from ¥541 million in cash dividends paid and a ¥5,978 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

Regarding consolidated forecasts, in Japan we expect to achieve a further increase in sales as a result of each business unit cultivating major clients in their specific markets and the increase in inquiries concerning new applications for our products. Aside from this, we expect brisk inquiries in Asia and Oceania. On the other hand, as a result of recording foreign exchange losses and income taxes-deferred incurred during the first six months, the forecasts of ordinary income and net income have been revised.

In light of these circumstances, the consolidated forecasts for the fiscal year ending March 31, 2013 are as follows.

Consolidated forecasts for the fiscal year ending March 31, 2013

Net sales	¥88,000 million	(previous forecast ¥88,000 million)
Operating income	¥5,800 million	(previous forecast ¥5,800 million)
Ordinary income	¥5,200 million	(previous forecast ¥5,600 million)
Net income	¥2,600 million	(previous forecast ¥3,200 million)

The assumed average foreign exchange rates for the period from October 1, 2012 to March 31, 2013 are US$ 1 = ¥78 and Euro 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 (Notes)

(1) Changes in significant subsidiaries during the first six 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 six months was immaterial.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2012	September 30, 2012
Assets		
Current assets		
Cash and deposits	12,613	10,799
Notes and accounts receivable-trade	19,611	19,501
Short-term investment securities	143	92
Merchandise and finished goods	6,262	5,784
Work in process	330	197
Raw materials and supplies	1,695	1,596
Other	4,061	4,067
Allowance for doubtful accounts	(86)	(65)
Total current assets	44,632	41,975
Noncurrent assets		
Property, plant and equipment		
Land	7,654	7,651
Other, net	10,047	9,960
Total property, plant and equipment	17,702	17,611
Intangible assets		
Goodwill	5,125	4,479
Other	1,464	1,490
Total intangible assets	6,590	5,970
Investments and other assets	5,905	5,616
Total noncurrent assets	30,198	29,198
Total assets	74,830	71,173
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,734	4,821
Short-term loans payable	9,889	4,229
Accounts payable-other	12,465	12,508
Income taxes payable	2,167	566
Provision	254	257
Other	4,109	3,707
Total current liabilities	33,621	26,091
Noncurrent liabilities		
Bonds with subscription rights to shares	-	5,000
Long-term loans payable	1,800	1,120
Provision for retirement benefits	1,268	1,257
Other	1,967	2,152
Total noncurrent liabilities	5,036	9,529
Total liabilities	38,657	35,621

Unit: Millions of yen

	March 31, 2012	September 30, 2012
Net assets		
Shareholders’ equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,904	29,091
Treasury stock	(3,459)	(3,459)
Total shareholders’ equity	37,575	37,762
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,412)	(2,319)
Total accumulated other comprehensive income	(1,412)	(2,319)
Minority interests	10	109
Total net assets	36,172	35,552
Total liabilities and net assets	74,830	71,173

(2) Consolidated statements of (comprehensive) income

(Consolidated statements of income)

Unit: Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	39,279	42,666
Cost of sales	22,709	24,932
Gross profit	16,570	17,733
Selling, general and administrative expenses	14,706	15,342
Operating income	1,864	2,391
Non-operating income		
Interest income	22	24
Dividends income	0	0
Rent income	53	67
Other	67	49
Total non-operating income	143	141
Non-operating expenses		
Interest expenses	56	56
Foreign exchange losses	572	549
Other	87	108
Total non-operating expenses	717	713
Ordinary income	1,290	1,819
Extraordinary income		
Gain on sales of noncurrent assets	0	3
Gain on reversal of subscription rights to shares	13	-
Total extraordinary income	14	3
Extraordinary loss		
Restructuring loss	116	-
Loss on retirement of noncurrent assets	-	1
Loss on sales of noncurrent assets	0	1
Other	8	-
Total extraordinary losses	125	3
Income before income taxes and minority interests	1,178	1,819
Income taxes-current	600	586
Income taxes-deferred	(120)	502
Total income taxes	480	1,088
Income before minority interests	698	730
Minority interests in income	0	1
Net income	697	729

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	698	730
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(1,014)	(910)
Total other comprehensive income	(1,015)	(910)
Comprehensive income	(317)	(179)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(317)	(177)
Comprehensive income attributable to minority interests	0	(2)

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,178	1,819
Depreciation and amortization	932	916
Amortization of goodwill	41	403
Loss (gain) on sales of noncurrent assets	0	(1)
Loss on retirement of noncurrent assets	-	1
Loss on business restructuring	116	-
Increase (decrease) in provision	(47)	4
Increase (decrease) in allowance for doubtful accounts	9	(24)
Increase (decrease) in provision for retirement benefits	10	3
Interest and dividends income	(22)	(24)
Interest expenses	56	56
Foreign exchange losses (gains)	(169)	(21)
Decrease (increase) in notes and accounts receivable-trade	(193)	(153)
Decrease (increase) in inventories	71	443
Increase (decrease) in notes and accounts payable-trade	(478)	255
Increase (decrease) in accounts payable-other	(494)	148
Other, net	48	(511)
Subtotal	1,059	3,313
Interest and dividends income received	23	24
Interest expenses paid	(57)	(54)
Income taxes paid	(373)	(2,150)
Income taxes refund	419	-
Net cash provided by (used in) operating activities	1,071	1,133
Net cash provided by (used in) investing activities		
Payments into time deposits	(24)	(428)
Proceeds from withdrawal of time deposits	43	431
Purchase of investment securities	(112)	(0)
Purchase of property, plant and equipment	(308)	(371)
Proceeds from sales of property, plant and equipment	9	17
Purchase of intangible assets	(226)	(371)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(43)	-
Other, net	(49)	(32)
Net cash provided by (used in) investing activities	(711)	(755)

Unit: Millions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(124)	(5,978)
Repayment of long-term loans payable	(338)	(340)
Proceeds from issuance of bonds with subscription rights to shares	-	5,000
Cash dividends paid	(541)	(541)
Other, net	(115)	(78)
Net cash provided by (used in) financing activities	(1,120)	(1,938)
Effect of exchange rate change on cash and cash equivalents	(429)	(234)
Net increase (decrease) in cash and cash equivalents	(1,190)	(1,794)
Cash and cash equivalents at beginning of period	10,813	11,377
Cash and cash equivalents at end of period	9,623	9,583

(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. Six months ended September 30, 2011 (from April 1, 2011 to September 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	29,985	3,000	3,043	3,250	39,279
Intersegment sales and transfer	2,287	30	119	2,722	5,159
Total	32,273	3,031	3,162	5,972	44,439
Segment profit (loss)	1,697	66	(121)	224	1,866

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	1,866
Intersegment eliminations	7
Amortization of goodwill	(14)
Adjustment of inventories	5
Other adjustment	0
Operating income on the consolidated statements of income	1,864

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

Not Applicable

II. Six months ended September 30, 2012 (from April 1, 2012 to September 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	31,981	3,461	2,526	4,697	42,666
Intersegment sales and transfer	1,902	36	111	2,421	4,471
Total	33,884	3,497	2,637	7,118	47,138
Segment profit (loss)	2,068	141	(114)	316	2,412

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	2,412
Intersegment eliminations	10
Amortization of goodwill	(21)
Adjustment of inventories	(5)
Other adjustment	(3)
Operating income on the consolidated statements of income	2,391

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

Not Applicable