

Consolidated Financial Report for the March 2015 Term
<Under Japanese GAAP>

April 30, 2015

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

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Date of Ordinary General Meeting of Shareholders: June 19, 2015
Date of commencement of dividend payments: June 22, 2015
Scheduled submission date for annual securities report: June 22, 2015
Supplementary explanatory materials for financial results: Available
Holding of meeting to explain financial results (for analysts and institutional investors): Yes

(In millions of yen, with fractional amounts discarded)

**1. Consolidated operating results for the fiscal year ended March 31, 2015
(from April 1, 2014 to March 31, 2015)**

(1) Consolidated financial results

(Percentage figures show year-on-year change.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%						
March 31, 2015	99,831	3.2	7,444	10.1	7,484	5.6	3,763	(12.4)
March 31, 2014	96,773	10.9	6,758	23.9	7,084	30.5	4,295	57.5

(Note) Comprehensive income: Fiscal year ended March 31, 2015: ¥5,556 million (14.2%)
Fiscal year ended March 31, 2014: ¥4,864 million (-%)

Fiscal year ended	Net income per share	Net income per share, fully diluted	Return on equity ratio	Ratio of ordinary income to total asset	Ratio of operating income to net sales
	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2015	113.96	111.90	7.6	8.2	7.5
March 31, 2014	141.57	127.73	9.9	8.6	7.0

(N.B.) Equity in earnings or losses of affiliates: Fiscal year ended March 31, 2015: –
Fiscal year ended March 31, 2014: –

(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, 2015	95,174	53,158	55.6	1,579.15
March 31, 2014	86,737	46,734	53.7	1,454.90

(N.B.) Total equity:

As of March 31, 2015: ¥52,875 million

As of March 31, 2014: ¥46,572 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, 2015	9,205	(6,221)	(3,062)	17,145
March 31, 2014	10,589	(4,776)	(1,511)	16,763

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, 2014	–	18.00	–	22.00	40.00	1,246	28.3	2.9
March 31, 2015	–	20.00	–	25.00	45.00	1,506	39.5	3.0
March 31, 2016 (Forecast)	–	27.00	–	28.00	55.00		33.5	

3. Consolidated forecasts for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Percentage figures show year-on-year change.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	
Six months	53,000	11.4	3,700	22.6	3,650	15.1	2,400	35.1	71.68
Annual	110,000	10.2	8,500	14.2	8,400	12.2	5,500	46.1	164.26

*** Notes**

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in the change in 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: Yes
 - 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 shares)
 - 1) Number of issued shares at the end of term (including treasury shares):

As of March 31, 2015:	34,880,259 shares
As of March 31, 2014:	33,408,272 shares
 - 2) Number of treasury shares at the end of term:

As of March 31, 2015:	1,396,867 shares
As of March 31, 2014:	1,397,813 shares
 - 3) Average number of shares during the term

Fiscal year ended March 31, 2015:	33,021,597 shares
Fiscal year ended March 31, 2014:	30,344,177 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 consolidated 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. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Results may differ materially from the consolidated forecasts due to various factors. Please refer to page 4 of the attached materials to the financial report for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.

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1. Analysis of Financial Performance and Financial Position

(1) Analysis of financial performance

(Financial performance during the fiscal year ended March 31, 2015)

The SATO Group's management objective is to establish sustainable growth and profit in accordance with its basic strategy to "pursue globalization and maximization of customer value." To this end, the SATO Group has compiled the necessary measures in the Medium-term Management Plan (from the fiscal year ended March 31, 2013 to the fiscal year ending March 31, 2015), which is being implemented by group-wide efforts.

Despite various measures taken in this fiscal year, the final year of the Medium-term Management Plan, the SATO Group's net sales in Japan fell short of the initially planned target, owing to the continued lull after the rush in demand related to the consumption tax hike in April, as well as a weakening of consumer activity. Operating income, however, was on target thanks to contributions from new business deals, mainly in the field of mechatronic products. Overseas, although the existing businesses generally progressed as planned, they failed to achieve the target operating income due to up-front investments made for some new group companies.

As a result, the SATO Group recorded an increase in net sales, up 3.2% from the previous fiscal year to ¥99,831 million and an increase in operating income, up 10.1% to ¥7,444 million. Ordinary income increased by 5.6% to ¥7,484 million, while net income decreased by 12.4% to ¥3,763 million. Although operating income deviated from the SATO Group's target set at the beginning of the year, net sales, operating income, and ordinary income all scaled new heights for the second consecutive year. Only net income saw a decrease from the prior-year figure, weighed down by onetime factors including the write-off of deferred tax assets accompanying changes to the income tax rate.

By segment, the SATO Group reported the following:

<Japan>

In the Japanese market, sales rose year-on-year for mechatronics products as a result of sales activities that accurately targeted demand for streamlining operations, particularly in the manufacturing industry. Large-scale deals including new mobile printer orders for major logistics companies and public sector projects, and replacement deals also made a strong showing. For supply products, however, sales were lower on a year-on-year basis reflecting stagnation in demand, particularly in the retail sector, on account of the lull after the rush in demand related to the consumption tax hike and weaker consumer activity. While this caused overall net sales in Japan to dip compared to the previous fiscal year, improvement in gross profits contributed to an increase in operating income from the previous fiscal year.

In this fiscal year, the SATO Group also commenced sales of a wearable voice picking system for the logistics industry, a food production management system, and a

GHS-compliant label printer. These new products have generated active sales leads, some of which already resulted in orders and sales, while several others are under business negotiations.

Under these circumstances, net sales decreased 2.5% to ¥66,674 million while operating income rose 3.7% to ¥5,303 million, compared to the previous fiscal year.

<Americas>

In the North American market, overall performance was boosted by the strong economy. In addition to significant growth in sales volume of industrial 4-inch printers, primarily the barcode printer CL4NX series, a strategic product launched overseas from this fiscal year, there were additional sales of OEM food product management systems and increased sales of laser printers to apparel companies and pharmacies.

In the South American market, amid economic stagnation due to the external debt crisis in Argentina, one of our key markets, business moved along as projected, largely driven by the strong performance of Achernar S.A. of Argentina. The resultant sales growth in Japanese yen terms was less pronounced however, due to depreciation of the local currency.

Under these circumstances, net sales rose 17.2% to ¥10,839 million (a rise of 7.0%, however, excluding foreign currency effects), and operating income rose 69.1% to ¥731 million, compared to the previous fiscal year.

<Europe>

In the European market that has recorded consistent operating profitability since the previous fiscal year, the SATO Group has been steadily enhancing and strengthening production structures and developing new sales channels in each country for our sticker and label products while implementing sales strategies aimed at improving profitability. These efforts resulted in our securing of large-lot customers from among well-established companies, which helped the European business perform better than projected amidst the economic recession. In the U.K., we expanded the scale of our business dealings with retailers, apparel companies and large logistics providers, while in Germany, we succeeded in selling eco-friendly NONSEPA® linerless labels to a major logistics company and a large batch of mobile printers to a major apparel company. In addition, we made steady progress in business deals for the new printer CL4NX.

In addition, in December 2014, the SATO Group acquired 75% of all shares issued by OKIL-HOLDING, JSC (“OKIL”), the largest label manufacturer in Russia. OKIL became a consolidated subsidiary and had its revenue/income for the last three months of this fiscal year included in the Group’s financial closing. The SATO Group sees the acquisition as an opportunity to gain full-scale entry into Russia’s product labeling industry through OKIL’s existing business and ultimately, into the country’s auto-identification solutions industry as well.

Under these circumstances, net sales rose 21.8% to ¥8,736 million (a rise of 16.2%, however, excluding foreign currency effects) and operating income rose 305.2% to ¥502 million,

compared to the previous fiscal year.

<Asia and Oceania>

Despite a trend of sluggish economic growth in the Asian markets, we remain optimistic about the huge business potential of Asia and Oceania, an important geographical segment which accounts for the highest share of overseas operating income compared to the Americas and Europe. In particular, China and Thailand have achieved strong growth in sales through business from the manufacturing and transportation sectors, while sales subsidiaries in Malaysia, Indonesia, India, and Vietnam all recorded double-digit year-on-year sales growth on a local currency basis.

Growth in operating income for the region was less substantial than the previous year, largely influenced by the up-front investments made for SATO Vicinity of Australia, which commenced operations in December 2013. We are working to further expand SATO Vicinity's business with multiple ongoing business negotiations for solutions related to its original RFID technology, PJM, particularly involving users in the healthcare sector and diamond industry.

Under these circumstances, net sales rose 13.6% to ¥13,580 million (a rise of 7.0%, however, excluding foreign currency effects), and operating income rose 2.7% to ¥1,289 million, compared to the previous fiscal year.

(Forecasts for the next fiscal year)

The global economy is expected to experience moderate growth led by the US economy, although the economies of some emerging countries are slowing down in their development. In Japan, the economy should remain on a recovery trajectory as the impact of last year's consumption tax hike wanes and the effects of Abenomics materialize. The European economy likewise is expected to recover modestly, although momentum is likely to vary between countries. Operating under this environment, the SATO Group will continue to pursue its long-term basic strategy to "pursue globalization and maximization of customer value," and aim to establish sustainable growth and profit with its newly formulated Medium-term Management Plan beginning in the fiscal year ending March 31, 2016, with the aim of establishing sustainable growth and a solid revenue base. For an overview of this plan, please see "3. Management Policies."

In light of the above, our consolidated forecasts for the fiscal year ending March 31, 2016 are as follows.

Net sales	¥110,000 million	(increase by 10.2% year on year)
Operating income	¥8,500 million	(increase by 14.2% year on year)
Ordinary income	¥8,400 million	(increase by 12.2% year on year)
Net income	¥5,500 million	(increase by 46.1% year on year)

The average foreign exchange rates during the period assumed in the above forecast are US\$ = ¥118 and Euro = ¥128.

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 greatly differ 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 ¥56,331 million, an increase of ¥2,684 million (¥53,647 million recorded at the end of the previous fiscal year). This was primarily the result of increases in cash and deposits of ¥1,297 million, notes and accounts receivable - trade of ¥963 million and merchandise and finished goods of ¥928 million. The balance of non-current assets was ¥38,843 million (¥33,089 million at the end of the previous fiscal year), an increase of ¥5,753 million. This was primarily the result of an increase in intangible assets of ¥5,051 million.

The balance of current liabilities was ¥33,271 million (¥31,346 million at the end of the previous fiscal year), an increase of ¥1,925 million. This was primarily due to an increase of ¥1,368 million in notes and accounts payable - trade. The balance of non-current liabilities was ¥8,745 million (¥8,656 million at the end of the previous fiscal year), an increase of ¥89 million. This was mainly the result of increases of ¥1,176 million in long-term loans payable and of ¥474 million in net defined benefit liability, as well as a decrease of ¥2,155 million in bonds with subscription rights to shares.

The balance of net assets at the end of the fiscal year under review was ¥53,158 million (¥46,734 million at the end of the previous fiscal year), an increase of ¥6,423 million. This was primarily due to increases of ¥1,077 million in capital stock, of ¥1,077 million in capital surplus, of ¥2,389 million in retained earnings and of ¥2,332 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 ¥17,145 million, an increase of ¥381 million compared to the end of the previous fiscal year.

The major cash flow-related factors for the fiscal year ended March 31, 2015 are outlined below.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥9,205 million.

This was mainly the result of a decrease of ¥1,148 million in accounts payable - other and ¥1,933 million in income taxes paid, as well as ¥7,770 million in income before income taxes and minority interests, ¥2,500 million in depreciation and ¥1,099 million in amortization of goodwill, which do not affect cash in or out flow.

Cash flows from investing activities

Net cash used in investing activities totaled ¥6,221 million.

This was mainly the result of expenditures of ¥2,583 million for purchase of property, plant and equipment, ¥4,027 million for purchase of intangible assets, and ¥3,092 million for purchase of

shares of subsidiaries resulting in change in scope of consolidation, while on the other hand, there was proceeds of ¥4,310 from sales of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was ¥3,062 million. This was due to cash dividends paid of ¥1,372 million and repayments of long-term loans payable of ¥1,027 million.

Trend in cash flow indices

Fiscal year ended	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Equity ratio (%)	48.3	51.7	53.7	55.9
Equity ratio based on market value (%)	46.9	65.8	88.3	95.9
Ratio of cash flow to interest-bearing debt (%)	311.6	210.1	82.5	106.9
Interest-coverage ratio (times)	35.0	32.9	78.5	43.5

(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 shares) 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, employees, society, and the Company. The Company decides the distribution of profits 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 ¥25 per share for the fiscal year ended March 31, 2015. Combined with the interim dividend of ¥20 per share that has already been paid, this amounts to total dividends for the fiscal year ended March 31, 2015 of ¥45 per share, an increase of ¥5 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 2015.

As for total dividends for the fiscal year ending March 31, 2016, we plan to pay ¥55 per share, consisting of an interim dividend of ¥27 and a year-end dividend of ¥28.

(4) Risk factors

a. Business in Japan

The SATO Group operates its business by providing customers with optimal solutions based on auto-identification technologies such as barcodes, 2D codes and RFID, integrally combining mechatronic products, supply products, and software applications. 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 which 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 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 fails 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, being involved primarily in the production and sales of electronic printers, hand labelers and other related mechatronic products, as well as supply products including RFID tags/labels, stickers, labels, tags, tickets, ribbons, and MC-cards.

All fifty-five 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, business administration for the Group and asset leasing, etc.
	SATO CORPORATION	Sales of mechatronic products and supply products
	SATO HEALTHCARE CO., LTD	Development and provisions of solutions for the healthcare industry, sales of mechatronic products and supply products.
	SATO ADVANCE CORPORATION	Sales of mechatronic products and supply products
	SATO GREEN ENGINEERING CO., LTD.	Development of uses of nano vesicle capsule (CO2 absorbent) technology in non-label applications, and development of ecology business
	SATO RFID SOLUTIONS CO., LTD.	Design, development and sales of RFID related products and solutions utilizing RFID
	SATO MATERIAL CO., LTD.	Production and sales of industrial rubber products, synthetic resin and RFID tags/labels
	SATO PRINTING TECHNOLOGY CENTER CO., LTD.	Development and production of base materials, production of supply products
	SANKYO PRINTING CO., LTD.	Production and sales of supply products
	SATO TECHNOLOGY CO., LTD.	Development, design and production of mechatronic products
	SATO PRIMARY LABEL INTERNATIONAL CO., LTD.	Support for overseas sales expansion of supply products, and design and development of value-added products
Americas	SATO INTERNATIONAL CO., LTD	Central management of the Group's global business operations
	SATO GLOBAL SOLUTIONS, INC.	Auto-identification SI (solutions integration) business and systems development
	SATO AMERICA, INC. (U.S.A.)	Production and sales of supply products, sales of mechatronic products
	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 BENELUX B. V. (Netherlands)	
	SATO POLSKA SP. Z O. O. (Poland)	Sales of supply products and mechatronic products
	SATO GERMANY GmbH (Germany)	Production of supply products
	SATO LABELLING POLAND SP. Z O. O. (Poland)	
	SATO TECHNO LAB EUROPE AB (Sweden)	
OKIL-HOLDING, JSC (Russia)	Development of mechatronic products, support for technology and business development	
	Production and sales of supply products.	

Segment	Companies and Subsidiary Companies	Role
Asia and Oceania	SATO GLOBAL BUSINESS SERVICES PTE. LTD. (Singapore)	Regional administration
	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)	
	PT. SATO NAGATOMI (Indonesia)	
	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 VIETNAM SOLUTIONS CO., LTD. (Vietnam)	Production of mechatronic products
	SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia)	
	SATO VIETNAM CO., LTD. (Vietnam)	
	SATO MALAYSIA SDN. BHD. (Malaysia)	Production of supply products
	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 VICINITY PTY LTD. (Australia)	Development, production and sales of RFID products and RFID supply products	

(Notes)

1. As of April 1, 2015, SANKYO PRINTING CO., LTD. changed its corporate name to SATO IMPRESS CO., LTD.
2. The SATO Group owns 75% of shares in OKIL-HOLDING, JSC (Russia).

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, RFID tags/labels, stickers, tickets, ribbons, MC-cards

3. Management Policies

(1) Fundamental policy

Operating under the slogan of pursuing “Ceaseless Creativity for a Sustainable World”, the SATO Group envisions to become the leader in the auto-identification solutions industry worldwide, and the world’s most trusted company by dedicating itself to offering solutions that create value across the domains of precision, labor and resource savings, peace of mind and environmental protection, while seeking to expand the overall scale of its business at the same time.

(2) Management indices

The Group has formulated a new three-year Medium-term Management Plan starting from the fiscal year ending March 31, 2016. Under this new plan, we have set ourselves three key tasks, all driven by the same long-term basic strategy that underpinned the previous medium-term management plan—namely, globalization and maximization of customer value—and the same management objectives of establishing sustainable growth and profit.

1. Pursuing higher profit and capital productivity

For the fiscal year ending March 31, 2021, we now target to achieve operating income of ¥18.0 billion, up from the previous goal of ¥15.0 billion.

We are committed to building a business model that generates profit and improves capital productivity by increasing overall management efficiency through business process reengineering (BPR) including upgrading of core systems, and driving cost reductions and optimization of supply chain management throughout the Group.

2. Expanding overseas business

Over the past three years, the ratio of overseas sales as a percentage of total sales has risen from 23% to 33%. In view of this, we have revised upward our overseas sales ratio goal for the fiscal year ending March 31, 2021 to 50%, from 40% previously. Ultimately, we aim to achieve an overseas sales ratio of 70%, tapping into overseas markets that demonstrate strong growth potential. To this end, we established SATO INTERNATIONAL CO., LTD in January, 2015, to craft and execute global strategies, improve the efficiency of global operations, and ensure that customers worldwide receive a high standard of service.

3. Establishing a unique position

The top strategic priority of our new Medium-Term Management Plan is to create a unique

positioning for the SATO Group within the industry.

Recent years have seen our society transforming to a world of IoT* and ubiquitous computing where everything can be connected to the Internet. The movements and information of people and things in the real world can be sent to the Internet and stored as collective data that can be analyzed and used towards enhancing humans' interaction with the surrounding environment.

These IT innovations can help all types of industries to optimize various aspects of operations from manufacturing to delivery and sales, thereby improving productivity/quality and ensuring peace of mind. Going forward, it is anticipated that more of such benefits will be realized over time.

However, the physical work of tagging objects with identifiers and linking them to IT systems is required for a world like that to function seamlessly. By making the most of our core competency in hands-on problem-solving, or what we refer to as *Genbaryoku*, the SATO Group seeks to become the only global company that is capable of leveraging the power of data to fill in the "last inch," connecting the virtual and physical.

The Group will also prioritize problem-solving for customers by readily looking beyond our own resources and interests to engage in partnerships where possible, in our bid to become the leading provider of auto-ID solutions worldwide.

*IoT: Internet of Things

We will focus on improving operating income and operating income-to-sales ratio (operating income margin) as our financial key performance indicators, and strive to meet our capital productivity targets in terms of increasing return on equity (ROE) to boost market value per share.

Under the Medium-term Management Plan (from the fiscal year ending March 31, 2016 to the fiscal year ending March 31, 2018), the SATO Group aims to achieve consolidated sales of ¥120.0 billion by the end of the three-year period, along with consolidated operating income of ¥12.0 billion, operating income margin of 10%, return on equity (ROE) of 12%, and overseas sales ratio of 40%.

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

We have devised seven strategies as outlined below to achieve the identified performance targets, and will endeavor to implement them with a sense of urgency.

Strategy 1: Create a new growth and profit model for Japan by strengthening the Group's auto-ID solutions capabilities and base business, while at the same time shifting

resources to growing sectors and new domains

Strategy 2: Pursue customer-centric innovations to create new core businesses

Strategy 3: Strengthen business outside Japan and rapidly expand in emerging markets, setting a target overseas sales ratio of 70% over the long term

Strategy 4: Develop new solutions business focused on software and consulting services

Strategy 5: Deliver one-stop RFID solutions

Strategy 6: Expand green businesses with speed globally, to generate 50% or more of the Group's sales

Strategy 7: Improve group management through productivity measures and optimization of global supply chain management to operate with greater speed and cost effectiveness to support the execution of Strategies 1 to 6

4. Our Basic Stance regarding Selection of Accounting Standards

As a result of convergence with international accounting standards, Japanese accounting standards are now of a high quality and internationally competitive. As Europe has accepted Japanese GAAP as equivalent to International Financial Reporting Standards (IFRSs), the SATO Group chooses to use J-GAAP as its accounting standard.

With regard to future adoption of IFRSs, the Group will give due consideration to domestic and international circumstances and take action accordingly.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2014	March 31, 2015
Assets		
Current assets		
Cash and deposits	17,562	18,859
Notes and accounts receivable - trade	22,390	23,354
Securities	198	175
Merchandise and finished goods	6,852	7,781
Work in process	226	332
Raw materials and supplies	2,199	2,846
Accounts receivable - other	1,453	838
Deferred tax assets	1,625	872
Other	1,281	1,419
Allowance for doubtful accounts	(143)	(149)
Total current assets	53,647	56,331
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,843	10,644
Accumulated depreciation	(6,693)	(5,646)
Buildings and structures, net	5,149	4,998
Machinery, equipment and vehicles	14,929	19,867
Accumulated depreciation	(9,382)	(12,148)
Machinery, equipment and vehicles, net	5,547	7,718
Tools, furniture and fixtures	5,713	6,561
Accumulated depreciation	(4,556)	(4,766)
Tools, furniture and fixtures, net	1,157	1,794
Land	8,017	4,975
Construction in progress	465	1,639
Total property, plant and equipment	20,337	21,126
Intangible assets		
Goodwill	4,058	6,291
Software	1,141	993
Leasehold right	190	192
Other	2,318	5,283
Total intangible assets	7,708	12,760
Investments and other assets		
Investment securities	1,308	1,456
Long-term loans receivable	113	265
Guarantee deposits	599	650
Deferred tax assets	1,780	1,251
Other	1,678	1,736
Allowance for doubtful accounts	(436)	(403)
Total investments and other assets	5,043	4,956
Total non-current assets	33,089	38,843
Total assets	86,737	95,174

Unit: Millions of yen

	March 31, 2014	March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,698	7,067
Short-term loans payable	4,137	3,333
Lease obligations	524	845
Accounts payable - other	15,691	14,375
Income taxes payable	947	1,685
Provision for bonuses	239	285
Provision for directors' bonuses	42	–
Provision for product warranties	41	46
Other	4,021	5,631
Total current liabilities	31,346	33,271
Non-current liabilities		
Bonds with subscription rights to shares	2,215	60
Long-term loans payable	1,041	2,217
Lease obligations	2,889	3,301
Net defined benefit liability	2,159	2,634
Other	351	531
Total non-current liabilities	8,656	8,745
Total liabilities	40,002	42,016
Net assets		
Shareholders' equity		
Capital stock	7,361	8,438
Capital surplus	6,819	7,897
Retained earnings	33,557	35,947
Treasury shares	(2,556)	(2,556)
Total shareholders' equity	45,181	49,726
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38	2
Foreign currency translation adjustment	1,902	4,235
Remeasurements of defined benefit plans	(550)	(1,089)
Total accumulated other comprehensive income	1,390	3,148
Subscription rights to shares	25	62
Minority interests	136	220
Total net assets	46,734	53,158
Total liabilities and net assets	86,737	95,174

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

Unit: Millions of yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	96,773	99,831
Cost of sales	55,593	57,122
Gross profit	41,180	42,708
Selling, general and administrative expenses	34,421	35,264
Operating income	6,758	7,444
Non-operating income		
Interest income	63	74
Dividend income	7	7
Purchase discounts	20	22
Rent income	158	118
Foreign exchange gains	183	76
Other	246	267
Total non-operating income	679	567
Non-operating expenses		
Interest expenses	136	209
Sales discounts	49	70
Other	168	247
Total non-operating expenses	353	527
Ordinary income	7,084	7,484
Extraordinary income		
Gain on sales of non-current assets	51	730
Gain on reversal of subscription rights to shares	–	15
Total extraordinary income	51	746
Extraordinary losses		
Loss on sales of non-current assets	29	9
Loss on retirement of non-current assets	68	6
Impairment loss	–	443
Loss on disposition of foreign currency translation adjustment	28	–
Total extraordinary losses	126	459
Income before income taxes and minority interests	7,008	7,770
Income taxes - current	1,428	2,439
Income taxes for prior periods	–	204
Income taxes - deferred	1,276	1,335
Total income taxes	2,704	3,980
Income before minority interests	4,304	3,790
Minority interests in income	8	27
Net income	4,295	3,763

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	4,304	3,790
Other comprehensive income		
Valuation difference on available-for-sale securities	37	(35)
Foreign currency translation adjustment	1,073	2,340
Remeasurements of defined benefit plans, net of tax	–	(539)
Total other comprehensive income	1,110	1,765
Comprehensive income	5,415	5,556
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,415	5,521
Comprehensive income attributable to minority interests	(0)	35

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2014

Unit: Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,331	5,799	30,577	(3,460)	39,247
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	1,030	1,030			2,060
Dividends of surplus			(1,144)		(1,144)
Net income			4,295		4,295
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(9)	(171)	907	726
Net changes of items other than shareholders' equity					
Total changes of items during period	1,030	1,020	2,980	903	5,934
Balance at end of current period	7,361	6,819	33,557	(2,556)	45,181

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	0	820	-	821	-	136	40,205
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							2,060
Dividends of surplus							(1,144)
Net income							4,295
Purchase of treasury shares							(3)
Disposal of treasury shares							726
Net changes of items other than shareholders' equity	37	1,082	(550)	569	25	(0)	594
Total changes of items during period	37	1,082	(550)	569	25	(0)	6,529
Balance at end of current period	38	1,902	(550)	1,390	25	136	46,734

Fiscal year ended March 31, 2015

Unit: Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,361	6,819	33,557	(2,556)	45,181
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	1,077	1,077			2,155
Dividends of surplus			(1,373)		(1,373)
Net income			3,763		3,763
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(0)		4	3
Net changes of items other than shareholders' equity					
Total changes of items during period	1,077	1,077	2,389	0	4,545
Balance at end of current period	8,438	7,897	35,947	(2,556)	49,726

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	38	1,902	(550)	1,390	25	136	46,734
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares							2,155
Dividends of surplus							(1,373)
Net income							3,763
Purchase of treasury shares							(3)
Disposal of treasury shares							3
Net changes of items other than shareholders' equity	(35)	2,332	(539)	1,757	36	83	1,878
Total changes of items during period	(35)	2,332	(539)	1,757	36	83	6,423
Balance at end of current period	2	4,235	(1,089)	3,148	62	220	53,158

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	7,008	7,770
Depreciation	2,179	2,500
Amortization of goodwill	933	1,099
Impairment loss	–	443
Loss (gain) on sales of non-current assets	(21)	(720)
Loss on retirement of non-current assets	68	6
Loss on disposition of foreign currency translation adjustment	28	–
Increase (decrease) in allowance for doubtful accounts	43	(44)
Increase (decrease) in provision for bonuses	51	36
Increase (decrease) in provision for retirement benefits	(1,378)	–
Increase (decrease) in net defined benefit liability	1,569	(58)
Increase (decrease) in provision for directors' bonuses	23	(42)
Interest and dividend income	(70)	(81)
Interest expenses	136	209
Foreign exchange losses (gains)	(495)	(232)
Decrease (increase) in notes and accounts receivable - trade	(994)	579
Decrease (increase) in inventories	56	(411)
Decrease (increase) in accounts receivable - other	(555)	631
Increase (decrease) in notes and accounts payable - trade	380	(259)
Increase (decrease) in accounts payable - other	1,624	(1,148)
Other, net	68	997
Subtotal	10,656	11,274
Interest and dividend income received	63	75
Interest expenses paid	(134)	(211)
Payments for business restructuring	(30)	–
Income taxes paid	(1,000)	(1,933)
Income taxes refund	1,035	–
Net cash provided by (used in) operating activities	10,589	9,205

Unit: Millions of yen

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from investing activities		
Payments into time deposits	(1,173)	(1,614)
Proceeds from withdrawal of time deposits	902	950
Purchase of investment securities	(977)	–
Purchase of shares of subsidiaries	–	(233)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(3,092)
Purchase of property, plant and equipment	(2,494)	(2,583)
Proceeds from sales of property, plant and equipment	708	4,310
Purchase of intangible assets	(1,325)	(4,027)
Payments for transfer of business	(589)	–
Other, net	173	68
Net cash provided by (used in) investing activities	(4,776)	(6,221)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(193)	(73)
Proceeds from long-term loans payable	1,002	0
Repayments of long-term loans payable	(673)	(1,027)
Purchase of treasury shares	(3)	(3)
Repayments of lease obligations	(501)	(601)
Cash dividends paid	(1,143)	(1,372)
Other, net	1	15
Net cash provided by (used in) financing activities	(1,511)	(3,062)
Effect of exchange rate change on cash and cash equivalents	470	459
Net increase (decrease) in cash and cash equivalents	4,771	381
Cash and cash equivalents at beginning of period	11,992	16,763
Cash and cash equivalents at end of period	16,763	17,145

(5) Notes to consolidated financial statements

[Segment information]

1. Overview of reportable segments

The reportable segments of SATO HOLDINGS 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 operates its business by 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 by providing management guidance together with strategies for production and sales to its local subsidiary companies, and its overseas subsidiaries through our regional headquarters 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 and Oceania (mainly Singapore and Malaysia). Each of these segments forms a regional base with a separate production and sales 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 largely 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

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	68,399	9,248	7,173	11,951	96,773
Intersegment sales and transfer	5,432	84	291	7,434	13,242
Total	73,831	9,333	7,465	19,386	110,016
Segment profit	5,114	432	124	1,256	6,927
Segment assets	79,214	6,034	5,285	18,867	109,402
Other items					
Depreciation	1,392	199	129	457	2,179
Amount of increases in property, plant and equipment and intangible assets	3,991	362	700	1,052	6,106

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	66,674	10,839	8,736	13,580	99,831
Intersegment sales and transfer	6,344	142	345	8,235	15,067
Total	73,019	10,981	9,082	21,815	114,898
Segment profit	5,303	731	502	1,289	7,827
Segment assets	79,206	9,215	12,936	22,027	123,386
Other items					
Depreciation	1,462	205	195	636	2,500
Amount of increases in property, plant and equipment and intangible assets	5,343	306	2,876	1,658	10,184

4. The difference between the total amount of profit or loss, assets and other items 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	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Reportable segments total	6,927	7,827
Intersegment eliminations	21	7
Amortization of goodwill	(56)	(60)
Adjustment of inventories	(131)	(329)
Other adjustment	(2)	0
Operating income on the consolidated statements of income	6,758	7,444

Unit: Millions of yen		
Assets	March 31, 2014	March 31, 2015
Reportable segments total	109,402	123,386
Intersegment eliminations	(22,468)	(27,316)
Other adjustment	(196)	(894)
Total assets on the consolidated balance sheets	86,737	95,174

Unit: Millions of yen						
Other Items	Reportable segments total		Adjustment		Amount recorded on the consolidated financial statements	
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Depreciation	2,179	2,500	-	-	2,179	2,500
Amount of increases in property, plant and equipment and intangible assets	6,106	10,184	-	-	6,106	10,184

[Pertinent information]

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

1. Information by product or service

Unit: Millions of yen

	Mechatronic products	Supply products	Total
External customer sales	39,222	57,551	96,773

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
16,094	843	1,335	2,064	20,337

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.

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

1. Information by product or service

Unit: Millions of yen

	Mechatronic products	Supply products	Total
External customer sales	42,042	57,788	99,831

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
12,752	1,165	4,010	3,197	21,126

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.

[Information on impairment loss of non-current assets by reportable segment]

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

Not Applicable

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Corporate and eliminations	Total
Impairment loss	443	-	-	-	-	443

[Information on amortization of goodwill and remaining goodwill balance by reportable segment]

Fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Corporate and eliminations	Total
Amount of amortization	54	62	-	759	56	933
Balance at the end of period	71	255	-	3,592	137	4,058

(Note)

Goodwill is recorded when the SATO Group acquires barcode and other related businesses, and is not attributable to reportable segments.

Fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Corporate and eliminations	Total
Amount of amortization	46	93	62	836	60	1,099
Balance at the end of period	25	196	2,682	3,309	77	6,291

(Note)

Goodwill is recorded when the SATO Group acquires barcode and other related businesses, and is not attributable to reportable segments.

[Information on gain on negative goodwill by reportable segment]

Not Applicable