

Consolidated Financial Report for the March 2021 Term

<Under Japanese GAAP>

May 11, 2021

SATO HOLDINGS CORPORATION

Company code: 6287
 Website: <https://www.sato-global.com/>
 Shares traded on: TSE1
 Executive position of legal representative: Ryutaro Kotaki, Representative Director,
 President and CEO
 Please address all communications to: Yoichi Abe, Representative Director and Vice
 President
 Phone: +81-3-6628-2423
 Date of Ordinary General Meeting of Shareholders: June 18, 2021
 Date of commencement of dividend payments: June 21, 2021
 Scheduled submission date for annual securities report: June 21, 2021
 Supplementary explanatory materials for financial results: Available
 Holding of meeting to explain financial results (for analysts and institutional investors): Yes

1. Consolidated operating results for fiscal 2020 (from April 1, 2020 to March 31, 2021)

(1) Consolidated financial results

(Percentage figures show year-on-year change)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2021	109,052	(6.3)	5,847	(21.6)	5,521	(16.0)	12,959	-
March 31, 2020	116,372	0.2	7,461	(2.8)	6,571	(13.7)	(1,882)	-

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥12,962 million (-%)
 Fiscal year ended March 31, 2020: ¥(5,641) million (-%)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity ratio	Ratio of ordinary income to total asset	Ratio of operating income to net sales
	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2021	385.86	385.72	24.4	5.2	5.4
March 31, 2020	(56.06)	-	(3.6)	6.2	6.4

(Note) Diluted earnings per share for the fiscal year ended March 31, 2020 is not provided because the Company recorded a basic loss per share.

(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, 2021	109,312	59,462	53.3	1,735.04
March 31, 2020	103,147	48,823	46.3	1,423.30

(Note) Total equity:

As of March 31, 2021: ¥58,274 million

As of March 31, 2020: ¥47,793 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, 2021	5,806	(102)	(7,131)	22,580
March 31, 2020	11,259	(2,449)	(1,311)	23,379

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			
Fiscal year ended/ending	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2020	-	36.00	-	34.00	70.00	2,363	-	4.5
March 31, 2021	-	35.00	-	35.00	70.00	2,363	18.1	4.4
March 31, 2022 (Forecast)	-	35.00	-	35.00	70.00		58.8	

3. Consolidated forecasts for fiscal 2021 (from April 1, 2021 to March 31, 2022)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	
Six months	56,700	13.7	2,400	63.2	2,300	86.7	1,500	(53.8)	44.66
Full year	117,000	7.3	6,400	9.4	6,200	12.3	4,000	(69.1)	119.09

*** Notes**

(1) Changes in subsidiaries during the term (changes resulting in the change in scope of consolidation): None

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

1) Changes in accounting policies due to revisions to accounting standards: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement of prior-period financial statements after error corrections: None

(3) Number of issued shares (common shares)

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

As of March 31, 2021: 34,921,242 shares

As of March 31, 2020: 34,921,242 shares

2) Number of treasury shares at the end of term:

As of March 31, 2021: 1,334,350 shares

As of March 31, 2020: 1,341,974 shares

3) Average number of shares during the term:

Fiscal year ended March 31, 2021: 33,586,515 shares

Fiscal year ended March 31, 2020: 33,571,122 shares

*** Financial reports are not subject to audit conducted by certified public accountants or audit firms.**

*** 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. Any statements herein do not assure particular results by the Company. Results may differ from the consolidated forecasts due to various factors. Please refer to page 5 of the attached material for assumptions behind the consolidated forecasts and cautions concerning the use thereof.

Attached Materials

Index

1. Overview of Financial Performance and Others	2
(1) Overview of financial performance during fiscal 2020.....	2
(2) Overview of financial position at the end of fiscal 2020.....	3
(3) Overview of cash flows during fiscal 2020.....	4
(4) Forecasts.....	5
2. Our Basic Stance regarding Selection of Accounting Standards	7
3. Consolidated Financial Statements and Significant Notes Thereto	8
(1) Consolidated balance sheets	8
(2) Consolidated statements of (comprehensive) income	10
Consolidated statements of income	10
Consolidated statements of comprehensive income.....	11
(3) Consolidated statements of changes in equity.....	12
(4) Consolidated statements of cash flows.....	14
(5) Notes to consolidated financial statements	16
Notes related to going-concern assumption	16
Additional information	16
Changes in accounting policies	16
Segment information	16

1. Overview of Financial Performance and Others

(1) Overview of financial performance during fiscal 2020

The SATO Group has run business based on management principles and growth strategies set out in its Medium-term Management Plan that was last revised during the fiscal year. We continued to concentrate resources on our auto-ID solutions business to realize stronger sustainable growth and stable profits for growing our core business sustainably. (To reflect our recent business developments, changes in the external environment and our performance for this fiscal year under review, we have formulated a new three-year Medium-term Management Plan that will begin in FY 2021 (the fiscal starting April 1, 2021). Details can be found in the financial results briefing materials for FY 2020 uploaded at the Company's website.)

For our auto-ID solutions business, we reported lower full-year sales and operating income compared with the previous year due to the global economic stagnation caused by the COVID-19 pandemic. This is despite us having successfully increased second-half sales year on year through groupwide efforts made at offering new solutions for different markets and industries to address customer needs that have changed with the pandemic.

Meanwhile for our IDP business that we had been investing in, we transferred all our shares in U.K.-based DataLase Ltd. to DataLase Holdings Limited, recording extraordinary losses in the second quarter. We moved on to record extraordinary income, however, in the third quarter with the sale of a real estate property that was formerly used as our headquarters building.

As a result, the SATO Group posted net sales of ¥109,052 million (down 6.3% from the previous fiscal year), operating income of ¥5,847 million (down 21.6%), ordinary income of ¥5,521 million (down 16.0%), and net income attributable to owners of parent of ¥12,959 million (compared with net loss of ¥1,882 million for the previous fiscal).

Performance by segment is as follows.

<Auto-ID solutions (Japan)>

Both sales and operating income declined year on year as the coronavirus pandemic restricted our business activities significantly to cause business talks to be postponed and delays in closing. As our customers resumed their economic activities, however, we saw a recovery trend in demand for both mechatronics and consumables products, making it possible for us to achieve higher year-on-year consumables sales in the second half of the year. In terms of market, our sales in retail topped figures from last fiscal year and drove business in Japan overall, owing to successful projects with supermarket, e-commerce and other strongly performing industries.

Amid such market conditions, we were still able to produce results by introducing our automation and/or RFID technologies to customers who now focus increasingly on on-site efficiency, while also proposing solutions to support sectors that are growing with pandemic-

led demand.

Under these circumstances, net sales decreased 6.5% to ¥68,566 million, and operating income decreased 50.3% to ¥3,221 million, compared with the previous fiscal year.

<Auto-ID solutions (Overseas)>

Business started recovering from coronavirus-related impacts in the second quarter to record higher year-on-year sales and operating income for the second half of the fiscal year.

The same results are mirrored in our base business, where we won orders from major retailers that are going strong in the U.S. and benefitted from recovery in manufacturing activities in China and Southeast Asia, primarily in the automotive, chemical, electrical and electronic components sectors.

Our companies specializing in primary labels, on the other hand, increased sales on a full-year basis and operating income significantly from last fiscal year, as they were able to answer to robust needs coming from customers that provide food, beverages, sanitary supplies, pharmaceuticals and other essential services.

Under these circumstances, net sales decreased 5.4% to ¥40,349 million (increase of 0.2%, excluding foreign currency effects), and operating income increased 17.9% to ¥2,684 million, compared with the previous fiscal year.

<IDP>

In our business centering on Inline Digital Printing (IDP) technology that we came to own after fully acquiring DataLase Ltd. in January 2017, we had been making upfront investments to develop and commercialize multicolor technology in our efforts to expand sales. However, with postponement of commercialization inevitable due to technical issues that remain, we have proceeded, as aforementioned, to transfer all our DataLase shares to DataLase Holdings Limited on September 15, 2020. We will now concentrate resources on our core auto-ID solutions business to establish sustainable growth and stable profits.

Under these circumstances, net sales decreased 62.5% to ¥136 million (decrease of 62.7%, excluding foreign currency effects), and the business recorded operating loss of ¥148 million, compared with that of ¥1,317 million for the previous fiscal year.

(2) Overview of financial position at the end of fiscal 2020

a. Assets, liabilities and net assets

At the end of the fiscal year under review, the balance of current assets was ¥74,641 million, an increase of ¥8,446 million (from ¥66,195 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥9,236 million in cash and deposits and ¥1,111 million in notes and accounts receivable - trade, as well as a decrease of ¥1,975 million in accounts receivable - other. The balance of non-current assets was ¥34,671 million, a decrease of ¥2,280 million (from ¥36,952 million at the end of the previous fiscal year). This was primarily due to decreases of ¥1,630 million in property, plant and equipment, ¥331 million in intangible

assets and ¥318 million in investments and other assets.

The balance of current liabilities was ¥36,988 million, a decrease of ¥4,504 million (from ¥41,492 million at the end of the previous fiscal year), primarily due to decrease of ¥3,781 million in short-term borrowings. The balance of non-current liabilities was ¥12,862 million, an increase of ¥30 million (from ¥12,832 million at the end of the previous fiscal year). This was mainly due to an increase of ¥623 million in long-term borrowings, notwithstanding a decrease of ¥607 million in retirement benefit liability.

The balance of net assets at the end of the fiscal year under review was ¥59,462 million, an increase of ¥10,639 million (from ¥48,823 million at the end of the previous fiscal year), primarily due to increase of ¥10,629 million in retained earnings.

(3) Overview of cash flows during fiscal 2020

At the end of the fiscal year under review, cash and cash equivalents stood at ¥22,580 million, a decrease of ¥798 million from the end of the previous fiscal year.

Major cash flow-related factors for the year are outlined below.

Cash flows from operating activities

Cash flow from operating activities was positive at ¥5,806 million.

This resulted primarily from cash inflows including ¥14,457 million of income before income taxes, ¥4,092 million depreciation, ¥223 million amortization of goodwill and ¥448 million impairment loss, and cash outflows including ¥10,414 million gain on sales of non-current assets and ¥3,492 million in income taxes paid.

Cash flows from investing activities

Cash flow from investment activities was negative at ¥102 million.

This resulted primarily from expenditures of ¥10,000 million for payment into time deposits, ¥3,516 million for purchase of property, plant and equipment and ¥805 million for purchase of intangible assets, notwithstanding ¥14,369 million proceeds from sales of property, plant and equipment and intangible assets.

Cash flows from financing activities

Cash flow from financing activities was negative at ¥7,131 million.

This resulted primarily from cash outflows including a ¥3,522 million decrease in short-term borrowings, ¥2,329 million dividends paid and ¥1,251 million repayment of lease obligations.

Trend in cash flow indices

Fiscal year ended	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Equity ratio (%)	51.5	51.5	46.3	53.3
Equity ratio based on market value (%)	106.0	81.0	69.1	88.6
Ratio of cash flow to interest-bearing debt (%)	271.6	170.4	163.6	265.7
Interest-coverage ratio (times)	43.6	66.5	60.0	26.4

(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 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.

(4) Forecasts

As aforementioned, the Group will implement a new three-year Medium-term Management Plan (FY 2021–2023), with updated management targets and other changes. We will develop our business globally to optimize the economic environment by “tagging” information to people and things for customers operating in diverse markets and industries so that on-site information can be collected in real time, converted into meaningful data they need, and linked to their core IT systems. We will continue to concentrate resources on our tagging-based auto-ID solutions business and pursue our long-term goal of Tagging for Sustainability to contribute toward a better and more sustainable world. The strategies we drive will focus on three important pillars: (1) growth strategies per region and market, (2) technological innovation, and (3) enhancing ESG performance as the underlying foundation. (Details can be found in the financial results briefing materials for FY 2020 uploaded at the Company's website.)

Our consolidated forecasts for the fiscal year ending March 31, 2022 are as follows.

Net sales	¥117,000 million	(increase by 7.3% year on year)
Operating income	¥6,400 million	(increase by 9.4% year on year)
Ordinary income	¥6,200 million	(increase by 12.3% year on year)
Net income attributable to owners of parent	¥4,000 million	(decrease by 69.1% year on year)

The foreign exchange rates assumed in the above forecasts are US\$1 = ¥107 and €1 = ¥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 differ from the consolidated forecasts due to various factors.

2. Our Basic Stance regarding Selection of Accounting Standards

The SATO Group chooses to use Japanese GAAP for accounting because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRSs) in Europe.

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

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

Unit: Millions of yen

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	23,761	32,998
Notes and accounts receivable - trade	23,766	24,878
Securities	35	39
Merchandise and finished goods	8,997	8,722
Work in process	394	394
Raw materials and supplies	3,662	3,956
Accounts receivable - other	3,759	1,784
Other	2,002	2,104
Allowance for doubtful accounts	(185)	(236)
Total current assets	66,195	74,641
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,169	18,189
Accumulated depreciation	(6,740)	(7,301)
Buildings and structures, net	10,429	10,887
Machinery, equipment and vehicles	26,147	27,860
Accumulated depreciation	(15,868)	(17,297)
Machinery, equipment and vehicles, net	10,279	10,562
Tools, furniture and fixtures	6,137	6,681
Accumulated depreciation	(4,800)	(4,834)
Tools, furniture and fixtures, net	1,336	1,846
Land	5,863	3,600
Construction in progress	1,027	409
Total property, plant and equipment	28,936	27,306
Intangible assets		
Goodwill	829	600
Software	1,903	1,750
Other	955	1,006
Total intangible assets	3,688	3,356
Investments and other assets		
Investment securities	1,188	1,192
Long-term loans receivable	11	1
Guarantee deposits	1,696	1,632
Deferred tax assets	1,311	1,011
Other	440	183
Allowance for doubtful accounts	(321)	(12)
Total investments and other assets	4,326	4,007
Total non-current assets	36,952	34,671
Total assets	103,147	109,312

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,720	7,569
Electronically recorded obligations - operating	11,375	10,171
Short-term borrowings	7,370	3,588
Lease obligations	1,180	1,204
Unearned revenue	4,915	5,536
Accounts payable - other	2,566	3,080
Income taxes payable	830	1,096
Provision for bonuses	257	340
Provision for product warranties	840	944
Other	5,436	3,453
Total current liabilities	41,492	36,988
Non-current liabilities		
Long-term borrowings	5,891	6,515
Lease obligations	3,907	4,040
Retirement benefit liability	1,800	1,193
Provision for share-based remuneration for directors (and other officers)	226	277
Other	1,006	836
Total non-current liabilities	12,832	12,862
Total liabilities	54,324	49,850
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,738	7,740
Retained earnings	38,345	48,974
Treasury shares	(2,552)	(2,537)
Total shareholders' equity	51,999	62,646
Accumulated other comprehensive income		
Foreign currency translation adjustment	(3,995)	(2,359)
Remeasurements of defined benefit plans	(211)	(2,012)
Total accumulated other comprehensive income	(4,206)	(4,372)
Share acquisition rights	39	28
Non-controlling interests	990	1,159
Total net assets	48,823	59,462
Total liabilities and net assets	103,147	109,312

(2) Consolidated statements of (comprehensive) income

Consolidated statements of income

Unit: Millions of yen

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	116,372	109,052
Cost of sales	66,193	63,316
Gross profit	50,179	45,735
Selling, general and administrative expenses	42,718	39,888
Operating income	7,461	5,847
Non-operating income		
Interest income	107	75
Dividend income	14	17
Purchase discounts	25	19
Rental income	9	11
Reversal of allowance for doubtful accounts	3	89
Other	165	179
Total non-operating income	324	393
Non-operating expenses		
Interest expenses	187	220
Sales discounts	67	61
Foreign exchange losses	722	227
Other	235	210
Total non-operating expenses	1,213	719
Ordinary income	6,571	5,521
Extraordinary income		
Gain on sales of non-current assets	824	10,454
Total extraordinary income	824	10,454
Extraordinary losses		
Loss on sales of non-current assets	113	40
Loss on retirement of non-current assets	144	24
Impairment loss	6,397	448
Loss on sales of investment securities	46	–
Loss on valuation of investment securities	58	–
Loss on business restructuring	–	249
Loss on sale of businesses	–	756
Total extraordinary losses	6,760	1,519
Income before income taxes	636	14,457
Income taxes - current	2,076	1,403
Income taxes - deferred	536	(10)
Total income taxes	2,612	1,392
Net income (loss)	(1,976)	13,064
Net income (loss) attributable to non-controlling interests	(94)	104
Net income (loss) attributable to owners of parent	(1,882)	12,959

Consolidated statements of comprehensive income

Unit: Millions of yen

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income (loss)	(1,976)	13,064
Other comprehensive income		
Foreign currency translation adjustment	(3,623)	1,699
Remeasurements of defined benefit plans, net of tax	(41)	(1,801)
Total other comprehensive income	(3,665)	(101)
Comprehensive income	(5,641)	12,962
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,218)	12,793
Comprehensive income attributable to non- controlling interests	(423)	168

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,737	42,624	(2,584)	56,245
Changes during period					
Dividends of surplus			(2,397)		(2,397)
Net income (loss) attributable to owners of parent			(1,882)		(1,882)
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		1		34	35
Net changes in items other than shareholders' equity					
Total changes during period	–	1	(4,279)	32	(4,245)
Balance at end of period	8,468	7,738	38,345	(2,552)	51,999

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(700)	(169)	(870)	57	1,235	56,668
Changes during period						
Dividends of surplus						(2,397)
Net income (loss) attributable to owners of parent						(1,882)
Purchase of treasury shares						(2)
Disposal of treasury shares						35
Net changes in items other than shareholders' equity	(3,294)	(41)	(3,336)	(18)	(245)	(3,599)
Total changes during period	(3,294)	(41)	(3,336)	(18)	(245)	(7,845)
Balance at end of period	(3,995)	(211)	(4,206)	39	990	48,823

Fiscal year ended March 31, 2021

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,738	38,345	(2,552)	51,999
Changes during period					
Dividends of surplus			(2,330)		(2,330)
Net income (loss) attributable to owners of parent			12,959		12,959
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		2		15	17
Net changes in items other than shareholders' equity					
Total changes during period	–	2	10,629	15	10,647
Balance at end of period	8,468	7,740	48,974	(2,537)	62,646

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(3,995)	(211)	(4,206)	39	990	48,823
Changes during period						
Dividends of surplus						(2,330)
Net income (loss) attributable to owners of parent						12,959
Purchase of treasury shares						(0)
Disposal of treasury shares						17
Net changes in items other than shareholders' equity	1,635	(1,801)	(165)	(10)	168	(7)
Total changes during period	1,635	(1,801)	(165)	(10)	168	10,639
Balance at end of period	(2,359)	(2,012)	(4,372)	28	1,159	59,462

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes	636	14,457
Depreciation	5,043	4,092
Amortization of goodwill	871	223
Impairment loss	6,397	448
Loss (gain) on sale of businesses	–	756
Loss (gain) on sales of investment securities	46	–
Loss (gain) on valuation of investment securities	58	–
Loss on business restructuring	–	249
Loss (gain) on sales of non-current assets	(711)	(10,414)
Loss on retirement of non-current assets	144	24
Increase (decrease) in allowance for doubtful accounts	37	(269)
Increase (decrease) in provision for bonuses	(71)	63
Increase (decrease) in retirement benefit liability	(85)	(2,219)
Interest and dividend income	(121)	(93)
Interest expenses	187	220
Foreign exchange losses (gains)	515	461
Decrease (increase) in trade receivables	1,006	(598)
Decrease (increase) in inventories	(291)	183
Decrease (increase) in accounts receivable - other	(55)	74
Increase (decrease) in trade payables	(139)	(867)
Increase (decrease) in accounts payable - other	(96)	221
Other, net	810	479
Subtotal	14,183	7,495
Interest and dividends received	121	93
Interest paid	(187)	(220)
Payments for business restructuring	(49)	(51)
Payments for performance of guarantee obligation	(338)	–
Income taxes paid	(2,872)	(3,492)
Income taxes refund	403	1,982
Net cash provided by (used in) operating activities	11,259	5,806

Unit: Millions of yen

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,858)	(3,516)
Purchase of intangible assets	(1,045)	(805)
Proceeds from sales of property, plant and equipment and intangible assets	1,456	14,369
Payments into time deposits	–	(10,000)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(169)
Other, net	(2)	18
Net cash provided by (used in) investing activities	(2,449)	(102)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,683	(3,522)
Repayments of long-term borrowings	(977)	(27)
Repayments of lease obligations	(621)	(1,251)
Dividends paid	(2,393)	(2,329)
Other, net	(2)	(0)
Net cash provided by (used in) financing activities	(1,311)	(7,131)
Effect of exchange rate change on cash and cash equivalents	(626)	629
Net increase (decrease) in cash and cash equivalents	6,871	(798)
Cash and cash equivalents at beginning of period	16,430	23,379
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	76	–
Cash and cash equivalents at end of period	23,379	22,580

(5) Notes to consolidated financial statements

Notes related to going-concern assumption

Not applicable

Additional information

Response to the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020)

As the Group currently applies the consolidated tax return filing system, it is required to assess the recoverability of deferred tax assets under tax effect accounting on the assumption of shifting to the Japanese group relief system. Until the revised PITF No. 5 and No. 7 (Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System, Part 1 & 2) are made available, the Group shall base such assessment on rules prior to tax reform, in accordance with PITF No. 39 (Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System) issued by the Accounting Standards Board of Japan on March 31, 2020.

Changes in accounting policies

Not applicable

Segment information

1. Overview of reportable segments

Reportable segments are constituent units of the Company for which financial information is separately available. These segments have their operating results and allocation of business resources reviewed periodically by the Company's management team.

The SATO Group operates in the auto-ID solutions business, followed by the IDP business which focuses on the Inline Digital Printing (IDP) technology. The former, being its core business, involves providing one-stop auto-ID solutions for customers' challenges by combining relevant technologies/solutions both inside Japan and overseas to capture data on the movement of people and things at business sites and accurately link such data to IT systems.

This auto-ID solutions business can be further classified as domestic or overseas, as seen from such corresponding strategies set forth in our Medium-term Management Plan. As such, the Company's reportable segments have been changed accordingly to now comprise Auto-ID solutions (Japan), Auto-ID solutions (Overseas), and IDP.

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.

Intersegment income and transfer figures are based on consideration of prevailing market prices.

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

Fiscal year ended March 31, 2020

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Total
Net sales				
External customer sales	73,360	42,648	363	116,372
Intersegment sales and transfer	5,506	8,041	-	13,547
Total	78,867	50,689	363	129,920
Segment profit (loss)	6,479	2,277	(1,317)	7,440
Segment assets	88,260	42,479	858	131,598
Other items				
Depreciation	2,865	2,109	68	5,043
Increases in property, plant and equipment and intangible assets	1,950	3,500	197	5,649

Fiscal year ended March 31, 2021

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Total
Net sales				
External customer sales	68,566	40,349	136	109,052
Intersegment sales and transfer	4,938	6,635	0	11,574
Total	73,505	46,985	136	120,626
Segment profit (loss)	3,221	2,684	(148)	5,757
Segment assets	88,672	48,944	47	137,664
Other items				
Depreciation	2,110	1,951	30	4,092
Increases in property, plant and equipment and intangible assets	4,131	1,773	10	5,916

4. Differences in net sales and other items between reportable segments total and amount recorded on consolidated financial statements
(Matters related to difference adjustment)

Unit: Millions of yen

Net sales	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segments total	129,920	120,626
Intersegment eliminations	(13,547)	(11,574)
Net sales on consolidated statements of income	116,372	109,052

Unit: Millions of yen

Profit	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segments total	7,440	5,757
Intersegment eliminations	0	0
Adjustment of inventories	20	89
Operating income on consolidated statements of income	7,461	5,847

Unit: Millions of yen

Assets	As of March 31, 2020	As of March 31, 2021
Reportable segments total	131,598	137,650
Intersegment eliminations	(27,929)	(27,905)
Other adjustment	(521)	(431)
Total assets on consolidated balance sheets	103,147	109,312

Unit: Millions of yen

Other items	Reportable segments total		Adjustment		Amount recorded on consolidated financial statements	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Depreciation	5,043	4,092	-	-	5,043	4,092
Increases in property, plant and equipment and intangible assets	5,649	5,916	-	-	5,649	5,916

[Pertinent information]

Fiscal year ended March 31, 2020

1. Information by product or service

Omitted because this information is the same as segment information.

2. Information by region

1) Net sales

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
73,378	13,187	16,341	13,466	116,372

2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
14,721	1,828	6,688	5,698	28,936

3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

Fiscal year ended March 31, 2021

1. Information by product or service

Omitted because this information is the same as segment information.

2. Information by region

1) Net sales

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
68,576	12,401	15,028	13,045	109,052

2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
12,781	2,030	6,657	5,837	27,306

3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

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

Fiscal year ended March 31, 2020

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Corporate and eliminations	Total
Impairment loss	-	138	6,259	-	6,397

Fiscal year ended March 31, 2021

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Corporate and eliminations	Total
Impairment loss	41	406	-	-	448

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

Fiscal year ended March 31, 2020

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Corporate and eliminations	Total
Amortization of goodwill	-	283	587	-	871
Balance at end of period	-	829	-	-	829

Fiscal year ended March 31, 2021

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	IDP	Corporate and eliminations	Total
Amortization of goodwill	-	223	-	-	223
Balance at end of period	-	600	-	-	600

[Information on gain on negative goodwill by reportable segment]

Not applicable