

Consolidated Financial Report  
for the First Three Months of Fiscal Year 2024

<Under Japanese GAAP>

August 8, 2024

**SATO HOLDINGS CORPORATION**

Company code: 6287  
 Website: www.sato-global.com  
 Shares traded on: TSE Prime  
 Executive position of legal representative: Hiroyuki Konuma, Representative Director,  
 President and Group CEO  
 Please address all communications to: Osamu Masuko, Executive Officer and CFO  
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 Commencement date of dividend payments: —  
 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 Q1 (April 1, 2024 to June 30, 2024)**

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

Three months ended	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	37,674	10.8	2,864	32.6	2,411	16.4
June 30, 2023	33,989	0.9	2,160	161.9	2,071	1.1

(Note) Comprehensive income: Three months ended June 30, 2024: ¥5,892 million (95.2%)  
 Three months ended June 30, 2023: ¥3,018 million (-63.0%)

Three months ended	Net income attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
June 30, 2024	1,197	(8.2)	36.95	36.94
June 30, 2023	1,304	9.1	40.28	40.27

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	138,940	78,828	54.2	2,323.61
March 31, 2024	132,457	74,085	53.8	2,199.41

(Note) Total equity: As of June 30, 2024: ¥75,370 million  
As of March 31, 2024: ¥71,276 million

## 2. Dividends

	Annual dividend per share				
	Q1	Q2	Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2023	–	36.00	–	37.00	73.00
FY 2024	–				
FY 2024 (Forecast)		37.00	–	37.00	74.00

(Note) Revision to recently announced dividend forecast: None

## 3. Consolidated forecasts for FY 2024 (April 1, 2024 to March 31, 2025)

(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	%	Yen
Six months	73,600	5.5	4,800	3.9	4,700	9.1	2,900	45.6	89.50
Full year	151,000	5.3	10,400	0.2	10,200	13.8	6,400	79.5	197.51

(Note) Revision to recently announced consolidated forecast: None

**\* Notes**

- (1) Significant changes in the scope of consolidation during the term: None
- (2) Application of special accounting procedures for preparing the quarterly consolidated financial statements: None
- (3) 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
- (4) Number of issued common shares
- 1) Number of issued shares, including treasury shares, at the end of term:

As of June 30, 2024:	33,635,942 shares
(As of March 31, 2024:	34,921,242 shares)
  - 2) Number of treasury shares at the end of term:

As of June 30, 2024:	1,199,309 shares
(As of March 31, 2024:	2,513,996 shares)
  - 3) Average number of shares during the term, cumulative from the beginning of the fiscal year:

Three months ended June 30, 2024:	32,414,047 shares
(Three months ended June 30, 2023:	32,390,610 shares)

**\* Review of the Japanese-language originals of the attached consolidated financial statements by certified public accountants or audit firms: Yes (voluntary)**

**\* 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 section 1-(3) "Explanation of consolidated forecasts and other projections" (page 5) of the attached materials for assumptions behind the consolidated forecasts and other information.*

## Attached Materials

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## 1. Q1 Financials and FY 2024 Outlook

### (1) Overview of Q1 financial performance

The SATO Group, with its vision to “be the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world,” runs business based on management principles, growth strategies and business targets defined in its current Medium-term Management Plan (MTMP) for FY 2024 to 2028. Through this plan, we aim to take tagging to the next level and pursue “Perfect and Unique Tagging” to “give every ‘thing’ its own ID so it connects with the world.”

The first two years of the MTMP are designated to rebuild profitability, and the next three years set to restart growth investments. During the initial phase, we will strengthen our core business. In Japan, we will aim to get the business profiting at a higher level again, whereas overseas we will seek sustainable and efficient growth. In the subsequent phase, we will allocate profits generated from the recovered revenue base to advance solutions for Perfect and Unique Tagging, with the aims of accelerating growth and establishing a new profit base. Throughout the MTMP period, we will also focus on strengthening corporate management, improving capital efficiency and applying sustainable business practices, to reinforce our fundamentals.

In the first three months of FY 2024, both sales and profit increased in our Japan and overseas businesses, leading to highest-ever first-quarter net sales and operating income on a consolidated basis.

Under IAS 29 Financial Reporting in Hyperinflationary Economies, hyperinflationary accounting is applied to the financial statements of our Argentine subsidiaries, resulting in a loss on net monetary position that is included in non-operating expenses.

With the aforementioned, the SATO Group posted net sales of ¥37,674 million (up 10.8% compared with the same period of the previous fiscal year), operating income of ¥2,864 million (up 32.6%), ordinary income of ¥2,411 million (up 16.4%), and net income attributable to owners of parent of ¥1,197 million (down 8.2%).

Performance by segment is as follows.

#### ***Auto-ID solutions (Japan)***

Sales of mechatronics products increased because of demand from customers wanting to tackle the 2024 logistics crisis and invest in digital transformation. Sales of consumables products also increased as we sold more RFID solutions and made price revisions. With increased sales, product repricing and more printer exports to overseas subsidiaries, profit increased too.

Under these circumstances, net sales increased 4.7% year on year to ¥18,353 million, and segment profit was ¥186 million (compared with segment loss of ¥210 million in the same period of the previous fiscal year).

For information on our sales performance by key market, please refer to our financial results briefing materials online.

<https://www.sato-global.com/ir/library/settlement/>

### ***Auto-ID solutions (Overseas)***

Outside Japan, our base business increased sales, driven by the robust performance of subsidiaries in Asia and Oceania, while our companies specializing in primary labels also increased sales due to strong demand for daily necessities. Profit increased too as we sold more high value-added products.

Under these circumstances, net sales increased 17.4% to ¥19,321 million (increase of 15.7%, excluding foreign exchange effects), and segment profit increased 19.2% to ¥2,586 million, compared with the same period of the previous fiscal year.

For breakdowns of financial performance for/by (i) base and primary labels businesses, and (ii) individual region, please refer to our financial results briefing materials online.

<https://www.sato-global.com/ir/library/settlement/>

## **(2) Overview of Q1 financial position**

At the end of the first quarter, the balance of current assets increased by ¥4,004 million to ¥90,272 million (from ¥86,268 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥1,193 million in merchandise and finished goods and ¥1,350 million in raw materials and supplies. The balance of non-current assets increased by ¥2,478 million to ¥48,667 million (from ¥46,188 million at the end of the previous fiscal year). This was primarily due to increases in property, plant and equipment and in intangible assets, which comprise increases of ¥456 million in buildings and structures, ¥690 million in machinery, equipment and vehicles, ¥521 million in land and ¥240 million in software in progress.

The balance of current liabilities increased by ¥1,757 million to ¥44,821 million (from ¥43,064 million at the end of the previous fiscal year). This was mainly due to increases of ¥371 million in contract liabilities, ¥220 million in electronically recorded obligations - operating, ¥85 million in short-term borrowings, ¥74 million in accounts payable - other, and ¥204 million in accrued consumption taxes (classified under “Other” current liabilities). The balance of non-current liabilities decreased by ¥17 million to ¥15,289 million (from ¥15,307 million at the end of the previous fiscal year), primarily due to a decrease of ¥73 million in long-term borrowings.

At the end of the first quarter, the balance of net assets increased by ¥4,743 million to ¥78,828 million (from ¥74,085 million at the end of the previous fiscal year), primarily due to an increase of ¥4,036 million in accumulated other comprehensive income.

### ***Cash flows***

At the end of the first quarter, cash and cash equivalents stood at ¥23,399 million, a decrease of ¥702 million from the end of the previous fiscal year.

### ***Cash flows from operating activities***

Cash flow from operating activities was positive at ¥2,944 million.

This resulted primarily from cash inflows including ¥2,404 million of income before income taxes, and ¥1,271 million of depreciation and amortization, and cash outflows including a ¥1,128 million increase in inventories.

### ***Cash flows from investing activities***

Cash flow from investing activities was negative at ¥2,994 million.

This was primarily due to proceeds of ¥375 million from withdrawal of time deposits, and expenditures of ¥822 million for payments into time deposits, ¥1,886 million for purchase of property, plant and equipment, and ¥686 million for purchase of intangible assets.

### ***Cash flows from financing activities***

Cash flow from financing activities was negative at ¥1,475 million.

This resulted primarily from cash inflows including a ¥261 million net increase in short-term borrowings, and cash outflows including ¥386 million repayment of lease obligations, ¥228 million repayment of long-term borrowings, and ¥1,176 million dividends paid.

**(3) Explanation of consolidated forecasts and other projections**

No changes have been made to the consolidated forecasts for FY 2024, which were announced on May 15, 2024.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheets

Unit: Millions of yen

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	25,029	24,780
Notes and accounts receivable - trade, and contract assets	28,617	28,563
Securities	49	52
Merchandise and finished goods	13,691	14,885
Work in process	818	937
Raw materials and supplies	12,626	13,976
Accounts receivable - other	1,994	1,932
Other	3,892	5,458
Allowance for doubtful accounts	(451)	(313)
Total current assets	86,268	90,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,409	15,865
Machinery, equipment and vehicles, net	12,915	13,605
Land	3,936	4,458
Other, net	4,144	4,855
Total property, plant and equipment	36,406	38,785
Intangible assets		
Software	1,541	1,562
Software in progress	1,157	1,397
Goodwill	380	367
Other	763	806
Total intangible assets	3,841	4,133
Investments and other assets	5,941	5,749
Total non-current assets	46,188	48,667
Total assets	132,457	138,940
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,099	7,126
Electronically recorded obligations - operating	12,303	12,523
Short-term borrowings	3,732	3,817
Contract liabilities	7,518	7,889
Accounts payable - other	4,399	4,473
Income taxes payable	558	567
Provisions	2,224	2,115
Other	5,227	6,308
Total current liabilities	43,064	44,821
Non-current liabilities		
Long-term borrowings	8,366	8,293
Lease obligations	4,196	4,148
Retirement benefit liability	1,065	1,097
Other	1,679	1,750
Total non-current liabilities	15,307	15,289
Total liabilities	58,372	60,111

Unit: Millions of yen

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,763	5,346
Retained earnings	51,718	51,713
Treasury shares	(4,801)	(2,323)
Total shareholders' equity	63,149	63,205
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	429	646
Foreign currency translation adjustment	7,689	11,509
Remeasurements of defined benefit plans	9	8
Total accumulated other comprehensive income	8,127	12,164
Share acquisition rights	19	12
Non-controlling interests	2,789	3,446
Total net assets	74,085	78,828
Total liabilities and net assets	132,457	138,940

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

### Consolidated statements of income

Unit: Millions of yen

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	33,989	37,674
Cost of sales	20,315	22,070
Gross profit	13,673	15,604
Selling, general and administrative expenses	11,513	12,740
Operating income	2,160	2,864
Non-operating income		
Interest income	118	135
Dividend income	0	8
Foreign exchange gains	–	15
Other	40	67
Total non-operating income	159	226
Non-operating expenses		
Interest expenses	75	109
Foreign exchange losses	144	–
Loss on net monetary position	–	492
Other	27	77
Total non-operating expenses	248	679
Ordinary income	2,071	2,411
Extraordinary income		
Gain on sale of non-current assets	16	3
Other	–	0
Total extraordinary income	16	3
Extraordinary losses		
Loss on retirement of non-current assets	1	10
Loss on sale of non-current assets	–	0
Loss on business restructuring	0	–
Retirement benefit expenses	2	–
Total extraordinary losses	4	11
Income before income taxes	2,084	2,404
Income taxes - current	709	515
Income taxes - deferred	(96)	469
Total income taxes	613	985
Net income	1,470	1,418
Net income attributable to non-controlling interests	166	220
Net income attributable to owners of parent	1,304	1,197

## Consolidated statements of comprehensive income

Unit: Millions of yen

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net income	1,470	1,418
Other comprehensive income		
Valuation difference on available-for-sale securities	(592)	217
Foreign currency translation adjustment	2,201	4,256
Remeasurements of defined benefit plans, net of tax	(61)	(0)
Total other comprehensive income	1,547	4,473
Comprehensive income	3,018	5,892
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,901	5,234
Comprehensive income attributable to non-controlling interests	117	657

### (3) Consolidated statements of cash flows

Unit: Millions of yen

	Three months ended June 30, 2023	Three months ended June 30, 2024
<b>Cash flows from operating activities</b>		
Income before income taxes	2,084	2,404
Depreciation and amortization	1,191	1,271
Amortization of goodwill	37	38
Loss (gain) on sale of non-current assets	(16)	(3)
Loss on retirement of non-current assets	1	10
Loss on business restructuring	0	–
Loss on net monetary position	–	492
Increase (decrease) in provision for bonuses	(164)	(155)
Increase (decrease) in allowance for doubtful accounts	(8)	(169)
Increase (decrease) in retirement benefit liability	217	1
Interest and dividend income	(119)	(143)
Interest expenses	75	109
Foreign exchange losses (gains)	(106)	(72)
Decrease (increase) in trade receivables and contract assets	540	893
Decrease (increase) in inventories	15	(1,128)
Increase (decrease) in trade payables	(116)	(60)
Increase (decrease) in accounts payable - other	(427)	185
Other, net	(345)	(639)
Subtotal	2,860	3,033
Interest and dividends received	119	143
Interest paid	(75)	(109)
Income taxes paid	(1,075)	(123)
Payments for business restructuring	(0)	–
Net cash provided by (used in) operating activities	1,827	2,944
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,188)	(822)
Proceeds from withdrawal of time deposits	1,188	375
Purchase of property, plant and equipment	(1,631)	(1,886)
Purchase of intangible assets	(671)	(686)
Proceeds from sale of property, plant and equipment and intangible assets	17	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(566)	–
Other, net	39	19
Net cash provided by (used in) investing activities	(2,812)	(2,994)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(354)	261
Proceeds from long-term borrowings	2,930	–
Repayments of long-term borrowings	(2,947)	(228)
Repayments of lease obligations	(245)	(386)
Dividends paid	(1,144)	(1,176)
Purchase of treasury shares	–	(0)
Other, net	14	54
Net cash provided by (used in) financing activities	(1,747)	(1,475)
Effect of exchange rate change on cash and cash equivalents	717	823
Net increase (decrease) in cash and cash equivalents	(2,014)	(702)
Cash and cash equivalents at beginning of period	20,751	24,102
Cash and cash equivalents at end of period	18,737	23,399

#### (4) Notes to consolidated financial statements

##### Basis of preparation of the consolidated financial statements

The SATO Group's consolidated financial statements are prepared in accordance with Article 4, Paragraph (1) of the Tokyo Stock Exchange (TSE)'s Standards for Preparation of Quarterly Financial Statements and corresponding accounting standards that are generally accepted in Japan. (Some omissions are applied based on Article 4, Paragraph (2) of the same TSE standards.)

##### Notes related to going-concern assumption

Not applicable

##### Notes in the event of material changes in amount of shareholders' equity

###### *Cancellation of treasury shares*

The Company cancelled 1,285,300 units of treasury shares on June 28, 2024, as approved by the board of directors on May 15, 2024. As a result, capital surplus and treasury shares each decreased by ¥2,433 million in the first three months ended June 30, 2024.

##### Changes in accounting policies

Not applicable

##### Segment information

###### I. Three months ended June 30, 2023

###### 1. Information on net sales and profit or loss by reportable segment

	Unit: Millions of yen		
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	17,536	16,452	33,989
Intersegment sales and transfer	1,221	2,166	3,387
Total	18,757	18,619	37,376
Segment profit (loss)	(210)	2,169	1,959

###### 2. Difference between the total amount of profit or loss for reportable segments and the amount recorded on the consolidated statements of income, and a major breakdown of the difference (Matters related to difference adjustment)

	Unit: Millions of yen
Profit	Amount
Reportable segments total	1,959
Intersegment eliminations	0
Adjustment of inventories	200
Operating income on the consolidated statements of income	2,160

3. Matters related to changes in reportable segments

Not applicable

4. Information on impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

Not applicable

II. Three months ended June 30, 2024

1. Information on net sales and profit or loss by reportable segment

	Unit: Millions of yen		
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	18,353	19,321	37,674
Intersegment sales and transfer	2,171	3,294	5,466
Total	20,524	22,616	43,141
Segment profit (loss)	186	2,586	2,772

2. Difference between the total amount of profit or loss for reportable segments and the amount recorded on the consolidated statements of income, and a major breakdown of the difference (Matters related to difference adjustment)

	Unit: Millions of yen
Profit	Amount
Reportable segments total	2,772
Intersegment eliminations	0
Adjustment of inventories	92
Operating income on the consolidated statements of income	2,864

3. Matters related to changes in reportable segments

Not applicable

4. Information on impairment loss of non-current assets, goodwill and negative goodwill, etc. by reportable segment

Not applicable