

Consolidated Financial Report
for the First Nine Months of Fiscal Year Ending March 2025

<Under Japanese GAAP>

February 12, 2025

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
 Phone: +81-3-6628-2423
 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 Q3 (April 1, 2024 to December 31, 2024)

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change, numbers in parentheses represent negative values)

Nine months ended	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	116,211	8.2	9,865	22.0	8,923	14.9
December 31, 2023	107,415	(0.8)	8,087	14.2	7,767	1.2

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥7,525 million 20.5%
 Nine months ended December 31, 2023: ¥6,243 million (5.8%)

Nine months ended	Net income attributable to owners of parent		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Yen	Yen
December 31, 2024	5,592	16.4	172.39	172.36
December 31, 2023	4,806	(6.1)	148.34	148.30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2024	141,120	79,314	53.9	2,343.84
March 31, 2024	132,457	74,085	53.8	2,199.41

(Note) Total equity: As of December 31, 2024: ¥ 76,088 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	–	37.00			
FY 2024 (Forecast)			–	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, numbers in parentheses represent negative values)

	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
Full year	155,000	8.1	11,400	9.8	10,400	16.1	7,000	96.3	215.75

(Note) Revision to recently announced consolidated forecast: Yes

For details, please refer to section 1-(3) "Explanation of consolidated forecasts and other projections" (page 5) of the attached materials.

*** 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 December 31, 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 December 31, 2024:	1,172,588 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:

Nine months ended December 31, 2024:	32,444,289 shares
(Nine months ended December 31, 2023:	32,401,258 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. Q3 Financials and FY 2024 Outlook

(1) Overview of Q3 financial performance

Overview of Operating Results for the Interim Period

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 nine months of FY 2024, both sales and profit increased in our Japan and overseas businesses, as described in the segment information.

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 ¥116,211 million (up 8.2% compared with the same period of the previous fiscal year), operating income of ¥9,865 million (up 22.0%), ordinary income of ¥8,923 million (up 14.9%), and net income attributable to owners of parent of ¥5,592 million (up 16.4%).

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 totaled 58,561 million yen (up 4.2%), and segment income totaled 2,783 million yen (up 238.0%).

For information on our sales performance by 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 thanks to strong demand for daily necessities. Profit grew with increased sales.

Under these circumstances, net sales increased 12.6% to ¥57,649 million (increase of 12.7%, excluding foreign exchange effects), and segment profit increased 4.1% to ¥7,295 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 Q3 financial position

At the end of the third quarter, the balance of current assets was 92,467 million yen (86,268 million yen at the end of the previous fiscal year), an increase of 6,198 million yen. This was mainly due to an increase in cash and deposits (2,862 million yen), notes and accounts receivable-trade, and contract assets (946 million yen), merchandise and finished goods (1,149 million yen), work in process (131 million yen), raw materials and supplies (634 million yen), accounts receivable-other (165 million yen). The balance of non-current assets was 48,653 million yen (46,188 million yen at the end of the previous fiscal year), an increase of 2,464 million yen. This was mainly due to increases in buildings and structures (250 million yen), machinery, equipment and vehicles (616 million yen), land (629 million yen) in property, plant and equipment, and software in progress (1,202 million yen) in intangible fixed assets.

The balance of current liabilities increased 850 million yen to 43,915 million yen (43,064 million yen at the end of the previous fiscal year). This was mainly due to an increase in short-term borrowings (427 million yen). Non-current liabilities totaled 17,889 million yen (15,307 million yen at the end of the previous fiscal year), an increase of 2,582 million yen. This was mainly due to an increase in long-term borrowings (2,716 million yen).

Net assets increased 5,229 million yen to 79,314 million yen at the end of the third quarter (74,085 million yen at the end of the previous fiscal year). This was mainly due to an increase in retained earnings (3,183 million yen), mainly due to the recording of net income attributable to owners of parent, and an increase in foreign currency translation adjustments (1,160 million yen).

Cash flows

Cash and cash equivalents at the end of the third quarter of the current fiscal year increased by 2,086 million yen from the end of the previous fiscal year to 26,188 million yen.

The status of each cash flow and their factors during the nine months ended December 31, 2024 are as follows.

Cash flows from operating activities

Net cash provided by operating activities totaled 9,779 million yen.

The main factors of increase were income before income taxes of 8,927 million yen and depreciation of 4,001 million yen, while the main factors of decrease were income taxes paid of 1,504 million yen and increase in inventories of 1,677 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 7,751 million yen.

The main cash inflows included proceeds from withdrawal of time deposits of 1,201 million yen, while cash outflows were payments into time deposits of 1,980 million yen, purchase of property, plant and equipment of 4,845 million yen, and purchase of intangible assets of 2,142 million yen. etc.

Cash flows from financing activities

Net cash used in financing activities totaled 266 million yen.

The main factors of increase were proceeds from long-term borrowings of 3,017 million yen and a net increase in short-term borrowings of 741 million yen, while the main factors of decrease were repayment of long-term borrowings of 593 million yen, dividends paid of 2,400 million yen and repayment of lease obligations of 1,030 million yen.

(3) Explanation of consolidated forecasts and other projections

The Company has revised the consolidated earnings forecast for the fiscal year ending March 31, 2025 as follows, taking into account the performance trends during the first nine months.

Outlook for the Fiscal Year Ending March 31, 2025

Net sales: ¥155,000 million (previous forecast: ¥153,500 million)

Operating income: ¥11,400 million (previous forecast: ¥11,400 million)

Ordinary income: ¥10,400 million (previous forecast: ¥10,400 million)

Net income attributable to owners of parent: ¥7,000 million (previous forecast: ¥6,600 million)

The foreign currency exchange rates for this fiscal year are assumed to be 153 yen to the U.S. dollar and 164 yen to the euro.

Forward-looking statements, including the consolidated earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ from these consolidated earnings forecasts due to various factors.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

(Millions of yen, numbers in parentheses represent negative values)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	25,029	27,891
Notes and accounts receivable - trade, and contract assets	28,617	29,564
Securities	49	50
Merchandise and finished goods	13,691	14,841
Work in process	818	949
Raw materials and supplies	12,626	13,260
Accounts receivable - other	1,994	2,159
Other	3,892	4,056
Allowance for doubtful accounts	(451)	(307)
Total current assets	86,268	92,467
Non-current assets		
Property, plant and equipment		
Buildings and structures, net (note)	15,409	15,659
Machinery, equipment and vehicles, net (note)	12,915	13,531
Land	3,936	4,566
Other, net (note)	4,144	4,438
Total property, plant and equipment	36,406	38,196
Intangible assets		
Software	1,541	1,678
Software in progress	1,157	2,359
Goodwill	380	278
Other	763	687
Total intangible assets	3,841	5,003
Investments and other assets	5,941	5,453
Total non-current assets	46,188	48,653
Total assets	132,457	141,120
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,099	7,151
Electronically recorded obligations - operating	12,303	11,857
Short-term borrowings	3,732	4,160
Contract liabilities	7,518	7,510
Accounts payable - other	4,399	4,293
Income taxes payable	558	451
Provisions	2,224	2,182
Other	5,227	6,308
Total current liabilities	43,064	43,915
Non-current liabilities		
Long-term borrowings	8,366	11,082
Lease liabilities	4,196	4,162
Retirement benefit liability	1,065	1,092
Other	1,679	1,552
Total non-current liabilities	15,307	17,889
Total liabilities	58,372	61,805

(Millions of yen, numbers in parentheses represent negative values)

	As of March 31, 2024	As of December 31, 2024
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,763	5,347
Retained earnings	51,718	54,902
Treasury shares	(4,801)	(2,265)
Total shareholders' equity	63,149	66,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	429	769
Foreign currency translation adjustment	7,689	8,850
Remeasurements of defined benefit plans	9	15
Total accumulated other comprehensive income	8,127	9,635
Share acquisition rights	19	12
Non-controlling interests	2,789	3,213
Total net assets	74,085	79,314
Total liabilities and net assets	132,457	141,120

(Note) Net of acquired value and accumulated depreciation

(2) Consolidated statements of (comprehensive) income

Consolidated statements of income

(Millions of yen, numbers in parentheses represent negative values)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	107,415	116,211
Cost of sales	62,879	68,365
Gross profit	44,535	47,846
Selling, general and administrative expenses	36,447	37,980
Operating income	8,087	9,865
Non-operating income		
Interest income	437	437
Dividend income	0	8
Other	133	166
Total non-operating income	571	611
Non-operating expenses		
Interest expenses	221	440
Foreign exchange losses	477	326
Loss on net monetary position	—	662
Other	193	124
Total non-operating expenses	892	1,553
Ordinary income	7,767	8,923
Extraordinary income		
Gain on sale of non-current assets	35	17
Other	0	0
Total extraordinary income	35	17
Extraordinary losses		
Loss on retirement of non-current assets	41	12
Loss on sale of non-current assets	6	0
Retirement benefit expenses	0	—
Loss on valuation of investment securities	930	—
Loss on business restructuring	1	—
Total extraordinary losses	981	13
Income before income taxes	6,821	8,927
Income taxes - current	1,479	1,716
Income taxes - deferred	(23)	959
Total income taxes	1,455	2,676
Net income	5,365	6,251
Net income attributable to non-controlling interests	559	658
Net income attributable to owners of parent	4,806	5,592

Consolidated statements of comprehensive income

(Millions of yen, numbers in parentheses represent negative values)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net income	5,365	6,251
Other comprehensive income		
Valuation difference on available-for-sale securities	341	340
Foreign currency translation adjustment	611	927
Remeasurements of defined benefit plans, net of tax	(75)	6
Total other comprehensive income	877	1,274
Comprehensive income	6,243	7,525
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,806	7,100
Comprehensive income attributable to non-controlling interests	436	424

(3) Consolidated statements of cash flows

(Millions of yen, numbers in parentheses represent negative values)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Cash flows from operating activities		
Income before income taxes	6,821	8,927
Depreciation	3,625	4,001
Amortization of goodwill	109	113
Loss (gain) on sale of non-current assets	(29)	(16)
Loss on retirement of non-current assets	41	12
Loss on business restructuring	1	—
Loss (gain) on valuation of investment securities	930	—
Losses on net monetary position	—	662
Increase (decrease) in provision for bonuses	222	(2)
Increase (decrease) in allowance for doubtful accounts	183	(160)
Increase (decrease) in retirement benefit liability	168	(0)
Interest and dividend income	(438)	(445)
Interest expenses	221	440
Foreign exchange losses (gains)	(443)	451
Decrease (increase) in accounts receivable - trade, and contract assets	(864)	(1,020)
Decrease (increase) in inventories	524	(1,677)
Increase (decrease) in trade payables	(1,103)	(146)
Increase (decrease) in accrued consumption taxes	187	281
Decrease (increase) in accounts receivable - other	(260)	(176)
Increase (decrease) in accounts payable - other	(115)	442
Other, net	(626)	(422)
Subtotal	9,157	11,263
Interest and dividends received	438	445
Interest paid	(221)	(424)
Income taxes paid	(2,184)	(1,504)
Payments for business restructuring	(1)	—
Net cash provided by (used in) operating activities	7,188	9,779
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,860)	(4,845)
Purchase of intangible assets	(1,739)	(2,142)
Proceeds from sale of property, plant and equipment and intangible assets	46	21
Payments into time deposits	(250)	(1,980)
Proceeds from withdrawal of time deposits	706	1,201
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(610)	—
Other, net	90	(6)
Net cash provided by (used in) investing activities	(5,617)	(7,751)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,441)	741
Proceeds from long-term borrowings	7,930	3,017

Repayments of long-term borrowings	(2,980)	(593)
Repayments of lease liabilities	(950)	(1,030)
Dividends paid	(2,330)	(2,400)
Purchase of treasury shares	(0)	(0)
Other, net	31	0
Net cash provided by (used in) financing activities	(742)	(266)
Effect of exchange rate change on cash and cash equivalents	(15)	325
Net increase (decrease) in cash and cash equivalents	812	2,086
Cash and cash equivalents at beginning of period	20,751	24,102
Cash and cash equivalents at end of period	21,564	26,188

(4) Notes to Consolidated Financial Statements

Going concern assumption

None

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

Cancellation of treasury shares

Based on the resolution of the Board of Directors held on May 15, 2024, the Company retired 1,285,300 shares of treasury stock on June 28, 2024. As a result, capital surplus and treasury stock each decreased by ¥2,433 million in the first nine months of FY 2024

Changes in accounting policies

None

Segment information

I. Nine months ended December 31, 2023

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

Millions of yen, numbers in parentheses represent negative values			
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	56,209	51,205	107,415
Intersegment sales and transfer	4,681	7,664	12,346
Total	60,890	58,870	119,761
Segment profit (loss)	823	7,005	7,829

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)

Millions of yen, numbers in parentheses represent negative values	
Profit	Amount
Reportable segments total	7,829
Intersegment eliminations	0
Adjustment of inventories	258
Operating income on the consolidated statements of income	8,087

3. Changes in reportable segments

None

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

None

II. Nine months ended December 31, 2024

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

Millions of yen, numbers in parentheses represent negative values			
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	58,561	57,649	116,211
Intersegment sales and transfer	7,939	10,995	18,934
Total	66,500	68,645	135,146
Segment profit (loss)	2,783	7,295	10,079

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)

Millions of yen, numbers in parentheses represent negative values	
Profit	Amount
Total of reportable segments	10,079
Intersegment eliminations	0
Adjustment of inventories	(213)
Operating income on the consolidated statements of income	9,865

3. Changes in reportable segments

None

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

None

Significant subsequent events

Sale of equity interest

On January 21, 2025, our U.S. subsidiary SATO International America, Inc. (SIA) entered into an equity interest sale agreement and sold its equity holdings. As a result, the Company will record a gain on sales of investment securities (extraordinary income) in the fourth quarter of the fiscal year ending March 31, 2025.

a. Reason for sale of equity interest

The Company intends to strengthen its financial position through the sale and prepare for investment in future business expansion.

b. Details of sale of equity interest

- | | |
|-------------------------------------------|-----------------------------------------|
| a. Equity interest | One issue (denominated in U.S. dollars) |
| b. Date of conclusion of sale agreement | January 21, 2025 |
| c. Gain on sales of investment securities | Approx. 1,203 million yen |