

**SATO CORPORATION**

Kessan Report for the March 2004 Term (Non-consolidated)

May 18, 2004

**SATO CORPORATION**

Company code number: 6287  
 (URL <http://www.sato.co.jp>)  
 Shares traded: TSE  
 Location of headquarters: Tokyo  
 Executive position of legal representative: Masanori Otsuka, President and COO,  
 Representative Corporate Executive Officer  
 Please address all communications to: Toshiro Umeda, Senior Executive Officer,  
 General Manager, Corporate Planning &  
 Administration Division  
 Phone: (03) 5789-2500

Date of Board of Directors' meeting for approval  
 of financial results: May 17, 2004  
 Date of regular general meeting of shareholders: June 22, 2004  
 Adoption of system of interim dividends: Yes  
 Application of unit trading system: Yes (100 shares per unit)

**1. Non-consolidated operating results (April 1, 2003 to March 31, 2004)**

**(1) Non-consolidated financial results**

(In millions of yen, with fractional amounts discarded)

	Net sales		Operating income		Ordinary profit	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2004	51,230	10.6	5,898	26.6	5,849	26.2
March 31, 2003	46,314	5.4	4,659	20.6	4,634	10.0

	Net income		Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
March 31, 2004	3,673	48.4	119.45	117.06	11.1	11.8	11.4
March 31, 2003	2,474	4.6	88.21	84.16	8.3	9.8	10.0

(Notes)

- Average number of outstanding shares during the term (non-consolidated):  
 March 2004 term: 30,750,790 shares      March 2003 term: 27,239,689 shares
- Changes in accounting methods: None
- The percentages shown next to net sales, operating income, ordinary profit and net income represent year-on-year changes.

**(2) Dividends**

	Annual dividends per share			Dividend payment (Millions of yen)	Dividend payout ratio %	Ratio of dividend to shareholders' equity %
	(Yen)	Interim term (Yen)	Term end (Yen)			
March 31, 2004	28.00	13.00	15.00	878	23.9	2.4
March 31, 2003	24.00	11.50	12.50	650	26.3	2.2

(Note)

A year-end dividend in the March 2004 term consists of a special dividend of 1 yen per share commemorating the Company's 10<sup>th</sup> anniversary of the TSE listing and an ordinary dividend of 14 yen per share.

**(2) Non-consolidated financial position**

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Equity ratio %	Shareholders' equity per share (Yen)
March 31, 2004	52,147	36,136	69.3	1,151.96
March 31, 2003	47,332	30,035	63.5	1,105.22

(Notes)

1. Number of outstanding shares at end of term (non-consolidated):  
 March 2004 term: 31,370,020 shares                      March 2003 term: 27,110,899 shares
2. Number of treasury stock at end of term:  
 March 2004 term: 631,149 shares                              March 2003 term: 564,140 shares

**2. Non-consolidated forecasts for March 2005 term  
(From April 1, 2004 to March 31, 2005)**

	Net sales (Millions of yen)	Ordinary profit (Millions of yen)	Net income (Millions of yen)	Annual dividends per share		(Yen)
				Interim term (Yen)	Term end (Yen)	
Interim term	25,900	2,750	1,600	13.50	-	-
Annual	52,300	5,900	3,450	-	13.50	27.00

(N.b.) Estimated earnings per share (annual): 109.98 yen

*The forecasts stated above are based on our current expectations and assumptions prepared using information available at present and subject to various uncertainties. Actual results may differ due to a variety of causes.*

**SATO CORPORATION**

Non-consolidated balance sheet

Years ended March 31; Millions of yen	2003	%	2004	%	Year-on-year change
<b>Current assets</b>					
Cash	8,281		8,748		466
Notes receivable	4,006		3,782		(224)
Accounts receivable	7,268		9,087		1,818
Marketable securities	50		50		0
Merchandise	194		209		15
Finished goods	2,276		2,299		22
Semifinished goods	176		150		(26)
Raw materials	295		239		(55)
Work in process	290		265		(25)
Supplies	0		0		0
Prepaid expenses	202		139		(62)
Short-term loans to affiliated companies	32		34		2
Deferred credit	508		539		30
Deferred taxes	458		338		(119)
Others	237		248		11
Allowance for doubtful accounts	(36)		(25)		10
Total current assets	24,244	51.2	26,109	50.1	1,864
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
Buildings	7,004		7,162		
Accumulated depreciation	2,866		3,115		
	4,138		4,046		(91)
Structures	284		300		
Accumulated depreciation	205		219		
	79		81		1
Machinery and equipment	4,601		5,090		
Accumulated depreciation	3,379		3,588		
	1,222		1,501		279
Vehicles and delivery equipment	33		33		
Accumulated depreciation	30		30		
	3		2		0
Tools, furniture and fixtures	2,123		2,050		
Accumulated depreciation	1,707		1,645		
	416		405		(11)
Land	4,994		5,000		5
Construction in progress	120		31		(89)
	10,974	23.2	11,069	21.2	94

**SATO CORPORATION**

Years ended March 31; Millions of yen	2003	%	2004	%	Year-on-year change
<b>Intangible fixed assets</b>					
Software	770		612		(158)
Construction in progress	70		763		693
Others	54		54		0
	895	1.9	1,429	2.7	533
<b>Investments and other assets</b>					
Investment securities	227		340		112
Capital stock of affiliated companies	8,618		10,124		1,505
Investments other than securities	174		274		100
Long-term loans to employees	65		37		(27)
Long-term loans to affiliated companies	499		1,604		1,105
Reorganization, bankruptcy and other claims	111		112		1
Long-term prepaid expenses	28		22		(6)
Deferred taxes	485		160		(325)
Guarantee deposits	585		633		48
Others	528		339		(188)
Allowance for doubtful accounts	(107)		(109)		(2)
	11,217	23.7	13,540	26.0	2,322
Total fixed assets	23,088	48.8	26,038	49.9	2,950
<b>Total assets</b>	<b>47,332</b>	<b>100.0</b>	<b>52,147</b>	<b>100.0</b>	<b>4,815</b>

**SATO CORPORATION**

Years ended March 31; Millions of yen	2003	%	2004	%	Year-on-year change
<b>Current liabilities</b>					
Notes payable	1,568		1,939		371
Accounts payable	1,858		2,320		461
Convertible bonds redeemable within 1 year	3,176		-		(3,176)
Accounts payable - others	6,017		6,932		915
Accrued expenses	826		949		122
Income taxes payable	998		1,372		374
Consumption taxes payable	219		208		(10)
Advances from customers	726		851		125
Deposits received	49		77		27
Reserve for bonuses	848		419		(429)
Allowance for directors' bonuses	-		50		50
Notes payable - plant and equipment	133		362		228
Others	-		4		4
	16,423	34.7	15,489	29.7	(934)
<b>Long-term liabilities</b>					
Deposits received	198		221		23
Retirement benefits	356		29		(327)
Reserve for directors' retirement allowances	318		270		(48)
	873	1.8	521	1.0	(351)
	17,297	36.5	16,011	30.7	(1,286)
<b>Shareholders' equity</b>					
Common stock	4,753	10.0	6,331	12.1	1,577
Capital reserves					
Additional paid-in capital	4,214		5,789		
Capital reserves - other					
Gain on sale of treasury stock	0		0		
	4,214	8.9	5,790	11.1	1,575
Retained earnings					
Legal reserves	474		474		
Voluntary reserves - total					
Deferred tax reserve	937		571		
Special reserves	16,800		19,000		
Unappropriated retained earnings	4,403		5,424		
	22,616	47.8	25,470	48.9	2,854
Unrealized gains or losses on other securities	(9)	(0)	106	0.2	115
Treasury stock	(1,539)	(3.2)	(1,561)	(3.0)	(21)
Total shareholders' equity	30,035	63.5	36,136	69.3	6,101
<b>Total liabilities and shareholders' equity</b>	<b>47,332</b>	<b>100.0</b>	<b>52,147</b>	<b>100.0</b>	<b>4,815</b>

**SATO CORPORATION**

Non-consolidated statements of income

Years ended March 31; Millions of yen	2003	%	2004	%	Year-on-year change
<b>Net sales</b>					
Net sales - finished goods	40,850		45,549		
Net sales - purchased goods	5,463		5,681		
	46,314	100.0	51,230	100.0	4,916
<b>Cost of sales</b>					
Cost of sales - finished goods					
Finished goods inventory, beginning of year	2,555		2,276		
Production costs for the year	17,607		19,216		
Purchase of finished goods for the year	4,968		5,005		
	25,131		26,498		
Transfers to other accounts	310		283		
Finished goods inventory, end of year	2,276		2,299		
	22,544		23,915		
Cost of sales - purchased goods					
Purchased goods inventory, beginning of year	141		194		
Purchase of goods for the year	3,715		4,605		
	3,856		4,799		
Purchased goods inventory, end of year	194		209		
	3,662		4,589		
	26,207	56.6	28,504	55.6	2,297
Gross profit on sales	20,106	43.4	22,726	44.4	2,619
<b>Selling, general and administrative expenses</b>					
Sales commissions and promotion expenses	319		344		
Packing and shipping expenses	773		855		
Advertising expenses	335		394		
Reserve provision for doubtful accounts	31		0		
Directors' salaries	256		297		
Employees' salaries	6,542		7,419		
Pension benefit expenses	578		805		
Reserve provision for bonuses	713		354		
Provision of allowance for directors' bonuses	-		50		
Reserve provision for directors' retirement allowances	53		4		
Employee benefit expenses	1,251		1,421		
Travel and transportation expenses	557		640		
Communication expenses	495		519		
Depreciation expenses	620		605		
Rental expenses	415		484		
Others	2,502		2,629		
	15,447	33.4	16,827	32.9	1,380
Operating income	4,659	10.0	5,898	11.5	1,239

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Years ended March 31; Millions of yen	2003	%	2004	%	Year-on-year change
<b>Non operating income</b>					
Interest income	38		37		
Interest income from securities	0		0		
Dividend income	92		105		
Gain on sale of marketable securities	-		50		
Others	65		101		
	196	0.4	295	0.6	98
<b>Non operating expenses</b>					
Interest expenses	0		0		
Interest expenses on bonds	17		0		
Loss on disposal of inventories	48		41		
Exchange rate losses	128		255		
Others	26		47		
	221	0.4	344	0.7	122
Ordinary profit	4,634	10.0	5,849	11.4	1,216
<b>Extraordinary gain</b>					
Gain on reversal of allowance for retirement benefits	-		531		
Gain on sale of investment securities	-		21		
Gain on sales of land	24		-		
	24	0.0	553	1.1	529
<b>Extraordinary loss</b>					
Loss on sales of fixed assets	12		-		
Loss on disposal of fixed assets	27		19		
Loss on valuation of investment securities	128		5		
Valuation loss on equity investment	4		0		
	172	0.4	25	0.1	(147)
Net income before taxes	4,485	9.6	6,377	12.4	1,892
Corporate, inhabitant and enterprises taxes	1,781		2,338		
Deferred taxes	229		365		
	2,010	4.3	2,704	5.2	693
Net income	2,474	5.3	3,673	7.2	1,198
Retained earnings brought forward from previous year	2,011		1,793		(218)
Reversal of provision for tax effects	229		365		136
Interim dividends	311		407		96
Unappropriated retained earnings	4,403		5,424		1,020