

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2005	51,705	34,008	65.8	1,083.72
March 31, 2004	49,676	31,785	64.0	1,013.23

(Note)

Number of outstanding shares at end of term (consolidated):

March 2005 term: 31,381,470 shares

March 2004 term: 31,370,020 shares

(3) Consolidated cash flows statement

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2005	2,873	(3,281)	(999)	10,234
March 31, 2004	4,141	(1,649)	(721)	11,512

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 16

Unconsolidated subsidiaries accounted for under equity method:

Affiliated companies accounted for under equity method:

(5) Changes in scope of consolidation and in application of the equity method

Consolidation (new): 4 (elimination):

Equity method (new): (elimination):

2. Consolidated forecasts for March 2006 term (from April 1, 2005 to March 31, 2006)

	Net sales	Ordinary profit	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Interim term	32,800	2,750	1,600
Annual	66,400	5,800	3,450

(N.b.) Estimated earnings per share (annual): 109.94 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.

1. Group organization

The Sato group is involved primarily in the production and sales of electronic printers, hand labelers and other related mechatronic products, and supply products including IC tags/labels, labels, tags, tickets, ribbons, MC-cards.

All sixteen subsidiaries involved in the Company's business are wholly owned. All are consolidated subsidiaries and their roles are as shown below.

The business segmentation is the same as the "segment information by business."

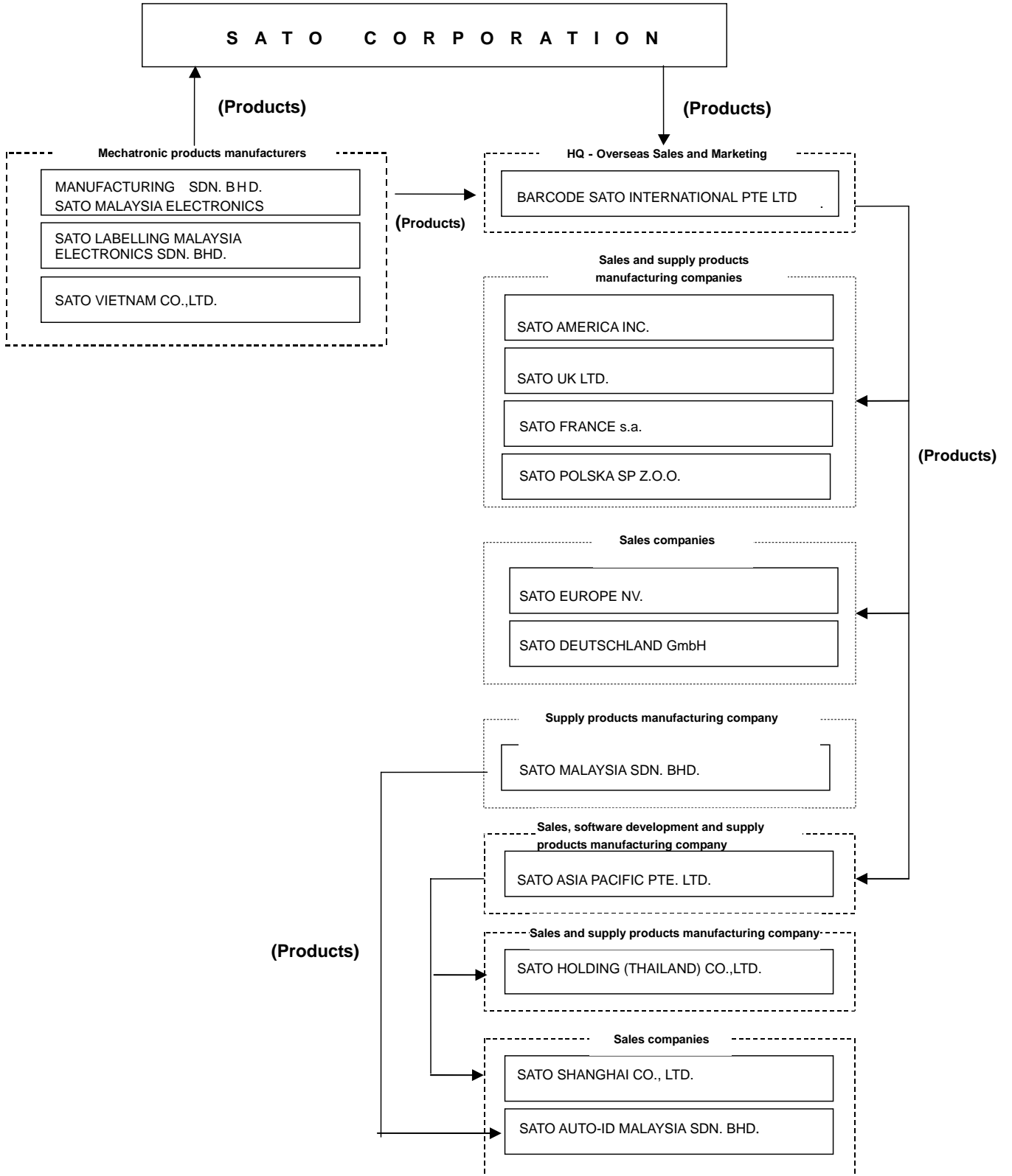
Business	Main products and services	Contents	Companies
Mechatronic product business			
Electronic printers	Electronic printers, labeling robots, automatic labelers, maintenance services	Production	SATO CORPORATION SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia) SATO VIETNAM CO., LTD. (Vietnam) (3 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO UK LTD. (UK) SATO EUROPE NV. (Belgium) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO FRANCE s.a. (France) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO SHANGHAI CO., LTD. (China) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) (12 companies)
Hand labelers	One line hand labelers, multiline hand labelers, software, maintenance services	Production	SATO CORPORATION SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. (Malaysia) SATO VIETNAM CO., LTD. (Vietnam) (3 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO EUROPE NV. (Belgium) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO FRANCE s.a. (France) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO SHANGHAI CO., LTD. (China) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) (12 companies)
Supply products business			
Labels, tags, IC tags/labels, tickets, ribbons, MC-cards and other supply products	Electronic printer labels/tags, carbon ribbons, hand labeler labels, product labels, MC-cards, tickets	Production	SATO CORPORATION SATO AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO FRANCE s. a. (France) SATO POLSKA SP Z.O.O. (Poland) SATO MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) (8 companies)

Business	Main products and services	Contents	Companies
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO EUROPE NV. (Belgium) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO FRANCE s.a. (France) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO SHANGHAI CO., LTD. (China) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) (12 companies)

(Notes)

1. In addition to the above, there is also SATO HOLDING (THAILAND) CO., LTD. (a holding company).
2. SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD., SATO VIETNAM CO., LTD. and SATO INTERNATIONAL PTE. LTD. are subsidiaries of the Company.
3. SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. is a subsidiary of SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD.
4. SATO AMERICA INC., SATO UK LTD., SATO EUROPE NV. and SATO ASIA PACIFIC PTE. LTD. are subsidiaries of SATO INTERNATIONAL PTE. LTD.
5. SATO FRANCE s. a., SATO DEUTSCHLAND GmbH and SATO POLSKA SP Z.O.O. are subsidiaries of SATO EUROPE NV.
6. SATO SHANGHAI CO., LTD., SATO MALAYSIA SDN. BHD. and SATO HOLDINGS (THAILAND) CO., LTD. are subsidiaries of SATO ASIA PACIFIC PTE. LTD.
7. SATO AUTO-ID MALAYSIA SDN. BHD. is a subsidiary of SATO MALAYSIA SDN. BHD.
8. SATO AUTO-ID (THAILAND) CO., LTD. is a subsidiary of SATO HOLDING (THAILAND) CO., LTD.
9. The Company established SATO VIETNAM CO., LTD. in June 2004 and scheduled for completion in June 2005.

The business relationships of the Group described above are shown in diagram form below.



2. Management Policies

1. Fundamental policy

Since its founding, the Sato group has pursued a policy of “total commitment to the highest standards of a firm whose business is production and sales,” under the watchword “never-ending creativity.” The aim of this fundamental policy is to contribute to society by promoting the business concept of “DCS (Data Collection Systems) & Labeling,” whose goal is realizing accuracy, labor savings, and resource conservation.

2. Policy regarding the distribution of profits

The Company’s fundamental policy regarding distribution of profits is to “provide value to four parties” – shareholders, society, the Company, and its employees. The Company aims to achieve a high degree of efficiency in its investment of retained earnings. This will entail the allocation of required amounts to research and development and capital equipment, as well as to overseas expansion.

In line with its financial performance, the Company declared total dividends for the year ended March 31, 2005 of ¥30 per share (including an interim dividend of ¥14). Compared to the previous term, this represents an ordinary-dividend increase of ¥3 per share and an increase of ¥2 per share when the commemorative dividend is included (in the previous term, the Company paid an ordinary dividend of ¥27 plus a ¥1 dividend to commemorate its tenth anniversary of the Company’s Tokyo Stock Exchange listing, for a total dividend payment of ¥28).

3. Management indices

The Sato group’s key management indices are return on equity (ROE) and net income per share. The Company has set performance benchmarks for improving shareholder value of 10% for ROE and EPS of ¥120.

4. Medium- to long-term management strategy

“DCS & Labeling” is the name the Company gives to the group’s unique business model. The Company designs and develops tailored, integrated on-site data-processing systems to provide customers with optimal solutions for specific operational site requirements. In order to collect data about any transportable item, from raw materials to manufactured goods and outsourced products, the Company offers total solutions, utilizing its auto-identification technology, covering bar codes, 2-D codes and RFID (IC tags, labels), to come up with the optimal combination of printer, scanner, peripherals and software. It also provides supply products including labels, ribbons and cards, and offers maintenance service following installation.

The Company recognizes that standing still is not an option when striving to generate sustained growth in global performance. It is committed to a process of constant, building up of “small changes” to realize its motto of “never-ending creativity.”

It aims to be a “leading company in the auto-identification industry” through the global implementation of its unique DCS & Labeling business model as it pursues “small changes” in all areas of corporate activity.

5. Issues requiring action

a. Global expansion of DCS & Labeling

The Company is pursuing the following initiatives overseas in order to achieve global implementation of the DCS & Labeling concept that it has successfully implemented in Japan.

- Revamping of European sales operations and strengthening sales force
The Company has been involved in a major reorganization of its businesses and personnel hiring program in Europe since 2002. It now plans to revamp its sales organization and strengthen its sales force in order to expand sales.
The Sato brand is gaining wider recognition in the global RFID market as Sato concludes contracts with major international retailers such as Germany's Metro Group. The Company plans to follow up by strengthening direct sales to users and establish a total-solutions business framework that is fine-tuned to the needs of users in on-site situations. At the same time, it will actively strive to develop new business through distributor channels and to achieve business expansion through diversification of sales channels.
- Strengthening production and delivery of supply products
The Company plans to strengthen further its production and delivery systems overseas for supply products, which are indispensable to the DCS & Labeling business model.
In 2004, Sato expanded its overseas production and delivery operations by adding to its existing facilities in Singapore, UK, USA and Thailand with new facilities in Poland and Malaysia. In February 2005, the Company acquired its French distributor l'etiquetage Rationnel (now renamed SATO FRANCE s.a.), which also has the capacity to produce supply products. This gives Sato its third production and delivery point for supply products in Europe. The Company plans to continue efforts to bolster its production and delivery capability for labels, tags and other supply products throughout the world.
- Improved maintenance service capabilities
To ensure customers throughout the world can use its products with confidence, the Company is upgrading the maintenance and servicing capabilities of all overseas sales subsidiaries, while also striving to improve the technical expertise and level of service provided by principal international distributors and sales agents.

b. Continued growth through stimulation of new demand in the Japanese market

In the Japanese market, Sato will rely on accurate research of market trends and changes in the business environment to ensure a flexible response to the needs of the market in the era of ubiquitous marking.

In the food sector, the Company sees growing demand related to the adoption of traceability systems while in the medical sector, it expects to take advantage of demand for barcoding of pharmaceuticals and identification plates on medical devices in addition to applications related to prevention of medical errors and internal hospital management. The Company will utilize its full resources to develop new applications, not only in these sectors, but in all industrial manufacturing and logistics settings, in order to achieve greater accuracy, energy saving and saving of natural resources.

c. Upgrading and expansion of production facilities and ongoing efforts to reduce costs

The Company plans to boost profitability by upgrading and expanding its production facilities while also maintaining its focus on reducing costs.

Robust domestic demand and overseas business expansion are expected to increase total demand substantially. Currently, the Company is building a second mechatronics plant in Vietnam to supplement its existing plant in Malaysia. Preparations are underway for a planned start-up in July 2005.

In April 2004, the Company established a Purchasing Center with the aim of creating a single interface with materials suppliers to reduce materials costs. The Company will continue to strive for

higher productivity by improving the efficiency of its production processes and ongoing training of employees involved in production.

d. Establishment of global network

The Company set up its Rotterdam Logistics Center in October 2002 in order to facilitate physical distribution in the European area and intends to establish logistics centers in other parts of the world, including the fast-growing Asian region, as business expands. It also intends to install an ERP system and strengthen the network linking the various parts of the group's business.

e. Reenergization of human resources

The Company will continue to invest in the training of human resources in the belief that raising the added value created by people increases the value of the corporation.

While working to reenergize the organization and individual employees through programs to train next-generation leaders and utilization of the three-line reporting system (Sato's unique knowledge-management system), the Company intends to create a corporate culture that welcomes the contribution of women and elderly employees as one way to secure human resources in an era when society is aging and the birthrate is falling. The Company introduced an annual-salary system for all employees in April 2005. It will continue to revise its personnel system going forward, with a focus on reward for performance, in order to improve human productivity.

f. Promotion of corporate social responsibility (CSR)

In April 2004, the Company established a CSR Department to handle CSR and SRI (socially responsible investment). The aim is to establish a corporate brand that reflects a sincere corporate culture based on contributing to society through business activities that meet society's desire for greater accuracy, energy saving and saving of natural resources. The Company intends to forge a relationship of trust with outside entities by strengthening its risk management, legal compliance and environmental management while also actively disclosing information to all of its stakeholders.

6. Basic thinking regarding corporate governance and status of actions taken

a. Basic thinking regarding corporate governance

The Company's philosophy is that the true owners of a business enterprise are its shareholders. Based on this thinking, the Company seeks to maintain management transparency and objectivity while responding swiftly to ongoing changes through improvements in organizational structures for corporate governance, including the establishment of channels that allow employees to express opinions freely. The Company is also implementing steps to strengthen the management oversight function of the Board of Directors.

b. Status of actions relating to corporate governance

The Company uses a system of corporate auditors. It has put in place the necessary mechanisms to ensure ongoing implementation of its basic approach to corporate governance through the adoption of a system of corporate executive officers, which aims to separate managerial decision-making and supervisory oversight of management from the policy-execution management responsibilities of the Board of Directors.

The Board of Directors is made up of ten members. Four of these are outside directors whose role is to present ideas from an independent viewpoint and to bolster the oversight of management in the interests of shareholders.

The Board of Directors meets to discuss and make decisions on important operational issues, including all matters stipulated in the relevant sections of the Commercial Code of Japan as requiring board-level approval. A management council composed of directors, auditors, executive

officers and other executives, under the chairmanship of the Company's representative director, provides a separate forum for debate and decision-making on important issues.

Internal control mechanisms include a system of regular internal audits. The CSR Department and Risk Management Committee are charged with raising internal awareness of issues related to legal compliance and corporate ethics. The Company complements these activities, as required, with external advice from professional legal and auditing firms. In addition, the Company is committed to disclosing accurate information in a timely manner and has taken steps to strengthen internal systems related to investor relations and information disclosure.

The Company will continue to refine its organizational structure to improve the effectiveness of its corporate governance while taking careful note of changes in the business environment.

3. Results of operations and Cash flows

1. Results of operations

a. Summary of financial performance (Fiscal 2004)

Sales in the consolidated fiscal year ended March 2005 grew approximately 4.9% year on year, topping ¥60,000 million for the first time in the Company's history. This is the sixth consecutive year of sales growth.

In Japan, helping the year off to a good start was carryover demand into April of special orders for tax-inclusive price labeling, which contributed significantly to sales in the previous fiscal year. This was supplemented by strong demand for traceability systems in the food segment, error-prevention wristband systems and labeling systems for patient files and specimens in the medical segment. Capital investment in the manufacturing sector remained strong throughout the year and there was growth in demand related to flow control and logistics control on manufacturing lines for LCD-related products, other consumer electronics goods, automotive parts, etc. As the Beef Traceability Law came into effect in December, major retail industry and other retailers handling meat began installing labeling systems for individual identification of cattle during the latter half of the fiscal year. The year also saw growing use of automatic identification systems based on bar codes and 2-D codes. For example, there was increased demand among nationwide Japan Agricultural Cooperatives (JA) and food retail industry for labels printed with 2-D codes for disclosure of the production history of fresh vegetables as well as higher demand among major retail industry for labels used in price-markdown systems and logistics EDI (Electronic Data Interchange). Demand also expanded for MC cards, which have wide application in customer management and sales promotion.

Introduction of working RFID systems has also been climbing steadily as RFID is adopted for use in patient wristbands to prevent medical errors at hospitals, inventory control among apparel makers, and equipment-maintenance records.

Overseas, the Company focused on marketing DCS & Labeling by bolstering its production and supply capabilities for supply products, while implementing sales strategies tailored to the requirements of the local markets in each region.

In Europe and America, the Company succeeded in boosting awareness of the Sato brand name by demonstrating its leadership in the RFID market through the introduction of printers for RFID to the main customers of Metro, the major German retailing group.

This subsequently led to negotiations with users in the U.S. for large orders of bar code systems, especially in the medical care field. In addition, there has been wider adoption in the retail industry of the price markdown system that Sato sold in England in the previous fiscal year.

In Asia, the Company strengthened its sales reach by tying up with Vision Tech Group, which has a nationwide sales network in China. In Singapore, Malaysia and Thailand, also, there was steady growth in sales to automotive parts makers and major retailers, mainly Japanese-affiliated companies.

While expanding sales overseas, Sato has also invested in upgrading its local-manufacturing capabilities for labels overseas. This included the construction of a label-manufacturing plant in Poland and establishment of the infrastructure to distribute supply products to countries in eastern Europe. In France, the Company acquired its distributor l'etiquetage rationnel (now renamed SATO FRANCE s.a.), giving it a label-manufacturing base in the heart of Europe and, at the same time, a springboard for developing new distribution channels and expanding direct sales to users. In Asia, the Company opened a new label-manufacturing plant in Malaysia and expanded its label-manufacturing lines in Singapore and Thailand, leading to a substantial increase in sales.

Sato already has a mechatronics plant in Malaysia and is now building a second plant on the outskirts of Hanoi in Vietnam, scheduled for completion in June 2005.

Higher levels of investment in boosting sales activities and expanding manufacturing operations in Japan and abroad have resulted in higher costs for sales-promotion and R&D, etc. The Niigata earthquake of 23 October, 2004 impaired operations at some subcontracting plants in the Niigata region, which necessitated shifting production to subcontracting plants in other areas. The total impact of this earthquake on Sato's operating results was approximately ¥138 million, comprising an additional ¥64 million in SG&A expenses and an extraordinary loss of ¥74 million.

Consolidated net sales in the year ended March 31, 2005 amounted to ¥61,752 million (up 4.9% year-on-year). Operating income, ordinary profit and net income totaled ¥5,144 million (down 6.6%), ¥5,309 million (up 2.1%) and ¥3,012 million (up 8.0%), respectively.

Segment results were as follows:

(a) Mechatronics products

The segment posted operating income of ¥2,804 million (-6.8%) on net sales of ¥27,660 million (+3.7%).

(b) Supply products

The segment posted operating income of ¥2,340 million (-6.2%) on net sales of ¥34,091 million (+5.9%).

b. Forecast for the year to March 2006 (Fiscal 2005)

In the Japanese market, the Company looks forward to continued growth in demand for bar codes and 2-D codes from a wide variety of sectors, including food processing, medical, major retailing, automobile and semiconductor manufacturing. Use of 2-D codes has been growing lately in areas that touch the lives of ordinary consumers, notably the production history of fresh produce and labels that can be read by cellphones.

Overseas, the Company will continue efforts to boost sales through marketing strategies that are fine-tuned to local markets. It will also upgrade and expand its production and delivery capability for supply products in line with its objective of implementing the DCS & Labeling concept in markets throughout the world.

The Sato group will continue efforts to develop new applications for bar codes, 2-D codes and RFID in all sectors, both at home and abroad, by combining auto-identification technologies capitalizing on the features of each system and will focus on training of human resources to increase the added value created by people. The aim is to deliver optimal solutions to customers, thereby helping to expand sales. The Company also intends to contribute to society through the pursuit of greater accuracy, energy saving and saving of natural resources and to reduce costs and improve profits throughout the group as a whole by raising productivity.

The Company forecasts consolidated results in fiscal 2005 (the year ending March 2006) as follows: net sales: ¥66,400 million (+7.5%); operating income: ¥5,700 million (+10.8%); ordinary profit: ¥5,800 million (+9.2%); net income: ¥3,450 million (+14.5%).

(Reference data)

Consolidated Forecasts for March 2006 Term (April 1, 2005 – March 31, 2006)

	Interim		Annual	
	Millions of yen	Change (%)	Millions of yen	Change (%)
Net sales	32,800	+6.5	66,400	+7.5
Operating income	2,670	+1.4	5,700	+10.8
Ordinary profit	2,750	+4.4	5,800	+9.2
Net income	1,600	+11.3	3,450	+14.5

Segment sales forecasts are given below.

[Product Segment Forecasts]

(a) Mechatronics products: annual sales of ¥29,170 million (+5.5%).

(b) Supply products: annual sales of ¥37,230 million (+9.2%).

2. Cash flows in the year to March 2005

Consolidated cash and cash equivalents (referred to below as “cash”) decreased by ¥1,278 million relative to the previous year. As of the fiscal 2004 year-end, cash totaled ¥10,234 million. The major cash flow-related factors for fiscal 2004 are outlined below.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥2,873 million. This was mainly due to positive cash flows from income before adjustments for income taxes and from depreciation expenses. A decrease in notes and accounts receivable of ¥275 million and an increase in notes and accounts payable of ¥133 million were other contributing factors. Significant offsetting factors included an increase in inventories of ¥1,694 million, a decrease in the reserve for bonuses of ¥417 million, and income taxes paid totaling ¥2,402 million.

Net cash used in investing activities

Net cash used in investing activities totaled ¥3,281 million. This was mainly attributable to purchases of tangible and intangible fixed assets.

Net cash used in financing activities

Net cash used in financing activities amounted to ¥999 million, principally as a result of cash dividend payments totaling ¥908 million.

3. Trend in cash flow indices

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Equity ratio (%)	58.2	58.8	64.0	65.8
Equity ratio based on market value (%)	172.3	126.3	171.8	163.9
Debt-repayment period (yrs)	0.1	0.1	0.1	0.2
Interest-coverage ratio (%)	72.1	88.6	117.8	48.8

(Notes)

1. The equity ratio is equal to shareholders' equity divided by total assets.
2. The equity ratio based on market value is equal to total stock market capitalization divided by total assets.
3. The debt-repayment period is equal to interest-bearing liabilities divided by operating cash flow.
4. The interest-coverage ratio is equal to operating cash flow divided by interest payments.
5. All of the above indicators are calculated on a consolidated basis.

6. Stock market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the total number of outstanding shares (excluding treasury stock) as of the corresponding fiscal year-end.
7. Operating cash flow equals total net cash flows provided by operating activities as stated in the consolidated statements of cash flows. Interest-bearing liabilities include all liabilities on which interest is paid, as stated in the consolidated balance sheet. Interest payments are equal to interest paid as stated in the consolidated statements of cash flows.

Consolidated balance sheet

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Current assets					
Cash	11,562		10,184		(1,378)
Notes and accounts receivable	14,112		14,319		207
Marketable securities	50		50		0
Inventories	5,700		7,581		1,880
Deferred credit	851		547		(304)
Deferred taxes	498		400		(98)
Others	366		527		161
Allowance for doubtful accounts	(57)		(68)		(11)
Total current assets	33,084	66.6	33,542	64.9	457
Fixed assets					
Tangible fixed assets					
Buildings and structures	8,589		8,756		
Accumulated depreciation	3,689		4,030		
	4,900		4,725		(175)
Machinery, equipment and delivery equipment	6,672		7,297		
Accumulated depreciation	4,633		5,008		
	2,038		2,288		250
Tools, furniture and fixtures	3,433		4,018		
Accumulated depreciation	2,628		2,907		
	804		1,111		306
Land	5,000		5,612		612
Construction in progress	34		540		506
	12,778	25.7	14,278	27.5	1,499
Intangible fixed assets					
Leaseholds	195		451		255
Others	1,603		1,903		299
	1,799	3.6	2,354	4.6	555
Investments and other assets					
Investment securities	340		156		(184)
Long-term loans	37		56		18
Guarantee deposits	724		670		(54)
Deferred taxes	263		338		74
Others	753		408		(345)
Allowance for doubtful accounts	(106)		(99)		7
	2,014	4.1	1,530	3.0	(484)
Total fixed assets	16,592	33.4	18,162	35.1	1,570
Total assets	49,676	100.0	51,705	100.0	2,028

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Current liabilities					
Notes and accounts payable	4,908		5,301		393
Short-term borrowings	332		350		17
Accounts payable	7,211		7,820		609
Income taxes payable - other	1,407		1,090		(316)
Reserve for bonuses	458		63		(395)
Allowance for Directors' bonuses	50		30		(20)
Notes payable - plant and equipment	362		23		(338)
Others	2,634		2,341		(292)
	<u>17,365</u>	34.9	<u>17,022</u>	32.9	<u>(343)</u>
Long-term liabilities					
Reserve for employees' retirement benefits	29		197		168
Reserve for directors' retirement allowances	270		267		(2)
Others	221		208		(13)
	<u>521</u>	1.1	<u>673</u>	1.3	<u>151</u>
Total liabilities	<u>17,887</u>	36.0	<u>17,696</u>	34.2	<u>(191)</u>
Minority interest in consolidated subsidiaries					
	4	0.0	-	-	(4)
Shareholders' equity					
Common stock	6,331	12.7	6,331	12.2	-
Capital reserves	5,790	11.7	5,791	11.2	1
Retained earnings	22,041	44.4	24,143	46.8	2,102
Other investment valuation expenses	106	0.2	13	0.0	(92)
Foreign exchange adjustment account	(922)	(1.9)	(736)	(1.4)	185
Treasury stock	(1,561)	(3.1)	(1,534)	(3.0)	27
Total shareholders' equity	<u>31,785</u>	64.0	<u>34,008</u>	65.8	<u>2,223</u>
Total liabilities , minority interest and shareholders' equity	<u>49,676</u>	100.0	<u>51,705</u>	100.0	<u>2,028</u>

Consolidated statements of income

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Net sales	58,862	100.0	61,752	100.0	2,889
Cost of sales	31,997	54.4	33,330	54.0	1,333
Gross profit on sales	26,865	45.6	28,422	46.0	1,556
Selling, general and administrative expenses	21,358	36.2	23,277	37.7	1,918
Operating income	5,506	9.4	5,144	8.3	(361)
Non operating income					
Interest income	23		33		
Dividend income	5		3		
Gain on sale of investment securities	50		-		
Gain on cancellation of endowment insurance	-		209		
Valuation gain from swap transaction	102		-		
Product warranty fees	4		-		
Commissions and fees	13		9		
Others	119		134		
	320	0.5	389	0.6	69
Non operating expenses					
Interest expenses	35		58		
Loss on disposal of inventories	90		8		
Foreign exchange loss	406		32		
Valuation loss on swap transaction	-		36		
Others	93		88		
	626	1.1	225	0.3	(401)
Ordinary profit	5,200	8.8	5,309	8.6	109
Extraordinary gains					
Gain on sale of investment securities	21		192		
Gain on reversal of allowance for retirement benefits	531		-		
Gain on sales of fixed assets	0		1		
	553	1.0	193	0.3	(359)
Extraordinary losses					
Loss on business restructuring	211		154		
Earthquake-related losses	-		74		
Loss on disposal of fixed assets	24		16		
Loss on valuation of investment securities	5		-		
Impairment losses	-		3		
Loss on sale of investments	-		3		
Others	1		-		
	242	0.4	252	0.4	9
Income before adjustments for income taxes	5,511	9.4	5,251	8.5	(260)
Corporate, inhabitant and enterprise taxes	2,411		2,169		
Deferred taxes	314		62		
	2,726	4.7	2,232	3.6	(494)
Minority interest in income of consolidated subsidiaries	(4)	(0.0)	6	0.0	11
Net income	2,790	4.7	3,012	4.9	222

Consolidated statements of retained earnings

Years ended March 31; Millions of yen	2004	2005	Year-on-year change
Capital reserves			
Capital reserves at beginning of year	4,214	5,790	1,575
Increase in capital reserves			
Increase due to conversion of convertible bonds	1,575	-	
Gain on sale of treasury stock	0	1	
	1,575	1	(1,574)
Capital reserves at end of year	5,790	5,791	1
Retained earnings			
Retained earnings at beginning of year	20,069	22,041	1,971
Increase in retained earnings			
Net income	2,790	3,012	
	2,790	3,012	224
Decrease in retained earnings			
Dividends - total	746	909	
Directors' bonuses	71	-	
	818	909	91
Retained earnings at end of year	22,041	24,143	2,102

Consolidated statements of cash flows

Years ended March 31; Millions of yen	2004	2005
Net cash provided by operating activities		
Income before adjustments for income taxes	5,511	5,251
Depreciation expenses	1,444	1,698
Gain on sales of tangible fixed assets	(0)	(1)
Loss on valuation of investment securities	5	-
Gain on sales of investment securities	(21)	(192)
Gain on sales of marketable securities	(50)	-
Loss on disposal of fixed assets	24	16
Loss on business restructuring	211	154
Earthquake-related losses	-	74
Impairment losses	-	3
Loss on sale of investments	-	3
Increase (decrease) in allowance for doubtful accounts	(16)	(6)
Increase (decrease) in reserve for bonuses	(366)	(417)
Increase (decrease) in reserve for directors' retirement allowances	(48)	(2)
Reserve for retirement benefits	(327)	168
Interest and dividends received	(29)	(36)
Interest expenses	35	58
Foreign exchange loss and gain	(176)	210
Decrease (increase) in notes and accounts receivable	(2,111)	275
Decrease (increase) in inventories	(5)	(1,694)
Decrease (increase) in prepaid expenses	53	(52)
Decrease (increase) in accounts receivable	(30)	46
Increase (decrease) in notes and accounts payable	1,071	133
Increase (decrease) in accounts payable	887	787
Directors' bonuses	(71)	-
Others	251	(951)
	6,237	5,527
Payments related to losses on business restructuring	(127)	(154)
Payments associated with earthquake-related losses	-	(74)
Interest and dividends received	29	36
Interest paid	(35)	(58)
Income taxes paid	(1,963)	(2,402)
	4,141	2,873
Net cash used in investing activities		
Increase in time deposits	(100)	(100)
Decrease in time deposits	100	200
Payments for investment in securities	(396)	-
Proceeds from sales of marketable securities	447	-
Proceeds from sales of investment securities	98	318
Purchase of tangible fixed assets	(1,091)	(3,130)
Proceeds from sales of tangible fixed assets	64	294
Purchase of intangible fixed assets	(908)	(947)
Purchase of securities of subsidiaries accompanied with reclassification of consolidation	-	(358)
Others	137	441
	(1,649)	(3,281)

Years ended March 31; Millions of yen	2004	2005
Net cash used in financing activities		
Increase (decrease) in short-term borrowings	68	(119)
Payments of redemption of convertible bonds	(23)	-
Proceeds from sales of treasury stock	7	37
Purchase of treasury stock	(29)	(8)
Cash dividend paid	(745)	(908)
	(721)	(999)
Effect of exchange rate changes on cash and cash equivalents	(119)	129
Net increase in cash and cash equivalents	1,651	(1,278)
Cash and cash equivalents at beginning of year	9,861	11,512
Cash and cash equivalents at end of year	11,512	10,234

Kessan Report for the March 2005 Term (Non-consolidated)

May 13, 2005

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 12, 2005
 Date of regular general meeting of shareholders: June 22, 2005
 Adoption of system of interim dividends: Yes
 Application of unit trading system: Yes (100 shares per unit)

1. Non-consolidated operating results (from April 1, 2004 to March 31, 2005)

(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, 2005	52,893	3.2	5,342	(9.4)	5,719	(2.2)
March 31, 2004	51,230	10.6	5,898	26.6	5,849	26.2

	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, 2005	3,660	(0.4)	116.66	116.63	9.8	10.7	10.8
March 31, 2004	3,673	48.4	119.45	117.06	11.1	11.8	11.4

(Notes)

- Average number of outstanding shares during the term (non-consolidated):
 March 2005 term: 31,374,259 shares March 2004 term: 30,750,790 shares
- Changes in accounting methods: Yes
- 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 %	The ratio of dividend to shareholders' equity %
	(Yen)	Interim term (Yen)	Term end (Yen)			
March 31, 2005	30.00	14.00	16.00	941	25.7	2.4
March 31, 2004	28.00	13.00	15.00	878	23.9	2.4

(Note)

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

(3) Non-consolidated financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Equity ratio %	Shareholders' equity per share (Yen)
March 31, 2005	54,666	38,822	71.0	1,237.13
March 31, 2004	52,147	36,136	69.3	1,151.96

(Notes)

- Number of outstanding shares at end of term (non-consolidated):
 March 2005 term: 31,381,470 shares March 2004 term: 31,370,020 shares
- Number of treasury stock at end of term:
 March 2005 term: 619,699 shares March 2004 term: 631,149 shares

2. Non-consolidated forecasts for March 2006 term (from April 1, 2005 to March 31, 2006)

	Net sales (Millions of yen)	Ordinary profit (Millions of yen)	Net income (Millions of yen)	Annual dividends per share		
				Interim period (Yen)	Term end (Yen)	(Yen)
Interim term	27,600	2,750	1,650	15.00	-	-
Annual	55,550	5,720	3,450	-	15.00	30.00

(N.b.) Estimated earnings per share (annual): 109.94 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.

Non-consolidated balance sheet

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Current assets					
Cash	8,748		7,831		(916)
Notes receivable	3,782		3,676		(106)
Accounts receivable	9,087		8,688		(398)
Marketable securities	50		50		0
Merchandise	209		247		37
Finished goods	2,299		3,044		745
Semifinished goods	150		188		37
Raw materials	239		509		269
Work in process	265		50		(215)
Supplies	0		0		0
Prepaid expenses	139		181		41
Short-term loans to affiliated companies	34		26		(7)
Deferred credit	539		648		108
Deferred taxes	338		263		(75)
Others	248		658		409
Allowance for doubtful accounts	(25)		(17)		8
Total current assets	26,109	50.1	26,047	47.6	(61)
Fixed assets					
Tangible fixed assets					
Buildings	7,162		7,160		
Accumulated depreciation	3,115		3,331		
	4,046		3,829		(217)
Structures	300		305		
Accumulated depreciation	219		232		
	81		73		(8)
Machinery and equipment	5,090		5,408		
Accumulated depreciation	3,588		3,779		
	1,501		1,628		127
Vehicles and delivery equipment	33		32		
Accumulated depreciation	30		29		
	2		2		0
Tools, furniture and fixtures	2,050		2,262		
Accumulated depreciation	1,645		1,752		
	405		509		104
Land	5,000		5,612		612
Construction in progress	31		149		118
	11,069	21.2	11,805	21.6	735

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Intangible fixed assets					
Software	612		1,410		798
Construction in progress	763		54		(708)
Others	54		53		(0)
	<u>1,429</u>	2.7	<u>1,518</u>	2.7	<u>89</u>
Investments and other assets					
Investment securities	340		156		(184)
Capital stock of affiliated companies	10,124		11,809		1,685
Investments in affiliated companies	-		696		696
Investments other than securities	274		162		(112)
Long-term loans to employees	37		24		(13)
Long-term loans to affiliated companies	1,604		1,446		(157)
Reorganization, bankruptcy and other claims	112		104		(7)
Long-term prepaid expenses	22		41		19
Deferred taxes	160		265		105
Guarantee deposits	633		597		(36)
Others	339		90		(248)
Allowance for doubtful accounts	(109)		(101)		8
	<u>13,540</u>	26.0	<u>15,295</u>	28.1	<u>1,755</u>
Total fixed assets	<u>26,038</u>	49.9	<u>28,619</u>	52.4	<u>2,580</u>
Total assets	<u>52,147</u>	100.0	<u>54,666</u>	100.0	<u>2,518</u>

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Current liabilities					
Notes payable	1,939		2,354		414
Accounts payable	2,320		2,385		65
Accounts payable - others	6,932		7,478		546
Accrued expenses	949		844		(104)
Income taxes payable	1,372		1,043		(329)
Consumption taxes payable	208		51		(157)
Advances from customers	851		907		56
Deposits received	77		59		(18)
Reserve for bonuses	419		-		(419)
Allowance for directors' bonuses	50		30		(20)
Notes payable - plant and equipment	362		23		(338)
Others	4		4		0
	<u>15,489</u>	29.7	<u>15,182</u>	27.8	<u>(306)</u>
Long-term liabilities					
Deposits received	221		195		(26)
Retirement benefits	29		197		168
Reserve for directors' retirement allowances	270		267		(2)
	<u>521</u>	1.0	<u>661</u>	1.2	<u>139</u>
	<u>16,011</u>	30.7	<u>15,843</u>	29.0	<u>(167)</u>
Shareholders' equity					
Common stock	6,331	12.1	6,331	11.6	-
Capital reserves					
Additional paid-in capital	5,789		5,789		
Capital reserves - other					
Gain on sale of treasury stock	0		1		
	<u>5,790</u>	11.1	<u>5,791</u>	10.6	<u>1</u>
Retained earnings					
Legal reserves	474		474		
Voluntary reserves - total					
Deferred tax reserve	571		537		
Special reserves	19,000		21,700		
Unappropriated retained earnings	5,424		5,508		
	<u>25,470</u>	48.9	<u>28,221</u>	51.6	<u>2,750</u>
Unrealized gains or losses on other securities	106	0.2	13	0.0	(92)
Treasury stock	(1,561)	(3.0)	(1,534)	(2.8)	27
Total shareholders' equity	<u>36,136</u>	69.3	<u>38,822</u>	71.0	<u>2,685</u>
Total liabilities and shareholders' equity	<u>52,147</u>	100.0	<u>54,666</u>	100.0	<u>2,518</u>

Non-consolidated statements of income

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Net sales					
Net sales - finished goods	45,549		46,869		
Net sales - purchased goods	5,681		6,023		
	<u>51,230</u>	100.0	<u>52,893</u>	100.0	<u>1,662</u>
Cost of sales					
Cost of sales - finished goods					
Finished goods inventory, beginning of year	2,276		2,299		
Production costs for the year	19,216		20,633		
Purchase of finished goods for the year	5,005		5,012		
	<u>26,498</u>		<u>27,945</u>		
Transfers to other accounts	283		278		
Finished goods inventory, end of year	2,299		3,044		
	<u>23,915</u>		<u>24,622</u>		
Cost of sales - purchased goods					
Purchased goods inventory, beginning of year	194		209		
Purchase of goods for the year	4,605		4,900		
	<u>4,799</u>		<u>5,109</u>		
Purchased goods inventory, end of year	209		247		
	<u>4,589</u>		<u>4,862</u>		
	28,504	55.6	29,484	55.7	980
	22,726	44.4	23,408	44.3	682
Gross profit on sales					
Selling, general and administrative expenses					
Sales commissions and promotion expenses	344		290		
Packing and shipping expenses	855		928		
Advertising expenses	394		408		
Reserve provision for doubtful accounts	0		-		
Directors' salaries	297		325		
Employees' salaries	7,419		8,827		
Pension benefit expenses	805		640		
Reserve provision for bonuses	354		-		
Provision of allowance for directors' bonuses	50		30		
Reserve provision for directors' retirement allowances	4		-		
Employee benefit expenses	1,421		1,505		
Travel and transportation expenses	640		697		
Communication expenses	519		494		
Depreciation expenses	605		642		
Rental expenses	484		493		
Others	2,629		2,783		
	<u>16,827</u>	32.9	<u>18,066</u>	34.2	<u>1,238</u>
Operating income	5,898	11.5	5,342	10.1	(556)

Years ended March 31; Millions of yen	2004	%	2005	%	Year-on-year change
Non operating income					
Interest income	37		25		
Interest income from securities	0		0		
Dividend income	105		61		
Gain on sale of marketable securities	50		-		
Technical support income	33		21		
Gain on cancellation of endowment insurance	-		209		
Exchange rate gains	-		39		
Others	67		95		
	295	0.6	453	0.8	157
Non operating expenses					
Interest expenses	0		0		
Interest expenses on bonds	0		-		
Loss on disposal of inventories	41		17		
Exchange rate losses	255		-		
Others	47		58		
	344	0.7	76	0.1	(267)
Ordinary profit	5,849	11.4	5,719	10.8	(130)
Extraordinary gain					
Gain on reversal of allowance for retirement benefits	531		-		
Gain on sale of investment securities	21		192		
	553	1.1	192	0.4	
Extraordinary loss					
Loss on sales of fixed assets	-		2		
Loss on disposal of fixed assets	19		13		
Loss on valuation of investment securities	5		-		
Valuation loss on equity investment	0		-		
Loss on sale of investments	-		3		
Earthquake-related losses	-		74		
Impairment losses	-		3		
	25	0.1	96	0.2	71
Net income before taxes	6,377	12.4	5,814	11.0	(563)
Corporate, inhabitant and enterprises taxes	2,338		2,120		
Deferred taxes	365		33		
	2,704	5.2	2,154	4.1	(549)
Net income	3,673	7.2	3,660	6.9	(13)
Retained earnings brought forward from previous year	1,793		2,253		460
Reversal of provision for tax effects	365		33		(332)
Interim dividends	407		439		31
Unappropriated retained earnings	5,424		5,508		83