



## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2006	63,144	36,124	57.2	1,149.87
September 30, 2005	52,835	34,974	66.2	1,114.53
March 31, 2006	61,624	36,119	58.6	1,149.80

(Note)

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

September 2006 term: 31,415,217 shares

September 2005 term: 31,380,685 shares

March 2006 term: 31,413,816 shares

## (3) Consolidated cash flow 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)
September 30, 2006	802	(2,425)	(263)	8,977
September 30, 2005	840	(1,092)	(461)	9,584
March 31, 2006	4,801	(6,575)	2,069	10,751

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

Consolidated subsidiaries: 26

Unconsolidated subsidiaries accounted for under equity method:

Affiliated companies accounted for under equity method:

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

Consolidation (new): 1 (elimination):

Equity method (new): (elimination):

## 2. Consolidated forecasts for March 2007 term (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary profit	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual	83,000	5,750	2,650

(N.b.) Estimated earnings per share (annual): 84.35 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. Please refer to page 13-14 for information regarding the forecast.*

## **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 twenty six subsidiaries involved in the Company's business are consolidated subsidiaries and their roles are as shown below.

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

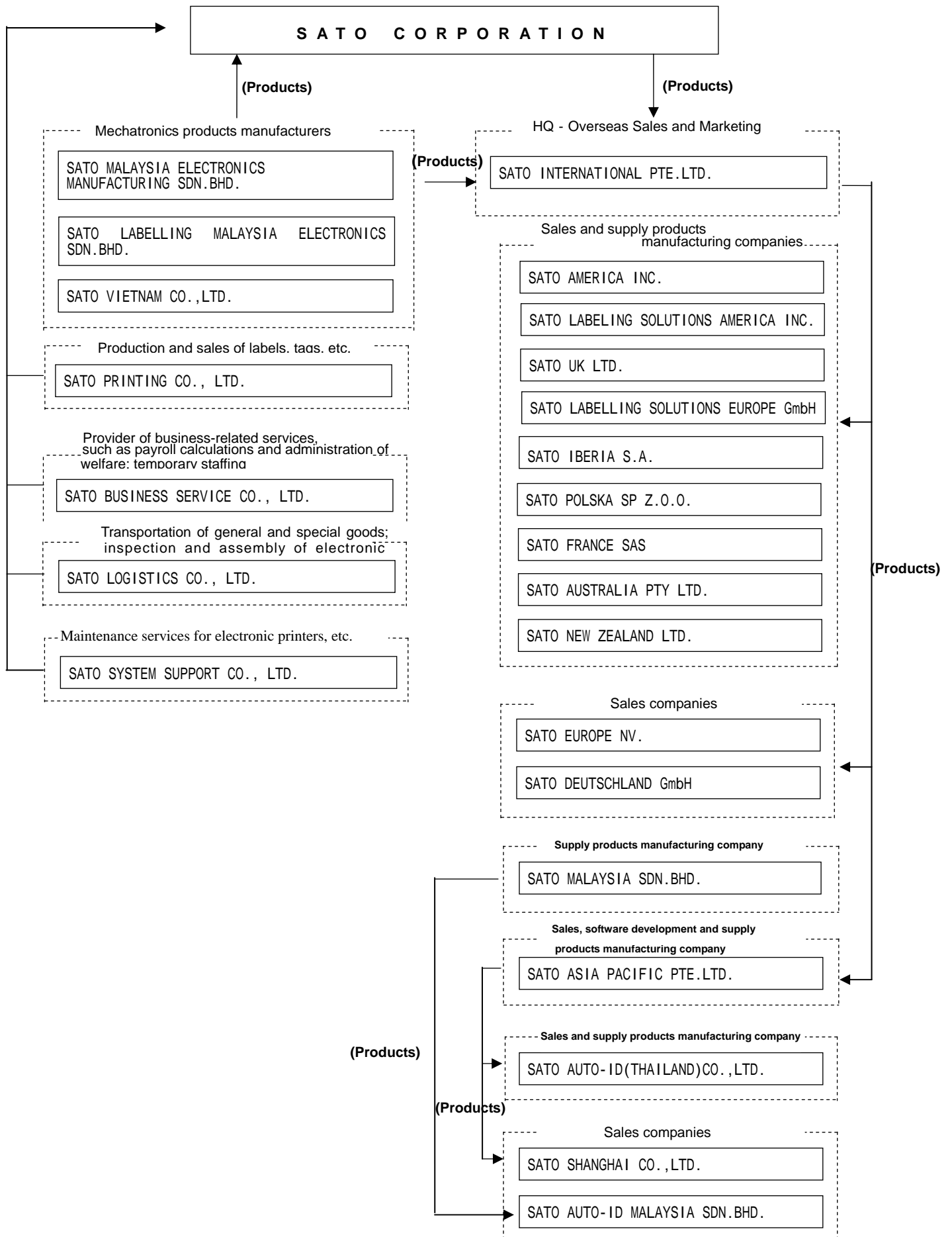
<b>Business</b>	<b>Main products and services</b>	<b>Contents</b>	<b>Companies</b>
Mechatronic product business			
Electronic printers	Electronic printers, labeling robots, automatic labelers, maintenance services	Production	SATO CORPORATION SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia)  (2 companies)
		Sales	SATO CORPORATION SATO SYSTEM SUPPORT CO., LTD. (Japan) SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO LABELING SOLUTIONS AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO LABELLING SOLUTIONS EUROPE GmbH (Germany) SATO IBERIA S.A. (Spain) SATO EUROPE NV. (Belgium) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO FRANCE SAS (France) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) SATO SHANGHAI CO., LTD. (China) SATO AUSTRALIA PTY LTD. (Australia) SATO NEW ZEALAND LTD. (New Zealand)  (18 companies)

<b>Business</b>	<b>Main products and services</b>	<b>Contents</b>	<b>Companies</b>
Hand labelers	One line hand labelers, multiline hand labelers, software, maintenance services	Production	SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. (Malaysia) SATO VIETNAM CO., LTD. (Vietnam)  (2 companies)
		Sales	SATO CORPORATION SATO SYSTEM SUPPORT CO., LTD. (Japan) SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO LABELING SOLUTIONS AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO LABELLING SOLUTIONS EUROPE GmbH (Germany) SATO IBERIA S.A. (Spain) SATO EUROPE NV. (Belgium) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO FRANCE SAS (France) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) SATO SHANGHAI CO., LTD. (China) SATO AUSTRALIA PTY LTD. (Australia) SATO NEW ZEALAND LTD. (New Zealand)  (18 companies)
<b>Supply products business</b>			
IC tags/labels, labels, tags, tickets, ribbons, MC-cards and other supply products	Electronic printer labels/tags, hand labeler labels, IC tags/labels, tickets, ribbons, MC-cards	Production	SATO CORPORATION SATO AMERICA INC. (U.S.A.) SATO LABELING SOLUTIONS AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO LABELLING SOLUTIONS EUROPE GmbH (Germany) SATO IBERIA S.A. (Spain) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO POLSKA SP Z.O.O. (Poland) SATO FRANCE SAS (France) SATO MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) SATO AUSTRALIA PTY LTD. (Australia) SATO NEW ZEALAND LTD. (New Zealand)  (13 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Sales to the following subsidiaries</i> SATO AMERICA INC. (U.S.A.) SATO LABELING SOLUTIONS AMERICA INC. (U.S.A.) SATO UK LTD. (U.K.) SATO LABELLING SOLUTIONS EUROPE GmbH (Germany) SATO IBERIA S.A. (Spain) SATO EUROPE NV. (Belgium) SATO DEUTSCHLAND GmbH (Germany) SATO POLSKA SP Z.O.O. (Poland) SATO FRANCE SAS (France) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) SATO SHANGHAI CO., LTD. (China) SATO AUSTRALIA PTY LTD. (Australia) SATO NEW ZEALAND LTD. (New Zealand)  (17 companies)
Production and sales of labels, tags, etc.			SATO PRINTING CO., LTD.
Provider of business-related services, such as payroll calculations and administration of non-wage benefits; temporary help agency			SATO BUSINESS SERVICE CO., LTD.
Transportation of general and special goods; inspection and assembly of electronic equipment			SATO LOGISTICS CO., LTD.

(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., SATO PRINTING CO., LTD., SATO BUSINESS SERVICE CO., LTD., SATO LOGISTICS CO., LTD. and SATO SYSTEM SUPPORT CO., LTD. are subsidiaries of the Company.
3. SATO AMERICA INC., SATO UK LTD., SATO EUROPE NV., SATO ASIA PACIFIC PTE. LTD., SATO IBERIA S.A., SATO LABELING SOLUTIONS AMERICA INC. and SATO LABELLING SOLUTIONS EUROPE GmbH are subsidiaries of SATO INTERNATIONAL PTE. LTD.
4. SATO SHANGHAI CO., LTD., SATO MALAYSIA SDN. BHD., SATO HOLDING (THAILAND) CO., LTD., SATO AUSTRALIA PTY LTD. and SATO NEW ZEALAND LTD. are subsidiaries of SATO ASIA PACIFIC PTE. LTD.
5. SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. is a subsidiary of SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD.
6. SATO FRANCE SAS, SATO DEUTSCHLAND GmbH and SATO POLSKA SP Z.O.O. are subsidiaries of SATO EUROPE NV.
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.

The business relationships of the Group described earlier 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 dividends for the interim period ended September 30, 2006 of ¥15 per share, the same as in the previous interim period.

### **3. Management indices**

The Sato group’s key management indices are return on equity (ROE) and net income per share (EPS). 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 utilizes its auto-identification technology, covering barcodes, 2-D codes and RFID (IC tags, labels). The Company offers total solutions covering each stage of the process, from manufacturing to distribution and sales, with the optimal combination of electronic 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.

- Quickly realizing the fruits of acquisitions and strengthening sales force

Following its acquisition of the barcode systems business of Checkpoint Systems, Inc., in January 2006, the Company established five new overseas sales subsidiaries. Furthermore, in June 2006, the Company acquired the businesses of Walker Datavision Ltd., New Zealand's No. 1 data capture solution provider. With the purchase of these businesses, the Company has strengthened its label production and supply capabilities and boosted the sophistication of its proposal abilities, acquiring over a short time span the skills necessary for the further development of the Group's business. The Company expects that these actions will lead to improved performance. Working in conjunction with new and existing overseas sales subsidiaries, the Company is dedicating its full efforts to quickly realizing the benefits of synergies with these new operations to reinforce its business structure and expand its sales base.

- Achieving consistent profitability in overseas operations

The continued development of new sales channels in the Americas over the past few years has borne steady results for the Company, producing a stable regional profit structure. In Asia and Oceania, despite the temporary increase in expenses related to such factors as the full-scale start up of the Vietnam plant and support for the new business acquisitions by the overseas business headquarters company, regional sales have expanded and the business base has been fortified. Moreover, the acquisition of Checkpoint Systems, Inc., has provided an opportunity to address the problematic losses of the European operations through ongoing changes in management. The Europe Restructuring Team, led by top executives from the local subsidiaries, is working on increasing sales and reducing costs. Additionally, in October, the Sato Group established a technology development center in Sweden, staffing it with development technicians who previously worked for a major European manufacturer. Based on this new center, the Group is seeking to develop products in tune with market needs as well as meeting customer supply requirements. Through the above activities, the Sato Group is working to further improve overseas operations, and establish stable profitability.

- Progress with building a supply products manufacturing organization

Sato's overseas sales subsidiaries have operated manufacturing plants for supply products in the US, UK, France, Poland, Singapore, Thailand and Malaysia. In January 2006, it acquired companies in Germany, Spain, Australia and New Zealand, expanding this sales/consumables manufacturing presence to 11 countries. It intends to continue building its supply capabilities around the world for consumables such as labels, tags, and RFID supplies. Further, to encourage international customers to continue using its products, the Company will add maintenance-service capabilities to these subsidiaries and simultaneously enhance the servicing capabilities of its major distributors through technical guidance programs.

- Enhancing manufacturing efficiency and product quality through closer collaboration between R&D and manufacturing

The Company is working to strengthen collaboration between its R&D Division, which is responsible for design and trial manufacturing of new mechatronic products, and its plants in Malaysia and Vietnam, which are involved in mass-producing such products. The Company is accelerating the transfer of production from Malaysia to the Vietnam plant, which commenced operations in July 2005, striving to quickly increase its operating rates and improve productivity. Almost all of the manufacturing of hand labelers was transferred to the Vietnam plant during the first half, with the production of electronic printers starting in the second half.



- b. Stimulating new demand in the domestic market and strengthening sales capabilities and achieving sustained growth in markets demonstrating continuous expansion

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 medical field, in addition to growing applications in medical error prevention and internal hospital management, Sato expects barcode demand to increase for medication management and equipment identification uses. In the area of product manufacturing and food processing, traceability systems are finding rapidly growing uses in production-history management, driven by demand for better control over components and raw materials, and for safety and peace of mind. In response to an increasing numbers of inquiries for RFID technologies, Sato has established in April 2006, a new RFID sales department within its sales division that will provide guidance to sales offices and develop new RFID solutions. The Group will commit itself fully to the development of new solutions that enhance “accuracy, labor savings, and resource conservation” in these and all other manufacturing sites and distribution workplaces, and endeavor to translate these efforts into continued growth.

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

Based on expanding and improving its manufacturing facilities for labels, the Company is moving forward with cost reduction measures on various fronts. These efforts include increasing productivity and product quality and cutting basic paper costs.

In August 2006, the new Nishinohon Logistics distribution center in Yamatokoriyama, Nara Prefecture began operations. The Company expects the center to contribute substantially to improving distribution efficiency in western Japan.

- d. Commencement of operations at four domestic subsidiaries

Between January and April 2006, the Company established four wholly owned subsidiaries in Japan.

In January: SATO PRINTING CO., LTD. (production and sales of labels and tags)

In February: SATO BUSINESS SERVICE CO., LTD. (temporary staffing agency; provision of business services, including payroll calculation and welfare administration)

In March: SATO LOGISTICS CO., LTD. (transportation of general and special goods; inspection and assembly of electronic equipment)

In April: SATO SYSTEM SUPPORT CO., LTD. (maintenance services for electronic printers)

These subsidiaries were established to reduce the costs of manufacturing labels, to improve the efficiency of distribution and back-office departments, and to expand maintenance services to customers outside the Group. Another objective was to provide young and talented mid-level employees with opportunities for hands-on management experience. For a business aiming to sustain growth, the nurturing of managerial talent for the next generation is a crucial task. More than that, the Company believes that such measures contribute to the strengthening of its management foundations over the medium and long term and thus also to the enhancing of shareholder value. The operating performances of these subsidiaries have been favorable since their establishment. The Company intends to put these subsidiaries on a successful operational footing as soon as possible to enable them to contribute to the consolidated financial results.

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.

In addition to establishing domestic subsidiaries, the Company will continue promoting measures aimed at revitalizing the organization and individual employees. These include training programs that nurture next-generation leaders and the utilization of the Company's "three-line reporting system" (Sato's unique knowledge-management system). In addition, Sato has sought to create a corporate culture that welcomes contributions from women and older workers, viewing this as one solution to the problem of securing human resources in an aging population.

f. Promotion of corporate social responsibility (CSR)

Emphasizing the contribution of its core business to society, the Company continues to actively disclose information to all of its stakeholders regarding compliance, risk management, environmental management and positive action, in line with its management philosophy of contributing to the development of society at the global level, in order to maintain two-way communication and build a relationship of trust. To step up its pursuit of unique CSR activities that are faithful to the Company's corporate culture, the Company integrated its Public Relations and CSR departments into the PR&CSR Department. Guided by this department, the Company is aiming to establish its own corporate brand.

## 6. Risk factors

a. Risks related to trends in the automatic identification system industry

At the present time, a large percentage of the Sato Group's sales derive from bar code-related products, reflecting the widespread use of bar codes throughout society. The market for bar codes benefited in its early days from the dissemination of point-of-sale (POS) system in the retail industry and from applications in production control systems, including those related to distribution and factory automation. In recent years, the market has been expanding because of demand for traceability systems for medical care providers and the food industry and for EDI (electronic data interchange) systems. Although capital investment trends, industry realignments and other factors could impact the market in any of these areas, the Company believes that usage and demand for bar codes will continue to expand.

In the automatic identification system industry, research and development is proceeding apace on RFID technologies that enable users to input large amounts of information into IC tags/labels. The Sato Group believes that the growing popularity of RFID represents an opportunity to expand its business. The Company has engaged in research and development on these technologies and has introduced a number of RFID-related products in selected markets. At the same time, while they offer the advantage of contact-free recognition of multiple items via radio wave, RFID are problematic in a number of respects, particularly as concerns over protection of privacy, high costs and the need to select applicable environments. We believe, therefore, that a certain amount of time will be required before the technologies are accepted by society in general and before the technologies have evolved to an appropriate degree. Consequently, at this point, the contribution of these products to the Group's financial performance has been limited.

The policy of the Sato Group is to meet the needs of its customers continually. That said, however, the Group's financial performance could be affected by trends in demand for products related to bar codes and RFID products.

## b. Overseas business activity

- Production system

In order to improve its price competitiveness, the Company manufactures most mechatronics products, including electronic printers and hand labelers, at its plant in Malaysia. We constructed a new plant in Vietnam in July 2005, and are successively increasing the type of products it is manufacturing. This will reduce risks associated with the concentration of the manufacturing of mechatronics products in the Malaysian plant.

With respect to supply products, based on the acquisition of the business of Checkpoint Systems, the Company is proceeding with building production and procurement organizations in each region aimed at reducing regional differences in price and delivery times and at decreasing delivery costs.

- Overseas sales

The Sato Group sells its products through a number of sales subsidiaries in North America, Europe, Asia and Oceania, and has been making efforts to increase its business solution “presentation-based” sales capabilities in all regions. The Group’s business development strategy is to appropriately target the special features of markets and customer needs while aiming to quickly expand its business based on the same “presentation-based” model employed in the Japanese market. However, there is a possibility that if business expansion is extended into many countries, differences in culture, language and customs may negatively affect the market penetration of the Group’s business model overseas.

- Currency fluctuations

The Group’s pursuit of manufacturing and sales on a global scale exposes it to the effects of currency fluctuations. Its response has been to transfer administration of its overseas operations from Japan to a company established for that purpose in Singapore. It is also endeavoring to minimize risk through financial strategies such as forward exchange contracts and currency swaps. Since it is never possible to totally eliminate foreign currency risks from commercial activity, however, any significant shift in currency values could have an impact on the Group’s financial results.

- Regarding country risk

As the above indicates, the Sato Group is engaged in production and sales in a wide variety of countries. Unforeseen circumstances in such countries, including economic fluctuations, revisions of laws and regulations, and the outbreak of armed conflict, natural disasters, and infectious disease epidemics could have an impact on the Group’s financial results.

### **3. Results of Operation and Cash Flows**

#### **1. Results of operations**

##### **a. Summary of financial performance**

The period to March 31, 2007 is positioned as the first year of the second stage of the Company's business plan covering the period up to the year to March 31, 2016. From a medium-term point of view, the Company has implemented necessary measures based mainly on the following items in order to expand sales and strengthen its corporate structure to provide a base for future growth.

- The purchase of the barcode systems business of Checkpoint Systems (Acquisition of customers, flowers and ornamental plants and other new business know how and personnel skilled in the label business and expanding label manufacturing capability).
- The purchase of the businesses of Walker Datavision (Acquiring overseas business solution capabilities = strengthening human resources).
- Continued capital investment to renew printing facilities and add new functions.
- Continued development of new products that match market needs.
- Expansion of and increase in the number of distribution centers.
- Increasing the production capacity of the plant in Vietnam.
- Developing human resources by placing the appropriate personnel in the right positions.

As a result of the vigorous implementation of the above measures, consolidated net sales for the interim period totaled ¥40,510 million, rising favorably (up123.1% year on-year) and recording a new interim period high for the second consecutive fiscal year.

Overseas sales growth was particularly strong due to business acquisitions, advancing a substantial 191.1%. In the domestic market as well, demand rose firmly in line with the degree of impact of economic recovery in each market.

Conversely, profitability fell significantly below planned levels. However, this result was principally due to greater than anticipated expenses related to the acquisition of businesses overseas.

Management views the decline in profitability as a temporary stage in the process of strengthening its corporate structure.

#### **Major Factors**

- Expenses to move plants and to establish new offices in each country.
- Expenses to newly hire needed management and administrative support staff.
- Expenses for establishment of an ERP system (integrated core business system) and for converting the system of Checkpoint Systems.
- Expenses for the overseas business headquarters company to provide integrated guidance and support.

Another factor in lower profitability was gross sales profit falling slightly below expected level because of the impact of a change in product composition of domestic sales and a major sales proposal made for certain mechatronics products.

Segment information is as follows.

(a) Mechatronics products

The segment posted operating income of ¥888 million (down 35.8%) on net sales of ¥17,566 million (up 19.4%).

(b) Supply products

The segment posted operating income of ¥1,289 million (up 22.9%) on net sales of ¥22,943 million (up 26.1%).

b. Forecast for the year to March 2007 (Fiscal 2006)

The Company expects continued growth in domestic market demand in such sectors as medical care, manufacturing, processed foods and major retailers.

In the medical care sector, there has been notable activity by not only medical treatment facilities, but also at the upstream pharmaceutical companies regarding updating labeling since the September 15, 2006 release of new pharmaceutical labeling guidelines.

In the manufacturing sector, there has been an increase in enquiries about systems combining manufacturing process management as well as parts warehousing management, especially from the automotive and electrical machinery industries. In December 2006, a revised Occupational Health and Safety Law based on a United Nation's report will come into force. Because the revised law makes it obligatory for manufacturing companies to include chemical substance labels on products, the Company is expecting many enquiries during the period up to spring 2007.

Demand for traceability systems continues to be robust in the food processing sector, with active enquiries for products ranging from logistics management to raw material management. In the retail sector, the Company forecasts a firm level of enquiries for markdown control systems for textile products as well as food products.

Overseas, the Company has already met its performance target for operating income, moving back into the black in the second quarter (July to September). In particular, in the US region, business with major manufacturers that the Group has been cultivating for some time and cooperative efforts with new sales agencies are getting on track, allowing overseas operations to record operating income in excess of its planned target. Currently, the Company is hurrying to strengthen European operations, which are still in the midst of reorganization, and has already gotten started with the following two strategies.

- 1) Creating a restructuring team led by top executives from the major European subsidiaries, the Company is working to substantially reinforce the management function for integrating the European region. Based on this action, the Company will conduct progress management of planned sales expansion and cost reduction for each company. In addition, the Company is aiming to integrate the two German sales subsidiaries, which play important roles in the European operations, by the end of December, 2006, which will link to improved administrative efficiency and increased label sales.
- 2) Effective October 16, 2006, the Sato Group established a technology and enquiry support center in Sweden under the direct control of SATO INTERNATIONAL PTE. LTD. (SINGAPORE). Hiring a number of people who previously worked for a major European manufacturer as design and technology staff, the Group is seeking to supply products and services that meet the specifications of individual end users as well as the market needs of the European region. At the same time, the Group is setting up new sales agencies.

Regarding the Asia and Oceania region, there will be increased sales and profits resulting from the strengthening of the sales organization in Thailand and Korea and from the New Zealand subsidiary due to the full-scale contribution of Walker Datavision. In addition, the Company plans to improve the revenues from the plant in Vietnam, which is slated to begin manufacture of electronic printers in the second half.

The Company also believes that the successive introduction of new products will lead to the stimulation of new demand, improving the overall performance of overseas operations. Products being launched include a line of products with superior network and remote control functions for application in manufacturing and logistics, mobile printers and print engines for onboard printers.

Based on these considerations, the Company has not changed its forecasts for consolidated results for the year ending March 2007 from those announced on October 26, 2006: net sales: ¥83,000 million (up 20.4%); operating income: ¥5,750 million (up 10.1%); ordinary profit: ¥5,750 million (up 6.4%); net income: ¥2,650 million (up 0.1%).

### **Financial position**

Consolidated cash and cash equivalents (referred to below as “cash”) decreased by ¥1,773 million compared to the same period in the previous year and totaled ¥8,977 million at the end of the interim period.

The major cash flow-related factors for the interim period are outlined below.

#### **Net cash provided by operating activities**

Net cash provided by operating activities amounted to ¥802 million. Positive cash flow can mainly be attributed to the recognition of income before adjustments for income taxes and of depreciation expenses. In addition, notes and accounts payable increased by ¥562 million while accounts payable – other grew ¥1,492 million. These gains were partially offset by a ¥1,038 million increase in notes and accounts receivable, a ¥88 million increase in inventories, and a ¥1,300 million increase in income taxes paid.

#### **Net cash used in investing activities**

Net cash used in investing activities totaled ¥2,425 million.

This principally reflected the result of the acquisition of ¥1,847 million in tangible fixed assets and of ¥231 million in intangible fixed assets, and of payments of ¥614 million for business acquisitions.

#### **Net cash used in financing activities**

Net cash used in financing activities amounted to ¥263 million.

This was primarily due to dividend payments of ¥502 million, partially reduced by an increase in long-term debt of ¥227 million.

## Consolidated balance sheet

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current assets</b>						
Cash	9,534		8,927		10,700	
Notes and accounts receivable	15,401		19,561		18,169	
Marketable securities	50		50		50	
Inventories	7,949		10,476		10,144	
Deferred credit	550		731		613	
Deferred taxes	196		551		393	
Others	562		869		886	
Allowance for doubtful accounts	(79)		(93)		(88)	
Total current assets	34,164	64.7	41,074	65.0	40,870	66.3
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>						
Buildings and structures	9,438		10,060		9,586	
Accumulated depreciation	4,144		4,346		4,328	
	5,293		5,713		5,258	
Machinery, equipment and delivery equipment	7,332		8,687		8,296	
Accumulated depreciation	5,193		5,622		5,634	
	2,139		3,065		2,662	
Tools, furniture and fixtures	4,300		4,889		4,598	
Accumulated depreciation	3,084		3,559		3,295	
	1,216		1,329		1,302	
Land	5,657		5,658		5,658	
Construction in progress	289		424		298	
	14,597	27.6	16,191	25.7	15,181	24.7
<b>Intangible fixed assets</b>						
Consolidation adjustment account	111		-		1,162	
Goodwill	-		1,564		-	
Leaseholds	472		216		490	
Others	1,775		1,832		1,936	
	2,360	4.5	3,613	5.7	3,589	5.8
<b>Investments and other assets</b>						
Investment securities	171		237		250	
Long-term loans	54		-		38	
Guarantee deposits	720		1,084		971	
Deferred taxes	401		411		358	
Others	459		598		426	
Allowance for doubtful accounts	(94)		(66)		(62)	
	1,713	3.2	2,264	3.6	1,983	3.2
Total fixed assets	18,670	35.3	22,069	35.0	20,753	33.7
<b>Total assets</b>	<b>52,835</b>	<b>100.0</b>	<b>63,144</b>	<b>100.0</b>	<b>61,624</b>	<b>100.0</b>

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current liabilities</b>						
Notes and accounts payable	5,045		6,660		5,531	
Short-term borrowings	402		3,474		3,465	
Accounts payable - others	7,745		10,674		8,994	
Income taxes payable	918		1,289		1,354	
Reserve for bonuses	123		259		189	
Allowance for directors' and corporate auditors' bonuses	-		-		54	
Allowance for product warranty	-		24		-	
Notes payable - plant and equipment	106		-		320	
Others	2,743		2,197		3,533	
	17,086	32.3	24,581	38.9	23,442	38.1
<b>Long-term liabilities</b>						
Long-term debt	38		262		-	
Reserve for employees' retirement benefits	289		1,720		1,591	
Reserve for directors' and corporate auditors' retirement allowances	245		-		245	
Others	200		457		225	
	774	1.5	2,439	3.9	2,062	3.3
Total liabilities	17,860	33.8	27,020	42.8	25,504	41.4
<b>Minority interest in consolidated subsidiaries</b>						
	-	-	-	-	-	-
<b>Shareholders' equity</b>						
Common stock	6,331	12.0	-	-	6,331	10.3
Capital reserves	5,791	11.0	-	-	5,798	9.4
Retained earnings	24,963	47.2	-	-	24,918	40.5
Unrealized gains or losses on other securities	18	0.0	-	-	26	0.0
Foreign currency translation adjustments	(592)	(1.1)	-	-	499	0.8
Treasury stock	(1,536)	(2.9)	-	-	(1,454)	(2.4)
Total shareholders' equity	34,974	66.2	-	-	36,119	58.6
Total liabilities and shareholders' equity	52,835	100.0	-	-	61,624	100.0



Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Net assets</b>						
<b>Shareholders' equity</b>						
Common stock	-	-	6,331	10.0	-	-
Capital surplus	-	-	5,799	9.2	-	-
Retained earnings	-	-	24,946	39.5	-	-
Treasury stock	-	-	(1,451)	(2.3)	-	-
			<u>35,624</u>	<u>56.4</u>	<u>-</u>	<u>-</u>
<b>Valuation/translation gains (losses)</b>						
Unrealized gains or losses on other securities	-	-	18	0.0	-	-
Foreign currency translation adjustments	-	-	479	0.8	-	-
			<u>498</u>	<u>0.8</u>	<u>-</u>	<u>-</u>
<b>Minority interest in consolidated subsidiaries</b>						
			0	0.0		
Total net assets	-	-	<u>36,124</u>	<u>57.2</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and net assets</b>	<b>-</b>	<b>-</b>	<b>63,144</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

## Consolidated statement of income

Millions of yen	Interim period ended September 30, 2005		Interim period ended September 30, 2006		Year ended March 31, 2006	
		%		%		%
<b>Net sales</b>	32,911	100.0	40,510	100.0	68,964	100.0
<b>Cost of sales</b>	18,130	55.1	23,260	57.4	38,371	55.6
Gross profit on sales	14,781	44.9	17,250	42.6	30,593	44.4
<b>Selling, general and administrative expenses</b>	12,347	37.5	15,071	37.2	25,371	36.8
Operating income	2,433	7.4	2,178	5.4	5,222	7.6
<b>Non operating income</b>						
Interest income	13		30		36	
Dividend income	1		1		1	
Foreign exchange gains	112		69		276	
Rental income	25		1		38	
Commissions and fees	4		25		10	
Others	49		90		198	
	<u>207</u>	0.6	<u>217</u>	0.5	<u>561</u>	0.8
<b>Non operating expenses</b>						
Interest expenses	53		60		102	
Loss on disposal of inventories	17		31		57	
Valuation loss on swap transactions	22		57		107	
Others	56		55		115	
	<u>149</u>	0.4	<u>204</u>	0.5	<u>383</u>	0.6
Ordinary profit	2,490	7.6	2,191	5.4	5,400	7.8
<b>Extraordinary gains</b>						
Gain on sales of fixed assets	1		7		2	
Reversal of allowance for doubtful accounts	10		-		-	
Others	-		19		42	
	<u>12</u>	0.0	<u>27</u>	0.1	<u>45</u>	0.1
<b>Extraordinary losses</b>						
Loss on business restructuring	48		98		251	
Expenses related to business acquisitions	-		258		216	
Loss on disposal of fixed assets	9		153		15	
Others	0		58		62	
	<u>57</u>	0.2	<u>569</u>	1.4	<u>546</u>	0.8
Income before adjustments for income taxes	2,444	7.4	1,648	4.1	4,898	7.1
Corporate, inhabitants and enterprise taxes	989		1,276		2,275	
Deferred taxes	133		(159)		(23)	
	<u>1,123</u>	3.4	<u>1,117</u>	2.8	<u>2,251</u>	3.3
Minority interest in income of consolidated subsidiaries	-	-	0	0.0	-	-
Net income	1,321	4.0	530	1.3	2,646	3.8

## Consolidated statement of retained earnings

Millions of yen	Interim period ended September 30, 2005	Year ended March 31, 2006
<b>Capital reserves</b>		
Capital reserves at beginning of term	5,791	5,791
Increase in capital reserves		
Gain on sales of treasury stock	-	7
	-	7
Capital reserves at end of term	5,791	5,798
<b>Retained earnings</b>		
Retained earnings at beginning of term	24,143	24,143
Increase in retained earnings		
Net income	1,321	2,646
	1,321	2,646
Decrease in retained earnings		
Dividends - total	502	972
Decrease due to increase in unfunded reserves related to pension accounting at overseas subsidiaries	-	899
	502	1,872
Retained earnings at end of term	24,963	24,918

## Consolidated statement of changes in net assets

Thousands of yen; September 30, 2006	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2006	6,331	5,798	24,918	(1,454)	35,593
Changes during the term					
Dividends (Note)			(502)		(502)
Net income			530		530
Disposal of treasury stock		0		5	5
Acquisition of treasury stock				(2)	(2)
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	-	0	27	3	31
Balance as of Sept. 30, 2006	6,331	5,799	24,946	(1,451)	35,624

Thousands of yen; September 30, 2006	Valuation/translation gains (losses)				Total net assets
	Unrealized gains losses on other securities	Foreign currency translation adjustments	Total valuation/translation gains (losses)	Minority interest in consolidated subsidiaries	
Balance as of March 31, 2006	26	499	526	-	36,119
Changes during the term					
Dividends (Note)					(502)
Net income (loss)					530
Disposal of treasury stock					5
Acquisition of treasury stock					(2)
Other changes in non-shareholders' equity items during the term (net)	(8)	(19)	(28)	0	(27)
Total changes during the term	(8)	(19)	(28)	0	4
Balance as of Sept. 30, 2006	18	479	498	0	36,124

(Note) Earnings appropriated at the Company's Ordinary General Meeting of Shareholders held in June 2006.

## Consolidated statement of cash flows

Millions of yen	Interim period ended September 30, 2005	Interim period ended September 30, 2006	Year ended March 31, 2006
<b>Net cash provided by (used in) operating activities</b>			
Income before adjustments for income taxes	2,444	1,648	4,898
Depreciation expenses	916	1,040	1,968
Amortization of consolidation adjustment account	12	-	61
Amortization of goodwill	-	136	-
Gain on sales of marketable securities	(1)	-	(2)
Loss on disposal of fixed assets	9	114	15
Loss on business restructuring	48	98	251
Expenses related to business acquisitions	-	258	216
Increase (decrease) in allowance for doubtful accounts	4	5	(21)
Increase (decrease) in reserve for bonuses	28	65	143
Increase (decrease) in reserve for directors' and corporate auditors' bonuses	-	(54)	-
Increase (decrease) in allowance for product warranty	-	24	-
Increase (decrease) in reserve for directors' and corporate auditors' retirement allowances	(21)	-	(21)
Increase (decrease) in reserve for employees' retirement benefits	91	48	37
Interest and dividends received	(15)	(31)	(38)
Interest expenses	53	60	102
Foreign exchange loss and gain	55	(188)	550
Gain on sales of tangible fixed assets	(1)	(7)	(2)
Decrease (increase) in notes and accounts receivable	(975)	(1,038)	(1,445)
Decrease (increase) in inventories	(231)	(88)	(753)
Decrease (increase) in prepaid expenses	(55)	(260)	30
Decrease (increase) in accounts receivable - others	(4)	(115)	(64)
Increase (decrease) in notes and accounts payable	(374)	562	(129)
Increase (decrease) in accounts payable	(126)	1,492	694
Others	186	(1,282)	764
	2,045	2,491	7,256
Interest and dividends received	13	29	38
Interest paid	(53)	(60)	(102)
Payments related to losses on business restructuring	(46)	(98)	(251)
Payments related to business acquisition expenses	-	(258)	(216)
Income taxes paid	(1,118)	(1,300)	(1,922)
	840	802	4,801
<b>Net cash provided by (used in) investing activities</b>			
Purchase of tangible fixed assets	(701)	(1,847)	(1,338)
Proceeds from sales of tangible fixed assets	24	218	61
Purchase of intangible fixed assets	(325)	(231)	(644)
Proceeds from sales of marketable securities	1	-	13
Proceeds from sales of investment securities	-	-	1
Payments for investments in securities	-	-	(83)
Expenses incurred for business acquisitions	-	(614)	(4,268)
Others	(91)	49	(318)
	(1,092)	(2,425)	(6,575)

Millions of yen	Interim period ended September 30, 2005	Interim period ended September 30, 2006	Year ended March 31, 2006
<b>Net cash provided by (used in) financing activities</b>			
Increase (decrease) in short-term borrowings	24	9	2,925
Increase (decrease) in long-term debt	17	227	28
Proceeds from sales of treasury stock	-	5	93
Purchase of treasury stock	(1)	(2)	(6)
Cash dividends paid	(501)	(502)	(971)
	(461)	(263)	2,069
Effect of exchange rate changes on cash and cash equivalents	62	112	222
Net increase in cash and cash equivalents	(649)	(1,773)	516
Cash and cash equivalents at beginning of term	10,234	10,751	10,234
Cash and cash equivalents at end of term	9,584	8,977	10,751

# Interim Kessan Report for the March 2007 Term (Non-consolidated)

November 24, 2006

## 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: Tatsuo Narumi, Senior Executive Officer,  
 General Manager, Corporate Planning &  
 Administration Division  
 Phone: (03) 5789-2500

Date of Board of Directors' meeting for approval  
 of financial results: November 24, 2006

Date of first payment of dividends: December 18, 2006

Application of unit trading system: Yes (100 shares per unit)

### 1. Non-consolidated operating results (April 1, 2006 to September 30, 2006)

#### (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)	%
September 30, 2006	28,166	1.3	2,375	(0.9)	2,526	(2.6)
September 30, 2005	27,796	5.0	2,396	(12.6)	2,593	(10.6)
March 31, 2006	55,984		5,104		5,517	

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
September 30, 2006	1,371	(11.3)	43.65
September 30, 2005	1,545	(15.9)	49.26
March 31, 2006	3,351		106.79

(Notes)

- Average number of outstanding shares during the term (non-consolidated):  
 September 2006 term: 31,415,413 shares      September 2005 term: 31,381,058 shares  
 March 2006 term: 31,387,823 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.
- Because of a corporate split, the business performance of SATO SYSTEM SUPPORT CO., LTD., is not included in consolidated financial results for the interim period ended September 2006.

## (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2006	62,333	42,166	67.6	1,342.23
September 30, 2005	55,072	39,869	72.4	1,270.51
March 31, 2006	61,412	41,302	67.3	1,314.78

(Notes)

- Number of outstanding shares at end of term (non-consolidated):  
 September 2006 term: 31,415,217 shares      September 2005 term: 31,380,685 shares  
 March 2006 term: 31,413,816 shares
- Number of treasury stock at end of term:  
 September 2005 term: 585,952 shares      September 2005 term: 620,484 shares  
 March 2006 term: 587,353 shares

## 2. Non-consolidated forecasts for March 2007 term (From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary profit	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual	55,500	5,150	3,100

(N.b.) Estimated earnings per share (annual): 98.68 yen

## 3. Dividends

### Cash dividends

	Dividend per share		
	Interim	End of term	Annual
	(Yen)	(Yen)	(Yen)
March 31, 2006	15.00	16.00	31.00
March 31, 2007 (Actual)	15.00	-	31.00
March 31, 2007 (Forecast)	-	16.00	

*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. Please refer to page 13 – 14 of the Interim Kessan Report for the March 2007 Term (Consolidated) for information regarding the forecast.*



## Non-consolidated balance sheet

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current assets</b>						
Cash	6,573		4,900		6,714	
Notes receivable	3,764		4,171		3,754	
Accounts receivable	9,863		10,553		9,818	
Inventories	3,494		3,809		3,907	
Others	1,555		2,184		2,684	
Allowance for doubtful accounts	(8)		(6)		(8)	
Total current assets	25,242	45.8	25,612	41.1	26,869	43.8
<b>Fixed assets</b>						
<b>Tangible fixed assets</b>						
Buildings	3,929		4,253		3,857	
Machinery and equipment	1,484		1,768		1,552	
Land	5,616		5,616		5,616	
Others	553		826		774	
	11,584		12,464		11,801	
<b>Intangible fixed assets</b>	1,532		1,342		1,461	
<b>Investments and other assets</b>						
Capital stock of affiliated companies	13,505		-		18,984	
Shares in affiliates	-		18,902		-	
Others	3,302		4,078		2,358	
Allowance for doubtful accounts	(95)		(67)		(63)	
	16,713		22,913		21,279	
Total fixed assets	29,830	54.2	36,720	58.9	34,542	56.2
<b>Total assets</b>	<b>55,072</b>	<b>100.0</b>	<b>62,333</b>	<b>100.0</b>	<b>61,412</b>	<b>100.0</b>

Millions of yen	September 30, 2005	%	September 30, 2006	%	March 31, 2006	%
<b>Current liabilities</b>						
Notes payable	1,926		1,550		1,369	
Accounts payable	2,234		2,431		2,643	
Short-term borrowings	-		3,000		3,000	
Accounts payable - others	7,320		9,809		8,316	
Income taxes payable	837		984		1,225	
Allowance for directors' and corporate auditors' bonuses	-		-		54	
Allowance for product warranty	-		24		-	
Others	2,147		1,489		2,707	
	<u>14,466</u>	26.3	<u>19,288</u>	31.0	<u>19,316</u>	31.4
<b>Long-term liabilities</b>						
Reserve for employees' retirement benefits	289		446		380	
Reserve for directors' and corporate auditors' retirement allowances	245		-		245	
Others	200		432		167	
	<u>736</u>	1.3	<u>878</u>	1.4	<u>793</u>	1.3
	<u>15,203</u>	27.6	<u>20,167</u>	32.4	<u>20,110</u>	32.7
<b>Shareholders' equity</b>						
Common stock	6,331	11.5	-	-	6,331	
Capital reserves						
Additional paid-in capital	5,789		-		5,789	
Capital reserves - others	1		-		9	
	<u>5,791</u>	10.5	<u>-</u>	-	<u>5,798</u>	9.5
Retained earnings						
Legal income reserves	474		-		474	
Voluntary reserves - total	24,937		-		24,924	
Unappropriated retained earnings	3,852		-		5,201	
	<u>29,265</u>	53.2	<u>-</u>	-	<u>30,600</u>	49.9
Unrealized gains or losses on other securities	18	0.0	-	-	26	0.0
Treasury stock	(1,536)	(2.8)	-	-	(1,454)	(2.4)
Total shareholders' equity	<u>39,869</u>	72.4	<u>-</u>	-	<u>41,302</u>	67.3
Total liabilities and shareholders' equity	<u>55,072</u>	100.0	<u>-</u>	-	<u>61,412</u>	100.0

Millions of yen	September 30, 2005	% September 30, 2006	%	March 31, 2006	%
<b>Net assets</b>					
<b>Shareholders' equity</b>					
Common stock	-	-	6,331	10.2	-
Capital surplus					
Additional paid-in capital	-	-	5,789		-
Capital reserves - others	-	-	9		-
	-	-	5,799	9.3	-
Retained earnings					
Legal income reserves	-	-	474		-
Others					
Voluntary reserves - total	-	-	27,325		-
Retained earnings carried forward to next term	-	-	3,669		-
	-	-	31,469	50.5	-
Treasury stock	-	-	(1,451)	(2.4)	-
	-	-	42,147	67.6	-
<b>Valuation/translation gains (losses)</b>					
Unrealized gains or losses on other securities	-	-	18	0.0	-
	-	-	18	0.0	-
Total net assets	-	-	42,166	67.6	-
<b>Total liabilities and net assets</b>	-	-	<b>62,333</b>	<b>100.0</b>	-

## Non-consolidated statement of income

Millions of yen	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
		%		%		%
<b>Net sales</b>	27,796	100.0	28,166	100.0	55,984	100.0
<b>Cost of sales</b>	16,018	57.6	16,517	58.6	31,875	56.9
Gross profit on sales	11,777	42.4	11,648	41.4	24,109	43.1
<b>Selling, general and administrative expenses</b>	9,381	33.8	9,273	33.0	19,004	34.0
Operating income	2,396	8.6	2,375	8.4	5,104	9.1
<b>Non operating income</b>	233	0.8	201	0.7	493	0.9
<b>Non operating expenses</b>	35	0.1	50	0.2	81	0.1
Ordinary profit	2,593	9.3	2,526	8.9	5,517	9.9
<b>Extraordinary gain</b>	10	0.0	1	0.1	1	0.0
<b>Extraordinary loss</b>	6	0.0	184	0.5	12	0.0
Net income before taxes	2,597	9.3	2,342	8.5	5,506	9.8
Corporate, residents and enterprises taxes	924		978		2,140	
Deferred taxes	127		(7)		13	
	1,051	3.7	971	3.6	2,154	3.8
Net income	1,545	5.6	1,371	4.9	3,351	6.0
Retained earnings brought forward from previous year	2,306		-		2,306	
Reversal of provision for tax effects	-		-		13	
Interim dividends	-		-		470	
Unappropriated retained earnings	3,852		-		5,201	

## Consolidated statement of changes in net assets

Thousands of yen; September 30, 2006	Shareholders' equity										
	Capital surplus				Retained earnings						
	Common stock paid-in capital	Additional capital	Capital reserves - others	Total capital surplus	Legal income reserves	Others			Total retained earnings	Treasury shareholders' stock	Total shareholders' equity
						Voluntary reserves - total	Retained earnings carried forward to next term				
Balance as of Mar 31, 2006	6,331	5,789	9	5,798	474	24,924	5,201	30,600	(1,454)	41,275	
Changes during the term											
Addition to voluntary reserve (Note)						2,400	(2,400)	-		-	
Reversal from voluntary reserve (Note)						0	(0)	-		-	
Dividends (Note)							(502)	(502)		(502)	
Net income (loss)							1,371	1,371		1,371	
Disposal of treasury stock			0	0					5	5	
Acquisition of treasury stock									(2)	(2)	
Other changes in non-shareholders' equity items during the term (net)											
Total changes during the term	-	-	0	0	-	2,400	(1,531)	868	3	872	
Balance as of Sep 30, 2006	6,331	5,789	9	5,799	474	27,325	3,669	31,469	(1,451)	42,147	

Thousands of yen; September 30, 2006	Valuation/translation gains (losses)			Total net assets
	Unrealized gains losses on other securities	Total valuation/translation gains (losses)		
Balance as of Mar 31, 2006	26	26	41,302	
Changes during the term				
Addition to voluntary reserve (Note)			-	
Reversal from voluntary reserve (Note)			-	
Dividends (Note)			(502)	
Net income (loss)			1,371	
Disposal of treasury stock			5	
Acquisition of treasury stock			(2)	
Other changes in non-shareholders' equity items during the term (net)	(8)	(8)	(8)	
Total changes during the term	(8)	(8)	863	
Balance as of Sep 30, 2006	18	18	42,166	

(Note) Earnings appropriated at the Company's Ordinary General Meeting of Shareholders held in June 2006.