

Kessan Report for the March 2008 Term (Consolidated)

May 15, 2008

SATO CORPORATION

Company code number: 6287
 (URL <http://www.sato.co.jp>)
 Shares traded: TSE1
 Executive position of legal representative: Koichi Nishida, President and CEO,
 Representative Corporate Executive Officer
 Please address all communications to: Tatsuo Narumi, Vice President, General Manager,
 Corporate Planning & Administration Division
 Phone: (03) 5789-2500
 Date of regular General Meeting of Shareholders: June 20, 2008
 Date of commencement of dividend payments: June 23, 2008
 Planned FSA filing submission date: June 23, 2008

1. Consolidated operating results (from April 1, 2007 to March 31, 2008)

(1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)
 (Percent figures show year-on-year change)

	Net sales		Operating income		Ordinary profit		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2008	87,790	6.4	5,404	(5.1)	4,750	(13.4)	2,062	(13.7)
March 31, 2007	82,491	19.6	5,695	9.1	5,484	1.6	2,389	(9.7)

	Net income per share	Net income per share, fully diluted	Return on equity ratio	Ratio of ordinary profit to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
March 31, 2008	66.70	-	5.6	7.1	6.2
March 31, 2007	76.30	-	6.5	8.5	6.9

(N.B.) Gains or losses on investments through equity method accounting:

March 2008 term: -

March 2007 term: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2008	66,103	36,671	55.4	1,195.69
March 31, 2007	66,923	37,508	56.0	1,205.33

(N.B.) Total equity:

March 2008 term: 36,604 million yen

March 2007 term: 37,503 million yen

(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, 2008	4,108	(2,522)	(793)	11,035
March 31, 2007	2,912	(4,066)	496	10,344

2. Dividends

(Record date)	Annual dividend per share			Total dividend paid (for the year)	Dividend payout ratio	Dividends/net assets
	Interim	End of term	Annual			
	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2007	15.00	17.00	32.00	1,000	41.9	2.7
March 31, 2008	16.00	17.00	33.00	1,018	49.5	2.8
March 31, 2009 (Forecast)	16.00	17.00	33.00	-	38.9	-

3. Consolidated forecasts for March 2009 term (from April 1, 2008 to March 31, 2009)

(Percent figures show year-on-year change)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Second quarter	44,400	1.9	2,250	(5.8)	2,050	(11.4)	950	(0.0)	31.03
Annual	92,000	4.8	5,700	5.5	5,400	13.7	2,600	26.0	84.93

4. Others

(1) Changes in major subsidiary status during the period under review (affecting specific subsidiaries due to changes in scope of consolidation): None

New: — Elimination: —

(Note) Please refer to pages 11 ~ 15 ("Group Organization") for further details.

(2) Changes in principles/methods of accounting treatment, presentation method or other items related to preparation of consolidated financial statements (basis of presentation and significant accounting policies)

1) Changes related to revision of accounting standards: Yes

2) Changes other than those included in 1) above: None

(3) Number of issued shares

1) Number of issued shares at the end of term (including treasury stock):

March 31, 2008: 32,001,169 shares

March 31, 2007: 32,001,169 shares

2) Number of treasury stock at the end of term:

March 31, 2008: 1,387,727 shares

March 31, 2007: 886,443 shares

(N.B.) Non-consolidated operating results

1. Non-consolidated operating results (April 1, 2007 to March 31, 2008)

(1) Non-consolidated financial results

(In millions of yen, with fractional amounts discarded)
(Percent figures show year-on-year change)

	Net sales		Operating income		Ordinary profit		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2008	60,778	7.0	4,299	(10.6)	4,049	(19.8)	2,394	(17.8)
March 31, 2007	56,798	1.5	4,811	(5.8)	5,051	(8.4)	2,912	(13.1)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
March 31, 2008	77.42	-
March 31, 2007	93.02	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2008	66,621	43,148	64.7	1,407.54
March 31, 2007	65,411	42,617	65.2	1,369.70

(N.B.) Total equity:

March 2008 term: 43,089 million yen

March 2007 term: 42,617 million yen

2. Non-consolidated forecasts for March 2009 term

(from April 1, 2008 to March 31, 2009)

(Percent figures show year-on-year change)

	Net sales		Operating income		Ordinary profit		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Second quarter	31,300	3.8	1,750	(7.8)	1,750	(10.2)	1,050	(10.0)	34.30
Annual	63,700	4.8	4,100	(4.6)	4,100	1.2	2,450	2.3	80.03

*** Disclaimer regarding appropriate use of forecasts and related points of note**

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. For the information pertaining to the forecast, please refer to the pages 6 ~ 7.

1. Results of Operations

(1) Analysis of Financial Performance

a. Operating Performance

The SATO Group's business concept of "DCS (Data Collection Systems) & Labeling" has provided a framework for its basic management policy of contributing to society through the realization of "accuracy, labor savings, and resource conservation."

In the year ended March 2002, the Group announced that it would advance its proprietary "DCS & Labeling" business model around the world and began efforts to achieve group-wide sales of ¥150 billion by the year ending March 2016. It divided the period into two stages, each with a specified task: In Stage I, which ended March 2006, this was to "develop the infrastructure required to expand the business"; and in Stage II, which runs through the year ending March 2011, it is to "carry out the expansion of business." On this basis, the Group has endeavored to increase group-wide sales to ¥100 billion and operating income to ¥8 billion (for an operating margin of 8%) by the year ending March 2011. To achieve its medium-to-long term management goals, the Group made a major acquisition in January 2006, purchasing the bar code business of Checkpoint Systems Inc. (hereafter, "CKP"). In June 2006, it then acquired the automatic identification business of Walker Datavision Ltd. (hereafter, "WDV"), and in October 2006 established a support center for technology and business development in Sweden {which was later incorporated into the SATO TECHNOLOGY & BUSINESS DEVELOPMENT CENTRE AB (hereafter, "STB")}. During the fiscal year under review, the Company made equity investments in Japan in two software companies with which it has had a cooperative relationship. This was in response to an increasing number of contract negotiations relating to systems in the domestic market. This equity relationship will give the Group a stronger software-development capability, which it will need to advance its presentation-based sales system. Overseas, in the U.S., the Company also acquired several businesses from TrakIT Systems, Inc., a software development and consulting firm, as a means of strengthening its proposal-related capabilities in automatic identification technology. In the year ended March 2008, the second year of Stage II, the Company achieved results that have moved it closer toward the immediate milestones that it has set for the year ending March 2011—on its way to the target year ending March 2016. As a result of the various business acquisitions that were made between the end of Stage I and the beginning of Stage II, sales have been increasing steadily.

In the year ended March 2008, sales rose to ¥87,790 million (up 6.4% year-on-year), a new record. The Company has now achieved higher sales for nine consecutive years.

In Japan, sales increased steadily in the Company's various markets, reflecting a wider introduction of markdown systems among the large scale retail industry and also stronger demand in the manufacturing sector, where uses such as process control and component tracing increased in the automobile and machinery industries.

Consequently, sales in the domestic market grew by 6.2%, to ¥60,013 million. Overseas, in the Americas, despite sluggishness in the second half that resulted from decelerating growth in the

US economy, sales to major transportation companies and drugstores increased. In Europe, the Company continued to be negatively impacted by the delays that it is encountering in dealing with a key issue in the region: bringing its organizations in Germany and Spain up to speed. These delays have caused profits to decline for the region as a whole. In Asia and Oceania, sales to Japanese-owned manufacturers increased, resulting in sharply higher sales in Thailand, China, Australia, and New Zealand.

In terms of profits, the Company needs to develop organizational structures that will strengthen its operations. It will need to implement these corrective measures both in area of sales policies and internal controls. The Company views these measures as a necessary means of advancing itself to the next level, where it will be able to sustain profitable growth and generate global synergies.

In Japan, profits were affected by increases in the cost of basic paper in the second half and by a decline in gross margins, which resulted from negotiations with large accounts. With respect to the impact of higher basic paper costs, the Company endeavored to reduce operational expenses while attempting to pass on some of the costs in the form of higher prices. In addition, a significant part of the SG&A expenses used during the term reflected an increase in R&D expenditures, which was invested into new products introductions for the year ending March 2009. Overseas, in the Americas, orders from large scale accounts declined as a result of the economic slowdown in the second half; SG&A expenses increased reflecting a greater amount of sales activity aimed at “quick service restaurants” (i.e., “fast food” restaurants; hereafter, “QSR”). In Europe, there continued to be a delay in the recovery of the Company’s business in Germany and Spain, where toward the end of the second half of the year sales plummeted below levels required to cover fixed costs. Consequently, these operations reported results lower than year-earlier levels and pushed down the overall performance of the Group as a whole.

In Asia and Oceania, each sales company reported a sharp increase in sales. These higher sales and the greater productivity of the Malaysia and Vietnam plants generated a sharp increase in the region’s profitability.

As a result of the foregoing, sales increased by 6.4 % to ¥87,790 million; operating income decreased by 5.1 % to ¥5,404 million; ordinary profit decreased by 13.4% to ¥4,750 million; and net income decreased by 13.7 % to ¥2,062 million.

By business segment, the Company reported the following:

(a) Mechatronic products

The segment accounted for sales of ¥36,851 million (up 4.7%) and operating income of ¥2,716 million (up 15.0%).

(b) Supply products

The segment accounted for sales of ¥50,939 million (up 7.7%) and operating income of ¥2,687 million (down 19.4%).

b. Forecast for the year ending March 2009

In Japan, the Company is forecasting continued increases in demand in the areas of food processing, medical care, and manufacturing, and it is also expecting a steady and moderate market expansion in the retailing and transportation sectors. The growing awareness of the “environment” and of “food safety and security” in recent days is a global megatrend. In response to this heightened recognition of the importance of the environment, the Company has proposed a “non-separable” product line (labels without mountings = less waste) and printers that can handle these non-separable sheets. Inquiries regarding these new products are on the rise. The Company is also planning to launch a dual-side printer as part of its effort to reduce environmental loads. Thus, in certain applications, the Company is developing new businesses in which the “environment” is the key aspect of the product.

With respect to food safety and security, the Company is sharing information globally and is moving aggressively to develop new sales channels by proposing applications for the management of product expiry dates in the QSR market. Also, there is demand in the food processing stage for tracing capabilities that enable processors to identify specific batches of raw materials. The Company will respond to this demand by proposing support systems for food manufacturing. To ensure growth over the medium term, the Company will need to strengthen its ability to develop new markets and respond effectively to demand in these areas. It will do so by strengthening the ability to develop new products which meet these market needs and also by increasing its capacity to supply a wide variety of seal and label products. This will require that it utilize outside expertise and strengthen its cooperative relationships, specifically by building nationwide production networks with other companies in the industry and by entering into collaborations with major electronics and scanner manufacturers and with material handling firms.

In terms of the Company’s efforts to deal with higher costs, the skyrocketing prices of basic paper could escalate, continuing a trend that began in the year ending March 2007. One response will be to increase the amount of paper that is sourced from abroad. While attempting to reduce costs in this way, the Company will also raise its sales prices, after it obtains customers’ understanding on its need for such increases.

To deal with the ongoing issue of Europe, the Company will begin involving itself directly with SATO INTERNATIONAL PTE. LTD. (hereafter, “SI”) in efforts to strengthen the regional organization. In addition to dispatching a managing executive officer to its European administrative headquarters, the Company has also assigned a person with branch manager experience in Japan to Spain. These steps mark the beginning of a full-fledged effort to reconstruct its European operations. Moreover, to strengthen its sales capabilities in Europe, the Company is radically reassessing its approach in the region and is engaging in explorations of specific negotiations, which include cooperating with Japanese-owned companies and utilizing the technical and proposal-making capabilities of STB to expand sales (STB contributing to this task a thorough knowledge of markets and product specifications in Europe). The Company

views the rebuilding of its European business as its most important managerial issue.

In Asia and Oceania, the outlook is for continued growth in business. This is particularly true in China, where direct investments by Japanese firms are leading to a growing number of inquiries from companies in a wide range of areas. Currently, the Company has two sales offices in the country, in Shanghai and Shenzhen; it continues its preparations to build a direct sales capability in the country, and now has plans to establish sales offices and service centers in three additional locations during the year ending March 2009: in Dalian, Wuxi, and Guangzhou. Using these facilities, it will meet demand from various Japanese companies, including automobile manufacturers, electronics companies, and electrical appliance makers, where needs for greater efficiencies in logistics and production will continue to increase.

The Company will strengthen its profitability through generating synergies from its acquisitions, by improving operational efficiencies, and by further reducing costs in its manufacturing division.

As a result of these efforts, the Company is forecasting the following consolidated results for the year to March 2009: sales, ¥92,000 million (up 4.8%); operating income, ¥5,700 million (up 5.5%); ordinary profit, ¥5,400 million (up 13.7%); and net income, ¥2,600 million (up 26.0%).

(2) Cash flows in the year to March 2008

Consolidated cash and cash equivalents (referred to below as “cash”) increased by ¥690 million compared to the previous year and totaled ¥11,035 million.

The major cash flow-related factors for the March 2008 term are outlined below.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥4,108 million.

This primarily reflected the recognition of ¥4,162 million in income before adjustments for income taxes and of ¥2,571 million in depreciation expenses. In addition, notes and accounts payable increased by ¥149 million, and reserve for employees’ retirement benefits increased by ¥181 million. These gains were partially offset by a ¥119 million increase in notes and accounts receivable, a ¥408 million increase in inventories, as well as a ¥2,822 million increase in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥2,522 million.

This mainly reflected the result of the acquisition of ¥1,911 million in tangible fixed assets and of ¥610 million in intangible fixed assets.

Net cash used in financing activities

Net cash used in financing activities amounted to ¥793 million.

This primarily reflects the payment of ¥1,025 million in cash dividends paid and an expenditure of ¥893 million for the purchase of treasury stock, which were partially offset by ¥1,135 million in short-term borrowings.

Trend in cash flow indices

	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Equity ratio (%)	65.8	58.6	56.0	55.4
Equity ratio based on market value (%)	163.9	143.8	110.7	58.9
Ratio of cash flow to interest-bearing debt (%)	19.0	76.9	198.8	165.2
Interest-coverage ratio	48.8	46.8	22.0	22.7

(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 ratio of cash flow to interest-bearing debt 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.

(3) Policy regarding the distribution of profits and dividends

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, 2008 of ¥33 per share (including an interim dividend of ¥16). Compared to the previous term, this represents an ordinary-dividend increase of ¥1 per share.

(4) Risk factors

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

At the present time, a large percentage of the 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 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. It consequently remains unclear how much these products will contribute to the Group's financial performance in the future.

The policy of the 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

The Group manufactures its mechatronic products at two plants, one in Malaysia and the other in Vietnam.

With respect to supply products, the Group has built production and procurement capabilities in each sales region that are aimed at reducing regional differences in price and delivery times and at decreasing delivery costs.

- Overseas sales

The Group sells its products through a number of sales subsidiaries in North America, Europe, Asia and Oceania. Since the year ended March 2003, it has been conducting a reorganization of its overseas sales capabilities aimed at strengthening its coverage in these markets. Specifically, this entails organizing its sales strategies around the "presentation-based" model employed in the Japanese market.

- 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 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.

2. 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 nine 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.”

Business	Main products and services	Contents	Companies
Mechatronic product business			
Electronic printers	Electronic printers, labeling robots, automatic labelers, maintenance services	Administration	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Responsible for the administration of the following subsidiaries:</i> SATO INTERNATIONAL AMERICA, INC. (U. S. A.) SATO INTERNATIONAL EUROPE N. V. (Belgium) SATO INTERNATIONAL ASIA PACIFIC PTE. LTD. (Singapore) (5 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) 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 POLSKA SP. ZO. O. (Poland) SATO FRANCE S. A. S. (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) (15 companies)
		Production	SATO CORPORATION SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia) (2 companies)

Business	Main products and services	Contents	Companies
Hand labelers	One line hand labelers, multiline hand labelers, software, maintenance services	Administration	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Responsible for the administration of the following subsidiaries:</i> SATO INTERNATIONAL AMERICA, INC. (U. S. A.) SATO INTERNATIONAL EUROPE N. V. (Belgium) SATO INTERNATIONAL ASIA PACIFIC PTE. LTD. (Singapore) (5 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) 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 POLSKA SP. ZO. O. (Poland) SATO FRANCE S. A. S. (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) (15 companies)
		Production	SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. (Malaysia) SATO VIETNAM CO., LTD. (Vietnam) (2 companies)

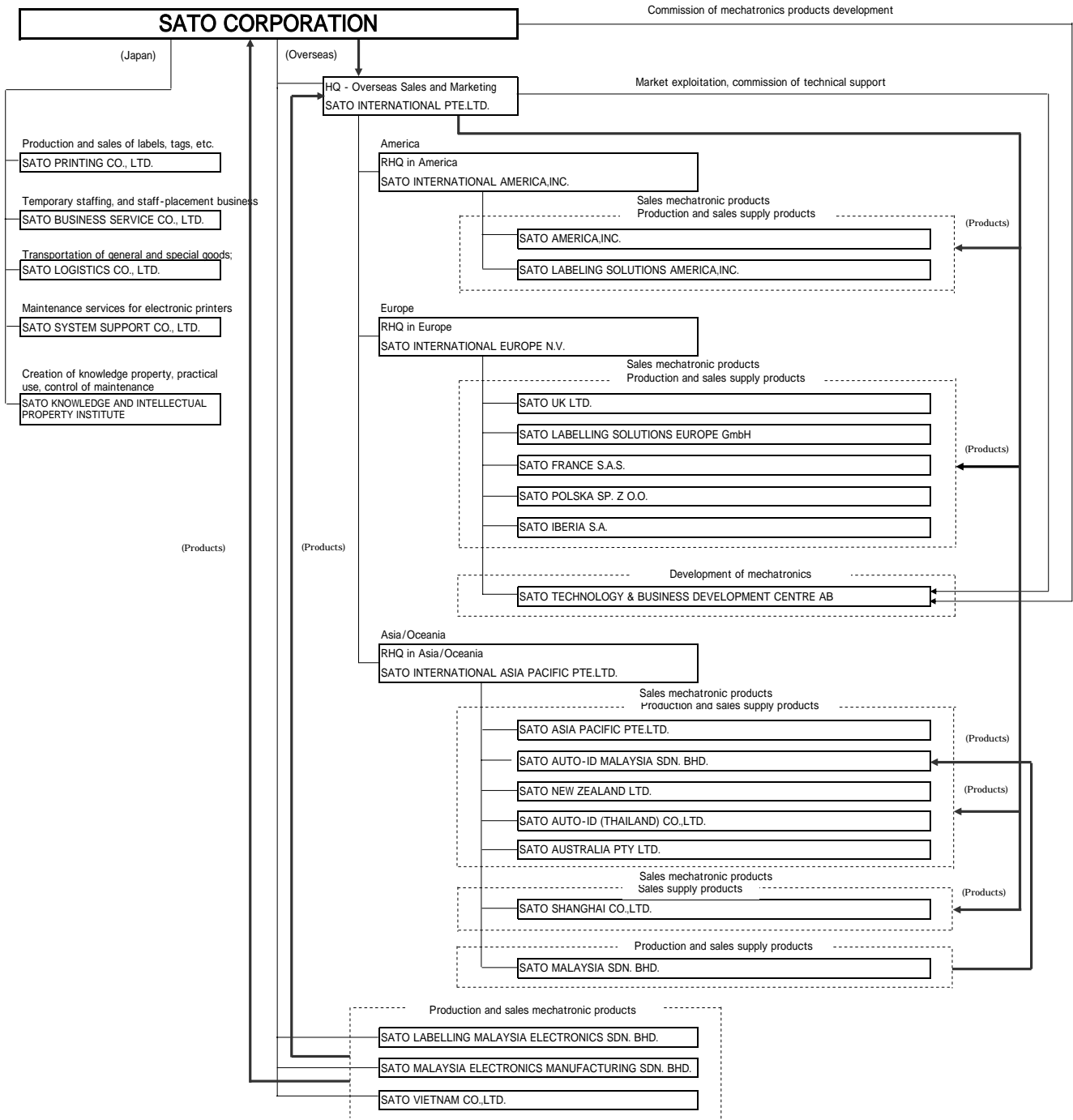
Business	Main products and services	Contents	Companies
Supply products business			
IC tags/labels, labels, tags, tickets, ribbons, MC-cards and other supply products	Electronic printer labels/tags, hand labeler labels, IC tags/labels, labels, tickets, ribbons, MC-cards	Administration	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) <i>Responsible for the administration of the following subsidiaries:</i> SATO INTERNATIONAL AMERICA, INC. (U. S. A.) SATO INTERNATIONAL EUROPE N. V. (Belgium) SATO INTERNATIONAL ASIA PACIFIC PTE. LTD. (Singapore) (5 companies)
		Sales	SATO CORPORATION SATO INTERNATIONAL PTE. LTD. (Singapore) 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 POLSKA SP. ZO. O. (Poland) SATO FRANCE S. A. S. (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) (15 companies)
		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. ZO. O. (Poland) SATO FRANCE S. A. S. (France) SATO MALAYSIA SDN. BHD. (Malaysia) SATO AUTO-ID (THAILAND) CO., LTD. (Thailand) SATO AUSTRALIA PTY LTD. (Australia) SATO NEW ZEALAND LTD. (New Zealand) SATO PRINTING CO., LTD. (14 companies)
Production and sales of labels, tags, etc.			SATO PRINTING CO., LTD.
Staff agency, temporary staffing			SATO BUSINESS SERVICE CO., LTD.
Transportation of general and special goods; inspection and assembly of electronic equipment			SATO LOGISTICS CO., LTD.
Maintenance services for electronic printers			SATO SYSTEM SUPPORT CO., LTD.
Creating, utilizing, and maintaining intellectual property			SATO KNOWLEDGE AND INTELLECTUAL PROPERTY INSTITUTE

(Notes)

- The following subsidiaries were established during the fiscal year under review: SATO KNOWLEDGE AND INTELLECTUAL PROPERTY INSTITUTE; SATO INTERNATIONAL ASIA PACIFIC PTE. LTD.; and SATO TECHNOLOGY & BUSINESS DEVELOPMENT CENTRE AB.
- In addition to the above-listed companies, the Company also consolidates SATO HOLDING (THAILAND) CO., LTD. (a holding company), S. A. R. L. DES BOIS BLANCS (a real estate management company), and SATO TECHNOLOGY & BUSINESS DEVELOPMENT CENTRE AB (a support center for technology and business development).
- SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD., SATO VIETNAM CO., LTD., SATO INTERNATIONAL PTE. LTD., SATO PRINTING CO., LTD., SATO BUSINESS SERVICE CO., LTD., SATO LOGISTICS CO., LTD., SATO SYSTEM SUPPORT CO., LTD. and SATO KNOWLEDGE AND INTELLECTUAL PROPERTY INSTITUTE are subsidiaries of the Company.
- SATO INTERNATIONAL AMERICA, INC., SATO UK LTD., SATO INTERNATIONAL EUROPE N. V., SATO ASIA PACIFIC PTE. LTD., SATO IBERIA S. A., SATO LABELLING SOLUTIONS EUROPE GmbH, SATO INTERNATIONAL ASIA PACIFIC PTE. LTD., and SATO TECHNOLOGY & BUSINESS DEVELOPMENT CENTRE AB are subsidiaries of SATO INTERNATIONAL PTE. LTD.

5. 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.
6. SATO LABELLING MALAYSIA ELECTRONICS SDN. BHD. is a subsidiary of SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD.
7. SATO FRANCE S. A. S. and SATO POLSKA SP. ZO. O. are subsidiaries of SATO INTERNATIONAL EUROPE N. V.
8. SATO AUTO-ID MALAYSIA SDN. BHD. is a subsidiary of SATO MALAYSIA SDN. BHD.
9. SATO AUTO-ID (THAILAND) CO., LTD. is a subsidiary of SATO HOLDING (THAILAND) CO., LTD.
10. S. A. R. L. DES BOIS BLANCS is a subsidiary of SATO FRANCE S. A. S.
11. SATO AMERICA, INC. and SATO LABELING SOLUTIONS AMERICA, INC. are subsidiaries of SATO INTERNATIONAL AMERICA, INC.

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



3. Management Policies

(1) Fundamental policy

Since its founding, guided by the watchword “never-ending creativity,” the SATO Group has been advancing a business concept that it calls “DCS (Data Collection Systems) & Labeling.” Its fundamental management policy is to contribute to society by enabling users of its products to achieve “accuracy, labor savings, and resource conservation.”

(2) Management indices

In terms of management indices, the Group places the greatest importance on the ratio of operating income to sales, and earnings per share. It considers these two indices to be benchmarks by which to measure its progress toward increasing shareholder value. By the year ending March 2011, it is aiming to achieve sales of ¥100 billion, an operating profit margin of 8 % or more, and EPS of ¥130 or more. For the year ending March 2016, its targets are: sales of ¥150 billion; an operating profit margin of over 10 % or more; and EPS of ¥200 or more.

(3) Medium- to long-term management strategy

“DCS & Labeling” represents a one-of-a-kind business model by which the Group builds optimum solutions for specific operational sites and proposes these solutions to its customers. The Group uses auto-identification technology—bar codes, 2-D codes, and RFID—to collect information (data) on “things” that are being moved through each stage of the business process: manufacturing, delivery, and sales. Data is collected on everything from raw materials to manufactured goods and procured merchandise. The group provides total solutions, which entail not only devising optimum combinations of electronic printers, scanners, peripherals and software but also providing labels, ribbons, cards and other supplies and also post-purchase maintenance services.

The Group 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.

(4) Issues requiring action

The Group’s medium-term goal is to achieve sales of ¥150 billion by the year ending March 2016. This will depend crucially on its ability to achieve dramatic growth in its overseas business. In addition, in order to disseminate its proprietary DCS & Labeling business concept widely around the world, and to contribute to societies globally through the realization of “accuracy, labor savings, and resource conservation,” the Group will have to implement the following policies.

- Dealing with the issue of high raw materials prices

High oil prices have pushed up the prices of a variety of other raw materials. To ensure profitable operations, there is an urgent need to deal with this issue. The price of basic paper used for seals and labels has increased dramatically and is now putting considerable pressure on profits. The

Group will endeavor to reduce costs by enhancing manufacturing efficiencies and by increasing the amount of paper sourced overseas. In addition, as it continues to obtain the understanding of its customers, it will gradually increase the prices of its products. The higher prices of raw materials are also elevating the costs of materials for components in the mechatronics business. However, the Group will endeavor to avoid impacts on manufacturing costs by increasing manufacturing productivity at its Malaysia and Vietnam plants.

- Achieving profitability in Europe

Achieving a rapid improvement of results at its sales companies in Germany and Spain is of paramount importance to the Group. Delays in developing appropriate sales and operational structures at these two companies are impacting the Group's financial results. In cooperation with SI and SATO INTERNATIONAL EUROPE N.V. (hereafter, "SIE"), the Company has dispatched a managing operating officer from Japan to SIE and a person with branch manager experience in Japan to Spain. Through these assignments, the Company is now able to provide closer operational guidance to the region. In addition, the Company is endeavoring to expand sales through collaborative efforts with Japanese-owned companies in Europe and through utilizing the technical and proposal-making capabilities of STB, which contributes to the effort a thorough knowledge of markets and product specifications in Europe. The Company is also endeavoring to increase the profitability of these sales.

- Promoting basic R&D

The Group is engaged in the development of mechatronic products that incorporate new technologies and the development of seal and label products that incorporate new base materials and new printing technologies. By strengthening its ability to develop new technologies, the Company will endeavor to differentiate its products from those of other companies, while creating an association in the market's mind that "SATO equals advanced technologies." Also, in order to respond to increasingly diverse and sophisticated needs in the market, the Company will take action not only internally but also through operational alliances, by which it actively seeks to utilize exceptional know-how from outside the Company.

- Development of new markets

In order to achieve its medium-to-long term management goals for the year ending March 2016, the Company will have to develop markets not only in areas where demand has already emerged but also in new markets that it identifies from a global perspective. In China, where it will be focusing the greatest amount of its energy and resources over the immediate future, wages are continuing to rise as a result of increasing direct investment by Japanese and other foreign enterprises. Consequently, the need for such companies to invest in labor savings technologies is increasing each year, leading to a growing number of inquiries for the Group from companies in a wide range of areas. Currently, the Company has two sales offices in China, one in Shanghai and the other in Shenzhen. In the year ending March 2009, it will expand its maintenance and service capabilities by establishing new sales offices and service centers in Dalian, Wuxi, and Guangzhou. The Company will aim to develop direct-sales and direct-negotiation capabilities in

the country, with maintenance services becoming the key element. These capabilities will enable it to respond to demand for greater efficiency in logistics and manufacturing from Japanese-owned companies, including automobile manufacturers, electronics companies, and electrical appliance makers. At the same time, the Company will take steps to increase its business hereafter in other promising markets, such as Central and South America, Russia, and India. In addition, it will endeavor to develop new demand which leads to enhanced “accuracy, labor savings, and resource conservation” in such markets as retailing, manufacturing, logistics, food, medical care, services, and flowers and ornamental plants. By generating new demand in these regions and markets, the Company will accumulate a richer kind of know-how throughout the group, which will enable it to expand its sales and profits.

- Dealing with the environment

The Group’s basic philosophy with respect to the environment is to aim to achieve environmental harmony in all of its businesses by realizing “accuracy, labor savings, and resource conservation” and by providing products and services that have minimal impacts on the global environment.

Achieving an accurate flow of “things” via information mediated through bar codes, 2-D codes, IC tags and other technologies enhances environmental conservation by eliminating waste and loss—as does expediting work flows and saving labor. The growing awareness of the “environment” and of “food safety and security” in recent days is a global megatrend. In response to this heightened recognition of the importance of the environment, the Company has proposed a “non-separable” product line (labels without mountings = less waste) and printers that can handle these non-separable sheets. Inquiries regarding these new products are on the rise. The Company is also planning to launch a dual-side printer as part of its effort to reduce environmental loads. Thus, in certain applications, the Company will develop new businesses in which the “environment” is the key aspect of the product.

4. Consolidated Financial Statements

Consolidated balance sheet

As of March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Current assets					
Cash	10,344		10,926		581
Notes and accounts receivable	20,639		20,334		(304)
Marketable securities	-		108		108
Inventories	11,476		11,127		(349)
Deferred credit	680		675		(4)
Deferred taxes	398		369		(28)
Others	1,044		1,011		(33)
Allowance for doubtful accounts	(180)		(226)		(46)
Total current assets	44,404	66.4	44,329	67.1	(75)
Fixed assets					
Tangible fixed assets					
Buildings and structures	10,475		10,340		
Accumulated depreciation	4,599		4,914		
	5,876		5,425		(450)
Machinery, equipment and delivery equipment	9,533		10,312		
Accumulated depreciation	6,063		6,588		
	3,469		3,724		254
Tools, furniture and fixtures	5,216		5,212		
Accumulated depreciation	3,736		3,949		
	1,480		1,262		(218)
Land	5,651		5,380		(271)
Construction in progress	343		54		(288)
	16,821	25.1	15,846	24.0	(974)
Intangible fixed assets					
Goodwill	1,126		997		(128)
Software	1,541		1,683		142
Leaseholds	232		223		(9)
Others	212		211		(1)
	3,112	4.6	3,115	4.7	2
Investments and other assets					
Investment securities	219		179		(40)
Long-term loans	24		42		18
Guarantee deposits	1,083		817		(265)
Deferred taxes	766		997		230
Others	554		820		266
Allowance for doubtful accounts	(63)		(46)		17
	2,584	3.9	2,811	4.2	226
Total fixed assets	22,519	33.6	21,773	32.9	(745)
Total assets	66,923	100.0	66,103	100.0	(820)

As of March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Current liabilities					
Notes and accounts payable	5,776		5,845		68
Short-term borrowings	5,555		6,558		1,003
Accounts payable - other	10,672		10,394		(277)
Income taxes payable	1,384		734		(650)
Reserve for bonuses	237		221		(15)
Allowance for directors' and corporate auditors' bonuses	50		42		(7)
Allowance for product warranty	24		24		-
Others	3,349		3,202		(147)
	<u>27,049</u>	40.5	<u>27,023</u>	40.9	<u>(26)</u>
Long-term liabilities					
Long-term debt	18		8		(10)
Reserve for employees' retirement benefits	1,829		1,811		(18)
Long-term payables related to directors' and corporate auditors' retirements	245		245		-
Others	272		343		71
	<u>2,366</u>	3.5	<u>2,408</u>	3.6	<u>42</u>
Total liabilities	29,415	44.0	29,431	44.5	16
Net assets					
Shareholders' equity					
Common stock	6,331	9.5	6,331	9.6	-
Capital surplus	5,799	8.7	5,799	8.8	-
Retained earnings	26,333	39.3	27,481	41.6	1,147
Treasury stock	(2,059)	(3.1)	(2,953)	(4.5)	(893)
	<u>36,404</u>	54.4	<u>36,658</u>	55.5	<u>253</u>
Valuation/translation gains (losses)					
Unrealized gains or losses on other securities	7	0.0	5	0.0	(2)
Foreign currency translation adjustments	1,091	1.6	(59)	(0.1)	(1,150)
	<u>1,098</u>	1.6	<u>(53)</u>	(0.1)	<u>(1,152)</u>
New share subscription rights	-	-	58	0.1	58
Minority interest in consolidated subsidiaries	4	0.0	8	0.0	3
Total net assets	<u>37,508</u>	56.0	<u>36,671</u>	55.5	<u>(836)</u>
Total liabilities and net assets	66,923	100.0	66,103	100.0	(820)

Consolidated statements of income

Years ended March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Net sales	82,491	100.0	87,790	100.0	5,298
Cost of sales	46,600	56.5	49,932	56.9	3,331
Gross profit on sales	35,890	43.5	37,857	43.1	1,966
Selling, general and administrative expenses	30,195	36.6	32,453	36.9	2,258
Operating income	5,695	6.9	5,404	6.2	(291)
Non operating income					
Interest income	59		78		
Dividend income	2		2		
Foreign exchange gains	134		-		
Purchase discounts	-		39		
Valuation gain from swap transaction	-		121		
Rental income	5		20		
Gain on sale of marketable securities	28		-		
Others	220		124		
	451	0.5	385	0.4	(65)
Non operating expenses					
Interest expenses	132		180		
Loss on disposal of inventories	85		105		
Foreign exchange losses	-		562		
Valuation loss on swap transaction	104		-		
Others	339		190		
	662	0.8	1,039	1.2	377
Ordinary profit	5,484	6.6	4,750	5.4	(734)
Extraordinary gains					
Gain on sales of fixed assets	28		44		
Gain from adjustment of previous term's earnings	38		-		
Others	41		13		
	108	0.1	58	0.0	(50)
Extraordinary losses					
Loss on business restructuring	341		419		
Expenses related to business acquisitions	328		-		
Loss on disposal of fixed assets	165		55		
Loss on sales of fixed assets	-		85		
Impairment losses	3		4		
Others	108		80		
	946	1.1	646	0.7	(300)
Income before adjustments for income taxes	4,646	5.6	4,162	4.7	(484)
Corporate, inhabitant and enterprise taxes	2,683		2,250		
Deferred taxes	(430)		(153)		
	2,253	2.7	2,097	2.4	(155)
Minority interest in income of consolidated subsidiaries	4	0.0	1	0.0	(2)
Net income	2,389	2.9	2,062	2.3	(326)

Consolidated statement of changes in net assets

March 2007 term

As of March 31, 2007; Millions of yen	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Mar 31, 2006	6,331	5,798	24,918	(1,454)	35,593
Changes during the term					
Dividends *1			(502)		(502)
Dividends *2			(471)		(471)
Net income			2,389		2,389
Disposal of treasury stock		0		5	5
Acquisition of treasury stock				(610)	(610)
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	-	0	1,415	(604)	811
Balance as of Mar 31, 2007	6,331	5,799	26,333	(2,059)	36,404

As of March 31, 2007; Millions of yen	Valuation/translation gains (losses)			Minority interest in consolidated subsidiaries	Total net assets
	Unrealized gains losses on other securities	Foreign currency translation adjustments	Total valuation/ translation gains (losses)		
Balance as of Mar 31, 2006	26	499	526	-	36,119
Changes during the term					
Dividends *1					(502)
Dividends *2					(471)
Net income					2,389
Disposal of treasury stock					5
Acquisition of treasury stock					(610)
Other changes in non-shareholders' equity items during the term (net)	(19)	591	572	4	577
Total changes during the term	(19)	591	572	4	1,388
Balance as of Mar 31, 2007	7	1,091	1,098	4	37,508

(Notes)

1. Earnings appropriated at the Company's Ordinary General Meeting of Shareholders held in June 2006.
2. Dividend paid out of retained earnings, based on resolution of the Board of Directors adopted in November 2006.

March 2008 term

As of March 31, 2008; Millions of yen	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of Mar 31, 2007	6,331	5,799	26,333	(2,059)	36,404
Changes during the term					
Dividends			(1,026)		(1,026)
Net income			2,062		2,062
Acquisition of treasury stock				(893)	(893)
Increase due to decrease in unfunded reserves related to pension accounting at overseas subsidiaries			111		111
Other changes in non-shareholders' equity items during the term (net)					
Total changes during the term	-	-	1,147	(893)	253
Balance as of Mar 31, 2008	6,331	5,799	27,481	(2,953)	36,658

As of March 31, 2008; Millions of yen	Valuation/translation gains (losses)			New share subscription rights	Minority interest in consolidated subsidiaries	Total net assets
	Unrealized gains losses on other securities	Foreign currency translation adjustments	Total valuation/ translation gains (losses)			
Balance as of Mar 31, 2007	7	1,091	1,098	-	4	37,508
Changes during the term						
Dividends						(1,026)
Net income						2,062
Acquisition of treasury stock						(893)
Increase due to decrease in unfunded reserves related to pension accounting at overseas subsidiaries						111
Other changes in non-shareholders' equity items during the term (net)	(2)	(1,150)	(1,152)	58	3	(1,090)
Total changes during the term	(2)	(1,150)	(1,152)	58	3	(836)
Balance as of Mar 31, 2008	5	(59)	(53)	58	8	36,671

Consolidated statements of cash flows

Years ended March 31; Millions of yen	2007	2008	Year-on-year change
Net cash provided by operating activities			
Income before adjustments for income taxes	4,646	4,162	(484)
Depreciation expenses	2,287	2,571	284
Amortization of goodwill	197	232	35
Gain on sales of tangible fixed assets	(28)	(44)	(15)
Loss on disposal of fixed assets	165	55	(109)
Loss on business restructuring	341	419	78
Expenses related to business acquisitions	328	-	(328)
Increase (decrease) in allowance for doubtful accounts	82	12	(70)
Increase (decrease) in reserve for bonuses	32	0	(32)
Increase (decrease) in reserve for employees' retirement benefits	95	181	86
Increase (decrease) in reserve for directors' and corporate auditors' bonuses	(4)	(7)	(3)
Increase (decrease) in allowance for product warranty	24	-	(24)
Interest and dividends received	(61)	(80)	(18)
Interest expenses	132	180	48
Foreign exchange loss (gain)	162	(373)	(536)
Decrease (increase) in notes and accounts receivable	(1,660)	(119)	1,540
Decrease (increase) in inventories	(818)	(408)	410
Decrease (increase) in prepaid expenses	(148)	(143)	4
Decrease (increase) in accounts receivable - other	(63)	1	64
Increase (decrease) in notes and accounts payable	(399)	149	549
Increase (decrease) in accounts payable - other	1,719	(22)	(1,742)
Others	(812)	681	1,494
	6,218	7,449	1,230
Interest and dividends received	61	80	18
Interest paid	(132)	(180)	(48)
Payments related to losses on business restructuring	(341)	(419)	(78)
Payments related to business acquisition expenses	(328)	-	328
Income taxes paid	(2,566)	(2,822)	(256)
	2,912	4,108	1,195

Years ended March 31; Millions of yen	2007	2008	Year-on-year change
Net cash used in investing activities			
Increase in time deposits	-	(114)	(114)
Decrease in time deposits	-	114	114
Proceeds from sales of investment securities	62	-	(62)
Payments for investments in securities	(41)	(8)	33
Purchase of tangible fixed assets	(3,728)	(1,911)	1,816
Proceeds from sales of tangible fixed assets	413	348	(65)
Purchase of intangible fixed assets	(203)	(610)	(406)
Expenses incurred for business acquisitions	(620)	-	620
Others	50	(341)	(392)
	(4,066)	(2,522)	1,543
Net cash provided by financing activities			
Increase (decrease) in short-term borrowings	2,089	1,135	(954)
Increase (decrease) in long-term debt	(16)	-	16
Repayment of long-term debt	-	(10)	(10)
Proceeds from sales of treasury stock	5	-	(5)
Purchase of treasury stock	(610)	(893)	(283)
Cash dividends paid	(972)	(1,025)	(52)
Others	-	(0)	(0)
	496	(793)	(1,290)
Effect of exchange rate changes on cash and cash equivalents	251	(100)	(351)
Net increase (decrease) in cash and cash equivalents	(406)	690	1,096
Cash and cash equivalents at beginning of year	10,751	10,344	(406)
Cash and cash equivalents at end of year	10,344	11,035	690

(Segment information)

a. Business segment information

Years ended March 31; Millions of yen	Mechatronic products business	Supply products business	Total	Eliminations	Consolidated
2008					
Sales					
External customer sales	36,851	50,939	87,790	(-)	87,790
Intersegment transactions and eliminations	-	-	-	(-)	-
	36,851	50,939	87,790	(-)	87,790
Operating expenses	34,134	48,251	82,386	(-)	82,386
Operating income	2,716	2,687	5,404	(-)	5,404
Assets					
Assets	29,790	29,040	58,831	7,271	66,103
Depreciation and amortization	1,142	1,428	2,571	(-)	2,571
Capital expenditures	941	1,385	2,327	(-)	2,327
2007					
Sales					
External customer sales	35,197	47,294	82,491	(-)	82,491
Intersegment transactions and eliminations	-	-	-	(-)	-
	35,197	47,294	82,491	(-)	82,491
Operating expenses	32,835	43,960	76,796	(-)	76,796
Operating income	2,361	3,333	5,695	(-)	5,695
Assets					
Assets	31,374	28,539	59,914	7,009	66,923
Depreciation and amortization	1,200	1,086	2,287	(-)	2,287
Capital expenditures	2,200	2,078	4,278	(-)	4,278

(Notes)

1. The main products of each business segment are as follows:

Mechatronic products business: electronic printers, hand labelers

Supply products business: labels/tags for electronic printers, labels for hand labelers, IC tags/labels, tickets, ribbons, MC-cards.

2. Assets listed under eliminations and total were ¥7,271 million at the fiscal year-end. The amount at the previous fiscal year-end was ¥7,009 million. This primarily consists of surplus operating capital (cash and securities) and assets related to management divisions.

b. Geographical segment information

Years ended March 31; Millions of yen	Japan	North America	Europe	Asia Oceania	Total	Eliminations	Consolidated
2008							
Sales							
External customers	60,013	9,743	11,158	6,874	87,790	-	87,790
Intersegment sales	3,186	71	265	9,103	12,627	(12,627)	-
	63,199	9,815	11,424	15,978	100,418	(12,627)	87,790
Operating expenses	58,211	9,293	11,907	15,449	94,862	(12,476)	82,386
Operating income	4,987	521	(482)	528	5,555	(151)	5,404
Assets	66,701	7,399	10,540	31,555	116,197	(50,094)	66,103
2007							
Sales							
External customers	56,523	9,422	10,809	5,735	82,491	-	82,491
Intersegment sales	2,690	66	24	8,618	11,399	(11,399)	-
	59,213	9,489	10,833	14,354	93,890	(11,399)	82,491
Operating expenses	53,841	8,854	11,007	14,203	87,906	(11,110)	76,796
Operating income	5,372	634	(173)	150	5,984	(289)	5,695
Assets	65,760	7,863	10,827	31,495	115,946	(49,022)	66,923

(Notes)

- Regions are categorized on the basis of geographical proximity.
- Outside Japan, the countries belonging to the various regions are as follows.
 - North America: U.S.A.
 - Europe: Germany, UK, Poland, Belgium, France and Spain
 - Asia and Oceania: Malaysia, Singapore, Thailand, China, Vietnam, Australia and New Zealand
- Assets in the year ended March 2008 and 2007 included no eliminations or assets classified as corporate items.

c. Overseas sales

Years ended March 31; Millions of yen	2007		2008	
	Overseas sales	As % of net sales	Overseas sales	As % of net sales
North America	9,422	11.4	9,743	11.1
Europe	10,809	13.1	11,158	12.7
Asia, others	5,735	7.0	6,874	7.8
	25,967	31.5	27,777	31.6
Consolidated sales	82,491		87,790	

(Notes)

- Regions are categorized on the basis of geographical proximity.
- Outside Japan, the countries belonging to the various regions are as follows.
 - North America: U.S.A., Canada
 - Europe: Germany, UK, France, Italy, etc.
 - Asia, others: Malaysia, Singapore, Thailand, China, Australia, etc.
- Overseas sales are composed of sales made in countries and regions other than Japan by the Company and its consolidated subsidiaries.

Non-consolidated balance sheet

As of March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Current assets					
Cash	6,867		7,237		370
Notes receivable	4,206		3,891		(314)
Accounts receivable	10,576		11,269		693
Merchandise	318		164		(154)
Finished goods	3,273		3,104		(169)
Semifinished goods	206		152		(53)
Raw materials	352		312		(40)
Work in process	65		50		(14)
Prepaid expenses	367		419		52
Short-term loans to affiliated companies	670		761		91
Deferred credit	689		761		71
Deferred taxes	237		190		(47)
Others	302		269		(33)
Allowance for doubtful accounts	(14)		(11)		3
Total current assets	28,119	43.0	28,573	42.9	454
Fixed assets					
Tangible fixed assets					
Buildings	7,777		7,829		
Accumulated depreciation	3,581		3,833		
	4,195		3,996		(199)
Structures	308		312		
Accumulated depreciation	252		261		
	56		51		(4)
Machinery and equipment	6,319		7,118		
Accumulated depreciation	4,408		4,765		
	1,910		2,352		441
Vehicles and delivery equipment	28		30		
Accumulated depreciation	26		27		
	2		2		0
Tools, furniture and fixtures	2,354		2,424		
Accumulated depreciation	1,758		1,922		
	595		502		(93)
Land	5,607		5,334		(273)
Construction in progress	70		14		(55)
	12,438	19.0	12,253	18.4	(184)

As of March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Intangible fixed assets					
Software	1,110		954		(156)
Goodwill	25		17		(8)
Software in progress	74		61		(13)
Others	49		45		(4)
	1,261	1.9	1,077	1.6	(183)
Investments and other assets					
Investment securities	194		178		(16)
Capital stock of affiliated companies	19,481		19,794		312
Investments in affiliated companies	696		1,365		669
Investments other than securities	1		1		-
Long-term loans to employees	4		2		(1)
Long-term loans to affiliated companies	1,724		1,608		(115)
Reorganization, bankruptcy and other claims	69		29		(39)
Long-term prepaid expenses	42		55		13
Long-term accounts receivable	130		101		(29)
Deferred taxes	394		494		100
Guarantee deposits	773		714		(59)
Others	144		416		272
Allowance for doubtful accounts	(65)		(47)		17
	23,592	36.1	24,716	37.1	1,124
Total fixed assets	37,292	57.0	38,048	57.1	756
Total assets	65,411	100.0	66,621	100.0	1,210

As of March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Current liabilities					
Notes payable	1,734		2,160		426
Accounts payable	2,799		2,710		(88)
Short-term borrowings	5,000		5,000		-
Accounts payable - others	9,786		9,665		(120)
Income taxes payable	1,043		671		(371)
Consumption taxes payable	-		209		209
Deposits received	1,386		1,737		350
Allowance for directors' and corporate auditors' bonuses	50		42		(7)
Allowance for product warranty	24		24		-
Others	26		94		67
	21,850	33.4	22,316	33.5	466
Long-term liabilities					
Retirement benefits	503		708		204
Long-term payables related to directors' and corporate auditors' retirements	245		245		-
Deposits received	194		202		8
	943	1.4	1,156	1.7	212
Total liabilities	22,793	34.8	23,473	35.2	679
Net assets					
Shareholders' equity					
Common stock	6,331	9.7	6,331	9.5	-
Capital surplus					
Additional paid-in capital	5,789		5,789		-
Capital reserves - other	9		9		-
	5,799	8.9	5,799	8.7	-
Retained earnings					
Legal income reserves	474		474		-
Others					
Voluntary reserves - total	27,325		27,325		-
Retained earnings carried forward to next term	4,739		6,107		1,367
	32,539	49.7	33,907	50.9	1,367
Treasury stock	(2,059)	(3.1)	(2,953)	(4.4)	(893)
	42,610	65.2	43,084	64.7	474
Valuation/translation gains (losses)					
Unrealized gains or losses on other securities	7	0.0	5	0.0	(2)
	7	0.0	5	0.0	(2)
New shares subscription rights	-	-	58	0.1	58
Total net assets	42,617	65.2	43,148	64.8	530
Total liabilities and net assets	65,411	100.0	66,621	100.0	1,210

Non-consolidated statements of income

Years ended March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Net sales					
Net sales - finished goods	49,329		52,858		
Net sales - purchased goods	7,468		7,919		
	<u>56,798</u>	100.0	<u>60,778</u>	100.0	3,979
Cost of sales					
Cost of sales - finished goods					
Finished goods inventory, beginning of year	2,914		3,273		
Production costs for the year	21,746		24,410		
Purchase of finished goods for the year	6,372		5,909		
	<u>31,032</u>		<u>33,593</u>		
Transfers to other accounts	481		246		
Finished goods inventory, end of year	3,273		3,104		
	<u>27,277</u>		<u>30,243</u>		2,965
Cost of sales - purchased goods					
Purchased goods inventory, beginning of year	349		318		
Purchase of goods for the year	5,980		5,951		
	<u>6,330</u>		<u>6,269</u>		
Purchased goods inventory, end of year	318		164		
	<u>6,011</u>		<u>6,105</u>		93
	<u>33,289</u>	58.6	<u>36,348</u>	59.8	3,059
Gross profit on sales	23,509	41.4	24,429	40.2	920
Selling, general and administrative expenses					
Sales commissions and promotion expenses	379		329		
Packing and shipping expenses	966		988		
Advertising expenses	339		379		
Directors' and corporate auditors' salaries	372		364		
Employees' salaries	7,649		8,297		
Pension benefit expenses	666		721		
Provision of allowance for directors' and corporate auditors' bonuses	42		46		
Employee benefit expenses	1,246		1,303		
Travel and transportation expenses	642		664		
Communication expenses	358		306		
Depreciation expenses	742		816		
Rental expenses	398		377		
Research and development expenses	1,501		1,734		
Commissions	1,647		1,888		
Others	1,745		1,912		
	<u>18,697</u>	33.0	<u>20,130</u>	33.1	1,432
Operating income	4,811	8.4	4,299	7.1	(511)

Years ended March 31; Millions of yen	2007	%	2008	%	Year-on-year change
Non operating income					
Interest income	74		88		
Dividend income	96		46		
Commissions received	72		102		
Foreign exchange gain	55		-		
Rental income	16		30		
Gain on sales of marketable securities	21		-		
Others	30		53		
	<u>368</u>	0.6	<u>321</u>	0.5	(47)
Non operating expenses					
Interest expenses	23		61		
Loss on disposal of inventories	36		71		
Exchange rate losses	-		361		
Losses related to claims	10		-		
Sales discounts	17		19		
Others	39		56		
	<u>128</u>	0.2	<u>571</u>	0.9	443
Ordinary profit	5,051	8.8	4,049	6.7	(1,002)
Extraordinary gains					
Gain from adjustment of previous term's earnings	-		104		
Gain on sale of fixed assets	9		37		
Others	-		2		
	<u>9</u>	0.0	<u>144</u>	0.2	134
Extraordinary losses					
Loss on sales of fixed assets	-		82		
Loss on disposal of fixed assets	162		41		
Impairment losses	3		4		
Income tax assessment for employees dispatched in prior years	31		40		
Provision for doubtful accounts	-		22		
Others	14		5		
	<u>211</u>	0.3	<u>196</u>	0.3	(15)
Net income before taxes	4,849	8.5	3,997	6.6	(851)
Corporate, inhabitant and enterprises taxes	2,050		1,654		
Deferred taxes	(113)		(50)		
	<u>1,936</u>	3.4	<u>1,603</u>	2.7	
Net income	2,912	5.1	2,394	3.9	(518)

Cost of sales

As of March 31; Millions of yen	2007	%	2008	%
Cost of raw materials	18,086	83.0	20,640	84.8
Subcontracted processing expenses	113	0.5	80	0.3
Labor costs * 2	1,468	6.7	1,365	5.6
Expenses * 3	2,145	9.8	2,267	9.3
Total manufacturing overhead	21,813	100.0	24,354	100.0
Semifinished goods and work-in-process inventory, beginning of period	283		271	
Transfers to other accounts * 4	79		12	
Semifinished goods and work-in-process inventory, end of period	271		203	
Production costs for the period	21,746		24,410	

2007	2008
1. Method of accounting for costs	1. Method of accounting for costs
The Company uses process costing for separate processes and batches; during the term, it uses estimated costs and adjusts any differences between estimated and actual costs at term end.	The Company uses process costing for separate processes and batches; during the term, it uses estimated costs and adjusts any differences between estimated and actual costs at term end.
2. Includes ¥95 million in retirement benefit expenses	2. Includes ¥93 million in retirement benefit expenses
3. Includes ¥558 million in depreciation expenses	3. Includes ¥701 million in depreciation expenses
4. The breakdown of expenses allocated to other accounts is as follows.	4. The breakdown of expenses allocated to other accounts is as follows.
(Millions of yen)	(Millions of yen)
Cost of materials provided to subsidiaries 65	Selling, general and administrative expenses 3
Selling, general and administrative expenses 7	Tools, furniture and fixtures 8
Tools, furniture and fixtures 5	12
Software 0	
79	

Non-consolidated statement of changes in net assets

March 2007 term

As of March 31, 2007; Millions of yen	Shareholders' equity									
	Capital surplus				Retained earnings					
	Common stock	Additional paid-in capital	Capital reserves - other	Total capital surplus	Others			Total retained earnings	Treasury stock	Total shareholders' equity
					Legal income reserves	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 *1						2,400	(2,400)	-		-
Reversal from voluntary reserve *1						0	(0)	-		-
Dividends *1							(502)	(502)		(502)
Dividends *2							(471)	(471)		(471)
Net income							2,912	2,912		2,912
Disposal of treasury stock			0	0					5	5
Acquisition of treasury stock									(610)	(610)
Other changes in non-shareholders' equity items during the term (net)										
Total changes during the term	-	-	0	0	-	2,400	(461)	1,939	(604)	1,334
Balance as of Mar 31, 2007	6,331	5,789	9	5,799	474	27,325	4,739	32,539	(2,059)	42,610

As of March 31, 2007; Millions of yen	Valuation/translation gains (losses)	
	Unrealized gains losses on other securities	Total net assets
Balance as of Mar 31, 2006	26	41,302
Changes during the term		
Addition to voluntary reserve *1		-
Reversal from voluntary reserve *1		-
Dividends *1		(502)
Dividends *2		(471)
Net income		2,912
Disposal of treasury stock		5
Acquisition of treasury stock		(610)
Other changes in non-shareholders' equity items during the term (net)	(19)	(19)
Total changes during the term	(19)	1,315
Balance as of Mar 31, 2007	7	42,617

(Notes)

1. Earnings appropriated at the Company's Ordinary General Meeting of Shareholders held in June 2006.
2. Dividend paid out of retained earnings, based on resolution of the Board of Directors adopted in November 2006.

March 2008 term

As of March 31, 2008; Millions of yen	Shareholders' equity											
	Capital surplus				Retained earnings						Treasury stock	Total shareholders' equity
	Common stock	Additional paid-in capital	Capital reserves - other	Total capital surplus	Legal income reserves	Voluntary reserves - total	Others		Total retained earnings			
							Retained earnings carried forward to next term					
Balance as of Mar 31, 2007	6,331	5,789	9	5,799	474	27,325	4,739	32,539	(2,059)	42,610		
Changes during the term												
Dividends							(1,026)	(1,026)		(1,026)		
Net income							2,394	2,394		2,394		
Acquisition of treasury stock									(893)	(893)		
Other changes in non-shareholders' equity items during the term (net)												
Total changes during the term	-	-	-	-	-	-	1,367	1,367	(893)	474		
Balance as of Mar 31, 2008	6,331	5,789	9	5,799	474	27,325	6,107	33,907	(2,953)	43,084		

As of March 31, 2008; Millions of yen	Valuation/translation gains (losses)		New shares subscription rights	Total net assets
	Unrealized gains	losses on other securities		
Balance as of Mar 31, 2007		7	-	42,617
Changes during the term				
Dividends				(1,026)
Net income				2,394
Acquisition of treasury stock				(893)
Other changes in non-shareholders' equity items during the term (net)		(2)	58	56
Total changes during the term		(2)	58	530
Balance as of Mar 31, 2008		5	58	43,148