Consolidated Financial Report for the Six Months of the March 2011 Term
<Under Japanese GAAP>

November 5, 2010

SATO CORPORATION

Company code number: 6287
(URL http://www.sato.co.jp)
Shares traded on: TSE1
Executive position of legal representative: Koichi Nishida, President and CEO, Representative Corporate Executive Officer
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Scheduled submission date for quarterly securities report: November 11, 2010
Date of commencement of dividend payments: December 13, 2010
Supplementary explanatory materials for quarterly results: Available
Holding of meeting to explain quarterly results (for analysts and institutional investors): Yes

1. Consolidated operating results for the first six months of the fiscal year ending March 31, 2011 (from April 1, 2010 to September 30, 2010)

(1) Consolidated financial results (cumulative)

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

	Net sales		Operating income		Ordinary income	
Six months ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2010	38,605	5.8	1,819	136.6	1,614	91.9
September 30, 2009	36,482	(14.7)	769	(56.9)	841	(52.0)

	Net income		Net income per share	Net income per share, fully diluted
Six months ended	(Millions of yen)	%	(Yen)	(Yen)
September 30, 2010	693	161.9	23.04	–
September 30, 2009	264	(48.6)	8.80	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
September 30, 2010	66,109	35,448	53.5	1,174.10
March 31, 2010	64,203	35,985	55.9	1,191.84

(N.B.) Total equity:
As of September 30, 2010: ¥35,353 million   As of March 31, 2010: ¥35,887 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	End of term	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2010	-	16.00	-	17.00	33.00
March 31, 2011	-	16.00			
March 31, 2011 (Forecast)			-	17.00	33.00

(Note) Revisions of projected dividends during the quarter under review: None

3. Consolidated forecasts for the fiscal year ending March 31, 2011 (from April 1, 2010 to March 31, 2011)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Annual	79,000	5.4	4,000	55.4	3,700	65.5	1,600	104.8	53.14

(Note) Revisions of consolidated forecasts during the quarter under review: Yes

4. Others (For details, please refer to "Other information" on pages 5-6 of the attached materials)

(1) Changes in significant subsidiaries during the term: None

(Note) Changes in specified subsidiaries resulting in the change in scope of consolidation during the quarter under review

(2) Application of simplified accounting and special accounting: Yes

(Note) Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements

(3) Changes in accounting policies, procedures, and methods of presentation

1) Changes due to revisions to accounting standards: Yes

2) Changes due to other reasons: None

(Note) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements"

(4) Number of issued shares (common stock)

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

As of September 30, 2010	32,001,169 shares
As of March 31, 2010	32,001,169 shares

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

As of September 30, 2010	1,890,313 shares
As of March 31, 2010	1,889,813 shares

3) Average number of shares during the term (cumulative from the beginning of the fiscal year to the end of the first six months)

Six months ended September 30, 2010	30,110,947 shares
Six months ended September 30, 2009	30,111,797 shares

*** Indication about carrying-out of the quarterly review procedures**

This quarterly financial report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial report, the procedures to review quarterly financial statements based on the Financial Instruments and Exchange Act have not been completed.

*** Explanation about the proper use of consolidated forecasts and other notes**

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

Please refer to the section of "Qualitative information on consolidated forecasts" on page 4 of the attached materials to the quarterly financial report for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.

Attached Materials

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1. Qualitative Information on Consolidated Operating Results for the First Six Months

(1) Qualitative information on consolidated financial results (percentage changes, year-on-year)

The Japanese economy during the first six months ended September 30, 2010 saw more obscurity about the future despite being generally on a recovery trajectory attributable to higher exports and effects of government stimulus measures.

For the SATO Group, there was a great upsurge in demand for supply products compared to the same period of the previous fiscal year due to a manufacturing recovery and some rebuilding of inventory levels. In addition, in light of market movements toward streamlining and rationalization, we narrowed our focus on target markets and concentrated our efforts on proposal-based sales involving mechatronic products.

In Japan, we newly introduced the dedicated business unit teams focusing on key markets, with the aim of identifying and further strengthening our sales capabilities to provide highly specialized solutions to our customers. With our large network of branches throughout Japan, we have then been able to bring these solutions to similar markets and geographic regions. This approach has now been in place for six months and we are now beginning to see real signs of success and opportunity. As a result of foregoing activities, net sales showed a stronger trend of recovery and net sales in Japan for the first six months recovered to ¥29,359 million, a rise of 6.6% year on year.

Overseas, the SATO Group has achieved expansion of sales in countries in the Americas, Europe, Asia and Oceania and capitalized on the growing demand in emerging countries of Asia, particularly China. Overseas sales rose to ¥9,246 million (3.3% year on year), despite an adverse impact from foreign exchange fluctuation (negative effect of ¥715 million).

In terms of profits, the SATO Group has utilised it’s expertise in all regions to continuously enhance productivity, reduce manufacturing cost and find savings in operating business expenses, resulting in steady improvements in profitability. In Japan, we streamlined selling, general and administrative expenses and this has also contributed to securing profits higher than projected. Overseas, we worked on improving earnings particularly in Europe, where structural reforms are taking place, and in Asia and Oceania, where we integrated the overseas administrative functions from Singapore to the headquarters in Japan. These efforts resulted in a significant improvement in the profitability of our overseas business.

As a result of the foregoing, net sales during the first six months ended September 30, 2010, increased by 5.8% from the same period of the previous fiscal year to ¥38,605 million; operating income increased by 136.6% to ¥1,819 million; ordinary income rose by 91.9% to ¥1,614 million; and net income increased by 161.9% to ¥693 million.

By segment, the Group reported the following:

a. Japan
Net sales increased by 6.6% to ¥29,359 million; operating income rose by 32.3% to ¥1,591 million, compared to the same period of the previous fiscal year.

b. Americas
Net sales declined by 0.3% to ¥3,168 million; operating income declined by 43.2% to ¥72 million, compared to the same period of the previous fiscal year.

c. Europe
Net sales declined by 9.2% to ¥3,067 million; an operating loss of ¥104 million was recorded compared to an operating loss of ¥313 million in the same period of the previous fiscal year.

d. Asia and Oceania
Net sales increased by 25.5% to ¥3,010 million; operating income was ¥209 million compared to an operating loss of ¥258 million in the same period of the previous fiscal year.

By product, the Group reported the following:

a. Net sales of mechatronic products increased by 3.6% to ¥14,443 million compared to the same period of the previous fiscal year.

b. Net sales of supply products increased by 7.2% to ¥24,162 million compared to the same period of the previous fiscal year.

(2) Qualitative information on consolidated financial position

Total assets at the end of the second quarter were ¥66,109 million, an increase of ¥1,905 million compared to the end of the previous fiscal year. This was primarily the result of increase in property, plant and equipment. Net assets were ¥35,448 million, a ¥536 million decrease due to the payment of cash dividends from shareholders' equity and the decrease in foreign currency translation adjustment.

Cash flows

At the end of the second quarter, cash and cash equivalents (referred to below as "cash") stood at ¥13,060 million, a decrease of ¥713 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥2,126 million.

The increase in cash reflected principally income before income taxes and minority interests of ¥1,418 million, ¥1,016 million in depreciation and amortization, and an increase in accounts payable-other of ¥404 million. Contributing to a decrease in cash were primarily a ¥125 million increase in notes and accounts receivable-trade, a ¥262 million increase in inventories and ¥615 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥3,704 million.

This resulted primarily from an expenditure of ¥3,606 million for purchase of property, plant and equipment, including the new office building for the head office.

Net cash provided by financing activities

Net cash provided by financing activities totaled ¥1,195 million.

The increase in cash reflected principally proceeds from long-term loans payable of ¥2,000 million. Contributing to a decrease in cash was primarily cash dividends paid of ¥511 million.

(3) Qualitative information on consolidated forecasts

Regarding consolidated forecasts, we expect demand to be created in Japan by the introduction of the dedicated business unit teams as well as a continuous increase in inquiries in Asia and Oceania. On the other hand, the rapid appreciation of the yen during the first six months ended September 30, 2010 led us to consider the effect of foreign exchange rates. We have therefore revised the consolidated forecasts for the fiscal year ending March 31, 2011 as follows.

Consolidated forecasts for the fiscal year ending March 31, 2011

	Current forecast	(Previous forecast)
Net sales	¥79,000 million	(¥80,000 million)
Operating income	¥4,000 million	(¥3,700 million)
Ordinary income	¥3,700 million	(¥3,400 million)
Net income	¥1,600 million	(¥1,400 million)

The assumed foreign exchange rates are as follows.
The assumed foreign exchange rates for the third quarter and beyond are US$1 = ¥82 and Euro1 = ¥114. (The assumption in the previous forecast: US$1 = ¥90 and Euro1 = ¥110)

2. Other information

(1) Summary of changes in significant subsidiaries

Not applicable

(2) Summary of simplified accounting and special accounting

Simplified accounting methods

1) Inventory valuation method

Concerning the write-down of the book value of inventories, only for those items whose drop in profitability was apparent, an estimate of net sale value was made and book values were written down.

2) Calculation method of depreciation of noncurrent assets

Depreciation expense for noncurrent assets that are depreciated using the declining-balance method is calculated by dividing the annual depreciation expense on a pro-rata basis.

3) Calculation method of deferred tax assets and deferred tax liabilities

The method for determining the recoverability of deferred tax assets uses the forecasts and tax planning used at the settlement of accounts of the previous fiscal year in case where it has been recognized that no material changes have occurred in the business and other environments and in temporary differences or other events.

(3) Summary of changes in accounting policies, procedures, and methods of presentation

1. Changes in matters relating to accounting procedure standards

1) Application of accounting standard for asset retirement obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

The impact of this change on income or loss is immaterial.

2) Application of accounting standard for business combinations, etc.

Effective from the first quarter of the fiscal year ending March 31, 2011, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, released on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

2. Changes in methods of presentation

Following the adoption of the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5 of March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “income before minority interests” is included in the consolidated statements of income for the first six months ended September 30, 2010.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen	September 30, 2010	March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	12,910	13,584
Notes and accounts receivable-trade	16,198	16,346
Short-term investment securities	150	189
Merchandise and finished goods	6,060	6,198
Work in process	103	114
Raw materials and supplies	1,649	1,548
Other	4,342	3,301
Allowance for doubtful accounts	(132)	(159)
Total current assets	41,282	41,125
Noncurrent assets		
Property, plant and equipment		
Land	7,592	5,069
Other, net	10,320	9,925
Property, plant and equipment	17,912	14,994
Intangible assets		
Goodwill	299	369
Other	1,383	1,505
Total intangible assets	1,682	1,875
Investments and other assets	5,231	6,208
Total noncurrent assets	24,826	23,078
Total assets	66,109	64,203

Millions of yen	September 30, 2010	March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,755	4,666
Short-term loans payable	4,067	3,542
Accounts payable-other	11,301	10,817
Income taxes payable	715	660
Provision	145	152
Other	3,079	2,908
Total current liabilities	24,064	22,748
Noncurrent liabilities		
Long-term loans payable	3,167	2,000
Provision for retirement benefits	1,656	1,719
Other	1,771	1,750
Total noncurrent liabilities	6,595	5,469
Total liabilities	30,660	28,218
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,509	28,327
Treasury stock	(3,458)	(3,457)
Total shareholders' equity	37,181	37,000
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4	5
Foreign currency translation adjustment	(1,832)	(1,118)
Total valuation and translation adjustments	(1,828)	(1,112)
Subscription rights to shares	87	89
Minority interests	8	7
Total net assets	35,448	35,985
Total liabilities and net assets	66,109	64,203

(2) Consolidated statements of income

Millions of yen	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	36,482	38,605
Cost of sales	21,273	22,325
Gross profit	15,208	16,279
Selling, general and administrative expenses	14,439	14,459
Operating income	769	1,819
Non-operating income		
Interest income	17	14
Dividends income	1	0
Foreign exchange gains	73	-
Rent income	-	44
Other	83	47
Total non-operating income	175	106
Non-operating expenses		
Interest expenses	65	55
Foreign exchange losses	-	180
Other	36	75
Total non-operating expenses	102	311
Ordinary income	841	1,614
Extraordinary income		
Gain on sales of noncurrent assets	1	11
Gain on bad debts recovered	11	-
Gain on prior period adjustment	43	-
Other	3	2
Total extraordinary income	60	13
Extraordinary loss		
Restructuring loss	142	100
Loss on retirement of noncurrent assets	11	20
Loss on sales of noncurrent assets	4	0
Impairment loss	26	-
Office transfer expenses	-	72
Other	9	16
Total extraordinary losses	194	209
Income before income taxes and minority interests	708	1,418
Income taxes-current	646	700
Income taxes-deferred	(203)	23
Total income taxes	442	724
Income before minority interests	-	694
Minority interests in income	0	0
Net income	264	693

(3) Consolidated statements of cash flows

Millions of yen	Six months ended September 30, 2009	Six months ended September 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	708	1,418
Depreciation and amortization	1,227	1,016
Impairment loss	26	-
Amortization of goodwill	66	49
Loss (gain) on sales of noncurrent assets	2	(10)
Loss on retirement of noncurrent assets	11	20
Loss on business restructuring	142	100
Increase (decrease) in provision	10	3
Increase (decrease) in allowance for doubtful accounts	(6)	28
Increase (decrease) in provision for retirement benefits	81	(4)
Interest and dividends income	(18)	(14)
Interest expenses	65	55
Foreign exchange losses (gains)	20	37
Decrease (increase) in notes and accounts receivable-trade	(588)	(125)
Decrease (increase) in inventories	1,114	(262)
Increase (decrease) in notes and accounts payable-trade	597	143
Increase (decrease) in accounts payable-other	(45)	404
Other, net	(140)	20
Subtotal	3,275	2,881
Interest and dividends income received	18	14
Interest expenses paid	(65)	(54)
Payments for business restructuring	(112)	(100)
Income taxes paid	(151)	(615)
Net cash provided by (used in) operating activities	2,964	2,126
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(590)	(3,606)
Proceeds from sales of property, plant and equipment	15	29
Purchase of intangible assets	(206)	(105)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36)	(59)
Other, net	(214)	37
Net cash provided by (used in) investing activities	(1,033)	(3,704)

Millions of yen	Six months ended September 30, 2009	Six months ended September 30, 2010
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	64	(109)
Proceeds from long-term loans payable	-	2,000
Repayment of long-term loans payable	-	(166)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(510)	(511)
Other, net	153	(16)
Net cash provided by (used in) financing activities	(292)	1,195
Effect of exchange rate change on cash and cash equivalents	(100)	(331)
Net increase (decrease) in cash and cash equivalents	1,538	(713)
Cash and cash equivalents at beginning of period	10,814	13,774
Cash and cash equivalents at end of period	12,353	13,060

(4) Note related to assumption of going-concern

Not applicable

(5) Segment information

1. Overview of reportable segments

The reportable segments of SATO CORPORATION are constituent units of the Company whose separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating the operating results.

In addition to developing its unique business model "DCS & Labeling," by freely using auto-identification technology in Japan and overseas and adopting this model to meet the regional characteristics of each region, and manufacturing and selling mechatronic products and supply products, the SATO Group provides software and maintenance services and conducts business activities.

Under the current corporate system, overseas, the supervising company for each geographic region of the Americas, Europe, and Asia and Oceania, or in Japan, the Company, provides management guidance to the local companies belonging to the respective supervising company. At the same time, the Company and the supervising companies offer the local entities strategic proposals related to production or marketing, and in this way, lead and manage all the companies of the region that they supervise.

Accordingly, the Company makes its reportable segments the following four geographic regions: Japan, Americas (mainly U.S.A.), Europe (mainly U.K. and Germany), and Asia and Oceania (mainly Singapore and Malaysia). Each of these segments forms a regional base that forms a separate production and marketing system.

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

Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

Millions of yen	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	29,359	3,168	3,067	3,010	38,605
Intersegment sales and transfer	2,246	41	120	2,707	5,116
Total	31,605	3,209	3,187	5,718	43,721
Segment profit (loss)	1,591	72	(104)	209	1,768

3. The difference between the total amount of profit or loss for reportable segments and the amount recorded on the consolidated statements of income, and the major breakdown of the difference
(Matters related to difference adjustment)

Six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

Profit	Amount Millions of yen
Reportable segments total	1,768
Intersegment eliminations	(14)
Amortization of goodwill	(43)
Adjustment of inventories	106
Other adjustment	3
Operating income on the consolidated statements of income	1,819

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

   Not applicable

(Additional information)

Effective from the first quarter of the fiscal year ending March 31, 2011, the Company adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

(6) Notes in the event of material changes in amount of shareholders’ equity

Not applicable