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

February 4, 2011

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:	February 10, 2011
Date of commencement of dividend payments:	—
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 nine months of the fiscal year ending March 31, 2011 (from April 1, 2010 to December 31, 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	
Nine months ended	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2010	58,993	5.3	3,271	82.5	2,752	61.3
December 31, 2009	56,044	(8.8)	1,792	(3.7)	1,706	24.3

	Net income		Net income per share	Net income per share, fully diluted
Nine months ended	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2010	1,383	112.3	45.96	–
December 31, 2009	651	–	21.65	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2010	66,318	35,477	53.3	1,175.03
March 31, 2010	64,203	35,985	55.9	1,191.84

(N.B.) Total equity:

As of December 31, 2010: ¥35,380 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)				18.00	34.00

(Note) Revisions of projected dividends during the quarter under review: Yes

Breakdown of dividends: Commemorative dividend ¥1.00

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	4,200	63.1	3,800	70.0	500	(36.0)	16.61

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

4. Others (For details, please refer to “Other information” on pages 6-7 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 December 31, 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 December 31, 2010	1,890,474 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 nine months)

Nine months ended December 31, 2010	30,110,877 shares
Nine months ended December 31, 2009	30,111,694 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 pages 4-5 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 Nine Months

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

The recovery in the business environment encompassing the SATO Group during the first nine months ended December 31, 2010 was supported by government economic measures implemented by Japan and other countries and economic growth of the emerging countries in Asia, particularly China, and elsewhere. These countries are expected to continue to propel the global economy forward.

Under such a business environment, the SATO Group experienced 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 movements toward streamlining and rationalization in every market, we narrowed our focus on target markets and concentrated our efforts on proposal-based sales involving mechatronic products.

In Japan, we newly introduced industry-centered business unit structure focusing on key markets, with the aim of identifying and further strengthening our sales capabilities to provide our customers with highly specialized solutions that accurately answer customer needs. With our large network of branches throughout Japan, we have then been able to expand the success across Japan, and increase profit.We are now beginning to see real signs of success and opportunity, as seen in the expansion of new markets and inquiries for new applications. While demand remains highfor supply products, mechatronic products are also showing growth, as shown by mainstay electronic printers recording double-digit year-on-year growth for all three months of the third quarter. This indicates even more clearly that we are heading towards recovery. As a result of those activities, net sales in Japan for the first nine months were ¥45,100 million, a rise of 6.1% year on year.

Overseas, the SATO Group has focused its efforts on achieving expansion of sales in countries in the Americas, Europe, Asia and Oceania and capitalizing on the growing demand in the emerging economy of Asia, particularly China. As a result, overseas sales rose to ¥13,893 million (2.5% year on year), offsetting the adverse impact of a fluctuation in foreign exchange rates (negative effect of ¥1,120 million).

In terms of profits, the SATO Group has utilized its expertise in all regions to enhance productivity continuously, reduce manufacturing costs and find savings in operating business expenses, resulting in steady improvements in profitability. In Japan, an increase in sales and efforts to streamline selling, general and administrative expenses have also contributed to securing profits higher than projected. Overseas, due not only to the effect of increased profits accompanying a sales increase in Asia and Oceania, but also earnings improvements across all regions, profitability of our overseas business has significantly improved. During the first nine months, operating income in Japan was ¥2,898 million, an increase of 30% compared to the same period of the previous fiscal year, and operating income overseas was ¥322 million, an improvement from an operating loss of ¥352 million in the same period of the previous fiscal year.

As a result of these activities, net sales during the first nine months ended December 31, 2010, increased by 5.3% from the same period of the previous fiscal year to ¥58,993 million; operating income increased by 82.5% to ¥3,271 million; ordinary income rose by 61.3% to ¥2,752 million; and net income increased by 112.3% to ¥1,383 million.

By segment, the SATO Group reported the following:

a. Japan
   Net sales increased by 6.1% to ¥45,100 million; operating income rose by 34.0% to ¥2,898 million, compared to the same period of the previous fiscal year.

b. Americas
   Net sales increased by 1.0% to ¥4,661 million; operating income declined by 41.5% to ¥98 million, compared to the same period of the previous fiscal year.

c. Europe
   Net sales declined by 12.0% to ¥4,598 million; an operating loss of ¥168 million was recorded compared to an operating loss of ¥378 million in the same period of the previous fiscal year.

d. Asia and Oceania
   Net sales increased by 24.6% to ¥4,632 million; operating income was ¥391 million compared to an operating loss of ¥142 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 4.0% to ¥21,699 million compared to the same period of the previous fiscal year.

b. Net sales of supply products increased by 6.0% to ¥37,293 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 third quarter were ¥66,318 million, an increase of ¥2,115 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 ¥35,477 million, a ¥508 million decrease, the fact net income has been declared, due to the payment of cash dividends and the decreases in foreign currency translation adjustments.

Cash flows

At the end of the third quarter, cash and cash equivalents (referred to below as “cash”) stood at ¥11,351 million, a decrease of ¥2,422 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥1,728 million.

The increase in cash reflected principally income before income taxes and minority interests of ¥2,537 million, ¥1,537 million in depreciation and amortization, and an increase in accounts payable-other of ¥838 million. Contributing to a decrease in cash were primarily a ¥1,913 million increase in notes and accounts receivable-trade, a ¥448 million increase in inventories and ¥1,248 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥3,939 million.

This resulted primarily from an expenditure of ¥3,903 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 ¥206 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 ¥985 million.

(3) Qualitative information on consolidated forecasts

In addition to ongoing stability in domestic demand, the SATO Group’s operating results are being propelled by its efforts in the growth markets of Asia, particularly China. We have begun to see real signs of success and opportunity from strengthening our sales capabilities in each country and each market. For example, inquiries have increased for not only supply products, but also mechatronic products, providing a clear signal that we are heading towards recovery. In addition, by streamlining selling, general and administrative expenses, the SATO Group expects operating income and ordinary income to exceed the previous consolidated forecasts announced on November 5, 2010.

However, with respect to net income, as a result of a resolution passed by the Board of Directors at a meeting held today, the SATO Group will withdraw from a welfare pension fund. Accompanying this withdrawal, we expect a special contribution of about ¥2,383 million as an extraordinary loss. As a result, net income has been revised to ¥500 million.

Revision of consolidated forecasts for the fiscal year ending March 31, 2011
(from April 1, 2010 to March 31, 2011)

	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)
Previous forecasts (A)	79,000	4,000	3,700	1,600	53.14
Current forecasts (B)	79,000	4,200	3,800	500	16.61
Change (B-A)	-	200	100	(1,100)	-
Change (%)	-	5.0	2.7	(68.8)	-
(Reference) Actual results of the fiscal year ended March 31, 2010	74,917	2,574	2,235	781	25.95

The assumed foreign exchange rates are as follows.
The assumed foreign exchange rates for the fourth quarter and beyond are US$1 = ¥82 and €1 = ¥111. (The assumption in the previous forecast: US$1 = ¥82 and €1 = ¥114)

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 nine months ended December 31, 2010.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Millions of yen	December 31, 2010	March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	11,236	13,584
Notes and accounts receivable-trade	18,072	16,346
Short-term investment securities	153	189
Merchandise and finished goods	6,198	6,198
Work in process	111	114
Raw materials and supplies	1,573	1,548
Other	4,317	3,301
Allowance for doubtful accounts	(103)	(159)
Total current assets	41,559	41,125
Noncurrent assets		
Property, plant and equipment		
Land	7,669	5,069
Other, net	10,323	9,925
Total property, plant and equipment	17,993	14,994
Intangible assets		
Goodwill	442	369
Other	1,309	1,505
Total intangible assets	1,752	1,875
Investments and other assets	5,013	6,208
Total noncurrent assets	24,759	23,078
Total assets	66,318	64,203

Millions of yen	December 31, 2010	March 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,481	4,666
Short-term loans payable	4,049	3,542
Accounts payable-other	11,769	10,817
Income taxes payable	519	660
Provision	127	152
Other	3,326	2,908
Total current liabilities	24,273	22,748
Noncurrent liabilities		
Long-term loans payable	3,046	2,000
Provision for retirement benefits	1,634	1,719
Other	1,886	1,750
Total noncurrent liabilities	6,567	5,469
Total liabilities	30,841	28,218
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,717	28,327
Treasury stock	(3,458)	(3,457)
Total shareholders' equity	37,389	37,000
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5	5
Foreign currency translation adjustment	(2,014)	(1,118)
Total valuation and translation adjustments	(2,008)	(1,112)
Subscription rights to shares	87	89
Minority interests	8	7
Total net assets	35,477	35,985
Total liabilities and net assets	66,318	64,203

(2) Consolidated statements of income

Millions of yen	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	56,044	58,993
Cost of sales	32,603	34,039
Gross profit	23,440	24,954
Selling, general and administrative expenses	21,648	21,683
Operating income	1,792	3,271
Non-operating income		
Interest income	23	23
Dividends income	1	0
Purchase discounts	33	13
Rent income	-	72
Other	92	71
Total non-operating income	151	181
Non-operating expenses		
Interest expenses	93	86
Foreign exchange losses	101	516
Other	43	96
Total non-operating expenses	237	700
Ordinary income	1,706	2,752
Extraordinary income		
Gain on sales of noncurrent assets	2	17
Gain on bad debts recovered	12	-
Gain on prior period adjustment	78	-
Other	10	4
Total extraordinary income	104	22
Extraordinary loss		
Restructuring loss	205	99
Loss on retirement of noncurrent assets	14	35
Loss on sales of noncurrent assets	8	3
Impairment loss	26	-
Office transfer expenses	-	70
Other	10	27
Total extraordinary losses	264	237
Income before income taxes and minority interests	1,546	2,537
Income taxes-current	1,006	1,099
Income taxes-deferred	(113)	53
Total income taxes	893	1,152
Income before minority interests	-	1,385
Minority interests in income	0	1
Net income	651	1,383

(3) Consolidated statements of cash flows

Millions of yen	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,546	2,537
Depreciation and amortization	1,821	1,537
Impairment loss	26	-
Amortization of goodwill	99	82
Loss (gain) on sales of noncurrent assets	5	(14)
Loss on retirement of noncurrent assets	14	35
Loss on business restructuring	205	99
Increase (decrease) in provision	(29)	(32)
Increase (decrease) in allowance for doubtful accounts	(11)	(20)
Increase (decrease) in provision for retirement benefits	60	(16)
Interest and dividends income	(25)	(23)
Interest expenses	93	86
Foreign exchange losses (gains)	9	97
Decrease (increase) in notes and accounts receivable-trade	(2,261)	(1,913)
Decrease (increase) in inventories	1,007	(448)
Increase (decrease) in notes and accounts payable-trade	930	(220)
Increase (decrease) in accounts payable-other	873	838
Other, net	345	513
Subtotal	4,712	3,139
Interest and dividends income received	17	23
Interest expenses paid	(93)	(85)
Payments for business restructuring	(186)	(99)
Income taxes paid	(717)	(1,248)
Net cash provided by (used in) operating activities	3,733	1,728
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(640)	(3,903)
Proceeds from sales of property, plant and equipment	25	35
Purchase of intangible assets	(444)	(168)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36)	(284)
Other, net	(159)	381
Net cash provided by (used in) investing activities	(1,255)	(3,939)

Millions of yen	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	109	(242)
Proceeds from long-term loans payable	-	2,000
Repayment of long-term loans payable	-	(457)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(984)	(985)
Other, net	66	(106)
Net cash provided by (used in) financing activities	(808)	206
Effect of exchange rate change on cash and cash equivalents	(3)	(417)
Net increase (decrease) in cash and cash equivalents	1,665	(2,422)
Cash and cash equivalents at beginning of period	10,814	13,774
Cash and cash equivalents at end of period	12,480	11,351

(4) Notes related to going-concern assumption

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

Nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010)

Millions of yen	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	45,100	4,661	4,598	4,632	58,993
Intersegment sales and transfer	3,566	76	188	4,155	7,987
Total	48,666	4,738	4,786	8,788	66,980
Segment profit (loss)	2,898	98	(168)	391	3,220

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)

Nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010)

Profit	Amount Millions of yen
Reportable segments total	3,220
Intersegment eliminations	5
Amortization of goodwill	(66)
Adjustment of inventories	104
Other adjustment	6
Operating income on the consolidated statements of income	3,271

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

(7) Significant subsequent events

(Withdrawal from Welfare Pension Fund)

The Company has been subscribing to a multi-employer welfare pension fund (Welfare Pension Fund of Saitama Machinery Industry), however, as part of comprehensive reform of the retirement benefit system, a resolution to optionally withdraw from the aforesaid fund was passed by the Board of Directors at a meeting held on February 4, 2011.

Accompanying the withdrawal from the fund, the Company expects to bear a withdrawal special contribution. The Company plans to confirm the actual amount that will be born after the withdrawal has been approved by the fund’s regular conference of representatives to be held in February this year.