

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

April 27, 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

Please address all communications to: Akihiro Kushida, Senior Executive Officer,  
General Manager, Corporate Planning &  
Administration Division  
Phone: 03-6665-0639

Date of regular General Meeting of Shareholders: June 24, 2011  
Date of commencement of dividend payments: June 27, 2011  
Scheduled submission date for annual securities report: June 27, 2011  
Supplementary explanatory materials for financial results: Available  
Holding of meeting to explain financial results (for analysts and institutional investors): Yes

**1. Consolidated operating results for the fiscal year ended March 31, 2011  
(from April 1, 2010 to March 31, 2011)**

(1) Consolidated financial results

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2011	78,368	4.6	4,226	64.2	3,696	65.4	503	(35.6)
March 31, 2010	74,917	(4.2)	2,574	252.6	2,235	527.7	781	(61.9)

(Note) Comprehensive income:

Fiscal year ended March 31, 2011: ¥(57) million (-%) Fiscal year ended March 31, 2010: ¥1,065 million (-%)

Fiscal year ended	Net income per share	Net income per share, fully diluted	Return on equity ratio	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
March 31, 2011	16.71	-	1.4	5.7	5.4
March 31, 2010	25.95	-	2.2	3.6	3.4

(N.B.) Equity in earnings or losses of affiliates:

Fiscal year ended March 31, 2011: -

Fiscal year ended March 31, 2010: -

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2011	66,134	34,929	52.7	1,156.88
March 31, 2010	64,203	35,985	55.9	1,191.84

(N.B.) Total equity:

As of March 31, 2011: ¥34,834 million

As of March 31, 2010: ¥35,887 million

## (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 period
Fiscal year ended	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31, 2011	1,595	(4,283)	(3)	10,813
March 31, 2010	5,860	(2,093)	(826)	13,774

## 2. Dividends

	Annual dividend per share					Total dividends paid (Total)	Dividend payout ratio (consolidated)	Dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2010	-	16.00	-	17.00	33.00	993	127.2	2.8
March 31, 2011	-	16.00	-	18.00	34.00	1,023	203.5	2.9
March 31, 2012 (Forecast)	-	17.00	-	17.00	34.00		-	

## 3. Consolidated forecasts for the fiscal year ending March 31, 2012 (from April 1, 2011 to March 31, 2012)

(Percent 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)
Six months	39,000	1.0	1,850	1.7	1,750	8.4	700	0.9	23.25
Annual	82,000	4.6	4,800	13.6	4,600	24.4	2,400	377.0	79.71

#### 4. Others

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in the change in scope of consolidation): None
  
- (2) 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
  
- (3) Number of issued shares (common stock)
  - 1) Number of issued shares at the end of term (including treasury stock):

As of March 31, 2011:	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 March 31, 2011:	1,890,699 shares
As of March 31, 2010:	1,889,813 shares
  - 3) Average number of shares during the period

Fiscal year ended March 31, 2011:	30,110,800 shares
Fiscal year ended March 31, 2010:	30,111,621 shares

**(N.B.) Non-consolidated operating results**

**1. Non-consolidated operating results for the fiscal year ended March 31, 2011  
(from April 1, 2010 to March 31, 2011)**

**(1) Non-consolidated financial results**

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2011	61,013	8.3	2,653	32.1	3,819	107.9	379	(64.3)
March 31, 2010	56,357	0.5	2,008	10.8	1,837	(4.6)	1,062	-

Fiscal year ended	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
March 31, 2011	12.61	-
March 31, 2010	35.29	-

**(2) Non-consolidated financial position**

As of	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2011	70,541	35,719	50.5	1,183.43
March 31, 2010	68,743	36,344	52.7	1,204.02

(N.B.) Total equity:

As of March 31, 2011: ¥35,633 million

As of March 31, 2010: ¥36,254 million

**\* Indication about carrying-out of the audit procedures**

*This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this financial report, the audit procedures for 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 page 5 of the attached materials to the financial report for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.*

## Attached Materials

### Index

1.Results of Operations .....	2
(1) Analysis of financial performance.....	2
(2) Analysis of financial position .....	5
(3) Policy regarding the distribution of profits and dividends.....	7
(4) Risk factors .....	8
2.Group Organization .....	9
3.Management Policies .....	14
(1) Fundamental policy .....	14
(2) Management indices .....	14
(3) Medium- to long-term management strategy and issues requiring action .....	14
4.Consolidated Financial Statements .....	16
(1) Consolidated balance sheets .....	16
(2) Consolidated statements of (comprehensive) income.....	18
(Consolidated statements of income).....	18
(Consolidated statements of comprehensive income).....	19
(3) Consolidated statements of changes in net assets .....	20
(4) Consolidated statements of cash flows .....	22
5.Non-consolidated Financial Statements .....	31
(1) Non-consolidated balance sheets .....	31
(2) Non-consolidated statements of income .....	34
(3) Non-consolidated statements of changes in net assets .....	36

## **1. Results of Operations**

### **(1) Analysis of financial performance**

#### a. Operating performance

There was a gradual improvement in the business environment encompassing the SATO Group during the fiscal year under review. This was supported by government economic measures implemented by various countries and economic growth of emerging countries in Asia, particularly China. Amidst this situation, on March 11, 2011, the Great East Japan Earthquake occurred, killing thousands and leaving many thousands more injured or homeless. The earthquake is expected to have a significant influence on the Japanese economy for years to come.

Under this business environment, the SATO Group conducted measures to strengthen sales in each country and market while working to improve productivity, reduce manufacturing costs and find savings in various business expenses. These efforts have allowed us to steadily improve our profit structure.

The Great East Japan Earthquake had only a minor effect on our operating results and increased sales in Asian countries, particularly China, helped to raise our bottom line.

As a result of these activities, net sales during FY 2011 increased by 4.6% from the previous fiscal year to ¥78,368 million; operating income increased by 64.2% to ¥4,226 million; ordinary income increased by 65.4% to ¥3,696 million; while net income decreased by 35.6% to ¥503 million.

By segment, the SATO Group reported the following:

#### a) Japan

Aiming to further strengthen sales, we introduced the new industry-centered business unit structure at the beginning of the fiscal year to provide highly specialized solutions that accurately meet customer needs. We are increasing our sales by sharing the information and solutions gained from the business successes we have already achieved with our large network of branches across Japan. As we steadily reorganize under the new business unit structure, we are now beginning to see real signs of success and opportunity, as can be seen in the expansion of new markets and inquiries for new applications. Remaining strong from the previous fiscal year, sales of supply products ended at a record high, and sales of mechatronic products were also positive with electronic printers showing clear signs of recovery, particularly for the manufacturing industry.

Regarding the damage incurred from the Great East Japan Earthquake; while there was some loss of materials and finished products held in stock at a label factory in Northern Japan's Tohoku area, production resumed two days after the earthquake, and we did not experience any obstructions to our production supply system, including the procurement of materials.

With respect to sales, there was a direct impact on sales within the earthquake affected areas as well as some cases of interruptions to logistics and transportation, stoppage of commercial activity due to rolling blackouts and the postponement of some deals. However, overall the effect of the earthquake on our business was minor.

As a result of these efforts during the fiscal year, net sales in Japan rose 5.2% from the previous fiscal year to ¥59,793 million while operating income rose 27.6% to ¥3,853 million.

b) Americas

Inquiries from OEMs are steadily expanding as a result of continuously strengthening our efforts towards them. Also in progress are inquiries for markdown control systems for large retailers and inquiries for consumable expiry date management systems for food products. Based on this, we expect sales to expand in the future. We have made investment for the full-scale expansion of our apparel tag printing service bureau, and also the expansion of business locations in South America. As a result of these measures, net sales rose 1.4% from the previous fiscal year to ¥6,199 million and operating income fell 45.8% to ¥125 million.

c) Europe

Structural reform still continues across Europe. There was a considerable reduction of deficit and improvements in profitability in Germany and Spain. Aiming to achieve profitability, we are continuing to implement measures that will strengthen our earnings base. In terms of sales, our efforts to expand sales and secure profitability have been centered on cultivating new sales channels by enhancing our distributor network, capturing small-scale repeat customers and focusing on maintenance services. Through such efforts, net sales fell 9.6% from the previous fiscal year to ¥6,214 million, and our operating loss was ¥298 million, compared with an operating loss of ¥555 million in the previous fiscal year.

d) Asia and Oceania

Not only did all six sales subsidiaries record increased revenues and increased profits, five, those in China, Thailand, Malaysia, Singapore and Australia, posted record sales on a local currency basis. In each country, earnings were lifted by increased demand from sectors such as from the manufacturing industry, major transport companies, and government projects. In China, there were also active inquiries from Japanese companies operating in China and support from Japan has been strengthening. As a result of these efforts, net sales rose 20.6% to ¥6,161 million and operating income was ¥500 million as opposed to an operating loss of ¥90 million in the previous fiscal year.

By product, the SATO Group reported the following:

- a) Net sales of mechatronic products increased by 3.9% to ¥29,460 million compared to the previous fiscal year.
- b) Net sales of supply products increased by 5.1% to ¥48,908 million compared to the previous fiscal year.



b. Forecast for the fiscal year ending March 31, 2012

Although the economy in Japan followed a course for recovery with somewhat optimistic data beginning to appear regarding personal consumption, the Great East Japan Earthquake that occurred on March 11, 2011 not only caused unprecedented damage, it also had other consequences, such as power supply shortages due to the stoppage of the Fukushima Nuclear Power Station. At this stage, it is difficult to form any clear outlook on the future prospects of the Japanese economy.

In the first half of the fiscal year in particular, we believe we will be unavoidably be affected by deferred orders and decreased distribution due to damage to our customers' factories, stores and the like. However, the SATO Group will propose unique auto-identification technology solutions to customers throughout the supply chain encompassing manufacturing, distribution, and sales, and by doing so it is our intention to provide tireless support for Japan's recovery.

To help our return to profitability in the European markets, we will dispatch sales and service experts from Japan to fortify our efforts in order to further cultivate markets in each country and of each market type. We will also act quickly to strengthen our sales structures in the remarkably fast growing emerging economies particularly in Asia and South America, working to increase sales. In the second half of the fiscal year, we expect to return to favorable performance in Japan and increase both revenues and profits as we complete overseas structural reforms.

Through the above efforts, our annual consolidated forecasts are as follows.

Net sales	¥82,000 million	(increase by 4.6% year on year)
Operating income	¥4,800 million	(increase by 13.6% year on year)
Ordinary income	¥4,600 million	(increase by 24.4% year on year)
Net income	¥2,400 million	(increase by 377.0% year on year)

Japan's recovery from the earthquake and the length of time that rolling blackouts stay in effect will have a considerable variable effect on future earnings.

The average foreign exchange rates during the period assumed in the above forecast:

US\$ = ¥84 and Euro = ¥120.

**(2) Analysis of financial position**

a. Assets, liabilities and net assets

At the end of the fiscal year under review, the balance of current assets was ¥ 39,841 million, a decrease of ¥ 1,284 million (¥41,125 million recorded at the end of the previous fiscal year).

This was primarily the result of a decrease in cash and deposits of ¥ 2,903 million and an increase in notes and accounts receivable-trade of ¥ 906 million. The balance of noncurrent assets was ¥ 26,293 million (¥23,078 million at the end of the previous fiscal year), an increase of ¥ 3,214 million. This is mainly the result of an increase in property, plant and equipment of

¥2,914 million.

The balance of current liabilities was ¥26,247 million (¥22,748 million at the end of the previous fiscal year), an increase of ¥3,498 million. This was primarily due to increases of ¥2,030 million in short-term loans payable and of ¥1,411 million in accounts payable-other. The balance of noncurrent liabilities was ¥4,957 million (¥5,469 million at the end of the previous fiscal year), a decrease of ¥512 million. This was primarily due to the decrease in long-term loans payable of ¥622 million.

Net assets at the end of the fiscal year under review were ¥34,929 million (¥35,985 million at the end of the previous fiscal year), a decrease of ¥1,055 million. This was primarily a result of decreases in foreign currency translation adjustment of ¥556 million and in cash dividends paid of ¥993 million.

b. Cash flows

At the end of the fiscal year under review, cash and cash equivalents (referred to below as “cash”) stood at ¥10,813 million, a decrease of ¥2,960 million compared to the end of the previous fiscal year.

The major cash flow-related factors for the fiscal year ended March 31, 2011 are outlined below.

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

Net cash provided by operating activities amounted to ¥1,595 million.

The increase in cash primarily reflected an increase of ¥981 million in notes and accounts receivable-trade, ¥1,292 million in income taxes paid, and ¥2,300 million from withdrawal from welfare pension fund as well as ¥752 million in income before income taxes and minority interests, ¥2,074 million in depreciation and amortization, which does not affect cash in or out flow, and an increase of ¥646 million in accounts payable-other.

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

Net cash used in investing activities totaled ¥4,283 million.

This resulted primarily from expenditures of ¥4,233 million for the purchase of property, plant and equipment.

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

Net cash used in financing activities was ¥3 million. On one hand, there were cash dividends paid of ¥992 million and repayment of long-term loans payable of ¥627 million, while on the other, there were proceeds from long-term loans payable of ¥2,000 million.

### *Trend in cash flow indices*

	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Equity ratio (%)	55.4	58.0	55.9	52.7
Equity ratio based on market value (%)	58.9	35.0	62.5	50.0
Ratio of cash flow to interest-bearing debt (%)	165.2	110.9	120.2	542.7
Interest-coverage ratio (times)	22.7	35.3	49.3	13.7

(Notes)

The equity ratio is equal to shareholders' equity divided by total assets.

The equity ratio based on market value is equal to total stock market capitalization divided by total assets.

The ratio of cash flow to interest-bearing debt is equal to interest-bearing debts divided by operating cash flow.

The interest-coverage ratio is equal to operating cash flow divided by interest payments.

- \* All of the above indicators are calculated on a consolidated basis.
- \* Total stock market capitalization is calculated by multiplying the closing share price on the final trading day of the fiscal year by the number of issued shares (excluding treasury stock) as of the corresponding fiscal year-end.
- \* Operating cash flow equals total net cash flows provided by operating activities as stated in the consolidated statements of cash flows. Interest-bearing debts include all debts on which interest is paid, as stated in the consolidated balance sheets. 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 four-way returns to our stakeholders: shareholders, society, the Company, and its employees. The Company aims to achieve high investment efficiency based on stable and continuous dividends together with internal reserves retained for future business expansion. All decisions are made based entirely on business performance and climate.

The fiscal year ended March 31, 2011 was the 70th anniversary of the Company's foundation. We would like to thank all our stakeholders, particularly our shareholders, for your support.

As a gesture of our gratitude for the constant support we have received from our shareholders, we plan to pay an ordinary dividend of ¥17 per share plus a commemorative dividend of ¥1 per share, totaling ¥18 per share for the year-end dividend. Together with the interim dividend of ¥16 per share, this shall make total dividends for the fiscal year ¥34 per share.

We plan to raise this matter for approval at the Ordinary General Meeting of Shareholders to be held in June 2011.

As for total dividends for the fiscal year ending March 31, 2012, we plan to pay ¥34 per share, consisting of an interim dividend of ¥17 and a year-end dividend of ¥17.

#### **(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 net 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 healthcare providers and within 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 Group 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 Group 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 waves, there are a number of issues facing RFID that need to be resolved, particularly; concerns over protection of privacy, high costs and limitations regarding its usage in certain environments. The Company believes, therefore, that a certain amount of time will be required before the technologies are accepted by society in general and 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 continuously meet the needs of its customers. That said, however, the Group's financial performance could be affected by trends in demand for products related to bar codes and RFID.

##### **b. 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 minimize risk through financial strategies such as forward exchange contracts. Since it is never possible to completely eliminate foreign currency risks from commercial activity, any significant shift in currency values could have an impact on the Group's financial results.

##### **c. Country risks**

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

## 2. Group Organization

The SATO Group is a corporate group with the Company at the center involved primarily in the production and sales of electronic printers, hand labelers and other related mechatronic products, as well as supply products including IC tags/labels, stickers, labels, tags, tickets, ribbons, and MC-cards.

All thirty-seven subsidiaries involved in the Company's business are consolidated subsidiaries and their roles and business segment information are as shown below.

<b>Business</b>	<b>Main products and services</b>	<b>Role</b>	<b>Companies and Subsidiary Companies</b>
<b>Mechatronic products business</b>			
Electronic printers	Electronic printers, labeling robots, automatic labelers, maintenance services	Administration	SATO CORPORATION <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)  (4 companies)
		Shared services	SATO GLOBAL BUSINESS SERVICES PTE. LTD.  (1 company)
		Sales	SATO CORPORATION SATO AMERICA, INC. (U.S.A.) SATO LABELING SOLUTIONS AMERICA, INC. (U. S. A.) SATO UK LTD. (U. K.) SATO GERMANY GmbH (Germany) SATO IBERIA S. A. U. (Spain) SATO POLSKA SP. Z O. O. (Poland) SATO FRANCE S. A. S. (France) SATO BENELUX B.V. (Netherlands) 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) SATO ARGENTINA S.A. (Argentina)  (16 companies)
		Production	SATO CORPORATION SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia)  (2 companies)

<b>Business</b>	<b>Main products and services</b>	<b>Role</b>	<b>Companies and Subsidiary Companies</b>
Hand labelers And others	One line hand labelers, multiline hand labelers, software, maintenance services	Administration	SATO CORPORATION <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) (4 companies)
		Shared services	SATO GLOBAL BUSINESS SERVICES PTE. LTD. (1 company)
		Sales	SATO CORPORATION SATO AMERICA, INC. (U. S. A.) SATO LABELING SOLUTIONS AMERICA, INC. (U. S. A.) SATO UK LTD. (U. K.) SATO GERMANY GmbH (Germany) SATO IBERIA S. A. U. (Spain) SATO POLSKA SP. Z O. O. (Poland) SATO FRANCE S. A. S. (France) SATO BENELUX B.V. (Netherlands) 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 VIETNAM CO., LTD. (Vietnam) (1 company)

<b>Business</b>	<b>Main products and services</b>	<b>Role</b>	<b>Companies and Subsidiary Companies</b>
<b>Supply products business</b>			
IC tags/labels, stickers, labels, tags, tickets, ribbons, MC-cards and other supply products	Labels/tags for electronic printers, labels for hand labelers, IC tags/labels, stickers, tickets, ribbons, MC-cards	Administration	SATO CORPORATION <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)  (4 companies)
		Shared services	SATO GLOBAL BUSINESS SERVICES PTE. LTD.  (1 company)
		Sales	SATO CORPORATION SATO AMERICA, INC. (U. S. A.) SATO LABELING SOLUTIONS AMERICA, INC. (U. S. A.) SATO UK LTD. (U. K.) SATO GERMANY GmbH (Germany) SATO IBERIA S. A. U. (Spain) SATO POLSKA SP. Z O. O. (Poland) SATO FRANCE S. A. S. (France) SATO BENELUX B.V. (Netherlands) 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) SATO ARGENTINA S.A. (Argentina) SANKYO PRINTING COMPANY CO., LTD.  (17 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. U. (Spain) SATO ASIA PACIFIC PTE. LTD. (Singapore) SATO LABELLING POLSKA SP.Z O.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 PRINT CONNECT HONG KONG LTD. (Hong Kong) SATO PRINTING CO., LTD. SANKYO PRINTING COMPANY CO., LTD.  (16 companies)
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
Development of application software			INOOUT CO., LTD.

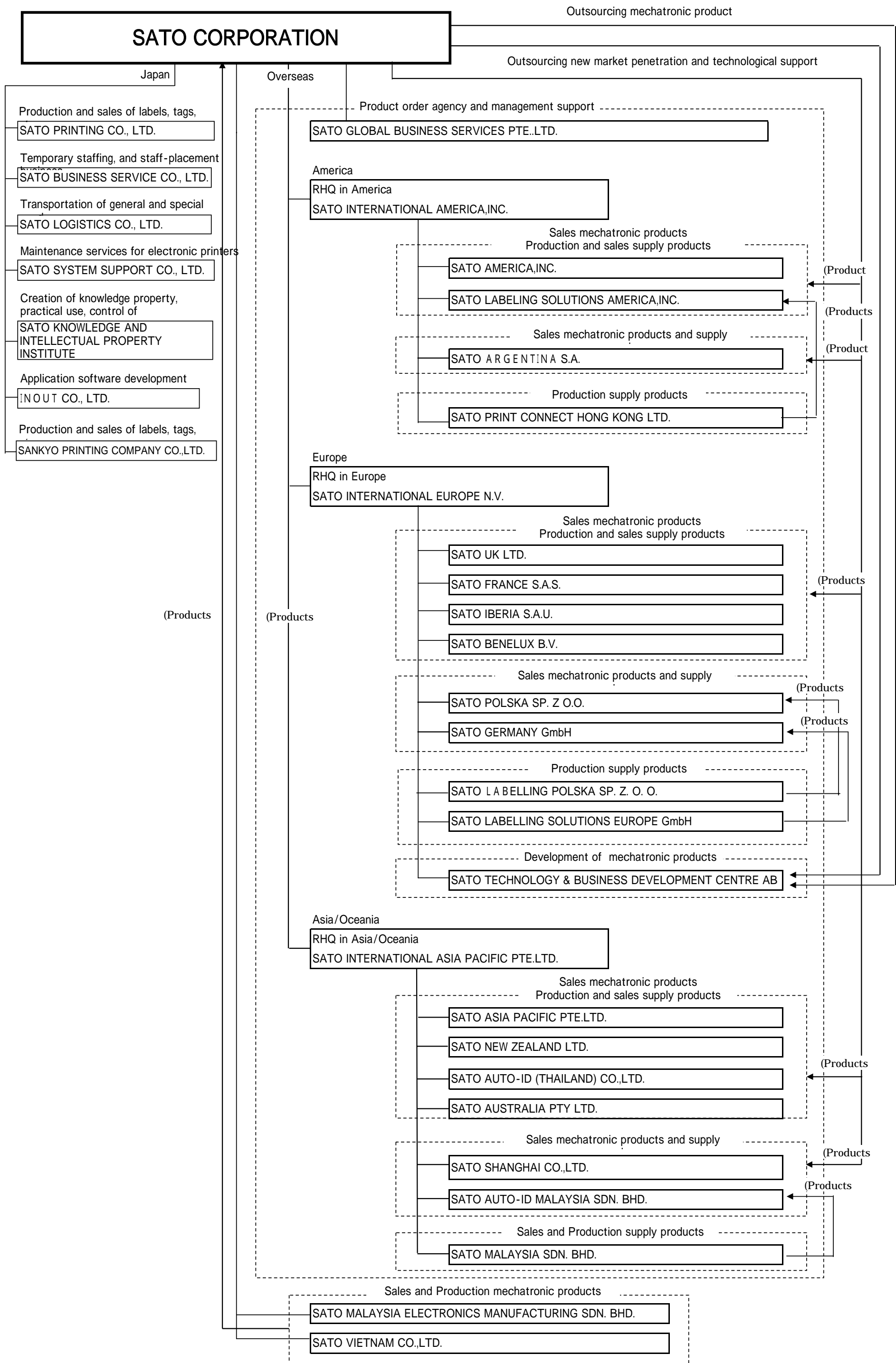
(Notes)

1. 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).
2. SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD., SATO VIETNAM CO., LTD., SATO GLOBAL BUSINESS SERVICES PTE. LTD., SATO INTERNATIONAL AMERICA, INC., SATO INTERNATIONAL EUROPE N.V., SATO UK LTD., SATO IBERIA S.A.U., SATO TECHNOLOGY & BUSINESS DEVELOPMENT CENTRE AB, SATO BENELUX B.V., SATO INTERNATIONAL ASIA PACIFIC PTE. LTD., SATO ASIA PACIFIC PTE. LTD., SATO MALAYSIA SDN. BHD., SATO HOLDING (THAILAND) CO., LTD., SATO SHANGHAI CO., LTD., SATO AUSTRALIA PTY LTD., SATO NEW ZEALAND LTD., SATO GERMANY GmbH, SATO PRINTING CO., LTD., SATO BUSINESS SERVICE CO., LTD., SATO LOGISTICS CO., LTD., SATO SYSTEM SUPPORT CO., LTD., SATO KNOWLEDGE

AND INTELLECTUAL PROPERTY INSTITUTE, INOUT CO., LTD. and SANKYO PRINTING COMPANY CO., LTD. are subsidiaries of the Company.

3. SATO FRANCE S. A. S., SATO POLSKA SP. Z O. O., SATO LABELING SOLUTIONS EUROPE GmbH and SATO LABELING POLSKA SP.Z O.O. are subsidiaries of SATO INTERNATIONAL EUROPE N. V.
4. SATO AUTO-ID MALAYSIA SDN. BHD. is a subsidiary of SATO MALAYSIA SDN. BHD.
5. SATO AUTO-ID (THAILAND) CO., LTD. is a subsidiary of SATO HOLDING (THAILAND) CO., LTD.
6. S. A. R. L. DES BOIS BLANCS is a subsidiary of SATO FRANCE S. A. S.
7. SATO AMERICA, INC. and SATO LABELING SOLUTIONS AMERICA, INC. are subsidiaries of SATO INTERNATIONAL AMERICA, INC.
8. SATO PRINT CONNECT HONG KONG LTD. is a subsidiary of SATO LABELING SOLUTIONS AMERICA, INC.
9. SATO ARGENTINA S.A. is a subsidiary of SATO AMERICA, INC.





### **3. Management Policies**

#### **(1) Fundamental policy**

Since its founding, guided by the principle of “ceaseless creativity,” the SATO Group has been advancing a business concept called “DCS (Data Collection Systems) & Labeling.” Its fundamental management policy is to contribute to society by enabling users of its products to achieve “precision, labor savings, and resource savings.”

#### **(2) Management indices**

In terms of management indices, the Group places great importance on the ratio of operating income to net sales and earnings per share (EPS). Recognizing these indices as benchmarks for raising shareholder value, we have set a goal of achieving consolidated net sales of at least ¥95.0 billion, a consolidated operating income of at least ¥6.0 billion, a consolidated operating income ratio of at least 6% and an EPS of at least ¥100 by fiscal year ending March 31, 2013 in our Medium-term Management Plan (beginning fiscal year ended March 31, 2011).

#### **(3) Medium- to long-term management strategy and issues requiring action**

In the Medium-term Management Plan (from fiscal year ended March 31, 2011 to fiscal year ending March 31, 2013), aiming to realize sustainable growth, the SATO Group has set a basic policy of establishing a growth trajectory to become “a company with profitable growth.” We aim to achieve record net sales and operating income by the fiscal year ending March 31, 2013, the final year of the plan.

As the main measures, we will address the following five items.

- 1) Strengthening profitability of our business in Japan
  - a. Strengthening proposal abilities through the introduction of the industry-centered business unit structure
    - Cultivating major users
    - Speeding up cross development by creating a solutions database
  - b. Strengthen the management whilst maintaining the same fixed cost as previous year.
  - c. Promoting business tie-ups and cooperation
  - d. Building and expanding an operational infrastructure that supports business
- 2) Establishing a profit structure for our overseas business
  - a. Realizing companywide profit = Establishing profit structure
  - b. Ensuring DCS & Labeling rooted in regional areas
  - c. Promoting information sharing and collaborative activities with our business in Japan

- d. Increasing the level of regional management
  - Americas = Increasing profits by developing new markets and channels
  - Europe = Achieving a profit by strengthening sales and continuing structural reforms
  - Asia and Oceania = Strengthening sales on the back of economic growth
- 3) Developing new technologies and base materials that will become future core businesses
  - a. Introducing and utilizing new technologies through external alliances
    - Multiple projects in progress
  - b. Developing and utilizing new base materials including business tie-ups
- 4) Dealing with growth markets
  - a. Strengthening our response to social issues such as the environment, security and the aging society
  - b. Developing government and lifeline markets
  - c. Expanding into the markets of Asian and emerging countries
    - Introducing products that meet each country's stage of growth (make products competitive even in low-price markets)
- 5) Building infrastructure to achieve managerial issues
  - a. Expanding personnel development efforts
  - b. Formulating operational integration functions
  - c. Rebuilding an optimal organizational management system (Japan, overseas)

## 4. Consolidated Financial Statements

### (1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2010	March 31, 2011
Assets		
Current assets		
Cash and deposits	13,584	10,680
Notes and accounts receivable-trade	16,346	17,253
Short-term investment securities	189	184
Merchandise and finished goods	6,198	6,331
Work in process	114	125
Raw materials and supplies	1,548	1,609
Accounts receivable-other	599	645
Deferred tax assets	1,987	2,000
Other	714	1,123
Allowance for doubtful accounts	(159)	(113)
Total current assets	41,125	39,841
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	9,931	11,509
Accumulated depreciation	(5,478)	(5,692)
Buildings and structures, net	4,453	5,817
Machinery, equipment and vehicles	10,723	11,174
Accumulated depreciation	(7,147)	(7,741)
Machinery, equipment and vehicles, net	3,576	3,432
Tools, furniture and fixtures	5,397	4,794
Accumulated depreciation	(4,265)	(3,860)
Tools, furniture and fixtures, net	1,132	933
Land	5,069	7,672
Construction in progress	762	52
Total property, plant and equipment	14,994	17,908
Intangible assets		
Goodwill	369	454
Software	1,062	950
Leasehold right	184	175
Other	258	264
Total intangible assets	1,875	1,845
Investments and other assets		
Investment securities	278	248
Long-term loans receivable	518	450
Guarantee deposits	806	691
Deferred tax assets	3,333	3,877
Other	1,346	1,331
Allowance for doubtful accounts	(73)	(59)
Total investments and other assets	6,208	6,538
Total noncurrent assets	23,078	26,293
Total assets	64,203	66,134

Unit: Millions of yen

	March 31, 2010	March 31, 2011
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,666	4,751
Short-term loans payable	3,542	5,573
Lease obligations	214	268
Accounts payable-other	10,817	12,229
Income taxes payable	660	205
Provision for bonuses	86	186
Provision for directors' bonuses	35	41
Provision for product warranties	30	30
Other	2,694	2,962
<b>Total current liabilities</b>	<b>22,748</b>	<b>26,247</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	2,000	1,377
Lease obligations	1,141	1,306
Provision for retirement benefits	1,719	1,696
Long-term accounts payable for directors' retirement benefits	244	199
Other	364	377
<b>Total noncurrent liabilities</b>	<b>5,469</b>	<b>4,957</b>
<b>Total liabilities</b>	<b>28,218</b>	<b>31,204</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,327	27,837
Treasury stock	(3,457)	(3,458)
<b>Total shareholders' equity</b>	<b>37,000</b>	<b>36,508</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5	(0)
Foreign currency translation adjustment	(1,118)	(1,674)
<b>Total accumulated other comprehensive income</b>	<b>(1,112)</b>	<b>(1,674)</b>
Subscription rights to shares	89	86
Minority interests	7	9
<b>Total net assets</b>	<b>35,985</b>	<b>34,929</b>
<b>Total liabilities and net assets</b>	<b>64,203</b>	<b>66,134</b>

**(2) Consolidated statements of (comprehensive) income**  
**(Consolidated statements of income)**

Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net sales	74,917	78,368
Cost of sales	43,637	45,350
Gross profit	31,279	33,018
Selling, general and administrative expenses	28,705	28,791
Operating income	2,574	4,226
Non-operating income		
Interest income	30	32
Dividends income	1	0
Purchase discounts	24	17
Rent income	33	87
Compensation income	34	2
Other	89	85
Total non-operating income	214	225
Non-operating expenses		
Interest expenses	118	117
Foreign exchange losses	292	496
Other	142	142
Total non-operating expenses	553	755
Ordinary income	2,235	3,696
Extraordinary income		
Gain on prior period adjustment	133	-
Gain on sales of noncurrent assets	4	21
Gain on sales of investment securities	-	13
Other	5	7
Total extraordinary income	143	42
Extraordinary loss		
Restructuring loss	261	498
Loss on retirement of noncurrent assets	22	45
Loss on sales of noncurrent assets	9	3
Impairment loss	46	-
Contributions for withdrawing from the pension fund	-	2,300
Other	9	137
Total extraordinary losses	349	2,986
Income before income taxes and minority interests	2,029	752
Income taxes-current	1,337	700
Income taxes-deferred	(90)	(453)
Total income taxes	1,246	247
Income before minority interests	-	505
Minority interests in income	0	1
Net income	781	503

**(Consolidated statements of comprehensive income)**

Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Income before minority interests	-	505
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(6)
Foreign currency translation adjustment	-	(556)
Total other comprehensive income	-	(562)
Comprehensive income	-	(57)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-	(59)
Comprehensive income attributable to minority interests	-	1

### (3) Consolidated statements of changes in net assets

Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,331	6,331
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,331	6,331
Capital surplus		
Balance at the end of previous period	5,799	5,799
Changes of items during the period		
Disposal of treasury stock	0	-
Total changes of items during the period	0	-
Balance at the end of current period	5,799	5,799
Retained earnings		
Balance at the end of previous period	28,539	28,327
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	781	503
Total changes of items during the period	(212)	(490)
Balance at the end of current period	28,327	27,837
Treasury stock		
Balance at the end of previous period	(3,457)	(3,457)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(3,457)	(3,458)
Total shareholders' equity		
Balance at the end of previous period	37,213	37,000
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	781	503
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	-
Total changes of items during the period	(212)	(491)
Balance at the end of current period	37,000	36,508



Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	8	5
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	(6)
Total changes of items during the period	(2)	(6)
Balance at the end of current period	5	(0)
Foreign currency translation adjustment		
Balance at the end of previous period	(1,403)	(1,118)
Changes of items during the period		
Net changes of items other than shareholders' equity	285	(556)
Total changes of items during the period	285	(556)
Balance at the end of current period	(1,118)	(1,674)
Total accumulated other comprehensive income		
Balance at the end of previous period	(1,394)	(1,112)
Changes of items during the period		
Net changes of items other than shareholders' equity	282	(562)
Total changes of items during the period	282	(562)
Balance at the end of current period	(1,112)	(1,674)
Subscription rights to shares		
Balance at the end of previous period	93	89
Changes of items during the period		
Net changes of items other than shareholders' equity	(3)	(3)
Total changes of items during the period	(3)	(3)
Balance at the end of current period	89	86
Minority interests		
Balance at the end of previous period	6	7
Changes of items during the period		
Net changes of items other than shareholders' equity	1	1
Total changes of items during the period	1	1
Balance at the end of current period	7	9
Total net assets		
Balance at the end of previous period	35,918	35,985
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	781	503
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	-
Net changes of items other than shareholders' equity	280	(564)
Total changes of items during the period	67	(1,055)
Balance at the end of current period	35,985	34,929

#### (4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,029	752
Depreciation and amortization	2,418	2,074
Amortization of goodwill	131	116
Gain on sales of fixed assets	(4)	(21)
Loss on sales of fixed assets	9	3
Loss on retirement of noncurrent assets	22	45
Loss on business restructuring	261	498
Contributions for withdrawing from the pension fund	-	2,300
Increase (decrease) in allowance for doubtful accounts	(142)	(52)
Increase (decrease) in provision for bonuses	(0)	91
Increase (decrease) in provision for retirement benefits	127	(6)
Increase (decrease) in provision for directors' bonuses	35	6
Interest and dividends income	(31)	(32)
Interest expenses	118	117
Foreign exchange losses (gains)	182	105
Decrease (increase) in notes and accounts receivable-trade	(954)	(981)
Decrease (increase) in inventories	1,306	(474)
Decrease (increase) in prepaid expenses	31	7
Decrease (increase) in accounts receivable-other	388	(49)
Increase (decrease) in notes and accounts payable-trade	585	15
Increase (decrease) in accounts payable-other	679	646
Other, net	(184)	212
Subtotal	7,007	5,375
Interest and dividends income received	31	32
Interest expenses paid	(118)	(116)
Payments for business restructuring	(213)	(102)
Contributions for withdrawing from the pension fund paid	-	(2,300)
Income taxes paid	(846)	(1,292)
Net cash provided by (used in) operating activities	5,860	1,595
Net cash provided by (used in) investing activities		
Purchase of investment securities	(1)	(0)
Purchase of property, plant and equipment	(1,419)	(4,233)
Proceeds from sales of property, plant and equipment	31	44
Purchase of intangible assets	(521)	(228)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(36)	(284)
Other, net	(147)	418
Net cash provided by (used in) investing activities	(2,093)	(4,283)

Unit: Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	90	(235)
Proceeds from long-term loans payable	-	2,000
Repayment of long-term loans payable	-	(627)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(992)	(992)
Other, net	75	(146)
Net cash provided by (used in) financing activities	(826)	(3)
Effect of exchange rate change on cash and cash equivalents	19	(270)
Net increase (decrease) in cash and cash equivalents	2,959	(2,960)
Cash and cash equivalents at beginning of period	10,814	13,774
Cash and cash equivalents at end of period	13,774	10,813

## (Segment information)

### a. Business segment information

Unit: Millions of yen Fiscal year ended March 31, 2010	Mechatronic products business	Supply products business	Total	Eliminations and corporate	Consolidated
Net sales					
External customer sales	28,363	46,553	74,917	(-)	74,917
Intersegment transactions and transfer	-	-	-	(-)	(-)
Total	28,363	46,553	74,917	(-)	74,917
Operating expenses	27,520	44,822	72,342	(-)	72,342
Operating income	843	1,730	2,574	(-)	2,574
Assets	24,957	29,491	54,449	9,754	64,203
Depreciation and amortization	1,014	1,397	2,411	6	2,418
Impairment loss	20	26	46	(-)	46
Capital expenditures	569	1,628	2,197	195	2,392

#### (Notes)

1. Business segments are classified into Mechatronic products business and Supply products business according to the category of products. The main products of each business segment are as follows:
  - a. Mechatronic products business: electronic printers, hand labelers
  - b. Supply products business: labels/tags for electronic printers, labels for hand labelers, IC tags/labels, tickets, ribbons and MC-cards.
2. Assets listed under Eliminations and corporate were ¥9,754 million at the fiscal year-end. This figure primarily consists of surplus operating capital (cash and short-term investment securities), assets and real estate for investment related to management divisions at the Company.
3. Depreciation and amortization and Capital expenditures include the amount of long-term prepaid expenses and depreciation and amortization of long-term prepaid expenses.

## b. Geographical segment information

Unit: Millions of yen	Japan	North America	Europe	Asia and Oceania	Total	Eliminations and corporate	Consolidated
<b>Fiscal year ended March 31, 2010</b>							
Net sales							
External customer sales	56,819	6,114	6,875	5,107	74,917	-	74,917
Intersegment sales	2,669	87	209	5,120	8,087	(8,087)	-
Total	59,488	6,202	7,085	10,227	83,004	(8,087)	74,917
Operating expenses	56,468	5,971	7,640	10,318	80,399	(8,056)	72,342
Operating income (loss)	3,020	231	(555)	(90)	2,605	(31)	2,574
Assets	68,847	4,177	4,013	15,285	95,189	(28,120)	64,203

(Notes)

1. Countries and regions are categorized on the basis of geographical proximity.
2. Outside Japan, the countries belonging to the various regions are as follows:
  - (1) North America: U.S.A.
  - (2) Europe: Germany, U.K., Poland, Belgium, France, Spain and Sweden
  - (3) Asia and Oceania: Malaysia, Singapore, Thailand, China, Vietnam, Australia and New Zealand
3. Assets in the fiscal year ended March 2010 included no eliminations or assets classified as corporate items.

### c. Overseas sales

Unit: Millions of yen	Fiscal year ended March 31, 2010	
	Overseas sales	As % of consolidated net sales
North America	6,114	8.2
Europe	6,875	9.2
Asia and others	5,107	6.8
Total	18,097	24.2
Consolidated net sales	74,917	

(Notes)

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

### d. Segment Information

Fiscal year ended March 31, 2011

#### 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 with the purposes of deciding the allocation of management resources and evaluating operating results.

By freely using auto-identification technology both inside Japan and overseas, the SATO Group has continued to develop its unique business model of “DCS & Labeling.” It has adapted this model to meet the specific characteristics of each region, and is conducting the manufacturing and sales of mechatronic and supply products, as well as providing software and maintenance services to its users.

Under the current organizational system, the Company, situated in Japan, leads and manages all regions through providing management guidance together with strategies for production and sales to each local subsidiary company working under our local area management companies in the Americas, Europe, Asia and Oceania.

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 & Oceania (mainly Singapore and Malaysia). Each of these segments forms a regional base that forms a separate production and marketing system.

2. Computation method for net sales, profit or loss, assets, liabilities, and other item amounts by reportable segment

The method of accounting by reportable segment is roughly the same as the method of accounting used for the preparation of consolidated financial statements.

The income stated in the reportable segments is a figure based on operating income.

### 3. Information on net sales, profit or loss, assets, liabilities and other item amounts by reportable segment

Millions of yen	Japan	North America	Europe	Asia and Oceania	Total
<b>Fiscal year ended March 31, 2010</b>					
Net sales					
External customer sales	56,819	6,114	6,875	5,107	74,917
Intersegment sales and transfer	2,669	87	209	5,120	8,087
Total	59,488	6,202	7,085	10,227	83,004
Segment profit (loss)	3,020	231	(555)	(90)	2,605
Segment assets	68,847	3,857	3,826	14,565	91,097
Other items					
Depreciation and amortization	1,622	84	173	537	2,418
Amount of increases in property, plant and equipment and intangible assets	2,205	70	66	44	2,387

Millions of yen	Japan	North America	Europe	Asia and Oceania	Total
<b>Fiscal year ended March 31, 2011</b>					
Net sales					
External customer sales	59,793	6,199	6,214	6,161	78,368
Intersegment sales and transfer	4,779	89	241	5,544	10,654
Total	64,573	6,289	6,455	11,705	89,023
Segment profit (loss)	3,853	125	(298)	500	4,181
Segment assets	70,881	3,644	3,593	14,203	92,323
Other items					
Depreciation and amortization	1,387	81	123	481	2,074
Amount of increases in property, plant and equipment and intangible assets	4,528	54	158	342	5,084

4. The difference between the total amount of profit or loss and assets for reportable segments and the amount recorded on the consolidated financial statements, and the major breakdown of the difference

(Matters related to difference adjustment)

<b>Profit</b>	<b>Amount Millions of yen</b>	
	Fiscal year ended	Fiscal year ended
	March 31, 2010	March 31, 2011
Reportable segments total	2,605	4,181
Intersegment eliminations	(16)	8
Amortization of goodwill	(123)	(88)
Adjustment of inventories	104	119
Other adjustment	4	7
Operating income on the consolidated statements of income	2,574	4,226

<b>Assets</b>	<b>Amount Millions of yen</b>	
	Fiscal year ended	Fiscal year ended
	March 31, 2010	March 31, 2011
Reportable segments total	91,097	92,323
Elimination of capital consolidation	(16,091)	(15,800)
Inter-segment claims and debts elimination	(10,538)	(10,298)
Other adjustment	(263)	(89)
Assets on the consolidated balance sheets	64,203	66,134



**e. Pertinent Information**

Fiscal year ended March 31, 2011

## 1. Information by product or service

Millions of yen	Mechatronic products	Supply products	Total
External customer sales	29,460	48,908	78,368

## 2. Information by region

Property, plant and equipment

					Millions of yen
Japan	North America	Europe	Asia and Oceania	Total	
15,722	301	499	1,385	17,908	

## 3. Information by major customers

Disclosure of this item is omitted because out of the customers included in external customer sales, there are no customers that make up 10% or more of the net sales of the consolidated income statements.

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

Fiscal year ended March 31, 2011

Not Applicable

**g. Information on amortization of goodwill and remaining goodwill balance**

Fiscal year ended March 31, 2011

Millions of yen	Reportable segments				Eliminations and corporate	Total
	Japan	North America	Europe	Asia and Oceania		
Amount of amortization	27	-	-	-	88	116
Balance at the end of period	234	-	-	-	220	454

(Note)

Goodwill of the SATO Group cannot be attributable to reportable segments. Goodwill consists of the goodwill recognized when the Company received the transfer of the barcode related business.

**h. Information on gain on negative goodwill by reportable segment**

Fiscal year ended March 31, 2011

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).

## 5. Non-consolidated Financial Statements

### (1) Non-consolidated balance sheets

Millions of yen	March 31, 2010	March 31, 2011
<b>Assets</b>		
Current assets		
Cash and deposits	9,088	6,771
Notes receivable-trade	3,172	3,300
Accounts receivable-trade	11,308	12,146
Merchandise and finished goods	3,420	3,548
Work in process	53	63
Raw materials	286	285
Prepaid expenses	357	361
Short-term loans receivable	921	734
Accounts receivable-other	895	987
Income taxes receivable	-	335
Deferred tax assets	1,841	1,792
Other	143	178
Allowance for doubtful accounts	(18)	(33)
Total current assets	31,470	30,471
Noncurrent assets		
Property, plant and equipment		
Buildings	7,814	9,403
Accumulated depreciation	(4,338)	(4,486)
Buildings, net	3,476	4,917
Structures	309	311
Accumulated depreciation	(273)	(278)
Structures, net	35	33
Machinery and equipment	7,671	7,891
Accumulated depreciation	(5,119)	(5,553)
Machinery and equipment, net	2,552	2,337
Vehicles	28	26
Accumulated depreciation	(27)	(25)
Vehicles, net	1	0
Tools, furniture and fixtures	2,440	2,480
Accumulated depreciation	(2,087)	(2,069)
Tools, furniture and fixtures, net	352	411
Land	5,031	7,582
Construction in progress	736	6
Total property, plant and equipment	12,185	15,289
Intangible assets		
Goodwill	-	43
Software	709	756
Software in progress	168	145
Other	41	41
Total intangible assets	919	987

Millions of yen	March 31, 2010	March 31, 2011
Investments and other assets		
Investment securities	253	222
Stocks of subsidiaries and affiliates	15,077	15,386
Investments in capital	1	1
Investments in capital of subsidiaries and affiliates	1,532	1,532
Long-term loans receivable	513	444
Long-term loans receivable from subsidiaries and affiliates	1,221	1,347
Claims provable in bankruptcy, claims provable in rehabilitation and other	53	47
Long-term prepaid expenses	36	34
Long-term accounts receivable-other	26	36
Guarantee deposits	711	588
Real estate for investment	839	828
Deferred tax assets	3,300	3,819
Other	673	576
Allowance for investment loss	-	(338)
Allowance for doubtful accounts	(72)	(736)
Total investments and other assets	24,168	23,793
Total noncurrent assets	37,273	40,070
Total assets	68,743	70,541
Liabilities		
Current liabilities		
Notes payable-trade	906	648
Accounts payable-trade	3,667	3,875
Short-term loans payable	3,000	3,000
Current portion of long-term loans payable	-	2,166
Lease obligations	194	239
Accounts payable-other	16,433	17,371
Income taxes payable	527	-
Accrued consumption taxes	107	104
Deposits received	2,985	2,972
Provision for directors' bonuses	35	41
Provision for product warranties	15	15
Provision for loss on guarantees	-	411
Other	67	74
Total current liabilities	27,940	30,921

Millions of yen	March 31, 2010	March 31, 2011
Noncurrent liabilities		
Long-term loans payable	2,000	1,333
Lease obligations	1,102	1,260
Provision for retirement benefits	889	878
Long-term accounts payable for directors' retirement benefits	244	199
Long-term guarantees deposited	125	129
Other	96	99
Total noncurrent liabilities	4,458	3,900
Total liabilities	32,399	34,821
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus		
Legal capital surplus	5,789	5,789
Other capital surplus	9	9
Total capital surpluses	5,799	5,799
Retained earnings		
Legal retained earnings	474	474
Other retained earnings		
Voluntary retained earnings	27,325	27,325
Retained earnings brought forward	(223)	(837)
Total retained earnings	27,576	26,962
Treasury stock	(3,457)	(3,458)
Total shareholders' equity	36,248	35,633
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5	(0)
Total valuation and translation adjustments	5	(0)
Subscription rights to shares	89	86
Total net assets	36,344	35,719
Total liabilities and net assets	68,743	70,541

**(2) Non-consolidated statements of income**

Millions of yen	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net sales		
Net sales of finished goods	49,079	53,529
Net sales of goods	7,278	7,483
Total net sales	56,357	61,013
Cost of sales		
Cost of finished goods sold		
Beginning finished goods	2,911	3,188
Cost of products manufactured	23,085	24,543
Purchase of finished goods	6,216	7,131
Total	32,213	34,863
Transfer to other account	220	248
Ending finished goods	3,188	3,310
Cost of finished goods sold	28,804	31,305
Cost of goods sold		
Beginning goods	145	97
Cost of purchased goods	5,742	6,116
Total	5,888	6,214
Ending goods	97	135
Cost of goods sold	5,791	6,078
Total cost of sales	34,595	37,383
Gross profit	21,762	23,630
Selling, general and administrative expenses		
Sales commission, promotion expenses	286	287
Freightage and packing expenses	984	1,107
Advertising expenses	256	195
Directors' compensations	360	292
Salaries and allowances	8,210	8,640
Retirement benefit expenses	627	542
Provision for directors' bonuses	35	41
Welfare expenses	1,388	1,558
Traveling and transportation expenses	580	588
Communication expenses	305	298
Depreciation	710	591
Rent expenses	430	354
Research and development expenses	1,828	1,921
commission fees	2,122	2,807
Other	1,627	1,748
Total selling, general and administrative expenses	19,753	20,976
Operating income	2,008	2,653

Millions of yen	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Non-operating income		
Interest income	99	96
Dividends income	1	1,490
Commission fee	53	41
Rent income	166	242
Other	45	26
Total non-operating income	366	1,898
Non-operating expenses		
Interest expenses	83	101
Foreign exchange losses	269	432
Sales discounts	18	15
Depreciation of assets for rent	120	131
Other	46	51
Total non-operating expenses	538	733
Ordinary income	1,837	3,819
Extraordinary income		
Gain on sales of noncurrent assets	-	11
Gain on sales of investment securities	1	13
Gain on bad debts recovered	5	-
Gain on reversal of subscription rights to shares	3	3
Total extraordinary income	10	28
Extraordinary loss		
Loss on retirement of noncurrent assets	10	29
Loss on sales of noncurrent assets	6	1
Loss on valuation of stocks of subsidiaries and affiliates	170	64
Impairment loss	20	-
Contributions for withdrawing from the pension fund	-	2,300
Provision of allowance for doubtful accounts	-	670
Provision of allowance for investment loss	-	338
Provision for loss on guarantees	-	411
Other	9	88
Total extraordinary losses	216	3,904
Income (loss) before income taxes	1,631	(56)
Income taxes-current	723	(0)
Income taxes-deferred	(155)	(435)
Total income taxes	568	(436)
Net income	1,062	379

**(3) Non-consolidated statements of changes in net assets**

Millions of yen	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	6,331	6,331
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,331	6,331
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	5,789	5,789
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	5,789	5,789
Other capital surplus		
Balance at the end of previous period	9	9
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	9	9
Total capital surplus		
Balance at the end of previous period	5,799	5,799
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	5,799	5,799
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	474	474
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	474	474
Other retained earnings		
Voluntary retained earnings		
Balance at the end of previous period	27,325	27,325
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	27,325	27,325
Retained earnings brought forward		
Balance at the end of previous period	(292)	(223)
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	1,062	379
Total changes of items during the period	69	(614)
Balance at the end of current period	(223)	(837)



Millions of yen	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Total retained earnings		
Balance at the end of previous period	27,507	27,576
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	1,062	379
Total changes of items during the period	69	(614)
Balance at the end of current period	27,576	26,962
Treasury stock		
Balance at the end of previous period	(3,457)	(3,457)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(3,457)	(3,458)
Total shareholders' equity		
Balance at the end of previous period	36,180	36,248
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	1,062	379
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	68	(614)
Balance at the end of current period	36,248	35,633
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	8	5
Changes of items during the period		
Net changes of items other than shareholders' equity	(2)	(6)
Total changes of items during the period	(2)	(6)
Balance at the end of current period	5	(0)
Subscription rights to shares		
Balance at the end of previous period	93	89
Changes of items during the period		
Net changes of items other than shareholders' equity	(3)	(3)
Total changes of items during the period	(3)	(3)
Balance at the end of current period	89	86
Total net assets		
Balance at the end of previous period	36,282	36,344
Changes of items during the period		
Dividends from surplus	(993)	(993)
Net income	1,062	379
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	(6)	(9)
Total changes of items during the period	61	(624)
Balance at the end of current period	36,344	35,719