

Consolidated Financial Report for the First Three Months of the March 2012 Term

<Under Japanese GAAP>

July 29, 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: August 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 three months of the fiscal year ending March 31, 2012 (from April 1, 2011 to June 30, 2011)

(1) Consolidated financial results (cumulative)

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

Three months ended	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2011	19,578	1.5	904	0.3	798	3.3
June 30, 2010	19,291	7.5	901	420.9	773	231.3

(Note) Comprehensive income:

Three months ended June 30, 2011: ¥288 million (-%) Three months ended June 30, 2010: ¥(311) million (-%)

Three months ended	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
June 30, 2011	467	55.5	15.54	-
June 30, 2010	300	336.1	9.99	-

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2011	65,773	34,662	52.6	1,148.47
March 31, 2011	66,134	34,929	52.7	1,156.88

(N.B.) Total equity:

As of June 30, 2011: ¥34,580 million

As of March 31, 2011: ¥34,834 million

2. Dividends

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2011	–	16.00	–	18.00	34.00
March 31, 2012	–				
March 31, 2012 (Forecast)		17.00	–	17.00	34.00

(Note) Revisions of projected dividends most recently announced: None

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)
First 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

(Note) Revisions of consolidated forecasts most recently announced: None

4. Others

- (1) Changes in significant subsidiaries during the first three months (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - 1) Changes in accounting policies due to revisions to accounting standards: None
 - 2) Changes in accounting policies due to other reasons: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of prior period financial statements after error corrections: None
- (4) Number of issued shares (common stock)
 - 1) Number of issued shares at the end of term (including treasury stock):

As of June 30, 2011:	32,001,169 shares
As of March 31, 2011:	32,001,169 shares
 - 2) Number of shares of treasury stock at the end of term:

As of June 30, 2011:	1,890,966 shares
As of March 31, 2011:	1,890,699 shares
 - 3) Average number of shares during the term (cumulative from the beginning of the fiscal year to the end of the first three months)

Three months ended June 30, 2011:	30,110,329 shares
Three months ended June 30, 2010:	30,111,026 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 Regarding Settlement of Accounts for the First Three Months

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

Due to the Great East Japan Earthquake that occurred in March, drops in capital investment and production activity have been observed in Japan. However, the parts supply network is being restored more quickly than expected, and this and other factors indicate economic activity is gradually recovering.

Under this business environment, the SATO Group continually 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. Aiming to expand sales in our overseas business, we are fortifying efforts to achieve business expansion such as by providing stronger support from Japan to accelerate the globalization of our operation.

As a result of these activities, the SATO Group saw the slight increases in both revenues and profits during the first three months ended June 30, 2011: net sales increased by 1.5% from the same period of the previous fiscal year to ¥ 19,578 million; operating income increased by 0.3% to ¥ 904 million; ordinary income increased by 3.3% to ¥798 million; and net income increased by 55.5% to ¥467 million.

By segment, the SATO Group reported the following:

<Japan>

Notwithstanding the impact of the Great East Japan Earthquake, our business units, each serving a different market, continued to offer proposals that accurately met customer needs. During the first three months, in an earthquake-affected environment of weak trade volume, sales of supply products were on par with the same period of the previous year. Sales of mechatronic products, on the other hand, were positive with electronic printers showing clear signs of recovery, particularly in the manufacturing industry. In addition, we received an increase in inquiries concerning new technology proposals for auto-identification. Through such proposals for new applications, we expect to achieve new market growth. As a result of these efforts, net sales rose 1.7% to ¥14,871 million while operating income rose 3.0% to ¥841 million, compared to the same period of the previous fiscal year.

<Americas>

Inquiries from OEMs are steadily expanding. In addition, inquiries for markdown control systems for large retailers as well as consumable expiry date management systems for food products are also in progress. Based on this, we expect sales to expand in the future. Also, in addition to bolstering sales activities to boost the sales of our apparel tag printing service bureau, we have been preparing to open new offices in South America to expand our sales channels. As a result of these efforts, net sales fell 6.1% to ¥1,513 million (a rise of 5.7%,

however, excluding foreign currency effects) and operating income fell 70.2% to ¥15 million, compared to the same period of the previous fiscal year.

<Europe>

Operations of a new label factory have started in Poland, providing momentum to our development of the production supply system. Through the implementation of various measures to strengthen our earnings base, we are aiming to achieve profitability in subsidiaries in Germany and Spain. As for activities affecting sales, while there was brisk activity with respect to inquiries for markdown systems, we prepared to cultivate new sales channels by enhancing our distributor network and promoting business cooperation with system dealers. Through the above efforts, we plan to be in a position where we can expect to achieve profitability in the second half of the fiscal year. In the first three months, net sales fell 3.1% to ¥1,581 million (a fall of 2.7%, however, excluding foreign currency effects), and there was an operating loss of ¥69 million, compared with an operating loss of ¥41 million in the same period of the previous fiscal year.

<Asia and Oceania>

In the Asia region, despite a temporary lull in orders from Japanese-owned companies in Asia and a weakening of growth, earnings were lifted by increased demand from sectors such as 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. In addition, we started operations of product assembly plants to meet the demand for “made in China” products. In the Oceania region, in addition to strong sales to the dairy produce and food processing sectors, inquiries concerning multiple large contracts for products to be used in the healthcare sector are progressing. As a result of these efforts, net sales rose 12.6% to ¥1,611 million (a rise of 14.2%, however, excluding foreign currency effects), and operating income rose 38.5% to ¥92 million, compared to the same period of the previous fiscal year.

By product, the SATO Group reported the following:

- a. Net sales of mechatronic products increased by 4.6% to ¥7,293 million compared to the same period of the previous fiscal year.
- b. Net sales of supply products decreased by 0.3% to ¥12,285 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 first quarter were ¥65,773 million, a decrease of ¥360 million compared to the end of the previous fiscal year. This was primarily the result of decreases in cash and deposits and notes and accounts receivable-trade. Net assets were ¥34,662 million, a ¥267 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 first quarter, cash and cash equivalents (referred to below as "cash") stood at ¥ 10,159 million, a decrease of ¥ 653 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥698 million, an increase of 136.2% compared to the same period of the previous fiscal year.

The increase in cash reflected principally income before income taxes and minority interests of ¥805 million, ¥465 million in depreciation and amortization, and a decrease in notes and accounts receivable-trade of ¥426 million. Contributing to a decrease in cash were a ¥226 million increase in inventories, a ¥304 million decrease in notes and accounts payable-trade and ¥334 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥ 435 million, a decrease of 85.5% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥182 million for the purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities totaled ¥853 million, compared to ¥1,473 million cash provided by financing activities in the same period of the previous fiscal year.

This primarily reflected cash dividends paid of ¥489 million.

(3) Qualitative information on consolidated forecasts

Regarding consolidated forecasts for the first six months and for the fiscal year ending March 31, 2012, no changes have been made to the consolidated forecasts that were announced on April 27, 2011.

2. Matters Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the first three months

Not Applicable

(2) Application of special accounting for preparing the quarterly consolidated financial statements

Not Applicable

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

Not Applicable

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2011	June 30, 2011
Assets		
Current assets		
Cash and deposits	10,680	10,012
Notes and accounts receivable-trade	17,253	16,772
Short-term investment securities	184	174
Merchandise and finished goods	6,331	6,465
Work in process	125	136
Raw materials and supplies	1,609	1,600
Other	3,768	4,318
Allowance for doubtful accounts	(113)	(118)
Total current assets	39,841	39,362
Noncurrent assets		
Property, plant and equipment		
Land	7,672	7,672
Other, net	10,236	10,112
Total property, plant and equipment	17,908	17,785
Intangible assets		
Goodwill	454	449
Other	1,390	1,320
Total intangible assets	1,845	1,770
Investments and other assets	6,538	6,855
Total noncurrent assets	26,293	26,411
Total assets	66,134	65,773

Unit: Millions of yen

	March 31, 2011	June 30, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,751	4,427
Short-term loans payable	5,573	5,432
Accounts payable-other	12,229	12,185
Income taxes payable	205	172
Provision	258	232
Other	3,230	3,848
Total current liabilities	26,247	26,297
Noncurrent liabilities		
Long-term loans payable	1,377	1,207
Provision for retirement benefits	1,696	1,680
Other	1,884	1,925
Total noncurrent liabilities	4,957	4,814
Total liabilities	31,204	31,111
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	27,837	27,762
Treasury stock	(3,458)	(3,459)
Total shareholders' equity	36,508	36,434
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,674)	(1,853)
Total accumulated other comprehensive income	(1,674)	(1,853)
Subscription rights to shares	86	72
Minority interests	9	9
Total net assets	34,929	34,662
Total liabilities and net assets	66,134	65,773

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

Unit: Millions of yen

	Three months ended June 30, 2010	Three months ended June 30, 2011
Net sales	19,291	19,578
Cost of sales	11,128	11,301
Gross profit	8,162	8,277
Selling, general and administrative expenses	7,260	7,373
Operating income	901	904
Non-operating income		
Interest income	6	10
Dividends income	0	0
Rent income	22	27
Other	29	25
Total non-operating income	58	63
Non-operating expenses		
Interest expenses	27	28
Foreign exchange losses	124	105
Other	35	35
Total non-operating expenses	187	169
Ordinary income	773	798
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Gain on reversal of subscription rights to shares	1	13
Total extraordinary income	2	13
Extraordinary loss		
Loss on retirement of noncurrent assets	1	-
Loss on sales of noncurrent assets	0	0
Restructuring loss	9	-
Office transfer expenses	72	-
Loss on valuation of investment securities	-	4
Other	16	1
Total extraordinary losses	99	5
Income before income taxes and minority interests	675	805
Income taxes-current	303	357
Income taxes-deferred	70	(19)
Total income taxes	374	337
Income before minority interests	301	468
Minority interests in income	0	0
Net income	300	467

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Three months ended June 30, 2010	Three months ended June 30, 2011
Income before minority interests	301	468
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(612)	(179)
Total other comprehensive income	(613)	(179)
Comprehensive income	(311)	288
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(311)	288
Comprehensive income attributable to minority interests	0	(0)

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Three months ended June 30, 2010	Three months ended June 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	675	805
Depreciation and amortization	504	465
Amortization of goodwill	24	17
Loss (gain) on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	1	-
Increase (decrease) in provision	25	(26)
Increase (decrease) in allowance for doubtful accounts	(0)	10
Increase (decrease) in provision for retirement benefits	2	(4)
Interest and dividends income	(7)	(10)
Interest expenses	27	28
Foreign exchange losses (gains)	334	0
Decrease (increase) in notes and accounts receivable-trade	(195)	426
Decrease (increase) in inventories	(133)	(226)
Increase (decrease) in notes and accounts payable-trade	(93)	(304)
Increase (decrease) in accounts payable-other	404	125
Other, net	(644)	(256)
Subtotal	923	1,051
Interest and dividends income received	6	10
Interest expenses paid	(26)	(28)
Income taxes paid	(608)	(334)
Net cash provided by (used in) operating activities	295	698
Net cash provided by (used in) investing activities		
Payments into time deposits	-	(11)
Proceeds from withdrawal of time deposits	-	35
Purchase of investment securities	-	(112)
Purchase of property, plant and equipment	(2,915)	(182)
Proceeds from sales of property, plant and equipment	1	4
Purchase of intangible assets	(32)	(59)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(59)	-
Other, net	(2)	(110)
Net cash provided by (used in) investing activities	(3,009)	(435)

Unit: Millions of yen

	Three months ended June 30, 2010	Three months ended June 30, 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(65)	(136)
Proceeds from long-term loans payable	2,000	-
Repayment of long-term loans payable	-	(169)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(481)	(489)
Other, net	21	(57)
Net cash provided by (used in) financing activities	1,473	(853)
Effect of exchange rate change on cash and cash equivalents	(352)	(63)
Net increase (decrease) in cash and cash equivalents	(1,592)	(653)
Cash and cash equivalents at beginning of period	13,774	10,813
Cash and cash equivalents at end of period	12,182	10,159

(4) Notes related to going-concern assumption

Not applicable

(5) Segment information

I. Three months ended June 30, 2010 (from April 1, 2010 to June 30, 2010)

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

	Unit: Millions of yen				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	14,616	1,612	1,631	1,431	19,291
Intersegment sales and transfer	1,074	26	65	1,443	2,610
Total	15,690	1,638	1,697	2,875	21,901
Segment profit (loss)	817	53	(41)	66	895

2. 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)

	Unit: Millions of yen
Profit	Amount
Reportable segments total	895
Intersegment eliminations	(18)
Amortization of goodwill	(22)
Adjustment of inventories	44
Other adjustment	2
Operating income on the consolidated statements of income	901

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

Not Applicable

II. Three months ended June 30, 2011 (from April 1, 2011 to June 30, 2011)

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

	Unit: Millions of yen				
	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	14,871	1,513	1,581	1,611	19,578
Intersegment sales and transfer	1,135	15	64	1,460	2,676
Total	16,007	1,529	1,646	3,071	22,255
Segment profit (loss)	841	15	(69)	92	880

2. 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)

	Unit: Millions of yen
Profit	Amount
Reportable segments total	880
Intersegment eliminations	0
Amortization of goodwill	(3)
Adjustment of inventories	24
Other adjustment	1
Operating income on the consolidated statements of income	904

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

Not Applicable

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

Not applicable