

Consolidated Financial Report
for the First Nine Months of the March 2014 Term
<Under Japanese GAAP>

February 5, 2014

SATO HOLDINGS CORPORATION

Company code number: 6287
(URL <http://www.sato.co.jp>)

Shares traded on: TSE1

Executive position of legal representative: Kazuo Matsuyama, President and CEO,
Representative Director

Please address all communications to: Akihiro Kushida, Senior Executive Officer and
Chief Financial Officer (CFO), Director
Phone: 03-6665-0639

Scheduled submission date for quarterly securities report: February 13, 2014

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

(In millions of yen, with fractional amounts discarded)

**1. Consolidated operating results for the first nine months of the fiscal year ending
March 31, 2014 (from April 1, 2013 to December 31, 2013)**

(1) Consolidated financial results (cumulative)

(Percentage figures show year-on-year change)

Nine months ended	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2013	70,702	8.8	4,803	26.9	5,173	45.9
December 31, 2012	64,954	8.5	3,785	12.0	3,546	23.2

(Note) Comprehensive income: Nine months ended December 31, 2013: ¥4,856 million (81.3%)
Nine months ended December 31, 2012: ¥2,679 million (-%)

Nine months ended	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2013	3,286	105.7	109.17	98.01
December 31, 2012	1,597	61.7	53.06	47.86

(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, 2013	84,202	43,932	52.0	1,454.29
March 31, 2013	77,521	40,205	51.7	1,330.77

(N.B.) Total equity:

As of December 31, 2013: ¥43,786 million

As of March 31, 2013: ¥40,068 million

2. Dividends

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
March 31, 2013	–	17.00	–	20.00	37.00
March 31, 2014	–	18.00	–		
March 31, 2014 (Forecast)				20.00	38.00

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

3. Consolidated forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentage figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Yen)						
Annual	96,000	10.0	6,600	21.0	6,900	27.1	4,100	50.4	136.17

(Note) Revisions of consolidated forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the first nine 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 December 31, 2013:	32,001,169 shares
As of March 31, 2013:	32,001,169 shares
 - 2) Number of shares of treasury stock at the end of term:

As of December 31, 2013:	1,892,798 shares
As of March 31, 2013:	1,891,989 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, 2013:	30,108,814 shares
Nine months ended December 31, 2012:	30,109,747 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 consolidated 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. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Results may differ materially from the consolidated forecasts due to various factors. Please refer to page 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 Regarding Settlement of Accounts for the First Nine Months

(1) Explanation of financial results (percentage changes, year-on-year)

The SATO Group's management objective is to establish sustainable growth capability and revenue base while following its basic strategy to "pursue globalization and maximization of customer value." To this end, the SATO Group is implementing the following measures:

- ① Apply the success achieved with the business unit structure in Japan to other countries
- ② Develop growing markets in emerging countries
- ③ Establish highly profitable consumables business overseas
- ④ Execute measures to strengthen earning power (Business, Applications, Products, Cost)
- ⑤ Optimise management group-wide (IT, SCM, Finance, Human Resource Development)
- ⑥ Expand environmental conservation business

The above activities not only led to sales recovery and improved profitability in business overseas in particular, but also enabled steady recovery in Japan from the third quarter in line with improving business sentiment. The SATO Group recorded an increase in net sales, up 8.8% from the same period of the previous fiscal year to ¥70,702 million and an increase in operating income, up 26.9% to ¥4,803 million. Ordinary income increased by 45.9% to ¥5,173 million and net income increased by 105.7% to ¥3,286 million.

Net sales, operating income, ordinary income and net income were all record highs for the nine-month period.

By segment, the SATO Group reported the following:

<Japan>

During the first nine months, up until the third quarter the SATO Group observed a cautious stance toward capital investment hindering demand, particularly in the manufacturing industry, and limited demand for streamlining operations mainly in the non-manufacturing industries including the transportation industry. From the third quarter, however, there were signs of gradual recovery in production activity due to growing consumer spending. In line with these improvements in business sentiment, we actively expanded our sales activities and began to see more pronounced results from developing new applications, new vigor in inquiries for mechatronic products, mostly electronic printers, and recovering demand for supply products.

Looking to the future, we will further strengthen cost-cutting initiatives and create new demand by expanding into growing markets and proposing new applications. In the near term, there will continue to be rising demand in connection to the change in the consumption tax rate scheduled for April 2014, and to take advantage of this we will carry out sales activities making maximum use of the Company's know-how.

As a result of these efforts, net sales rose 1.5% to ¥49,491 million and operating income rose 2.3% to ¥3,346 million, compared to the same period of the previous fiscal year.

<Americas>

In the North American market, business from the transport sector and OEMs for food product management systems remained strong and inquiries related to laser printers for the apparel industry increased, contributing to strong sales. In the South American market, meanwhile, the operating results of Achernar S.A. of Argentina are making a steady contribution to overall performance.

As a result of these efforts, net sales rose 31.1% to ¥6,920 million (a rise of 5.5%, however, excluding foreign currency effects), and operating income rose 87.6% to ¥376 million, compared to the same period of the previous fiscal year.

<Europe>

In Europe, the SATO Group steadily cultivated sales channels in each country for our sticker and label products, and implemented sales strategies aimed at improving profitability. We are steadily achieving successful outcomes with inquiries for mobile solutions for the retail sector in the U.K. and RFID inquiries for a large apparel company in Germany. For our Spanish operations, we achieved a return to operating profitability in the third quarter after streamlining our business format to a sales function and restarting sales activities in Madrid in July 2013. We will continue working to secure further stable profitability through these operations.

As a result of these efforts, net sales rose 34.4% to ¥5,285 million (a rise of 5.6%, however, excluding foreign currency effects), and there was an operating income of ¥154 million, compared with an operating loss of ¥155 million in the same period of the previous fiscal year.

<Asia and Oceania>

Although the Asian market lacked momentum on account of the weakening economic growth of emerging countries, our operating results improved compared with the previous year as sales of our new target markets grew according to forecast. Specifically, the Chinese market began to pick up in the second quarter, while Indonesia and Vietnam started contributing more toward sales following the commencement of their operations in the second half of the previous fiscal year.

In view of more Japanese companies shifting to Asia against a backdrop of growing middle-income populations in Asia's emerging countries and the rising awareness for safety and peace of mind, we have established specialized teams in Japan to provide and strengthen support for the four industry sectors of "Healthcare, Automotive, Transportation and Logistics, and General Merchandise Stores and Convenience Stores."

Furthermore, in Australia, we acquired the business of Magellan Technology Pty Ltd, a company recognized for its unique RFID technology, and started operations in December

2013 at SATO Vicinity Pty Ltd, a newly established local subsidiary. Through the acquisition of this technology, which has a proven track record particularly in the healthcare market, the SATO Group is now the only one-stop group that can offer IC chips and tags, RFID printers, and equipment including RFID readers, as well as traceability and other systems and maintenance services. Looking forward, the SATO Group will step up its sales of RFID solutions to the healthcare market.

As a result of these efforts, net sales rose 29.4% to ¥9,006 million (a rise of 5.6%, however, excluding foreign currency effects), and operating income rose 135.0% to ¥1,012 million, compared to the same period of the previous fiscal year.

(2) Explanation of financial position

Total assets at the end of the third quarter were ¥84,202 million, an increase of ¥6,680 million compared to the end of the previous fiscal year. This was primarily the result of increases in cash and deposits, property, plant and equipment, and investments and other assets. Net assets were ¥43,932 million, a ¥3,727 million increase, due to the recording of net income and an increase in foreign currency translation adjustment notwithstanding the payment of cash dividends.

Cash flows

At the end of the third quarter, cash and cash equivalents (referred to below as “cash”) stood at ¥15,246 million, an increase of ¥3,254 million compared to the end of the previous fiscal year.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥8,252 million, an increase of 211.3% compared to the same period of the previous fiscal year.

The increase in cash reflected principally ¥5,166 million in income before income taxes and minority interests, ¥1,564 million in depreciation and amortization, a ¥1,047 million increase in accounts payable-other and ¥1,035 million in income taxes refund. Contributing to a decrease in cash were a ¥269 million increase in inventories, and ¥858 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥4,367 million, an increase of 207.5% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥977 million for the purchase of investment securities, ¥1,969 million for the purchase of property, plant and equipment and ¥1,034 million for the purchase of intangible assets.

Net cash used in financing activities

Net cash used in financing activities was ¥1,256 million, a decrease of 51.1% compared to the same period of the previous fiscal year.

This resulted primarily from an expenditure of ¥671 million for the repayment of long-term loans payable and ¥1,138 million in cash dividends paid, offsetting ¥1,000 million in proceeds from long-term loans payable.

(3) Explanation of consolidated forecasts and other projections

In the consolidated forecasts for the fiscal year ending March 31, 2014, the forecast for operating income has been upwardly revised in view of factors including a substantial improvement in profitability overseas and heightened near-term demand in Japan ahead of the scheduled change in consumption tax rate. Furthermore, in view of the recording of foreign exchange gains accompanying further yen depreciation in the first nine months, ordinary income and net income are also expected to exceed the previously announced consolidated forecasts.

Consolidated forecasts for the fiscal year ending March 31, 2014

Net sales	¥96,000 million	(previous forecast ¥96,000 million)
Operating income	¥6,600 million	(previous forecast ¥6,500 million)
Ordinary income	¥6,900 million	(previous forecast ¥6,500 million)
Net income	¥4,100 million	(previous forecast ¥3,700 million)

The average foreign exchange rates during the period assumed in the above forecasts are US\$ 1 = ¥100 and Euro 1 = ¥134.

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.

2. Matters Regarding Summary Information (Notes)

Changes in significant subsidiaries during the first nine months

Not Applicable

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2013	December 31, 2013
Assets		
Current assets		
Cash and deposits	12,577	15,826
Notes and accounts receivable-trade	20,942	21,508
Securities	93	209
Merchandise and finished goods	6,632	7,202
Work in process	190	249
Raw materials and supplies	1,858	2,253
Income taxes receivable	1,035	-
Other	3,446	4,017
Allowance for doubtful accounts	(86)	(109)
Total current assets	46,690	51,156
Noncurrent assets		
Property, plant and equipment		
Land	7,657	8,125
Other, net	11,037	12,134
Total property, plant and equipment	18,694	20,259
Intangible assets		
Goodwill	4,774	4,521
Other	1,825	2,516
Total intangible assets	6,600	7,038
Investments and other assets	5,536	5,748
Total noncurrent assets	30,831	33,046
Total assets	77,521	84,202
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,180	5,517
Short-term loans payable	3,954	3,266
Accounts payable-other	13,372	14,022
Income taxes payable	478	841
Provision	231	304
Other	4,187	4,864
Total current liabilities	27,405	28,816
Noncurrent liabilities		
Bonds with subscription rights to shares	5,000	5,000
Long-term loans payable	1,041	2,039
Provision for retirement benefits	1,324	1,423
Other	2,545	2,990
Total noncurrent liabilities	9,911	11,453
Total liabilities	37,316	40,269

Unit: Millions of yen

	March 31, 2013	December 31, 2013
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	30,577	32,719
Treasury stock	(3,460)	(3,461)
Total shareholders' equity	39,247	41,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	51
Foreign currency translation adjustment	820	2,346
Total accumulated other comprehensive income	821	2,398
Subscription rights to shares	-	17
Minority interests	136	129
Total net assets	40,205	43,932
Total liabilities and net assets	77,521	84,202

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

Unit: Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	64,954	70,702
Cost of sales	37,915	40,819
Gross profit	27,039	29,883
Selling, general and administrative expenses	23,254	25,080
Operating income	3,785	4,803
Non-operating income		
Interest income	37	45
Dividends income	0	0
Foreign exchange gains	-	247
Rent income	106	118
Other	70	194
Total non-operating income	214	606
Non-operating expenses		
Interest expenses	83	99
Foreign exchange losses	236	-
Other	133	136
Total non-operating expenses	453	235
Ordinary income	3,546	5,173
Extraordinary income		
Gain on sales of noncurrent assets	6	23
Total extraordinary income	6	23
Extraordinary loss		
Loss on retirement of noncurrent assets	7	2
Loss on sales of noncurrent assets	2	28
Loss on disposition of foreign currency translation adjustment	138	-
Total extraordinary losses	148	30
Income before income taxes and minority interests	3,404	5,166
Income taxes-current	520	1,210
Income taxes-deferred	1,281	661
Total income taxes	1,802	1,871
Income before minority interests	1,602	3,294
Minority interests in income	4	7
Net income	1,597	3,286

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Income before minority interests	1,602	3,294
Other comprehensive income		
Valuation difference on available-for-sale securities	0	50
Foreign currency translation adjustment	1,076	1,510
Total other comprehensive income	1,076	1,561
Comprehensive income	2,679	4,856
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,667	4,863
Comprehensive income attributable to minority interests	11	(7)

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,404	5,166
Depreciation and amortization	1,412	1,564
Amortization of goodwill	615	729
Loss (gain) on sales of noncurrent assets	(3)	5
Loss on retirement of noncurrent assets	7	2
Loss on disposition of foreign currency translation adjustment	138	-
Increase (decrease) in provision	(22)	52
Increase (decrease) in allowance for doubtful accounts	51	22
Increase (decrease) in provision for retirement benefits	6	43
Interest and dividends income	(37)	(45)
Interest expenses	83	99
Foreign exchange losses (gains)	20	(371)
Decrease (increase) in notes and accounts receivable-trade	(570)	(26)
Decrease (increase) in inventories	404	(269)
Increase (decrease) in notes and accounts payable-trade	216	165
Increase (decrease) in accounts payable-other	777	1,047
Other, net	(562)	(26)
Subtotal	5,942	8,158
Interest and dividends income received	35	40
Interest expenses paid	(83)	(98)
Payments for business restructuring	-	(25)
Income taxes paid	(3,243)	(858)
Income taxes refund	-	1,035
Net cash provided by (used in) operating activities	2,650	8,252
Net cash provided by (used in) investing activities		
Payments into time deposits	(447)	(712)
Proceeds from withdrawal of time deposits	454	677
Purchase of investment securities	(16)	(977)
Purchase of property, plant and equipment	(810)	(1,969)
Proceeds from sales of property, plant and equipment	45	144
Purchase of intangible assets	(418)	(1,034)
Payments for transfer of business	(291)	(589)
Other, net	63	93
Net cash provided by (used in) investing activities	(1,420)	(4,367)

Unit: Millions of yen

	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(5,961)	(74)
Proceeds from long-term loans payable	-	1,000
Repayment of long-term loans payable	(508)	(671)
Proceeds from issuance of bonds with subscription rights to shares	5,000	-
Repayments of lease obligations	(152)	(370)
Cash dividends paid	(1,047)	(1,138)
Other, net	101	(1)
Net cash provided by (used in) financing activities	(2,569)	(1,256)
Effect of exchange rate change on cash and cash equivalents	310	626
Net increase (decrease) in cash and cash equivalents	(1,029)	3,254
Cash and cash equivalents at beginning of period	11,377	11,992
Cash and cash equivalents at end of period	10,348	15,246

(4) Notes to consolidated financial statements

(Notes related to going-concern assumption)

Not Applicable

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

Not Applicable

(Segment information)

I. Nine months ended December 31, 2012 (from April 1, 2012 to December 31, 2012)

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	48,781	5,279	3,933	6,960	64,954
Intersegment sales and transfer	3,019	63	168	3,784	7,035
Total	51,801	5,342	4,102	10,744	71,990
Segment profit (loss)	3,273	200	(155)	430	3,748

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	3,748
Intersegment eliminations	14
Amortization of goodwill	(33)
Adjustment of inventories	58
Other adjustment	(3)
Operating income on the consolidated statements of income	3,785

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

Not Applicable

II. Nine months ended December 31, 2013 (from April 1, 2013 to December 31, 2013)

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	49,491	6,920	5,285	9,006	70,702
Intersegment sales and transfer	3,915	56	209	5,511	9,692
Total	53,406	6,976	5,494	14,517	80,395
Segment profit	3,346	376	154	1,012	4,889

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	4,889
Intersegment eliminations	21
Amortization of goodwill	(41)
Adjustment of inventories	(63)
Other adjustment	(2)
Operating income on the consolidated statements of income	4,803

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

Not Applicable