

Consolidated Financial Report for the March 2013 Term
<Under Japanese GAAP>

April 26, 2013

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

Date of Ordinary General Meeting of Shareholders: June 21, 2013
Date of commencement of dividend payments: June 24, 2013
Scheduled submission date for annual securities report: June 24, 2013
Supplementary explanatory materials for financial results: Available
Holding of meeting to explain financial results (for analysts and institutional investors): Yes

(In millions of yen, with fractional amounts discarded)

**1. Consolidated operating results for the fiscal year ended March 31, 2013
(from April 1, 2012 to March 31, 2013)**

(1) Consolidated financial results

(Percentage 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, 2013	87,256	8.3	5,452	17.2	5,429	30.2	2,726	39.6
March 31, 2012	80,536	2.8	4,652	10.1	4,171	12.8	1,953	288.2

(Note) Comprehensive income: Fiscal year ended March 31, 2013: ¥4,985 million (109.7%)
Fiscal year ended March 31, 2012: ¥2,377 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, 2013	90.56	81.61	7.2	7.1	6.2
March 31, 2012	64.87	—	5.5	5.9	5.8

(N.B.) Equity in earnings or losses of affiliates: Fiscal year ended March 31, 2013: —
Fiscal year ended March 31, 2012: —

(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, 2013	77,521	40,205	51.7	1,330.77
March 31, 2012	74,830	36,172	48.3	1,201.02

(N.B.) Total equity:

As of March 31, 2013: ¥40,068 million

As of March 31, 2012: ¥36,162 million

(3) Consolidated cash flows statement

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (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, 2013	3,793	(984)	(2,839)	11,992
March 31, 2012	4,434	(7,015)	3,273	11,377

2. Dividends

	Annual dividend per share					Total dividends paid (total)	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
March 31, 2012	–	17.00	–	18.00	35.00	1,053	54.0	3.0
March 31, 2013	–	17.00	–	20.00	37.00	1,114	40.9	2.9
March 31, 2014 (Forecast)	–	18.00	–	19.00	37.00		30.9	

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)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Six months	47,500	11.3	3,000	25.5	2,900	59.4	1,700	133.1	56.46
Annual	96,000	10.0	6,500	19.2	6,300	16.0	3,600	32.0	119.56

* Notes

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly consolidated subsidiaries: None

Companies excluded from scope of consolidation: 1 subsidiary

Name: SATO INTERNATIONAL PTE. LTD.

- (2) 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: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: Yes

4) Restatement of prior period financial statements after error corrections: None

These items fall in those set forth in Article 14-7 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (When it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate).

- (3) Number of issued shares (common stock)

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

As of March 31, 2013: 32,001,169 shares

As of March 31, 2012: 32,001,169 shares

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

As of March 31, 2013: 1,891,989 shares

As of March 31, 2012: 1,891,242 shares

- 3) Average number of shares during the term

Fiscal year ended March 31, 2013: 30,109,635 shares

Fiscal year ended March 31, 2012: 30,110,162 shares

*** 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 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 4 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

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1. Analysis of Financial Performance and Financial Position

(1) Analysis of financial performance

(Financial performance during the fiscal year ended March 31, 2013)

In the fiscal year under review, the business environment surrounding the SATO Group overseas was difficult amid economic stagnation in Europe and a lack of improvement in the slowdown affecting China and other Asian regions. In Japan, although there was a gentle recovery in corporate production activities and personal consumption, partly due to the global economic slowdown, economic prospects continued to be clouded with uncertainty.

Operating in this environment, the SATO Group has formulated a new Medium-term Management Plan from the fiscal year under review to the fiscal year ending March 31, 2015 with the management objective of establishing an earnings base capable of continual growth following the basic strategy of the “pursuit of globalization and maximization of customer value.” Accordingly, the SATO Group is strengthening its corporate structure by implementing the following measures:

- ① Apply the success achieved with the business unit structure 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

As a result of these activities, during the fiscal year under review, the SATO Group recorded an increase in net sales, up 8.3% from the previous fiscal year to ¥87,256 million and an increase in operating income, up 17.2% to ¥5,452 million. Ordinary income increased by 30.2% to ¥5,429 million. Net income increased by 39.6% to ¥2,726 million.

By segment, the SATO Group reported the following:

<Japan>

Each of the SATO Group’s business units in Japan has been organized to serve a different market, and by utilizing the specialist knowledge of their respective markets, they proactively offered proposals that accurately meet consumer needs. During the third quarter, there was a temporary slowdown in sales of mechatronic products, mostly electronic printers, partly reflecting weak capital investment demand from the manufacturing and retail sectors.

Nevertheless, sales of the products recovered in the fourth quarter, and they were firm during the fiscal year as a whole. On the other hand, sales of supply products reached a record high in the fiscal year under review due to steady cultivation of clients, even though consumer

activity as a whole still needs time to recover. Although the SATO Group has been affected by a trend toward dual sourcing and cost competition following the Great East Japan Earthquake, we intend to continue strengthening cost-cutting initiatives. We will also create new demand by continuing to expand into growing markets and propose new applications. Accordingly, the SATO Group is strengthening sales activities aimed at future business expansion.

As a result of these efforts, net sales rose 4.7% to ¥64,883 million while operating income rose 10.2% to ¥4,737 million, compared to the previous fiscal year.

<Americas>

In the North American market, sales showed remarkable recovery on the back of demand for printers from large transportation companies and the medical industry, active inquiries for consumables expiry date management systems for food products for OEM, and brisk sales at our apparel tag printing service bureau. In the South American market, Achernar S.A. of Argentina, which manufactures and sells stickers and label products and was acquired in March 2012, also made a contribution to sales.

As a result of these efforts, net sales rose 25.1% to ¥7,348 million (a rise of 19.3%, however, excluding foreign currency effects), and operating income rose 148.7% to ¥346 million, compared to the previous fiscal year.

<Europe>

The recovery to profitability has been kept at a slow pace on account of weak sales due to the slowdown in economic activities caused by the European debt crisis. In this environment, we successfully expanded our sales channels, achieving successful outcomes from inquiries for markdown systems for large department stores in Germany as well as from label inquiries for large transport companies and retail chains in U.K. In line with these developments as well as expansion in the stickers and label products business, we pushed forward with the renewal and enhancement of our printing facilities and strengthened measures to build a stable business base and improve profitability.

Against this background, net sales fell 4.7% to ¥5,515 million (a fall of 4.3%, however, excluding foreign currency effects), and there was an operating loss of ¥213 million, compared with an operating loss of ¥257 million in the previous fiscal year.

<Asia and Oceania>

We implemented initiatives in each country in Asia to create new demand for sectors such as the manufacturing industry, major distribution companies and government projects. While doing so, we actively expanded our sales activities mainly by further strengthening support from Japan. Following on from measures implemented in China, we are strengthening coordination between our business in Japan and our activities in Thailand, Vietnam and Indonesia by directly managing these operations from Japan as a measure to capitalize on demand in the growing markets. In addition, through our synergy with Argox Information Co.,

Ltd. of Taiwan, which was acquired in January 2012, we intend to accelerate our development of the markets in emerging countries and establish a superior competitive position by starting the supply of products through mutual use of both companies' sales channels. Although there was a decline in sales in the third quarter due to slower economic growth in China in addition to territorial disputes and the like, there was a steady improvement in the fourth quarter.

As a result of these efforts, net sales rose 38.0% to ¥9,508 million (a rise of 31.7%, however, excluding foreign currency effects), and operating income rose 10.5% to ¥565 million, compared to the previous fiscal year.

(Forecasts for the next fiscal year)

In the next fiscal year, the SATO Group expects that the global economy will be boosted by recovery in the North American market and economic growth in emerging countries, particularly fast-growing nations in Asia and South America, despite lingering uncertainties such as continuing economic stagnation in Europe. Operating under this environment, the SATO Group is steadily implementing the measures in its Medium-term Management Plan from the fiscal year under review to the fiscal year ending March 31, 2015, with the aim of establishing an earnings base capable of continual growth following the basic strategy of the "pursuit of globalization and maximization of customer value." For an overview of this plan, please see "3. Management Policies."

In light of the above, our consolidated forecasts for the fiscal year ending March 31, 2014 are as follows.

Net sales	¥96,000 million	(increase by 10.0% year on year)
Operating income	¥6,500 million	(increase by 19.2% year on year)
Ordinary income	¥6,300 million	(increase by 16.0% year on year)
Net income	¥3,600 million	(increase by 32.0% year on year)

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

US\$ = ¥95 and Euro = ¥125.

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) 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 ¥46,690 million, an increase of ¥2,057 million (¥44,632 million recorded at the end of the previous fiscal year). This was primarily the result of an increase in notes and accounts receivable-trade of ¥1,330 million. The balance of noncurrent assets was ¥30,831 million (¥30,198 million at the end of the previous fiscal year), an increase of ¥633 million. This is mainly the result of an increase in property, plant and equipment of ¥992 million.

The balance of current liabilities was ¥27,405 million (¥33,621 million at the end of the previous fiscal year), a decrease of ¥6,216 million. This was primarily due to decreases of ¥5,935 million in short-term loans payable and of ¥1,689 million in income taxes payable. The balance of noncurrent liabilities was ¥9,911 million (¥5,036 million at the end of the previous fiscal year), an increase of ¥4,875 million. This was mainly the result of an increase in bonds with subscription rights to shares of ¥5,000 million.

Net assets at the end of the fiscal year under review were ¥40,205 million (¥36,172 million at the end of the previous fiscal year), an increase of ¥4,032 million. This was primarily due to increases of ¥1,672 million in retained earnings and of ¥2,232 million in foreign currency translation adjustment.

b. Cash flows

At the end of the fiscal year under review, cash and cash equivalents (referred to below as “cash”) stood at ¥11,992 million, an increase of ¥614 million compared to the end of the previous fiscal year.

The major cash flow-related factors for the fiscal year ended March 31, 2013 are outlined below.

Net cash provided by operating activities

Net cash provided by operating activities amounted to ¥3,692 million.

The increase in cash primarily reflected an increase of ¥901 million in notes and accounts receivable-trade, ¥173 million decrease in notes and accounts payable-trade, and ¥3,568 million in income taxes paid as well as ¥4,982 million in income before income taxes and minority interests, ¥1,941 million in depreciation and amortization, which does not affect cash in or out flow.

Net cash used in investing activities

Net cash used in investing activities totaled ¥1,004 million.

This resulted primarily from expenditures of ¥1,126 million for the purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities was ¥2,718 million. On one hand, there were cash dividends paid of ¥1,053 million and decrease in short-term loans payable of ¥5,937 million, while on the other, there was proceeds from issuance of bonds with subscription rights to shares of ¥5,000 million.

Trend in cash flow indices

	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Equity ratio (%)	55.9	52.7	48.3	51.7
Equity ratio based on market value (%)	62.5	50.0	46.9	65.8
Ratio of cash flow to interest-bearing debt (%)	120.2	542.7	311.6	210.1
Interest-coverage ratio (times)	49.3	13.7	35.0	32.9

(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, its employees, society, and the Company. The Company decides the distribution of profits and dividends based on the basic principle of ensuring stable and continuous dividends while retaining internal reserves for future business expansion, comprehensively considering business performance and climate.

Based on the above policy, the Company will pay a year-end dividend of ¥20 per share for the fiscal year ended March 31, 2013. Combined with the interim dividend of ¥17 per share that has already been paid, this amounts to total dividends for the fiscal year ended March 31, 2013 of ¥37 per share, an increase of ¥2 per share compared with the previous fiscal year.

We plan to raise this matter for approval at the Ordinary General Meeting of Shareholders to be held in June 2013.

As for total dividends for the fiscal year ending March 31, 2014, we plan to pay ¥37 per share, consisting of an interim dividend of ¥18 and a year-end dividend of ¥19.

(4) Risk factors

a. Business in Japan

The SATO Group operates its business by providing customers with optimal solutions for using auto-identification technology media such as barcodes, 2D codes and RFID by integrally combining mechatronic products, supply products, and software technology. Since the SATO Group operates primarily in the supply products business in a broad range of industries including not only distribution and retail, but also manufacturing, transportation, medical, and food processing, the Group is resistant to the effects of economic trends. Nevertheless, in order to accumulate the know-how and create the sales tools to provide the value-added aspect required in a solutions-based business, we must allocate a large portion of operating revenues to selling, general and administrative expenses. A sudden drop in net sales due to broad-reaching and severe downturn in the economy could significantly affect the Group's financial results.

b. Business overseas

The SATO Group possesses multiple production and sales subsidiaries in various regions including the Americas, Europe, Asia and Oceania. In conducting business in these overseas markets, the Group exposes itself to the following risks.

- (a) Unexpected changes in laws and regulations.
- (b) Occurrence of unexpected political or economic factors.
- (c) Changes to the tax system or tax rate that have adverse effect.
- (d) Social turmoil, etc. caused by terrorist attacks, wars, natural disasters, infectious disease epidemics, or by other factors.

Any of the above events could significantly affect the Group's financial results.

c. Currency fluctuations

The SATO Group carries out manufacturing and sales on a global scale and conducts transactions between the Company and overseas subsidiaries in multiple foreign currencies. A considerable currency fluctuation could significantly affect the Group's product competitiveness, profitability and other aspects of its financial results.

d. Intellectual property rights

The SATO Group conducts surveys and negotiations to avoid trouble with respect to intellectual property rights, and it proactively pursues the acquisition of intellectual property rights. At present, there are no cases of the Group breaching the intellectual property rights of a third party. There is a risk, however, that in the future, the Group could be involved in a legal suit. A

situation whereby the Group is disadvantaged by such a legal suit could significantly affect the Group's financial results.

e. Procurement of raw materials, etc.

The SATO Group procures raw materials and parts from numerous external sources. If the Group is unable to obtain these at the planned quantity or price due to any reason and is unable to reduce costs or pass on that extra cost to the price of the finished product, such a situation could significantly affect the Group's financial results.

f. Disposal or loss on valuation of inventories

The SATO Group pays adequate attention to quality, environmental standards and inventory management for its finished products and parts. However, if it becomes necessary to revise the values of finished products and work in process because of sudden changes in market trends, technological innovation, or the product lifecycle, and if inventories are disposed of or loss on valuation is recorded on them, such a situation could significantly affect the Group's financial results.

2. Group Organization

The SATO Group is a corporate group with the Company at the center, being 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 fifty-three subsidiaries involved in the Company's business are consolidated subsidiaries and their roles and business segment information are as shown below.

Segment	Companies and Subsidiary Companies	Role
Japan	SATO HOLDINGS CORPORATION	Management strategy development and business administration for the Group
	SATO CORPORATION	Sales of mechatronic products and supply products
	IN.OUT CO., LTD.	Development and sales of application software
	SATO ADVANCE CORPORATION	Sales of mechatronic products and supply products
	SATO SYSTEM SUPPORT CO., LTD.	Maintenance services for electronic printers, etc.
	SATO MECHATRONICS CO., LTD.	Production of mechatronic products
	SATO PRINTING CO., LTD.	Production of supply products
	SANKYO PRINTING CO., LTD.	Production and sales of supply products
	SATO MATERIAL CO., LTD.	Production and sales of industrial rubber products, synthetic resin and RFID tags
	SATO PRINTING TECHNOLOGY CENTER CO., LTD.	Production, research and development of supply products
	SATO TECHNO LAB CO., LTD.	Development and design of mechatronic products
	SATO LOGISTICS CO., LTD.	Transportation of general and special goods, inspection and assembly of electronic equipment
	SATO COMMUNICATIONS CO., LTD.	Management of supply product orders, printing service
	SATO INTELLECTUAL PROPERTY INSTITUTE CO., LTD.	Creating, protecting, utilizing, and maintaining intellectual property
	SATO OPERATIONS SUPPORT CO., LTD.	Shared services
Americas	SATO INTERNATIONAL AMERICA, INC. (U.S.A.)	Regional administration
	SATO AMERICA, INC. (U.S.A.)	Production and sales of supply products, sales of mechatronic products
	SATO AUTO-ID DO BRASIL LTDA. (Brazil)	
	ACHERNAR S. A. (Argentina)	
	SATO ARGENTINA S. A. (Argentina)	Sales of supply products and mechatronic products
Europe	SATO INTERNATIONAL EUROPE N. V. (Belgium)	Regional administration
	SATO UK LTD. (U.K.)	Production and sales of supply products, sales of mechatronic products
	SATO FRANCE S. A. S. (France)	
	SATO IBERIA S. A. U. (Spain)	
	SATO BENELUX B. V. (Netherlands)	
	SATO POLSKA SP. Z O. O. (Poland)	Sales of supply products and mechatronic products
	SATO GERMANY GmbH (Germany)	Production of supply products
	SATO LABELLING POLAND SP. Z O. O. (Poland)	
	S. A. R. L. DES BOIS BLANCS (France)	
	SATO TECHNO LAB EUROPE AB (Sweden)	
		Real estate management
		Development of mechatronic products, support for technology and business development

Segment	Companies and Subsidiary Companies	Role
Asia and Oceania	SATO INTERNATIONAL ASIA PACIFIC PTE. LTD. (Singapore)	Regional administration
	SATO GLOBAL BUSINESS SERVICES PTE. LTD. (Singapore)	Shared services
	SATO ASIA PACIFIC PTE. LTD. (Singapore)	Production and sales of supply products, sales of mechatronic products
	SATO AUTO-ID (THAILAND) CO., LTD. (Thailand)	
	SATO AUSTRALIA PTY LTD. (Australia)	
	SATO NEW ZEALAND LTD. (New Zealand)	
	PT. SATO NAGATOMI (Indonesia)	Sales of supply products and mechatronic products
	SATO AUTO-ID MALAYSIA SDN. BHD. (Malaysia)	
	SATO SHANGHAI CO., LTD. (China)	
	SATO AUTO-ID INDIA PVT. LTD. (India)	
	SATO VIETNAM SOLUTIONS CO., LTD. (Vietnam)	
	SATO MALAYSIA ELECTRONICS MANUFACTURING SDN. BHD. (Malaysia)	Production of mechatronic products
	SATO VIETNAM CO., LTD. (Vietnam)	
	SATO MALAYSIA SDN. BHD. (Malaysia)	
	SATO PRINT CONNECT HONG KONG LTD. (Hong Kong)	Printing service
	WUXI SONGXING ELECTRONIC COMPONENTS CO., LTD. (China)	Production of supply products and mechatronic products
ARGOX INFORMATION CO., LTD. (Taiwan)	Production and sales of mechatronic products	
SATO HOLDING (THAILAND) CO., LTD. (Thailand)	Holding company	

(Notes)

1. SATO FRANCE S. A. S., SATO POLSKA SP. Z O. O. and SATO LABELLING POLAND SP. Z O. O. are subsidiaries of SATO INTERNATIONAL EUROPE N. V.
2. SATO AUTO-ID MALAYSIA SDN. BHD. is a subsidiary of SATO MALAYSIA SDN. BHD.
3. SATO AUTO-ID (THAILAND) CO., LTD. is a subsidiary of SATO HOLDING (THAILAND) CO., LTD.
4. S. A. R. L. DES BOIS BLANCS is a subsidiary of SATO FRANCE S. A. S.
5. SATO AMERICA, INC. is a subsidiary of SATO INTERNATIONAL AMERICA, INC.
6. SATO AUTO-ID DO BRASIL LTDA., ACHERNAR S. A., SATO ARGENTINA S. A. and SATO PRINT CONNECT HONG KONG LTD. are subsidiaries of SATO AMERICA, INC.
7. SATO AUTO-ID INDIA PVT. LTD. is a subsidiary of SATO INTERNATIONAL ASIA PACIFIC PTE. LTD.
8. Other than the above, there are five subsidiaries of ARGOX INFORMATION CO., LTD.

The SATO Group's main products are as follows.

Business	Main products and services
Mechatronic products	Electronic printers, labeling robots, automatic labelers, one line hand labelers, multiline hand labelers, software, maintenance services
Supply products	Labels/tags for electronic printers, labels for hand labelers, IC tags/labels, stickers, tickets, ribbons, MC-cards

3. Management Policies

(1) Fundamental policy

The fundamental management policy of the SATO Group is to promote “Ceaseless Creativity for a Sustainable World” while aspiring to the long-term vision of “becoming the world’s No. 1 auto-identification company that, through ceaseless creativity, is continually chosen by its customers” and contribute to society by providing value to customers not only in terms of the Group’s traditionally upheld goals of “precision, labor savings, and resources savings”, but also in terms of “peace-of-mind and ecology.”

(2) Management indices

In terms of management indices, the Group places great importance on net sales, the ratio of operating income to net sales and return on equity (ROE). It recognizes these indices as benchmarks for raising shareholder value.

In the new Medium-term Management Plan starting with the fiscal year ended March 31, 2013, we have put in place management index targets of consolidated net sales of at least ¥100.0 billion (with an overseas net sales component of at least 30%), consolidated operating income ratio of at least 8%, and return on equity (ROE) of at least 10%, which we aim to achieve by the fiscal year ending March 31, 2015.

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

In the Medium-term Management Plan until the fiscal year ending March 31, 2015, following the basic strategy of the “pursuit of globalization and maximization of customer value,” the SATO Group has put in place the management objective of establishing an earnings base capable of continual growth.

Following are the Six Key Strategies:

- 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

4. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2012	March 31, 2013
Assets		
Current assets		
Cash and deposits	12,613	12,577
Notes and accounts receivable-trade	19,611	20,942
Securities	143	93
Merchandise and finished goods	6,262	6,632
Work in process	330	190
Raw materials and supplies	1,695	1,858
Accounts receivable-other	660	1,920
Deferred tax assets	2,507	1,492
Other	893	1,069
Allowance for doubtful accounts	(86)	(86)
Total current assets	44,632	46,690
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	11,514	11,816
Accumulated depreciation	(5,981)	(6,401)
Buildings and structures, net	5,532	5,414
Machinery, equipment and vehicles	11,700	13,175
Accumulated depreciation	(8,122)	(8,845)
Machinery, equipment and vehicles, net	3,577	4,330
Tools, furniture and fixtures	4,618	5,103
Accumulated depreciation	(3,710)	(4,096)
Tools, furniture and fixtures, net	907	1,006
Land	7,654	7,657
Construction in progress	29	286
Total property, plant and equipment	17,702	18,694
Intangible assets		
Goodwill	5,125	4,774
Software	950	954
Leasehold right	168	187
Other	345	684
Total intangible assets	6,590	6,600
Investments and other assets		
Investment securities	245	247
Long-term loans receivable	255	363
Guarantee deposits	659	604
Deferred tax assets	3,479	3,109
Other	1,622	1,647
Allowance for doubtful accounts	(356)	(436)
Total investments and other assets	5,905	5,536
Total noncurrent assets	30,198	30,831
Total assets	74,830	77,521

Unit: Millions of yen

	March 31, 2012	March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,734	5,180
Short-term loans payable	9,889	3,954
Lease obligations	361	571
Accounts payable-other	12,465	13,372
Income taxes payable	2,167	478
Provision for bonuses	165	173
Provision for directors' bonuses	50	19
Provision for product warranties	38	39
Other	3,747	3,615
Total current liabilities	33,621	27,405
Noncurrent liabilities		
Bonds with subscription rights to shares	-	5,000
Long-term loans payable	1,800	1,041
Lease obligations	1,627	2,042
Provision for retirement benefits	1,268	1,324
Other	340	502
Total noncurrent liabilities	5,036	9,911
Total liabilities	38,657	37,316
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	28,904	30,577
Treasury stock	(3,459)	(3,460)
Total shareholders' equity	37,575	39,247
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(1,412)	820
Total accumulated other comprehensive income	(1,412)	821
Minority interests	10	136
Total net assets	36,172	40,205
Total liabilities and net assets	74,830	77,521

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

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	80,536	87,256
Cost of sales	46,319	50,845
Gross profit	34,217	36,410
Selling, general and administrative expenses	29,564	30,958
Operating income	4,652	5,452
Non-operating income		
Interest income	53	53
Dividends income	0	0
Purchase discounts	25	10
Rent income	111	146
Insurance income	174	-
Profit on adjustment of extraordinary retirement allowance	81	-
Other	111	100
Total non-operating income	557	311
Non-operating expenses		
Interest expenses	126	112
Foreign exchange losses	677	19
Other	235	202
Total non-operating expenses	1,039	334
Ordinary income	4,171	5,429
Extraordinary income		
Gain on sales of noncurrent assets	6	6
Gain on sales of investment securities	-	0
Gain on reversal of subscription rights to shares	86	-
Total extraordinary income	93	6
Extraordinary loss		
Restructuring loss	116	233
Loss on sales of noncurrent assets	0	3
Loss on retirement of noncurrent assets	8	78
Loss on step acquisitions	15	-
Loss on disposition of foreign currency translation adjustment	-	138
Other	8	-
Total extraordinary losses	149	454
Income before income taxes and minority interests	4,115	4,982
Income taxes-current	2,333	884
Income taxes-deferred	(172)	1,364
Total income taxes	2,160	2,248
Income before minority interests	1,954	2,733
Minority interests in income	1	6
Net income	1,953	2,726

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Income before minority interests	1,954	2,733
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	1
Foreign currency translation adjustment	423	2,250
Total other comprehensive income	423	2,252
Comprehensive income	2,377	4,985
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,376	4,960
Comprehensive income attributable to minority interests	1	25

(3) Consolidated statements of changes in net assets

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current 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 beginning of current 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		
Balance at the beginning of current period	27,837	28,904
Changes of items during the period		
Dividends from surplus	(1,053)	(1,053)
Net income	1,953	2,726
Change of scope of consolidation	167	-
Total changes of items during the period	1,067	1,672
Balance at the end of current period	28,904	30,577
Treasury stock		
Balance at the beginning of current period	(3,458)	(3,459)
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	(3,459)	(3,460)
Total shareholders' equity		
Balance at the beginning of current period	36,508	37,575
Changes of items during the period		
Dividends from surplus	(1,053)	(1,053)
Net income	1,953	2,726
Change of scope of consolidation	167	-
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	1,066	1,671
Balance at the end of current period	37,575	39,247
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(0)	(0)
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	1
Total changes of items during the period	(0)	1
Balance at the end of current period	(0)	0

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Foreign currency translation adjustment		
Balance at the beginning of current period	(1,674)	(1,412)
Changes of items during the period		
Net changes of items other than shareholders' equity	262	2,232
Total changes of items during the period	262	2,232
Balance at the end of current period	(1,412)	820
Total accumulated other comprehensive income		
Balance at the beginning of current period	(1,674)	(1,412)
Changes of items during the period		
Net changes of items other than shareholders' equity	262	2,233
Total changes of items during the period	262	2,233
Balance at the end of current period	(1,412)	821
Subscription rights to shares		
Balance at the beginning of current period	86	-
Changes of items during the period		
Net changes of items other than shareholders' equity	(86)	-
Total changes of items during the period	(86)	-
Balance at the end of current period	-	-
Minority interests		
Balance at the beginning of current period	9	10
Changes of items during the period		
Net changes of items other than shareholders' equity	0	126
Total changes of items during the period	0	126
Balance at the end of current period	10	136
Total net assets		
Balance at the beginning of current period	34,929	36,172
Changes of items during the period		
Dividends from surplus	(1,053)	(1,053)
Net income	1,953	2,726
Change of scope of consolidation	167	-
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	176	2,360
Total changes of items during the period	1,243	4,032
Balance at the end of current period	36,172	40,205

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,115	4,982
Depreciation and amortization	1,930	1,941
Amortization of goodwill	247	819
Loss (gain) on sales of investment securities	-	(0)
Gain on sales of fixed assets	(6)	(6)
Loss on sales of fixed assets	0	3
Loss on retirement of noncurrent assets	8	78
Loss on business restructuring	116	233
Loss on disposition of foreign currency translation adjustment	-	138
Increase (decrease) in allowance for doubtful accounts	7	71
Increase (decrease) in provision for bonuses	(104)	(13)
Increase (decrease) in provision for retirement benefits	(34)	30
Increase (decrease) in provision for directors' bonuses	9	(31)
Interest and dividends income	(54)	(54)
Interest expenses	126	112
Foreign exchange losses (gains)	102	203
Decrease (increase) in notes and accounts receivable-trade	(2,166)	(901)
Decrease (increase) in inventories	228	390
Decrease (increase) in prepaid expenses	(72)	(54)
Decrease (increase) in accounts receivable-other	(8)	(509)
Increase (decrease) in notes and accounts payable-trade	(335)	173
Increase (decrease) in accounts payable-other	31	313
Other, net	511	(486)
Subtotal	4,651	7,437
Interest and dividends income received	55	50
Interest expenses paid	(126)	(112)
Payments for business restructuring	-	(13)
Income taxes paid	(564)	(3,568)
Income taxes refund	419	-
Net cash provided by (used in) operating activities	4,434	3,793

Unit: Millions of yen

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) investing activities		
Payments into time deposits	-	(509)
Proceeds from withdrawal of time deposits	-	1,286
Purchase of investment securities	(112)	(17)
Purchase of property, plant and equipment	(568)	(1,023)
Proceeds from sales of property, plant and equipment	43	52
Purchase of intangible assets	(402)	(618)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(6,038)	-
Payments for transfer of business	-	(314)
Other, net	63	160
Net cash provided by (used in) investing activities	(7,015)	(984)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,760	(5,937)
Proceeds from long-term loans payable	1,000	-
Repayment of long-term loans payable	(2,177)	(676)
Proceeds from issuance of bonds	-	5,000
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,053)	(1,053)
Other, net	(255)	(171)
Net cash provided by (used in) financing activities	3,273	(2,839)
Effect of exchange rate change on cash and cash equivalents	(42)	644
Net increase (decrease) in cash and cash equivalents	650	614
Cash and cash equivalents at beginning of period	10,813	11,377
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(85)	-
Cash and cash equivalents at end of period	11,377	11,992

(5) Notes to consolidated financial statements

(Segment information)

a. Segment information

1. Overview of reportable segments

The reportable segments of SATO HOLDINGS 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 and 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

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	61,986	5,872	5,789	6,888	80,536
Intersegment sales and transfer	4,292	60	247	5,247	9,847
Total	66,278	5,932	6,036	12,136	90,384
Segment profit (loss)	4,299	139	(257)	511	4,692
Segment assets	78,273	4,347	3,270	21,116	107,008
Other items					
Depreciation and amortization	1,354	78	100	396	1,930
Amount of increases in property, plant and equipment and intangible assets	1,294	622	131	4,348	6,397

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Total
Net sales					
External customer sales	64,883	7,348	5,515	9,508	87,256
Intersegment sales and transfer	4,186	26	232	5,286	9,732
Total	69,070	7,374	5,748	14,794	96,988
Segment profit (loss)	4,737	347	(213)	565	5,435
Segment assets	72,407	5,312	3,664	16,831	98,216
Other items					
Depreciation and amortization	1,353	120	100	367	1,941
Amount of increases in property, plant and equipment and intangible assets	2,021	349	296	477	3,144

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

Unit: Millions of yen

Profit	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Reportable segments total	4,692	5,435
Intersegment eliminations	33	9
Amortization of goodwill	(36)	(46)
Adjustment of inventories	(35)	56
Other adjustment	(0)	(2)
Operating income on the consolidated statements of income	4,652	5,452

Unit: Millions of yen

Assets	March 31, 2012	March 31, 2013
Reportable segments total	107,008	98,216
Intersegment eliminations	(31,856)	(20,344)
Other adjustment	(321)	(328)
Total assets on the consolidated balance sheets	74,830	77,521

Unit: Millions of yen

Other Items	Reportable segments total		Adjustment		The amount recorded on the consolidated financial statements	
	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Depreciation and amortization	1,930	1,941	-	-	1,930	1,941
Amount of increases in property, plant and equipment and intangible assets	6,397	3,144	-	-	6,397	3,144

b. Pertinent information

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

1. Information by product or service

Unit: Millions of yen			
	Mechatronic products	Supply products	Total
External customer sales	31,300	49,236	80,536

2. Information by region

1) Net sales

This information has been omitted, as classification is the same as for reportable segments.

2) Property, plant and equipment

Unit: Millions of yen					
	Japan	Americas	Europe	Asia and Oceania	Total
	15,540	309	394	1,458	17,702

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 statements of income.

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

1. Information by product or service

Unit: Millions of yen			
	Mechatronic products	Supply products	Total
External customer sales	34,741	52,515	87,256

2. Information by region

1) Net sales

This information has been omitted, as classification is the same as for reportable segments.

2) Property, plant and equipment

Unit: Millions of yen					
	Japan	Americas	Europe	Asia and Oceania	Total
	15,708	607	632	1,745	18,694

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 statements of income.

c. Information on impairment loss of noncurrent assets by reportable segment

Not Applicable

d. Information on amortization of goodwill and remaining goodwill balance by reportable segment

Fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Eliminations and corporate	Total
Amount of amortization	54	9	-	147	36	247
Balance at the end of period	180	582	-	4,164	196	5,125

(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.

Fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

Unit: Millions of yen

	Japan	Americas	Europe	Asia and Oceania	Eliminations and corporate	Total
Amount of amortization	54	87	-	631	46	819
Balance at the end of period	125	389	-	4,082	175	4,774

(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.

e. Information on gain on negative goodwill by reportable segment

Not Applicable