

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

July 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

Scheduled submission date for quarterly securities report: August 9, 2013

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 three months of the fiscal year ending
March 31, 2014 (from April 1, 2013 to June 30, 2013)**

(1) Consolidated financial results (cumulative)

(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, 2013	22,619	6.7	1,292	21.0	1,425	99.4
June 30, 2012	21,208	8.3	1,068	18.1	714	(10.4)

(Note) Comprehensive income: Three months ended June 30, 2013: ¥1,395 million (-%)
Three months ended June 30, 2012: ¥(755) million (-%)

Three months ended	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
June 30, 2013	845	276.6	28.10	25.23
June 30, 2012	224	(52.0)	7.46	6.79

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30, 2013	79,013	40,998	51.7	1,356.98
March 31, 2013	77,521	40,205	51.7	1,330.77

(N.B.) Total equity:

As of June 30, 2013: ¥40,857 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	–				
March 31, 2014 (Forecast)		18.00	–	19.00	37.00

(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)						
Six months	47,500	11.3	3,000	25.5	3,100	70.4	1,800	146.8	59.78
Annual	96,000	10.0	6,500	19.2	6,500	19.7	3,700	35.7	122.89

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

*** Notes**

(1) Changes in significant subsidiaries during the first three months (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly consolidated subsidiaries: None

Companies excluded from 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, 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 June 30, 2013: 1,892,220 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 three months):

Three months ended June 30, 2013: 30,109,045 shares

Three months ended June 30, 2012: 30,109,900 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 Three Months

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

In the first three months ended June 30, 2013, the business environment surrounding the SATO Group was firm in the U.S., with respect to personal consumption and housing investment etc., but the economy in Europe continued to be in negative growth, because of the impact of such factors as slowness in export recovery and restrained consumer spending due to deterioration in the employment situation. The business environment in Asia continued to be difficult overall due to weakening economic growth in the emerging countries, particularly China. In Japan, expectations toward economic and financial measures led to yen depreciation and higher stock prices, but despite these positive signs, the effect of global economic slowdown was also present, and economic prospects continued to be clouded with uncertainty.

Operating in this business environment, 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

As a result of these activities, during the first three months, the SATO Group recorded an increase in net sales, up 6.7% from the same period of the previous fiscal year to ¥22,619 million and an increase in operating income, up 21.0% to ¥1,292 million. Ordinary income increased by 99.4% to ¥1,425 million. Net income increased by 276.6% to ¥845 million.

By segment, the SATO Group reported the following:

<Japan>

During the first three months, overall consumer activity did not reach to boost corporate production activity. As such, the SATO Group observed a weakening trend in capital investment demand, particularly in the manufacturing industry, and inquiries weakened for mechatronic products, mostly electronic printers. Sales of supply products, particularly in the manufacturing and food processing industries, also lacked vigor.

Nevertheless, heartened by expectations that economic measures would curb deflation and promote economic recovery, business sentiment has begun to improve. We sought out this

demand by actively expanding our sales activities, and our efforts to develop new applications are gradually yielding success. While further strengthening cost-cutting initiatives, we will also create new demand by expanding into growing markets and proposing new applications. Accordingly, the SATO Group will continue to strengthen sales activities aimed at future business expansion.

Against this background, net sales fell 0.8% to ¥15,707 million and operating income fell 3.4% to ¥867 million, compared to the same period of the previous fiscal year.

<Americas>

In the North American market, the SATO Group performed strongly. We commenced and produced results from large-scale business negotiations with OEMs for food products expiry date management systems and major retail pharmacy chain stores.. We also continued other inquiries such as those related to demand for printers for the apparel industry. For the South American market, Achernar S.A. of Argentina contributed greatly to the good performance with its production and sales of sticker and label products.

As a result of these efforts, net sales rose 26.4% to ¥2,296 million (a rise of 2.6%, however, excluding foreign currency effects), and operating income rose 29.3% to ¥122 million, compared to the same period of the previous fiscal year.

<Europe>

Amid the economic slowdown in Europe, the SATO Group steadily cultivated sales channels in each country for our core-business sticker and label products, and implemented sales strategies aimed at improving profitability. Moreover, we managed to achieve successful outcomes from structural reforms carried out to date such as realizing the establishment of a lower-cost production supply system by revising the label production system. By upgrading and enhancing our printing facilities in line with the business expansion of the sticker and label products, we are also strengthening measures to build a stable business base and improve profitability. In the first quarter, Europe as a whole posted profit for the first time in five years through these measures, thus achieving the long-awaited transition to a profitable business structure.

For the future, we will further secure stable profitability through measures such as streamlining our business format in Spain to a sales function and continuing operations in Madrid to reduce fixed costs, starting from the first 6 months ending September 30, 2013.

As a result of these efforts, net sales rose 33.5% to ¥1,728 million (a rise of 7.9%, however, excluding foreign currency effects), and there was an operating income of ¥29 million, compared with an operating loss of ¥48 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, particularly China, sales were higher year on year owing to the new contribution of sales from Indonesia and Vietnam, where operations commenced in the second half of the previous fiscal year.

Expanded demand in Asia's emerging countries can be expected in the future on the back of their rising minimum wages and growing middle-income populations. In view of more Japanese companies shifting to Asia and the rising awareness for safety and peace of mind, we have decided to establish key accounts in the four industry sectors of "Healthcare, Automotive, Transportation and Logistics, and General Merchandise Stores and Convenience Stores" while establishing specialized teams in Japan to provide and strengthen support,

Moreover, through our synergy with Argox Information Co., Ltd. of Taiwan, 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.

As a result of these efforts, net sales rose 27.7% to ¥2,887 million (a rise of 3.7%, however, excluding foreign currency effects), and operating income rose 72.9% to ¥263 million, compared to the same period of the previous fiscal year

(2) Explanation of financial position

Total assets at the end of the first quarter were ¥79,013 million, an increase of ¥1,491 million compared to the end of the previous fiscal year. This was primarily the result of increases in inventories and investment securities. Net assets were ¥40,998 million, a ¥793 million increase, due to an increase in foreign currency translation adjustment notwithstanding the payment of cash dividends.

Cash flows

At the end of the first quarter, cash and cash equivalents (referred to below as "cash") stood at ¥11,504 million, a decrease of ¥487 million compared to the end of the previous fiscal year.

Net cash used in operating activities

Net cash used in operating activities amounted to ¥2,005 million, compared to ¥1,041 million cash used in operating activities in the same period of the previous fiscal year.

The increase in cash reflected principally ¥1,416 million in income before income taxes and minority interests, ¥503 million in depreciation and amortization, a ¥618 million decrease in notes and accounts receivable-trade and a ¥513 million increase in accounts payable-other. Contributing to a decrease in cash were an ¥828 million increase in prepaid expenses, a ¥523 million decrease in notes and accounts payable-trade and ¥304 million in income taxes paid.

Net cash used in investing activities

Net cash used in investing activities totaled ¥1,790 million, an increase of 182.4% compared to the same period of the previous fiscal year.

This resulted primarily from expenditures of ¥976 million for the purchase of investment securities and ¥588 million for the purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities was ¥872 million, a decrease of 49.8% compared to the same period of the previous fiscal year.

This resulted primarily from ¥563 million in cash dividends paid and an expenditure of ¥168 million for the repayment of long-term loans payable.

(3) Explanation of consolidated forecasts and other projections

Regarding the consolidated forecasts for the first six months ending September 30, 2013, and the fiscal year ending March 31, 2014, the SATO Group expects ordinary income and net income to exceed the previously announced consolidated forecasts, due to the recording of foreign exchange gains accompanying yen depreciation in the first three months.

Consolidated forecasts for the first six months ending September 30, 2013

Net sales	¥47,500 million	(previous forecast ¥47,500 million)
Operating income	¥3,000 million	(previous forecast ¥3,000 million)
Ordinary income	¥3,100 million	(previous forecast ¥2,900 million)
Net income	¥1,800 million	(previous forecast ¥1,700 million)

Consolidated forecasts for the fiscal year ending March 31, 2014

Net sales	¥96,000 million	(previous forecast ¥96,000 million)
Operating income	¥6,500 million	(previous forecast ¥6,500 million)
Ordinary income	¥6,500 million	(previous forecast ¥6,300 million)
Net income	¥3,700 million	(previous forecast ¥3,600 million)

The average foreign exchange rates during the period assumed in the above forecasts remain unchanged from the initial assumption: US\$ 1 = ¥95 and Euro 1 = ¥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. Matters Regarding Summary Information (Notes)

Changes in significant subsidiaries during the first three months

Not Applicable

3. Consolidated Financial Statements

(1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2013	June 30, 2013
Assets		
Current assets		
Cash and deposits	12,577	12,156
Notes and accounts receivable-trade	20,942	20,532
Securities	93	164
Merchandise and finished goods	6,632	6,945
Work in process	190	268
Raw materials and supplies	1,858	1,942
Income taxes receivable	1,035	1,037
Other	3,446	4,269
Allowance for doubtful accounts	(86)	(87)
Total current assets	46,690	47,230
Noncurrent assets		
Property, plant and equipment		
Land	7,657	7,635
Other, net	11,037	11,458
Total property, plant and equipment	18,694	19,094
Intangible assets		
Goodwill	4,774	4,728
Other	1,825	1,842
Total intangible assets	6,600	6,571
Investments and other assets	5,536	6,117
Total noncurrent assets	30,831	31,783
Total assets	77,521	79,013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,180	4,699
Short-term loans payable	3,954	3,810
Accounts payable-other	13,372	13,913
Income taxes payable	478	525
Provision	231	287
Other	4,187	4,752
Total current liabilities	27,405	27,989
Noncurrent liabilities		
Bonds with subscription rights to shares	5,000	5,000
Long-term loans payable	1,041	1,041
Provision for retirement benefits	1,324	1,320
Other	2,545	2,664
Total noncurrent liabilities	9,911	10,026
Total liabilities	37,316	38,015

Unit: Millions of yen

	March 31, 2013	June 30, 2013
Net assets		
Shareholders' equity		
Capital stock	6,331	6,331
Capital surplus	5,799	5,799
Retained earnings	30,577	30,820
Treasury stock	(3,460)	(3,460)
Total shareholders' equity	39,247	39,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	9
Foreign currency translation adjustment	820	1,357
Total accumulated other comprehensive income	821	1,366
Minority interests	136	141
Total net assets	40,205	40,998
Total liabilities and net assets	77,521	79,013

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

Unit: Millions of yen

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	21,208	22,619
Cost of sales	12,378	12,963
Gross profit	8,829	9,655
Selling, general and administrative expenses	7,761	8,362
Operating income	1,068	1,292
Non-operating income		
Interest income	11	14
Dividends income	0	0
Foreign exchange gains	-	110
Rent income	33	39
Other	22	29
Total non-operating income	66	193
Non-operating expenses		
Interest expenses	30	31
Foreign exchange losses	351	-
Sales discounts	8	12
Other	28	17
Total non-operating expenses	420	60
Ordinary income	714	1,425
Extraordinary income		
Gain on sales of noncurrent assets	1	1
Total extraordinary income	1	1
Extraordinary loss		
Loss on retirement of noncurrent assets	0	0
Loss on sales of noncurrent assets	0	10
Total extraordinary losses	0	10
Income before income taxes and minority interests	715	1,416
Income taxes-current	108	344
Income taxes-deferred	382	223
Total income taxes	490	568
Income before minority interests	225	847
Minority interests in income	0	1
Net income	224	845

(Consolidated statements of comprehensive income)

Unit: Millions of yen

	Three months ended June 30, 2012	Three months ended June 30, 2013
Income before minority interests	225	847
Other comprehensive income		
Valuation difference on available-for-sale securities	0	8
Foreign currency translation adjustment	(980)	539
Total other comprehensive income	(980)	547
Comprehensive income	(755)	1,395
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(755)	1,391
Comprehensive income attributable to minority interests	0	4

(3) Consolidated statements of cash flows

Unit: Millions of yen

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	715	1,416
Depreciation and amortization	469	503
Amortization of goodwill	203	241
Loss (gain) on sales of noncurrent assets	(1)	8
Loss on retirement of noncurrent assets	0	0
Increase (decrease) in provision	(16)	53
Increase (decrease) in allowance for doubtful accounts	(9)	34
Increase (decrease) in provision for retirement benefits	17	(19)
Interest and dividends income	(11)	(14)
Interest expenses	30	31
Foreign exchange losses (gains)	(48)	(162)
Decrease (increase) in notes and accounts receivable-trade	(103)	618
Decrease (increase) in inventories	147	(285)
Decrease (increase) in prepaid expenses	(714)	(828)
Increase (decrease) in notes and accounts payable-trade	43	(523)
Increase (decrease) in accounts payable-other	286	513
Other, net	(27)	758
Subtotal	982	2,345
Interest and dividends income received	11	12
Interest expenses paid	(31)	(28)
Payments for business restructuring	-	(21)
Income taxes paid	(2,004)	(304)
Net cash provided by (used in) operating activities	(1,041)	2,005
Net cash provided by (used in) investing activities		
Payments into time deposits	(202)	(139)
Proceeds from withdrawal of time deposits	27	29
Purchase of investment securities	(0)	(976)
Purchase of property, plant and equipment	(258)	(588)
Proceeds from sales of property, plant and equipment	14	32
Purchase of intangible assets	(91)	(193)
Other, net	42	45
Net cash provided by (used in) investing activities	(468)	(1,790)

Unit: Millions of yen

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(6,016)	3
Repayment of long-term loans payable	(171)	(168)
Proceeds from issuance of bonds with subscription rights to shares	5,000	-
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(500)	(563)
Other, net	(62)	(143)
Net cash provided by (used in) financing activities	(1,750)	(872)
Effect of exchange rate change on cash and cash equivalents	(260)	169
Net increase (decrease) in cash and cash equivalents	(3,521)	(487)
Cash and cash equivalents at beginning of period	11,377	11,992
Cash and cash equivalents at end of period	7,856	11,504

(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. Three months ended June 30, 2012 (from April 1, 2012 to June 30, 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	15,836	1,817	1,294	2,260	21,208
Intersegment sales and transfer	970	13	65	1,250	2,298
Total	16,806	1,830	1,359	3,511	23,506
Segment profit (loss)	898	95	(48)	152	1,097

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	1,097
Intersegment eliminations	6
Amortization of goodwill	(10)
Adjustment of inventories	(24)
Other adjustment	0
Operating income on the consolidated statements of income	1,068

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

Not Applicable

II. Three months ended June 30, 2013 (from April 1, 2013 to June 30, 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	15,707	2,296	1,728	2,887	22,619
Intersegment sales and transfer	1,296	28	75	1,751	3,153
Total	17,003	2,324	1,803	4,639	25,772
Segment profit	867	122	29	263	1,283

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	1,283
Intersegment eliminations	1
Amortization of goodwill	(13)
Adjustment of inventories	23
Other adjustment	(2)
Operating income on the consolidated statements of income	1,292

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

Not Applicable