

## SATO HOLDINGS (6287)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Pft	Ordinary Pft	Net Pft	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2011		78,368	4,226	3,696	503	16.7	34.0	1,157
FY03/2012		80,536	4,652	4,171	1,953	64.9	35.0	1,201
FY03/2013CoE		88,000	5,800	5,600	3,200	106.3	35.0	-
FY03/2012	YoY	2.8%	10.1%	12.8%	288.2%	-	-	-
FY03/2013CoE	YoY	9.3%	24.7%	34.2%	63.8%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Pft	Ordinary Pft	Net Pft	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2012		39,279	1,864	1,290	697	-	-	-
Q3 to Q4 FY03/2012		41,257	2,788	2,881	1,256	-	-	-
Q1 to Q2 FY03/2013CoE		43,000	2,400	2,300	1,300	-	-	-
Q3 to Q4 FY03/2013CoE		45,000	3,400	3,300	1,900	-	-	-
Q1 to Q2 FY03/2013CoE	YoY	9.5%	28.7%	78.2%	86.4%	-	-	-
Q3 to Q4 FY03/2013CoE	YoY	9.1%	22.0%	14.5%	51.3%	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (25 June 2012)

#### Achieve More Than 12% ROE

SATO HOLDINGS, realizing “precision, labor-savings and resource-savings” in diversified industries, together with its auto-identification systems, has released its long-term management plan, calling for more than 12% prospective ROE in FY03/2021. Compared with 5.5% for ROE in FY03/2012, the Company is to achieve ROE 10% in FY03/2015 and is to pursue further improvements with its profitability going forward. Prospective sales and operating profit in FY03/2021 are, respectively, ¥150.0bn and ¥15.0bn. In line with long-term improvements with ROE, the Company is to consistently increase absolute value for dividend per share.

In the overseas operations where reorganization has been completed, the Company is to develop each market by applying know-how from Japan, after selecting target markets, customer bases and applications, country to country. In particular, it appears that the Company has ample room for the developments in emerging countries. Meanwhile, overseas operations on the Supply Products Business side will be integrated under management from Japan so that they should enhance profitability by means of pursuit of efficiency in investments and procurement. In the domestic operations, the Company has started benefitting from the ‘business unit structure by market’, adopted in April 2010, significantly contributing to sales and earnings. Going forward, the Company is to be more involved with new themes like environmental protection and realizing peace of mind in both domestic and overseas operations, and thus enhance growth potential through expanding its own business domains.


In FY03/2012, sales came in at ¥80.5bn (up 2.8% YoY), operating profit ¥4.7bn (up 10.1% YoY). In the mainstay domestic operations, adoption of the ‘business unit structure by market’ was highly successful,

with the company developing customer needs in each industry with the ‘deep & narrow’ approach, and customers accepting proposal-type sales activities from the Company. On the overseas side, performance was weak across the board; in the Americas, Europe and Asia Pacific. In Europe, the Company failed to meet its projections to break even in Q4, negatively affected by ongoing slowdown in the local economy as well as by unexpected disposals of inventory and provisions for bad debts to terminate the reorganization. In FY03/2013, the Company forecasts sales of ¥88.0bn (up 8.3% YoY) and operating profit of ¥5.8bn (up 24.7%). In overseas operations, the Company has assigned a chief sales representative in Japan as to cover Europe while introducing other measures to enhance sales there. In addition, efficient use of management resources achieved through the integration of two US group companies, as well as mergers with ARGOX (Taiwan) and ACHERNAR (Argentina) are predicted to contribute to the Company breaking historical records in sales and earnings in FY03/2013, in operating profit, ordinary profit and net profit.

The Company’s IR contact: IR Group (81-3-6665-0630、 [sato-ir1460@pn.sato.co.jp](mailto:sato-ir1460@pn.sato.co.jp))

## 2.0 Company Profile

### Comprehensive Manufacturer of Auto-Identification Systems

<b>Company Name</b>	SATO HOLDINGS CORPORATION Company Information ( <a href="#">Japanese</a> , <a href="#">English</a> ) IR Information ( <a href="#">Japanese</a> , <a href="#">English</a> ) Share Price ( <a href="#">Japanese</a> , <a href="#">English</a> )	
<b>Established</b>	16 May 1951 (founded in 1940)	
<b>Listing</b>	31 October 1990 (TSE1:6287)	
<b>Capital</b>	¥6,331m (As of the end of March 2012)	
<b>No. of Shares</b>	32,001,169 shares, including treasury shares 1,891,242 (As of the end of March 2012)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Comprehensive manufacturer of auto-identification systems</li> <li>● Holds 12.5 % global share in barcode label printer market, as the world’s second largest manufacturer</li> <li>● Plans further developments in the domestic market, reorganization in developed countries, and aggressive expansion of businesses in emerging countries</li> </ul>	
<b>Business Contents</b>	I . Proposals of auto-identification systems based on barcodes, two-dimensional codes, RFID and other technologies II . Development, manufacturing and sale of hardware, software and supply products III. Design, manufacturing and sale of labels and consumable products	
<b>Top Management</b>	President & CEO: Kazuo Matsuyama	
<b>Main Shareholders</b>	Sato Yo International Scholarship Foundation 11.8%, Japan Trustee Services Bank 8.0% (As of the end of March 2012)	
<b>Headquarters</b>	Meguro-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated: 4,070, Domestic Consolidated:1,801 (As of the end of March 2012)	

Source: Company Data

## 3.0 Recent Trading & Prospects

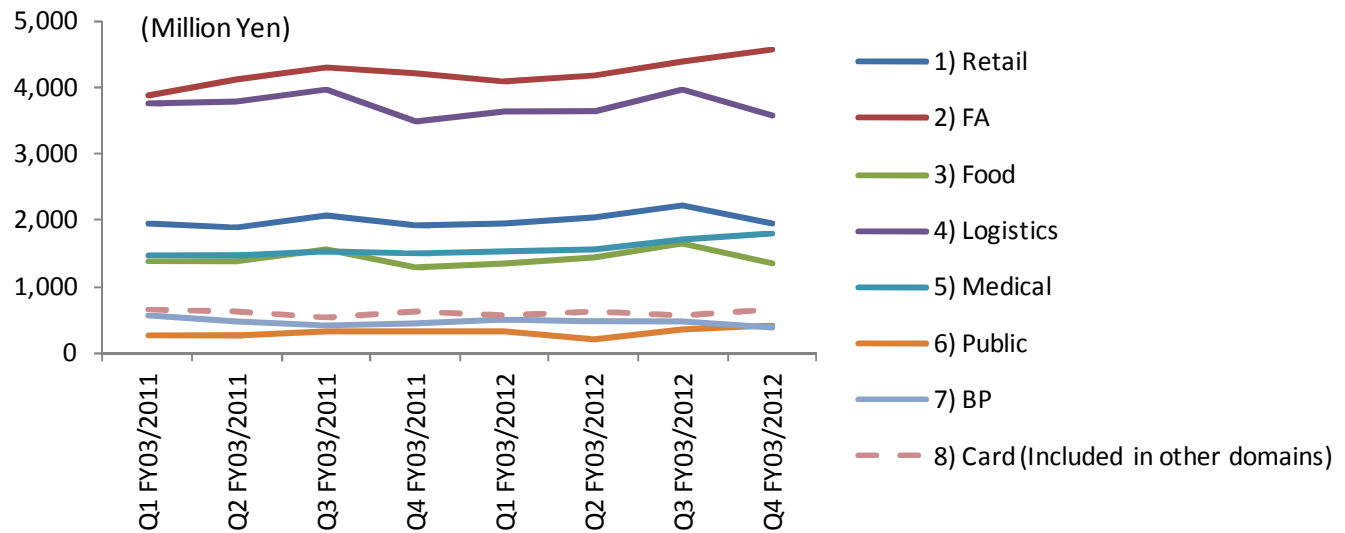
### FY03/2012 Results

In FY03/2012, sales came in at ¥80.5bn (up 2.8% YoY), operating profit at ¥4.7bn (up 10.1%), ordinary profit at ¥4.2bn (up 12.8%) and net profit at ¥2.0bn (up 3.9x). Compared with Company forecasts as of the release of Q3 results, sales were higher by 0.7%, operating profit lower by 3.1%, ordinary profit lower by 0.7% and net profit higher by 2.8%. In the domestic operations, sales came in at ¥62.0bn (up 3.7% YoY), operating profit at ¥4.3bn (up 11.6%), while sales were at ¥18.5bn (down 0.1%) and operating profit at ¥0.4bn (up 19.9%) in overseas operations. By business segment, Mechatronic Products Business saw sales of ¥31.3bn (up 6.2% YoY) and operating profit of ¥2.2bn (up 47.3%) while sales of ¥49.2bn (up 0.7%) and operating profit of ¥2.5bn (down 10.2%) for Supply Products Business.

The extent of shortfall at the operating level is ¥148m, of which ¥86m is accounted for by the shortfall in Europe, where operating profit was expected to break even in Q4 but posted negative ¥86m in results. The causes for the shortfall in Europe are as follows: sales in Q4 were ¥150m less than forecast in Europe, resulting in a shortfall in earnings of ¥50m; also there were unexpected disposals of inventory and provisions for bad debts made in order to complete structural reforms in the region.

Meanwhile, a major contributor to operating profit of ¥4.7bn (up 10.1% YoY) is the increasing demand for Mechatronic Products (hardware, comprising label printers, scanners etc.) in the mainstay domestic operations. The Company adopted the 'business unit structure by market' in which it deeply cultivates each market after dividing the operations into "8 market domains". Most recently, this strategy is starting to contribute to sales to a large extent. Under the old sales system, sales representatives were in charge of customers in all these different market domains, region to region, across the country. While under the new system, the "business unit structure by market", they are in charge of specific market domains (such as retail, FA, food, logistics and medical), domain to domain, so that they are able to make proposals to accurately meet with customer needs in specific market domains, by utilizing specialist knowledge associated with these specific market domains. In FY03/2012, the Company believes that it was able to make progress in developing markets through such proposals.

### Domestic Sales Trends of the 8 Market Domains



Source: Company Data

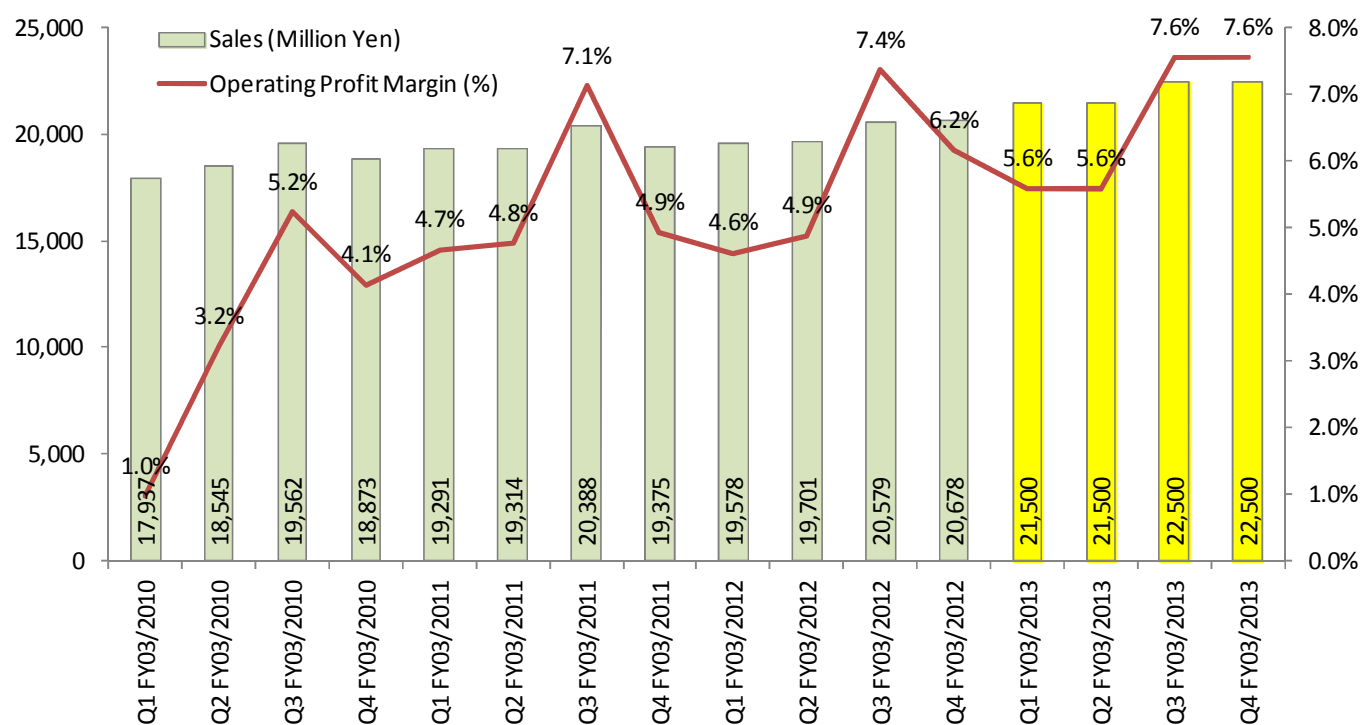
With regard to an issue that net profit came in at ¥2.0bn (up 3.9x YoY) versus ordinary profit of ¥4.2bn (up 12.8%), the effect of the extraordinary loss of ¥2.3bn in FY03/2011 due to withdrawal from the employee pension fund should be noted. Meanwhile, the Company suffered from unexpected increases in tax charges of ¥440m in FY03/2012, as a result of the reversal of deferred tax assets, stemming from reduced corporate tax. This, however, this will be a one-off event.

### Changes in FY03/2012 Company Forecasts & Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Pft	Ordinary Pft	Net Pft
FY03/2012CoE	27-Apr-11	Q4 Results	82,000	4,800	4,600	2,400
FY03/2012CoE	29-Jul-11	Q1 Results	82,000	4,800	4,600	2,400
FY03/2012CoE	28-Oct-11	Q2 Results	82,000	4,800	4,200	2,400
FY03/2012CoE	03-Feb-12	Q3 Results	80,000	4,800	4,200	1,900
		Amount of Gap	(2,000)	0	0	(500)
		Rate of Gap	(2.4%)	0.0%	0.0%	(20.8%)
FY03/2012Act	27-Apr-12	Q4 Results	80,536	4,652	4,171	1,953
		Amount of Gap	536	(148)	(29)	53
		Rate of Gap	0.7%	(3.1%)	(0.7%)	2.8%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Pft	Ordinary Pft	Net Pft
Q1 to Q2 FY03/2012CoE	27-Apr-11	Q4 Results	39,000	1,850	1,750	700
Q1 to Q2 FY03/2012CoE	29-Jul-11	Q1 Results	39,000	1,850	1,750	700
Q1 to Q2 FY03/2012Act	28-Oct-11	Q2 Results	39,279	1,864	1,290	697
		Amount of Gap	279	14	(460)	(3)
		Rate of Gap	0.7%	0.8%	(26.3%)	(0.4%)
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Pft	Ordinary Pft	Net Pft
Q3 to Q4 FY03/2012CoE	27-Apr-11	Q4 Results	43,000	2,950	2,850	1,700
Q3 to Q4 FY03/2012CoE	29-Jul-11	Q1 Results	43,000	2,950	2,850	1,700
Q3 to Q4 FY03/2012CoE	28-Oct-11	Q2 Results	42,721	2,936	2,910	1,703
Q3 to Q4 FY03/2012CoE	03-Feb-12	Q3 Results	40,721	2,936	2,910	1,203
		Amount of Gap	(2,000)	0	0	(500)
		Rate of Gap	(4.7%)	0.0%	0.0%	(29.4%)
Q3 to Q4 FY03/2012Act	27-Apr-12		41,257	2,788	2,881	1,256
		Amount of Gap	536	(148)	(29)	53
		Rate of Gap	1.3%	(5.0%)	(1.0%)	4.4%

Source: Company Data, WRJ Calculation

### Quarterly Sales & Operating Profit Margins



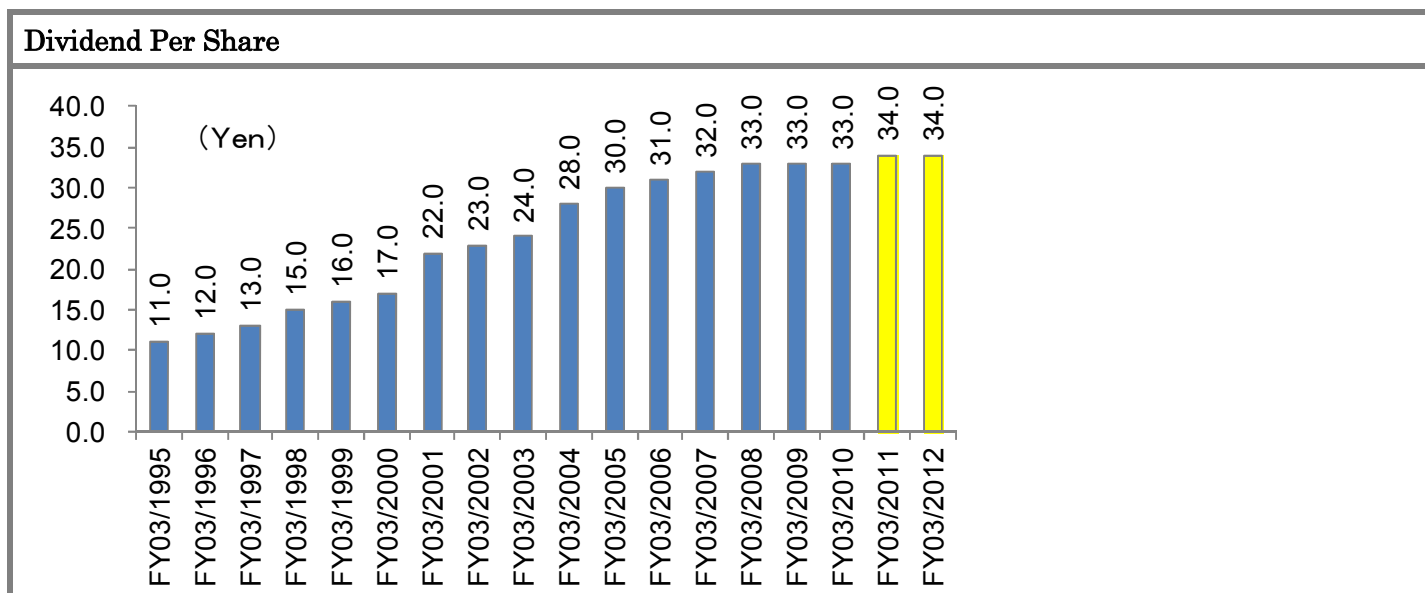
Source: Company Data, WRJ Calculation

### FY03/2013 Company Forecasts

In FY03/2013, the Company expects sales of ¥88.0bn (up 9.3% YoY), operating profit of ¥5.8bn (up 24.7%), ordinary profit of ¥4.2bn (up 13.6%) and net profit of ¥1.9bn (up 3.8%). In the domestic operations, the company predicts sales of ¥64.5bn (up 4.1%) and operating profit of ¥4.9bn (up 14.0%), and ¥23.5bn (up 26.7%) and ¥1.1bn (up 2.8x), respectively, in overseas operations (an elimination of ¥0.2bn at the operating level for the whole company).

In the domestic operations, sales and operating profit are expected to rise steadily, in line with ongoing contributions from the “business unit structure by market”. Sales of Supply Products Business are likely to rise, driven by the increasing utilization of Mechatronic products, newly shipped in FY03/2012. In the overseas operations, sales are also expected to be steady. In Europe, as of April 2012, the Company’s top sales representative has started to direct the local sales operations to enhance sales. The other issue in April 2012 was the completion of integration between two US subsidiaries. On top of this, the Company is to benefit from mergers with ARGOX (Taiwan) and ACHERNAR (Argentina), and thus the Company is expected to renew record high levels in sales, operating profit, ordinary profit and net profit.

Dividend is expected to be ¥35.0 per share in FY03/2012. One of the management targets is to consistently increase absolute value of dividend per share, and the Company has largely been able to do so. During periods when the Company suffered from the global recession and business performance dropped, i.e., FY03/2009 and FY03/2010, dividend per share remained unchanged from ¥33.0 in FY03/2008. Excluding these two years, the Company has consistently increased dividend per share for more than a decade.



Source: Company Data

### Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY Net Chg.
(Million Yen)	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012	
<b>Sales</b>	<b>19,291</b>	<b>38,605</b>	<b>58,993</b>	<b>78,368</b>	<b>19,578</b>	<b>39,279</b>	<b>59,858</b>	<b>80,536</b>	<b>+2,168</b>
CoGS	11,128	22,325	34,039	45,350	11,301	22,709	34,522	46,319	+969
Gross Profit	8,163	16,280	24,954	33,018	8,277	16,570	25,335	34,217	+1,199
SG&A	7,260	14,459	21,683	28,791	7,373	14,706	21,956	29,564	+773
<b>Operating Profit</b>	<b>901</b>	<b>1,819</b>	<b>3,271</b>	<b>4,226</b>	<b>904</b>	<b>1,864</b>	<b>3,379</b>	<b>4,652</b>	<b>+426</b>
Non Operating Balance	(128)	(205)	(519)	(530)	(106)	(574)	(501)	(481)	+49
<b>Ordinary Profit</b>	<b>773</b>	<b>1,614</b>	<b>2,752</b>	<b>3,696</b>	<b>798</b>	<b>1,290</b>	<b>2,878</b>	<b>4,171</b>	<b>+475</b>
Extraordinary Balance	(98)	(196)	(215)	(2,944)	7	(112)	(112)	(56)	+2,888
Pretax Profit	675	1,418	2,537	752	805	1,178	2,766	4,115	+3,363
Tax Charges etc.	374	724	1,152	247	337	480	1,776	2,160	+1,913
Minorities' Interests	0	0	1	1	0	0	0	1	+0
<b>Net Profit</b>	<b>300</b>	<b>693</b>	<b>1,383</b>	<b>503</b>	<b>467</b>	<b>697</b>	<b>989</b>	<b>1,953</b>	<b>+1,450</b>
Sales YoY	+7.5%	+5.8%	+5.3%	+4.6%	+1.5%	+1.7%	+1.5%	+2.8%	-
Operating Profit YoY	+420.8%	+136.5%	+82.5%	+64.2%	+0.3%	+2.5%	+3.3%	+10.1%	-
Ordinary Profit YoY	+231.8%	+91.9%	+61.3%	+65.4%	+3.2%	(20.1%)	+4.6%	+12.9%	-
Net Profit YoY	+334.8%	+162.0%	+112.4%	(35.6%)	+55.7%	+0.6%	(28.5%)	+288.3%	-
Gross Profit Margins	42.3%	42.2%	42.3%	42.1%	42.3%	42.2%	42.3%	42.5%	-
SG&A / Sales	37.6%	37.5%	36.8%	36.7%	37.7%	37.4%	36.7%	36.7%	-
Operating Profit Margins	4.7%	4.7%	5.5%	5.4%	4.6%	4.7%	5.6%	5.8%	-
Ordinary Profit Margins	4.0%	4.2%	4.7%	4.7%	4.1%	3.3%	4.8%	5.2%	-
Net Profit Margins	1.6%	1.8%	2.3%	0.6%	2.4%	1.8%	1.7%	2.4%	-
Tax Charges etc. / Pretax Profit	55.4%	51.1%	45.4%	32.8%	41.9%	40.7%	64.2%	52.5%	-
¥ / US\$ (Average)	92	89	87	86	82	80	79	79	(7)
¥ / € (Average)	117	114	113	113	117	114	111	109	(4)
¥ / £ (Average)	137	135	134	133	133	129	127	126	(7)
¥ / Singapore \$ (Average)	66	65	64	64	66	65	63	63	(1)

Income Statement	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY Net Chg.
(Million Yen)	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012	
<b>Sales</b>	<b>19,291</b>	<b>19,314</b>	<b>20,388</b>	<b>19,375</b>	<b>19,578</b>	<b>19,701</b>	<b>20,579</b>	<b>20,678</b>	<b>+1,303</b>
CoGS	11,128	11,197	11,714	11,311	11,301	11,408	11,813	11,797	+486
Gross Profit	8,163	8,117	8,674	8,064	8,277	8,293	8,765	8,882	+818
SG&A	7,260	7,199	7,224	7,108	7,373	7,333	7,250	7,608	+500
<b>Operating Profit</b>	<b>901</b>	<b>918</b>	<b>1,452</b>	<b>955</b>	<b>904</b>	<b>960</b>	<b>1,515</b>	<b>1,273</b>	<b>+318</b>
Non Operating Balance	(128)	(77)	(314)	(11)	(106)	(468)	73	20	+31
<b>Ordinary Profit</b>	<b>773</b>	<b>841</b>	<b>1,138</b>	<b>944</b>	<b>798</b>	<b>492</b>	<b>1,588</b>	<b>1,293</b>	<b>+349</b>
Extraordinary Balance	(98)	(98)	(19)	(2,729)	7	(119)	0	56	+2,785
Pretax Profit	675	743	1,119	(1,785)	805	373	1,588	1,349	+3,134
Tax Charges etc.	374	350	428	(905)	337	143	1,296	384	+1,289
Minorities' Interests	0	0	1	0	0	0	0	1	+1
<b>Net Profit</b>	<b>300</b>	<b>393</b>	<b>690</b>	<b>(880)</b>	<b>467</b>	<b>230</b>	<b>292</b>	<b>964</b>	<b>+1,844</b>
Sales YoY	+7.5%	+4.1%	+4.2%	+2.7%	+1.5%	+2.0%	+0.9%	+6.7%	-
Operating Profit YoY	+420.8%	+54.0%	+41.9%	+22.1%	+0.3%	+4.6%	+4.3%	+33.3%	-
Ordinary Profit YoY	+231.8%	+38.3%	+31.6%	+78.4%	+3.2%	(41.5%)	+39.5%	+37.0%	-
Net Profit YoY	+334.8%	+101.0%	+78.5%	-	+55.7%	(41.5%)	(57.7%)	-	-
Gross Profit Margins	42.3%	42.0%	42.5%	41.6%	42.3%	42.1%	42.6%	43.0%	-
SG&A / Sales	37.6%	37.3%	35.4%	36.7%	37.7%	37.2%	35.2%	36.8%	-
Operating Profit Margins	4.7%	4.8%	7.1%	4.9%	4.6%	4.9%	7.4%	6.2%	-
Ordinary Profit Margins	4.0%	4.4%	5.6%	4.9%	4.1%	2.5%	7.7%	6.3%	-
Net Profit Margins	1.6%	2.0%	3.4%	(4.5%)	2.4%	1.2%	1.4%	4.7%	-
Tax Charges etc. / Pretax Profit	55.4%	47.1%	38.2%	50.7%	41.9%	38.3%	81.6%	28.5%	-

Source: Company Data, WRJ Calculation

### Segmented Information by Region (Cumulative, Quarterly)

Segmented Information (By Region) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Japan	14,616	29,359	45,100	59,793	14,871	29,985	46,377	61,986	+2,193	
Americas	1,612	3,168	4,661	6,199	1,513	3,000	4,312	5,872	(327)	
Europe	1,631	3,067	4,598	6,214	1,581	3,043	4,409	5,789	(425)	
Asia & Oceania	1,431	3,010	4,632	6,161	1,611	3,250	4,759	6,888	+727	
<b>Sales</b>	<b>19,291</b>	<b>38,605</b>	<b>58,993</b>	<b>78,368</b>	<b>19,578</b>	<b>39,279</b>	<b>59,858</b>	<b>80,536</b>	<b>+2,168</b>	
Japan	817	1,591	2,898	3,853	841	1,697	3,177	4,299	+446	
Americas	53	72	98	125	15	66	68	139	+14	
Europe	(41)	(104)	(168)	(298)	(69)	(121)	(171)	(257)	+41	
Asia & Oceania	66	209	391	500	92	224	384	511	+11	
Elimination	6	51	52	46	25	(2)	(79)	(40)	(86)	
<b>Operating Profit</b>	<b>901</b>	<b>1,819</b>	<b>3,271</b>	<b>4,226</b>	<b>904</b>	<b>1,864</b>	<b>3,379</b>	<b>4,652</b>	<b>+426</b>	
Japan	5.6%	5.4%	6.4%	6.4%	5.7%	5.7%	6.9%	6.9%	-	
Americas	3.3%	2.3%	2.1%	2.0%	1.0%	2.2%	1.6%	2.4%	-	
Europe	(2.5%)	(3.4%)	(3.7%)	(4.8%)	(4.4%)	(4.0%)	(3.9%)	(4.4%)	-	
Asia & Oceania	4.6%	6.9%	8.4%	8.1%	5.7%	6.9%	8.1%	7.4%	-	
<b>Operating Profit Margins</b>	<b>4.7%</b>	<b>4.7%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>5.6%</b>	<b>5.8%</b>	-	
Japan	76%	76%	76%	76%	76%	76%	77%	77%	-	
Americas	8%	8%	8%	8%	8%	8%	7%	7%	-	
Europe	8%	8%	8%	8%	8%	8%	7%	7%	-	
Asia & Oceania	7%	8%	8%	8%	8%	8%	8%	9%	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	
Japan	91%	90%	90%	92%	96%	91%	92%	92%	-	
Americas	6%	4%	3%	3%	2%	4%	2%	3%	-	
Europe	(5%)	(6%)	(5%)	(7%)	(8%)	(6%)	(5%)	(5%)	-	
Asia & Oceania	7%	12%	12%	12%	10%	12%	11%	11%	-	
<b>OP (Before Elimination)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	

Segmented Information (By Region) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Japan	14,616	14,743	15,741	14,693	14,871	15,114	16,392	15,609	+916	
Americas	1,612	1,556	1,493	1,538	1,513	1,487	1,312	1,560	+22	
Europe	1,631	1,436	1,531	1,616	1,581	1,462	1,366	1,380	(236)	
Asia & Oceania	1,431	1,579	1,622	1,529	1,611	1,639	1,509	2,129	+600	
<b>Sales</b>	<b>19,291</b>	<b>19,314</b>	<b>20,388</b>	<b>19,375</b>	<b>19,578</b>	<b>19,701</b>	<b>20,579</b>	<b>20,678</b>	<b>+1,303</b>	
Japan	817	774	1,307	955	841	856	1,480	1,122	+167	
Americas	53	19	26	27	15	51	2	71	+44	
Europe	(41)	(63)	(64)	(130)	(69)	(52)	(50)	(86)	+44	
Asia & Oceania	66	143	182	109	92	132	160	127	+18	
Elimination	6	45	1	(6)	25	(27)	(77)	39	+45	
<b>Operating Profit</b>	<b>901</b>	<b>918</b>	<b>1,452</b>	<b>955</b>	<b>904</b>	<b>960</b>	<b>1,515</b>	<b>1,273</b>	<b>+318</b>	
Japan	5.6%	5.2%	8.3%	6.5%	5.7%	5.7%	9.0%	7.2%	-	
Americas	3.3%	1.2%	1.7%	1.8%	1.0%	3.4%	0.2%	4.6%	-	
Europe	(2.5%)	(4.4%)	(4.2%)	(8.0%)	(4.4%)	(3.6%)	(3.7%)	(6.2%)	-	
Asia & Oceania	4.6%	9.1%	11.2%	7.1%	5.7%	8.1%	10.6%	6.0%	-	
<b>Operating Profit Margins</b>	<b>4.7%</b>	<b>4.8%</b>	<b>7.1%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>4.9%</b>	<b>7.4%</b>	<b>6.2%</b>	-	
Japan	76%	76%	77%	76%	76%	77%	80%	75%	-	
Americas	8%	8%	7%	8%	8%	8%	6%	8%	-	
Europe	8%	7%	8%	8%	8%	7%	7%	7%	-	
Asia & Oceania	7%	8%	8%	8%	8%	8%	7%	10%	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	
Japan	91%	89%	90%	99%	96%	87%	93%	91%	-	
Americas	6%	2%	2%	3%	2%	5%	0%	6%	-	
Europe	(5%)	(7%)	(4%)	(14%)	(8%)	(5%)	(3%)	(7%)	-	
Asia & Oceania	7%	16%	13%	11%	10%	13%	10%	10%	-	
<b>OP (Before Elimination)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	

Source: Company Data, WRJ Calculation



## Segmented Information by Business (Cumulative, Quarterly)

Segmented Information (By Business) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Mechatronic Products Business	6,971	14,443	21,699	29,460	7,293	15,013	22,461	31,300	+1,840	
Supply Products Business	12,319	24,162	37,293	48,908	12,285	24,266	37,396	49,236	+328	
<b>Sales</b>	<b>19,291</b>	<b>38,605</b>	<b>58,993</b>	<b>78,368</b>	<b>19,578</b>	<b>39,279</b>	<b>59,858</b>	<b>80,536</b>	<b>+2,168</b>	
Mechatronic Products Business	229	514	947	1,492	231	688	1,324	2,198	+706	
Supply Products Business	672	1,305	2,323	2,733	672	1,176	2,055	2,454	(279)	
<b>Operating Profit</b>	<b>901</b>	<b>1,819</b>	<b>3,271</b>	<b>4,226</b>	<b>904</b>	<b>1,864</b>	<b>3,379</b>	<b>4,652</b>	<b>+426</b>	
Mechatronic Products Business	3.3%	3.6%	4.4%	5.1%	3.2%	4.6%	5.9%	7.0%	-	
Supply Products Business	5.5%	5.4%	6.2%	5.6%	5.5%	4.8%	5.5%	5.0%	-	
<b>Operating Profit Margins</b>	<b>4.7%</b>	<b>4.7%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>5.6%</b>	<b>5.8%</b>	-	
Mechatronic Products Business	36%	37%	37%	38%	37%	38%	38%	39%	-	
Supply Products Business	64%	63%	63%	62%	63%	62%	62%	61%	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	
Mechatronic Products Business	25%	28%	29%	35%	26%	37%	39%	47%	-	
Supply Products Business	75%	72%	71%	65%	74%	63%	61%	53%	-	
<b>Operating Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	

Segmented Information (By Business) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Mechatronic Products Business	6,971	7,472	7,256	7,761	7,293	7,720	7,448	8,839	+1,078	
Supply Products Business	12,319	11,843	13,131	11,615	12,285	11,981	13,130	11,840	+225	
<b>Sales</b>	<b>19,291</b>	<b>19,314</b>	<b>20,388</b>	<b>19,375</b>	<b>19,578</b>	<b>19,701</b>	<b>20,579</b>	<b>20,678</b>	<b>+1,303</b>	
Mechatronic Products Business	229	285	433	545	231	457	636	874	+329	
Supply Products Business	672	633	1,018	410	672	504	879	399	(11)	
<b>Operating Profit</b>	<b>901</b>	<b>918</b>	<b>1,452</b>	<b>955</b>	<b>904</b>	<b>960</b>	<b>1,515</b>	<b>1,273</b>	<b>+318</b>	
Mechatronic Products Business	3.3%	3.8%	6.0%	7.0%	3.2%	5.9%	8.5%	9.9%	-	
Supply Products Business	5.5%	5.3%	7.8%	3.5%	5.5%	4.2%	6.7%	3.4%	-	
<b>Operating Profit Margins</b>	<b>4.7%</b>	<b>4.8%</b>	<b>7.1%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>4.9%</b>	<b>7.4%</b>	<b>6.2%</b>	-	
Mechatronic Products Business	36%	39%	36%	40%	37%	39%	36%	43%	-	
Supply Products Business	64%	61%	64%	60%	63%	61%	64%	57%	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	
Mechatronic Products Business	25%	31%	30%	57%	26%	48%	42%	69%	-	
Supply Products Business	75%	69%	70%	43%	74%	53%	58%	31%	-	
<b>Operating Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Operating Cash Flow	295	2,126	1,728	1,595	698	1,071	1,994	4,434	+2,839	
Investment Cash Flow	(3,009)	(3,704)	(3,939)	(4,283)	(435)	(711)	(668)	(7,015)	(2,732)	
<b>Operating CF + Investment CF</b>	<b>(2,714)</b>	<b>(1,578)</b>	<b>(2,211)</b>	<b>(2,688)</b>	<b>263</b>	<b>360</b>	<b>1,326</b>	<b>(2,581)</b>	<b>+107</b>	
Financing Cash Flow	1,473	1,195	206	(3)	(853)	(1,120)	(1,859)	3,273	+3,276	
Capital Expenditure	3,043	4,021	4,589	5,084	361	765	1,344	1,719	(3,365)	
Depreciation	504	1,016	1,537	2,074	465	930	1,409	1,930	(144)	
R&D Expenditure	497	951	1,424	1,902	482	948	1,397	1,858	(44)	

Cash Flow Statement (Quarterly) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Operating Cash Flow	295	1,831	(398)	(133)	698	373	923	2,440	+2,573	
Investment Cash Flow	(3,009)	(695)	(235)	(344)	(435)	(276)	43	(6,347)	(6,003)	
<b>Operating CF + Investment CF</b>	<b>(2,714)</b>	<b>1,136</b>	<b>(633)</b>	<b>(477)</b>	<b>263</b>	<b>97</b>	<b>966</b>	<b>(3,907)</b>	<b>(3,430)</b>	
Financing Cash Flow	1,473	(278)	(989)	(209)	(853)	(267)	(739)	5,132	+5,341	
Capital Expenditure	3,043	978	568	495	361	404	579	375	(120)	
Depreciation	504	512	521	537	465	465	479	521	(16)	
R&D Expenditure	497	454	473	478	482	466	449	461	(17)	

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

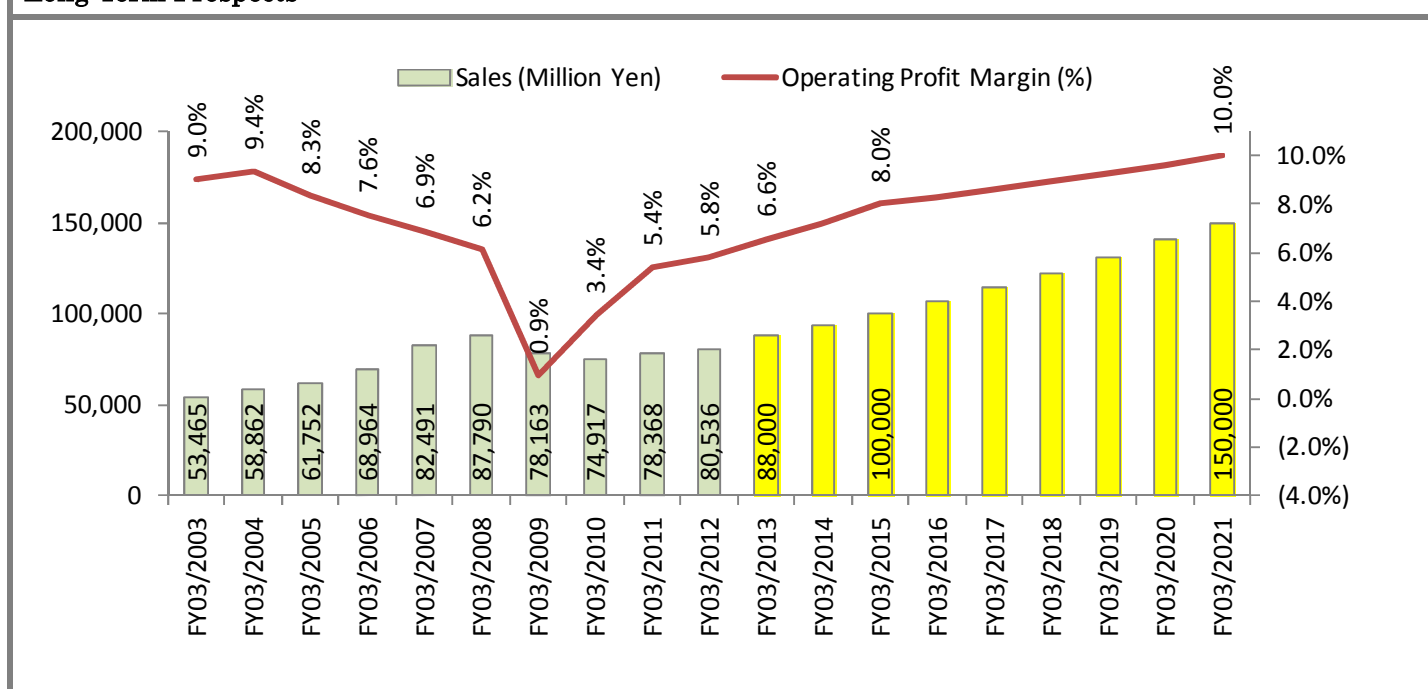
Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2011	03/2011	03/2011	03/2011	03/2012	03/2012	03/2012	03/2012		
Cash & Deposit	12,025	12,910	11,236	10,680	10,012	9,475	9,716	12,613		+1,933
Accounts Receivables	16,288	16,198	18,072	17,253	16,772	17,140	19,139	19,611		+2,358
Inventory	7,741	7,812	7,882	8,065	8,201	7,578	7,617	8,287		+222
Other	4,541	4,362	4,369	3,843	4,377	4,165	4,105	4,121		+278
<b>Current Assets</b>	<b>40,595</b>	<b>41,282</b>	<b>41,559</b>	<b>39,841</b>	<b>39,362</b>	<b>38,358</b>	<b>40,577</b>	<b>44,632</b>		<b>+4,791</b>
Tangible Assets	17,423	17,912	17,993	17,908	17,785	17,537	17,565	17,702		(206)
Intangible Assets	1,791	1,682	1,752	1,845	1,770	1,738	1,674	6,590		+4,745
LT Investment Securities etc.	5,768	5,231	5,013	6,538	6,855	6,477	5,875	5,905		(633)
<b>Fixed Assets</b>	<b>24,982</b>	<b>24,826</b>	<b>24,759</b>	<b>26,293</b>	<b>26,411</b>	<b>25,752</b>	<b>25,115</b>	<b>30,198</b>		<b>+3,905</b>
<b>Total Assets</b>	<b>65,578</b>	<b>66,109</b>	<b>66,318</b>	<b>66,134</b>	<b>65,773</b>	<b>64,110</b>	<b>65,692</b>	<b>74,830</b>		<b>+8,696</b>
Accounts Payable	4,512	4,755	4,481	4,751	4,427	4,203	4,676	4,025		(726)
Short Term Debt	4,112	4,067	4,049	5,573	5,432	5,427	5,426	9,889		+4,316
Other	15,214	15,242	15,743	15,923	16,438	15,843	17,689	19,707		+3,784
<b>Current Liabilities</b>	<b>23,838</b>	<b>24,064</b>	<b>24,273</b>	<b>26,247</b>	<b>26,297</b>	<b>25,473</b>	<b>27,791</b>	<b>33,621</b>		<b>+7,374</b>
Long Term Debt	3,333	3,167	3,046	1,377	1,207	1,055	885	1,800		+423
Other	3,247	3,428	3,521	3,580	3,607	3,575	3,176	3,236		(344)
<b>Fixed Liabilities</b>	<b>6,580</b>	<b>6,595</b>	<b>6,567</b>	<b>4,957</b>	<b>4,814</b>	<b>4,630</b>	<b>4,061</b>	<b>5,036</b>		<b>+79</b>
<b>Total Liabilities</b>	<b>30,418</b>	<b>30,660</b>	<b>30,841</b>	<b>31,204</b>	<b>31,111</b>	<b>30,103</b>	<b>31,852</b>	<b>38,657</b>		<b>+7,453</b>
<b>Shareholders' Equity</b>	<b>36,788</b>	<b>37,181</b>	<b>37,389</b>	<b>36,508</b>	<b>36,434</b>	<b>36,663</b>	<b>36,610</b>	<b>37,575</b>		<b>+1,067</b>
Adjustments etc.	(1,628)	(1,732)	(1,912)	(1,578)	(1,772)	(2,656)	(2,770)	(1,402)		+176
<b>Total Liabilities &amp; Net Assets</b>	<b>35,159</b>	<b>35,448</b>	<b>35,476</b>	<b>34,929</b>	<b>34,661</b>	<b>34,006</b>	<b>33,839</b>	<b>36,172</b>		<b>+1,243</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>65,578</b>	<b>66,109</b>	<b>66,318</b>	<b>66,134</b>	<b>65,773</b>	<b>64,110</b>	<b>65,692</b>	<b>74,830</b>		<b>+8,696</b>
Interest Bearing Debt	7,445	7,234	7,095	6,950	6,639	6,482	6,311	11,689		+4,739
Net Debt	(4,580)	(5,676)	(4,141)	(3,730)	(3,373)	(2,993)	(3,405)	(924)		+2,806
Total Assets Turnover	117.7%	116.9%	123.0%	117.2%	119.1%	122.9%	125.3%	110.5%		-
Inventory Turnover	5.8	5.7	5.9	5.6	5.5	6.0	6.2	5.7		-
Days of Inventory	63	64	61	65	66	61	59	64		-
Quick Ratio	119%	121%	121%	106%	102%	104%	104%	96%		-
Current Ratio	170%	172%	171%	152%	150%	151%	146%	133%		-
Capital Ratio	53.6%	53.6%	53.5%	52.8%	52.7%	53.0%	51.5%	48.3%		-
Net-Debt-Equity Ratio	(12.4%)	(15.3%)	(11.1%)	(10.2%)	(9.3%)	(8.2%)	(9.3%)	(2.5%)		-

Source: Company Data, WRJ Calculation

## Long-Term Prospects

According to the Company's long-term vision, ROE greater than 12% will be achieved in FY03/2021. The Company saw ROE of 5.5% in FY03/2012. A condition to achieve such improvements in ROE is to see sales of ¥150bn and operating profit of more than ¥15bn, with an operating profit margin of more than 10%. This is in comparison to performance for FY03/2012 which was ¥80.5bn, ¥4.7bn, and 5.8%, respectively. In the Company's long-term basic strategy, a growth scenario is pictured for market development overseas driven by new themes such as peace of mind and environmental conservation. Meanwhile, the Company also discloses projections for FY03/2015, as a waypoint to results for FY03/2021, calling for sales of ¥100bn and operating profit of ¥8bn, an operating profit margin of 8% and ROE of 10%. Thus, prospective growth rates for sales and operating profit from FY03/2012 to FY03/2015 are 7.5% and 19.8% respectively (pa, CAGR), rising to 7.0% and more than 11.0% through FY03/2016 to FY03/2021.

## Long-Term Prospects



Source: Company Data, WRJ Calculation

In FY03/2012, exposure to overseas markets was 23% in terms of sales, while this is expected to reach 30% in FY03/2015 and more than 40% in FY03/2021. Absolute value for the overseas sales is ¥18.6bn in FY03/2012, ¥30.0bn in FY03/2015 and more than ¥60.0bn in FY03/2021. In particular, the Company will enhance sales in emerging countries (China, India, Indonesia, Vietnam, Brazil and Argentina), which are ¥3.0bn in FY03/2012, up to ¥10.0bn in FY03/2015, to which future launches of new products from ARGOX (a wholly owned subsidiary of the Company since January 2012 mainly involved with low-cost printers) are expected to contribute. At the same time, the Company plans to export expertise from Japan to overseas markets, country to country, after selecting target market domains, customers and applications for each country. Regarding overseas operations on the Supply Products Business side, the Company is to unify the chains of command, in order to improve efficiency in investments and procurement and eventually enhance profitability.

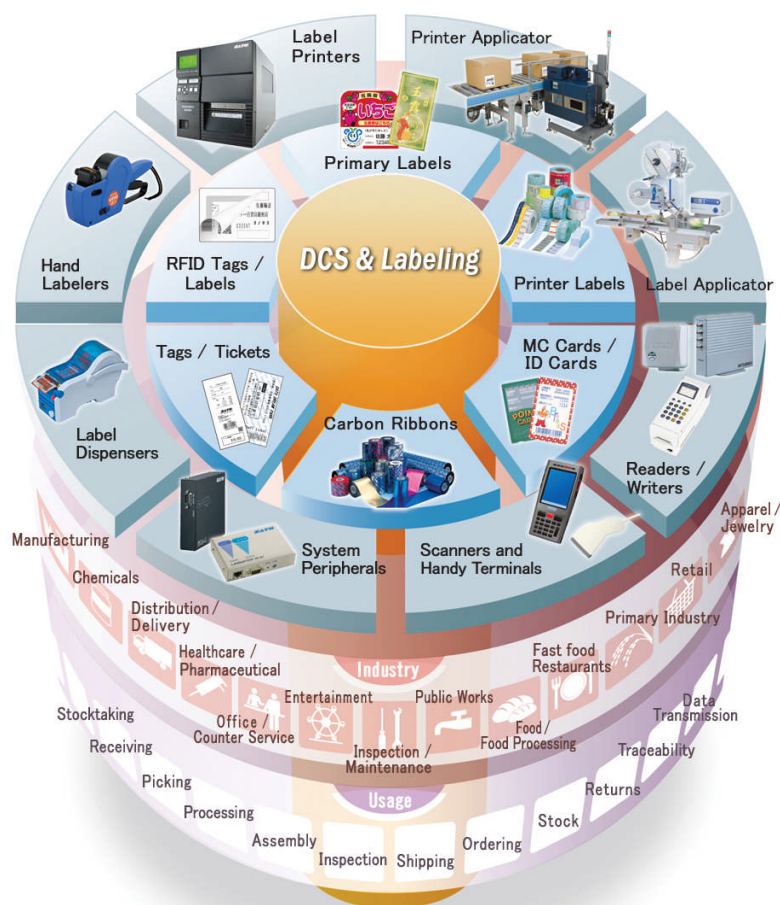
According to the Company's estimates, the scale of the global market of its current business domain is approx. ¥2.0 trillion pa, with growth rates of 5% to 10% pa. This is comprised of: printers & auto-identification systems worth ¥300bn, variable information labels & consumables worth ¥500bn and ¥1.0 trillion+ (of the total ¥5 trillion market) for primary (information-fixed) & other labels. In the mid-term management plan, released this time, the Company defines new business domains, in which the Company is involved to be worth ¥3.0 trillion, including service bureau, primary labels (product labels) and so on. So far, precision, labor-savings and resource-savings have been the main themes, to which the themes of peace of mind and environmental protection have been added, and thus the Company is aiming to increase its market share.

## 4.0 Business Model

### Comprehensive Manufacturer of Auto-Identification Systems

The Company is a comprehensive manufacturer of auto-identification systems, providing retailers, major Japanese manufacturers of automobiles, electronics, machinery as well as major transporters etc., with unified systems to manage field data. Using products such as label printers, labels, software, scanners etc., in conjunction with auto-identification technologies, including barcodes, 2-dimensional barcodes, RFID (Radio Frequency Identification), the Company is able to meet the diversified needs of customers, and thus offer precision, labor-savings and resource-savings to them while contributing to the environment, as a total solution provider. The Company's unique business model offers systems for data input of the movement of both people and goods through labels and/or systems to track such data by collecting field data using auto-identification technologies. This business model is called Data Collection Systems (DCS) & Labeling. The Company has been trying to develop overseas markets in recent years, in addition to the mainstay domestic market. In Japan, in addition to the aforementioned major customer bases, the Company also has customers in market domains like medical and food processing industries, and supplies them with diversified systems. Thus, the Company is a comprehensive manufacturer of auto-identification systems.

Conceptual Diagram for "Data Collection Systems (DCS) & Labeling"

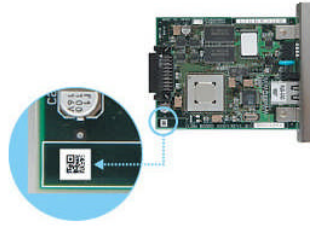


Source: Company Data

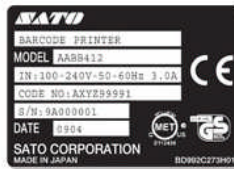
**Label Printer: SCANTRONICS HA200R Series**



**Small Labels for Production Management (print example)**



**Business Equipment Plaque (print example)**

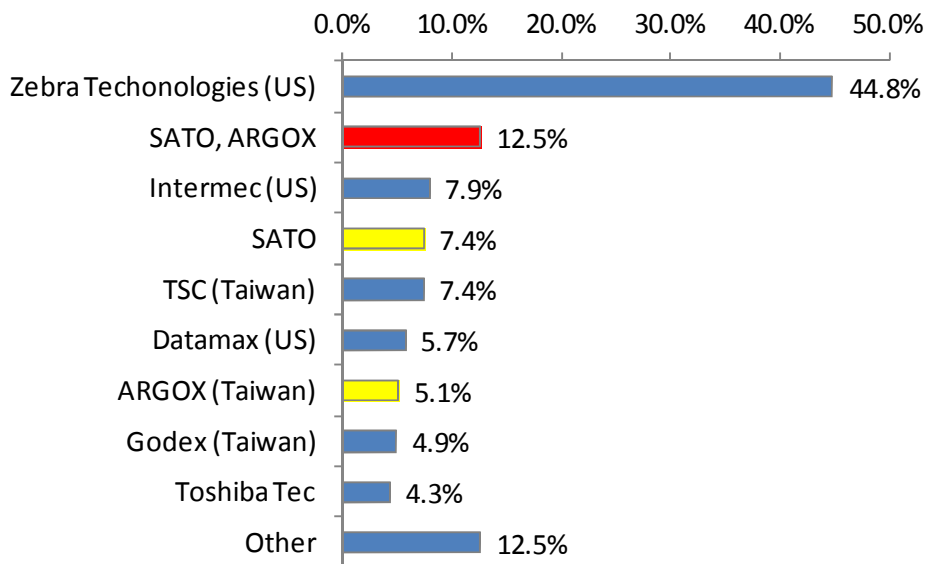


Source: Company Data

**12.5% Global Share**

Based on “Barcode Label Printer Statistics (2010, on a production value basis)” of Chunichisha Co., Ltd., the Company holds a 7.4% share on a global basis. Now, having incorporated ARGOX (5.1% share), the current market share of the Company is estimated at 12.5%. According to the data, the Company used to have the third largest share in the global Barcode Label Printer market, after Zebra Technologies (US, 44.8%) and Intermec (US, 7.9%), but now has the second largest due to the incorporation of ARGOX.

**Global Market Share of “Barcode Label Printer” (2010, Production Value)**



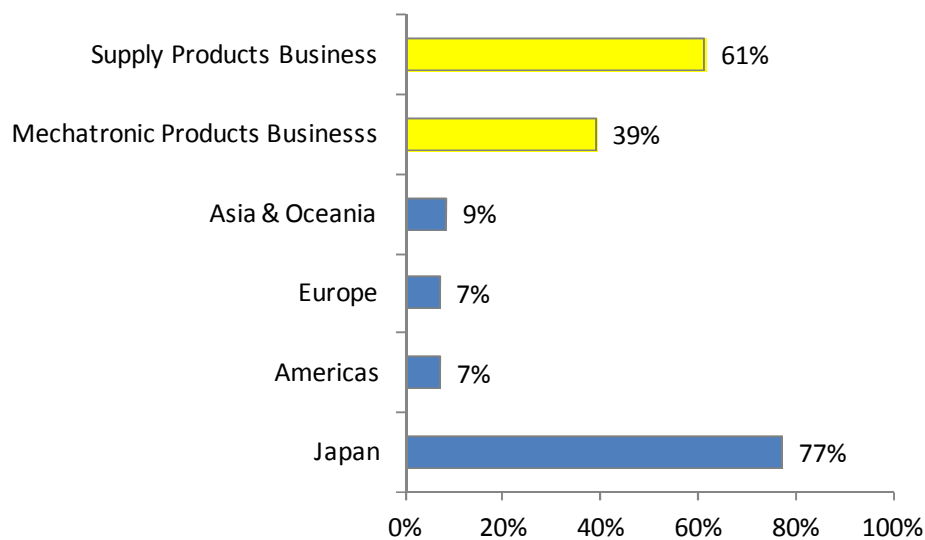
Source: Chunichisha Co. Ltd., WRJ Calculation

**Sales Breakdown by Business and Profit Margins**

In terms of segmented information by business in FY03/2012, Mechatronic Products Business (label printers, scanners etc.) accounted for 39% of sales and 47% of operating profit with an operating profit margin of 7.0%. Supply Products Business (labels, tags, ribbons etc.) accounted for 61% of sales and 53% of operating profit

with an operating profit margin was 5.0%. Meanwhile, according to the Company, Mechatronic Products carry a gross profit margin of 55% and Supply Products of 35%. Over the past five years, the Company's gross profit margin remained almost stable at 41.5% to 43.1% implying both segments' gross profit margins appears to have been largely stable too.

#### Sales Breakdown by Business & Region (FY03/2012 Results)



Source: Company Data, WRJ Calculation

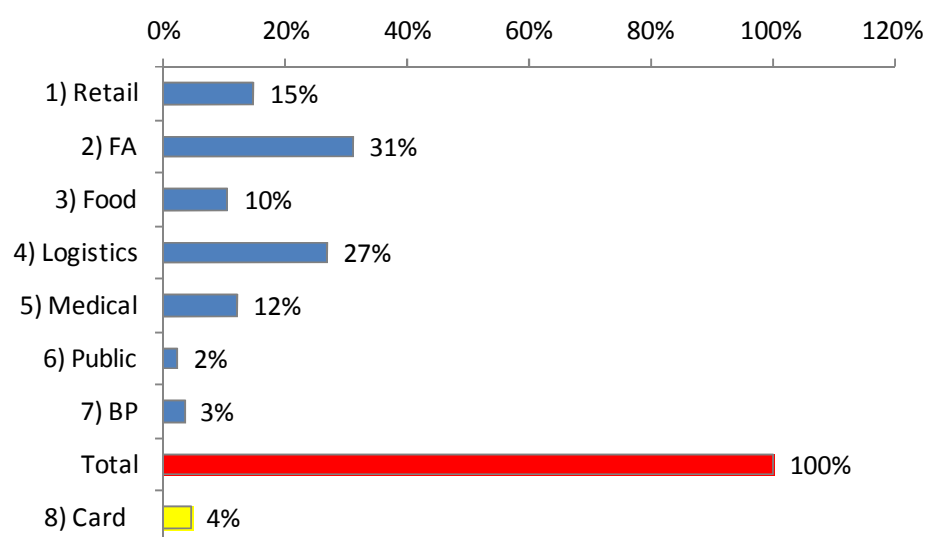
In both segments, production relates to the assembly of procured items and parts to a large extent, and thus the Company does not have to carry out large investments in production facilities. As a result, on the production side, the Company is mainly exposed to variable costs with a little exposure to fixed costs. This suggests that the Company should see stable gross profit margins, and so this is the case in reality. Still, it should be the case in the future that the Company sees rises in gross profit margins as far as long-term volume increases steadily continue, benefiting from increasing benefits from volume discounts in procurement. In terms of gross profit margins, Mechatronic Products are far superior to Supply Products, while the gap is rather limited in terms of operating profit margins. This is because of the heavy burden of R&D expenditure etc. for Mechatronic Products at the SG&A level.

In segmented information by region in FY03/2012, the Company is mainly exposed to the domestic market in Japan which accounts for 77% of sales and 92% of operating profit (operating profit margin 6.9%). Sales in the Americas, Europe and Asia & Oceania, respectively, accounted for 7%, 7% and 9% of total. The bulk of sales in Americas relate to those in the US, at the same time, the Company is trying to develop markets in Latin Americas in the pursuit of future business expansion there by carrying out measures such as through the acquisition of ACHERNAR S.A in Argentina as a subsidiary in March 2012. The purpose of this acquisition is for the Company to have its own manufacturing base for labels as well as enhance its sales. In Asia & Oceania, the Company acquired the ARGOX a Taiwanese printer manufacturer competitive in emerging countries, as a subsidiary, in January 2012. Through efforts such as these, the Company is trying to speed up developments in emerging countries for the sake of enhancing its overseas businesses.

### “8 Market Domains”

In FY03/2012, domestic sales in Japan, (excluding maintenance services of ¥6.3bn) came in at ¥55.7bn. This comprises the “8 market domains” which are broken down as follows: 1) Retail, including major retailers, household appliance stores etc., accounted for 15% of sales, 2) FA (Factory Automation), including major automakers, electronics makers, machinery makers etc. accounted for 31%, 3) Food, including food processing companies, major beverage manufacturers etc. accounted for 10%, 4) Logistics, including almost all the major transportation-related companies, accounted for 27%, 5) Medical, including hospitals, major medicine manufacturers, medical equipment makers etc. accounted for 12%, 6) Public, relating to public institutions, accounted for 2% and 7) BP (Business Partners), including sales associated with the agricultural industry and sales through sales agents, accounted for 3%, 8) Card sales are included as part of numbers 1) to 7), and collectively these sales here equated to 4% of total. Magnetic cards and IC cards described here are used as “point cards” and/or “membership cards”, mainly introduced in the retailing industry, or for use in hospitals as patient’s registration cards etc.

Domestic Sales Breakdown by “8 Market Domains” (FY03/2012)



Source: Company Data, WRJ Calculation

Since April 2010, the Company has been carrying out a measure to cultivate new applications in each market domain in Japan, the “business unit structure by market”. The Company has had some meaningful successes with this measure to date. Going forward, the Company plans to roll out these successes in developed countries overseas. In Europe; 1) Retail is the key market domain in England and Germany, while 1) Retail and 3) Food are key market domains in France. Recently the Company’s direct-sales team successfully signed a large project to supply a retailer of baby goods based in England. More importantly, there will be more of these opportunities in future. In the US, the core part of the Americas for the Company, there is high exposure to 1) Retail and 4) Logistics. In Asia & Oceania, it should be noted that sales in Asia mainly relate to 2) FA for Japanese manufacturers operating in the region. When the prospective growth potential of the economy in Asia is considered, it should be the case that market domains like 1) Retail, 3) Food and 4) Logistics are to emerge there in the long term, as in developed countries, and become key drivers of overall prospective earnings with the Company.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	YoY
	FY	FY	FY	FY	FY	FY	Net Chg.
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	
<b>Sales</b>	<b>87,790</b>	<b>78,163</b>	<b>74,917</b>	<b>78,368</b>	<b>80,536</b>	<b>88,000</b>	<b>+7,464</b>
CoGS	49,932	45,763	43,637	45,350	46,319	-	-
Gross Profit	37,858	32,399	31,279	33,018	34,217	-	-
SG&A	32,453	31,669	28,705	28,791	29,564	-	-
<b>Operating Profit</b>	<b>5,404</b>	<b>730</b>	<b>2,574</b>	<b>4,226</b>	<b>4,652</b>	<b>5,800</b>	<b>+1,148</b>
Non Operating Balance	(654)	(374)	(339)	(530)	(481)	(200)	+281
<b>Ordinary Profit</b>	<b>4,750</b>	<b>356</b>	<b>2,235</b>	<b>3,696</b>	<b>4,171</b>	<b>5,600</b>	<b>+1,429</b>
Extraordinary Balance	(588)	(787)	(206)	(2,944)	(56)	(200)	(144)
Pretax Profit	4,162	(431)	2,029	752	4,115	5,400	+1,285
Tax Charges etc.	2,097	(2,483)	1,246	247	2,160	2,200	+40
Minorities' Interests	1	1	0	1	1	-	-
<b>Net Profit</b>	<b>2,062</b>	<b>2,050</b>	<b>781</b>	<b>503</b>	<b>1,953</b>	<b>3,200</b>	<b>+1,247</b>
Sales YoY	+6.4%	(11.0%)	(4.2%)	+4.6%	+2.8%	+9.3%	-
Operating Profit YoY	(5.1%)	(86.5%)	+252.6%	+64.2%	+10.1%	+24.7%	-
Ordinary Profit YoY	(13.4%)	(92.5%)	+527.8%	+65.4%	+12.9%	+34.2%	-
Net Profit YoY	(13.7%)	(0.6%)	(61.9%)	(35.6%)	+288.3%	+63.8%	-
Gross Profit Margins	43.1%	41.5%	41.8%	42.1%	42.5%	-	-
SG&A / Sales	37.0%	40.5%	38.3%	36.7%	36.7%	-	-
Operating Profit Margins	6.2%	0.9%	3.4%	5.4%	5.8%	6.6%	-
Ordinary Profit Margins	5.4%	0.5%	3.0%	4.7%	5.2%	6.4%	-
Net Profit Margins	2.3%	2.6%	1.0%	0.6%	2.4%	3.6%	-
Tax Charges etc. / Pretax Profit	50.4%	576.1%	61.4%	32.8%	52.5%	40.7%	-
¥ / US\$ (Average)	114	101	93	86	79	78	(1)
¥ / € (Average)	162	144	131	113	109	104	(5)
¥ / £ (Average)	230	175	148	133	126	128	+2
¥ / Singapore \$ (Average)	77	70	65	64	63	64	+1

Source: Company Data, WRJ Calculation



### Segmented Information by Business

Segmented Information (By Business) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
Mechatronic Products Business	36,851	31,325	28,363	29,460	31,300	-	-
Supply Products Business	50,939	46,837	46,553	48,908	49,236	-	-
<b>Sales</b>	<b>87,790</b>	<b>78,163</b>	<b>74,917</b>	<b>78,368</b>	<b>80,536</b>	<b>88,000</b>	<b>+7,464</b>
Mechatronic Products Business	2,716	(81)	843	1,492	2,198	-	-
Supply Products Business	2,687	811	1,730	2,733	2,454	-	-
<b>Operating Profit</b>	<b>5,404</b>	<b>730</b>	<b>2,574</b>	<b>4,226</b>	<b>4,652</b>	<b>5,800</b>	<b>+1,148</b>
Mechatronic Products Business	7.4%	(0.3%)	3.0%	5.1%	7.0%	-	-
Supply Products Business	5.3%	1.7%	3.7%	5.6%	5.0%	-	-
<b>Operating Profit Margins</b>	<b>6.2%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>6.6%</b>	-
Mechatronic Products Business	42%	40%	38%	38%	39%	-	-
Supply Products Business	58%	60%	62%	62%	61%	-	-
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-
Mechatronic Products Business	50%	(11%)	33%	35%	47%	-	-
Supply Products Business	50%	111%	67%	65%	53%	-	-
<b>Operating Profit</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-

Source: Company Data, WRJ Calculation

### Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
No. of Shares FY End (-000 Shares)	32,001	32,001	32,001	32,001	32,001	-	-
Net Profit / EPS (-000 Shares)	30,915	30,415	30,096	30,102	30,106	30,109	-
Treasury Stocks FY End (-000 Shares)	1,388	1,889	1,890	1,891	1,891	-	-
Earnings Per Share	66.7	67.4	26.0	16.7	64.9	106.3	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,196	1,190	1,192	1,157	1,201	-	-
Dividend Per Share	33.0	33.0	33.0	34.0	35.0	35.0	-
Payout Ratio	49.5%	49.0%	127.2%	203.5%	54.0%	32.9%	-
Total Dividend Paid (Million Yen)	1,010	994	994	1,024	1,054	1,054	-

Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2012	Net Chg.
Stock Split Factor	1.00	1.00	1.00	1.00	1.00	-	-
Earnings Per Share	66.7	67.4	26.0	16.7	64.9	106.3	-
Book Value Per Share	1,196	1,190	1,192	1,157	1,201	-	-
Dividend Per Share	33.0	33.0	33.0	34.0	35.0	35.0	-

Source: Company Data, WRJ Calculation

### Segmented Information by Region

Segmented Information (By Region) (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
Japan	60,013	57,185	56,819	59,793	61,986	64,500	+2,514
Americas	9,743	7,489	6,114	6,199	5,872	7,100	+1,228
Europe	11,158	8,459	6,875	6,214	5,789	6,100	+311
Asia & Oceania	6,874	5,028	5,107	6,161	6,888	10,300	+3,412
<b>Sales</b>	<b>87,790</b>	<b>78,163</b>	<b>74,917</b>	<b>78,368</b>	<b>80,536</b>	<b>88,000</b>	<b>+7,464</b>
Japan	4,987	2,885	3,020	3,853	4,299	4,900	+601
Americas	521	275	231	125	139	300	+161
Europe	(482)	(1,559)	(555)	(298)	(257)	100	+357
Asia & Oceania	528	(517)	(90)	500	511	700	+189
Elimination	(151)	(353)	(31)	46	(40)	(200)	(160)
<b>Operating Profit</b>	<b>5,404</b>	<b>730</b>	<b>2,574</b>	<b>4,226</b>	<b>4,652</b>	<b>5,800</b>	<b>+1,574</b>
Japan	8.3%	5.0%	5.3%	6.4%	6.9%	7.6%	-
Americas	5.3%	3.7%	3.8%	2.0%	2.4%	4.2%	-
Europe	(4.3%)	(18.4%)	(8.1%)	(4.8%)	(4.4%)	1.6%	-
Asia & Oceania	7.7%	(10.3%)	(1.8%)	8.1%	7.4%	6.8%	-
<b>Operating Profit Margins</b>	<b>6.2%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>6.6%</b>	-
Japan	68%	73%	76%	76%	77%	73%	-
Americas	11%	10%	8%	8%	7%	8%	-
Europe	13%	11%	9%	8%	7%	7%	-
Asia & Oceania	8%	6%	7%	8%	9%	12%	-
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-
Japan	90%	266%	116%	92%	92%	82%	-
Americas	9%	25%	9%	3%	3%	5%	-
Europe	(9%)	(144%)	(21%)	(7%)	(5%)	2%	-
Asia & Oceania	10%	(48%)	(3%)	12%	11%	12%	-
<b>OP (Before Elimination)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-

Source: Company Data, WRJ Calculation

### Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
Operating Cash Flow	4,108	4,994	5,860	1,595	4,434	-	-
Investment Cash Flow	(2,522)	(2,217)	(2,093)	(4,283)	(7,015)	-	-
<b>Operating CF + Investment CF</b>	<b>1,586</b>	<b>2,777</b>	<b>3,767</b>	<b>(2,688)</b>	<b>(2,581)</b>	-	-
Financing Cash Flow	(793)	(2,476)	(826)	(3)	3,273	-	-
Capital Expenditure	2,424	2,361	2,387	5,084	1,719	2,600	+881
Depreciation	2,571	2,620	2,418	2,074	1,930	2,100	+170
R&D Expenditure	1,728	1,922	1,826	1,902	1,858	1,900	+42

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013	YoY Net Chg.
Cash & Deposit	10,926	10,726	13,584	10,680	12,613	-	-
Accounts Receivables	20,334	15,304	16,346	17,253	19,611	-	-
Inventory	11,127	9,172	7,860	8,065	8,287	-	-
Other	1,942	1,710	3,335	3,843	4,121	-	-
<b>Current Assets</b>	<b>44,329</b>	<b>36,912</b>	<b>41,125</b>	<b>39,841</b>	<b>44,632</b>	-	-
Tangible Assets	15,846	15,815	14,994	17,908	17,702	-	-
Intangible Assets	3,115	2,034	1,875	1,845	6,590	-	-
LT Investment Securities etc.	2,811	6,931	6,208	6,538	5,905	-	-
<b>Fixed Assets</b>	<b>21,773</b>	<b>24,780</b>	<b>23,078</b>	<b>26,293</b>	<b>30,198</b>	-	-
<b>Total Assets</b>	<b>66,103</b>	<b>61,692</b>	<b>64,203</b>	<b>66,134</b>	<b>74,830</b>	-	-
Accounts Payable	5,845	4,013	4,666	4,751	4,025	-	-
Short Term Debt	6,558	3,483	3,542	5,573	9,889	-	-
Other	14,620	13,789	14,540	15,923	19,707	-	-
<b>Current Liabilities</b>	<b>27,023</b>	<b>21,285</b>	<b>22,748</b>	<b>26,247</b>	<b>33,621</b>	-	-
Long Term Debt	8	2,000	2,000	1,377	1,800	-	-
Other	2,400	2,489	3,469	3,580	3,236	-	-
<b>Fixed Liabilities</b>	<b>2,408</b>	<b>4,489</b>	<b>5,469</b>	<b>4,957</b>	<b>5,036</b>	-	-
<b>Total Liabilities</b>	<b>29,431</b>	<b>25,774</b>	<b>28,218</b>	<b>31,204</b>	<b>38,657</b>	-	-
<b>Shareholders' Equity</b>	<b>36,658</b>	<b>37,213</b>	<b>37,000</b>	<b>36,508</b>	<b>37,575</b>	-	-
Adjustments etc.	14	(1,295)	(1,015)	(1,578)	(1,402)	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>66,103</b>	<b>61,692</b>	<b>64,203</b>	<b>66,134</b>	<b>74,830</b>	-	-
Interest Bearing Debt	6,566	5,483	5,542	6,950	11,689	-	-
Net Debt	(4,360)	(5,243)	(8,042)	(3,730)	(924)	-	-
ROA (Net Profit / Total Assets)	7.1%	0.6%	3.6%	5.7%	5.9%	-	-
ROE (Net Profit / Equity)	5.6%	5.6%	2.2%	1.4%	5.5%	-	-
Total Assets Turnover	132.8%	126.7%	116.7%	118.5%	107.6%	-	-
Inventory Turnover	4.5	5.0	5.6	5.6	5.6	-	-
Days of Inventory	81	73	66	65	65	-	-
Quick Ratio	116%	122%	132%	106%	96%	-	-
Current Ratio	164%	173%	181%	152%	133%	-	-
Capital Ratio	55.5%	58.2%	56.0%	52.8%	48.3%	-	-
Net-Debt-Equity Ratio	(11.9%)	(14.1%)	(21.7%)	(10.2%)	(2.5%)	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Established in 1951

The founder of the Company, the late Mr. Yo Sato, established the Company as SATO Bamboo Machinery Manufacturing Co., Ltd. on 16 May 1951, whereupon the Company started to supply labor-saving equipment such as wrapping machines and hand-labeling machines. To date, the Company has been heavily involved with the development, manufacturing and sales of auto-identification systems, comprising label printers, labels, IC tags & labels, tags, tickets, ribbons, magnetic cards etc. It was June 1990 when Mr. Sato, the founder, stepped down, and the late Mr. Tokuo Fujita took over the top management of the Company as president. Mr. Fujita was the key person in having the Company listed on the stock market in October 1990, and continued to contribute to the expansion of the Company afterwards.

As of 3 October 2011, the Company transitioned to a pure holding company structure, and is now identified as SATO HOLDINGS CORPORATION. In line with this change, Mr. Koichi Nishida (born 1958), ex-President & CEO, stepped down and became chairman, while Mr. Kazuo Matsuyama (born 1960), ex-Vice President & COO, was appointed as the new President & CEO of the Company. This change in the top management was carried out in line with the Company's relentless pursuit for growth with a focus on overseas markets, and in order to strengthen the foundations of the organization under the newly formed management team.

At present, the board comprises 10 directors (comprising 5 internal directors and 5 external directors, including two female directors), headed by the President & CEO, Mr. Matsuyama. With a relatively high number of external directors and female directors, it can be said that there is visible diversity in the management of the Company. Under such circumstances, the Company is trying to achieve long-term growth in its earnings in accordance with its management plan, for the sake of steady and consistent increases in the absolute value of dividend per share for the shareholders.

## Company History

Year	Events
1940	Founded as a maker of bamboo machinery.
1951	SATO Bamboo Machinery Manufacturing Co., Ltd., established in Saitama-City, Saitama.
1962	Founder Mr. Sato invented hand labeling machine, and started manufacture and supply.
1964	Began label manufacturing
1981	Developed world's first thermal-transfer printer for JAN (UPC · EAN) POS
1986	Set up a factory in Malaysia for the manufacture of mechatronic products.
1990	Registered on the Japan Securities Dealers Association.
1994	Listed on the Tokyo Stock Exchange, Section 2.
1996	Acquired NOR SYSTEMS, based in England (now SATO UK).
1997	Transferred to the Tokyo Stock Exchange, Section 1.
2001	Set up SATO INTERNATIONAL PTE. LTD. as the base for directing the Company's overseas operations in Singapore.
2005	Acquired L'Etiquetage Rationnel (now SATO FRANCE), Began operations at Vietnam factory as the second manufacturing base for mechatronic products.
2006	Acquired barcode business from Checkpoint Systems Inc., based in US, and set up five subsidiaries overseas. SATO NEW ZEALAND acquired businesses from Walker Datavision.
2007	Set up regional management companies in Americas, Europe and Asia & Oceania. SATO AMERICA, purchased businesses from TrakIT.
2009	All SATO INTERNATIONAL's overseas operations collected and moved to Japan. Established shared service center, SATO GLOBAL BUSINESS SERVICES, in Singapore.
2010	Introduced the business unit structure in Japan. SATO AMERICA acquired NODOS Corp. based in Argentina (now SATO ARGENTINA).
2011	Changeover to a pure holding company, now identified as SATO HOLDINGS CORPORATION
2012	Argox Information Co. Ltd, fully consolidated as a subsidiary after 100% share acquisition
2012	SATO AMERICA acquired ACHERNAR S.A in Argentina

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### Disclaimer

Information here is a summary of "IR Information" of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. "IR Information" of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

Company name: Walden Research Japan Incorporated

Headquarters office: #1110 4-12-4 Hatchobori, Chuo-ku, Tokyo JAPAN 104-0032

URL: [www.walden.co.jp](http://www.walden.co.jp)

E-mail: [info@walden.co.jp](mailto:info@walden.co.jp)

Phone : +81 3 3553 3769