

# Consolidated Financial Report for the March 2019 Term

<Under Japanese GAAP>

May 13, 2019

## SATO HOLDINGS CORPORATION

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

Shares traded on: TSE1

Executive position of legal representative: Ryutaro Kotaki, President and CEO

Please address all communications to: Yoichi Abe, Vice President and Chief Financial Officer (CFO)  
Phone: 03-5745-3414

Date of Ordinary General Meeting of Shareholders: June 21, 2019

Date of commencement of dividend payments: June 24, 2019

Scheduled submission date for annual securities report: June 24, 2019

Supplementary explanatory materials for financial results: Available

Holding of meeting to explain financial results (for analysts and institutional investors): Yes

(Millions of yen, with fractional amounts discarded)

### 1. Consolidated operating results for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

#### (1) Consolidated financial results

(Percentage figures show year-on-year change.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2019	116,179	2.5	7,679	22.9	7,618	29.4	3,773	(7.4)
March 31, 2018	113,383	6.7	6,249	2.4	5,888	8.5	4,074	26.5

(Note) Comprehensive income: Fiscal year ended March 31, 2019: ¥2,677 million (-29.0%)  
Fiscal year ended March 31, 2018: ¥3,772 million (-6.6%)

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity ratio	Ratio of ordinary income to total asset	Ratio of operating income to net sales
	(Yen)	(Yen)	(%)	(%)	(%)
March 31, 2019	112.46	112.36	6.9	7.1	6.6
March 31, 2018	121.54	121.38	7.6	5.6	5.5

(N.B.) Equity in earnings or losses of affiliates: Fiscal year ended March 31, 2019: ¥1 million  
Fiscal year ended March 31, 2018: ¥(6) million

## (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, 2019	107,574	56,668	51.5	1,649.86
March 31, 2018	106,447	56,225	51.5	1,634.69

(N.B.) Total equity:

As of March 31, 2019: ¥55,375 million

As of March 31, 2018: ¥54,805 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, 2019	9,365	(5,212)	(3,534)	16,430
March 31, 2018	6,184	(3,504)	(3,458)	16,026

## 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, 2018	–	32.00	–	33.00	65.00	2,193	53.5	4.0
March 31, 2019	–	35.00	–	35.00	70.00	2,363	62.2	4.2
March 31, 2020 (Forecast)	–	36.00	–	37.00	73.00		49.0	

## 3. Consolidated forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentage figures show year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	
Six months	58,700	3.9	3,500	4.7	3,400	6.6	2,000	4.2	(Yen) 59.59
Annual	120,000	3.3	8,500	10.7	8,300	8.9	5,000	32.5	148.97

**\* Notes**

- (1) Changes in significant subsidiaries during the term (changes in specified subsidiaries resulting in the change in scope of consolidation): None
  
- (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: 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
  
- (3) Number of issued shares (common shares)
  - 1) Number of issued shares at the end of term (including treasury shares):

As of March 31, 2019:	34,921,242 shares
As of March 31, 2018:	34,921,242 shares
  - 2) Number of treasury shares at the end of term:

As of March 31, 2019:	1,357,708 shares
As of March 31, 2018:	1,394,994 shares
  - 3) Average number of shares during the term:

Fiscal year ended March 31, 2019:	33,557,534 shares
Fiscal year ended March 31, 2018:	33,526,760 shares

**\* Financial reports are not subject to audit conducted by certified public accountants or audit firms.**

**\* 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 6 of the attached materials for the suppositions that form the assumptions for consolidated forecasts and cautions concerning the use thereof.*

## Attached Materials

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## 1. Overview of Financial Performance and Others

### (1) Overview of financial performance during the fiscal year ended March 31, 2019

The SATO Group has formulated a three-year Medium-term Management Plan (FY 2018–20) geared toward the business vision of becoming the leader and most trusted company in the auto-ID solutions industry worldwide, exceeding customer expectations in an ever-changing world. Launched this fiscal year, this plan aims to concentrate more resources on the auto-ID solutions business than ever before to realize stronger sustainable growth and stable profits. The Group is focusing particularly on the greater potential overseas to develop its auto-ID solutions business globally with the knowledge and knowhow gained from its business in Japan.

Continued efforts in executing the necessary business strategies have paid off in the fiscal year under review to produce increased revenues and profits for our auto-ID solutions business, which maintained strong performance both in Japan and overseas. Meanwhile, for our IDP business in which we are investing strategically as one of our future business pillars, R&D activities have progressed largely in line with plans.

As a result, the SATO Group posted net sales of ¥116,179 million (up 2.5% from the previous fiscal year), operating income of ¥7,679 million (up 22.9%), and ordinary income of ¥7,618 million (up 29.4%), achieving new record highs for all three. Net income attributable to owners of parent, on the other hand, totaled ¥3,773 million (down 7.4%) after reflecting impairment loss from a UK subsidiary.

By segment, the SATO Group reported the following.

The Group has renamed its “Materials business” reporting segment “IDP business” from the fiscal year under review as the business would now focus on the development and commercialization of the IDP technology in anticipation of its strong future demand, based on the aforementioned Medium-term Management Plan. The definition of the segment remains unchanged.

#### <Auto-ID solutions business (Japan)>

In Japan, recent years’ efforts in implementing industry-specific strategies have paid off to help our sales frontlines competently enhance customer satisfaction and contribute towards their profitability, thereby generating record-high net sales and operating income for our auto-ID solutions business. Besides achieving a marked growth in mechatronics sales (primarily printers) and a strong year-on-year gain in accompanying consumables sales, the operating income ratio also increased by a significant 1.4 point from the previous year due to a better product mix. Our best-performing verticals include the manufacturing sector, where there has been robust demand for capital investments in automation and operational visibility, and the retail sector, where our solutions targeted at the growing e-commerce landscape and other surrounding changes have proved successful.

While labor shortages are creating prominent needs for increasing productivity, tracking work, and automating worksites across all trades, there are also rising needs to comply with new labeling standards in the food and healthcare sectors. Going forward, we aim to strengthen our ability to propose solutions for the increasingly sophisticated challenges of our customers to grow this business stably and increase its earning power.

Under these circumstances, net sales increased 2.8% to ¥72,435 million, and operating income increased 19.7% to ¥6,982 million, compared with the previous fiscal year.

#### <Auto-ID solutions business (Overseas)>

Overseas, our engagement in the different countries in understanding and executing action plans based on the Medium-term Management Plan has led our auto-ID solutions business to achieve growth in sales and profits for a second consecutive year. For our companies specializing in primary labels, an overall increase in sales and profits was possible as Okil-Holding in Russia was able to grow revenue and improve profitability on the back of positive foreign currency effects to offset investment cost in Russia (for various types of labels and soft packaging) and weak business performance in South America (where economic stagnation and local currency depreciation persisted).

For other overseas companies conducting our base business, the sales approach of proposing solutions based on our strategic CLNX printer series to improve customers' field operations is gaining ground. While business in the Americas saw declining sales due to lesser orders from large customers in North America compared with the same period last year and the economic slump affecting South America, profits increased, mainly because of reduced software development expenses resulting from the liquidation of a group company. Business in the Europe, Asia and Oceania regions, on the other hand, achieved steady top-line growth to increase both sales and profits.

Under these circumstances, net sales increased 1.7% to ¥43,316 million (increase of 7.0%, excluding foreign currency effects) and operating income increased 20.0% to ¥2,239 million, compared with the previous fiscal year.

#### <IDP business>

For the IDP business centering on the Inline Digital Printing (IDP) technology that we own after fully acquiring UK-based DataLase in January 2017, an increase in sales was recorded for the existing base business while upfront investments for R&D progressed largely as planned.

Such ongoing developments for the IDP technology are key to the success of this business for which strong future demand is anticipated, and we are currently conducting testing aimed at commercialization, with plans to make the final decision on commercialization in FY 2019 and achieve operating profitability from FY 2020 onwards.

Under these circumstances, net sales increased 35.7% to ¥427 million (increase of 36.7%, excluding foreign currency effects), and an operating loss of ¥1,421 million was incurred, compared with that of ¥1,426 million for the previous fiscal year.

## **(2) Overview of financial position at the end of fiscal year, March 31, 2019**

### **a. Assets, liabilities and net assets**

At the end of the fiscal year under review, the balance of current assets was ¥59,367 million, an increase of ¥3,173 million (from ¥56,193 million recorded at the end of the previous fiscal year). This was primarily the result of increases of ¥1,660 million in merchandise and finished goods and ¥785 million in notes and accounts receivable - trade. The balance of non-current assets was ¥48,206 million, a decrease of ¥2,047 million (from ¥50,254 million at the end of the previous fiscal year). This was primarily the result of an increase of ¥1,133 million in investments and other assets, as well as decreases of ¥678 million in property, plant and equipment and ¥2,503 million in intangible assets.

The balance of current liabilities was ¥36,904 million, an increase of ¥2,856 million (from ¥34,048 million at the end of the previous fiscal year). This was primarily the result of increases of ¥938 million in income taxes payable and ¥922 million in short-term loans payable. The balance of non-current liabilities was ¥14,000 million, a decrease of ¥2,173 million (from ¥16,173 million at the end of the previous fiscal year). This was mainly due to a decrease of ¥1,319 million in long-term loans payable.

The balance of net assets at the end of the fiscal year under review was ¥56,668 million, an increase of ¥442 million (from ¥56,225 million at the end of the previous fiscal year). This was primarily due to an increase of ¥1,478 million in retained earnings, as well as a decrease of ¥1,266 million in foreign currency translation adjustment.

## **(3) Overview of cash flows during the fiscal year ended March 31, 2019**

At the end of the fiscal year under review, cash and cash equivalents (referred to below as “cash”) stood at ¥16,430 million, an increase of ¥404 million compared with the end of the previous fiscal year.

The major cash flow-related factors for the fiscal year ended March 31, 2019 are outlined below.

### ***Cash flows from operating activities***

Net cash provided by operating activities amounted to ¥9,365 million.

This resulted primarily from cash inflows including ¥6,573 million of income before income taxes, a ¥713 million increase in notes and accounts payable - trade, ¥4,489 million for depreciation and ¥1,081 million for amortization of goodwill (the last two being non-cash items), and cash outflows including a ¥1,093 million increase in notes and accounts receivable - trade, a ¥2,254 million increase in inventories and ¥1,633 million of income taxes paid.

### ***Cash flows from investing activities***

Net cash used in investing activities amounted to ¥5,212 million.

This resulted primarily from cash outflows including ¥3,672 million for purchase of property,



plant and equipment, ¥616 million for purchase of intangible assets and ¥1,105 million for payments of lease and guarantee deposits.

### ***Cash flows from financing activities***

Net cash used in financing activities amounted to ¥3,534 million.

This resulted primarily from cash outflows including ¥612 million for repayments of long-term loans payable, ¥2,293 million of cash dividends paid and ¥752 million for repayments of lease obligations, and cash inflows including ¥226 million proceeds from long-term loans payable.

### ***Trend in cash flow indices***

<b>Fiscal year ended</b>	<b>March 31, 2016</b>	<b>March 31, 2017</b>	<b>March 31, 2018</b>	<b>March 31, 2019</b>
Equity ratio (%)	52.9	50.8	51.5	51.5
Equity ratio based on market value (%)	83.0	76.3	106.0	81.0
Ratio of cash flow to interest-bearing debt (%)	264.6	157.9	271.6	170.4
Interest-coverage ratio (times)	32.9	83.5	43.6	66.5

(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 shares) 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.

#### (4) Forecasts

While retaining qualitative targets such as the management principles and growth strategies of the aforementioned Medium-term Management Plan (FY 2018–20), the SATO Group has revised some quantitative/numeric targets such as the management objectives, based on recent changes in business activities/environment and our performance for the fiscal year under review. This new three-year Medium-term Management Plan (FY 2019–21) will continue to aim at concentrating resources on our auto-ID solutions business and maximizing our strengths to realize stronger sustainable growth and stable profits. To this end, the Group will strive to focus resources on the high-potential overseas business to develop our auto-ID solutions business globally with the knowledge and knowhow gained from our business in Japan through clear country/industry-specific strategies.

Our consolidated forecasts for the fiscal year ending March 31, 2020 are as follows.

Net sales	¥120,000 million	(increase by 3.3% year on year)
Operating income	¥8,500 million	(increase by 10.7% year on year)
Ordinary income	¥8,300 million	(increase by 8.9% year on year)
Net income attributable to owners of parent	¥5,000 million	(increase by 32.5% year on year)

The foreign exchange rates assumed in the above forecast are US\$1 = ¥112 and €1 = ¥130.

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. Our Basic Stance regarding Selection of Accounting Standards**

The SATO Group chooses to use Japanese GAAP for accounting because Japanese accounting standards are now of high quality and internationally competitive as a result of convergence with international accounting standards and have been accepted to be equivalent to International Financial Reporting Standards (IFRSs) in Europe.

With regard to future adoption of IFRSs, the Group will give due consideration to domestic and international circumstances and take action accordingly.

### 3. Consolidated Financial Statements and Significant Notes Thereto

#### (1) Consolidated balance sheets

Unit: Millions of yen

	March 31, 2018	March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	16,250	16,800
Notes and accounts receivable - trade	24,737	25,522
Securities	211	37
Merchandise and finished goods	7,761	9,421
Work in process	484	531
Raw materials and supplies	3,120	3,501
Accounts receivable - other	1,780	1,834
Other	2,054	1,870
Allowance for doubtful accounts	(208)	(153)
Total current assets	56,193	59,367
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,941	16,437
Accumulated depreciation	(5,822)	(6,264)
Buildings and structures, net	9,119	10,172
Machinery, equipment and vehicles	26,865	28,363
Accumulated depreciation	(15,371)	(16,510)
Machinery, equipment and vehicles, net	11,494	11,852
Tools, furniture and fixtures	5,844	6,149
Accumulated depreciation	(4,518)	(4,750)
Tools, furniture and fixtures, net	1,326	1,398
Land	6,484	6,135
Construction in progress	2,973	1,160
Total property, plant and equipment	31,398	30,720
Intangible assets		
Goodwill	9,504	8,059
Software	3,587	2,769
Other	1,344	1,104
Total intangible assets	14,436	11,933
Investments and other assets		
Investment securities	1,498	1,607
Long-term loans receivable	63	21
Guarantee deposits	617	1,700
Deferred tax assets	1,782	1,865
Other	842	692
Allowance for doubtful accounts	(385)	(335)
Total investments and other assets	4,418	5,552
Total non-current assets	50,254	48,206
Total assets	106,447	107,574

Unit: Millions of yen

	March 31, 2018	March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,085	7,304
Electronically recorded obligations - operating	11,226	11,650
Short-term loans payable	3,286	4,209
Lease obligations	763	758
Accounts payable - other	3,038	2,835
Income taxes payable	1,121	2,059
Provision for bonuses	233	340
Provision for product warranties	410	646
Provision for loss on guarantees	350	341
Other	6,533	6,756
Total current liabilities	34,048	36,904
Non-current liabilities		
Long-term loans payable	8,891	7,572
Lease obligations	3,780	3,345
Net defined benefit liability	2,181	1,843
Provision for management board incentive plan trust	123	191
Other	1,196	1,047
Total non-current liabilities	16,173	14,000
Total liabilities	50,221	50,905
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,468	8,468
Capital surplus	7,712	7,737
Retained earnings	41,145	42,624
Treasury shares	(2,662)	(2,584)
Total shareholders' equity	54,664	56,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	—
Foreign currency translation adjustment	565	(700)
Remeasurements of defined benefit plans	(426)	(169)
Total accumulated other comprehensive income	140	(870)
Share acquisition rights	99	57
Non-controlling interests	1,320	1,235
Total net assets	56,225	56,668
<b>Total liabilities and net assets</b>	<b>106,447</b>	<b>107,574</b>

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

Unit: Millions of yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	113,383	116,179
Cost of sales	64,728	65,502
Gross profit	48,655	50,676
Selling, general and administrative expenses	42,405	42,997
Operating income	6,249	7,679
Non-operating income		
Interest income	127	118
Dividend income	32	25
Purchase discounts	27	35
Rent income	80	7
Reversal of allowance for doubtful accounts	–	57
Gain on valuation of securities	7	73
Share of profit of entities accounted for using equity method	–	1
Other	179	248
Total non-operating income	455	569
Non-operating expenses		
Interest expenses	143	140
Sales discounts	61	77
Foreign exchange losses	268	275
Provision of allowance for doubtful accounts	83	–
Share of loss of entities accounted for using equity method	6	–
Other	252	136
Total non-operating expenses	816	629
Ordinary income	5,888	7,618
Extraordinary income		
Gain on sales of non-current assets	2,835	11
Total extraordinary income	2,835	11
Extraordinary losses		
Loss on sales of non-current assets	171	0
Loss on retirement of non-current assets	122	32
Restructuring loss	929	–
Provision for loss on guarantees	350	–
Impairment loss	656	1,024
Total extraordinary losses	2,229	1,057
Income before income taxes	6,494	6,573
Income taxes - current	2,544	2,971
Income taxes - deferred	19	(182)
Total income taxes	2,563	2,788
Net income	3,931	3,784
Net income (loss) attributable to non-controlling interests	(143)	10
Net income attributable to owners of parent	4,074	3,773

**(Consolidated statements of comprehensive income)**

Unit: Millions of yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income	3,931	3,784
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Foreign currency translation adjustment	(372)	(1,357)
Remeasurements of defined benefit plans, net of tax	219	256
Share of other comprehensive income of entities accounted for using equity method	(6)	(4)
Total other comprehensive income	(158)	(1,106)
Comprehensive income	3,772	2,677
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,005	2,762
Comprehensive income attributable to non-controlling interests	(233)	(84)

### (3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

Unit: Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,468	7,775	39,162	(2,659)	52,747
Changes of items during period					
Dividends of surplus			(2,092)		(2,092)
Net income attributable to owners of parent			4,074		4,074
Change in ownership interest of parent due to transactions with non-controlling interests		(63)			(63)
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(63)	1,982	(2)	1,916
Balance at end of current period	8,468	7,712	41,145	(2,662)	54,664

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1	854	(645)	209	99	1,160	54,217
Changes of items during period							
Dividends of surplus							(2,092)
Net income attributable to owners of parent							4,074
Change in ownership interest of parent due to transactions with non-controlling interests							(63)
Purchase of treasury shares							(2)
Net changes of items other than shareholders' equity	0	(289)	219	(68)		160	91
Total changes of items during period	0	(289)	219	(68)	–	160	2,008
Balance at end of current period	1	565	(426)	140	99	1,320	56,225



Fiscal year ended March 31, 2019

Unit: Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,468	7,712	41,145	(2,662)	54,664
Changes of items during period					
Dividends of surplus			(2,295)		(2,295)
Net income attributable to owners of parent			3,773		3,773
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		25		78	103
Net changes of items other than shareholders' equity					
Total changes of items during period	–	25	1,478	77	1,581
Balance at end of current period	8,468	7,737	42,624	(2,584)	56,245

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	1	565	(426)	140	99	1,320	56,225
Changes of items during period							
Dividends of surplus							(2,295)
Net income attributable to owners of parent							3,773
Purchase of treasury shares							(0)
Disposal of treasury shares							103
Net changes of items other than shareholders' equity	(1)	(1,266)	256	(1,011)	(42)	(85)	(1,138)
Total changes of items during period	(1)	(1,266)	256	(1,011)	(42)	(85)	442
Balance at end of current period	–	(700)	(169)	(870)	57	1,235	56,668

#### (4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
<b>Cash flows from operating activities</b>		
Income before income taxes	6,494	6,573
Depreciation	4,307	4,489
Amortization of goodwill	1,258	1,081
Impairment loss	656	1,024
Loss (gain) on sales of non-current assets	(2,664)	(11)
Loss on retirement of non-current assets	122	32
Loss on business restructuring	929	–
Increase (decrease) in provision for loss on guarantees	350	(8)
Increase (decrease) in allowance for doubtful accounts	101	(96)
Increase (decrease) in provision for bonuses	(18)	109
Increase (decrease) in net defined benefit liability	(15)	13
Interest and dividend income	(160)	(143)
Interest expenses	143	140
Foreign exchange losses (gains)	452	317
Decrease (increase) in notes and accounts receivable - trade	(1,766)	(1,093)
Decrease (increase) in inventories	(576)	(2,254)
Decrease (increase) in accounts receivable - other	(121)	(16)
Increase (decrease) in notes and accounts payable - trade	(1,063)	713
Increase (decrease) in accounts payable - other	949	(188)
Other, net	(126)	243
Subtotal	9,252	10,928
Interest and dividend income received	160	143
Interest expenses paid	(141)	(140)
Payments for business restructuring	(102)	(174)
Income taxes paid	(2,985)	(1,633)
Income taxes refund	0	242
Net cash provided by (used in) operating activities	6,184	9,365

Unit: Millions of yen

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Payments into time deposits	(239)	–
Proceeds from withdrawal of time deposits	430	33
Purchase of property, plant and equipment	(6,064)	(3,672)
Purchase of intangible assets	(1,266)	(616)
Proceeds from sales of property, plant and equipment and intangible assets	3,870	71
Payments for lease and guarantee deposits	(14)	(1,105)
Other, net	(220)	76
Net cash provided by (used in) investing activities	(3,504)	(5,212)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,353)	(101)
Proceeds from long-term loans payable	652	226
Repayments of long-term loans payable	(252)	(612)
Repayments of lease obligations	(628)	(752)
Cash dividends paid	(2,089)	(2,293)
Other, net	212	(0)
Net cash provided by (used in) financing activities	(3,458)	(3,534)
Effect of exchange rate change on cash and cash equivalents	47	(214)
Net increase (decrease) in cash and cash equivalents	(731)	404
Cash and cash equivalents at beginning of period	16,757	16,026
Cash and cash equivalents at end of period	16,026	16,430

## **(5) Notes to consolidated financial statements**

### **(Additional information)**

Effective from the start of the fiscal year under review, the Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant guidances to classify deferred tax assets under “Investments and other assets” and deferred tax liabilities under “Non-current liabilities.”

### **(Segment information)**

#### **1. Overview of reportable segments**

Reportable segments are constituent units of the Company for which financial information is separately available. These segments have their operating results and allocation of business resources reviewed periodically by the Company’s management team.

The SATO Group operates in the auto-ID solutions business, followed by the IDP business which focuses on the Inline Digital Printing (IDP) technology. The former, being its core business, involves providing one-stop auto-ID solutions for customers’ challenges by combining relevant technologies/solutions both inside Japan and overseas to capture data on the movement of people and things at business sites and accurately link such data to IT systems.

This auto-ID solutions business can be further classified as domestic or overseas, as seen from such corresponding strategies set forth in our Medium-term Management Plan. As such, the Company’s reportable segments have been changed accordingly to now comprise Auto-ID solutions business (Japan), Auto-ID solutions business (Overseas), and IDP business.

The “IDP business” was previously known as “Materials business” and was renamed from the fiscal year under review with no changes to the segment definition. Segment information for the previous fiscal year has been prepared in accordance with this new segment name.

#### **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 largely 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.

Intersegment income and transfer figures are based on consideration of prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities and other item amounts by reportable segment

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Total
Net sales				
External customer sales	70,482	42,585	315	113,383
Intersegment sales and transfer	5,967	8,250	66	14,285
Total	76,450	50,836	381	127,668
Segment profit (loss)	5,831	1,865	(1,426)	6,270
Segment assets	91,499	47,784	8,363	147,647
Other items				
Depreciation	2,572	1,716	18	4,307
Amount of increases in property, plant and equipment and intangible assets	3,922	5,024	97	9,044

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Total
Net sales				
External customer sales	72,435	43,316	427	116,179
Intersegment sales and transfer	6,710	21,732	63	28,507
Total	79,146	65,048	491	144,686
Segment profit (loss)	6,982	2,239	(1,421)	7,800
Segment assets	94,392	46,626	7,934	148,953
Other items				
Depreciation	2,762	1,700	26	4,489
Amount of increases in property, plant and equipment and intangible assets	2,660	1,963	177	4,801

4. 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 a major breakdown of the difference  
(Matters related to difference adjustment)

Unit: Millions of yen

Net sales	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Reportable segments total	127,668	144,686
Intersegment eliminations	(14,285)	(28,507)
Net sales on the consolidated statements of income	113,383	116,179

Unit: Millions of yen

Profit	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Reportable segments total	6,270	7,800
Intersegment eliminations	(33)	0
Adjustment of inventories	11	(121)
Operating income on the consolidated statements of income	6,249	7,679

Unit: Millions of yen

Assets	March 31, 2018	March 31, 2019
Reportable segments total	147,647	148,953
Intersegment eliminations	(40,779)	(40,837)
Other adjustment	(420)	(542)
Total assets on the consolidated balance sheets	106,447	107,574

Unit: Millions of yen

Other items	Reportable segments total		Adjustment		Amount recorded on the consolidated financial statements	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Depreciation	4,307	4,489	-	-	4,307	4,489
Amount of increases in property, plant and equipment and intangible assets	9,044	4,801	-	-	9,044	4,801

**[Pertinent information]**

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

## 1. Information by product or service

Omitted because this information is the same as segment information.

## 2. Information by region

## 1) Net sales

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
70,558	14,444	14,567	13,813	113,383

## 2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
14,208	2,443	9,064	5,681	31,398

## 3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

## 1. Information by product or service

Omitted because this information is the same as segment information.

## 2. Information by region

## 1) Net sales

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
72,485	13,561	15,881	14,251	116,179

## 2) Property, plant and equipment

Unit: Millions of yen

Japan	Americas	Europe	Asia and Oceania	Total
14,947	2,137	7,776	5,858	30,720

## 3. Information by major customers

Omitted because there are no external customers (“external customer sales”) that account for 10% or more of the net sales recorded on the consolidated statements of income.

**[Information on impairment loss of non-current assets by reportable segment]**

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Corporate and eliminations	Total
Impairment loss	242	414	-	-	656

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Corporate and eliminations	Total
Impairment loss	-	1,024	-	-	1,024

**[Information on amortization of goodwill and remaining goodwill balance by reportable segment]**

Fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Corporate and eliminations	Total
Amount of amortization	2	630	625	-	1,258
Balance at the end of period	-	1,901	7,603	-	9,504

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Unit: Millions of yen

	Auto-ID solutions business (Japan)	Auto-ID solutions business (Overseas)	IDP business	Corporate and eliminations	Total
Amount of amortization	-	461	620	-	1,081
Balance at the end of period	-	1,270	6,789	-	8,059

**[Information on gain on negative goodwill by reportable segment]**

Not Applicable