

Consolidated Financial Report for the March 2023 Term

<Under Japanese GAAP>

May 15, 2023

SATO HOLDINGS CORPORATION

Company code: 6287
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 Shares traded on: TSE Prime
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Date of Ordinary General Meeting of Shareholders: June 20, 2023
 Date of commencement of dividend payments: June 21, 2023
 Scheduled submission date for annual securities report: June 21, 2023
 Supplementary explanatory materials for financial results: Available
 Holding of meeting to explain financial results (for analysts and institutional investors): Yes

1. Consolidated operating results for fiscal 2022 (from April 1, 2022 to March 31, 2023)

(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, 2023	142,824	14.5	8,841	38.1	9,068	49.7	4,184	10.3
March 31, 2022	124,783	14.4	6,404	9.5	6,057	9.7	3,794	(70.7)

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥8,063 million (9.8%)
 Fiscal year ended March 31, 2022: ¥7,342 million (-43.4%)

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, 2023	126.66	126.61	6.5	7.5	6.2
March 31, 2022	112.74	112.70	6.3	5.3	5.1

(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, 2023	122,858	67,694	53.3	2,020.83
March 31, 2022	120,005	64,508	52.6	1,874.97

(Note) Total equity: As of March 31, 2023: ¥65,452 million
As of March 31, 2022: ¥63,135 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, 2023	5,190	2,290	(6,309)	20,751
March 31, 2022	3,302	(3,738)	(3,987)	19,140

2. Dividends

	Annual dividend per share					Total dividends paid	Dividend payout ratio (consolidated)	Dividend to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Fiscal year ended/ending	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	–	35.00	–	35.00	70.00	2,365	62.1	3.9
March 31, 2023	–	36.00	–	36.00	72.00	2,367	56.8	3.7
March 31, 2024 (Forecast)	–	36.00	–	36.00	72.00		46.6	

3. Consolidated forecasts for fiscal 2023 (from April 1, 2023 to March 31, 2024)

(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	%	Yen
Six months	68,000	(3.5)	3,300	(12.6)	3,200	(35.6)	2,000	(38.1)	61.75
Full year	140,000	(2.0)	8,000	(9.5)	7,800	(14.0)	5,000	19.5	154.37

*** Notes**

(1) Changes in subsidiaries during the term (changes resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and 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, 2023: 34,921,242 shares

As of March 31, 2022: 34,921,242 shares

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

As of March 31, 2023: 2,532,252 shares

As of March 31, 2022: 1,248,376 shares

3) Average number of shares during the term:

Fiscal year ended March 31, 2023: 33,034,852 shares

Fiscal year ended March 31, 2022: 33,654,401 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. Any statements herein do not assure particular results by the Company. Results may differ from the consolidated forecasts due to various factors. Please refer to page 5 of the attached material for assumptions behind the 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 fiscal 2022

The SATO Group runs its business based on management principles, growth strategies and business targets set out in its most recent three-year Medium-term Management Plan (FY 2021–2023), with the vision to be “the customer’s most trusted partner for mutual growth, and always essential in an ever-changing world.”

We concentrate resources on our auto-ID solutions business, which involves offering solutions centered on tagging — the process of physically attaching information to people and things — for customers operating in diverse markets and industries, so that on-site information can be collected in real time, converted into meaningful data, and fed to their core IT systems to optimize individual worksites, supply chains and even the circular economy. With this data that provides visibility into frontline operations, we help businesses and societies run smoothly so as to achieve “Tagging for Sustainability” and contribute toward a better and more sustainable world in the long term. To achieve this, we pursue our growth strategies, focusing on three important pillars: (1) enhance region/market strategies, for us to expand business in the supply chains of our target countries, markets and industries, (2) drive technological innovation, to advance our tagging technologies and to support (1), and (3) integrate ESG into our corporate model, as the underlying foundation for the first two pillars.

In the fiscal year under review, our business faced geopolitical risks, economic recession concerns, high inflation, weakening yen and other uncertainties despite the easing of pandemic curbs. But we were able to accurately capture/address robust market needs for traceability, automation and productivity solutions, and started realizing benefits from product price revisions that have been made. As such, our net sales and segment profit for both domestic and overseas businesses increased year on year, with consolidated sales and operating income reaching record highs. Ordinary income and net income attributable to owners of parent increased year on year too, mainly due to foreign exchange gains arising from fluctuations in currency exchange rates. With the completed buyout of the defined benefit pension scheme of our consolidated subsidiary SATO UK Ltd., retirement benefit expenses of ¥1,898 million were also recorded in this year’s results under extraordinary losses.

As a result, the SATO Group posted net sales of ¥142,824 million (up 14.5% from the previous fiscal year), operating income of ¥8,841 million (up 38.1%), ordinary income of ¥9,068 million (up 49.7%), and net income attributable to owners of parent of ¥4,184 million (up 10.3%).

Performance by segment is as follows.

<Auto-ID solutions (Japan)>

Net sales and segment profit increased year on year as mechatronics sales grew on demand for RFID and automation solutions, which our customers increasingly seek in response to

labor shortages, digital transformation and other market trends. Consumables sales also grew steadily, owing to favorable demand dynamics and price revisions.

As for sales by market, manufacturing sales increased slightly on a full year basis because demand from semiconductor manufacturing and related industries started to plateau in the second half of the year after going strong in the first half. Meanwhile, other sectors turned in a strong full-year performance, mainly driven by consumables sales.

Our efforts in implementing price revisions and controlling SG&A expenses also contributed to higher profitability, amid rising raw material costs.

Under these circumstances, net sales increased 2.6% to ¥74,166 million, and segment profit increased 11.2% to ¥2,637 million, compared with the previous fiscal year.

<Auto-ID solutions (Overseas)>

Outside Japan, we achieved highest ever full-year net sales and segment profit from successfully capturing robust market needs and closing more deals.

For our base business, sales increased from our efforts at continuing price revisions and steadily addressing demand with a focus on strong-performing markets such as retail and food in the Americas and Europe and manufacturing in Asia and Oceania. Profit increased too as the surge in production costs at our printer factories in Asia peaked out.

Our companies specializing in primary labels also increased sales and profit due to continued strong demand from essential industries (that provide daily commodities such as food, beverages and sanitary supplies) and progress made with price revisions.

Under these circumstances, net sales increased 30.8% to ¥68,657 million (increase of 9.4%, excluding foreign currency effects), and segment profit increased 78.8% to ¥7,111 million, compared with the previous fiscal year.

(2) Overview of financial position at the end of fiscal 2022

At the end of the fiscal year under review, the balance of current assets was ¥81,137 million, a decrease of ¥813 million (from ¥81,950 million recorded a year ago). This was primarily the result of increases of ¥4,166 million in raw materials and supplies, ¥2,243 million in merchandise and finished goods, and ¥425 million in notes and accounts receivable - trade, and contract assets, and a decrease of ¥7,934 million in cash and deposits. The balance of non-current assets was ¥41,721 million, an increase of ¥3,666 million (from ¥38,054 million at the end of the previous fiscal year). This was primarily due to increases of ¥1,940 million in property, plant and equipment, ¥1,115 million in intangible assets, and ¥610 million in investments and other assets.

The balance of current liabilities was ¥44,963 million, an increase of ¥2,892 million (from ¥42,071 million at the end of the previous fiscal year), primarily due to increases of ¥2,790 million in short-term borrowings, ¥501 million in contract liabilities, ¥410 million in electronically recorded obligations - operating, and ¥210 million in lease obligations, and a decrease of ¥1,693 million in notes and accounts payable - trade. The balance of non-current liabilities was ¥10,200 million, a decrease of ¥3,225 million (from ¥13,426 million at the end of the previous fiscal year). This was mainly due to decreases of ¥2,841 million in long-term borrowings and ¥374 million in lease obligations.

The balance of net assets at the end of the fiscal year was ¥67,694 million, an increase of ¥3,186 million (from ¥64,508 million a year ago), primarily due to increases of ¥1,988 million in remeasurements of defined benefit plans, ¥1,804 million in retained earnings, ¥1,594 million in foreign currency translation adjustment, and a decrease of ¥2,496 million from purchase of treasury shares.

(3) Overview of cash flows during fiscal 2022

At the end of the fiscal year under review, cash and cash equivalents stood at ¥20,751 million, an increase of ¥1,610 million from a year ago.

Major cash flow-related factors for the year are outlined below.

Cash flows from operating activities

Cash flow from operating activities was positive at ¥5,190 million.

This resulted primarily from cash inflows including ¥7,147 million of income before income taxes, ¥4,855 million of depreciation and amortization, ¥1,715 million of retirement benefit expenses, a ¥414 million decrease in accounts receivable - other, and a ¥378 million increase in accounts payable - other, and cash outflows including a ¥5,907 million increase in inventories, a ¥1,827 million decrease in trade payables, and ¥2,230 million of income taxes paid.

Cash flows from investing activities

Cash flow from investing activities was positive at ¥2,290 million.

This was primarily due to proceeds of ¥10,678 million from withdrawal of time deposits, notwithstanding expenditures of ¥5,247 million for purchase of property, plant and equipment, ¥2,009 million for purchase of intangible assets, and ¥1,116 million for payment into time deposits.

Cash flows from financing activities

Cash flow from financing activities was negative at ¥6,309 million.

This resulted primarily from cash outflows including ¥2,376 million dividends paid, ¥2,500 million purchase of treasury shares and ¥1,116 million repayment of lease obligations.

Trend in cash flow indices

Fiscal year ended	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Equity ratio (%)	46.3	53.3	52.6	53.3
Equity ratio based on market value (%)	69.1	88.6	48.2	57.7
Ratio of cash flow to interest-bearing debt (%)	163.6	265.7	479.0	300.6
Interest-coverage ratio (times)	60.0	26.4	15.2	20.5

(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 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

As aforementioned, the SATO Group pursues its corporate vision and runs its business based on its most recent three-year Medium-term Management Plan. (Details can be found in the financial results briefing materials for FY 2022 uploaded at the Company's website.)

Considering recent business developments and changes in business environment, we have prepared consolidated forecasts for the new fiscal year (which is also the final year of the Medium-term Management Plan) as follows.

Consolidated forecasts for the fiscal year ending March 31, 2024

Net sales	¥140,000 million	(decrease by 2.0% year on year)
Operating income	¥8,000 million	(decrease by 9.5% year on year)
Ordinary income	¥7,800 million	(decrease by 14.0% year on year)
Net income attributable to owners of parent	¥5,000 million	(increase by 19.5% year on year)

The foreign exchange rates assumed in the above forecasts are US\$1 = ¥130 and €1 = ¥140.

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 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

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	29,813	21,879
Notes and accounts receivable - trade, and contract assets	26,688	27,113
Securities	41	44
Merchandise and finished goods	11,441	13,685
Work in process	564	590
Raw materials and supplies	8,413	12,579
Accounts receivable - other	2,177	1,763
Other	3,045	3,712
Allowance for doubtful accounts	(234)	(230)
Total current assets	81,950	81,137
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,760	22,521
Accumulated depreciation	(7,295)	(8,558)
Buildings and structures, net	12,465	13,962
Machinery, equipment and vehicles	29,715	32,172
Accumulated depreciation	(18,473)	(20,569)
Machinery, equipment and vehicles, net	11,241	11,602
Tools, furniture and fixtures	7,300	8,096
Accumulated depreciation	(5,274)	(5,837)
Tools, furniture and fixtures, net	2,026	2,258
Land	3,764	3,776
Construction in progress	892	730
Total property, plant and equipment	30,390	32,331
Intangible assets		
Goodwill	416	222
Software	1,833	1,780
Software in progress	296	1,682
Other	710	687
Total intangible assets	3,256	4,372
Investments and other assets		
Investment securities	1,479	928
Long-term loans receivable	0	0
Guarantee deposits	1,471	1,493
Deferred tax assets	1,087	2,132
Retirement benefit asset	45	17
Other	334	466
Allowance for doubtful accounts	(12)	(20)
Total investments and other assets	4,407	5,017
Total non-current assets	38,054	41,721
Total assets	120,005	122,858

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,073	7,379
Electronically recorded obligations - operating	11,571	11,981
Short-term borrowings	3,573	6,364
Lease obligations	1,147	1,358
Contract liabilities	6,820	7,322
Accounts payable - other	4,705	4,212
Income taxes payable	872	1,082
Provision for bonuses	536	598
Provision for product warranties	43	98
Other provisions	695	812
Other	3,029	3,751
Total current liabilities	42,071	44,963
Non-current liabilities		
Long-term borrowings	6,454	3,613
Lease obligations	4,557	4,182
Retirement benefit liability	1,227	1,002
Provision for share-based remuneration for directors (and other officers)	57	108
Other provisions	250	227
Other	878	1,065
Total non-current liabilities	13,426	10,200
Total liabilities	55,497	55,163
Net assets		
Shareholders' equity		
Share capital	8,468	8,468
Capital surplus	7,765	7,764
Retained earnings	50,256	52,061
Treasury shares	(2,345)	(4,842)
Total shareholders' equity	64,144	63,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	164	(408)
Foreign currency translation adjustment	678	2,272
Remeasurements of defined benefit plans	(1,851)	136
Total accumulated other comprehensive income	(1,008)	2,001
Share acquisition rights	28	28
Non-controlling interests	1,343	2,213
Total net assets	64,508	67,694
Total liabilities and net assets	120,005	122,858

(2) Consolidated statements of (comprehensive) income

Consolidated statements of income

Unit: Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	124,783	142,824
Cost of sales	74,385	86,139
Gross profit	50,398	56,684
Selling, general and administrative expenses	43,994	47,843
Operating income	6,404	8,841
Non-operating income		
Interest income	79	257
Dividend income	60	43
Purchase discounts	18	25
Rental income	11	11
Foreign exchange gains	–	31
Other	234	240
Total non-operating income	404	610
Non-operating expenses		
Interest expenses	217	252
Foreign exchange losses	341	–
Other	192	131
Total non-operating expenses	751	384
Ordinary income	6,057	9,068
Extraordinary income		
Gain on sale of non-current assets	49	17
Gain on sale of shares of subsidiaries and associates	–	20
Other	–	0
Total extraordinary income	49	37
Extraordinary losses		
Loss on sale of non-current assets	18	12
Loss on retirement of non-current assets	13	44
Impairment losses	11	–
Loss on business restructuring	99	3
Retirement benefit expenses	–	1,898
Other	0	–
Total extraordinary losses	143	1,958
Income before income taxes	5,963	7,147
Income taxes - current	1,958	2,760
Income taxes - deferred	47	(570)
Total income taxes	2,006	2,189
Net income	3,956	4,957
Net income attributable to non-controlling interests	162	773
Net income attributable to owners of parent	3,794	4,184

Consolidated statements of comprehensive income

Unit: Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income	3,956	4,957
Other comprehensive income		
Valuation difference on available-for-sale securities	164	(573)
Foreign currency translation adjustment	3,059	1,691
Remeasurements of defined benefit plans, net of tax	160	1,988
Total other comprehensive income	3,385	3,106
Comprehensive income	7,342	8,063
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,157	7,194
Comprehensive income attributable to non-controlling interests	184	869

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,740	48,974	(2,537)	62,646
Cumulative effects of changes in accounting policies			(149)		(149)
Restated balance	8,468	7,740	48,825	(2,537)	62,497
Changes during period					
Dividends of surplus			(2,364)		(2,364)
Net income attributable to owners of parent			3,794		3,794
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		25		193	219
Net changes in items other than shareholders' equity					
Total changes during period	–	25	1,431	191	1,647
Balance at end of period	8,468	7,765	50,256	(2,345)	64,144

	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 period	–	(2,359)	(2,012)	(4,372)	28	1,159	59,462
Cumulative effects of changes in accounting policies							(149)
Restated balance	–	(2,359)	(2,012)	(4,372)	28	1,159	59,313
Changes during period							
Dividends of surplus							(2,364)
Net income attributable to owners of parent							3,794
Purchase of treasury shares							(1)
Disposal of treasury shares							219
Net changes in items other than shareholders' equity	164	3,037	160	3,363		184	3,548
Total changes during period	164	3,037	160	3,363	–	184	5,195
Balance at end of period	164	678	(1,851)	(1,008)	28	1,343	64,508

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,468	7,765	50,256	(2,345)	64,144
Changes during period					
Dividends of surplus			(2,379)		(2,379)
Net income attributable to owners of parent			4,184		4,184
Purchase of treasury shares				(2,500)	(2,500)
Disposal of treasury shares		(0)		4	3
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	1,804	(2,496)	(692)
Balance at end of period	8,468	7,764	52,061	(4,842)	63,451

	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 period	164	678	(1,851)	(1,008)	28	1,343	64,508
Changes during period							
Dividends of surplus						(0)	(2,379)
Net income attributable to owners of parent							4,184
Purchase of treasury shares							(2,500)
Disposal of treasury shares							3
Net changes in items other than shareholders' equity	(573)	1,594	1,988	3,010		869	3,879
Total changes during period	(573)	1,594	1,988	3,010	–	869	3,186
Balance at end of period	(408)	2,272	136	2,001	28	2,213	67,694

(4) Consolidated statements of cash flows

Unit: Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	5,963	7,147
Depreciation and amortization	4,220	4,855
Amortization of goodwill	236	264
Retirement benefit expenses	–	1,715
Impairment losses	11	–
Loss on business restructuring	99	3
Loss (gain) on sale of non-current assets	(30)	(4)
Loss on retirement of non-current assets	13	44
Increase (decrease) in allowance for doubtful accounts	(12)	(8)
Increase (decrease) in provision for bonuses	164	34
Increase (decrease) in retirement benefit liability	262	106
Interest and dividend income	(140)	(301)
Loss (gain) on sale of shares of subsidiaries and associates	–	(20)
Interest expenses	217	252
Foreign exchange losses (gains)	332	(310)
Decrease (increase) in trade receivables and contract assets	(1,633)	35
Decrease (increase) in inventories	(6,288)	(5,907)
Increase (decrease) in accrued consumption taxes	(812)	375
Decrease (increase) in accounts receivable - other	(371)	414
Increase (decrease) in trade payables	2,557	(1,827)
Increase (decrease) in accounts payable - other	580	378
Other, net	(172)	128
Subtotal	5,197	7,375
Interest and dividends received	140	301
Interest paid	(217)	(252)
Payments for business restructuring	(312)	(3)
Income taxes paid	(1,505)	(2,230)
Net cash provided by (used in) operating activities	3,302	5,190

Unit: Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,550)	(5,247)
Purchase of intangible assets	(1,203)	(2,009)
Proceeds from sale of property, plant and equipment and intangible assets	150	106
Payments into time deposits	(623)	(1,116)
Proceeds from withdrawal of time deposits	422	10,678
Proceeds from sale of shares of subsidiaries and associates	–	32
Other, net	65	(153)
Net cash provided by (used in) investing activities	(3,738)	2,290
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(262)	(295)
Repayments of long-term borrowings	(15)	(21)
Repayments of lease obligations	(1,345)	(1,116)
Dividends paid	(2,362)	(2,376)
Purchase of treasury shares	–	(2,500)
Increase (decrease) in money held in trust for purchase of treasury shares	–	(1)
Other, net	(1)	3
Net cash provided by (used in) financing activities	(3,987)	(6,309)
Effect of exchange rate change on cash and cash equivalents	983	438
Net increase (decrease) in cash and cash equivalents	(3,439)	1,610
Cash and cash equivalents at beginning of period	22,580	19,140
Cash and cash equivalents at end of period	19,140	20,751

(5) Notes to consolidated financial statements

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

Purchase of treasury shares

The Company has purchased 1,285,300 of its common shares in the open market at ¥2,499 million and recorded treasury shares based on the amount paid. This share repurchase program approved by the Company's board of directors (in compliance with Article 156 of the Companies Act of Japan, subject to the rules stipulated in Article 165, Paragraph 3 of the same act) at a board meeting held on May 10, 2022 was completed on March 14, 2023.

As a result, the value of treasury shares increased to ¥4,842 million at the end of this fiscal year.

Changes in classification of items

Consolidated balance sheets — software in progress

The "Software in progress" item is considered to be material in amount and presented in a separate line starting this fiscal year.

Applying this change retrospectively, the ¥1,006 million presented as "Other" under intangible assets in the consolidated balance sheets for the previous fiscal year has been restated to software in progress of ¥296 million and other intangible assets of ¥710 million.

Additional information

Application of practical solution on accounting and disclosure under the group tax sharing system

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated tax return filing system to the group relief system with effect from the first quarter. Following this change, the Company now implements accounting treatment and disclosure for corporate and local income taxes and tax effect accounting according to the PITF No. 42 (Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System) issued by ASBJ (Accounting Standards Board of Japan) on August 12, 2021. As set out in Paragraph 32 (1) of the same PITF, there shall be no impact from any changes in accounting policies made in line with the application of the practical solution.

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, which involves offering solutions centered on tagging — the process of physically attaching information to people and things — for customers in diverse markets and industries around the world, so that on-site information can be collected in real time, converted into meaningful data, and fed to their core IT systems to optimize individual worksites, supply chains and even the circular economy.

This auto-ID solutions business can be further classified as domestic or overseas, as seen from such corresponding strategies set forth in the Company's Medium-term Management Plan. Accordingly, the Company defines its reportable segments as follows: Auto-ID solutions (Japan) and Auto-ID solutions (Overseas).

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, 2022

	Unit: Millions of yen		
	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	72,287	52,496	124,783
Intersegment sales and transfer	7,289	10,579	17,868
Total	79,576	63,075	142,652
Segment profit	2,372	3,978	6,350
Segment assets	92,630	58,550	151,181
Other items			
Depreciation and amortization	2,158	2,062	4,220
Increases in property, plant and equipment and intangible assets	3,857	2,593	6,451

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Total
Net sales			
External customer sales	74,166	68,657	142,824
Intersegment sales and transfer	10,588	12,546	23,135
Total	84,755	81,204	165,959
Segment profit	2,637	7,111	9,748
Segment assets	89,659	64,010	153,670
Other items			
Depreciation and amortization	2,221	2,634	4,855
Increases in property, plant and equipment and intangible assets	4,559	2,271	6,830

4. Differences in net sales and other items between reportable segments total and amount recorded on consolidated financial statements
(Matters related to difference adjustment)

Unit: Millions of yen

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	142,652	165,959
Intersegment eliminations	(17,868)	(23,135)
Net sales on consolidated statements of income	124,783	142,824

Unit: Millions of yen

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	6,350	9,748
Intersegment eliminations	0	0
Adjustment of inventories	53	(907)
Operating income on consolidated statements of income	6,404	8,841

Unit: Millions of yen

Assets	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segments total	151,181	153,670
Intersegment eliminations	(30,797)	(29,524)
Other adjustment	(378)	(1,286)
Total assets on consolidated balance sheets	120,005	122,858

Unit: Millions of yen

Other items	Reportable segments total		Adjustment		Amount recorded on consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation and amortization	4,220	4,855	–	–	4,220	4,855
Increases in property, plant and equipment and intangible assets	6,451	6,830	–	–	6,451	6,830

[Pertinent information]

Fiscal year ended March 31, 2022

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
	Of which, USA				
72,287	16,026	12,722	20,375	16,094	124,783

2) Property, plant and equipment

Unit: Millions of yen					
Japan	Americas	Europe		Asia and Oceania	Total
		Of which, Russia			
14,294	2,701	6,901	4,822	6,493	30,390

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, 2023

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
	Of which, USA				
74,166	20,415	16,138	30,068	18,172	142,824

2) Property, plant and equipment

Unit: Millions of yen					
Japan	Americas	Europe		Asia and Oceania	Total
		Of which, Russia			
15,203	3,086	7,660	5,378	6,381	32,331

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, 2022

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Impairment loss	–	11	–	11

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Impairment loss	–	–	–	–

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

Fiscal year ended March 31, 2022

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Amortization of goodwill	–	236	–	236
Balance at end of period	–	416	–	416

Fiscal year ended March 31, 2023

Unit: Millions of yen

	Auto-ID solutions (Japan)	Auto-ID solutions (Overseas)	Corporate and eliminations	Total
Amortization of goodwill	–	264	–	264
Balance at end of period	–	222	–	222

[Information on gain on negative goodwill by reportable segment]

Not applicable

Significant subsequent events

Not applicable