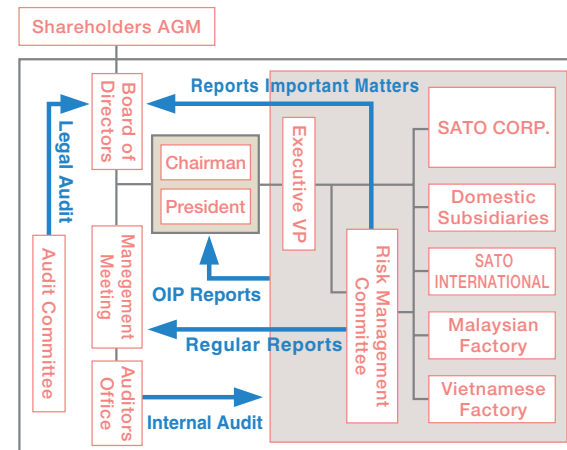


Do What Needs to be Done!

Compliance

The 32 articles of the "Basic Principles of How to Work" are SATO's action policies and ethical stipulations. Written originally by our founder, Yo SATO, they comprise "things to bear in mind in daily work, based on personal experiences dating back to my youth," as he put it. Having undergone subsequent revisions, they are still in use today. Item 2 says "A company is a public institutions. This means that work done within the company is a public matter." When something is being done that could not be condoned if it were made public, we are told "we must give categorical rebukes, not allowing self interest to deflect us." Item 3 requires us to "keep a simple, straight-forward attitude, always striving to see things as they are." In Item 5, we are told "Do everything that you clearly ought to be doing." If subjective factors affect our interpretations of the facts, they will lead to errors of judgment, wrong actions, and corporate failures. We need to see things as they really are, and then do what clearly needs to be done based on our own subjective assessment. In these "Basic Principles of How to Work," readily understandable events likely to be encountered in practice are given, with practical examples of what needs to be done. SATO's corporate ethics and contributions to society are inseparable sources of corporate values, and fundamental

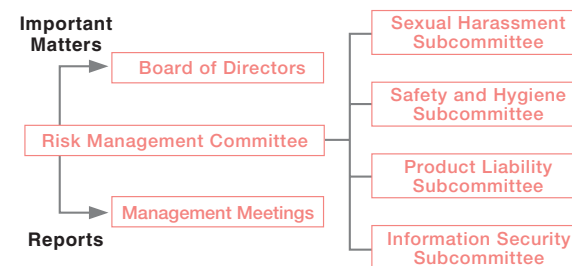
elements of our corporate ethics are "SATO's Management Principles" and the "Basic Principles of How to Work". Every individual member of staff has a firm intention to contribute to society through our main business, and that means we naturally avoid actions that are disadvantageous to our customers or those with whom we do business. The members of top management do nothing that would betray the expectations of shareholders or staff out of some irrelevant desire for self-preservation. SATO's corporate ethics is fiercely protected by a steadfast commitment to social contributions through our main business.



Risk & Chance

If SATO is to continue creating value and contributing to society, then SATO itself must continue to operate in a sound and healthy condition. It is therefore vital to grasp potential risks as early as possible and manage them so that accidents and harmful events are prevented from taking place. Risk is not considered merely passively, but as a favorable chance to take a broader view of SATO from new perspectives, creating a system that enlightens staff.

Management Committee, which (1) discusses how to share information on risks, (2) drafts beforehand the measures to avoid risks, and (3) considers the emergency measures to be taken once emergencies have arisen. When emergencies do arise, the committee acts as the headquarters for emergency



The Risk Management System

Representatives from each division participate in the Risk

measures, decides which measures shall be taken for recovery, schedules the practical work of recovery, and provides unified control of the entire company until recovery is complete. In order to grasp accurately potential risks, risk maps are drawn up, and manuals to deal with emergencies that prioritize the most serious risks are in preparation. Under the Risk Management Committee there are subcommittees for sexual harassment, safety and hygiene, product liability issues and information security.

Sexual Harassment

In FY 2006, a revised edition of the booklet entitled "Preventing Sexual Harassment in the Workplace" was distributed again to all members of staff. Educational activities include the corporate website and videos circulated to all locations. We gather and publish staff opinions from questionnaires and OIP Reports. A dedicated E-mail address is available for those who seek counseling, and appropriate actions are taken based on the outcome of any such cases.



Work Safety and Hygiene

From FY 2006, compulsory medical checkups for all staff over the age of 40 were extended to those over 38 in SATO Corp. The Employees Mutual Welfare Association provides round-the-clock medical consultations, and mental health problems are addressed under contract with an external service provider. Staff and their families are always free to take advantage of this system. Monthly payments of 2,000 JPY are made in the form of a non-smoking allowance as an expression of gratitude to those who refrain from smoking.

Product Liability

In FY 2006, the Product Liability Subcommittee was reorganized. The impressions and opinions of products from users and maintenance personnel expressed in OIP Reports form an invaluable source of information for R&D Division and Quality Assurance Dept., and contribute to product liability policy.

Information Security

This subcommittee performs studies and makes investigations of, and improvements to, the protection of personal information. Measures to protect personal information from being disclosed as a result of computer virus infections have also been strengthened.

Protecting Intellectual Property

SATO sees intellectual property rights as a mainstay of corporate development, and major efforts are made to secure and protect such property rights. As a part of efforts to

encourage invention, and to increase individual awareness, award ceremonies are held to honor inventions in accordance with the corporate motto "Ceaseless Creativity," and training is given in intellectual property rights at each of our locations to encourage patent applications.



■An award ceremony

In December 2006, a booklet entitled "What's Intellectual Property? – A workplace handbook" was prepared and distributed to all members of staff. On April 2, 2007, the SATO Knowledge and Intellectual Property Institute (SKJ) was founded in Japan. It will treat as valuable assets not only intellectual property rights but also the value added by individuals and the corporation in the form of know-how, business models, and corporate culture, etc. It seeks to foster such assets as a management resource, to protect them, and to exploit them in order to increase SATO's corporate value.

Sharing Information

SATO devoted major efforts to knowledge management from its early days. In addition to the OIP Reports already mentioned, in 1977 SATO initiated the SATO Video news system (or SAV). Information that is difficult to convey on paper, up-to-the-moment reports on exhibitions, and introductions of our various locations are recorded on video and viewed at every location.

The in-house magazine for the entire SATO Group is the monthly publication "Working Together." It includes messages from top management, new product information, examples of successful sales initiatives, company systems, and other items directly linked to work, accompanied by topics of interest from each of the countries where we operate, travel diaries, and questionnaire "specials," etc., forming 60 pages of enjoyable reading. Since 1996, it has been a trilingual publication (in Japanese, English and Malay) and French is also sometimes provided.



■Our trilingual in-house magazine

There is a company intranet, and matters disclosed include summaries of pronouncements made at top-management meetings, various formal notices, explanations of in-house systems, and minutes of meetings. The most important source of the information shared in this way is the OIP Report submitted daily by all members of staff. The reports submitted are accumulated in a database so that the necessary information is freely accessible to all via keyword searches. This information is used in many different ways, providing hints for R&D or sales proposals, and enabling staff reactions to new systems to be investigated.