

SATO Corp. and the Environment

Environmental Policy

Basic Thinking

Aware that the preservation of the Earth's natural environment is a serious common problem for humanity and an essential part of SATO's ongoing corporate activities, we adopt the following action policy for those activities so that we may not only provide products and services that are friendly to the Earth's environment but also that the entire enterprise may be in harmony with the environment.

Action Policy

1. We will strictly comply with all legal requirements and requests concerning preservation of the environment.
2. We will save energy and resources to reduce the impact on the environment.
3. We will give due consideration to environmental impact in developing, designing and manufacturing printers, applicators, hand labelers and other products, and commit ourselves actively to R&D and production of label products that will contribute directly to saving energy and resources.
4. We will work to control the discharge of pollutants and reduce the volume of wastes, and to prevent environmental pollution.
5. We will configure our environmental management system to continue improvements in terms of objectives and the setting of targets so as to maintain its effectiveness.
6. We will apply this environmental policy strictly to all members of staff, and require their full participation to ensure better awareness of environmental preservation.
7. We will give proper consideration to communicating with society concerning our approach to the environment.

4 June 2004

Handling Harmful Substances within Products

At each stage of the product life cycle, from production through use to disposal, awareness of the influence on human health and the impact on the environment is rising and restrictions on the use of chemicals are becoming more severe on a global scale. While the SATO Group's product design priorities have been aligned with RoHS (the directive proscribing the use of

certain hazardous substances) and WEEE (the directive on the recovery and recycling of products), we have also been selecting alternatives to harmful substances used in current products and continuing to make design changes. As a result, all the required changes in our products for European markets were completed as of 1 July 2006.

Product R&D Reflecting Environmental and Safety Concerns

The R&D and design of products at SATO, including printers, applicators and hand labelers, reflect full awareness of environmental concerns in energy savings and safety (complying with directives on harmful substances and facilitating recycling).

In supply products, our approach to product development has proven effective in saving energy and resources by developing the Ecomatch series of tags and labels using recycled paper or non-pulp paper. We have also developed labels that are safe to affix directly to fresh foodstuffs as approved under Japan's foodstuffs laws and the United States/ FDA*1 regulations.

Our shift to adhesives that are free of environmental hormones*2 is well under way.

*1 FDA

This stands for the U.S. Food & Drug Administration. It is an official body corresponding with Japan's Ministry of Health, Labor & Welfare. Its purpose is to safeguard the health and safety of the American people by approving foodstuffs and pharmaceuticals in new products before they are distributed and by monitoring them subsequently.

*2 Environmental Hormones

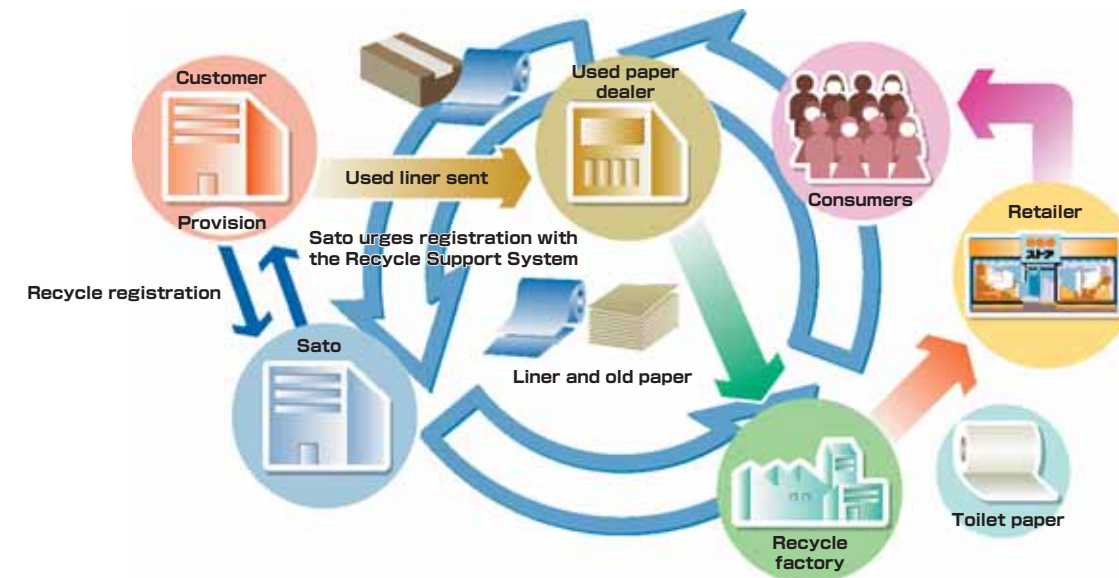
These are more accurately termed endocrine disruptors because, when ingested, they affect the operation of normal hormones. Currently there are some 65 such substances designated by Japan's Ministry of the Environment and they have been investigated and analyzed by the Ministry.

Recycle Support System of SATO Corp.

The peel-away backing (or "liner") that separates sticky labels is normally disposed of after use as industrial waste, but SATO Corp. encourages customers to register with the Recycle Support System that aims to reduce the volume of such waste generated in offices

and to help build a recycling society.

Customers who have registered with this system send in their liner, which is then taken to the recycle factory, where it is turned into toilet-paper tissue.



Recycling Rechargeable Batteries

SATO Corp. belongs to the Japan Portable Rechargeable Battery Recycling Center (JBRC), a legal intermediary with limited liability, and we are recycling the small rechargeable batteries used in Barlabé Ke, Lapin and Petit Lapin, etc.



International Recycling of Resources

Practical approaches to the export of plastics, paper and scrap metal after they have been used within Japan for their reuse in China, are going into effect. SATO Corp. participated in the Japanese Ministry of Economy, Trade and Industry's first trial evaluation of traceability for used

plastics exported from Kita Kyushu to Tianjin, which was held in 2007.

There are good prospects that the items covered by this approach will be extended as a business.

Turning Waste Materials into Resources

Currently, virtually all of the waste plastic generated by the Kitakami Factory is recycled as solid fuel (RPF) (so-called thermal recycling*). The RPF is sold to paper makers who use it as a fuel to increase the efficiency of

their furnaces.

*This term applies to recycling in which the waste substances are used as fuel and the thermal energy generated by their combustion is used to heat water, etc.

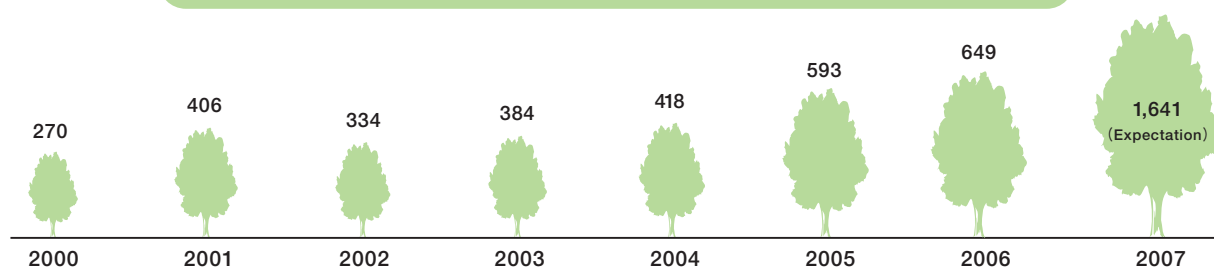
Reduction in Backing-Paper Use from Proposals for Linerless Labels

By actively proposing the use of linerless labels, which do not leave behind waste-paper backing (liner) after use, we have reduced the amount of paper used. The amount of forestry resources saved, stated as the equivalent volume of Eucalyptus, is shown in the diagram below as the number of trees. In FY 2006, this

achieved a reduction equivalent to 649 trees. In FY 2007, the reduction is expected to reach the equivalent of 1,641 trees.



Number of Eucalyptus trees saved by linerless label proposals



By changing over from backing paper to linerless labels, there were 19 two-ton truckloads less wastes in 2006. The Western area Logistics Center, which opened in 2006 (in Nara Prefecture), uses linerless labels, reducing

monthly wastes by 12kg. We see proposals for linerless labels as not only reducing the amount of paper used but also reducing the amount of fuel used and exhaust gases discharged in transporting waste materials.

Joint Afforestation Project in Laos

The preservation of forestry resources is an area impinging directly on our main business, and it is an area in which we are aware of our social responsibility, so we became a corporate partner in Oji Paper's afforestation business in Laos since January 2006.

Every year, some 7,000 hectares are planted with about 9.3 million eucalyptus and acacia trees. The aim is eventually to produce a forestry area of 50,000 hectares, starting to harvest trees from the eighth year, replanting and supporting the site as a renewable forest.

SATO Green Factories (SGFs)

The SGF designation is SATO Corp.'s own way of identifying factories with which we do business and which, while not having achieved certification under ISO14001, are nevertheless encouraged to operate environmental management systems in accordance with SATO Corp.'s own standards.

Companies are encouraged to establish an environmental policy and comply with environmental legislation, setting up environmental targets and implementing an environmental management program subject to regular audits and renewals. Currently, many of those with whom we deal are in agreement with us over this, and are cooperating in our environmental activities.

This was recognized as a strong point highly evaluated by the external auditors of our own certification under ISO14001. We are committed to activities that will further expand this program.



Disclosure of Environmental Impact Data

In FY 2006, we reported the environmental impact of our various main business locations as follows. The table covers SATO Corp. sites with comparatively larger scale and higher environmental impact: head office, Pro Plaza 21, Sato Techno Center, and the Nagaoka and Kitakami

Factory. These are our five largest facilities.

In future, we will be working to extend the area of application and to further reduce impact.

There were no accidental discharges of chemicals or fuel.

Environmental Impact Data

(discharged amounts of less than one ton are indicated with a dash "--")

Nature of environmental impact	Amount	Unit
Energy consumption	39,411	KMJ
Water consumption	10	Km ³
Discharge of carbon dioxide	1,640	t-CO ₂
Discharge of greenhouse effect gases other than carbon dioxide	--	t-CO ₂
Discharge of substances harmful to the ozone layer	--	t
Scheduled PRTR substances	--	t

Volume of wasted discharged at the Kitakami Factory

Amount discharged (t)	Recycle (t)	Ultimately Processed (t)
515	492	24

Note: Recycle ratio (amount recycled/amount discharged) is 95.4%

In March 2006, the Kitakami Factory was recognized as a "three-star" site under Iwate Prefecture's system for approving business locations that are environmentally friendly.

The Status of Our Acquisition of ISO14001 Certification

The SATO Group, as a global enterprise developing its business internationally, has achieved certification under

ISO14001 for the following factories and subsidiaries, primarily in manufacturing and R&D.

Site or Subsidiary Name	Abbrev.	Location	Nature of Business	When Certified
Kitakami Factory No.2, 3, Bldg.	—	Iwate	Supply products production	Feb 2003
Kitakami Factory Soft Bldg., No.1 Bldg.	—	Iwate	Electronic printers, hand labeler development & design	Feb. 2004
Sato Techno Center	—	Saitama	Electronic printers, hand labeler development & design	Feb. 2004
Nagaoka Factory	—	Niigata	Supply products production	Apr. 2004
Sato Malaysia Electronics Manufacturing Sdn. Bhd	SMM	Malaysia	Production & sales of electronic printers and hand labelers	Jun. 2001
Sato UK Ltd.	SUL	England	Sales of electronic printers & hand labelers Production and sales of supply products	Nov. 2001
Sato Asia Pacific Pte. Ltd.	SAP	Singapore	Sales of electronic printers & hand labelers Production and sales of supply products	Nov. 2001