

## A Final Word from Top Management

This is now the third edition of our CSR Report, the “SATO Circle.” Our single-minded purpose is to ensure that as many people as possible understand SATO’s thinking on CSR and the practices of SATO staff and top management in its daily implementation. The “SATO Circle” was literally hand crafted for that purpose. The style of the presentation may be a little unusual for a CSR Report, but we are happy to say that according to a wide variety of third-party opinions it seems to have secured both a very favorable reception and a general understanding of SATO’s approach.

For SATO, CSR simply consists of contributing to society through our main business.

The essence of SATO’s CSR is in the commitment of every single member of staff and every company officer to contribute to society through the work for which they are responsible, and in following through that commitment in practice. If we are continually conscious of contributing to society through accuracy, saving labor and resources, then we will naturally avoid the antisocial behavior that is its antithesis, and we can take pride and confidence in our actions. This is not something that can be ensured by systems, rules and regulations. It comes from a shared sense of values, and only becomes possible with a shared intention and commitment. SATO sees the passing on of this corporate culture, this philosophy, as critically important.

In FY 2006, we concentrated our efforts on sharing this SATO thinking with our overseas staff, who account for half of the group total. SATO’s corporate activities now extend throughout the world. Each nation or region has its own distinctive culture and customs. But while respecting each other’s diversity, by aligning ourselves with the vector of SATO’s corporate philosophy that same diversity can be harnessed to form a tremendous source of energy. SATO’s thinking and intentions are now beginning to penetrate to our overseas colleagues, with their different cultural backgrounds and customs. We are building new traditions on the good foundations already laid. We trust that SATO will always overflow with this rich diversity of youthful energy.

Within SATO, the management functions of executive officers are clearly distinguished from the supervisory functions of directors. Until FY 2006, there were more directors who also served as executive officers than

those who served only as directors. From FY 2007, however, there will be four external directors, two internal directors, and four executive officers who will concurrently be internal directors, for a board of ten directors in a form of corporate governance that clearly separates executive and supervisory functions. SATO’s concept of corporate governance uses youthful executive officers up to the age of 55 supervised by a board of directors in which the majority does not concurrently serve as executive officers. The youthful energies of the executives are supervised and supported by the board of directors, who reconcile the interests of shareholders and society.

SATO aims at a style of management that, in order to contribute to society through its main business, “tries to see things as they really are, and then do what needs to be done.” All SATO staff and officers share this corporate philosophy, so that neither future changes in top management nor the exigencies of management priorities will modify the main objective of SATO’s CSR, which is to contribute to society by our main business through accuracy, saving labor and resources, will not change. Top management will always be asking itself the value of SATO’s presence in the world, and the reason we are in business, and then working with the most serious and steady commitment.

SATO’s ideal is that its four stakeholders—shareholders, society, the company itself and its staff—should all benefit from corporate activities. And this is surely how products and services, staff activities, and the uses of investment will arise that naturally show the proper consideration of society and the environment. We in top management have no doubt that by our steady application to corporate activities, SATO will continue to form the virtuous circle that links its four stakeholders and delivers satisfactory returns to them. And that is why we have called this report the “SATO Circle.”

(May 2007)



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