

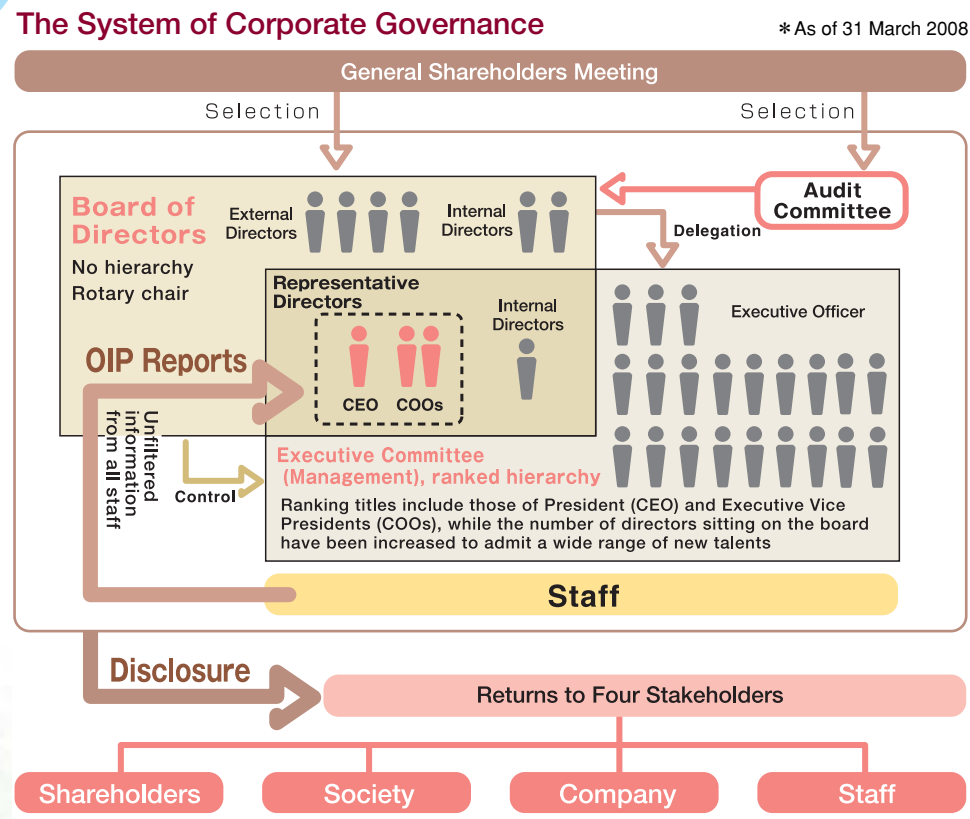
# Ensuring Things Are Done the SATO Way

## Creating Value

### Separating Management Oversight and Executive Functions

To ensure the appropriate and rapid response to the changes of our times, we are committed to sound and highly transparent governance that separates the management decision-making and oversight functions of directors from those of the executive officers whose functions are to perform the work.

Of the ten directors who serve on our board, a majority of six are not concurrently executive officers, and four of them are highly independent external directors who express opinions from an independent perspective. There is also no hierarchy among our directors, who all - including the external directors - take the chair in rotation.



### The Spirit of Sato

The Spirit of Sato is a handbook for staff education and working procedures written by Director Tokuo FUJITA (then President and CEO). In it, he describes the spirit we have inherited from our predecessors and combines this with his own management philosophy, proclaiming his intention "to make this a company that will always be youthful, enjoyable and exciting."

As well as providing an easily understood explanation of what lays behind the spirit of SATO - its Management Principles and the Basic Principles of How to Work, interleaved with

The Spirit of Sato, translated into various languages

accounts of episodes that took place when they were being formed - it leads each individual member of staff to adopt the outlook of a manager in sections entitled SATO's Rules for Management, Management Precepts, and the SATO Esprit. As the distilled essence of the SATO spirit, it is distributed to all SATO staff, and is used in on-the-job and other training to ensure that the spirit is passed on to everyone.



### Sharing Information

SATO has devoted major efforts to knowledge management from its early days. 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 SATO Group location throughout Japan.

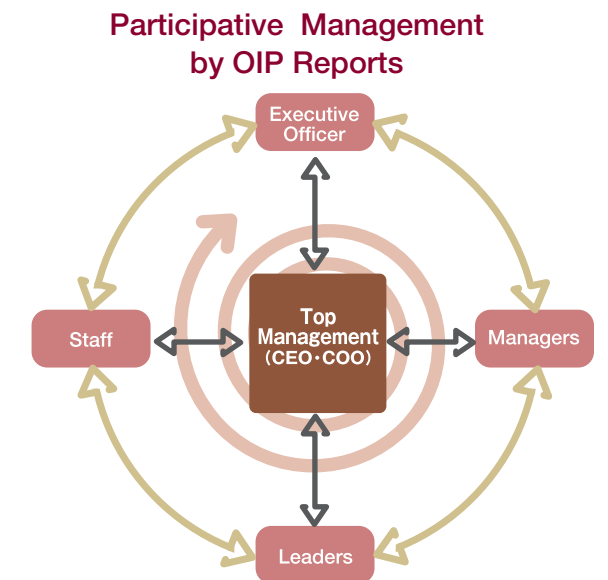
"Working Together," founded in 1980, is the in-house magazine for the entire SATO Group, and from April 2008 it has been split into a bimonthly printed magazine for education and cultural exchange, and a web edition devoted to more pressing business topics for our internal distribution. This has further enhanced our sharing of information.

### The OIP Report System

OIP Reports (officially "original ideas, inventions and proposals related to their thoughts on things they have noticed and reports on policies") are daily one-paragraph reports submitted by all members of staff directly to top management. They form SATO's unique knowledge-management system. Staff members have to submit daily their proposals for company improvements and policies, and share information - good and bad news alike - in three lines of Japanese characters or about 100 English words.



The input screen for OIP Reports



### Some Results of OIP Reports

- 1 Introduction of flex-time for lunch breaks
- 2 Payment of a non-smoking allowance
- 3 Abolition of company uniforms
- 4 Every-day casual wear
- 5 Subsidies for networking/socializing

### Having All Staff Participate in Management

The OIP Reports from members of staff, arising from their desire to make the company a better place, are made use of in top-management decision-making. The comments and instructions from top management in response to OIP Reports are shared among all related departments, and the system fosters a consciousness of daily reforms within the company, encouraging a corporate culture in which members of staff share management's views and perspectives.

### Equal Opportunity for Proposals and Information Access

The system operates impartially without reference to management position or years of service, so those who have only recently joined the company can, through their OIP Reports, effect changes in corporate systems. Reports are not read by top management alone: all proposals are entered into a database accessible by every member of staff.

### Rapid and Unbiased Information

OIP Reports are delivered direct to top management without rerouting, so the information from the workplace is conveyed accurately. The steady accumulation of snippets of information from staff is invaluable in discerning market trends and devising marketing strategies.

### Acquiring the Habit of Thought

The necessity of submitting OIP Reports on a daily basis encourages all staff to develop habitual thinking. This fosters the development of staff with problem-solving attitude to face any situation.

Percentage of OIP Report Submissions **99.97%**

Upon joining SATO, new members of staff are clearly told that unless they submit OIP Reports, there will be neither rises nor promotions. This ensures a very high percentage of submissions, which in FY 2007 averaged 99.97%.