

SEGA SAMMY GROUP

# CSR REPORT 2017



# CONTENTS

1	Editorial Policy, Scope of this Report and Company Profile
2	Group Overview and Financial Data (Consolidated)
3	Business Overview
5	Executive Messages Hajime Satomi Chairman of the Board and Chief Executive Officer SEGA SAMMY HOLDINGS, INC. Haruki Satomi President and Chief Operating Officer SEGA SAMMY HOLDINGS, INC.
7	<b>FEATURE 1</b> ALL.Net widens network of moving experiences!
9	<b>FEATURE 2</b> Promoting Environmental Friendliness with Sammy's System for Reusing Pachislot and Pachinko Machines
11	SEGA SAMMY Group's Reconstruction Support
12	Management
21	With Customers
30	With Partners
34	With Shareholders and Investors
36	With Employees
42	With Society—Environment
46	With Society—Serving Society
50	Third-party Comment

## Editorial Policy

We have been publishing a CSR report with the aim of reporting on the CSR activities of the SEGA SAMMY Group to our various stakeholders, while at the same time enhancing our activities and information disclosure through communication with them. This report has been formulated with reports of the activities related to five stakeholder groups defined in the SEGA SAMMY Group CSR Charter: "Customers," "Partners," "Shareholders and Investors," "Employees" and "Society (the environment and society)."

### Guidelines Used for Reference

GRI G4 Sustainability Reporting Guidelines (Version 4) ISO 26000 Guidance on Social Responsibility

### Publication Dates

December 2017 (previous report: September 2016, next report: September 2018)

## Scope of this Report

### Reporting Period

Fiscal 2017 (April 1, 2016 to March 31, 2017)

Some parts of the report may include information that occurred after or before this period. In such cases the time outside the period is clearly stated.

### Boundary of Reporting Organizations

SEGA SAMMY HOLDINGS INC., SEGA Holdings Co., Ltd. (including key Group companies), Sammy Corporation

### Definition and Abbreviation of Organization Names in this Report

E: Entertainment Contents Business; PP: Sammy Corporation, Pachislot and Pachinko Machines Business; Group: HD, Entertainment Contents Business, Pachislot and Pachinko Machines Business and Resort Business

### Major Companies in Each Segment

SSHD: SEGA SAMMY HOLDINGS INC., SHD: SEGA Holdings Co., Ltd., SAMMY: Sammy Corporation, TOYS: SEGA TOYS CO., LTD., TMS:TMS ENTERTAINMENT Co., Ltd., SNW: Sammy Networks Co., Ltd., PSR: PHOENIX RESORT CO., LTD., SE: SEGA ENTERTAINMENT CO., Ltd., SIC: SEGA Interactive Co., Ltd., SGC: SEGA Games Co., Ltd., ELEC: TAIYO ELEC Co., Ltd., SLS: SEGA LOGISTICS SERVICE CO., LTD., DL: DARTSLIVE Co., Ltd., MARZA: MARZA ANIMATION PLANET INC., JMS: Japan Multimedia Services Corporation, OP: OASIS PARK Co., Ltd., GINZA: GINZA Corporation, RODEO: RODEO Co., Ltd., SSC: SEGA SAMMY CREATION INC., BTF: Butterfly Corporation, PSS: PARADISE SEGA SAMMY Co. Ltd., SSGE: SEGA SAMMY GOLF ENTERTAINMENT INC.

· Some activities include Group companies other than those listed above.  
Note: Japan Multimedia Services Corporation will be renamed as JMS United Corporation as of October 1, 2017.

## Company Profile



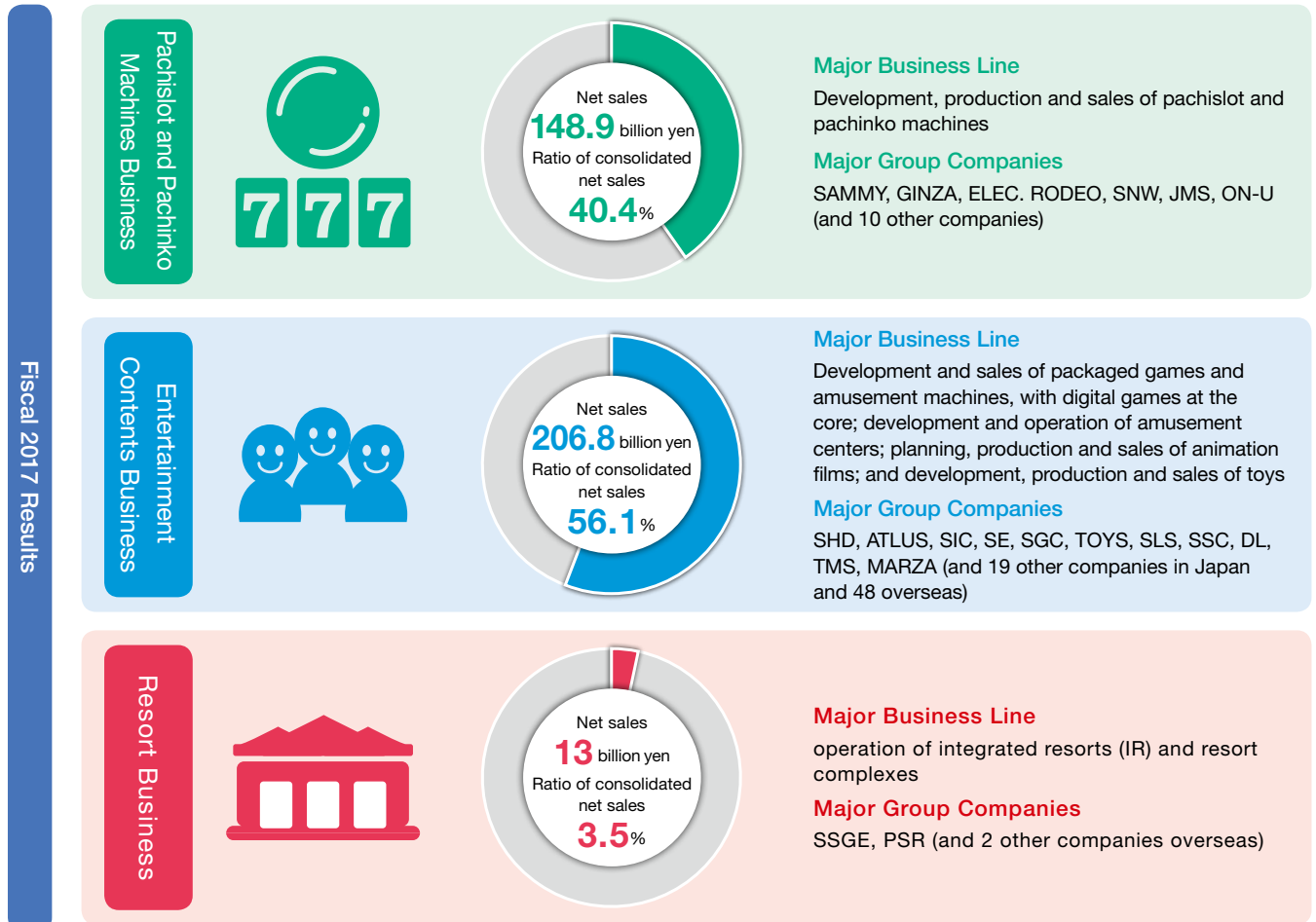
Company Name	SEGA SAMMY HOLDINGS INC.
Address	Shiodome Sumitomo Building 21F, 1-9-2 Higashi Shimbashi, Minato-ku, Tokyo, Japan
Established	October 1, 2004
Capital	29.9 billion yen

Chairman and Chief Executive Officer	Hajime Satomi
President and Chief Operation Officer	Haruki Satomi Took office on April 1, 2017.
Principal Business	Management of the SEGA SAMMY Group, a versatile entertainment company group and businesses related to this management.
Number of Employees	135

As of March 31, 2017

## Group Overview

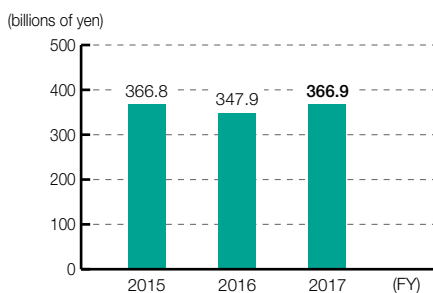
The SEGA SAMMY Group continuously creates moving experience for customers of all ages in Japan and overseas by providing creative entertainment as a versatile entertainment company group that is engaged in a wide range of business areas.



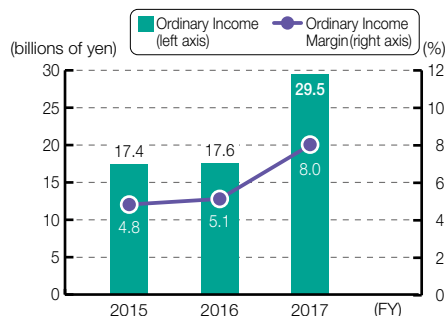
\*Figures above include inter-segment sales before adjustment.

## Financial Data (Consolidated)

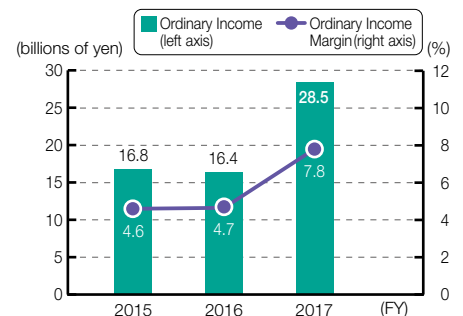
### • Net Sales



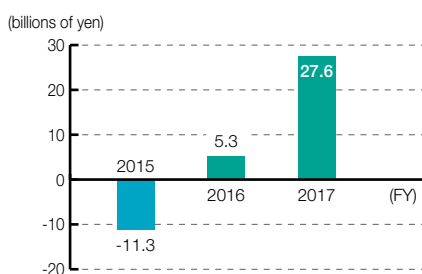
### • Operating Income/Operating Margin



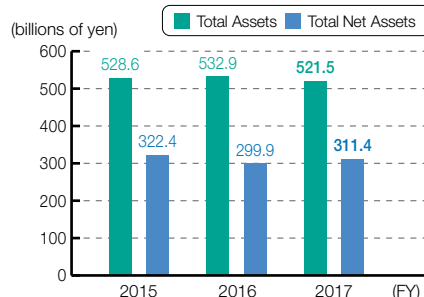
### • Ordinary Income/Ordinary Income Margin



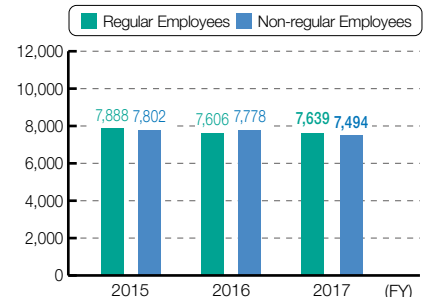
### • Profit Attributable to Owners of Parent



### • Total Assets/Total Net Assets



### • Number of Employees



\*Several of our consolidated subsidiaries have changed the revenue recognition criteria for sales of product(s) and the method of expressing revenues for the digital game field from fiscal 2016. Accordingly, figures for fiscal 2015 regarding major management indicators related to the above have been retroactively revised to reflect these changes.

## 01 Pachislot and Pachinko Machines Business

The Pachislot and Pachinko Machines Business provides products that respond to the wide-ranging needs of our fans through multi-brand development centered on Sammy Corporation. We intend to strengthen our market presence by further enhancing our development capabilities for pachinko machines, and we are committed to developing and providing pachislot machines equipped with innovative gameplay that invigorates the market.

### Major Group Companies

SAMMY, GINZA, ELEC, RODEO, SNW, JMS and others



Pachinko CR SOUTEN-NO-KEN Tenki

©Tetsuo Hara & Buronson/  
NSP 2001, Approved  
No. YDM-406  
©Sammy



Pachislot Juh Ohja no Kakusei

©Sammy

## 02 Entertainment Contents Business

This business provides entertainment in a wide variety of formats including amusement machines centering on digital games, consumer game software, amusement facilities, toys and videos. We have positioned digital games as our key area for further growth. Also in our business for amusement machines and facilities, which already maintain a large share, we intend to bolster our product lineup and portfolio of shops that match market needs.

### Major Group Companies

SIC, SE, SSC, SGC, TOYS, SHD, SLS, TMS, DL, ATLAS, MARZA and others

\*For abbreviated company names, see page 1.





**Puyopuyo!! Quest**  
©SEGA



**So Many Restaurants! Flash! Anpanman Food Court**



**Puni Gel Yume Puni Accessory DX**  
©SEGA TOYS

### 03 Resort Business

We have accumulated valuable expertise in the development and operation of hotels, entertainment and commercial facilities and casinos through such activities as incorporating the Phoenix Seagaia Resort, one of Japan's foremost resort complexes, in Miyazaki Prefecture into the SEGA SAMMY Group, and launching our PARADISE CITY integrated resort project which started operating in 2017 as the first complex of its kind in South Korea. In addition, by fully capitalizing on the leading-edge technologies and abundant experience, we plan to develop and operate resorts that are rich in the quality and enjoyment that only the SEGA SAMMY Group can offer.

**Major Group Companies**  
SSGE, PSR and others



Phoenix Country Club



PARADISE CITY

# SEGA SAMMY Group Products and Services Deliver Moving Experiences to the World

### 02 Home Video Games



### 02

### Amusement Machine



DARTSLIVE2

### 03 Golf Course



### 03

### Resort Complex



Phoenix Seagaia Resort

### 03

### Opened South Korea's first integrated resort facilities!

We began operating the integrated resort (IR) **PARADISE CITY** in April 2017 near Incheon Airport in South Korea. Featuring a casino, hotel, restaurants and leisure facilities, every facility in **PARADISE CITY** delivers the ultimate in excitement and pleasure to visitors.

South Korea



PARADISE CITY



## Hajime Satomi

Chairman of the Board and Chief Executive Officer SEGA SAMMY HOLDINGS, INC.

### Enriching society through entertainment

The SEGA SAMMY Group's mission is "Continuing to create moving experiences" and "Making life more colorful." Our more than fifty entities share the common aspiration to enrich society by providing exciting experiences through entertainment, our core business. High-quality entertainment is essential for a mature society, and our creation of entertainment is the meaning for our existence and not merely because we enjoy it.

At present, the entertainment industry is in transition. The steady advance of an information-based society has led to diverse forms of entertainment and intensified competition across industries. These changes are moving forward at an unprecedentedly rapid pace. To provide the increased value that society needs in such an environment, the SEGA SAMMY Group must continue to be a "Game Changer" that overcomes the fear of change and continuously implements reform. With these aims, we have further advanced our core businesses, Pachislot and Pachinko Machines, Entertainment Content, and Resorts, while identifying growth fields in each business and implementing the structural reform of the Group to generate synergies.

## Becoming a Multi-Dimensional Entertainment Company that Creates Moving Experiences across the World

### Human resources as a wellspring for creating value

All divisions of the Entertainment Content business produced profit in fiscal 2017, and this indicates that our structural reform has started to achieve solid results. The Pachislot and Pachinko business is facing the challenges of a shrinking market and a strict regulatory environment. Consequently, we have initiated industry-wide efforts to survive, such as reviewing our development processes and building ties with other companies in the industry. In the Resort business, we opened PARADISE CITY in Incheon as a joint project with the South Korean Paradise Group, which is the country's first integrated resort (IR) project, on April 20, 2017. We believe that the IR business is crucial for pursuing opportunities.

As a multi-dimensional entertainment company, the SEGA SAMMY Group has delivered a variety of entertainment value. The source for this value is the rich creativity and spirit of challenge demonstrated by our human resources. The workstyle reform that the Group has focused on recently is based on positioning our human resources as our most important management asset in support of the Group's continuous progress while also maximizing their value. In fiscal 2019, we intend to consolidate the offices of the Group companies into a single location, and we expect this will accelerate communication among Group employees and serve as a driver for creating greater value. Furthermore, while solidifying our foundation for sound corporate management through systems for corporate governance and compliance, we are vigorously devoted to establishing a free, creative corporate culture that befits an entertainment company.

### CSR with a focus on sound management and creation of new value

Entertainment has the power to move people, and this power is limitless. At integrated resorts, we have presented games and Pachislot and Pachinko machines as well as content that remains popular beyond any particular time period and an integrated resort offering guests the extraordinary experiences. In areas stricken by natural disasters, we have set up activities to help people regain a sense of joy and enthusiasm for life. Only a multi-dimensional entertainment company can create this type of value, and we believe that it is our social responsibility to continuously generate such value.

We have signed on to the United Nations Global Compact and declared our commitment to the responsibilities and roles for realizing a sustainable global society. This represents our determination to always be a company that provides high-quality entertainment across the globe. We aspire to continue to be a corporate group in which every employee is proud of their work and confident that they are contributing to the sustainable development of society by continuously providing moving experiences to people worldwide.

## Establishing a Work Environment in which all Employees Can Exercise Their Talents and Continuing to Create Moving Experiences

### Building the Mission Pyramid to define the future we seek to create

I assumed the roles of president and COO of SEGA SAMMY HOLDINGS on April 1, 2017. In taking on this vital responsibility for managing the entire Group, I renewed my commitment to creating a company that employees can speak about with pride to their family and friends. The SEGA SAMMY Group adopted its mission of "Continuing to create moving experiences" and "Making life more colorful" as the meaning behind its existence. In May 2017, we announced the Road to 2020, which set the goals for fiscal 2020, thereby renewing our commitment with specific objectives as a leader in the multi-dimensional entertainment industry.

In fiscal 2019, the SEGA SAMMY Group intends to consolidate the business sites of Group companies, which have been in various locations in the Tokyo metropolitan area, to combine its capabilities with the aim of achieving further growth. These companies, including SEGA Holdings Co., Ltd. and Sammy Corporation, have developed the Mission Pyramid\* as a guideline for their operations, and we are now working on adopting this across the entire Group. The Mission Pyramid is a framework that defines our Mission (the meaning of our existence), Vision (how we want to be), and Goal (target) as well as the detailed strategies, organizations, and tactics required to achieve them. It helps every employee to fully understand the focus of our business and work together to achieve that.

I feel that my top priority as COO is to envision the future of the Group that we should pursue and that will unite the passion of all employees under the banner of "Continuing to create moving experiences."

### Promoting workstyle reform that supports the development of employee creativity

Creativity is essential for conducting business in the entertainment industry. Gaining high-quality input in leisure time outside of work is conducive to creating new ideas and the fostering of creativity. The initial step in our workstyle reform is to make employees aware of the need to review the principles underlying effective workstyles and improve the ways they work. Our role as management is to focus on developing a system for valuing employees who work efficiently.

We have initiated the reform by establishing a cross-Group organization, the Workstyle Consultation Department. It is responsible for supporting employees while developing onsite improvement measures with employees and accumulating expertise. We will create workplaces in which diverse people with different ideas can work comfortably. Moreover, we will realize efficient and flexible workstyles that enable both individuals and the company to continue to grow with the philosophy of "work hard, have great fun, learn well and enjoy both work and private lives."

Around the time of our office relocation, we will establish



## Haruki Satomi

President and Chief Operating Officer  
SEGA SAMMY HOLDINGS, INC.

training and self-development programs for employees toward creating an environment for developing talented people and further advancing the Group's structural reform.

### Providing Moving Experiences that exceed expectations

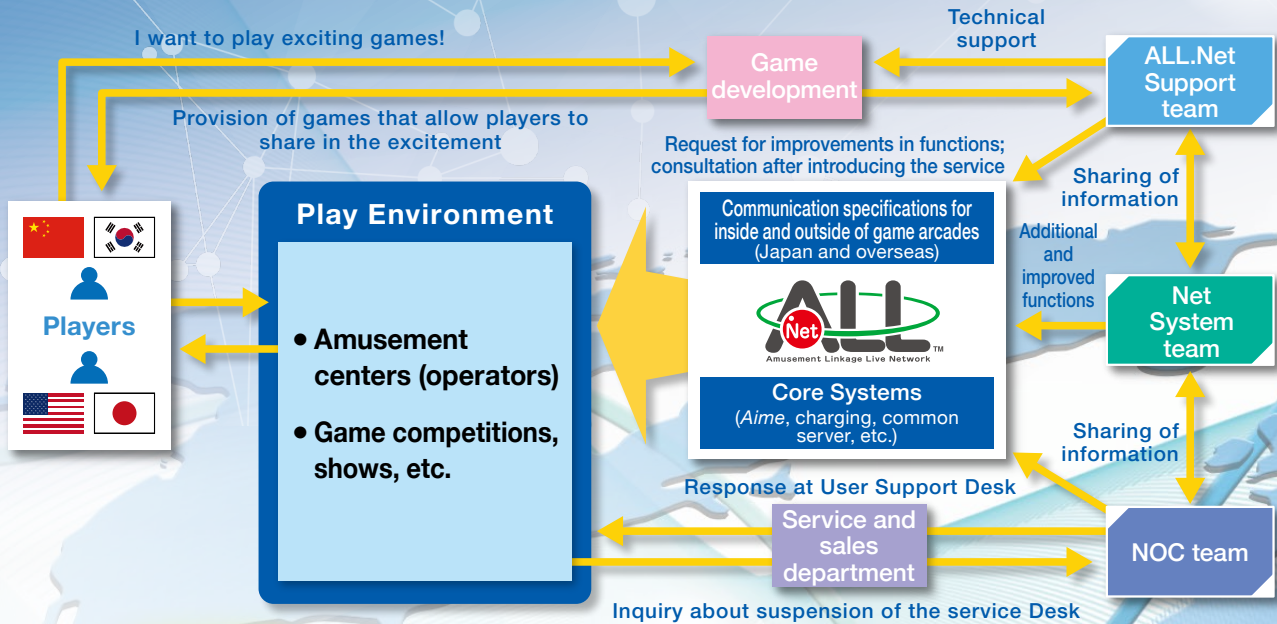
In fiscal 2017, we achieved increases in net sales and income for the entire SEGA SAMMY Group, including the Entertainment Content Business moving into the black in all business segments and regions, as a result of our efforts to reform our business structure across the Group. I am certain that these achievements prove that the "moving experiences" we have created and delivered have been well received by fans and society. People enjoy them when their excitement exceeds their expectations. The value of our Group is in continuously creating those moving experiences.

We will unite the Group's capabilities under the new Mission Pyramid and establish an environment where all of us can reach our best performance and continue to create moving experiences that exceed the expectations of fans.

\*For more information about the Mission Pyramid, please see page 12.

ALL.Net is a network service that provides online services such as storing game data, providing players' unified national ranking and real-time games with overseas opponents by connecting over 100,000 amusement machines. The three teams (Net System, NOC and ALL.Net Support) collaborate to stabilize and improve services as well as create new added value toward expanding this network of moving experiences.

Service Provision System for ALL.Net



INITIAL D ARCADE  
STAGE Zero  
©Shuichi Shigeno  
/ Kodansha - 2014  
New Movie "Initial D"  
Production Committee  
©SEGA

# ALL.Net widens network

ALL.Net, SEGA's network service for arcade games, has continued to advance while adopting the latest technologies and ideas. Here is a report on how our frontline staff in charge of operations and development supports this network service for delivering "moving experiences" and how it has dramatically changed the ways for enjoying arcade games.



**Satoshi Motoike**  
Section Manager  
AM Infrastructure R&D Dept.  
SEGA Interactive Co., Ltd.

## ALL.Net continuing to evolve with deep appreciation for user feedback

The history of ALL.Net closely follows the increasing impact of the Internet on arcade games. Since we launched the service in 2001, when communication speeds were much slower, we have surmounted every difficulty and introduced a series of new services that keep pace with rising communication speeds and network capacity. Users have welcomed these surprisingly naturally over the course of their evolution. We fully recognize that the success of ALL.Net is only possible due to the positive response and strong support of users. In addition, a charging system, which allows for the splitting of revenues from players between ALL.Net member game arcade operators and us, has made it easier for operators to introduce ALL.Net-enabled amusement machines, and this has contributed to the rapid growth of the ALL.Net service. ALL.Net will continue to evolve and provide even more "moving experiences" with deep appreciation for user feedback.



Supporting development

**ALL.Net Support Team****Improving the stability of high-speed communication**

We support game development by setting communication specifications for ALL.Net core systems and sharing this technical information internally as well as with our co-promotion partners and licensees. The information we provide includes details about our past problems and the level of communication quality in each overseas region. As a result, the various problem-solving ideas help us to ensure stable operations of ALL.Net-enabled titles. We are also commissioned to build temporary ALL.Net environments for specified periods during game events.



SANGOKUSHI TAISEN  
©SEGA

**AM Infrastructure R&D Dept. SEGA Interactive Co., Ltd.**

(Back, from left)

Masato Yoshida (ALL.Net Support team)

Satoshi Motoike (Section Manager)

Kojiro Ashida (NOC team)

(Front, from left)

Ayaka Takada (ALL.Net Support team)

Tomoaki Furumi (ALL.Net Support team)

Shuhei Fujibe (Net System team)

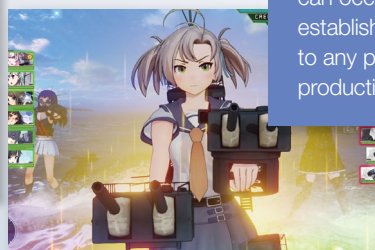
Yuya Nakano (Net System team)

**of moving experiences!**

Developing servers

**Net System Team****Playing a critical role in operating ALL.Net**

ALL.Net connects over 100,000 domestic and overseas amusement machines via a high-speed communication line. The Net System team is responsible for developing and building server applications, one of the services core systems. We continuously develop systems to efficiently process the massive volume of data transmitted from ALL.Net-enabled amusement machines so that users can enjoy playing games without stress. Co-promotion partners and licensees for ALL.Net also use its core systems. This is how we fulfill our responsibility for ensuring the stable operation of core systems.

**KanColle Arcade**

©SEGA

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Monitoring network

**NOC Team****Responding immediately when a problem arises**

The Network Operation Center monitors the state of operations of the ALL.Net network and online games connected to the network 365 days a year and immediately responds to problems as they occur. Furthermore, we compile and share all problem-related information with ALL.Net, identify causes and promptly offer appropriate instructions to the relevant organizations of the Group and other companies. Given the fact that problems can occur suddenly and without warning, we established and maintain a system for responding to any problem at any time or place, including the production of a manual of response procedures.

# Promoting Environmental Sammy's Reusing Pachislot



The pachislot and pachinko machines industry implements a based society, such as by reusing parts of used pachislot and and operates its own reuse system. We promote the reuse and designing easy-to-recycle machines.

Bringing parts back to the market!



## Mounting Reuse Parts in Machines and Delivering them as New Machines

The Sammy Kawagoe Factory only reuses parts and units confirmed to have the same quality as new ones in the manufacture of pachislot and pachinko machines. Every machine undergoes the same shipment inspection before delivery.

**Manufacture and Shipment**  
Kawagoe Factory



Assembling new machines

Shipping

Reuse and Recycling Flow at

Some reuse parts may be purchased from outside sources.



Reuse parts

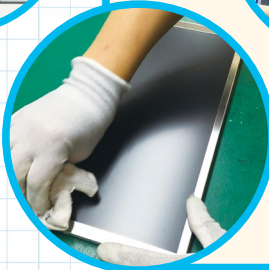


Repair and assembly line

## Mounting Reuse Parts and Producing Units (Semi-finished Products)

We clean and repair parts that have been determined to be suitable for reuse and produce units (semi-finished products) in combination with other parts. We inspect and confirm the operation of units and then transport them to the Sammy Kawagoe Factory.

**Repair and Mounting**  
Repair partner



LED panel repair and cleaning



## Guaranteeing the Same Quality as New Machines

When it receives a request to reuse a certain part, the Quality Assurance Department is responsible for verification and determining whether the machines for which the part is used would be suitable for delivery. We sort and repair the reusable parts with the utmost care. The quality of the parts must be as good as new before they are mounted into a machine to be delivered to a hall operator. To that end, Quality Assurance Department staff regularly visit partners that repair parts for reuse and ensure that they are properly repaired and inspected. We are proud to say that our meticulous inspection of parts makes the reuse system possible. We intend to continually improve the reliability of our reuse system by gathering and analyzing the verification data obtained during each stage of the reuse cycle.

- Installment and Operation
- Manufacture and Shipment
- Repair and Mounting

**Naoki Hosomura**  
Quality Assurance Group, Quality Assurance Department, Manufacture Department, Manufacture Division, Production Group Division, Sammy Corporation

# Friendliness with System for and Pachinko Machines

variety of initiatives to contribute to the realization of a recycling-pachinko machines and reducing waste. Sammy established recycling of products and parts by standardizing parts and



## Installation and Operation

Hall

### Installing New Machines and Collecting Used Machines at the End of their Useful Lives

Whenever Sammy sells new machines to hall operators, it collects used Sammy-brand pachislot and pachinko machines at the end of their useful lives as trade-ins. In addition to gathering machines via its collection network, used pachislot and pachinko machines are collected as property in compliance with the law. Moreover, it uses the pachislot and pachinko machines collection system established by the association of pachislot and pachinko machine makers.



Used pachislot and pachinko machines

Pachislot and Pachinko Machine Recovery System

This is an industry-wide initiative.



Hall

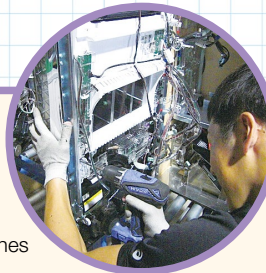


## Trade-ins, Storage and Dismantling

PR Center

### Manually Dismantling and Sorting Used Parts at Centers across Japan

Used pachislot and pachinko machines accepted as trade-ins from halls are transported to Sammy PR Centers\* in Sapporo, Kawagoe, Kansai and Kyushu. We carefully set aside the parts that are suitable for reuse and then separate others by type of material for recycling or industrial waste. This ensures the appropriate use of used parts.



Dismantling work

Recycling some materials as resources!

Recycling

Industrial waste



Residue

\*PR Center: Parts reuse center

## Promoting Further Reuse in Collaboration with the Development Division

The Reuse Promotion Department promotes the reuse of machines and parts by properly managing the entire reuse cycle, from the collection and dismantling of used pachislot and pachinko machines to the repair and reuse of parts from used machines and the recycling or disposal as industrial waste of parts not suitable for reuse. The main objective of reuse is the effective use of resources. Reuse is an advantage for the Development Division as well, since new characteristics and issues can be identified when we receive parts that have been used under actual market conditions. And these learnings can be applied in the development of new products. We have collected, dismantled and processed about 200,000 pachislot and pachinko machines and have reused about 20% of them. Moreover, we have launched an initiative to promote the use of standardized parts in collaboration with the development department as part of our mission to reuse as many standardized parts as possible.



Sadafumi Takahashi

Manager, Reuse Technology Planning Group, Reuse Promotion Department, Production Planning Division, Production Group Division, Sammy Corporation

Installation and Operation

Trade-ins, Storage and Dismantling

Repair and Mounting

Bringing Smiles and Vitality

SEGA SAMMY Group's

Reconstruction Support

More than six years have passed since the Great East Japan Earthquake on March 11, 2011, and the SEGA SAMMY Group has continued to participate in support activities in the affected areas. To contribute to a genuine rebirth from the disaster, we will maintain a focus on delivering emotionally satisfying experiences to as many residents as possible using the entertainment we have created.

Fiscal 2018 New Employee Training Program

In fiscal 2018, 106 new employees visited stricken areas of Ishinomaki-shi, Onagawa-cho, Shichigahama-machi and Higashi Matsushima-shi in Miyagi Prefecture as part of our new employee training program. In addition to participating in support activities such as beach cleanups, they engaged in group work. This included presenting proposals for reconstruction initiatives based on the mayor's lecture and tours of the areas as a means of nurturing an awareness of social contribution, which would also be advantageous to their jobs and the Group.



Our Activities

(March 2011–March 2017)  
FY2017 activities underway

- Support fund

Approximately **400** million yen

- Volunteer activities by employees

**46** activities involving **555** employees

- Invitations to visit a facility (TOKYO JOYPOLIS attraction center)

**24** visits by **625** invitees

- Supporting events

**34** activities involving **21,311** participants

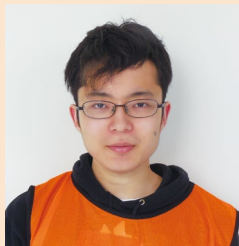
Note: Figures solely represent events held by the SEGA SAMMY Group.

Events Supporting People in Disaster-stricken Areas and Employee Volunteer Activities

In fiscal 2016, employees organized events in Higashi Matsushima-shi, Onagawa-cho, Hichigahama-machi and Minami Sanriku-cho in Miyagi Prefecture and Iitate-mura in Fukushima Prefecture. These included "ochakko-no-kai," a gathering to chat with residents in temporary housing and those who use SEGA SAMMY Group products such as *Smart Ball*, *UFO CATCHER*, *E-ederu sunaba*, *the Darts*, *Flash Pad* and *THE ADVENTURE OF PANDA AND FRIENDS*. In October we held the SEGA SAMMY Group Baseball Class for junior high school students in Higashi Matsushima-shi, with invited guest Dave Okubo, a former manager of the Tohoku Rakuten Golden Eagles. And in November we held a swimming class in Shichigahama-machi and Higashi Matsushima-shi with invited guest Takeshi Matsuda, a swimming medalist at the Rio Olympic Games.



Thoughts from New Employees



**Yuto Hino**  
SEGA Interactive Co., Ltd.

For those who don't keep up with the news, Miyagi may still be perceived as an affected area. In fact, I'd thought that until I visited Miyagi, where I discovered it has, for the most part, been restored and is no longer severely damaged. I sincerely hope that people will stop referring to our event as a way of supporting people in disaster-stricken areas. Instead, I want them

to think of it as having been transformed into an event purely for the entertainment of Miyagi people in remembrance of March 11.



**Hiroyo Wakayama**  
SEGA TOYS CO., LTD.

This year was my first visit to the affected areas. I went and saw those places, where a disaster had occurred. Participating in the events was meaningful to me in the sense that I realized March 11 was an incident that occurred in the country where I live. I'd thought that reconstruction meant restoring a stricken area to its original state. I was really impressed to learn that the mayor of one affected area envisioned creating an even

more attractive town than before the earthquake. It seems that if we only support people in the affected areas, those places will continue to be associated with having been stricken by an earthquake. Therefore, I hope the time will come when we can provide the same support to people in affected areas as well as in other places.

Community Response

The younger generation now actively involved in the reconstruction of our town is part of Onagawa-cho's rebirth as a fascinating town. People are attracted to fascinating places. People, particularly the young, have recently

started to take on all sorts of challenges, and we are witnessing the creation of new value and possibilities.

Amusement or entertainment enrich and heal, providing people with the power and energy to drive them forward. This is especially true during times of difficulty. The SEGA Sammy Group has graciously provided a range of support in our recovery from the Great Earthquake, including its participation in community events. We look forward to the Group exploring unique kinds of fun and amusement and continuing to create excitement and something new.



Mayor, Onagawa-cho, Miyagi Prefecture  
**Yoshiaki Suda**

# Management

## The Structure of the SEGA SAMMY Group's Management Philosophy

Adhering to its objective of providing dreams and moving experiences through entertainment full of originality, the SEGA SAMMY Group lives up to society's ethical and public expectations as a good corporate citizen. Moreover, we communicate with a variety of stakeholders with a keen awareness of being a member of a global society and strive to provide value that contributes to the sustainable growth of society. We are also dedicated to building a relationship of trust with society, realizing an affluent society, and creating culture by continuously implementing a variety of social activities across the SEGA SAMMY Group, such as support for sports programs, the arts and cultural activities.

In 2017 we formulated a new Group mission statement and developed the SEGA SAMMY Group Mission Pyramid for the Group and Group companies to instill the mission statement into all of our employees. The Mission Pyramid is divided into three levels: Mission (mission/purpose of existence), Vision (vision of the ideal company) and Goals (medium- and long-term goals), which ultimately links with the objectives of each business division and each employee. The Mission Pyramid serves as a guide for achieving sustainable growth by working together toward the same goals despite different business and working environments.

**Group Mission** We Will Continue to Create Moving Experiences and Making life more colorful.

While sharing the value of "Creation is Life" and "Always Proactive, Always Pioneering," we will continue to provide moving experiences to people around the world as a Game Changer. We will contribute to enriching our society and culture by bringing more energy and excitement.

Group Mission Pyramid

## 2017 SEGA SAMMY Mission Pyramid

SEGA SAMMY GROUP MISSION PYRAMID

**Continuing to create  
moving experiences**  
~Making life more colorful~

> Mission

**Be a Game Changer**

> Vision

**Become a top 3 company  
in each business segment**

> Goal

**2020 Goal: Operating Margin 15%, ROA 5%**

Value  
(Mindset/  
DNA)

"Creation is Life" ×  
"Always Proactive,  
Always Pioneering"

SEGA SAMMY Group CSR Charter <https://www.segasammy.co.jp/english/pr/commu/csr/>

SEGA SAMMY Group Code of Conduct [https://www.segasammy.co.jp/english/pr/commu/csr/gr\\_csr.html](https://www.segasammy.co.jp/english/pr/commu/csr/gr_csr.html)

SEGA SAMMY Group Management Policy [https://www.segasammy.co.jp/english/pr/commu/csr/gr\\_policy.html](https://www.segasammy.co.jp/english/pr/commu/csr/gr_policy.html)

SEGA SAMMY Group Guidelines [https://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101\\_supplychain\\_csr.pdf](https://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101_supplychain_csr.pdf)

We have established guidelines for crisis management, IT security, cloud service use, social networking site use and overseas bribery prohibition. We have also disclosed our CSR procurement activities in a guidebook.

## Our Policy on CSR

The SEGA SAMMY Group considers CSR activities an important way to create value continuously for the Group and achieve the sustainable development of society.

### Group CSR Initiative Themes

In 2012 we set four CSR initiative themes that the Group as a whole can act on: Contributing through our business, Serving society, Addressing environmental issues, and Engaging in corporate governance and economic responsibility. Under these issues, approved by the board of directors of SEGA SAMMY HOLDINGS, we are conducting progress management for each business company. (For details about our key initiatives, see page 16.)

We present our employees with the CSR Policy so that they again review the Group's past CSR activities in order to further instill a CSR mindset among the staff and so that they understand how the Group's CSR activities will be promoted.

 **Our Policy on CSR**  
<https://www.segasammy.co.jp/english/pr/commu/tpm.html>



### Group CSR Framework

The Group CSR Promotion Office set up in SEGA SAMMY HOLDINGS supervises and manages Group CSR activities.

To promote these activities, the Group CSR Offices Council is in place. It is chaired by the general manager of the Group CSR Promotion Office of SEGA SAMMY HOLDINGS and attended by CSR managers at Group companies. The council is, in principle, held once every year to examine, implement and evaluate CSR activities using the plan-do-check-act (PDCA) cycle. We share our CSR activities through distributing the printed CSR report to the executives of all Group companies as well as all general managers and those holding higher ranks at SEGA Corporation and Sammy Corporation. In addition, we have reported the results of a survey on the CSR Report Digest, including the extent to which our management philosophy and code of conduct have been instilled, involving about 1,000 participants and subsequently shared the report with the Board of Directors of SEGA SAMMY HOLDINGS.

### Relationships with Our Stakeholders

The business activities of the SEGA SAMMY Group are founded on their relationships to five categories of stakeholders: Customers, Partners, Shareholders and Investors, Employees, and Society (this includes the environment). We are working to deepen relationships of trust with stakeholders through communication and to incorporate their feedback and needs into our business activities.

Stakeholders	Major Communication Opportunities	Major Responsibilities
Customers	Sales activities, user support desk and services at shops and facilities	Provision of safe, secure, high-quality products and services
Partners	Procurement activities, briefings, supplier meetings and business partner consultations	Fair and impartial business practices, building ties and calling on partners to promote CSR
Shareholders and Investors	Publication of various reports, websites and IR activities	Information disclosure, solid management and corporate growth and appropriate return of profits
Employees	Intranet, consultation desk, satisfaction surveys, and labor-management consultation	Improving a workplace environment, fair assessments and career development opportunities and respect for human rights and diversity
Society (the environment and society)	Website, communication with local communities and social contribution activities	Prosperity of core business, environmental management, cooperation with society and social contribution activities

## Management Evaluation by the Sustainable Management Forum of Japan and Stakeholder Dialogue with Experts

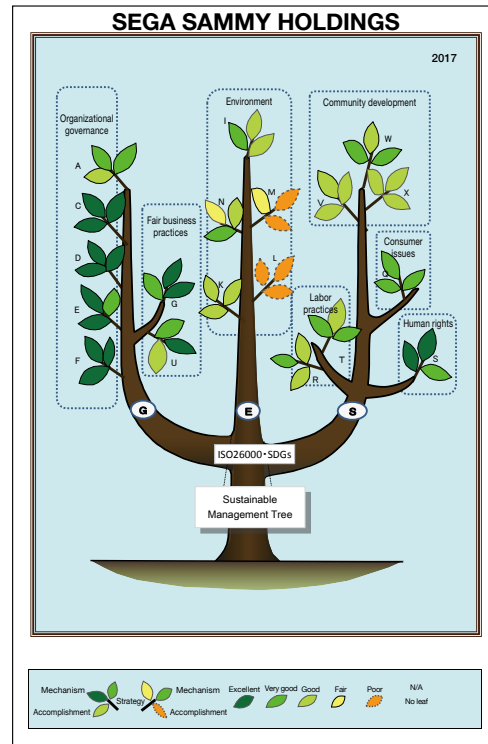
The Management Analysis Promotion Committee of the Sustainable Management Forum of Japan conducted a sustainability analysis of our management from February to May 2017. The results of the analysis showed that we scored an average of 71.6% and with high scores in most categories. For example, 90% in organizational governance, 92% in human rights, 73% in labor practice, 45% in environment, 88% in business practice, 87% in consumer issues and 67% in community development. In the course of the analysis on April 27, 2017, we convened a dialogue on our CSR initiatives with committee members who are also experts in the areas under analysis, such as management, human rights and the environment.

These members offered their various suggestions and ideas, such as one member stating: "We clearly recognize your diligent efforts to make improvements in your management and CSR issues. Raising the effectiveness of your initiatives will require formulating a plan for achieving the goals, maintaining databases of operation records and ensuring compliance with the PDCA cycle. While you have strengthened internal audits and are making efforts to comprehensively reduce risks, the initiatives for each business differ in degree. We recommend that you develop strategic initiatives with a clear vision and goals to be achieved in the medium to long-term future."

Our CSR Promotion Office responded with: "We have prioritized specific matters to focus on as a group. We were able to further improve our organizational governance by instilling the Group's mission and philosophy in each business, company and worksite through use of the Mission Pyramid. Also, we believe that our labor practices will significantly improve through our work style reforms and that office consolidation will improve and strengthen our workplace environment and functions." We will incorporate the valuable suggestions and opinions shared during the stakeholder dialogue into the planning of future improvement measures for the CSR initiatives of the SEGA SAMMY Group.



Stakeholder dialogue



Tree diagram of analysis results

## Participating in the United Nations Global Compact (UNGC)

The SEGA SAMMY Group assented to and signed the United Nations Global Compact (UNGC) in April 2014. This initiative encourages companies to act as upstanding members of society by exercising responsible, creative leadership, and to participate in the formulation of a global framework for sustainable development. We are committed to contributing to the creation of a sustainable society by promoting responsible management based on the UNGC's ten principles. Furthermore, we are participating with various working groups in activities related to SRI/ESG, supply chains, WEPs and reporting, set up within the Global Compact Network Japan (GCNJ), and we are striving to address various issues while sharing information with other companies and contributing to GCNJ activities by serving as chair of the working group.

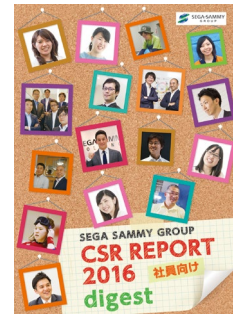
10 Principles of the United Nations Global Compact		Report Page	Content of the Group's CSR Report
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	PP. 12-16 P. 31 P. 37	Management: the Structure of the SEGA SAMMY Group's Management Philosophy, CSR With partners: fair and impartial business practices With employees: respect for human rights
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.	PP. 12-16 PP. 31-33 PP. 37-41	Management: the Structure of the SEGA SAMMY Group's Management Philosophy, CSR With partners: fair and impartial business practices, partnership with Suppliers and Clients With employees: respect for human rights
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies	PP. 12-16 PP. 42-45	Management: the Structure of the SEGA SAMMY Group's Management Philosophy, CSR With Society—Environment: promotion of eco-friendly management, initiatives for each stage, other environmental protection initiatives
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	PP. 12-16 PP. 18-20 PP. 31-33	Management: the Structure of the SEGA SAMMY Group's Management Philosophy, CSR Management: compliance With partners: fair and impartial business practices

## CSR Promotion Initiatives

### • Raising Awareness

The SEGA SAMMY Group believes that putting the Group Mission into practice depends on all employees' understanding of the Group CSR Charter and acting in accordance with the Group Code of Conduct, which is written in the spirit of the charter. The Group CSR Promotion Office of SEGA SAMMY HOLDINGS conveys the significance and importance of CSR activities to all Group employees and plans and implements ways to instill these ideas; for example, by offering seminars tailored to various levels of understanding.

We distributed the digest version of our CSR report to all employees as a means of instilling CSR awareness and fostering a sense of unity across the Group. Also, we put up posters to raise CSR awareness throughout the company.



Digest version of the CSR report distributed to all employees

### • CSR Seminars

The Group has held CSR seminars for members of Group company management and employees since October 2013. In fiscal 2017, 441 participants from 8 companies participated for an overall total of 1,970 since October 2013. Through lectures by outside instructors and group work, the participants considered changes in society and the business environment. They also deepened their understanding of what it means for a company to exist in harmony with society as well as corporate sustainable growth and development, while strengthening mutual communication. At the end of each seminar, all of them presented a CSR declaration and were given the opportunity to re-recognize their raison d'être as individual members of the Group. We will continue holding these seminars in the future so that every individual member will act with an awareness of what they should do in order for society to have expectations of this corporation, and trust it, and respect it, and in order for their Group companies to be corporations they can take pride in.



Group work during a CSR seminar

### • SEGA SAMMY HOLDINGS CEO and Group Employees Meet to Exchange Views

A meeting is held once a year to exchange views between the CEO of the SEGA SAMMY HOLDINGS and employees in the Group in order to share the results of activities, issues and other matters relating to individual workplaces, as well as to discuss future directions for CSR activities. CSR officers of Group companies, representative of major projects from Group companies, personnel managers and other such members attend and take part in active exchanges of views. The meetings significantly contribute to revitalizing communication across the Group by offering opportunities for gathering around a table to top management and employees from different divisions or Group companies who otherwise do not see each other. Five employees from five Group companies attended the meeting in fiscal 2018.



Meeting of top management and employees to exchange views on business and CSR



## Issues by Theme, Fiscal 2017 Progress and Fiscal 2018 Initiatives

We specify the issues to address each year and manage the progress and results of our efforts on the four CSR initiative themes for the Group. In fiscal 2017 we increased profits through the Group business structure reform and strengthened our corporate governance and compliance. Moreover, we introduced new initiatives such as the management sustainability analysis and stakeholder dialogue. In fiscal 2018 we will work to fulfill our roadmap, the "Road to 2020," in order to change the mindsets of all our employees and Group companies through the Mission Pyramid. Furthermore, we will integrate Group offices in the autumn of 2018 to further expand the impact of Group synergies and efficiencies and promote work style reform. These efforts will provide employees with different work style options and a more environmentally-sound and efficient work environment, thereby enabling us to achieve the medium to long-term growth of the Group and meet stakeholder expectations.

### • Major Issues and Results Related to the Four SEGA SAMMY Group CSR Initiative Themes

\*For abbreviations, see page 1.

Initiative Themes	Issues	Initiatives	Fiscal 2017 Progress and Results	Main Page References
Contributing through Our Business	Provision of safe, secure and fun products and services	Provide safe and secure products and services and continue appropriate information disclosure	<ul style="list-style-type: none"> <li>Set voluntary standards exceeding laws, ordinances, and industry standards in target countries, quality assurance that includes information disclosure by product labeling, etc. [E, PP, TOYS]</li> <li>Youth protection measures [SE]</li> <li>Accurate, appropriate product labeling [E, PP, TOYS]</li> </ul>	PP. 22–29
		Further improve the customer support system	<ul style="list-style-type: none"> <li>Improved the customer support system [E, PP, TOYS]</li> </ul>	
		Continue compliance with safety standards conforming to industry group standards, etc.	<ul style="list-style-type: none"> <li>Safety standards conforming to industry association standards [E, PP, TOYS]</li> <li>Promoted gaming in moderation through the industry group [PP, SE]</li> </ul>	
	Addressing social issues through business activities	Provide events and products through Group products	<ul style="list-style-type: none"> <li>Opened showrooms periodically to senior citizens (12 openings, 67 participants) [PP]</li> <li>Cooperated with an NPO to donate toys [SSH, TOYS]</li> <li>Development, manufacturing and sales of accessible design toys [TOYS]</li> </ul>	P. 29 P. 36 P. 48
Serving Society	Contributing to society through disaster recovery and support activities and Group-wide actions	Conduct social contribution activities such as supporting restoration work after the Great East Japan Earthquake and the regions affected by the Kumamoto Earthquake	<ul style="list-style-type: none"> <li>Dispatched volunteer Group employees to disaster-affected areas (4 occasions, 39 participants) [Group]</li> <li>Dispatched new employees to disaster-affected areas as part of their training (11 companies, 106 participants) [Group]</li> <li>Held events to support recovery in a disaster-affected area using content (6 events) [SSH, E, PP, TOYS, TMS, SE, SLS, DL]</li> <li>Volunteer employees prepared outdoor meals, provided other support, and cooperated in events and operations in the regions affected by the Kumamoto Earthquake [PSR, Group]</li> </ul>	P. 11
		Provide safe and secure products and services and continue appropriate	<ul style="list-style-type: none"> <li>Supported the arts, including the Tokyo Jazz Festival [SSH]</li> <li>Participated in the Picture book campaign (220 books) (creating an environment for entertainment in underdeveloped countries) [Group]</li> <li>Donated toys, etc. [SSH, TOYS]</li> </ul>	
	Contribution to local communities	Participate and sponsor local sports events	<ul style="list-style-type: none"> <li>Held the Junior Sport Festival and baseball workshop [SSH]</li> <li>Sponsored marathon events [PP] and participated in local clean-up activities [SH]</li> </ul>	
Addressing Environmental Issues Environmental Issues	Reduction of environmental impact caused by business activities	Promote the development and marketing of environmentally sound products	<ul style="list-style-type: none"> <li>Developed low-power-consumption products, increased the number of items provided [E]</li> <li>Developed and commercialized Eco-Pachinko machines [PP]</li> </ul>	PP. 9–10 P. 32 PP. 42–45
		Promote the 3Rs (especially recycling)	<ul style="list-style-type: none"> <li>Recycled trade-in machines (achieved 97.21%) [PP]</li> <li>Conducted marketable waste recycling (waste separation program by Kawagoe Factory workers) [PP]</li> <li>Conducted 100% recycling of amusement machines by manual dismantling [SLS]</li> </ul>	
		Promote other environmental protection activities	<ul style="list-style-type: none"> <li>Distributed information (e.g., environmental regulations) at the annual Supplier Meeting [E]</li> </ul>	
	Consideration for global environmental resources	Promote the environmental actions	<ul style="list-style-type: none"> <li>Purchased Green Power Certificates (1,000,000 kWh actual/year) [SH]</li> <li>Became a Y-Green Partner of the Yokohama City Wind-Power Electricity Generation Project (Green Power Certificate for 2016 (actual): 67,090 kWh) [SH]</li> <li>Established a system for tracking figures of environmental impact at 15 major Group companies [SSH]</li> <li>Won praise from Nagano Prefecture for the amount of CO<sub>2</sub> absorbed through a forest sponsorship agreement (SEGA-no-Mori) [SH]</li> <li>Managed, protected, cultivated black pine on the Seagaia property (2.5 million m<sup>2</sup>) [PSR]</li> </ul>	PP. 44–45
Corporate Governance	Strengthening of corporate governance and compliance	Strengthen corporate governance	<ul style="list-style-type: none"> <li>Took steps to respond to the corporate governance code, established the Independent Advisory Committee and Management Strategy Committee and held seminars for SSH executives, etc. [SSH]</li> <li>Reported to the Board of Directors the degree to which the Group Management Philosophy and Code of Conduct have been instilled in the Group [SSH]</li> </ul>	PP. 17–18
		Strengthen compliance	<ul style="list-style-type: none"> <li>Held compliance seminar for Group executives (7 sessions, 40 companies, 199 participants) [Group]</li> <li>Held various compliance seminar (42 seminars, 885 participants) [Group]</li> <li>Built an easy-to-use reporting system by establishing the Corporate Ethics Hotline [Group]</li> <li>Held seminars on individual topics (105 seminars, 3,136 participants) [Group]</li> <li>Held seminars by position (for members of management: 3 times, 3 companies, 85 participants; for new employees: 3 programs, 11 companies, 115 participants) [Group]</li> </ul>	PP. 18–19
	Instillation of CSR awareness and promotion of CSR management	Instill a widespread awareness of the Group's Management Philosophy through continuous top-down communication	<ul style="list-style-type: none"> <li>Held CSR seminar for members of the Group's management (4 sessions, 5 companies, 126 participants) [SSH]</li> <li>Posted the Group Management Philosophy on the Group intranet and also listed it in the employee handbook for promoting employee awareness [Group]</li> <li>Published a digest version of the CSR report and distributed 9,947 copies to full-time Group employees, part-time workers and others. [Group]</li> </ul>	PP. 13–15
			<ul style="list-style-type: none"> <li>Distributed messages from top management about the meaning and practice of the Group's Management Philosophy in a practical way that is easy to understand for employees, with messages about the state of society and business announcements (three times per year) [Group]</li> <li>Participated in the United Nations Global Compact [Group]</li> </ul>	
		Manage and share CSR information	<ul style="list-style-type: none"> <li>Collected CSR information by means of information media (newspapers, magazines, etc.) and provided it to Group companies via Group company CSR managers for the purpose of detecting social trends and heightening risk sensitivity (as needed) [SSH]</li> </ul>	

## Corporate Governance

### Basic Stance


Corporate governance is central to our corporate conduct, and we continue to improve our capabilities to optimize enterprise value. Our corporate governance policy is to “Enhance efficiency”, “Maintain sound management”, “Operate more transparently” and act as the basis for addressing important management issues.

### Framework for Corporate Governance

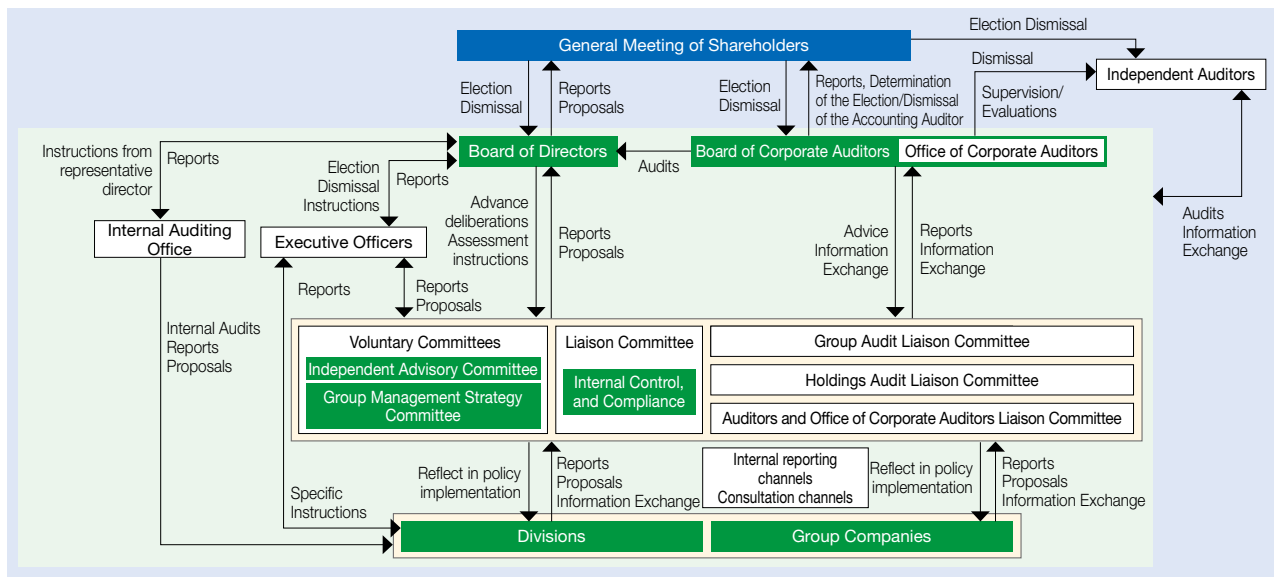
The SEGA SAMMY Group has adopted a corporate auditor system with the understanding that directors with abundant expertise and experience in the industry, products and services can quickly come up with the best solutions.

To reinforce corporate governance in both execution and oversight, we have appointed outside directors and auditors while strengthening our own executive officer/internal audit systems. The Board of Directors, comprising eight directors (three of whom are outside directors and independent officers), convenes monthly and as needed for agile management. The Board of Corporate Auditors comprises four members (two of whom are outside auditors and independent officers). It convenes for regular monthly sessions and special sessions as needed. Other key bodies, including the Group Audit Liaison Committee and the HOLDINGS Audit Liaison Committee, implement various responsibilities.

In accordance with the Corporate Governance Code, the Independent Advisory Committee, comprising all independent outside directors and auditors, provides suggestions and advice from an independent standpoint. These are in response to requests received from the Board of Directors and the representative directors concerning the effectiveness of the Board of Directors meetings and board members. The Group Management Strategy Committee comprises our representative directors, excluding the chairman and CEO, and full-time auditors discuss and review topics regarding the Group’s overall business. These include improvements toward business profitability, efficiency and strategic investment projects.

 **Corporate Governance Report (Japanese Only)**  
<http://www.segasammy.co.jp/japanese/pr/corp/pdf/governance/governance.pdf>

#### • Corporate Governance System (as of June 30, 2017)



### Appointment and Compensation of Officers

Candidates for directors and auditors selected by the Board of Directors are appointed by resolution at a General Meeting of Shareholders. The representative director, entrusted by the Board and Directors, determines compensation for directors\*1 after requesting that the Independent Advisory Committee evaluate each director. The decision is also based on the results of such an evaluation, while auditor compensation\*2 is decided in consultation with the auditors, and all compensation is set within the limits decided at a General Meeting of Shareholders.

#### • Total Compensation, etc., Paid to Officers (FY2017)

Category	Number of Officers	Amount
Directors	10 <sup>3</sup>	555 million yen
Auditors	3	40 million yen
<b>Total</b>	<b>13</b>	<b>595 million yen</b>

\*1 Director compensation was limited to 1,000 million yen at the annual General Meeting of Shareholders in June 2012.

\*2 Auditor compensation was limited to 50 million yen at the annual General Meeting of Shareholders of Sammy Corporation and of SEGA Corporation in June 2004.

\*3 Including two directors who retired at the annual General Meeting of Shareholders in June 2016.

## Internal Control System

We are enhancing our system under our Basic Policy on the Development of Internal Control Systems. In order to develop and strengthen the SEGA SAMMY Group governance structure, the Group has established the Group Compliance Liaison Committee and specialized units that support the Committee. They discuss and monitor problems and progress in the development of internal control systems that involve Group management, and take steps to maintain and improve those systems. Since the fiscal 2006, we have continuously developed and improved our evaluation of and reporting on the internal control system. As a result, we have successfully established measures to ensure the reliability of financial reporting. In the fiscal 2017, our internal control over financial reporting was deemed to be effective.

## Internal Audits

Our internal audit department and those placed in our major Group companies conduct internal audits with a team of 25 auditors (as of June 2017) for our company and each of our Group companies. These internal audit departments collaborate with each other through regular liaison meetings and conduct cooperative audits. Critical audit matters are reported to the Board of Directors twice a year and a follow-up report on the status of improvement is issued for the continuous improvement of the Group. In addition, we conduct audits after formulating our annual plan based on various risk analyses and management requests. We also undertake initiatives to improve our operations, such as implementing a quality evaluation based on the Institute of International Auditors—Japan (IIA), developing manuals and conducting post-audit surveys.

## Compliance

### Basic Stance

Applying the Group Code of Conduct and the Group Management Policy, a variety of initiatives are conducted in the SEGA SAMMY Group to keep all employees aware of compliance issues so we can act accordingly.

### Compliance Framework

#### • Compliance Framework and Promotion

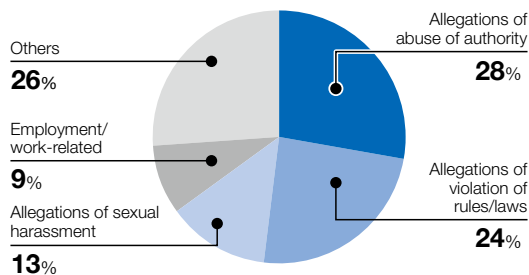
Twice a year the Group convenes the Group Compliance Liaison Committee, which is chaired by the head of the Group Internal Control Office of SEGA SAMMY HOLDINGS (attended by officers and managers in charge of compliance promotion divisions and auditors of key Group companies). Under the leadership of this committee we are promoting the system Group-wide to maintain sound business management in compliance with laws and regulations and societal norms.

#### • Internal Reporting System

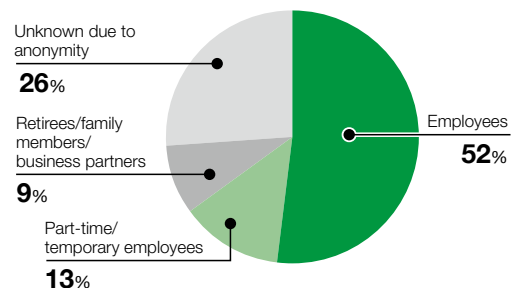
An internal reporting system was created to prevent regulatory violations, misconducts, and other behaviors through the self-corrective functions of the Group and/or company. Whether reported internally or to specified law firms (Corporate Ethics Hotline), these matters are investigated and rectified, and steps are taken to prevent recurrence, which is supported by a whistleblower protection system. The system is made known to all employees through our intranet and posters. An internal reporting system was also introduced at our overseas sites in March 2017.

The number of incidents reported through this system was 21 in fiscal 2015, 9 in fiscal 2016 and 16 in 2017 (Japan only). A breakdown of the types of incidents between 2014 and 2017 included allegations of abuse of authority (28%), violation of rules/laws (24%), sexual harassment (13%), employment/work-related reports (9%) and others (26%). Whistleblower attributes were identified as employees (52%), part-time/temporary employees (13%), retirees/family members/business partners (9%) and unknown due to anonymity (26%).

#### • Types of Incidents Reported



#### • Whistleblowers Attributes



2014 to 2017

## Compliance Promotion Activities

### • Ensuring Full Compliance with the Rules and Enhancing Awareness

We provide seminars by employee level for Group companies to foster a pervasive awareness of compliance. Our compliance handbook provides specific examples of issues employees may encounter routinely and we are running relevant articles in manga form to make the issue more accessible. All employees can view these materials on the intranet. We also invite employees to compete in the “Compliance Senryu Verse” contest held once every year.

### • Compliance Seminars at Group Companies (FY2017)

Nature of Activity	Group	Company Name	Frequency	Total Participants
Compliance seminar for Group executives	Executives, auditors, officers of 40 Group companies	SSHD, SHD, SAMMY, SNW, TMS and others	7	199
New Employee Seminar	New employees of 12 Group companies	SHD, SAMMY, TOYS, SIC, PSR and others	6	270
Various compliance seminars	Group company executives, all employees	SHD, SAMMY, SLS, SE, DL, OP and others	42	885
Seminar themes (Work style reforms, labor management, intellectual property, the Subcontract Act, Act on Control and Improvement of Amusement Business, etc., legal affairs, development contracts, etc.)	Group company executives, all employees (varies depending on the seminar)	SSHD, SHD, SAMMY, SGC, MARZA and others	105	3,136

\*For abbreviated company names, see page 1.

### • Exclusion of Antisocial Forces

To prevent antisocial forces from becoming involved in the management of the SEGA SAMMY Group, the Group Code of Conduct clearly declares the exclusion of any relationships with antisocial forces. The Group has also adopted clauses requiring the exclusion of crime syndicates in its contracts and has introduced a screening system to review whether a business partner is associated with antisocial forces. The Group will systematically respond to any attempted contact by an antisocial force, in cooperation with external organizations, including the police and lawyers, as appropriate.

### • Prevention of Corruption

The SEGA SAMMY Group Code of Conduct states explicitly that (1) All unlawful payoffs and other corruption that can be considered as gifts or favors are to be prevented; and (2) the conduct of activities for social benefit, including donations, must be fair and aboveboard and in compliance with Company rules that are established on the basis of relevant statutes and regulations. In July 2014, the Group established a Group Management Policy presenting the content of the Group Code of Conduct in a more specific manner. After analyzing corruption risks, we provided training on our Group Overseas Bribery Prohibition Policy and periodically distributed email reminders to the relevant departments.

### • Security Export Control

As SEGA SAMMY Group expands its business globally, we are engaging in export control to contribute to maintenance of peace and safety in the international community in accordance with the Foreign Exchange and Foreign Trade Act.

We use means such as improvement of Company regulations, seminars for employees and provision of information on the intranet to promote understanding and heighten awareness in all employees involved in the export business and to prevent violation of laws and regulations before they can occur to maintain proper export control systems.

In fiscal 2017, the development unit conducted training for about 50 new employees covering the outline of export controls and product classification in May 2016. We release the results of classification through our intranet so that all employees can review them and to ensure an environment in which no legally restricted items are exported without proper authority.

## Risk Management

### Basic Stance

Under the SEGA SAMMY Group Risk Management Policy, on a routine basis, SEGA SAMMY Group will consider measures to prepare against potential material risks that may prevent us from maintaining or improving the promotion of our business and corporate values and we will construct systems that minimize potential losses, thereby putting forward our best efforts to minimize any effects on the various stakeholders involved and aiming to become a company that gains a strong level of trust from society.

### Risk Management Status

#### • Risk Management

The SEGA SAMMY Group established the Crisis Management Rules based on our Group Risk Management Policy. Under these rules, we work to minimize latent risks in business activities and to prevent crises, and we prepare and maintain a rapid response system against the event of a major crisis. We also instituted the SEGA SAMMY Group Basic Policy on Measures for Stranded Persons in the Event of an Earthquake Directly beneath the Tokyo Metropolitan Area. The basic policy addresses concerns such as the storing of reserve supplies, building and facility safety, performing safety checks, and rules on returning home. Countermeasures are made by each Group company, and all employees learn about them through channels such as the intranet.

## • Intellectual Property Management

Intellectual property is treated as an important means to enhance Group competitiveness and is positioned as a significant management resource. Group companies each uphold their own, individualized policies.

The Entertainment Contents Business assigns Intellectual Property Committee members in each business department and provides training and seminars to project supervisors, persons in charge and new employees to continuously raise awareness of intellectual property. We also share our intellectual property information through the intranet to avoid infringing on the intellectual property rights of third parties, while effectively managing our own rights.

In addition, intellectual strategies are developed and implemented in alignment with business strategies through interdepartmental cooperation between the Intellectual Property Department and other relevant departments, enabling the Group to actively and strategically acquire and utilize intellectual property rights. Also, we are implementing countermeasures against counterfeit goods in order to maintain and enhance the SEGA brand. Game machines businesses study the technology under consideration at each stage of R&D as part of thorough risk assessment.

## • Information Security

In the SEGA SAMMY Group, all information is viewed as a valuable asset, whether it pertains to customers, management, sales, or other matters. To ensure proper management of information we have established the "Group Information Management Policy," "Group IT Security Policy," "Group Personal Information Protection Policy," and "Rules on information management". With the introduction of a forum for representatives of Group companies to discuss relevant issues and through discussions that pave the way for stronger measures throughout the Group, we are working to build a more robust framework for information management.

We have established the "Privacy Policy" based on the "Group Personal Information Protection Policy", under which we properly manage and utilize the personal information of our customers and implement measures to prevent unauthorized access, loss, falsification and leakage of such information. In addition, SEGA HOLDINGS acquired Privacy Mark (P Mark) certification as of June 6, 2017. As a certified company under this system for handling sensitive personal information of customers, we will remain attentive and continue to devote our efforts to ensure the thorough implementation and operation of our personal information protection management systems based on the Privacy Policy to deepen the trust of our customers. Since personal information concerning SEGA ID, which offers an easy and convenient access to various services of the SEGA Group with a single ID, is under the management of SEGA HOLDINGS, we also handle it properly as described above.

Looking ahead, we will continue to conduct employee training and awareness-raising activities, which include the introduction of e-learning. This will strengthen our knowledge and awareness of protecting personal information.

## External Evaluation

### SEGA SAMMY HOLDINGS Included in Two Socially Responsible Investment Indexes Adopted by Government Pension Investment Fund (GPIF) as ESG Indexes

SEGA SAMMY Holdings was selected as a constituent of the two socially responsible investment indexes adopted by the GPIF as ESG indexes: the MSCI Japan ESG Select Leaders Index and Empowering Women Index. The two new indexes were launched by MSCI Inc., the global ESG research and index provider, in June 2017. For the MSCI Japan ESG Select Leaders Index, we were selected from the companies in the MSCI Japan IMI Top 500 index as a company with excellent performance in ESG practices. For the Empowering Women Index, which also reviews the same top 500 companies, we believe that the quality of our information disclosure in compliance with the Act on Promotion of Women's Participation and Advancement in Workplace was highly recognized.



THE INCLUSION OF SEGA SAMMY HOLDINGS IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SEGA SAMMY HOLDINGS BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

### Receiving Excellence Award at the 20th Environmental Communication Awards

SEGA SAMMY HOLDINGS' SEGA SAMMY Group CSR Report 2016 was honored to receive an Excellence Award under the environmental reporting category at the 20th Environmental Communication Awards, jointly sponsored by Japan's Ministry of the Environment and the Global Environmental Forum. We will continue to diligently pursue environmentally-sound management and proactively disclose information.





# With Customers



## CSR Charter

We will bear in mind the current needs and interests of our customers in our effort to provide entertainment filled with dreams and excitement.

### Our Stance

In addition to food, clothing and shelter, fun and excitement are also vital elements of a happy and prosperous life. At the SEGA SAMMY Group, we find the meaning in what we do, as well as the role society expects us to fulfill, in bringing enrichment, fulfillment, vitality for tomorrow and other such values to people's daily lives by providing entertainment that delivers smiles, joy, dreams and excitement to people throughout the world. We seek to accomplish this not only by providing products and services that are safe, secure and of high quality but also by developing and providing products and services that help contribute solutions for society's issues by means of entertainment. Moreover, we will work with related industry groups and others to help the sound development of young people and to promote activities creating appropriate environments for play.

### Major Initiatives in Fiscal 2017

1. Pursuing customer satisfaction: gauging and applying customer needs
2. Safety and quality assurance of products and services: a stronger quality assurance system, response after quality incidents, securing safety in facilities
3. Initiatives for promoting a healthy play environment: product labeling, measures against illicit customer behavior, sound development of young people, prevention of gaming addiction
4. Contribution through products and technologies: development, manufacturing and sales of accessible design toys

### VOICE

As a manager in charge of organizing events, I always seek to create opportunities to increase direct interactions with our customers. On November 19 and 20, 2016, we held our first joint event of the SEGA Group companies, *the SEGA Festival*, in Akihabara, under the theme "energetic SEGA." Over the course of the roughly half year of preparation, a variety of ideas were generated, which were then incorporated into our planning to create an enjoyable event for all SEGA fans. Although implementing the project processes was not always easy in terms of budget and time, we were able to overcome the obstacles through the "underlying strength of SEGA," which makes me very proud to be a part of this project.

The stage event was broadcast for 48 hours and attracted 1.5 million views. We had a wonderful time with everyone who enjoyed "SEGA blue," which called upon participants to wear blue clothing, creating a sea of blue on the streets of Akihabara. And another amusement-oriented activity combined our arcade and consumer games along with many other attractions. I

believe that the SEGA Festival is a great opportunity to demonstrate our appreciation to customers for their support, and we will continue making this event even better.



Showing our appreciation through the SEGA Festival



The SEGA Festival gave me the chance to experience the support of SEGA fans.

#### Kosuke Honma

Team Manager, Event Team, Advertising Department,  
Japan & Asia Business Department  
SEGA GAMES Co., Ltd.

## Pursuing Customer Satisfaction

### Basic Stance

The SEGA SAMMY Group believes that gaining a prompt and accurate grasp of the customer's needs and market changes and making good use of that information to improve product development and service are necessary factors for attracting and retaining customers. With similar products and services flooding the markets, we are committed to providing products and services that satisfy our customers so completely that they will want to come back again. To this end, we are working to improve the framework for obtaining feedback from customers and determining their wishes using methods that are matched to the characteristics of the respective business and industry. At the same time, we are working so that the information we obtain through marketing surveys and other such methods can be put to good use in creating our products and providing our services.

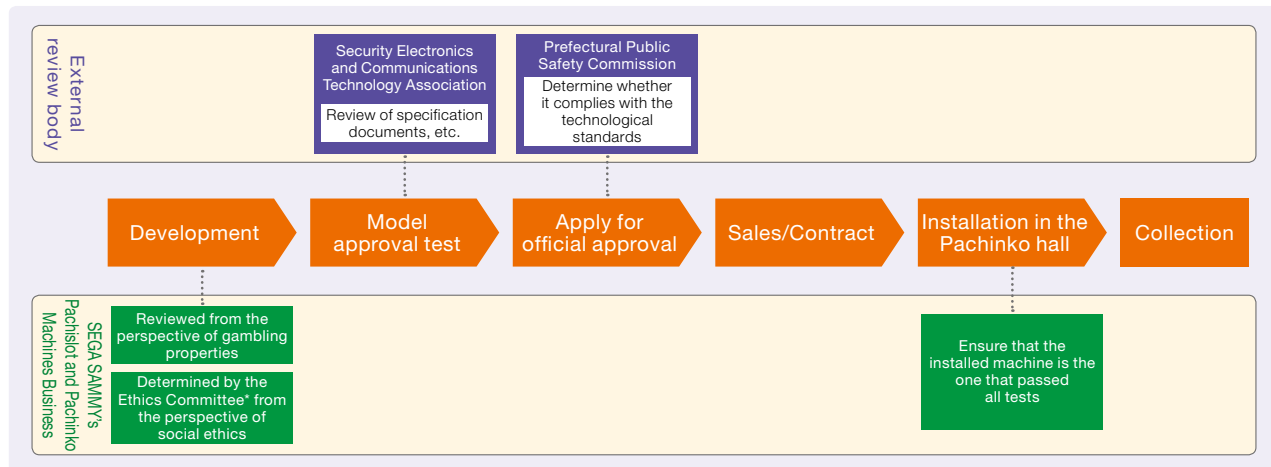
### Gauging and Applying Customer Needs

#### • Efforts in Development

In the Entertainment Contents Business, under the spirit of the SEGA Group's value "Creation is Life," we pursue new challenges every day to develop innovative products that deliver the "moving experiences," which we uniquely offer to our customers.

With pride in our desire to deliver other moving experience through gameplay to customers, our development team for the Pachislot and Pachinko Machines Business has produced many popular hit machines with originality and vision. We are strengthening our methods for customer-driven market positioning with a positive grasp of diversifying market environments and needs through cycles of product evaluations and improvements at every stage of the early, intermediate and later planning and development process for all machines. Also, we ensure that our development process includes consideration for the entire product life cycle, such as designing products that can be easily reused. With regard to players and SAMMY staff, we conduct product evaluations and similar surveys and use the results in product development. Moreover, we engage in active communication with pachislot and pachinko hall operators and periodically conduct surveys so that we can promptly grasp their needs.

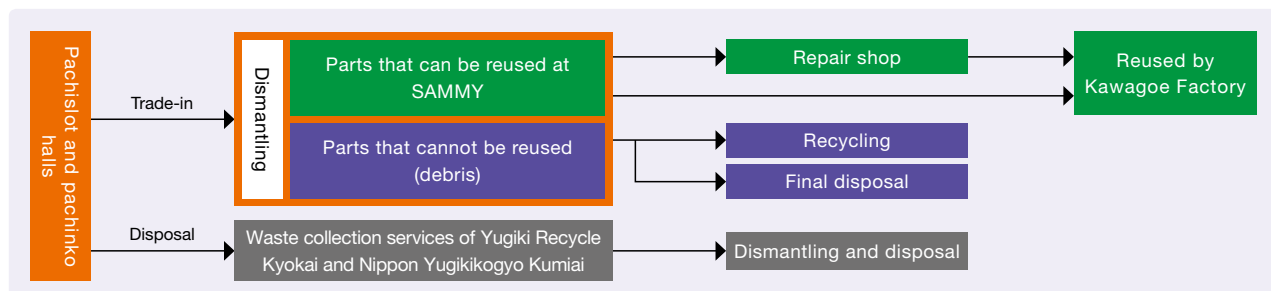
#### • Flow from Machine Development and Sales to Installation



\*Ethics committee: See page 29 (an in-house audit function of Sammy Corporation).

We handle the collection and disposal of end-of-life products as a responsible manufacturer. We offer a trade-in service within a specific length of time for all sold models. Through the service, at least 200,000 units are collected annually as trade-ins or for reuse of parts, and it has helped to improve customer satisfaction, prevent illegal dumping and ensure the effective utilization of resources. Instead of using our service, hall operators can also directly dispose of our game machines through waste collection services provided by Yugiki Recycle Kyokai and Nippon Yugikikogyo Kumiai (Japan game machine industry association). In these cases, SAMMY pays all costs for the collection, dismantling and disposal of game machines, thereby fulfilling our responsibility as a manufacturer.

#### • Reuse and Recycling Flow Chart





### • Inter-Departmental Collaboration and Information Sharing

To increase customer satisfaction in the Entertainment Contents Business, it is important to quickly and accurately gauge the increasingly diverse needs of customers and use that information in our product development and services. Our development, marketing and sales teams work closely together to perform stronger marketing research.

In the Pachislot and Pachinko Machines Business, the development, sales, and production teams set up a checkpoint in 2007 to develop game machines that satisfy both our client pachislot and pachinko hall operators and players. The checkpoints provide opportunities for these three teams to exchange opinions and are held three times during the entire process, from product development to market release, at the planning stage, prototype stage and then prior to release. After market release, the teams also conduct product surveys. The first survey immediately following the release has been designed from the point of view of users and is conducted with all employees. We then conduct surveys with end users and sales representatives to gather feedback and opinions from all of these people, including pachinko hall operators. Using the results of these surveys, we conduct multifaceted assessments and factor analysis and hold a wrap-up meeting about two months after release. We share all of this information as well as that gleaned from the checkpoint and wrap-up meeting with the relevant departments as required and incorporate PDCA cycles into our development processes to increase the effectiveness of our next development project.

### • Establishing a Stable Supply System

The primary mission of the Pachislot and Pachinko Machines Business is to provide products that appeal to all players. Following our belief that achieving this mission would also lead to the satisfaction of pachinko hall operators, we established a new plant in 2012 to strengthen our product capacity. In terms of the production and supply of products, this new plant will allow us to accurately respond to demand for gaming machines, which tends to rise at the early sales stage. Also, we established a logistics center adjacent to the new plant to improve the efficiency of production and distribution systems through expanded storage capacity and consolidated inventory management.

We have developed a database containing current partner information, such as the location of their plants, so that we are better equipped to respond to emergency situations such as a large-scale disaster. In preparation for such situations, we ask our suppliers to formulate and share the content of their business continuity plans (BCPs). In fiscal 2017, 104 suppliers completed their plans and 8 suppliers were in the process of formulating theirs. Every supplier had at least started working on a plan.

### • Incorporating Customer Input

In the Entertainment Contents Business, we offer promotions tailored to customer segments and interests to convey the appeal of our products at exhibitions and in-store events, where we interact with our customers face to face. Moreover, we actively seek direct communication and conduct questionnaire surveys to attain customer feedback that we can use to further improve product value.

In the Pachislot and Pachinko Machines Business, each time a new product is introduced, we conduct both quantitative and qualitative market analyses of players. We also periodically visit pachislot and pachinko halls to share information with the operators, and we use their feedback to further improve product value. As an example, we started offering game description sheets translated into English, Chinese and Korean for certain machines after receiving requests from pachinko hall operators who wanted to explain the games to their customers from other countries. In addition, we have released a new genre of pachinko machine recommended by the industry group, Choi Pachi, to meet the demand of customers for a game machine that offers more chances of winning and a lower game fee, thereby boosting their enjoyment of the game. Also, we held the Universal Carnival × SAMMY Festival 2017 in cooperation with the Universal Entertainment Corporation to contribute to the revitalization of the industry, and more than 17,000 people turned out for the event.

### • Customer Support System

In the Entertainment Contents Business, we operate the User Support Desk so that customer input can be used toward improving the quality of our products and services. Also, we have a specialized group (CRM Solution Planning and Promotion) that forwards customer information to related departments. This group was established in May 2015 and consists of two teams: the CS Team (the existing user support desk) and the VOC Team.

#### 1. The CS Team (formerly the customer support desk), which is devoted to the pursuit of customer satisfaction,

promptly and accurately responds to customer inquiries and shares market information with the relevant departments. It makes every effort to ensure that the latest information is delivered to all users through our official sites.

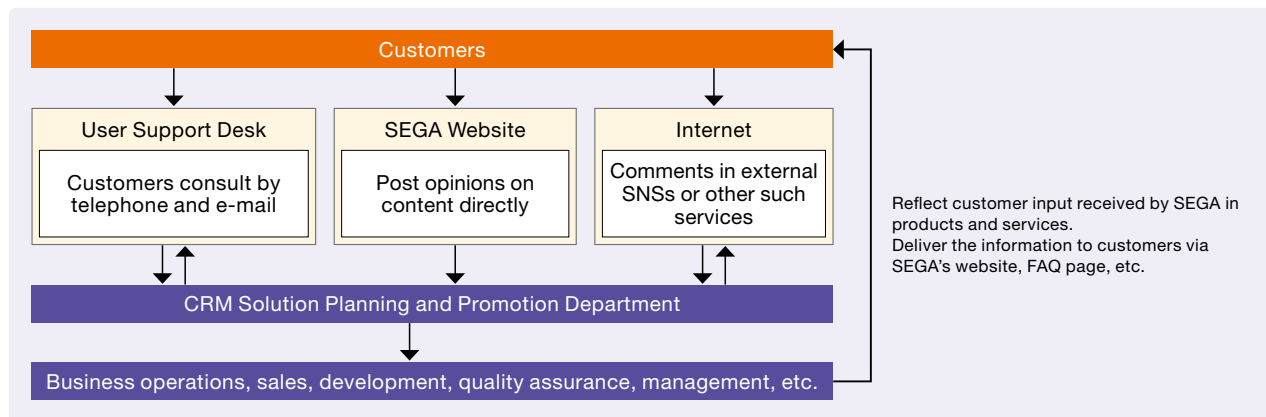
#### 2. The VOC (Voice Of Customer) Team, which designs and develops systems for bringing market feedback to the Company,

uses various tools to analyze a massive volume of collected data, such as opinions and requests obtained through user surveys and SEGA's official webpage. It also efficiently compiles the comments from external social networking sites. Moreover, the team thoroughly analyzes the data by combining user game data on online games and smartphone games to develop a framework for promptly adjusting game content while at the same time continuing to advance the evolution of our games.



We strive to quickly and accurately ascertain the needs of our customers and feed the information back to our development team to improve the quality of our products and services, ultimately resulting in higher customer satisfaction. In addition, we address after-sale service through the SEGA LOGISTICS SERVICE, which is in charge of maintenance, repair, parts provision and distribution, and through associated business departments, which analyze quality problem trends, discuss improvement plans and report to the development, production and sales teams to help them make improvements.

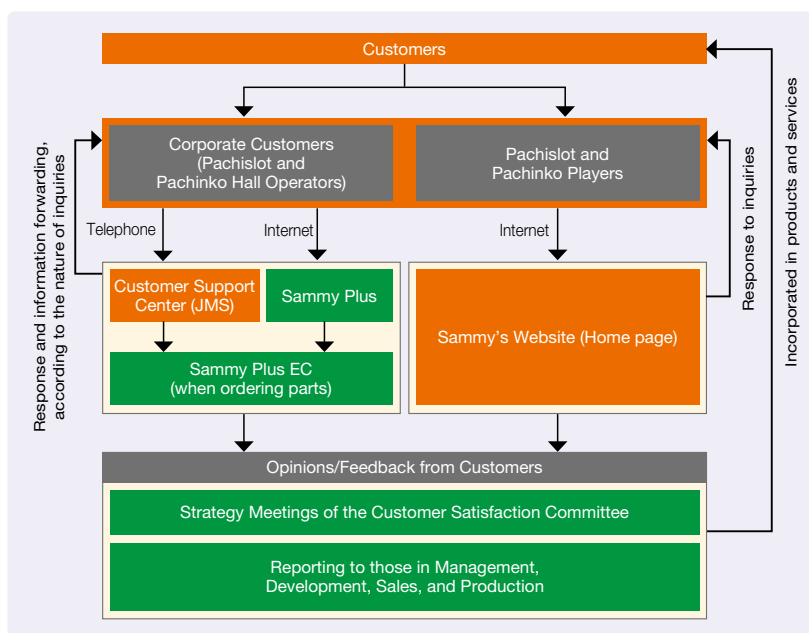
#### • Mechanisms and Framework to Act on Customer Feedback (Entertainment Contents Business)



In the Pachislot and Pachinko Machines Business, fiscal 2018 will mark the 12th anniversary of the Customer Support Center, originally opened in response to customer requests. To provide services that meet customer expectations and to especially provide appropriate corrective action for machine failures, which is the service most demanded by customers, we focus on analyzing machine failures and training service staff to develop a comprehensive understanding of machine structure by enabling them to dismantle and reassemble them on their own.

In fiscal 2017, we launched a new customer service through which we call customers who have placed orders for replacement parts following a machine failure to confirm that the problem has been resolved. Proactively communicating with our customers, rather than waiting for their response, allows us to improve customer satisfaction, and incorporating the information obtained in our failure analyses will significantly boost the accuracy of our response to failures. In addition, the customer input we receive is shared among the relevant departments through information exchange meetings held within a week after the release of a new machine.

#### • Mechanisms and Framework to Act on Customer Feedback (Pachislot and Pachinko Machines Business)



#### • Two-Way Communication with Customers

The Entertainment Contents Business informs customers online about the schedule and progress of improvement efforts to address customer opinions, requests and error reports concerning online games, including *Phantasy Star Online 2*. We want customers to know how important their views and feedback are to us for improving our services, and we are constantly striving to provide them with a comfortable and enjoyable game experience.

Sammy Plus opened in 2014 as a customer service website for the Pachislot and Pachinko Machines Business, which contains information that is readily and easily applicable to everyday work practice, such as examples of filling out government paperwork and troubleshooting and parts replacement procedures. The website now has about 9,000 of the 10,000 pachislot and pachinko halls nationwide signed up. In January 2017, we launched the Sammy Plus EC as a new service and as the industry's first online store offering more than 2,000 replacement parts, and thus established a 24/7 customer support environment. It allows hall operators to obtain the information they need and easily place orders at their convenience, which reduces the administrative burden. Moreover, we integrated the call center staff who take order into operations of repair request to further improve service quality.

**Sammy Plus**

Sammy Plus EC, a special online store for hall operators



## Work Improvement Activities from the Customer's Point of View

SEGA ENTERTAINMENT in our Entertainment Contents Business, which operates amusement facilities, is striving to enhance its services and shops in order to provide smiles and excitement to even more customers. Employees bounce ideas off each other and roll out creative services suited to the local characteristics and target customers at each shop. We have also participated in events such as the Japan Amusement Expo, where each shop showcased their service skills and techniques. This motivates employees and encourages initiatives to make work improvements.

## Safety and Quality Assurance of Products and Services

### Basic Stance

Each company in the SEGA SAMMY Group has created its own quality assurance system that is optimized for the countries and regions they serve, as well as for the distinctive characteristics of the industries they supply with products and services. All our companies are engaged in maintaining and improving quality throughout all the processes involved from development to production, marketing and service. For the safety of our products, we not only observe the standards set by legal statutes and by industry but also engage in thoroughgoing safety management based on the voluntary standards established by each Group company. We will strive through these efforts to provide products and services that satisfy customers and earn their trust.

## Safety and Quality Assurance of Products and Services

### Quality Assurance System

In SEGA Interactive in our Entertainment Contents Business, the Quality Assurance Department operates independently from other departments, such as sales and development, to strengthen our quality assurance system by centrally managing product and service safety and quality in keeping with relevant rules. Particularly for managing product safety, the business follows its own voluntary standards as well as industry guidelines established by JAMMA.\* Outside of Japan, we have quality assurance systems in place suited to the specific needs of those places. In addition, we conduct design reviews in which the relevant personnel from each department, such as development, production, sales and quality management, gather to evaluate products from four aspects: product specifications, design specifications, mass production specifications and mass production readiness. Prior to market release, we make sure that we are only releasing products that have satisfied strict standards by conducting a PL diagnosis, which evaluates product risks by using a risk map and holding a product approval meeting to determine whether a product is ready for market release. In fiscal 2017, we started using a checklist while conducting inspections in order to determine how well our products conform with the Act against Unjustifiable Premiums and Misleading Representations.

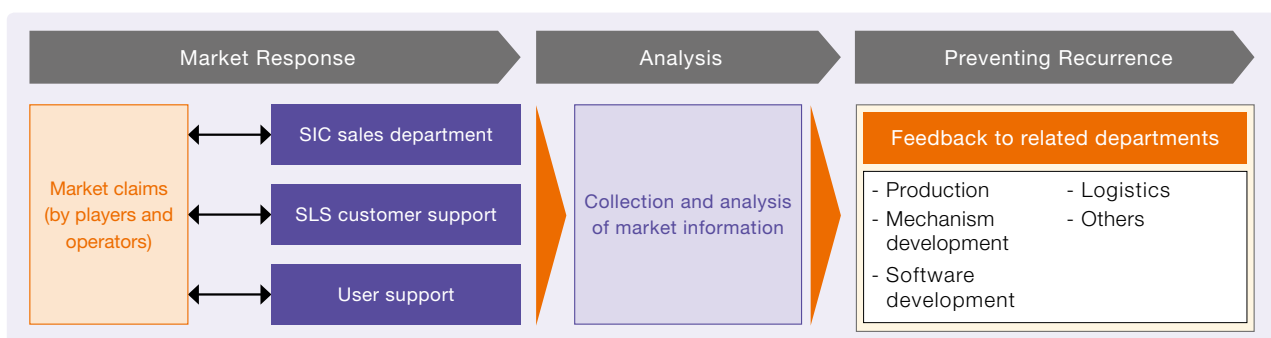
\* Japan Amusement Machine and Marketing Association, Inc.

### Flow of the AM Equipment Quality Assurance System



Note: DR: design review

### Mechanism for Utilizing Customer Input



SEGA TOYS in our Entertainment Contents Business takes focus on the customer and assurance of product safety as its highest management priorities. We are establishing and promoting a voluntary action plan following our basic product safety policies as we work to ensure both safety and quality. At the development and design stages, we set up design inspection and validation checkpoints and work to ensure safety in compliance with the Japan Toy Safety Standard (ST Standard) prescribed by the Japan Toy Association, Food Sanitation Act and other relevant laws and to prevent the occurrence of problems on the market. In addition, we use prototypes prior to production to apply thoroughgoing quality testing of various kinds, including durability tests, overload tests and drop tests, to ensure product quality and safety. Considering that toys are used by a wide range of customers, we also set quality standards for the materials in these products based on the Food Sanitation Law and other such sources, and we establish control requirements and written pledges regarding the use of polyvinyl chloride. These are some of our stringent voluntary standards.

#### Durability Tests, Tensile Tests and Drop Tests

Switches and buttons are checked for durability in tensile tests, drop tests, etc.



#### Static Electricity Tests

Static electricity equivalent to that found on the human body is applied to the product to ensure it is safe and will not fail.



#### High-temperature, High-humidity Chamber Tests

By varying the temperature and humidity, we use this chamber to make sure the product is sound and continues to work under a variety of environmental conditions.



#### X-ray Fluorescence Spectrometer

All products are checked to make sure they do not contain harmful substances such as cadmium, lead and mercury.



In the Pachislot and Pachinko Machines Business, we offer safe, high-quality products and services by means of quality assurance initiatives for proactive creativity and effective improvement. Also, we have established internal rules including quality assurance procedures to eliminate major failures that could compromise safety and have been developing quality manuals, control documents and records. We conduct periodic reviews to verify that the 4M (Man, Machine, Material and Method) system is being properly managed by suppliers and as necessary, our purchasing and quality assurance departments conduct audits and provide guidance. In 2016, we added a nailing inspection to the spot checklist for both pachinko and pachislot machines. In terms of movable accessories, we collaborate with our partners and the Development Department to optimize the inspection specifications based on structure and specifications. At the start of production, we always conduct process audits for raising product quality through appropriate inspections. In addition, we are endeavoring to improve product quality by reinforcing collaboration between our Development, Sales, and Production departments.

#### Quality Assurance Action (Pachislot and Pachinko Machines Business)



#### Disclosure and Response after Quality Incidents

In SEGA Interactive in our Entertainment Contents Business, if quality issues arise related to products or services, any information concerning the issue is gathered by our Quality Assurance Department and we respond in a prompt and reliable way, according to the scope and nature of the issues. We are stepping up our system for permanently preventing recurrence by providing feedback on the causes of the issues and other details to related departments such as the Development and Production departments while also compiling and reflecting on these case examples in our quality management. We promptly disclose information by means of direct mail, notices in industry publications and other means. If necessary, a dedicated service center is established to minimize any impact on amusement center operators and other customers.

In the Pachislot and Pachinko Machines Business, every quality problem is reported to the departments concerned in accordance with the CS (customer satisfaction) Promotion Regulations. We respond promptly, putting the customer first, and appropriately disclose information. We approach the problem by first inspecting the discovered defect to quickly determine the root source within the entire process, such as design, manufacture and transportation. Our Development, Sales, and Production departments have regularly held information sharing meetings on problems with new machines about a week after market release in order to work in concert to quickly address potential problems and prevent their recurrence. Owing to these efforts, we did not have any product liability problems in fiscal 2017.



• **Manufacturing that Complies with the Law**

Before the pachislot and pachinko machines industry can begin selling a product, it must go through multiple approval processes according to the “Ordinance for Enforcement of the Law on Control and Improvement of Amusement Businesses” (Amusement Businesses Law Enforcement Ordinance). First, an application for type testing must be submitted to the Security Communications Association to obtain certification. Verification\* of the machine is then acquired from the National Public Safety Commission in each prefecture concerned, after which we go on to the sales and production stages.

\*A verification determining whether the machine type developed by that manufacturer conforms to technical standards set by the National Public Safety Commission.

**Ensuring Safety at our Facilities and in our Services**

In SEGA ENTERTAINMENT in our Entertainment Contents Business, we are careful to protect customer safety by periodically inspecting our amusement machines and center facilities concerning customer safety. We are also actively installing separate smoking areas among other measures so more customers can enjoy themselves comfortably. We will continue to perform voluntary inspections of operations and management based on a list created by the Company. In this way, we endeavor to provide a safe and reassuring environment for our customers to enjoy.

**Creating a Wholesome Environment for User Enjoyment**

**Basic Stance**

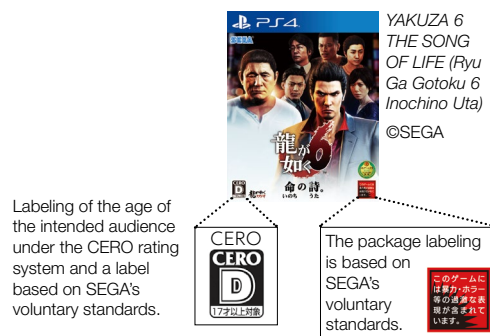
To make the products and services of the SEGA SAMMY Group more enjoyable, we are striving to create a wholesome environment for game playing from the perspective of legal and regulatory compliance and consumer protection in which users have a sense of security. For example, in SEGA GAMES in our Entertainment Contents Business, we cooperate with the industry in formulating guidelines, including the protection of minors, and comply with them. The Pachislot and Pachinko Machines Business is also working with the industry to address related issues, such as gaming addiction and illicit behavior. By closely collaborating with the industry as a single team, we will continue to contribute to its sound development.

**Product and Service Labeling**

In SEGA GAMES in our Entertainment Contents Business, we label our product packaging, user manuals and other tools of home video game software in keeping with relevant laws and regulations, industry group guidelines and internal rules. By applying clear and appropriate labels we ensure that customers can use our products and services with confidence. We are also proactive about specifying the range of users of each product and addressing any ethical issues. SEGA labels all products in line with assessments conducted in countries worldwide. In Japan, SEGA indicates the target age group of each game based on the ratings system established by the Computer Entertainment Rating Organization (CERO), and in addition we label products according to our own voluntary standards. With the knowhow we have accumulated through the CERO\* rating system and from previous cases, we have formulated guidelines that cover 9 categories and 26 items. Furthermore, we share as needed information on the latest cases from both Japan and overseas concerning voluntary ethical restraint through an intrablog to raise employee awareness.

In SEGA TOYS in our Entertainment Contents Business, we develop products that conform to the ST Standard, a safety standard prescribed by the Japan Toy Association, and ST marks are displayed on our products. We also display seven illustrated safety warning labels on our product packages to ensure that children play safely with our products. In addition, we have created our own warning labels and display them as required for other issues.

\*CERO: Computer Entertainment Rating Organization



Illustrated Safety Warning Labels Conforming to the ST Standard



## Initiatives for the Appropriate Use of Content

Our Entertainment Contents Business, SEGA Games and the Pachislot and Pachinko Machines Business, and Sammy Networks provide content for smartphones and tablet mobile terminals. And particularly in light of problems related to excessive game use by minors and the associated charges, we have instituted age authentication for certain titles that places limits on the monthly charges that can be accumulated. In connection with the game “gacha,” in which players use points and other items that we sell for a price, we also take steps to temper player expectations by avoiding ambiguous statements that could result in accumulating excessive charges. For example, we have established in-house guidelines for clear statements of the rarity of items that players can acquire or of the probability of their acquisition, item by item. We intend to continue our efforts through such measures, all of which are in accordance with guidelines of industry associations. This allows us to create a wholesome environment for game playing where users can enjoy themselves with a sense of security.

## Initiatives for the Sound Development of Young People

In SEGA ENTERTAINMENT in our Entertainment Contents Business, which operates the Amusement Center Operations Business, we encourage our employees to get AOU Youth Advisor\* certification in order to develop the industry and fulfill healthy facility management. Moreover, the entire industry has been working to improve the environment of amusement centers in an attempt to ease the restrictions that prohibit minors accompanied by their parents from entering the centers. As a result of these efforts, the law was partially revised on June 23, 2016, allowing children under the age of 16 to play in amusement centers, even after 6:00 p.m. if they are accompanied by an adult (not applicable in some prefectures). Looking ahead, we will continue our efforts to meet a diverse range of customer needs.

\*AOU Youth Advisors have completed the youth advisor training provided by the All Nippon Amusement Operators Union

## Measures against Illegal Customer Behavior

In effect since July 2004, the Revised Amusement Businesses Law Enforcement Ordinance primarily aims to control excessive gambling on amusement machines and prevent improper modifications. Acting in accordance with this ordinance, the Pachislot and Pachinko Machines Business has established a special group that prevents users from illegally manipulating amusement machines for their illicit benefit. We will continue to collect market information and work on building amusement machines that are resistant to this abuse. To combat improper modifications, which are increasing in complexity, we are working to completely eradicate from the market any amusement machines that have been illegally modified, by monitoring and managing the distribution of our amusement machines. There are groundless walkthroughs and strategy guides circulating in some parts of the market, and we are taking measures against these by various means, including use of the Sammy website, pamphlets and other such media to urge caution.

Warnings against improper activity are included in pamphlets that provide details on machine models and advice on how to play.

©SUNRISE/PROJECT GEASS Character Design©2006 CLAMP-ST  
©SUNRISE/PROJECT GEASS Character Design©2006-2008 CLAMP-ST  
©BANDAI NAMCO Entertainment Inc. ©Sammy

## Initiative against Gaming Addiction

The pachinko and pachislot industry has recognized its dependency on gaming as a priority issue. It has therefore strengthened its countermeasures to address this based on the consensus of the industry in order to ensure that pachinko and pachislot machines remain a true form of mass entertainment that everyone can enjoy. Measures include conducting a survey on the actual extent of addictive gaming and raising awareness to prevent dependency and excessive game play and a campaign to eliminate the problem of adults leaving their children in parked cars, as occurs with addictive gaming. Also as a measure to prevent dependency, we have been incorporating our public service messaging in advertisements run in various media with the slogan: “Play Pachinko in moderation. Don’t get addicted.” Since October 2017, we have been toughening measures to prevent dependency from various angles, such as by displaying the same slogan on the monitors of our game machines. In addition, the Pachislot and Pachinko Machines Business has been supporting the Recovery Support Network, a counseling service of a specified non-profit organization, and the business aims to promote and roll out the organization’s policies in various fields.

Pachinko addiction prevention poster



Monitor display of the slogan for preventing dependency (example using a pachislot machine)



## Ethics and Social Considerations

Complying with the Standards for Elimination of Unhealthy Amusement Machinery established by JAMMA, SEGA Interactive in our Entertainment Contents Business conducts in-house inspection prior to commercialization to check for any expression that may be excessively cruel or cause discomfort to customers.

In the Pachislot and Pachinko Machines Business, we have established an ethics committee, which serves as an in-house audit function that determines at every stage of development whether the pachislot and pachinko machines we develop satisfy the prevailing ethical standards and social rules. Moreover, we have formulated our own guidelines and strictly control our products to ensure they do not contain any content that may lead to criminal acts or significantly encourage gambling.

## Collaboration with the Industry and External Organizations

Gaming addiction and illicit behavior, unfortunately, are problems faced by the pachislot and pachinko industry. Again, the problems are not specific to us or any other specific company; they are unique to our industry and we therefore believe that the entire industry must align its efforts to address them. In fiscal 2017, we actively participated in industry meetings held to share these problems and explore possible solutions. We are also actively engaged in industrywide activities intended to eliminate illegal slot machines\* (illegal gambling) such as poster campaigns, enhancing the readability of website content, conducting a survey on the number of illegal slot machines.

Until recently, the scope of manufacturer's responsibilities ended at the shipment of pachislot and pachinko machines from the plant. However, since April 2016 this scope was further extended to include the installation of machines in pachinko halls. We have further enhanced our collaboration with Yugiki Unsojigyo Kyodo Kumiai Rengokai (gaming machine transportation industry association), a transportation industry organization, to prevent improper modifications by enforcing strict measures to ensure product traceability through various industry organizations and to strengthen security at the time of delivery. Moreover, we have toughened the requirements governing those who can properly inspect and handle the gaming machines to only allow gaming machine maintenance specialists with expertise and skills to be involved in a manufacturer's commissioned work. While the qualifications for gaming machine maintenance specialists are not required for handling our products, they have been attained by almost all sales representatives of the Pachislot and Pachinko Machines Business toward raising the level of quality in their work.

\*Illegal slot machines represent illegal acts to which the crime of running a gambling place for the purpose of gain and the crime of gambling applies and those that charge exorbitant fees for game medals without obtaining permission based on the Ordinance for Enforcement of the Law on Control and Improvement of Amusement Businesses (Amusement Businesses Law Enforcement Ordinance) or make the customer play with the pachislot machines illegally modified to encourage excessive gambling.



Poster on eliminating illegal slot machines, from the Pachislot and Pachinko Industry 21st Century Club

## Contributing through our Products and Technologies

### Universal Toys\* that Even Children with Visual Impairments Can Enjoy

New Hashiru Zo! Neji Neji Anpanman Gō (Assemble Anpanman Yourself! Run! Screw, Screw Anpanman!) is a toy developed by SEGA TOYS in our Entertainment Contents Business that can also be enjoyed by children with visual impairments. This DIY toy allows children to assemble the parts of an Anpanman car, which is a popular character in Anpanman anime, by using a safe and reliable electric screwdriver and a wrench for children produced in accordance with the ST Standard. From the initial planning stage, various barrier-free features were incorporated into the development, such as designing the tip of the screwdriver to easily fit into the screw holes, providing slits for temporarily holding parts in place and facilitating the understanding of dynamic force using a detachable motor for the electric screwdriver, which can also be installed in the car. These features enable all children, especially those with visual impairments, to develop their imagination, concentration and problem-solving abilities. The product received the Grand Prize in the Universal-use Toy category at the Japan Toy Awards 2017.

Another new product is Nihongo Eigo Nigobunmo! Anpanman Oshaberi Ippai! Kotobazukan Super DX (Japanese, English, also two-word sentences!) Anpanman Words Book Series Super DX. This is an educational toy for children learning to form words that can be used in forming two-word phrases, an innovation that has marked a turning point in the development of communication skills. The product received the Grand Prize in the Educational Toy category at the Japan Toy Awards 2017. Our toys are now also highly regarded in the field of educational toys, which help children learn and have fun at the same time through product development based on innovative, creative ideas.

\*Toys that can be universally enjoyed by all children, regardless of visual or hearing impairments; they are not specifically designed for children with impairments but incorporate various considerations to make them enjoyable for all children.



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# With Partners



## CSR Charter

We will maintain fair and impartial relationships with our suppliers and work together as partners in continuing to create moving experiences.

## Our Stance

Good partnerships are about sharing goals to advance together. We have established Group-wide standards for choosing partners in terms of integrity, business efficiency, safety and quality, maintenance, technology, and the environment. We will continue to build fair and impartial relationships based on a platform of mutual trust. We aim to work with partners so that we can continue to provide customers with moving experiences, drawing on broad information sources, maintaining knowledge and judgment capabilities that are as good as those of our partners, and exchanging the correct information with them.

## Major Initiatives in Fiscal 2017

1. Fair and impartial business practices
  - Promoting CSR activities in procurement and purchasing
  - Providing seminars to strengthen the framework for Subcontract Act compliance (Entertainment Contents Business: 14 seminars with 539 attendees) (Pachislot and Pachinko Machines Business: 13 seminars with 167 attendees)
  - Introducing a system for appropriately executing ordering procedures (Sammy)
2. Partnership with suppliers and clients
  - Supplier meetings of SEGA Interactive (146 attendees from 86 companies)
  - Joint quality conferences with partner companies of Sammy (50 attendees from 14 companies)

## VOICE

As a fables company, which means that we do not own manufacturing facilities, our business operations vitally depend on our suppliers, such as partner manufacturers and plants. We developed the BATON portal site, which launched in 2009, to share with suppliers information related to procurement, including drawings, estimates and delivery schedules, to strengthen our partnerships through the efficient sharing of that information. Our development objective was to produce even better products by digitizing paper documents in order to reduce the volume of paperwork handled and focus on the main business.

The primary function of BATON was initially limited to the digitization of information on estimates and open orders. However, we continually improved the system with additional functions and capabilities for handling a wider variety of information. BATON is now an essential part of our own procurement processes as well as our suppliers. Although it is currently equipped with all the functions

that we wanted it to perform, we will survey our suppliers and incorporate their feedback into additional improvements.



We are striving to develop even better products by efficiently sharing information with suppliers.



**Tomoo Sashida**

Manager, Product Business Promotion Department,  
SEGA Interactive Co., Ltd.

## Fair and Impartial Business Practice

### Basic Stance

The SEGA SAMMY Group has clearly stated in the Group Code of Conduct its commitment to fair and impartial relationships with business partners. The Group strives to ensure uncorrupt, transparent, and fair business transactions. As corporate social responsibility is a responsibility that should be shared throughout the supply chain, we select and decide to continue transactions with business partners based on fair and clear standards that give comprehensive consideration to matters such as creditworthiness, technical competency, development capabilities, price, and responsiveness to the environment. We are committed to practicing fair and impartial business transactions. To that end, we have established a system in each Group company to promote compliance with the Subcontract Act and strengthen control in respect to the law. We also provide ongoing education to relevant departments and individuals.

#### Our Requests to Suppliers

We ask our suppliers to undertake the measures for the following items based on the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook:

##### I. Labor

Prohibit discrimination, prohibit inhumane treatment and infringements of human rights, pay appropriate wages, regulate working hours, respect the rights to freedom of association, prohibit child labor

##### II. Environment

Control hazardous chemicals, minimize environmental pollution, promote 3Rs, appropriate disposal of waste and reduction of final waste

##### III. Occupational Health and Safety

Promote workplace safety and hygiene, take appropriate measures for occupational injuries and illnesses, promote health management for employees

##### IV. Product Quality and Safety

Ensure product safety

##### V. Fair Trading and Ethics

Prohibit corruption and bribery, prohibit abuse of a superior position, provide accurate information on products and services, respect intellectual property, appropriate export control

##### VI. Information Security



The SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook

[http://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101\\_supplychain\\_csr.pdf](http://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101_supplychain_csr.pdf)

### Ensuring Fairness in All Respects

#### • Promoting CSR Activities in Procurement and Purchasing

The Entertainment Contents Business has established a cooperative framework to maintain integrity with business partners. Consistent with the Group Code of Conduct, we seek to refrain from inappropriate formalities, excessive monetary or material gifts, and unnecessary business entertainment. Partners are notified of our commitment to these principles in writing. Several departments participate in assessments of business partners, and with this information we continuously evaluate, select and manage these partners following internal rules. The Amusement Machine Sales Business established the Procurement Policy in fiscal 2012. Since fiscal 2016, the basic agreement signed before any transaction stipulates the partner's commitment to the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook. Also, we ask our business partners to renew current agreements, with 75% agreeing to do so. In addition to asking all partners to self-examine their environmental and quality efforts every year using a checklist, our employees in charge of procurement visit 35 major partners to conduct an annual audit.

The Pachislot and Pachinko Machines Business upholds internal rules including the Internal Regulations on Managing Outside Orders for Production and Purchasing and the Internal Regulations on Business with Partners and Managing Accounts. Established purchasing rules are applied for the evaluation and selection of business partners. Several departments assess prospective business partners, analyzing data from the candidates themselves and from external research organizations to evaluate suitability. Before starting business with a new partner, our managers talk directly to them on the relevant content based on a document entitled "On Integrity." In addition, all our purchasing is conducted under the Group CSR Charter and the Group Code of Conduct throughout the supply chain. We audit our business partners and request their thorough understanding of the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook and that they act in accordance with it. In fiscal 2017, we conducted annual audits for 106 companies on a continuous basis as well as an additional 2 companies. The audits consist of 20 questions, and the specific points of assessment are reviewed every year. We

ask our business partners to take the necessary corrective measures. In fiscal 2017, we added a new audit item to determine the presence or absence of the use of the conflict minerals (tin, tantalum, tungsten and gold) that are used as funding sources for groups involved in human rights violations, environmental destruction, corruption and other unacceptable conduct in the Democratic Republic of the Congo and surrounding countries. The results of our audit did not find any use of conflict minerals.

#### Amusement Material Procurement Policy

##### Basic Stance

1. All employees engaged in amusement materials procurement at SEGA will comply with legal and social norms and conduct themselves with sound judgment in keeping with the SEGA SAMMY Group Code of Conduct and internal rules.
2. SEGA amusement materials procurement will be conducted with integrity and impartiality, and we will deal with our business partners fairly and sincerely.
3. We will endeavor to build trusting relationships with our business partners by conducting fair trade, and we will work with our business partners to improve technologies and product quality, pursue economy and efficiency and achieve mutual success.



### • Strengthening the Framework for the Subcontract Act Compliance

A committee established in April 2009 for the Entertainment Contents Business to promote compliance with the Subcontract Act works to prevent violations of the law, raise awareness of it and strengthen control in respect to it. In fiscal 2017, SEGA Holdings, SEGA Interactive and SEGA Games held 14 briefings (539 participants) mainly for departments that deal with subcontractors in their business. We also used a dedicated page on our company intranet to help employees gain the necessary knowledge and increase their awareness of compliance.

For the Pachislot and Pachinko Machines Business, building and operating a system of compliance with the Subcontract Act and other regulations is of the utmost importance, and we are stepping up internal seminar accordingly. In fiscal 2017, we conducted a compliance seminar with 167 participants that was incorporated into the Rank-Specific Seminar programs of our personnel system. We also held a more practical seminar that was attended by 27 people. In advance of the seminar, those in charge of the purchasing divisions were asked to submit questions on issues related to the Subcontract Act that they face in their workplaces, and a lawyer responded to them with practical explanations. In addition, we have systematized work processes to confirm all our ordering processes are appropriately performed under the rule of sending purchase orders to supplier. Also, our development department sent letters to business partners under the signature of the director in charge reconfirming the ordering rule of Sammy, and we took steps to ensure compliance with the Subcontract Act, which include in-house development of tools to check for delays in the ordering processes.

### • Establishing a Hotline for Business Partners

With the objective of maintaining sound business transactions based on integrity and mutual trust with business partners, we have established the Sammy Corporate Ethics Hotline as an internal and external consultation contact, and we explain this system to every new business partner. Also, we place posters in our offices in plain view of business partners to encourage the dissemination and use of the system. To prevent undue treatment, inquiries are answered by the Corporate Division as a neutral party and responsibly handled by the director in charge.

### • Prohibition of Child Labor and Forced Labor

The Entertainment Contents Business strives to prohibit child labor and forced labor, primarily in overseas plants commissioned with production and similar facilities. At SEGA Interactive, the purchasing and quality control divisions jointly visit plants commissioned to produce premium products once every two months to investigate, and as appropriate, confirm onsite any third-party audit of the plant (audited 92% of our suppliers). SEGA TOYS is pursuing the conclusion of a master manufacturing contract that incorporates a clause that obligates compliance with laws about child labor and forced labor, the provision of human rights seminar for the purchase division and local employees in charge, and the confirmation of a third-party certification for labor standard compliance (audited 95% of our suppliers).

### • Response to the U.K. Modern Slavery Act

SEGA Europe Limited, our subsidiary in the U.K., released its Slavery and Human Trafficking Statement in September 2016 in response to the enactment of the U.K. Modern Slavery Act 2015 in March 2015.



#### Slavery and Human Trafficking Statement

[https://d2x7js8mtamps9.cloudfront.net/SOE-Modern\\_Slavery\\_Statement\\_September\\_2016.pdf](https://d2x7js8mtamps9.cloudfront.net/SOE-Modern_Slavery_Statement_September_2016.pdf)

## Partnership with Suppliers and Clients

### • Coordination with Suppliers

SEGA Interactive of the Entertainment Contents Business has been working to strengthen its relationships with suppliers by holding supplier meetings, in which we share purchasing and development policies concerning the environment and quality. In fiscal 2017, these meetings were attended by 146 people from 86 companies. In addition, the BATON portal site, developed to efficiently share information and facilitate interactive communication with our suppliers, is now used by about 80% of our suppliers. In fiscal 2017 we added new functions to the site, including the timely sharing of damage information after a disaster and reporting on the status of investigations of chemical substances contained in products, and we will continue to improve and expand the site's features.



At a supplier meeting in fiscal 2017

• **Quality Control and Improvement of Production Partners**

SEGA Interactive of the Entertainment Contents Business attaches great importance to its relationships with partner manufacturers. Aside from working closely with them as suppliers in general, we periodically audit their factories based on quality targets and give them assembly instructions among other efforts to boost quality and production efficiency. When we start working with a new manufacturer, we require it to undergo a plant audit, and ongoing partner plants also receive audits once a year to ensure stable quality. We inform them of the results of the audit, and if a partner manufacturer falls short of our quality targets, we ask them to make improvements by, for example, issuing a countermeasures plan and holding quality meetings. Moreover, we have a system for certifying inspectors to ensure firmly established voluntary quality control mechanisms at the plants of our production partners. Prospective auditors acquire basic knowledge and learn inspection techniques from the Production Department's SEGA Amusement Products Inspector Textbook, which is also available in Chinese. And those who pass the certification exam are allowed to conduct voluntary audits.

• **Cooperation with Partners Running Amusement Centers**

The Entertainment Contents Business has positioned revitalization of the amusement industry as a priority issue. Accordingly, we have reinforced the detailed support and suggestions offered to partners that run amusement centers. Since fiscal 2017, we have been offering multiple sales plans for games such as *CHUNITHM*, *KanColle Arcade* and *SANGOKUSHI WAR* to provide many business model options for the consideration of our partners running amusement centers so that they can choose the plan that best suits their needs. For *SANGOKUSHI WAR*, we are striving to expand the target customers for the amusement business by compiling an operation manual, which describes ways for visitors to have more fun in the amusement center space, and we recommend it to partners running amusement centers.

• **Initiatives with Retailers and Partner Manufacturers**

Because we consider retail stores to be a prime point of contact with customers, SEGA Games of the Entertainment Contents Business plans and holds instore sales promotions and events nationwide for our home video game software. These appeals are tailored to the specific characteristics of the product and store and are a way of directly showing customers how attractive products are. In addition, we use our strong nationwide sales network as we actively handle products from other game manufacturers who do not have sales and logistics organizations. We view these manufacturers as our partners too. And we give them the same exacting sales support that we apply to our own products so that customers always have access to excellent game software.

• **Collaboration with Partner Planning Companies**

SEGA TOYS of the Entertainment Contents Business strongly emphasizes its collaborative relationships with our roughly 70 partner planning companies toward constantly incorporating new ideas into product development. Since fiscal 2016, we have been actively adopting and commercializing plans proposed by these companies. And to strengthen our relationship with them, we have established a partner planning division within the company. Since 2015 we have held annual Partner Appreciation Events, during which we present an award to recognize the partner company that has contributed the most that year and encourage their future achievements. We will continue to develop high-quality toys through collaboration with these partner planning companies.

• **Working with Partners Overseas**

When doing business outside Japan, our Entertainment Contents Business ensures that it not only follows all local laws and regulations but also builds sound partnerships with local enterprises with knowledge of local culture and customers. After-sale maintenance and follow-ups are particularly important in the case of amusement machines, and so we keep close ties with our local distributors and form a reliable service arrangement with them. In recent years, we have used such an arrangement to sell non-Japanese manufacturers' machines, alongside our own products, as their distributor.

• **Joint Quality Conferences with Partner Companies**

The Pachislot and Pachinko Machines Business holds joint quality conferences twice a year for partner companies that assemble pachislot units. There we set goals for reducing the rejection rate, share examples of defects, and exchange technologies. Continuing this kind of initiative has brought the rejection rate down substantially and has also created ties between partner companies. Going forward we will keep strengthening ties aimed at improving quality and work processes throughout the supply chain.

• **Joint Quality Conferences (Fiscal 2017)**

		First half	Second half	Subtotal	Total
Partner companies	Total participants (companies)	7	7	14	14
	Total participants (people)	13	13	26	50
Sammy	Total participants (people)	12	12	24	



A joint quality conference in fiscal 2017

# With Shareholders and Investors



## CSR Charter

We will view our business with a global perspective in our efforts to ensure sustained growth and to maximize enterprise value. Additionally, we will enhance management transparency and meet the expectations of our shareholders and society through fair and timely disclosure and appropriate return of profit.

## Our Stance

Fair and timely disclosure and appropriate return of profit to shareholders are top management priorities. We will look beyond near-term earnings to focus on innovating products, maintaining a production structure that enables stable supplies, and formulating sales plans based on precision marketing. We will maintain a highly transparent and credible administrative structure to build trust among shareholders and investors. We will engage with these stakeholders, properly conveying management information while seeking their feedback.

## Major Initiatives in Fiscal 2017

1. Active disclosure of our initiatives, including Group structural reforms



### Annual Report

[https://www.segasammy.co.jp/english/ir/library/printing\\_annual.html](https://www.segasammy.co.jp/english/ir/library/printing_annual.html)

2. Offering briefings to a broad range of shareholders (business strategy briefings for institutional investors and facility tours) as well as active participation in other events for individual investors
3. Receiving recognition for our annual report and online IR site by several third-party institutions

## VOICE

My main jobs are communicating with shareholders and investors and preparing quarterly financial reports. Another important part of my job is the proactive dissemination of external opinions and feedback throughout our organization to ensure that all employees share the same appreciation for improving the corporate value of the company.

When approaching a wide range of investors home and abroad as an IR staff member, it is important to have a clear and deep understanding of the SEGA SAMMY Group's businesses, strategies and the background of these, as well as the communication skills that allow for the flexible conveying of information depending on the level of knowledge and understanding of the other party. In particular, when communicating in English, I still depend on a translator at times, so I work on improving my English every day.

What I most value in my work in investor relations is to be honest and sincere with myself. Gaining trust does not happen overnight; it is easily broken and nearly impossible to fully recover. I would like to continue to meet shareholder and

investor expectations by providing detailed explanations of the growth strategies of SEGA SAMMY Group while constantly maintaining transparency in disclosing information.



I always communicate with sincerity to meet the expectations of shareholders and investors.



### Takahisa Matsumoto

Investor Relations Department, Finance & Accounting Division, SEGA SAMMY HOLDINGS INC.



## Appropriate Returns of Profits

### Basic Policy on Profit Sharing

SEGA SAMMY HOLDINGS identifies profit distribution to our shareholders as a top management priority, and therefore our basic policy is to return an appropriate level of profits to shareholders. To provide a stable dividend stream, we pay dividends twice a year, at interim and year-end during the fiscal year. For the fiscal year ended March 31, 2017, our interim dividend was 20 yen per share and the year-end dividend was 20 yen per share.

## Disclosing Information to Shareholders and Investors

### IR Policy

In accordance with our IR/Public Relations Policy, SEGA SAMMY HOLDINGS works to earn the understanding and trust of shareholders and investors by disclosing information in keeping with the Financial Instruments and Exchange Act, other laws and the rules of the Tokyo Stock Exchange for timely disclosure, and in addition we provide a wide range of information on management policies, business activities and more. Also, if there is a chance that it could affect investors' investment decisions, we actively disclose voluntary information that does not fall under legal and timely disclosure rules. Information disclosures are made on the Tokyo Stock Exchange's TDnet and our website.



#### SEGA SAMMY Group IR/Public Relations Policy

[http://www.segasammy.co.jp/english/pr/commu/csr/gr\\_policy.html](http://www.segasammy.co.jp/english/pr/commu/csr/gr_policy.html)

## Communication with Shareholders and Investors

### • Accessible General Meetings of Shareholders

SEGA SAMMY HOLDINGS enables more of our shareholders to attend our regular general meeting of shareholders by avoiding the busiest days of the year for such meetings and choosing meeting sites with sufficient capacity. Our June 2017 meeting was attended by 205 shareholders. We have an ongoing commitment to make it easy for shareholders to submit their comments and questions and ensure that our meetings run smoothly.

### • Investor Relations

SEGA SAMMY HOLDINGS offers an IR Information Center that provides briefings to investors in Japan and abroad and answers shareholder and investor inquiries. For institutional investors and security analysts in Japan and abroad, we provide results briefings once every six months and telephone conferences to discuss quarterly results. We also participate in company information sessions and other events to actively communicate with individual investors.



IR Forum 2016 Tokyo

### • Past activities

	FY2016	FY2017
Financial Results Briefings (quarterly, including teleconference)	4	4
Small Meetings	3	1
Individual Meetings (domestic investors)	137	149
Individual Meetings (overseas investors)	155	148
Business Segment Briefings (including facility tours)	2	5
Overseas Roadshows (including conferences)	4 (North America 1, Asia 2, Europe 1)	3 (North America 1, Asia 1, Europe 1)
Domestic Conferences	5	5
Events for Individual Investors	2	4

## External Evaluation of our Investor Relations

A list of awards the SEGA SAMMY Group has received from third-party institutions for its IR activities in 2016 is on the right.



- FY2016 Nikkei Annual Report Award, Excellence Award—Nikkei Inc. (February 2017)
- 2016 Listed Company Website Quality Ranking, Ranked 28th in comprehensive ranking segment—Nikko Investor Relations Co., Ltd. (December 2, 2016)
- Internet IR Best Company Award 2016, Excellence Award —Daiwa Investor Relations Co., Ltd. (November 18, 2016)
- Gomez IR Site Comprehensive Ranking 2016, Silver Medal—Morningstar Japan K.K. (November 24, 2016)



#### Annual Report

[http://www.segasammy.co.jp/english/ir/library/printing\\_annual.html](http://www.segasammy.co.jp/english/ir/library/printing_annual.html)

# With Employees



## CSR Charter

Our employees bring to us creativity and a spirit of challenge. They are our most cherished assets and the fuel for our growth. We will cultivate a corporate culture that allows them to fully exploit their talents and enables us to grow together with our employees

## Our Stance

The Group Management Policy governing our Group Code of Conduct was established in August 2014. The policy serves as the operational guidelines for employees and contains the Human Resources Policy and the Occupational Health and Safety Policy. By creating a comfortable and safe working environment where our most cherished assets (i.e., our human resources) can enjoy their work with pride and motivation, we are cultivating a corporate culture in which employees can achieve growth as individuals and for the Group as a whole.

## Major Initiatives in Fiscal 2017

1. Addressing the issue of many overtime hours  
Achieving an 80% to 90% reduction in the number of employees who perform long hours of work (over 80 hours per month) through efforts since 2013, particularly for divisions with a high number of overtime hours, such as those involved in development, facilities and content production
2. Promoting workstyle reforms  
Promotion of work-life balance measures such as the introduction of a flextime system, implementation of training for the Group executives and management
3. Promotion of office consolidation (scheduled in 2018)  
Improvement of the working environment and realization of Group synergies
4. Expanding personnel and labor data for disclosure

## VOICE

SEGA TOYS won the Grand Prize in two categories of the Japan Toy Awards 2017 organized by the Japan Toy Association. The product that won the first category, Educational Toys, was *Nihongo, Eigo, Nigobunmo!* (Japanese, English, also two-word sentences!) *Anpanman Words Book Series Super DX*. We added two-word phrases, a feature that is highly valued by many parents who want their children to learn a language more naturally. *Hashiru Zo! Neji Neji Anpanman Gō* (Assemble Anpanman Yourself! Run! Screw, Screw Anpanman!) won in the second category, Universal-use Toys\*.

This toy was designed for all children, who represent the next generation, and was developed under the theme of experiencing a sense of accomplishment by building something with one's own hands. The toy incorporates many features that allow all children to enjoy playing with it, regardless of visual or hearing impairments.

Winning these awards was very encouraging, and we are grateful to all our team members, the Design Division that turned our ideas into reality and the Quality Assurance Division that made sure every detail of the product specifications and package was flawless, as well as a wide variety of professionals and Group companies that were always available to provide support. We will continue to utilize the strengths of our teamwork to develop toys that will bring smiles to children around the world.

Our unique sega toys teamwork enabled us to win the Grand Prize from the Japan Toy Awards.



### Mitsuyo Ikeda (right)

Chief, Product Planning Department Planning Division, SEGA TOYS Co., Ltd.

### Shingo Kamo (center)

Chief, Product Planning Department Planning Division, SEGA TOYS Co., Ltd.

### Ayako Owa (left)

Quality Assurance Division, Development & Production Department, SEGA TOYS Co., Ltd.



Our award winning products  
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\*Toys that can be universally enjoyed by all children, regardless of visual or hearing impairments; they are not specifically designed for children with impairments but incorporate various considerations to make them enjoyable for all children.



## Respect for Human Rights

### Basic Stance

The SEGA SAMMY Group's human management (e.g., recruiting, posting, support) is based on the principles of human rights declared in the United Nations Global Compact, which the Group signed in 2014. By stipulating respect for human rights in the Group Code of Conduct and the Group Management Policy (Human Resources Policy), we strive to heighten employee awareness of human rights and take actions to protect these rights.



**Group Code of Conduct:** [http://www.segasammy.co.jp/english/pr/commu/csr/gr\\_csr.html](http://www.segasammy.co.jp/english/pr/commu/csr/gr_csr.html)



**Group Management Policy:** [http://www.segasammy.co.jp/english/pr/commu/csr/gr\\_policy.html](http://www.segasammy.co.jp/english/pr/commu/csr/gr_policy.html)

### Initiatives to Eliminate Harassment

At SEGA Holdings, SEGA Interactive and SEGA Games of the Entertainment Contents Business, we focus on preventing harassment so that every employee can work comfortably and can thus perform at their best. The definition of what constitutes harassment is clarified through in-house trainings, mini-tests on the intranet and case studies. Several consultation counters are available inside and outside the Company for executives and employees (including loaned employees, part-time staff and temp staff) who have concerns or issues.

In fiscal 2017, the Pachislot and Pachinko Machines Business incorporated a harassment prevention seminar into the Rank-Specific Seminar programs of our personnel system to eradicate harassment in the workplace. We held 14 small meetings in which managerial staff gathered to discuss their experiences with preventing harassment and countermeasures. As a result, 293 people participated in a seminar on harassment prevention. Also, we strive to raise employee awareness about the importance of preventing harassment, such as by distributing a self-check sheet to all our executives and managerial staff as an opportunity to review their own actions and by offering a total of 15 e-learning sessions to all employees. In February 2016, we installed a consultation counter specializing in harassment within the Company as well as at an outside law firm to carefully and appropriately handle all consultations.

## Cultivation and Evaluation of Human Resources

### Basic Stance

A fair assessment scheme for employees based on the Group Management Policy (Human Rights Policy) is in place at each company of the SEGA SAMMY Group. Educational opportunities classified by rank and systematically structured are provided for employees so that they can maximize performance in their current qualifications or roles. The creation of a culture that respects the individuality and challenging spirit of each employee and supports each employee to exercise his or her talent and creativity toward self-fulfillment is also promoted. Other schemes for advancing the motivation and growth of employees are also introduced, such as an internal commendation program, for recognizing excellent work, and skill-improvement programs.

### Personal System

At SEGA Holdings, SEGA Interactive and SEGA Games in the Entertainment Contents Business, we provide a dual-track career system to support the long-term career development and professional attitude of employees, who can choose between a management path for those who want to be organizational leaders or a specialist path for those who want to focus on applying their own knowledge and technical skills. Every year, we conduct an employee satisfaction survey to identify their level of recognition and attention to issues, expected value, level of dissatisfaction and other items, and we incorporate our findings into various personnel measures. Moreover, we offer an internal commendation program as part of steps to engender a corporate culture that encourages autonomy for employees to tackle new challenges.

As for the Pachislot and Pachinko Machines Business, employees are provided with a personal choice system through which they can select a management or professional course, a scheme for promoting a sense of professionalism and the will to take on employee challenges and for fostering greater expertise and more clearly defined job roles. We believe we can draw out the best performance of each employee by clarifying the roles expected of them and properly treating them in accordance with their contribution to success in those roles. The Internal Commendation Program has also been introduced, and 163 individuals involved in 13 projects received the Chairman & President's Award in fiscal 2017. In fiscal 2017, we introduced a new award, the "Proactive and Pioneering" Award, to recognize the willingness of employees to take on challenges, and 63 employees received the award.

By applying data from employee satisfaction surveys or from the self-declaration system in which employees can identify the jobs they want to do in future, we support their spirit of challenge and pursue our desire to place the right people in the right jobs. At the same time, we strive to fairly assess employees, mainly through interviews conducted twice a year with all employees, during which they

receive feedback on the assessment from their supervisor.

An employee satisfaction survey is also conducted once every few years. The employee response rate in fiscal 2016 was 93%, with 85.2% answering that they felt proud of being a member of the Company. Moreover, our employee turnover rate of the last five years is significantly low at about 2%. We will continue to create an environment in which employees are highly motivated to perform.

## Educational Systems

At SEGA Holdings, SEGA Interactive and SEGA Games of the Entertainment Contents Business, we encourage employees through the educational systems to develop their abilities and careers through a combination of educational measures that are common across the board and those specially designed for each rank, vocation and department. Employees can also learn basic skills through the e-learning library system, which is available to all. Managers can enhance their social awareness and cross-departmental communication through CSR training. New employees undergo a month-long Companywide training program. Post-training surveys are conducted to follow up and improve each program.

A coaching system, in which a coach is assigned to each new employee, has been in place since fiscal 2015 to support new employees and train younger workers. Additional educational support is provided for employees who demonstrate initiative in seizing educational opportunities and demonstrate achievement.

For the Pachislot and Pachinko Machines Business, and while following the personnel management policy of “the organization will take responsibility for fostering members until they develop their full talents,” we provide employees with training programs designed for each rank and optional training programs in which employees can voluntarily participate. In addition to business etiquette and skills training, we provide a three-month value chain training program to new employees, which enables them to understand the outline of each department’s work (or the chain of processes until products are delivered to customers). This training has various secondary aims, including helping new employees learn how to do their work in the departments that they are assigned to based on an awareness of the roles of each department and organization, and improving communication across organizations.

### • Rank-Specific Training System (Pachislot and Pachinko Machines Business)

Rank	Target	Contents	Period
New Managers	New managers	New manager training (management skills, labor management, mental health, evaluation)	4 days
Manager Candidates	Manager candidates	Next-generation leaders development training (enhance business performance capacity and problem-solving skills)	4 days
Leaders	Leaders, from their first year	Career training (take stock of oneself and reaffirm one's strengths)	1 day
		Leadership awareness training (strengthen inter-personal influence)	2 days
Mid-level Employees	Mid-level employees, from their third year	Career training (take stock of oneself and reaffirm one's strengths)	1 day
		Logical thinking training (strengthen problem-solving and inter-personal negotiation skills)	2 days
	Mid-level employees, in their first year	Training to increase the ability to lead one's juniors (enhance listening skills and learn guidance methods)	3 days
New Employees	New employees, in their third year	Presentation training (strengthen presentation technique and persuasive power)	3 days
	New employees, after their first year	New employee follow-up training	3 days
	New employees, when they join the Company	New employee training and value chain training	4 months

## Promoting Diversity

### Basic Stance

Under the Group Code of Conduct and the Group Management Policy (Human Resources Policy), the SEGA SAMMY Group respects the individuality and challenging spirit of each employee, offers an environment featuring a flexible working style so that each employee can appropriately balance work and life, and promotes the recruiting of people with diverse backgrounds of all ages, experience, genders and races in order to effectively respond to changes in a rapidly diversifying entertainment industry.



## Initiatives Taken by Each Business

For SEGA Holdings, SEGA Interactive and SEGA Games of the Entertainment Contents Business, we hire people without regard to labels such as gender and nationality. We provide introductory training for new employees and help them settle smoothly into their assignments. Three months after they join, we interview regular employees and assess their performance, and we use the results as follow-up at their place of assignment and for later hiring. Fiscal 2015 was the first year for career development measures in the Pachislot and Pachinko Machines Business. These were implemented on the four pillars of “job rotation,” “optimal placement,” “diverse career formation,” and “self-declaration system” toward establishing a foundation for diverse human resources, improving competence, and employee growth. A language training program was introduced in fiscal 2016 toward the further globalization of the SEGA SAMMY Group. During the fiscal year, we also conducted a long-term career development program with employees in their 50s. In fiscal 2017, we conducted the program with employees in their 30s and 40s through a total of nine sessions to help them shape their action plans for the next five to ten years. We will continue to support the professional development of our employees relevant to their specific age.

## Supporting Women to Participate More Actively

To enhance corporate growth, an action plan is in place for accelerating the best possible participation and performance of female employees in our business operations and efforts are being made to achieve its targets.

At SEGA Holdings, SEGA Games and SEGA Interactive of the Entertainment Contents Business, the four years from fiscal 2017 to 2021 have been set as a planning period for ensuring that women represent at least 30% of all new graduate applicants. The planning will include the development of guidelines for equitable gender selection, and seminars for female students will be jointly conducted with universities. Various initiatives will also be taken to achieve the goal of a 100% return to work rate after childcare leaves, including information updates for those on leave.

In the Pachislot and Pachinko Machines Business, the goal of fully supporting employees on childcare leave in upgrading their skills is to be met during the two years from fiscal 2017 until 2019. Measures for employees to develop their skills or careers, even during leaves, will be implemented to eliminate career gaps. In fiscal 2017, we conducted a career planning seminar for female employees, which addressed life-cycle events specific to women. The seminar was held twice and attended by a total of 47 female employees. Although this was just our first attempt, it provided an opportunity for participants to begin thinking about their ideal workstyles.

## Promoting Employment of Persons with Disabilities and Rehiring of Retirees

The average employment rate of persons with disabilities at the major 16 companies of the SEGA SAMMY Group was 1.90% as of March 2017. The Pachislot and Pachinko Machines Business takes part in joint job interviews with public and private employment agencies twice a year to actively hire people and has met the statutory employment rate as of the end of March 2016.

For the Entertainment Contents Business, we maintain a working environment in which employees with disabilities can exercise their abilities. They regularly receive interviews by vocational and life counselors. Guided by the revised Act for Stabilization of Employment of Older Persons, we introduced a retiree rehiring system in fiscal 2007. Since then we have rehired all applicants who reached the mandatory retirement age for up to five years if they so wished.

## Creating a More Attractive Workplace

### Basic Stance

Each company of the SEGA SAMMY Group promotes a healthy work-life balance to draw out the maximum performance from employees with varying lifestyles and family backgrounds.

### Supporting Work-life Balance

As part of the workstyle reforms initiated by the Group, the Entertainment Contents Business introduced a flextime system to SEGA Holdings, SEGA Games and SEGA Interactive in July 2017 to raise employee awareness about their time management as well as to improve labor productivity and achieve a better work-life balance. A childcare consultation desk and a childcare information bulletin board are provided for information exchange as part of the effort to support employees in balancing their professional and childcare responsibilities, and all employees are required to attend a training program aimed at preventing pregnancy discrimination. Various employee welfare measures have also been introduced, such as the SEGA Mileage System, which grants employees free service points each year, the SEGA SAMMY Group resorts, and an asset-building plan.

As for the Pachislot and Pachinko Machines Business, efforts are being made to encourage employees to use their paid leave and shorten their working hours to promote a healthy work-life balance. For example, employees are allowed to take their annual paid leave of three consecutive days, which can be extended to five days in combination with a weekend. We also introduced a flextime system since fiscal 2018. At Sammy's Kawagoe Factory, various efforts are being made to achieve workstyles that are highly efficient



and productive, including setting a holiday for the entire factory at the end of the busy season. We are also actively striving to create a working environment in which employees who need to care for children or family members can more effectively balance their personal and professional lives. This initiative resulted in being certified as a business owner in compliance with legal standards in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children. Sammy's Kawagoe Factory was also certified as a Gold-level\* company under the certification system of Saitama Prefecture, which acknowledges companies that offer diverse ways of working. We will continue to further improve workplaces as comfortable environments.

\*Certification is categorized into Platinum, Gold and Silver, depending on the number of items meeting the six requirements subject to certification.



## Occupational Safety Initiatives

For our Pachislot and Pachinko Machines Business and the Entertainment Contents Business, the Health and Safety Committee meets every month to ensure employee well-being and safety. In the event of an accident, the cause is investigated and improvement measures are taken to prevent any recurrence.

The Pachislot and Pachinko Machines Business is working to achieve zero workplace accidents by constantly making efforts to prevent accidents and improve workplace safety. Sammy's Kawagoe Factory conducts what we call 6S patrols\*, in which employees check for latent risk factors around them and work for improvements case by case, and also 8S patrols, in which two Ss (security and saving energy) are added to 6S patrols, putting significant effort into the safeguarding of personnel health and safety. In fiscal 2017, we conducted a year-long risk assessment through the Health and Safety Committee and identified 36 risks that we plan to address by establishing our own safety standards and guidelines after fiscal 2018. In addition, our salespersons are committed to safe driving and each year obtain an Safe Driver card, which is only issued to drivers who have not committed any traffic accidents or violations for more than a year.

\*6S refers to safety plus five Japanese terms (all starting with the letter S) relating to orderliness, cleanliness and discipline.

## Health Maintenance

The Entertainment Contents Business provides regular health checkups, assistance with complete physicals and offers an employee assistance program (also available to employees' family members) to answer health questions. A full-time industrial health staff is stationed at the worksite, and a health management center is provided so employees can consult with internal medicine practitioners, psychiatrists and public health nurses. In light of employee safety, we have established a voluntary standard to more effectively facilitate health consultations. The minutes of the monthly Health and Safety Committee meetings and other related information are posted on the intranet to keep employees well informed.

For the Pachislot and Pachinko Machines Business, the use of a web tool that helps employees monitor their own stress levels is encouraged, and new managers receive mental health management training. Medical questionnaires and doctor consultations are provided for employees working long hours. Managers are asked to reduce long working hours for their staff, and employees are encouraged to take days off. An occupational physician or nurse is always available for consultation during work hours, and a system using tablet PCs for remotely receiving consultation from an occupational physician or nurse is introduced to contribute to maintaining the health of employees at branch offices.

## Industrial Relations

Employees at SEGA Holdings, SEGA Interactive and SEGA Games in the Entertainment Contents Business are represented by the JAM SEGA Labor Union and the All Japan Metal and Information Machinery Worker's Union (the SEGA Group subcommittee, the Ota Branch, the Tokyo regional HQ), while the Seagaia Union represents workers in the Resort Business. Sound, positive relationships are maintained between management and workers through regular talks at all companies, including those without union representation. Negotiations were conducted on a total of 43 occasions in fiscal 2017 at the five companies of SEGA Holdings, SEGA Games, SEGA Interactive, SEGA Entertainment and SEGA Logistic Service.



## Personnel and Labor Data

### Scope

- FY2015: 10 domestic companies; FY2016: 16 domestic companies; FY2017: 16 domestic companies, 2 overseas companies (composition of employees only)
- SSHD, SE, SGC SGN, DL, TMS, SAMMY, TOYS, SLS, SHD, SGC CSOL, JMS, PSR, SIC, Jnext, BTF and SNW

For abbreviations, see page 1.

Data coverage for FY2017: About 90% of the sales ratio and 70% of the regular employment ratio

### • Composition of Employees

	FY2017 (16 Domestic Companies)			FY2017 (2 Overseas Companies)		
	Total	Male	Female	Total	Male	Female
Number of employees	7,032	5,090	1,942	-	-	-
Regular employees	5,414	4,485	929	198	133	65
Non-regular employees	1,602	589	1,013	-	-	-
Foreign nationals	76	54	22	-	-	-
Number of employees	38.9	40	36.2	38.4	38.3	38.9
Average length of service (year)	9.8	10.2	8.2	6.4	6.6	9

### • Composition of Management-level Staff

	FY2015	FY2016	FY2017
Number of female management-level staff	59	56	78
Percentage of female management-level staff	5.7	5.4	6.7

### • Overseas Subsidiaries

	FY2015	FY2016	FY2017
Number of employees stationed abroad	32	47	24
Number of executives at overseas subsidiaries (board members and executives)	145	149	148
Number of executives from Japan	99	105	113
Number of locally hired executives	46	44	35

### Management-level Staff and Board Members in Fiscal 2017

	Total	Managers	Division Managers	Executive Officers	Directors
Number of board members by position	1,200	780	322	60	38
Male	1,121	718	306	60	37
Female	79	62	16	0	1
Ratio of females	6.6	7.9	5	0	2.6

### • Recruiting

	FY2015			FY2016			FY2017		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Number of new graduates	144	102	42	95	62	33	124	74	50
Turnover rate of new employees (%) (within 3 years from employment)	32.6	-	-	30	-	-	24.9	-	-
Number of mid-career recruits	288	221	67	200	159	41	212	161	51
Rehired employees after retirement	31	28	3	19	18	1	43	35	8

### • Persons with Disabilities

	FY2015	FY2016	FY2017
Number of employees	156	173	168
Rate of employment	1.80	1.95	1.90

### • Data on the System Supporting Both Professional and Private Lives

	FY2015			FY2016			FY2017		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Maternity/Childcare leave (number of employees)	59	-	59	59	-	59	45	-	45
Childcare leave (number of employees)	83	9	74	77	6	71	82	12	70
Number of employees who returned to work after childcare leave	72	9	63	53	5	48	57	12	45
Percentage of employees who returned to work after childcare leave	-	100	97.9	-	83.3	88.9	-	100	64.3

Breakdown of childcare leave taken by male employees: within a week: 7 people, 1 week to 1 month: 2 people, 1 month or more: 3 people

### • Work-life Balance

	FY2015	FY2016	FY2017
Average overtime hours per month	18.7	17.3	16.5
Number of paid leaves taken	8.5	8.2	7.8
Percentage of paid leaves taken	47.0	45.6	45.4
Total number of employees who took volunteer leave	40	35	57
Total number of days for volunteer leave taken	108	74	92

### • Occupational Health and Safety

	FY2015	FY2016	FY2017
Number of industrial injuries	71	90	77
Injuries with lost worktime	4	6	1
Injuries with no lost worktime	67	84	76
Rate of lost-worktime injuries	0.5	0.6	0.8

Data for fiscal 2015 includes injuries during commuting; data for fiscal 2017 only includes injuries during worktime.

### • Examples of the System Supporting Both Professional and Private Lives

#### Childcare

System	Statutory	SSHD, SHD, SAMMY, etc.
Childcare leave	Until child reaches age 1	·From 1 year and 6 months to 2 years and 6 months
Shorter working hours for childcare	Until child reaches age 3	·Up to 2 hours per day until child enters elementary school ·Up to 1 hour clock-out time earlier until child reaches 3rd grade

#### Nursing

System	Statutory	SSHD, SHD, SAMMY, etc.
Nursing leave system	Up to 93 days	·93 business days per person (including shorter working hours for nursing)
Shorter work hours for nursing	Up to 93 days	·Up to 2 hours per day within 93 business days
Nursing leave system	Up to 5 days per year (up to 10 days if two or more family members require nursing care)	·Up to 5 days per year (up to 10 days if two or more family members require nursing care) (reserved leaves can be used)

# With Society—Environment



## CSR Charter

With a full awareness of the fact that we are, as a corporate citizen, a member of society, we will voluntarily and proactively put forward efforts to provide a social contribution through our business activities, etc., our support in the development of cultural activities including art and sport and the preservation of the global environment.

## Our Stance

Global environmental problems such as global warming, depletion of natural resources and waste pollution are becoming increasingly serious and the response toward environmental challenges is a top priority that should be addressed by all corporations and individuals. With the aim of achieving the “sustainable development of society,” we, the SEGA SAMMY Group, not only comply with laws, regulations and rules concerning the environment but also accumulate activities that exert a positive impact on the environment through such means as striving to conduct business activities in harmony with the environment, engaging in energy-saving measures, recycling and reducing usage of consumable supplies.

## Major Initiatives in Fiscal 2017

1. Environmental management promotion: activities for preventing or lessening the burden on the environment and the collection, analysis and assessment of basic environmental data at major offices and facilities
2. Product development and designing stage initiatives: eco-friendly design, requesting that suppliers effectively manage chemicals and maintaining 100% lead-free pachinko and pachislot machines
3. Production and transportation stage initiatives: recycling and proper handling of waste and promoting reduced packaging
4. Disposal stage initiatives: attaining 97.21% recycling of pachislot and pachinko machines through trade-ins and maintaining 100% recycling of amusement machines through manual dismantling
5. Continuation of forest-growing activities through the Black Pine Forest Declaration (Miyazaki Prefecture) and at *SEGA-no-Mori* (Nagano Prefecture) and conducting a *Seagaia Beach Cleanup Campaign in Hitotsuba* (Miyazaki Prefecture)

## VOICE

### We want to expand our reuse and recycling operations for the future of the pachislot and pachinko machine industry!

YUKO REPRO Co., Ltd. kindly offered some valuable advice when SAMMY launched its reuse/recycling system two years ago. YUKO REPRO immediately provided reuse parts, which we urgently require as a means of significantly supporting our operations. In developing new machines, we will strengthen our focus on the standardization of pachislot and pachinko machine parts. We are targeting the establishment of more efficient reuse/recycling operations by capitalizing on the capabilities of YUKO REPRO and other partner companies with proven track records.



### Yoshinori Ootsubo

General Manager, Reuse Promotion Department,  
Production Planning Division, Production Group  
Division, SAMMY Corporation



We have engaged in the reuse and recycling of used pachislot and pachinko machines since 2010, using the “pachislot and pachinko machines collection system” operated by the Nippon Yugikikogyo Kumiai (Japan game machine industry association), which acquired certification from the Ministry of the Environment under the Wide Area Certificate System. We sell parts removed from used pachislot and pachinko machines to makers in response to their various needs. In the future, we intend to be more deeply aligned with SAMMY’s sharper focus on reuse and recycling while helping to accelerate the momentum of reuse across the industry.



### Akihiro Sakuragi

General Manager, Sales Department, YUKO  
REPRO Co., Ltd.





## Promotion of Eco-friendly Management

### Group Environmental Management Structure

The SEGA SAMMY Group conducts a range of businesses from product manufacturing to facility management. To reduce our environmental burden, it is essential first to determine the environmental impact of our business activities as a whole. Therefore, the SEGA SAMMY Group gathers basic environmental data for its major workplaces and facilities and evaluates the trends in environmental burdens. We will continue to reduce our electricity usage by aggressively pursuing improvements such as more efficient use of lighting and air conditioning and switching to energy-saving equipment.

### Compliance with Environmental Laws

The SEGA SAMMY Group strives to prevent environmental pollution by complying with environmental laws as well as the industry guidelines that each operating company has agreed to. There continued to be no violations of environmental laws or any cases of pollution in fiscal 2017 in our Group.

## Product Development and Designing Stage Initiatives

### Designing Environmentally Friendly Products

Our Entertainment Contents Business continues to find ways to save energy, as indicated by a 55% reduction in power consumption of the medal game machine, *The Medal Tower of Babel*, compared to an older product, *Arabian Jewel*. We strive to reduce waste by designing components for amusement machines so that they can be reused in new products. We provide amusement center customers with maintenance and inspection manuals so that our products can be used over a long time. In our amusement centers we implement thorough daily maintenance to extend the life of machines. Machines that must be discarded are manually disassembled by SEGA LOGISTICS SERVICE CO., LTD. and completely recycled. The company has attained the complete elimination of disposal in landfills or through incineration by having intermediate industrial waste processing firms come to its distribution centers and establishing a nationwide recycling system that reduces the cost and fuel consumption for transporting discarded machines and prevents illegal dumping.

In the Pachislot and Pachinko Machines Business, to further improve the reusability of parts in pachislot and pachinko machines that we have collected as trade-in products, we promote the wider reuse of parts by standardizing them as well as substrates and units at the design and development stage and setting medium-term targets for the number of reusable parts. We are targeting a minimum of 50 items compared to the current 15 for pachislot machines and a minimum of 15 items compared to the current 10 for pachinko machines. Furthermore, parts that cannot be reused are dismantled, sorted into smaller categories and then recycled as materials. Through these initiatives, we strive to save energy, effectively use valuable resources and reduce waste. Furthermore, we have been promoting industry-wide initiatives to reduce environmental impacts through such efforts as platforming parts and units in collaboration with other makers.

Almost all of our pachislot and pachinko machines feature eco-friendly functions to reduce power consumption, such as the low illumination of LED components (e.g., decorative parts) during standby mode, leading to a power consumption reduction of the current machines by 5% compared to those launched prior to fiscal 2015. Other achievements include adding functions that allow players to adjust sound and lighting levels, maintaining a 100% usage rate of lead-free soldering components for pachinko and pachislot machines. Every year, we participate in the initiative of Nippon Yugikikogyo Kumiai (Japan game machine industry association) and Nihidenkyo (Japan electronic game machine industry association) to grasp and reduce the overall industry usage of substances of concern and to share information among companies.



*The Medal Tower of Babel*  
©SEGA



This mark indicates a product incorporates eco functions.

## Production, Transportation and Disposal Stage Initiatives

### Production and Transportation Stage Initiatives

The Pachislot and Pachinko Machines Business actively recycles and properly disposes of waste material generated during production processes. We also strive to cut packaging use with reusable delivery boxes when transporting components and unit items. In September 2012, we established a distribution center on land adjacent to a new factory, enabling the consolidation of the previously scattered function of parts warehousing, which led to reduced energy use for transportation.

As a new initiative at the SAMMY Kawagoe Factory, the “Saving Power Consumption Eco-Project” was launched in June 2016, and the site holds the monthly Project Meetings, during which members are elected from all divisions of the factory. While striving to improve the quality of products manufactured there, the project verifies the status of excess power consumption by the production lines, extensively excludes the wasting of electricity at locations other than production lines by setting on-off timers for lighting and conducting periodic workplace patrols. These efforts have reduced factory power consumption by 10% from fiscal 2016.

## Properly Controlling Chemical Substances in Products

Under the SEGA Standards for Chemical Substances in Machines/Products, SEGA Interactive in our Entertainment Contents Business requests that every supplier establishes a system for controlling chemical substances in products and runs their operations accordingly. Suppliers are also requested to conduct a self-audit on their system, and the audit results are reported to us. As an effort on our part to properly control chemical substances in products, we visit the production sites of our suppliers and make sure that the system is in place and that the operation is being executed properly.

## Other Environmental Protection Initiatives

### Environmental Activities in Offices

In addition to the energy-saving and resource conservation activities carried out year-round, Group companies have introduced various measures to further reduce energy and paper consumption, such as by introducing new multi-functional printers and transitioning to a completely wireless network, which also resulted in raising operational efficiency as well as the environmental awareness of employees. We strive for further improvements by monitoring the impact introducing each system.

### Green Power Certificates System

SEGA has bought one million kilowatt-hours' worth of Green Power Certificates (micro-hydropower and biomass) annually since fiscal 2006 based on a contract with Japan Natural Energy Co., Ltd. Additionally, in April 2007 we became a Y-Green Partner of the Yokohama City Wind-Power Electricity Generation Project, whose main facility is the Hama Wing turbines in Yokohama's Kanagawa Ward. The facility generated 67,090 kilowatt-hours of power in fiscal 2017.



Japan Natural Energy Company Limited (Japanese only)

<http://www.natural-e.co.jp/>

Marks of accreditations by Japan Natural Energy Company Limited for the use of green electricity, or renewable energy, generated by wind-power, biomass-power and small hydroelectric generators.



### Seagaia Beach Cleanup Campaign in Hitotsuba

In the *Phoenix Seagaia Resort* we conducted the beach-cleaning campaign *Seagaia Beach Cleaning in Hitotsuba* since 2015 to protect Loggerhead sea turtles, designated natural treasure of Miyazaki Prefecture and their spawning areas. Every year we invite around 100 volunteering local residents, including high school students, to participate in the campaign and collect household waste and driftwood that could hinder baby turtles from moving into the sea. Before the cleanup starts, participants have the opportunity to attend a lecture on green turtles from Tomohisa Deguchi, head of Miyazaki City Phoenix Zoo, and learn about the ecology of Loggerhead sea turtles.



Cleanup activity to protect green turtles and their spawning areas.



**SEGA-no-Mori**

The use of electricity, which is an indirect source of CO<sub>2</sub> emissions, is a given throughout the Entertainment Contents Business. Accordingly, we are making efforts to protect the global environment by reducing this effect in our operations and through offsetting, which makes use of schemes outside of business. As part of the effort, we signed a ten-year “adopt-a-forest” contract with Minamiaki Village of Saku County in Nagano Prefecture in April 2008 to develop environmental activities for the privately owned forest of 3.633 hectares (roughly 773 times the area of the Tokyo Dome) to be named Sega-no-Mori (SEGA Forest).

The volume of CO<sub>2</sub> absorbed by SEGA-no-Mori in fiscal 2017 was 1,132.6 t-CO<sub>2</sub>, offsetting four years of indirect CO<sub>2</sub> emissions from an average amusement center. With the impressive cooperation of local people, SEGA-no-Mori also fosters an awareness of global environmental protection among employees.



Certificate for volume of CO<sub>2</sub> sequestered by the forest for 2016

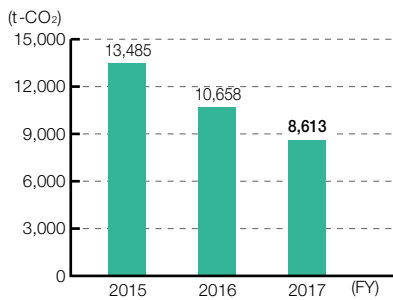
**Environmental Data**

**Scope of Aggregation**

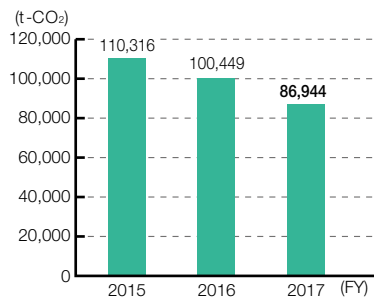
Reporting organizations for the aggregation of data: 15 companies (for fiscal 2015 and 2016, 16 companies including SEGA LIVE CREATION.)

- SSHD/SHD/SAMMY/TOYS/TMS/SNW/PSR/SE/SIC/SGC (CSOL+SGN)/ELEC/SLS/DL/MARZA/JMS
- For abbreviations, see page 1.

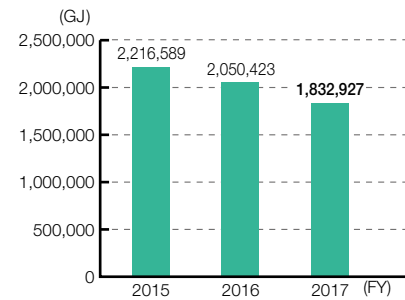
**CO<sub>2</sub> Emissions (Scope 1)**



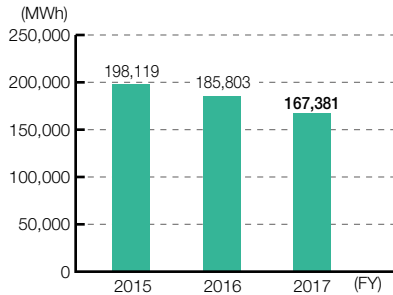
**CO<sub>2</sub> Emissions (Scope 2)**



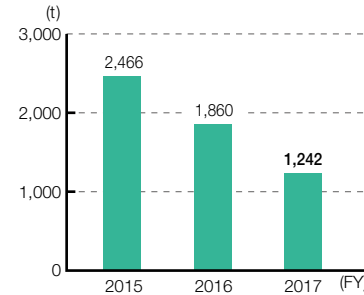
**Total Energy Input**



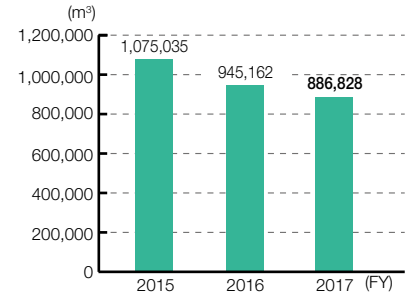
**Electricity Usage**



**Industrial Waste Discharged**



**Water Usage**



- Aggregated data include an estimate based on floor space.
- Gross decrease in CO<sub>2</sub> emissions is mainly attributable to reduced fuel and electricity consumption.
- Adjusted CO<sub>2</sub> emission factors for each power company in previous years are used for purchased electricity.

**Status of Eco-friendly Initiatives at the Sammy Kawagoe Factory**

		FY2015 <sup>2</sup>	FY2016	FY2017	Remarks
Amusement machine recycling rate	Recycling rate	97.24%	97.28%	97.21%	Pachinko and pachislot machines combined
Use of environmentally friendly materials	Amount of lumber used	1,344 t	1,077 t	1,494 t	
	Amount of PEFC-certified lumber <sup>1</sup>	66t (4.9%)	45t (4.2%)	84t (5.6%)	

- No adhesives, including water-based ones, are used at the Sammy Kawagoe Factory.

<sup>1</sup> PEFC-certified lumber: Lumber procured properly from forests certified by a third-party organization under the Programme for the Endorsement of Forest Certification Schemes (PEFC) as being sustainably managed. As PEFC is a scheme to reduce the distribution of lumber and products resulting from environmentally destructive tree clearing, purchasing PEFC-certified lumber contributes to the encouragement of sustainable forest management.

<sup>2</sup> Figures are revised retrospectively for improved accuracy.

# With Society— Serving Society



## CSR Charter

With a full awareness of the fact that we are, as a corporate citizen, a member of society, we will voluntarily and proactively put forward efforts to provide a social contribution through our business activities, our support in the development of cultural activities including art and sport and the preservation of the global environment.

## Our Stance

The SEGA SAMMY Group is keenly aware of the need to contribute to society as a good corporate citizen. In addition to our commitment to realize a prosperous society through our core entertainment business, the Group's individual companies and workplaces actively dialogue with members of the community and exercise initiative in ways that benefit society. These efforts also encourage all employees to grow and work in concert toward creating a stronger Group.

## Major Initiatives in Fiscal 2017

1. Community Activities: cooperating for the children's portable shrine, co-sponsoring the Koedo Kawagoe Half Marathon, exhibiting at the Sakura Monozukuri Festa 2016
2. Social Support: launching a campaign to deliver picture books, opening our showrooms to the general public, continuing support for the Para-Nordic Skiing Japan Team, donating and disinfecting toys
3. Sports, the Arts and Other Cultural Activities: sponsoring the Tokyo Jazz Festival, serving as a special sponsor for the children's rubber baseball tournament, supporting an amateur baseball league and holding baseball classes, holding the Junior Sport Festival

We want to communicate the fun of developing games through our classes.



### Atsuki Yagi (right)

Section Manager, Software System Section/Human Resources Development Support Team, Technology Strategy Office, Research and Development Headquarters-1, SEGA Interactive Co., Ltd.

### Kenji Murakami (left)

Chief Programmer, Technology Strategy Office, Research and Development Headquarters-1, SEGA Interactive Co., Ltd.

## VOICE

After we had been invited in 2013 as guest judges to a game production event at the Kanagawa Institute of Technology, we started volunteering to visit schools to communicate what is most attractive about working in the game industry to university and technical college students nationwide. Topics covered during our visits range from the reality of game development, how to foster your ideas, and product reviews to career consultation, all with the same objective: to convey the fun of developing games to students who may emerge as leaders of the game industry in the future. So far, we have participated in more than 20 school visits and have often been inspired by the pure motivation and fresh ideas of students. A total of 50 or more of our employees have taken part in the visits.

Despite the volunteer nature of this work, we have been conducting school visits on behalf of SEGA and with the desire to contribute to the future growth of the game industry. Looking ahead, we hope to expand our efforts for greater impact while also seeking volunteers from other companies that are typically our competitors.



Conveying the excitement of the game industry to students



## Community Activities

### Interaction with the Community

The Entertainment Contents Business makes donations to the Haneda Shrine's summer festival in July and opens its premises as a children's portable shrine rest station and provides beverages. Our employees are also active participants in a monthly cleanup led by the neighborhood association. We look forward to continue interaction with the community in various scenes in the future.



Children carrying a portable shrine

### Support for the Koedo Kawagoe Half Marathon 2016

Sammy has been serving as a special sponsor for the Koedo Kawagoe Half Marathon, held annually in the area where our Kawagoe Factory is located. Thanks to favorable weather, a total of 9,843 runners participated in the marathon in November 2016. Including Chairman and CEO Satomi, a total of 77 Sammy and Group employees and suppliers participated as runners. In addition, other employees volunteered at water stations.



Koedo Kawagoe Half Marathon

### Delivering Christmas Gifts to Children in Nursery Schools and a Group Home in Hachioji

Since 2010 the SEGA SAMMY Baseball Club has been delivering Christmas gifts to a group home and nursery schools in Hachioji City, where the team is based, as one of its regional contribution activities. In 2016, the seventh year of the activity, a total of eight players represented the club along with the Company mascot, *SEGASAMMY ROOTER*, in visiting each facility on December 20 and 22. They gave toys from the SEGA SAMMY Group to children as gifts and spent quality time with them while playing catch and other games. Ryota Kita, one of the club players who participated in the activity, commented: "Spending time with children melted away all our stress and recharged us. We will continue with our daily efforts to win at the intercity baseball tournament and share the moment and joy with these children." The SEGA SAMMY Baseball Club will continue to engage in various activities to serve society so that it can be a club rooted in the community.



Club members along with *SEGASAMMY ROOTER* deliver gifts to a nursery school for Christmas 2016

### Exhibition at the Sakura City Industrial Festival: Sakura Monozukuri Festa 2017

Since 2012, SEGA LOGISTICS SERVICE has been participating in the Sakura Monozukuri Festa held by Sakura City, where the company is located, as a part of its community contribution. A total of 14,000 people visited the Sakura Monozukuri Festa 2017, which was held on May 20 and 21. The company exhibited the latest *UFO CATCHER*, which many visitors enjoyed. We will continue working as members of the local community.



Exhibition booth

### Providing Opportunities for Students to Gain Social Skills

The Phoenix Resort organizes a seminar at schools for students to learn manners, in cooperation with local junior and senior high schools and universities, and barrier-free tours inside the resort (*Phoenix Seagaia Resort*) to raise their social awareness through hands-on experiences. Employees also visit police stations and hospitals and hold seminars on social skills and manners, actively contributing to the civic growth of communities.



School visit hosted for students



## Social Support

### Campaign to Deliver Picture Books

To provide entertainment for children living in conflict areas, we have been participating in the Shanti Volunteer Association's Campaign to Deliver Picture Books to children. We purchase picture books with money raised through the collection of unwanted used items from our offices and the homes of our employees. Then we paste stickers into them with translations into local languages and send them to the designated locations. In fiscal 2017, the ninth year of the initiative, employees from 19 Group companies took part, sending a total of 1,716 books. We intend to continue taking part in the campaign with the hope of seeing a world in which all children can thrive and pursue their dreams through entertainment.



An executive pasting translation stickers on each page of a book

### Inviting Senior Citizens of the Community to our Showrooms

Sammy has been inviting senior citizens from five facilities for the elderly to enjoy playing with our pachislot and pachinko machines once or twice a month. The events started from an employee suggestion on June 27, 2006 and have been held 231 times at the head office (as of March 2017). Our employees also participate in the events as volunteers.

We will continue the events and look forward to participants expressing their gratitude and commenting on how much fun they have, and we will provide an opportunity for employees who invite them to see the social value of entertainment in a new light.



Showroom with invited senior citizens from the community

### Continuous Support for the Para-Nordic Skiing Japan Team

The SEGA SAMMY Group provides ongoing support to Japan's national Para-Nordic skiing team with the Ski Association of Japan for the Disabled, a specified non-profit corporation, as its parent organization. The association strives to open up cross-country and biathlon skiing to persons with disabilities and related individuals in Japan to increase competitive abilities as well as to promote and popularize the sport. We will continue to support the team in working hard with the hope of inspiring persons with disabilities so that they can enjoy cross-country skiing, which can lead to a healthier physical condition, while we also encourage young people with disabilities to dream of making it to the Paralympics.



Para-Nordic Skiing for the Disabled Japan Team

### Donating and Disinfecting Toys in Collaboration with NPOs

To address social challenges as much as possible while taking advantage of our core business, we have been donating toys of Group companies to non-profit organizations (NPOs). This year marked the eighth time we engaged in the initiative since fiscal 2009. The Group works with the Japan NPO Center to select NPOs to receive donations. In fiscal 2016, we donated about 50 toys from SEGA TOYS to the Approved Specified NPO Family House, which provides accommodation support for the families of children undergoing treatment for cancer and other intractable diseases. Our employees regularly visit the facility and work with volunteers to disinfect and repair toys and plush dolls.



Thank you letter received from the Family House for our donation



## Sports, the Arts and Other Cultural Activities

### Special Support for the Tokyo Jazz Festival

As part of its efforts to support the arts and cultural activities, the SEGA SAMMY Group annually helps out with the Tokyo Jazz Festival, one of Japan's largest jazz festivals. The event gathers top jazz musicians from around the world to perform under the concept of encouraging cultural and generational cross-fertilization. The Tokyo Jazz Festival has been held every year since 2002 and is highly regarded as a quality urban music festival. We will continue to support the festival in 2017 and contribute to the development and enrichment of music culture in Japan.



Tokyo Jazz Festival held at Tokyo International Forum

### The 8th SEGA SAMMY Cup Children's Rubber Baseball Tournament

Supporting the efforts of the Tokyo Kids Baseball Academy to strengthen children's baseball skills in Tokyo, the SEGA SAMMY Group has been serving as a special cosponsor for The SEGA SAMMY Cup Children's Rubber Baseball Tournament. The eighth tournament was held in November 2016 at the SEGA SAMMY baseball field in Hachioji with 16 teams competing, 8 more than last year. An unseasonably early snowfall during the day of the semifinals melted away, and then the final competitions quickly heated up.

On the day the tournament draw takes place, we offer a sports nutrition seminar for players, coaches and parents as our way of contributing to the sound growth of children by drawing attention to the importance of a well-balanced diet for physical development in addition to focusing on technical improvement.



Winners of the SEGA SAMMY Cup Children's Rubber Baseball Tournament

### Shigeo Nagashima Invitational SEGA SAMMY CUP and Junior Sport Festival

The Junior Sport Festival, during which first-class instructors teach elementary and junior high school students about sports, was held from May to June 2017 in Chitose City, the site of Shigeo Nagashima Invitational SEGA SAMMY CUP, and the neighboring Eniwa City and Tomakomai City. In the swimming class, the 2016 Olympic medalist Takeshi Matsuda from SEGA SAMMY taught about the importance of always being thankful and how he prepares himself mentally, a valuable lesson for future Olympians. In addition, we were able to convey the fun of engaging in sports to over 1,500 children with the support of both current and former athletes representing 12 sports. Since this year marked the lesson's tenth anniversary, Chitose City organized a special concurrent event to commemorate the milestone. We will continue to make it even more successful and popular with communities.



Children who took part in the swimming lesson

## Third-party Comment



**Michihiko Suzuki**

Chairman of the Sustainable Management Rating Promotion Committee, Director of the Sustainable Management Forum of Japan

Haruki Satomi, the new President of SEGA SAMMY Holdings, In May 2017 announced Road to 2020, a set of initiatives with goals for the fiscal year ending March 2020. I was very impressed by the content and consider it to be highly commendable. In reviewing the CSR report, I saw many expressions that particularly emphasized your focus on corporate governance. I understood that to be the nature of SEGA SAMMY HOLDINGS, a holding company under which there are diverse Group companies with professionals in different fields who are engaged in a variety of entertainment businesses and since the Group had introduced a holding company system in 2004. However, I had difficulty seeing how your current governance system is systematic and widely shared across the company. I encourage you in the course of implementing Road to 2020 to instill the 2017 SEGA SAMMY Pyramid established this fiscal year and expand ESG initiatives, incorporating concrete measures with a sense of urgency for all Group companies and employees. Currently, you are in a transition phase with new initiatives, and I recommend that you promptly release the details of those initiatives on your official website as well as other means and that you not wait for the CSR report to be published next year.

With stakeholder relationships positioned as a key business component, most of the report's content is focused on describing initiatives for five categories of stakeholders: customers, partners, shareholders and investors, employees, and society (including the environment). I believe that you have applied multifaceted considerations to facilitate communication with multiple stakeholders and raised your policies on information disclosure to a considerable level of sophistication. In particular, I think you have established mechanisms for taking action on customer feedback among the other excellent systems that enable you to fulfill your responsibilities. To strengthen the effectiveness of those systems, I encourage you to continually include in your CSR reports information on your thorough implementation of PDCA cycles as well as system performance.

In terms of the environment, many nations have been accelerating their action plans for reducing CO<sub>2</sub> emissions since the adoption of the Paris Agreement on climate change at COP 21 in December 2015. I expect you to be among the first industries to implement progressive policies on reducing CO<sub>2</sub> emissions and disclosing information while gathering data from a broad range of sources.

The quality of your products and services is related to public morals, and the report describes the Group's direct efforts to reduce and eliminate gaming addiction. I also expect the Group to further bolster its efforts to establish its own standards based on high ethical considerations and improve transparency in the development of its products and services to overcome the most critical challenges toward realizing a sustainable society.

ESG-focused investment continues to expand in Europe and the United States, and the ratio of Japanese institutions investing in ESG, such as the Government Pension Investment Fund (GPIF), trust banks and life insurance companies that operate corporate pensions, is gradually rising as well. Annual reports, CSR reports and other information disclosed on corporate websites are the main materials subject to evaluation for ESG-related investment decisions. I encourage you to ensure that the information you release is impactful and sufficient from the perspective of encouraging ESG investment.

## Response to Third-party Comment

Following the implementation of the new management structure in April 2017, we created a Mission Pyramid for the Group and each company, with the Group's mission at the top and details formulated to align with Road to 2020 initiatives. Moreover, we clarified our future direction, which is to have all Group companies and employees contributing to society by working from the same page, strengthening consumer confidence and continuing to create moving experiences. Also, we have been undertaking a series of focused work style reforms since 2013 for companies and businesses that reported particularly long hours of overtime, and we successfully reduced the number of employees doing more than 80 hours of overtime work per month by 80% to 90%. This successful result was largely due to the cohesive efforts of executives and employees at each workplace. We will continue to align our actions with new policies and promote work style reforms through the creation of a work environment that goes beyond compliance and where diverse talents can flourish. We believe that our office consolidation scheduled in 2018 will also allow us to take a significant step forward in improving our work environment, which in turn will lead to enhanced Group synergies.

In the fiscal year under review, we received an external evaluation from a diagnosis of sustainable management- (page 14) and convened our first stakeholder dialogue. From these we will incorporate our learnings into future improvements of our CSR management system.

As Mr. Suzuki has pointed out, our efforts to promote reuse and recycle practices, reduce CO<sub>2</sub> emissions through various efforts, including conversion to LED lighting in our facilities and products, and produce less industrial waste have been progressing steadily. However, we also realize that the Group must determine how it should take the next step forward in setting goals and implementing PDCA cycles in each business and workplace. We will disclose the direction and current status of our activities related to ESG through our website and by other appropriate means as soon as possible.



**Hiroshi Ishikura**

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### Comparison with Annual Report

The annual report is unlike the CSR report in that it essentially presents financial information. You can download a copy of the annual report from the Investor Relations page of the SEGA SAMMY HOLDINGS website at:

**WEB** <http://www.segasammy.co.jp/english/ir/>

#### Disclaimer

This report contains past and current facts about the SEGA SAMMY Group, as well as forward-looking statements about social conditions, business plans, and forecasts based on management's judgments in light of information available as of the publication date. Please note that social conditions and business results may vary from these forecasts.