



Group Corporate Social Responsibility Promotion Office
SEGA SAMMY HOLDINGS INC.

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URL: <http://www.segasammy.co.jp/english/>

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.

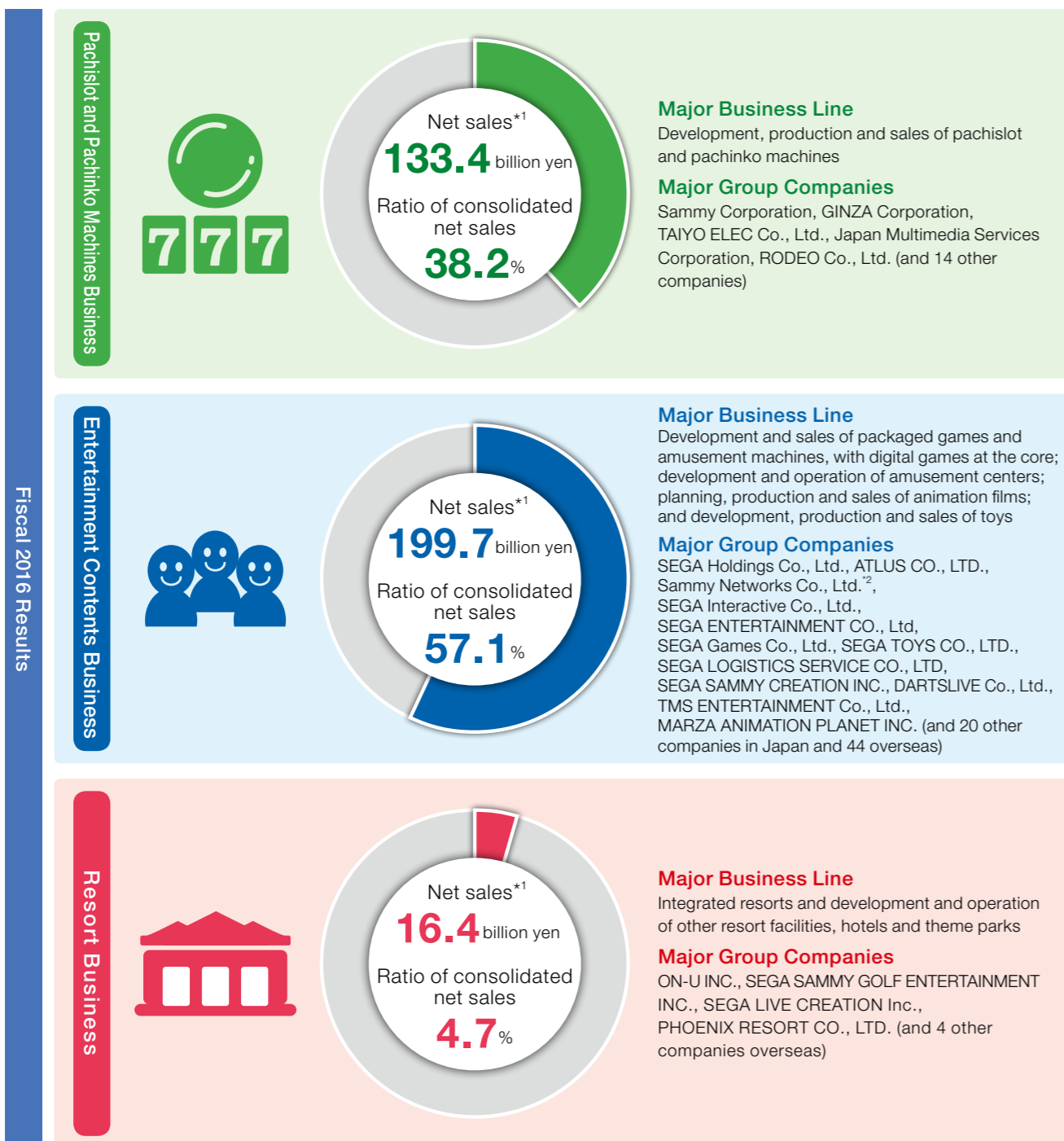


SEGA SAMMY GROUP CSR REPORT 2016



Group Overview

The SEGA SAMMY Group has been providing creative entertainment to customers of all ages in Japan and overseas as a versatile entertainment company group engaged in a wide range of business areas.



*1 Figures above include inter-segment sales before adjustment. *2 Sammy Networks Co., Ltd. was transferred to the Pachislot and Pachinko Machines Business as of April 1, 2016.

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

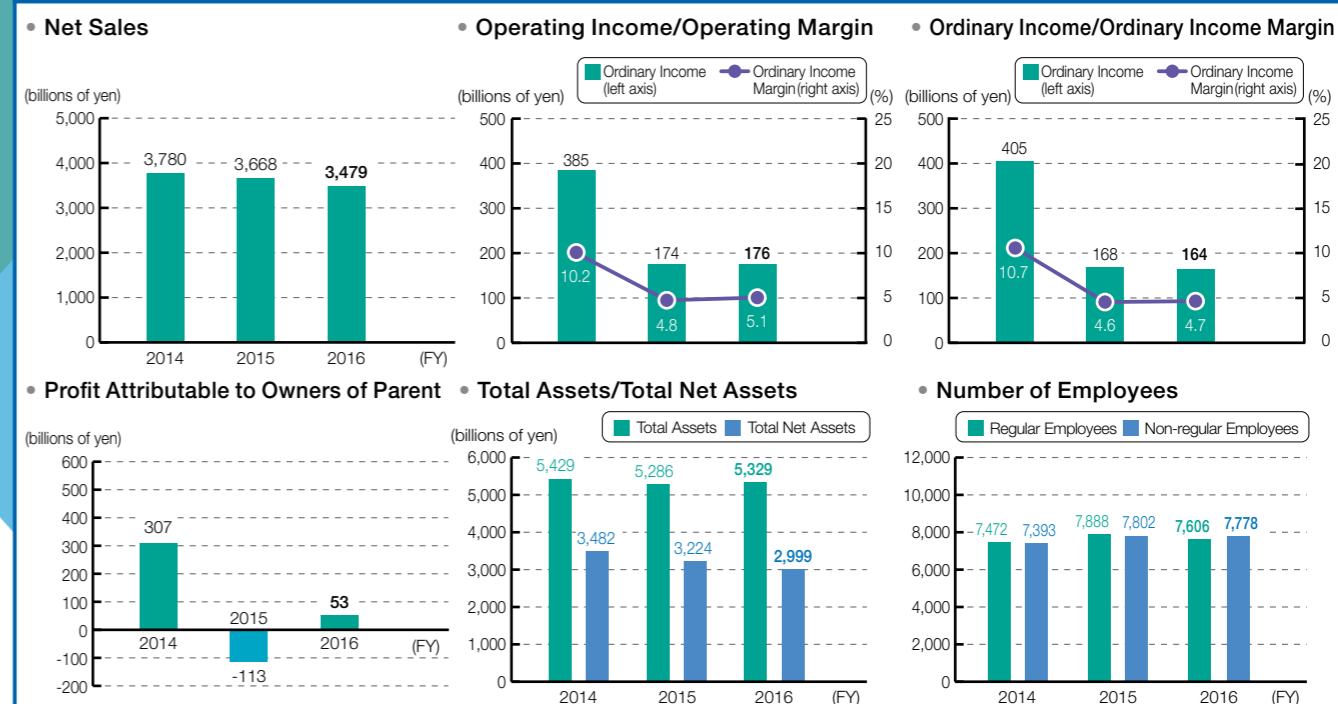
Chairman and Chief Executive Officer Hajime Satomi
Principal Business Management of the SEGA SAMMY Group as the holding company
Number of Employees 133

As of March 31, 2016

CONTENTS

	PAGE
Group Overview, Company Profile	1
Contents, Editorial Policy, and Scope of this Report, Financial Data (Consolidated)	2
Business Overview	3
Executive Messages	
Hajime Satomi President and Chief Executive Officer, SEGA SAMMY HOLDINGS INC.	5
Hideki Okamura President, Representative Director (COO), SEGA Holdings Co., Ltd.	6
Haruki Satomi President, Representative Director (COO), Sammy Corporation	6
Special Feature 1 For Women with Ambitions to Shine at Work	7
Special Feature 2 Stay Active and Enjoy Your Senior Years!	8
Special Feature 3 Workplace for Diverse Human Resources to Stand on Their Own Feet	9
Special Feature 4 SEGA SAMMY Group's Reconstruction Support	10
Management	11
With Customers	18
With Partners	26
With Shareholders and Investors	30
With Employees	32
With Society—Environment	38
With Society—Serving Society	42
Third-party Comment	46

Financial Data (Consolidated)



*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.

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

September 2016 (previous report: September 2015, next report: September 2017)

Scope of this Report

Reporting Period

Fiscal 2016 (April 1, 2015 to March 31, 2016)
 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
 Activities of the organizations in fiscal 2016, which is the reporting period, have been reported.

Use of Organization Names in this Report (Major Companies in Each Segment)

In this report, "SEGA SAMMY HOLDINGS" refers to SEGA SAMMY HOLDINGS INC.; "Entertainment Contents Business" refers to SEGA Holdings Co., Ltd., SEGA Games Co., Ltd., and SEGA Interactive Co., Ltd.; "Pachislot and Pachinko Machines Business" refers to Sammy Corporation; "Resort Business" refers to SEGA LIVE CREATION Inc., PHOENIX RESORT CO., LTD., and SEGA SAMMY GOLF ENTERTAINMENT INC.

• Some activities include Group companies other than those listed above.

SEGA SAMMY Group Products and Services Deliver Dreams and Excitement to the World



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.



Pachinko CR Shin Hokuto Muso
© Buronson & Tetsuo Hara/NSP1983, Approved No. KOJ-111 © 2010-2013 Koei Tecmo Games Co., Ltd. © Sammy



Pachislot Hokuto No Ken Tomo
© Buronson & Tetsuo Hara/NSP1983 © NSP2007, Approved No. YFC-128 © Sammy

Major Group Companies
Sammy Corporation, GINZA Corporation, TAIYO ELEC Co., Ltd., Japan Multimedia Services Corporation, RODEO Co., Ltd. and others

02 Entertainment Contents Business

SEGA's objective in the digital game field is to become one of the world's top three digital game companies by applying the development prowess it has established through years of delivering innovative arcade and consumer game software products to the market. Furthermore, we intend to maximize opportunities for earnings across our entire consumer business by developing strategies for cross-platform gaming, in which game data can be shared across multiple devices, and promoting the conversion of intellectual properties originally developed for home video games into the digital game environment. In the amusement machines and the amusement center operation market, where we already have a significant share, we intend to continue the evolution of our product lineup to reflect market needs and to further strengthen the portfolio of our amusement centers.

Major Group Companies
Sammy Networks Co., Ltd., SEGA Interactive Co., Ltd., SEGA ENTERTAINMENT CO., Ltd., SEGA SAMMY CREATION INC., SEGA Games Co., Ltd., SEGA TOYS CO., LTD., SEGA Holdings Co., Ltd., SEGA LOGISTICS SERVICE CO., LTD., TMS ENTERTAINMENT Co., Ltd., DARTSLIVE Co., Ltd., MARZA ANIMATION PLANET INC., and others



Left: **Moba7 Aladdin A**
© Sammy
Right: **Puyopuyo!! Quest**
© Sammy

* Sammy Networks Co., Ltd. was transferred to the Pachislot and Pachinko Machines Business as of April 1, 2016.



Buffet Dining KidsBee



SEGA Ikebukuro Gigo



Exciting Baccarat
© SEGA SAMMY CREATION INC.

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, scheduled to open 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 reflected in our JOYPOLIS and Orbi theme parks, we plan to develop and operate resorts that are rich in the quality and enjoyment that only the SEGA SAMMY Group can offer.



Phoenix Seagaia Resort



Orbi Yokohama
Orbi™ © SEGA/BBC Worldwide

Major Group Companies
SEGA LIVE CREATION INC., SEGA SAMMY GOLF ENTERTAINMENT INC., PHOENIX RESORT CO., LTD., SEGA SAMMY BUSAN INC., PARADISE SEGA SAMMY Co. Ltd., and others

SEGA SAMMY continues to deliver unique value through entertainment filled with hopes and dreams.



Hajime Satomi President and Chief Executive Officer
SEGA SAMMY HOLDINGS INC.

Our social responsibility is to create entertainment.

As stated in our Management Philosophy, the SEGA SAMMY Group is committed to providing entertainment filled with dreams and excitement to people throughout the world.

Providing enjoyment and excitement as well as dreams and inspirations across the world by virtue of knowing everything about entertainment defines the significance and value of our Group. Under the Management Philosophy, each of us steadfastly endeavors to produce entertainment with the belief that creating this social value is the CSR that the public has come to expect of the Group.

We continue to reform our business structure as a perpetual innovator.

The SEGA SAMMY Group has delivered innovative entertainment that has never been seen before by the industry or anywhere in the world. However, we must constantly innovate to provide entertainment that consistently exceeds societal expectations during a time when the forms of entertainment are diversifying along with multiplying social expressions. We are determined to reform our business structure in order to meet this demand. To be more specific, we intend to realize mid- and

long-term growth by further advancing our core businesses, Pachislot and Pachinko Machines, Entertainment Content and Resorts, and thereby enhance the synergies among them, while laying out a framework for more intensively concentrating on nurturing digital games and other new fields as well as our integrated resort business. People the world over will continue to be our target customers, and we will do our best to provide every generation with high-quality entertainment. We will work hard to establish a more powerful presence in all of our business fields with the goal of becoming the world's No. 1 multi-dimensional entertainment company.

Our human resources are the source of our growth.

The SEGA SAMMY Group has produced a number of intellectual assets, which have long served as our golden source of new entertainment value. Intellectual property cannot be created or maximized without human capital. We therefore position our human resources, all of whom are filled with ideas, passion and energy for delivering the entertainment of tomorrow, as our most important management asset in support of the Group's continuous progress. Therefore, we intend to be a company in which they can be proud to work for. We recruit individuals with varied personalities and place them in the most suitable jobs. We provide training for acquiring the skills for flexibly and quickly responding to ever-changing demand, and we strive to continually enhance the Group's work environment to maximize performance. And as we further solidify our foundation for sound corporate management through systems for corporate governance and compliance, we are vigorously devoted to establishing a free-spirited, creative corporate culture.

We achieve sustainable growth in harmony with society.

Hopes and dreams enable individuals and society to surmount the hardships they face, and entertainment has the power to create hopes and dreams. The SEGA SAMMY Group has presented entertaining events to those living in disaster-stricken areas to help them regain their smiles and high spirits, with our belief that these activities are part of our social responsibility as an entertainment company. The growth of the SEGA SAMMY Group has depended on its relationships with stakeholders, who are now spread across the globe. We signed on to the United Nations Global Compact in April 2014 to demonstrate our agreement with international ethics and sense of value, which resonates through activities that bring joy and underpins our intention to continue these activities. As a signatory to the pact, we declare our commitment to the responsibilities and roles for realizing a sustainable global society. The SEGA SAMMY Group is proud and confident in its ability to provide entertainment for future societies under the banner of sustainability. We will keep generating value that enriches people's lives and refreshes their energy for the future, and we will continue to play our part in filling society with hopes and dreams.



Hideki Okamura

President, Representative Director (COO)
SEGA Holdings Co., Ltd.

Creating Emotionally Satisfying Experiences and Value as a Game Changer

The backbone of CSR is generating profits through day-to-day business activities and returning a substantial portion to society and stakeholders. A year has passed since the restructuring of the SEGA Group in April 2015. The profitability of the Group is steadily improving, and I can sense the progress in moving to a lean, powerful earnings structure. We will promote structural reform to further enhance our social value through business activities so that we can continue to grow as a Group.

CSR from the viewpoint of the Group is to enrich our society by providing entertainment filled with dreams and excitement. During the business restructuring last year, the Group, which has delivered many forms of entertainment, declared "Be a Game Changer" as its shared vision. We want to help customers have emotionally satisfying experiences through a wide range of entertainment, drawing from our flexible, innovative ideas and technological strengths, and we will continue to be a game changer with a major impact on lifestyles around the world. We will also continue to challenge to deliver only-one entertainment to people around the world.

Creating Moving Experiences with the Spirit of "Always Proactive, Always Pioneering" as a Source of Strength

I took the chair of president and representative director (COO) in April 2016. Believing that my mission is to make Sammy a company that society needs and where employees can work with pride, I will exert my fullest efforts to carry out the mission.

We have formulated a structural reform plan toward the business year ending in March 2020 and introduced a concept of the Mission Pyramid. This strategy pyramid consists of a mission, vision, goal, strategy, organization and tactics. "Always Proactive, Always Pioneering," our corporate principle since the company's founding, has taken a strong hold in the company. Therefore, we have established "Corporate Principle and Value—Always Proactive, Always Pioneering" as an unchangeable concept of Sammy. With this principle, we defined our mission that is the meaning of our existence as "Creating a moving experience," and our vision of how we want to be as "Be a Game Changer of the Industry—New Things Come out from Sammy." Our goal is an operating profit ratio of 30% or higher (G30), which I set after taking the office of executive vice president. We have identified the strategy as a major policy in order to accomplish the goal, formed an organization in order to execute that strategy, and developed detailed specific tactics for each item. We can pave the way to Sammy's sustainable growth by dividing company-wide policies and measures into parts for individual employees to put into practice.

Those employees who are full of curiosity, think out of the box based on their foresight and individuality, and have moving experiences in their daily pursuits can deliver moving experiences to customers. By the full collaboration of all members, we as a "Game Changer of the Industry" continue our challenge of thinking outside of the box to deliver the entertainment of a lifetime that exceeds fans' expectations. In order to contribute to the sustainable development of society as well as the industry, we will keep offering values that only Sammy can deliver.



Haruki Satomi

President, Representative Director (COO)
Sammy Corporation

For Women with Ambitions to Shine at Work

Promoting women's participation in the workforce is crucial for business as well as society.
Three female employees of the SEGA SAMMY Group discussed the joys and challenges of work and their dreams.

We can take pleasure in the joy of creation because we are in the entertainment industry.

Tanaka: I am happy to be in this field of business, since it has been my dream since childhood to plan an event for animation fans. My junior colleagues tell me that they would also like to plan an animation event someday like I do. I am thrilled to serve as an example for them.

Makiguchi: I have handled a bag project celebrating the 20th anniversary of *Detective Conan* from the very beginning, including designing the plate for the bag. I was also involved in the planning of the sales route. We have received many orders for the bag, and way more than expected. The success is really encouraging.

Takahashi: My job here, which is to put in place rules and structures, is not specific to this industry, but I make it a rule to constantly remind myself that I am working at an entertainment company. It is not easy to create rules that are just as beneficial for the company as for its employees, so I find it very rewarding to hear someone say that improvements are being made to the Company.

A workplace where being a woman can be seen as an advantage

Tanaka: Many people seem to be under the impression that a game arcade is really for men, but actually about 70% of the customers of SEGA IKEBUKURO GIGO are women. So, the opinions of the female staff are strongly reflected in shop layout and design.

Takahashi: This is a workplace where female members can be assigned to any type of job, regardless of their gender. In a cross-sectional project of the department, I am assigned outside of the team's domain to coordinate and arrange work for the renovation of the Company's building.

Makiguchi: Only women can understand what other women want to use. In the bag project, I was allowed to pursue the production of a bag that I would really think could be quite useful.

A good balance with family life is the key for being able to continue working.

Makiguchi: My workplace is particularly encouraging for female members. A lot of sales women are working very hard. Since returning to work after maternity leave is easy, I think we will have more working mothers.

Tanaka: It might not be so easy at SEGA IKEBUKURO GIGO for female staff with children because it is an amusement facility open on weekends. I would like to introduce a measure for allowing the female employees to work more flexibly, not only because I want to keep working there but also because about 70% of the staff are female.

Takahashi: The return-to-work ratio after maternity leave at my workplace is high. I think I would be able to keep working even after having a child, because people in my workplace are so understanding.

Our goals as working women

Tanaka: I want to make animations and games even more popular because I like them so much. And I would like to be a woman that other women aspire to be like.

Takahashi: I would like to keep expanding my interests beyond my work to grow into a person who has a good sense of balance.

Makiguchi: My dream is to create content for animations at TMS Entertainment. I would like to make content that inspires people to hope and dream and that would lead to the creation of new products and events and expand our world view.

SEGA SAMMY Group
is Supporting
Working Women



Yuka Takahashi
General Affairs Department
SEGA Holdings, Co., Ltd.

In charge of risk control for the company's overall operations; lives with her husband, who she married last year



Aya Tanaka
Urban Sales Department
SEGA ENTERTAINMENT Co., Ltd.

In charge of event planning and more at the amusement facility SEGA IKEBUKURO GIGO



Yoko Makiguchi
Content Business Department,
Business Division
TMS ENTERTAINMENT CO., LTD.

In charge of planning, production and sales of animation products; lives with her husband and young son



Stay Active and Enjoy Your Senior Years!

According to population projections, one in four Japanese will be 70 years old or older in about 10 years.
We hope that as many seniors as possible will stay healthy and enjoy life to the fullest.
The SEGA Group supports senior citizens through entertainment.



Delivering the Joy of Leisure Activities to as Many Seniors as Possible

It is important for senior citizens who have dedicated most of their time to work to find hobbies and make new friends in the community to enrich their post-retirement life. SEGA has long hoped to contribute to their pursuit of leisure and new acquaintances. We have discovered in our research that more than 80% of the senior population had a PC at home and were not put off by digital enjoyment. This finding was ideal for us as a company specializing in entertainment and digital technologies. Therefore, we launched the *SHUMIKATSU!* (active in a hobby) website for seniors' pastime activities. *SHUMIKATSU!* features six genres that are particularly popular among seniors: travel, health, gardening, gourmet foods, theater buffs, and academic study. The website provides two primary services. The "Information Portal Page" provides reliable, easy-to-understand information for users through collaboration with companies and associations that represent the six genres. For example, people can find information on how to get started on a new hobby and be encouraged to take action. The other service, *SHUMIROKU*, is designed to keep users motivated by documenting their hobby activities. The trick is that the longer you stick with a hobby, the more you enjoy it.

We are going to keep adding uniquely fun twists to *SHUMIKATSU!* so that users will never get bored, even if they use the service every day. We hope more senior citizens fully enjoy life.

"Energizing seniors with SHUMIKATSU!"

"Toward SEGA, a company for senior citizens!"



Toshiyuki Kuratsuji (left) and Kosuke Uenaka (right)
President's office, Corporate Strategy
Headquarters, SEGA Games Co., Ltd.
SEGA Sammy Networks Company



The *SHUMIKATSU!* website allows users to gather reliable information about hobbies and to digitally document their hobby activities.



シュミカツ!

SHUMIKATSU!

Website launched on Wednesday,
March 30, 2016
Site URL: <https://segask.jp> (Japanese Only)

Major services:

The "Information Portal Page" provides the latest information and articles about hobbies; *SHUMIROKU* enables hobby activities to be documented; for example, point systems and event participation.

Partner companies and associations:

JTB Publishing Inc., Central Sports CO., LTD. Japan Walking Association, SAKATA SEED CORPORATION, Gurunavi Inc.

Operator: SEGA Games Co., Ltd.



Workplace for Diverse Human Resources to Stand on Their Own Feet

SEGA SAMMY BUSINESS SUPPORT INC. was founded on October 1, 2015 to promote the employment of people with disabilities and was accredited in December 2015 as a special subsidiary. SEGA SAMMY BUSINESS SUPPORT INC. provides a secure and safe environment as well as a lively and performance-enhancing culture for employees with disabilities.



I can get new knowledge and experience every day through my work, and I find it rewarding.



Yoshiko Taniguchi
Miyazaki Office
SEGA SAMMY BUSINESS
SUPPORT INC.

I am assigned to load into washing machine the linens, tablecloths and towels used at the Phoenix Seagaia Resort Hotel. After that, I use another machine to fold them. Since it can be hard to figure out which side of a thin cloth is the surface, I sometimes fold them inside out. I have good coworkers and we often go out on weekends to eat together. I would like to learn to cook and do math better, which is not one of my strengths.

I help out with ironing and pressing in addition to unfolding sheets and tablecloths to load them into washing machines and folding towels afterward. I can learn new things through my job, such as sewing on a button. I am a resident of Asunaro-no-sato, where several events like trips and a year-end party are held throughout the year, which I enjoy with my coworkers, who also have disabilities. I enjoy eating, so I really like lunchtime. And I would like to go to many places and enjoy local foods.



Katsutoshi Matsuura
Miyazaki Office
SEGA SAMMY BUSINESS
SUPPORT INC.

• Company name	SEGA SAMMY BUSINESS SUPPORT INC.
• Location	Head office: Shiodome Sumitomo Bldg. 21st FL., Higashi-shimbashi 1-9-2, Minato-ku, Tokyo Miyazaki office: Oaza Shioji Aza Erano-ue 2779-21, Miyazaki-shi, Miyazaki Prefecture
• Founded	October 1, 2015 (accredited as a special subsidiary on December 18, 2015)
• Capital	50 million yen (wholly owned by SEGA SAMMY HOLDINGS INC.)
• Major business	Cleaning
• Number of employees	29 (including 11 with severe intellectual disabilities and 5 with mild physical disabilities, as of March 31, 2016)

Community Response

We encourage those who want to be self-reliant in their communities.

Since its establishment in 1983, the Asunaro-no-sato residence has encouraged self-reliance and the social participation of people with intellectual disabilities. As a member of the same local community as the residence, SEGA SAMMY Business Support has closely worked with us by employing our residents or offering on-the-job training. Seven of our residents are currently working at SEGA SAMMY BUSINESS SUPPORT INC., and they are all veterans with more than 10 years of service at the company. We are grateful that SEGA SAMMY BUSINESS SUPPORT INC. has proactively employed people with disabilities and provided them with a stable work environment. We would appreciate the company's continued support for people with disabilities who want a job and to stand on their own feet in their community.



Hirokazu Ishizaka
Director, Asunaro-no-sato
Social Welfare Corporation Tomoe-kai

Bringing Smiles and Vitality SEGA SAMMY Group's Reconstruction Support

Since immediately after the Great East Japan Earthquake on March 11, 2011, the SEGA SAMMY Group has carried out various support activities in the affected areas. With the specific needs changing as the focus has shifted from emergency and restoration to reconstruction, we have accordingly modified the forms of our support, hoping to bring smiles and vitality to those who are fighting for a genuine rebirth from the disaster.

Events for supporting people in the disaster-stricken areas

We have held events for supporting those affected areas through entertainment since 2011 under the theme of "Let's bring smiles and vitality." During fiscal 2016, we participated in the Summer Festival in Higashi Matsushima, the Minami Sanriku-cho Sports Festival, the Higashi Matsushima Christmas Festival, the Shichigahama-machi Lifelong Learning Festival, the Iitate-mura Hureai Gathering, and other events, bringing in our entertainment resources, such as UFO CATCHER, Nail-puri, E-deru sunaba, Kids Medal Game, the Darts, THE ADVENTURE OF PANDA AND FRIENDS, Flash Pad, and Smart Ball.

In Iitate-mura, we held a "SEGA SAMMY Group Baseball Class" for junior high school students in the town, with invited guest Shinya Miyamoto, a former member of the Tokyo Yakult Swallows.



Visits and donations to children facilities (e.g., kindergartens, nursery centers)

Papanda (a staff member in a stuffed animal suit) visited 16 children facilities in the disaster-affected areas in Tohoku to play with them. THE ADVENTURE OF PANDA AND FRIENDS goods (sofas for kids, cushions, keyboards, talking books) were also donated.



Our Activities

(March 2011–March 2016)
⇒ FY2017 activities under way

• Support fund	Approx. 400 million yen	• Invitation to a facility (attraction center TOKYO JOYPOLIS)	24 visits involving a total of 625 invitees
• Volunteer activities by employees	42 activities involving a total of 465 employees	• Supporting events	26 events involving a total of 8,760 visitors (Figures are for the events solely held by the SEGA SAMMY Group.)

Volunteer activities by Group company employees

We started engaging in volunteer activities in June 2011 and have since visited Shichigahama-machi, Higashi Matsushima-shi, and Minami Sanriku-cho of Miyagi Prefecture three times each to clean beaches, assist with fishery work, support people living in temporary housing (ocha-kko-no-kai for resident gatherings, cleaning, etc.) and to make flowerbeds in gardens. A total of 465 employees have participated since the beginning of this initiative.



Fiscal 2017 new employee training program

Support for the earthquake-and-tsunami afflicted areas has continued since fiscal 2014 as part of our new employee training program. In 2016, 87 new employees visited the affected areas (Ishinomaki-shi, Onagawa-cho, Minami Sanriku-cho and Higashi Matsushima-shi in Miyagi Prefecture) from April 20 until April 22 (three days and two nights) to take part in activities such as visits, lectures, beach cleanups, group work for reconstruction support and flowerbed construction.



TOPIC Support for those affected by the 2016 Kumamoto Earthquake

We extend our deepest sympathies to those who have been affected by the Kumamoto Earthquake which occurred on April 14, 2016. Our PHOENIX RESORT has been visiting evacuation centers in Mashiki-cho and other towns since immediately after the disaster to supply relief goods and prepare outdoor meals. Employees of other SEGA SAMMY Group companies also participated in volunteer activities at these sites, and the Group cooperated with a children's event.

Visit SEGA SAMMY Group Holding's website for details and other support activities:
http://www.segasammy.co.jp/japanese/pdf/release/release_160421.pdf (Japanese Only)



Participant Response



Jun Hatsushiba
Manufacture Department,
Manufacture Division,
Production Group Division,
Sammy Corporation

I learned from the new employee training program that a lot more needs to be done for the reconstruction of the disaster-affected areas. Also, I feel that it is important to pass on stories of the disaster experience to future generations so that no one forgets. I am very impressed with the great determination of the people in the areas to reconstruct their towns. The program turned out to be very meaningful to me, as I was able to witness the impact of the SEGA SAMMY Group's support activities. I am going to stay involved in the region's reconstruction.

For more comments, visit: <http://www.segasammy.co.jp/japanese/etc/action/> (Japanese Only)

Community Response



Kaoru Terasawa
Mayor, Shichigahama-machi,
Miyagi Prefecture

Five years have passed since the disaster. Verdant rice stalks have begun to grow back in the paddies which you helped clear of rubble, and the Shobutahama beach has been cleaned up enough to receive bathers. Thank you very much for holding festivals and events that encouraged children who were hurt in the disaster. We are still only halfway down the road to reconstruction. I would appreciate your continued support.

Management

The Structure of the SEGA SAMMY Group's Management Philosophy

Adhering to its objective of providing dreams and excitement 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.

SEGA SAMMY Group Management Philosophy

By providing entertainment filled with dreams and excitement to people throughout the world, we will strive to enrich our society and culture.

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

As a responsible corporate citizen, we will comply with all relevant laws, regulations and social norms and further deepen the relationship with our stakeholders. Through these efforts, we believe we can provide sound management of our Group and fulfill our responsibilities to society.

SEGA SAMMY Group Code of Conduct http://www.segasammy.co.jp/english/pr/commu/csr/gr_csr.html

Action Guidelines for Employees Based on the Group CSR Charter

Our action guidelines for employees are based on the Group CSR Charter. Sections in the guidelines include the "Preamble and General Overview" and our basic code of conduct regarding our relationship with stakeholders, as described in "Security, Safety and High Quality," "Proper Business Relationships," "Highly Transparent Management," "Improvement of Workplace Environment," "Contribution to Society" and "Global Environment."

SEGA SAMMY Group Management Policy http://www.segasammy.co.jp/english/pr/commu/csr/gr_policy.html

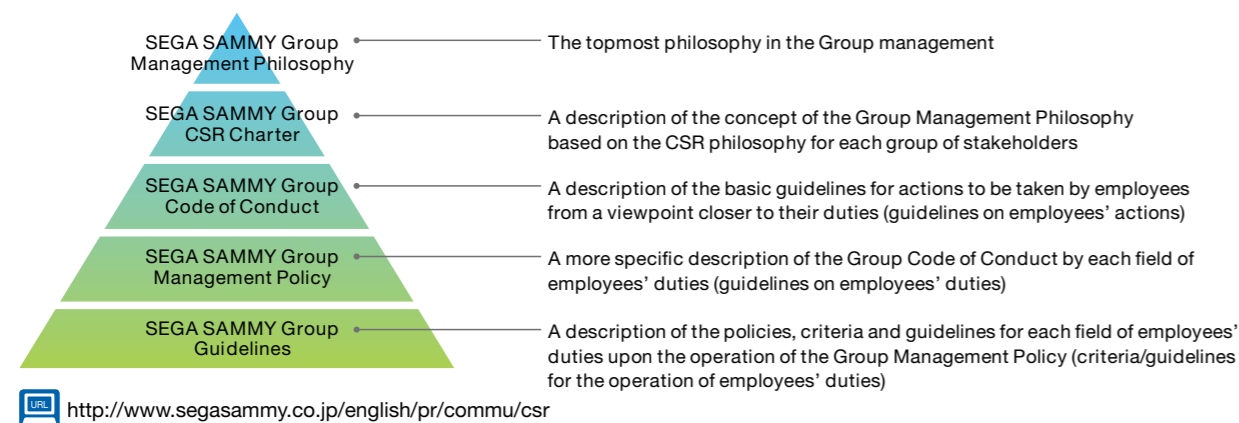
- Human Resources Policy
- Occupational Health and Safety Policy
- Risk Management Policy
- Information Management Policy
- IT Security Policy
- Personal Information Protection Policy
- IR/Public Relations Policy
- Environmental Policy
- Overseas Bribery Prohibition Policy

We posted the Chinese and Korean versions of the Group Management Policy on the Company intranet in March 2015. We will promote the CSR activities of the Group globally by strengthening our cooperation with overseas subsidiaries and partner companies.

SEGA SAMMY Group Guidelines

- Crisis Management Guidelines
- SNS Use Guidelines
- IT Security Guidelines
- Overseas Bribery prohibition Guidelines
- Cloud Service Use Guidelines

• Structure of the SEGA SAMMY Group's Management Philosophy



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.

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](http://www.segasammy.co.jp/english/pr/commu/tpm.html)
<http://www.segasammy.co.jp/english/pr/commu/tpm.html>



Relationships with Our Stakeholders

The business activities of the SEGA SAMMY Group are founded on their relationships with five categories of stakeholders: Customers, Partners, Shareholders and Investors, Employees, and Society (the environment and society). We are working to deepen trusting relationships with stakeholders through communication and to reflect their opinions and needs in our business activities.

Stakeholders	Major Communication Opportunities	Major Responsibilities
Customers	Sales activities, user support desk, and service at shops and facilities	Provision of safe, secure, high-quality products and services
Partners	Procurement activities, briefings, supplier meeting, and business, partner consultation desk	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

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, anti-corruption and reporting, set up within the Global Compact Network Japan, and we are striving to address various issues while sharing information with other companies.

• Comparison between the United Nations Global Compact Content Index and the Content of the Group's CSR Report

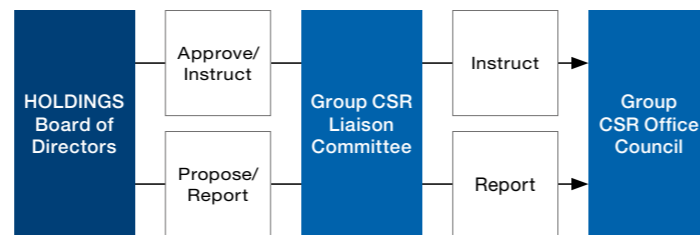
4 categories and 10 Principles of the United Nations Global Compact		Report Page	Content of the Group's CSR Report
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	pp.11-14 p. 27 p. 33	The Structure of the SEGA SAMMY Group 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 labour; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.	pp.11-14 pp. 27-29 pp. 33-36	The Structure of the SEGA SAMMY Group Management Philosophy, CSR With partners: fair and impartial business practices With employees: respect for human rights, development and assessment of human resources, promotion of diversity, labor-management relationship
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.11-14 pp. 38-39	The Structure of the SEGA SAMMY Group Management Philosophy, CSR Promotion of environmental management, initiatives in each phase, other environmental protection initiatives
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	pp.11-14 pp.16-17 pp. 26-29	The Structure of the SEGA SAMMY Group Management Philosophy, CSR Compliance With partners: fair and impartial business practices

Group CSR Framework

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

For the promotion of CSR activities we have the Group CSR Liaison Committee in place. The committee coordinating CSR management within the Group is chaired by the executive director responsible for CSR, who is also general manager of the Group CSR Promotion Office of SEGA SAMMY HOLDINGS, and attended by executive directors responsible for CSR at SEGA Corporation and Sammy Corporation. The Group CSR Offices Council 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 PDCA (Plan-Do-Check-Act) cycle. In fiscal 2016, it shared information and knowledge, discussed Group-wide CSR activities such as the Great East Japan Earthquake recovery volunteer and support activities, a picture book campaign, publicly required non-financial information disclosure, and a study on a CSR report that uniquely reflects the SEGA SAMMY Group and Group CSR seminar.

• Group CSR Structure



CSR Promotion Initiatives

Raising Awareness

The SEGA SAMMY Group believes that putting the Group Management Philosophy 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.



CSR poster displayed at workplace

CSR Seminars

The Group has held CSR seminars for members of Group company management and employees since October 2013 (12 companies, 36 sessions, 1,056 participants). 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, they all 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 in order for their Group companies to be corporations they can take pride in.



Group work during a CSR seminar

The 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. Six employees from six Group companies attended the meeting in fiscal 2017.



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

Meeting participants

- Kenji Saito, Technical Research & Development Department 2, Technical Research & Development Division, Research & Development Group Division, Sammy Corporation
- Kenichi Toda, Director, SEGA IKEBUKURO GIGO, SEGA Entertainment Co., Ltd.
- Toshiyuki Kuratsuji, President's Office, Corporate Strategy Headquarters, SEGA Games Co., Ltd. SEGA Networks Company
- Yasuyuki Naito, Director of TOKYO JOYPOLIS, SEGA LIVE CREATION Inc.
- Naoko Miyazaki, Director, Toy Planning Division, Product Planning Department, SEGA TOYS CO., LTD.
- Yu Kiyozono, President, Telecom Animation Film Co., Ltd.

Fiscal 2016 Targets, Progress, and Results, and Fiscal 2017 Issues

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: contributing through our business, serving society, addressing environmental issues, and engaging in corporate governance and economic responsibility.

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

Initiative Themes	Fiscal 2016 Issues	Progress and Results	Main Page References	Fiscal 2017 Issues and Improvements					
Contributing through Our Business	Provide safe and secure products and services and continue appropriate information disclosure	・Set voluntary standards exceeding laws, ordinances, and industry standards in target countries, quality assurance that includes information disclosure by product labeling, etc. [E, PP, SEGA TOYS] ・Youth protection measures [SE]	pp. 19–24	Provide safe, confidence-inspiring, and enjoyable products and services					
	Further improve the customer support system	・Improved the customer support system [E, PP, SEGA TOYS]							
	Promote accurate, appropriate product labeling	・Accurate, appropriate product labeling [E, PP, SEGA TOYS]							
	Continue compliance with safety standards conforming to industry group standards, etc.	・Safety standards conforming to industry association standards [E, PP, SEGA TOYS] ・Promoted gaming in moderation through the industry group [PP, SE]	pp. 22–25						
	Continue measures against illegal customer behavior	・Measures against illegal customer behavior [PP]							
	Contribute to resolving social issues through Group products	・Opened showrooms periodically to senior citizens (12 openings, 67 participants) [PP] ・Cooperated with an NPO to donate toys [SSHD, SEGA TOYS, TMS] ・Development, manufacturing and sales of accessible design toys	pp. 10, 25, 44	Contribute to the resolution of social issues using SEGA SAMMY Group content					
Serving Society	Continue support for recovery and support a new Stage	・Dispatched volunteer Group employees to disaster-affected areas (4 occasions, 39 participants) [Group] ・Dispatched new employees to disaster-affected areas as part of their training (12 companies, 87 participants) [Group] ・Held events to support recovery in a disaster-affected area using content (6 events) [SSHD, E, PP, SEGA TOYS, TMS, SE, SLS, DARTSLIVE] ・Volunteer employees prepared outdoor meals, provided other support, and cooperated in events and operations in the regions affected by the Kumamoto Earthquake [PSR, Group]	p. 10	Engage in whole-Group activities serving society (support recoveries from the Great East Japan Earthquake, Kumamoto Earthquake, etc.)					
		Use Group synergy to serve society			・Supported the arts, including the Tokyo Jazz Festival [SSHD] ・Participated in the Picture book campaign (220 books) (creating an environment for entertainment in underdeveloped countries) [Group] ・Held the Junior Sport Festival and baseball workshop [SSHD]	pp. 44–45			
					Engaging in action to serve society as an extension of business		・Baseball Club held baseball workshops [SSHD] ・Cooperated with an NPO to donate toys [SSHD, SEGA TOYS, TMS] ・Donated toys to local kindergartens, etc. [TMS] ・Baseball Club visited a foster home in a community [SSHD] ・Sponsored local sports activities [SSHD, PP] ・Sponsored and participated in local festivals [E, PP, SLS]	p. 43	
	Addressing Environmental Issues	Promote the environmental actions	・Purchased Green Power Certificates (1,000,000 kWh actual/year) [SHD] ・Became a Y-Green Partner of the Yokohama City Wind-Power Electricity Generation Project (Green Power Certificate for 2015 (actual): 79,152 kWh) [SHD] ・Established a system for tracking figures of environmental impact at 16 major Group companies [SSHD] ・Won praise from Nagano Prefecture for the amount of CO ₂ absorbed through a forest sponsorship agreement (SEGA-no-Mori) [SHD] ・Managed, protected, cultivated black pine on the Seagaia property (2.5 million m2) [PSR]		pp. 40–41	Engage in initiatives concerned with the earth's resources, etc.			
			Promote the development and marketing of environmentally sound products				・Developed low-power-consumption products, increased the number of items provided [E] ・Developed and commercialized Eco-Pachinko machines [PP]	p. 39	Promote the 3Rs and address environmental issues related to our business, such as environmentally sound products
							Promote the 3Rs (especially recycling)		
Promote other environmental protection activities			・Distributed information (e.g., environmental regulations) at the annual Supplier Meeting [E]	p. 28					
Corporate Governance			Instill a widespread awareness of the Group's Management Philosophy through continuous top-down communication	・Held CSR seminar for members of the Group's management (4 sessions, 5 companies, 126 participants) [SSHD] ・Posted the Group Management Philosophy on the Group intranet, updated the intranet which is constantly accessible for browsing by Group employees; listed the Group Management Philosophy, etc., as CSR items in the employee handbook, which made it possible for employees to carry it with them always for promoting employee awareness [Group] ・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] ・Participated in the United Nations Global Compact [Group]			pp. 11–13	Instill a widespread awareness of the Group's Management Philosophy through continuous top-down communication and the promoted training	
	Economic Responsibility	Strengthen corporate governance Conduct training related to promoting CSR activities		・Held compliance seminar for Group executives (11 sessions, 39 companies, 238 participants) [Group] ・Held various compliance seminar (40 seminars, 1,081 participants) [Group] ・Built an easy-to-use reporting system by establishing the Corporate Ethics Hotline [Group] ・Held seminars on individual topics (46 seminars, 1,144 participants) [Group] ・Held seminars by position (for members of management: 3 times, 3 companies, 85 participants; for new employees: 3 programs, 11 companies, 115 participants) [Group]	p. 16	Continue and deepen compliance training			
	Promote CSR information sharing	・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) [SSHD]	—	Promote CSR information sharing					

*Main companies implementing activities are shown in square brackets. Company names for the below companies are abbreviated as follows.

SSHD: SEGA SAMMY HOLDINGS INC.; E: Entertainment Contents Business; PP: Sammy Corporation, Pachislot and Pachinko Machines Business; SHD: SEGA Holdings Co., Ltd.; TMS: TMS ENTERTAINMENT Co., Ltd.; SLS: SEGA LOGISTICS SERVICE CO., LTD.; PSR: PHOENIX RESORT CO., LTD.; SE: SEGA ENTERTAINMENT Co., Ltd.; SEGA SAMMY GOLF: SEGA SAMMY GOLF ENTERTAINMENT INC.; Group: HD, Entertainment Contents Business, Pachislot and Pachinko Machines Business and Resort Business

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, and operate more transparently and being the basis for addressing such important management issues.

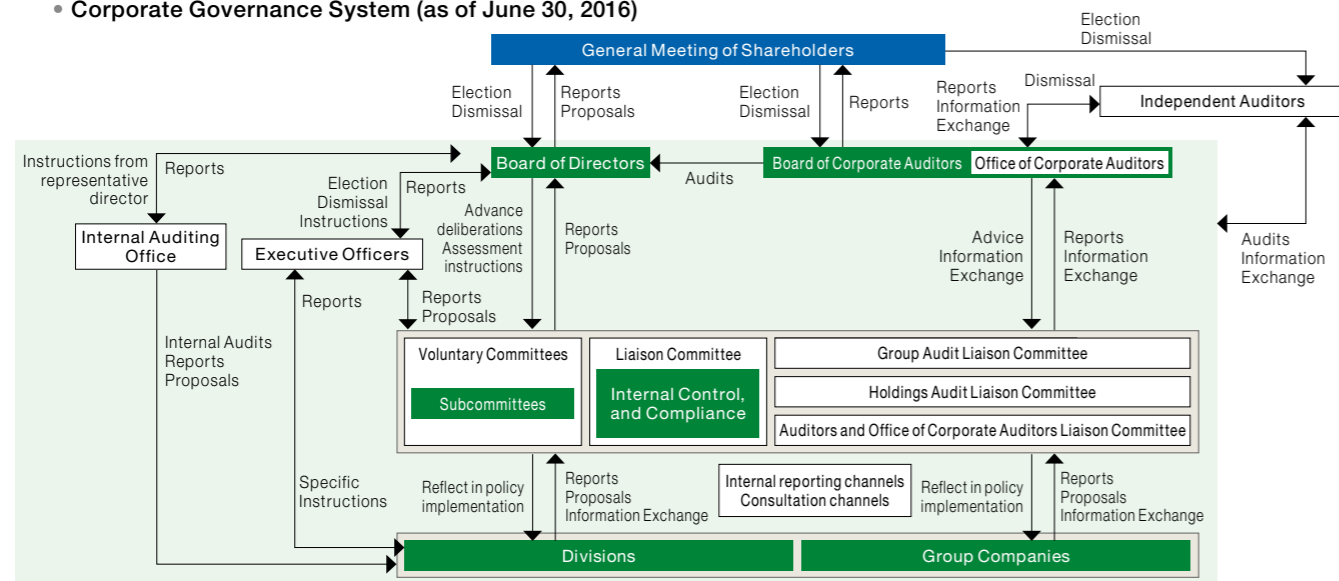
Framework for Corporate Governance

The SEGA SAMMY Group has adopted a corporate auditor system with the understanding that directors who possess abundant expertise and experience in the industry, products and services can quickly come to 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 presently comprises four members (two of whom are outside auditors and independent officers), and 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.

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

• Corporate Governance System (as of June 30, 2016)



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 directors¹ in consultation with other directors, while auditor compensation² is decided in consultation with the auditors, with all compensation set within the limits decided at a General Meeting of Shareholders.

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.

• Total Compensation, etc., Paid to Officers (FY2016)

Category	Number of Officers	Amount
Directors	10	535 million yen
Auditors	2	26 million yen
Total	12	561 million yen

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 Internal Control Liaison Committee, the Group CSR Liaison Committee, and the Group Compliance Liaison Committee. Specialized units were also established to support these three bodies. 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. To further strengthen internal

controls, we developed a Group Management Policy for each area of business operation in fiscal 2015 and revised the Group Code of Conduct to adapt to changes in society. We have also set up and are operating an assessment and reporting mechanism for the internal control system based on our internal control report system.

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 that we can act accordingly.

Compliance Framework

Compliance Framework and Promotion

The group convenes the Group Compliance Liaison Committee chaired by the head of the Group Internal Control Office of SEGA SAMMY HOLDINGS (attended by officers and managers in charge of legal affairs and auditors of eight key Group companies) and a working-level committee, twice a year. Under the leadership of the two committees 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, 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.

Compliance Promotion Activities

Ensuring Full Compliance with 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 to foster understanding and instill a pervasive awareness.

• Compliance Seminars at Group Companies (FY2016)

Nature of Activity	Group	Company Name	Frequency	Total Participants
Compliance seminar for Group executives	Executives, auditors, officers of 39 Group companies	SSHD, SHD, Sammy, SNW, Toys, TMS, PSR, and others	11	238
New Employee Seminar	New employees of 11 Group companies	SSHD, SHD, Sammy, SNW, TMS, PSR, and others	3	115
Various compliance seminars	Group company executives, all employees	Sammy, SNW, SIC, DL, MARZA, OP, and others	40	1,081
Seminar on individual issues (legal, contracts, intellectual property, information security, Act on the Protection of Personal Information, the Subcontract Act, Food Sanitation Act, etc.)	Group company executives, all employees, employees in charge of the relevant division (varies depending on the seminar)	SSHD, SHD, Sammy, SNW, TMS, PSR, and others	46	1,144

Company names for the below companies are abbreviated as follows.
 SSHD: SEGA SAMMY HOLDINGS INC.; SHD: SEGA Holdings Co., Ltd.; Sammy: Sammy Corporation;
 SIC: SEGA Interactive Co., Ltd.; SNW: Sammy Networks Co., Ltd.; Toys: SEGA TOYS CO., LTD.;
 DL: DARTSLIVE Co., Ltd.; TMS: TMS ENTERTAINMENT Co., Ltd.; MARZA: MARZA ANIMATION PLANET INC.;
 OP: OASIS PARK Co., Ltd.; PSR: PHOENIX RESORT CO., LTD.

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. We have also issued Chinese and Korean versions of our Group Overseas Bribery Prohibition Policy to globally disseminate the policy.

Security Export Control

As SEGA 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 every one of our employees involved in export business and prevent violation of laws and regulations before they can occur to maintain proper export control systems.

Risk Management

Basic Stance

Under the SEGA SAMMY Group Risk Management Policy, in times of peace 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 as Company 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 to raise the awareness of intellectual property among supervisors and persons in charge and thereby avoids infringing on the intellectual property rights of third parties, while effectively managing our own rights. We are also 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. Additionally, our efforts to raise awareness in employees include a regular IP seminar and posting of a variety of IP information on our intranet site.

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 implement measures to prevent unauthorized access to customer private information as well as loss, falsification, and leakage of such information. We will continue to make every effort to appropriately and safely handle private information by conducting employee seminars, which include introduction of e-learning.

01

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 2016

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

Providing an Exciting Experience for Customers with our Best Team Efforts

Many anime stores geared toward women are located along the periphery of SEGA IKEBUKURO GIGO. More than 90% of the players are woman on our UFO Catcher floor (dedicated to crane games), which targets these customers. While delivering the highest level of customer satisfaction can be challenging, since many of our customers are strongly attached to anime characters, hearing customers thank us for offering such a fun experience always makes us happy. Providing an exciting and fun environment for our customers cannot be accomplished alone; it requires the efforts of the entire staff. I constantly communicate with all our staff and work closely with them to provide an exciting experience for customers.

Working in Ikebukuro every day makes me realize that there is still a great need for game arcades, and I have no doubt a bright future lies ahead for the industry. I will continue my best efforts to continuously provide an atmosphere and experience that bring smiles and joy to our customers.

Kenichi Toda

Director, SEGA IKEBUKURO GIGO, SEGA ENTERTAINMENT Co., Ltd.

After managing game arcades in Kobe and Osaka, Toda managed SEGA IKEBUKURO GIGO, which boasted the highest sales of all SEGA game arcades. He is a great father to his three children, with whom he spends most of his time outside of work.

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

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.

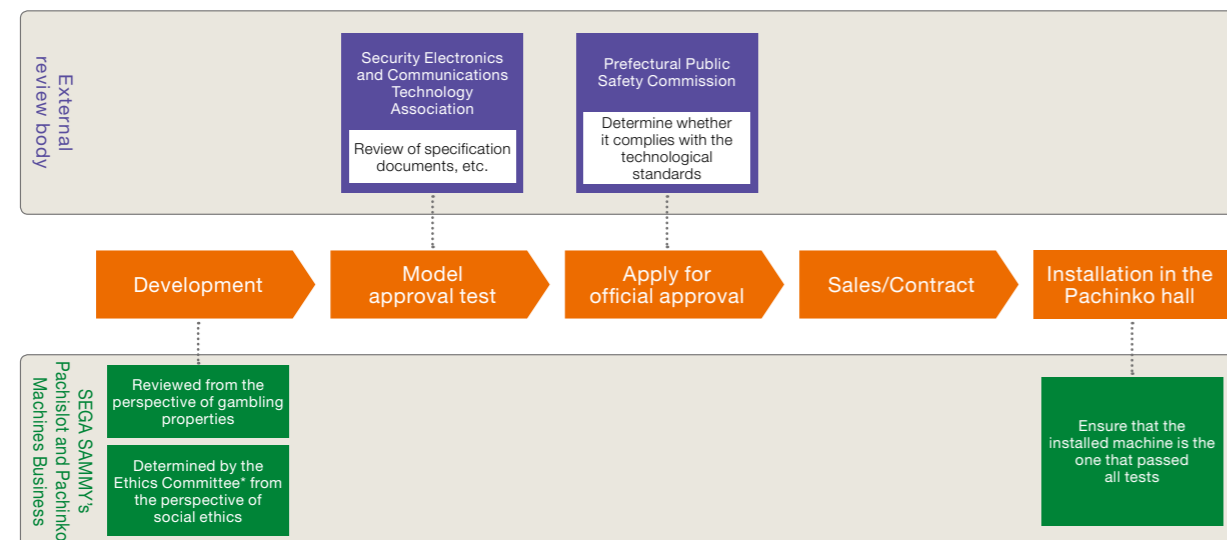
In the Pachislot and Pachinko Machines Business, the development, sales, and production teams set up a checkpoint in 2007 to develop game machines that satisfy both our client pachislot and pachinko hall operators and players. The checkpoints provide opportunities for these three teams to exchange opinions 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 hold a wrap-up meeting and develop a report about market reaction and machine quality. All this information is collected and used for future product development. We also conduct surveys through our sales representatives within about a month after the release of each machine to collect opinions and requests from pachinko hall operators and then share the information with our development team for future product development.

Efforts in Development

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

Everything we do is about our desire to give customers dreams and excitement through their game play. This is what our development team of the Pachislot and Pachinko Machines Business, which has worked with originality and vision to produce many popular hit machines, takes such pride in. 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. With regard to players and SAMMY staff, we conduct product evaluation and similar surveys and use the results in product development. We also engage in active communication with pachislot and pachinko hall operators and periodically conduct surveys, so that we are able to promptly grasp their needs.

• Flow from Machine Development and Sales to Installation



Establishing a Stable Supply System

The primary mission of the Pachislot and Pachinko Machines Business is to provide products that appeal to all players. With the 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. We also 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.

In addition, 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 any emergency situation, such as a large-scale disaster. We share our business continuity plans (BCPs) formulated by our Pachislot and Pachinko Machines Business with our suppliers and ask them to formulate and share their BCPs. In fiscal 2016, 85 suppliers completed their plans, 18 suppliers were in the process of formulating their plans and 3 suppliers had not yet started their plans.

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. We also actively seek out direct communication and conduct questionnaire surveys to get customer feedback that we can use in further improving 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 hall 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.

Customer Support System

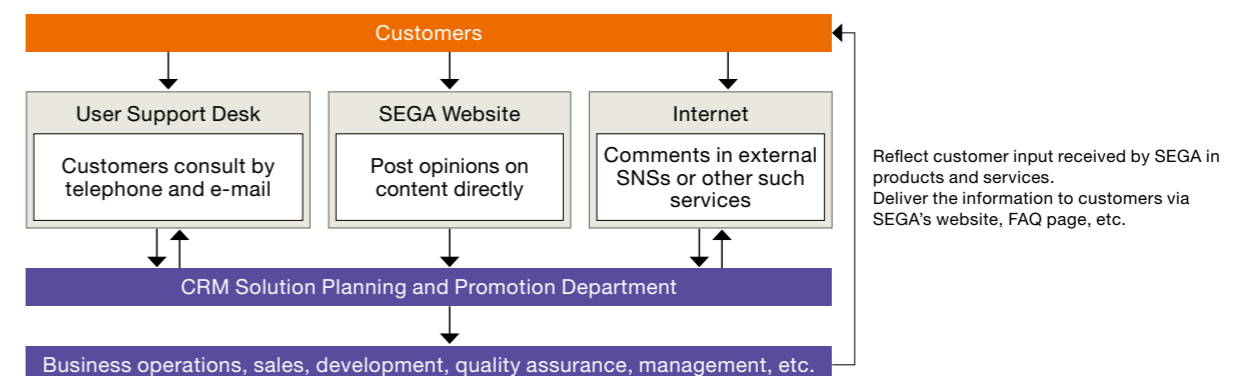
In the Entertainment Contents Business, we operate the User Support Desk so that customer input can be used for improving the quality of our products and services. We also have a specialized group (CRM Solution Planning and Promotion) that forwards customer information to related departments. This group,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

- 1. The CS Team (the existing customer support desk),** which is devoted to the pursuit of customer satisfaction, promptly and accurately responds to customer inquiries and shares the information with relevant departments as required.
- 2. The CRM Team,** which designs and develops systems for bringing market feedback to the Company, analyzes a massive volume of collected data, such as the opinions and requests obtained via user surveys and SEGA's official webpage, using various types of tools and efficiently gathers the comments on external social networking sites (SNSs).

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.

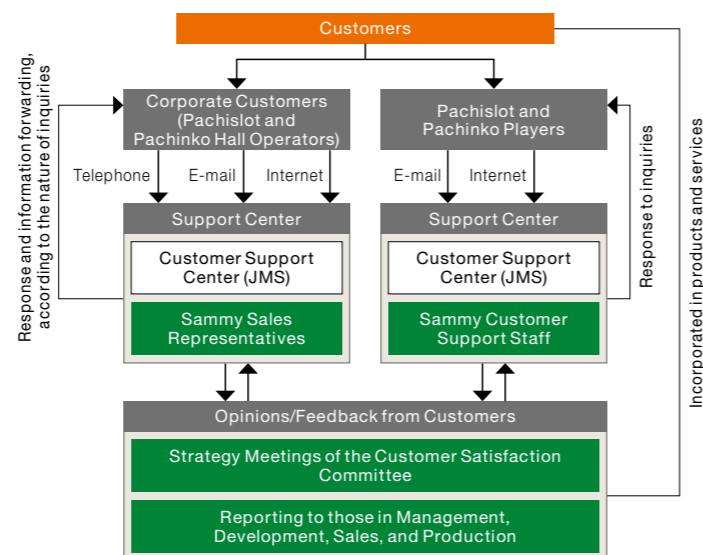
In addition, we address after-sale service through the SEGA LOGISTICS SERVICE, which is in charge of maintenance, repair, parts provision, and distribution and associated business departments, which analyze quality problem trends, discuss improvement plans, and report to the development, production, and sales teams to help make improvements.

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



In the Pachislot and Pachinko Machines Business, fiscal 2017 will mark the eleventh anniversary of the Customer Support Center, originally opened in response to customer requests. To provide services that meet customer expectations, we are now identifying the factors that drive customer satisfaction and striving to promptly provide appropriate corrective action for machine failures, the service most demanded by customers, while at the same time focusing on training service staff in the Customer Support Center and analyzing machine failures. 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 and now has about 9,000 pachislot and pachinko halls signed up. The website contains information that is readily and easily applicable to everyday work practice, such as examples of filling out paperwork for the government and videos on how to replace parts. We intend to go beyond simply delivering information to provide more convenient tools for the pachislot and pachinko operators. As part of such efforts, we launched the *Sammy Plus EC* for our distributors in April 2016 and plan to make it available to hall operators. The web-based service enables users to access to more than 2,000 replacement parts and complete orders online. It will reduce the administrative burden on hall operators by drastically simplifying conventional ordering methods (telephone and fax) while enabling us to improve service quality by integrating our order handling staff into operations of repair request.

Sammy Plus EC

Sammy Plus EC is currently available only to our distributors, but we plan to make it available also to sales representatives and 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. To manage product safety in particular, 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 local conditions. 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.

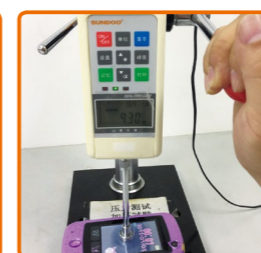
SEGA TOYS in our Entertainment Contents Business takes focus on the customer and assurance of product safety as its highest management priorities. We are establishing and promoting a voluntary action plan following our basic product safety policies as we work to ensure both safety and quality. At the development and design stages, we are setting up design inspection and validation checkpoints and working 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 are using 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 the stringent voluntary standards that we apply.

* Japan Amusement Machine and Marketing Association, Inc.



Durability tests, load tests and drop tests

Switches and buttons are checked for durability in load 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 does 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.

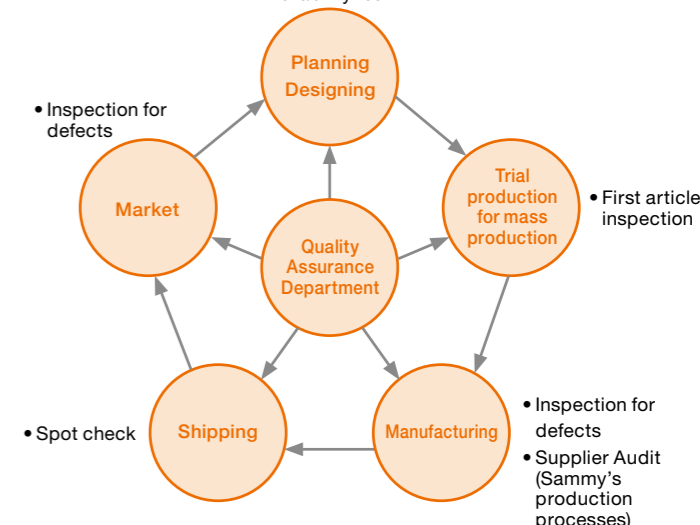


X-ray fluorescence spectrometer

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

• Quality Assurance Action (Pachislot and Pachinko Machines Business)

- Design review
- Reliability test



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. We have also 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 also 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. To further strengthen our quality assurance system, we added a "shooting test" to the spot check items for pachinko and pachislot machines in January 2016. In addition, we are endeavoring to improve product quality by reinforcing collaboration between our Development, Sales, and Production departments.

Disclosure and Response after Quality Incidents

In the Entertainment Contents Business, if quality issues arise related to products or services, we respond in a prompt yet reliable way, according to the scope and nature of the issues, and we are stepping up our system for permanently preventing issue recurrence. We promptly disclose information by means of direct mail, notices in industry publications, and so on. 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 established rules. 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. Since the second half of fiscal 2016, the Development, Sales, and Production departments have regularly held information sharing meetings on problems with new machines 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 2016.

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

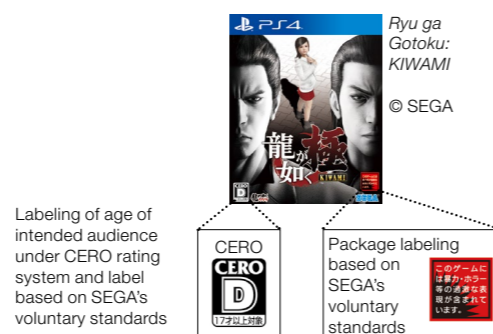
Basic Stance

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 clearly indicate the intended age group for each game using both industry-standard labels and our own voluntary labels. 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

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 previous cases, we have formulated guidelines that cover 26 categories.

* Computer Entertainment Rating Organization



Initiatives for the Appropriate Use of Content

Our Entertainment Contents Business, SEGA Games and Sammy Networks, provide content for smartphones and tablet mobile terminals, and mainly in light of the problems of excessive game use by minors and associated charges, we have instituted age authentication for certain titles that places limits on the monthly charges that can be accumulated for them. 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. We have, for example, established in-house guidelines for clear statement of the “reality” of items that players can acquire or of the probability of their acquisition, item by item. We intend to continue our efforts, not only by measures like these, but also by compliance with laws and regulations and in terms of consumer protection, so as to create a wholesome environment for game playing where users can enjoy themselves with a sense of security.

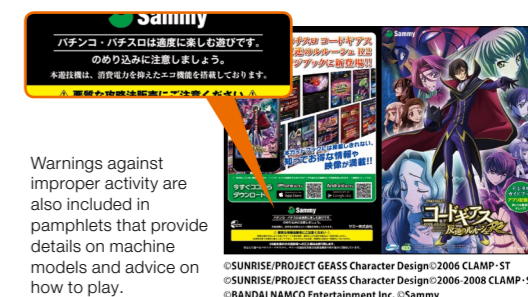
Initiatives for the Sound Development of Young People

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 18:00 if they are accompanied by an adult (not applicable in some prefectures). We will continue our efforts to meet a diverse range of customer needs.

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

Measures Against Illegal Customer Behavior

The Revised Amusement Businesses Law Enforcement Ordinance, which is aimed primarily at controlling excessive gambling on amusement machines and preventing improper modifications, has been in effect since July 2004. 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 are continuing to collect market information and working on building amusement machines that are resistant to this abuse. 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.



Initiatives against Gaming Addiction

The pachinko and pachislot industry is engaged in various activities to address dependency on gaming. These 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. The Pachislot and Pachinko Machines Business has been supporting the Recovery Support Network, the counseling service of a specified non-profit organization.

In addition, our public service messaging incorporates in advertisements run in various media the slogan: “Play Pachinko in moderation. Don’t get addicted.”



Ethical 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 regularly checks whether the pachislot and pachinko machines we develop satisfy prevailing ethical standards and social rules. 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 2016, 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, almost all sales representatives of the Pachislot and Pachinko Machines Business have obtained them to enhance their work quality.

* Illegal slot machines: 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

02

With Partners

CSR Charter

We will maintain fair and impartial relationships with our suppliers and work together as partners in providing entertainment filled with dreams and excitement.

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 to provide entertainment filled with dreams and excitement, 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 2016

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: 11 seminars with 412 attendees) (Pachislot and Pachinko Machines Business: 17 seminars with 193 attendees)
 - Introducing a system for appropriately executing ordering procedures (Sammy)
2. Partnership with suppliers and clients
 - Supplier meetings of SEGA Interactive (142 attendees from 83 companies)
 - Joint quality conferences with partner companies of Sammy (83 attendees from 18 companies)

Contributing through our Products and Technologies

A Moving Stuffed Animal that Even Children with Visual Impairments Can Enjoy

New Oikakekko Anpanman (chasing Anpanman) is a toy developed by SEGA TOYS in our Entertainment Contents Business that can also be enjoyed by children with visual impairments. Various sensory features are incorporated into the toy that allow even visually impaired children to have fun; for example, pressing the switch on the palm of Anpanman plays the melody and causes Anpanman to move. Children can detect Anpanman's movement by the melody played, the use of vivid colors and the gentle action. This toy increases the child's desire to touch and their abilities to effectively use their hands and fingers, helping them to learn new movement skills and practice physical activities. New Oikakekko Anpanman has been highly recognized for the education of visually impaired preschool children.



VOICE

Striving to Be a Salesman Who Is Chosen as Much for His Integrity as the Appeal of the Products

I am engaged in proposal-based selling to serve buyers from the wholesalers and retailers who are our business partners. Nearly every day, I visit their stores to offer proposals, including the creation of sales corners, and to assist their staffs during events.

Thanks to my experience as a baseball player, I conduct sales with a mindset centered on performance and speed and strive to respond promptly to any customer request. I want people to see the enthusiasm I demonstrate on the job so that I can earn the trust of people in and outside the company. A sale is not the end of our job. I often visit customers to follow up carefully toward building sound human relationships. I was delighted to be chosen by a business partner who was outside my scope of responsibility, perhaps because he recognized these efforts. On the day of an important business negotiation, I experience the same positive drive I had while playing baseball. I intend to continue working hard so that I can prepare proactive proposals, solve problems and serve a broad range of customers.

Yasunari Okubo

Sales Division, Domestic Sales Department, SEGA TOYS CO., LTD.

Joined SEGA TOYS upon retirement from a baseball club in 2015. Tries to maintain the cheerfulness, vigor and speed learned through baseball. Wants to play an active part changing field from stadiums to the workplace.

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

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 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 60% 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 40 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 2016, we conducted 104 ongoing audits for 103 companies and 6 new audits for 5 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. We are concerned about 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. We did not discover any use of conflict minerals in a survey of 125 companies in May 2016.

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 2016, we held 11 briefings (412 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 2016, we conducted compliance seminar, which was incorporated into the Rank-Specific Seminar programs of our personnel system, with 193 participants. 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 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. We also 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. 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.

Partnership with Suppliers and Clients

Coordination with Suppliers

To ensure product safety and quality throughout the supply chain, 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 2016, these meetings were attended by 142 business partners from 83 companies. Also, we are using the BATON communication system, which facilitates efficient information sharing, to strengthen cooperation with suppliers. We are continuously upgrading BATON to further enhance its features, including a consultation contact for violation of the Subcontract Act and the timely sharing of damage information after a disaster, while expanding the system to allow for identification of issues perceived by suppliers.



At a supplier meeting

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 2015, we have been offering multiple sales plans for games such as *CHUNITHM*, *Kancolle Arcade* and *Luigi Mansion Arcade* to provide many business model options for the consideration of our partners running amusement centers so that they can choose the most suitable one for their need.

Kancolle Arcade has attracted new customers, who have enjoyed the *Kantai Collection* browser game, to amusement centers. We are striving to expand the target customers for the amusement business by compiling an operation manual, which describes ways for first-time 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 showing customers directly the attractiveness of the product. 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. 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.

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 2016)

		First half	Second half	Subtotal	Total
Partner companies	Total participants (companies)	9	8	17	17
	Total participants (people)	16	16	32	
Sammy	Total participants (people)	25	26	51	83



A joint quality conference in fiscal 2016

03

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 2016

1. Active disclosure of our initiatives, including Group structural reforms
 Annual Report
<http://www.segasammy.co.jp/english/ir/ar2015/>
2. Offering briefings to a broad range of shareholders (active participation in business strategy briefings for institutional investors, events for individual investors)
3. Receiving recognition for our annual report and online IR site by several third-party institutions

VOICE

Clearly and Effectively Sharing our Growth Strategies through Honest, Transparent Communication

As a member of the IR Department, I always make sure to go beyond simply delivering numerical results to include background details, such as our business strategies, that demonstrate our understanding of the Group's current situation. Transparent information disclosure ensures that our intent to disclose information is not swayed by business results. I believe this is the foundation for strong and trusting relationships with shareholders and investors. Our commitment to transparency will allow our messages to be properly and accurately received in the market, ultimately enabling us to improve SEGA SAMMY corporate value, the true purpose of IR.

Investors are one of our major stakeholders, and their opinions are valuable. I will ensure that their voices are heard and present at our worksites. By delivering external opinions to the Company, I want the entire Group to be aware of the importance of improving corporate value. I will continue striving to communicate SEGA SAMMY's strategies for continued growth and success, in an easy-to-understand way, to share our story with them.

Hiroaki Kondo

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

Assigned to the IR Department after working in management policy (now management planning) with duties such as supporting the businesses of Group companies. On days off, strives to build on his value as a father by playing with his kids in a neighborhood park and reading picture books to them.

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 ending March 31, 2016, 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 the SEGA SAMMY Group 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

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 2016 meeting was attended by 288 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.



Nikkei IR Investment Fair 2015

Past Activities

	FY2015 (ended March 31, 2015)	FY2016 (ended March 31, 2016)
Financial Results Briefing (quarterly, including teleconference)	4	4
Small Meeting	4	3
Individual Meeting (domestic investors)	187	137
Individual Meeting (overseas investors)	123	155
Business segment briefing (including facility tours)	2	2
Overseas Roadshow (including conferences)	5 (North America 1, Asia 2, Europe 2)	4 (North America 1, Asia 2, Europe 1)
Domestic Conference	6	5
Event for Individual Investors	1	2

External Evaluation of our Investor Relations

A list of awards the Group has received from third-party institutions for its IR activities in 2015 is shown below.



- FY2015 Nikkei Annual Report Award, Excellence Award—Nikkei Inc. (February 2016)
- 2015 Listed Company Website Quality Ranking, Ranked 22nd in comprehensive ranking segment—Nikko Investor Relations Co., Ltd. (December 10, 2015)
- Internet IR Best Company Award 2015—Daiwa Investor Relations Co., Ltd. (November 12, 2015)
- Gomez IR Site Comprehensive Ranking 2015, Silver Medal—Morningstar Japan K.K. (June 30, 2015)

 **Annual Report**
https://www.segasammy.co.jp/english/ir/library/printing_annual.html

04

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 2016

1. Thoroughly disseminating the “Human Resources Policy” and the “Occupational Health and Safety Policy” through Group CSR trainings (for 126 managers at 5 companies and 111 newly-hired employees at 11 companies)
2. Enhancing educational systems for cultivating human resources
3. Expanding boundaries for aggregation of personnel- and labor-related data in operating companies

VOICE

I exercise great care with new employees, hoping they will enjoy their work and stay for a long time.

I decided to join the SEGA Group because I felt I would love the people working for the Company whenever I had an opportunity to meet and talk with my college seniors who were already working here. I am assigned to recruiting and new employee training. Since the SEGA Group is an interesting field, we hope to employ new graduates with the spirit of challenge who are willing to create something new with us. Our onboarding program is designed to prepare new employees to work even harder as highly motivated human assets. We closely monitor new employees for their first three years through frequent communications to confirm their progress. My job is challenging and rewarding because of its impact on the future of the SEGA Group. I want everyone to stay as a long as possible and enjoy their work. To that end, I must also improve myself day by day so that I will be able to effectively serve the needs of everyone working here.

Yukina Kakizaki


Personnel Department, Corporate Headquarters
SEGA Holdings, Co., Ltd.


Majored in Arabic and studied briefly in Islamic countries. Served as a team manager at school and likes to see people grow. As an HR member, supports SEGA Group employees to perform well and elicit smiles from customers.

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

 **Group Management Policy:** http://www.segasammy.co.jp/english/pr/commu/csr/gr_policy.html

Initiatives to Eliminate Harassment

In 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.

For the Pachislot and Pachinko Machines Business, a seminar on harassment is included in new manager training as part of an effort to treat employees fairly and eradicate harassment. Since fiscal 2016, all executives and managerial staff have attended a seminar on harassment to deepen their knowledge about human rights and heightened their awareness through a self-check sheet. A consultation counter specializing in harassment was installed in February 2016.

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

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. Since fair assessments are essential to the proper operation of this personnel system, managers undergo evaluator training. We also 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 38 individuals involved in 5 projects received the Chairman & President's Award in fiscal 2016.

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. We will continue to create an environment in which employees are highly motivated to perform.

Educational Systems

In our 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 management skills through evaluator training. New employees undergo a month-long company-wide 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. In fiscal 2015, we extended the training for new employees from one month. Training in April is the same as before. The three months from May to July consist of value chain training, which enables new employees 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 they are assigned to from August 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)	2 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 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. We will also conduct this program with employees in their 30s and 40s to support professional development according to 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.

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 1.95% as of March 2016. 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 toward achieving the statutory employment rate. 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

In the Entertainment Contents Business, employees are encouraged to reduce long work hours and take paid leaves. 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. 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, the program for childcare and family care goes beyond legal requirements prescribed in the Act on Advancement of Measures to Support Raising Next-Generation Children. Employees whose jobs are confined to certain geographical areas are allowed to take healthcare and family care leave in half-day units instead of full-day units. We also offer “relax holidays” to encourage employees to use their paid leave and make other efforts to shorten staff working hours. 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. We will continue to revise our benefit programs to further improve workplaces as comfortable environments.

Sammy's Kawagoe Factory Certified as a “Company Offering Diverse Ways of Working”

In Saitama Prefecture, where the “Saitama Womanomix Project” is under way, a certification system to acknowledge companies “offering diverse ways of working” is being implemented as part of an initiative to energize the local economy through “woman power.” Under the system, the municipality recognizes companies that support women in balancing their professional lives and childcare or other personal roles. The Kawagoe Factory was certified as a Gold-level* company on June 1, 2015.

* 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 conducts what we call 6S patrols*, in which employees check for latent risk factors around them and work for improvements case by case, putting significant effort into the safeguarding of personnel health and safety. 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 helping 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 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. Of the 2,458 employees qualified to join a union, 855 are members, and negotiations were conducted 36 times in total in fiscal 2016 at the three companies of PHOENIX RESORT, SEGA ENTERTAINMENT and SEGA LOGISTIC SERVICE.

Personnel and Labor Data

Scope

- FY2014: 9 companies; FY2015: 10 companies; FY2016: 16 companies
- SEGA SAMMY Holdings, Sammy, Sammy Networks, SEGA Interactive, SEGA ENTERTAINMENT, SEGA Games, SEGA TOYS, SEGA Holdings, SEGA LIVE CREATION, SEGA LOGISTICS SERVICE, TAIYO ELEC, DARTSLIVE, TMS ENTERTAINMENT, Japan Multimedia Services, PHOENIX RESORT, and MARZA ANIMATION PLANET

The data coverage for the consolidated number of regular employees is about 70%.

Composition of Employees

	FY2016		
	Total	Male	Female
Number of employees	7,053	5,396	1,657
Regular employees	5,281	4,405	876
Non-regular employees	1,772	991	781
Foreign nationals	89	61	28
Average age	38.4	39.1	35.8
Average length of service (year)	10.9	11.3	8.8

Composition of Management-level Staff and Board Members

	FY2014	FY2015	FY2016
Number of female management-level staff	41	59	56
Percentage of female management-level staff	4.6	5.7	5.4

Recruiting

	FY2014			FY2015			FY2016		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Number of new graduates	111	80	31	144	102	42	95	62	33
Number of mid-career recruits	126	104	22	288	221	67	200	159	41
Rehired employees after retirement	—	—	—	31	28	3	19	18	1

Data on the System Supporting Both Professional and Private Lives

	FY2014			FY2015			FY2016		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Maternity/Childcare leave (number of employees)	—	—	—	59	—	59	59	—	59
Childcare leave (number of employees)	65	4	61	83	9	74	77	6	71
Number of employees who returned to work after childcare leave	—	—	—	72	9	63	53	5	48
Percentage of employees who returned to work after childcare leave	—	—	—	100	97.9	—	100	88.9	—

Work-life Balance

	FY2014	FY2015	FY2016
Average overtime hours per month	—	18.7	17.3
Number of paid-leaves taken	—	8.5	8.2
Percentage of paid-leaves taken	45.3	47.0	45.6
Total number of employees who took volunteer leave	51	40	35
Total number of days for volunteer leave taken	—	108	74

Examples of the System Supporting Both Professional and Private Lives Childcare

System	Statutory	Company	System at Each Company
Childcare leave	Until child reaches age 1	Entertainment Contents Business/Pachislot and Pachinko Machines Business	From 1 year and 6 months to 2 years and 6 months
Shorter working hours for childcare	Until child reaches age 3	Entertainment Contents Business	Up to 2 hours/day until child enters elementary school Up to 1 hour clock-out time earlier until child reaches 3rd grade
		Pachislot and Pachinko Machines Business	Up to 2 hours/day until child enters elementary school Up to 1 hour/day until child reaches 3rd grade

Overseas Subsidiaries

	FY2015	FY2016
Number of employees stationed abroad	32	47
Number of executives* at overseas subsidiaries	145	149
Number of executives from Japan	99	105
Number of locally hired executives	46	44

* Board members and executives

Management-level Staff and Board Members in Fiscal 2016

	Total	Managers	Division Managers	Executive Officers
Number of board members by position	1,043	694	285	64
Male	987	651	273	63
Female	56	43	12	1
Ratio of females	5.4	6.2	4.2	1.6

Persons with Disabilities

	FY2014	FY2015	FY2016
Number of employees	124	156	173
Rate of employment	1.7	1.8	1.95

Duration of Childcare Leaves by Male Employees in Fiscal 2016

	Total	Within One Week	One Week to One Month	Longer than One Month
Number of employees	6	3	0	3

Occupational Health and Safety

	FY2014	FY2015	FY2016
Number of industrial injuries	108	71	90
Injuries with lost worktime	—	4	6
Injuries with no lost worktime	—	67	84
Rate of lost-worktime injuries	—	0.5	0.6

Data for 2014 and 2015 includes injuries during commuting; data for 2016 only includes injuries during worktime.

Nursing

System	Statutory	Company	System at Each Company
Nursing leave system	Up to 93 days	Entertainment Contents Business/Pachislot and Pachinko Machines Business	93 business days/person (including shorter working hours for nursing)
Shorter work hours for nursing	Up to 93 days	Entertainment Contents Business	Up to 2 hours/day within 93 business days
		Pachislot and Pachinko Machines Business	Up to 2 hours/day within 93 business days
Nursing leave system	Up to 93 days	Entertainment Contents Business/Pachislot and Pachinko Machines Business	Annually 5 days/person (reserved leaves can be used)

05

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 2016

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 97.28% recycling of pachislot and pachinko machines through trade-ins (fiscal 2015: 97.24%) 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)

VOICE

Vital Elements of Energy-Saving Measures at the Phoenix Seagaia Resort

The business operations of the Phoenix Seagaia Resort (PSR) consume a great deal of energy and so the resort is required by the Energy Conservation Law to implement energy-saving actions. Led mainly by three highly qualified energy managers and eight energy managers, we are working to develop employees who are acutely aware of the need to save energy, as the human aspect of these efforts, through actual practice. For example, all staff members including the manager and section manager participate in energy-saving patrols, regularly conducted by each office, and explore possible improvements, which in turn raises their own level of awareness.

Moreover, our large-scale repair and renovation that started in fiscal 2016 incorporated energy-saving measures such as LED lighting and converting to high-efficiency equipment, as the physical aspect of these efforts. The synergies generated by the human and physical aspects will enable us to continue making progress in our energy-saving efforts.

The Ministry of Economy, Trade and Industry (METI) recognized our steadfast energy-saving results over the years and ranked the Company in the S class of their business classification system.*

* METI launched its business classification system in April 2016 to promote compliance with the Act on the Rational Use of Energy. The system categorizes business operators that submit regular energy-saving reports into four classes (S, A, B, and C).

Kuroki Takayuki

Engineering, PHOENIX RESORT CO., LTD.

Joined Seagaia in 1994 and has been working at the Energy Center since 2003; main responsibility is to ensure company operations are in compliance with the Energy Saving Act.

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 were no violations of environmental laws or any cases of pollution in fiscal 2016 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 new medal game machine, *The Medal Tower of Babel*, compared to an older product, *Arabian Jewel*.

In the Pachislot and Pachinko Machines Business, our product development emphasizes the use of standardized parts and substrates from the design and development stages. Also, we try to avoid unnecessary production delays by reducing the need to make maintenance parts through the design and development of machines that rarely break down. When we design parts for a machine, we make sure that they are reusable and recyclable insofar as possible. In fiscal 2016, our reuse rate was 20%, and we will continue to strive for further improvement. Efforts such as these help to save energy, use valuable resources more efficiently and reduce waste.

Owing to the application of eco-friendly functions and static decorations and casing for reducing the power consumption of our machines, we were able to achieve a 5% reduction in power consumption compared to fiscal 2015. Other achievements include attaining 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.



Properly Controlling Chemical Substances

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 each year to conduct a self-audit on their system using a check sheet designed to confirm the status of achievement, and the audit results are reported to us. As an effort on our part to properly control chemical substances, we regularly visit the production sites of our suppliers and make sure that the system is in place and that the operation is being executed properly.

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.

Recycling Amusement Machines

We strive to reduce waste by designing components for current 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. (SLS) and completely recycled. SLS 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.


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 79,152 kilowatt-hours of power in fiscal 2016.

 **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.



Let's Grow a Forest in Hitotsuba

Phoenix Seagaia Resort (PSR), which is engaged in the protection of a black pine forest, participates in the *Festival of Morizukuri* (forest creation) held by the Regional Forest Office of Miyazaki. In March 2015, an activity for raising black pines was carried out under the theme of "Let's Grow a Forest in Hitotsuba" at the nationally owned forest on the Hitotsuba Coast (Sadowara-cho, Miyazaki city). Fifteen people from the PSR took part along with about 200 other participants, including residents and representatives from the local government and forest industry. We will continue to work on the Morizukuri project with the local community and with a sense of joy in observing the growth of black pines.



Our employees participating with local residents in the Festival of Morizukuri

SEGA-no-Mori

The use of electricity, which is an indirect source of CO₂ 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).

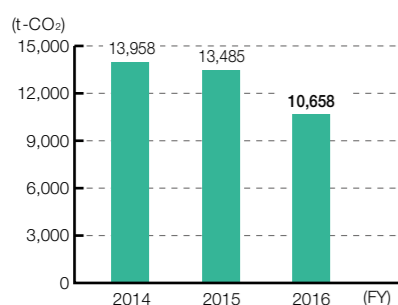
The volume of CO₂ absorbed by *SEGA-no-Mori* in fiscal 2015 was 1,405.4 t-CO₂, offsetting four years of indirect CO₂ emissions from an average amusement center. With the impressive cooperation of local people, *SEGA-no-Mori* also fosters an awareness of global environmental protection among employees.



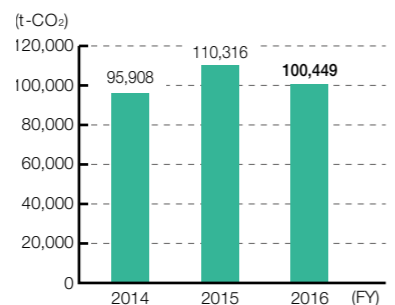
Certificate for volume of CO₂ sequestered by the forest for 2015

Environmental Data

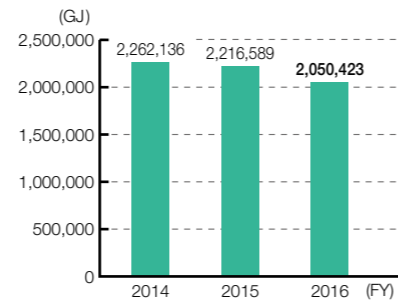
• CO₂ Emissions (Scope 1)



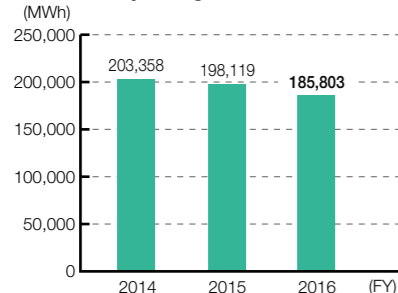
• CO₂ Emissions (Scope 2)



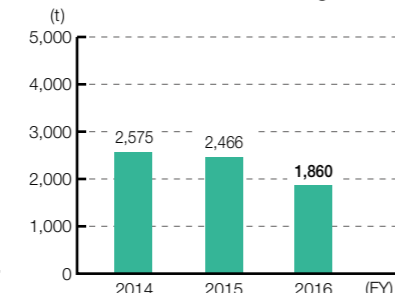
• Total Energy Input



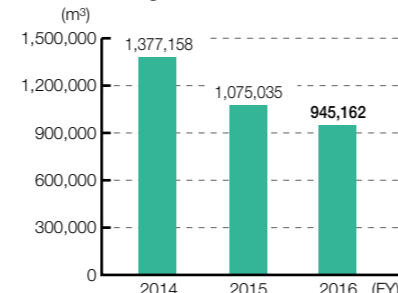
• Electricity Usage



• Industrial Waste Discharged



• Water Usage



• Aggregated data include an estimate based on floor space.
 • Gross decrease in CO₂ emissions is mainly attributable to reduced fuel and electricity consumption.
 • Adjusted CO₂ emission factors for each power company in previous years are used for purchased electricity.

• Scope of Aggregation (Organizations)

Offices*	SEGA SAMMY Holdings, Sammy, Sammy Networks, SEGA Interactive, SEGA ENTERTAINMENT, SEGA Games, SEGA TOYS, SEGA Holdings, SEGA LIVE CREATION, SEGA LOGISTICS SERVICE, TAIYO ELEC, DARTSLIVE, TMS ENTERTAINMENT, Japan Multimedia Services, PHOENIX RESORT, and MARZA ANIMATION PLANET
Entertainment Contents Business	Sammy Networks, SEGA Interactive, SEGA ENTERTAINMENT, SEGA Games, SEGA TOYS, SEGA Holdings, SEGA LOGISTICS SERVICE, TMS ENTERTAINMENT, Japan Multimedia Services, and MARZA ANIMATION PLANET
Resort Business	SEGA LIVE CREATION and PHOENIX RESORT
Pachislot and Pachinko Machines Business	Sammy, TAIYO ELEC, and Japan Multimedia Services

* Rented offices with fewer than 50 people have been excluded since fiscal 2014.

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

		FY2014 ³	FY2015	FY2016	Remarks
Amusement machine recycling rate	Recycling rate	96.58%	97.24%	97.28%	Pachinko and pachislot machines combined
Use of environmentally friendly materials	Amount of lumber used	2,055 t	1,344 t	1,077 t	
	Amount of PEFC-certified lumber ¹	134 t (6.5%)	66 t (4.9%)	45 t (4.2%)	
	Adhesives used ²	—	—	—	0.21 t used by partner companies ⁴
	Water-based adhesives used	—	—	—	0.21 t used by partner companies ⁴

¹ 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.

² Components glued together using environmentally friendly water-based adhesives have been purchased from suppliers since fiscal 2014.

³ Figures are revised retrospectively for improved accuracy.

⁴ Until the previous year, no adhesives were used at the Kawagoe Factory (no usage reported).

06

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, etc., 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 2016

1. Community Activities: cooperating for the children's portable shrine, co-sponsoring *the Koedo Kawagoe Half Marathon*, donating *THE ADVENTURE OF PANDA AND FRIENDS* toys, 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

VOICE

Making the world a better place is my personal and professional goal.

I have been involved with War Child for nearly 20 years. This charity started with using music to emotionally calm children traumatized by the Balkan War in Eastern Europe. At first I donated proceeds from the sales of albums and concerts of a band I had formed, but after joining SEGA I thought of a system for donating a portion of the sales of PC games.

We need to remember that we are very fortunate to have jobs, homes, food and water. The world is filled with people who are not so blessed despite their desire for a better life. I think our mission is to continue to be productive for the world: delivering emotionally satisfying experiences through games, doing charity work, directly talking with game users, or even disseminating knowledge about football. Creating games that are both well designed and fun will make people happy and uplift society. Making the world a better place is my personal and professional goal.

Miles Jacobson

Studio Director
Sports Interactive Ltd.

Began serving as the managing director of Sports Interactive Ltd. (based in London, U.K.), a subsidiary of SEGA Games Co., Ltd. in 1999. Developed *Football Manager*, a hit game series that sold 10 million units. Selected as the 2016 Person of the Year by British computer and video game media MCV in recognition of his personal and professional involvement in many charity activities*.

* In 2005 he began donating ten pence for every sale of *Football Manager* for a total donation of 1 million pounds (about 140 million yen.) He has also been enthusiastically working for many years at GamesAid, a charitable organization of people working in the British game industry, and SpecialEffect, a group helping people with disabilities enjoy computer games.

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.



After the children have carried a portable shrine

Support for the Koedo Kawagoe Half Marathon 2015

Sammy has served 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 8,710 runners participated in the marathon in November 2015. A total of 96 Sammy and Group employees and suppliers participated as runners. The event was enlivened by shout-outs by SEGA SAMMY cheering squad *Rooters*, swing music played by a brass band of a local junior high school, and volunteers from within and outside the prefecture.



Koedo Kawagoe Half Marathon

Donation of THE ADVENTURE OF PANDA AND FRIENDS Talking Picture Book for Learning by Playing, and Other Toys

As part of its community contribution, TMS Entertainment donated *THE ADVENTURE OF PANDA AND FRIENDS Talking Picture Book for Learning by Playing* and other toys to Nakano Ward, where the company is based, and Chitose city, Hokkaido, the venue for the *Shigeo Nagashima Invitational SEGA SAMMY CUP*. Daisuke Tanaka, the mayor of Nakano Ward, expressed his gratitude, saying: "Thank you for your donation of *THE ADVENTURE OF PANDA AND FRIENDS* toys to kindergartens and nursery schools, which is significantly changing with the recent presence of a university among other factors. I look forward to cooperating with TMS for fun town development, including in the organization of in the organization of events using animation for vitalizing the ward." The toys donated to Chitose will be used in the children's center, parenting support centers, kindergartens and other places.



TMS Director Hitoshi Okayama (left) and Nakano Ward Mayor Daisuke Tanaka (center)

Exhibition at the Sakura City Industrial Festival: Sakura Monozukuri Festa 2016

SEGA LOGISTICS SERVICE has participated in the *Sakura Monozukuri Festa* held by Sakura City, where the company is located, as a part of its community contribution. The company exhibited the latest UFO CATCHER, which many visitors enjoyed. We will continue working as members of the local community.



Exhibition booth

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 located in Hachioji City, where the team is based, as one of its regional contribution activities. In 2015, members of the club in cooperation with TMS ENTERTAINMENT, a Group company, gave *THE ADVENTURE OF PANDA AND FRIENDS* toys as gifts to children in 81 nursery schools in the city and took time to play with them.

The Hachioji Council of Social Welfare sent a letter of appreciation to the club in March 2016, acknowledging their activities as a service that promoted child welfare. 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.



Members dressed up as Santa Claus and reindeer delivering gifts to a nursery school for Christmas 2015

Social Support

Campaign to Deliver Picture Books

As part of its international contributions, the SEGA SAMMY Group is associated with the Shanti Volunteer Association's *Campaign to Deliver Picture Books** to children. We purchase picture books with money raised by collecting unwanted old books and other items from Group employees, paste stickers into them with translations into local languages, and then send them to the designated locations. In fiscal 2016, the eighth year of the initiative, employees from 19 Group companies took part, sending a total of 1,028 books.

* *The Campaign to Deliver Picture Books* sponsored by the Shanti Volunteer Association: This campaign provides Japanese picture books with stickers displaying the words in the local languages to Cambodia, Laos, Myanmar refugee camps and Afghanistan, places where hardly any books are published for children, with the hope that the books will bring comfort and fun to children faced with anxiety and sorrow caused by poverty and civil war.



Our executive pastes translation stickers on each page of the 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 twice a month. The events started from an employee suggestion on June 27, 2006 and have been held 200 times at the head office over 10 years up to June 2015. We will continue the event 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 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.

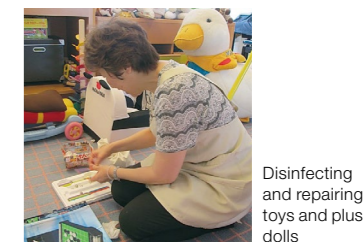


Para-Nordic Skiing for the Disabled Japan Team

Donating and Disinfecting Toys in Collaboration with NPOs

To address social challenges as much as possible taking advantage of our core business, we have been donating toys of Group companies to non-profit organizations (NPOs) every fiscal year. This year marked the seventh 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 2,000 toys from SEGA TOYS and TMS ENTERTAINMENT to the Approved Specified Nonprofit Corporation Family House, which provides accommodation support to 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.



Disinfecting and repairing toys and plush dolls

Sports, the Arts and Other Cultural Activities

Special Support for the Tokyo Jazz Festival

The SEGA SAMMY Group supports the *Tokyo Jazz Festival* every year, which is one of Japan's largest jazz festivals. The event gathers the top jazz musicians from around the world to perform under the concept of promoting a new culture, carrying forward and further developing the jazz legacy, and establishing cultural crossovers. We will continue to support the festival in fiscal 2016, its 15th year, and contribute to culture through the power of music, particularly jazz, which inspires and moves people across borders and generation.



The 7th 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 co-sponsor for *The SEGA SAMMY Cup Children's Rubber Baseball Tournament*. The seventh tournament was held in November 2015 at the SEGA SAMMY baseball field in Hachioji. For the next tournament, to be held in November 2016, the number of teams planning increased to 16. On the first day, a program has been scheduled for children so that they can enjoy improving their baseball skills while receiving instruction by members of the SEGA SAMMY Baseball Club. In addition, a seminar on sports nutrition for players, coaches, directors and parents will be offered on the day when the trial for the tournament takes place.



Shigeo Nagashima Invitational SEGA SAMMY CUP and Junior Sport Festival

The 9th *Junior Sport Festival* held in cooperation with Chitose city, the site of the *Shigeo Nagashima Invitational SEGA SAMMY CUP*, and other entities, provided sports lessons for elementary and junior high school students with the assistance of first-class instructors from May to July. Swimming instructor Kenji Kobase from Sapporo, who was selected to represent Japan at the Rio Olympics, taught about the importance of not giving up on your dream and continuing efforts single-mindedly and how to swim efficiently by controlling shoulder blade movement. Soccer instructor Kota Yoshihara, a former member of the Japan national team and currently coach of the junior soccer school of Consadole Sapporo, joined with other players and former athletes from 13 different sports, to provide a broad range of guidance.



Third-party Comment

The direction of our global civilization was significantly changed in 2015 by the adoption of "The 2030 Agenda for Sustainable Development (SDGs)" of the United Nations in September and "the Paris Agreement" at COP21 on addressing climate change in December.

This marks a paradigm shift in the direction of the modern age from progress and growth in the context of infinite resources to sustainable development premised on limited resources and the reduction of CO₂ emissions. The depletion of mineral resources also has made the pursuit of unlimited material wealth impossible. In other words, this new direction is characterized by the pursuit of wealth of the spirit in a limited and saturated world.

In this sense, your management philosophy, which states that "by providing entertainment filled with dreams and excitement, we will strive to enrich our society and culture," is consistent with this new direction. Sooner or later, developing countries will catch up with us, leading to new business opportunities. I have heard that the structural reform initiated last year toward 2020 has started to function. Now I would encourage you to look into how to generate business opportunities from the 2030 Agenda.

The Government Pension Investment Fund of Japan shifted to ESG investment by signing the UN's Principles for Responsible Investment in September 2015, and there is a need for ESG efforts and dialogue for med- to long-term growth. Since ESG information in the annual report is limited, I think it is necessary to establish a solid, complementary relationship with the CSR report.

I commend the Group for its CSR management efforts, including the system and training. However, the diversification and expansion of the Group increases the risk of failing to prevent misconduct at the margins. While the data confirms you are firmly addressing environmental issues, I recommend that you consider adopting ISO 14001:2015 (environmental management systems) as a tool for reinforcing your oversight, because the system is highly compatible with CSR and also applicable to supply chain management.

The report also mentions gaming addiction. I expect continued efforts by the entire industry to address this issue.

Your diverse range of your social contribution activities are wonderful, especially the participation of your employees. That said, I think you should consider identifying objectives and strategies, such as encouraging creativity, given the further advance of globalization.

Measures focused on human resources are naturally important for an entertainment business that directly serves customers, and I appreciate the variety of initiatives cited in the report. However, the promotion of women's participation in the workforce will require eliminating long working hours for men, changing the mindset of middle-level executives, and more. I would like to see this kind of information as well.

The report has reached a significantly high level referring to international guidelines and other sources; nevertheless, I would like to suggest one possible improvement. It appears that in the interest of incorporating a large quantity of information, the report uses a smaller typeface that can be difficult to read. For a group of this size, it may be helpful to move a large part of the detailed data to the web as the overall data archive and provide a link to the PDF version of the report.

The digest version for employees is excellent in that we can gain some insight into employees. I value this as an aspect of horizontally connecting the Group's versatile business activities.



Toshihiko Goto
Chief Executive Director,
Sustainability Forum Japan

Response to Third-party Comment

To ensure compliance with the Corporate Governance Code introduced last year, we have further strengthened management by setting up an independent advisory committee, introducing a system with three outside directors, and clarifying management indices and goals, for example. Also, we promoted CSR initiatives in our supply chain, which includes the prohibition of child labor and forced labor in overseas procurement and the investigation of conflict minerals. Moreover, we expanded the scope of companies subject to information disclosure.

As Mr. Goto mentioned, we are reading some positive signs one year after the structural reform as a result of faster response to the dramatic changes in the entertainment industry. To serve society in response to the 2016 Kumamoto Earthquake, our employees engaged in volunteer activities, including events using our arcade game machines, preparing meals outdoors, and removing debris in affected areas. We are also continuing to support recovery from the Great East Japan Earthquake, which includes a Group project for our employees and local people to discuss reconstruction.

Recognizing the importance of reducing long working hours for the promotion of active participation by women, the Group is addressing the issue by, for example, implementing training for executives. We are also promoting employment of the disabled in response to public requirements by establishing a special subsidiary company for this purpose.

In regard to the digest version of our CSR report for employees, which was positively reviewed, we did put effort into aligning it with CSR training Group-wide (a total of 1,500 participants) so that we all share the same goals. Through these activities, we will work to become a corporate group that employees can have pride in and that society trusts and expects to grow.



Hiroshi Ishikura
Executive Officer,
Division Manager,
Group CSR Promotion Office,
SEGA SAMMY HOLDINGS INC.

VOICE

To Be a Strong and Beloved Baseball Club

When the club invited me to join them again, I returned to the SEGA SAMMY Baseball Club after three years of playing in a professional baseball club. The goal of the club is to win and be a champion in the National Intercity Non-pro Baseball Championship Series. We must improve ourselves both technically and physically to be a winning team. At the same time, however, it is important to remain a team that is supported by company employees and local residents, because the team belongs to the company. It is also important for people to recognize our names and faces, so we visit community group homes, provide baseball clinics, invite people to the SEGA SAMMY playground and sometimes actively participate in events in the town or at the company. Please continue to support us as we work hard at being a strong and beloved club.

Daichi Akahori

SEGA SAMMY Baseball Club
Product Business Promotion Department,
SEGA Interactive Co., Ltd.