



November 1, 2014
SEGA SAMMY HOLDINGS INC.
Group Internal Control Office

About Establishment of “Sega Sammy Group Supply-Chain CSR Deployment Guidebook”

As part of its improvement of compliance systems and implementation of its CSR activities in the group as a whole, and having established the “Sega Sammy Group Management Policy,” which constitutes the group’s uniform corporate activity guidelines and criteria, Sega Sammy Group has established the “Sega Sammy Group: Supply-Chain CSR Deployment Guidebook” to extend the implementation of its corporate activities to its Suppliers.

Sega Sammy Group regards fulfilling its corporate social responsibility (CSR) as being a significant management issue, and such fulfillment of CSR duties cannot be attained merely by Sega Sammy Group itself; rather CSR contains many tasks which need to be resolved by the entire supply chain.

We ask our suppliers to understand “Sega Sammy Group’s activities to fulfill its social responsibilities” and to cooperate with the “supply-chain CSR deployment” in line with the above-mentioned Guidebook.



Sega Sammy Group: Supply-Chain CSR Deployment Guidebook

(For Suppliers)

Introduction

In recent years, the environment surrounding companies has diversified and substantially transformed with the development of globalized corporate activities and the maturing of the information-based society. Meanwhile, consumers have shown growing concerns for corporate commitment towards the formation of a sustainable society, with mounting and harsh criticism against frequent corporate scandals and insincere corporate acts.

Under these circumstances, Sega Sammy Group regards fulfilling its corporate social responsibility (CSR) as being a significant management issue. As a “corporate citizen” existing in society, Sega Sammy Group considers that it will be able to realize sound management and fulfill its CSR duties by taking into consideration the spirit of CSR, complying with all applicable laws and regulations and the broader social code, and establishing favorable relationships with its stakeholders.

It is generally interpreted as “CSR is voluntary efforts by companies for the purpose of sustainable development in the fields purely outside of financial activities, such as compliance with laws, consumer protection, environment preservation, labor issues, respect for human rights, and contribution to communities” (METI, Japan). This concept of CSR is not reserved for the activities of the company itself, but rather, envisages a contribution to sustainable development in society as a whole. Corporate business activities and the fulfillment of CSR duties cannot be attained merely by Sega Sammy Group itself; rather CSR contains many tasks which need to be resolved by the entire supply chain.

Given the above-mentioned background, we have established this “Sega Sammy Group: Supply-Chain CSR Deployment Guidebook.” We ask our suppliers to understand “Sega Sammy Group’s activities to fulfill its social responsibilities” and to cooperate with the “supply chain deployment” in line with the above-mentioned Guidebook. In addition, it is our fervent hope that our suppliers will also address such deployment as a commitment to be engaged in together with their upstream suppliers.

We, as Sega Sammy Group, intend to build favorable partnership relations with our suppliers, thereby endeavoring to maintain and improve our mutual understanding and relationship of trust. Thus, we hope that you extend your continued support and cooperation to us.

Upon the requests and demands of international society which will change over time, we will review and revise this Guidebook as appropriate. Please also be advised that not all of the matters requested by our company group to our suppliers are entirely covered herein.

November.1.2014

SEGASAMMY HOLDINGS INC.

*This Guidebook has been prepared based upon the “Supply-Chain CSR Deployment Guidebook” enacted by the Japan Electronic and Information Technology Industries Association (JEITA) in August 2006.

Supply-Chain CSR Deployment Guidebook

CONTENTS

I	Labor.....	6
	1. Prohibit discrimination	
	2. Pay appropriate wages	
	3. Regulate working hours	
	4. Respect the rights to freedom of association	
	5. Prohibit inhumane treatment and infringements of human rights	
	6. Prohibit forced labor	
	7. Prohibit child labor	
II	Environment	9
	1. Control hazardous chemicals contained in products	
	2. Control hazardous chemicals used in manufacturing	
	3. Minimize environmental pollution (drainage, soil, air, etc.)	
	4. Obtain government permits and licenses	
	5. Promote resource and energy saving by reusing, reducing, and recycling (3R)	
	6. Appropriate disposal of waste and reduction of final waste	
III	Occupational Health and Safety	11
	1. Take safety measures for machinery and equipment	
	2. Promote workplace safety	
	3. Promote hygiene in the workplace	
	4. Take appropriate measures for occupational injuries and illnesses	
	5. Emergency response	
	6. Give consideration to physically burdened work	
	7. Promote safety and hygiene in all company facilities	
	8. Promote health management for employees	
IV	Product Quality and Safety.....	14
	1. Ensure product safety	
V	Fair Trading and Ethics	14
	1. Prohibit corruption and bribery	
	2. Prohibit abuse of a superior position	
	3. Prohibit the offering and receiving of inappropriate profit and advantage	
	4. Prohibit impediments to free competition	
	5. Provide accurate information on products and services	
	6. Respect intellectual property	

- 7. Appropriate export control
- 8. Provision and disclosure of information
- 9. Prevention and early detection of improper acts
- VI Information Security 20
 - 1. Secure protection against computer network threats
 - 2. Prevent leakage of personal information

I Labor

[I-1] Prohibit discrimination

Suppliers are requested to prohibit discrimination during the process of recruiting and hiring, and to endeavor to attain equal opportunity and fairness of treatment.

Discrimination means establishing differences in opportunities and/or treatment in areas such as recruitment, promotion, reward, and participation in training, due to elements other than rational elements such as one's ability, competence, and level of achievement.

Typical elements of discrimination include a person's race, creed, gender, age, social status, family origin, nationality, ethnicity, religion, birthplace, skin color, sexual orientation, political opinion, union membership, marital status, and so on.

[I-2] Pay appropriate wages

Suppliers are requested to pay at least legal the minimum wage and not to unreasonably reduce wages.

The minimum wage means the lowest wage specified in each country's wage-related laws. In this item, payment of other allowances including overtime compensation and legal payment are included.

Unreasonable wage reduction means a wage reduction in violation of labor-related laws, etc.

[I-3] Regulate working hours

Suppliers are requested to appropriately regulate their employees' working hours/holidays/vacations so as to meet the requirements of the applicable laws, regulations, etc., of the countries or areas in which their business will be developed.

In this item, the following are the examples of proper control:

- (1) Scheduled working days per year do not exceed the legal ceiling;
- (2) Providing employees with at least one holiday per week;
- (3) Providing the rights of a vacation leave on an annual basis as specified in the law.

[I-4] Respect the rights to freedom of association

Suppliers are requested to respect the rights to freedom of association of employees, by way of realizing labor and management consultation over working conditions and/or wage issues, etc.

Respecting the rights of employees to organize includes the considerations, for example, of the following:

- (1) Freedom of association without suffering from retaliation, threat, or harassment;
- (2) Freedom to participate in labor unions in accordance with laws and regulations;
- (3) Freedom to stage protests;
- (4) Freedom to participate in workers' councils

[I-5] Prohibit inhumane treatment and infringement of human rights

Suppliers are requested to respect the human rights of their employees and to prohibit oppressive and inhumane treatment such as abuse and/or various forms of harassment.

Inhumane treatment includes abuse, physical punishment, sexual harassment, and power harassment (i.e. harassment by verbal abuse and intimidating acts).

[I-6] Prohibit forced labor

Particularly in overseas supply chains, suppliers are requested to cause their employees to voluntarily engage in their employment, and not to cause their employees to engage in forced labor.

Forced labor means all non-voluntary labor, including labor brought about due to violence, threat, confinement, and other mentally or physically unduly constraint. The prohibition of voluntary job turnover and the obligation to deposit identification cards/passports/work permit cards with employers also constitute forced labor.

The following are some examples of forced labor:

- (1) Labor in return for debt that limits the freedom of job turnover due to the repayment of debt, etc.;
- (2) Slave labor practiced as a result of human trafficking;
- (3) Inhumane prison labor in harsh environments, regardless of the fact of such people being prisoners.

[I-7] Prohibit child labor

Suppliers are requested not to employ children who are under the minimum age for employment and not to assign jobs that may impair children's development, particularly in overseas supply chains.

Generally, child labor means the employment of persons who are under the minimum age for employment and the neglect to offer the protection for young laborers specified both in domestic laws and in the treaties and/or recommendations of the International Labor Organization (ILO).

(1) In Japan, child labor means:

- a) employing persons who are under fifteen years old;
- b) violating the laws which are designed to protect young laborers; and
- c) as concrete examples of protecting young laborers from employment that may impair their health, security, and morality, night-shift work and dangerous work shall be restricted.

(2) Overseas, child labor means:

- a) the employment of persons who are under the minimum age for employment, and the violation of the obligation to protect such persons as specified in each country's laws.
- b) in countries where there are no relevant provisions in the laws or regulations, acts violating the minimum age treaties and/or recommendations of the ILO are regarded as constituting child labor (The rule of the minimum employment age is fifteen years old: ILO treaty No.138).

II Environment

[II-1] Control hazardous chemicals contained in products

Suppliers are requested to control those chemical substances which are designated by laws and regulations for all of their products.

Controlling the chemical substances contained in products means not only the exclusion of those chemical substances which the laws, regulations, etc. prohibit from being contained in the products, but also compliance with the required indication obligations and performance of required testing and evaluations.

[II-2] Control hazardous chemicals used in manufacturing

Suppliers are requested to control those chemical substances which are designated by the laws, regulations, etc., of the relevant country in manufacturing processes.

The control of the chemical substances in the manufacturing processes means not only the control of the chemical substances which must not be contained in the products but also making efforts to reduce the amount of emission of the relevant substances by grasping the amount of emission of the chemical substances emitted to the external environment, reporting the situation to the government, etc.

[II-3] Minimize environmental pollution (drainage, soil, air, etc.)

Suppliers are requested to comply with local laws and regulations regarding drainage, sludge and air emissions, and to promote activities for the prevention of air, soil, and groundwater pollution.

In addition to preventing the occurrence of pollution, the following activities are also enumerated as those for the further improvement of monitoring, controlling, processing of drainage/sludge/exhaust, etc., and for the reduction of the amount thereof.

[II-4] Obtain government permits and licenses

Suppliers are requested to obtain government permits and licenses as appropriate and to submit necessary control reports to the government without fail, in accordance with the laws, regulations, etc., of the relevant country.

In Japan, the following managers, who are required to have obtained a certain level of qualifications, must be established in accordance with the applicable laws, regulations, etc.:

- Waste Disposal and Public Cleaning Law: Manager responsible for specially controlled industrial waste;
- Energy Saving Act: Qualified person for energy management in factories that use more than a certain level of energy;
- Air Pollution Control Act, etc.: Manager in charge of pollution control in any factories that emit chemical substances, dust, soot, and so on.

Suppliers are also required to establish manager in charge of poisons, poisonous materials, specified chemical substances, and hazardous materials, depending on the chemical substances used in the business.

Government permits/licenses concerning environmental impact assessment and hazardous materials handling facilities may be needed, depending on the contents of the business and the location of the factory.

[II-5] Promote resource and energy saving by reusing, reducing, and recycling (3R)

Suppliers are requested to promote “resource saving” and “energy saving” in order to reduce the environmental burdens associated with business activities.

Resource saving means striving to effectively utilize resources, including achieving a reduction in the amount of resources to be used in manufacturing the products and a reduction of waste, as well as promoting the utilization of recycled resources and parts.

Energy saving means striving to rationalize the use of heat and electric energy, so that fuel resources such as oil, natural gas, coal, coke etc., can be effectively utilized.

3R stands for Reduce, Reuse, and Recycle.

[II-6] Appropriate disposal of waste and reduction of final waste

Suppliers are requested to comply with the laws and regulations regarding appropriate waste disposal, recycling, etc., and to promote the reduction of final waste arising in the course of manufacturing the products, etc.

Appropriate waste disposal means the appropriate disposal, at the responsibility of a business operator, of any waste which arises in connection with business activities, including in the course of development and manufacturing, and logistics.

Final waste means the final waste arising due to landfill, burning, etc.

III Occupational Health and Safety

[III-1] Take safety measures for machinery and equipment

Suppliers are requested to take appropriate safety measures in relation to the machinery, equipment, etc., used in their company.

Appropriate safety measures means management to prevent accidents and health problems from occurring during working hours, including the following examples:

- (1) Adoption of safety mechanisms such as called fail-safe, foolproof, and inter-lock;
- (2) Installation of safety devices and protective barriers;
- (3) Periodic inspection and maintenance of machinery and equipment.

[III-2] Promote workplace safety

Suppliers are requested to evaluate their workplace safety risks and to ensure safety in the workplace with appropriate design, technique, and control method.

The risk to safety in the workplace means the potential risks of accidents and health problems occurring during working hours, such as electric shocks or other energy-caused accidents, fire, vehicular accidents, slippery floors and falling objects.

The following are some examples of appropriate design, technology and control methods:

- Monitoring dangerous places with sensors;

- Blocking off power sources for machinery and equipment by locking the same (lock out);
- Installing a tag/notice which specifies the prohibition of operating an energy-blocking device while the power source is blocked (tag out);
- Provision of protective equipment, such as glasses, goggles, hard hats and gloves.

[III-3] Promote hygiene in the workplace

Suppliers are requested to grasp the conditions in the workplace in relation to chemical substances, noises, and foul odors, which are harmful to the human body, and to take appropriate measures.

Chemical substances that are harmful to the human body include soot and smoke, steam, mist, dust, poisonous materials, nuclear radiation, and substances that cause chronic diseases (lead, asbestos, etc.). Furthermore, noises and foul odors, etc., are also included in such substances which may be harmful to the human body in extreme cases.

Appropriate measures may include, as follows

- Identification of the possibility of exposure to such harmful elements, and assessment thereof;
- Establishment and operation of management criteria;
- Appropriate education of employees on hygiene issues;
- Provision of protective devices to employees, etc.

[III-4] Take appropriate measures for occupational injuries and illnesses

Suppliers are requested to grasp the situation of occupational injuries and illnesses in the workplace, and to take appropriate measures.

Appropriate measures include:

- Rules and programs that promote reporting by employees;
- Classification and record of injury/illness;
- Provision of required medical treatment;
- Investigation of injury/illness;
- Taking corrective measures to prevent any causes of such injuries or illnesses;
- Systems or measures enabling employees to return to the workplace (including purchasing workers' compensation insurance, or taking necessary actions in relation to applicable governmental authorities).

[III-5] Emergency response

Suppliers are requested to prepare emergency response measures for possible disasters and accidents in order to protect the life and limb of each individual employee, and to cause the workplace to be thoroughly informed thereof.

Emergency response measures may include, for example:

- Prompt reporting during an emergency;
- Notification to employees;
- Clarification of evacuation procedure;
- Installation of evacuation facilities;
- Storing of emergency medical products;
- Installation of fire detecting system and fire containment device;
- Securing external communication method;
- Development of recovery plan etc.

The methods for causing employees to be thoroughly informed in the workplace may include:

- Providing emergency response education to employees (including evacuation drill)
- Storing or posting emergency response procedures, etc., within easy reach of employees in the workplace.

[III-6] Give consideration to physically burdensome work

Suppliers are requested to identify any physically burdensome work, and to appropriately control such work so that no related injuries and illnesses occur.

Operations that require physically burdensome work may include heavy labor such as manually carrying heavy objects as well as long-term, repetitive and continuous work such as assembly work and data entry work.

Appropriate control includes periodic breaks, the provision of assistive devices, burden sharing and cooperation among multiple workers, etc.

[III-7] Promote safety and hygiene in all company facilities

Suppliers are requested to appropriately maintain safety and hygiene in all company facilities provided for employees.

The facilities provided for employee's living include those provided in the workplace for the employees (cafeterias, restrooms, locker rooms, etc.), as well as any facilities provided for employees outside of the workplace.

Maintaining cleanliness/sanitation, securing safe drinking water, taking measures against fire, air ventilation, temperature control, emergency escape routes (exit), and storing personal belongings in a safe manner are all included as examples of securing safety and hygiene.

[III-8] Promote health management for employees

Suppliers are requested to provide appropriate health management for all employees.

Appropriate health management strives to achieve the prevention and early detection of diseases for employees by providing medical checkups at least in accordance with the minimum standards stipulated by law. In addition, careful consideration needs to be paid to the prevention of health problems and mental health issues due to overwork.

IV Product Quality and Safety

[IV-1] Ensure product safety

In designing the products at their own responsibility, suppliers are requested to ensure that their products will satisfy the safety standards defined by the laws and regulations of each relevant country.

In the product design phase, suppliers shall design the products in a manner that can sufficiently ensure product safety, and shall sell products by taking their responsibility as a manufacturer into consideration. With regard to product safety, legal compliance as well as the level of safety that should normally be maintained must be taken into consideration.

The laws, regulations, etc., relating to product safety in Japan include:

- the Electrical Appliances and Materials Safety Act;
- the Consumer Products Safety Act; and
- the Household Goods Quality Labeling Act;

Safety standards are defined in detailed regulations provided by laws, the JIS, etc.

V Fair Trading and Ethics

[V-1] Prohibit corruption and bribery

Suppliers are requested to maintain a sound and normal relationship with politicians and public administrators, without engaging in any bribery and/or making illegal political donations to any public officials, including foreign public officials.

Engaging in bribery means any act of offering money, entertainment, gifts, or other benefits or facilities to any public servants or equivalent persons (hereafter, collectively referred to as public officials), in the pursuit of receiving some sort of business advantage in return, such as an approval and license, the acquisition/maintenance of trading, or access to non-disclosed information.

Bribery also includes entertainment or gift-giving that goes beyond social conventions even if no business return is sought.

Making illegal political donations means any act of contributing political donations in return for some business advantage, including approvals and licenses, the acquisition/maintenance of trading, or access to non-disclosed information; or making any political donations without going through normal procedures.

[V-2] Prohibit abuse of a superior position

Suppliers are requested not to cause disadvantage to their suppliers by abuse of a superior position.

Abuse of a superior position means acts of unilaterally determining or changing trading conditions with suppliers and others or imposing unreasonable requests or obligations on suppliers and others, by exploiting a position as a purchaser or outsourcer.

Deployment transactions shall be conducted in a fair and sincere manner based on contracts, etc., without abuse of a superior position. In countries with legislation relating to abuse of a superior position, the relevant laws and regulations shall be observed. (e.g. the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (“Anti-Monopoly Act”) and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (“Subcontractors Act”))

[V-3] Prohibit the offering and receiving of inappropriate profit and advantage

In relation to stakeholders, suppliers are requested not to offer inappropriate benefits to and/or receive inappropriate benefits from any antisocial forces, etc.

Acts of inappropriate benefit offering/receipt include, for example:

- (1) Acts of bribery, such as offering or receiving a gift, award, prize money, etc., beyond the bounds stipulated by the laws or regulations to/from a customer, or providing or receiving money/valuables or entertainment beyond social norms;
- (2) Acts of providing benefits to any anti-social forces (i.e. a criminal organization, a member of a criminal organization, a crime syndicate, a terrorist organization, etc.) that adversely affects the social order and regular behavior;
- (3) Acts of engaging in insider trading wherein the shares of a company are traded based on material non-disclosed information relating to the business of the customers, etc.

[V-4] Prohibit impediments to free competition

Suppliers are requested not to impede fair, transparent and free competition.

Acts impeding competition mean acts of making agreements regarding product/service prices, quantities, sales areas, etc. (cartels) with other companies in the same industry, or making prior arrangements with other bidders about the winning bidder and successful tender price (collusive bidding).

Furthermore, obtaining and utilizing the trade secrets of other companies in an illegal manner, showing false indications or showing indications that may cause misunderstanding by the customers regarding other companies' products, also constitute acts of unfair competition.

[V-5] Provide accurate information on products and services

Suppliers are requested to provide accurate information on products and services to consumers and customers.

Accurate information means, for example:

- (1) Specification, quality, and handling procedures for the products/services shall be accurate.
- (2) Information on substances contained in product materials and the components used in such products shall be accurate.
- (3) Expressions which go against the facts or expressions that may cause a false recognition among consumers or customers shall not be used in any indications and advertisements/promotions, etc., relating to the products and services, and contents such as slander, defamation, or infringement upon the rights, etc., of other companies or individuals shall not be included therein.

[V-6] Respect intellectual property

Suppliers are requested not to infringe upon the intellectual property rights of other parties.

Intellectual property rights (IPR) include patent rights, utility model rights, design rights, trademark rights, copyrights, trade secrets, and so on.

Prior to development, production, sale, and/or provision of a product/service, a preliminary IPR

survey of third parties shall be sufficiently conducted. Unless there are any justifiable reasons, unauthorized use of any third party's IPRs will constitute an infringement upon such party's IPRs. For example, the following acts constitute infringement upon IPRs:

- (1) Illegal duplication of computer software and other copyrighted works; and
- (2) Acquisition and use of any third party business secrets by illegal means.

[V-7] Appropriate export control

Suppliers are requested to develop a clear-cut control system and take proper export procedures, regarding exports of technologies and goods regulated by laws and regulations.

Technologies and goods regulated by laws and regulations include parts, products, technologies, equipment, and software, etc., for which exports thereof are regulated by international treaties/agreements/regulations (such as the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies) and domestic laws. Exporting may require specific procedures such as acquiring permission from the regulatory governmental authorities.

[V-8] Provision and disclosure of information

Suppliers are requested to positively disclose company information to stakeholders, irrespective of whether or not such suppliers are obliged to publish such information by laws, regulations, etc.

The information to be provided/disclosed for stakeholders includes details of business activities, financial status, business performance, risk information (e.g. damage due to large-scale disaster, any occurrence of an adverse effect on the environment and society, discovery of a material violation of laws or regulations), and so forth.

[V-9] Prevention and early detection of improper acts

Suppliers are requested to perform activities to prevent any improper act, and to promptly establish a system that enables the early detection of improper acts and the prompt response thereto.

Preventing improper acts means providing employees with training and enlightenment as well as creating a workplace in which free and vigorous communication/discussions may be engaged in.

Typical examples of measures for a “system that enables the early detection of improper acts and the prompt response thereto” are as follows:

Installing in-house and external whistleblowing contact in relation to improper acts so that the top management can discover improper acts at an early stage.

VI Information Security

[VI-1] Secure protection against computer network threats

Suppliers are requested to take protective measures against threats on computer networks, and not to cause any damage to their company and others.

Threats on computer networks refer to, for example, the flow of information due to computer viruses, computer worms, and spyware.

Any leakage of any customer information or confidential information may cause both an interruption to business and a grave loss in confidence.

Therefore, it is important to take measures against threats against computer networks so that there will be no negative effects, either internally or externally.

[VI-2] Prevent leakage of personal information

Suppliers are requested to appropriately control and protect personal information of employees, customers, and third parties.

Personal information means information on live individuals that can identify a specific person by name, date of birth, and other descriptions in the information (including information that can be easily compared with other information to identify a specific person.)

Appropriate control means the construction and operation of an overall management scheme on personal information, and includes creating regulations and guidelines to be observed by employees, making plans, implementing programs, and conducting internal audits and reviews based on such management scheme.

Appropriate protection means not unreasonably or improperly obtaining, utilizing, disclosing, or leaking personal information.