

2. Long-Term

INTEGRATED RESORT BUSINESS

Casinos and the SEGA SAMMY Group Vol. 2



A rendering of the integrated resort that PARADISE SEGASAMMY is developing

Focusing on Casino Operations' Huge Potential

Deliberations are under way on a bill for the promotion of integrated resorts, provisionally called the casinos bill, with a view to creating integrated resorts, which have become a focus of attention as a potential pillar of Japan's economic growth strategy.

Singapore is a good example of the major economic benefits that integrated resorts bring. Thanks to the opening of two integrated resorts in 2010, between 2009 and 2013 visitors to Singapore from overseas increased 60%, to 15.5 million, and tourism revenues grew more than 80%. As a result, nominal GDP per person sustained annual growth of 9.48%* to reach 1.4 times that of Japan in 2013. Other positives for Singapore included the economic benefits of construction investment before the integrated resorts opened; the creation of approximately 60,000 new jobs once they opened, including jobs created indirectly; and higher tax revenues. If a series of processes proceeds smoothly, actual casino operations could begin in Japan around 2020. Prior investment is required to acquire a license as a private-sector casino operator, and the SEGA SAMMY Group is one of the corporate groups moving forward with such preparations.

Integrated resorts promise a wide range of business opportunities. Their development will create real estate development opportunities. After they begin operations, opportunities will include casino machine sales, casino operations, and hotel and facility management. Regarding the casino machine business, in June 2013 we established SEGA SAMMY CREATION INC., which is using our leading-edge technology, keen discernment, and abundant experience to develop casino machines. Meanwhile, Japan lacks companies with expertise in casino operations. Therefore, we are putting particular effort into accumulating such expertise, which will not only be an important requirement for acquiring casino licenses but will also lead to significant business opportunities.

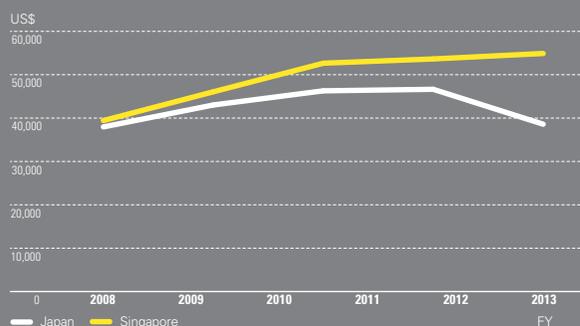
Sources: Singapore's overseas visitor numbers and tourism revenues are from the Singapore Tourism Board. Nominal GDP figures are from *World Economic Outlook*, 2014, International Monetary Fund (IMF).

* CAGR (Compound Average Growth Rate)

Economic Benefits of Integrated Resorts in Singapore

- Visitors from overseas Up **60%**
- Tourism revenues Up **80%**
- Direct employment **20,000** people

Nominal GDP per Person



Source: International Monetary Fund, World Economic Outlook Database, April 2014

Special Feature “Growth Drivers”



Incheon

Deploying Personnel to Casino Operations to Acquire Know-How

We are accumulating know-how in casino operations and management at *Paradise Casino Incheon*, located in the International Business Center area next to Incheon International Airport. In May 2014, we began sending key personnel to PARADISE SEGASAMMY Co., Ltd., a joint venture that we established with the Paradise Group of South Korea and in which we have a 45% stake.

Furthermore, in the International Business Center area PARADISE SEGASAMMY is developing a large-scale integrated resort. Envisioning tourists from Asia centered on China and Japan as our main customer group, we plan to create one of South Korea’s largest casino floors—more than 10,000 square meters—on an approximately 330,000-square meter lot. In addition, the integrated resort will have a hotel with 700 guest rooms, MICE* facilities, restaurants, and various stores. During the period until we cut the tape on the integrated resort in 2017, we will extend our lead over rivals in terms of accumulated know-how.

* This is a business tourism format. The acronym stands for Meetings, including training and seminars; Incentives, referring to employee-reward tourism; Conferences or Conventions, such as academic conferences and international meetings; and Exhibitions or Events.

TOWARD REALIZATION OF INTEGRATED RESORTS

(1) Personnel accumulating know-how at *Paradise Casino Incheon*

“I want to build a facility in Japan unlike any other in the world.”

SHIGEKI AOYAMA Senior Manager, Operation Department, PARADISE SEGASAMMY Co., Ltd.

Since May 2014, I have been working at PARADISE SEGASAMMY in South Korea. My mission is to accumulate and apply know-how in three steps. The first step is to acquire operational and business management know-how at *Paradise Casino Incheon*, where I currently work. The second step will be to learn the professional skills needed to launch operations at the integrated resort we plan to open nearby in 2017. In the third step, I will apply the know-how acquired to plan, develop, and open integrated resorts in Japan.

After arriving, the first thing I did was to undergo training about the rules of casino games and dealers’ duties. I worked as a dealer, and, as well as learning how games proceed and how to handle cards and chips, I received training about a variety of operations pursuant to casino management regulations. At present, I am working as a floor person on the casino floor. The wide variety of duties this job entails makes it ideal for learning about casino frontline operations. Also, I feel the Japanese personnel have developed good relationships with local personnel. We often have dinner together, and they refer to us as part of their family. After experiencing frontline operations, each team member will move on to specialist areas, such as sales planning and marketing, accounting, and systems.

Because this business does not exist in Japan, every day brings fresh surprises. Also, using multiple languages is a constant challenge because as well as speaking to local personnel in Korean, we deal with customers not only from China but from English-speaking countries. I want to overcome these challenges as we are likely to face them if the casinos bill is passed in Japan and establishing integrated resorts becomes possible. We are still at the stage of learning the ABCs of casino management. However, in preparation for the day when we are able to create integrated resorts in Japan, I want to acquire knowledge that will help us develop uniquely Japanese integrated resorts.



Shigeki Aoyama (third from the left), who is learning about casino operational management at *Paradise Casino Incheon*