

Discussion: The Governance of the SEGA SAMMY Group



Yuji Iwanaga
Outside Director

Takeshi Natsuno
Outside Director

Two of the outside directors of SEGA SAMMY HOLDINGS exchanged opinions about the role outside directors should play in strengthening corporate governance of the Group, the type of corporate governance it should seek, growth strategies it should tackle, and other related management issues.

Overall Evaluation of Corporate Governance

Natsuno Partly because it is in a business where putting one foot wrong in measures for pachislot and pachinko machines or amusement centers can lead to criticism from society, the SEGA SAMMY Group has adopted a rigorous approach to corporate governance, compliance, and disclosure. Also, the Group has become more proactive in the appointment of outside directors. Japan's Corporate Governance Code calls for companies to appoint at least two outside directors. For this reason, many companies are appointing outside directors for the first time or increasing the number of outside directors. Among these companies, I have heard of some that are complying with the code and appointing outside directors reluctantly. However, SEGA SAMMY HOLDINGS appointed two outside directors in 2007—long before the establishment of the Corporate Governance Code. Moreover, the Group appointed an additional outside director in 2016. As a result, three of its eight directors are outside directors. I do not feel the Group has simply appointed outside directors; rather, it has established an appropriate culture in which outside directors can state opinions freely and business management reflects their recommendations and criticisms.

Iwanaga Yes, there have been times when outside directors' opinions have triggered complex discussions that have ultimately led to the withdrawal of proposals.

Natsuno I believe that is how a board of directors should be. As well as providing external knowledge and expertise, outside directors should encourage lively debate. If processes only include internal directors, they may discuss matters before submitting them to the board of directors for approval. In such cases, because having a proper discussion at the meeting of the board of directors is difficult, outside directors need to interject. I think meetings of the board of directors that rubber stamp proposals are meaningless.

Iwanaga In 2015, the Group established the Independent Advisory Committee.* I think the creation of a formal forum that facilitates communication between the senior management team and outside directors and outside Audit and Supervisory Board members is really beneficial. Also, because we have recently had the opportunity to attend meetings of the Group Management Strategy Committee, we are able to understand the development of proposals before submission to the Board of Directors. I feel this helps us have discussions that are more in-depth.

* Please see page 68.

Natsuno I think that precisely because outside directors do not always understand matters, they are in a good position to point out that things do not add up when a proposal seems irrational. Therefore, I ask the secretariat not to tell me too much about proposals or situations before meetings of the Group Management Strategy Committee or the Board of Directors. The Group did not establish the Independent Advisory Committee as a formality; it has really lively discussions. At meetings of the committee, I state opinions without reservation. Although, I have never been one to shy away from saying what I think.

Iwanaga Because I am a lawyer by profession, I choose my words carefully in certain situations. However, because I am also the type of person who clearly says what needs to be said, I have never held back in any way from pointing out issues. When examining agenda items submitted to the Board of Directors, I use the same rule of thumb to reach a decision: whether or not a proposal is good for the SEGA SAMMY Group. To be more specific about what is “good for” companies, decisions that contribute to the long-term enhancement of corporate value benefit shareholders without a doubt. Further, this should be an attribute of all decisions. I even think that shareholders who only focus on shareholder returns should not be valued.

Natsuno I think you are exactly right. Although we talk about things being “for shareholders,” there is essentially no conflict between shareholders and business managers. I think companies with effective corporate governance are companies that do not see their relationship with shareholders as confrontational. There are many positive aspects to companies in which the president owns more than half of the shares, including rapid decision making, interests that coincide with those of shareholders, business management based on a long-term viewpoint, and a willingness to incorporate external opinions. On the other hand, rather than whether or not directors are acting to benefit a

company, directors making statements and acting in a manner that panders to the majority shareholder’s inclinations is a danger that requires care. In other words, there is a potential conflict of interests with minority shareholders. Therefore, in my view our role is to provide oversight in this regard.

Iwanaga To put it another way, using “whether or not a proposal is good for the SEGA SAMMY Group” as a criterion means focusing on the development of a “good corporate group.” A good corporate group is one that benefits stakeholders in a balanced manner. For example, balanced measures are called for due to the partial conflict of interest between shareholders who seek short-term gain and those who expect long-term enhancement of corporate value. Of course, companies must carefully consider balance not only in relation to shareholders but in relation to diverse stakeholders who share the benefits of companies, including employees, local communities, and business partners. I believe it is also the responsibility of outside directors to provide oversight with respect to whether these conflicting interests are treated in a balanced manner and whether decision making is biased in favor of certain stakeholders. Also, as a lawyer, I keep a sharp eye on compliance. I think the Group’s strong commitment to conducting rigorous internal audits is praiseworthy. However, because the complete penetration of these efforts will take time, I request rigorous reporting on progress.

Issues

Natsuno When proposals are submitted to the Board of Directors, in some cases they are based on logic that only makes sense from an in-house viewpoint. Based on a tacit understanding, internal directors tend to refrain from expressing opinions to one another. However, I focus on achieving appropriate discussions by clearly pointing out that other companies would not approve resolutions based on this type of logic. Particularly in periods like the one we

As well as providing external knowledge and expertise, outside directors should play a role that counters insiders’ logic and encourages appropriate debate.



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To enable the development of a “good corporate group,” I focus on ensuring balanced treatment of the interests of all stakeholders that support the Group—including shareholders, employees, local communities, and business partners.

are in at the present, which is characterized by volatile external conditions, in-house and external views of events can diverge markedly. Therefore, caution is called for due to the risk of actions based only on in-house logic resulting in tardy responses.

Iwanaga Certainly, we must take care with respect to the kind of insiders’ logic that can prevail among a group of people who are highly familiar with an industry. However, all insiders’ logic is not necessarily bad. I think there are likely to be reasons for it, so I try as far as possible to understand how insiders arrive at their conclusions.

Natsuno In my response to the evaluation of the effectiveness of the Board of Directors, conducted in May 2016, I stated that, due to the significant differences between business areas, there is a tendency for directors to express opinions actively about businesses for which they are responsible but not to express opinions very actively about other businesses. Although the Group’s Board of Directors is diverse as a result of operating businesses in a wide range of entertainment fields, I think more “friction” is needed to make full use of this diversity. Friction is the source of innovation. Also, issues previously unseen or overlooked. And, discussions and measures to overcome such issues will strengthen the Group’s business management. I think a task going forward is to cultivate an atmosphere in which there is more exchange of challenging opinions across the boundaries of business areas.

Iwanaga I also think exchanges of opinions among officers are needed. Within the Group, there are officers who do not make statements about other subsidiaries’ businesses because the subsidiaries for which these officers are responsible are in different industries and the officers lack expertise in those industries.

Instead, given that there are probably things that such officers can see precisely because they are not immersed in other businesses, I would like them to make statements as if they were the outside directors of other subsidiaries.

Integrated Resorts

Natsuno Initiatives to tackle integrated resorts exemplify the proactive business management that Japan’s Corporate Governance Code promotes. At present, uncertainties associated with existing businesses are increasing. Neither the Group nor any other corporate entity can say with certainty that it will grow stably over the next 10 or 20 years. Therefore, in spite of the inherent risk, seizing the opportunity that integrated resorts present makes sense, and I support this management decision.

Iwanaga I think doubts about taking on the challenge of integrated resorts are rooted in a view that there are many uncertainties and that integrated resorts are a special type of business. Admittedly, parts of this business area are currently prohibited in Japan. However, integrated resorts operate in many other countries. I have no objection to the Group tackling integrated resorts. The business area is unknown to most companies in Japan. Because the Group has the ability to utilize know-how and resources acquired through operations for pachislot and pachinko machines, amusement machine sales, and amusement centers it has a strong affinity with integrated resorts, and I think they represent an excellent opportunity.

Natsuno Overall, I could not agree more. However, with regard to strategic measures aimed at realizing integrated resorts, I do not think venturing into any business that is related to the Group’s

existing businesses is acceptable. Therefore, I intend to analyze business ideas to determine whether they will really contribute to the realization of long-term goals. And, I will continue sounding an alarm bell if decision making strikes me as simplistic.

Medium-Term Management Plan and Sustained Development

Natsuno The Group has announced its first medium-term management plan, which sets out priority management benchmarks and goals. Currently, the Group is still in the process of regaining a growth trajectory. The regulation of pachinko and pachislot machines is becoming stricter. Clearly, that trend is not going to change, and we cannot expect the Group's businesses to continue realizing the high levels of earnings of days gone by. The Group has established a clear strategy for its earnings structure. Previously it relied on Sammy as a single pillar. Then, as a second pillar, the Group added the former SEGA Corporation. From a long-term perspective, the Group aims to build integrated resorts into a third pillar. All that remains is for the Group to focus efforts on implementing the strategy. In particular, the SEGA Group undoubtedly has the competence to heighten its presence in the PC online game area and in apps for smart devices. Accordingly, I would like to see this group realize its true strength during the period of the medium-term management plan.

Iwanaga Although regulations are becoming stricter in the pachinko and pachislot machine industry, there have been some positive developments in the SEGA Group recently. Meanwhile, the SEGA SAMMY Group is establishing a new business area. However, given the numerous uncertain factors facing the Group, I cannot say that I am 100% sure that it will reach its targets. Nonetheless, I share

with internal directors and executive officers a determination to achieve a certain level of progress toward targets.

Natsuno To achieve the targets of the medium-term management plan and sustain growth thereafter, the Group will have to continue taking on such new challenges as integrated resorts and focus on business management that realizes employees' potential fully. A problem all Japanese companies face is that if employees can receive salaries and employment until retirement by working in an orthodox fashion, a relationship of mutual dependence inevitably develops between managers and employees, and competitiveness dissipates steadily. I think the SEGA SAMMY Group should aim to be a corporate group that creates systems which remove such dependence, maximize individual talents, and provide compensation befitting employees' capabilities and performance.

Iwanaga I also think that personnel are the most important factor. Looking ahead to the shape of future entertainment, it is critical to foster employees who have the sensitivity to contribute to progressive operations. However, the Pachislot and Pachinko Machine Business segment, the amusement center operations area, and integrated resorts are all in very challenging industries where each revision of related regulations changes business conditions dramatically. Consequently, even if business plans are prepared, in many cases operations do not proceed as expected. With this in mind, the Group has to build up strength that will enable it overcome changes in conditions through independent efforts. To this end, it is vital that the Group secures talented personnel and creates an environment that allows them to work efficiently. Furthermore, by ensuring that the management vision is shared and concrete strategies are implemented throughout its organization, the Group will steadily approach the goals for fiscal 2020 and sustain progress thereafter.



Corporate Governance System

Corporate Governance System at a Glance (As of June 30, 2016)

Format	Audit and Supervisory Board member system
Reason for adoption of format	Based on the view that this system enables directors to make prompt, optimal management decisions amid volatile business conditions based on their wealth of expertise and experience regarding the industry, market trends, products, merchandise, and services
Directors	8
Of whom, outside directors	3
Voluntary committees	Independent Advisory Committee
Term of directors	1 year
Incentives granted to directors	Introduction of stock option system
Individual disclosure of directors' compensation	Disclosure only for directors with total compensation of ¥100 million or more
Audit and Supervisory Board members	4
Of whom, outside Audit and Supervisory Board members	2
Independent directors	5 (3 outside directors, 2 outside Audit and Supervisory Board members)
Independent auditor	KPMG AZSA LLC
Term of auditing contracts	Renewed annually
Adoption of executive officer system	Yes

Main Measures to Strengthen Corporate Governance

1. Disclosed reasons for appointment of internal directors and Audit and Supervisory Board members
2. Established Independent Advisory Committee, comprising only independent outside directors and independent outside Audit and Supervisory Board members
3. Increased number of outside directors by one
4. Reduced number of directors by one
5. Disclosed medium-term management strategy and targeted management indicators

Main Functions

- Analyzing and assessing effectiveness of Board of Directors
- Participating in decision-making process for compensation of directors
- Assessing candidates for positions of director and Audit and Supervisory Board member

Basic Stance

SEGA SAMMY HOLDINGS and the SEGA SAMMY Group regard corporate governance as the most important foundation of corporate activities. Therefore, we have set forth Basic Policies on Corporate Governance consisting of three major corporate management tenets: enhance efficiency, secure a sound corporate organization, and increase transparency. These policies form the basis for addressing such important management issues as selecting Board candidates, deciding compensation for directors, implementing management oversight, and deciding compensation for Audit and Supervisory Board members. Further, the Company and the Group regard corporate social responsibility (CSR) activities as enabling the Group's sustained value creation and the ongoing advancement of stakeholders. To respond appropriately as a good corporate citizen to a wide range of social needs and expectations, the Group has established the Group CSR Promotion Office, which is dedicated to such activities. We have also established the Group Management Philosophy, the Group CSR Charter, the Group Code of Conduct, and the Group Management Policy, which are the foundations for our CSR activities. In addition, we establish or revise various in-house rules and manuals, which directly regulate and guide specific types of operational duties. Based on these structures, the whole Group develops CSR activities voluntarily and actively to build favorable relationships with its stakeholders.

Overview of the Governance Structure

The SEGA SAMMY Group has adopted an Audit and Supervisory Board member system to enable directors to make prompt, optimal decisions amid volatile business conditions based on their wealth of expertise and experience regarding the industry, market trends, products, merchandise, and services. At the same time, we have appointed outside directors and strengthened our executive officer system and internal auditing system, thereby reinforcing corporate governance with respect to operational management and oversight.

Comprising eight directors, the Board of Directors strives for agile business management. It convenes once a month in principle, holding extraordinary sessions as required.

Comprising four members, the Audit and Supervisory Board thoroughly examines and analyzes specific issues. It meets once a month and holds extraordinary sessions as required.

The SEGA SAMMY Group has established voluntary committees—the Group Management Strategy Committee and the Independent Advisory Committee—as well as the Group Compliance Liaison Committee, the Group Audit Liaison Committee, the Holdings Audit Liaison Committee, and the Audit and Supervisory Board Members and Internal Auditing Office Liaison Committee. These committees were established to facilitate intra-Group information sharing, discussion, verification, and coordination, and they are also tasked with issuing reports and making proposals to the Board of Directors. Furthermore, the Company has adopted an executive officer system with the aim of expediting management decision making and enhancing operational implementation and related oversight functions.

Responsibilities and Roles of the Board of Directors

The Company is a pure holding company. To expedite decision making, in principle, each operating company makes business-management decisions. However, the Board of Directors establishes separate monetary-amount standards for each operating company in light of its scale and business results, and resolutions of the Company's Board of Directors are required for important items relating to business management.

Also, actions of the Company as a shareholder in relation to operating companies, such as the approval of the appointment of subsidiaries' officers, require resolutions of the Board of Directors. In addition, resolutions of the Board of Directors decide important matters relating to the Company and the Group, such as items pursuant to laws and regulations or the Articles of Incorporation, Group reorganization or mergers and acquisitions, and entry into new business areas.

The Company controls the concurrent holding of the positions by directors and Audit and Supervisory Board members within reasonable limits to enable the performance of roles and duties. Directors and Audit and Supervisory Board members ensure that they have the necessary time and capabilities for the performance of roles and duties.

Outside Directors and Audit and Supervisory Board Members

The Company has eight directors, three of whom are outside directors and independent directors, as well as four Audit and Supervisory Board members, two of whom are outside Audit and Supervisory Board members and independent directors. At the various meetings that they attend, outside directors and outside Audit and Supervisory Board members provide guidance and advice based on their abundant experience and highly specialized knowledge.

Selection Procedures

Outside directors provide advice on raising the corporate value of the Company and the Group from an external perspective, based on their extensive expertise and experience. Aiming to enable the oversight of directors' implementation of operations, we appoint outside directors from among attorneys and business executives.

We appoint outside Audit and Supervisory Board members with

extensive expertise and experience in a wide range of areas because we appreciate the important role outside Audit and Supervisory Board members perform in realizing corporate governance by heightening the impartiality and independence of the auditing system. Also, we aim to ensure the soundness of business management through auditing from an objective standpoint.

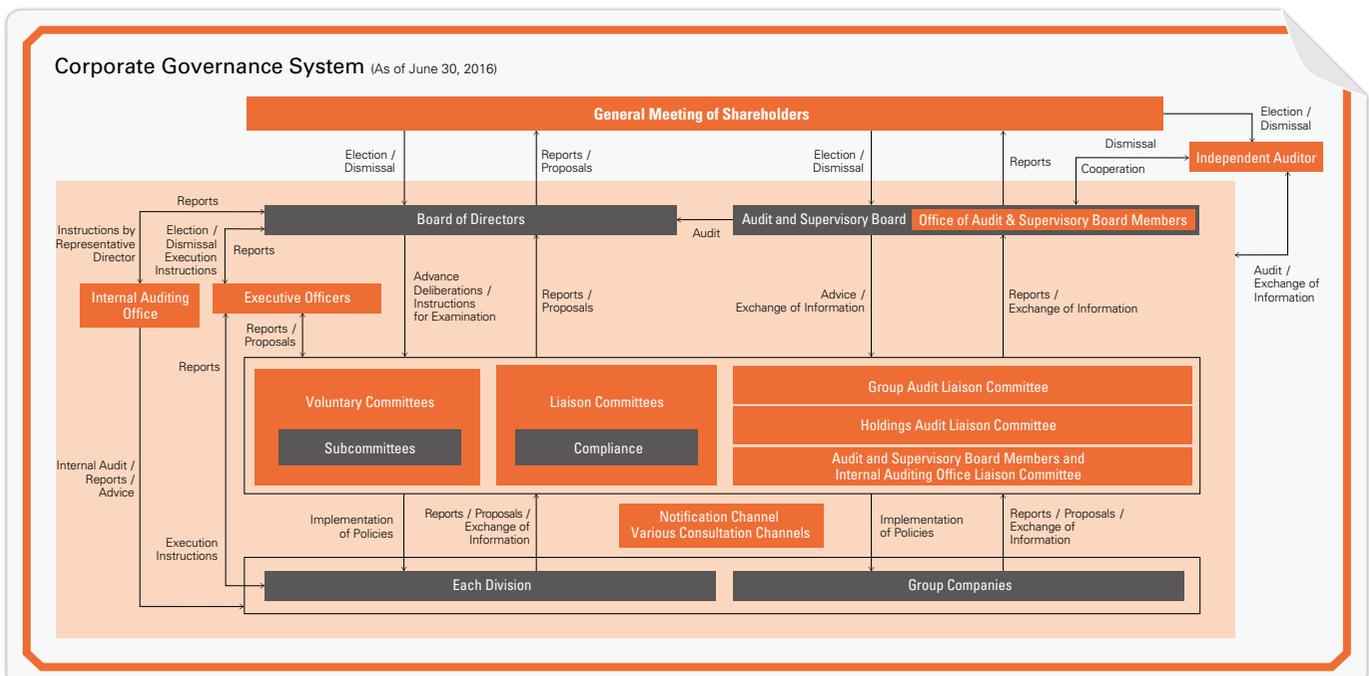
Policy regarding Independence

Regarding the independence of outside directors and outside Audit and Supervisory Board members, the Company determines "significant business partners" or "large monetary amounts," which are cited in the independence criteria stipulated by the Tokyo Stock Exchange (TSE), with reference to the publicly announced standard model for appointing independent directors and based on said criteria.

The Company has adopted a policy of appointing as independent directors all outside directors and outside Audit and Supervisory Board members that meet the independence criteria stipulated by the TSE. Accordingly, we have designated all currently serving outside directors and outside Audit and Supervisory Board members as independent directors.

Support System for Outside Directors and Outside Audit and Supervisory Board Members

To support the activities of outside directors, we have established secretariats for executive meetings to facilitate appropriate information distribution and to ensure that outside directors have sufficient time to examine the details of matters for resolution by the Board of Directors. To support the work of outside Audit and Supervisory Board members, we have established the Office of Audit and Supervisory Board members, which is under the direct control of the Audit and Supervisory Board. In accordance with Audit and Supervisory Board members' orders, the office's personnel assist Audit and Supervisory Board members in their duties. Furthermore, to ensure the independence of the office from the Board of Directors, the Audit and Supervisory Board must approve the appointment, transfer, and evaluation of the office's personnel. In addition, we have secretariats for executive meetings, the Office of Audit and Supervisory Board Members, the Internal Auditing Office, and the Internal Control Department to facilitate appropriate information distribution and to ensure that outside Audit and Supervisory Board members have sufficient time to examine the details of proposals and other information related to the meetings they attend.



Corporate Governance System

Independent Advisory Committee

The Independent Advisory Committee comprises all of the Company's independent outside directors and independent outside Audit and Supervisory Board members. In response to consultation by the Board of Directors or the chief executive officer, the Independent Advisory Committee provides opinions from an independent standpoint that primarily relate to analysis and assessments of the effectiveness of the Board of Directors as a whole; involvement in the decision-making process for compensation; and assessments of candidates for the positions of director or Audit and Supervisory Board member.

Assessment of the Effectiveness of the Board of Directors

With reference to the self-evaluations of each director, the Independent Advisory Committee analyzes and assesses the Board of Directors as a whole with respect to its size, composition, management method, deliberations, and support systems as well as other matters that are important for the effective performance of roles and duties by the Board of Directors. In fiscal 2016, each director responded to a questionnaire. In light of these responses, the Independent Advisory Committee conducted an assessment, reported the results to an ordinary Board of Directors' meeting convened at the end of May 2016, and discussed the issues raised. As a result, the committee confirmed the effectiveness of the Board of Directors. However, the committee's improvement recommendations indicated the need for (a) directors to express opinions more actively and to have livelier debate about business matters not related to their businesses and (b) rigorous follow-up reporting, including reporting on results and progress. In light of this effectiveness assessment, the Board of Directors will improve its functions and effectiveness.

Main points of the Independent Advisory Committee's assessment of the effectiveness of the Board of Directors (fiscal 2016)

- ▶ Confirmed the effectiveness of the Board of Directors
- Independent Advisory Committee's improvement recommendations**
- ▶ Need for directors to express opinions more actively and to have livelier debate about business matters not related to their businesses
- ▶ Need for rigorous follow-up reporting, including reporting on results and progress

Policy for the Nomination of Directors and Audit and Supervisory Board Members

In determining candidates for the positions of director and Audit and Supervisory Board member, the Company's basic policy is to conduct a comprehensive assessment of their personal qualities, expertise, knowledge, capabilities, and experience. The Independent Advisory Committee considers the candidates that the chief executive officer has nominated, interviews the candidates, and submits an opinion based on assessment results to the chief executive officer. With reference to these assessment results and in accordance with the above-mentioned policy, the chief executive officer determines candidates for the position of director or Audit and Supervisory Board member, and the Board of Directors examines and approves the candidates. The same procedure is followed if the Independent Advisory Committee recommends a candidate to the chief executive officer for the positions of director or Audit and Supervisory Board member.

Outside directors	Reason for appointment
Yuji Iwanaga	To reflect Mr. Iwanaga's perspective as an international attorney and extensive expertise in relation to business management of global corporations in the Company's business management
Takeshi Natsuno	To reflect Mr. Natsuno's wealth of experience and extensive expertise as a business executive in the Company's business management
Kohei Katsukawa	To reflect Mr. Katsukawa's wealth of experience and extensive expertise as a business executive in the Company's business management

Outside Audit and Supervisory Board members	Reason for appointment
Tomio Kazashi	To reflect Mr. Kazashi's wealth of experience and expertise in business and as an Audit and Supervisory Board member in the Company's auditing
Mineo Enomoto	To reflect Mr. Enomoto's expert perspective as an attorney and extensive expertise in relation to business management in the Company's auditing

Training of Directors and Audit and Supervisory Board Members

When appointing a director or Audit and Supervisory Board member, the Company conducts an orientation about its systems and provides opportunities to participate in training aimed at the acquisition of knowledge about the roles and duties that a director or Audit and Supervisory Board member of a listed company is expected to fulfill as well as about related laws and regulations and compliance. After appointing a director or Audit and Supervisory Board member, the Company continuously provides opportunities for them to acquire required knowledge. For example, after meetings of the Board of Directors the Company holds workshops, which are conducted by



outside lecturers who are lawyers or specialists in particular fields. Also, the Company encourages self-improvement by supporting participation in outside seminars or workshops.

▶ Compensation of Directors

The Company pays basic compensation to directors (excluding outside directors) commensurate with the significance of their positions and the scope of their duties and responsibilities. Also, the Company pays variable compensation, comprising bonuses and stock options, in light of its business results in the relevant fiscal year.

The chief executive officer indicates the basic policy on the determination of compensation to the Board of Directors. Based on delegation through a resolution of the Board of Directors, the chief executive officer consults with the Independent Advisory Committee regarding the assessment of each director. The committee assesses directors and the Board of Directors based on the achievements of each director. The committee submits an opinion to the chief executive officer based on the results. With reference to the committee's opinion, the chief executive officer determines an amount of compensation that is within the limit that the Ordinary General Meeting of Shareholders has approved for compensation* and reports the decision to the Board of Directors.

* A resolution of the Ordinary General Meeting of Shareholders in June 2012 set the limit for directors' compensation at ¥1 billion. A resolution of the Ordinary General Meeting of Shareholders of Sammy Corporation and a resolution of the Ordinary General Meeting of Shareholders of SEGA CORPORATION in June 2004 set the limit for Audit and Supervisory Board members' compensation at ¥50 million.

▶ Management Strategies and Management Plans

Given the characteristics of its businesses, the Company has refrained from disclosing its medium-term management plans and targeted management indicators until now. However, the Company is aware of the increased expectations of capital markets and will actively provide disclosures and explanations. On announcing its fiscal 2016 financial results in May 2016, the Company disclosed details of its medium-term management plan for the period ending in fiscal 2020, priority management indicators, and management goals.

▶ Shares Held for Strategic Reasons

In addition to shares it holds purely as investments, the Company holds shares to enable the expansion of operational alliances and business transactions and thereby enhance corporate and shareholder value. Meetings of the Board of Directors regularly verify economic rationality and outlooks in relation to such shares and consider the

pros and cons of holding the shares going forward. In exercising voting rights associated with the shares, the Company's criterion is whether proposals will contribute to the sustained growth of the Company and the investee and thereby enhance corporate value over the medium-to-long term.

▶ Transactions with Related Parties

Transactions between the Company and directors or between the Company and companies under the effective control of directors that would constitute a conflict of interest or competition with the Company require approval through a resolution of the Board of Directors pursuant to laws and regulations. Further, in securities reports the Company discloses transaction conditions and policies on the determination of transaction conditions. The Company has established systems to ensure that transactions with directors or companies under the effective control of directors and transactions with customers that are major shareholders do not disadvantage the Company.

▶ Compliance

Based on the Group Code of Conduct and the Group Management Policy, the SEGA SAMMY Group is undertaking a variety of initiatives to ensure that all employees are aware of compliance and to enable them to act appropriately. Furthermore, having identified loss risks within and outside the scope of its business management and clarified the tasks it should address, the Group implements operations and takes measures to reduce loss, minimize the loss of management resources, and prevent recurrence.

Established in fiscal 2010 to strengthen initiatives throughout the Group, the Group Compliance Liaison Committee spearheads efforts to build internal structures that enable sound management in accordance with statutory laws and regulations and social norms.

▶ For details, please see *SEGA SAMMY Group CSR Report 2016*.



Main Activities and Compensation in Fiscal 2016

Board of Directors	Meeting attendance
Board of Directors convened	15 times
Outside directors	
Yuji Iwanaga	Attended 15 of 15 meetings (including 12 of 12 ordinary Board of Directors' meetings)
Takeshi Natsuno	Attended 14 of 15 meetings (including 12 of 12 ordinary Board of Directors' meetings)
Outside directors' attendance	96.7%
Outside Audit and Supervisory Board members	
Tomio Kazashi	Attended 15 of 15 meetings (including 12 of 12 ordinary Board of Directors' meetings)
Toshio Hirakawa	Attended 15 of 15 meetings (including 12 of 12 ordinary Board of Directors' meetings)
Mineo Enomoto	Attended 15 of 15 meetings (including 12 of 12 ordinary Board of Directors' meetings)
Outside Audit and Supervisory Board members' attendance	100%

Principal decisions	
April 2015	Reorganized organizations within the Group
September 2015	Advanced structure reform of the Pachislot and Pachinko Machine Business
November 2015	Decided to sell shares of Index Corporation
January 2016	Decided to sell shares of Be Re-inc
March 2016	Established joint venture ZEEG Co. Ltd. with Universal Entertainment Corporation through Sammy Corporation
May 2016	Announced medium-term management plan and important management benchmarks
June 2016	Sent additional personnel to <i>Paradise Casino Incheon</i>

Compensation of Directors

Compensation of directors and Audit and Supervisory Board members for fiscal 2016 is as follows.

Position	Directors / Audit and Supervisory Board members	Total compensation (millions of yen)	Total compensation by type (millions of yen)			
			Basic compensation	Bonus	Stock options	
Directors	Internal	8	503	380	123	—
	Outside	2	32	32	—	—
Audit and Supervisory Board members	Internal	—	—	—	—	—
	Outside	2	26	26	—	—

The compensation paid to directors who received ¥100 million or more in consolidated compensation for fiscal 2016 is as follows.

Name	Position	Total consolidated compensation, etc. (millions of yen)	Company	Total consolidated compensation by type (millions of yen)		
				Basic compensation	Bonus	Stock options
Hajime Satomi	Director	448	The Company	248	50	—
			Sammy	—	150	—

Main IR Activities in Fiscal 2016

Financial results briefings	2 times
Quarterly financial results briefings (telephone conferences)	2 times
Small-scale roundtable meetings	3 times
One-on-one meetings (domestic investors)	137 times
One-on-one meetings (overseas investors)	155 times
Explanatory meetings by business segment (includes tours of facilities)	2 times
Overseas roadshows	4 (North America 1, Asia 2, Europe 1) times
Conferences	5 times
Events for individual investors	2 times

Corporate Value

	March 31, 2015	March 31, 2016	YoY change
SEGA SAMMY HOLDINGS INC. shares (closing price: Yen)	1,754	1,227	-30.0%
TOPIX (closing price: points)	1,543.11	1,347.20	-12.7%
Cash dividends paid	¥9,634 million	¥9,375 million	
Consolidated dividend payout ratio	—	174.7%	

Principal IR Awards Received

FY2015 Nikkei Annual Report Award, Excellence Award (February 2016)

Internet IR Commendation Award 2015 Daiwa Investor Relations Co., Ltd. (November 12, 2015)



Directors, Audit and Supervisory Board Members, and Executive Officers

As of June 17, 2016

Directors



Hajime Satomi

Chairman of the Board, Chief Executive Officer, and Chief Operating Officer

- 1980 President and Representative Director of Sammy Industry Co., Ltd. (now Sammy Corporation)
- 2003 Chairman and Director of Sammy Networks Co., Ltd.
- 2004 Chairman and Representative Director of SEGA CORPORATION (now SEGA Games Co., Ltd.) Chairman, Representative Director, and Chief Executive Officer of Sammy Corporation
- Chairman, Representative Director, and Chief Executive Officer of SEGA CORPORATION
- Chairman of the Board and Chief Executive Officer of the Company
- 2005 Chairman and Director of SEGA TOYS CO., LTD. Chairman and Director of TMS ENTERTAINMENT CO., LTD.
- 2007 President, Representative Director, Chief Executive Officer, and Chief Operating Officer of SEGA Corporation
- 2008 Representative Director and Chief Executive Officer of the above
- 2012 Chairman of Sammy Corporation
- Chairman and Director of PHOENIX RESORT CO., LTD. (current position)
- Director of SEGA Networks Co., Ltd. (now SEGA Games Co., Ltd.)
- 2013 Chairman, Representative Director, and Chief Executive Officer of Sammy Corporation (current position)
- 2015 Chairman, Representative Director, and Chief Executive Officer of SEGA Holdings Co., Ltd. (current position)
- 2016 Chairman of the Board, Chief Executive Officer, and Chief Operating Officer of the Company (current position)



Naoya Tsurumi

Senior Managing Director

- 1992 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)
- 2005 CEO of SEGA Publishing Europe Ltd.
- 2006 CEO and President of SEGA Holdings U.S.A., Inc. Chairman of SEGA of America, Inc.
- 2008 Director of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2009 Managing Director of the above
- Chairman of SEGA Europe Ltd.
- 2012 President, Representative Director, and Chief Operating Officer of SEGA CORPORATION
- CEO and President of SEGA Holdings Europe Ltd. Director of the Company
- 2014 Vice Chairman of SEGA CORPORATION
- Senior Managing Director and Representative Director of the Company
- Vice Chairman and Director of PHOENIX RESORT CO., LTD. (current position)
- 2015 Vice Chairman of the Board of SEGA Holdings Co., Ltd. (current position)
- Chairman, President, and Representative Director of SEGA LIVE CREATION Inc. (current position)
- 2016 Senior Managing Director of the Company in charge of New Business Development Department and Corporate Business Department (current position)



Koichi Fukazawa

Managing Director and Chief Financial Officer

- 2003 Joined Sammy Corporation
- Executive Officer and General Manager of the President's Office of the above
- 2004 Executive Officer and General Manager of the President's Office of the Company
- 2005 Director and General Manager of Chairman and President's Office of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2007 President and Representative Director of SEGA SAMMY ASSET MANAGEMENT INC. (now MARZA ANIMATION PLANET INC.)
- Senior Executive Officer in charge of the Corporate Strategy and External Affairs of the Company
- 2008 Director and Division Manager of New Business Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2009 President and Representative Director of SEGA SAMMY VISUAL ENTERTAINMENT INC. (now MARZA ANIMATION PLANET INC.)
- 2014 Senior Managing Director and Representative Director of SEGA TOYS CO., LTD.
- 2015 Director of the above
- Director of the Company
- 2016 Managing Director and Chief Financial Officer of the Company, in charge of Corporate Planning Division, Finance and Accounting Division, General Affairs Division, Group Legal Head Office, and Strategic Planning Department (current position)



Haruki Satomi

Managing Director

- 2004 Joined Sammy Corporation
- 2005 Joined SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2009 Vice President of Digital Business of SEGA of America, Inc.
- 2012 President, Representative Director, and Chief Executive Officer of Sammy Networks Co., Ltd. Director of SEGA CORPORATION
- Director of the Company (current position)
- President, Representative Director, and Chief Executive Officer of SEGA Networks, Ltd. (now SEGA Games Co., Ltd.)
- 2014 Director of Sammy Corporation
- Executive Vice President and Representative Director of SEGA CORPORATION
- 2015 Executive Vice President and Representative Director of SEGA Holdings Co., Ltd. (current position)
- President, Representative Director, and Chief Executive Officer of SEGA Games Co., Ltd. (current position)
- Executive Vice President and Representative Director of Sammy Corporation
- 2016 President, Representative Director, and Chief Operating Officer of the above (current position)
- Chairman, Representative Director of Sammy Networks Co., Ltd. (current position)
- Director of Sega of America, Inc. (current position)
- Director of Sega Europe Ltd. (current position)
- Managing Director of the Company (current position)



Hideki Okamura

Director

- 1987 Joined Sega Enterprises, Ltd. (now SEGA Games Co., Ltd.)
- 1997 Director and Deputy Division Manager of Consumer Business Group Division, General Manager of Saturn Business Division of the above
- 2000 Director in charge of Dreamcast Business Division of the above
- 2002 Vice President and Representative Director of DigiCube Co., Ltd.
- 2003 Senior Executive Officer, Division Manager of Consumer Business Group Division of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2004 Director of TMS ENTERTAINMENT CO., LTD. Managing Director, Division Manager of Consumer Business Group Division of SEGA CORPORATION
- Director of the Company
- 2007 Director of SEGA CORPORATION
- 2008 President and Representative Director of TMS ENTERTAINMENT CO., LTD.
- 2014 Vice Chairman and Director of the above
- President, Representative Director, and COO of SEGA CORPORATION
- Director of the Company (current position)
- 2015 President, Representative Director, and Chief Operating Officer of SEGA Holdings Co., Ltd. (current position)
- Chairman, Representative Director of SEGA Games Co., Ltd. (current position)
- Chairman of the Board of SEGA Interactive Co., Ltd. (current position)
- Chairman, Representative Director of TMS ENTERTAINMENT CO., LTD. (current position)
- Chairman, Representative Director of SEGA TOYS CO., LTD. (current position)
- Chairman, Representative Director of MARZA ANIMATION PLANET INC. (current position)
- Chairman, Representative Director of DARTSLIVE Co., Ltd. (current position)
- President, Director of SEGA ENTERTAINMENT Co., Ltd. (current position)

Directors, Audit and Supervisory Board Members, and Executive Officers

Outside Directors



Yuji Iwanaga*1

Outside Director

- 1981 Registered with The Japan Federation of Bar Associations
 1984 Partner of Lillick McHose and Charles Law Office
 (now Pillsbury Winthrop Shaw Pittman LLP)
 (current position)
 Registered with the State Bar of California
 2003 Outside Director of Manufacturers Bank
 2005 Outside Director of JMS North America Corporation
 (current position)
 2006 Outside Director of TAIYO YUDEN Co., Ltd.
 2007 Outside Director of the Company (current position)



Takeshi Natsuno*1

Outside Director

- 2005 Executive Officer and Managing Director of Multimedia
 Services Department of NTT DoCoMo, Inc.
 2008 Outside Director of the Company (current position)
 Director of PIA CORPORATION (current position)
 Outside Director of transcosmos inc. (current position)
 Director of DWANGO Co., Ltd. (current position)
 Director of NTT Resonant Inc. (current position)
 Guest Professor, Graduate School of Media and
 Governance of Keio University (current position)
 2009 Outside Director of DLE Inc. (current position)
 Outside Director of GREE, Inc. (current position)
 2010 Outside Director of U-NEXT, Inc. (current position)
 2014 Director, Member of the Board of KADOKAWA DWANGO
 CORPORATION (current position)
 2016 Outside Director of Oracle Corporation Japan (current position)



Kohei Katsukawa*1

Outside Director

- 1974 Joined Sumitomo Bank
 (now Sumitomo Mitsui Banking Corporation)
 2001 Executive Officer, Head of Osaka Corporate Banking
 Division II of the above
 2005 Managing Executive Officer, Deputy Head of Wholesale
 Banking Unit (in charge of East Japan) of the above
 2007 Executive Vice President and Representative Director of
 NIF SMBC Ventures Co., Ltd.
 (now SMBC Venture Capital Co., Ltd.)
 2010 President and Representative Director of
 SMBC Venture Capital Co., Ltd.
 2014 President and Representative Director of GINSEN Co., Ltd.
 2016 Outside Director of the Company (current position)

Audit and Supervisory Board Members



Tomio Kazashi*2

Standing Audit & Supervisory Board Member

- 1990 Director of Cosmo Securities Co., Ltd.
- 1996 Managing Director of the above
- 1999 Managing Director of Cosmo Investment Management Co., Ltd.
- 2005 Standing Audit & Supervisory Board Member of Sammy Networks Co., Ltd.
- 2008 Substitute Audit & Supervisory Board Member of the Company
- 2009 Audit & Supervisory Board Member of Sammy Networks Co., Ltd.
- Audit & Supervisory Board Member of SEGATOYS CO., LTD. Standing Audit & Supervisory Board Member of the Company (current position)
- 2012 Audit & Supervisory Board Member of SEGA Networks Co., Ltd. (now SEGA Games Co., Ltd.)
- 2015 Audit & Supervisory Board Member of SEGA LIVE CREATION Inc. (current position)



Yukito Sakaue

Audit & Supervisory Board Member

- 2003 Joined Sammy Corporation as General Manager of Audit Office
- 2004 General Manager of Legal Department of Administration Division of the above
- 2006 General Manager of Corporate Auditors' Office of the Company
- 2014 Audit & Supervisory Board Member of the Company (current position)
- Standing Audit & Supervisory Board Member of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2015 Standing Audit & Supervisory Board Member of SEGA Holdings Co., Ltd. (current position)
- Audit & Supervisory Board Member of SEGA Games Co., Ltd. (current position)
- Audit & Supervisory Board Member of SEGA Interactive Co., Ltd. (current position)
- Audit & Supervisory Board Member of TMS ENTERTAINMENT CO., LTD. (current position)
- Audit & Supervisory Board Member of MARZA ANIMATION PLANET INC. (current position)



Shigeru Aoki

Standing Audit & Supervisory Board Member

- 2005 Joined SEGA CORPORATION (now SEGA Games Co., Ltd.) as Head Councilor
- Corporate Officer and General Manager of Office of China and Asia Business Management of the above
- 2006 President of Sega Networks (China) Co., Ltd.
- 2008 Executive Officer and General Manager of Business Administration Department of Sammy Corporation
- Executive Officer and General Manager of Corporate Division of the above
- 2009 Director and General Manager of Corporate Division of the above
- 2011 Managing Director and General Manager of Corporate Division of the above
- 2012 President, Representative Director, and Chief Operating Officer of the above
- 2013 Director of the Company
- 2016 Vice Chairman, Representative Director of Sammy Corporation Standing Audit & Supervisory Board Member of the Company (current position)

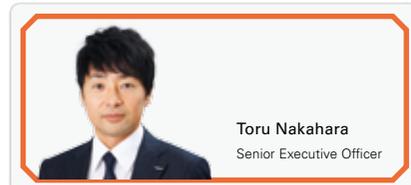


Mineo Enomoto*2

Audit & Supervisory Board Member

- 1978 Registered with The Japan Federation of Bar Associations
- 2000 Established Enomoto Law Office (current position)
- 2004 Audit & Supervisory Board Member of Sammy Networks Co., Ltd.
- Audit & Supervisory Board Member of SEGA CORPORATION (now SEGA Games Co., Ltd.)
- 2005 Substitute Audit & Supervisory Board Member of the Company
- 2006 Audit & Supervisory Board Member of Nippon Koei Co., Ltd. (current position)
- 2007 Audit & Supervisory Board Member of the Company (current position)
- 2014 Audit & Supervisory Board Member of SHIMOJIMA Co., Ltd. (current position)
- 2015 Audit & Supervisory Board Member of SEGA Holdings Co., Ltd. (current position)
- Audit & Supervisory Board Member of SEGA Games Co., Ltd.
- Audit & Supervisory Board Member of SEGA Interactive Co., Ltd.

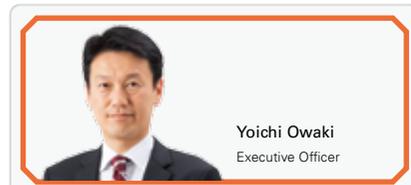
Executive Officers



Toru Nakahara
Senior Executive Officer



Makoto Takahashi
Senior Executive Officer



Yoichi Owaki
Executive Officer



Hiroshi Ishikura
Executive Officer



Takaharu Kato
Executive Officer



Takatoshi Akiba
Executive Officer



Koichiro Ueda
Executive Officer



Seiichiro Kikuchi
Executive Officer

*1 Qualified outside director as provided in Paragraph 2, Clause 15 of the Companies Act of Japan.

*2 Qualified outside company auditor as provided in Paragraph 2, Clause 16 of the Companies Act of Japan.