

Corporate Governance

Latest update: June 2019
Sega Sammy Holdings Inc.
Haruki Satomi,
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Director)
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2034
Securities Code: 6460
<https://www.segasammy.co.jp/japanese/>

The status of Sega Sammy Holdings Inc. (the “Company”)'s corporate governance is as set forth in the following:

I. Basic Principle Regarding Corporate Governance, Capital Composition, Corporate Attributes and Other Basic Information

1. Basic Principles

The Company and the Group position corporate governance as the most important foundation for facilitating good corporate behavior. The Company has the aim of “improving efficiency,” “securing soundness” and “enhancing transparency” of corporate management as its “basic policy for corporate governance”; based on which the Company has made determinations on important management issues, including appointment of director candidates, determination of directors’ remuneration, oversight of management, and determination of auditors’ remuneration.

Improving Efficiency

By establishing a prompt and appropriate decision-making process and improving the efficiency of corporate management, the Company aims to maximize its corporate value, thereby striving to provide appropriate returns to various stakeholders, including shareholders.

Securing Soundness

Amid the significantly transforming business environment, in order to maximize the Company’s corporate value, the Company will appropriately recognize and manage the various risks surrounding the Company, and will secure the soundness of management through the establishment of a system (compliance system) which enables the Company to properly handle such risks through the understanding of ethical and social norms, including laws and regulations, as well as the social values lying behind the foregoing and the changes thereof.

Enhancing Transparency

Given the increasing importance of information disclosure for companies, the Company will fulfill accountability for its stakeholders, including shareholders, and will further improve disclosure through proactively engaging in IR activities, thereby aiming to develop highly transparent management of the Company.

In addition, the Company and the Group view CSR activities as acts that will help to achieve both the creation of sustainable value of the Group and sustainable development of stakeholders; and have therefore established the CSR and SDGs Office as a department dedicated to CSR activities, so that the Company and the Group, as good corporate citizens, will be able to appropriately respond to a wide range of demands from society. Furthermore, the Company and the Group have established the “Group Mission,” “Group CSR Charter,” “Group Code of Conduct,” and “Group Management Policies,” revised and improved various internal rules, manuals and the like which

directly regulate specified business; and have developed CSR activities proactively and at the Company's and Group's own initiative for the Group as a whole to create a favorable relationship with our stakeholders.

[Reasons for Not Performing Principles Set Forth in the Corporate Governance Code]

The Company performs all of the principles set forth in the Corporate Governance Code.

[Disclosure in Accordance with Principles Set Forth in the Corporate Governance Code]

[Principle 1.4 Cross-shareholding]

The Company possesses shares for purposes other than speculation only in cases where the Company considers that the possession thereof will enable a business alliance, the expansion of transactions, etc., and will lead to an improvement in corporate value, thereby benefitting the shareholders. The Company examines the economic rationale, future outlook, etc., for the possession of such shares on a periodic basis at its Board of Directors meetings, and discusses whether or not the future possession thereof is possible.

In general, the Company exercises voting rights of such shares on all proposals based on whether or not adopting such proposals will contribute to the sustainable growth and mid-to-long-term corporate value enhancement of both the Company and the investee.

[Principle 1.7 Related Party Transactions]

In accordance with the laws and regulations, the Company requires a resolution of a Board of Directors meeting in order to engage in competitive or conflict of interest transactions with officers of the Company or with companies substantively controlled by any officer of the Company.

Transaction conditions, and the policy for determining transaction conditions, etc., are disclosed in the annual securities report.

In the event that any officer of the Company, any company which is substantially controlled by any officer of the Company, or any major shareholder, engages in any transaction as a customer of the Company, the Company has established a scheme under which the Company will not be treated in a disadvantageous manner.

Annual Securities Report (https://www.segasammy.co.jp/japanese/ir/library/printing_yuhou/)

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

In order to ensure that pensions and other benefits are provided in the future, the Company and some of its consolidated subsidiaries have established a foundation and set forth the rules and regulations, and have managed the pension funds in accordance with the rules and regulations.

Since there is a possibility that the management of the corporate pension funds affects the stable asset buildups of employees and the corporate finances of the Company group, the corporate pension division has experts with the necessary experience and qualities for asset management.

In addition, the corporate pension funds are managed under an appropriate system, such as monitoring the state of asset management through regular investment reports made by the fund management agencies.

[Principle 3.1 Full Disclosure: (1) Company's objectives (business principles, etc.), business strategies, business plans]

(i) For our group mission, business strategies, business plans, focused business indicators, and objectives, please see the Company's website, settlement of accounts documents, integrated reports, etc. (Note)

Group Mission (<https://www.segasammy.co.jp/japanese/pr/corp/ol/>)

Business Strategies and Business Plan

(<https://www.segasammy.co.jp/japanese/ir/management/>)

Settlement of Accounts Document

(<https://www.segasammy.co.jp/japanese/ir/library/presentation.do>)

Integrated Report

(https://www.segasammy.co.jp/japanese/ir/library/printing_annual/)

(Note) “Focused business indicators and objectives” were published at the briefing session for the settlement of accounts held on May 16, 2016.

Operating profit ratio: 15% for the fiscal year ending March 31, 2020

ROA: 5% for the fiscal year ending March 31, 2020

*ROA (%) = net income attributed to the shareholders of our parent company / total assets

[Principle 3.1 Full Disclosure: (2) Basic principles and policies on corporate governance based on each of the principles of the Code]

(ii) The Company has established a “Basic Policy for Corporate Governance” composed of “improving efficiency,” “securing soundness,” and “enhancing transparency” regarding corporate management, in order to maximize corporate value for stakeholders, including shareholders. Based on such policy, the Company determines and addresses important management issues, including appointment of director candidates, determination of the directors’ remuneration, and oversight of management.

The foregoing is disclosed in the annual securities report and the Corporate Governance reports, etc.

[Principle 3.1 Full Disclosure: (3) Policies and procedures in Board of Directors’ determination of the remuneration of senior management and directors]

(iii) The basic remuneration of directors (excluding external directors) shall be paid depending on the size of roles, scope of duties, and responsibilities of each title, and variable remuneration (bonus, stock options) shall be paid taking into consideration the operating results, etc., of the Company in the current fiscal year.

The President (Representative Director) presents the policy on the determination of the amounts of remuneration to the Board of Directors. Then, delegated by a resolution of the Board of Directors, the President (Representative Director) refers the evaluation on each Director to the Independent Advisory Committee. The Independent Advisory Committee then evaluates the directors and the Board of Directors based on the operating results of each Director, and submits its opinion as evaluation results to the President (Representative Director). Based on the opinion so submitted by the Independent Advisory Committee, the President (Representative Director) determines the amounts of remuneration within the range of the limit of the remuneration resolved at a General Shareholders Meeting, and reports the duly determined amounts to the Board of Directors.

The Company has conducted an overall review of the remuneration system for officers upon having passed resolutions at the Ordinary General Meeting of Shareholders held on June 21, 2019, with respect to revising amounts of remuneration for directors and adopting a restricted stock compensation plan to act as incentives for promoting management geared to ensuring transparency and enhancing the Group’s corporate value.

Matters such as the policy for determining officer remuneration, etc. for the fiscal year ending March 2020 and thereafter are disclosed in the annual securities report.

[Principle 3.1 Full Disclosure: (4) Policies and procedures in Board of Directors’ appointments and dismissals of senior management and nomination of Director and Audit & Supervisory Board Member candidates]

(iv) The basic policy for selecting Director and Audit & Supervisory Board Member candidates is to determine such candidates by comprehensively judging the character, knowledge, capacity, experience, and other factors of the candidates. The Independent Advisory Committee examines a proposal for such candidates submitted by the President (Representative Director), conducts interviews and the like with such candidates, and submits the evaluation results as its opinion to

the President (Representative Director). Based on such evaluation results, the President (Representative Director) shall judge the Director and Audit & Supervisory Board Member candidates in accordance with the above-mentioned policy, and then the Board of Directors shall discuss and approve such judgment. The same shall apply in the event of the Independent Advisory Committee recommending Director and Audit & Supervisory Board Member candidates to the President (Representative Director).

In the event that it is deemed that Director and Audit & Supervisory Board Members are unable to perform their duties due to a mental or physical incapacity or due to a serious breach of execution of duties, such as an improper act or violation of laws, regulations or the Articles of Incorporation, then the Independent Advisory Committee shall deliberate the appropriate action in a timely manner. Results of such deliberation will be compiled in a report to the Board of Directors whom will decide on the appropriate action against the individual or individuals.

[Principle 3.1 Full Disclosure: (5) Explanation of individual appointments and dismissals of senior management and nominations of candidates for the positions as Directors and Audit & Supervisory Board Members by the Board of Directors based on (4) above]

(v) Reasons for the appointments and dismissals of all Directors and Audit & Supervisory Board Members are disclosed in the convocation notice of a General Meeting of Shareholders (reference documents), etc.

Convocation notice for General Meeting of Shareholders:
<https://www.segasammy.co.jp/japanese/ir/stock/meeting/>

[Supplementary Principle 4.1.1]

The Company is a pure holding company; decisions on business management are, in principle, made at each business company, to enable prompt decision-making; provided, however, that a resolution made at a Board of Directors meeting of the Company is required for important management matters, including by way of taking into consideration the scale and operating results, etc., of each business company, and establishing standards for each individual amount.

In addition, a resolution made at a Board of Directors meeting of the Company is also required for actions taken by shareholders for business companies, including the appointment of officers of subsidiary companies.

In addition, the Board of Directors of the Company also determines matters stipulated in the laws and regulations or the articles of incorporation, as well as important matters relating to the Company and the Group, including Group reorganizations, mergers and acquisitions, and entry into new business areas.

[Principle 4.9 Independence Standards and Qualification for Independent External Directors]

The standards for “independence” of independent external officers of the Company presuppose compliance with the Companies Act and the regulations established by Tokyo Stock Exchange, Inc., in addition to which, the Company has established more stringent internal rules. The Board of Directors appoints, as Independent External Director candidates, those persons who are expected to contribute to constructive discussion in a candid and active manner at the Board of Directors meetings. A summary of the rules regarding independence is stated in the “Other Matters Regarding Independent Officers” section of this report.

[Supplementary Principle 4.11.1]

The Board of Directors is composed of six internal Directors who are familiar with domestic and overseas business and have the necessary knowledge for business operations, and four external directors who have specialized knowledge, experience, and expertise, and provide advice and supervision for management from the general viewpoint of society at large. The Company recognizes that the Board of Directors is appropriate in its size.

In connection with the appointment of a Director, the Independent Advisory Committee evaluates each

candidate to determine whether he/she is capable of appropriately performing his/her duty of care to act as a good and prudent manager and to contribute to the sustainable growth and enhancement of the corporate value of the Group as entrusted by shareholders to the management, and thereby endeavors to secure and improve the functions of the Board of Directors.

[Supplementary Principle 4.11.2]

Where Directors and Audit & Supervisory Board Members also serve as directors or audit & supervisory board members at other companies, such positions should be limited to a reasonable number to fulfill their roles and responsibilities, and necessary time and effort should be devoted to fulfilling such duties and responsibilities.

The status of holding concurrent positions as Directors and Audit & Supervisory Board Members is disclosed each year through a convocation notice for a General Shareholders Meeting or through the annual securities report. The same kind of disclosure is also made for the status of attendance by External Directors and External Audit & Supervisory Board Members at Board of Directors meetings.

[Supplementary Principle 4.11.3]

At the Company, the Independent Advisory Committee, composed of Independent External Directors and Independent External Audit & Supervisory Board Members, shall perform analysis and evaluation of the Board of Directors as a whole, each year, regarding the matters considered as important in the effective fulfillment of the Company's Board of Directors' roles and responsibilities (such as the size, composition, operating manner, status of deliberations, and support system of the Board of Directors). For the fiscal year ended March 31, 2019, the Company provided questionnaires to each Director and, based on the results thereof, the Independent Advisory Committee performed an evaluation and reported the results at the periodic Board of Directors meeting held on May 2019 that it was confirmed that the effectiveness of the Company's Board of Directors had been secured.

The Independent Advisory Committee favorably evaluated initiatives to lend support to respective Directors with respect to their making decisions on important matters in terms of providing sufficient information and establishing forums for discussion in the Group Management Strategies Committee prior to official institutional decisions being made in that regard. Meanwhile, the Independent Advisory Committee suggested the following with respect to operational matters, such that: (a) explanations of proposals should be more concise and to the point with the aim of ensuring sufficient time for question and answer sessions and discussions at the Board of Directors meetings, and (b) more time should be devoted to discussing issues pertaining to the nature of business operations, including the Group's direction and risks over the medium to long term.

Based on the foregoing evaluation of effectiveness, the Board of Directors of the Company shall strive to further improve the functions of, and enhance the effectiveness of, the Board of Directors of the Company.

[Supplementary Principle 4.14.2]

At the time they assume office, the Directors and Audit & Supervisory Board Members of the Company are provided with opportunities to participate in internally conducted orientation sessions and training sessions with the purpose of acquiring knowledge on the roles and responsibilities expected of directors and audit & supervisory board members of a listed company, as well as knowledge regarding related laws and regulations and compliance. Then, after assuming office, the Directors and Audit & Supervisory Board Members of the Company are continuously provided with further opportunities to acquire necessary or new knowledge and to improve the same, including participating in training sessions provided by external lecturers such as attorneys and experts in each area, for example, after the conclusion of a Board of Directors meeting. In addition, the Company encourages each Director and Audit & Supervisory Board Member to voluntarily improve him/herself by participating in external seminars and lectures sponsored by organizations to which the Company belongs, and provides support in paying the expenses necessary therefor.

[Principle 5.1 Policy on Constructive Dialogue with Shareholders]

In order to facilitate constructive dialogue with shareholders, the Company has a basic position of

appointing an executive officer in charge of Investor Relations (IR), establishing a department in charge of IR, and addressing the following issues.

In facilitating constructive dialogue with shareholders, the Company takes measures to ensure close and positive cooperation between and among internal departments, such as the corporate planning, finance and accounting, general affairs, and legal affairs departments.

In line with the quarterly disclosure of operating results, the Company holds briefing sessions or telephone conferences mainly targeting institutional investors.

The Representative Director of the Company and the Chief Financial Officer or others, attend briefing sessions and actively engages in direct interactions.

For institutional investors, IR personnel and the executive officer in charge of IR hold an individual meeting after the quarterly disclosure of operating results. In addition, in line with the direction of the Company, small conferences, etc., may also be held as appropriate.

For overseas institutional investors, the Representative Director of the Company, the Chief Financial Officer or others individually visits and provides opportunities to have dialogues multiple times per year, while for individual investors, a briefing session is held at least once per year.

In accordance with the basic view that shareholders should be equally treated, when engaging in dialogue with shareholders with respect to the handling of unpublished important matters, regardless of whether it is a briefing session on the settlement of accounts or any other type of meeting, the Company endeavors to manage information in accordance with related laws, including the Financial Instruments and Exchange Act and the “Insider Trading Prevention Regulations” which are internal regulations aimed at achieving the prevention of insider trading.

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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[Status of Major Shareholders] updated

Name / Company Name	Number of Shares Owned	Percentage (%)
HS Company Ltd.	35,308,000	15.04
FSC Co., Ltd	13,562,840	5.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,474,000	4.88
Japan Trustee Services Bank, Ltd. (Trust Account)	10,244,800	4.36
Hajime Satomi	7,796,338	3.32
JP MORGAN CHASE BANK 385632	6,987,997	2.97
STATE STREET BANK AND TRUST COMPANY 505001	6,097,755	2.59
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,891,700	1.65
ORBIS SICAV	3,744,819	1.59
Haruki Satomi	3,229,561	1.37

Controlling Shareholders (except for parent company)	---
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Parent Company	None
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Supplementary Explanation (updated)

In regard to the above-mentioned “Status of Major Shareholders,” calculation is made based on the

following conditions:

* The status as of the end of March 2019 is stated.

* The shareholding ratio is calculated after deducting the number of treasury shares (31,493,927 shares).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as at the end of the immediately preceding fiscal year	1,000 employees or more
Sales (consolidated) of the immediately preceding fiscal year	JPY 100,000,000,000 or more, and less than JPY 1,000,000,000,000
Number of consolidated subsidiaries as at the end of the immediately preceding fiscal year	50 companies or more, and less than 100 companies

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances that may have a Material Impact on Corporate Governance

One of the Company's consolidated subsidiaries, SEGA SAMMY CREATION INC. and its subsidiary, Sega Sammy Creation USA INC., obtained a license for the manufacture and sale of gaming apparatus in Nevada, U.S.A., in December 2017. The two subsidiaries and the Company were subject to examination for the license. A wide-ranging and rigorous examination was conducted regarding the financial conditions, tax practices, transaction information and governance—specifically on the strictness of the compliance system, resulting in official recognition of eligibility for the license. With an eye to maintaining the license and obtaining new licenses in other regions and countries, the Group will promote an enhanced compliance system including legal compliance and make the importance of the enhancement known by education and training, etc.

II. Management Organization for Managerial Decision-Making, Execution and Oversight, and Other Corporate Governance Structure

1. Organizational Structure, Organizational Management, etc.

Form of Organization	Company with Audit & Supervisory Board Members
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[Directors]

Maximum number of Directors stipulated in Articles of Incorporation	15
Term of office stipulated in Articles of Incorporation	1 year
Chairperson of meetings of the Board of Directors	President
Number of Directors	10
Appointment of External Directors	Yes
Number of External Directors	4
Among the External Directors, number of persons designated as independent officers	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Takeshi Natsuno	Person from another company								○			
Kohei Katsukawa	Person from another company					△			○			
Hiroshi Ohnishi	Person from another company								○			
Melanie Brock	Person from another company				○							

* Categories for relationship with the Company;

* “○” when the Director “presently falls under or has recently fallen under” the category; “△” when the Director “fell under the category in the past”;

* “●” when a close relative of the Director “presently falls under or has recently fallen under” the category (excluding categories h. to j.); “▲” when a close relative of the Director “fell under the category in the past” (excluding categories h. to j.);

a. An executive of a listed company or any of its subsidiaries

b. An executive or non-executive director of a parent company of a listed company

c. An executive of a fellow subsidiary company of a listed company

d. A party (or its executive) whose major clients are listed companies

- e. A major client (or its executive) of a listed company
- f. A consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company, besides remuneration as an officer
- g. A major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. An executive (the executive himself/herself only) of a client (which does not fall under any of the foregoing items d, e or f) of a listed company
- i. An executive (the executive himself/herself only) of a party which has mutual appointments of external officers
- j. An executive (the executive himself/herself only) of a party that receives a donation from a listed company
- k. Others

Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of Relationship	Reason for Appointment
Takeshi Natsuno	■	<p>Upon having retired from the position of Director of KADOKAWA CORPORATION, holding company of the KADOKAWA Group, in June 2017, Mr. Natsuno began serving as Director, Member of the Board of KADOKAWA CORPORATION's subsidiary DWANGO Co., Ltd., and began serving as its President in February 2019. The Group's respective business companies entrust business affairs to DWANGO Co., Ltd., but the total amount is less than 2% of the consolidated net sales for the most recent fiscal year of KADOKAWA CORPORATION, including DWANGO Co., Ltd.</p> <p>Status of concurrently held important positions:</p> <ul style="list-style-type: none"> - President of DWANGO Co., Ltd. - Director, Member of the Board of KADOKAWA CORPORATION - Outside Director of transcosmos inc. - Outside Director of GREE, Inc. - Outside Director of DLE Inc. - Outside Director of Oracle Corporation Japan 	<p>The Company has appointed Mr. Natsuno as External Director as the Company deems that he will continue to provide valuable opinions and suggestions on the management of the Company based on his wealth of experience as a corporate manager and sophisticated technical knowledge related to the information communication field. In regard to his designation as an independent officer, the Company deems that he has no conflicts of interest with the general shareholders in accordance with the Independence Criteria of the Company.</p>

Name	Designation as Independent Officer	Supplementary Explanation of Relationship	Reason for Appointment
Kohei Katsukawa	■	<p>Mr. Katsukawa was formerly the Managing Executive Officer of Sumitomo Mitsui Banking Corporation, one of the Company's major clients, for the period from April 2005 to April 2007. The Company has business relations with Sumitomo Mitsui Banking Corporation in terms of deposits, currency exchange, etc.</p> <p>Status of concurrently held important positions:</p> <ul style="list-style-type: none"> - President and Representative Director of GINSEN Co., Ltd. (Retired in June 2016; subsequently, Special Advisor of the said company) - Outside Director of ELECOM CO., LTD. - Director of DX ANTENNA CO., LTD. 	<p>The Company has appointed Mr. Katsukawa as External Director as the Company deems that he will continue to provide valuable opinions and suggestions on the management of the Company based on his wealth of experience and broad-ranging insight related to finance which he gained over many years in financial institutions. Although Mr. Katsukawa was formerly the Managing Executive Officer of Sumitomo Mitsui Banking Corporation, one of the Company's major clients, a long period has passed since he retired from the said Bank and there are no longer any special interests between Mr. Katsukawa and the said Bank or any companies other than the said Bank. In regard to his designation as an independent officer, the Company accordingly deems that he has no conflicts of interest with the general shareholders in accordance with the Independence Criteria of the Company.</p>
Hiroshi Ohnishi	■	<p>Status of currently held important positions:</p> <ul style="list-style-type: none"> - Director and Executive Vice President of Japan Airport Terminal Co., Ltd. - President and Representative Director of Haneda Future Research Institute Incorporated - Outside Director of STRIPE INTERNATIONAL INC. 	<p>The Company has appointed Mr. Ohnishi as External Director as the Company deems that he will continue to provide valuable opinions and suggestions on the decision-making of important matters concerning the management of the Company and sufficiently fulfill duties of External Director to oversee the execution of business based on his wealth of experience and broad-ranging insight gained over many years as a corporate manager in the retail and department store industry. In regard to his designation as an independent officer, the Company deems that he has no conflicts of interest with the general shareholders in accordance with the Independence Criteria of the Company.</p>

Name	Designation as Independent Officer	Supplementary Explanation of Relationship	Reason for Appointment
Melanie Brock	-	<ul style="list-style-type: none"> - CEO of Melanie Brock Advisory Ltd. - Board Member of Australia Japan Business Co-operation Committee - Chair Emeritus of Australian and New Zealand Chamber of Commerce in Japan (ANZCCJ) 	The Company has appointed Ms. Brock as External Director as the Company expects she will contribute to strengthening of the Company's corporate governance system and management decision making based on her ideas and values by bringing diversity to the Board of Directors as the Company's first female and foreign Director. Moreover, the Company deems that, based on her extensive experience and career record as an international business leader, she will provide valuable advice on how best to achieve our aim of developing into a world-class entertainment group and contribute to further enhancement of the quality of the Company's decision making.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Voluntary Committee's Establishment Status, Composition, and Characteristics of Chairperson

	Committee Name	All Committee Members	Full-time Members	Internal Directors	External Directors	External Experts	Others	Chairperson
Voluntary Committee Corresponding to Nomination Committee	Independent Advisory Committee	5	0	0	3	0	2	N/A
Voluntary Committee Corresponding to Remuneration Committee	Independent Advisory Committee	5	0	0	3	0	2	N/A

Supplementary Explanation

Both of the two (2) persons falling under "Others" in the above table are External Audit & Supervisory Board Members.

"N/A" in the column of "Chairperson" means no ranks, including the rank of Chairperson, are established so that the independence and objectivity of each Committee Member will be enhanced,

and impartial and fair discussion and inspection will be conducted; provided, however, that a person in charge of contact and coordination is established to receive referrals for the Committee and submit opinions of the Committee.

The functions and roles of the Independent Advisory Committee, the frequency of Committee meetings, etc., are as stated in “c) Voluntary Committee” in “Matters on Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions.”

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Status of cooperation between Audit & Supervisory Board Members, independent auditors and internal auditing departments (updated)

Status of cooperation between Audit & Supervisory Board Members and independent auditors

In order to improve accounting compliance, the Company considers it essential to have cooperation between the Audit & Supervisory Board Members and independent auditors. Thus, the Company holds meetings of the “Holdings Audit Liaison Committee” composed of Standing Audit & Supervisory Board Members, officers in charge of accounting, internal auditing departments, and internal control departments, etc. of the Company, Sega Holdings Co., Ltd., Sega Games Co., Ltd., Sammy Inc., and KPMG AZSA LLC, the independent auditor for the Company, twice a year in principle, for each of the Sega Group and the Sammy Group.

Status of cooperation between internal auditing departments (including internal control departments) and independent auditors

Although there are no regular meetings to promote cooperation between internal auditing departments, internal control departments, and the independent auditors, matters discovered in the course of evaluation of a company manager in relation to internal auditing and internal control over financing reports, and matters discovered in the course of accounting auditing, or the like, are shared as appropriate, to be contributed to each body’s respective auditing activities. Moreover, at fiscal year-end the Company holds meetings for the purpose of reporting to the independent auditors the year’s Group-wide internal audit results and internal control evaluation results. In addition, the above-mentioned Holdings Audit Liaison Committee shares such matters among Audit & Supervisory Board Members, internal auditing departments, internal control departments, and independent auditors.

Status of cooperation between Audit & Supervisory Board Members and internal auditing departments

In order to “enhance efficiency,” “secure soundness,” “improve transparency” of the Company’s corporate management, as well as to ensure the appropriateness of business operations, the Company considers it essential to have cooperation between Audit & Supervisory Board Members and internal auditing departments. Thus, the Company holds meetings of the “Audit & Supervisory Board Members and Internal Auditing Office Liaison Committee” composed of Standing Audit & Supervisory Board Members of the Company, Sega Holdings Co., Ltd., Sega Games Co., Ltd., and Sammy Inc., and the internal auditing department of the Company, once every three months, in principle.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	2
Among the External Audit & Supervisory Board Members, the number of persons designated to be independent officers	2

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Mineo Enomoto	Attorney														
Kazutaka Okubo	Person from another company									○					

* Categories for relationship with the Company;

* “○” when the Audit & Supervisory Board Member “presently falls under or has recently fallen under” the category; “△” when the Audit & Supervisory Board Member “fell under the category in the past”;

* “●” when a close relative of the Audit & Supervisory Board Member “presently falls under or has recently fallen under” the category (excluding categories h. to j.); “▲” when a close relative of the Audit & Supervisory Board Member “fell under the category in the past” (excluding categories h. to j.);

a. An executive of a listed company or any of its subsidiaries

b. A non-executive director or accounting advisor of a listed company or its subsidiaries

c. An executive or non-executive director of a parent company of a listed company

d. An auditor of a parent company of a listed company

e. An executive of a fellow subsidiary of a listed company

f. A party (or its executive) whose major clients are listed companies

g. A major client (or its executive) of a listed company

h. A consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company, besides remuneration as an officer

i. A major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. An executive (the executive himself/herself only) of a client (which does not fall under any of the foregoing items f, g or h) of a listed company

k. An executive (the executive himself/herself only) of a company which has mutual appointments of external officers

l. An executive (the executive himself/herself only) of a company or an organization that receives a donation from a listed company.

m. Others

Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of Relationship	Reason for Appointment
Mineo Enomoto	■	Status of concurrently held important positions: - Enomoto and Matsui Law Office - Outside Audit & Supervisory Board Member of SHIMOJIMA Co., Ltd.	The Company has appointed Mr. Enomoto as External Audit & Supervisory Board Member as the Company deems that he will continue to provide valuable opinions and suggestions on the management of the Company based on his abundant experience and deep insight as a lawyer. In regard to his designation as an independent officer, the Company deems that he has no conflicts of interest with the general shareholders in accordance with the Independence Criteria of the Company.
Kazutaka Okubo	■	Status of concurrently held important positions: - Outside Director of Sun Frontier Fudousan Co., Ltd.	The Company has appointed Mr. Okubo as an External Audit & Supervisory Board Member as the Company deems that he will appropriately guide and oversee the Company's management from an objective standpoint based on his many years of experience in audit services as a certified public accountant and deep insight about finance and accounting. In regard to his designation as an independent officer, the Company deems that he has no conflicts of interest with the general shareholders in accordance with the Independence Criteria of the Company.

[Independent Officers]

Number of independent officers (updated)	5
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Other matters relating to independent officers

The policy for appointment of independent officers of the Company is as follows:

- (a) All external officers satisfying the qualifications for independent officers are designated as independent officers.
- (b) Independence is judged based on the requirements for qualification stipulated in the Companies Act and the criteria for independence established by Tokyo Stock Exchange, Inc. The terms "major," "large amount of," etc., are judged based on the standards determined in accordance with the published appointment standards model for independent officers. An outline thereof is stated as follows:

In order for a candidate to qualify as an independent external officer of the Company, none of the following shall apply thereto:

- 1) A person (or its executive) whose major client is the Group. In this item, “major” means that the relevant client receives, from the Group, payments in an amount equivalent to 2% or more of the annual consolidated sales of the relevant client during the most recent fiscal year.
- 2) A major client (or its executive) of the Company. In this item, “major” means that the Company receives, from the client, payments in an amount equivalent to 2% or more of the annual consolidated sales of the Company during the most recent fiscal year.
- 3) A major shareholder (or its executive) possessing 10% or more of the total outstanding shares of the Company.
- 4) A person (or its executive) for whom 10% or more of their total outstanding shares are possessed by the Group.
- 5) The annual remuneration amount (excluding the remuneration as an officer of the Company) that the relevant external officer receives directly from the Group as a legal, accounting or tax expert or consultant is JPY 10,000,000 or more on average for the past three (3) years.
- 6) The amount of donations, etc., that the Group provides to a non-profit organization for which the relevant external officer serves as an executive officer is JPY 10,000,000 or more for the most recent business year.
- 7) Any person falling under any of the preceding six (6) items during the past five (5) years.
- 8) A spouse of, a relative within the second degree of kinship with, or a relative living together with the relevant external officer falling under any of the seven (7) preceding items, or an executive director, executive officer, manager or other important employee of the Group. In this item, “important” means managerial positions equivalent to a Department Manager or higher.

- (c) The Company determines the minor standards for information of attributes to be stated in a notification of independent officer as follows: for the period of the most recent fiscal year, and for the period from the starting day of the relevant fiscal year until the date of submission of the most recent notification of independent officer, respectively, “less than JPY 100,000,000 in the transaction amount” for “transactions,” and “less than JPY 10,000,000” for “donations.”

[Incentives]

Performance Status of Incentive Policies for Directors	<p>A performance-linked remuneration system is implemented</p> <p>A stock-option system is implemented.</p>
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Supplementary Explanation on Applicable Items

Please refer to the annual securities report.

Persons Eligible for Stock Options	Internal Directors, employees, directors of subsidiaries, employees of subsidiaries
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Supplementary Explanation on Applicable Items (updated)

The Group has provided stock acquisition rights (stock options) to the following persons with the aim of improving motivation and morale towards enhancing the operating results of the Group, and increasing the corporate value of the Group as a whole.

Directors of the Company, in accordance with the resolution at the ordinary General Shareholders Meeting of the Company held in June 2016 and the resolution at the Board of Directors of the Company held in August 2016 (Exercisable period for stock acquisition rights: from September 2,

2018 to September 1, 2020)

Employees of the Company, and directors and employees of subsidiaries of the Company in accordance with the resolution at the Board of Directors of the Company held in August 2016 (Exercisable period for stock acquisition rights: from September 2, 2018 to September 1, 2020)

[Director Remuneration]

Disclosure of Individual Directors' Remuneration

Partial and individual disclosure

Supplementary Explanations on Applicable Items (updated)

The remuneration paid to Directors for the fiscal year ended March 31, 2019 was as follows:
Annual total amount of remuneration: JPY 696 million for nine (9) Directors (among such amount, JPY 44 million for four (4) External Directors)

(Note) The limit of the amount of remuneration to be paid to Directors was resolved to be JPY 1,700 million (of which the amount for External Directors is to be JPY 100 million annually) at the Ordinary General Shareholders Meeting held in June 2019.

The foregoing is disclosed in the business report and is published on the Company's website. The annual securities report individually discloses only part of the same.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The remuneration, etc., to be paid to Directors is determined within the limit of the remuneration amounts resolved at a General Shareholders Meeting. The President (Representative Director) presents the Board of Directors with a policy on determining the remuneration, etc. of Directors (excluding External Directors). Entrusted by a resolution at a Board of Directors meeting, the President (Representative Director) refers the evaluation on each Director to the Independent Advisory Committee. Based on the operating results produced by each Director, the Independent Advisory Committee evaluates each individual Director and the Board of Directors, and submits the results as its opinion to the President (Representative Director). The President (Representative Director) determines the remuneration amounts based on the opinion submitted by the Independent Advisory Committee, and reports the determined amounts to the Board of Directors.

(a) The base remuneration of Directors (excluding External Directors) is determined based on the size of roles by title and the scope of duties and responsibilities. The variable remuneration (bonus, stock options) is determined taking into consideration the Company's operating results, etc., for the current fiscal year.

(b) The remuneration, etc., of External Directors is determined taking into consideration the duties, performance results, etc., by each individual External Director.

The Company has conducted an overall review of the remuneration system for officers upon having passed resolutions at the Ordinary General Meeting of Shareholders held on June 21, 2019, with respect to revising amounts of remuneration for directors and adopting a restricted stock compensation plan to act as incentives for promoting management geared to ensuring transparency and enhancing the Group's corporate value.

Matters such as the policy for determining officer remuneration, etc. for the fiscal year ending March 31, 2020 and thereafter are disclosed in the annual securities report.

[Support System for External Directors (External Audit & Supervisory Board Members)]

To support External Directors, the Company has established an appropriate information communication system through the Secretariat so that the contents of the agenda items, etc., to be discussed at the Board of Directors meetings may be sufficiently examined in advance.

In addition, the Secretariat takes the effort to help newly appointed External Directors understand Group operations by implementing individually-based orientation sessions on such matters with the aim of ensuring that newly appointed External Directors are able to contribute to substantive discussions in the Board of Directors meetings.

As a means of supporting External Audit & Supervisory Board Members, the Company has established the Audit & Supervisory Board Office, an organization directly belonging to the Audit & Supervisory Board, where exclusive staff belonging to the Audit & Supervisory Board Office assist in the duties of Audit & Supervisory Board Members under the instruction and orders of the Audit & Supervisory Board Members. Matters regarding appointment, personnel transfer, evaluation, etc., of staff belonging to the Audit & Supervisory Board Office require prior approval from the Audit & Supervisory Board, thereby securing independence from the Directors. In addition, in order to sufficiently examine the contents of the agenda items, etc., to be discussed in a meeting attended by External Audit & Supervisory Board Members, the Company has established an appropriate information communication system through the Secretariat of each Committee, the Audit & Supervisory Board Office, the internal auditing department, the internal control department, etc.

[Status of persons who retired from positions such as President and Representative Director]

The names etc. of advisers and consultants who retired from positions such as President and Representative Director

Name	Title and Position	Duties	Working Arrangement and Conditions (Full-time/Part-time, the existence of remuneration etc.)	Date of retirement from positions such as President	Term of office
-	-	-	-	-	-

Number of Advisers and Consultants who retired from positions such as President and Representative Director (updated)	0
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Other matters (updated)

The Company has introduced an advisory and consultant system, but has no person to hold the office at the present moment.

2. Matters Relating to the Functions of Business Execution, Auditing/Oversight, Nomination and Remuneration Decisions, etc. (Overview of Current Corporate Governance System)

The Company and the Group regard corporate governance as the most important basis for corporate conduct. Based on “enhancing efficiency,” “assuring soundness,” and “improving transparency” as the “basic policies for corporate governance,” the Company determines important matters for management, including the appointment of Director candidates, the determination of Directors’ remuneration, the oversight of management, and the determination of auditing remuneration, etc.

In addition, amid the drastically changing management environment, by considering that Directors with a wealth of knowledge and experience, etc. regarding the industry, market trends, products,

merchandise, services, etc., generate prompt and optimal management decisions, the Company and the Group have adopted the system of a company with Audit & Supervisory Board Members, selected External Directors, and have strengthened the executive officers system and the internal auditing system, thereby improving the corporate governance system from the aspects of both operation and management.

Functions and roles to be performed by External Directors and External Audit & Supervisory Board Members for corporate governance of the Company

a) The Company selects External Directors from among managers, etc., who are expected to (i) provide advice on how to enhance the corporate value of the Company and the Group from external perspectives, and (ii) provide oversight functions over the execution of duties by External Directors, based on their deep insight and extensive experience.

b) The Company understands that External Audit & Supervisory Board Members play an important role in realizing a corporate governance system which improves the neutrality and independence of the auditing system, and thus, selects External Audit & Supervisory Board Members who are certified public accountants, attorneys and others, and from whom it is expected that the soundness of the management can be secured by conducting auditing from a neutral and objective standpoint.

Principles regarding the independence of External Directors and External Audit & Supervisory Board Members

The Company judges the independence of External Directors and External Audit & Supervisory Board Members based on the independence criteria established by Tokyo Stock Exchange, Inc., and judges the terms “major,” “large amount of,” etc., based on the criteria determined from the publicized independent officer appointment standards, etc., and judges that the persons who satisfy such standards may not cause any conflict of interests with general shareholders.

For the status of our efforts on the strengthening of the functions of Audit & Supervisory Board Members, please see the “Audit & Supervisory Board Members” and “Support System for External Directors (External Audit & Supervisory Board Members)” sections. In its aim to improve the execution of business operations and the functions of auditing and oversight, the Company manages the following bodies:

a) Board of Directors:

At ordinary Board of Directors meetings held once a month in principle and extraordinary Board of Directors meetings held as appropriate, the Board of Directors aims to achieve flexible management through the current level of ten (10) Directors. Certain important managerial matters at each business company are also resolved and reported at various bodies, including the Company’s Board of Directors.

b) Audit & Supervisory Board:

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members and holds its meetings generally once a month, or when otherwise necessary. The Audit & Supervisory Board makes decisions with respect to assigning duties to the respective Audit & Supervisory Board Members, and also deliberates on key matters for consideration such as those involving the Group’s corporate governance, the status of establishing and operating internal control systems, and evaluations of independent auditors.

c) Voluntary Committees:

Voluntary Committees are the bodies that discuss and inspect the specified matters regarding the management of the Group which are specifically referred by the Board of Directors, and report and submit the results of such discussions and inspections to the Board of Directors. In addition, Voluntary Committees establish a sub-committee as a body that discusses and inspects further specialized matters.

Currently, following two Committees are established as Voluntary Committees:

1) Group Management Strategies Committee:

The Group Management Strategies Committee is established under the Company's Board of Directors and discusses and inspects the improvement of profitability, efficiency, strategic investment cases, etc., of the Group's business. Such Committee is composed of Directors (excluding the Chairperson (Representative Director)) and Standing Audit & Supervisory Board Members, and is held as and when appropriate; and

2) Independent Advisory Committee:

The Independent Advisory Committee is composed of all of the Independent External Directors and Independent External Audit & Supervisory Board Members, and such Committee provides opinions from an independent perspective in response to referrals by the Board of Directors or the Representative Director, in order to ensure conformance with the various related principles under the Corporate Governance Code (Principle 3.1(iii), Principle 3.1(iv), Supplementary Principle 4.1.3, Supplementary Principle 4.2.1, Principle 4.3, Supplementary Principle 4.3.1, Supplementary Principle 4.3.2, Supplementary Principle 4.3.3, Supplementary Principle 4.10.1, Supplementary Principle 4.11.3). The Committee exchanges information in order to oversee the Board of Directors and is held as appropriate.

d) Liaison Committees:

Liaison Committees are the bodies that discuss, inspect, and coordinate the policies, etc., of the Group regarding corporate governance. Currently, the Group Compliance Risk Liaison Committee is established as a place where measures and information regarding internal control, compliance, risk management, etc., are principally discussed, inspected and shared. The Group Compliance Risk Liaison Committee is composed of officers, etc. in charge of ensuring the compliance of domestic companies subject to the "Evaluation and auditing of internal control over financial reporting" system (the so-called "Japanese SOX Act"), including the Company, Sega Holdings Co., Ltd. and Sammy Inc., and is held semiannually, in principle.

e) Group Audit Liaison Committee:

The Group Audit Liaison Committee is composed of standing audit & supervisory board members of Group companies, and is held three times a year in principle, in order to share information regarding timely issues (including the revision of laws) surrounding the Company and the Group and achieve close cooperation among the audit & supervisory board members of the Group companies

f) Holdings Audit Liaison Committee:

The Holdings Audit Liaison Committee is composed of Standing Audit & Supervisory Board Members, officers in charge of the accounting department, internal auditing department, and internal control department, etc. of the Company, Sega Holdings Co., Ltd., Sega Games Co., Ltd., Sammy Inc., and KPMG AZSA LLC, the accounting company for the Company, and is held twice annually in principle, for the Sega Group and the Sammy Group, respectively, where opinions from their respective viewpoints are exchanged in order to improve compliance in accounting.

g) Audit & Supervisory Board Members and Internal Auditing Office Liaison Committee

The Audit & Supervisory Board Members and Internal Auditing Office Liaison Committee is composed of Standing Audit & Supervisory Board Members of the Company, Sega Holdings Co., Ltd., Sega Games Co., Ltd., and Sammy Inc., plus the internal auditing department of the Company, and is held once every three months, in principle, with the aim of "securing soundness" of corporate management through information sharing among Standing Audit & Supervisory Board Members of the Company, Sega Holdings Co., Ltd., Sega Games Co., Ltd., and Sammy Inc., and the internal auditing department of the Company.

The (c) Voluntary Committee and (d) Liaison Committee discuss and inspect specified matters

regarding the management of the Group.

The (e) Group Audit Liaison Committee, (f) Holdings Audit Liaison Committee, and (g) Audit & Supervisory Board Members and Internal Auditing Office Liaison Committee are the bodies that share information and exchange opinions among the different members composing the same, thereby contributing to the cooperation between the Company and the Group subsidiaries.

(Implementation of internal auditing)

In order to ensure that the execution of duties is in conformance with the laws and regulations and the Articles of Incorporation, and to assure the appropriateness of business operations, internal auditing departments have been established within the Company and major Group companies where internal auditing for the Company and such Group companies is conducted by a total of 21 persons. In addition, the Company's approach to governance is one whereby every internal auditing manager of the Group's subsidiaries belongs to the Company's internal auditing department on a concurrent secondment basis, and the Company accordingly performs internal audits with respect to all Group companies.

KPMG AZSA LLC, the accounting company for the Company since the Company's establishment on October 1, 2004, has provided the Company with advice on not only year-end auditing but also accounting processing during the term, as appropriate, from its perspective as an independent auditor.

3. Reasons for Adoption of Current Corporate Governance System

Amid the rapidly changing management environment, considering that Directors with a wealth of knowledge and experience, etc. regarding the industry, market trends, products, merchandise, services, etc., generate prompt and optimal management decisions, the Company and the Group have adopted the system of a company with Audit & Supervisory Board Members, selected External Directors, and strengthened the executive officers system and the internal auditing system, thereby improving the corporate governance system from the aspects of both operation and management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize the General Shareholders Meetings and Facilitate the Exercise of Voting Rights

	Supplementary Explanation
Early Dispatch of Convocation Notice for General Shareholders Meeting	The Company has sent the Convocation Notice three (3) weeks before the General Shareholders Meeting date on each occasion since the General Shareholders Meeting held in June 2010.
Determining date of General Shareholders Meeting so as to avoid dates where general shareholders meetings tend to be concentrated	The Company believes that it should hold its General Shareholders Meeting on a date that will attract attendance of as many of its shareholders as possible based on the notion that the General Meeting of Shareholders acts as a forum for dialogue with its shareholders. As such, the Company schedules such meetings so as to avoid dates where general shareholders meetings tend to be concentrated.

	Supplementary Explanation
Exercise of voting rights through electromagnetic means	Exercise of voting rights through personal computers and smartphones has been conducted on each occasion since the General Shareholders Meeting held in June 2005. In addition, the Company has participated in the platform for electronic exercise of voting rights for institutional investors operated on each occasion since the General Shareholders Meeting held in June 2007.
Participation in platform for electronic exercise of voting rights and other measures towards improving the environment surrounding the exercise of voting rights by institutional investors	The Company has participated in the platform for electronic exercise of voting rights for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (Summary) in English	The Company prepares an English translation of the convocation notice for the general shareholders meetings (full text) and publishes the notice at the following URL: https://www.segasammy.co.jp/english/ir/stock/meeting/
Other	The Company publishes its convocation notice, notice of resolutions, and extraordinary reports on voting results to its website. https://www.segasammy.co.jp/english/ir/stock/meeting/

2. IR Activities (updated)

	Supplementary Explanation	Explanation by Representative(s)
Preparation and Publication of Disclosure Policy	The Company publishes its IR policy detailing its basic approach to information disclosure to its website.	
Holding Regular Briefing Sessions for Individual Investors	For the fiscal year ended March 31, 2019, the Company distributed the contents of its briefing session targeting analysts for the full-year settlement of accounts and the second quarter settlement of accounts in the form of streaming (video and audio); conducted telephone conferences targeting analysts for the first and third quarter settlement of accounts; and published its summaries of explanations on the Company's website. The Company also holds separate company information sessions, etc. organized by securities companies.	Yes
Holding Regular Briefing Sessions for Analysts and Institutional Investors	At the time of the second quarter settlement of accounts and the full-year settlement of accounts, the Representative Director of the Company holds briefing sessions targeting analysts and institutional investors regarding the settlement of accounts and the business plan. In addition, at the time of the first and third quarter settlement of accounts, the Company conducts conference calls (a briefing on settlement of accounts by telephone conference). For the fiscal year ended March 31, 2019, the Company held briefing sessions on the settlement of accounts in May 2018 and November 2018, and conducted conference calls in August 2018 and February 2019.	Yes
Holding Regular Briefing Sessions for Overseas Investors	The Company conducts overseas IR roadshows. For the fiscal year ended March 31, 2019, the Company conducted roadshows once in the North American region, twice in Europe, and twice in the Asian region. In addition, IR personnel participate in the conferences organized by securities companies.	Yes

	Supplementary Explanation	Explanation by Representative(s)
Posting of IR Materials on Website	The Company publishes IR materials including a brief report on the settlement of accounts (<i>Kessan Tanshin</i>), materials distributed at briefing sessions on the settlement of accounts, the annual securities report, quarterly reports, financial data, notifications to the Tokyo Stock Exchange, market data, integrated reports, business reports, and public announcements of settlements of accounts to the Company website.	
Establishment of Division (Manager) in charge of IR	Division in charge: Investor Relations Department Finance & Accounting Division Director in charge: Director controlling Financial Accounting Division Coordinator: General Manager of Financial Accounting Division	

3. Measures to Ensure Respect for Stakeholders

	Supplementary Explanation
Stipulation of Respecting the Position of Stakeholders in accordance with Internal Regulations	The Company and the Group divide stakeholders into the following five categories: “customers,” “clients,” “shareholders and investors,” “employees,” and “society,” and have established the “Group CSR Charter,” a document clarifying our approach for each category, and the “Group Code of Conduct,” “Group Management Policies” and the “Policy on Promotion of SEGA SAMMY Group’s CSR & SDGs Activities” as specified guidelines for conduct and business operations which are closely related to business operations. In line with this, internal regulations stipulate that duties should be performed while respecting the group mission and complying with the code of conduct, etc.

	Supplementary Explanation
Implementation of Environmental Activities, CSR Activities, etc.	The “Group CSR Charter,” “Group Code of Conduct,” and “Group Management Policies” (in regard to CSR and environmental conservation, the “SEGA SAMMY Group CSR & SDGs Policy” and the “Sega Sammy Group Environmental Policy,” one of the Group Management Policies) clearly describe the direction to be taken in engaging in CSR activities in general and environmental conservation activities by the Company and the Group. Not only does the Company, as a representative of the Group, take initiative in actively developing CSR and SDGs activities and environmental conservation activities, but also each Group company develops such activities focused on its business areas. The Company publishes results of such initiatives in the Integrated Report. It also prepares the “SEGA SAMMY Group CSR Booklet” containing details in that regard and publishes such materials on its website.

IV. Matters Related to the Internal Control System

1. **Basic Principles Regarding Internal Control System and the Progress of System Development**

The Company has established its basic policies on the development of its internal control system in accordance with the provisions of the Companies Act, as follows, and has strived to further improve the same:

- (1) A system to ensure that the execution of duties by the directors of the relevant stock company conforms to the laws and regulations and the Articles of Incorporation

To ensure that all the corporate activities are thoroughly conducted based on the compliance with the laws and regulations, etc., the Company has established the Group CSR Charter, the Group Code of Conduct, and Group Management Policies and guidelines (hereinafter, collectively, the “**Group Principles and Rules**”) on the basis of the group mission as basic policies for social responsibilities to be performed by a company as a member of society, and as the basis for establishing the compliance system comprising part thereof, and the President (Representative Director) shall repeatedly instill the intent and spirit thereof in the officers and employees.

Furthermore, in order to ensure that the business operations of the relevant company shall be conducted in an appropriate and sound manner as a whole, the Board of Directors shall, from the viewpoint of further strengthening corporate governance, strive to construct an effective internal control system and establish a system of legal compliance by the relevant company as a whole, in accordance with the Group Management Policies established with the aim of managing the entire group in a unified manner and the guidelines setting forth the standards for management and operation of the entire group.

In addition, the Audit & Supervisory Board shall strive to conduct early detection and correction of any problems, by auditing the effectiveness and functioning of the internal control system, and verifying the same in a periodic manner.

In order to prevent any anti-social forces from becoming involved in the relevant company’s management, in the Group Code of Conduct, the Company specifies the elimination of any involvement with anti-social forces. In addition, as part of the efforts to be made by the Group as a

whole, the Company incorporates an “elimination of anti-social forces provision” into all agreements, conducts checks on whether or not the clients fall under the definition of anti-social forces, and has established a system which enables any contact made by anti-social forces to be dealt with in a systematic manner through cooperation with outside organizations, including police and attorneys, as appropriate.

- (2) A system for retention and management of information regarding the execution of duties by directors of the relevant stock company

The President (Representative Director) appoints a director controlling the management departments as an overall manager for controlling the retention and management of information regarding the execution of duties by directors. Such director records the information pertaining to the execution of duties in document or electromagnetic media, in accordance with internal regulations, etc., and retains and manages the same in a highly researchable state where directors and audit & supervisory board members may access the same as appropriate.

In order to appropriately manage corporate secrets and other information or the like, the Company has established policies regarding information management and IT security and guidelines regarding IT security, and strives to disseminate the same to ensure that such guidelines are thoroughly informed throughout the Company and complied with.

- (3) Rules and other systems regarding management of risk of losses by the relevant stock company

With regard to any risk involved in the Company’s business operations, each related department shall conduct analysis and identification of any anticipated risks and clarify the risk management system. The internal auditing department shall audit the status of risk management conducted by each department and report the results thereof to the managerial decision-making body and the business management organizations pertaining to the execution and oversight on a periodic basis.

In order to understand and appropriately manage important, potential risks in and outside of the management, including by way of taking emergency measures, as part of Group Management Policies and guidelines, the Company has established policies regarding risk management and guidelines for crisis management. In addition, in the event of the occurrence of any matters anticipated to have material effects on the Group, crisis management organizations of the Company and the Group companies cooperate to discuss the measures to be taken, and proceed to take prompt and appropriate action.

- (4) A system to ensure that directors of the relevant stock company efficiently execute their duties

As a system to ensure the efficient execution of the directors’ duties, while employing the audit & supervisory board member system so that prompt and appropriate decision-making is conducted by internal officers who are well-informed regarding the Group’s business, the Company has established a system which enables appropriate and efficient execution of duties in accordance with the rules regarding the authority of duties and decision-making pursuant to the regulations of the Board of Directors, etc.

- (5) A system to ensure that the execution of duties by employees of the relevant stock company conforms to the laws and regulations and the Articles of Incorporation

The Company shall strive to promote Group-wide compliance measures for employees to engage in appropriate conduct in accordance with the laws and regulations, the Articles of Incorporation, and other internal regulations and social norms. These measures must be based on the Group Principles and Codes as standards for conduct.

The Company has established a whistleblowing system under which any employee will be able to make notification of any violation of the laws and regulations, the Articles of Incorporation, or the internal rules or social norms which the relevant employee becomes aware of, as well as a system under which the person responsible for such whistleblowing system will notify the Board of Directors and the Audit & Supervisory Board of any important matters without delay.

Secret information regarding any whistleblowers shall be protected and no whistleblowers shall receive any disadvantageous treatment due to their whistleblowing. As part of the system for providing appropriate measures while maintaining transparency, the Company has established business reporting channels as well as an internal whistleblowing contact point where outside attorneys and others receive information.

- (6) The following systems, among others, to ensure the appropriateness of business operations in the relevant stock company and the corporate group consisting of its parent company and subsidiaries
- (i) A system regarding the reporting of matters pertaining to the execution of duties by directors, executive officers, officers executing operations, or persons who should execute duties as stipulated in Article 598, Paragraph 1 of the Companies Act (collectively, "Directors, Etc." in the following paragraphs (iii) and (iv)) of subsidiaries of the relevant stock company to the relevant stock company

The Company has established a system under which, in the event of any officers or employees of the Company concurrently serving as directors or audit & supervisory board members of any Group companies, such officers or employees shall inform and share any Group company's information with the relevant stock company.

At the same time, the Company has established a system under which communication, reporting, and sharing of important matters, information sharing regarding whistleblowing matters, reporting of accounting irregularities and errors, and information sharing shall be conducted between the Company and the Group companies based on a vertical relationship among the related companies' management regulations; provided, however, that secret information regarding any whistleblowers shall be protected and no whistleblower shall receive any disadvantageous treatment due to their whistleblowing.

In addition, the Company has established the Group Compliance Risk Liaison Committees, the Group Audit Liaison Committee, etc. at the Company. At such Committees, it is possible to raise issues regarding the various problems inherent in a corporate group as well as control-related matters involving any serious risk. Further, the Company causes its internal auditing department to conduct auditing from the perspective of the interests of the Group as a whole, thereby striving to ensure information sharing and appropriateness of the execution of business operations within the corporate group to the extent possible.

- (ii) A system regarding management of risk of loss to be incurred by subsidiaries of the relevant stock company

With regard to the important items and measures common to the Group which are determined by the Company, the Company causes Group companies to address the same and conduct risk management specific to each subsidiary considering the size, characteristics, type of business, etc., of each such company.

- (iii) A system to ensure that the duties of Directors, Etc., of subsidiaries of the relevant stock company shall be efficiently conducted

As with the situation at the Company, each Group company establishes a system to ensure that the

duties of the directors shall be efficiently and appropriately conducted in accordance with the regulations regarding the authority of duties and decision-making pursuant to the Board of Directors regulations, etc., while employing an audit & supervisory board member system under which prompt and appropriate decision-making shall be conducted by internal officers who are informed of the business of the Group. Such system is determined taking into consideration the size, characteristics, type of business, etc. of the relevant company.

- (iv) A system to ensure that the execution of duties by Directors, Etc., and employees of subsidiaries of the relevant stock company conforms to the laws, regulations, and the Articles of Incorporation

As with the situation at the Company, the Company causes the Board of Directors of each Group company to establish a compliance system to ensure conformance with the Group Principles and Codes, based on the importance of compliance with the laws, regulations, etc., and the basic policies for social responsibility to be performed by a company as a member of society.

- (7) In the event that Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members request the provision of an employee to assist their duties, matters related to such employee; matters related to the independence of such employee from the directors of such company with Audit & Supervisory Board Members; and matters related to ensuring the effectiveness of instruction to such employee by the Audit & Supervisory Board Members of such company with Audit & Supervisory Board Members

An Audit & Supervisory Board Office shall be established as an organization directly belonging to the Audit & Supervisory Board. Employees belonging to the Audit & Supervisory Board Office shall assist the duties of Audit & Supervisory Board Members under the instruction of Audit & Supervisory Board Members.

An employee assisting the duties of Audit & Supervisory Board Members is, in principle, an exclusive employee and is not subject to the instructions or supervision of directors; provided, however, that in an unavoidable case, an employee may concurrently serve as an employee on the executive side. Independence is considered especially important when such employee also concurrently serves as an employee on the execution side. Appointment, dismissal, personnel transfer, personnel evaluation, disciplinary action, revision of salary, etc., regarding the relevant employee requires the prior approval of the Audit & Supervisory Board.

- (8) The following systems, among others, regarding reporting to Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members
 - (i) A system under which reporting shall be made to Audit & Supervisory Board Members of the relevant company with Audit & Supervisory Board Members by the directors, accounting advisors, and employees of a relevant company with Audit & Supervisory Board Members

In the case where any Directors or employees of the Company become aware of any material violation of the laws and regulations or the Articles of Incorporation, regarding the execution of duties, or become aware of any facts of misconduct or any facts which may cause remarkable damage to the company, such Directors or employees must inform the Audit & Supervisory Board thereof without delay. The same shall apply to any determination which may cause material affects to the business or organization, and to the results of internal auditing.

- (ii) A system under which reporting shall be made to Audit & Supervisory Board Members of the relevant company with Audit & Supervisory Board Members by the directors, accounting advisors, audit & supervisory board members, executive officers, employees executing business operations, persons who should perform the duties as stipulated in Article 598, Paragraph 1 of the Companies Act, persons equivalent to any of the foregoing, employees of the subsidiaries of the

relevant company with Audit & Supervisory Board Members, or any persons who receive reporting from the foregoing

In the case where any directors, audit & supervisory board members, executive officers, employees of Group companies, or any persons who receive reporting from the foregoing, become aware of any material violation of the laws and regulations or the Articles of Incorporation regarding the execution of duties, or become aware of any facts of misconduct or any facts which may cause remarkable damages to the company, such persons must inform the Audit & Supervisory Board of the Company thereof without delay. The same shall apply to any determination which may cause material affects to the business or organization, and to the results of internal auditing.

Audit & Supervisory Board Members of the Company shall strive to establish a system, from the perspective of focusing on Group management, whereby audit & supervisory board members of the Group companies shall serve as persons receiving the reporting from the business operation execution side or an intermediary.

- (9) A system to ensure that those who make the reports set forth in the preceding item shall not be disadvantageously treated due to their submission of such reports

Persons making the reporting set forth in the preceding item shall not be disadvantageously treated due to any reasons connected to having made such reporting. Any such disadvantageous treatment shall be subject to disciplinary action.

- (10) Procedures regarding advance payment or reimbursement of expenses incurred pertaining to the execution of duties by Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members; other matters related to policies regarding the handling of expenses and liabilities incurred pertaining to the execution of their duties

Upon receipt of a request from the Audit & Supervisory Board or Standing Audit & Supervisory Board Members, in accordance with internal regulations, the Company shall bear the expenses incurred in relation to the execution of duties by auditors. Expenses, etc., for utilizing outside advisors set forth in item (11) shall be included therein.

- (11) A system to ensure that auditing by Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members is conducted effectively

The Representative Director shall hold periodic meetings with the auditors, and aim to facilitate communication and exchange of opinions regarding the Company's management, separate from reporting on business operations.

The Board of Directors ensures that the auditors attend important meetings for business operations in order to ensure the appropriateness of business.

The Audit & Supervisory Board shall utilize outside advisors, including attorneys, certified public accountants and others, independently and as necessary, and shall secure opportunities to receive advice regarding the duties of the auditors.

2. Basic Views on Eliminating Anti-Social Forces and Developing a System for Dealing Therewith

In order to prevent any anti-social forces from becoming involved in management, in the Group Code of Conduct, the Company specifies the elimination of any involvement with anti-social forces. In addition, as part of the efforts to be made by the Group as a whole, the Company incorporates an

“elimination of anti-social forces provision” into all agreements, conducts checks on whether or not the clients fall under the definition of anti-social forces, and has established a system which enables any contact made by anti-social forces to be dealt with in a systematic manner through cooperation with outside organizations, including police and attorneys, as appropriate.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation to the Applicable Items

The Company considers that its acts of striving for “improving efficiency,” “securing soundness,” and “enhancing transparency” for its corporate management, as well as its acts of satisfying the expectations of stakeholders, will maximize its corporate value and raise the total stock market value, thereby resulting in constituting the best possible anti-takeover measure.

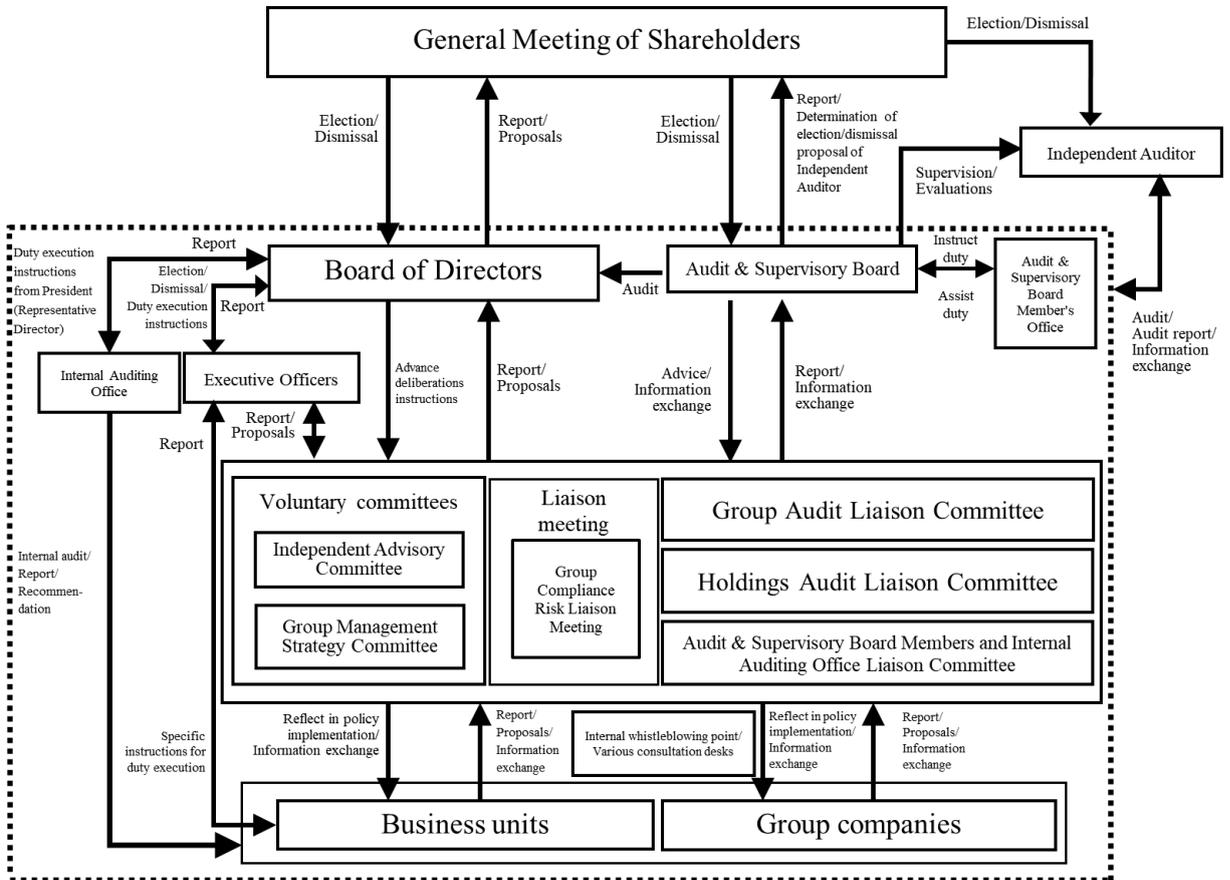
2. Other Matters regarding Corporate Governance System, etc. (updated)

To improve corporate governance in the Company and the Group as a whole, the Company has established a Group Compliance Risk Liaison Committee, and in line with this, has also established a Compliance Promotion Office as a specialized department mutually providing cooperation and collaboration. These bodies deliberate and confirm any problems occurring in constructing internal control for the management of the Group and the progress thereof, and thus strive to maintain and improve the level of corporate governance.

In addition, the Group started the Group Internal Control project during the fiscal year ended March 31, 2006, established a scheme for evaluation and reporting of the internal control system required for corporate groups under the system of “Evaluation and Auditing of Internal Control Relating to Financial Reporting” (the Japanese Version of the “SOX Act”) as stipulated in the Financial Instruments and Exchange Act, and remedied inadequacies discovered in the course of conducting such evaluation.

As a result, efforts for assuring trust/reliability in financial reporting have been conducted, thereby resulting in the Company’s judgment of having achieved effective internal control relating to the financial reporting of the Group for the fiscal year ended March 31, 2019. For the future as well, the Company will strive to assure continuing trust/reliability in our financial reporting, as well as maintaining and developing our internal control system taking into consideration issues such as improving efficiency and assuring soundness.

Schematic Diagram of Corporate Governance System



Overview of Timely Disclosure System

