

# 02

## With Partners

### CSR Charter

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

#### Our Stance

Good partnerships are about sharing goals to advance together. We have established Group-wide standards for choosing partners in terms of integrity, business efficiency, safety and quality, maintenance, technology, and the environment. We will continue to build fair and impartial relationships based on a platform of mutual trust. We aim to work with partners to provide entertainment filled with dreams and excitement, drawing on broad information sources, maintaining knowledge and judgment capabilities that are as good as those of our partners, and exchanging the correct information with them.

#### Major Initiatives in Fiscal 2016

1. Fair and impartial business practices
  - Promoting CSR activities in procurement and purchasing
  - Providing seminars to strengthen the framework for Subcontract Act compliance (Entertainment Contents Business: 11 seminars with 412 attendees) (Pachislot and Pachinko Machines Business: 17 seminars with 193 attendees)
  - Introducing a system for appropriately executing ordering procedures (Sammy)
2. Partnership with suppliers and clients
  - Supplier meetings of SEGA Interactive (142 attendees from 83 companies)
  - Joint quality conferences with partner companies of Sammy (83 attendees from 18 companies)

#### VOICE

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

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

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



#### Yasunari Okubo

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

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

## Fair and Impartial Business Practice

### Basic Stance

The SEGA SAMMY Group has clearly stated in the Group Code of Conduct its commitment to fair and impartial relationships with business partners. The Group strives to ensure uncorrupt, transparent, and fair business transactions. As corporate social responsibility is a responsibility that should be shared throughout the supply chain, we select and decide to continue transactions with business partners based on fair and clear standards that give comprehensive consideration to matters such as creditworthiness, technical competency, development capabilities, price, and responsiveness to the environment. We are committed to practicing fair and impartial business transactions. To that end, we have established a system in each Group company to promote compliance with the Subcontract Act and strengthen control in respect to the law. We also provide ongoing education to relevant departments and individuals.

#### Our Requests to Suppliers

We ask our suppliers to undertake the measures for the following items based on the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook:

##### I. Labor

Prohibit discrimination, prohibit inhumane treatment and infringements of human rights, pay appropriate wages, regulate working hours, respect the rights to freedom of association, prohibit child labor

##### II. Environment

Control hazardous chemicals, minimize environmental pollution, promote 3Rs, appropriate disposal of waste and reduction of final waste

##### III. Occupational Health and Safety

Promote workplace safety and hygiene, take appropriate measures for occupational injuries and illnesses, promote health management for employees

##### IV. Product Quality and Safety

Ensure product safety

##### V. Fair Trading and Ethics

Prohibit corruption and bribery, prohibit abuse of a superior position, provide accurate information on products and services, respect intellectual property, appropriate export control

##### VI. Information Security



#### The SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook

[http://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101\\_supplychain\\_csr.pdf](http://www.segasammy.co.jp/english/pr/commu/pdf/csr/20141101_supplychain_csr.pdf)

### Ensuring Fairness in All Respects

#### Promoting CSR Activities in Procurement and Purchasing

The Entertainment Contents Business has established a cooperative framework to maintain integrity with business partners. Consistent with the Group Code of Conduct, we seek to refrain from inappropriate formalities, excessive monetary or material gifts, and unnecessary business entertainment. Partners are notified of our commitment to these principles in writing. Several departments participate in assessments of business partners, and with this information we continuously evaluate, select and manage these partners following internal rules. The Amusement Machine Sales Business established the Procurement Policy in fiscal 2012. Since 2016, the basic agreement signed before any transaction stipulates the partner's commitment to the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook. Also, we ask our business partners to renew current agreements, with 60% agreeing to do so. In addition to asking all partners to self-examine their environmental and quality efforts every year using a checklist, our employees in charge of procurement visit 40 major partners to conduct an annual audit.

The Pachislot and Pachinko Machines Business upholds internal rules including the Internal Regulations on Managing Outside Orders for Production and Purchasing and the Internal Regulations on Business with Partners and Managing Accounts. Established purchasing rules are applied for the evaluation and selection of business partners. Several departments assess prospective business partners, analyzing data from the candidates themselves and from external research organizations to evaluate suitability. Before starting business with a new partner, our managers talk directly to them on the relevant content based on a document entitled "On Integrity." In addition, all our purchasing is conducted under the Group CSR Charter and the Group Code of Conduct throughout the supply chain. We audit our business partners and request their thorough understanding of the SEGA SAMMY Group Supply-Chain CSR Deployment Guidebook and that they act in accordance with it. In fiscal 2016, we conducted 104 ongoing audits for 103 companies and 6 new audits for 5 companies. The audits consist of 20 questions, and the specific points of assessment are reviewed every year. We ask our business partners to take the necessary corrective measures. We are concerned about the conflict minerals (tin, tantalum, tungsten and gold) that are used as funding sources for groups involved in human rights violations, environmental destruction, corruption and other unacceptable conduct in the Democratic Republic of the Congo and surrounding countries. We did not discover any use of conflict minerals in a survey of 125 companies in May 2016.

#### Amusement Material Procurement Policy Basic Stance

1. All employees engaged in amusement materials procurement at SEGA will comply with legal and social norms and conduct themselves with sound judgment in keeping with the SEGA SAMMY Group Code of Conduct and internal rules.
2. SEGA amusement materials procurement will be conducted with integrity and impartiality, and we will deal with our business partners fairly and sincerely.
3. We will endeavor to build trusting relationships with our business partners by conducting fair trade, and we will work with our business partners to improve technologies and product quality, pursue economy and efficiency and achieve mutual success.

## Strengthening the Framework for the Subcontract Act Compliance

A committee established in April 2009 for the Entertainment Contents Business to promote compliance with the Subcontract Act works to prevent violations of the law, raise awareness of it, and strengthen control in respect to it. In fiscal 2016, we held 11 briefings (412 participants) mainly for departments that deal with subcontractors in their business. We also used a dedicated page on our company intranet to help employees gain the necessary knowledge and increase their awareness of compliance.

For the Pachislot and Pachinko Machines Business, building and operating a system of compliance with the Subcontract Act and other regulations is of the utmost importance, and we are stepping up internal seminar accordingly. In fiscal 2016, we conducted compliance seminar, which was incorporated into the Rank-Specific Seminar programs of our personnel system, with 193 participants. We have systematized work processes to confirm all our ordering processes are appropriately performed under the rule of sending purchase orders to supplier. Also, our development department sent letters to business partners under the signature of the director in charge reconfirming the ordering rule of Sammy, and we took steps to ensure compliance with the Subcontract Act, which include in-house development of tools to check for delays in ordering processes.

## Establishing a Hotline for Business Partners

With the objective of maintaining sound business transactions based on integrity and mutual trust with business partners, we have established the Sammy Corporate Ethics Hotline as an internal and external consultation contact, and we explain this system to every new business partner. We also place posters in our offices in plain view of business partners to encourage the dissemination and use of the system. To prevent undue treatment, inquiries are answered by the Corporate Division as a neutral party and responsibly handled by the director in charge.

## Prohibition of Child Labor and Forced Labor

The Entertainment Contents Business strives to prohibit child labor and forced labor, primarily in overseas plants commissioned with production and similar facilities. At SEGA Interactive, the purchasing and quality control divisions jointly visit plants commissioned to produce premium products once every two months to investigate, and as appropriate, confirm onsite any third-party audit of the plant. SEGA TOYS is pursuing the conclusion of a master manufacturing contract that incorporates a clause that obligates compliance with laws about child labor and forced labor, the provision of human rights seminar for the purchase division and local employees in charge, and the confirmation of a third-party certification for labor standard compliance.

## Partnership with Suppliers and Clients

### Coordination with Suppliers

To ensure product safety and quality throughout the supply chain, SEGA Interactive of the Entertainment Contents Business has been working to strengthen its relationships with suppliers by holding supplier meetings, in which we share purchasing and development policies concerning the environment and quality. In fiscal 2016, these meetings were attended by 142 business partners from 83 companies. Also, we are using the *BATON* communication system, which facilitates efficient information sharing, to strengthen cooperation with suppliers. We are continuously upgrading *BATON* to further enhance its features, including a consultation contact for violation of the Subcontract Act and the timely sharing of damage information after a disaster, while expanding the system to allow for identification of issues perceived by suppliers.



At a supplier meeting

### Quality Control and Improvement of Production Partners

SEGA Interactive of the Entertainment Contents Business attaches great importance to its relationships with partner manufacturers. Aside from working closely with them as suppliers in general, we periodically audit their factories based on quality targets and give them assembly instructions among other efforts to boost quality and production efficiency. When we start working with a new manufacturer, we require it to undergo a plant audit, and ongoing partner plants also receive audits once a year to ensure stable quality. We inform them of the results of the audit, and if a partner manufacturer falls short of our quality targets, we ask them to make improvements by, for example, issuing a countermeasures plan and holding quality meetings. Moreover, we have a system for certifying inspectors to ensure firmly established voluntary quality control mechanisms at the plants of our production partners. Prospective auditors acquire basic knowledge and learn inspection techniques from the Production Department's *SEGA Amusement Products Inspector Textbook*, which is also available in Chinese. And those who pass the certification exam are allowed to conduct voluntary audits.

## Cooperation with Partners Running Amusement Centers

The Entertainment Contents Business has positioned revitalization of the amusement industry as a priority issue. Accordingly, we have reinforced the detailed support and suggestions offered to partners that run amusement centers. Since fiscal 2015, we have been offering multiple sales plans for games such as *CHUNITHM*, *Kancolle Arcade* and *Luigi Manshion Arcade* to provide many business model options for the consideration of our partners running amusement centers so that they can choose the most suitable one for their need.

*Kancolle Arcade* has attracted new customers, who have enjoyed the *Kantai Collection* browser game, to amusement centers. We are striving to expand the target customers for the amusement business by compiling an operation manual, which describes ways for first-time visitors to have more fun in the amusement center space, and we recommend it to partners running amusement centers.

## Initiatives with Retailers and Partner Manufacturers

Because we consider retail stores to be a prime point of contact with customers, SEGA Games of the Entertainment Contents Business plans and holds instore sales promotions and events nationwide for our home video game software. These appeals are tailored to the specific characteristics of the product and store and are a way of showing customers directly the attractiveness of the product. In addition, we use our strong nationwide sales network as we actively handle products from other game manufacturers who do not have sales and logistics organizations. We view these manufacturers as our partners too. We give them the same exacting sales support that we apply to our own products so that customers always have access to excellent game software.

## Working with Partners Overseas

When doing business outside Japan, our Entertainment Contents Business ensures that it not only follows all local laws and regulations but also builds sound partnerships with local enterprises with knowledge of local culture and customers. After-sale maintenance and follow-ups are particularly important in the case of amusement machines, and so we keep close ties with our local distributors and form a reliable service arrangement with them. In recent years, we have used such an arrangement to sell non-Japanese manufacturers' machines, alongside our own products, as their distributor.

## Joint Quality Conferences with Partner Companies

The Pachislot and Pachinko Machines Business holds joint quality conferences twice a year for partner companies that assemble pachislot units. There we set goals for reducing the rejection rate, share examples of defects, and exchange technologies. Continuing this kind of initiative has brought the rejection rate down substantially and has also created ties between partner companies. Going forward, we will keep strengthening ties aimed at improving quality and work processes throughout the supply chain.

### • Joint Quality Conferences (Fiscal 2016)

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



A joint quality conference in fiscal 2016