

For details, please see our *CSR Report 2015*.

ESG Risks and Responses in the Value Chain

Development

Manufacturing

Sales

Operation

In the Pachislot and Pachinko Machine Business segment, we prevent the impairment of corporate value by carefully analyzing the environment, society, and governance (ESG) risks with the potential to halt respective business processes from development through to sales, incur additional costs, or damage brand value.

Example of society risk in development

Regulatory revision

Authorities sometimes strengthen the regulations pertaining to the Entertainment Establishments Control Law (the regulations), which stipulate model-testing operation methods for pachinko and pachislot machines, in response to clarification of operation rules or pachinko and pachislot machine manufacturers' development of machines with strong gambling elements. Furthermore, manufacturers must comply with industry bodies' internal regulations. For example, Nikkoso, which is the pachinko machine manufacturers' industry association, has concluded a new agreement in relation to addiction countermeasures.



We are focusing on developing machines that a wide range of players can enjoy casually. At the same time, we are supporting and cooperating with industry bodies as part of a concerted effort by the entire industry to prevent addiction and ensure the industry develops soundly.

Example of environmental risk in manufacturing

Environmental burden of raw materials and processing of recovered and surplus components

Sammy's manufacturing processes could give rise to surplus electrical components and other components. We use natural resources, such as wood, and materials that place a burden on the environment, such as adhesives. Also, processing pachinko and pachislot machines at the end of their service lives is an important responsibility.



In all business processes, we implement reduce, reuse, and recycle (3R) measures rigorously. At the design and development stages, we establish common components to enable the sharing of surplus components. At the disposal stage, as well as realizing reuse through the acceptance of trade-ins, we use an industry association collection system for the final disposal of machines. Also, through collaboration with suppliers, we promote the use of environment-friendly raw materials.

Example of society risk in sales

Deterioration of image due to improper modifications or playing techniques

There is concern that the use of improperly modified pachinko and pachislot machines in commercial operations or improper playing techniques could harm the image of pachinko, ultimately leading to contraction of the pachinko and pachislot machine market.



We have established an office tasked with preventing illegal manipulation of pachinko and pachislot machines, which collects market information and contributes to the manufacture of pachinko and pachislot machines that are highly resistant to tampering. We also take measures to urge caution in relation to strategy guides that are unfounded.