

Amazing SEGA

SEGA enriches lives by bringing captivating experiences into the world. Our mission is to pass along baton of excitement on to future generations.



EUROPE



ASIA



JAPAN



NORTH AMERICA



Expanding Exhilarating Experiences in a Shrinking World

One of the major changes that have occurred during the two-year COVID-19 pandemic has been the shrinking of the world around us. Thanks to rapid advances in digital technology, we can now easily talk to people anywhere in the world. This digital transformation has dramatically reduced the distances that separate people in different parts of the world.

When I was a child, I loved to create new things and show them to my parents and friends. That trait has remained with me in adulthood. People who create things want as many people as possible to experience their creations with a sense of excitement and wonder. At the same time, we enjoy being impressed by things that others have made. I believe that these are basic tendencies in human beings. Our fundamental aspiration is to satisfy these two innate desires through the expansion of our

business activities in a world that has become dramatically smaller. To achieve this goal, I believe that our future growth strategy must focus primarily on efforts to expand our reach by enhancing the quality and quantity of the content offered by SEGA.

If we want to inspire emotion and happiness in people all around the world through our content, we must learn more about our audience. This means that those who create must also have diverse values and mindsets. Overseas employees now make up over 40% of the SEGA workforce, and people from a wide array of cultures and backgrounds work at our business sites. These diverse human resources are the source of our ability to provide entertainment that exhilarates people throughout the world. We will continue to strengthen our unique global studio publishing network with the aim of creating environments in which diverse people can reach their full potential and contribute to the creative energy that drives SEGA.



Yukio Sugino
SEGA CORPORATION
President and COO,
Representative Director

Creating Enriching Experiences for Future Generations

Entertainment cannot exist unless people live in conditions that allow them to enjoy it wholeheartedly and can look forward to a bright future. We provide value by anticipating the same future as our audiences and creating exciting experiences.

One of my responsibilities is to hand SEGA on to the next generation. Since SEGA was first established in 1960, previous generations of SEGA employees have given the world a wide array of content, including numerous games. The baton is now in our hands.

The types of entertainment that we provide and the ways in which we offer it have expanded dramatically on a global scale.

Some people create games, while others are passionate about playing them. Still others love to watch games or provide commentary. These experiences are unfolding in a rapidly expanding ecosystem of exciting gaming experiences and personal interactions.

The world today faces many challenges, including not only environmental problems, but also poverty, hunger, and gender inequality. I am determined to continue our efforts to contribute to the solution of these social issues, so that we can hand on the SEGA legacy of exhilarating experiences to future generations. As I wonder what kind of things and what brilliant culture those future generations will create with our legacy, I dream about how wonderful it would be if those things continued to bring pleasure to people 100 years, 1,000 years in the future.



Amusement Machine



Animation and Toys



Consumer Game

©SEGA ©ATLUS. ©SEGA. All rights reserved. ©SEGA / ©Colorful Palette Inc. / ©Cryton Future Media, INC. www.piapro.net piapro All rights reserved.

© Games Workshop Limited 2021. Published by SEGA. © Sports Interactive Limited 2021. Published by SEGA Publishing Europe Limited. © DARTSLIVE Co., Ltd. ©SEGA TOYS ©2021 San-X Co., Ltd. All Rights Reserved.

©Takashi Yanase/Froebel-kan,TMS,NTV ©Monkey Punch/TMS/NTV ©Gosho Aoyama/Shogakukan · YTV · TMS 1996

Improving Sustainability in the Pachislot and Pachinko Machines Business through Offensive DX



Our long-term goal for the Pachislot and Pachinko Machine Business is to become number one in terms of our share of both sales and machines in operation, and to build a stable profit structure. I see DX initiatives as a key element to drive these efforts. DX can be either defensive or offensive. While we will move forward steadily with defensive DX initiatives in such areas



Ayumu Hoshino

Senior Executive Vice President
and COO,
Representative Director
Sammy Corporation

as the improvement of operating efficiency, I want us to focus particularly on offensive DX. I see offensive DX initiatives as a driving force for the evolution of our approach to business.

Many outmoded practices and rules continue to hold sway in this industry. In the area of marketing, for example, we still accept orders by telephone or fax. In addition, when we deliver machines to pachinko halls, a witness must be present as a safeguard against fraud, and visual confirmation of delivery is a requirement. These face-to-face processes are a waste of both time and money. If we could digitize these processes, we would no longer need to assign people to these tasks. Other benefits would include the reduction of paper usage and CO₂ emissions. In addition, today's smart* pachinko and smart pachislot machines allow data to be gathered remotely, which means that the use of fraudulent ROMs or abnormal activity can be detected instantly.

There are many aspects of this industry that Sammy Corporation cannot reform solely through its own efforts. However, as a first step, we can act as a pioneer in the industry by creating new DX-based business models. Through these efforts, we will lay the foundations for consultation between industry

groups and the regulatory authorities on ways to improve the business environment.

We are working to find a comprehensive solution to the problem of open-air dumping, which first emerged as a social problem around 1994. The illegal dumping of pachinko machines is of course unacceptable, but the frequent replacement of these machines is also unsustainable. One possible solution would be to extend the operating lives of machines by connecting them online so that their software could be updated. Obviously this would require lobbying for changes to the existing regulations. The advantages would include a reduced investment burden for pachinko halls, the reduction of the amount of raw materials used in manufacturing, and the elimination of transport requirements.

There is always pushback when we try to change the status quo. However, we will not abandon our efforts. We have a mission and a responsibility as an industry leader to move the entire industry forward toward enhanced sustainability.

* These next-generation pachislot and pachinko machines allow customers to play games without ever touching a ball, as all exchanges of game balls, game medals, and other items are represented as electronic data. Since there is no physical payout of balls or other items, there is also no need to invest in the equipment needed to replenish or clean machines. In addition, these machines allow for quieter, cleaner pachislot and pachinko halls and help to prevent cases of fraud, such as when people bring in their own gaming balls. These machines also make it possible to monitor ball ejection and payout information remotely, allowing owners to take steps to prevent fraud or problem gambling.

Diversity

Achieving Diversity



Fujiyo Ishiguro

Director of the Board (External)

Profile

Fujiyo Ishiguro obtained her MBA at the Stanford Graduate School of Business. In 2000 she was appointed Representative Director, President, and CEO of Netyear Group Corporation. She has been an external director of SEGA SAMMY Holdings Inc. since 2021.

Yuka Ichiki

Vice President, Executive Officer

Role

Yuka Ichiki is Managing Director of the Sustainability Promotion Division of SEGA SAMMY Holdings Inc. She is also Representative Director and President of SEGA SAMMY BUSINESS SUPPORT INC., a special subsidiary of SEGA SAMMY Holdings Inc.

“
A highly effective and diverse Board of Directors is vital for sound governance.
”

Ichiki: I would like to begin by asking about your views on the effectiveness of the Board of Directors of SEGA SAMMY Holdings.

In 2021, I briefed the Board of Directors about our statement as required under the U.K. Modern Slavery Act and spoke to the Group Management Strategies Committee about the formulation of a sustainability vision and indicators. On both occasions, there was very lively discussion, including numerous questions and comments from those present. I knew that past briefings about our statement as required under the U.K. Modern Slavery Act had been quite short from my perusal of the minutes of past Board meetings, so I felt rather nervous as the discussion continued over a much longer time. I also sensed that a major change had occurred.

Ishiguro: Since 2014 I have been working as an external director for large corporations and IT start-ups. The role of the board of directors varies from company to company. In the past there were boards that simply rubber-stamped every motion presented.

When I was appointed as an external director of SEGA SAMMY Holdings in June 2021, I was told that discussions had not been especially lively in the past. However, we now have substantial and energetic discussions.

Ichiki: SEGA SAMMY Holdings has increased the percentage of external directors to 50%. Other moves to enhance the governance structure have included a decision to shift to the “Company with an Audit & Supervisory Committee*” structure. What are your views on the diversity of the Board of Directors?

*SEGA SAMMY Holdings plans to shift to the “Company with an Audit & Supervisory Committee” structure following approval for the move at the Ordinary General Meeting of Shareholders in June 2022.

Ishiguro: I was surprised at the high percentage of female directors. Through my work as a committee member for the government's Council for Gender Equality, I learned that around one-third of companies listed on the First Section of Tokyo Stock Exchange had no female board members. Companies in the West are required to have a certain percentage of female board members, but Japan only has targets and has generally tended to lag behind other countries. In contrast, SEGA SAMMY has a high percentage of female board members, and I believe that they have also developed a foundation for sound governance by building a team of people with different backgrounds and specialist fields.

Ichiki: We are engaged in an extremely wide range of sustainability-related initiatives. We find it very encouraging to have access to specialized advice and reference materials from external directors and Audit & Supervisory Board members with



expertise in a wide range of fields. We are very grateful for this support. I see this close communication and cooperation on initiatives as a unique attribute of the SEGA SAMMY Group.

Ishiguro: We tend to prioritize the monitoring role of boards of directors, but I see interaction between executives, who have extensive industry and corporate knowledge, and directors with specialist knowledge and outside perspectives, as source of growth for companies.

I also attend meetings of the Group Management Strategies Committee, which receives comprehensive briefings about business activities and sustainability from the executives in charge of business operations. I aim to provide useful advice that will contribute to corporate growth.

Ichiki: I believe that external directors of SEGA SAMMY have significantly more opportunities to meet with employees than external directors of other companies. Our external directors are involved in a wide range of initiatives. For example, your recent talk session with the CEO, Haruki Satomi, was streamed online as a lecture for our in-house university, the SS-College.



Ishiguro: I see the fact that external directors have access to employees as an indication that SEGA SAMMY has an open corporate culture.

“

Click here to view the remainder of this article.

→ Progress toward diversity, equity, and inclusion (DEI) begins when people can interact and achieve genuine understanding. [↗](#)

→ SEGA SAMMY initiatives on human resources are based on four key indicators relating to the sustainable improvement of corporate value. [↗](#)

”

Strategic response to climate change

The disclosure of non-financial information has become increasingly important as the basis for two-way dialogue between companies and stakeholders, including investors. We see climate change as an important management issue for the SEGA SAMMY Group, and we have made it one of the core themes for our management strategies. We have been disclosing climate change-related data in accordance with the TCFD recommendations since the fiscal year ended March 2022.

Governance

In April 2022, we established the **Group Sustainability Subcommittee*** within the Group Management Strategies Committee, a corporate body established voluntarily by the Company. The Subcommittee, which is a forum for deliberations on basic policies and material matters relating to climate change, is chaired by the CEO as the person with ultimate responsibility for climate-related initiatives. It debates general aspects of sustainability, as well as formulating plans and policies designed to achieve sustainability goals. It also monitors progress on the Group's initiatives. Plans and policies discussed and formulated by the Group Sustainability Subcommittee* are implemented after approval by the Board of Directors.

* The Group Sustainability Subcommittee consists of President, Group CEO, and Representative Director, Senior Executive Vice President and Group CFO, and directors and Audit and Supervisory Committee members with sustainability-related expertise in their skill matrices, and directors in charge of sustainability at key Group companies.

➔ For further information about the Group sustainability governance structure

Strategy

We carried out scenario analyses based on recommendations from outside experts in order to identify climate change-related risks and opportunities and estimate the impact of those risks and opportunities on SEGA SAMMY Holdings and the SEGA SAMMY Group. On that basis we formulated countermeasures designed to ensure strategic resilience based on the projected state of the world in 2030.

(See the diagram on the next page "Scenario Analysis Results—Impacts of Risks and Opportunities, Countermeasures")

Risk Management

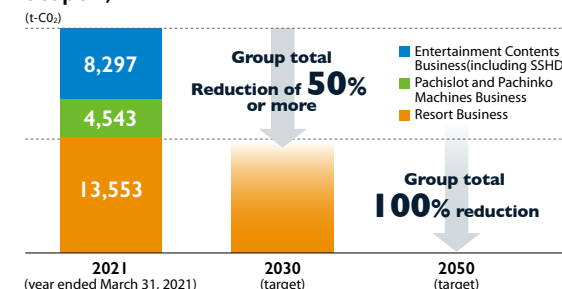
In April 2022, we established the Group Risk and Compliance Subcommittee as part of the Group Management Strategies Committee to discuss, verify, and share measures and data relating to risk management, etc. Its work includes risk assessment through verification of the impact and likelihood of risk factors that exist within the SEGA SAMMY Group, and the discussion and verification of countermeasures. The results of these activities are reported to the Board of Directors. Risks relating to environmental issues are studied by the Group Sustainability Subcommittee, which shares its findings with group companies. In group companies, Executive officers in charge of sustainability are responsible for monitoring progress on action plans. The Group Sustainability Subcommittee monitors progress on these activities, shares the information with the Group Risk and Compliance Subcommittee, and submits reports to the Board of Directors.

Sustainability perspectives, including climate change, are among the criteria used in decision-making about business portfolios. Sustainability factors are also reflected in major investment and loan decisions.

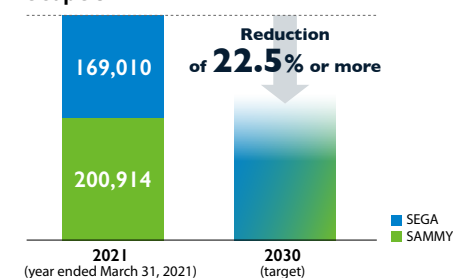
Indicators and Targets

Our target in relation to climate change mitigation is to achieve carbon neutrality for Scope 1 and 2 greenhouse gas emissions for our mainstay Entertainment Contents Business and Pachislot and Pachinko Machines Business by 2030, and for all group activities by 2050. Our target for Scope 3 emissions by both SEGA and SAMMY calls for a reduction of at least 22.5%, which is well below the 2°C science-based target. In the current fiscal year we started to conduct surveys of our suppliers with the aim of encouraging the reduction of greenhouse gas emissions.

Scope 1, 2



Scope 3



Scenario Analysis Results —Impacts of Risks and Opportunities, Countermeasures—

Category	Risks/opportunities Item	Timing	Impact on the SEGA SAMMY Group ● ... Risk ○ ... Opportunity	Impact level	Countermeasures
Changes to policies and regulatory requirements	Introduction of GHG emission regulations and carbon taxes	Medium/long-term	● The carbon tax burden will increase if governments adopt tougher climate change-related regulations and apply carbon taxes to greenhouse gas emissions.	Minor	—
		Medium/long-term	● If governments adopt tougher climate change-related regulations and apply carbon taxes to greenhouse gas emissions, manufacturers will pass on the resulting increase in the carbon tax burden, leading to higher procurement costs.	Major	We will continue to enhance our systems, including studies on supplier selection criteria, and the improvement of supplier engagement.
		Medium/long-term	●○ Electric power charges could increase or decrease due to the use of electric power produced using renewable energy.	Minor	—
Efforts to improve resource efficiency	Introduction of new regulations	Short- to long-term	● Manufacturing costs could rise due to a transition to alternative materials (recycled/biomass plastics) with smaller environmental footprints in response to tougher regulations.	Major	We will also take the reduction of manufacturing costs into account when considering changes to product materials.
	Relocation of highly efficient buildings	Medium/long-term	○ By centralizing head office functions in Sumitomo Realty & Development's Osaki Garden Tower, which has advanced environmental systems and features, we will reduce greenhouse gas emissions and curb cost increases resulting from the future introduction of carbon taxes.	Minor	—
	Recycling/reuse	Short- to long-term	○ We will reduce costs by recycling used amusement machines and reusing parts.	Minor	—
	Reduction of parts, materials, and packaging through environment-focused changes to marketing formats	Medium/long-term	○ We will reduce the cost of parts, materials, and packaging, etc., by shifting to environment-friendly marketing formats for online game sales and sales of amusement machines.	Major	We will work to reduce environmental loads by building partnerships with platformers that are implementing environmental countermeasures. We will reduce environmental loads by switching to interchangeable parts for amusement machines and minimizing the use of replacement parts.
Physical changes in the environment	Increasing seriousness of abnormal weather events	Medium/long-term	● Sales could decline due to damage and shutdowns affecting manufacturing facilities and offices.	Minor	—

—Analysis Methods and Assumptions—

When conducting scenario analyses, we referred to existing scenarios published by the International Energy Agency (IEA), and the Intergovernmental Panel on Climate Change (IPCC). We projected two world situations based on one scenario in which the increase in the average world temperature since the industrial revolution is held to less than 2°C (the 2°C scenario), which is the target under the Paris Agreement, and another in which no policies or systems are introduced and the average temperature rises above the present level (the 4°C scenario).



Sustainability Statement (PDF)

This document is published as a special issue of our Sustainability Report, which is released every fall.

In addition to the new Sustainability Vision adopted in May 2022, the Sustainability Statement also includes information about the five priority areas that make up our Materiality, management messages, discussions between an external director and an executive officer, and information about the Group's sustainability and governance structures.

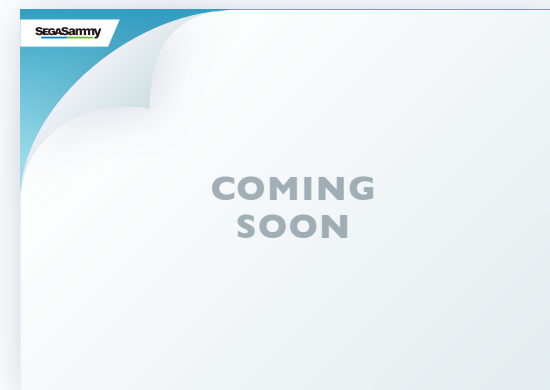


Sustainability Website

For more detailed information, please visit the new sustainability website that we created in May 2022.

We plan to update the content of the website as required. The site also provides access to records of past activities.

→ <https://www.segasammy.co.jp/english/sustainability/>



Sustainability Report (PDF, to be released in the fall of 2022)

In the fall of 2022, we plan to issue a new Sustainability Report containing information about our activities over the past fiscal year.

SEGASammy

The logo consists of the word "SEGA" in a bold, black, sans-serif font, followed by "Sammy" in a similar but slightly more rounded font. A horizontal line underlines the text, with the left portion being blue and the right portion being green.