

(Translation)

July 8, 2005

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.
Name of Representative: Hajime Satomi,
Chairman, President and
Representative Director
(Code No. 6460, Tokyo Stock Exchange 1st Section)
Further Inquiry: Michael Masakimi Hotta,
Executive Officer
(TEL: 03-6215-9955)

Notice of Final Decision Invalidating Patent No. 2574912 (Flag Carryover Patent)

With regard to the patent right (Patent No. 2574912) in respect of which an action for infringement of patents has been filed by Aruze Corp. ("Aruze") against Sammy Corporation ("Sammy"), a subsidiary of SEGA SAMMY HOLDINGS INC. (the "Company"), the Japanese Patent Office rendered a decision invalidating the patent and the Tokyo High Court delivered a judgment in favor of the decision, against which Aruze appealed to the Supreme Court and also filed a petition for receipt of final appeal. Notice is hereby given that on July 7, 2005, the Supreme Court rejected the appeal from Aruze and rendered a decision not to accept the final appeal, as described below:

Description

1. Background

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| (1) | May 31, 2002 | Aruze filed an action for claim for damages. |
| (2) | October 18, 2002 | Sammy filed with the Japanese Patent Office a petition for a decision invalidating the patent. |
| (3) | November 28, 2003 | The Japanese Patent Office delivered a decision invalidating Patent No. 2574912 (as of November 17, 2003). |
| (4) | December 25, 2003 | Aruze filed with the Tokyo High Court an action to seek revocation of the decision invalidating the patent rendered by the Japanese Patent Office. |
| (5) | February 15, 2005 | The Tokyo High Court rendered a judgment dismissing the action filed by Aruze (in support of the decision invalidating the patent). |
| (6) | March 1, 2005 | Aruze appealed against the judgment rendered by the Tokyo High Court to the Supreme Court and also filed a petition for receipt of final appeal. |

2. Contents of the decision by the Supreme Court

The appeal shall be dismissed.

The petition for receipt of final appeal shall not be accepted.

The costs of the appeal and the petition shall be borne by the appellant and petitioner.

3. Related action for damages for infringement of patent rights

With regard to Sammy's pachislot machines, Aruze has filed an action based on the same patent right:

Related action	Date of action filed	Current status
<i>JYUOH</i>	May 31, 2002	On trial at the Tokyo District Court (Amount of damages claimed: ¥5,145,750,000)

4. Future prospects

As described in paragraph 3 above, the action related with the patent is currently on trial at the Tokyo District Court. In accordance with the final decision invalidating the patent (Patent No. 2574912), the Company will promptly take proceedings with the Tokyo District Court. The result of the proceedings will be publicized as soon as it becomes available.

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