

(Translation)

October 12, 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 Judgment on Appeal (CT Patent)

Notice is hereby given that with regard to the action for infringement of patent filed by Aruze Corp. ("Aruze") against Sammy Corporation ("Sammy"), a subsidiary of SEGA SAMMY HOLDINGS INC., the Intellectual Property High Court rendered a judgment in favor of Sammy, as described below.

This appeal had been filed by Sammy, dissatisfied with the judgment of the Tokyo District Court that Sammy's pachislot game machines "*Ultraman Club 3*" and "*Japan 2*" had infringed the patent of Aruze, giving orders that Sammy pay ¥7,416,680,000 therefor.

Description

1. Background

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| (1 | October 28, 1999 | Aruze filed an action for claim for damages. |
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| (2 | June 25, 2001 | Sammy filed with the Japanese Patent Office a petition for a decision invalidating the patent. |
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| (3 | March 19, 2002 | The Tokyo District Court rendered a judgment on the action filed by Aruze in favor of Aruze. |
|) | | |
| (4 | March 19, 2002 | Sammy appealed to the Tokyo High Court (the current Intellectual Property High Court). |
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| (5 | January 6, 2003 | The Japanese Patent Office delivered a decision invalidating Patent No.1855980 (as of December 25, 2002). |
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| (6 | January 27, 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. |
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| (7 | February 21, 2005 | The Tokyo High Court rendered a judgment dismissing the action filed by Aruze (in support of the Japanese Patent Office's decision invalidating the patent). |
|) | | |

- (8 March 7, 2005) Aruze appealed to the Supreme Court and filed a petition for receipt of final appeal to seek revocation of the judgment rendered by the Tokyo High Court.
- (9 July 14, 2005) The Supreme Court rejected the appeal from Aruze and rendered a decision not to accept the final appeal. (Final decision invalidating the patent)

2. Outline of the judgment

- (1) Date of judgment: October 12, 2005
- (2) Contents: The portion of the original judgment given against the appellant shall be reversed.
- The appellee's claim shall be dismissed.
- The costs of the action in the first and second instances shall be borne by the appellee.
- (3) Reason: The patent exercised has elapsed due to invalidation thereof

3. Future prospects

As present, the judgment is expected to have no effect on the operating results.

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