

(Translation)

August 30, 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 Action (Flag Carryover 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 Tokyo District Court rendered a judgment in favor of Sammy, as described below.

This action had been filed against Sammy as a defendant by the plaintiff Aruze, alleging that Sammy's pachislot game machine "JYUOH" infringed the patent of Aruze and claiming damages of ¥5,145,750,000 therefor.

Description

1. Background

- |    |                   |  |
|----|-------------------|--|
| (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 Japanese Patent Office's  |
|    |                   | 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.   |
| (7 | July 7, 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: August 30, 2005

(2) Contents: The plaintiff's claim shall be dismissed.

The costs of the action shall be borne by the plaintiff.

(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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