

(Translation)

March 5, 2007

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 Business and Capital Tie-up with TAIYO ELEC Co., Ltd.

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company") and Sammy Corporation (President and Representative Director: Toru Katamoto, Head office: Toshima-ku, Tokyo, hereinafter "Sammy"), a subsidiary of the Company, at the respective meetings of their Boards of Directors held on March 5, 2007, resolved that Sammy would enter into a fundamental agreement with regard to a business and capital tie-up for business relating to pachinko machines, pachislot machines, *arrange-ball* machines, *jankyu* machines and other entertainments with TAIYO ELEC Co., Ltd. (President and Representative Director: Eriko Sato, Head office: Nagoya City, Aichi Prefecture, hereinafter "Taiyo Elec") which engages in the development, manufacture and sale of pachinko machines, pachislot machines and *arrange-ball* machines, as described below:

Description

1. Purpose of the tie-up:

Since the "Amendment to the Regulations to Enforce the Law Concerning Control and Proper Operations of Entertainment Establishments, Etc." of Japan became effective in July 2004, game machine manufacturers have strenuously been developing machines in compliance with the new requirements. However, the numbers of pachinko halls and customers have been decreasing nationwide. Hence, there is a pressing need for the industry to activate the market by providing more enjoyable environments and supplying innovative machines to retain new customers and bring back customers who have left the market in the future.

Under these circumstances, Sammy and Taiyo Elec, for the purpose of development of the industry and both companies, have determined to form cooperative ties in the business area relating to pachinko machines, pachislot machines, *arrange-ball* machines, *jankyu* machines and other entertainments and also enter into a capital tie-up to strengthen their relationship.

2. Contents of the business tie-up:

Development, manufacture and sale of pachinko machines, pachislot machines, *arrange-ball* machines, *jankyu* machines and other entertainments.

A “Tie-up Promotion Committee” will be formed, and both companies will work cooperatively to establish concrete details going forward.

3. Outline of TAIYO ELEC Co., Ltd. (as of September 30, 2006):

- (1) Trade name: TAIYO ELEC Co., Ltd.
- (2) Representative: Eriko Sato
- (3) Location of head office: 125, Miyori-cho, Nishi-ku, Nagoya City, Aichi Prefecture
- (4) Establishment: July 11, 1973
- (5) Contents of business: Development, manufacture and sale of pachinko machines, pachislot machines and *arrange-ball* machines
- (6) Settlement of accounts: March 31st of each year
- (7) Number of employees: 201
- (8) Capital: ¥1,000,501,000
- (9) Total number of issued shares: 11,159,832 shares
- (10) Principal shareholders and shareholding ratios:
 - Eriko Sato 2,619 thousand shares 23.47%
 - Sun Line Co., Ltd. 1,850 thousand shares 16.57%
 - Shoji Sato 1,038 thousand shares 9.30%
 - Manami Sato 464 thousand shares 4.15%
 - Aki Miyake 350 thousand shares 3.13%
 - Toshitaka Kashiwabara 271 thousand shares 2.43%
 - Teruko Sato 238 thousand shares 2.13%
 - The Daisan Bank, Ltd. 222 thousand shares 1.98%
 - The Bank of Tokyo-Mitsubishi UFJ, Ltd. 150 thousand shares 1.34%
 - Kazutoshi Yasui 133 thousand shares 1.19%

(11) Operating results for the recent business years:

	(million yen)	
	Year ended March 31, 2005	Year ended March 31, 2006
Net Sales	8,245	18,678
Ordinary income	(2,140)	861

4. Outline summary of the issuance by Taiyo Elec of new shares by allotment thereof to a third party:

- (1) Number of new shares to be issued: 5,623,000 shares of common stock
- (2) Issue price: ¥659 per share
- (3) Total issue price: ¥3,705,557,000
- (4) Capitalization amount: ¥330 per share
- (5) Total capitalization amount: ¥1,855,590,000
- (6) Application date: March 22, 2007 (Thursday)
- (7) Payment date: March 23, 2007 (Friday)
- (8) Date of delivery of new share certificates: Due to notice of non-possession of share certificates by the allottee, no share certificates will be issued upon the capital increase.
- (9) Allottee and the number of shares to be allotted: Sammy Corporation: 5,623,000 shares
- (10) The abovementioned issuance of new shares shall be conditional upon notification thereof under the Securities and Exchange Law of Japan becoming effective.

5. Number of shares of Taiyo Elec to be acquired by Sammy and the numbers of shares held by Sammy before and after the acquisition:

Number of shares before the acquisition:	100 shares	(Shareholding ratio: 0.00%)	
Number of shares to be acquired:	5,623,000 shares	(Acquisition cost: ¥3,705,557,000)	
Number of shares after the acquisition:	5,623,100 shares	(Shareholding ratio: 33.40%)	

6. Schedule:

March 5, 2007:	Resolution of the Board of Directors
March 5, 2007:	Conclusion of a fundamental agreement with regard to a business and capital tie-up
March 22 2007:	Application date
March 23 2007:	Payment date

7. Effect on operating results:

Taiyo Elec will become an equity-method affiliate of Sammy as a result of the tie-up. However, it will have no significant effect on the whole-year operating results for the fiscal year ending March 31, 2007. Hence, no amendment will be made to the forecasts of operating results of the Company.

- END -