

(Translation)

April 15, 2010

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.

Name of Representative: Hajime Satomi,
Chairman, President and
Representative Director (CEO)

(Code No. 6460, Tokyo Stock Exchange 1st Section)

Further Inquiry: Koichiro Ueda,
General Manager of Group
Communications Office
(TEL: 03-6215-9955)

Notice of Inappropriate Transactions by Former Employee
of the Company's Subsidiary (SEGATOYS CO., LTD.)

It has been discovered that a former employee of SEGATOYS CO., LTD., a subsidiary of SEGA SAMMY HOLDINGS INC. (the "Company") had been conducting inappropriate transactions with multiple business partners. Please refer to SEGATOYS' release entitled "Notice of Inappropriate Transactions by Former Employee" attached hereto regarding how the inappropriate transactions were discovered, the current status of the investigation, future response, etc.

SEGATOYS' Taskforce on Inappropriate Transactions Conducted by Former Employee currently estimates unrecognized accounts payable stemming from the inappropriate transactions at around 500 million yen. The Company will promptly announce the results of the investigation by the external investigation committee comprising attorneys and certified public accountants as well as the impact of the incident on the Company's consolidated earnings as soon as they become clear.

We deeply regret that such inappropriate transactions occurred within the Company Group. We express our sincerest apologies to our shareholders, our business partners and other affiliated parties for the enormous inconvenience and concerns this incident may cause. The Group as a whole will strive to prevent recurrence and restore confidence.

<<Attached material: Press release of SEGATOYS CO., LTD.
"Notice of Inappropriate Transactions by Former Employee">>

- END -

(Translation)

April 15, 2010

Dear Sirs,

Name of Company:	SEGATOYS CO., LTD.
Name of Representative:	Yoshiharu Suzuki, President and CEO (JASDAQ, Code No. 7842)
Further Inquiry:	Akira Sugano, Executive Vice President, Head of Corporate Department (TEL: 03-5822-6244)

Notice of Inappropriate Transactions by Former Employee

SEGATOYS CO., LTD. (the “Company”) has discovered that a former employee has conducted inappropriate transactions. We hereby inform you of how the inappropriate transactions were discovered, the current status of the investigation, the impact on the Company’s earnings and future response as follows.

1. How the inappropriate transactions were discovered

The Company has been facilitating radical structural reforms in management and business operations under a new management structure in our recent efforts to recover earnings. As a result of the voluntary early retirement program introduced as part of the management reform on December 7, 2009, this former employee applied and retired as of March 31, 2010. The employee visited the Company on April 5, and at the individual’s personal volition stated that the individual had engaged in inappropriate transactions under the guise that the transactions were the Company’s transactions. Following this individual’s declaration, the Company promptly established the Taskforce on Inappropriate Transactions Conducted by Former Employee (Taskforce Director: Yoshiharu Suzuki, President and CEO), conducted an internal investigation with the cooperation of the Company’s legal adviser and confirmed the facts of the inappropriate transactions conducted by this former employee.

2. Current status of investigation

The matters that are known at this point from the aforementioned internal investigation are as follows:

- The former employee conducted inappropriate transactions from around March 2008 to around the time of retirement at the end of March 2010 while serving as manager in charge of mobile content related operations.
- The inappropriate transactions by the former employee involved circular transactions among multiple business partners while making it appear as if they were transfers of

- goods, such as products that were actual targets of transactions.
- The inappropriate transactions by the former employee involved illegal acts that included forging company documents such as order forms and receipts, and were conducted unauthorized without going through any in-house procedures.
 - As a result of the inappropriate transactions by the former employee, there is the possibility that accounts payable unrecognized by the Company has arisen in relation to business partners.
 - As a result of the inappropriate transactions by the former employee, the total amount of accounts payable unrecognized by the Company is estimated at around 500 million yen. This is the total of the amounts claimed by business partners investigated based on the former employee's declaration at this point.

The impact of the inappropriate transactions on the Company's earnings is currently under investigation. The former employee's motives for conducting the inappropriate transactions and specifics of the transactions other than the above are currently under investigation, but we are certain that the inappropriate transactions were conducted without ever going through the Company's accounting records and that the Company has no involvement in the transactions.

3. Impact on earnings

The Company is now earnestly investigating the impact of the former employee's inappropriate transactions on the Company's earnings. We will scrutinize and determine the total accounts payable that may arise for the Company from the inappropriate transactions and the impact on the Company's earnings through future investigation, and will closely investigate the impact on financial statements of past years and announce such as soon as they are determined.

4. Future response

The Company commenced internal investigations immediately upon learning of the inappropriate transactions by the former employee. The Company also established today an external investigation committee comprising attorneys and certified public accountants (CPA) with a fair and neutral stance for a full-scale and thorough investigation of the causes, as well as prompt calculation and determination of the impact on the Company's earnings.

The members of the external investigation committee are an attorney (Hitoshi Kanamori) and CPA (Masatoshi Ishikawa) who have no vested interest in the Company and will investigate from an independent, third-party perspective, as well as the Company's legal adviser (Ryosuke Ito). (Please refer to the attachment for their biographies.)

Members of the external investigation committee

Chairperson	Hitoshi Kanamori	Sanno Law Office	Attorney
Member	Ryosuke Ito	TMI Associates	Attorney
Member	Masatoshi Ishikawa	Aiwa Tax Accountants Corporation	CPA/Tax Attorney

The Company will proceed with a full-scale investigation through the external investigation committee to determine the facts and cause in a strict and thorough manner, and

will examine the existence of similar transactions through an in-house probe. We also intend to implement effective measures to prevent recurrence so that such inappropriate transactions never occur again.

The probe to investigate the cause is still ongoing, but we will promptly announce the results of the investigation by the external investigation committee and the internal probe, together with future measures to prevent recurrence, as soon as they are determined.

We are considering civil issues regarding the accounts payable that may arise with our business partners as a result of the inappropriate transactions by the former employee, and are commencing preparations for a criminal complaint against the former employee, eyeing the possibility of conspiracy with third parties.

We express our sincerest apologies to our shareholders, our business partners and other affiliated parties for the enormous inconvenience and concerns caused by the inappropriate transactions of the former employee as reported in this press release.

We will strive to prevent recurrence and restore confidence in the future. We ask all concerned parties for their understanding and support in this matter.

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*Attachment

Name	Brief Biography	
Hitoshi Kanamori	1979	Graduated from the School of Political Science and Economics, Waseda University
	1982	Hired as legal apprentice
	1984	Prosecutor of the Tokyo District Public Prosecutors Office
	1985	Prosecutor of the Yamagata Public Prosecutors Office
	1988	Prosecutor of the Niigata Public Prosecutors Office
	1990	Prosecutor of the Tokyo District Public Prosecutors Office
	1992	Registered as attorney (Tokyo Bar Association)
	1993	Became partner at Sanno Law Office (to present)
Ryosuke Ito	1980	Graduated from the Faculty of Law Department I, University of Tokyo
	1981	Joined the Supreme Court Legal Training Institute
	1983	Registered with the Daiichi Tokyo Bar Association Worked at the Nishimura & Sanada
	1988	Graduated from NYU Law School (M.C.J.)
	1989	Obtained New York State attorney license
	1990	Obtained California State attorney license
	1991	Joined TMI Associates as partner (to present)
Masatoshi Ishikawa	1983	Graduated from the Department of Business Administration, Faculty of Business Administration, Hosei University Passed the 2 nd CPA exam Joined Shinko Audit Corporation
	1987	Passed the 3 rd CPA exam
	1990	Temporary transfer to Tsuji Accountant's Office
	1992	Joined Business Associates K.K. (currently serves as board director)
	2002	Established Aiwa Tax Accountants Corporation, serves as representative member (to present)