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**SEGA ANNOUNCES *HAPPY TREE FRIENDS FALSE ALARM*[™]
FOR PC DOWNLOAD AND XBOX LIVE ARCADE**

*Game will be Based on the Animated, International, Multi-platform Franchise from
Mondo Media*

LONDON & SAN FRANCISCO (May 10, 2007) – SEGA Europe Ltd. and SEGA® of America, Inc. today announced an exclusive agreement with the award-winning production studio, Mondo Media, to create video game content based on the popular animated series, *Happy Tree Friends*[™]. Currently under development by Stainless Studios, *Happy Tree Friends False Alarm*[™] is scheduled for release via digital download on PC and Microsoft's Xbox Live® Arcade in Autumn 2007.

Happy Tree Friends is a popular Internet phenomenon that debuted as a television series on G4 TV in the U.S and on MTV in several European countries. Selling over one million DVD copies worldwide, *Happy Tree Friends* continues to thrill audiences online and maintains its position as a top ten most downloaded podcast on iTunes. Now taking the spotlight with its very own interactive game, *Happy Tree Friends False Alarm* features the furry woodland creatures in a host of dismembering and ill-fated calamities.

“The *Happy Tree Friends* have a unique and dark type of humour that has attracted many fans” commented Gary Knight, European Marketing Director, SEGA Europe Ltd. “We are excited to be working with Mondo Media creating a title that not only captures the essence of this type of comedy, but that will also appeal to gamers and followers of the show alike”

Playing unlike any other action title on the market with its physics-based reactive environment, *Happy Tree Friends False Alarm* is an action-puzzle game that enables players to control one of three characters. Choose to play as either Flippy, the emotionally tattered war-torn bear; Lumpy, the dim-witted blue moose; or Handy, an amputee beaver carpenter always eager to lend a helping limb. Using resources such as

concrete, ice, and nitroglycerin to augment the dynamic 3D environments, your goal is to save the *Happy Tree Friends* from hilarious disaster situations, and their own bad luck. Play in 10 diverse levels designed exclusively for *Happy Tree Friends False Alarm* including mine shafts, candy factories and a museum, all of which are filled with outrageous outcomes and plenty of accidental mayhem!

“SEGA is a perfect partner for us because of their rich tradition of creating compelling, character-based games, and true to form they’re developing a truly original game that we think our fans will love,” said Kenn Navarro, the creator of *Happy Tree Friends*.

For more information on *Happy Tree Friends False Alarm*, please visit the company press page at www.sega.com/happytreefriends. For assets, please visit our press extranet at: www.sega-press.com.

About SEGA® of America Inc.

SEGA of America, Inc. is the American arm of Tokyo, Japan-based SEGA Corporation, a worldwide leader in interactive entertainment both inside and outside the home. The company develops, publishes and distributes interactive entertainment software products for a variety of hardware platforms including PC, wireless devices, and those manufactured by Nintendo, Microsoft and Sony Computer Entertainment Inc. SEGA of America’s web site is located at www.sega.com.

About SEGA® Europe, Ltd.

SEGA Europe Limited is the European Distribution arm of Tokyo, Japan-based SEGA Corporation, and a worldwide leader in interactive entertainment both inside and outside the home. The company distributes interactive entertainment software products for a variety of hardware platforms including PC, wireless devices, and those manufactured by Nintendo, Microsoft and Sony Computer Entertainment Europe. SEGA Europe’s web site is located at www.sega-europe.com.

About Mondo Media

Mondo Media is the world’s leading innovator in the use of new media distribution platforms for the delivery of high quality branded animation targeted at teens and young adults. Mondo Media distributes “Mondo Mini Shows” an ad supported, virtual animation channel available to audiences via the Internet, Podcasts and mobile. Mondo Media owns and controls the break out hit animated series “Happy Tree Friends”. The property has evolved into a global franchise and has been adapted into a television series, home video line, mobile phenomenon, videogame and line of merchandise.

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About Stainless Games Ltd.

Stainless Games Ltd. is a limited company registered in England. Based on the South Coast of the UK, Stainless Games is a developer of outstanding interactive titles for all current platforms and is the leading European developer of Xbox 360 Live Arcade games. Stainless offers a variety of solutions and services and is currently engaged by several global videogame publishers.

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