



February 13, 2003

To the parties concerned:

Name of the Company: SAMMY CORPORATION
Name of the Representative: Hajime Satomi
President and Representative Director
(Code No.: 6426 First Section of the Tokyo Stock Exchange)
Name of Contact Person: Kiyofumi Sakino
Managing Director

Name of the Company: SEGA CORPORATION
Name of the Representative: Hideki Sato
President and Representative Director
(Code No.: 7964 First Section of the Tokyo Stock Exchange)
Name of Contact Person: Shoichi Yamazaki
Officer of Business Planning Office

Notice on Business Combination

Notice is hereby given that SAMMY CORPORATION (President: Hajime Satomi; Head Office: Tokyo) and SEGA CORPORATION (President: Hideki Sato; Head Office: Tokyo) resolved at the meetings of their respective Board of Directors held on February 13, 2003 to combine their business with targeted effective date of October 1, 2003 and that they have entered into a memorandum of understanding pursuant to such resolutions, as described in the document attached hereto.

Any inquiry with respect to this matter should be directed to:

SAMMY CORPORATION:
Public Relations Department (contact person: Deguchi and Sasaki)
Investor Relations Group (contact person: Maruko and Hasegawa)
TEL: 03-5950-3790

SEGA CORPORATION:
Public Relations Department (contact person: Soga)
Securities Investor Relations Department (contact person: Yamazaki)
TEL: 03-5736-7111

The documents or audiovisual files that you are going to access may contain information subject to the regulation concerning insider trading in Securities Transaction Regulation No. 166. If you trade equity-related securities, including derivative instruments, of the Company within 12 hours of the announcement (before Feb. 14, 2003, 3:00JST) of related information, you may violate the insider trading regulation

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Notice of Business Combination

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1. Purpose of Business Combination

SAMMY CORPORATION was incorporated in 1975 as a company engaged in the development, manufacture and sale of amusement equipment such as game machines for commercial use and arrange-ball machines. Subsequently, the company expanded its product line to include pachinko slot machines and pachinko machines, which expansion has significantly contributed to the development of the company.

Under its corporate policy "moving forward with an enterprising spirit", SAMMY has been constantly challenging new ideas and developing new products and businesses with its creative and farseeing ability in the entertainment industry.

At present, SAMMY is promoting "NEWS" (New Entertainment World of Sammy), which will create a new entertainment world, as a strategic business for effectively reinvesting the resources gained by the company through the management of the pachinko and pachinko slot machine business and enabling the company to continue to grow in the middle to long term. The "NEWS" business consists of four segments -- amusement, new technology, contents and merchandizing -- and includes the planning, development and distribution of game machines for commercial use, game software for home use and original character goods. In the "NEWS" business, SAMMY is seeking to establish its presence as a global comprehensive entertainment company by way of vigorously offering, not only in Japan

but also in the global markets through its overseas network, products and services equipped with the SAMMY group's technical power in such four segments.

SEGA CORPORATION inaugurated its business in 1951 and was incorporated in 1960. Since then, SEGA, as a leading company engaged in the comprehensive entertainment business, has been developing its business on a global basis under its corporate policy "creation is life", with particular focus on three lines of business, namely the consumer products business, sales of amusement machines and operation of amusement centers.

In the consumer products business segment, SEGA, as a platform holder, has been promoting its business as a leader of the home game industry within and outside Japan for many years. At present, SEGA, with a multi-platform strategy, is engaging in the consumer products business as a prominent software publisher within and outside Japan. In the amusement machine sales segment, SEGA, as the largest vender of amusement machines within and outside Japan, contributes to the development of amusement games throughout the world through distribution of amusement machines to numerous amusement centers within and outside Japan. SEGA operates the largest number of amusement centers throughout Japan and is using its efforts and initiative to improve the condition of such amusement centers, thereby contributing to the current amusement center operation business as a whole. Thus, SEGA, as a leading company in the entertainment business, is seeking to be the No. 1 contents provider in the world through the development and offering of innovative products and technology and, in particular, digital interactive entertainment.

Both SAMMY and SEGA have reached basic agreement, and entered into a memorandum of understanding, with respect to their business combination (the "Business Combination"), for the purpose of maximizing their corporate value by combining both companies' management resources and maximizing synergistic effects with the aim of firmly establishing their position as a global and comprehensive entertainment company.

It is the belief of both SAMMY and SEGA that the company to be formed by the Business Combination will be able to establish its presence as an entertainment company unique in the world, which will offer products and services to a wide range of customers of all ages in the amusement, gaming and home game markets in the world. This goal will be able to be attained by utilizing, to the maximum extent possible, the synergistic effects of contents held by them in the amusement and consumer business categories and blending both companies' technical development ability, SAMMY's high growth power and SEGA's global brands.

2. Outline of Business Combination

(1) Timeline of Business Combination

Signing of the Memorandum of
Understanding Concerning the
Business Combination:

February 13, 2003

Signing of the Definitive Agreement
Concerning the Business Combination:

Late May 2003 (scheduled)

General Meeting of Shareholders
to Approve the Business Combination: Late June 2003 (scheduled)

Effective Date of the Business Combination: October 1, 2003 (scheduled)

(2) Method of Business Combination

With respect to the manner of the Business Combination, both companies will promptly establish a business combination committee consisting of members elected by and from both companies, which committee will study the best method through which to implement the Business Combination. Methods to be studied by the committee will include, but will not be limited to, merger, share transfer (*kabushiki iten*) and share exchange (*kabushiki kokan*). Procedures for the Business Combination and other relevant matters, including those relating to officers and employees, will also be studied by the committee.

(3) Representative of the Company to Be Formed by Business Combination

The President and Representative Director of the company to be formed by the Business Combination will be Hajime Satomi, the current President and Representative Director of SAMMY CORPORATION.

3. Outline of Parties to Business Combination

(1) Company Name	SAMMY CORPORATION	SEGA CORPORATION
(2) Description of Business	Development, manufacture and sale of pachinko slot machines and pachinko machines and their peripherals, amusement equipment for commercial use and TV game software for home use	Development, manufacture and sale of amusement equipment, operation of amusement centers, and development, manufacture and sale of consumer products
(3) Date of Incorporation	November 1, 1975	June 3, 1960
(4) Location of Head Office	23-2, Higashi Ikebukuro 2-chome, Toshima-ku, Tokyo	2-12, Haneda 1-chome, Ohta-ku, Tokyo
(5) Representative	Hajime Satomi, President and Representative Director	Hideki Sato, President and Representative Director
(6) Paid-in Capital	8,007 million yen	127,582 million yen
(7) Total Number of Shares in Issue	53,503,800 shares	174,945,027 shares
(8) Shareholder's Equity	64,111 million yen	86,304 million yen

(9) Total Assets	120,200 million yen	184,752 million yen
(10) Fiscal Year End	March 31	March 31
(11) Number of Employees	877	877
(12) Major Suppliers and Customers	[Purchase]: Parusumo and Kaga Electronics [Sale]: Pachinko parlors throughout Japan, Sanyo Hanbai and Sony Computer Entertainment	[Purchase]: Hitachi Software Engineering [Sale]: Namco, Taito and Happinet
(13) Principal Shareholders and their Shareholding Ratio	Hajime Satomi 24.3% S.S. Planning Co., Ltd. 18.9% SFC Y.K. 8.0%	CSK Corporation 22.4%
(14) Main Banks	UFJ Bank Limited, Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd.	Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank, Ltd., The Sumitomo Trust & Banking Co, Ltd., UFJ Bank Limited and The Asahi Bank, Ltd.
(15) Relationship between Parties	Capital: Holding 100,000 shares as investment securities (0.05%)	Capital: -
	Personal: -	Personal: -
	Trading: -	Trading: -

Note: The above table is stated as of September 30, 2002.

Results of Operations for the Latest 3 Fiscal Years (Consolidated)

	SAMMY CORPORATION			SEGA CORPORATION		
	Year ended, March 31					
	2000	2001	2002	2000	2001	2002
Net Sales (million yen)	47,804	78,275	164,293	339,055	242,913	206,334
Operating Income (million yen)	6,128	19,798	54,022	(40,354)	(52,018)	14,201
Ordinary Profit (million yen)	6,025	19,759	53,768	(44,271)	(52,736)	12,471
Net Income (million yen)	2,497	10,748	23,906	(42,880)	(51,729)	(17,829)
Net Income per	212.11	423.98	452.44	(390.57)	(341.58)	(119.15)

Share (yen)						
Dividend per Share (yen)	40.00	60.00	50.00	-	-	-
Shareholders' Equity per Share (yen)	1,468.79	1,137.50	1,074.13	659.03	644.32	548.40

Note: "Dividend per Share" is stated on a non-consolidated basis.

4. Other Matters Relating to Business Combination

Other matters relating to the Business Combination will be discussed and decided by the business combination committee. The contents of the matters so decided by the committee will be set forth in a definitive agreement, which is scheduled to be executed in late May 2003.