

ARUZE CORP.
Corporate Planning Office
December 27, 2005

Case Brought Against Sammy Corporation for Patent Infringement

Today, ARUZE CORP. ("ARUZE" below) filed a lawsuit with the Tokyo District Court against Sammy Corporation ("Sammy" below) for the infringement of two patents in ARUZE's possession: Patent No. 3069092 (Title of invention: "Amusement Machine;" applied for on December 5, 1997; registered on May 19, 2000) and Patent No. 3708056 (Title of invention: "Amusement Machine;" applied for on April 26, 2000; registered on August 12, 2005). ARUZE claimed damages equivalent to patent execution fees applicable to Sammy's utilization of these two patents in the company's "Hokuto No Ken" Pachislot machine, which Sammy has manufactured and distributed since November 2003.

Patent No. 3069092 represents an invention that utilizes sound, reel backlight lamps and LCD visuals during play to notify players in steps of an impending jackpot determined through that machine's internal lottery system. Patent No. 3708056 consists of lowering the volume of a machine when it is not in operation by a player.

ARUZE is responsible for the development and conception of a number of revolutionary functions that represent vital elements of Pachislot machines. These include "predetermination" and "flag carry-over," both of which have contributed significantly to the commercial success of Pachislot today. Under our creed "Aruze is all about technology," we place the utmost value on technical development and originality. Through continuously applying ourselves to development efforts that incorporate fully-realized ideas and concepts, we have maintained a great number of patents pertaining to amusement machines over the years, with many in the application stage as well.

With regard to the intellectual property in our possession, we have every intention of continuing to grant the licensed use of that property under proper conditions to businesses that request it. However, for those businesses that neglect to recognize our intellectual property and forgo any form of application to use that property, we will continue to protect our rights in the manner deemed appropriate, including bringing such issues before a court of law.

The amount of our claim against Sammy is 21 billion JPY, which was calculated by multiplying 5% of the selling price of the aforementioned “Hokuto No Ken” Pachislot title by the number of units sold of that title.

With regards to the lawsuits ARUZE filed after 1999 surrounding our “Challenge Time Patent” and “Flag Carry-Over Patent, we regret to announce that both of these lawsuits ended in losses for us. This was due to the final and conclusive decision issued this year by the Japan Patent Office that the patents in question were no longer valid. Although the Tokyo District Court recognized damages owed to us in the amount of 7.4 billion JPY for infringement of those patents, due to shortcomings in procedures taken at the Japan Patent Office and that the patent itself involved no inventive step, the patent was declared to be invalid.

We at ARUZE are fully dissatisfied with this decision, and have since requisitioned the opinion of and reports from lawyers and a number of other academic experts regarding the aforementioned issues of procedural shortcomings and patentability (inventive step).

In recent years, the alteration of the procedure for determining patent invalidity has resulted in this procedure being subject to frequent and widespread abuse. In the end, such a scheme works to the benefit of businesses that do not maintain the legal rights that patents represent. As part of our efforts to become a company that upholds Japan’s claim as a nation strongly rooted in intellectual property, ARUZE will continue to strengthen its development capacity, reinforce its rightful claims to its intellectual property and work promptly and effectively to ensure that those claims are recognized.