

The JFTC rendered a recommendation to Sega Corporation

November 15, 2006

Japan Fair Trade Commission

The Japan Fair Trade Commission (hereinafter “JFTC”) had investigated suspected violation against the Act against Delay in Payment of Subcontract Proceeds, etc. (hereinafter “Subcontract Act”) conducted by Sega Corporation (hereinafter “Sega”). As a result of the investigation, the JFTC found violation of Section 4-1 (3) (prohibition on reduction of the amount of subcontract proceeds) of the Subcontract Act and, on November 15, rendered a recommendation to Sega according to Section 7-2 of the Subcontract Act.

1 Summary of the company

Name of company	Place of head office	Representative Director
Sega Corporation	Tokyo	Hisao OGUCHI

2 Summary of the Recommendation etc.

(1) The finding of facts

Sega has outsourced to subcontractors manufacturing and assembling components of amusement machines sold to businesses. In order to ensure profits, Sega requested subcontractors to reduce prices of component itself and assembly work, and in the period from March 2005 to February 2006, targeting at some subcontractors which agreed to the price reduction, Sega applied retroactively the reduced prices to orders that Sega had already engaged in contract with those subcontractors. As a result, without reason for which the subcontractors were responsible, Sega reduced the payments to those subcontractors by the amount corresponding to the difference in price between before and after the reduction. (The amount Sega reduced against 15 subcontractors was around 21.7 million yen.)

On the other hand, Sega returned the amount reduced to those subcontractors on June 9, 2006.

(2) Summary of measures recommended

A. Sega shall notify to its subcontractors that the above (1) violated the provisions of the Subcontract Act and that Sega will never reduce subcontract payment without any reasons responsible for subcontractors.

B. Sega shall take necessary measures to establish its better compliance system and shall notify its executives etc. the measures taken.