

(Translation)

May 16, 2006

Dear Sirs,

Name of Company: SEGA SAMMY HOLDINGS INC.

Name of Representative: Hajime Satomi,
Chairman, President and
Representative Director

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

Further inquiry: Michael Masakimi Hotta,
Executive Officer
(TEL: 03-6215-9955)

Notice of Issuance stock acquisition rights for the purpose of granting
stock options to the Company's Directors

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company"), at the meeting of its Board of Directors held on May 16, 2006, resolved that the Company would submit a proposition for the approval of the issuance of stock acquisition rights as stock options to the Directors of the Company within the annual amount of ¥37,910,000 as remuneration for them, pursuant to Article 361, paragraph 1, items 1 and 3 of the Corporation Law of Japan at the 2nd Ordinary General Meeting of Shareholders of the Company to be held on June 20, 2006, as described below.

In accordance with the enforcement of the Corporation Law, stock options are included in remuneration, etc. for directors required to be approved at general meetings of shareholders. Consequently, the Company intends to grant such stock acquisition rights as remuneration, etc. for Directors in the amount equivalent to the fair value of the stock options, taking into account the present economic conditions and request our shareholders to approve of the granting thereof, separate from the amount of remuneration for the Directors resolved at the Inaugural General Meeting of Shareholders held in June 2004.

Currently, the Company has six Directors. At the meeting of the Board of Directors, the Company also resolved that it would submit a proposition for reelecting six Directors and electing one Director at the Ordinary General Meeting of Shareholders. If the proposition is approved, the Company will have seven Directors.

Description

1. Grounds for granting the Rights to Directors of the Company as part of their compensation etc.

We would like to further enhance our corporate value by promoting business management that is more conscious of our shareholders' interests and stock market trends, and by improving the motivation and morale of Directors with regard to improvement of the Company's performance. To that end, we propose to grant stock acquisition rights as stock

options to Directors in compensation for their performance of their duties.

2. Outline of the issuance of the Rights

(1) Number of shares to be covered by the Rights

Not exceeding 43,000 shares of common stock of the Company.

In the event that the company splits or consolidates its shares of common stock ("stock split or consolidation") after the issuance of the Rights, the number of shares to be covered by the Rights shall be adjusted according to the formula described below, with fractions less than one share resulting from the adjustment to be rounded down: provided, however, that such adjustment shall be made on the day following the record date of the stock split or at the time when the stock consolidation comes into effect, on the number of shares to be covered by the Rights remaining unexercised only.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split or consolidation}$$

In addition, after the date of issuance of the Rights, in the event that: the Company merges with others as the surviving company; the Company becomes a parent company of others with 100% ownership through a share exchange; the company succeeds to a part of other companies' business as a result of an absorption-type demerger; or in any other similar event where adjustments of the number of shares to be granted under the Rights are required; the Company may make necessary adjustments.

(2) Aggregate number of the Rights to be issued

Not exceeding 430. (The number of shares to be covered by one Right shall be 100 shares; provided, however, that in the event of an adjustment of the number of shares as described in (1) above, the same adjustment shall be made to the number of shares exchangeable for one Right.)

(3) Amount to be paid to acquire the Rights

The amount to be paid for the Rights shall be the amount which was determined by the Board of Directors' resolution of the Rights by using the Black-Sholes method. Payment in cash is not necessary.

(4) Assets contributed upon exercise of the Rights

The value of the assets contributed upon exercise of one Right shall be the amount given by multiplying the price to be paid in per share upon exercise of each of Rights ("Exercise price") as determined by the method given below by the number of shares exchangeable for one Right as stipulated in (2) above.

The Exercise Price shall be 1.05 times the average value of the closing stock prices for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange every day (excluding days when there is no trading) during the month that precedes the month in which the Rights were granted, with fractional amounts of less than one yen

resulting from the adjustment to be rounded up to one yen; provided, however, that if such calculated price is lower than the closing price on the day before the date of issuance of the Rights (in case such closing price not available, the closing price on the most recent, preceding day), the price shall be the closing price on the day before the date of issuance of the Rights.

In addition, in the event of a stock split or consolidation after the issuance of the Rights, the Exercise price shall be adjusted by the formula described below, with fractional amount of less than one yen resulting from the adjustment to be rounded up to one yen; provided, however, that such adjustment shall be made on the day following the record date of the stock split or at the time when the stock consolidation comes into effect

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split or consolidation}}$$

In the event that the Company issues new shares or transfers treasury shares at less than the market price, including gratis allocation, the Exercise Price shall be adjusted by the formula described below (the "Exercise Price Adjustment Formula"), with fractional amounts of less than one yen resulting from the adjustment to be rounded up to one yen; provided, however, that this shall not apply when the Company issues or transfer its shares in exchange for its common stock, or securities with redemption rights; upon exercise of stock acquisition rights, including those rights attached to bonds, exchangeable for the Company's common stock, or preemptive rights as stock options under the Commercial Code prior to the implementation of the Law for the Amendment of the Commercial Code (Law No. 128 of 2001); or upon conversion of convertible bonds.

$$\text{Exercise price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares outstanding} + \frac{\text{Number of New shares to be issued} \times \text{Amount to be paid per share}}{\text{Market price per share before issue of new shares}}}{\text{Number of shares outstanding} + \text{Number of new shares to be issued}}$$

Regarding the above formula, the "Number of shares outstanding" shall be the aggregate number of shares issued less the aggregate number of treasury shares held by the Company, and in the event that the Company transfers its treasury shares, the "Number of new shares to be issued" shall be replaced by the "Number of treasury shares transferred".

Furthermore, in the event that the Company merges with another company, makes a share exchange with another company or makes a spin-off, or in any other similar event where an adjustment to the exercise price is required, the Company may make such adjustment as it deems necessary.

(5) Exercise period of the Rights

The Rights may be exercised in the period between July 31, 2008 and July 30, 2010 ; provided, however, that in case the Company does not operate on the final day such period, the exercise period shall be until the last business day during the period.

(6) Conditions for the exercise of the Rights:

- (i) Persons who are allocated the Rights ("Right Holder") may exercise their Rights even if they lose their position on the Company's Board of Directors, in accordance with the provisions of the agreement defined in (iv) of this paragraph.
- (ii) In the case that the Rights are transferred by inheritance, matters such as the conditions regarding the inheritors and their exercise (iv) of this paragraph.
- (iii) It is not permitted to put the Rights in any pledge or to dispose of them in any manner.
- (iv) Other conditions on the exercise of the Rights shall be determined at the Board of Directors' meeting to be held after this general meeting of shareholders, and shall be stipulated in the agreement to be made between the Right Holder and the Company.

(7) Restriction on acquisition of the Rights by transfer

When any of the Rights is acquired by transfer, approval of the Company's Board of Directors shall be required.

(8) Others details regarding the Rights

Other details regarding issuance of the Rights shall be determined at a Board of Directors meeting to be held later regarding the issuance of publicly offered stock acquisition rights.

Note: The details described above shall be subject to the approval and adoption of the "To issue stock acquisition rights for the purpose of granting stock options to the Company's Directors Company" at the 2nd Ordinary General Meeting of Shareholders of the Company to be held on June 20, 2006.

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