

(Translation)

January 28, 2005

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: Koichi Fukazawa,  
Executive Officer  
(TEL: 03-6215-9955)

Notice of Merger of Sub-Subsidiaries (Music-Related Business Companies) in Connection with Restructuring of Operations of Sega Sammy Group by Business Category

As publicized on December 24, 2004, SEGA SAMMY HOLDINGS INC. (the "Company") will conduct a corporate separation under which SEGA CORPORATION (President and Representative Director: Hisao Oguchi; "SEGA") shall separate its business of management of related companies under its Specified Company Managing Team of the Department of Affiliated companies' management, Sammy Corporation (President and Representative Director: Kenkichi Yoshida; "Sammy") shall separate its business of management of affiliated companies under its Specified Company Managing Group of the Accounting Department and the Company shall acquire their businesses of management of affiliated companies, as of April 1, 2005.

Notice is hereby given that Company, at the meeting of its Board of Directors held on January 28, 2005, adopted a resolution for the merger of Wavemaster Inc., which the Company will acquire from SEGA, and Underground Liberation Force Inc., which the Company will acquire from Sammy, as of April 1, 2005, as described below:

Description

1. Purpose of the merger:

Both Wavemaster Inc. and Underground Liberation Force Inc. engage in music production and music label business. Hence, the Company intends to improve the Group's management efficiencies by integrating their overlapping business. Furthermore, the integration of Wavemaster Inc., which focuses on music for games of SEGA and Japanese music, and Underground Liberation Force Inc., which focuses on music for pachislot and pachinko of Sammy and Western music, will cover a wider genre of music and bring about an synergy effect.

2. Summary of the merger:

(1) Schedule of the merger:

Meetings of the boards of directors for approval of merger agreement: January 28, 2005  
(the Company, Sega, Sammy, WM, ULF)

Signing of merger agreement: January 28, 2005 (WM, ULF)

Date of merger: April 1, 2005

\* WM = Waveavemaster Inc.  
\* ULF = Underground Liberation Force Inc.

(2) Method of the merger:

A merger method, by which Wavemaster Inc. shall be a surviving company and Underground Liberation Force Inc. shall be dissolved.

3. Parties to the merger in outline (as of September 30, 2004):

Trade name	Wavemaster Inc.	Underground Liberation Force Inc.
Contents of business	Music production, music publication and music label business	Music production, music label and event program production business
Date of Incorporation	July 29, 1980	July 24, 1985
Location of head office	2-12, Haneda 1-chome, Ohta-ku, Tokyo	10-4, Mita 1-chome, Minato-ku, Tokyo
Representative	Yukifumi Makino, President and Representative Director	Toru Tsujii, President and Representative Director
Capital	¥12 million	¥309 million
Total assets	¥214 million	¥216 million
Date of closing of accounts	March 31 of each year	March 31 of each year
Employees	11 persons	2 persons
Principal shareholder and shareholding ratio	SEGA CORPORATION: 100%	Sammy Corporation: 100%

4. Status after the merger:

- (1) Trade name Wavemaster Inc.
- (2) Contents of business Music production, music publication and music label business
- (3) Location of head office 2-12, Haneda 1-chome, Ohta-ku, Tokyo

- |                                 |  |
|---------------------------------|--|
| (4) Representative              | Keishi Nakayama, President and Representative Director |
| (5) Capital                     | ¥12 million  |
| (6) Date of closing of accounts | March 31 of each year                                  |

5. Future outlook:

The merger will have no significant effect on business results of the Company on consolidated and non-consolidated bases.

- END -