

(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 Corporate Separation of Subsidiary (EC Business Division of Sega Music Networks)  
in Connection with Restructuring of Operations of Sega Sammy Group by Business Category

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company"), at the meeting of its Board of Directors held on January 28, 2005, resolved that SEGA CORPORATION (President and Representative Director: Hisao Oguchi; "SEGA") should acquire by corporate separation the EC Business Division of Sega Music Networks Co., Ltd. (President and Representative Director: Kazuhiro Yasutomi; "Sega Music"), comprising business of melodies signaling incoming calls "SEGA KARA" and game distribution business "GAME HONPO", among other things, as of April 1, 2005, as described below:

Description

1. Purpose of the corporate separation:

The Consumer business of SEGA will engage in development and sale of video game software as its core business and supply related digital contents in various forms of products and services through various media and platforms to consumers.

Sega Music's "SEGA KARA", a service of melodies signaling incoming calls, boasts more than 2.5 million subscribers and holds an important position in the Group businesses. The corporate separation is intended to expand services through integration with the consumer business of SEGA and bring about a synergy effect and more efficient business development.

2. Summary of the corporate separation:

(1) Schedule of the corporate separation:

Meetings of the boards of directors for approval of corporate separation agreement (the Company, SEGA and Sega Music)	January 28, 2005
Signing of corporate separation agreement (SEGA and Sega Music)	January 28, 2005
Date for corporate separation	April 1, 2005 (expected)
Registration of corporate separation	April 1, 2005 (expected)

(2) Method of the corporate separation:

1) Method of the corporate separation:

Sega Music will separate and transfer its business to SEGA and SEGA will acquire the same (*bunkatsu-gata kyushu bunkatsu*).

2) Reason for adoption of this method of corporate separation:

With the aim of allowing SEGA to engage in its consumer business more efficiently, the Company has adopted the method of *bunkatsu-gata kyushu bunkatsu* with SEGA as a successor company and Sega Music as a separating company under which the EC business will be carried out by SEGA.

(3) Allocation of shares:

No shares will be allocated upon the corporate separation.

(4) Amount of capital to be increased upon the corporate separation, etc.:

There will be no increase in the amount of capital, etc. upon the corporate separation.

(5) Payments due to separation:

No payments due to separation will be made upon the corporate separation.

(6) Rights and obligations to be transferred to the acquiring company:

SEGA will acquire the assets, liabilities and rights and obligations appertaining thereto, as well as contractual statuses, etc., which belong to the businesses of Sega Music relating to the EC business.

(7) Possibility of fulfillment of obligations:

The Company has judged that with regard to each of the obligations for which SEGA (the successor company) and Sega Music (the separating company) will be liable after the corporate separation, each of the companies will be capable of fulfilling the same

when due and payable.

- (8) Officers of the successor company to be newly appointed by the separating company:

No officer will be newly appointed to the successor company by the separating company upon the corporate separation.

3. Outline of the businesses to be transferred:

- (1) EC Business Division carried out by Sega Music:

- (2) Items and amounts of assets and liabilities to be transferred (book values as of September 30, 2004):

Assets		Liabilities	
Item	Book value	Item	Book value
Total assets	¥990 million	Total liabilities	¥805 million

4. State of the Company after the transfer:

There will be no change in the trade name, contents of business, location of head office, representative, capital, total assets, date of settlement of accounts, etc. upon the corporate separation. The corporate separation will have no effect on the forecast of consolidated business results of the Company publicized on November 10, 2004.

5. Outline of the parties to the corporate separation:

Outline of the parties to the corporate separation (as of September 30, 2004)

Trade name	SEGA CORPORATION (Successor company)	Sega Music Networks Co., Ltd. (Separating company)
Contents of business	Development, manufacture and sale of amusement machines, operation of amusement centers, and development, manufacture and sale of consumer equipment	Sale of on-line karaoke equipment for business use, production and distribution of music and videos, content service for mobile and wired information terminal units
Date of incorporation	June 3, 1960	October 13, 1994
Location of head office	2-12, Haneda 1-chome, Ohta-ku, Tokyo	1-18, Higashi Koujiya 2-chome, Ohta-ku, Tokyo
Representative	Hisao Oguchi, President and Representative Director	Kazuhiro Yasutomi, President and Representative Director
Capital	¥127,582 million	¥400 million
Total number of issued shares	174,945,700 shares	8,000 shares
Shareholders' equity	¥94,351 million	¥2,769 million
Total assets	¥140,079 million	¥4,078 million

Date of settlement of accounts	March 31 of each year	March 31 of each year
Number of employees	1,674 persons	46 persons
Principal clients	SEGA AMUSEMENT LTD., Namco Ltd.	NTT DoCoMo, Inc., Vodafone K.K.
Principal shareholder and shareholding ratio (as of October 1, 2004)	SEGA SAMMY HOLDINGS INC.: 100.0%	SEGA CORPORATION: 100.0%
Principal correspondent banks	Sumitomo Mitsui Banking Corporation UFJ Bank Limited The Sumitomo Trust and Banking Company, Limited Mizuho Corporate Bank, Ltd.	Sumitomo Mitsui Banking Corporation UFJ Bank Limited The Bank of Yokohama, Ltd. Resona Bank, Limited
Relationships among the parties to the corporate separation (as of October 1, 2004)	<p>Capital relationship: SEGA CORPORATION is wholly owned subsidiary of the Company. Sega Music Networks Co., Ltd. is a wholly owned subsidiary of SEGA CORPORATION.</p> <p>Trading relationship: Development, distribution of contents for mobile and wired information terminal units</p> <p>Personal relationship: Managing Director Hideki Okamura and Director Akira Sugano of SEGA CORPORATION concurrently serve as (part-time) Director and (part-time) Statutory Auditor of Sega Music Networks Co., Ltd., respectively.</p>	

(Note) The "principle shareholder and shareholding ratio" is disclosed as such as of October 1, 2004.

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