

(Translation)

August 31, 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: Michael Masakimi Hotta,  
Executive Officer  
(TEL: 03-6215-9955)

Notice of Stock Split (Free Issue), Adjustment to the Forecast of Year-End Dividends  
(for the Year Ending March 31, 2006) and Adjustments to Exercise Price and Conversion Price

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company"), at the meeting of its Board of Directors held on August 31, 2005, resolved to make a stock split (free issue) and an adjustment to the forecast of year-end dividends per share for the year ending March 31, 2006 (the 2nd fiscal year), as described below:

Description

I. Stock split (free issue)

1. Purpose of the stock split (free issue)

To create an environment where investors can invest in its shares, the Company intends to make a stock split, whereby enhancing liquidity of its shares and diversifying its investor base.

2. Outline of the stock split (free issue)

(1) Method of the stock split:

Each share of common stock held by the shareholders appearing or recorded in the final register of shareholders and the final register of beneficial shareholders as of September 30, 2005 (Friday) will be split into two shares as of November 18, 2005 (Friday), as described below.

(2) Number of shares to increase as a result of the stock split:

The number of shares of common stock equivalent to the number of issued shares of common stock as of September 30, 2005 (Friday) will increase.

3. Schedule:

Date of commencement of transactions to be settled on the issue date:	September 27, 2005 (Tuesday)
Record date for allocation:	September 30, 2005 (Friday)
Effective date:	November 18, 2005 (Friday)

4. Dividend accrual date: October 1, 2005 (Saturday)

5. Increase of the total number of shares authorized to be issued by the Company:

The Articles of Incorporation of the Company will be amended as of November 18, 2005 (Friday) to increase the number of shares authorized to be issued by the Company by 400,000,000 shares to 800,000,000 shares.

II. Adjustment to the forecast of year-end dividends:

1. Reasons for the adjustment to the forecast of dividends:

The Company regards the paying out of profits to its shareholders as an important mission of management and has adopted a basic policy of paying dividends properly in proportion to profits.

Based on the forecast of operating results for the year ending March 31, 2006 (from April 1, 2005 to March 31, 2006) (the 2nd fiscal year) publicized on May 24, 2005, the forecast of annual dividends was fixed at ¥80 per share. However, taking into consideration favorable performances during the fiscal year under review, on June 16, 2005, the Company publicized an amendment to annual dividends for the year ending March 31, 2006, which are ¥100 per share.

The forecast of year-end dividends, which were fixed at ¥50 per share as publicized on June 16, 2005, will be ¥25 per share as a result of the translation based on the ratio of the stock split.

However, to pay out profits to its shareholders more positively, the Company has determined to adjust the forecast of year-end dividends for the year ending March 31, 2006 (from April 1, 2005 to March 31, 2006) (the 2nd fiscal year) to ¥30 per share to thank the shareholders for their continued support, while reflecting the stock split. This represents an increase of ¥10 per share in dividends according to the calculation based on the number of shares before the stock split, and an increase of ¥30 per share in dividends in comparison with the initial forecast of dividends. No amendment will be made to interim dividends for the year ending March 31, 2006 (from April 1, 2005 to March 31, 2006) (the 2nd fiscal year).

## 2. Content of the adjustment:

Forecast of dividends per share for the year ending March 31, 2006 (from April 1, 2005 to March 31, 2006) (the 2nd fiscal year)

	Interim dividend	Year-end dividend	Annual dividend
Previous forecast (June 16, 2005)	¥50.00	¥50.00	¥100.00
Adjusted forecast	¥50.00	¥30.00	¥80.00
(For reference) For the year ended March 31, 2005 (from October 1, 2004 to March 31, 2005) (the 1st fiscal year)	- *1	¥60.00 (Ordinary dividend: ¥40) (Commemorate dividend: ¥20)	¥60.00

\*1 The Company, which was established on October 1, 2004, did not pay interim dividends for the year ended March 31, 2005 as SEGA SAMMY HOLDINGS INC. The interim dividends for the period paid by Sammy Corporation and SEGA CORPORATION were ¥40.00 per share and ¥0.00, respectively.

## III. Adjustment to the exercise price

As a result of the stock split, an amendment will be made to the exercise price of the stock acquisition rights issued by the Company and the total number of shares to be granted (as of the date of resolution) as from October 1, 2005, as described below:

Description	After adjustment		Before adjustment	
	Exercise price (per share)	Total number of shares to be granted	Exercise price (per share)	Total number of shares to be granted
Stock options as authorized by the General Meeting of Shareholders held on June 24, 2005	¥3,470	2,534,000 shares	¥6,940	1,267,000 shares

## IV. Adjustment to the conversion price

As a result of the stock split, an amendment will be made to the conversion price of the Yen Denominated Guaranteed Convertible Bonds-Type Bonds with Stock Acquisition Rights due 2009 as from October 1, 2005, as described below:

Description	Conversion price after adjustment	Conversion price before adjustment
Yen Denominated Guaranteed Convertible Bonds-Type Bonds with Stock Acquisition Rights due 2009	¥1,914	¥3,828

[For reference]

1. The number of shares to increase as a result of the stock split is not specified herein because the total number of issued shares may increase upon conversion of the Convertible Bonds-Type Bonds with Stock Acquisition Rights into shares for the period from the date of resolution of the Board of Directors to the record date for the stock split and the total number of issued shares as of the date for allocation for the stock split cannot be determined.

2. The total number of issued shares after the stock split, calculated based on the total number of issued shares as of August 31, 2005, is shown below:

(1)	Total number of issued shares as of August 31, 2005:	141,019,128 shares
(2)	Number of shares to be increased:	141,019,128 shares
(3)	Total number of issued shares after the stock split:	282,038,256 shares

3. No capital will increase as a result of the stock split.

Capital as of August 31, 2005:	¥28,461,882,706
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