

(Translation)

July 25, 2007

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 Adjustment to the Forecasts of Operating Results of  
the Company's Subsidiary (Sammy NetWorks Co., Ltd.)

Notice is hereby given that Sammy NetWorks Co., Ltd., a subsidiary of SEGA SAMMY HOLDINGS INC. (the "Company"), has made adjustment to the forecasts of operating results for the year ending March 31, 2008 (from April 1, 2007 to March 31, 2008), which were given at the time of publication of its financial statements on April 27, 2007, as described in the attachment hereto.

The adjustment will have no significant impact on the operating results of the Company and no adjustment will be made to the forecasts of the operating results of the Company.

<<Attached document: Disclosure document of Sammy NetWorks Co., Ltd.  
"Notice of Incurrence of Special Loss and Adjustment to the Forecasts of Consolidated and Non-Consolidated Operating Results for the Interim and Whole-Year Periods of the Year Ending March 31, 2008">>

- E N D -

(Translation)

July 25, 2007

Dear Sirs,

Sammy NetWorks Co., Ltd.  
1-31, Minami-Aoyama 3-chome, Minato-ku, Tokyo

Masaaki Oono,  
President and Representative Director

(Code No. 3745, Mothers, Tokyo Stock Exchange)

Further Inquiry: Hiroshi Ishikura,  
Senior Managing Director and General  
Manager of Administration Division  
(TEL: 03-5414-3030)

Notice of Incurrence of Special Loss and Adjustment to the Forecasts of  
Consolidated and Non-Consolidated Operating Results for the Interim and Whole-Year Periods  
of the Year Ending March 31, 2008

---

Notice is hereby given that Sammy NetWorks Co., Ltd. (the "Company") has registered a special loss on investments in its business in China, as summarized below. In addition, the forecasts of its consolidated and non-consolidated operating results for the interim and whole-year periods of the year ending March 31, 2008 (from April 1, 2007 to March 31, 2008), which were given at the time of publication of its financial statements on April 27, 2007, are adjusted as described below:

1. Incurrence of a special loss and the particulars thereof:

The Company will report a special loss of ¥1,120 million on investments in Sammy NetWorks Asia Pacific Limited, a consolidated subsidiary of the Company, which is a holding company controlling overall business in China, for the first quarter of the current fiscal year (from April 1, 2007 to June 30, 2007).

Since incorporation of Sammy NetWorks Asia Pacific Limited, a holding company controlling overall business in China, the Company has developed mobile content business in China. With the growth of the mobile market, sales had increased. However, as previously reported, the Chinese authorities tightened various regulations with regard to mobile phone content services and as a result, sales decreased by half from the past performance in June 2006.

In this situation, the Company contained costs by twice reducing staff at its local subsidiaries in China (from about 200 employees to about 50 employees), reducing advertising costs (by about 80%) and reducing office costs (by about 80%) by downsizing and moving offices, among others, while the Company promoted restructuring of business by entering into alliances for the distribution of content from Japan throughout China to expand business.

However, during the first quarter of the current fiscal year, additional, stricter regulations were enacted and as a result, the monthly sales in June 2007 again decreased by half from the previous month. In this situation, with regard to the accounting for goodwill, the Company has to record a loss of ¥1,120 million from the impairment of assets for the first quarter of the current fiscal year. In spite of the abovementioned measures, the Company has determined it difficult to improve performance in the immediate future under these circumstances and intends to conduct a review of its business in China, with withdrawal from the business by the sale thereof or otherwise as an option.

Consequently, the Company will not need to amortize ¥330 million of goodwill for the current fiscal year and ¥440 million of goodwill annually for the next fiscal year and thereafter, which is expected to reduce cost substantially.

The amount of such loss from the impairment of assets may change according to the sale of the business in the future. However, the Company takes into account the (prospective) net asset value of Sammy NetWorks Asia Pacific Limited on a conservative basis if the subsidiary were wound up.

As a result of the said special loss, the Company will make adjustment to the forecasts of consolidated and non-consolidated operating results for the interim and whole-year periods of the year ending March 31, 2008 (April 1, 2007 to March 31, 2008), as described below.

Note) For the non-consolidated accounting purpose, the Company will record a valuation loss of subsidiaries' stocks in the amount of ¥1,869 million as a special loss.

2. Adjustment to the forecasts of consolidated and non-consolidated operating results for the interim and whole-year periods of the year ending March 31, 2008 (April 1, 2007 to March 31, 2008):

(1) Forecasts of consolidated operating results

1) Adjustment to the forecast of consolidated operating results for the interim period of the year ending March 31, 2008 (April 1, 2007 to September 30, 2007):

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previous forecast (A)	5,670	869	869	267	6,090.88
Adjusted forecast (B)	5,489	705	680	(-) 161	(-) 3,699.6 2
Amount of increase or decrease (B-A)	(-) 181	(-) 164	(-) 189	(-) 428	(-) 9,790.5 0
Rate of increase or decrease (%)	(-) 3.2	(-) 18.9	(-) 21.7	-	-

2) Adjustment to the forecast of consolidated operating results for the whole-year period of

the year ending March 31, 2008 (April 1, 2007 to March 31, 2008):

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previous forecast (A)	12,500	2,000	2,000	712	16,242.36
Adjusted forecast (B)	11,731	2,036	1,975	506	11,638.98
Amount of increase or decrease (B-A)	(-) 769	36	(-) 25	(-) 206	(-) 4,603.38
Rate of increase or decrease (%)	(-) 6.2	1.8	(-) 1.3	(-) 28.9	(-) 28.3

(2) Forecasts of non-consolidated operating results

- 1) Adjustment to the forecast of non-consolidated operating results for the interim period of the year ending March 31, 2008 (April 1, 2007 to September 30, 2007):

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previous forecast (A)	4,312	1,244	1,244	663	15,124.56
Adjusted forecast (B)	4,227	1,116	1,112	(-) 531	(-) 12,201.85
Amount of increase or decrease (B-A)	(-) 85	(-) 128	(-) 132	(-) 1,194	(-) 27,326.40
Rate of increase or decrease (%)	(-) 2.0	(-) 10.3	(-) 10.6	-	-

- 2) Adjustment to the forecast of non-consolidated operating results for the whole-year period of the year ending March 31, 2008 (April 1, 2007 to March 31, 2008):

	Net sales (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per share (yen)
Previous forecast (A)	9,345	2,634	2,634	1,470	33,534.08
Adjusted forecast (B)	9,217	2,525	2,521	287	6,601.55
Amount of increase or decrease (B-A)	(-) 128	(-) 109	(-) 113	(-) 1,183	(-) 26,932.53
Rate of increase or decrease (%)	(-) 1.4	(-) 4.1	(-) 4.3	(-) 80.5	(-) 80.3

3. Reasons for the adjustment:

<Consolidated>

Principally due to a downturn in the business in China as set forth above, net sales on a consolidated basis for the interim period and the whole-year period are expected to decrease ¥181 million and ¥769 million, respectively, from the previous forecast.

With regard to profits, due to a downturn in the business in China and increased costs, including advertising and promotion costs of the Company to aggressively raise subscribers, ordinary income for the interim period is expected to decrease ¥189 million from the previous forecast. Ordinary income for the whole-year period is expected to decrease ¥25 million due to a decrease in goodwill amortization relating to the said business in China.

The Company has incurred a special loss of ¥1,120 million on the business in China as set forth above. However, taking into account the tax effect thereof, net incomes for the interim period and the whole-year period are expected to decrease ¥428 million and ¥206 million, respectively, from the previous forecast.

<Non-Consolidated>

Net sales on a non-consolidated basis have been on the move almost as projected. However, principally due to increased costs, including advertising and promotion costs, for the first quarter of the current fiscal year, operating income and ordinary income for the interim period are expected to decrease ¥128 million and ¥132 million, respectively, from the previous forecast. Operating income and ordinary income for the whole-year period are expected to decrease ¥109 million and ¥113 million, respectively, from the previous forecast.

The Company has incurred a special loss on the business in China and consequently registered a valuation loss of subsidiaries' stocks in the amount of ¥1,869 million as a special loss on a non-consolidated basis. Thus, net incomes for the interim period and the whole-year period are expected to decrease ¥1,194 million and ¥1,183 million, respectively, from the previous forecast.

(Note) The above forecasts of operating results are made based on the assumptions, prospects and plans for the future available as of the date hereof and involve risks and uncertainties. The actual results may differ from the forecasted figures due to various material factors.

- END -