

(Translation)

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
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Notice regarding strategic alliance with Sanrio Company, Ltd.

Today, SEGA SAMMY HOLDINGS INC. (Head office: Minato-ku, Tokyo, Chairman, President and Representative Director: Hajime Satomi; hereinafter the "Company") announced it has reached an agreement with Sanrio Company, Ltd. (Head office: Shinagawa-ku, Tokyo, President and Chief Executive Officer: Shintaro Tsuji; hereinafter "Sanrio") to pursue a strategic alliance over a broad range of businesses as described in the following articles.

1 . Purpose of the strategic alliance

The Company's core businesses range from the amusement machine, amusement facility and consumer related businesses operated by SEGA CORPORATION to the pachinko and pachislot related businesses run by Sammy Corporation, as well as those of the Company's listed subsidiaries which include SEGA TOYS CO., LTD., which is involved in the toy industry, Sammy NetWorks Co., Ltd., which is involved in the mobile phone content industry, and TMS Entertainment Ltd., which is involved in the animation industry. Thereby, as a group, the Company provides a broad variety of entertainment related products and services.

Sanrio has many internally developed highly valuable characters such as Hello Kitty which enjoy worldwide popularity. Additionally, Sanrio delivers live entertainment through its theme parks and other venues, and develops and cultivates its characters through Sanrio Shops located domestically and overseas, thereby creating a global character licensing business.

By fusing the SEGA SAMMY Group's provision of a broad range of entertainment with Sanrio's existing portfolio of valuable content, new character development ability and live entertainment expertise, both companies expect to find synergies resulting from increased awareness and value of their characters and entertainment content, and see contributions to their mutual growth through joint development.

2 . Areas of business considered for the strategic alliance

- ① Character licensing business for characters currently owned by Sanrio and the SEGA SAMMY Group respectively, new characters developed independently, and those that will be jointly developed
- ② Development of products and services that incorporate the use of characters
- ③ Mobile and Internet-related businesses
- ④ Store development and operation, and sales promotion
- ⑤ Merchandise procurement and distribution

The strategic alliance described above will not be limited to domestic businesses, but will be a part of business development worldwide.

Any broader alliance including a capital alliance or sharing of personnel will be discussed.

3. Company overviews

Overview of SEGA SAMMY HOLDINGS INC.

(1) Company Name	SEGA SAMMY HOLDINGS INC.		
(2) Business summary	Operational management of a comprehensive group of entertainment-related companies as a holding company and related operations		
(3) Established	October 1 st , 2004		
(4) Headquarters	1-9-2 Higashi Shinbashi, Minato-ku, Tokyo		
(5) Representative	Hajime Satomi		
(6) Capital	JPY 29.9 Billion		
(7) Employees	7,316 (as of September 30 th , 2006: consolidated)		
(8) Net sales	JPY 553.2 Billion (Fiscal year ended March 31 st , 2006: consolidated)		
(9) Principle shareholders, and shares and % held (As of September 30 th , 2006)			
	Hajime Satomi	43,569,338	15.38%
	SEGA SAMMY HOLDINGS INC.	31,265,871	11.04%
	The Chase Manhattan Bank, N.A. London	20,548,836	7.26%
	FSC Co., Ltd.	14,172,840	5.00%
	State Street Bank and Trust Company	11,041,165	3.90%

Overview of Sanrio Company, Ltd.

(1) Company Name	Sanrio Company, Ltd.		
(2) Business summary	Planning and sales of character products, and licensing, live entertainment, and other content businesses		
(3) Established	August 10 th , 1960		
(4) Headquarters	1-6-1 Osaki, Shinagawa-ku, Tokyo		
(5) Representative	Shintaro Tsuji		
(6) Capital	JPY 14.9 Billion		
(7) Employees	1,324 (as of September 30 th , 2006: consolidated)		
(8) Net sales	JPY 98.8 Billion (Fiscal year ended March 31 st , 2006: consolidated)		
(9) Principle shareholders, and shares and % held (As of September 30 th , 2006)			
	Konan Shoji Co., Ltd.	6,901,782	7.83%
	SEGA SAMMY HOLDINGS INC. ¹	6,542,700	7.42%
	EFG Bank S.A.	5,500,000	6.24%
	Kiyokawa Shoji Co., Ltd.	5,391,508	6.12%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,862,131	4.38%

¹ As of December 25th, 2006, SEGA SAMMY HOLDINGS INC. ownership stands at 12,326,800 shares (13.98%).

4. Schedule

December 25th, 2006 Resolution by Board of Directors
December 25th, 2006 Conclusion of basic agreement

5. Future outlook

Concrete details of the alliance will be discussed by the two companies; therefore, at this point the impact on future operations is yet to be determined.

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