

(Translation)

May 13, 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 Stock Options (Stock Acquisition Rights)

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company"), at the meeting of its Board of Directors held on May 13, 2005, resolved that the Company would submit a proposition for the issuance of stock acquisition rights as stock options as provided for in Article 280-20 and Article 280-21 of the Commercial Code of Japan at the 1st Ordinary General Meeting of Shareholders of the Company for the approval thereof to be held on June 24, 2005, as described below:

Description

1. Reason for the issuance of stock acquisition rights on specifically favorable conditions:

To boost awareness of the employees of the Company and its subsidiaries to participate in management of the Group and raise their morale to contribute to achieving much more improved results, the Company intends to issue stock acquisition rights as stock options, free of charge, to them, as outlined below:

2. Outline of the issuance of stock acquisition rights:

- (1) Qualified grantees of stock acquisition rights:

Employees of the Company and employees of its subsidiaries (hereinafter the "Grantees").

- (2) Class and number of shares to be issued or transferred upon exercise of stock acquisition rights:

Not exceeding 1,300,000 shares of common stock of the Company.

In the event that the Company divides or consolidates its shares, the said number of shares to be issued or transferred upon exercise of the stock acquisition rights shall be adjusted in accordance with the following formula; provided, however, that such adjustment shall be made only to the number of the shares in respect of which the said stock acquisition rights have not been exercised as of the day next following the record date for the division of shares or as at the time the consolidation of shares becomes effective, with any fraction of one share occurring upon such adjustment discarded:

$$\text{Number of shares as adjusted} = \text{Number of shares before adjustment} \times \text{Division/consolidation ratio}$$

Additionally, in the event that on or after the issue date of the stock acquisition rights, the Company is merged or consolidated with another company and the stock acquisition rights are succeeded to, the Company becomes a 100% parent company of another company upon a share-for-share exchange, the Company incorporates a company or transfer business by a corporate separation (*Shinsetsu-bunkatsu* or *Kyushu-bunkatsu*) or the Company decreases its capital or in any other similar event where the Company is required to make adjustment to the number of the shares to be issued or transferred upon exercise of the stock acquisition rights, the Company may make such adjustment as it deems necessary.

- (3) Total number of stock acquisition rights to be issued:

Not exceeding 13,000 rights (number of shares to be issued or transferred for each stock acquisition right: 100 shares; provided, however, that in the event of any division or consolidation of shares, an adjustment shall be made similarly in accordance with item (2) above).

- (4) Issue price of a stock acquisition right:

Free of charge.

- (5) Amount to be paid in upon exercise of a stock acquisition right:

The amount per share to be paid in upon exercise of the stock acquisition rights (the "Paid-in Amount") shall be an amount obtained by multiplying by 1.05 the average of the daily closing prices (regular way) of shares of the Company for the days (exclusive of any day on which transactions are not validly made) of the month immediately preceding the month under which the issue date of the stock acquisition rights falls, with any fraction of one yen rounded upward to the nearest one yen. Provided, however, that if the amount so obtained falls below the closing price on the day immediately preceding the issue date of the stock acquisition rights (or if the closing price is not available on that day, the closing price on any day immediately preceding that day), the Paid-in Amount shall be the closing price on the day immediately preceding the issue date of the stock acquisition rights (or if the closing price is not

available on that day, the closing price on any day immediately preceding that day).

In the event that the Company divides or consolidates its shares after the issue date of the stock acquisition rights, the Paid-in Amount shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen; provided, however, that in the event of a division of shares, such adjustment shall be made as of the day next following the record date therefore or in the event of an consolidation of shares, such adjustment shall be made as at the time the consolidation of shares becomes effective:

$$\text{Issue amount as adjusted} = \frac{\text{Issue amount before adjustment}}{\text{Division/consolidation ratio}} \times 1$$

In addition to the above, in the event that on or after the issue date of the stock acquisition rights, the Company is merged or consolidated with another company and the stock acquisition rights are succeeded to, the Company becomes a 100% parent company of another company upon a share-for-share exchange, the Company incorporates a company or transfer business by a corporate separation (*Shinsetsu-bunkatsu* or *Kyushu-bunkatsu*), the Company decreases its capital or in any other similar event where the Company is required to make adjustment to the Paid-in Amount, the Company may make such adjustment as it deems necessary.

In the event that the Company issues new shares or dispose of its shares of treasury stock at a price lower than the current market price (other than upon exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula, with any fraction of one yen occurring upon such adjustment rounded upward to the nearest one yen:

$$\text{Paid-in Amount as adjusted} = \frac{\text{Paid-in Amount before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in price per share}}{\text{Market price prior to new issue}}}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

In the above formula, the "number of already issued shares" represents the total number of issued shares of common stock of the Company after deducting the total number of its shares of treasury stock held by the Company. In case of the disposition by the Company of its shares of treasury stock, the "number of newly issued shares" and the "market price prior to new issue" shall be read as the "number of its shares of treasury stock to be disposed of" and "market price prior to disposition", respectively.

(6) Exercise period of the stock acquisition rights:

The Grantees shall be entitled to exercise their stock acquisition rights during the period from July 31, 2007 through July 30, 2009; provided, however, that if the last day of the exercise period falls on a holiday of the Company, the last day shall be the immediately preceding business day.

(7) Terms and conditions of the exercise of stock acquisition rights:

- (i) Any Grantee shall remain in office as Director, Statutory Auditor, Executive Officer, Counselor or employee of the Company or director, statutory auditor, executive officer, counselor or employee of its subsidiaries when he/she exercises the rights, unless he/she leaves office as provided for in laws or ordinances or the articles of incorporation or corporate regulations of the Company or its subsidiaries or unless sub-item (ii) or sub-item (iii) below applies.
- (ii) Even if any employee of the Company or its subsidiaries who is a Grantee leaves office, in any event of (a) through (c) below, such Grantee shall, notwithstanding the provision of sub-item (i) above, be entitled to exercise only the stock acquisition rights remaining unexercised when he/she leaves office:
  - (a) He/she leaves office for any reason under the corporate regulations, such as his/her mandatory retirement age and discharge due to business contraction, or due to any transfer to the Company or any of its subsidiaries at request of employer;
  - (b) He/she assumes office as Director, Statutory Auditor, Executive Officer or Counselor of the Company or director, statutory auditor, executive officer or counselor of the its subsidiaries immediately after he/she leaves office; and
  - (c) After he/she assumes office under (b) above, he/she leaves office due to retirement upon expiration of the term of office or as a result of any amendment to laws or ordinances.
- (iii) If any employee of the Company or its subsidiaries who is a Grantee dies, his/her heir at law shall be entitled to succeed to and exercise only his/her stock acquisition rights remaining unexercised when death ensues.
- (iv) Any other terms and conditions of the exercise of stock acquisition rights shall be determined by resolution at a meeting of the Board of Directors of the Company to be held after the close of the 1st Ordinary General Meeting of Shareholders of the Company and shall be governed by a contract of granting stock acquisition rights to be entered into between the Company and each Grantee.

(8) Events and conditions to cancel stock acquisition rights:

- (i) In the event that a proposition for the approval of a merger agreement under which the Company shall be merged, or a share exchange agreement or a share transfer under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders, the Company may cancel the stock acquisition rights without consideration.
- (ii) In the event that any Grantee leaves office in any event other than stipulated in sub-items (7) (ii) and (iii) above, the Company may immediately cancel all stock

acquisition rights allotted to such Grantee without consideration. In such event, the cancellation procedures may be executed collectively after expiration of the exercise period of the stock acquisition rights.

(iii) In addition, the Company may at any time cancel any stock acquisition rights issued as stock options without consideration.

(9) Restriction on a transfer of stock acquisition rights:

Any transfer of stock acquisition rights shall be subject to the approval of the Board of Directors.

Note) The details described above shall be subject to the approval and adoption of the proposition on the "Issuance of Stock Acquisition Rights as Stock Options" at the 1st Ordinary General Meeting of Shareholders of the Company to be held on June 24, 2005.

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