

May 18, 2004
SEGA CORPORATION
Hisao Oguchi,
President and Representative Director
TSE Code: 7964
Inquire: Akira Sugano, Senior Officer
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Notice on Reorganization of the Company's R&D Subsidiaries

The Company, at the meeting of the board of Directors held on May 18, 2004, decided to integrate its seven R&D studios.

1. Purposes of the Integration

- 1) To reallocate the development resources to increase the productivities
- 2) To concentrate the resources on the growth expected business domains
- 3) To unify the strategies on development and marketing

2. Method of Integration

The Company holds nine R&D subsidiaries including holding company. Seven of them will be integrated into their parent company, SEGA CORPORATION.

<Effect caused by the integration and outlook for the results>

The Company expects the reallocation of R&D resources efficiently, allocation of the human resources to big titles, actions toward the marketing strategies, and increase the product marketability by the integration.

The Company expects no effect to the business forecast by this integration.

1) Schedule

May 26, 2004: To conclude the agreement on transfer of business

July 1, 2004: Date of the transfer of business

2) Detail of the transfer of business

R&D of Game Software

3) Method

Transfer Price: Book value of the Transferred Assets

<Outline of the Company>

Transferred Company

(As of March 31, 2004)

1) Name	SEGA CORPORATION
2) Main Businesses	Development and sell of home-use game software, Development and sell of arcade machines, and amusement center operations
3) Date of Incorporation	June 3, 1960
4) Address	1-2-12 Haneda, Ohta-ku, Tokyo, Japan
5) Name of Representative	Hisao Oguchi
6) Common Stock	127,583 million yen
7) Number of Employees	814
8) Principal Shareholders and their Equity Ownership Percentage	Sammy Corporation (22.4%) Treasury Stocks (11.4%) Japan Securities Finance Co., Ltd. (2.8%) S. S. Planning Co., Ltd. (2.7%)

Outline of Transferring Companies

(As of March 31, 2004)

1) Name	SEGA WOW Inc.
2) Main Business	R&D of Game Software
3) Date of Incorporation	April 21, 2000
4) Address	1-23-23 Ebisu Sibuya-ku, Tokyo
5) Name of Representative	Kazunari Tsukamoto
6) Common Stock	365 million yen
7) Number of Employees	215 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	SEGA-AM2 Co., Ltd.
2) Main Business	R&D of Game Software
3) Date of Incorporation	October 1, 1983
4) Address	2-12-14 Higashi-Kojiya Ohta-ku, Tokyo
5) Name of Representative	Hiroshi Kataoka
6) Common Stock	102.75 million yen
7) Number of Employees	189 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	Hitmaker Co., Ltd.
2) Main Business	R&D of Game Software
3) Date of Incorporation	April 21, 2000
4) Address	2-12-14 Higashi-Kojiya Ohta-ku, Tokyo
5) Name of Representative	Mie Goden
6) Common Stock	190 million yen
7) Number of Employees	193 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	Amusement Vision Ltd.
2) Main Business	R&D of Game Software
3) Date of Incorporation	April 21, 2000
4) Address	2-12-14 Higashi-Kojiya Ohta-ku, Tokyo
5) Name of Representative	Toshihiro Nagoshi
6) Common Stock	110 million yen
7) Number of Employees	124 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	Sonicteam Ltd.
2) Main Business	R&D of Game Software
3) Date of Incorporation	April 21, 2000
4) Address	1-2-12 Haneda Ohta-ku, Tokyo
5) Name of Representative	Yuji Naka
6) Common Stock	80 million yen
7) Number of Employees	127 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	Smilebit Corporation
2) Main Business	R&D of Game Software
3) Date of Incorporation	April 21, 2000
4) Address	1-2-12 Haneda Ohta-ku, Tokyo
5) Name of Representative	Takayuki Kawagoe
6) Common Stock	220 million yen
7) Number of Employees	51 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission

1) Name	DigitalRex Co., Ltd.
2) Main Business	R&D of Game Software
3) Date of Incorporation	October 1, 2003
4) Address	1-2-12 Haneda Ohta-ku, Tokyo
5) Name of Representative	Yu Suzuki
6) Common Stock	100 million yen
7) Number of Employees	25 (as of April 2004)
8) Principal Shareholder and their Equity Ownership Percentage	SEGA R&D HOLDINGS INC. (100%)
9) Relation with the Company	Game Software Development Commission