

(Translation)

File No. 82-34816
December 14, 2004

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 Reduction of Capital Reserve

Notice is hereby given that SEGA SAMMY HOLDINGS INC. (the "Company"), at the extraordinary meeting of its Board of Directors held on December 14, 2004, resolved that the Company would convene an extraordinary general meeting of shareholders on February 15, 2005 to submit a proposition for reduction of capital reserve, as described below:

Description

1. Purpose of the reduction of capital reserve:

To implement its capital policy flexibly in the future and secure funds available for dividends, as well as to prepare for any future capital policy, including the acquisition by the Company of its own shares pursuant to the provisions of Article 210 and Article 211-3 of the Commercial Code of Japan.

2. Outline of the reduction of capital reserve:

Pursuant to the provision of Article 289, paragraph 2 of the Commercial Code of Japan, the Company will reduce the capital reserve of ¥276,062,754,138, which has been set up in excess of the amount equivalent to one-fourth (1/4) of the capital of ¥10,000,000,000, by ¥266,062,754,138 to ¥10,000,000,000 and transfer the amount so reduced to other capital surplus.

3. Schedule of the reduction of capital reserve (expected):

- (1) Date of resolution of the Board of Directors: December 14, 2004 (Tuesday)
- (2) Date of resolution of the extraordinary
general meeting of shareholders: February 15, 2005 (Tuesday)

- (3) Date of public notice for receiving objections from creditors: February 16, 2005 (Wednesday)
- (4) Date of expiration of the period for receiving objections from creditors: Toward the end of March 2005
- (5) Effective date of reversal of capital reserve: Toward the end of March 2005

(Note) The above-described matter is subject to the approval and adoption of the "proposition for reduction of capital reserve" at an extraordinary general meeting of shareholders of the Company to be convened on February 15, 2005.

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