



ANNUAL REPORT 2008

FINANCIAL REVIEW

Message from the President

Evoking the feeling of “This is fun!” in everybody.

This is what ARUZE seeks to fulfill as a global entertainment company.



Hajime Tokuda

Representative Executive Officer and President

Allow me to extend my hearty greetings to you all. ARUZE CORP. concluded its 35th term (the period between April 1, 2007 and March 31, 2008) at the end of this March. In issuing you this Annual Report (Financial Review), we hope to provide you with a summary of our business performance for the 35th term as well as inform you of our prospects for the 36th term.

Summary of 35th Term

Under revisions to the “Law Concerning Regulation and Proper Operation of Businesses Affecting Public Morals” and the “Regulations Concerning Authorization of and Model Approval for Amusement Machines” conducted in July 2004, the environment surrounding the Pachislot market experienced a changeover of Pachislot machines based on the previous standard (“Type 4 machines” below) to those based on the new standard (“Type 5 machines” below) that concluded upon the end of September 2007. This changeover to Type 5 machines, the intention of which was to curb excessive volatility, resulted in a sizeable decrease in the Pachislot-based operating income of Pachinko parlors, ultimately leading to a decrease in the number of Pachislot units installed in said parlors. At the end of calendar 2007, the total number of Pachislot machines installed in the market as a whole was 1,635,000 (*Note), a significant decrease of 367,000 units from the end of calendar 2006. Conversely, the total installed base of Pachinko machines was 2,954,000

Contents

- 1 Message from the President
- 4 Analysis of Business Performance
- 7 Consolidated Balance Sheets
- 9 Consolidated Statements of Operations
- 10 Consolidated Statements of Change in Net Assets
- 11 Consolidated Statements of Cash Flows
- 13 Notes to Consolidated Financial Statements
- 33 Company Overview
- 33 Directors and Officers
- 34 Stock Information
- 34 Major Shareholders

machines, representing a 21,000-unit increase over the end of the previous calendar year.

As the above suggests, the Pachislot machine sector was characterized by severe market conditions. However, ARUZE CORP. succeeded in eliciting a favorable market response to two of our titles, "Ao-Don" and "Aka-Don," which resulted in a sizable increase in unit sales.

With regards to non-operating income and loss, ARUZE CORP. posted ¥6,468 million in investment profit on the equity method under non-operating income for the consolidated fiscal year in question.

This was due to the posting of US\$258,148,000 (approximately ¥30.3 billion) in net income by Wynn Resorts, Limited (NASDAQ code: WYNN) for its full fiscal year. Wynn Resorts, Limited is an equity affiliate of ARUZE CORP. in which we hold a 22.0% stake.

Consequently, net sales for the consolidated fiscal year in question totaled ¥72,133 million (up 102.7% from the previous fiscal year), operating income totaled ¥16,088 million (against a ¥3,205 million operating loss for the previous fiscal year) and ordinary income totaled ¥23,311 million (against a ¥6,764 million ordinary loss for the previous fiscal year).

With regards to extraordinary income and loss, ARUZE CORP. posted ¥3,494 million under extraordinary income as a result of sales gains generated through the transfer of fixed assets by System Staff Co., Ltd. (currently ARUZE MARKETING JAPAN CORPORATION), a wholly-owned subsidiary of ours. Additionally, a capital increase conducted by Wynn Resorts, Limited in October 2007, as well as other factors, resulted in ARUZE GROUP's holding percentage of that affiliate to decrease from 24.1% to 21.5%. This resulted in ¥16,065 million in extraordinary income to be generated in the form of constructive sales gains under the equity method. Conversely, ¥2,795 million in extraordinary losses was generated in the form of losses on the disposal of inventories, appraisal losses and other items.

As a result of the above, net income for the fiscal year totaled ¥38,086 million (a 315.4%-increase over the previous fiscal year). Dividends in the amount of ¥60 are scheduled to be paid for the full fiscal year as a return of profits to our shareholders.

(*Note) Number of installed units of Pachislot and Pachinko taken from National Police Agency's "The Present Status of Incidents Affecting Public Morals in 2007"

Outlook for 36th Term

During the consolidated fiscal year in question, sales of Type 5 Pachislot machines progressed favorably in line with the widespread replacement of Type 4 machines with Type 5 machines. Additionally, the strong business performance of Wynn Resorts, Limited contributed greatly to ARUZE CORP.'s ordinary profit, with these factors leading to operating results that considerably exceeded original business performance forecasts. The fiscal year outlook for each business segment is as follows:

(1) Pachislot and Pachinko Business

ARUZE CORP., which began to address Type 5 machines earlier than the competition, successfully revitalized our market reputation and share primarily through "Ao-Don" and "Aka-Don" over the last year. However, the Pachislot market as a whole continues to suffer from an exodus of players due to the curbing of volatility brought upon by the transition to Type 5 machines. This has caused a drop in the purchasing volition of parlors and an accompanying decrease in the average number of machines per title placed in those parlors, thereby perpetuating severe market conditions in the process. Given this current state of affairs, ARUZE CORP. will form more tenuous bonds of trust with parlors through conducting frequent parlor visits to actively market replacement titles based on new models. In the process, we will stimulate parlor desire to replace titles on a regular basis. Based on this policy, in addition to proceeding with the implementation of a new rental system, we will choose a number of employees with particularly high selling skills to comprise new specialized teams to focus exclusively on increasing the number of parlor customers, with a rental specialty team and sales specialty team to be established. Utilizing these sales reinforcement measures, we intend to sell approximately 180,000 units of Pachislot over the course of the fiscal year.

Additionally, ARUZE intends to enter the Pachinko market, which, unlike its Pachislot counterpart, continues to exhibit favorable conditions. Through releasing appealing machines that incorporate new concepts and offer a high degree of

competitiveness, we plan to sell 50,000 Pachinko machines during the fiscal year.

(2) Overseas Gaming Machine Business

In regards to the overseas casino gaming machine business, business development efforts will be chiefly conducted through Aruze Gaming America, Inc., a subsidiary of ARUZE CORP. In Las Vegas, with machines in mid-application looking to be approved during the 2nd Half of the fiscal year, we will make concerted efforts to strengthen our sales framework and fully initiate sales activities upon the approval of said machines. Furthermore, in addition to laying out sales reinforcement measures for our outposts in Australia and South Africa, we have established a sales outpost in the booming Macau market in October 2008, and intend to serve the expansion in casino demand there. Furthermore, in order to more flexibly handle local needs, achieve reductions in production costs and enhance flexibility in cost control to reflect fluctuations in foreign currency, as of December 2008, ARUZE CORP. will establish a new factory in the Philippines tailored to the production of gaming machines.

(3) Casino Resort Operation Business

In Las Vegas, on the plot of land adjoining "Wynn Las Vegas," the opening of the even more gorgeous "Encore at Wynn Las Vegas" is scheduled for December 2008. This expansion will feature 2,043 rooms spread across VIP suites with a floor area exceeding 530m² and standard suites with a floor area exceeding 65m², a 6,700-m² casino space, fine dining, eleven brand-name shops and more.

In Macau, in order to further enhance its VIP experience and competitiveness, Wynn Macau will play host to a large-scale expansion entitled "Encore at Wynn Macau," which will integrate 400 luxury suits and four villas with the former. Construction of this expansion is already underway, with the opening targeted for the first half of 2010.

Through these dual "Encore" projects, we believe that Wynn Resorts, Limited can achieve both a more established brand presence and an increase in profits.

Furthermore, in Asia, ARUZE GROUP is currently planning the operation of a casino resort on our own terms as a component of the "Bagong Nayong Pilipino Entertainment City Manila" project currently being developed on the area of reclaimed land in the Philippine capital of Manila. The concept proposed by us for this casino resort has been highly received by the Philippine government, and, in materializing this business, the project is being conducted by an in-house team consisting primarily of reputed specialists in hotel-affiliated industries in order to ensure the creation and operation of world-class facilities. Additionally, we have successfully secured 30 hectares of land in July of this year, as well as the provisional license required to operate the casino portion of the project in August.

We are truly grateful for and hope to continue to benefit from your patronage. Thank you very much.

Analysis of Business Performance

Net Sales

For the current consolidated fiscal year, net sales for the Pachislot and Pachinko business, which is the main business of ARUZE CORP. (the "Company"), increased by 114.2% to ¥66,003 million over the previous fiscal year. The Company placed eight Pachislot titles on the market, out of which "Ao-Don" and "Aka-Don" are of particular note. As "Aka-Don" sold approximately 90,000 units, and "Ao-Don" sold approximately 60,000 units, these two machines became hit titles on the market, and served to contribute greatly to the recovery of the Company's business performance. Total net sales grew by 107.2% over the previous fiscal year to ¥72,133 million.

Cost of Sales

The total amount of cost of sales increased by 78.5% to ¥31,671 million as compared to the previous fiscal year, and the cost of sales ratio became 43.9%. The cost of sales ratio improved by 6.0 points relative to the previous fiscal year.

Selling, General and Administrative Expenses

The total amount of selling, general and administrative expenses increased by 15.8% over the previous fiscal year to ¥24,374 million. This was due to the increases in sales.

Non-Operating Profit/Loss

Non-operating income and loss improved by ¥10,781 million over the previous fiscal year, with income of ¥7,223 million recorded.

This was principally due to equity in the earnings of affiliates, which was posted under non-operating income in the amount of ¥6,468 million that stemmed from Wynn Resorts, Limited, an equity affiliate in which the Company owns a 21.5%-share.

Net Profit/Loss

Extraordinary income came to ¥20,394 million. This was principally due to a gain on changes in equity, which amounted to ¥16,065 million that stemmed from a capital increase conducted by Wynn Resorts, Limited, as well as due to gains on the sale of noncurrent assets in the amount of ¥3,494 million.

Extraordinary losses came to ¥2,795 million. This was principally due to ¥1,191 million in losses on the disposal of inventories, ¥520 million in losses on the valuation of inventories and ¥505 million in impairment losses on goodwill.

As a result of the above, net income for the consolidated fiscal year in question increased 315.4% over the previous consolidated fiscal year to ¥38,086 million, net income per share increased by ¥361.76 over the end of the previous consolidated fiscal year to become ¥476.52 and the ratio of income to shareholders' equity increased by 20.7 points from the end of the previous consolidated fiscal year to become 28.9%.

Overview of Finance

(1) Assets

The amount of total assets at the end of the current consolidated fiscal year was ¥184,826 million, an increase of ¥13,145 million over the previous consolidated fiscal year. For current assets, cash and deposits increased by ¥11,572 million, notes and accounts receivable trade increased by ¥9,978 million, short-term investment securities increased by ¥5,283 million, inventories increased by ¥2,535 million and deferred tax assets increased by ¥1,556 million, while accounts receivable-other decreased by ¥3,602 million. Total current assets increased by ¥22,499 million over the previous consolidated fiscal year to ¥108,543 million. For noncurrent assets, long-term accounts receivable-other decreased by ¥2,393 million. Total noncurrent assets decreased by ¥9,345 million as compared to the previous consolidated fiscal year, to ¥76,267 million.

(2) Liabilities

Regarding the amount of liabilities at the end of the current consolidated fiscal year, relative to the previous consolidated fiscal year, income taxes payable increased by ¥3,273 million. Conversely, the provision for losses on litigation decreased by ¥1,412 million, advances received decreased by ¥3,064 million and interest-bearing liabilities (the total amount of short-term loans payable, long-term loans payable and bonds) decreased by ¥19,047 million. As a result, total liabilities were reduced by ¥17,567 million to ¥37,499 million.

(3) Net Assets

The amount of net assets at the end of the current consolidated fiscal year was ¥147,327 million, as a result of an increase of ¥33,933 million in retained earnings. The shareholders' equity ratio increased by 11.8 points to 79.7% as compared to the previous fiscal year, and net assets per share increased by ¥383.95 to ¥1,841.84.

Cash Flow

As of the end of the consolidated fiscal year in question, the balance of cash and cash equivalents totaled ¥56,004 million. The status of each cash flow and the primary reasons for increases/decreases as of the end of the consolidated fiscal year in question are as follows:

(1) Cash Flow from Operating Activities

Cash flow from operating activities totaled ¥17,063 million in income (against ¥808 million in income for the same term of the previous fiscal year). This was primarily due to the generation of ¥40,910 million in pretax profit that resulted from an increase in sales, as well as an increase of ¥10,128 million in notes and accounts receivable-trade.

(2) Cash Flow from Investment Activities

Cash flow from investment activities totaled ¥23,999 million in income (against ¥15,534 million in income for the same term of the previous fiscal year). This was primarily due to income generated from the sale of property, plant and equipment in the amount of ¥13,504 million and the sale of investment securities resulting in income of ¥4,024 million.

(3) Cash Flow from Financing Activities

Cash flow from financing activities totaled ¥22,946 million in expenditure (against ¥15,033 million in expenditure for the previous fiscal year). This was primarily due to a ¥9,796 million decrease in short-term loans payable, ¥7,388 million in expenditure caused by repayments of long-term loans payable, ¥2,800 million in expenditure as a result of the redemption of bonds and ¥3,995 million in expenditure through cash dividends paid.

Capital Investment

Capital investment in the current consolidated fiscal year amounted to ¥9,664 million, and it was principally for the acquisition of assets for rent pertaining to Pachislot/Pachinko business and tools, furniture and fixtures.

Research and Development Activities

The fundamental policy of the Company group is to be a pioneer company producing things that are attractive and novel with creativity and foresight at all times. As a global entertainment company that provides high-quality entertainment to people of all generations, our mission is to provide "excitement" to society.

The R&D of the Company group is centered on the Pachinko and Pachislot industry and the game machine industry. We mainly develop Pachislot and Pachinko, gaming machines, amusement machines (for commercial use), digital contents for mobiles and management/operation systems.

Not content with conventional technologies, we have always taken up the challenge of new technologies, exploited

the latest technology, and continuously developed new and innovative products. In order to realize new dreams of our customers, we strive to advance from being “ARUZE: The Technology Company” to become “ARUZE: The Innovative Technology and Patent Company.”

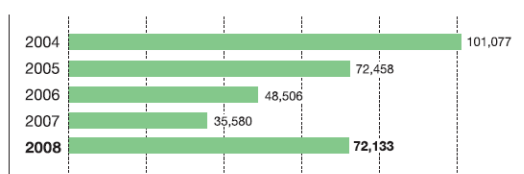
The R&D staff of the Company group now numbers 630, which is 47.5% of our workforce. In the current consolidated fiscal year, total R&D expenses amounted to ¥6,101 million. We strive to develop more sophisticated technology and achieve higher efficiency for the audio and visual components, reduce production costs, and promote the reuse, recycling and reduction (3R) of materials of Pachislot and Pachinko machines and video game machines for commercial and home use.

Recognizing the arrival of the next generation of IT technologies, we strive to develop advanced technologies to incorporate algorithms for thinking routines from artificial intelligence (AI) into IT computer systems, connect AI management system terminals with LAN, institute human biometric authentication and automate various organizational process management systems. We are also making strides in building development management system for conversation-based AI and IT computer systems equipped with voice communication engines.

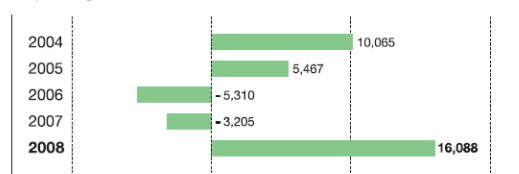
Depreciation and Amortization Expenses

Depreciation and amortization expenses decreased 6.8% to ¥4,797 million.

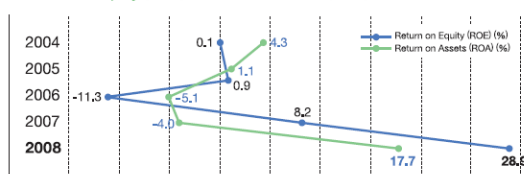
■ Net Sales (Unit: million ¥)



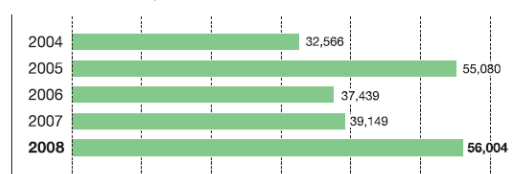
■ Operating Profit (Unit: million ¥)



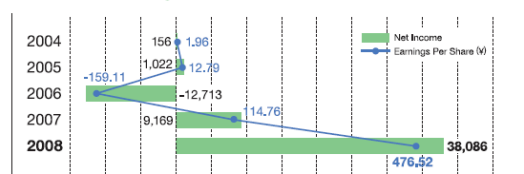
■ Return on Equity (ROE) / Return on Assets (ROA)



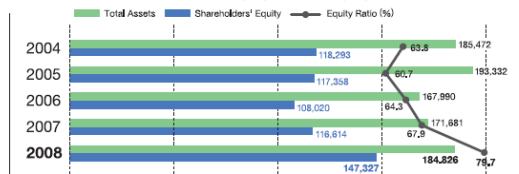
■ Cash and Cash Equivalents at End of Year (Unit: million ¥)



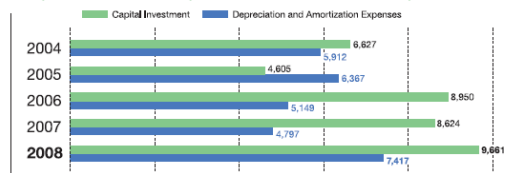
■ Net Income / Earnings Per Share (EPS) (Unit: million ¥)



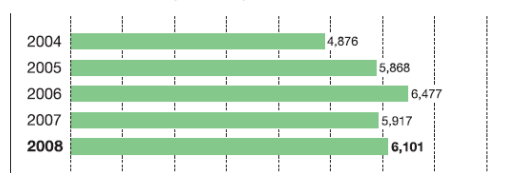
■ Total Assets / Shareholders' Equity Ratio / Equity Ratio (Unit: million ¥)



■ Capital Investment / Depreciation and Amortization Expenses (Unit: million ¥)



■ Research and Development Expenses (Unit: million ¥)



Consolidated Balance Sheets

Years ended March 31, 2008 and 2007

	March 31,		
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets			
Current assets:			
Cash and bank deposits (Note 10)	¥ 32,613	¥ 21,041	\$ 325,515
Trade notes and accounts receivable	15,331	5,352	153,020
Less: Allowance for doubtful accounts	(175)	(36)	(1,748)
Securities (Note 10)	23,391	18,108	233,471
Inventories	27,995	25,459	279,421
Deferred tax assets (Note 4)	3,005	1,449	30,000
Prepaid expenses and other current assets (Note 17)	6,381	14,669	63,696
Total current assets	108,543	86,043	1,083,375
Property, plant and equipment, at cost:			
Land (Note 3)	7,073	13,522	70,604
Buildings and structures (Note 3)	7,814	10,342	77,994
Machinery and equipment	25,722	21,556	256,738
Less: Accumulated depreciation	(20,846)	(18,341)	(208,068)
Property, plant and equipment, net	19,764	27,078	197,268
Investments and other assets:			
Investment securities (Note 11)	51,635	51,725	515,375
Long-term loans receivable	899	668	8,981
Goodwill	602	386	6,016
Deferred tax assets (Note 4)	69	-	690
Other assets	5,667	9,542	56,571
Less: Allowance for doubtful accounts	(2,371)	(3,788)	(23,672)
Total investments and other assets	56,503	58,533	563,961
Deferred charges:			
Bond issuance expenses	-	21	-
New stock issuance expenses	15	4	152
Total assets	¥ 184,826	¥ 171,681	\$ 1,844,756

(See Notes to Consolidated Financial Statements.)

	March 31,		
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings (Note 3)	¥ 49	¥ 9,845	\$ 496
Current portion of long-term debt (Note 3)	872	10,188	8,708
Notes and accounts payable:			
Trade	7,497	7,523	74,836
Other	1,970	2,045	19,664
Advances received (Note 17)	1,970	5,035	19,670
Deferred revenues	6,014	5,939	60,030
Accrued income taxes	3,965	692	39,581
Accrued consumption taxes	907	-	9,057
Provision for bonuses	298	-	2,975
Short-term deferred tax liabilities (Note 4)	0	-	0
Other current liabilities	4,302	3,268	42,942
Total current liabilities	27,849	44,538	277,964
Long-term liabilities:			
Long-term debt (Note 3)	5,069	7,305	50,598
Deferred tax liabilities (Note 4)	31	156	310
Other long-term liabilities	4,549	3,066	45,409
Total long-term liabilities	9,650	10,528	96,318
Total liabilities	37,499	55,067	374,282
Net assets			
Shareholders' equity (Note 7):			
Common stock:			
Authorized – 324,820,000 shares			
Issued – 80,195,000 shares	3,446	3,446	34,403
Capital surplus	7,503	7,503	74,890
Retained earnings	138,270	104,337	1,380,087
Treasury stock at cost: 260,034 shares in 2008 and 289,415 shares in 2007	(1,636)	(1,821)	(16,333)
Total shareholders' equity	147,584	113,465	1,473,048
Valuation and translation adjustments:			
Unrealized holding gain on securities	31	32	317
Translation adjustments	(389)	2,996	(3,882)
Total valuation and translation adjustments	(357)	3,028	(3,564)
Subscription rights to shares	99	12	995
Minority interests	0	108	0
Total net assets	147,327	116,614	1,470,479
Total liabilities and net assets	¥ 184,826	¥ 171,681	\$ 1,844,761

(See Notes to Consolidated Financial Statements.)

Consolidated Statements of Operations

Years ended March 31, 2008, 2007 and 2006

	Year ended March 31,			
	2008	2007	2006	2008
	(Millions of yen)			(Thousands of U.S. dollars) (Note 2)
Net sales	¥ 72,133	¥ 35,580	¥ 48,506	\$ 719,969
Cost of sales	31,671	17,743	31,099	316,111
Gross profit	40,462	17,837	17,406	403,858
Selling, general and administrative expenses (Note 17)	24,374	21,043	22,717	243,281
Operating income (loss)	16,088	(3,205)	(5,310)	160,576
Other income (expenses):				
Interest and dividend income	1,139	179	95	11,372
Gain on sales and retirement of property, plant and equipment	3,494	-	-	34,881
Gain on sales of investment securities	312	-	2,274	3,116
Interest expense	(290)	(477)	(650)	(2,898)
Gain (loss) on equity method investments	22,534	17,683	(2,699)	224,914
Loss on impairment of fixed assets (Notes 1(p) and 13)		(64)	(1,818)	
Loss on impairment of goodwill	(505)			(5,045)
Loss on write-downs of inventories	-	(2,140)	(3,143)	-
Loss on write-downs of investments	(520)	-	-	(5,197)
Loss on disposal of inventories	(1,191)	-	-	(11,893)
Loss on sales and retirement of property, plant and equipment	(259)	(211)	(366)	(2,586)
Other, net (Note 12)	109	(372)	182	1,089
Total other income (expenses), net	24,822	14,597	(6,126)	247,754
Income (loss) before income taxes and minority interests	40,910	11,391	(11,436)	408,331
Income taxes (Note 4):				
Current	4,745	705	168	47,367
Deferred	(1,813)	1,761	1,734	(18,100)
	2,932	2,466	1,902	29,267
Minority interests	(107)	(244)	(625)	(1,073)
Net income (loss)	¥ 38,086	¥ 9,169	¥ (12,713)	\$ 380,138

(See Notes to Consolidated Financial Statements.)

Consolidated Statements of Change in Net Assets

Years ended March 31, 2008, 2007 and 2006

	Year ended March 31,			
	2008	2007	2006	2008
	(Millions of yen)			(Thousands of U.S. dollars) (Note 2)
Common stock				
Balance at beginning and end of year (80,195,000 shares)	¥ 3,446	¥ 3,446	¥ 3,446	\$ 34,403
Capital surplus				
Balance at beginning and end of year	¥ 7,503	¥ 7,503	¥ 7,503	\$ 74,891
Retained earnings				
Balance at beginning of year	¥ 104,337	¥ 96,775	¥ 111,823	\$ 1,041,392
Adjustments to retained earnings:				
Disposal of treasury shares	(103)	(9)	-	(1,028)
Adjustments for inclusion/exclusion of subsidiaries in/from consolidation	-	-	62	-
Increase resulting from change in equity interest in an affiliate	(52)	-	-	(525)
Adjustment to retained earnings arising from merger of consolidated subsidiaries	(1)	-	-	(13)
As adjusted	104,180	96,765	111,885	1,039,827
Net income (loss)	38,086	9,169	(12,713)	380,138
Cash dividends paid	(3,995)	(1,598)	(2,397)	(39,877)
Balance at end of year	¥ 138,270	¥ 104,337	¥ 96,775	\$ 1,380,088
Treasury stock at cost: 260,034 shares in 2008 and 289,415 shares in 2007				
Balance at beginning of year	¥ (1,821)	¥ (1,837)	¥ (1,836)	\$ (18,184)
Net changes during the year	185	15	(1)	1,850
Balance at end of year	¥ (1,636)	¥ (1,821)	¥ (1,837)	\$ (16,334)
Unrealized holding gain on securities				
Balance at beginning of year	¥ 32	¥ 42	¥ 22	\$ 322
Net changes during the year	(0)	(10)	20	(4)
Balance at end of year	¥ 31	¥ 32	¥ 42	\$ 318
Translation adjustments				
Balance at beginning of year	¥ 2,996	¥ 2,090	¥ (3,600)	\$ 29,905
Net changes during the year	(3,385)	906	5,690	(33,788)
Balance at end of year	¥ (389)	¥ 2,996	¥ 2,090	\$ (3,883)
Subscription rights to shares				
Balance at beginning of year	¥ 12	¥ -	¥ -	\$ 123
Net changes during the year	87	12	-	873
Balance at end of year	¥ 99	¥ 12	¥ -	\$ 996
Minority interests				
Balance at beginning of year	¥ 108	¥ 306	¥ 4,851	\$ 1,078
Net changes during the year	(108)	(197)	(4,545)	(1,078)
Balance at end of year	¥ 0	¥ 108	¥ 306	\$ 0

(See Notes to Consolidated Financial Statements.)

Consolidated Statements of Cash Flows

Years ended March 31, 2008, 2007 and 2006

	Year ended March 31,			
	2008	2007	2006	2008
	(Millions of yen)			(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ 40,910	¥ 11,391	¥ (11,436)	\$ 408,331
Depreciation and amortization of:				
Property, plant and equipment	7,417	4,797	5,149	74,036
Loss on impairment of fixed assets	531	64	1,818	5,304
Goodwill	144	126	319	1,444
Loss on impairment of fixed assets	531	64	1,818	5,304
Provision for allowance for doubtful accounts	(1,276)	43	1,478	(12,743)
Interest and dividend income	(1,139)	-	-	(11,373)
Interest expense	290	477	650	2,898
Equity in losses of affiliates	(22,534)	(17,683)	2,699	(224,915)
Loss on disposal of property, plant and equipment	1	23	187	13
Other	(3,235)	-	-	(32,295)
Gain on sales of investment securities	(312)	-	(2,274)	(3,116)
Changes in operating assets and liabilities:				
Trade notes and accounts receivable	(10,128)	6,225	(4,377)	(101,093)
Inventories	(2,565)	(2,641)	1,502	(25,608)
Prepaid expenses and other current assets	8,296	(5,977)	(4,021)	82,810
Notes and accounts payable	28	(412)	(1,258)	284
Advances received	(2,989)	4,751	6,859	(29,843)
Other current liabilities	(432)	3,045	(175)	(4,318)
Other noncurrent assets	3,804	(2,829)	(923)	37,974
Other noncurrent liabilities	817	(55)	723	8,163
Other	11	(147)	243	110
Subtotal	17,639	1,198	(2,835)	176,064
Interest and dividends received	1,139	48	112	11,374
Interest paid	(243)	(418)	(653)	(2,429)
Income taxes paid	(1,472)	(19)	(278)	(14,697)
Net cash provided by (used in) operating activities	17,063	808	(3,655)	170,311
Cash flows from investing activities				
Purchases of investment securities	-	-	(12)	-
Proceeds from sales of investment securities	4,024	17,145	0	40,163
Purchases of property, plant and equipment	(9,652)	(8,739)	(8,890)	(96,341)
Proceeds from sales of property, plant and equipment	13,504	7,757	519	134,786
Net increase in long-term loans receivable	-	-	(128)	-
(Increase) decrease in purchases of shares of subsidiaries	(865)	(423)	240	(8,641)
Other	16,989	(205)	535	169,570
Net cash provided by (used in) investing activities	23,999	15,534	(7,734)	239,539

Cash flows from financing activities

Net decrease in short-term borrowings	(9,796)	(7,004)	(6,986)	(97,776)
Proceeds from issuance of long-term debt	965	-	1,800	9,638
Repayment of long-term debt	(7,388)	(3,627)	(3,139)	(73,740)
Proceeds from issuance of bonds	-	-	6,895	-
Proceeds from issuance of common stock	(14)	-	-	(141)
Payments for redemption of bonds	(2,800)	(2,800)	(2,100)	(27,947)
Purchases of treasury stock	(0)	(0)	(0)	(9)
Cash dividends paid	(3,995)	(1,598)	(2,397)	(39,877)
Other	82	(3)	(8)	822
Net cash used in financing activities	(22,946)	(15,033)	(5,937)	(229,030)
Effect of exchange rate changes on cash and cash equivalents	(1,261)	400	4	(12,586)
Net increase (decrease) in cash and cash equivalents	16,855	1,710	(17,322)	168,234
Cash and cash equivalents at beginning of year	39,149	37,439	55,080	390,753
Effect of merger of subsidiaries on cash and cash equivalents	-	-	(318)	-
Cash and cash equivalents at end of year (Note 10)	¥ 56,004	¥ 39,149	¥ 37,439	\$ 558,987

(See Notes to Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The accompanying consolidated financial statements of ARUZE CORP. (the "Company") and consolidated subsidiaries (collectively, the "Group") are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan and have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

For the purposes of this document, certain reclassifications have been made in order to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan. In addition, certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 16 major subsidiaries in 2008 (13 in 2007 and 2006) over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated from consolidation.

Effective the current fiscal year, the scope of consolidated subsidiaries include ARUZE MEDIA NET, INC. as a result of incorporation-type company splits from the Company on April 2, 2007, ARUZE RENTAL SERVICE CORPORATION due to a stock acquisition and capital increase by the Company conducted respectively on September 25 and September 27, 2007, and SEVEN WORKS CORPORATION (formerly known as ARUZE PREPARATORY CORPORATION) in accordance with its increased significance.

Aruze USA, Inc., Aruze Gaming America, Inc., Aruze Gaming Australia Pty Ltd. and Aruze Gaming Africa (Pty) Ltd. are consolidated on the basis of fiscal periods ended December 31, a balance sheet date that differs from that of the Company; however, the necessary adjustments have been made if the effect of the difference is material.

Investments in unconsolidated subsidiaries are stated at cost because their impact on the consolidated financial statements was not material.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net (loss) income includes the Company's equity in the current net income or loss of such companies after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries have been revalued on acquisition and the excess of cost over the underlying net assets at their respective dates of acquisition is being amortized over a period of five years on a straight-line basis.

(c) Foreign currency translation

Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Gain or loss on translation resulting from the settlement of these items at such rates as of the balance sheet date is credited or charged currently to operations.

Translation of accounts of overseas consolidated subsidiaries

The accounts of the overseas consolidated subsidiaries, except for the components of shareholders' equity, are translated into yen at the rates of exchange in effect at the balance sheet dates of these subsidiaries. The components of shareholders' equity are translated at their historical exchange rates. The differences arising from translation are presented as translation adjustments in consolidated shareholders' equity and minority interests.

(d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in their value as a result of changes in interest rates, are considered cash equivalents.

Under the accounting standard for statements of cash flows, the definitions of "Cash and cash equivalents" in the consolidated statements of cash flows and of "Cash and bank deposits" in the consolidated balance sheets differ with respect to certain components. A reconciliation between the cash definitions above is presented in Note 10.

(e) Securities

Available-for-sale ("other") securities with quoted market value are carried at market value, with unrealized gain, net of taxes, reported as a separate component of shareholders' equity, and with unrealized loss charged to income. The cost of securities sold is determined by the moving average method. Other securities whose market value is not available are stated at cost by the moving average method.

(f) Inventories

Merchandise, products and raw materials

Merchandise, products, and raw materials are principally stated at cost determined by the average method.

Work in process

Work in process is principally stated at cost determined by the average method. For work in process concerning production of contents, etc., a specific costing method is applied.

Effective the year ended March 31, 2008, the Company has changed its posting method of production costs of digital contents, etc. that were expensed as incurred in previous method.

This change was due to the increasing promotion of items classified as contents such as video images, audio and others and the prospect of their further increase in future. Furthermore, the development works in process accounted for are being posted as a singular sum under cost of sales upon the commencement of sales of the relevant individual titles.

As a result of this change, selling, general and administrative expenses decreased by ¥1,695 million (\$16,918 thousand), cost of sales increased by ¥168 million (\$1,677 thousand) and inventories increased by ¥1,527 million (\$15,241 thousand) for the year ended March 31, 2008.

See Note 15 for the related effect on the segment information.

Supplies

Supplies are stated at cost determined by the last purchase price method.

(g) Depreciation and amortization

Depreciation

1) Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is calculated by the declining balance method at the rates prescribed in the Corporation Tax Law of Japan. However, buildings (excluding structures attached to the buildings) acquired on or subsequent to April 1, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over the periods stipulated in the Corporation Tax Law.

Properties for the rental business are depreciated by the straight-line method. Depreciation for properties including Pachislot machines leased to customers is calculated by the straight-line method over the periods specified in the respective lease contracts.

Effective the year ended March 31, 2008, following the amendments to the Corporate Tax Law in Japan, the Company and a number of domestic consolidated subsidiaries changed their depreciation and amortization methods to those pursuant to the amended Corporate Tax Law for property, plant and equipment obtained after April 1, 2007. The said change has a slight impact on the Company's profit and loss and segment information.

Regarding assets obtained on or before March 31, 2007, following the amendments to the Corporate Tax Law in Japan, the Company and its domestic consolidated subsidiaries amortize the difference between the amount corresponding to 5% of the asset's acquisition price and its memorandum value evenly over 5 years, and post the amortization in the item of Depreciation. Such amortization commences from the following consolidated fiscal year of the year in which the asset's depreciation reaches the amount corresponding to 5% of the asset's acquisition price in accordance with the depreciation method provided in the former Corporate Tax Law. The said change has a slight impact on the Company's profit and loss and segment information.

- 2) Depreciation of property, plant and equipment of the overseas consolidated subsidiaries is calculated by the straight-line method over the estimated useful lives of the respective assets.

Amortization

Software intended to be marketed for sale is amortized at the higher of either the amounts calculated based on the estimated salable units or the amounts allocated equally over the remaining useful lives of the assets (3 years). Costs for the development of software intended for internal use are amortized by the straight-line method over an estimated useful life of 5 years. Other software is amortized at the rates prescribed in the Corporation Tax Law.

(h) Deferred charges

New stock issuance expenses and bond issuance expenses are amortized uniformly over 3 years.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables and has been determined based on the Group's historical experience with write-offs plus an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables.

At overseas consolidated subsidiaries, doubtful accounts, primarily individually designated receivables, are provided for at estimated amounts.

(j) Accrued employees' bonuses

The Company and its domestic consolidated subsidiaries provide an accrual for the current fiscal year's portion of the anticipated total amount of future bonus payments.

(k) Leases

Non-cancelable leases are accounted for as operating leases regardless of whether such leases are classified as operating or finance leases, except that leases that stipulate the transfer of ownership of the leased assets to the lessees are accounted for as finance leases.

(l) Income taxes

Deferred income taxes are recognized by the asset and liability method under which deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Research and development costs

Research and development costs are charged to income when incurred.

(n) Derivatives

Open derivatives positions are stated at fair value. A gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized. The related interest differential paid or received under interest-rate swaps is recognized in interest expense over the terms of the swap agreements if certain conditions are met.

(o) Appropriation of retained earnings

Under the Companies Act of Japan and the Articles of Incorporation of the Company, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved. See Note 19.

2. Japanese Yen and U.S. Dollar Amounts

The U.S. dollar amounts presented in the accompanying consolidated financial statements represent the arithmetic results of translating Japanese yen into U.S. dollars at ¥100.19 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2008. The inclusion of U.S. dollar amounts is solely for the convenience of the reader and is not intended to imply that Japanese yen have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

3. Short-Term Borrowings and Long-Term Debt

Short-term borrowings substantially represent short-term borrowings from banks at an average interest rate of 2.6% per annum at March 31, 2008 and 1.0% at 2007.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Japanese yen bonds, due from 2009 to 2014, at rates ranging from six-month yen TIBOR + 0.10% to + 0.87%	¥ 5,650	¥ 8,450	\$ 56,393
Loans from banks, due through 2010, at an average interest rate of 1.8%	2,591	9,043	25,861
Less: Current portion	(3,172)	(10,188)	(31,660)
	¥ 5,069	¥ 7,305	\$ 50,594

Assets pledged as collateral for long-term debt at March 31, 2008 and 2007 are summarized as follows:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Buildings and structures	¥ -	¥ 465	\$ -
Land	-	1,563	-
	¥ -	¥ 2,028	\$ -

The related debt for which the above assets were pledged as collateral at March 31, 2008 and 2007 are summarized as follows:

	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Current portion of long-term debt	¥ -	¥ 6,492	\$ -
	¥ -	¥ 6,492	\$ -

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2009	¥ 3,172	\$ 31,660
2010	3,019	30,133
2011	450	4,491
2012	1,000	9,981
2013 and thereafter	200	1,996
	¥ 7,841	\$ 78,261

4. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2008 and 2007 are summarized as follows:

	2008		2007		2008	
	(Millions of yen)				(Thousands of U.S. dollars)	
Deferred tax assets – current:						
Inventories	¥	1,057	¥	3,132	\$	10,550
Accrued employees' bonuses		122		98		1,218
Allowance for doubtful accounts		489		-		4,881
Operating loss carryforwards		1,383		2,506		13,804
Timing difference of sales recognition		852		2,519		8,504
Other		764		1,296		7,626
Gross deferred tax assets – current:		4,670		9,553		46,611
Valuation allowance		(1,656)		(8,092)		16,529
Total deferred tax assets – current		3,014		1,460		30,083
Offset against deferred tax liabilities – current		(8)		(11)		(80)
Net deferred tax assets – current		3,005		1,449		29,993
Deferred tax liabilities – current:						
Other		(8)		(11)		(80)
Total deferred tax liabilities – current		(8)		(11)		(80)
Offset against deferred tax assets – current		8		11		80
Net deferred tax liabilities – current		-		-		-
Deferred tax assets – non-current:						
Allowance for doubtful accounts		355		1,072		3,543
Loss on devaluation of real estate		-		50		-
Investment securities		1,015		-		10,131
Research and development costs		232		329		2,316
Loss on investments		284		284		2,835
Loss on impairment of fixed assets		313		503		3,124
Operating loss carryforwards		3,883		2,081		38,756
Excess of metal molds depreciation		708		101		7,067
Other		283		143		2,825
Gross deferred tax assets – non-current:		7,077		4,568		70,636
Valuation allowance		(6,850)		(4,446)		(68,370)
Total deferred tax assets – non-current		226		122		2,256
Offset against deferred tax liabilities – non-current		(156)		-		(1,557)
Net deferred tax assets – non-current		69		122		689
Deferred tax liabilities – non-current:						
Additional enterprise tax		(135)		(135)		(1,347)
Other		(52)		(143)		(519)
Total deferred tax liabilities – non-current		(187)		(279)		(1,866)
Offset against deferred tax assets – non-current		156		-		1,557
Net deferred tax liabilities – non-current	¥	(31)	¥	(156)	\$	(309)

A reconciliation between the statutory tax rates and the effective tax rates as a percentage of loss or income before income taxes for the years ended March 31, 2008, 2007 and 2006 is summarized as follows:

	2008	2007	2006
Statutory tax rates	40.7%	40.7%	40.7%
Reconciliation:			
Valuation allowance	(9.7)	45.7	(46.1)
Loss on change in equity interest in subsidiaries	(16.0)	(2.7)	-
Equity in losses of affiliates	(6.4)	(63.2)	(9.6)
Amortization of goodwill	0.6	0.4	(1.1)
Other	(2.0)	0.7	(0.5)
Effective tax rates	7.2%	21.6%	(16.6)%

5. Research and Development Costs

Research and development costs that were included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2008, 2007 and 2006 were as follows:

Year ended March 31,			
2008	2007	2006	2008
	(Millions of yen)		(Thousands of U.S. dollars)
¥ 6,101	¥ 5,917	¥ 6,477	\$ 60,894

6. Leases

(a) As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of March 31, 2008 and 2007, which would have been reflected in the consolidated balance sheets if lease accounting had been applied to finance leases currently accounted for as operating leases:

Year ended March 31,			
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Fixed assets:			
Acquisition costs	¥ 1,118	¥ 871	\$ 11,159
Accumulated depreciation	(538)	(145)	(5,370)
Net book value	578	725	5,769
Intangible fixed assets:			
Acquisition costs	8	2	80
Accumulated depreciation	(2)	(2)	(20)
Net book value	5	0	50
Total:			
Acquisition costs	1,127	875	11,249
Accumulated depreciation	(542)	(148)	(5,410)
Net book value	¥ 584	¥ 726	\$ 5,829

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥339 million (\$3,384 thousand), ¥93 million and ¥245 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in these lease payments are summarized as follows:

Year ended March 31,

	2008		2007		2006		2008	
			(Millions of yen)				(Thousands of U.S. dollars)	
Depreciation	¥	299	¥	82	¥	237	\$	2,984
Interest expense	¥	51	¥	17	¥	10	\$	509

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 for non-cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Due within one year or less	¥	1,594 (1,249)	\$	15,910 (12,466)
Due subsequent to one year		969 (508)		9,672 (5,070)
Total	¥	2,563 (1,757)	\$	25,581 (17,537)

Note: The amounts in parentheses in the above table represent future minimum lease payments to be made by sublessees.

Obligations under non-cancelable operating leases as of March 31, 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Due within one year	¥	2	\$	20
Due over one year		2		20
Total	¥	4	\$	40

(b) As lessor

Information relating to finance leases of the Group at March 31, 2008 and 2007 is summarized as follows:

	2008		2007		2008	
			(Millions of yen)		(Thousands of U.S. dollars)	
Leased properties:						
Acquisition cost	¥	6,378	¥	4,867	\$	63,659
Accumulated depreciation		(2,265)		(2,027)		(22,607)
Net book value	¥	4,113	¥	2,839	\$	41,052

Lease revenues relating to finance leases accounted for as operating leases amounted to ¥3,362 million (\$33,556 thousand) for the year ended March 31, 2008.

Depreciation of the leased properties computed by the straight-line method and interest income included in lease revenues for the year ended March 31, 2008 amounted to ¥2,125 million (\$21,210 thousand) and ¥1,314 million (\$13,115 thousand), respectively.

Interest income is computed as the difference between future lease revenues from lessees and estimated acquisition costs. Interest income is allocated to each fiscal period based on the interest method.

Future lease revenues (including the interest portion thereon) subsequent to March 31, 2008 for non-cancelable operating leases and finance leases accounted for as operating leases are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Due within one year or less	¥	2,711 (1,249)	\$	27,059 (12,466)
Due subsequent to one year		2,879 (508)		28,735 (5,070)
Total	¥	5,590 (1,757)	\$	55,794 (17,537)

Note: The amounts in parentheses in the above table represent future minimum lease payments to be made by sublessees.

Obligations under non-cancelable operating leases as of March 31, 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Due within one year	¥	722	\$	7,206
Due over one year		631		6,298
Total	¥	1,354	\$	13,514

7. Shareholders' Equity

In accordance with the Companies Act of Japan, the Group has provided a legal reserve as an appropriation of retained earnings. The Companies Act of Japan provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account.

8. Stock Option Plans

Stock option plan approved at a shareholders' meeting held on June 27, 2002

On June 27, 2002, the shareholders approved a stock option plan for directors, statutory auditors and certain employees of the Company and wholly-owned subsidiaries to purchase warrants for the purchase of shares of the Company's common stock at advantageous prices. The exercise price of each stock option was ¥302,000 per share. The stock options outlined above were exercisable during the period from June 27, 2004 through June 26, 2007.

Stock option plan approved at a shareholders' meeting held on June 29, 2004

On June 29, 2004, the shareholders approved a stock option plan for employees of the Company and directors and employees of wholly-owned subsidiaries to purchase warrants on shares of the Company's common stock at advantageous prices. The exercise price of each stock option is ¥243,400. The stock options outlined above were/are exercisable during the period from July 1, 2006 through June 30, 2009.

Stock option plan approved at a shareholders' meeting held on June 29, 2006

On June 29, 2006, the shareholders approved a stock option plan for directors, officers, certain advisors and certain employees of the Company and subsidiaries to purchase warrants on shares of the Company's common stock at advantageous prices. The exercise price of each stock option is ¥391,000. The stock options outlined above are exercisable during the period from July 1, 2008 through January 25, 2011.

Stock option plan approved at a shareholders' meeting held on June 28, 2007

On June 28, 2007, the shareholders approved a stock option plan for directors, officers, and certain employees of the Company and subsidiaries to purchase warrants on shares of the Company's common stock at advantageous prices. The exercise price of each stock option is ¥445,200. The stock options outlined above are exercisable during the period from July 1, 2009 through December 9, 2011.

9. Amounts per Share

The following tables present net (loss) income per share for the years ended March 31, 2008, 2007 and 2006 and net assets per share at March 31, 2008 and 2007:

	Year ended March 31,							
	2008		2007		2006		2008	
	(Yen)				(U.S. dollars)			
Net (loss) income:								
Basic	¥	476.52	¥	114.76	¥	(159.11)	\$	4.76
Diluted (*1)		476.45		114.75		-		4.76

	March 31,					
	2008		2007		2008	
	(Yen)				(U.S. dollars)	
Net assets	¥	1,841.84	¥	1,457.89	\$	18.38

(*1) Diluted net income per share has not been presented since the full dilution of common stock equivalents would have had no dilutive effect on net (loss) income per share for the year ended March 31, 2006.

10. Cash and Cash Equivalents

The following table represents a reconciliation of cash and cash equivalents as of and for the years ended March 31, 2008 and 2007:

	Year ended March 31,					
	2008		2007		2008	
	(Millions of yen)				(Thousands of U.S. dollars)	
Cash and bank deposits	¥	32,613	¥	21,041	\$	325,512
Securities		23,391		18,108		233,466
Cash and cash equivalents	¥	56,004	¥	39,149	\$	558,978

11. Investment Securities

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2008 and 2007 are summarized as follows:

	March 31, 2008					
	Acquisition costs		Carrying value		Unrealized gain (loss)	
	(Millions of yen)					
Other securities whose carrying value recorded in the balance sheet exceeds their acquisition costs:						
Equity securities	¥	96	¥	152	¥	55
Total	¥	96	¥	152	¥	55

	March 31, 2008					
	Acquisition costs		Carrying value		Unrealized gain (loss)	
	(Thousands of U.S. dollars)					
Other securities whose carrying value recorded in the balance sheet exceeds their acquisition costs:						
Equity securities	\$	958	\$	1,517	\$	549
Total	\$	958	\$	1,517	\$	549

	March 31, 2007					
	Acquisition costs		Carrying value		Unrealized gain (loss)	
	(Millions of yen)					
Other securities whose carrying value recorded in the balance sheet exceeds their acquisition costs:						
Equity securities	¥	12	¥	65	¥	52
Total	¥	12	¥	65	¥	52

Sales of securities classified as other securities for the year ended March 31, 2008 are summarized as follows:

March 31, 2008

	(Millions of yen)		(Thousands of U.S. dollars)	
Proceeds from sales	¥	4,024	\$	40,164
Gain on sales		312		3,114

There are no sales of securities classified as other securities for the year ended March 31, 2007.

12. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Year ended March 31,							
	2008		2007		2006		2008	
	(Millions of yen)						(Thousands of U.S. dollars)	
Rent received	¥	40	¥	7	¥	116	\$	399
Additional tax refunds		333		-		-		3,324
Gain on reappraisal of swaps				-		145		-
Gain on sale of fixed assets		-		760		58		-
Foreign exchange loss		(147)		-		-		(1,467)
Recovery of bad debt		35		-		-		349
Other		(154)		(1,928)		(138)		(1,537)
Total	¥	109	¥	(1,161)	¥	182	\$	1,089

13. Loss on Impairment of Fixed Assets

There is no impairment loss on fixed assets for the year ended March 31, 2008.

The following table presents the components of "Loss on impairment of fixed assets" reflected in the consolidated statement of operations for the year ended March 31, 2007:

Impaired asset	Category	Location	Impaired loss
			(Millions of yen)
Idle assets and other	Machinery and equipment	Yotsukaido City, and other	64
Total			64

(Principal circumstances leading to recognition of impairment loss)

The impairment loss on idle assets and other referred to above relates to assets that are not expected to be utilized in future operations and whose real estate market value has declined significantly. This loss, recorded in other expenses, amounted to ¥64 million and the carrying value of the related assets was written down to their respective recoverable amounts.

(Grouping of assets)

Assets are classified into groups by business segment. Shops and real estate for rental business, and idle assets that are not expected to be utilized in the future and related assets are further grouped at each individual asset.

(Determination of recoverable amounts)

– Idle assets and other, and assets in the game machines business:

The recoverable amounts of these assets are determined based on their net realizable value. Real estate is measured based on appraisals conducted by real estate appraisers. Other assets are measured based on their residual value under the tax regulations.

– Shops and real estate in the rental business:

The recoverable amounts of these assets are measured principally by their value in use and their estimated future cash flows at a discount rate of 3.5%.

14. Business Combination

(Application of Purchase Method)

1. Acquisition of subsidiary's stock

(1) Outline of the business combination

Name of the acquired company	Japan Rental Service Co., Ltd.
Primary business of the acquired company	Rental / lease businesses of Pachinko and Pachislot machines
Reason for business combination	To strengthen the management of rental assets and expedite financing in response to the future expansion of rental business
Date of business combination	September 25, 2007
Legal form of the business combination	Stock acquisition
Name of the company after the business combination	Aruze Rental Service Corp.
Ratio of voting rights acquired	100%

(2) Business period acquired company included in consolidated financial statements

From October 1, 2007 to March 31, 2008

(3) Acquisition cost and its details

		(Millions of yen)		(Thousands of U.S. dollars)	
Compensation of acquisition	Cash	¥	20	\$	200
Acquisition cost		¥	20	\$	200

(4) Accrued amount of goodwill, cause of accrual, method and period of amortization

Accrued amount of goodwill	¥10 million (\$100 thousand)
Cause of accrual	Excess earning power
Method and period of amortization	Amortization for 5 years based on fixed rate method

(5) Amount and the details of assets and liabilities accepted on the company combination date

		(Millions of yen)		(Thousands of U.S. dollars)	
Current assets		¥	10	\$	100
Total assets		¥	10	\$	100

(Deal under common control)

1. Business transfer

(1) Outline of the business combination

Name of the business to be subjected	Gaming machine business
Primary business	Development and sale of gaming machines for overseas casinos
Legal form of business combination	Business transfer in which the Company acts as a transferor and Aruze Gaming America, Inc. acts as a transferee.
Name of the company after the business combination	No change

Outline of the detail including the purpose of said deal	Recognizing the necessity of establishing an R&D and sales framework capable of accommodating the growing US market in order to successfully expand its casino machine business, the Company concluded that transferring its R&D and Sales departments for that business to Aruze Gaming America and working towards strengthening its presence in the world's largest market would be the most appropriate course of action.
--	---

(2) Outline of accounting procedures conducted

The business transfer was processed as a deal under common control pursuant to Accounting Criteria Related To Business Combination (Business Accounting Council, October 31, 2003) and Application Guidance Related To Accounting Criteria On Business Combination and Company Separation, Etc. (Application Guidance On Company Accounting Criteria No. 10, final revision on December 22, 2006.)

2. Company separation

(1) Outline of business combination

Name of the business to be subjected	Mobile website operation business
Primary business	Planning and sales of contents for mobile websites and operation of mobile websites, etc.
Legal form of business combination	The separation accomplished by the method of incorporation-type split under which the Company became a demergering corporation and ARUZE MEDIA NET, INC., a wholly-owned subsidiary newly established by company separation, became a succeeding company.
Name of the company after the business combination	ARUZE MEDIA NET, INC.
Outline of the detail including the purpose of said deal	Currently, the Company's R&D Division conducts the planning, development and operation of pay mobile websites, including "Aruze Kingdom," "Super Real Mahjong" and "Shoryu Shogi." In order to boost the specialization and improve the competitiveness of this business to address intensified competition, as well as streamline the business of the Company, the Company has decided to separate this mobile website operation business and render it independent.

(2) Outline of accounting procedures conducted

The business transfer was processed as a deal under common control pursuant to Accounting Criteria Related To Business Combination (Business Accounting Council, October 31, 2003) and Application Guidance Related To Accounting Criteria On Business Combination and Company Separation, Etc. (Application Guidance On Company Accounting Criteria No. 10, final revision on December 22, 2006.)

(3) Matters related to the additional acquisition of stocks of the subsidiary

Acquisition cost of acquired company and the details

		(Millions of yen)	(Thousands of U.S. dollars)
Compensation of acquisition	Mobile website operation business	¥ 173	\$ 1,727
Acquisition cost		¥ 173	\$ 1,727

3. Company separation

(1) Outline of business combination

Name of the business to be subjected	Sales business
Primary business	Sales of Pachislot/Pachinko machines and amusement machines for commercial use in Japanese market, etc.
Legal form of business combination	The sink decomposition in which the Company became a demergering corporation and ARUZE MARKETING JAPAN CORPORATION, a wholly-owned subsidiary of the Company, became a succeeding company.

Name of the company after the business combination	ARUZE MARKETING JAPAN CORPORATION (formerly System Staff Co., Ltd.)
Outline of the detail including the purpose of said deal	For the purpose of clarifying responsibility and authority and creating an environment to conduct business flexibly, the sales business of Pachislot/Pachinko and amusement machines for commercial use in Japan market was shifted to the independent business company.

(2) Outline of accounting procedures conducted

The company separation was processed as a deal under common control pursuant to Accounting Criteria Related To Business Combination (Business Accounting Council, October 31, 2003) and Application Guidance Related To Accounting Criteria On Business Combination and Company Separation, Etc. (Application Guidance On Company Accounting Criteria No. 10, final revision on December 22, 2006.)

(3) Matters related to the additional acquisition of stocks of the subsidiary

Acquisition cost of acquired company and the details

		(Thousands of U.S. dollars)	
		(Millions of yen)	
Compensation acquisition	Sales business	¥ 4,871	\$ 48,618
Acquisition cost		4,871	48,618

4. Company separation

(1) Outline of business combination

Name of the business to be subjected	Planning and development business of contents
Primary business	Planning and development of contents for Pachislot/Pachinko machines and amusement machines for business use in Japanese market, etc.
Legal form of business combination	The sink decomposition in which the Company became a demerging corporation and SEVEN WORKS CORPORATION, a wholly-owned subsidiary of the Company, became a succeeding company.
Name of the company after the business combination	SEVEN WORKS CORPORATION (formerly ARUZE PREPARATORY CORPORATION)
Outline of the detail including the purpose of such deal	For the purpose of clarifying responsibility and authority and creating an environment to conduct business flexibly, the contents planning and development business of Pachislot/Pachinko machines and amusement machines for commercial use in Japan market was shifted to the independent business company.

(2) Outline of accounting procedures conducted

The company separation was processed as a deal under common control pursuant to Accounting Criteria Related To Business Combination (Business Accounting Council, October 31, 2003) and Application Guidance Related To Accounting Criteria On Business Combination and Company Separation, Etc. (Application Guidance On Company Accounting Criteria No. 10, final revision on December 22, 2006.)

(3) Matters related to the additional acquisition of stocks of the subsidiary

		(Thousands of U.S. dollars)	
		(Millions of yen)	
Compensation acquisition	Planning and development business of contents	¥ 382	\$ 3,813
Acquisition cost		382	3,813

5. Additional acquisition of stocks of a subsidiary

(1) Outline of business combination

Name of the business to be subjected	Seta Corp.
Primary business	Pachislot/Pachinko business, amusement machine business
Legal form of business combination	Share acquisition through tender offer
Name of the company after the business combination	No change
Outline of the detail including the purpose of such deal	In order to enforce the mobility for the enhancement of peripheral device business of amusement machines, to enhance the synergy with amusement machine business and to improve the fundamental business culture of Seta Corp., the Company conducted a tender offer for the stocks of Seta Corp.

(2) Outline of accounting procedures conducted

The additional acquisition of stocks of the subsidiary was processed as a deal under common control pursuant to Accounting Criteria Related To Business Combination (Business Accounting Council, October 31, 2003) and Application Guidance Related To Accounting Criteria On Business Combination and Company Separation, Etc. (Application Guidance On Company Accounting Criteria No. 10, final revision on December 22, 2006.)

(3) Matters related to the additional acquisition of stocks of the subsidiary

		(Millions of yen)		(Thousands of U.S. dollars)	
		¥		\$	
Compensation acquisition	Cash	¥	824	\$	8,224
Acquisition cost			824		8,224

(4) Accrued amount of goodwill, cause of accrual, method and period of amortization

Accrued amount of goodwill	¥824 million (\$8,224 thousand)
Cause of accrual	Excess of the cost for the Company's share acquisition of Seta Corp. over the amount of minority equity decreased from the additional acquisition.
Method and period of amortization	Amortization with straight-line method for 5 years except the part of impairment loss of goodwill.

15. Segment Information

The business segments of the Group for the years ended March 31, 2008, 2007 and 2006 are outlined as follows:

Business segments	Year ended March 31, 2008						
	(Millions of yen)						
	Pachislot/ Pachinko	Real estate	Game machines	Other	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss):							
Sales to external customers	¥ 66,000	¥ 205	¥ 4,448	¥ 1,479	¥ 72,133	¥ -	¥ 72,133
Intra-segment sales	2	25	-	685	713	(713)	-
Total sales	66,003	230	4,448	2,164	72,846	(713)	72,133
Operating expenses	40,274	221	5,918	1,783	48,197	7,848	56,045
Operating income (loss)	¥ 25,728	¥ 9	¥ (1,470)	¥ 381	¥ 24,649	¥ (8,561)	¥ 16,088
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures							
Total assets	¥ 72,694	¥ -	¥ 7,863	¥ 1,522	¥ 82,081	¥ 102,745	¥ 184,826
Depreciation	6,845	19	153	22	7,041	378	7,420
Loss on impairment of fixed assets	11	-	0	-	11	14	25
Capital expenditures	9,442	-	190	3	9,637	26	9,664

Business segments	Year ended March 31, 2008						
	(Thousands of U.S. dollars)						
	Pachislot/ Pachinko	Real estate	Game machines	Other	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss):							
Sales to external customers	\$ 658,748	\$ 2,046	\$ 44,396	\$ 14,762	\$ 719,962	\$ -	\$ 719,962
Intra-segment sales	20	250	-	6,837	7,116	(7,116)	-
Total sales	658,778	2,296	44,396	21,599	727,079	(7,116)	719,962
Operating expenses	401,976	2,206	59,068	17,796	481,056	78,331	559,387
Operating income (loss)	\$ 256,792	\$ 90	\$ (14,672)	\$ 3,803	\$ 246,023	\$ (85,448)	\$ 160,575
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures							
Total assets	\$ 725,561	\$ -	\$ 78,481	\$ 15,191	\$ 819,253	\$ 1,025,502	\$ 1,844,755
Depreciation	68,320	190	1,527	220	70,276	3,773	74,059
Loss on impairment of fixed assets	110	-	0	-	110	140	250
Capital expenditures	94,241	-	1,896	30	96,187	260	96,457

Notes:

a) Basis of segmentation

(1) The Group's businesses are divided into segments based on the classification of its products, as well as similarities of sales markets characteristics.

(2) The major products and merchandise in each business segment are summarized as follows:

Pachislot/Pachinko	Pachislot, Pachinko, related parts and peripheral equipment
Real estate	Leasing of real estate
Game machines	Commercial and home use game machines (including game software)
Other	Broadcasting business

b) Operating expenses in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥9,133 million (\$91,157 thousand) which consisted of expenses incurred in the administrative department of the Company.

c) Regarding production costs of contents, etc. originally, the Company posted the full amount as expenses at the time said cost was incurred. Starting the current consolidated fiscal year, the costs directly relating to production of individual titles are posted as development works in process under assets, as stated in "Important Matters Serving as Basis for Preparation of Consolidated Financial Statements".

This change caused a ¥1,527 million (\$15,241 thousand) decrease in unallocable operating expenses included in the items of eliminations or unallocated amounts relative to the old method.

d) Total assets in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥105,734 million (\$1,055,335 thousand) which consisted primarily of investments in affiliates, surplus operating funds (cash and deposits, and short-term investment securities) as well as assets associated with the administrative departments of these companies.

e) Amortization of, and additions to, long-term prepaid expenses are included under depreciation and capital expenditures.

Business segments	Year ended March 31, 2007						
	(Millions of yen)						
	Pachislot/ Pachinko	Real estate	Game machines	Other	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss):							
Sales to external customers	¥ 30,808	¥ 1,022	¥ 2,553	¥ 1,196	¥ 35,580	¥ -	¥ 35,580
Intra-segment sales	-	53	66	1,810	1,930	(1,930)	-
Total sales	30,808	1,075	2,620	3,006	37,511	(1,930)	35,580
Operating expenses	25,137	456	3,936	2,403	31,934	6,852	38,786
Operating income (loss)	¥ 5,670	¥ 618	¥ (1,316)	¥ 603	¥ 5,576	¥ (8,782)	¥ (3,205)
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures							
Total assets	¥ 55,059	¥ 8,844	¥ 5,725	¥ 984	¥ 70,613	¥ 101,068	¥ 1,71,681
Depreciation	4,175	129	190	36	4,531	265	4,797
Loss on impairment of fixed assets	54	-	10	-	64	-	64
Capital expenditures	8,360	-	85	7	8,453	170	8,624

Notes:

a) Basis of segmentation

- (1) The Group's businesses are divided into five segments based on the internal classification of their products, merchandise and sales markets.
- (2) Adores, Inc, which was mainly classified under the Amusement facilities management business, was changed to an affiliated company on the equity method at the end of March 2006 fiscal year. Due to this change, the "Amusement facilities management business" was not the object for disclosure.
- (3) The major products, merchandise and services in each business segment are summarized as follows:

Pachislot/Pachinko	Pachislot, Pachinko, related parts and peripheral equipment
Real estate	Leasing of real estate
Game machines	Game machines and the related software for business or family use
Other	Planning, design and construction of Pachinko parlors

- b) Operating expenses in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥8,290 million that consisted of expenses incurred in the administrative department of the Company.
- c) Total assets in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥109,770 million which consisted primarily of surplus funds (cash and marketable securities) of the Company, investments in overseas affiliates at the pre-operating stage, and property and equipment controlled by the administrative departments of these companies.
- d) Amortization of, and additions to, long-term prepaid expenses are included under depreciation and capital expenditures.

Business segments	Year ended March 31, 2006							
	(Millions of yen)							
	Pachislot/ Pachinko	Real estate	Amusement facilities management	Game machines	Other	Total	Eliminations or unallocated amounts	Consolidated
I. Sales and operating income (loss):								
Sales to external customers	¥ 25,038	¥ 2,049	¥ 16,011	¥ 3,999	¥ 1,407	¥ 48,506	¥ -	¥ 48,506
Intra-segment sales	-	53	18	1,269	711	2,052	(2,052)	-
Total sales	25,038	2,102	16,030	5,268	2,118	50,559	(2,052)	48,506
Operating expenses	22,204	1,468	14,103	7,824	2,445	48,046	5,770	53,816
Operating income (loss)	¥ 2,834	¥ 634	¥ 1,927	¥ (2,556)	¥ (327)	¥ 2,513	¥ (7,823)	¥ (5,310)
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures								
Total assets	¥ 57,739	¥ 10,718	¥ -	¥ 4,537	¥ 20,978	¥ 93,974	¥ 74,016	¥ 167,990
Depreciation	2,098	161	2,408	94	64	4,826	322	5,149
Loss on impairment of fixed assets	368	136	294	342	-	1,142	676	1,818
Capital expenditures	6,449	0	2,259	43	17	8,770	179	8,950

Notes:

a) Basis of segmentation

- (1) The Group's businesses are divided into five segments based on the internal classification of their products, merchandise and sales markets.
- (2) The major products, merchandise and services in each business segment are summarized as follows:

Pachislot/Pachinko	Pachislot, Pachinko, related parts and peripheral equipment
Real estate	Leasing of real estate
Amusement facilities management	Management of amusement facilities
Game machines	Game machines and the related software for business or family use
Other	Planning, design and construction of Pachinko parlors

- b) Operating expenses in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥7,849 million that consisted of expenses incurred in the administrative department of the Company.
- c) Total assets in "Eliminations or unallocated amounts" include certain unallocable amounts totaling ¥86,833 million that consisted primarily of surplus funds (cash and marketable securities) of the Company, investments in overseas affiliates at the pre-operating stage, and property and equipment controlled by the administrative departments of these companies.
- d) Amortization of, and additions to, long-term prepaid expenses are included under depreciation and capital expenditures.

Geographical segments

As permitted, the disclosure of geographical segments for the years ended March 31, 2008, 2007 and 2006 has been omitted because the Japan segment constituted more than 90% of total consolidated sales and total assets.

Overseas sales

As permitted, the disclosure of overseas sales for the years ended March 31, 2008, 2007 and 2006 has been omitted because sales in Japan constituted more than 90% of total consolidated sales.

16. Contingent Liabilities and Litigations

a) Corporation tax and additional taxes of ¥1,289 million (\$12,865 thousand) were levied against the Company for the year ended March 31, 1998 during a previous tax examination. The Company lodged an objection to this tax assessment with the Tokyo National Tax Claim Court (the "Claim Court"). As a result, the Claim Court issued a ruling on January 29, 2004 that decreased the additional taxable income of ¥2,949 million (\$29,434 thousand) determined by the original tax assessment by ¥16 million to ¥2,932 million. The Company lodged an objection to the Claim Court's judgment with the Tokyo District Court on April 27, 2004 to seek a reversal of the decision of the Claim Court. On February 23, 2007, the Court almost entirely awarded the Company's claim and handed down a revocation of the disposition. The tax authorities were dissatisfied with the decision and filed an appeal on March 9, 2007.

The Tokyo High Court ruled in favor of the Company on February 20, 2008, and the Appellant did not issue a re-appeal by the time limit. Therefore, the case closed. Incidentally, the Toyo Regional Taxation Bureau paid ¥1,665 million (\$16,618 thousand) as the Company's corporate tax refund on March 14, 2008. The balance, which is the local tax paid by the Company, is anticipated to be received in the future.

b) A lawsuit was filed against the Company by KM Enterprise K.K. ("KM"), which is 100%-owned by Mr. Manabe, a former director of the Company, with the Tokyo District Court on October 31, 2002 claiming damages of \$30 million (equivalent to ¥3,524 million). This lawsuit alleges that the Company was not able to obtain permission from the U.S. Gaming Board for the transfer of shares of common stock of Sigma Game, Inc. held by KM, although the Company and KM had agreed to this transfer. On January 17, 2006, the Court ruled fully in favor of KM. The Company filed a notice of appeal against this judgment on January 18, 2006.

With regard to this case, Adores, Inc. filed a lawsuit against Mr. Manabe for the repayment of a loan in the amount of ¥2,074 million made to Mr. Manabe that was guaranteed by the Company. The Court subsequently ruled in favor of Adores, Inc. As of March 30, 2006, the loan was transferred from Adores, Inc. to the Company, thereby making the Company the creditor, and the related loan guarantee was cancelled at the time of this transfer. In addition, the Company has become a party to this lawsuit and assumed the rights and obligations as plaintiff from Adores, Inc.

After assuming claims on ¥2,074 million out of the total amount of damage claims from KM on July 27, 2006, Mr. Manabe participated in said litigation to seek a setoff against the loan assigned to the Company from Adores, Inc on August 7, 2006. On October 31, 2006, the Tokyo High Court handed down a decision to award the claims of KM on the remaining amount of damages of \$11,800,880 owed by KM following the setoff. The Company filed a petition for the acceptance of an appeal to the Supreme Court on November 13, 2006. However, on October 4, 2007, the Court decided not to accept the Company's petition.

In accordance with a declaration of provisional execution of the ruling, in December 2006, KM Enterprise Co., Ltd. acquired ¥1,412 million by compulsory execution against ¥3,200 million deposited by the Company as a guarantee to suspend to execute the decision by the lower court. On March 2, 2007, the Company filed a petition for revocation of the deposit to the balance, ¥1,788 million; however, the petition was dismissed on June 4, 2007. Immediately thereafter, the Company filed an appeal to Tokyo High Court. On July 20, 2007, the Court, however, rejected this appeal. On December 26, 2007, the Company re-filed the petition for revocation of the deposit with Tokyo District Court in response to the dismissal of the Company's petition for acceptance of an appeal in the principal action. On February 6, 2008, it was decided that the revocation of the deposit would be accepted by the court. Based on the decision, the Company went through the process to recover the balance of deposit, ¥1,788 million (\$17,846 thousand), which was repaid to the Company on February 26, 2008.

c) 48 customers who had purchased "Gold X" Pachislot machines from the Company in June 2003 filed six lawsuits against the Company with the Tokyo District Court during the period from August 2004 to April 2007. The plaintiffs initially claimed compensation totaling ¥335 million for earnings lost as a result of the temporary closure of their Pachinko parlors because of a suspected defect in their Gold X machines.

Twenty-three of these customers have subsequently withdrawn from the lawsuit, one is in process of settlement and 24 Pachinko parlor operators (in four lawsuits) are still participating in the lawsuit as of March 31, 2008. The claims for damages have, accordingly, been reduced to ¥260 million (\$2,595 thousand).

Among two out of the said four cases, in one case, the court handed down a decision on April 17, 2007 to order the Company to pay ¥4.8 million for the plaintiff's claim to pay ¥5.11 million. Dissatisfied with the Judgment, the Company appealed the case. In another case, the court handed down a decision on October 31, 2007 to order the Company to pay ¥2.3 million for the plaintiff's claim of ¥7.03 million. The Company was dissatisfied with the rulings and filed an appeal.

d) On May 26, 2006, the Japan Electric Amusement Machine Patent Association filed a complaint against the Company in the Tokyo District Court to seek the payment of ¥3,435 million yen as fees for a patent sublicense used from 1998 to 2005, asserting that it had claim to said fees in accordance with a patent license agreement based on the patent pool method. The Company is responding with the argument that the reasons for the claims under the complaint have no basis.

e) Contingent liabilities as of March 31, 2008 and 2007 were as follows:

	Year ended March 31,		
	2008	2007	2008
	(Millions of yen)		(Thousands of U.S. dollars)
Note receivable discounted	¥ -	¥ 48	\$ -
Note receivable endorsed	1,420	8,785	14,173
Account receivable transferred as a result of fluidity	-	1,616	-

17. Related Party Transactions

The Company has entered into significant related party transactions with certain companies controlled by the Chairman of the Board of Directors of the Company. These transactions were conducted on an arm's-length basis.

Transactions with Transorbit Corporation, which is 70% owned by the Chairman of the Board of Directors of the Company:

Year ended March 31,							
	2008		2007		2006		2008
	(Millions of yen)						(Thousands of U.S. dollars)
Business trip expenses	¥	82	¥	73	¥	56	\$ 818

March 31,							
	2008		2007		2006		2008
	(Millions of yen)						(Thousands of U.S. dollars)
Short-term loans receivable	¥	94	¥	-			\$ 938
Accrued liabilities		13		6			130

Transactions with KOT LLC, which is 100%-owned by the Chairman of the Board of Directors of the Company:

March 31,							
	2008		2007		2006		2008
	(Millions of yen)						(Thousands of U.S. dollars)
Accrued liabilities	¥	-	¥	6			\$ -

18. Supplemental Cash Flow Information

Assets and liabilities of a newly consolidated subsidiary, Japan Rental Service Co., Ltd. through the acquisition of stocks for the year ended March 31, 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Current assets	¥	10	\$	100
Goodwill		10		100
Purchase price of newly consolidated subsidiary		20		200
Cash and cash equivalents of newly consolidated subsidiary		10		100
Expense on acquisition of newly consolidated subsidiary's stock	¥	10	\$	100

19. Subsequent Events

a) The following appropriation of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2008, was approved at a shareholders' meeting held on June 27, 2008:

	(Millions of yen)		(Thousands of U.S. dollars)	
Cash dividends				
per share of ¥60 = U.S. \$0.60	¥	4,796	\$	47,869

b) Establishment of a subsidiary:

Aruze USA, Inc., a subsidiary of the Company submitting the consolidated financial statements, established the following subsidiary with a 49% shareholding ratio investment:

Name of the subsidiary	Aruze Investment Co., Ltd.
Country	Kingdom of Cambodia
Date of registration	February 20, 2008
Capital Stock	\$1,000
Total number of shares	1,000 shares (Aruze USA, Inc. acquired 490 shares)
Representative director	Takahiro Usui (The Company's employee)
Description of business	Operations of business relating to tourism such as hotel and spa, transactions of real estate including purchase and sales thereof and operations of real estate/investment business.

c) Establishment of a subsidiary

The Company established the following subsidiary with a 99.9% shareholding ratio investment:

Name of the subsidiary	Molly Investment Cooperatieve U.A.
Country	Netherlands
Date of registration	May 19, 2008
Investor	Aruze Corp. 99.9%
Business activities	Investment in and financing for land tenant corporations and other entities, as well as incorporation, operation and administration of companies in the Philippines.
Others	Aruze USA, Inc., financed \$172 million in April and May 2008 and the Company financed \$128 million in May 2008 for the purpose of purchasing land lots in the Philippines.

Company Overview (As of March 31, 2008)

Name of Corporation:	ARUZE CORP.
Head Office:	Ariake Frontier Building A, 3-1-25 Ariake, Koto-ku, Tokyo 135-0063, Japan
Business Commenced:	December 1969
Incorporated:	June 1973
Paid-Up Capital:	3,446 million yen
Number of Employees:	Consolidated: 1,325; Non-Consolidated: 366
Overseas Subsidiaries:	USA (Las Vegas), Australia (Sydney), South Africa (Kyalami)
Factories:	Yotsukaido (Chiba), Oyama (Tochigi)
Business Activities:	<ul style="list-style-type: none"> -Planning, development, manufacturing and sales of Pachislot and Pachinko machines. -Planning, development, manufacturing and sales of gaming machines for overseas casino markets and other amusement machines and devices. -Joint casino business with Wynn Resorts, Limited.
Banks (in alphabetical order):	Aozora Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation

Directors and Officers (As of June 27, 2008)

Kazuo Okada	Chairman of the Board of Directors (Member of Nominating Committee and Compensation Committee)
Tomohiro Okada	Director (Member of Audit Committee)
Hiroyuki Sawada	Outside Director (Chairman of Audit Committee)
Mitsuhiro Kitabatake	Outside Director (Member of Audit Committee)
Naoko Ohtsuka	Outside Director (Member of Audit Committee)
Masanori Iwabuchi	Outside Director (Chairman of Nominating Committee and Member of Compensation Committee)
Hideki Nakagome	Outside Director (Chairman of Compensation Committee and Member of Nominating Committee)
Hajime Tokuda	Representative Executive Officer and President
Koki Seki	Executive Officer
Mikio Tanji	Executive Officer
Kazuhiko Yamazaki	Executive Officer

Stock Information (As of March 31, 2008)

Total Shares Authorized to Issue:	234,820,000
Total Outstanding Shares:	80,195,000
Number of Shareholders:	6,056

Major Shareholders (As of March 31, 2008)

Name	Number of Shares Held	Voting Rights as % of Total
Kazuo Okada	25,228,300	31.6%
Tomohiro Okada	23,615,600	29.5%
Goldman Sachs & Co. Regular Account	7,343,452	9.2%
Hiromi Okada	5,325,000	6.7%
Hiroko Yokotsuka	2,390,000	3.0%
Morgan Stanley & Co., Inc.	1,410,800	1.8%
JP Morgan Chase Bank 380055	897,400	1.1%

Number of Shareholders by Category

Individuals, etc.	5,795	95.7%
Other companies	89	1.5%
Foreign corporations	129	2.1%
Financial institutions	16	0.3%
Securities companies	26	0.4%
Treasury stock	1	

Breakdown of Shares Held According to Shareholder Category

Individuals, etc.	60,226,085	75.1%
Other companies	279,300	0.4%
Foreign corporations	17,960,297	22.4%
Financial institutions	1,393,700	1.7%
Securities companies	75,584	0.1%
Treasury stock	260,034	0.3%

Communication & Commitment
“All in the name of fun.”



Ariake Frontier Bldg. A, 3-1-25 Ariake, Koto-ku, Tokyo, 135-0063 Japan

International Liaison Office TEL +81-3-5530-3060
Japanese Main Office TEL +81-3-5530-3055

www.aruze.com/en/

◆ 24 Sales Offices in Japan (ARUZE MARKETING JAPAN CORPORATION)
◆ Overseas Subsidiaries
U.S.A. (Las Vegas) TEL +1-702-361-3166
Australia (Sydney) TEL +61-2-9699-9133
South Africa (Kyalami) TEL +27-11-466-3388