

Appeal Court Upheld ARUZE in a Tax Case

ARUZE CORP. (Representative Director and President: Kazuo Okada; JASDAQ: 6425) today announced that the Tokyo High Court gave a judgment in favor of the company on an appeal filed by the National Tax Administration Agency against the decision given by the Tokyo District Court that had earlier ruled in favor of the company when it filed its original case against the tax authority.

1. Background Information of the Litigation

Koto West District Tax Office claimed additional tax payments from ARUZE in December 2000 alleging that the company did not report the profit which should have belonged to ARUZE. ARUZE viewed that the transaction was independently made by a U.S. affiliate that had duly reported the earning to the IRS. ARUZE filed a protest with Tokyo District Court on June 7, 2001. The court upheld ARUZE's complaints on all issues and the National Tax Office appealed on May 23, 2002 in Tokyo High Court, which subsequently dismissed the appeal on January 29, 2003.

2. Particulars of the Judgment were as follows:

Judgment on Appeal issued on January 29, 2003

Appellant: Koto West District Tax Office, 2-16-12, Sarue, Koto-ku, Tokyo

Award on Appeal: Judgment of Tokyo District Court was upheld.

ARUZE's claims were upheld and the appeal was dismissed by Tokyo High Court.

<For your reference, Summary of Toyo District Court's Judgment>

1. The following additional tax assessments made by the defendant, Koto West Tax Office against the plaintiff, ARUZE Corporation, were revoked:

- 1) The portion in excess of originally payable ¥5,965,364,600 of corporate income tax for the fiscal year between April 1, 1996 and March 31, 1997 and Heavy Additional Tax thereon.
- 2) The portion in excess of originally payable ¥971,721,400 of corporate income tax for the fiscal year between April 1, 1997 and March 31, 1998 and Heavy Additional Tax thereon.

2. The following additional tax assessments made by Koto West Tax Office against ARUZE Corporation were revoked:

- 1) The portion in excess of originally payable ¥897,917,400 of consumption tax for the fiscal year between April 1, 1996 and March 31, 1997 and Heavy Additional Tax thereon.
- 2) The portion in excess of originally payable ¥1,768,144,400 of consumption tax for the fiscal year between April 1, 1997 and March 31, 1998, the portion in excess of originally payable ¥44,421,600 of local consumption tax for the same fiscal year and Heavy Additional Tax on both.

- 3) The portion in excess of originally payable ¥2,474,890,600 of consumption tax for the fiscal year between April 1, 1998 and March 31, 1999, the portion in excess of originally payable ¥620,071,600 of local consumption tax for the same fiscal year and Heavy Additional Tax thereon.

Note: Koto West Tax Office had claimed the local additional tax payments in excess of about ¥1.7 billion.

3. Prospects

The issue is still uncertain and it is difficult to predict developments. We will report to you immediately if anything definite materializes.