JASDAQ

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Report of Revised Forecast on Business Performance and Extraordinary Loss for Interim and Full Fiscal Year ending March 2005, and Revised Forecast of Interim Dividends

As of August 13, 2004, we have made an announcement in our report entitled “the outline of business performance for the first quarter and revised forecast of business performance for interim Fiscal Year ending March 2005”. We have decided to revise the forecast of business performance for interim and full Fiscal Year ending March 2005. At the same time we will withhold the interim dividends payment.

Description

1. Forecast of business performance for interim Fiscal Year ending March 2005 (from April 1, 2004 to September 30, 2004)

(1) Parent (Unit: ¥million)

	Sales amount	Ordinary income	Interim net income	Interim dividends per share
Forecast currently released (A)	24,171	104	－7,548	¥00.0
Forecast previously released (B)	42,600	4,500	2,000	¥30.0
Increase/decrease Amount (A-B)	－18,429	－4,396	－9,548	－¥30.0
Ratio of increase/decrease (%)	－43.3%	－97.7%	－	－
(Reference) Same period of the previous year	69,289	28,572	15,256	¥30.0

(2) Consolidated (Unit: ¥million)

	Sales amount	Ordinary income	Interim net profit
Forecast currently released (A)	36,024	−1,307	−6,731
Forecast previously released (B)	57,400	5,800	1,800
Increase/decrease amount (A-B)	−21,376	−7,107	−8,531
Ratio of increase/decrease (%)	−37.2%	—	—
(Reference) Same period of previous year	79,377	26,530	12,492

(3) Reasons for revision of interim business performance for Fiscal Year ending March 2005 (Parent)

As far as the first half of the fiscal year is concerned, we fell into an extremely difficult condition that we could not fully compete with our competitors because all new models that we have developed since last year were not approved, and ended up having only a few Pachislot machines to sell. As for the Pachinko machines, we experienced some problems with the major parts to be supplied in the manufacturing process of the first 20” LCD machine in the industry, “CR Jong-tei Club”, so that the project was largely ended up unaccomplished. The market shifted its trend to refrain from purchasing Pachinko machines with new standards under the revised regulations just before a Pachinko machine “CR Hanabi” was released in September. That is why the sales went lower than our projection. As a result, the sales for the current interim reached only ¥24.1 billion in parent business performance, and ¥36 billion in consolidated business performance.

Taking such circumstances seriously into consideration, we have made the following determination for measures to reduce particularly the inventory, which exists prior to the revision of regulations. We have been pushing forward to cut the cost by using 12 bolt-single power source and the common parts. We anticipated that the parts in inventory were usable. However, upon an occasion when the Law Controlling Affecting Public Morals was recently revised, we have considered from various angles whether or not we should use the parts in inventory that we have developed, or how it would affect these parts when we envision the development of our future business. As a result, we judged that it could effectively work out to utilize only the commonly usable parts in the development of our future business. We made a decision to write down the inventory. (The current extraordinary loss includes write-down of parts in downward price trend such as LC panels, etc.)

We aggressively carried out write-down of ¥10.4 billion for inventory assets, etc., as well as ¥900 million for increased reserve for bad debts in unsettled assets, in addition to ¥1 billion for revaluation of subsidiaries. The extraordinary loss reached ¥13.8 billion in total. As a result, we expect the interim net income be ¥7.5 billion in loss after adjusted amounts such as corporate taxes, etc.

(Consolidated)

Most of the domestic consolidated subsidiaries showed both the sales and income considerably lower than the forecast because they were affected by the sluggish sales of the parent company. Yet, the stock price of Wynn Resorts, Limited, listed in NASDAQ, in which ARUZE invests 27.6% through a consolidated subsidiary ARUZE U.S.A., remains favorably. Wynn Resorts increased its capital by $268 million for this fiscal year. As a result, due to the fact that the ratio of our holdings went 2.2% lower than before increasing its capital, this deemed gain on sales adopted by the equity method in accounting is posted for approximately ¥4.7 billion as consolidated extraordinary income.

In spite of these positive factors, similarly with the parent company, we made aggressive revaluation on the inventory assets of our domestic subsidiaries along with their sluggish sales so that the sales, ordinary income and interim net income were all greatly reduced, leading to a necessity to revise the forecast of business performance.

2. Forecast of business performance for interim Fiscal Year ending March 2005 (from April 1, 2004 to March 31, 2005)

(1) Parent (Unit: ¥million)

	Sales amount	Ordinary income	Interim net income
Forecast currently released (A)	81,600	14,500	300
Forecast previously released (B)	160,800	41,900	22,900
Increase/decrease amount (A-B)	−79,200	−27,400	−22,600
Ratio of increase/decrease (%)	−49.3%	−65.4%	−98.7%
(Reference) Same period of previous year	79,491	9,738	1,723

(2) Consolidated (Unit: ¥million)

	Sales amount	Ordinary income	Interim net income
Forecast currently released (A)	104,000	13,200	400
Forecast previously released (B)	191,500	46,000	23,100
Increase/decrease amount (A-B)	−87,500	−32,800	−22,700
Ratio of increase/decrease (%)	−45.7%	−71.3%	−98.3%
(Reference) Fiscal Year ending	101,077	8,399	156

March 2004			

(3) Reasons for revision of business performance for full Fiscal Year ending March 2005

We have started receiving orders on October 2 for a new Pachislot machine called “It’s Guts! Mori no Ishimatsu”, that was approved prior to the amendment of regulations. In addition to “It’s Guts! Mori no Ishimatsu”, we plan to release two models of Pachslot machines and three models of Pachinko machines during the second half of this fiscal year.

The revised regulations of the Law Controlling Affecting Public Morals are deemed to enhance more as a game than a Pachislot machine. We anticipate that those customers enjoying games would become new Pachislot users, and the level of technology in development of game software would be a key point to evaluate the manufacturers.

Further, we aspire for a new business model to establish along with the needs of customers. We are under consideration in providing Pachislot machines with more favorable leasing conditions before the end of the fiscal year.

The subsidiaries had experienced sluggish sales in the first half of this fiscal year but now they have come up with the sales forecast respectively. They anticipate the sales more than double of the first half of the fiscal year in both parent and consolidated for the second half of the fiscal year alone. Consequently, we anticipate parent ordinary income to be ¥14.5 billion and consolidated ordinary income to be ¥13.2 billion for the full fiscal year, and parent net income to be ¥300 million and consolidated net income to be ¥400 million for this period.

However, due to the fact that the business performance showed a drastic decline in the first half of the fiscal year, it was decided to revise all the sales, ordinary income and net income for this period downward in comparison with the plan for the full fiscal year set in May.

(Note) The above forecast was prepared according to the available information as of the day this data was released. The actual business performance may vary from the forecasted numeric values due to the various future factors.

3. Dividends

We will withhold the interim dividends payment and will maintain ¥30 per share as originally planned for the dividends at the end of the fiscal year.

End.