



June 1, 2007

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**Announcement Regarding Separation-Based Transition to  
Operating Holding Company Framework  
(Business Realignment of ARUZE GROUP)**

Since last year, ARUZE CORP. ("ARUZE" or "the Company" below) has been examining a realignment of its business in order to accommodate its transition to an operating holding company framework. In its Board of Directors Meeting held on May 31, 2007, the Company passed a resolution regarding the following two courses of action: I. A business realignment of ARUZE GROUP and II. the separation of the sales and R&D departments under the Company's Pachislot/Pachinko and domestic arcade games business. II. will be added as an agenda for the 34<sup>th</sup> Annual General Shareholders' Meeting scheduled to be held on June 28, 2007.

**I. Business Realignment of ARUZE GROUP**

**1. Purpose of Transition to Operating Holding Company Framework**

The Company is scheduled to make the transition to an operating holding company framework on October 1, 2007. Following this transition, the companies responsible for the domestic Pachislot and Pachinko business and those responsible for the overseas casino gaming machine business will be maintained separately under the operating holding company. This will serve to ensure clear delineation between the domestic and overseas businesses of the Company. The function of operating holding company itself will be focused on core R&D and patent management, investment management, group finance, real estate management, systems management and other operations.

In establishing this new framework, the management personnel and nature of operations of each company under ARUZE GROUP will be localized, allowing the Company to achieve higher levels of corporate governance and sound and transparent management.

**2. Process Up Until Now**

On May 24, 2006, in order to make the transition to an operating holding company framework, the Company formed an absorption-based separation agreement with ARUZE PREPARATORY CORPORATION, a 100%-owned subsidiary of the Company. At the 33<sup>rd</sup> Annual General Shareholders' Meeting held on June 29, 2006, the separation of the domestic Pachislot and Pachinko

business from the Company was approved, with the intended date of separation established as October 1, 2006.

After considerable deliberation, however, the Company decided on August 24, 2006 that while the transition to an operating holding company would be carried out, this transition would not involve a separation-based succession of the Pachislot and Pachinko businesses in their entirety, but the separation of only the sales department of said businesses. The Company deemed that this course of action, which would allow for flexible sales strategy that could be tempered to meet a changing market environment, would be the most proper way to heighten the efficacy of achieving the company's original goals of "clarifying the responsibility and jurisdiction maintained by each business" and "improving management transparency" and "strengthening corporate governance" for ARUZE GROUP as a whole.

Subsequently, after further envisioning of what the future ARUZE GROUP would look like following a business realignment, the Company elected to change the date of the separation of its Pachislot and Pachinko sales department to October 1, 2007. This course of action was announced in the March 15, 2007 press release entitled "Business Realignment of ARUZE GROUP."

With regards to the R&D departments for Pachislot and Pachinko, these two departments were originally scheduled to belong to the operating holding company. However, given that the market is anticipated to expect elevated levels of playability in order to balance out the lower volatility of Type 5 Pachislot machines relative to their Type 4 counterparts, increasingly high levels of R&D capability are expected to be called upon in the future. With this in mind, ARUZE concluded that it is essential to increase the autonomy and specialization of its Pachislot and Pachinko R&D departments. Consequently, as of October 1, 2007, the Pachislot and Pachinko R&D departments will be separated from ARUZE along with the sales departments under the same business segment, and rendered as an independent company.

In the manner described above, the Company has been continually reexamining the most proper way of conducting the business realignment in order to elevate desirable future prospects. Nonetheless, ARUZE apologizes to its shareholders and investors for the numerous changes it has made in this regard. The Company hereby announces that the contents of this press release represents for the time being the final phase of the business realignment of ARUZE GROUP, which has been progressing since February 2006. Any additional realignment plans created as a result of changes in the business environment or relevant regulations will be announced separately as they occur.

## **II. Separation of Sales and R&D Departments under the Company's Pachislot/Pachinko and Domestic Arcade Games Business**

### **1. Purpose of Separation**

#### **(1) Sales Department**

Following an absorption-based separation (physical separation) of the sales departments under its Pachislot/Pachinko and domestic arcade games businesses, which represent the primary businesses of the Company, ARUZE will transfer said sales departments to System Staff Co., Ltd.,

a 100%-owned subsidiary of the Company, and render the resulting company independent for the purposes of clarifying responsibility and authority and creating a flexible operations framework (Following said separation, System Staff Co., Ltd. is scheduled to be renamed ARUZE MARKETING JAPAN CORPORATION.).

#### (2) R&D Department

Following an absorption-based separation (physical separation) of the R&D departments under its Pachislot/Pachinko and domestic arcade games businesses, which represent the primary businesses of the Company, ARUZE will transfer said R&D departments to ARUZE PREPARATORY CORPORATION, a 100%-owned subsidiary of the Company, and render the resulting company independent for the purposes of clarifying responsibility and authority and creating a flexible operations framework (Following said separation, ARUZE PREPARATORY CORPORATION is scheduled to be renamed ARUZE ENTERTAINMENT CORPORATION.).

## **2. Key Points Pertaining to Separation**

### (1) Separation Schedule

Date of Board of Directors Meeting resolving separation plan	May 31, 2007
Date of formation of separation agreement	May 31, 2007
Record date of General Shareholders' Meeting	May 31, 2007
Date of General Shareholders' Meeting at which separation will be approved (34 <sup>th</sup> Annual General Shareholders' Meeting)	June 28, 2007 (tent.)
Effective date of separation	October 1, 2007 (tent.)
Date of delivery of share certificates	October 1, 2007 (tent.)

### (2) Method of Separation

This absorption-based (physical) separation of the Company will entail ① System Staff Co., Ltd., a 100%-owned subsidiary of the Company, succeeding the sales department, and ② ARUZE PREPARATORY CORPORATION, also a 100%-owned subsidiary of the company, succeeding the R&D department.

### (3) Share Allocation

#### ① Sales Department

Systems Staff Co., Ltd., which will succeed the sales department, will issue 40,000\* shares of common stock, all of which will be allocated to the Company. Share certificates will not be issued.

#### ② R&D Department

ARUZE PREPARATORY CORPORATION, which will succeed the R&D department, will issue 7,000\* shares of common stock, all of which will be allocated to the Company. Share certificates will not be issued.

\*These figures represent current estimates and may increase prior to the effective date of separation as the separation plan approaches execution.

#### (4) Calculation Base of Shares Allocated

##### ① Calculation Base of Share Allocation Ratio

Both System Staff Co., Ltd. and ARUZE PREPARATORY CORPORATION are 100%-owned subsidiaries of the Company, and as such, all shares issued by these two successor companies upon the separation will be issued to the Company. Additionally, given that there will be no change in the net assets of the Company, the number of shares allocated was determined following review of the amount of assets and liabilities to be succeeded by the two companies.

##### ② Calculation Results, Method and Base as Performed by Third Party

Due to the reasons listed in ①, no calculations were performed by a third party.

#### (5) Amount of Decrease in Capital Following Separation

N/A

#### (6) Handling of Share Purchase Warrants and Bonds with Share Purchase Warrants of the Separated Company

The separated company has issued share purchase warrants; however, the companies to succeed the sales and R&D departments under the separation will not issue new share purchase warrants in place of share purchase warrants for the separated company to individuals holding those share purchase warrants.

ARUZE is not issuing bonds with share purchase warrants.

#### (7) Rights and Obligations Assumed by Successor Companies

##### ① Sales Department

The successor company will assume rights and obligations accompanying the assets, liabilities and contracts held by the sales departments of the Company's Pachislot/Pachinko and domestic arcade game businesses, with the exception of items bearing special provisions under the separation agreement (As there are no material items bearing special provisions, they are omitted here.).

The assumption of debt will be conducted as a concomitant obligation of debt.

The appraisal of assets and liabilities will be based on balance sheet figures as of March 31, 2007 and will be adjusted to reflect differences in assets and liabilities that arise on the appointed date of separation.

##### ② R&D Department

The successor company will assume rights and obligations accompanying the assets, liabilities and contracts held by the R&D departments of the Company's Pachislot/Pachinko and domestic arcade game businesses, with the exception of items bearing special provisions under the separation agreement (As there are no material items bearing special provisions, they are omitted here.).

The assumption of debt will be conducted as a concomitant obligation of debt.

The appraisal of assets and liabilities will be based on balance sheet figures as of March 31, 2007 and will be adjusted to reflect differences in assets and liabilities that arise on the appointed date of separation.

### (8) Expectations Regarding Execution of Debt

ARUZE and the successor companies (sales department and R&D department) will maintain sufficient responsibility and assets to collateralize the execution of debt assumed following the separation in question. It is therefore expected that there is no issue with regards to the certainty of the execution of debt to be assumed by the Company and successor companies.

### 3. Summary of Companies Involved in Separation (As of March 31, 2007)

	Split Company (ARUZE)	Successor Company (Sales Department)	Successor Company (R&D Department)
(1) Company Name	ARUZE CORP.	System Staff Co., Ltd. (*2)	ARUZE PREPARATORY CORPORATION (*1)
(2) Primary Business	Development, manufacturing, sales, leasing and import/export of amusement machines	Sales of Pachislot and Pachinko machines and domestic arcade game machines (*3)	Development of Pachislot and Pachinko machines and domestic arcade game machines (*3)
(3) Date of Establishment	June 26, 1973	May 17, 1977	May 12, 2006
(4) Location of Headquarters	3-1-25 Ariake, Koto-ku, Tokyo	Same as left	Same as left
(5) Representative	Kunihiko Yogo, Representative Director and CEO	Naotaka Bessho, Representative Director (*4)	Jun Fujimoto, Representative Director (*4)
(6) Capital	¥3,447 million	¥15 million	¥100 million
(7) Outstanding No. of Shares	80,195,000 shares	1,500 shares	2,000 shares
(8) Net Assets	¥106,616 million	¥145 million	¥100 million
(9) Total Assets	¥155,651 million	¥8,921 million	¥100 million
(10) Closing Day of Business Year	March 31	March 31	March 31
(11) No. of Employees	927	2	0
(12) Primary Customers	Pachinko parlors across Japan	Pachinko parlors across Japan	ARUZE GROUP companies (*3)
(13) Major Shareholders and Holding Ratio	Kazuo Okada 40.61% Tomohiro Okada 29.51% Hiromi Okada 06.64%	ARUZE CORP. 100.00%	ARUZE CORP. 100.00%
(14) Primary Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, etc.	Sumitomo Mitsui Banking Corporation	Undetermined
(15) Relationship between Involved Companies	Capital Relationship:	The successor company will be a wholly-owned subsidiary of ARUZE.	Same as left

	Personnel Relationship:	Directors from the split company will be dispatched to the successor company.	A number of directors from the Company are concurrently serving as directors of the successor company.
	Business Relationship:	Monetary lending, work consignment	N/A
	Relationship with Associated Parties:	The successor company is a consolidated subsidiary of the Company.	The successor company is a non-consolidated company not accompanied for by the equity method.

(\*1) The name of the company is scheduled to be changed to “ARUZE ENTERTAINMENT CORPORATION” as of October 1, 2007.

(\*2) The name of the company is scheduled to be changed to “ARUZE MARKETING JAPAN CORPORATION” as of October 1, 2007.

(\*3) This represents the predicted primary business activities and customers as of October 1, 2007.

(\*4) The representatives listed above will be replaced with on October 1, 2007 with individuals suitable to handle the business of the respective companies.

#### (16) Business Performance for Last Three Fiscal Years

(Unit: Million ¥)

Fiscal Year Ending	ARUZE CORP. (Split Company)			System Staff Co., Ltd. (Successor Company)			ARUZE PREPARATORY CORPORATION (Successor Company)		
	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2005	March 31, 2006	March 31, 2007
Net Sales	49,526	29,165	32,033	1,212	942	1,075			-
Operating Profit	3,354	-5,613	-4,437	743	619	643			-0
Ordinary Profit	3,313	-5,805	-4,681	563	623	498			-1
Net Profit	-7,019	-13,891	-10,356	-678	397	125			-1
Net Profit Per Share (¥)	-87.85	-173.86	-129.14	-452,008	264,597	83,348			-631.77
Dividends Per Share (¥)	30	20	50	-	26,666	-			-
Net Assets Per Share (¥)	1,687.43	1,483.81	1,329.46	-224,764	13,165	96,513			49,433.4 3

#### 4. Description of Business Departments to Be Separated

##### (1) Business Activities of Departments to Be Separated

###### ① Sales Department[

Sales of Pachislot and Pachinko machines and domestic arcade game machines

###### ② R&D Department

Development of Pachislot and Pachinko machines and domestic arcade game machines

##### (2) Business Results of Departments to Be Separated for Fiscal Year Ending March 31, 2007

① Sales Department

(a) Business Results of Pachislot/Pachinko Sales Department for Fiscal Year Ending March 31, 2007

	Pachislot/Pachinko Sales Department (a)	ARUZE CORP. Business Performance for Fiscal Year Ending March 31, 2007	Ratio (a/b)
Net Sales	¥29,874 million	¥32,033 million	93.26%
Gross Profit	¥12,491 million	¥14,807 million	84.36%
*Operating Profit	-	-¥4,437 million	-%
*Ordinary Profit	-	-¥4,681 million	-%

\*Operating profit and ordinary profit are omitted here due to selling, general and administrative expenses and non-operating profit/loss not being allocated to this business.

(b) Business Results of Domestic Arcade Machines Sales Department for Fiscal Year Ending March 31, 2007

	Domestic Arcade Game Machines Sales Department (a)	ARUZE CORP. Business Performance for Fiscal Year Ending March 31, 2007	Ratio (a/b)
Net Sales	¥622 million	¥32,033 million	1.94%
Gross Profit	¥163 million	¥14,807 million	1.10%
*Operating Profit	-	-¥4,437 million	-%
*Ordinary Profit	-	-¥4,681 million	-%

\*Operating profit and ordinary profit are omitted here due to selling, general and administrative expenses and non-operating profit/loss not being allocated to this business.

② R&D Department

\*Due to the nature of its activities, no net sales are posted for the R&D department; however, the department posted approximately ¥2.9 billion in selling, general and administrative expenses for the fiscal year ending March 31, 2007.

(3) Items and Amounts Pertaining to Assets and Liabilities to Be Separated (As of March 31, 2007)

(Unit: Million ¥)

	Sales Department	R&D Department
Current Assets	¥15,444 million	¥214 million
Fixed Assets	¥3,395 million	¥1,015 million
Total Assets	¥18,839 million	¥1,229 million
Current Liabilities	¥14,380 million	¥563 million
Fixed Liabilities	¥426 million	-
Total Liabilities	¥14,805 million	¥563 million

## 5. Status of ARUZE Following Separation

(1)	Company Name	ARUZE CORP. (no change)
(2)	Primary Business	Development, manufacturing sales, leasing and import/export of amusement machines (no change)
(3)	Location of Headquarters	3-1-25 Ariake, Koto-ku, Tokyo (no change)
(4)	Representative	Kunihiko Yogo, Representative Director and CEO (no change)
(5)	Capital	¥3,447 million (no change)
(6)	Net Assets	¥106,616 million
(7)	Total Assets	The amount equivalent to the assets to be succeeded to the successor company will be subtracted from total assets.
(8)	Closing Day of Business Year	March 31

## 6. Status of Successor Company Following Absorption-Based Separation

### (1) Sales Department

(1)	Company Name	ARUZE MARKETING JAPAN CORPORATION
(2)	Primary Business	Sales of Pachislot and Pachinko machines and domestic arcade game machines
(3)	Location of Headquarters	3-1-25 Ariake, Koto-ku, Tokyo (no change)
(4)	Representative	Undetermined
(5)	Capital	¥2,015 million
(6)	Net Assets	¥4,179 million
(7)	Total Assets	¥20,760 million
(8)	Closing Day of Business Year	March 31

### (2) R&D Department

(1)	Company Name	ARUZE ENTERTAINMENT CORPORATION
(2)	Primary Business	Development of Pachislot and Pachinko machines and domestic arcade game machines
(3)	Location of Headquarters	3-1-25 Ariake, Koto-ku, Tokyo (no change)
(4)	Representative	Undetermined
(5)	Capital	¥450 million
(6)	Net Assets	¥766 million
(7)	Total Assets	¥1,329 million
(8)	Closing Day of Business Year	March 31

## 7. Description of Accounting Methods

As both System Staff Co., Ltd. and ARUZE PREPARATORY CORPORATION will be separated and rendered as 100%-owned subsidiaries of the Company, accounting will be performed in accordance with the pooling-of-interests method.

#### 8. Impact and Outlook on Business Performance Following Separation

	Fiscal Year Ending March 31, 2008 (Non-Consolidated)	Fiscal Year Ending March 31, 2008 (Consolidated)
Net Sales	-	¥65,000 million
Ordinary Profit	-	10,000 million
Net Profit	-	¥6,000 million
Annual Dividends Per Share	¥20.00	-

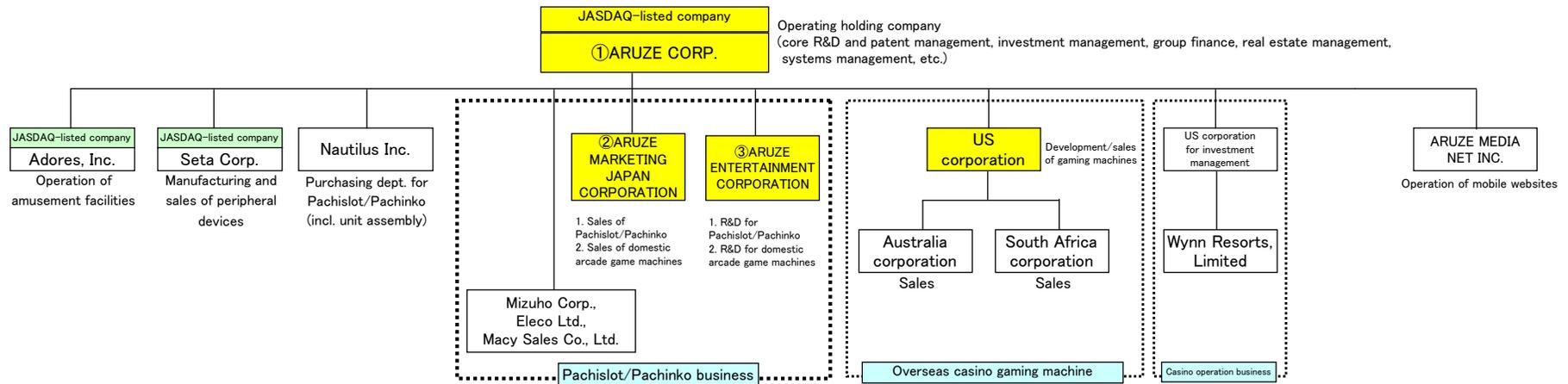
\*Note: As the successor companies will be separated and rendered as 100%-owned subsidiaries of the Company, said separation will have only a slight impact on the Company's consolidated business results. With regard to non-consolidated business results, as ARUZE will become an operating holding company following the separation, the Company is expecting revenues in the form of those generated from services provided to the holding group companies as well as those generated from management guidance and patent usage consent fees. Currently, however, the Company is currently deliberating the fees to be associated with these and other services; as a result, in order to prevent misunderstandings that may accompany the disclosure of non-consolidated business results forecast, ARUZE has elected to omit said forecast from this press release.

# Relationship Between ARUZE GROUP Companies

## (Nature of Board Decisions Concerned)

Scheduled enactment date: October 1, 2007

= Areas concerned



Changes from existing organization (scheduled enactment date: October 1, 2007):

- (1) Transition of ARUZE to operating holding company
- (2) Separation and transfer of Pachislot, Pachinko and domestic arcade game sales departments to ARUZE MARKETING JAPAN CORPORATION
- (3) Separation and transfer of Pachislot, Pachinko and domestic arcade game R&D departments to ARUZE ENTERTAINMENT CORPORATION

## (Existing organization)

As of May 31, 2007

