

This is an English translation of the official announcement in Japanese that was released on August 6, 2020. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



**Summary of Financial Data and Business Results for
the Second Quarter of the Fiscal Year Ending December 31, 2020
(JP GAAP, Consolidated)**

August 6, 2020

Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

Code No.: 6425 URL: <https://www.universal-777.com>

Representative: (Name) Jun Fujimoto (Title) Representative Director and President

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Scheduled Submission Date of Quarterly Report: August 6, 2020

Scheduled Commencement Date of Dividend Payment: -

Supplementary Briefing Materials for Quarterly Settlement of Accounts: Yes

Briefing on Quarterly Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

1. Consolidated Business Results for the Second Quarter of 2020 (Period from January 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results

(Percentages refer to changes from the same quarter in the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
2nd Quarter of 2020	65,647	24.9	12,666	-	7,330	-	3,410	-
2nd Quarter of 2019	52,541	12.9	(3,850)	-	(9,363)	-	(9,039)	-

(Note) Comprehensive income

2nd Quarter of 2020: 6,277 million yen (-%)

2nd Quarter of 2019: (4,073) million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2nd Quarter of 2020	43.87	43.86
2nd Quarter of 2019	(114.80)	-

(Note) "Diluted net income per share" for the second quarter of 2019 is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Consolidated Financial Status

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of June 30, 2020	581,322	376,362	64.7	4,856.52
As of December 31, 2019	573,238	371,834	64.9	4,756.13

(Reference) Shareholders' equity

As of June 30, 2020: 376,303 million yen

As of December 31, 2019: 371,766 million yen

2. Status of Dividends

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Fiscal Year	Total
	Yen	Yen	Yen	Yen	Yen
2019	-	50.00	-	0.00	50.00
2020	-	0.00			
2020 (Forecast)			-	-	-

(Note) Revision from the dividend forecast most recently announced: None

Breakdown of dividend for the end of 2nd Quarter of 2019: Special dividend for our 50th anniversary: 50.00 yen

The year-end dividend for 2020 (forecast) is to be determined.

3. Consolidated Business Results Forecast for 2020 (Period from January 1, 2020 to December 31, 2020)

(Percentages refer to changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	Yen
Full Fiscal Year	-	-	-	-	-	-	-	-

(Note) Revision from the business forecasts most recently announced: Yes

As announced in the press release "Notice of Revision of Business Results Forecast" today, due to the impact of the global spreading of COVID-19, it is difficult to compute the impact that the above situation will exert on Universal Entertainment's full-year consolidated business results. For that reason, Universal Entertainment will take the liberty of temporarily withdrawing its full-year consolidated business results forecast for the fiscal year ending December 31, 2020 and placing that forecast in a "TBD" status. Moreover, as it gauges trends surrounding COVID-19 infections, Universal Entertainment will promptly disclose that business results forecast once computing it becomes feasible.

* Matters of Note

(1) Changes in material subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation) : None

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates and/or restatements

1) Changes in accounting policies accompanying revision of accounting standards, etc. : None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Restatements : None

(4) Number of outstanding shares (common stock)

1) Shares issued at end of fiscal period (including treasury shares)

As of June 30, 2020: 80,195,000 shares

As of December 31, 2019: 80,195,000 shares

2) Number of treasury shares at end of fiscal period

As of June 30, 2020: 2,710,772 shares

As of December 31, 2019: 2,029,172 shares

3) Average number of shares during fiscal period

2nd Quarter of 2020: 77,749,463 shares

2nd Quarter of 2019: 78,737,323 shares

* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation on Proper Usage of Business Results Forecast and Other Noteworthy Items

The forward-looking statements regarding business results, etc. as featured herein are based on information that is currently available and certain assumptions that are determined to be reasonable, but are not promises by Universal Entertainment Corporation regarding future performance. Actual business results may vary significantly due to a number of factors. For preconditions for business forecasts, notes on the usage of business forecasts and so forth, please see "1. Qualitative Information Pertaining to Quarterly Settlement of Accounts, (4) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements" on page 4 of the Attached Materials.

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1. Qualitative Information Pertaining to Quarterly Settlement of Accounts

(1) Explanation of Operating Results

(Million yen)

First half of 2020	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of parent
Non-consolidated	50,102	16,323	11,152	11,543
Consolidated	65,647	12,666	7,330	3,410

In the first half of 2020, Universal Entertainment posted net sales of 65,647 million yen (an increase of 24.9% year on year), an operating profit of 12,666 million yen (compared with an operating loss of 3,850 million yen in the first half of 2019), an ordinary profit of 7,330 million yen (compared with an ordinary loss of 9,363 million yen in the first half of 2019), and net income attributable to owners of parent of 3,410 million yen (compared with net loss attributable to owners of parent of 9,039 million yen in the first half of 2019).

Business segment performance was as follows. Sales are prior to adjustments for inter-segment sales or transfers.

(i) Amusement Equipments Business

The Amusement Equipments Business posted net sales of 48,852 million yen (an increase of 141.8% year on year) and an operating profit of 22,032 million yen (an increase of 642.9% year on year) in the first half of 2020.

In Japan's amusement machine industry, the COVID-19 outbreak forced Pachinko halls to reduce or temporarily stop operations, suspend advertising activities, and increase measures to protect customers from becoming infected. In addition, Pachinko halls have become more cautious about replacing current machines with new models because Japan extended the transitional period for the removal of models that conform to rules prior to the most recent revisions. As a result, sales of Pachislot and Pachinko machines have been slow.

Universal Entertainment is responding to these difficult situations by selling Pachislot titles, primarily major titles, that can earn the support of a broad range of users and energize Japan's Pachislot and Pachinko market. During the second quarter of 2020, sales started for two new models. In April, sales started for "Thunder V Lightning," the second category 6 title and part of the A PROJECT revival titles, which is based on the theme of revival. "Oki Doki! 2-30" was launched in May. This title is the latest addition to the "Oki Doki!" series, which is very popular among users and Pachinko halls and is designed to appeal to a broad range of age segments. Sales of both new titles have been exceeding the planned volume.

(ii) Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 16,095 million yen (a decrease of 48.8% year on year) and an operating loss of 5,265 million yen in the first half of 2020 (compared with an operating loss of 1,821 million yen in the first half of 2019). Adjusted segment EBITDA⁽²⁾ in the Integrated Resort Business was a loss of 1,323 million yen in the first half of 2020 (compared with income of 5,259 million yen in the first half of 2019).

At Okada Manila, an integrated casino resort owned and operated by the Universal Entertainment Group, all operations have been temporarily suspended since March 15, 2020 in response to an order from the Philippine Amusement and Gaming Corporation (PAGCOR) due to the global outbreak of COVID-19.

On February 14, 2020, Universal Entertainment announced the posting of equity in earnings of affiliates and non-operating income due to the sale of non-current assets. Subsequently, the government of the Philippines declared a lockdown on March 15, 2020 because of COVID-19. Although parts of this lockdown have been reduced, there are still significant restrictions on economic activity in the Philippines.

Under such circumstances, Universal Entertainment formally received a document from the purchaser of non-current assets regarding postponement in the transferring ownership of the assets and the guarantee payment. Therefore, both parties foresee the resumption of economic activities following the lifting of lockdown in the Philippines. These

parties are also currently considering having a new agreement to amend the former land sales agreement that has already been executed. An announcement will be made if there has been a conclusion concerning the revision of the document.

(1) Net sales are defined as gross revenues minus gaming taxes and jackpots.

(2) Adjusted segment EBITDA= Operating profit/loss + Depreciation and amortization + Other adjustments

(iii) Other

Other Business posted net sales of 649 million yen (a decrease of 18.0% year on year) and an operating profit of 221 million yen (an increase of 84.0% year on year) in the first half of 2020.

In the Media Content Business, distribution of simulator applications for “SLOT Basilisk: The Koga Ninpocho Kizuna 2,” “Thunder V Lightning” and “Oki Doki! 2-30” started on the App Store and Google Play. “SLOT Basilisk: The Koga Ninpocho Kizuna 2” was an immediate hit, placing among the highest ranking titles. The “Slots Street” social casino game started distribution in Japan of “Tsuchinoko NOCCHI” and “SUPER BINGO,” a game using design elements of a Pachinko title of BELLCO Co., Ltd. In addition, a league format was started for events within games to enable players to enjoy an even more challenging hurdle for achieving higher rankings.

(2) Explanation of Financial Status

Total assets at the end of the second quarter of 2020 amounted to 581,322 million yen, an increase of 8,083 million yen over the end of 2019. Major changes were an increase in the allowance for doubtful accounts, a reduction in the valuation of inventories, and an increase in construction in progress resulting from investments in construction and an increase in loans.

Liabilities at the end of the second quarter of 2020 amounted to 204,959 million yen, an increase of 3,555 million yen over the end of 2019. This was mainly due to new short-term borrowings and repayments of long-term borrowings.

Net assets at the end of the second quarter of 2020 amounted to 376,362 million yen, an increase of 4,527 million yen over the end of 2019, which was mainly the result of an increase in retained earnings due to net income.

(3) Status of Cash Flow

As of the end of the first half of 2020, cash and cash equivalents totaled 40,376 million yen, an increase of 2,150 million yen over the end of 2019. This increase was mainly the result of depreciation, interest expenses and interest on bonds, and new loans (net increase (decrease) in short-term borrowings). There were decreases due to the payment for construction works (purchase of property, plant and equipment), interest expenses paid for bonds and leases, short-term and long-term loans for subsidiaries and affiliates, and purchase of treasury shares. The primary reasons for increases/decreases in each cash flow category in the first half of 2020 are as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities amounted to 11,145 million yen mainly due to an income before income taxes and others of 3,454 million yen, depreciation of 9,152 million yen, interest expenses and interest on bonds of 5,153 million yen, a 2,332 million yen decrease in other current liabilities and interest expenses paid of 2,630 million yen.

<Cash Flows from Investing Activities>

Net cash used in investing activities amounted to 11,590 million yen mainly due to purchase of property, plant and equipment of 8,301 million yen, payments of short-term loans receivable of 2,501 million yen and payments of long-term loans receivable of 1,352 million yen.

<Cash Flows from Financing Activities>

Net cash provided by financing activities amounted to 2,611 million yen mainly due to a net increase in short-term

borrowings of 4,830 million yen and the purchase of treasury shares of 1,752 million yen.

(4) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements

(i) Amusement Equipments Business

The outlook for Japan's amusement machine industry is expected to remain uncertain because of the COVID-19 crisis.

In the third quarter of 2020, this business started selling two titles. One is "Anata no Otto!? Hades," a Pachislot title that is a member of the God series with a payout ratio that meets users' expectations. Furthermore, this title carries on the DNA of "Another God Hades Ubawareta ZEUS ver.," which was an enormous hit in the Pachislot market based on rules prior to the most recent revisions. The other new title is the Pachinko title "P Another God Hades The World," which is a member of the God series that was extremely popular in the Pachinko sector.

Universal Entertainment will continue to work on developing easy-to-play, unique and appealing titles that can be enjoyed by a broad spectrum of Pachislot and Pachinko fans. Universal Entertainment is determined to develop appealing titles for energizing the entire amusement machine industry.

(ii) Integrated Resort Business

Okada Manila has suspended operations due to an order from the Philippine Amusement and Gaming Corporation (PAGCOR). On May 16, 2020, the Philippine government started to allow businesses in some industries to resume operations in stages. Okada Manila is currently creating a business resumption plan so that operations can restart as soon as casinos are allowed to reopen. As the COVID-19 crisis has not ended, Okada Manila will continue to maintain the highest possible level of hygiene after the restart of operations in order to prevent COVID-19 infections.

(iii) Other

The Media Content Business will continue to distribute high quality simulator applications on the App Store and Google Play. The "Slots Street" social casino game, which operates in Japan and overseas, is continuing to use expertise gained from the development of Pachislot titles in order to develop many video slot titles with new types of game playing characteristics. Another priority is creating services that increase the satisfaction of users, such as by improving events within apps and holding events jointly with other companies.

(5) Forecast of Consolidated Business Results

The forecast for 2020 that was announced on April 15, 2020 has been revised. For more information, please refer to the press release "Notice of Revision of Business Results Forecast" that was announced on August 6, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	2019 (December 31, 2019)	The 2nd Quarter of 2020 (June 30, 2020)
Assets		
Current assets		
Cash and deposits	38,442	40,593
Notes and accounts receivable-trade	11,361	12,856
Securities	2	2
Merchandise and finished goods	1,671	1,943
Work in process	10,747	11,382
Raw materials and supplies	12,981	11,040
Other	10,726	13,632
Allowance for doubtful accounts	(876)	(1,767)
Total current assets	85,057	89,683
Non-current assets		
Property, plant and equipment		
Buildings and structures	260,865	258,468
Construction in progress	66,056	73,573
Leased assets, net	57,288	56,342
Other	42,404	40,179
Total property, plant and equipment	426,614	428,563
Intangible assets		
Other	2,357	2,131
Total intangible assets	2,357	2,131
Investments and other assets		
Investment securities	14,414	15,458
Long-term deposits	6,773	6,665
Long-term deposit paid to subsidiaries and associates	26,583	26,142
Other	11,712	13,070
Allowance for doubtful accounts	(713)	(717)
Total investments and other assets	58,770	60,619
Total non-current assets	487,743	491,314
Deferred assets	437	323
Total assets	573,238	581,322

(Million yen)

	2019 (December 31, 2019)	The 2nd Quarter of 2020 (June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,279	6,842
Short-term borrowings	6,554	11,348
Current portion of long-term borrowings	1,204	2,154
Accounts payable-other	10,734	10,122
Accrued expenses	13,503	12,019
Income taxes payable	466	481
Provision for bonuses	78	474
Other	17,057	17,373
Total current liabilities	55,879	60,816
Non-current liabilities		
Bonds payable	66,745	66,672
Long-term borrowings	9,749	8,509
Retirement benefit liability	251	292
Long-term deposits received from subsidiaries and associates	5,477	5,385
Lease obligations	58,791	59,273
Other	4,510	4,010
Total non-current liabilities	145,524	144,143
Total liabilities	201,404	204,959
Net assets		
Shareholders' equity		
Share capital	98	98
Capital surplus	18,830	18,829
Retained earnings	365,751	369,162
Treasury shares	(5,578)	(7,317)
Total shareholders' equity	379,101	380,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(882)	(1,064)
Foreign currency translation adjustment	(6,433)	(3,385)
Remeasurements of defined benefit plans	(18)	(18)
Total accumulated other comprehensive income	(7,335)	(4,469)
Share acquisition rights	67	58
Total net assets	371,834	376,362
Total liabilities and net assets	573,238	581,322

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
 (Quarterly Consolidated Statement of Income)
 (The Cumulative Second Quarter)

(Million yen)

	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)	The Cumulative 2nd Quarter of 2020 (January 1 to June 30, 2020)
Net sales	52,541	65,647
Cost of sales	25,619	26,690
Gross profit	26,921	38,956
Selling, general and administrative expenses	30,771	26,290
Operating profit (loss)	(3,850)	12,666
Non-operating income		
Interest income	87	63
Dividend income	16	16
Share of profit of entities accounted for using equity method	963	709
Other	63	65
Total non-operating income	1,131	855
Non-operating expenses		
Interest expenses	1,785	2,099
Interest on bonds	2,530	3,053
Foreign exchange losses	1,969	912
Commission expenses	276	14
Other	83	110
Total non-operating expenses	6,644	6,191
Ordinary profit (loss)	(9,363)	7,330
Extraordinary income		
Gain on sales of non-current assets	-	7
Other	-	5
Total extraordinary income	-	13
Extraordinary losses		
Non-recurring loss	-	3,886
Other	5	2
Total extraordinary losses	5	3,888
Income (loss) before income taxes and others	(9,368)	3,454
Income taxes-current	186	452
Income taxes-deferred	(516)	(408)
Total income taxes	(329)	44
Net income (loss)	(9,039)	3,410
Net income attributable to non-controlling interests	-	-
Net income (loss) attributable to owners of parent	(9,039)	3,410

(Quarterly Consolidated Statement of Comprehensive Income)
(The Cumulative Second Quarter)

(Million yen)

	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)	The Cumulative 2nd Quarter of 2020 (January 1 to June 30, 2020)
Net income (loss)	(9,039)	3,410
Other comprehensive income		
Valuation difference on available-for-sale securities	65	(181)
Foreign currency translation adjustment	4,900	3,047
Remeasurements of defined benefit plans, net of tax	0	(0)
Total other comprehensive income	4,965	2,866
Comprehensive income	(4,073)	6,277
(Breakdown)		
Comprehensive income attributable to owners of parent	(4,073)	6,277
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)	The Cumulative 2nd Quarter of 2020 (January 1 to June 30, 2020)
Cash flows from operating activities		
Income (loss) before income taxes and others	(9,368)	3,454
Depreciation	8,595	9,152
Share of loss (profit) of entities accounted for using equity method	(963)	(709)
Increase (decrease) in allowance for doubtful accounts	146	884
Interest and dividend income	(104)	(80)
Interest expenses	1,785	2,099
Interest on bonds	2,530	3,053
Foreign exchange losses (gains)	(998)	(999)
Decrease (increase) in trade receivables	511	(1,452)
Decrease (increase) in inventories	(2,719)	1,044
Decrease (increase) in accounts receivable-other	599	161
Increase (decrease) in trade payables	1,158	1,082
Increase (decrease) in accrued consumption taxes	377	1,364
Increase (decrease) in accounts payable-other	(508)	(1,271)
Decrease (increase) in other current assets	(525)	(1,760)
Increase (decrease) in other current liabilities	14,053	(2,332)
Increase (decrease) in other non-current liabilities	(1,183)	(68)
Other, net	479	507
Subtotal	13,865	14,131
Interest and dividend income received	103	82
Interest expenses paid	(2,332)	(2,630)
Income taxes (paid) refund	(137)	(437)
Net cash provided by (used in) operating activities	11,498	11,145

(Million yen)

	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)	The Cumulative 2nd Quarter of 2020 (January 1 to June 30, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,288)	(8,301)
Purchase of intangible assets	(340)	(192)
Payments of short-term loans receivable	(1,103)	(2,501)
Payments of long-term loans receivable	(295)	(1,352)
Collection of long-term loans receivable	3	670
Payments for leasehold and guarantee deposits	(35)	(38)
Purchase of non-consolidated subsidiary stock	(1,356)	-
Other, net	(411)	125
Net cash provided by (used in) investing activities	(17,826)	(11,590)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,690)	4,830
Proceeds from long-term borrowings	8,183	-
Repayments of long-term borrowings	-	(108)
Purchase of treasury shares	(2,233)	(1,752)
Cash dividends paid	(2,950)	-
Proceeds from disposal of treasury shares from exercise of share acquisition rights	1	9
Payments for sale and lease back transactions	(401)	(341)
Other, net	-	(25)
Net cash provided by (used in) financing activities	(4,091)	2,611
Effect of exchange rate change on cash and cash equivalents	145	(16)
Net increase (decrease) in cash and cash equivalents	(10,273)	2,150
Cash and cash equivalents at beginning of period	45,870	38,226
Cash and cash equivalents at end of period	35,597	40,376

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

There is no applicable information.

(Notes in Event of Significant Fluctuation in Amount of Shareholders' Equity)

There is no applicable information.

(Notes to Consolidated Statement of Income)

(Non-recurring loss)

Tiger Resort and Leisure Entertainment Inc., a consolidated subsidiary of Universal Entertainment, has posted an extraordinary loss for fixed expenses (depreciation and other items) during the period that Okada Manila is closed in accordance with orders of the Philippine government and PAGCOR in order to prevent the spread of COVID-19.

(5) Additional Information

(Borrowing costs into the acquisition cost)

Loans and bonds/debentures (private placement bonds) have been used to procure part of the funds required by the Integrated Resort Business for its long-term projects. Given the significance of these amounts, Universal Entertainment has included borrowing costs that are funding ongoing construction periods into its calculation of the acquisition cost.

(7) Material Subsequent Events

There is no applicable information.