

This is an English translation of the official announcement in Japanese that was released on November 12, 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 Third Quarter of the Fiscal Year Ending December 31, 2020  
(JP GAAP, Consolidated)**

November 12, 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

Contact: (Name) Kenshi Asano (Title) Director and CFO

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Scheduled Submission Date of Quarterly Report: November 12, 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 Third Quarter of 2020 (Period from January 1, 2020 to September 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	%
3rd Quarter of 2020	77,142	(17.5)	7,802	463.2	(394)	-	(6,813)	-
3rd Quarter of 2019	93,481	39.5	1,385	-	(6,461)	-	(5,736)	-

(Note) Comprehensive income

3rd Quarter of 2020: 500 million yen (-%)

3rd Quarter of 2019: (2,326) million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3rd Quarter of 2020	(87.74)	-
3rd Quarter of 2019	(73.04)	-

(Note) "Diluted net income per share" 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 September 30, 2020	570,943	370,585	64.9	4,781.96
As of December 31, 2019	573,238	371,834	64.9	4,756.13

(Reference) Shareholders' equity

As of September 30, 2020: 370,526 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: None

Due to the impact of the global COVID-19 pandemic, it is difficult to determine the effect that this crisis will have on Universal Entertainment's full-year consolidated business results. Consequently, there is no forecast for 2020. Universal Entertainment will promptly disclose a forecast once it becomes feasible while closely monitoring upcoming trends.

#### \* 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 September 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 September 30, 2020: 2,710,772 shares

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

3) Average number of shares during fiscal period

3rd Quarter of 2020: 77,660,406 shares

3rd Quarter of 2019: 78,530,272 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) Forecast of Consolidated Business Results " 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 nine months of 2020	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of parent
Non-consolidated	57,515	14,118	5,838	6,648
Consolidated	77,142	7,802	(394)	(6,813)

In the Amusement Equipments Business, there was a big increase in the number of units sold to 125,325 from 92,673 in the same period of 2019. In the Integrated Resort Business, Okada Manila suspended operations on March 15 in response to orders from the government of the Philippines and PACGOR (Philippine Amusement and Gaming Corporation) in order to prevent the spread of COVID-19. Although parts of Okada Manila have reopened, there are still restrictions on economic activity. As a result, Universal Entertainment posted net sales of 77,142 million yen (a decrease of 17.5% year on year) in the first nine months of 2020. There was an operating profit but an ordinary loss and loss attributable to owners of parent. Fixed expenses totaling 6,811 million yen (depreciation and other items) of facilities at Okada Manila that were not used during the suspension of operations were reclassified from selling, general and administrative expenses to an extraordinary loss. Operating profit was 7,802 million yen (an increase of 463.2% year on year), the ordinary loss was 394 million yen (compared with an ordinary loss of 6,461 million yen in the first nine months of 2019), and the net loss attributable to owners of parent was 6,813 million yen (compared with net loss attributable to owners of parent of 5,736 million yen in the first nine months of 2019).

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

First nine months of 2020	Net sales	Operating expense and others	Segment profit (loss)
Amusement Equipments Business	55,553	33,552	22,000
Integrated Resort Business	20,556	28,180	△7,624
Others	930	742	188
Total	77,039	62,475	14,564

## Supplementary Information

In the Integrated Resort segment, although fixed expenses for this business during the period that operations were suspended during the lockdown were reclassified as extraordinary losses, there was also a substantial loss because of the large amount of personnel expenses and depreciation (11,821 million yen) that are included in operating expenses.

## (i) Amusement Equipments Business

The Amusement Equipments Business posted net sales of 55,553 million yen (an increase of 31.0% year on year) and an operating profit of 22,000 million yen (an increase of 115.6% year on year) in the first nine months of 2020.

The COVID-19 crisis has altered the business climate in Japan's amusement machine industry. Although the number of customers and operating rates of pachinko halls is recovering slowly, pachinko hall operators remain cautious about replacing current machines with new models. Due to this situation, sales of Pachislot and Pachinko machines have been slow.

To energize the Pachislot and Pachinko market, this business started selling two new titles that belong to the extremely popular God series. "P Another God Hades The World" was launched in August and sales of "Anata no Otto!? Hades" started in September. Sales of both new titles have been exceeding the planned volume.

## (ii) Integrated Resort Business

The Integrated Resort Business posted net sales<sup>(1)</sup> of 20,556 million yen (a decrease of 58.6% year on year) and an

operating loss of 7,624 million yen in the first nine months of 2020 (compared with an operating loss of 1,835 million yen in the first nine months of 2019). Adjusted segment EBITDA<sup>(2)</sup> in the Integrated Resort Business was a loss of 2,758 million yen in the first nine months of 2020, a decrease of 11,815 million yen from 9,057 million yen in the first nine months of 2019.

Okada Manila, an integrated casino resort owned and operated by the Universal Entertainment Group, has restarted some activities following the easing of the order issued by PAGCOR on March 15, 2020 to temporarily stop all gaming operations.

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 state of emergency 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.

Due to these events, Universal Entertainment formally received a document from the purchaser of non-current assets regarding postponement of transferring ownership of the assets and the guarantee payment. Both parties expect the resumption of economic activities following the end of the lockdown in the Philippines. These parties have been continuously considering a new agreement to amend the former land sales agreement that has already been executed. An announcement will be made if there is a conclusion concerning the revision of this agreement.

(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 930 million yen (a decrease of 19.0% year on year) and an operating profit of 188 million yen (a decrease of 45.8% year on year) in the first nine months of 2020.

In the Media Content Business, distribution of a simulator application of “Anata no Otto!? Hades,” which is the latest title, started on the App Store and Google Play. This new title was an immediate hit, consistently ranking among the best selling paid applications. On “Universal Kingdom,” a membership website with a monthly fee, distribution of the “Yajikita Dochuki X” simulator application started in response to an immense number of requests for an app version of this title. The “Slots Street” social casino game began distribution in Japan of the video slot “GOLDEN HIBISCUS” Following up on the “SEGA Net Mahjong MJ” collaboration with Sega Corporation, which produced a very successful video slot title in 2019, the second title has been launched and attracted a large number of new members.

## (2) Explanation of Financial Status

### (Assets)

Total assets at the end of the third quarter of 2020 amounted to 570,943 million yen, a decrease of 2,295 million yen over the end of 2019. There was a decrease in cash and deposits and increases in the allowance for doubtful accounts, construction in progress resulting from construction expenditures, investment securities resulting from the share of profit of entities accounted for using equity method, and loans.

### (Liabilities)

Liabilities at the end of the third quarter of 2020 amounted to 200,357 million yen, a decrease of 1,046 million yen over the end of 2019. There were new short-term borrowings, repayments of long-term borrowings and a decrease in casino-related obligations.

### (Net Assets)

Net assets at the end of the third quarter of 2020 amounted to 370,585 million yen, a decrease of 1,249 million yen over

the end of 2019. The foreign currency translation adjustment increased because the yen appreciated against the U.S. dollar and depreciated relative to the Philippine peso. However, retained earnings decreased because of the loss attributable to owners of parent and the treasury shares deduction increased because of the purchase of these shares.

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

#### (i) Amusement Equipments Business

In Japan's amusement machine industry, pachinko hall operators will probably remain cautious about replacing current machines with new models. One reason is the delay in the return of customers to pachinko halls. Another reason is the one-year extension in the transition period for the removal of older titles due to the revision of enforcement rules of the Act on Control and Improvement of Amusement Business, etc.

In the fourth quarter of 2020, sales of the Pachinko title "PA HIGH SCHOOL FLEET Sweet and Happy!" started. In addition, production has been increased for the popular Pachinko title "Anata no Otto!? Hades" that was introduced in September.

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 resumed its gaming operations for to 30% of slot machines and tables installed as restrictions imposed by PAGCOR have been eased. Furthermore, the Okada Manila hotel received approval from the Department of Tourism in October 2020 to resume hotel services at full capacity. Also, the Department of Trade and Industry reduced on October 2 its restrictions on restaurant operations. Operations are allowed for up to 50% of seats for dine-in customers at restaurants in Metro Manila. Okada Manila has resumed part of its operation in accordance with the government's guidelines.

Nevertheless, the impact of COVID-19 has not ended. Okada Manila will continue to maintain high levels of hygiene management to prevent infection.

#### (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 is continuing to develop innovative and highly appealing video slot titles, hold events on its website, and upgrade and add website functions. Plans for this business also include the expansion of operations to new game platforms and licensing video slot titles to other companies.

### (4) Forecast of Consolidated Business Results

Due to the impact of the global COVID-19 pandemic, it is difficult to determine the effect that this crisis will have on Universal Entertainment's full-year consolidated business results. Consequently, there is no forecast for 2020. Universal Entertainment will promptly disclose a forecast once it becomes feasible while closely monitoring upcoming trends.

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

(Million yen)

	2019 (December 31, 2019)	The 3rd Quarter of 2020 (September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	38,442	30,569
Notes and accounts receivable-trade	11,361	8,914
Securities	2	2
Merchandise and finished goods	1,671	1,774
Work in process	10,747	11,686
Raw materials and supplies	12,981	9,992
Other	10,726	15,572
Allowance for doubtful accounts	(876)	(2,197)
<b>Total current assets</b>	<b>85,057</b>	<b>76,314</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	260,865	261,146
Construction in progress	66,056	74,781
Leased assets, net	57,288	56,245
Other	42,404	39,109
<b>Total property, plant and equipment</b>	<b>426,614</b>	<b>431,283</b>
Intangible assets		
Other	2,357	2,003
<b>Total intangible assets</b>	<b>2,357</b>	<b>2,003</b>
Investments and other assets		
Investment securities	14,414	16,275
Long-term deposits	6,773	6,553
Long-term deposit paid to subsidiaries and associates	26,583	25,678
Other	11,712	13,293
Allowance for doubtful accounts	(713)	(725)
<b>Total investments and other assets</b>	<b>58,770</b>	<b>61,075</b>
<b>Total non-current assets</b>	<b>487,743</b>	<b>494,361</b>
Deferred assets	437	266
<b>Total assets</b>	<b>573,238</b>	<b>570,943</b>

(Million yen)

	2019 (December 31, 2019)	The 3rd Quarter of 2020 (September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,279	4,532
Short-term borrowings	6,554	11,155
Current portion of long-term borrowings	1,204	2,115
Accounts payable-other	10,734	9,431
Accrued expenses	13,503	16,001
Income taxes payable	466	484
Provision for bonuses	78	282
Other	17,057	13,615
Total current liabilities	55,879	57,619
Non-current liabilities		
Bonds payable	66,745	65,953
Long-term borrowings	9,749	7,827
Retirement benefit liability	251	309
Long-term deposits received from subsidiaries and associates	5,477	5,289
Lease obligations	58,791	59,897
Other	4,510	3,461
Total non-current liabilities	145,524	142,738
Total liabilities	201,404	200,357
<b>Net assets</b>		
Shareholders' equity		
Share capital	98	98
Capital surplus	18,830	18,829
Retained earnings	365,751	358,937
Treasury shares	(5,578)	(7,317)
Total shareholders' equity	379,101	370,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(882)	(1,061)
Foreign currency translation adjustment	(6,433)	1,059
Remeasurements of defined benefit plans	(18)	(19)
Total accumulated other comprehensive income	(7,335)	(21)
Share acquisition rights	67	58
Total net assets	371,834	370,585
Total liabilities and net assets	573,238	570,943



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

(Million yen)

	The Cumulative 3rd Quarter of 2019 (January 1 to September 30, 2019)	The Cumulative 3rd Quarter of 2020 (January 1 to September 30, 2020)
Net sales	93,481	77,142
Cost of sales	45,072	33,135
Gross profit	48,408	44,007
Selling, general and administrative expenses	47,022	36,204
Operating profit	1,385	7,802
Non-operating income		
Interest income	142	92
Dividend income	20	16
Share of profit of entities accounted for using equity method	1,140	1,127
Other	98	86
Total non-operating income	1,402	1,323
Non-operating expenses		
Interest expenses	2,761	3,152
Interest on bonds	3,970	4,515
Foreign exchange losses	2,102	1,677
Commission expenses	285	18
Other	129	157
Total non-operating expenses	9,249	9,520
Ordinary loss	(6,461)	(394)
Extraordinary income		
Gain on sales of non-current assets	-	7
Other	-	5
Total extraordinary income	-	13
Extraordinary losses		
Loss on sales and retirement of non-current assets	731	2
Non-recurring loss	-	6,811
Total extraordinary losses	731	6,814
Loss before income taxes and others	(7,192)	(7,195)
Income taxes-current	550	455
Income taxes-deferred	(488)	(837)
Refund of income taxes	(1,518)	-
Total income taxes	(1,456)	(382)
Net loss	(5,736)	(6,813)
Net income attributable to non-controlling interests	-	-
Net loss attributable to owners of parent	(5,736)	(6,813)

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

(Million yen)

	The Cumulative 3rd Quarter of 2019 (January 1 to September 30, 2019)	The Cumulative 3rd Quarter of 2020 (January 1 to September 30, 2020)
Net income (loss)	(5,736)	(6,813)
Other comprehensive income		
Valuation difference on available-for-sale securities	(126)	(178)
Foreign currency translation adjustment	3,535	7,493
Remeasurements of defined benefit plans, net of tax	0	(0)
Total other comprehensive income	3,409	7,313
Comprehensive income	(2,326)	500
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,326)	500
Comprehensive income attributable to non-controlling interests	-	-

### (3) 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.

### (4) 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.

### (5) Material Subsequent Events

For the US\$600 million issue of bonds issued on December 11, 2018 and maturing in 2021, Universal Entertainment has consented with bondholders to exchange the US\$482 million bonds out of the bonds above to the new bonds with the maturity of December 11, 2024. The exchange became effective on October 29, 2020.

The Universal Entertainment Board of Directors approved a resolution on October 16, 2020 to issue bonds with a payment date of October 29, 2020 under following terms.

#### Additional 2020 Issuance of Universal Entertainment Bonds Using an Overseas Private Placement

1. Total amount of issue: 135 million U.S. dollars
2. Issue price: 100% of face value
3. Interest rate: 8.5%
4. Redemption date: December 11, 2024
5. Use of funds: For business operations