

Stock code: 6425

March 15, 2021

To Our Shareholders:

Jun Fujimoto, Representative Director and President
Universal Entertainment Corporation
Ariake Frontier Building Tower A, 7-26,
Ariake 3-chome, Koto-ku, Tokyo

Notice of Convocation of the 48th Annual Shareholders Meeting

We would like to take this opportunity to thank you for your support of Universal Entertainment Corporation (“Universal Entertainment” or the “Company”). We will hold the 48th Annual Shareholders Meeting as follows.

In order to prevent the spread of COVID-19, we have decided to hold this meeting while implementing appropriate measures.

To ensure your own health and safety, we ask shareholders to submit your votes in advance in writing or by using the Internet. We strongly urge shareholders not to attend this meeting in person irrespective of your current health.

If you exercise your voting rights in advance in writing or by using the Internet, please review the following Reference Documents for the Annual Shareholders Meeting on pages 5 to 14 and, as explained in “Exercising your voting rights” on the pages 3 to 4, submit your votes by no later than 6:00 p.m. on Monday, March 29, 2021.

Details

- 1. Date and Time** Tuesday, March 30, 2021 at 10:00 a.m. (The reception desk will open at 9:00 a.m.)
- 2. Place** Palais Royal, 1st basement level, Grand Nikko Tokyo Daiba
2-6-1, Daiba, Minato-ku, Tokyo
People attending this meeting will be separated in order to prevent the spread of COVID-19. As the number of seats will be much smaller than usual, we may need to refuse entry to people who want to attend the meeting. Thank you for your understanding of the need for these precautionary measures.

3. Meeting Agenda

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements and the results of audits conducted by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements for the Company’s 48th Fiscal Year (January 1, 2020 - December 31, 2020)
 2. Non-consolidated Financial Statements for the Company’s 48th Fiscal Year (January 1, 2020 - December 31, 2020)

Proposals to be resolved:

- Proposal No. 1:** Partial Changes to the Articles of Incorporation
- Proposal No. 2:** Election of Six Directors

- * In order to prevent the spread of COVID-19, we strongly urge shareholders not to attend this meeting in person and ask you to submit your votes in advance in writing or by using the Internet. Beginning with this annual meeting, shareholders can submit their votes using the Internet, including from a smartphone. (More information is in the section titled “Exercising your voting rights” on pages 3 and 4.)
- * Shareholders who attend the meeting are asked to wear a mask and take other precautions concerning COVID-19. Please attend the meeting after checking the level of COVID-19 infections and your own health on the day of the meeting.
For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
- * At the entrance to the shareholders meeting, we will check the temperature of people who want to attend the meeting with thermography. Individuals who have an elevated temperature or are not feeling well will not be allowed to enter the meeting room and asked to leave.
- * Shareholders who refuse to wear a mask or cooperate in other ways for the safety of others attending the shareholders meeting will not be allowed to enter the meeting room and asked to leave.
- * All Universal Entertainment personnel involved in the operation of the shareholders meeting will go to this meeting only after their health, including body temperature, has been checked and masks are in place.
- * Universal Entertainment may be forced to change the starting time and/or the location of the shareholder meeting depending on the severity of the COVID-19 pandemic at that time. In addition, safety measures described above may be revised in response to the severity of the pandemic, government announcements and directives, and other items prior to the meeting. Shareholders who plan to attend the meeting are asked to confirm in advance information concerning the meeting on the Universal Entertainment website (<https://www.universal-777.com>).
- * If any amendment is made to the Reference Documents for the Annual Shareholders Meeting, Business Report and the Consolidated and/or the Non-Consolidated Financial Statements, the amended information will be disclosed on the Company’s website (<https://www.universal-777.com>).
- * Of the documents to be attached to this notice of convocation, matters to be presented as the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements are disclosed on the Company’s website (<https://www.universal-777.com>) pursuant to laws and regulations and the provisions in Article 16 of the Company’s Articles of Incorporation, and are therefore not included in the documents attached to this notice.

The Consolidated Financial Statements and the Non-consolidated Financial Statements, which have been audited by Auditors in preparing the Auditors’ Report and by Accounting Auditors in preparing the Accounting Auditors’ Report, include the above-mentioned matters to be presented as the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements in addition to the matters set forth in the documents attached to this notice.






Exercising your voting rights

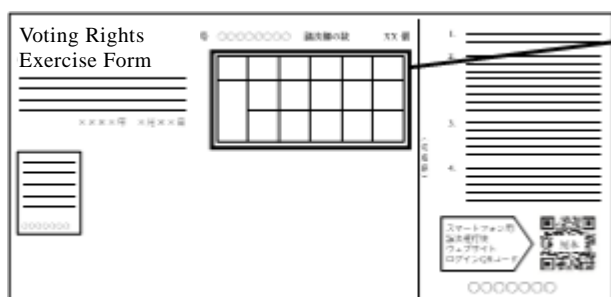
The right to vote at the General Meeting of Shareholders is an important right of all shareholders.

Please exercise your voting rights after reviewing the Reference Documents for the Annual Shareholders Meeting shown below.

There are three ways to exercise your voting rights as follows

 <p>For those who want to attend the meeting</p> <p>Please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.</p> <p><u>Time and Date</u></p> <p>Tuesday, March 30, 2021 10:00 a.m. (The reception desk will open at 9:00 a.m.)</p>	 <p>For those who want to submit your votes in writing (by post)</p> <p>Please vote on the proposals in the enclosed Voting Rights Exercise Form, and return it.</p> <p><u>Deadline</u></p> <p>Monday, March 29, 2021 6:00 p.m. (JST)</p>	 <p>For those who want to submit your votes by using the Internet</p> <p>Indicate your approval or disapproval of the resolutions by following the instructions below.</p> <p><u>Deadline</u></p> <p>Monday, March 29, 2021 6:00 p.m. (JST)</p>
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How to Fill Out Your Voting Rights Exercise Form



Please indicate your approval or disapproval of each resolution here.

Resolution

- If you approve of all of the candidates, put a circle in the box marked 賛 [Approve].
- If you disapprove of all of the candidates, put a circle in the box marked 否 [Disapprove].
- If you disapprove of some of the candidates, put a circle in the box marked 賛 [Approve], and indicate the numbers for the candidates that you disapprove of.

If you vote both in writing (by post) and via the Internet, only the Internet voting is deemed valid. Further, if you vote multiple times via the Internet, only your last vote will be valid.

Exercising Your Voting Rights via the Internet

“Smart Vote” method (By scanning the QR code)

You can simply access the shareholder voting website without entering your voting code and password.

- 1 Please scan the QR code located on the bottom right of the voting rights exercise form.



*QR code is a trademark of DENSO WAVE INCORPORATED.

- 2 Please input “For” or “Against” following the instructions displayed on the screen.



You can exercise your voting rights only once via “Smart Vote.”

If you need to make a correction to the content of your vote after you have exercised your voting rights, please log in by entering your voting code and password for the PC site to make the correction.

* If you scan the QR code again, you can go to the PC site.

“Voting Code/Password Input” method

Shareholder voting website <https://www.web54.net>

- 1 Please access the shareholder voting website.



Click “Next”

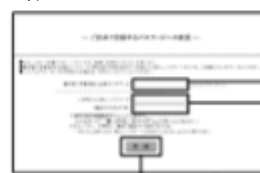
- 2 Please enter the “Voting Code” given on the voting rights exercise form.



Enter the
“Voting Code”

Click “Login”

- 3 Please enter the “Password” given on the voting rights exercise form.



Enter the
“Initial Password”

Set a new password
that you will actually
use.

Click “Registration”

- 4 Next, indicate your approval or disapproval of the resolutions by following the instructions on the screen.

If you have questions about the use of a PC, smartphone or mobile phone for exercising your vote via the Internet, please contact the number on the right:

Sumitomo Mitsui Trust Bank, Limited, Securities Agent
Web Support Hotline
0120-652-031 (Toll Free)
(9:00 to 21:00)

Reference Documents for the Annual Shareholders Meeting

Proposal No. 1: Partial Changes to the Articles of Incorporation

1. Reasons for proposal

For the purpose of permitting the issuance of preferred stock in order to provide an additional fund procurement option that increases the speed and flexibility of fund procurement activities for strengthening financial position and other benefits. A provision concerning preferred stock (revised Chapter 3) and a provision concerning the general meeting of class shareholders (revised Article 28) are to be newly established. In addition, Article 6 (Total Number of Authorized Shares) is to be revised as necessary.

2. Effective date of changes to the Articles of Incorporation

These changes to the Articles of Incorporation will be effective at the conclusion of this Annual Shareholders Meeting.

3. Description of changes

Contents of proposed changes are as follows.

(Parts to be changed have been underlined.)

Existing Articles	Proposed Changes
Chapter 1. General Provisions Articles 1-5 (Text omitted)	Chapter 1. General Provisions Articles 1-5 (No changes)
Chapter 2. Shares (Total Number of Authorized Shares) Article 6 Total number of authorized shares of the Company shall be 324,820,000.	Chapter 2. Shares (Total Number of Authorized Shares) Article 6 Total number of authorized shares of the Company shall be 324,820,000 <u>and the total number of class shares authorized to be issued is as follows.</u> <u>Common stock: 324,820,000 shares</u> <u>Preferred stock: 40,000,000 shares</u>
Articles 7-12 (Text omitted)	Articles 7-12 (No changes)
(Newly Established) (Newly Established)	<u>Chapter 3. Preferred Stock</u> <u>(Preferred Dividends)</u> <u>Article 13</u> <u>When the Company pays a dividend from surplus in accordance with Article 52, shareholders holding preferred stock ("preferred stockholders") and registered pledgees of preferred stock ("registered preferred stock pledgees") receive prior to shareholders holding common stock ("common stockholders") and registered pledgees of common stock ("registered common stock pledgees") a dividend from surplus equal to the amount paid per share of preferred stock when issued multiplied by the annual dividend rate (maximum of 10%) determined by the Board of Directors before the preferred stock was issued ("preferred dividend").</u> <u>(2) If in any fiscal year, the cash dividend from surplus paid to preferred stockholders and registered preferred stock pledgees is less than the amount of the preferred dividend, the cumulative shortfall will not be paid in</u>

	<p><u>subsequent fiscal years.</u></p> <p><u>(3) There will be no dividends from surplus in excess of the amount of the preferred dividend for preferred stockholders and registered preferred stock pledgees. However, this does not apply to a dividend from surplus as provided in the Companies Act Article 758-8-b or Article 760-7-b in conjunction with an absorption-type company split procedure of the Company or as provided in the Companies Act Article 763-12-b or Article 765-1-8-b in conjunction with an incorporation-type company split procedure.</u></p>
(Newly Established)	<p><u>(Interim Preferred Dividend)</u></p> <p><u>Article 14</u></p> <p><u>The Company will not pay an interim dividend to preferred stockholders and registered preferred stock pledgees.</u></p>
(Newly Established)	<p><u>(Distribution of Residual Assets)</u></p> <p><u>Article 15</u></p> <p><u>When the Company distributes residual assets, prior to making distributions to common stockholders and registered common stock pledgees, the preferred stockholders and registered preferred stock pledgees receive a cash payment per share determined by the Board of Directors before the preferred stock was issued and based on the amount paid per share of preferred stock when issued.</u></p> <p><u>(2) The Company will not make any distributions of residual assets to preferred stockholders and registered preferred stock pledgees other than the distribution in the preceding paragraph.</u></p>
(Newly Established)	<p><u>(Voting Rights)</u></p> <p><u>Article 16</u></p> <p><u>Preferred stockholders may not exercise a voting right at a shareholders meeting for any proposal.</u></p>
(Newly Established)	<p><u>(Transfer of Stock)</u></p> <p><u>Article 17</u></p> <p><u>The approval of the Board of Directors is required when transferring ownership of preferred shares.</u></p>
(Newly Established)	<p><u>(Right to Demand Acquisition of Preferred Stock)</u></p> <p><u>Article 18</u></p> <p><u>Preferred stockholders can ask the Company to acquire their preferred stock in exchange for common stock of the Company during the acquisition request period designated by the Board of Directors before the preferred stock was issued (“acquisition request period”). The number of shares of common stock exchanged for preferred stock is calculated by using the method designated by the Board of Directors before the</u></p>

	<p><u>preferred stock was issued.</u></p> <p><u>(2) In addition to the provisions of the preceding paragraph, other terms for the acquisition of preferred stock are determined by the Board of Directors before the preferred stock was issued.</u></p> <p><u>(3) If the exchange of preferred stock for common stock based on the preceding paragraph 1 results in a fraction of less than one share of common stock, the fraction will be handled in accordance with the Companies Act Article 167-3.</u></p>
(Newly Established)	<p><u>(Acquisition of All Preferred Stock)</u></p> <p><u>Article 19</u></p> <p><u>The Company can acquire all preferred stock that the Company has not already acquired by the last day of the acquisition request period on the day following this last day. In this case, the number of shares of common stock exchanged for preferred stock is calculated by multiplying the number of shares of preferred stock by the amount paid per share of preferred stock when issued and then dividing that amount by the common stock market price. Details concerning this procedure are determined by the Board of Directors before the preferred stock was issued.</u></p> <p><u>(2) The details at the end of the preceding paragraph can include the method for calculating the maximum number of shares of common stock to be used for exchanges for preferred stock.</u></p> <p><u>(3) If the exchange of preferred stock for common stock based on the preceding paragraph 1 results in a fraction of less than one share of common stock, the fraction will be handled in accordance with the Companies Act Article 234.</u></p>
(Newly Established)	<p><u>(Term for Acquisition)</u></p> <p><u>Article 20</u></p> <p><u>In cases designated by the Board of Directors before the preferred stock was issued, the Company can acquire all or part of the preferred stock on a date determined by the Board of Directors. For this acquisition, preferred stockholders receive a cash payment per share determined by the Board of Directors before the preferred stock was issued and based on the amount paid per share of preferred stock when issued.</u></p> <p><u>(2) When the Company acquires part of the preferred stock in accordance with the preceding paragraph, a drawing or proportional allocation method will be used.</u></p>
(Newly Established)	<p><u>(Stock Consolidations or Splits)</u></p> <p><u>Article 21</u></p> <p><u>The Company will not conduct a preferred stock split or consolidation unless otherwise provided for by laws and regulations.</u></p>

Proposal No. 2: Election of Six Directors

The terms of office of all seven Directors will expire at the conclusion of this Annual Shareholders Meeting.

Shareholders are asked to approve the election of the following six Director candidates, including two Outside Directors, which decreases by one the number of Outside Directors. In view of the Company's management structure, these candidates are believed to be capable of maintaining effective corporate governance.

The candidates for Director are as follows:

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
1	Jun Fujimoto (Mar. 29, 1958)	<p>Oct. 1985 Established Seta Corp. as Representative Director and President</p> <p>Jun. 2001 Managing Director of the Company</p> <p>Jun. 2004 Director, Vice President and General Manager of R&D Division of the Company</p> <p>Jun. 2006 Representative Director, President and General Manager of R&D Division of the Company</p> <p>Jun. 2009 Representative Executive Officer of the Company</p> <p>Jun. 2010 Representative Director and Vice Chairman of the Company</p> <p>Jun. 2011 Representative Director and President of the Company</p> <p>Jun. 2017 Representative Director and President, CEO and CIO of the Company (current)</p> <p>Positions and responsibilities at the Company</p> <p>Domestic Business, CEO and CIO</p> <p>Significant concurrent positions</p> <p>Director, Nihon Shogi Network Co., Ltd.</p>	658,000

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
2	Hajime Tokuda (Aug. 3, 1958)	<p>Apr. 1981 Joined The Sumitomo Bank, Limited</p> <p>Jan. 2007 Executive Officer and General Manager of Management Planning Office of the Company</p> <p>Jun. 2007 Director of the Company</p> <p>Jun. 2008 Representative Executive Officer and President of the Company</p> <p>Jun. 2010 Director and President of the Company</p> <p>Jun. 2011 Senior Advisor of the Company</p> <p>Jun. 2012 Director of the Company</p> <p>Jan. 2014 Representative Director and President of Ariake Densan Center Co., Ltd. (currently Pit Earth Co., Ltd.)</p> <p>Jun. 2014 Director of the Company</p> <p>Dec. 2014 Director of Ariake Densan Center Co., Ltd. (currently Pit Earth Co., Ltd.) (current)</p> <p>May 2017 Director, Deputy General Manager of Administrative Division of the Company</p> <p>Jun. 2017 Director and COO of the Company</p> <p>May 2018 Director of TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. (current)</p> <p>Mar. 2020 Director of the Company (current)</p> <p>Positions and responsibilities at the Company</p> <p>Corporate Planning, Foreign Business</p> <p>Significant concurrent positions</p> <p>Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.</p>	137,000

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
3	Takako Okada (Sep. 11, 1973)	<p>May 2000 Representative Director of Spring Coat Co., Ltd. (currently Okada Holdings GK)</p> <p>Jun. 2015 Director of the Company (current)</p> <p>Jun. 2017 Director of Tiger Resort Asia Limited (current)</p> <p>May 2018 Director of TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. (current)</p> <p>Positions and responsibilities at the Company</p> <p>Okada Museum, Foreign Business</p> <p>Significant concurrent positions</p> <p>Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.</p> <p>Director, Tiger Resort Asia Limited</p>	-
4	Kenshi Asano (Aug. 18, 1963)	<p>Oct. 1990 Registered as an accounting assistant</p> <p>Oct. 1990 Joined Aoyama Audit Corporation/ Pricewaterhouse (currently PricewaterhouseCoopers Aarata LLC)</p> <p>Mar. 1997 Registered as a certified public accountant</p> <p>Jun. 2004 Executive Officer and CFO of cyber communications inc.</p> <p>Aug. 2007 CFO, Executive Officer and General Manager of Administration Division of SGI Japan, Ltd.</p> <p>Mar. 2009 Director and CFO of Gaba Co., Ltd.</p> <p>Jul. 2010 Executive Officer and General Manager of Administrative Division of the Company</p> <p>Jun. 2011 Director and General Manager of Administrative Division of the Company</p> <p>Jul. 2015 Asano Certified Public Accountant Office</p> <p>Jun. 2017 Director and CFO of the Company (current)</p> <p>Jun. 2017 Director of Tiger Resort Asia Limited (current)</p> <p>Sep. 2017 Director of Brontia Limited (current)</p> <p>Oct. 2017 Company Auditor of MIZUHO Co.,Ltd.</p> <p>Oct. 2017 Director of KO Dining Group Limited</p> <p>Jun. 2018 Director of Pananio Limited</p> <p>Sep. 2018 Director of TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. (current)</p> <p>Positions and responsibilities at the Company</p> <p>Administrative Dept, Foreign Business, CFO</p> <p>Significant concurrent positions</p> <p>Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.</p> <p>Director, Tiger Resort Asia Limited</p> <p>Director, Brontia Limited</p>	50,000

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
5	Yoshio Otani (Jul. 7, 1945)	<p>Apr. 1973 Clerk of the Osaka District Court</p> <p>Jul. 1977 Clerk of the Hiroshima District Court</p> <p>Aug. 1980 Personnel Affairs Bureau, General Secretariat of the Supreme Court of Japan</p> <p>Aug. 1982 Clerk of the Tokyo District Court</p> <p>Apr. 1983 Head of Ishigaki and Taira Branches of the Naha District and Family Court</p> <p>Apr. 1984 Judge of the Tokyo District Court</p> <p>Jan. 1985 Civil Affairs Bureau of the Ministry of Justice of Japan</p> <p>Oct. 1986 Director of the Civil Affairs Bureau, Ministry of Justice of Japan</p> <p>Apr. 1992 Judge of the Tokyo High Court</p> <p>Apr. 1994 Presiding Judge of the Nagoya District Court</p> <p>Apr. 1998 Presiding Judge of the Tokyo District Court</p> <p>Dec. 1998 Deputy Director-General of the Financial Reconstruction Commission</p> <p>Jan. 2001 Presiding Judge of the Tokyo District Court (Civil Division Number 8)</p> <p>Mar. 2005 Chief Judge of the Otsu District and Family Court</p> <p>Dec. 2006 Presiding Judge of the Tokyo High Court (Civil Division Number 7)</p> <p>Oct. 2010 Registered as an attorney</p> <p>Oct. 2010 Attorney at Momo-o, Matsuo & Namba (current)</p> <p>Apr. 2011 Professor of Law at Surugadai University Law School</p> <p>Sep. 2011 Chairman of the General Management Committee of The Nuclear Damage Claim Dispute Resolution Center</p> <p>Apr. 2012 Dean of Surugadai University Law School</p> <p>Jun. 2015 Outside Director of the Company (current)</p> <p>Jan. 2016 Advisor of The Nuclear Damage Claim Dispute Resolution Center (current)</p> <p>Significant concurrent positions</p> <p>Attorney, Momo-o, Matsuo & Namba</p>	-

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions	Number of the Company shares held
6	Masayoshi Miyanaga (Jun. 3, 1958)	<p>Apr. 1981 Joined The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)</p> <p>Feb. 1990 Seconded to Nippon Credit Bank Investment Advisors Co., Ltd.</p> <p>Oct. 1991 Seconded to Nippon Credit Gartmore Ltd. (UK)</p> <p>Apr. 1995 Manager of Asset Management Division, Schroders Investment Management Japan Limited (currently Schroder Investment Management (Japan) Limited)</p> <p>Apr. 2000 Director of Schroders Investment Management (Japan) Limited</p> <p>Jan. 2001 CIO in charge of Stock Investment of Prudential Asset Management Japan Co., Ltd. (currently PGIM Japan Co., Ltd.)</p> <p>Nov. 2003 Co-representative Partner of IRB, Inc. (currently FALCON Research & Consulting Ltd.)</p> <p>Nov. 2011 Representative Director of IRB, Inc. (currently FALCON Research & Consulting Ltd.)</p> <p>Apr. 2017 Professor of Graduate School of Innovation Studies (currently Graduate School of Management), Tokyo University of Science (current)</p> <p>Jun. 2017 Outside Director of the Company (current)</p> <p>Significant concurrent positions</p> <p>Professor, Graduate School of Management, Tokyo University of Science</p>	-

Notes: 1. No material conflict of interest exists between the Company and any of the above candidates for Directors.

2. Mr. Yoshio Otani and Mr. Masayoshi Miyanaga are candidates for Outside Directors.

3. Matters related to candidates for Outside Director are as follows.

- (1) The Company proposes the election of Mr. Yoshio Otani as Outside Director in order to utilize his wealth of experience and professional knowledge in the field of justice. After his election, the Company expects him to make efforts to further strengthen management oversight function of the Company by utilizing his expertise. Although he has never been directly involved in corporate management, the Company has made the decision that he is capable of appropriately carrying out his duties as Outside Director according to the above-mentioned reasons.
- (2) The Company proposes the election of Mr. Masayoshi Miyanaga as Outside Director in order to utilize his wealth of experience and extensive knowledge as a management consultant and manager. After his election, the Company expects him to make efforts to further strengthen management oversight function of the Company by utilizing his expertise.
- (3) Mr. Yoshio Otani has been in office as Outside Directors of the Company since June 2015 and, accordingly, his term of office will be five years and nine months at the conclusion of this Annual Shareholders Meeting. Mr. Masayoshi Miyanaga has been in office as Outside Director of the Company since June 2017 and, accordingly, his term of office will be three years and nine months at the conclusion of this Annual Shareholders Meeting.
- (4) The Company has entered into a liability limitation agreement with Mr. Yoshio Otani and Mr. Masayoshi Miyanaga. The maximum amount of the liability based on this agreement shall be the higher amount of either 1 million yen or the minimum liability amount provided in Article 425, Paragraph 1 of the Companies Act. However, such limitation of liabilities is applicable only when the Outside Directors conduct, in good faith and without gross negligence, their duties that have caused the liabilities. If the reappointment of Mr. Yoshio Otani and Mr. Masayoshi Miyanaga is approved, the Company will continue a liability limitation agreement with them.

- (5) The Company has registered Mr. Yoshio Otani and Mr. Masayoshi Miyanaga as Independent Directors as provided for the rules of the Tokyo Stock Exchange. If they are reappointed, they will continue to be in office as Independent Directors.
 - (6) There is no applicable information regarding any occurrence of improper business execution or measures taken to prevent such occurrence or upon the occurrence by the above candidates over the past five years during their terms of office as an officer in other entities.
4. If all of the candidates in this proposal are elected as Directors, the Company plans to sign liability compensation contracts with every Director that provides for compensation by the Company for expenses prescribed in Article 430-2-1-1 of the Companies Act and losses in Article 430-2-1-2 within the limits prescribed by laws and regulations.
5. The Company has signed liability insurance agreements for executives with an insurance company as prescribed in Article 430-3-1 of the Companies Act that provides coverage for Directors, Audit and Supervisory Board Members, and Executive Officers. When the insurance coverage period ends, the Company plans to renew these liability policies. If the Director candidates in this proposal are reelected, this insurance coverage will continue for all of these Directors. A summary of the liability insurance policy is as follows.
- (1) Summary of insured events eligible for coverage

If a Director or other individual covered by this policy is sued for the payment of losses or other damages by a shareholder, investor, employee or other third party due to an act associated with the performance of that individual's job, the insurance policy will pay for losses of the individual resulting from any liability payments and litigation expenses.
 - (2) Insurance premium

The Company pays the entire cost of these insurance policies.

Business Report

(January 1, 2020 to December 31, 2020)

1. Current Status of the Corporate Group

(1) Results of Operations for the Fiscal Year Under Review (FY2020)

i. Progress and achievements

In 2020, the global COVID-19 pandemic caused economic downturns worldwide as corporate earnings plummeted and unemployment increased. Although some sectors of the economy are beginning to recover, the economic outlook remains unclear.

In the Amusement Equipments Business, the number of Pachislot and Pachinko machines supplied remained low mainly for two reasons. First is limitations on pachinko hall operations and advertising activities because of the COVID-19 pandemic. Second is the extension of transitional measures concerning the removal of machines that comply with previous regulations. In the integrated resort (IR) business in the Philippines, as a standard, employees are encouraged to work from home as much as possible. Furthermore, regular antibody tests and daily body temperature checks are conducted on employees who report to the office. On the other hand, guests who visit Casino areas are strongly encouraged to wear masks and face shields inside the property and perform disinfection after the body temperature check at the entrance. Hotel guests are also strongly encouraged to undergo antibody test in the facility before their stay, strict hygiene control is implemented to ensure all the guests can comfortably enjoy their stay.

Universal Entertainment posted net sales of 90,871 million yen (a decrease of 27.3% year on year) in 2020. Operating profit was 2,555 million yen (an increase of 556.1% year on year), the ordinary loss was 9,249 million yen (compared with an ordinary loss of 7,941 million yen in 2019), and the net loss attributable to owners of parent was 19,218 million yen (compared with net loss attributable to owners of parent of 5,191 million yen in 2019).

Business segment performance was as follows.

Amusement Equipments Business

The Amusement Equipments Business posted net sales of 61,792 million yen (an increase of 19.6% year on year) and an operating profit of 20,382 million yen (an increase of 88.5% year on year) in 2020.

In the Pachislot machine market, restrictions on game playing characteristics of these machines were reduced with the new category 6.1 voluntary regulation following a reexamination of the voluntary restrictions of the Nihon Dendo-shiki Yugiki Kogyo Kyodo Kumiai and the Nihon Yugiki Kogyo Kumiai. In the Pachinko machine category, a revision of the standard for interpretation of technological standards has made it possible to develop machines with a wide range of game playing characteristics. Both of these events created expectations for more vitality in the market for these machines. However, the COVID-19 outbreak that began in February 2020 impacted this market as pachinko halls reduced or suspended operations as well as advertising for attracting customers. After the end of the requirement to reduce their activities, pachinko halls have been seeing a slow recovery in the number of customers. Despite this recovery, the number of Pachislot and Pachinko machines supplied remained low.

In 2020, we launched several new titles and the sales volume of many of our titles was higher than planned. Two significant new titles are “SLOT Basilisk: The Koga Ninpocho Kizuna 2,” the latest version of the extremely popular “Basilisk: The Koga Ninpocho” series of category 5 machines, and “Oki-Doki! 2-30,” the latest version of the “Oki-Doki!” series that is popular among a diverse spectrum of people. Both of these new titles ranked among the best-selling Pachislot titles of 2020. Furthermore, Universal Entertainment had the largest share of the Pachislot market in 2020 based on sales volume.

Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 27,699 million yen (a decrease of 61.2% year on year) and an operating loss of 9,034 million yen in 2020 (compared with an operating loss of 1,391 million yen in

2019). Adjusted segment EBITDA⁽²⁾ in the Integrated Resort Business was a loss of 2,652 million yen in 2020, a decrease of 13,221 million yen from 15,873 million yen in 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 PAGCOR due to the global outbreak of COVID-19. However, due to the Philippine government's efforts against Coronavirus, as per the release of "Notice on Okada Manila's operation" on September 9, 2020, gaming operations' suspension has been lifted, and have partially resumed. Okada Manila has resumed its gaming operations for up to 30% of seated capacity. Furthermore, the Okada Manila hotel received approval from the DOT (Department of Tourism) in October 2020 to resume hotel services at full capacity. Also, the DTI (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.

With regard to the "Notice of Equity in Earnings from Sales of Fixed Assets and Non-operating Income" on February 14, 2020, due to the spread of a COVID-19 worldwide, the Philippine government declared a state of emergency on March 15, 2020. Although community quarantine has now been lifted partially, economic activities in the Philippines are substantially limited.

Under such circumstances, the Company formally received a document from the seller stated in the press release above, including the Property's transfer to be sold and the presentation of a certain amount of security deposit accompanying the extension on the settlement period. In anticipation of the resumption of economic activities following the lifting of the community quarantine in the Republic of the Philippines, the concerned parties are considering an agreement (tentative name) to amend the land purchase and sale agreement that has already been concluded.

However, it has been prolonged due to the spread of a COVID-19 and the rise of new coronavirus variants. We will release once again when we have agreed to the amendment.

(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

Others

Other Business posted net sales of 1,200 million yen (a decrease of 20.4% year on year) and an operating profit of 276 million yen (a decrease of 48.0% year on year) in 2020.

In the Media Content Business, distribution of four simulator applications including "SLOT Basilisk: The Koga Ninpocho Kizuna 2" started on the App Store and Google Play. All four titles were an immediate big hit, consistently ranking among the best selling paid applications. We have started licensing our intellectual property for use in household video games. Sales have started for the first game using licensed intellectual property, "PACHISLOT Univa Kingdom A Project" for the Nintendo Switch. Another new activity is the distribution of original sound tracks using iTunes, Amazon Digital Music, Google Play Music, LINE MUSIC, RecoChoku and mora. We plan to continue increasing the number of songs we distribute. The "Slots Street" social casino game has reached the third anniversary of its launch. "Slots Street" now distributes 44 titles in Japan, including six video slot titles, and has more than one million members.

Sales Composition of the Group

(Millions of yen)

Business Segment	2019	2020	Change	% Change
Amusement Equipments Business	51,687	61,792	10,105	19.6%
Integrated Resort Business	71,408	27,699	(43,709)	(61.2)%
Others	1,509	1,200	(308)	(20.4)%
Total	124,605	90,693	(33,912)	(27.2)%

Note: In the above sales composition of the Group, transactions between reportable segments are eliminated by offsets.

ii. Capital expenditures

In the current consolidated fiscal year, the Company invested 7,400 million yen for construction works, etc., of the casino resort project in the Philippines.

iii. Financing activities

In the current consolidated fiscal year, the Group's major financing activities included additional issuance of private placement bonds of 13,200 million yen.

iv. Transfer, absorption-type split, or incorporation-type split of businesses

There is no applicable information.

v. Acquisition of businesses transferred from other companies

There is no applicable information.

vi. Assumption of rights and obligations of other companies' businesses as a result of absorption-type merger or absorption-type split

There is no applicable information.

vii. Acquisition or disposal of shares and other ownership interests, or share acquisition rights held by other companies

There is no applicable information.

(2) Status of Assets and Operating Results for the Past Three Fiscal Years (Millions of yen)

Category	2017	2018	2019	2020
Net sales	68,546	93,267	124,944	90,871
Ordinary profit (loss)	(12,829)	67,232	(7,941)	(9,249)
Profit (loss) attributable to owners of parent	(13,426)	161,168	(5,191)	(19,218)
Net income (loss) per share (Yen)	(170.18)	2,037.75	(66.18)	(247.60)
Total assets	543,747	510,677	573,238	568,502
Net assets	230,945	375,063	371,834	357,577

Note: The 45th period (2017) is a transitional nine-month period due to a change in the fiscal year end.

(3) Status of Parent and Significant Subsidiaries

i. Status of parent

Name	Share capital	Shareholding ratio of the Company	Main business
Okada Holdings Limited	9,362,968 thousand HK\$	70.2%	Investments in securities, etc.

Note: The Company holds 2,710,772 treasury shares. The shareholding ratio is calculated excluding these shares.

ii. Status of significant subsidiaries

Name	Share capital	Shareholding ratio of the Company	Main business
Macy Co., Ltd.	20 million yen	100.0%	Manufacture of amusement machines
Eleco Ltd.	10 million yen	100.0%	Manufacture of amusement machines
Mizuho Corp.	10 million yen	100.0%	Manufacture of amusement machines
Across Corp.	5 million yen	100.0%	Manufacture of amusement machines

Universal Bros. Corp.	5 million yen	100.0%	Manufacture of amusement machines
TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.	8,699,745 thousand PHP	99.9%	Operation of OKADA MANILA
Tiger Resort Asia Limited	14,638,663 thousand HK\$	100.0%	Promotion of overseas business
Brontia Limited	1,280,191 thousand HK\$	100.0%	Investment in land holding company
Aruze USA, Inc.	10 US\$	100.0%	Investment management business, licensing management of casino equipment
ARUZE Investment Co., Ltd.	4,000 thousand Riels	49.0%	Travel related business

Notes: 1. The shareholding ratio in ARUZE Investment Co.,Ltd. is the investment ratio by Aruze USA, Inc., a subsidiary of the Company.
2. The shareholding ratios in TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. and Brontia Limited are the investment ratio by Tiger Resort Asia Limited, a subsidiary of the Company.

(4) Issues to Be Addressed

i. Amusement Equipments Business

Due to the effects of COVID-19, Japan enacted on May 20, 2020 Partial Amendments to the Enforcement Rules of the Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals and Partial Amendments to Rules for Certification of Amusement Machines and Models. One result was a one-year extension of the transitional period for the removal of amusement machines that comply with rules prior to the most recent revisions. Due to these amendments, Pachinko halls have become more cautious about replacing their current amusement machines with new models. The Pachinko and Pachislot Industry 21st Century Club, which consists of 14 amusement machine industry associations, has established internal rules involving the removal of amusement machines that comply with the pre-revision rules in order to facilitate the replacement of machines with new models in a well-planned manner.

Universal Entertainment will use technologies for complying with the new rules and its manufacturing capabilities to continue supplying amusement machines that make a big contribution to the operations of Pachinko halls and allow these halls to replace outdated machines based on well-structured plans.

ii. Patent Strategy

The Group has long been aware of the importance of creating and protecting intellectual property, and has worked towards the establishment of a system that enables it to acquire patent rights for superior inventions through standardization of patent applications. Also, the Group has been working to improve the quality of its patent applications and improve the ratio of patent registrations to submitted applications, by establishing a structure whereby individual inventions are categorized into different technical fields and applications for patents are filed for a group of inventions in each technical field. The technologies which the Company has acquired or applied for patents are considerably more effective and commercially viable than those of its competitors. The Company intends to fully apply these technologies in the development of its products to improve the value of said products, thereby differentiating them from the competition in terms of technology. The Company believes this will enable it to achieve a competitive advantage. Also, in order to secure license income from its patents, the Company will move forward vigorously with strategies for both patent utilization and the protection of its patent rights when said rights are violated.

iii. Integrated Resort Business

Okada Manila, a casino and resort operated by the Group, was created to meet the expectations of all customers, whether from the Philippines or other countries. This resort has a luxurious hotel, fine dining with cuisine of many countries, high-end shopping, The Fountain (a multi-color fountain that is the largest of its

type in the world), Cove Manila, an all-weather dome that has Southeast Asia's largest night club and beach club. Everyone at this resort is dedicated to providing guests with exceptional hospitality and experiences of the highest quality.

Currently, adding more guest rooms is the highest priority of Okada Manila. Plans also include expansion of the gaming area, including the addition of a casino exclusively for VIP guests, opening more restaurants and enlarging the shopping mall in order to attract an even larger number of guests.

(5) Main Business (As of December 31, 2020)

	Main products / Business
Amusement Equipments Business	Research, development, manufacture and sales of Pachislot/Pachinko machines and peripheral equipments
Integrated Resort Business	Casino, hotel, food and beverage, retail and leasing, entertainment and real estate development business
Others	Media Content Business

(6) Principal Business Place and Factories (As of December 31, 2020)

i. Universal Entertainment

- Head Office (Koto-ku, Tokyo)

- Business Place

Name	Locatoin	Name	Loccation
Hokkaido Sales Office	Chuo-ku, Sapporo	Nagoya Sales Office	Higashi-ku, Nagoya
Morioka Sales Office	Morioka-shi, Iwate	Kanazawa Sales Office	Kanazawa-shi, Ishikawa
Sendai Sales Office	Miyagino-ku, Sendai	Osaka Sales Office	Nishi-ku, Osaka
Kitakanto Sales Office	Utsunomiya-shi, Tochigi	Kobe Sales Office	Chuo-ku, Kobe
Niigata Sales Office	Chuo-ku, Niigata	Okayama Sales Office	Kita-ku, Okayama
Nagano Sales Office	Nagano-shi, Nagano	Hiroshima Sales Office	Minami-ku, Hiroshima
Saitama Sales Office	Omiya-ku, Saitama	Shikoku Sales Office	Matsuyama-shi, Ehime
Tokyo Sales Office	Koto-ku, Tokyo	Kyushu Sales Office	Hakata-ku, Fukuoka
Yokohama Sales Office	Yokohama-shi, Kanagawa	Minami-kyushu Sales Office	Kagoshima-shi, Kagoshima
Shizuoka Sales Office	Suruga-ku, Shizuoka		

- Factories

Name	Locatoin	Name	Loccation
Yotsukaido Factory	Yotsukaido-shi, Chiba	Oyama Factory	Oyama-shi, Tochigi

ii. Subsidiaries and affiliates

(Japan)

Name	Location
Macy Co., Ltd.	Head Office (Koto-ku, Tokyo) Factory (Yotsukaido, Chiba)
Eleco Ltd.	Head Office (Koto-ku, Tokyo) Factory (Yotsukaido, Chiba)
Mizuho Corp.	Head Office (Koto-ku, Tokyo) Factory (Yotsukaido, Chiba)
Across Corp.	Head Office (Koto-ku, Tokyo) Factory (Oyama, Tochigi)
Universal Bros. Corp.	Head Office (Koto-ku, Tokyo) Factory (Oyama, Tochigi)

(Overseas)

Name	Location
TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.	Philippines
Tiger Resort Asia Limited	HongKong,China
Brontia Limited	HongKong,China
Aruze USA, Inc.	USA
ARUZE Investment Co.,Ltd.	Cambodia

(7) Status of Employees (as of December 31, 2020)

i. Status of employees of the Group

Business Segment	Number of employees	Year-on-year change
Amusement Equipments Business	803	Increase of 11
Integrated Resort Business	5,753	Decrease of 1,674
Others	34	Increase of 3
Corporate (common)	185	Decrease of 2
Total	6,775	Decrease of 1,662

Notes: 1. Number of employees does not include directors/auditors, contract employees, temporary employees and part-time workers.
2. The main reason for the year-on-year decrease in the number of employees by 1,662 is due to the reduction of local personnel at overseas subsidiaries.

ii. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years employed
998	Increase of 10	41 years and 9 months	10 years and 3 months

Note: Number of employees does not include directors/auditors, contract employees, temporary employees and part-time workers.

(8) Status of Principal Lenders (as of December 31, 2020)

Lender	Amount (Millions of yen)
Asia United Bank Corporation	14,386
BDO UNIBANK, INC.	5,175
Japan Amusement Broadcasting Corp.	577

(9) Other Significant Matters Concerning the Corporate Group

Liability of former officer

In response to the results of the investigation performed by the Special Investigation Committee, which were announced on August 30, 2017, the Universal Entertainment Group decided to take legal action against Kazuo Okada concerning his civil and criminal responsibilities concerning the matters under investigation.

The purpose of the civil proceedings was to recover losses allegedly incurred by the Universal Entertainment Group due to fraudulent activity by Mr. Okada. Lawsuits demanding the payment of these losses were filed in Japan and outside Japan. On February 13, 2020, the Tokyo District Court reached a verdict requiring payment of losses by Mr. Okada. The court concluded that Mr. Okada was engaged in fraudulent activity in three cases confirmed by the Special Investigation Committee and that Mr. Okada violated his duty of care obligation as a Director of Universal Entertainment. Mr. Okada appealed this verdict but this appeal was rejected on September 16, 2020 by the Tokyo High Court.

Separately from this litigation demanding the payment of damages that resulted from the findings of the Special Investigation Committee, as was announced on April 2, 2018, litigation is pending in a court in the U.S. state of Nevada concerning compensation for damages caused by an alleged patent infringement. In this

case, Universal Entertainment is the plaintiff and Aruze Gaming America, Inc., a former consolidated subsidiary of Universal Entertainment, and Mr. Okada are the defendants. The lawsuit alleges that Aruze Gaming America illegally used gaming machine patents owned by Universal Entertainment for the sale of gaming machines in the United States. The lawsuit also alleges that Mr. Okada was involved with these illegal activities. The lawsuit demands the payment of damages by Mr. Okada and others.

Regarding alleged criminal activity, the Universal Entertainment Group has filed criminal accusations and complaints with the authorities of several countries. In December 2018, Mr. Okada was indicted by the prosecutor's office in the Philippines on suspicion of having fraudulently received director remuneration and other compensation from Universal Entertainment subsidiary TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. On January 4, 2019, the Paranaque Regional Court in the Philippines issued a warrant for the arrest of Mr. Okada. He responded by filing an objection to the validity of the arrest warrant and a request for a review. The objection was rejected and the validity of the arrest warrant was confirmed.

The Universal Entertainment Group will continue to cooperate as necessary with prosecutors and other authorities in other countries and continue to relentlessly take legal actions against Mr. Okada.

2. Summary of the Company

(1) Status of Stock (as of December 31, 2020)

- i. Total number of authorized shares 324,820,000 shares
- ii. Total number of issued shares 80,195,000 shares (including 2,710,772 treasury shares)
- iii. Number of shareholders 12,610 (an increase of 2,801 from the end of 2019)
- iv. Major Shareholders

Name of shareholders	Number of shares held (Thousand shares)	Shareholding ratio (%)
Okada Holdings Limited	54,452	70.27
Hiroko Yokotsuka	2,105	2.71
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,480	1.91
GOLDMAN, SACHS INTERNATIONAL	1,419	1.83
GOLDMAN, SACHS & CO.REG	1,335	1.72
JPLLC CLIENT SAFEKEEPING ACCOUNT	1,288	1.66
BBH(LUX) FOR FIDELITY FUNDS PACIFIC FUND	679	0.87
Rakuten Securities, Inc.	667	0.86
Jun Fujimoto	658	0.84
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	530	0.68

Notes: 1. The Company holds 2,710,772 treasury shares, which is excluded from the above table of major shareholders.

2. Shareholding ratio is calculated after deducting 2,710,772 treasury shares.

(2) Matters concerning Share Acquisition Rights

- i. Status of share acquisition rights held by Directors and Audit & Supervisory Board Members of the Company awarded as compensation for performance of their duties as of the end of the current fiscal year

Date of resolution	September 21, 2017
Number of share acquisition rights (Units)	3,100
Type and number of stock subject to share acquisition rights	Common stock: 310,000 shares (100 shares per share acquisition right)
Amount to be paid upon the exercise of share acquisition rights	8,000 yen per unit
Value of assets to be contributed upon the exercise of	446,300 yen per share acquisition right

the share acquisition rights		(4,463 yen per share)
Exercise period		From April 1, 2020 to October 5, 2024
Conditions for the exercise of share acquisition rights		(Note)
Status of share acquisition rights held by directors	Directors (excluding outside directors)	<ul style="list-style-type: none"> • Number of share acquisition rights: 2,500 • Number of shares to be issued for share acquisition rights: 250,000 • Number of directors who hold share acquisition rights: 4
	Outside directors	<ul style="list-style-type: none"> • Number of share acquisition rights: 600 • Number of shares to be issued for share acquisition rights: 60,000 • Number of directors who hold share acquisition rights: 3

- Notes: 1. Holders of the share acquisition rights shall be able to exercise all or part of the share acquisition rights only in the event that either of the two following conditions is met. In the event that there is a significant change in the concept of ordinary profit, etc. to be referred to due to the adoption of the IFRS or other reasons, any other indicator to be referred to shall be determined by the Board of Directors.
- (i) In the event that ordinary profit for the fiscal years ended December 31, 2018 and December 31, 2019 (ordinary profit on the Company's audited consolidated or non-consolidated statements of income, same hereafter) meets all the conditions set forth below.
- (a) Ordinary profit for the fiscal year ended December 31, 2018 must exceed 30.0 billion yen.
- (b) Ordinary profit for the fiscal year ended December 31, 2019 must exceed 32.0 billion yen.
- (ii) In the event that the cumulative amount of ordinary profit for the fiscal years ended December 31, 2018 and December 31, 2019 has exceeded 80.0 billion yen.
2. In addition to 1 above, the holders of the share acquisition rights may exercise the share acquisition rights only after the time when the closing price of the Company's common stock for the regular trading session on the financial instrument exchange has become equal to or more than 130% of the exercise price of the share acquisition rights even once during the period from the date of allotment of the share acquisition rights to the end of the exercise period of the share acquisition rights.
3. At the time of exercising the share acquisition rights, each holder of the share acquisition rights shall have the position of director, Audit & Supervisory Board member or employee of the Company or any of its affiliates. Provided, however, that this clause shall not apply to cases where the Board of Directors finds a justifiable reason for leaving the Company before exercising the share acquisition rights, such as retirement from office due to expiry of tenure and mandatory age-limit retirement.
4. The share acquisition rights may not be exercised by an heir to the holder of the share acquisition rights.
5. If the total number of issued shares would exceed the number of then-authorized shares by the exercise of the share acquisition rights at the time of exercise thereof, or in other cases that would violate laws and regulations, said share acquisition rights cannot be exercised at that time.
6. The partial exercise of a single share acquisition rights is not allowed.
- ii. Status of share acquisition rights awarded to employees as compensation for performance of their duties during the current fiscal year
- There is no applicable information.
- iii. Other concerning share acquisition rights
- There is no applicable information.

(3) Status of the Board Members

i. Directors and Audit & Supervisory Board Members (as of December 31, 2020)

Position	Name	Responsibilities and significant concurrent positions
Representative Director and President	Jun Fujimoto	Domestic Business, CEO and CIO Director, Nihon Shogi Network Co., Ltd.
Director	Hajime Tokuda	Corporate Planning, Foreign Business Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.
Director	Takako Okada	Okada Museum, Foreign Business Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. Director, Tiger Resort Asia Limited
Director	Kenshi Asano	Administrative Dept, Foreign Business, CFO Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. Director, Tiger Resort Asia Limited Director, Brontia Limited
Director	Seisui Kamigaki	Attorney, Hibiya Sogo Law Offices
Director	Yoshio Otani	Attorney, Momo-o, Matsuo & Namba
Director	Masayoshi Miyanaga	Professor, Graduate School of Management, Tokyo University of Science
Full-time Audit & Supervisory Board Member	Chihiro Shibahara	
Audit & Supervisory Board Member	Nobuyoshi Ichikura	President, Ichikura Tax Accountant Office
Audit & Supervisory Board Member	Makoto Suzuki	President, Suzuki Makoto CPA and Tax Accounting Firm
Audit & Supervisory Board Member	Akiyoshi Kaneko	Employee, Gyosei & Co. Representative Director, Gyosei Management Consulting Co., Ltd.

- Notes: 1. Mr. Seisui Kamigaki, Mr. Yoshio Otani and Mr. Masayoshi Miyanaga are Outside Directors as defined by Paragraph 15, Article 2 of the Companies Act.
2. Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko are Outside Audit & Supervisory Board Members as defined by Paragraph 16, Article 2 of the Companies Act.
3. Mr. Nobuyoshi Ichikura is a certified tax accountant, Mr. Makoto Suzuki is a certified public accountant and tax accountant, and Mr. Akiyoshi Kaneko is also a certified public accountant, and these Audit & Supervisory Board Members have considerable knowledge of finance and accounting.
4. The Company has registered Mr. Seisui Kamigaki, Mr. Yoshio Otani and Mr. Masayoshi Miyanaga as Independent Directors, and Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko as Independent Audit & Supervisory Board Members as provided for the rules of the Tokyo Stock Exchange.
5. Mr. Nobuyoshi Ichikura, an Audit & Supervisory Board Member, is scheduled to retire from his position due to resignation at the conclusion of the 48th Annual Shareholders Meeting to be held on March 30, 2021.

ii. Overview of Liability Limitation Agreements

The Articles of Incorporation allow the Company to enter into liability limitation agreements with Directors (excluding executive directors, same hereafter) and Audit & Supervisory Board Members, pursuant to Article 427, Paragraph 1 of the Companies Act. These agreements are limited to the responsibilities in Article 423, Paragraph 1 of the Companies Act and are valid only when Directors and Audit & Supervisory Board Members perform their duties in good faith and without gross negligence. The Company has these agreements with all Outside Directors and all Audit & Supervisory Board Members. Liability is limited to the higher of one million yen or the amount specified by laws and regulations.

iii. Remuneration for Directors and Audit & Supervisory Board Members

Aggregate amount of remuneration for the current fiscal year

	Number of Directors and Audit & Supervisory Board Members	Amount of remuneration
Directors (o/w, Outside Directors)	7 (3)	958 million yen (55 million yen)
Audit & Supervisory Board Members (o/w, Outside Audit & Supervisory Board Members)	4 (3)	44 million yen (21 million yen)
Total	11	1,002 million yen

- Notes: 1. The above amount of remuneration does not include employee salaries that have been paid to Directors who serve concurrently as employees.
2. The amount of remuneration to be paid to Directors was approved at the Annual Shareholders Meeting held on June 29, 2017, as no more than 2,000 million yen per year (200 million yen for outside directors). The amount of remuneration does not include the employee salaries of directors who serve concurrently as employees.
3. The amount of remuneration to be paid to Audit & Supervisory Board Members was approved at the Extraordinary Shareholders Meeting held on March 26, 1998, as no more than 100 million yen per year.

iv. Retirement benefits paid to the Board Members in the current fiscal year

There is no applicable information.

v. Matters Concerning the Company's Outside Board Members (as of December 31, 2020)

i) Status of concurrently serving Outside Directors

Name	Responsibilities and significant concurrent positions	Relationship with the Company
Seisui Kamigaki	Attorney, Hibiya Sogo Law Offices	There are no significant relationships.
Yoshio Otani	Attorney, Momo-o, Matsuo & Namba	There are no significant relationships.
Masayoshi Miyanaga	Professor, Graduate School of Management, Tokyo University of Science	There are no significant relationships.

ii) Status of concurrently serving Outside Audit & Supervisory Board Members

Name	Responsibilities and significant concurrent positions	Relationship with the Company
Nobuyoshi Ichikura	President, Ichikura Tax Accountant Office	There are no significant relationships.
Makoto Suzuki	President, Suzuki Makoto CPA and Tax Accounting Firm	There are no significant relationships.
Akiyoshi Kaneko	Employee, Gyosei & Co. Representative Director, Gyosei Management Consulting Co., Ltd.	There are no significant relationships.

iii) Major activities of Outside Directors and Outside Audit & Supervisory Board Members

Name	Position	Principal activities
Seisui Kamigaki	Director	He attended 10 out of 11 meetings of the Board of Directors held during 2020, and made statements mainly from his professional perspective as an attorney.
Yoshio Otani	Director	He attended all 11 meetings of the Board of Directors held during 2020, and made statements mainly from his professional perspective as an attorney.
Masayoshi Miyanaga	Director	He attended all 11 meetings of the Board of Directors held during 2020, and made statements mainly from his expert perspective in business administration and corporate finance.
Nobuyoshi Ichikura	Audit & Supervisory	He attended all 11 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during 2020,

	Board Member	and made statements mainly from his professional perspective as a certified tax accountant.
Makoto Suzuki	Audit & Supervisory Board Member	He attended 10 out of 11 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during 2020, and made statements mainly from his professional perspective as a certified public accountant.
Akiyoshi Kaneko	Audit & Supervisory Board Member	He attended 10 out of 11 meetings of the Board of Directors and 14 out of 15 meetings of the Audit & Supervisory Board held during 2020, and made statements mainly from his professional perspective as a certified public accountant.

Note: The number of meetings of the Board of Directors by written resolution is excluded.

(4) Status of Independent Accounting Auditor

i. Name: UHY Tokyo & Co.

ii. Amounts of remuneration to be paid to the Independent Accounting Auditor

	Total amounts of remuneration paid
Remuneration for the current fiscal year to be paid to the Independent Accounting Auditor	92 million yen
Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Accounting Auditor	92 million yen

- Notes: 1. The audit agreement entered into by the Independent Accounting Auditor and the Company does not clearly distinguish the amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remuneration to be paid by the Company to the Independent Accounting Auditor indicates the total for the two audits.
2. The Audit & Supervisory Board has determined that the amounts of remuneration, etc. of the Independent Accounting Auditor is agreeable, after necessary verification of the appropriateness of the content of the audit plan, the status of the performance of duties of the Independent Accounting Auditor, and the basis of calculation of the remuneration estimate.
3. The Company's consolidated subsidiary TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. is audited by an auditing firm other than the Company's Independent Accounting Auditor.

iii. Details of non-audit activities

There is no applicable information.

iv. Policy on decisions concerning dismissal or non-reappointment of Independent Accounting Auditor

The Audit & Supervisory Board, if it determines that the Independent Accounting Auditor has difficulty executing his/her duties or considers it necessary to do so, may determine the agenda for dismissal or non-reappointment of the Independent Accounting Auditor to be submitted to a General Meeting of Shareholders.

The Audit & Supervisory Board may dismiss the Independent Accounting Auditor if it determines that any act or circumstance of the Independent Accounting Auditor falls under any items of Article 340, Paragraph 1 of the Companies Act. In this case, an Audit & Supervisory Board member appointed by the Audit & Supervisory Board shall report the fact that the Audit & Supervisory Board has dismissed the Independent Accounting Auditor and reasons thereof at the first General Meeting of Shareholders to be held after such dismissal.

(5) System to Ensure the Propriety of Business Operations

1. Framework to Ensure that the Execution of the Duties of Directors and Employees Complies with Laws and the Articles of Incorporation

- 1) The Company shall establish the Business Ethics Guidelines that serve as a standard of conduct for executives and employees of the Company and its group companies in order to have them comply with laws and the Articles of Incorporation.

- 2) The Company shall establish the Gaming Compliance Rules to maintain the strict compliance system and conduct management complying with said rules.
 - 3) If a Director finds any material violation of laws or ordinances of the Company or any other material facts concerning compliance, the Director shall immediately report it to the Audit & Supervisory Board, as well as to the Board of Directors, without delay.
 - 4) Audit & Supervisory Board Members shall audit whether the appropriateness in operations conducted by the Directors, etc., is ensured from an independent viewpoint.
 - 5) The Company shall establish an Internal Audit Division that is completely independent from its operating sectors.
2. Framework Concerning Storage and Control of Information Related to the Execution of Duties by Directors
- Handling of storage control and information security control for information related to the execution of duties by directors shall be stipulated in the Document Control Rules and the Information Control Rules.
3. Regulations Concerning Risk Management of Loss and Other Frameworks
- 1) The Company shall establish organizations responsible for administration, which will recognize, comprehend and control various risks associated with its business operations and deal with each risk.
 - 2) The Company shall develop Risk Management Rules as a basis for its risk management framework and establish a management framework to deal with respective risks continuously with an emphasis on risk prevention in order to minimize losses resulted therefrom.
4. Framework to Ensure the Effective Execution of Duties by Directors
- 1) The Board of Directors shall promote the prompt and effective treatment of business operations based on the decision making of the Board of Directors by clarifying the responsibility structure and operational processes in business execution through the establishment of the Rules of the Board of Directors, the Executive Officers Rules, the Rules on Administrative Authorities, the Rules on Division of Responsibilities, the Rules of the Internal Approval System, etc.
 - 2) As a framework to ensure that Directors perform their duties efficiently, the Board of Directors holds regular monthly meetings and the General Managers' meetings, which consist of full-time Directors, executive officers and managers of selected departments and meets twice every month. The objective of this framework is to ensure that the Board of Directors can perform its duties efficiently.
5. Framework for Ensuring Proper Business Operations of the Group, Consisting of the Company and its Subsidiaries
- 1) The Company and its group companies shall accept audits by Audit & Supervisory Board Members and the Internal Audit Division of the Company to establish internal control. Each group company will formulate a profit plan, periodically review its progress status and reflect the review results in the improvement of corporate management.
 - 2) The Company and its group companies shall make active personnel exchanges to exchange information among themselves and to establish a cooperative framework.
6. Matters Related to the Framework for Employees to Support Audit & Supervisory Board Members' Duties and the Independence of Such Employees from Directors
- 1) The Company shall establish the Audit & Supervisory Board Secretariat in order to support the duties of the Audit & Supervisory Board Members and assign employees in charge of performing services for the secretariat ("Supportive Employees").
 - 2) Personnel changes and treatment of the Supportive Employees shall be implemented with the Audit & Supervisory Board's approval.
7. Framework for Reporting from Directors or Employees to Audit & Supervisory Board Members and for Other Reporting to Audit & Supervisory Board Members

- 1) Audit & Supervisory Board Members shall attend and receive reports at Board of Directors meetings and at meetings for other important deliberations and resolutions including General Managers' meetings.
- 2) When an employee finds a breach of any law or the Articles of Incorporation, extremely inappropriate business operation or any matters equivalent thereto, the employee shall immediately report it to the Audit & Supervisory Board Members. When the Audit & Supervisory Board Members request reports, the employee must follow such instruction.

8. Framework to Ensure No Suffering of Individuals for any Detrimental Treatment as a Result of Their Reporting to Audit & Supervisory Board Members

No executives and employees of the Company and its group companies shall suffer any detrimental treatment as a result of their reporting to Audit & Supervisory Board Members for matters.

9. Other Frameworks to Ensure the Effective Operation of Audits by the Audit & Supervisory Board Members

- 1) Audit & Supervisory Board Members may utilize outside specialists as necessary at the Company's expense (within the range of the amount allowed by law).
- 2) Directors, managers-in-charge and other employees must cooperate with the Audit & Supervisory Board Members on their audits.

10. Framework for Elimination of Antisocial Forces

- 1) The Group shall stipulate in its action policy to emphatically confront antisocial forces or groups that threaten the order and security of civil society from the perspectives of social responsibility and corporate protection.
- 2) In case the Company receives any unfair requests, etc., from an antisocial force, the Company shall consult with its legal counsel in each case.

11. Framework to Ensure the Credibility of Its Financial Reports

The Company shall maintain and operate a framework of internal control for financial reporting in order to ensure the credibility of such financial reporting in accordance with the Financial Instruments and Exchange Act and related laws and regulations.

(6) Overview of operational status of systems to ensure the propriety of business operation

A summary of the status of operation of the system to ensure the appropriateness of the Company's business operations during 2020 is as follows.

- i. The Board of Directors met 11 times, and in order to ensure the legality of the execution of duties by Directors and to enhance the appropriateness and efficiency of the execution of duties by Directors, of the three Outside Directors who have no business interest in the Company, Mr. Yoshio Otani and Mr. Masayoshi Miyanaga attended all 11 meetings, and Mr. Seisui Kamigaki attended 10 out of 11 meetings. The Audit & Supervisory Board met 15 times.
- ii. The Audit & Supervisory Board Members conduct audits based on the audit plan established by the Audit & Supervisory Board, and also set up opportunities to exchange opinions with the President and Representative Director of the Company, other Directors, the Internal Audit Office, and the Independent Accounting Auditor, and work together to exchange information, etc.
- iii. The Company's Internal Audit Office conducted internal audits for overall operations of each headquarters' divisions and subsidiaries based on the internal audit plan.

Consolidated Balance Sheet

(As of December 31, 2020)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	81,601	Current liabilities	57,361
Cash and deposits	37,349	Notes and accounts payable-trade	5,960
Notes and accounts receivable-trade	7,369	Short-term borrowings	10,927
Securities	2	Current portion of long-term borrowings	2,070
Merchandise and finished goods	2,367	Accounts payable-other	9,247
Work in process	11,866	Accrued expenses	15,484
Raw materials and supplies	9,653	Income taxes payable	463
Other	15,591	Provision for bonuses	81
Allowance for doubtful accounts	(2,599)	Other	13,125
Non-current assets	485,931	Non-current liabilities	153,563
Property, plant and equipment	423,317	Bonds	78,720
Buildings and structures	260,664	Long-term borrowings	7,141
Machinery, equipment and vehicles	24,111	Retirement benefit liability	167
Leased assets	54,889	Long-term deposits received from subsidiaries and associates	5,175
Land	7,152	Lease obligations	59,209
Construction in progress	70,346	Deferred tax liabilities	27
Other	6,153	Other	3,121
Intangible assets	1,969	Total liabilities	210,924
Other	1,969	Net assets	
Investments and other assets	60,644	Shareholders' equity	358,088
Investment securities	16,762	Share capital	98
Long-term deposits	6,413	Capital surplus	18,829
Long-term deposits for subsidiaries and associates	25,125	Retained earnings	346,478
Deferred tax assets	5,968	Treasury shares	(7,317)
Other	7,069	Accumulated other comprehensive income	(569)
Allowance for doubtful accounts	(696)	Valuation difference on available-for-sale securities	(27)
Deferred assets	969	Foreign currency translation adjustment	(631)
		Remeasurements of defined benefit plans	88
		Share acquisition rights	58
		Total net assets	357,577
Total assets	568,502	Total liabilities and net assets	568,502

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(January 1, 2020 to December 31, 2020)

(Million yen)

Item	Amount	
Net sales		90,871
Cost of sales		40,779
Gross profit		50,091
Selling, general and administrative expenses		47,535
Operating profit		2,555
Non-operating income		
Interest income	120	
Dividend income	16	
Share of profit of entities accounted for using equity method	1,459	
Other	253	1,850
Non-operating expenses		
Interest expenses	4,252	
Interest on bonds	5,924	
Foreign exchange losses	3,058	
Commission expenses	22	
Other	398	13,656
Ordinary loss		(9,249)
Extraordinary income		
Gain on sales of non-current assets	4	
Other	5	9
Extraordinary losses		
Loss on sales and retirement of non-current assets	8	
Loss on valuation of investment securities	1,040	
Loss on valuation of shares of subsidiaries and associates	150	
Non-recurring loss	9,165	
Other	130	10,495
Loss before income taxes		(19,735)
Income taxes-current	458	
Income taxes-deferred	(970)	
Refund of income taxes	(4)	(517)
Loss		(19,218)
Loss attributable to owners of parent		(19,218)

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statement of Changes in Equity

(January 1, 2020 to December 31, 2020)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	98	18,830	365,751	(5,578)	379,101
Changes during period					
Loss attributable to owners of parent			(19,218)		(19,218)
Purchase of treasury shares				(1,752)	(1,752)
Disposal of treasury shares		(1)		13	12
Change in scope of consolidation			(55)		(55)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(1)	(19,273)	(1,738)	(21,013)
Balance at end of period	98	18,829	346,478	(7,317)	358,088

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(882)	(6,433)	(18)	(7,335)	67	371,834
Changes during period						
Loss attributable to owners of parent						(19,218)
Purchase of treasury shares						(1,752)
Disposal of treasury shares						12
Change in scope of consolidation						(55)
Net changes in items other than shareholders' equity	855	5,802	107	6,765	(9)	6,756
Total changes during period	855	5,802	107	6,765	(9)	(14,256)
Balance at end of period	(27)	(631)	88	(569)	58	357,577

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Balance Sheet

(As of December 31, 2020)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets		Current liabilities	16,661
Cash and deposits	60,811	Notes payable-trade	2,873
Notes receivable-trade	20,271	Accounts payable-trade	1,922
Accounts receivable-trade	1,216	Short-term borrowings	5,727
Merchandise and finished goods	2,381	Accounts payable-other	1,293
Work in process	817	Accrued expenses	1,005
Raw materials and supplies	11,866	Income taxes payable	40
Advance payments-trade	9,535	Provision for bonuses	79
Prepaid expenses	5,580	Other	3,719
Short-term loans receivable	564	Non-current liabilities	89,772
Other	7,398	Bonds	78,720
Allowance for doubtful accounts	1,188	Long-term lease obligations	978
	(9)	Long-term deposits received	
Non-current assets		from subsidiaries and associates	7,058
Property, plant and equipment	403,589	Deferred tax liabilities	27
Buildings	21,003	Asset retirement obligations	402
Structures	8,359	Other	2,585
Machinery and equipment	551	Total liabilities	106,433
Leased assets	1,554	Net assets	
Tools, furniture and fixtures	1,154	Shareholders' equity	358,905
Land	3,431	Share capital	98
Other	5,948	Capital surplus	20,261
Intangible assets	4	Legal capital surplus	7,503
Software	1,006	Other capital surplus	12,758
Other	242	Retained earnings	345,862
	763	Legal retained earnings	861
Investments and other assets		Other retained earnings	345,000
Investment securities	381,579	General reserve	90,000
Shares of subsidiaries and	86	Retained earnings brought	
associates	225,623	forward	255,000
Long-term advances paid to		Treasury shares	(7,317)
subsidiaries and associates	130,992	Valuation and translation	
Long-term deposits		adjustments	(27)
Long-term deposits for	2,774	Valuation difference on available-	
subsidiaries and associates	12,287	for-sale securities	(27)
Other	10,121	Share acquisition rights	58
Allowance for doubtful accounts	(306)	Total net assets	
Deferred assets	969		358,936
Total assets	465,370	Total liabilities and net assets	465,370

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Income

(January 1, 2020 to December 31, 2020)

(Million yen)

Item	Amount	
Net sales		64,489
Cost of sales		32,071
Gross profit		32,417
Selling, general and administrative expenses		21,993
Operating profit		10,424
Non-operating income		
Interest income	81	
Dividend income	8	
Reversal of allowance for doubtful accounts	96	
Insurance claim income	23	
Other	56	266
Non-operating expenses		
Interest expenses	205	
Interest expenses on bonds	7,405	
Amortization of bond issuance costs	454	
Commission expenses	22	
Foreign exchange losses	3,983	
Other	22	12,094
Ordinary loss		(1,402)
Extraordinary income		
Gain on sales of non-current assets	1	
Gain on reversal of share acquisition rights	5	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	8	
Loss on valuation of shares of subsidiaries and associates	117	
Other	0	126
Loss before income taxes		(1,522)
Income taxes-current	40	
Income taxes-deferred	(1,060)	(1,019)
Loss		(503)

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Changes in Equity

(January 1, 2020 to December 31, 2020)

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of period	98	7,503	12,759	20,262	861	90,000	255,503	346,365
Changes during period								
Loss							(503)	(503)
Purchase of treasury shares								
Disposal of treasury shares			(1)	(1)				
Net changes in items other than shareholders' equity								
Total changes during period	-	-	(1)	(1)	-	-	(503)	(503)
Balance at end of period	98	7,503	12,758	20,261	861	90,000	255,000	345,862

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(5,578)	361,148	(3)	(3)	67	361,212
Changes during period						
Loss		(503)				(503)
Purchase of treasury shares	(1,752)	(1,752)				(1,752)
Disposal of treasury shares	13	12				12
Net changes in items other than shareholders' equity		-	(23)	(23)	(9)	(32)
Total changes during period	(1,738)	(2,243)	(23)	(23)	(9)	(2,275)
Balance at end of period	(7,317)	358,905	(27)	(27)	58	358,936

Note: Amounts are rounded down to the nearest million yen.

Audit Report by Independent Auditor

February 26, 2021

Board of Directors
Universal Entertainment Corporation

UHY Tokyo & Co.
Shinagawa-ku, Tokyo
Akira Wakatsuki, CPA, Designated Partner and Managing Partner
Tatsuya Kanome CPA, Designated Partner and Managing Partner
Yoshinori Kataoka, CPA, Designated Partner and Managing Partner

Auditor's opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of Universal Entertainment Corporation (the "Company") applicable to the fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Universal Entertainment Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2020 in conformity in accordance with the corporate accounting standards generally accepted in Japan.

Basis for auditor's opinion

We conducted audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of this report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that we obtained sufficient and appropriate audit evidence that forms the basis for expressing our opinions.

Responsibilities of management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned consolidated financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by management to ensure the preparation and fair disclosure of the consolidated financial statements without material misstatement due to fraudulence or errors.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

The auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably

expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entity and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the audit on the consolidated financial statements. The auditor remains solely responsible for its audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Vested interests

The audit firm and its Managing Partners have no vested interests in the Company and its consolidated subsidiaries that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

Audit Report by Independent Auditor

February 26, 2021

Board of Directors
Universal Entertainment Corporation

UHY Tokyo & Co.
Shinagawa-ku, Tokyo
Akira Wakatsuki, CPA, Designated Partner and Managing Partner
Tatsuya Kanome CPA, Designated Partner and Managing Partner
Yoshinori Kataoka, CPA, Designated Partner and Managing Partner

Auditor's opinion

Pursuant to Article 436, Paragraph 2-1 of the Companies Act, we have audited the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to non-consolidated financial statements and the related supplementary schedules of Universal Entertainment Corporation (the "Company") applicable to the 48th fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended December 31, 2020 in conformity in accordance with the corporate accounting standards generally accepted in Japan..

Basis for auditor's opinion

We conducted audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the non-consolidated financial statements section of this report. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and we have fulfilled other ethical responsibilities as an auditor. We believe that we obtained sufficient and appropriate audit evidence that forms the basis for expressing our opinions.

Responsibilities of management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the non-consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned non-consolidated financial statements in accordance with the corporate accounting standards generally accepted in Japan. This includes the establishment and operation of internal control systems that are regarded as necessary by management to ensure the preparation and fair disclosure of the non-consolidated financial statements without material misstatement due to fraudulence or errors.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's responsibilities for the audit of the non-consolidated financial statements

The auditor's responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based

on audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Vested interests

The audit firm and its Managing Partners have no vested interests in the Company that should be disclosed in accordance with the provisions of the Certified Public Accountants Act.

End

Audit Report

Regarding the performance of duties by the Directors for the 48th fiscal year from January 1, 2020 through December 31, 2020, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows.

1. Auditing methods employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and details thereof
 - (1) We established auditing policies, audit plan for 2020 and other relevant items, and received reports from the Audit & Supervisory Board Members regarding their execution of audits and results of these audits, as well as reports from Directors, other relevant personnel, and the accounting auditor regarding performance of their duties, and sought explanations as necessary.
 - (2) All Audit & Supervisory Board Members took actions to maintain sound lines of communication with Directors, the Internal Audit Division and other employees. These actions complied with the standards established by the Audit & Supervisory Board for audits by Audit & Supervisory Members as well as with the auditing policies and audit plan for 2020. The goals are to collect information and create a proper environment for performing audits. The audits were performed by using the following methods.
 - i) Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from the Directors, the Internal Audit Division and other employees concerning the performance of their jobs, asked for explanations as needed, examined documents for important decisions and other documents, and performed on-site examinations or remote interviews concerning the operations and assets of the head office and major business sites. In addition, business reports were received on a regular basis from directors for subsidiaries in Japan and from the applicable directors at Universal Entertainment Board of Directors meetings for major overseas subsidiaries. Audit & Supervisory Board Members also asked for explanations as needed. Furthermore, these members received reports of the results of audits performed by the Internal Audit Divisions of overseas subsidiaries and asked for explanations as needed.
 - ii) Regarding the system to ensure that the performance of the Directors stated in the business report conforms to laws, regulations and the Articles of Incorporation, the resolution of the Board of Directors to establish a system stipulated in Article 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Companies Act for ensuring appropriate business operations as a corporate group consisting of a limited liability company and its consolidated subsidiaries in Japan and other countries, and the system (internal control system) established based on the resolution, we received construction and operation reports periodically from the Board of Directors, the Internal Audit Division and employees and asked for explanations and gave opinions as required.
 - iii) For accounting audits, we received an explanation of the auditing plan from the accounting auditor prior to the audit and performed oversight and confirmations concerning the independence of this auditor and the suitability of auditing activities. We also received reports concerning the performance of the accounting auditor and asked for explanations as needed. In addition, we received notice from the Accounting Auditor that “System for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance on Accounting of Companies) is organized in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as needed. Furthermore, to ensure the suitability of audits, we established items concerning the selection and evaluation of the accounting

auditor and other associated items that need to be confirmed or monitored and used these items to evaluate the performance of this auditor.

Based on these methods, we examined the business report and non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and the related supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements), for this fiscal year.

2. Audit results

(1) Results of audit of business report and other relevant documents

- i) We confirm that the business report and the related supplementary schedules fairly represent the status of Universal Entertainment in accordance with the related laws, regulations and the Articles of Incorporation.
- ii) We have found no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation with regard to the performance of duties by Directors.
- iii) We confirm that the resolution of the Board of Directors regarding the internal control system is proper. In addition, we have found no matters requiring remark in regard to internal control over financial reporting and the contents of the business report and the performance of Directors regarding the internal control system. For compliance with laws and regulations and strengthening corporate governance, continuous reviews and improvements of the internal control system, including at subsidiaries, should be a priority.

(2) Results of audit of non-consolidated financial statements and the related supplementary schedules

We confirm that the methods and results of the audit performed by the accounting auditor, UHY Tokyo & Co., are proper.

(3) Results of audit of consolidated financial statements

We confirm that the methods and results of the audit performed by the accounting auditor, UHY Tokyo & Co., are proper.

February 26, 2021

Audit & Supervisory Board, Universal Entertainment Corporation

Full-time Audit & Supervisory Board Member	Chihiro Shibahara
Outside Audit & Supervisory Board Member	Nobuyoshi Ichikura
Outside Audit & Supervisory Board Member	Makoto Suzuki
Outside Audit & Supervisory Board Member	Akiyoshi Kaneko

End