

Stock code: 6425

March 14, 2022

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 49th 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 49th 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 12 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 Tuesday, March 29, 2022.

Details

- 1. Date and Time** Wednesday, March 30, 2022 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 49th Fiscal Year (January 1, 2021 - December 31, 2021)
 2. Non-consolidated Financial Statements for the Company’s 49th Fiscal Year (January 1, 2021 - December 31, 2021)

Proposals to be resolved:

- Proposal No. 1:** Partial Changes to the Articles of Incorporation
- Proposal No. 2:** Election of Three Audit & Supervisory Board Members

- * 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. At 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 25 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

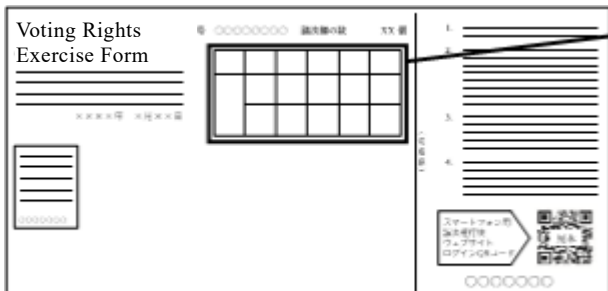
The right to vote at the General Meeting of Shareholders is an important right of all shareholders.

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>Wednesday, March 30, 2022 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>Tuesday, March 29, 2022 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>Tuesday, March 29, 2022 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.

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:

“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.

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

- (1) Following the enforcement of the “Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts” (Act No. 70 of 2021) on June 16, 2021, listed companies are permitted, under certain conditions to be stipulated in their Articles of Incorporation, to hold a shareholders meeting without setting up a physical venue in which directors and shareholders participate via the Internet, etc. (hereinafter the “virtual-only shareholders meeting”). Accordingly, to make the virtual-only shareholders meeting available as an option to hold the Company’s shareholders meetings in the future, Paragraph 2 shall be added to Article 22 of the existing Articles of Incorporation, and Article 28, Paragraph 4 of the existing Articles of Incorporation shall be changed so that such added provisions can be applied to a general meeting of class shareholders.

Additionally, the above changes shall come into effect on the conditions that they are resolved at the 49th Annual Shareholders Meeting, as well as the Minister of Economy, Trade and Industry and the Minister of Justice confirm, pursuant to the Ministerial Ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice, that the above changes fall under the requirements stipulated by the said Ordinances as a case that contributes to strengthening industrial competitiveness while giving consideration to securing shareholders’ interests in accordance with the Industrial Competitiveness Enhancement Act (Act No. 98 of 2013). The changes shall come into effect on the date that the Company receives the aforementioned confirmation.

- (2) Following the amendments to the Companies Act, etc., as stipulated in the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) and the “Act on Arrangement of Relevant Acts Incidental to the Enforcement of the Act Partially Amending the Companies Act” (Act No. 71 of 2019), the reference document for shareholders meeting, etc. has been permitted to be provided in an electronic format, as well as companies that issue book-entry transfer shares (such as listed companies) will be obligated to stipulate in their Articles of Incorporation that they will take electronic provision measures for information included in the reference document for shareholders meeting, etc. Since such amendments will be enforced on September 1, 2022 as stipulated by Cabinet Order No. 334 of 2021, Article 25 of the existing Articles of Incorporation of the Company shall be changed.
- (3) In line with the establishment, deletion, and changes of the provisions of the Articles of Incorporation of the Company as described in the above (1) and (2), supplementary provisions concerning the effective date and transitional measures, etc. will be established.

2. Effective date of changes to the Articles of Incorporation

While the changes to the Articles of Incorporation will officially be made at the conclusion of this Annual Shareholders Meeting, the effective date of the changes shall be provided for in the supplementary provisions.

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 Articles 6-12 (Text omitted)	Chapter 2. Shares Articles 6-12 (No changes)
Chapter 3. Preferred Stock Articles 13-21 (Text omitted)	Chapter 3. Preferred Stock Articles 13-21 (No changes)

Existing Articles	Proposed Changes
<p>Chapter 4. Shareholders Meetings (Convocation)</p> <p>Article 22 Annual Shareholders Meeting of the Company shall be called in March annually, and Extraordinary Shareholders Meeting may be called whenever necessary.</p> <p>(Newly Established)</p> <p>Articles 23-24 (Text omitted)</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the Shareholders Meeting)</u> <u>Article 25</u> <u>In connection with the calling of the Shareholders Meetings, the Company may regard that the information concerning the matters to be stated or indicated in the reference documents for shareholders meeting, business reports, financial documents and consolidated financial documents has been submitted to the shareholders, if the information is disclosed through internet in accordance with the provisions in the ordinance of Ministry of Justice.</u></p> <p>(Newly Established)</p> <p>Articles 26-27 (Text omitted)</p> <p>(General Meeting of Class Shareholders) Article 28 Unless otherwise provided for by laws and regulations or the Articles of Incorporation, the approval of resolutions of a General Meeting of Class Shareholders requires a majority of the votes of the attending shareholders who are entitled to exercise their voting rights.</p>	<p>Chapter 4. Shareholders Meetings (Convocation)</p> <p>Article 22 (No changes)</p> <p><u>(2) Shareholders Meetings of the Company may be called as Shareholders Meetings for which no venue is specified.</u></p> <p>Articles 23-24 (No changes)</p> <p>(Deleted)</p> <p><u>(Electronic Provision Measure of Reference Documents for the Shareholders Meeting)</u> <u>Article 25</u> <u>The Company shall, when calling a Shareholders Meeting, take the electronic provision measure for information included in the reference documents for the Shareholders Meeting.</u> <u>(2) Among the matters subject to the electronic provision measure, the Company shall not be required to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it.</u></p> <p>Articles 26-27 (No changes)</p> <p>(General Meeting of Class Shareholders) Article 28 (No changes)</p>

Existing Articles	Proposed Changes
<p>(2) The resolutions provided in Paragraph 2, Article 324 of the Companies Act shall be made by two thirds or more of the votes of shareholders present at the Shareholders Meeting where the shareholders holding one third or more of the voting rights of shareholders entitled to exercise their votes at such meeting are present.</p> <p>(3) The provisions of Article 23 are also applicable to a General Meeting of Class Shareholders held on the same day as a General Meeting of Shareholders.</p> <p>(4) The provisions of Articles 24, 25 and 27 also apply to a General Meeting of Class Shareholders.</p> <p>Chapter 5. Directors and Board of Directors Articles 29-38 (Text omitted)</p> <p>Chapter 6. Audit & Supervisory Board Members and Audit & Supervisory Board Articles 39-47 (Text omitted)</p> <p>Chapter 7. Accounting Auditors Articles 48-50 (Text omitted)</p> <p>Chapter 8. Accounting Articles 51-54 (Text omitted)</p> <p>(Newly Established)</p>	<p>(2) (No changes)</p> <p>(3) (No changes)</p> <p>(4) The provisions of <u>Paragraph 2, Article 22, and Articles 24, 25 and 27</u> also apply to a General Meeting of Class Shareholders.</p> <p>Chapter 5. Directors and Board of Directors Articles 29-38 (No changes)</p> <p>Chapter 6. Audit & Supervisory Board Members and Audit & Supervisory Board Articles 39-47 (No changes)</p> <p>Chapter 7. Accounting Auditors Articles 48-50 (No changes)</p> <p>Chapter 8. Accounting Articles 51-54 (No changes)</p> <p><u>Supplementary Provisions</u> <u>(Effective Date, etc. of Changes Concerning Venue of Shareholders Meeting)</u></p> <p><u>1. The establishment of Paragraph 2, Article 22 and the change to Paragraph 4, Article 28 shall come into effect on the condition that the Minister of Economy, Trade and Industry and the Minister of Justice confirm that such establishment and change fall under the requirements stipulated by the ministerial ordinances of the Ministry of Economy, Trade and Industry and the Ministry of Justice in accordance with the Industrial Competitiveness Enhancement Act (Act No. 98 of 2013) that was amended based on the Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts (Act No. 70 of 2021). Such establishment and change shall take effect on the date that the Company receives the aforementioned confirmation.</u></p> <p><u>(Effective Date of and Transitional Measures for Provisions Concerning Electronic Provision of Reference Documents for Shareholders Meeting)</u></p> <p><u>2. The deletion of the provisions of Article 25 of the existing Articles of Incorporation and the new</u></p>

Existing Articles	Proposed Changes
	<p><u>establishment of the provisions of Article 25 shall come into effect as from September 1, 2022, which is the date of enforcement of the amended provisions stipulated in the supplementary provision of Article 1 of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as “the Date of Enforcement”).</u></p> <p><u>(2) The provisions of Article 25 of the existing Articles of Incorporation shall remain in force after the Date of Enforcement with respect to a Shareholders Meeting to be held on a date within six (6) months from the Date of Enforcement.</u></p> <p><u>(Deletion of Supplementary Provisions)</u></p> <p><u>3. The provisions of Paragraph 1 of the supplementary provisions shall be deleted on the day following its effective date stipulated in the said paragraph. The provisions of Paragraph 2 of the supplementary provisions shall be deleted on the later of either the day on which six (6) months elapse from the Date of Enforcement or the day on which three (3) months elapse from the day of the Shareholders Meeting set forth in item (2) of the preceding paragraph. The provisions of this Paragraph shall be deleted on the day on which both Paragraph 1 and Paragraph 2 of the supplementary provisions are deleted.</u></p>

Proposal No. 2: Election of Three Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members Makoto Suzuki and Akiyoshi Kaneko will expire, and Audit & Supervisory Board Member Chihiro Shibahara will resign from the office at the conclusion of this Annual Shareholders Meeting. Accordingly, shareholders are asked to approve the election of the following three candidates for Audit & Supervisory Board Member.

Please note that shareholders are asked to approve the election of Mr. Yutaka Yazawa, a candidate for Audit & Supervisory Board Member, as a substitute for Audit & Supervisory Board Member Chihiro Shibahara. His term of office as a substitute Audit & Supervisory Board Member shall continue until the time of the expiration of the term of office of the retiring Audit & Supervisory Board Member pursuant to the provisions of the Articles of Incorporation of the Company. This proposal has obtained the consent of the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Member are as follows:

No.	Name (Date of birth)	Brief career history, positions, responsibilities and significant concurrent positions		Number of the Company shares held
1	*Yutaka Yazawa (Feb. 14, 1970)	Sep. 1994	Joined Chambers of David Steel QC	-
		Aug. 2000	Joined Lehman Brothers Japan Inc.	
		Jul. 2002	Joined TMI Associates	
		Aug. 2003	Joined Maples & Calder	
		Mar. 2007	Joined AllianceBernstein Japan Ltd.	
		Dec. 2008	Established Foundation Advisers Limited as Representative Director	
		Mar. 2012	Joined Clifford Chance Representative Director of AIMA (Alternative Investment Management Association) Japan	
		Jun. 2014	Acting Legal Director of Invesco Asset Management (Japan) Limited	
		Aug. 2015	Advisor of OPTIMUS Group Company Limited (current)	
		Apr. 2021	Advisor of Riamwind Co., Ltd. (current)	
		Sep. 2021	Director of Non-Profit Organization Unleash Potential (current)	
		Dec. 2021	Director of CISV Japan (current)	

No.	Name (Date of birth)	Brief career history, positions and significant concurrent positions	Number of the Company shares held
2	Makoto Suzuki (Apr. 21, 1966)	Nov. 1991 Registered as a junior accountant Nov. 1991 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Aug. 1995 Registered as a certified public accountant Nov. 2003 Registered as a certified tax accountant Apr. 2004 Established Suzuki Makoto CPA and Tax Accounting Firm as President (current) Jun. 2004 Outside Auditor of ValueCommerce Co., Ltd. Apr. 2005 Representative Director of Max Accounting Co., Ltd. (current) Sep. 2007 Member of the Tax Policy Steering Committee for the Japanese Institute of Certified Public Accountants (current) Jun. 2015 Outside Audit & Supervisory Board Member of the Company (current) Mar. 2017 Outside Director, Audit and Supervisory Committee Member of ValueCommerce Co., Ltd. (current) Jun. 2019 Outside Auditor of SPANCRETE CORPORATION (current)	-
3	Akiyoshi Kaneko (Jun. 23, 1969)	Apr. 1993 Registered as a junior accountant Apr. 1993 Joined Chuo Coopers & Lybrand Consulting (currently IBM Japan, Ltd.) Apr. 1997 Registered as a certified public accountant Feb. 2003 Joined Tokyo Hokuto & Co. (currently Gyosei & Co.) Jul. 2013 Representative Director of Gyosei Management Consulting Co., Ltd. (currently Gyosei Consulting Co.,Ltd.) Jul. 2015 Outside Auditor of Institute of Accelerator Analysis, Ltd. (current) Feb. 2017 Provisional Audit & Supervisory Board Member of the Company Jun. 2017 Outside Audit & Supervisory Board Member of the Company (current) Oct. 2018 Employee of Gyosei & Co. Aug. 2019 Member of the IT Support Committee for Small and Medium-sized Firms for the Japanese Institute of Certified Public Accountants (current) May 2021 Director of Gyosei Consulting Co.,Ltd. (current) Oct. 2021 Representative partner of Gyosei & Co. (current)	-

- Notes: 1. The No. with an asterisk (*) means a newly selected candidate for Audit & Supervisory Board Member.
2. No material conflict of interest exists between the Company and any of the above candidates for Audit & Supervisory Board Member.
3. Mr. Yutaka Yazawa, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko are candidates for Outside Audit & Supervisory Board Member.
4. Matters related to candidates for Outside Audit & Supervisory Board Member are as follows.
- (1) The Company proposes the election of Mr. Yutaka Yazawa as Outside Audit & Supervisory Board Member since he has a wealth of experience and expertise as a Barrister-at-Law (UK) to further strengthen management oversight function of the Company. If elected, he is expected to contribute to further strengthening management oversight function of the Company by drawing on his professional insight.

- (2) The Company proposes the election of Mr. Makoto Suzuki as Outside Audit & Supervisory Board Member since he has a wealth of experience as a certified public accountant and a tax accountant to further strengthen management oversight function of the Company. If elected, he is expected to contribute to further strengthening management oversight function of the Company by drawing on his professional insight. Mr. Makoto Suzuki has been in office as Outside Audit & Supervisory Board Member of the Company since June 2015 and, accordingly, their terms of office will be six years and nine months at the conclusion of this Annual Shareholders Meeting.
 - (3) The Company proposes the election of Mr. Akiyoshi Kaneko as Outside Audit & Supervisory Board Member since he has a wealth of experience as a certified public accountant to further strengthen management oversight function of the Company. If elected, he is expected to contribute to further strengthening management oversight function of the Company by drawing on his professional insight. Mr. Akiyoshi Kaneko was appointed a provisional Audit & Supervisory Board Member of the Company in February 2017 and was subsequently appointed an Outside Audit & Supervisory Board Member in June 2017. His term of office as an Outside Audit & Supervisory Board Member is four years and nine months at the conclusion of this Annual Shareholders Meeting and his term of office including time served as a provisional Audit & Supervisory Board Member is five years and one month.
 - (4) The Company has entered into a liability limitation agreement with Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko. 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 Audit & Supervisory Board Members conduct, in good faith and without gross negligence, their duties that have caused the liabilities. If this proposal is approved as originally proposed, the Company will continue a liability limitation agreement with them, and plans to enter into such liability limitation agreement with Mr. Yutaka Yazawa.
 - (5) The Company has registered Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko as Independent Directors as provided for the rules of the Tokyo Stock Exchange. If this proposal is approved as originally proposed, the Company plans to designate Mr. Makoto Suzuki, Mr. Akiyoshi Kaneko, and Mr. Yutaka Yazawa as Independent Directors.
5. The Company signed liability compensation contracts with current Audit & Supervisory Board Members 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. The overview of liability compensation contracts is as stated on page 22 of the Business Report. If the election of Mr. Yutaka Yazawa is approved, the Company plans to enter into such liability compensation contract with him.
 6. 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 this proposal is approved as originally proposed, Mr. Yutaka Yazawa will also be covered by such liability insurance agreement as an Audit & Supervisory Board Member. The overview of liability insurance agreements for executives is as stated on page 22 of the Business Report.

(Reference)

Directors and Audit & Supervisory Board Members upon approval of Proposal No. 2 and the Board Skill Matrix

Name	Positions and responsibilities at the Company		Experience and expertise									
			Management	Amusement Equipment Business	Integrated Resort Business	Governance	Legal compliance	Accounting and finance	Human resources	IT Technology R&D	Internationality	Sustainability
Jun Fujimoto	Representative Director and President	Domestic Business, CEO and CIO	•	•	•					•		
Hajime Tokuda	Director	Corporate Planning, Foreign Business	•		•	•		•			•	
Takako Okada	Director	Okada Museum, Foreign Business	•						•		•	•
Kenshi Asano	Director	Administrative Dept, Foreign Business (assistant), CFO						•	•			
Yoshio Otani	Director (Outside/Independent)					•	•					
Masayoshi Miyanaga	Director (Outside/Independent)		•			•	•	•			•	•
Yutaka Yazawa	Full-time Audit & Supervisory Board Member (Outside/Independent)		•			•	•				•	•
Makoto Suzuki	Audit & Supervisory Board Member (Outside/Independent)		•			•		•				
Akiyoshi Kaneko	Audit & Supervisory Board Member (Outside/Independent)						•	•		•		

- Notes:
1. The skills listed in the above table do not show all of the skills and expertise possessed by each Director and Audit & Supervisory Board Member.
 2. The appointment of full-time Audit & Supervisory Board Members will be determined at the meeting of the Audit & Supervisory Board held after the conclusion of this Annual Shareholders Meeting.

Business Report

(January 1, 2021 to December 31, 2021)

1. Current Status of the Corporate Group

(1) Results of Operations for the Fiscal Year Under Review (FY2021)

i. Progress and achievements

The COVID-19 pandemic that started early in 2020 continued to severely impact the Japanese economy during 2021. There was a brief recovery backed by progress with vaccinations and government measures to support the economy. However, the outlook for the economy remains uncertain because of another wave of infections caused by the Omicron variant, the global semiconductor shortage and other problems.

In the Amusement Equipments Business, the number of Pachislot and Pachinko machines supplied remained low as people were reluctant to visit pachinko halls because of declarations of states of emergency and other government pandemic safety measures. The extension of transitional measures concerning the removal of machines that comply with previous regulations also held down sales of these machines. Sales activities during 2021 were based on the strategy of launching many major titles in the fourth quarter of 2021 and the first quarter of 2022. As a result, the number of units sold decreased from 139,152 in 2020 to 127,094 in 2021. In the Integrated Resort Business, operations continued in stages while complying with flexibility with the Philippine Government's regulations and mitigation of COVID-19 countermeasures. Sales in this business increased 27.2% and, partly because of lower selling, general and administrative expenses, the operating loss was much smaller than in 2020.

As a result, sales in 2021 totaled 90,435 million yen, down 0.5% from 2020. Operating profit was 1,959 million yen (a decrease of 23.3% year on year), the ordinary loss was 2,508 million yen (compared with an ordinary loss of 9,249 million yen in 2020), and the net loss attributable to owners of parent was 19,052 million yen (compared with net loss attributable to owners of parent of 19,218 million yen in 2020).

Business segment performance was as follows.

Amusement Equipments Business

In 2021, the Amusement Equipments Business posted net sales of 54,186 million yen (a decrease of 12.3% year on year) and an operating profit of 13,311 million yen (a decrease of 34.7% year on year).

In the Amusement Equipments Business, expectations for the invigoration of this market increased due to the full-scale launch of category 6.1 machines with more game-playing characteristics. This is the result of the easing of voluntary restrictions concerning Pachislot machines. Despite these expectations, there was no recovery in the number of customers and the level of operations at pachinko halls because of declarations of states of emergency and other government pandemic safety measures during 2021 following a rebound in COVID-19 cases. Consequently, pachinko hall operators remained cautious about replacing existing machines with new titles. Furthermore, the deadline for removing machines based on old regulations was extended from the end of November 2021 to the end of January 2022 because of another wave of COVID-19 cases. Due to these actions, the demand at pachinko halls for new titles to replace existing machines complying with previous regulations has been lower than expected. Replacements have started with a large percentage of this activity taking place in the fourth quarter of 2021 and the first quarter of 2022.

During 2021, several major titles were released: (1) "SHIN HANABI," the latest addition to the popular HANABI Series; (2) "SLOT Puella Magi Madoka Magica The Movie Part 1: Beginnings / Part 2: Eternal," which is the official successor to "SLOT Puella Magi Madoka Magica," a title that was popular for a long time; and (3) "OKIDOKI! DUO," the newest member of the OKIDOKI! Series. The new OKIDOKI! title complies with the new 6.2 standards and features new gaming characteristics in conjunction with the easing of regulations. All of these titles ranked among the best-selling Pachislot titles of 2021. Furthermore, Universal Entertainment ranked among Japan's leading Pachislot machine suppliers in 2021 in terms of the total number of units sold.

Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 35,234 million yen (an increase of 27.2% year on year) and an operating loss of 1,865 million yen (compared with an operating loss of 9,034 million yen in 2020) in 2021. Adjusted

segment EBITDA⁽²⁾ in the Integrated Resort Business was 5,328 million yen in 2021, an increase of 7,981 million yen from a loss of 2,652 million yen in 2020.

At OKADA MANILA, an integrated casino resort owned and operated by the Universal Entertainment Group, operations have remained in response to the Philippine Government's regulations and mitigation of COVID-19 countermeasures. The Government imposed quarantine restrictions classified into the following (from most restrictive to least restrictive): (a) Enhanced Community Quarantine or ECQ; (b) Modified Enhanced Community Quarantine or MECQ; (c) General Community Quarantine or GCQ; and (d) Modified General Community Quarantine or MGCQ. From January to March 2021, Metro Manila was placed under GCQ. However, due to the global spread of the Delta strain of coronavirus, Metro Manila was placed under the more restrictive ECQ and MECQ in April and May 2021. It was then relaxed to GCQ, but was reclassified to ECQ in August 2021 due to an increase in the number of confirmed cases of COVID-19 in the Philippines.

The alert level in Metro Manila was then relaxed to 2 on November 5, 2021, due to progress with vaccinations strongly promoted by the government and the declining number of confirmed cases. Under Level 2: (1) Casino operations are allowed up to 90% of venue capacity. (2) Dine-in is allowed at restaurants for up to 80%, and outdoor dine-in is allowed up to 100% of venue capacity. (3) Accommodation of general guests at the hotel is fully resumed.

In the midst of these shifting quarantine policies, the construction division continued its work, leading to the completion of Tower B with 479 rooms, including 467 rooms and 12 tower villas, at the end of November 2021, before Christmas. The Sky Lounge on the 19th floor, Executive Lounge on the 15th floor, All Day Dining on the 3rd floor, and Function Room (meeting or party hall) were also completed at the end of November 2021, bringing the number of rooms sold during the Christmas season 2021 to exceed the 2019 figure.

(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 854 million yen (a decrease of 28.9% year on year) and an operating loss of 153 million yen (compared with an operating profit of 276 million yen in 2020) in 2021.

The Media Content Business started distributing to the App Store and Google Play the simulator apps of “SHIN HANABI” and “SLOT Puella Magi Madoka Magica The Movie Part 1: Beginnings / Part 2: Eternal.” Both apps were big hits, achieving first-place rankings in the number of sale downloads of apps in the game and casino category. “Universal Kingdom,” a membership website with a monthly fee, added four Android titles, raising the total to 40. This website started offering iOS games in March 2021 with four titles and has subsequently raised this lineup to eight titles. The “Slots Street” social casino game, where basic play is available at no charge, added six video slot games with designs based on Pachislot machines. This raised the lineup of games to 50. The number of members was more than 1.25 million in October 2021, which was the fourth anniversary of the launch of “Slots Street.” Both “Universal Kingdom” and “Slots Street” plan to continue adding new titles in order to attract new users and raise the satisfaction of all users.

Sales Composition of the Group

(Millions of yen)

Business Segment	2020	2021	Change	% Change
Amusement Equipments Business	61,792	54,186	(7,605)	(12.3)%
Integrated Resort Business	27,699	35,234	7,535	27.2%
Others	1,200	854	(346)	(28.9)%
Total	90,693	90,276	(417)	(0.5)%

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 7,500 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 15,800 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	2018	2019	2020	2021
Net sales	93,267	124,944	90,871	90,435
Ordinary profit (loss)	67,232	(7,941)	(9,249)	(2,508)
Profit (loss) attributable to owners of parent	161,168	(5,191)	(19,218)	(19,052)
Net income (loss) per share (Yen)	2,037.75	(66.18)	(247.60)	(245.88)
Total assets	510,677	573,238	568,502	572,381
Net assets	375,063	371,834	357,577	338,919

(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 2,711,001 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

The amusement machine industry remained challenged by the severe operating environment, where the number of customers and operating rates of Pachinko halls decreased due to the impact of the spread of COVID-19 infections. Moreover, as the deadline for removing amusement machines complying with previous regulations, which had supported the operations of Pachinko halls, came at the end of January 2022, the entire market shifted its focus toward machines complying with new regulations. Consequently, Pachinko hall operators became more cautious about replacing existing machines with new titles, resulting in demand for Pachislot and Pachinko machine manufacturers to develop and sell more appealing amusement machines that make a bigger contribution to the operations of Pachinko halls. The Company will continue to supply amusement machines that make a big contribution to the operations of Pachinko halls through developing unique and appealing titles and leveraging its manufacturing capabilities, and thereby will strive to increase its share in the Pachislot and Pachinko market by utilizing the Company's competitive advantages while invigorating such market through machines delivered by us that boast a significant contribution to the Pachinko hall operations.

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. 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, 2021)

	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, 2021)

i. Universal Entertainment

- Head Office (Koto-ku, Tokyo)

- Business Place

Name	Locatoion	Name	Location
Hokkaido Sales Office	Sapporo-shi, Hokkaido	Nagoya Sales Office	Nagoya-shi, Aichi
Morioka Sales Office	Morioka-shi, Iwate	Kanazawa Sales Office	Kanazawa-shi, Ishikawa
Sendai Sales Office	Sendai-shi, Miyagi	Osaka Sales Office	Osaka-shi, Osaka
Kitakanto Sales Office	Utsunomiya-shi, Tochigi	Kobe Sales Office	Kobe-shi, Hyogo
Niigata Sales Office	Niigata-shi, Niigata	Okayama Sales Office	Okayama-shi, Okayama
Nagano Sales Office	Nagano-shi, Nagano	Hiroshima Sales Office	Hiroshima-shi, Hiroshima
Saitama Sales Office	Saitama-shi, Saitama	Shikoku Sales Office	Matsuyama-shi, Ehime
Tokyo Sales Office	Koto-ku, Tokyo	Kyushu Sales Office	Fukuoka-shi, Fukuoka
Yokohama Sales Office	Yokohama-shi, Kanagawa	Minami-kyushu Sales Office	Kagoshima-shi, Kagoshima
Shizuoka Sales Office	Shizuoka-shi, Shizuoka		

- Factories

Name	Locatoion	Name	Location
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, 2021)

i. Status of employees of the Group

Business Segment	Number of employees	Year-on-year change
Amusement Equipments Business	792	Decrease of 11
Integrated Resort Business	5,396	Decrease of 357
Others	37	Increase of 3
Corporate (common)	183	Decrease of 2
Total	6,408	Decrease of 367

Note: Number of employees does not include directors/audit & supervisory board members, contract employees, temporary employees and part-time workers.

ii. Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years employed
990	Decrease of 8	42 years and 6 months	11 years and 0 months

Note: Number of employees does not include directors/audit & supervisory board members, contract employees, temporary employees and part-time workers.

(8) Status of Principal Lenders (as of December 31, 2021)

Lender	Amount (Millions of yen)
Asia United Bank Corporation	13,542
BDO UNIBANK, INC.	5,750

(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. On September 14, 2021, the Supreme Court of Japan handed down the decisions including the dismissal of Mr. Okada's final appeal, thereby the Universal Entertainment Group has won the case. The Universal Entertainment Group has filed a civil action against Mr. Okada for fraudulent activity also in Hong Kong and South Korea.

Regarding alleged criminal activity, the Universal Entertainment Group has filed criminal accusations and complaints with the authorities in Hong Kong, South Korea and the Philippines.

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, 2021)

- i. Total number of authorized shares 324,820,000 shares
- ii. Total number of issued shares 80,195,000 shares (including 2,711,001 treasury shares)
- iii. Number of shareholders 11,860 (a decrease of 750 from the end of 2020)

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 & CO.REG	1,322	1.70
GOLDMAN, SACHS INTERNATIONAL	1,312	1.69
JPLLC CLIENT ASSETS-SKJ	1,282	1.65
BARCLAYS CAPITAL INC A/C CLIENT SAFE CUSTODY	994	1.28
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	736	0.95
JPLLC-CL JPY	703	0.90
Jun Fujimoto	658	0.84

- Notes: 1. The Company holds 2,711,001 treasury shares, which is excluded from the above table of major shareholders.
2. Shareholding ratio is calculated after deducting 2,711,001 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)	2,900	
Type and number of stock subject to share acquisition rights	Common stock: 290,000 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 the share acquisition rights	446,300 yen per share acquisition right (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: 400 • Number of shares to be issued for share acquisition rights: 40,000 • Number of directors who hold share acquisition rights: 2

- 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, 2021)

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 (assistant), CFO Director, TIGER RESORT, LEISURE AND ENTERTAINMENT, INC. Director, Tiger Resort Asia Limited Director, Brontia Limited
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	Makoto Suzuki	President, Suzuki Makoto CPA and Tax Accounting Firm
Audit & Supervisory Board Member	Akiyoshi Kaneko	Representative partner, Gyosei & Co. Director, Gyosei Consulting Co., Ltd.

Notes: 1. Mr. Yoshio Otani and Mr. Masayoshi Miyanaga are Outside Directors as defined by Paragraph 15, Article 2 of the Companies Act.
2. 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. 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. Yoshio Otani and Mr. Masayoshi Miyanaga as Independent Directors, and 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, resigned from his position at the conclusion of the 48th Annual Shareholders Meeting to be held on March 30, 2021.
6. Ms. Chihiro Shibahara, an Audit & Supervisory Board Member, is scheduled to retire from her position due to resignation at the conclusion of the 49th Annual Shareholders Meeting to be held on March 30, 2022.

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. Overview of Liability Compensation Contracts

The Company signed liability compensation contracts as prescribed in Article 430-2-1 of the Companies Act with Directors Jun Fujimoto, Hajime Tokuda, Takako Okada, Kenshi Asano, Yoshio Otani, and Masayoshi Miyanaga, as well as with Audit & Supervisory Board Members Chihiro Shibahara, Makoto Suzuki, and Akiyoshi Kaneko, and thereby shall compensate for expenses prescribed in Article 430-2-1-1 of the said Act and losses prescribed in Article 430-2-1-2 of the said Act within the limits prescribed by laws and regulations. In order to ensure that the said contracts do not impair the appropriateness of the execution of duties by Directors and Audit & Supervisory Board Members of the Company, the said contracts stipulate, among others, that the Company shall not be obligated to compensate each of Directors and Audit & Supervisory Board Members for the expenses incurred in the event that the Company makes a claim seeking liability against a Director or an Audit & Supervisory Board Member (excluding cases of shareholder derivative suits), or the expenses incurred in the event that a Director or an Audit & Supervisory Board Member has acted in bad faith or gross negligence in performing their duties.

iv. Overview of Liability Insurance Agreements for Executives

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 provide coverage for Directors, Audit & Supervisory Board Members, and Executive Officers, which are renewed annually. The Company plans to renew such agreements under the same terms and conditions at the time of its next renewal. 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.

In order to ensure that the said agreements do not impair the appropriateness of the execution of duties by a Director or other individual covered by this policy, there are exclusions in the insurance policies such as those that eliminate coverage for the following claims for damages.

- Claims for damages arising from illegal acts of the insured to obtain personal gain or advantage
- Claims for damages arising from criminal acts of the insured
- Claims for damages arising from intentional violation of laws and regulations by the insured

v. 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, etc. by category			Amount of remuneration
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (o/w, Outside Directors)	7 (3)	882 million yen (44 million yen)	- (-)	- (-)	882 million yen (44 million yen)
Audit & Supervisory Board Members (o/w, Outside Audit & Supervisory Board Members)	4 (3)	38 million yen (14 million yen)	- (-)	- (-)	38 million yen (14 million yen)
Total	11	920 million yen	-	-	920 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 number of Directors at the conclusion of the said Annual Shareholders Meeting was seven (including two 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. The number of Audit & Supervisory Board Member at the conclusion of the said Annual Shareholders Meeting was one.
 4. The number of Directors as of December 31, 2021 was six (including two Outside Directors), which is different from the number of Directors described in the above table because such Directors include one Outside Director who retired at the conclusion of the 48th Annual Shareholders Meeting held on March 30, 2021.
 5. The number of Audit & Supervisory Board Members as of December 31, 2021 is three (including two outside Audit & Supervisory Board Members), which is different from the number of Audit & Supervisory Board Members described in the above table because such Audit & Supervisory Board Members include one Outside Audit & Supervisory Board Member who resigned at the conclusion of the 48th Annual Shareholders Meeting held on March 30, 2021.

vi. Policy to determine remuneration, etc. for individual Directors and Audit & Supervisory Board Members

On March 16, 2021, the Company's Board of Directors approved a resolution on policy for determining the details of remuneration, etc. for individual directors. A summary of this policy is as follows.

Remuneration for Directors is solely a fixed monthly cash payment that is within the limit approved by shareholders. The monthly payments consist of a basic payment and a performance-linked payment that is determined in accordance with results of operations in the previous fiscal year and other items.

The basic payment is an amount obtained by multiplying the previous year's basic payment by a coefficient determined by reflecting the individual's roles, responsibilities and other items or is an amount determined separately by the Board of Directors. The performance-linked payment is determined by multiplying consolidated ordinary profit in the previous fiscal year by a coefficient that reflects each individual's roles, responsibilities and other items.

The ratio of the basic payment and performance-linked payment for the remuneration of each director is determined by the Board of Directors based on the individual's roles, responsibilities and other items. The Board of Directors determines the coefficients for calculating the basic payment and performance-linked payment. (For the basic payment, the coefficient includes the amount when the payment is determined separately.) Then the Representative Director and President is entrusted with performing the calculations to determine remuneration. The Representative Director and President has the authority to determine remuneration for individual Directors, within the limit established by shareholders, by using the coefficients established by the Board of Directors and other factors in accordance with the basic policy established by the Board of Directors.

The specific calculation of remuneration, etc. for each individual director is considered more appropriate to be decided by the representative director who is in charge of business execution, rather than deliberated and decided by the Board of Directors. Therefore, the Board of Directors, after determining the coefficients, etc., in accordance with the above determination policy, delegated to Jun Fujimoto, Representative Director and President (Domestic Business, CEO and CIO) the determination of individual director remuneration for the current fiscal year, and he has determined the remuneration. The Board of Directors has confirmed that the method of determination and the details of remuneration, etc. determined for each individual director for the current fiscal year are consistent with the above determination policy.

Remuneration for Audit & Supervisory Board Members is determined by discussions held by these members and within the limit approved by shareholders.

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

There is no applicable information.

viii. Matters Concerning the Company's Outside Board Members (as of December 31, 2021)

i) Status of concurrently serving Outside Directors

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

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

Name	Position	Principal activities and overview of duties performed in relation to the expected roles of Outside Director
Yoshio Otani	Director	He attended all 14 meetings of the Board of Directors held during 2021, and made statements mainly from his professional perspective as an attorney. Besides attending such meetings, he held meetings to exchange opinions among Independent Directors and shared the results with executive directors by providing advice and supervision on them. Accordingly, he adequately fulfilled the expected roles and responsibilities of Outside Director.
Masayoshi Miyanaga	Director	He attended all 14 meetings of the Board of Directors held during 2021, and made statements mainly from his expert perspective in business administration and corporate finance. Besides attending such meetings, he held meetings to exchange opinions among Independent Directors and shared the results with executive directors by providing advice and supervision on them. Moreover, he contributed to improving the Corporate Governance Report of the Company by proactively giving advice on its content. Accordingly, he adequately fulfilled the expected roles and responsibilities of Outside Director.
Makoto Suzuki	Audit & Supervisory Board Member	He attended all 14 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during 2021, and made statements mainly from his professional perspective as a certified public accountant.
Akiyoshi Kaneko	Audit & Supervisory Board Member	He attended 13 out of 14 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during 2021, 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 Company and its group companies shall make it a basic policy to eliminate any relationship with antisocial forces or groups that threaten the order and security of civil society by taking a firm stand against them. The Company shall state such basic policy in its Business Ethics Guidelines and employee work rules, etc. to ensure that all executives and employees of the Company and its group companies fully understand the said policy, as well as include clauses to eliminate such antisocial parties in contracts, etc. to be concluded

with the client companies, thereby establish a system to eliminate any relationship with such antisocial forces and groups.

- 2) The Company shall not respond to any unfair requests from antisocial forces and reject any relationship with such forces, while strengthening cooperation with external specialist agencies and professionals such as the police and attorneys, etc., thereby establish a system to eliminate antisocial forces.

11. Framework to Ensure the Credibility of Its Financial Reports

To ensure the credibility of its financial reporting and the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act, the Company shall establish and operate an internal control system for financial reporting chaired by Representative Director and President. Moreover, the Company assess the functional adequacy of such system on an ongoing basis and make corrections to it as necessary.

(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 2021 is as follows.

- i. The Board of Directors met 14 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 two Outside Directors who have no business interest in the Company attended all meetings. The Audit & Supervisory Board met 13 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 selected the evaluation of internal controls as a key monitoring item from the viewpoint of materiality when formulating the internal audit plan, and confirmed the maintenance and operation status of controls within the relevant organizations, including inventory evaluation.

Consolidated Balance Sheet

(As of December 31, 2021)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	77,743	Current liabilities	60,058
Cash and deposits	30,771	Notes and accounts payable-trade	8,245
Notes and accounts receivable-trade	11,177	Short-term borrowings	5,750
Securities	452	Current portion of long-term borrowings	3,594
Merchandise and finished goods	2,204	Accounts payable-other	10,212
Work in process	13,517	Accrued expenses	20,238
Raw materials and supplies	9,301	Income taxes payable	176
Other	12,735	Provision for bonuses	81
Allowance for doubtful accounts	(2,416)	Other	11,759
Non-current assets	493,732	Non-current liabilities	173,403
Property, plant and equipment	428,355	Bonds	90,318
Buildings and structures	279,943	Long-term borrowings	9,948
Machinery, equipment and vehicles	21,973	Retirement benefit liability	230
Leased assets	54,727	Long-term deposits received from subsidiaries and associates	5,750
Land	7,245	Lease obligations	62,225
Construction in progress	58,486	Deferred tax liabilities	1,861
Other	5,979	Other	3,069
Intangible assets	1,005	Total liabilities	233,461
Other	1,005	Net assets	
Investments and other assets	64,372	Shareholders' equity	339,036
Investment securities	18,520	Share capital	98
Long-term deposits	7,110	Capital surplus	18,829
Long-term deposits for subsidiaries and associates	27,909	Retained earnings	327,426
Deferred tax assets	4,188	Treasury shares	(7,317)
Other	8,336	Accumulated other comprehensive income	(174)
Allowance for doubtful accounts	(1,692)	Valuation difference on available-for-sale securities	26
Deferred assets	905	Foreign currency translation adjustment	(282)
		Remeasurements of defined benefit plans	81
		Share acquisition rights	58
		Total net assets	338,919
Total assets	572,381	Total liabilities and net assets	572,381

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

Consolidated Statement of Income

(January 1, 2021 to December 31, 2021)

(Million yen)

Item	Amount	
Net sales		90,435
Cost of sales		43,898
Gross profit		46,536
Selling, general and administrative expenses		44,576
Operating profit		1,959
Non-operating income		
Interest income	108	
Dividend income	7	
Foreign exchange gains	5,625	
Share of profit of entities accounted for using equity method	1,548	
Other	126	7,417
Non-operating expenses		
Interest expenses	4,500	
Interest on bonds	6,043	
Commission expenses	12	
Provision of allowance for doubtful accounts	1,056	
Other	272	11,885
Ordinary loss		(2,508)
Extraordinary income		
Gain on sales of non-current assets	31	31
Extraordinary losses		
Loss on sales and retirement of non-current assets	4,035	
Loss on valuation of shares of subsidiaries and associates	117	
Non-recurring loss	8,150	
Other	185	12,488
Loss before income taxes		(14,966)
Income taxes-current	169	
Income taxes-deferred	3,916	4,085
Loss		(19,052)
Loss attributable to owners of parent		(19,052)

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

Consolidated Statement of Changes in Equity

(January 1, 2021 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	98	18,829	346,478	(7,317)	358,088
Changes during period					
Loss attributable to owners of parent			(19,052)		(19,052)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(19,052)	(0)	(19,052)
Balance at end of period	98	18,829	327,426	(7,317)	339,036

	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	(27)	(631)	88	(569)	58	357,577
Changes during period						
Loss attributable to owners of parent						(19,052)
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	53	348	(7)	394	-	394
Total changes during period	53	348	(7)	394	-	(18,657)
Balance at end of period	26	(282)	81	(174)	58	338,919

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

Non-consolidated Balance Sheet

(As of December 31, 2021)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	56,822	Current liabilities	20,625
Cash and deposits	12,586	Notes payable-trade	3,638
Notes receivable-trade	3,350	Accounts payable-trade	4,634
Accounts receivable-trade	5,340	Short-term borrowings	6,450
Merchandise and finished goods	806	Accounts payable-other	1,788
Work in process	13,517	Accrued expenses	1,095
Raw materials and supplies	9,182	Income taxes payable	40
Advance payments-trade	5,960	Provision for bonuses	79
Prepaid expenses	568	Other	2,899
Short-term loans receivable	4,321	Non-current liabilities	103,307
Other	1,202	Bonds	90,318
Allowance for doubtful accounts	(13)	Long-term lease obligations	362
Non-current assets	423,718	Long-term deposits received from subsidiaries and associates	7,843
Property, plant and equipment	19,583	Deferred tax liabilities	1,861
Buildings	8,023	Asset retirement obligations	405
Structures	483	Other	2,516
Machinery and equipment	1,230	Total liabilities	123,932
Leased assets	230	Net assets	
Tools, furniture and fixtures	3,693	Shareholders' equity	357,486
Land	5,906	Share capital	98
Other	15	Capital surplus	20,261
Intangible assets	323	Legal capital surplus	7,503
Software	242	Other capital surplus	12,758
Other	80	Retained earnings	344,444
Investments and other assets	403,811	Legal retained earnings	861
Investment securities	91	Other retained earnings	343,583
Shares of subsidiaries and associates	225,100	General reserve	90,000
Long-term advances paid to subsidiaries and associates	151,320	Retained earnings brought forward	253,583
Long-term deposits	2,891	Treasury shares	(7,317)
Long-term deposits for subsidiaries and associates	13,540	Valuation and translation adjustments	(31)
Other	12,123	Valuation difference on available-for-sale securities	(31)
Allowance for doubtful accounts	(1,256)	Share acquisition rights	58
Deferred assets	905	Total net assets	357,514
Total assets	481,446	Total liabilities and net assets	481,446

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

Non-consolidated Statement of Income

(January 1, 2021 to December 31, 2021)

(Million yen)

Item	Amount	
Net sales		56,037
Cost of sales		31,847
Gross profit		24,189
Selling, general and administrative expenses		21,040
Operating profit		3,149
Non-operating income		
Interest income	98	
Dividend income	5	
Foreign exchange gains	6,983	
Other	91	7,178
Non-operating expenses		
Interest expenses	169	
Interest expenses on bonds	7,554	
Amortization of bond issuance costs	308	
Commission expenses	12	
Provision of allowance for doubtful accounts	1,070	
Other	1	9,116
Ordinary profit		1,211
Extraordinary income		
Gain on sales of investment securities	69	69
Extraordinary losses		
Loss on sales and retirement of non-current assets	705	
Loss on valuation of shares of subsidiaries and associates	117	
Other	1	825
Profit before income taxes		456
Income taxes-current	40	
Income taxes-deferred	1,834	1,874
Loss		(1,417)

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

Non-consolidated Statement of Changes in Equity

(January 1, 2021 to December 31, 2021)

(Million yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	98	7,503	12,758	20,261	861	90,000	255,000	345,862
Changes during period								
Loss							(1,417)	(1,417)
Purchase of treasury shares								-
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	-	-	(1,417)	(1,417)
Balance at end of period	98	7,503	12,758	20,261	861	90,000	253,583	344,444

	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	(7,317)	358,905	(27)	(27)	58	358,936
Changes during period						
Loss		(1,417)				(1,417)
Purchase of treasury shares	(0)	(0)				(0)
Net changes in items other than shareholders' equity			(4)	(4)	-	(4)
Total changes during period	(0)	(1,418)	(4)	(4)	-	(1,422)
Balance at end of period	(7,317)	357,486	(31)	(31)	58	357,514

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

Audit Report by Independent Auditor

February 28, 2022

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, 2021 through December 31, 2021.

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, 2021 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 28, 2022

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 49th fiscal year from January 1, 2021 through December 31, 2021.

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, 2021 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 49th fiscal year from January 1, 2021 through December 31, 2021, 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 2021 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 2021. 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 examinations 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 28, 2022

Audit & Supervisory Board, Universal Entertainment Corporation

Full-time Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member
Outside Audit & Supervisory Board Member

Chihiro Shibahara
Makoto Suzuki
Akiyoshi Kaneko

End