

This is an English translation of the official announcement in Japanese that was released on May 12, 2023. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



**Summary of Financial Data and Business Results for
the First Quarter of the Fiscal Year Ending December 31, 2023
(JP GAAP, Consolidated)**

May 12, 2023

Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

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

Representative: (Name) Jun Fujimoto (Title) Representative Director and President, CEO and CIO

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

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Scheduled Submission Date of Quarterly Report: May 12, 2023

Scheduled Commencement Date of Dividend Payment: -

Supplementary Briefing Materials for Quarterly Settlement of Accounts: Yes

Briefing on Quarterly Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

1. Consolidated Business Results for the First Quarter of 2023 (Period from January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results

(Percentages refer to changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1st Quarter of 2023	35,502	28.0	4,760	104.7	3,159	(71.0)	2,946	(64.8)
1st Quarter of 2022	27,735	89.1	2,325	-	10,906	-	8,362	-

(Note) Comprehensive income

1st Quarter of 2023: 10,714 million yen (down 21.3%)

1st Quarter of 2022: 13,616 million yen (up 314.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1st Quarter of 2023	38.02	38.02
1st Quarter of 2022	107.92	107.91

(2) Consolidated Financial Status

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of March 31, 2023	600,972	360,030	59.9	4,645.76
As of December 31, 2022	596,177	349,315	58.6	4,507.48

(Reference) Shareholders' equity

As of March 31, 2023: 359,971 million yen

As of December 31, 2022: 349,257 million yen

2. Status of Dividends

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Fiscal Year	Total
	Yen	Yen	Yen	Yen	Yen
2022	-	0.00	-	0.00	0.00
2023	-	-	-	-	-
2023 (Forecast)	-	-	-	-	-

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

The dividend forecast for 2023 is to be determined.

3. Consolidated Business Results Forecast for 2023 (Period from January 1, 2023 to December 31, 2023)

(Percentages refer to changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	Yen
Full Fiscal Year	180,000	27.7	23,500	94.5	25,700	84.5	20,000	73.8
								258.11

(Note) Revision from the business forecasts most recently announced: None

* Matters of Note

- (1) Changes in material subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
- (2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates and/or restatements
- 1) Changes in accounting policies accompanying revision of accounting standards, etc. : None
 - 2) Changes in accounting policies other than 1) : None
 - 3) Changes in accounting estimates : None
 - 4) Restatements : None
- (4) Number of outstanding shares (common stock)
- 1) Shares issued at end of fiscal period (including treasury shares)
 - As of March 31, 2023: 80,195,000 shares
 - As of December 31, 2022: 80,195,000 shares
 - 2) Number of treasury shares at end of fiscal period
 - As of March 31, 2023: 2,711,046 shares
 - As of December 31, 2022: 2,711,046 shares
 - 3) Average number of shares during fiscal period
 - 1st Quarter of 2023: 77,483,954 shares
 - 1st Quarter of 2022: 77,483,999 shares

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

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

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

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1. Qualitative Information Pertaining to Quarterly Settlement of Accounts

(1) Explanation of Operating Results

(Million yen)

First quarter of 2023	Net sales	Operating profit	Ordinary profit (loss)	Net income (loss) attributable to owners of parent
Non-consolidated	11,734	393	(1,264)	(1,484)
Consolidated	35,502	4,760	3,159	2,946

In the Amusement Equipments Business, the number of units sold decreased by 12,836 from one year earlier to 24,903 units. In the Integrated Resort Business, sales increased because of a big increase in the number of visitors due to more visitors from other countries, restaurants that are popular among residents of the Philippines and other reasons. The first quarter of 2022 includes a gain of 8,550 million yen on the cancelation of rental contracts and a foreign exchange gain of 4,097 million yen because of the yen's depreciation vs. the U.S. dollar. There was no large non-operating income in the first quarter of 2023.

As a result, sales in the first quarter of 2023 totaled 35,502 million yen, up 28.0% from the first quarter of 2022. Operating profit was 4,760 million yen, up 104.7% from the first quarter of 2022, ordinary profit was 3,159 million yen, down 71.0% from the first quarter of 2022, and net profit attributable to owners of parent was 2,946 million yen, down 64.8% from the first quarter of 2022. Business segment performance was as follows. Sales are prior to adjustments for inter-segment sales or transfers.

(i) Amusement Equipments Business

In the first quarter of 2023, the Amusement Equipments Business posted net sales of 11,145 million yen (a decrease of 31.4% year on year) and an operating profit of 3,102 million yen (a decrease of 41.3% year on year).

During the first quarter, the performance of Pachislot machines that comply with the new 6.5 standard and smart Pachislot machines continued to meet the expectations of pachinko hall operators as these machines made a big contribution to raising utilization rates. Replacements of machines at pachinko halls are shifting from primarily Pachinko machines to primarily Pachislot machines, resulting in a steady recovery of the Pachislot market following a prolonged slump.

Production and sales increased for "OKIDOKI! GOLD" and "PACHI SLOT Shin Onimusha 2," which are very popular and successful titles. In the Pachinko category, sales of two new titles started: "P Shin Basilisk: The Kouga Ninja Scrolls W 319ver." and "P BABEL 5000."

(ii) Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 24,117 million yen (an increase of 113.7% year on year) and an operating profit of 4,134 million yen (compared with an operating loss of 498 million yen in the in the same period of 2022) in the first quarter of 2023. Adjusted segment EBITDA⁽²⁾ in the Integrated Resort Business was 7,925 million yen in the first quarter of 2023 (an increase of 226.2% year on year).

At OKADA MANILA, an integrated 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. In the first quarter, there was a gradual increase in the number of visitors not only within the Philippines but also from other countries and business performance has remained strong. We have made progress in attracting popular restaurants in the Philippines, which has created synergy with restaurants directly operated by OKADA MANILA such as Red Spice and Kappou Imamura rather than competing with them, contributing to the increase in the number of guests visiting the resort.

As a result, adjusted segment EBITDA was very high in the first quarter as this business continues to recover and grow steadily following the downturn caused by the pandemic.

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

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

(iii) Other

Other Business posted net sales of 181 million yen (an increase of 1.4% year on year) and an operating profit of 158 million yen (compared with an operating loss of 27 million yen in the same period of 2022) in the first quarter of 2023.

The Media Content Business started distributing to the App Store and Google Play the simulator apps of “OKIDOK!! GOLD.” This app was big hits, achieving second-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, started distributing “HANABI ZEKKEI.” The “Slots Street” social casino game, where basic play is available at no charge, added a video slot game with designs based on Pachislot title “HANABI ZEKKEI.” This raised the lineup of games to 55. In the music distribution category, the album BABEL was provided by using major 24 websites, including Apple Music, Spotify and YouTube Music. All services are working on attracting new users and raising user satisfaction by increasing the number of compatible devices and songs.

(2) Explanation of Financial Status

Financial status for the first quarter of 2023 is as follows.

Total assets at the end of the first quarter of 2023 amounted to 600,972 million yen, an increase of 4,794 million yen over the end of 2022. There was an increase in non-current assets as the yen depreciated relative to the U.S. dollar. There were decreases in cash and deposits and notes and accounts receivable-trade.

Liabilities at the end of the first quarter of 2023 amounted to 240,941 million yen, a decrease of 5,919 million yen over the end of 2022. There was an increase in lease obligations due to the yen’s decline vs. the Philippine peso. There were decreases in repayments of long-term borrowings at consolidated subsidiaries, accounts payable-other and accrued expenses.

Net assets at the end of the first quarter of 2023 amounted to 360,030 million yen, an increase of 10,714 million yen over the end of 2022, which was mainly the result of increases of retained earnings due to net income attributable to owners of parent and foreign currency translation adjustment because of the yen depreciated against the Philippine peso.

As a result, the shareholders’ equity ratio was 59.9%.

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

(i) Amusement Equipments Business

The markets for Pachislot and Pachinko machines are expected to continue to grow. In the Pachislot sector, new machines complying with the new 6.5 standard and smart machines are popular among many categories of users. In the Pachinko sector, demand is increasing because of the full-scale launch of smart Pachinko machines that have an even broader range of game playing characteristics and for other reasons.

In the second quarter, deliveries are starting for “ANOTHER GOD HADES: TOKIHANATARESHI SOUGEKI ver.,” which complies with the new 6.5 standard and is the first GOD series Pachislot title based on standard 6. In addition, sales are starting for “SLOT MADE IN ABYSS,” a Pachislot title incorporating the worldview of the popular anime “Made in Abyss,” and the Pachinko title “P YAJIKITA DOCHUKI.” Interest at pachinko halls is high in all three titles and orders are strong.

Universal Entertainment will continue to work on developing unique and appealing titles. By creating and selling innovative and appealing machines, our goal is to play a role in energizing the entire amusement machine industry as we increase our share of this market.

(Reference) Number of Pachislot and Pachinko machines sold in 2023

	1st quarter	2nd quarter (orders received)	3rd quarter	4th quarter
No. of machines sold	24,903	50,000	To be determined	To be determined

(Note) See “Supplementary Information on the Results of Operations for the First Quarter of 2023”

(<https://www.universal-777.com/en/ir/library/result/>) for more details.

(ii) Integrated Resort Business

The recovery in the number of visitors from other countries is expected to continue in 2023 as the impact of the pandemic on travel and other activities declines. However, the Philippine Department of Tourism’s 2023 goal of about 4.8 million foreign tourists is well below the approximately 8.26 million foreign tourists who visited the Philippines in 2019.

To continue to attract an even broader range of local visitors in the gaming business, one priority is increasing the scale of online games that can be played within the Philippines. This includes measures to target gaming demand in areas of the Philippines other than Luzon Island, where Manila is located. To attract more foreign tourists, we are also conducting a large volume of marketing activities in Japan, South Korea, Thailand and other Asian countries. In the non-gaming business, we will continue to hold large-scale events using the Crystal Corridor to increase the number of visits to the resort.

Regarding the lifting of the Status Quo Ante Order (SQAQ) of the Supreme Court of the Philippines, our legal team in the Philippines is continuing to conduct legal procedures as needed and we are waiting for a final decision. We will make an appropriate announcement as soon as there are any developments.

(iii) Other

The Media Content Business will continue to distribute high-quality simulator applications and music. “Universal Kingdom,” which has a monthly fee, and “Slots Street” social casino game, where basic play is free, will continue to enlarge the lineup of content and improve services to increase user satisfaction.

(4) Forecast of Consolidated Business Results

The forecast for 2023 was revised on March 23, 2023. More information is in the press release “Notice of Posting of Non-Operating Income/Expenses and Revision of Business Results Forecast” that was announced on the same day. Non-operating income and non-operating expenses associated with the cancelation of rental contracts are expected to be recorded for the second quarter of 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	2022 (December 31, 2022)	The 1st Quarter of 2023 (March 31, 2023)
Assets		
Current assets		
Cash and deposits	35,895	33,993
Notes and accounts receivable-trade	9,707	5,663
Securities	2,179	2,264
Merchandise and finished goods	2,652	5,458
Work in process	14,328	14,641
Raw materials and supplies	10,644	12,239
Other	13,187	12,217
Allowance for doubtful accounts	(787)	(797)
Total current assets	87,807	85,682
Non-current assets		
Property, plant and equipment		
Buildings and structures	341,483	346,667
Construction in progress	6,212	6,215
Leased assets, net	49,363	50,443
Other	35,229	35,160
Total property, plant and equipment	432,289	438,487
Intangible assets		
Other	1,112	1,174
Total intangible assets	1,112	1,174
Investments and other assets		
Investment securities	16,265	17,083
Long-term deposits	8,179	8,237
Long-term deposits for subsidiaries and associates	32,189	32,394
Other	22,474	22,211
Allowance for doubtful accounts	(4,743)	(4,826)
Total investments and other assets	74,365	75,100
Total non-current assets	507,766	514,761
Deferred assets	603	528
Total assets	596,177	600,972

(Million yen)

	2022 (December 31, 2022)	The 1st Quarter of 2023 (March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,530	6,624
Current portion of long-term borrowings	7,299	7,611
Accounts payable-other	10,002	7,031
Accrued expenses	23,074	20,790
Income taxes payable	46	17
Provision for bonuses	80	280
Other	17,732	17,333
Total current liabilities	65,765	59,689
Non-current liabilities		
Bonds payable	104,585	105,337
Long-term borrowings	4,180	2,103
Retirement benefit liability	367	404
Long-term deposits received from subsidiaries and associates	6,635	6,677
Lease obligations	57,464	59,414
Other	7,862	7,315
Total non-current liabilities	181,096	181,252
Total liabilities	246,861	240,941
Net assets		
Shareholders' equity		
Share capital	98	98
Capital surplus	18,829	18,829
Retained earnings	338,932	341,879
Treasury shares	(7,317)	(7,317)
Total shareholders' equity	350,542	353,488
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16)	(28)
Foreign currency translation adjustment	(1,287)	6,491
Remeasurements of defined benefit plans	18	20
Total accumulated other comprehensive income	(1,285)	6,483
Share acquisition rights	58	58
Total net assets	349,315	360,030
Total liabilities and net assets	596,177	600,972

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

	(Million yen)	
	The Cumulative 1st Quarter of 2022 (January 1 to March 31, 2022)	The Cumulative 1st Quarter of 2023 (January 1 to March 31, 2023)
Net sales	27,735	35,502
Cost of sales	12,125	14,498
Gross profit	15,610	21,003
Selling, general and administrative expenses	13,284	16,243
Operating profit	2,325	4,760
Non-operating income		
Interest income	26	67
Dividend income	2	12
Foreign exchange gains	4,097	1,434
Share of profit of entities accounted for using equity method	-	536
Gain on cancellation of rental contracts	8,550	-
Other	1,826	54
Total non-operating income	14,503	2,105
Non-operating expenses		
Interest expenses	1,199	1,374
Interest on bonds	1,649	2,248
Commission expenses	2	4
Share of loss of entities accounted for using equity method	2,961	-
Other	110	78
Total non-operating expenses	5,922	3,706
Ordinary profit	10,906	3,159
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on liquidation of subsidiaries and associates	28	-
Other	2	-
Total extraordinary income	33	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	2
Non-recurring loss	818	-
Total extraordinary losses	818	2
Income before income taxes and others	10,120	3,158
Income taxes-current	227	2
Income taxes-deferred	1,531	210
Total income taxes	1,758	212
Net income	8,362	2,946
Net income attributable to non-controlling interests	-	-
Net income attributable to owners of parent	8,362	2,946

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

	(Million yen)	
	The Cumulative 1st Quarter of 2022 (January 1 to March 31, 2022)	The Cumulative 1st Quarter of 2023 (January 1 to March 31, 2023)
Net income	8,362	2,946
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(12)
Foreign currency translation adjustment	5,241	7,778
Remeasurements of defined benefit plans, net of tax	4	2
Total other comprehensive income	5,254	7,768
Comprehensive income	13,616	10,714
(Breakdown)		
Comprehensive income attributable to owners of parent	13,616	10,714
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

There is no applicable information.

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

There is no applicable information.

(Notes to Quarterly Consolidated Statement of Income)

(Non-recurring loss)

First Quarter of 2022 (January 1 to March 31, 2022)

TIGER RESORT, LEISURE AND ENTERTAINMENT, INC., a consolidated subsidiary of Universal Entertainment, has posted an extraordinary loss for fixed expenses (depreciation and other items) during the period that OKADA MANILA was closed in accordance with orders of the Philippine government and PAGCOR in order to prevent the spread of COVID-19.

First Quarter of 2023 (January 1 to March 31, 2023)

There is no applicable information.

(4) Additional Information

There is no applicable information.

(5) Material Subsequent Events

Consolidated subsidiary TIGER RESORT LEISURE AND ENTERTAINMENT, INC. decided to terminate part of a contract for leasing land from EAGLE I LANDHOLDINGS, INC., which is an equity-method affiliate of the Company. The contract for this termination was signed on March 20, 2023 and became effective on April 1, 2023.

The ordinary profit is expected to increase about 15.3 billion yen because of the inclusion of an extraordinary income/losses item in the income statement associated with this termination of the contract in the second quarter of 2023.