

This is an English translation of the official announcement in Japanese that was released on November 12, 2019. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



**Summary of Financial Data and Business Results for  
the Third Quarter of the Fiscal Year Ending December 31, 2019  
(JP GAAP, Consolidated)**

November 12, 2019  
Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

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

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

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Scheduled Submission Date of Quarterly Report: November 12, 2019

Scheduled Commencement Date of Dividend Payment: -

Supplementary Briefing Materials for Quarterly Settlement of Accounts: Yes

Briefing on Quarterly Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

**1. Consolidated Business Results for the Third Quarter of 2019 (Period from January 1, 2019 to September 30, 2019)**

**(1) Consolidated Operating Results**

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

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3rd Quarter of 2019	93,481	39.5	1,385	-	(6,461)	-	(5,736)	-
3rd Quarter of 2018	67,014	-	(14,479)	-	67,668	-	167,968	-

(Note) Comprehensive income

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

3rd Quarter of 2018: 150,604 million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3rd Quarter of 2019	(73.04)	-
3rd Quarter of 2018	2,124.82	2,120.74

(Notes) 1. In 2017, Universal Entertainment Corporation changed its fiscal year end to December 31. Comparisons with the previous fiscal year are not presented for the third quarter of 2018 since the periods are not comparative.

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

**(2) Consolidated Financial Status**

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of September 30, 2019	546,149	363,422	66.5	4,648.81
As of December 31, 2018	510,677	375,063	73.4	4,746.18

(Reference) Shareholders' equity

As of September 30, 2019: 363,347 million yen

As of December 31, 2018: 374,987 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
2018	-	0.00	-	50.00	50.00
2019	-	50.00	-	-	-
2019 (Forecast)	-	-	-	-	-

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

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

The year-end dividend for 2019 (forecast) is to be determined.

### 3. Consolidated Business Results Forecast for 2019 (Period from January 1, 2019 to December 31, 2019)

(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	160,000	71.6	20,000	-	27,000	(59.7)	26,000	(83.9)	329.08

(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. : Yes
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(4) Number of outstanding shares (common stock)

- 1) Shares issued at end of fiscal period (including treasury shares)
  - As of September 30, 2019: 80,195,000 shares
  - As of December 31, 2018: 80,195,000 shares
- 2) Number of treasury shares at end of fiscal period
  - As of September 30, 2019: 2,035,772 shares
  - As of December 31, 2018: 1,186,716 shares
- 3) Average number of shares during fiscal period
  - 3rd Quarter of 2019: 78,530,272 shares
  - 3rd Quarter of 2018: 79,050,783 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 the Company 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, (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements" on page 3 of the Attached Materials.

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## 1. Qualitative Information Pertaining to Quarterly Settlement of Accounts

## (1) Explanation of Operating Results

(Million yen)

First nine months of 2019	Net sales	Operating profit	Ordinary loss	Net loss attributable to owners of parent
Non-consolidated	44,792	2,619	(4,912)	(4,463)
Consolidated	93,481	1,385	(6,461)	(5,736)

In the first nine months of 2019, Universal Entertainment posted net sales of 93,481 million yen (an increase of 39.5% year on year), an operating profit of 1,385 million yen (compared with an operating loss of 14,479 million yen in the first nine months of 2018), an ordinary loss of 6,461 million yen (compared with an ordinary profit of 67,668 million yen in the first nine months of 2018), and net loss attributable to owners of parent of 5,736 million yen (compared with net income attributable to owners of parent of 167,968 million yen in the first nine months of 2018).

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

## (i) Amusement Equipments Business

The Amusement Equipments Business posted net sales of 42,419 million yen (an increase of 33.8% year on year) and an operating profit of 10,204 million yen (compared with an operating loss of 1,919 million yen in the first nine months of 2018) in the first nine months of 2019.

In Japan's amusement machine industry, revised rules concerning Pachislot and Pachinko machines became effective on February 1, 2018 as part of measures to comply with the Basic Law on Measures against Gambling Addiction. Manufacturers in this industry have started the development of machines that comply with the revised rules, and new titles have been already launched. There are increasing expectations for some new titles to increase the vitality of the Pachislot and Pachinko market as they have generated a strong response by offering new game-playing characteristics and other features. However, the number of new titles complying with the revised rules is still small because of the low percentage of titles that were able to pass the Pachislot compliance test of the Security Communications Association.

Universal Entertainment is responding to these changes by selling Pachislot and Pachinko titles, primarily major titles, that can earn the support of a broad range of users and energize Japan's Pachislot and Pachinko market.

In the Pachislot category, sales have started for "SLOT Puella Magi Madoka Magica: The Movie-Rebellion," the latest Pachislot title in the "Puella Magi Madoka Magica" series that has an excellent reputation among users and Pachislot halls. In the Pachinko category, sales of "P HIGH SCHOOL FLEET," a Pachinko title using the anime content of Aniplex Inc. started in August.

## (ii) Integrated Resort Business

The Integrated Resort Business posted net sales<sup>(1)</sup> of 49,610 million yen (an increase of 46.7% year on year) and an operating loss of 1,835 million yen (compared with an operating loss of 4,777 million yen in the same period of 2018) in the first nine months of 2019. Adjusted segment EBITDA<sup>(2)</sup> in the Integrated Resort Business was 9,057 million yen in the first nine months of 2019, a significant increase of 7,685 million yen from 1,372 million yen in the same period of 2018.

At Okada Manila, an integrated casino resort owned and operated by the Universal Entertainment Group, the number of guests continued to increase in the third quarter and there was growth in the volume of all categories of operations. Growth included the mass-market table games and machines category as well as the VIP gaming category. The result was a big increase in sales.

The hotel room occupancy rate remained extremely high throughout the third quarter. In addition, a number of rooms within Coral Wing (Tower B) started simulations in the second half of July and are now open to guests. This further

strengthens the ability to attract more customers. Universal Entertainment plans to recognize revenues from several real estate businesses in 2019.

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

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

(iii) Other

Other Business posted net sales of 1,148 million yen (a decrease of 12.4% year on year) and an operating profit of 346 million yen (a decrease of 57.2% year on year) in the first nine months of 2019.

In the Media Content Business, distribution of the simulator application “SLOT Puella Magi Madoka Magica: The Movie–Rebellion” started on the App Store and Google Play. This title was an immediate hit, placing first in the ranking of pay-to-play games. The “Slots Street” social casino game started distributing in Japan “Marine Battle,” QUEST OF LIGHTS” and a video slot game using the design of the OLYMPIA CO.,LTD. Pachislot title “Nangokusodachi.” In other countries, distribution started for “Vampire Night,” “Marine Battle,” “QUEST OF LIGHTS” and “GAMBLE COMBO.” The video slot category has also performed very well due to the launch of titles with outstanding game playing enjoyment by incorporating know-how acquired from many years of experience in the Pachislot business.

## (2) Explanation of Financial Status

### (Assets)

Current assets at the end of the third quarter of 2019 were 90,111 million yen, a decrease of 3,999 million yen compared with the end of 2018. Non-current assets were 455,542 million yen, an increase of 39,640 million yen. This was mainly due to an increase of 36,890 million yen in other property, plant and equipment.

As a result, total assets amounted to 546,149 million yen, an increase of 35,471 million yen compared with the end of 2018.

### (Liabilities)

Current liabilities at the end of the third quarter of 2019 were 66,035 million yen, an increase of 1,414 million yen compared with the end of 2018. Non-current liabilities were 116,691 million yen, an increase of 45,698 million yen. This was mainly due to increases of 8,183 million yen in long-term loans payable and 37,661 million yen in other non-current liabilities.

As a result, total liabilities amounted to 182,726 million yen, an increase of 47,113 million yen compared with the end of 2018.

### (Net Assets)

Net assets at the end of the third quarter of 2019 totaled 363,422 million yen, a decrease of 11,641 million yen compared with the end of 2018. This was mainly due to a decrease of 12,217 million yen in retained earnings.

As a result, the shareholders' equity ratio was 66.5%.

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

### (i) Amusement Equipments Business

Sales of the “P DEVIL MAY CRY 4:OUT OF LIMIT” Pachinko title will start in the fourth quarter. This title uses a tie-up with the “Devil May Cry” action game series of CAPCOM CO., LTD. that has sold more than 16 million units. The new Pachinko title combines a sense of speed with a format for easy game playing. Furthermore, launch of “P Basilisk: The Koga Ninpocho 2,” a Pachinko title which employs content of the very successful “Basilisk” series, was announced and sales will start in the fourth quarter.

These activities demonstrate how Universal Entertainment is taking on the challenge of responding to changes in the business climate with new measures and original ideas. The aim is to adapt with flexibility and speed to changes in the market and development environment due to the enactment of the revised rules. The ultimate objective is to create Pachislot and Pachinko titles that will help Pachinko halls attract more customers.

(Notes) 1. The estimate of orders for the fourth quarter does not include upcoming model launches

2. See “Results of Operations for the Third Quarter of 2019”

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

## (ii) Integrated Resort Business

At Okada Manila, the highest priority is to continue adding attractions and amenities.

With the opening of the Coral Wing (Tower B), the number of operational rooms is also steadily increasing. These activities are positioning the Integrated Resort Business for continued growth, in part by enabling the resort to host large group events and foreign tour groups.

Adjusted segment EBITDA is expected to benefit from increasing profit margins throughout the year as sales increase faster than expenses.

VIP casino revenues are expected to continue growing, driven by the addition of new junkets and more demand from existing junkets<sup>(1)</sup>. Mass market table and gaming machine revenues are also expected to continue growing as the property continues to expand and new casino marketing initiatives continue to be implemented and improved. Increasing number of hotel rooms, retail outlets and other amenities is expected to attract more guests and boost mass market casino revenues.

In addition, other businesses (hotel, food and beverage, retail outlets and entertainment businesses) will start several new initiatives to generate more integrated resort revenues by leasing incremental retail space. Okada Manila is also upgrading the quality of existing services to enhance the overall experience for casino customers and taking actions aimed at maintaining a full MICE<sup>(2)</sup> calendar.

In response to the steady expansion of the above casino business, the land development in the area adjacent to the hotel and such were completed for the real estate development business in this term, which is part of the Integrated Resort Business.

Several joint ventures are planned mainly in that area around the time of completion, and discussions with multiple candidates are currently ongoing. This will strive to strengthen the profitability of our Integrated Resort Business including this real estate development business.

The Universal Entertainment Group is preparing to take public Tiger Resort, Leisure and Entertainment, Inc., the core company in the Group’s Integrated Resort Business, at an early stage to accelerate its growth. More information will be disclosed as soon as decisions are made.

(1) Junkets are gaming promoters who bring VIP players or groups of VIPs to casino hotels. In exchange, the casino hotel provides VIP gaming rooms to junkets.

(2) MICE stands for meetings, incentives, conferences and exhibitions, which are types of group tourism for large events.

## (iii) Other

In the Media Content Business, the distribution of high-quality simulator applications will continue on App Store and Google Play. To celebrate the second anniversary in October 2019 of the start of operations in Japan, “Slots Street” held a variety of events and conducted high-profile marketing campaigns. “Slots Street” has distributed 34 titles in Japan and 60 titles for overseas users. This game aims to attract more users and increase user satisfaction by adding more titles and functions.

(4) Forecast of Consolidated Business Results

An announcement will be made promptly if there is a need to revise the forecast to reflect foreign exchange movements, changes in sales or other events.

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

(Million yen)

	2018 (December 31, 2018)	The 3rd Quarter of 2019 (September 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	46,076	31,220
Notes and accounts receivable-trade	10,381	17,109
Securities	2	2
Merchandise and finished goods	1,186	1,606
Work in process	8,361	10,403
Raw materials and supplies	13,628	13,806
Other	14,961	16,683
Allowance for doubtful accounts	(486)	(720)
Total current assets	94,111	90,111
Non-current assets		
Property, plant and equipment		
Buildings and structures	230,983	236,185
Construction in progress	82,757	77,881
Other	45,878	82,769
Total property, plant and equipment	359,619	396,836
Intangible assets		
Other	2,388	2,360
Total intangible assets	2,388	2,360
Investments and other assets		
Investment securities	10,979	13,747
Long-term deposits	6,801	6,669
Long-term deposits for affiliates	26,727	26,189
Other	10,108	10,453
Allowance for doubtful accounts	(723)	(714)
Total investments and other assets	53,893	56,345
Total non-current assets	415,901	455,542
Deferred assets	663	494
Total assets	510,677	546,149



(Million yen)

	2018 (December 31, 2018)	The 3rd Quarter of 2019 (September 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,653	8,366
Short-term loans payable	16,846	9,354
Accounts payable-other	12,781	10,897
Income taxes payable	119	500
Provision for bonuses	78	277
Other	28,140	36,638
Total current liabilities	64,620	66,035
Non-current liabilities		
Bonds payable	65,511	65,312
Long-term loans payable	-	8,183
Net defined benefit liability	116	169
Other	5,364	43,025
Total non-current liabilities	70,993	116,691
Total liabilities	135,613	182,726
<b>Net assets</b>		
Shareholders' equity		
Capital stock	98	98
Capital surplus	18,831	18,831
Retained earnings	377,424	365,206
Treasury shares	(2,764)	(5,596)
Total shareholders' equity	393,589	378,540
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(719)	(846)
Foreign currency translation adjustment	(17,928)	(14,392)
Remeasurements of defined benefit plans	45	45
Total accumulated other comprehensive income	(18,602)	(15,193)
Subscription rights to shares	76	75
Total net assets	375,063	363,422
Total liabilities and net assets	510,677	546,149

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

	(Million yen)	
	The Cumulative 3rd Quarter of 2018 (January 1 to September 30, 2018)	The Cumulative 3rd Quarter of 2019 (January 1 to September 30, 2019)
Net sales	67,014	93,481
Cost of sales	40,386	45,072
Gross profit	26,627	48,408
Selling, general and administrative expenses	41,107	47,022
Operating profit (loss)	(14,479)	1,385
Non-operating income		
Interest income	74,710	142
Dividend income	18	20
Foreign exchange gains	9,339	-
Equity in earnings of affiliates	-	1,140
Other	182	98
Total non-operating income	84,250	1,402
Non-operating expenses		
Interest expenses	592	2,761
Interest on bonds	520	3,970
Foreign exchange losses	-	2,102
Commission fee	608	285
Equity in losses of affiliates	337	-
Other	44	129
Total non-operating expenses	2,102	9,249
Ordinary profit (loss)	67,668	(6,461)
Extraordinary income		
Gain on redemption of stock due to the settlement	158,796	-
Other	80	-
Total extraordinary income	158,877	-
Extraordinary losses		
Loss on redemption of bonds	4,693	-
Loss on litigation	2,836	-
Loss on sales and retirement of non-current assets	14	731
Other	100	-
Total extraordinary losses	7,644	731
Income (loss) before income taxes and others	218,901	(7,192)
Income taxes-current	50,062	550
Income taxes-deferred	1,219	(488)
Refund of income taxes	-	(1,518)
Total income taxes	51,282	(1,456)
Net income (loss)	167,618	(5,736)
Net loss attributable to non-controlling interests	(349)	-
Net income (loss) attributable to owners of parent	167,968	(5,736)

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

	(Million yen)	
	The Cumulative 3rd Quarter of 2018 (January 1 to September 30, 2018)	The Cumulative 3rd Quarter of 2019 (January 1 to September 30, 2019)
Net income (loss)	167,618	(5,736)
Other comprehensive income		
Valuation difference on available-for-sale securities	(107)	(126)
Foreign currency translation adjustment	(16,908)	3,535
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	(17,014)	3,409
Comprehensive income	150,604	(2,326)
(Breakdown)		
Comprehensive income attributable to owners of parent	150,954	(2,326)
Comprehensive income attributable to non-controlling interests	(349)	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

(Application of IFRS 16 “Leases”)

Some foreign subsidiaries have applied IFRS 16 “Leases” in the first quarter of 2019. Accordingly, as a lessee, in principle, Universal Entertainment booked all leased assets and liabilities as assets and liabilities in the Balance Sheet. In respect to the application of this new standard pursuant to the provisional treatment stipulated in this standard, the cumulative effect was recognized at the beginning of the first quarter of 2019. As a result, retained earnings at the beginning of the first quarter of 2019 increased 1,385 million yen, other property, plant and equipment increased 33,467 million yen, and other non-current liabilities increased 33,416 million yen, and construction in progress decreased 7,674 million yen and other current liabilities decreased 9,196 million yen.

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

There is no applicable information.

(4) Additional Information

(Borrowing costs into the acquisition cost)

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

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Universal Entertainment has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter of 2019. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

(5) Material Subsequent Events

There is no applicable information.