

# Quarterly Report

(This is an English translation of the “Shihanki-Hokokusho”  
for the third quarter of the 46th period)

From July 1, 2018 to September 30, 2018

**UNIVERSAL ENTERTAINMENT CORPORATION**

Ariake Frontier Building Tower A,  
7-26, Ariake 3-chome, Koto-ku, Tokyo

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## Cover

Submitted document	Quarterly Report
Statutory basis	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
Agency receiving submission	Director-General of the Kanto Local Finance Bureau
Submission date	November 9, 2018
Quarterly accounting period	The third quarter of the 46th period (from July 1, 2018 to September 30, 2018)
Corporate name	Kabushiki-gaisha Universal Entertainment
Name in English	Universal Entertainment Corporation
Name and position of representative	Jun Fujimoto, Representative Director and President
Location of headquarters	Ariake Frontier Building Tower A, 7-26, Ariake 3-chome, Koto-ku, Tokyo
Phone	+81-3-5530-3055
Name of contact person	Kenshi Asano, Director and CFO
Closest contact address	Ariake Frontier Building Tower A, 7-26, Ariake 3-chome, Koto-ku, Tokyo
Phone	+81-3-5530-3055
Name of contact person	Kenshi Asano, Director and CFO
Place available for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Part I. Company Information

### Section 1. Overview of the Company

#### 1. Transition of Significant Business Indicators, etc.

Term		The Cumulative Third Quarter of the 46th Period	45th Period
Accounting period		From January 1, 2018 to September 30, 2018	From April 1, 2017 to December 31, 2017
Net sales	(Million yen)	67,014	68,546
Ordinary profit (loss)	(Million yen)	67,668	(12,829)
Net income (loss) attributable to owners of the parent	(Million yen)	167,968	(13,426)
Comprehensive income	(Million yen)	150,604	(7,427)
Net assets	(Million yen)	381,861	230,945
Total assets	(Million yen)	492,174	543,747
Net income (loss) per share	(Yen)	2,124.82	(170.18)
Diluted net income per share	(Yen)	2,120.74	-
Ratio of shareholders' equity	(%)	77.6	42.6

Term		Third Quarter of the 46th Period
Accounting period		From July 1, 2018 to September 30, 2018
Net loss per share	(Yen)	(60.53)

Notes:

- As the Company has prepared quarterly consolidated financial statements, the transition of significant business indicators, etc. of the Company is not indicated.
- Net sales do not include consumption taxes, etc.
- Diluted net income per share for the 45th period is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.
- With the change of the business year, the 45th business year is a period of nine months, from April 1, 2017 through December 31, 2017.
- In the 45th period, the Company did not prepare quarterly consolidated financial statements for the third quarter due to the change of the business year. Accordingly, the transition of significant business indicators, etc. is not indicated for the cumulative third quarter of the 45th period and third quarter of the 45th period.

#### 2. Description of Businesses

During the cumulative third quarter of 2018, there were no significant changes in the businesses of the Company group (the Company and its affiliated companies), and there were no changes in main affiliated companies.

## Section 2. Business

### 1. Business and Other Risks

Significant changes, arose during the cumulative third quarter of 2018, in the business and other risks stated in the Securities Registration Report for the previous fiscal year are as follows.

The Universal Entertainment Group was in litigation with Wynn Resorts, Limited (NASDAQ: WYNN) but signed an agreement with the company to settle this lawsuit on March 8, 2018 (U.S. time). As a result of the conclusion of the lawsuit, (4) Litigation with Wynn Resorts, Limited) that was included in the Securities Registration Report for 2017 is excluded from the report in the cumulative third quarter of 2018.

### 2. Important Contracts, etc. in Operations

No decisions or conclusions of important contracts, etc. in operations were made during the third quarter of 2018.

### 3. Analyses of Financial Status, Operating Results and Cash Flow

Matters regarding the future as stated in the following text are based on judgments by the Company group (the Company and its consolidated subsidiaries) as of the closing date of the third quarter of 2018.

#### (1) Operating Results

There are no comparisons with the cumulative third quarter of 2017 because Universal Entertainment Corporation did not prepare consolidated financial statements for this period due to a change in its fiscal year end from March 31 to December 31 in 2017.

Cumulative third quarter of 2018	Net sales	Operating loss	Ordinary profit	(Million yen)
				Net income attributable to owners of parent
Non-consolidated	33,237	(8,545)	229,711	220,942
Consolidated	67,014	(14,479)	67,668	167,968

In the cumulative third quarter of 2018, Universal Entertainment posted net sales of 67,014 million yen, an operating loss of 14,479 million yen, an ordinary profit of 67,668 million yen, and net income attributable to owners of parent of 167,968 million yen.

#### i. Pachislot and Pachinko Business

The Pachislot and Pachinko Business posted net sales of 31,702 million yen and an operating loss of 1,919 million yen in the cumulative third quarter of 2018.

Enforcement Rules for the Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals and Rules for the Partial Revisions to Regulations concerning Authorization and Model Approval for Amusement Machines became effective on February 1, 2018. To conform to these rules, Universal Entertainment must create titles with innovative game playing enjoyment and ease of use that can increase the vitality of the Pachislot and Pachinko market.

In this difficult environment, Universal Entertainment has been conducting sales activities with the objective of assisting pachinko halls, which are the company's customers, to attract more people. Three titles were launched during the third quarter: "SLOT HIGH SCHOOL FLEET" in July, a title based on the popular anime content of Aniplex Inc.; "SLOT Family Stadium" in August, the second Pachislot title resulting from the Family Slot collaboration with BANDAI NAMCO Entertainment Inc., a major producer of games; and "Alex" in September, which is part of a series of titles that bring back well-known titles of the past.

In addition, full-scale sales activities of several other titles started in 2018. In the Pachinko category, sales began for "CR Tengen Toppa Gurren Lagann," which is based on a popular anime, and "CR Devil May Cry 4" and "CR Yu-Gi-Sei Million Arthur," which are based on a well-known game. In the Pachislot category, "CR Basilisk: The Koga Ninpocho—Tenzen Chapter," which employs content of the very successful "Basilisk" series, was launched.

#### ii. Casino Resort Business

The Casino Resort Business posted net sales <sup>(1)</sup> of 33,828 million yen and an operating loss of 4,758 million yen in the cumulative third quarter of 2018. Compared with the second quarter of 2018 (April 1 to June 30), net sales

decreased 553 million yen to 12,187 million yen. The net sales in the second quarter of 2018 was driven by VIP table game revenue associated with a onetime temporary spike in volumes due to junket<sup>(2)</sup> grand opening events. Excluding the factor of the temporary spike, the net sales steadily increased from the second quarter to the third quarter. The mass table and gaming machine sales increased in the third quarter by a number of new marketing initiatives (e.g. improvements in loyalty program and promotions) implemented during the quarter partially and the better operation of tables and gaming machines of which we have installed the largest numbers in Philippines. Our market share increased more in the third quarter excluding the temporary spike in the second quarter.

The operating loss increased 125 million yen to 1,737 million yen in the third quarter driven by an increase in depreciation and amortization of 663 million yen. The Casino Resort Business generated the adjusted segment EBITDA<sup>(3)</sup> of 1,081 million yen in the third quarter of 2018 compared to 269 million yen in the second quarter of 2018 and 20 million yen in the first quarter of 2018. The increase in the adjusted segment EBITDA is attributed to increasing gross gaming revenues from the first quarter to the third quarter and greater proportion of higher margin mass market gross gaming revenues.

- (1) Net sales is defined as gross revenues less gaming taxes and jackpots.
- (2) Junkets are gaming promoters which bring certain VIP players or groups of VIPs to casino hotels. In exchange for it, the casino hotel provides VIP gaming rooms to junkets.
- (3) Adjusted segment EBITDA= Operating profit/loss + Depreciation and amortization + Other adjustments

### iii. Other

Other Business posted net sales of 1,312 million yen and an operating profit of 792 million yen in the cumulative third quarter of 2018.

In the Media Content Business, distribution of the “Oki-Doki! Vacation” and “SLOT Guilty Crown” simulator applications started on the App Store and Google Play. “SLOT Guilty Crown” has been very successful, consistently ranking among the best sellers of the App Store and Google Play.

The “Slots Street” social game, which is centered on video slot play, started distributing “Doggy Jam,” “Lets,” “Rainbow Quest” and other titles that incorporate motifs based on Universal Entertainment titles of prior years. In addition, the distribution of Facebook versions started in the United States, Canada and Australia.

### (2) Management Policy and Strategy

There were no significant changes in management policy and strategy of the Company group during the cumulative third quarter of 2018.

### (3) Objective Indicators Used to Determine Progress Concerning Performance Targets

There were no significant changes in objective indicators used to determine progress concerning performance targets of the Company group during the cumulative third quarter of 2018.

### (4) Operational and Financial Issues to Be Addressed

#### Pachislot and Pachinko Business

As the effect of regulation regarding Pachinko and Pachislot machines, Enforcement Rules for the Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals and Rules for the Partial Revisions to Regulations concerning Authorization and Model Approval for Amusement Machines became effective on February 1, 2018. As a result, the company has started to develop machines that comply with the revised rules. However, it is difficult to predict the level of demand for machines that comply with these revised rules. However, in spite of the impact that such environmental changes will have on the marketplace, we believe it also represents an opportunity for makers to explore different sales opportunities. The company will continue to supply machines that can make a significant contribution to the operations of pachinko halls by utilizing the technology and the production capability to support machines that comply with revised rules.

### (5) Research and Development Activities

The amount spent on the group-wide research and development activities during the cumulative third quarter of 2018 was 4,122 million yen. There were no significant changes in the status of research and development activities of the Company group during said period.

### (6) Factors that May Exert Material Impact on Results of Business Operations

Of the items relating to the status of business and the status of accounting, as stated in the Quarterly Report,

factors that might affect investor decisions are described below. The Company group recognizes the possibility that these risks might emerge, and will work to avoid such risks, or deal with them appropriately if they arise. However, the factors listed below do not cover all risks related to the business of the Company group.

i. Pachislot and Pachinko Business

According to the “Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals,” Pachislot and Pachinko machines need to meet the “technical standards” defined in the National Public Safety Commission’s rules (Regulations Concerning Authorization and Model Approval for Amusement Machines). Each type of machine must pass the model test conducted by the designated testing organization (Security Communications Association) and the model inspection conducted by the Public Safety Commission of the applicable prefecture. In case these laws or standards are amended or abolished, the Company will analyze industry trends and the application status of other companies, and make new applications for new machines in a structured and strategic fashion. However, if major changes need to be made due to administrative direction or voluntary restriction by the industry, the business results of the Company group would be materially affected.

There is also the possibility that profitability would be affected by changing preferences in the industry, as well as economic trends in Japan that include income levels.

ii. Foreign Exchange Risk

In preparing the consolidated financial statements, foreign currency denominated gains/losses and assets/liabilities of each overseas subsidiary of the Company group are incorporated into the consolidated financial statements after they are converted into Japanese yen. As a result, the business results of the Company group could be adversely affected by fluctuations in currency exchange rates.

iii. Litigation

The Company group has several pending lawsuits, and their outcomes could have an impact on the business results of the Company group. Although the Company group continues to make every effort to eliminate litigation risk, there is always a possibility that third parties might file new cases against the Company group, with the rulings in these cases having the potential to affect future business results.

iv. Casino Resort Business

The Group operates Okada Manila, a casino and resort in the Philippines. Changes in the economic environment of the Philippines and other countries, movements in foreign exchange rates and other economic factors, and changes in the business environment, including revisions to regulations of the Philippine Amusement and Gaming Corporation and tax revisions by the Philippine government, may affect the Group’s business results.

(7) Current Situation and Outlook of Business Strategy

i. Pachislot and Pachinko Business

In the fourth quarter of 2018, sales of the “Duel Dragon Plus” Pachislot title started in October. This new title combines the characteristics of Universal Entertainment’s famous “Duel Dragon” titles of the past with exciting and stimulating elements. The new title is expected to appeal to a broad spectrum of users.

In the Pachinko category, a collaboration with major game producer Square Enix Co., Ltd., was used to start sales of “CR Star Ocean.” The new title features popular game content of Square Enix and combines ease of use with pachinko ball output that meets players’ expectations in order to appeal to many segments of users.

Demand for new machines is currently sluggish at pachinko halls because of uncertainty about how people will respond to the new titles that comply with the new rules for Pachislot and Pachinko. Universal Entertainment views these changes in market conditions and the environment for developing new titles as an excellent opportunity. Activities will be focused on the creation of highly innovative and appealing titles that can be enjoyed by a broad spectrum of Pachislot and Pachinko fans. Universal Entertainment is determined to use these appealing titles to play a major role in increasing the number of fans and energizing the entire Pachislot and Pachinko industry.

ii. Casino Resort Business

At Okada Manila, we will continue to expand attractions and amenities with the highest priority.

In the fourth quarter of 2018, additional hotel rooms are expected to be open. This will help support continued growth in the casino business as well as better position the resort to host large group events and foreign tour groups.

VIP casino revenues are expected to continue growing driven by the addition of new junkets, and improved room supply and amenities attracting more demand from existing junkets. The expected win rate range of rolling chip volume <sup>(1)</sup> is 2.7-3.0%.

Mass market table and gaming machine revenue is expected to continue growing as marketing initiatives continue

to be implemented and improved and the property continues to ramp up. Increasing number of hotel rooms, retail outlets and other amenities is expected to drive additional visitation and mass market casino revenues.

Universal Entertainment is expecting a continued increase in the adjusted segment EBITDA in the fourth quarter of 2018 driven by increasing revenues and margin. Especially, the margin is expected to increase as we have entered into more favorable junket agreements, increasing the higher margin mass market revenue and reducing fixed cost ratio.

The Universal Entertainment Group is preparing to take public Tiger Resort, Leisure and Entertainment, Inc., the core company in the Group's Casino Resort Business, in 2019 to accelerate its growth and raise its name recognition. On September 11, 2018, Universal Entertainment announced an agreement to acquire shares of Asiabest Group International Inc. to facilitate the listing of shares in the future. Details will be disclosed as soon as they are finalized. On September 20, 2018, Tiger Resort, Leisure and Entertainment Inc. established a Japan branch for research and analysis of the Integrated Resort Implementation Bill of Japan and study of the potential of a casino resort business in Japan.

(1) Rolling chip volume is the total volume in the quarter of the special chips for VIP wagered and lost by the rolling chip segment.

### iii. Other

In the Media Content Business, the distribution of high-quality simulator applications will continue on App Store, Google Play and other platforms.

New titles and more functions are planned for the "Slots Street" social game in order to increase the number of registered users and raise the retention rate. Also, the plan is to distribute this social game worldwide with the distribution of an overseas App Store and Google Play version, chiefly in North America, as the first step.

Studies regarding the launch of new game businesses will continue as the Universal Entertainment Group takes actions aimed at providing services that meet the expectations of users.



### Section 3. Situation of the Company

#### 1. Details of Stock, etc.

##### (1) Total Number of Shares, etc.

###### i. Total Number of Shares

Classification	Total Number of Authorized Shares (Shares)
Common stock	324,820,000
Total	324,820,000

###### ii. Number of Issued Shares

Classification	Number of Issued Shares as of the End of the Third Quarter (Shares) (September 30, 2018)	Number of Issued Shares as of the Submission Date of This Report (Shares) (November 9, 2018)	Name of Listed Financial Instruments Exchange Market or Authorized Financial Instruments Firms Association	Remarks
Common stock	80,195,000	80,195,000	Tokyo Stock Exchange, Jasdaq (standard)	Number of shares for one unit: 100
Total	80,195,000	80,195,000	-	-

Note: The shares issued upon the exercise of subscription rights to shares from November 1, 2018 through the day of submission of this Quarterly Report are not included in “Number of Issued Shares as of the Submission Date of This Report.”

##### (2) Subscription Rights to Shares

There is no applicable information.

##### (3) Exercise Status, etc., of Bonds with Subscription Rights to Shares with a Clause to Revise the Exercise Price

There is no applicable information.

##### (4) Rights Plan

There is no applicable information.

##### (5) Transition of Total Number of Issued Shares and Amount of Capital Stock

Date	Change in Total Number of Issued Shares (Shares)	Balance of Total Number of Issued Shares (Shares)	Change in Capital Stock (Million yen)	Balance of Capital Stock (Million yen)	Change in Legal Capital Surplus (Million yen)	Balance of Legal Capital Surplus (Million yen)
From July 1, 2018 to September 30, 2018	-	80,195,000	-	98	-	7,503

##### (6) Major Shareholders

No items have been indicated because this quarterly accounting period is the third quarter.

(7) Voting Rights

i. Issued Shares

As of September 30, 2018

Classification	Number of Shares (Shares)	Number of Voting Rights (Units)	Remarks
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common stock 947,700	-	-
Shares with full voting rights (others)	Common stock 79,241,100	792,411	-
Shares less than one unit share	Common stock 6,200	-	-
Total number of issued shares	80,195,000	-	-
Voting rights of total shareholders	-	792,411	-

Note: The common stock indicated in “Shares with full voting rights (others)” includes 400 shares of unknown holders’ stock registered under the name of Japan Securities Depository Center, Inc. The “Number of voting rights” includes four units of voting rights related to such shares with full voting rights under the name of Japan Securities Depository Center, Inc.

ii. Treasury Shares, etc.

As of September 30, 2018

Owner’s Name or Title	Owner’s Address	Number of Treasury Shares in Own Name (Shares)	Number of Treasury Shares in the Names of Others (Shares)	Total Number of Shares Owned (Shares)	Holding Ratio to Total Number of Issued Shares (%)
Universal Entertainment Corporation	Ariake Frontier Building Tower A, 7-26, Ariake 3-chome, Koto-ku, Tokyo	947,700	-	947,700	1.18
Total	-	947,700	-	947,700	1.18

**2. Directors and Auditors**

There is no applicable information.

## **Section 4: Accounting**

### **1. Basis for Preparation of Quarterly Consolidated Financial Statements**

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Form, and Method of Preparing Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64, 2007).

### **2. Audit Certificate**

Pursuant to the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the quarterly consolidated financial statements for the third quarter (from July 1, 2018 to September 30, 2018) and the cumulative third quarter (from January 1, 2018 to September 30, 2018) of 2018 have undergone a quarterly review by UHY Tokyo & Co.

### **3. Change of the Business Year**

At the 44th Ordinary Shareholders’ Meeting held on June 29, 2017, shareholders approved an amendment to the Articles of Incorporation that changed the end of the fiscal year from March 31 to December 31. As a result, the Company did not prepare quarterly consolidated financial statements for the third quarter of 2017 and no information are shown for the third quarter and the cumulative third quarter of 2017.

**1. Quarterly Consolidated Financial Statements**  
(1) Quarterly Consolidated Balance Sheet

(Million yen)

	2017 (December 31, 2017)	The 3rd Quarter of 2018 (September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 35,809	*2 39,139
Notes and accounts receivable-trade	*1 9,237	*1 7,110
Securities	13	2,198
Merchandise and finished goods	2,049	1,461
Work in process	12,263	9,361
Raw materials and supplies	20,829	19,440
Other	11,327	12,009
Allowance for doubtful accounts	(516)	(476)
<b>Total current assets</b>	<b>91,013</b>	<b>90,243</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,046	203,193
Land	7,251	7,246
Construction in progress	293,375	102,601
Other	24,347	36,109
<b>Total property, plant and equipment</b>	<b>344,020</b>	<b>349,151</b>
Intangible assets		
Other	2,608	2,491
<b>Total intangible assets</b>	<b>2,608</b>	<b>2,491</b>
Investments and other assets		
Investment securities	59,329	7,936
Long-term deposits	7,017	6,973
Long-term deposits for affiliates	27,523	27,417
Other	10,894	8,694
Allowance for doubtful accounts	(767)	(734)
<b>Total investments and other assets</b>	<b>103,997</b>	<b>50,288</b>
<b>Total non-current assets</b>	<b>450,627</b>	<b>401,930</b>
Deferred assets	2,107	-
<b>Total assets</b>	<b>543,747</b>	<b>492,174</b>

(Million yen)

	2017 (December 31, 2017)	The 3rd Quarter of 2018 (September 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	*1 6,245	*1 3,515
Short-term loans payable	17,456	38,633
Current portion of long-term loans payable	1,607	-
Accounts payable-other	20,299	17,489
Income taxes payable	190	12,981
Provision for bonuses	80	275
Other	27,709	30,916
<b>Total current liabilities</b>	<b>73,590</b>	<b>103,812</b>
<b>Non-current liabilities</b>		
Bonds payable	149,125	-
Long-term loans payable	84,120	-
Net defined benefit liability	94	135
Other	5,870	6,365
<b>Total non-current liabilities</b>	<b>239,211</b>	<b>6,500</b>
<b>Total liabilities</b>	<b>312,801</b>	<b>110,312</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	98	98
Capital surplus	20,087	18,831
Retained earnings	216,255	384,224
Treasury shares	(2,654)	(1,989)
<b>Total shareholders' equity</b>	<b>233,786</b>	<b>401,164</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(581)	(689)
Foreign currency translation adjustment	(1,789)	(18,698)
Remeasurements of defined benefit plans	5	7
<b>Total accumulated other comprehensive income</b>	<b>(2,365)</b>	<b>(19,379)</b>
Subscription rights to shares	107	76
Non-controlling interests	(582)	-
<b>Total net assets</b>	<b>230,945</b>	<b>381,861</b>
<b>Total liabilities and net assets</b>	<b>543,747</b>	<b>492,174</b>

(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)
Net sales	67,014
Cost of sales	40,386
Gross profit	26,627
Selling, general and administrative expenses	41,107
Operating loss	(14,479)
Non-operating income	
Interest income	74,710
Dividend income	18
Foreign exchange gains	9,339
Other	182
Total non-operating income	84,250
Non-operating expenses	
Interest expenses	592
Interest on bonds	520
Commission fee	608
Equity in losses of affiliates	337
Other	44
Total non-operating expenses	2,102
Ordinary profit	67,668
Extraordinary income	
Gain on redemption of stock due to the settlement	158,796
Other	80
Total extraordinary income	158,877
Extraordinary losses	
Loss on bond retirement	4,693
Loss on litigation	2,836
Other	114
Total extraordinary losses	7,644
Income before income taxes and others	218,901
Income taxes-current	50,062
Income taxes-deferred	1,219
Total income taxes	51,282
Net income	167,618
Net loss attributable to non-controlling interests	(349)
Net income attributable to owners of the parent	167,968

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

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

[Notes]

(Changes in Scope of Consolidation or Scope of Application of Equity Method)

There is no applicable information.

(Changes in Accounting Policies)

There is no applicable information.

(Additional Information)

(Accounting Procedure for the Settlement with Wynn Resorts)

Regarding the lawsuit involving Wynn Resorts, Limited (NASDAQ: WYNN), the Wynn Resorts stock had been valued at the acquisition cost since the end of March 2013 due to the difficulty of estimating with certainty the effects that could potentially arise from the results of filing this countersuit on the financial status, operating results, and cash flow status of the corporate group consisting of Universal Entertainment and its consolidated subsidiaries, etc. in a particular period of time. Interest income for the long-term note issued by Wynn Resorts for the past six years had been paid to the clerk of the court for deposit in the court trust account. However, based on the principle of the right to claim, Universal Entertainment's consolidated financial statements do not reflect the issuance of this check with an interest payment.

On March 8, 2018 (U.S. time), Universal Entertainment and subsidiary Aruze USA Inc. signed an agreement with Wynn Resorts to settle this lawsuit. As a result, the decision was made to recognize the difference of 158,796 million yen between the cash income for the face value of a long-term note issued by Wynn Resorts and the acquisition cost of Wynn Resorts stock that is classified as investment securities as extraordinary income on the consolidated statement of income, resulting from a gain on the redemption of stock due to the settlement.

In addition, Universal Entertainment has recognized interest income of 74,471 million yen, which is the difference between the six years of interest on the long-term note issued by Wynn Resorts that was paid to the clerk of the court for deposit in the court trust account and the interest income on this note based on market interest rates that Universal Entertainment had stated that it was actually owed, as non-operating income on the consolidated statement of income.

Universal Entertainment has recognized loss of litigation of 2,836 million yen as extraordinary loss on the consolidated statement of income.

(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 Casino 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.



(Notes to Quarterly Consolidated Balance Sheet)

\*1. Notes matured at the end of the quarterly consolidated accounting period

With respect to accounting for notes matured at the end of the quarterly consolidated accounting period although the closing date of the current quarterly consolidated accounting period was a holiday for financial institutions, said notes were treated as though they were settled on the maturity date. The amounts of notes matured at the end of the current quarterly consolidated accounting period are as follows.

	(Million yen)	
	2017 (December 31, 2017)	The 3rd Quarter of 2018 (September 30, 2018)
Notes receivable-trade	454	320
Electronic recorded receivable	341	332
Notes payable-trade	3,279	2,392
Electronic recoded payable	13	429

\*2. Contingent liabilities

Guaranteed debt

Standby letters of credit issued to companies other than consolidated companies are as follows.

	(Million yen)	
	2017 (December 31, 2017)	The 3rd Quarter of 2018 (September 30, 2018)
Philippine Amusement and Gaming Corporation	228	209
	(100 Million Philippine Peso)	(100 Million Philippine Peso)

Tiger Resort, Leisure And Entertainment, Inc., which is a consolidated subsidiary of the Company, has issued a standby letter of credit to Philippine Amusement and Gaming Corporation by submitting a request to BDO Unibank, Inc. The issuance of this letter of credit is stipulated in the contract concerning the Company's casino resort project in the Philippines. The Company's consolidated subsidiary pledged the following assets as collateral when this standby letter of credit was issued.

	(Million yen)	
	2017 (December 31, 2017)	The 3rd Quarter of 2018 (September 30, 2018)
Cash and deposits	228	209
	(100 Million Philippine Peso)	(100 Million Philippine Peso)

(Notes to Quarterly Consolidated Statement of Income)

There is no applicable information.

(Notes to Quarterly Consolidated Statement of Cash Flows)

A quarterly consolidated statement of cash flows pertaining to the cumulative third quarter of 2018 has not been prepared. Depreciation (includes amortization expenses related to intangible assets minus goodwill) pertaining to the cumulative third quarter of each year is as follows.

	(Million yen)
	The Cumulative 3rd Quarter of 2018 (January 1, 2018 to September 30, 2018)
Depreciation	8,648

(Shareholders' Equity, etc.)

The Cumulative 3rd Quarter of 2018 (January 1, 2018 to September 30, 2018)

There is no applicable information.

(Segments of an Enterprise and Related Information)

[Segment Information]

There are no segment information with the cumulative third quarter of 2017 because Universal Entertainment Corporation did not prepare consolidated financial statements for this period due to a change in its fiscal year end from March 31 to December 31 in 2017.

The Cumulative 3rd Quarter of 2018 (January 1, 2018 to September 30, 2018)

1. Information pertaining to amounts of net sales, income/loss in each reportable segment

(Million yen)

	Reportable Segment		Others (Note)	Total
	Pachislot/Pachinko Business	Casino Resort Business		
Net sales				
Sales to external customers	31,702	33,828	1,312	66,843
Inter-segment sales or transfers	-	-	707	707
Total	31,702	33,828	2,019	67,550
Segment income (loss)	(1,919)	(4,758)	792	(5,885)

Note: "Others" classification consists of business segments not included in any reportable segment and is inclusive of the Media Content Business and others.

2. Difference between total amount of profit or loss in reportable segment and amount recorded in the quarterly consolidated statement of income and primary items of such difference (matters pertaining to difference adjustments)

(Million yen)

Income	Amount
Total of reportable segments	(6,678)
Profit in "Others" classification	792
Eliminated inter-segment transactions	(288)
Corporate revenue (Note 1)	171
Unallocated expenses (Note 2)	(8,476)
Operating loss in quarterly consolidated statement of income	(14,479)

Notes: 1. Corporate revenue is mainly composed of art museum not attributed to the reportable segment.

2. Unallocated expenses are mainly composed of selling, general and administrative expenses that are not attributed to a reportable segment.

3. Information pertaining to impairment losses on non-current assets, goodwill, etc. for each reportable segment

(Significant impairment losses involving non-current assets)

There is no applicable information.

(Significant fluctuations in amount of goodwill)

There is no applicable information.

(Significant gain on bargain purchase)

There is no applicable information.

(Per Share Information)

The calculation bases for net income per share and diluted net income per share are as follows.

	The Cumulative 3rd Quarter of 2018 (January 1, 2018 to September 30, 2018)
Net income per share (Yen)	2,124.82
(Calculation basis)	
Net income attributable to owners of parent (Million yen)	167,968
Amount not attributed to common shareholders (Million yen)	-
Net income attributable to owners of the parent applicable to common stock (Million yen)	167,968
Average number of shares of common stock during the period (Thousand shares)	79,050
Diluted net income per share (Yen)	2,120.74
(Calculation basis)	
Adjusted profit attributable to owners of parent (Million yen)	-
Increase in the number of common stock (Thousand shares)	152
Of which, subscription rights to shares (Thousand shares)	(152)
Description of the latent shares not included in the calculation of diluted net income per share due to their non-dilutive effect, and with significant changes from the end of 2017	-

(Significant Subsequent Events)

There is no applicable information.

**2. Others**

There is no applicable information.

**Part II. Information on Guarantee Companies, etc., for the Company**

There is no applicable information.

## Quarterly Review Report by Independent Auditor

November 9, 2018

Board of Directors  
Universal Entertainment Corporation

### UHY Tokyo & Co.

Akira Wakatsuki, CPA, Designated Partner and Managing Partner  
Yoshinori Kataoka, CPA, Designated Partner and Managing Partner  
Akira Yasukouchi, CPA, Designated Partner and Managing Partner

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, UHY Tokyo & Co. (the "Audit Firm") conducted a quarterly review of the quarterly consolidated financial statements of Universal Entertainment Corporation (the "Company") included in the "Accounting" section of the Quarterly Report for the third quarter (from July 1, 2018 to September 30, 2018) and the cumulative third quarter (from January 1, 2018 to September 30, 2018) of the consolidated fiscal year commencing on January 1, 2018 and ending on December 31, 2018, which consisted of quarterly consolidated balance sheet, quarterly consolidated statement of income, quarterly consolidated statement of comprehensive income, and notes accompanying said financial statements.

### Management's responsibility for the quarterly consolidated financial statements

The Company's management is responsible for the preparation and fair disclosure of the aforementioned quarterly consolidated financial statements in accordance with preparation standards for such statements that are generally accepted as fair and appropriate 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 quarterly consolidated financial statements without material misstatement due to fraudulence or errors.

### Auditor's responsibility

The Audit Firm is responsible for stating conclusions regarding the aforementioned quarterly consolidated financial statements from an independent standpoint, based on the quarterly review it conducted. The Audit Firm performed the quarterly review in accordance with the quarterly reviewing standards generally accepted as fair and appropriate in Japan.

Quarterly review procedures mainly consist of analytical procedures and questions posed to management, persons responsible for matters pertaining to finance and accounting, and other individuals. Said procedures are conducted in limited scope compared to audits of annual financial statements conducted in accordance with auditing standards generally recognized as fair and appropriate in Japan.

The Audit Firm believes that it has obtained evidence serving as the basis for the statement of its conclusions.

### Auditor's conclusions

Within the quarterly review conducted by the Audit Firm, based on standards for the preparation of quarterly consolidated financial statements generally recognized as fair and appropriate in Japan, no matters that infer any inappropriate indication of the financial conditions of the Company and its consolidated subsidiaries as of September 30, 2018, and its business results for the cumulative third quarter ending on the same day were found among all significant matters.

### Highlighted information

As was explained in "Notes (Additional Information)," on March 8, 2018 (U.S. time), the Company and subsidiary Aruze USA Inc. signed an agreement with Wynn Resorts to settle this lawsuit. As a result, the decision was made to recognize the difference of 158,796 million yen between the cash income for the face value of a long-term note issued by Wynn Resorts and the acquisition cost of Wynn Resorts stock that is classified as investment securities as extraordinary income on the consolidated statement of income, resulting from a gain on the redemption of stock due to the settlement. In addition, the Company has recognized interest income of 74,471 million yen, which is the difference between the six years of interest on the long-term note issued by Wynn Resorts that was paid to the clerk of the court for deposit in the court trust account and the interest income on this note based on market interest rates that the Company had stated that it was actually owed, as non-operating income on the consolidated statement of income. The Company has recognized loss of litigation of 2,836 million yen as extraordinary loss on the consolidated statement of income.

This event has no effect on the conclusions of the Audit Firm.

### 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

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Notes: 1. The above is the digitized form of the matters described in the original quarterly review report, and the original copy is in the custody of the Company (the company filing this Quarterly Report).

2. The scope of the quarterly consolidated financial statements does not include the XBRL data.

## Cover

Submitted document	Written Confirmation
Statutory basis	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act
Agency receiving submission	Director-General of the Kanto Local Finance Bureau
Submission date	November 9, 2018
Corporate name	Kabushiki-gaisha Universal Entertainment
Name in English	Universal Entertainment Corporation
Name and position of representative	Jun Fujimoto, Representative Director and President
Name and position of Chief Financial Officer	Kenshi Asano, Director and CFO
Location of headquarters	Ariake Frontier Building Tower A, 7-26, Ariake 3-chome, Koto-ku, Tokyo
Place available for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

**1. Matters Regarding the Appropriateness of Descriptions in the Quarterly Report**

Jun Fujimoto, Representative Director and President and Kenshi Asano, Director and CFO of Universal Entertainment Corporation (“the Company”), confirmed that the contents of the Company’s Quarterly Report for the third quarter of the 46th period (from July 1, 2018 through September 30, 2018) was appropriately stated pursuant to the Financial Instruments and Exchange Act.

**2. Matters to Be Noted**

No applicable information.