

# Quarterly Report

(This is an English translation of the “Shihanki-Hokokusho”  
for the first quarter of the 47th period)

From January 1, 2019 to March 31, 2019

**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	May 14, 2019
Quarterly accounting period	The first quarter of the 47th period (from January 1, 2019 to March 31, 2019)
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 First Quarter of the 46th Period	The Cumulative First Quarter of the 47th Period	46th Period
Accounting period		From January 1, 2018 to March 31, 2018	From January 1, 2019 to March 31, 2019	From January 1, 2018 to December 31, 2018
Net sales	(Million yen)	19,545	22,638	93,267
Ordinary profit (loss)	(Million yen)	75,729	(4,486)	67,232
Net income (loss) attributable to owners of parent	(Million yen)	181,402	(4,093)	161,168
Comprehensive income	(Million yen)	155,526	(2,096)	144,581
Net assets	(Million yen)	386,482	369,229	375,063
Total assets	(Million yen)	751,053	530,551	510,677
Net income (loss) per share	(Yen)	2,298.20	(51.86)	2,037.75
Diluted net income per share	(Yen)	2,291.10	-	2,035.02
Ratio of shareholders' equity	(%)	51.6	69.6	73.4

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 47th period is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.

#### 2. Description of Businesses

During the cumulative first quarter of 2019, 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.

Reportable segment categories are reclassified in the first quarter of 2019. The details are stated in "Section 4. Accounting, 1. Quarterly Consolidated Financial Statements, Notes (Segment Information)."

## Section 2. Business

### 1. Business and Other Risks

During the cumulative first quarter of 2019, there were no significant changes in the business and other risks stated by the Company group in the Securities Registration Report for the previous fiscal year.

### 2. Management's Analyses of Financial Status, Operating Results and Cash Flow

Matters regarding the future as stated in the following text are based on judgments as of the closing date of the first quarter of 2019.

#### (1) Financial Status and Operating Results

(Million yen)				
Cumulative first quarter of 2019	Net sales	Operating loss	Ordinary loss	Net loss attributable to owners of parent
Non-consolidated	6,138	(2,461)	(3,852)	(3,474)
Consolidated	22,638	(3,152)	(4,486)	(4,093)

Financial status for the first quarter of 2019 is as follows.

The amount of total assets were 530,551 million yen, an increase of 19,873 million yen over the end of 2018. Cash and deposits decreased 13,954 million yen due in part to the repayment of short-term loans payable and cash dividends paid. Other property, plant and equipment increased 32,383 million yen mainly due to a new accounting standard for leases at overseas subsidiaries.

The amount of liabilities were 161,321 million yen, an increase of 25,707 million yen over the end of 2018, which was mainly the result of a 33,209 million yen increase in other non-current liabilities due to a new accounting standard for leases at overseas subsidiaries.

The amount of net assets were 369,229 million yen, a decrease of 5,834 million yen over the end of 2018, which was mainly the result of a 6,658 million yen decrease in retained earnings due to net loss and cash dividends paid.

Operating results for the cumulative first quarter of 2019 is as follows.

Regarding net sales and operating loss, Universal Entertainment posted net sales of 22,638 million yen (an increase of 15.8% year on year), an operating loss of 3,152 million yen (compared with an operating loss of 4,369 million yen in the same period of 2018) because of an increase in the number of visitors and junkets in the Integrated Resort Business. Regarding operating profit (loss) and net income (loss), in the cumulative first quarter of 2018 Universal Entertainment signed a settlement agreement with Wynn Resorts, Limited. As a result, the Company posted 74,471 million yen in interest income under the non-operating income section and 158,796 million yen in gain on redemption of stock due to the settlement under the extraordinary income section. In the absence of the foregoing non-operating income and extraordinary income in the cumulative first quarter of 2019, the Company posted an ordinary loss of 4,486 million yen (compared with an ordinary profit of 75,729 million yen in the same period of 2018), and net loss attributable to owners of parent of 4,093 million yen (compared with net income attributable to owners of parent of 181,402 million yen in the same period of 2018).

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

Reportable segment categories are reclassified in the first quarter of 2019. Prior-year figures use the new segment categories for comparison purposes.

#### i. Amusement Equipments Business

The Amusement Equipments Business posted net sales of 5,393 million yen (a decrease of 47.0% year on year) in the first quarter 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. Pachinko halls, which are the Company's customers, are continuing to use machines based on the previous rules, which have a deadline for removal, while determining the ability to attract customers after switching to models complying with the new regulations. As a result, sales of Pachislot and Pachinko machines are currently sluggish.

As these significant changes take place in Japan's Pachislot and Pachinko sector, Universal Entertainment is focusing on the development of innovative models with outstanding gaming playing enjoyment and compliance with

the revised rules in order to increase the vitality of the Pachislot and Pachinko market.

Two Pachislot titles were launched in March 2019. One is “Another Hanabi Yayoichan,” Universal Entertainment’s first category 6 Pachislot machine title. The other is “Don-chan 2,” the first category 6 title of the A-PROJECT revival titles. In the Pachinko category, sales started for “P Star Ocean 4 Sweet Premium ver.,” which is a collaboration with major game producer SQUARE ENIX Co., LTD.

#### ii. Integrated Resort Business

The Integrated Resort Business posted net sales<sup>(1)</sup> of 16,770 million yen (an increase of 88.5% year on year) and an operating loss of 513 million yen for the first quarter of 2019. Adjusted segment EBITDA<sup>(2)</sup> in the Integrated Resort Business was 2,842 million yen for the first quarter of 2019. On year on year comparison, adjusted segment EBITDA for the quarter significantly increased by 2,832million yen from 20 million yen.

Okada Manila, an integrated casino resort owned and operated by the Universal Entertainment Group, increased net sales in the first quarter of 2019 by the increasing visitation to the resort and further refinement of the mass market casino marketing program as well as the addition of a new junket<sup>(3)</sup> in March 2019. The Philippine casino industry reported gross gaming revenue (GGR) of US\$3.58 billion in full calendar year 2018, up by 22.9% from the prior-year period.

The hotel room occupancy rate remained extremely high throughout the quarter and average daily room rate was above PHP9,500. All rooms in the Hotel Tower A were opened in the fourth quarter of 2018.

Universal Entertainment remains in discussions to recognize revenues from several real estate businesses in the current fiscal year.

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

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

(3) 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.

#### iii. Other

Other Business posted net sales of 408 million yen (a decrease of 5.4% year on year) in the first quarter of 2019.

In the Media Content Business, distribution of the simulator application “AREX (2018)” started on the App Store and Google Play. Also, the “Slots Street” social casino game started distributing in Japan a video slot game using the design of “Shimauta” of Olympia Co., Ltd. and started distributing overseas the “Graniel” and “Tsuchinoko NOCCHI” titles. All of these new titles have been very well received by users.

#### (2) Management Policy and Strategy

There were no significant changes in management policy and strategy of the Company group during the cumulative first quarter of 2019.

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

There were no significant changes in operational and financial issues to be addressed during the cumulative first quarter of 2019.

#### (4) Research and Development Activities

The amount spent on the group-wide research and development activities during the cumulative first quarter of 2019 was 1,193 million yen. There were no significant changes in the status of research and development activities of the Company group during said period.

#### (5) 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. Amusement Equipments 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. Integrated 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.

(6) Analyses of Sources of Capital and Liquidity of Funds

The primary demands for capital are construction expenses at Okada Manila, materials used in the Amusement Equipments Business, the cost of manufacturing, selling, general and administrative expenses, and other expenses for business operations. Research and development expenditures, stock acquisitions and the repurchase of stock are major components of investing activities. Major sources of funds to meet this demand for capital are internal resources, private placement bonds and loans from financial institutions. At the end of the first quarter of 2019, bonds payable, loans payable and other interest-bearing liabilities totaled 78,751 million yen and cash and cash equivalents totaled 31,912million yen.

(7) Current Situation and Outlook of Business Strategy

i. Amusement Equipments Business

In the second quarter of 2019, sales of the “SLOT Galaga” Pachislot machine started in April. This is the third title resulting from the “Family Slot” collaboration with BANDAI NAMCO Entertainment Inc. a major producer of games. The objective of the “Family Slot” collaboration is to create Pachislot titles that combine memories of past games with enjoyment by utilizing the timeless hit games produced by BANDAI NAMCO and Universal Entertainment’s Pachislot development skills. In May, sales of the “Hanabi Tsu” title started. This Pachislot title has the ease of game playing of the predecessor title “Hanabi” along with advanced features that experienced game players will appreciate.

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.

ii. Integrated Resort Business

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

In 2019, additional hotel rooms are expected to be open in the Hotel Tower B. This will help support continued growth in the Integrated Resort Business as well as better position the resort to host large group events and foreign tour groups.

Adjusted segment EBITDA margin is expected to continue to expand during fiscal year 2019 due to fixed cost leverage on increasing sales.

VIP casino revenues are expected to continue growing driven by the addition of new junkets, and 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 the property continues to ramp up and new casino marketing initiatives continue to be implemented and improved. Increasing number of hotel rooms, retail outlets and other amenities is expected to drive additional visitation and 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, upgrading quality of existing services, and continuing to build out a forward calendar of MICE<sup>(2)</sup>, to enhance the overall experience for casino customers.

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, in 2019 to accelerate its growth. On February 4, 2019, Universal Entertainment announced the completion to acquire 66.6% share of Asiabest Group International Inc., which is listed on the Philippine Stock Exchange, to facilitate the listing of shares in the future. More details will be disclosed as soon as they are finalized.

(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.

(2) MICE stands for meetings, incentives, conferences and exhibitions which are types of tourism in large groups 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. "Slots Street" has distributed 28 titles in Japan and 48 titles for overseas users. This game aims to attract more users and increase user satisfaction by adding more titles and functions.

The Universal Entertainment Group will continue to take actions aimed at providing services that meet the expectations of users.

**3. Important Contracts, etc., in Operations**

There is no applicable information.

### 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 First Quarter (Shares) (March 31, 2019)	Number of Issued Shares as of the Submission Date of This Report (Shares) (May 14, 2019)	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 May 1, 2019 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

###### i. Stock Options

There is no applicable information.

###### ii. Other 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) 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 January 1, 2019 to March 31, 2019	-	80,195,000	-	98	-	7,503

##### (5) Major Shareholders

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

(6) Voting Rights

i. Issued Shares

As of March 31, 2019

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 1,531,200	-	-
Shares with full voting rights (others)	Common stock 78,656,800	786,568	-
Shares less than one unit share	Common stock 7,000	-	-
Total number of issued shares	80,195,000	-	-
Voting rights of total shareholders	-	786,568	-

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 March 31, 2019

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	1,531,200	-	1,531,200	1.91
Total	-	1,531,200	-	1,531,200	1.91

**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 first quarter (from January 1, 2019 to March 31, 2019) and the cumulative first quarter (from January 1, 2019 to March 31, 2019) of 2019 have undergone a quarterly review by UHY Tokyo & Co.

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

(Million yen)

	2018 (December 31, 2018)	The 1st Quarter of 2019 (March 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	46,076	32,122
Notes and accounts receivable-trade	10,381	7,414
Securities	2	1,894
Merchandise and finished goods	1,186	1,589
Work in process	8,361	9,484
Raw materials and supplies	13,628	14,366
Other	14,961	14,827
Allowance for doubtful accounts	(486)	(543)
<b>Total current assets</b>	<b>94,111</b>	<b>81,154</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	230,983	231,231
Construction in progress	82,757	80,636
Other	45,878	78,262
<b>Total property, plant and equipment</b>	<b>359,619</b>	<b>390,130</b>
Intangible assets		
Other	2,388	2,300
<b>Total intangible assets</b>	<b>2,388</b>	<b>2,300</b>
Investments and other assets		
Investment securities	10,979	13,064
Long-term deposits	6,801	6,854
Long-term deposits for affiliates	26,727	26,931
Other	10,108	10,235
Allowance for doubtful accounts	(723)	(727)
<b>Total investments and other assets</b>	<b>53,893</b>	<b>56,358</b>
<b>Total non-current assets</b>	<b>415,901</b>	<b>448,789</b>
Deferred assets	663	606
<b>Total assets</b>	<b>510,677</b>	<b>530,551</b>

(Million yen)

	2018 (December 31, 2018)	The 1st Quarter of 2019 (March 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,653	6,397
Short-term loans payable	16,846	12,391
Accounts payable-other	12,781	10,805
Income taxes payable	119	168
Provision for bonuses	78	273
Other	28,140	26,218
<b>Total current liabilities</b>	<b>64,620</b>	<b>56,255</b>
Non-current liabilities		
Bonds payable	65,511	66,359
Net defined benefit liability	116	132
Other	5,364	38,574
<b>Total non-current liabilities</b>	<b>70,993</b>	<b>105,066</b>
<b>Total liabilities</b>	<b>135,613</b>	<b>161,321</b>
Net assets		
Shareholders' equity		
Capital stock	98	98
Capital surplus	18,831	18,831
Retained earnings	377,424	370,765
Treasury shares	(2,764)	(3,937)
<b>Total shareholders' equity</b>	<b>393,589</b>	<b>385,758</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(719)	(617)
Foreign currency translation adjustment	(17,928)	(16,034)
Remeasurements of defined benefit plans	45	47
<b>Total accumulated other comprehensive income</b>	<b>(18,602)</b>	<b>(16,605)</b>
Subscription rights to shares	76	76
<b>Total net assets</b>	<b>375,063</b>	<b>369,229</b>
<b>Total liabilities and net assets</b>	<b>510,677</b>	<b>530,551</b>

(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 2018 (January 1 to March 31, 2018)	The Cumulative 1st Quarter of 2019 (January 1 to March 31, 2019)
Net sales	19,545	22,638
Cost of sales	11,731	10,740
Gross profit	7,813	11,897
Selling, general and administrative expenses	12,183	15,050
Operating loss	(4,369)	(3,152)
Non-operating income		
Interest income	74,508	35
Dividend income	3	8
Foreign exchange gains	6,826	608
Equity in earnings of affiliates	-	408
Other	138	29
Total non-operating income	81,476	1,090
Non-operating expenses		
Interest expenses	182	890
Interest on bonds	352	1,224
Commission fee	548	265
Equity in losses of affiliates	275	-
Other	18	43
Total non-operating expenses	1,377	2,424
Ordinary profit (loss)	75,729	(4,486)
Extraordinary income		
Gain on redemption of stock due to the settlement	158,796	-
Total extraordinary income	158,796	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	5	0
Loss on litigation	1,214	-
Total extraordinary losses	1,219	0
Income (loss) before income taxes and others	233,306	(4,486)
Income taxes-current	49,077	(3)
Income taxes-deferred	3,131	(389)
Total income taxes	52,208	(392)
Net income (loss)	181,097	(4,093)
Net loss attributable to non-controlling interests	(305)	-
Net income (loss) attributable to owners of parent	181,402	(4,093)

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

	(Million yen)	
	The Cumulative 1st Quarter of 2018 (January 1 to March 31, 2018)	The Cumulative 1st Quarter of 2019 (January 1 to March 31, 2019)
Net income (loss)	181,097	(4,093)
Other comprehensive income		
Valuation difference on available-for-sale securities	(109)	102
Foreign currency translation adjustment	(25,461)	1,893
Remeasurements of defined benefit plans, net of tax	-	1
Total other comprehensive income	(25,571)	1,997
Comprehensive income	155,526	(2,096)
(Breakdown)		
Comprehensive income attributable to owners of parent	155,831	(2,096)
Comprehensive income attributable to non-controlling interests	(305)	-

[Notes]

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

There is no applicable information.

(Changes in Accounting Policies)

(Application of IFRS 16 “Leases”)

Some foreign subsidiaries have started to apply 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.

(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.

(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)	
	2018 (December 31, 2018)	The 1st Quarter of 2019 (March 31, 2019)
Notes receivable-trade	131	266
Electronic recorded receivable	149	279
Notes payable-trade	665	476
Electronic recoded payable	110	30

2. Contingent liabilities

Guaranteed debt

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

	(Million yen)	
	2018 (December 31, 2018)	The 1st Quarter of 2019 (March 31, 2019)
Philippine Amusement and Gaming Corporation	208 (100 Million Philippine Peso)	210 (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)	
	2018 (December 31, 2018)	The 1st Quarter of 2019 (March 31, 2019)
Cash and deposits	208 (100 Million Philippine Peso)	210 (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 first quarter of 2019 has not been prepared. Depreciation (includes amortization expenses related to intangible assets minus goodwill) pertaining to the cumulative first quarter of each year is as follows.

	(Million yen)	
	The Cumulative 1st Quarter of 2018 (January 1, 2018 to March 31, 2018)	The Cumulative 1st Quarter of 2019 (January 1, 2019 to March 31, 2019)
Depreciation	2,276	4,305

(Shareholders' Equity, etc.)

I. The Cumulative 1st Quarter of 2018 (January 1, 2018 to March 31, 2018)

There is no applicable information.

II. The Cumulative 1st Quarter of 2019 (January 1, 2019 to March 31, 2019)

Amount paid as dividends

(Resolution)	Class of share	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Dividend resource
Ordinary Shareholders' Meeting held on March 25, 2019	Common stock	3,950	50	Dec. 31, 2018	Mar. 26, 2019	Retained earnings

(Segments of an Enterprise and Related Information)

[Segment Information]

I. The Cumulative 1st Quarter of 2018 (January 1, 2018 to March 31, 2018)

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

(Million yen)

	Reportable Segment		Others (Note)	Total
	Amusement Equipments Business	Integrated Resort Business		
Net sales				
Sales to external customers	10,175	8,898	431	19,505
Inter-segment sales or transfers	-	-	189	189
Total	10,175	8,898	621	19,695
Segment profit (loss)	(872)	(1,418)	211	(2,079)

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)

Profit	Amount
Total of reportable segments	(2,290)
Profit in "Others" classification	211
Eliminated inter-segment transactions	(143)
Corporate revenue (Note 1)	39
Unallocated expenses (Note 2)	(2,185)
Operating loss in quarterly consolidated statement of income	(4,369)

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 related to changes in reportable segments

There is no applicable information.

4. 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.

II. The Cumulative 1st Quarter of 2019 (January 1, 2019 to March 31, 2019)

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

(Million yen)

	Reportable Segment		Others (Note)	Total
	Amusement Equipments Business	Integrated Resort Business		
Net sales				
Sales to external customers	5,393	16,770	408	22,572
Inter-segment sales or transfers			146	146
Total	5,393	16,770	554	22,718
Segment profit (loss)	(227)	(512)	92	(647)

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)

Profit	Amount
Total of reportable segments	(740)
Profit in "Others" classification	92
Eliminated inter-segment transactions	(139)
Corporate revenue (Note 1)	65
Unallocated expenses (Note 2)	(2,431)
Operating loss in quarterly consolidated statement of income	(3,152)

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 related to changes in reportable segments

Effective from the first quarter of 2019, consolidated subsidiary Azure USA, which was included in the Others segment, has been included in the Integrated Resort Business segment.

The change is being affected because Azure USA is expanding its business domains from the investment management business to casino equipment manufacturing and marketing business through the US subsidiary UE Technologies, Inc. As this will involve licensing management of casino equipment, the Azure USA's casino-related business is to be included in the Integrated Resort Business segment.

The segment information for the cumulative first quarter of 2018 has been restated to reflect this change.

From the consolidated fiscal year ended December 31, 2018, for clarity, Universal Entertainment changed the name of segment from Pachislot/ Pachinko Business to Amusement Equipments Business, from Casino Resort Business to Integrated Resort Business, respectively. This change is solely for the name of segment, so no change for the nature of business and no financial impact.

4. 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 (loss) per share and diluted net income per share are as follows.

	The Cumulative 1st Quarter of 2018 (January 1, 2018 to March 31, 2018)	The Cumulative 1st Quarter of 2019 (January 1, 2019 to March 31, 2019)
Net income (loss) per share (Yen)	2,298.20	(51.86)
(Calculation basis)		
Net income (loss) attributable to owners of parent (Million yen)	181,402	(4,093)
Amount not attributed to common shareholders (Million yen)		
Net income (loss) attributable to owners of parent applicable to common stock (Million yen)	181,402	(4,093)
Average number of shares of common stock during the period (Thousand shares)	78,932	78,935
Diluted net income per share (Yen)	2,291.10	-
(Calculation basis)		
Adjusted net income attributable to owners of parent (Million yen)	-	-
Increase in the number of common stock (Thousand shares)	244	-
[Of which, subscription rights to shares (Thousand shares)]	[244]	-
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 2018	-	-

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

(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

May 14, 2019

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 first quarter (from January 1, 2019 to March 31, 2019) and the cumulative first quarter (from January 1, 2019 to March 31, 2019) of the consolidated fiscal year commencing on January 1, 2019 and ending on December 31, 2019, 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 March 31, 2019, and its business results for the cumulative first quarter ending on the same day were found among all significant matters.

### 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	May 14, 2019
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 first quarter of the 47th period (from January 1, 2019 through March 31, 2019) was appropriately stated pursuant to the Financial Instruments and Exchange Act.

## **2. Matters to Be Noted**

No applicable information.