

Quarterly Report

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

From April 1, 2019 to June 30, 2019

UNIVERSAL ENTERTAINMENT CORPORATION

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

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[Quarterly Review Report]

[Written Confirmation]

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	August 7, 2019
Quarterly accounting period	The second quarter of the 47th period (from April 1, 2019 to June 30, 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 Second Quarter of the 46th Period	The Cumulative Second Quarter of the 47th Period	46th Period
Accounting period		From January 1, 2018 to June 30, 2018	From January 1, 2019 to June 30, 2019	From January 1, 2018 to December 31, 2018
Net sales	(Million yen)	46,541	52,541	93,267
Ordinary profit (loss)	(Million yen)	71,050	(9,363)	67,232
Net income (loss) attributable to owners of parent	(Million yen)	172,543	(9,039)	161,168
Comprehensive income	(Million yen)	154,267	(4,073)	144,581
Net assets	(Million yen)	386,008	366,193	375,063
Total assets	(Million yen)	511,802	538,345	510,677
Net income (loss) per share	(Yen)	2,185.35	(114.80)	2,037.75
Diluted net income per share	(Yen)	2,178.62	-	2,035.02
Ratio of shareholders' equity	(%)	75.6	68.0	73.4
Cash flows from operating activities	(Million yen)	53,515	11,498	15,280
Cash flows from investing activities	(Million yen)	182,765	(17,826)	154,849
Cash flows from financing activities	(Million yen)	(207,611)	(4,091)	(163,173)
Cash and cash equivalents at end of period	(Million yen)	66,725	35,597	45,870

Term		The Cumulative Second Quarter of the 46th Period	The Cumulative Second Quarter of the 47th Period
Accounting period		From April 1, 2018 to June 30, 2018	From April 1, 2019 to June 30, 2019
Net income (loss) per share	(Yen)	(112.85)	(62.94)

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 cumulative second quarter of 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 second 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 second 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 Flows

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

(1) Financial Status and Operating Results

(Million yen)				
Cumulative second quarter of 2019	Net sales	Operating loss	Ordinary loss	Net loss attributable to owners of parent
Non-consolidated	21,587	(2,270)	(7,971)	(7,476)
Consolidated	52,541	(3,850)	(9,363)	(9,039)

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

The amount of total assets were 538,345 million yen, an increase of 27,667 million yen over the end of 2018. This increase was mainly the result of a 31,048 million yen increase in other property, plant and equipment due to a new accounting standard for leases at overseas subsidiaries, which partially offset a 10,269 million yen decrease in cash and deposits due in part to the payment for investments in construction, cash dividends paid, purchase of treasury shares, repayments of short-term loans payable and proceeds from long-term loans payable.

The amount of liabilities were 172,151 million yen, an increase of 36,537 million yen over the end of 2018, which was mainly the result of a 33,018 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 366,193 million yen, a decrease of 8,869 million yen over the end of 2018, which was mainly the result of a 11,604 million yen decrease in retained earnings due to net loss and cash dividends paid.

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

Regarding net sales and operating loss, Universal Entertainment posted net sales of 52,541 million yen (an increase of 12.9% year on year), an operating loss of 3,850 million yen (compared with an operating loss of 6,930 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 ordinary profit (loss) and net income (loss) attributable to owners of parent, in the cumulative second 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 second quarter of 2019, the Company posted an ordinary loss of 9,363 million yen (compared with an ordinary profit of 71,050 million yen in the same period of 2018), and net loss attributable to owners of parent of 9,039 million yen (compared with net income attributable to owners of parent of 172,543 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 20,203 million yen (a decrease of 15.6% year on year) and an operating profit of 2,965 million yen (an increase of 191.1% year on year) in the cumulative second 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. Manufacturers in this industry have actively 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 earned reputation by offering new game-playing characteristics and other features. However, the low approval rate due to strict compliance testing for new machines is holding down the number of new titles that can be sold.

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 of "SLOT Galaga," the third title in the Family Slot series collaboration with BANDAI NAMCO Entertainment Inc., started in April and sales of "HANABI 2" started in May. "HANABI 2" has the same ease of use as its predecessor "HANABI" along with characteristics that will satisfy even highly experienced Pachislot fans.

In the Pachinko category, sales of "P Another God Hades Judgement," which is part of the very popular GOD series of Pachislot titles, started in June. This new title has innovations that people expect from the GOD series along with pachinko ball output that will meet the expectations of users.

ii. Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 31,415 million yen (an increase of 45.2% year on year) and an operating loss of 1,821 million yen (compared with an operating loss of 3,036 million yen in the cumulative second quarter of 2018) in the cumulative second quarter of 2019. Adjusted segment EBITDA⁽²⁾ in the Integrated Resort Business was 5,259 million yen in the cumulative second quarter of 2019, a significant increase of 4,969 million yen from 290 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 increased in the second quarter and there was growth in the volume of all segments. Growth included the VIP category as well as mass-market table games and machines. The result was a big increase in sales. The VIP rolling chip win rate was 2.68% for the quarter ended June 30, 2019 compared with 3.76% in the first quarter.

The hotel room occupancy rate remained extremely high throughout the quarter and average daily room rate was above PHP10,000. All rooms in the Hotel Tower A were opened in the fourth quarter of 2018.

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 791 million yen (a decrease of 10.7% year on year) and an operating profit of 120 million yen (a decrease of 75.3% year on year) in the cumulative second quarter of 2019.

In the Media Content Business, distribution of the simulator application "Don-chan 2 (2019)" 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 "SEGA Net Marjong MJ" of SEGA Interactive Co., Ltd. and started distributing overseas the "Flipper", "Tower of BABEL" and "AZTECA The Legend Returns" titles. All of these new titles have been very well received by users.

(2) Status of Cash Flows

As of the end of the cumulative second quarter of 2019, the balance of cash and cash equivalents totaled 35,597 million yen, a decrease of 10,273 million yen over the end of 2018. This decrease was mainly the result of the payment for construction works (purchase of property, plant and equipment), repayments of short-term loans payable (net increase (decrease) in short-term loans payable), interest expenses paid, cash dividends paid, and purchase of treasury shares, while there were increases from the proceeds from long-term loans payable and increase (decrease) in other current liabilities. The status of each cash flow and the primary reasons for increases/decreases in the cumulative second quarter of 2019 are as follows:

<Cash Flows from Operating Activities>

Net cash provided by operating activities amounted to 11,498 million yen, mainly due to booking of loss before income taxes and others of 9,368 million yen, depreciation of 8,595 million yen, 14,053 million yen increase in other current liabilities and interest expenses paid of 2,332 million yen.

<Cash Flows from Investing Activities>

Net cash used in investing activities amounted to 17,826 million yen, mainly due to purchase of property, plant and equipment of 14,288 million yen, payments of short-term loans receivable of 1,103 million yen and purchase of investments in non-consolidated subsidiary of 1,356 million yen.

<Cash Flows from Financing Activities>

Net cash used in financing activities amounted to 4,091 million yen, mainly due to net decrease in short-term loans payable of 6,690 million yen, proceeds from long-term loans payable of 8,183 million yen, purchase of treasury shares of 2,233 million yen and cash dividends paid of 2,950 million yen.

(3) Management Policy and Strategy

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

(4) Operational and Financial Issues to Be Addressed

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

(5) Research and Development Activities

The amount spent on the group-wide research and development activities during the cumulative second quarter of 2019 was 2,468 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. 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.

(7) 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 second quarter of 2019, bonds payable, loans payable and other interest-bearing liabilities totaled 82,960 million yen and cash and cash equivalents totaled 35,597 million yen.

(8) Current Situation and Outlook of Business Strategy

i. Amusement Equipments Business

In the third quarter, sales of “P High School Fleet,” a Pachinko title using the anime content of Aniplex Inc., will start. The animated TV program “High School Fleet” was televised in 2016 and has retained a large number of loyal fans since then. A movie version of this program is planned.

Sales have started for “SLOT Puella Magi Madoka Magica: The Movie-Rebellion,” the latest Pachislot title in the “Maho Shjo Madoka☆Magica” series that has an excellent reputation among users and Pachinko halls. Both titles have an excellent reputation among users and pachinko halls amid high expectations from the Pachislot market, and the number of machines ordered has exceeded the initial plan for sales.

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.

(Reference) Number of Pachislot and Pachinko machines sold in 2019

	1st quarter	2nd quarter	3rd quarter (orders received)	Total
No. of machines sold	10,978	36,074	45,540	92,592

(Note) See “Results of Operations for the Second 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.

Work is continuing on Hotel Tower B to add more hotel rooms and some rooms in this tower became operational in July 2019. More rooms 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 2019 as sales growth lowers fixed cost as a percentage of sales.

VIP casino revenues are expected to continue growing driven by the addition of new junkets, and more demand from existing junkets⁽¹⁾. The expected win rate range of rolling chip volume⁽²⁾ 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 are 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⁽³⁾, 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, at an early stage 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) 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.
- (2) Rolling chip volume is the total volume in the quarter of the special chips for VIP wagered and lost by the rolling chip segment.
- (3) 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 31 titles in Japan and 56 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

No decisions or conclusions of important contracts, etc. in operations were made during the second quarter of 2019.

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 Second Quarter (Shares) (June 30, 2019)	Number of Issued Shares as of the Submission Date of This Report (Shares) (August 7, 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 August 1, 2019 through the date 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 April 1, 2019 to June 30, 2019	-	80,195,000	-	98	-	7,503

(5) Major Shareholders

As of June 30, 2019

Name	Address	Number of Shares Held (Thousand shares)	Ratio of Shares Held (Excluding treasury shares) (%)
Okada Holdings Limited (Standing Proxy: Atsunobu Ishida)	1401 Hutchison House, 10 Harcourt Road, Hong Kong (Chiyoda-ku, Tokyo)	54,452	69.51
Hiroko Yokotsuka	Shinagawa-ku, Tokyo	2,105	2.68
GOLDMAN, SACHS & CO.REG (Standing Proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK, NY, USA (10-1, Roppongi 6-chome, Minato-ku, Tokyo)	1,535	1.96
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing Proxy: Mizuho Bank, Ltd., Settlement Division)	100 KING STREET WEST, SUITE 3500, PO BOX 23 TORONTO, ONTARIO M5X 1A9 CANADA (15-1, Konan 2-chome, Minato-ku, Tokyo)	1,393	1.77
GOLDMAN SACHS INTERNATIONAL (Standing Proxy: Goldman Sachs Japan Co., Ltd.)	133 FLEET STREET LONDON EC4A 2BB U.K. (10-1, Roppongi 6-chome, Minato-ku, Tokyo)	1,342	1.71
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Operations Division)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	1,140	1.45
BBH(LUX) FOR FIDELITY FUNDS PACIFIC FUND (Standing Proxy: MUFG Bank, Ltd.)	2A RUE ALBERT BORSCHETTE LUXEMBOURGL-1246 (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	943	1.20
J.P.MORGAN SECURITIES PLC (Standing Proxy: JPMorgan Securities Japan Co., Ltd.)	25 BANK STREET CANARY WHARF LONDON UK (7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	872	1.11
JPMorgan Securities Japan Co., Ltd.	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	725	0.92
Yoshiaki Ota	Kobe, Hyogo	675	0.86
Total	-	65,186	83.21

- Notes: 1. In addition to the above, the Company holds 1,860 thousand shares as treasury shares.
2. The “Number of shares held” is rounded down to the nearest thousand shares.
3. The “Ratio of shares held (excluding treasury shares)” is rounded down to the nearest hundredth places.

(6) Voting Rights

i. Issued Shares

As of June 30, 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 1,860,700	-	-
Shares with full voting rights (others)	Common stock 78,327,100	783,271	-
Shares less than one unit share	Common stock 7,200	-	-
Total number of issued shares	80,195,000	-	-
Voting rights of total shareholders	-	783,271	-

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 June 30, 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	1,860,700	-	1,860,700	2.32
Total	-	1,860,700	-	1,860,700	2.32

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 second quarter (from April 1, 2019 to June 30, 2019) and the cumulative second quarter (from January 1, 2019 to June 30, 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 2nd Quarter of 2019 (June 30, 2019)
Assets		
Current assets		
Cash and deposits	46,076	35,807
Notes and accounts receivable-trade	*1 10,381	*1 9,899
Securities	2	422
Merchandise and finished goods	1,186	1,368
Work in process	8,361	10,910
Raw materials and supplies	13,628	13,624
Other	14,961	14,339
Allowance for doubtful accounts	(486)	(634)
Total current assets	94,111	85,738
Non-current assets		
Property, plant and equipment		
Buildings and structures	230,983	234,067
Construction in progress	82,757	82,418
Other	45,878	76,927
Total property, plant and equipment	359,619	393,413
Intangible assets		
Other	2,388	2,303
Total intangible assets	2,388	2,303
Investments and other assets		
Investment securities	10,979	13,660
Long-term deposits	6,801	6,660
Long-term deposits for affiliates	26,727	26,147
Other	10,108	10,586
Allowance for doubtful accounts	(723)	(715)
Total investments and other assets	53,893	56,338
Total non-current assets	415,901	452,054
Deferred assets	663	551
Total assets	510,677	538,345

(Million yen)

	2018 (December 31, 2018)	The 2nd Quarter of 2019 (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,653	7,600
Short-term loans payable	16,846	10,071
Accounts payable-other	12,781	10,413
Income taxes payable	119	199
Provision for bonuses	78	469
Other	28,140	31,973
Total current liabilities	64,620	60,727
Non-current liabilities		
Bonds payable	65,511	64,774
Long-term loans payable	-	8,114
Net defined benefit liability	116	151
Other	5,364	38,383
Total non-current liabilities	70,993	111,423
Total liabilities	135,613	172,151
Net assets		
Shareholders' equity		
Capital stock	98	98
Capital surplus	18,831	18,831
Retained earnings	377,424	365,820
Treasury shares	(2,764)	(4,995)
Total shareholders' equity	393,589	379,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(719)	(654)
Foreign currency translation adjustment	(17,928)	(13,027)
Remeasurements of defined benefit plans	45	46
Total accumulated other comprehensive income	(18,602)	(13,636)
Subscription rights to shares	76	75
Total net assets	375,063	366,193
Total liabilities and net assets	510,677	538,345

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

(Million yen)

	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Net sales	46,541	52,541
Cost of sales	27,283	25,619
Gross profit	19,257	26,921
Selling, general and administrative expenses	* 26,187	* 30,771
Operating loss	(6,930)	(3,850)
Non-operating income		
Interest income	74,623	87
Dividend income	10	16
Foreign exchange gains	5,124	-
Equity in earnings of affiliates	-	963
Other	180	63
Total non-operating income	79,939	1,131
Non-operating expenses		
Interest expenses	426	1,785
Interest on bonds	520	2,530
Foreign exchange losses	-	1,969
Commission fee	615	276
Equity in losses of affiliates	346	-
Other	51	83
Total non-operating expenses	1,959	6,644
Ordinary profit (loss)	71,050	(9,363)
Extraordinary income		
Gain on redemption of stock due to the settlement	158,796	-
Other	21	-
Total extraordinary income	158,817	-
Extraordinary losses		
Loss on redemption of bonds	4,693	-
Loss on litigation	2,836	-
Other	14	5
Total extraordinary losses	7,544	5
Income (loss) before income taxes and others	222,323	(9,368)
Income taxes-current	49,985	186
Income taxes-deferred	147	(516)
Total income taxes	50,133	(329)
Net income (loss)	172,190	(9,039)
Net loss attributable to non-controlling interests	(352)	-
Net income (loss) attributable to owners of parent	172,543	(9,039)

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

(Million yen)

	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Net income (loss)	172,190	(9,039)
Other comprehensive income		
Valuation difference on available-for-sale securities	(91)	65
Foreign currency translation adjustment	(17,833)	4,900
Remeasurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	(17,923)	4,965
Comprehensive income	154,267	(4,073)
(Breakdown)		
Comprehensive income attributable to owners of parent	154,620	(4,073)
Comprehensive income attributable to non-controlling interests	(352)	-

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Cash flows from operating activities		
Income (loss) before income taxes and others	222,323	(9,368)
Depreciation	4,988	8,595
Equity in (earnings) losses of affiliates	346	(963)
Increase (decrease) in provision for bonuses	408	390
Increase (decrease) in allowance for doubtful accounts	(31)	146
Increase (decrease) in net defined benefit liability	32	33
Interest and dividend income	(74,634)	(104)
Interest expenses	426	1,785
Interest on bonds	520	2,530
Loss on redemption of bonds	4,693	-
Gain on redemption of stock due to the settlement	(158,796)	-
Loss on litigation	2,836	-
Foreign exchange losses (gains)	(4,481)	(998)
Decrease (increase) in notes and accounts receivable-trade	166	511
Decrease (increase) in inventories	1,877	(2,719)
Decrease (increase) in accounts receivable-other	59	599
Increase (decrease) in notes and accounts payable-trade	2,621	1,158
Increase (decrease) in accrued consumption taxes	(963)	377
Increase (decrease) in accounts payable-other	(808)	(508)
Decrease (increase) in other current assets	(2,849)	(525)
Increase (decrease) in other current liabilities	8,968	14,053
Increase (decrease) in other non-current liabilities	50	(1,183)
Other	495	54
Subtotal	8,249	13,865
Interest and dividend income received	74,636	103
Interest expenses paid	(1,351)	(2,332)
Payments for loss on litigation	(2,778)	-
Income taxes (paid) refund	(25,240)	(137)
Net cash provided by (used in) operating activities	53,515	11,498

(Million yen)

	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,414)	(14,288)
Purchase of intangible assets	(503)	(340)
Purchase of investment securities	(5)	(5)
Proceeds from redemption of stock due to settlement	207,218	-
Payments of short term-loans receivable	(870)	(1,103)
Payments of long-term loans receivable	(402)	(295)
Payments for lease and guarantee deposits	(27)	(35)
Proceeds from collection of lease and guarantee deposits	155	0
Purchase of investments in non-consolidated subsidiary	-	(1,356)
Other	613	(402)
Net cash provided by (used in) investing activities	182,765	(17,826)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	18,762	(6,690)
Proceeds from long-term loans payable	-	8,183
Repayments of long-term loans payable	(78,208)	-
Redemption of bonds	(148,575)	-
Purchase of treasury shares	(0)	(2,233)
Cash dividends paid	-	(2,950)
Proceeds from disposal of treasury shares from exercise of share acquisition rights	805	1
Payment for sales and leasebacks	(396)	(401)
Net cash provided by (used in) financing activities	(207,611)	(4,091)
Effect of exchange rate change on cash and cash equivalents	2,462	145
Net increase (decrease) in cash and cash equivalents	31,130	(10,273)
Cash and cash equivalents at beginning of period	35,594	45,870
Cash and cash equivalents at end of period	* 66,725	* 35,597

[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 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.

(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 2nd Quarter of 2019 (June 30, 2019)
Notes receivable-trade	131	285
Electronic recorded receivable	149	173
Notes payable-trade	665	234
Electronic recoded payable	110	13

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 2nd Quarter of 2019 (June 30, 2019)
Philippine Amusement and Gaming Corporation	208	210
	(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)	
	2018 (December 31, 2018)	The 2nd Quarter of 2019 (June 30, 2019)
Cash and deposits	208	210
	(100 Million Philippine Peso)	(100 Million Philippine Peso)

(Notes to Quarterly Consolidated Statement of Income)

* Major components and their amounts of the selling, general and administrative expenses are as follows.

	(Million yen)	
	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Research and development expenses	2,861	2,468
Salaries and allowances	7,987	8,456
Commission fee	2,061	2,887
Depreciation	4,591	8,253

(Notes to Quarterly Consolidated Statement of Cash Flows)

*1. The relationship between the balance of cash and cash equivalents at the end of the second quarter and the amount of items posted in the consolidated balance sheet is as follows.

	(Million yen)	
	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Cash and deposit account	66,504	35,807
Securities account	427	-
Deposits pledged as collateral	(206)	(210)
Cash and cash equivalents	66,725	35,597

2. Significant non-cash transactions

	(Million yen)	
	The Cumulative 2nd Quarter of 2018 (January 1 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1 to June 30, 2019)
Interest expenses into principal	140	-
Interest of bonds into principal of bonds	2,591	-
Borrowing costs into the acquisition cost	2,486	-

(Shareholders' Equity, etc.)

I. The Cumulative 2nd Quarter of 2018 (January 1, 2018 to June 30, 2018)

Amount paid as dividends

There is no applicable information.

II. The Cumulative 2nd Quarter of 2019 (January 1, 2019 to June 30, 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 Mar. 25, 2019	Common stock	3,950	50	Dec. 31, 2018	Mar. 26, 2019	Retained earnings

2. Dividends for which the record date belongs to the cumulative 2nd quarter of the current consolidated fiscal year, and the effective date is after the 2nd quarter of the current consolidated fiscal year

(Resolution)	Class of share	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Dividend resource
Board of Directors' meeting held on Aug. 7, 2019	Common stock	3,916	50	Jun. 30, 2019	Sep. 30, 2019	Retained earnings

(Segments of an Enterprise and Related Information)

[Segment Information]

I. The Cumulative 2nd Quarter of 2018 (January 1, 2018 to June 30, 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	23,928	21,640	886	46,454
Inter-segment sales or transfers	-	-	404	404
Total	23,928	21,640	1,290	46,859
Segment profit (loss)	1,018	(3,036)	487	(1,530)

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	(2,017)
Profit in "Others" classification	487
Eliminated inter-segment transactions	(178)
Corporate revenue (Note 1)	86
Unallocated expenses (Note 2)	(5,307)
Operating loss in quarterly consolidated statement of income	(6,930)

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

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

II. The Cumulative 2nd Quarter of 2019 (January 1, 2019 to June 30, 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	20,203	31,415	791	52,410
Inter-segment sales or transfers	-	-	159	159
Total	20,203	31,415	951	52,570
Segment profit (loss)	2,965	(1,821)	120	1,264

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	1,144
Profit in "Others" classification	120
Eliminated inter-segment transactions	(114)
Corporate revenue (Note 1)	131
Unallocated expenses (Note 2)	(5,132)
Operating loss in quarterly consolidated statement of income	(3,850)

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

2. Unallocated expenses are mainly composed of selling, general and administrative expenses that are not attributed to any 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 Aruze USA's casino-related business is to be included in the Integrated Resort Business segment.

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

From the 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 there is 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.

(Financial Instruments)

This information is omitted here because there are no significant differences between the amounts posted in the consolidated balance sheets and market prices.

(Marketable Securities)

There is no applicable information.

(Derivative Transactions)

This information is omitted here because there have been no significant changes in derivative transactions.

(Business Combinations)

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 2nd Quarter of 2018 (January 1, 2018 to June 30, 2018)	The Cumulative 2nd Quarter of 2019 (January 1, 2019 to June 30, 2019)
(1) Net income (loss) per share (Yen)	2,185.35	(114.80)
(Calculation basis)		
Net income (loss) attributable to owners of parent (Million yen)	172,543	(9,039)
Amount not attributed to common shareholders (Million yen)	-	
Net income (loss) attributable to owners of parent applicable to common stock (Million yen)	172,543	(9,039)
Average number of shares of common stock during the period (Thousand shares)	78,954	78,737
(2) Diluted net income per share (Yen)	2,178.62	-
(Calculation basis)		
Adjusted net income attributable to owners of parent (Million yen)	-	-
Increase in the number of common stock (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 the previous fiscal year	-	-

Note: "Diluted net income per share" for the cumulative 2nd 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

At a meeting of its Board of Directors held on August 7, 2019, Universal Entertainment resolved the payment of interim dividend in the following manner.

- (1) Total amount of dividends: 3,916 million yen
- (2) Dividend amount per share: 50.00 yen
- (3) Effective date of dividend payment request and payment commencement date: September 30, 2019

Note: Said dividends shall be paid to shareholders indicated or recorded in the shareholder registry as of June 30, 2019.

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

There is no applicable information.

Quarterly Review Report by Independent Auditor

August 7, 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 second quarter (from April 1, 2019 to June 30, 2019) and the cumulative second quarter (from January 1, 2019 to June 30, 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, quarterly consolidated statement of cash flows 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 June 30, 2019, and its business results and cash flows for the cumulative second 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

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	August 7, 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 second quarter of the 47th period (from April 1, 2019 through June 30, 2019) was appropriately stated pursuant to the Financial Instruments and Exchange Act.

2. Matters to Be Noted

No applicable information.