

This is an English translation of the official announcement in Japanese that was released on November 9, 2018. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



**Summary of Financial Data and Business Results for  
the Third Quarter of the Fiscal Year Ending December 31, 2018  
(JP GAAP, Consolidated)**

November 9, 2018  
Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

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

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

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

TEL: +81-3-5530-3055

Scheduled Submission Date of Quarterly Report: November 9, 2018

Scheduled Commencement Date of Dividend Payment: -

Supplementary Briefing Materials for Quarterly Settlement of Accounts: Yes

Briefing on Quarterly Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

1. Consolidated Business Results for the Third Quarter of 2018 (Period from January 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results

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

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
3rd Quarter of 2018	67,014	-	(14,479)	-	67,668	-	167,968	-
3rd Quarter of 2017	-	-	-	-	-	-	-	-

(Note) Comprehensive income

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

3rd Quarter of 2017: - million yen (-%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
3rd Quarter of 2018	2,124.82	2,120.74
3rd Quarter of 2017	-	-

(Note) In 2017, Universal Entertainment Corporation changed its fiscal year end from March 31 to December 31. There are no comparisons between the first nine months of 2018 and the first nine months of 2017 because no consolidated financial statements were prepared for the first nine months of 2017 due to the change in the fiscal year end.

(2) Consolidated Financial Status

	Total Assets	Net Assets	Ratio of Shareholders' Equity
	Million Yen	Million Yen	%
As of September 30, 2018	492,174	381,861	77.6
As of December 31, 2017	543,747	230,945	42.6

(Reference) Shareholders' equity

As of September 30, 2018: 381,784 million yen

As of December 31, 2017: 231,421 million yen

2. Status of Dividends

	Annual Dividends				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Fiscal Year	Total
	Yen	Yen	Yen	Yen	Yen
2017	-	0.00	-	0.00	0.00
2018	-	0.00	-	-	-
2018 (Forecast)	-	-	-	-	-

(Note) Revision from the dividend forecast most recently announced: None  
The dividend forecast for 2018 is to be determined.

### 3. Consolidated Business Results Forecast for 2018 (Period from January 1, 2018 to December 31, 2018)

(Percentages refer to changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent		Net Income per Share	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen	
Full Fiscal Year	149,000	-	6,200	-	90,000	-	194,600	-	2,466.59	

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

The previous fiscal year was a transitional period due to a change in the fiscal year end. As a result, there are no comparisons for the forecast for 2018.

#### \* Matters of Note

(1) Changes in material subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation) : None

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements : None

(3) Changes in accounting policies, changes in accounting estimates and/or restatements

1) Changes in accounting policies accompanying revision of accounting standards, etc. : None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Restatements : None

(4) Number of outstanding shares (common stock)

1) Shares issued at end of fiscal period (including treasury shares)

As of September 30, 2018: 80,195,000 shares

As of December 31, 2017: 80,195,000 shares

2) Number of treasury shares at end of fiscal period

As of September 30, 2018: 947,716 shares

As of December 31, 2017: 1,264,733 shares

3) Average number of shares during fiscal period

3rd Quarter of 2018: 79,050,783 shares

3rd Quarter of 2017: - shares

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

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

The forward-looking statements regarding business results, etc. as featured herein are based on information that is currently available and certain assumptions that are determined to be reasonable, but are not promises by the Company regarding future performance. Actual business results may vary significantly due to a number of factors. For preconditions for business forecasts, notes on the usage of business forecasts and so forth, please see "1. Qualitative Information Pertaining to Quarterly Settlement of Accounts, (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements" on page 4 of the Attached Materials.

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

## (1) Explanation of Operating Results

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

(Million yen)

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

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

## (i) Pachislot and Pachinko Business

The Pachislot and Pachinko Business posted net sales of 31,702 million yen and an operating loss of 1,919 million yen in the first nine months of 2018.

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

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

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

## (ii) Casino Resort Business

The Casino Resort Business posted net sales <sup>(1)</sup> of 33,828 million yen and an operating loss of 4,758 million yen in the first nine months of 2018. Compared with the second quarter of 2018 (April 1 to June 30), net sales decreased 553 million yen to 12,187 million yen. The net sales in the second quarter of 2018 was driven by VIP table game revenue associated with a onetime temporary spike in volumes due to junket <sup>(2)</sup> grand opening events. Excluding the factor of the temporary spike, the net sales steadily increased from the second quarter to the third quarter. The mass table and gaming machine sales increased in the third quarter by a number of new marketing initiatives (e.g. improvements in loyalty program and promotions) implemented during the quarter partially and the better operation of tables and gaming machines of which we have installed the largest numbers in Philippines. Our market share increased more in the third quarter excluding the temporary spike in the second quarter.

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

gross gaming revenues from the first quarter to the third quarter and greater proportion of higher margin mass market gross gaming revenues.

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

(iii) Other

Other Business posted net sales of 1,312 million yen and an operating profit of 792 million yen in the first nine months of 2018.

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

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

(2) Explanation of Financial Status

(Assets)

Current assets at the end of the third quarter of 2018 were 90,243 million yen, a decrease of 770 million yen compared with the end of 2017. Non-current assets were 401,930 million yen, a decrease of 48,696 million yen. This was mainly due to a decrease of 51,393 million yen in investment securities.

As a result, total assets amounted to 492,174 million yen, a decrease of 51,573 million yen compared with the end of 2017.

(Liabilities)

Current liabilities at the end of the third quarter of 2018 were 103,812 million yen, an increase of 30,222 million yen compared with the end of 2017. This was mainly due to increases of 12,791 million yen in income taxes payable and 21,176 million yen in short-term loans payable. Non-current liabilities were 6,500 million yen, a decrease of 232,710 million yen. This was mainly due to decreases of 84,120 million yen in long-term loans payable and 149,125 million yen in bonds payable.

As a result, total liabilities amounted to 110,312 million yen, a decrease of 202,488 million yen compared with the end of 2017.

(Net Assets)

Net assets at the end of the third quarter of 2018 totaled 381,861 million yen, an increase of 150,915 million yen compared with the end of 2017. This was mainly due to an increase of 167,968 million yen in retained earnings and a decrease of 16,908 million yen in foreign currency translation adjustment.

As a result, the shareholders' equity ratio was 77.6%.

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

(i) Pachislot and Pachinko Business

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

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

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

(ii) Casino Resort Business

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

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

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

Mass market table and gaming machine revenue is expected to continue growing as marketing initiatives continue to be implemented and improved and the property continues to ramp up. Increasing number of hotel rooms, retail outlets and other amenities is expected to drive additional visitation and mass market casino revenues.

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

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

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

(iii) Other

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

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

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

(4) Forecast of Consolidated Business Results

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

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

(Million yen)

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



(Million yen)

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

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

	(Million yen)
	The Cumulative 3rd Quarter of 2018 (January 1 to September 30, 2018)
Net sales	67,014
Cost of sales	40,386
Gross profit	26,627
Selling, general and administrative expenses	41,107
Operating loss	(14,479)
Non-operating income	
Interest income	74,710
Dividend income	18
Foreign exchange gains	9,339
Other	182
Total non-operating income	84,250
Non-operating expenses	
Interest expenses	592
Interest on bonds	520
Commission fee	608
Equity in losses of affiliates	337
Other	44
Total non-operating expenses	2,102
Ordinary profit	67,668
Extraordinary income	
Gain on redemption of stock due to the settlement	158,796
Other	80
Total extraordinary income	158,877
Extraordinary losses	
Loss on bond retirement	4,693
Loss on litigation	2,836
Other	114
Total extraordinary losses	7,644
Income before income taxes and others	218,901
Income taxes-current	50,062
Income taxes-deferred	1,219
Total income taxes	51,282
Net income	167,618
Net loss attributable to non-controlling interests	(349)
Net income attributable to owners of the parent	167,968

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

(Million yen)

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

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

There is no applicable information.

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

There is no applicable information.

(4) Additional Information

(Accounting Procedure for the Settlement with Wynn Resorts)

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

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

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

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

(Borrowing Costs into the Acquisition Cost)

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

(5) Material Subsequent Events

There is no applicable information.