

This is an English translation of the official announcement in Japanese that was released on February 14, 2019. The translation is prepared for the readers' convenience only. All readers are strongly recommended to refer to the original Japanese version for complete and accurate information. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.



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

February 14, 2019
Listed Exchange: Tokyo Stock Exchange

Company Name: Universal Entertainment Corporation

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

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

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

TEL: +81-3-5530-3055

Scheduled Date of Ordinary Shareholders' Meeting: March 25, 2019

Scheduled Submission Date of Securities Registration Report: March 26, 2019

Scheduled Commencement Date of Dividend Payment: March 26, 2019

Supplementary Briefing Materials for Settlement of Accounts: Yes

Briefing on Settlement of Accounts: None scheduled

(Amounts rounded down to nearest million yen)

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

(1) Consolidated Operating Results

(Percentages refer to changes from 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	%
Fiscal Year Ended December 31, 2018	93,267	-	(17,972)	-	67,232	-	161,168	-
Fiscal Year Ended December 31, 2017	68,546	-	(9,807)	-	(12,829)	-	(13,426)	-

(Note) Comprehensive income

Fiscal Year Ended December 31, 2018: 144,581 million yen (-%)

Fiscal Year Ended December 31, 2017: (7,427) million yen (-%)

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Profit to Total Assets	Ratio of Operating Profit to Net Sales
	Yen	Yen	%	%	%
Fiscal Year Ended December 31, 2018	2,037.75	2,035.02	53.2	12.8	(19.3)
Fiscal Year Ended December 31, 2017	(170.18)	-	(5.5)	(2.3)	(14.3)

(Reference) Equity in earnings/losses of affiliates

Fiscal Year Ended December 31, 2018: 2,795 million yen

Fiscal Year Ended December 31, 2017: 640 million yen

(Notes) 1. In 2017, Universal Entertainment Corporation changed its fiscal year end from March 31 to December 31. Operating results for the fiscal year ended December 31, 2017 and comparisons between the fiscal years ended December 31, 2018 and December 31, 2017 are not presented since the periods are not comparative.

2. "Diluted net income per share" for the fiscal year ended December 31, 2017 is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Consolidated Financial Status

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of December 31, 2018	510,677	375,063	73.4	4,746.18
As of December 31, 2017	543,747	230,945	42.6	2,931.97

(Reference) Shareholders' equity

As of December 31, 2018: 374,987 million yen

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

(3) Consolidated Cash Flow Position

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Balance of Cash and Cash Equivalents at the End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Fiscal Year Ended December 31, 2018	15,280	154,849	(163,173)	45,870
Fiscal Year Ended December 31, 2017	(2,177)	(59,903)	4,352	35,594

2. Status of Dividends

	Annual Dividends					Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Net Assets (Consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of Fiscal Year	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal Year Ended December 31, 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal Year Ended December 31, 2018	-	0.00	-	50.00	50.00	3,950	2.5	1.3
Fiscal Year Ending December 31, 2019 (Forecast)	-	50.00	-	-	-		-	

(Note) "Special dividend to commemorate the 50th anniversary of the Company's founding in the amount of approx. 50 yen" is planned to be distributed as the dividend for the fiscal year ending December 31, 2019 (forecast), the end of second financial quarter, and the dividend for the fiscal year ending December 31, 2019 (forecast) is to be determined.

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

(Percentages refer to changes from the previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income Attributable to Owners of Parent		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full Fiscal Year	160,000	71.6	20,000	-	27,000	-59.7	26,000	-83.9	329.08

In the Amusement Equipments Business, amusement machines conforming with the revised rules have started to appear in the market following the enforcement of the revised rules in February 2018. Interests in machines that comply with the revised rules and voluntary restrictions is growing because these machines are expected to increase the vitality of the Pachislot and Pachinko market.

Universal Entertainment is developing and distributing titles that are easy-to-use and appeal to a broad range of fans. In the amusement machines sector, Universal Entertainment started distributing "Another Hanabi Yayoichan," its first title that comply with the revised rules, in the current fiscal year ending December 31, 2019.

In the Integrated Resort Business, increasing number of hotel rooms, and addition of retail outlets in the shopping mall and other amenities is driving visitation to Okada Manila, our integrated casino resort. The Universal Entertainment Group is focusing on expanding currently operating facilities to further increase profits and profitability.

* Matters of Note

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

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

- 1) Changes in accounting policies accompanying revision of accounting standards, etc. : Yes
 2) Changes in accounting policies other than 1) : None
 3) Changes in accounting estimates : None
 4) Restatements : None

(3) Number of outstanding shares (common stock)

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

As of December 31, 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 December 31, 2018: 1,186,716 shares

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

3) Average number of shares during fiscal period

Fiscal Year Ended December 31, 2018: 79,091,471 shares

Fiscal Year Ended December 31, 2017: 78,894,400 shares

(Reference) Summary of the Non-consolidated Business Results

1. Non-consolidated Business Results for 2018 (Period from January 1, 2018 to December 31, 2018)

(1) Non-consolidated Operating Results

(Percentages refer to changes from previous fiscal year)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Fiscal Year Ended December 31, 2018	44,602	-	(10,848)	-	224,360	-	208,794	-
Fiscal Year Ended December 31, 2017	53,317	-	558	-	(14,450)	-	(15,557)	-

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Fiscal Year Ended December 31, 2018	2,639.91		2,636.38	
Fiscal Year Ended December 31, 2017	(197.19)		-	

(Notes) 1. In 2017, Universal Entertainment Corporation changed its fiscal year end from March 31 to December 31. Operating results for the fiscal year ended December 31, 2017 and comparisons between the fiscal years ended December 31, are not presented since the periods are not comparative.

2. "Diluted net income per share" for the fiscal year ended December 31, 2017 is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.

(2) Non-consolidated Financial Status

	Total Assets		Net Assets		Ratio of Shareholders' Equity		Net Assets Per Share	
	Million Yen		Million Yen		%		Yen	
As of December 31, 2018	470,183		378,696		80.5		4,792.16	
As of December 31, 2017	346,926		169,880		48.9		2,150.93	

(Reference) Shareholders' equity

As of December 31, 2018: 378,619 million yen

As of December 31, 2017: 169,773 million yen

* The current financial report is not subject to audit 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. Overview of Results of Operations, etc., (1) Overview of Operating Results for the Fiscal Year Under Review" on page 2 of the Attached Materials.

Attached Materials: Table of Contents

1. Overview of Results of Operations, etc.	2
(1) Overview of Operating Results for the Fiscal Year Under Review	2
(2) Overview of Financial Status for the Fiscal Year Under Review	5
(3) Overview of Cash Flows for the Fiscal Year Under Review	5
(4) Basic Policy Regarding Distribution of Profits and Dividends for the Current and Next Fiscal Years	6
(5) Businesses Risks	6
2. Basic Approach to the Selection of Accounting Standards	8
3. Consolidated Financial Statements and Notes	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Income	11
Consolidated Statement of Comprehensive Income	12
(3) Consolidated Statement of Changes in Equity	13
(4) Consolidated Statement of Cash Flows	16
(5) Notes to Consolidated Financial Statements	18
(Notes Pertaining to Going Concern)	18
(Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements)	18
(Changes in Accounting Policies)	18
(Changes in Description)	18
(Additional Information)	19
(Segment Information)	20
(Per Share Information)	24
(Material Subsequent Events)	24

1. Overview of Results of Operations, etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

Effective from the previous fiscal year (ended December 31, 2017), Universal Entertainment Corporation changed its fiscal year end from March 31 to December 31. Comparisons with previous fiscal year are not presented since the periods are not comparative.

From this consolidated fiscal year ended December 31, 2018, for clarity, Universal Entertainment Corporation changed the name of segment from Pachislot/ Pachinko Business to Amusement Equipments Business⁽¹⁾, from Casino Resort Business to Integrated Resort Business⁽²⁾ respectively.

- (1) "Amusement Equipments Business" includes research, development, manufacture and sales of Pachislot/ Pachinko machines and peripheral equipments.
- (2) "Integrated Resort Business" operates casino, hotel, food and beverage, retail and leasing, entertainment and real estate development business.

(Million yen)

Fiscal year ended December 31, 2018	Net sales	Operating loss	Ordinary profit	Net income attributable to owners of parent
Non-consolidated	44,602	(10,848)	224,360	208,794
Consolidated	93,267	(17,972)	67,232	161,168

In the fiscal year ended December 31, 2018, the Japanese economy recovered slowly. There was an upturn in consumer spending as the labor market and personal income improved. In the Philippines, where the Integrated Resort Business operates, the economy continued to grow rapidly because of regarding politics and management of the economy under the current administration.

Japan's Pachislot and Pachinko industry is shrinking slowly for years. The enactment of revised rules for Pachislot and Pachinko machines is having an effect on the product development and supply activities of Universal Entertainment and other companies in this industry. The casino and resort sector in the Philippines is expanding rapidly due to a favorable regulatory climate, including reduced taxes on casinos, because the administration of President Rodrigo Duterte is protecting this industry and encouraging its growth. Along with this growth, the scale of business and sales of Universal Entertainment is expanding.

In the current fiscal year, Universal Entertainment posted net sales of 93,267 million yen, an operating loss of 17,972 million yen, an ordinary profit of 67,232 million yen, and net income attributable to owners of parent of 161,168 million yen.

(i) Amusement Equipments Business

The Amusement Equipments Business posted net sales of 42,368 million yen and an operating loss of 1,705 million yen.

The amusement machines business has been sluggish because of the effects of 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 which became effect on February 1, 2018. Nevertheless, amusement machines that comply with the revised rules are already being introduced. Amusement machines that can increase the vitality of the market and appeal to more players are generating a lot of attention.

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 context, Universal Entertainment is actively developing amusement machines that comply with the revised rules.

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. In the Pachislot machines sector,

Universal Entertainment distributed “Another God Hades Meio Shokan,” the latest version of its overwhelmingly popular “Another God Hades Ubawareta ZEUS ver.” and “Alex” which is part of a series of titles that bring back well-known titles of the past. In the Pachinko machines sector, Universal Entertainment started sales of “CR Basilisk: The Koga Ninpocho–Gennosuke Chapter,” in the Basilisk series, which are extremely popular in the Pachislot market also, and “CR Million God Descent,” the latest addition to the God series of machines.

(ii) Integrated Resort Business

The Integrated Resort Business posted net sales ⁽¹⁾ of 48,939 million yen and an operating loss of 6,206 million yen for the year ended December 31, 2018.

Adjusted segment EBITDA ⁽²⁾ in the Integrated Resort Business was 4,088 million yen and quarterly adjusted segment EBITDA continued to increase throughout the year.

Okada Manila, an integrated casino resort owned and operated by the Universal Entertainment Group, increased the net sales by the expansion of facilities such as hotel rooms and restaurants as well as by the grand opening of the VIP casino areas, addition of junkets ⁽³⁾ and implementation of a mass market casino marketing program. Philippine gaming market in 2018 continued to grow at an annual rate in excess of 13 percent and Okada Manila's share in the market increased due to the opening of integrated resort components and differentiations in terms of the scale of facilities and the quality of services.

The hotel room occupancy rate was extremely high at 98.3% throughout the year. All rooms in the Hotel Tower A were opened in the fourth quarter of 2018 and Okada Manila is ready to accommodate more guests to experience its entertainment resort facilities

In the fourth quarter of 2018, the resort also added The Garden, a lush open space of 30,000 square meters that offers guests views of the Manila bay, and The Coral Lounge, a live entertainment bar located at the center of the gaming floor. Monthly property visitors continued to reach a record-high every month in the fourth quarter of 2018.

Universal Entertainment was scheduled to recognize revenues from several real estate business in the current fiscal year. However, as one of the real estate transactions failed to meet the revenue recognition standard, revenues will be recognized in the next fiscal year ending December 31, 2019.

(1) Net sales is 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 1,722 million yen and an operating profit of 972 million yen for the year ended December 31, 2018.

In the Media Content Business, distribution of four simulator applications, including "SLOT Guilty Crown" and "CR Basilisk: The Koga Ninpocho-Genosuke Chapter" started on the App Store and Google Play. In simulator applications of "Basilisk: The Koga Ninpocho Kizuna" which continues to chalk up high operating rates, Universal Entertainment developed major updates featuring additional new functions which have been very well received by users.

In a new initiative, Universal Entertainment started distributing the "Slots Street," a social game which is centered on video slot play, in the U.S., Canada and Australia.

(Future Outlook)

(i) Amusement Equipments Business

In the amusement machine industry, expectations for the category 6 Pachislot machine that comply with the revised rules and voluntary restrictions are rising in the Pachislot machine market. In the Pachinko market, machines with varied functions are expected to be launched as a result of the revision regulation and changes in certain clauses of the self-restriction rules enacted at the end of last year. The Universal Entertainment Group regards changes taking place in the Pachislot and Pachinko Business as an opportunity. The Group plans to conduct business activities as a partner

with Pachinko halls by becoming a source of comprehensive proposals. The aim is to supply machines and peripheral equipment that can assist hall operators to attract more customers.

In the fiscal year ending December 31, 2019, Universal Entertainment started distributing “Another Hanabi Yayoichan,” the first title for the category 6 Pachislot machine. This title is the first conforming with the revised rules. In addition to ease-of use, it offers overwhelming speed to attract a broad spectrum of fans.

In response to these regulatory changes, Universal Entertainment will work on developing easy-to-play and appealing titles that can be enjoyed by a broad spectrum of Pachislot and Pachinko fans. Universal Entertainment is determined to develop appealing titles for energizing the entire Pachislot and Pachinko industry.

(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 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 more demand from existing junkets. The expected win rate range of rolling chip volume ⁽¹⁾ 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 expanding facilities and upgrading quality of services, as well as attracting MICE ⁽²⁾, 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.

New titles and more functions will continue to be added for the social game “Slots Street” in order to increase the number of registered users and raise the satisfaction of users. Overseas, the social game is currently distributed only in three countries. Plans call to distribute this social game worldwide.

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

(2) Overview of Financial Status for the Fiscal Year Under Review

The amount of total assets at the end of 2018 amounted to 510,677 million yen, a decrease of 33,070 million yen over the end of 2017. This was mainly due to an increase of 10,267 million yen in cash and deposits, a decrease of 7,201 million yen in raw materials and supplies, increases of 211,936 million yen in buildings and structures (net amount) and 14,758 million yen in machinery, equipment and vehicles (net amount), and decreases of 210,617 million yen in construction in progress and 48,349 million yen in investment securities.

The amount of liabilities at the end of 2018 amounted to 135,613 million yen, a decrease of 177,187 million yen over the end of 2017. This was mainly due to decreases of 83,613 million yen in bonds payable and 84,120 million yen in long-term loans payable.

The amount of net assets at the end of 2018 amounted to 375,063 million yen, an increase of 144,117 million yen over the end of 2017. This was mainly due to an increase of 161,168 million yen in retained earnings and a decrease of 16,138 million yen in foreign currency translation adjustment.

(3) Overview of Cash Flows for the Fiscal Year Under Review

As of the end of 2018, the balance of cash and cash equivalents totaled 45,870 million yen. The status of each cash flow and the primary reasons for increases/decreases as of the end of 2018 are as follows:

<Cash Flows from Operating Activities>

Net cash used in operating activities amounted to 15,280 million yen, mainly due to booking of income (loss) before income taxes and others of 209,790 million yen and income taxes paid of 51,539 million yen.

<Cash Flows from Investing Activities>

Net cash used in investing activities amounted to 154,849 million yen, mainly due to purchase of property, plant and equipment of 49,916 million yen and proceeds from redemption of stock due to the settlement of 207,218 million yen.

<Cash Flows from Financing Activities>

Net cash provided by financing activities amounted to 163,173 million yen, mainly due to repayments of long-term loans payable of 78,208 million yen, redemption of bonds of 148,575 million yen and proceeds from issuance of bonds of 66,512 million yen.

(Reference) Transition of Cash Flow-related Indicators

	Mar. 2015 Fiscal Year	Mar. 2016 Fiscal Year	Mar. 2017 Fiscal Year	Dec. 2017 Fiscal Year	Dec. 2018 Fiscal Year
Ratio of shareholders' equity (%)	75.9	61.7	45.6	42.6	73.4
Ratio of shareholders' equity on market value basis (%)	49.9	37.1	49.4	60.2	49.4
Ratio of interest-bearing liabilities to cash flows (years)	19.4	4.4	10.1	-	5.4
Interest coverage ratio (x)	3.9	45.4	81.4	-	8.6

Ratio of shareholders' equity = shareholders' equity / total assets

Ratio of shareholders' equity on market value basis = total market value of shares / total assets

Ratio of interest-bearing liabilities to cash flows = interest bearing liabilities / cash flows

Interest coverage ratio = cash flows / interests paid

*Note 1: All figures are calculated based on consolidated financial values.

*Note 2: The total market value of shares is calculated based on the number of issued shares minus treasury shares.

*Note 3: Cash flows are represented by operating cash flows.

*Note 4: Interest-bearing liabilities include all liabilities accounted for on the consolidated balance sheet for which interests are paid.

*Note 5: For Fiscal Year Ended December 31, 2017, the ratio of interest-bearing liabilities to cash flows and interest coverage ratio are not stated because operating cash flow loss is posted.

(4) Basic Policy Regarding Distribution of Profits and Dividends for the Current and Next Fiscal Years

The Group views the return of profits to its shareholders as one of its foremost management priorities. To this end, the Group is endeavoring to establish a highly profitable corporate structure and to improve the ratio of profit to shareholder's equity continuously. It also adopts a basic policy of maintaining a stable level of dividends that reflects its business performance.

It is the Group's basic policy to maintain the internal reserve at appropriate levels to ensure a healthy financial base and to strengthen the management foundation of the Group in order to invest necessary funds efficiently in promising businesses.

Regarding dividends for the fiscal year ended December 31, 2018, based on comprehensive consideration of business performance for the current consolidated fiscal year and the situation of the Company, a special dividend of 50 yen per share with a record date of December 31, 2018 will be paid.

Regarding dividends for the fiscal year ending December 31, 2019, a special dividend of 50 yen per share with a record date of June 30, 2019 will be paid to commemorate the 50th founding anniversary of the Company. Other dividends will be determined after carefully considering future performance and capital demand.

(5) Businesses Risks

Of the items relating to the status of business and the status of financial condition, as stated in this Summary of Financial Data and Business Results, factors that might affect investor decisions are described below. The 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 Group.

(i) Amusements 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 Group 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 Group would be materially impacted.

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

(ii) Foreign Exchange Risks

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

(iii) Litigation

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

(iv) Integrated Resort Business

The Group operates Okada Manila, an integrated casino 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.

2. Basic Approach to the Selection of Accounting Standards

To prepare for the application of International Financial Reporting Standards (IFRS), the Company is preparing internal manuals, guidelines and other items and examining schedule for the application of IFRS.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Million yen)

	2017 (December 31, 2017)	2018 (December 31, 2018)
Assets		
Current assets		
Cash and deposits	35,809	46,076
Notes and accounts receivable-trade	9,237	10,381
Securities	13	2
Merchandise and finished goods	2,049	1,186
Work in process	12,263	8,361
Raw materials and supplies	20,829	13,628
Deferred tax assets	2	-
Other	11,325	14,961
Allowance for doubtful accounts	(516)	(486)
Total current assets	91,013	94,111
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,666	241,164
Accumulated depreciation	(6,619)	(10,181)
Buildings and structures (net amount)	19,046	230,983
Machinery, equipment and vehicles	21,278	39,948
Accumulated depreciation	(6,774)	(10,684)
Machinery, equipment and vehicles (net amount)	14,504	29,263
Lease assets	6,934	6,928
Accumulated depreciation	(2,445)	(3,501)
Lease assets (net amount)	4,488	3,427
Land	7,251	7,171
Construction in progress	293,375	82,757
Other	17,212	18,678
Accumulated depreciation	(11,858)	(12,661)
Other (net amount)	5,353	6,016
Total property, plant and equipment	344,020	359,619
Intangible assets		
Other	2,608	2,388
Total intangible assets	2,608	2,388
Investments and other assets		
Investment securities	59,329	10,979
Long-term deposits	7,017	6,801
Long-term deposits for affiliates	27,523	26,727
Deferred tax assets	1,681	3,055
Other	9,213	7,052
Allowance for doubtful accounts	(767)	(723)
Total investments and other assets	103,997	53,893
Total non-current assets	450,627	415,901
Deferred assets	2,107	663
Total assets	543,747	510,677

(Million yen)

	2017 (December 31, 2017)	2018 (December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,245	6,653
Short-term loans payable	17,456	16,846
Current portion of long-term loans payable	1,607	-
Accounts payable-other	20,299	12,781
Accrued expenses	19,588	17,599
Income taxes payable	190	119
Provision for bonuses	80	78
Other	8,121	10,541
Total current liabilities	73,590	64,620
Non-current liabilities		
Bonds payable	149,125	65,511
Long-term loans payable	84,120	-
Net defined benefit liability	94	116
Deferred tax liabilities	614	1,134
Other	5,256	4,230
Total non-current liabilities	239,211	70,993
Total liabilities	312,801	135,613
Net assets		
Shareholders' equity		
Capital stock	98	98
Capital surplus	20,087	18,831
Retained earnings	216,255	377,424
Treasury shares	(2,654)	(2,764)
Total shareholders' equity	233,786	393,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(581)	(719)
Foreign currency translation adjustment	(1,789)	(17,928)
Remeasurements of defined benefit plans	5	45
Total accumulated other comprehensive income	(2,365)	(18,602)
Subscription rights to shares	107	76
Non-controlling interests	(582)	-
Total net assets	230,945	375,063
Total liabilities and net assets	543,747	510,677

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
 (Consolidated Statement of Income)

(Million yen)

	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Net sales	68,546	93,267
Cost of sales	35,276	54,026
Gross profit	33,269	39,240
Selling, general and administrative expenses	43,077	57,212
Operating loss	(9,807)	(17,972)
Non-operating income		
Interest income	327	74,761
Dividend income	9	18
Foreign exchange gains	-	6,548
Equity in earnings of affiliates	640	2,795
Other	87	3,394
Total non-operating income	1,066	87,518
Non-operating expenses		
Interest expenses	401	820
Interest on bonds	188	760
Foreign exchange losses	2,864	-
Commission fee	127	675
Provision of allowance for doubtful accounts	483	-
Other	22	56
Total non-operating expenses	4,088	2,313
Ordinary profit (loss)	(12,829)	67,232
Extraordinary income		
Gain on sales of non-current assets	-	10
Gain on sales of shares of subsidiaries and associates	26	-
Gain on redemption of stock due to the settlement	-	158,796
Other	0	69
Total extraordinary income	26	158,877
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	15
Impairment loss	-	42
Loss on bond retirement	-	4,693
Loss on valuation of inventories	-	7,440
Loss on litigation	-	2,836
Other	0	1,292
Total extraordinary losses	6	16,319
Income (loss) before income taxes and others	(12,810)	209,790
Income taxes-current	560	50,037
Income taxes-deferred	797	(1,066)
Total income taxes	1,357	48,971
Net income (loss)	(14,167)	160,818
Net loss attributable to non-controlling interests	(741)	(349)
Net income (loss) attributable to owners of the parent	(13,426)	161,168

(Consolidated Statement of Comprehensive Income)

(Million yen)

	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Net income (loss)	(14,167)	160,818
Other comprehensive income		
Valuation difference on available-for-sale securities	(478)	(138)
Foreign currency translation adjustment	7,172	(16,138)
Remeasurements of defined benefit plans, net of tax	47	40
Total other comprehensive income	6,740	(16,236)
Comprehensive income	(7,427)	144,581
(Breakdown)		
Comprehensive income attributable to owners of the parent	(6,686)	144,931
Comprehensive income attributable to non-controlling interests	(741)	(349)

(3) Consolidated Statement of Changes in Equity

2017 (April 1, 2017 to December 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	98	20,070	236,872	(2,737)	254,258
Changes of items during period					
Dividends of surplus			(3,155)		(3,155)
Profit (loss) attributable to owners of parent			(13,426)		(13,426)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		16		82	99
Change in scope of consolidation			116		116
Decrease in retained earnings resulting from change in accounting period			(4,106)		(4,106)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during period	-	16	(20,571)	82	(20,472)
Balance at end of current period	98	20,087	216,255	(2,654)	233,786

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(152)	5,285	(41)	5,091	99	539	259,990
Changes of items during period							
Dividends of surplus							(3,155)
Profit (loss) attributable to owners of parent							(13,426)
Purchase of treasury shares							(0)
Disposal of treasury shares							99
Change in scope of consolidation							116
Decrease in retained earnings resulting from change in accounting period							(4,106)
Change in ownership interest of parent due to transactions with non-controlling interests							

Net changes of items other than shareholders' equity	(428)	(7,075)	47	(7,457)	7	(1,122)	(8,572)
Total changes of items during period	(428)	(7,075)	47	(7,457)	7	(1,122)	(29,044)
Balance at end of current period	(581)	(1,789)	5	(2,365)	107	(582)	230,945

2018 (January 1, 2018 to December 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	98	20,087	216,255	(2,654)	233,786
Changes of items during period					
Dividends of surplus					
Profit (loss) attributable to owners of parent			161,168		161,168
Purchase of treasury shares				(777)	(777)
Disposal of treasury shares		176		667	844
Change in scope of consolidation			-		-
Decrease in retained earnings resulting from change in accounting period			-		-
Change in ownership interest of parent due to transactions with non-controlling interests		(1,432)			(1,432)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(1,255)	161,168	(109)	159,802
Balance at end of current period	98	18,831	377,424	(2,764)	393,589

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(581)	(1,789)	5	(2,365)	107	(582)	230,945
Changes of items during period							
Dividends of surplus							-
Profit (loss) attributable to owners of parent							161,168
Purchase of treasury shares							(777)
Disposal of treasury shares							844
Change in scope of consolidation							-
Decrease in retained earnings resulting from change in accounting period							-
Change in ownership interest of parent due to transactions with non-controlling interests							(1,432)
Net changes of items other than shareholders' equity	(138)	(16,138)	40	(16,236)	(31)	(582)	(15,685)
Total changes of items during period	(138)	(16,138)	40	(16,236)	(31)	(582)	144,117
Balance at end of current period	(719)	(17,928)	45	(18,602)	76	-	375,063

(4) Consolidated Statement of Cash Flows

(Million yen)

	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Cash flows from operating activities		
Income (loss) before income taxes and others	(12,810)	209,790
Depreciation	6,507	13,067
Impairment loss	-	42
Loss (gain) on sales and retirement of non-current assets	6	4
Loss (gain) on sales of shares of subsidiaries and affiliates' stock	(26)	-
Equity in (earnings) losses of affiliates	(640)	(2,795)
Interest and dividend income	(337)	(74,780)
Interest expenses	401	820
Interest on bonds	188	760
Loss on redemption of bonds	-	4,693
Gain on redemption of stock due to the settlement	-	(158,796)
Loss on litigation	-	2,836
Loss on valuation of inventories	-	7,440
Foreign exchange losses (gains)	2,893	(7,220)
Decrease (increase) in notes and accounts receivable-trade	3,198	(1,464)
Decrease (increase) in inventories	7,506	4,441
Decrease (increase) in accounts receivable-other	43	(3,411)
Increase (decrease) in accrued consumption taxes	(1,487)	(689)
Increase (decrease) in notes and accounts payable-trade	(8,690)	320
Increase (decrease) in accounts payable-other	2,366	(1,422)
Decrease (increase) in other current assets	(393)	(3,156)
Increase (decrease) in other current liabilities	4,821	4,301
Increase (decrease) in other non-current liabilities	58	-
Other	580	1,806
Subtotal	4,186	(3,413)
Interest and dividend income received	337	74,782
Interest expenses paid	(526)	(1,771)
Payments for loss on litigation	-	(2,778)
Income taxes paid	(6,175)	(51,539)
Net cash provided by (used in) operating activities	(2,177)	15,280

(Million yen)

	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,186)	(49,916)
Purchase of intangible assets	(1,236)	(815)
Purchase of investment securities	(6)	(410)
Proceeds from redemption of stock due to settlement	-	207,218
Payments of short term-loans receivable	(1,114)	(1,158)
Payments for lease and guarantee deposits	(46)	(32)
Payments of long-term loans receivable	(452)	(402)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(606)	-
Other	746	366
Net cash provided by (used in) investing activities	(59,903)	154,849
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,387	(452)
Repayments of long-term loans payable	-	(78,208)
Redemption of bonds	-	(148,575)
Proceeds from issuance of bonds	-	66,512
Purchase of treasury shares	-	(779)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(500)
Cash dividends paid	(3,155)	-
Amount of increase and decrease of mortgage offer deposit	33	
Proceeds from disposal of treasury shares from exercise of share acquisition rights	71	823
Proceeds from sales and leasebacks	535	-
Payment for sales and leasebacks	(552)	(804)
Other	31	(1,190)
Net cash provided by (used in) financing activities	4,352	(163,173)
Effect of exchange rate change on cash and cash equivalents	403	3,320
Net increase (decrease) in cash and cash equivalents	(57,325)	10,276
Cash and cash equivalents at beginning of period	119,038	35,594
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(5)	-
Decrease in cash and cash equivalents resulting from change in accounting period	(26,113)	
Cash and cash equivalents at end of period	35,594	45,870

(5) Notes to Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements)

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

There is no applicable information.

(Changes in Accounting Policies)

(Application of “Practical Solution on Transactions Granting Employees and Others Subscription Rights to Shares, which Involve Considerations, with Vesting Conditions”)

Universal Entertainment decided to apply Practical Solution on Transactions Granting Employees and Others Subscription Rights to Shares, which Involve Considerations, with Vesting Conditions, etc. (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 36, January 12, 2018; “PITF No. 36”) from April 1, 2018 and to account for transactions granting employees and others subscription rights to shares, which involve considerations, with vesting conditions in accordance with the Accounting Standard for Share-based Payment (ASBJ Statement No. 8, December 27, 2005) and related guidance.

However, when applying PITF No. 36, Universal Entertainment complied with the transitional provisions in Paragraph 10, Item (3) of PITF No. 36 and continued to account for transactions that granted employees and others subscription rights to shares, which involve considerations, with vesting conditions prior to the date of application of PITF No. 36 in accordance with the previously adopted accounting procedure.

(Changes in Description)

“Proceeds from disposal of treasury shares from exercise of subscription rights to shares” which was included in “Other” under “Cash flows from financing activities” in the previous fiscal year, has been separately stated in the current fiscal year due to the increased significance of the amount. To reflect this change in description, the reclassification of accounts has been made for the consolidated financial statements for the previous fiscal year.

As a result, “Other” of 103 million yen under “Cash flows from financing activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified into “Proceeds from disposal of treasury shares from exercise of subscription rights to shares” of 71 million yen and “Other” of 31 million yen.”

“Increase (decrease) in provision for bonuses,” “Increase (decrease) in allowance for doubtful accounts” and “Increase (decrease) in net defined benefit liability” presented as separate items in the previous fiscal year, are included in “Other” under “Cash flows from operating activities” in the current fiscal year given the reduced significance of the amount. To reflect this change in description, the reclassification of accounts has been made for the consolidated financial statements for the previous fiscal year.

As a result, “Increase (decrease) in provision for bonuses” of (192) million yen, “Increase (decrease) in allowance for doubtful accounts” of 484 million yen and “Increase (decrease) in net defined benefit liability” of 78 million yen under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year have been reclassified into “Other.”

(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 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.

(Segment Information)

Segment information

1. Outline of reportable segments

The segments reported herein by the Company are the units constituting the Company, of which segregated financial information is available and which are subject to periodical reviews by the Board of Directors so as to determine allocations of management resources and to evaluate business performance.

The Company has established business divisions classified by products and services at the headquarters and each business division devises comprehensive strategies for domestic or overseas products and services and deploys its business activities.

From this consolidated fiscal year ended December 31, 2018, for clarity, Universal Entertainment Corporation 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.

Accordingly, the Company is composed of segments classified by products or services based on the business divisions and there are two reportable segments: "Amusements Equipments Business" and "Integrated Resort Business."

"Amusement Equipments Business" includes research, development, manufacture and sales of Pachislot/ Pachinko machines and peripheral equipments.

"Integrated Resort Business" operates casino, hotel, food and beverage, retail and leasing, entertainment and real estate development business.

Beginning with the current consolidated fiscal year, the casino resort business, which was previously included in other, is a separate reportable segment due to the increasing importance of the casino resort business activities based on the level of sales. Segment information for the previous fiscal year has been restated to reflect this change.

2. Calculation method of net sales, profit/loss, assets, liabilities and other items in each reportable segment

Accounting method applied to reportable segments is identical to that of the consolidated financial statements.

Values in segment profit/loss are based on operating profit.

Inter-segment sales or transfer amounts are based on actual market prices.

3. Information pertaining to amounts of net sales, profit/loss, assets, liabilities and other items in each reportable segment

2017 (April 1 to December 31, 2017)

(Million yen)

	Reportable Segment		Others (Note)	Total
	Pachislot and Pachinko Business	Casino Resort Business		
Net sales				
Sales to external customers	50,346	16,051	1,918	68,316
Inter-segment sales or transfers	0	-	241	241
Total	50,347	16,051	2,159	68,557
Segment profit (loss)	9,343	(9,024)	331	650
Segment assets	75,015	325,545	6,185	406,745
Other items				
Depreciation	1,806	3,479	229	5,515
Increase in property, plant and equipment and intangible assets	1,417	73,349	456	75,222

(Note) "Others" classification consists of business segments not included in the reportable segment and is inclusive of the Overseas business and others.

2018 (January 1 to December 31, 2018)

(Million yen)

	Reportable Segment		Others (Note)	Total
	Pachislot and Pachinko Business	Casino Resort Business		
Net sales				
Sales to external customers	42,368	48,939	1,722	93,030
Inter-segment sales or transfers	-	-	764	764
Total	42,368	48,939	2,487	93,795
Segment profit (loss)	(1,705)	(6,206)	972	(6,939)
Segment assets	72,870	377,907	6,499	457,277
Other items				
Depreciation	2,427	9,005	257	11,690
Increase in property, plant and equipment and intangible assets	2,930	44,701	240	47,872

(Note) "Others" classification consists of business segments not included in the reportable segment and is inclusive of the Overseas business and others.

4. Difference between the total amounts in reportable segment and the amounts recorded in consolidated financial statements and primary items of such difference (matters pertaining to difference adjustments)

(Million yen)

Net Sales	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Total of reportable segment	66,398	91,307
Net sales in "Others" classification	2,159	2,487
Eliminated inter-segment transactions	(241)	(764)
Corporate revenue	229	236
Net sales in consolidated financial statements	68,546	93,267

(Million yen)

Profit	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Total of reportable segment	318	(7,912)
Profit in "Others" classification	331	972
Eliminated inter-segment transactions	63	(295)
Corporate revenue (Note 1)	229	236
Unallocated expenses (Note 2)	(10,751)	(10,974)
Operating profit (loss) in consolidated financial statements	(9, 807)	(17,972)

(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 not attributed to the reportable segment.

(Million yen)

Assets	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Total of reportable segment	400,560	450,777
Assets in "Others" classification	6,185	6,499
Unallocated assets (Note)	137, 001	53, 399
Total assets in consolidated financial statements	543,747	510,677

(Note) Unallocated assets are mainly composed of investments in affiliates, excess funds in working capital (cash and deposits and securities), land, etc. not attributed to the reportable segment.

(Million yen)

Other Items	Total of Reportable Segment		Others		Adjusted Amounts		Amounts Recorded in Consolidated Financial Statements	
	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Depreciation	5,286	11,432	229	257	991	1,376	6,507	13,067
Increase in property, plant and equipment and intangible assets	74,766	47,631	456	240	274	312	75,497	48,185

(Note) The adjusted amounts in increase in property, plant and equipment and intangible assets are allocated investment amounts.

Related information

2017 (April 1 to December 31, 2017)

1. Information by product and service

Description of this item is omitted because the same information is indicated in Segment Information.

2. Geographical information

(1) Net sales

(Million yen)

Japan	Philippines	Other Overseas Countries	Total
52,494	16,051	0	68,546

(2) Property, plant and equipment

(Million yen)

Japan	Philippines	Other Overseas Countries	Total
24,340	316,848	2,831	344,020

3. Information by specific major customer

Description of this item is omitted because there is no specific external customer whose sales exceed 10% or more of net sales in the consolidated statement of income.

2018 (January 1 to December 31, 2018)

1. Information by product and service

Description of this item is omitted because the same information is indicated in Segment Information.

2. Geographical information

(1) Net sales

(Million yen)

Japan	Philippines	Other Overseas Countries	Total
44,338	48,928	-	93,267

(2) Property, plant and equipment

(Million yen)

Japan	Philippines	Other Overseas Countries	Total
23,432	333,459	2,727	359,619

3. Information by specific major customer

Description of this item is omitted because there is no specific external customer whose sales exceed 10% or more of net sales in the consolidated statement of income.

Information pertaining to impairment loss of non-current assets in each reportable segment

2017 (April 1 to December 31, 2017)

There is no applicable information.

2018 (January 1 to December 31, 2018)

The impairment loss of fixed assets of 42 million relates to idle assets and is not allocated to reporting segments.

Information pertaining to amortization and unamortized balance of goodwill in each reportable segment

2017 (April 1 to December 31, 2017)

There is no applicable information.

2018 (January 1 to December 31, 2018)

There is no applicable information.

Information regarding gain on negative goodwill in each reportable segment

2017 (April 1 to December 31, 2017)

There is no applicable information.

2018 (January 1 to December 31, 2018)

There is no applicable information.

(Per Share Information)

(Yen)

2017 (April 1 to December 31, 2017)		2018 (January 1 to December 31, 2018)	
Net assets per share	2,931.97	Net assets per share	4,746.18
Net loss per share	(170.18)	Net Income per share	2,037.75
Diluted net income per share	-	Diluted net income per share	2,035.02

(Notes) 1. "Diluted net income per share" for 2017 is not stated, because net loss was posted despite the existence of latent shares with a dilution effect.

2. The calculation bases for net income (loss) per share and diluted net income per share are as follows:

	2017 (April 1 to December 31, 2017)	2018 (January 1 to December 31, 2018)
Net income per share	-	
Net income (loss) attributable to owners of the parent (million yen)	(13,426)	161,168
Amount not attributed to common shareholders (million yen)	-	-
Net income (loss) attributable to owners of the parent applicable to common stock (million yen)	(13,426)	161,168
Average number of shares during the year (thousand shares)	78,894	79,091
Diluted net income per share	-	2,035.02
Adjusted net income attributable to owners of the parent (million yen)	-	-
Increase in the number of common stock (thousand shares)	-	105
(Of which, subscription rights to shares (thousand shares))	(-)	(105)
Description of the potential shares not included in the calculation of diluted net income per share due to their non-dilutive effect	-	Subscription rights to shares through a third-party allotment approved at the Board of Directors' meeting held on March 9, 2017: Common stock of 500,000 shares (Subscription rights to shares of 5,000 units) Stock option approved at the Board of Directors' meeting held on September 21, 2017: Common stock of 400,000 shares (Subscription rights to shares of 4,000 units)

(Material Subsequent Events)

There is no applicable information.