

This is an English translation of the official announcement in Japanese that was released on May 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 First Quarter of the Fiscal Year Ending December 31, 2019
(JP GAAP, Consolidated)**

May 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

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Scheduled Submission Date of Quarterly Report: May 14, 2019

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 First Quarter of 2019 (Period from January 1, 2019 to March 31, 2019)

(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 | % |
| 1st Quarter of 2019 | 22,638 | 15.8 | (3,152) | - | (4,486) | - | (4,093) | - |
| 1st Quarter of 2018 | 19,545 | - | (4,369) | - | 75,729 | - | 181,402 | - |

(Note) Comprehensive income

1st Quarter of 2019: (2,096) million yen (-%)

1st Quarter of 2018: 155,526 million yen (-%)

| | Net Income per Share | Diluted Net Income per Share |
|---------------------|----------------------|------------------------------|
| | Yen | Yen |
| 1st Quarter of 2019 | (51.86) | - |
| 1st Quarter of 2018 | 2,298.20 | 2,291.10 |

(Notes) 1. In 2017, Universal Entertainment Corporation changed its fiscal year end from March 31 to December 31. Comparisons with the previous fiscal year are not presented for the first quarter of 2018 since the periods are not comparative.

2. "Diluted net income per share" for the first quarter of 2019 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 March 31, 2019 | 530,551 | 369,229 | 69.6 | 4,692.80 |
| As of December 31, 2018 | 510,677 | 375,063 | 73.4 | 4,746.18 |

(Reference) Shareholders' equity

As of March 31, 2019: 369,153 million yen

As of December 31, 2018: 374,987 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 |
| 2018 | - | 0.00 | - | 50.00 | 50.00 |
| 2019 | - | - | - | - | - |
| 2019 (Forecast) | - | 50.00 | - | - | - |

(Note) Revision from the dividend forecast most recently announced: None

"Special dividend to commemorate the 50th anniversary of the Company's founding in the amount of approx. 50.00 yen" is planned to be distributed as the dividend for 2019 (forecast), the end of second financial quarter, and the year-end dividend for 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 |

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

* 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. : Yes

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 March 31, 2019: 80,195,000 shares

As of December 31, 2018: 80,195,000 shares

2) Number of treasury shares at end of fiscal period

As of March 31, 2019: 1,531,216 shares

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

3) Average number of shares during fiscal period

1st Quarter of 2019: 78,935,726 shares

1st Quarter of 2018: 79,091,471 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 3 of the Attached Materials.

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1. Qualitative Information Pertaining to Quarterly Settlement of Accounts

(1) Explanation of Operating Results

(Million yen)

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

In the first quarter of 2019, Universal Entertainment posted net sales of 22,638 million yen (an increase of 15.8% year on year), an operating loss of 3,152 million yen (compared with an operating loss of 4,369 million yen in the first quarter of 2018), an ordinary loss of 4,486 million yen (compared with an ordinary profit of 75,729 million yen in the first quarter of 2018), and net loss attributable to owners of parent of 4,093 million yen (compared with net income attributable to owners of parent of 181,402 million yen in the first quarter of 2018).

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

(i) Amusement Equipments Business

The Amusement Equipments Business posted net sales of 5,393 million yen (a decrease of 47.0% year on year) in the first quarter of 2019.

In Japan's amusement machine industry, revised rules concerning Pachislot and Pachinko machines became effective on February 1, 2018 as part of measures to comply with the Basic Law on Measures against Gambling Addiction. Pachinko halls, which are the Company's customers, are continuing to use machines based on the previous rules, which have a deadline for removal, while determining the ability to attract customers after switching to models complying with the new regulations. As a result, sales of Pachislot and Pachinko machines are currently sluggish.

As these significant changes take place in Japan's Pachislot and Pachinko sector, Universal Entertainment is focusing on the development of innovative models with outstanding gaming playing enjoyment and compliance with the revised rules in order to increase the vitality of the Pachislot and Pachinko market.

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

(ii) Integrated Resort Business

The Integrated Resort Business posted net sales⁽¹⁾ of 16,770 million yen (an increase of 88.5% year on year) and an operating loss of 513 million yen for the first quarter of 2019. Adjusted segment EBITDA⁽²⁾ in the Integrated Resort Business was 2,842 million yen for the first quarter of 2019. On year on year comparison, adjusted segment EBITDA for the quarter significantly increased by 2,822 million yen from 20 million yen.

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

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

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

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

(iii) Other

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

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

(2) Explanation of Financial Status

(Assets)

Current assets at the end of the first quarter of 2019 were 81,154 million yen, a decrease of 12,957 million yen compared with the end of 2018. This was mainly due to a decrease of 13,954 million yen in cash and deposits. Non-current assets were 448,789 million yen, an increase of 32,887 million yen. This was mainly due to increases of 2,085 million yen in investment securities and 30,510 million yen in other property, plant and equipment.

As a result, total assets amounted to 530,551 million yen, an increase of 19,873 million yen compared with the end of 2018.

(Liabilities)

Current liabilities at the end of the first quarter of 2019 were 56,255 million yen, a decrease of 8,365 million yen compared with the end of 2018. This was mainly due to decreases of 4,455 million yen in short-term loans payable, 1,975 million yen in accounts payable-other and 1,922 million yen in other. Non-current liabilities were 105,066 million yen, an increase of 34,073 million yen. This was mainly due to an increase of 33,209 million yen in other.

As a result, total liabilities amounted to 161,321 million yen, an increase of 25,707 million yen compared with the end of 2018.

(Net Assets)

Net assets at the end of the first quarter of 2019 totaled 369,229 million yen, a decrease of 5,834 million yen compared with the end of 2018. This was mainly due to decreases of 6,658 million yen in retained earnings and to an increase of 1,172 million yen in treasury shares, and an increase of 1,893 million yen in foreign currency translation adjustment.

As a result, the shareholders' equity ratio was 69.6%.

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

(i) Amusement Equipments Business

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

These activities demonstrate how Universal Entertainment is taking on the challenge of responding to changes in the

business climate with new measures and original ideas. The aim is to adapt with flexibility and speed to changes in the market and development environment due to the enactment of the revised rules. The ultimate objective is to create Pachislot and Pachinko titles that will help Pachinko halls attract more customers.

(ii) Integrated Resort Business

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

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

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

VIP casino revenues are expected to continue growing driven by the addition of new junkets, and more demand from existing junkets. The expected win rate range of rolling chip volume⁽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 leasing incremental retail space, upgrading quality of existing services, and continuing to build out a forward calendar of 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. "Slots Street" has distributed 28 titles in Japan and 48 titles for overseas users. This game aims to attract more users and increase user satisfaction by adding more titles and functions.

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

(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)

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

(Million yen)

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

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

(Million yen)

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

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

(Million yen)

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

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Pertaining to Going Concern)

There is no applicable information.

(Changes in Accounting Policies)

(Application of IFRS 16 “Leases”)

Some foreign subsidiaries have started to apply IFRS 16 “Leases” in the first quarter of 2019. Accordingly, as a lessee, in principle, Universal Entertainment booked all leased assets and liabilities as assets and liabilities in the Balance Sheet. In respect to the application of this new standard pursuant to the provisional treatment stipulated in this standard, the cumulative effect was recognized at the beginning of the first quarter of 2019. As a result, retained earnings at the beginning of the first quarter of 2019 increased 1,385 million yen, other property, plant and equipment increased 33,467 million yen, and other non-current liabilities increased 33,416 million yen, and construction in progress decreased 7,674 million yen and other current liabilities decreased 9,196 million yen.

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

There is no applicable information.

(4) 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.

(5) Material Subsequent Events

There is no applicable information.