

# Supplementary Information on the Results of Operations for the Third Quarter of 2018

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Universal Entertainment Corporation

November 9, 2018

JASDAQ Code: 6425



# Consolidated Balance Sheet

(Millions of yen)

	As of Dec. 31, 2017	As of Sep. 30, 2018	Variance	Main factors
<b>Current assets</b>	<b>91,013</b>	<b>90,243</b>	<b>-770</b>	
Cash and deposits	35,809	39,139	3,330	
Accounts receivable-trade	9,237	7,110	-2,127	
Inventories	35,143	30,262	-4,881	
Other	10,824	13,730	2,906	
<b>Non-current assets/Investments</b>	<b>450,627</b>	<b>401,930</b>	<b>-48,697</b>	
Buildings	19,046	203,193	184,147	Reclassification from construction in progress (includes capitalized cost for private placement bonds)
Construction in progress	293,375	102,601	-190,774	Reclassification to buildings/other property, plant and equipment (includes capitalized cost for private placement bonds)
Other property, plant and equipment	31,598	43,356	11,758	Reclassification from construction in progress
Intangible assets	2,608	2,491	-117	
Investment securities	59,329	7,936	-51,393	Gain on redemption of Wynn stock due to the settlement
Long-term deposits	34,540	34,391	-149	
Other investments	10,127	7,960	-2,167	One-time amortization of all handling expenses associated with the early repayment of the BDO loan and other items
Deferred assets	2,107	-	-2,107	One-time amortization of all expenses associated with the redemption of private placement bonds
<b>Total assets</b>	<b>543,747</b>	<b>492,174</b>	<b>-51,573</b>	
<b>Current liabilities</b>	<b>73,590</b>	<b>103,812</b>	<b>30,222</b>	
Accounts payable-trade	6,245	3,515	-2,730	
Short-term loans payable	19,063	38,633	19,570	New loans (+22,000) at TRA for TRLEI construction expenses
Other	48,280	61,663	13,383	Income taxes payable for the capital gain resulting from the Wynn lawsuit settlement
<b>Non-current liabilities</b>	<b>239,211</b>	<b>6,500</b>	<b>-232,711</b>	
Bonds payable	149,125	-	-149,125	Early redemption of private placement bonds (repaid on May 14, 2018)
Long-term loans payable	84,120	-	-84,120	Early repayment of the BDO loan (repaid on May 23, 2018)
Other	5,965	6,500	535	
<b>Total liabilities</b>	<b>312,801</b>	<b>110,312</b>	<b>-202,489</b>	
<b>Net assets</b>	<b>230,945</b>	<b>381,861</b>	<b>150,916</b>	
Shareholders' equity	233,786	401,164	167,378	
Accumulated other comprehensive income	-2,365	-19,379	-17,014	Foreign currency translation adjustment at TRLEI: -16,908 (PHP1/JPY2.28 in Dec. 2017 to PHP1/JPY2.09 in Sep. 2018)
Subscription rights to shares/Non-controlling interests	-475	76	551	
<b>Total liabilities and net assets</b>	<b>543,747</b>	<b>492,174</b>	<b>-51,573</b>	

# Consolidated Statement of Income (Results)

(Millions of yen)

	(Reference) 2017	First nine months of 2018	(Reference) Variance	Main factors
<b>Net sales</b>	<b>68,546</b>	<b>67,014</b>	<b>-1,532</b>	
Cost of sales	35,276	40,386	5,110	
<b>Gross profit</b>	<b>33,269</b>	<b>26,627</b>	<b>-6,642</b>	
Gross profit margin (%)	49%	40%	-9%	
Selling, general and administrative expenses	43,077	41,107	-1,970	
<b>Operating loss</b>	<b>-9,807</b>	<b>-14,479</b>	<b>-4,672</b>	
Operating profit margin (%)	-14%	-22%	-	
Non-operating income	1,066	84,250	83,184	Redemption of Wynn stock at Aruze USA: +74,471 Interest expenses: +520 Equity in earnings/losses of affiliates: +641 (gain) to -333 (loss) Net of foreign exchange losses/gains: -2,864 (loss) to +9,339 (gain) • Realized foreign exchange gain due to early redemption of private placement bonds: +6,011 • Revaluation of Universal Entertainment receivables due to repayment of the BDO loan: +3,017 (USD1/JPY108.8 at the time of repayment to USD1/JPY113.02 as of the end of Sep. 2018)
Non-operating expenses	4,088	2,102	-1,986	
<b>Ordinary profit (loss)</b>	<b>-12,829</b>	<b>67,668</b>	<b>80,497</b>	
Ordinary profit margin (%)	-19%	101%	-	
Extraordinary income	26	158,877	158,851	Redemption of Wynn stock at Aruze USA: +158,796
Extraordinary losses	6	7,644	7,638	Loss on litigation against Wynn: +2,836 Bond redemption premium: +2,878 One-time amortization of bond issuance cost: +1,815
<b>Income (loss) before income taxes and others</b>	<b>-12,810</b>	<b>218,901</b>	<b>231,711</b>	
Income taxes	1,357	51,282	49,925	21% of Aruze USA's Income (loss) before income taxes and others
Net income (loss)	-14,167	167,618	181,785	
Net loss attributable to non-controlling interests	-741	-349	392	
<b>Net income (loss) attributable to owners of the parent</b>	<b>-13,426</b>	<b>167,968</b>	<b>181,394</b>	

(Note) In 2017, Universal Entertainment changed its fiscal year end from March 31 to December 31, resulting in a transitional nine-month (April to December) fiscal period in 2017. Figures for this transitional period are shown here for reference.

# Consolidated Statement of Income (Business Segments)

(Millions of yen)

	(Reference) 2017	First nine months of 2018	Items concerning the first nine months
<b>Net sales</b>	<b>68,546</b>	<b>67,014</b>	
Pachislot and Pachinko Business	50,346	31,702	See page 4 "Pachislot and Pachinko Business"
Casino Resort Business	16,051	33,828	See page 5 "Casino Resort Business"
Other	1,918	1,312	
Unallocated or Eliminated	229	171	
<b>Operating profit (loss)</b>	<b>-9,807</b>	<b>-14,479</b>	
Pachislot and Pachinko Business	9,343	-1,919	
Casino Resort Business	-9,024	-4,758	
Other	331	792	
Unallocated or Eliminated	-10,458	-8,594	Unallocated expenses: -8,476 (-10,751 in 2017)
<b>Depreciation</b>	<b>6,507</b>	<b>8,648</b>	
Pachislot and Pachinko Business	1,806	1,704	
Casino Resort Business	3,479	5,427	
Other	229	195	
Unallocated or Eliminated	991	1,320	
<b>Adjusted segment EBITDA <sup>(1)</sup></b>	<b>-</b>	<b>2,027</b>	
Pachislot and Pachinko Business	-	-215	
Casino Resort Business	-	1,372	Includes approx. +1,600 at TRLEI
Other	-	988	
Unallocated or Eliminated	-	-117	

(Note) In 2017, Universal Entertainment changed its fiscal year end from March 31 to December 31, resulting in a transitional nine-month (April to December) fiscal period in 2017. Figures for this transitional period are shown here for reference.

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

(Millions of yen)

	1st quarter	2nd quarter	3rd quarter	Cumulative
<b>Pachislot</b>				
No. of machines sold	1,743	8,744	10,872	21,359
No. of titles sold	1	4	3	8
<b>Pachinko</b>				
No. of machines sold	22,412	22,475	9,551	54,438
No. of titles sold	2	1	5	8
<b>Net sales</b>	<b>10,175</b>	<b>13,752</b>	<b>7,774</b>	<b>31,702</b>
Cost of sales	7,872	8,535	7,681	24,090
<b>Gross profit</b>	<b>2,303</b>	<b>5,216</b>	<b>92</b>	<b>7,612</b>
Gross profit margin (%)	22.63%	37.93%	1.18%	24.01%
<b>Selling, general and administrative expenses</b>	<b>3,175</b>	<b>3,325</b>	<b>3,031</b>	<b>9,532</b>
<b>Operating profit (loss)</b>	<b>-872</b>	<b>1,891</b>	<b>-2,938</b>	<b>-1,919</b>
<b>Depreciation</b>	<b>473</b>	<b>540</b>	<b>690</b>	<b>1,704</b>
<b>Adjusted segment EBITDA <sup>(1)</sup></b>	<b>-398</b>	<b>2,431</b>	<b>-2,248</b>	<b>-215</b>
<b>Adjusted segment EBITDA margin (%)</b>	<b>-3.91%</b>	<b>17.68%</b>	<b>-28.92%</b>	<b>-0.68%</b>

(1) Adjusted segment EBITDA = Operating profit/loss + Depreciation and amortization

	Unit	1st quarter	2nd quarter	3rd quarter	Cumulative
<b>VIP</b> <sup>(1)</sup>	Ending number of VIP gaming tables	No. of tables	143	157	153
	VIP rolling chip volume <sup>(2)</sup>	Million PHP	57,703	143,495	100,467
	VIP rolling chip win <sup>(3)</sup>	Million PHP	2,007	3,870	2,989
	VIP rolling chip win rate	%	3.48%	2.70%	2.98%
<b>Mass Market</b> <sup>(4)</sup>	Ending number of mass gaming tables	No. of tables	212	235	232
	Mass table drop <sup>(5)</sup>	Million PHP	3,459	3,880	4,429
	Mass table games win <sup>(3)</sup>	Million PHP	1,368	1,546	1,778
	Mass table games win rate	%	39.6%	39.8%	40.1%
	Ending number of gaming machines	No. of machines	2,434	2,800	2,743
	Gaming machine handle <sup>(6)</sup>	Million PHP	24,815	29,101	31,862
	Gaming machine win <sup>(3)</sup>	Million PHP	1,607	1,804	2,140
	Gaming machine win rate	%	6.5%	6.2%	6.7%
<b>Hotel</b>	Average daily room rate (ADR)	PHP	8,157	8,259	8,797
	Hotel occupancy rate	%	97.1%	99.7%	98.7%
	Revenue per available room (RevPAR) <sup>(7)</sup>	PHP	7,923	8,231	8,684
<b>Total gross gaming revenue</b>		<b>4,982</b>	<b>7,220</b>	<b>6,907</b>	<b>19,110</b>
VIP table games	Million PHP	2,007	3,870	2,989	8,866
Mass market table games	Million PHP	1,368	1,546	1,778	4,692
Gaming machine	Million PHP	1,607	1,804	2,140	5,551
<b>Adjusted segment EBITDA</b> <sup>(8)</sup>	Million PHP	<b>40.3</b>	<b>168.1</b>	<b>555.0</b>	<b>763.4</b>

(Note) Unit: PHP = Philippine Peso

(1) VIP customers play on a rolling chip program, and who typically play in dedicated VIP rooms or gaming areas.

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

(3) Win calculated by a combination of each volume (rolling chip volume or table drop or gaming machine handle) and each win rate.

It is shown before gaming taxes, discounts, commissions and the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis.

(4) Mass market customers play table games and slot machines on public gaming floors for cash stakes that are typically lower than those in the VIP segment.

(5) Mass table drop is the amount of cash to purchase gaming chips that is deposited in a gaming table's drop box.

(6) Gaming machine handle is the total amount wagered in gaming machines.

(7) RevPAR calculated by dividing total room revenues including retail value of promotional allowances by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.

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