

Supplementary Information on the Results of Operations for the First Quarter of 2019

Universal Entertainment Corporation

May 14, 2019

JASDAQ Code: 6425



Consolidated Balance Sheet

(Millions of yen)

	As of Dec. 31, 2018	As of Mar. 31, 2019	Variance	Main variances
Current assets	94,111	81,154	-12,957	
Cash and deposits	46,076	32,122	-13,954	Repayments of loans payable, cash dividends paid, purchase of treasury shares and other items
Accounts receivable-trade	10,381	7,414	-2,967	
Inventories	23,176	25,439	2,263	
Other	14,477	16,178	1,701	
Non-current assets/Investments	415,901	448,789	32,888	
Buildings	230,983	231,231	248	
Construction in progress	82,757	80,636	-2,121	TRLEI construction in progress: -2,760 (adjustment due to application of a new accounting standard for leases: -7,674, increase during the fiscal year due to construction progress: +4,133)
Other property, plant and equipment	45,878	78,262	32,384	TRLEI application of a new accounting standard for leases: +33,467
Intangible assets	2,388	2,300	-88	
Investment securities	10,979	13,064	2,085	TRA shares of subsidiaries and associates: +1,453 (acquisition of 66.6% of ABG stock) Eagle 1 equity in earnings of affiliates and other items: +627
Long-term deposits	33,528	33,785	257	
Other	9,385	9,508	123	
Deferred assets	663	606	-57	
Total assets	510,677	530,551	19,874	
Current liabilities	64,620	56,255	-8,365	
Accounts payable-trade	6,653	6,397	-256	
Short-term loans payable	16,846	12,391	-4,455	UEC: -1,165, TRLEI: -3,289
Other	41,120	37,465	-3,655	UEC accrued interest on bonds: +1,328 TRLEI accrued expenses for Eagle1: -8,551 (including -9,196 for the reversal of all Eagle 1 liabilities, which were based on the previous accounting standard, due to the application of a new accounting standard for leases) Other current liabilities: +4,217 (UEC advances received: +546; TRLEI deposit: +751, unredeemed tip: +1,642)
Non-current liabilities	70,993	105,066	34,073	
Bonds payable	65,511	66,359	848	
Other	5,481	38,707	33,226	TRLEI lease obligations: +33,416 (application of new accounting standard for leases)
Total liabilities	135,613	161,321	25,707	
Net assets	375,063	369,229	-5,834	
Shareholders' equity	393,589	385,758	-7,831	Net income attributable to owners of parent: -4,093, cash dividends paid: -3,950 Retained earnings adjustment at the beginning of the fiscal year following the application of new accounting standard for leases: +1,385 Treasury shares: -1,172 (purchase of treasury shares)
Accumulated other comprehensive income	-18,602	-16,605	1,997	TRLEI foreign currency translation adjustment: +1,542 (PHP, CR2.08 in Dec. 2018 to CR2.10 in Feb. 2019)
Subscription rights to shares/Non-controlling interests	76	76	0	
Total liabilities and net assets	510,677	530,551	19,874	

Consolidated Statement of Income (Results)

(Millions of yen)

	First three months of 2018	First three months of 2019	Variance	Main variances
Net sales	19,545	22,638	3,093	
Cost of sales	11,731	10,740	-991	
Gross profit	7,813	11,897	4,084	
Gross profit margin (%)	40%	53%	13%	
Selling, general and administrative expenses	12,183	15,050	2,867	Overseas: +3,124 (personnel +317, depreciation +2,178)
Operating loss	-4,369	-3,152	1,217	
Operating profit margin (%)	-29%	-14%	-	
Non-operating income	81,476	1,090	-80,386	First three months of 2019 Foreign exchange gains: 608 (foreign currency dominated bond from USD110.16 to USD111.00 (0.84 yen)) Equity in earnings of affiliates: 408 Interest expenses: 2,114 (including private placement bonds: 1,224) Commission fee: 265
Non-operating expenses	1,377	2,424	1,047	
Ordinary profit (loss)	75,729	-4,486	-80,215	
Ordinary profit margin (%)	381%	-20%	-	
Extraordinary income	158,796	0	-158,796	
Extraordinary losses	1,219	0	-1,219	
Income (loss) before income taxes and others	233,306	-4,486	-237,792	
Income taxes	52,208	-392	-52,600	
Net income (loss)	181,097	-4,093	-185,190	
Net loss attributable to non-controlling interests	-305	0	305	
Net income (loss) attributable to owners of parent	181,402	-4,093	-185,495	

Consolidated Statement of Income (Business Segments)

(Millions of yen)

	First three months of 2018	First three months of 2019	Variance	Major items in the first three months of 2019
Net sales	19,545	22,638	3,093	
Amusement Equipments Business	10,175	5,393	-4,782	See page 4 "Amusement Equipments Business"
Integrated Resort Business	8,898	16,770	7,872	See page 5 "TRLEI Non-consolidated Results"
Other	431	408	-23	
Unallocated or Eliminated	39	65	26	
Operating loss	-4,369	-3,152	1,217	
Amusement Equipments Business	-872	-227	645	
Integrated Resort Business	-1,409	-512	897	
Other	202	92	-110	
Unallocated or Eliminated	-2,290	-2,505	-215	Unallocated expenses: -2,431
Depreciation	2,120	4,305	2,185	
Amusement Equipments Business	473	350	-123	
Integrated Resort Business	1,231	3,341	2,110	
Other	66	57	-9	
Unallocated or Eliminated	348	555	207	
Adjusted segment EBITDA ⁽¹⁾	-213	3,042	3,255	
Amusement Equipments Business	-398	123	521	
Integrated Resort Business	20	2,842	2,822	Includes approx. +2,961 at TRLEI
Other	268	149	-119	
Unallocated or Eliminated	-104	-73	31	

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

(Millions of yen)

	2018		2019	
	1st quarter	Full year	1st quarter	
Pachislot				
No. of machines sold	1,743	37,365		9,487
No. of titles sold	1	9		4
Pachinko				
No. of machines sold	22,412	59,585		1,491
No. of titles sold	2	9		1
Total no. of machines sold	24,155	96,950		10,978
Net sales	10,175	42,368		5,393
Cost of sales	7,872	31,366		2,991
Gross profit	2,303	11,001		2,401
Gross profit margin (%)	22.63%	25.97%		44.52%
Selling, general and administrative expenses	3,175	12,707		2,629
Operating loss	-872	-1,705		-227
Depreciation	473	2,427		350
Adjusted segment EBITDA ⁽¹⁾	-398	721		123
Adjusted segment EBITDA margin (%)	-3.91%	1.70%		2.28%

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

TRLEI Non-consolidated Results

	Unit	2018		2019	
		1st quarter	Full year	1st quarter	
VIP ⁽¹⁾	Ending number of VIP gaming tables	No. of tables	143	148	173
	VIP rolling chip volume ⁽²⁾	Million PHP	57,703	413,090	130,960
	VIP rolling chip win ⁽³⁾	Million PHP	2,007	12,650	4,927
	VIP rolling chip win rate	%	3.48%	3.06%	3.76%
Mass Market ⁽⁴⁾	Ending number of mass gaming tables	No. of tables	212	235	228
	Mass table drop ⁽⁵⁾	Million PHP	3,459	16,486	4,690
	Mass table games win ⁽³⁾	Million PHP	1,368	6,841	2,198
	Mass table games win rate	%	39.6%	41.5%	46.9%
	Ending number of gaming machines	No. of machines	2,434	2,725	2,681
	Gaming machine handle ⁽⁶⁾	Million PHP	24,815	119,916	35,475
	Gaming machine win ⁽³⁾	Million PHP	1,607	7,728	2,392
	Gaming machine win rate	%	6.5%	6.4%	6.7%
Hotel	Average daily room rate (ADR)	PHP	8,157	8,873	9,822
	Hotel occupancy rate	%	97.1%	98.3%	95.5%
	Revenue per available room (RevPAR) ⁽⁷⁾	PHP	7,923	8,721	9,376
Property visitors	Visitors		1,066,620	4,869,204	1,382,300
Gross gaming revenue		Million PHP	4,982	27,219	9,517
	VIP table games	Million PHP	2,007	12,650	4,927
	Mass market table games	Million PHP	1,368	6,841	2,198
	Gaming machine	Million PHP	1,607	7,728	2,392
Other revenue (hotel, food & beverage, retail and entertainment, etc.)	Million PHP	323	1,799	538	
Total revenue	Million PHP	5,305	29,019	10,055	
Depreciation	Million PHP	579	3,782	1,499	
Adjusted segment EBITDA ⁽⁸⁾	Million PHP	40	2,122	1,519	

(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