

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

Universal Entertainment Corporation

August 7, 2019

JASDAQ Code: 6425



Consolidated Balance Sheet (Changes from the end of 2018)

(Millions of yen)

	As of Dec. 31, 2018	As of Jun. 30, 2019	Variance	Main variances
Current assets	94,111	85,738	-8,373	
Cash and deposits	46,076	35,807	-10,269	Decreases due to cash dividends paid, repayments of short-term loans payable, purchase of treasury shares and interest payments on bonds, and increase due to borrowing on notes payable
Accounts receivable-trade	10,381	9,899	-482	
Inventories	23,176	25,904	2,728	
Other	14,477	14,127	-350	
Non-current assets/Investments	415,901	452,054	36,153	
Buildings	230,983	234,067	3,084	Increase due to construction progress
Construction in progress	82,757	82,418	-339	TRLEI construction in progress: -1,421 (adjustment due to application of new accounting standard for leases: -7,674, increase due to construction progress: +6,253) Interest on corporate bonds capitalized in consolidation: +1,030
Other property, plant and equipment	45,878	76,927	31,049	TRLEI application of new accounting standard for leases: +33,412
Intangible assets	2,388	2,303	-85	
Investment securities	10,979	13,660	2,681	TRA shares of subsidiaries and associates: +1,386 (acquisition of 66.6% of ABG stock) Eagle 1 equity in earnings of affiliates and other items: +1,294
Long-term deposits	33,528	32,807	-721	
Other	9,385	9,870	485	
Deferred assets	663	551	-112	
Total assets	510,677	538,345	27,668	
Current liabilities	64,620	60,727	-3,893	
Accounts payable-trade	6,653	7,600	947	
Short-term loans payable	16,846	10,071	-6,775	TRLEI: -6,087
Other	41,120	43,055	1,935	Reversal of all Eagle 1 liabilities, which were based on the previous accounting standard, due to the application of new accounting standard for leases: -9,196 Other current liabilities for affiliates: +5,387 Other current liabilities +5,889 (UEC: +1,229; TRLEI unredeemed tip: +2,572 deposit: +891, accrued expenses: +896)
Non-current liabilities	70,993	111,423	40,430	
Bonds payable	65,511	64,774	-737	
Long-term loans payable	-	8,114	8,114	Borrowing on notes payable
Other	5,481	38,534	33,053	TRLEI lease obligations: +34,215 (application of new accounting standard for leases)
Total liabilities	135,613	172,151	36,538	
Net assets	375,063	366,193	-8,870	
Shareholders' equity	393,589	379,754	-13,835	Net income attributable to owners of parent: -9,039, 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: -2,233 (purchase of treasury shares)
Accumulated other comprehensive income	-18,602	-13,636	4,966	TRLEI foreign currency translation adjustment: +1,701 (PHP, CR2.08 in Dec. 2018 to CR2.10 in Feb. 2019)
Subscription rights to shares/Non-controlling interests	76	75	-1	
Total liabilities and net assets	510,677	538,345	27,668	

Consolidated Statement of Income (Results)

(Millions of yen)

	First six months of 2018	First six months of 2019	Variance	Main variances/items
Net sales	46,541	52,541	6,000	
Cost of sales	27,283	25,619	-1,664	
Gross profit	19,257	26,921	7,664	
Gross profit margin (%)	41%	51%	10%	
Selling, general and administrative expenses	26,187	30,771	4,584	Overseas: +5,546 (personnel +655, depreciation +4,002)
Operating profit (loss)	-6,930	-3,850	3,080	
Operating profit margin (%)	-15%	-7%	-	
Non-operating income	79,939	1,131	-78,808	First six months of 2019 Equity in earnings of affiliates: 963 Foreign exchange losses: 1,969 (foreign currency dominated receivables, resulting from the yen's appreciation from USD110.16 to USD107.75 (-2.41 yen)) Interest expenses: 4,315 (including private placement bonds: 2,530) Commission fee: 276
Non-operating expenses	1,959	6,644	4,685	
Ordinary profit (loss)	71,050	-9,363	-80,413	
Ordinary profit margin (%)	153%	-18%	-	
Extraordinary income	158,817	0	-158,817	
Extraordinary losses	7,544	5	-7,539	
Income (loss) before income taxes and others	222,323	-9,368	-231,691	
Income taxes	50,133	-329	-50,462	
Net income (loss)	172,190	-9,039	-181,229	
Net loss attributable to non-controlling interests	-352	0	352	
Net income (loss) attributable to owners of parent	172,543	-9,039	-181,582	

Consolidated Statement of Income (Business Segments)

(Millions of yen)

	First six months of 2018	First six months of 2019	Variance	Major items in the first six months of 2019
Net sales	46,541	52,541	6,000	
Amusement Equipments Business	23,928	20,203	-3,725	See page 4 "Amusement Equipments Business"
Integrated Resort Business	21,640	31,415	9,775	See page 5 "TRLEI Non-consolidated Results"
Other	886	791	-95	
Unallocated or Eliminated	86	131	45	
Operating profit (loss)	-6,930	-3,850	3,080	
Amusement Equipments Business	1,018	2,965	1,947	
Integrated Resort Business	-3,020	-1,821	1,199	
Other	471	120	-351	
Unallocated or Eliminated	-5,399	-5,114	285	Unallocated expenses: -5,132
Depreciation	4,679	8,595	3,916	
Amusement Equipments Business	1,014	752	-262	
Integrated Resort Business	2,767	7,064	4,297	
Other	132	114	-18	
Unallocated or Eliminated	765	663	-102	
Adjusted segment EBITDA ⁽¹⁾	2,835	9,229	6,394	
Amusement Equipments Business	2,033	3,717	1,684	
Integrated Resort Business	290	5,259	4,969	Includes +5,511 at TRLEI
Other	603	235	-368	
Unallocated or Eliminated	-91	17	108	

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

(Millions of yen)

	2018		2019	
	2nd quarter	Full year	2nd quarter	First six months
Pachislot				
No. of machines sold	8,744	37,365	14,472	23,959
No. of titles sold	4	9	1	5
Pachinko				
No. of machines sold	22,465	59,585	21,602	23,093
No. of titles sold	1	9	1	2
Total no. of machines sold	31,209	96,950	36,074	47,052
Net sales	13,752	42,368	14,809	20,203
Cost of sales	8,535	31,366	8,612	11,604
Gross profit	5,216	11,001	6,197	8,598
Gross profit margin (%)	37.93%	25.97%	41.85%	42.56%
Selling, general and administrative expenses	3,325	12,707	3,004	5,633
Operating profit (loss)	1,891	-1,705	3,193	2,965
Depreciation	540	2,427	401	752
Adjusted segment EBITDA ⁽¹⁾	2,431	721	3,594	3,717
Adjusted segment EBITDA margin (%)	17.68%	1.70%	24.27%	18.40%

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

TRLEI Non-consolidated Results

	Unit	2018		2019		
		2nd quarter	Full year	2nd quarter	First six months	
VIP (1)	Ending number of VIP gaming tables	No. of tables	157	148	168	168
	VIP rolling chip volume (2)	Million PHP	143,495	413,090	133,127	264,087
	VIP rolling chip win (3)	Million PHP	3,870	12,650	3,562	8,489
	VIP rolling chip win rate	%	2.70%	3.06%	2.68%	3.21%
Mass Market (4)	Ending number of mass gaming tables	No. of tables	235	235	234	234
	Mass table drop (5)	Million PHP	3,880	16,486	4,841	9,531
	Mass table games win (3)	Million PHP	1,546	6,841	2,247	4,445
	Mass table games win rate	%	39.8%	41.5%	46.4%	46.6%
	Ending number of gaming machines	No. of machines	2,800	2,725	2,681	2,681
	Gaming machine handle (6)	Million PHP	29,101	119,916	36,801	72,277
	Gaming machine win (3)	Million PHP	1,804	7,728	2,330	4,721
	Gaming machine win rate	%	6.2%	6.4%	6.3%	6.5%
Hotel	Average daily room rate (ADR)	PHP	8,259	8,873	10,199	10,015
	Hotel occupancy rate	%	99.7%	98.3%	97.7%	96.6%
	Revenue per available room (RevPAR) (7)	PHP	8,231	8,721	9,969	9,969
Property visitors	Visitors		1,183,600	4,869,204	1,432,894	2,815,194
Gross gaming revenue	Million PHP		7,220	27,219	8,138	17,655
	VIP table games	Million PHP	3,870	12,650	3,562	8,489
	Mass market table games	Million PHP	1,546	6,841	2,247	4,445
	Gaming machine	Million PHP	1,804	7,728	2,330	4,721
Other revenue (hotel, food & beverage, retail, entertainment, etc.)	Million PHP		404	1,799	561	1,100
Total revenue	Million PHP		7,625	29,019	8,700	18,755
Depreciation	Million PHP		754	3,782	1,516	3,014
Adjusted segment EBITDA (8)	Million PHP		168	2,122	1,107	2,626

(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