

# Results of Operations for the Fiscal Year Ended December 31, 2018

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**Universal Entertainment Corporation**

February 14, 2019

JASDAQ Code: 6425



# Consolidated Balance Sheet

(Millions of yen)

	As of Dec. 31, 2017	As of Dec. 31, 2018	Variance	Main variances
<b>Current assets</b>	<b>91,013</b>	<b>94,109</b>	<b>3,096</b>	
Cash and deposits	35,809	46,076	10,267	
Accounts receivable-trade	9,237	10,381	1,144	
Inventories	35,143	23,175	-11,968	Provision for inventory valuation -7,440
Other	10,824	14,477	3,653	TRLEI Sales of land +3,359
<b>Non-current assets/Investments</b>	<b>450,627</b>	<b>415,898</b>	<b>-34,729</b>	
Buildings	19,046	230,983	211,937	Transfer from construction in progress (includes capitalized cost for private placement bonds)
Construction in progress	293,375	82,757	-210,618	Transfer to buildings/other property, plant and equipment (includes capitalized cost for private placement bonds)
Other property, plant and equipment	31,598	45,878	14,280	Transfer from construction in progress
Intangible assets	2,608	2,388	-220	
Investment securities	59,329	10,979	-48,350	USA: -51,313 (decrease due to redemption of USD452.5 million Wynn stock associated with the settlement) Eagle 1: Equity in earnings of affiliates due to land sale +3,621
Long-term deposits	34,540	33,528	-1,012	
Other investments	10,127	9,385	-742	one-time amortization of all transaction costs associated with the repayment of the BDO loan and other items
Deferred assets	2,107	663	-1,444	May: One-time amortization of all expenses associated with the redemption of private placement bonds -2,107, Dec.: Issuance of private placement bonds +663
<b>Total assets</b>	<b>543,747</b>	<b>510,671</b>	<b>-33,076</b>	
<b>Current liabilities</b>	<b>73,590</b>	<b>64,617</b>	<b>-8,973</b>	
Accounts payable-trade	6,245	6,653	408	
Short-term loans payable	19,063	16,846	-2,217	
Other	48,280	41,118	-7,162	Accounts payable for construction contracts -6,380
<b>Non-current liabilities</b>	<b>239,211</b>	<b>70,991</b>	<b>-168,220</b>	
Bonds payable	149,125	65,511	-83,614	May: early redemption of private placement bonds -149,125, Dec. 2018: Issuance of private placement bonds +65,511
Long-term loans payable	84,120	-	-84,120	Early repayment of the BDO loan (repaid on May 23, 2018)
Other	5,965	5,480	-485	
<b>Total liabilities</b>	<b>312,801</b>	<b>135,608</b>	<b>-177,193</b>	
<b>Net assets</b>	<b>230,945</b>	<b>375,063</b>	<b>144,118</b>	
Shareholders' equity	233,786	393,589	159,803	
Accumulated other comprehensive income	-2,365	-18,602	-16,237	TRLEI Foreign currency translation adjustment: -15,407 (PHP, CR2.28 in Dec. 2017 to CR2.08 in Dec. 2018)
Subscription rights to shares/Non-controlling interests	-475	76	551	
<b>Total liabilities and net assets</b>	<b>543,747</b>	<b>510,671</b>	<b>-33,076</b>	

# Consolidated Statement of Income

(Millions of yen)

	(Reference) 2017	2018	Major items in 2018
<b>Net sales</b>	<b>68,546</b>	<b>93,267</b>	
Cost of sales	35,276	54,026	Overseas : Junket commision increase
<b>Gross profit</b>	<b>33,269</b>	<b>39,240</b>	
Gross profit margin (%)	49%	42%	
Selling, general and administrative expenses	43,077	57,212	Japan: Outsourcing expenses - fee for external investigation concerning the trial Overseas: Depreciation - significantly increased along with the progress in construction
<b>Operating loss</b>	<b>-9,807</b>	<b>-17,972</b>	
Operating profit margin (%)	-14%	-19%	
Non-operating income	1,066	87,518	Sales of Wynn stock at Aruze USA: +74,471 Net of foreign exchange losses/gains: -2,864 (loss) to +6,547 (gain)
Non-operating expenses	4,088	2,313	• Realized foreign exchange gain on private placement bonds: +6,011
<b>Ordinary profit (loss)</b>	<b>-12,829</b>	<b>67,232</b>	
Ordinary profit margin (%)	-19%	72%	
Extraordinary income	26	158,877	Redemption of Wynn stock at Aruze USA: +158,796
Extraordinary losses	6	16,319	Loss on litigation against Wynn: +2,836 One-time amortization of bond issuance cost: +1,815 Early redemption of loans: +4,090 Inventory valuation losses: +7,440
<b>Income (loss) before income taxes and others</b>	<b>-12,810</b>	<b>209,790</b>	
Income taxes	1,357	48,791	21% of Aruze USA's income before income taxes and others
Net income (loss)	-14,167	160,818	
Net loss attributable to non-controlling interests	-741	-349	
<b>Net income (loss) attributable to owners of the parent</b>	<b>-13,426</b>	<b>161,168</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. 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.

# Consolidated Statement of Income (Business Segments)

(Millions of yen)

	(Reference) 2017	2018	Major items in 2018
<b>Net sales</b>	<b>68,546</b>	<b>93,267</b>	
Amusement Equipments Business	50,346	42,368	See page 4 "Amusement Equipments Business"
Integrated Resort Business	16,051	48,939	See page 5 "TRLEI Non-consolidated Results"
Other	1,918	1,722	
Unallocated or Eliminated	229	236	
<b>Operating profit (loss)</b>	<b>-9,807</b>	<b>-17,972</b>	
Amusement Equipments Business	9,343	-1,705	
Integrated Resort Business	-9,024	-6,206	
Other	331	972	
Unallocated or Eliminated	-10,458	-11,032	Unallocated expenses: -10,974
<b>Depreciation</b>	<b>6,507</b>	<b>13,067</b>	
Amusement Equipments Business	1,806	2,427	
Integrated Resort Business	3,479	9,005	
Other	229	257	
Unallocated or Eliminated	991	1,376	
<b>Adjusted segment EBITDA <sup>(1)</sup></b>	<b>-</b>	<b>5,981</b>	
Amusement Equipments Business	-	721	
Integrated Resort Business	-	4,088	Includes approx. +4,472 at TRLEI
Other	-	1,229	
Unallocated or Eliminated	-	-58	

(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. 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.

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

(Millions of yen)

	1st quarter	2nd quarter	3rd quarter	4th quarter	2018
<b>Pachislot</b>					
No. of machines sold	1,743	8,744	10,872	16,006	37,365
No. of titles sold	1	4	3	1	9
<b>Pachinko</b>					
No. of machines sold	22,412	22,475	9,551	5,147	59,585
No. of titles sold	2	1	5	1	9
<b>Total no. of machines sold</b>	<b>24,155</b>	<b>31,219</b>	<b>20,423</b>	<b>21,153</b>	<b>96,950</b>
<b>Net sales</b>	<b>10,175</b>	<b>13,752</b>	<b>7,774</b>	<b>10,665</b>	<b>42,368</b>
Cost of sales	7,872	8,535	7,681	7,276	31,366
<b>Gross profit</b>	<b>2,303</b>	<b>5,216</b>	<b>92</b>	<b>3,388</b>	<b>11,001</b>
Gross profit margin (%)	22.63%	37.93%	1.18%	31.77%	25.97%
<b>Selling, general and administrative expenses</b>	<b>3,175</b>	<b>3,325</b>	<b>3,031</b>	<b>3,174</b>	<b>12,707</b>
<b>Operating profit (loss)</b>	<b>-872</b>	<b>1,891</b>	<b>-2,938</b>	<b>214</b>	<b>-1,705</b>
<b>Depreciation</b>	<b>473</b>	<b>540</b>	<b>690</b>	<b>722</b>	<b>2,427</b>
<b>Adjusted segment EBITDA <sup>(1)</sup></b>	<b>-398</b>	<b>2,431</b>	<b>-2,248</b>	<b>936</b>	<b>721</b>
<b>Adjusted segment EBITDA margin (%)</b>	<b>-3.91%</b>	<b>17.68%</b>	<b>-28.92%</b>	<b>8.78%</b>	<b>1.70%</b>

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

# TRLEI Non-consolidated Results

	Unit	1st quarter	2nd quarter	3rd quarter	4th quarter	2018	
<b>VIP</b> <sup>(1)</sup>	Ending number of VIP gaming tables	No. of tables	143	157	153	148	148
	VIP rolling chip volume <sup>(2)</sup>	Million PHP	57,703	143,495	100,467	111,425	413,090
	VIP rolling chip win <sup>(3)</sup>	Million PHP	2,007	3,870	2,989	3,784	12,650
	VIP rolling chip win rate	%	3.48%	2.70%	2.98%	3.40%	3.06%
<b>Mass market</b> <sup>(4)</sup>	Ending number of mass gaming tables	No. of tables	212	235	232	235	235
	Mass table drop <sup>(5)</sup>	Million PHP	3,459	3,880	4,429	4,718	16,486
	Mass table games win <sup>(3)</sup>	Million PHP	1,368	1,546	1,778	2,149	6,841
	Mass table games win rate	%	39.6%	39.8%	40.1%	45.5%	41.5%
	Ending number of gaming machines	No. of machines	2,434	2,800	2,743	2,725	2,725
	Gaming machine handle <sup>(6)</sup>	Million PHP	24,815	29,101	31,862	34,138	119,916
	Gaming machine win <sup>(3)</sup>	Million PHP	1,607	1,804	2,140	2,177	7,728
	Gaming machine win rate	%	6.5%	6.2%	6.7%	6.4%	6.4%
<b>Hotel</b>	Average daily room rate (ADR)	PHP	8,157	8,259	8,797	9,801	8,873
	Hotel occupancy rate	%	97.1%	99.7%	98.7%	98.7%	98.3%
	Revenue per available room (RevPAR) <sup>(7)</sup>	PHP	7,923	8,231	8,684	9,567	8,721
<b>Total gross gaming revenue</b>			<b>4,982</b>	<b>7,220</b>	<b>6,907</b>	<b>8,110</b>	<b>27,219</b>
	VIP table games	Million PHP	2,007	3,870	2,989	3,784	12,650
	Mass market table games	Million PHP	1,368	1,546	1,778	2,149	6,841
	Gaming machine	Million PHP	1,607	1,804	2,140	2,177	7,728
<b>Other revenue (hotel, food and beverage, retail, entertainment, etc)</b>		Million PHP	<b>323</b>	<b>404</b>	<b>432</b>	<b>640</b>	<b>1,799</b>
<b>Total revenue</b>		Million PHP	<b>5,305</b>	<b>7,625</b>	<b>7,339</b>	<b>8,750</b>	<b>29,019</b>
<b>Adjusted segment EBITDA</b> <sup>(8)</sup>		Million PHP	<b>40.3</b>	<b>168.1</b>	<b>555.2</b>	<b>1,358.8</b>	<b>2,122.4</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