



November 30, 2011

To Whom It May Concern

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Notice Regarding Issuance of Subscription Rights to Shares (Stock Options)

At its Board of Directors Meeting held on November 30, 2011, Universal Entertainment Corporation (hereinafter referred to as the “Company”) adopted a resolution to issue stock options to the Company’s directors and employees as follows in accordance with the provisions in Articles 236, 238 and 240 of the Companies Act. In this regard it should be noted that the issuance is made on the basis of fair counter value and not under conditions particularly favorable to the subscribers; therefore, it is not subject to Stockholders’ General Meeting approval.

I. Purpose of the Stock Option Issuance and Reason Therefor

For the purpose of boosting motivation and morale and strengthening our unity towards improving the Company’s medium to long term business performance and corporate value enhancement, the Company issues stock options to its directors and employees for counter value.

II. Terms and Conditions of Stock Option Issuance

1. Number of Subscription Rights to Shares

847,000 rights

The total number of shares that may be granted by exercising the subscription rights to shares shall be 847,000 common shares of the Company. Should the number of shares to be granted be adjusted in accordance with the following Item 3. 1), the number obtained after multiplying the adjusted number of issued shares by the number of stock option rights.

2. Price to be paid in exchange of stock option

The issue price per subscription right to shares shall be 27 yen. In this regard, the price has been determined by taking into consideration the value calculated by Brutus Consulting Corporation, a third-party evaluation institution, using Monte Carlo simulation, a common option price calculation model, based principally on the Company’s stock price

information.

3. Features of Subscription Rights to Shares

1) Classes and number of shares underlying subscription rights to shares

The number of shares underlying each of the subscription rights to shares (hereinafter referred to as the “Number of Shares Granted”) shall be one (1) share of common stock of the Company.

However, in the event that the Company implements a stock split (including an allotment of the Company’s common shares without contribution, with this to apply to any subsequent discussion of a stock split) or a share consolidation following the allotment date of the subscription rights to shares, the Number of Shares Granted shall be adjusted according to the following formula. Such adjustment, however, shall be made only of the number of shares underlying subscription rights to shares not exercised as of the date of such adjustment, with any fractions of less than one (1) share following the said adjustment to be omitted.

$$\begin{array}{l} \text{Number of Shares Granted} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of Shares Granted} \\ \text{before adjustment} \end{array} \times \text{Ratio of Split or Consolidation}$$

Additionally, should the Company implement a merger, a split or a reduction of capital after the allotment date of the subscription rights to shares, or should any similar circumstances require the Company to adjust the Number of Shares Granted, it shall be adjusted appropriately within reasonable scope.

2) Method for calculating value of property to be contributed when subscription rights to shares are exercised:

The value of the property to be contributed when each subscription right to shares is exercised equals to the amount obtained from multiplying the amount to be paid per share (hereinafter referred to as the “Exercise Value”) by the Number of Shares Granted.

The Exercise Value shall be 1,845 yen.

In the event that the Company implements a stock split or a share consolidation following the allotment date of the subscription rights to shares, the Exercise Value shall be adjusted in accordance with the following formula, with any fractions less than one (1) yen to be rounded up.

$$\begin{array}{l} \text{Exercise Value} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Exercise Value} \\ \text{before adjustment} \end{array} \times \frac{1}{\text{Ratio of Split (or Consolidation)}}$$

Additionally, in the case that new shares are issued or treasury stocks are disposed of at a price that falls below the market price of the common shares of the

Company after the allotment date (except the issuance of new stocks by exercise of the subscription rights to shares and transfers of shares by treasury stock disposal or stock exchange) the Exercise Value shall be adjusted in accordance with the following formula, with any fractions less than one (1) yen to be rounded up.

$$\text{Exercise Value after Adjustment} = \text{Exercise Value before Adjustment} \times \frac{\text{Existing Outstanding Shares} + \frac{\text{New Shares to Be Issued} \times \text{Amount to Be Paid Per Share}}{\text{Market Value per Share before Issuance of New Shares}}}{\text{Existing Outstanding Shares} + \text{New Shares to Be Issued}}$$

The “Existing Outstanding Shares” used in the above formula represents the number obtained after deducting the amount of treasury stock of the Company’s common shares from the total issued shares of the Company’s common shares. In the case that the treasury stock of the Company’s common shares is disposed of, “New Shares to Be Issued” shall be deemed to be replaced with “Number of Treasury Stocks to Be Disposed of.”

Furthermore, in the event that the Company should merge with any other company or split the Company, or in any other similar circumstances after the allotment date of the subscription rights to shares requires the Company to adjust the Exercise Value, the Company shall be entitled to make adjustments appropriately within reasonable scope.

3) Term during which subscription rights to shares may be exercised:

The Term during which subscription rights to shares may be exercised (hereinafter referred to as the “Term of Exercise”) shall commence on July 1, 2014 and end on June 30, 2019.

4) Matters relating to capital stock and legal capital surplus that would increase:

(1) The amount of capital stock that would increase in the instance of a stock issuance under the exercise of subscription rights to shares is equal to 1/2 of the increase limit of capital stock, etc., calculated based on Article 17, Item 1 of the Regulations of Accounting for Corporations, with fractions under one (1) yen to be rounded up.

(2) The amount of legal capital surplus that would increase in the instance of a stock issuance under the exercise of subscription rights to shares is equal to the amount obtained after subtracting the increase in capital stock specified in Item (1) above from the increase limit also specified in Item (1) above.

5) Restriction on acquisition of subscription rights to shares by transfer

The acquisition of the subscription rights to shares by transfer requires authorization in the form of a resolution by the Board of Directors of the Company.

6) Conditions to exercise subscription rights to shares

(1) A holder of the subscription rights to shares may exercise the subscription rights

to shares only if all of the conditions (i), (ii) and (iii) below are satisfied.

- (i) The ordinary profit of the Company for the term ending in March 2013 on the Company's audited consolidated profit-and-loss statement is in excess of 21,300 million yen (if the consolidated statement is not prepared, the profit-and-loss statement). Should there be any material change in the concept of ordinary profit referred to in application of the International Standards of Financial Statements, a suitable guideline shall be adopted by the Board of Directors.
 - (ii) The ordinary profit of the Company for the term ending in March 2014 on the Company's audited consolidated profit-and-loss statement is in excess of 25,000 million yen (if the consolidated statement is not prepared, the profit-and-loss statement). Should there be any material change in the concept of ordinary profit referred to in application of the International Standards of Financial Statements, a suitable guideline shall be adopted by the Board of Directors.
 - (iii) After the allotment date of the subscription rights to shares, the closing price of the common shares of the Company on the Financial Products Exchange exceeds 2,399 yen, the Exercise Value of the subscription rights to shares multiplied by 130% (provided that the value shall be appropriately adjusted by the Board of Directors in accordance with Item 3. 2) above) at least one time.
- (2) The holder of the subscription rights to shares is required to be a director, an auditor or an employee of the Company or its affiliates even at the time subscription rights to shares is exercised. However, if such a person is retired by reason of the expiration of his term of office or retirement age or for any other legitimate reason approved by the Board of Directors, this provision does not apply.
 - (3) Successors to the holder of the subscription rights to shares are not entitled to exercise subscription rights to shares.
 - (4) In the event that the total number of the shares of the Company would exceed the authorized total number of shares by exercise of the subscription rights to shares at the time of exercise, the said subscription rights to shares are not to be exercised.
 - (5) Each of the subscription rights to shares is not to be exercised partially.

4. Date of Allotment of Subscription Rights to Shares

December 19, 2011

5. Matters relating to Acquisition of Subscription Rights to Shares

- 1) In the event that an approval is given by a shareholders' general meeting (if no approval by a shareholders' general meeting is required, a resolution by the Board of

Directors) to an agreement on a merger in which the Company becomes extinct, an agreement on a company split in which the Company becomes a split company or a company split plan, an agreement on a share transfer or a share exchanges by which the Company becomes a wholly-owned subsidiary, the Company is entitled to acquire all of the subscription rights to shares without compensation as of the date separately decided on by the Board of Directors.

- 2) If a holder of the subscription rights to shares loses the right to exercise his subscription rights to shares by reason of item 3. 6) above, the Company is entitled to acquire his subscription rights to shares without compensation.

6. Treatment of subscription rights to shares when organizational realignment is implemented:

Upon mergers (limited to cases in which the Company becomes extinct as a result of a merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers of the Company (hereinafter collectively referred to as “Organizational Realignment”), the subscription rights to shares of the corporations specified in Article 236, Paragraph 1, Item 8, No. (1) to (5) of the Companies Act of Japan (hereinafter referred to as the “Realigned Corporations”) will be issued to the holders of the subscription rights to shares that remain on the effective date of the Organizational Realignment in accordance with the following conditions. This, however, shall be limited to the cases in which absorption-type merger agreements, consolidation-type merger, absorption-type company splits agreements, incorporation-type company splits plans, share exchanges contracts or share transfers plans stipulate that the subscription rights to shares of Reorganized Corporations will be issued under the following terms and conditions:

- 1) Number of subscription rights to shares of Realigned Corporations to be issued:

The same number of Subscription Rights to Shares owned by each holder shall be issued.

- 2) Classes of Shares of Realigned Corporations to be issued under subscription rights to shares:

Common shares of Realigned Corporations shall be issued.

- 3) Number of Shares of Realigned Corporations to be issued under subscription rights to shares:

This shall be dealt with in the same manner as Item 3. 1) above taking into consideration the terms and conditions of Organizational Realignment.

- 4) Value of property to be contributed upon exercise of subscription rights to shares:

The value of the property to be contributed upon exercising the subscription rights to shares is the amount obtained from multiplying the amount to be paid following realignment that is gained through adjustment of the Exercising Payment specified in Item 3. 2) by the number of the subscription rights to shares of Realigned Corporations to be decided in accordance with the abovementioned Item 6. 3), taking into consideration the terms and conditions of realignment.

- 5) Period during which subscription rights to shares can be exercised:
 From the later date of either the first day of the “Term during which subscription rights to shares may be exercised” specified in Item 3. 3) or the effective date of the Corporate Reorganization, to the last day of the “Term during which subscription rights to shares may be exercised” specified in Item 3. 3).
 - 6) Matters relating to capital stock and legal capital surplus that would increase in instance of stock issuance under exercise of subscription rights to shares:
 This shall be dealt with in the same manner as Item 3. 4) above.
 - 7) Restrictions on acquisition of subscription rights to shares through transfer:
 The acquisition of subscription rights to shares through transfer shall require approval in the form of a resolution by the Board of Directors of the Realigned Corporation (or, should the Realigned Corporation not possess a Board of Directors, its “Director”).
 - 8) Other Conditions for Exercise of the Subscription Rights to Shares
 This shall be dealt with in the same manner as Item 3. 6) above.
 - 9) Terms and conditions for Acquisition of Subscription Rights to Shares
 This shall be dealt with in the same manner as item 5 above.
 - 10) Other conditions shall be dealt with in the same manner as those for Realigned Corporations.
7. Matters relating to Certificates of the Subscription Rights to Shares for the Subscription Rights to Shares
 The Company will not issue any certificates of the subscription rights to shares for the subscription rights to shares.
 8. Due Date of Monetary Payment in Exchange for the Subscription Rights to Shares
 December 28, 2011
 9. The Persons to Whom Subscription Rights to Shares Are Allotted and the Number
 650,000 Subscription Rights to Shares for three (3) directors of the Company
 197,000 Subscription Rights to Shares for 52 employees of the Company

III. Matters relating to Transactions with Governing Shareholders, etc.

With regard to part of the issuance of the present stock options, a person among those to whom subscription rights to shares are allotted being a director of the Company’s parent company, it constitutes a case of the transaction with the governing shareholders, etc.

The purpose of the allotment of stock options to the said director is to strengthen the Company’s unity together with the other persons to whom the subscription rights to shares are allotted, ensure his responsibility to a certain degree for the business performance and fluctuations in the Company’s stock price so as to share the interests with shareholders of the Company. The Board of Directors believe, therefore, that the allotment of stock options to the said director will contribute to improvement in business performance and corporate value of the Company and increase the benefit to all the shareholders including minority shareholders.

With regard to the allotment of stock options to the said director, the Board of Directors of the Company held a meeting on November 30, 2011, to consider the propriety of the terms and conditions of the said stock options, confirmed the transaction not to be unduly favorable or unfavorable and made the decision. The said director did not participate in the resolution, and approval was obtained from all of the directors and auditors who were present.

In order to ensure the propriety of compensation and avoid arbitrariness in stock option granting, Brutus Consulting Co., a third-party evaluation institution independent of the Company and the person to whom stock options are granted, was employed to compute the fair value of the stock options of the Company, and the allotment was made based on the evaluation results.

In this regard, the “Guidelines for the Protection of Minority Shareholders in the Case of Transactions with Governing Shareholders” given in the Company’s corporate governance report disclosed on July 6, 2011 are quoted below. The issuance of the present stock options is made in accordance with the same guidelines.

“Guidelines for the Protection of Minority Shareholders in the Case of Transactions with Governing Shareholders”

The Company makes it a rule, when engaged in transactions with governing shareholders, to take market prices into careful consideration and deal with them so as not to harm minority shareholders’ interests. As necessary, the Company obtains opinions from those having no interest with governing shareholders, consults with attorneys and asks third-party institutions for evaluations so that appropriate and fair transactions as equal as transactions in general are ensured.

Furthermore, Mr. Hiroyuki Sawada, an outside director (an independent executive) of the Company acknowledged the said Board of Directors meeting and expressed the opinion that the present case of stock option issuance was made in accordance with the Company’s rules and procedures described above, that the terms and conditions of the present case of stock option were reasonable from the viewpoint of share price computation and that therefore the issuance was not unfavorable to minority shareholders.

As stated above, the present stock option issuance was conducted with adequate countermeasures to avoid conflicting interests by ensuring the fairness of price, including observation of the Company’s rules and procedures in deliberation by the Board of Directors, etc., obtaining an opinion from an outside director (an independent director) to the effect that the stock option issuance is not unfavorable to minority shareholders and with the director to whom the stock option was allotted not being party to the resolution.

End of the Notice