



February 5, 2013

Company Name: Universal Entertainment Corporation
Representative: Jun Fujimoto
Representative Director and President
(JASDAQ Code: 6425)
Contact: Nobuyuki Horiuchi, Assistant General Manager,
PR&IR Office
TEL: +81-3-5530-3055 (switchboard)

Announcement Regarding the Suggestions of the Third-party Committee

Our Company disclosed on January 7, 2013 the “Announcement Concerning the Resolution to Establish a Third-party Committee in Response to the Recent Media Reports about Our Business in the Philippines” and, as we have received the suggestions of this committee, we hereby give notice of a summary of those opinions.

From the standpoint of maintaining secrecy and protecting personal information, names of individuals have been omitted in sections of the following summary where facts could be established without identifying individuals. We will deal with following suggestions appropriately upon consultations with our independent accountant. Investigation by the Third-party Committee will be continued and we plan to fully cooperate with these investigations.

Announcement of business results for the third quarter of the fiscal year ending March 31, 2013 was originally scheduled for February 8. However, following the receipt of suggestions from the Third-party Committee, we now expect consultations with our independent accountant to take some time. In view of this development, announcement of business results has been postponed to February 14. We regret any concerns caused by this matter to our shareholders, investors as well as all other stakeholders.

1. Background of the Committee’s Suggestion

Since the establishment of the Third-party Committee it has undertaken an investigation of the matters which have been commented on in the media reports and elsewhere. Based on an awareness of the issue that there may be inconsistencies between the objective facts and accounting procedures in the preceding fiscal year and in light of the perspective that there is a need for our Company to fulfill its responsibility for accountability to stakeholders, the Third-party Committee suggested to our Company in the course of its investigation and in advance of the committee’s final response, that, in respect to the “facts concerning the US\$40 million payment” in our business in the Philippines which was one of the investigation subjects, there were certain matters which should be investigated on a priority basis from amongst all matters subject to the investigation.

This suggestion was based on an investigation rapidly undertaken in an extremely limited period of time and a conclusive finding of fact was not made. Thus, the details set forth here are expected to be the subject of a recompilation in the Third-party Committee’s final response.

2. Outline of Investigation

(1) Investigation Subjects

Based on an awareness that gaining an understanding of the objective facts concerning the large amount of money which was commented on in the media reports about our Philippines business (there have been reports to the effect that there is a nontransparent flow of funds in the amount of US\$40 million) is important in fulfilling our responsibility for accountability to stakeholders, grasping the objective facts concerning the flow of the relevant monies was made the first subject of scrutiny by the Third-party Committee.

(2) Investigation Method

As an investigation method, the Third-party Committee requested that our Company provide the various materials gathered through its financial due diligence and legal due diligence, etc. and also requested that an IT investigation be implemented focusing on the data recovery of the computers used by concerned parties. The Third-party Committee along with closely examining the above noted materials and data interviewed persons involved in finance and accounting auditors and undertook an investigation in order to gain an understanding of the flow of the relevant monies, but the committee did not interview the persons responsible for finance, etc. at that time who were considered to be important concerned parties and the committee has yet to reach the stage of making a final report.

3. Proposal Overview

(1) Content

According to the investigations and discussions by the Third-party Committee, it was determined that there was a possibility of inappropriate accounting procedures about the transactions described below (facts regarding the accounting procedures of US\$10 million among above-mentioned US\$40 million). Therefore, the Third-party Committee reached the conclusion and made a proposal that in regard to the relevant transactions including other transactions associated with them or accounting procedures, our Company should discuss the necessity of adjustment of the settlement of accounts for retroactive year.

(2) Reasons

(a) Base facts

Our Company ordered its subsidiary Aruze USA Inc. to transfer the fund required for executing the development plan in the Philippines at that time. Aruze USA transferred the fund to Future Fortune Limited, a fund management company for the business in the Philippines, which handled the final transfer of the fund to the Philippines.

Summary of financial executives of our Company at the time:

Finance and Accounting Division Manager, Universal Entertainment Corp.	Representative, Japan Branch, Aruze USA	Administration Division Manager, Japan Branch, Aruze USA	Representative, Future Fortune
Mr. K · Finalization of accounting reports · Executive responsible for movement of funds, including authorization of payments, etc · Managing movement of funds on behalf of subsidiaries	Mr. H · Issuing requests for payments to Universal Entertainment Corp.	Mr. N · Manager, of Accounting Division · Manager for issuing internal memos, payment settlements and administrative affairs	Mr. K and N · General Manager for companies included in the fund movement process at Universal Entertainment Corp. as noted above

(b) Issues to be considered by breaking down US\$40 million in payments

The Third-party Committee recommended that it would be appropriate to break down the above amount into units of (1) US\$5 million, (2) US\$25 million and (3) US\$10 million in order to trace the flow of funds.

While payments involved in this case were made in January or May 2010, the payment in (2) was made upon approval of the Strategy Committee and represented an investment as an expression of our Company's intent. From an objective standpoint, payments in above (1) and (3) should be seen as independent in nature in view of the fact our Company has sued the respective recipients citing that internal processing formalities were not complied with and that payments were made to multiple companies.

(c) US\$5 million (1)

The above US\$5 million was remitted to People's Technology controlled by Mr. S. The transfer from our Company was routed via Aruze USA, Japan Branch and Future Fortune.

As it turned out the transfer of US\$5 million was executed without completing internal formalities at our Company. The transfer seems to have been made at the discretion of Mr. H. Furthermore, and the nature and the reasons for the transfer of this amount were not completely clarified at that point. In view of these factors, the Third-party Committee concluded that the funds were not collectible. The Third-party Committee plans to continue investigation and confirmation of facts with respect to allotment of reserve for possible losses while monitoring developments in the lawsuit that is underway in the dispute between our Company and Mr. H.

(d) US\$25 million (2)

With respect to the flow of US\$25 million, the transfer was approved through internal memos and the approval authorized bodies, including the Strategy Committee at our Company, as payment for outsourced work, according to the findings of the Third-party Committee.

Furthermore, it has been reported that Future Fortune and Subic Leisure have entered into a

consulting agreement and that no uncertainties exist with respect to the flow of US\$25 million. (The question of the appropriateness of this amount is not the subject of this recommendation.)

In addition, records for previous years show as if a payment of US\$35 million, not US\$25 million, was made with respect to the aforementioned consulting agreement. The Third-party Committee has pointed out that the doubts exist about the appropriateness of the accounting procedure.

(e) US\$10 million (3)

- (i) According to the suggestion reported by the Third-party Committee, it was clarified that the relevant fund was simply used for compensating for approximately 1 billion yen (US\$10 million) credit loss of our Company.
- (ii) As background, the Committee reported that facts regarding the loan collection of our Company. While the top management of our Company ordered the Administration Division to collect the relevant loan receivable, the independent accountant suggested that our Company should declare as a loan loss. Under such circumstances, it seems that the Manager of the Finance and Accounting Division decided to compensate for the loss by circulating the fund of our Company. The Committee reported, however, his motives for the action is still not clarified at this point.
- (iii) With respect to compensating for losses, it has been pointed out that US\$10 million found its way into and were capped on to the aforementioned US\$25 million (2) payment and were funneled back to Universal Entertainment Corp. While individuals concerned with this scheme, including Mr. S, have not been questioned, the above facts have been established in view, among others, of the following objective evidence: our Company's internal accounting records; the fact that Mr. K, who issued a US\$10 million Japanese yen-denominated check in Hong Kong, himself brought back US\$10 million to Japan; documents to the effect that this scheme was proposed by Mr. N were found and were confirmed to be authentic as a result of handwriting analysis, and the fact that an e-mail that confirms the position of Mr. S as an important participant between Mr. H and Mr. K has been found.
- (iv) The Third-party Committee reached the conclusion and made a proposal that in regard to the relevant transactions including other transactions associated with them or accounting procedures, our Company should discuss the necessity of adjustment of the settlement of accounts for retroactive year. Furthermore, the impact of the relevant adjustment on the loss is predicted to be approximately more than 800 million yen when considering conservatively.
The Third-party Committee will continue discussing the reasons, background, and other facts regarding the relevant transactions, taking account of the progress of the lawsuit among our Company, Mr. K (Finance and Accounting Division Manager at that time, Universal Entertainment Corp.), Mr. H (former Representative, Japan Branch, ARUZE USA), and Mr. N (former Administration Division Manager, Japan Branch, ARUZE USA) because it is necessary to analyze the causes and understand the whole context as the issues of internal control.