

June 21, 2013

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## Announcement Regarding the Investigation Report of the Third—party Committee

Following our announcement dated January 7th, 2013 titled the “Announcement Concerning the Resolution to Establish a Third Party Committee in Response to the Recent Media Reports about Our Business in the Philippines,” in conjunction with a casino resort project in the Philippines to be developed by Universal and the affiliated companies, there were certain media reports which implicated that unjustifiable fund had been offered, among other things. We have decided to set up a third party committee consisting of attorneys and others who have no conflict of interest with Universal to confirm objective facts concerning the said case, as required by the guideline for a third-party committee formulated by the Japan Federation of Bar Associations (dated July 15, 2010).

Upon the receipt of the investigation report from the third party committee dated June 21, 2013, we hereby wish to make a further announcement upon the content of it and our plan in the future.

For the full content of the investigation report from the third party committee, please see the attached “the Investigation Report (Summary)”. The report says;

- ① “the Freeh Report” is regarded lacking credibility,
- ② regarding the payment of 40 million dollars, it is concluded that
  - (i) Universal mistakenly paid 2.5 million dollars due to the lack of prompt and appropriate report on the road problem from the staff in charge of the Philippines project to the management of Universal. Therefore no evidence was found to implicate this payment be bribery
  - (ii) 10 million dollars was found to be a compensation for loss arranged by ex-employees by way of flow back of the fund; and
  - (iii) 5 million dollars payment was made without going through proper internal accounting procedure. However, the investigation up to date has not provided any evidence to prove bribery (currently an action is in progress as to this payment and the clarification of the facts must be made in accordance with its progress.)

It has become evident that, against the doubts expressed in certain media reports about an alarming amount of bribery offered by Universal, the alleged fact does not exist.

Although the investigation report by the third party committee concentrated on clarification of

the factual relationships on the credibility of the Freeh Report and the payment of 40 million dollars, it also points out that Universal had governance problems which became source of the current issues.

We take seriously our short-comings of the internal regulations and corporate governance even before this investigation. Universal has worked on the systems to strengthen the management surveillance over the Overseas Business Division in the current issue (the third party committee pointed out that Universal governance did not cover this division) and had introduced company-wide electronic circular approval procedure thereby no expense can be paid without physically taking proper steps.

In addition, the third party committee proposed that Universal need to establish a compliance system covering the whole business of Universal. We firmly reconfirmed that we need to implement the above to develop our gaming business globally.

The investigation made it clear that there is no fact that Universal offered illegal fund. It also revealed that despite our governance problem, significant amount of fund was transferred in breach of the internal regulations by the employees in charge of arranging remittance. It also became clear that we were in a position of victims in a sense.

The cause of this problem is still not clear, even if there was a shortfall of our governance system, nor the intention of the employees in charge of remittance who breached the internal regulations nor their relationship with the third party outsider.

The third party committee announced to make further efforts to investigate and identify where the responsibility directly rests by appointing additional appropriate persons in charge of investigation. The investigation will continue in the future with further endeavors.

End of announcement

Supplementary Information:

Members of the Third-party Committee (titles omitted)

<p>Yoshiyuki Kaneshige</p>	<p>Emergency management specialist</p>	<p>President, International Emergency Management Organization, Inc.                      Former Director-General, Security Bureau, National Police Agency</p> <p>1969: Entered National Police Agency</p> <p>1975: Graduated from the School of Advanced International Studies, Johns Hopkins University</p> <p>1980: First Secretary of the Japanese embassy in the United States</p> <p>1988: Chief of the First Area Headquarters, National Police Agency</p> <p>1990: Director, First Defense Intelligence Division, Defense Bureau, Ministry of Defense</p> <p>1993: Executive Secretary to the Prime Minister</p> <p>1997: Deputy Vice-Minister for Policy Coordination, Commissioner-General's Secretariat, National Police Agency</p> <p>1999: Director-General, Security Bureau, National Police Agency</p> <p>2001: Advisor, Dentsu Inc.</p> <p>2002: Counselor to the Governor of Tokyo</p> <p>2010: Chairman, Association against Business Cyber Disturbance</p>
<p>Teruki Uchida</p>	<p>Lawyer</p>	<p>Lawyer, Atsumi &amp; Sakai</p> <p>1964: Entered Ministry of Finance Japan</p> <p>1993: Executive Director, Electric Power Development Co., Ltd.</p> <p>1998: Director, The Mortgage Securities Depository Corporation</p> <p>2000: Deputy President, Osaka Securities Exchange</p> <p>2001: Deputy President, Osaka Securities Exchange Co., Ltd.</p>
<p>Takujiro Hamada</p>	<p>Lawyer</p>	<p>Lawyer, Representative, Legal Professional Corporation Takujiro Hamada Office</p> <p>1965: Entered Ministry of Finance Japan</p> <p>1970: Director, Sanjo Tax Office, Niigata Prefecture</p> <p>1974: Head of the Budget Bureau, Ministry of Finance Japan</p> <p>1980: Member of the Lower House (Liberal Democratic Party)</p> <p>Subsequently served for four terms as a Lower House member and one term as a Upper House member</p> <p>During this period successively held positions as Parliamentary Vice Minister of Foreign Affairs, Chairmans of the Lower House Social and Labour Affairs Committee, Health and Welfare Committee, Judicial Affairs Committee, and Chairman of the Upper House Oversight of Administration Committee</p>

# Investigation Report (Summary)

June 21, 2013

Universal Entertainment Corporation

The Third Party Committee

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I. Establishment and Urgent Proposal of the Third Party Committee,

1. Background leading to the establishment of the Third Party Committee

In response to certain media reports alleging that Universal Entertainment Corporation (hereinafter referred to as “Universal”) may have made illegal contributions in connection with the casino resort project in the Philippines being undertaken by Universal (hereinafter referred to as the “Project”), as announced in the “Announcement Concerning the Resolution to Establish a Third Party Committee in Response to the Recent Media Reports about Our Business in the Philippines,” dated January 7, 2013, Universal approved a resolution on December 28, 2012 to establish a Third Party Committee consisting of attorneys and other persons who have no conflict of interest with Universal to confirm objective facts concerning the said case, as required by the guideline for a third-party committee formulated by the Japan Federation of Bar Associations (dated July 15, 2010). Thereafter, on January 10, 2013, the following persons were appointed as Chairperson and Members of the Third Party Committee (hereinafter referred to as the “Committee”):

Chairperson: Yoshiyuki Kaneshige (President, International Emergency Management Organization, Inc.)

Member: Teruki Uchida (Attorney, Atsumi & Sakai )

Member: Takujiro Hamada (Lawyer, Representative, Legal Professional Corporation Takujiro Hamada Office)

Neither Chairperson nor Mmember or assistant investigator has any relationship or dealing with Universal or any of its group companies that may affect the independence of the investigation.

2. Reports given to Universal and responses made by Universal to date

While the investigation was in progress, the Committee found that, of a large sum paid in connection with the Project subject to certain media coverage, etc., the amount of US\$10 million paid as compensation of a bad-debt loss were most likely the result of improper account processing. Therefore, even though the final opinions to be stated in the report had not been formed at that point in time, on February 4, 2013, the Committee presented an urgent proposal to Universal to correct its accounting procedures for the previous year(s).

In response to this proposal, Universal made necessary corrections to the account for the third quarter consolidated accounting period.

After this, with regard to the expense for the intended acquisition of land in the amount of

US\$25 million that was accounted for as an asset, an assistant specialized in accounting, who is an independent auditor and has assisted the investigation by the Committee, submitted a memorandum expressing the opinion that, in light of the concept of conservatism in accounting, Universal should set aside a provision for this amount, as there are doubts about its value as an asset.

Although the Committee has the same view as that expressed in the aforementioned memorandum, as the Committee decided that it would be sufficient to treat it as technical and specific accounting issue, it refrained from expressing its view on this point by submitting an interim proposal.

The reason for this is that, unlike the case of the aforementioned US\$10 million in which there was a substantial need to submit a proposal containing important facts that may lead to correction of account settlement for the previous year(s) in order to fulfill the duty of accountability for timely disclosure to a wide range of interested parties including shareholders and creditors, it would be sufficient to deal with the payment of US\$25 million for the intended acquisition of land by making technical and specific accounting amendments; by setting aside a “provision” now in the light of the concept of conservatism in accounting. It is a different issue in nature from the matters to be investigated and reported by the Committee.

Upon receipt of this memorandum, Universal has set aside a provision in the light of the concept of conservatism in accounting, as reported in the earning summary for the account closing March 2013. However, the Committee thinks that the amount recorded in this provision should be reclassified under an appropriate account based on the facts revealed as the investigation progresses in the future.

## II. Method of Investigation

### 1. Investigation objectives

The objective of this investigation report (hereinafter referred to as “Report”) is to convey the views of the Committee on the investigation on the following investigated subjects conducted between January 10, 2013 and June 21, 2013.

This Report is intended to express the views of the Committee on the investigated subjects from a neutral and fair point of view in light of Universal's purpose of establishing the Committee, and is not meant to pursue legal liability of the persons involved.

## 2. Investigated subjects

- (1) In response to certain media reports concerning Universal's business in the Philippines, to investigate and analyze the facts, cause of and problems related to a flow of funds in the amount of US\$40 million;
- (2) To verify the of the document entitled the "Freeh Report; and
- (3) In association with (1) above, to verify whether Universal made payment implicating bribery .

## 3. Period of investigation

January 10, 2013 to June 21, 2013

## 4. Limitations of investigation

It should be noted that there were the following limitations and restrictions in conducting this investigation.

- 1) The primary objective of the investigation was to obtain facts concerning transactions and other business activities in the Philippines during the fiscal year 2009. However, it was extremely difficult to interview persons involved, as almost none of the members of staff in charge in the overseas business division at that time remain with Universal at this time due to HR reorganization and other reasons.
- 2) The objective evidence supporting the Freeh Report, which is used as justifiable grounds for the claim by Wynn Resorts and is also a subject of this investigation, has not also been disclosed.
- 3) As Universal had already initiated litigation against persons who are deemed to be important persons involved in this case prior to the establishment of this Committee, such persons involved in this case, despite the Committee's request to appear for the interview, have informed the Committee of their intention not to accept the request for interview, as they intend to reveal the truth during the litigation proceedings. Thus the Committee was unable to carry out interviews from some of the persons involved in this case.

## III. Investigation Method, etc.

### 1. Interviews with persons relevant in the case

In order to clarify the decision-making processes within Universal during fiscal 2009, the Committee conducted extended interviews with representative executive officers and other

officers who were, at the time, the top management of Universal, as then a company with committees, as well as interviews with Universal's employees in charge of legal affairs, general administration, accounting, etc., and outside director & chairman and other important persons relevant in this case (as mentioned later, the facts subject to this investigation occurred during the period in which Universal was adopting the “company with committees” system).

2. Collection, thorough investigation and analysis of internal materials

The Committee received from Universal and its affiliated companies exhaustive materials related to the investigated subjects and collected relevant public information, and thoroughly investigated the materials.

3. Acquisition of, thorough investigation and analysis of digital data etc.

The Committee requested Universal to conduct financial due diligence and legal due diligence, which was conducted, and thoroughly investigated a variety of materials submitted through the processes. Furthermore, the Committee also conducted a comprehensive data survey on PC used by former employees and other persons involved, including recovery of deleted data, and investigated these materials thoroughly.

4. Form of investigation by the Committee

As soon as the launch of the Committee, it promptly requested Universal to disclose materials for investigation, and each Committee member and assistant for the investigation appointed by the Committee spent significant time in analysis of these materials (including a large volume of English materials) and investigation of the facts. In addition to these analysis and investigations by each member, the Committee held numerous meetings to confirm the policy on the consensual investigation and hearings.

5. Sub-summary

Despite “Limitations of investigation” above and time constraints, the Committee is submitting to Universal this Report as a result of reasonable review of the investigation. The Committee does not assume any legal liability or any other responsibility to any person for the contents of this Report.

Based on the above, the Committee reports the results of its investigation as follows.

#### IV. All the facts that are preconditions of the investigation result

In this investigation, in association with the above-mentioned investigated, it is important to examine the facts related to how the payment of 40 million dollars by Universal in relation to the Project was made.

The Committee believes that, as to how Universal got involved in the Project, explanation should be made on the change of relationship between Universal and Wynn Resorts which operates casino business in the U.S. We also believe it necessary to describe the investigation result and present our view on the reason why certain media report, which triggered this investigation, was made .

##### 1. All the facts that are the background of the Report

###### (1) Relationship between Wynn Resorts and Universal

The relationship between both companies started from a personal relationship between Steve Wynn (hereinafter referred to as “Mr. Wynn”), representative of Wynn Resorts and Kazuo Okada, founder of Universal (hereinafter referred to as “Mr. Okada”). It was in 2000 when Mr. Wynn lost the control of the Mirage Resort due to a hostile takeover bid and faced economic difficulties and Mr. Okada became a business partner and contributed a huge amount of money.

Both men continued a good relationship by early 2011.

###### (2) Deterioration of relationship between Wynn Reports and Universal

However, in April 2011, a crack opened in the relationship when a subsidiary of Wynn Reports in Macau started considering the donation of 135 million dollars to the University of Macau Development Foundation. Mr. Okada asked for the purpose of the donation and disclosure of the related information at the board of directors meeting of Wynn Resorts, but was met with a rejection by Mr. Wynn, which led him to indicate his objection at the meeting of the board of directors.

Additionally, although Mr. Wynn and Mr. Okada had held approximately 20% of shares of Wynn Resorts respectively (including the holdings through affiliated companies), Mr. Wynn lost a half of his holdings as a result of severing of his property following divorce in 2010. Since then Mr. Okada became the holder of a overwhelming majority shares. After April 2011, Mr. Wynn had a motivation to eliminate Mr. Okada from the management of Wynn Resorts.

###### (3) Use of Freeh Report by Wynn Resorts

A In such discord, the Freeh Report was submitted to the Wynn Resorts board of

directors meeting on February 18, 2012 that was the subject of this investigation, and all the board of directors except for Mr. Okada unanimously determined on the same day that Mr. Okada was “unsuitable”. At the same time, the board of directors determined the mandatory redemption of 24,549,222 shares of Wynn Resorts that were held by Universal through Aruze U.S.A in exchange of the promissory note of 1,936 million dollars with the maturity of 10 years.

- B On the credibility of the Freeh Report, former judge Michael Chertoff who is a former secretary of U.S. Homeland Security Department precisely made an assessment on April 19, 2013 (hereinafter referred to as the “Chertoff assessment”) which concluded that the Freeh Report presents the one-sided evidence and lacks credibility.

On the other hand, Wynn Resorts, by relying on the Freeh Report of which credibility seemed doubtful, succeeded in buying back the shares held by Universal at a lower price.

- C Based on the above consideration, in a situation where apparently the controlling power of the company was under dispute, Wynn Resorts is suspected to have needed a decision by relying on the Freeh Report that looked objective as it was prepared by a third party for the purpose of proving that the resolution of redemption was objective and rational. Thus, considering its motive and background, the Committee cannot help suspecting the credibility of the Freeh Report.

(4) Necessary procedures to proceed with the Project

- A On the Universal side, the ownership of the road parcels included in the land had not been changed, which became a problem for the development of the Project (hereinafter referred to as the “Road Problem”).

According to the investigation by the Committee, it was found that the Road Problem was a simple legal issue and could be resolved by paying a reasonable cost for necessary legal procedures. However, at that moment, it suspects that Universal believed that such part of the road needed to be obtained separately and made a contribution of 25 million dollars.

As such contribution of 25 million dollars was not properly reported to the management of Universal on a timely basis, this contribution was made based on the misunderstanding of the necessity of the contribution by the Universal, and as there is no evidence in this money flow that indicates a bribery, the Committee is under impression that unnecessary payment was made due to their governance problem.

As the subject of this investigation is 40 million dollars paid by Universal, there still remains a difference of 15 million dollars. As an ex-employee certified the channeling back of 10 million dollars to compensate loss, and the remaining 5 million dollars was paid in breach of the internal process, we found no evidence indicating bribery.

(5) Media report on Universal

Triggered by the above mentioned dispute with Wynn Resorts, certain media reports have been repeatedly made on the Freeh Report and the flow of the above 40 million dollars, implicating bribery.

Of course, as mentioned below, although it was the fact that Universal had a governance problem, the investigation until now indicates that the contribution by Universal was made as a reasonable expense for the development of the Project or as an unnecessary payment made due to misunderstanding by Universal.

(6) Sub-summary

The above is a summary of all the facts that are the background of our opinion and the result of the investigation.

2. Development of the Project

40 million dollars in question and facts identified in the Freeh Report were paid mainly in association with the Project in the Philippines.

(1) About the Philippine Amusement and Gaming Corporation

The Philippine Amusement and Gaming Corporation (hereinafter referred to as the "PAGCOR") was established as a government agency that controls gambling in the Philippines and it is not only a regulatory body but also an operator of casinos.

Various media reports regarded Rodolfo V. Soriano, Jr. (hereinafter referred to as "Mr. Soriano" also called as "Boysie") as an aide of PAGCOR or put a title as a "Consultant of PAGCOR" suggesting that he could have influence on the executives of PAGCOR. However, since the start of the Project, there is no fact that Mr. Soriano was a member of PAGCOR or a consultant of PAGCOR

(2) History of the Project

While Universal has developed the Project, it seems that due to many changes of the plan, Universal has incurred expenses for accommodation of the people who needed to inspect other casino facilities in person including those who belong to PAGCOR.

### 3. Problems of the Project

#### (1) Problems of the development of the Project

When Universal developed this Project, it needed to (i) purchase a land for development, (ii) obtain a gaming license, (iii) clear the foreign capital restrictions and (iv) receive authorization from the PEZA (Philippine Economic Zone Authority, hereinafter referred as “PEZA”) to gain tax advantage.

Following is the history of events with regard to (ii) (iii) and (iv).

##### A. Regarding (ii) above (the provisional license)

As described through the facts above, Universal started this Project in response to the active approach by PAGCOR to induce investment. Universal received a provisional license on August 5, 2008.

##### B. Regarding (iii) above (foreign capital restrictions)

In relation to this Project which was started in response to the active approach by PAGCOR to induce investment, PAGCOR clearly stated on August 24, 2008, that the Negative List of the Foreign Investments Act of 1991 which limits foreign investment was likely to be abolished for casino business. In fact, with regard to the Foreign Investments Act, based on the Presidential Decree dated February 5, 2010, an investment agreement was executed with PAGCOR specifically in respect of casino business and foreign capital restrictions were lifted for businesses which received PEZA authorization.

##### C. Regarding (iv) above (authorization from the PEZA)

The main objective of the Philippines Special Economic Zone Act is to promote economic development through both domestic and foreign investments in the Philippines. In March 2010, PEZA designated and authorized Entertainment City Manila in Paranaque city which includes this Project’s site as a special economic zone under Presidential Decree No. 2019.

This authorization was not granted for the benefit of Universal alone or any other individual or company, but for the economic benefit of the geographical “region” as a whole.

##### D. Sub-summary

As described, with regard to the provisional license ((ii) above), this was granted prior to the 40 million dollar expenditure. Regarding the restriction on foreign capital ((iii) above), the lifting of such restriction is implemented for specific types of businesses and not just for the benefit of certain companies. Additionally, PACCOR had ensured from the beginning, when it started to induce this Project to the Philippines, that the restrictions on foreign capital would likely be lifted. As for

the PEZA authorization ((iv) above), authorization is given to certain geographical “regions” and it is not a benefit afforded to only certain companies. Thus, it is inferred that there was no need for Universal to engage in acts of bribery in relation to the problems which existed in relation to the execution of this Project.

## (2) Land problem

As mentioned in the above (i), Universal needed to purchase a land for the development of the Project.

This issue consists of (i) purchase of the Land at 30 billion yen and (ii) solution of the Road problem with the expense of 25 million dollars (hereinafter, “the Road Issue”). The Committee believes that we should investigate the 25 million dollars expenditure in (ii).

Certain media reports have stated that regarding the sum in (ii), a large amount of money was not required to resolve the Road Issue which raises the question of whether this might not have been a bribe. This point will be addressed in VI below.

Regarding the land acquisition state in (i), surveys on the surrounding land were conducted and an opinion from a local law firm was obtained. The land was purchased for 30 billion yen, after several rounds of price negotiations and approval by resolution of the board of directors.

## V Regarding the credibility of the Freeh Report

The expenditure of 110,000 dollars was pointed out in the Freeh Report. However, as described in (ii) of “II-4 Limitation of investigation”, the Freeh Report was the important information source for decision-making when making a resolution at the Wynn’s board of directors meeting. As a dispute between Wynn Resorts and Universal is pending in the U.S., we have not received any disclosure document as evidence that supports the Freeh Report and thus, could not conduct detailed examinations of the evidence.

On this point, for the purpose of checking the credibility of the Freeh Report, there is no other way but to examine the “Chertoff Assessment” that is made based on the disclosed evidence of the Freeh Report.

### 1. Contents of the “Chertoff Assessment”

The Chertoff Assessment concludes that the Freeh Report is not credible.

As to the reasonableness of the Chertoff Assessment itself, the Assessment starts off by first discussing what the best practices in internal investigations should be, then moved on to the Freeh Report. It points out that in the Freeh Report, other than Mr. Okada, only internal witnesses were interviewed. Furthermore, the Assessment finds that with regard to construction of FCPA, the Freeh Report is unreasonable since it ignores affirmative defenses available under the statute. It also points out

that there is not enough evidence to support the assertions in the Freeh Report. This Committee believes the Chertoff Assessment to be credible.

## 2. The Credibility of the Freeh Report

In relation to (ii) above, this Committee also analyzed and considered each of expenditure which was raised in the Freeh Report. This is done by selecting some of the expenditure and examining their relevance to the business. In general, these amounts were used for additional inspection visits which became necessary because of design changes on the Universal side, or inspection visits accompanying PAGCOR members since they had little experience in operating casino business on a large scale, and the impression of this Committee is that such expenditure was reasonable.

The Freeh Report ignores such business necessities of Universal, simply points out the fact of such expenditure and concludes that these could be FCPA violations. Thus, it can be hardly said that a reasonable deduction was reached.

## 3. Sub-summary

As described above, this Committee agrees that the Freeh Report lacks credibility. Regarding an individual expenditure of the approximately 110,000 dollars each asserted in the Freeh Report, as stated above, the supporting evidence has not been fully disclosed to this Committee, therefore, this Committee refrains from establishing a conclusion as to the legality of each expenditure.

# VI Concerning Expenditure of 40 million USD by Universal

## 1. Facts that provide preconditions for examination and methods of examination

### (1) Facts that provide preconditions for examination

#### A. Regarding the status of governance, etc. at Universal

##### (a) Organizational system of Universal in 2009

From June 2008 to June 2010, Universal adopted the system of a company with committees. At all other times, Universal adopted the system of a company with board of company auditors.

##### (b) Concerning the operation of the executive board

In a company with committees, the authority to execute business is centered on the officers. At Universal, it is stated in its Administrative Authority Rules that large expenditure like those we are examining must go through the executive board.

However, since the Subprime Crisis on September 15, 2008, at Universal, not only was the inclination to reduce the Project confirmed, but also large scale restructuring was carried out in other deficit-making divisions as well. As a result, an attitude of passivity surrounded the execution of operations and thus, it can't be denied that the executive board itself had also turned into a mere façade.

(c) Concerning positioning of Strategy Meeting (Strategic Committee)

At Universal, there was a decision-making body called the Strategy Meeting made up with 3 members, consisting of 2 representative officers and Mr. Okada, director. This was not a decision-making body provided for under the Companies Act. It was neither a body established in accordance with Universal's articles of incorporation. However, it was a de facto body of the company which considered fundamental policies etc in relation to the management of the company.

(d) Concerning the Overseas Business Department

This is the division which is in charge of this Project. Over time, however, the name of this division has changed; the OH pre-opening office (until the end of 2009), Aruze USA's Japan Branch (from the beginning of 2010 to the end of the same year), and the Overseas Business Preparatory Office (since 2011). Therefore, the foregoing shall collectively be referred to as the Overseas Business Department. Until Universal started up this Project, Universal's focus was the domestic market. It should be noted that for this reason, it could hardly be said that the Overseas Business Department was properly incorporated into the corporate governance structure.

Such positioning of the Overseas Business Department did not change even after this Project had fully launched. It seems that even when it came to checking the progress of this Project the stance was to simply wait for reports from Mr. T.N and Mr. H.

B. Person in charge, etc. concerning the Fund Transfers

Universal was giving instructions on fund transfers to its wholly-owned subsidiary, Aruze USA, with respect to funds that were to be required for implementation of the Project in the Philippines at that time. Aruze USA transferred fund again to Future Fortune (an affiliated company that managed funds flow for business in the Philippines), and final disbursement concerning the Philippines business was carried out at Future Fortune.

Managers of financial affairs in the Universal Group at that time were:

General Manager, Finance and Accounting Dept. of Universal	Representative, Japan branch of Aruze USA	General Manager, Administration Dept., Japan branch of Aruze USA	Representative, Future Fortune
Mr. K • Final determination of accounting materials • Person responsible for execution of money transfers such as	Mr. H • Requests for disbursement to Universal	Mr. N • Person responsible for accounting • Person responsible for practical business in <i>ringi</i> (sanction	Mr. K Mr. N • General manager of the relevant company incorporated in the money transfer process

approval of payments, etc. • Acting as proxy for money transfers at subsidiaries		obtaining process by circulating the draft of the matter),decision- making, and management and execution	at Universal as stated above
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(2) Examination method: the 40 million USD should be segmented and examined

The Committee considers, upon examination of the flow of funds, that it is appropriate to perform segmentation into (i) 5 million USD (ii) 25 million USD (iii) 10 million USD.

This is because we consider it objectively appropriate to regard these as separate phenomena respectively, from the fact that, although all these fund transfers were made in the period between December 2009 and May 2010, concerning (ii) it was an investment act as an expression of intent by Universal (we will state later about the process of the decision-making and facts such as the existence of asset characteristics), while concerning (i) and (iii) Universal brought a lawsuit against the respective persons concerned on grounds of the fact that the internal procedures at Universal were not followed, and that the corporations to which the transfers were made were different, among other reasons,

We will conduct fact-finding for each fund transfer as follows.

2. Concerning 5 million USD ((i))

(1) This fund transfer was made to People’s Technology, under the control of Mr. Soriano.

(2) Concerning this fund transfer at Universal, the payment request form was created under the instructions of Mr. K, but it did not undergo decision-making. Moreover, at Aruze USA, the payment request form was drafted by Mr. N and then prepared at the responsibility of Mr. H, but it did not go through the company’s internal approval procedures.

In such a situation, Mr. H, the representative of the Aruze USA Japan branch at that time, withdrew 5 million USD from a foreign currency savings account at MUFG Bank under the name of the company at his own discretion and transferred it to Future Fortune.

Then, further fund transfer was made to People’s Technology by Mr. K, who was also the representative of Future Fortune.

(3) Furthermore, between Future Fortune and People’s Technology, a transaction

guarantee agreement titled was executed.

Therefore, for the Universal side, it is considered to have had receivables in the form of deposits (securities deposits), then it would be an issue of collectability, and since there was doubt about that, it was in a reserve account.

Concerning the 5 million USD, the Committee has been conducting an ongoing investigation and confirmation of status of the collection or processing using the allowance at Universal even after submission of the urgent proposal, and recently, in the lawsuits pending against Mr. N, a new argument was made in his defense such as “Regarding the flow back of the 10 million dollars, this was money transferred to (the then) Chairman Genuino of PAGCOR in exchange for cooperation by Mr. Soriano” and that argument has been predicted to be a point of issue in the relevant lawsuit.

Therefore, concerning this aspect, as interviewing Mr. N is difficult at this moment in time, it will be necessary to pay close attention to how the lawsuit unfolds while conducting an examination of the facts. However, our investigation so far has not revealed any evidence which supports Mr. N’s argument.

### 3. Concerning 25 million USD ((ii))

#### (1) The Existence of the Road Issue

A. With regard to the land issue, as stated above, this was acquired by Universal after due diligence conducted by a local law firm. However, there was the Road Issue, as in the title to the road portion remained unchanged, which prevented Universal from moving this Project forward.

B. The Overseas Business Department asked PAGCOR, the developer of the land, to resolve this problem. PAGCOR, in response, stated that this was an issue which could be resolved under the law. As a result, the tree-party agreement (hereinafter, “Tree-Party Agreement”) was executed with Paranaque city and Asiaworld in an effort to resolve this issue. One of the reasons why such agreement was possible is the obligation in the Philippines (stipulated by Presidential Decree) to donate road lots and land for parks to the local government as public land. For Asiaworld, this was convenient since they would be able to construct the roads without having any obligations to donate to the city. In fact, the underlying circumstance was that Asiaworld was in a tight spot when it came to funds for the construction of the roads and thus had no objection to transferring the title to the land.

#### (2) An amount equivalent to fixed assets was not necessary for the resolution of the Road Issue

Universal’s Overseas Business Department understood that a large sum of money was not required to resolve this Road Issue and only a reasonable amount, to complete the necessary legal procedures, was necessary.

However, based on interviews with the management at the time and as a result of examining objective materials, it appears that such understanding was never reported to the management at the time.

With regard to the aforementioned Tree-Party Agreement, a document titled “MEMORANDUM OF AGREEMENT” has been confirmed to exist, being executed amongst Asiaworld, the landowner of the site for the Road, Eagle 1, the local subsidiary of Universal that owns the site for the casino, and Paranaque City, which manages the land. However, in this document, it is stated that the Road Issue has been resolved among the three parties and there is no reference to any movement of funds.

Thus, this not only indicates that time-wise, the transfer of 25 million dollars on December 9 of the same year was made after the issue had already been resolved, but that it was also a payment that was made although it was never necessary to do so.

(3) No report was made by the person in charge

As stated in the above, concerning the Project, at Universal, which mainly conducts domestic business, the Overseas Business Department was executing the business on its own in a highly independent manner of the headquarter .

Of course, concerning the progress, etc. thereof, reports were made to board of directors on each occasion and resolutions on expenses, etc. based on those reports had been discussed at Universal. However, as a route of reporting from Overseas Business Department to management, there were only a few routes existing: either they would make reports to the board of directors voluntarily, or there would be de facto direct reports to the representative director at that time, from Mr. T.N, or Mr.H, who was keeping track of the progress of the entire Project.

Meanwhile, judging from the related evidence, around the beginning of 2009, existence of the Road Issue was a common recognition in the Overseas Business Department, and they were equally aware that the Project could not move forward unless the relevant Road Issue was resolved. However, it appears such awareness of the relevant obstacles was never reported to Universal’s management. Likewise, it appears that the way in which these issues could have been resolved through PAGCOR was also never reported.

(4) Process of forming of intent at UE

Since Universal had never received any report on how the Road Issue could have been resolved, it determined that it would need to acquire the road parcels owned by Asiaworld in order to settle the Road Issue. Thus, on December 9, 2009, an expense of 25 million USD was made through Aruze USA for the purpose of solving the Road Issue.

With regard to the purpose of this expenditure, in addition to the results of interviews of the persons concerned at that time, considering the fact that in the report by the

gaming compliance committee at Universal group (prepared in February 2010) this was described as “for the purpose of securing a site for a casino project in the Philippines, 25 million USD was deposited with Future Fortune. The relevant funds are planned to be used for casino operating funds later,” we infer that the company made the contribution with the following understanding.

- (i) Make a contribution of up to 25 million dollars in order to acquire the road parcels so that the Road Issue can be resolved;
- (ii) 25 million dollars is the maximum amount which can be used for the resolution of the Road Issue. If there are any excess funds, these will be used for the operating funds for this Project.

#### (5) Sub-summary

As stated above, concerning the expenditure of 25 million USD, although Overseas Business Department and Mr. Soriano had an awareness of the specific way of resolving the issue, and the fact that a reasonable amount inclusive of expenses for legal procedures to resolve the matter was possible, they only reported to all of the board of directors of Universal, representative director and de facto organization strategy meeting the existence of the Road Issue alone, and they caused 25 million USD to be paid under the name of resolving the Issue.

Therefore, at Universal, concerning the relevant expenditure of 25 million USD, it appears to be understood consistently that the expenditure was reasonably necessary to resolve the Road Issue. We also believe that the said expenditure was not made with other intention (including having the characteristics of a bribe).

#### 4. About 10 million dollars ((iii))

##### (1) Current situation of this fund transfer

As this fund transfer did not go through the internal decision-making process such as the circular approval request, Universal has filed a lawsuit to people who were involved in this fund transfer (Mr. H, Mr. N and Mr. K).

According to the investigation by the Committee, the 10 million dollars were used to compensate for the loan loss of approximately 1 billion yen (about 10 million dollars) at Universal, and was not based on a transaction.

##### (2) The background of the bad debt loss

In summer 2008, Universal received a request for investment from AZ Games and executed a long-term loan of 2 billion yen to AZ Games on July 16, 2008.

On November 12, 2008, Universal suddenly received the repayment of 1 billion yen,

as AZ Games failed to make repayment as prescribed in the agreement, and also reached an agreement on the extension of repayment period on September 30, 2009 as an action for preservative attachment.

However, in December 2009, as AZ Games suddenly chose to start the liquidation process, it became possible that Universal would fail to collect the remaining 1 billion yen.

(3) Method of loss compensation and reason for presumption

We guess that the method of loss compensation is “The money is generated by adding 10 million dollar secretly to 25 million dollars as mentioned in (ii) above and return such money to Universal”.

A. The following facts are ascertained based on the evidence:

a AZ Games against which Universal had a claim of 1 billion yen started the liquidation process in December 2009 and it became highly likely that Universal would fail to collect the debt.

b Based on the opinion from an audit corporation, Universal recorded this debt in assumption that it would be recorded as the bad debt loss.

c However, Mr. K, General Manager of Finance and Accounting Department who tried to collect the debt planned to avoid recording the bad debt loss by the debt assumption by Mr. Soriano privately.

d On February 14, 2010 at 01:34 a.m., Mr. K received a fax sent from Shangri-La Hotel at Makati (Manila) from Mr. H. Mr. K used the debt assumption agreement with the signature of Mr. Soriano that was sent via fax to the audit firm to clear the audit in the third quarter without recording a debt loss.

e In the face of book closing of the full fiscal year, the audit firm asked to disclose a material certifying the asset capability of Mr. Soriano who was a debtor but it failed to submit a sufficient explanatory material and needed to actually collect the debt from AZ Games by cash for avoiding the record of debt loss.

Mr. K. needed to actually collect money from Mr. Soriano based on the debt assumption by Mr. Soriano, or certified the asset capability of Mr. Soriano to satisfy the audit firm. However, as Mr. K could do neither of them, he transferred 10 million dollars from Future Fortune in Hong Kong of which representative was Mr. K to Subic at the counter of the HSBC in Hong Kong on May 3, 2010 and also obtained the yen-denominated check (915 million yen) at the same place with HSBC

as a drawer. On May 10, Mr. K delivered that check by hand to a person in charge of finance at Universal, saying “I collected the money from AZ”.

B. In this case, Universal made a decision up to 25 million dollars and the memo prepared by Mr. N was the only thing that indicated the amount exceeding 25 million dollars.

Based on the above, we could reasonably guess that Mr. N prepared the invoice based on the memo and Mr. Soriano put his signature on it. That is the reason why the draft of the invoice with the cover exists in the Universal side.

#### (4) Sub-Summary

In the process mentioned above, Mr. K thought that the audit by the audit firm could be cleared without a problem if there was the cash with a support from Mr. N and Mr. H. Mr. K flew to Hong Kong to obtain the check of 915 million yen and returned to explain that it was the repayment from AZ Games.

Our understanding is that such method was used to compensate for the loss that would have been generated by the debt loss from the loan to AZ Games.

Therefore, as it seems that additional 10 million dollars in (iii) were in a fictitious transaction, the Committee concluded that Universal should consider making modification on the business performance in the past years in relation to the above transaction and other associated transactions or accounting process.

#### 5. Conclusion

As we have seen in the above, concerning the 40 million USD at issue, in any case, it was not the case that the expenditure was made with the characteristics of a bribe.

Concerning the flow of these moneys, without interviewing Mr. Soriano, who is a former employee and who is considered to have played an important role, it is not clear to whom the money was finally paid or whether or not they intercepted the money, but at least, at Universal, it was not the case that they sent the money in a variety of forms for the purpose of bribes targeting some favor, and the Committee judges that the characteristics of a bribe did not exist.

Furthermore, with regard to the ways that the parties concerned should take responsibility, we consider it necessary to continue investigating, and the Committee will put together a secondary third party committee after making this Report and focus its energies on resolving the facts in this respect.

Thus, the Committee concludes that the aforementioned Freeh Report lacks credibility. Our investigation has also confirmed that neither the contribution of 25 million dollars or 10 million dollars constitutes an offer of a bribe by Universal. (As for the 5 million dollar expenditure, as explained above, we are waiting to see how the litigation progresses. Thus, at this moment in time, the only comment that this Committee is prepared to give is that in our investigation so far, no evidence is yet to be found which supports the existence of characteristics of bribery.)

## VII. Recommendations concerning Analysis of Cause, Responsible Parties and Preventive Measures

### 1. Analysis of Cause

(1) The mutual monitoring/check-and-balance functions of the executive officers were weak.

A. One of the causes of this incident was that the Overseas Business Division had not been sufficiently integrated into the governance system of Universal.

Because the actual situation of Overseas Business Division was as described above, the then-executive officers of Universal were not able to fully acknowledge the status of progress or issues of the Project unless the person in charge of the Project reported to them actively.

B. We must say that, with respect to the above-mentioned problems of the governance, the then-executive officers of Universal lacked the sense of ownership relating to the Project, since executive officers and directors are expected to be aware of such problems concerning the operational conditions of the company including the Project..

Also, the Legal Department of Universal focused solely on domestic legal matters and its lack of sense of responsibility left the Overseas Business Department to handle any due diligence relating to foreign legal matters like this Project. There was no collaboration between these two departments either.

(2) Insufficient oversight of subsidiaries and affiliated companies

As to the expenditure of 40 million USD which the Committee has decided as the subject of investigation, the fund was transferred through Universal's subsidiaries and/or affiliated companies such as Future Fortune and Aruze U.S.A.

As to the money transfer made through subsidiaries and/or affiliated companies, Universal's regulations provide that a money transfer of certain amount must be managed in an integrated fashion by Universal's Administrative Division in accordance with the internal approval authority rules. The procedure includes obtaining a resolution by the Board of Executive Officers, followed by the circular approval request process (*ringi*).

However, in reality, as we can see from the background which led to this incident, one was able to remit a large amount of money without complying with the internal regulations.

In relation to the Project, we cannot deny the possibilities that transfer of money was needed to be made according to each circumstance or the pathway of money transfer was needed to be selected in relation to foreign capital regulations. However, one must note that the lack of adequate oversight system made it difficult for Universal to control money transfers and consequently raised needless doubts in the interested parties including the press and shareholders.

(3) Lack of respect for the Governance System prescribed in the Companies Act

At the time of the Occurrence of Incidents, the existence of the Meeting of Executive Officers was taken lightly within Universal.

This is because it has been found that the business condition of Universal was becoming worse and decisions had been made to reorganize and/or scale down its business to be executed. However, in order for a company to continue its business as a corporation, it is necessary to make timely reports on the status of tasks being executed in the company, and the necessity to make decisions institutionally on matters to be executed will exist regardless of the company's business performance.

The low level of awareness toward the systems of governance and internal control prescribed by the Companies Act was made apparent by the existence of the Minutes of the Meeting of Executive Officers containing the resolution made on November 24, 2009 concerning acquisition of land, which was prepared after-the-fact. Especially from a compliance perspective, the severity of this problem should not be ignored.

2. Proposal as to Preventive Measures

(1) Establishment of appropriate governance system

First of all, it is natural to integrate the Overseas Business Department including the Project to the governance system of the entire company.

Matters concerning vulnerability of the mutual monitoring and check-and-balance functions, including the lack of sense of ownership in the executive officers of Universal as to the Project, are as mentioned above, and considering the strategic importance of the Project and the size of investment for Universal, it is important to build a system that would allow for deliberations in meetings of officers to make official corporate decisions, which include appointing officers in charge and requiring them to make timely reports to other officers.

Also, as to foreign projects like this Project of which interpretation of local laws often becomes an issue, Legal Department's involvement becomes essential and its expansion or close corporation with its outside counsel, investigation firms, etc. is requested. And, the process of legal interpretation should be included in Universal's

decision making process based on the understanding that legal interpretation can be a significant issue that could affect the future of this Project.

Following the occurrence of the Incident and the urgent recommendation by our committee, Universal is already integrating consolidated accounting tasks by having one auditing firm handle matters of all the related companies that are subject to the consolidated accounting and securing completeness of matters to be brought to circular approval request by introducing the electric circular approval request system (in subsidiaries as well). Also as to foreign projects including this Project, it seems that their management systems are being strengthened (by holding a project meeting every month and confirming progress and status of each project individually and specifically), which are actually obviously necessary measures.

(2) Proposal relating to establishment of compliance system

The Universal Group established the Gaming Compliance Committee internally upon the Occurrence of Incidents in relation to conducting the casino business.

The Committee was established in order to make accurate reports to governmental organizations that have regulatory and supervising authorities sequentially as to significant trades or changes on governance in Universal. However, considering the fact that the Committee was not aware of the details of facts related to the Project, we must say that the Committee had not been conducting adequate governance or checks on individual matters.

Therefore, the Committee considers that a permanent Compliance Committee that is composed of highly independent experts of all kinds should be established in Universal which will continue to operate casino business requiring extremely strict compliance (As to the details of the compliance, because Universal is aiming to conduct casino business globally and this kind of business is subject to strict restrictions of local authorities, not only a department that controls overall compliance across departments in the head office of Universal, but also local compliance system that can review and comprehend legal environment of the district where the related authorities exist, must be established at the same time).

In order for this kind of compliance system to work, the appropriate governance system mentioned above must be established and decision making process and enforcement situation of businesses of all kinds must be comprehended at appropriate time.

3. Responsible parties (formation of the second Third Party Committee)

In the present investigation, due to the limitation of the present investigation and other factors, we were unable to discuss and/or analyze this matter for the purpose of identifying responsible parties and their intentions: e.g., the reason why the concerned parties did not follow the Company's payment procedures when they wired the monies; whose told them to do so, and so on. With respect to these issues, the Committee intends to renew its efforts to find out the cause, by increasing members, expanding the scope of investigation, and so on. Furthermore, the

above-mentioned investigation committee will submit its own opinion about the background of the case and responsible parties, by considering the status of pending lawsuits and other matters.

End