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Differences between Consolidated Full Year Forecast and Actual Results

Universal Entertainment Corporation (hereinafter referred to as the “Company”) hereby announces the occurrence of a difference between the consolidated full year forecast announced on May 12, 2017 for the year ending December 2017 and actual results released today, as follows.

●Difference between consolidated full year forecast and actual results

Consolidated full year forecast and actual results for the year ending December 2017
(April 1, 2017 – December 31, 2017)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Previously-Announced Forecast (A)	Million yen 101,000 – 115,800	Million yen 16,700 – 24,500	Million yen 16,700 – 24,500	Million yen 15,800 – 20,900	Yen 200.28 – 264.92
Actual results (B)	68,546	(9,807)	(12,829)	(13,426)	(170.18)
Change (B-A)	(32,454) – (47,254)	(26,507) – (34,307)	(29,529) – (37,329)	(29,226) – (34,326)	
Change (%)	(32.1)% – (40.8)%	-	-	-	
Reference: Results for FY2017 (Fiscal Year Ending March 31, 2017)	111,187	28,609	27,036	18,629	252.66

(Reason for difference)
A look at each of the Company’s business segments shows that although its Pachislot and Pachinko Business has secured positive operating income, sales have become sluggish alongside those of the industry as a whole with low investments by Pachislot and Pachinko parlors due to the impact of amended regulations of the “Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals”. Meanwhile, in its Casino Resort Business, the company has been unable to absorb personnel expenses and other fixed costs due to lower than expected revenues owing to the delay in construction, resulting in negative operating income.

Compounding the situation are considerable headquarters expenses largely in the form of litigation expenses related to the process of discovery for the lawsuits against Wynn Resorts in the United States and so forth. Despite the Company's plans for the sale of land, which will be mentioned below, those will not end up being enough to compensate for the red ink on a consolidated basis, thereby forcing the Company to recognize the difference.

Amid such circumstances, as a material transaction during the accounting period in question, a Letter of Intent on the sale of approx. 6 hectares of the total 44 hectares land owned by the Company in the Philippines for a contract amount of approx. 30 billion yen and sales gains of over 20 billion yen was executed in the course of 2017. Said land, which will be sold largely for use as the site of high-end condominiums per the Letter of Intent, was not scheduled to host construction under the Company's Casino Resort Business, and was a backup area used to keep construction materials. The Company had planned to entice high-end condominiums to that area in an attempt to achieve synergy though the resulting footfall by predominantly high-roller guests for the purpose of expanding its Casino Resort Business. Another objective of the sale of this land was to realize unrealized gains from land in the Philippines, which has risen in value considerably. However, a number of conditions for executing the contract for the sale was not fulfilled by the prescribed deadline, causing the sale to be delayed until current fiscal year ending December 2018. Such conditions, which were prescribed in the aforementioned Letter of Intent, included the total removal of construction equipment. Consequently, the Company had to revise its earnings forecast for the fiscal period in question.

The Company was able to avoid entering the red for its non-consolidated financial results due to the effects of structured design for its Pachislot products with various measures such as standardization of gaming systems structure, distributed accumulation of software development and recycling of components. As such, for the first part of its future business plan, the Company will further hasten the structuralization of its Pachislot products in order to form a framework that will enable it to sustain stable profitability even amid a shrinking market caused by stronger regulations under its domestic businesses. Additionally, the Company will hasten the commercialization of the cutting-edge ITC (Information Technology Coordinator) based casino management system and real-time currency exchange system for which it had conducted onsite tests and related permit procedures in the Philippines since before. In doing so, the company will expand its manufacturing business into the casino sector and endeavor to bolster its earnings power.

Next, for the Company's Casino Resort Business, although considerable delays have taken place since initial plans, the Company's casino resort is benefitting from a favorable location and market environment, and has been demonstrating guest drawing power that has exceeded projections. Given this, the Company will reinforce its framework for this business and hurry to get the full-fledged operation of its casino resort underway.