

Stock code: 6425

March 14, 2018

To Our Shareholders:

Jun Fujimoto, Representative Director and President
Universal Entertainment Corporation
Ariake Frontier Building Tower A, 7-26,
Ariake 3-chome, Koto-ku, Tokyo

Notice of Convocation of the 45th Annual Shareholders Meeting

I would like to take this opportunity to thank you for your support of Universal Entertainment Corporation (“Universal Entertainment” or the “Company”). We will hold the 45th Annual Shareholders Meeting and request your attendance. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing. Please review the “Reference Documents for the Annual Shareholders Meeting” that follows this notice, vote on the proposals in the enclosed Voting Rights Exercise Form, and return it by no later than Wednesday, March 28, 2018, 6:00 p.m.

Details

- 1. Date and Time** Thursday, March 29, 2018 at 10:00 a.m. (The reception desk will open at 9:00 a.m.)
(The date of this meeting differs significantly from the date of the previous shareholders meeting because the fiscal year end was changed from March 31 to December 31 in 2017.)
- 2. Place** Palais Royal, 1st basement level, Grand Nikko Tokyo Daiba
2-6-1, Daiba, Minato-ku, Tokyo
(Note that the location of this meeting is not the same as the location of the previous shareholders meeting.)
- 3. Meeting Agenda**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements and the results of audits conducted by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements for the Company’s 45th Fiscal Year (April 1, 2017 - December 31, 2017)
 2. Non-consolidated Financial Statements for the Company’s 45th Fiscal Year (April 1, 2017 - December 31, 2017)
- Proposals to be resolved:**
- Proposal No. 1:** Partial Amendment to the Articles of Incorporation
- Proposal No. 2:** Election of Three Auditors

* For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

* If any amendment is made to the Reference Documents for the Annual Shareholders Meeting, the Business Report and the Consolidated and/or the Non-Consolidated Financial Statements, the amended information will be disclosed on the Company’s website (<http://www.universal-777.com/>).

* Of the documents to be attached to this notice of convocation, matters to be presented as the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements are disclosed on the Company’s website (<http://www.universal-777.com/>) pursuant to laws and regulations and the provisions in Article 16 of the Company’s Articles of Incorporation, and are therefore not included in the documents attached hereto. The Consolidated Financial Statements and the Non-consolidated Financial Statements, which have been audited by Auditors in preparing the Auditors’ Report and by Accounting Auditors in preparing the Accounting Auditors’ Report, include the above-mentioned matters to be presented as the Notes to the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements in addition to the matters set forth in the documents attached hereto.

Reference Documents for the Annual Shareholders Meeting

Proposal No. 1: Partial Amendment to the Articles of Incorporation

1. Reasons for proposal

- (1) Business purpose is being added to Article 2 (Purpose) of the current Articles of Incorporation to conform with the current status and keep pace with the expected expansion and diversification of our business in the future. Paragraphs in this article are being re-numbered to reflect this amendment.
- (2) This amendment to the Articles of Incorporation will be effective upon closing of the Annual Shareholders Meeting.

2. Contents of amendment

Contents of proposed amendment are as follows.

(Proposed amendments are indicated by underline.)

Current Articles of Incorporation	Proposed amendments
(Purpose) Article 2 The purpose of the Company is to perform businesses described in the following items: 1. to 12. (Omitted) (Newly established) <u>13.</u> to <u>41.</u> (Omitted)	(Purpose) Article 2 The purpose of the Company is to perform businesses described in the following items: 1. to 12. (Remain unchanged) <u>13. Acquisition, holding and management of securities</u> <u>14.</u> to <u>42.</u> (Remain unchanged)

Proposal No. 2: Election of Three Auditors

The terms of office of all three Auditors will expire at the conclusion of this Annual Shareholders Meeting.

Accordingly, the election of three Auditors is proposed.

This proposal has received the consent of the Board of Auditors.

The candidates for Auditor are as follows:

No.	Name (Date of birth)	Brief career history, positions and significant concurrent positions	Number of the Company shares held
1	Nobuyoshi Ichikura (Mar. 8, 1952)	<p>Feb. 1981 Registered as a certified tax accountant</p> <p>Feb. 1981 Established Ichikura Tax Accountant Office as President (current)</p> <p>Apr. 2006 Receive MBA in Technology Management</p> <p>May 2009 The 30th Member of Japan Industrial Management Association</p> <p>May 2010 Experts Committee Member of Arakawa Ward (current)</p> <p>Jul. 2010 Receive a doctoral degree (engineering)</p> <p>Apr. 2011 Part-time teacher at The University of Electro-Communications</p> <p>Apr. 2011 Part-time teacher at Aoyama Gakuin University (current)</p> <p>Jun. 2015 Outside Auditor of the Company (current)</p> <p>Significant concurrent positions</p> <p>President, Ichikura Tax Accountant Office</p>	-
2	Makoto Suzuki (Apr. 21, 1966)	<p>Oct. 1991 Registered as a junior accountant</p> <p>Oct. 1991 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Aug. 1995 Registered as a certified public accountant</p> <p>Nov. 2003 Registered as a certified tax accountant</p> <p>Mar. 2004 Established Suzuki Makoto CPA and Tax Accounting Firm as President (current)</p> <p>Jun. 2004 Outside Auditor of ValueCommerce Co., Ltd.</p> <p>Apr. 2005 Representative Director of Max Accounting Co., Ltd. (current)</p> <p>Sep. 2007 Member of the Tax Policy Steering Committee for the Japanese Institute of Certified Public Accountants (current)</p> <p>Jun. 2015 Outside Auditor of the Company (current)</p> <p>Mar. 2017 Outside Director, Audit and Supervisory Committee Member of ValueCommerce Co., Ltd. (current)</p> <p>Significant concurrent positions</p> <p>President, Suzuki Makoto CPA and Tax Accounting Firm</p>	-

No.	Name (Date of birth)	Brief career history, positions and significant concurrent positions	Number of the Company shares held
3	Akiyoshi Kaneko (Jun. 23, 1969)	<p>Apr. 1993 Registered as a junior accountant</p> <p>Apr. 1993 Joined Chuo Coopers & Lybrand Consulting (currently IBM Japan, Ltd.)</p> <p>Apr. 1997 Registered as a certified public accountant</p> <p>Feb. 2003 Joined Tokyo Hokuto & Co. (currently Gyosei & Co.)</p> <p>Jul. 2013 Representative Director of Gyosei Management Consulting Co., Ltd. (current)</p> <p>Nov. 2013 President of the newly opened Kaneko Certified Public Accountant Office (current)</p> <p>Jul. 2015 Outside Auditor of Institute of Accelerator Analysis, Ltd. (current)</p> <p>Jul. 2016 Director of MCS Business Development of Gyosei & Co. (current)</p> <p>Feb. 2017 Provisional Auditor of the Company</p> <p>Jun. 2017 Outside Auditor of the Company (current)</p> <p>Significant concurrent positions President, Kaneko Certified Public Accountant Office</p>	-

Notes: 1. No material conflict of interest exists between the Company and the above candidates for Auditor.

2. Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko are candidates for Outside Auditor.

3. Matters related to the candidates for Outside Auditor are as follows.

- (1) Reasons for nominating Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko as candidates for Outside Auditor:

The Company proposes the election of Mr. Nobuyoshi Ichikura as Outside Auditor since he has a wealth of experience as a tax accountant to further strengthen management oversight function of the Company. Although he has never been directly involved in corporate management, the Company has made the decision that he is capable of appropriately carrying out his duties as Outside Auditor according to the above-mentioned reasons.

The Company proposes the election of Mr. Makoto Suzuki as Outside Auditor since he has a wealth of experience as a certified public accountant and a tax accountant to further strengthen management oversight function of the Company.

The Company proposes the election of Mr. Akiyoshi Kaneko as Outside Auditor since he has a wealth of experience as a certified public accountant to further strengthen management oversight function of the Company.

- (2) Mr. Nobuyoshi Ichikura and Mr. Makoto Suzuki have been in office as Outside Auditors of the Company since June 2015 and, accordingly, their terms of office will be two years and nine months at the conclusion of this Annual Shareholders Meeting.
- (3) Mr. Akiyoshi Kaneko was appointed a provisional Auditor of the Company in February 2017 and was subsequently appointed an Outside Auditor in June 2017. His term of office as an Outside Auditor is nine months at the conclusion of this Annual Shareholders Meeting and his term of office including time served as a provisional Auditor is one year and one month.
- (4) The Company has entered into a liability limitation agreement with Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko. The maximum amount of the liability based on this agreement shall be the higher amount of either 1 million yen or the minimum liability amount provided in Article 425, Paragraph 1 of the Companies Act. However, such limitation of liabilities is applicable only when the Auditors conduct, in good faith and without gross negligence, their duties that have caused the liabilities. If the reappointment of Mr. Ichikura, Mr. Suzuki and Mr. Kaneko is approved, the Company will continue a liability limitation agreement with them.
- (5) The Company has registered Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko as Independent Directors as provided for the rules of the Tokyo Stock Exchange. If they are reappointed, they will continue to be in office as Independent Directors.
- (6) During the terms of office as Outside Auditors of Mr. Nobuyoshi Ichikura, Mr. Makoto Suzuki and Mr. Akiyoshi Kaneko between 2013 and 2015, the Company discovered that, under the oversight of former Directors of the Company, the following events took place: (1) A subsidiary of the Company extended a loan of approximately 2 billion yen to a third party; (2) This subsidiary issued a check in the amount of 16 million Hong Kong dollars, and (3) This subsidiary submitted collateral improperly. At an extraordinary Board of Directors meeting held on May 23, 2017, Mr. Ichikura, who is a full-time Auditor, submitted a report pursuant to Article 382 of the Companies Act with the approval of the Board of Auditors. Mr. Ichikura reported that the discovery of this incident began with a report containing allegations that the former directors were behaving improperly. Mr. Ichikura, Mr. Suzuki and Mr. Kaneko had been regularly making recommendations based on a perspective of strengthening internal controls at the Board of Directors' meetings and asking the directors to become more aware of this matter. Nevertheless, no one was aware of this incident prior to the initial report containing the allegations. After obtaining the facts

concerning this matter, the three Auditors have been forcefully stating their opinions regarding the need for enacting preventive measures and for further strengthening internal control functions. In addition, the three Auditors have been fulfilling their duties by overseeing these actions and performing other tasks.

- (7) There is no applicable information regarding any occurrence of improper business execution or measures taken to prevent such occurrences or upon the occurrence by the above candidates over the past five years during their terms of office as an officer in other entities.