Supplementary Information on the Results of Operations for the First Quarter of 2019

Universal Entertainment Corporation

May 14, 2019
## Consolidated Balance Sheet

As of Dec. 31, 2018  | As of Mar. 31, 2019  | Variance  | Main variances
--- | --- | --- | ---
### Current assets
- Cash and deposits  | 94,111  | 81,154  | -12,957  | Repayments of loans payable, cash dividends paid, purchase of treasury shares and other items
- Accounts receivable-trade  | 10,381  | 7,414  | -2,967  |
- Inventories  | 23,176  | 25,439  | 2,263  |
- Other  | 14,477  | 16,178  | 1,701  |
### Non-current assets/Investments
- Current assets  | 415,901  | 448,789  | 32,888  |
- Buildings  | 230,983  | 231,231  | 248  |
- Construction in progress  | 82,757  | 80,636  | -2,121  | TRLEI construction in progress: -2,760 (adjustment due to application of a new accounting standard for leases: -7,674, increase during the fiscal year due to construction progress: +4,133)
- Other property, plant and equipment  | 45,878  | 78,262  | 32,384  | TRLEI application of a new accounting standard for leases: +33,467
- Intangible assets  | 2,388  | 2,300  | -88  |
- Investment securities  | 10,979  | 13,064  | 2,085  | TRA shares of subsidiaries and associates: +1,453 (acquisition of 66.6% of ABG stock) Eagle 1 equity in earnings of affiliates and other items: +627
- Long-term deposits  | 33,528  | 33,785  | 257  |
- Other  | 9,385  | 9,508  | 123  |
- Deferred assets  | 663  | 606  | -57  |
### Total assets
510,677  | 530,551  | 19,874  |
### Current liabilities
- Current liabilities  | 64,620  | 56,255  | -8,365  |
- Accounts payable-trade  | 6,653  | 6,397  | -256  |
- Other loans payable  | 16,846  | 12,391  | -4,455  | UEC: -1,165, TRLEI: -3,289
- Other  | 41,120  | 37,465  | -3,655  | UEC accrued interest on bonds: +1,328 TRLEI accrued expenses for Eagle1: -8,551 (including -9,196 for the reversal of all Eagle 1 liabilities, which were based on the previous accounting standard, due to the application of a new accounting standard for leases) Other current liabilities: +4,217 (UEC advances received: +546; TRLEI deposit: +751, unredeemed tip: +1,642)
### Non-current liabilities
- Non-current liabilities  | 70,993  | 105,066  | 34,073  |
- Bonds payable  | 65,511  | 66,359  | 848  |
- Other  | 5,481  | 38,707  | 33,226  | TRLEI lease obligations: +33,416 (application of new accounting standard for leases)
### Total liabilities
135,613  | 161,321  | 25,707  |
### Net assets
375,063  | 369,229  | -5,834  |
### Shareholders’ equity
- Shareholders’ equity  | 393,589  | 385,758  | -7,831  | Net income attributable to owners of parent: -4,093, cash dividends paid: -3,950 Retained earnings adjustment at the beginning of the fiscal year following the application of new accounting standard for leases: +1,385 Treasury shares: -1,172 (purchase of treasury shares)
- Accumulated other comprehensive income  | -18,602  | -16,605  | 1,997  | TRLEI foreign currency translation adjustment: +1,542 (PHP, CR2.08 in Dec. 2018 to CR2.10 in Feb. 2019)
### Total liabilities and net assets
510,677  | 530,551  | 19,874  |
## Consolidated Statement of Income (Results)

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>First three months of 2018</th>
<th>First three months of 2019</th>
<th>Variance</th>
<th>Main variances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>19,545</td>
<td>22,638</td>
<td>3,093</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>11,731</td>
<td>10,740</td>
<td>-991</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit margin (%)</strong></td>
<td>40%</td>
<td>53%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>12,183</td>
<td>15,050</td>
<td>2,867</td>
<td>Overseas: +3,124 (personnel +317, depreciation +2,178)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>-4,369</td>
<td>-3,152</td>
<td>1,217</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit margin (%)</strong></td>
<td>-29%</td>
<td>-14%</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td>81,476</td>
<td>1,090</td>
<td>-80,386</td>
<td></td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td>1,377</td>
<td>2,424</td>
<td>1,047</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary profit (loss)</strong></td>
<td>75,729</td>
<td>-4,486</td>
<td>-80,215</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary profit margin (%)</strong></td>
<td>381%</td>
<td>-20%</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td>158,796</td>
<td>0</td>
<td>-158,796</td>
<td></td>
</tr>
<tr>
<td><strong>Extraordinary losses</strong></td>
<td>1,219</td>
<td>0</td>
<td>-1,219</td>
<td></td>
</tr>
<tr>
<td><strong>Income (loss) before income taxes and others</strong></td>
<td>233,306</td>
<td>-4,486</td>
<td>-237,792</td>
<td></td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>52,208</td>
<td>-392</td>
<td>-52,600</td>
<td></td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>181,097</td>
<td>-4,093</td>
<td>-185,190</td>
<td></td>
</tr>
<tr>
<td><strong>Net loss attributable to non-controlling interests</strong></td>
<td>-305</td>
<td>0</td>
<td>305</td>
<td></td>
</tr>
<tr>
<td><strong>Net income (loss) attributable to owners of parent</strong></td>
<td>181,402</td>
<td>-4,093</td>
<td>-185,495</td>
<td></td>
</tr>
</tbody>
</table>
Consolidated Statement of Income (Business Segments)

<table>
<thead>
<tr>
<th></th>
<th>First three months of 2018</th>
<th>First three months of 2019</th>
<th>Variance</th>
<th>Major items in the first three months of 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>19,545</td>
<td>22,638</td>
<td>3,093</td>
<td></td>
</tr>
<tr>
<td>Amusement Equipments Business</td>
<td>10,175</td>
<td>5,393</td>
<td>-4,782</td>
<td>See page 4 &quot;Amusement Equipments Business&quot;</td>
</tr>
<tr>
<td>Integrated Resort Business</td>
<td>8,898</td>
<td>16,770</td>
<td>7,872</td>
<td>See page 5 &quot;TRLEI Non-consolidated Results&quot;</td>
</tr>
<tr>
<td>Other</td>
<td>431</td>
<td>408</td>
<td>-23</td>
<td></td>
</tr>
<tr>
<td>Unallocated or Eliminated</td>
<td>39</td>
<td>65</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>-4,369</td>
<td>-3,152</td>
<td>1,217</td>
<td></td>
</tr>
<tr>
<td>Amusement Equipments Business</td>
<td>-872</td>
<td>-227</td>
<td>645</td>
<td></td>
</tr>
<tr>
<td>Integrated Resort Business</td>
<td>-1,409</td>
<td>-512</td>
<td>897</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>202</td>
<td>92</td>
<td>-110</td>
<td></td>
</tr>
<tr>
<td>Unallocated or Eliminated</td>
<td>-2,290</td>
<td>-2,505</td>
<td>-215</td>
<td>Unallocated expenses: -2,431</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>2,120</td>
<td>4,305</td>
<td>2,185</td>
<td></td>
</tr>
<tr>
<td>Amusement Equipments Business</td>
<td>473</td>
<td>350</td>
<td>-123</td>
<td></td>
</tr>
<tr>
<td>Integrated Resort Business</td>
<td>1,231</td>
<td>3,341</td>
<td>2,110</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>66</td>
<td>57</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Unallocated or Eliminated</td>
<td>348</td>
<td>555</td>
<td>207</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted segment EBITDA (1)</strong></td>
<td>-213</td>
<td>3,042</td>
<td>3,255</td>
<td></td>
</tr>
<tr>
<td>Amusement Equipments Business</td>
<td>-398</td>
<td>123</td>
<td>521</td>
<td></td>
</tr>
<tr>
<td>Integrated Resort Business</td>
<td>20</td>
<td>2,842</td>
<td>2,822</td>
<td>Includes approx. +2,961 at TRLEI</td>
</tr>
<tr>
<td>Other</td>
<td>268</td>
<td>149</td>
<td>-119</td>
<td></td>
</tr>
<tr>
<td>Unallocated or Eliminated</td>
<td>-104</td>
<td>-73</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

(1) Adjusted segment EBITDA = Operating profit/loss + Depreciation and amortization + Other adjustments
<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Full year</th>
<th>2019</th>
<th>1st quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st quarter</td>
<td>Full year</td>
<td></td>
<td>1st quarter</td>
</tr>
<tr>
<td>Pachislot</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of machines sold</td>
<td>1,743</td>
<td>37,365</td>
<td>9,487</td>
<td></td>
</tr>
<tr>
<td>No. of titles sold</td>
<td>1</td>
<td>9</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Pachinko</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of machines sold</td>
<td>22,412</td>
<td>59,585</td>
<td>1,491</td>
<td></td>
</tr>
<tr>
<td>No. of titles sold</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total no. of machines sold</td>
<td>24,155</td>
<td>96,950</td>
<td>10,978</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>10,175</td>
<td>42,368</td>
<td>5,393</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,872</td>
<td>31,366</td>
<td>2,991</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,303</td>
<td>11,001</td>
<td>2,401</td>
<td></td>
</tr>
<tr>
<td>Gross profit margin (%)</td>
<td>22.63%</td>
<td>25.97%</td>
<td>44.52%</td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>3,175</td>
<td>12,707</td>
<td>2,629</td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>-872</td>
<td>-1,705</td>
<td>-227</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>473</td>
<td>2,427</td>
<td>350</td>
<td></td>
</tr>
<tr>
<td>Adjusted segment EBITDA (1)</td>
<td>-398</td>
<td>721</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td>Adjusted segment EBITDA margin (%)</td>
<td>-3.91%</td>
<td>1.70%</td>
<td>2.28%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Adjusted segment EBITDA = Operating profit/loss + Depreciation and amortization
## TRLEI Non-consolidated Results

### VIP (1)
- **Ending number of VIP gaming tables**
  - No. of tables: 143
  - No. of tables: 148
  - No. of tables: 173
- **VIP rolling chip volume (2)**
  - Million PHP: 57,703
  - 413,090
  - 130,960
- **VIP rolling chip win (3)**
  - Million PHP: 2,007
  - 12,650
  - 4,927
- **VIP rolling chip win rate**
  - %: 3.48%
  - %: 3.06%
  - %: 3.76%

### Mass Market (4)
- **Ending number of mass gaming tables**
  - No. of tables: 212
  - No. of tables: 235
  - No. of tables: 228
- **Mass table drop (5)**
  - Million PHP: 3,459
  - 16,486
  - 4,690
- **Mass table games win (3)**
  - Million PHP: 1,368
  - 6,841
  - 2,198
- **Mass table games win rate**
  - %: 39.6%
  - %: 41.5%
  - %: 46.9%

### Hotel
- **Average daily room rate (ADR)**
  - PHP: 8,157
  - 8,873
  - 9,822
- **Hotel occupancy rate**
  - %: 97.1%
  - %: 98.3%
  - %: 95.5%
- **Revenue per available room (RevPAR) (7)**
  - PHP: 7,923
  - 8,721
  - 9,376

### Property visitors
- **Visitors**
  - 1,066,620
  - 4,869,204
  - 1,382,300

### Gross gaming revenue
- **Million PHP**
  - 2018: 4,982
  - 2019: 27,219
  - Full year: 9,517
- **VIP table games**
  - Million PHP: 2,007
  - 12,650
  - 4,927
- **Mass market table games**
  - Million PHP: 1,368
  - 6,841
  - 2,198
- **Gaming machine**
  - Million PHP: 1,607
  - 7,728
  - 2,392

### Other revenue (hotel, food & beverage, retail and entertainment, etc.)
- **Million PHP**
  - 2018: 323
  - 2019: 1,799
  - Full year: 538

### Total revenue
- **Million PHP**
  - 2018: 5,305
  - 2019: 29,019
  - Full year: 10,055

### Depreciation
- **Million PHP**
  - 2018: 579
  - 2019: 3,782
  - Full year: 1,499

### Adjusted segment EBITDA (8)
- **Million PHP**
  - 2018: 40
  - 2019: 2,122
  - Full year: 1,519

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(1) VIP customers play on a rolling chip program, and who typically play in dedicated VIP rooms or gaming areas.
(2) Rolling chip volume is the total volume in the quarter of special chips for VIP wagered and lost by the rolling chip segment.
(3) Win calculated by a combination of each volume (rolling chip volume or table drop or gaming machine handle) and each win rate.
(4) It is shown before gaming taxes, discounts, commissions and the allocation of casino revenues to rooms, food and beverage and other revenues for services provided to casino customers on a complimentary basis.
(5) Mass market customers play table games and slot machines on public gaming floors for cash stakes that are typically lower than those in the VIP segment.
(6) Gaming machine handle is the total amount wagered in gaming machines.
(7) RevPAR calculated by dividing total room revenues including retail value of promotional allowances by total rooms available, thereby representing a combination of hotel average daily room rates and occupancy.
(8) Adjusted segment EBITDA = Operating profit/loss + Depreciation and amortization + Other adjustments