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Notice Regarding Decision by Supreme Court on Lawsuit to Pursue Accountability of Mr. Kazuo Okada, Former Director of the Company

Universal Entertainment Corporation (hereinafter referred to as the “Company”) hereby announces that a decision to dismiss a final appeal of Mr. Kazuo Okada (hereinafter referred to as “Mr. Okada”), former Chairman of the Board of the Company, and not to accept the case as the final appellate court was recently rendered by the Supreme Court.

Mr. Okada had contested and appealed a judgment rendered by the Tokyo District Court on February 13, 2020 that accepted all of the claims of the Company as the plaintiff, which had filed a damage suit against Mr. Okada, and acknowledged that Mr. Okada breached both his duty of care of a good manager and his fiduciary duty of loyalty as a Director of the Company.¹ This appeal was dismissed in a judgment issued on September 16, 2020 by the Tokyo High Court that fully recognized the claims of the Company as the appellee.²

Mr. Okada appealed this judgment with the Supreme Court and petitioned the court to have that final appeal accepted. These were addressed in the recent decision by the Supreme Court.

With this decision, the judgment fully recognizing the claims of the Company has been finalized.
Details of this matter are as follows.

1. Court Where Decision was Rendered and Date of Rendition

Supreme Court
September 15, 2021

2. Details of Decision

- (1) The Court will dismiss this final appeal.
- (2) The Court will not accept this case as the final appellate court.
- (3) The cost of the final appeal and petition shall be borne by the appellant and petitioner.

3. Description and Background of Lawsuit

As a result of the investigation conducted by the Special Investigation Committee (Chairman: Michio Masaki, Attorney, CITY-YUWA PARTNERS)³ established by the Company, it became clear that Mr. Okada committed the following three fraudulent acts (hereinafter collectively referred to as the “Fraudulent Acts”). In response to these facts coming to light, the Company had filed a damage suit with the Tokyo District Court claiming compensation against Mr. Okada for part of damages suffered by the Company (amount equivalent to the cost of

¹ Please refer to the Company press release dated February 18, 2020 entitled “Notice Regarding Judgment on Lawsuit to Pursue Accountability of Mr. Kazuo Okada, Former Director of the Company.”

² Please refer to the Company press release dated September 17, 2020 entitled “Notice Regarding Judgment by Tokyo High Court on Lawsuit to Pursue Accountability of Mr. Kazuo Okada, Former Director of the Company.”

³ For information on the background of the establishment of this Committee, please refer to the Company press release dated June 8, 2017 entitled “Notice on the Establishment of the Special Investigation Committee.”

the investigation by the Special Investigation Committee) due to his negligence of duty as a Director of the Company (Tokyo District Court 2017 (Trial Request) No. 40038)⁴.

In this case, the Tokyo District Court, acknowledging that the Fraudulent Acts were conducted under the order of Mr. Okada, also acknowledged that Mr. Okada breached both his duty of care of a good manager and his fiduciary duty of loyalty as a Director of the Company, and accepted all claims of the Company.

a. Loan from TRA to a Third Party

In order to collect loan receivables held towards a third party by Okada Holdings Limited (hereinafter referred to as “OHL”), in which Mr. Okada and his family holds an equity interest, and to obtain funds to allocate to his personal use in the form of paying for the purchase of works of art, from February up through March 2015, Mr. Okada, with the involvement of a former Director and Senior General Manager of the Administrative Division of the Company, had TRA make a collateral-free, interest-free loan of 135 million HKD (approx. 2 billion JPY based on the foreign exchange rate at the time) to a foreign corporation that had a close relationship with the third party in question.

b. Issuance of Check from TRA

For the purpose of facilitating his personal gain, on May 11, 2015, Mr. Okada instructed the person in charge of accounting at TRA to draft a check for 16 million HKD (approx. 200 million JPY based on the foreign exchange rate at the time), which Mr. Okada signed and issued.

c. Provision of Collateral by Universal Entertainment Korea Co., Ltd. (hereinafter referred to as “UE Korea”)

While UE Korea, a wholly-owned subsidiary of TRA, was in the process of negotiating the purchase of land for a casino resort project in South Korea, Mr. Okada changed the main business entity for the purchase of the land from UE Korea to Okada Holdings Korea Co., Ltd. (hereinafter referred to as “OHL Korea”), a wholly-owned subsidiary of OHL. Moreover, in order to find a way to raise the down payment for the purchase of land in South Korea by OHL Korea, Mr. Okada borrowed 80 million USD through OHL by having it put up deposits belonging to UE Korea as collateral. Furthermore, Mr. Okada had OHL bill UE Korea for 173,562.23 USD, the amount equivalent to the interest and fee for said borrowings, under the guise of unsubstantiated management consulting fees, etc., and had UE Korea pay an identical amount to OHL.

Contesting this judgment by the Tokyo District Court, Mr. Okada had filed an appeal with the Tokyo High Court (Tokyo High Court 2020 (Appeal in Civil Case) No. 1081). However, determining that the claims of the Company should be accepted due to reasons being present, the Tokyo High Court dismissed Mr. Okada’s appeal.

Mr. Okada contested this judgment by the Tokyo High Court, filing an appeal with the Supreme Court and petitioning the court to have that final appeal accepted (Supreme Court 2021 (Final Appeal in Civil Case) No. 7, 2021 (Acceptance of Final Appeal in Civil Case) No. 7). However, the Supreme Court rendered the decision to dismiss the final appeal of Mr. Okada and not to accept the case as the final appellate court.

4. Defamation Lawsuit

Mr. Okada had filed a damage suit against the Company and other parties claiming that the act by the Special Investigation Committee of preparing and submitting an investigate report pointing out the Fraudulent Acts to the Company, the act of the Company disclosing said investigate report after anonymizing it and other acts served to defame him (Tokyo District Court 2017 (Trial Request) No. 30011). However, the Tokyo District Court rendered a judgment dismissing Mr. Okada’s claims on the grounds that all of the comments in the investigative report were impartial and lacked illegality. Mr. Okada had contested and appealed this judgment with the Tokyo High Court (Tokyo High Court 2020 (Appeal in Civil Case) No. 4450). However, on September 15, 2021, the Tokyo High Court rendered a judgment to dismiss Mr. Okada’s appeal.

⁴ The majority of the damages incurred by the Company Group as a result of the Fraudulent Acts pertains to Tiger Resort Asia Limited (hereinafter referred to as “TRA”), a Hong Kong Corporation and wholly-owned subsidiary of the Company. TRA is currently filing a damage suit against Mr. Okada in Hong Kong separate of this lawsuit for the damages it has incurred. For details, please refer to the Company press release dated December 28, 2017 entitled “Announcement of a Damage Suit Filing by a Wholly-Owned Subsidiary of the Company.”