

Notice of Convocation of the 51st Annual Shareholders Meeting
(Items Not in Paper Documents Provided upon Request in
Accordance with Laws, Regulations and the Articles of Incorporation
Among the Matters Subject to Electronic Provision Measure)

System to Ensure the Propriety of Business Operations and Its Operational Status in the Business Report

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(January 1, 2023 to December 31, 2023)

UNIVERSAL ENTERTAINMENT CORPORATION

In accordance with laws, regulations and Article 25 of the Articles of Incorporation, for the three items above are not included in the paper documents provided to shareholders who ask to receive electronically distributed information as paper documents.

At this Annual Shareholders Meeting, regardless of whether or not a request for the delivery of a paper document is made, a paper document containing the above items excluded from the items to be provided electronically will be sent to all shareholders in a uniform manner.

System to Ensure the Propriety of Business Operations and Its Operational Status

1. System to Ensure the Propriety of Business Operations

(1) Framework to Ensure that the Execution of the Duties of Directors and Employees Complies with Laws and the Articles of Incorporation

- 1) The Company shall establish the Business Ethics Guidelines that serve as a standard of conduct for executives and employees of the Company and its group companies in order to have them comply with laws and the Articles of Incorporation.
- 2) In order to maintain a strict compliance system, the entire group will maintain and manage an internal system structure that strictly operates and complies with various rules and regulations for business management and organizational operation.
- 3) If a Director finds any material violation of laws or ordinances of the Company or any other material facts concerning compliance, the Director shall immediately report it to the Audit & Supervisory Board, as well as to the Board of Directors, without delay.
- 4) The Company shall take appropriate measures for the discovery of compliance violations and their consultation through the operation of the internal reporting system.
- 5) Audit & Supervisory Board Members shall audit the effectiveness and function of the internal control system, strive for early detection and correction of issues, and strengthen supervision of overall management functions.
- 6) The Company shall establish an Internal Audit Division that is completely independent from its operating sectors.

(2) Framework Concerning Storage and Control of Information Related to the Execution of Duties by Directors

Handling of storage control and information security control for information related to the execution of duties by Directors shall be stipulated in the Document Control Rules and the Information Control Rules.

(3) Regulations Concerning Risk Management of Loss and Other Frameworks

- 1) The Company shall establish organizations responsible for administration, which will recognize, comprehend and control various risks associated with its business operations and deal with each risk.
- 2) The Company shall develop Risk Management Rules as a basis for its risk management framework and establish a management framework to deal with respective risks continuously with an emphasis on risk prevention in order to minimize losses resulted therefrom.

(4) Framework to Ensure the Effective Execution of Duties by Directors

- 1) The Board of Directors shall promote the prompt and effective treatment of business operations based on the decision making of the Board of Directors by clarifying the responsibility structure and operational processes in business execution through the establishment of the Rules of the Board of Directors, the Executive Officers Rules, the Rules on Administrative Authorities, the Rules on Division of Responsibilities, the Rules of the Internal Approval System, etc.
- 2) As a framework to ensure that Directors perform their duties efficiently, the Board of Directors holds regular monthly meetings and the General Managers' meetings, which consist of full-time Directors, executive officers and managers of selected departments and meets twice every month. The objective of this framework is to ensure that the Board of Directors can perform its duties efficiently.

(5) Framework for Ensuring Proper Business Operations of the Group, Consisting of the Company and its Subsidiaries

- 1) To promote the operation and management of the business in accordance with the Subsidiary Management Rules.

- 2) The Company and its group companies shall accept audits by Audit & Supervisory Board Members and the Internal Audit Division of the Company to establish internal control.
 - 3) The Company shall, to the extent possible, have its management team concurrently serve as Directors of subsidiaries and affiliated companies or take other measures to ensure a system whereby the Directors, etc. of subsidiaries and affiliated companies execute their duties efficiently. In addition, the Company and its group companies shall make active personnel exchanges to exchange information among themselves and to establish a cooperative framework.
- (6) Matters Related to the Framework for Employees to Support Audit & Supervisory Board Members' Duties and the Independence of Such Employees from Directors
- 1) The Company shall establish the Audit & Supervisory Board Secretariat in order to support the duties of the Audit & Supervisory Board Members and assign employees in charge of performing services for the secretariat ("Supportive Employees").
 - 2) Personnel changes and treatment of the Supportive Employees shall be implemented with the Audit & Supervisory Board's approval.
- (7) Framework for Reporting from Directors or Employees to Audit & Supervisory Board Members and for Other Reporting to Audit & Supervisory Board Members
- 1) Audit & Supervisory Board Members shall attend and receive reports at Board of Directors meetings and at meetings for other important deliberations and resolutions including General Managers' meetings.
 - 2) When an employee finds a breach of any law or the Articles of Incorporation, extremely inappropriate business operation or any matters equivalent thereto, the employee shall immediately report it to the Audit & Supervisory Board Members. When the Audit & Supervisory Board Members request reports, the employee must follow such instruction.
- (8) Framework to Ensure No Suffering of Individuals for any Detrimental Treatment as a Result of Their Reporting to Audit & Supervisory Board Members
- No directors and employees of the Company and its group companies shall suffer any detrimental treatment as a result of their reporting to Audit & Supervisory Board Members for matters.
- (9) Other Frameworks to Ensure the Effective Operation of Audits by the Audit & Supervisory Board Members
- 1) Audit & Supervisory Board Members may utilize outside specialists as necessary at the Company's expense (within the range of the amount allowed by law).
 - 2) Directors and employees must cooperate with the Audit & Supervisory Board Members on their audits.
- (10) Framework for Elimination of Antisocial Forces
- 1) The Company and its group companies shall make it a basic policy to eliminate any relationship with antisocial forces or groups that threaten the order and security of civil society by taking a firm stand against them. The Company shall state such basic policy in its Business Ethics Guidelines and employee work rules, etc. to ensure that all executives and employees of the Company and its group companies fully understand the said policy, as well as include clauses to eliminate such antisocial parties in contracts, etc. to be concluded with the client companies, thereby establish a system to eliminate any relationship with such antisocial forces and groups.
 - 2) The Company shall not respond to any unfair requests from antisocial forces and reject any relationship with such forces, while strengthening cooperation with external specialist agencies and professionals such as the police and attorneys, etc., thereby establish a system to eliminate antisocial forces.
- (11) Framework to Ensure the Credibility of Its Financial Reports
- To ensure the credibility of its financial reporting and the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act, the Company shall establish and operate an

internal control system for financial reporting chaired by Representative Director and President. Moreover, the Company assess the functional adequacy of such system on an ongoing basis and make corrections to it as necessary.

2. Overview of operational status of systems to ensure the propriety of business operation

A summary of the status of operation of the system to ensure that the Company's business operations were appropriate during 2023 is as follows.

- (1) There were 12 meetings of the Board of Directors in 2023. To ensure that the directors are performing their duties in conformity with laws and to make the performance of directors even more appropriate and efficient, two Outside Directors who have no business interest in the Company attended these meetings. Outside Director Masako Miyanaga attended all 12 meetings and Outside Director Hiroshi Miyauchi attended all nine meetings after he was elected. The Audit & Supervisory Board met 15 times.
- (2) The Audit & Supervisory Board Members conduct audits based on the audit plan established by the Audit & Supervisory Board. These members also set up opportunities to exchange opinions with the President and Representative Director of the Company, other Directors, the Internal Audit Office, and the Independent Accounting Auditor, and work together to exchange information, etc.
- (3) The Company's Internal Audit Office selected the evaluation of internal controls as a key monitoring item from the viewpoint of materiality when formulating the internal audit plan, and confirmed the maintenance and operation status of controls within the relevant organizations, including inventory evaluation.

Notes

(Note to Significant Items Serving as a Basis for Preparation of the Consolidated Financial Statements)

1. Matters relating to the scope of consolidation

(1) Number of consolidated subsidiaries and the major consolidated subsidiaries

Number of consolidated subsidiaries: 10

The major consolidated subsidiaries: TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.
Tiger Resort Asia Limited

(2) Principal non-consolidated subsidiaries:

UE Resort International Inc.
Exiis-Lab Co., Ltd and ten other companies

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are small in size, and their combined total assets, net sales, net income or loss (the amount corresponding to the Company's equity holding) and retained earnings (the amount corresponding to the Company's equity holding) have no material impact on the Company's consolidated financial statements.

2. Matters relating to application of the equity method

(1) Number of non-consolidated subsidiaries and affiliated companies accounted for by the equity method and the major non-consolidated subsidiaries and affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method: 2

The major companies: EAGLE I LANDHOLDINGS, INC.
ZEEG Co. Ltd

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method

Names of principal affiliates not accounted for under the equity method

(Non-consolidated subsidiaries) UE Resort International Inc.
Exiis-Lab Co., Ltd and ten other companies

(An affiliate) Pit Earth Co., Ltd.

Reason for exclusion from the application of the equity method of accounting

The non-consolidated subsidiaries (UE Resort International Inc., Exiis-Lab Co., Ltd, and ten other companies) and an affiliate (Pit Earth Co., Ltd.) are not accounted for under the equity method since they have a very minor effect on net income or loss (the amount corresponding to the Company's equity holding) and retained earnings (the amount corresponding to the Company's equity holding), and are relatively insignificant in the context of the consolidated financial statements.

3. Matters regarding the fiscal year, etc., of consolidated subsidiaries

All consolidated subsidiaries in Japan (five companies) end their fiscal years on March 31. For these five companies, provisional financial statements as of the end of the consolidated fiscal year were used for the preparation of the consolidated financial statements.

4. Matters regarding accounting policies

(1) Valuation criteria and methods for significant assets

(a) Valuation criteria and methods for securities

Available-for-sale securities

Other than securities, etc. without market value:

Market value method. (Valuation differences are treated by the total direct capitalization method and the cost of securities sold is determined by the moving average method.)

Securities, etc. without market value: Cost method based on the moving average method.

(b) Valuation criteria and methods for derivatives

Derivatives

Market value method.

(c) Valuation criteria and methods for inventories

Merchandise, finished goods, raw materials:

Cost method primarily based on the weighted average costing method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

Work in process:

Cost method primarily based on the weighted average costing method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.) For work in process concerning the production of content, etc., the specific costing method is applied.

Supplies:

Last purchase cost method.

(2) Depreciation and amortization methods for significant depreciable and amortizing assets

(a) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries

Declining-balance method.

Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated principally using the straight-line method.

Approximate useful lives:

Buildings and structures: 7 to 50 years

Overseas consolidated subsidiaries

Property, plant and equipment at overseas consolidated subsidiaries is depreciated using the straight-line method in accordance with the accounting standards in the countries of their domicile.

(b) Intangible assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries

The straight-line method.

Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (5 years).

Overseas consolidated subsidiaries

Intangible assets at overseas consolidated subsidiaries are depreciated using the straight-line method in accordance with the accounting standards in the countries of their domicile.

(c) Lease assets

The straight-line method is applied whereby the lease period is deemed the durable life and the remaining value is deemed zero.

Finance lease transactions without transfer of ownership for which the lease transaction commenced on or before March 31, 2008, are accounted for in accordance with the method applicable to regular lease transactions.

(3) Translation standard of significant foreign currency-denominated assets or liabilities into yen

Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits. It should be noted that the assets and liabilities of overseas subsidiaries, etc. are translated into yen at the spot exchange rates prevailing on the fiscal year-end date, and their income and expenses are translated into yen at the average exchange rate prevailing over the period, with the differences arising from any translation included in the foreign currency translation adjustment and non-controlling interests under net assets.

(4) Reporting basis for significant allowances

(a) Allowance for doubtful accounts

In the provision for possible losses on receivables caused by bad debts, an estimated uncollectible amount is reported based on their historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.

(b) Provision for bonuses

In the provision for the future payment of employee bonuses, an anticipated amount of total bonus payments attributable to the current consolidated fiscal year is reported.

(5) Accounting method for retirement benefit obligations

(a) Method of attributing estimated retirement benefit obligations to periods

In calculation of retirement benefit obligations, the Company uses the benefit formula basis as the method for attributing estimated retirement benefit obligations to periods.

(b) Amortization of actuarial differences

Actuarial differences are amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a certain period (3 years) which is within the estimated average remaining years of service of the eligible employees.

(6) Standards for recognition of significant revenue and expenses

Amusement Equipments Business

Revenue from the sale of products is derived primarily from manufacturing and wholesale operations. In accordance with sales contracts and other agreements with customers, Universal Entertainment has an obligation to deliver products to customers. Universal Entertainment defines the fulfillment of this obligation as the time when control of the applicable product is transferred to the customer. Therefore, revenue is recognized when a product is delivered to a customer.

Integrated Resort Business

At OKADA MANILA, which is operated by this business, revenue consists of casino gaming revenue, sales of hotel guest rooms, food and beverage sales, retail and other merchandise sales, and sales from the provision of services. OKADA MANILA has an obligation to customers to provide gaming services, lodging services, food and beverages, and other merchandise. Universal Entertainment defines the fulfillment of these obligations as the time when a service is provided to a customer or a product is sold to a customer. Therefore, revenue is recognized when a service is provided or a product is sold.

(Accounting Standards and Others that Have Not Yet Been Applied)

This information is not disclosed due to the lack of its significance.

(Notes on Changes in Presentation or Classification)

There is no applicable information.

(Notes on Accounting Estimates)

1. Impairment of non-current assets

(1) Amount shown on the consolidated financial statements for the current fiscal year

Property, plant and equipment:	442,798 million yen
Intangible assets:	1,795 million yen

(2) Information concerning significant accounting estimates for identifiable items

(a) Calculation method

The Universal Entertainment Group determines groupings based on the smallest unit (cash-generating unit) that generates cash flows that are generally independent of the cash flows of other assets or asset groups. In the Amusement Equipments Business and other businesses, when there is an indication of impairment

(negative operating cash flow for two consecutive fiscal years or the value of non-current assets in this business falls 50% below market value), Universal Entertainment compares future cash flow before discounting based on the business plan of the asset group with its book value to determine if an impairment loss is recognized. If this process results in the decision that an impairment loss must be recognized because cash flows before discounting are less than book value, the book value is reduced to the amount that can be recovered (the higher of the net sales price and utilization value) and the reduction is recognized as an impairment loss.

In the Integrated Resort Business, Universal Entertainment conducts an impairment test every fiscal year when there is an indication of impairment as well as every fiscal year. Indications of impairment, based on external sources of information, include a significant decline in the value of an asset, a significant change with a negative effect on a company, a major negative change in market interest rates and other items and, based on internal sources of information, proof of the deterioration or physical damage of assets, a major change in a business with a negative effect on a company, a decline in the economic output of an asset, and other items. If, as a result, it is determined that an impairment loss will be recognized, the book value of the asset is reduced to the amount that can be recovered, and the reduction is recognized as an impairment loss. There was no impairment loss because this process revealed no indication of impairment.

(b) Key assumptions

In the Amusement Equipments Business and other businesses, estimates of future cash flows are based on business plans for the following fiscal years and afterward over the economic lives of major assets. The sales plans are based on assumptions that take into account past market trends, market forecasts, discount rates, market growth rates and other factors. In the Integrated Resort Business, estimates of future cash flows are based on business plans for the following fiscal years and beyond over the economic lives of major assets. The sales plans are based on assumptions that take into account past market trends, market forecasts, discount rates, market growth rates, and other factors.

(c) Effect on the consolidated financial statements for the following fiscal year

These estimates are based on information available at the time the consolidated financial statements were prepared. If any of the following events occur, there may be a need to recognize impairment losses in the consolidated financial statements for the following fiscal year.

There may be significant changes in the conditions and assumptions used as the premise for estimates. For example, the Amusement Equipments Business must comply with the technology standards prescribed by the National Public Safety Commission regulations (Regulations concerning the Certification and Official Inspection of Amusement Machines) in accordance with the Act Concerning Regulation and Proper Operation of Businesses Affecting Public Morals. Amendments, terminations, administrative guidance, voluntary restrictions and other activities associated with this compliance may result in a significant change. Other example of significant changes affecting estimates is the possibility of a negative impact on the economy from a natural disaster or other event.

In the Integrated Resort Business, estimates may be affected by an economic downturn in the Philippines or other countries, competition from other gaming companies, more demanding requirements for retaining a casino license, and restrictions on operations caused by a surge of the pandemic.

2. Recoverability of deferred tax assets

(1) Amount shown on the consolidated financial statements for the current fiscal year

Deferred tax assets: 4,586 million yen

(2) Information concerning significant accounting estimates for identifiable items

(a) Calculation method

The recoverability of deferred tax assets is determined by estimating taxable income based on future profitability for future deductions of temporary differences and loss carried forward. Estimated taxable income is used to determine if deferred tax assets are recognized for each component of deferred tax assets for losses carried forward.

Estimates of taxable income are based on business plans for the following fiscal years at the time the consolidated financial statements were prepared.

(b) Key assumptions

Estimates of taxable income based on future earning capacity are based on business plans for the following fiscal years and beyond. The sales plans are based on assumptions that take into account past market trends, future market forecasts, market growth rates, price inflation rates, and other factors.

(c) Effect on the consolidated financial statements for the following fiscal year

These estimates are based on information available at the time the consolidated financial statements were prepared. However, there may be changes in the conditions or assumptions used for these estimates. For example, there may be an economic downturn in the Philippines or other countries, competition from other gaming promoters, more difficult terms and requirements for retaining a casino license, or other events. If these events occur, there may be a need to reverse all or part of the deferred tax assets and recognize tax expenses in the consolidated financial statements for the following fiscal year.

(Additional Information)

There is no applicable information.

(Notes on Consolidated Balance Sheets)

1. Accumulated depreciation on property, plant and equipment	128,474 million yen
2. Receivables due to contracts with customers that are included in notes receivable and accounts receivable are as follows.	
Notes receivable	1,062 million yen
Electronically recorded receivable	3,464 million yen
Accounts receivable-trade	6,512 million yen
3. Notes matured at the end of the consolidated fiscal year and electrically recorded receivable and payable	
With respect to accounting for notes matured at the end of the consolidated fiscal year and electrically recorded receivable and payable, though the current consolidated fiscal year-end fell on a holiday for financial institutions, they were treated as though they were settled on the maturity date. Notes that matured at the end of the fiscal year and electrically recorded receivables and payables are as follows.	
Notes receivable	240 million yen
Electronically recorded receivables	521 million yen
Electronically recorded payables	1,142 million yen

(Notes to Consolidated Statement of Income)

There is no applicable information.

(Notes to Consolidated Statement of Changes in Equity)

1. The class and number of issued shares as of December 31, 2023	
Common stock	80,195,000 shares

2. Matters regarding dividends

(1) Amount paid as dividends

(Resolution)	Class of share	Total amount of dividends	Dividend per share	Record date	Effective date
Board of Directors' Meeting held on July 14, 2023	Common stock	3,099 million yen	40 yen	June 30, 2023	September 29, 2023

- (2) Dividends for which the record date belongs to the current consolidated fiscal year and the effective date is in the following consolidated fiscal year
There is no applicable information.
3. Type and number of shares subject to share acquisition rights at the end of the fiscal year (excluding the one that the exercisable period of rights has not yet arrive)
- | | |
|--------------|----------------|
| Common stock | 391,800 shares |
|--------------|----------------|

(Notes to Financial Instruments)

1. Matters pertaining to the status of financial instruments

(1) Policy to deal with financial instruments

The Group secures necessary funds mainly through borrowings from banks, issuance of bonds or group finances based on an appropriate business plan. Temporary surplus funds are managed in a capital-safe type large amount deposit, etc., on the basis of safety and liquidity. Derivative instruments are used for risk aversion and not for speculative purposes.

(2) Details and risks of financial instruments

Notes receivable-trade and accounts receivable-trade are operating receivables that accrue in the course of sales activities from receipts of orders to collections of payments and are exposed to the credit risks of customers.

Securities and investment securities are mainly composed of investment trusts managed by overseas subsidiaries, shares of companies that have business relationships with the Company and are exposed to the risk of fluctuations in market prices and currency exchange risks.

Notes payable-trade and accounts payable-trade are mostly due within four months and composed of operating liabilities that mainly accrue in the course of purchasing parts, etc., and clearing liabilities.

Borrowings, bonds payable and lease obligations are mainly for payments for the construction of OKADA MANILA. Some of these payables are vulnerable to interest rate and foreign exchange risk.

(3) Risk management framework pertaining to financial instruments

The Company manages the risks of financial instruments as follows, in addition to having deliberations at Division Liaison Meetings as the need arises.

i. Management of credit risks (risks of a customer's default of contracts)

As to notes receivable-trade, accounts receivable-trade and other operating receivables, the Receivables Administration Section of the Company conducts surveys and information gathering on customers' credit status in accordance with the Credit Administration Rules.

ii. Management of market risks (risks of fluctuations in currency exchanges, interest rates, etc.)

To hedge against the risks of fluctuations in interest rates on loans and bonds payable, the Company ensures that disadvantageous clauses are excluded from the terms and conditions of the borrowings and bond issuances executed by the Company.

With respect to securities, the Company manages safe and secure investment trusts with minute risk for loss of principal. For investment securities, the Company periodically confirms the market prices and financial status, etc., of issuers (client companies), while annually investigating the financial statements of client companies to continuously review its own shareholding status.

Derivative instruments are executed and managed by the department in charge with the approval of the responsible persons.

iii. Liquidity risks for funding (risks of default by due dates)

The Company executes borrowings after careful reviews mainly on movements in long- and short-term fund costs in consideration of the liquidity of funds and borrowing periods. The borrowed funds are managed under a cash management plan, which is prepared and updated by the department in charge in a timely manner.

2. Matters pertaining to the market prices, etc., of financial instruments

Amounts in the consolidated balance sheet as of December 31, 2023, market prices and the difference thereof are as follows.

(Million yen)

	Amounts in the consolidated balance sheet (*1)	Market value (*1)	Difference
(1) Investment securities			
Available-for-sale securities (*2)	469	469	-
Total assets	469	469	-
(1) Bonds payable (*3)	(113,810)	(117,166)	(3,356)
(2) Lease obligations (*4)	(56,789)	(48,883)	7,906
Total liabilities	(170,600)	(166,050)	4,549

*1. Items that are included in liabilities are indicated in brackets.

*2. Securities, etc. without market value are not included available-for-sale securities.

The amount in the consolidated balance sheet of securities, etc. without market value is as follows.

(Million yen)

Classification	Amount in the consolidated balance sheet
Non-listed shares, etc.	9,471

*3. Includes current portion of bonds

*4. Lease obligations include current portion of lease obligations.

Cash and deposits, notes receivable and other receivables, securities, notes payable and other payables, current portion of long-term loans payable and accounts payable-other are not listed because market values are very similar to book values as these items are either cash or instruments that will become cash within a short time.

3. Composition of financial instruments based on market price categories

Market prices of financial instruments are divided into the following three levels based on the observability and importance of inputs used to calculate market prices.

Level 1: Market prices calculated using market prices (unadjusted) in markets with significant trading volume of the asset or liability

Level 2: Market prices calculated using direct or indirectly observable inputs other than the inputs used in level 1.

Level 3: Market prices calculated using significant inputs that cannot be observed.

When more than one input with a significant influence on the calculation of market prices is used, the market price is categorized at the level of the input used that has the lowest level.

(a) Financial assets and liabilities in the consolidated balance sheet based on market prices

(Million yen)

Classification	Amount in Consolidated Balance Sheet	Market prices			
		Level 1	Level 2	Level 3	Total
Investment securities					
Available-for-sale securities					
Shares	469	469	-	-	469
Total assets	469	469	-	-	469

(b) Financial assets and liabilities in the consolidated balance sheet not based on market prices

(Million yen)

Classification	Amount in Consolidated Balance Sheet	Market prices			
		Level 1	Level 2	Level 3	Total
Bonds payable	(113,810)	-	(117,166)	-	(117,166)
Lease obligations	(56,789)	-	(48,883)	-	(48,883)
Total liabilities	(170,600)	-	(166,050)	-	(166,050)

(Note) Valuation method for market price calculation and explanation of inputs

Investment securities

Market prices are used for the valuations of listed stocks. These prices are level 1 because of the large trading volume of listed stocks.

Bonds payable

Market prices of bonds issued by Universal Entertainment are determined by using the discounted present value, which is the sum of principal and interest that is discounted at a rate that reflects the time to maturity and credit risk. As a result, these prices are level 2.

Lease obligations

Market prices of lease obligations are determined by using the discounted present value, which is the sum of principal and interest that is discounted at a rate that reflects the time to maturity and credit risk. As a result, these prices are level 2.

(Notes to Revenue Recognition)

1. Information related to breakdown of revenue from contracts with customers

Revenue for major products and services is as follows.

(Million yen)

	Reportable Segment			Others (Note)	Total
	Amusement Equipments Business	Integrated Resort Business	Subtotal		
Revenue from Sales of Products	79,979	-	79,979	-	79,979
Casino	-	87,461	87,461	-	87,461
Other	1,000	9,485	10,486	1,068	11,554
Revenue from Contracts with Customers	80,980	96,947	177,927	1,068	178,995
Sales to external customers	80,980	96,947	177,927	1,068	178,995

(Note) "Others" classification consists of business segments not included in the reportable segment and is inclusive of the Media Content Business and others.

2. Basic information for understanding revenue from contracts with customers

(1) Contracts, obligations and time of fulfillment of obligations

Information about contracts, obligations and the time of fulfillment of obligations is in "(Notes to Significant Items Serving as a Basis for Preparation of the Consolidated Financial Statements) 4. Matters regarding accounting policies

(6) Standard for recognition of significant revenue and expenses."

(2) Calculation of allocations to fulfillment of obligations

In the Integrated Resort business, customers may receive complimentary hotel rooms and food and beverages in order to increase their desire to return for more gaming in the future. The complimentary items are recognized as obligations to provide gaming, hotel and food and beverage services and the individual obligations are allocated accordingly. For the products and services associated with these obligations, independent sale prices are determined for the contractual transaction dates and allocations of transaction prices are performed based on the independent sale price ratios.

3. Information for understanding revenue in 2023 and afterward

(1) Receivables, contract assets and contract liabilities associated with contracts with customers

(Million yen)

	Balance as of January 1, 2023	Balance as of December 31, 2023
Receivables associated with contracts with customers	9,707	11,039
Contract liabilities	844	2,290

- (Notes) 1. Contract assets of the Universal Entertainment Group are not shown because the balance is negligible and there was no significant change.
2. The Universal Entertainment Group posts contract liabilities for advances received from customers. These advances become revenue when obligations based on the contracts are fulfilled.
3. In the consolidated balance sheet, contract liabilities are included in "Other" under non-current liabilities.
4. Revenue recognized in 2023 includes 844 million yen that was included in contract liabilities at the beginning of 2023.

(2) Transaction prices allocated to residual obligations

Total transaction prices allocated to residual obligations and the expected timing of the recognition of the associated revenue are as follows.

(Million yen)

Within one year	2,290
More than one year	-
Total	2,290

(Notes to Per Share Information)

Net assets per share	5,011.39 yen
Net loss per share	367.04 yen

(Notes to Significant Subsequent Events)

There is no applicable information.

Notes to the Non-consolidated Financial Statements

(Notes to Significant Accounting Policies)

1. Valuation criteria and methods for assets

(1) Valuation criteria and methods for marketable securities

1) Shares of subsidiaries and affiliates

Cost method based on the moving average method.

2) Available-for-sale securities

Other than securities, etc. without market value:

Market value method. (Valuation differences are treated by the total direct capitalization method and the cost of securities sold is determined by the moving average method.)

Securities, etc. without market value:

Cost method based on the moving average method.

(2) Valuation criteria and methods for derivatives

Derivatives

Market value method.

(3) Valuation criteria and methods for inventories

1) Finished goods, raw materials and work in process

Cost method based on the weighted average costing method. (The amount stated in the balance sheet was calculated by the book value write-down method based on a reduction in profitability.)

For work in process concerning the production of content, etc., the specific costing method is applied.

2) Supplies

Last purchase cost method.

2. Depreciation and amortization methods for non-current assets

(1) Property, plant and equipment (excluding lease assets)

The declining-balance method.

Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016, are depreciated using the straight-line method.

Rental assets are depreciated evenly over the number of years that equals the contract period.

Approximate useful lives:

Buildings and structures: 7 to 50 years

Machinery and equipment: 5 to 17 years

Tools, furniture and fixtures: 2 to 20 years

(2) Intangible assets (excluding lease assets)

The straight-line method.

Software intended for internal use is amortized using the straight-line method based on an estimated period of internal use (five years).

(3) Lease assets

The straight-line method is applied whereby the lease period is deemed the durable life and the remaining value is deemed zero.

Finance lease transactions without transfer of ownership for which the lease transaction commenced on or before March 31, 2008, are accounted for in accordance with the method applicable to regular lease transactions.

3. Accounting for significant deferred assets

Bond issuance cost

Bond issuance costs are amortized using the straight-line method over the period until redemption.

4. Translation standard of foreign currency-denominated assets or liabilities into yen

Monetary debts and credits denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits.

5. Reporting basis for allowances

(1) Allowance for doubtful accounts

In the provision for possible losses on receivables caused by bad debts, an estimated uncollectible amount is reported based on their historical losses as to ordinary receivables and based on the consideration of feasibly recoverable amounts in individual cases of specific receivables for which collectability is a great concern.

(2) Provision for bonuses

In the provision for the future payment of employee bonuses, the anticipated amount of future bonus payments is reported.

6. Standards for recognition of significant revenue and expenses

Amusement Equipments Business

Revenue from the sale of products is derived primarily from manufacturing and wholesale operations. In accordance with sales contracts and other agreements with customers, Universal Entertainment has an obligation to deliver products to customers. Universal Entertainment defines the fulfillment of this obligation as the time when control of the applicable product is transferred to the customer. Therefore, revenue is recognized when a product is delivered to a customer.

Sales to a subsidiary

For revenue from the sale of casino equipment to subsidiary Tiger Resort, Leisure and Entertainment, which operates OKADA MANILA, there is an obligation to deliver products in accordance with contracts with this company. The Universal Entertainment Group defines the fulfillment of an obligation as the time when a product is delivered and control of the applicable product is transferred to the customer. Therefore, revenue is recognized when a product is delivered to a customer.

In addition to the sale of casino equipment to this subsidiary, services are provided for the use of systems and for installation. There is an obligation to provide support and services during the entire contract period. Due to the recognition of the fulfillment of contractual obligations during the entire contract period, revenue is recognized during the contract period.

(Notes to Changes in Accounting Policies)

There is no applicable information.

(Notes on Changes in Presentation or Classification)

There is no applicable information.

(Notes on Accounting Estimates)

1. Valuation of shares of subsidiaries and associates

(1) Amount shown on the non-consolidated financial statements for 2023

Shares of subsidiaries and associates: 225,070 million yen

(2) Information concerning significant accounting estimates for identifiable items

(i) Calculation method

The valuation of shares of subsidiaries and associates is based on a comparison of the book value with the actual value reflecting excess earning capacity to determine if there is a significant decline in the actual value. For shares where this process reveals a significant decline in the effective price, the book value is reduced to a negligible residual value and the amount of this reduction is recorded as a loss on valuation of shares of subsidiaries and associates. If the actual value declines significantly, a corresponding impairment loss is recognized, but impairment may not be recognized if the asset is believed to have a reasonable prospect of a recovery.

(ii) Key assumptions

For the evaluation of excess earning power, estimates based on business plans for following years are used. The sales plans are based on assumptions that take into account past market trends, future market forecasts, discount rates, market growth rates, and other factors.

(iii) Effect on the non-consolidated financial statements for the following fiscal year

These estimates are based on information available when the non-consolidated financial statements were prepared. However, there is a possibility of a significant decline below book value caused by changes in business plans and market conditions or the impairment of assets of the Integrated Resort business. If there is a change in the conditions or assumptions used as the premise for these estimates, there may be a significant effect on the non-consolidated financial statements for the following fiscal year.

(Notes to Additional Information)

There is no applicable information.

(Notes to Non-consolidated Balance Sheet)

1. Figures less than a unit

Amounts are rounded down to the nearest million yen.

2. Assets pledged as collateral

Shares of subsidiaries and associates 199,384 million yen

There are no secured liabilities.

3. Monetary claims relating to directors

2,291 million yen

4. Accumulated depreciation on property, plant and equipment

33,445 million yen

5. Notes matured at the end of the fiscal year and electrically recorded receivable and payable

With respect to accounting for notes matured at the end of the fiscal year and electrically recorded receivable and payable, though the current fiscal year-end fell on a holiday for financial institutions, they were treated as though they were settled on the maturity date. Notes that matured at the end of the fiscal year and electrically recorded receivables and payables are as follows.

Notes receivable 240 million yen

Electronically recorded receivables 521 million yen

Notes payable 8 million yen

Electronically recorded payables 1,142 million yen

6. Assets and liabilities relating to affiliated companies (excluding separately presented on the balance sheet)

Short-term monetary claims 4,958 million yen

Long-term monetary claims 4,172 million yen

Short-term monetary liabilities 12,873 million yen

Long-term monetary liabilities 526 million yen

(Notes to Non-consolidated Statement of Income)

1. Figures less than a unit

Amounts are rounded down to the nearest million yen.

2. Transactions with subsidiaries and affiliates

Amount of business transactions

Net sales	1,497 million yen
Purchase amount	18,157 million yen
Selling, general and administrative expenses	507 million yen
Amount of non-business transactions	218 million yen

(Notes to Non-consolidated Statement of Changes in Equity)

1. Figures less than a unit

Amounts are rounded down to the nearest million yen.

2. The class and number of treasury shares as of December 31, 2023

Common stock	2,704,096 shares
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(Notes to Tax-Effect Accounting)

Detail of the causes for deferred tax liabilities is foreign exchange gains on long-term receivables.

(Notes to Non-current Assets used for Lease)

In addition to the non-current assets on the non-consolidated balance sheet, some of the vehicles and furniture and fixtures are used under finance lease transactions where there is no transfer ownership.

(Notes to Transactions with related parties)

1. Parent company and major institutional shareholders, etc. of the Company

Category	Name	Holding or Held Ratio of Voting Rights	Relationship with the Related Party
Parent company	Okada Holdings Limited	70.2% directly held (Note 1)	Control of shares of the Company

Category	Name	Description of Transactions	Transaction Amount (Million yen)	Account Item	Year-end Balance (Million yen)
Parent company	Okada Holdings Limited	Dividends for prior year (Note 2)	750	Other non-current liabilities	500

Transaction terms and policies in determining the terms:

(Notes) 1. The ratio of shares held (excluding treasury shares) is rounded down to the second decimal place.

2. The Company notifies the parent company of these transactions. The Company's Board of Directors examines these transactions and reaches a decision about the suitability and legitimacy of the transactions after confirming that there are no negative effects on the earnings of the Universal Entertainment Group.

2. Non-consolidated subsidiaries and affiliates, etc. of the Company

Category	Name	Holding or Held Ratio of Voting Rights (Note 1)	Relationship with the Related Party
Non-consolidated subsidiaries	TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.	99.9% indirectly held	Investment Shared directors Financial support
	Tiger Resort Asia Limited	100.0% directly held	Investment Shared directors Financial support
	EAGLE I LANDHOLDINGS, INC.	40.0% indirectly held	Investment Shared directors Financial support
	ZEEG Co. Ltd.	50.0% directly held	Investment Procurement of parts and materials Financial support

Category	Name	Description of Transactions	Transaction Amount (Million yen)	Account Item	Year-end Balance (Million yen)
Non-consolidated subsidiaries	TIGER RESORT, LEISURE AND ENTERTAINMENT, INC.	Sales of casino equipment	420	Long-term accounts receivable from subsidiaries and associates-other	1,014
		Collection of accounts receivable-other	5,716		
		Advances for expenses	23	Long-term advances paid to subsidiaries and associates	148,224
	Collection of advances paid	30			
	Tiger Resort Asia Limited	Remittance of funds	199	Long-term advances paid to subsidiaries and associates	40,425
		Advances for expenses	2,389	Accounts payable to subsidiaries and associates-other	1,518
	EAGLE I LANDHOLDINGS, INC.	Remittance of funds	-	Long-term deposit for subsidiaries and associates	16,528
				Long-term deposits received from subsidiaries and associates	7,091
	ZEEG Co. Ltd.	Advances for expenses	-	Advances paid	318
		Interest income received	56	Accrued interest	33
		Loans (Note 2)	800	Short-term loans receivable	3,695
		Collection of loans receivables	1,708	Long-term loans receivable	2,101
		Procurement of parts and materials (Note 3)	13,497	Accounts payable-trade	2,037
			Advance payments-trade	161	

Transaction terms and policies in determining the terms:

(Notes) 1. The ratio of shares held (excluding treasury shares) is rounded down to the second decimal place.

2. Terms of loans are determined by discussions between both parties in consideration of interest rates.

3. Transaction terms are determined in the same fashion as regular transaction conditions taking market prices into consideration.

3. Executives and major individual shareholders

Category	Name	Holding or Held Ratio of Voting Rights (Note 1)	Relationship with the Related Party
Company, etc. with majority voting rights owned by director or his close relatives	Okada Holdings GK (Note 2)	None	Rental of real property
	Aruze Gaming America, Inc. (Note 3)	None	Sales of the Company's products
Close relative of Director	Kazuo Okada	70.2% indirectly held (Note 4)	Payment of rents, etc.
Directors	Jun Fujimoto	0.8% directly held	Loans
	Hajime Tokuda	0.1% directly held	Loans
	Kenshi Asano	0.0% directly held	Loans

Category	Name	Description of Transactions	Transaction Amount (Million yen)	Account Item	Year-end Balance (Million yen)
Company, etc. with majority voting rights owned by director or his close relatives	Okada Holdings GK (Note 2)	Provision of guarantees	-	Guarantee deposits	141
		Payment of rents, etc.	-	Advances paid	12
Close relative of Director	Aruze Gaming America, Inc. (Note 3)	Sales of products	-	Long-term accounts receivable-other (Note 7)	379
Close relative of Director	Kazuo Okada	Payment of rents, etc. (Note 5)	10	Advances paid	43
				Accrued expenses	53
Directors	Jun Fujimoto	Loans (Note 6)	-	Short-term loans receivable	527
		Acquisition of monetary receivables (Note 8)	1,000	Long-term loans receivable	1,000
	Hajime Tokuda	Loans (Note 6)	-	Short-term loans receivable	131
		Acquisition of monetary receivables (Note 8)	500	Long-term loans receivable	500
		Loans (Note 6)	-	Short-term loans receivable	131

Transaction terms and policies in determining the terms:

(Notes) 1. The ratio of shares held (excluding treasury shares) is rounded down to the second decimal place.

2. 99.9% of its voting rights are indirectly held by Kazuo Okada, a close relative of a director of the Company and his close relatives.
3. 100% of its voting rights are directly or indirectly held by Kazuo Okada, a close relative of a director of the Company.
4. Ownership of the Company's parent company, where Kazuo Okada, a close relative of a director of the Company, and his close relatives directly hold 100% of the voting rights.
5. Terms for the payment of rents are determined by consultation between both parties in consideration of interest rates.
6. Terms for loans are determined by discussions between both parties in consideration of interest rates.
7. In the fiscal year ended December 31, 2023, there was a provision for the allowance for doubtful accounts of 379 million yen for long-term accounts receivable.
8. The Company acquired the claim from the debtor Mr. Kazuo Okada as a result of a seizure of the debtor's claim held by the third party debtors Mr. Jun Fujimoto and Mr. Hajime Tokuda, and as a result of an assignment order. The terms and conditions of the transaction have not been changed from those agreed between the parties.

(Notes to Revenue Recognition)

(Information for an understanding of revenue from contracts with customers)

There is no information for an understanding of revenue from contracts with customers because the same information is in the Note to Revenue Recognition in the Notes to the Consolidated Financial Statements.

(Notes to Per Share Information)

Net assets per share	4,729.13 yen
Net income per share	95.17 yen

(Notes to Significant Subsequent Events)

There is no applicable information.