

**Consolidated Financial Results  
for the Six-Month Period Ended September 30, 2017 (Japan GAAP)**

November 8, 2017

**Company name:** SQUARE ENIX HOLDINGS CO., LTD.  
**Shares traded:** Tokyo Stock Exchange, First Section  
**Company code:** 9684  
**Company URL:** <http://www.hd.square-enix.com/eng>  
**Representative:** Yosuke Matsuda, President and Representative Director  
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**Tel:** (03) 5292-8000  
**Financial report submission:** November 14, 2017 (planned)  
**Cash dividend payment commencement:** December 5, 2017 (planned)  
**Supplementary quarterly materials prepared:** Yes  
**Quarterly results presentation held:** Yes (for institutional investors and analysts)

*(Amounts under one million yen are rounded down)*

**1. Consolidated Financial Results (April 1, 2017 through September 30, 2017)**

**(1) Consolidated Financial Results**

*(Millions of yen and year-on-year changes in percents)*

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	%		%		%		%	
September 30, 2017	132,043	24.2	25,816	132.3	26,617	217.7	17,515	218.7
September 30, 2016	106,347	23.1	11,115	(11.7)	8,378	(35.2)	5,495	(25.0)

Note: Six months ended September 30, 2017 Comprehensive income: 17,974 million yen [454.2%]

Six months ended September 30, 2016 Comprehensive income: 3,243 million yen [(52.9%)]

	Earnings per share, basic	Earnings per share, diluted
Six months ended	y en	y en
September 30, 2017	145.06	144.79
September 30, 2016	45.04	44.95

**(2) Consolidated Financial Position**

*(Millions of yen, ratios in percents and per share data)*

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	y en
September 30, 2017	252,402	185,883	73.4	1,555.38
March 31, 2017	243,859	181,904	74.4	1,485.56

Note: Total equity As of September 30, 2017: 185,192 million yen

As of March 31, 2017: 181,322 million yen

## 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2017	—	10.00	—	40.00	50.00
Fiscal year ending March 31, 2018	—	10.00			
Fiscal year ending March 31, 2018 (projection)			—	30.00 ~38.00	40.00 ~48.00

Note: No change in Dividend projection from previous announcement

## 3. Consolidated Forecasts (April 1, 2017 to March 31, 2018)

(Millions of yen, year-on-year changes in percents and per share data)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Fiscal year ending March 31, 2018	%		%		%		%		yen
	240,000	(6.6)	25,000	(20.1)	25,000	(19.7)	16,500	(17.7)	137.60
	~260,000	~1.2	~30,000	~(4.1)	~30,000	~(3.6)	~19,500	~(2.7)	~162.62

Note: No change in consolidated forecasts from previous announcement.

### Others

- (1) Significant changes among major subsidiaries during the period: No
- (2) Adoption of special accounting treatment for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, procedures, and methods of presentation for consolidated financial statements
  1. Changes in accounting policies due to revisions to accounting standards: No
  2. Changes other than 1.: No
  3. Changes in accounting estimates: No
  4. Retrospective restatement: No
- (4) Outstanding shares (common stock)
  1. Number of shares issued and outstanding (including treasury stock):
 

As of September 30, 2017	122,387,096
As of March 31, 2017	122,373,396
  2. Number of treasury stock:
 

As of September 30, 2017	3,321,772
As of March 31, 2017	316,434
  3. Average number of shares during the period (cumulative):
 

Six-Month period ended September 30, 2017	120,750,813
Six-Month period ended September 30, 2016	122,026,599

Disclaimer: (1) This document is a translation of the Japanese language "Kessan Tanshin" prepared in accordance with the guidelines of the Tokyo Stock Exchange. The Japanese language document shall prevail in the event any differences or discrepancies exist between this English translation and the original. (2) This earnings release is not subject to review procedures for quarterly financial statements (3) The forward-looking statements in this document are based upon the information currently available and necessarily include elements that are not entirely predictable. The achievement is not promised. Actual results may differ from the forward-looking statements in this document. (4) For additional information about forecasts, please refer to "1.Consolidated Results for the Six-Month Period Ended September 30, 2017 (3) Qualitative information on consolidated business forecasts" section on page 5 of Supplemental Information.

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## 1. Consolidated Results for the Six-Month Period Ended September 30, 2017

### (1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising. Net sales for the Six-Month period ended September 30, 2017 totaled ¥132,043 million (an increase of 24.2% from the same period of the prior fiscal year), operating income amounted to ¥25,816 million (an increase of 132.3% from the same period of the prior fiscal year), ordinary income amounted to ¥26,617 million (an increase of 217.7% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥17,515 million (an increase of 218.7% from the same period of the prior fiscal year).

A discussion of results by segment for the Six-Month period ended September 30, 2017 follows.

- Digital Entertainment

The Digital Entertainment segment consists of planning, development, distribution, and operation of digital entertainment content primarily in the form of game. Digital entertainment content is offered to meet customer lifestyles across a variety of usage environments such as consumer game consoles (including handheld game machines), personal computers and smart devices.

During the Six-Month period ended September 30, 2017, the launches of "DRAGON QUEST XI: Echoes of an Elusive Age," the latest title of "DRAGON QUEST" series and "FINAL FANTASY XII THE ZODIAC AGE" as well as strong download sales of previously released catalogue titles such as "NieR:Automata" have resulted in an increase of both net sales and operating income in the area of console games, compared to the prior fiscal year.

In the smart devices and PC browser area, our established lineup of popular games such as "FINAL FANTASY BRAVE EXVIUS," "HOSHI NO DRAGON QUEST," "DRAGON QUEST MONSTERS SUPER LIGHT" and "KINGDOM HEARTS Union X" is continuing to show strong performances globally, and an increase of royalty income pushed both net sales and operating income, compared to the prior fiscal year.

In the area of massively multiplayer online role playing games, revenues from sales of the latest expansion disk of "FINAL FANTASY XIV" and increase of number of paying subscribers boosted by the expansion resulted in an increase of net sale and operating income, compared to the prior fiscal year.

Net sales and operating income in the Digital Entertainment segment totaled ¥102,104million (an increase of 30.4% from the same period of the prior fiscal year), and ¥26,589million (an increase of 119.3% from the same period of the prior fiscal year), respectively.

- Amusement

The Amusement segment consists of the operation of amusement facilities and planning, development, and distribution of arcade game machines and related products for amusement facilities.

During the Six-Month period ended September 30, 2017, operation of the amusement facilities has been showing steady performance while new amusement machine releases decreased, which led to the decline in this segment's net sales.

Net sales and operating income in the Amusement segment totaled ¥21,133million (a decrease of 0.7% from the same period of the prior fiscal year), and ¥2,463million (an increase of 17.7% from the same period of the prior fiscal year), respectively.

- Publication

The Publication segment consists of publication and licensing of comic magazines, comic books, and game strategy guides.

During the Six-Month period ended September 30, 2017, sales of comic books continues strong, in particular, the digital format sales increased, compared to the same period of the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥5,649million (an increase of 24.1% from the same period of the prior fiscal year) and ¥1,384million (an increase of 44.7% from the same period of the prior fiscal year), respectively.

- Merchandising

The Merchandising segment consists of planning, production, distribution, and licensing of derivative products of IPs owned by the Group.

During the Six-Month period ended September 30, 2017, sales and licensing performed strongly thanks to character goods and soundtracks derived from the Group's own IPs, as well as character goods originated in renowned third-party IPs.

Net sales and operating income in the Merchandising segment totaled ¥4,059million (an increase of 33.4% from the same period of the prior fiscal year), and ¥1,199million (an increase of 9.5% from the same period of the prior fiscal year), respectively.

## (2) Analysis of consolidated financial position

- Assets

As of September 30, 2017, total current assets were ¥215,199 million, an increase of ¥6,161 million compared to March 31, 2017. This was mainly due to increases in cash and deposits of ¥6,010 million and content production account of ¥4,666 million, while the other on current assets decreased by ¥3,112 million. As of September 30, 2017, total non-current assets were ¥37,202 million, an increase of ¥2,381 million compared to March 31, 2017. This was mainly due to increases in the property, plant and equipment of ¥1,012 million and the investments and other assets of ¥1,150 million.

As a result, total assets were ¥252,402 million, an increase of ¥8,542 million compared to March 31, 2017.

- Liabilities

As of September 30, 2017, total current liabilities were ¥58,914 million, an increase of ¥3,469 million compared to March 31, 2017. This was mainly due to increases in income tax payable of ¥5,374 million, while the other on current liabilities decreased by ¥1,728 million. As of September 30, 2017, total non-current liabilities were ¥7,603 million, an increase of ¥1,093 million compared to March 31, 2017.

As a result, total liabilities were ¥66,518 million, an increase of ¥4,563 million compared to March 31, 2017.

- Net assets

As of September 30, 2017, net assets were ¥185,883 million, an increase of ¥3,979 million compared to March 31, 2017. This was mainly due to profit attributable to owners of parent of ¥17,515 million, dividend payments of ¥4,882 million and acquisition of treasury stock of ¥9,248 million.

As a result, the consolidated equity ratio stood at 73.4% (74.4% as of March 31, 2017).

### (3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of major changes, where consumer needs for contents suitable to smart devices such as smartphones and tablet PCs are rapidly expanding, with ever diversifying consumer preferences, while the console game markets in North America and Europe are increasingly getting competitive and oligopolistic. The Group is focusing all efforts to achieve growth coupled with profits on a solid revenue foundation through introduction of responsive and flexible content development conforming to the ever-changing environment as well as diversification of profit opportunities.

Given the environmental changes described above, it is expected that the consolidated forecasts for financial results will fluctuate ever-larger. The Group, therefore, has made consolidated forecasts in a range of forecasted figures in lieu of specific figures.

## 2. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2017

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	129,364	<b>135,374</b>
Notes and accounts receivable-trade	26,053	<b>23,872</b>
Merchandise and finished goods	2,820	<b>3,406</b>
Work in progress	11	<b>262</b>
Raw materials and supplies	302	<b>271</b>
Content production account	34,548	<b>39,214</b>
Other	16,252	<b>13,140</b>
Allowance for doubtful accounts	(314)	<b>(341)</b>
Total current assets	<u>209,038</u>	<u><b>215,199</b></u>
Non-current assets		
Property, plant and equipment	14,234	<b>15,247</b>
Intangible assets	4,735	<b>4,953</b>
Investments and other assets	15,850	<b>17,001</b>
Total non-current assets	<u>34,820</u>	<u><b>37,202</b></u>
Total assets	<u>243,859</u>	<u><b>252,402</b></u>



(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,220	<b>14,870</b>
Short-term loans payable	8,437	<b>9,045</b>
Income taxes payable	1,665	<b>7,039</b>
Provision for bonuses	2,358	<b>2,075</b>
Provision for sales returns	6,197	<b>5,066</b>
Provision for loss on game arcade closings	64	<b>62</b>
Asset retirement obligations	17	<b>—</b>
Other	22,482	<b>20,754</b>
Total current liabilities	<u>55,445</u>	<u><b>58,914</b></u>
Non-current liabilities		
Provision for directors' retirement benefits	88	<b>88</b>
Provision for loss on game arcade closings	83	<b>61</b>
Net defined benefit liability	2,546	<b>2,652</b>
Asset retirement obligations	2,450	<b>2,780</b>
Other	1,340	<b>2,020</b>
Total non-current liabilities	<u>6,510</u>	<u><b>7,603</b></u>
Total liabilities	<u>61,955</u>	<u><b>66,518</b></u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,828	<b>23,844</b>
Capital surplus	53,067	<b>53,084</b>
Retained earnings	109,764	<b>122,398</b>
Treasury stock	(897)	<b>(10,145)</b>
Total shareholders' equity	<u>185,763</u>	<u><b>189,180</b></u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	364	<b>359</b>
Foreign currency translation adjustment	(4,640)	<b>(4,188)</b>
Remeasurements of defined benefit plans	(165)	<b>(159)</b>
Total accumulated other comprehensive income	<u>(4,440)</u>	<u><b>(3,988)</b></u>
Subscription rights to shares	453	<b>556</b>
Non-controlling interests	128	<b>135</b>
Total net assets	<u>181,904</u>	<u><b>185,883</b></u>
Total liabilities and net assets	<u>243,859</u>	<u><b>252,402</b></u>

(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income  
Consolidated Income Statement

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	106,347	132,043
Cost of sales	56,306	65,936
Gross profit	50,040	66,107
Reversal of provision for sales returns	3,138	6,149
Provision for sales returns	3,776	5,006
Gross profit-net	49,402	67,250
Selling, general and administrative expenses	38,287	41,434
Operating income	11,115	25,816
Non-operating income		
Interest income	36	45
Dividend income	0	3
Gain on forgiveness of payable for group tax	62	31
Foreign exchange gains	—	739
Miscellaneous income	45	225
Total non-operating income	144	1,045
Non-operating expenses		
Interest expenses	30	38
Commission fee	4	2
Office transfer related expenses	7	120
Loss on forgiveness of receivable for group tax	6	83
Foreign exchange losses	2,829	—
Miscellaneous loss	2	0
Total non-operating expenses	2,881	244
Ordinary income	8,378	26,617
Extraordinary income		
Gain on sales of non-current assets	—	10
Gain on sales of investment securities	—	4
Gain on reversal of subscription rights to shares	20	2
Gain on liquidation of subsidiaries	—	5
Total extraordinary income	20	23
Extraordinary losses		
Loss on sales of non-current assets	—	8
Loss on retirement of non-current assets	120	59
Loss on sales of shares of subsidiaries and associates	—	371
Other	13	4
Total extraordinary losses	133	443
Profit before income taxes	8,265	26,196
Income taxes-current	1,869	7,650
Income taxes-deferred	897	1,022
Total income taxes	2,767	8,672
Profit	5,498	17,524
Profit attributable to non-controlling interests	2	8
Profit attributable to owners of parent	5,495	17,515

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	5,498	17,524
Other comprehensive income		
Valuation difference on available-for-sale securities	131	(4)
Foreign currency translation adjustment	(2,470)	449
Remeasurements of defined benefit plans	85	5
Total other comprehensive income	(2,254)	450
Comprehensive income	3,243	17,974
(Breakdown)		
Comprehensive income attributable to owners of parent	3,302	17,967
Comprehensive income attributable to non-controlling interests	(58)	6

### (3) Notes to Consolidated Financial Statements

(Note regarding going concern assumptions)

None

(Material changes in shareholders' equity)

The Company repurchased its own shares by means of a tender offer in accordance with the board resolution as of May 24, 2017. As a result, treasury stock increased by ¥9,241 million during the Six-Month period ended September 30, 2017, and amounted to ¥10,145 million as of September 30.

(Segment information)

#### I. Outline of reporting segments for the Six-Month period ended September 30, 2016

Information on sales and income by reporting segment

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1)Sales to outside customers	78,310	21,274	4,527	2,235	106,347	—	106,347
(2)Intersegment sales	—	0	26	809	835	(835)	—
Total	78,310	21,275	4,553	3,044	107,183	(835)	106,347
Segment operating income	12,126	2,093	956	1,095	16,272	(5,156)	11,115

Notes: 1. Segment adjustments (¥5,156) million include unallocated corporate operating expenses (¥5,174) million.

2. Segment operating income is adjusted in operating income on the consolidated income statement.

#### II. Outline of reporting segments for the Six-Month period ended September 30, 2017

Information on sales and income by reporting segment

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1)Sales to outside customers	102,104	21,128	5,623	3,186	132,043	—	132,043
(2)Intersegment sales	0	5	26	872	903	(903)	—
Total	102,104	21,133	5,649	4,059	132,947	(903)	132,043
Segment operating income	26,589	2,463	1,384	1,199	31,636	(5,820)	25,816

Notes: 1. Segment adjustments (¥5,820) million include unallocated corporate operating expenses (¥5,834) million.

2. Segment operating income is adjusted in operating income on the consolidated income statement.