

SQUARE ENIX®

Financial Results Briefing Session

Six-Month Period Ended September 30, 2018

November 7, 2018

SQUARE ENIX HOLDINGS CO., LTD.

Statements made in this document with respect to SQUARE ENIX HOLDINGS CO., LTD. and its consolidated subsidiaries' (together, "SQUARE ENIX GROUP") plans, estimates, strategies and beliefs are forward-looking statements about the future performance of SQUARE ENIX GROUP.

These statements are based on management's assumptions and beliefs in light of information available to it at the time these material were drafted and, therefore, the reader should not place undue reliance on them. Also, the reader should not assume that statements made in this document will remain accurate or operative at a later time.

A number of factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but not limited to:

1. changes in economic conditions affecting our operations;
2. fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro;
3. SQUARE ENIX GROUP's ability to continue to win acceptance of our products and services, which are offered in highly competitive markets characterized by the continuous introduction of new products and services, rapid developments in technology, and subjective and changing consumer preferences;
4. SQUARE ENIX GROUP's ability to expand international success with a focus on our businesses; and
5. regulatory developments and changes and our ability to respond and adapt to those changes.

The forward-looking statements regarding earnings contained in these materials were valid at the time these materials were drafted. SQUARE ENIX GROUP assumes no obligation to update or revise any forward-looking statements, including forecasts or projections, whether as a result of new information, subsequent events or otherwise.

The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

(Amounts under one hundred million yen are rounded down)

Financial Results
Second Quarter of Fiscal Year
Ending March 31, 2019

Consolidated Statement of Income

Q2, FY2019/3

(Billions of Yen)

	Fiscal Year Ended March 31, 2018		Fiscal Year Ending March 31, 2019			
	Apr - Sep 2017	Full Year Results	Apr - Sep 2018	Changes	Full Year Forecast	Changes
Net Sales	132.0	250.3	112.2	△19.8	270.0	19.7
Operating Income	25.8	38.1	10.0	△15.8	30.0	△8.1
Operating Income Margin	19.6%	15.2%	9.0%	△10.6pt	11.1%	△4.1pt
Ordinary Income	26.6	36.1	15.0	△11.6	30.0	△6.1
Ordinary Income Margin	20.2%	14.4%	13.4%	△6.8pt	11.1%	△3.3pt
Profit attributable to owners of parent	17.5	25.8	8.6	△8.9	21.0	△4.8
Depreciation and Amortization	2.4	5.8	2.8	0.4	7.2	1.4
Capital Expenditure	3.7	7.9	3.7	0.0	8.8	0.9

Consolidated Statement of Income

Q2, FY2019/3 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2018	Fiscal Year Ending March 31, 2019	
	Apr - Sep 2017	Apr - Sep 2018	Changes
Net Sales	132.0	112.2	△19.8
Digital Entertainment	102.1	82.8	△19.3
Amusement	21.1	20.5	△0.6
Publication	5.6	6.0	0.4
Merchandising	4.0	3.3	△0.7
Eliminations or unallocated	-0.9	-0.5	0.4
Operating Income	25.8	10.0	△15.8
Digital Entertainment	26.5	13.0	△13.5
Amusement	2.4	0.7	△1.7
Publication	1.3	1.5	0.2
Merchandising	1.1	0.2	△0.9
Eliminations or unallocated	-5.8	-5.5	0.3
Operating Income Margin	19.6%	9.0%	△10.6pt
Digital Entertainment	26.0%	15.8%	△10.2pt
Amusement	11.7%	3.5%	△8.2pt
Publication	24.5%	24.9%	0.4pt
Merchandising	29.5%	8.9%	△20.6pt
Eliminations or unallocated	-	-	-

Consolidated Statement of Income

Quarterly Comparison

(Billions of Yen)

	Fiscal Year Ended March 31, 2018				Fiscal Year Ending March 31, 2019	
	Apr - June 2017	Jul - Sep 2017	Oct - Dec 2017	Jan - Mar 2018	Apr - June 2018	Jul - Sep 2018
Net Sales	57.0	75.0	56.0	62.3	45.4	66.7
Digital Entertainment	44.1	57.9	41.4	47.8	32.4	50.4
Amusement	8.9	12.1	10.4	10.1	9.4	11.0
Publication	2.2	3.3	2.6	2.7	2.3	3.7
Merchandising	2.1	1.8	1.7	1.7	1.4	1.8
Eliminations or unallocated	-0.6	-0.2	-0.2	-0.3	-0.2	-0.3
Operating Income	12.8	12.9	7.9	4.4	4.2	5.8
Digital Entertainment	13.7	12.8	9.7	7.0	6.0	6.9
Amusement	0.6	1.8	0.1	-0.1	0.2	0.5
Publication	0.5	0.8	0.4	0.6	0.4	1.0
Merchandising	0.5	0.6	0.3	0.3	0.1	0.1
Eliminations or unallocated	-2.6	-3.1	-2.7	-3.4	-2.5	-2.9

Consolidated Balance Sheet

Summary as of September 30, 2018

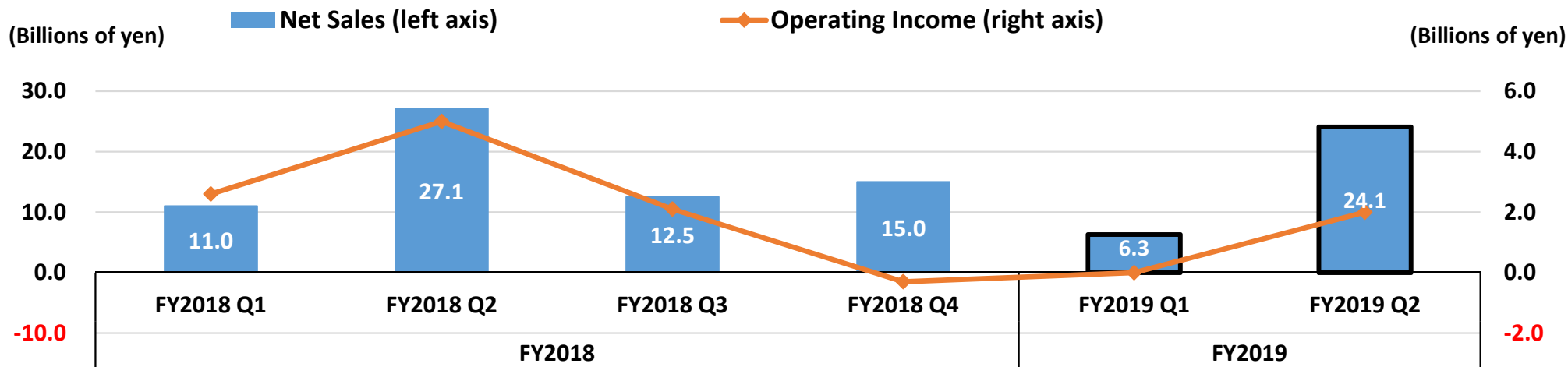
(Billions of Yen)

Account	<Assets>			<Liabilities and Net Assets>			
	03/2018	09/2018	Changes	Account	03/2018	09/2018	Changes
Cash and deposits	136.7	111.2	△25.5	Notes and accounts payable	14.8	17.5	2.7
Notes and accounts receivable	24.3	30.0	5.7	Short-term loans	8.9	8.8	△0.1
Inventories	3.4	5.3	1.9	Provision for sales returns	3.9	5.3	1.4
Content production account	44.1	54.4	10.3	Others	31.0	24.8	△6.2
Others	7.2	10.2	3.0	Total Current Liabilities	58.8	56.6	△2.2
Total Current Assets	216.1	211.3	△4.8	Non-current Liabilities	7.5	7.6	0.1
Property and equipment	16.0	16.9	0.9	Total Liabilities	66.3	64.2	△2.1
Intangible Assets	4.5	4.7	0.2	Total Shareholders' Equity	196.3	198.7	2.4
Investments and other assets	22.9	25.8	2.9	Others	-2.9	-4.1	△1.2
Total Non-current Assets	43.6	47.5	3.9	Total Net Assets	193.3	194.6	1.3
Total Assets	259.7	258.9	△0.8	Total Liabilities and Net Assets	259.7	258.9	△0.8

Progress in Each Business Segment

Digital Entertainment – HD Games

We launched “OCTOPATH TRAVELLER,” a brand new IP, and “SHADOW OF THE TOMB RAIDER,” the final chapter of the rebooted TOMB RAIDER trilogy. Overall this sub-segment’s net sales and operating income decreased compared to the same period of the prior fiscal year.



Pipeline in FY2019/3



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Released on July 13, 2018



SHADOW OF THE TOMB RAIDER © 2018 Square Enix Ltd.
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Released on September 14, 2018



JUST CAUSE 4 © 2018 Square Enix Ltd. All rights reserved. Developed by Avalanche Studios AB. Just Cause, EIDOS, the EIDOS logo, SQUARE ENIX and the SQUARE ENIX logo are registered trademarks or trademarks of the Square Enix group of companies. Avalanche and the Avalanche logo are trademarks of Fatalist Entertainment AB.

To be released on 6, December, 2018 (Japan)
To be released on December 4, 2018 (North America/Europe)

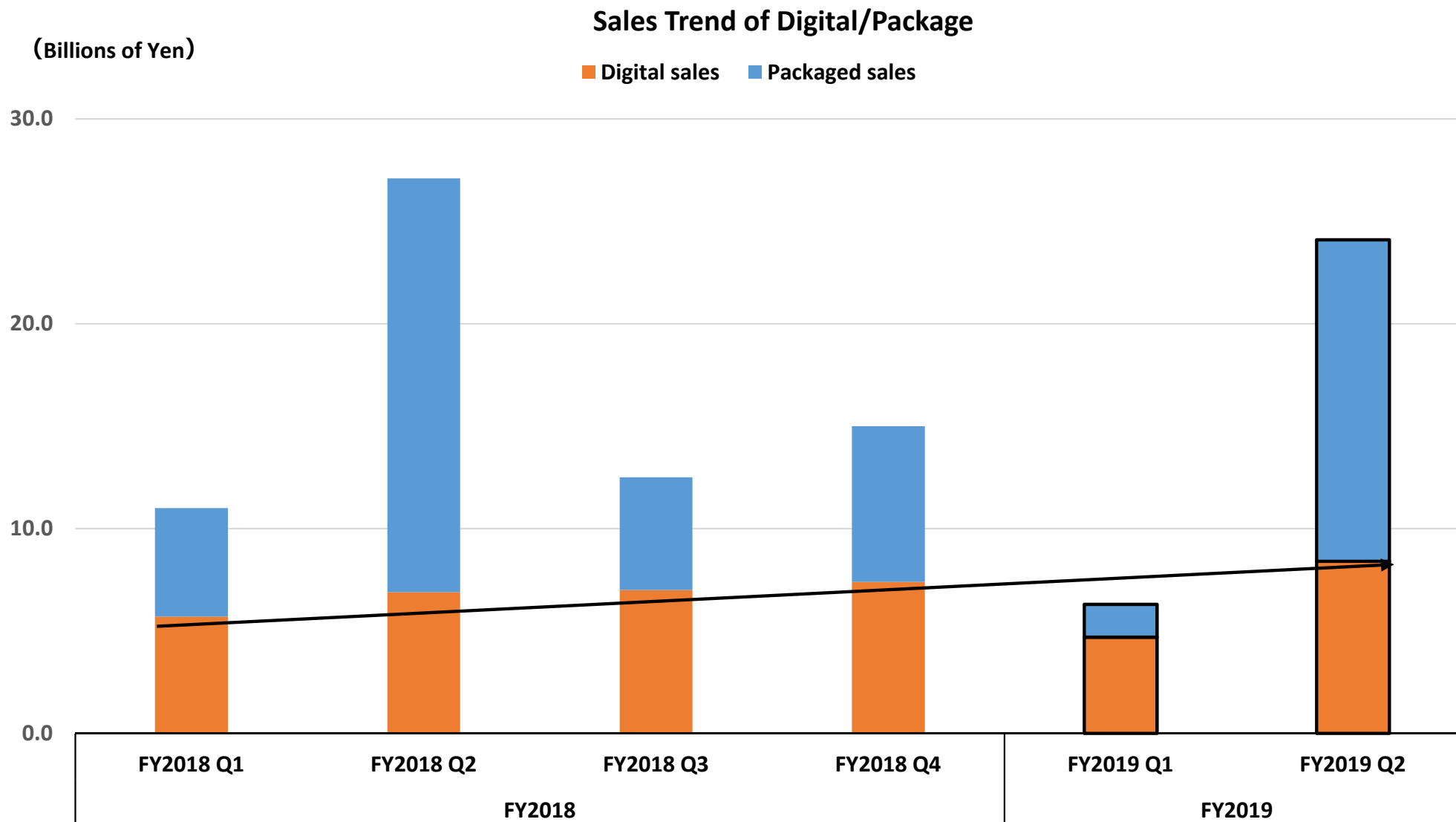


© Disney. © Disney/Pixar.
Developed by SQUARE ENIX

To be released on January 25, 2019 (Japan/Asia)
To be released on January 29, 2019 (North America/Europe)

Digital Entertainment – HD Games

High-margin digital sales remained stable.



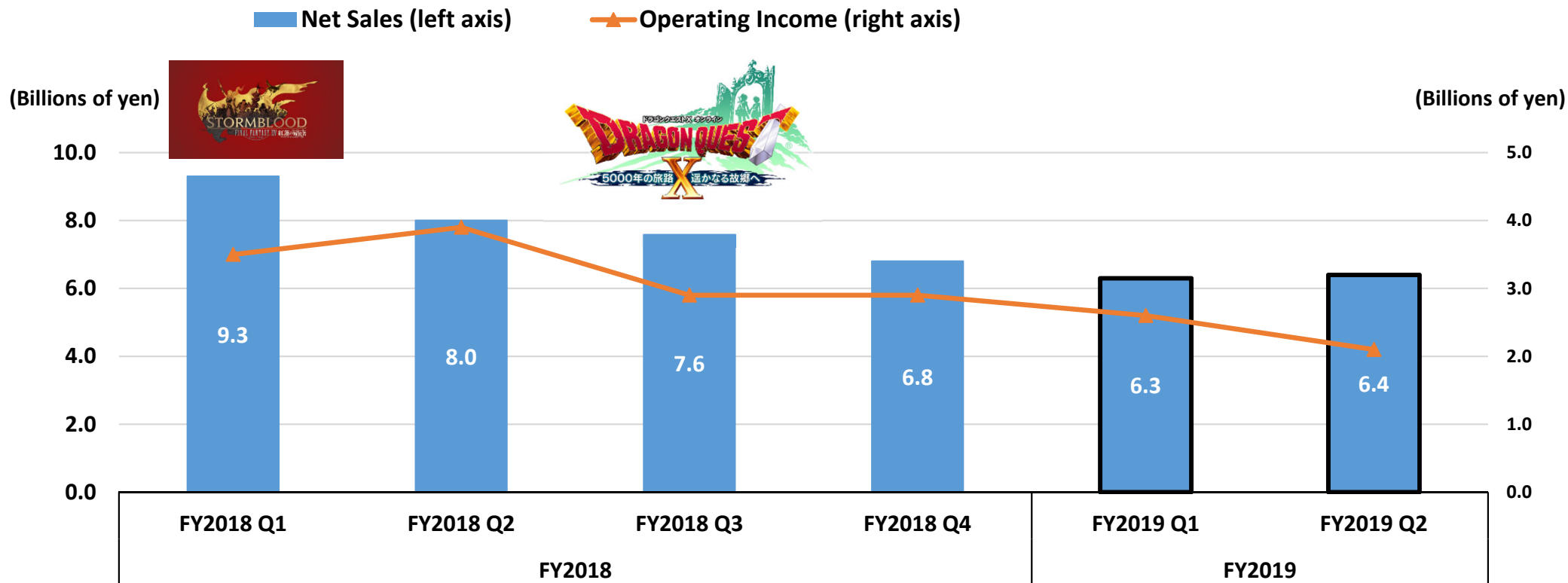
Digital Entertainment – HD Games

Post-launch initiatives and subscription models

- Increased digital sales are prolonging the lifecycles of new titles.
→ Post-launch initiatives become increasingly significant than ever.
- Expanding catalogue with regular title launches.
- Adopting subscription models to expand earnings opportunities.

Digital Entertainment – MMO

Net sales, operating profit down YoY on high hurdle set by previous year’s “FINAL FANTASY XIV” expansion disk launch.



Main Points in FY2019/3

- Expect lower disc sales in FY2019/3 as no expansion disk launches are planned.
- Focusing on user retention through major updates and other operational measures.

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Digital Entertainment – Units Sold by Region

Units Sold = Sold disks + Downloads

Sold disks: Number of discs shipped based on accounting standard

Downloads: Downloads of full-length games newly released in the current and previous FY
(does not include catalogue titles released prior to previous FY)

(Millions of Units Sold)

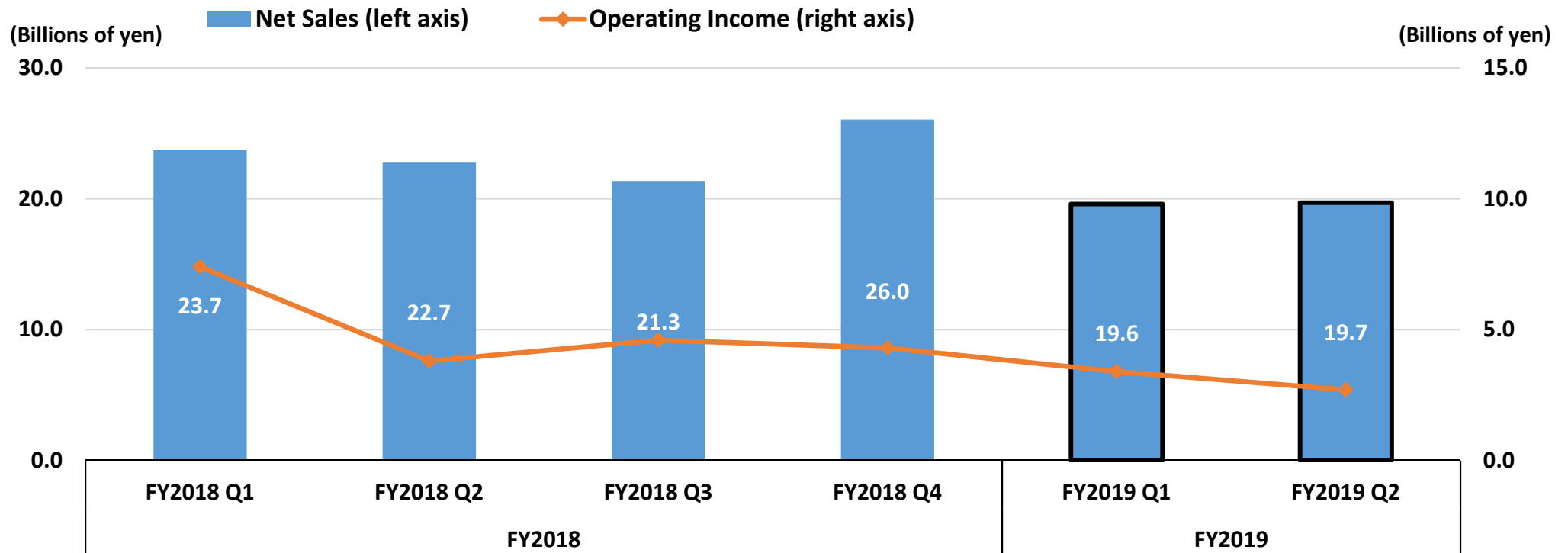
Region	FY 2018/3 Q2 (Results)			FY 2019/3 Q2 (Results)		
	Disc	Download	Total	Disc	Download	Total
Japan	3.90	0.89	4.79	0.78	0.50	1.28
	(Include episode units 0)			(Include episode units 0.03)		
North America/ Europe	3.36	2.46	5.82	4.95	3.10	8.04
	(Include episode units 0.37)			(Include episode units 0.95)		
Asia, etc.	0.52	0.36	0.88	0.27	0.49	0.77
	(Include episode units 0.04)			(Include episode units 0.19)		
Total	7.77	3.70	11.48	6.00	4.09	10.09
	(Include episode units 0.41)			(Include episode units 1.17)		

* The above numbers cover both HD and MMO games, including third-party titles for distributorship arrangements.
Each episode of episodic distribution titles is counted as one unit.

Digital Entertainment

– Games for Smart Devices/PC Browser

Net sales, operating profit down YoY as many titles launched in previous FY underperformed, resulting in no additional revenue generated by existing games, and license income decreased.



Main Points in FY2019/3

- Aim for further growth in FY2019/3 via carefully selected new title launches and overseas expansion.
- Revisit our development and operation organizations, and strive to create new hit titles.

Digital Entertainment

– Games for Smart Devices/PC Browser

Major Operating Titles

Jan 2014



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©SUGIYAMA KOBO
Developed by Cygames, Inc.

Sep 2014



Alliance with DeNA Co., Ltd.
(Published by DeNA Co., Ltd.)
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©DeNA Co., Ltd

Jun 2015



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LOGO ILLUSTRATION:
©2015 YOSHITAKA AMANO

Oct 2015



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©SUGIYAMA KOBO

Dec 2016



©2016-2018
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All Rights Reserved.
Developed by tri-Ace Inc.

Mar 2017



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Mar 2018



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Apr 2014



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Nov 2014



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Sep 2015



©Disney
Developed by SQUARE ENIX

Oct 2015



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LTD. All Rights Reserved.
Developed by Alim Co., Ltd.
LOGO ILLUSTRATION:©2014
YOSHITAKA AMANO

Feb 2017



©2017, 2018 KOEI TECMO
GAMES/ SQUARE ENIX CO., LTD.
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CHARACTER DESIGN:
TETSUYA NOMURA

Jun 2017



Co-developed with Pokelabo Inc.
(Published by Pokelabo Inc.)
©2017, 2018 Pokelabo Inc./
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*Each title's launch timing

Digital Entertainment

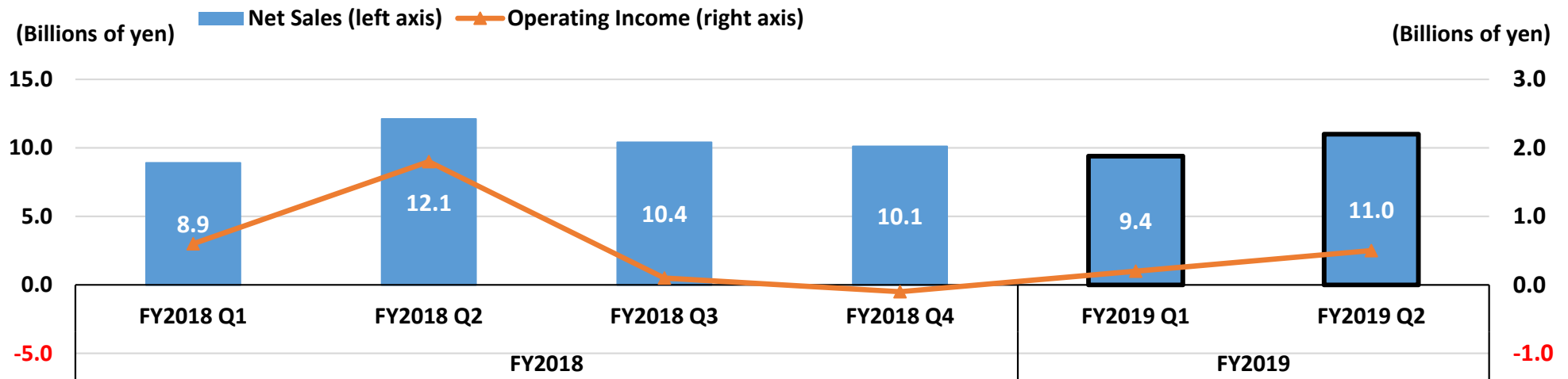
– Games for Smart Devices/PC Browser

Future Business Strategy: “Selection and Concentration”

- Focus on selected new titles.
- Revisit organizational structure. Rebuild development and operation team.

Amusement

No new amusement machines were launched, while amusement facility operations were solid.



Pipeline in FY2019/3

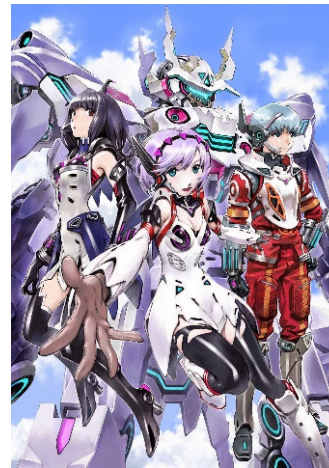


電車でGO!!
DENSHADE GO!!

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ALL RIGHTS RESERVED.
J R 東日本商品化許諾済
J R 西日本商品化許諾申請中



Currently in operation
"Osaka Loop Line" started operation
from September 13, 2018



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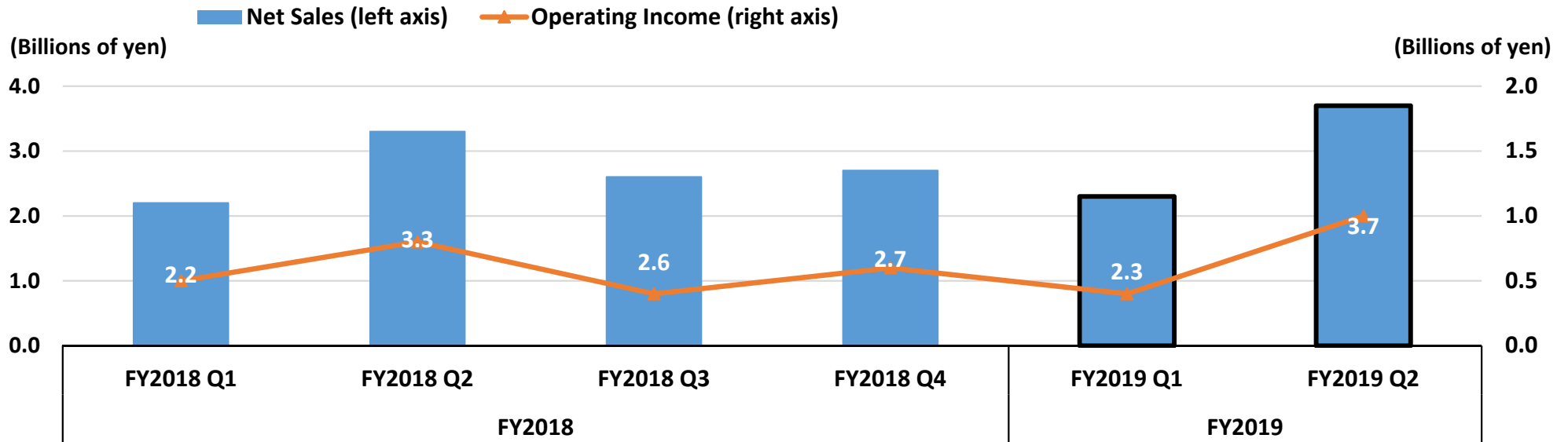


To be launched in November 21, 2018



Publication

Brisk sales in digital formats offset the fall in sales of print media YoY, and led to a YoY increase in net sales and operating income.



Main Titles in FY2019/3

マンガUP! ガンガンpixiv



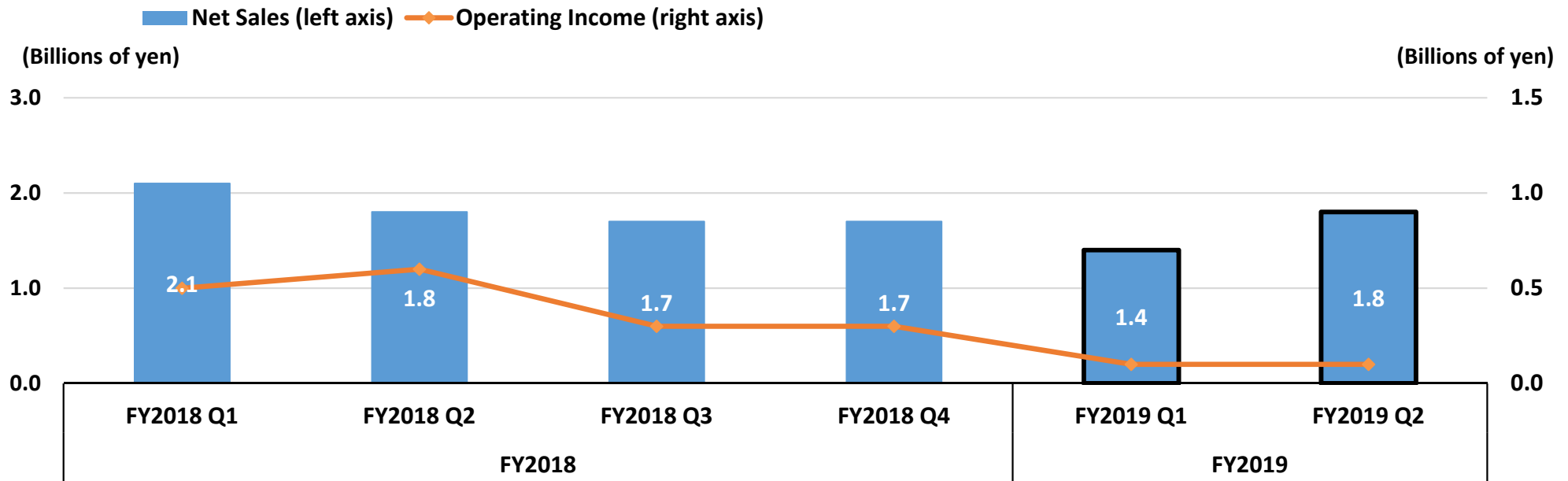
©matoba/SQUARE ENIX



©Kumo Kagyu / SB Creative Corp.
Character Design: Noboru Kannatuki
©Kousuke Kurose/SQUARE ENIX

Merchandising

Net sales, operating profit down on high hurdle set by previous FY's release of merchandise based on characters in the Group's IP portfolio.



Main Points in FY2019/3

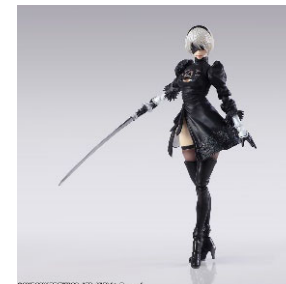
- Engaging in multifaceted sales and licensing deals for merchandise based on established contents.



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CHARACTER DESIGN: TETSUYA NOMURA



© Disney



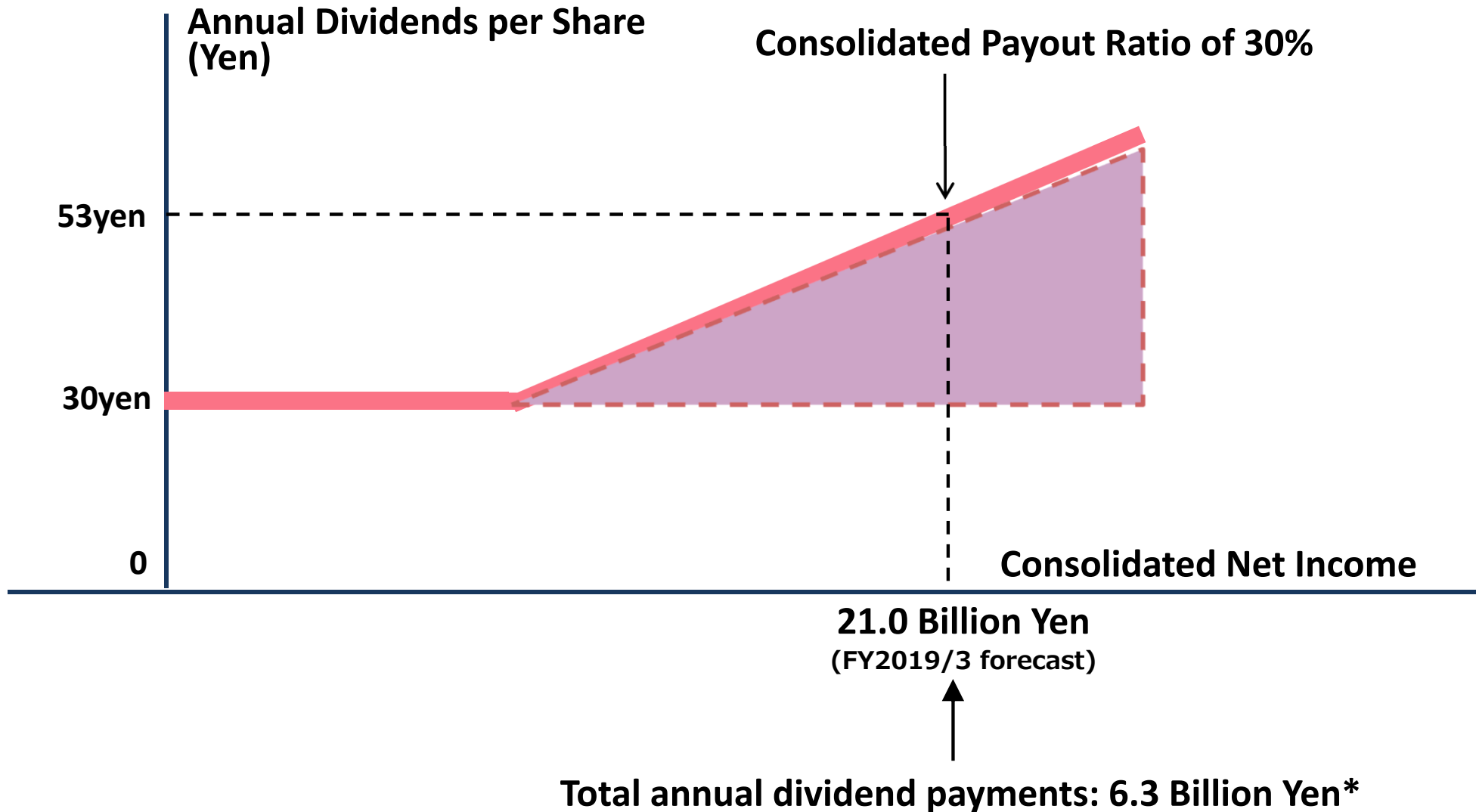
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Booking of Extraordinary Loss

- **Company: Luminous Productions Co., Ltd.**
(a wholly subsidiary of SQUARE ENIX HOLDINGS CO., LTD.)
- **Overview:**
Reviewed business strategy and decided to focus the subsidiary's development efforts on large-scale, high-quality AAA titles to leverage its strengths.
- **Amount: JPY 3,733 million**
Disposition of the portion of the content production account related to the game titles under development at the subsidiary, and impairment losses on intangible assets.

Dividends Policy for FY 2019/3

Interim dividend amount is 10 Yen/share.



*Based on the forecasted average number of outstanding shares in FY2019/3

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