

SQUARE ENIX®

Financial Results Briefing Session

Fiscal Year ended March 31, 2023

May 12, 2023

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
Fiscal Year
Ended March 31, 2023

Consolidated Statement of Income

Fiscal Year ended March 31, 2023

(Billions of Yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023	
	Full Year Results	Full Year Results	Changes
Net Sales	365.2	343.2	(22.0)
Operating Income	59.2	44.3	(14.9)
Operating Income Margin	16.2%	12.9%	(3.3pt)
Ordinary Income	70.7	54.7	(16.0)
Ordinary Income Margin	19.4%	15.9%	(3.5pt)
Profit attributable to owners of parent	51.0	49.2	(1.8)
Depreciation and Amortization	7.5	6.9	(0.6)
Capital Expenditure	9.1	9.6	0.5
Number of Employees	5,637	4,712	(925)

Consolidated Statement of Income

Fiscal Year ended March 31, 2023 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023	
	Full Year Results	Full Year Results	Changes
Net sales	365.2	343.2	(22.0)
Digital Entertainment	279.6	245.5	(34.1)
Amusement	45.8	56.3	10.5
Publication	29.0	29.1	0.1
Merchandising	14.0	15.6	1.6
Eliminations or unallocated	(3.3)	(3.4)	(0.1)
Operating income	59.2	44.3	(14.9)
Digital Entertainment	58.9	41.2	(17.7)
Amusement	2.0	5.2	3.2
Publication	12.2	11.6	(0.6)
Merchandising	3.9	3.7	(0.2)
Eliminations or unallocated	(17.9)	(17.5)	0.4
Operating income margin	16.2%	12.9%	(3.3pt)
Digital Entertainment	21.1%	16.8%	(4.3pt)
Amusement	4.4%	9.4%	5.0pt
Publication	42.1%	39.9%	(2.2pt)
Merchandising	28.4%	23.8%	(4.6pt)
Eliminations or unallocated	-	-	-

Consolidated Balance Sheet as of March 31, 2023

(Billions of Yen)

	<Assets>			<Liabilities and Net Assets>			
Account	03/2022	03/2023	Changes	Account	03/2022	03/2023	Changes
Cash and deposits	163.0	193.5	30.5	Notes and accounts payable	27.5	23.5	(4.0)
Notes and accounts receivable	44.9	39.9	(5.0)	Income taxes payable	8.4	3.4	(5.0)
Inventories	5.1	5.7	0.6	Refund liabilities	5.6	5.1	(0.5)
Content production account	96.7	87.2	(9.5)	Others	42.1	39.5	(2.6)
Others	12.4	15.9	3.5	Total Current Liabilities	83.8	71.7	(12.1)
Total Current Assets	322.4	342.2	19.8	Non-current Liabilities	12.6	10.6	(2.0)
Property and equipment	19.8	17.7	(2.1)	Total Liabilities	96.4	82.3	(14.1)
Intangible Assets	7.3	5.8	(1.5)	Total Shareholders' Equity	290.2	324.7	34.5
Investments and other assets	31.2	33.7	2.5	Others	(5.8)	(7.4)	(1.6)
Total Non-current Assets	58.4	57.3	(1.1)	Total Net Assets	284.4	317.2	32.8
Total Assets	380.9	399.6	18.7	Total Liabilities and Net Assets	380.9	399.6	18.7

Consolidated Financial Results and Progress in Each Business Segment

Consolidated Financial Results

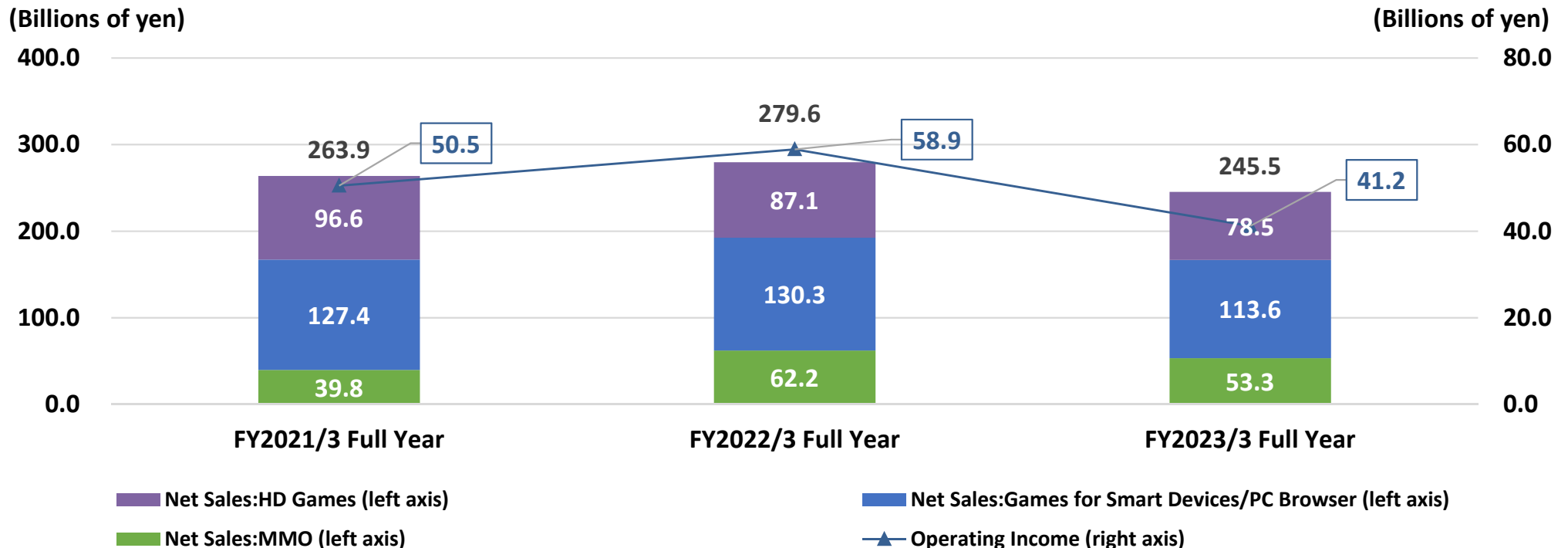
Net sales, operating income and net income down YoY



Digital Entertainment











Net sales, operating income down YoY, partly on weakness in existing Smart Devices/PC Browser titles

HD Games	Sales did not reach the level of the previous year despite the release of multiple new titles
MMO	Previous year saw launch of expansion packs for “FINAL FANTASY XIV” and “DRAGON QUEST X”
Games for Smart Devices/PC Browser	New titles were unable to offset weak performances from existing titles



Digital Entertainment -Main titles 1-

HD Games: Launched multiple new titles, including titles featuring new IP

HD Games: Major New titles in FY2023/3		
<p style="text-align: center;">OUTRIDERS WORLD SLAYER</p> <p>OUTRIDERS WORLD SLAYER © 2022 SQUARE ENIX LTD. All Rights Reserved. Developed by PCF Group S.A. SQUARE ENIX and the SQUARE ENIX logo are registered trademarks or trademarks of Square Enix Holdings Co., Ltd. OUTRIDERS is a trademark or registered trademark of Square Enix Ltd. PEOPLE CAN FLY and the PEOPLE CAN FLY logo are registered trademarks, all used courtesy of PCF Group S.A.</p> <p>Launched on July 1, 2022 (Japan) June 30, 2022 (Overseas)</p>	<p style="text-align: center;"></p> <p>POWERWASH SIMULATOR © 2021, 2022 FuturLab Limited. Published by Square Enix Ltd. Developed by FuturLab Limited.</p> <p>Launched on July 15, 2022</p>	<p style="text-align: center;"></p> <p>© 1994, 2022 SQUARE ENIX CO., LTD. All Rights Reserved. CHARACTER DESIGN © 1994, 2022 SQUARE ENIX CO., LTD. © 1994, SHOGAKUKAN Inc. Gosho Aoyama, Yoshihide Fujiwara, Osamu Ishiwata , Yoshinori Kobayashi, Ryouji Minagawa , Kazuhiko Shimamoto , Yumi Tamura</p> <p>Launched on July 22, 2022</p>
<p style="text-align: center;"></p> <p>© 2012,2022 ARMOR PROJECT/BIRD STUDIO/SQUARE ENIX All Rights Reserved.</p> <p>Launched on September 15, 2022</p>	<p style="text-align: center;"></p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>Launched on September 29, 2022 (PlayStation 5/PlayStation 4) November 12, 2022 (Steam)</p>	<p style="text-align: center;"></p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by tri-Ace Inc. CHARACTER DESIGN: akiman</p> <p>Launched on October 27, 2022</p>
<p style="text-align: center;"></p> <p>© 2022 ARMOR PROJECT/BIRD STUDIO/SQUARE ENIX All Rights Reserved.</p> <p>Launched on December 9, 2022</p>	<p style="text-align: center;"></p> <p>© 2007, 2008, 2022 SQUARE ENIX CO., LTD. All Rights Reserved. CHARACTER DESIGN: TETSUYA NOMURA</p> <p>Launched on December 13, 2022</p>	<p style="text-align: center;"></p> <p>© 2023 Luminous Productions Co., Ltd. All Rights Reserved.</p> <p>Launched on January 24, 2023</p>
<p style="text-align: center;"></p> <p>© 2023 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by indieszero Co., Ltd. LOGO ILLUSTRATION:© 2022 YOSHITAKA AMANO</p> <p>Launched on February 16, 2023</p>	<p style="text-align: center;"></p> <p>© 2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>Launched on February 24, 2023</p>	

Digital Entertainment -Main titles 2-

MMO: No expansion pack was released but focused on retaining users through a variety of operational initiatives

MMO : Main titles in operation



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Digital Entertainment -Main titles 3-

Games for Smart Devices/PC Browser: Launched multiple new titles

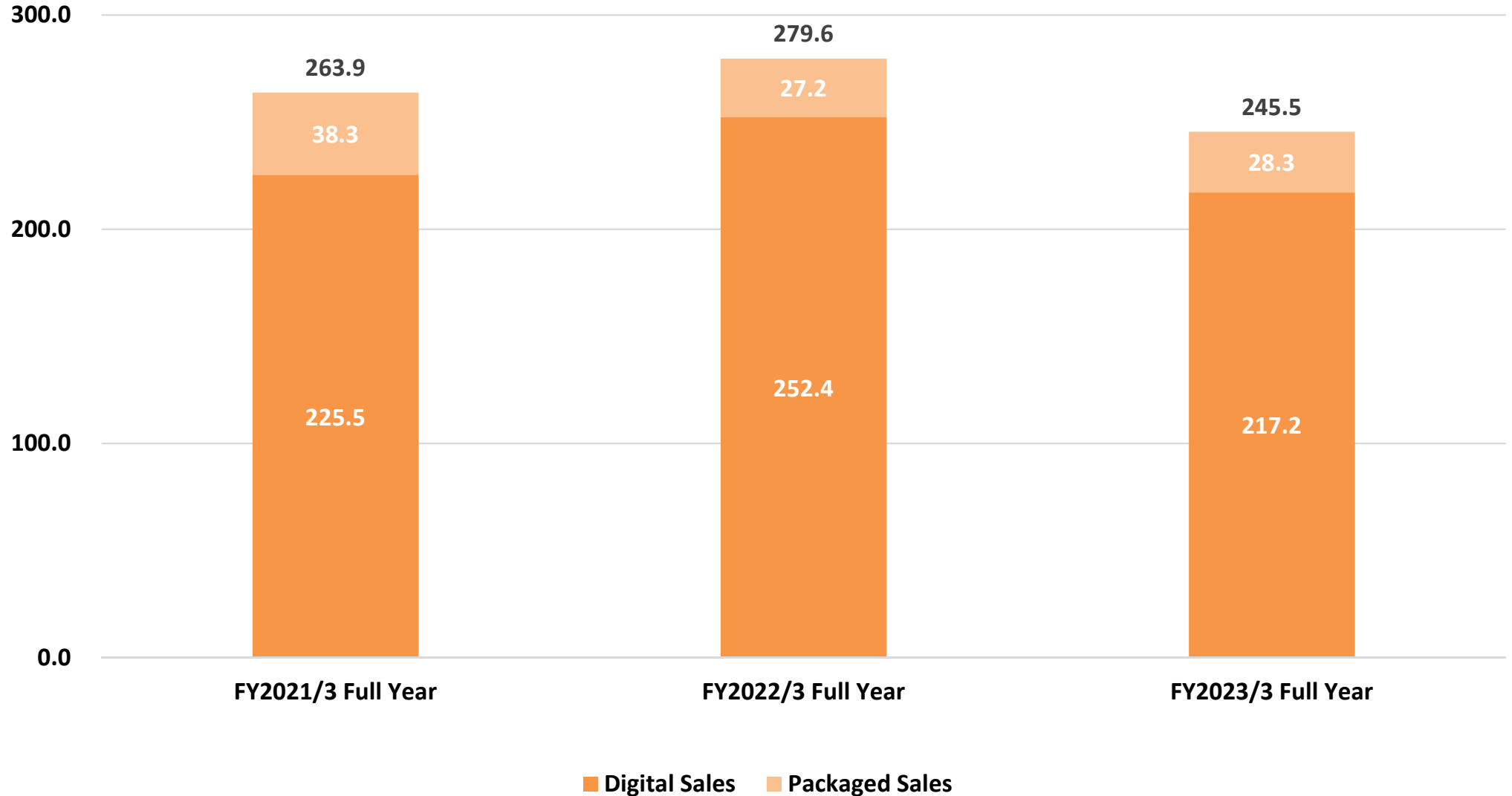
Major Operating Titles (Month and year indicate each title's launch timing)

<p>Aug 2010 (PC Browser game)</p>  <p>©2010-2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Jan 2014</p>  <p>© 2014-2023 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved. ©SUGIYAMA KOBO Developed by Cygames, Inc.</p>	<p>Apr 2014</p>  <p>©2014-2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Sep 2014</p>  <p>Alliance with DeNA Co., Ltd. (Published by DeNA Co., Ltd.) ©SQUARE ENIX CO., LTD. ©DeNA Co., Ltd.</p>	<p>Oct 2015</p>  <p>©2015-2023 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by gumi Inc. LOGO ILLUSTRATION: ©2014 YOSHITAKA AMANO</p>	<p>Oct 2015</p>  <p>© 2015-2023 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved.</p>	<p>Feb 2017</p>  <p>©2017-2023 KOEI TECMO GAMES/ SQUARE ENIX CO., LTD. All Rights Reserved. CHARACTER DESIGN: TETSUYA NOMURA</p>
<p>Jun 2017</p>  <p>Co-developed with Pokelabo Inc. (Published by Pokelabo Inc.) © 2017-2023 Pokelabo Inc./ SQUARE ENIX CO., LTD. All Rights Reserved</p>	<p>Dec 2018</p>  <p>© 2018-2023 SQUARE ENIX CO., LTD. All Rights Reserved. Powered by Akatsuki Inc.</p>	<p>Jul 2019</p>  <p>© 2019 TOARU-PROJECT © 2019-2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Sep 2019</p>  <p>© 2019-2023 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved.</p>	<p>Nov 2019</p>  <p>© 2019-2023 SQUARE ENIX CO., LTD. All Rights Reserved. Co-Developed by gumi Inc. LOGO ILLUSTRATION: © 2018 YOSHITAKA AMANO</p>	<p>Jul 2020</p>  <p>© 2020-2023 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved. Developed by Aiming Inc.</p>	<p>Oct 2020</p>  <p>© 2020-2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p>
<p>Feb 2021</p>  <p>© 2021-2023 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by Applibot, Inc.</p>	<p>Dec 2021</p>  <p>© 2021-2023 ARMOR PROJECT/ BIRD STUDIO/NHN PlayArt/ SQUARE ENIX All Rights Reserved.</p>	<p>Aug 2022</p>  <p>© 2021-2023 Hiromu Arakawa/SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Feb 2023</p>  <p>© 2023 SQUARE ENIX CO., LTD. All Rights Reserved.</p>			

Digital Entertainment --Digital vs. Packaged Game Sales--

Breakdown of Digital Entertainment sales

(Billions of yen)



Digital Entertainment --Units Sold by Region--

Units Sold = Sold disks + Downloads

Packaged: Unit sales of packaged software sold in the fiscal year

Downloads: Unit sales of downloaded software sold in the fiscal year

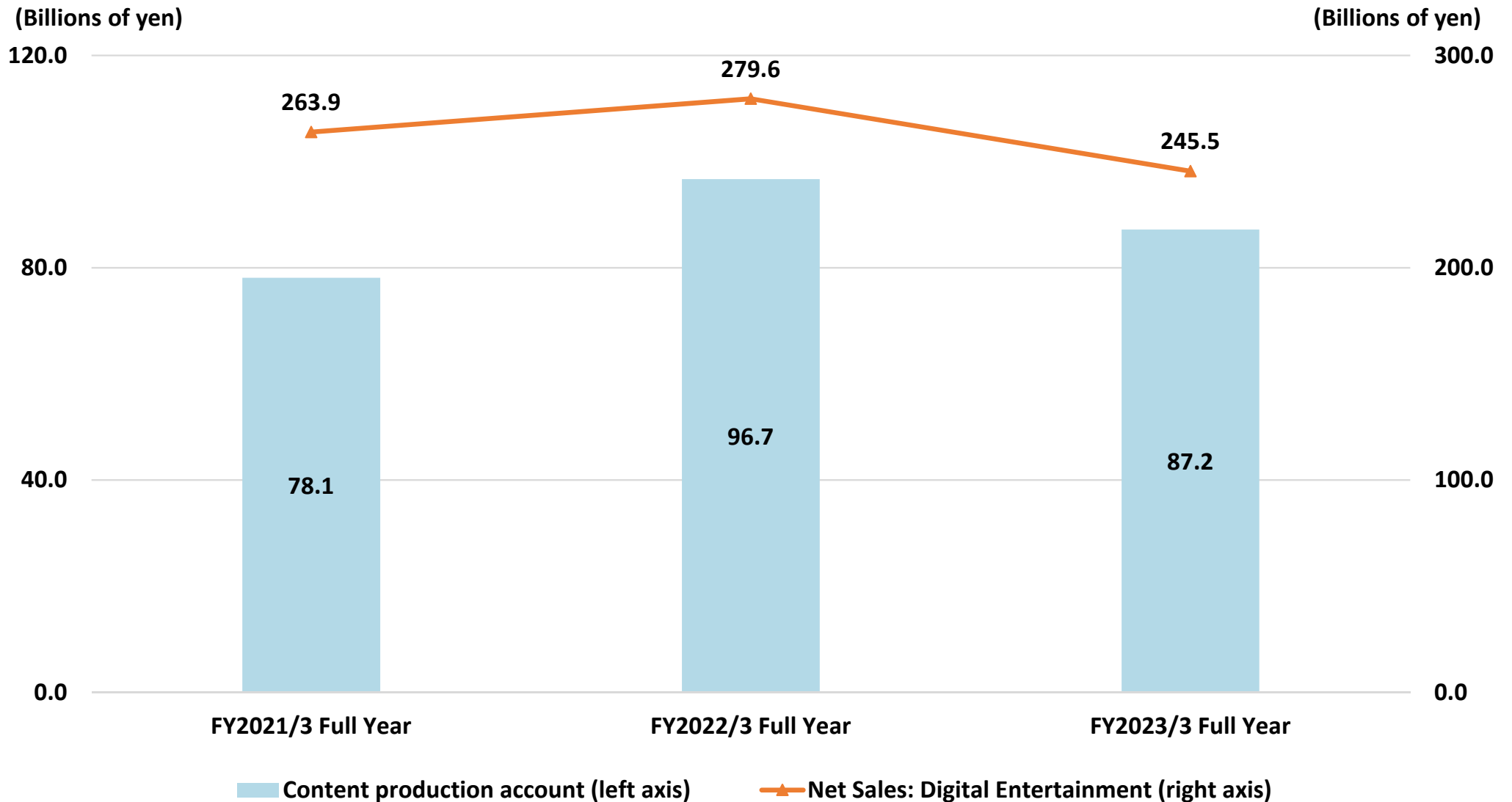
(Millions of Units Sold)

Region	FY2022/3 Full Year Results			FY2023/3 Full Year Results		
	Packaged	Download	Total	Packaged	Download	Total
Japan	1.24	3.62	4.86	2.19	3.14	5.32
North America/ Europe	6.85	23.32	30.17	3.69	10.79	14.49
Asia, etc.	0.39	3.72	4.10	0.72	1.92	2.63
Total	8.47	30.66	39.13	6.59	15.85	22.44

* The above numbers cover both HD and MMO games, and includes titles for which Square Enix is the distributor and titles sold episodically.

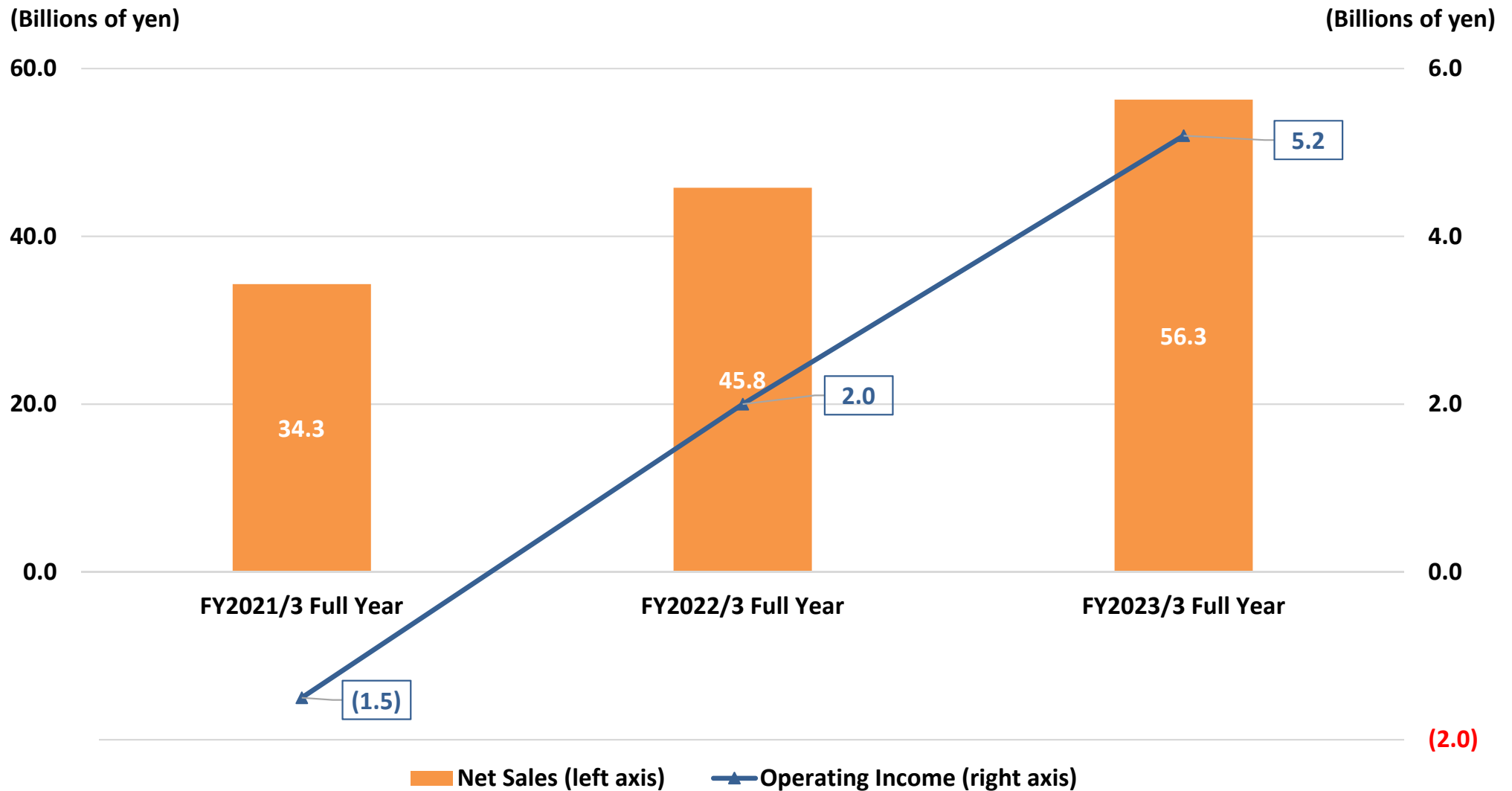
Digital Entertainment

Note: Content production account balance & Digital Entertainment sales



Amusement

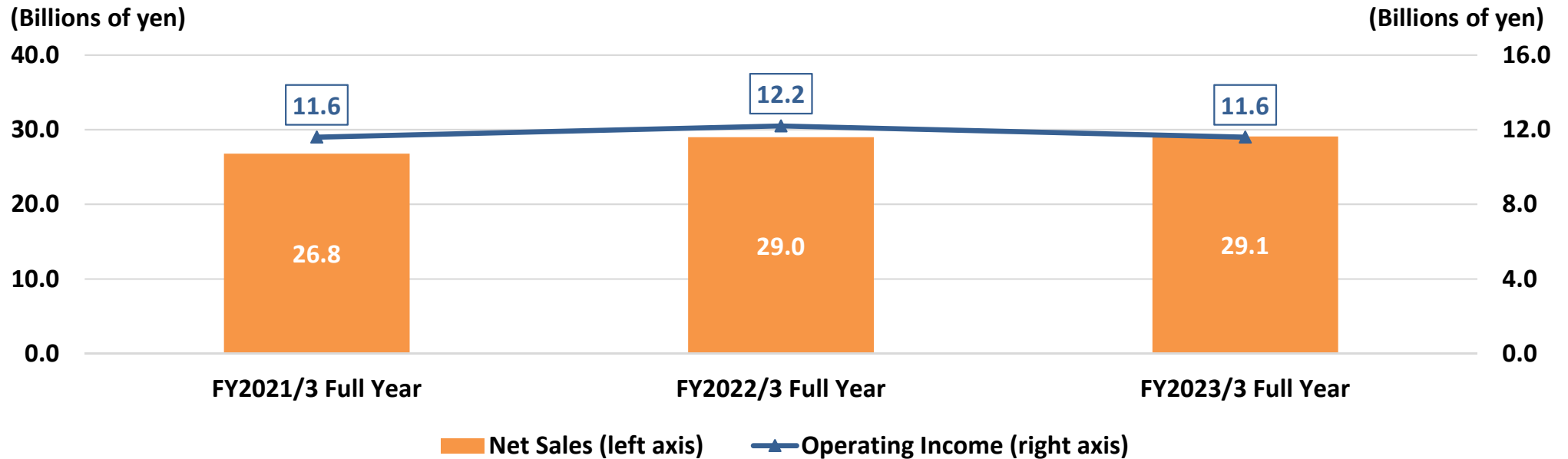
Net sales and operating income rose YoY due to sharp YoY growth in same-store sales.



Publication

Solid sales of print and digital media

Operating income down YoY due to higher costs (incl. for printing paper) and advertising expenses



Major Service, Titles in FY2023/3



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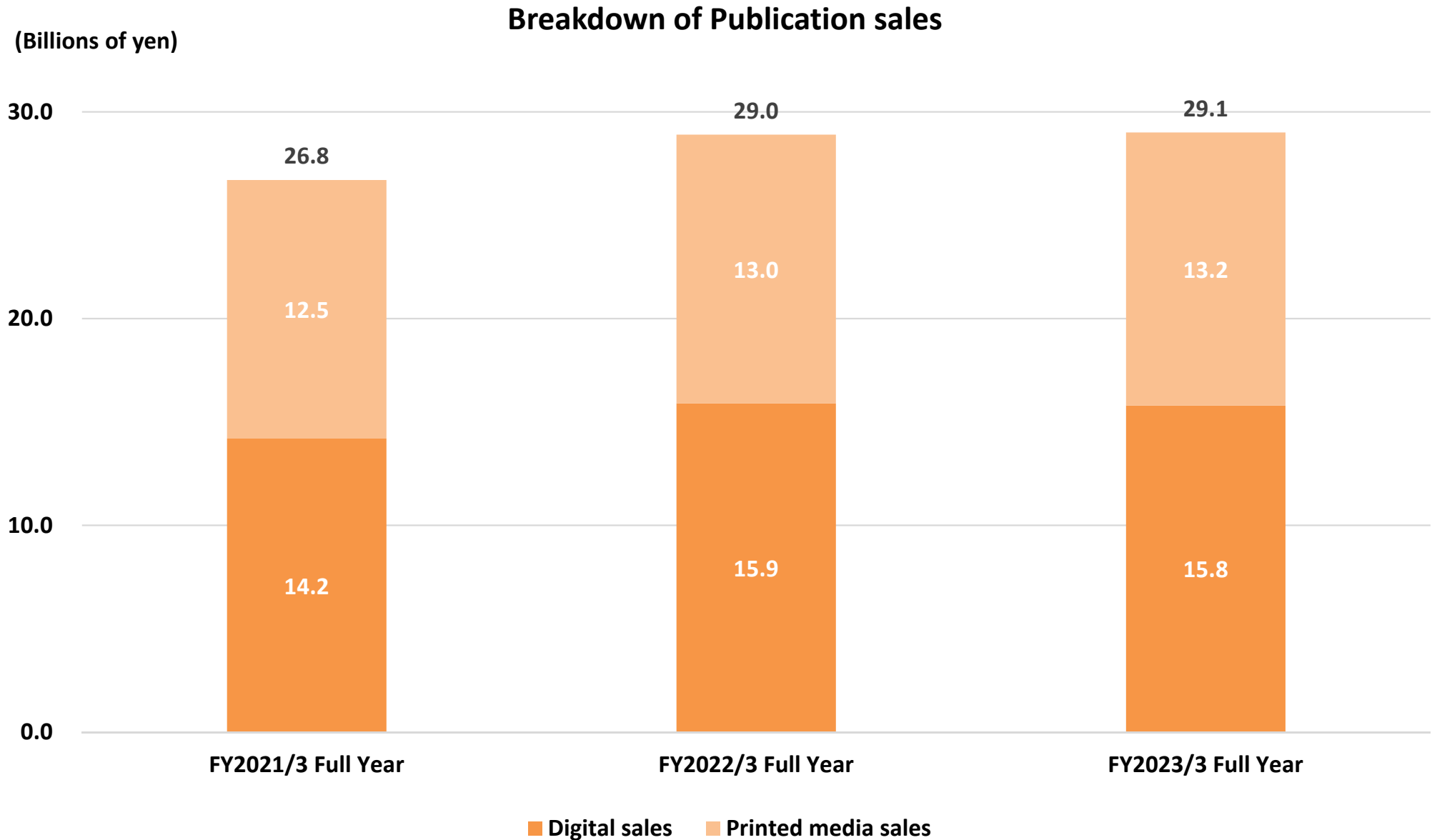


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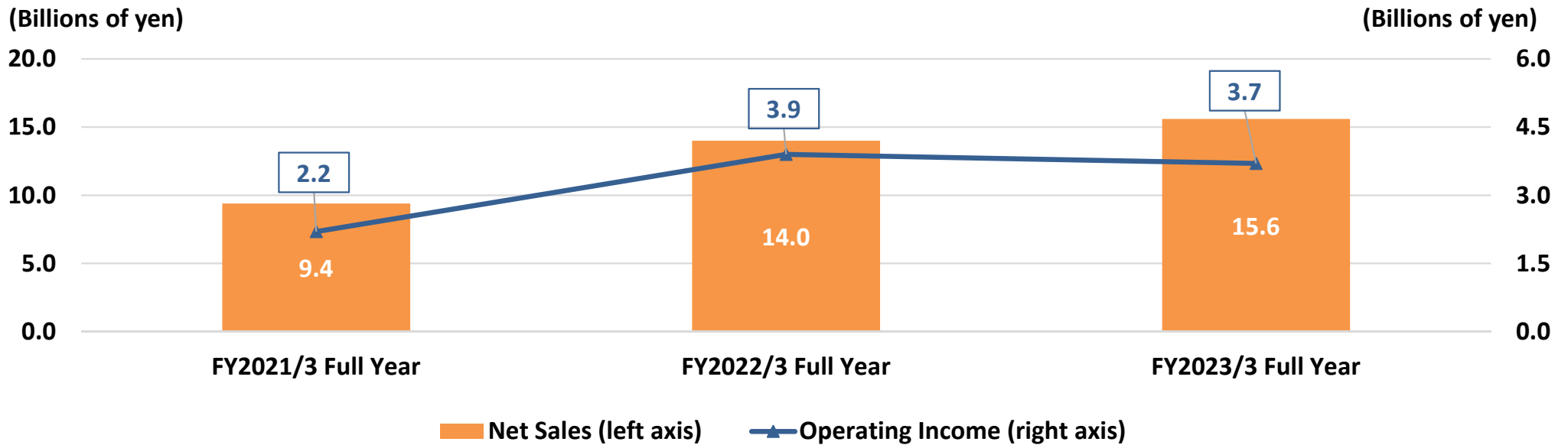
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Publication --Digital vs. Printed Media Sales--



Merchandising

Net sales rose YoY on brisk sales of new merchandise based on key IP
However, operating income fell due to changes in sales mix



Major Products in FY2023/3



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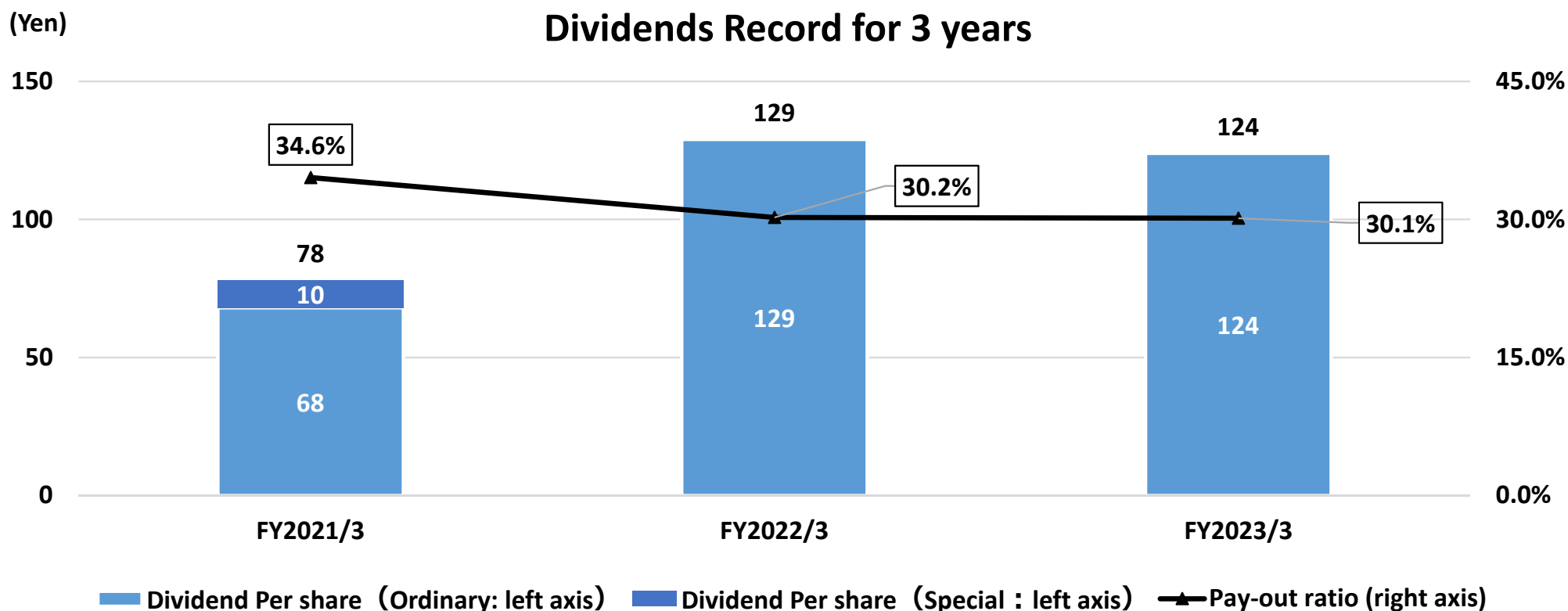


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Shareholders Return in FY2023/3

<Shareholders Return Policy>

- Prioritize growth investment and consider balance between shareholders return and internal reserve
- Reward shareholders via dividends, using a consolidated dividend payout ratio of 30% as a guide
- Minimum annual DPS of 30 yen

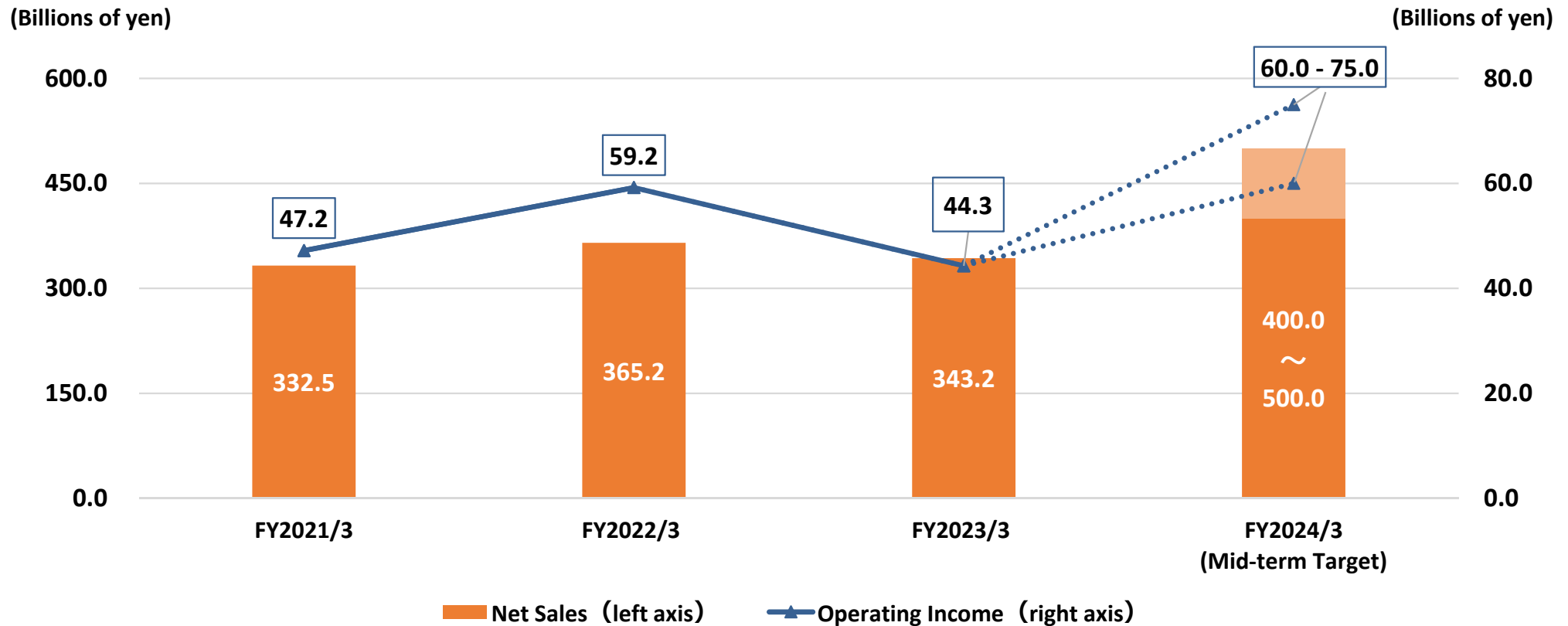


Medium-term Earnings target
and
Initiatives to drive further growth

Medium-term Earnings target

3-year targets

- Net sales 400 – 500 billion yen
- Operating income 60 – 75 billion yen
- Operating margin improvement



Initiatives to drive further growth

**Bolster existing business further
and take on new domains**

**Existing
business**

Digital Entertainment

**New
domains**

Blockchain Entertainment

FY2023/3 initiatives

Future plans/initiatives

1. Initiatives deployed to drive further growth: FY2023/3

(1) Reshaping development structure/title portfolio

Existing
business

- **Divestiture of select overseas studios and IP**
 - Sale of three studios (Crystal Dynamics, Eidos Montréal, and Square Enix Montréal) and related IP to the Embracer Group
- **Medium/long-term reshuffle of groupwide title portfolio**
 - Focus resources on titles carefully selected for global appeal
 - Create a pipeline enabling regular launches of major titles
 - Revisit total development process to bolster quality

1. Initiatives deployed to drive further growth: FY2023/3

(2) Bolstering our publishing structure

Existing
business

- **Named two Chief Publishing Officers (CPOs) to establish clearer leadership**
- **Integrated marketing and sales functions as part of realignment of our global publishing organization**
- **Strengthened foundations for global collaboration by establishing the new Global Publishing Meeting**

1. Initiatives deployed to drive further growth: FY2023/3

(3) Taking on Web3 domain

New
domains

- **Created Blockchain Entertainment Business Division**
- **The capital and alliance agreement with with gumi
(joint investment by Square Enix Holdings and SBI Holdings)**
- **Stakes in three companies in Japan and 8 overseas^{*}
(including token investment)**

***Cumulative total as of the end of FY2023/3**

1. Initiatives deployed to drive further growth: FY2023/3

(3) Taking on Web3 domain: List of investments (Newly disclosed)

New
domains

Blockchain

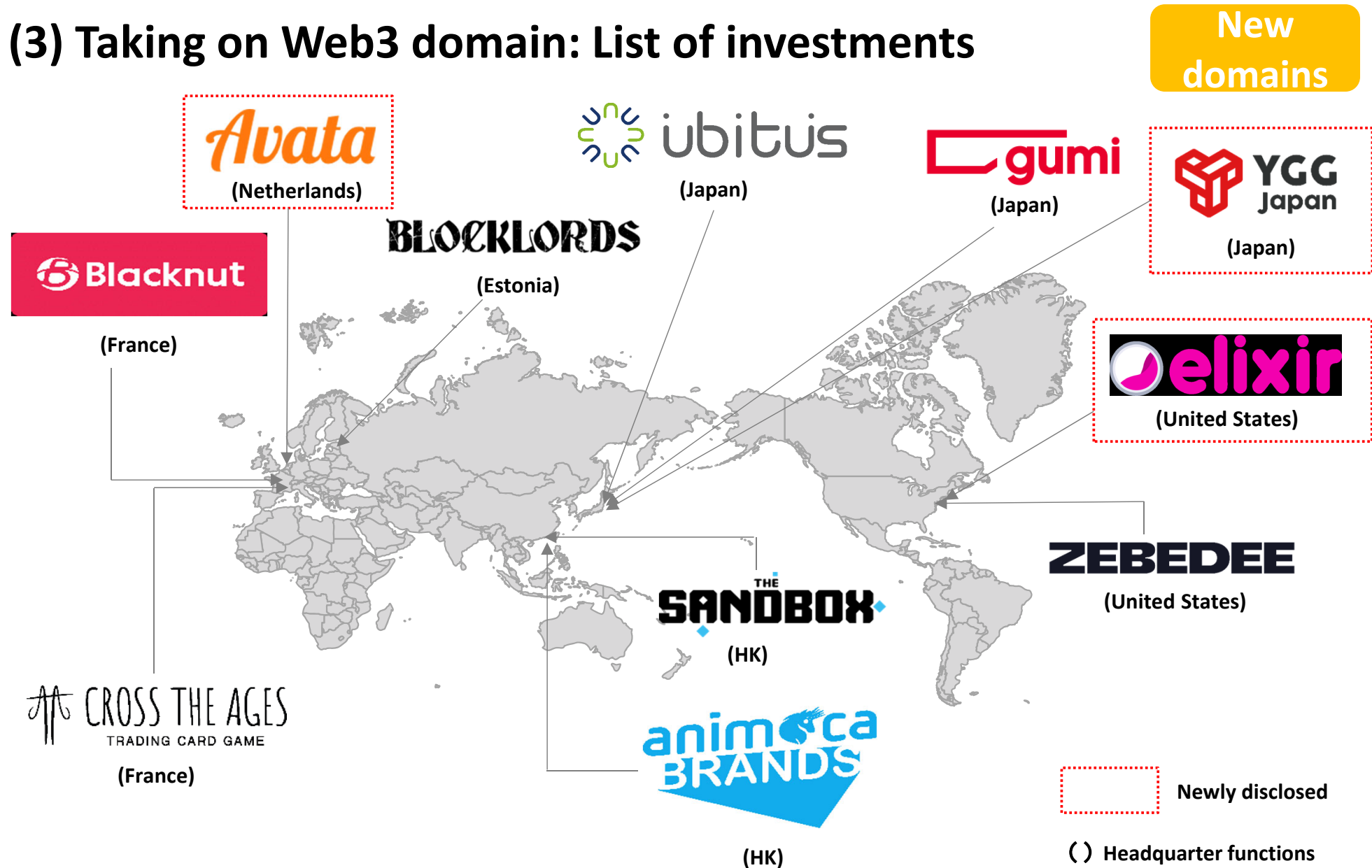
- **Avata (Netherlands)**
An insurtech company providing customised insurance solutions to digital asset owners.
- **Elixir Games (United States)**
A game distribution platform combining web2 and web3 functionalities for PC and smart device games
- **YGG Japan (Japan)**
A game and advertisement platform for web 3 players by using YGG's know-how.

The logo for Avata, featuring the word "Avata" in a stylized, orange, cursive font.The logo for Elixir Games, featuring a pink and white circular icon with a stylized 'e' shape, followed by the word "elixir" in a bold, pink, lowercase font.The logo for YGG Japan, featuring a red 3D cube icon to the left of the text "YGG Japan" in a bold, black, sans-serif font.

() Headquarter functions

1. Initiatives deployed to drive further growth: FY2023/3

(3) Taking on Web3 domain: List of investments



2. Future plans – Digital Entertainment

Strengthening in-house development resources

Existing
business

- **Consolidate group resources on major projects, through Luminous Productions merger etc.**
- **Achieve optimal allocation of internal development resources with focus on AAA titles**
- **Overhaul structure for developing smart device games by realigning internal organization**

2. Future plans – Digital Entertainment

Strengthening in-house development resources

Existing
business

- **Step up hiring of engineers and other development talent (to develop not only HD and smart device games but also content for future cross-platform offerings)**
- **Bring talented external development resources into the Group (consider M&A, creating new studios, taking minority stakes)**

3. Future plans – Blockchain Entertainment

(1) Blockchain Entertainment initiatives

New
domains

- **Being a pioneer is key to achieving overwhelming success**
- **Release titles to validate business models and monetize simultaneously (Organic)**
- **Continue to pursue investments globally (Inorganic)**

3. Future plans – Blockchain Entertainment

(2) Initiatives to promote Blockchain Entertainment

New
domains
(Organic)

- Explore business structure/earnings potential of NFT business

Shi-San-Sei Million Arthur

→ Issue NFTs, release game content

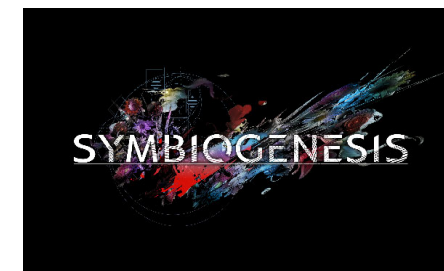


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- Explore businesses leveraging public blockchains

SYMBIOGENESIS (In development)

→ Our first sales of NFT collectible art featuring new IP



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3. Future plans – Blockchain Entertainment

(2) Initiatives to promote Blockchain Entertainment

New
domains
(Inorganic)

- Investment selection policy

→ Prioritize strategic returns to the entire business and select companies capable of providing a stronger commitment as a business partner

→ Minimize downside risk by taking minority stakes; primarily select start-ups, placing focus on gaining insight into/exploring the domain

- Diversification of Investment Vehicle

→ Considering establishing a Corporate Venture Capital (CVC) unit

- Preparing to establish an overseas entity

→ Create a Web3 business

Initiatives to achieve further growth - Summary

- **FY2023/3:**
Undertook transformation focused on overseas structure
- **FY2024/3:**
Will pursue the following focus initiatives to strengthen existing businesses while taking on new domains

**Existing
business**

- **Strengthen in-house development structure**
- **Enhance publishing functions globally**

**New
domains**

- **Accelerate blockchain game development**
- **Validate, solidify business models, earnings structures**

Consolidated Financial Forecasts
Fiscal Year
ending March 31, 2024

Consolidated Financial Forecasts:

Fiscal Year ending March 31, 2024

(Billions of Yen)

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Ordinary Income Margin	15.9%	15.3%	(0.6pt)
Profit attributable to owners of parent	49.2	38.5	(10.7)
Depreciation and Amortization	6.9	9.9	3.0
Capital Expenditure	9.6	11.7	2.1

Dividends per share

(Yen)

Interim	10	10	0
Yearend	114	87	(27)
Total	124	97	(27)

APPENDIX

Blockchain Entertainment Business Division: Initiatives I

- Explore business structure/earnings potential of NFT business

Shi-San-Sei Million Arthur

- Sixth round of sales (April 2023-)



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Sold over 75% (sets, characters sold out)

- Issued 140,000 NFTs to date

New
domains



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Blockchain Entertainment Business Division: Initiatives I

- Explore business structure/earnings potential of NFT business

New domains

Shi-San-Sei Million Arthur

- Released game content (April 20, 2023)

More than 13,000 NFT holders (Quadrupled in first week)*

→ Ranked #1 in LINE Blockchain transactions by item token

→ #Shi-San-Sei Million Arthur trended on Twitter Business & Finance for seven straight days

Major advancements in NFT game ecosystem, mass adoption



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*<https://explorer.blockchain.line.me/daphne/top-item-token>

Blockchain Entertainment Business Division: Initiatives II

New
domains

- Explore businesses leveraging public blockchains

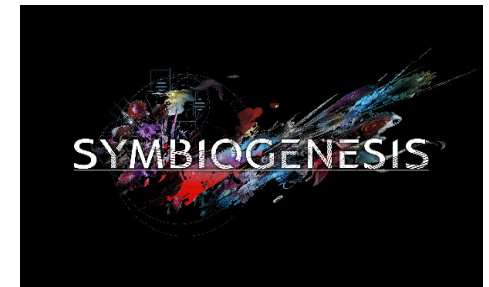
Apply expertise gained on Japan-only Shi-San-Sei Million

Arthur to validate Web3 business models and tackle associated challenges

SYMBIOGENESIS (In development)

- Our first sales of NFT collectible art featuring new IP

→ Plan to sell around 10,000 pieces of NFT art



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Blockchain Entertainment Business Division: Initiatives II

- Explore businesses leveraging public blockchains

SYMBIOGENESIS (In development)

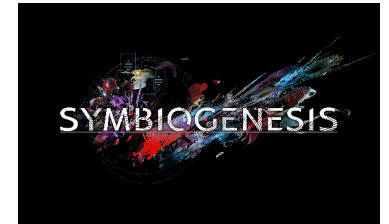
- Six-chapter interactive story

Story unfolds as players make strategic moves involving the monopolization and distribution of information

- Promotion videos released in March and April 2023
- Collected digital art with various functions and a dedicated community

Game utility, profile pictures (PFP), and dedicated Discord community up and running following March 2023 launch.

New
domains



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