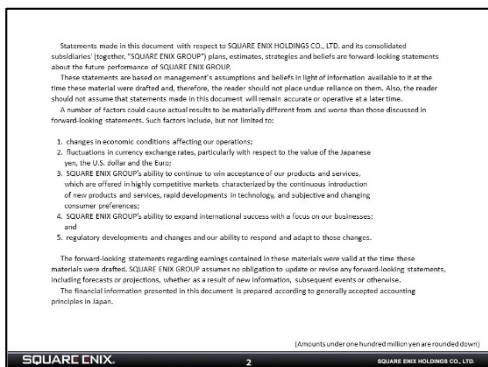


We would now like to begin the Financial Results Briefing session of SQUARE ENIX HOLDINGS (the “Company”) for the first half of the fiscal year ending March 31, 2024 (“1H FY2024/3”). Today’s presenter is Takashi Kiryu, President and Representative Director.



Mr. Kiryu will provide an overview of the Company’s financial results for 1H FY2024/3 before describing the progress made by each of the Company’s business segments.



I am Takashi Kiryu. I will start by providing an overview of our 1H FY2024/3 results.

Consolidated Statement of Income
1H, FY2024/3

(Billions of Yen)

	Fiscal Year Ended March 31, 2023		Fiscal Year Ending March 31, 2024			
	1H	Full Year Results	1H	Changes	Full Year Forecasts	Changes
Net sales	169.3	343.2	172.0	8.7	360.0	16.8
Operating income	26.0	44.3	17.3	(8.7)	55.0	10.7
Operating income margin	15.9%	12.9%	10.1%	(5.8pt)	15.3%	2.4pt
Ordinary income	45.1	54.7	25.1	(19.0)	55.0	0.3
Ordinary income margin	27.6%	15.9%	15.2%	(12.4pt)	15.3%	(0.1pt)
Profit attributable to owners of parent	39.4	49.2	16.6	(22.8)	38.5	(10.7)
Depreciation and amortization	3.5	6.9	3.4	(0.1)	9.9	3.8
Capital expenditure	5.0	9.6	5.6	0.6	11.7	2.1

In 1H FY2024/3, the Company booked net sales of ¥172.0 billion (up ¥8.7 billion YoY), operating income of ¥17.3 billion (down ¥8.7 billion), ordinary income of ¥26.1 billion (down ¥19.0 billion), and profit attributable to owners of parent of ¥16.6 billion (down ¥22.8 billion).

I note that our ordinary income and profit attributable to owners of parent saw greater YoY declines than did our operating income. That is due primarily to a YoY decline in foreign exchange gains and to the fact that we had booked a gain on sale of shares of

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subsidiaries and associates in the previous year in connection with our divestiture of select overseas studios and intellectual property.

The Digital Entertainment segment posted net sales of ¥122.0 billion (up ¥4.9 billion YoY) and operating income of ¥15.5 billion (down ¥9.0 billion).

The Amusement segment booked net sales of ¥28.4 billion (up ¥2.6 billion) and operating income of ¥3.2 billion (up ¥0.7 billion).

The Publication segment posted net sales of ¥14.4 billion (down ¥0.2 billion) and operating income of ¥5.5 billion (down ¥0.5 billion).

The Merchandising segment booked net sales of ¥8.3 billion (up ¥0.9 billion) and operating income of ¥1.8 billion (up ¥0.1 billion).

I will provide further color when describing conditions in the individual segments.

Looking at our consolidated balance sheet, I note that our content production account was only slightly smaller at the end of September 2023 than at the end of March 2023 because while we made progress on our development of forthcoming titles, we released multiple new titles, including a major game.

Next, I will provide additional details on our consolidated financial results and on our progress in each of our segments.

Consolidated Statement of Income
1H, FY2024/3 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2023		Fiscal Year Ending March 31, 2024		Changes
	1H	1H	1H	1H	
Net sales	163.3	172.0	172.0	8.7	
Digital Entertainment	117.1	122.0	122.0	4.9	
Amusement	25.8	28.4	28.4	2.6	
Publication	14.6	14.4	14.4	(0.2)	
Merchandising	7.4	8.3	8.3	0.9	
Eliminations or unallocated	(17.7)	(15.3)	(15.3)	2.4	
Operating income	26.0	17.3	17.3	(8.7)	
Digital Entertainment	24.5	15.5	15.5	(9.0)	
Amusement	2.5	3.2	3.2	0.7	
Publication	6.0	5.5	5.5	(0.5)	
Merchandising	1.7	1.8	1.8	0.1	
Eliminations or unallocated	(8.9)	(8.9)	(8.9)	0.1	
Operating income margin	15.9%	10.1%	10.1%	(5.8ppt)	
Digital Entertainment	21.0%	12.7%	12.7%	(8.3ppt)	
Amusement	9.9%	11.3%	11.3%	1.6ppt	
Publication	41.2%	38.1%	38.1%	(3.1ppt)	
Merchandising	23.0%	22.3%	22.3%	(1.6ppt)	
Eliminations or unallocated	-	-	-	-	

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Consolidated Balance Sheet
as of September 30, 2023

(Billions of Yen)

Account	<Assets>			<Liabilities and Net Assets>			
	09/2023	03/2023	Changes	Account	09/2023	03/2023	Changes
Cash and deposits	193.5	201.2	7.7	Notes and accounts payable	23.5	23.7	0.2
Notes and accounts receivable	38.9	47.3	7.4	Income taxes payable	3.4	4.7	1.3
Inventories	5.7	5.9	0.2	Unfunded liabilities	5.1	6.3	1.2
Content production account	87.2	86.9	(0.3)	Others	39.5	44.8	5.3
Others	15.9	12.1	(3.8)	Total Current Liabilities	71.7	79.6	7.9
Total Current Assets	342.2	353.7	11.5	Non-current Liabilities	10.6	10.6	0.0
Property and equipment	17.7	20.1	2.4	Total Liabilities	82.3	90.3	8.0
Intangible Assets	5.8	5.7	(0.1)	Total Shareholders' Equity	324.7	328.5	3.8
Investments and other assets	33.7	31.4	(2.3)	Others	(7.4)	(7.8)	(0.4)
Total Non-current Assets	57.3	57.3	0.0	Total Net Assets	317.2	320.7	3.5
Total Assets	399.6	411.0	11.4	Total Liabilities and Net Assets	399.6	411.0	11.4

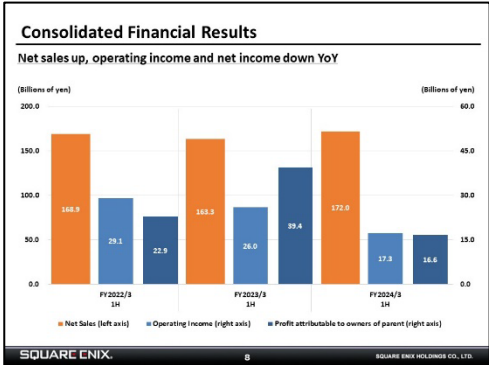
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Consolidated Financial Results and Progress in Each Business Segment

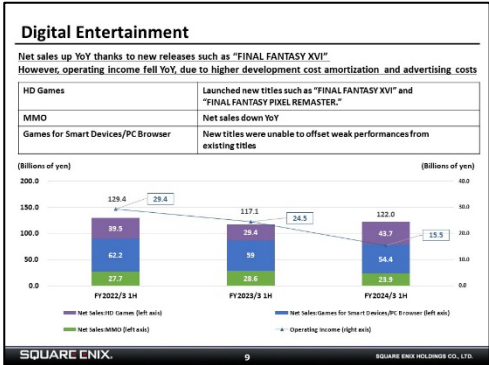
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While our 1H consolidated net sales were the highest we had booked in the most recent three years, our operating income and profit attributable to owners of parent were the lowest. I will elaborate during my discussion of our progress in our individual segments.



This is a breakdown of the Digital Entertainment segment's performance.

Net sales rose at the HD Games sub-segment thanks to the release of such new titles as "FINAL FANTASY XVI" and "FINAL FANTASY PIXEL REMASTER."

The MMO sub-segment had booked strong sales over the past two years, thanks in FY2022/3 to stay-at-home demand during the pandemic and in FY2023/3 to the strong momentum that persisted following the release of the "FINAL FANTASY XIV: ENDWALKER" expansion pack. However, the sub-segment's net sales declined in 1H FY2024/3, which represented a lull in our operating cycle.

Net sales at the Games for Smart Devices/PC Browser sub-segment meanwhile marked a three-year low. We released the new titles "Dragon Quest Champions" and "FINAL FANTASY VII EVER CRISIS," but they were unable to offset the weakness of existing titles.

The above resulted in 1H FY2024/3 operating income of ¥15.5 billion.

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Digital Entertainment -Main titles 1-
 HD Games: Plan to launch new titles, some featuring key IPs

HD Games: Major new titles in FY2024/3

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In Q1, the HD Game sub-segment released “FINAL FANTASY PIXEL REMASTER” and “FINAL FANTASY XVI,” followed in Q2 by “Infinity Strash: DRAGON QUEST The Adventure of Dai.” More titles are forthcoming. The response to our recent release “STAR OCEAN THE SECOND STORY R” has been very positive. We intend to further grow our sales going forward with the releases of “Dragon Quest Monsters: The Dark Prince” and “FINAL FANTASY VII REBIRTH.”

Digital Entertainment -Main titles 2-
 MMO: Planning various Initiatives celebrating the 10th anniversary of “FINAL FANTASY XIV: A Realm Reborn”

MMO: Main titles in operation

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I will start my discussion of the MMO sub-segment by speaking about “FINAL FANTASY XIV.” We announced at our Fan Festival in July that we plan to release the “FINAL FANTASY XIV: Dawntrail” expansion pack in the summer of 2024. While the sub-segment’s net sales were down in 1H FY2024/3 as it represented a lull in our operating cycle compared to FY2022/3 and FY2023/3, we view the sub-segment’s performance as solid. We unveiled a lot of information at our Las Vegas and London Fan Festival events and expect that the gradual build-up of excitement ahead of the expansion pack’s release will translate into a good performance for the sub-segment going forward.

As with “FINAL FANTASY XIV,” we are readying a variety of initiatives for “Dragon Quest X Online” that we look forward to announcing.

Digital Entertainment -Main titles 3-
 Games for Smart Devices/PC Browser: Planning multiple new launches going forward

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

Aug 2019	Apr 2024	Sep 2014	Oct 2015	Oct 2015	Feb 2017	Dec 2018
Final Fantasy XV	Final Fantasy XVI	Final Fantasy VII Remake	Final Fantasy VII Remake	Final Fantasy VII Remake	Final Fantasy VII Remake	Final Fantasy VII Remake
Aug 2019	Sep 2019	Nov 2019	Jul 2020	Oct 2020	Feb 2021	Dec 2021
Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn	Final Fantasy XIV: A Realm Reborn
Aug 2022	Feb 2024	Mar 2025	Sep 2024			
Final Fantasy VII Ever Crisis	Final Fantasy VII Ever Crisis	Final Fantasy VII Ever Crisis	Final Fantasy VII Ever Crisis			

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The Games for Smart Devices/PC Browser sub-segment released “Dragon Quest Champions” and “FINAL FANTASY VII EVER CRISIS” in 1H FY2024/3.

“Dragon Quest Champions” delivered a solid performance immediately after its launch, but its performance weakened somewhat thereafter. However, its six-month anniversary is approaching, and we hope to take that opportunity to bring renewed vitality to the title.

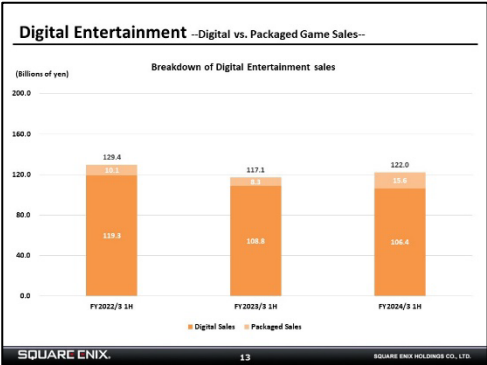
We are meanwhile satisfied with how “FINAL FANTASY VII EVER CRISIS” performed in September and October, immediately following its launch. We anticipate increased exposure for the title

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during the holiday season and with the launch of “FINAL FANTASY VII REBIRTH” in February 2024. In addition, we plan to boost activity by holding events celebrating its six-month anniversary and expect “FINAL FANTASY VII EVER CRISIS” to make earning contributions as our core new title going forward.

We also expect our main existing titles to continue to make sustained earnings contributions, albeit with slight fluctuations.

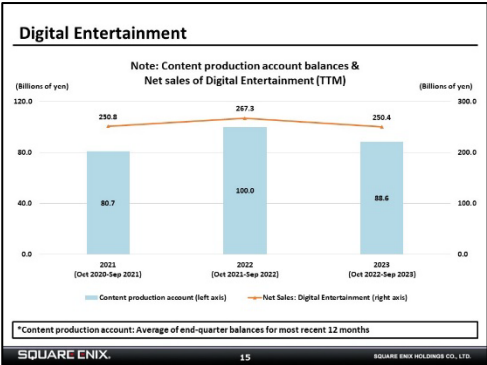


This slide shows a sales breakdown for our Digital Entertainment segment.

The percentage of digital sales was slightly lower in 1H than in the past three years as the release of “FINAL FANTASY XVI” has resulted in higher sales of physical copies.

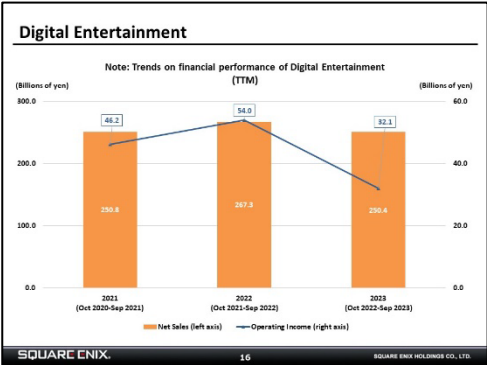
Region	FY2023/3 1H Results			FY2024/3 1H Results		
	Packaged	Download	Total	Packaged	Download	Total
Japan	0.73	1.37	2.10	0.68	2.23	2.91
North America/ Europe	1.16	5.07	6.24	1.66	6.11	7.77
Asia, etc.	0.30	0.77	1.07	0.38	1.11	1.49
Total	2.20	7.21	9.41	2.72	9.44	12.17

Our units sold were up YoY in all our regions. While back catalog titles formed the core of our offering in FY2023/3, 1H FY2024/3 saw the release of new titles like “FINAL FANTASY XVI” and “FINAL FANTASY PIXEL REMASTER,” which contributed to the rise in units sold.

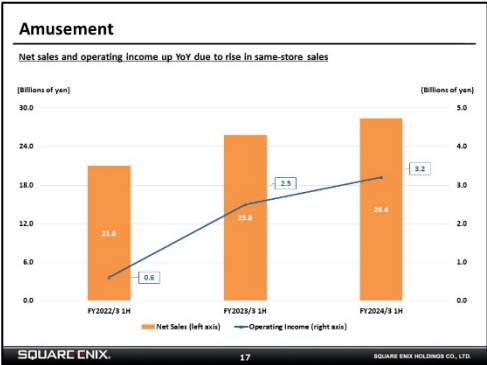


This chart shows the 12-month moving averages for our content production account and Digital Entertainment segment net sales.

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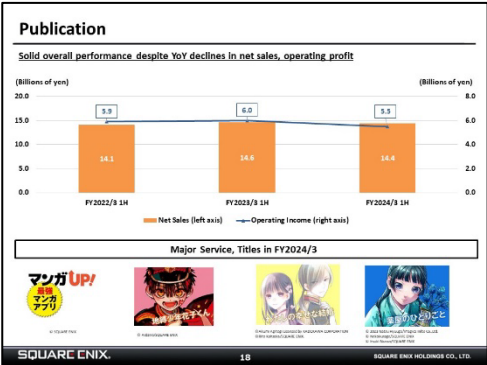


This chart shows the 12-month moving average data for the Digital Entertainment segment.



Both the Amusement segment’s net sales and operating income have grown up and to the right for the past three years.

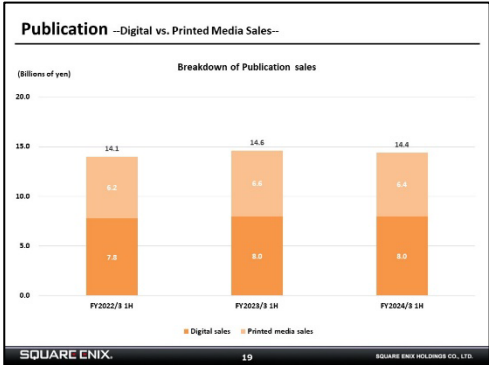
Roadside locations have generated brisk sales since the end of the pandemic, and we have worked to reduce our fixed costs and enhance the efficiency of our arcade operations, resulting in the growth in the segment’s net sales and operating income.



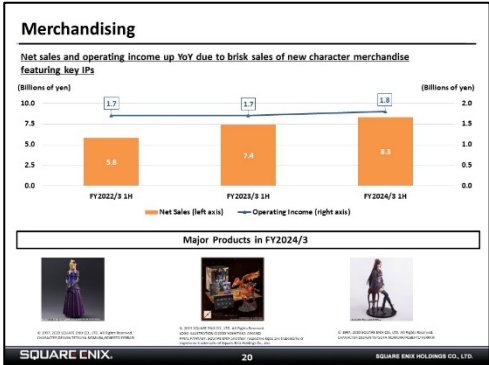
While the Publication segment’s net sales have held mostly flat over the past three years, its operating income has declined slightly as its cost of goods sold has risen due to the weak yen and inflation in the prices of raw materials and other inputs.

Through FY2022/3, the popularity of the *isekai tensei* genre of portal fantasy, which involves characters being reincarnated in another world, meant that that genre accounted for a substantial portion of our content. However, the popularity of that genre eventually subsided, and we have subsequently succeeded at creating a steady stream of hits in a variety of genres, thus enabling the Publication segment’s solid performance.

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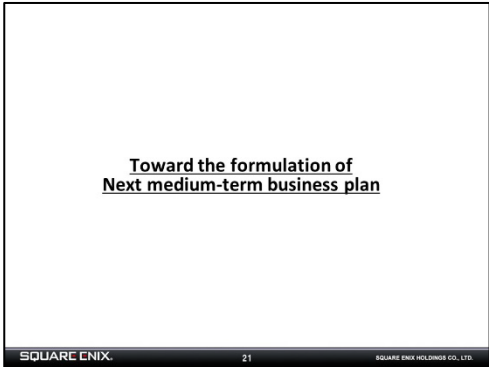
This is a breakdown of the Publication segment’s net sales.



This is our Merchandising segment. While its net sales have grown up and to the right over the past three years, its profits have been basically flat, partly due to differences in product mix.

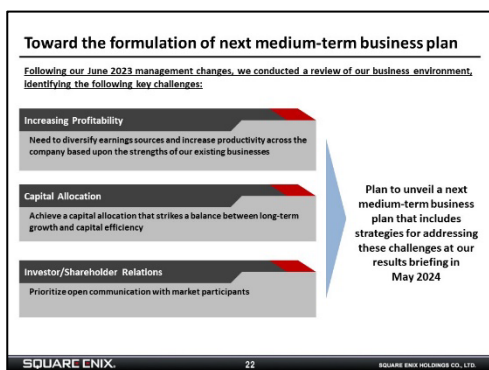
In FY2024/3, we intend to achieve growth by rolling out a variety of products connected to the releases of the latest entries in the FINAL FANTASY franchise: “FINAL FANTASY XVI” and “FINAL FANTASY VII REBIRTH.”

Next, I will discuss the formulation of our forthcoming medium-term business plan.



At previous 1H and full-year financial results briefing sessions, we described our progress on achieving the medium-term targets and executing the business strategy that we had in place at that time. However, analysts and institutional investors had asked us to speak to our business strategy from a mid/long-term perspective and to articulate our understanding of the current challenges that we face. These requests were among a variety of other feedback we received on the nature of the information that we share. In light of this input, I will focus my discussion at today’s briefing on the direction we are currently taking in terms of preparing our next medium-term business plan.

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The efforts we are currently undertaking include vetting our pipelines in the HD Game and Games for Smart Devices/PC Browser sub-segments of the Digital Entertainment segment and establishing the appropriate publishing footprint for ourselves in Japan and internationally. In order to increase our profitability, I believe that we need to diversify our earnings sources and bolster our productivity. By “diversifying our earnings sources,” I refer to leveraging the strength of our business and IP portfolios across a diverse range of content, thereby stably growing our businesses. By “bolstering our productivity,” I refer not only to allocating our resources to the optimal areas but also to optimizing our cost base. I therefore want to increase our profitability by stably growing our businesses and optimizing our cost base, and we will set forth specific measures for doing so at our results briefing in May 2024.

Our policy on capital allocation has been to give comprehensive consideration to the optimal balance between the investments we need to achieve sustained growth and shareholder return. In our forthcoming medium-term business plan, I hope to take this policy to a finer level of granularity by examining the numbers from a variety of perspectives and then to explain how we will go about allocating our capital in a way that ensures the feasibility and likelihood of achieving growth over the long term.

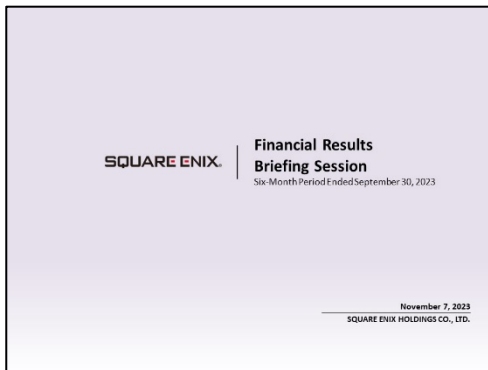
Lastly, regarding our communication with investors and shareholders, I would like to create a cycle whereby we engage in more open communication through which we solicit feedback from you that we then reference to inform our business initiatives. I note that, in keeping with this thinking, we have run today’s financial results briefing session differently than previous ones, reflecting the numerous requests that we had received for providing simultaneous rather than consecutive interpretation, as well as for providing qualitative information on our businesses rather than just short-term numbers.

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Going forward, we plan to engage in more active communication with investors and shareholders than before, while continuing to take on board feedback like I just described. With that in mind, we intend to devote ample time to our Q&A session today.

This concludes my presentation.



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SQUARE ENIX HOLDINGS CO., LTD.

Q2 FY2024/3 Financial Results Briefing Session Q&A

Date/Time: November 7, 2023 (Tue.); 6:30-7:30 pm (JST)

Main Speaker: Takashi Kiryu, President and Representative Director

Q&A

Q: Do you expect a sizable profit contribution from “FINAL FANTASY VII REBIRTH,” which is due out in February 2024? What factors do you expect will add to your profits in 2H?

A: We believe that sales of “FINAL FANTASY VII REBIRTH” are the greatest variable on which our ability to achieve our full-year operating income target of ¥55.0 billion hinges. The feedback that we have received thus far on the title has been strong. As such, we do hope to see a sizable earnings contribution from it in Q4. In fact, we expect sizable earnings contributions in Q4 not only from our HD Games sub-segment but also from our Games for Smart Devices/PC Browser sub-segment thanks to “FINAL FANTASY VII EVER CRISIS,” which we launched in September. This is because of the synergies that we expect will arise between that title and “FINAL FANTASY VII REBIRTH,” as well as because of the six-month anniversary and other events that we have planned.

We also hope to see a stronger performance from the MMO sub-segment in Q4 and beyond because we will be holding our “FINAL FANTASY XIV” Fan Festival at the Tokyo Dome in January 2024, which we expect will gradually build up excitement ahead of the expansion pack’s release of “FINAL FANTASY XIV: Dawntrail” in the summer of 2024.

Q: Did the progress that you made in 1H FY2024/3 toward your initial guidance align with your expectations?

A: It was in line with our expectations. To maximize our sales of “FINAL FANTASY XIV” over an 18-month period, we intend to roll out downloadable content and the PC version when the timing is optimal.

Q: As you consider the broad strokes of your next medium-term business plan, what do you think that you currently lack but will need in order to achieve sustained growth? To fill in such gaps, would you potentially consider investments such as M&A activity or other inorganic investments?

A: I will cite two points on which I find us to be lacking.

The first is the limited diversity of our title portfolio. Because we possess strong IPs like the Dragon Quest and FINAL FANTASY franchises, I believe that we have tended to be overly reliant on certain gameplay styles or genres. Meanwhile, the tastes of customers in the gaming market have diversified, and customers have come to enjoy content from a variety of genres. Moreover, blockbuster titles are not the only ones that enjoy popularity. For example, our title “POWERWASH SIMULATOR” is somewhat of an outlier in our portfolio in that it is a game well suited for casual play, but we have been able to steadily build up our

earnings from it. For these reasons, I want to increase our development proficiency by strengthening our internal development capabilities so that we are able to achieve greater diversity in our title portfolio. I would also not rule out inorganic means as an option for strengthening our internal development capabilities.

The second point where I see us lacking is in our marketing. Not only is content increasingly being sold digitally, but the range of devices capable of delivering content is also diversifying. I want us to establish stronger capabilities that enable us to market efficiently in that environment. Because our portfolio has included strong IPs like the Dragon Quest and FINAL FANTASY franchises, we have tended to focus our resource allocation on content development. Going forward, however, we need to strengthen our publishing function, which manages our marketing. I want to focus on putting the right capabilities in place in that domain, which will also involve some hiring. I plan to go into specifics on these two points in our forthcoming medium-term business plan.

Q: What is required to execute the productivity-enhancing initiatives that will bolster the profitability of your HD Games sub-segment, and how will you go about executing those?

A: At present, some of our development efforts are carried out primarily by internal resources, while others are conducted primarily by external development firms. Over the long term, we need to strengthen the internal portion of our development function. More specifically, I mean that we want to concentrate our development resources on carefully selected new titles that we will develop to a high level of quality. At the same time, rather than focusing solely on major titles, we want to also take on new challenges, partly because we want to add to the diversity of our portfolio of titles, as I noted earlier, while also enabling our developers to expand their skill sets. Through this approach, we hope to strengthen our internal development capabilities, gain greater development proficiency, and establish a development function that enables us to consistently produce high-quality games, thereby bolstering our profitability.

Q: Has the way that your development function has spread to cover so many bases made controlling your development efforts more difficult?

A: It has less to do with our development function and more to do with the numerous entries in our lineup. I want to structure our development function so that we are able to ensure higher quality from each title by slimming down our lineup.

Q: Why have you been unable to slim down your lineup until now?

A: As our customers' needs and the types of devices available have diversified, we have tried to produce hits by developing a wide variety of titles rather than by focusing only on certain ones. I believe that this has resulted in the splintering of our resource pool. Meanwhile, there have been clear winners and losers among the major titles released recently in the gaming market, and it has become possible for even indies titles to make their presence felt. The market is increasingly polarized between blockbuster and indies titles, but I feel that we have developed many titles that fell somewhere in the middle. I want

to make clearer distinctions going forward.

Q: There have been 16 installments in the FINAL FANTASY franchise thus far. Do you not think that that makes for a high barrier to entry for game users who have never played any of the games in the series before? You have peers that have adapted their IP for the big and small screens. What do you think of such adaptations to other media as a way of growing the franchise's fan base?

A: We are open to a multifaceted approach to leveraging our IP and want to explore the possibility of cross-media adaptations of the FINAL FANTASY franchise as a means of further diversifying our sources of earnings. Be it FINAL FANTASY or one of our other franchises, we want to put them in front of a global audience representing diverse age demographics through whatever channels may allow for that. We hope to include specific initiatives of this sort in our forthcoming medium-term business plan.

Q: My impression is that the market's reaction to "Infinity Strash: DRAGON QUEST The Adventure of Dai" has been harsh. What is your take on it internally? You mentioned that you intend to transition from a product-oriented approach to a market-oriented approach. Can we expect better quality to result from a narrowing in the gap between what the market and your customers expect versus what you are delivering?

A: We have received harsh feedback from customers on "Infinity Strash: DRAGON QUEST The Adventure of Dai," and we also acknowledge that problems exist. We think that the time that elapsed between the anime's broadcast and the game's release, as well as the gap between what customers expected from the content versus the game elements that we focused on as the title's selling points, also contributed to the feedback that we received. In terms of switching from a product-oriented to a market-oriented development approach, I would note that in the case of our smart device games, we have begun to reflect feedback from customers that have played titles ahead of their releases into our development process. We are also working to put mechanisms in place that allow us to incorporate customer feedback on HD games in the initial stages of development.

Q: Has the formulation of your next medium-term business plan not produced any conflict internally? Does everyone internally share the same goals?

A: I do not believe there to be any conflict in terms of the communication between the management team and the development team. We undertook an extensive research effort that informed a quantitative and qualitative analysis of where we currently stand, followed by iterative discussions regarding what we should do going forward. We have also established trust and worked to achieve buy-in for the plan that we are pursuing by exchanging views in various ways.