

[Abridged Translation for Reference and Convenience Purposes Only]

This document is an abridged translation of the Japanese original of “Notice of Convocation of the 38th Annual Shareholders’ Meeting” and “Reference Documents for the Shareholders’ Meeting” of SQUARE ENIX HOLDINGS CO., LTD. This translation is intended for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities Code: 9684

June 1, 2018

To Our Shareholders:

Yosuke Matsuda
President and Representative Director
SQUARE ENIX HOLDINGS CO., LTD.
6-27-30, Shinjuku, Shinjuku-ku, Tokyo

NOTICE OF CONVOCATION OF THE 38TH ANNUAL SHAREHOLDERS’ MEETING

You are cordially invited to attend the 38th Annual Shareholders’ Meeting of SQUARE ENIX HOLDINGS CO., LTD. (the “Company”), which will be held as described below.

In the event that you are unable to attend the Meeting, please examine the “Reference Documents for the Shareholders’ Meeting” provided below, and you may exercise your voting rights via either of the following two methods no later than 6:00 p.m., Thursday, June 21, 2018 (Japan Standard Time).

[Exercise of voting rights via the Internet]

Please exercise your voting rights via the Company’s designated electronic voting website (<https://evote.tr.mufig.jp/>). You need a log-in ID and a temporary password, which are indicated on the Voting Form enclosed herewith.

[Exercise of voting rights in writing (via post)]

Please indicate your approval or rejection of the agenda on the Voting Form enclosed herewith, and return the same to be delivered to us by the above deadline.

If you exercise your voting rights both in writing and via the Internet, only the latter will be valid, and if you exercise your voting rights via the Internet more than once, only the last vote will be counted.

(Note: Voting via the Internet is not available to non-resident shareholders.)

(Note: Nominal shareholders such as trust banks [including custodians] who apply in advance to use the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc. may use the platform to exercise their voting rights via electronic method, as provided in the Companies Act.)

1. **Time:** 10 a.m., Friday, June 22, 2018 (Doors open at 9 a.m.)
2. **Place:** Century Room, B1 floor, Hyatt Regency Tokyo
2-7-2 Nishi Shinjuku, Shinjuku-ku, Tokyo
3. **Meeting Agenda:**
 - Reports**
 1. Business Report, Consolidated Financial Statements and Audit Reports on the Consolidated Financial Statements by Accounting Auditors and by the Audit & Supervisory Board for the 38th Term (April 1, 2017 through March 31, 2018)
 2. Non-Consolidated Financial Statements for the 38th Term (April 1, 2017 through March 31, 2018)

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Items for Resolution

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|----------------------|---|
| First Item: | Partial Amendments to the Articles of Incorporation |
| Second Item: | Election of Five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members) |
| Third Item: | Election of Three (3) Directors who are Audit & Supervisory Committee Members |
| Fourth Item: | Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member |
| Fifth Item: | Determination of the remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee Members) |
| Sixth Item: | Determination of the amount of remuneration and details regarding the Stock Acquisition Rights related to Stock Option Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) |
| Seventh Item: | Determination of the remuneration pool for Directors who are Audit & Supervisory Committee Members |

- END -

Notes:

Excerpts from the Business Report and Consolidated Financial Statements are to be attached to this NOTICE OF CONVOCATION and are described from page 3 onward.

Should revisions to this document for the Shareholders' Meeting become necessary, such changes will be posted on the Company's website (Japanese: <http://www.hd.square-enix.com/jpn/ir/stock/shareholdersmeeting.html>; summarized translations in English: <http://www.hd.square-enix.com/eng/ir/stock/shareholdersmeeting.html>).

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Reference Documents for the Shareholders’ Meeting

First Item: Partial Amendments to the Articles of Incorporation

1. Reason for Amendment

- 1) To further promote corporate governance, the Company will transition to a Company with Audit & Supervisory Committee.
In order to enable the transition to a Company with Audit & Supervisory Committee, the Company’s Articles of Incorporation should be amended accordingly, such as adding new provisions for the Audit & Supervisory Committee and the Committee members, and deleting provisions for the Corporate Auditors and the Audit & Supervisory Board.
- 2) The resolution relating to this proposal shall take effect at the conclusion of this Annual Shareholders’ Meeting

2. Details of Amendment

The details of the amendment are shown in the attachment.

(The amended parts are underlined.)

Current Articles	Proposed Amendment
CHAPTER I. GENERAL PROVISIONS	CHAPTER I. GENERAL PROVISIONS
Article 1. - Article 3. (Omitted)	Article 1. - Article 3. (Unchanged)
(Organizations)	(Organizations)
Article 4. The Company shall have the following organizations in addition to Shareholders’ Meeting and Directors:	Article 4. The Company shall have the following organizations in addition to its Shareholders’ Meeting and Directors:
(1) Board of Directors;	(1) Board of Directors;
(2) <u>Corporate Auditors;</u>	(2) <u>Audit & Supervisory Committee; and</u>
(3) <u>Audit & Supervisory Board; and</u>	(Deleted)
(4) Accounting Auditor.	(3) Accounting Auditor.
Article 5. - Article 17. (Omitted)	Article 5. - Article 17. (Unchanged)
CHAPTER IV. DIRECTORS	CHAPTER IV. DIRECTORS
(Number)	(Number)
Article 18. The number of Directors of the Company shall not exceed twelve (12).	Article 18. The number of Directors of the Company <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> shall not exceed twelve (12).
(New)	<u>2) The number of Directors who are Audit & Supervisory Committee Members shall not exceed four (4).</u>
(Election)	(Election)
Article 19. Directors shall be elected at the Shareholders’ Meeting.	Article 19. Directors shall be elected at the Shareholders’ Meeting <u>by distinguishing Directors who are Audit & Supervisory Committee Members and other Directors.</u>
2) – 3) (Omitted)	2) – 3) (Unchanged)
(Term)	(Term)
Article 20. The term of office of Directors shall expire upon conclusion of the Annual Shareholders’ Meeting held with respect to the last fiscal year ending within one (1) year from their election to office.	Article 20. The term of office of Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> shall expire upon conclusion of the Annual Shareholders’ Meeting held with respect to the last fiscal year ending within one (1) year from their election to office.

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Current Articles	Proposed Amendment
<p>(New)</p> <p>2) The term of office of Directors elected to fill a vacancy or in addition to those already in office shall be the same as the remaining term of office of other directors in office at that time.</p>	<p><u>2) The term of office of Directors who are Audit & Supervisory Committee Members shall expire upon conclusion of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within two (2) years from their election to office.</u></p> <p>3) The term of office of Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> elected to fill a vacancy or in addition to those already in office shall be the same as the remaining term of office of other directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> in office at that time.</p>
<p>(New)</p>	<p><u>4) The term of office of a Director who is an Audit & Supervisory Committee Member elected to fill a vacancy caused by the retirement of a Director who is an Audit & Supervisory Committee Member prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Director who is an Audit & Supervisory Committee Member, provided, however, that this term shall not exceed the conclusion of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within two (2) years from the Substitute's election to office.</u></p>
<p>(New)</p>	<p><u>(The validity period of the election of a substitute Director who is an Audit & Supervisory Committee Member) Article 21. The validity period of the election of a substitute Director who is an Audit & Supervisory Committee Member shall expire upon initiation of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within two (2) years after such resolution.</u></p>
<p>(Directors with Titles and Representative Directors) Article <u>21</u>. The Board of Directors may appoint one (1) Chairman of the Board of Director, one (1) Vice Chairman, one (1) President , several Vice Presidents, Executive Directors, and Managing Directors from among the Directors by resolution.</p>	<p>(Directors with Titles and Representative Directors) Article <u>22</u>. The Board of Directors may appoint one (1) Chairman of the Board of Director, one (1) Vice Chairman , one (1) President, several Vice Presidents, Executive Directors, and Managing Directors from among the Directors <u>(excluding Directors who are Audit & Supervisory Committee Members)</u> by resolution.</p>
<p>2) – 3) (Omitted)</p>	<p>2) – 3) (Unchanged)</p>
<p>(Remuneration) Article <u>22</u>. <u>The following matters with respect to the financial benefits received from the Company such as remunerations, bonuses, and other consideration for the execution of duties ("Remunerations") of Directors shall be determined by resolution in a Shareholders' Meeting.</u></p>	<p>(Remuneration) Article <u>23</u>. The financial benefits received from the Company such as remunerations, bonuses, and other consideration for the execution of duties shall be determined by resolution in a Shareholders' Meeting <u>by distinguishing Directors who are Audit & Supervisory Committee Members and other Directors.</u></p>

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Current Articles	Proposed Amendment
<p>CHAPTER V. BOARD OF DIRECTORS</p> <p><u>(Authority of Board of Directors)</u></p> <p>Article <u>23</u>. <u>Matters important to the execution of the Company's operations shall be made by resolution of the Board of Directors.</u></p> <p>(Notice of Convocation of the Board of Directors) Article <u>24</u>. (Omitted) 2) Notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and Corporate Auditor</u> at least three (3) days prior to each meeting; provided, however, that in the event of urgency, such period may be shortened. 3) If the prior consent of all Directors <u>and Corporate Auditors</u> is obtained, a meeting of the Board of Directors may be held without following the procedures for convening a meeting.</p> <p>(Resolutions of the Board of Directors) Article <u>25</u>. Resolutions of the Board of Directors shall be adopted by a majority <u>of the Directors present given that the attending Directors shall constitute in number a majority of the total number of Directors.</u></p> <p>2) In case of a Director submits a proposal for a matter that is to be resolved at the meeting of the Board of Directors in accordance with Article 370 of the Companies Act, the proposal shall be deemed to have been resolved for adoption thereof at the meeting of the Board of Directors, if all the Directors who are entitled to participate in voting with respect to such a proposal have declared their intention to consent on such a proposal in writing or via electronic record, <u>provided, however, that this shall not apply if there are any objections from a Corporate Auditor.</u></p> <p>(Minutes of the Board of Directors) Article <u>26</u>. The substance and the results of the proceedings at a meeting of the Board of Directors shall be entered or recorded in the minutes, and the Chairperson, as well as the Directors <u>and Corporate Auditors</u> present shall inscribe their names and affix their seals thereon or put their electronic signatures thereon. 2) (Omitted)</p> <p>Article <u>27</u>. - Article <u>29</u>. (Omitted)</p>	<p>CHAPTER V. BOARD OF DIRECTORS</p> <p><u>(Delegation of Decisions of Execution of Important Operations)</u></p> <p>Article <u>24</u>. Pursuant to Article 399-13, Paragraph 6 of the <u>Companies Act, the Company may delegate all or a part of decisions of execution of important operations (excluding matters listed in items of Article 399-13, Paragraph 5 of the Companies Act) to Directors by resolution of the Board of Directors.</u></p> <p>(Notice of Convocation of the Board of Directors) Article <u>25</u>. (Unchanged) 2) Notice of convocation of a meeting of the Board of Directors shall be sent to each Director at least three (3) days prior to each meeting, provided, however, that in the event of urgency, such period may be shortened. 3) If the prior consent of all Directors is obtained, a meeting of the Board of Directors may be held without following the procedures for convening a meeting.</p> <p>(Resolutions of the Board of Directors) Article <u>26</u>. Resolutions of the Board of Directors shall be adopted by a majority <u>vote of the Directors present, provided that the attending Directors who are entitled to vote for the resolutions shall constitute in number a majority of the total number of Directors.</u></p> <p>2) In case of a Director submits a proposal for a matter that is to be resolved at the meeting of the Board of Directors in accordance with Article 370 of the Companies Act, the proposal shall be deemed to have been resolved for adoption thereof at the meeting of the Board of Directors, if all the Directors who are entitled to participate in voting with respect to such a proposal have declared their intention to consent on such a proposal in writing or via electronic record.</p> <p>(Minutes of the Board of Directors) Article <u>27</u>. The substance and the results of the proceedings at a meeting of the Board of Directors shall be entered or recorded in the minutes, and the Chairperson, as well as the Directors present shall inscribe their names and affix their seals thereon or put their electronic signatures thereon. 2) (Unchanged)</p> <p>Article <u>28</u>. - Article <u>30</u>. (Unchanged)</p>

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Current Articles	Proposed Amendment
CHAPTER VI. <u>CORPORATE AUDITORS</u>	CHAPTER VI. <u>AUDIT & SUPERVISORY COMMITTEE</u>
<p><u>(Number)</u> <u>Article 30. The number of Corporate Auditors of the Company shall not exceed four (4).</u></p>	(Deleted)
<p><u>(Election)</u> <u>Article 31. Corporate Auditors shall be elected at the Shareholders' Meeting.</u> <u>2) Resolutions for the election of Corporate Auditors in Paragraph 1 shall be adopted by a majority vote of shareholders present who must hold in the aggregate one-third (1/3) or more of the total number of voting rights of shareholders entitled to exercise voting rights.</u></p>	(Deleted)
<p><u>(Term)</u> <u>Article 32. The term of office of Corporate Auditors shall expire upon conclusion of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within four (4) years from their election to office.</u> <u>2) The validity period of the election of a substitute Corporate Auditor under Article 329, Paragraph 2 of the Companies Act shall expire upon initiation of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within four (4) years after the Substitute's election.</u> <u>3) The term of office of Corporate Auditors elected to fill a vacancy shall be the same as the remaining term of office of the retired Corporate Auditor, provided, however, that this term shall not exceed the conclusion of the Annual Shareholders' Meeting held with respect to the last fiscal year ending within four (4) years after the Substitute's election to office.</u></p>	(Deleted)
<p><u>(Full-Time Corporate Auditors)</u> <u>Article 33. The Audit & Supervisory Board shall appoint by resolution one or more Full-time Corporate Auditors.</u></p>	(Deleted)
<p><u>(Remuneration)</u> <u>Article 34. The remuneration of Corporate Auditors shall be determined by resolution of the Shareholders' Meeting.</u></p>	(Deleted)
CHAPTER VII. <u>AUDIT & SUPERVISORY BOARD</u>	(Deleted)
<p><u>(Notice of Convocation of the Audit & Supervisory Board)</u> <u>Article 35. Any Corporate Auditor can convene meetings of the Audit & Supervisory.</u> <u>2) Notices of convocation of a meeting of the Audit & Supervisory Board shall be sent to each Corporate Auditor at least three (3) days prior to each meeting, provided, however, that in the event of urgency, such period may be shortened.</u></p>	(Deleted)

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Current Articles	Proposed Amendment
<p><u>3) If the prior consent of all Corporate Auditors is obtained, a meeting of the Audit & Supervisory Board may be held without following the procedures for convening a meeting.</u></p>	
<p><u>(Resolutions of the Audit & Supervisory Board)</u> <u>Article 36. Except as otherwise provided for by laws and regulations, resolutions of the Audit & Supervisory Board of the Company shall be adopted by a majority of the Corporate Auditors.</u></p>	(Deleted)
<p><u>(Minutes of the Audit & Supervisory Board)</u> <u>Article 37. The substance and results of the proceedings at a meeting of the Audit & Supervisory Board shall be entered or recorded in the minutes, and the Corporate Auditors present shall inscribe their names and affix their seals thereon or put their electronic signatures thereon.</u> <u>2) Minutes of the Audit & Supervisory Board shall be kept by the Company at its head office for ten (10) years from the date of the Audit & Supervisory Board.</u></p>	(Deleted)
<p><u>(Audit & Supervisory Board Regulations)</u> <u>Article 38. The matters concerning the Audit & Supervisory Board shall be governed by, in addition to laws and regulations or the Articles of Incorporation, the Audit & Supervisory Board Regulations established by the Audit & Supervisory Board.</u></p>	(Deleted)
<p><u>(Limitation of Liabilities of Corporate Auditors)</u> <u>Article 39. Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, the Company may release Corporate Auditors (including persons who were Corporate Auditors) from liabilities to the extent permitted by laws and regulations, in accordance with resolution of the Board of Directors.</u> <u>2) Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each of the Outside Corporate Auditors to limit their liabilities, provided, however, that the limitation of liabilities based on the agreement shall be a predetermined amount, which is at least 10,000,000 yen, or the amount provided for by laws and regulations, whichever is greater.</u></p>	(Deleted)
(New)	<p><u>(Notice of Convocation of the Audit & Supervisory Committee)</u> <u>Article 31. Any Audit & Supervisory Committee Member can convene meetings of the Audit & Supervisory Committee.</u> <u>2) Notices of convocation of a meeting of the Audit & Supervisory Committee shall be sent to each Audit & Supervisory Committee Member at least three (3) days prior to the meeting, provided, however, that in the event of urgency, such period may be shortened.</u> <u>3) If the prior consent of all Audit & Supervisory Committee Members is obtained, a meeting of the Audit & Supervisory Committee may be held without following the procedures for convening a meeting.</u></p>

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Current Articles	Proposed Amendment
(New)	<u>(Resolutions of the Audit & Supervisory Committee)</u> <u>Article 32. Resolutions of the Audit & Supervisory Committee shall be adopted by a majority vote of the Audit & Supervisory Committee Members present, provided that the attending directors who are entitled to vote for the resolutions shall constitute in number a majority of the total number of Audit & Supervisory Committee Members entitled to vote for the resolutions.</u>
(New)	<u>(Minutes of the Audit & Supervisory Committee)</u> <u>Article 33. The substance and results of the proceedings at a meeting of the Audit & Supervisory Committee shall be entered or recorded in the minutes, and the Audit & Supervisory Committee Members present shall inscribe their names and affix their seals thereon or put their electronic signatures thereon.</u> <u>2) Minutes of the Audit & Supervisory Committee shall be kept in its head office for ten (10) years from the date of the Audit & Supervisory Committee.</u>
(New)	<u>(Audit & Supervisory Committee Regulations)</u> <u>Article 34. The matters concerning the Audit & Supervisory Committee shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Audit & Supervisory Committee Regulations established by the Audit & Supervisory Committee.</u>
(New)	<u>(Full-Time Audit & Supervisory Committee Members)</u> <u>Article 35. The Audit & Supervisory Committee may appoint by resolution one or more Full-time Audit & Supervisory Committee Members.</u>
Article 40 - Article 43 .	Article 36 - Article 39 . (Unchanged)
(New)	<u>Supplementary Provision</u> <u>(Interim measures concerning the exemption of Corporate Auditors from liability)</u> <u>Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company may, at the resolution of the Board of Directors, exempt Corporate Auditors (including persons who were Corporate Auditors) from their liabilities in connection with acts carried out prior to the effect of partial amendments to the articles of incorporation resolved at the 38th Annual Shareholders' Meeting, to the extent of the provisions of laws and regulations.</u>

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Second Item: Election of Five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The term of office of all the incumbent directors will expire at the close of this Annual Shareholders' Meeting.

Subject to the approval as originally proposed of the First Item, "Partial Amendments to the Articles of Incorporation," the Company will transition to a Company with Audit & Supervisory Committee.

Therefore, the Company proposes to elect five (5) directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies hereinafter in this item).

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, "Partial Amendments to the Articles of Incorporation," taking effect.

The proposed candidates are the following:

No.	Name (Date of Birth)	Brief Personal History, Positions, and Assignments in the Company and Significant Positions Concurrently Held	Number of the Company's Shares Held
1	Yosuke Matsuda (April 27, 1963)	<p>Oct. 2001 <i>Senior Vice President, SQUARE CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.)</i></p> <p>Apr. 2003 <i>Senior Vice President and General Manager, Accounting and Finance Division, SQUARE ENIX HOLDINGS CO., LTD.</i></p> <p>Jun. 2004 <i>Director, Accounting and Finance</i></p> <p>Mar. 2013 <i>Senior Executive Managing Director and Representative Director</i></p> <p>Jun. 2013 <i>President and Representative Director (incumbent)</i> (Significant positions concurrently held) <i>President and Representative Director, SQUARE ENIX CO., LTD.</i> <i>Director, Taito Corporation</i> <i>President and Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. (the Group's intermediate holding company in the Americas)</i> <i>Director, SQUARE ENIX LTD. (the Group's operating and intermediate holding company in Europe and other regions)</i> <i>Deputy Chairman of the Board, SQUARE ENIX (China) CO., LTD. (the Group's operating company in China)</i></p>	200 shares
2	Yukinobu Chida (September 29, 1950)	<p>Apr. 1989 <i>Managing Director and General Manager, Product Planning Division, ENIX CORPORATION (currently SQUARE ENIX HOLDINGS CO., LTD.)</i></p> <p>Apr. 1993 <i>Executive Director and General Manager, Product Planning Division, ENIX CORPORATION</i></p> <p>Oct. 2000 <i>Vice Chairman and Director, ENIX CORPORATION</i></p> <p>Oct. 2002 <i>Director, ENIX CORPORATION</i></p> <p>Apr. 2003 <i>Director, SQUARE ENIX CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.) (incumbent)</i></p> <p>Jun. 2014 <i>Director, SQUARE ENIX CO., LTD.</i></p>	200,688 Shares

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No.	Name (Date of Birth)	Brief Personal History, Positions, and Assignments in the Company and Significant Positions Concurrently Held	Number of the Company's Shares Held
3	Yukihiro Yamamura (October 30, 1963)	<p>Apr. 1997 <i>Director, Deputy General Manager, Business Planning & Development Division, Transcosmos Inc.</i></p> <p>Oct. 1997 <i>President and Representative Director, DoubleClick Japan Inc. (currently Transcosmos Inc.)</i></p> <p>June. 2000 <i>Representative Director, Excite Japan Co., Ltd.</i></p> <p>Aug. 2008 <i>Representative Director and CEO, Glam Media Japan Corp. (currently Mode Media Japan Corporation)</i></p> <p>Jun. 2013 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>Sep. 2014 <i>Representative Director, Puzzle Ring Inc. (incumbent)</i></p> <p>May. 2015 <i>Director, Project8 Inc. (incumbent)</i></p> <p>Aug. 2015 <i>Director, Visionary Works Co., Ltd. (incumbent)</i></p> <p>(Significant positions concurrently held)</p> <p><i>Representative Director, Puzzle Ring Inc.</i></p> <p><i>Director, Project8 Inc.</i></p> <p><i>Director, Visionary Works Co., Ltd.</i></p>	None
4	Yuji Nishiura (January 3, 1953)	<p>Apr. 1993 <i>Director, Executive Vice President and Partner, Booz Allen Hamilton Inc. (currently PwC Consulting LLC)</i></p> <p>Feb. 2000 <i>Representative Director, President and Partner, Booz Allen Hamilton Inc.</i></p> <p>Oct. 2002 <i>Representative Director, CEO and Managing Partner, Roland Berger and Partner Japan Ltd. (currently Roland Berger Ltd.)</i></p> <p>Jan. 2006 <i>Japan Representative and Managing Director, AlixPartners Asia, LLC</i></p> <p>Jan. 2011 <i>Vice Chairman and Managing Director, AlixPartners, LLP</i></p> <p>Dec. 2012 <i>Director, AXA Japan Holding Co., Ltd. (currently AXA Life Insurance Co., Ltd.)</i></p> <p><i>Chairman and Director, AXA Life Insurance Co., Ltd.</i></p> <p>Mar. 2013 <i>Chairman and Director, AXA General Insurance Co., Ltd.</i></p> <p>Jun. 2014 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>Oct. 2014 <i>Chairman and Director, AXA Life Insurance Co., Ltd.</i></p> <p>Dec. 2015 <i>Chairman and Representative Director, Sumitomo Mitsui Trust Club Co., Ltd. (incumbent)</i></p> <p>(Significant position concurrently held)</p> <p><i>Chairman and Representative Director, Sumitomo Mitsui Trust Club Co., Ltd.</i></p>	None

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No.	Name (Date of Birth)	Brief Personal History, Positions, and Assignments in the Company and Significant Positions Concurrently Held	Number of the Company's Shares Held
※ 5	Masato Ogawa (December 7, 1954)	<p>Apr. 2009 <i>Corporate Executive Officer, Senior Vice President, Marketing & Planning, ALL Nippon Airways Co., LTD. (currently ANA HOLDINGS INC.)</i></p> <p>June. 2011 <i>Senior Vice President, General Manager, Nagoya Region, chubu sales Headquarter, ALL Nippon Airways Co., LTD.</i></p> <p>Apr. 2013 <i>Senior Vice President, General Manager, Nagoya Region, chubu sales Headquarter, ALL Nippon Airways Co., LTD.</i></p> <p>Apr. 2015 <i>Executive Vice President and COO, ANA Strategic Research Institute Co., Ltd.</i></p> <p>Apr. 2017 <i>Chairman of the Board, ANA Strategic Research Institute Co., Ltd. (incumbent)</i></p> <p>(Significant position concurrently held) <i>Chairman of the Board, ANA Strategic Research Institute Co., Ltd.</i></p>	None

Notes: 1. ※ indicates the candidates to be newly elected as Directors.

2. There is no special interest between any candidate and the Company.
3. The candidates Yukihiro Yamamura, Yuji Nishiura and Masato Ogawa are nominated as Outside Directors.
4. The reasons for the nomination of each candidate as Directors are as listed below.
 - (1) Since becoming President and Representative Director of the Company in June 2013, Yosuke Matsuda has produced a track record as full-time Director characterized by producing stable earnings through corporate strategy planning in line with the changes in the Company's business environment and steady implementation of the strategy.
 - (2) Since becoming Director of the Company, Yukinobu Chida has produced a track record as a non-executive Director of the Company characterized by taking on the functions of supervising and serving as a check on executive Directors' execution of operations, leveraging his abundant experience and broad-ranging insights from years of management of the Company.
 - (3) Since becoming Outside Director of the Company, Yukihiro Yamamura and Yuji Nishiura have produced a track record characterized by taking on the functions of supervising and serving as a check on executive Directors' execution of operations, leveraging their abundant experience and broad-ranging insights as a corporate executive.
 - (4) Since Masato Ogawa has abundant experiences and broad-ranging insights as a corporate executive, the Company judges that he is capable of properly executing duties as an Outside Director of Company by taking on the functions of supervising and serving as a check on executive Directors' execution of operations.
5. The candidates Yukihiro Yamamura and Yuji Nishiura are currently serving as Outside Director of the Company, and their tenure will be five (5) years and four (4) years, respectively, at the close of this Annual Shareholders' Meeting.
6. The Company has entered into a respective liability limitation agreements with Yukihiro Yamamura and Yuji Nishiura that limit their liability to a maximum of ¥10 million or the amount prescribed by law, whichever is greater. If they are re-elected, the Company will extend the term of the agreements.
7. If Masato Ogawa assumes the position of Director of the Company, the Company will enter into a liability limitation agreement with him that limits his liability to a maximum of ¥10 million or the amount prescribed by law, whichever is greater.
8. The Company has notified the Tokyo Stock Exchange (TSE) of Yukihiro Yamamura and Yuji Nishiura's status as Independent Executives. If they are re-elected, the Company will continue to recognize them as Independent Executives. Furthermore, if Masato Ogawa assumes the position of Director of the Company, he will satisfy the requirements for an Independent Executive as stipulated in the provisions of the TSE, and the Company plans to notify the TSE of his status as an Independent Executive.

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Third Item: Election of Three (3) Directors who are Audit & Supervisory Committee Members

Subject to the approval as originally proposed of the First Item, "Partial Amendments to the Articles of Incorporation," the Company will transition to a Company with Audit & Supervisory Committee.

Therefore, the Company proposes to elect three (3) Directors who are Audit & Supervisory Committee Members.

The Audit & Supervisory Board has given consent to the proposal of this item.

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, "Partial Amendments to the Articles of Incorporation," taking effect.

The proposed candidates for the positions of Directors who are Audit & Supervisory Committee Members are as follows:

No.	Name (Date of Birth)	Brief Personal History, Positions, and Assignments in the Company and Significant Positions Concurrently Held	Number of the Company's Shares Held
※ 1	Ryoichi Kobayashi (October 25, 1946)	<p>Jun. 1994 <i>Director, Nomura Research Institute, Ltd.</i> Jul. 1996 <i>Managing Director, NRI Data Services, Ltd. (currently, Nomura Research Institute, Ltd.)</i> Jun. 1999 <i>Executive Director, NRI Data Services, Ltd.</i> Jun. 2002 <i>Auditor, Nomura Research Institute, Ltd.</i> Jun. 2007 <i>Full-Time Outside Corporate Auditor, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i> Jun. 2008 <i>Outside Director, Matsumotokiyoshi Holdings Co., Ltd. (incumbent)</i> Oct. 2008 <i>Corporate Auditor, SQUARE ENIX CO., LTD. (incumbent)</i></p> <p>(Significant positions concurrently held) <i>Outside Director, Matsumotokiyoshi Holdings Co., Ltd.</i> <i>Corporate Auditor, SQUARE ENIX CO., LTD.</i></p>	None
※ 2	Ryuji Matsuda (April 30, 1955)	<p>Apr. 1986 <i>Certified as Attorney and CPA</i> Joined Kawai, Takeuchi, Nishimura and Inoue Law Office Jan. 1988 <i>Joined Miyake, Hatazawa and Yamazaki Law Office</i> Jul. 1992 <i>Opened Matsuda Law Office (to the present)</i> Jun. 2007 <i>Outside Corporate Auditor, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i> Jun. 2008 <i>Outside Corporate Auditor, SEIKA CORPORATION</i></p> <p>(Significant positions concurrently held) <i>Attorney, Matsuda Law Office</i></p>	None
※ 3	Tadao Toyoshima (April 23, 1955)	<p>Mar. 1979 <i>Joined Pricewaterhouse</i> Sep. 1987 <i>Joined Asahi Shinwa & Co. (currently, KPMG AZSA LLC.)</i> Oct. 1987 <i>Registration of Certified Public Accountant</i> Jun. 2004 <i>Representative Partner, AZSA & Co. (currently, KPMG AZSA LLC.)</i> Jul. 2010 <i>Partner, KPMG AZSA LLC.</i> May. 2014 <i>Outside Corporate Auditor, CAREERLINK CO., LTD.</i> May. 2015 <i>Full-Time Outside Corporate Auditor, CAREERLINK CO., LTD.</i> Mar. 2016 <i>Supervisory Director, Mitsui Fudosan Logistics Park Inc. (incumbent)</i> Jun. 2017 <i>Outside Corporate Auditor, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>(Significant positions concurrently held) <i>Supervisory Director, Mitsui Fudosan Logistics Park Inc.</i></p>	None

[Abridged Translation for Reference and Convenience Purposes Only]

- Notes: 1. ※ indicates the candidates to be newly elected as Directors who are Audit & Supervisory Committee Members.
2. There is no special interest between any candidate and the Company.
 3. Ryoichi Kobayashi, Ryuji Matsuda and Tadao Toyoshima are nominated as Outside Directors.
 4. Ryoichi Kobayashi plans to retire from the position of an Outside Director, Matsumotokiyoshi Holdings Co., Ltd. as his term in office will expire at the close of that firm's Annual Shareholders' Meeting slated for late June 2018.
 5. The reasons for the nomination of each candidate as Directors who are Audit & Supervisory Committee Members are as listed below.
 - (1) Since Ryoichi Kobayashi has abundant experience and broad-ranging insights as a corporate executive and also has abundant experience and has produced a track record as an Outside Audit & Supervisory Board Member of the Company, the Company judges that he is capable of properly executing duties as a Director who is an Audit & Supervisory Committee Member by taking on the functions of monitoring and inspecting executive Directors' execution of operations.
 - (2) Although Ryuji Matsuda does not have experience in corporate management other than in an Outside Officer roles at several companies, he was nominated as an Outside Audit & Supervisory Board Member based on his qualifications as an attorney and his extensive expertise in finance and accounting-related matters. The Company judges that he is capable of properly executing duties as a Director who is an Audit & Supervisory Committee Member by taking on the functions of monitoring and inspecting executive Directors' execution of operations.
 - (3) Although Tadao Toyoshima does not have experience in corporate management other than in an Outside Officer roles at several companies, he was nominated as an Outside Audit & Supervisory Board Member based on his qualifications as a Certified Public Accountant (CPA) as well as his extensive expertise in finance and accounting-related matters. The Company judges that he is capable of properly executing duties as a Director who is an Audit & Supervisory Committee Member by taking on the functions of monitoring and inspecting executive Directors' execution of operations.
 6. Ryoichi Kobayashi, Ryuji Matsuda and Tadao Toyoshima are currently serving as Outside Audit & Supervisory Board Members of the Company, and Ryoichi Kobayashi and Ryuji Matsuda's tenures will be eleven (11) years and Tadao Toyoshima's tenure will be one (1) year upon the close of this Annual Shareholders' Meeting.
 7. The Company has entered into respective liability limitation agreements with Ryoichi Kobayashi, Ryuji Matsuda, and Tadao Toyoshima that limit their liability to a maximum of ¥10 million or the amount prescribed by law, whichever is greater. If each of them assumes the position of Directors who are Audit & Supervisory Committee Members, the Company will enter into the aforementioned liability limitation agreement with each of them again.
 6. The Company has notified the Tokyo Stock Exchange (TSE) of Ryoichi Kobayashi, Ryuji Matsuda and Tadao Toyoshima's status as Independent Executives. If each of them assumes the position of Directors who are Audit & Supervisory Committee Members, the Company plans to notify the TSE of their status Independent Executives.

[Abridged Translation for Reference and Convenience Purposes Only]

Fourth Item: Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

Subject to the approval as originally proposed of the First Item, “Partial Amendments to the Articles of Incorporation,” the Company will transition to a Company with Audit & Supervisory Committee.

In preparation for such a situation whereby the Company fails to meet the minimum number of Directors of the Company who are Audit & Supervisory Committee Members under the relevant laws and regulations, the Company proposes to elect one (1) Substitute Director who is an Audit & Supervisory Committee Member.

The election of a Substitute Audit & Supervisory Committee Member may be cancelled by resolution of the Board of Directors’ Meeting with the consent of the Audit & Supervisory Committee, provided that the party elected to assume the office has yet to do so.

The Audit & Supervisory Board has given consent to the proposal of this item.

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, “Partial Amendments to the Articles of Incorporation,” taking effect.

The proposed candidate for Substitute Director who is an Audit & Supervisory Committee Member is as follows:

Name (Date of Birth)	Brief Personal History, Positions, and Assignments in the Company and Significant Positions Concurrently Held	Number of the Company’s Shares Held
Satoshi Fujii (October 11, 1960)	Apr. 1985 <i>Joined</i> The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)	23 Shares
	Dec. 2001 <i>Senior Vice President</i> , Asia Pacific Department, Sumitomo Mitsui Banking Corporation	
	Dec. 2002 <i>Group Head</i> , China Business Promotion Department, Sumitomo Mitsui Banking Corporation	
	Apr. 2008 <i>Joint General Manager</i> , Global Advisory Department, Sumitomo Mitsui Banking Corporation	
	Apr. 2011 <i>Senior Auditor</i> , Internal Audit Department, Sumitomo Mitsui Banking Corporation	
	Aug. 2016 <i>General Manager</i> , Internal Audit Office, SQUARE ENIX HOLDINGS CO., LTD. (incumbent) <i>General Manager</i> , Internal Audit Office, SQUARE ENIX CO., LTD. (incumbent)	

- Notes:
1. There is no special interest between any candidate and the Company.
 2. The Company proposes to elect the candidate as a Substitute Director of the Company who is an Audit & Supervisory Committee Member since he has abundant expertise and experience in the area of internal audit. The Company judges that he is capable of properly executing duties as an Outside Director of the Company who is an Audit & Supervisory Committee Member by taking on the functions of monitoring and inspecting executive Directors’ execution of operations if he assumes the position as the result of a vacancy.
 3. The number of the Company’s shares held by Satoshi Fujii includes his shares with the Company’s Employee Stock Ownership.

[Abridged Translation for Reference and Convenience Purposes Only]

Fifth Item: Determination of the remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee Members)

It was approved at the 26th Annual Shareholders' Meeting held on June 24, 2006 that the total remuneration pool for Directors of the Company shall be no more than ¥ 600 million per year. However, subject to the approval of the First Item, "Partial Amendments to the Articles of Incorporation," the Company will transition to a Company with Audit & Supervisory Committee.

Therefore, in accordance with the provisions of Article 361 (1) and (2) of the Companies Act, instead of the current amount of remuneration for Directors, the Company proposes that the total remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be no more than ¥ 600 million per year, of which ¥ 48 million is earmarked for Outside Directors. This is in consideration of the amount of remuneration thus far and of current economic conditions and other circumstances. As has been the conventional practice, the aforementioned remuneration for pool for Directors shall not include the employee salaries of employees serving concurrently as Directors.

Furthermore, it is proposed that detailed amount to be paid to each Director (excluding Directors who are Audit & Supervisory Committee Members) and the timing of payment shall be determined by resolution of the Board of Directors.

The number of Directors is currently six (6) (including two [2] Outside Directors). If the First Item, "Partial Amendments to the Articles of Incorporation," and Second Item, "Election of Five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members)" are approved as originally proposed, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) will be five (5) (including three [3] Outside Directors).

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, "Partial Amendments to the Articles of Incorporation," taking effect.

[Abridged Translation for Reference and Convenience Purposes Only]

Sixth Item: Determination of the amount of remuneration and details regarding the Stock Acquisition Rights related to Stock Option Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members)

It was approved at the 26th Annual Shareholders' Meeting held on June 21, 2008 that the amount of remuneration associated with stock acquisition rights related to stock option compensation (hereinafter "Stock Options") for Directors of the Company should be no more than ¥ 250 million per year (of which ¥ 125 million is for Outside Directors), and that this should be in addition to the conventional remuneration pool for Directors.

Subject to the approval as originally proposed of the First Item, "Partial Amendments to the Articles of Incorporation," the Company will transition to a Company with Audit & Supervisory Committee.

Therefore, in accordance with the provisions of Article 361 (1) and (2) of the Companies Act, the Company proposes that the amount of remuneration associated with Stock Options for Directors (excluding Directors who are Audit Supervisory Committee Members), the details of which are described later under "Details of the Stock Acquisition Rights," shall be no more than ¥ 400 million per year (of which ¥ 32 million is earmarked for Outside Directors), and that this should be in addition to the conventional remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee Members) set forth in the Fifth Item, "Determination of the remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee Members)." This is in consideration of the amount of remuneration associated with Stock Options for Directors thus far and of current economic conditions and other circumstances.

The specific amount of the remuneration shall be the fair value of one stock acquisition right calculated as of the date of allotment multiplied by the number of stock acquisition rights allotted. It is proposed that allocation to each Director (excluding Directors who are Audit & Supervisory Committee Members) and the timing of issue shall be determined by resolution of the Board of Directors.

The number of Directors is currently six (6) (including two [2] Outside Directors). If the First Item, "Partial Amendments to the Articles of Incorporation," and Second Item, "Election of Five (5) Directors (excluding Directors who are Audit & Supervisory Committee Members), are approved as originally proposed, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies hereinafter in this item) will be five (5) (including three [3] Outside Directors).

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, "Partial Amendments to the Articles of Incorporation," taking effect.

1. Reason the Company considers Stock Options as reasonable remuneration for Directors

The Company sees the Stock Options, for which the per-share exercise price is one (1) yen, as reasonable compensation because they serve to motivate Directors to contribute to improve the medium-to long-term performance of the Company and the value of the Company by enabling the Directors to share in the same benefits and risks as other shareholders.

2. Details of the Stock Acquisition Rights

(1) Total Number of Stock Acquisition Rights

The total number of stock acquisition rights to be granted to Directors shall not exceed 900 units, which shall be granted within one (1) year from the date of each Annual Shareholders' Meeting corresponding to each business term.

(2) Type and Number of Shares to be Delivered upon Exercise of the Stock Acquisition Rights

The type of shares to be delivered upon the exercise of each of the stock acquisition rights shall be common stock of the Company. The number shares to be delivered upon the exercise of the stock acquisition rights shall be 100 shares (hereinafter the "Number of Granted Shares"). The number of common stock granted by exercising the stock acquisition rights allotted within one (1) year from the date of each Annual Shareholders' Meeting corresponding to each business term shall not exceed 90,000 shares. In the event that the Company conducts a stock split, a reverse stock split, or any appropriate changes to the number of shares issued and outstanding, the Company shall make any adjustments it deems necessary.

(3) Amount to be paid for the granting of the Stock Acquisition Rights

No payment of money shall be required.

(4) Amount of capital to be invested upon the exercise of each Stock Acquisition Right

[Abridged Translation for Reference and Convenience Purposes Only]

The amount of capital to be invested upon the exercise of a stock acquisition right shall be the product of the amount to be paid per share (one [1] yen) upon the exercise of the stock acquisition rights multiplied by the Number of Granted Shares.

(5) Exercise period for Stock Acquisition Rights

Stock acquisition rights shall be exercisable for a period of twenty (20) years from the date of allocation of such stock acquisition rights, which shall be designated by resolution of the Board of Directors.

(6) Conditions for exercising Stock Acquisition Rights

(i) A grantee of stock acquisition rights may exercise the stock acquisition rights for a period of only one (1) year on and after the day following the date when he/she leaves the position of Company Director.

(ii) If a grantee of the stock acquisition rights dies, the stock acquisition rights may be inherited by his/her heir(s).

(iii) Other conditions for exercising stock acquisition rights shall be determined in the stock acquisition rights agreement to be entered into by and between each grantee of stock acquisition rights and the Company.

(7) Limitations on the transfer or assignment of Stock Acquisition Rights

The transfer or assignment of stock acquisition rights is subject to approval by the Board of Directors.

(8) Fair Value of Stock Acquisition Rights

The fair value of stock acquisition rights shall be calculated by using the Black-Scholes model based on various conditions such as the stock price of the Company and the exercise price at the date of allotment.

(9) Other Details of Stock Acquisition Rights

Other details regarding stock acquisition rights shall be determined by the Board of Directors, which will determine the subscription matters for the stock acquisition rights.

[Abridged Translation for Reference and Convenience Purposes Only]

Seventh Item: Determination of the remuneration pool for Directors who are Audit & Supervisory Committee Members

Subject to the approval of First Item, "Partial Amendments to the Articles of Incorporation," the Company will transition to a Company with Audit & Supervisory Committee.

Therefore, in accordance with the provisions of Article 361 (1) and (2) of the Companies Act, the Company proposes that the total remuneration pool for Directors who are Audit & Supervisory Committee Members shall be no more than ¥ 80 million per year, in consideration of current economic conditions and other circumstances.

If the First Item, "Partial amendment of the Articles of Incorporation," and Third Item, "Election of Three (3) Directors who are Audit & Supervisory Committee Members," are approved as originally proposed, the number of Directors who are Audit & Supervisory Committee Members will be three (3).

This item shall become effective contingent upon the amendments to the Articles of Incorporation stated in the First Item, "Partial Amendments to the Articles of Incorporation," taking effect.

- END -

[Abridged Translation for Reference and Convenience Purposes Only]

(Excerpts from Business Report for the 38th Term)

Operating Highlights of the Fiscal Year Ended March 31, 2018

The Square Enix group (the “Group”) is continuing determined efforts to strengthen the competitiveness and profitability of its Digital Entertainment, Amusement, Publication and Merchandising business segments. Net sales for the fiscal year ended March 31, 2018 totaled ¥250,394 million (a decrease of 2.5% from the prior fiscal year), operating income amounted to ¥38,176 million (an increase of 22.0% from the prior fiscal year), ordinary income amounted to ¥36,124 million (an increase of 16.0% from the prior fiscal year), and profit attributable to owners of parent amounted to ¥25,821 million (an increase of 28.9 % from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2018 follows.

Operating Results by Business Segment

1. Digital Entertainment

The Digital Entertainment segment consists of planning, development, distribution, and operation of digital entertainment content primarily in the form of games. 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.

The fiscal year ended March 31, 2018 saw the launch of “DRAGON QUEST XI: Echoes of an Elusive Age,” the latest title in the “DRAGON QUEST” series, and of “FINAL FANTASY XII THE ZODIAC AGE,” but a decrease in the number of blockbuster titles resulted in a net sales decline as compared to the prior fiscal year. On the other hand, strong high-margin download sales of previously released catalogue titles such as “NieR: Automata” resulted in an increase in operating income as 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 χ” is continuing to show a strong performance globally, and an increase of royalty income pushed both net sales and operating income up as compared to the prior fiscal year.

In the area of massively multiplayer online role playing games, revenues from the latest expansions of “FINAL FANTASY XIV” and “DRAGON QUEST X” led to an increase in the number of paying subscribers and disk sales, which resulted in an increase of net sales and operating income as compared to the prior fiscal year.

Net sales and operating income in the Digital Entertainment segment totaled ¥191,469 million (a decrease of 3.8% from the prior fiscal year) and ¥43,421 million (an increase of 30.4% from the prior fiscal year), respectively.

2. 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 fiscal year ended March 31, 2018, amusement facility operations showed a steady performance, while new amusement machine releases decreased, which led to a decline in this segment’s net sales and operating income as compared to the prior fiscal year.

Net sales and operating income in the Amusement segment totaled ¥41,750 million (a decrease of 2.4% from the prior fiscal year) and ¥2,402million (a decrease of 34.5% from the prior fiscal year), respectively.

3. Publication

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

During the fiscal year ended March 31, 2018, sales of comic books remained strong. In particular, digital format sales increased as compared to the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥11,049 million (an increase of 10.0% from the prior fiscal year) and ¥2,470 million (an increase of 1.7% from the prior fiscal year), respectively.

4. Merchandising

[Abridged Translation for Reference and Convenience Purposes Only]

The Merchandising segment consists of planning, production, distribution, and licensing of products primarily based on Group-owned IP.

The fiscal year ended March 31, 2018 saw solid sales and licensing of character goods and soundtracks based on the Group's own IPs.

Net sales and operating income in the Merchandising segment totaled ¥7,567 million (an increase of 17.3% from the prior fiscal year) and ¥1,888 million (a decrease of 12.2% from the prior fiscal year), respectively.

Capital Expenditures

During this Fiscal Year, capital expenditures totaled ¥7,967 million, consisting mainly of investments in arcade game machines in the Amusement segment, as well as game development tools and networking equipment for data centers in the Digital Entertainment segment.

Issues Facing Management

Management's key task is to create advanced, high-quality contents that allow the Group to grow in the medium and long term while maintaining profitability. Due to advancements in the development and popularization of information technology and network environments, the digital entertainment industry is currently experiencing a major structural transformation. This has been driven by factors such as increased consumer needs for contents and services accessible over multi-function devices and networks, and the diversification of content delivery methods as well as the accompanying business models. Our business area is also expanding to new markets such as Central and South America, the Middle East and South Asia, in addition to major existing markets including Japan, Europe, the United States, and East Asia. The Group strives to respond to these changes and become a pioneer in a new era in digital entertainment.

In order to achieve the Group's medium- and long-term strategy, it is imperative to expand its global business and meet customers' diverse needs for entertainment content/services. It is critically important that the Group recruits and develops human resources capable of supporting that goal.

Basic Policy for Profit Distribution and Dividends

The Group recognizes the return of profits to shareholders as one of its most important management tasks. The Group maintains internal reserves to place priority on investments that will enhance the value of the Group. Such investments will be made in order to increase the Group's value through expansion of existing businesses, new business development, and reform of the business structure. The Group likewise attaches continued importance to shareholder returns, primarily by means of cash dividend, striving to strike an optimal balance between performance-based payouts and stable returns. The amount of dividends is determined based upon the comprehensive consideration of the balance between investments and shareholder return, using a consolidated payout ratio of approximately 30% as a guide.

[Distribution of Surplus for the Fiscal Year Ended March 31, 2018]

The Company has decided to distribute dividends from surplus at a rate of 55 yen per share of common stock by the resolution of the Board of Directors' Meeting held on May 17, 2018.

The aggregate amount of annual dividends is 65 yen per share (including the interim dividend of 10 yen per share paid in December 2017).

The Company will begin paying dividends on Monday, June 4, 2018. Please receive the aforementioned dividends by using the enclosed dividends receipt during the payment period (from June 4, 2018 through July 31, 2018).

For shareholders who have designated a payment method, the Company has arranged payment accordingly.

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Balance Sheets

As of March 31, 2018

(Millions of Yen)

Items	Amount	Items	Amount
(ASSETS)		(LIABILITIES)	
Current assets	222,544	Current liabilities	58,842
Cash and deposits	136,785	Notes and accounts payable-trade	14,848
Notes and accounts receivable-trade	24,383	Short-term loans payable	8,931
Merchandise and finished goods	3,233	Income taxes payable	9,162
Work in progress	3	Provision for bonuses	3,246
Raw materials and supplies	253	Provision for sales returns	3,985
Content production account	44,167	Provision for game arcade closings	58
Deferred tax assets	6,443	Other	18,610
Other	7,486	Non-current liabilities	7,510
Allowance for doubtful accounts	(212)	Provision for directors' retirement benefits	88
Non-current assets	37,169	Provision for loss on game arcade closings	41
Property, plant and equipment	16,060	Net defined benefit liability	2,676
Buildings and structures	5,663	Deferred tax liabilities	896
Tools, furniture and fixtures	4,165	Asset retirement obligations	2,812
Amusement equipment	2,322	Other	994
Land	3,795	Total liabilities	66,353
Construction in progress	50	(NET ASSETS)	
Other	62	Shareholders' equity	196,330
Intangible assets	4,559	Capital stock	23,868
Investments and other assets	16,549	Capital surplus	53,107
Investment securities	154	Retained earnings	129,513
Guarantee deposits	9,879	Treasury stock	(10,159)
Net defined benefit asset	155	Accumulated other comprehensive income	(3,718)
Deferred tax assets	2,458	Valuation difference on available-for-sale securities	89
Other	3,965	Foreign currency translation adjustment	(3,674)
Allowance for doubtful accounts	(63)	Remeasurements of defined benefit plans	(132)
		Subscription rights to shares	603
		Non-controlling interests	144
		Total net assets	193,359
Total assets	259,713	Total liabilities and net assets	259,713

(Note: Amounts are rounded down to the nearest million yen.)

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Income Statements

From April 1, 2017 to March 31, 2018

(Millions of Yen)

Items	Amount	
Net sales		250,394
Cost of sales		129,519
Gross profit		120,874
Reversal of provision for sales returns		6,118
Provision for sales returns		4,139
Gross profit-net		122,854
Selling, general and administrative expenses		84,677
Operating income		38,176
Non-operating income		
Interest income	107	
Dividend income	14	
Rent income	35	
Reversal of allowance for doubtful accounts	161	
Subsidy income	126	
Gain on forgiveness of payable for group tax	31	
Miscellaneous income	281	757
Non-operating expenses		
Interest expenses	84	
Commission fee	10	
Office transfer related expenses	152	
Foreign exchange losses	2,477	
Miscellaneous loss	83	2,809
Ordinary income		36,124
Extraordinary income		
Gain on sales of non-current assets	9	
Gain on sales of investment securities	351	
Gain on reversal of subscription rights to shares	2	
Other	5	368
Extraordinary losses		
Loss on sales of non-current assets	18	
Loss on retirement of non-current assets	131	
Impairment loss	40	
Loss on sales of shares of subsidiaries and associates	371	
Other	4	565
Profit before income taxes		35,927
Income taxes-current	9,216	
Income taxes-deferred	878	10,094
Profit		25,832
Profit attributable to non-controlling interests		11
Profit attributable to owners of parent		25,821

(Note: Amounts are rounded down to the nearest million yen.)

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Statements of Changes in Net Assets

From April 1, 2017 to March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	23,828	53,067	109,764	(897)	185,763
Changes during the period					
Issuance of new shares	40	40			80
Dividends from retained earnings			(6,072)		(6,072)
Profit attributable to owners of parent			25,821		25,821
Purchase of treasury stock				(9,262)	(9,262)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	40	40	19,748	(9,261)	10,566
Balance at the end of current period	23,868	53,107	129,513	(10,159)	196,330

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	364	(4,640)	(165)	(4,440)	453	128	181,904
Changes during the period							
Issuance of new shares							80
Dividends from retained earnings							(6,072)
Profit attributable to owners of parent							25,821
Purchase of treasury stock							(9,262)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	(275)	965	32	722	150	16	889
Total changes during the period	(275)	965	32	722	150	16	11,455
Balance at the end of current period	89	(3,674)	(132)	(3,718)	603	144	193,359

(Note: Amounts are rounded down to the nearest million yen.)