



# Financial Results Briefing Session

Fiscal Year Ended March 31, 2018

**May 11, 2018**

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**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, 2018**

# Consolidated Statement of Income

## Fiscal Year Ended March 31, 2018

(Billions of Yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	
	Full Year Results	Full Year Results	Changes
Net Sales	256.8	250.3	△6.5
Operating Income	31.2	38.1	6.9
Operating Income Margin	12.2%	15.2%	3.0pt
Ordinary Income	31.1	36.1	5.0
Ordinary Income Margin	12.1%	14.4%	2.3pt
Profit attributable to owners of parent	20.0	25.8	5.8
Depreciation and Amortization	6.2	5.8	△0.4
Capital Expenditure	6.9	7.9	1.0
Number of Employees	4,078	4,335	257

# Consolidated Statement of Income

## Fiscal Year Ended March 31, 2018 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	
	Full Year Results	Full Year Results	Changes
<b>Net Sales</b>	<b>256.8</b>	<b>250.3</b>	<b>△ 6.5</b>
Digital Entertainment	199.0	191.4	△ 7.6
Amusement	42.7	41.7	△ 1.0
Publication	10.0	11.0	1.0
Merchandising	6.4	7.5	1.1
Eliminations or unallocated	-1.4	-1.4	0.0
<b>Operating Income</b>	<b>31.2</b>	<b>38.1</b>	<b>6.9</b>
Digital Entertainment	33.3	43.4	10.1
Amusement	3.6	2.4	△ 1.2
Publication	2.4	2.4	0.0
Merchandising	2.1	1.8	△ 0.3
Eliminations or unallocated	-10.2	-12.0	△ 1.8
<b>Operating Income Margin</b>	<b>12.2%</b>	<b>15.2%</b>	<b>3.0pt</b>
Digital Entertainment	16.7%	22.7%	6.0pt
Amusement	8.6%	5.8%	△ 2.8pt
Publication	24.2%	22.4%	△ 1.8pt
Merchandising	33.3%	25.0%	△ 8.3pt
Eliminations or unallocated	-	-	-

# Consolidated Balance Sheet

## Summary as of Mar 31, 2018

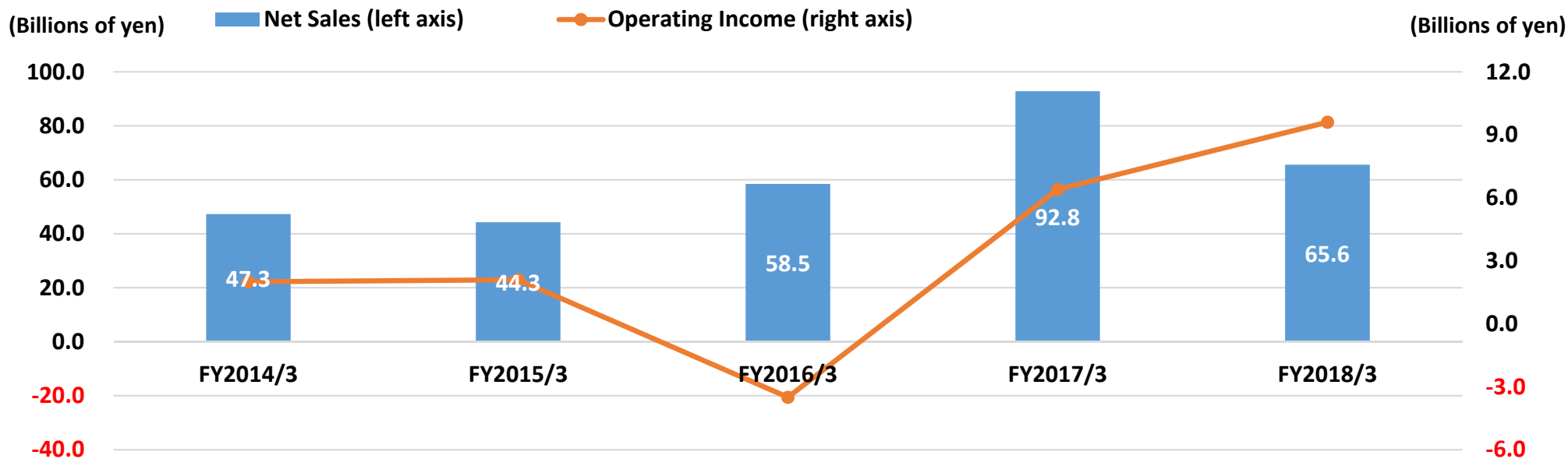
(Billions of Yen)

Account	<Assets>			<Liabilities and Net Assets>			
	03/2017	03/2018	Changes	Account	03/2017	03/2018	Changes
Cash and deposits	129.3	136.7	7.4	Notes and accounts payable	14.2	14.8	0.6
Notes and accounts receivable	26.0	24.3	△1.7	Short-term loans	8.4	8.9	0.5
Inventories	3.1	3.4	0.3	Provision for sales returns	6.1	3.9	△2.2
Content production account	34.5	44.1	9.6	Others	26.5	31.0	4.5
Others	15.9	13.7	△2.2	<b>Total Current Liabilities</b>	<b>55.4</b>	<b>58.8</b>	<b>3.4</b>
<b>Total Current Assets</b>	<b>209.0</b>	<b>222.5</b>	<b>13.5</b>	<b>Non-current Liabilities</b>	<b>6.5</b>	<b>7.5</b>	<b>1.0</b>
Property and equipment	14.2	16.0	1.8	<b>Total Liabilities</b>	<b>61.9</b>	<b>66.3</b>	<b>4.4</b>
Intangible Assets	4.7	4.5	△0.2	Total Shareholders' Equity	185.7	196.3	10.6
Investments and other assets	15.8	16.5	0.7	Others	-3.8	-2.9	0.9
<b>Total Non-current Assets</b>	<b>34.8</b>	<b>37.1</b>	<b>2.3</b>	<b>Total Net Assets</b>	<b>181.9</b>	<b>193.3</b>	<b>11.4</b>
<b>Total Assets</b>	<b>243.8</b>	<b>259.7</b>	<b>15.9</b>	<b>Total Liabilities and Net Assets</b>	<b>243.8</b>	<b>259.7</b>	<b>15.9</b>

# Progress in Each Business Segment

# Digital Entertainment – HD Games

**Strong performance of digital sales resulted in an increase of operating income, despite the sales decline due to a decrease of the number of new blockbuster titles.**



## Major titles launched in FY2018/3



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FINAL FANTASY characters: ©SQUARE ENIX  
CHARACTER ILLUSTRATION:SHIRO AMANO



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CHARACTER DESIGN:TETSUYA NOMURA  
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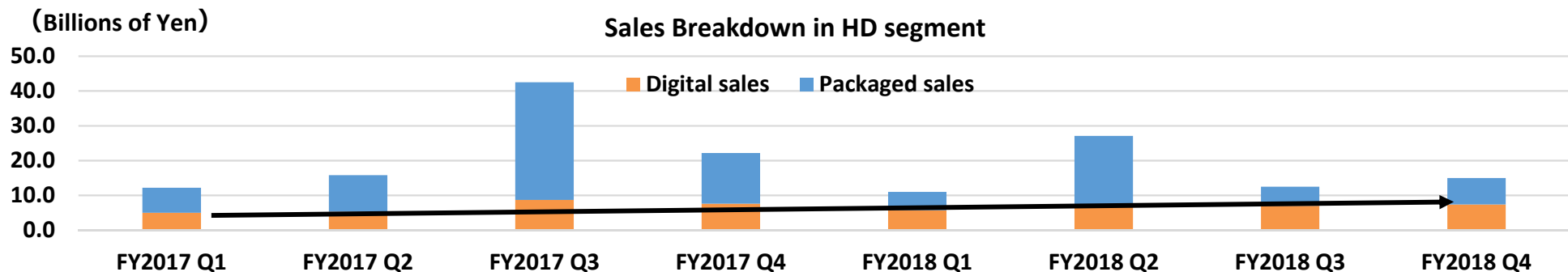


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MAIN CHARACTER DESIGN: TETSUYA NOMURA  
LOGO ILLUSTRATION:©2016 YOSHITAKA AMANO



# Digital Entertainment – HD Games

Due to the increased revenue of digital sales, the operating income margin of HD business improved drastically compared with the previous fiscal year.



- Expand our IP portfolio through major releases of existing and new IPs, and further improve profitability by digital sales.
- Expect an increase in revenue in FY2019/3 thanks to launches of multiple blockbuster and med-sized titles.

Pipeline in FY2019/3 (already announced)

OCTOPATH  
TRAVELER®

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To be launched on July 13, 2018



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To be launched on September 14, 2018

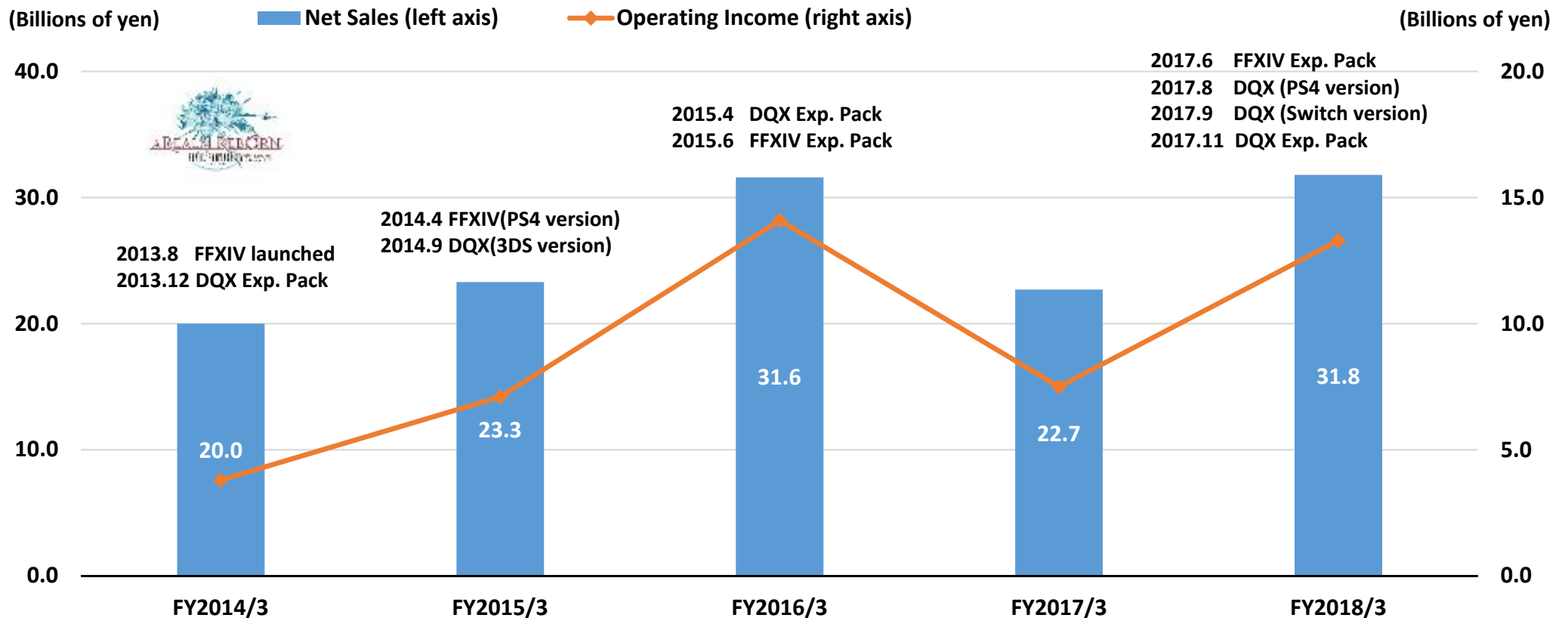


©Disney ©Disney/Pixar  
Developed by SQUARE ENIX

To be launched in 2018

# Digital Entertainment – MMO

The latest expansions of “FINAL FANTASY XIV” and “DRAGON QUEST X” contributed to the robust sales and operating income growth by disk sales and increase of paying subscribers.



- Expect a decrease of disc sales in FY2019/3 having no expansion.
- Focus on user retention by taking various operational measures such as large updates.

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# Digital Entertainment – Units Sold by Region

**Units Sold = Sold disks + Downloads**

**Sold disks:** Number of discs shipped based on accounting standard

**Downloads:** Downloads of full-length games newly released in the current and previous FYs  
(not including catalogue titles released before previous FY)

(Millions of Units Sold)

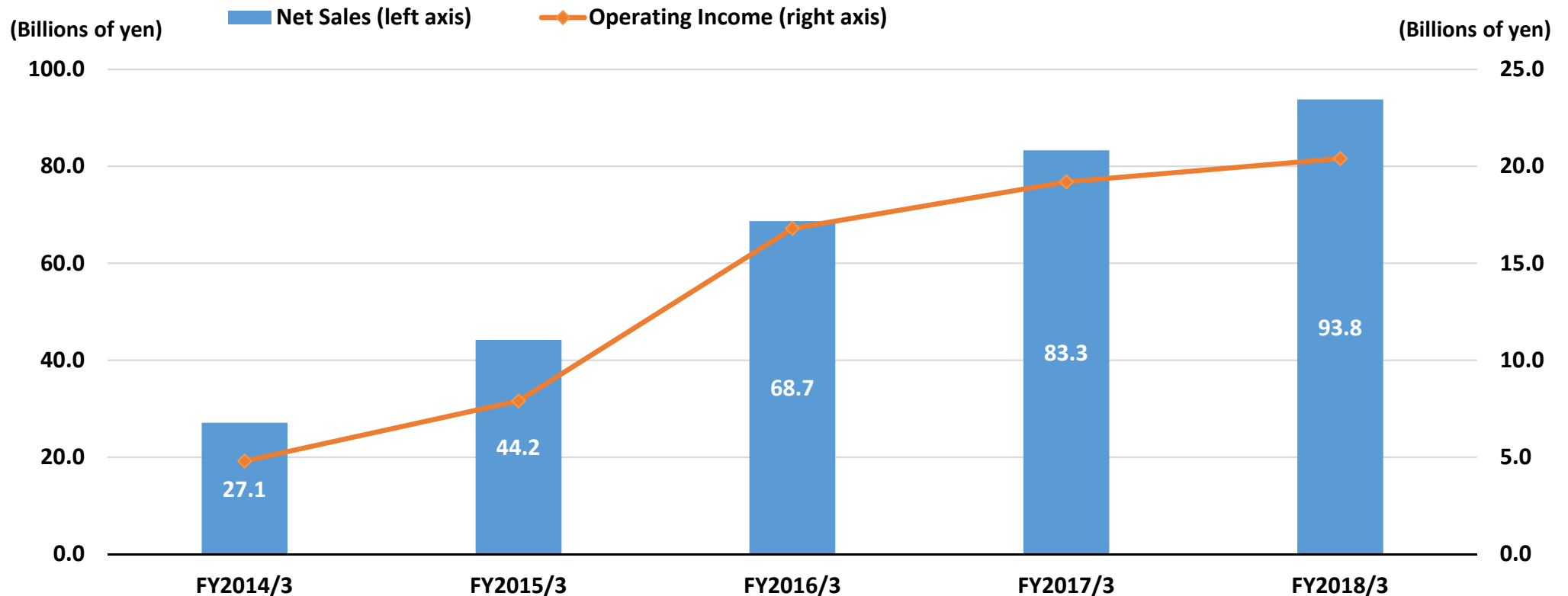
Region	FY 2017/3 (Results)			FY 2018/3 (Results)		
	Disc	Download	Total	Disc	Download	Total
Japan	4.29	0.73	5.02	5.26	1.62	6.88
	(Include episode units 0.02 )			(Include episode units 0 )		
North America/ Europe	14.53	12.11	26.64	7.24	7.80	15.04
	(Include episode units 6.9 )			(Include episode units 2.87 )		
Asia, etc.	1.35	1.75	3.10	0.69	1.13	1.82
	(Include episode units 0.78 )			(Include episode units 0.46 )		
Total	20.18	14.58	34.76	13.19	10.55	23.74
	(Include episode units 7.69 )			(Include episode units 3.35 )		

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

# Digital Entertainment

## – Games for Smart Devices/PC Browser

Strong performance of existing titles and royalty income boosted both sales and operating income.
















- Royalty income increased in FY2018/3, on top of existing titles' strong performance.
- New titles launched in the first half underperformed.

# Digital Entertainment

## — Games for Smart Devices/PC Browser

Aim for further growth in FY2019/3 by launches of new titles and overseas expansion.  
Titles launched in FY2018/3 Q4 made a favorable start.

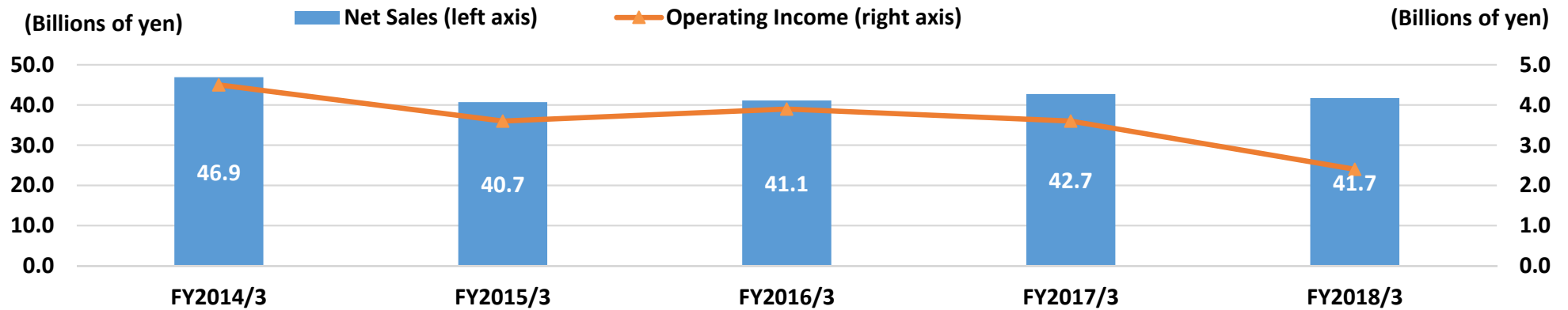
### Major Operating Titles

<p>Jan 2014</p>  <p>©2014-2018 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved. ©SUGIYAMA KOBO Developed by Cygames, Inc.</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>Jun 2015</p>  <p>©2015-2018 SQUARE ENIX CO., LTD. All Rights Reserved. LOGO ILLUSTRATION: ©2015 YOSHITAKA AMANO</p>	<p>Oct 2015</p>  <p>©2015-2018 ARMOR PROJECT/ BIRD STUDIO/SQUARE ENIX All Rights Reserved. ©SUGIYAMA KOBO</p>	<p>Dec 2016</p>  <p>©2016-2018 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by tri-Ace Inc.</p>	<p>Mar 2017</p>  <p>©2016-2018 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Mar 2018</p>  <p>©伍箇伝計画/ 刀使/巫女製作委員会 ©2018 SQUARE ENIX CO., LTD. All Rights Reserved.</p>
<p>Apr 2014</p>  <p>©2014-2018 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Nov 2014</p>  <p>©2014-2018 SQUARE ENIX CO., LTD. All Rights Reserved.</p>	<p>Sep 2015</p>  <p>©Disney Developed by SQUARE ENIX</p>	<p>Oct 2015</p>  <p>©2015-2018 SQUARE ENIX CO., LTD. All Rights Reserved. Developed by Alim Co., Ltd. LOGO ILLUSTRATION:©2014 YOSHITAKA AMANO</p>	<p>Feb 2017</p>  <p>©2017, 2018 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, 2018 Pokelabo Inc./ SQUARE ENIX CO., LTD. All Rights Reserved</p>	

\*Each title's launch timing

# Amusement

**Amusement facility operation performed steadily while the number of newly-released amusement machines decreased from the previous fiscal year. Overall, both sales and operating income decreased.**



- Expect an increase of revenue in FY2019/3 thanks to new store openings and launches of new amusement machines.



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Launched on July 13, 2017



電車でGO!!  
DENSHADE GO!!

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JR東日本商品化許諾申請中

Launched on November 7, 2017



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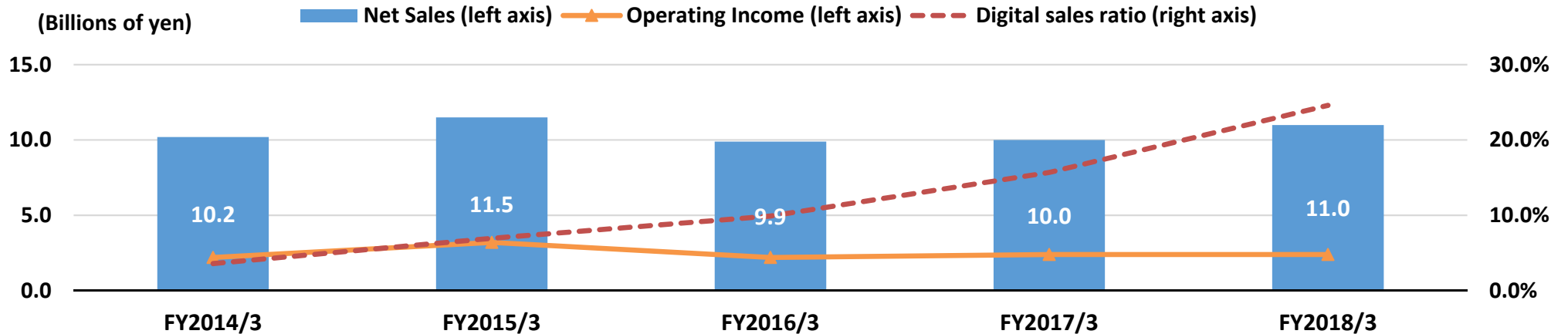


To be launched in 2018 Autumn



# Publication

Stable comic book sales sustained by the media-mix deployment and expanding sales of digital comic books resulted in an increase of sales and operating income.



• Promote comic sales through media mix (animation and film/TV), and digital books.

FY2018/3



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FY2019/3

マンガUP!

ガンガンpixiv



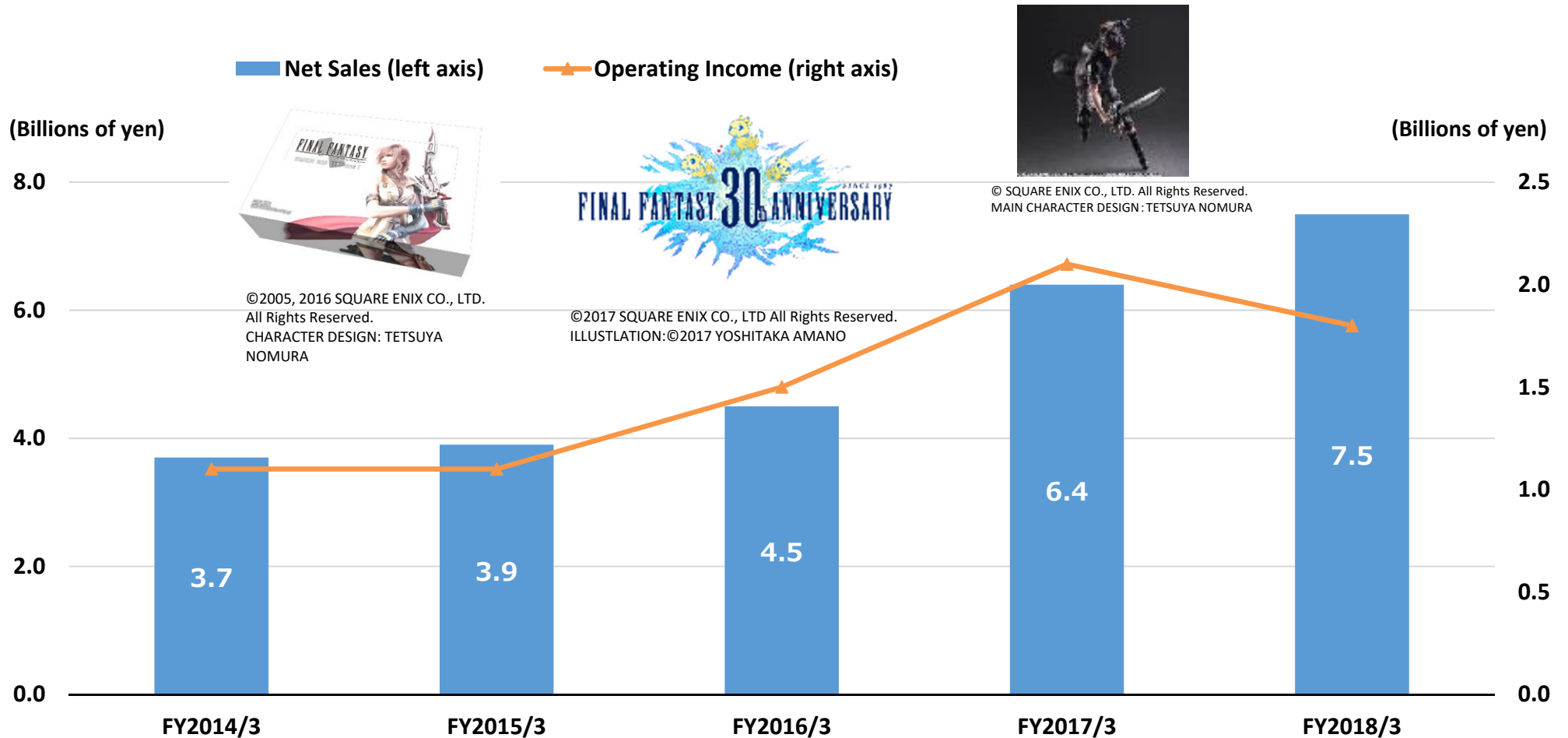
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# Merchandising

Strong sales of established IP-based character goods resulted in increase of sales.



Established IP-based character goods, wide range of goods, and licensing deals in conjunction with the “FINAL FANTASY” franchise’s 30th anniversary performed well.



# Shareholders Return in FY2018/3

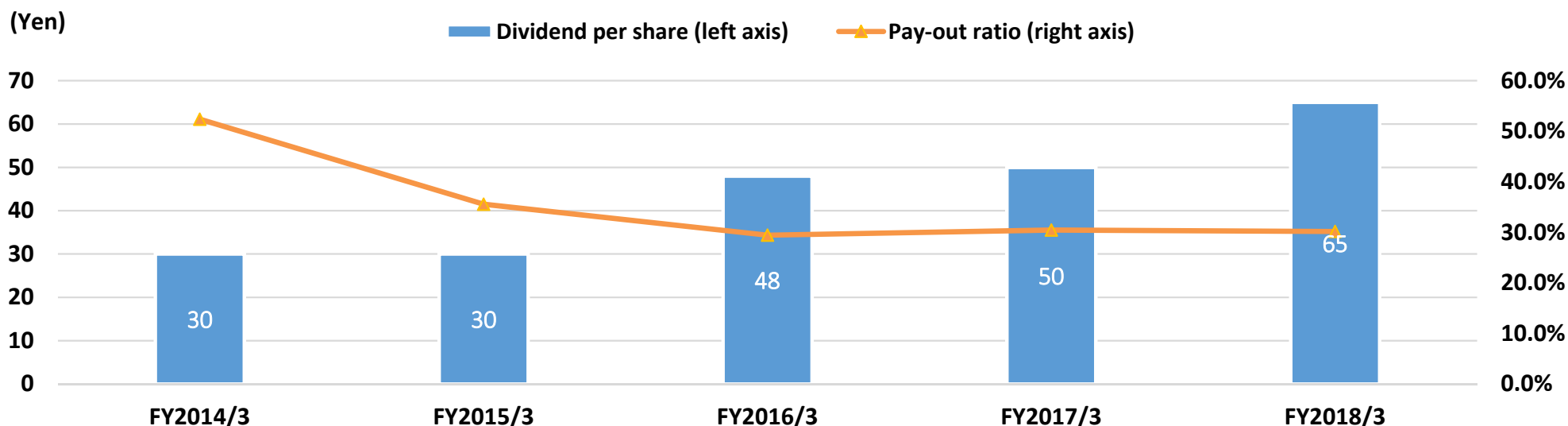
## <Shareholders Return Policy>

- Prioritize growth investment and consider balance between shareholders return and internal reserve.
- Consolidated pay-out ratio is targeted at 30%.

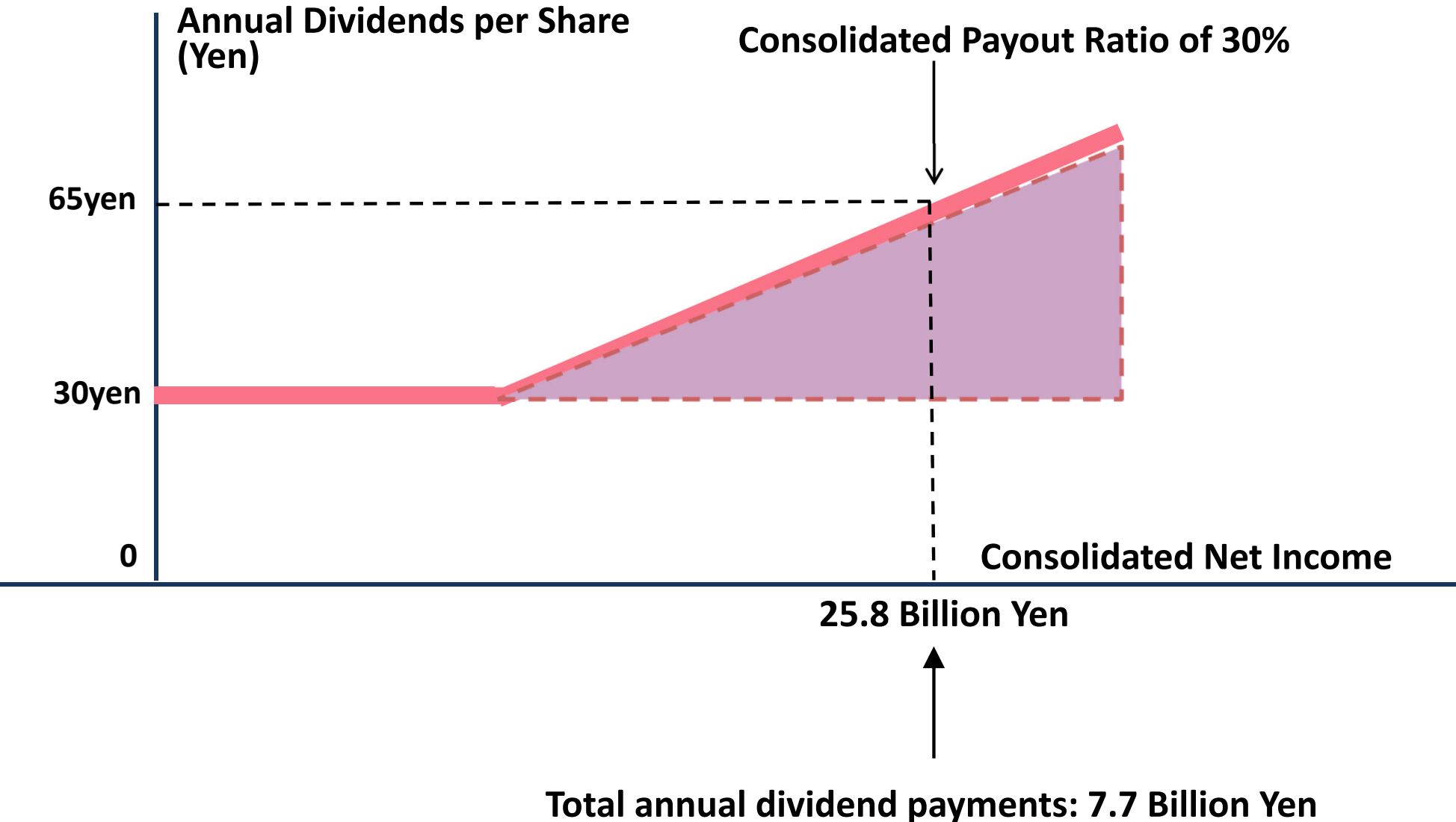
## <FY2018/3>

- Dividends per share: 65 yen (interim 10 yen / year-end 55 yen)
- Repurchase of treasury stock from May 2017 to June 2017 (9.2 Billion yen), representing 2.45% of the outstanding shares.

Dividends record for last 5 years



# Dividends Policy for FY 2018/3



# **Consolidated Financial Forecasts**

## **Fiscal Year**

### **Ending March 31, 2019**

# Consolidated Financial Forecasts:

## Fiscal Year Ending March 31, 2019

(Billions of Yen)

	Fiscal Year Ended March 31, 2018	Fiscal Year Ending March 31, 2019	
	Full Year Results	Full Year Forecasts	Changes
Net Sales	250.3	270.0	19.7
Operating Income	38.1	30.0	△8.1
Operating Income Margin	15.2%	11.1%	△4.1pt
Ordinary Income	36.1	30.0	△6.1
Ordinary Income Margin	14.4%	11.1%	△3.3pt
Profit attributable to owners of parent	25.8	21.0	△4.8
Depreciation and Amortization	5.8	7.2	1.4
Capital Expenditure	7.9	8.8	0.9

Dividends per share

(Yen)

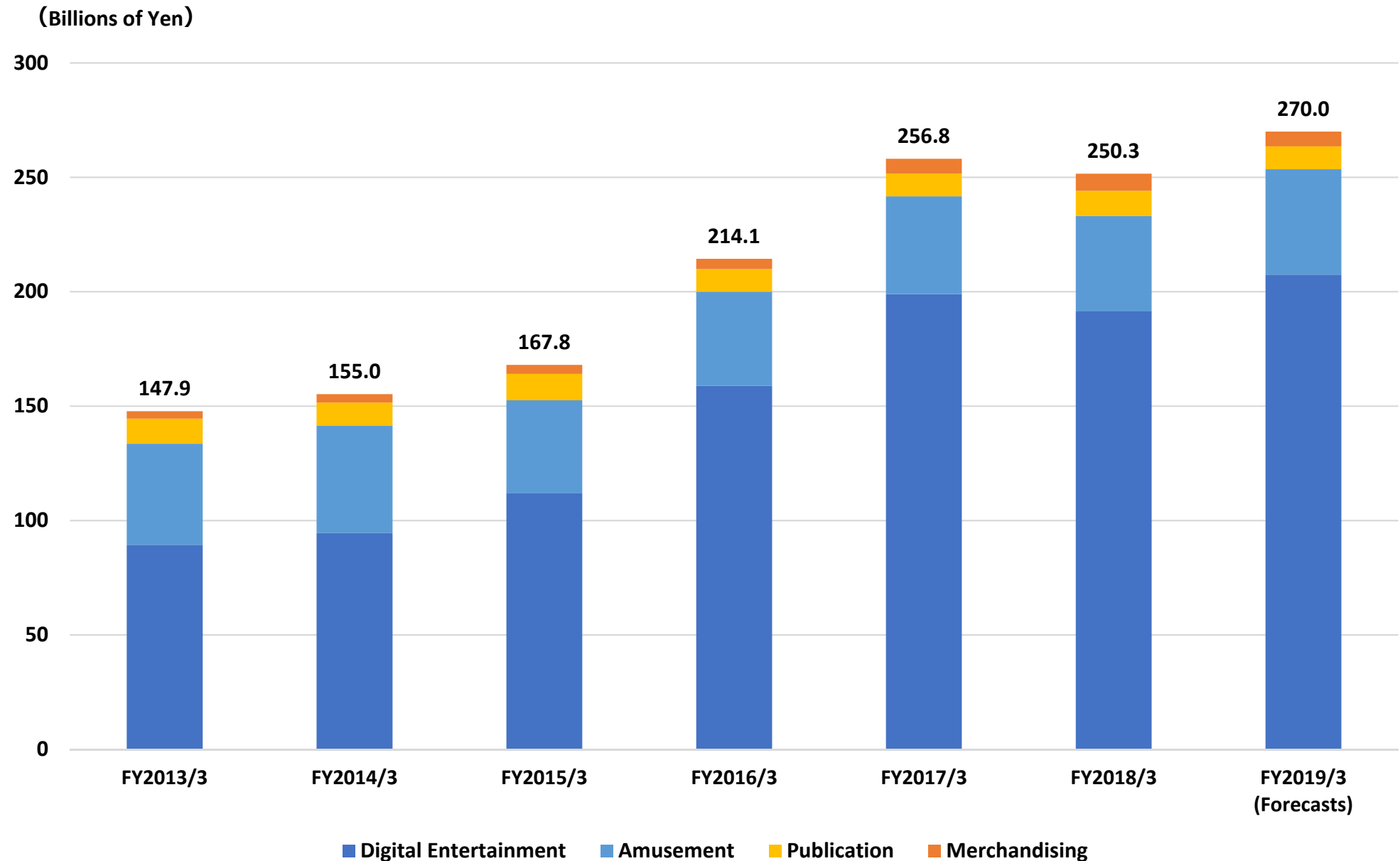
Interim	10	10	0
Yearend	55	43	△12
Total	65	53	△12

# Consolidated Financial Forecasts by Business Segment: Fiscal Year Ending March 31, 2019

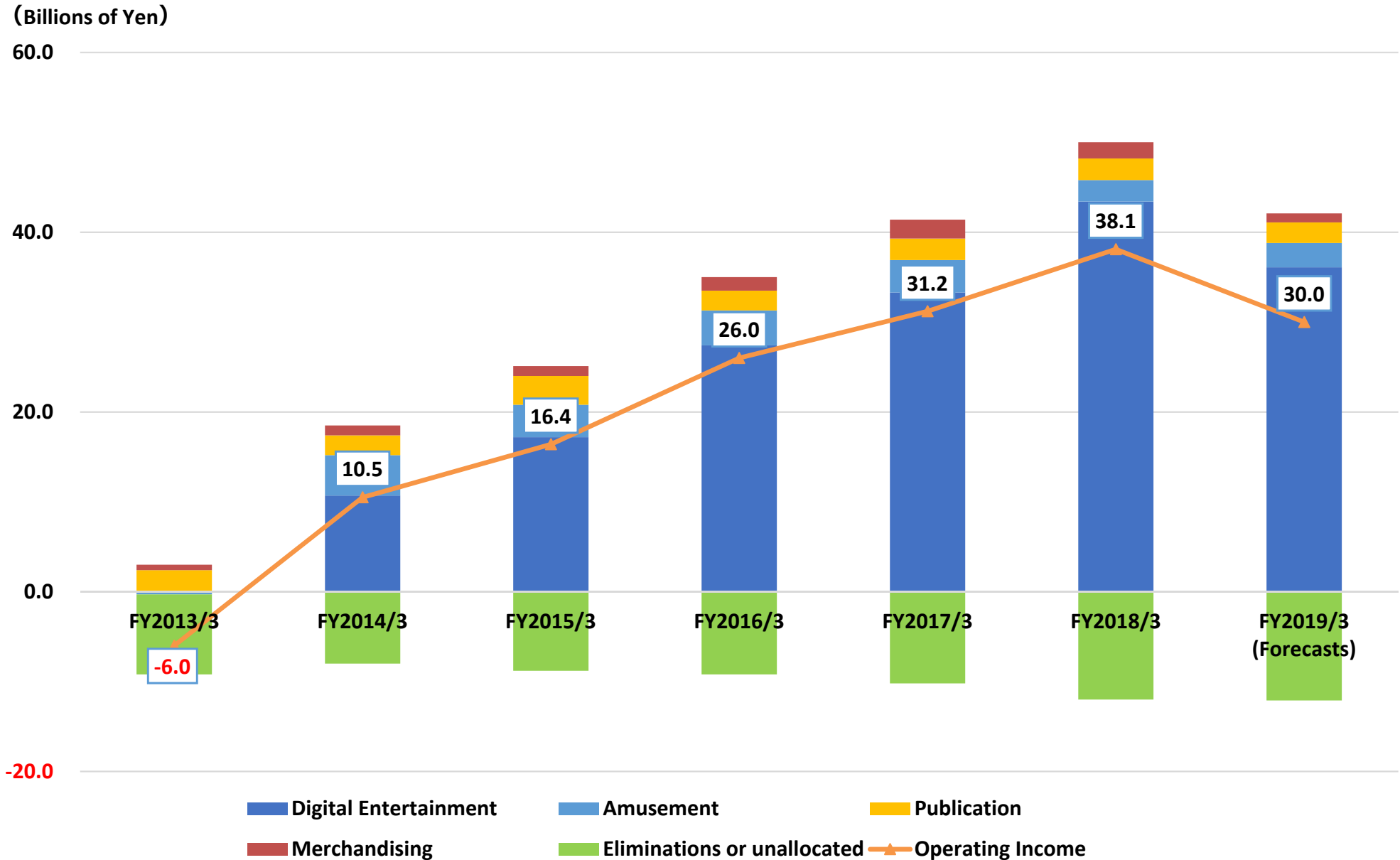
(Billions of Yen)

	Fiscal Year Ended March 31, 2018	Fiscal Year Ending March 31, 2019	
	Full Year Results	Full Year Forecasts	Changes
<b>Net Sales</b>	<b>250.3</b>	<b>270.0</b>	<b>19.7</b>
Digital Entertainment	191.4	207.5	16.1
Amusement	41.7	46.0	4.3
Publication	11.0	10.0	△ 1.0
Merchandising	7.5	6.5	△ 1.0
Eliminations or unallocated	-1.4	0.0	1.4
<b>Operating Income</b>	<b>38.1</b>	<b>30.0</b>	<b>△ 8.1</b>
Digital Entertainment	43.4	36.1	△ 7.3
Amusement	2.4	2.7	0.3
Publication	2.4	2.3	△ 0.1
Merchandising	1.8	1.0	△ 0.8
Eliminations or unallocated	-12.0	-12.1	△ 0.1
<b>Operating Income Margin</b>	<b>15.2%</b>	<b>11.1%</b>	<b>-4.1pt</b>
Digital Entertainment	22.7%	17.4%	-5.3pt
Amusement	5.8%	5.9%	0.1pt
Publication	22.4%	23.0%	0.6pt
Merchandising	25.0%	15.4%	△ 9.6pt
Eliminations or unallocated	-	-	-

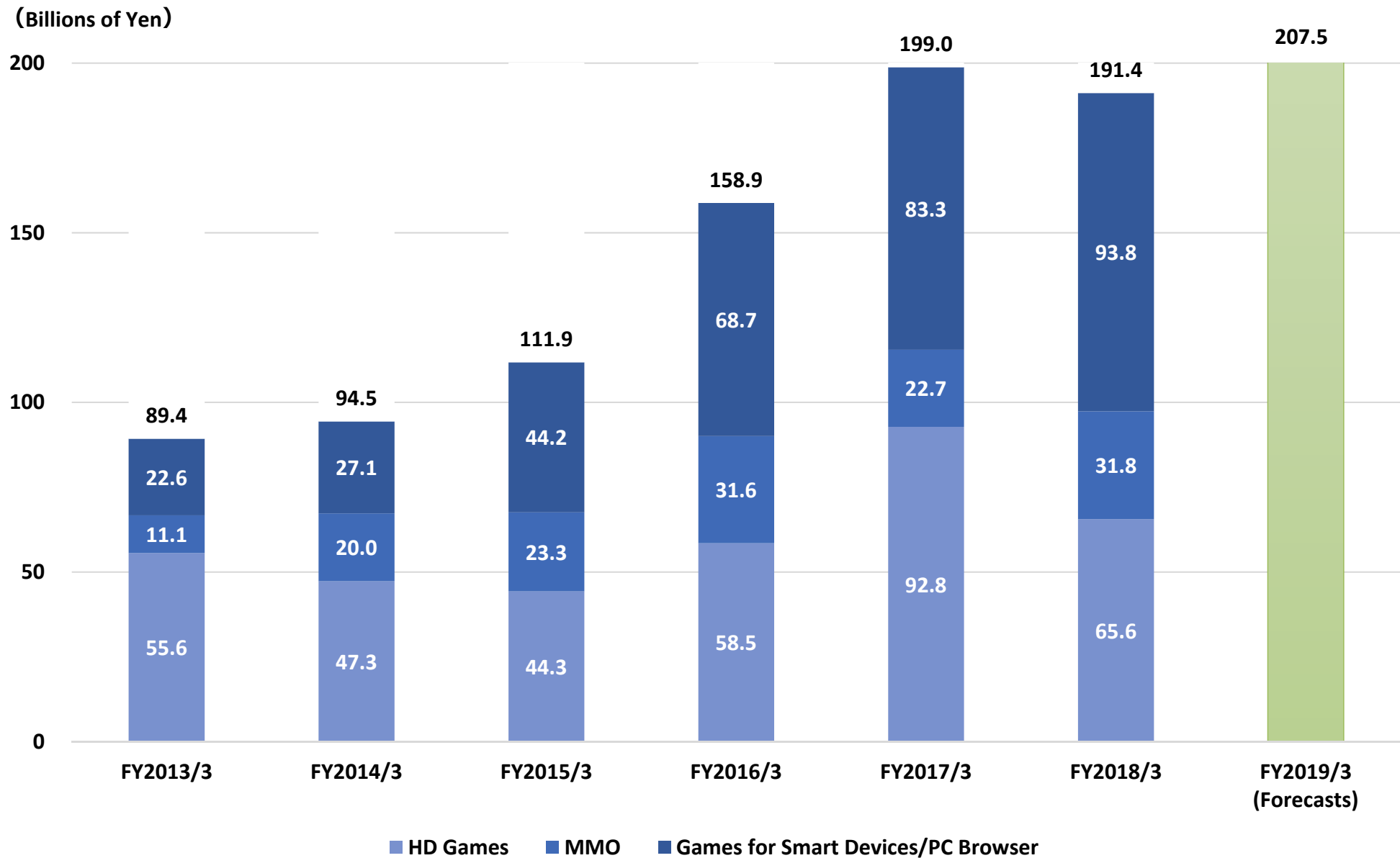
# Net Sales Trend by Business Segment



# Operating Income Trend by Business Segment



# Digital Entertainment – Net Sales Trend





# Digital Entertainment – Units Sold by Region

**Units Sold = Sold disks + Downloads**

**Sold disks:** Number of discs shipped based on accounting standard

**Downloads:** Downloads of full-length games newly released in the current and previous FYs  
(not including catalogue titles released before previous FY)

(Millions of Units Sold)

Region	FY 2018 (Results)			FY 2019 (Forecasts)		
	Disc	Download	Total	Disc	Download	Total
Japan	5.26	1.62	6.88	2.07	0.99	3.07
	(Include episode units 0.02 )			(Include episode units 0.02 )		
North America/ Europe	7.24	7.80	15.04	11.74	12.33	24.07
	(Include episode units 2.87 )			(Include episode units 1.42 )		
Asia, etc.	0.69	1.13	1.82	0.27	0.17	0.44
	(Include episode units 0.46 )			(Include episode units 0 )		
Total	13.19	10.55	23.74	14.08	13.50	27.58
	(Include episode units 3.35 )			(Include episode units 1.45 )		

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

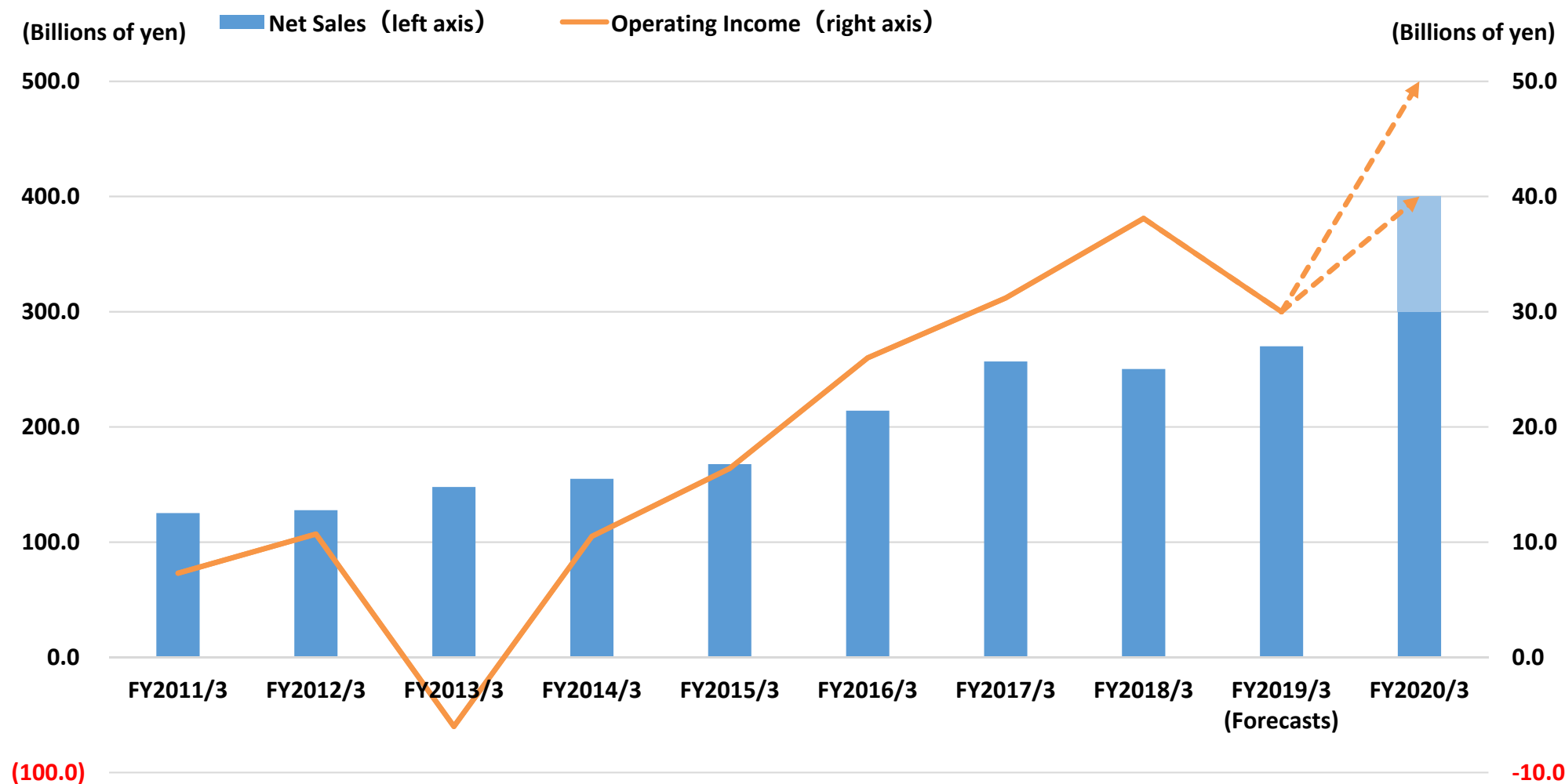
# Mid-term Target and Business Strategies

# Mid-term Target

FY2020/3

¥300~400 billion of Net Sales, ¥40~50 billion of Operating Income.

DE segment contributes to growth in both sales and operating income.



# Strategies to Achieve the Mid-term Target

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- 1. Digital Sales Enhancement**
- 2. Multi Platform Utilization**
- 3. Geographical Expansion**
- 4. Game as a Service  
Game as Media**
- 5. E-Commerce (New)**

## Initiatives for sustainable growth after achieving mid-term target

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- **Investment in promising entertainment-related peripheral business domains such as;**
  - **3D Modeling**
  - **AI (artificial intelligence)**
  - **Blockchain**
  - **Robotics****etc.**
  
- **Access to new technologies through investment in a venture capital fund**  
**⇒ Decided to invest USD 25million.**

**To spread happiness across the globe by providing unforgettable experiences.**

**最高の「物語」を提供することで、  
世界中の人々の幸福に貢献する。**



# Financial Results Briefing Session

Fiscal Year Ended March 31, 2018

Updated on May 14, 2018 due to correction in Page 13.

**May 11, 2018**

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**SQUARE ENIX HOLDINGS CO., LTD.**