

SQUARE ENIX®

Financial Results Briefing Session

Fiscal Year Ended March 31, 2019

May 13, 2019

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, 2019

Consolidated Statement of Income

Fiscal Year Ended March 31, 2019

(Billions of Yen)

	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019	
	Full Year Results	Full Year Results	Changes
Net Sales	250.3	271.0	20.7
Operating Income	38.1	24.5	(13.6)
Operating Income Margin	15.2%	9.1%	(6.1pt)
Ordinary Income	36.1	28.3	(7.8)
Ordinary Income Margin	14.4%	10.4%	(4.0pt)
Profit attributable to owners of parent	25.8	18.4	(7.4)
Depreciation and Amortization	5.8	6.8	1.0
Capital Expenditure	7.9	9.5	1.6
Number of Employees	4,335	4,764	429

Consolidated Statement of Income

Fiscal Year Ended March 31, 2019 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019	
	Full Year Results	Full Year Results	Changes
Net sales	250.3	271.0	20.7
Digital Entertainment	191.4	204.5	13.1
Amusement	41.7	46.2	4.5
Publication	11.0	14.0	3.0
Merchandising	7.5	7.3	(0.2)
Eliminations or unallocated	-1.4	-1.2	0.2
Operating income	38.1	24.5	(13.6)
Digital Entertainment	43.4	29.0	(14.4)
Amusement	2.4	1.9	(0.5)
Publication	2.4	3.9	1.5
Merchandising	1.8	0.9	(0.9)
Eliminations or unallocated	-12.0	-11.3	0.7
Operating income margin	15.2%	9.1%	(6.1pt)
Digital Entertainment	22.7%	14.2%	(8.5pt)
Amusement	5.8%	4.2%	(1.6pt)
Publication	22.4%	28.3%	5.9pt
Merchandising	25.0%	12.6%	(12.4pt)
Eliminations or unallocated	-	-	-

Consolidated Balance Sheet

Fiscal Year Ended March 31, 2019

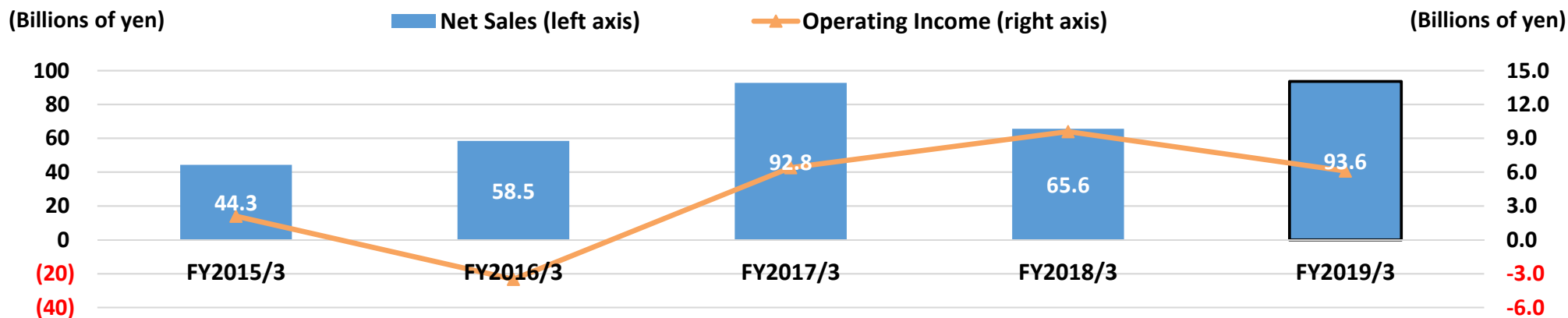
(Billions of Yen)

Account	<Assets>			<Liabilities and Net Assets>			
	03/2018	03/2019	Changes	Account	03/2018	03/2019	Changes
Cash and deposits	136.7	129.4	(7.3)	Notes and accounts payable	14.8	22.0	7.2
Notes and accounts receivable	24.3	35.3	11.0	Short-term loans	8.9	8.6	(0.3)
Inventories	3.4	4.8	1.4	Provision for sales returns	3.9	9.1	5.2
Content production account	44.1	50.7	6.6	Others	31.0	25.9	(5.1)
Others	7.2	9.5	2.3	Total Current Liabilities	58.8	65.9	7.1
Total Current Assets	216.1	229.8	13.7	Non-current Liabilities	7.5	8.7	1.2
Property and equipment	16.0	17.8	1.8	Total Liabilities	66.3	74.6	8.3
Intangible Assets	4.5	5.1	0.6	Total Shareholders' Equity	196.3	207.3	11.0
Investments and other assets	22.9	24.9	2.0	Others	-2.9	-4.1	(1.2)
Total Non-current Assets	43.6	47.9	4.3	Total Net Assets	193.3	203.2	9.9
Total Assets	259.7	277.8	18.1	Total Liabilities and Net Assets	259.7	277.8	18.1

**Progress in
Each Business Segment
in Fiscal Year
Ended March 31, 2019**

Digital Entertainment – HD Games

The release of such new titles as “KINGDOM HEARTS III,” “SHADOW OF THE TOMB RAIDER,” and “JUST CAUSE 4” drove a rise in net sales compared to the prior fiscal year. Operating income meanwhile fell versus the prior fiscal year due to higher costs associated with the release of the new titles.



Pipeline in FY2019/3



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Released on July 13, 2018



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Released on September 14, 2018



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

Released on December 6, 2018 (Japan)
Released on December 4, 2018 (North America/Europe)



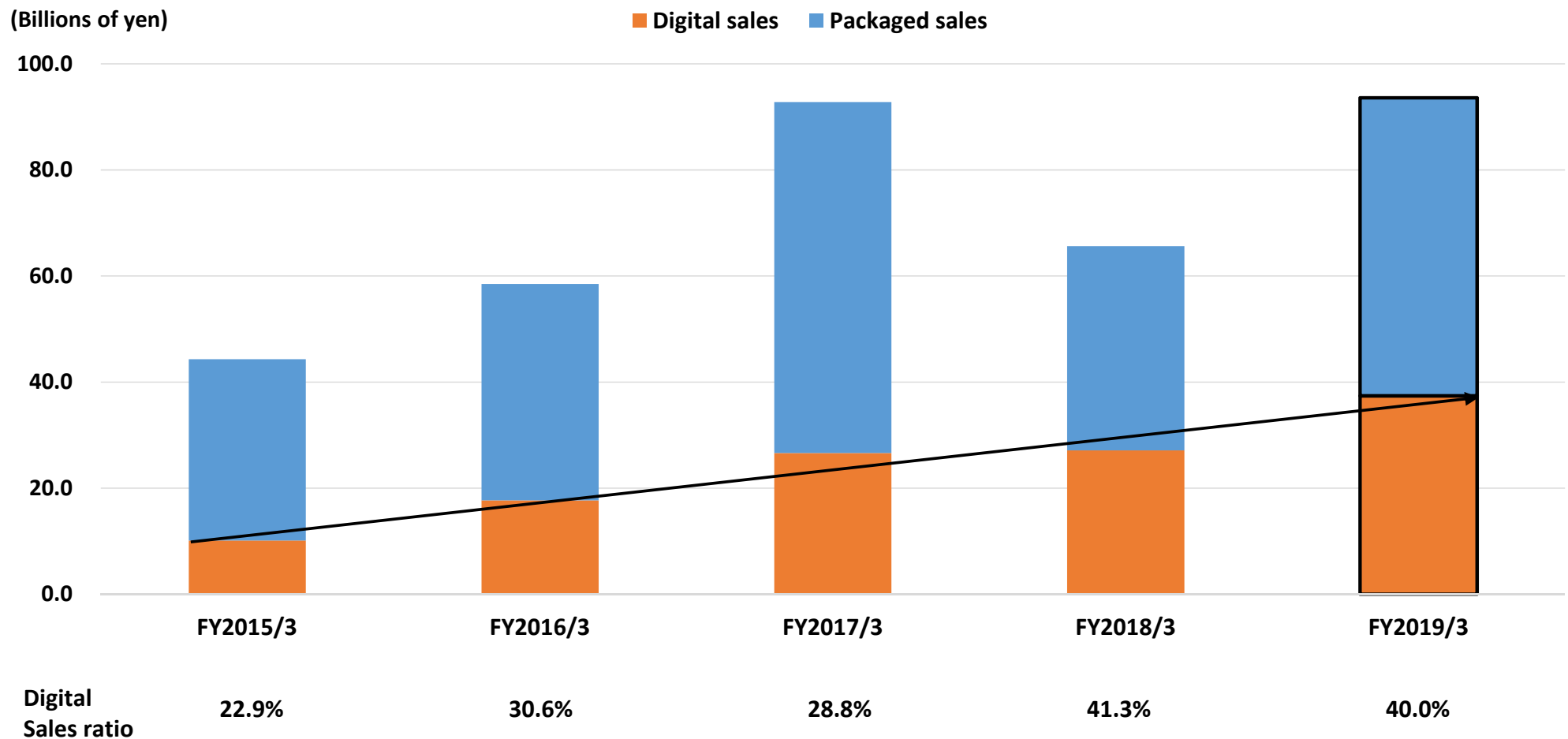
© Disney. © Disney/Pixar.
Developed by SQUARE ENIX

Released on January 25, 2019 (Japan/Asia)
Released on January 29, 2019 (North America/Europe)

Digital Entertainment – HD Games

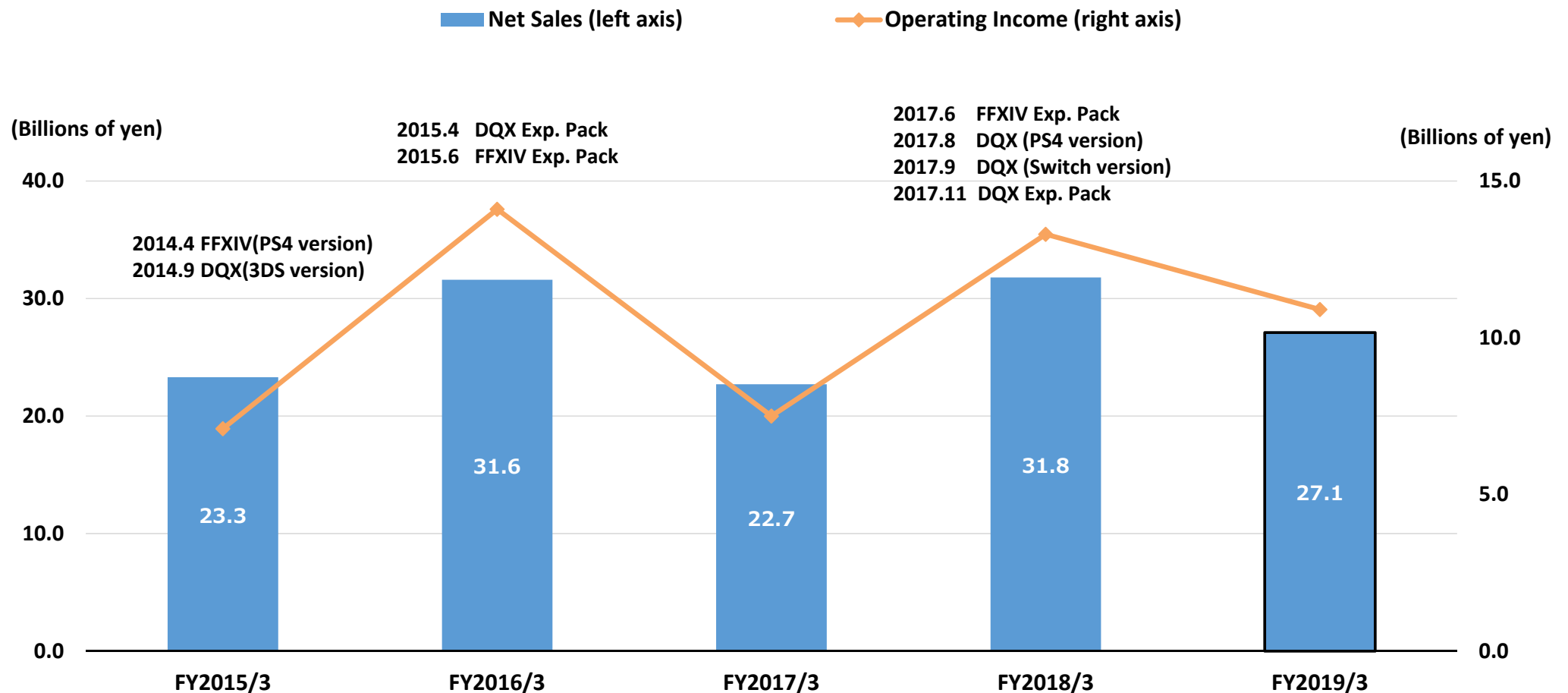
Digital sales have grown by an annual average of around 40% for the past five years, contributing to margin improvement.

Sales Breakdown in HD segment



Digital Entertainment – MMO

Net sales and operating income decreased compared to the prior fiscal year, which had seen the launch of expansion packages for “FINAL FANTASY XIV” and “DRAGON QUEST X,” but recurring subscription revenue remained brisk.



Digital Entertainment – Units Sold by Region

Units Sold = Sold disks + Downloads

Sold disks: Number of discs recognized on a shipment basis

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

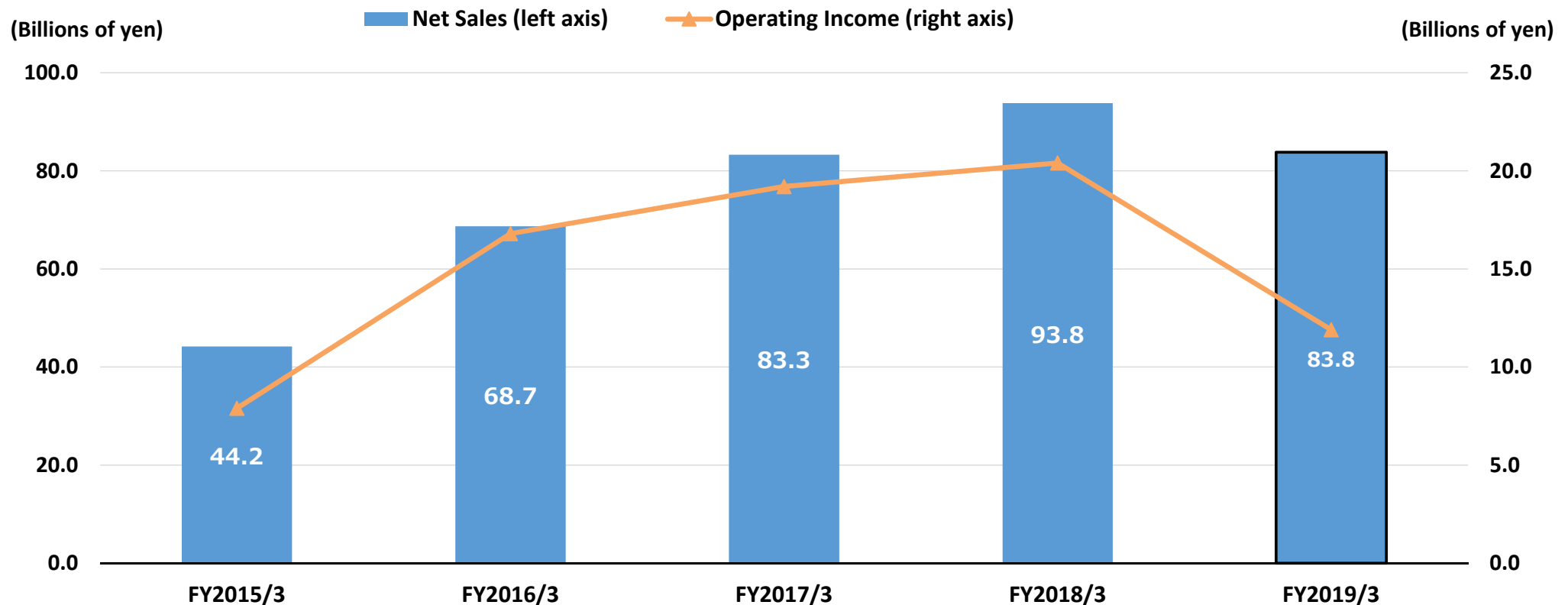
Region	FY 2018/3 Full Year (Results)			FY 2019/3 Full Year (Results)		
	Disc	Download	Total	Disc	Download	Total
Japan	5.26	1.62	6.88	3.00	1.37	4.37
	(Included episode units 0.02)			(Includes episode units 0.06)		
North America/ Europe	7.24	7.80	15.04	12.45	8.12	20.57
	(Included episode units 2.87)			(Includes episode units 2.06)		
Asia, etc.	0.69	1.13	1.82	0.49	1.12	1.61
	(Included episode units 0.46)			(Includes episode units 0.44)		
Total	13.19	10.55	23.74	15.94	10.61	26.55
	(Included episode units 3.35)			(Includes episode units 2.56)		

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

Digital Entertainment

– Games for Smart Devices/PC Browser

Many of the titles launched in FY2018/3 and 1H FY2019/3 underperformed, failing to add to the sales generated by existing titles. A decrease in licensing income also resulted in a year-on-year decline in net sales and operating income.



Digital Entertainment

– Games for Smart Devices/PC Browser

Major Operating Titles

Jan 2014



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©SUGIYAMA KOBO
Developed by Cygames, Inc.

Sep 2014



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

Jun 2015



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LOGO ILLUSTRATION:
©2015 YOSHITAKA AMANO

Oct 2015



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©SUGIYAMA KOBO

Dec 2016



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Developed by tri-Ace Inc.

Mar 2017



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Mar 2018



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Apr 2014



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Nov 2014



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Sep 2015



©Disney
Developed by SQUARE ENIX

Oct 2015



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

Feb 2017



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

Jun 2017



Co-developed with Pokelabo Inc.
(Published by Pokelabo Inc.)
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Dec 2018

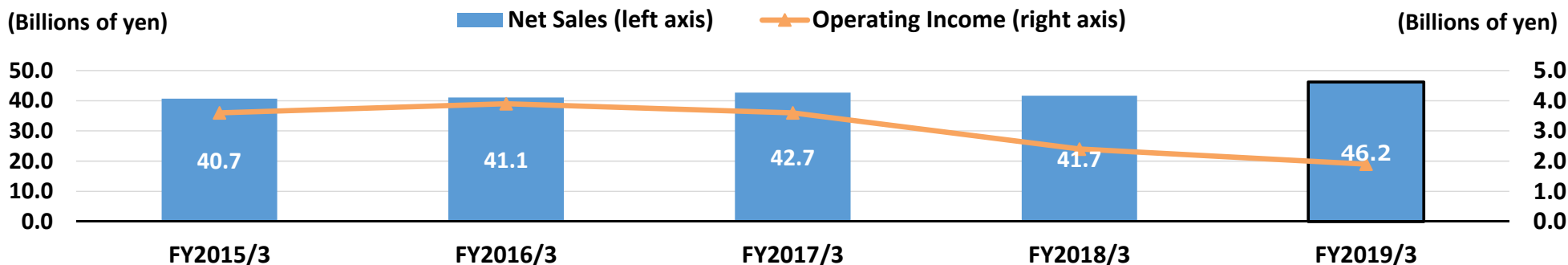


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ILLUSTRATION: TOMOMI KOBAYASHI

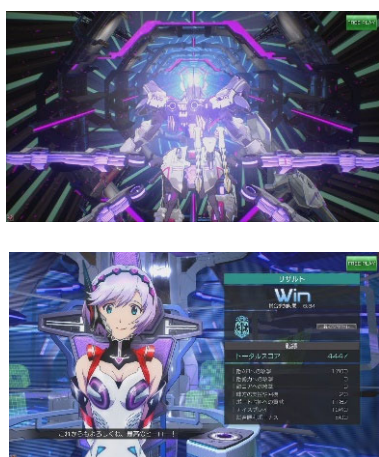
*Month and year indicate each title's launch timing.

Amusement

Arcade operations were solid, and the roll-out of new machines resulted in a YoY rise in net sales. Operating income meanwhile fell YoY due to higher depreciation charges associated with the installation of new machines at arcade facilities.



Pipeline in FY2019/3



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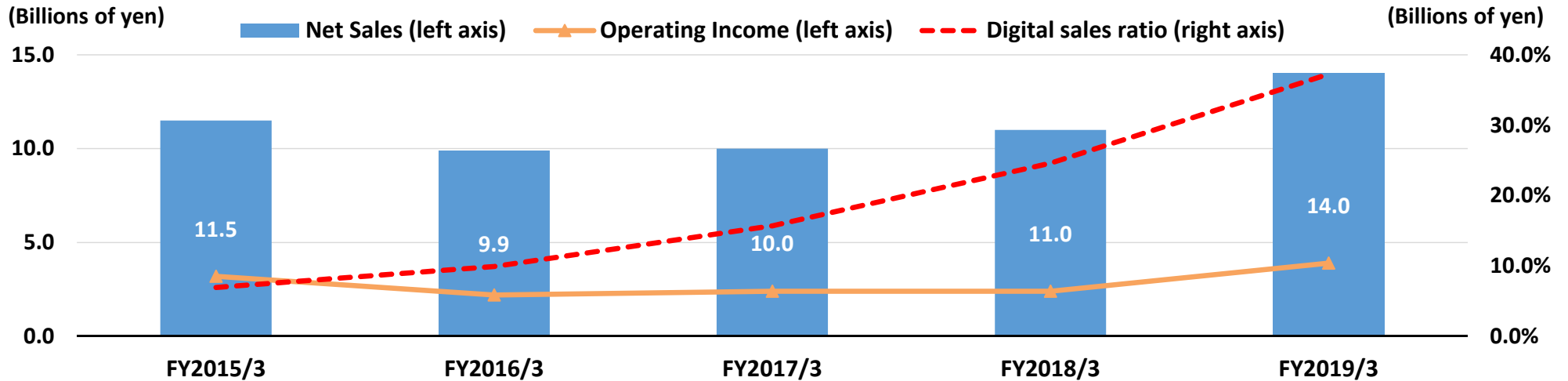
© SQUARE ENIX SUNRISE
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Launched on November 21, 2018

Launched on December 6, 2018

Publication

Sales in digital formats grew sharply while comics in print format were on par with the fiscal year. In addition, the MANGA UP! comic app posted an increase in sales, resulting in higher net sales and operating income year-on-year.



Main Titles in FY2019/3

マンガUP! 月刊pixiv



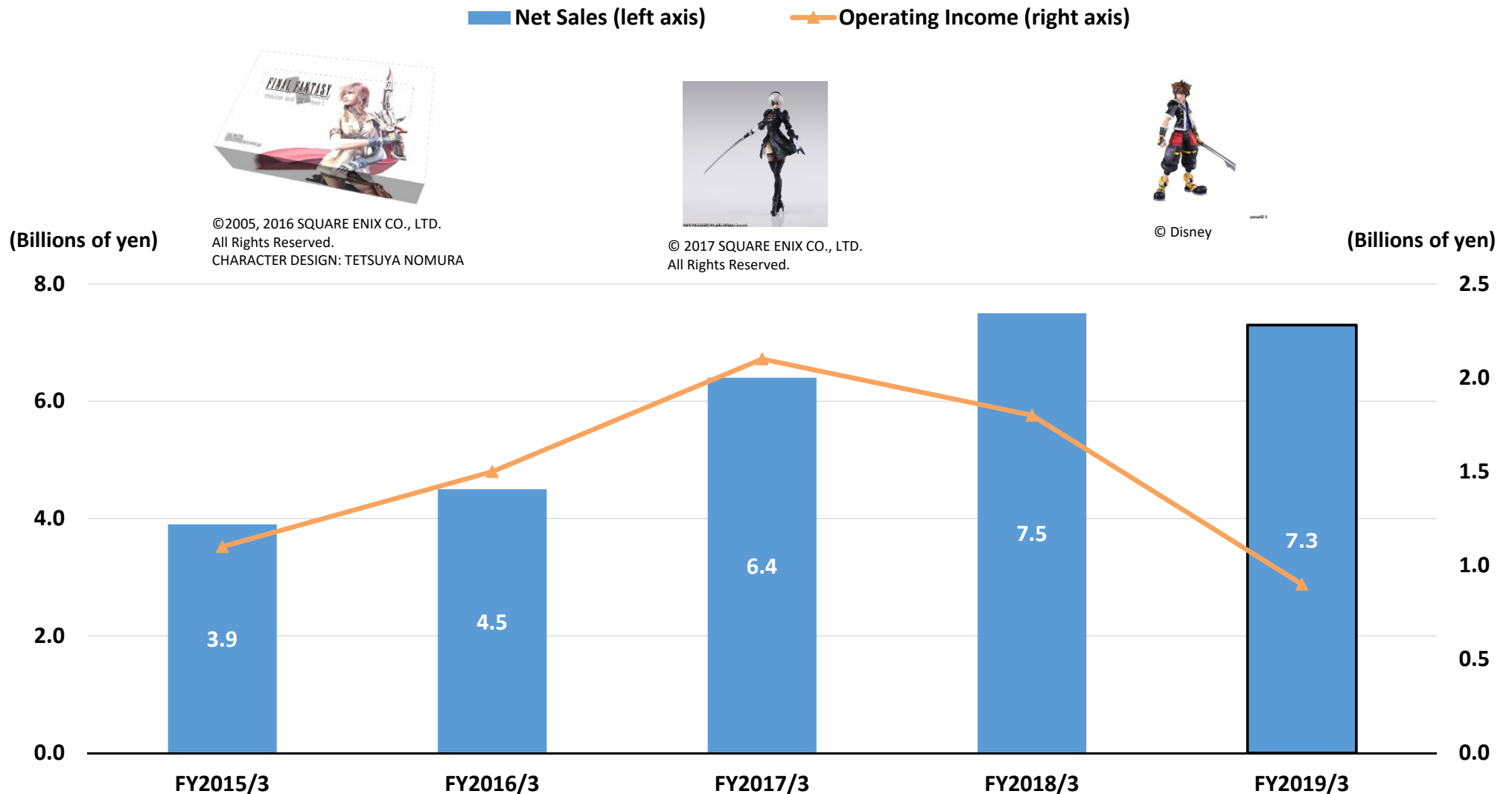
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Naomura/SQUARE ENIX

Merchandising

Net sales and operating income fell YoY due to a high hurdle set by the release of new merchandise based on key IP a year earlier and to strategic investments aimed at developing new businesses.

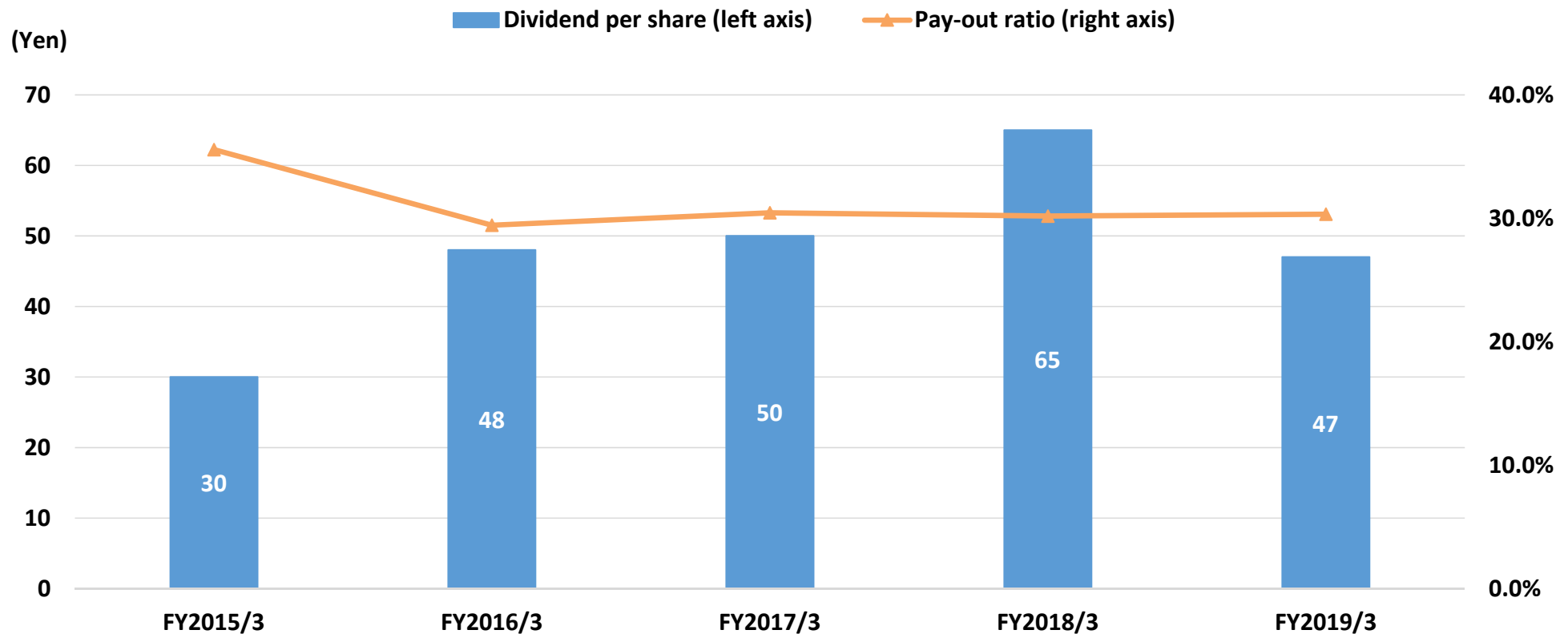


Shareholders Return in FY2019/3

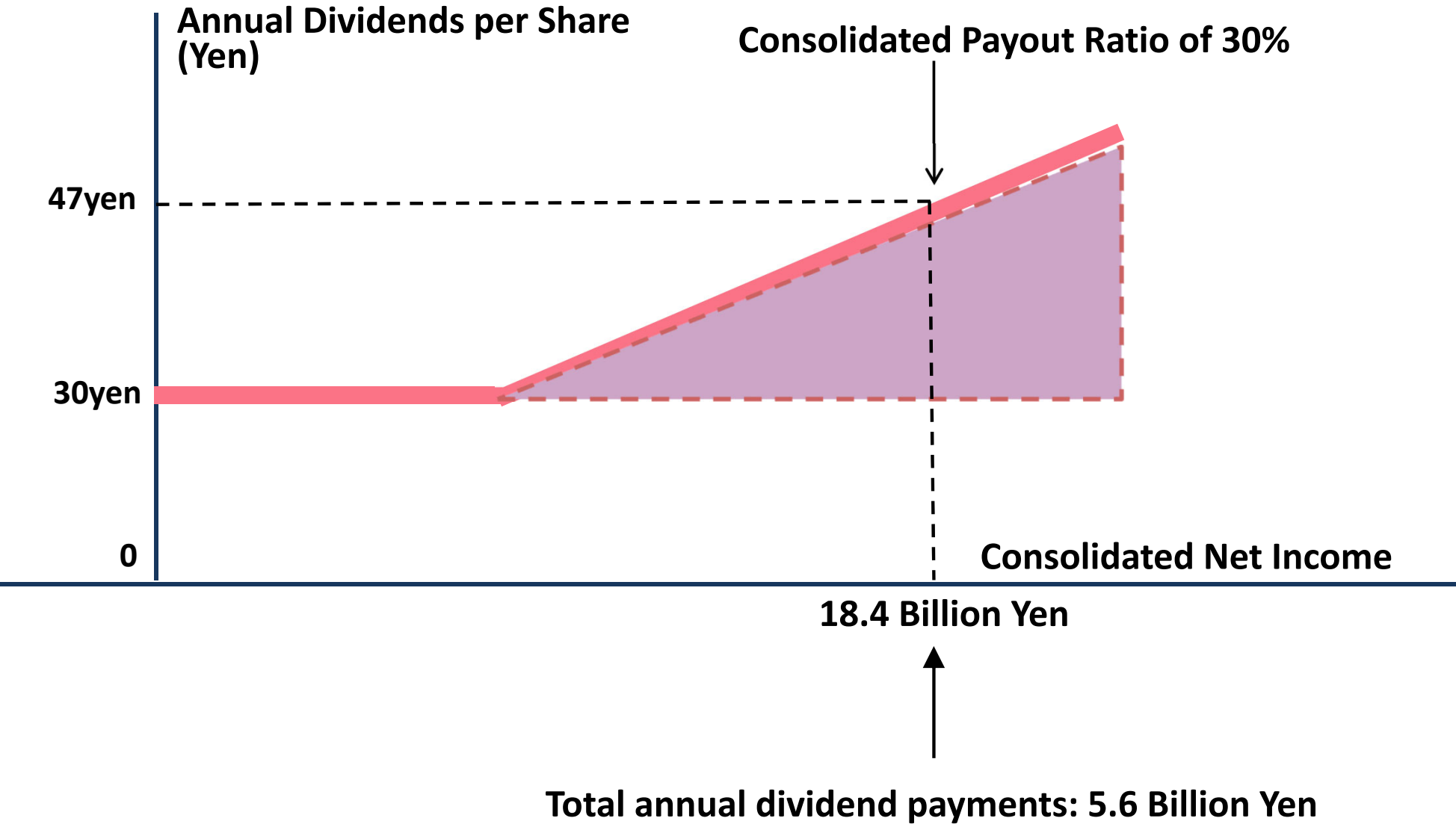
<Shareholders Return Policy>

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

Dividends Record for 5 years



Dividends Policy for FY 2019/3



Consolidated Financial Forecasts

Fiscal Year

Ending March 31, 2020

Consolidated Financial Forecasts: Fiscal Year Ending March 31, 2020

(Billions of Yen)

	Fiscal Year Ended March 31, 2019	Fiscal Year Ending March 31, 2020	
	Full Year Results	Full Year Forecasts	Changes
Net Sales	271.0	270.0	(1.0)
Operating Income	24.5	24.0	(0.5)
Operating Income Margin	9.1%	8.9%	(0.2pt)
Ordinary Income	28.3	24.0	(4.3)
Ordinary Income Margin	10.4%	8.9%	(1.5pt)
Profit attributable to owners of parent	18.4	16.8	(1.6)
Depreciation and Amortization	6.8	7.5	0.7
Capital Expenditure	9.5	12.8	3.3

Dividends per share (Yen)

Interim	10	10	-
Yearend	37	33	(4.0)
Total	47	43	(4.0)

FY2021/3~

Targeting net sales of ¥300-400 billion and operating income of ¥40-50 billion.

• In FY2020/3, we will focus on positioning ourselves to achieve our medium-term targets and on laying the groundwork for what lies beyond.

Consolidated Financial Forecasts by Business Segment: Fiscal Year Ending March 31, 2020

(Billions of Yen)

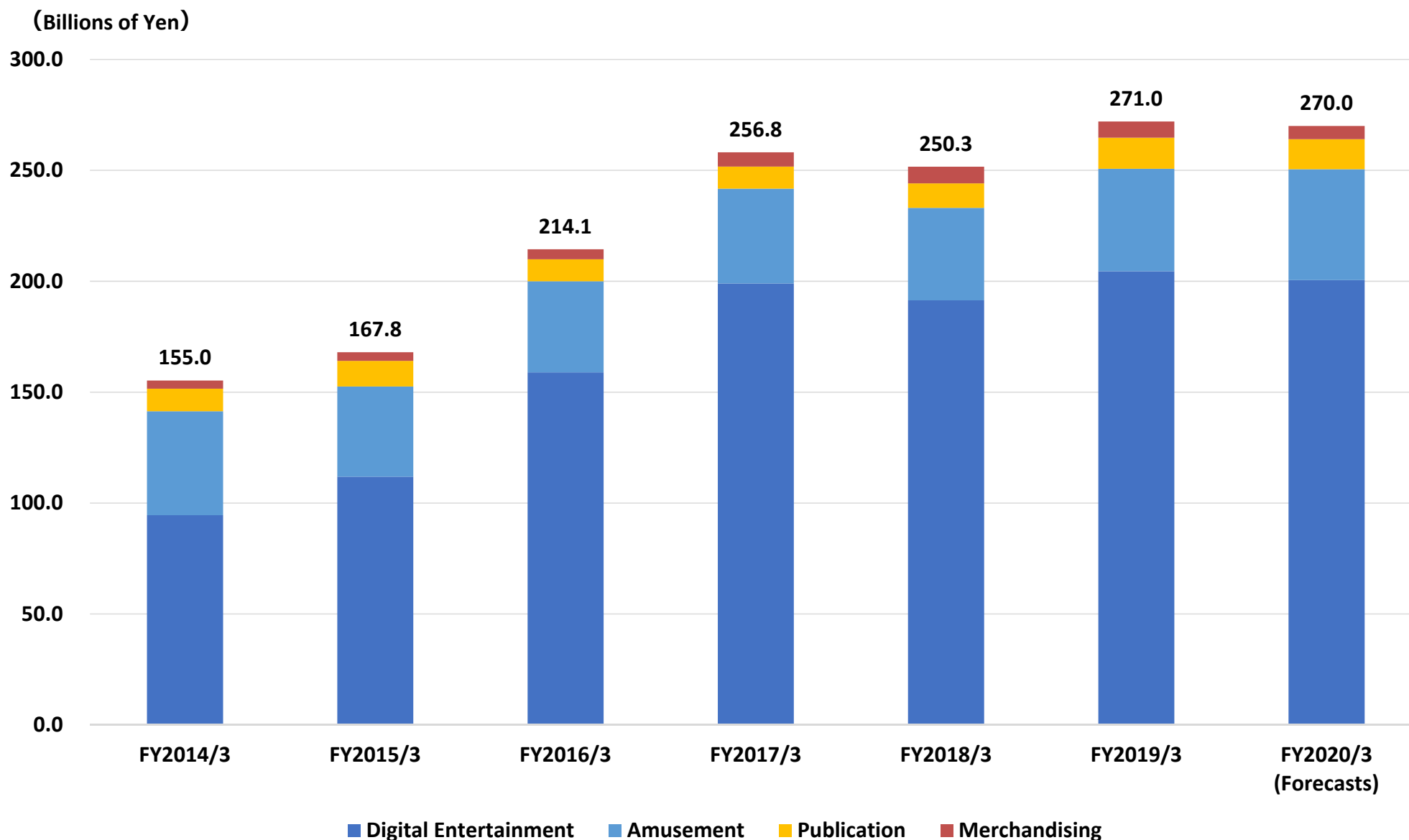
	Fiscal Year Ended March 31, 2019	Fiscal Year Ending March 31, 2020	
	Full Year Results	Full Year Forecasts	Changes
Net Sales	271.0	270.0	(1.0)
Digital Entertainment	204.5	200.5	(4.0)
Amusement	46.2	50.0	3.8
Publication	14.0	13.5	(0.5)
Merchandising	7.3	6.0	(1.3)
Eliminations or unallocated	-1.2	0.0	1.2
Operating Income	24.5	24.0	(0.5)
Digital Entertainment	29.0	30.1	1.1
Amusement	1.9	3.3	1.4
Publication	3.9	3.0	(0.9)
Merchandising	0.9	0.3	(0.6)
Eliminations or unallocated	-11.3	-12.7	(1.4)
Operating Income Margin	9.1%	8.9%	(0.2pt)
Digital Entertainment	14.2%	15.0%	0.8pt
Amusement	4.2%	6.6%	2.4pt
Publication	28.3%	22.2%	(6.1pt)
Merchandising	12.6%	5.0%	(7.6pt)
Eliminations or unallocated	-	-	-

Highlights by Business Segment:

Fiscal Year Ending March 31, 2020

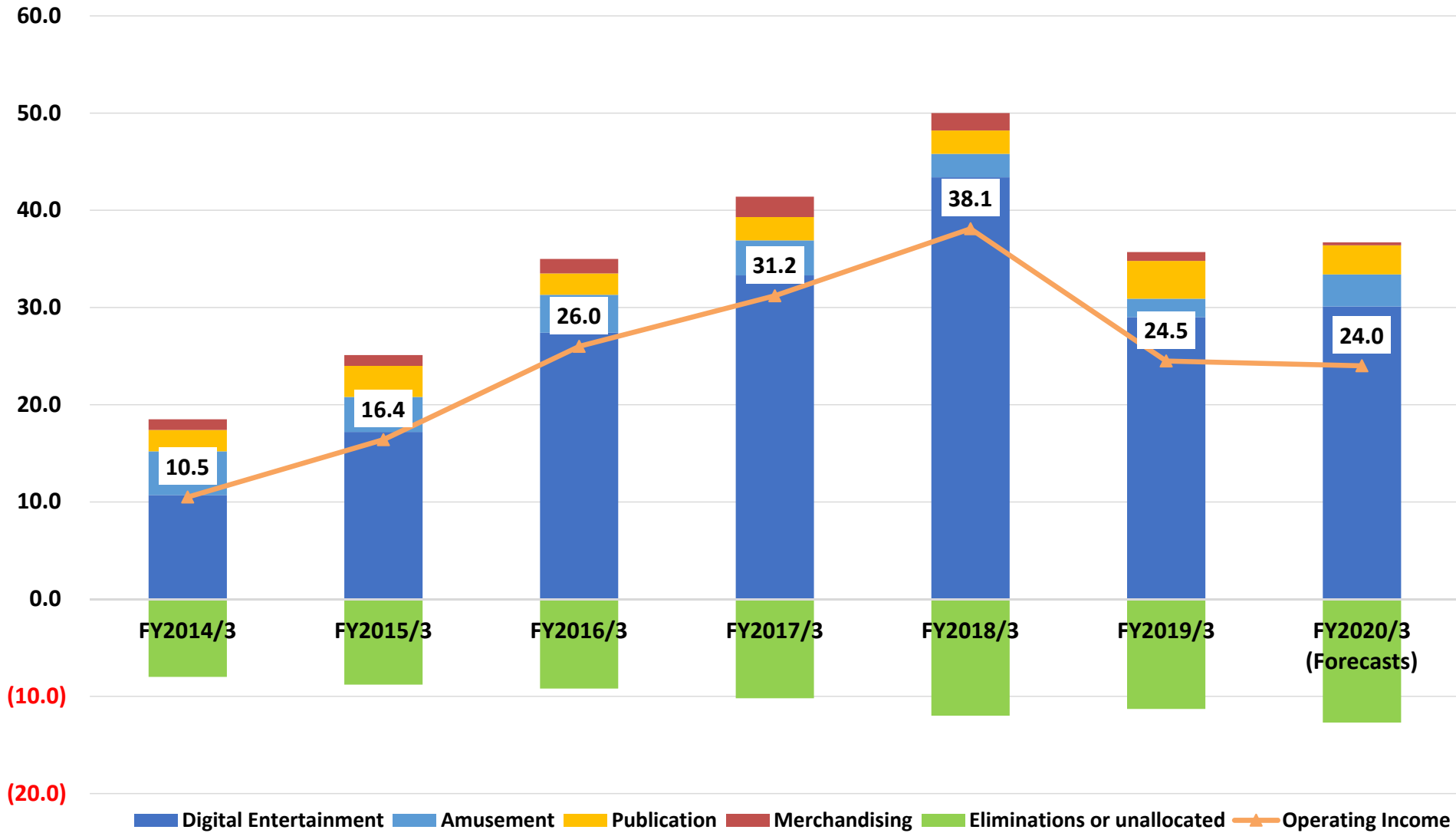
Business Segment		Main highlights
Digital Entertainment	HD Games	<ul style="list-style-type: none"> • Multiple new titles slated for launch, but units sold likely to decline YoY. • Look to generate stable recurring earnings from digital sales of catalogue titles. • Focus on creating new IP that will enable sustainable growth.
	MMO	<ul style="list-style-type: none"> • Look for net sales and operating income to rise YoY on launch of expansion packs.
	Games for Smart devices, PC Browsers	<ul style="list-style-type: none"> • Will overhaul development and operational functions to focus on creation of new hit titles.
Amusement		<ul style="list-style-type: none"> • Look for net sales and operating income to rise YoY on new openings of arcade facilities and the release of multiple new machines.
Publication		<ul style="list-style-type: none"> • Focus on achieving further growth via e-books and apps and on making contents available in multiple formats.
Merchandising		<ul style="list-style-type: none"> • Launched new organizational structure on April 1, 2019. Focus on making more multimedia offerings (e.g., animation, 2.5D, music) and on leveraging IP to maximize earnings.

Net Sales Trend by Business Segment



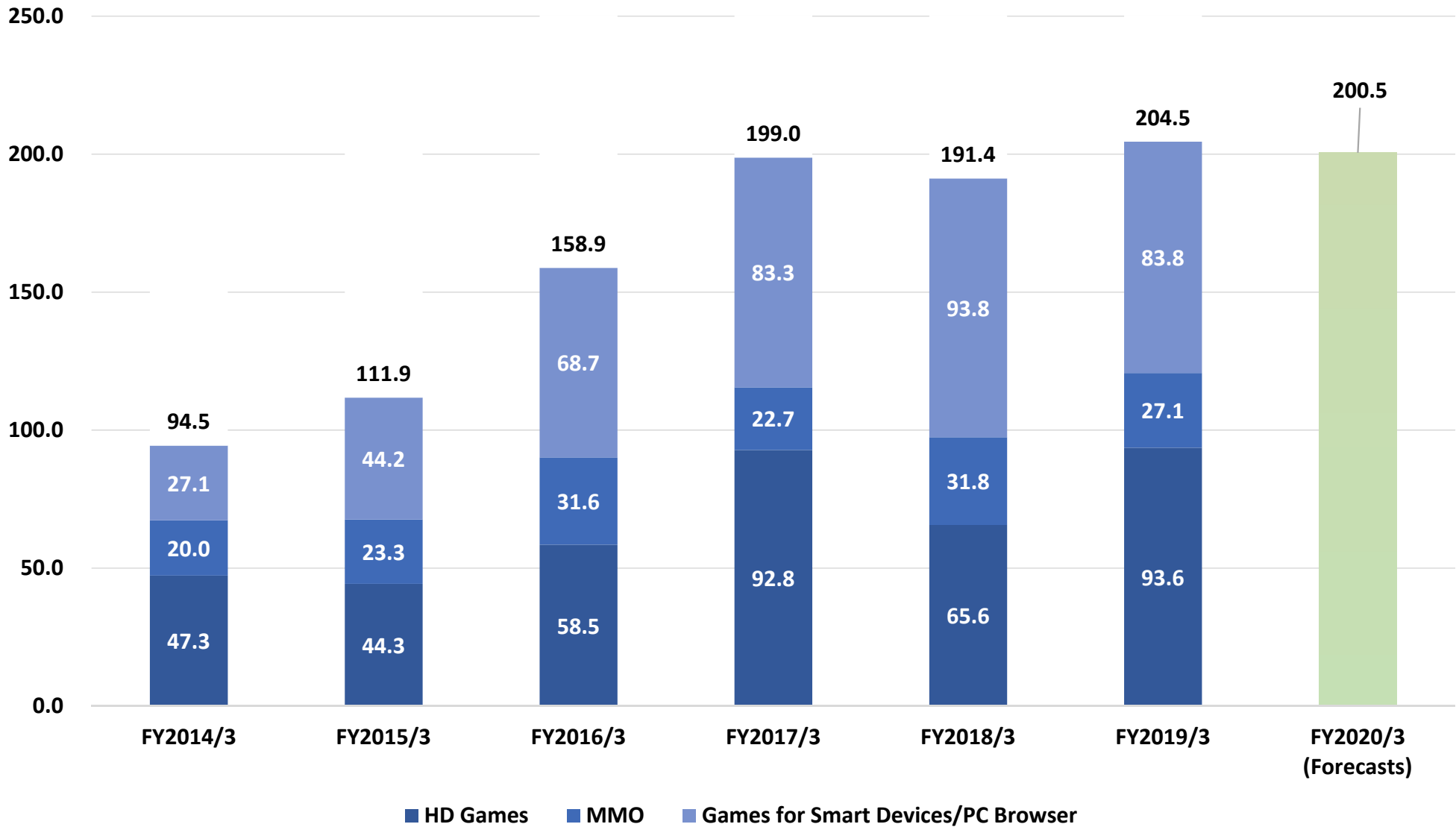
Operating Income Trend by Business Segment

(Billions of Yen)



Digital Entertainment – Net Sales Trend

(Billions of Yen)



Digital Entertainment – Units Sold by Region

Units Sold = Sold disks + Downloads

Sold disks: Number of discs recognized on a shipment basis

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

Region	FY 2019/3 Full Year (Results)			FY 2020/3 Full Year (Forecasts)		
	Disc	Download	Total	Disc	Download	Total
Japan	3.00	1.37	4.37	2.25	1.42	3.66
	(Include episode units 0.06)			(Include episode units 0.01)		
North America/ Europe	12.45	8.12	20.57	6.54	7.61	14.15
	(Include episode units 2.06)			(Include episode units 0.93)		
Asia, etc.	0.49	1.12	1.61	0.39	0.07	0.46
	(Include episode units 0.44)			(Include episode units 0)		
Total	15.94	10.61	26.55	9.18	9.09	18.27
	(Include episode units 2.56)			(Include episode units 0.94)		

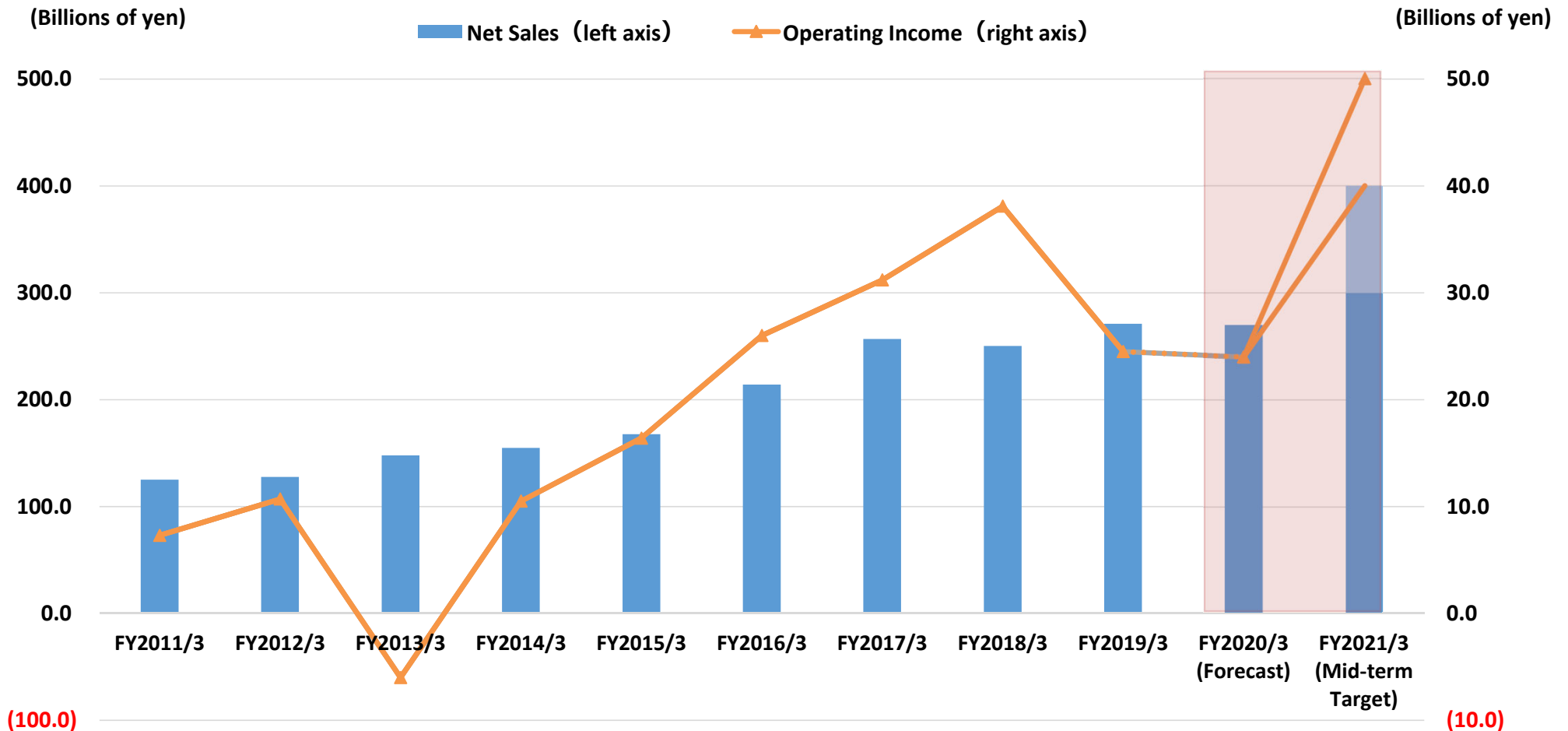
* The above numbers cover both HD and MMO games, including third-party titles for distributorship arrangements.
Each episode of episodic distribution titles is counted as one unit.

Mid-term Target and Business Strategies

Mid-term Target

FY2021/3~

Targeting net sales of ¥300-400 billion and operating income of ¥40-50 billion.
Looking for Digital Entertainment segment to drive sales and income growth.



Initiatives to date

Strategies

1. Digital Sales Enhancement
2. Multi Platform Utilization
3. Geographical Expansion
4. Game as a Service, Game as Media
5. e-Commerce

Organizational Structure

On April 1, 2019, we launched a new organizational structure at SQUARE ENIX JAPAN (SQUARE ENIX CO., LTD.). The new structure will enable us to gain operational efficiencies, make effective use of our resources, and share expertise so that we can focus on increasing our profitability.

Strategy for achieving medium-term targets

Expand recurring income

Target sustainable growth by establishing a stable earnings base that reduces the volatility of our financial performance.

1. Enrich title portfolio through regular launches of new AAA titles
2. Create a long-tail earnings model by expanding repeat sales, especially by digital download
3. Maximize earnings by deepening user engagement with offering various contents of major existing IP.

Ongoing investment in new IP

We will aggressively invest in new IP on an ongoing basis to enrich our portfolio and enable sustained growth.

Initiatives for sustainable growth after achieving mid-term target

We will continue to invest in new businesses and technologies to attain stable recurring income from our IP.

Investment in promising entertainment-related peripheral business domains and technologies such as;

- 1. 3D Modeling**
- 2. AI (artificial intelligence)**
- 3. Blockchain**
- 4. XR (an umbrella term for Virtual Reality, Mixed Reality and Augmented Reality), etc.**

Access to new technologies through investment in a venture capital fund.

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。**

SQUARE ENIX®

Financial Results Briefing Session

Fiscal Year Ended March 31, 2019

May 13, 2019

SQUARE ENIX HOLDINGS CO., LTD.