

We would now like to begin the Financial Results Briefing session of SQUARE ENIX HOLDINGS (the "Company") for the first quarter of the fiscal year ending March 31, 2023 ("Q1 FY2023/3").

Today's presenters are:
Yosuke Matsuda, President and Representative Director, and
Atsushi Matsuda, Chief Accounting Officer.

First, Mr. Matsuda, Chief Accounting Officer, will give an overview of the Company's financial results for Q1 FY2023/3, and then our president Mr. Matsuda will discuss the progress made by each of the Company's business segments.

I am Atsushi Matsuda, the Chief Accounting Officer. I will be providing an overview of our Q1 FY2023/3 results.

Financial Results
First Quarter of Fiscal Year
Ending March 31, 2023

SQUARE ENIX 3 **SQUARE ENIX HOLDINGS CO., LTD.**

Consolidated Statement of Income
Q1, FY2023/3

(Billions of Yen)

	Fiscal Year Ended March 31, 2022		Fiscal Year Ending March 31, 2023	
	Apr - Jun	Full Year Results	Apr - Jun	Changes
Net sales	88.6	365.2	74.8	(13.8)
Operating income	17.3	59.2	14.4	(2.9)
Operating income margin	19.5%	16.2%	19.3%	(0.2pt)
Ordinary income	17.6	70.7	26.2	8.6
Ordinary income margin	19.9%	19.4%	35.1%	15.2pt
Profit attributable to owners of parent	12.6	51.0	18.3	5.7
Depreciation and amortization	1.6	7.5	1.7	0.1
Capital expenditure	1.9	9.1	1.4	(0.5)

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In Q1 FY2023/3, the Company booked net sales of ¥74.8 billion (down ¥13.8 billion YoY), operating income of ¥14.4 billion (down ¥2.9 billion), ordinary income of ¥26.2 billion (up ¥8.6 billion), and profit attributable to owners of parent of ¥18.3 billion (up ¥5.7 billion).

**Consolidated Statement of Income
Q1, FY2023/3 by Business Segment**

	(Billions of Yen)		
	Fiscal Year Ended March 31, 2022		Fiscal Year Ending March 31, 2023
	Apr - Jun	Apr - Jun	Changes
Net sales	88.6	74.8	(13.8)
Digital Entertainment	69.8	53.5	(16.3)
Amusement	9.4	11.9	2.5
Publication	7.2	6.2	(1.0)
Merchandising	2.7	3.6	0.9
Eliminations or unallocated	(0.7)	(0.6)	0.1
Operating income	17.3	14.4	(2.9)
Digital Entertainment	17.1	14.1	(3.0)
Amusement	0.3	1.1	0.8
Publication	3.2	2.4	(0.8)
Merchandising	0.9	0.8	(0.1)
Eliminations or unallocated	(4.3)	(4.2)	0.1
Operating income margin	19.5%	19.3%	(0.2pt)
Digital Entertainment	24.5%	26.4%	1.9pt
Amusement	3.0%	9.5%	6.5pt
Publication	44.9%	39.9%	(5.0pt)
Merchandising	33.1%	23.0%	(10.1pt)
Eliminations or unallocated	-	-	-

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I will next break down our results by segment.

The Digital Entertainment segment posted net sales of ¥53.5 billion (down ¥16.3 billion YoY) and operating income of ¥14.4 billion (down ¥2.9 billion).

Net sales declined YoY in the HD Games sub-segment, where new titles generated fewer earnings than those of a year earlier, when the sub-segment released “*OUTRIDERS*” and “*NieR Replicant ver.1.22474487139...*”

**Consolidated Balance Sheet
as of June 30, 2022**

Account	<Assets>			<Liabilities and Net Assets>			
	03/2022	06/2022	Changes	Account	03/2022	06/2022	
						Changes	
Cash and deposits	163.0	145.6	(17.4)	Notes and accounts payable	27.5	22.0	(5.5)
Notes and accounts receivable and contract assets	48.9	37.8	(11.1)	Income taxes payable	8.4	6.4	(2.0)
Inventories	5.1	4.9	(0.2)	Deferred liabilities	5.6	5.4	(0.2)
Contract production account	96.7	115.2	18.5	Others	42.1	39.0	(3.1)
Others	12.4	13.7	1.3	Total Current Liabilities	83.8	72.9	(10.9)
Total Current Assets	322.4	313.3	(9.1)	Total Non-current Liabilities	12.6	13.1	0.5
Property and equipment	39.8	39.7	(0.1)	Total Liabilities	96.4	86.1	(10.3)
Intangible Assets	7.3	7.9	0.6	Total Shareholders' Equity	290.2	294.6	4.4
Investments and other assets	31.2	32.2	1.0	Others	(5.4)	(7.3)	(1.9)
Total Non-current Assets	58.4	59.9	1.5	Total Net Assets	284.4	287.2	2.8
Total Assets	380.9	373.3	(7.6)	Total Liabilities and Net Assets	380.9	373.3	(7.6)

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Net sales rose YoY in the MMO sub-segment thanks to sharp growth in monthly paying subscriber numbers for “*FINAL FANTASY XIV*.”

While “*ECHOES of MANA*” got off to a solid start following its April launch, net sales in the Games in the Smart Devices/PC Browser sub-segment declined YoY, in part because of weak performances from existing titles.

The Amusement segment booked net sales of ¥11.9 billion (up ¥2.5 billion YoY) and operating income of ¥1.1 billion (up ¥800 million). Net sales and operating income rose YoY due to significant growth in same-store sales.

The Publication segment posted net sales of ¥6.2 billion (down ¥1 billion) and operating income of ¥2.4 billion (down ¥800 million). The YoY decreases in net sales and operating income are due o to declines in both digital and print sales.

The Merchandising segment booked net sales of ¥3.6 billion (up ¥900 million YoY) and operating income of ¥800 million (down ¥100 million). Sales of new merchandise based on key IP were brisk, but the sales mix changed, resulting in higher net sales but lower operating income than in the previous year.

That concludes my overview of our Q1 FY2023/3 financial results.

Consolidated Financial Results and Progress in Each Business Segment

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I am Yosuke Matsuda. I will be providing additional details on how we did in Q1 FY2023/3.

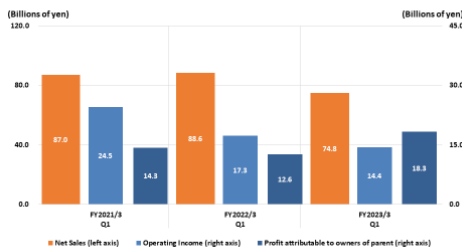
In Q1 FY2023/3, net sales and operating income declined YoY in the HD Games sub-segment due to new titles generating fewer earnings than those of the previous year, but the sub-segment’s progress was in line with our expectations. We plan to roll out a succession of new titles in Q2 and beyond, so we believe that sales trends going forward will be key.

We have left our earnings forecasts for the fiscal year ending March 31, 2023 undetermined because we are currently assessing the earnings impact of the transaction described in our May 2, 2022 release entitled “Execution of Share Transfer Agreement with Change to Subsidiaries.” This makes it difficult to arrive at reasonable calculations at present, so we will disclose our forecasts as soon as we are able to calculate them.

As previously noted, consolidated net sales and operating income declined YoY in Q1 FY2023/3, but net income rose because we booked foreign exchange gains.

Consolidated Financial Results

Net sales and operating income declined YoY, but net income rose due to foreign exchange gains.

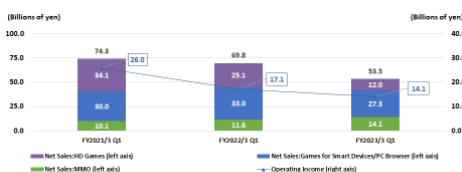


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Digital Entertainment

Net sales and operating income declined YoY at the HD Game sub-segment, due to a YoY decline in earnings from new titles.

HD Games	Sales did not reach the level of the previous year despite the release of multiple new titles.
MMO	Paying subscriber numbers for “FINAL FANTASY XIV” rose YoY.
Games for Smart Devices/PC Browser	New titles were unable to offset weak performances from existing titles.



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

Net sales and operating income declined YoY in the HD Games sub-segment due to new titles generating fewer earnings than those of the previous year.

The plans, forecasts, strategies and ideas described in this material are descriptions of forecasts of future results. These descriptions rely on information available as of the date of production of this material and are based on assumptions and judgment made by the Company’s management. Readers are advised not to rely solely on these forecasts. Readers should also not assume that these forecasts are accurate or valid information, even after the date of public release. There are many factors that may cause actual results to vary considerably from the forecasts, and in some cases actual results may be inferior to forecasts.

The information on the future forecasts described in this material is current as of Aug 4, 2022. The company is not obliged to update or correct forecasts concerning the Company’s future results, including forecasts or outlook, if new information becomes available and/or events occur after Aug 4, 2022.

Digital Entertainment -Main titles 1-

HD Games: Multiple new launches planned, including titles featuring new IP.

HD Games: Major New Titles in FY2022/3		
<p>OUTRIDERS WORLDSLAYER</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>Launched on: Feb 3, 2022 (Steam) on PS5 (PlayStation)</p>	<p>POWER WASH</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>Launched on: July 15, 2022</p>	<p>LIVE A LIVE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>Launched on: July 20, 2022</p>
<p>THE DYING FORCE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: September 16, 2022</p>	<p>FINAL FANTASY XIV DAWNTRAIL</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: September 29, 2022 (PlayStation 5/PC/Steam) & November 12, 2022 (Steam)</p>	<p>THE DYING FORCE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: October 27, 2022</p>
<p>THE DYING FORCE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: December 9, 2022</p>	<p>THE DYING FORCE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: December 9, 2022</p>	<p>THE DYING FORCE</p> <p>© 2022 SQUARE ENIX CO., LTD. All Rights Reserved.</p> <p>To be launched on: December 9, 2022</p>

Digital Entertainment -Main titles 2-

MMO: No expansion pack releases planned but will focus on retaining users through a variety of operational initiatives.

MMO: Main titles in operation	
<p>FINAL FANTASY XIV</p> <p>© 2010-2022 SQUARE ENIX CO., LTD. All Rights Reserved. GDDO ILLUSTRATION © 2010 SQUARE ENIX</p>	<p>DRAGON QUEST X ONLINE</p> <p>© 2012-2022 ARMOR PROJECT/HD STUDIO/SQUARE ENIX All Rights Reserved.</p>

This is our HD game pipeline. We are planning to release multiple new titles in 2Q and beyond.

Both "FINAL FANTASY XIV" and "DRAGON QUEST X Online" are delivering solid performances in the MMO sub-segment. The number of paying subscribers for "FINAL FANTASY XIV" peaked with the release of the most recent expansion pack and has subsequently settled down, but the count is rising with each passing year, and we are hoping that we will be able to further activate our user base through a variety of operational initiatives going forward.

Digital Entertainment -Main titles 3-

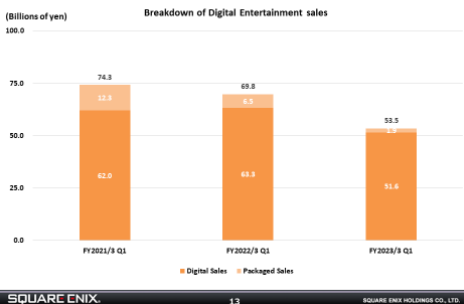
Games for Smart Devices/PC Browser: Multiple new title releases are slated for Q2 and beyond.

Major Operating Titles (Month and year indicate each title's launch timing.)						
Aug 2010 	Jan 2014 	Apr 2014 	Sep 2014 	Oct 2015 	Oct 2015 	Feb 2017
Nov 2017 	Dec 2018 	Jul 2019 	Sep 2019 	Nov 2019 	Jul 2020 	Oct 2020
Feb 2021 	Sep 2021 	Dec 2021 	Apr 2022 	Jun 2022 		

This is a list of the main titles in the Games for Smart Devices/PC Browser sub-segment.

The new title "ECHOES OF MANA," which we launched in April, got off to a solid start. We are looking forward to earnings contributions from multiple new titles slated for release in Q2 and beyond, including from "FULLMETAL ALCHEMIST MOBILE," which we launched on August 4.

Digital Entertainment -Digital vs. Physical Game Sales-



This shows the split between digital and physical game sales in the Digital Entertainment segment.

With digital downloads likely to remain the primary source of sales, we see making our content available on PCs as important, given that they are accounting for an increasing share of the market.

Digital Entertainment –Units Sold by Region–

Units Sold = Sold disks + Downloads
 Sold disks: Unit sales of packaged software sold in the fiscal year
 Downloads: Unit sales of downloaded software sold in the fiscal year

(Millions of Units Sold)

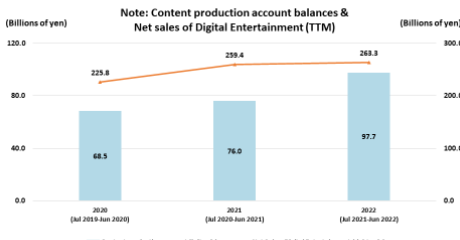
Region	FY2022/3 Q1 Results			FY2023/3 Q1 Results		
	Disc	Download	Total	Disc	Download	Total
Japan	0.36	0.99	1.35	0.10	0.56	0.66
North America/ Europe	1.25	6.05	7.30	0.28	2.74	3.03
Asia, etc.	0.15	1.09	1.23	0.13	0.46	0.59
Total	1.76	8.12	9.88	0.52	3.76	4.28

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

This slide shows units sold by region.

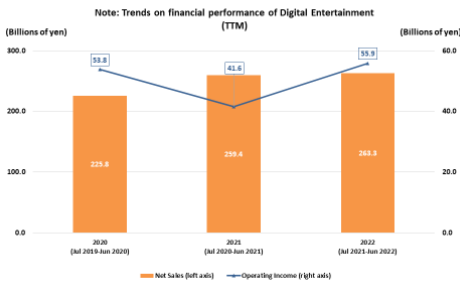
Units sold were down sharply YoY primarily because of weaker sales of new titles than in the previous year. Another reason for the decline is that we separated the profits and losses of businesses associated with IP to be divested from those arising from ordinary business activities by posting them under non-operating income as of Q1. As such, we excluded the relevant titles from our count of units sold starting in Q1.

Digital Entertainment



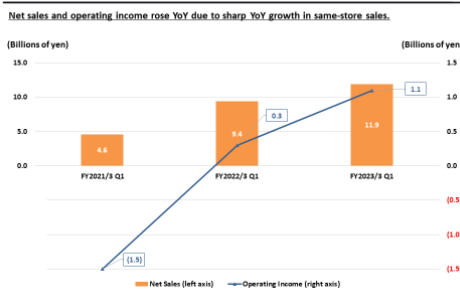
Our content production account stood at ¥111.2 billion as of end-Q1. This is indicative of the richness of our upcoming pipeline, and we hope that you will look forward to the contributions it will make to our earnings.

Digital Entertainment



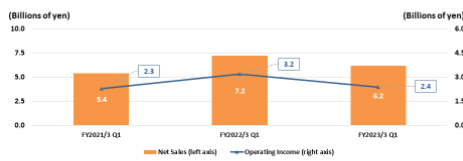
Net sales and operating income rose YoY in the Amusement segment thanks to the absence of restrictions associated with the COVID-19 pandemic in Q1, resulting in a sharp increase in same-store sales compared to the previous year. We cannot deny that uncertainty surrounds the outlook for the segment given that COVID-19 cases are on the rise again of late, but we hope that the segment sees a continued recovery.

Amusement



Publication

Net sales and operating income fell YoY due to YoY declines in digital and print sales.



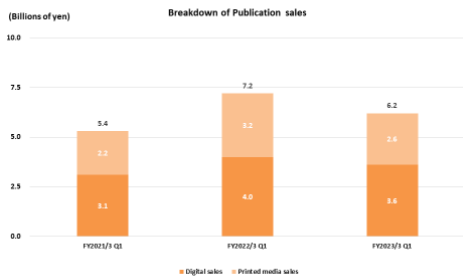
Major Service, Titles in FY2023/3



The Publication segment saw net sales and operating income fall YoY due to declines in both digital and print sales. Going forward, we hope to achieve YoY growth driven by earnings contributions from multiple titles including “Daemons of the Shadow Realm.”

Publication –Digital vs. Printed Media Sales–

Breakdown of Publication sales



This shows the split between digital and print sales in the Publication segment.

Merchandising

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



Major Products in FY2023/3

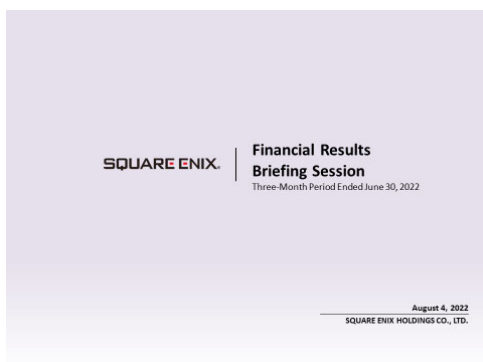


Net sales rose but operating income declined YoY in the Merchandising segment because while sales of new merchandise based on key IP were brisk, the sales mix changed.

We are poised to have more opportunities to sell our merchandise at events, including Tokyo Game Show 2022, which is slated to be held in-person. We expect this to have a positive impact on demand for our products and look forward to it contributing to further growth.

Lastly, I would like to discuss our investment strategy for development studios and new domains.

Traditionally, it has been our general policy to own our development studios outright. However, development costs have risen sharply in recent years, and so I want to identify ways of allocating capital to studios that give us greater flexibility. These can include not only full ownership but also joint ventures, equity-method affiliates, and minority stakes. Rather than insisting upon full ownership, we will hedge our risk by investing



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in studios via a range of capital structures as we work to enrich our portfolio and achieve sustained growth.

In terms of our progress on investing in the new domain of blockchain, we are steadily advancing with content development efforts and a variety of other initiatives, so we hope that you will look forward to forthcoming announcements.

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Q1 FY2023/3 Financial Results Briefing Session Q&A

Date/Time: August 4, 2022 (Thu.) 6:30-7:30 p.m. (JST)

Main speaker: Yosuke Matsuda, President and Representative Director

Q&A

Q: What is your understanding of how demand for game content is trending in the US market? How are catalog sales trending?

A: While the stay-at-home demand seen during the pandemic has cooled, it is not our view that the US market as a whole has weakened in particular. We also, for the most part, see no pronounced change in catalog sales.

Q: Will we be able to see indications of improved profitability as a result of your divestiture of the overseas studios in the second half of the current fiscal year, or will we not see that until the fiscal year ending March 2024 or later?

A: We do not expect to see the transaction result in better profitability in the short term. Instead, we expect to see profitability improve over the medium to long term as we are able to be more selective and focused in allocating our resources, especially in regards to our Japanese titles.

Q: What is your rationale for focusing on the diversification of your investment strategy for studios?

A: The cost of developing a single title is on the rise. As such, owning studios outright means that while you can expect major returns, your downside risk is also substantial. The result of this is greater-than-expected earnings volatility. Therefore, rather than insisting on full ownership, we want to additionally adopt other approaches such as forming joint ventures and taking minority stakes so that we will be able to hedge our investment risk, thereby controlling our volatility and achieving both growth and the optimal balance sheet profile.

Q: When do you plan on releasing your earnings forecasts for the fiscal year ending March 2023?

A: We are reviewing that at present, so I cannot tell you specifically when it will be.

Q: What are your expectations for "FULLMETAL ALCHEMIST MOBILE," which launched on August 4? Please also share what other plans you have for the "FULLMETAL ALCHEMIST" IP.

A: "FULLMETAL ALCHEMIST MOBILE" has gotten off to a good start, but we still need to monitor its performance going forward, so I will refrain from providing any quantitative commentary at present. In regards to our plans for the "FULLMETAL ALCHEMIST" IP, I will say that we have held a variety of events and the like since last year as part of the 20th anniversary project, we have launched "FULLMETAL ALCHEMIST MOBILE," and the creator Hiromu

Arakawa's latest title "*Daemons of the Shadow Realm*" is also out. We believe that all of this will bring increased vitality to the IP.