

We would now like to begin the Financial Results Briefing session of SQUARE ENIX HOLDINGS (the “Company”) for the first half of the fiscal year ending March 31, 2023 (“1H 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 1H FY2023/3, and then our president Mr. Matsuda will discuss the progress made by each of the Company’s business segments.

Statements 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 materials 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.

I am Atsushi Matsuda, the Chief Accounting Officer. I will be providing an overview of our 1H FY2023/3 results.

**Financial Results
 First Half of Fiscal Year
 Ending March 31, 2023**

**Consolidated Statement of Income
 1H, FY2023/3**

(Billions of Yen)

	Fiscal Year Ended March 31, 2022		Fiscal Year Ending March 31, 2023	
	1H	Full Year Results	1H	Changes
Net sales	168.9	365.2	163.3	(5.6)
Operating income	29.1	59.2	26.0	(3.1)
Operating income margin	17.3%	16.2%	15.9%	(1.4pt)
Ordinary income	31.4	70.7	45.1	13.7
Ordinary income margin	18.6%	19.4%	27.6%	9.0pt
Profit attributable to owners of parent	22.9	51.0	39.4	16.5
Depreciation and amortization	3.4	7.5	3.5	0.1
Capital expenditure	3.5	9.1	5.0	1.5

In 1H FY2023/3, the Company booked net sales of ¥163.3 billion (down ¥5.6 billion YoY), operating income of ¥26.0 billion (down ¥3.1 billion), ordinary income of ¥45.1 billion (up ¥13.7 billion), and profit attributable to owners of parent of ¥39.4 billion (up ¥16.5 billion).

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Consolidated Statement of Income
1H, FY2023/3 by Business Segment

	Fiscal Year Ended March 31, 2022		Fiscal Year Ending March 31, 2023		Changes
	1H		1H		
Net sales	168.9		163.3		(5.6)
Digital Entertainment	129.4		117.3		(12.3)
Amusement	21.0		29.8		4.8
Publication	14.1		14.6		0.5
Merchandising	5.8		7.4		1.6
Eliminations or unallocated	(11.5)		(12.7)		(0.2)
Operating income	29.1		26.0		(3.2)
Digital Entertainment	29.4		24.5		(4.9)
Amusement	0.6		2.5		1.9
Publication	5.9		6.0		0.1
Merchandising	1.7		1.7		0.0
Eliminations or unallocated	(8.7)		(8.9)		(0.2)
Operating income margin	17.3%		15.9%		(1.4pt)
Digital Entertainment	22.8%		21.0%		(1.8pt)
Amusement	3.3%		9.0%		5.6pt
Publication	42.2%		41.2%		(1.0pt)
Merchandising	30.9%		23.9%		(7.0pt)
Eliminations or unallocated	-		-		-

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Consolidated Balance Sheet
as of September 30, 2022

Account	<Assets>			<Liabilities and Net Assets>			
	03/2022	09/2022	Changes	Account	03/2022	09/2022	Changes
Cash and deposits	163.0	189.6	26.6	Notes and accounts payable	27.5	24.5	(3.0)
Notes and accounts receivable	44.9	41.7	(3.2)	Income taxes payable	8.4	30.2	1.8
Inventories	5.1	5.5	0.4	Refund liabilities	5.6	5.2	(0.4)
Content production account	96.7	99.0	2.3	Others	42.1	40.5	(1.6)
Others	12.4	11.0	(1.4)	Total Current Liabilities	83.8	80.6	(3.2)
Total Current Assets	322.4	346.9	24.5	Total Liabilities	96.4	91.0	(5.4)
Property and equipment	19.8	16.9	(2.9)	Total Shareholders' Equity	290.2	315.9	25.7
Intangible Assets	7.3	5.8	(1.5)	Others	(5.8)	(6.8)	(1.0)
Investments and other assets	31.2	30.4	(0.8)	Total Non-current Liabilities	(5.8)	(6.8)	(1.0)
Total Non-current Assets	58.4	53.2	(5.2)	Total Net Assets	284.4	309.1	24.7
Total Assets	380.9	400.1	19.2	Total Liabilities and Net Assets	380.9	400.1	19.2

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I will next break down our results by segment.

The Digital Entertainment segment posted net sales of ¥117.1 billion (down ¥12.3 billion YoY) and operating income of ¥24.5 billion (down ¥4.9 billion).

Net sales declined YoY in the HD Games sub-segment despite the release of such titles as “LIVE A LIVE” and “DRAGON QUEST X OFFLINE,” as earnings from new titles were lower than in the same period of the previous fiscal year, which had seen the release of “OUTRIDERS” and “NieR Replicant ver.1.22474487139...”

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

While “FULLMETAL ALCHEMIST MOBILE” got off to a strong start following its August launch in the Games for Smart Devices/PC Browser sub-segment, it was unable to fully offset weakness in existing titles, and the sub-segment’s net sales therefore declined YoY.

The Amusement segment booked net sales of ¥25.8 billion (up ¥4.8 billion YoY) and operating income of ¥2.5 billion (up ¥1.9 billion). Net sales and operating income rose YoY due to significant growth in same-store sales.

The Publication segment booked net sales of ¥14.6 billion (up ¥500 million YoY) and operating income of ¥6.0 billion (up ¥100 million). Sales and profits rose YoY thanks to growth in both digital and print sales, including strong sales of the major hit comic “My Dress-Up Darling.”

The Merchandising segment posted net sales of ¥7.4 billion (up ¥1.6 billion YoY) and operating income of ¥1.7 billion (down ¥21 million). Sales of new merchandise based on key IP were strong,

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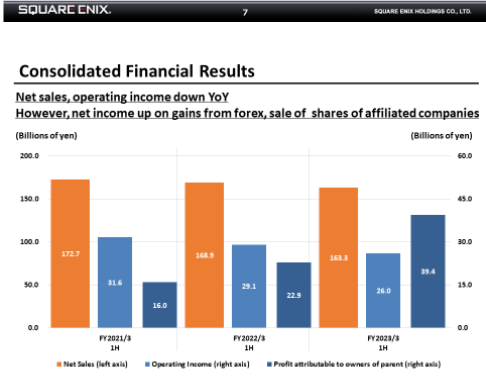
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but the sales mix changed, resulting in higher net sales but lower operating income than in the previous fiscal year.

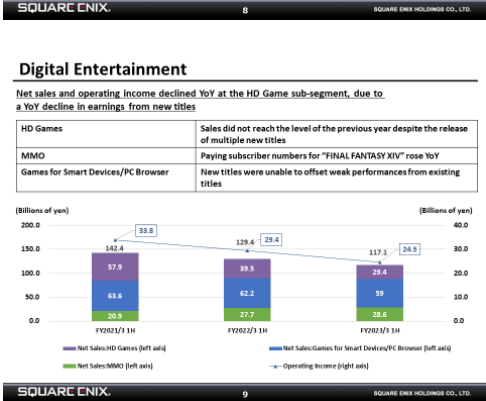
This concludes my overview of our 1H FY2023/3 financial results.

I am Yosuke Matsuda. I will be providing additional details on how we performed in 1H FY2023/3.

Consolidated Financial Results and Progress in Each Business Segment



In 1H, net sales and operating income declined YoY, but net income rose mainly because we booked gains from foreign exchange and from the sale of shares in affiliated companies.



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 lower earnings than those of the previous year, and although “FULLMETAL ALCHEMIST MOBILE” got off to a strong start in the Games for Smart Devices/PC Browser sub-segment, it was not enough to fully offset weakness in existing titles.

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Digital Entertainment -Main titles 1-

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

HD Games: Major New titles in FY2023/3		
OUTRIDERS WORLD SLAYER © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on July 19, 2022	POWER WASH © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on July 19, 2022	LIVE A LITTLE © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on July 19, 2022
FINAL FANTASY REBIRTH © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on September 14, 2022	FINAL FANTASY REBIRTH © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on September 14, 2022	THE DIVINE FORCE © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on October 27, 2022
FINAL FANTASY REBIRTH © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on September 14, 2022	FINAL FANTASY REBIRTH © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on September 14, 2022	FORSPOKEN © 2022 SQUARE ENIX CO., LTD. All Rights Reserved. Launched on December 21, 2022

This is our HD Games pipeline. We are planning to release multiple new titles in 2H, as well.

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	
FINAL FANTASY XIV © 2010-2022 SQUARE ENIX CO., LTD. All Rights Reserved. LORE ILLUSTRATION © 2010 YOSHITAKA AMANO	
DRAGON QUEST XI © 2012-2022 ARMOR PROJECT/STUDIO SQUARE ENIX All Rights Reserved.	

In the MMO sub-segment, "FINAL FANTASY XIV" and "Dragon Quest X Online" both delivered solid performances.

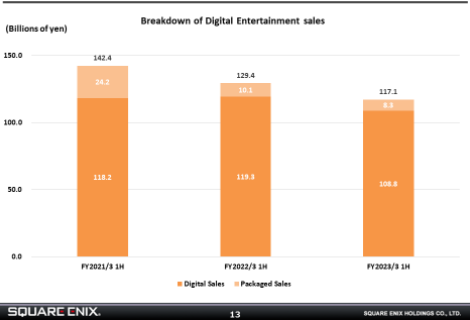
Digital Entertainment -Main titles 3-

Games for Smart Devices/PC Browser: Multiple new title releases are slated for 2H and beyond

Major Operating Titles (Month and year indicate each title's launch timing)						
Aug 2010 FINAL FANTASY XIII	Jan 2014 FINAL FANTASY XIII-2	Apr 2014 FINAL FANTASY XIII-3	Sep 2014 FINAL FANTASY XIII-3	Oct 2015 FINAL FANTASY XIII-3	Oct 2015 FINAL FANTASY XIII-3	Feb 2017 FINAL FANTASY XIII-3
Jun 2017 FINAL FANTASY XIII-3	Dec 2018 FINAL FANTASY XIII-3	Jul 2019 FINAL FANTASY XIII-3	Sep 2019 FINAL FANTASY XIII-3	Nov 2019 FINAL FANTASY XIII-3	Jul 2020 FINAL FANTASY XIII-3	Oct 2020 FINAL FANTASY XIII-3
Feb 2021 FINAL FANTASY XIII-3	Sep 2021 FINAL FANTASY XIII-3	Dec 2021 FINAL FANTASY XIII-3	Apr 2022 FINAL FANTASY XIII-3	Jun 2022 FINAL FANTASY XIII-3	Aug 2022 FINAL FANTASY XIII-3	

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

Digital Entertainment -Digital vs. Packaged Game Sales-



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

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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

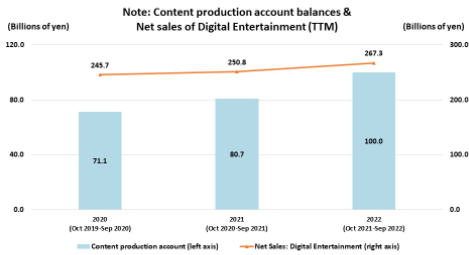
Region	FY2022/3 1H Results			FY2023/3 1H Results		
	Disc	Download	Total	Disc	Download	Total
Japan	0.54	1.72	2.27	0.73	1.37	2.10
North America/ Europe	2.14	10.64	12.77	1.16	5.07	6.24
Asia, etc.	0.20	1.98	2.18	0.30	0.77	1.07
Total	2.88	14.34	17.22	2.20	7.21	9.41

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

This slide shows units sold by region in 1H.

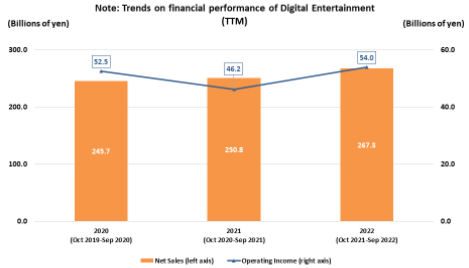
Sales volume declined sharply YoY, primarily due to the exclusion of sales from IP sold in the divestiture of select overseas studios and IP, which were included in sales volume figures through FY2022/3.

Digital Entertainment



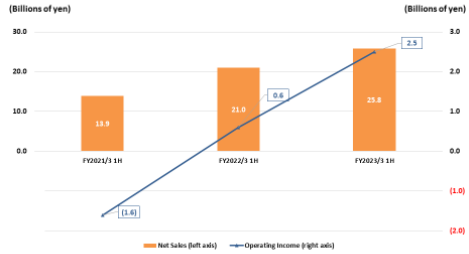
*Content production account: Average of end-quarter balances for most recent 12 months

Digital Entertainment



Amusement

Net sales and operating income rose YoY due to sharp YoY growth in same-store sales.

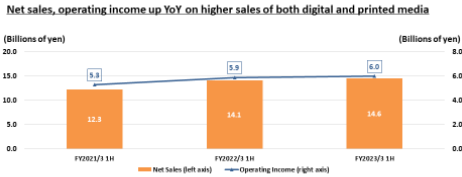


This chart shows 12-month moving average data.

Net sales and operating income rose YoY in the Amusement segment thanks to sharp growth in same-store sales compared to the previous year. 1H sales in the Amusement segment were above pre-pandemic levels. We look forward to further growth as the weak yen and the easing of entry restrictions attract more foreign tourists to Japan.

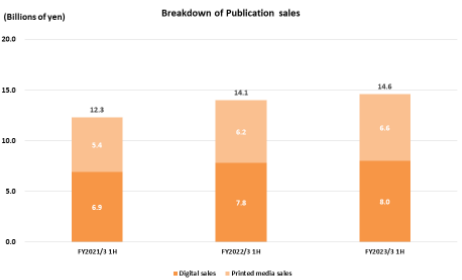
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Publication



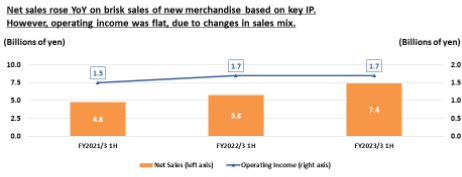
The Publication segment saw net sales and operating income increase YoY due to higher digital and printed media sales.

Publication –Digital vs. Printed Media Sales–



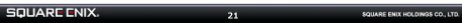
This shows the split between digital and printed media sales in the Publication segment. Sales in both categories are on the rise.

Merchandising



Net sales rose YoY in the Merchandising segment, driven by brisk sales of new merchandise based on key IP. Operating income was broadly flat YoY partly due to changes in the sales mix.

Medium-term business strategy progress



Next, I will discuss our progress in our medium-term business strategy.

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Medium-term business strategy progress

Business strategies for achieving our medium-term earnings targets

1. Strengthening our IP ecosystem
2. Take on new domains
3. Optimize business structure for COVID world

Divestiture of Select Overseas Studios & IP
(Completed on Aug 26, 2022)

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We completed the divestiture of select overseas studios & IP, as announced in our August 26, 2022 release entitled “Completion of Share Transfer with Change to Subsidiaries.”

Medium-term business strategy progress

Business strategies for achieving our medium-term earnings targets

1. Strengthening our IP ecosystem
2. Take on new domains
3. Optimize business structure for COVID world

(1) Reshaping Digital Entertainment portfolio
(2) Strengthening publishing structure

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As part of our efforts to strengthen our IP ecosystem, we are moving forward with the reshaping of our portfolio in the Digital Entertainment segment and the strengthening of our publishing structure.

Medium-term business strategy progress: 1. Strengthening our IP ecosystem

(1) **Reshaping Digital Entertainment portfolio**

- Further bolster competitive prowess of Group development studios
 - Strengthen internal development capabilities (incl. via M&A)
 - Focus resources on titles that pursue the global market
 - Develop global content in the mobile business
 - Further advance multi-platform strategy

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We will focus resources into developing attractive titles for the global market and work on bolstering our internal development function. Rather than limiting ourselves to full ownership, we will invest in development studios using a range of capital structures, thereby enriching our portfolio and achieving sustained growth, while diversifying our investment risk.

Medium-term business strategy progress: 1. Strengthening our IP ecosystem

(2) **Strengthening publishing structure**

- Enhance global publishing function by appointing Chief Publishing Officers (CPO)
 - Optimize organization to support more digital sales
 - Expand opportunities to provide content (i.e., sales channels), including via PC
 - Step up collaboration with development studios in Japan and overseas
 - Speed up decision-making through integrated group management

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As part of plans to bolster our publishing structure, we are working on enhancing our global publishing function through the appointment of Chief Publishing Officers (CPOs).

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Medium-term business strategy progress

Business strategies for achieving our medium-term earnings targets

- 1. Strengthening our IP ecosystem
 - 2. Take on new domains
 - 3. Optimize business structure for COVID world
- Investing in focus fields
- (1) Initiatives to promote Blockchain Entertainment domain
 - (2) Investments in focus themes

Our work in taking on new domains is largely focused on blockchain entertainment. Despite volatility in the value of cryptocurrencies, we view our efforts in the blockchain entertainment domain as very important initiatives from a long-term perspective.

Medium-term business strategy progress: 2. Take on new domains

(1) Initiatives to promote Blockchain Entertainment domain

◆ Blockchain game/entertainment development efforts: Multiple projects underway

- Explore business structure/earnings potential of NFT business

Shi-San-Sei Million Arthur

- Fourth round of sales (Aug-Sep 2022)
- Sales of Million Arthur 10th anniversary set (Oct 2022) → Sold out
- Issued a total of 100,000 NFTs
- Game content in development (Slated for release this winter)



In the field of blockchain game/entertainment development, we are engaged in projects such as “Shi-San-Sei Million Arthur” and “SYMBIOGENESIS.”

Medium-term business strategy progress: 2. Take on new domains

(1) Initiatives to promote Blockchain Entertainment domain

◆ Blockchain game/entertainment development efforts: Multiple projects underway

- Explore businesses leveraging public blockchains

SYMBIOGENESIS (In development)

- Entertainment content where the story unfolds based on players’ strategic moves
- Our first sales of NFT collectible-art featuring new IP
- Collected digital art with various functions and a dedicated community



We are working on several initiatives involving investment in the blockchain entertainment domain, as we believe it important to collaborate with a variety of business partners.

Medium-term business strategy progress: 2. Take on new domains

(1) Initiatives to promote Blockchain Entertainment domain

◆ Investment selection policy

- Prioritize strategic returns to the entire business and select companies capable of providing a stronger commitment as a business partner
- Minimize downside risk by taking minority stakes; primarily select start-ups, placing focus on gaining insight into/exploring the domain

◆ Diversification of Investment Vehicle

- Considering establishing a Corporate Venture Capital (CVC) unit

◆ Establishing an overseas entity (under review)

- Create a Web3.0 business
- Game & service publishing business toward countries with wide cryptocurrency adoption: Explore token economy operations, user community with FT issued

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Medium-term business strategy progress: 2. Take on new domains


(2) Investments in Key areas

The following are newly disclosed projects

① Blockchain

- ◆ ZEBEDEE (USA)
A next-gen FinTech platform built on Bitcoin. Lets games integrate new economic models with fully-programmable instant payments. 
- ◆ Blocklords (Estonia)
Medieval online strategy game powered by users. 
- ◆ Cross The Ages (France)
Collectible NFT Trading Card Game based on 7 fantasy and sci-fi novels. 

② Cloud

- ◆ Blacknut (France)
Cloud gaming service dedicated to the general public, distributed both directly to consumers and B2B through ISPs, device manufacturers, OTT services & Media companies. 

Multiple other global investments underway in addition to the above



This slide shows some of the new investments we are making in the blockchain and cloud domains.

Medium-term business strategy progress: 2. Take on new domains


(2) Investments in Key areas

The following are already disclosed investment project

① Blockchain

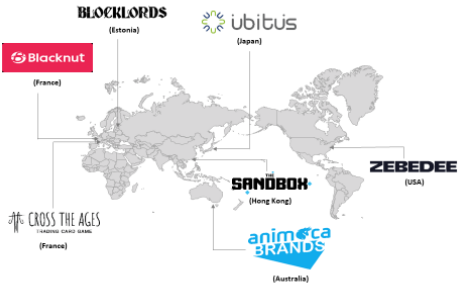
- ◆ Animoca Brands (Australia)
Game development and operation focused on blockchain games, an investment business in THE Web 3.0 space. 
- ◆ THE SANDBOX (Hong Kong)
Development and operation of the decentralized metaverse "The SANDBOX". 

② Cloud

- ◆ Ubitus (Japan)
Provides cloud gaming solutions and media content streaming solutions to gaming and telecommunications companies. 

Here we show previously announced investment projects.

Investment portfolio on new domains



This chart shows our investment portfolio in new domains.

Consolidated Financial Forecasts
Fiscal Year
ending March 31, 2023

Lastly, I would like to discuss our forecasts for FY2023/3.

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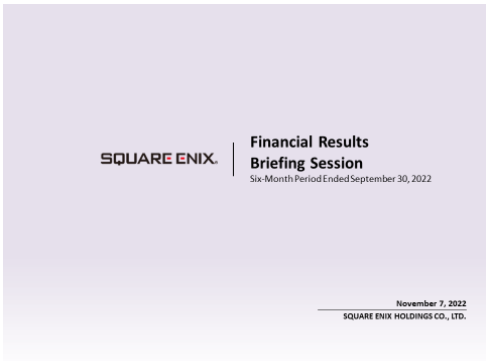
**Consolidated Financial Forecasts:
Fiscal Year ending March 31, 2023**

Not disclosing as reasonable calculations difficult due to:

- ① Need to carefully assess cost of transferring IT systems, etc. in conjunction with divestiture of overseas studios, which by its nature, has ramifications beyond the point of sale
- ② Impact to sales of new titles (including AAA) due to disruptions in the global supply chain
- ③ Impact to ordinary and net income lines from forex volatility
- ④ Potential for macroeconomic uncertainty to result in changes of consumption trend

Our FY2023/3 financial forecasts remain pending.

We are refraining from providing financial forecasts due to our ongoing assessment of the costs of transferring control of divested overseas studios, the impact of global supply chain disruptions on sales of major new titles and other products, the impact of foreign currency swings on ordinary and net income, and the difficulty in forecasting changes in consumption owing to macroeconomic uncertainty.



We designated FY2023/3 as a year in which to lay the foundations that will enable us to achieve our medium-term earnings objectives, but we still intend to pursue YoY growth in sales and profits.

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SQUARE ENIX HOLDINGS CO., LTD.

1H FY2023/3 Financial Results Briefing Session Q&A

Date/Time: November 7, 2022 (Mon); 6:30-7:30 pm (JST)

Main Speaker: Yosuke Matsuda, President and Representative Director

Q&A

Q: What was the reason for the QoQ decline in the operating income margin in Q2 in the Digital Entertainment segment?

A: This was mainly due to development cost amortization and advertising costs associated with new titles released at the end of Q2 outweighing the sales that they had generated at that point in time.

Q: You said you were aiming for profit growth in FY2023/3. How do you intend to catch up in 2H?

A: In 2H, we plan to release a variety of new titles, including FORSPOKEN. In addition, based on market trends in 1H, we will also strive to recognize growth in other segments.

Q: My understanding had been that FY2023/3 was to be a year of advancing structural reforms designed to improve profitability. However, you said you are targeting profit growth this year as well. How do you intend to deliver both structural reform and profit growth at the same time?

A: We do not dispute that the implementation of the structural reforms will have an impact on our earnings, but we nonetheless intend to pursue growth by releasing multiple new titles in the HD Games sub-segment in 2H.