

**Consolidated Financial Results
for the Three-Month Period Ended June 30, 2014 (Japan GAAP)**

August 6, 2014

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, First Section
Company code: 9684
Company URL: <http://www.square-enix.com/eng>
Representative: Yosuke Matsuda, President and Representative Director
Contact: Kazuharu Watanabe, Chief Financial Officer
Tel: (03) 5292-8000
Financial report submission: August 8, 2014 (planned)
Cash dividend payment commencement: -
Supplementary quarterly materials prepared: Yes
Quarterly results presentation held: No

(Amounts under one million yen are rounded down)

1. Consolidated Financial Results (April 1, 2014 through June 30, 2014)

(1) Consolidated Financial Results

(Millions of yen and year-on-year changes in percent)

	Net sales		Operating income		Ordinary income		Net income (loss)	
Three months ended	%		%		%		%	
June 30, 2014	37,754	56.8	5,068	634.9	4,855	224.2	3,408	-
June 30, 2013	24,083	(3.3)	689	-	1,498	-	(493)	-

Note: Three months ended June 30, 2014 Comprehensive income: 3,312 million yen (689.6%)
 Three months ended June 30, 2013 Comprehensive income: 419 million yen (- %)

	Earnings (loss) per share, basic	Earnings per share, diluted
Three months ended	Yen	Yen
June 30, 2014	29.57	29.54
June 30, 2013	(4.29)	-

(2) Consolidated Financial Position

(Millions of yen and ratios in percent)

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
June 30, 2014	212,952	130,361	60.6	1,119.24
March 31, 2014	216,617	127,676	58.3	1,095.78

Note: Total equity As of June 30, 2014: 129,013 million yen
 As of March 31, 2014: 126,309 million yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	Yen	yen	yen	yen
Fiscal year ended March 31, 2014	-	10.00	-	20.00	30.00
Fiscal year ending March 31, 2015	-				
Fiscal year ending March 31, 2015 (projection)		10.00	-	20.00	30.00

Note: No change in dividend projection from previous announcement.

3. Consolidated Forecasts (April 1, 2014 through March 31, 2015)

(Millions of yen, year-on-year changes in percent and per share data)

	Net sales		Operating Income		Ordinary income		Net income		Earnings per share
		%		%		%		%	Yen
Six months ending September 30, 2014	68,000	10.3	4,000	(14.5)	4,000	(29.4)	2,600	(2.3)	22.57
	~74,000	~20.0	~7,000	~49.7	~7,000	~23.5	~4,500	~69.1	~39.06
Fiscal year ending March 31, 2015	140,000	(9.7)	5,000	(52.6)	5,000	(60.1)	3,500	(47.0)	30.38
	~150,000	~(3.2)	~10,000	~(5.2)	~10,000	~(20.2)	~6,000	~(1.5)	~56.42

Note: Yes change in consolidated forecasts from previous announcement.

4. Other

- (1) Significant changes among major subsidiaries during the period : No
- (2) Adoption of special accounting treatment for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
 3. Changes in accounting estimates: No
 4. Restatements: No
- (4) Outstanding shares (common stock)
 1. Number of shares issued and outstanding (including treasury stock):

As of June 30, 2014	115,375,696
As of March 31, 2014	115,375,696
 2. Number of treasury stock:

As of June 30, 2014	307,053
As of March 31, 2014	306,762
 3. Average number of shares during the period (cumulative):

Three-month period ended June 30, 2014	115,268,810
Three-month period ended June 30, 2013	115,067,853

Disclaimer: (1) This document is a translation of the Japanese language "Kessan Tanshin" prepared in accordance with the guidelines of the Tokyo Stock Exchange. The Japanese language document shall prevail in the event any differences or discrepancies exist between this English translation and the original. (2) At the time of disclosure of this report, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Law had not been completed. (3) The forward-looking statements in this document are based upon the information currently available and necessarily include elements that are not entirely predictable. The achievement is not promised. Actual results may differ from the forward-looking statements in this document. (4) For additional information about forecasts, please refer to "1.Consolidated Results for the Three-Month Period Ended June 30, 2014 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information.

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1. Consolidated Results for the Three-Month Period Ended June 30, 2014

(1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising.

Net sales for the three-month period ended June 30, 2014 totaled ¥37,754 million (an increase of 56.8% from the same period of the prior fiscal year), operating income amounted to ¥5,068 million (an increase of 634.9% from the same period of the prior fiscal year), ordinary income amounted to ¥4,855 million (an increase of 224.2% from the same period of the prior fiscal year), and net income amounted to ¥3,408 million (net loss of ¥493 million in the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2014 follows.

- Digital Entertainment

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

During the three-month period ended June 30, 2014, "MURDERED; SOUL SUSPECT," a console game title, was released and repeat sales of titles released last fiscal year were strong.

In the area of content for platforms such as smart devices and PC browser, "SENGOKU IXA," a PC browser game and "DRAGON QUEST MONSTERS SUPER LIGHT," a game for smartphones have continued to build upon its already solid growth. "SCHOOLGIRL STRIKERS," a game for smartphones released in April 2014 (Japan only), made an encouraging start.

Massively multiplayer online role playing games such as "FINAL FANTASY XIV" and "DRAGON QUEST X," have been making favorable progress.

Net sales and operating income in the Digital Entertainment segment totaled ¥23,450million (an increase of 102.6% from the same period of the prior fiscal year) and ¥4,509million (an increase of 242.0% from the same period of the prior fiscal year), respectively.

- 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 three-month period ended June 30, 2014, "PUZZLE & DRAGONS BATTLE TOURNAMENT," an amusement machine, was released, and the operation of the amusement facilities has been showing steady performance through efficient store management efforts, in spite of raising the consumption tax rate.

Net sales and operating income in the Amusement segment totaled ¥11,032million (an increase of 13.5% from the same period of the prior fiscal year) and ¥1,542million (an increase of 79.6% from the same period of the prior fiscal year), respectively.

- Publication

The Publication segment consists of planning and publication of comic books, game strategy books, and comic magazines.

During the three-month period ended June 30, 2014, sales of comics have showed steady growth accelerated by TV broadcasting animation programs of comic titles.

Net sales and operating income in the Publication segment totaled ¥2,638million (an increase of 21.9% from the same period of the prior fiscal year) and ¥649million (an increase of 37.0% from the same period of the prior fiscal year), respectively.

- Merchandising

The Merchandising segment consists of planning, production, distribution, and licensing of derivative products of IPs owned by the Group.

During the three month period ended June 30, 2014, the Group continued to distribute and license items such as character goods and soundtracks based on the Group's own IPs while also strengthening its character goods lineup with additional products based on third party IPs and overseas expansions.

Net sales and operating income in the Merchandising segment totaled ¥674million (an increase of 8.2% from the same period of the prior fiscal year) and ¥193million (an increase of 132.5% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of June 30, 2014, total current assets were ¥167,403 million, a decrease of ¥6,201 million compared to March 31, 2014. This was mainly due to a decrease in cash and deposits of ¥3,253 million notes and accounts receivable of ¥4,586 million, while the content production account increased by ¥3,968 million. As of June 30, 2014, total non-current assets were ¥45,548 million, an increase of ¥2,536 million compared to March 31, 2014.

As a result, total assets were ¥212,952 million, a decrease of ¥3,664 million compared to March 31, 2014.

- Liabilities

As of June 30, 2014, total current liabilities were ¥75,839 million, a decrease of ¥ 4,669 million compared to March 31, 2014. This was mainly due to a decrease in notes and accounts payable ¥1,064 million, accrued income taxes of ¥2,330 million, and reserve for bonuses of ¥1,120 million. As of June 30, 2014, total non-current liabilities were ¥6,752 million, a decrease of ¥1,680 million compared to March 31, 2014. This was mainly due to a decrease in net defined benefit liability of ¥1,939 million.

As a result, total liabilities were ¥82,591 million, a decrease of ¥6,349 million compared to March 31, 2014.

- Net assets

As of June 30, 2014, net assets were ¥130,361 million, an increase of ¥2,684 million compared to March 31, 2014.

This was mainly due to net income of ¥3,408 million, dividend payments of ¥2,305 million and an increase in retained earnings of ¥1,683 million by the adaptation of ASBJ Statement No. 26 Accounting Standard for Retirement Benefits

and its Implementation Guidance - ASBJ Guidance No. 25 Guidance on Accounting Standard for Retirement Benefits. As a result, the consolidated equity ratio stood at 60.6%, compared to 58.3% as of March 31, 2014.

(3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of major changes, where smart devices such as smartphones and tablet PCs are spreading rapidly, while the console game markets in North America and Europe are increasingly getting competitive and oligopolistic. In light of such environmental changes, the Group is focusing all efforts on a substantial earnings improvement through driving reforms of business structure in order to establish new revenue base.

Given the environmental changes described above, it is expected that the consolidated forecasts for financial results will fluctuate ever-larger. The Group, therefore, has made consolidated forecasts in a range of forecasted figures in lieu of specific figures.

2. Other Information in Summary

(1) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(Change in accounting policy)

Effective from this fiscal first quarter, the Company has adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012; hereafter the "Accounting Standard for Retirement Benefits") and Article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012; hereafter the "Guidance on Retirement Benefits") . Accordingly, the Company has changed the calculation methods for retirement benefit obligations and current service costs and has changed the method of attributing estimated retirement benefits to periods from the straight- line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to average remaining working lives of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

With regard to the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional accounting treatments as stated in Article 37 of the Accounting Standard for Retirement Benefits, the Company has reflected the effect of changing the determination of retirement benefit obligations and current service costs in retained earnings at the beginning of this fiscal first quarter.

As a result, net defined benefit liability has decreased by ¥1,811 million for the beginning of this fiscal first quarter, while retained earnings has increased by ¥1,683 million. Operating income, recurring income and income before income taxes and minority interests have had minimal impact.

3. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2014

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	115,367	112,114
Notes and accounts receivable-trade	22,110	17,523
Merchandise and finished goods	2,013	2,211
Work in progress	700	303
Raw materials and supplies	433	307
Content production account	20,556	24,525
Other	12,573	10,581
Allowance for doubtful accounts	(151)	(163)
Total current assets	173,604	167,403
Non-current assets		
Property and equipment	19,917	20,150
Intangible assets	10,835	10,574
Investments and other assets	12,259	14,823
Total non-current assets	43,012	45,548
Total assets	216,617	212,952

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,563	10,498
Short-term loans payable	6,852	6,905
Current portion of bonds	35,000	35,000
Income taxes payable	2,980	650
Provision for bonuses	1,771	651
Provision for sales returns	4,609	5,052
Provision for game arcade closings	251	216
Asset retirement obligations	3	2
Other	17,475	16,861
Total current liabilities	<u>80,508</u>	<u>75,839</u>
Non-current liabilities		
Provision for directors' retirement benefits	178	152
Provision for game arcade closings	383	355
Net defined benefit liability	4,425	2,485
Asset retirement obligations	807	955
Other	2,636	2,803
Total non-current liabilities	<u>8,432</u>	<u>6,752</u>
Total liabilities	<u>88,940</u>	<u>82,591</u>
Net assets		
Shareholders' equity		
Capital stock	15,368	15,368
Capital surplus	44,607	44,607
Retained earnings	71,298	74,085
Treasury stock	(870)	(870)
Total shareholders' equity	<u>130,404</u>	<u>133,190</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	253	275
Foreign currency translation adjustments	(4,780)	(4,841)
Remeasurements of defined benefit plans	432	388
Total accumulated other comprehensive income	<u>(4,095)</u>	<u>(4,177)</u>
Subscription rights to shares	348	342
Minority interests	1,018	1,005
Total net assets	<u>127,676</u>	<u>130,361</u>
Total liabilities and net assets	<u>216,617</u>	<u>212,952</u>

(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income
Consolidated Income Statement

	Three months ended June 30, 2013	Three months ended June 30, 2014
<i>(Millions of yen)</i>		
Net sales	24,083	37,754
Cost of sales	13,858	19,357
Gross profit	10,225	18,396
Reversal of provision for sales returns	4,544	4,582
Provision for sales returns	3,457	5,064
Gross profit-net	11,312	17,914
Selling, general and administrative expenses	10,622	12,845
Operating income (loss)	689	5,068
Non-operating income		
Interest income	22	29
Dividends received	5	7
Foreign exchange gains	787	—
Miscellaneous income	28	35
Total non-operating income	843	72
Non-operating expenses		
Interest expenses	22	24
Commission fee	13	13
Foreign exchange losses	—	248
Miscellaneous loss	0	0
Total non-operating expenses	35	285
Ordinary income	1,498	4,855
Extraordinary income		
Gain on sales of investment securities	24	—
Gain on reversal of subscription rights to shares	2	7
Other	0	—
Total extraordinary income	27	7
Extraordinary loss		
Loss on sales of non-current assets	9	63
Loss on valuation of stocks of subsidiaries and affiliates	—	41
Loss on evaluation of content	1,633	—
Other	64	29
Total extraordinary loss	1,706	133
Income (loss) before income dividends distribution from silent partnership, income taxes (tokumei-kumiai)	(181)	4,730
Dividends distribution from silent partnership (tokumei-kumiai)	6	(3)
Income (loss) before income taxes	(187)	4,733
Income taxes-current	225	289
Income taxes-deferred	76	1,028
Total income taxes	301	1,318
Income (loss) before minority interests	(489)	3,414
Minority interests in income	4	5
Net income (loss)	(493)	3,408

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income(Loss) before minority interests	(489)	3,414
Other comprehensive income		
Valuation difference on available-for-sale securities	135	22
Foreign currency translation adjustment	773	(80)
Remeasurements of defined benefit plans	-	(44)
Other comprehensive income	908	(102)
Comprehensive income	419	3,312
(Breakdown)		
Comprehensive income attributable to owners of the parent	364	3,325
Comprehensive income attributable to minority interests	55	(13)

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the three-month period ended June 30, 2013

Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	11,577	9,719	2,164	622	24,083	-	24,083
(2) Intersegment sales	-	-	0	0	0	(0)	-
Total	11,577	9,719	2,164	623	24,084	(0)	24,083
Segment operating income (loss)	1,318	859	474	83	2,734	(2,044)	689

Notes: 1. Segment adjustments (¥2,044) million include unallocated corporate operating expenses (¥2,053) million.
2. Segment operating income is adjusted in operating income on the consolidated income statement.

II. Outline of reporting segments for the three-month period ended June 30, 2014

Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	23,450	11,032	2,618	652	37,754	-	37,754
(2) Intersegment sales	-	-	19	21	41	(41)	-
Total	23,450	11,032	2,638	674	37,795	(41)	37,754
Segment operating income	4,509	1,542	649	193	6,895	(1,826)	5,068

Notes: 1. Segment adjustments (¥1,826) million include unallocated corporate operating expenses (¥1,833) million.
2. Segment operating income is adjusted in operating income on the consolidated income statement.