

**Consolidated Financial Results
for the Six-Month Period Ended September 30, 2016 (Japan GAAP)**

November 8, 2016

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, First Section
Company code: 9684
Company URL: <http://www.hd.square-enix.com/eng>
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Financial report submission: November 14, 2016 (planned)
Cash dividend payment commencement: December 5, 2016 (planned)
Supplementary quarterly materials prepared: Yes
Quarterly results presentation held: Yes (for institutional investors and analysts)

(Amounts under one million yen are rounded down)

1. Consolidated Financial Results (April 1, 2016 through September 30, 2016)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	%		%		%		%	
September 30, 2016	106,347	23.1	11,115	(11.7)	8,378	(35.2)	5,495	(25.0)
September 30, 2015	86,360	18.1	12,583	47.9	12,930	43.7	7,324	28.5

Note: Six months ended September 30, 2016 Comprehensive income: 3,243 million yen [(52.9%)]

Six months ended September 30, 2015 Comprehensive income: 6,888 million yen [(7.2%)]

	Earnings per share, basic	Earnings per share, diluted
Six months ended	y en	y en
September 30, 2016	45.04	44.95
September 30, 2015	60.06	59.94

(2) Consolidated Financial Position

(Millions of yen, ratios in percents and per share data)

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	y en
September 30, 2016	220,510	167,569	75.6	1,366.35
March 31, 2016	232,731	168,783	72.2	1,376.93

Note: Total equity As of September 30, 2016: 166,765 million yen
As of March 31, 2016: 167,965 million yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	yen	yen	yen	Yen
Fiscal year ended March 31, 2016	-	10.00	-	38.00	48.00
Fiscal year ending March 31, 2017	-	10.00			
Fiscal year ending March 31, 2017 (projection)			-	31.00 ~41.00	41.00 ~51.00

Note: No change in Dividend projection from previous announcement

3. Consolidated Forecasts (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Fiscal year ending March 31, 2017	%		%		%		%		yen
	250,000	16.8	27,000	3.8	27,000	6.6	17,000	(14.5)	139.39
	~270,000	~26.1	~33,000	~26.8	~33,000	~30.3	~21,000	~5.6	~172.19

Note: No change in consolidated forecasts from previous announcement.

Others

- (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, procedures, and methods of presentation for consolidated financial statements
 1. Changes in accounting policies due to revisions to accounting standards: Yes
 2. Changes other than 1.: No
 3. Changes in accounting estimates: No
 4. Retrospective restatement: No
- (4) Outstanding shares (common stock)
 1. Number of shares issued and outstanding (including treasury stock):

As of September 30, 2016	122,366,996
As of March 31, 2016	122,299,496
 2. Number of treasury stock:

As of September 30, 2016	315,339
As of March 31, 2016	313,749
 3. Average number of shares during the period (cumulative):

Six-month period ended September 30, 2016	122,026,599
Six-month period ended September 30, 2015	121,948,885

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 Six-Month Period Ended September 30, 2016 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information.

Supplemental Information – Index

	Page
1. Consolidated Results for the Six-Month Period Ended September 30, 2016	1
(1) Analysis of consolidated business results	1
(2) Analysis of consolidated financial position	2
(3) Qualitative information on consolidated business forecasts	3
2. Other Information in Summary	3
(1) Changes in accounting principles, changes in accounting estimates and retrospective restatements	3
(2) Additional information	3
3. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2016	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income	6
Consolidated Income Statement	6
Consolidated Statement of Comprehensive Income	7
(3) Note regarding going concern assumptions	8
(4) Material changes in shareholders' equity	8
(5) Segment information	8

1. Consolidated Results for the Six-Month Period Ended September 30, 2016

(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 six-month period ended September 30, 2016 totaled ¥106,347 million (an increase of 23.1% from the same period of the prior fiscal year), operating income amounted to ¥11,115 million (a decrease of 11.7% from the same period of the prior fiscal year), ordinary income amounted to ¥8,378 million (a decrease of 35.2% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥5,495 million (a decrease of 25.0% from the same period of the prior fiscal year).

A discussion of results by segment for the six-month period ended September 30, 2016 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 six-month period ended September 30, 2016, in the area of content for platforms such as smart devices and PC browser, our established lineup of popular games is continuing to show strong performances. In addition to this, new game titles such as "MOBIUS FINAL FANTASY," "HOSHI NO DRAGON QUEST," "FINAL FANTASY BRAVE EXVIUS" and "Grimms Notes," released in the preceding fiscal year, are contributing to revenue generation from the beginning of this fiscal year.

In the area of console games, the latest titles, "DEUS EX MANKIND DIVIDED" and the PlayStation®4 version of "RISE OF THE TOMB RAIDER" were released on top of strong download sales of catalogue titles released previously. Net sales and operating income in the Digital Entertainment segment totaled ¥78,310million (an increase of 30.1% from the same period of the prior fiscal year), and ¥12,126million (a decrease of 6.1% 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 six-month period ended September 30, 2016, amusement machines such as "THEATRHYTHM FINAL FANTASY All-star Carnival" were released, and the operation of the amusement facilities has been showing steady performance.

Net sales and operating income in the Amusement segment totaled ¥21,275million (an increase of 11.9% from the same period of the prior fiscal year), and ¥2,093million (a decrease of 3.9% from the same period of the prior fiscal year), respectively.

- Publication

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

During the six-month period ended September 30, 2016, sales of comic books declined while royalty revenues from e-comics licensing increased compared to the same period of the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥4,553 million (a decrease of 8.9% from the same period of the prior fiscal year) and ¥956million (a decrease of 9.7% 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 six-month period ended September 30, 2016, sales and licensing performed steadily thanks to character goods and soundtracks derived from the Group's own IPs as well as character goods originated in renowned third-party IPs.

Net sales and operating income in the Merchandising segment totaled ¥3,044million (an increase of 18.0% from the same period of the prior fiscal year), and ¥1,095million (an increase of 23.5% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of September 30, 2016, total current assets were ¥186,705 million, a decrease of ¥7,974 million compared to March 31, 2016. This was mainly due to decreases in cash and deposits of ¥12,684 million and notes and accounts receivable of ¥3,562 million, while content production account increased by ¥5,779 million. As of September 30, 2016, total non-current assets were ¥33,805 million, a decrease of ¥4,246 million compared to March 31, 2016. This was mainly due to a decrease in investments and other assets of ¥2,865 million.

As a result, total assets were ¥220,510 million, a decrease of ¥12,220 million compared to March 31, 2016.

- Liabilities

As of September 30, 2016, total current liabilities were ¥45,581 million, a decrease of ¥10,156 million compared to March 31, 2016. This was mainly due to decreases in notes and accounts payable-trade of ¥1,726 million, short-term loans payable of ¥1,893 million, income taxes payable of ¥3,282 million and the other on current liabilities of ¥3,022 million. As of September 30, 2016, total non-current liabilities were ¥7,360 million, a decrease of ¥850 million compared to March 31, 2016.

As a result, total liabilities were ¥52,941 million, a decrease of ¥11,006 million compared to March 31, 2016.

- Net assets

As of September 30, 2016, net assets were ¥167,569 million, a decrease of ¥1,214 million compared to March 31, 2016. This was mainly due to profit attributable to owners of parent of ¥5,495 million, dividend payments of ¥4,635 million and a decrease in foreign currency translation adjustments of ¥2,409 million.

As a result, the consolidated equity ratio stood at 75.6% (72.2% as of March 31, 2016).

(3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of major changes, where consumer needs for content suitable to smart devices such as smartphones and tablet PCs are rapidly expanding, while the console game markets in North America and Europe are increasingly getting competitive and oligopolistic. The Group is focusing all efforts to achieve growth coupled with profits on a solid revenue foundation through introduction of flexible content development conforming to the ever-changing environment as well as diversification of profit opportunities.

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

(Changes in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No.32, June 17, 2016), with the revision of the Corporation Tax Act. Consequently, the Group has changed the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 from declining-balance method to straight-line method.

There is minimal impact to profits or losses for the six-month period ended September 30, 2016, as a result of this change.

(2) Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2016

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	117,306	104,621
Notes and accounts receivable-trade	21,487	17,924
Merchandise and finished goods	2,428	3,536
Work in progress	109	57
Raw materials and supplies	233	274
Content production account	41,419	47,198
Other	11,837	13,236
Allowance for doubtful accounts	(143)	(145)
Total current assets	194,679	186,705
Non-current assets		
Property, plant and equipment	13,748	13,684
Intangible assets	6,447	5,130
Investments and other assets	17,856	14,990
Total non-current assets	38,052	33,805
Total assets	232,731	220,510

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,671	12,944
Short-term loans payable	9,722	7,828
Income taxes payable	5,726	2,443
Provision for bonuses	2,672	2,151
Provision for sales returns	3,334	3,634
Provision for loss on game arcade closings	75	71
Asset retirement obligations	5	—
Other	19,529	16,507
Total current liabilities	55,737	45,581
Non-current liabilities		
Provision for directors' retirement benefits	162	88
Provision for loss on game arcade closings	127	105
Net defined benefit liability	2,747	2,727
Asset retirement obligations	2,355	2,449
Other	2,819	1,990
Total non-current liabilities	8,210	7,360
Total liabilities	63,948	52,941
Net assets		
Shareholders' equity		
Capital stock	23,753	23,822
Capital surplus	52,993	53,062
Retained earnings	95,581	96,441
Treasury stock	(888)	(893)
Total shareholders' equity	171,439	172,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	472
Foreign currency translation adjustment	(3,207)	(5,617)
Remeasurements of defined benefit plans	(607)	(522)
Total accumulated other comprehensive income	(3,474)	(5,667)
Subscription rights to shares	374	419
Non-controlling interests	443	384
Total net assets	168,783	167,569
Total liabilities and net assets	232,731	220,510

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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	86,360	106,347
Cost of sales	41,936	56,306
Gross profit	44,424	50,040
Reversal of provision for sales returns	4,926	3,138
Provision for sales returns	3,953	3,776
Gross profit-net	45,397	49,402
Selling, general and administrative expenses	32,813	38,287
Operating income	12,583	11,115
Non-operating income		
Interest income	44	36
Dividend income	7	0
Subsidy income	178	0
Gain on forgiveness of payable for group tax	—	62
Foreign exchange gains	104	—
Miscellaneous income	80	44
Total non-operating income	416	144
Non-operating expenses		
Interest expenses	28	30
Commission fee	7	4
Office transfer related expenses	33	7
Foreign exchange losses	—	2,829
Miscellaneous loss	0	8
Total non-operating expenses	69	2,881
Ordinary income	12,930	8,378
Extraordinary income		
Gain on sales of non-current assets	10	—
Gain on reversal of subscription rights to shares	19	20
Total extraordinary income	30	20
Extraordinary losses		
Loss on retirement of non-current assets	41	120
Loss on valuation of share of subsidiaries and associates	1,130	—
Other	92	13
Total extraordinary losses	1,264	133
Profit before income taxes	11,696	8,265
Income taxes-current	4,197	1,869
Income taxes-deferred	170	897
Total income taxes	4,367	2,767
Profit	7,328	5,498
Profit attributable to non-controlling interests	4	2
Profit attributable to owners of parent	7,324	5,495

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	7,328	5,498
Other comprehensive income		
Valuation difference on available-for-sale securities	(338)	131
Foreign currency translation adjustment	(134)	(2,470)
Remeasurements of defined benefit plans	32	85
Total other comprehensive income	(440)	(2,254)
Comprehensive income	6,888	3,243
(Breakdown)		
Comprehensive income attributable to owners of parent	6,887	3,302
Comprehensive income attributable to non-controlling interests	0	(58)

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the six-month period ended September 30, 2015

Information on sales and income by reporting segment

	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	60,177	19,005	4,950	2,226	86,360	—	86,360
(2)Intersegment sales	0	—	48	352	401	(401)	—
Total	60,177	19,005	4,999	2,578	86,762	(401)	86,360
Segment operating income	12,917	2,179	1,059	886	17,043	(4,460)	12,583

Notes: 1. Segment adjustments (¥4,460) million include unallocated corporate operating expenses (¥4,482) million.

2. Segment operating income is adjusted in operating income on the consolidated income statement.

II. Outline of reporting segments for the six-month period ended September 30, 2016

Information on sales and income by reporting segment

	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	78,310	21,274	4,527	2,235	106,347	—	106,347
(2)Intersegment sales	—	0	26	809	835	(835)	—
Total	78,310	21,275	4,553	3,044	107,183	(835)	106,347
Segment operating income	12,126	2,093	956	1,095	16,272	(5,156)	11,115

Notes: 1. Segment adjustments (¥5,156) million include unallocated corporate operating expenses (¥5,174) million.

2. Segment operating income is adjusted in operating income on the consolidated income statement.