



**Consolidated Financial Results**  
for the Three-Month Period Ended June 30, 2018 (Japan GAAP)

August 7, 2018

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>  
 Representative: Yosuke Matsuda, President and Representative Director  
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 Tel: (03) 5292-8000  
 Financial report submission: August 10, 2018 (planned)  
 Cash dividend payment commencement: —  
 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, 2018 through June 30, 2018)

(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
Three months ended	%	%	%	%
June 30, 2018	45,470 (20.2)	4,258 (66.9)	7,700 (42.0)	5,869 (29.9)
June 30, 2017	57,000 11.3	12,874 43.9	13,286 106.1	8,368 56.8

Note: Three months ended June 30, 2018 Comprehensive income: 4,626 million yen [(46.3%)]  
 Three months ended June 30, 2017 Comprehensive income: 8,617 million yen [139.4%]

	Earnings per share, basic	Earnings per share, diluted
Three months ended	yen	yen
June 30, 2018	49.29	49.17
June 30, 2017	68.56	68.45

(2) Consolidated Financial Position

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

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2018	244,794	191,540	78.0
March 31, 2018	259,713	193,359	74.2

Note: Total equity As of June 30, 2018: 190,943 million yen  
 As of March 31, 2018: 192,612 million yen

## 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended March 31, 2018	— yen	10.00 yen	— yen	55.00 yen	65.00 yen
Fiscal year ending March 31, 2019	—				
Fiscal year ending March 31, 2019 (projection)		10.00	—	43.00	53.00

Note: No change in Dividend projection from previous announcement

## 3. Consolidated Forecasts (April 1, 2018 to March 31, 2019)

(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
	%	%	%	%	yen
Fiscal year ending March 31, 2019	270,000 7.8	30,000 (21.4)	30,000 (17.0)	21,000 (18.7)	175.13

Note: No change in consolidated forecasts from previous announcement.

### Notes

- (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 June 30, 2018	122,504,096
As of March 31, 2018	122,398,896
  2. Number of treasury stock:
 

As of June 30, 2018	3,325,351
As of March 31, 2018	3,324,459
  3. Average number of shares during the period (cumulative):
 

Three-month period ended June 30, 2018	119,086,024
Three-month period ended June 30, 2017	122,060,424

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, 2018 (3) Qualitative information on consolidated business forecasts" section on page 4 of Supplemental Information

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## 1. Consolidated Results for the Three-Month Period Ended June 30, 2018

### (1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its Digital Entertainment, Amusement, Publication and Merchandising business segments. Net sales for the three-month period ended June 30, 2018 totaled ¥45,470 million (a decrease of 20.2% from the same period of the prior fiscal year), operating income amounted to ¥4,258 million (a decrease of 66.9% from the same period of the prior fiscal year), ordinary income amounted to ¥7,700 million (a decrease of 42.0% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥5,869 million (a decrease of 29.9% from the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2018 follows.

#### ●Digital Entertainment

The Digital Entertainment segment consists of planning, development, distribution, and operation of digital entertainment content primarily in the form of games. 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, 2018, having no new game release, net sales decreased in the area of console games compared to the same period of the prior fiscal year. The posting of advertising costs in advance of the release of major new titles in Q2 and beyond resulted in an operating loss, but download sales of previously released titles remained brisk.

In the smart devices and PC browser area, performance of most of our titles launched in the prior fiscal year fell below our expectations and failed to generate additional revenue on top of that from existing established games. Furthermore, partially due to the lack of the lump-sum payment of a license fee that we had received in the same period of the previous fiscal year, both net sales and operating profit decreased compared to the same period of the prior fiscal year.

In the area of massively multiplayer online role playing games, net sales and operating profit decreased compared to the same period of the prior fiscal year, which had seen the launch of a "FINAL FANTASY XIV" expansion disk, but average revenue per user (ARPU) remained strong.

Net sales and operating income in the Digital Entertainment segment totaled ¥32,403 million (a decrease of 26.6% from the same period of the prior fiscal year), and ¥6,061 million (a decrease of 55.8% from the same period of the prior fiscal year), respectively.

#### ●Amusement

The Amusement segment consists of the operation of amusement facilities, as well as of the planning, development, and distribution of arcade game machines and related products for amusement facilities.

During the three-month period ended June 30, 2018, solid amusement facility operations resulted in a year-on-year increase in net sales, but operating profit decreased compared to the same period of the prior fiscal year as no new amusement machines were launched.

Net sales and operating income in the Amusement segment totaled ¥9,440 million (an increase of 5.0% from the same period of the prior fiscal year), and ¥208 million (a decrease of 68.4% 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 three-month period ended June 30, 2018, sales of printed comic books were sluggish due to limited new releases, but brisk sales in digital formats led to an increase in net sales compared to the same period of the prior fiscal year. Operating profit decreased compared to the prior fiscal year due to greater advertising spending for digital publications.

Net sales and operating income in the Publication segment totaled ¥2,380 million (an increase of 3.6% from the same period of the prior fiscal year) and ¥442 million (a decrease of 21.3% 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.

Both net sales and operating profit declined year-on-year during the three-month period ended June 30, 2018, due to the high hurdle set in the same period of the prior fiscal year by the release of merchandise based on characters in the Group's IP portfolio.

Net sales and operating income in the Merchandising segment totaled ¥1,471 million (a decrease of 31.9% from the same period of the prior fiscal year), and ¥139 million (a decrease of 76.1% from the same period of the prior fiscal year), respectively.

## (2) Analysis of consolidated financial position

- Assets

As of June 30, 2018, total current assets were ¥199,712 million, a decrease of ¥16,388 million compared to March 31, 2018. This was mainly due to a decrease in cash and deposits of ¥23,361 million and an increase of ¥9,566 million in the content production account. As of June 30, 2018, total non-current assets were ¥45,082 million, an increase of ¥1,469 million compared to March 31, 2018.

As a result, total assets were ¥244,794 million, a decrease of ¥14,918 million compared to March 31, 2018.

- Liabilities

As of June 30, 2018, total current liabilities were ¥45,703 million, a decrease of ¥13,138 million compared to March 31, 2018. This was mainly due to decreases in income taxes payable of ¥7,138 million and notes and accounts payable-trade of ¥2,322 million. As of June 30, 2018, total non-current liabilities were ¥7,549 million, an increase of ¥38 million compared to March 31, 2018.

As a result, total liabilities were ¥53,253 million, a decrease of ¥13,099 million compared to March 31, 2018.

- Net assets

As of June 30, 2018, net assets were ¥191,540 million, a decrease of ¥1,819 million compared to March 31, 2018. This was mainly due to profit attributable to owners of parent of ¥5,869 million, dividend payments of ¥6,549 million and a decrease in foreign currency translation adjustments of ¥1,277 million.

As a result, the consolidated equity ratio stood at 78.0% (74.2% as of March 31, 2018).

### (3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of a major transformation marked by rapid uptake of smart devices such as smartphones and tablets, as well as by greater competition and consolidation in the console game markets of North America and Europe. By developing contents in keeping with such environmental changes and diversifying its earnings opportunities, the Group is working to establish an earnings foundation that enables the sustainable growth of sales and profits.

In order to present its earnings forecasts in a more straightforward manner, the Company has decided to issue its consolidated forecasts as specific numbers rather than in ranges, as it had previously done. The Company does not disclose first-half consolidated forecasts given that sales and profit lines have come to fluctuate more significantly during the course of a fiscal year.

## 2. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2018

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	136,785	113,423
Notes and accounts receivable-trade	24,383	18,704
Merchandise and finished goods	3,233	3,539
Work in progress	3	2
Raw materials and supplies	253	224
Content production account	44,167	53,733
Other	7,486	10,249
Allowance for doubtful accounts	(212)	(165)
Total current assets	216,100	199,712
Non-current assets		
Property, plant and equipment	16,060	16,052
Intangible assets	4,559	4,711
Investments and other assets	22,993	24,317
Total non-current assets	43,612	45,082
Total assets	259,713	244,794

	As of March 31, 2018	As of June 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,848	12,525
Short-term loans payable	8,931	8,759
Income taxes payable	9,162	2,024
Provision for bonuses	3,246	1,313
Provision for sales returns	3,985	3,473
Provision for loss on game arcade closings	58	56
Other	18,610	17,551
Total current liabilities	58,842	45,703
Non-current liabilities		
Provision for directors' retirement benefits	88	88
Provision for loss on game arcade closings	41	31
Net defined benefit liability	2,676	2,545
Asset retirement obligations	2,812	2,816
Other	1,891	2,067
Total non-current liabilities	7,510	7,549
Total liabilities	66,353	53,253
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,868	23,996
Capital surplus	53,107	53,235
Retained earnings	129,513	128,833
Treasury stock	(10,159)	(10,163)
Total shareholders' equity	196,330	195,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89	57
Foreign currency translation adjustment	(3,674)	(4,902)
Remeasurements of defined benefit plans	(132)	(113)
Total accumulated other comprehensive income	(3,718)	(4,958)
Subscription rights to shares	603	455
Non-controlling interests	144	142
Total net assets	193,359	191,540
Total liabilities and net assets	259,713	244,794

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

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	57,000	45,470
Cost of sales	24,784	21,722
Gross profit	32,216	23,748
Reversal of provision for sales returns	6,156	4,099
Provision for sales returns	6,054	3,444
Gross profit-net	32,318	24,403
Selling, general and administrative expenses	19,443	20,145
Operating income	12,874	4,258
Non-operating income		
Interest income	13	30
Dividend income	3	0
Foreign exchange gains	276	3,347
Miscellaneous income	138	93
Total non-operating income	431	3,472
Non-operating expenses		
Interest expenses	18	29
Commission fee	1	1
Miscellaneous loss	0	0
Total non-operating expenses	20	30
Ordinary income	13,286	7,700
Extraordinary losses		
Loss on sales of non-current assets	2	—
Loss on retirement of non-current assets	13	18
Impairment loss	0	0
Loss on sales of shares of subsidiaries and associates	371	—
Total extraordinary losses	387	18
Profit before income taxes	12,898	7,681
Income taxes-current	3,001	384
Income taxes-deferred	1,522	1,425
Total income taxes	4,523	1,810
Profit	8,375	5,870
Profit attributable to non-controlling interests	6	1
Profit attributable to owners of parent	8,368	5,869

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	8,375	5,870
Other comprehensive income		
Valuation difference on available-for-sale securities	61	(32)
Foreign currency translation adjustment	177	(1,230)
Remeasurements of defined benefit plans	3	19
Total other comprehensive income	241	(1,243)
Comprehensive income	8,617	4,626
(Breakdown)		
Comprehensive income attributable to owners of parent	8,613	4,628
Comprehensive income attributable to non-controlling interests	3	(1)

(3) Notes to Consolidated Financial Statements  
(Note regarding going concern assumptions)  
None

(Material changes in shareholders' equity)  
None

(Changes in accounting policy)  
Effective from the beginning of the fiscal year ending March 31, 2019, at foreign subsidiaries and affiliates that apply US GAAP, ASC 606, "Revenue from Contracts with Customers" has been adopted, while at other foreign subsidiaries and affiliates, IFRS 15, "Revenue from Contracts with Customers" has been adopted. As a result, there is no impact to the consolidated financial statements for the three-month period ended June 30, 2018.

(Additional information)  
(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc)  
Effective from the beginning of the fiscal year ending March 31, 2019, the Group has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No.28 of February 16, 2018)." As a result, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under non-current liabilities.

(Segment information)

I. Outline of reporting segments for the three-month period ended June 30, 2017

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	44,168	8,986	2,281	1,564	57,000	—	57,000
(2) Intersegment sales	0	1	17	595	615	(615)	—
Total	44,168	8,988	2,298	2,159	57,615	(615)	57,000
Segment operating income	13,724	659	563	584	15,530	(2,656)	12,874

Notes: 1. Segment adjustments (¥2,656) million include unallocated corporate operating expenses (¥2,663) 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, 2018

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	32,395	9,432	2,380	1,261	45,470	—	45,470
(2) Intersegment sales	8	7	0	209	225	(225)	—
Total	32,403	9,440	2,380	1,471	45,696	(225)	45,470
Segment operating income	6,061	208	442	139	6,852	(2,594)	4,258

Notes: 1. Segment adjustments (¥2,594) million include unallocated corporate operating expenses (¥2,602) million.

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