



Consolidated Financial Results
for the Three-Month Period Ended June 30, 2023 (Japan GAAP)

August 4, 2023

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, Prime Market
Company code: 9684
Company URL: <https://www.hd.square-enix.com/eng>
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Tel: (03) 5292-8000
Financial report submission: August 9, 2023 (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, 2023 through June 30, 2023)

(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, 2023	85,669 14.4	3,097 (78.5)	9,178 (65.0)	6,300 (65.7)
June 30, 2022	74,876 (15.5)	14,430 (16.7)	26,255 48.7	18,355 45.0

Note: Three months ended June 30, 2023 Comprehensive income: 6,121 million yen [(63.6%)]
Three months ended June 30, 2022 Comprehensive income: 16,833 million yen [31.4%]

	Earnings per share, basic	Earnings per share, diluted
Three months ended	yen	yen
June 30, 2023	52.61	52.52
June 30, 2022	153.45	153.19

(2) Consolidated Financial Position

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

	Total assets	Net assets	Equity ratio
As of			%
June 30, 2023	392,444	310,108	78.9
March 31, 2023	399,634	317,266	79.1

Note: Total equity As of June 30, 2023: 309,539 million yen
As of March 31, 2023: 316,290 million yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
Fiscal year ended March 31, 2023	yen —	yen 10.00	yen —	yen 114.00	yen 124.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (projection)		10.00	—	87.00	97.00

Note: No change in Dividend projection from previous announcement.

3. Consolidated Forecasts (April 1, 2023 to March 31, 2024)

(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, basic
		%		%		%		%	yen
Fiscal year ending March 31, 2024	360,000	4.9	55,000	24.1	55,000	0.5	38,500	(21.9)	321.68

Note: No change in Consolidated forecasts from previous announcement.

The Company refrains at this time from disclosing consolidated financial forecasts for the Six-month period ending September 30, 2023.

For details, please refer to page 4 "1. Consolidated Results for the Three-Month Period Ended June 30, 2023 (3) Qualitative information on consolidated business forecasts."

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: No
 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, 2023	122,531,596
As of March 31, 2023	122,531,596
 2. Number of treasury stock:

As of June 30, 2023	2,600,280
As of March 31, 2023	2,803,193
 3. Average number of shares during the period (cumulative):

Three-month period ended June 30, 2023	119,753,839
Three-month period ended June 30, 2022	119,616,868

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, 2023 (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, 2023

(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, 2023 totaled ¥85,669 million (an increase of 14.4% from the same period of the prior fiscal year), operating income amounted to ¥3,097 million (a decrease of 78.5% from the same period of the prior fiscal year). In foreign exchange rates, the weakness of Japanese yen compared to the rate as of the end of last fiscal year has resulted in the booking of a foreign exchange gain amounting to ¥5,835 million. As a result, ordinary income amounted to ¥9,178 million (a decrease of 65.0% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥6,300 million (a decrease of 65.7% from the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2023 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.

The HD (High-Definition) Game sub-segment's net sales for the three-month period ended June 30, 2023 rose compared to the same period of the previous fiscal year due to the release of titles including "FINAL FANTASY XVI" and "FINAL FANTASY PIXEL REMASTER."

In the MMO (Massively Multiplayer Online) Games sub-segment, net sales fell versus the same period of the previous fiscal year.

In the Games for Smart Devices/PC Browser sub-segment, "DRAGON QUEST CHAMPIONS" was launched in June, but the sub-segment's net sales declined compared to the same period of the previous fiscal year because of weak performances from existing titles.

Net sales and operating income in the Digital Entertainment segment totaled ¥62,375 million (an increase of 16.4% from the same period of the prior fiscal year), and ¥2,745 million (a decrease of 80.6% 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.

Net sales and operating income for the three-month period ended June 30, 2023 rose compared to the same period of the previous fiscal year due to a year-on-year increase in same-store sales.

Net sales and operating income in the Amusement segment totaled ¥13,330 million (an increase of 11.3% from the same period of the prior fiscal year), and ¥1,481 million (an increase of 29.7% 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-related books.

Net sales and operating income for the three-month period ended June 30, 2023 declined compared to the same period of the previous fiscal year due to year-on-year declines in both digital and print sales.

Net sales and operating income in the Publication segment totaled ¥5,969 million (a decrease of 4.7% from the same period of the prior fiscal year) and ¥2,129 million (a decrease of 14.8% 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.

Net sales and operating income for the three-month period ended June 30, 2023 rose compared to the same period of the previous fiscal year due in part to brisk sales of new merchandise featuring key characters from the Group's IP portfolio.

Net sales and operating income in the Merchandising segment totaled ¥4,747 million (an increase of 28.7% from the same period of the prior fiscal year), and ¥1,290 million (an increase of 51.9% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

● Assets

As of June 30, 2023, total current assets were ¥333,635 million, a decrease of ¥8,623 million compared to March 31, 2023. This was mainly due to decreases in cash and deposits of ¥13,579 million and content production account of ¥8,180 million, while notes and accounts receivable-trade and the other on current assets increased by ¥8,055 million and ¥5,068 million respectively. As of June 30, 2023, total non-current assets were ¥58,808 million, an increase of ¥1,432 million compared to March 31, 2023.

As a result, total assets were ¥392,444 million, a decrease of ¥7,190 million compared to March 31, 2023.

● Liabilities

As of June 30, 2023, total current liabilities were ¥71,635 million, a decrease of ¥69 million compared to March 31, 2023. This was mainly due to decreases in provision for bonuses of ¥2,247 million and notes and accounts payable-trade of ¥1,052 million, while the other on current liabilities and refund liabilities increased by ¥1,539 million and ¥1,306 million, respectively. As of June 30, 2023, total non-current liabilities were ¥10,699 million, an increase of ¥36 million compared to March 31, 2023.

As a result, total liabilities were ¥82,335 million, a decrease of ¥32 million compared to March 31, 2023.

● Net assets

As of June 30, 2023, net assets were ¥310,108 million, a decrease of ¥7,157 million compared to March 31, 2023. This was mainly owing to profit attributable to owners of parent of ¥6,300 million and dividend payments of ¥13,649 million.

As a result, the consolidated equity ratio stood at 78.9% (79.1% as of March 31, 2023).

(3) Qualitative information on consolidated business forecasts

As a result of digitization and other technological advances, consumer game content is increasingly sold via downloads rather than physical packages. Monetization methods such as free-to-play, microtransactions, and subscriptions have also given rise to a greater diversity of business models outside the confines of traditional one-off sales. As such, the consumer game market continues to grow. New releases tend to be met with either marked success or marked failure as players throng to a handful of major titles.

In the market for games for smart devices, increasingly sophisticated smartphones are making customers demand even richer gaming experiences and enabling greater diversity in game design and business models. Content scale is also mounting as smartphone games traverse the globe and multiple types of devices, resulting in continued growth in the size of the market. Meanwhile, a familiar list of titles continues to dominate the upper end of the smart device game rankings in Japan, and the entrance of Asian players into the Japanese market has intensified competition, reducing the odds of new titles succeeding.

Given the intense competition in both the consumer and smart device game markets, it will be important for the Group not only to leverage existing intellectual properties but also to endeavor to create new intellectual properties and to recruit development resources if it is to continue to produce hits. By developing content in keeping with these environmental changes and diversifying its earnings opportunities, the Group is endeavoring to establish a robust earnings base.

No changes have been made to the consolidated forecasts for the fiscal year ending March 31, 2024 that were released on May 12, 2023.

2. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2023

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	193,501	179,922
Notes and accounts receivable - trade	39,908	47,964
Merchandise and finished goods	4,872	4,803
Raw materials and supplies	827	833
Content production account	87,217	79,037
Other	16,185	21,253
Allowance for doubtful accounts	(255)	(178)
Total current assets	342,258	333,635
Non-current assets		
Property, plant and equipment	17,743	20,227
Intangible assets	5,856	5,697
Investments and other assets	33,775	32,884
Total non-current assets	57,376	58,808
Total assets	399,634	392,444

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,558	22,505
Income taxes payable	3,452	3,837
Provision for bonuses	4,532	2,285
Refund liabilities	5,186	6,493
Other	34,974	36,514
Total current liabilities	71,704	71,635
Non-current liabilities		
Provision for directors' retirement benefits	7	7
Net defined benefit liability	3,908	4,001
Asset retirement obligations	4,424	4,391
Other	2,322	2,299
Total non-current liabilities	10,663	10,699
Total liabilities	82,368	82,335
Net assets		
Shareholders' equity		
Capital stock	24,039	24,039
Capital surplus	54,142	54,307
Retained earnings	255,151	247,802
Treasury stock	(8,587)	(7,966)
Total shareholders' equity	324,745	318,183
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	(66)
Foreign currency translation adjustment	(8,765)	(8,846)
Remeasurements of defined benefit plans	308	268
Total accumulated other comprehensive income	(8,454)	(8,644)
Subscription rights to shares	752	336
Non-controlling interests	222	233
Total net assets	317,266	310,108
Total liabilities and net assets	399,634	392,444

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	74,876	85,669
Cost of sales	30,237	49,144
Gross profit	44,638	36,525
Selling, general and administrative expenses	30,207	33,427
Operating income	14,430	3,097
Non-operating income		
Interest income	31	183
Dividend income	0	0
Foreign exchange gains	13,055	5,835
Gain on investments in securities	111	9
Revenue from business held for sale	2,427	—
Miscellaneous income	29	64
Total non-operating income	15,655	6,093
Non-operating expenses		
Interest expenses	31	7
Commission fee	657	1
Expenses from business held for sale	3,140	—
Loss on valuation of crypto assets	—	3
Miscellaneous loss	0	0
Total non-operating expenses	3,829	12
Ordinary income	26,255	9,178
Extraordinary income		
Subsidy income related to COVID-19	3	—
Total extraordinary income	3	—
Extraordinary losses		
Loss on retirement of non-current assets	15	43
Impairment loss	1	—
Total extraordinary losses	16	43
Profit before income taxes	26,242	9,135
Income taxes-current	6,705	1,460
Income taxes-deferred	1,176	1,368
Total income taxes	7,882	2,829
Profit	18,359	6,305
Profit attributable to non-controlling interests	4	5
Profit attributable to owners of parent	18,355	6,300

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	18,359	6,305
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(68)
Foreign currency translation adjustment	(1,520)	(76)
Remeasurements of defined benefit plans	3	(39)
Total other comprehensive income	(1,526)	(184)
Comprehensive income	16,833	6,121
(Breakdown)		
Comprehensive income attributable to owners of parent	16,815	6,111
Comprehensive income attributable to non-controlling interests	17	10

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

(Material changes in shareholders' equity)
 None

(Segment information)

I. Outline of reporting segments for the three-month period ended June 30, 2022

Information on sales and income or loss and disaggregated revenue disclosures 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							
Domestic	29,964	11,395	5,999	1,299	48,659	—	48,659
Overseas	23,591	154	257	2,212	26,216	—	26,216
Revenue from contracts with customers	53,556	11,550	6,257	3,511	74,876	—	74,876
Other revenue	—	—	—	—	—	—	—
(1) Sales to outside customers	53,556	11,550	6,257	3,511	74,876	—	74,876
(2) Intersegment sales	14	426	3	177	622	(622)	—
Total	53,570	11,977	6,261	3,689	75,498	(622)	74,876
Segment operating income	14,140	1,142	2,498	849	18,631	(4,201)	14,430

Notes: 1. Segment adjustments (¥4,201) million include unallocated corporate operating expenses (¥4,251) million.

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

3. Disaggregated revenue disclosures are distinguished between Domestic and Overseas.

II. Outline of reporting segments for the three-month period ended June 30, 2023

Information on sales and income or loss and disaggregated revenue disclosures 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							
Domestic	32,988	12,829	5,605	1,370	52,794	—	52,794
Overseas	29,374	274	340	2,876	32,865	—	32,865
Revenue from contracts with customers	62,363	13,103	5,945	4,247	85,660	—	85,660
Other revenue	9	—	—	—	9	—	9
(1) Sales to outside customers	62,373	13,103	5,945	4,247	85,669	—	85,669
(2) Intersegment sales	1	226	23	500	752	(752)	—
Total	62,375	13,330	5,969	4,747	86,422	(752)	85,669
Segment operating income	2,745	1,481	2,129	1,290	7,646	(4,548)	3,097

Notes: 1. Segment adjustments (¥4,548) million include unallocated corporate operating expenses (¥4,576) million.

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

3. Disaggregated revenue disclosures are distinguished between Domestic and Overseas.