



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

November 7, 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>
Representative: Takashi Kiryu, President and Representative Director
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Tel: (03) 5292-8000
Financial report submission: November 13, 2023 (planned)
Cash dividend payment commencement: December 5, 2023 (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, 2023 through September 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	
Six months ended		%		%		%		%
September 30, 2023	172,046	5.3	17,337	(33.4)	26,124	(42.1)	16,623	(57.9)
September 30, 2022	163,392	(3.3)	26,044	(10.6)	45,133	43.4	39,473	71.7

Note: Six months ended September 30, 2023 Comprehensive income: 16,687 million yen [Δ 56.6%]

Six months ended September 30, 2022 Comprehensive income: 38,471 million yen [68.0%]

	Earnings per share, basic	Earnings per share, diluted
Six months ended	yen	yen
September 30, 2023	138.70	138.57
September 30, 2022	329.91	329.35

(2) Consolidated Financial Position

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

	Total assets	Net assets	Equity ratio
As of			%
September 30, 2023	411,039	320,727	77.9
March 31, 2023	399,634	317,266	79.1

Note. Total equity As of September 30, 2023: 320,136 million yen
As of March 31, 2023: 316,290 million yen

2. Dividends

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

For details, please refer to page 4 "1. Consolidated Results for the Six-Month Period Ended September 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 September 30, 2023	122,531,596
As of March 31, 2023	122,531,596
 2. Number of treasury stock:

As of September 30, 2023	2,580,596
As of March 31, 2023	2,803,193
 3. Average number of shares during the period (cumulative):

Six-Month period ended September 30, 2023	119,849,559
Six-Month period ended September 30, 2022	119,649,725

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, 2023. (3) Qualitative information on consolidated business forecasts" section on page 4 of Supplemental Information.

Supplemental Information — Index

	Page
1. Consolidated Results for the Six-Month Period Ended September 30, 2023	2
(1) Analysis of consolidated business results	2
(2) Analysis of consolidated financial position	3
(3) Qualitative information on consolidated business forecasts	4
2. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2023	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income	7
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	8
(3) Notes to Consolidated Financial Statements	9
(Note regarding going concern assumptions)	9
(Material changes in shareholders' equity)	9
(Segment information)	9

1. Consolidated Results for the Six-Month Period Ended September 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 business segments of Digital Entertainment, Amusement, Publication and Merchandising. Net sales for the six-month period ended September 30, 2023 totaled ¥172,046 million (an increase of 5.3% from the same period of the prior fiscal year), and operating income amounted to ¥17,337 million (a decrease of 33.4% from the same period of the prior fiscal year). In foreign exchange rates, the weakness of Japanese yen compared to rates as of the end of the prior fiscal year resulted in the booking of a foreign exchange gain amounting to ¥7,803 million. As a result, ordinary income amounted to ¥26,124 million (a decrease of 42.1% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥16,623 million (a decrease of 57.9% from the same period of the prior fiscal year).

A discussion of results by segment for the six-month period ended September 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 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.

At the HD (High-Definition) Game sub-segment, net sales for the six-month period ended September 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) Game sub-segment, net sales fell compared to the same period of the previous year.

In the Games for Smart Devices/PC Browser sub-segment, net sales declined compared to the same period of the previous fiscal year as the June launch of "Dragon Quest Champions" and the September launch of "FINAL FANTASY VII EVER CRISIS" were unable to compensate for factors including weak performances by existing titles.

Net sales and operating income in the Digital Entertainment segment totaled ¥122,046 million (an increase of 4.2% from the same period of the prior fiscal year), and ¥15,520 million (a decrease of 36.9% 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.

The six-month period ended September 30, 2023 saw net sales and operating income rise compared to the same period of the previous fiscal year due to year-on-year growth in sales at existing arcades.

Net sales and operating income in the Amusement segment totaled ¥28,499 million (an increase of 10.2% from the same period of the prior fiscal year), and ¥3,279 million (an increase of 28.7% 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.

The Company's overall performance was solid in the six-month period ended September 30, 2023 despite declines in net sales and operating income compared to the same period of the previous fiscal year.

Net sales and operating income in the Publication segment totaled ¥14,493 million (a decrease of 1.3% from the same period of the prior fiscal year) and ¥5,521 million (a decrease of 8.8% 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.

The six-month period ended September 30, 2023 saw net sales and operating income rise compared to the same period of the previous fiscal year, partly due 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 ¥8,372 million (an increase of 12.7% from the same period of the prior fiscal year), and ¥1,870 million (an increase of 5.4% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

●Assets

As of September 30, 2023, total current assets were ¥353,736 million, an increase of ¥11,478 million compared to March 31, 2023. This was mainly due to increases in cash and deposits of ¥7,791 million and notes and accounts receivable of ¥7,417 million, while the other on current assets decreased by ¥3,728 million. As of September 30, 2023, total non-current assets were ¥57,302 million, a decrease of ¥73 million compared to March 31, 2023.

As a result, total assets were ¥411,039 million, an increase of ¥11,404 million compared to March 31, 2023.

●Liabilities

As of September 30, 2023, total current liabilities were ¥79,646 million, an increase of ¥7,941 million compared to March 31, 2023. This was mainly due to increases in the other on current liabilities of ¥5,361 million, income taxes payable of ¥1,285 million, and refund liabilities of ¥1,175 million, respectively. As of September 30, 2023, total non-current liabilities were ¥10,664 million, an increase of ¥1 million compared to March 31, 2023.

As a result, total liabilities were ¥90,311 million, an increase of ¥7,943 million compared to March 31, 2023.

●Net assets

As of September 30, 2023, net assets were ¥320,727 million, an increase of ¥3,461 million compared to March 31, 2023. This was mainly due to profit attributable to owners of parent of ¥16,623 million and dividend payments of ¥13,649 million.

As a result, the consolidated equity ratio stood at 77.9% (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.

The Company leaves the consolidated financial forecasts for the fiscal year through March 31, 2024 that it released on May 12, 2023 unchanged as it needs to assess the second half of the fiscal year's sales performance regarding new titles for the fiscal year.

2. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2023

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	193,501	201,293
Notes and accounts receivable-trade	39,908	47,326
Merchandise and finished goods	4,872	5,136
Raw materials and supplies	827	826
Content production account	87,217	86,996
Other	16,185	12,456
Allowance for doubtful accounts	(255)	(299)
Total current assets	342,258	353,736
Non-current assets		
Property, plant and equipment	17,743	20,103
Intangible assets	5,856	5,704
Investments and other assets	33,775	31,494
Total non-current assets	57,376	57,302
Total assets	399,634	411,039

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,558	23,708
Income taxes payable	3,452	4,737
Provision for bonuses	4,532	4,502
Refund liabilities	5,186	6,362
Other	34,974	40,336
Total current liabilities	71,704	79,646
Non-current liabilities		
Provision for directors' retirement benefits	7	—
Net defined benefit liability	3,908	4,062
Asset retirement obligations	4,424	4,404
Other	2,322	2,198
Total non-current liabilities	10,663	10,664
Total liabilities	82,368	90,311
Net assets		
Shareholders' equity		
Capital stock	24,039	24,039
Capital surplus	54,142	54,289
Retained earnings	255,151	258,125
Treasury stock	(8,587)	(7,906)
Total shareholders' equity	324,745	328,548
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	(97)
Foreign currency translation adjustment	(8,765)	(8,542)
Remeasurements of defined benefit plans	308	228
Total accumulated other comprehensive income	(8,454)	(8,411)
Subscription rights to shares	752	347
Non-controlling interests	222	244
Total net assets	317,266	320,727
Total liabilities and net assets	399,634	411,039

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	163,392	172,046
Cost of sales	72,545	87,162
Gross profit	90,847	84,884
Selling, general and administrative expenses	64,802	67,546
Operating income	26,044	17,337
Non-operating income		
Interest income	188	618
Dividend income	0	0
Foreign exchange gains	20,143	7,803
Gain on investments in securities	383	259
Gain on sale of crypto assets	838	161
Revenue from business held for sale	3,648	—
Miscellaneous income	56	90
Total non-operating income	25,258	8,934
Non-operating expenses		
Interest expenses	55	95
Commission fee	1,029	2
Expenses from business held for sale	5,083	—
Loss on valuation of crypto assets	—	48
Miscellaneous loss	0	0
Total non-operating expenses	6,169	147
Ordinary income	45,133	26,124
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	9,455	—
Gain on reversal of share acquisition rights	4	8
Other	9	—
Total extraordinary income	9,469	8
Extraordinary losses		
Loss on sale of non-current assets	—	2
Loss on retirement of non-current assets	22	63
Impairment loss	1	—
Loss on valuation of shares of subsidiaries and associates	—	1,180
Loss on disposal of content	2,116	—
Other	144	146
Total extraordinary losses	2,285	1,392
Profit before income taxes	52,317	24,740
Income taxes-current	12,187	6,171
Income taxes-deferred	643	1,935
Total income taxes	12,830	8,106
Profit	39,487	16,633
Profit attributable to non-controlling interests	14	10
Profit attributable to owners of parent	39,473	16,623

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	39,487	16,633
Other comprehensive income		
Valuation difference on available-for-sale securities	76	(100)
Foreign currency translation adjustment	(1,100)	233
Remeasurements of defined benefit plans	6	(79)
Total other comprehensive income	(1,016)	54
Comprehensive income	38,471	16,687
(Breakdown)		
Comprehensive income attributable to owners of parent	38,431	16,666
Comprehensive income attributable to non-controlling interests	39	21

(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 Six-Month period ended September 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	69,627	24,281	13,667	3,226	110,802	—	110,802
Overseas	47,509	434	1,004	3,641	52,589	—	52,589
Revenue from contracts with customers	117,137	24,716	14,671	6,867	163,392	—	163,392
Other revenue	—	—	—	—	—	—	—
(1) Sales to outside customers	117,137	24,716	14,671	6,867	163,392	—	163,392
(2) Intersegment sales	19	1,143	14	562	1,739	(1,739)	—
Total	117,156	25,859	14,686	7,429	165,132	(1,739)	163,392
Segment operating income	24,596	2,547	6,052	1,775	34,972	(8,928)	26,044

Notes: 1. Segment adjustments (¥8,928) million include unallocated corporate operating expenses (¥9,021) 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 Six-Month period ended September 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	62,626	27,422	13,609	3,125	106,784	—	106,784
Overseas	59,394	574	859	4,411	65,240	—	65,240
Revenue from contracts with customers	122,021	27,997	14,469	7,537	172,025	—	172,025
Other revenue	21	—	—	—	21	—	21
(1) Sales to outside customers	122,042	27,997	14,469	7,537	172,046	—	172,046
(2) Intersegment sales	4	502	24	834	1,365	(1,365)	—
Total	122,046	28,499	14,493	8,372	173,411	(1,365)	172,046
Segment operating income	15,520	3,279	5,521	1,870	26,191	(8,853)	17,337

Notes: 1. Segment adjustments (¥8,853) million include unallocated corporate operating expenses (¥8,891) 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.