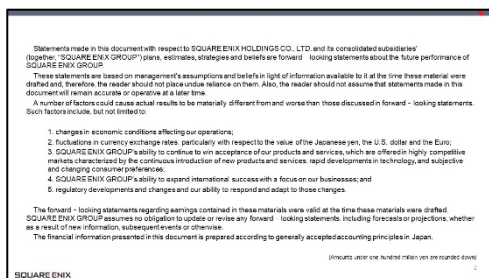




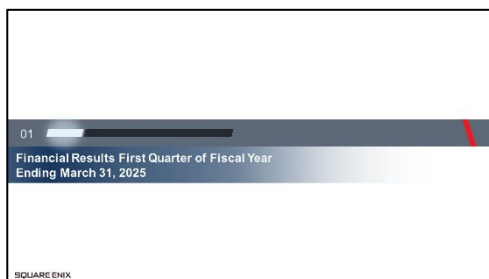
We would now like to begin the Financial Results Briefing session of SQUARE ENIX HOLDINGS (the “Company”) for the first quarter of the fiscal year ending March 31, 2025 (“Q1 FY2024/3”).

Today’s presenter is:

Takashi Kiryu, President and Representative Director.



President Kiryu will provide an overview of the Company’s financial results for Q1 FY2025/3, as well as of the progress made by each of the Company’s business segments.



Let me start with an overview of our Q1 FY2025/3 results.

Consolidated Statement of Income FY2025/3 Q1 (Values of Yen)

	Fiscal Year Ended March 31, 2024		Fiscal Year Ending March 31, 2025			
	Q1	Full Year Results	Q1	Changes	Full Year Forecasts	Changes
Net Sales	85.6	356.3	89.9	(15.7)	310.0	(46.3)
Operating Income	3.0	32.5	10.8	7.8	40.0	7.5
Operating Income Margin	3.6%	9.1%	15.5%	11.9pt	12.9%	3.8pt
Ordinary Income	9.1	41.5	15.2	6.1	40.0	(1.5)
Ordinary Income Margin	10.7%	11.7%	21.9%	11.2pt	12.9%	1.2pt
Profit attributable to owners of parent	6.3	14.9	10.6	4.3	28.0	13.1

In Q1 FY2025/3, the Company booked net consolidated sales of ¥69.9 billion (down ¥15.7 billion YoY), operating income of ¥10.8 billion (up ¥7.8 billion), ordinary income of ¥15.2 billion (up ¥6.1 billion), and profit attributable to owners of parent of ¥10.6 billion (up ¥4.3 billion).

Consolidated Statement of Income Fiscal Year Q1 FY2025 by Business Segment (Values of Yen)

	Fiscal Year Ended March 31, 2024		Fiscal Year Ending March 31, 2025		Changes
	Q1		Q1		
Net sales	85.6		89.9		(16.7)
Digital Entertainment	42.3		43.9		(18.4)
Amusement	13.3		15.1		1.8
Publishing	2.0		6.9		1.9
Merchandising	4.7		4.4		(6.7)
Literature or unclassified	(6.7)		(9.5)		6.2
Operating income	3.0		10.8		7.8
Digital Entertainment	2.1		9.7		7.9
Amusement	1.0		1.4		0.3
Publishing	2.1		2.4		0.3
Merchandising	1.2		1.8		0.1
Literature or unclassified	(4.0)		(4.5)		0.3
Operating income margin	3.6%		15.5%		11.9pt
Digital Entertainment	4.1%		22.2%		17.9pt
Amusement	11.1%		9.3%		(1.8pt)
Publishing	20.7%		39.0%		3.2pt
Merchandising	27.2%		38.0%		9.3pt
Literature or unclassified	-		-		-

This is the breakdown of our results by segment.

Consolidated Balance Sheet as of June 30, 2024

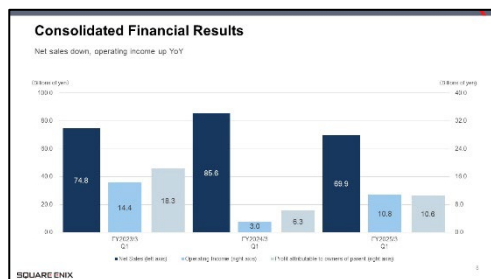
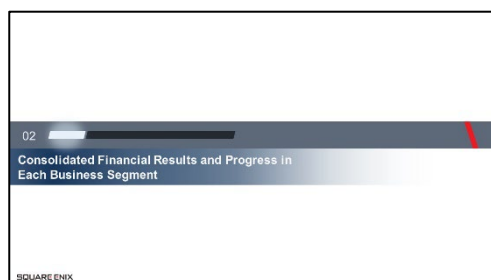
(Values in Trn)

Account	Assets			Account	Liabilities and Net Assets		
	03/2024	06/2024	Changes		03/2024	06/2024	Changes
Cash and deposits	225.9	225.9	0.0	Total debt and accounts payable	24.3	24.4	0.1
Notes and accounts receivable	11.8	30.7	18.9	Income taxes payable	0.9	0.0	(2.5)
Inventory	7.7	7.7	2.0	Deferred liabilities	4.4	4.9	(0.7)
Contract production account	40.5	56.9	8.4	Other	49.7	43.3	(7.4)
Others	14.3	13.8	(0.5)	Total Current Liabilities	81.6	78.1	(3.4)
Total Current Assets	339.2	343.2	4.0	Non-current Liabilities	12.1	12.1	0.0
Property and equipment	23.9	23.3	(0.3)	Total Liabilities	93.7	88.2	(5.4)
Intangible Assets	5.9	5.9	0.1	Total Shareholders' Equity	325.2	322.8	2.8
Investments and other assets	62.8	63.7	0.9	Others	(81.1)	(7.8)	5.3
Total Non-current Assets	71.6	70.8	(1.8)	Total Net Assets	317.1	324.9	7.8
Total Assets	410.8	413.2	2.4	Total Liabilities and Net Assets	410.8	413.2	2.4

This slide shows our consolidated balance sheet.

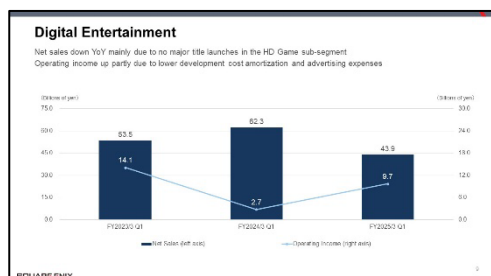
In Q1, we did not launch any major titles. Therefore, the content production account increased ¥8.4 billion compared with March 31, 2024 to ¥56.9 billion.

Next, I will discuss our consolidated financial results and progress in each segment.



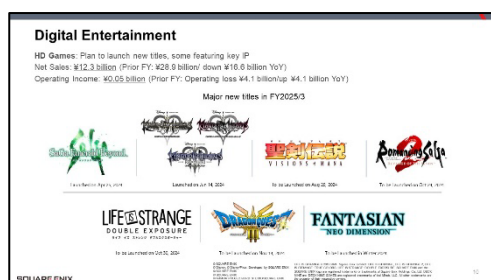
Comparing the past three years of consolidated results, we note that Q1 FY2025/3 net sales were at their lowest. At the same time, Q1 operating income and net income came in second to those of Q1 FY2023/3.

Given that we benefited from lockdown demand in Q1 FY2023/3 due to the pandemic, especially in the MMO sub-segment, we see our Q1 FY2025/3 performance as largely solid.



These are our results from the Digital Entertainment segment.

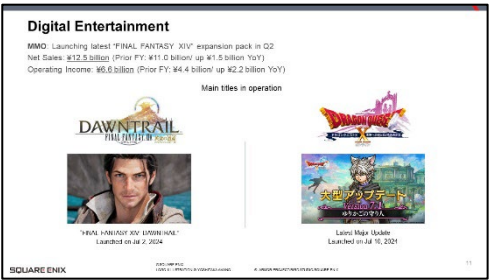
Q1 net sales declined versus the previous year due to the lack of major title launches during the quarter. Meanwhile the segment posted operating income of ¥9.7 billion (up ¥7.0 billion) owing to a decline in development cost amortization and advertising costs stemming from new title releases versus the previous year.



The HD Game sub-segment posted net sales of ¥12.3 billion (down ¥16.6 billion YoY) and operating income of ¥0.05 billion (up ¥4.1 billion).

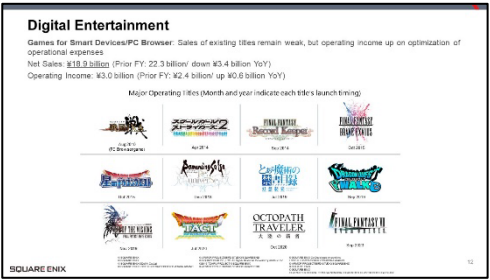
In Q1, we released “*SaGa: Emerald Beyond*” and three “*Kingdom Hearts*” catalog titles on Steam. The launch of the “*Kingdom Hearts*” titles on Steam was part of our multiplatform strategy under our medium-term business plan (FY2025/3-FY2027/3). Sales have been strong, particularly in the US and Europe.

From Q2, we plan to release new titles including “*Visions of Mana*” (August), “*Romancing SaGa 2: Revenge of the Seven*” (October), “*Life is Strange: Double Exposure*” (October), “*Dragon Quest III HD-2D Remake*” (November), and “*FANTASIAN Neo Dimension*” (winter 2024).

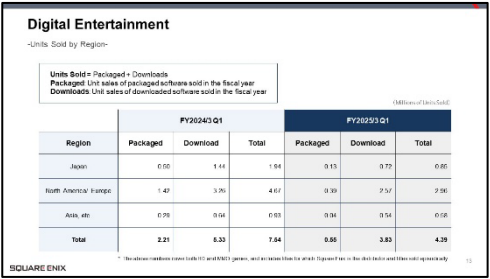


The MMO sub-segment recorded net sales of ¥12.5 billion (up ¥1.5 billion YoY) and operating income of ¥6.6 billion (up ¥2.2 billion).

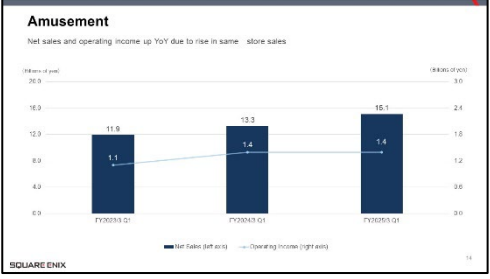
In Q1, both “FINAL FANTASY XIV” and “DRAGON QUEST X ONLINE” performed well. Sales and development cost amortization relating to the “FINAL FANTASY XIV: Dawntrail” expansion pack will be posted from Q2.



The Games for Smart Devices/PC Browser sub-segment recorded net sales of ¥18.9 billion (down ¥3.4 billion YoY) and operating income of ¥3.0 billion (up ¥0.6 billion). Net sales declined partly due to further weakness in existing titles, but profit increased thanks to our efforts to optimize our operational costs. Several titles are reaching their anniversaries in Q2, and we expect this to boost performance.



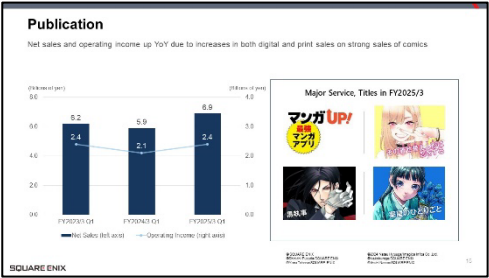
The Digital Entertainment segment sold a total of 4.39 million units (down 3.15 million YoY). The decline was mainly due to the release of “FINAL FANTASY XVI” and “FINAL FANTASY PIXEL REMASTER” in Q1 of the previous fiscal year.



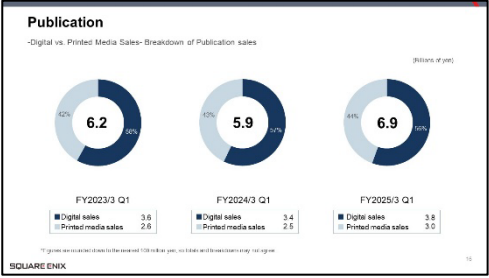
The Amusement segment posted net sales of ¥15.1 billion (up ¥1.8 billion YoY) and operating income of ¥1.4 billion (up ¥0.01 billion) on recovery in demand following the end of the pandemic. While sales grew on brisk same-store sales backed by inbound visitor demand and other factors, operating income remained roughly same level with the previous year, partly due to higher costs.

The plans, forecasts, strategies and ideas described in this material are descriptions of forecasts of future results. These descriptions rely on information available as of the date of production of this material and are based on assumptions and judgment made by the Company's management. Readers are advised not to rely solely on these forecasts. Readers should also not assume that these forecasts are accurate or valid information, even after the date of public release. There are many factors that may cause actual results to vary considerably from the forecasts, and in some cases actual results may be inferior to forecasts.

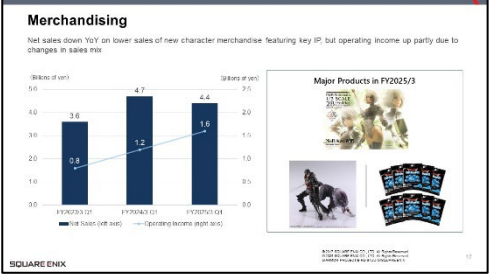
The information on the future forecasts described in this material is current as of Aug 6, 2024. The company is not obliged to update or correct forecasts concerning the Company's future results, including forecasts or outlook, if new information becomes available and/or events occur after Aug 6, 2024.



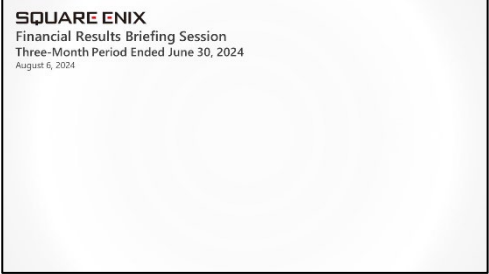
The Publication segment booked net sales of ¥6.9 billion (up ¥1.0 billion YoY) and operating income of ¥2.4 billion (up ¥0.3 billion). Earnings not only benefited from a boost from the release of a new volume of “My Dress-Up Darling,” but also continued to be underpinned by sales generated by the major 2H FY2024/3 hit “The Apothecary Diaries.”



This slide shows the sales breakdown in the Publication segment. There was no major change in business structure in either print or digital sales, and both remained firm.



The Merchandising segment booked net sales of ¥4.4 billion (down ¥0.3 billion YoY) and operating income of ¥1.6 billion (up ¥0.4 billion). Character property sales grew with the release of the HD game “FINAL FANTASY XVI” in Q1 the previous year, while a rise in high value-added product sales in Q1 this year led to higher profit despite lower sales.



This concludes my report on Q1 results.

SQUARE ENIX HOLDINGS CO., LTD.

Q1 FY2025/3 Financial Results Briefing Session Q&A

Date/Time: August 6, 2024 (Tue); 6:30-7:30 pm (JST)

Main Speaker: Takashi Kiryu, President and Representative Director

Q&A

Q: Your HD Game sub-segment has multiple new titles slated for release in Q2 and beyond. What are your profitability expectations for them? What sales initiatives will you undertake to bolster their profitability?

A: The profitability of HD Game sub-segment will hinge on how well our forthcoming titles sell.
In terms of sales initiatives, we will continue our efforts to bolster profitability, including by expanding sales of catalog titles when launching new titles and by offering past titles on multiple platforms.

Q: What are your profitability expectations for your MMO and Games for Smart Devices/PC Browser sub-segments in Q2 and thereafter? Also, what has the performance been like for the “FINAL FANTASY XIV: Dawntrail” expansion pack that the MMO sub-segment released on July 2, 2024?

A: It is impossible to make a direct comparison between “FINAL FANTASY XIV: Endwalker,” which was launched in December 2021, and “FINAL FANTASY XIV: Dawntrail,” not only because of the lockdown demand during the pandemic, but also because the former marked the conclusion of the Hydaelyn and Zodiark storyline revolving around the stars and life, while the latter marked the opening of a brand-new story. However, “FINAL FANTASY XIV: Dawntrail” has created a fair bit of excitement since around the time of its launch, and we expect the profitability of the MMO sub-segment to remain solid.
Meanwhile, sales from aging titles in our Smart Devices/PC Browser sub-segment continue to decline, making it difficult to keep the sub-segment’s sales on par with those of the previous year. We expect a fair amount of sales and profit growth in Q2 vs. Q1 due to a bump from anniversary events for multiple titles. However, we think it will be difficult to reach the levels we saw in Q2 FY2024/3, which benefitted from one-off royalty income. Our earnings in Q3 and thereafter could be swung by our forthcoming titles, but we hope you will await our announcements for further details..

Q: The growth in your content production account since the end of FY2024/3 suggests that you are spending less on development than you previously did. What sort of progress have you made on the initiatives you described in your medium-term business plan to bolster productivity?

A: As part of our efforts to optimize our development footprint, we have created a regular forum for the head of our development organization, myself, and others to discuss our progress on projects, launch timelines, market trends, and how we intend to approach development going forward. With game development lead times growing longer, we are pursuing our transition from quantity to quality by engaging in robust validation efforts that include our publishing functions and a variety of other perspectives, as well as by undertaking an uncompromising approach to our process management.

To bolster profitability, our development and support functions are working in concert to make our development processes more efficient, including by leveraging AI. We are also working to strengthen our internal development capabilities and to control our outsourcing costs. However, we think that it will take a fair amount of time before our income statement benefits from these initiatives in terms of development cost..

Q: In May 2024, you announced the setting of share repurchase parameters, but you have yet to repurchase any shares. Why is that?

A: We will explore the most suitable timing for repurchasing shares, taking into account factors such as the broader equity market and risks related to our businesses, while also working within the confines of the general timing restrictions imposed on share buyback orders. Our emphasis is on striking a balance between growth investment and shareholder returns when allocating our strategic investment budget of ¥80-¥100 billion as earmarked within our medium-term business plan, so that will serve as the basis for our deliberations.

Q: Your medium-term business plan calls for initiatives aimed at refining your management accounting system. Could you talk about the timeline, expected benefits, and rough scale of the IT investment involved?

A: We hope to take the IT system investment project from the requirement definition stage through to the system development phase within the three-year period of the medium-term business plan. We expect the refinements made to our management accounting system will enable us to generate better profitability and investment efficiency, reduce volatility, and achieve greater accuracy in our budget control over the long term. We also look forward to greater visibility into our business activities and an accelerated PDCA cycle. I will refrain from commenting on the amount of investment involved.