

**Consolidated Financial Results
for the Six-Month Period Ended September 30, 2014 (Japan GAAP)**

November 6, 2014

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 13, 2014 (planned)
Cash dividend payment commencement: December 5, 2014 (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, 2014 through September 30, 2014)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
Six months ended	%		%		%		%	
September 30, 2014	73,130	18.6	8,507	81.9	8,997	58.7	5,702	118.8
September 30, 2013	61,664	1.0	4,675	—	5,669	—	2,606	—

Note: Six months ended September 30, 2014 Comprehensive income: 7,423 million yen (78.4 %)
 Six months ended September 30, 2013 Comprehensive income: 4,161 million yen (— %)

	Earnings per share, basic	Earnings per share, diluted
Six months ended	Yen	yen
September 30, 2014	49.47	49.39
September 30, 2013	22.64	22.60

(2) Consolidated Financial Position

(Millions of yen and ratios in percents)

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
September 30, 2014	218,174	134,150	61.0	1,154.09
March 31, 2014	216,617	127,676	58.3	1,095.78

Note: Total equity As of September 30, 2014: 133,048 million yen
 As of March 31, 2014: 126,309 million yen

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	Yen	yen	yen	yen
Fiscal year ended March 31, 2014	—	10.00	—	20.00	30.00
Fiscal year ending March 31, 2015	—	10.00			
Fiscal year ending March 31, 2015 (projection)			—	20.00	30.00

Note: No change in dividend projection from previous announcement.

3. Consolidated Forecasts (April 1, 2014 through March 31, 2015)

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

	Net sales		Operating Income		Ordinary income		Net income		Earnings per share
		%		%		%		%	yen
Fiscal year ending March 31, 2015	150,000	(3.2)	11,000	4.3	11,000	(12.2)	7,000	6.1	60.73
	~160,000	~ 3.2	~16,000	~51.8	~16,000	~27.6	~10,500	~59.1	~91.09

Note: Yes change in consolidated forecasts from previous announcement.

4. Other

- (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, changes in accounting estimates and retrospective restatements
 1. Changes associated with revision in accounting standards: Yes
 2. Other changes: No
 3. Changes in accounting estimates: No
 4. Restatements: No
- (4) Outstanding shares (common stock)
 1. Number of shares issued and outstanding (including treasury stock):

As of September 30, 2014	115,591,496
As of March 31, 2014	115,575,696
 2. Number of treasury stock:

As of September 30, 2014	307,984
As of March 31, 2014	306,762
 3. Average number of shares during the period (cumulative):

Six-month period ended September 30, 2014	115,271,882
Six-month period ended September 30, 2013	115,157,598

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 consolidated 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, 2014 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information.

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1. Consolidated Results for the Six-Month Period Ended September 30, 2014

(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, 2014 totaled ¥73,130 million (an increase of 18.6% from the same period of the prior fiscal year), operating income amounted to ¥8,507 million (an increase of 81.9% from the same period of the prior fiscal year), and ordinary income amounted to ¥8,997 million (an increase of 58.7% from the same period of the prior fiscal year).

Loss on liquidation of subsidiaries and affiliates (¥313 million) was booked as an extraordinary loss.

These factors resulted in net income of ¥5,702 million (an increase of 118.8% from the same period of the prior fiscal year).

A discussion of results by segment for the six-month period ended September 30, 2014 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 six-month period ended September 30, 2014, in the area of content for platforms such as smart devices and PC browser, "SENGOKU IXA," a browser game has been showing steady performance. "DRAGON QUEST MONSTERS SUPER LIGHT," a game for smartphones and "SCHOOLGIRL STRIKERS," a game for smartphones released in April 2014 (Japan only), continue to post favorable results.

In the console game titles, sales of new titles increased in comparison with the same period of the prior fiscal year, and repeat sales of titles released in the last fiscal year were strong mainly in the Western market. Massively multiplayer online role playing games such as "FINAL FANTASY XIV" and "DRAGON QUEST X" have been making favorable progress.

Net sales and operating income in the Digital Entertainment segment totaled ¥43,757 million (an increase of 42.8% from the same period of the prior fiscal year) and ¥7,928 million (an increase of 129.4% from the same period of the prior fiscal year), respectively.

- Amusement

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

During the six-month period ended September 30, 2014, sales of amusement machines decreased, and the operation

of the amusement facilities has been showing steady performance through efficient store management efforts, in spite of the increase of the consumption tax rate.

Net sales and operating income in the Amusement segment totaled ¥21,298 million (a decrease of 14.8% from the same period of the prior fiscal year) and ¥2,364 million (a decrease of 36.4% from the same period of the prior fiscal year), respectively.

- **Publication**

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

During the six-month period ended September 30, 2014, sales of comics have showed steady growth as the result of media-mix deployment such as TV animation programs originated in comic titles.

Net sales and operating income in the Publication segment totaled ¥6,216 million (an increase of 34.5% from the same period of the prior fiscal year) and ¥1,789 million (an increase of 80.7% 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, 2014, the Group continued to distribute and license items such as character goods and soundtracks based on the Group's own IPs while also strengthening its character goods lineup with additional products based on third party content and overseas expansions.

Net sales and operating income in the Merchandising segment totaled ¥1,940 million (an increase of 19.0% from the same period of the prior fiscal year) and ¥611 million (an increase of 72.5% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- **Assets**

As of September 30, 2014, total current assets were 173,557 million, a decrease of ¥47 million compared to March 31, 2014. This was mainly due to an increase in the content production account of ¥9,391 million, while cash and deposits decreased by ¥656 million, notes and accounts receivable-trade decreased by ¥4,822 million, and other on current assets decreased by ¥3,999 million. As of September 30, 2014, total non-current assets were ¥44,617 million, an increase of ¥1,605 million compared to March 31, 2014.

As a result, total assets were ¥218,174 million, an increase of ¥1,557 million compared to March 31, 2014.

- **Liabilities**

As of September 30, 2014, total current liabilities were ¥77,292 million, a decrease of ¥3,216 million compared to March 31, 2014. This was mainly due to a decrease in notes and accounts payable-trade of ¥1,282 million, and a decrease in income taxes payable of ¥1,420 million. As of September 30, 2014, total non-current liabilities were ¥6,732 million, a decrease of ¥1,700 million compared to March 31, 2014.

As a result, total liabilities were ¥84,024 million, a decrease of ¥4,916 million compared to March 31, 2014.

- **Net assets**

As of September 30, 2014, net assets were ¥134,150 million, an increase of ¥6,473 million compared to March 31, 2014. This was mainly due to net income of ¥5,702 million, dividend payments of ¥2,305 million, an increase in foreign currency translation adjustments of ¥1,686 million and an increase in retained earnings of ¥1,683 million by the adaptation of ASBJ Statement No. 26 Accounting Standard for Retirement Benefits and its Implementation Guidance - ASBJ Guidance No. 25 Guidance on Accounting Standard for Retirement Benefits.

As a result, the consolidated equity ratio stood at 61.0%, compared to 58.3% as of March 31, 2014.

(3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of major changes, where smart devices such as smartphones and tablet PCs are spreading rapidly, while the console game markets in North America and Europe are increasingly competitive and oligopolistic. In light of such environmental changes, the Group is focusing all efforts on establishment of 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

(Change in accounting policy)

Effective from the first quarter of the fiscal year ending March 31, 2015, the Company has adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012; hereafter the "Accounting Standard for Retirement Benefits") and Article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012; hereafter the "Guidance on Retirement Benefits"). Accordingly, the Company has changed the calculation methods for retirement benefit obligations and current service costs and has changed the method of attributing estimated retirement benefits to periods from the straight- line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to average remaining working lives of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

With regard to the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional accounting treatments as stated in Article 37 of the Accounting Standard for Retirement Benefits, the Company has reflected the effect of changing the determination of retirement benefit obligations and current service costs in retained earnings at the beginning of this cumulative second quarter of the fiscal year ending March 31, 2015.

As a result, net defined benefit liability has decreased by ¥1,811 million for the beginning of this cumulative second quarter of the fiscal year ending March 31,2015, while retained earnings has increased by ¥1,683 million. Operating income, recurring income and income before income taxes and minority interests have had minimal impact for the this cumulative second quarter of the fiscal year ending March 31,2015.

3. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2014

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	115,367	114,711
Notes and accounts receivable-trade	22,110	17,288
Merchandise and finished goods	2,013	2,479
Work in progress	700	404
Raw materials and supplies	433	318
Content production account	20,556	29,947
Other	12,573	8,574
Allowance for doubtful accounts	(151)	(166)
Total current assets	173,604	173,557
Non-current assets		
Property, plant and equipment	19,917	19,915
Intangible assets	10,835	10,707
Investments and other assets	12,259	13,994
Total non-current assets	43,012	44,617
Total assets	216,617	218,174

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,563	10,280
Short-term loans payable	6,852	7,109
Current portion of bonds	35,000	35,000
Income taxes payable	2,980	1,560
Provision for bonuses	1,771	1,308
Provision for sales returns	4,609	4,345
Provision for game arcade closings	251	194
Asset retirement obligations	3	0
Other	17,475	17,492
Total current liabilities	80,508	77,292
Non-current liabilities		
Provision for directors' retirement benefits	178	155
Provision for game arcade closings	383	327
Net defined benefit liability	4,425	2,355
Asset retirement obligations	807	958
Other	2,636	2,935
Total non-current liabilities	8,432	6,732
Total liabilities	88,940	84,024
Net assets		
Shareholders' equity		
Capital stock	15,368	15,381
Capital surplus	44,607	44,621
Retained earnings	71,298	76,378
Treasury stock	(870)	(872)
Total shareholders' equity	130,404	135,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	253	288
Foreign currency translation adjustment	(4,780)	(3,094)
Remeasurements of defined benefit plans	432	344
Total accumulated other comprehensive income	(4,095)	(2,461)
Subscription rights to shares	348	372
Minority interests	1,018	729
Total net assets	127,676	134,150
Total liabilities and net assets	216,617	218,174

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

	<i>(Millions of yen)</i>	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	61,664	73,130
Cost of sales	34,433	39,016
Gross profit	27,230	34,113
Reversal of provision for sales returns	4,538	4,643
Provision for sales returns	3,344	4,163
Gross profit-net	28,425	34,593
Selling, general and administrative expenses	23,749	26,085
Operating income	4,675	8,507
Non-operating income		
Interest income	52	66
Dividends income	5	7
Foreign exchange gains	942	526
Miscellaneous income	67	107
Total non-operating income	1,066	707
Non-operating expenses		
Interest expenses	44	38
Commission fee	26	26
Office transfer related expenses	—	144
Miscellaneous loss	2	8
Total non-operating expenses	73	217
Ordinary income	5,669	8,997
Extraordinary income		
Gain on sales of investment securities	24	82
Gain on reversal of subscription rights to shares	33	7
Compensation income	351	—
Other	2	—
Total extraordinary income	412	90
Extraordinary loss		
Loss on retirement of non-current assets	41	149
Loss on evaluation of content	1,641	—
Loss on liquidation of subsidiaries and affiliates	—	313
Other	87	258
Total extraordinary loss	1,770	721
Income before dividends distribution from silent Partnership, income taxes (tokumei-kumiai)	4,311	8,365
Dividends distribution from silent partnership (tokumei-kumiai)	14	132
Income before income taxes	4,297	8,232
Income taxes-current	836	1,118
Income taxes-deferred	847	1,375
Total income taxes	1,683	2,494
Income before minority interests	2,614	5,738
Minority interests in income	7	36
Net income	2,606	5,702

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	2,614	5,738
Other comprehensive income		
Valuation difference on available-for-sale securities	359	35
Foreign currency translation adjustment	1,187	1,737
Remeasurements of defined benefit plans	—	(88)
Other comprehensive income	1,547	1,684
Comprehensive income	4,161	7,423
(Breakdown)		
Comprehensive income attributable to owners of the parent	4,091	7,335
Comprehensive income attributable to minority interests	70	88

(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, 2013

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		
Net sales							
(1) Sales to outside customers	30,631	25,003	4,525	1,503	61,664	—	61,664
(2) Intersegment sales	4	—	95	127	227	(227)	—
Total	30,636	25,003	4,621	1,630	61,891	(227)	61,664
Segment operating income(loss)	3,456	3,717	990	354	8,519	(3,843)	4,675

Notes: 1. Segment adjustments (¥3,843 million) include unallocated corporate operating expenses (¥3,859 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, 2014

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		
Net sales							
(1) Sales to outside customers	43,757	21,298	6,196	1,877	73,130	—	73,130
(2) Intersegment sales	—	—	19	63	83	(83)	—
Total	43,757	21,298	6,216	1,940	73,213	(83)	73,130
Segment operating income	7,928	2,364	1,789	611	12,693	(4,186)	8,507

Notes: 1. Segment adjustments (¥4,186 million) include unallocated corporate operating expenses (¥4,201 million).

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