

**Consolidated Financial Results  
for the Three-Month Period Ended June 30, 2016 (Japan GAAP)**

August 5, 2016

**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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**Financial report submission:** August 10, 2016 (planned)  
**Cash dividend payment commencement:** —  
**Supplementary quarterly materials prepared:** Yes  
**Quarterly results presentation held:** No

*(Amounts under one million yen are rounded down)*

**1. Consolidated Financial Results (April 1, 2016 through June 30, 2016)**

(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, 2016	51,193	21.1	8,949	13.1	6,446	(32.5)	5,336	(11.1)
June 30, 2015	42,282	12.0	7,912	56.1	9,543	96.5	5,999	76.0

Note: Three months ended June 30, 2016 Comprehensive income: 3,598 million yen [(44.5%)]

Three months ended June 30, 2015 Comprehensive income: 6,478 million yen [95.6%]

	Earnings per share, basic	Earnings per share, diluted
Three months ended	y en	y en
June 30, 2016	43.74	43.66
June 30, 2015	49.20	49.11

(2) Consolidated Financial Position

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

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	y en
June 30, 2016	220,788	167,850	75.7	1,369.05
March 31, 2016	232,731	168,783	72.2	1,376.93

Note: Total equity As of June 30, 2016: 167,081 million yen  
As of March 31, 2016: 167,965 million yen

## 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	yen	yen	yen	Yen
Fiscal year ended March 31, 2016	–	10.00	–	38.00	48.00
Fiscal year ending March 31, 2017	–				
Fiscal year ending March 31, 2017 (projection)		10.00	–	31.00 ~41.00	41.00 ~51.00

Note: No change in Dividend projection from previous announcement

## 3. Consolidated Forecasts (April 1, 2016 to March 31, 2017)

(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
Fiscal year ending March 31, 2017	%		%		%		%		yen
	250,000	16.8	27,000	3.8	27,000	6.6	17,000	(14.5)	139.39
	~270,000	~26.1	~33,000	~26.8	~33,000	~30.3	~21,000	~5.6	~172.19

Note: No change in consolidated forecasts from previous announcement.

## Others

- (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, 2016	122,356,996
As of March 31, 2016	122,299,496
  2. Number of treasury stock:
 

As of June 30, 2016	314,701
As of March 31, 2016	313,749
  3. Average number of shares during the period (cumulative):
 

Three-month period ended June 30, 2016	122,004,595
Three-month period ended June 30, 2015	121,935,514

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, 2016 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information

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## 1. Consolidated Results for the Three-Month Period Ended June 30, 2016

### (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 three-month period ended June 30, 2016 totaled ¥51,193 million (an increase of 21.1% from the same period of the prior fiscal year), operating income amounted to ¥8,949 million (an increase of 13.1% from the same period of the prior fiscal year), ordinary income amounted to ¥6,446 million (a decrease of 32.5% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥5,336 million (a decrease of 11.1% from the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2016 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.

During the three-month period ended June 30, 2016, in the area of content for platforms such as smart devices and PC browser, our established lineup of popular games is continuing to show strong performances. In addition to this, new game titles such as "*MOBIUS FINAL FANTASY*," "*HOSHI NO DRAGON QUEST*," "*FINAL FANTASY BRAVE EXVIUS*" and "*Grimms Notes*", released in preceding fiscal year, are contributing to revenue generation from the beginning of this fiscal year.

In the area of console games, "*DRAGON QUEST HEROES II*" made a favorable start on top of strong download sales of catalogue titles released previously.

Net sales and operating income in the Digital Entertainment segment totaled ¥37,541million (an increase of 23.9% from the same period of the prior fiscal year), and ¥9,472million (an increase of 15.6% 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.

During the three-month period ended June 30, 2016, sales of amusement machines such as "*Gunslinger Stratos3*" have gained favorable results, and operation of the amusement facilities has been showing steady performance.

Net sales and operating income in the Amusement segment totaled ¥10,351million (an increase of 22.1% from the same period of the prior fiscal year), and ¥831million (a decrease of 11.6% 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, 2016, sales of comic books declined while royalty revenues of e-comics increased compared to the same period of the prior fiscal year .

Net sales and operating income in the Publication segment totaled ¥2,253million (a decrease of 16.2% from the same period of the prior fiscal year) and ¥530million (a decrease of 19.4% 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 three-month period ended June 30, 2016, sales and licensing performed strongly thanks to character goods and soundtracks derived from the Group's own IPs as well as character goods originated in renowned third-party IPs.

Net sales and operating income in the Merchandising segment totaled ¥1,418million (an increase of 21.8% from the same period of the prior fiscal year), and ¥560million (an increase of 33.2% from the same period of the prior fiscal year), respectively.

## (2) Analysis of consolidated financial position

- Assets

As of June 30, 2016, total current assets were ¥185,403 million, a decrease of ¥9,275 million compared to March 31, 2016. This was mainly due to decreases in cash and deposits of ¥12,712 million and notes and accounts receivable of ¥2,169 million, while content production account increased by ¥3,671 million. As of June 30, 2016, total non-current assets were ¥35,385 million, a decrease of ¥2,667 million compared to March 31, 2016.

As a result, total assets were ¥220,788 million, a decrease of ¥11,943 million compared to March 31, 2016.

- Liabilities

As of June 30, 2016, total current liabilities were ¥45,489 million, a decrease of ¥10,247 million compared to March 31, 2016. This was mainly due to decreases in income taxes payable of ¥4,083 million, short-term loans payable of ¥1,525 million and provision for bonuses of ¥1,335 million. As of June 30, 2016, total non-current liabilities were ¥7,448 million, a decrease of ¥762 million compared to March 31, 2016.

As a result, total liabilities were ¥52,938 million, a decrease of ¥11,009 million compared to March 31, 2016.

- Net assets

As of June 30, 2016, net assets were ¥167,850 million, a decrease of ¥933 million from the prior fiscal year. This was mainly due to profit attributable to owners of parent of ¥5,336 million, dividend payments of ¥4,635 million and a decrease in foreign currency translation adjustments of ¥1,797 million.

As a result, the consolidated equity ratio stood at 75.7% (72.2% as of March 31, 2016).

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

The business environment surrounding the Group is in the midst of major changes, where consumer needs for contents suitable to smart devices such as smartphones and tablet PCs are rapidly expanding, while the console game markets in North America and Europe are increasingly getting competitive and oligopolistic. The Group is focusing all efforts to achieve growth coupled with profits on 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. The Group does not disclose the first half consolidated forecasts in consideration of the fact that fluctuations in sales and incomes during a fiscal year have increasingly become larger.

## 2. Other Information in Summary

### (1) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(Changes in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No.32, June 17, 2016), with the revision of the Corporation Tax Act. Consequently, the Group has changed the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 from declining-balance method to straight-line method.

There is minimal impact to profits or losses for the three-month period ended June 30, 2016, as a result of this change.

### (2) Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the beginning of the fiscal year ended March 31, 2017, the Group has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

### 3. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2016

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	117,306	<b>104,593</b>
Notes and accounts receivable-trade	21,487	<b>19,318</b>
Merchandise and finished goods	2,428	<b>2,250</b>
Work in progress	109	<b>4</b>
Raw materials and supplies	233	<b>266</b>
Content production account	41,419	<b>45,091</b>
Other	11,837	<b>14,037</b>
Allowance for doubtful accounts	(143)	<b>(157)</b>
Total current assets	194,679	<b>185,403</b>
Non-current assets		
Property, plant and equipment	13,748	<b>13,647</b>
Intangible assets	6,447	<b>5,416</b>
Investments and other assets	17,856	<b>16,320</b>
Total non-current assets	38,052	<b>35,385</b>
Total assets	232,731	<b>220,788</b>

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,671	<b>13,403</b>
Short-term loans payable	9,722	<b>8,196</b>
Income taxes payable	5,726	<b>1,642</b>
Provision for bonuses	2,672	<b>1,337</b>
Provision for sales returns	3,334	<b>2,564</b>
Provision for loss on game arcade closings	75	<b>72</b>
Asset retirement obligations	5	<b>—</b>
Other	19,529	<b>18,271</b>
Total current liabilities	<b>55,737</b>	<b>45,489</b>
Non-current liabilities		
Provision for directors' retirement benefits	162	<b>88</b>
Provision for loss on game arcade closings	127	<b>116</b>
Net defined benefit liability	2,747	<b>2,697</b>
Asset retirement obligations	2,355	<b>2,365</b>
Other	2,819	<b>2,179</b>
Total non-current liabilities	<b>8,210</b>	<b>7,448</b>
<b>Total liabilities</b>	<b>63,948</b>	<b>52,938</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,753	<b>23,811</b>
Capital surplus	52,993	<b>53,050</b>
Retained earnings	95,581	<b>96,282</b>
Treasury stock	(888)	<b>(891)</b>
Total shareholders' equity	<b>171,439</b>	<b>172,252</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	<b>407</b>
Foreign currency translation adjustment	(3,207)	<b>(5,005)</b>
Remeasurements of defined benefit plans	(607)	<b>(573)</b>
Total accumulated other comprehensive income	<b>(3,474)</b>	<b>(5,171)</b>
Subscription rights to shares	374	<b>365</b>
Non-controlling interests	443	<b>403</b>
Total net assets	<b>168,783</b>	<b>167,850</b>
<b>Total liabilities and net assets</b>	<b>232,731</b>	<b>220,788</b>



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

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	42,282	51,193
Cost of sales	19,412	24,680
Gross profit	22,869	26,512
Reversal of provision for sales returns	4,926	3,204
Provision for sales returns	3,897	2,675
Gross profit-net	23,898	27,041
Selling, general and administrative expenses	15,985	18,092
Operating income	7,912	8,949
Non-operating income		
Interest income	13	13
Dividend income	7	0
Foreign exchange gains	1,448	—
Miscellaneous income	179	33
Total non-operating income	1,648	47
Non-operating expenses		
Interest expenses	14	17
Commission fee	3	3
Foreign exchange losses	—	2,520
Miscellaneous loss	0	9
Total non-operating expenses	18	2,550
Ordinary income	9,543	6,446
Extraordinary losses		
Loss on retirement of non-current assets	29	20
Impairment loss	9	1
Other	3	4
Total extraordinary losses	41	26
Profit before income taxes	9,501	6,420
Income taxes-current	2,395	791
Income taxes-deferred	1,105	291
Total income taxes	3,500	1,082
Profit	6,000	5,337
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	5,999	5,336

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	<b>Three months ended June 30, 2016</b>
Profit	6,000	<b>5,337</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(69)	<b>66</b>
Foreign currency translation adjustment	531	<b>(1,838)</b>
Remeasurements of defined benefit plans	16	<b>34</b>
Total other comprehensive income	478	<b>(1,738)</b>
Comprehensive income	6,478	<b>3,598</b>
(Breakdown)		
Comprehensive income attributable to owners of parent	6,471	<b>3,639</b>
Comprehensive income attributable to non-controlling interests	7	<b>(40)</b>

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the three-month period ended June 30, 2015

Information on sales and income by reporting segment

	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	30,297	8,475	2,641	868	42,282	—	42,282
(2)Intersegment sales	0	—	48	296	344	(344)	—
Total	30,297	8,475	2,690	1,164	42,627	(344)	42,282
Segment operating income	8,191	940	657	420	10,209	(2,296)	7,912

Notes: 1. Segment adjustments (¥2,296) million include unallocated corporate operating expenses (¥2,307) 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, 2016

Information on sales and income by reporting segment

	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	37,541	10,351	2,242	1,057	51,193	—	51,193
(2)Intersegment sales	—	—	11	361	372	(372)	—
Total	37,541	10,351	2,253	1,418	51,565	(372)	51,193
Segment operating income	9,472	831	530	560	11,394	(2,445)	8,949

Notes: 1. Segment adjustments (¥2,445) million include unallocated corporate operating expenses (¥2,453) million.

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