

**Consolidated Financial Results  
for the Nine-Month Period Ended December 31, 2016 (Japan GAAP)**

February 6, 2017

**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:** February 10, 2017 (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 December 31, 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	
Nine months ended	%		%		%		%	
December 31, 2016	190,084	24.4	21,477	(9.7)	22,050	(8.9)	17,055	26.0
December 31, 2015	152,760	28.5	23,778	60.5	24,198	46.3	13,538	24.0

Note: Nine months ended December 31, 2016 Comprehensive income: 15,879 million yen [26.6%]

Nine months ended December 31, 2015 Comprehensive income: 12,547 million yen [(13.9%)]

	Earnings per share, basic	Earnings per share, diluted
Nine months ended	yen	yen
December 31, 2016	139.76	139.51
December 31, 2015	111.01	110.79

**(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			%	yen
December 31, 2016	243,287	179,005	73.2	1,459.67
March 31, 2016	232,731	168,783	72.2	1,376.93

Note: Total equity As of December 31, 2016: 178,154 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	—	10.00	—		
Fiscal year ending March 31, 2017 (projection)				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	%		%		%		%		yen
March 31, 2017	250,000	16.8	27,000	3.8	27,000	6.6	17,000	(14.5)	139.39
~2017	~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 December 31, 2016	122,366,996
As of March 31, 2016	122,299,496
  2. Number of treasury stock:
 

As of December 31, 2016	316,028
As of March 31, 2016	313,749
  3. Average number of shares during the period (cumulative):
 

Nine-month period ended December 31, 2016	122,034,901
Nine-month period ended December 31, 2015	121,955,356

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 Nine-Month Period Ended December 31, 2016 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information.

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## 1. Consolidated Results for the Nine-Month Period Ended December 31, 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 nine-month period ended December 31, 2016 totaled ¥190,084 million (an increase of 24.4% from the same period of the prior fiscal year), operating income amounted to ¥21,477 million (a decrease of 9.7% from the same period of the prior fiscal year), ordinary income amounted to ¥22,050 million (a decrease of 8.9% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥17,055 million (an increase of 26.0% from the same period of the prior fiscal year).

A discussion of results by segment for the nine-month period ended December 31, 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 nine-month period ended December 31, 2016, major launches of blockbuster series titles such as "FINAL FANTASY XV" and the PlayStation®4 version of "RISE OF THE TOMB RAIDER," on top of strong download sales of catalogue titles released previously, have led to a material increase of net sales and operating income in the area of console games, compared to the same period of the prior fiscal year.

In the area of massively multiplayer online role playing games, revenues from operation has been showing steady performance while net sales and operating income declined significantly compared to the same period of the prior fiscal year mainly due to the absence of expansion disk releases during the nine-month period ended December 31, 2016.

Net sales and operating income, in the area of content for platforms such as smart devices and PC browser, increased significantly compared to the same period of the prior fiscal year primarily thanks to the strong performance of existing major titles of native application games on smartphones such as "FINAL FANTASY BRAVE EXVIUS," "HOSHI NO DRAGON QUEST" and "DRAGON QUEST MONSTERS SUPER LIGHT."

Net sales and operating income in the Digital Entertainment segment totaled ¥ 146,215 million (an increase of 32.7% from the same period of the prior fiscal year), and ¥ 21,793 million (a decrease of 5.8% 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 nine-month period ended December 31, 2016, the operation of the amusement facilities has been showing

steady performance. In addition, amusement machines such as “Gunslinger Stratos3,” “THEATRHYTHM FINAL FANTASY All-star Carnival” and “Love Live! School idol festival – after school ACTIVITY –” were released.

Net sales and operating income in the Amusement segment totaled ¥ 33,044 million (an increase of 4.1% from the same period of the prior fiscal year), and ¥3,666 million (a decrease of 15.8% 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 nine-month period ended December 31, 2016, sales of comic books declined while sales of game strategy guides and royalty revenues from e-comics licensing increased compared to the same period of the prior fiscal year.

Net sales and operating income in the Publication segment totaled ¥7,257 million (a decrease of 5.4% from the same period of the prior fiscal year) and ¥1,723 million (a decrease of 9.9% 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 nine-month period ended December 31, 2016, sales and licensing performed steadily 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 ¥4,727 million (an increase of 30.1% from the same period of the prior fiscal year), and ¥1,565 million (an increase of 31.3% from the same period of the prior fiscal year), respectively.

## (2) Analysis of consolidated financial position

- Assets

As of December 31, 2016, total current assets was ¥207,367 million, an increase of ¥12,688 million compared to March 31, 2016. This was mainly due to an increase in notes and accounts receivable of ¥17,912 million, while cash and deposits decreased by ¥5,544 million. As of December 31, 2016, total non-current assets was ¥35,919 million, a decrease of ¥2,133 million compared to March 31, 2016. This was mainly due to a decrease in investments and other assets of ¥1,701 million.

As a result, total assets was ¥243,287 million, an increase of ¥10,555 million compared to March 31, 2016.

- Liabilities

As of December 31, 2016, total current liabilities was ¥56,808 million, an increase of ¥1,071 million compared to March 31, 2016. This was mainly due to increases in the provision for sales returns of ¥3,627 million and the other on current liabilities of ¥3,316 million, while short-term loans payable, income taxes payable and provision for bonuses decreased by ¥1,102 million, ¥3,370 million, and ¥1,072 respectively. As of December 31, 2016, total non-current

liabilities was ¥7,472 million, a decrease of ¥738 million compared to March 31, 2016.

As a result, total liabilities was ¥64,281 million, an increase of ¥332 million compared to March 31, 2016.

- Net assets

As of December 31, 2016, net assets was ¥179,005 million, an increase of ¥10,222 million compared to March 31, 2016. This was mainly due to profit attributable to owners of parent of ¥17,005 million and dividend payments of ¥5,855 million.

As a result, the consolidated equity ratio stood at 73.2% (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 content 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.

## 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 nine-month period ended December 31, 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 Nine-Month Period Ended December 31, 2016

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	117,306	111,761
Notes and accounts receivable-trade	21,487	39,399
Merchandise and finished goods	2,428	4,171
Work in progress	109	16
Raw materials and supplies	233	234
Content production account	41,419	37,605
Other	11,837	14,382
Allowance for doubtful accounts	(143)	(203)
Total current assets	194,679	207,367
Non-current assets		
Property, plant and equipment	13,748	14,183
Intangible assets	6,447	5,580
Investments and other assets	17,856	16,155
Total non-current assets	38,052	35,919
<b>Total assets</b>	232,731	243,287

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	14,671	14,355
Short-term loans payable	9,722	8,619
Income taxes payable	5,726	2,355
Provision for bonuses	2,672	1,600
Provision for sales returns	3,334	6,961
Provision for loss on game arcade closings	75	69
Asset retirement obligations	5	—
Other	19,529	22,846
Total current liabilities	55,737	56,808
Non-current liabilities		
Provision for directors' retirement benefits	162	88
Provision for loss on game arcade closings	127	94
Net defined benefit liability	2,747	2,751
Asset retirement obligations	2,355	2,454
Other	2,819	2,084
Total non-current liabilities	8,210	7,472
Total liabilities	63,948	64,281
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,753	23,822
Capital surplus	52,993	53,062
Retained earnings	95,581	106,780
Treasury stock	(888)	(895)
Total shareholders' equity	171,439	182,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	341	389
Foreign currency translation adjustment	(3,207)	(4,534)
Remeasurements of defined benefit plans	(607)	(470)
Total accumulated other comprehensive income	(3,474)	(4,615)
Subscription rights to shares	374	442
Non-controlling interests	443	409
Total net assets	168,783	179,005
<b>Total liabilities and net assets</b>	<b>232,731</b>	<b>243,287</b>



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

(Millions of yen)

	Nine months ended December 31, 2015	<b>Nine months ended December 31, 2016</b>
Net sales	152,760	190,084
Cost of sales	76,692	105,326
Gross profit	76,067	84,758
Reversal of provision for sales returns	4,922	3,190
Provision for sales returns	4,151	6,440
Gross profit-net	76,838	81,508
Selling, general and administrative expenses	53,060	60,030
Operating income	23,778	21,477
Non-operating income		
Interest income	57	50
Dividend income	8	1
Subsidy income	419	2
Gain on forgiveness of payable for group tax	—	62
Foreign exchange gains	—	478
Miscellaneous income	155	65
Total non-operating income	641	661
Non-operating expenses		
Interest expenses	47	41
Commission fee	11	5
Office transfer related expenses	44	31
Foreign exchange losses	117	—
Miscellaneous loss	0	9
Total non-operating expenses	220	88
Ordinary income	24,198	22,050
Extraordinary income		
Gain on sales of non-current assets	11	4
Gain on sales of investment securities	0	—
Gain on reversal of subscription rights to shares	19	20
Total extraordinary income	31	24
Extraordinary losses		
Loss on sales of non-current assets	43	—
Loss on retirement of non-current assets	119	165
Loss on valuation of share of subsidiaries and associates	1,702	0
Other	51	13
Total extraordinary losses	1,917	178
Profit before income taxes	22,313	21,896
Income taxes-current	7,973	3,925
Income taxes-deferred	796	914
Total income taxes	8,769	4,839
Profit	13,543	17,056
Profit attributable to non-controlling interests	5	1
Profit attributable to owners of parent	13,538	17,055

## Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2015	<b>Nine months ended December 31, 2016</b>
Profit	13,543	17,056
Other comprehensive income		
Valuation difference on available-for-sale securities	(394)	48
Foreign currency translation adjustment	(650)	(1,362)
Remeasurements of defined benefit plans	48	136
Total other comprehensive income	(996)	(1,176)
Comprehensive income	12,547	15,879
(Breakdown)		
Comprehensive income attributable to owners of parent	12,562	15,913
Comprehensive income attributable to non-controlling interests	(15)	(34)

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the nine-month period ended December 31, 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	110,145	31,755	7,623	3,236	152,760	—	152,760
(2)Intersegment sales	0	—	49	396	445	(445)	—
Total	110,145	31,755	7,672	3,633	153,206	(445)	152,760
Segment operating income	23,144	4,356	1,913	1,192	30,606	(6,828)	23,778

Notes: 1. Segment adjustments (¥6,828) million include unallocated corporate operating expenses (¥6,860) million.

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

II. Outline of reporting segments for the nine-month period ended December 31, 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	146,215	33,038	7,222	3,608	190,084	—	190,084
(2)Intersegment sales	—	6	35	1,119	1,160	(1,160)	—
Total	146,215	33,044	7,257	4,727	191,245	(1,160)	190,084
Segment operating income	21,793	3,666	1,723	1,565	28,749	(7,271)	21,477

Notes: 1. Segment adjustments (¥7,271) million include unallocated corporate operating expenses (¥7,297) million.

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