

SQUARE ENIX®

Financial Results Briefing Session

Fiscal Year Ended March 31, 2017

Fiscal Year Ended March 31, 2017

Briefing Session
Financial Results

SQUARE ENIX®

May 11, 2017

SQUARE ENIX HOLDINGS CO., LTD.

Statements made in this document with respect to SQUARE ENIX HOLDINGS CO., LTD. and its consolidated subsidiaries' (together, "SQUARE ENIX GROUP") plans, estimates, strategies and beliefs are forward-looking statements about the future performance of SQUARE ENIX GROUP.

These statements are based on management's assumptions and beliefs in light of information available to it at the time these material were drafted and, therefore, the reader should not place undue reliance on them. Also, the reader should not assume that statements made in this document will remain accurate or operative at a later time.

A number of factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but not limited to:

1. changes in economic conditions affecting our operations;
2. fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro;
3. SQUARE ENIX GROUP's ability to continue to win acceptance of our products and services, which are offered in highly competitive markets characterized by the continuous introduction of new products and services, rapid developments in technology, and subjective and changing consumer preferences;
4. SQUARE ENIX GROUP's ability to expand international success with a focus on our businesses; and
5. regulatory developments and changes and our ability to respond and adapt to those changes.

The forward-looking statements regarding earnings contained in these materials were valid at the time these materials were drafted. SQUARE ENIX GROUP assumes no obligation to update or revise any forward-looking statements, including forecasts or projections, whether as a result of new information, subsequent events or otherwise.

The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

(Amounts under one hundred million yen are rounded down)

Financial Results
Fiscal Year
Ended March 31, 2017

Consolidated Financial Results

Fiscal Year Ended March 31, 2017

(Billions of Yen)

	Fiscal Year Ended March 31, 2016		Fiscal Year Ended March 31, 2017		Changes
		%		%	
Net Sales	214.1	100%	256.8	100%	42.7
Operating Income	26.0	12%	31.2	12%	5.2
Recurring Income	25.3	12%	31.1	12%	5.8
Profit attributable to owners of parent	19.8	9%	20.0	8%	0.2

(Billions of Yen)

	Fiscal Year Ended Mar, 2016	Fiscal Year Ended Mar, 2017	Changes
Depreciation and Amortization	6.3	6.2	Δ 0.1
Capital Expenditure	5.8	6.9	1.1
Number of Employees	3,924	4,078	154

Consolidated Financial Results

Fiscal Year Ended March 31, 2017 by Business Segment

1. Results for Fiscal Year Ended March 31, 2017

(Billions of Yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	199.0	42.7	10.0	6.4	Δ 1.4	256.8
Operating Income	33.3	3.6	2.4	2.1	Δ 10.2	31.2
Operating Margin	16.7%	8.4%	24.0%	32.8%	-	12.1%

2. Results for Fiscal Year Ended March 31, 2016

(Billions of Yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	158.9	41.1	9.9	4.5	Δ 0.5	214.1
Operating Income	27.4	3.9	2.2	1.5	Δ 9.2	26.0
Operating Margin	17.2%	9.5%	22.2%	33.3%	-	12.1%

3. Change (1 – 2)

(Billions of Yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	40.1	1.6	0.1	1.9	Δ 0.9	42.7
Operating Income	5.9	Δ 0.3	0.2	0.6	Δ 1.0	5.2

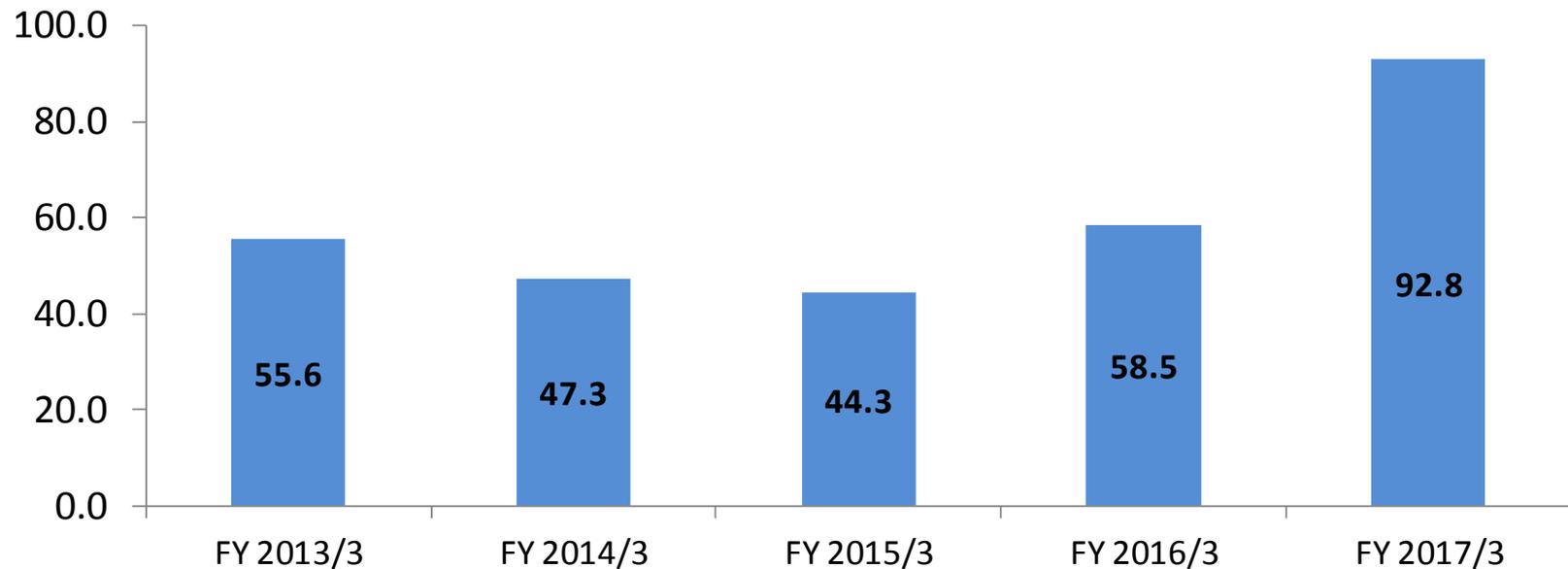
Progress in each Business Segment

Digital Entertainment – HD Games

Major launches of blockbuster titles such as “FINAL FANTASY XV” boosted revenue significantly.

Trends in sales

(Billions of Yen)



- Major launches of blockbuster series titles such as “FINAL FANTASY XV,” “DEUS EX MANKIND DIVIDED” and the PS4 version of “RISE OF THE TOMB RAIDER,” have led to a material increase of net sales.
- Strong download sales of previously released catalogue titles also expanded.

Digital Entertainment – HD Games

Established a robust pipeline from which 1-2 blockbuster titles as well as multiple mid-size titles are constantly launched every year.

FY2017/3



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MAIN CHARACTER DESIGN: TETSUYA NOMURA



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Deus Ex: Mankind Divided ©2016 Square Enix Ltd. All rights reserved. Developed by Eidos-Montréal.
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CHARACTER DESIGN:
TETSUYA NOMURA/
YASUHISA IZUMISAWA



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FY2018/3 and beyond



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To be released on 29th July 2017



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To be released on 13th July 2017



To be released in 2017

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DRAGON QUEST characters: ©ARMOR PROJECT/BIRD STUDIO/SQUARE ENIX
FINAL FANTASY characters: ©SQUARE ENIX
CHARACTER ILLUSTRATION:SHIRO AMANO



©Disney
Developed by SQUARE ENIX

To be announced



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CHARACTER DESIGN:
TETSUYA NOMURA/ROBERTO FERRARI

To be announced

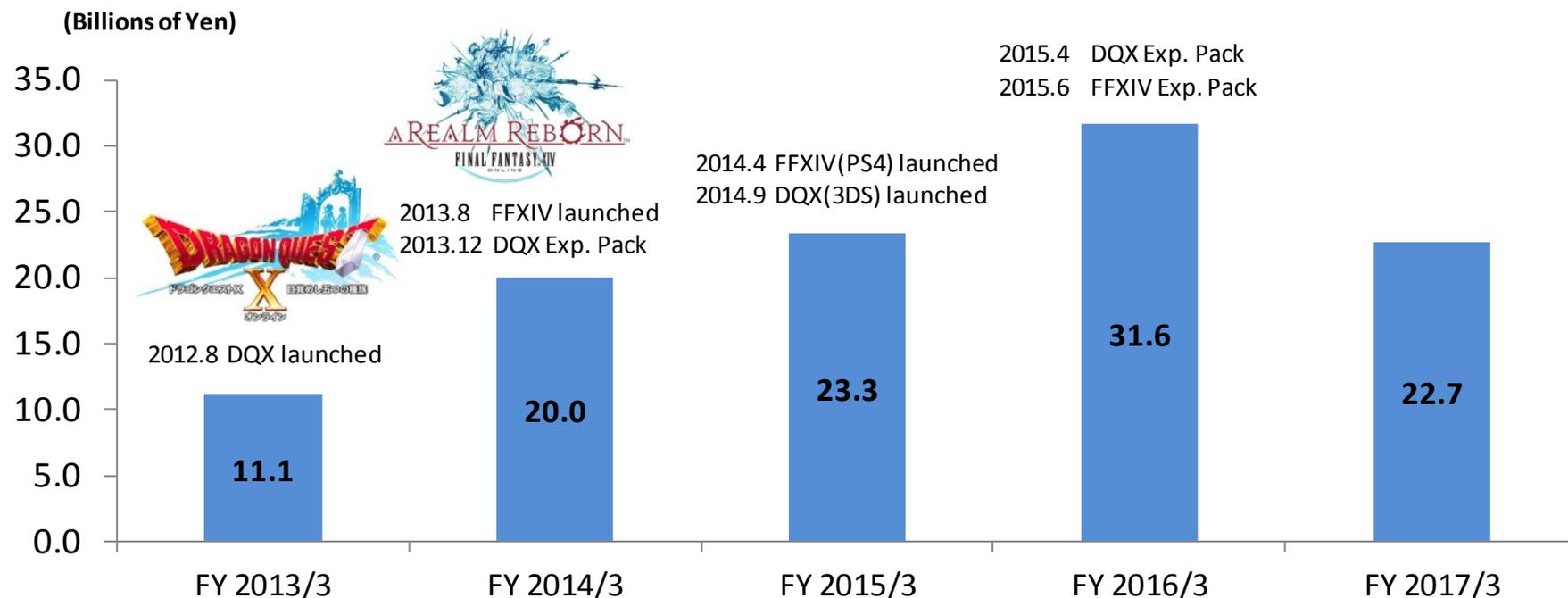
MARVEL
IP License

To be announced

Digital Entertainment – MMO

Established steady revenue stream by monthly subscription model.

Trends in sales



- Net sales declined due to the absence of expansion disk releases in FY2017/3.
- Expansion disks of “FFXIV” and “DQX” will be launched in FY2018/3.
- Focus on user retention by multiple promotions in addition to expansion disk launches.

Digital Entertainment – MMO

Expansion disks for “FINAL FANTASY XIV” and “DRAGON QUEST X”, our major MMO titles, will be launched in FY2018/3.

Enhance paying user base, and drive sales of expansion discs.

To be launched on 20th June 2017

To be launched in FY2018/3

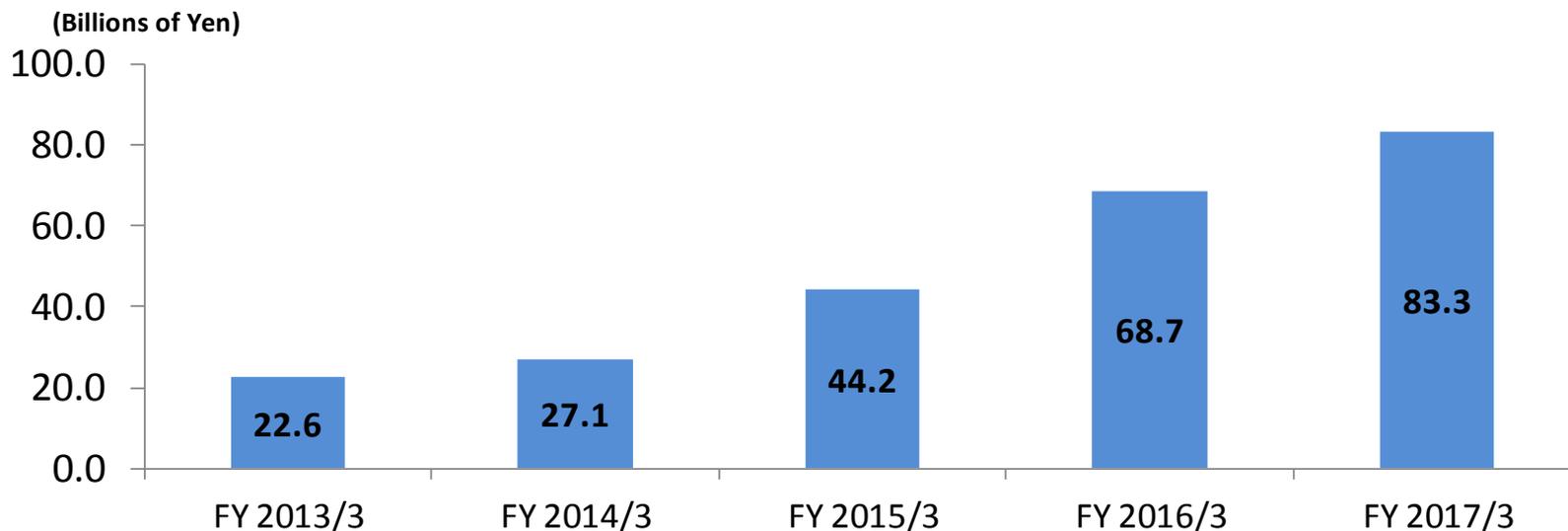


Digital Entertainment

– Games for smart devices/PC browser

Buildup of successful titles every fiscal year resulted in strong topline growth.

Trends in sales



- Titles released in the preceding fiscal year are fully contributing to revenue generation from the beginning of fiscal year FY2017/3
- Performance of titles launched in the 1st half fell below expectations, while overseas expansion of existing titles are contributing to the growth.
- Plan to increase revenue by consecutive new title launches in FY2018/3.

Digital Entertainment

– Games for smart devices/PC browser

New titles launched in the 2nd half of FY2017/3 are performing well, on top of strong performance of existing major titles. New titles will be launched consecutively.

2014 Jan



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©SUGIYAMA KOBO
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2014 Sep



Alliance with DeNA Co., Ltd.
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2015 Jun



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2015 Oct



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2016 Dec



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2017 Mar



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2014 Apr



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2014 Nov



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2015 Sep



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2015 Oct



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Developed by Alim Co., Ltd.
Illustration/ ©2015 YOSHITAKA AMANO

2017 Feb

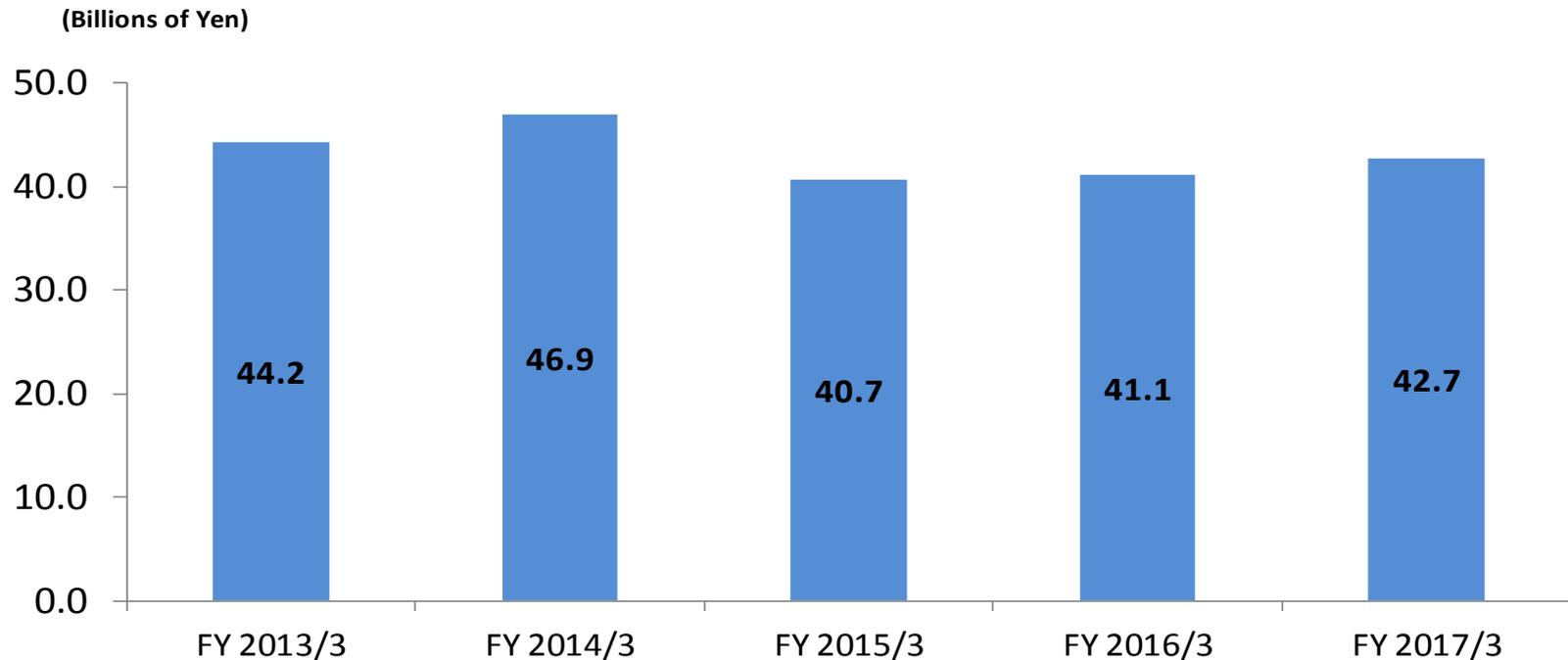


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CHARACTER DESIGN: TETSUYA NOMURA

Amusement

Both arcade machine sales and store operation shows steady performance, and established stable revenue base.

Trends in sales



• Plan to increase revenue by launching established IP based arcade machines such as “DENSHADE GO!!,” “Million Arthur Arcana Blood” and “LORD of VERMILION IV” in FY2018/3.

Amusement

Continue to launch strong IP based arcade machines in FY2018/3.



Launched on 6th
December 2016

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JR東日本商品化許諾申請中

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ALL RIGHTS RESERVED.
JR東日本商品化許諾申請中



To be launched in 2017



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To be launched in the autumn 2017



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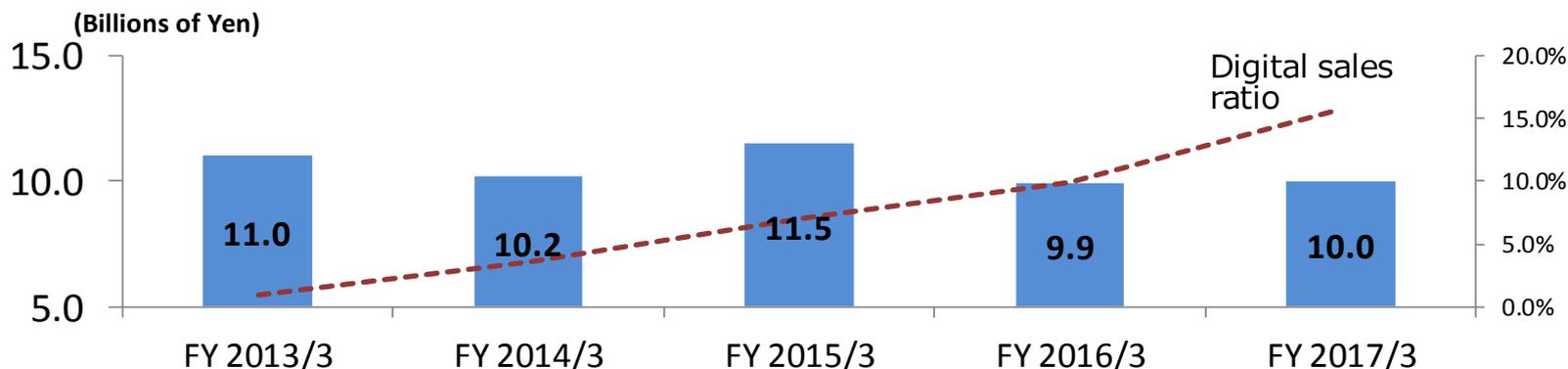


To be launched in the summer 2017

Publication

Successful transition from paper to digital leads to stable performance.

Trends in sales



- Promote comics sales by expanding IPs to animation, stage and film/TV areas.
- Launched Manga platform application “MANGA UP.”

FY2017/3

マンガUP!



クズの本懐

©mengo yokoyari/SQUARE ENIX

FY2018/3



王室教師ハイネ

©Higasa Akai/SQUARE ENIX

鋼の錬金術師 FULLMETAL ALCHEMIST

©Hiromu Arakawa/SQUARE ENIX

賭ケグルイ

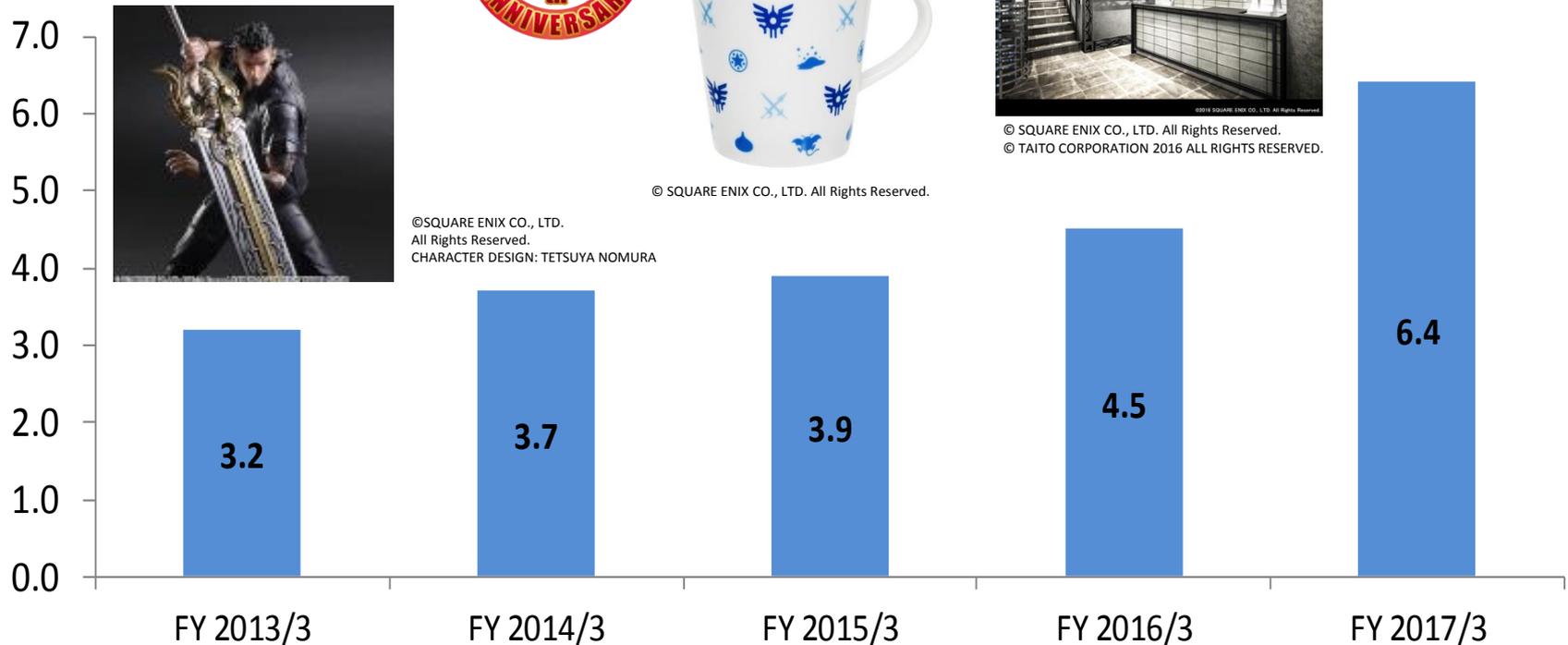
©Homura Kawamoto/Toru Naomura/SQUARE ENIX

Merchandising

Established IP-based character goods sales contributed to stable performance.

Trends in sales

(Billions of Yen)



• Wide range of goods sales and licensing deals backed by major title launches such as "FINAL FANTASY XV" and the 30th anniversary of "DRAGON QUEST" boosted sales.

Financial Forecasts

Fiscal Year

Ending March 31, 2018

Financial Forecasts:

Fiscal Year Ending March 31, 2018

(Billions of Yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ending March 31, 2018 (Projection)	Changes
Net Sales	256.8	240.0 ~ 260.0	Δ 16.8 ~ 3.2
Operating Income	31.2	25.0 ~ 30.0	Δ 6.2 ~ Δ 1.2
Recurring Income	31.1	25.0 ~ 30.0	Δ 6.1 ~ Δ 1.1
Profit attributable to owners of parent	20.0	16.5 ~ 19.5	Δ 3.5 ~ Δ 0.5

	Fiscal Year Ended March 31, 2017	Fiscal Year Ending March 31, 2018 (Projection)	Changes
Depreciation and Amortization	6.2	5.9	Δ 0.3
Capital Expenditure	6.9	7.8	0.9

Dividends per share (Details later)

(Yen)

	Fiscal Year Ended March 31, 2017	Fiscal Year Ending March 31, 2018 (Projection)	Changes
2Q	10	10	0.0
4Q	40	30 ~ 38	Δ 10 ~ Δ 2
Total	50	40 ~ 48	Δ 10 ~ Δ 2

Financial Forecasts by Business Segment: Fiscal Year Ending March 31, 2018

Each business segment's forecast number for Fiscal Year ending March 31, 2018 corresponds to the intermediate scenario in the forecast range (consolidated net sales of Yen250B, and consolidated operating income of Yen27.5B).

1. Forecast for the Fiscal Year Ending March 31, 2018

(Billions of Yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	189.0	46.0	10.0	5.0	0.0	250.0
Operating Income	30.5	4.0	2.0	1.0	Δ 10.0	27.5
Operating Margin	16.1%	8.7%	20.0%	20.0%	-	11.0%

2. Results for the Fiscal Year Ended March 31, 2017

(Billions of Yen)

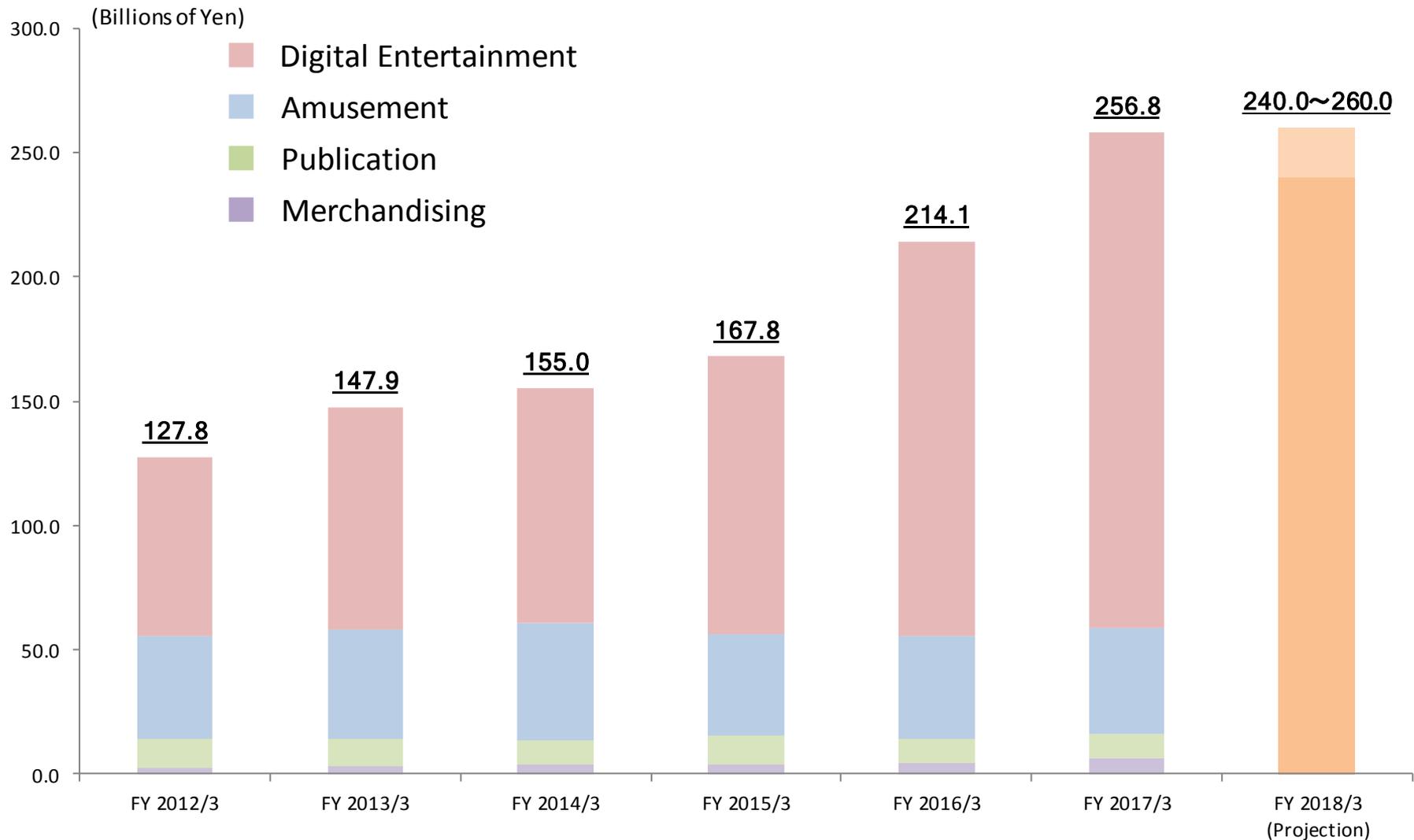
	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	199.0	42.7	10.0	6.4	Δ 1.4	256.8
Operating Income	33.3	3.6	2.4	2.1	Δ 10.2	31.2
Operating Margin	16.7%	8.4%	24.0%	32.8%	-	12.1%

3. Change (1 – 2)

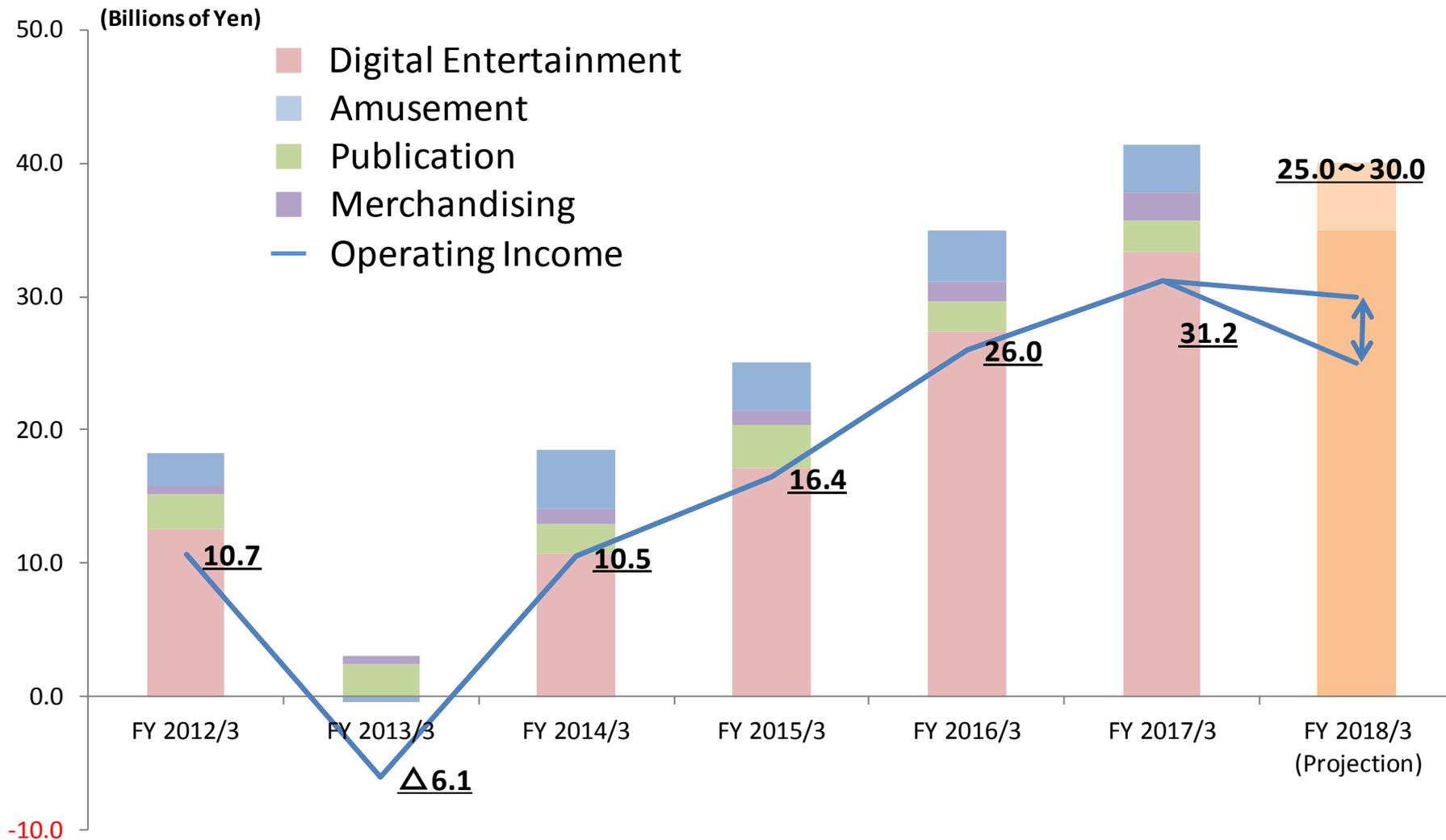
(Billions of Yen)

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated	Total
Net Sales	Δ 10.0	3.3	0.0	Δ 1.4	1.4	Δ 6.8
Operating Income	Δ 2.8	0.4	Δ 0.4	Δ 1.1	0.2	Δ 3.7

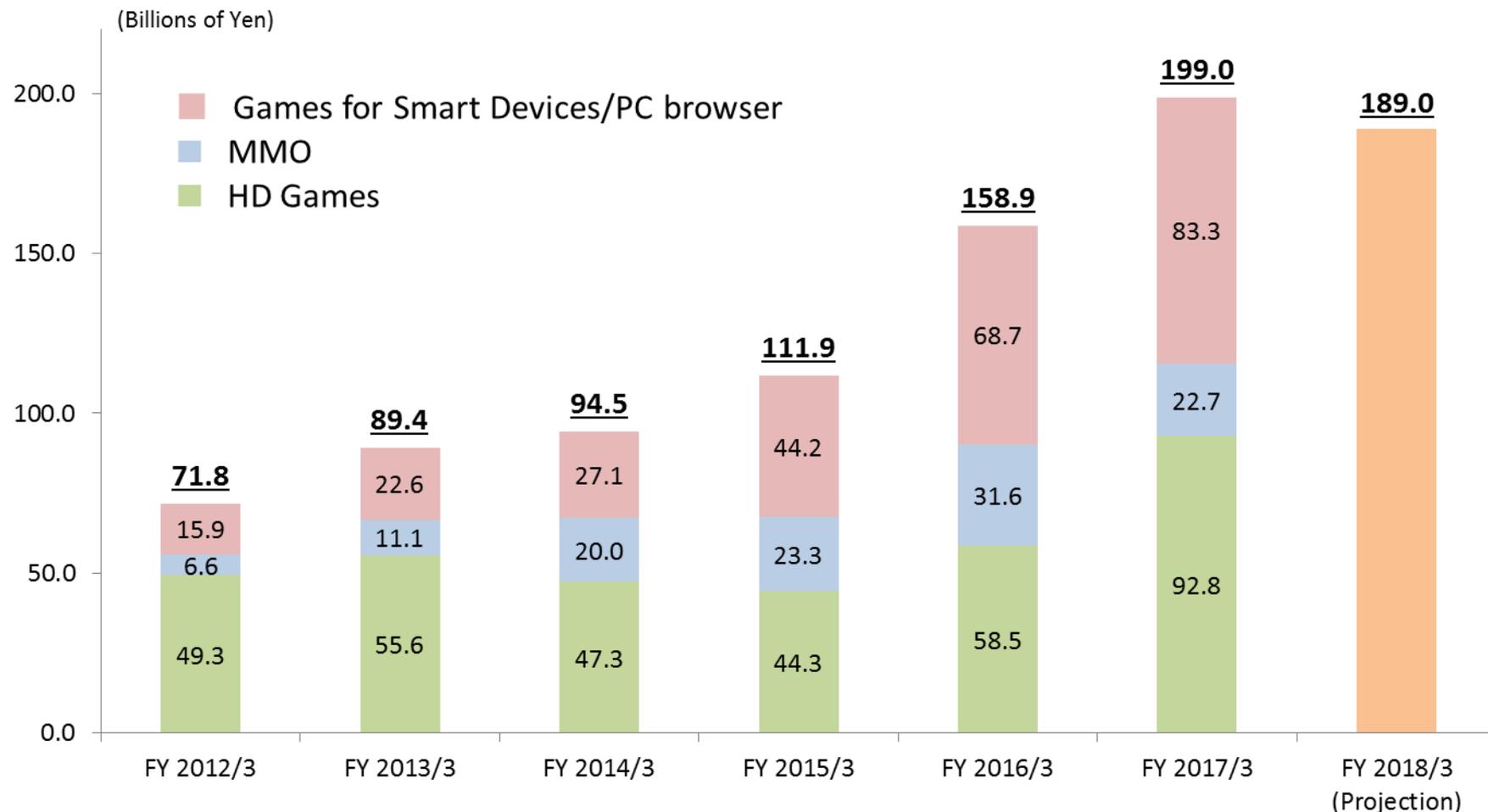
Net Sales by Business Segment



Operating Income by Business Segment



Digital Entertainment – Net Sales



* Digital Entertainment segment's forecast number of Yen 189B for Fiscal Year ending March 31, 2018 corresponds to the intermediate scenario in the forecast range (consolidated net sales of Yen 250B).

Digital Entertainment Segment – Units Sold by Region

Units sold = Disc sales + Download sales of full-length games

Disc Sales Units : Number of discs shipped based on accounting standard

Download Units : Download sales of full-length games newly released in the current and previous FY (not including catalogue titles released before previous FY)

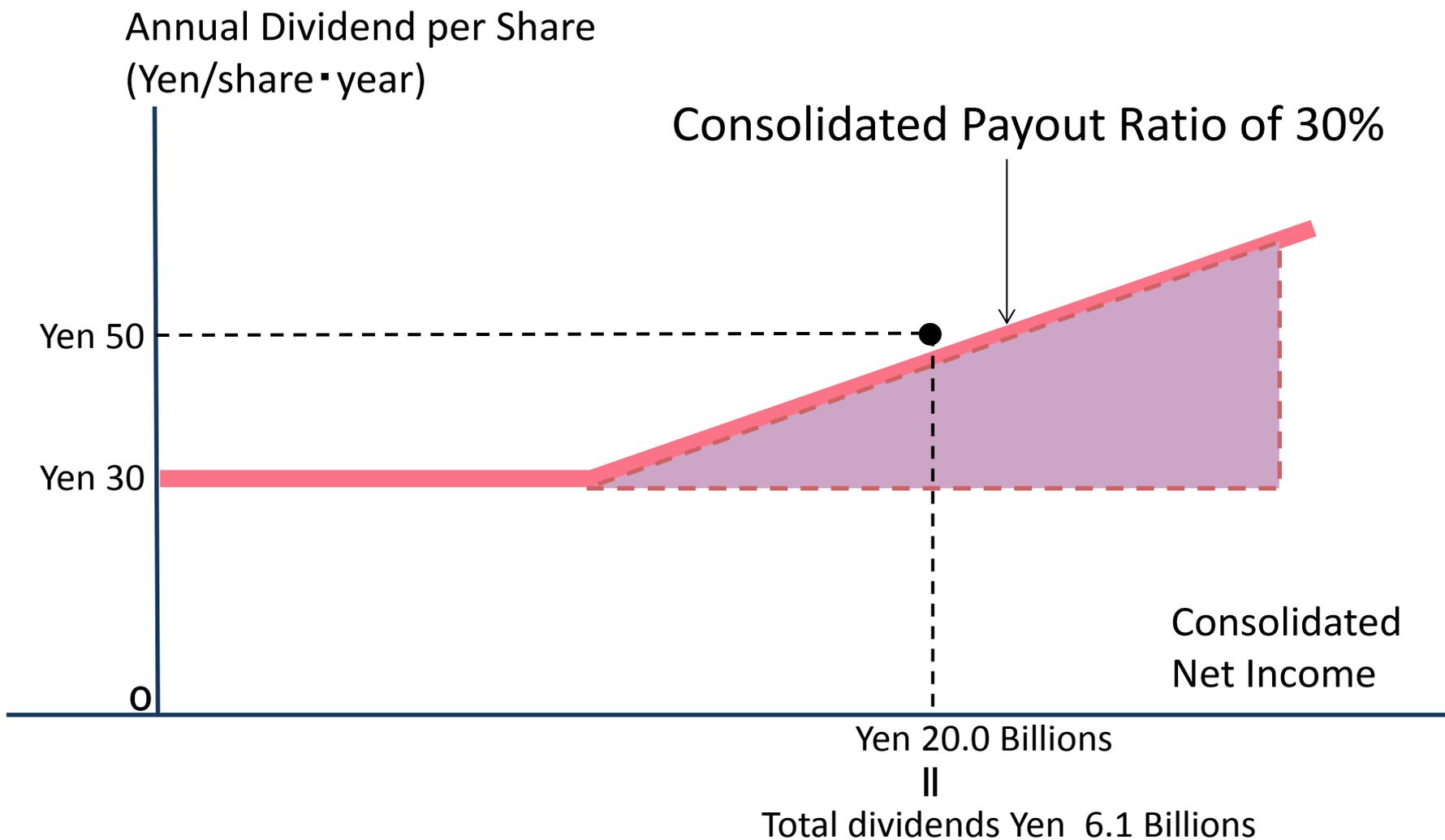
(Millions of Units Sold)

Region	FY 2017 (Results)			FY 2018 (Projection)		
	Disc	Download	Total	Disc	Download	Total
Japan	4.29	0.73	5.02	5.78	1.10	6.87
	(Include episode units 0.02)					
North America/ Europe	14.53	12.11	26.64	4.71	3.70	8.41
	(Include episode units 6.9)			(Include episode units 1.07)		
Asia, etc.	1.35	1.75	3.10	0.39	0.00	0.39
	(Include episode units 0.78)					
Total	20.18	14.58	34.76	10.87	4.79	15.66
	(Include episode units 7.69)			(Include episode units 1.07)		

(※) The above numbers cover both HD and MMO games, including third-party titles for distributorship arrangement. Each episode of episodic distribution titles counted as one unit.

Dividend Policy for FY2017/3

Dividend Policy for FY 2017/3



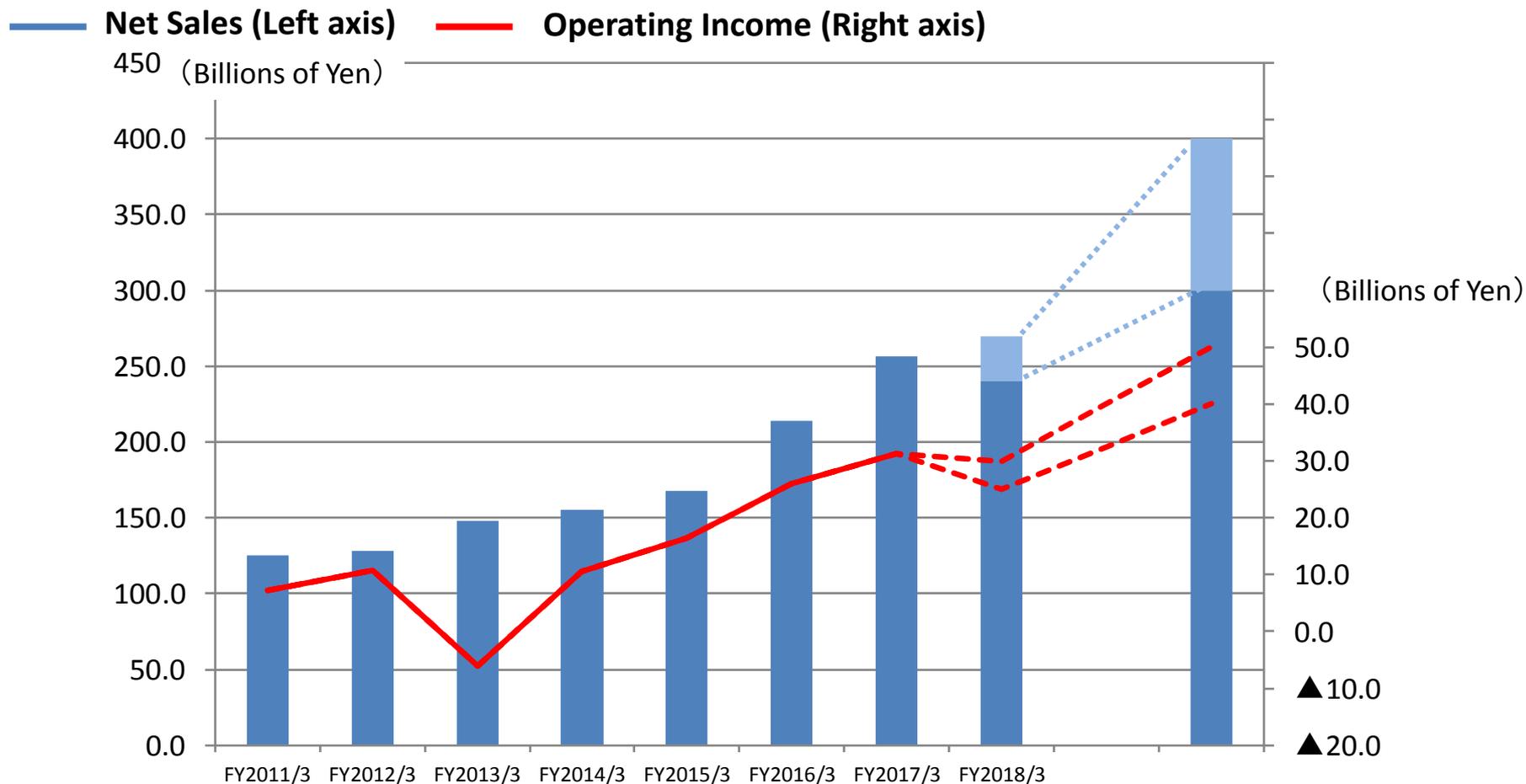
※Based on the number of outstanding shares as of the end of March, 2017

Initiatives for Mid-term Target

Mid-term Target

FY2020/3~

¥300~400 billion of Net Sales, ¥40~50 billion of Operating Income.
DE segment is a key to grow both sales and operating income.

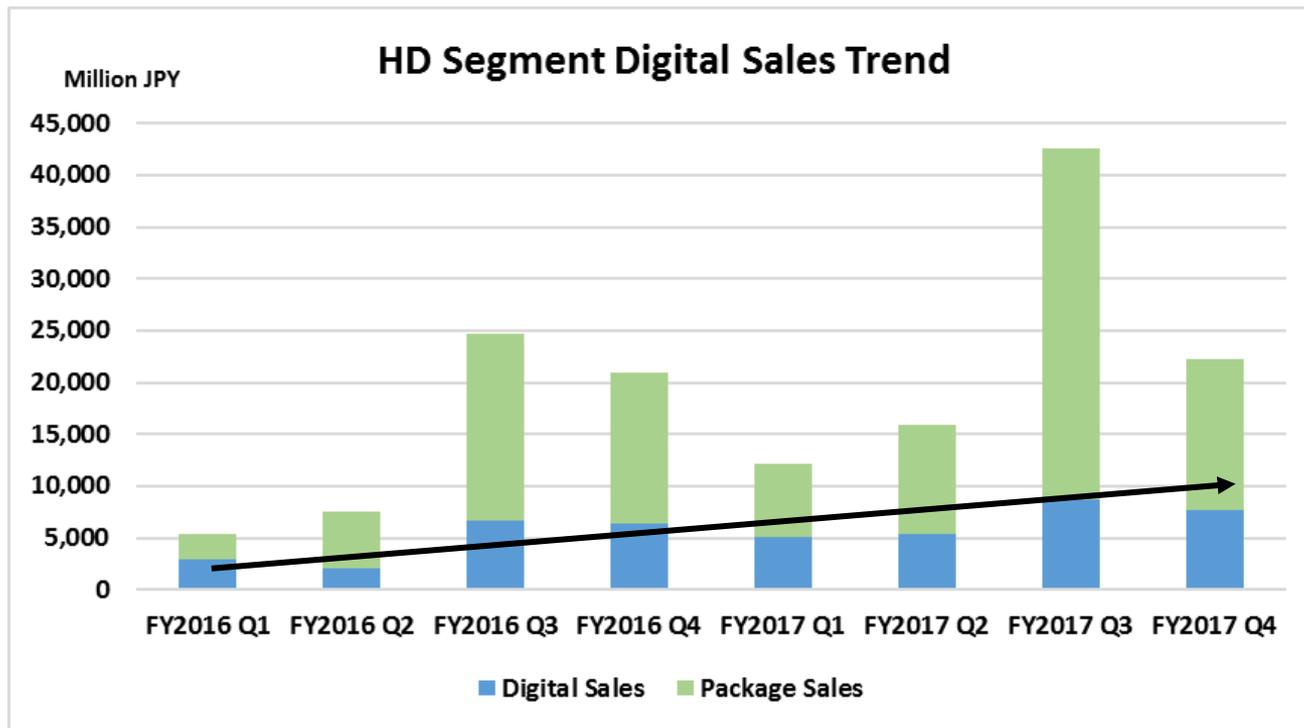


Strategies to Achieve the Mid-term Target

- 1. Digital Sales Enhancement**
- 2. Multi Platform Utilization**
- 3. Geographical Expansion**
- 4. Game as a Service
Game as Media**

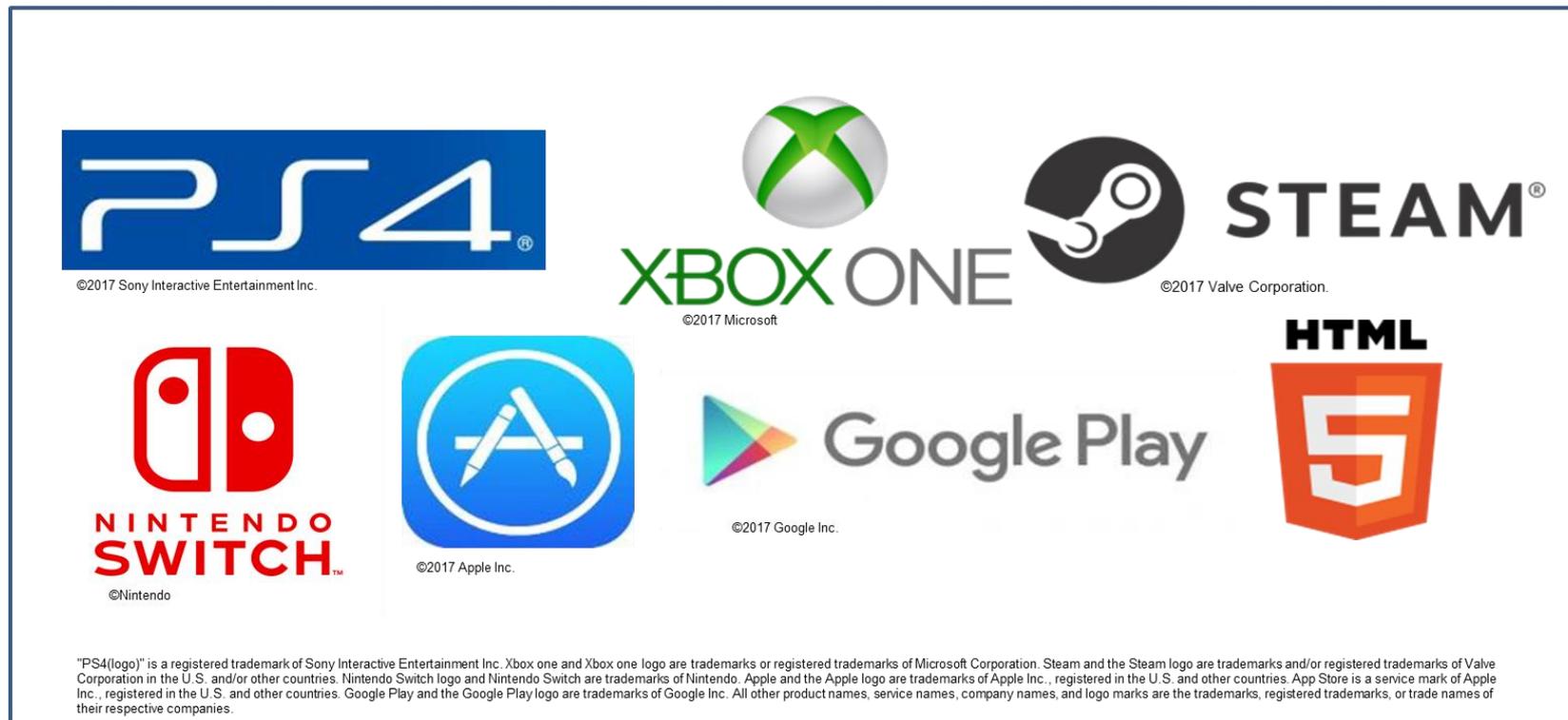
1. Digital Sales Enhancement

- Establish SQEX digital sales global website.
 - Create library of catalogue titles, and eliminate backward compatibility issue.
- Digital sales with higher margin grows favorably.



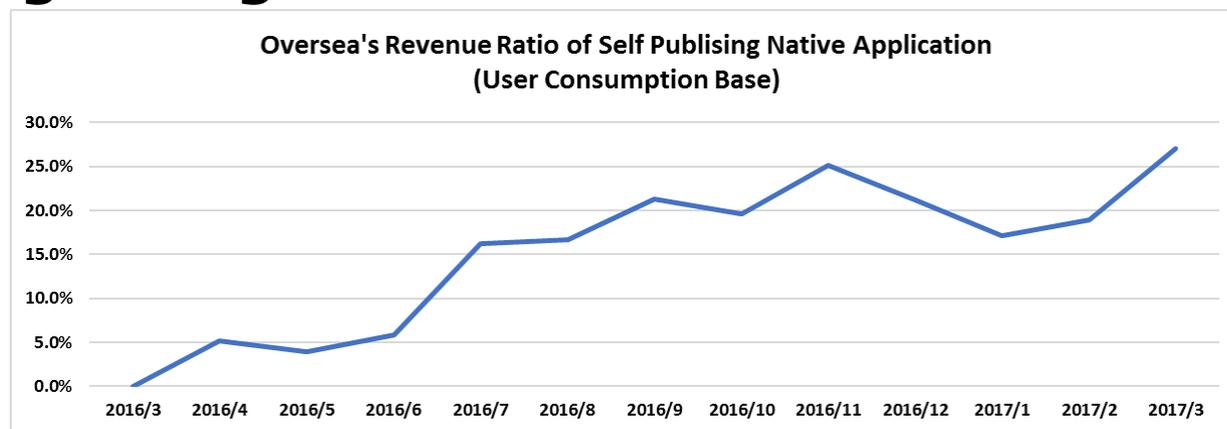
2. Multi Platform Utilization

- Access to a broader customer base.
- Long tail sales.
- Extensive IP utilization in multi segments
→ Expanding user base in each segment and PF.



3. Geographical Expansion

- Overseas expansion in the mobile space
→ Revenues from overseas market by “Final Fantasy Brave Exvius” and “Kingdom Hearts Union Cross” are growing.



- Strategic move to emerging game markets
→ Participated the India Gaming Show 2017.
Continue to keep eyes on emerging game markets.

4. Game as a Service, Game as Media

- **Develop service-type content in HD segment.**
→ **Add titles that generate recurring revenue streams in addition to one-off sales titles.**
- **Develop game streaming services mainly in the arcade game space.**
→ **Focus on the value of games as media.**

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