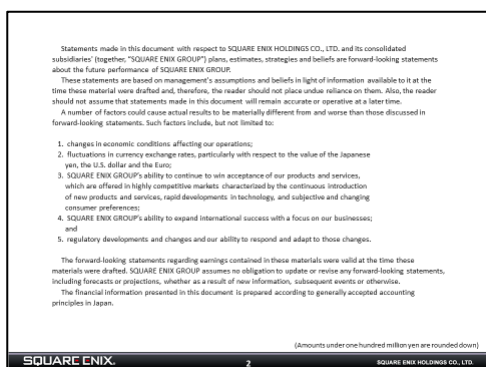


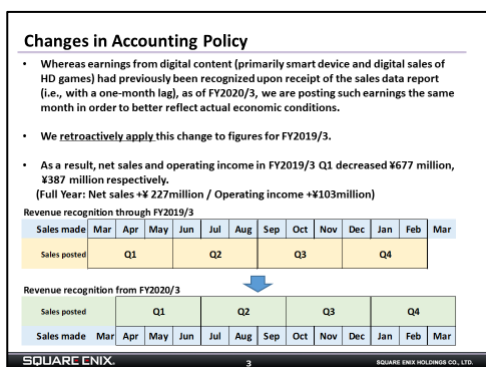
We would now like to begin the Financial Results Briefing Session of SQUARE ENIX HOLDINGS (the “Company”) for the first quarter of the fiscal year ending March 31, 2020 (“1Q FY2020/3”).

Today’s presenters are:

Yosuke Matsuda, President and Representative Director,
and
Kazuharu Watanabe, Chief Financial Officer.



First, Mr. Watanabe will give an overview of the Company’s financial results for 1Q FY2020/3, and then Mr. Matsuda will discuss the progress made by each of the Company’s business segments.



Good afternoon. I’m Kazuharu Watanabe. I will start by describing a change to our accounting policy. Through FY2019/3, earnings from digital content, which consists primarily of smart device games and digital sales of HD games, had previously been recognized upon receipt of the sales data report, which occurred with a one-month lag. However, as of FY2020/3, we are posting such earnings the same month in order to better reflect actual economic conditions. We have also retroactively applied this change to figures for FY2019/3. As a result, net sales and operating income for 1Q FY2019/3 fell by ¥677 million and ¥387 million, respectively. Full-year net sales and operating income for FY2019/3 meanwhile rose by ¥227 million and ¥103 million, respectively.

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Financial Results
First Quarter of Fiscal Year
Ending March 31, 2020

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I will next present an overview of the Company's financial results for 1Q FY2020/3.

Consolidated Statement of Income
Q1, FY2020/3

(Billions of Yen)

	Fiscal Year Ended March 31, 2019		Fiscal Year Ending March 31, 2020			
	Apr - June 2018	Full Year Results	Apr - June 2019	Changes	Full Year Forecasts	Changes
Net sales	44.7	271.2	53.3	8.6	270.0	(1.2)
Operating income	3.8	24.6	7.1	3.3	24.0	(0.6)
Operating income margin	8.6%	9.1%	13.5%	4.9pt	8.9%	(0.2pt)
Ordinary income	7.3	28.4	6.2	(1.1)	24.0	(4.4)
Ordinary income margin	16.3%	10.5%	11.8%	(4.5pt)	8.9%	(1.4pt)
Profit attributable to owners of parent	5.5	19.3	4.1	(1.4)	16.8	(2.5)
Depreciation and amortization	1.3	6.8	1.6	0.3	7.5	0.7
Capital expenditure	1.3	9.5	1.4	0.1	12.8	3.3

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In 1Q FY2020/3, the Company booked net sales of ¥53.3 billion (+19.1% YoY), operating income of ¥7.1 billion (+85.8%), ordinary income of ¥6.2 billion (-13.9%), and profit attributable to owners of the parent of ¥4.1 billion (-26.3%).

I will next break down our results by segment. The Digital Entertainment segment booked net sales of ¥37.1 billion (+¥5.5 billion YoY) and operating income of ¥7.6 billion (+¥2.0 billion).

Consolidated Statement of Income
Q1, FY2020/3 by Business Segment

(Billions of Yen)

	Fiscal Year Ended March 31, 2019		Fiscal Year Ending March 31, 2020	
	Apr - June 2018	Apr - June 2019	Apr - June 2019	Changes
Net sales	44.7	53.3	53.3	8.6
Digital Entertainment	31.6	37.1	37.1	5.5
Amusement	9.4	10.8	10.8	1.4
Publication	2.4	3.8	3.8	1.4
Merchandising	1.4	1.9	1.9	0.5
Eliminations or unallocated	-0.2	-0.4	-0.4	(0.2)
Operating income	3.8	7.1	7.1	3.3
Digital Entertainment	5.6	7.6	7.6	2.0
Amusement	0.2	0.6	0.6	0.4
Publication	0.5	1.2	1.2	0.7
Merchandising	0.1	0.1	0.1	0.0
Eliminations or unallocated	-2.5	-2.5	-2.5	0.0
Operating income margin	8.6%	13.5%	13.5%	4.9pt
Digital Entertainment	17.7%	20.5%	20.5%	2.8pt
Amusement	2.2%	6.3%	6.3%	4.1pt
Publication	20.4%	32.8%	32.8%	12.4pt
Merchandising	9.5%	8.4%	8.4%	(1.1pt)

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In the HD Game sub-segment, releases for game consoles included the Nintendo Switch and Xbox One versions of "FINAL FANTASY X/X-2 HD Remaster" and "FINAL FANTASY XII THE ZODIAC AGE." These releases resulted in a YoY rise in sales and a turn slightly into the black at the operating income line.

The MMO sub-segment saw a YoY rise in net sales and operating income due to growth in the number of paying subscribers ahead of the release of an expansion pack for "FINAL FANTASY XIV."

Consolidated Statement of Income
Quarterly Comparison

(Billions of Yen)

	Fiscal Year Ended March 31, 2019				Fiscal Year Ending March 31, 2020
	Apr - June 2018	Jul - Sep 2018	Oct - Dec 2018	Jan - Mar 2019	Apr - June 2019
Net sales	44.7	66.8	70.0	89.5	53.3
Digital Entertainment	31.6	50.2	50.8	71.7	37.1
Amusement	9.4	11.0	13.7	11.9	10.8
Publication	2.4	3.9	3.9	4.0	3.8
Merchandising	1.4	1.8	1.7	2.2	1.9
Eliminations or unallocated	-0.2	-0.3	-0.2	-0.4	-0.4
Operating income	3.8	5.9	2.6	12.2	7.1
Digital Entertainment	5.6	6.9	2.6	13.7	7.6
Amusement	0.2	0.5	0.7	0.4	0.6
Publication	0.5	1.2	1.3	1.1	1.2
Merchandising	0.1	0.1	0.2	0.3	0.1
Eliminations or unallocated	-2.5	-2.9	-2.4	-3.4	-2.5

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Games for the Smart Devices/PC Browsers sub-segment also saw a YoY rise in net sales and operating income as "Romancing SaGa Re;universe," which had been launched in December 2018, continued to perform well.

The Amusement segment posted net sales of ¥10.8 billion (+¥1.4 billion YoY) and operating income of ¥600 million (+¥400 million). While no new machine titles were released, solid arcade operations led to the YoY rise in net sales and operating income.

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Consolidated Balance Sheet Summary as of June 30, 2019

(Billions of Yen)

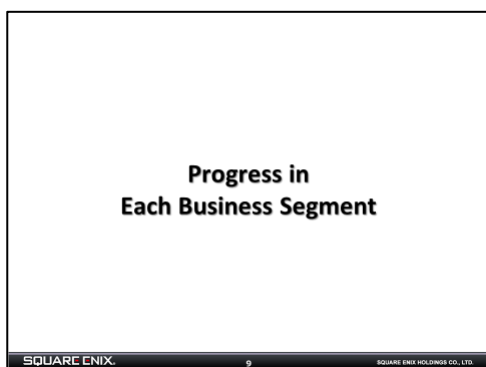
Account	<Assets>			<Liabilities and Net Assets>			
	03/2019	06/2019	Changes	Account	03/2019	06/2019	Changes
Cash and deposits	129.4	123.5	(7.9)	Notes and accounts payable	23.5	16.4	(7.1)
Notes and accounts receivable	40.3	31.6	(8.7)	Short-term loans	8.6	8.2	(0.4)
Inventories	4.8	4.9	0.1	Provision for sales returns	9.1	6.9	(2.2)
Content production account	50.4	58.1	7.5	Others	25.9	27.8	1.9
Others	9.5	9.7	0.2	Total Current Liabilities	67.4	59.4	(8.0)
Total Current Assets	234.8	226.0	(8.8)	Non-current Liabilities	8.7	10.2	1.5
Property and equipment	17.9	19.2	1.3	Total Liabilities	76.1	69.7	(6.4)
Intangible Assets	5.1	5.1	0.0	Total Shareholders' Equity	210.6	210.3	(0.3)
Investments and other assets	24.8	25.2	0.4	Others	-4.1	-4.2	(0.1)
Total Non-current Assets	47.8	49.6	1.8	Total Net Assets	206.4	206.0	(0.4)
Total Assets	282.6	275.7	(6.9)	Total Liabilities and Net Assets	282.6	275.7	(6.9)

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The Publication segment posted net sales of ¥3.8 billion (+¥1.4 billion YoY) and operating income of ¥1.2 billion (+¥700 million). Sales in digital formats, including via the “MANGA UP!” manga application, rose sharply. Sales of printed media were also brisk, leading to the YoY rise in sales and operating income.

The Merchandising segment posted net sales of ¥1.9 billion (+¥500 million YoY) and operating income of ¥100 million (+¥20 million). The release of new merchandise based on the Group’s own intellectual property led to the YoY rise in net sales and operating income.

This concludes my overview of our financial results.

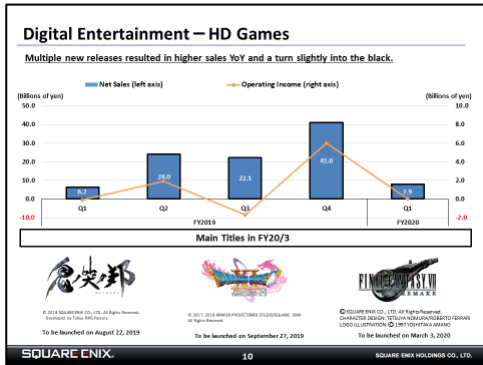


I am Yosuke Matsuda. I will be discussing the progress we made in each of our business segments.

We had expected to struggle in terms of 1Q FY2020/3 earnings given that we were not launching any major new HD game titles. However, brisk sales of existing titles for smart devices and growth in “FINAL FANTASY XIV” subscriber numbers resulted in a YoY rise in net sales and operating income.

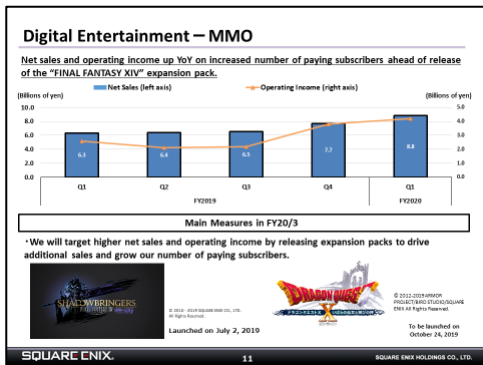
As of the end of 1Q, our content production account stood at ¥58.1 billion, a ¥7.5 billion rise versus the end of FY2019/3. We see that account as the driver of our growth and a rich pipeline as the key to future growth. We are working to create a rich pipeline for FY2020/3 and beyond, including by undertaking the development of multiple new titles for next-generation consoles.

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1Q saw somewhat weak additional sales of major titles that had been released in FY2019/3. In 2Q and thereafter, we will be launching new titles including “ONINAKI,” “DRAGON QUEST XI S: Echoes of an Elusive Age – Definitive Edition,” and “FINAL FANTASY VII REMAKE.”

We also plan to release remakes or remasters of multiple titles from our back catalog.



Next is the MMO sub-segment, where we launched “FINAL FANTASY XIV: SHADOWBRINGERS” on July 2. The number of paying subscribers grew in 1Q ahead of the launch, contributing to earnings. We selected October 24 as the release date for our upcoming “DRAGON QUEST X” expansion pack.

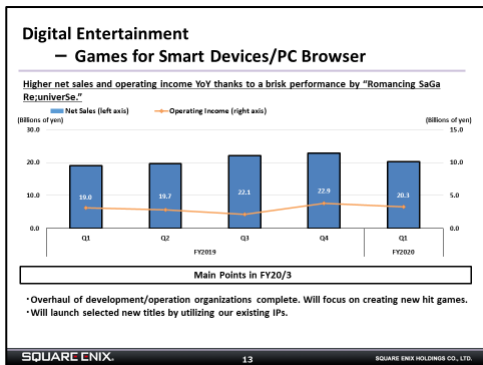
Digital Entertainment – Units Sold by Region

Units Sold = Sold disks + Downloads
 Sold disks: Number of discs recognized on a shipment basis
 Downloads: Downloads of full-length games newly released in the current and previous FY (not including catalogue titles released prior to previous FY)

Region	FY 2019/3 Q1			FY 2020/3 Q1		
	Disc	Download	Total	Disc	Download	Total
Japan	0.26	0.16	0.42	0.39	0.25	0.64
North America/Europe	0.63	1.13	1.76	0.83	1.43	2.26
Asia, etc.	0.01	0.24	0.25	0.21	0.13	0.35
Total	0.90	1.52	2.42	1.44	1.81	3.25

* The above numbers cover both HD and MMO games, including third-party titles for distribution arrangements. Each episode of episodic distribution titles is counted as one unit.

The Games for Smart Devices/PC Browsers sub-segment saw brisk sales of major existing titles, especially “Romancing SaGa Re;universe.” In addition, while the performance of new titles was poor in FY2019/3, “LAST IDEA,” which was launched in April after the start of FY2020/3, is off to a good start.



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Digital Entertainment — Games for Smart Devices/PC Browser

Major Operating Titles

*Month and year indicate each title's launch timing.

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July also saw the launch of “A Certain Magical Index: Imaginary Fest”, which has proven a successful game adaptation of one of our Publication segment’s manga titles.

The adaptation of manga titles into games is one of our key initiatives, and we want to establish a winning formula for doing so.

Amusement

No new machine titles, but strong arcade operations resulted in higher net sales and operating income YoY.

Main Titles in FY20/3

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The Publication segment delivered a solid performance. We are growing the subscriber base for “MANGA UP!” in order to bring it to the level of other major manga distribution platforms.

Publication

Digital sales grew sharply, and MANGA UP! comic app was brisk. Sales of printed media were also strong, leading to YoY growth in net sales and operating income.

Main Titles in FY20/3

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The Merchandising segment is in the midst of developing products we intend to release in FY2021/3 or thereafter. We have set a medium- to long-term target of generating annual net sales of ¥10 billion from this segment.

Merchandising

Net sales and operating income were up YoY thanks to the release of new merchandise based on popular content.

Main Points in FY20/3

- Engaging in multifaceted sales and licensing deals for merchandise based on established franchises.

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SQUARE ENIX HOLDINGS CO., LTD.

1Q FY2020/3 Financial Results Briefing Session Q&A

Date/Time: August 6, 2019 (Tue); 6:00-7:10 pm (JST)

Main Speaker: Yosuke Matsuda, President and Representative Director

Q&A

Q: What is your view of the strong performance by the Publication segment in 1Q, and what is your outlook for 2Q onward?

A: We previously relied heavily on major hit titles, but thanks to the popularity of digital media, including “MANGA UP!” and “GANGAN pixiv,” we have begun to see more regular success with mid-sized titles. These favorable results helped to improve our earnings in 1Q, and we have strong expectations for our future earnings.

Q: You had expected net sales and operating income at the Publication segment to decline in FY2020/3. Is it fair to say that the strong start in 1Q exceeded guidance?

A: That’s correct. We hope full-year results will beat guidance.

Q: How will you improve sales of HD game titles after their initial launch phase?

A: We will generate more post-launch sales, especially via digital download, by further pursuing our multiplatform strategy, which includes offering games for PCs. Offering games in multiple languages is also an important means of driving additional sales. To give one example, we released the PC version of “OCTOPATH TRAVELER” in June this year and saw growth in downloads of the simplified Chinese version. Simplified Chinese will continue to be one of our language offerings given that demand seems to be broad and will allow us to extend beyond mainland China.

Q: Why did number of paying subscribers grow ahead of the release of the “FINAL FANTASY XIV” expansion pack in the MMO sub-segment?

A: We encouraged players to continue playing the game until the expansion pack’s release by continuously updating the game content. In addition, we built up excitement and engagement among players through a variety of promotional initiatives, including by hosting fan festivals.

Q: The figure you posted under “reversal of provision for sales returns” on your income statement is larger than it has been over the past five years. Why is that?

A: We reverse the closing entry for return provisions on a quarterly basis, but inventory in distribution channels was up at the end of FY2019/3 because we had released three major new titles during the course of the fiscal year. In keeping with that, we posted around ¥9.2 billion in provisions for sales returns at the end of the fiscal year, which made for a greater reversal figure in 1Q. There was a difference of around ¥2 billion between what we reversed (approximately ¥9.1 billion) and what we booked as provisions (approximately ¥7.1 billion), but price protection allowances and other returns measures undertaken in 1Q resulted in a reduction in sales by approximately the same amount, so there was no impact on our gross margin.

Q: Can you tell us about what has driven the growth in the content production account and where you expect it to be at the end of FY2020/3?

A: The growth is due to the progress we have made in our development efforts, including for major new titles slated for release in FY2020/3 and beyond, as well as new titles for next-generation consoles. While we will fully amortize the development costs of the major new titles we will be launching in March 2020, we will also be moving forward on our development efforts for major new titles to be launched in FY2021/3 and beyond. As such, we look for the size of the account to significantly exceed the current level at the end of FY2020/3.

Q: How much did the “FINAL FANTASY XIV” expansion pack contribute to 1Q earnings?

A: The sales contribution was limited as we only posted sales on the packaged games we shipped early. We amortized a portion of the content production account (cost of sales) commensurate with the number of expansion packs we expect to sell. We look to sell more via digital download than in boxes.

Q: What is the difference between the latest “FINAL FANTASY XIV” expansion pack and the previous one you released in FY2018/3?

A: We cannot make a direct comparison in terms of the quarterly earnings impact, as they were released in different quarters, with “STORMBLOOD” coming out in June 2017 and the new “SHADOWBRINGERS” pack coming out in July 2019. We are receiving excellent feedback on the latest pack and beating the number of paying subscribers we saw when we released the previous pack.