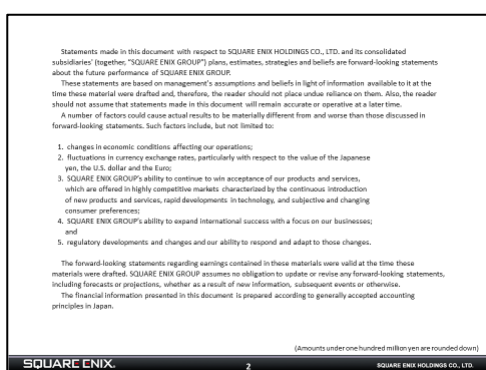


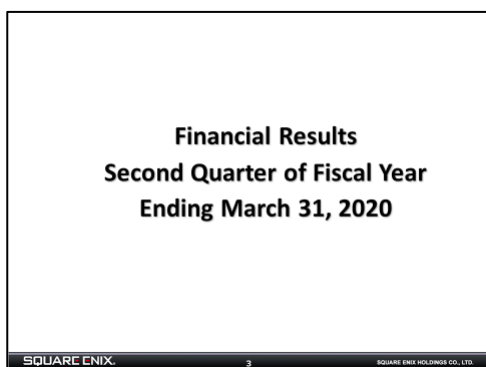
We would now like to begin the Financial Results Briefing Session of SQUARE ENIX HOLDINGS (the “Company”) for the first half of the fiscal year ending March 31, 2020 (“1H FY2020/3”).

Today’s presenters are:

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



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



Good afternoon. I am Kazuharu Watanabe. I will be presenting an overview of the Company’s financial results for 1H FY2020/3.

**Consolidated Statement of Income**  
**Q2, FY2020/3**

(Billions of Yen)

	Fiscal Year Ended March 31, 2019		Fiscal Year Ending March 31, 2020			
	Apr - Sep 2018	Full Year Results	Apr - Sep 2019	Changes	Full Year Forecasts	Changes
Net sales	111.6	271.2	120.7	9.1	270.0	(1.2)
Operating income	9.7	24.6	15.9	6.2	24.0	(0.6)
Operating income margin	8.8%	9.1%	13.2%	4.4pt	8.9%	(0.2pt)
Ordinary income	14.7	28.4	15.6	0.9	24.0	(4.4)
Ordinary income margin	13.2%	10.5%	12.9%	(0.3pt)	8.9%	(1.6pt)
Profit attributable to owners of parent	8.3	19.3	10.9	2.6	16.8	(2.5)
Depreciation and amortisation	2.8	6.8	3.4	0.6	7.5	0.7
Capital expenditure	3.7	9.5	3.7	0.0	12.8	3.3

In 1H FY2020/3, the Company booked net sales of ¥120.7 billion (+8.2% YoY), operating income of ¥15.9 billion (+62.9%), ordinary income of ¥15.6 billion (+6.1%), and net income attributable to parent company shareholders of ¥10.9 billion (+32.0%).

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The information on the future forecasts described in this material is current as of November 7, 2019. The company is not obliged to update or correct forecasts concerning the Company’s future results, including forecasts or outlook, if new information becomes available and/or events occur after November 7, 2019.

**Consolidated Statement of Income**  
**Q2, FY2020/3 by Business Segment**

(Billions of Yen)

	Fiscal Year Ended March 31, 2019		Fiscal Year Ending March 31, 2020	
	Apr - Sep 2018	Apr - Sep 2019	Apr - Sep 2019	Changes
<b>Net sales</b>	<b>111.6</b>	<b>120.7</b>	<b>120.7</b>	<b>9.1</b>
Digital Entertainment	81.9	85.4	85.4	3.5
Amusement	20.5	22.8	22.8	2.3
Publication	6.3	9.0	9.0	2.7
Merchandising	3.3	4.5	4.5	1.2
Eliminations or unallocated	-0.9	-1.0	-1.0	(0.5)
<b>Operating income</b>	<b>9.7</b>	<b>15.9</b>	<b>15.9</b>	<b>6.2</b>
Digital Entertainment	12.5	16.6	16.6	4.1
Amusement	0.7	1.3	1.3	0.6
Publication	1.9	3.2	3.2	1.6
Merchandising	0.2	0.4	0.4	0.4
Eliminations or unallocated	-5.5	-5.0	-5.0	(0.4)
<b>Operating income margin</b>	<b>8.8%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>4.4pt</b>
Digital Entertainment	15.3%	19.5%	19.5%	4.2pt
Amusement	3.5%	5.8%	5.8%	2.3pt
Publication	26.9%	35.4%	35.4%	8.5pt
Merchandising	8.9%	14.0%	14.0%	5.1pt
Eliminations or unallocated				

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I will next break our results down by segment.

The Digital Entertainment segment booked net sales of ¥85.4 billion (+¥3.5 billion YoY) and operating income of ¥16.6 billion (+¥4.1 billion).

In the HD Games sub-segment, we released “*DRAGON QUEST XI S: Echoes of an Elusive Age – Definitive Edition*” and Nintendo Switch and Xbox One versions of “*FINAL FANTASY X/X-2 HD Remaster*” etc., but net sales fell YoY due to the high hurdle set by major releases a year earlier. In addition, the sub-segment generated an operating loss because of weak additional sales of new titles launched in FY2019/3.

Thanks to the release of the “*FINAL FANTASY XIV: Shadowbringers*” expansion pack and the resulting growth in subscriber numbers, net sales and operating income rose YoY in the MMO sub-segment.

Net sales and operating income also rose in the Games for Smart Devices/PC Browsers sub-segment, where “*Romancing SaGa Re;univerSe*” performed well and “*DRAGON QUEST WALK*,” which was launched in September 2019, is off to a good start.

The Amusement segment posted net sales of ¥22.8 billion (+¥2.3 billion YoY) and operating income of ¥1.3 billion (+¥600 million). While we launched no new amusement machine titles, strong arcade operations resulted in a YoY rise in both sales and profit.

The Publication segment booked net sales of ¥9 billion (+¥2.7 billion YoY) and operating income of ¥3.2 billion (+¥1.5 billion). Sales in digital formats, including via the “*MANGA UP!*” manga app, rose sharply. Sales of printed media were also brisk, leading to the YoY rise in net sales and operating income.

The Merchandising segment posted net sales of ¥4.5 billion (+¥1.2 billion YoY) and operating income of ¥600 million (+¥400 million). The release of new character goods featuring the

**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	Jul - Sep 2019
<b>Net sales</b>	<b>44.7</b>	<b>66.6</b>	<b>70.0</b>	<b>88.5</b>	<b>83.3</b>	<b>87.6</b>
Digital Entertainment	31.6	50.2	50.8	71.7	67.1	68.2
Amusement	9.4	11.0	13.7	11.9	10.8	11.9
Publication	2.4	3.9	3.9	4.0	3.6	5.1
Merchandising	1.4	1.8	1.7	2.2	1.9	2.8
Eliminations or unallocated	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1
<b>Operating income</b>	<b>3.8</b>	<b>5.8</b>	<b>2.6</b>	<b>12.2</b>	<b>9.1</b>	<b>8.7</b>
Digital Entertainment	5.6	4.8	2.6	13.7	7.6	9.0
Amusement	0.2	0.5	0.7	0.4	0.6	0.6
Publication	0.5	1.2	1.1	1.1	1.2	1.9
Merchandising	0.1	0.1	0.2	0.3	0.1	0.4
Eliminations or unallocated	-2.5	-2.9	-2.9	-4.4	-2.5	-2.3

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**Consolidated Balance Sheet**  
**Summary as of September, 2019**

(Billions of Yen)

Account	<Assets>			<Liabilities and Net Assets>		
	09/2019	09/2019	Changes	Account	09/2019	09/2019
Cash and deposits	129.4	123.8	(5.6)	Notes and accounts payable	23.5	19.6
Notes and accounts receivable	40.3	35.7	(4.6)	Short-term loans	8.6	7.9
Inventories	4.8	5.1	0.3	Provision for sales returns	9.1	5.7
Content production account	50.6	60.7	10.1	Others	25.9	28.2
Others	9.5	9.1	(0.4)	Total Current Liabilities	67.4	61.5
<b>Total Current Assets</b>	<b>234.6</b>	<b>234.5</b>	<b>(0.1)</b>	Non-current Liabilities	8.7	10.4
Property and equipment	17.8	19.4	1.6	Total Liabilities	76.1	71.9
Intangible Assets	5.1	5.2	0.1	Total Shareholders' Equity	210.6	217.2
Investments and other assets	24.8	25.7	0.9	Others	-4.1	-4.2
<b>Total Non-current Assets</b>	<b>47.8</b>	<b>50.4</b>	<b>2.6</b>	<b>Total Net Assets</b>	<b>206.4</b>	<b>213.0</b>
<b>Total Assets</b>	<b>282.4</b>	<b>285.0</b>	<b>2.6</b>	<b>Total Liabilities and Net Assets</b>	<b>282.6</b>	<b>285.0</b>

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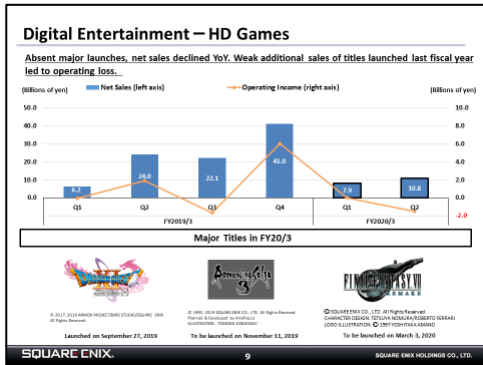
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Group’s owned intellectual property led to the YoY rise in net sales and operating income.

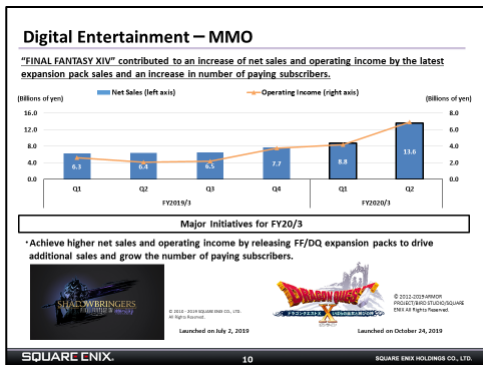
This concludes my overview of our financial results.

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



In the HD Game sub-segment, our major 2Q release was “*DRAGON QUEST XI S: Echoes of an Elusive Age – Definitive Edition.*” However, as that title did not debut until the end of September, we saw greater impact from the amortization of its development costs than from its earnings. Further, additional sales of the major new titles we launched in FY2019/3 were somewhat weak. As a result, the sub-segment posted an operating loss in 1H FY2020/3.

We will work to promote sales into the holiday season to improve this sub-segment’s performance.



Next is the MMO sub-segment, where the “*FINAL FANTASY XIV: SHADOWBRINGERS*” expansion pack made a major contribution to 1H FY2020/3 earnings. The “*DRAGON QUEST X*” expansion pack, which launched on October 24, is also generating solid sales, as planned.

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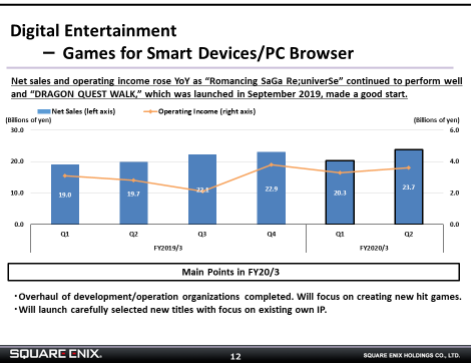
**Digital Entertainment – Units Sold by Region**

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	FY2019/3 1H			FY2020/3 1H		
	Disc	Download	Total	Disc	Download	Total
Japan	0.78 <small>(Includes episode units 0.03)</small>	0.49	1.27	1.06 <small>(Includes episode units 0)</small>	0.74	1.80
North America/ Europe	4.95 <small>(Includes episode units 0.95)</small>	3.11	8.06	2.35 <small>(Includes episode units 0.77)</small>	3.70	6.05
Asia, etc.	0.27 <small>(Includes episode units 0.19)</small>	0.47	0.75	0.47 <small>(Includes episode units 0.07)</small>	0.32	0.79
<b>Total</b>	<b>6.00</b> <small>(Includes episode units 1.17)</small>	<b>4.08</b>	<b>10.08</b>	<b>3.89</b> <small>(Includes episode units 0.85)</small>	<b>4.76</b>	<b>8.65</b>

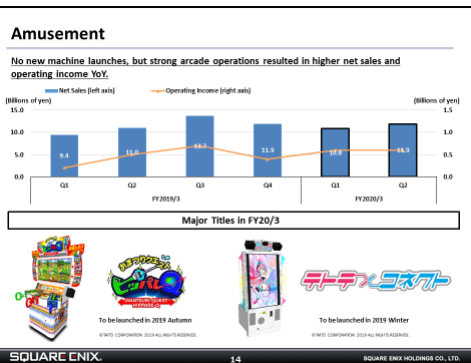
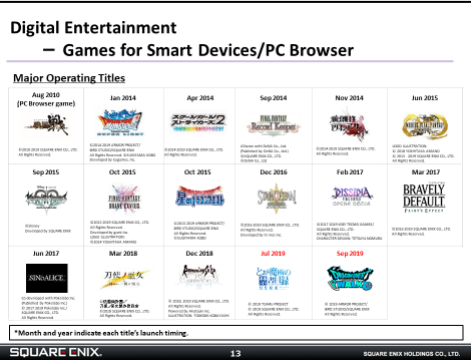
\* The above numbers cover both HD and MMO games, including third-party titles for distribution arrangements. Each episode of episodic distribution titles is counted as one unit.

At 8.65 million, the number of units sold by the Digital Entertainment segment was down from 10.08 million units sold a year earlier because of the launch timing of major titles.

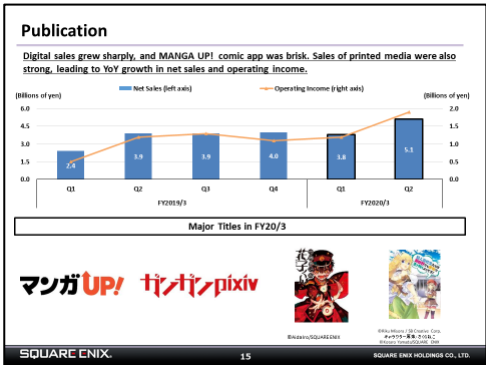


Next is the Games for Smart Devices/PC Browsers sub-segment. Key existing titles performed well, in particular “Romancing SaGa Re;univerSe.” In the second half of the fiscal year ending March 31, 2020 and onwards, we anticipate strong earnings contributions from “DRAGON QUEST WALK,” which we launched in September.

We will also step up our efforts for titles whose sales have been on a downtrend.

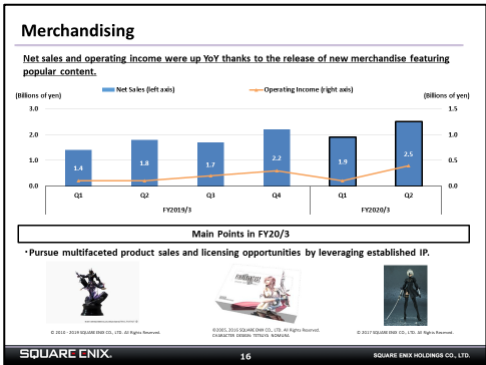


Arcade operations were strong in the Amusement segment. The impact from the October increase in Japan’s consumption tax is limited at present.



Business in the Publication segment was brisk given buoyant sales in both digital and printed formats. Sales are growing as readers are purchasing digital publications in addition to printed media rather than as a replacement for paper-based books.

We are exploring how to maintain or expand upon this trend going forward and working on initiatives to that end.



We believe the Merchandising segment is making good progress toward its mid-term sales target of ¥10 billion. We will expand sales by releasing merchandise associated with major new titles this holiday season, through the end of the calendar year and the end of the fiscal year.

SQUARE ENIX. Financial Results Briefing Session  
Six-Month Period Ended September 30, 2019

November 7, 2019  
SQUARE ENIX HOLDINGS CO., LTD.

Lastly, we are making no changes to our consolidated earnings guidance at this time. Sales trends for "DRAGON QUEST WALK," which we released at the end of 1H FY2020/3, and release date changes by our competitors have made the outlook for the HD games market less clear. As such, we are not positioned at present to decide to change our earnings outlook. We will therefore continue to focus on achieving the numbers we initially disclosed.

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

Date/Time: November 7, 2019 (Thurs); 7:00-8:00 pm (JST)

Main Speaker: Yosuke Matsuda, President and Representative Director

## Q&A

### **Q: What is your outlook for the earnings contribution from “FINAL FANTASY XIV” in 2H and beyond?**

A: Historically MMO sales have declined over time, but we look for this release to outperform the momentum generated by the previous expansion.

### **Q: Please tell us about the scale of sales for “DRAGON QUEST WALK” and about sales trends for other titles.**

A: We are not disclosing the exact figures, but “DRAGON QUEST WALK” made a fair contribution to earnings.

### **Q: Why did the HD Game sub-segment generate an operating loss even though sales were higher in 2Q than 1Q?**

A: “DRAGON QUEST XI S: Echoes of an Elusive Age – Definitive Edition” did not debut until September 27, so we saw greater impact from the amortization of its development costs than from its earnings. Also, we posted an impairment loss on our content production account. We cannot offset these factors with repeat sales.

### **Q: The average sales price in the HD Games sub-segment was lower than in 1Q. Do you look for continued impact in 1H and beyond?**

A: Nintendo Co., Ltd. was the overseas publisher for “DRAGON QUEST XI: Echoes of an Elusive Age S,” which was released in 2Q. As such, overseas sales figures for that title included deductions for licensing fees, which made the average sales price seem low.

### **Q: Please tell us what you expect from arcade operations at the Amusement segment in 2H and beyond.**

A: While impact from the higher consumption tax has been limited, conditions were challenging in October due to typhoons and floods. We believe that we will be able to keep business results brisk on the whole, excluding unexpected factors such as natural disasters.

### **Q: How much was posted as the impairment loss on the content production account?**

A: We posted ¥2.35 billion in 1H.