

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, 2024 (“Q1 FY2024/3”).

Today’s presenters are:

Takashi Kiryu, President and Representative Director, and Atsushi Matsuda, Chief Accounting Officer.

First, Mr. Matsuda will give an overview of the Company’s financial results for Q1 FY2024/3, after which Mr. Kiryu will describe the progress made by each of the Company’s business segments.

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 materials 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.

I am Atsushi Matsuda. I will be providing an overview of our Q1 FY2024/3 financial results.

Financial Results
First Quarter of Fiscal Year
Ending March 31, 2024

Consolidated Statement of Income
Q1, FY2024/3

(Billions of Yen)

	Fiscal Year Ended March 31, 2023		Fiscal Year Ending March 31, 2024			
	Q1	Full Year Results	Q1	Changes	Full Year Forecast	Changes
Net sales	74.8	343.2	85.6	10.8	360.0	16.8
Operating income	14.4	44.3	3.0	(11.4)	55.0	10.7
Operating income margin	19.3%	12.9%	3.6%	(15.7pt)	15.3%	2.4pt
Ordinary income	26.2	54.7	9.1	(17.1)	55.0	0.8
Ordinary income margin	35.1%	15.9%	10.7%	(24.4pt)	15.3%	(0.6pt)
Profit attributable to owners of parent	18.3	49.2	6.3	(12.0)	38.5	(10.7)
Depreciation and amortization	1.7	6.9	1.6	(0.1)	9.9	8.0
Capital expenditure	1.4	9.6	3.8	2.4	11.7	2.1

In Q1 FY2024/3, the Company booked net sales of ¥85.6 billion (up ¥10.8 billion YoY), operating income of ¥3.0 billion (down ¥11.4 billion), ordinary income of ¥9.1 billion (down ¥17.1 billion), and profit attributable to owners of parent of ¥6.3 billion (down ¥12.0 billion).

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**Consolidated Statement of Income
Q1, FY2024/3 by Business Segment**

	Fiscal Year Ending March 31, 2023			Fiscal Year Ending March 31, 2024		
	Q1	Q1	Changes	Q1	Q1	Changes
Net sales	74.8	85.6	10.8			
Digital Entertainment	55.5	62.3	6.8			
Amusement	13.9	13.3	(0.6)			
Publication	6.2	5.9	(0.3)			
Merchandising	3.6	4.7	1.1			
Eliminations or unallocated	(8.0)	(9.7)	(1.7)			
Operating income	14.4	3.0	(11.4)			
Digital Entertainment	14.1	2.7	(11.4)			
Amusement	1.1	1.4	0.3			
Publication	2.4	2.1	(0.3)			
Merchandising	0.8	1.2	0.4			
Eliminations or unallocated	(4.2)	(4.5)	(0.3)			
Operating income margin	19.3%	3.6%	(15.7pt)			
Digital Entertainment	26.4%	4.4%	(22.0pt)			
Amusement	9.5%	11.1%	1.6pt			
Publication	39.9%	35.7%	(4.2pt)			
Merchandising	23.0%	27.2%	4.2pt			
Eliminations or unallocated						

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**Consolidated Balance Sheet
as of June 30, 2023**

Account	<Assets>			<Liabilities and Net Assets>			
	03/2023	06/2023	Changes	03/2023	06/2023	Changes	
Cash and deposits	192.5	179.9	(12.6)	Notes and accounts payable	23.5	22.5	(1.0)
Notes and accounts receivable	39.9	47.9	8.0	Income taxes payable	3.4	3.8	0.4
Inventories	5.7	5.6	(0.1)	Unfunded liabilities	5.3	5.4	0.1
Content production account	87.2	79.0	(8.2)	Others	39.5	38.7	(0.8)
Others	13.9	21.0	7.1	Total Current Liabilities	71.7	70.4	(1.3)
Total Current Assets	342.2	333.6	(8.6)	Non-current Liabilities	10.6	10.6	0.0
Property and equipment	17.7	20.7	3.0	Total Liabilities	82.3	81.0	(1.3)
Intangible Assets	3.8	3.6	(0.2)	Total Shareholders' Equity	247.7	248.1	0.4
Investment and other assets	33.7	32.8	(0.9)	Others	(7.4)	(8.0)	(0.6)
Total Non-current Assets	55.2	57.1	1.9	Total Net Assets	317.2	319.1	1.9
Total Assets	399.6	392.4	(7.2)	Total Liabilities and Net Assets	399.6	392.4	(7.2)

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I will next break down our results by segment.

The Digital Entertainment segment posted net sales of ¥62.3 billion (up ¥8.8 billion YoY) and operating income of ¥2.7 billion (down ¥11.4 billion).

Net sales in the HD Games sub-segment rose YoY due to the release of such titles as “FINAL FANTASY XVI” and “FINAL FANTASY PIXEL REMASTER.”

Net sales in the MMO sub-segment fell YoY.

Despite the launch of “DRAGON QUEST CHAMPIONS” in June, the Games for Smart Devices/PC Browser sub-segment saw a YoY decline in net sales due to the weak performances from existing titles.

The Amusement segment booked net sales of ¥13.3 billion (up ¥1.4 billion YoY) and operating income of ¥1.4 billion (up ¥300 million). The YoY growth in net sales and operating income owed to same-store sales exceeding those of the previous year.

The Publication segment posted net sales of ¥5.9 billion (down ¥300 million) and operating income of ¥2.1 billion (down ¥300 million). The YoY declines in net sales and operating income were attributable to both digital and print sales falling short of the previous year’s levels.

The Merchandising segment booked net sales of ¥4.7 billion (up ¥1.1 billion YoY) and operating income of ¥1.2 billion (up ¥400 million). Sales of new merchandise based on key IP were brisk, resulting in the YoY rises in net sales and operating income.

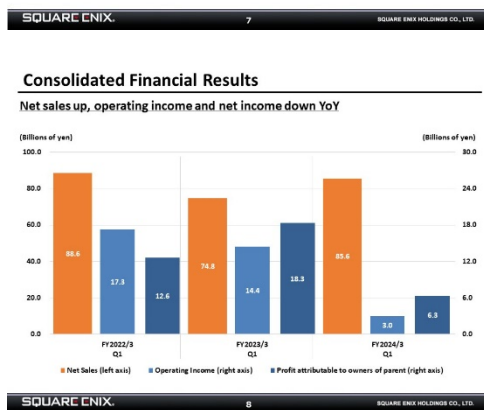
That concludes my overview of our Q1 FY2024/3 financial results.

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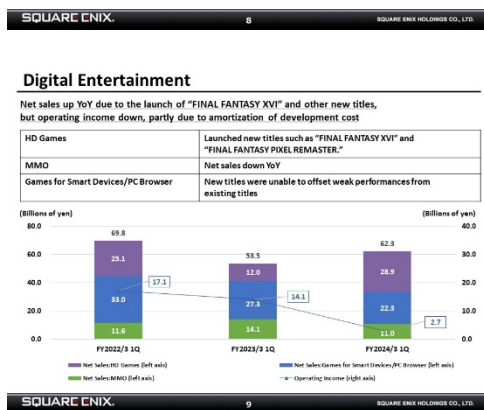
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I am Takashi Kiryu. I will be discussing our Q1 FY2024/3 financial results and progress in each of our business segments.

Consolidated Financial Results and Progress in Each Business Segment



In Q1 FY2024/3, net sales rose YoY, but operating income and profit attributable to owners of parent declined.



In the Digital Entertainment segment, net sales rose but operating income declined.

The HD Game sub-segment saw net sales rise due to the June 22 release of "FINAL FANTASY XVI." However, we booked upfront expenses such as the amortization of development cost and advertising costs in Q1, resulting in a YoY decline in operating income. We intend to steadily add to our profits by expanding sales of the aforementioned title in Q2 and beyond.

Digital Entertainment -Main titles 1-

HD Games: Plan to launch new titles, some featuring key IPs

Game Title	Release Status
FINAL FANTASY PIXEL REMASTER	Released
FINAL FANTASY XVI	Launched on Jun 23, 2023
Infinitus Breach	To be launched on Sep 26, 2023
Star Ocean: The Divine Force	To be launched on Nov 8, 2023
MU: Cross Edge	To be launched on Dec 1, 2023
FINAL FANTASY REVERSE FRONTIER	To be launched in Early 2024

I will provide further color on our HD Game sub-segment.

I have already discussed "FINAL FANTASY XVI." "FINAL FANTASY PIXEL REMASTER," which we released for the PlayStation 4 and the Nintendo Switch in Q1 FY2024/3, saw brisk sales.

We are expecting further growth in Q2 and beyond, not only because we intend to expand sales of "FINAL FANTASY XIV," but also because we plan to launch more new titles.

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Digital Entertainment –Main titles 2-

MMO: Planning various initiatives celebrating the 10th anniversary of "FINAL FANTASY XIV: A Realm Reborn"

MMO - Main titles in operation

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ILLUSTRATION BY: HOSHITAKA AOKANO

"FINAL FANTASY XIV: DAWNTRAIL"
To be launched in summer 2024

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Net sales declined YoY in the MMO sub-segment, but we announced at our Las Vegas FINAL FANTASY XIV FAN FESTIVAL in late July that we would release our latest expansion pack "FINAL FANTASY XIV: DAWNTRAIL" in summer 2024 and the Xbox Series X|S versions in spring 2024.

We expect new initiatives like these to build up excitement around the title.

Digital Entertainment –Main titles 3-

Games for Smart Devices/PC Browser: Multiple new launches planned

Major Operating Titles (Month and year indicate each title's launch timing)

Aug 2019 PC Browser (Steam)	Jan 2024	Apr 2024	Sep 2024	Oct 2025	Oct 2025	Feb 2027
FINAL FANTASY REBORN	FINAL FANTASY REBORN	FINAL FANTASY REBORN	FINAL FANTASY REBORN	FINAL FANTASY REBORN	FINAL FANTASY REBORN	FINAL FANTASY REBORN
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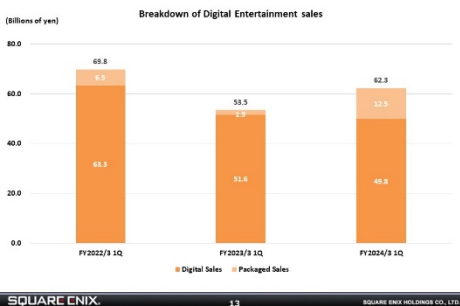
This slide provides an overview of the Games for Smart Devices/PC Browser sub-segment.

Despite solid performances from mainstay titles such as "Dragon Quest Walk," net sales declined YoY because of weak performances from mid-sized titles.

The decline in net sales also owed to multiple titles released in FY2023/3 underperforming our expectations.

However, we hope that our forthcoming release "FINAL FANTASY VII EVER CRISIS" will enable us to catch up.

Digital Entertainment –Digital vs. Packaged Game Sales-



This shows the split between digital and packaged game sales in the Digital Entertainment segment.

Digital Entertainment –Units Sold by Region-

Units Sold = Sold disks + Downloads
 Packaged: Unit sales of packaged software sold in the fiscal year
 Downloads: Unit sales of downloaded software sold in the fiscal year

(Millions of Units Sold)

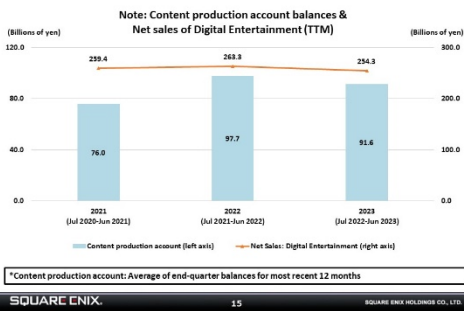
Region	FY2023/3 Q1 Results			FY2024/3 Q1 Results		
	Packaged	Download	Total	Packaged	Download	Total
Japan	0.10	0.56	0.66	0.50	1.44	1.94
North America/ Europe	0.28	2.74	3.03	1.42	3.26	4.67
Asia, etc.	0.13	0.46	0.59	0.29	0.64	0.93
Total	0.52	3.76	4.28	2.21	5.33	7.54

* The above numbers cover both HD and MMO games, and includes titles for which Square Enix is the distributor and titles sold episodically.

This slide shows units sold by region.

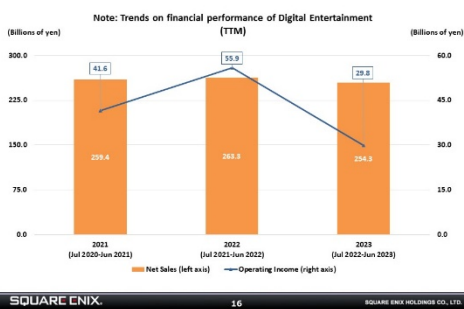
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Digital Entertainment

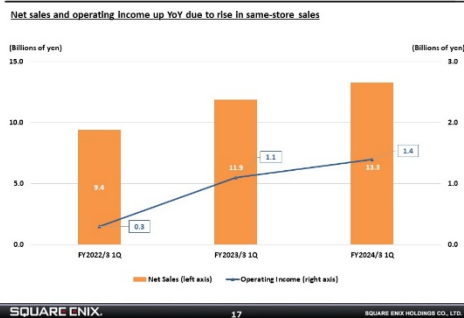


This chart shows 12-month moving average data.

Digital Entertainment

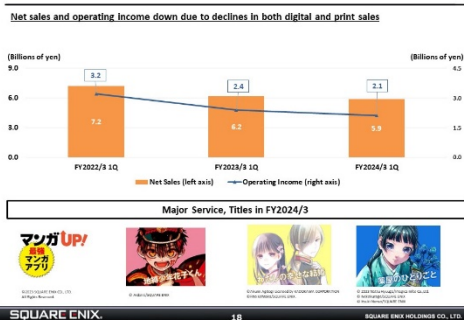


Amusement



The Amusement segment delivered a solid performance, with same-store sales rising in both roadside and urban locations. If the return of inbound tourism helps bolster sales at urban locations, we should be able to anticipate further upside.

Publication

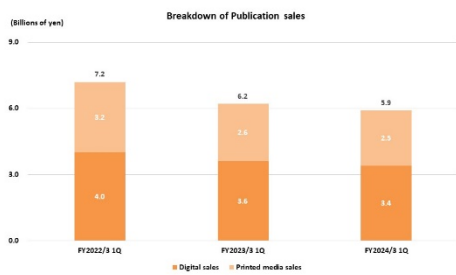


Net sales and operating income declined YoY in the Publication segment, but we see ample opportunity for us to catch up given that we plan to release multiple major titles in Q2 and beyond.

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Publication --Digital vs. Printed Media Sales--



This shows the split between digital and printed media sales in the Publication segment.

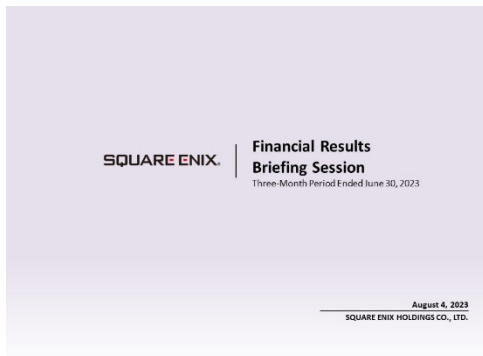
Merchandising

Net sales and operating income up YoY due to brisk sales of new character merchandise featuring key IPs



Net sales and operating income grew in the Merchandising segment. Sales of new merchandise based on characters from key IPs such as "FINAL FANTASY XVI" were brisk. We hope to be able to continue to release a variety of products on an ongoing basis.

Major Products in FY2024/3



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SQUARE ENIX HOLDINGS CO., LTD.

Q1 FY2024/3 Financial Results Briefing Session Q&A

Date/Time: August 4, 2023 (Fri); 6:30-7:30 pm (JST)

Main Speaker: Takashi Kiryu, President and Representative Director

Q&A

Q: Initial sales of “FINAL FANTASY XVI” were three million units. How did that compare to your expectations, and how do you plan to expand sales going forward?

A: This achievement was in line with our expectations. To expand sales, we have planned a variety of PR activities and other initiatives to encourage more of the growing PlayStation5 installed base to play the title.

Q: What sort of events should we be watching for in Q2 and beyond?

A: We are especially looking forward to “FINAL FANTASY VII EVER CRISIS.” Given the title’s nature as a free-to-play (F2P) game, we believe it fair to expect substantial upside for our earnings should the title outperform our assumptions.

Q: When can we expect to see improved profitability and other benefits from the selection and concentration you have pursued by divesting multiple overseas studios and consolidating your title portfolio?

A: We are currently examining our HD Game pipeline, but we believe that it will take a fair amount of time to produce results. However, our development lead times are shorter in the Games for Smart Devices/PC Browser sub-segment than in the HD Game sub-segment, so we expect benefits from our selection and concentration efforts to materialize more quickly in the former sub-segment.

Q: What do you hope to accomplish now that you have assumed the role of president?

A: I want to improve our profitability. I see ample room for improvement in our operating profit margin and would like to start by working primarily on our HD games.

In addition, rather than solely attempting to create brand-new IPs, we intend take a nuanced approach to investment whereby we also identify existing IPs with the potential to be upgraded to AAA status, taking ROI into account as well. In so doing, we hope to establish greater depth to the layers of our portfolio.

Lastly, I would also like to continue to consistently grow our Publication, Amusement, and Merchandising segments as sources of recurring earnings, thereby enabling our Group to mitigate the volatility of the HD Game sub-segment and improve its profitability.