

[Abridged Translation for Reference and Convenience Purposes Only]

This document is an abridged translation of the Japanese original of "Notice of Convocation of the 41st Annual Shareholders' Meeting" and "Reference Documents for the Shareholders' Meeting" of SQUARE ENIX HOLDINGS CO., LTD. This translation is intended for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities Code: 9684

June 4, 2021

To Our Shareholders:

Yosuke Matsuda
President and Director
SQUARE ENIX HOLDINGS CO., LTD.
6-27-30, Shinjuku, Shinjuku-ku, Tokyo

NOTICE OF CONVOCATION OF THE 41ST ANNUAL SHAREHOLDERS' MEETING

Notice is hereby given that the 41st Annual Shareholders' Meeting of SQUARE ENIX HOLDINGS CO., LTD. (the "Company") will be held as described below.

In the event that you are unable to attend the Meeting, please examine the "Reference Documents for the Shareholders' Meeting" provided below, and you may exercise your voting rights either online or in writing (via post) no later than 6:00 p.m., Thursday, June 24, 2021 (Japan Standard Time).

- 1. Time:** 10:00 a.m., Friday, June 25, 2021 (Doors open at 9:00 a.m.)
- 2. Place:** Century Room, B1 floor, Hyatt Regency Tokyo
2-7-2 Nishi Shinjuku, Shinjuku-ku, Tokyo
- 3. Meeting Agenda:**
- Reports**
1. Business Report, Consolidated Financial Statements and Audit Reports on the Consolidated Financial Statements by Accounting Auditors and by the Audit & Supervisory Committee for the 41st Term (April 1, 2020 through March 31, 2021)
 2. Non-Consolidated Financial Statements for the 41st Term (April 1, 2020 through March 31, 2021)
- Items for Resolution**
- First Item:** Election of Six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members)
- Second Item:** Determination of remuneration for the Restricted Stock Remuneration Plan for Directors (excluding Directors who are Audit & Supervisory Committee Members)

- END -

Notes:

Excerpts from the Business Report and Consolidated Financial Statements are to be attached to this NOTICE OF CONVOCATION and are described from page 11 onward.

Should revisions to this document for the Shareholders' Meeting become necessary, such changes will be posted on the Company's website (Japanese: <https://www.hd.square-enix.com/jpn/ir/stock/shareholdersmeeting.html>; summarized translations in English: <https://www.hd.square-enix.com/eng/ir/stock/shareholdersmeeting.html>).

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Information on Exercising Voting Rights

The right to vote at the Annual Shareholders' Meeting is an important right of all shareholders. Please exercise your voting rights after having reviewed the Reference Documents for the Shareholders' Meeting described below. There are three ways to exercise your voting rights:

- In person at the Annual Shareholders' Meeting
Please submit your voting form to the receptionist at the venue.
The time and date of the Annual Shareholders' Meeting is 10:00 a.m., Friday, June 25, 2021 (Japan Standard Time).
- Online
Please access the voting website (<https://evote.tr.mufg.jp/>) and enter your approval or rejection of the agenda items. You need a log-in ID and a temporary password, which are indicated on the Voting Form.
Alternatively, you can log onto the website without a log-in ID or a temporary password by scanning the QR code on the Voting Form.
The deadline for exercising your voting rights is 6:00 p.m., Thursday, June 24, 2021 (Japan Standard Time).
- In writing (via post)
Please indicate your approval or rejection of the agenda items on the Voting Form, and return it via post.
Voting forms must arrive no later than 6:00 p.m., Thursday, June 24, 2021 (Japan Standard Time).

If you exercise your voting rights both online and in writing (via post), only the former will be valid, and if you exercise your voting rights online more than once, only the last vote will be counted.

(Note: Online voting is not available to non-resident shareholders.)

(Note: Nominal shareholders such as trust banks [including custodians] who apply in advance to use the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc. may use the platform to exercise their voting rights electronically, as provided for in the Companies Act.)

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Reference Documents for the Shareholders' Meeting

First Item: Election of Six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The term of office of all the incumbent Directors (excluding Directors who are Audit & Supervisory Committee Members; the same applies hereinafter in this item) will expire at the close of this Annual Shareholders' Meeting.

Therefore, in order to further strengthen corporate governance and enhance the transparency, objectivity, and diversity of the Board of Directors, the Company proposes to increase the number of outside directors by one (1), from four (4) out of six (6) to five (5) out of six (6).

The Audit & Supervisory Committee has expressed the opinion that this proposal has been properly submitted in accordance with the predetermined criteria and procedures for nominating Director candidates.

The proposed candidates are as follows:

No.	Name (Date of Birth)	Brief Personal History, Positions and Assignments in the Company, and Significant Positions Concurrently Held	Number of the Company's Shares Held
1	Yosuke Matsuda (April 27, 1963)	Oct. 2001 <i>Senior Vice President, SQUARE CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.)</i> Apr. 2003 <i>Senior Vice President and General Manager, Accounting and Finance Division, SQUARE ENIX CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.)</i> Jun. 2004 <i>Director, Accounting and Finance, SQUARE ENIX CO., LTD.</i> Mar. 2013 <i>Senior Executive Managing Director and Representative Director, SQUARE ENIX HOLDINGS CO., LTD.</i> Jun. 2013 <i>President and Representative Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i> (Significant positions concurrently held) <i>President and Representative Director, SQUARE ENIX CO., LTD.</i> <i>Director, Taito Corporation</i> <i>President and Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. (the Group's intermediate holding company in the Americas)</i> <i>Director, SQUARE ENIX LTD. (the Group's operating and intermediate holding company in Europe and other regions)</i> <i>Chairman of the Board, SQUARE ENIX (China) CO., LTD. (the Group's operating company in China)</i>	200 shares

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No.	Name (Date of Birth)	Brief Personal History, Positions and Assignments in the Company, and Significant Positions Concurrently Held	Number of the Company's Shares Held
2	Yukihiro Yamamura (October 30, 1963)	<p>Apr. 1997 <i>Director, Deputy General Manager, Business Planning & Development Division, Transcosmos Inc.</i></p> <p>Oct. 1997 <i>President and Representative Director, DoubleClick Japan Inc. (currently Transcosmos Inc.)</i></p> <p>Jun. 2000 <i>Representative Director, Excite Japan Co., Ltd.</i></p> <p>Aug. 2008 <i>Representative Director and CEO, Glam Media Japan Corp. (currently Mode Media Japan Corporation)</i></p> <p>Jun. 2013 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>Sep. 2014 <i>Representative Director, Puzzle Ring Inc. (incumbent)</i></p> <p>May. 2015 <i>Director, Project8 Inc.</i></p> <p>Aug. 2015 <i>Director, Visionary Works Co., Ltd. (incumbent)</i></p> <p>(Significant positions concurrently held) <i>Representative Director, Puzzle Ring Inc.</i> <i>Director, Visionary Works Co., Ltd.</i></p>	None
3	Yuji Nishiura (January 3, 1953)	<p>Apr. 1993 <i>Director, Executive Vice President and Partner, Booz Allen Hamilton Inc. (currently PwC Consulting LLC)</i></p> <p>Feb. 2000 <i>Representative Director, President and Partner, Booz Allen Hamilton Inc.</i></p> <p>Oct. 2002 <i>Representative Director, CEO and Managing Partner, Roland Berger and Partner Japan Ltd. (currently Roland Berger Ltd.)</i></p> <p>Jan. 2006 <i>Japan Representative and Managing Director, AlixPartners Asia, LLC</i></p> <p>Jan. 2011 <i>Vice Chairman and Managing Director, AlixPartners, LLP</i></p> <p>Dec. 2012 <i>Director, AXA Japan Holding Co., Ltd. (currently AXA Life Insurance Co., Ltd.)</i> <i>Chairman and Director, AXA Life Insurance Co., Ltd.</i></p> <p>Mar. 2013 <i>Chairman and Director, AXA General Insurance Co., Ltd.</i></p> <p>Jun. 2014 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>Oct. 2014 <i>Chairman and Director, AXA Life Insurance Co., Ltd.</i></p> <p>Dec. 2015 <i>Chairman and Representative Director, Sumitomo Mitsui Trust Club Co., Ltd.</i></p> <p>Jun. 2019 <i>Outside Director, LIXIL Group Corporation (currently LIXIL Corporation) (incumbent)</i></p> <p>(Significant position concurrently held) <i>Outside Director, LIXIL Corporation</i></p>	None

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No.	Name (Date of Birth)	Brief Personal History, Positions and Assignments in the Company, and Significant Positions Concurrently Held	Number of the Company's Shares Held
4	Masato Ogawa (December 7, 1954)	<p>Apr. 2009 <i>Corporate Executive Officer, Senior Vice President, Marketing & Planning, ALL Nippon Airways Co., LTD. (currently ANA HOLDINGS INC.)</i></p> <p>Jun. 2011 <i>Senior Vice President, General Manager, Nagoya Region, Chubu Sales Headquarters, ALL Nippon Airways Co., LTD.</i></p> <p>Apr. 2015 <i>Executive Vice President and COO, ANA Strategic Research Institute Co., Ltd.</i></p> <p>Apr. 2017 <i>Chairman of the Board, ANA Strategic Research Institute Co., Ltd.</i></p> <p>Jun. 2018 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>Apr. 2019 <i>President (Representative Director), ONSEN & Gastronomy Tourism Association (incumbent)</i></p> <p>(Significant position concurrently held) <i>President (Representative Director), ONSEN & Gastronomy Tourism Association</i></p>	None
5	Mitsuko Okamoto (August 5, 1964)	<p>Apr. 1987 <i>Joined NHK (Japan Broadcasting Corporation)</i></p> <p>Apr. 2008 <i>Professor, Graduate School of Film and New Media, Tokyo University of the Arts (incumbent)</i></p> <p>Mar. 2010 <i>Chief Producer, NHK Educational Television (ETV) "2355" and "0655" (incumbent)</i></p> <p>Apr. 2013 <i>Dean, Film and New Media, Tokyo University of the Arts</i></p> <p>Oct. 2016 <i>Executive Assistant to the President (Campus Diversity), Tokyo University of the Arts</i></p> <p>Apr. 2017 <i>Vice President (International Affairs and Campus Diversity), Director, Global Support Center, Director, Office for Diversity & Inclusion, Tokyo University of the Arts (incumbent)</i></p> <p>Jun. 2020 <i>Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)</i></p> <p>(Significant position concurrently held) <i>Chief Producer, NHK Educational Television (ETV) "2355" and "0655"</i> <i>Vice President (International Affairs and Campus Diversity), Director, Global Support Center, Director, Office for Diversity & Inclusion, Tokyo University of the Arts</i></p>	None

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No.	Name (Date of Birth)	Brief Personal History, Positions and Assignments in the Company, and Significant Positions Concurrently Held	Number of the Company's Shares Held
※ 6	Abdullah Aldawood (December 17, 1981)	<p>Jul. 2007 <i>Vice President</i> for Investment Banking Services, Deutsche Bank in the Middle East and North Africa region</p> <p>Nov. 2013 <i>Owner, Founder and Chairman</i>, Al-Raedah Finance Company (incumbent)</p> <p>Jan. 2015 <i>CEO and Board of Directors</i>, Seera Holding Group</p> <p>Feb. 2015 <i>Board Member</i>, World Business Lenders</p> <p>Dec. 2016 <i>Board Member</i>, Rou'a Al Madinah Holding Company (incumbent)</p> <p>Mar. 2018 <i>Executive Chairman</i>, Saudi Entertainment Ventures Company (SEVEN) (incumbent)</p> <p>Sep. 2018 <i>Board Member</i>, Saudi Stock Exchange Company (Tadawul)</p> <p>Oct. 2018 <i>Board Member</i>, MBC Group (MBC) (incumbent)</p> <p>Dec. 2020 <i>Board Member</i>, Hotel Management Company (incumbent)</p> <p>Apr.2021 <i>Managing Director and Board of Directors</i>, Seera Holding Group (incumbent) <i>Managing Director</i>, Qiddiya (incumbent)</p> <p>(Significant positions concurrently held) <i>Owner, Founder and Chairman</i>, Al-Raedah Finance Company <i>Board Member</i>, Rou'a Al Madinah Holding Company <i>Executive Chairman</i>, Saudi Entertainment Ventures Company (SEVEN) <i>Board Member</i>, MBC Group (MBC) <i>Board Member</i>, Hotel Management Company <i>Managing Director and Board of Directors</i>, Seera Holding Group <i>Managing Director</i>, Qiddiya</p>	None

- Notes: 1. ※ indicates that the candidate is to be newly elected as a Director.
2. There are no special interests between any candidate and the Company.
3. The candidates Yukihiro Yamamura, Yuji Nishiura, Masato Ogawa, Mitsuko Okamoto, and Abdullah Aldawood are nominated as Outside Directors.
4. The reasons for the nomination of each candidate as Director and outlines of the roles expected of each candidate for Outside Director are as listed below:
- (1) Since becoming President and Representative Director of the Company in June 2013, Yosuke Matsuda has established a track record as a full-time Director characterized by producing stable earnings through corporate strategy planning in line with the changes in the Company's business environment and steady implementation of the strategy.
- (2) Yukihiro Yamamura, Yuji Nishiura, and Masato Ogawa possess abundant experience and broad-ranging insight as corporate executives. The Company expects them to be capable of properly executing the duties of an Outside Director from the perspective of supervising and serving as a check on Directors' execution of their roles. Should they be re-elected, the Company plans to have them continue to be involved from an objective and neutral position in the decision-making process for such matters as the selection of Director candidates and the determination of Director remuneration as members of the Remuneration and Nomination Committee that the Company has established at its discretion.
- (3) Although Mitsuko Okamoto does not possess previous corporate management experience, she has a wealth of experience and a wide range of knowledge and insight in the field of animation and other content. The Company expects her to be capable of properly executing the duties of an Outside Director by providing recommendations regarding its entertainment and content businesses on the whole, as well as from the perspective of supervising and serving as a check on Directors' execution of their roles.
- (4) Abdullah Aldawood possesses a track record as a national leader in the development of the field of entertainment in the Kingdom of Saudi Arabia, abundant experience in international financial institutions, and a

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wealth of experiences and broad-ranging insight in global corporate management. The Company expects him to be capable of properly executing the duties of an Outside Director by providing recommendations regarding its entertainment and content businesses on the whole, as well as from the perspective of supervising and serving as a check on Directors' execution of their roles.

5. The candidates Yukihiro Yamamura, Yuji Nishiura, Masato Ogawa, and Mitsuko Okamoto are currently serving as Outside Directors of the Company, and their tenure will be eight (8) years, seven (7) years, three (3) years, and one (1) year, respectively, at the close of this Annual Shareholders' Meeting.
6. The Company has entered into respective liability limitation agreements with Yukihiro Yamamura, Yuji Nishiura, Masato Ogawa, and Mitsuko Okamoto that limit their liability to a maximum of ¥10 million or the amount prescribed by law, whichever is greater. If they are re-elected, the Company intends to extend the term of their liability limitation agreements. Furthermore, if Abdullah Aldawood assumes the position of Director, the Company will enter into a liability limitation agreement with him that limits his liability to a maximum of ¥10 million or the amount prescribed by law, whichever is greater.
7. The Company has entered into an executive liability insurance policy with an insurer in order to offset damages that the Company's Directors or other insured parties may incur arising from accepting liability involving the execution of their duties or being subject to claims associated with efforts to hold them liable for reasons involving the execution of their duties (provided, however, that the damages in question are not the result of willful misconduct or gross negligence). Should the Director candidates named herein be approved, they would each be covered under the aforementioned insurance policy. In addition, at the next renewal timing for the aforementioned insurance policy, the Company intends to renew it with the same terms.
8. The Company has notified the Tokyo Stock Exchange (TSE) of Yukihiro Yamamura, Yuji Nishiura, Masato Ogawa, and Mitsuko Okamoto's status as Independent Executives. If they are re-elected, the Company intends to continue to recognize them as Independent Executives. In addition, should Abdullah Aldawood be elected, the Company intends to notify the TSE of his status as an Independent Executive.

Yukihiro Yamamura entered into a quasi-mandate agreement with the Company's wholly owned subsidiary Taito Corporation concerning advisory services regarding Taito Corporation's businesses from July 1, 2020 through March 31, 2021. Mr. Yamamura received ¥10 million as remuneration under the agreement, but this transaction was not one that would impact his independence as an Outside Director.

Mitsuko Okamoto is the Vice President of Tokyo University of the Arts, and the Company Group sends employees to the university as instructors as part of a collaborative initiative with the university, but no compensation is involved.

Abudullah Aldawood is the Executive Chairman of Saudi Entertainment Ventures Company (SEVEN), an entity owned by the Public Investment Fund, which is one of the Company's shareholders. According to a report on large shareholdings dated December 28, 2020, the Public Investment Fund and Ayar First Investment Company, which is an entity owned by the Public Investment Fund, hold 11,745,300 shares (a 9.59% stake) in the Company.

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Second Item: Determination of remuneration for the Restricted Stock Remuneration Plan for Directors (excluding Directors who are Audit & Supervisory Committee Members)

At the 38th Annual Shareholders' Meeting held on June 22, 2018, shareholders approved a remuneration framework whereby the monetary remuneration pool for Directors (excluding Directors who are Audit & Supervisory Committee members) would be no more than ¥600 million per year, of which up to ¥48 million would be earmarked for Outside Directors (however, this remuneration pool was not to include the employee salaries for employees serving concurrently as Directors). In addition, shareholders approved that there should be a pool of no more than ¥400 million per year in stock acquisition rights (hereinafter "Stock Options"), of which up to ¥32 million would be earmarked for Outside Directors, to serve as stock-based remuneration separate from the aforementioned monetary remuneration.

The Company now asks its shareholders' approval to abolish the aforementioned Stock Options remuneration pool in favor of providing Directors (excluding Directors who are Audit & Supervisory Committee members; herein after "Eligible Directors") with Restricted Stock as a new form of remuneration separate from the aforementioned monetary remuneration and within the limits of the ¥400 million per year, of which ¥32 million would be earmarked for Outside Directors. The objective of this change would be to provide Eligible Directors with an incentive to continue to enhance the Company's corporate value, while also encouraging them to have an even greater sense of shared value with the Company's shareholders. As set forth in 2 below, the provision of Restricted Stock would require no monetary payment. The amount of remuneration for Eligible Directors would be calculated based on the number of Restricted Stock to be provided and the closing price for the Company's common shares on the Tokyo Stock Exchange (TSE) on the business day prior to the day of the relevant Board of Directors resolution (or the closing price of the most recent previous trading day should no trades have closed on the aforementioned day).

The specific allocation of Restricted Shares to individual Eligible Directors would be determined by the Board of Directors.

If this item were to be approved, the Company would cease to issue new stock options to Directors upon the abolishment of the aforementioned Stock Option remuneration pool (previously granted stock options will remain valid).

There are currently six (6) Directors (excluding Directors who are Audit & Supervisory Committee members), of which four (4) are Outside Directors. However, should the above First Item be approved as proposed, there would be six (6) Eligible Directors, of which five (5) would be Outside Directors.

1. Maximum Number of Restricted Stock to be Granted to Eligible Directors

A total of no more than 90,000 of the Company's common shares per year would be issued or disposed of as Restricted Stock in accordance with this item, of which no more than 7,200 shares per year would be earmarked for Outside Directors. However, should the Company's common shares be subject to a stock split (including the gratis allocation of common shares in the Company) or reverse stock split on or after the day of this item's approval, the maximum number of Restricted Stock would be adjusted based on the ratio of the split or reverse split.

2. Payment associated with Issuance or Disposal of Restricted Stock

The issuance or disposal of Restricted Stock in accordance with this item would be the issuance or disposal of subscription shares for the remuneration, etc. of Eligible Directors. No monetary payment or distribution-in-kind would be required in exchange for the subscription shares.

3. Overview of Restricted Shares to be Granted to Eligible Directors

The Company would, as a general rule, grant Eligible Directors Restricted Stock each year in accordance with this item. To enable the granting of Restricted Stock in accordance with this item, the Company and Eligible Directors intend, based on the resolution of the Board of Directors, to enter into a restricted stock allocation agreement that includes the following content (hereinafter "Allocation Agreement").

- (1) Eligible Directors are prohibited from engaging in the transfer, collateralization, or other disposal (hereinafter "Restrictions") of the Company's common shares allocated in accordance with an Allocation Agreement (hereinafter "Allocated Stock") from the date that the Allocated Stock is allocated until the date that the Eligible Director in question loses his or her position as the Company's Director (excluding Directors who are Audit & Supervisory Committee members; hereinafter the same), with the period of between the two dates being referred to as the "Restricted Period." (Note that the Restrictions remain in effect if a Director should lose and be simultaneously reappointed to the position in question.)

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- (2) In the event of an Eligible Director losing his or her position as the Company's Director prior to the completion of the term determined by the Board of Directors (as a general rule, the date of the Company's Annual Shareholders' Meeting immediately prior to the allocation date of the Allocated Stock until the date of the Company's Annual Shareholders' Meeting held the following year; hereinafter the "Service Provision Period"), the Company will acquire the Allocated Stock at no cost, with the exception of instances in which the Company's Board of Directors recognizes legitimate reasons for the loss of position. The Company will not use an Eligible Director's loss of position as a Director of the Company to acquire at no cost Allocated Stock for a Service Provision Period that has been completed.
- (3) Upon the completion of the Restricted Period, the Company will lift the Restrictions on all Allocated Stock, contingent upon the Eligible Director having remained continuously in the position of the Company's Director throughout the Service Provision Period. However, should the Eligible Director lose his or her position as the Company's Director prior to the completion of the Service Provision Period for reasons that the Company's Board of Directors recognizes to be legitimate as set forth in (2) above, the number of Allocated Stock on which the Restrictions will be lifted will be reasonably adjusted as needed.
- (4) The Company will acquire at no cost Allocated Stock on which the Restrictions are not lifted as of the completion of the Restricted Period in accordance with (3) above.
- (5) The Company will acquire at no cost the Allocated Stock of an Eligible Director who has been sentenced to imprisonment or greater penalty; who the Company's Board of Directors recognizes as working for a business that competes with the businesses of the Company's Group or as having assumed the role of an employee or executive of a corporate entity or other organization that competes (unless, however, that written consent has been obtained in advance); who the Company's Board of Directors recognizes as having committed a serious infraction of the law, internal regulations, or the Allocation Agreement in connection with the execution of his or her duties as a Director of the Company; or whose shares the Company's Board of Directors finds just cause for acquiring at no cost for other reasons.
- (6) The provisions of (1) above notwithstanding, if during the Restricted Period, any matter concerning a merger agreement under which the Company would cease to exist, a stock swap agreement that would make the Company a wholly owned subsidiary, a stock transfer plan, or any other form of organizational restructuring, etc. should be approved at a General Shareholders' Meeting (or by the Company's Board of Directors in instances when the approval of a General Shareholders' Meeting is not required for the organizational restructuring, etc. in question), the Company will, by resolution of its Board of Directors, lift the Restrictions on all Allocated Stock prior to the date that the organizational restructuring, etc. in question takes effect.
- (7) The Allocation Agreement will reflect how declarations of intent and notifications pursuant to the Allocation Agreement should be made, how the Allocation Agreement can be revised, and other matters to be determined by the Board of Directors.

4. Justification for the Granting of Restricted Stock

The objective of providing Eligible Directors with Restricted Stock is to encourage them to have an even greater sense of shared value with the Company's shareholders and to incentivize them to continue to enhance the Company's corporate value.

At a Board of Directors meeting held December 24, 2020, the Company established its policy for determining the remuneration, etc. of individual directors, which was subsequently partially amended at a Board of Directors meeting held February 25, 2021. At a Board of Directors meeting held May 21, 2021, the Company resolved to change the policy as described below, pending shareholder approval of this item. In addition, the Company deems the granting of Restricted Stock to be justified given that the maximum amount of the Restricted Stock is the same as the maximum amount already approved by shareholders for Stock Options, and given that dilution from the Restricted Stock would be limited as they would account for only 0.07% of total outstanding shares (0.73% if the Company were to issue the maximum number of Restricted Stock for a decade).

- Policy for Determining the Remuneration, etc. of Individual Directors (May 21, 2021 Board of Directors Resolution)

The Company's basic policy and determination process regarding its Executive Remuneration System is as described below.

In order to ensure the objectivity and transparency of the Executive Remuneration System, the Company has at its discretion established a Remuneration and Nomination Committee comprising the Representative Director and Outside

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Directors. The Board of Directors establishes the Basic Policy on the Executive Remuneration System based on consultation with this committee, and the committee decides the individual amounts and the nature of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) in accordance with the Basic Policy on the Executive Remuneration System established by the Board of Directors, based on the authority granted to it by the board.

• Basic Policy on the Executive Remuneration System

1. Directors (excluding Directors who are Audit & Supervisory Committee Members):

-Remuneration for Executive Directors shall comprise fixed remuneration (monetary), performance-linked remuneration (monetary), and restricted stock remuneration. The ratio shall be approximately 10:9 (base remuneration amount, which varies depending on performance) :10.

-Remuneration for Non-Executive Directors shall comprise fixed remuneration (monetary) and restricted stock. The ratio shall be approximately 4:1.

-Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the company performance to date, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.

-In order to strive for growth that strikes a balance between scale and profitability, the amount of performance-linked remuneration (monetary) is calculated using consolidated net sales and consolidated operating income as metrics. Specifically, the amount of performance-linked remuneration is obtained by multiplying the basic remuneration amount (¥90 million) by a multiple (no greater than 400% and no less than 0%) that is pre-determined according to the degree of deviation from the base amount determined by the Remuneration and Nomination Committee. Performance-linked remuneration (monetary) shall be paid once a year after the business results for each fiscal year are determined.

- The Company offers restricted stock in order to provide a long-term incentive to Directors (excluding Directors who are Audit & Supervisory Committee members) to work to achieve sustained growth and to enhance corporate value, as well as to encourage them to have an even greater sense of shared value with shareholders. Such a program is offered because it provides a sustained incentive to bolster the share price when it is down and because it serves as a replacement for the discontinued retirement allowance for directors. The Remuneration and Nomination Committee determines the remuneration value of the restricted stock, taking into account the balance with the monetary remuneration. The restricted stock are granted once annually during the second quarter.

2. Directors who are Audit & Supervisory Committee Members:

-In consideration of independence from management, only monetary remuneration shall be made.

-Fixed remuneration (monetary) shall be determined based upon role, remuneration in past years, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions. Fixed remuneration (monetary) shall be paid monthly.

• Director Remuneration Determination Process

1. Individual amounts and the nature of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be determined by the Remuneration and Nomination Committee based on the Basic Policy on the Executive Remuneration System established by the Board of Directors.

2. Individual amounts and the nature of remuneration for Directors who are Audit & Supervisory Committee Members shall be determined via discussions by the Directors who are Audit & Supervisory Committee Members, with reference made to the basic policy determined by the Board of Directors.

3. Individual amounts and the nature of remuneration shall be set within the confines of the remuneration allocation approved at the General Shareholders' Meeting and shall be determined based upon a comprehensive consideration of annual earnings and each Director's performance in his or her role and contribution to corporate earnings, remuneration in past years, the need to retain talented human resources, research by specialized third-party organizations, remuneration trends at comparable companies, and economic conditions.

- END -

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(Excerpts from Business Report for the 41st Term)

Operating Highlights of the Fiscal Year Ended March 31, 2021

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 fiscal year ended March 31, 2021 totaled ¥332,532 million (an increase of 27.6% from the prior fiscal year), operating income amounted to ¥47,226 million (an increase of 44.2% from the prior fiscal year), ordinary income amounted to ¥49,983 million (an increase of 55.7% from the prior fiscal year), and profit attributable to owners of parent amounted to ¥26,942 million (an increase of 26.2% from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2021 follows.

Operating Results by Business Segment

1. 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.

At the HD (High-Definition) Game sub-segment, the fiscal year ended March 31, 2021 saw the release of major titles including “FINAL FANTASY VII REMAKE” and “Marvel’s Avengers,” growth in digital sales of catalog titles, and licensing income that resulted in higher net sales than the previous fiscal year.

Net sales declined year on year at the MMO (Massively Multiplayer Online) Game sub-segment due to the release of the “FINAL FANTASY XIV” and “DRAGON QUEST X” expansion packs in the previous fiscal year, but the recurring revenue was solid.

The Games for Smart Devices/PC Browser sub-segment saw net sales rise in comparison to the previous fiscal year, not only because of solid performances from existing titles such as “DRAGON QUEST WALK” and “WAR OF THE VISIONS: FINAL FANTASY BRAVE EXVIUS,” but also because of earnings contributions from “DRAGON QUEST TACT,” “OCTOPATH TRAVELER: Tairiku no Hasha,” and “NieR Re[in]arnation,” all of which were launched in the fiscal year ended March 31, 2021.

Net sales and operating income in the Digital Entertainment segment totaled ¥263,909 million (an increase of 39.9% from the prior fiscal year), and ¥50,536 million (an increase of 42.9% from the prior fiscal year), respectively.

2. 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.

In the fiscal year ended March 31, 2021, the Amusement segment saw a sharp decline in net sales compared to the previous fiscal year and booked an operating loss due to the temporary closure of amusement facilities in Japan during the first quarter of this fiscal year. The closures were designed to combat the spread of COVID-19 in response to the Japanese government’s declaration of a state of emergency.

Net sales and operating loss in the Amusement segment totaled ¥34,349 million (a decrease of 24.8% from the prior fiscal year), and ¥1,568 million (operating income of ¥1,480 million in the prior fiscal year).

3. Publication

The Publication segment consists of publication and licensing of comic magazines, comic books, and gamerelated books. Sales in digital formats, including via the “MANGA UP!” comic app and of e-books, rose sharply in the fiscal year ended March 31, 2021. This, combined with brisk sales of printed media, resulted in higher net sales and operating income than in the same period of the previous fiscal year.

Net sales and operating income in the Publication segment totaled ¥26,843 million (an increase of 38.0% from the prior fiscal year) and ¥11,687 million (an increase of 61.2% from the prior fiscal year), respectively.

4. Merchandising

The Merchandising segment consists of planning, production, distribution, and licensing of derivative products of IPs owned by the Group.

[Abridged Translation for Reference and Convenience Purposes Only]

Brisk sales of character merchandise, soundtracks, and other products based on the Group's own content during the fiscal year ended March 31, 2021 resulted in growth in net sales and operating income versus the same period of the previous fiscal year.

Net sales and operating income in the Merchandising segment totaled ¥9,452 million (an increase of 8.2% from the prior fiscal year), and ¥2,249 million (an increase of 120.2% from the prior fiscal year), respectively.

Capital Expenditures

During this Fiscal Year, capital expenditures totaled ¥7,377 million, consisting mainly of investments in arcade game machines in the Amusement segment, as well as game development tools and networking equipment for data centers in the Digital Entertainment segment.

Issues Facing Management

The Group recognizes the need to prioritize the expansion of stable recurring income as a means of creating sustained earnings growth. As the digital entertainment industry undergoes significant structural changes, the Group is being called upon to develop and distribute new content designed to suit diverse customer needs and content distribution methods, which requires significant investment. To date, the Group has primarily worked to stabilize earnings by expanding recurring subscription income from massively multiplayer online games (MMOs), games for smart devices/PC browsers, the Amusement segment, and the Publication segment. Going forward it will further bolster these efforts while also expanding them to other businesses. Establishing a stable earnings base will enable investment in large-scale, innovative content development efforts. The recurring income generated from that content will expand the Group's overall earnings, thereby allowing the Group to achieve sustained earnings growth.

The Group will continue to prepare for the coming popularity of cloud gaming that the spread of 5G is likely to inspire. Cloud gaming has the potential to change distribution as streaming accelerates the shift away from traditional disks to more digital sales and evolves business models, including by giving rise to more subscription-based services. It could additionally spur growth in the gaming market as a whole by making it possible to provide content to emerging regions where game consoles have not been prevalent. Cloud gaming will meanwhile dictate that the industry devise gaming experiences unique to the cloud environment and develop cloud-native games. The Group will endeavor to respond flexibly to these changes so that they may fuel future growth.

Basic Policy for Profit Distribution and Dividends

The Group strives to enhance its corporate value through sustained growth achieved by undertaking investments in game development and other efforts funded by securing an appropriate level of retained earnings. At the same time, one of management's key policies is to return profits to shareholders. By rewarding shareholders primarily with dividends, the Group works to return profits in a way that strikes the optimal balance between recognizing the level of earnings achieved and providing stable rewards. In determining the amount of its dividend, the Group references a consolidated dividend payout ratio of 30%, making its final decision based upon comprehensive considerations of the balance between investment needs and the distribution of profits.

[Distribution of Surplus for the Fiscal Year Ended March 31, 2021]

The Company has decided to distribute dividends from surplus at a rate of 68 yen (including a special dividends of 10 yen) per share of common stock by the resolution of the Board of Directors' Meeting held on May 21, 2021.

The aggregate amount of annual dividends is 78 yen per share (including the interim dividend of 10 yen per share paid in December 2020).

The Company will begin paying dividends on June 7, 2021. Please receive the aforementioned dividends by using the dividends receipt during the payment period (from June 7, 2021 through July 30, 2021).

For shareholders who have designated a payment method, the Company has arranged payment accordingly.

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Balance Sheets

As of March 31, 2021

(Millions of Yen)

Items	Amount	Items	Amount
(ASSETS)		(LIABILITIES)	
Current assets	283,622	Current liabilities	80,345
Cash and deposits	146,229	Notes and accounts payable-trade	24,559
Notes and accounts receivable-trade	43,036	Income taxes payable	14,593
Merchandise and finished goods	3,829	Provision for bonuses	2,956
Work in progress	212	Provision for sales returns	5,873
Raw materials and supplies	363	Provision for game arcade closings	231
Content production account	78,153	Asset retirement obligations	6
Other	11,987	Other	32,122
Allowance for doubtful accounts	(190)	Non-current liabilities	12,521
Non-current assets	52,522	Provision for directors' retirement benefits	52
Property, plant and equipment	19,656	Net defined benefit liability	3,492
Buildings and structures	5,847	Deferred tax liabilities	1,642
Tools, furniture and fixtures	4,723	Asset retirement obligations	3,715
Amusement equipment	1,816	Other	3,617
Land	3,782	Total liabilities	92,866
Construction in progress	465	(NET ASSETS)	
Other	3,021	Shareholders' equity	247,799
Intangible assets	5,540	Capital stock	24,039
Investments and other assets	27,325	Capital surplus	53,593
Investment securities	2,537	Retained earnings	179,722
Guarantee deposits	9,776	Treasury stock	(9,556)
Net defined benefit asset	477	Accumulated other comprehensive income	(5,435)
Deferred tax assets	9,630	Valuation difference on available-for-sale securities	59
Other	4,961	Foreign currency translation adjustment	(5,655)
Allowance for doubtful accounts	(57)	Remeasurements of defined benefit plans	160
		Subscription rights to shares	762
		Non-controlling interests	151
		Total net assets	243,278
Total assets	336,144	Total liabilities and net assets	336,144

(Note: Amounts are rounded down to the nearest million yen.)

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Income Statements

From April 1, 2020 to March 31, 2021

(Millions of Yen)

Items	Amount	
Net sales		332,532
Cost of sales		171,837
Gross profit		160,695
Reversal of provision for sales returns		4,150
Provision for sales returns		5,637
Gross profit-net		159,208
Selling, general and administrative expenses		111,982
Operating income		47,226
Non-operating income		
Interest income	76	
Dividend income	0	
Foreign exchange gains	2,727	
Rent income	17	
Gain on forgiveness of payable for group tax	152	
Miscellaneous income	70	3,043
Non-operating expenses		
Interest expenses	87	
Commission fee	19	
Loss on investments in securities	169	
Miscellaneous loss	9	286
Ordinary income		49,983
Extraordinary income		
Gain on sales of non-current assets	1	
Gain on reversal of subscription rights to shares	2	
Subsidies for employment adjustment	335	339
Extraordinary losses		
Loss on sales of non-current assets	18	
Loss on retirement of non-current assets	316	
Impairment loss	520	
Provision for loss on store closings	629	
Loss on temporary closure	2,392	
Loss on event cancellations	47	
Other	702	4,628
Profit before income taxes		45,694
Income taxes-current	19,430	
Income taxes-deferred	(690)	18,740
Profit		26,954
Profit attributable to non-controlling interests		12
Profit attributable to owners of parent		26,942

(Note: Amounts are rounded down to the nearest million yen.)

[Abridged Translation for Reference and Convenience Purposes Only]

Consolidated Statements of Changes in Net Assets

From April 1, 2020 to March 31, 2021

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	24,039	53,388	159,222	(9,900)	226,750
Changes during the period					
Dividends from retained earnings			(6,442)		(6,442)
Profit attributable to owners of parent			26,942		26,942
Purchase of treasury stock				(18)	(18)
Disposal of treasury stock		204		363	567
Net changes of items other than shareholders' equity					
Total changes during the period	—	204	20,449	344	21,049
Balance at the end of current period	24,039	53,593	179,722	(9,556)	247,799

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	(162)	(5,085)	(318)	(5,567)	608	137	221,928
Changes during the period							
Dividends from retained earnings							(6,442)
Profit attributable to owners of parent							26,942
Purchase of treasury stock							(18)
Disposal of treasury stock							567
Net changes of items other than shareholders' equity	222	(569)	478	131	154	14	300
Total changes during the period	222	(569)	478	131	154	14	21,350
Balance at the end of current period	59	(5,655)	160	(5,435)	762	151	243,278

(Note: Amounts are rounded down to the nearest million yen.)