

**Consolidated Financial Results  
for the Three-Month Period Ended June 30, 2013 (Japan GAAP)**

August 6, 2013

**Company name:** SQUARE ENIX HOLDINGS CO., LTD.  
**Shares traded:** Tokyo Stock Exchange, First Section  
**Company code:** 9684  
**Company URL:** <http://www.square-enix.com/eng>  
**Representative:** Yosuke Matsuda, President and Representative Director  
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**Tel:** (03) 5292-8000  
**Financial report submission:** August 9, 2013 (planned)  
**Cash dividend payment commencement:** -  
**Supplementary quarterly materials prepared:** Yes  
**Quarterly results presentation held:** No

*(Amounts under one million yen are rounded down)*

**1. Consolidated Financial Results (April 1, 2013 through June 30, 2013)**

(1) Consolidated Financial Results

*(Millions of yen and year-on-year changes in percents)*

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
Three months ended	%		%		%		%	
June 30, 2013	24,083	(3.3)	689	-	1,498	-	(493)	-
June 30, 2012	24,914	1.6	(1,163)	-	(2,049)	-	(2,077)	-

Note: Three months ended June 30, 2013 Comprehensive income: 419 million yen ( - %)  
 Three months ended June 30, 2012 Comprehensive income: (3,203) million yen ( - %)

	Earnings (loss) per share, basic	Earnings (loss) per share, diluted
Three months ended	Yen	Yen
June 30, 2013	(4.29)	-
June 30, 2012	(18.05)	-

(2) Consolidated Financial Position

*(Millions of yen and ratios in percents)*

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
June 30, 2013	198,372	119,753	59.6	1,026.78
March 31, 2013	202,509	121,636	59.3	1,043.62

Note: Total equity As of June 30, 2013: 118,149 million yen  
 As of March 31, 2013: 120,087 million yen

## 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	yen	Yen	yen	yen	yen
Fiscal year ended March 31, 2013	-	10.00	-	20.00	30.00
Fiscal year ending March 31, 2014	-				
Fiscal year ending March 31, 2014 (projection)		10.00	-	20.00	30.00

Note: No change in dividend projection from previous announcement.

## 3. Consolidated Forecasts (April 1, 2013 through March 31, 2014)

(Millions of yen, year-on-year changes in percents and per share data)

	Net sales		Operating Income		Ordinary income		Net income		Earnings per share
	%		%		%		%		Yen
Six months ending September 30, 2013	59,000	(3.4)	(2,000)	-	(2,000)	-	(1,300)	-	(11.30)
	~63,000	~3.2	~0	-	~0	-	~0	-	~0.00
Fiscal year ending March 31, 2014	140,000	(5.4)	5,000	-	5,000	-	3,500	-	30.42
	~150,000	~1.4	~9,000	-	~9,000	-	~6,000	-	~52.14

Note: No change in consolidated forecasts from previous announcement.

## 4. Other

- (1) Significant changes among major subsidiaries during the period : No
- (2) Adoption of special accounting treatment for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatements
  1. Changes associated with revision in accounting standards: No
  2. Other changes: No
  3. Changes in accounting estimates: No
  4. Restatements: No
- (4) Outstanding shares (common stock)
  1. Number of shares issued and outstanding (including treasury stock):
 

As of June 30, 2013	115,370,596
As of March 31, 2013	115,370,596
  2. Number of treasury stock:
 

As of June 30, 2013	303,186
As of March 31, 2013	302,302
  3. Average number of shares during the period (cumulative):
 

Three-month period ended June 30, 2013	115,067,853
Three-month period ended June 30, 2012	115,069,323

Disclaimer: (1) This document is a translation of the Japanese language "Kessan Tanshin" prepared in accordance with the guidelines of the Tokyo Stock Exchange. The Japanese language document shall prevail in the event any differences or discrepancies exist between this English translation and the original. (2) At the time of disclosure of this report, review procedures for quarterly financial statements pursuant to the Financial Instruments and Exchange Law had not been completed. (3) The forward-looking statements in this document are based upon the information currently available and necessarily include elements that are not entirely predictable. The achievement is not promised. Actual results may differ from the forward-looking statements in this document. (4) For additional information about forecasts, please refer to "1.Consolidated Results for the Three-Month Period Ended June 30, 2013 (3) Qualitative information on consolidated business forecasts" section on page 3 of Supplemental Information.

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## 1. Consolidated Results for the Three-Month Period Ended June 30, 2013

### (1) Analysis of consolidated business results

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 three-month period ended June 30, 2013 totaled ¥24,083 million (a decrease of 3.3% from the same period of the prior fiscal year), operating income amounted to ¥689 million (operating loss of ¥1,163 million in the same period of the prior fiscal year), ordinary income amounted to ¥1,498 million (ordinary loss of ¥2,049 million in the same period of the prior fiscal year).

In response to the latest environmental changes in the game industry, the Group has implemented a change in its development policy, and conducted a comprehensive review on work-in-progress game titles during the three-month period ended June 30, 2013. As a result, the Group has decided to book a loss on evaluation of content (approximately ¥1.6 billion) as an extraordinary loss, which resulted in net loss amounted to ¥493 million (net loss of ¥2,077 million in the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2013 follows.

- Digital Entertainment

The Digital Entertainment segment plans, develops, distributes and operates digital entertainment content primarily in the form of games. 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 mobile phones (including smartphones).

During the three-month period ended June 30, 2013, the sales of console games were weak due to no release of new major titles. On the other hand, content on platforms such as browser and smartphone has been making smooth progress. Among others, "SENGOKU IXA," a browser game, has been showing steady performance, and "Kaku-San-Sei Million Arthur," a social game, has become an instant hit in Taiwan, following Korea, while its platform has expanded to PlayStation Vita.

"DRAGON QUEST X," the major MMORPG released in August 2012, has been showing steady performance.

Net sales and operating income in the Digital Entertainment segment totaled ¥11,577 million (an increase of 2.1% from the same period of the prior fiscal year) and ¥1,318 million (operating loss of ¥111 million in the same period of the prior fiscal year), respectively.

- Amusement

The Amusement segment consists of the operation of amusement facilities and the planning, development and distribution of arcade game machines and related products for amusement facilities.

During the three-month period ended June 30, 2013, the operations of the amusement facilities business experienced year-on-year growth in existing store sales, and this segment's performance has been making good progress.

Net sales and operating income in the Amusement segment totaled ¥9,719 million (a decrease of 2.6% from the same

period of the prior fiscal year) and ¥859 million (operating loss of ¥50 million in the same period of the prior fiscal year), respectively.

- Publication

The Publication segment includes comic books, game strategy books and comic magazines.

During the three-month period ended June 30, 2013, sales of comics decreased compared to the same period of the prior fiscal year due primarily to the completion of TV animation series based on popular manga titles in the previous fiscal year.

Net sales and operating income in the Publication segment totaled ¥2,164 million (a decrease of 28.2% from the same period of the prior fiscal year) and ¥474 million (a decrease of 35.8% from the same period of the prior fiscal year), respectively.

- Merchandising

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

During the three-month period ended June 30, 2013, the Group continued to distribute and license items such as character goods and soundtracks based on the Group's own IPs while also strengthening its character goods lineup with additional products based on third party content and overseas expansions.

Net sales and operating income in the Merchandising segment totaled ¥623 million (an increase of 6.3% from the same period of the prior fiscal year) and ¥83 million (an increase of 2.3% from the same period of the prior fiscal year), respectively.

## (2) Analysis of consolidated financial position

- Assets

As of June 30, 2013, total current assets were ¥154,665 million, a decrease of ¥4,370 million compared to March 31, 2013. This was mainly due to a decrease in notes and accounts receivable of ¥10,732 million, while cash and deposits increased by ¥1,150 million, and the content production account increased by ¥4,137 million. As of June 30, 2013, total non-current assets were ¥43,707 million, an increase of ¥233 million compared to March 31, 2013.

As a result, total assets were ¥198,372 million, a decrease of ¥4,136 million compared to March 31, 2013.

- Liabilities

As of June 30, 2013, total current liabilities were ¥34,920 million, a decrease of ¥ 2,493 million compared to March 31, 2013. This was mainly due to a decrease in income taxes payable of ¥742 million, and a decrease in provision for sales returns of ¥887 million. As of June 30, 2013, total non-current liabilities were ¥43,697 million, an increase of ¥240 million compared to March 31, 2013.

As a result, total liabilities were ¥78,618 million, a decrease of ¥2,253 million compared to March 31, 2013.

- Net assets

As of June 30, 2013, net assets were ¥119,753 million, a decrease of ¥1,882 million compared to March 31, 2013. This was mainly due to net loss of ¥493 million, dividend payments of ¥2,301 million and an increase in foreign currency

translation adjustments of ¥721 million.

As a result, the consolidated equity ratio stood at 59.6%, compared to 59.3% as of March 31, 2013.

### (3) Qualitative information on consolidated business forecasts

The business environment surrounding the Group is in the midst of major changes, where smart devices such as smartphones and tablet PCs are spreading rapidly, while the console game markets in North America and Europe are increasingly competitive and oligopolistic. In light of such environmental changes, the Group is focusing all efforts on a substantial earnings improvement by driving reforms of its business structure in order to establish new revenue bases. Given the environmental changes described above, it is expected that the consolidated forecasts for financial results will fluctuate ever-larger. The Group, therefore, has decided to make consolidated forecasts in a range of forecasted figures in lieu of specific figures, starting from the fiscal year ending March 31, 2014.

### 3. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2013

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
<b>Assets</b>		
Current assets		
Cash and deposits	100,418	<b>101,569</b>
Notes and accounts receivable-trade	30,226	<b>19,493</b>
Merchandise and finished goods	2,376	<b>2,364</b>
Work in progress	47	<b>711</b>
Raw materials and supplies	357	<b>417</b>
Content production account	15,805	<b>19,942</b>
Other	9,941	<b>10,360</b>
Allowance for doubtful accounts	(136)	<b>(194)</b>
Total current assets	159,035	<b>154,665</b>
Non-current assets		
Property and equipment	20,169	<b>19,716</b>
Intangible assets	10,940	<b>11,367</b>
Investments and other assets	12,363	<b>12,624</b>
Total non-current assets	43,473	<b>43,707</b>
Total assets	202,509	<b>198,372</b>

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,653	<b>8,189</b>
Short-term loans payable	5,726	<b>6,012</b>
Income taxes payable	1,499	<b>756</b>
Provision for bonuses	966	<b>649</b>
Provision for sales returns	4,319	<b>3,432</b>
Provision for game arcade closings	256	<b>254</b>
Asset retirement obligations	3	<b>3</b>
Other	15,989	<b>15,624</b>
Total current liabilities	<u>37,414</u>	<u><b>34,920</b></u>
Non-current liabilities		
Bonds payable	35,000	<b>35,000</b>
Provision for retirement benefits	4,714	<b>4,801</b>
Provision for directors' retirement benefits	244	<b>249</b>
Provision for game arcade closings	468	<b>443</b>
Asset retirement obligations	800	<b>802</b>
Other	2,229	<b>2,401</b>
Total non-current liabilities	<u>43,457</u>	<u><b>43,697</b></u>
Total liabilities	<u>80,872</u>	<u><b>78,618</b></u>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	15,204	<b>15,204</b>
Capital surplus	44,444	<b>44,444</b>
Retained earnings	68,153	<b>65,359</b>
Treasury stock	(862)	<b>(863)</b>
Total shareholders' equity	<u>126,940</u>	<u><b>124,144</b></u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	<b>193</b>
Foreign currency translation adjustments	(6,911)	<b>(6,189)</b>
Total accumulated other comprehensive income	<u>(6,853)</u>	<u><b>(5,995)</b></u>
Subscription rights to shares	652	<b>652</b>
Minority interests	897	<b>952</b>
Total net assets	<u>121,636</u>	<u><b>119,753</b></u>
Total liabilities and net assets	<u>202,509</u>	<u><b>198,372</b></u>



(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income  
Consolidated Income Statement

(Millions of yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	24,914	24,083
Cost of sales	15,059	13,858
Gross profit	9,854	10,225
Reversal of provision for sales returns	1,503	4,544
Provision for sales returns	1,325	3,457
Gross profit-net	10,032	11,312
Selling, general and administrative expenses	11,196	10,622
Operating income (loss)	(1,163)	689
Non-operating income		
Interest income	32	22
Dividends received	5	5
Reversal of allowance for doubtful accounts	8	-
Foreign exchange gains	-	787
Miscellaneous income	20	28
Total non-operating income	67	843
Non-operating expenses		
Interest expenses	26	22
Commission fee	13	13
Foreign exchange losses	911	-
Miscellaneous loss	1	0
Total non-operating expenses	952	35
Ordinary income (loss)	(2,049)	1,498
Extraordinary income		
Gain on sales of investment securities	-	24
Gain on reversal of subscription rights to shares	-	2
Other	-	0
Total extraordinary income	-	27
Extraordinary loss		
Loss on sales of non-current assets	19	0
Loss on retirement of non-current assets	24	9
Loss on evaluation of content	-	1,633
Other	8	63
Total extraordinary loss	52	1,706
Loss before income dividends distribution from silent partnership, income taxes (tokumei-kumiai)	(2,101)	(181)
Dividends distribution from silent partnership (tokumei-kumiai)	4	6
Loss before income taxes	(2,105)	(187)
Income taxes-current	(132)	225
Income taxes-deferred	99	76
Total income taxes	(33)	301
Loss before minority interests	(2,072)	(489)
Minority interests in income	5	4
Net loss	(2,077)	(493)

## Consolidated Statement of Comprehensive Income

*(Millions of yen)*

	Three months ended June 30, 2012	<b>Three months ended June 30, 2013</b>
Loss before minority interests	(2,072)	<b>(489)</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(74)	<b>135</b>
Foreign currency translation adjustment	(1,056)	<b>773</b>
Other comprehensive income	(1,130)	<b>908</b>
Comprehensive income	(3,203)	<b>419</b>
(Breakdown)		
Comprehensive income attributable to owners of the parent	(3,201)	<b>364</b>
Comprehensive income attributable to minority interests	(2)	<b>55</b>

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the three-month period ended June 30, 2012

Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	11,336	9,981	3,012	583	24,914	-	24,914
(2) Intersegment sales	-	-	-	2	2	(2)	-
Total	11,336	9,981	3,012	586	24,917	(2)	24,914
Segment operating income (loss)	(111)	(50)	738	81	657	(1,821)	(1,163)

Notes: 1. Segment adjustments (¥1,821) million include unallocated corporate operating expenses (¥1,830) million.  
2. Segment operating income is adjusted in operating income on the consolidated income statement.

II. Outline of reporting segments for the three-month period ended June 30, 2013

Information on sales and income by reporting segment

(Millions of yen)

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Sales and operating income							
Net sales							
(1) Sales to outside customers	11,577	9,719	2,164	622	24,083	-	24,083
(2) Intersegment sales	-	-	0	0	0	(0)	-
Total	11,577	9,719	2,164	623	24,084	(0)	24,083
Segment operating income	1,318	859	474	83	2,734	(2,044)	689

Notes: 1. Segment adjustments (¥2,044) million include unallocated corporate operating expenses (¥2,053) million.  
2. Segment operating income is adjusted in operating income on the consolidated income statement.