

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

November 6, 2013

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, First Section
Company code: 9684
Company URL: <http://www.hd.square-enix.com/eng/>
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Financial report submission: November 13, 2013 (planned)
Cash dividend payment commencement: December 5, 2013 (planned)
Supplementary quarterly materials prepared: Yes
Quarterly results presentation held: Yes (for institutional investors and analysts)

(Amounts under one million yen are rounded down)

1. Consolidated Financial Results (April 1, 2013 through September 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)	
Six months ended	%		%		%		%	
September 30, 2013	61,664	1.0	4,675	—	5,669	—	2,606	—
September 30, 2012	61,055	6.2	(5,240)	—	(6,266)	—	(5,480)	—

Note: Six months ended September 30, 2013 Comprehensive income: 4,161 million yen (- %)
 Six months ended September 30, 2012 Comprehensive income: (6,714) million yen (- %)

	Earnings (loss) per share, basic	Earnings (loss) per share, diluted
Six months ended	yen	yen
September 30, 2013	22.64	22.60
September 30, 2012	(47.63)	—

(2) Consolidated Financial Position

(Millions of yen and ratios in percents)

	Total assets	Net assets	Equity ratio	Net assets per share
As of			%	yen
September 30, 2013	210,928	123,468	57.9	1,059.86
March 31, 2013	202,509	121,636	59.3	1,043.62

Note: Total equity As of September 30, 2013: 122,144 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	-	10.00			
Fiscal year ending March 31, 2014 (projection)			-	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
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 September 30, 2013	115,549,896
As of March 31, 2013	115,370,596
 2. Number of treasury stock:

As of September 30, 2013	303,863
As of March 31, 2013	302,302
 3. Average number of shares during the period (cumulative):

Six-month period ended September 30, 2013	115,157,598
Six-month period ended September 30, 2012	115,069,305

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 consolidated 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 Six-Month Period Ended September 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 Six-Month Period Ended September 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 six-month period ended September 30, 2013 totaled ¥61,664 million (an increase of 1.0% from the same period of the prior fiscal year), operating income amounted to ¥4,675 million (operating loss of ¥5,240 million in the same period of the prior fiscal year), ordinary income amounted to ¥5,669 million (ordinary loss of ¥6,266 million in the same period of the prior fiscal year).

The compensation income (approximately ¥350 million) for the closure of amusement arcades due to urban redevelopment projects was booked as an extraordinary gain. 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. As a result, the Group has decided to book a loss on evaluation of content (approximately ¥1.6 billion) as an extraordinary loss.

These factors resulted in net income amounted to ¥2,606 million (net loss of ¥5,480 million in the same period of the prior fiscal year).

A discussion of results by segment for the six-month period ended September 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 six-month period ended September 30, 2013, distribution revenues of console game titles in North America were strong. Software sales of "FINAL FANTASY XIV: A REALM REBORN", a multiplayer online role playing game released in August 2013, have been making favorable progress, and the number of registered users has been growing steadily.

Content for platforms such as browser and smartphone has continued to build upon its already solid growth. Among other titles, "SENGOKU IXA," a browser game, has been showing steady performance, and "Kaku-San-Sei Million Arthur," a game for smartphones, has become an instant hit in Taiwan and mainland China, following Korea, while its platform has expanded to include the PlayStation Vita.

Net sales and operating income in the Digital Entertainment segment totaled ¥30,636 million (a decrease of 0.4% from the same period of the prior fiscal year) and ¥3,456 million (operating loss of ¥2,088 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 six-month period ended September 30, 2013, sales of amusement machines such as “LORD of VERMILION III” were strong, and the operation of the amusement arcades has been showing steady performance. Net sales and operating income in the Amusement segment totaled ¥25,003 million (an increase of 8.2% from the same period of the prior fiscal year) and ¥3,717 million (operating loss of ¥209 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 six-month period ended September 30, 2013, sales of comics decreased compared to the same period of the prior fiscal year due primarily to the decrease of some popular comic title's new publications.

Net sales and operating income in the Publication segment totaled ¥4,621 million (a decrease of 16.4% from the same period of the prior fiscal year) and ¥990 million (a decrease of 19.3% 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 six-month period ended September 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 ¥1,630 million (a decrease of 2.5% from the same period of the prior fiscal year) and ¥354 million (an increase of 0.6% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of September 30, 2013, total current assets were ¥166,250 million, an increase of ¥7,215 million compared to March 31, 2013. This was mainly due to an increase in cash and deposits of ¥4,450 million, and an increase in the content production account of ¥9,635 million, while notes and accounts receivable-trade decreased by ¥5,593 million.

As of September 30, 2013, total non-current assets were ¥44,677 million, an increase of ¥1,204 million compared to March 31, 2013.

As a result, total assets were ¥210,928 million, an increase of ¥8,419 million compared to March 31, 2013.

- Liabilities

As of September 30, 2013, total current liabilities were ¥43,653 million, an increase of ¥6,239 million compared to March 31, 2013. This was mainly due to an increase in notes and accounts payable-trade of ¥4,108 million, and an

increase in other on current liabilities of ¥2,387 million. As of September 30, 2013, total non-current liabilities were ¥43,806 million, an increase of ¥348 million compared to March 31, 2013.

As a result, total liabilities were ¥87,460 million, an increase of ¥6,587 million compared to March 31, 2013.

- Net assets

As of September 30, 2013, net assets were ¥123,468 million, an increase of ¥1,831 million compared to March 31, 2013. This was mainly due to net income of ¥2,606 million, dividend payments of ¥2,301 million and an increase in foreign currency translation adjustments of ¥1,125 million.

As a result, the consolidated equity ratio stood at 57.9%, 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.

2. Consolidated Financial Statements for the Six-Month Period Ended September 30, 2013

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	100,418	104,868
Notes and accounts receivable-trade	30,226	24,632
Merchandise and finished goods	2,376	2,283
Work in progress	47	327
Raw materials and supplies	357	366
Content production account	15,805	25,441
Other	9,941	8,503
Allowance for doubtful accounts	(136)	(174)
Total current assets	<u>159,035</u>	<u>166,250</u>
Non-current assets		
Property and equipment	20,169	19,886
Intangible assets	10,940	11,609
Investments and other assets	<u>12,363</u>	<u>13,182</u>
Total non-current assets	<u>43,473</u>	<u>44,677</u>
Total assets	<u>202,509</u>	<u>210,928</u>

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,653	12,762
Short-term loans payable	5,726	6,323
Income taxes payable	1,499	1,266
Provision for bonuses	966	1,406
Provision for sales returns	4,319	3,367
Provision for game arcade closings	256	149
Asset retirement obligations	3	1
Other	15,989	18,376
Total current liabilities	<u>37,414</u>	<u>43,653</u>
Non-current liabilities		
Bonds payable	35,000	35,000
Provision for retirement benefits	4,714	4,831
Provision for directors' retirement benefits	244	187
Provision for game arcade closings	468	496
Asset retirement obligations	800	803
Other	2,229	2,486
Total non-current liabilities	<u>43,457</u>	<u>43,806</u>
Total liabilities	<u>80,872</u>	<u>87,460</u>
Net assets		
Shareholders' equity		
Capital stock	15,204	15,338
Capital surplus	44,444	44,578
Retained earnings	68,153	68,459
Treasury stock	(862)	(864)
Total shareholders' equity	<u>126,940</u>	<u>127,512</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	417
Foreign currency translation adjustments	(6,911)	(5,785)
Total accumulated other comprehensive income	<u>(6,853)</u>	<u>(5,368)</u>
Subscription rights to shares	652	356
Minority interests	897	967
Total net assets	<u>121,636</u>	<u>123,468</u>
Total liabilities and net assets	<u>202,509</u>	<u>210,928</u>

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

	<i>(Millions of yen)</i>	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	61,055	61,664
Cost of sales	39,988	34,433
Gross profit	21,066	27,230
Reversal of provision for sales returns	1,495	4,538
Provision for sales returns	1,852	3,344
Gross profit-net	20,710	28,425
Selling, general and administrative expenses	25,950	23,749
Operating income (loss)	(5,240)	4,675
Non-operating income		
Interest income	57	52
Dividends received	5	5
Foreign exchange gains	—	942
Miscellaneous income	46	67
Total non-operating income	108	1,066
Non-operating expenses		
Interest expenses	52	44
Commission fee	26	26
Foreign exchange losses	1,025	—
Miscellaneous loss	31	2
Total non-operating expenses	1,135	73
Ordinary income (loss)	(6,266)	5,669
Extraordinary income		
Gain on sales of investment securities	—	24
Gain on reversal of subscription rights to shares	23	33
Compensation income	—	351
Other	3	2
Total extraordinary income	26	412
Extraordinary loss		
Loss on retirement of non-current assets	57	41
Loss on evaluation of content	—	1,641
Other	77	87
Total extraordinary loss	135	1,770
Income (loss) before income dividends distribution from silent partnership, income taxes (tokumei-kumiai)	(6,375)	4,311
Dividends distribution from silent partnership (tokumei-kumiai)	0	14
Income (loss) before income taxes	(6,375)	4,297
Income taxes-current	(366)	836
Income taxes-deferred	(535)	847
Total income taxes	(902)	1,683
Income (loss) before minority interests	(5,472)	2,614
Minority interests in income	7	7
Net income (loss)	(5,480)	2,606

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income (loss) before minority interests	(5,472)	2,614
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	359
Foreign currency translation adjustment	(1,119)	1,187
Other comprehensive income	(1,241)	1,547
Comprehensive income	(6,714)	4,161
(Breakdown)		
Comprehensive income attributable to owners of the parent	(6,701)	4,091
Comprehensive income attributable to minority interests	(12)	70

(3) Note regarding going concern assumptions

None

(4) Material changes in shareholders' equity

None

(5) Segment information

I. Outline of reporting segments for the six-month period ended September 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		
Net sales							
(1) Sales to outside customers	30,749	23,115	5,530	1,660	61,055	-	61,055
(2) Intersegment sales	-	-	-	13	13	(13)	-
Total	30,749	23,115	5,530	1,673	61,068	(13)	61,055
Segment operating income(loss)	(2,088)	(209)	1,227	352	(718)	(4,521)	(5,240)

Notes: 1. Segment adjustments (¥4,521 million) include unallocated corporate operating expenses (¥4,541 million).

2. Segment operating income is adjusted in operating income on the consolidated income statement.

II. Outline of reporting segments for the six-month period ended September 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		
Net sales							
(1) Sales to outside customers	30,631	25,003	4,525	1,503	61,664	-	61,664
(2) Intersegment sales	4	-	95	127	227	(227)	-
Total	30,636	25,003	4,621	1,630	61,891	(227)	61,664
Segment operating income	3,456	3,717	990	354	8,519	(3,843)	4,675

Notes: 1. Segment adjustments (¥3,843 million) include unallocated corporate operating expenses (¥3,859 million).

2. Segment operating income is adjusted in operating income on the consolidated income statement.