May 14, 2025

Company: SQUARE ENIX HOLDINGS CO., LTD.
Representative: Takashi Kiryu, President and Representative Director
Company code: 9684 (Tokyo Stock Exchange, Prime Market)
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Notice regarding Receipt of Shareholder Proposal and Opinion of the Company's Board of Directors

SQUARE ENIX HOLDINGS CO., LTD. (the "Company ") received a letter dated April 16, 2025 from a shareholder of the Company wishing to exercise its shareholder proposal rights with respect to the Company's 45th Annual Shareholders' Meeting, which is scheduled to be held on June 25, 2025. Below we made a resolution of the opinion on the Shareholder Proposal formulated by the Company's Board of Directors (the "Board") at its board meeting held today.

1. Proposing shareholder

   Shareholder name: LONGCHAMP SICAV (Dalton Investments, Inc. as proxy)

2. Details of the Shareholder Proposal
   (1) Agenda item

       (1) Share Repurchase

   (2) Details of the Agenda Item and Reason for Proposal

       As contained in the appendix item "Details of the Shareholder Proposal."

       The appendix item "Details of the Shareholder Proposal" is an English translation of the relevant sections of text contained within the Shareholder Proposal submitted by the proposing shareholder in Japanese.

3. Opinion of the Board regarding the Shareholder Proposal

   Agenda item (1) Share Repurchase

   (1) Opinion of the Board

       The Board opposes the agenda item contained within the Shareholder Proposal.

   (2) Reason for opposition

   The Shareholder Proposal requests that the Company purchase up to 10,000,000 shares of its common stock at a total acquisition price of up to ¥60,000,000,000 by means of cash payment within one year of the conclusion of the Company's Annual Shareholders' Meeting.

The Company's policy is to maintain a flexible approach to shareholder returns, giving consideration to the balance between growth investments and shareholder returns, as set forth in its Medium-term Business Plan released in May 2024. The total payout ratio stood at 63.4% in FY2025/3, and we recognize that enhancing shareholder returns is also an important item.

However, the Shareholder Proposal requests the purchase of 10,000,000 shares of its common stock at a total acquisition price of ¥60,000,000,000 within one year, an acquisition that would equate to around 2.5 times the Company's profit attributable to owners of parent of ¥24,414 million in FY2025/3, which we would view as an excessive level. Furthermore, the request stipulates that the repurchases are to be implemented within one year of the conclusion of the Annual Shareholders' Meeting, a limited window that suggests that proposal is focused on the short term. The Board believes that the Shareholder Proposal runs the risk of undermining the Group's efforts to enhance corporate value and secure shareholders' common interests over the medium to long term. The Board believes that it would be more appropriate for the Company, in keeping with the Medium-term Business Plan, to determine its dividend policy based on consideration of a comprehensive array of factors such as its earnings, financial condition, and share price level, rather than implementing share repurchases according to the timeframe and purchase value prescribed by the Shareholder Proposal.

For these reasons, the Board opposes the Shareholder Proposal.

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Appendix item: “Details of the Shareholder Proposal”

Note: This is an English translation of the relevant sections of text contained within the Shareholder Proposal submitted by the proposing shareholder in Japanese.

1. Proposed Agenda Item

1) Share Repurchase

2. Outline of Agenda Item and Reason for Proposal

1) Share Repurchase

Outline of Agenda Item

Pursuant to Article 156, Paragraph 1 of the Companies Act, the Company shall acquire up to 10,000,000 shares of its common stock at a total acquisition price of up to ¥60,000,000,000 by means of cash payment within one year of the conclusion of the Annual Shareholders' Meeting.

Reason for Proposal

The Company earmarked a total of ¥20 billion for the repurchase of its shares in May 2024 under the capital allocation policy set forth in its Medium-term Business Plan covering FY2025/3 to FY2027/3 (the “Medium-term Plan”). However, no repurchases had been executed as of March 31, 2025. The Company stated that it was establishing share repurchase parameters in order to enable the flexible repurchase of its own shares in consideration of factors including investment opportunities, its financial position, and the price of its stock. When share repurchase parameters are set, the general expectation is that shares will be repurchased in accordance with those parameters. Moreover, the Medium-term Plan presentation materials prominently feature a total payout ratio of 165%, reflecting the combination of dividends and share buybacks. As such, the Company's conduct thus far can only be described as a betrayal of the market's expectations.

Furthermore, the Company's capital allocation policy outlines ¥80-¥100 billion in funds for “strategic investment” over the three-year Medium-term Plan period, from which the Company is to undertake shareholder returns as well as M&A and other growth investments. At the same time, the Company defined the Medium-term Plan period as “a 3-year reboot for long-term growth” and has in fact booked content production account valuation write-downs and abandonment losses following a pipeline review. It has also been working on its internal capabilities, in part by revisiting its organizational structure and undertaking development efforts involving core IT systems. Under such circumstances, we question whether now is the time for the Company to be seeking external growth through moves such as M&A. This is not to say that we reject the idea of acquiring growth opportunities through M&A, but we question the Company's ability to adequately manage any acquired entities it might take on while undergoing what it describes as a "reboot." Given present conditions, would taking such actions not conversely pose the risk of diminishing the Company's corporate value? If so, we believe a better way to add corporate value would be for the Company to implement share repurchases, which are equivalent to the Company investing in itself, within the budget earmarked for strategic investments.

For the above reasons, we raise questions over the Company's conduct thus far and believe that the Company should conduct share repurchases as outlined within the proposal set forth above in order to satisfy market expectations and work toward achieving appropriate capital allocation. Given that the ¥60 billion share repurchase total specified in the proposal is within the bounds of the Company's own three-year strategic investment plan contained within the Medium-term Plan, we believe repurchases of this amount would be achievable from a financial standpoint.

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