



Consolidated Financial Results
for the Three-Month Period Ended June 30, 2022 (Japan GAAP)

August 4, 2022

Company name: SQUARE ENIX HOLDINGS CO., LTD.
Shares traded: Tokyo Stock Exchange, Prime Market
Company code: 9684
Company URL: <https://www.hd.square-enix.com/eng>
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Tel: (03) 5292-8000
Financial report submission: August 8, 2022 (planned)
Cash dividend payment commencement: —
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, 2022 through June 30, 2022)

(1) Consolidated Financial Results

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

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|--------------------|---------------|------------------|-----------------|---|
| Three months ended | % | % | % | % |
| June 30, 2022 | 74,876 (15.5) | 14,430 (16.7) | 26,255 48.7 | 18,355 45.0 |
| June 30, 2021 | 88,604 1.8 | 17,316 (29.5) | 17,661 (26.9) | 12,655 (11.9) |

Note: Three months ended June 30, 2022 Comprehensive income: 16,833 million yen [31.4%]
Three months ended June 30, 2021 Comprehensive income: 12,806 million yen [(10.6%)]

| | Earnings per share, basic | Earnings per share, diluted |
|--------------------|---------------------------|-----------------------------|
| Three months ended | yen | yen |
| June 30, 2022 | 153.45 | 153.19 |
| June 30, 2021 | 105.98 | 105.74 |

(2) Consolidated Financial Position

(Millions of yen, ratios in percents and per share data)

| | Total assets | Net assets | Equity ratio |
|----------------|--------------|------------|--------------|
| As of | | | % |
| June 30, 2022 | 373,391 | 287,265 | 76.7 |
| March 31, 2022 | 380,902 | 284,429 | 74.4 |

Note: Total equity As of June 30, 2022: 286,342 million yen
As of March 31, 2022: 283,519 million yen

2. Dividends

| | Dividends per share | | | | |
|--|---------------------|--------------|----------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | Total |
| Fiscal year ended March 31, 2022 | yen — | yen 10.00 | yen — | yen 119.00 | yen 129.00 |
| Fiscal year ending March 31, 2023 | — | | | | |
| Fiscal year ending March 31, 2023 (projection) | | — | — | — | — |

Note: No change in Dividend projection from previous announcement.

3. Consolidated Forecasts (April 1, 2022 to March 31, 2023)

The Company's consolidated financial forecasts for the fiscal year through March 31, 2023 remain undetermined pending a thorough assessment of the earnings impact of the transaction announced on May 2, 2022 in the release entitled "Execution of Share Transfer Agreement with Change to Subsidiaries (Divestiture of Select Overseas Studios & IP)." The Company will disclose financial forecasts as soon as they are calculable.

Notes

- (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, procedures, and methods of presentation for consolidated financial statements
 1. Changes in accounting policies due to revisions to accounting standards: Yes
 2. Changes other than 1. : No
 3. Changes in accounting estimates: No
 4. Retrospective restatement: No
- (4) Outstanding shares (common stock)
 1. Number of shares issued and outstanding (including treasury stock):

| | |
|----------------------|-------------|
| As of June 30, 2022 | 122,531,596 |
| As of March 31, 2022 | 122,531,596 |
 2. Number of treasury stock:

| | |
|----------------------|-----------|
| As of June 30, 2022 | 2,881,141 |
| As of March 31, 2022 | 2,927,230 |
 3. Average number of shares during the period (cumulative):

| | |
|--|-------------|
| Three-month period ended June 30, 2022 | 119,616,868 |
| Three-month period ended June 30, 2021 | 119,413,412 |

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, 2022 (3) Qualitative information on consolidated business forecasts" section on page 4 of Supplemental Information

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1. Consolidated Results for the Three-Month Period Ended June 30, 2022

(1) Analysis of consolidated business results

The Square Enix group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its Digital Entertainment, Amusement, Publication and Merchandising business segments. Net sales for the three-month period ended June 30, 2022 totaled ¥74,876 million (a decrease of 15.5% from the same period of the prior fiscal year), operating income amounted to ¥14,430 million (a decrease of 16.7% from the same period of the prior fiscal year). In foreign exchange rates, the weakness of Japanese yen compared to the rate as of the end of last fiscal year has resulted in the booking of a foreign exchange gain amounting to ¥13,055 million. As a result, ordinary income amounted to ¥26,255 million (an increase of 48.7% from the same period of the prior fiscal year), and profit attributable to owners of parent amounted to ¥18,355 million (an increase of 45.0% from the same period of the prior fiscal year).

A discussion of results by segment for the three-month period ended June 30, 2022 follows.

● Digital Entertainment

The Digital Entertainment segment consists of planning, development, distribution, and operation of 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 smart devices.

Due to decreased earnings from new titles, the HD (High-Definition) Game sub-segment's net sales for the three-month period ended June 30, 2022 declined compared to the same period of the previous fiscal year, which had included the release of "OUTRIDERS" and "NieR Replicant ver.1.22474487139..."

In the MMO (Massively Multiplayer Online) Game sub-segment, net sales rose versus the same period of the previous fiscal year due to growth in the number of monthly paying subscribers for "FINAL FANTASY XIV." While "ECHOES of MANA" got off to a solid start following its April launch, net sales in the Games for Smart Devices/PC Browser sub-segment declined compared to the same period of the previous fiscal year, in part because of weak performances from existing titles.

Net sales and operating income in the Digital Entertainment segment totaled ¥53,570 million (a decrease of 23.3% from the same period of the prior fiscal year), and ¥14,140 million (a decrease of 17.5% from the same period of the prior fiscal year), respectively.

● Amusement

The Amusement segment consists of the operation of amusement facilities, as well as of the planning, development, and distribution of arcade game machines and related products for amusement facilities. Net sales and operating income for the three-month period ended June 30, 2022 rose compared to the same period of the previous fiscal year due to a significant year-on-year increase in same-store sales. Net sales and operating income in the Amusement segment totaled ¥11,977 million (an increase of 26.7% from the same period of the prior fiscal year), and ¥1,142 million (an increase of 231.1% from the same period of the prior fiscal year), respectively.

- Publication

The Publication segment consists of publication and licensing of comic magazines, comic books, and game-related books.

Net sales and operating income for the three-month period ended June 30, 2022 declined compared to the same period of the previous fiscal year due to year-on-year declines in both digital and print sales.

Net sales and operating income in the Publication segment totaled ¥6,261 million (a decrease of 13.6% from the same period of the prior fiscal year) and ¥2,498 million (a decrease of 23.1% from the same period of the prior fiscal year), respectively.

- Merchandising

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

In the three-month period ended June 30, 2022, sales of new merchandise based on key intellectual properties were brisk, but the sales mix changed. This and other factors resulted in a year-on-year rise in net sales but a decline in operating income.

Net sales and operating income in the Merchandising segment totaled ¥3,689 million (an increase of 31.9% from the same period of the prior fiscal year), and ¥849 million (a decrease of 8.1% from the same period of the prior fiscal year), respectively.

(2) Analysis of consolidated financial position

- Assets

As of June 30, 2022, total current assets were ¥313,399 million, a decrease of ¥9,055 million compared to March 31, 2022. This was mainly due to decreases in cash and deposits of ¥17,483 million and notes and accounts receivable-trade of ¥7,155 million, while content production account increased by ¥14,498 million. As of June 30, 2022, total non-current assets were ¥59,991 million, an increase of ¥1,543 million compared to March 31, 2022.

As a result, total assets were ¥373,391 million, a decrease of ¥7,511 million compared to March 31, 2022.

- Liabilities

As of June 30, 2022, total current liabilities were ¥72,964 million, a decrease of ¥10,835 million compared to March 31, 2022. This was mainly due to decreases in notes and accounts payable-trade of ¥5,523 million, income taxes payable of ¥1,994 million and provision for bonuses of ¥3,960 million, respectively. As of June 30, 2022, total non-current liabilities were ¥13,160 million, an increase of ¥488 million compared to March 31, 2022.

As a result, total liabilities were ¥86,125 million, a decrease of ¥10,347 million compared to March 31, 2022.

- Net assets

As of June 30, 2022, net assets were ¥287,265 million, an increase of ¥2,835 million compared to March 31, 2022. This was mainly owing to profit attributable to owners of parent of ¥18,355 million and dividend payments of ¥14,232 million.

As a result, the consolidated equity ratio stood at 76.7% (74.4% as of March 31, 2022).

(3) Qualitative information on consolidated business forecasts

As a result of digitization and other technological advances, consumer game content is increasingly sold via downloads rather than physical packages. Monetization methods such as free-to-play, microtransactions, and subscriptions have also given rise to a greater diversity of business models outside the confines of traditional one-off sales. As such, the consumer game market continues to grow.

In the market for games for smart devices, increasingly sophisticated smartphones are making customers demand even richer gaming experiences and enabling greater diversity in game design and business models. Led by the Western and Asian regions, the size of the market also continues to expand globally. Meanwhile, a familiar list of titles continues to dominate the upper end of the smart device game rankings in Japan, and the increased presence of Asian players in the Japanese market has intensified competition, reducing the odds of new titles succeeding.

By developing content and diversifying earnings opportunities in line with this changing environment, the Group is working to establish an earnings platform with the goal of enabling sustained growth in sales and profits.

The Group is currently assessing the earnings impact of the transaction described in its May 2, 2022 release entitled "Execution of Share Transfer Agreement with Change to Subsidiaries." It therefore finds forecasting full-year earnings difficult at present and continues to leave its consolidated forecasts for the fiscal year ending March 31, 2023 undetermined. The Group will disclose consolidated forecasts as soon as they can be appropriately and reasonably calculated.

2. Consolidated Financial Statements for the Three-Month Period Ended June 30, 2022

(1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---------------------------------------|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 163,088 | 145,604 |
| Notes and accounts receivable - trade | 44,968 | 37,813 |
| Merchandise and finished goods | 4,687 | 4,469 |
| Work in progress | 18 | 8 |
| Raw materials and supplies | 485 | 484 |
| Content production account | 96,765 | 111,264 |
| Other | 12,711 | 13,983 |
| Allowance for doubtful accounts | (268) | (228) |
| Total current assets | 322,455 | 313,399 |
| Non-current assets | | |
| Property, plant and equipment | 19,814 | 19,789 |
| Intangible assets | 7,375 | 7,955 |
| Investments and other assets | 31,257 | 32,246 |
| Total non-current assets | 58,447 | 59,991 |
| Total assets | 380,902 | 373,391 |

(Millions of yen)

| | As of March 31, 2022 | As of June 30, 2022 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 27,598 | 22,075 |
| Income taxes payable | 8,442 | 6,448 |
| Provision for bonuses | 6,539 | 2,578 |
| Refund liabilities | 5,616 | 5,402 |
| Other | 35,602 | 36,459 |
| Total current liabilities | 83,800 | 72,964 |
| Non-current liabilities | | |
| Provision for directors' retirement benefits | 17 | 17 |
| Net defined benefit liability | 3,842 | 3,945 |
| Asset retirement obligations | 3,842 | 3,814 |
| Other | 4,969 | 5,383 |
| Total non-current liabilities | 12,672 | 13,160 |
| Total liabilities | 96,472 | 86,125 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 24,039 | 24,039 |
| Capital surplus | 53,880 | 53,979 |
| Retained earnings | 221,316 | 225,438 |
| Treasury stock | (8,964) | (8,823) |
| Total shareholders' equity | 290,272 | 294,634 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (24) | (33) |
| Foreign currency translation adjustment | (6,844) | (8,377) |
| Remeasurements of defined benefit plans | 116 | 119 |
| Total accumulated other comprehensive income | (6,752) | (8,292) |
| Subscription rights to shares | 718 | 714 |
| Non-controlling interests | 191 | 208 |
| Total net assets | 284,429 | 287,265 |
| Total liabilities and net assets | 380,902 | 373,391 |

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

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|---|-------------------------------------|-------------------------------------|
| Net sales | 88,604 | 74,876 |
| Cost of sales | 39,456 | 30,237 |
| Gross profit | 49,147 | 44,638 |
| Selling, general and administrative expenses | 31,831 | 30,207 |
| Operating income | 17,316 | 14,430 |
| Non-operating income | | |
| Interest income | 15 | 31 |
| Dividend income | 0 | 0 |
| Foreign exchange gains | 127 | 13,055 |
| Gain on investments in securities | 110 | 111 |
| Gain on sale of crypto assets | 86 | — |
| Revenue from business held for sale | — | 2,427 |
| Miscellaneous income | 30 | 29 |
| Total non-operating income | 369 | 15,655 |
| Non-operating expenses | | |
| Interest expenses | 21 | 31 |
| Commission fee | 2 | 657 |
| Expenses from business held for sale | — | 3,140 |
| Miscellaneous loss | 1 | 0 |
| Total non-operating expenses | 24 | 3,829 |
| Ordinary income | 17,661 | 26,255 |
| Extraordinary income | | |
| Subsidy income related to COVID-19 | 44 | 3 |
| Gain on sale of shares of subsidiaries and associates | 260 | — |
| Total extraordinary income | 305 | 3 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 17 | 15 |
| Impairment loss | 1 | 1 |
| Loss on temporary closure | 236 | — |
| Other | 6 | — |
| Total extraordinary losses | 262 | 16 |
| Profit before income taxes | 17,703 | 26,242 |
| Income taxes-current | 3,718 | 6,705 |
| Income taxes-deferred | 1,324 | 1,176 |
| Total income taxes | 5,043 | 7,882 |
| Profit | 12,660 | 18,359 |
| Profit attributable to non-controlling interests | 4 | 4 |
| Profit attributable to owners of parent | 12,655 | 18,355 |

Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Three months ended June 30, 2021 | Three months ended June 30, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit | 12,660 | 18,359 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (11) | (9) |
| Foreign currency translation adjustment | 177 | (1,520) |
| Remeasurements of defined benefit plans | (19) | 3 |
| Total other comprehensive income | 146 | (1,526) |
| Comprehensive income | 12,806 | 16,833 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 12,793 | 16,815 |
| Comprehensive income attributable to non-controlling interests | 13 | 17 |

(3) Notes to Consolidated Financial Statements
(Note regarding going concern assumptions)
None

(Material changes in shareholders' equity)
None

(Changes in accounting policies)
(Application of Application Guidelines for Accounting Standards related to the Calculation of Market Value)
The Company has applied the Application Guidelines for Accounting Standards related to the Calculation of Market Value (Corporate Accounting Standard Application Guideline No. 31 of June 17, 2021; "Application Guidelines for Market Value Standards") since the start of the three-month period ended June 30, 2022. In keeping with the transitional treatment described in Paragraph 27-2 of the Application Guidelines for Market Value Standards, the Company will continue to apply new accounting practices set forth under the Application Guidelines for Market Value Standards. As a result, there is no impact to the consolidated financial statements for the three month period ended June 30, 2022.

(Additional information)
(Application of the Practical Solution on Accounting and Disclosure under the Group Tax Sharing System)
The Company and its domestic consolidated subsidiaries have transitioned from the consolidated tax payment system to the group tax sharing system as of the three-month period ended June 30, 2022. As a result, the Company's accounting for and disclosure of corporate tax, local corporation tax, and tax effects is in compliance with the Practical Solution on Accounting and Disclosure under the Group Tax Sharing System (Practical Solution No. 42 of August 12, 2021). Also, based on Paragraph 32-1 of Practical Solution No. 42, the Company deems that changes in accounting practices associated with the application of Practical Solution No. 42 have had no impact on its consolidated financial results.

(Segment information)

I. Outline of reporting segments for the three-month period ended June 30, 2021

Information on sales and income or loss and disaggregated revenue disclosures 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 | | | | | | | |
| Domestic | 38,639 | 9,076 | 7,101 | 1,293 | 56,111 | — | 56,111 |
| Overseas | 31,233 | 64 | 36 | 1,157 | 32,493 | — | 32,493 |
| Revenue from contracts with customers | 69,873 | 9,141 | 7,138 | 2,450 | 88,604 | — | 88,604 |
| Other revenue | — | — | — | — | — | — | — |
| (1) Sales to outside customers | 69,873 | 9,141 | 7,138 | 2,450 | 88,604 | — | 88,604 |
| (2) Intersegment sales | 3 | 310 | 107 | 346 | 768 | (768) | — |
| Total | 69,876 | 9,452 | 7,246 | 2,797 | 89,372 | (768) | 88,604 |
| Segment operating income | 17,147 | 344 | 3,250 | 924 | 21,668 | (4,351) | 17,316 |

Notes: 1. Segment adjustments (¥4,351) million include unallocated corporate operating expenses (¥4,445) million.

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

3. Disaggregated revenue disclosures are distinguished between Domestic and Overseas.

II. Outline of reporting segments for the three-month period ended June 30, 2022

Information on sales and income or loss and disaggregated revenue disclosures 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 | | | | | | | |
| Domestic | 29,964 | 11,395 | 5,999 | 1,299 | 48,659 | — | 48,659 |
| Overseas | 23,591 | 154 | 257 | 2,212 | 26,216 | — | 26,216 |
| Revenue from contracts with customers | 53,556 | 11,550 | 6,257 | 3,511 | 74,876 | — | 74,876 |
| Other revenue | — | — | — | — | — | — | — |
| (1) Sales to outside customers | 53,556 | 11,550 | 6,257 | 3,511 | 74,876 | — | 74,876 |
| (2) Intersegment sales | 14 | 426 | 3 | 177 | 622 | (622) | — |
| Total | 53,570 | 11,977 | 6,261 | 3,689 | 75,498 | (622) | 74,876 |
| Segment operating income | 14,140 | 1,142 | 2,498 | 849 | 18,631 | (4,201) | 14,430 |

Notes: 1. Segment adjustments (¥4,201) million include unallocated corporate operating expenses (¥4,251) million.

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

3. Disaggregated revenue disclosures are distinguished between Domestic and Overseas.