SQUARE ENIX

2015
ANNUAL REPORT

Corporate Philosophy

To spread happiness across the globe by providing unforgettable experiences

This philosophy represents our company's mission and the beliefs for which we stand.

Each of our customers has his or her own definition of happiness.

The Square Enix Group provides high-quality content, services, and products to help those customers create their own wonderful, unforgettable experiences, thereby allowing them to discover a happiness all their own.

Management Guidelines

These guidelines reflect the foundation of principles upon which our corporate philosophy stands, and serve as a standard of value for the Group and its members. We shall strive to achieve our corporate goals while closely considering the following:

1. Professionalism

We shall exhibit a high degree of professionalism, ensuring optimum results in the workplace. We shall display initiative, make continued efforts to further develop our expertise, and remain sincere and steadfast in the pursuit of our goals, while ultimately aspiring to forge a corporate culture disciplined by the pride we hold in our work.

2. Creativity and Innovation

To attain and maintain new standards of value, there are questions we must ask ourselves: Is this creative? Is this innovative?

Mediocre dedication can only result in mediocre achievements. Simply being content with the status quo can only lead to a collapse into oblivion. To prevent this from occurring and to avoid complacency, we must continue asking ourselves the aforementioned questions.

3. Harmony

Everything in the world interacts to form a massive system. Nothing can stand alone.

Everything functions with an inevitable accord to reason. It is vital to gain a proper understanding of the constantly changing tides, and to take advantage of these variations instead of struggling against them. We shall continue to work towards harmony and serve as an integral part of this ever-fluctuating system.

In order to achieve ideal performance levels, we as individuals, shall aim for a mutual respect amongst our coworkers, remain conscious of the duties assigned us, and place an emphasis on teamwork.

As a corporate organization, we shall work diligently to maintain an optimal balance culminating in the ultimate satisfaction of all our stakeholders, including customers, shareholders, counterparties, and employees.

As a business entity, we shall contemplate what functions we are to perform within the realm of industry, while acting in a manner that ensures the mutual harmony and benefit of all parties within it.

Finally, as a member of society, we shall comply with laws and regulations while fulfilling our civic obligations, including community involvement and environmental conservation.

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Disclaimer Regarding Forward-Looking Statements

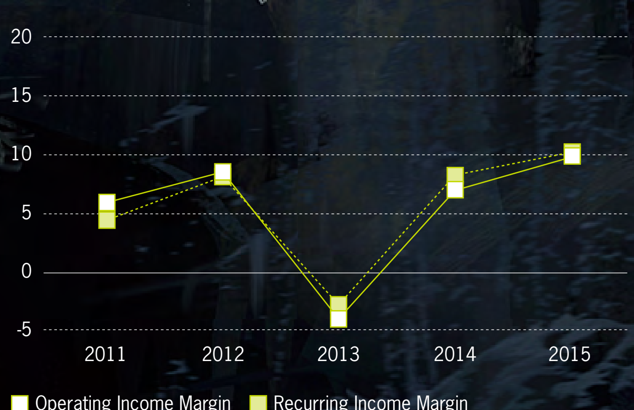
Financial Highlights

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

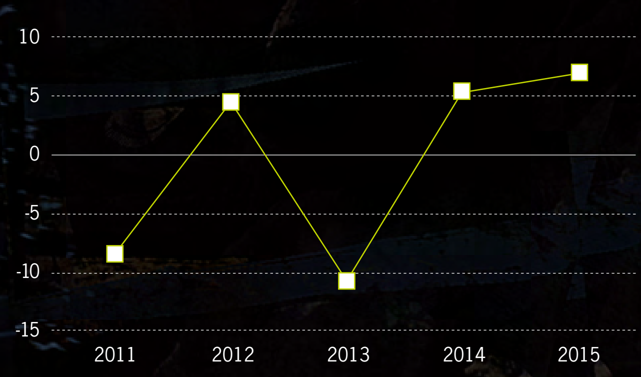
	2011	2012	2013	2014	2015 (Millions of Yen)	2015 (Thousands of U.S. Dollars)
For the Year						
Net sales	¥ 125,271	¥ 127,896	¥ 147,981	¥ 155,023	¥ 167,891	$1,397,114
Operating income (loss)	7,325	10,713	(6,081)	10,543	16,426	136,697
Recurring income (loss)	5,390	10,297	(4,378)	12,534	16,984	141,339
Net income (loss)	(12,043)	6,060	(13,714)	6,598	9,831	81,810
At Year-end						
Total assets	¥ 206,336	¥ 213,981	¥ 202,509	¥ 216,617	¥ 211,938	$1,763,654
Total net assets	135,143	137,297	121,636	127,676	155,314	1,292,459
					Yen	U.S. Dollars
Per Share of Common Stock						
Net income (loss)	¥ (104.66)	¥ 52.66	¥ (119.19)	¥ 57.28	¥ 84.34	$ 0.70
Total net assets	1,160.66	1,177.87	1,043.62	1,095.78	1,267.24	10.55
					%	
Key Ratios						
Operating income margin	5.8%	8.4%	(4.1)%	6.8%	9.8%	
Recurring income margin	4.3	8.0	(2.9)	8.1	10.1	
Return on equity	(8.4)	4.5	(10.7)	5.4	7.0	
Equity ratio	64.7	63.3	59.3	58.3	72.9	

Note: For the convenience of readers, amounts in U.S. dollars have been translated using the currency exchange rate at March 31, 2015 of ¥120.17=US$1.

Operating Income Margin/Recurring Income Margin (%)



Return on Equity (%)



A Message to Our Shareholders

Yosuke Matsuda

President and Representative Director

Oct. 2001 Senior Vice President, SQUARE CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.)
Apr. 2003 Senior Vice President and General Manager, Accounting and Finance Division
Jun. 2004 Director, Accounting and Finance
Mar. 2013 Senior Executive Managing Director and Representative Director
Jun. 2013 President and Representative Director (incumbent)

(Significant Positions Concurrently Held)
President and Representative Director, SQUARE ENIX CO., LTD.
President and Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. (the Group's intermediate holding company in the Americas)
Director, SQUARE ENIX OF EUROPE HOLDINGS LTD. (the Group's intermediate holding company in Europe and other regions)
Deputy Chairman of the Board, SQUARE ENIX (China) CO., LTD. (the Group's operating company in China)

Thank you for your continued support of the Square Enix Group. I am pleased to present this review of our results for the fiscal year ended March 2015 and an outline of our strategies for the future.

On a consolidated basis, net sales for the fiscal year ended March 2015 totaled ¥167.8 billion, operating income amounted to ¥16.4 billion, recurring income was ¥16.9 billion, and net income reached ¥9.8 billion. A concerted effort by our Group's leadership and employee body resulted in year-on-year growth in both net sales and income. This achievement would not have been possible without the support of our shareholders, for whom we are sincerely grateful.

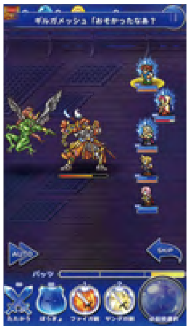
Business Segment Overview

In the fiscal year ended March 2015, we made particularly significant strides in the realm of smart device content for the Japanese market. Hit titles such as "SCHOOLGIRL STRIKERS," "FINAL FANTASY Record Keeper," and "Kai-ri-Sei Million Arthur" have added to the breadth of our pipeline and grown into major earnings pillars. In Japan's mobile market, advances in device technology have resulted in even stronger demand for highly playable games. As such, how we go about differentiating ourselves in order to deliver unparalleled gaming experiences is an increasingly important issue.

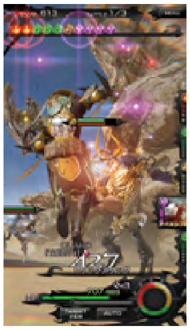
SCHOOLGIRL STRIKERS

DRAGON QUEST Dokodemo MONSTER PARADE

Kai-ri-Sei Million Arthur



FINAL FANTASY Record Keeper

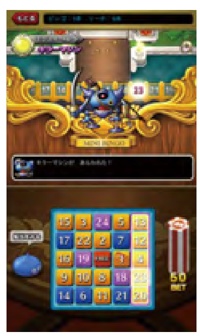


MOBIUS FINAL FANTASY

We have continued to make this our goal in the new fiscal year as demonstrated by the June 2015 launches of "MOBIUS FINAL FANTASY" and "DRAGON QUEST Dokodemo MONSTER PARADE," both of which are off to strong starts. In particular, we position "MOBIUS FINAL FANTASY" as a strategic differentiator since its quality vastly exceeds that of conventional smartphone games. Its massive popularity has significant implications for how we will approach our business going forward. In short, we hope to create a situation where we achieve further growth via competition-crushing content quality and delivery.

In the MMO space, "FINAL FANTASY XIV" and "DRAGON QUEST X Online" have developed into stable earnings generators that underpin our financial performance. We launched new services and undertook new initiatives with "DRAGON QUEST X Online," including offering "Dragon Quest X Companion App" and making the game available via the cloud on smart devices and Nintendo 3DS. We are meanwhile rolling out "FINAL FANTASY XIV" to new service territories, having launched it in

DRAGON QUEST X Online



Dragon Quest X Companion App

FINAL FANTASY XIV

China in August 2014 and with plans for a South Korean launch in September 2015. In the fiscal year ending March 2016, we are working to retain existing players and to attract new players by offering expansion discs for both games. These are examples of how we continue to promote these two games with new development efforts and services in order to ensure their position as a major earnings backbone for our Group.

In the HD (high-definition) game space, we released two new titles—"DRAGON QUEST HEROES: The World Tree's Woe and the Blight Below," in February, and "FINAL FANTASY TYPE-0 HD," in March. As the first full-fledged action RPG (role-playing game) in the DRAGON QUEST franchise, "DRAGON QUEST HEROES" has successfully added another alluring layer to the series. "FINAL FANTASY TYPE-0 HD" is the HD version of the "FINAL FANTASY TYPE-0" title we had previously made available on the PlayStation Portable (PSP) platform. Demand for the HD version

DRAGON QUEST HEROES:
The World Tree's Woe and the Blight Below

FINAL FANTASY TYPE-0 HD

was strong from European and North American game players as the PSP version had only been available in Japan. As such, the title, which includes a playable demo of "FINAL FANTASY XV," has proven a major success, selling over a million units globally. In addition to these new titles, we also saw growth in sales of full downloads of catalog titles, demonstrating that we are achieving longer product lifecycles. Given our ample catalog of assets, we are confident that this trend will work to our advantage.

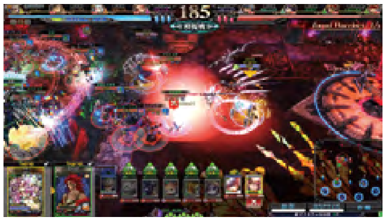
We are slated to release the latest installments of multiple major franchises from our European and North American studios in the second half of the fiscal year ending March 2016. PlayStation 4 and Xbox One have been on the market for two years and uptake of both platforms by gamers is now at full steam. Meanwhile, major European and North American publishers have plans for releasing a string of new titles. We are proud to say that our lineup for the fiscal year ending March 2016 represents a strong offering that can stand up to those of any of our peers. Competition is intensifying as the market picks up, but we intend to spare no effort in readying ourselves for the key holiday season.

In the Amusement segment, our arcades continue to face a challenging environment, in part due to the hike in the consumption tax in Japan. Thanks, however, to our efficient management of our arcades, the segment was able to book operating income of ¥3.6 billion for the fiscal year ended March 2015. We did not release any major new game machines for sale, but existing titles such as "LORD of VERMILION III" and "GUNSLINGER STRATOS 2" contributed to sales thanks to brisk

demand. While the Amusement segment faces a challenging environment, we believe it will occupy a unique position in our content business going forward since it offers players the opportunity to experience games in the real rather than the virtual world. We intend to mark a new era in the Amusement business by leveraging smart devices and other technological advances to provide new content that creates the feeling of live game play.

The Publication segment delivered a strong performance thanks to the success of television anime series adapted from our comic titles. In particular, we see the strong growth of anime adaptations of titles originating on our "Gangan Online" platform as an extremely important achievement that will help spur our further transition to online media going forward. Growth in e-books was also significant, serving as another indicator of the fact that digitization is becoming a major trend.

The Merchandising segment has grown into a stable business where we leverage not only our own properties, but also make proactive use of third-party content. Our high-quality merchandise has met with a great reception from customers, and more recently our collectors' boxes and other special fan offerings have also proven popular. We intend to continue to build up our merchandise lineup as we see it as a key element in further enriching our content offering.



LORD of VERMILION III

GUNSLINGER STRATOS 2

Gangan Online

The Way Forward

Our business environment is undergoing major changes. Sales of PlayStation 4 and Xbox One are growing significantly, primarily in Europe and North America. At the same time, smart devices are becoming more advanced and more commonplace. As such, we are seeing an evolution in where and how we enjoy digital content. Moreover, as the term IoT (Internet of Things) suggests, everything around us is beginning to connect to the Internet. This is another trend that promises to create new experiences for us. We recognize that such changes are a constant feature of the landscape in which we do business, and based on that recognition, we maintain a constant goal: to deliver content of consistently high quality to customers around the world under the best conditions possible. We will continue to strive to attain that goal by engaging in research into the latest content and technologies, developing new business models, and cultivating new sales channels and regions. In addition, we will focus on the following initiatives in order to further strengthen and enrich our Group's content and IP portfolios.

1. Revitalizing Existing IPs

We will revitalize some of our strong IPs in ways that meet the needs of the modern gaming market. For example, we will take an IP developed for earlier generations of game consoles and recreate it for the latest consoles, while also proactively developing versions for play on smart devices. In addition, we will also explore possibilities involving VR (virtual reality) and other new platforms. We want our longtime fans to relish reliving past experiences with a freshness that only the latest in technology can provide, while at the same time have new customers enjoy the IP as though it were brand new. By not only optimizing single pieces of IP for single platforms but also rolling out IP in a multi-dimensional manner to meet the needs of the modern market, we believe we can deliver exciting new experiences.

2. Creating New IPs

How to constantly generate new IPs and how to cultivate them are key business issues for any content provider. Once new content begins to take shape, it is vital to have an environment and mechanisms in place that help it grow into a major franchise. We intend to strengthen our efforts to sow the seeds of new content, and cultivate them constantly, and we will pursue a variety of avenues in order to do so. Our Group possesses many content platforms, including console games, smart device games, arcades, PC games, and comics. All of those platforms are capable of giving rise to new IPs. We see this as a strength of our Group that is unmatched by any competitor. We will work in the fiscal year ending March 2016 to ensure that these IP cultivation platforms give rise to new IPs for us to foster for the future.

3. Collaboration with Partner Companies

As I mentioned above, we find ourselves in an age of change. Devices, business models, and the competition are constantly changing. This means that today's assumptions may not apply tomorrow. In such an ever-changing environment, insisting on complete self-reliance does not strike us as the best approach to staying unique and highly adaptable. Instead, I believe it is more beneficial to remain flexible about forming partnerships with others. A willingness to seek in others what we lack is a better approach to growing our business in this age of uncertainty. As such, we will not rule out any possibility as we explore and execute collaborative initiatives ranging from joint collaborations focusing on a single product to business alliances of a wider scope. In so doing, we hope to capture earnings opportunities in a timely fashion and leverage them for our further growth.

4. Geographic Expansion

The regions marked in red on the map below are those that the Square Enix Group has yet to enter. While the Internet has made the world more interconnected and less impeded by national boundaries, I believe that regional and individual tastes remain a major determinant of preferences for different types of content. Furthermore, as these untapped regions experience economic growth, their demand for content will mount, and their consumers will begin to want content rooted in the local culture rather than being satisfied solely with imports. As such, these regions have the potential to

Overseas Expansion of the Digital Entertainment Segment

Target markets

Existing markets


become major content-consuming markets in the future, which means it is important to establish a foothold there now. In the fiscal year ending March 2016, we will remain open to not only exporting existing content but also investing in local development efforts in these regions. We note also that economic growth in Asia remains strong and that the region continues to be a key market for us. In terms of size and technological development, Asia is now an advanced market rather than a growing one. In particular, China's shift to mobile has been remarkable, and the country possesses some of the most advanced mobile game development technologies in the world. This makes collaborations and partnerships with Chinese companies very appealing, and we intend to approach such opportunities as an important part of taking on the competition not only in China itself but also in Japan and globally.

For Our Next Stage of Growth

We target significant upside for the fiscal year ending March 2016. We expect games for smart devices and PCs, as well as online games including MMOs, to continue to drive earnings. Moreover, the second half of the fiscal year will see the launch of new HD game titles developed by our European and North American studios. These major franchise titles embody the brand value of the Square Enix Group and continue to occupy a key position in our product portfolio. Moreover, digitization has expanded the lifetime product value of these titles, sustaining sales for a much longer time. As I mentioned above, the lineup we announced at the most recent E3 trade show was extremely well received for its quality, richness, and diversity. This raised high expectations for sales in the second half of the fiscal year, and we will work to see those expectations met. In addition, we believe that enriching and diversifying our product pipeline via the aforementioned initiatives will be a determining factor in the Square Enix Group's leap to its next stage of growth. We will need to invest to make that happen. At the same time,

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JUST CAUSE 3

HITMAN

our Group's management team is well aware that one of its most important missions is to share the fruits of that rich pipeline with our investors. The centerpiece of our shareholder return policy is dividends premised on a consolidated payout ratio of 30%. We intend to reward our shareholders primarily via dividends, while considering the balance we need to strike between shareholder return and investment in content development for our future growth.

Two years have passed since I assumed the office of President and Representative Director. Investments we have made over that time are now gradually beginning to generate benefits. My intention is that the fiscal year ending March 2016 will be a year not only of reaping even greater rewards from the investments we have engaged in to date, but also a year for sowing new seeds that will take us to our next stage of growth. In an ever-changing business environment, our Group's management team has been entrusted with a vital mission: to constantly create new excitement and new surprises to meet the expectations of our global customer base, and in so doing, to enhance our enterprise value so that we may also meet the expectations of our shareholders and all our stakeholders. We will devote ourselves every day to the fulfillment of that mission, and we look forward to your continued support.

Yosuke Matsuda
President and Representative Director

Directors and Audit & Supervisory Board Members

As of June 24, 2015

Board of Directors

President and Representative Director
Yosuke Matsuda

Director
Philip Timo Rogers

Director
Keiji Honda

Director
Yukinobu Chida

Director *1
Yukihiro Yamamura

Director *1
Yuji Nishiura

Audit & Supervisory Board Members

Ryoichi Kobayashi (Standing*2)

Ryuji Matsuda *2

Masaji Tomiyama *2

Honorary Chairman

Yasuhiro Fukushima

*1 Outside Director specified in Article 2, Item 15, of the Companies Act
*2 External specified in Article 2, Item 16, of the Companies Act

Review of Operations

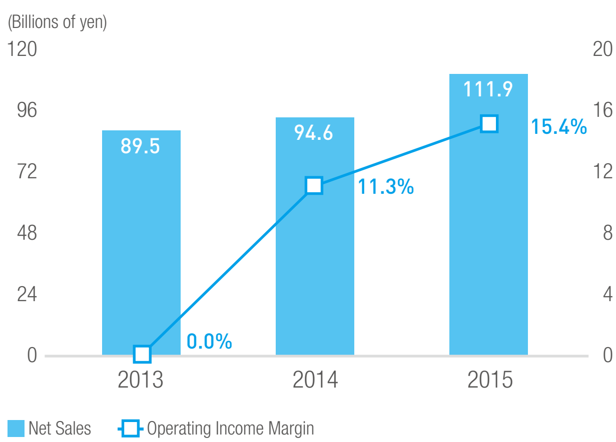
The Square Enix Group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising.

Net sales for the fiscal year ended March 31, 2015 totaled ¥167,891 million (an increase of 8.3% from the prior fiscal year); operating income amounted to ¥16,426 million (an increase of 55.8% from the prior fiscal year); and recurring income amounted to ¥16,984 million (an increase of 35.5% from the prior fiscal year).

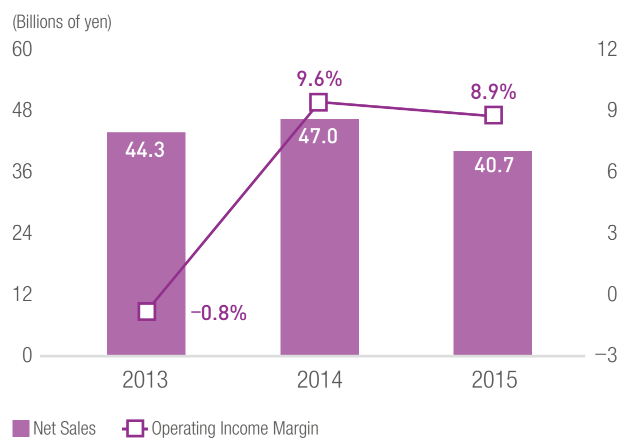
The Group booked gain on sales of property and equipment as extraordinary profit of ¥1,394 million, and loss on sales of property and equipment as an extraordinary loss of ¥741 million, both of which were due to multiple real estate sales, in addition to the impairment loss of ¥640 million, primarily with regard to amusement machines.

These factors resulted in net income amounting to ¥9,831 million (an increase of 49.0% from the prior fiscal year).

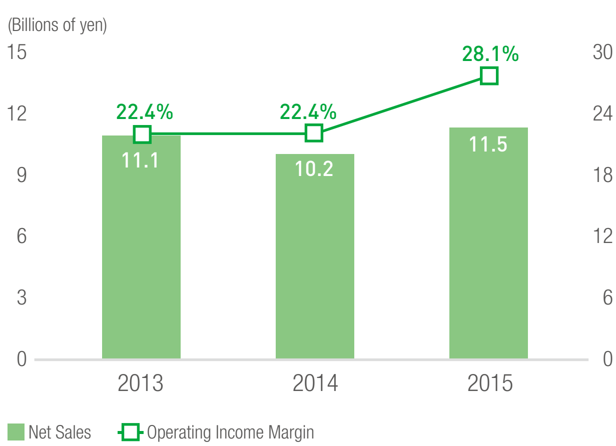
Digital Entertainment



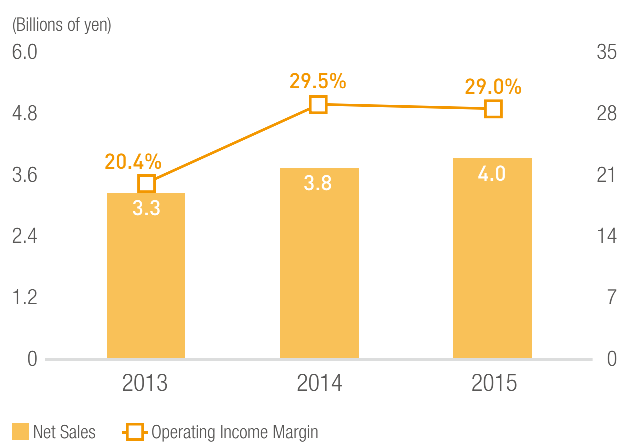
Amusement



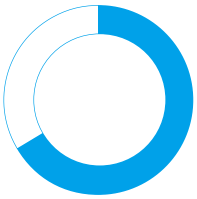
Publication



Merchandising



Digital Entertainment



Share of Net Sales (FY ended March 2015)

66.5%

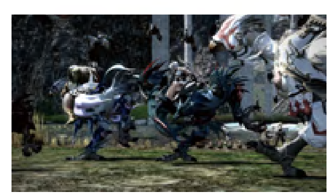
The Digital Entertainment segment consists of planning, development, distribution, licensing and operation of digital entertainment content, primarily in the form of games. Digital entertainment content is offered to meet customer lifestyles across a variety of usage environments such as consumer game consoles (including handheld game machines), personal computers and smart devices.

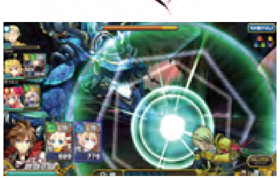
During the fiscal year ended March 31, 2015, repeat sales, primarily through downloads, of catalogue titles released in the prior fiscal year were strong, while the Group released fewer full-length console game titles compared with the prior fiscal year.

In the area of content for platforms such as smart devices and PC browsers, “SENGOKU IXA,” a PC browser game, and “DRAGON QUEST MONSTERS SUPER LIGHT,” a game for smartphones, continued to demonstrate strong performance. “SCHOOLGIRL STRIKERS,” “FINAL FANTASY Record Keeper,” and “Kai-ri-Sei Million Arthur,” games for smartphones newly released during this fiscal year, have been showing strong performance as well.

Massively multiplayer online role-playing games such as “FINAL FANTASY XIV” and “DRAGON QUEST X Online” have been making favorable progress.

Net sales and operating income in the Digital Entertainment segment totaled ¥111,926 million (an increase of 18.4% from the prior fiscal year) and ¥17,276 million (an increase of 61.3% from the prior fiscal year), respectively.





Amusement

Share of Net Sales (FY ended March 2015)

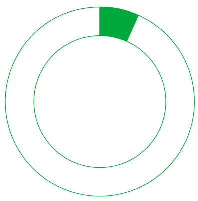
24.2%

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

During the fiscal year ended March 31, 2015, the operation of amusement facilities has been showing steady results through efficient store management efforts, despite the adverse effect of the hike in the consumption tax, whereas sales of amusement machines declined.

Net sales and operating income in the Amusement segment totaled ¥40,715 million (a decrease of 13.3% from the prior fiscal year) and ¥3,615 million (a decrease of 20.0% from the prior fiscal year), respectively.

Publication



Share of Net Sales (FY ended March 2015)

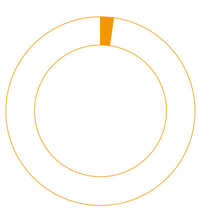
6.9%

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

During the fiscal year ended March 31, 2015, sales of comic books demonstrated steady growth as the result of media-mix deployment such as TV animation programs originated in comic titles.

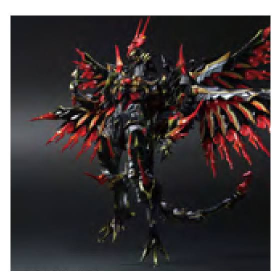
Net sales and operating income in the Publication segment totaled ¥11,547 million (an increase of 12.9% from the prior fiscal year) and ¥3,241 million (an increase of 41.3% from the prior fiscal year), respectively.

Merchandising



Share of Net Sales (FY ended March 2015)

2.4%



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

During the fiscal year ended March 31, 2015, 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 product lineup with additional products based on third party IPs and overseas expansions.

Net sales and operating income in the Merchandising segment totaled ¥3,997 million (an increase of 5.6% from the prior fiscal year) and ¥1,161 million (an increase of 4.1% from the prior fiscal year), respectively.

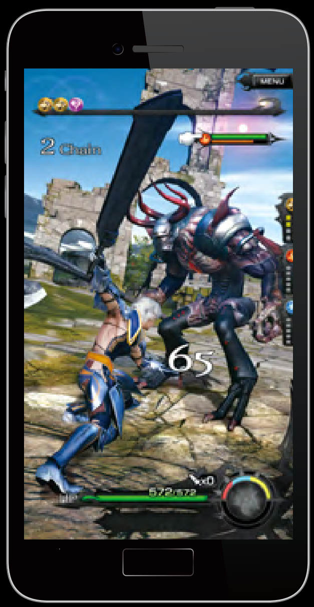
FINAL FANTASY

- Since its launch in 1987, the “FINAL FANTASY” series has established a reputation from players around the globe with its cutting-edge graphics, unique world view and rich, in-depth storylines
- A total of over 110 million copies have been distributed worldwide
- The series has produced a great number of titles for not only traditional video game consoles, but also smartphones
- The upcoming title of the series, “FINAL FANTASY XV,” is scheduled for release in 2016 (on PlayStation 4 and Xbox One)

FINAL FANTASY XV

SPECIAL FEATURE Delivering Unforgettable Experiences

FINAL FANTASY XIV



MOBIUS FINAL FANTASY

FINAL FANTASY Record Keeper

DRAGON QUEST®

- Since its launch in 1986, the “DRAGON QUEST” series has consistently established the classic world view of RPGs
- The series has taken on the challenge of creating new gaming experiences with 3D maps, “surechigai functions” using wireless communication, online support and cloud support
- The series has sold a total of over 66 million copies
- In addition to the “DRAGON QUEST” series, the “DRAGON QUEST MONSTERS” series and smartphone titles including “DRAGON QUEST MONSTERS SUPER LIGHT” have been released
- The upcoming title in the series, “DRAGON QUEST XI: Sugisarishi Tokiwo Motomete,” is planned for release on PlayStation 4 and Nintendo 3DS (release date not yet decided)

DRAGON QUEST XI: Sugisarishi Tokiwo Motomete

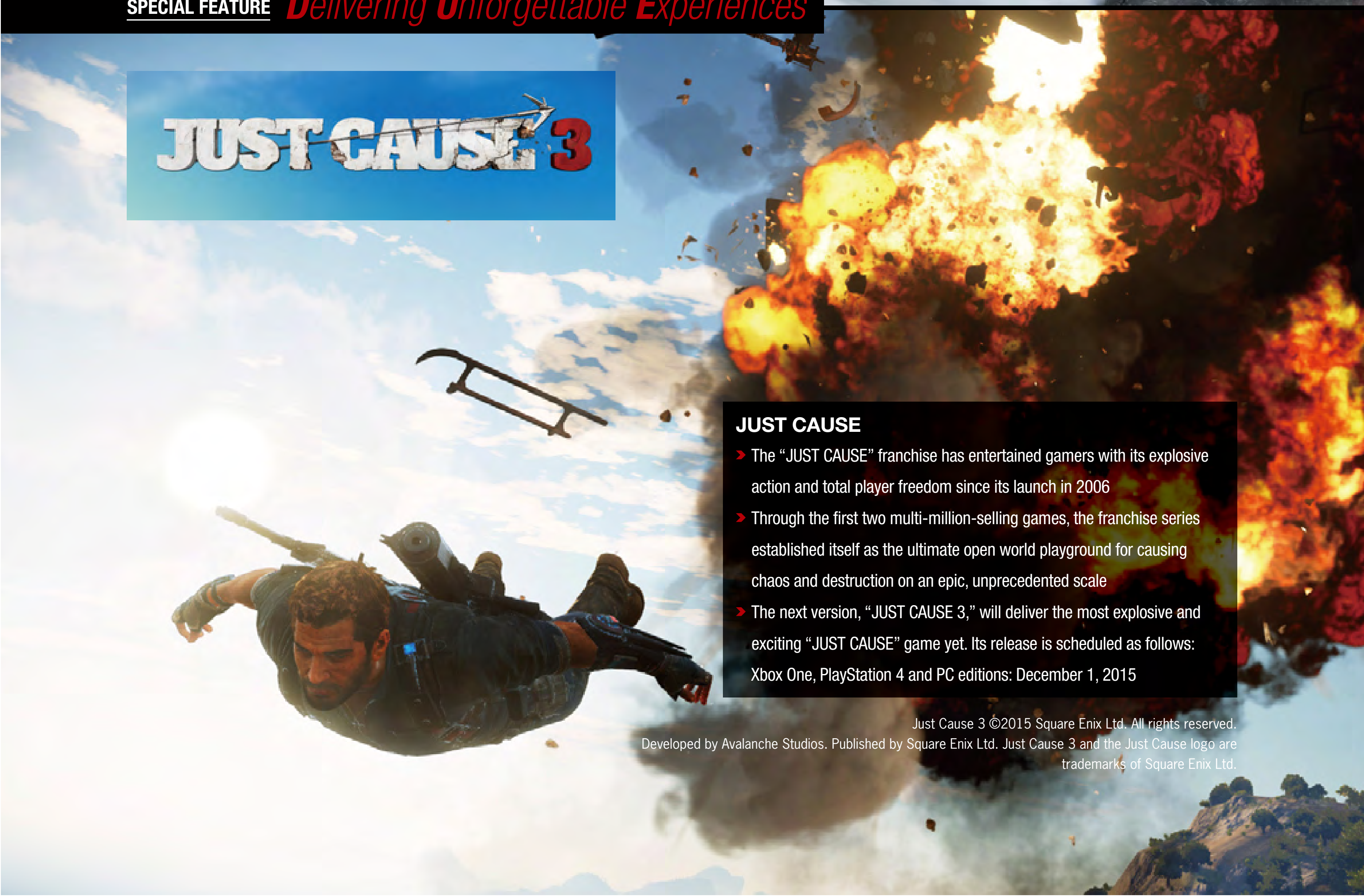
DRAGON QUEST X Online

DRAGON QUEST MONSTERS SUPER LIGHT

DRAGON QUEST HEROES II: Twin Kings and the Prophecy’s End

TOMB RAIDER

- A popular series with shipments of over 45 million copies worldwide since its launch in 1996
- The film based on this series is one of the most successful video game adaptation films in history, grossing over $300 million at the global box office
- “RISE OF THE TOMB RAIDER,” the next game in this series, will be launched according to the following schedule:
  Xbox One and Xbox 360 editions: November 10, 2015
  PC edition: early 2016
  PlayStation 4 edition: 2016 year-end holiday season



JUST CAUSE

- The “JUST CAUSE” franchise has entertained gamers with its explosive action and total player freedom since its launch in 2006
- Through the first two multi-million-selling games, the franchise series established itself as the ultimate open world playground for causing chaos and destruction on an epic, unprecedented scale
- The next version, “JUST CAUSE 3,” will deliver the most explosive and exciting “JUST CAUSE” game yet. Its release is scheduled as follows:
  Xbox One, PlayStation 4 and PC editions: December 1, 2015

HITMAN

- Five games in the franchise series have been released on PC and console since the "HITMAN (for PC)" franchise, featuring "The World's Premier Assassin," was first produced in 2000
- Not only has the "HITMAN" series shipped over 15 million copies, but its mobile games, among others, have won a number of awards. It was also made into two Hollywood motion pictures
- The digital version of the next "HITMAN" game will be released on the following platforms in March 2016: PlayStation 4, Xbox One and PC

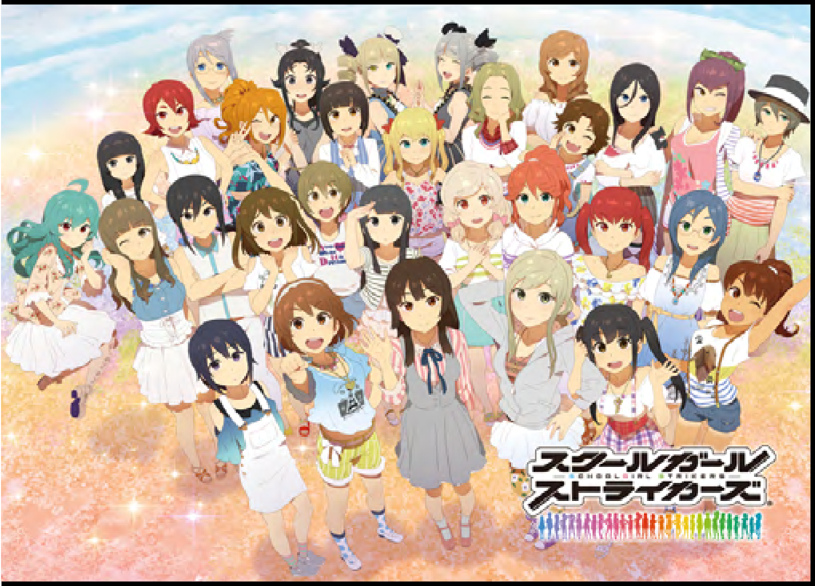
DEUS EX

- Since its launch in 2000, the "DEUS EX" series has entertained fans with its completely novel story, and its action-RPG-based gameplay has won a number of awards
- The next version, "DEUS EX: MANKIND DIVIDED," will be launched according to the following schedule: PlayStation 4, Xbox One and PC editions: February 23, 2016

ILLUSTRATION: TOMOMI KOBAYASHI


LORD of VERMILION III


Gunslinger Stratos
http://gunslinger-stratos.jp/gs2/


スクールガールストライカーズ


乖離性ミリオンアーサー


鋼の錬金術師
FULLMETAL ALCHEMIST


黒執事
クロシツジ


ばらかもん


月刊少女野崎くん
GEKKAN SHOJO
NOZAKI KUN

Corporate Governance

1. Status of Corporate Governance

(1) Overview of corporate governance system and objectives

The Company has adopted the audit & supervisory board member system for its corporate governance. To strengthen monitoring functions and ensure the maintenance of sound management, at least half of the audit & supervisory board members are drawn from outside the Company. Furthermore, in accordance with the objective standards provided under the Company's internal decision-making authority rules, the Board of Directors, which sets management policy, is clearly separated from the decision-making bodies responsible for the execution of operations. This system aims to enhance the efficiency and balance of management decision-making and operational execution.

The Board of Directors comprises six directors, including two outside directors. The Company has three audit & supervisory board members, including one standing audit & supervisory board member, who are drawn from outside the Company. The directors are appointed for a term of one year, the same as for companies adopting the committee system.

In principle, the Board of Directors convenes monthly, and each of the directors, including the outside directors, engages in vigorous discussion and exchange of opinions aimed at enhancing their mutual oversight functions. With regard to matters concerning basic policy on the system of compensation for directors and audit & supervisory board members as well as basic policy on the criteria for nominating candidates for directors and audit & supervisory board members, the Company has voluntarily established the Compensation and Nominating Committee as an advisory body that submits reports to the Board of Directors. This system is designed to ensure management objectivity and transparency.

In principle, the Audit & Supervisory Board convenes monthly, and conducts accounting and operational audits based on the audit plan. The audit & supervisory board members attend meetings of the Board of Directors to audit the execution of duties of the directors.

The Board of Directors has passed a resolution establishing the Company's Basic Policy on Building an Internal Control System. The Company is building such systems to ensure auditing and supervisory functions are strictly maintained and to confirm that all business activities comply with all relevant laws and regulations and the Company's Articles of Incorporation, as well as to enhance the efficiency of the directors' exercise of duties.

To ensure a rigorous compliance system, the Company clearly specifies the importance of compliance in its Management Guidelines and The Group Code of Conduct. The Company has established the Internal Control Committee and an internal compliance reporting (whistleblower) system, through which Company-wide compliance measures are integrated across organizational reporting lines. With regard to the management and operation of the Company's information systems, which form the foundation of efficient operational functions, the Company has established the Information System Management Committee to oversee information systems on a Company-wide basis.

To ensure the maintenance of a robust risk management system, Company-wide risk management measures are integrated laterally across organizational reporting lines. This is achieved through the reinforcement of relevant internal organizational divisions, and the establishment of the Internal Control Committee and an internal compliance reporting (whistleblower) system.

(2) Organization, personnel and procedures for internal audits and audits by audit & supervisory board members; and coordination between internal audits, audits by audit & supervisory board members and statutory audit firm

Internal audits are carried out by the Auditing Division, which currently comprises one person who reports directly to the president. The Auditing Division performs regular monitoring, reviews and evaluations (internal evaluations) of internal control systems, including those of Group companies—taking into account the relative importance of and risk inherent in each part of the organization—and provides reports and recommendations to the president. The Auditing Division's functions are carried out while sharing information with the Audit & Supervisory Board and the statutory audit firm.

Audits by the audit & supervisory board members are carried out by three audit & supervisory board members, who are drawn from outside the Company.

Ryoichi Kobayashi was appointed as an audit & supervisory board member (external) based on his abundant experience and extensive knowledge gained through serving as an officer at several companies. Mr. Kobayashi offers his opinions at meetings of the Board of Directors and Audit & Supervisory Board as appropriate.

Ryuji Matsuda does not have experience in corporate management excluding duties as outside director or audit & supervisory board member (external) at several companies. However, he holds a qualification as an attorney and has extensive expertise in finance and accounting-related matters. Based on this expertise, he was appointed as an audit & supervisory board member (external). Mr. Matsuda offers his opinions at meetings of the Board of Directors and Audit & Supervisory Board as appropriate.

Masaji Tomiyama does not have experience in corporate management excluding duties as outside director or audit & supervisory board member (external) at several companies. However, he holds a qualification as a certified public accountant (CPA) and therefore has extensive expertise in finance and accounting-related matters. Based on this expertise, he was appointed as an audit & supervisory board member (external). Mr. Tomiyama offers his opinions at meetings of the Board of Directors and Audit & Supervisory Board as appropriate.

Information on audits by the statutory audit firm is provided in section (6) below.

Each quarter, the audit & supervisory board members and the statutory audit firm coordinate their activities through mutual reporting and exchange of opinions. An appropriate forum is convened for the exchange of opinions, and the matters discussed during these meetings are reflected in the performance of audit operations.

Appropriate reporting to the director responsible for internal control on the aforementioned audit activities is carried out through the Board of Directors and the Internal Control Committee.

(3) Summary of personal, financial, business or other relationships constituting conflicts of interest between the Company and its outside directors or audit & supervisory board members (external), and links between supervision or audits by the outside directors or audit & supervisory board members (external) and internal audits, audits by audit & supervisory board members and audits by the accounting firm

(i) Personal, financial, business or other relationships constituting conflicts of interest with the Company

The Company has two outside directors and three audit & supervisory board members (external), and no conflict-of-interest relationships exist between the Company and its outside directors or between the Company and its audit & supervisory board members (external).

(ii) Expected functions and roles under the Company's corporate governance structure

Yukihiro Yamamura was appointed as an outside director on the expectation that he would apply extensive and broad-based insights acquired as a senior corporate executive to support the Company's management. Mr. Yamamura offers his opinions at meetings of the Board of Directors as appropriate.

Yuji Nishiura was appointed as an outside director on the expectation that he would apply extensive and broad-based insights acquired as a senior corporate executive to support the Company's management. Mr. Nishiura offers his opinions at meetings of the Board of Directors as appropriate.

The expected functions and roles of Ryoichi Kobayashi, Ryuji Matsuda and Masaji Tomiyama under the Company's corporate governance structure are described in (2) above.

(iii) Standards and policy on independence from the Company in the appointment of the outside directors and audit & supervisory board members (external)

The Company has not established any particular provisions regarding independence in appointing the outside directors or the audit & supervisory board members (external) but selects individuals who can be expected to execute their duties appropriately, from an objective and independent perspective, to support corporate governance based on specialized expertise in such areas as finance, accounting and internal controls, and who are unlikely to cause any conflicts of interest with general shareholders.

The Company has notified the Tokyo Stock Exchange regarding the status of Messrs. Yamamura, Nishiura, Kobayashi, Matsuda and Tomiyama as independent officers pursuant to the rules established by this stock exchange.

(iv) Links between audits by the outside directors or audit & supervisory board members (external) and internal audits, audits by audit & supervisory board members and audits by the accounting firm, and relationship with the internal control unit

The outside directors and audit & supervisory board members (external) work closely with the Auditing Division, audit & supervisory board members and the Company's accounting firm, and are required to submit reports and offer opinions for discussion at meetings of the Board of Directors, Audit & Supervisory Board, Internal Control Committee and other corporate forums.

(4) Overview of compensation system for directors and audit & supervisory board members

(i) Total compensation paid to directors and audit & supervisory board members, total compensation for each category of director and audit & supervisory board member, and the total number of directors and audit & supervisory board members

Compensation Paid to Directors

	Number of individuals	Total remuneration (Millions of yen)	Remuneration breakdown (Millions of yen)	
			Monetary compensation	Non-monetary compensation
Directors (excluding outside directors)	4	177	149	28
Outside directors	2	25	21	4
Total	6	203	170	32

Notes: 1. Non-monetary compensation for the fiscal year ended March 31, 2015 was paid in the form of stock options.
2. The Company abolished the retirement benefit plan for directors and audit & supervisory board members.

Compensation Paid to Audit & Supervisory Board Members

	Number of individuals	Total remuneration (Millions of yen)	Remuneration breakdown (Millions of yen)	
			Monetary compensation	Non-monetary compensation
Audit & supervisory board members (excluding audit & supervisory board members (external))	—	—	—	—
Audit & supervisory board members (external)	3	29	29	—
Total	3	29	29	—

Note: The Company abolished the retirement benefit plan for directors and audit & supervisory board members.

(ii) Decision-making policies on remuneration, etc., for directors and audit & supervisory board members

The Company has voluntarily established the Compensation and Nominating Committee, which consists of outside directors and the president, as an advisory body to the Board of Directors. The committee aims to ensure the objectivity and transparency of the system of compensation for directors and audit & supervisory board members by conducting deliberations on the basic policy on the system of compensation for directors and audit & supervisory board members and submitting reports to the Board of Directors.

The remuneration for directors consists of monetary compensation as a basic consideration and non-monetary compensation such as subscription rights to shares issued as stock options. The president of the Company determines the amount of remuneration and the distribution among the directors within the scope of the total remuneration amount approved by a General Meeting of Shareholders in accordance with a report by the Compensation and Nominating Committee, an advisory body, by taking into account the business performance of the Company for the fiscal year concerned and directors' contribution to the business performance.

The remuneration for audit & supervisory board members is only monetary compensation in light of the independence of audit & supervisory board members from the corporate management of the Company. The amount of remuneration and the distribution among the audit & supervisory board members are determined through consultations among the audit & supervisory board members within the scope of the total remuneration amount approved by a General Meeting of Shareholders.

(5) Matters relating to the Company's holdings of shares

Matters relating to shares held by the Company, which has the largest balance-sheet value of investments in shares within the Square Enix Group, are as follows:

(i) Number of companies in which shares are held and the total amount presented on the balance sheets for investments in shares for purposes other than purely investment purposes:

There are no applicable items.

(ii) Companies in which shares are held, investment category, number of shares, amount presented on the balance sheets and investment purpose for investments in shares for purposes other than purely investment purposes:

There are no applicable items.

(iii) Total amount presented on balance sheets for the fiscal years ended March 31, 2014 and March 31, 2015; and total dividends received, total gain on sale of shares and total gain on revaluation of shares for the fiscal year ended March 31, 2015 for investments in shares for purely investment purposes:

Millions of yen

Category	Previous fiscal year	Fiscal year ended March 31, 2015			
	Total amount presented on balance sheets	Total amount presented on balance sheets	Total dividends received	Total gain on sale of shares	Total gain on revaluation of shares
Unlisted shares	30	16	0	—	(Note 1) (0)*1
Shares other than those above	636	1,120	8	82	829 (—)

Notes: 1. Owing to unlisted shares having no market price and recognizing the extreme difficulty in determining fair value, gain or loss on revaluation of unlisted shares the amount is not presented in the table above.

2. Figures denoted with an asterisk under "Total gain on revaluation of shares" indicate impairment losses for the fiscal year under review.

(iv) Companies in which shares are held, number of shares, amount presented on the balance sheets for investments in shares for which the purpose of investment has changed from "purely investment purposes" to "purposes other than purely investment purposes":

There are no applicable items.

(v) Companies in which shares are held, number of shares, amount presented on the balance sheets for investments in shares for which the purpose of investment has changed from "purposes other than purely investment purposes" to "purely investment purposes":

There are no applicable items.

(6) Names of certified public accountants (CPAs) and name of statutory audit firm that conducted audits of the Company

The Company retains Ernst & Young ShinNihon as its statutory audit firm pursuant to the Companies Act and the Financial Instruments and Exchange Law to perform independent third-party accounting audits. The Company cooperates fully with the statutory audit firm to ensure its smooth performance of duties.

The following CPAs conducted audits of the Company during the fiscal year ended March 31, 2015.

- CPAs performing audits:
  Limited-liability partners: Takashi Nagasaka, Kenichi Shibata and Hiroyoshi Konno
- Personnel providing audit assistance:
  14 CPAs, 13 assistant CPAs

(7) Overview of liability limitation agreements

The Company has liability limitation agreements in place with its outside directors and audit & supervisory board members (external) in accordance with Article 427, Paragraph 1, of the Companies Act to limit liabilities provided under Article 423, Paragraph 1, of the Companies Act. These agreements limit the liability of each outside director and audit & supervisory board member (external) to ¥10 million or the legally specified amount, whichever is greater, on condition that the directors or audit & supervisory board members have performed their duties in good faith and without gross negligence.

(8) Prescribed number of directors

The Company's Articles of Incorporation stipulate that the number of directors shall not exceed 12.

(9) Resolution requirements for the election of directors

The Company's Articles of Incorporation stipulate that resolutions for the election of directors shall not be made by cumulative voting, but by the majority of votes of shareholders exercising their voting rights at the General Meeting of Shareholders where shareholders in attendance hold one-third or more of outstanding voting rights.

(10) Bodies able to determine dividends paid from retained earnings

The Company's Articles of Incorporation stipulate that matters provided under Article 459, Paragraph 1, of the Companies Act may be determined by the Board of Directors unless legally stipulated otherwise. The objective of this provision is to expand the range of options enabling flexible execution of capital policies.

(11) Exemption from liability of directors and audit & supervisory board members

Pursuant to Article 426, Paragraph 1, of the Companies Act, the Company's Articles of Incorporation stipulate that a director (including former directors) and an audit & supervisory board member (including former audit & supervisory board members) may be exempted from liability for actions related to Article 423, Paragraph 1, of the Companies Act, up to the limit provided by law, through a resolution passed by the Board of Directors. This provision aims to ensure the maintenance of an environment in which directors and audit & supervisory board members may exercise their duties to the maximum of their abilities and are able to fulfill the roles expected of them.

(12) Matters requiring special resolutions at the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that the special resolutions provided under Article 309, Paragraph 2, of the Companies Act may be passed by a majority of two-thirds or more of the votes of shareholders present at the General Meeting of Shareholders where shareholders in attendance hold one-third or more of outstanding voting rights. The objective of this relaxation of special resolution requirements is to ensure smooth proceedings of the General Meeting of Shareholders.

2. Compensation to Statutory Audit Firm, Etc.

(1) Compensation paid to statutory audit firm

Millions of yen

Category	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
Parent company	47	1	47	1
Consolidated subsidiaries	70	—	72	—
Total	117	1	119	1

(2) Other significant compensation

Fiscal year ended March 31, 2014

The Company's consolidated subsidiaries SQUARE ENIX OF EUROPE HOLDINGS LTD. and SQUARE ENIX OF AMERICA HOLDINGS, INC. paid compensation to the Ernst & Young Group amounting to ¥103 million for statutory audit operations and ¥6 million for non-audit operations. The statutory audit firm retained by the Company is also affiliated with the international auditing network of the Ernst & Young Group.

Fiscal year ended March 31, 2015

The Company's consolidated subsidiaries SQUARE ENIX OF EUROPE HOLDINGS LTD. and SQUARE ENIX OF AMERICA HOLDINGS, INC. paid compensation to the Ernst & Young Group amounting to ¥122 million for statutory audit operations and ¥3 million for non-audit operations. The statutory audit firm retained by the Company is also affiliated with the international auditing network of the Ernst & Young Group.

(3) Non-audit operations provided by statutory audit firm

Fiscal year ended March 31, 2014

The non-audit operations provided by the statutory audit firm for which the Company paid compensation comprise such operations as the provision of guidance and advice regarding the preparation of English-language financial statements.

Fiscal year ended March 31, 2015

The non-audit operations provided by the statutory audit firm for which the Company paid compensation comprise such operations as the provision of guidance and advice regarding the preparation of English-language financial statements.

(4) Policy on determining audit compensation

The Company's policy on determining compensation for audits conducted by the statutory audit firm takes into account such factors as the scale of the Company's business operations, the number of days required to conduct audits and the characteristics of the operations performed.

Financial Section

CONTENTS

The financial statements and notes thereto in this section are the English translation of the Japanese original, which was reconstructed by the Company at its sole discretion from those in the Annual Security Report (*yukashoken hokokusho*).

Management Discussion and Analysis of Operating Results and Financial Position (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

The following statements are based on management's view of SQUARE ENIX HOLDINGS CO., LTD. (the "Company") as of June 30, 2015 and have not been audited. The following management discussion and analysis also contains forward-looking statements concerning the future performance of the Company. Please read the disclaimer regarding forward-looking statements at the beginning of this Annual Report.

1. Significant Accounting Policies and Estimates

The consolidated financial statements of the SQUARE ENIX Group (the "Group") are prepared in accordance with generally accepted accounting principles in Japan (JPNGAAP). In preparing the consolidated financial statements, management chooses and applies accounting policies, and makes estimates that affect the disclosure of amounts in assets, liabilities, income and expenses. Management formulated these estimates based on historical performance and certain other factors. However, actual results may differ materially from these estimates due to uncertainties inherent in the estimates. Important accounting policies used in the preparation of the Group's consolidated financial statements are contained in the section titled "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements," of this report. In particular, judgments used in making estimates in the preparation of the consolidated financial statements are affected by the following accounting policies.

(1) Revenue recognition

Sales revenue of the Group is ordinarily recognized when products are shipped or services are provided, while royalty revenue is recognized based on receipt of a statement from the licensee. In certain cases, the recognition of sales is determined based on contracts entered into with suppliers and product type.

(2) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts based on estimated irrecoverable amounts to prepare for bad debt losses on receivables. In the event that the financial condition of a counterparty deteriorates and its solvency declines, the Group may provide additional amounts to the allowance for doubtful accounts or record bad debt losses.

(3) Content production account

When the Group determines that the estimated market value of the content production account—based on expected future demand and market conditions—has fallen below actual costs, the Group recognizes a write-down of the content production account. If future demand and market conditions are worse than management's forecasts, there is the possibility that further write-downs will become necessary.

(4) Unrealized losses on investments

The Group owns shares in certain financial institutions and companies with which it sells or purchases goods. These shareholdings include stock in listed companies subject to price fluctuation risk in the stock market and stock in privately held companies for which share prices are difficult to calculate. In the event that the fair value of these shares as of the end of the fiscal year declines by 50% or more of their acquisition cost, the entire amount is treated as an impairment loss. In addition, in the event that the fair value of marketable shares declines 30% to 50%, an amount determined as necessary considering the importance and potential for recovery of the shares is treated as an impairment loss. Worsening market conditions or unstable performance at the invested companies may require the recording of revaluation losses in the event that losses are not reflected in the current book value or the book value becomes irrecoverable.

(5) Deferred tax assets

The Group records a valuation allowance to provide for amounts of deferred tax assets thought likely to be recovered. In evaluating the necessity of a valuation allowance, the Company examines future taxable income and possible tax planning for deferred tax assets with a high likelihood of realization. If the Company determines that all or a portion of net deferred tax assets cannot be realized in the future, the Company writes down such deferred tax assets during the fiscal year in which the determination is made. If the Company determines that deferred tax assets in excess of the recorded amount can be realized in the future, the Company recognizes deferred tax assets to the recoverable amount and increases profits by the same amount during the period in which the determination is made.

2. Analysis of Financial Policy, Capital Resources and Liquidity

The Group meets its working capital and capital investment requirements principally through internal funding resources and the issuance of corporate bonds. As of March 31, 2015, the Group's balance of interest-bearing debt was ¥7,168 million. The equity ratio stood at 72.9%. Cash and cash equivalents at the end of the year totaled ¥103,147 million, a decrease of ¥10,359 million from the previous fiscal year-end.

Cash flows in the fiscal year ended March 31, 2015, as well as the principal factors behind these cash flows, are described below.

(1) Net cash provided by operating activities

Net cash provided by operating activities totaled ¥8,132 million, a decrease of 62.5% from the previous fiscal year. This position was primarily due to income before income taxes and minority interests of ¥15,310 million, increase in inventories of ¥12,799 million, decrease in notes and accounts receivable of ¥1,973 million, depreciation and amortization of ¥6,934 million, and income taxes paid of ¥4,530 million.

(2) Net cash used in investing activities

Net cash used in investing activities totaled ¥1,876 million, a decrease of 68.5% from the previous fiscal year. The main factors were purchases of property and equipment of ¥4,767 million, purchases of investments in subsidiaries of ¥1,872 million, payments for guarantee deposits of ¥1,007 million, and proceeds from sales of property and equipment of ¥5,884 million.

(3) Net cash used in financing activities

Net cash used in financing activities totaled ¥22,105 million, an increase of 543.0% from the previous fiscal year. The main factors were redemption of bonds of ¥18,462 million and cash dividends paid of ¥3,450 million.

The Group believes that it will be possible to procure the funds required for working capital and capital investments in the future to maintain growth based on its sound financial standing and ability to generate cash through operating activities.

3. Analysis of Business Performance in the Fiscal Year Ended March 31, 2015

■ Assets

Total Assets

Millions of yen

March 31	2015	2014	Change
	¥211,938	¥216,617	¥(4,678)

Total assets as of March 31, 2015 amounted to ¥211,938 million, a decrease of ¥4,678 million from the previous fiscal year. The main factors contributing to the change were as follows:

Cash and Deposits

Millions of yen

March 31	2015	2014	Change
	¥103,631	¥115,367	¥(11,735)

Cash and deposits as of March 31, 2015 decreased ¥11,735 million, to ¥103,631 million, mainly reflecting redemption of bonds of ¥18,462 million and cash dividends paid of ¥3,450 million as well as income before income taxes and minority interests of ¥15,310 million, among other factors.

Content Production Account

Millions of yen

March 31	2015	2014	Change
	¥35,113	¥20,556	¥14,556

As a rule, content development costs incurred during the period from a title's formal development authorization through to its release are capitalized in the content production account. When the title is released, this amount is then recorded as an expense. The content production account is appropriately revalued in accordance with changes in the business environment.

As of March 31, 2015, the content production account totaled ¥35,113 million, an increase of ¥14,556 million from the previous fiscal year.

Property and Equipment

Millions of yen

March 31	2015	2014	Change
	¥13,620	¥19,917	¥(6,297)

Total property and equipment totaled ¥13,620 million, down ¥6,297 million from the previous fiscal year, primarily due to a decrease in land from ¥7,939 million to ¥4,008 million.

Intangible Assets

Millions of yen

March 31	2015	2014	Change
	¥10,192	¥10,835	¥(642)

Total intangible assets as of March 31, 2015 amounted to ¥10,192 million, a decrease of ¥642 million from the previous fiscal year.

Investments and Other Assets

Millions of yen

March 31	2015	2014	Change
	¥17,309	¥12,259	¥5,050

Total investments and other assets increased ¥5,050 million, to ¥17,309 million, as of March 31, 2015.

■ Liabilities

Millions of yen

March 31	2015	2014	Change
	¥56,623	¥88,940	¥(32,317)

As of March 31, 2015, total liabilities amounted to ¥56,623 million, a decrease of ¥32,317 million from the previous fiscal year. The main factors contributing to the change were as follows:

Current Liabilities

Millions of yen

March 31	2015	2014	Change
	¥49,931	¥80,508	¥(30,577)

Total current liabilities decreased ¥30,577 million, to ¥49,931 million as of March 31, 2015. This was mainly due to conversion and redemption of ¥35,000 million in euro yen zero-coupon convertible bonds.

Non-Current Liabilities

Millions of yen

March 31	2015	2014	Change
	¥6,692	¥8,432	¥(1,740)

Total non-current liabilities decreased ¥1,740 million, to ¥6,692 million, as of March 31, 2015, primarily due to a decrease in net defined benefit liabilities in line with changes in the accounting standard for retirement benefits.

■ Shareholders' Equity/Net Assets

Millions of yen

March 31	2015	2014	Change
Common stock	¥ 23,680	¥ 15,368	¥ 8,312
Capital surplus	52,920	44,607	8,312
Retained earnings	79,355	71,298	8,056
Treasury stock	(876)	(870)	(6)
Total shareholders' equity	155,079	130,404	24,675
Valuation difference on available-for-sale securities	618	253	364
Foreign currency translation adjustments	(1,292)	(4,780)	3,488
Remeasurements of defined benefit plans	99	432	(332)
Total accumulated other comprehensive income (loss)	(574)	(4,094)	3,520
Stock acquisition rights	327	348	(21)
Minority interests in consolidated subsidiaries	482	1,018	(536)
Total net assets	¥155,314	¥127,676	¥27,638

As of March 31, 2015, total net assets amounted to ¥155,314 million, up ¥27,638 million from the previous fiscal year-end, mainly due to factors such as partial redemption of euro yen zero-coupon convertible bonds, the recording of net income, payments of year-end dividends (¥20 per share) for the previous fiscal year and interim dividends (¥10 per share) for the fiscal year under review, and an increase in foreign currency translation adjustments.

■ Consolidated Statement of Income

Net Sales and Operating Income

Millions of yen

Years ended March 31	2015	Composition	2014	Composition	Amount change	Percent change
Net sales	¥167,891	100.0%	¥155,023	100.0%	¥12,867	8.3%
Gross profit	73,096	43.5%	60,542	39.1%	12,554	20.7%
Reversal of provision for sales returns	4,877	2.9%	4,672	3.0%	204	4.4%
Provision for sales returns	4,579	2.7%	4,458	2.9%	121	2.7%
Net gross profit	73,394	43.7%	60,756	39.2%	12,638	20.8%
Selling, general and administrative expenses	56,967	33.9%	50,213	32.4%	6,754	13.5%
Operating income	¥ 16,426	9.8%	¥ 10,543	6.8%	¥ 5,883	55.8%

Comparisons by segment with the previous fiscal year are provided on pages 12–15.

Non-Operating Income and Expenses

Millions of yen

Years ended March 31	2015	2014	Change
Non-operating income	¥890	¥2,150	¥(1,260)
Non-operating expenses	332	159	172

Extraordinary Gain and Loss

Millions of yen

Years ended March 31	2015	2014	Change
Extraordinary gain	¥1,520	¥ 413	¥1,107
Extraordinary loss	3,062	2,783	278

Total extraordinary gain was ¥1,520 million, mainly due to gain on sale of property and equipment of ¥1,394 million in line with sale of land and other properties.

Total extraordinary loss was ¥3,062 million, mainly due to loss on sale of property and equipment of ¥741 million and an impairment loss of ¥640 million related to amusement machines and others.

■ Capital Expenditures and Depreciation and Amortization

Millions of yen

Years ended March 31	2015	2014	Change
Capital expenditures	¥6,048	¥5,376	¥671
Depreciation and amortization	6,934	6,614	320

Capital expenditures for the fiscal year ended March 31, 2015 amounted to ¥6,048 million, an increase of ¥671 million from the previous fiscal year, mainly due to the relocation of subsidiaries' offices and other factors.

Depreciation and amortization totaled ¥6,934 million, an increase of ¥320 million from the previous fiscal year, primarily due to an increase in depreciation and amortization in the digital entertainment business.

4. Strategic Outlook, Issues Facing Management and Future Direction

Management's key task is to create advanced, high-quality content and services that allow the Group to grow in the medium and long term while maintaining profitability. As the development and popularization of information technology (IT) and network environments rapidly advance, the Group anticipates a major transformation in the structure of the digital entertainment industry. The Group believes that this will be driven by factors such as increased consumer needs in the area of network-compliant entertainment and growing access to a diverse range of content by users of multi-function devices. The Group strives to respond to these changes, and has adopted a medium- to long-term management strategy that focuses on pioneering a new era in digital entertainment.

In order to achieve the Group's medium- to long-term strategy, it is imperative to expand its global business and meet customers' diverse needs for entertainment content/services. It is critically important that the Group acquires and develops ideally suited human resources to that end.

The Group's operating forecast for the fiscal year ending March 31, 2016 is as follows (as of June 30, 2015).

Millions of yen

Years ended/ ending March 31	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 actual	2013 actual	2014 actual	2015 actual	2016 forecast
Net sales	¥124,473	¥163,472	¥147,516	¥135,693	¥192,257	¥125,271	¥127,896	¥147,981	¥155,023	¥167,891	¥200,000–220,000
Operating income (loss)	15,470	25,916	21,520	12,277	28,235	7,325	10,713	(6,081)	10,543	16,426	17,000–25,000
Recurring income (loss)	15,547	26,241	18,864	11,261	27,822	5,390	10,297	(4,378)	12,534	16,984	17,000–25,000
Net income (loss)	17,076	11,619	9,196	6,333	9,509	(12,043)	6,060	(13,714)	6,598	9,831	11,000–18,000

5. Basic Policy for Profit Distribution and Dividends

The Group has made the return of profits to shareholders one of its most important management tasks. The Group prioritizes investments that will enhance the value of the Group and toward this end maintains internal reserves to finance efforts that include expanding existing businesses, developing new businesses and restructuring business segments. Funds remaining after the allocation of retained earnings are appropriated for dividends, keeping in mind returns to shareholders and seeking an optimal balance of stable returns linked to operating performance. The amount of dividends is determined by setting a consolidated payout ratio target of approximately 30%, paying attention to stable payment of dividends.

It is the Company's basic policy for profit distribution to pay dividends from retained earnings twice a year (interim dividends and year-end dividends), and for the fiscal year ended March 31, 2015, the Company paid an interim dividend of ¥10 per share and a year-end dividend of ¥20 per share for an annual dividend of ¥30 per share.

The distribution of surplus for the fiscal year ended March 31, 2015 is determined by the shareholders' meeting or the Company's Board of Directors for year-end dividends, and by the Board of Directors for interim dividends.

The Company has set forth in its Articles of Incorporation that it may, pursuant to Article 454 of the Companies Act, pay interim dividends, with the record date of September 30 of each year, upon resolution of the Board of Directors.

In addition, the Company has set forth in its Articles of Incorporation that it may, pursuant to Article 459 of the Companies Act, pay dividends from surplus upon resolution of the Board of Directors.

The dividends from surplus for the fiscal year ended March 31, 2015 are as follows:

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 6, 2014 Resolution by the Board of Directors	¥1,152	¥10
May 18, 2015 Resolution by the Board of Directors	¥2,438	¥20

6. Risk Factors

The Group identifies the items listed below as potential risk factors that could affect operating results. Forward-looking statements are in accordance with management's judgment as of June 30, 2015.

(1) Changes in the economic environment

In the event of a harsh downturn in the economy causing consumer demand to decline, consumer expenditure for the Group's products and services in the entertainment field may fall. Such circumstances may lead to an adverse impact on the Group's business performance.

(2) The Group's ability to respond to changes in consumer preferences in the digital content market and the rapid progress of innovative technology

It is possible that the Group's business performance will be affected if the Group is unable to respond promptly and accurately to the major reforms outlined in 4. Strategic Outlook, Issues Facing Management and Future Direction.

(3) Changes in game platforms and the Group's response

The Group's digital entertainment business could undergo major changes in the forms by which the Group offers content and in its business model as a result of diversification, the trend toward increasingly advanced functions and the general transition of platforms for home-use video game consoles, smartphones and tablet devices. Such circumstances may lead to an adverse impact on the Group's business performance.

(4) Securing human resources to execute the Group's growth strategies concentrating on the creation of new content and the promotion of global businesses

The Group's business structure is undergoing major changes. Delays in securing ideally suited human resources may adversely affect the Group's business performance.

(5) Expansion in the Group's international business operations

As the Group pursues expansion of its international business operations, a variety of factors present in the countries and regions in which the Group operates may affect its business performance. Such factors include market trends, the political situation, economic climate, laws and regulations, social conditions, cultural factors, religious factors and customs.

(6) Information and network systems

The Group appropriately develops and manages the information and network systems necessary for its operations. However, operations could be disrupted as a result of system failures and operational errors, which, in turn, could result in the Group incurring opportunity losses and additional expenses. In addition, the Group has developed and implemented solid preventive and defensive measures against so-called security incidents, including unauthorized access to the systems and infection by a computer virus. However, in the event that a security incident of such magnitude occurs that cannot be prevented by the above measures, operations could be disrupted and the Group could incur opportunity losses and additional expenses, as well as suffer a loss in the Group's social credibility as a result of leakage of trade secrets, including the personal information of the Group's customers and employees, to third parties, and the occurrence of opportunity loss and additional expenses.

(7) Management of personal information

In conjunction with the enactment of the Personal Information Protection Law, the Group has established a rigorous internal system for the management of personal information, in addition to conducting training on the protection of personal information, as necessary, for its directors and audit & supervisory board members and employees. However, in the event that a security incident, as described in (6) above, occurs, and personal information is leaked to third parties, the Group's business performance may be affected.

(8) Exchange rate fluctuations

The Group includes consolidated subsidiaries located in North America, Europe and Asia. The risk of foreign exchange loss has been reduced as foreign currency gained by those subsidiaries is expended for settlement or reinvestment in the applicable countries. However, sales, expenses, assets, liabilities and net assets of the foreign subsidiaries are converted into Japanese yen amounts in the consolidated financial statements. Consequently, exchange rates may affect the Group's financial results if they fluctuate beyond management forecasts.

(9) Entertainment industry laws

The operation of amusement facilities is subject to government control under the Law for Proper Control of Entertainment and Amusement Businesses and other related laws and regulations. These laws and regulations include an approval and licensing system for the opening and operation of amusement facilities, regulations on business hours, age restrictions, area restrictions on outlet opening, and regulations concerning facility structures, interiors, lighting and noise. The Group operates its facilities appropriately in strict compliance with these laws and regulations. However, if the regulations were to be reinforced, the Group's business performance may be affected.

(10) Accidents and disasters

The Group periodically carries out accident prevention checks, facility inspections and emergency drills to minimize the impact of earthquakes and other major natural disasters, fires, blackouts, system and network failures, terrorist attacks, outbreaks of infectious diseases, and other accidents and disasters. However, should devastating accidents or disasters occur, the Group's business performance may be affected.

(11) Litigation and other claims

The Group thoroughly complies with laws and regulations and maintains full respect for third parties' rights while carrying out its operations. However, in the course of its business development in the global arena, the Group is inevitably open to the risk of becoming a party of dispute, in particular, patent litigation in the United States. Should a litigation in which the Group is named as the defendant or other dispute occur, despite the Group's efforts for early settlement under conditions that are favorable for the Group, the outcome thereof may lead to an adverse impact on the Group's business performance.

Consolidated Balance Sheet (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31

Millions of yen

	2015	2014
Assets		
Current assets		
Cash and deposits	¥103,631	¥115,367
Notes and accounts receivable	20,973	22,110
Merchandise and finished goods	1,881	2,013
Work in progress	4	700
Raw materials and supplies	314	433
Content production account	35,113	20,556
Deferred tax assets	4,818	4,819
Other	4,201	7,753
Allowance for doubtful accounts	(122)	(151)
Total current assets	170,815	173,604
Non-current assets		
Property and equipment		
Buildings and structures	13,212	18,016
Accumulated depreciation	(8,611)	(12,296)
Buildings and structures (net)	4,601	5,719
Tools and fixtures	13,074	13,062
Accumulated depreciation	(9,699)	(9,240)
Tools and fixtures (net)	3,375	3,822
Amusement equipment	16,559	20,222
Accumulated depreciation	(15,105)	(17,830)
Amusement equipment (net)	1,454	2,392
Other	127	129
Accumulated depreciation	(83)	(87)
Other (net)	43	41
Land	4,008	7,939
Construction in progress	136	1
Total property and equipment	13,620	19,917
Intangible assets		
Other	10,192	10,835
Total intangible assets	10,192	10,835
Investments and other assets		
Investment securities	1,172	701
Guarantee deposits	10,167	9,746
Deferred tax assets	1,198	1,125
Other	*1 5,192	*1 1,495
Allowance for doubtful accounts	(420)	(809)
Total investments and other assets	17,309	12,259
Total non-current assets	41,122	43,012
Total assets	¥211,938	¥216,617

The accompanying notes are an integral part of these statements.

	2015	2014
Liabilities		
Current liabilities		
Notes and accounts payable	¥ 11,820	¥ 11,563
Short-term loans	7,122	6,852
Current portion of bonds	—	35,000
Accrued income taxes	3,974	2,980
Provision for bonuses	1,696	1,771
Provision for sales returns	4,865	4,609
Provision for game arcade closings	379	251
Deferred tax liabilities	—	3
Asset retirement obligations	9	3
Other	20,062	17,472
Total current liabilities	49,931	80,508
Non-current liabilities		
Provision for directors' retirement benefits	151	178
Provision for game arcade closings	423	383
Net defined benefit liabilities	2,200	4,425
Deferred tax liabilities	2,371	1,978
Asset retirement obligations	953	807
Other	591	658
Total non-current liabilities	6,692	8,432
Total liabilities	56,623	88,940
Net Assets		
Shareholders' equity		
Common stock	23,680	15,368
Capital surplus	52,920	44,607
Retained earnings	79,355	71,298
Treasury stock	(876)	(870)
Total shareholders' equity	155,079	130,404
Accumulated other comprehensive income (loss)		
Valuation difference on available-for-sale securities	618	253
Foreign currency translation adjustments	(1,292)	(4,780)
Remeasurements of defined benefit plans	99	432
Total accumulated other comprehensive income (loss)	(574)	(4,094)
Stock acquisition rights	327	348
Minority interests in consolidated subsidiaries	482	1,018
Total net assets	155,314	127,676
Total liabilities and net assets	¥211,938	¥216,617

Millions of yen

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2015	2014
Net sales	¥ 167,891	¥ 155,023
Cost of sales	*1 94,794	*1 94,481
Gross profit	73,096	60,542
Reversal of provision for sales returns	4,877	4,672
Provision for sales returns	4,579	4,458
Net gross profit	73,394	60,756
Selling, general and administrative expenses		
Packaging freight charge	2,014	1,848
Advertising expense	10,386	7,913
Sales promotion expense	66	59
Allowance for doubtful accounts	69	36
Compensation for directors	435	572
Salaries	14,207	14,148
Provision for bonuses	1,936	2,193
Net periodic pension costs	323	1,088
Provision for directors' retirement benefits	11	17
Welfare expense	1,838	1,846
Rental expense	1,739	1,652
Commission fee	13,734	9,596
Depreciation and amortization	2,460	2,512
Other	*2 7,742	*2 6,726
Total selling, general and administrative expenses	56,967	50,213
Operating income	16,426	10,543
Non-operating income		
Interest income	139	116
Dividends received	9	6
Rental income	20	18
Foreign exchange gain	484	1,798
Miscellaneous income	236	210
Total non-operating income	890	2,150
Non-operating expenses		
Interest expenses	68	93
Commission fee	74	52
Office transfer-related expenses	173	—
Miscellaneous loss	15	13
Total non-operating expenses	332	159
Recurring income	16,984	12,534
Extraordinary gain		
Gain on sale of property and equipment	*3 1,394	*3 2
Gain on sale of investment securities	82	24
Gain on reversal of stock acquisition rights	44	35
Compensation income	—	351
Total extraordinary gain	1,520	413
Extraordinary loss		
Loss on sale of property and equipment	*4 741	*4 7
Loss on disposal of property and equipment	*5 258	*5 130
Impairment loss	*6 640	*6 158
Provision for game arcade closings	402	153
Loss on evaluation of content	—	*7 1,725
Loss on liquidation of subsidiaries and associates	313	—
Other	706	607
Total extraordinary loss	3,062	2,783
Income before dividends distribution from silent partnership, income taxes (*tokumei-kumiai*)	15,442	10,164
Dividends distribution from silent partnership (*tokumei-kumiai*)	132	26
Income before income taxes and minority interests	15,310	10,137
Income taxes–current	5,136	2,807
Income taxes–deferred	353	715
Total income taxes	5,489	3,522
Income before minority interests	9,820	6,615
Minority interests income (loss)	(11)	16
Net income	¥ 9,831	¥ 6,598

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2015	2014
Income before minority interests	¥ 9,820	¥6,615
Other comprehensive income		
Unrealized gain on revaluation of available-for-sale securities	364	195
Foreign currency translation adjustments	3,575	2,234
Remeasurements of defined benefit plans	(332)	—
Other comprehensive income	*1 3,607	*1 2,430
Comprehensive income	13,427	9,045
(Breakdown)		
Comprehensive income attributable to owners of the Company	13,351	8,924
Comprehensive income attributable to minority interests	¥ 75	¥ 121

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

2015

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥15,368	¥44,607	¥71,298	¥(870)	¥130,404
Cumulative effects of changes in accounting policies			1,683		1,683
Restated balance	15,368	44,607	72,982	(870)	132,087
Changes during the year					
Issuance of new stocks	8,312	8,312			16,625
Dividends from retained earnings			(3,458)		(3,458)
Net income			9,831		9,831
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes during the year	8,312	8,312	6,372	(6)	22,991
Balance at the end of the year	¥23,680	¥52,920	¥79,355	¥(876)	¥155,079

Millions of yen

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at the beginning of the year	¥253	¥(4,780)	¥ 432	¥(4,094)	¥348	¥1,018	¥127,676
Cumulative effects of changes in accounting policies							1,683
Restated balance	253	(4,780)	432	(4,094)	348	1,018	129,359
Changes during the year							
Issuance of new stocks							16,625
Dividends from retained earnings							(3,458)
Net income							9,831
Purchase of treasury stock							(6)
Disposal of treasury stock							0
Net changes in items other than shareholders' equity	364	3,488	(332)	3,520	(21)	(536)	2,962
Total changes during the year	364	3,488	(332)	3,520	(21)	(536)	25,954
Balance at the end of the year	¥618	¥(1,292)	¥ 99	¥ (574)	¥327	¥ 482	¥155,314

The accompanying notes are an integral part of these statements.

2014

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the year	¥15,204	¥44,444	¥68,153	¥(862)	¥126,940
Cumulative effects of changes in accounting policies					—
Restated balance	15,204	44,444	68,153	(862)	126,940
Changes during the year					
Issuance of new stocks	163	163			327
Dividends from retained earnings			(3,453)		(3,453)
Net income			6,598		6,598
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes during the year	163	163	3,144	(7)	3,464
Balance at the end of the year	¥15,368	¥44,607	¥71,298	¥(870)	¥130,404

Millions of yen

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests in consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance at the beginning of the year	¥ 57	¥(6,911)	¥ —	¥(6,853)	¥ 652	¥ 897	¥121,636
Cumulative effects of changes in accounting policies							—
Restated balance	57	(6,911)	—	(6,853)	652	897	121,636
Changes during the year							
Issuance of new stocks							327
Dividends from retained earnings							(3,453)
Net income							6,598
Purchase of treasury stock							(8)
Disposal of treasury stock							0
Net changes in items other than shareholders' equity	195	2,130	432	2,758	(303)	121	2,575
Total changes during the year	195	2,130	432	2,758	(303)	121	6,039
Balance at the end of the year	¥253	¥(4,780)	¥432	¥(4,094)	¥ 348	¥1,018	¥127,676

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2015	2014
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 15,310	¥10,137
Depreciation and amortization	6,934	6,614
Impairment loss	640	158
Increase (decrease) in allowance for doubtful accounts	(297)	182
Increase (decrease) in provision for bonuses	(92)	760
Increase (decrease) in provision for sales returns	(298)	(214)
Increase (decrease) in provision for directors' retirement benefits	(27)	(66)
Increase (decrease) in provision for game arcade closing	208	(66)
Increase (decrease) in net defined benefit liabilities	(715)	160
Interest and dividends income	(148)	(123)
Interest expenses paid	68	93
Foreign exchange losses (gains)	(2,127)	(1,263)
Loss (gain) on sales of investment securities	(82)	(24)
Loss on disposal of property and equipment	258	126
Gain on sales of non-current assets	(1,394)	(2)
Loss on sales of property and equipment	741	7
Decrease (increase) in notes and accounts receivable	1,973	10,779
Decrease (increase) in inventories	(12,799)	(2,601)
Increase (decrease) in notes and accounts payable–trade	(2)	317
Decrease (increase) in other current assets	3,360	(4,484)
Decrease (increase) in other noncurrent assets	(607)	93
Increase (decrease) in other current liabilities	1,634	969
Other, net	(293)	109
Subtotal	12,241	21,663
Interest and dividends income received	161	154
Interest expenses paid	(78)	(102)
Payments for extra retirement payments	—	(1,066)
Proceeds from compensation	—	351
Income taxes paid	(4,530)	(1,502)
Income taxes refund	340	2,200
Net cash provided by operating activities	¥ 8,132	¥21,698

The accompanying notes are an integral part of these statements.

Millions of yen

	2015	2014
Cash flows from investing activities		
Payments into time deposits	¥ (2,765)	¥ (2,971)
Proceeds from withdrawal of time deposits	3,252	2,922
Proceeds from sales of investment securities	112	53
Purchases of property and equipment	(4,767)	(4,823)
Proceeds from sales of property and equipment	5,884	29
Purchases of intangible assets	(875)	(566)
Purchases of investments in subsidiaries	(1,872)	(223)
Payments for guarantee deposits	(1,007)	(354)
Proceeds from collection of guarantee deposits	312	643
Other, net	(150)	(671)
Net cash used in investing activities	(1,876)	(5,962)
Cash flows from financing activities		
Proceeds from issuance of new stocks	74	47
Redemption of bonds	(18,462)	—
Purchase of treasury stock	(6)	(8)
Cash dividends paid	(3,450)	(3,446)
Other, net	(261)	(31)
Net cash used in financing activities	(22,105)	(3,438)
Effect of exchange rate change on cash and cash equivalents	5,572	2,386
Net increase (decrease) in cash and cash equivalents	(10,277)	14,684
Cash and cash equivalents at the beginning of the year	113,507	98,822
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(82)	—
Cash and cash equivalents at end of the year	*1 ¥103,147	*1 ¥113,507

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries

Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 32 companies

Names of principal consolidated subsidiaries

SQUARE ENIX OF AMERICA HOLDINGS, INC.
SQUARE ENIX OF EUROPE HOLDINGS LTD.
SQUARE ENIX CO., LTD.
TAITO CORPORATION
SMILE-LAB Co., Ltd.
SQUARE ENIX, INC.
SQUARE ENIX LTD.
SQUARE ENIX (China) CO., LTD.
CRYSTAL DYNAMICS, INC.
EIDOS INTERACTIVE CORP.
IO INTERACTIVE A/S

During the fiscal year ended March 31, 2015, FF FILM PARTNERS completed liquidation procedures, and consequently, it was excluded from the Company's scope of consolidation.

(2) Names of principal non-consolidated subsidiaries:

SHINRA TECHNOLOGIES, INC.
Shinra Technologies Japan Co., Ltd.
Tokyo RPG Factory Co., Ltd.
SQUARE ENIX MOBILE STUDIO CO., LTD.
SQUARE ENIX Business Support, CO., LTD.

(Rationale for the exclusion of subsidiaries from the scope of consolidation)
Non-consolidated subsidiaries conduct operations that are relatively small in scale. The total amounts of the non-consolidated subsidiaries' assets, sales, equity in net income (loss), and equity in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements.

2. Application of the Equity Method of Accounting

(1) There are no non-consolidated subsidiaries or affiliates which are accounted for under the equity method.

(2) Non-consolidated subsidiaries that were not accounted for under the equity method, including SHINRA TECHNOLOGIES, INC., Shinra Technologies Japan Co., Ltd., Tokyo RPG Factory Co., Ltd., SQUARE ENIX MOBILE STUDIO CO., LTD., and SQUARE ENIX Business Support, CO., LTD., as well as affiliated companies, were excluded from the scope of application of the equity method because the impact on net income (corresponding to the share) and retained earnings (corresponding to the share) was insignificant to the consolidated financial statements overall.

3. Fiscal Year-End of Consolidated Subsidiaries

Among the Company's consolidated subsidiaries, the fiscal years of SQUARE ENIX (China) CO., LTD., HUANG LONG CO., LTD., and SQUARE PICTURES, INC. end on December 31.

In the preparation of the accompanying consolidated financial statements, such financial statements which have a December 31 fiscal year-end have been used. Significant transactions between the fiscal year-end and the consolidated balance sheet date of March 31 are reconciled for consolidation.

For SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., whose fiscal year-end is December 31, a provisional settlement of accounts as of the Company's balance sheet date was used as the basis for the preparation of the consolidated financial statements.

4. Summary of Significant Accounting Policies

(1) Standards and valuation methods for major assets:

A) Investment securities

Other investment securities

Securities for which fair values are available:

Market value, determined by the quoted market price as of the balance sheet date, with unrealized gains and losses reported as a separate component of net assets at a net-of-tax amount, and cost of sales determined by the moving-average method

Securities for which fair values are unavailable:

Stated at cost determined by the moving-average method

B) Derivatives

Stated at fair value

C) Inventories

Manufactured goods, merchandise:

Mainly stated at cost, determined by the monthly average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values) and the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

However, amusement equipment is stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Content production account:

Stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Raw materials, unfinished goods:

Stated at cost, determined by the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Supplies:

Stated at the last purchase price

(2) Method of depreciation and amortization for major assets:

A) Property and equipment (excluding leased assets)

Property and equipment of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method.

However, for buildings (excluding building fixtures) acquired on or after April 1, 1998, and overseas consolidated subsidiaries, the straight-line method is applied. The estimated useful lives of major assets are as follows:

Buildings and structures	3–65 years
Tools, furniture and fixtures	2–20 years
Amusement equipment	3–5 years

B) Intangible assets (excluding leased assets)

Amortized using the straight-line method. Software used in-house is amortized using the straight-line method based on an internal estimate of its useful life (three to five years).

C) Leased assets

Leased assets under finance lease transactions that do not transfer ownership.

Depreciation for leased assets is computed under the straight-line method over the lease term with no residual value.

(3) Accounting for allowances and provisions:

A) Allowance for doubtful accounts

An allowance for doubtful accounts provides for possible losses on defaults of receivables. The allowance is made up of two components: the estimated credit loss on doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.

B) Provision for bonuses

A provision for bonuses is provided for payments to employees of the Company and certain consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

C) Provision for sales returns

At certain consolidated subsidiaries prior to the fiscal year ended March 31, 2015, provisions are provided for losses on the return of published materials, at an amount calculated based on historical experience prior to this fiscal year and provisions are provided for losses on the return of game software and other, comprising an estimated amount of future losses assessed based on the probability of the return by each game title, etc.

D) Provision for game arcade closings

For closures of game arcades, etc., that have been determined at certain consolidated subsidiaries, a provision is provided at an amount in line with reasonable estimates of future losses on such closures.

E) Provision for directors' retirement benefits

At the Company and certain consolidated subsidiaries a provision for directors' retirement benefits is provided to adequately cover the costs of directors' retirement benefits, which are accounted for on an accrual basis in accordance with internal policy.

(4) Accounting treatment methods for retirement benefits:

1) Periodic attribution method for projected retirement benefits

In the calculation of retirement benefit obligations, the Company and certain consolidated subsidiaries apply the benefit formula basis in attributing projected benefits to the service period until the end of the fiscal year.

2) Amortization method of actuarial gains and losses and prior service costs

Unrecognized actuarial differences are fully amortized in the year following the year in which they occur. At certain consolidated subsidiaries, amortization for each fiscal year is made using the straight-line method over a certain period (five years) within the average remaining service period of eligible employees when the differences are recognized, commencing from the year after the year in which they occur.

Unrecognized prior service costs are amortized over a certain period (one year or five years) within the average remaining service period of eligible employees.

(5) Translation of foreign currency transactions and accounts:

All monetary assets and liabilities of the Company and its overseas consolidated subsidiaries denominated in foreign currencies are translated at the balance sheet date at the year-end rates. The resulting translation gains or losses are credited or charged to income. All assets and liabilities of overseas consolidated subsidiaries are translated as of the balance sheet date at the year-end rates, and all income and expense accounts are translated at the average rates for their respective periods. The resulting translation adjustments are recorded in net assets as "Foreign currency translation adjustments" and are included in minority interests in consolidated subsidiaries.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows:

Cash and cash equivalents in the consolidated statements of cash flows comprises cash on hand, bank deposits which may be withdrawn on demand and short-term investments with an original maturity of three months or less and with minimal risk of fluctuations in value.

(7) Additional accounting policies used to prepare consolidated financial statements:

A) Accounting treatment of consumption taxes and local consumption taxes

Statement of income items are presented exclusive of consumption taxes and local consumption taxes.

Non-deductible consumption taxes charged on assets and local consumption taxes are recognized as expenses for the year when the related transactions have occurred.

B) Application of consolidated taxation system

The Company has requested approval to apply the consolidated taxation system from the fiscal year ending March 31, 2016. Accordingly, from the fiscal year ended March 31, 2015, the Company has implemented the relevant accounting procedures based on the premise of applying the consolidated taxation system, in accordance with the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force No. 5, issued January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ Practical Issues Task Force No. 7, issued January 16, 2015).

Changes in Accounting Policy

(Application of accounting standard for retirement benefits, etc.)
Effective from the fiscal year ended March 31, 2015, the Company has applied the provisions specified in the main clause of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued May 17, 2012, the "Retirement Benefits Accounting Standard") and the provisions specified in the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued March 26, 2015, the "Guidance on Retirement Benefits"). Accordingly, the Company has reviewed the calculation methods for retirement benefit obligations and service costs, and has changed the method of attributing estimated retirement benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from using the interest rates of bonds determined by reference to the maturity closely related to the average remaining working years of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

With regard to the application of the Retirement Benefits Accounting Standard, in accordance with the transitional treatment provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the Company has reflected the effect of changing the determination methods of retirement benefit obligations and service costs in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, net defined benefit liability at the beginning of the fiscal year ended March 31, 2015 has decreased by ¥1,811 million, while retained earnings have increased by ¥1,683 million. The above-mentioned change in accounting policy had minimal impact on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2015.

The impact of this change on per share information is presented in the applicable section of these notes.

Accounting Standards Issued but Not Yet Applied

Not applicable

Change in the Method of Presentation

(Consolidated Balance Sheet)
"Income taxes receivable" was presented separately as of March 31, 2014, but as of March 31, 2015, ¥218 million was included in "Other," due to a decrease in its monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2014 have been reclassified.

Consequently, ¥288 million in "Income taxes receivable" recorded in the consolidated balance sheet as of March 31, 2014 has been incorporated into "Other."

(Consolidated Statement of Cash Flows)
"Gain on sale of property and equipment" was included in "Other, net," which was presented separately under "Cash flows from operating activities," in the fiscal year ended March 31, 2014, but it is presented separately from the fiscal year ended March 31, 2015, due to an increase in its monetary significance. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended March 31, 2014 have been reclassified.

Consequently, ¥106 million in "Other, net" recorded under "Cash flows from operating activities" in the consolidated statement of cash flows for the fiscal year ended March 31, 2014 has been reclassified as ¥(2) million in "Gain on sales of non-current assets" and ¥109 million in "Other, net."

Notes to Consolidated Balance Sheet

*1 Investments in non-consolidated subsidiaries and affiliates

Millions of yen

	As of March 31, 2015	As of March 31, 2014
Investments and other assets	¥1,992	¥92

Notes to Consolidated Statement of Income

*1 Inventories at fiscal year-end are stated after writing down based on the decrease in profitability. The following amount is included within cost of sales as loss on valuation of inventories.

Millions of yen

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
¥8,365	¥5,265

*2 Selling, general and administrative expenses include research and development expenses

Millions of yen

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
¥870	¥2,155

*3 Breakdown of gain on sale of property and equipment

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Buildings, structures and land	¥1,394	¥0
Tools, furniture and fixtures	0	1
Other	—	0
Total	¥1,394	¥2

*4 Breakdown of loss on sale of property and equipment

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Buildings, structures and land	¥658	¥ 7
Tools, furniture and fixtures	4	0
Software	77	—
Other	—	0
Total	¥741	¥ 7

*5 Breakdown of loss on disposal of property and equipment

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Buildings and structures	¥ 35	¥ 3
Tools, furniture and fixtures	23	13
Amusement equipment	159	109
Construction in progress	—	2
Software	34	2
Other	5	0
Total	¥258	¥130

*6 Impairment loss

In the fiscal year ended March 31, 2015, the Group posted an impairment loss on the following groups of assets.

Millions of yen

Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	¥301
Canada	Idle assets	Tools, furniture and fixtures	246
Shinjuku-ku, Tokyo	Assets planned for disposal	Other (Intangible assets)	92
Total			¥640

In the Amusement business segment, each division, including captive outlets, rented outlets, franchise outlets and amusement equipment production and sales, is classified as one asset-grouping unit. In other business segments, classification of asset groups is carried out based on the relationships between businesses. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually, separately from those mentioned above.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable market value. With regard to assets planned for disposal, future recovery of the investment amount has been deemed uncertain and their book value has been written down to the applicable recoverable value. For intangible assets, asset values were reassessed, taking into account changes in the market environment, and book values were subsequently written down to the applicable recoverable values. Note that calculation of recoverable amounts is measured mainly by net selling price, which is based on a reasonable assumption of market price.

In the fiscal year ended March 31, 2014, the Group posted an impairment loss on the following groups of assets.

Millions of yen

Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Idle assets	Other (Intangible assets)	¥ 2
Shinjuku-ku, Tokyo	Idle assets	Amusement equipment	128
	Assets planned for disposal	Amusement equipment	7
	Prize production and sale	Finance lease that does not transfer ownership of rental transactions	1
Ebina, Kanagawa Prefecture	Idle assets	Other (Property and equipment)	4
	Prize production and sale	Amusement equipment	0
		Other (Property and equipment)	11
Shibuya-ku, Tokyo	DARTS machine sales and facility operation	Finance lease that does not transfer ownership of rental transactions	0
		Other (Investments and other assets)	1
Total			¥158

In the Amusement business segment, each division, including captive outlets, rented outlets, franchise outlets and amusement equipment production and sales, is classified as one asset-grouping unit. In other business segments, classification of asset groups is carried out based on the relationships between businesses. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually, separately from those mentioned above.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable market value. With regard to assets planned for disposal, future recovery of the investment amount has been deemed uncertain and their book value has been written down to the applicable recoverable value. For intangible assets, asset values were reassessed, taking into account changes in the market environment, and book values were subsequently written down to the applicable recoverable values. Note that calculation of recoverable amounts is measured mainly by net selling price, which is based on a reasonable assumption of market price.

*7 Loss on revaluation of content

Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
—	These are losses related to content in the Digital Entertainment Segment that reflect a careful review of marketability following revisions to development policy prompted by changes in the game industry environment.

Notes to Consolidated Statement of Comprehensive Income

*1 Reclassification adjustments and tax effects allocated to each component of other comprehensive income

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net unrealized gain (loss) on revaluation of other investment securities:		
Gains (losses) arising during the year	¥ 502	¥ 263
Reclassification adjustments	—	(23)
Total amount before tax-effect	502	239
Tax-effect	(137)	(44)
Net unrealized gain (loss) on revaluation of other investment securities	364	195
Foreign currency translation adjustments:		
Exchange differences arising during the year	1,115	2,234
Reclassification adjustments relating to foreign operations	2,459	—
Total amount before tax-effect	3,575	2,234
Tax-effect	—	—
Foreign currency translation adjustments	3,575	2,234
Remeasurements of defined benefit plans:		
Defined benefit obligations arising during the year	(104)	—
Reclassification adjustments relating to defined benefit plans	(197)	—
Total amount before tax-effect	(301)	—
Tax-effect	(31)	—
Remeasurements of defined benefit plans	(332)	—
Total other comprehensive income	¥3,607	¥2,430

Items Pertaining to the Consolidated Statement of Changes in Net Assets

■ Year ended March 31, 2015

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

Thousands of shares

	Shares as of April 1, 2014	Share increases during the year	Share decreases during the year	Shares as of March 31, 2015
Shares issued and outstanding				
Common stock*1	115,575	6,657	—	122,232
Total	115,575	6,657	—	122,232
Treasury stock				
Common stock*2, 3	306	3	0	309
Total	306	3	0	309

Notes: 1 The increase of 6,657 thousand shares in the number of shares of common stock issued was due to the issuance of new shares resulting from the exercise of stock acquisition rights as stock options and the conversion of bonds with stock acquisition rights.

2 The increase of 3 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

3 The decrease of 0 thousand shares of treasury stock was due to the sale of fractional shares constituting less than one trading unit.

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options: As of April 1, 2014	Increase during the year	Decrease during the year	As of March 31, 2015	Balance as of March 31, 2015 (Millions of yen)
Supplying company (parent company)	Issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010*1	Common stock	14,000,000	—	14,000,000	—	—
	Stock acquisition rights as stock options	—	—	—	—	—	¥327
	Total	—	—	—	—	—	¥327

Note: 1 The decrease during the fiscal year ended March 31, 2015 in euro yen zero-coupon convertible bonds due 2015, issued pursuant to the resolution of the Board of Directors on January 18, 2010, was attributable to the exercise of stock acquisition rights (6,615,200 shares) and the expiration of the exercise period.

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 16, 2014 (Board of Directors' Meeting)	Common stock	¥2,305	¥20	March 31, 2014	June 4, 2014
November 6, 2014 (Board of Directors' Meeting)	Common stock	1,152	10	September 30, 2014	December 5, 2014

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 18, 2015 (Board of Directors' Meeting)	Common stock	¥2,438	Retained earnings	¥20	March 31, 2015	June 3, 2015

Year ended March 31, 2014

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

Thousands of shares

	Shares as of April 1, 2013	Share increases during the year	Share decreases during the year	Shares as of March 31, 2014
Shares issued and outstanding				
Common stock *1	115,370	205	—	115,575
Total	115,370	205	—	115,575
Treasury stock				
Common stock *2, 3	302	4	0	306
Total	302	4	0	306

Notes: 1 The increase of 205 thousand shares in the number of shares of common stock issued was due to the issuance of new stocks resulting from the exercise of stock acquisition rights as stock options.

2 The increase of 4 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

3 The decrease of 0 thousand shares of treasury stock was due to the sale of fractional shares constituting less than one trading unit.

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options: As of April 1, 2013	Increase during the year	Decrease during the year	As of March 31, 2014	Balance as of March 31, 2014 (Millions of yen)
Supplying company (parent company)	Issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010	Common stock	14,000,000	—	—	14,000,000	—
	Stock acquisition rights as stock options	—	—	—	—	—	¥348
	Total	—	—	—	—	—	¥348

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 17, 2013 (Board of Directors' Meeting)	Common stock	¥2,301	¥20	March 31, 2013	June 4, 2013
November 6, 2013 (Board of Directors' Meeting)	Common stock	1,152	10	September 30, 2013	December 5, 2013

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 16, 2014 (Board of Directors' Meeting)	Common stock	¥2,305	Retained earnings	¥20	March 31, 2014	June 4, 2014

Notes to Consolidated Statement of Cash Flows

*1 A reconciliation of cash and cash equivalents in the consolidated statement of cash flows to the corresponding amount disclosed in the consolidated balance sheet is as follows:

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Cash and deposits	¥103,631	¥115,367
Time deposits with maturity periods over three months	(484)	(1,860)
Cash and cash equivalents	¥103,147	¥113,507

Lease Transactions

1. Finance lease transactions

(1) Type of leased assets

Amusement facilities in the Amusement business (buildings and structures, tools and fixtures and amusement equipment)

(2) Depreciation method for leased assets

Please see the following sections: "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements; 4. Summary of Significant Accounting Policies; (2) Method of depreciation and amortization of major assets."

2. Operating lease transactions

Not applicable

Notes Regarding Financial Instruments

1. Matters concerning financial instruments

(1) Policies regarding financial instruments

With regard to the management of funds, the Group only utilizes financial instruments with low market risk, such as deposits. With regard to fund procurement, the Group utilizes borrowings from financial institutions. Forward-exchange transactions are carried out within the amount of foreign currency-denominated transactions conducted by the Group. It is the Group's policy not to engage in derivative transactions for speculative purposes.

(2) Types of financial instruments held, risks associated with these financial instruments and the risk management system

The Group is exposed to customer credit risk through notes and accounts receivable, which are trade receivables. The Group endeavors to reduce this risk by managing the outstanding balance and due date for each transaction in accordance with internal rules at each Group company for sales management. Owing to the Group's global business operations, a portion of its notes and accounts receivable are denominated in foreign currencies, which are exposed to exchange rate fluctuation risk. Although the Group, in principle, does not engage in derivative transactions, for the purpose of hedging against the risk of future fluctuations in foreign exchange rates, it enters into forward foreign exchange contracts from time to time. Although forward foreign exchange contracts involve exposure to exchange rate fluctuation risk, each counterparty to these transactions is, without exception, a highly creditworthy bank. Hence, the Group judges that credit risk through counterparty breach of contract (counterparty risk) is negligible. With regard to forward foreign exchange transactions, all risk is centrally managed by the accounting division under the approval of a representative director and the director assigned to oversee accounting and finance matters.

Investment securities mainly comprise stock market listed shares, and, hence, are exposed to market price fluctuation risk. However, fair values are monitored and regularly reported to the Board of Directors.

Guarantee deposits consist of deposits required to be furnished by the Group when it enters into real estate leases relating to the Group's headquarters, other offices and amusement arcade facilities. Although these deposits involve exposure to counterparty credit risk, for the headquarters and other offices, and for amusement arcades, the general affairs division and the sales division, respectively, confirm the creditworthiness of the lessors through regular contact. In addition, the accounting division checks with each of these divisions on the situation at the end of each fiscal year.

Notes and accounts payable are defined as those trade payables due within one year. Short-term loans are used to meet short-term working capital requirements. The Group avoids the settlement liquidity risk associated with short-term payables, including notes and accounts payable, accrued corporate taxes and short-term loans, through the monthly review of its funding plan and other methods. Although foreign currency-denominated trade payables involve exposure to exchange rate fluctuations, the Group reduces this risk through similar methods to those used to manage the risk associated with foreign currency-denominated trade receivables. The Group is exposed to interest rate risk through short-term loans. The Group, however, is able to respond flexibly to interest rate fluctuations since the borrowing periods are short.

In terms of derivative transactions, the Group mainly uses forward foreign exchange contracts as hedging instruments in order to hedge the risk of fluctuations in foreign exchange rates relating primarily to business transactions denominated in foreign currencies.

(3) Supplementary information regarding the fair value, and others, of financial instruments

The fair value of financial instruments includes amounts based on market prices as well as those calculated using an appropriate formula when there is no applicable market price. Since variable factors are included in the calculation of such fair values, the adoption of different assumptions may lead to changes in these fair value amounts. The contract amounts, etc., of derivative transactions discussed in "Derivative Transactions" of the Notes do not indicate the market risk associated with derivative transactions.

2. Fair value of financial instruments

With regard to financial instruments held by the Company and its consolidated subsidiaries, the values presented on the consolidated balance sheet as of March 31, 2015 and 2014, the estimated fair value and the difference between these amounts are as follows. Items for which fair value is difficult to estimate are not included in the following table (Note 2).

■ **As of March 31, 2015**

Millions of yen

Assets:	Book value	Fair value	Difference
(1) Cash and deposits	¥103,631	¥103,631	¥ —
(2) Notes and accounts receivable	20,973		
Allowance for doubtful accounts	(122)		
Notes and accounts receivable, net	20,851	20,851	—
(3) Investment securities	1,140	1,140	—
(4) Guarantee deposits	10,167		
Allowance for doubtful deposits paid	(350)		
Guarantee deposits, net	9,817	9,639	(178)
Total assets	135,441	135,263	(178)
Liabilities:			
(1) Notes and accounts payable	11,820	11,820	—
(2) Short-term loans	7,122	7,122	—
(3) Accrued income taxes	3,974	3,974	—
Total liabilities	¥ 22,917	¥ 22,917	¥ —
Derivative transactions *1	¥ 12	¥ 12	¥ —

*1 Assets and liabilities arising from derivative transactions are shown at net value.

■ **As of March 31, 2014**

Millions of yen

Assets:	Book value	Fair value	Difference
(1) Cash and deposits	¥115,367	¥115,367	¥ —
(2) Notes and accounts receivable	22,110		
Allowance for doubtful accounts	(151)		
Notes and accounts receivable, net	21,959	21,959	—
(3) Income taxes receivable	288	288	—
(4) Investment securities	655	655	—
(5) Guarantee deposits	9,746		
Allowance for doubtful deposits paid	(500)		
Guarantee deposits, net	9,246	9,055	(191)
Total assets	147,517	147,325	(191)
Liabilities:			
(1) Notes and accounts payable	11,563	11,563	—
(2) Short-term loans	6,852	6,852	—
(3) Current portion of bonds	35,000	37,692	2,692
(4) Accrued income taxes	2,980	2,980	—
Total liabilities	¥ 56,396	¥ 59,088	¥2,692
Derivative transactions *1	¥ 2	¥ 2	¥ —

*1 Assets and liabilities arising from derivative transactions are shown at net value.

Notes: 1 Matters concerning the methods for estimating fair value and short-term investment securities

Assets

(1) Cash and deposits and (2) Notes and accounts receivable

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

(3) Investment securities

Investment securities comprise stock market listed shares, and fair value is the stock market trading price. For information relating to each of the holding purposes of securities, please refer to the note titled “Securities.”

(4) Guarantee deposits

The fair values of these items are the net present value, which has been discounted at a rate that appropriately reflects the length of time the deposits are expected to be held for and the credit risk of the deposit holder.

Liabilities

(1) Notes and accounts payable, (2) Short-term loans and (3) Accrued corporate taxes

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

Derivative transactions

Please refer to the information on “Derivative Transactions.”

2 Financial instruments for which it is extremely difficult to estimate fair value

Millions of yen

Item	As of March 31, 2015	As of March 31, 2014
Unlisted shares	¥31	¥45

These items are not included in “(4) Investment securities” above, owing to the recognition of their lack of market prices and the extreme difficulty in estimating fair value based on such methods as estimated future cash flows.

3 Planned redemption amounts subsequent to the consolidated balance sheet date for monetary claims

Millions of yen

	As of March 31, 2015				As of March 31, 2014			
	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Deposits	¥102,015	¥ —	¥ —	¥—	¥113,737	¥ —	¥ —	¥—
Notes and accounts receivable	20,973	—	—	—	22,110	—	—	—
Income taxes receivable	—	—	—	—	288	—	—	—
Guarantee deposits	5,463	2,046	2,644	12	4,764	2,709	2,235	37
Total	¥128,453	¥2,046	¥2,644	¥12	¥140,901	¥2,709	¥2,235	¥37

4 Planned repayment amounts subsequent to the consolidated balance sheet date for corporate bonds and other interest-bearing liabilities

Millions of yen

	As of March 31, 2015						As of March 31, 2014					
	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than 5 years	Within one year	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years	More than 5 years
Short-term loans	¥7,122	¥—	¥—	¥—	¥—	¥—	¥ 6,852	¥—	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—	—	—	35,000	—	—	—	—	—
Total	¥7,122	¥—	¥—	¥—	¥—	¥—	¥41,852	¥—	¥—	¥—	¥—	¥—

Securities

1. Held-for-sale securities

Not applicable

2. Held-to-maturity securities with market value

Not applicable

3. Other investment securities with market value

Millions of yen

		As of March 31, 2015			As of March 31, 2014		
	Type	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Stocks	¥1,081	¥233	¥847	¥604	¥250	¥354
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	1,081	233	847	604	250	354
Securities with acquisition cost exceeding book value	(1) Stocks	59	75	(15)	51	75	(24)
	(2) Bonds						
	a. Government bonds and municipal bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other	—	—	—	—	—	—
	Subtotal	59	75	(15)	51	75	(24)
Total		¥1,140	¥308	¥831	¥655	¥326	¥329

4. Securities sold during the year

Millions of yen

	Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2014		
Item	Proceeds	Aggregate gain on sale	Aggregate loss on sale	Proceeds	Aggregate gain on sale	Aggregate loss on sale
(1) Stocks	¥114	¥82	¥—	¥53	¥24	¥0
(2) Bonds						
a. Government bonds and municipal bonds	—	—	—	—	—	—
b. Corporate bonds	—	—	—	—	—	—
c. Other	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Total	¥114	¥82	¥—	¥53	¥24	¥0

5. Investment securities subject to impairment

In the fiscal year ended March 31, 2015, other investment securities (shares) were subject to impairment amounting to ¥1 million.

In the fiscal year ended March 31, 2014, other investment securities (shares) were subject to impairment amounting to ¥2 million.

With regard to the impairment of shares, shares whose fair value has fallen to below 50% of the acquisition price are fully impaired, and shares whose fair value has fallen to between 30% and 50% of the acquisition price are impaired by an appropriate amount after taking into consideration the materiality of the amount involved and the likelihood of recovery.

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Derivative Transactions

1. Derivative transactions for which hedge accounting has not been applied

Currency derivatives

■ Year ended March 31, 2015

Millions of yen

Category	Type of derivative	Contract amounts	Contract amount due after one year	Fair value	Unrealized gain
Over-the-counter transactions	Foreign exchange forward contracts Buy USD	¥220	¥—	¥12	¥12
	Total	¥220	¥—	¥12	¥12

Note: The methods for estimating fair value:
The fair value is calculated by using forward exchange rates.

■ Year ended March 31, 2014

Millions of yen

Category	Type of derivative	Contract amounts	Contract amount due after one year	Fair value	Unrealized gain
Over-the-counter transactions	Foreign exchange forward contracts Buy USD	¥103	¥—	¥2	¥2
	Total	¥103	¥—	¥2	¥2

Note: The methods for estimating fair value:
The fair value is calculated by using forward exchange rates.

2. Derivative transactions for which hedge accounting has been applied

■ Year ended March 31, 2015

Not applicable

■ Year ended March 31, 2014

Not applicable

Employees' Retirement Benefits

1. Overview of employees' retirement benefit plans:

The Company and its domestic consolidated subsidiaries have a lump-sum retirement payment plan in accordance with their internal bylaws. Certain of the Company's overseas subsidiaries maintain defined contribution retirement pension plans.

2. Defined benefit plan:

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Balance of retirement benefit obligations at the beginning of the year	¥12,298	¥12,674
Increase (decrease) in net defined benefit liability	(1,811)	—
Restated balance	10,487	12,674
Service cost	466	514
Interest cost	113	87
Actuarial gains (losses) arising during the year	440	(127)
Retirement benefits paid	(401)	(847)
Other	—	(3)
Balance of retirement benefit obligations at the end of the year	¥11,105	¥12,298

(2) Reconciliation between the beginning and ending balances of plan assets

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Balance of plan assets at the beginning of the year	¥7,872	¥7,282
Expected return on plan assets	150	44
Actuarial gains (losses) arising during the year	331	411
Employer contribution	892	864
Retirement benefits paid	(343)	(730)
Balance of plan assets at the end of the year	¥8,904	¥7,872

(3) Reconciliation between the ending balances of retirement benefit obligations and plan assets, and net defined benefit liabilities and assets recorded in the consolidated balance sheet

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Retirement benefit obligation for funded plans	¥ 8,992	¥10,054
Plan assets	(8,904)	(7,282)
	87	2,181
Retirement benefit obligation for unfunded plans	2,113	2,244
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	2,200	4,425
Net defined benefit liabilities	2,200	4,425
Net defined benefit liabilities and assets recorded in the consolidated balance sheet	¥ 2,200	¥ 4,425

(4) Components of net periodic pension costs

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Service cost	¥ 466	¥ 514
Interest cost	113	87
Expected return on plan assets	(150)	(44)
Amortization of net actuarial gains (losses)	(193)	588
Net periodic pension costs relating to defined benefit plan	¥ 235	¥1,145

(5) Remeasurements of defined benefit plans in other comprehensive income

The following items (prior to adjustments for tax effect) have been recorded as components of remeasurements of defined benefit plans.

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Actuarial gains (losses)	¥(301)	¥—
Total	¥(301)	¥—

(6) Remeasurements of defined benefit plans in accumulated other comprehensive income

The following items (prior to adjustments for tax effect) have been recorded as components of remeasurements of the defined benefit plans.

Millions of yen

	As of March 31, 2015	As of March 31, 2014
Unrecognized actuarial gains (losses)	¥(147)	¥(449)
Total	¥(147)	¥(449)

(7) Plan assets

1) Main components of plan assets

The percentages of plan assets by major asset class to total plan assets are as follows:

Percent

	As of March 31, 2015	As of March 31, 2014
Bonds	7	45
Stocks	—	22
General accounts	21	9
Cash and deposits	62	7
Others	10	17
Total	100	100

Note: Total plan assets include 4% of the retirement benefit trust plan, which has been established for the corporate pension plan.

2) Method of determining the long-term expected rate of return

The long-term expected rate of return on plan assets is determined by taking into account the current and expected allocation of plan assets, and the long-term return rates, which are expected currently and in the future based on the various assets that comprise the plan assets.

(8) Assumptions used to determine actuarial gains or losses

Major (weighted-average) assumptions used to determine actuarial gains or losses

Percent

	As of March 31, 2015	As of March 31, 2014
Discount rate	0.330 to 0.777	0.597 to 0.978
Long-term expected rate of return on plan assets	2.000	2.000

3. Defined contribution plan:

The required contributions for the defined contribution plan by consolidated subsidiaries were ¥302 million and ¥348 million for the years ended March 31, 2014 and March 31, 2015, respectively.

Stock Options

1. Expense items and amounts during the fiscal year related to stock options:

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Cost of sales	¥—	¥ 0
Selling, general and administrative expenses	35	10

2. Amounts recorded as gains due to vested stock options unexercised by employees:

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Reversal of stock acquisition rights	¥44	¥35

3. Details, scale of and changes in stock options:

(1) Details of stock options

	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options	2011 stock options	2011 stock options	2012 stock options	2012 stock options	2014 stock options
Category of grantees	Company directors	Company directors	Company employees	Company directors	Company employees	Company employees	Company directors	Company employees, and directors and employees of the Company's subsidiaries	Company directors	Company employees	Company directors
Number of grantees	5	5	7	5	6	2	5	12	5	8	6
Number of stock options	19,800 shares of common stock	57,000 shares of common stock	140,000 shares of common stock	77,000 shares of common stock	140,000 shares of common stock	20,000 shares of common stock	87,000 shares of common stock	180,000 shares of common stock	67,000 shares of common stock	110,000 shares of common stock	16,000 shares of common stock
Date granted	August 21, 2008	October 21, 2009	January 15, 2010	August 23, 2010	August 23, 2010	January 14, 2011	July 21, 2011	August 31, 2011	July 26, 2012	August 29, 2012	September 25, 2014
Conditions for vesting of interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests	No conditions have been set for vesting interests
Service period	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established	No service period established
Rights exercise period	August 22, 2008 to August 21, 2028	October 22, 2009 to October 21, 2029	December 26, 2011 to December 25, 2014	August 24, 2010 to August 23, 2030	July 30, 2012 to July 29, 2015	December 25, 2012 to December 24, 2015	July 22, 2011 to July 21, 2031	August 6, 2013 to August 5, 2016	July 27, 2012 to July 26, 2032	July 31, 2014 to July 30, 2017	September 26, 2014 to September 25, 2034

Note: The number of stock options described is the number of shares after conversion.

(2) Scale of and changes in stock options

With respect to stock options outstanding at this fiscal year-end, the number of stock options and the status of their exercise to shares of common stock are indicated below:

1) Number of stock options

	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options	2011 stock options	2011 stock options	2012 stock options	2012 stock options	2014 stock options
Before vesting (shares)											
March 31, 2014	—	—	—	—	—	—	—	—	—	80,000	—
Granted	—	—	—	—	—	—	—	—	—	—	16,000
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—	80,000	16,000
Unvested balance	—	—	—	—	—	—	—	—	—	—	—
After vesting (shares)											
March 31, 2014	10,500	27,000	100,000	32,000	103,700	10,000	32,000	117,000	27,000	—	—
Vested	—	—	—	—	—	—	—	—	—	80,000	16,000
Exercised	—	—	5,200	—	18,900	—	—	—	—	17,900	—
Forfeited	600	1,000	94,800	1,000	—	—	1,000	—	1,000	—	—
Balance unexercised	9,900	26,000	—	31,000	84,800	10,000	31,000	117,000	26,000	62,100	16,000

2) Price information

Yen

	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options	2011 stock options	2011 stock options	2012 stock options	2012 stock options	2014 stock options
Exercise price	¥ 1	¥ 1	¥2,293	¥ 1	¥1,895	¥1,779	¥ 1	¥1,835	¥ 1	¥1,515	¥ 1
Average share price at exercise	—	—	2,433	—	2,436	—	—	—	—	2,358	—
Fair market value on grant date	3,171	2,107	385	1,464	364	250	1,312	435	948	214	2,041

4. Method of estimating the fair value of stock options:

The fair value of the 2014 stock options granted during the fiscal year ended March 31, 2015 was estimated using the following method.

(1) Method of valuation: Black-Scholes option pricing model

(2) Main assumptions:

	2014 stock options
Expected share price volatility *1	35.9%
Expected life *2	10 years
Expected dividend yield *3	1.29%
Risk-free interest rate *4	0.54%

Notes: 1 This was calculated based on historical share price data prior to the grant date over a period equivalent to the expected life.

2 Owing to insufficient accumulated data, it is difficult to determine an appropriate estimate. Consequently, the midpoint of the available exercise period has been used as the estimated life.

3 For the 2014 stock options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2014.

4 This was determined based on the yield of government bonds corresponding to the expected life of the options.

5. Method of estimating the number of vested stock options:

In principle, owing to the difficulty of appropriately estimating the forfeited number of stock options for future periods, estimation of the vested number is based on actual forfeitures in prior periods.

Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities are summarized as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2014
Deferred tax assets		
1) Current assets		
Enterprise tax payable	¥ 381	¥ 207
Business office tax payable	36	39
Provision for bonuses	531	552
Accrued expenses	599	632
Provision for sales returns	1,328	1,106
Non-deductible portion of allowance for doubtful accounts	40	49
Tax credits	275	9
Loss on write-offs of content production account	2,847	3,673
Loss on inventory revaluation	507	613
Provision for game arcade closings	125	89
Loss carried forward	—	1
Other	221	226
Valuation allowance	(1,888)	(2,260)
Offset to deferred tax liabilities (current)	(188)	(121)
Total	4,818	4,819
2) Non-current assets		
Net defined benefit liabilities	713	1,716
Provision for directors' retirement benefits	50	62
Expense for stock-based compensation	104	121
Non-deductible depreciation expense of property and equipment	129	299
Asset retirement obligations	307	287
Impairment loss	386	324
Loss on evaluation of investments in securities	242	369
Non-deductible portion of allowance for doubtful accounts	4	94
Non-deductible portion of excess expenses on lump-sum depreciable assets	78	117
Loss carried forward, and others, at overseas subsidiaries	989	1,044
Provision for game arcade closings	136	135
Tax credits	60	29
Loss carried forward	36	58
Other	72	110
Valuation allowance	(677)	(2,304)
Offset to deferred tax liabilities (non-current)	(1,435)	(1,343)
Total	1,198	1,125
Total deferred tax assets	6,016	5,945
Deferred tax liabilities		
1) Current liabilities		
Accrued expenses and other cost calculation details	180	115
Other	7	8
Offset to deferred tax assets (current)	(188)	(121)
Total	—	3
2) Non-current liabilities		
Non-current assets	1,946	1,483
Tax effects from intangible non-current assets relating to business combinations	1,647	1,721
Other	213	117
Offset to deferred tax assets (non-current)	(1,435)	(1,343)
Total	2,371	1,978
Total deferred tax liabilities	2,371	1,981
Balance: Net deferred tax assets	¥ 3,644	¥ 3,963

2. A reconciliation of the statutory tax rate and the effective tax rate is as follows:

	As of March 31, 2015	As of March 31, 2014
Statutory tax rate	35.64%	38.01%
(Adjustments)		
Permanent differences relating to entertainment expense and others excluded from non-taxable expenses	0.33	0.77
Permanent differences relating to dividends received and others excluded from non-taxable expenses	(0.01)	(0.03)
Valuation allowance	(5.97)	(5.25)
Taxation on a per capita basis for inhabitants' tax	0.75	1.01
Special deduction for income growth	(0.62)	—
Tax credit for R&D expenses	(9.13)	(3.08)
Reduction of deferred tax assets and liabilities at fiscal year-end due to changes in corporate tax rate	3.21	4.88
Differences in tax rate from the parent company's statutory tax rate	6.95	(0.35)
Other	4.71	(1.21)
Effective tax rate	35.86	34.75

3. Revision to the amount of deferred tax assets and deferred tax liabilities due to changes in the income tax rate
With the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) on March 31, 2015, income tax rates have been reduced from fiscal years beginning on or after April 1, 2015. In accordance with these acts, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from the 35.64% applicable hitherto to 33.06% for the temporary differences likely to be eliminated in the fiscal year beginning on April 1, 2015, and to 32.30% for the temporary differences likely to be eliminated in and after the fiscal year beginning on April 1, 2016.

As a result of this change in the tax rate, the net amount of deferred tax assets (after deduction of deferred tax liabilities) decreased by ¥469 million, while income taxes–deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by ¥495 million, ¥22 million and ¥4 million, respectively, as of and for the year ended March 31, 2015.

Business Combinations

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

Not applicable

Asset Retirement Obligations

Balance Sheet Amount for Asset Retirement Obligations

a) Summary of applicable asset retirement obligations
Asset retirement obligations include the duty of restoration arising from contractual requirements set forth in real estate leases for buildings, including offices at the headquarters, as well as amusement facility arcades.

b) Assumptions used in calculating applicable asset retirement obligations
Asset retirement obligations on buildings, including offices at the headquarters, are based on estimated useful life, generally ranging between 8 and 15 years, and a discount rate generally set between 0.485% and 2.240%.
For amusement facility arcades, asset retirement obligations are based on an estimated useful life of 10 years—the average operating period for arcades that have been closed—and a discount rate between 0.345% and 1.355%.

c) Changes to aggregate asset retirement obligations

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Beginning balance	¥810	¥803
Increase due to procurement of property and equipment	149	3
Accretion expense	7	6
Decrease due to fulfillment of asset retirement obligations	(5)	(3)
Ending balance	¥962	¥810

Matters Relating to Real Estate Leases, Etc.

Year ended March 31, 2015

Not applicable

Year ended March 31, 2014

Not applicable

Segment Information

[Segment Information]

Year ended March 31, 2015

1. Outline of reporting segments

The Company's reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and to evaluate business performance.

In a rapidly evolving business environment, the Company seeks to provide high-quality entertainment content and services through a variety of environments to match customer lifestyles.

Accordingly, the Company maintains four business segments, each dedicated to a particular entertainment content and service format: (1) the "Digital Entertainment" segment, for interactive digital content for game consoles (including handheld game machines), personal computers and smartphones; (2) the "Amusement" segment, for amusement facility operation as well as the sale and rental of arcade game machines; (3) the "Publication" segment, for publication of comic books, game strategy books and comic magazines; and (4) the "Merchandising" segment, for planning, production, distribution and licensing of derivative products. These are the Company's reporting segments.

2. Calculating reporting segment sales, income (loss), assets and other items

Accounting treatment methods applied to financial results of reporting segments are the same as those used in the preparation of the Company's consolidated financial statements. Reporting segment income corresponds to operating income. Intersegment sales are based on prevailing prices in the market for the content and/or services provided.

3. Information on sales, income (loss), assets and other items 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	¥111,896	¥40,715	¥11,509	¥3,769	¥167,891	¥ —	¥167,891
(2) Intersegment sales	30	0	37	227	295	(295)	—
Total	111,926	40,715	11,547	3,997	168,187	(295)	167,891
Segment operating income	¥ 17,276	¥ 3,615	¥ 3,241	¥1,161	¥ 25,294	¥ (8,867)	¥ 16,426
Segment assets	¥ 71,221	¥15,367	¥ 4,026	¥ 982	¥ 91,598	¥120,340	¥211,938
Other items							
Depreciation and amortization	3,579	2,722	87	28	6,418	516	6,934
Increases in property and equipment and intangible assets	2,392	2,510	17	9	4,929	1,118	6,048

Notes: 1 (1) Segment adjustments (¥8,867 million) include unallocated corporate operating expenses (¥8,907 million).

(2) Unallocated assets amounting to ¥120,594 million are included in the ¥120,340 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).

(3) The ¥516 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.

(4) The ¥1,118 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.

2 Segment operating income corresponds to operating income on the Consolidated Statement of Income.

Year ended March 31, 2014

1. Outline of reporting segments

The Company's reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and to evaluate business performance.

In a rapidly evolving business environment, the Company seeks to provide high-quality entertainment content and services through a variety of environments to match customer lifestyles.

Accordingly, the Company maintains four business segments, each dedicated to a particular entertainment content and service format: (1) the "Digital Entertainment" segment, for interactive digital content for game consoles (including handheld game machines), personal computers and smartphones; (2) the "Amusement" segment, for amusement facility operation as well as the sale and rental of arcade game machines; (3) the "Publication" segment, for publication of comic books, game strategy books and comic magazines; and (4) the "Merchandising" segment, for planning, production, distribution and licensing of derivative products. These are the Company's reporting segments.

2. Calculating reporting segment sales, income (loss), assets and other items

Accounting treatment methods applied to financial results of reporting segments are the same as those used in the preparation of the Company's consolidated financial statements. Reporting segment income corresponds to operating income. Intersegment sales are based on prevailing prices in the market for the content and/or services provided.

3. Information on sales, income (loss), assets and other items 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	¥94,564	¥46,952	¥10,030	¥3,475	¥155,023	¥ —	¥155,023
(2) Intersegment sales	6	—	197	310	514	(514)	—
Total	94,571	46,952	10,228	3,786	155,538	(514)	155,023
Segment operating income	¥10,709	¥ 4,517	¥ 2,293	¥1,115	¥ 18,635	¥ (8,091)	¥ 10,543
Segment assets	¥60,708	¥17,243	¥ 4,739	¥3,772	¥ 86,463	¥130,153	¥216,617
Other items							
Depreciation and amortization	3,197	2,713	89	27	6,028	585	6,614
Increases in property and equipment and intangible assets	1,839	3,171	2	—	5,014	362	5,376

Notes: 1 (1) Segment adjustments (¥8,091 million) include unallocated corporate operating expenses (¥8,124 million).

(2) Unallocated assets amounting to ¥130,346 million are included in the ¥130,153 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and deposits).

(3) The ¥585 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.

(4) The ¥362 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.

2 Segment operating income corresponds to operating income on the Consolidated Statement of Income.

[Related Information]

Year ended March 31, 2015

1. Information by product or service

This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area

(1) Sales

Millions of yen

Japan	North America	Europe	Asia	Total
¥129,072	¥18,124	¥17,316	¥3,378	¥167,891

Note: Sales are grouped by country or region, based on customer location.

(2) Property and equipment

Millions of yen

Japan	North America	Europe	Asia	Total
¥11,738	¥1,391	¥394	¥96	¥13,620

3. Information by major customer

This information has been omitted because all sales to major customers account for less than 10% of the net sales amount shown on the Consolidated Statement of Income.

Year ended March 31, 2014

1. Information by product or service

This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area

(1) Sales

Millions of yen

Japan	North America	Europe	Asia	Total
¥111,326	¥21,152	¥19,732	¥2,812	¥155,023

Note: Sales are grouped by country or region, based on customer location.

(2) Property and equipment

Millions of yen

Japan	North America	Europe	Asia	Total
¥17,664	¥1,892	¥318	¥42	¥19,917

3. Information by major customer

This information has been omitted because all sales to major customers account for less than 10% of the net sales amount shown on the Consolidated Statement of Income.

[Information related to impairment losses on property and equipment in each reporting segment]

■ **Year ended March 31, 2015**

Millions of yen

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	¥315	¥321	¥—	¥—	¥4	¥640

Note: The amount for “Eliminations or unallocated” is related mainly to impairment losses on telephone subscription rights.

■ **Year ended March 31, 2014**

Millions of yen

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	¥—	¥155	¥—	¥—	¥2	¥158

Note: The amount for “Eliminations or unallocated” is related mainly to impairment losses on telephone subscription rights.

[Information related to amortization of goodwill and the unamortized balance in each reporting segment]

■ **Year ended March 31, 2015**

Not applicable

■ **Year ended March 31, 2014**

Not applicable

[Information related to gain on negative goodwill in each reporting segment]

■ **Year ended March 31, 2015**

Not applicable

■ **Year ended March 31, 2014**

Not applicable

[Related party transactions]

■ **Year ended March 31, 2015**

Not applicable

■ **Year ended March 31, 2014**

Not applicable

Per Share Information

Yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net assets per share	¥1,267.24	¥1,095.78
Net income per share	84.34	57.28
Diluted net income per share	84.20	57.19

Note: The basis for calculating net income per share and diluted net income per share is provided below:

Millions of yen

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Net income per share:		
Net income	¥ 9,831	¥ 6,598
Income not available to common shareholders	—	—
Income available to common shareholders	9,831	6,598
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	116,569	115,203
Adjustments to net income used to calculate diluted net income per share:		
Adjustments to net income:	—	—
Increase in the number of shares of common stock (thousands of shares)	192	176
(Number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(192)	(176)
Summary of residual securities that do not dilute the Company's earnings per share	—	Issuance of January 2010 stock acquisition rights, pursuant to a resolution of the Board of Directors on December 25, 2009; issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution by the Board of Directors on January 18, 2010; issuance of stock acquisition rights in August 2010, pursuant to a resolution by the Board of Directors on July 29, 2010; issuance of stock acquisition rights in January 2011, pursuant to a resolution by the Board of Directors on December 24, 2010; issuance of stock acquisition rights in August 2011, pursuant to a resolution of the Board of Directors on August 5, 2011

Note: As stated in "Changes in Accounting Policy," the Company has applied the Retirement Benefits Accounting Standard and implemented the transitional treatment provided for in Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, as of March 31, 2015, net assets per share increased by ¥13.81, while net income per share and diluted net income per share decreased by ¥0.12 and ¥0.12, respectively, for the year then ended.

Significant Subsequent Events

Issuance of stock acquisition rights pursuant to the resolution of the Board of Directors on June 24, 2015

The Board of Directors resolved at its meeting held on June 24, 2015 to grant the stock acquisition rights as stock options, pursuant to the provisions provided under Articles 236, 238 and 240 of the Companies Act, as part of the compensation to the employees of the Company and the directors and the employees of the Company's subsidiaries.

Supplementary Schedule

[Borrowings]

Category	Balance as of April 1, 2014 (Millions of yen)	Balance as of March 31, 2015 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans	¥6,852	¥7,122	0.7	—
Long-term borrowings due for repayment within one year	—	—	—	—
Lease obligations due for repayment within one year	23	17	—	—
Long-term borrowings (excluding the amount due for repayment within one year)	—	—	—	—
Lease obligations (excluding the amount due for repayment within one year)	22	28	—	April 2016 to October 2019
Other interest-bearing liabilities	—	—	—	—
Total	¥6,898	¥7,168	—	—

Notes: 1 The average interest rate shown is the weighted average interest rate on the balance of borrowings as of March 31, 2015.

2 Average interest rates for lease obligations are omitted because lease obligations include assumed interest amounts.

3 Lease obligations (due for repayment within one year) are included in "Other" of "Current liabilities," and lease obligations (excluding due for repayment within one year) are included in "Other" of "Non-current liabilities."

4 Scheduled repayment amounts during five years subsequent to March 31, 2015 for lease obligations (excluding the amount due for repayment within one year) are as follows.

Millions of yen

	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years
Lease obligations	¥12	¥9	¥4	¥2

[Asset retirement obligations]

Asset retirement obligations at the end of the fiscal year in review (ended March 31, 2015) amounted to less than one percent of total liabilities and net assets as at the year-end date and have therefore been omitted, as provided in Article 92-2 of Regulations for Consolidated Financial Statements.

[Other]

Quarterly Financial Information

Millions of yen

Cumulative period	1Q April 1, 2014 to June 30, 2014	2Q April 1, 2014 to September 30, 2014	3Q April 1, 2014 to December 31, 2014	4Q April 1, 2014 to March 31, 2015
Net sales	¥37,754	¥73,130	¥118,874	¥167,891
Income before income taxes and minority interests	4,733	8,232	16,472	15,310
Net income	3,408	5,702	10,916	9,831
Net income per share (yen)	29.57	49.47	94.70	84.34

Quarterly	1Q April 1, 2014 to June 30, 2014	2Q July 1, 2014 to September 30, 2014	3Q October 1, 2014 to December 31, 2014	4Q January 1, 2015 to March 31, 2015
Net income (loss) per share (yen)	¥29.57	¥19.89	¥45.23	¥(9.01)

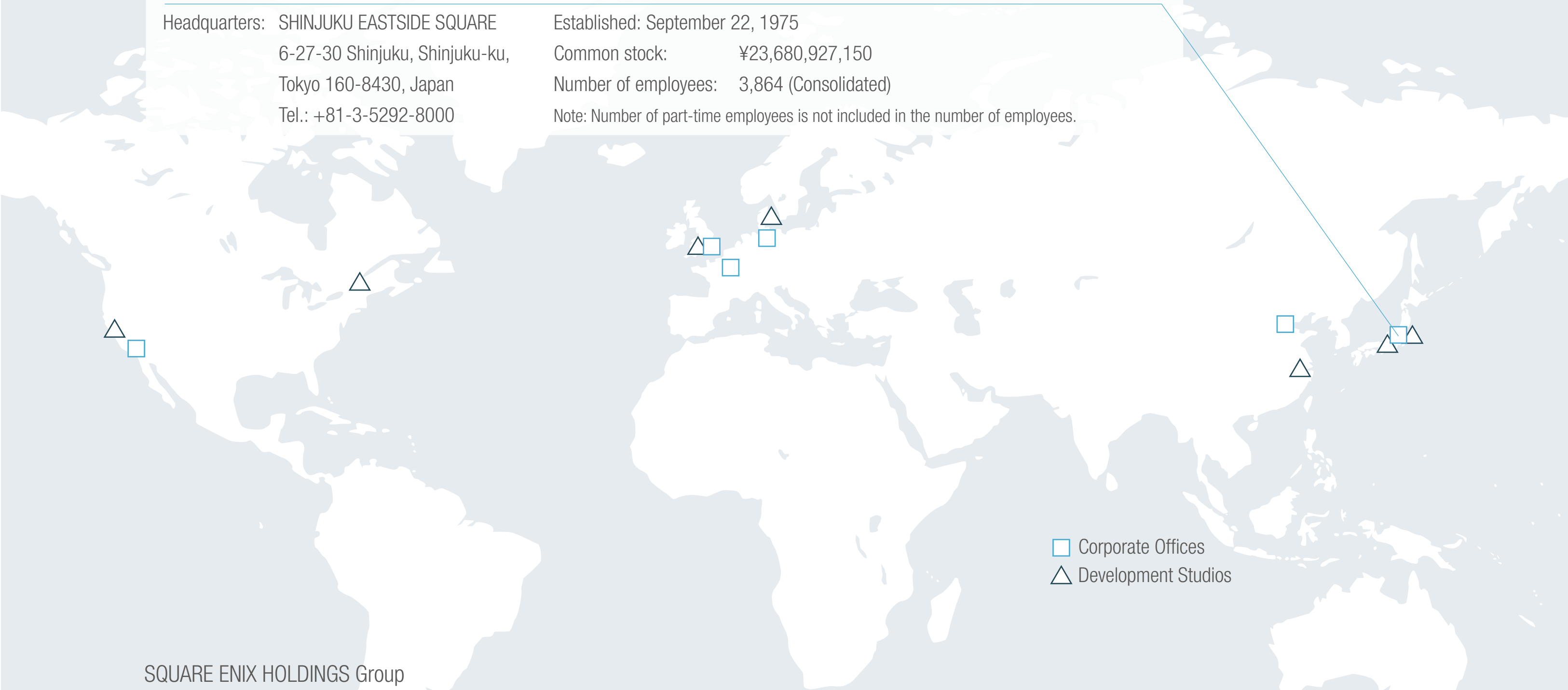
Corporate Data

(As of March 31, 2015)

Company Profile

Headquarters: SHINJUKU EASTSIDE SQUARE
6-27-30 Shinjuku, Shinjuku-ku,
Tokyo 160-8430, Japan
Tel.: +81-3-5292-8000

Established: September 22, 1975
Common stock: ¥23,680,927,150
Number of employees: 3,864 (Consolidated)
Note: Number of part-time employees is not included in the number of employees.



SQUARE ENIX HOLDINGS Group

Company Name	Established	Fiscal Year-End	Common Stock	Percentage of Voting Rights	Principal Lines of Business
Major Consolidated Subsidiaries					
Japan					
SQUARE ENIX CO., LTD.	October 2008	March	¥1,500 million	100.0%	Digital entertainment, amusement, publication, merchandising
TAITO CORPORATION	June 2009	March	¥1,500 million	100.0%	Digital entertainment, amusement, merchandising
SMILE-LAB Co., Ltd.	February 2008	March	¥10 million	100.0%	Provision of online entertainment service
North America					
SQUARE ENIX OF AMERICA HOLDINGS, INC.	November 2006	March	US$1	100.0%	Holding of shares in and business management of Square Enix Group companies located in North America
SQUARE ENIX, INC.	March 1989	March	US$10 million	100.0% (100.0%)	Digital entertainment, publication, merchandising in North America
CRYSTAL DYNAMICS, INC.	July 1992	March	US$40 million	100.0% (100.0%)	Development of games
EIDOS INTERACTIVE CORP.	March 2007	March	C$6 million	100.0% (100.0%)	Development of games
Europe					
SQUARE ENIX OF EUROPE HOLDINGS LTD.	December 2008	March	GB£2	100.0%	Holding of shares in and business management of Square Enix Group companies located in Europe
SQUARE ENIX LTD.	December 1998	March	GB£111 million	100.0% (100.0%)	Digital entertainment, publication, merchandising in Europe
IO INTERACTIVE A/S	November 1990	March	DKK656 thousand	100.0% (100.0%)	Development of games
Asia					
SQUARE ENIX (China) CO., LTD.	January 2005	December	US$12 million	100.0% (100.0%)	Digital entertainment in China and Asia
HUANG LONG CO., LTD.	August 2005	December	10 million yuan RMB	— [100.0%]	Sale and management of online games in Asia

Note: In the Percentage of Voting Rights column, numbers in parentheses ( ) represent the percentage of indirect holdings and are included in the total percentage of voting rights held by the Company. Numbers in brackets [ ] represent the percentage of holdings of closely related parties of parties of the same interest and are excluded from the total percentage of voting rights held by the Company.

Investor Information

(As of March 31, 2015)

Share Information

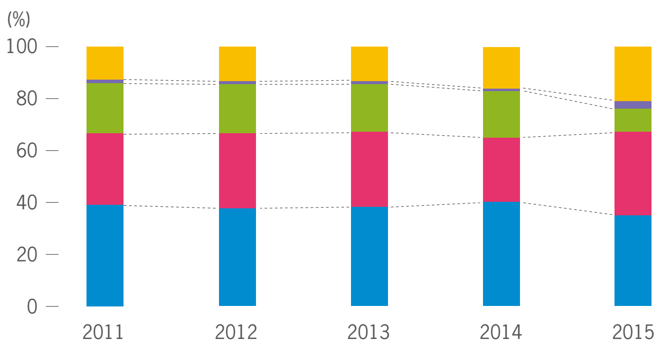
Number of shares issued: 122,232,896

Number of shareholders: 29,451

Principal Shareholders

Rank	Shareholder	Investment in Square Enix (Thousands of shares)	(%)
1	Yasuhiro Fukushima	23,626	19.32
2	Fukushima Planning Co., Ltd.	9,763	7.98
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	7,785	6.36
4	Japan Trustee Services Bank, Ltd. (Trust Account)	5,581	4.56
5	Masafumi Miyamoto	5,047	4.12
6	Royal Bank of Canada Trust Company (Cayman) Limited	3,909	3.19
7	Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,678	3.00
8	BNYML-NON TREATY ACCOUNT	3,403	2.78
9	MSCO CUSTOMER SECURITIES	2,668	2.18
10	CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,287	1.87

Share Ownership (Thousands of shares)



	2011		2012		2013		2014		2015	
Financial Institutions	15,711	(13.6%)	15,485	(13.4%)	14,700	(12.7%)	18,722	(16.2%)	25,588	(20.9%)
Financial Instruments Companies	981	(0.9%)	995	(0.9%)	995	(0.9%)	1,114	(1.0%)	3,291	(2.7%)
Other Companies	22,122	(19.2%)	22,089	(19.2%)	22,092	(19.1%)	20,570	(17.8%)	10,630	(8.7%)
Foreign Companies and Individuals	31,668	(27.4%)	33,268	(28.8%)	32,251	(28.0%)	28,817	(24.9%)	40,135	(32.8%)
Individuals and Other	44,884	(38.9%)	43,530	(37.7%)	45,329	(39.3%)	46,350	(40.1%)	42,586	(34.9%)
Total	115,370	(100.0%)	115,370	(100.0%)	115,370	(100.0%)	115,575	(100.0%)	122,232	(100.0%)

Shareholders' Memo

- Fiscal year:
April 1 to March 31
- Record dates for dividends from retained earnings:
September 30 (Record date for interim dividend)
March 31 (Record date for year-end dividend)
- Annual General Meeting of Shareholders:
June
- Administrator of the register of shareholders:
Mitsubishi UFJ Trust and Banking Corporation
- Shareholder registration agent:
Securities Agency Department
Mitsubishi UFJ Trust and Banking Corporation
7-10-11 Higashi-suna, Koto-ku, Tokyo 137-8082
TEL.: 0120-232-711 (Toll-free number within Japan)
- Listed on:
The First Section of the Tokyo Stock Exchange
- Securities code:
9684
- Trading unit:
100 shares
- Public notices:
URL:
http://www.pronexus.co.jp/koukoku/9684/9684.html
(Japanese)

(Public notices will be announced in the *Nikkei*, a Japanese-language newspaper, in case an electronic notice is not possible due to accident or other unavoidable reason.)

SQUARE ENIX HOLDINGS CO., LTD.
www.hd.square-enix.com/

VEGETABLE OIL INK

Printed in Japan