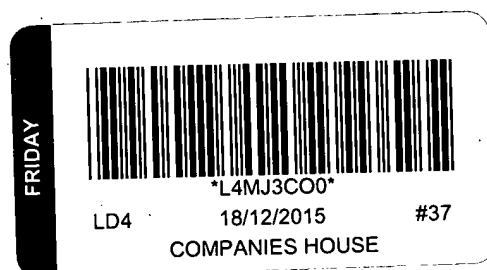


# **Square Enix (2009) Limited**

## **Reports and Financial Statements**

31 March 2015



**Directors**

M Sherlock

P Rogers

**Secretary**

A Chokshi (appointed 14 May 2015)

C Reid (resigned 14 May 2015)

**Auditor**

Ernst & Young LLP

1 More London Place

London SE1 2AF

**Bankers**

Mizuho Corporate Bank Limited

London Branch

Bracken House

One Friday Street

London EC4M 9JA

The Bank of Tokyo-Mitsubishi, UFJ Limited

Ropemaker Place

25 Ropemaker Street

London EC2Y 9AN

BNP Paribas S.A.

1 Boulevard Haussmann

75009 Paris 09

**Registered Office**

240 Blackfriars Road

London

SE1 8NW

Registered No. 03679704

## Strategic report

The directors present their strategic report for the year ended 31 March 2015.

### Principal activity and review of the business

The principal activity of the company in the year under review was the sale of interactive video games and software.

The company's key financial and other performance indicators during the period were as follows:-

	2015	2014
	€000	€000
Turnover	58,945	45,428
Gross profit margin	35.6%	36.7%
Profit after taxation	10,663	5,716

For the year ended 31 March 2015 the company's turnover increased by 30% to €58,945,000 (2014 – €45,428,000). The increase in sales was largely due to the release of triple A titles Murdered (Fate), Final Fantasy X/X-2 HD Remastered, Final Fantasy Type Zero and Kingdom Hearts 2.5 HD during the year. Sales of Final Fantasy XIV: A Realm Reborn also exceeded the 2014 total due to the game's ongoing popularity and continued monthly subscriptions paid by players. Final Fantasy Type Zero was the largest contributor to the increase in the year.

Gross profit margin remained consistent at 35.6% (2014 – 36.7%) which is in line with expectation given there was no significant change in the nature of the company's business or the split in sales types compared with the previous year. The consistent margin combined with the increase in sales resulted in an 87% increase in profit after tax to €10,663,000 (2014 - €5,716,000).

Profit after taxation increased by 87% to €10,663,000 (2014 - €5,716,000). This is due largely to a foreign exchange gain of €6,222,000 in the year (2014 - €442,000).

### Principal risks and uncertainties

The company had the following principal risks and uncertainties. The directors regularly monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks or their potential outcomes.

#### Financial instruments

The company has exposure to foreign currency risk due to various intercompany balances, significant sales to overseas companies and the payments to overseas suppliers. The company seeks to balance the flows of currency across countries to minimise any imbalance of foreign currency receipts and payments.

#### Technological risk

The company has exposure to technological changes which may include the introduction of new hardware platforms and adaption of appropriate software technology to operate on these platforms.

#### Launch of products

The company has exposure to delays in the launch of new product titles, the subsequent impact of the additional costs related to those delays and compliance with new regulations required for a product to be launched in the market. This could impact on the financial performance of the company and its reputation in the market.

## Strategic report (continued)

### Loss of key personnel

The company has exposure to the loss of key personnel by way of having the appropriate employee skill base to develop new products which would be successful in the market.

### Financial risk management policies

The company's purchases are denominated mainly in Euros and administrative expenses are denominated mainly in Sterling, which exposes the company to exchange rate risk. No foreign exchange hedging activities are performed.

On behalf of the Board



P Rogers  
Director  
17 December 2015

Registered No. 03679704

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2015.

### Results and dividends

The profit for the year after taxation amounted to €10,663,000 (2014 – €5,716,000). The directors do not recommend a final dividend (2014 – €nil).

### Future developments

The directors aim to continue the activity of the company and increase its market presence throughout the territories in which it trades and to capitalise on the growing market for its products.

### Going concern

The company is profitable and has significant net assets thus the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors

The directors who served the company during the year were as follows:

P Rogers

M Sherlock

J Goeldner (resigned 23 June 2014)

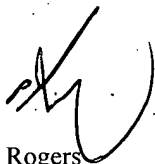
### Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director have taken all the steps that they are obliged to take as a directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board



P Rogers

Director

17 December 2015

## Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Square Enix (2009) Limited**

We have audited the financial statements of Square Enix (2009) Limited for the year ended 31 March 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditor's report

to the members of Square Enix (2009) Limited

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Philip Young (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London

Date *18 December 2015*



## Profit and loss account

for the year ended 31 March 2015

	Notes	2015 €000	2014 €000
<b>Turnover</b>	2	58,945	45,428
Cost of sales		(37,959)	(28,748)
<b>Gross profit</b>		20,986	16,680
Administrative expenses		(18,705)	(12,872)
<b>Operating profit</b>	3	2,281	3,808
Interest receivable and similar income	6	8,382	1,908
<b>Profit on ordinary activities before taxation</b>		10,663	5,716
Tax on profit on ordinary activities	7	-	-
<b>Profit for the financial year</b>	12	10,663	5,716

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 31 March 2015

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of €10,663,000 in the year ended 31 March 2015 (2014 – €5,716,000).

## Balance sheet

at 31 March 2015

	Notes	2015 €000	2014 €000
<b>Current assets</b>			
Debtors	8	104,581	74,125
Cash at bank and in hand		-	37
		<u>104,581</u>	<u>74,162</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(55,414)</u>	<u>(35,658)</u>
<b>Net current assets</b>		<u>49,167</u>	<u>38,504</u>
<b>Net assets</b>		<u>49,167</u>	<u>38,504</u>
<b>Capital and reserves</b>			
Called up share capital	11, 12	4,507	4,507
Profit and loss account	12	44,660	33,997
<b>Shareholder's funds</b>	12	<u>49,167</u>	<u>38,504</u>

Approved by the board



P Rogers

Director

17 December 2015

The notes on pages 10 to 15 form part of these financial statements.

## Notes to the financial statements

at 31 March 2015

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Going concern*

The company is profitable and has significant net assets thus the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Statement of cash flows*

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows as the company was a subsidiary undertaking of a company which prepares publicly available group financial statements.

#### *Revenue recognition*

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

In common with other companies in the electronic games industry, the company has arrangements with certain customers whereby price protection is offered. A provision is made for anticipated credits arising from these arrangements and is calculated by reference to the estimated customer stock holdings at the balance sheet date, the rate of stock sell through in the channel, past experience and situations of which the management is aware. Revenue is recognised net of these allowances and excluding value added tax.

##### *Rendering of services*

Revenue from subscriptions to online games is recognised in relation to the period in which the subscriptions relate net of value added tax.

##### *Agency agreement*

Square Enix (2009) Limited appointed Square Enix Limited as its authorised agent pursuant to an agency agreement between both parties entered into on 9 November 2009. Square Enix Limited transfers to Square Enix (2009) Limited the revenue it collects as its agent, and charges a management charge for performing its duties.

##### *Interest income*

Revenue is recognised as interest accrues using the effective interest method.

#### *Pensions*

The company operates a group personal pension scheme on a defined contribution basis. The cost of the scheme is charged to the profit and loss account on the basis of contributions payable. Contributions are based on the group pension costs.

## Notes to the financial statements

at 31 March 2015

### 1. Accounting policies (continued)

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Functional currency*

The functional currency is deemed to be the Euro as the majority of purchase and sales are denominated in Euros. The British Pounds Sterling rate used at 31 March 2015 was 1.3822.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the Strategic report.

An analysis of turnover by geographical market is given below:

	2015 €000	2014 €000
Europe	52,168	35,056
Rest of World	6,777	10,372
	<u>58,945</u>	<u>45,428</u>

In the comparative figures for 2014, online gaming sales have been reclassified to Europe to ensure correct and consistent disclosure with the current year. The company's principal area of activity is that of the sale of interactive video games software.

	2015 €000	2014 €000
Sale of interactive video games	<u>58,945</u>	<u>45,428</u>

The directors have chosen not to disclose profit or net assets by region as this information would be prejudicial to the interest of the company.

## Notes to the financial statements

at 31 March 2015

### 3. Operating profit

This is stated after charging:

	2015	2014
	€000	€000
Management charge issued from fellow group company *	14,035	8,462

The auditor's remuneration for the current and prior year was borne by another group undertaking, Square Enix of Europe Holdings Limited.

\* The management charge was made from Square Enix Limited, in relation to administrative services provided by them in relation to the agency relationship that exists between Square Enix (2009) Limited and Square Enix Limited.

### 4. Staff costs

All employees were transferred to Square Enix Limited during the year ended 31 March 2010 and the processing of all transactions and the management of the remaining business of the company is carried out by Square Enix Limited which charges Square Enix (2009) Limited a management charge for these services.

### 5. Directors' remuneration

All directors' costs were incurred by a fellow group undertaking, Square Enix of Europe Holdings Limited. The remuneration of the director who is the highest paid director and is both a director of Square Enix of Europe Holdings Limited and Square Enix (2009) Limited is disclosed in the financial statements of Square Enix of Europe Holdings Limited. The remuneration of the directors who are directors of Square Enix (2009) Limited and Square Enix Limited is disclosed in the financial statements of Square Enix Limited. None of the directors received any remuneration for their qualifying services to this company.

### 6. Interest receivable and similar income

	2015	2014
	€000	€000
Intercompany interest receivable	2,160	1,466
Foreign exchange gain	6,222	442
	8,382	1,908

## Notes to the financial statements

at 31 March 2015

### 7. Tax

(a) Tax on credit on ordinary activities

The tax charge is made up as follows:

	2015 €000	2014 €000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	-
Total current tax (note 7(b))	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2014 – 23%). The differences are explained below:

	2015 €000	2014 €000
Profit/(loss) on ordinary activities before tax	10,663	5,716
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 – 23%)	2,239	1,315
<b>Effects of:</b>		
Differences between tax allowances and book depreciation	(16)	-
Accumulated losses utilised in current year	(313)	(1,228)
Group relief	(1,910)	(87)
Current tax for the year (note 7(a))	-	-

(c) Factors that may affect future tax charges

On 26 October 2015 the Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and 18% from April 2020, was substantially enacted. As these reductions to the rate were not substantially enacted at the balance sheet date, the company has calculated the deferred tax asset at the current rate of 20%

### 8. Debtors

	2015 €000	2014 €000
Amounts owed by fellow group undertakings	104,579	74,123
Other debtors	-	1
	104,579	74,124

## Notes to the financial statements

at 31 March 2015

### 9. Deferred tax

At 31 March 2015, the company had an unrecognised deferred tax asset of €69k (2014 – €84k) in relation to an excess of depreciation over capital allowances that has not been recognised in the financial statements due to uncertainty of future profits. The movement in unrecognised deferred tax assets includes true ups in respect of prior years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates enacted or substantially enacted at the balance sheet date. Therefore, the unrecognised deferred tax is measured at 20% in the current period.

### 10. Creditors: amounts falling due within one year

	2015 €000	2014 €000
Amounts owed to parent undertaking	55,414	35,658
	<u>55,414</u>	<u>35,658</u>

### 11. Issued share capital

	No.	2015 €000	No.	2014 €000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	3,000,000	<u>4,507</u>	3,000,000	<u>4,507</u>

### 12. Reconciliation of shareholder's funds and movements on reserves

	Share capital €000	Profit and loss account €000	Total share- holders' funds €000
At 1 April 2013	4,507	28,281	32,788
Profit for the year	-	5,716	5,716
At 1 April 2014	<u>4,507</u>	<u>33,997</u>	<u>38,504</u>
Profit for the year	-	10,663	10,663
At 31 March 2015	<u>4,507</u>	<u>44,660</u>	<u>49,167</u>

### 13. Related party transactions

The company had taken advantage of the exemption in FRS 8 not to disclose related party transactions in respect of its ultimate parent undertaking and wholly owned fellow subsidiaries of Square Enix Holdings Co., Ltd.

## **Notes to the financial statements**

**at 31 March 2015**

### **14. Ultimate parent undertaking and controlling party**

As at 31 March 2015, the company's immediate and ultimate parent undertaking and controlling party was Square Enix Holdings Co., Ltd, a company incorporated in Japan. Square Enix Holdings Co., Ltd is the smallest and largest group of undertakings for which group financial statements are prepared. Group financial statements for Square Enix Holdings Co., Ltd are available from Shinjuku Bunka Quint Bldg., 3-22-7 Yoyogi, Shibuya-ku, Tokyo 151-8544, Japan.