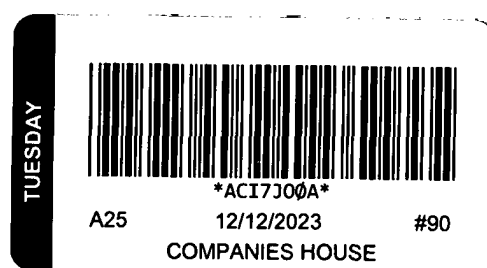


Registered Number: 01804186

Square Enix Limited

Reports and Financial Statements

31 March 2023



Square Enix Limited

Directors

T Kiryu

T Gleig

Secretary

M Drummond

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Bankers

Lloyds TSB Bank plc

10 Gresham Street

London EC2V 7AE

The Bank of Tokyo-Mitsubishi, UFJ Limited

Ropemaker Place

25 Ropemaker Street

London EC2Y 9AN

Registered Office

240 Blackfriars Road

London

SE1 8NW

Square Enix Limited

Registered No. 01804186

Strategic report

The directors present their strategic report for the year ended 31 March 2023.

Principal activity and review of the business

The principal activities of the company are the publishing, licensing, marketing, distribution and development of entertainment software.

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

	2023	2022	change
	\$000	\$000	%.
Turnover	252,802	508,157	(50)%
Gross profit (%)	66	26	158%
Shareholder's deficit	(673,943)	(830,540)	(19)%

The turnover for the year decreased by 50% to \$252,802,000 (2022 - \$508,157,000). This was due to the timing schedule of major game title releases and the sale of IPs such as TOMB RAIDER based on a share transfer agreement with Sweden-based Embracer Group AB. The company saw fewer pipelines than the previous years, but recurrent turnover from Final Fantasy XIV was strong and stable even without an expansion release in the year.

The gross profit margin in the year increased sharply from 26% to 66%. This is a result of decreased intra-group royalty costs payable on sales made by the company of Japanese developed titles. Current year cost of sales includes a transfer pricing adjustment relating to royalties payable on Japanese title sales made in both the current and previous year, but the effect of the adjustment was smaller than last year.

The shareholder's deficit decreased due to the profit reported for the current year.

During the reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. This disposal resulted in an overall profit on disposal of \$105,592,000. The company's immediate future strategy remains unchanged as a result of the disposal. The principal activities of the company will continue, but with a smaller portfolio of IPs in the short term.

Principal risks and uncertainties

The company has 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 customers and payments to suppliers in currencies other than the company's functional currency. 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.

Square Enix Limited

Registered No. 01804186

Strategic report

Principal risks and uncertainties (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.

Consumer reaction to product launches

The company has exposure to consumer opinion of its games. If key products are not well received it can severely impact on the company's profitability given that the vast majority of game development and marketing costs are sunk by the time of a product launch.

Confidentiality and data security

The company has exposure to the risk of confidential data being made public, particularly in respect of game-related information. Leaking of sensitive company data, cyber security attacks or other data breaches could result in confidential data being shared publicly which would have a direct adverse impact on the company's operational performance.

General economic conditions

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and the countries remain in armed conflict as of the date of signing the financial statements. The economic impact of this, coupled with the economic conditions prior to the invasion of Ukraine, including inflationary pressures, cost of living increases, and foreign exchange rate volatility, continue to impact the company but the video games industry has generally stood up well.

Section 172 Statement

The board of directors consider, both individually and as a board, that they have acted in a manner that, in their opinion, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard for its stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006) in the decisions made during the year ended 31 March 2023.

The directors consider the likely consequences that might result from any decisions made or actions taken on the long-term future of the company and its stakeholders. In doing so, the interests and well-being of the company's employees are key considerations.

The directors continue to monitor and develop relationships with employees, customers, suppliers and gamers as key contributors to the company's ongoing success.

The interests of the company's employees (Employee Engagement)

The company has taken action during the financial period to introduce, maintain or develop arrangements aimed at:

- a) Providing employees systematically with information on matters of concern to them as employees

The company regularly communicates with its employees about issues relevant to them through emails, instant messages, town hall meetings and team health surveys. The company's board of directors relies on these communications to engage with employees.

Square Enix Limited

- b) Consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests

The company's board of directors regularly considers the interests of employees. To do this, the company regularly solicits opinions of employees on decisions the company has made or plan to make where employees are directly impacted. The board also listens to feedback from Employee Resource Groups that are designed to connect employees, create a sense of belonging, and contribute to an inclusive and diverse environment.

- c) Encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means

The company offers its employees a comprehensive benefits package, including bonus scheme. Additionally, the directors recognise the importance of attracting and retaining talent in what is a competitive industry. As such the directors are committed to supporting and rewarding the company's employees. With employee wellbeing in mind, the directors support flexible working and a strong culture of work-life balance.

- d) Achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company

The company uses the communication channels discussed above to regularly explain to its employees external factors that may affect the company's performance.

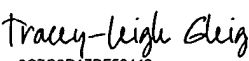
The need to foster the company's business relationship with suppliers, customers and others

The company aims to build and maintain strong working relationships with its customers and suppliers, without whom the company could not operate effectively. The video games industry is a relatively close-knit community and as such it is essential that the company maintains strong relationships with key players in the industry, covering the full range of the company's activities.

The relationships with customers include the interactions the company has with the players of its games. The directors recognise that delivering great content is what ultimately determines the success of the company. Such is the importance of delivering great content, it is clearly defined in the Square Enix corporate philosophy which states the business aims 'To spread happiness across the globe by providing unforgettable experiences'.

The decisions made and actions undertaken by the directors aim to represent and maintain the company's reputation for appropriate standards of business conduct.

On behalf of the Board

DocuSigned by:

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T Gleig
Director
6 December 2023

Square Enix Limited

Registered No. 01804186

Directors' report

The directors present their report and financial statements for the year ended 31 March 2023.

Results and dividends

The profit for the year after taxation amounted to \$156,478,000 (2022 – the loss of \$106,328,000). The directors do not recommend a final dividend (2022 – \$nil). Decreased turnover, decreased development cost amortisation due to game release schedule, and the consideration received through its subsidiaries disposed of were the most significant contributors to the fluctuation between current and prior year results.

Future developments

The directors aim to maintain the management policies and the strategic direction that will allow the company to continue to develop high quality games, enabling it to exploit the opportunities offered by this growing sector. In the coming years this will be achieved by exploiting a mixture of new IP and established game franchises.

During the current reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. The company's strategy remains unchanged as a result of the disposal. The principal activities of the company will continue, but with a smaller portfolio of IPs in the short term.

Disabled employees

We have an Equal Opportunities Policy and we support applications from persons with a disability and we will support employees with a disability as set out in that policy. We give the same opportunities for all employees (including those with a disability) for training and career advancement. In the unfortunate event of an employee becoming disabled we would offer support and continuing employment wherever possible.

Employee Involvement

See the company's commitment to engage with employees under section *Employee Engagement* under the s172 statement of the strategic report.

Engagement with customers, suppliers and other business relationship

See the company's commitment to engage with stakeholders under *The need to foster the company's business relationship with suppliers, customers and others* under the s172 section of the strategic report.

Going concern

Due to the trading performance and balance sheet position of the company, the directors have relied upon parental support from the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, a company registered in Japan, to allow the directors to adopt the going concern basis of accounting. Parental support will allow the company to meet its obligations and liabilities as they fall due should this be required. The directors, having made inquiries of, and having assessed the responses of the directors of the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, consider the ultimate parent undertaking to have sufficient financial resources to fulfil the obligation to provide continuing financial support, to allow the company to meet its obligations and liabilities should financial support be necessary. In terms of their ability to continue funding the company, Square Enix Holdings Co., Ltd has significant cash reserves. On 7 November 2023 Square Enix Holdings Co., Ltd published global group results for 6 months to 30 September 2023. The report showed a cash balance of 201,293 million Yen, which is approximately \$1,348 million USD. The group reported a profit of 16,623 million Yen for the 6-month period. The directors have thus concluded that the company is a going concern from the date of approval of these financial statements, until 31 December 2024.

Square Enix Limited

Streamlined Energy and Carbon Reporting

Summary of Energy consumption

Energy consumption associated with Square Enix Ltd operations during the 2022-2023 financial year have been calculated and are detailed below.

Table 1: Summary of Absolute Energy

ENERGY	FY2023	FY2022	% change
Absolute:			
Total natural gas consumption (kWh)	191,816	198,153	-3.2
Total electricity consumption (kWh)	338,800	249,679	35.7
Transport energy (kWh)	0	0	
TOTAL	530,616	447,832	18.5%

GHG Emissions Summary

GHG emissions associated with Square Enix Ltd's operations during the 2022-2023 financial year have been calculated and are detailed below.

Table 2 shows emissions from natural gas and electricity consumption for the two Square Enix Ltd offices using location based emissions factors.

Table 2: Summary of Absolute GHG Emissions using market based emissions factors

GREENHOUSE GAS	FY2023	FY2022	% change
Absolute:			
SCOPE 1 EMISSIONS (tCO₂e)			
Emissions from combustion of gas (tCO ₂ e)	35.0	36.3	-3.5
Emissions from combustion of fuel for transport purposes (tCO ₂ e)	0	0	0
SCOPE 2 EMISSIONS (tCO₂e)			
Emissions from purchased electricity location based (tCO ₂ e)	65.5	53.0	23.6
SCOPE 3 EMISSIONS (tCO₂e)			
Emissions from business travel in rental cars or employee -owned vehicles where company is responsible for purchasing the fuel (tCO ₂ e)	0	0	0
TOTAL EMISSIONS (tCO₂e)	100.5	89.3	12.6%

It can be seen that there is an increase in emissions of 12.6% for the latest financial year FY2023.

Renewable Energy Exports to Grid

There are no company owned or operated renewable energy sources.

Square Enix Limited

Carbon Offsetting and Sequestration

No verified carbon offset has been purchased to offset the emissions stated above.

Carbon intensity ratio

A carbon intensity ratio has been established to assess the normalised carbon performance of operations based on the floor area. The establishment of a carbon ratio allows Square Enix to make more accurate comparisons of their carbon impact between financial years. All of Square Enix's business operations for FY2022 and FY2023 were conducted from office buildings or similar office type spaces therefore kgCO₂e per square meter has been used most appropriate indicator of carbon performance for Square Enix.

In table 3 the locations based emissions factors are used to calculate the carbon intensity ratio. It can be seen that the carbon intensity ratio increased by 12.6% year on year, although there have been no changes to occupied office floor area. This is a result of a significant increase in office working in FY2023 compared with FY2022 when there was a larger degree of home working in the aftermath of the Covid-19 pandemic.

Table 3: Summary of Carbon Intensity Ratio using location based emissions factors (tonnes CO₂e per sq. m)

NORMALISATION	FY2023	FY2022	% change
Intensity ratio: kgCO ₂ e per sqm of occupied office space	42.8	38.0	12.6%
TOTAL	42.8	38.0	12.6%

Reporting Methodology and Quantification

The reporting period for this GHG assessment is the year from 1 April 2022 to 31 March 2023.

This assessment is produced in line with *UK Government Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)*. The methodology used is the GHG Protocol Corporate Standard for quantification and reporting of greenhouse gas emissions and removals.

The emissions factors used for Scope 1 and 2 are from the UK Government GHG Conversion Factors for Company Report.

The company operates in a leased managed building where energy data is recharged through a landlord statement calculated through submetering or pro-rata floor area calculations. Invoices from the landlord and utility meter readings were used as the basis for reporting calculations.

Energy management and energy efficiency measures undertaken

Square Enix Ltd continuously reviews its energy consumption with the aim of reducing energy consumption and improving energy efficiency where practicable. In the most recent reporting period there has been a gradual return to mainly office working after the Covid 19 pandemic.

The company actively pursues a policy of reducing and recycling waste across its locations. This includes adopting paperless working practices where possible, sourcing recyclable products and minimising single-use plastics, and encouraging employees to reduce waste and improve recycling. The company has a dedicated Environment Group within its workforce tasked with achieving the company's environmental goals.

Square Enix Limited

Directors

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

P Rogers (resigned 26 August 2022)

Y Matsuda (resigned 9 May 2023)

B Spence (appointed 16 August 2022 and resigned 17 July 2023)

T Kiryu (appointed 9 May 2023)

T Gleig (appointed 17 July 2023)

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 has taken all the steps that he is obliged to take as a director in order to make himself 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

DocuSigned by:



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T Gleig

Director

6 December 2023

Square Enix Limited

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), including financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

Square Enix Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Square Enix Limited

Opinion

We have audited the financial statements of Square Enix Limited for the year ended 31st March 2023 which comprise the Statement of comprehensive income, Statement of financial position, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st March 2023 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31st December 2024

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Square Enix Limited

Other information (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

Square Enix Limited

Auditor's responsibilities for the audit of the financial statements (continued)

audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102 ('The Financial Reporting Standard applicable in the UK and Republic of Ireland'), the Companies Act 2006 and the relevant direct tax compliance regulation in the United Kingdom (Corporation Tax Act 2010). In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety legislation, Employment Law and General Data Protection Regulation.
- We understood how Square Enix Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in the aforementioned areas and have corroborated responses by reviewing supporting documentation provided. We have also reviewed correspondence between SEL and the relevant authorities. We have considered the level of oversight of those charged with governance and the culture of honesty and ethical behaviour, including emphasis placed on fraud prevention. We consider that the above factors reduce opportunities for fraud to take place due to the likelihood of detection and subsequent punishment.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by holding the assumption that revenue contains a risk of fraud. We incorporated the use of data analytics into the testing of manual journals including segregation of duties and into our testing of revenue recognition. We performed testing over specific transactions back to source documentation or independent confirmation, ensuring the appropriate recording and authorisation of the transactions. We have assumed that management override could occur through manual journal entries posting credits to the Statement of Comprehensive Income or to higher risk accounts such as capitalised development costs and price protection provision. We challenged management's assumptions and stress tested management's own forecasts in our impairment review over capitalised development costs. We considered management's ability to reliably estimate using historic figures in our impairment review and assessment of the reasonableness of the price protection provision.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: review of board minutes, internal control testing and substantive testing, enquiries of management and those charged with governance and enquiries with legal counsel and tax management. We also reviewed correspondence with relevant authorities, if any. We considered the oversight of those charged with governance and the culture of honesty and ethical behaviour, including the emphasis placed on fraud prevention.

Square Enix Limited

Auditor's responsibilities for the audit of the financial statements (continued)

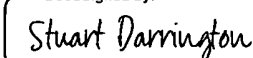
A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

DocuSigned by:



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Stuart Darrington (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

6 December 2023

Square Enix Limited

Statement of comprehensive income

for the year ended 31 March 2023

		2023	2022
	Notes	\$000	\$000
Turnover	2	252,802	508,157
Cost of sales		(85,995)	(378,202)
Gross profit		166,807	129,955
Selling and marketing		(32,435)	(39,678)
Research and development		(46,012)	(69,073)
Administrative expenses		(50,057)	(84,477)
Write back/(off) intercompany debtors	5	19,099	(26)
Operating profit/(loss)	5	57,402	(63,299)
Exceptional items	8	-	(43,671)
Income from other fixed asset investments	9	105,592	-
Interest receivable and similar income	6	1,839	2,937
Interest payable and similar charges	7	(6,880)	(2,263)
Profit/(Loss) on ordinary activities before taxation		157,953	(106,296)
Tax on ordinary activities	10	(1,475)	(32)
Profit/(Loss) for the financial year and total comprehensive income		156,478	(106,328)

All amounts relate to continuing activities.

Square Enix Limited

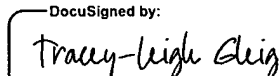
Statement of financial position

at 31 March 2023

		2023	2022
	Notes	\$000	\$000
		\$000	\$000
Fixed assets			
Intangible assets	11	58	3,809
Capitalised development costs	14	82,506	30,526
Tangible assets	12	1,992	2,515
Investments	13	1,803	7,240
		<u>86,359</u>	<u>44,090</u>
Current assets			
Capitalised development costs	14	109	137,566
Stock	15	8,749	4,476
Debtors:			
amounts falling due within one year	16	43,092	122,519
amounts falling due after one year	16	1,906	1,906
		<u>44,998</u>	<u>124,425</u>
Cash at bank and in hand		<u>81,628</u>	<u>124,249</u>
		<u>135,484</u>	<u>390,716</u>
Creditors: amounts falling due within one year	17	(895,786)	(1,265,346)
Net current liabilities		<u>(760,302)</u>	<u>(874,630)</u>
Net liabilities		<u>(673,943)</u>	<u>(830,540)</u>
Capital and reserves			
Called up share capital	19	196,584	196,584
Share premium account		4,194	4,194
Capital redemption reserve		4	4
Hedging reserve		-	(119)
Foreign exchange reserve		(2,420)	(2,420)
Profit and loss account		(872,305)	(1,028,783)
Shareholder's deficit		<u>(673,943)</u>	<u>(830,540)</u>

Approved by the board

DocuSigned by:



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T Gleig

Director

6 December 2023

Square Enix Limited

Statement of changes in equity

for the year ended 31 March 2023

	<i>Share capital \$000</i>	<i>Share premium \$000</i>	<i>Capital redemption reserve \$000</i>	<i>Foreign exchange reserve \$000</i>	<i>Hedging reserve \$000</i>	<i>Profit and loss account \$000</i>	<i>Total \$000</i>
At 1 April 2021	196,584	4,194	4	(2,420)	268	(922,455)	(723,825)
Loss for the year	-	-	-	-	-	(106,328)	(106,328)
Foreign exchange	-	-	-	-	(387)	-	(387)
At 1 April 2022	196,584	4,194	4	(2,420)	(119)	(1,028,783)	(830,540)
Loss for the year	-	-	-	-	-	156,478	156,478
Foreign exchange	-	-	-	-	119	-	119
At 31 March 2023	196,584	4,194	4	(2,420)	-	(872,305)	(673,943)

Square Enix Limited

Notes to the financial statements

at 31 March 2023

1. Accounting policies

Statement of compliance

Square Enix Limited is a limited liability company incorporated in England. The Registered Office is 240 Blackfriars Road, London, SE1 8NW.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 March 2023.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The nature of operations and its principal activity are set out in the Directors' report.

The financial statements are prepared in US Dollars.

Going concern

Due to the trading performance and balance sheet position of the company, the directors have relied upon parental support from the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, a company registered in Japan, to allow the directors to adopt the going concern basis of accounting. Parental support will allow the company to meet its obligations and liabilities as they fall due should this be required. The directors, having made inquiries of, and having assessed the responses of the directors of the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, consider the ultimate parent undertaking to have sufficient financial resources to fulfil the obligation to provide continuing financial support, to allow the company to meet its obligations and liabilities should financial support be necessary. They have thus concluded that the company is a going concern from the date of approval of these financial statements, until 31 December 2024.

Group financial statements

The financial statements contain information about Square Enix Limited as an individual company and do not contain financial statements information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirements to prepare group financial statements for the period to 31 March 2023 as it and its subsidiary undertakings are included in the group financial statements of its ultimate parent undertaking, Square Enix Holdings Co., Ltd, a company registered in Japan.

Statement of cash flows

The company has taken advantage of the exemption to prepare a statement of cash flows under Financial Reporting Standard 102. The company is a wholly owned subsidiary of a Japanese parent. Square Enix Holdings Co., Ltd. Square Enix Holdings Co., Ltd prepares group financial statements, which are publicly available from Shinjuku Eastside Square, 6-27-30 Shinjuku, Shinjuku-ku, Tokyo, 160-8430, Japan.

Disclosure exemptions

In accordance with FRS 102 Section 33, the company has taken advantage of the exemptions for subsidiary undertakings, whose 100% of voting rights are controlled within a group, from the requirement to disclose related party transactions.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Operating lease commitments

The Company has entered into property, plant and equipment leases as a lessee. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the requires an asset and liability to be recognised in the balance sheet.

Provision for price protection

Management judgement is required to determine the amount of provision to be recognised for price protection sales credit notes. Judgement is based on management's knowledge of market conditions, analysis of the performance of individual titles and evidence obtained from previous price protection claims.

Capitalisation and amortisation of development costs

Management judgement is applied in determining whether the criteria for capitalising costs incurred in the development of new games have been met. Additionally, judgement based on management's knowledge and experience of expected revenue flows is used to determine appropriate periods over which the costs are amortised.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are restated at cost less amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Computer software	–	33% per annum straight line
Internally developed software	–	33% per annum straight line

If there are indicators that the carrying value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

1. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold improvements	–	over the life of the lease
Fixtures, fittings and office equipment	–	20% per annum straight line
Computer equipment	–	33% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent impairment in value. The carrying values are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Capitalised development costs

Capitalised development costs correspond to the costs incurred in the development of new games to the extent that the company has determined that:

- the game is technically and commercially feasible;
- the game clearly is defined and related expenditure is separately identifiable;
- current and future costs are expected to be exceeded by future earnings;
- the company has the intention and ability to complete the game; and
- adequate resources exist for the product to be completed;

Game costs are amortised over the period that, based on historical experience, prudently simulates the expected flow of revenues from the game, in the period starting from the month of release. Internally developed software costs are amortised on a straight line basis at 33% per annum.

At the close of each fiscal year game costs are reviewed by project for any loss of value compared to the net book value at that time. Where the expected future contribution of a game does not exceed the total expected costs to complete the development an impairment provision is made.

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment charge in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

Stocks

Stocks comprise finished goods for resale, and are stated at the lower of cost and net realisable value. Cost is calculated as cost of materials. Net realisable value is based on estimated selling price, less further disposal costs.

Cash

Cash and cash equivalents in the balance sheet comprise cash banks and in hand and short term deposits with an original maturity date of three months or less.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

1. Accounting policies (continued)

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Sales of goods

Sales of games to retailers and external distributors at invoiced and accrued amounts less value added tax and provision against any subsequent returns. Turnover from sales of games is recognised at the point at which the game is delivered. The company makes provision against any subsequent returns or price protection.

Royalty revenue from distributors

Royalty payments received or accrued from external distributors under licence of the right to distribute games in certain territories. Where advance payments against royalties are received under licence in so far as the company's obligations have been fulfilled such advances are recognised at the point at which they become non-returnable; and

Royalty revenue from licence agreements

Royalty payments received or accrued from third parties under licence of the right to exploit the Group's intellectual property on other media. These are recognised on an accruals basis in accordance with the substance of the relevant contracts.

Interest income

Revenue is recognised as interest accrues.

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 exceptions:

- 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.

Research expenditure

Research expenditure is written off as incurred, except for development expenditure incurred on an individual project which is capitalised when it is relatively assured there will be future economic benefits generated.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange 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.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

1. Accounting policies (continued)

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Pensions

The company pays specified pension contributions to certain employees' private pension schemes on a monthly basis. Other than this, the company has no ongoing commitment. Consequently no provision for pension obligations is necessary. Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

2. Turnover

All turnover and profits originate from the UK and relate to the principal activity of the company.

Segmental analysis by geographical areas by destination

	2023	2022
	\$000	\$000
United Kingdom	36,493	58,445
France	31,661	40,032
Germany	45,830	63,014
Rest of Europe	45,946	65,510
United States of America	35,311	194,045
Rest of the world	57,561	87,111
	<u>252,802</u>	<u>508,157</u>

3. Staff costs

Staff costs consist of:

	2023	2022
	\$000	\$000
Wages and salaries	20,751	30,798
Social security costs	3,689	4,131
Other pension costs	2,984	2,981
Payments in lieu of notice	8	43
	<u>27,432</u>	<u>37,953</u>

The changes from the prior year mainly resulted from one-off staff costs based on performances, influenced by various KPIs which are aligned to group results.

The average number of employees, including directors, during the year was:

	2023	2022
	No.	No.
Administration	270	215
Development	82	153
	<u>352</u>	<u>368</u>

Square Enix Limited

Notes to the financial statements

at 31 March 2023

4. Directors' remuneration

	2023	2022
	\$000	\$000
Remuneration	2,076	718
Compensation for loss of office	795	-
Company contributions paid to defined contribution pension schemes	15	-
	<u>2,886</u>	<u>718</u>

In respect of the highest paid director of Square Enix Limited:

	2023	2022
	\$000	\$000
Remuneration	1,920	718
Compensation for loss of office	795	-
	<u>2,715</u>	<u>718</u>

5. Operating Profit/(Loss)

This is stated after charging/(crediting):

	2023	2022
	\$000	\$000
Depreciation of owned fixed assets	1,010	1,086
Amortisation of intangible fixed assets	582	4,238
Auditor's remuneration – audit services*	602	638
Auditor's remuneration – tax services	19	28
Rentals under operating leases – plant and machinery	-	2
– other operating leases	1,611	1,809
(Profit)/loss on foreign exchange	(7,737)	(12,546)
Write off intangible fixed assets	-	1,330
Write back/(off) intercompany debtors	<u>19,099</u>	<u>(26)</u>

6. Interest receivable and similar income

	2023	2022
	\$000	\$000
Amounts receivable from group undertakings	1,805	2,937
Other interest receivable	34	-
	<u>1,839</u>	<u>2,937</u>

Square Enix Limited

Notes to the financial statements

at 31 March 2023

7. Interest payable and similar charges

	2023	2022
	\$000	\$000
Amounts payable to group undertakings	6,828	2,224
Other interest payable	52	39
	<u>6,880</u>	<u>2,263</u>

8. Exceptional items

This is stated after charging:

	2023	2022
	\$000	\$000
Impairment of investment in subsidiaries	-	43,671
	<u>-</u>	<u>43,671</u>

This charge relates to the 100% impairment of a fully owned subsidiary recognised during the prior year.

9. Disposal of subsidiaries and associated IPs

During the reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. The disposal was completed on 26 August 2022 for consideration of \$344,446,000 of which \$307,498,000 related to the sale of SEL UK assets. The financial effect of the transaction was a reported profit on disposal of \$105,592,000.

	2023	2022
	\$000	\$000
Profit on disposal of subsidiaries and associated IPs	105,592	-
	<u>105,592</u>	<u>-</u>

Square Enix Limited

Notes to the financial statements

at 31 March 2023

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2023	2022
	\$000	\$000
Current tax:		
UK corporation tax	996	-
Withholding tax expense	479	32
Total current tax (note 9(b))	<u>1,475</u>	<u>32</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2022 – 19%). The differences are explained below:

	2023	2022
	\$000	\$000
Profit on ordinary activities before tax	<u>157,952</u>	<u>(106,296)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 – 19%)	30,011	(20,196)
Effects of:		
Expenses disallowed for tax purposes	32	8,312
Income not included in determining taxable profit	(23,655)	(1)
Movement in unrecognised deferred tax	(3,811)	11,885
Transfer pricing adjustments	(1,581)	-
Withholding tax expense	479	32
Current tax for the year (note 9(a))	<u>1,475</u>	<u>32</u>

(c) Factors that may affect future tax charges

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 that have been enacted or substantially enacted at the balance sheet date.

In November 2022, Finance Bill 2021 increases corporation from 19% to 25%, with effect from the financial year beginning 1 April 2023.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

11. Intangible fixed assets

	<i>Computer software \$000</i>	<i>Internally developed software \$000</i>	<i>Total \$000</i>
Cost:			
At 1 April 2022	2,264	16,050	18,314
Additions	-	895	895
Disposals	-	(16,945)	(16,945)
At 31 March 2023	2,264	-	2,264
Depreciation:			
At 1 April 2022	1,943	12,562	14,505
Charge for the year	263	319	582
Disposals	-	(12,881)	(12,881)
At 31 March 2023	2,206	-	2,206
Net book value:			
At 31 March 2023	58	-	58
At 1 April 2022	321	3,487	3,808

During the reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. The balance of the internally developed software, which was a part of the deal, was cleared out.

12. Tangible fixed assets

	<i>Leasehold improvements \$000</i>	<i>Computer equipment \$000</i>	<i>Fixtures and fittings \$000</i>	<i>Total \$000</i>
Cost:				
At 1 April 2022	1,372	6,145	441	7,958
Additions	31	470	2	503
Disposals	-	(969)	-	(969)
At 31 March 2023	1,403	5,646	443	7,492
Depreciation:				
At 1 April 2022	277	4,983	183	5,443
Charge for the year	148	783	79	1,010
Disposals	-	(953)	-	(953)
At 31 March 2023	425	4,813	262	5,500
Net book value:				
At 31 March 2023	978	833	181	1,992
At 1 April 2022	1,095	1,162	258	2,515

The company does not hold any assets held under finance leases.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

13. Investments

	<i>Subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Cost:			
At 1 April 2022	90,906	-	90,906
Additions	-	774	774
Disposals	(5,437)	-	(5,437)
At 31 March 2023	85,469	774	86,243
Provision against investments:			
At 1 April 2022	83,666	-	83,666
Additions	-	774	774
Disposals	-	-	-
At 31 March 2023	83,666	774	84,440
Carrying amount at 31 March 2023	1,803	-	1,803
Carrying amount at 1 April 2022	7,240	-	7,240

The subsidiary undertakings at 31 March 2023 were as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Proportion of ordinary share capital held</i>	<i>Nature of business</i>
Square Enix SARL (1)	France	Ordinary shares	100%	Promotion of entertainment software
Square Enix GmbH (2)	Germany	Ordinary shares	100%	Promotion of entertainment software
Eidos Inc (3)	USA	Ordinary shares	100%	Parent undertaking
IO Interactive Holdings S/A (4)	Denmark	Ordinary shares	100%	Parent undertaking
SCi Games Limited (5)	England	Ordinary shares	100%	Parent undertaking
Square Enix of America Holdings, Inc. *(6)	USA	Ordinary shares	100%	Parent undertaking
Square Enix, inc.** (7)	USA	Ordinary shares	100%	Distribution of entertainment software
Square Enix, inc.** (8)	USA	Ordinary shares	100%	Distribution of entertainment software
Square Pictures, Inc.** (9)	USA	Ordinary shares	100%	Holding copyright of movie

Square Enix Limited

Notes to the financial statements

at 31 March 2023

13. Investments (continued)

All of the above companies operate principally in their country of incorporation.

* Held indirectly through Eidos Inc. ** Held indirectly through Square Enix of America Holdings, Inc.

The Registered office address of each of the companies listed above is

- (1) 43 Rue Raspail, 92300 Levallois-Perret, France
- (2) Domstrasse 17, 20095 Hamburg, Germany
- (3) 1400A Seaport Blvd, Suite 300, Redwood City, CA 94063, USA
- (4) Gammel Mont 2-4, DK-1117 Copenhagen, Denmark
- (5) 240 Blackfriars Road, 12 & 13th Floors, London, SE1 8NW
- (6) 999 N. Pacific Coast Highway, 3rd Fl, El Segundo, CA 90245
- (7) 999 N. Pacific Coast Highway, 3rd Fl, El Segundo, CA 90245
- (8) 999 N. Pacific Coast Highway, 3rd Fl, El Segundo, CA 90245
- (9) 999 N. Pacific Coast Highway, 3rd Fl, El Segundo, CA 90245

After the end of the reporting period, Square Pictures, Inc. was dissolved on 1 May 2023.

During the reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. The disposal was completed on 26 August 2022 for consideration of \$344,446,000 of which \$307,498,000 related to the sale of SEL UK assets. The financial effect of the transaction was a reported profit on disposal of \$105,592,000.

The movement in other investments in the year is the acquisition of a minor shareholding in ABYA Corp, a cloud gaming developer registered in USA, in exchange for granting them certain IP licensing rights. During the reporting period, the company fully provided for this investment based on future cashflow forecasts.

On 23 March 2023, SEL obtained the share of Square Enix of America Holdings, inc., which was a sister company, from the company's parent company Square Enix Holdings Co., Ltd through an in-kind contribution.

14. Capitalised development costs

	2023	2022
	\$000	\$000
At 1 April 2022	168,092	224,081
Capitalised in the year	68,781	150,509
Released to profit and loss	(26,814)	(206,498)
Disposals	(127,444)	-
At 31 March 2023	<u>82,615</u>	<u>168,092</u>
Current	82,506	137,566
Non current	109	30,526
	<u>82,615</u>	<u>168,092</u>

During the reporting period the company disposed of its entire shareholding in Crystal Dynamics, Inc, Eidos Interactive Corporation and Eidos Creative Software Development (Shanghai) Co. Limited plus associated IPs. The balance of the capitalised development costs, which was a part of the deal, was cleared out.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

15. Stocks

	2023	2022
	\$000	\$000
Raw materials and consumables	1,325	130
Finished goods	7,424	4,346
	<u>8,749</u>	<u>4,476</u>

Stock cost of \$21,597,000 (2022 - \$28,715,000) was charged to profit and loss in the year as cost of sales.

16. Debtors

	2023	2022
	\$000	\$000
Trade debtors	12,025	10,145
Other debtors	6,967	4,474
Prepayments and accrued income	26,006	50,375
Amounts receivable from fellow group undertakings*	-	59,431
	<u>44,998</u>	<u>124,425</u>

Amounts falling due after more than one year included above are:

	2023	2022
	\$000	\$000
Other debtors	1,906	1,906
	<u>1,906</u>	<u>1,906</u>

* Balance is intercompany trading balances with no fixed payment terms. Interest is charged at Bank of England Base Rate plus 2% for balances with UK entities, Euribor rate plus 1.75% for balances with EU entities. Balance also includes formal loans to a fellow group entity on which interest is charged at rates at 3.75% fixed.

17. Creditors: amounts falling due within one year

	2023	2022
	\$000	\$000
Trade creditors	5,482	9,004
Amounts payable to fellow group undertakings*	844,980	1,179,114
Other creditors	2,394	7,970
Accruals and deferred income	40,354	69,258
Corporation tax	2,576	-
	<u>895,786</u>	<u>1,265,346</u>

* Balance is intercompany trading balances with no fixed payment terms. Balance also includes formal loans from fellow group entities which are repayable on demand. Interest is charged at rates between 1.2% and 3.2% on the various loans.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

18. Deferred taxation

	2023 \$000	2022 \$000
Recognised tax assets		
Tax effect of recognising previously unrecognised tax losses	-	-
Current year charge	-	-
Deferred tax for the year	-	-
	2023 \$000	2022 \$000
Unrecognised tax assets		
Difference between tax allowances and book depreciation of fixed assets	3,943	4,723
Tax effect of losses carried forward	202,092	202,398
	<u>206,035</u>	<u>207,121</u>

In accordance with FRS 19, the recognition of a deferred tax asset has been limited to the extent that the company anticipates making sufficient taxable profits in the near future to absorb the reversal of the underlying timing differences.

19. Issued share capital

		2023 \$000		2022 \$000
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	33,668,516	45,520	33,668,515	45,520
Ordinary 'A' shares of 5p each	1,800,076,760	121,685	1,800,076,760	121,685
Ordinary 'B' shares of £1 each	21,730,281	29,379	21,730,281	29,379
	<u>1,855,475,557</u>	<u>196,584</u>	<u>1,855,475,556</u>	<u>196,584</u>

The 'A' ordinary shares are non-voting but otherwise rank pari passu with the £1 ordinary shares.

On 24 June 2004 the company increased its authorised share capital from £206,750 to £25,206,750 by the creation of 25,000,000 'B' ordinary shares of £1 each. The new class of "B" ordinary shares rank pari passu with the ordinary shares except as expressly provided otherwise in the company's Articles of Association.

On 1 September 2015 the company issued 33,500,552 new £1 ordinary shares at par. The shares were issued to the company's immediate parent at the time, Square Enix of Europe Holdings Limited, in a debt to equity conversion. The value of the consideration received was £33,500,552.

On 23 March 2023 the company issued 1 new £1 ordinary shares at par. The share was issued to the company's parent company Square Enix Holdings Co., Ltd through an in-kind contribution.

Square Enix Limited

Notes to the financial statements

at 31 March 2023

20. Financial instruments

	2023	2022
	\$000	\$000
<i>Financial assets that are equity instruments measured at cost less impairment</i>		
Unlisted investments	1,803	7,240
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Cash	81,628	124,249
Debtors	18,992	74,050
<i>Financial liabilities measured at amortised cost</i>		
Creditors	(855,432)	(1,196,088)

21. Other financial commitments

At 31 March 2023 the company had total commitments under non-cancellable operating leases as set out below:

	2023		2022	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	\$000	\$000	\$000	\$000
Operating leases which expire:				
Within one year	2,160	-	2,291	-
In two to five years	8,638	-	9,162	-
Over five years	2,700	-	7,444	-
	<u>13,498</u>	<u>-</u>	<u>18,897</u>	<u>-</u>

22. Ultimate parent undertaking and controlling party

As at 31 March 2023, the company's immediate and ultimate parent undertaking and controlling party was Square Enix Holdings Co., Ltd, incorporated in Japan. Square Enix Holdings Co., Ltd is the parent of 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 Eastside Square, 6-27-30 Shinjuku, Shinjuku-ku, Tokyo 160-8430, Japan.