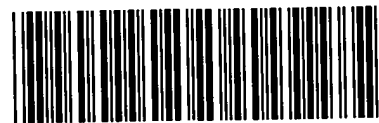


Square Enix of Europe Holdings Limited

Reports and Financial Statements

31 March 2015

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COMPANIES HOUSE

Directors

Y Matsuda
P T Rogers
K Honda
M Sasaki

Secretary

C Reid (resigned 14 May 2015)
A Chokshi (appointed 14 May 2015)

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH

The Bank of Tokyo-Mitsubishi, UFJ Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

Mizuho Corporate Bank Limited
London Branch
Bracken House
1 Friday Street
London EC4M 9JA

Registered Office

240 Blackfriars Road
London
SE1 8NW

Registered No. 06765697

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 is that of an investment parent undertaking.

The directors regard the key performance indicators of the company as the loss for the year and the level of net assets.

The loss for the year after taxation has increased by 74% to £4,563,161 (2014 - loss of £2,621,620). The increase in loss has primarily been caused by foreign exchange loss of £1,482,411 (2014 - gain of £292,243). Net assets have decreased by 8% to £50,624,163 (2014 - £55,187,324) since the prior year due to losses during the year.

Principal risks and uncertainties

The company owns 100% of Square Enix Limited and it provides central services to the trading group. Therefore the main risks relate to those of the trading subsidiaries and their impact on the carrying value of the investment.

The principal activity of Square Enix Limited is the publishing, licensing, marketing, distribution and development of entertainment software. The market for games, mobile phone content and merchandising in Europe is very competitive and outlook is difficult to predict. Therefore the key risks include technological risk and delay of game launch which may impact on the financial performance of the company's subsidiaries and therefore on the carrying value of the investment.

Financial Instruments

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

On behalf of the Board



P Rogers
Director
30 November 2015

Directors' report

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

Results and dividends

The loss for the year after taxation amounted to £4,563,161 (2014 - £2,621,620). The directors do not recommend a final dividend (2014 - £nil).

Future developments

It is the intention of the directors to begin a process of steps towards an ultimate target of winding up the company. The winding up process will include a capital reduction, a debt to equity conversion in respect of amounts owed to the company by its subsidiary, Square Enix Limited, the transfer of the trade and assets of the company to Square Enix Limited, and a distribution of the investment in Square Enix Limited to the company's immediate and ultimate parent, Square Enix Holdings Co., Ltd.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out above. The directors have relied upon parental support from its 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 for at least 12 months from the date of approval of these financial statements.

Directors

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

Y Matsuda
P T Rogers
K Honda
M Sasaki

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

30 November 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 of Europe Holdings Limited

We have audited the financial statements of Square Enix of Europe Holdings 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 15 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 4, 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 loss 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 of Europe Holdings 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 *2 December 2015*

Profit and loss account

for the year ended 31 March 2015

| | Notes | 2015 £ | 2014 £ |
|--|-------|--------------------|--------------------|
| Administration expenses | | (3,330,966) | (1,607,789) |
| Operating loss | 4 | (3,330,966) | (1,607,789) |
| Interest payable and similar charges | 5 | (1,232,195) | (1,013,831) |
| Loss on ordinary activities before taxation | | (4,563,161) | (2,621,620) |
| Tax on loss on ordinary activities | 6 | - | - |
| Loss for the financial year | 11 | <u>(4,563,161)</u> | <u>(2,621,620)</u> |

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 loss attributable to the shareholders of the company of £4,563,161 in the year ended 31 March 2015 (2014 – loss of £2,621,620).

Balance sheet

at 31 March 2015

| | Notes | 2015 £ | 2014 £ |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 7 | 17,008,000 | 17,008,000 |
| Current assets | | | |
| Cash at bank and in hand | | - | 18,894 |
| Debtors | 8 | 118,614,492 | 121,347,475 |
| | | 118,614,492 | 121,366,369 |
| Creditors: amounts falling due within one year | 9 | (84,998,329) | (83,187,045) |
| Net current assets | | 33,616,163 | 38,179,324 |
| Net assets | | 50,624,163 | 55,187,324 |
| Capital and reserves | | | |
| Called up share capital | 10 | 2 | 2 |
| Share premium | 11 | 144,999,998 | 144,999,998 |
| Profit and loss account | 11 | (94,375,837) | (89,812,676) |
| Shareholder's funds | | 50,624,163 | 55,187,324 |

Approved by the board



P Rogers

Director

30 November 2015

The notes on pages 9 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 directors have relied upon parental support from its 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 for at least 12 months from the date of approval of these financial statements.

Group financial statements

The financial statements contain information about Square Enix of Europe Holdings Limited as an individual company and do not contain group 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 year to 31 March 2014 as it and its subsidiary undertakings are included in the group financial statements of its ultimate parent, 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 1. The company is a wholly owned subsidiary Square Enix Holdings Co., Ltd. Square Enix Holdings Co., Ltd prepares group financial statements, which are publically available from Shinjuku Bunka Quint Building, 3-22-7 Yoyogi, Shibuya-ku, Tokyo, 151-8544, Japan.

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.

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 currency

Foreign currency transactions are translated at the rate ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Pensions

The company makes contributions to a defined contribution pension scheme through a third party. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 31 March 2015

2. Staff costs

| | 2015 £ | 2014 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 2,675,989 | 3,172,821 |
| Social security costs | 339,658 | 342,833 |
| Other pension costs | 275,899 | 293,968 |
| | <u>3,291,546</u> | <u>3,809,622</u> |

The average monthly number of employees, including directors, during the year was made up as follows:

| | No. | No. |
|----------------|-----------|-----------|
| Administration | <u>44</u> | <u>42</u> |

3. Directors' remuneration

| | 2015 £ | 2014 £ |
|--|----------------|----------------|
| Remuneration | <u>583,220</u> | <u>442,000</u> |
| Company contributions paid to defined contribution pension schemes | <u>43,837</u> | <u>56,887</u> |

The directors' remuneration above relates to the only director paid by the company during the current and prior year, who is therefore the highest paid director. Y Matsuda, and K Honda were directors of the ultimate parent undertaking, Square Enix Holdings Co., Ltd, during the current year and prior year, and were paid by that company. M Sasaki was an employee not a director of the ultimate parent undertaking, Square Enix Holdings Co., Ltd, during the current year and prior year, and was paid by that company. None of the three Japanese directors received any remuneration for their qualifying services to this company.

4. Operating loss

This is stated after charging/(crediting):

| | 2015 £ | 2014 £ |
|--|---------------|----------------|
| Auditor's remuneration — audit services | 457,992 | 482,580 |
| — tax services | 22,370 | 14,295 |
| Loss/(gain) on foreign exchange | 1,482,411 | (292,243) |
| Management charge issued to subsidiary * | (7,234,178) | (6,339,403) |
| Management charge issued from parent company** | <u>42,787</u> | <u>141,549</u> |

* The management charge was made to a subsidiary company, Square Enix Limited, in relation to administrative services provided by Square Enix of Europe Holdings Limited.

** The management charge was from the parent company, Square Enix Holding Co. Ltd, in relation to administrative services provided by them.

Notes to the financial statements

at 31 March 2015

5. Interest payable and similar charges

| | 2015 £ | 2014 £ |
|--|------------------|------------------|
| Amounts payable on bank loans and overdrafts | 336,214 | 446,330 |
| Amounts payable to group undertakings | 895,981 | 567,501 |
| | <u>1,232,195</u> | <u>1,013,831</u> |

6. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

| | 2015 £ | 2014 £ |
|---|-----------|-----------|
| Current tax: | | |
| UK corporation tax on the loss for the year | - | - |
| Tax on loss on ordinary activities | <u>-</u> | <u>-</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 21% (2014 – 23%). The differences are explained below:

| | 2015 £ | 2014 £ |
|--|--------------------|--------------------|
| Loss on ordinary activities before tax | <u>(4,563,161)</u> | <u>(2,621,620)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014 – 23%) | (958,264) | (602,973) |
| Effects of: | | |
| Non-taxable deductible items | 3,155 | 3,858 |
| Losses available for carry forward | - | 599,115 |
| Losses surrendered as group relief | 955,109 | - |
| Current tax for the year (note 8(a)) | <u>-</u> | <u>-</u> |

At 31 March 2015, the company had an unrecognised deferred tax asset of £2,239k (2014 – £2,630k) in relation to the tax losses carried forward, 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.

Notes to the financial statements

at 31 March 2015

6. Tax (continued)

(c) Factors that may affect future tax charges

The UK rate of corporation tax reduced from 21% to 20%, effective from 1 April 2015. The changes were enacted in the Finance Act 2013 and will affect the future tax charge of the company.

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. Therefore, the unrecognised deferred tax is measured at 20% in the current period.

7. Investments

| | <i>Unlisted investments £</i> |
|----------------------------------|---------------------------------------|
| Cost: | |
| At 1 April 2014 | 88,839,109 |
| At 31 March 2015 | <u>88,839,109</u> |
| Provision against investments: * | |
| At 1 April 2014 | 71,831,109 |
| At 31 March 2015 | <u>71,831,109</u> |
| Net book value: | |
| At 31 March 2015 | <u>17,008,000</u> |
| At 1 April 2014 | <u>17,008,000</u> |

* The provision against investments represents a write down against the investment in Square Enix Limited based on a valuation of the business carried out by management, assisted by Pricewaterhouse-Coopers, dated February 2011. Management believes that a permanent diminution of the value of the company has taken place. There has been no subsequent further impairment in either the current or previous year.

The principal subsidiary undertakings are as follows:

| <i>Subsidiary undertakings</i> | <i>Country of incorporation</i> | <i>Principal activity</i> | <i>Class of shares held</i> | <i>Percentage of shareholding held</i> |
|--------------------------------|-------------------------------------|---|------------------------------------|--|
| Square Enix Limited | England | Interactive Entertainment Software | Ordinary £1 shares | 100% |
| Crystal Dynamics, Inc** | USA | Developer of entertainment software | Ordinary shares | 100% |
| IO Interactive A/S*** | Denmark | Developer of entertainment software | Ordinary shares of DKK1000 each | 100% |
| Eidos Interactive Corporation* | Canada | Developer of entertainment software | Ordinary shares | 100% |

Notes to the financial statements

at 31 March 2015

7. Investments (continued)

| | | | | |
|--|---------|-------------------------------------|---------------------------------|------|
| Eidos Creative Software Development (Shanghai) Co. Limited**** | China | Interactive Entertainment Software | Ordinary Shares | 100% |
| Square Enix SARL* | France | Distributor of computer software | Ordinary shares of €7,623 | 100% |
| Square Enix GmbH* | Germany | Promotion of entertainment software | Ordinary shares | 100% |
| Eidos Limited | England | Parent undertaking | Ordinary shares | 100% |
| Eidos Inc* | USA | Parent undertaking | Ordinary shares | 100% |
| IO Interactive Holdings S/A* | Denmark | Parent undertaking | Ordinary shares of DKK1000 each | 100% |
| SCi Games Limited* | England | Parent undertaking | Ordinary shares | 100% |
| Centregold Ltd***** | England | Non trading | Ordinary shares | 100% |
| SCi Entertainment Group Limited***** | England | Non trading | Ordinary shares | 100% |

All of the above companies operated principally in their country of incorporation. All are held directly except as indicated below:

* Held indirectly through Square Enix Ltd

** Held indirectly through Eidos Inc.

*** Held indirectly through IO Interactive Holdings S/A

**** Held indirectly through SCi Games Ltd

***** Held indirectly through Eidos Ltd

8. Debtors

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | £ | £ |
| Prepayments and accrued income | 872,324 | 637,877 |
| Amounts receivable from fellow group undertakings | 117,742,168 | 120,709,598 |
| | <u>118,614,492</u> | <u>121,347,475</u> |

Notes to the financial statements

at 31 March 2015

9. Creditors: amounts falling due within one year

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | £ | £ |
| Bank loans and overdrafts* | 39,933,782 | 40,000,000 |
| Other creditors | 50,435 | 61,688 |
| Amounts payable to fellow group undertakings** | 44,001,418 | 42,029,452 |
| Accrued expenses | 1,012,694 | 1,095,905 |
| | <u>84,998,329</u> | <u>83,187,045</u> |

* The £39,933,782 (2014 - £40,000,000) of bank loans are secured by a guarantee provided by the ultimate parent undertaking, Square Enix Holdings Co., Ltd.

** The amounts payable to fellow group undertakings includes a £30,000,000 (2014 - £30,000,000) loan provided by the ultimate parent undertaking, Square Enix Holdings Co., Ltd, and a £13,472,550 (2014 - £11,996,161) loan provided by Square Enix Inc., a fellow subsidiary of Square Enix Holdings Co., Ltd, both repayable on demand and bearing interest at a rate of 0.5% over LIBOR and 0.5% over U.S. Prime Rate respectively per annum.

10. Issued share capital

| | No. | 2015 | No. | 2014 |
|---|-----|----------|-----|----------|
| | | £ | | £ |
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 2 | <u>2</u> | 2 | <u>2</u> |

11. Reconciliation of shareholder's funds and movements on reserves

| | Share capital | Share premium | Profit and loss account | Shareholders' funds |
|-------------------|---------------|---------------|-------------------------|---------------------|
| | £ | £ | £ | £ |
| At 1 April 2013 | 2 | 144,999,998 | (87,191,056) | 57,808,944 |
| Loss for the year | - | - | (2,621,620) | (2,621,620) |
| At 1 April 2014 | 2 | 144,999,998 | (89,812,676) | 55,187,324 |
| Loss for the year | - | - | (4,563,161) | (4,563,161) |
| At 31 March 2015 | 2 | 144,999,998 | (94,375,837) | 50,624,163 |

12. Post balance sheet events

After the balance sheet date, the directors have initiated proceedings towards the eventual winding up of the company. Steps undertaken include a capital reduction, a debt to equity conversion in respect of amounts owed to the company by its subsidiary, Square Enix Limited, the transfer of the trade and assets of the company to Square Enix Limited, and a distribution of the investment in Square Enix Limited to the company's immediate and ultimate parent, Square Enix Holdings Co., Ltd.

Notes to the financial statements

at 31 March 2015

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.

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.