

Square Enix Limited

Registered No. 01804186

Directors' report

The directors present their report and financial statements for the year ended 31 March 2021.

Results and dividends

The loss for the year after taxation amounted to \$115,005,000 (2020 – \$193,812,000). The directors do not recommend a final dividend (2020 – \$nil). Increased turnover due to game release schedule, increased development cost amortisation, again due to game release schedule, and the absence of any exceptional costs from the impairment of capitalised development costs in the current year 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.

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 for at least 12 months from the date of approval of these financial statements, until at least 31 December 2022.

Streamlined Energy and Carbon Reporting

Summary of Energy consumption

Energy consumption associated with Square Enix Ltd operations during the 2020-2021 financial year have been calculated and are detailed below.

Table 1: Summary of Absolute Energy

ENERGY	FY2021
Absolute:	
Total natural gas consumption (kWh)	224,534
Total electricity consumption (kWh)	242,433
Transport energy (kWh)	0
TOTAL	466,967

GHG Emissions Summary

GHG emissions associated with Square Enix Ltd's operations during the 2020-2021 financial year have been calculated and are detailed below.

Square Enix Limited

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	FY2021
Absolute:	
SCOPE 1 EMISSIONS (tCO₂e)	
Emissions from combustion of gas (tCO ₂ e) [SCOPE 1]	41.3
Emissions from combustion of fuel for transport purposes (tCO ₂ e) [SCOPE 1]	0
SCOPE 2 EMISSIONS (tCO₂e)	
Emissions from purchased electricity location based (tCO ₂ e) [SCOPE 2]	56.5
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) [SCOPE 3]	0
TOTAL EMISSIONS (tCO₂e)	97.8

Renewable Energy Exports to Grid

There are no company owned or operated renewable energy sources.

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. A large proportion of Square Enix's business operations are conducted from office buildings or similar office type spaces therefore kgCO₂e per square meter has been used most appropriate indicator of carbon performance across the Square Enix sites. Transport emissions are excluded from this calculation.

In table 3 the locations based emissions factors are used to calculate the carbon intensity ratio.

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

NORMALISATION	FY2021
Intensity ratio: kgCO ₂ e per sqm of occupied office space	36.6
TOTAL	36.6

Reporting Methodology and Quantification

The reporting period for this GHG assessment is the year from 1 April 2020 to 31 March 2021.

Square Enix Limited

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.

Data is based on verifiable primary evidence (invoices, meter readings, statements etc.). In the case that primary data is not available acceptable estimations techniques have been used.

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, the majority of the company's employees have been working remotely, due to the COVID-19 pandemic, which has reduced the operational electricity and gas consumption for the offices. This continued to be the case as at 31 March 2021 but since the year-end the company has begun a phased return to a hybrid working model.

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.

Comparative information about the company's energy consumption and carbon emissions for the year ended 31 March 2020 is not included in this report as it was not practical for the company to obtain such information. In that period, the company incurred energy costs as part of a fixed service charge payable to a property management company, rather than directly from utility providers. Therefore, detailed information about energy consumption and carbon emissions was not available.

Directors

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

P Rogers
Y Matsuda


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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P Rogers
Director
30 November 2021