

July 31, 2008

SQUARE ENIX CO., LTD.
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(Code: 9684, Tokyo Stock Exchange, First Section)
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Notice Regarding Issuance of Incentive Stock Options to Directors as Stock-Compensation-Type Option

SQUARE ENIX CO., LTD. (the "Company") announced today that the Board of Directors of the Company resolved, at a meeting held on July 31, 2008, to issue incentive stock options as stock-compensation-type option (the "Stock Options") to the Company's directors in accordance with the resolution by the 28th annual shareholders meeting of the Company held on June 21, 2008 regarding "Approval of the Grant of Incentive Stock Option to Directors as Stock-Compensation-Type Option." The detailed terms of the Stock Options are as follows:

1. The reason to issue the Stock Options

The Company issues the Stock Options, in accordance with the resolution by the above-mentioned annual shareholders meeting, as remuneration for the Company's directors for the purposes of sharing the merits and risks of stock price changes with our shareholders and thereby further strengthening the directors' motivation and incentive to contribute to the improvement of the share price and the profits of the Company.

2. Issuance Terms of the Stock Options

(1) Name of the Stock Options

SQUARE ENIX CO., LTD. August 2008 Stock Options (Stock-Compensation-Type Option)

(2) Grantees and total number of the Stock Options to grant

The Stock Options shall be granted to 5 directors of the Company, and total number of the Stock Options shall be 220.

If the above total number of the Stock Options to grant decreases for reasons such as a grantee's declining grant of the Stock Options, the number of the Stock Options that are actually granted shall be the total number of the Stock Options issued.

(3) Type and number of shares subject to the Stock Options

The number of shares subject to the Stock Options shall be 22,000 shares of the Company's common stock. The number of shares to be issued upon the exercise of each Stock Option shall be 100.

In the event that the Company conducts a stock split, a reverse stock split or any appropriate adjustment of the number of shares issued and outstanding, the number of the shares to be issued upon the exercise of each Stock Option shall be adjusted in accordance with the following formula:

$$\text{Number of Shares after Adjustment} = \text{Number of Shares before Adjustment} \\ \times \text{Split / Reverse Split Ratio}$$

(4) Consideration of the Stock Options

The Stock Options will be issued as remuneration for the Company's directors, and therefore the grantees are not required to pay any consideration.

(5) Value of the assets to be contributed upon exercise of the Stock Options

The value of the assets to be contributed upon exercise of the Stock Options shall be determined by multiplying the exercise price of ¥1 by the number of shares subject to such the Stock Options.

(6) Term during which the Stock Options may be exercised

From August 22, 2008, through August 21, 2028.

(7) Conditions for exercise of the Stock Options

- (i) A grantee of the Stock Options may exercise the Stock Options for a period of only 1 year on and after the day following the date when he/she leaves the position as the Company's director.
- (ii) Notwithstanding the provision of (i) above, the shareholders meeting of the Company (or the board of directors meeting, if applicable) approves any item for resolution such as merger under which the Company ceases to exist, or stock swap or stock transfer under which the Company becomes a wholly-owned subsidiary of other company, and a grantee of the Stock Options ceases to be a director of the Company as a result of such approval, or the New Stock Options (to be defined under item (11) below) are not allotted to the grantee, the grantee may exercise the Stock Options for a period of only 10 days on and after the date of the approval.
- (iii) If a grantee of the Stock Options dies, the Stock Options shall be inherited to his/her heir(s) in accordance with the terms of the contract described in (iv) below.
- (iv) Other conditions to exercise the Stock Options shall be determined in the contract of Stock Options, to be agreed between each grantee of the Stock Options and the Company.

(8) Matters concerning increase in capital and capital reserve in case of issuance of shares through exercise of the Stock Options

- (i) When shares are issued through the exercise of the Stock Options, the amount of capital increase shall be one-half of the maximum limitation for increases in capital, etc., calculated in accordance with Article 40, Paragraph 1 of the Corporate Accounting Rules. Fractions of less than ¥1 shall be rounded up in calculations.
- (ii) When shares are issued through the exercise of the Stock Options, the amount of capital reserve to be added shall be determined by subtracting the amount of capital increase as stipulated in (i) above from the maximum limitation for increases in capital, etc. indicated in (i) above.

(9) Provisions governing the redemption of the Stock Options by the Company

- (i) When a grantee of the Stock Options fails to meet the conditions stipulated in item (7) above, or cannot exercise the Stock Options for other reasons, or waives its rights to the Stock Options, the Company may redeem such Stock Options without compensation.
- (ii) When the shareholders meeting of the Company (or the board of directors meeting, if applicable) approves any of the following items for resolution, the Company may redeem the Stock Options without compensation;
 - (a) approval of merger under which the Company ceases to exist,
 - (b) approval of merger or absorption by spin-off under which the Company is spun-off, or
 - (c) approval of stock swap or stock transfer under which the Company becomes a wholly-owned subsidiary of other company.

(10) Limitation on acquisition of the Stock Options

Acquisition of the Stock Options by way of assignment shall be subject to approval by the Board of Directors of the Company.

(11) Reorganization

If the Company is subject to a merger (limited to the case where the Company ceases to exist after the merger), merger or absorption by spin-off, demerger, stock swap or stock transfer (collectively, "Reorganization"), it shall, in accordance with the provisions below, deliver new stock options subject to the shares issued by the reorganized company as indicated in Article 236, Paragraph 1, Items 8a through 8e of the Companies Act for the respective cases ("Reorganized Company") (the "New Stock Options"), to the grantees of the existing Stock Options when the Reorganization becomes effective. In this case, the existing Stock Options will cease to exist and the Reorganized Company will issue the New Stock Options. This shall be limited to the case whereby the delivery of the New Stock Options by the Reorganized Company is stipulated in the take-over or merger agreements, merger or absorption by spin-off plans, demerger plans, stock swap agreements or stock transfer plans in accordance with the conditions below.

- (i) Number of the New Stock Options to be delivered:
The same number as the number of the Stock Options held, respectively, by the grantee of the existing Stock Options shall be delivered.
- (ii) Types of shares of the Reorganized Company subject to the New Stock Options:
The common stock of the Reorganized Company.
- (iii) Number of shares of the Reorganized Company subject to the New Stock Options:
To be determined reasonably upon consideration of such factors as the conditions of the Reorganizations. Fractions of less than ¥1 shall be rounded up in calculations.
- (iv) Value of the assets to be contributed upon exercise of the New Stock Options:
The value of the assets to be contributed upon exercise of the New Stock Options shall be the amount of the exercise price after the Reorganization as set forth below multiplied by the number of shares subject to the New Stock Options to be calculated in accordance with (iii) above. The Exercise Price after the Reorganization shall be ¥1 per share of the Reorganized Company that can be received upon exercise of the New Stock Options.
- (v) Term during which the New Stock Options may be exercised:
From the later of the commencement date of the term stipulated in item (6) above or the effective date of the Reorganization, through the expiration date of the term stipulated in item (6) above.
- (vi) Matters concerning increase in capital and capital reserves in case of issuance of shares through exercise of the New Stock Options:
To be determined in accordance with item (8) above.
- (vii) Limitation on acquisition of the New Stock Options:
Acquisition of the New Stock Options by way of assignment shall be subject to approval by the Board of Directors of the Reorganized Company.
- (viii) Conditions for the exercise of the New Stock Options:
To be determined in accordance with item (7) above.
- (ix) Provisions governing the redemption of the New Stock Options by the Reorganized Company:
To be determined in accordance with item (9) above

(12) Allotment date of the Stock Options

August 21, 2008