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# **FY 2005 First-Half Year Results Briefing Session**

**SQUARE ENIX®**  **Taito®**

**November 18, 2005**

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Statements made in this document with respect to SQUARE ENIX CO., LTD. and consolidated subsidiaries' (together, "SQUARE ENIX") plans, estimates, strategies and beliefs, including any forecasts or projections, are forward-looking statements about the future performance of SQUARE ENIX.

These statements are based on management's assumptions and beliefs in light of information available to it at the time these material were drafted and, therefore, the reader should not place undue reliance on them. Also, the reader should not assume that statements made in this document will remain accurate or operative at a later time.

A number of factors could cause actual results to be materially different from and worse than those discussed in forward-looking statements. Such factors include, but not limited to:

1. changes in economic conditions affecting our operations;
2. fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro;
3. our ability to continue to win acceptance of our products and services, which are offered in highly competitive markets characterized by the continuous introduction of new products and services, rapid developments in technology, and subjective and changing consumer preferences;
4. our ability to expand internationally successfully with a focus on our digital content business, online game business and mobilephone content business; and
5. regulatory developments and changes and our ability to respond and adapt to those changes.

The forward-looking statements regarding earnings contained in these materials were valid at the time these materials were drafted. SQUARE ENIX assumes no obligation to update or revise any forward-looking statements, including forecasts or projections, whether as a result of new information, subsequent events or otherwise.

The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

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# 1. FY2005\* First-Half Year Financial Results



**TAITO CORPORATION**

\*FY2005 = Fiscal Year Ending March 31, 2006

# FY 2005 First-Half Year Results – Consolidated

Millions of Yen

	As of September 30, 2005	
		%
Current Assets	26,776	39%
Non-current Assets	42,105	61%
<b>Total</b>	<b>68,882</b>	<b>100%</b>
Current Liabilities	15,298	22%
Non-current Liabilities	3,214	5%
<b>Total Liabilities</b>	<b>18,512</b>	<b>27%</b>
Minority Interests in Consolidated Subsidiaries	33	0%
<b>Total Shareholders' Equity</b>	<b>50,336</b>	<b>73%</b>
<b>Total</b>	<b>68,882</b>	<b>100%</b>
Number of Employees	1,192	–

Millions of Yen

	April 2005 - September 2005	
		%
Net Sales	41,486	100%
Operating Income	905	2%
Recurring Income	779	2%
Net Income	(3,383)	(8)
Depreciation and Amortization	4,572	–
Capital Expenditure	6,426	–

Note : Employees = Permanent employees + Contract employees

## FY 2005 First-Half Year Results by Segment - Consolidated

Millions of Yen

	Amusement Operation and Rental	Sales of Goods and Merchandise	Content Services	Others	Total	Eliminations or unallocated	Consolidated
Net Sales	23,430	13,074	4,117	877	41,501	(14)	41,486
Operating Expenses	22,638	13,160	2,894	687	39,380	1,200	40,580
Operating Income	792	(85)	1,223	190	2,120	(1,214)	905
Operating Margin	3.4%	(0.7%)	29.7%	21.7%	5.1%	–	2.2%

# FY 2005 First-Half Year Results by Segment – Non Consolidated

Millions of Yen

	April - September 2004			April - September 2005		
	Net Sales	Operating Income	Operating Margin	Net Sales	Operating Income	Operating Margin
Game Center Operations	21,181	2,235	10.6%	21,067	1,025	4.9%
Rentals of Karaoke Machines	2,092	(274)	(13.1)%	2,078	(64)	(3.1)%
Game Machines	10,520	1,251	11.9%	7,839	493	6.3%
Sales of Karaoke Machines	1,037	(61)	(5.9)%	1,096	(27)	(2.5)%
Home Game Software	2,687	(342)	(12.8)%	2,596	(347)	(13.4)%
Sales of Other Merchandises	573	(168)	(29.3)%	1,461	(204)	(14.0)%
Content Services	4,598	1,526	33.2%	4,114	1,220	29.7%
Other Sales	639	69	10.9%	823	194	23.7%
Unallocated		(1,472)			(1,218)	
<b>Total</b>	<b>43,331</b>	<b>2,764</b>	<b>6.4%</b>	<b>41,079</b>	<b>1,072</b>	<b>2.6%</b>

## Key Points of the Results

### Game Center Operations

(Ratio to the previous fiscal year)

Sales of existing game centers : 93%  
 Number of visitors to game centers : 106%  
 Sales per customer : 96%  
 Opening of new outlets : 12  
 Closure of outlets : 13

\* All data is according to captive outlets

### Game Machines

#### <Major Product>

BATTLE GEAR 4 : 860 units

CAPRICCIO G-One HG : 400 units

#### <OEM of PACHINKO-SLOT Machines>

Sales : Approximately ¥90 million  
 (down apprxly ¥2.9 billion)

### Content Services

Billions of Yen  
 (apprxly)

#### <Sales Breakdown>

Content services for  
 mobile phone : 3.4  
 (overseas sales : 0.3)  
 Home karaoke machine : 70

# FY 2005 First-Half Year Results – Non-Consolidated



Millions of Yen

	As of September 30, 2004		As of March 31, 2005		As of September 30, 2005	
		%		%		%
Current Assets	33,140	45%	29,047	41%	27,004	39%
Fixed Assets	41,321	55%	42,639	59%	42,018	61%
<b>Total</b>	<b>74,461</b>	<b>100%</b>	<b>71,686</b>	<b>100%</b>	<b>69,022</b>	<b>100%</b>
Current Liabilities	16,689	22%	14,525	20%	15,242	22%
Non-current Liabilities	3,225	4%	3,057	4%	3,214	5%
<b>Total Liabilities</b>	<b>19,915</b>	<b>27%</b>	<b>17,582</b>	<b>25%</b>	<b>18,456</b>	<b>27%</b>
<b>Total Shareholders' Equity</b>	<b>54,546</b>	<b>73%</b>	<b>54,103</b>	<b>75%</b>	<b>50,565</b>	<b>73%</b>
<b>Total</b>	<b>74,461</b>	<b>100%</b>	<b>71,686</b>	<b>100%</b>	<b>69,022</b>	<b>100%</b>
Number of Employees	1,140	-	1,128	-	1,143	-

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April - September 2004		October 2004 - March 2005		April - September 2005	
		%		%		%
Net Sales	43,331	100%	41,229	100%	41,079	100%
Operating Income	2,764	6%	143	0%	1,072	3%
Recurring Income	2,742	6%	133	0%	1,030	3%
Net Income	1,692	4%	26	0%	(3,134)	(8)
Depreciation and Amortization	3,771	-	5,096	-	4,440	-
Capital Expenditure	5,850	-	6,253	-	6,370	-

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## **2. FY2005\* First-Half Year Financial Results**

**SQUARE ENIX®**  
**SQUARE ENIX CO., LTD.**

\*FY2005 = Fiscal Year Ending March 31, 2006

# FY 2005 First-Half Year Results – Consolidated

Millions of Yen

	As of September 30, 2004		As of March 31, 2005		As of September 30, 2005	
		%		%		%
<b>Current Assets</b>	87,696	79%	110,053	84%	100,945	57%
<b>Non-current Assets</b>	23,571	21%	21,641	16%	77,030	43%
<b>Total</b>	111,267	100%	131,695	100%	177,976	100%
<b>Current Liabilities</b>	11,407	10%	20,790	16%	63,739	36%
<b>Non-current Liabilities</b>	1,201	1%	1,313	1%	3,578	2%
<b>Total Liabilities</b>	12,609	11%	22,103	17%	67,318	38%
Minority Interests in Consolidated Subsidiaries	591	1%	658	0%	4,211	2%
<b>Total Shareholders' Equity</b>	98,067	88%	108,933	83%	106,446	60%
<b>Total</b>	111,267	100%	131,695	100%	177,976	100%
<b>Number of Employees</b>	1,501	-	1,662	-	2,952	-

The Company's consolidated balance sheet as of September 30, 2005 consolidates TAITO CORPORATION's ("TAITO") balance sheet as of September 30, 2005.

Employees : SQUARE ENIX : 1,760, TAITO : 1,192

Millions of Yen

	April 2004 - September 2004		October 2004 - March 2005		April 2005 - September 2005	
		%		%		%
<b>Net Sales</b>	24,395	100%	49,469	100%	27,091	100%
<b>Operating Income</b>	5,952	24%	20,486	41%	2,484	9%
<b>Recurring Income</b>	6,133	25%	19,768	40%	2,730	10%
<b>Net Income</b>	3,133	13%	11,799	24%	2,202	8%
<b>Depreciation and Amortization</b>	1,484	-	1,566	-	1,484	-
<b>Capital Expenditure</b>	733	-	790	-	561	-

The Company's consolidated statement of income for the first half-year (April - September 2005) does not consolidate TAITO's statement of income for the same period.

Depreciation and amortization and Capital expenditure do not include those of TAITO and its consolidated subsidiaries.

Depreciation and amortization include amortization of goodwill of UIEvolution, Inc.



# FY 2005 First-Half Year Results – Consolidated

## Consolidation of Balance Sheet of TAITO as of September 30, 2005

**SQEX – Consolidated  
(not including TAITO)**

	Total Liability
	49,806
Total Asset	Minority Interests in Consolidated Subsidiaries
157,218	966
	Shareholder's Equity
	106,446

157,218      157,218

+

**TAITO – Consolidated**

	Total Liability
	18,512
Total Asset	Minority Interests in Consolidated Subsidiaries
68,882	33
	Shareholder's Equity
	50,336

68,882      68,882

+

**Eliminations**

Investment in Affiliates	Allowance
(63,074)	(1,000)
Goodwill	Minority Interests in Consolidated Subsidiaries
15,293	3,212
Deferred Tax	Shareholder's Equity
(342)	(50,336)

(48,124)      (48,124)

=

**Consolidated**

	Total Liability
	67,318
Total Asset	Minority Interests in Consolidated Subsidiaries
177,976	4,211
	Shareholder's Equity
	106,446

177,976      177,976

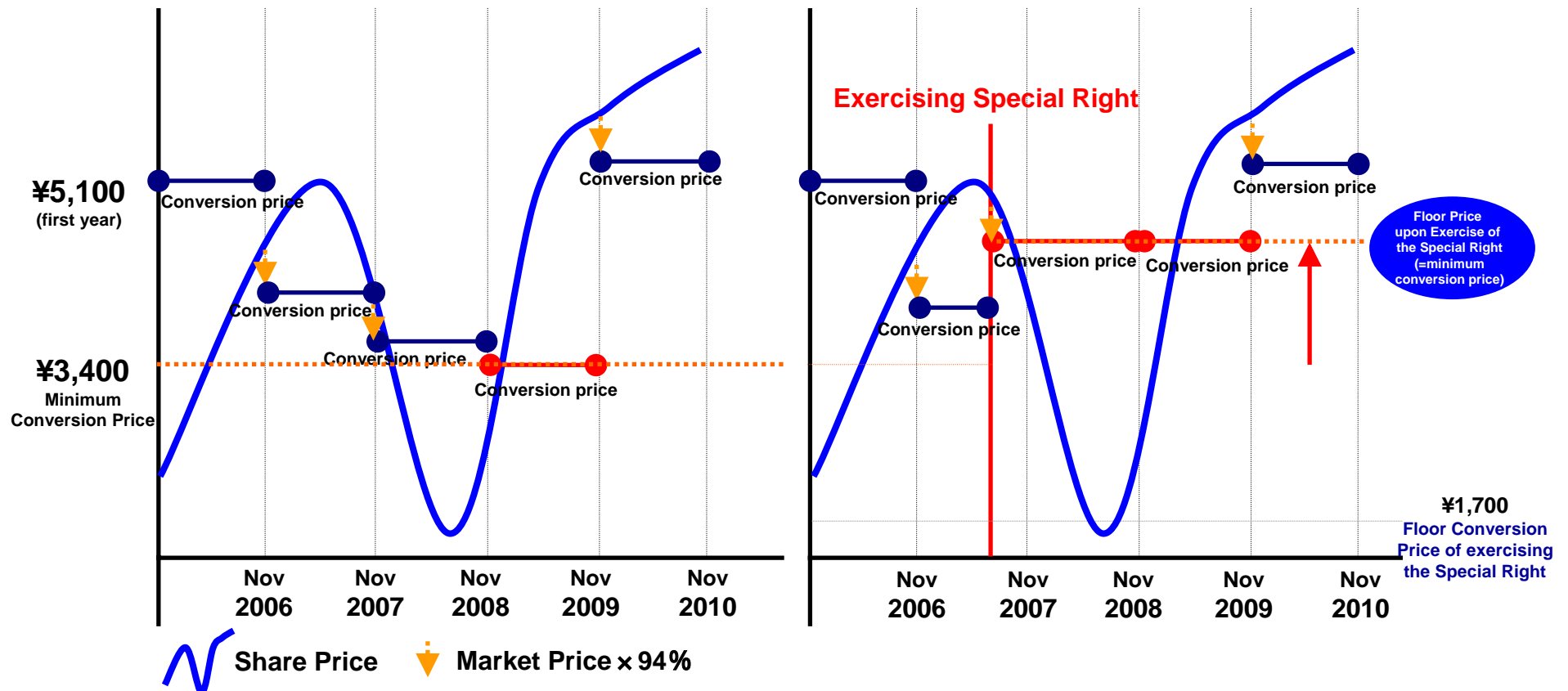
Since TAITO became a consolidated subsidiary as of September 30, 2005, only balance sheet is consolidated in the balance sheet as of September 30, 2005.

# Procurement of ¥50 Billion by Zero-coupon WRT Bond

## Yen-denominated Bond with Non-detachable Warrant matured in 2010

### 1. Ordinary Adjustment of Conversion Price

### 2. Exercise of Special Right (to reset the floor price)



# FY 2005 First-Half Year Results by Segment – Consolidated

**1. First Half-Year ended September 30, 2005**

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	8,607	6,928	2,219	4,471	4,863		27,091
Operating Expenses	9,449	4,297	1,903	3,480	3,532	1,942	24,606
Operating Income	(842)	2,631	316	991	1,330	(1,942)	2,484
Operating Margin	(9.8%)	38.0%	14.2%	22.2%	27.3%		9.2%

**2. First Half-Year ended September 30, 2004**

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	8,099	7,684	1,977	5,157	1,476		24,395
Operating Expenses	6,549	4,431	1,343	3,405	1,106	1,606	18,442
Operating Income	1,549	3,252	633	1,752	370	(1,606)	5,952
Operating Margin	19.1%	42.3%	32.0%	34.0%	25.1%		24.4%

**3. Change (from the first half-year ended Sep. 30, 2004 to the first half-year ended Sep. 30, 2005)**

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	508	(756)	242	(686)	3,387		2,696
Operating Expenses	2,900	(134)	560	75	2,426	336	6,164
Operating Income	(2,391)	(621)	(317)	(761)	960	(336)	(3,468)

## FY 2005 First-Half Year Results – Sales by Region

Millions of Yen

Region	April - September 2004		April - September 2005		Change
		%		%	
Japan	16,895	69%	21,493	79%	4,598
North America	5,925	24%	3,462	13%	(2,463)
Europe (PAL)	945	4%	375	1%	(570)
Asia, etc.	628	3%	1,759	6%	1,131
<b>Total</b>	<b>24,395</b>	<b>100%</b>	<b>27,091</b>	<b>100%</b>	<b>2,696</b>

## FY 2005 First-Half Year Results – Unit Sales

Title	Release Date	Platform	Thousand Units	Change	
				Apr – Sep 2004	
Romancing Saga : Minstrel Song	Apr. 2005	PS2	450		
Hanjuku HERO 4 -7 Hanjuku Heroes-	May. 2005	PS2	90		
DRAG ON DRAGOON love red, ambivalence black	Jun. 2005	PS2	210		
MUSASHIDEN II BLADE MASTER	Jul. 2005	PS2	100		
Fullmetal Alchemist 3 kami o tsugu shojo	Jul. 2005	PS2	80		
GRANDIA III	Aug. 2005	PS2	250		
Repeated orders	—	—	340		
<b>Japan</b>	—	—	<b>1,520</b>	<b>1,340</b>	<b>180</b>
FULLMETAL ALCHEMIST 2 : Curse of the Crimson Elixir	Jul. 2005	PS2	70		
RADIATA STORIES	Sep. 2005	PS2	120		
Repeated orders	—	—	540		
<b>North America</b>	—	—	<b>730</b>	<b>1,480</b>	<b>(750)</b>
Kingdom Hearts Chain of Memories (Nintendo)	May. 2005	GBA	200		
Repeated orders	—	—	280		
<b>Europe (PAL)</b>	—	—	<b>480</b>	<b>510</b>	<b>(30)</b>
<b>Asia, etc.</b>	—	—	<b>30</b>	<b>40</b>	<b>(10)</b>
<b>TOTAL</b>	—	—	<b>2,760</b>	<b>3,370</b>	<b>(610)</b>

# FY 2005 First-Half Year Results – Non-Consolidated

Millions of Yen

	As of September 30, 2004		As of March 31, 2005		As of September 30, 2005	
		%		%		%
Current Assets	81,494	79%	103,276	83%	67,291	45%
Non-current Assets	21,894	21%	20,828	17%	83,210	55%
<b>Total</b>	<b>103,388</b>	<b>100%</b>	<b>124,105</b>	<b>100%</b>	<b>150,501</b>	<b>100%</b>
Current Liabilities	7,385	7%	17,888	14%	47,018	31%
Non-current Liabilities	1,195	1%	1,307	1%	1,274	1%
<b>Total Liabilities</b>	<b>8,581</b>	<b>8%</b>	<b>19,195</b>	<b>15%</b>	<b>48,292</b>	<b>32%</b>
<b>Total Shareholders' Equity</b>	<b>94,807</b>	<b>92%</b>	<b>104,909</b>	<b>85%</b>	<b>102,209</b>	<b>68%</b>
<b>Total</b>	<b>103,388</b>	<b>100%</b>	<b>124,105</b>	<b>100%</b>	<b>150,501</b>	<b>100%</b>
Number of Employees	1,205	-	1,291	-	1,360	-

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April - September 2004		October 2004 - March 2005		April - September 2005	
		%		%		%
Net Sales	19,170	100%	44,780	100%	22,445	100%
Operating Income	4,711	25%	19,369	43%	874	4%
Recurring Income	4,878	25%	18,655	42%	2,026	9%
Net Income	2,758	14%	10,804	24%	2,468	11%
Depreciation and Amortization	779	-	878	-	737	-
Capital Expenditure	679	-	659	-	472	-

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# 3. Projections

## FY 2005 Projections – Consolidated

Millions of Yen

	FY2004 Results		FY2005 Projections		Change	Rate of Change
		%		%		
<b>Net Sales</b>	<b>73,864</b>	<b>100%</b>	<b>136,000</b>	<b>100%</b>	<b>62,136</b>	<b>84%</b>
<i>Operating Income before depreciation</i>	<i>27,674</i>	<i>37%</i>	<i>30,600</i>	<i>23%</i>	<i>2,926</i>	<i>11%</i>
<b>Operating Income</b>	<b>26,438</b>	<b>36%</b>	<b>29,000</b>	<b>21%</b>	<b>2,562</b>	<b>10%</b>
<b>Recurring Income</b>	<b>25,901</b>	<b>35%</b>	<b>28,500</b>	<b>21%</b>	<b>2,599</b>	<b>10%</b>
<b>Net Income</b>	<b>14,932</b>	<b>20%</b>	<b>17,500</b>	<b>13%</b>	<b>2,568</b>	<b>17%</b>
<b>Depreciation and Amortization</b>	<b>3,050</b>	<b>-</b>	<b>9,000</b>		<b>5,950</b>	<b>-</b>
<b>Capital Expenditure</b>	<b>1,523</b>	<b>-</b>	<b>7,000</b>		<b>5,477</b>	<b>-</b>

Operating Income before depreciation is the operating income before amortization of goodwill of UIEvolution, Inc. and of TAITO.  
(only for the second half of FY2005 for TAITO)

Depreciation and amortization includes amortization of goodwill of UIEvolution, Inc. and TAITO

Depreciation, amortization and capital expenditure do not include those of TAITO for the first half-year ended September 30, 2005

### FY2005 Projection Breakdown

	<b>SQUARE ENIX</b>	<b>TAITO (Second Half Year)</b>	<b>Eliminations or unallocated</b>	<b>Consolidated</b>
<b>Net Sales</b>	<b>90,000</b>	<b>46,000</b>		<b>136,000</b>
<b>Operating Income</b>	<b>27,000</b>	<b>2,400</b>	<b>(400)</b>	<b>29,000</b>
<b>Operating Margin</b>	<b>30.0%</b>	<b>5.2%</b>	<b>—</b>	<b>21.3%</b>



# FY 2005 Projections – Consolidated

## SQUARE ENIX by Segment

### 1. FY2005

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	48,700	18,600	8,500	8,100	6,100		90,000
Operating Expenses	31,300	11,300	6,000	6,100	4,500	3,800	63,000
Operating Income	17,400	7,300	2,500	2,000	1,600	(3,800)	27,000
Operating Margin	35.7%	39.2%	29.4%	24.7%	26.2%		30.0%

Currency rate : USD1=JPY105.00, EUR1=JPY135.00,CNY1=JPY13.00

### 2. FY2004

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	41,944	13,853	4,557	10,859	2,649		73,864
Operating Expenses	22,295	8,866	2,818	7,448	1,866	4,131	47,426
Operating Income	19,649	4,986	1,738	3,411	782	(4,131)	26,438
Operating Margin	46.8%	36.0%	38.1%	31.4%	29.5%		35.8%

### 3. Change (from FY2004 to FY 2005)

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Eliminations or unallocated	Total
Net Sales	6,756	4,747	3,943	(2,759)	3,451		16,136
Operating Expenses	9,005	2,434	3,182	(1,348)	2,634	(331)	15,574
Operating Income	(2,249)	2,314	762	(1,411)	818	331	562

# FY 2005 Projections – Consolidated

## TAITO by Segment

Second Half-Year of FY2005 (October 2005 to March 2006)

Millions of Yen

	Amusement Operation and Rental	Sales of Goods and Merchandise	Content Services	Others	Eliminations or unallocated	Consolidated
Net Sales	24,000	17,000	4,100	900		46,000
Operating Expenses	23,200	15,300	3,100	700	1,300	43,600
Operating Income	800	1,700	1,000	200	(1,300)	2,400
Operating Margin	3.3%	10.0%	24.4%	22.2%	–	5.2%

<for reference> FY2004 (full year) – Non-Consolidated

Millions of Yen

	Amusement Operation and Rental	Sales of Goods and Merchandise	Content Services	Others	Eliminations or unallocated	Consolidated
Net Sales	46,420	27,448	9,216	1,475		84,560
Operating Expenses	43,996	27,321	6,282	1,446	2,608	81,653
Operating Income	2,424	127	2,934	29	(2,608)	2,907
Operating Margin	5.2%	0.5%	31.8%	2.0%	–	3.4%

## FY 2005 Projections – Unit Sales

Thousand Units

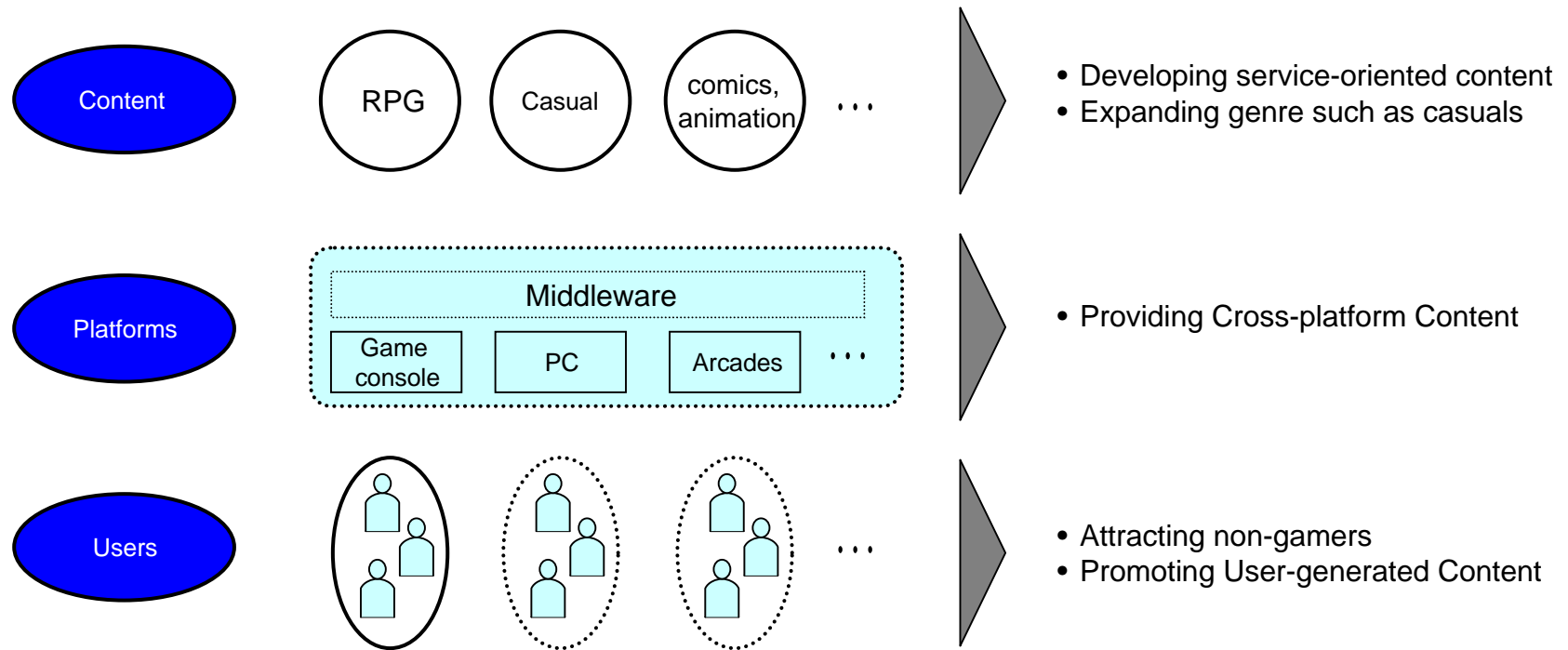
	Japan	North America	Europe (PAL)	Asia, etc.	Total
<b>FY2005 Projections</b>	<b>8,000</b>	<b>3,900</b>	<b>500</b>	<b>50</b>	<b>12,450</b>
<b>%</b>	<b>64%</b>	<b>31%</b>	<b>4%</b>	<b>0%</b>	<b>100%</b>
<b>FY2004</b>	<b>6,300</b>	<b>3,760</b>	<b>920</b>	<b>70</b>	<b>11,050</b>
<b>%</b>	<b>36%</b>	<b>43%</b>	<b>20%</b>	<b>1%</b>	<b>100%</b>
<b>Change</b>	<b>1,700</b>	<b>140</b>	<b>(420)</b>	<b>(20)</b>	<b>1,400</b>

FY2005 Projection for Japan

SQUARE ENIX : 7.4 million units, TAITO (only for the second half of FY2005 ) : 0.6 million units

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# The World to be Materialized by SQUARE ENIX and TAITO Group

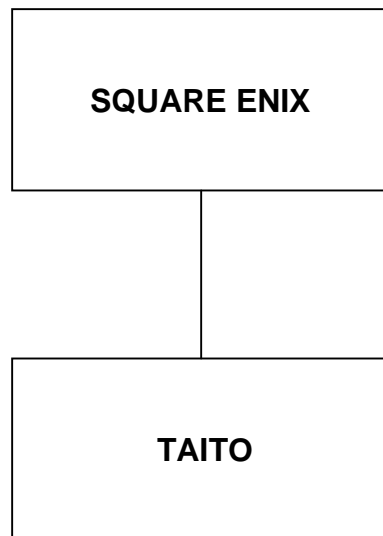


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# Structural Reorganization

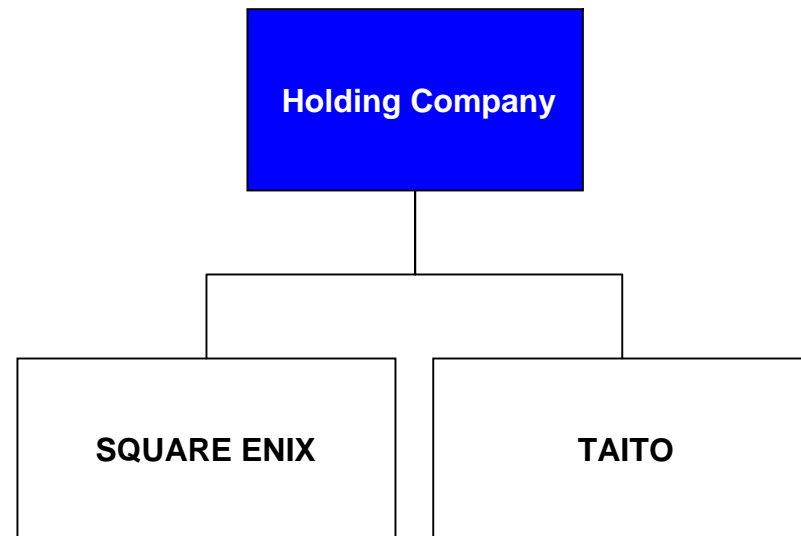
Now

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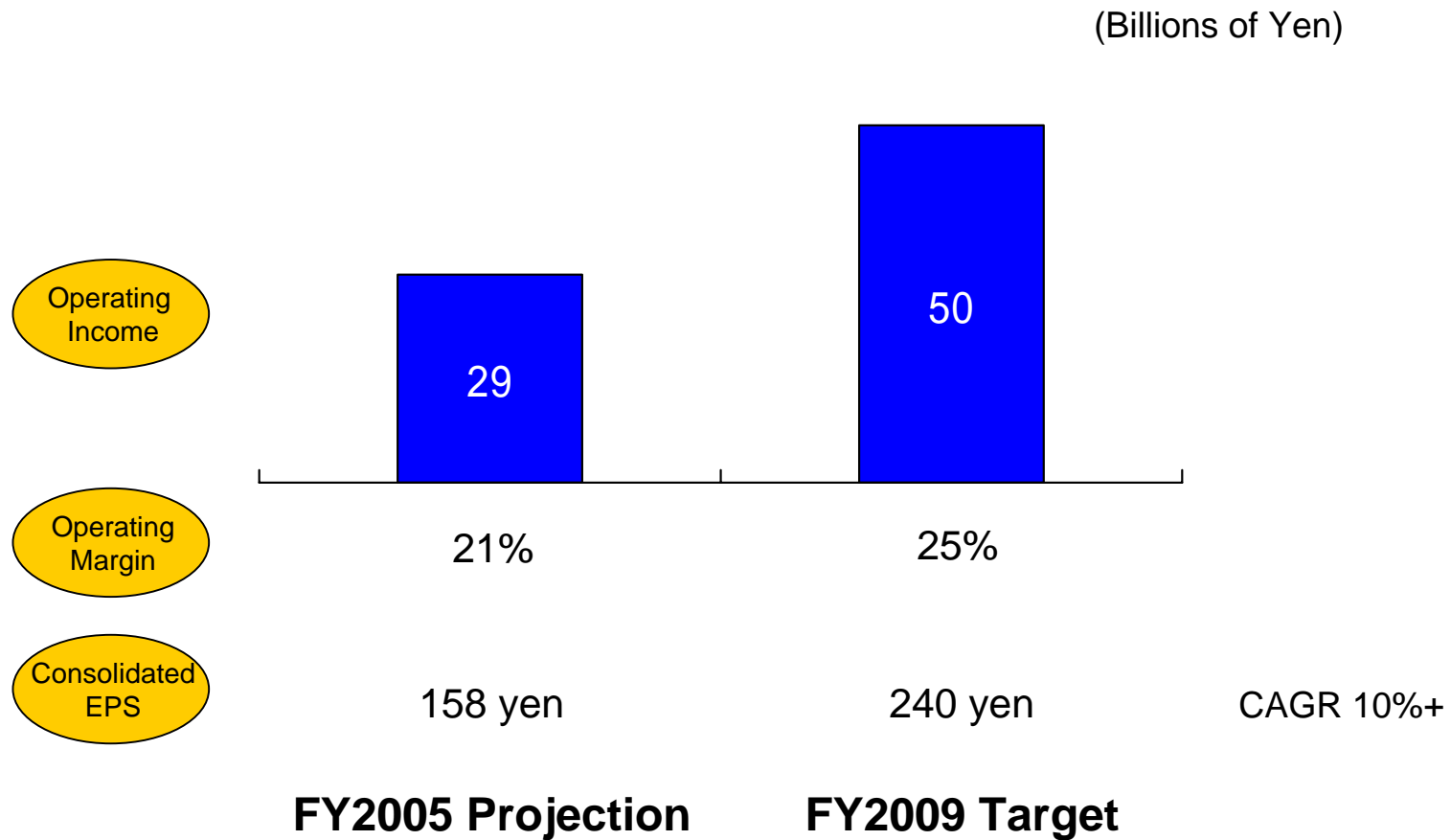


Future

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# Mid-term Goal - Operating Income of ¥50 Billion



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# **FY 2005 First-Half Year Results Briefing Session**

**SQUARE ENIX®**  **TAITO®**

**November 18, 2005**