We will now begin the briefing on SQUARE ENIX CO., LTD. ("SQUARE ENIX") and TAITO CORPORATION ("TAITO") for the fiscal 2005 interim period ended September 30, 2005.

We would like to start with a review of TAITO’s results from the President and Representative Director of TAITO, Yasuo Nishigaki.
In conjunction with the materials on the screen and the consolidated financial results, I would like to briefly review our results for the interim period ended September 30, 2005.

Taito Korea Corporation (“Taito Korea”), which was established last year, has been consolidated into the TAITO Group starting from this interim period, given its increasing impact on the Group’s financial performance as it began actual operations during this period.

TAITO now has five consolidated subsidiaries: Taito Art Corporation (“Taito Art”), Effort Co., Ltd. (“Effort”), Taito Tech Corporation, Beijing Taixin Cultural Amusement Co., Ltd. (“Beijing Taixin”) and Taito Korea. It also has one equity method affiliate, Baltec Co., Ltd. (“Baltec”)

Since this is our first consolidated financial statement to disclose, there is no comparison with the results of previous periods.

Please look at the consolidated financial results:

<table>
<thead>
<tr>
<th></th>
<th>2005 First-Half Year</th>
<th>2005 First-Half Year</th>
<th>2005 First-Half Year</th>
<th>2005 First-Half Year</th>
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<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Results</td>
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<tr>
<td></td>
<td>Consolidated</td>
<td>Consolidated</td>
<td>Consolidated</td>
<td>Consolidated</td>
</tr>
<tr>
<td></td>
<td>Net sales</td>
<td>¥ 41,486 million</td>
<td>¥ 41,079 million</td>
<td>¥ 41,079 million</td>
</tr>
<tr>
<td></td>
<td>Operating income</td>
<td>¥ 905 million</td>
<td>¥1,072 million</td>
<td>¥1,072 million</td>
</tr>
<tr>
<td></td>
<td>Recurring income</td>
<td>¥779 million</td>
<td>¥1,030 million</td>
<td>¥1,030 million</td>
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<tr>
<td></td>
<td>Net loss</td>
<td>¥3,383 million</td>
<td>¥3,134 million</td>
<td>¥3,134 million</td>
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</tbody>
</table>

Non-consolidated financial results are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005 First-Half Year</th>
<th>2005 First-Half Year</th>
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<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>Net loss</td>
<td>¥ 3,134 million</td>
</tr>
</tbody>
</table>

Please refer later to page 22 of the consolidated financial results report for details of non-consolidated results.

Consolidated net sales exceeded non-consolidated net sales by ¥407 million. However, the consolidated operating profit was below the non-consolidated operating profit because of Taito Korea’s operating loss of ¥1,072 million due to the initial investment for Taito Korea.

Net sales stayed at ¥41,486 million following a decline in sales of existing game centers to 93% of the results for the same period in the previous fiscal year. Other factors included a failure to increase sales of amusement equipment because of the difficult conditions of the game center market, and the loss of expected orders for production of OEM for PACHINKO-SLOT machines.

Recurring income totaled ¥779 million, reflecting an increase in depreciation and amortization resulting from the opening of 12 new outlets during this period and further investments in coin-operated game machines, building on those made in the previous fiscal year.
The Company recorded a net loss of ¥3,383 million, including an extraordinary loss of ¥4,600 million incurred on joining the SQUARE ENIX Group, as reported in the recent revision of results forecasts.

We now turn to our consolidated financial situation.
Total assets stand at ¥68,882 million, shareholders’ equity is ¥50,336 million and ratio of shareholders’ equity is 73.1%.
Non-consolidated total assets are ¥69,022 million and shareholders’ equity is ¥50,565 million. Given the losses carried forward for Taito Korea and Beijing Taixin, non-consolidated total assets and shareholders’ equity exceed the corresponding consolidated figures.

Please refer later to page 22 of the consolidated financial results report for details on non-consolidated results.

(Please turn to page 14 of the consolidated financial results report for the consolidated statements of cash flows.)

Cash flows provided by operating activities were ¥2,122 million.

Despite a pretax loss of ¥3,800 million, capital increased because of ¥44 million in depreciation and amortization, an increase in allowances for doubtful accounts without cash-out of ¥2,200 million, a decrease in accounts receivable of ¥1,200 million and a decrease in inventories of ¥1,000 million. Consequently, the increase in capital offset expenses for acquiring amusement equipment of ¥4,900 million, and cash flows from operating activities were ¥2,122 million. In comparison with the ¥3,400 million non-consolidated cash flows used in operating activities for the same period of the previous fiscal year resulting from the ¥2,300 million of payment for corporate taxes, we have made considerable gains in this period.

On the other hand, cash flows used in investing activities were ¥2,600 as a result of expenses for the acquisition of tangible fixed assets of ¥1,600 million for new outlets and reformation and construction cooperation funds of ¥900 million.

Cash flows from financing activities consisted mainly of dividend payments of ¥370 million for the last fiscal year.

Consequently, the net decrease in cash and cash equivalents was ¥885 million, and cash and cash equivalents at the end of period stood at ¥9,930 million.

Next, I would like to look at individual business segments. Please turn to page 20 of the consolidated financial results report.

Beginning from this period, operating income is presented for each business segment as required by rules for disclosure of consolidated financial statements, and the segments are classified roughly as before, such as the previous game center operations and rentals of coin-operated game machines and karaoke machines, now included in the “Amusement operation and rental” segment.
The “Sales of goods and merchandise” segment consists of sales of coin-operated game machines, karaoke machines, home game software and other merchandise.

The “Content services” segment consists of revenues from the former content service segment, and the “Others” segment consists of sales of others such as license fee income.

In addition, Beijing Taixin and Taito Korea are included in the “Amusement operation and rental” segment, Effort is included in the “Content services” segment and Taito Art is included in the “Others” segment.

Please refer to page 6 of the consolidated financial results report for major business segments, and this slide for non-consolidated results by segment.

Net sales in Amusement operation and rental segment totaled ¥23,430 million, and operating income amounted to ¥792 million.

In the game center operation business, the number of visitors to game centers increased to 106% of the previous fiscal year’s result, helped by the opening of new outlets. However, sales decreased to 96% on a per user basis and 93% for existing game centers compared with those numbers in the same period of the previous fiscal year.

We opened 12 new outlets and closed 13 outlets during this period.

Income from the rental of coin-operated karaoke machines is being gradually improved as the quality problems with Lavca, an online karaoke machine, have been resolved. Still, total rentals of karaoke machines including those produced by other companies stalled in severe market circumstances.

Net sale totaled ¥13,074 million, and the operating loss was ¥85 million for Sales of goods and merchandise segment.

Shipments of the classic crane game, the CAPRICCIO series, an online car racing game, BATTLE GEAR 4, and a mah-jongg game, Usagi-Yasei no Toupai have been slow, and we lost expected orders for the OEM production of PACHINKO-SLOT machines due to a delay in obtaining licenses for a new product of Baltec, which develops PACHINKO-SLOT machines. Consequently, both sales and income from coin-operated game machines were down from the same period in the previous fiscal year.

Sales of coin-operated karaoke machines increased with the recommencement of shipments of Lavca.

During this period, the Company did not release original home game software, but published 14 titles by repackaging our original software, publishing third-party games and localizing the titles of overseas manufacturers. Among others, TAITO MEMORIES the first and TAITO MEMORIES the second enjoyed a favorable reception.
Among third-party products, we released mainly low-price titles, and sales overall declined compared with the same period of the previous fiscal year. E-commerce business accounts for a majority of the Others sales, although Taito Entertainment Online System (TEOS) enabled us to expand with the smooth development of new clients. Our online shopping and electronic ticketing service also performed well.

Net sales in the Content service segment reached ¥4,117 million, and operating income was ¥1,223 million.

In content services for domestic mobile phone carriers, we have achieved steady expansion for games, although this was unable to offset the ringtone business. In content services for overseas mobile phone content business, we have been steadily increased sales as a result of our endeavor to develop new markets and expand channels in major countries, focusing mainly on game distribution, and to enhance our content menu to distribute.

Sales in the Others segment made firm progress thanks to steady income from the licensing of home game software to overseas game manufacturers, maintenance services for commercial game machines in third-party game centers, and a travel agency business.

We now move on to the non-consolidated financial results. I will not review the difference from consolidated results since it is insignificant.

That concludes TAITO’s report on the financial results for the interim period ended September 30, 2005.

Mainly as a result of card games, our operations will show signs of a recovery from this second half. Baltec’s PACHINKO-SLOT machine has been given licenses, and is scheduled to be released in the fourth quarter.

We will continue to seek to improve corporate value while evolving synergies with the SQUARE ENIX Group as a whole.

Next, we would like SQUARE ENIX President and Representative Director Yoichi Wada to review SQUARE ENIX’s results and the business strategies of SQUARE ENIX and TAITO.
Here are the consolidated financial results for the first half.

Although TAITO has joined the Group, the Company’s consolidated statement of income for the interim period ended September 30, 2005 does not incorporate TAITO’s statement of income for the same period, since TAITO has been consolidated from September 28, 2005. The Company’s consolidated statement of income for the full fiscal year ending March 31, 2006 will incorporate TAITO’s statement of income for the second-half period results.

In contrast, the Company’s consolidated balance sheet as of September 30, 2005 does incorporate TAITO’s balance sheet as of the end of this first-half period.

Please turn to page 14 of the consolidated financial results report for the consolidated statement of income:

Consolidated financial results are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥ 27,091 million</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥2,484 million</td>
</tr>
<tr>
<td>Recurring income</td>
<td>¥2,730 million</td>
</tr>
<tr>
<td>Net income</td>
<td>¥2,202 million</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>¥1,484 million</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>¥561 million</td>
</tr>
</tbody>
</table>

Since we plan to release big titles in the second half of this fiscal year, the amounts in the statement of income for the first half are approximately one-third of the full-year amounts.

The proportion of net sales to cost of sales differed from that of the previous period because of a difference in the composition of products. In contrast, selling, general and administrative (SG&A) expenses differed very little from previous fiscal year.

A foreign exchange gain of ¥189 million is included in non-operating income.

A gain on the sale of investment securities of ¥1,353 million arising from the sale of all shares in MAG GARDEN CORP is included as an extraordinary gain.

A loss on dissolution of a subsidiary of ¥234 million is included in the extraordinary loss. This is a result of the structural reorganization of our subsidiary in China, which was changed from a joint venture to a wholly-owned subsidiary. In addition, income that was not materialized in the joint-venture format is now included in operating income.

We have posted a loss on adjustment of payment process of ¥302 million this period as a result of the point-charge system for the mobile phone content service. This service has become more important given its impressive expansion, so we recognize income from the service at the time of purchase of points, and the amount of outstanding points that have not been used for the purchase of content is posted as a loss for the period.
In comparison with cash flows provided by operating activities of ¥1,513 million for the same period of the previous fiscal year, the result this year is a cash outflow of ¥10,891 million. This is primarily a reflection of the payment of income taxes of ¥9,024 in this interim period, however, since major titles will be released in the second half, there will be no material impact on the full-year results.

In addition, minimal taxes were posted for the previous period because of the remaining deferred tax losses carried forward, and cash flows for operating activities have remained unchanged, other than the tax payment.

Payment for the acquisition of shares in a consolidated subsidiary with the consolidation of TAITO accounts for most of the cash flows used in investing activities.

Cash flows provided by financing activities were ¥34,939 million, reflecting the payment of dividends of ¥5,493 million and fund procurement through bank loans of ¥40,000 million for the TOB against TAITO.

I will report on the balance sheet in the next section as the Company’s consolidated balance sheet as of September 30, 2005 consolidates TAITO’s balance sheet as of the end of September, as stated above.

This slide shows the process of consolidating the balance sheet of TAITO with the balance sheet of SQUARE ENIX Group.

SQUARE ENIX’s consolidated balance sheet, excluding TAITO, shows:
Total assets: ¥157,218 million
Shareholders’ equity: ¥106,446 million

There is a little change in our business except for an increase in the liability of ¥40,000 million as stated above.

Next, we see TAITO’s balance sheet as of September 30, 2005, shown in the report from TAITO President Nishigaki.

Deducting eliminations, final consolidated total assets are ¥177,976 million and shareholders’ equity is ¥106,446.

This is the balance sheet of TAITO at this point, and minority interests in consolidated subsidiaries of TAITO will be moving close to zero as we plan to make TAITO a wholly-owned subsidiary.

The actual condition has not changed much, so I gave the explanation of the process for reference purposes only.

The bank loan of ¥40,000 million described above has been refinanced by a zero-coupon WRT bond.

I would now like to give an explanation of our bond.
We raised ¥50 billion in yen-denominated bonds with non-detachable warrants. The convertible bonds can be converted into common shares of the Company when options are exercised.

The bond could be misunderstood as “MSCB,” however it is distinguished by an adjustment of prices on two levels.

First, the conversion price changes. The conversion price in the first year is set at ¥5,100, and it will be adjusted annually in accordance with then current market prices after the first year. When the stock price falls below the minimum conversion price of ¥3,400, the conversion price will be adjusted to the minimum conversion price. Adjustment will be made with no upper limit and with a minimum conversion price of ¥3,400. In fact, it is a bond with an upward adjustment, and it is inherently unlike MSCB, which has a downward adjustment.

Second, the minimum conversion price moves. A special right to adjust the minimum conversion price only once during the bond life-time after the first year is given to SQUARE ENIX. The conversion price that is equal to then current stock price at the time of exercising the special right becomes the minimum conversion price. Consequently, the higher the market price is at the time of adjustment, the higher the minimum conversion price will become. The minimum conversion price on exercise of the special right can be adjusted to ¥100,000, ¥1,000,000 or more with no upper limit, but with a lower-limit of ¥1,700.

I would like to go over this again to ensure that it is clear. There is an adjustment of two kinds of prices.

1) Conversion price and 2) the minimum conversion price move. The conversion price moves only upward with a lower limit of ¥3,400. The minimum conversion price moves both up and down when exercising the special right, but while there is no upper limit, there is a lower limit of ¥1,700 for the floor conversion price for exercising the special right.

I expect a higher stock price, and our plan is to convert capital into zero-coupon bonds for a while, and then increase capital when the stock price rises. If this increase in capital is undesirable, we would be able to redeem it before the date of maturity.

We mentioned only the lower limit in the press release, as required by the Tokyo Stock Exchange, and there is little possibility of causing stock dilution of more than 20% through conversion at ¥1,700.

I have chosen to mention this, even though it is not strictly part of our financial results, because of the misunderstanding and its impact on our recent stock price.
Here are the results by business segment.

Since we plan to develop our business over the full year, there is no validity in comparing the results of the first half periods. I am going to touch upon trends in our businesses.

The Games (Offline) segment has an operating loss. As it is in a period of transition with game platforms moving to the next generation, there is downward pressure on prices and unit sales, and the market environment is unfavorable. In addition, services such as content for mobile phones and PCs offer alternatives in terms of enjoyable entertainment.

This resulted in the operating loss in this segment.

In the second half, we anticipate an increase in earnings from the release of big titles such as KINGDOM HEART II and FINAL FANTASY XII.

The growth of FINAL FANTASY XI remains unchanged, and the release of the title for Xbox360 should increase the number of subscribers.

Subscriber numbers and subscription sales were on a par with the results of the same period in the previous fiscal year, while sales and operating income declined, a reflection of the release of an expansion pack for FINAL FANTASY XI in the previous period. This is just a matter of release timing of an expansion pack.

The Mobile Phone Content segment is achieving steady growth, but it still requires investment for the future, and overseas operations have yet to be launched smoothly at this point. We are expecting the cooperation with TAITO to positively impact our overseas performance.

The loss on adjustment in payment process also influenced the results.

Net sales in the Publication segment decreased to ¥4,471 million from ¥5,157 million in the previous period. Approximately two thirds of the decrease come from the decrease in sales of game strategy books from the previous period during which we were taking repeated orders of a big title.

FULLMETAL ALCHEMIST continues to sell well, but was down from the record levels of the previous period.

Released for DVD and UMD and shipping more than 700,000 copies this period, the CG animated graphics content, FINAL FANTASY VII ADVENT CHILDREN, contributed to most of sales in the Others segment.

Our performance fell short of expectations, with the Games (Offline) segment remaining in the red. However, we are making progress in diversification and stabilization of business segments, and we are convinced that the results for this period will be in line with forecasts.
Next, we look at overseas sales.

The balance between sales in Japan and overseas changes for full-year results, following the release of *DRAGON QUEST VIII* and *KINGDOM HEARTS II* in the second half. While sales in Japan account for 80% of total sales in the first half, a significant part of total sales will be generated overseas in the second half.

With the release of major titles scheduled, overseas sales will be heavily emphasized next fiscal year.

Next, we have unit sales.

This is provided only for reference as the price differs depending on the title.

Here are the non-consolidated financial results.

Please refer to the report on consolidated results for non-consolidated results.
Here we have our outline for SQUARE ENIX and TAITO Group’s strategic view.

3. Projections

Here are the projections for FY2005.

Our full-year consolidated results will be an irregular figure with the first half including the SQUARE ENIX Group only, excluding TAITO, and the second half including the total results for SQUARE ENIX and TAITO. For this reason, there is no valid comparison of full-year results with the previous fiscal year.

The lower column shows a projected breakdown of SQUARE ENIX and TAITO. The eliminations or unallocated column denotes the amortization of goodwill of ¥153 million over a period of 20 years. Note also that amortization is posted only in the second half of the fiscal year.

Please now look at SQUARE ENIX’s projections by business segment.

Both sales and income are heavily emphasized in the second half of the fiscal year.
Next, we come to TAITO's projections by business segment for the second half of this fiscal year.

Although there is no actual comparison between non-consolidated results in the previous period and consolidated projections for the second half, please see the lower column for non-consolidated results of the previous full fiscal year for reference.

We now look at projections for unit sales for reference.

We have been preparing a business plan for each business segment of TAITO and SQUARE ENIX, and we will be releasing the plan as soon as it has been decided.

I would now like to clarify the Group’s view again.

With respect to the changes in the industrial structure, which I have touched on previously, the greatest change to be wrought by the ubiquitous networking era will be the end of user reliance on terminals, communications infrastructure and the like.

When this change takes place, we expect users to rely on intellectual properties (IPs or content), but users themselves will inevitably become suppliers of IPs, and consequently content providers will be unable to retain their users and make a profit even with their IPs.

As a result, content providers need to change their business format to one that enables them to hold directly on to users. In other words, they should move from the content industry to the service industry.
Now, here is what we need do.
Since users tend to have a strong sense of belonging to their community, we plan to establish structures in our business that will make enable us to provide support for these communities of users.

This structural change can be divided into three layers based on the sequence of business expansion.

The first layer is “content.” The lineup of our content includes RPGs such as DRAGON QUEST and FINAL FANTASY, casual games for non-gamers, comic, animation, graphics content such as FINAL FANTASY VII ADVENT CHILDREN, and mobile phone content. We will be expanding this content more than ever before.

The second layer is the “platform.” The point is how to remove the complexity of choosing a specific environment depending on a platform or its carrier. One solution is to provide cross-platform content that requires the development of an engine for middleware, which in turn demands alliances with companies that own basic technologies.

The third layer is “users.” We plan to generate a profit by supporting communities of users, building on their sense of belonging while expanding services for existing communities.

We hope that you take note of this concept. We expect alliances with companies outside the game industry as we expand our business based on these three layers: content, platform and users.

As noted previously, we cannot speak of establishing a holding company at this moment, which is a matter requiring a resolution at a shareholders’ meeting.

We would not merge SQUARE ENIX with TAITO even under a holding company.

We do not believe that merging the segments of two companies under the same category is that simple.
We assume that the segments themselves will change over the next three years, and it is irrational to merge them in accordance with the current segmentation.
When I announced the merger between Enix and Square, I noted that the business segments in their then current form would remain for just four years. The fourth year is this coming year. Even if the segments of two companies are similar now, we would not merge them without logical reason. Our business segments will change in accordance with new segmentation starting from 2006 or 2007.

We are currently examining the possibility of a reorganization. Our cautious approach reflects our belief that an effective structural reorganization of business segments under a holding company requires due care.
We set target operating income of ¥50 billion in FY2009, increasing from the ¥29 billion projection for FY2005. We also have a target operating margin of more than 20%, even taking into account consolidation of new companies.

In addition, we expect consolidated earnings per share to grow from 158 yen to 240 yen—a growth rate in excess of 10% per year.

Our priority task is to achieve the target operating income of ¥50 billion earlier than FY2009.

Key management benchmarks are:

- Operating income margin: more than 20%
- Growth rate of consolidated EPS: more than 10%

That concludes SQUARE ENIX’s report on the financial results for the interim period ended September 30, 2005 and the outlook for the Group.