



Square Enix enhanced a presence in the Chinese online and mobile game market with a 100% Square Enix subsidiary based in Beijing.

Tokyo, Japan (February 28, 2005) - Square Enix Co., Ltd. (Tokyo, Japan, "Square Enix"), an industry leading developer and publisher of interactive entertainment software including the world's popular franchises FINAL FANTASY® and DRAGON QUEST®, today announced Square Enix established the 100% subsidiary Square Enix (China) Co., Ltd. in Beijing as a new base from which to unify and promote business enterprise in China, as well as other parts of Asia in January 2005. With high growth forecast for the Chinese market, it is the intent of Square Enix to build a solid business foundation capable of bringing high-quality digital content to an even greater number of users.

Accompanying this development, an agreement was reached today with Mauritius Webstar Inc. (Port Luis, Mauritius, "Webstar") to dissolve the subsidiary Square Enix Webstar Network Technology (Beijing) Co., Ltd. ("SEW") located in Beijing. The dissolution of the joint-venture contract forged in December 2001 is scheduled for December 2005.

In recent years, the online and mobile game market in China has experienced phenomenal growth, with the number of online game users reaching the 14 million mark in the 2003 fiscal year, creating an industry worth US\$160 million. (*)

Through the popular online game "CROSS GATE" and mobile games offered by the subsidiary SEW jointly managed by Webstar (affiliate company of Softstar Entertainment Inc., the second-highest ranking online game company in Taiwan), Square Enix has led other Japanese companies in gaining a hold in the booming Chinese market since 2001. Meanwhile, this rapid growth has presented an unrivaled opportunity for company expansion and development. Both companies will pursue separate business objectives after dissolving the joint-venture contract, with Square Enix concentrating on the new subsidiary of Square Enix China.

SEW will continue to operate its current services until Square Enix China takes over them fully. After this time, Square Enix China will assume management of the 16 million CROSS GATE accounts and mobile game users while continuing to expand services in the online and mobile content market.

See below for the company profiles of SEW and Square Enix China.

For Reference

1. Square Enix Webstar Network Technology

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|-----------------------|--|
| Company Name | Square Enix Webstar Network Technology (Beijing) Co., Ltd. |
| Date of Establishment | December 2001 |
| Common Stock | US\$4 million (Square Enix 60%, Mauritius Webstar Inc. 40%) |
| Headquarters | Beijing, China |
| Head Representative | Chairman: Keiji Honda (Executive Vice President of Square Enix) |
| Business | Development, sale, and management of online game content in Asia |

2. Square Enix China

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|-----------------------|--|
| Company Name | Square Enix (China) Co., Ltd. |
| Date of Establishment | January 18, 2005 |
| Common Stock | US\$6 million (Square Enix 100%) |
| Headquarters | Beijing, China |
| Head Representative | Chairman: Keiji Honda (Executive Vice President of Square Enix) |
| Business | Development, sale, and management of network game content and digital entertainment services in China/Asia |

3. China's Online Game Market

With a total population of over 1.3 billion, China is home to an estimated 254 million people ages 14 to 24. This age group accounts for 18% of the population and has shown the most interest in online gaming. China's online game market has reached annual sales of approximately US\$160 million. That figure is expected to grow 2003-2008 CAGR of 39%, reaching US\$820 million by the end of 2008. (**)

4. About SQUARE ENIX CO., LTD.

Headquartered in Tokyo, Japan, Square Enix develops, publishes and distributes entertainment content including interactive entertainment software and publications in Japan, North America, Europe and Asia. Square Enix brings two of Japan's best-selling franchises – FINAL FANTASY[®], which has sold over 60 million units worldwide and DRAGON QUEST[®] (DRAGON WARRIOR[®] in North America), which has sold over 35 million units worldwide – under one roof. Square Enix is one of the most influential providers of digital entertainment content in the world and continues to push the boundaries of creativity and innovation.

More information on Square Enix can be found on the Internet at <http://www.square-enix.co.jp/>

(*)(**) Figures taken from “China Online Gaming Market Sizing and Forecast, 2003-2008” (IDG Japan)

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