



Thank you for joining the SQUARE ENIX HOLDINGS CO., LTD. Results Briefing Session for the six-month period ended September 30, 2010.

Today's session will start with a presentation on the financial results of the six-month period by Yosuke Matsuda, Director and Chief Financial Officer, after which there will be a presentation on strategic progress during the first half as well as full year forecasts by Yoichi Wada, President and Representative Director.



I'm Yosuke Matsuda, Director and Chief Financial Officer.

I would like to explain the results for the six-month period ended September 30, 2010.

I. Consolidated Results for the Six-Month Period Ended September 30, 2010

	As of September 30, 2010		As of March 31, 2010		As of September 30, 2009	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Current Assets	119,413	79%	213,347	77%	222,052	79%
Non-current Assets	32,921	20%	57,182	21%	31,510	11%
Total	242,334	100%	270,529	100%	253,562	100%
Current Liabilities	41,428	17%	78,357	29%	153,221	60%
Non-current Liabilities	42,941	18%	47,013	17%	41,781	16%
Total Liabilities	84,370	35%	125,370	47%	195,002	77%
Capital Net Assets	148,964	61%	145,159	53%	58,560	23%
Total	242,334	100%	270,529	100%	253,562	100%
Number of Employees	3,764	-	3,338	-	3,571	-

	April - September 2010		October 2009 - March 2010		April - September 2009	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Net Sales	66,961	100%	181,898	100%	63,622	100%
Operating Income	13,991	21%	15,144	8%	5,712	9%
Net Income	12,181	18%	15,841	9%	3,520	5%
Net Income	2,681	4%	6,056	3%	11,223	18%

We reported consolidated sales of ¥68,056 million, operating income of ¥5,712 million, recurring income of ¥3,520 million and net income of ¥1,723 million. Under a challenging operating environment which contributed to relatively slower growth of new game title releases, sales were below our original forecasts made at the beginning of the period.

Operating income outperformed the original forecasts based on an improved sales mix driven by the contribution of highly profitable carryover sales of major titles released in March of the prior period and strong performance from our Publication segment.

In non-operating expenses, a foreign exchange loss of ¥2,298 million was realized. This was mainly the result of the revaluation of foreign-denominated financial assets held by SQUARE ENIX HOLDINGS CO., LTD. and SQUARE ENIX, CO., LTD. Further, an extraordinary gain was recorded as a reversal of foreign currency translation adjustment in the amount of ¥317 million caused by the liquidation of TAITO KOREA CORPORATION. In extraordinary losses, we recorded a loss on disposal of property and equipment of ¥290 million and a loss on adjustment for changes of accounting standard for asset retirement obligation of ¥462 million.

I. Consolidated Results - by Segment for the Six-Month Period Ended September 30, 2010

	April - September 2010		October 2009 - March 2010		April - September 2009	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Net Sales	35,178	23.54%	7,539	4.1%	68,056	100%
Operating Income	6,482	18.2%	2,055	2.8%	5,712	9%
Operating Margin	18.4%	6.4%	27.2%	26.7%	8.9%	8.4%

	April - September 2010		October 2009 - March 2010		April - September 2009	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Net Sales	63,622	25.05%	7,875	4.3%	60,361	100%
Operating Income	12,857	20.2%	1,387	1.8%	13,091	21.7%
Operating Margin	20.2%	6.4%	17.6%	22.7%	21.7%	35.8%

Next, I would like to discuss segment information.

In connection with our adoption of "Revised accounting standard for disclosures about segments of an enterprise and related information" and "Guidance on accounting disclosures about standards for disclosures about segments of an enterprise and related information", from March 31, 2010 our segments are Digital Entertainment, Amusement, Publication and Merchandising.

In the Digital Entertainment segment, net sales and operating income totaled ¥35,178 million and ¥6,482 million, respectively. In Amusement, net sales and operating income were ¥23,540 million and ¥1,976 million. In Publication, net sales and operating income were ¥7,559 million and ¥2,055 million. In Merchandising, net sales and operating income were ¥1,780 million and ¥440 million.

Adjustments for amortization of goodwill of ¥753 million and eliminations or unallocated of ¥4,489 million reduced the amount of reported operating income to ¥5,712 million.

Also, on this slide, we put together pro-forma calculations of segment information for the same period of the prior year for your reference, please note these are unaudited.

I would next like to discuss certain items on the balance sheet.

The content production account, which includes current titles in development and other services, increased from ¥16,025 million as of March 31, 2010 to ¥18,179 million as of September 30, 2010.

The amount of Goodwill which is the result of the acquisitions of Taito and Eidos decreased from ¥10,233 million as of March 31, 2010 to ¥9,169 million as of September 30, 2010.

Since less than one year exists before maturity, current liabilities includes our yen zero coupon convertible bonds due 2010 (issued on November 25, 2005) in the current portion of corporate bonds account.

Also, the asset retirement obligation I mentioned before resulted in current liabilities of ¥2 million and non-current liabilities of ¥647 million.

Next, I would like to talk about our cash flow position.

Net cash provided by operating activities was ¥7,587 million, benefiting in part by proceeds from accounts receivable related to big titles released in March of the previous fiscal year.

Net cash provided by investing activities was ¥33,401 million, mainly affected by a portion of bond retirement funds held as short-term investment securities (certificates of deposit) with less than 3 months to maturity resulting in their recognition as proceeds from redemption of securities.

Further, net cash used in financing activities included ¥2,873 million as payments for prior period-end dividends.

As a result, cash and cash equivalents as of September 30, 2010 totaled ¥143,899 million including the certificates of deposit classified as short-term investment securities that I mentioned.

Also, consistent with our plan at the beginning of the period, a mid-period dividend payment of 10 yen per share was approved by the Board. Further, at this point in time, we do not change our forecasts for the fiscal year ending March 31, 2011 which were set at the beginning of the current fiscal year.

This concludes my remarks on the financial results. Yoichi Wada, the company's President and Representative Director, will speak next.

My name is Yoichi Wada, President of Square Enix.

This slide shows our game sales trends in units by region for our Digital Entertainment segment. During the six month period, *DRAGON QUEST MONSTERS: Joker 2* and *Kane & Lynch 2: Dog Days* were million sellers.

I. Unit Sales in the Six-Month Period Ended September 30, 2010 (Millions of Units Sold)

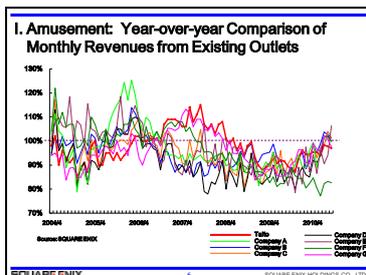
Region	2009	2008	2007	2006	2005	2004	2003	2002	2001
Japan	4.93	6.30	7.86	7.21	7.52	5.19	11.70		2.84
N. America	3.85	3.76	3.51	6.15	3.79	3.96	7.59		2.48
Europe	2.74	0.92	0.82	3.30	3.02	2.38	7.20		2.71
Asia, etc.	0.10	0.07	0.04	0.07	0.08	0.08	0.17		0.14
Total	11.62	11.05	12.23	16.83	14.41	11.61	28.66		8.17

Major Titles Released in the Six-Month Period Ended September 30, 2010:
 ■ DRAGON QUEST MONSTERS: Joker 2 (Japan: 4.93, NA: 0.29, EU: 0.11)
 ■ Kane & Lynch 2: Dog Days (NA: 3.85, NA: 0.29, EU: 0.11)
 ■ JUST CAUSE 2 (NA: 3.76, NA: 0.29, EU: 0.25)
 ■ DRAGON QUEST MONSTERS: Joker 2 (NA: 3.85, NA: 0.29, EU: 0.11)
 ■ DRAGON QUEST MONSTERS: Joker 2 (NA: 3.85, NA: 0.29, EU: 0.11)

The next topic is amusement facility operation in our Amusement segment.

Year-over-year comparisons of monthly revenues from existing outlets are shown on this slide.

While this slide shows trends up to September, our results for October show YoY comparison rates reached 101%. While the tough environment forecast for the current fiscal year continues, we feel that a real recovery could be just several months away. Overall, the industry trend also seems to have bottomed out.



II. Key Topics for Fiscal Year Ending March 2011

1. Globalization	<ul style="list-style-type: none"> Strengthen NAVEU business framework Build China / Emerging market businesses
2. Becoming "Network Centric"	<ul style="list-style-type: none"> Launch FFXIV Business development in new areas and establishment of business platform
3. Strengthen Own-IPs	<ul style="list-style-type: none"> Pursue cross media deployment Create new AAA brands

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At the last earnings meeting back in May I described our three key factors for entering the next stage of growth which are Globalization, Becoming "Network Centric", and Strengthening our Own-IPs. I also discussed each as key topics for the fiscal ending March 2011.

I would now like to give you an update on these topics.

First, I will discuss globalization.

With the strengthening of our business framework in the U.S. and Europe in the fiscal year ended March 2010, building a business framework in China and elsewhere in Asia is a topic for the current fiscal year.

Understanding that business development in the China market would require a leading local business partner to navigate this unique market, we began a search for the best partner.

The result, as we announced on September 16th, was our agreement with China-based Shanda Games Limited to enter a partnership in the online gaming area.

The first step of the agreement will be the exclusive licensing of *FINAL FANTASY XIV* in mainland China to Shanda Games. This agreement completes the establishment of a global business platform which now includes the high-growth China market.

Further, as part of our goal to strengthen our global management team, we hired Mike Fischer with extensive game industry experience in Japan, the U.S. and Europe as President and CEO of our U.S.-based subsidiary Square Enix, Inc.

In our globalization strategy, we now have a nearly complete business platform and are now working to raise the level of business execution capabilities in each region.

Next, I would like to discuss our strategy of becoming "network centric".

During the current and coming fiscal years, we are working on the full-scale transition our businesses to network environments. I would like to discuss some early "pieces" of content in this strategy.

In September we released the PC version of *FINAL FANTASY XIV* in Japan, the U.S. and Europe.

This title had very high expectations, so upon confirming that customers are not, at present, fully satisfied, we announced that customers registering before October 25th would be given an additional 30 days of free service, bringing their total free trial period to 60 days. We have a tremendous amount of work to do in brushing up this game and have large-scale version updates planned in November and December. We are working our utmost to regain customer trust.

I would next like to discuss some successful network-centric examples we have developed outside the MMORPG space.

After establishing SMILE-LAB Co., Ltd. in February 2008 as wholly owned subsidiary, the company launched a community site called *Nicotto Town* in September of the same year. The service has continued to maintain strong growth with sales forecast to be around ¥1 billion this fiscal year we feel confident in keeping an operating income margin over 30%.

SENGOKU IXA, a browser game for PCs offered through Yahoo!JAPAN began open beta testing in August. The service ramped up quickly and now has more than 300,000 registered users. Monthly revenue in October has already exceeded 200 million yen. To keep this game highly enjoyable for users, we have been inviting the

II. Progress Updates: Globalization

- Entered into a strategic partnership with Shanda Games in online gaming area
 - As a first step, the exclusive license of *FINAL FANTASY XIV* in mainland China will be licensed to Shanda Games
- Strengthening the management team in the U.S.
 - Hired Mike Fischer with 20 years of game industry experience as new President & CEO of Square Enix, Inc., US based subsidiary
 - Mike Fischer's Experience
 - Microsoft (Japan, US and UK)
 - Sega of America
 - Namco Homestek, Inc. (now Namco-Bandai Games America)

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II. Progress Updates: Becoming "Network Centric"

- FFXIV (PC) Launched in Japan, North America and Europe

Current status and announced plans

- PC version - free trial period for 60 days (those joining on or before Oct 25 awarded 60 days free trial)
- Business development in China through partnership with Shanda Games
- Version updates in November and December
- Release of PS3 version in March 2011

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II. Progress Updates: Becoming "Network Centric"

- Successful Content in New Areas

<p><i>Nicotto Town</i></p>	<p><i>SENGOKU IXA</i></p>	<p><i>BAKUMATSU SHISEI NO REIKU JIKU</i></p>
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comments of users and will continue to release updates.

Similarly launched in August, *BAKUMATSU SHISHI NO RENAI JIJO* is a romance simulation game offered through Gree's service. Although just recently launching, this service is also performing well in the market.

I give these three examples of successful content we have released, but in fact, we are steadily releasing more and more such content. So, while these are some of the first titles to earn strong results, I think you'll be seeing a lot more from us in this area going forward.



The next topic is strengthening our own-IPs.

The first area here is strengthening our existing IPs.

Separate from remakes, reboots are one of the ways we are strengthening our IPs from the past. Scheduled for launch on December 22nd, *The Third Birthday* is a reboot example that follows the themes of the *Parasite Eve* series. While basic themes and settings are followed, we are actually trying to create a new franchise.

The upcoming *Deus Ex* is the third in a highly acclaimed series. However, this is the first title from our Group's Eidos Montreal and, as such, is being developed with the enthusiasm of a completely new title.

DUNGEON SIEGE an RPG that is well known in the U.S. and Europe. With input from the original series developer, Gas Powered Games, development for the new titles is currently underway at Obsidian Entertainment.

We are also working hard to create derivative titles.

Lara Croft and the Guardian of Light is a derivative of the *Tomb Raider* series. This title is the first in the series to offer cooperative gameplay and to be available exclusively as a digital download. Still a relatively new, we want to continue promoting this digital download title going forward.

In *Front Mission Evolved* we changed from a simulation-type game genre used in the series' past titles to that of an action shooter. Unfortunately, this title has struggled so far.

We are re-examining our stable of IPs and trying to view them as new titles that can once again create new franchises. We have already begun this for several titles and plan to develop more going forward.

The second area is challenging ourselves in the creation of new brands.

While we have been working to create entirely new brands, we have, unfortunately, not yet created a big success. I feel that focusing solely on a certain type of content will not allow us to create anything truly new. As result, we are working hard to create new kinds of content even if not always perfect from the beginning. With the upcoming titles *MINDJACK* and *GUN LOCO* we are also trying to create something new - the results of which are difficult to predict.

As we continue this challenge going forward, our task becomes how can we maximize the probability of success.

III. Fiscal Year Ending March 2011: Forecasts

Full-Year	Fiscal Year Ending 3/10		Fiscal Year Ending 3/11		Change
	Millions of Yen	%	Millions of Yen	%	
Net Sales	192,257	100%	100,000	100%	(32,257)
Operating Income	28,235	15%	20,000	13%	(8,235)
Recurring Income	27,822	14%	20,000	13%	(7,822)
Net Income	9,509	5%	12,000	8%	2,491
Depreciation and Amortization	7,862	-	7,000	-	(862)
Capital Expenditure	6,916	-	8,000	-	1,084

Next, our forecasts for the current fiscal year.

The numbers listed on this slide are unchanged from those given at the start of the period.

III. Fiscal Year Ending March 2011: By Business Segment

1. Projections for the Fiscal Year ending March 31, 2011

Segment	Fiscal Year Ending 3/10		Fiscal Year Ending 3/11		Change
	Millions of Yen	%	Millions of Yen	%	
Net Sales	188.9	98.3%	91.0	91.0%	(97.9)
Operating Income	23.8	12.6%	2.0	2.0%	(21.8)
Operating Margin	12.6%	7.6%	2.0%	2.0%	(10.6%)

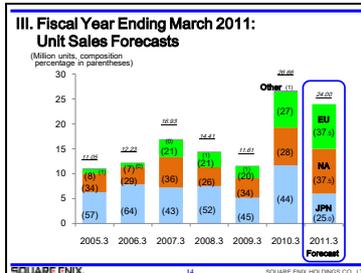
2. Results for the Fiscal Year ended March 31, 2010 (actual figures available)

Segment	Fiscal Year Ending 3/10		Fiscal Year Ending 3/11		Change
	Millions of Yen	%	Millions of Yen	%	
Net Sales	129.1	67.2%	52.3	52.3%	(76.8)
Operating Income	29.1	22.5%	4.0	7.7%	(25.1)
Operating Margin	22.5%	7.6%	28.7%	54.9%	(32.0%)

3. Segment 1 - IP

Segment	Fiscal Year Ending 3/10		Fiscal Year Ending 3/11		Change
	Millions of Yen	%	Millions of Yen	%	
Net Sales	(24.1)	(12.3%)	(1.3)	(1.3%)	(22.8)
Operating Income	(5.3)	(2.6%)	(1.1)	(1.1%)	(4.2)

Here, segment information is given. Segments have been changed starting this current fiscal year in line with our management approach. Same period prior year data is also included for your reference.



This slide shows unit sales forecasts.

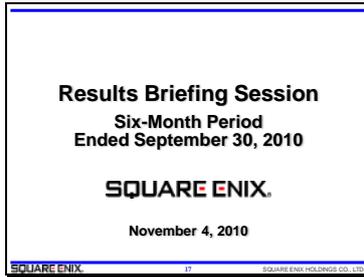
Major Release Line-up (formally announced titles only)

Title	Region	Platform	Release Date (Estimated)
FINAL FANTASY: THE 4 HEROES OF LIGHT	NA, EU	NDS	October 5 (NA), October 8 (EU)
KINGDOM HEARTS Re-coded	JPN, NA, EU	NDS	January 13, 2011 (JPN), January 19, 2011 (NA, EU)
FRONT MISSION EVOLVED	EU	PS3/Xbox360/PC	October 8
LORD of ARCANA	JPN, NA, EU	PSP	October 14 (JPN), TBD (NA, EU)
TACTICS OGRE: Let Us Cling Together	JPN, NA, EU	PSP	November 11 (JPN), TBD (NA, EU)
Call of Duty: Black Ops	JPN	PS3/Xbox360/PC	TBD (JPN only; NA/EA: October 18, November 11)
FINAL FANTASY XII-2 ULTIMATE MONSTER DESERTRONICAL	JPN	Xbox360	December 16
The 3rd Birthday	JPN, NA, EU	PSP	December 22 (JPN), TBD (NA, EU)
SaGa 3 Jikuu no Hasha	JPN	NDS	January 6, 2011

For your reference, currently planned and announced upcoming releases are listed on these two slides.

Major Release Line-up (formally announced titles only)

Title	Region	Platform	Release Date (Estimated)
KINGDOM HEARTS Birth by Sleep FINAL MIX	JPN	PSP	January 20, 2011
MINDJACK	JPN, NA, EU	PS3/Xbox360	January 22, 2011 (JPN), TBD (NA, EU)
FINAL FANTASY XIV	JPN, NA, EU	PS3	early March 2011
DEUS EX HUMAN REVOLUTION	JPN, NA, EU	PS3/Xbox360/PC	early 2011 (NA, EU), TBD (JPN)
DISSIDIA D12 (Duo/Combo)	JPN, NA, EU	PSP	Spring 2011 (JPN), TBD (NA, EU)
DRAGON QUEST MONSTERS JUNE 12 PROFESSIONAL	JPN	NDS	Spring 2011
Tobitatsu Puzzle Bobble 3D (Tentative)	JPN	NDS	Spring 2011
GUNLOCK	JPN, NA, EU	Xbox360	2011



To reiterate, *FINAL FANTASY XIV* is a cornerstone of the Group's corporate strategy announced at the beginning of the fiscal year. Upon understanding that this game did not meet customer expectations, we are now doing everything in our power to regain customers' trust.

Thank you very much for your attention.