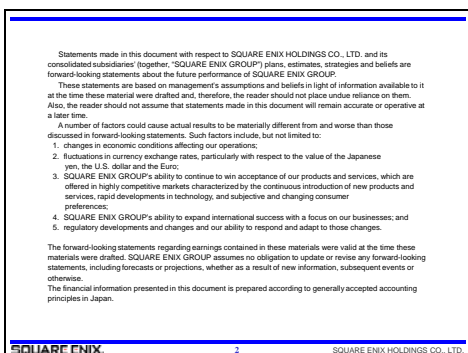




Thank you for joining the SQUARE ENIX HOLDINGS CO., LTD. Results Briefing Session for the first six-month period ended September 30, 2012 (the "First Six-month Period").

Today's session will start with a presentation on the financial results of the First Six-Month Period by Yosuke Matsuda, Director and Chief Financial Officer, followed by a presentation by Yoichi Wada, President and Representative Director.



I am Yosuke Matsuda, and I would like to explain the financial results of the First Six-Month Period.

Earnings forecasts for the First Six-Month Period and full fiscal year ending March 31, 2013 were revised last week, where results for the First Six-Month Period fell in line with these revisions.

Please see page 1 of the Earnings Release. During the First Six-Month Period, net sales were ¥61,055 million, operating loss was ¥5,240 million, ordinary loss was ¥6,266 million, and net loss was ¥5,480 million.

Please see page 7 of the Earnings Release for details on the reporting segments.

Digital Entertainment segment: net sales were ¥30,749 million, operating loss was ¥2,088 million. Amusement segment: net sales were ¥23,115 million, operating loss was ¥209 million. Publication segment: net sales were ¥5,530 million, operating income was ¥1,227 million. Merchandising segment: net sales were ¥1,673 million, operating income was ¥352 million. Deducting ¥4,521 million as adjustments, total net sales were ¥61,055 million with reported operating loss of ¥5,240 million.

Please refer to Page 5 for the consolidated profit and loss statement.

We report no particular entries under non-operating income and expenses and extraordinary gain and loss for the First Six-Month Period, however, assets in foreign currencies suffered ¥1,025 million in foreign exchange loss. Adding this to the operating loss, we report ¥6,266 million in ordinary loss.

Please refer to page 3 for the consolidated balance sheet.

Under the Assets, content production account increased more than ¥1,000 million to ¥26.4 billion, which is within the range of normal fluctuations. Property and equipment under non-current assets increased approximately ¥4 billion for equipment attached to buildings that were associated with our recent office relocation.

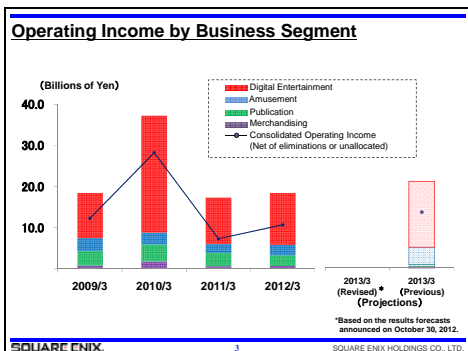
Cash and deposits were ¥95,136 million, a decrease from the balance as of March 31, 2012 due to tax and dividend payouts.

There are no major variables in liabilities, as seen on page 4.

Asset retirement obligations (accounted into non-current liabilities) increased at approximately ¥650 million in relation to our recent relocation.

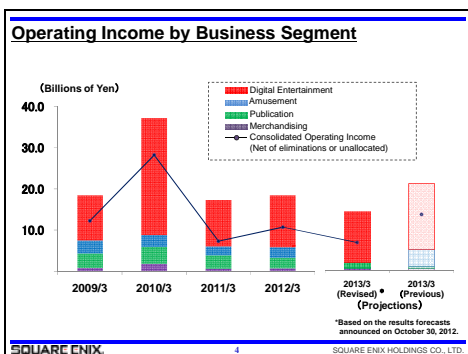
Going back to page 1, as announced last week, consolidated forecasts have been revised to ¥150,000 million in net sales, ¥7,500 million in operating income, ¥6,500 million in ordinary income, and ¥3,500 million in net income.

The board of directors passed a resolution to pay out interim dividends at 10 yen per share. Projections for year-end dividends are unchanged from 20 yen per share.



Thank you. I am Yoichi Wada, President and Representative Director. I would like to briefly go over the current status and outlook of our businesses.

This slide shows operating income by business segment for the past four fiscal years. March 2010 was marked by record highs, which fell in March 2011 and 2012. Figures dropped as low as approximately ¥7 billion in March 2011, and rose to approximately ¥10 billion in March 2012. Initially, our plan was to increase the earnings to ¥15 billion, our normal level, for this fiscal year.



However, we have decided to make downward revisions to our forecast of operating income for the fiscal year ending March 31, 2013, from ¥15 billion to ¥7.5 billion.

The initial operating income forecast for the First Six-Month Period was ¥0, however, resulting in operating loss of approximately ¥5 billion. Reflecting this loss in the forecasts for the full fiscal year ending March 31, 2013, we revised operating income forecast from ¥15 billion to ¥7.5 billion.

This ¥5 billion decline from the First Six-Month Period is roughly divided into ¥2.5 billion in Digital Entertainment and ¥2.5 billion in Amusement. We normally do not disclose breakdown numbers for Digital Entertainment, however, for your reference, I will briefly explain the rundown of the difference between the forecast and actual amount of ¥5 billion.

The Digital Entertainment segment is divided into three sectors: HD Games, MMO, and Social Gaming & Others.

MMO results were as projected. HD Games, however, fell ¥1.5 billion short of the target for two main reasons.

First, sales of game titles in Europe and North America

tend to increase steadily over a prolonged period after launch. We expected greater earnings in the First Six-Month Period, however, resulted ¥1 billion short of our initial target.

The second reason: Europe and North America, but more notably the US, utilize a system called price protection to encourage the elimination of channel inventory, a business practice not common in Japan. ¥500 million was incurred to cover this cost.

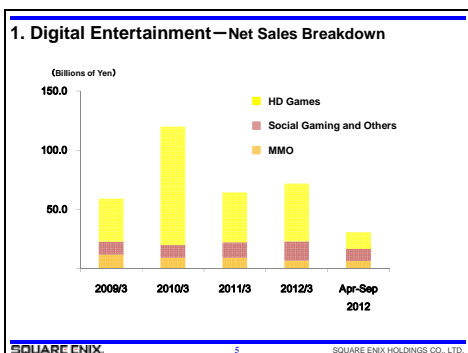
Adding these up, HD Games as a whole fell ¥1.5 billion below our original forecast.

Next, Social Gaming & Others showed steady growth. We had anticipated this segment to show much stronger performance in the First Six-month Period, however, where it resulted in ¥1 billion short of our initial projection.

Putting these figures together, HD Games was ¥1.5 billion short, and Social Gaming & Others fell by ¥1 billion against initial profit plans.

Going on to the Amusement segment. We planned to introduce large arcade game machines in the First Six-Month Period (profits to be collected in the second six-month period ending March 31, 2013 and beyond), however, we had a slight stumble in the launch, which resulted in a ¥2.5 billion shortfall against our initial profit plans.

These add up as the ¥5 billion shortfall for the First Six-Month Period. We have a bearish outlook for each segment towards the second six-month period ending March 31, 2013, and we have thus revised our operating income forecast for the full fiscal year from ¥15 billion to ¥7.5 billion.



Here is a breakdown of sales for the Digital Entertainment segment.

MMO (the bottom): *DRAGON QUEST X* (DQX) was launched in the First Six-Month Period, which marked a promising start. MMO results for the First Six-Month Period are at the same level as the preceding full fiscal year. However, DQX’s development costs, which had been capitalized into the content production account, were expensed at once upon release of DQX’s package software. Due to this accounting treatment, it seems that profitability is stagnant, but the figures are in line with our plan.

Social Gaming & Others (the middle) increased in earnings, contributing positively to the overall profit. Here is a comparison of FY2011/3, FY2012/3 and the First Six-month Period. Looking at the First Six-month Period alone, results for the second three-month period ended September 30, 2012 were better than the first, and we are confident to do better in FY2013/3 than FY2012/3.

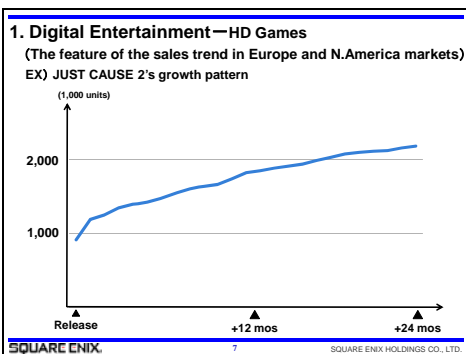
HD Games (the upper): we have several titles to release mainly in Europe and North America in the second six-month period ending March 31, 2013, including hallmark titles such as *HITMAN* and *TOMB RAIDER*. Results for the First Six-Month Period are shown here on this slide.

1. Digital Entertainment—HD Games Lineup

Title	Regions	Platforms	Release Date (scheduled)	Units Shipped (1,000 units)	
DRAGON QUEST MONSTERS TERRY NO WANDERLAND 3D	JP	3DS	May 31	900	
HEROS OF RUIN	NA, EU	3DS	June 15 (EU) July 17 (NA)	130	
THEATRYTHM FINAL FANTASY	NA, EU	3DS	July 3 (NA), July 6 (EU) (JP Feb. 2012)	150	
KINGDOM HEARTS 3D (Dream Drop Distance)	NA, EU	3DS	July 20 (EU), July 31 (NA) (JP Mar. 2012)	650	
DRAGON QUEST X	JP	Wii	August 2	700	
SLEEPING DOGS	JP, NA, EU	PS3/Xbox360/PC	August 14 (NA) August 17 (EU)	1,510	
FINAL FANTASY III	JP	PSP	September 27 (JP) September 20 (JP)	80	
BRAVELY DEFAULT	JP	3DS	October 11		
HITMAN ABSOLUTION	JP, NA, EU	PS3/Xbox360/PC	November 20 (NA, EU) January 24, 2013 (JP)		
CALL OF DUTY BLACK OPS 2	JP	PS3/Xbox360/PC	November 22 (Stubbed Ver.) December 01 (Stubbed Ver.)		
CALL OF DUTY BLACK OPS: RECLASSIFIED	JP	PS Vita	December 20		
DRAGON QUEST VII	JP	3DS	February 7, 2013		
TOMB RAIDER	JP, NA, EU	PS3/Xbox360/PC	March 5, 2013 (NA, EU) 2013 (JP)		
Units Shipped By Region	Japan	North America	Europe	Others	Total
	2,400	2,120	1,600	70	6,190

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This is a list of our HD games lineup for this fiscal year. The upper features titles released in the First Six-month Period, and the lower features those to be released in the second six-month period.



At the announcement of forecast revisions last week, we talked about *SLEEPING DOGS (SD)* as an example of a Western title that started out slow, which seemed to provoke misunderstandings that it was suffering poor sales. Let me clarify that *SD* is an exceptionally remarkable title that came with very high expectations and aggressive sales targets for the First Six-Month Period. Our goal might have been exceedingly high, which is what we see here in the difference in actual versus forecast sales.

A similar type of game would be *JUST CAUSE 2 (JC2)* launched in March 2010. Games like *SD* and *JC2* show a steady increase in unit sales long after launch, in contrast to games in Japan, where each game's lifetime sales volume is nearly achieved within 1-2 months after launch. Sales for *JC2* doubled in the first 12 months and again in the following 12-month period. Initial shipment was less than 1 million units, however, we are now about to reach 2.5 million units. Looking at this trend, we expect *SD's* lifetime sales to be strong as well. *SD* got off to a good start just as *JC2* did. *SD's* growth trajectory just like *JC2's* has led to the difference in actual revenue versus forecast.

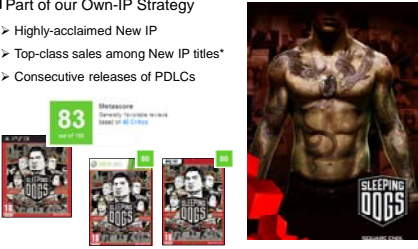
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1. Digital Entertainment—HD Games
New IP: SLEEPING DOGS

- Part of our Own-IP Strategy
 - Highly-acclaimed New IP
 - Top-class sales among New IP titles*
 - Consecutive releases of PDLCs

Metacritic
 83
Metacritic Score based on 100 reviews



*NPD, North American during the last 1 year

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One of our business strategies calls for developing ten strong IPs, and we are proud to introduce *SD* as one of them. Extraordinary time and effort went into making this exciting title, which has already been highly acclaimed. We recently received over 80 points on Metacritic scores.

1. Digital Entertainment—HD Games
A major DLC : Nightmare in North Point

- The title's first campaign DLC
- A horror-themed game mode
- Attracted high media attention
- Released on 10/30/2012 (in NA and EU; JP to be announced)



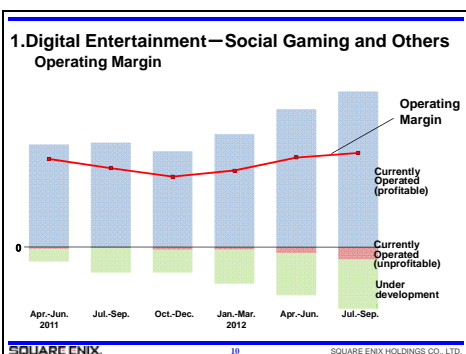
crunchyroll, Destructoid, E3TV, Forbes, FPS, gameinformer, IGN, Joystiq, Kotaku, KEN, COMPLEX, etc.

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Previously, I have repeatedly mentioned the need to change the HD Games business model in order to gain revenues through PDLC instead of relying only on disk sales. To follow this, *SD* is fully equipped with various additional elements.

SD is a story of an undercover cop in Hong Kong. We have an optional DL content in zombie mode in the exact same setting as the original game. Zombie games are very popular in the US, however since the story is based in Hong Kong, players will be fighting against Jiang Shi (Cantonese version of zombies).

I am confident that *SD* would grow to be one of our ten strong IPs, and I am very optimistic for great results in lifetime sales. Just to reiterate, we expected greater revenues from *SD* in the First Six-month Period planning, and what we are seeing now is simply the difference between actual and aggressive projections.



Here is our progress on Social Gaming & Others. We left the scale out of this graph, but you can see the quarterly profit and loss for titles already in operation and those still under development.

Unlike package software, which is usually developed on a massive scale, projects in the Social Gaming & Others area are much smaller in size. Development costs are expensed as they occur, instead of being capitalized as assets under the content production account.

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We are enjoying growing revenues from Social Gaming & Others, however in order to secure even greater profits, we are ready to expand our investment plans in this area. For this reason, the red line indicating operating income does not show a dramatic increase. We are approximately ¥1 billion less of our profit planning, which is not because we are unable to release titles, or because we are suffering from negative earnings, but simply because we went ahead and invested upfront.

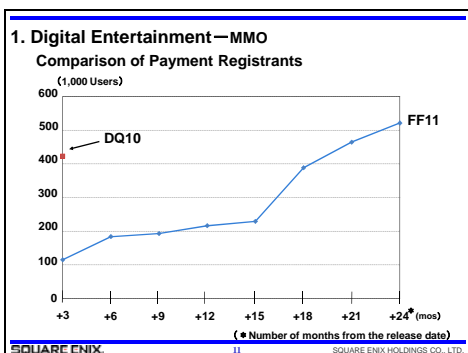
Looking at profit and loss including operating costs, game titles in a deficit are only those seen in the red portion of this graph, which indicates that we are working on appropriate investment in this area.

In HD games, we usually have a mixture of profitable and unprofitable titles, generating profit as a whole. As for our Social Gaming & Others, we only have very few titles that are unprofitable. You can compare operating black and red titles in this graph and notice that our chances of developing profitable games are pretty good.

In line with all this, we are prepared to increase investments, followed by sales contributing to the overall revenues after a few months.

Operating income for Social Gaming & Others has been flat in the First Six-month Period, however, sales have been increasing significantly on a quarter-by-quarter basis. We are at a point where we can expect to see a smash hit title anytime.

Although it is likely for Social Gaming & Others to show upturns in sales, these positive figures are not reflected in our FY2013/3 earnings forecasts. We can certainly say at this point that the Social Gaming & Others business is making steady and sound progress.



Going on to MMO; people often ask why we placed *DRAGON QUEST* online when it has a good chance to sell 5 million units in packaged software.

If we look at the *FINAL FANTASY* series, *FINAL FANTASY XI* (*FFXI*) was developed as an MMORPG, and upon recovering server and other expenses, this game generated a total of nearly ¥40 billion in its ten years of operation. With simple calculations, we can divide this figure by 10 years and see that this title generated close to \$4 billion per year.

While the early stages were used to recover costs, this title eventually contributed greatly to the overall revenue scheme in the latter half of its lifespan, and proved that MMORPG has a sustainable capacity over a long duration.

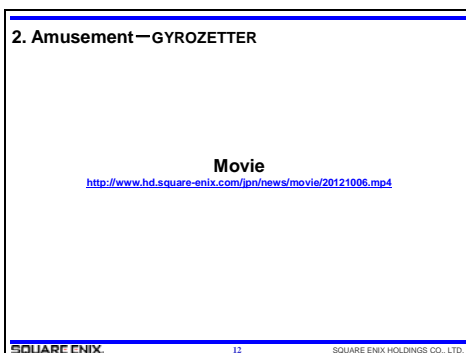
People said a lot of things about *FFXI* when it first came out in 2002. At a time when game consoles were still at their peak, we needed to exceed 2 million units to be considered a success in the *FF* series, however, our initial shipment of *FFXI*'s disks was only around 120,000. After 10 years, *FFXI* generated nearly ¥40 billion in accumulated earnings and still is the most profitable title in the *FF* series.

It took 24 months for *FFXI* to exceed 500K paying subscribers, as you can see in this graph. On the other hand, *DQX* has already exceeded 400K payment registrants within three months of its launch.

Of course, disk sales are more than this number, which shows just how many customers are purchasing the disk, connecting online, and then upgrading for paid subscription after the free trial period. Numbers are expected to continue rising, as we are still at the early stages of the game.

Results for the First Six-Month Period broke even because we have expensed the capitalized development costs into this period. We are very optimistic to see a surge in revenues in the next fiscal year.

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In the Amusement segment, we released two new arcade game machines *GUNSLINGER STRATOS* and *GYROZETTER*. We regret to report that they did not start off strongly as we expected, notably with *GYROZETTER*, where initial card sales were sluggish.

There are two main reasons: first, profit planning for the First Six-Month Period was too aggressive. Second, the promotion strategy had to be more thorough and in-depth. We have succeeded in developing the outstanding game machine, and we expect to see much stronger results in the second six-month period.

Our aim with *GYROZETTER* was to create a true “arcade game,” with totally new experiences and an exciting chassis. The concept we came up with was a car transforming into a robot to battle opponents. We added a gimmick, where the chassis transforms as well, so the players would start out driving a car and then convert to control their robot.

The problem is, no one could tell that the chassis changes into a robot, because at first glance, it looks like a typical racing game.

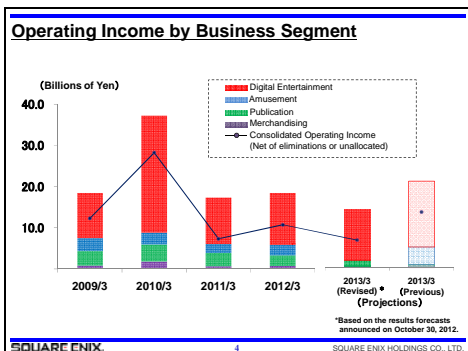
The *GYROZETTER* TV animation series began last month, and watching the TV show, one would understand that a car transforms into a robot. This game, however, was launched before the start of the TV series, and because of this, we failed to get the message across to customers from the start.

Here is a TV ad clip for this game.

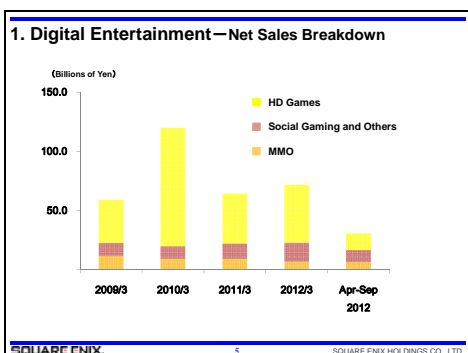
【Show ad clip】

Again, we failed to get the initial concept across. Knowing that it was a tie-up project with the TV animation series, we needed to link them better in our promotion schemes.

We are confident in this amazing arcade game, however, and we are excited to see better performances in the coming months.



To briefly touch on the business outlook for the next two fiscal years, the Amusement segment will definitely improve. We also believe that the Publication and Merchandising segments will maintain the same levels of success as the current fiscal year.



Digital Entertainment: I believe MMO will begin providing a steady profit contribution next fiscal year. With the launch of *DQX*, expense of the capitalized development costs of the large-scale title preceded earning revenues from operations, and we are not expecting to see ample profits within the current fiscal year.

While we are about to complete renovations of the current version of *FINAL FANTASY XIV (FFXIV)*, and will launch the “reborn” version soon, we do not anticipate the title’s contribution to the bottom-line this fiscal year. We anticipate profit contribution, however, starting the next fiscal year.

MMO is showing successful progress towards becoming a solid foundation of our corporate earnings from the next fiscal year.

Social Gaming & Others is doing significantly well. Since we have a great “batting average” when it comes to making popular games, we have a good chance to recoup profit levels within this fiscal year, if one of these titles results in a smash-hit.

As for HD Games, we expect earnings to remain on a plateau for the next one to two years. Although we are scheduled to launch big titles, the key is how we transform our business and revenue models for the coming years. It will take approximately three years until these new models are understood and accepted by both creators and customers. As

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I have mentioned in the past couple of years, changes in business and revenue models do take time to penetrate. Of course, while we will continue to generate some level of profit during the transition period, I expect that it will take two to three years to see considerable growth in this area.

In summary, we are anticipating a significant rise in MMO in the next fiscal year, and we will be well-positioned to constantly aim for the upside in the Social Games & Others. These two segments will undoubtedly become the strong foundation that sustains our corporate revenues. HD Games, on the other hand, are expected to remain at roughly the same level for the next two years.

I would like to explain the background of not only the downward revisions for the FY2013/3 forecast, but also our unstable results for the past two years. While our digital entertainment strategy is built on a three-tier scheme (HD, MMO, and Social), the unsuccessful launch of *FFXIV* caused a negative chain of events in other areas across the businesses.

One notable example is the significant delay in the development of new HD Games titles in Japan. As a result, our major releases of HD Games titles use IPs previously developed by Eidos Interactive, and are sold mainly in Europe and North America.

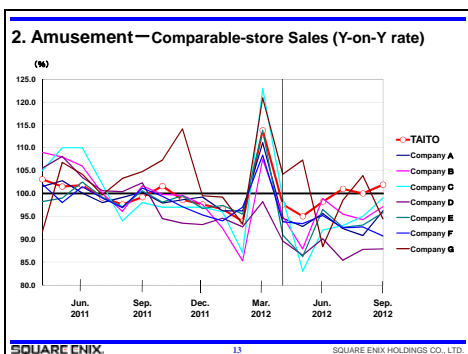
Being dependant on Western titles indicates that our profit plans will greatly fluctuate according to the sales potential and capacities of our European and North American subsidiaries. This is a contributing factor to our downward forecast revision announced last week.

To explain this in relation to our three-tier framework, MMO was intended to be our solid foundation, HD Games as the stabilizer, and Social Gaming & Others as an area to aim for the upside. However, MMO earnings still remain ¥0. That each business line has to build its earning base from scratch is

a significant variation factor against overall performance. For this structural reason, results for the last, current and next fiscal years would remain volatile for the time being.

If I were to mention the risks we are currently facing, we were able to obtain an accurate estimate of HD Games sales until recently, however, major releases of HD Games for the current fiscal year are mainly in the European and North American markets. It is therefore possible that uncertainty in the sales forecast could involve a downside risk for the full-year results.

I sincerely hope this session helped to clarify the factors behind the forecast revisions announced last week, and provide insight into our current business and outlook for FY2013/3.



Appendix

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Digital Entertainment—HD Games

Units Sold by Region (Millions of Units Sold)

Region	2009/3	2010/3	2011/3	2012/3	2013/3 (Forecast)
Japan	5.19	11.70	6.49	5.58	3.90
N. America	3.96	7.59	4.74	6.74	7.60
Europe	2.38	7.20	5.43	5.11	7.30
Asia, etc.	0.08	0.17	0.19	0.23	
Total	11.61	26.66	16.85	17.66	18.80
(For reference) Net Sales	36.4	100.2	42.1	49.0	-

(Billions of Yen)

SQUARE ENIX 15 SQUARE ENIX HOLDINGS CO., LTD.

Results Briefing Session
Six-Month Period
Ended September 30, 2012

SQUARE ENIX
November 6, 2012

SQUARE ENIX 16 SQUARE ENIX HOLDINGS CO., LTD.

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