
FY2003 First Half Results Analyst Meeting

SQUARE ENIX™

November 20, 2003

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.

These statements include pro-forma for historical data that reflect the aggregation of former two companies' operating results (former ENIX and former SQUARE).

1. FY2003* First Half Results

*FY2003 = Fiscal Year Ended March 31, 2004

FY2003 First Half Results - Consolidated

Millions of Yen

	As of September 30, 2002		As of March 31, 2002		As of September 30, 2003
	Former ENIX	Former SQUARE	Former ENIX	Former SQUARE	SQUARE ENIX
Current Assets	41,853	26,800	46,412	43,693	78,211
Fixed Assets	9,071	8,732	11,053	10,660	22,652
Total	50,924	35,533	57,465	54,354	100,863
Current Liabilities	2,364	6,326	7,418	15,029	11,433
Long-term Liabilities	246	418	236	359	656
Total Liabilities	2,611	6,744	7,655	15,389	12,090
Minority Interests in Consolidated Subsidiaries	163	768	162	1,237	834
Total Shareholders' Equity	48,149	28,020	49,647	37,727	87,938
Total	50,924	35,533	57,465	54,354	100,863
Number of Employees	161	937	159	938	1,324

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April 2002 - September 2002		October 2002 - March 2003		April 2003 - September 2003
	Former ENIX	Former SQUARE	Former ENIX	Former SQUARE	SQUARE ENIX
Net Sales	7,227	12,014	14,650	28,272	19,730
Operating Income	630	1,779	3,973	10,815	2,331
Ordinary Income	673	1,544	3,979	11,216	1,899
Net Income	306	405	2,113	13,669	1,192
Depreciation	181	803	205	882	970
Capital Expenditure	144	798	157	528	2,064

FY2003 First Half Results – Consolidated Segments

①1st half of FY2003 results

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	9,349	3,822	1,277	3,569	1,712	-	19,730
Operating Expenses	7,900	2,839	713	2,504	1,203	2,238	17,399
Operating Income	1,448	983	563	1,065	509	(2,238)	2,331
Operating Margin	15.5%	25.7%	44.1%	29.8%	29.7%	-	11.8%

②1st half of FY2002 data for both companies restated under same segments

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	11,787	2,082	743	2,949	1,681	-	19,242
Operating Expenses	7,846	2,912	416	2,176	913	2,569	16,832
Operating Income	3,941	(830)	327	773	768	(2,569)	2,410
Operating Margin	33.4%	(39.9%)	44.0%	26.2%	45.7%	-	12.5%

③Differences (① – ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	(2,438)	1,740	534	620	31	-	488
Operating Expenses	54	(73)	297	328	290	(331)	567
Operating Income	(2,493)	1,813	236	292	(259)	331	(79)

FY2003 First Half Results – Unit Sales

Title	Release Date	Platform	Thousand Units
<i>FINAL FANTASY XI (Rise of the Zilart, ALL IN ONE PACK etc)</i>	April 2003	PS2/PC	290
<i>HANJUKU HERO VS 3D</i>	June 2003	PS2	180
<i>FINAL FANTASY CRYSTAL CHRONICLES</i>	August 2003	GC·GBA	360
<i>SWORD of MANA</i>	August 2003	GBA	280
<i>DRAG ON DRAGOON (to be Drakengard overseas)</i>	September 2003	PS2	240
<i>KENSHIN DRAGON QUEST YOMIGAERISHI DENSETSU NO TSURUGI</i>	September 2003	—	120
<i>ALL STAR PRO-WRESTLING III, Depth Fantasia POWER UP KIT2, Repeated orders</i>	—	—	210
Japan	—	—	1,670
<i>FINAL FANTASY ORIGINS</i>	April 2003	PS	250
<i>UNLIMITED Saga</i>	June 2003	PS2	100
<i>FINAL FANTASY TACTICS ADVANCE</i>	September 2003	GBA	480
Repeated orders	—	—	500
North America	—	—	1,330
Repeated orders	—	—	480
Europe (PAL)	—	—	480
<i>UNLIMITED Saga, Repeated orders</i>	—	—	30
Asia, etc.	—	—	30
TOTAL	—	—	3,500

FY2003 First Half Results – Parent Company

Millions of Yen

	As of September 30, 2002		As of March 31, 2002		As of September 30, 2003
	Former ENIX	Former SQUARE	Former ENIX	Former SQUARE	SQUARE ENIX
Current Assets	40,931	19,381	45,173	36,490	69,388
Fixed Assets	9,202	11,698	11,030	14,370	26,068
Total	50,134	31,079	56,204	50,860	95,456
Current Liabilities	1,958	3,447	6,606	13,489	8,491
Long-term Liabilities	241	418	231	359	652
Total Liabilities	2,200	3,865	6,838	13,848	9,144
Total Shareholders' Equity	47,933	27,214	49,365	37,012	86,312
Total	50,134	31,079	56,204	50,860	95,456
Number of Employees	140	888	138	888	1,085

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April 2002 - September 2002		October 2002 - March 2003		April 2003 - September 2003
	Former ENIX	Former SQUARE	Former ENIX	Former SQUARE	SQUARE ENIX
Net Sales	6,703	8,648	14,175	24,046	16,045
Operating Income	491	1,170	3,978	9,010	1,817
Ordinary Income	536	1,100	3,987	9,231	1,652
Net Income	265	180	2,048	13,758	952
Depreciation	156	773	175	852	888
Capital Expenditure	139	797	88	509	1,987

FY2003 First Half Results – SQEX and Consolidated Subsidiaries

Location	Company	Game(off-line)	Game(on-line)	Mobilephone content	Publishing	Others
Japan	SQUARE ENIX CO., LTD.					
	COMMUNITY ENGINE INC.					
	DIGITAL ENTERTAINMENT ACADEMY CORPORATION					
	THE GAMEDESIGNERS STUDIO INC.					
	FF FILM PARTNERS (partnership)					
North America	SQUARE ENIX U.S.A., INC.					
	SQUARE PICTURES, INC.					
Europe	SQUARE ENIX EUROPE LTD.					
Asia	SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY(BEIJING) CO., LTD.					

*SQUARE L.L.C. is not listed because it is under liquidation process.

2. FY2003* Projections

*FY2003 = Fiscal Year Ended March 31, 2004

FY2003 Projections – Consolidated / Parent Company

Cosolidated

Millions of Yen

	FY2002 results		FY2003 projection
	Former ENIX	Former SQUARE	SQUARE ENIX
Net Sales	21,877	40,286	56,000
Operating Income	4,603	12,594	14,400
Ordinary Income	4,652	12,760	14,000
Net Income	2,419	14,074	8,100
Depreciation	386	1,685	2,100
Capital Expenditure	301	1,326	3,700

Parent Company

Millions of Yen

	FY2002 results		FY2003 projection
	Former ENIX	Former SQUARE	SQUARE ENIX
Net Sales	20,878	32,694	45,100
Operating Income	4,469	10,180	11,700
Ordinary Income	4,523	10,331	11,600
Net Income	2,313	13,938	6,600
Depreciation	331	1,625	2,000
Capital Expenditure	227	1,306	3,500

FY2003 Projections – Consolidated Segments

①FY2003 projections

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	34,300	8,800	3,000	6,800	3,100	-	56,000
Operating Expenses	20,500	6,800	2,000	5,400	2,300	4,600	41,600
Operating Income	13,800	2,000	1,000	1,400	800	(4,600)	14,400
Operating Margin	40.2%	22.7%	33.3%	20.6%	25.8%	-	25.7%

Exchange rate:USD1=JPY110.00、EUR1=JPY127.00、CNY1=JPY14.50

②FY2002 data for both companies restated under same segments

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	45,677	4,154	1,696	6,417	4,220	-	62,164
Operating Expenses	27,466	5,139	942	4,596	2,032	4,792	44,966
Operating Income	18,212	(985)	755	1,820	2,188	(4,792)	17,197
Operating Margin	39.9%	(23.7%)	44.5%	28.4%	51.9%	-	27.7%

③Difference (① – ②)

Millions of Yen

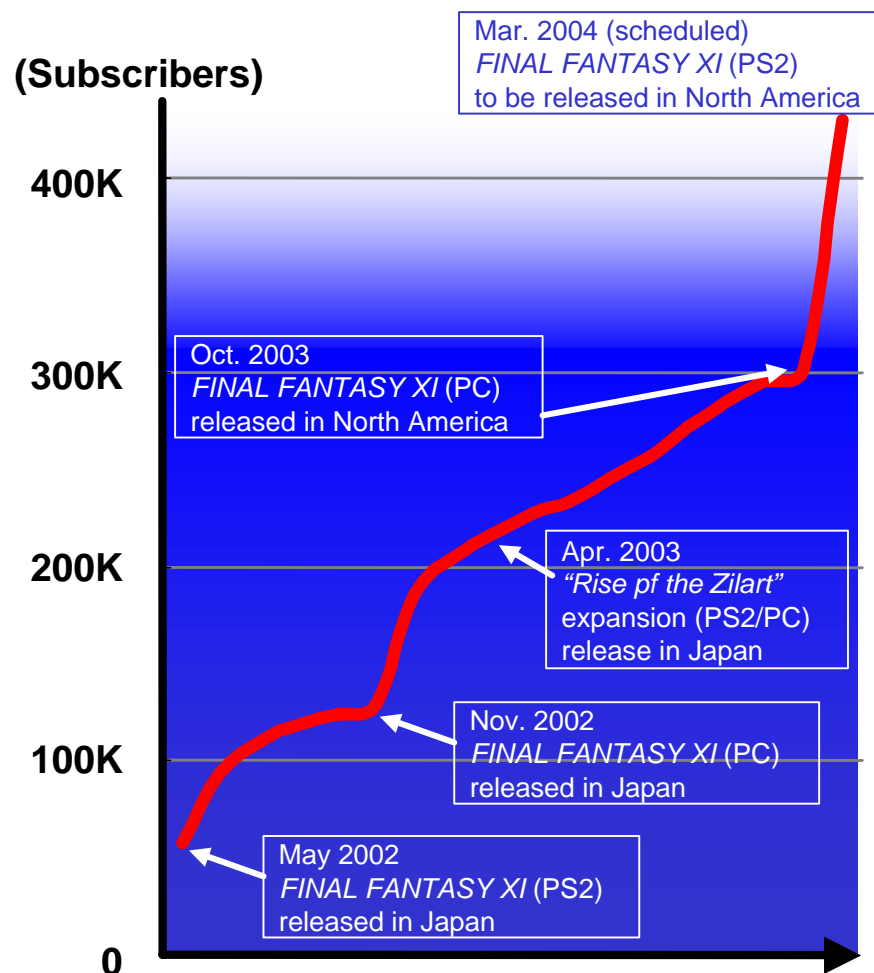
	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Eliminations and Corporate	Consolidated
Net Sales	(11,377)	4,646	1,304	383	(1,120)	-	(6,164)
Operating Expenses	(6,966)	1,661	1,058	804	268	(192)	(3,366)
Operating Income	(4,412)	2,985	245	(420)	(1,388)	192	(2,797)

FY2003 Projection – Unit Sales

Region	Thousand Units
Japan	4,700
North America	5,100
Europe (PAL)	3,000
Asia etc	100
TOTAL	12,900

Game (on-line) Segment - Expanding steadily

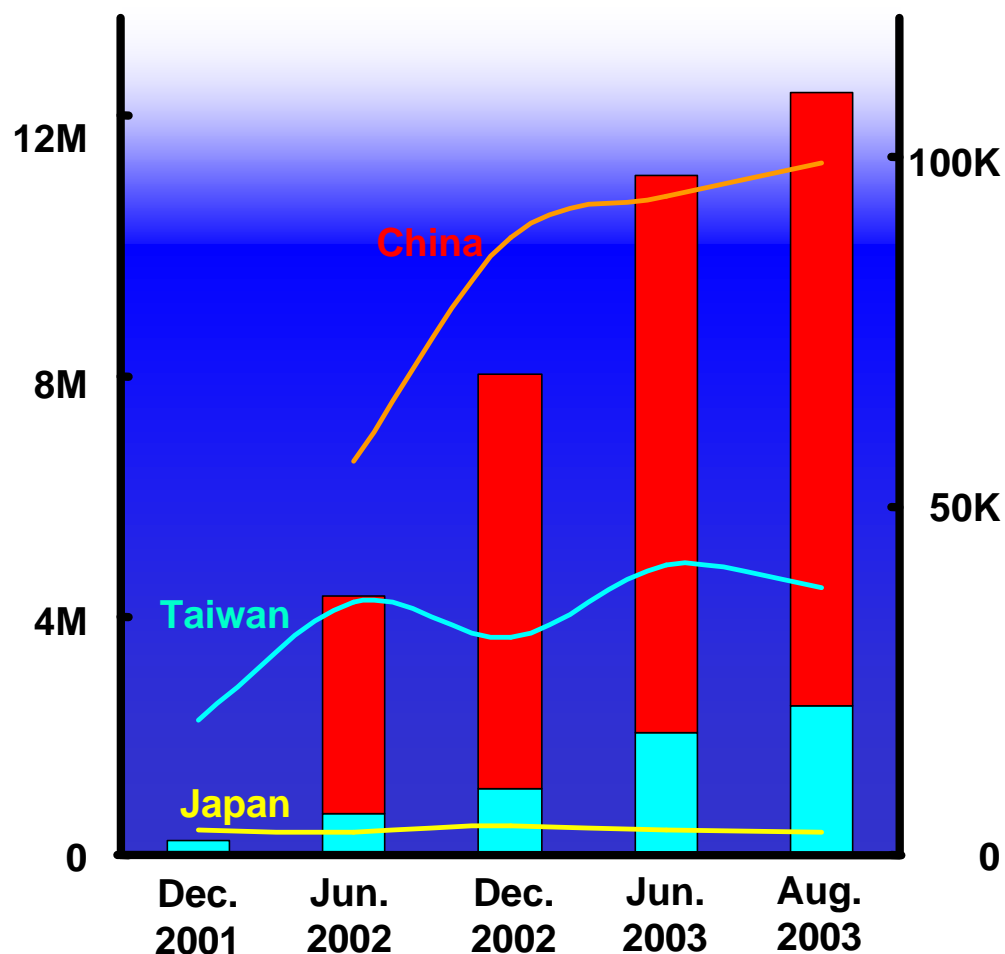
PlayOnline Registered Subscribers



CROSS GATE Subscribers

(Cumulative Subscribers)

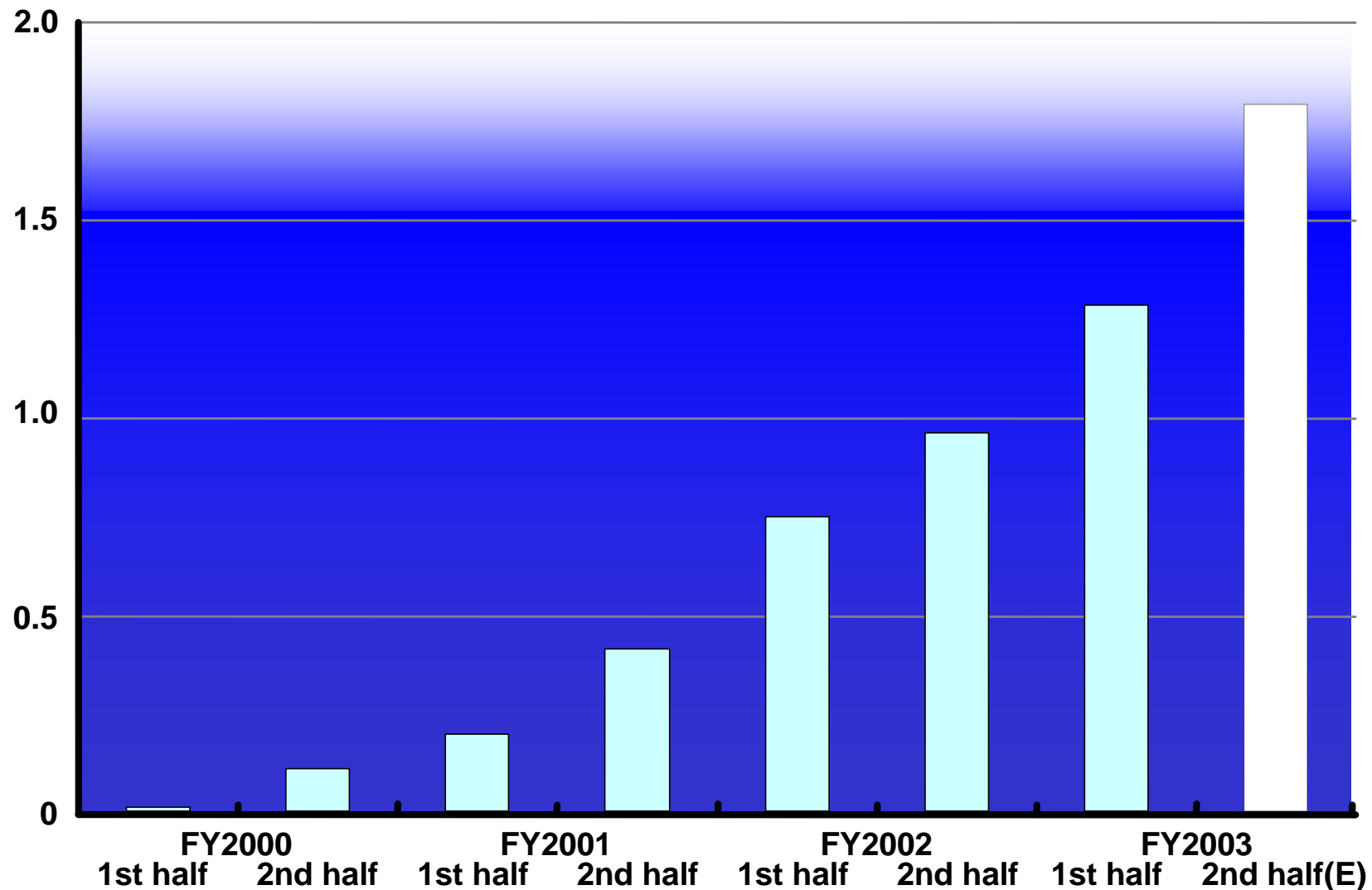
(Concurrent Users)



Mobilephone Content Segment – Growing rapidly

Growth of Revenue from Mobilephone Content

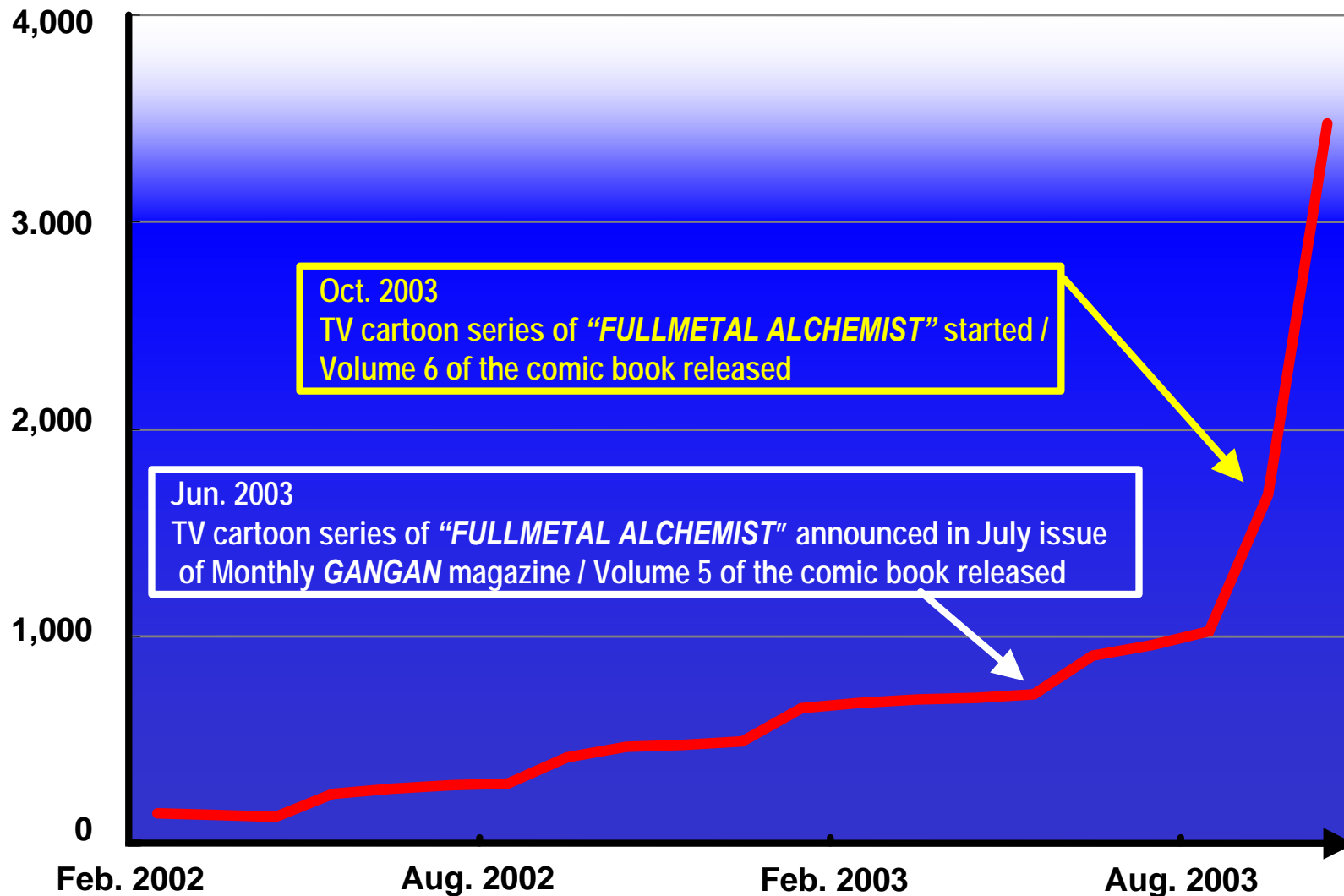
(Billions of Yen)



Publishing Segment – “FULLMETAL ALCHEMIST”, an enhanced exploitation of content

Cumulative Sales Volume of the Comic Books “FULLMETAL ALCHEMIST” Series

(Thousand copies)



3. Midterm Strategy

SQUARE ENIX's Business Strategy

**Continue to exploit
current franchise**

Enhance global business

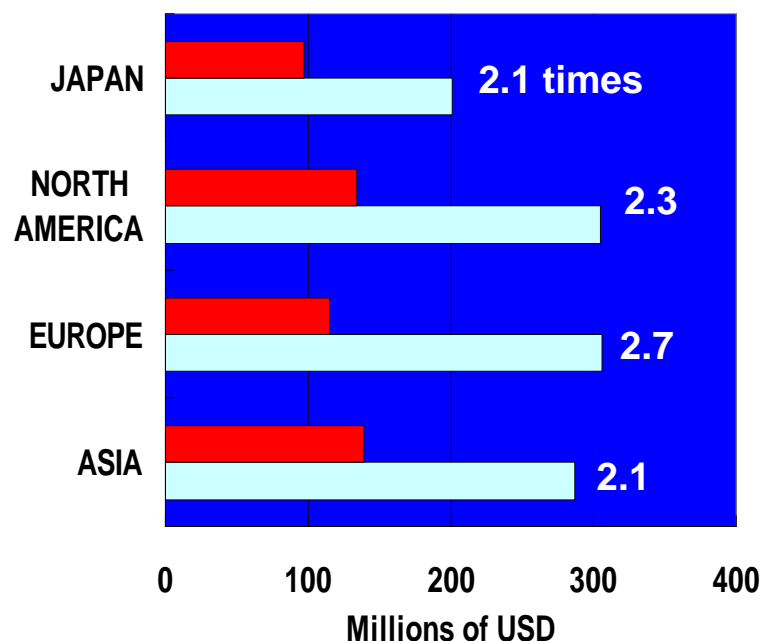
**Expand into online game
and mobilephone content
businesses**

Create new entertainment

Online game and mobilephone content markets are growing rapidly

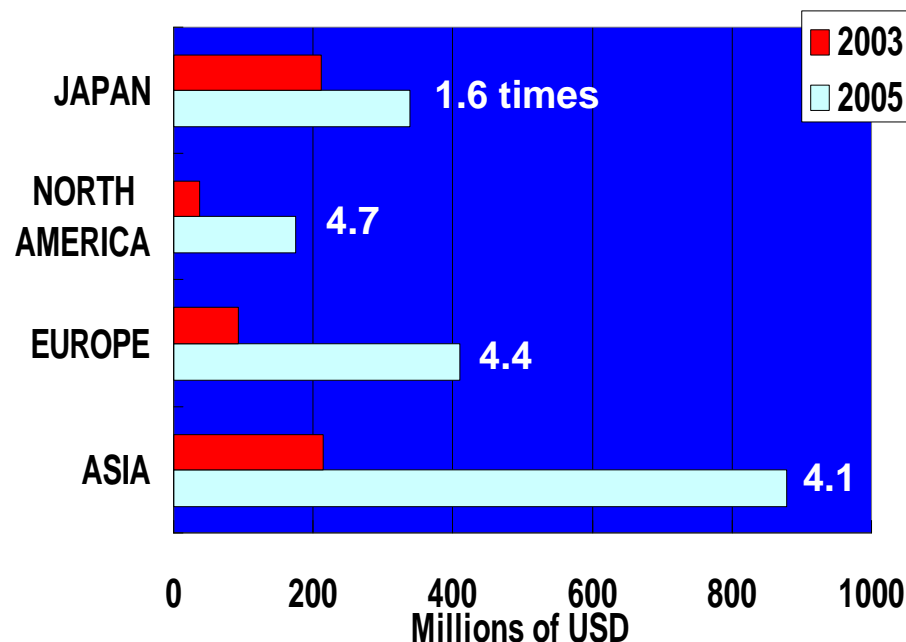
Research firms expect rapid growth in both markets

Online Game Market



- Market size doubles in each area within 2 years

Mobilephone Game Market

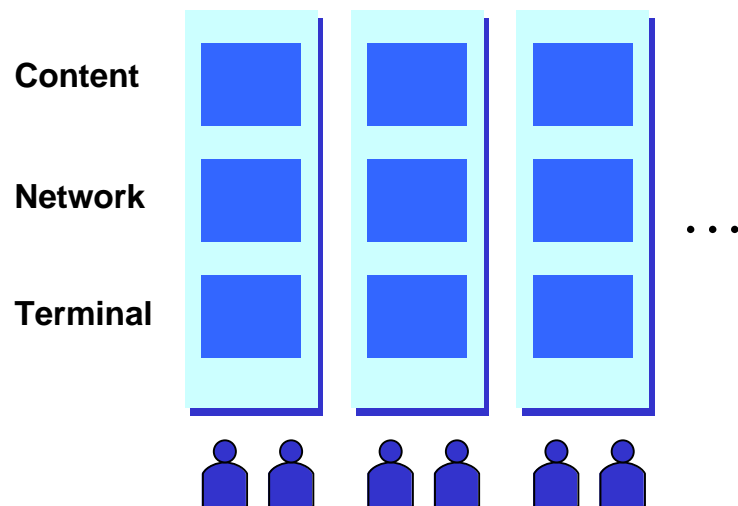


- More than quadruple growth in North America, Europe, and Asia
- U.S. market will be as large as current Japanese market

(Source:INFORMA MEDIA GROUP "The Dynamics of Games" 3rd edition, August 2003)

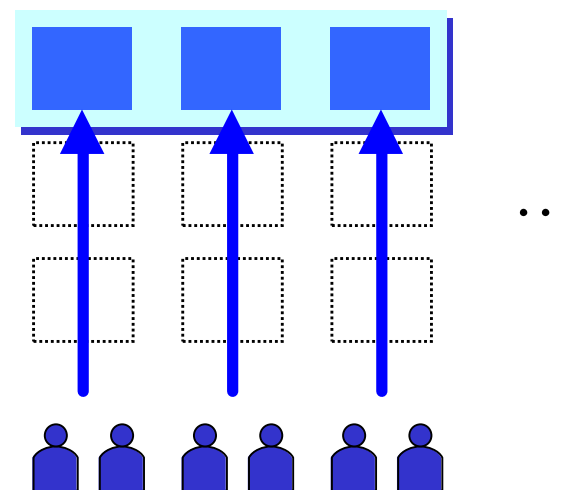
Network brings fundamental change of business model

Now



- Vertically integrated by terminal type
Close relationship with console maker is important
- Product out oriented mindset

Future



- Open network will break the vertical integration. Terminal specification adapt open standards. Close relationship with many of platform technology holders become important.
- Relevance of terminal and network differences diminish. Customer ownership shifts to content provider
- Community management to capture customers' needs and reflect them to the service become key factor for success

Action plan to realize strategic goals

This and Next Year

Midterm

Full-line business in all regions

- **U.S.:** Started self publishing
Started online game business
Will start mobile phone content
- **Europe:** Will start mobile phone content
- **Asia:** Started mobile phone content in Taiwan
Will start mobile phone content in China
and Korea

- Establish full-line business in all regions

Alliances to broaden business domain

- Collaboration with Intel in games for PC and mobile devices
-
-

- Close relationship with platform technology players
- Alliances with other players to seek best business structure
- Collaboration with other content providers

Creation of new entertainment

- *"Kenshin (God of Sword) DRAGON QUEST"*:
New way of controlling game using "sword"
- *"Final Fantasy VII Advent Children"*: Video footage
- Enhancement of PlayOnline (3 Multi: platform, country, and content)

- Creation of new entertainment utilizing cross media

SQUARE ENIX™