
FY2003 Results Briefing Session

SQUARE ENIX™

May 20, 2004

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) with no adjustment.

The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

1. FY2003* Results

*FY2003 = Fiscal Year Ended March 31, 2004

FY2003 Results - Consolidated

Millions of Yen

	FY2002*				FY2003		Change
	Former ENIX	Former SQUARE		%	SQUARE ENIX	%	
Current Assets	46,412	43,693	90,105	81%	84,441	76%	△ 5,664
Fixed Assets	11,053	10,660	21,713	19%	26,192	24%	4,479
Total	57,465	54,354	111,819	100%	110,633	100%	△ 1,186
Current Liabilities	7,418	15,029	22,447	20%	12,185	11%	△ 10,262
Long-term Liabilities	236	359	595	1%	1,152	1%	557
Total Liabilities	7,655	15,389	23,044	21%	13,338	12%	△ 9,706
Minority Interests in Consolidated Subsidiaries	162	1,237	1,399	1%	594	1%	△ 805
Total Shareholders' Equity	49,647	37,727	87,374	78%	96,700	87%	9,326
Total	57,465	54,354	111,819	100%	110,633	100%	△ 1,186
Number of Employees	159	938	1,097	-	1,412	-	315

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	FY2002*				FY2003		Change
	Former ENIX	Former SQUARE		%	SQUARE ENIX	%	
Net Sales	21,877	40,286	62,163	100%	63,202	100%	1,039
Operating Income	4,603	12,594	17,197	28%	19,398	31%	2,201
Ordinary Income	4,652	12,760	17,412	28%	18,248	29%	836
Net Income	2,419	14,074	16,493	27%	10,993	17%	△ 5,500
Depreciation and Amortization	386	1,685	2,071	-	1,974	-	△ 97
Capital Expenditure	301	1,326	1,627	-	2,704	-	1,077

*Results of FY2002 are the total figure of former ENIX and former SQUARE.

FY2003 Results - by Segments (Consolidated)

①FY2003

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	37,988	8,924	2,793	9,671	3,824		63,202
Operating Expenses	21,583	6,575	1,633	6,491	2,797	4,722	43,803
Operating Income	16,404	2,348	1,159	3,180	1,027	△ 4,722	19,398
Operating Margin	43.2%	26.3%	41.5%	32.9%	26.9%		30.7%

②FY2002*

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	45,677	4,154	1,696	6,417	4,220		62,163
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%

③Change (① - ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	△ 7,689	4,770	1,097	3,254	△ 396		1,039
Operating Expenses	△ 5,883	1,436	691	1,895	765	△ 70	△ 1,163
Operating Income	△ 1,808	3,333	404	1,360	△ 1,161	70	2,201

*Results of FY2002 are the total figure of former ENIX and former SQUARE.

FY2003 Results - Sales by Region

Millions of Yen

Region	FY2002**		FY2003		Change
		%		%	
Japan*	47,739	77%	44,491	70%	△ 3,248
North America	11,587	19%	15,618	25%	4,031
Europe (PAL)	2,695	4%	2,121	3%	△ 574
Asia, etc.	142	0%	972	2%	830
Total	62,163	100%	63,202	100%	1,039

*The sales outside Japan of former ENIX is included in Japan on this sheet because it makes up less 10% of the total as of March 31, 2003.

**Results of FY2002 are the total figure of former ENIX and former SQUARE.

FY2003 Results - Unit Sales

Thousand Units					
	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2003	4,930 **	5,850	2,740	100	13,620
%	36%	43%	20%	1%	100%
FY2002*	7,140	2,630	2,700	110	12,580
%	57%	21%	21%	1%	100%
Change	△ 2,210	3,220	40	△ 10	1,040

*Results of FY2002 are the total figure of former ENIX and former SQUARE.

**Including the unit sales of “KENSHIN DRAGON QUEST YOMIGAERISHI DENSETSU NO TSURUGI”.

FY2003 Results Non-Consolidated

Millions of Yen

	FY2002*				FY2003		Change
	Former ENIX	Former SQUARE		%	SQUARE ENIX	%	
Current Assets	45,173	36,490	81,663	76%	80,435	77%	△ 1,228
Fixed Assets	11,030	14,370	25,400	24%	24,188	23%	△ 1,212
Total	56,204	50,860	107,064	100%	104,623	100%	△ 2,441
Current Liabilities	6,606	13,489	20,095	19%	9,338	9%	△ 10,757
Long-term Liabilities	231	359	590	1%	1,147	1%	557
Total Liabilities	6,838	13,848	20,686	19%	10,486	10%	△ 10,200
Total Shareholders' Equity	49,365	37,012	86,377	81%	94,137	90%	7,760
Total	56,204	50,860	107,064	100%	104,623	100%	△ 2,441
Number of Employees	138	888	1,026	-	1,137	-	111

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	FY2002*				FY2003		Change
	Former ENIX	Former SQUARE		%	SQUARE ENIX	%	
Net Sales	20,878	32,694	53,572	100%	51,429	100%	△ 2,143
Operating Income	4,469	10,180	14,649	27%	15,991	31%	1,342
Ordinary Income	4,523	10,331	14,854	28%	15,618	30%	764
Net Income	2,313	13,938	16,251	30%	9,342	18%	△ 6,909
Depreciation and Amortization	331	1,625	1,956	-	1,809	-	△ 147
Capital Expenditure	227	1,306	1,533	-	2,548	-	1,015

*Results of FY2002 are the total figure of former ENIX and former SQUARE.

2. FY2004* Projections

*FY2004 = Fiscal Year Ended March 31, 2005

FY2004 Projections: Consolidated/Non-Consolidated

Consolidated

Millions of Yen

	FY2003		FY2004 projections		Change
		%		%	
Net Sales	63,202	100%	76,000	100%	12,798
Operating Income	19,398	31%	21,500	28%	2,102
Ordinary Income	18,248	29%	21,500	28%	3,252
Net Income	10,993	17%	11,500	15%	507
Depreciation and Amortization	1,974	-	3,300 *	-	1,326
Capital Expenditure	2,704	-	1,600	-	△ 1,104

*Including amortization of goodwill in the amount of 1,200 million yen associated with the acquisition of UIEvolution, Inc.

Non-Consolidated

Millions of Yen

	FY2003		FY2004 projections		Change
		%		%	
Net Sales	51,429	100%	67,000	100%	15,571
Operating Income	15,991	31%	21,400	32%	5,409
Ordinary Income	15,618	30%	21,300	32%	5,682
Net Income	9,342	18%	12,400	19%	3,058
Depreciation and Amortization	1,809	-	1,900	-	91
Capital Expenditure	2,548	-	1,300	-	△ 1,248

FY2004 Projections by Segments (Consolidated)

①FY2004 projections

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	46,700	11,500	5,200	9,100	3,500		76,000
Operating Expenses	27,300	9,100	4,000	6,700	2,700	4,700	54,500
Operating Income	19,400	2,400	1,200	2,400	800	△ 4,700	21,500
Operating Margin	41.5%	20.9%	23.1%	26.4%	22.9%		28.3%

Exchange rate:USD1=JPY100.00、EUR1=JPY125.00、CNY1=JPY13.00

②FY2003

Millions of Yen

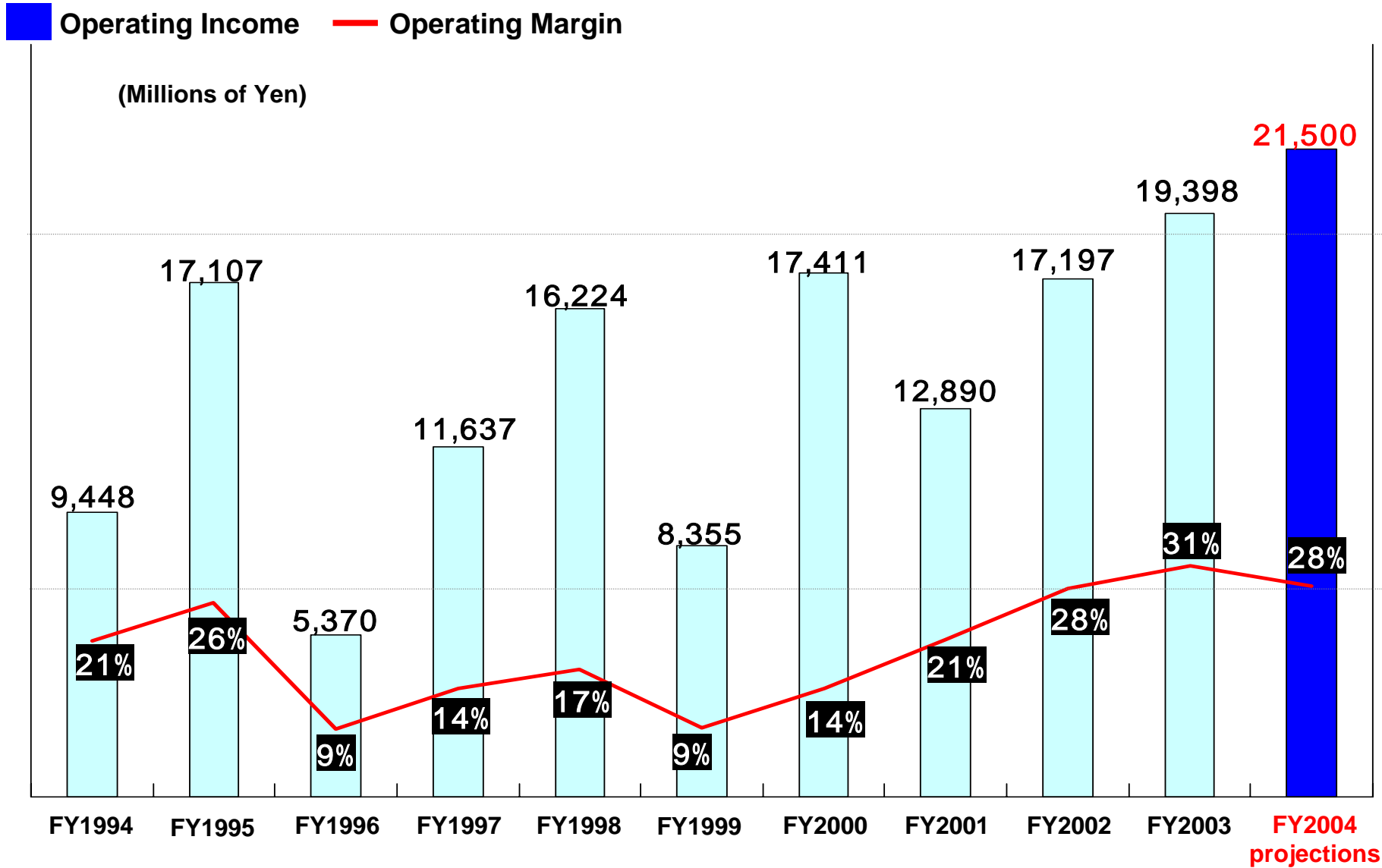
	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	37,988	8,924	2,793	9,671	3,824		63,202
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Operating Income	16,404	2,348	1,159	3,180	1,027	△ 4,722	19,398
Operating Margin	43.2%	26.3%	41.5%	32.9%	26.9%		30.7%

③Change (① - ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	8,712	2,576	2,407	△ 571	△ 324		12,798
Operating Expenses	5,717	2,525	2,367	209	△ 97	△ 22	10,697
Operating Income	2,996	52	41	△ 780	△ 227	22	2,102

Historical Consolidated Operating Incomes



FY1994-1999: Former ENIX results
 FY2000-2001: Total figures of former ENIX and former SQUARE

FY2004 Projections - Unit Sales

Thousand Units					
	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2004 Projections	8,060	2,800	1,210	30	12,100
%	67%	23%	10%	0%	100%
FY2003	4,930 *	5,850	2,740	100	13,620
%	36%	43%	20%	1%	100%
Change	3,130	△ 3,050	△ 1,530	△ 70	△ 1,520

*Including the unit sales of “KENSIN DRAGON QUEST YOMIGAERISHI DENSETSU NO TSURUGI”.

FY2004 First Half Year Projections

Consolidated/Non-Consolidated

Consolidated

Millions of Yen

	FY2003 First Half		FY2004 First Half Projections		Change
		%		%	
Net Sales	19,730	100%	24,200	100%	4,470
Operating Income	2,331	12%	900	4%	△ 1,431
Ordinary Income	1,899	10%	900	4%	△ 999
Net Income	1,192	6%	200	1%	△ 992
Depreciation and Amortization	970	-	1,600 *	-	630
Capital Expenditure	2,064	-	1,100	-	△ 964

*Including amortization of goodwill in the amount of 600 million yen associated with the acquisition of UIEvolution, Inc.

Non-Consolidated

Millions of Yen

	FY2003 First Half		FY2004 First Half Projections		Change
		%		%	
Net Sales	16,045	100%	19,700	100%	3,655
Operating Income	1,817	11%	1,000	4%	△ 817
Ordinary Income	1,652	10%	1,000	4%	△ 652
Net Income	952	6%	500	1%	△ 452
Depreciation and Amortization	888	-	900	-	12
Capital Expenditure	1,987	-	1,000	-	△ 987

FY2004 First Half Year Projections Consolidated/Non-Consolidated

①FY2004 First half year projections

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	9,800	5,500	2,100	4,100	2,700		24,200
Operating Expenses	8,900	4,700	1,800	3,500	2,000	2,400	23,300
Operating Income	900	800	300	600	700	△ 2,400	900
Operating Margin	9.2%	14.5%	14.3%	14.6%	25.9%		3.7%

Exchange rate:USD1=JPY100.00、EUR1=JPY125.00、CNY1=JPY13.00

②FY2003 First half year results

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
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%

③Change (① - ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publishing	Others	Corporate	Total
Net Sales	451	1,678	823	531	988		4,470
Operating Expenses	1,000	1,861	1,087	996	797	162	5,901
Operating Income	△ 548	△ 183	△ 263	△ 465	191	△ 162	△ 1,431

3. Midterm Strategy

**Network will fundamentally change
the entertainment**

Network is the Game

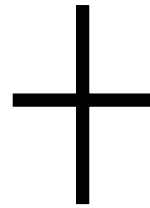
Everything plays Games

Network is the Game: Communications among users are vital to network content

Software

- Sophisticated Scenarios
- Advanced graphics with technologies such as 3D
- High-quality Music

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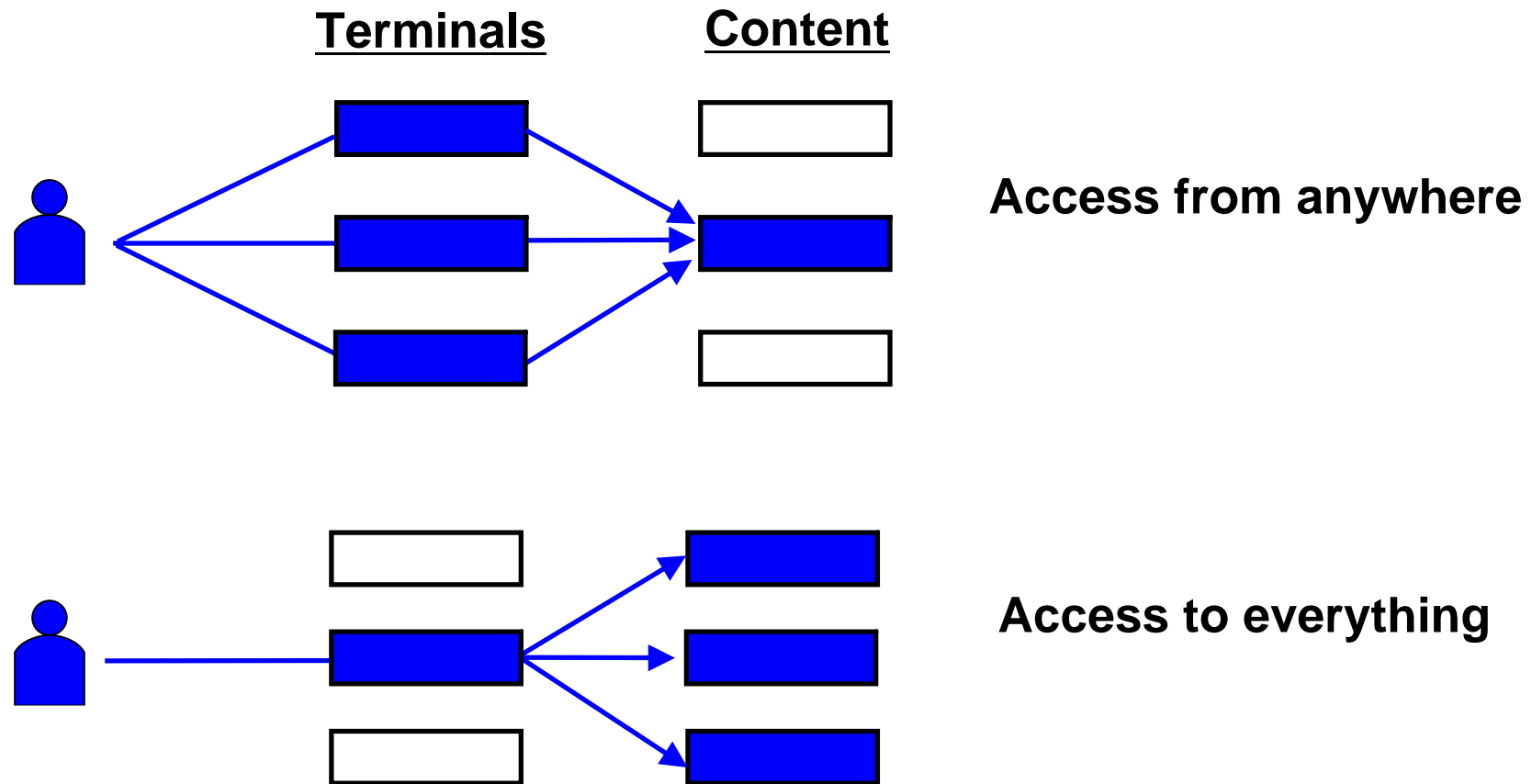


Community

- Communications among users
- Content generated by users

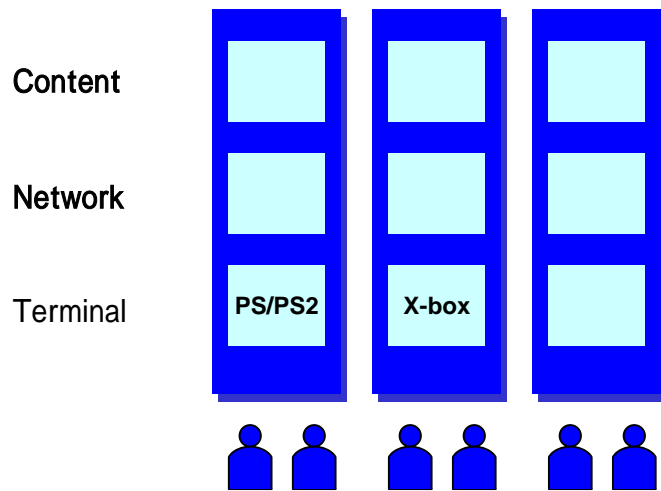
⋮

Everything plays Games: Advanced terminal technology changes the way users access content



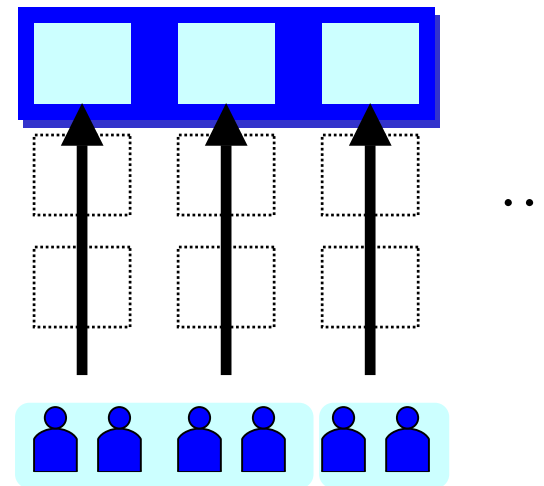
New entertainment will transform the industry architecture

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. Close relationship with platform technology holders become important
- Terminal and network differences will become less important. Customer ownership shifts to content provider
- Community management conforming to customers' needs become key factor for success

In response to the new industry architecture, our strategy is to...

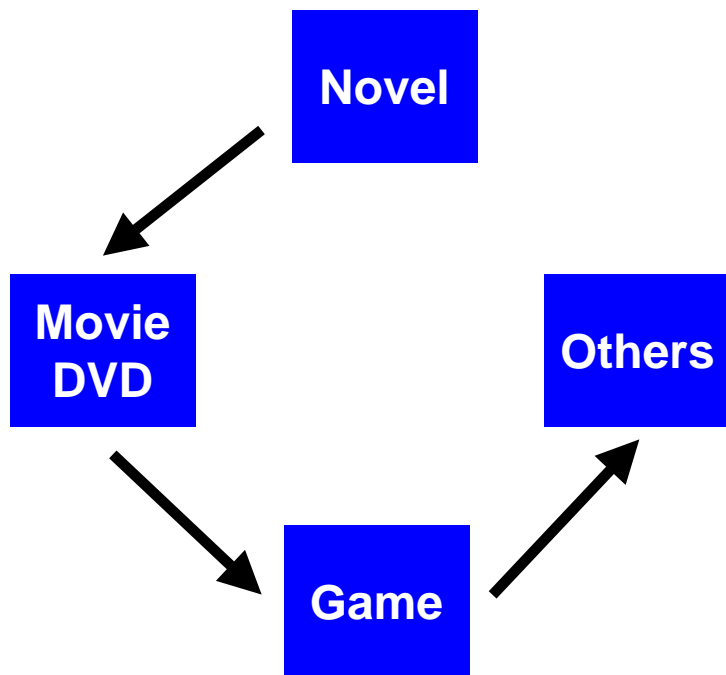
Enhance Community Management

Deploy “Polymorphic Content”

Formulate the New Platforms

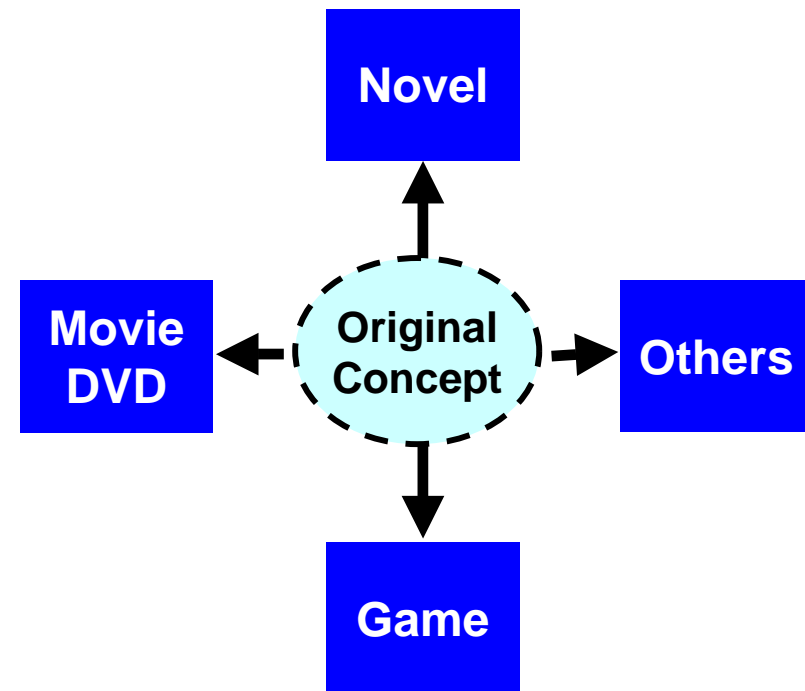
Deploy “Polymorphic Content”

Traditional model of Secondary use of content



- The secondary content is a mere porting of the original to a different format
- Number of customers decreases as the content is deployed in different formats sequentially

“Polymorphic Content”



- Original concept created at higher abstract level can be a “polymorphic” content.
- Content makers with interactive design capabilities, which is the most scalable but difficult, have competitive advantage.

Actions to the formulate the new platforms

**Acquisition of
UIEvolution,Inc.**

- Acquired the advanced network technology

Collaboration with Intel

- Collaboration in platform technologies such as semiconductors, chipsets, etc.

Enhance Global Business

- Establish full line businesses in all regions

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SQUARE ENIX™