FY2003 Results
Briefing Session

SQUARE ENIX

May 20, 2004

We will now begin the briefing on the results of Square Enix Co., Ltd. for the fiscal year ended March 2004.

Today's briefing consists of three sections.

The first section is a summary of the results for the fiscal year ended March 2004.
The second section is a description of the business plan for the current fiscal year.
Finally, the third section is a description of the Company's medium-term business strategy.

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.

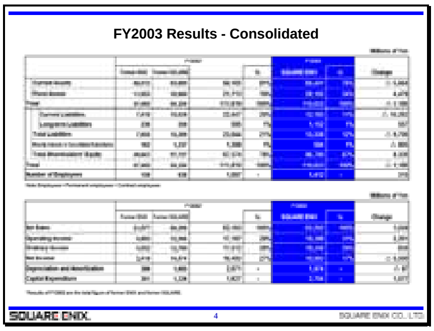
The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

1. FY2003* Results

*FY2003 = Fiscal Year Ended March 31, 2004

First Section: Results for the fiscal year ended March 2004

Here are the results for the fiscal year ended March 2004.



The upper tier of this chart shows the Balance Sheet, and the lower tier shows the Profit and Loss Statement. As the previous fiscal year was the initial fiscal year following the merger, there are no numbers for comparison in the previous fiscal year. Thus, the results of the former Enix Corporation, those of Square Co., Ltd., and a simple total of the two are provided for reference. As the two companies did not have any transactions, comparisons may be made using the simple total. However, as the two companies had different accounting policies, etc., that total will not necessarily be accurate. Therefore, please use these numbers for reference only.

Now, please look at the Balance Sheet. Total Assets as of the end of the previous fiscal year were 110,633 million yen. Compared with the preceding fiscal year, the size of total assets did not change much. However, the composition changed slightly.

Depending on the game titles that are on sale immediately before the end of the accounting term, working capital changes. As *Dragon Quest V*, the major title at the end of the previous fiscal year, had been shipped to retailers, this title had only a small presence in the Balance Sheet, so Current Assets were down.

On the other hand, Fixed Assets increased 4,479 million yen in comparison with the simple total. If you look at Page 10 of the Brief Announcement of Results at hand, you may see that both the outstanding balance at the end of the previous fiscal year of the former Enix Corporation and that of Square Co., Ltd. are mentioned, and the results of the New Company are shown on the right. There, you can see that tangible fixed assets of 7,550 million yen were posted. Goodwill of 6.3 billion yen from the acquisition of UIEVOLUTION Inc. in Seattle in March 2004 accounted for most of these assets.

Now please look at Liabilities and Shareholders' Equity. While Current Liabilities decreased, Fixed Liabilities were up slightly. These Current Liabilities correspond to Current Assets mentioned above. On the other hand, the increase in Fixed Liabilities reflected increases related to allowances, such as an allowance for employee retirement benefits, etc., which is also mentioned in the note on the Brief Announcement of Results.

Specifically, Fixed Liabilities increased as a result of a shift in standards from the simplified method, which had been used by both former companies, to the principle method. Although the members comprising the Company and the actual conditions for retirement did not change, allowances were increased because of the shift, resulting in an increase in Fixed Liabilities. While this was noted at the interim account closing, a major cause for the drop in minority equity was the cancellation of the joint venture with Electronic Arts Inc.

The number of employees increased by 315, and there were two factors for this, namely (1) Actual net increase, and (2) Expansion of consolidated companies. While the number of contract-based development staff increased by about 100, the remaining 210 employees were added because of the expansion of consolidated companies. For example, the number of employees at SQUARE ENIX WEBSTAR (China) is slightly less than 170, but the company was not included in the consolidated accounts in the fiscal year before last. With the inclusion of this company in the consolidated accounts, the number of employees increased significantly. Furthermore, the addition of the 20 employees of UIEVOLUTION was also a factor in the increase in the total number of employees.

Next, please see (3) Consolidated Cash Flow on the first page of the Brief Announcement of Results. While cash flow from operating activities is 14,139 million yen, cash flow from investing activities and cash flow from financial activities declined significantly to a negative number. These results were the result of temporary factors, which will be explained.

Cash flow from operating activities was practically normal.

On the other hand, cash flow from investing activities was impacted by two factors. The first was the acquisition of UIEVOLUTION Inc. The second factor was expenses related to the physical movement of the employees of the former two companies, who were consolidated into one company office. Consequently, the result of cash flow from investing activities does not reflect an increase in investment in development equipment and online related investment, but was rather influenced by these two factors. As a result, cash flow from investing activities was minus 10,579 million yen.

Cash flow from financial activities is a negative figure of 6,739 million yen, mainly due to the payments delivered under the merger to shareholders of the former Square Co., Ltd. on behalf of dividends associated with the merger.

In terms of the future outlook, unless a major scale acquisition appears, cash flow from investing activities will not grow. Increases related to development equipment will likely be gradual, so we believe that they will not have an impact exceeding several billion yen for the year.

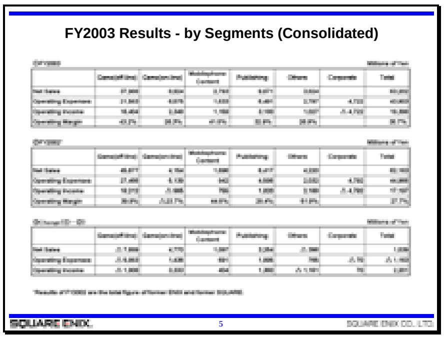
As we do not plan payouts other than dividends in terms of cash flow from financial activities, only numbers calculated back from regular expected dividends are currently assumed in cash flow from financial activities.

Now, let's move to the Profit and Loss Statement. Sales were 63,202 million yen, operating profit was 19,398 million yen, ordinary profit was 18,248 million yen, and net profit for the fiscal year was 10,993 million yen. For net profit, as the former Square Co., Ltd. had been in an unusual state after depreciation of the motion picture work in the fiscal year before last, the increase/decrease looks odd. However, based on simple totals, the Company posted a record profit with increased revenue and increased profit.

When the Company upwardly revised the forecasts on April 16, 2004, forecast sales were 63 billion yen and forecast ordinary profit was 18 billion yen, which almost matched the actual results. However, the forecast current net profit was 8.7 billion yen. This was the number forecast immediately after the closing of the consolidated financial numbers, given the schedule. This gap between forecast net profit and actual net profit reflected a conservative calculation of tax-related numbers. The actual number was very close to the number multiplied by the effective tax rate.

Depreciation cost leveled off. As for capital investment, while the amount was 1,627 million yen in the fiscal year before last on a simple total basis, it was 2,704 million yen in the previous fiscal year. This increase was mostly owing to the transfer of the company office and was a temporary one.

As for the impact accompanying the declaration of bankruptcy by DigiCube, the investment loss from the equity method in non-operating expenses was 760 million yen. Although it is a somewhat complex story, there was an impact of slightly over 200 million yen on adjustments for corporate tax, etc. shown at the very bottom of the statement. In net terms, then, the impact on consolidated P/L was about 500 million yen. We were able to handle product returns and other issues within the scope of allowance for adjustment of returns, so there was no impact on P/L from this area. To this point, the consolidated financial statements have been explained. Sales and operating profit will be explained in detail in the description for each segment that comes next.



Consolidated segments in the previous year posted the numbers you see here. The numbers on the upper tier were actual results in the previous fiscal year, and those in the middle tier were reference numbers, which were simple totals categorized into the current segments.

The title that sold best in the Game Business was the North American version and the European versions of *FINAL FANTASY X-2*, which had total sales units of slightly less than 1.3 million units. Sales of *FINAL FANTASY TACTICS ADVANCE* were about 1.1 million units in North America and Europe. Although we did not have a massive hit, some titles posted sales of more than one million units, which contributed greatly in achieving the numbers on this document.

In the Online Business, this business segment had been in the black since the beginning of the previous fiscal year. The business achieved sales of 8,924 million yen and operating profit of 2,348 million yen. While most of the profit was earned by *FINAL FANTASY XI (FFXI)*, the remainder was from *Crossgate* in China and other titles. With respect to services in North America for *FFXI*, the PC version was released in the fall of the previous year and the PS2 version was released in March. The contribution of North America to sales was already around 2 billion yen. In the overall Online Business, while sales had been about 4 billion yen in the fiscal year before last on a simple total basis, sales in the previous fiscal year were 8,924 million yen, showing steady growth.

The Mobile Content Business also showed solid growth, posting sales of 2,793 million yen in the previous fiscal year, up from 1,696 million yen in the preceding year.

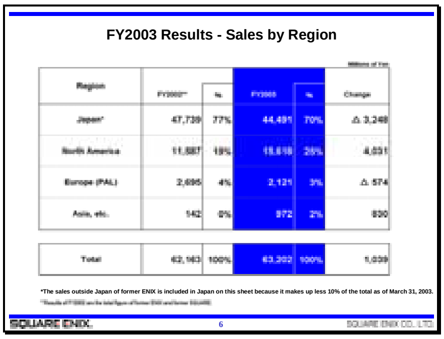
For the Publishing Business, while sales in the fiscal year before last were 6,417 million yen, sales in the previous fiscal year were 9,671 million yen, showing rapid growth. *Fullmetal Alchemist* played a significant role in this growth. Sales of *Fullmetal Alchemist* comic books released up to the current Volume 7, as well as related press material and other items, and the monthly magazine, *Shonen Gan Gan*, which includes this comic, showed significant growth and made an excellent contribution to overall sales of this business segment. With respect to game strategy guides, no major sales were posted in the previous fiscal year.

Sales of Other Businesses leveled off from the fiscal year before last, although the profit margin in that preceding year had been abnormally high. This was the impact of the *Final Fantasy* motion picture, and sales from secondary and tertiary use had been posted as a profit. Given actual operations, the results in the previous fiscal year, from 20 to 30% in terms of the operating margin can be used as a basis.

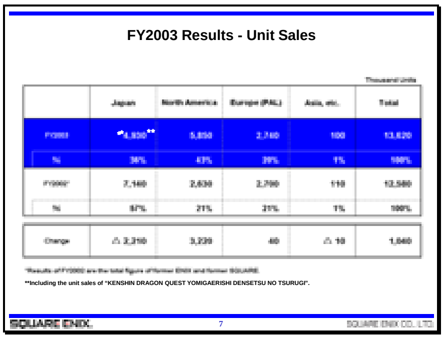
The result of eliminations and results for the entire corporation was 4,722 million yen.

For this segment, one of the key points was an increase in control due to the merger. We were able to reduce operating expenses slightly from the number prior to the merger.

Overall, sales were 63,202 million yen, operating profit was 19,398 million yen, and the operating margin was 30.7%, achieving record operating profit and margin.



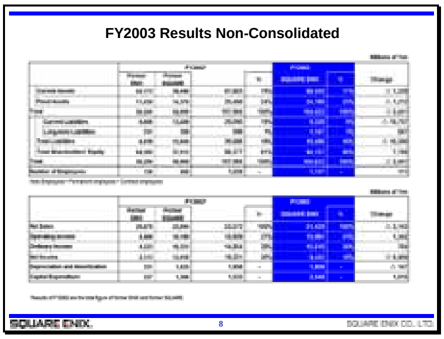
Next are overseas sales. These are the numbers of end products actually sold in each region. Comparing the previous fiscal with the fiscal year before last, sales in Japan declined, while sales in North America increased. With the Company's current process, a Japanese version is developed first, and then localized for export. Due to this, major titles are present in overseas markets roughly a year after the Japanese release. We plan to gradually shorten this delay in the release of overseas versions in the years to come.



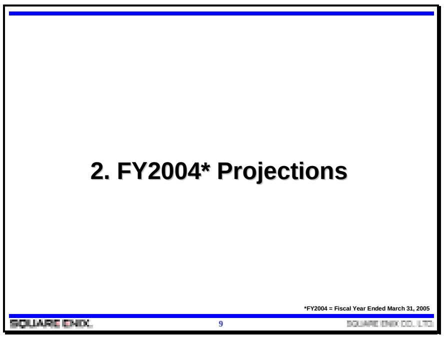
Regarding unit sales: In unit terms, sales in Japan were 4.93 million units, 5.85 million units in North America, 2.74 million units in Europe, and 100,000 units in Asia and other regions. Unit sales included not only standalone games but also the packaged software of online games. Furthermore, even though *Kenshin Dragon Quest* is not considered packaged software, sales of this title, about 500,000 units, were included in the total sales figure for Japan, as it is related to the *Dragon Quest* series,.

In Japan, there is almost no discount selling, so the wholesale price of each title is posted in sales as is. On the other hand, in North America and Europe, prices are adjusted significantly after a title's original release, so unit sales are not so closely aligned with sales. Furthermore, the 100,000 units in Asia and other regions did not include sales of *Crossgate*. As prepaid cards are used to buy this title, its sales are not counted.

When it comes to online titles, factors other than the sale of the original packaged game are involved. So even though the number of units sold may not reflect the actual state of the business, they are included in this report as reference.

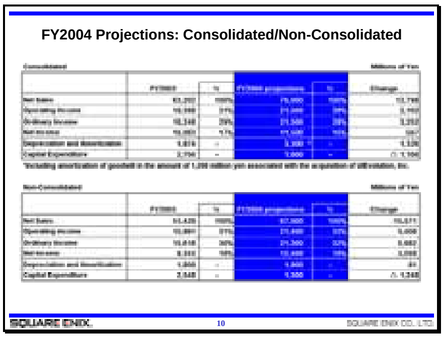


Finally, we have the non-consolidated results. Almost all of the points explained on a non-consolidated basis may be applied to these numbers. On this page, the comparison on a simple total basis is also given as reference.



Second Section: Business Plan for the Fiscal Year Ending March 2005

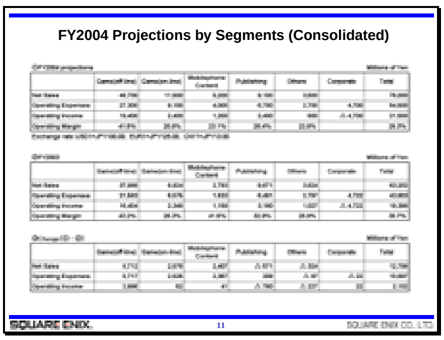
Here is the business plan for the fiscal year ending March 2005.



Our forecast for consolidated sales is 76 billion yen, operating profit/ordinary profit 21.5 billion yen, and net profit 11.5 billion yen. This signals a considerable increase in revenue and profit. However, we released the forecasted numbers for a two-year period after the merger, which include the previous and the current fiscal years. The numbers forecast in November 2002, when the merger was publicly announced, and the current numbers, are very close.

In general, our performance to date has been almost according to the plan formulated two years ago. While depreciation cost seems to have changed, that change is due to the posting of goodwill of UIEVOLUTION, 1.2 billion yen each year through straight-line depreciation over five years, in P/L.

As matters related to the transfer of the head office are eliminated, the amount of capital investment has returned to the original level.



Our business plan, by segment, is as shown.

For the Game Business, we manage income and expenditure by project. Our management style is that if a certain title is created, a project is initiated when the cutback profit rate exceeds a certain percentage. The development cost for games is posted in Assets as the account for content production, so for the profit rate in the actual sales stage, when the plan is implemented as is, the profit rate is posted as planned. The Game Business is a portfolio consisting of projects, the income and expenditure for which is managed independently. Consequently, after a certain amount of fixed costs is recouped, planned profit is almost achieved.

These fixed costs are selling and administrative expenses, such as expenses for advertising and field staff, indirect expenses and the like. Given our current business situation, most of these costs are posted in the Game Business, so the volume of fixed costs appears to be high. As a result, when any imbalance in revenue appears between the first half and the second half of the fiscal year, the profit margin appears to decline. But for the entire fiscal year, we forecast that with the recouping of fixed costs, the profit rate shown here can be achieved.

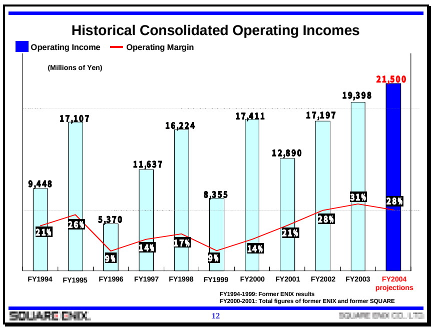
In the Online Game Business, when a packaged title is initially released, its performance appears to be the same as in the Game Business. But this business continues to provide services to members, so we adopt the model in which fixed costs are covered by membership fees. Hence, the current fiscal year will be similar to a period of advance investment. The plan to engage in publishing, distribution, and community management of *Ever Quest 2* in Japan, which we announced recently, would not have been devised in the former Enix Corporation or Square Co., Ltd. But this initiative has experimental significance in a number of bases, such as bolstering community management, handling relations with external parties in online games, and how this type of game will sell in Japan. This is another challenge, comparable to advance investment.

Sales in the preceding fiscal year were 8.9 billion yen, and in the current fiscal year 11.5 billion yen. Meanwhile, expenses in the preceding fiscal year were 6,575 million yen, but in the current fiscal year 9.1 billion yen. Our plans enhancing our presence in North America and our launching operations in Europe will be considered advance investment as well.

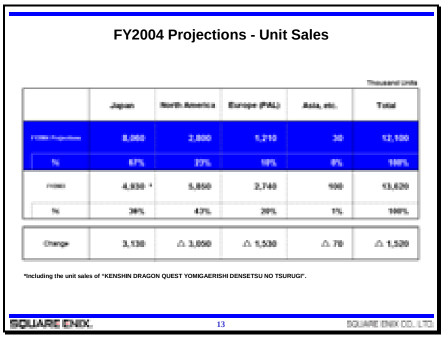
As for Mobile Content, because the titles and services are highly diversified and the business is managed as a whole, development costs are not capitalized, but the entire sum of development cost is posted as expense. Consequently, because of gaps from the timing for release, the profit margin fluctuates considerably. In the current fiscal year, we plan to produce new content as well as strengthen market presence overseas. As we plan to focus on this business further in the current fiscal year, expenses will increase significantly. Most of these expenses are related to production, and we also plan to increase overseas staff.

With respect to the Publishing Business, we cannot expect *Fullmetal Alchemist* to have the same effect it had in the preceding fiscal year, so we have relatively conservative forecasts. While the results related to *Fullmetal Alchemist* will decline, earnings from strategy guides will rise. The numbers reflect a balance between the increase and decrease.

Overall, although we plan a considerable increase in revenue, we expect relatively modest operating profit. It is because we believe that the key is to be fully prepared to further develop our business in this and subsequent fiscal years. In consequence, we will aim at achieving operating margins between 25 and 30%, and focus on expanding our front and becoming more entrenched.



Now please look at the changes in the simple total of consolidated operating profits and in the profit rate, calculated on a simple total basis. As you can see, while the profit margin in the preceding fiscal year was 31%, the planned rate in the current fiscal year is 28%. However, as we have repeated in the past several years, we aim to run the Company with target margins of between 25 and 30%. The level of 21.5 billion yen is very high compared to past results, and means that we aim to move to an even higher level.



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 "KENSHIN DRAGON QUEST YOMIGAERISHI DENSETSU NO TSURUGI".

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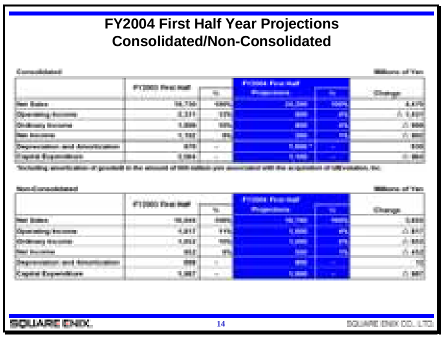
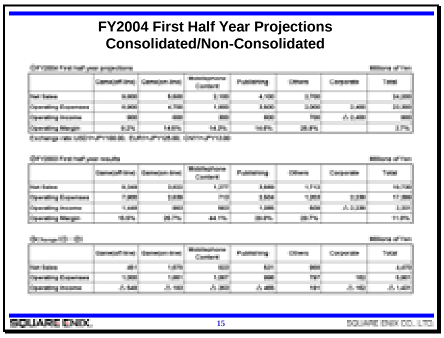
Here are unit sales for your reference. Questions such as "When will *Final Fantasy XII* be released?" and "What will happen to *Dragon Quest VIII*?" have been often asked, but as stated every year, our business plan is not based on the accumulation of individual titles. It takes into consideration the number of titles currently in the pipeline and their number of expected unit sales varying by release date. You can find the content production account in Assets in the Balance Sheet on Page 10 of the Brief Announcement of Results. It is a capitalized development cost, which means that we have a great many titles in development. In the event that a project is discontinued, an extraordinary loss is incurred as a loss on discontinued development. The risk can be measured by checking the number of titles commercialized given the past balance between the account of content production and extraordinary loss.

This table shows the balance between Japan and overseas rather than actual unit sales. As mentioned above, while we adopt the approach of releasing a major title in Japan first and then exporting it, performance to date switches between Japan and overseas on a yearly basis. Unfortunately, this trend is still present in the current fiscal year.



Here is the interim-term business plan. Regarding the balance between the first half and the second half of the fiscal year, a significant importance is placed on the second half for both consolidated and non-consolidated results.

As with the preceding fiscal year, the release of titles will concentrate in the second half of the fiscal year, so when the interim-term results alone are analyzed, the numbers are as shown.



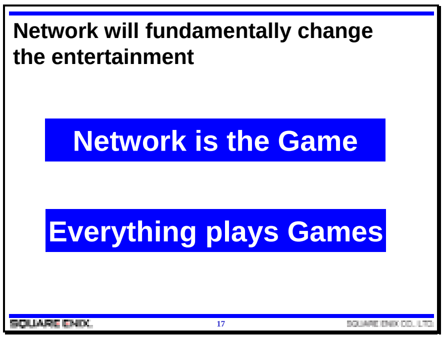
Here is the segment plan for the interim-term.

This concludes the business plan for the current fiscal year.

Section 3: Mid-Term Management Strategy

Naturally, we will significantly bolster already strong franchises--namely, *Dragon Quest* and *Final Fantasy*--but we will also continue to focus on developing new franchises. We have released one title each year that can properly be considered an independent franchise, such as *Kingdom Hearts* two years ago and *Fullmetal Alchemist*, which was a big hit last year. The major challenge for us is to continue this trend. Needless to say, we will focus on improving quality, which will, in turn, drive earnings.

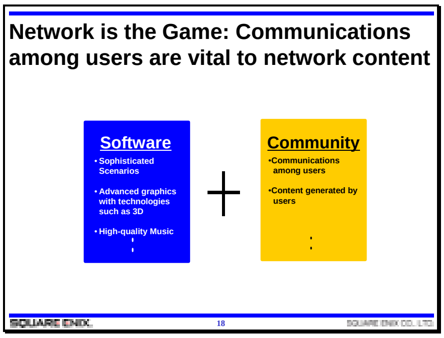
This Section 3 covers the development of these new franchises, and concepts concerning how we will respond to the changes in the gaming industry in the coming years.



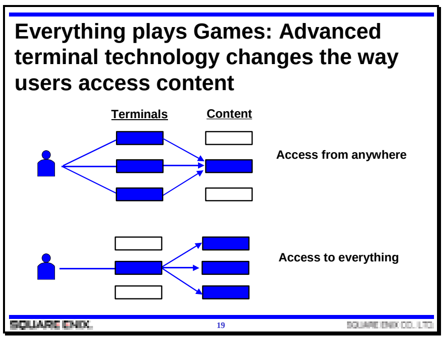
As mentioned at E3 this year, we believe that we are now in a period when the gaming environment is changing significantly from the users' perspective. We believe that the network environment is bringing substantial changes to the overall entertainment field.
"Network is the Game" and "Everything plays Games" are our catch phrases.

The phrase, "Network is the Game," denotes that network communication is a critical element in new content, and an important element of gaming. Games differ from other forms of entertainment in that they have assimilated technological advances to evolve. When this phrase is applied to the current age, it expresses the fact that the key is how to link new network technologies to provide new forms of gaming content.

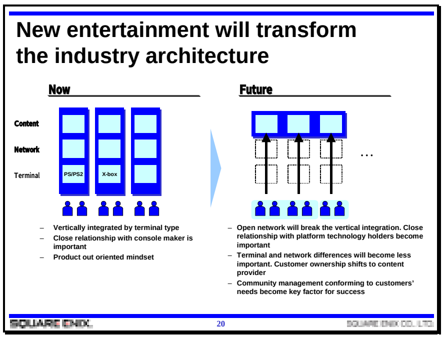
The phrase, "Everything plays Games," denotes that with multifunctional and high-performance terminals accessible to the user, he or she has the opportunity to access digital content and entertainment irrespective of the place or platform being used. This means that the environment will become much richer than it is today.



In conclusion, the phrase, "Network is the Game," represents an awareness that communication between users is an indispensable element in current games, and in addition to existing software, the online community is growing to be one of the crucial elements in content.

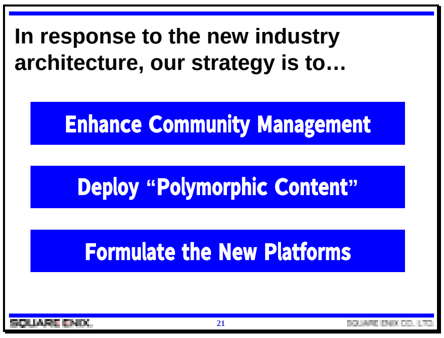


The phrase, "Everything plays Games," denotes (1) Users can access a single item of content from anywhere, such as PS, PC, or mobile phone, and (2) For example, in the case of the PS2, you can play games and watch movies on the DVD player, and, if you use the PSX, you can enjoy even more diverse information content in a greater variety of ways.
This phrase expresses the fact that, when users can access very diverse content, the mix of this content will make the environment offered to users very profound.

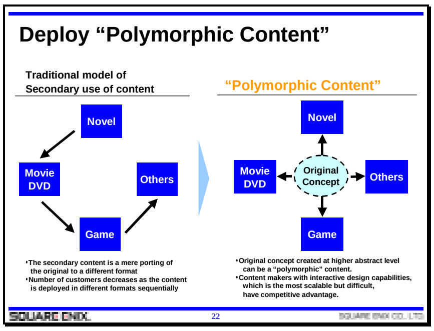


So what will arise out of this environment? We believe that the industry architecture will change completely. When we announced the merger, we used a number of expressions such as change in the ecosystem or a change in the industry. But in a nutshell, the change is like this. Under the past business structure, content, networks and terminals are vertically integrated by the type of terminal. What was important for both users and software makers on the providers' side was that game consoles provide the relationship between content and users as well as how to approach console makers. But once the ubiquitous environment of anywhere/anytime is realized, terminals themselves become transparent.

In other words, this means that vertical integration by terminal becomes a horizontal one. We believe that this is quite similar to what occurred in the PC industry several years ago. So the key in this environment will become deciding which category we bolster added value to by paying attention to the content we want to offer.

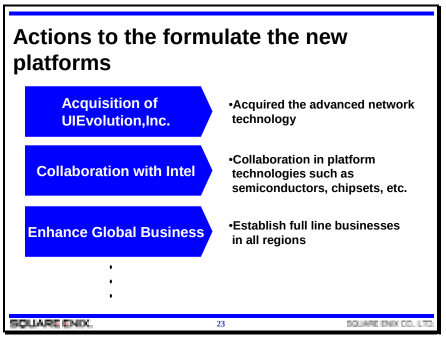


The Company's strategy to respond to this new industry architecture is to bolster community management, something that had not existed in this category in the past. Although we mentioned before that two elements, content and community, comprise the content, as our society has not had experience with community, the awareness of how to manage it and how to improve the quality of it has not existed. But based on our experience in the development/operation of online games, we have been able to develop this awareness: Improving the quality of community has become a major added-value to offer to users. We plan to place considerable focus on online games, mobile content and other network-related services.



Let us now move on to discuss the development of polymorphic content. Although this might be a slightly difficult term to understand, with existing development using two dimensions, the situation is like what you are looking at now. The order of things up to now was like this: first there exists a book; it is turned into a motion picture; the motion picture is turned into a DVD; then it is broadcast on TV; then it is turned into a game; and finally the character-based goods and other products are released. But once users are able to experience diverse entertainment from one terminal, to describe the spread of preferences of a user for a single content item, it is necessary to consider what kind of marketing is available. Based on this idea, we devised polymorphic content. It is not a way of creating one thing and then moving on to sequential, secondary development, but rather of creating an original worldview including the features of the terminal and the characteristics of a method of expression and then developing that in a multifaceted manner. We plan to enhance our particular commitment to original content as a weapon. We will show you specific examples and explain each of them on that particular occasion. But we will announce what we plan to do from a conceptual aspect in advance.

The trend of turning established concepts into content--such as turning sports and motion pictures into video games--and the trend of games becoming specialized as secondary products, have both been prominent, as was evident at this year's E3.However, the expression patterns and grammar of existing content are applied to games, so we believe that the spread of the worldview itself will face a certain limit, and so that trend will not continue for that long. Further, when it comes to products for secondary use, we believe that, when the environment in which one terminal can access diverse content is realized, earnings will concentrate on one party which holds rights to the originals. As a result, unless we possess original content, the situation will be quite tough for us. Therefore, we will base our development on this new paradigm.



Finally, let us talk about the “Formation of new platforms.” This does not mean that we intend to be a hardware maker. Although existing game consoles are self-contained as one box, given the introduction of network and multi-function environments, we believe that a platform will no longer be built by one company or be one box. Given that the industry structure is changing, unless we forecast the moves of other companies quite precisely, things will become increasingly complicated, resulting in limitations on business development. So we think that to build up what the platform is in a wider sense from a conceptual aspect is a major task. In that context, we acquired UIEVOLUTION and began information exchange, including roadmaps, with INTEL. In terms of global development, it is necessary for us to prepare a situation in which an exit for earnings exists in each base and each base also serves the functions of the head office. So we have decided to fully prepare ourselves by securing top-level human resources at all bases--namely, North America, Europe and China.

This concludes the report for the account of the fiscal year ending March 2004, the business plan for the current fiscal year, and the mid-term strategy.

As a final note, we would like to add that personnel changes are described on the final page of the Brief Announcement of Results released today. A year after the merger, we are on track as a new company. So we are announcing the internal transfer of directors for the new structure. This new structure will be official after approval is given at the general shareholders meeting. From a structure consisting of the chairman Mr. Fukushima, the president Mr. Wada, the vice-president Mr. Honda, and the directors Mr. Chida and Mr. Naruke, we will change to the one that leaves Messrs. Wada, Honda, Chida and Naruke in place, and that adds as directors Mr. Kawazu, the top creator who has been a contributor since the foundation of the former Square Co., Ltd., as well as Mr. Matsuda, who will take charge of finance. The changes reflect the Company’s commitment to acting on a consolidated basis in global development.

Mr. Fukushima has not been reappointed as director, but will become an executive advisor and honorary chairman, in which capacity he will continue to advise us.