FY2004 Results
Briefing Session

SQUARE ENIX

May 24, 2005

We will now begin the briefing on the results of SQUARE ENIX CO., LTD., for fiscal 2004, ended March 31, 2005.

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:

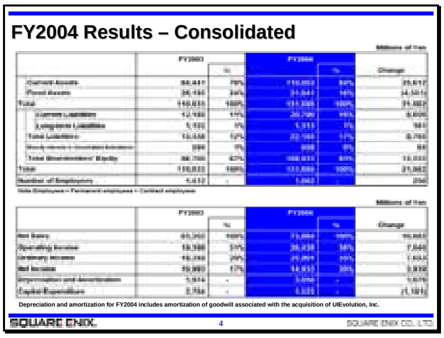
1. changes in economic conditions affecting our operations;
2. fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar and the Euro;
3. our ability to continue to win acceptance of our products and services, which are offered in highly competitive 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.

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

1. FY2004* Financial Results

*FY2004 = Fiscal Year Ended March 31, 2005



In conjunction with the materials we have distributed, and the consolidated financial results, I would like to briefly review our results for fiscal 2004.

Net sales and operating income are at the same level as planned, and operating income marked a record high. Let us take a look at some of the details.

(Please turn to page 15 of the consolidated financial results for the consolidated statements of income.)

Looking at net sales, cost of sales and gross profit, it can be seen that gross profit is:

¥41,117 million (65.1% of net sales) for fiscal 2003
¥48,161 million (65.2% of net sales) for fiscal 2004

While these figures are impressive, gross profit as a percentage of net sales has remained almost unchanged. We believe this is due primarily to our well-balanced business portfolio.

Next, you will notice that selling, general and administrative (SG&A) expenses are:

¥21,569 million for fiscal 2003
¥21,975 million for fiscal 2004

SG&A expenses increased approximately ¥400 million. We believe this to be the result of our successfully controlling fixed costs. Any increase in net sales contributes directly to our profit margin.

Next is non-operating profit and loss.
A foreign exchange gain of ¥296 million was posted this period, compared with a foreign exchange loss in the previous period.
Under non-operating expenses, we recorded loss on write-off of content development account of ¥983 million.
While we posted approximately ¥15,000 million in development expenses on the consolidated balance sheets, we are reevaluating this for the current business environment. For those items that were decided not to be released during this reevaluation process, we have posted a non-operating expense under loss on write-off of content development account.

Extraordinary profits and losses are due to profit and loss noted while disposing of investment securities. There are no major items left here.

Net income totaled ¥14,932 million.

(Please turn to page 13 of the consolidated financial results for the consolidated balance sheets.)

Total assets increased ¥21,061 million, from ¥110,633 million to ¥131,695 million. This shows that earnings during the period resulted in an equivalent increase in assets.
The amount of notes and accounts receivable depends on whether we have end-of-year titles.
Content production account increased ¥5,381 million, from ¥10,128 million to ¥15,510 million. This is due to our planning a major title release in fiscal 2005, ending March 31, 2006, as well as a higher than usual number of planned releases.
Investment securities decreased ¥2,221 million as a result of the redemption

of government bonds amounting to approximately ¥2,000 million, and the resulting conversion to cash.

Concerning liabilities and shareholders' equity on page 14 of the consolidated financial results, accrued expenses under current liabilities increased. This is because our loss carried forward was exhausted in the previous period.

(Please turn to page 17 of the consolidated financial results for the consolidated statements of cash flows.)

Cash flows increased ¥22,567 million, due mostly to an increase in cash flows from operating activities.

Regarding cash flows from investing activities, apart from the acquisition of U.S.-based UIEvolution, Inc., in the previous period and the redemption of government bonds in this period, there are no major items.

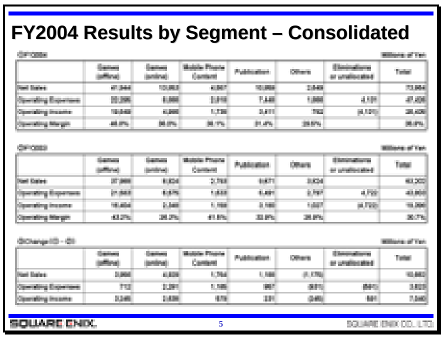
Cash flows from financing activities consisted mainly of payment for dividends.

We have now reached the level where we are able to create ¥10,000 million to ¥15,000 million in cash per annum at cruising speed.

In terms of employee numbers, while we envisage a final number of approximately two thousand several hundred employees, we increased numbers from 1,412 to 1,662 employees this period, an increase of 250.

Capital expenditures decreased approximately ¥1,100 million.

We expect that expenditures on network-related servers will gradually increase to accommodate an increase of online game members, as will expenditures on development equipment as the next generation of game consoles is released. The costs at this stage are still minor.



Next, I would like to look at each business segment.

Over this period, our Games (Offline), Games (Online), Mobile Phone Content and Publication segments have grown as planned.

In the Games (Online) segment, FINAL FANTASY XI has entered a stable period and is growing more and more efficient. While it may appear that its profit margin will continue to rise unabated, once a new title is released we expect this to change.

Capital expenditures outlined on page 26 of the consolidated financial results provide you with an overview of capital investment by segment.

For example, in the case that investment is made into servers for online games, it would be posted under Games (Online), and if development hardware is bought for game development, it would be recorded under Games (Offline).

FY2004 Results – Sales by Region

Millions of Yen

Region	FY2003	%	FY2004	%	Change
Japan	44,491	70%	59,092	80%	14,601
North America	15,618	25%	12,295	17%	(3,323)
Europe (PAL)	2,121	3%	1,298	2%	(823)
Asia, etc.	972	2%	1,179	2%	207
Total	63,202	100%	73,864	100%	10,662

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Next is overseas sales. Currently, we localize products developed in Japan and then sell them overseas. Accordingly, increases and decreases in sales are not necessarily a result of market trends, but are more a result of our process in bringing products to market. While we are working gradually towards leveling out domestic and overseas sales, the situation will remain relatively unchanged in fiscal 2005 and 2006.

Fiscal 2004 was a year in which domestic sales were heavily emphasized.

FY2004 Results – Unit Sales

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2004	6,300	3,760	820	70	11,050
%	57%	34%	8%	1%	100%
FY2003	4,930	5,850	2,740	100	13,620
%	36%	43%	20%	1%	100%
Change	1,370	(2,090)	(1,920)	(30)	(2,570)

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Regarding unit sales, for the same reasons mentioned above, there is a lack of balance between domestic and overseas sales.

FY2004 Results – Non-Consolidated

Millions of Yen

	FY2003	%	FY2004	%	Change
Current Assets	80,435	77%	103,276	83%	22,841
Fixed Assets	24,188	23%	[illegible]	17%	[illegible]
Total	104,623	100%	[illegible]	100%	[illegible]
Current Liabilities	8,338	8%	[illegible]	14%	[illegible]
Long-term Liabilities	1,147	1%	[illegible]	1%	[illegible]
Total Liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Shareholders' Equity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	104,623	100%	[illegible]	100%	[illegible]
Number of Employees	[illegible]	–	[illegible]	-	[illegible]

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	FY2003	%	FY2004	%	Change
Net Sales	51,429	100%	[illegible]	100%	12,521
Operating Income	15,881	31%	[illegible]	38%	[illegible]
Ordinary Income	[illegible]	[illegible]	[illegible]	37%	[illegible]
Net Income	[illegible]	18%	[illegible]	21%	[illegible]
Depreciation and Amortization	1,808	–	[illegible]	-	[illegible]
Capital Expenditure	2,548	–	[illegible]	-	[illegible]

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Non-consolidated results differed very little from consolidated results. At present, our ratio of consolidated to non-consolidated is extremely low, and accordingly there is very little gap between the two.

This concludes our report on financial results for fiscal 2004.

2. FY2005* Projections

*FY2005 = Fiscal Year Ended March 31, 2006

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I would now like to outline our business plan for fiscal 2005, ending March 31, 2006.

FY2005 Projections – Consolidated/Non-Consolidated

Consolidated — Millions of Yen

	FY2004	%	FY2005	%	Change
Net Sales	73,864	100%	90,000	100%	16,136
Operating Income	26,438	36%	27,000	30%	562
Ordinary Income	25,901	35%	27,000	30%	1,099
Net Income	14,932	20%	15,500	17%	568
Depreciation and Amortization	3,050 *	-	3,100 *	-	50
Capital Expenditure	1,323	-	2,000	-	677

*Including amortization of goodwill associated with the acquisition of UIEvolution, Inc.

Non-Consolidated — Millions of Yen

	FY2004	%	FY2005	%	Change
Net Sales	63,950	100%	75,000	100%	11,050
Operating Income	24,880	39%	21,000	28%	(3,880)
Ordinary Income	23,633	37%	21,000	28%	(2,633)
Net Income	13,983	22%	12,000	16%	(1,983)
Depreciation and Amortization	1,657	-	2,500	-	843
Capital Expenditure	1,338	-	2,300	-	962

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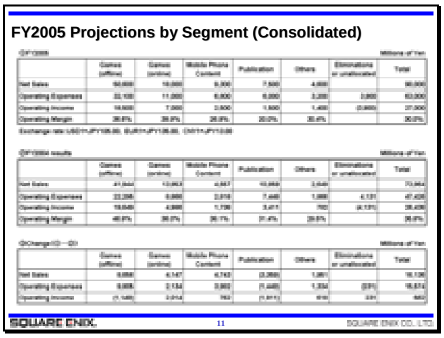
We are targeting net sales of ¥90,000 million and an operating profit margin of 30%.

In terms of profit, next generation models will be brought out for game consoles, and accordingly we must be very conservative with our profit estimates.

We announced at E3 that we would be releasing FINAL FANTASY XII in fiscal 2005, which will boost profits through increased revenue. Several other titles will also be released during the same fiscal period. While we are not expecting any major fluctuations in cash, development costs that are currently being capitalized will all be transferred as costs in line with releases, and from an accounting perspective it will appear that costs are higher. Accordingly, we are expecting profit and loss to be around this level.

When we announced our merger in fiscal 2002, ended March 31, 2003, we stated, “There will be major changes in industry structure in the game industry in fiscal 2005 and 2006. In order to lead the fight through this period we are merging our two companies that at present are in a complementary relationship.” Recently, various mergers and acquisitions have been reported in this industry, but they are all outcomes that we foresaw, and we have not had to modify our view of the current environment. With regard to our business plan, within an error of a few percent, we have been able to obtain the results for the first and second fiscal years that we forecast at the time of our merger.

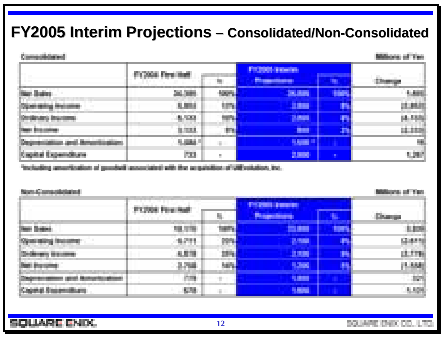


While we believe that sales of packaged software will increase substantially, this fiscal year will be the last before moving onto new game consoles, and we have chosen these figures based on the assumption that this will have an adverse effect on price.

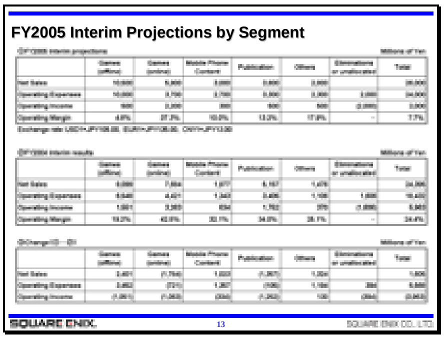
For online games, we have several titles they may or may not start billing before the fiscal year-end. Although it may appear that growth is slowing down, when fiscal 2005 and 2006 are taken into consideration together then there is very little change.

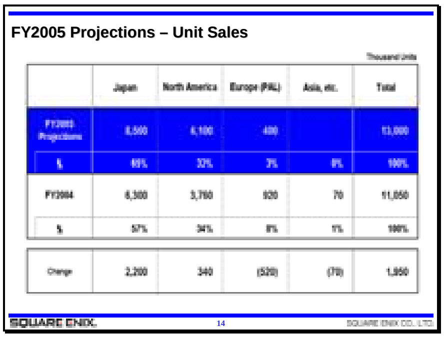
In publication, FULLMETAL ALCHEMIST had a major impact on results in fiscal 2003 and 2004. We are taking into account a drop in this impact.
Further, we have also reflected in our figures the possibility of scaling down publication of our game strategy guides.
Over the past fiscal years, the situation has been one where special factors have had large impacts, and we have chosen figures that exclude these special factors.

We are currently aiming for net sales of ¥90,000 million, operating profit of ¥27,000 million and an operating margin of 30%.



For the interim period, several titles that we had hoped to release in the second quarter have slipped to the second half, and as adjustment of release timing is carried out, it is very easy for more emphasis to go on to the second half.
Another factor is that if release does not make it in time for spring, sales will be stronger if we wait until winter—so there is quite a difference between the two halves of the fiscal year.



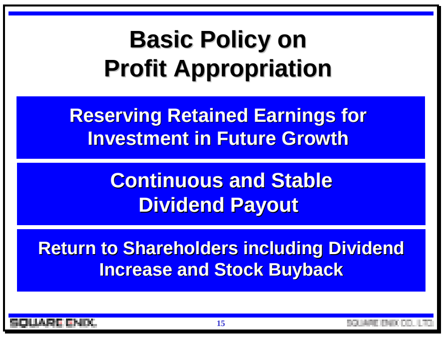


FY2005 Projections – Unit Sales

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2005 Projections	8,500	4,100	400		13,000
%	65%	32%	3%	0%	100%
FY2004	6,300	3,760	920	70	11,050
%	57%	34%	8%	1%	100%
Change	2,200	340	(520)	(70)	1,950

We forecast sales of 13 million units.



As concerns cash on hand, we currently have incidental expenses of approximately ¥30,000 million. About 60% or 70% of our developers are working on packaged software, and as the development period for packaged software is close to two years, developers will be devoted to these titles for that time. During this period, we do not record any revenue. Accordingly, if 60% of ¥35,000 million is tied up for two years, then we believe that we can manage to finance our operations with ¥40,000 million cash, and ¥50,000–¥60,000 million would stabilize our operations considerably.

If we were able to raise funds flexibly, we wouldn't need cash on hand. However, stock and financial markets are known to move unexpectedly, so it is necessary that we maintain a certain level of cash.

While I have mentioned this point before, we look to change the structure of our company in fiscal 2005 and 2006, and are planning to use some of this cash in pursuing alliances with other companies as well as investment opportunities.

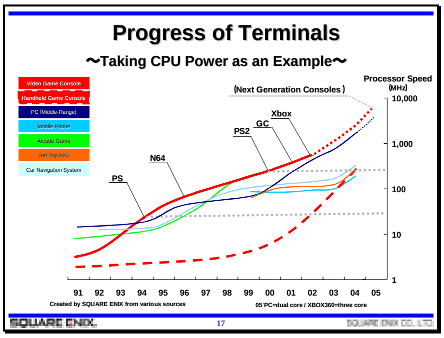
The current slide shows our basic policy on profit distribution.

We of course reserve retained earnings for investment in future growth.
Aiming toward continuous dividends, we are targeting a dividend payout ratio of approximately 30%.
We are conscious of stability in payment amounts and accordingly have not fixed a percentage, but we are aiming for this figure.

We plan to use any remaining funds to either increase shareholder dividends or perform a share buyback.

This concludes our business plan for fiscal 2005.

In this section, even though some of the content may seem similar, I would like to introduce our "Cross Platform Strategy."



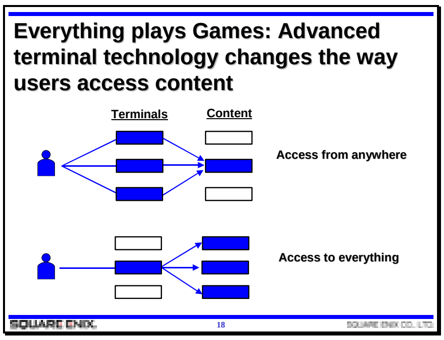
This graph shows time on the horizontal axis and performance (only in terms of CPU powers) on the vertical axis.

At this year's E3, next-generation game consoles were announced. Looking at the graph, you will no doubt notice that, as always, game consoles are far outstripping other terminals in terms of performance. However, by widening our field of view, we can identify two facts.

The first is that all terminals are now able to support some form of interactive content. We have always followed the performance supply curve, but by viewing the demand curve from the user perspective, all terminals (based on a simple comparison of CPU powers) have now reached the level of PlayStation 2. Most customers no longer require leading-edge technology to be satisfied. All terminals have reached this "acceptable level" during the last year.

The second is that all terminals now have network connectivity capability.

The logical conclusion to draw from these facts is that sooner or later, all terminals will become just a "window" to the user. We believe it is crucial to provide users with our content and services through any of these "windows" (terminal/media). This is our Cross Platform Strategy.

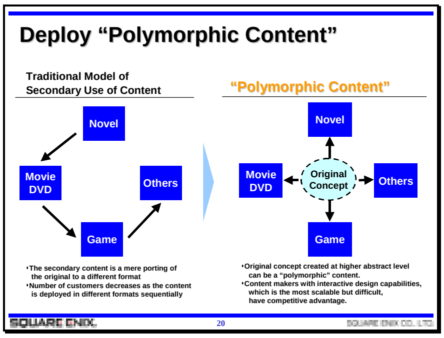


If this happens, we envisage a situation like the one outlined in the chart.

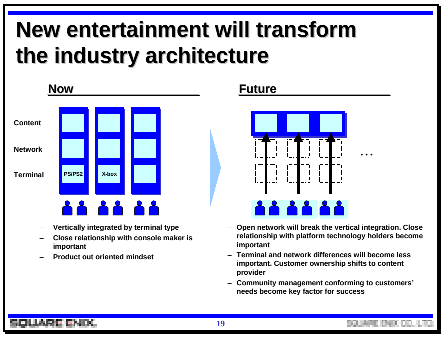
Something like from anywhere to anywhere.

Developing new opportunities based on the top row is the "Cross Platform Strategy" discussed above.

Trying to utilize the model shown on the bottom row is the "Polymorphic Content Strategy."



Since a wide range of content, including movies, games, etc., can be accessed from the same terminal, the user can switch between content extremely easily. The aim of the Polymorphic Content is to use this situation to place creating several forms of expression of one world vision such as movies, games at the center of our marketing strategy.



When the industry architecture changes, deciding which field and which level to be a player in is the most important strategy decision for a company.

We believe that our place in the industry will be subject to trial and error, the winners of the initial battles will be decided and a rough map of the industry will emerge in fiscal 2005 or 2006.

We will devote all our resources to becoming the largest and best content provider and to taking the industry-wide leadership.

We believe it is vital that we focus our business based on these assumptions.

We believe that fiscal 2005 and 2006 will be a very tumultuous period and although the ideas presented today may change by the minute, we hope that we have been able to give everyone a general idea of what direction our company is currently heading.