FY2006 Nine-Month Period Results Briefing Session

SQUARE ENIX

January 30, 2007

SQUARE ENIX 1 SQUARE ENIX CO., LTD.

Please let me begin our briefing on the results posted by SQUARE ENIX for the nine-month period of fiscal 2006, which ends March 2007.

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.

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FY2006 Nine-Month Period Results

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In the first half of this session today, I'd like to explain our operating results for the nine-month period under review along with the revised forecast for full-year results. Then, in the second half of the session, I'll be reporting on the progress of our initiatives to bolster the income of the Amusement segment (TAITO Corporation).

FY2006 Nine-Month Period Results
Balance Sheet as of December 31, 2006

Millions of Yen

	As of September 30, 2006	%	As of December 31, 2006	%	Change
Current Assets	136,924	65%	136,854	66%	(70)
Non-Current Assets	75,206	35%	71,644	34%	(3,562)
Total	212,130	100%	208,498	100%	(3,632)
Current Liabilities	35,762	17%	27,346	13%	(8,416)
Non-Current Liabilities	53,259	25%	53,011	25%	(248)
Total Liabilities	89,021	42%	80,357	39%	(8,664)
Net Asset	123,109	58%	128,141	61%	5,032
Total	212,130	100%	208,498	100%	(3,632)

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Results for the nine-month period reveal steady progress in virtually all business segments, as you can see in the Summary of Consolidated Financial and Operating Results for the Nine-Month Period, which we have distributed to you.

In the balance sheet at the end of December 2006, you will note some minor changes with very few substantial differences. For your reference, if you look at the figures for fiscal 2005 (the end of the previous fiscal year) and the nine-month period of fiscal 2006 (ending December 2006) on the right side of page five of the Summary of Consolidated Financial and Operating Results for the Nine-Month Period, you will notice that total assets have been changed from 213.3 billion yen to 208.4 billion yen, although there are few changes under individual items. The item showing the biggest change is deferred tax assets under current assets, but it is natural for this to change when crossing fiscal years. Likewise, there is almost no change in the structure of liabilities. Consequently, the results for the nine-month period remain firm, with no material changes.

FY2006 Nine-Month Period Results
Statement of Income from April to December 2006

Millions of Yen

	(for reference)	Nine months period ended December 30, 2006		(for reference)		(for reference)
	April 1, 2006 to September 30, 2006	October 1, 2006 to December 31, 2006	April 1, 2006 to December 31, 2006	FY2006 Projections	Previous projections	FY2005
Net Sales	75,959	47,076	123,035	160,000	(150,000)	124,473
Operating Income	9,169	10,487	19,656	22,000	(19,000)	15,470
Operating Margin	12%	22%	16%	14%	(13%)	12%
Recurring Income	9,400	10,828	20,228	22,000	(19,000)	15,547
Net Income	3,319	5,776	9,095	11,000	(11,000)	17,076

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Let me turn now to our statement of income. On this slide, we have included for your reference the revised figures for our full-year results forecast, which we announced today. Net sales have been revised upward, from 150 billion yen to 160 billon yen, while both operating income and recurring income were revised upward, from 19 billion yen to 22 billion yen. Net income remains unchanged.

Results up to recurring income are very favorable. In our Amusement segment, however, we will be completing financial procedures within this fiscal year, so that we can make a fresh start in the next fiscal year, as we explained when we announced the first-half period results.

Below recurring income, we expect to post considerable amounts of both profits and losses. Although we will endeavor to avoid any major impact on net income for the current fiscal year, we are keeping our net income projection unchanged at this point because it will depend on the decisions on final account settlement (closing).

FY2006 Nine-Month Period Results
Results by Segment

The nine-month period ended December 31, 2006

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	40,298	10,568	4,396	8,135	56,369	3,267		123,035
Operating Income	13,824	4,998	724	2,555	(754)	1,297	(2,989)	19,656
Operating Margin	34.3%	47.3%	16.5%	31.4%	(1.3)%	39.7%	-	16.0%

For reference; FY2005

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	45,916	15,720	5,067	9,742	41,069	6,957		124,473
Operating Income	9,590	5,907	726	2,866	(1,170)	2,007	(4,457)	15,470
Operating Margin	20.9%	37.6%	14.3%	29.4%	(2.8)%	28.8%	-	12.4%

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I would now like to brief you on our results by segment. The upper table on the slide shows the cumulative total for the nine-month period under review. The lower table has the actual full-year results for 12 months of fiscal 2005 (the previous fiscal year).

The figures for the Amusement segment (TAITO Corporation) appear to be comparable with the full-year results, but the consolidated figures happen to look alike because earnings for only the second half were consolidated for the previous fiscal year, while results for the nine months from the beginning of the term were consolidated for the current fiscal year.

One of the differences between this fiscal year and last year is that we released many major titles in overseas markets this year. Although we launched *DRAGON QUEST MONSTERS-Joker* at the end of 2006 and *FANAL FANTASY III* in the first half in Japan, the key difference is that overseas sales have been expanding during this current fiscal year.

The Online Games segment is progressing steadily. The Mobile Phone Content segment has been recovering, as reported in the first half, while the Publication business is also doing well.

As noted, all of the Games, Online Games, Mobile Phone Content, Publication and Others segments remain solid, mostly in line with expectations.

While we have been saying that the Games (Offline) business is in a temporary lull, we are now preparing for rapid progress towards a new environment by changing our development system in this and the next fiscal years. This includes, for instance, developing common engines. We will not be releasing full versions of major next generation titles in the current fiscal year, as we are still in the preparation stage. We will gradually launch titles from the next fiscal year, although we are unlikely to put out a large number of major titles in rapid succession.

I therefore look forward to making solid profits from smaller titles by porting titles to new devices and remaking titles until the next fiscal year. Since it is inevitable that profit margins will decline compared with the time when Play Station was at its peak, we will therefore endeavor to maintain absolute profit levels.

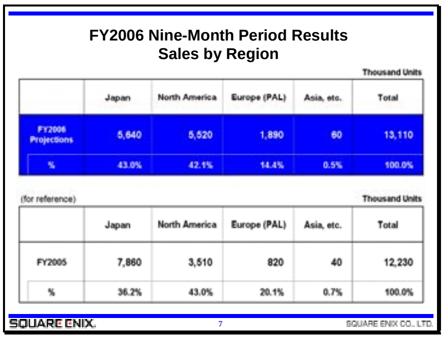
The Online Games segment remains firm. As we are continually developing new titles, there is no figure we can commit to at this point. However, there may be some upside in segment results from the next fiscal year.

In the Mobile Phone Content segment, since our domestic operations have been on very firm ground, some upside can be expected, once overseas operations get on track.

The Publication segment remains healthy, and the baseline is rising. I believe that segment results will be in line with our expectations, and we are also looking forward to the results for the next fiscal year.

In the Amusement segment, we will endeavor to eliminate all negative legacies by the end of the current fiscal year.

This is the situation through the nine-month period and the future outlook. There is no change from what I have been saying to this point.



FY2006 Nine-Month Period Results
Sales by Region

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2006 Projections	5,640	5,520	1,890	60	13,110
%	43.0%	42.1%	14.4%	0.5%	100.0%

(for reference) Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2005	7,860	3,510	820	40	12,230
%	36.2%	43.0%	20.1%	0.7%	100.0%

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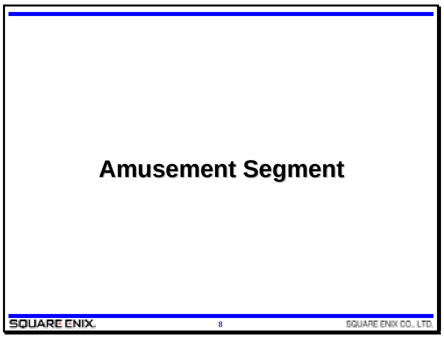
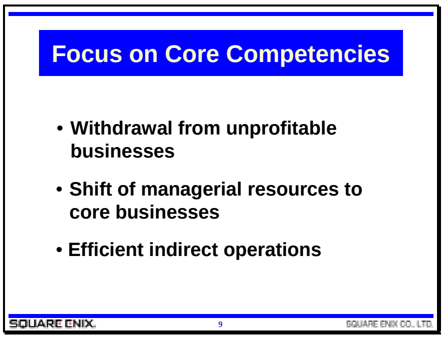
Next, I would like to talk about unit sales.

During this fiscal year, overseas sales have been accounting for a growing percentage of our total sales.



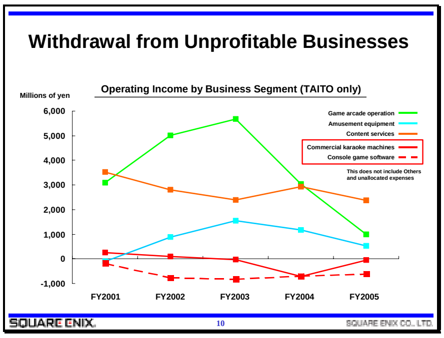
Let me now explain the Amusement segment (TAITO Corporation).



Our strategy is very straightforward: We will focus on our core competencies.

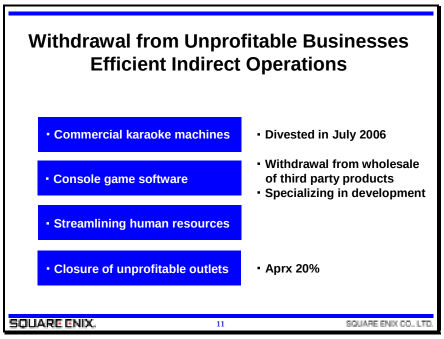
This means withdrawing from unprofitable businesses, reallocating resources to our core businesses, and building efficiency in our indirect operations.

We are in fact doing the same thing we did at the former SQUARE and at the post-merger SQUARE ENIX. Whether we can achieve these targets will depend entirely on how quickly and comprehensively we execute our tasks, sticking to the basics. This is not a particularly high-level strategy; rather it is a matter of execution.



Let me first explain our withdrawal from unprofitable businesses.

The graph here shows actual operating income over the last five years. I will explain in a moment how we will bolster our game arcade operation (profits from game center facilities) shown by the green line, amusement equipment (profits from selling commercial game machines that are supplied to game centers), the blue line, and content services (profits primarily from the mobile phone content business, including certain peripheral businesses such as karaoke machines for home use), shown by the orange line. In contrast, two businesses (the commercial karaoke machines and the console game software businesses) shown by the red lines towards the bottom are very difficult to maintain. The commercial karaoke machines business has been at the edge of the water line, falling into the red in the most recent period, while the console game software business has been making a loss over the last several years.



As I have already reported, we completed the divestiture of the commercial karaoke machines business in July 2006.

In the console game software business, there are only 40 to 50 development staff. The reason why this business has been consistently making a loss of 500 million to 1,000 million yen annually with this number of staff is attributable to its practice of purchasing third party game software products for resale to the market.

SQUARE ENIX releases 10 to 20 titles a year in Japan, while TAITO Corporation releases 80 to 100. The difference is that TAITO Corporation relies more heavily on the resale of third-party products. This practice has produced accumulated losses, and we have been scaling back the purchase of third-party products from the fall of last year. Because there are some unique products among its in-house titles, it has been specializing in development and then joining forces with SQUARE ENIX in sales and marketing.

Consequently, the problems of the commercial karaoke machines business and the console game software business have been resolved.

Currently, we employ about 1,000 people. As we move forward with our strategy of focusing on core competencies, we will face the inevitable task of reallocating our human resources. We need to adopt a new formation. Accompanying this, we are in the process of soliciting voluntary retirement with a limit somewhere of about 200 and several tens of employees. We plan to provide an allowance for this process within the current fiscal year.

Although the number of game arcades we owned was approximately 240 (actually 235, down to 225 as of the end of December 2006) at the beginning of this fiscal year, we will close some 40 arcades that have high fixed costs such as real estate expenses. After shutting down approximately 20% of our game arcades, we will shift our resources to outlets that have the potential to generate profits, and we will expand from there.

Through these initiatives, we will eliminate the negative legacies of TAITO Corporation.

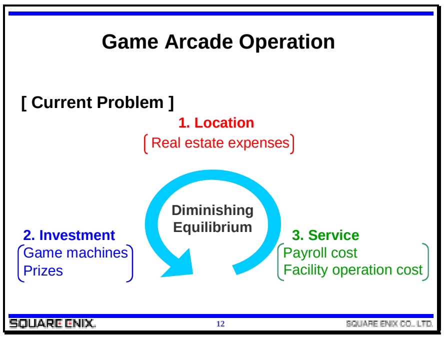
Once we have eliminated these negative elements, we will go on the offensive.

We will definitely be working to create synergy between TAITO Corporation and SQUARE ENIX, but while we wait for this to become a reality, we will operate the two companies independently of each other for about two more years, as we believe that both companies need to focus on being strong in their respective areas. Although we will operate some joint businesses such as the kids' card game machines of DRAGON QUEST we announced recently, it will be a little while before we integrate operations with TAITO Corporation in a comprehensive way.

Broadly speaking, the business of TAITO Corporation consists of (1) the game arcade operation, (2) the development of commercial and console games, and (3) other network-related new businesses (at present, primarily the mobile phone content business).

With regard to strategies of how to develop these three areas, we will begin by strengthening the game arcade operation. If we first focus on improving profitability and then shift in the direction of expanding market share, the manufacturing division will be able to establish a stable development plan. As such, this strategy will become effective in the manufacturing division, probably with a time lag of one or two years.

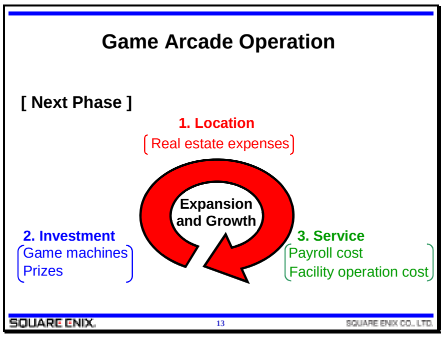
In the network-related businesses centering on mobile phone content, sales distribution to carriers has been disproportionate. In the sales structure of TAITO Corporation, shares are distributed to the three leading carriers in inverse proportion to their normal market shares. Softbank accounts for the largest share, followed by KDDI, with NTT DoCoMo making up the smallest share. By readjusting this balance, the network-related businesses will become much stronger than ever. In addition, since TAITO Corporation has been pursuing operations in both games and music, it has a wealth of new ideas. We will strive to generate fresh ideas in actual operations one after another. I believe that these initiatives will also produce outcomes this year or next.



The game arcade operation has been structured as shown on this slide.

Since the industry in general is focusing on acquiring good locations, real estate suppliers are encouraging excessive competition, leading to skyrocketing real estate expenses. Even if game arcade operators spend heavily on the real estate, they can't generate income unless they invest in game machines and provide good customer service. Instead, what happens is that stale and unused game machines remain on the premises, the result of excessive investment in real estate at the expense of game machines and other aspects.

Game machines are depreciated over three to five years. Since profits appear on the books only after the write-off has been completed, the industry as a whole tends to be inherently inclined to the idea of making quick money after ending the write-off and then holding on to game machines for a long time. In addition, since game arcade operators are burdened with their heavy investment in real estate, they have limited funds available for game machines, and this delays the introduction of new machines. Other costs such as payroll costs for crew, facility operation costs and interior costs also come under pressure. As they try to increase income by expanding their frontier by opening new game arcades rather than by improving income at existing outlets, they invest ever larger sums in real estate. We have recognized that this is not a problem when the industry generally is robust, but the industry is structured in such a way that it enters a negative spiral once demand flattens.



We will reverse this negative spiral. We will close those game arcades that are struggling with high real estate expenses, completing the financial procedures associated with the closures within the current fiscal year. From next year we will aggressively operate our own outlets, as well as rental and franchise outlets.

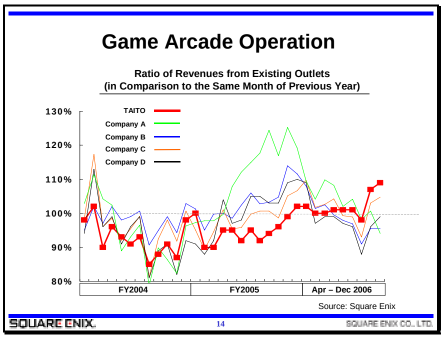
In addition, instead of buying locations with cash, we will create a brand that can attract customers even if the outlet is not in their immediate vicinity. Currently, TAITO Corporation uses different advertising displays inconsistently. We will focus on this issue and create a brand that will entice customers to walk extra 50 meters. If real estate expenses decline to a reasonable level, the investment recovery will accelerate, even if we invest more in game machines.

We will ignore industry wisdom and hasten the game machine turnover by investing aggressively, purchasing machines immediately after we have recovered our investment. Since this will increase the contribution of machine updates to sales, we will be able to benefit from leverage. We will outlay the funds that had been used for real estate costs to purchase game machines.

In services, we will provide training to part-time workers in a more systematic way, setting up a budget for this.

In any case, our strategy is to reverse the long downward trend being experienced by the Amusement segment, attributable to the practice of buying the location with money.

We will lay out the framework for this system by the end of the current fiscal year, and I believe that we will be able to operate game arcades in a more orderly manner from April.



In this fiscal year, we have been working to identify and sort through problems and to improve our structure in problem areas. These initiatives have been raising awareness in the workplace, which has begun producing some real outcomes.

This slide shows a year-on-year comparison of revenues from existing outlets.

In reality, the sum of profits of new and existing outlets will be an absolute amount of profits, and I believe that the chart will be useful as a leading indicator, to determine the outcomes being produced by our initiatives, since this is a year-on-year comparison of figures long before actual profits are materialized in the gross.

TAITO Corporation has been constantly ranked one of the lowest among industry peers through fiscal 2004, fiscal 2005, and the April and December 2006 period, with the exception for early fiscal 2005. For fiscal 2004 and fiscal 2005, since there was only one month when the figure exceeded 100%, it means that revenues have been declining on a year-on-year basis for two years. These results are reflected in the figures by segment I explained earlier, but from April 2006, the figure has rarely fallen below 100% in contrast with the overall movement in the amusement industry. The overall industry trend has been a significant downturn since January 2006, but we are showing impressive resilience by maintaining the 100% level.

Also since October 2006, TAITO Corporation has been ranked highest in the industry in the leading indicator of year-on-year revenues from existing outlets, and the atmosphere in the workplace has been changing. Since this development will translate into actual profits in the future, I believe that what I mentioned earlier will function well as an extremely practical strategy, although it may look abstract. I believe that by implementing these improvement initiatives, we will be able to grow the company to the point where it is generating recurring income of

5 billion to 10 billion yen over the next few years.

That concludes my brief explanation about the Amusement segment (TAITO Corporation).

One of the challenges of the SQUARE ENIX Group for the next fiscal year is to weather the current lull without reducing income, while quietly preparing for the resurrection. As for TAITO Corporation, although some real outcomes have already been produced, as I have explained, we will seek to unload all remaining baggage by the end of the current fiscal year and make a fresh start in April. In doing so, we'll be aiming to operate with the aim of generating recurring income of 5 billion to 10 billion yen and securing consolidated results.