
FY2006 Results Briefing Session

SQUARE ENIX®

May 23, 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.

1. FY2006* Financial Results

*FY2006 = Fiscal Year Ended March 31, 2007

FY2006 Results – Consolidated

Millions of Yen

	FY2005		FY2006		Change
	ended March 31, 2006	%	ended March 31, 2007	%	
Current Assets	132,251	62%	146,608	68%	14,357
Fixed Assets	81,097	38%	69,071	32%	(12,026)
Total	213,348	100%	215,679	100%	2,331
Current Liabilities	37,840	18%	32,404	15%	(5,436)
Long-term Liabilities	53,394	25%	52,635	24%	(759)
Total Liabilities	91,234	43%	85,040	39%	(6,194)
Minority Interests in Consolidated Subsidiaries	1,120	1%	*	*	(1,120)
Total Shareholders' Equity / Net Asset	120,993	57%	130,639	61%	9,646
Total	213,348	100%	215,679	100%	2,331
Number of Employees	3,050	-	3,164	-	114

Note: Employees = Permanent employees + Contract employees

※ Minority Interest in Consolidated Subsidiaries of ¥1,178 million is included in Net Asset

Millions of Yen

	FY2005		FY2006		Change
		%		%	
Net Sales	124,473	100%	163,472	100%	38,999
Operating Income	15,470	12%	25,916	16%	10,446
Ordinary Income	15,547	12%	26,241	16%	10,694
Net Income	17,076	14%	11,619	7%	(5,457)
Depreciation and Amortization	8,419	-	11,115	-	2,696
Capital Expenditure	9,169	-	11,360	-	2,191

FY2006 Results by Segment – Consolidated

1. FY2006

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	51,316	13,660	7,767	11,208	75,702	3,978	(161)	163,472
Operating Expenses	34,968	6,893	4,753	7,604	76,054	2,666	4,614	137,555
Operating Income	16,348	6,767	3,013	3,603	(351)	1,311	(4,776)	25,916
Operating Margin	31.9%	49.5%	38.8%	32.1%	(0.5%)	33.0%	-	15.9%

2. FY2005

Millions of Yen

	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 Expenses	36,326	9,812	4,341	6,875	42,240	4,949	4,457	109,003
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%

3. Change (1- 2)

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	5,400	(2,060)	2,700	1,466	34,633	(2,979)	(161)	38,999
Operating Expenses	(1,358)	(2,919)	412	729	33,814	(2,283)	157	28,552
Operating Income	6,758	860	2,287	737	819	(696)	(319)	10,446

FY2006 Results – Sales by Region

Millions of Yen

Region	FY2005		FY2006		Change
		%		%	
Japan	104,433	84%	125,848	77%	21,415
North America	15,635	13%	23,801	15%	8,166
Europe (PAL)	1,378	1%	12,271	7%	10,893
Asia, etc.	3,025	2%	1,551	1%	(1,474)
Total	124,473	100%	163,472	100%	38,999

FY2006 Results – Unit Sales

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2006	7,210	6,150	3,500	70	16,930
%	43%	36%	21%	0%	100%
FY2005	7,860	3,510	820	40	12,230
%	64%	29%	7%	0%	100%
Change	(650)	2,640	2,680	30	4,700

2. FY2007* Projections

*FY2007 = Fiscal Year Ending March 31, 2008

FY2007 Projections - Consolidated

Consolidated

Millions of Yen

	FY2006		FY2007 Projections		Change
		%		%	
Net Sales	163,472	100%	162,500	100%	(972)
Operating Income	25,916	16%	21,000	13%	(4,916)
Ordinary Income	26,241	16%	20,000	12%	(6,241)
Net Income	11,619	7%	12,000	7%	381
Depreciation and Amortization	11,115	-	13,200	-	2,085
Capital Expenditure	11,360	-	15,700	-	4,340

Non-Consolidated

Millions of Yen

	FY2006		FY2007 Projections		Change
		%		%	
Net Sales	75,959	100%	72,000	100%	(3,959)
Operating Income	9,169	12%	3,800	5%	(5,369)
Ordinary Income	9,400	12%	3,200	4%	(6,200)
Net Income	3,319	4%	1,700	2%	(1,619)
Depreciation and Amortization	5,247	-	5,200	-	(47)
Capital Expenditure	5,014	-	8,600	-	3,586

FY2007 Full-Year Projections by Segment – Consolidated

1. FY2007

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	48,000	14,000	8,800	8,000	81,000	2,700	-	162,500
Operating Expenses	36,000	7,000	6,800	6,700	77,500	2,400	5,100	141,500
Operating Income	12,000	7,000	2,000	1,300	3,500	300	(5,100)	21,000
Operating Margin	25.0%	50.0%	22.7%	16.3%	4.3%	11.1%	-	12.9%

Exchange rate:USD1=JPY115.00, EUR1=JPY150.00, CNY1=JPY15.00

2. FY2006 results

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	51,316	13,660	7,767	11,208	75,702	3,978	(161)	163,472
Operating Expenses	34,968	6,893	4,753	7,604	76,054	2,666	4,614	137,555
Operating Income	16,348	6,767	3,013	3,603	(351)	1,311	(4,776)	25,916
Operating Margin	31.9%	49.5%	38.8%	32.1%	(0.5%)	33.0%	-	15.9%

3. Change (1 – 2)

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	(3,316)	340	1,033	(3,208)	5,298	(1,278)	161	(972)
Operating Expenses	1,032	107	2,047	(904)	1,446	(266)	486	3,945
Operating Income	(4,348)	233	(1,013)	(2,303)	3,851	(1,011)	(324)	(4,916)

FY2007 Projections – Unit Sales

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2006 Projections	7,900	3,550	3,550		15,000
%	53%	24%	24%	0%	100%
FY2005	7,210	6,150	3,500	70	16,930
%	43%	36%	21%	0%	100%
Change	690	(2,600)	50	(70)	(1,930)

FY2007 First-Half Period Projections by Segment – Consolidated

1. FY2007 First-Half Period

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	19,000	5,300	3,800	3,800	39,000	1,100		72,000
Operating Expenses	17,000	2,700	3,200	3,400	38,200	1,000	2,700	68,200
Operating Income	2,000	2,600	600	400	800	100	(2,700)	3,800
Operating Margin	10.5%	49.1%	15.8%	10.5%	2.1%	9.1%	–	5.3%

Exchange rate: USD1=JPY115.00円、EUR1=JPY150.00円、CNY1=JPY15.00円

2. FY2006 First-Half Period results

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	19,186	7,678	2,907	5,426	38,144	2,615	–	75,959
Operating Expenses	14,875	4,367	2,204	3,658	38,472	1,104	2,106	66,790
Operating Income	4,311	3,311	703	1,767	(328)	1,511	(2,106)	9,169
Operating Margin	22.5%	43.1%	24.2%	32.6%	(0.9%)	57.8%	–	12.1%

3. Change (1 – 2)

Millions of Yen

	Games (offline)	Games (online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	(186)	(2,378)	893	(1,626)	856	(1,515)		(3,959)
Operating Expenses	2,125	(1,667)	996	(258)	(272)	(104)	594	1,410
Operating Income	(2,311)	(711)	(103)	(1,367)	1,128	(1,411)	(594)	(5,369)

Midterm Target Recurring Income: ¥50 billion

Millions of Yen

	FY2003	2004	2005	2006	2007E	2010E
Games (Offline)	16,404	19,649	9,590	16,348	12,000	20,000
Games (Online)	2,348	4,986	5,907	6,767	7,000	10,000
Mobile Phone Content	1,159	1,738	726	3,013	2,000	3,000
Publication	3,180	3,411	2,866	3,603	1,300	4,000
Others	1,027	782	2,007	1,311	300	1,000
Eliminations or Unallocated	(4,722)	(4,131)	(4,457)	(4,776)	(5,100)	(5,000)
Total	19,398	26,438	16,640	26,267	17,500	25,000 ~35,000
Amusement	* 5,823	* 2,907	(1,170) * 905	(351)	3,500	5,000 ~15,000
Recurring Income	18,248	25,901	15,547	26,241	20,000	50,000

* Operating income of TAITO before acquisition

FY: fiscal year ends March 31
In the following calendar year

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