FY2007 First-Half Period Results Briefing Session

SQUARE ENIX

November 19, 2007

SQUARE ENIX 1 SQUARE ENIX CO., LTD.

Please allow me to begin our briefing on the results recorded by Square Enix for the first-half period of the fiscal year ending March 31, 2008.

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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First, please look at the summary of the results on page 1 of the Consolidated Financial Results for the First-Half Period ended September 30, 2007.

For the first-half period, consolidated net sales amounted to ¥72.2 billion, operating income ¥9.7 billion, recurring income ¥9.3 billion and net income ¥4.3 billion.

Although the figures appear to resemble those of the first half of the previous fiscal year, our main focus is how to manage the Group on a full-year basis, as seasonal factors have little affect on our financial results.

Total assets on the balance sheet remained nearly flat from the same period of the previous fiscal year (¥211.2 billion for the first-half period under review and ¥212.1 billion for the first-half period of the previous fiscal year).

As you can also see in the slide, although total assets remained largely unchanged from the year-ago periods, current assets increased about ¥10.0 billion while non-current assets fell roughly ¥10.0 billion. Liabilities declined approximately ¥10.0 billion, while net assets rose about ¥10.0 billion. As a result, the equity ratio moved higher.

1. FY2007* First-Half Period Financial Results

*FY2007 = Fiscal Year Ending March 31, 2008

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Looking at the consolidated statement of cash flows, net cash provided by operating activities changed quite substantially, although net income moved only slightly. As I will explain later, this does not reflect any change in our actual business situation, but rather a difference in timing that arose in working capital.

In net cash provided by (used in)investing activities, net cash used in investing activities stood at ¥3.8 billion, returning to a normal state. In the first-half period of the previous fiscal year, the Group posted ¥4.6 billion proceeds from the divestiture of the commercial karaoke machine business, and this was rather irregular.

Net cash used in financing activities stayed roughly the same. Although we posted ¥2.0 billion for the conversion of bonds with equity warrants into shares, this was a transfer only on the balance sheet and did not appear in cash flows or in the statement of income.

As in previous terms, the Board of Directors has approved interim dividends of ¥10 per share. Although we plan to pay year-end dividends of ¥20 per share, this amount is provisional. We basically aim for a consolidated payout ratio of 30% and will decide the amount of the year-end dividends when the financial results for the current fiscal year are determined.

We have not changed our full year results forecasts for the current fiscal year.

Let us now take a more detailed look at each of our financial statements.

FY2007 First-Half Period Results - Consolidated

Millions of Yen

	As of September 30, 2006	%	As of March 31, 2007	%	As of September 30, 2007	%
Current Assets	136,924	65%	146,608	68%	146,100	69%
Non-current Assets	75,206	35%	69,071	32%	65,122	31%
Total	212,130	100%	215,679	100%	211,223	100%
Current Liabilities	35,762	17%	32,404	15%	26,306	12%
Non-current Liabilities	53,259	25%	52,635	24%	50,317	24%
Total Liabilities	89,021	42%	85,040	39%	76,623	36%
Total Net Asset	123,109	58%	130,639	61%	134,599	64%
Total	212,130	100%	215,679	100%	211,223	100%
Number of Employees	3,130	-	3,164	-	3,275	-

Millions of Yen

	April 2006 - September 2006	%	October 2006 - March 2007	%	April 2007 - September 2007	%
Net Sales	75,959	100%	87,513	100%	72,271	100%
Operating Income	9,169	12%	16,747	19%	9,752	13%
Recurring Income	9,400	12%	16,841	19%	9,303	13%
Net Income	3,319	4%	8,300	9%	4,397	6%
Depreciation and Amortization	5,247	-	5,868	-	4,718	-
Capital Expenditure	5,014	-	6,346	-	3,844	-

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Please look at the balance sheet first.

Although it appears that cash and deposits declined from ¥91.1 in the first half of the previous fiscal year, to ¥73.6 billion, we actually transferred some cash and deposits to certificates of deposit, which are booked as short-term securities. Since certificates of deposit are recognized as cash and cash equivalents in cash flows, the actual situation remained unchanged from the end of the previous fiscal year, with only the account heading being replaced.

With respect to non-current assets, property and equipment decreased from ¥27.5 billion to ¥23.0 billion. Intangible assets also dropped from ¥22.5 to ¥20.7 billion, and investments and other assets declined from ¥25.0 billion to ¥21.3 billion. Non-current assets as a whole declined approximately ¥10.0 billion.

Intangible assets will decrease every year, as goodwill relating to TAITO Corporation will be amortized.

We reduced investments and other assets that were unlikely to contribute to income, such as investment securities, rental deposits, and construction cooperation funds. The decrease in non-current assets (from ¥75.2 billion for the first-half period of the previous fiscal year to ¥65.1 billion) together with the increased current assets (from ¥136.9 billion year on year, to ¥146.1 billion) amid unchanged total assets results in a healthier financial situation.

Current liabilities decreased approximately ¥10 billion, from ¥35.7 billion to ¥26.3 billion. This does not mean that our businesses have changed. Rather, it was simply a result of the change in working capital.

Corporate bonds in non-current liabilities fell from ¥50.0 billion to ¥48.0 billon. As a result of the conversion of ¥2.0 billion bonds to shares, common stock and the capital surplus reserve increased. At this point, as an additional ¥11.0 billion in bonds have been converted into shares, the balance of corporate bonds came to ¥37.0 billion.

Please now look at the statement of income.

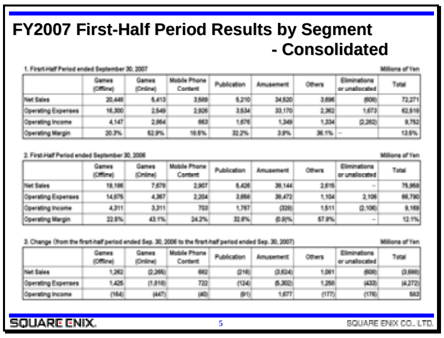
The ratio of gross profit stood at 46.1% for the first-half period of the current fiscal year, compared with 45.4% for the first-half period and 46.0% for the full year in the previous fiscal year. As such, profitability was about the same as it was a year ago. Selling, general and administrative expenses were generally streamlined, down about ¥2.0 billion in total from ¥25.2 billion for the first-half period of the previous fiscal year to ¥23.5 billion for the first-half period under review.

I will explain operating income by segment later.

Let me now brief you on non-operating income and expenses and extraordinary gains and losses.

In non-operating income and expenses, interest income increased slightly with the transfer of some cash and deposits to certificates of deposit. We also posted a small foreign exchange loss (¥92 million for the first-half period of the current fiscal year, compared with a foreign exchange gain of ¥114 million for the first-half period of the previous fiscal year). The loss on the write-off of the content production account was ¥876 million yen. Although we strictly assess the content production account on the balance sheet each time, taking into account market trends and progress in content development, we took very conservative approach in the first-half period under review, as part of our efforts to improve the financial health and operating structure of our game software development.

Although it appears that extraordinary gains declined markedly from the gain on the divestiture of business of ¥2.7 billion we recorded in the first-half period of the previous fiscal year, this simply means that it has returned to a normal state. Under extraordinary losses, we posted a loss relating to our withdrawal from the slot machine business in pachinko parlors, in addition to the disposal of property and equipment associated with business restructuring. With this posting, however, we have finally completed the recording of these losses. Accelerated amortization of goodwill represents amortization other than the ordinary one to be posted under selling, general and administrative expenses. Under this account heading, we amortized goodwill in subsidiaries of TAITO for the first-half period under review, while we recorded an accelerated amortization of goodwill relating to karaoke machines we assigned in the first-half period of the previous fiscal year.



FY2007 First-Half Period Results by Segment - Consolidated

1. First-Half Period ended September 30, 2007 — Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	20,448	5,413	3,589	5,210	34,520	3,696	(608)	72,271
Operating Expenses	16,300	2,549	2,926	3,534	33,170	2,362	1,673	62,519
Operating Income	4,147	2,864	663	1,676	1,349	1,334	(2,282)	9,752
Operating Margin	20.3%	52.9%	18.5%	32.2%	3.9%	36.1%	–	13.5%

2. First-Half Period ended September 30, 2006 — Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	19,186	7,679	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 (from the first-half period ended Sep. 30, 2006 to the first-half period ended Sep. 30, 2007) — Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	1,262	(2,266)	682	(216)	(3,624)	1,081	(608)	(3,688)
Operating Expenses	1,425	(1,818)	722	(124)	(5,302)	1,258	(433)	(4,272)
Operating Income	(164)	(447)	(40)	(91)	1,677	(177)	(176)	583

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Let me move on now to explain operating income by segment.

The biggest difference from the past was that profitability in the Amusement segment, in which all businesses of TAITO were recorded, is now established. Excluding the amortization of goodwill registered in operating expenses, the TAITO Group has come to generate operating income of ¥1.8 billion to ¥2.0 billion per half-year period.

Another major factor for the profit was the contribution of the kids card game named Dragon Quest Monster Battleroad. Most of the results for this game were recorded in the Others segment, and only fees from Square Enix to TAITO were posted in the Amusement segment. Intercompany transactions were eliminated in the Eliminations or Unallocated column. DQM Battleroad was very profitable and contributed to sales and profit in the first-half period under review from early stage, although it went into full-service in July 2007.

Results in other segments varied only slightly from the previous fiscal year. To briefly summarize the results in other segments, the performance of the Games (Offline) segment slightly worsened year on year. Sales in the Games (Online) segment declined because of the absence of expansion package releases, although its contribution to profit remained unchanged. Results in the Mobile Phone Content and the Publication segments were virtually flat, while the Amusement segment moved back into the black. The Others segment included CG animated DVD licensing revenues in the first-half period of the previous fiscal year. Although net sales in the Others segment are normally around ¥2.0 billion to ¥3.0 billion a year, special factors such as CG animated DVD licensing revenues and kids card games were added to sales in the first-half period of the previous fiscal year and the first-half period of the current fiscal year, respectively.

By region, while we released major videogame titles in North America in the first-half period of the previous fiscal year, this was not the case in the first-half period under review. Results by region vary, depending on whether major titles are released overseas or not.

That concludes the explanation of the statement of income.

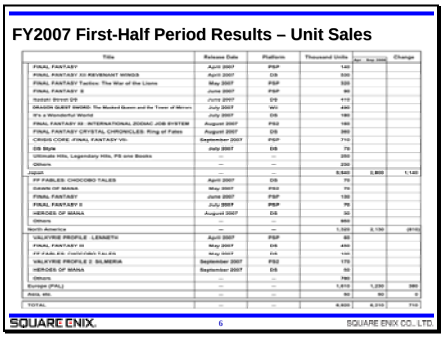
Let me now explain cash flows.

As I mentioned at the start of this presentation, cash flows from operating activities showed a significant change in comparison with net income. The sum total of three items, increase/decrease in accounts receivable, increase/decrease in inventories and increase/decrease in purchase liabilities, was approximately ¥6.1 billion in the first-half period of the previous fiscal year, but it was around negative ¥4.7 billion for the first-half period under review. The difference is ¥10.8 billion. The factor for the difference was the collection of sales debts, as the difference arises from the way how booked sales are collected in each fiscal year. It was not the case that there was a structural change, it was simply the matter of timing.

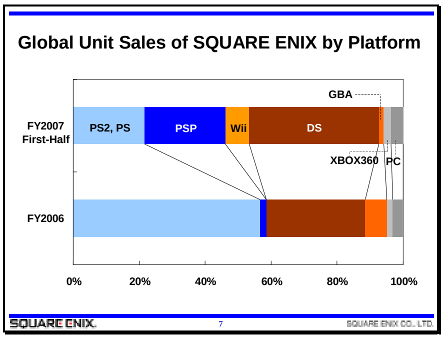
As I explained earlier, ¥4,645 million in proceeds from the divestiture of business were recorded in cash flows from investing activities in the first-half of the previous fiscal year, with no equivalent figure recorded in first-half period under review. Consequently, cash flows from investing activities returned to a more normal state.

In cash flows from financing activities, we recorded proceeds from the issuing of shares of common stock in relation to stock options. This was not a result of converting bonds with non-detachable warrants to shares. Again, the conversion of bonds with non-detachable warrants to shares is a balance sheet transfer and will not appear in cash flows or the statement of income.

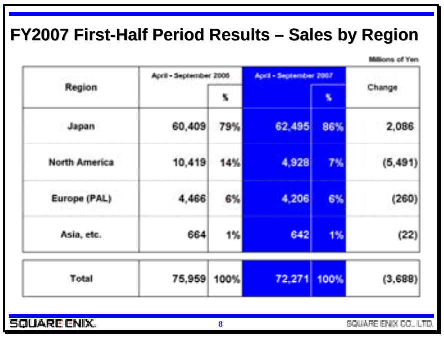
Cash and cash equivalents included certificates of deposit. Excluding this, the figure remained almost unchanged.



This slide shows unit sales of game software.



Comparing the breakdown of unit sales by platform in the previous fiscal year and the first-half period of the current fiscal year, you will notice that the shares of PSP and DS were very large in the first half under review, although excessive dependence on handheld game console is a concern. I believe that we need to change our development system, as we are falling slightly behind in the development of software for the next generation video game consoles. Because we have had to compete in handheld game console before video game console in next-generation platforms, we ended up with an extreme shift to handheld game console in the first-half period of the current fiscal year. We will not maintain this sales mix in the future, as we need to consider how to generate income from next generation gaming platforms.

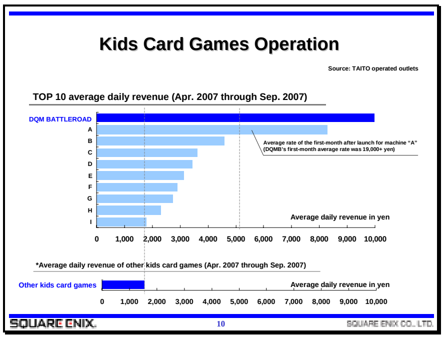


Region	April - September 2006	%	April - September 2007	%	Change
Japan	60,409	79%	62,495	86%	2,086
North America	10,419	14%	4,928	7%	(5,491)
Europe (PAL)	4,466	6%	4,206	6%	(260)
Asia, etc.	664	1%	642	1%	(22)
Total	75,959	100%	72,271	100%	(3,688)

Next, I would like to explain overseas sales.

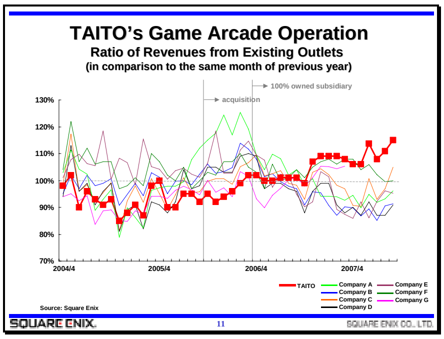
Although there is little difference from the results by region I explained a moment ago, the difference from results in the first-half period of the previous fiscal year is even clearer in overseas sales, as overseas sales are classified by sales at the destination while results by region are categorized by location and thus by local subsidiary.

Let me explain the situation of *Dragon Quest Monster Battleroad*, a new business area for Square Enix. This was pre-launched on June 20, 2007 and has been in full-service since the second quarter. It has achieved considerable popularity. We have limited the number of installation bases to approximately 3500. The average daily revenue per unit was very favorable at around ¥10,000. The total number of cards shipped reached 31.7 million copies at the end of September 2007.

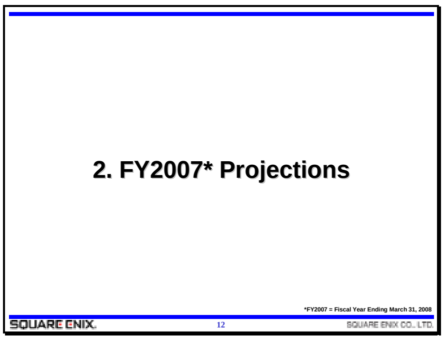


This slide shows the results of a survey at TAITO operated outlets, which reveal a very high average daily revenue for *DQM Battleroad*. Revenue for the title in the second place is for the first month of its release, since it was the only data available when we summarized the figures. Revenue of this type of machine is generally very high in the first month, so taking this fact into account, revenue of *DQM Battleroad* is assumed to be twice that of the title in second place.

The excellent performance of *DQM Battleroad* was the result of extensive discussions and serious thoughts on the part of Square Enix and TAITO as to how to establish it as a game. No matter how strong our franchise is, users will not give us a free pass with a new product in a new area. *DQM Battleroad* was the embodiment of our efforts to make a decision after giving careful consideration as to how to make it look different and give users a different feel. This experience has given us confidence to do well in new areas.



This slide shows a year-on-year comparison of revenues from existing outlets in TAITO's game arcade operations. Although the operating environment surrounding us is very difficult, we have to date maintained the leading position. We plan to go on the offensive in opening new outlets any time soon. We could fall in a vicious circle with existing outlets becoming even weaker unless we open new outlets after improving efficiency at existing outlets, as we try to recover insufficient revenues from existing outlets with those from new outlets. This is the reason why we have hitherto deliberately not opened new outlets. However, I believe that the time to change this strategy has now arrived.



Next, I would like to touch on our full-year projections.

FY2007 Projections – 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	-	10,000	-	(1,115)
Capital Expenditure	11,360	-	8,000	-	(3,360)

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As the slide shows, we did not change our consolidated projections from our initial forecasts.

FY2007 Projections by Segment – Consolidated

1. FY2007 Projections

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	43,500	14,000	8,800	9,500	81,000	6,500	(800)	162,500
Operating Expenses	34,500	7,000	6,800	7,000	77,500	4,400	4,300	141,500
Operating Income	9,000	7,000	2,000	2,500	3,500	2,100	(5,100)	21,000
Operating Margin	20.7%	50.0%	22.7%	26.3%	4.3%	32.3%	-	12.9%

Currency rate : USD1=JPY118.00, EUR1=JPY[illegible], CNY1=JPY[illegible]

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	76,064	2,666	4,614	137,556
Operating Income	16,348	6,767	3,013	3,603	(361)	1,311	(4,776)	25,916
Operating Margin	31.9%	49.5%	38.8%	32.1%	(0.5)%	33.0%	-	15.9%

3. Change (from FY2006 to FY 2006)

Millions of Yen

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Others	Eliminations or unallocated	Total
Net Sales	(7,816)	340	1,033	(1,708)	5,298	2,522	(639)	(972)
Operating Expenses	(468)	107	2,047	(604)	1,446	1,734	(314)	3,946
Operating Income	(7,348)	233	(1,013)	(1,103)	3,861	789	(324)	(4,916)

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Here are our projections by segment.

FY2007 Projections – Unit Sales

Thousand Units

	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2007 Projections	7,250	3,100	3,050	100	13,500
%	54%	23%	23%	1%	100%
FY2006	7,210	6,150	3,500	70	16,930
%	43%	36%	21%	0%	100%
Change	40	(3,050)	(450)	30	(3,430)

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This slide shows our full-year projections for unit sales.

FY2007 First-Half Period Results Briefing Session

SQUARE ENIX.

November 19, 2007

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That concludes my explanation of our financial results for the first-half period ended September 30, 2007.

In a nutshell, we have been making steady progress in line with our full-year projections and policies, which I explained at the start of this fiscal year.

The financial statements in this material have not been reflected the changes disclosed on December 14, 2007, which were due to a subsequent event occurred after the disclosure of financial results as of November 19, 2007.

[Outline of the subsequent event]
- 813 million yen decrease in allowance for game arcade closings
- 813 million yen increase in consolidated net profit