

**Results Briefing Session**  
**Six-Month Period**  
**Ended September 30, 2011**

**SQUARE ENIX**

**November 4, 2011**

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Thank you for joining the SQUARE ENIX HOLDINGS CO., LTD. Results Briefing Session for the six-month period ended September 30, 2011.

Today's session will start with a presentation on the financial results of the fiscal year by Yosuke Matsuda, Director and Chief Financial Officer followed by a presentation by Yoichi Wada, President and Representative Director.

Statements made in this document with respect to SQUARE ENIX HOLDINGS CO., LTD. and its consolidated subsidiaries (together, "SQUARE ENIX GROUP") plans, estimates, strategies and beliefs are forward-looking statements about the future performance of SQUARE ENIX GROUP.

These statements are based on management's assumptions and beliefs in light of information available to it at the time these materials 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. SQUARE ENIX GROUP's 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. SQUARE ENIX GROUP's ability to expand international success with a focus on our businesses; 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 GROUP 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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I'm Yosuke Matsuda, SQUARE ENIX Director and Chief Financial Officer.

I would like to explain the financial results of the six-month period ended September 30, 2011.

**I. Consolidated Results for the Six-Month Period Ended September 30, 2011**

	As of Sep 30, 2010		As of Mar 31, 2011		As of Sep 30, 2011	
	¥	%	¥	%	¥	%
<b>Current Assets</b>	202.1	79%	164.3	80%	170.2	81%
Non-current Assets	50.7	21%	42.0	20%	40.1	19%
<b>Total</b>	252.7	100%	206.3	100%	210.3	100%
<b>Current Liabilities</b>	82.7	29%	29.5	14%	32.3	15%
Non-current Liabilities	41.8	16%	42.7	21%	43.0	20%
<b>Total Liabilities</b>	105.5	41%	71.2	35%	76.3	36%
<b>Total Net Asset</b>	150.2	99%	135.1	64%	134.0	64%
<b>Total</b>	266.7	100%	206.2	100%	210.2	100%
<b>Number of Employees</b>	3,331	-	3,297	-	3,258	-

	Apr - Sep 2010		Oct 2010 - Mar 2011		Apr - Sep 2011	
	¥	%	¥	%	¥	%
<b>Net Sales</b>	68.1	100%	67.2	100%	67.6	100%
<b>Operating Income</b>	5.7	8%	1.6	3%	7.4	13%
<b>Ordinary Income</b>	3.9	5%	1.9	3%	6.4	9%
<b>Net Income</b>	1.7	3%	(19.8)	-24%	2.7	4%

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During the six-month period, net sales were ¥57,516 million, operating income was ¥7,391 million, ordinary income was ¥5,386 million and net income was ¥3,704 million – results were in line with our earnings forecast revision of November 2<sup>nd</sup>.

**I. Consolidated Results – by Segment for the Six-Month Period Ended September 30, 2011**

1. Results for the Six-Month Period Ended September 30, 2011

	Digital Entertainment	Amusement	Publication	Merchandising	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	29.5	21.1	5.8	1.1	-	(0.0)	57.5
Operating Income	7.8	1.9	1.5	0.2	-	(4.0)	7.4
Operating Margin	26.4%	8.9%	25.4%	18.7%	-	-	12.9%

2. Results for the Six-Month Period Ended September 30, 2010

	Digital Entertainment	Amusement	Publication	Merchandising	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	35.2	23.5	7.6	1.8	-	(0.0)	68.1
Operating Income	6.5	2.0	2.1	0.4	(0.8)	(4.5)	5.7
Operating Margin	18.4%	8.4%	27.3%	24.3%	-	-	8.4%

3. Change (1-2)

	Digital Entertainment	Amusement	Publication	Merchandising	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	(5.7)	(2.4)	(1.7)	(0.6)	-	0.0	(10.5)
Operating Income	1.3	(0.1)	(0.6)	(0.2)	0.8	0.5	1.7

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By reporting segment, Digital Entertainment net sales were ¥29,470 million, operating income was ¥7,781 million. Amusement segment net sales were ¥21,091 million and operating income was ¥1,881 million. Publication segment net sales were ¥5,822 million and operating income was ¥1,477 million. Merchandising segment net sales were ¥1,133 million and operating income was ¥212 million. These results were generally above our plans set out at the start of the fiscal year.

In Digital Entertainment, the second quarter US and European release of *Deus Ex: Human Revolution*, developed at our Eidos-Montreal studio, achieved extremely strong sales performance.

Revenue from content for web, smartphone and other growth areas also performed well and resulted out-performed our plans from the start of the year.

Below the operating line, the further rapid appreciation of the yen during the period resulted in additional foreign exchange losses as non-operating expenses.

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As a result, foreign exchange losses for the six-month period were ¥2,086 million and the largest non-operating line leading to ordinary income of ¥5,386 million. There were no particularly large extraordinary items and net income was ¥3,704 million.

On the balance sheet, total assets amounted to ¥210,302 million. Among current assets, the largest increase was in the Group-wide content production account which increased to ¥26,366 million at period end.

As for liabilities, there were no major changes, however, short-term loans payable did increase to ¥4,191 million. This was mainly the result of the change in the range of normal funding at our European operations to short-term.

As there were no significant financial change during the six-month period, it was the strong performance of a major title and content for growth areas led to results above our plans set out at the start of the year.

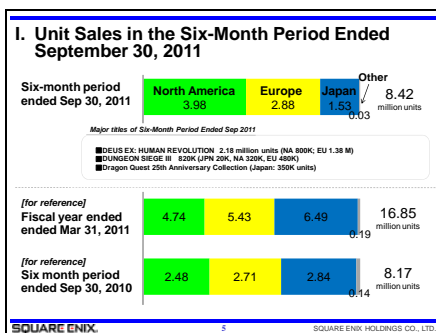
Regarding forecasts for the fiscal year ending March 2012, we are looking at the 2<sup>nd</sup> half conservatively and, therefore, do not revise these forecasts at this point in time.

Further, it has been decided that our mid-year dividend will be 10 yen per share- unchanged from our plan set out at the start of the fiscal year.

That’s all from me. Next, we would like to begin the discussion from Wada, CEO

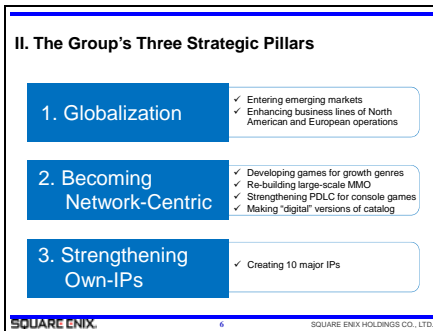
I’m Yoichi Wada, President and Representative Director.

This slide shows unit sales by region during the period. Including the publishing and distribution of some titles from other publishers begun a few years ago, both our own titles and those from others are included in sales here.



Also, unlike the age when business was concluded after a product’s initial shipment, in the current age, the price point changes when a certain amount of time has passed after release, and the gross profit of one unit fluctuates greatly. Furthermore, many businesses are trying to secure revenue with added downloadable content, rather than solely from the packaged release. I believe this trend will only accelerate moving forward.

We are continuing to disclose actual number of units sold, but for these reasons, it’s becoming increasingly difficult to calculate performance uniformly using such unit number, so please keep that in mind when reading further.



Regarding the strategic topics for our group which I have spoken of previously, we are now seeing the coming together of our preparation efforts that will put us in position to achieve those goals. It won't be until next fiscal year onward that we will see the results reflected in our numbers, but I would like to explain our current progress.

First, I will touch on globalization.

We are steadily making preparations for entering emerging markets, including the study of establishing a number of local subsidiaries and conducting game contests. Entering emerging markets does not mean simply expanding to provide content through the global offering of iOS and similar platforms in those markets as we have done already, but rather, we are making the necessary progress in our plans to plant roots in these markets.

Regarding enhancing of the business lines in Europe and America, Square Enix Europe, centered on the former Eidos that was acquired, has achieved very good success. They have demonstrated striking progress in the little less than 3 years since joining our group. *Deus Ex: Human Revolution*, which I will touch on later, turned out to be a high-quality product, both in terms of critical reception and sales.

Looking down the pipeline, *TOMB RAIDER* and *HITMAN* received quite significant accolades at the last E3 (America's largest game trade show). Quality control is extremely high and we can expect good results in the future. We have begun development of projects like social games at different organizations over this period of time as well.

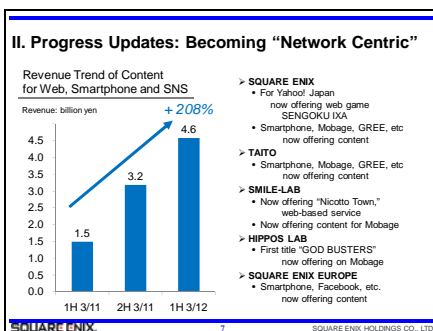
The development teams of Square Enix and the former Eidos are exchanging technologies and sharing issues they identify, so the former Eidos operations are functioning well. The head of our US operations changed last year and given the expansion of their operational functions, they are recruiting personnel. In the past few months they have assembled new key members, and we have high expectations for them moving forward.

Next I would like to talk about becoming "Network Centric."

The figures on this slide differ from the "digital" figures that the western games industry often talks about, which include download releases and PDLC. These figures are limited to content for Web, smartphone, and SNS.

Specifically, for Square Enix, Yahoo! Japan's *SENGOKU IXA* is doing well. The second title being developed for Yahoo! Japan is also coming along well, and is in a state where it can be launched very soon.

TAITO's content development team has expanded by establishing a strategy that focuses on social elements, and there are already some examples of success.



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SMILE-LAB's *Nicotto Town* is quite strong. SMILE-LAB also has exceptionally high capability besides *Nicotto Town*, and is currently involved with online business planning and execution support across the entire Square Enix group.

HIPPOS LAB's revenue has not gone up yet, but they have content lined up, so we expect to see them add to revenue from next fiscal year.

This slide reflects mainly figures for Square Enix, Taito, and SMILE-LAB in Japan. We will see contributions from the other organizations listed from next year.

This slide shows revenue figures only, but for reference, the operating profit margin was about 40%.

Development is progressing smoothly on *DRAGON QUEST X* which was announced in September.

We announced the detailed improvement plan for *FINAL FANTASY XIV* last month. We are now making parallel efforts of day-to-day operations of the game and the rapid improvement thereof. Already the game is dramatically transformed compared to 10 months ago. Further, we are steadily working toward the deployment of a "new *FINAL FANTASY XIV*" next fiscal year.

These two titles should not conflict with each other since each has very different gaming experiences. We anticipate that the combination of these two titles will contribute the company-wide brand and profit.

As MMOs (massively multiplayer online games) requires heavy investment in operations, it is a higher-risk area for a company. However, it should contribute stable results for a period of years if a certain level of status can be gained. Therefore, we have been striving toward improving *FINAL FANTASY XIV*, instead of simply giving up.

Social games are being offered by the several organizations in our group as introduced earlier. We chose not to build a big organization to develop social games. Instead, we split into small teams to speed up decision-making.

**II. Progress Updates: Becoming "Network Centric"**

Current Period Announcements

- "DRAGON QUEST X"; Announcement of 2012 Launch
- "FINAL FANTASY XIV"; Relaunch Plan Announced
- Pursuing social and other games with small, individual teams
  - ✓ Continuing from SENGOKU IXA, second collaboration with Yahoo! Japan "MONSTER × DRAGON" announced for this winter
  - ✓ Renewal of SQUARE ENIX MEMBERS
  - ✓ Social game using our own strong IP announced
  - ✓ SQUARE ENIX MARKET portal site coming this winter for Android
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**II. Progress Updates: Becoming "Network Centric"**

➢ Began Implementation of PDLC for Key Titles  
*DEUS EX: HUMAN REVOLUTION, FINAL FANTASY XIII-2 ...*

DEUS EX: HUMAN REVOLUTION - The Missing Link  
 Release date: October 18 (US), October 19 (EU) (December release scheduled for JP)  
 Price: 1,200 Microsoft Points (XBLA), \$14.99 / €11.25 (PSN), \$14.99/€10.99 (PC)

Content:

- Story that fills a gap in DXHR storyline and enhances game experience
- 4-6 hour play-time
- New mission, characters, enemies, and Achievements/Trophies

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Next, we are going to explain monetization with DLC after the packaged title release.

This is something that some publishers in the West have already been talking about for some time. We have also been implementing DLC for main titles for about a year and half now. It is applied to *Deus Ex: Human Revolution* as well.

In terms of revenue and expense, gross margin rate for DLC is higher than the packaged title sales, so the overall revenue cannot be pictured by just looking at the unit sales figures.

While *Deus Ex: Human Revolution* offers weapons and missions as DLC, the main focus is the "The Missing Link," an extra episode that fills the gap of the main scenario. As it has been achieving tens of thousands of downloads even though it was just recently launched, we are hoping to see it grow from here on out.

As a number of titles, including *FINAL FANTASY XIII-2*, will have additional content via download from now on, we are considering shifting the direction of our company-wide strategy from concentrating promotion around the game's release to spreading promotion out across the business deployment of a project as it develops.

**II. Progress Updates: Strengthening Own IPs**

➢ Released in Europe & North America in August, *Deus Ex: Human Revolution* quickly ships 2 mil units and strengthens the brand

- ✓ First collaborative project between SQUARE ENIX and former EIDOS
- ✓ First title from Eidos-Montreal studio

(for reference) Titles earn wide acclaim at E3 Expo \*

- ✓ "TOMB RAIDER" 21 awards, 68 nominations (Due Autumn 2012)
- ✓ "HITMAN ABSOLUTION" 19 awards, 50 nominations (Due 2012)
- ✓ "Deus Ex: Human Revolution" 4 awards, 19 nominations

\*E3 game show held in June of 2011, above awarded as of June 2011

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Regarding strengthening IPs, we are aiming to establish 10 IPs.

In addition to the strong IPs we own such as *FINAL FANTASY*, *DRAGON QUEST*, *TOMB RAIDER*, and *KINGDOM HEARTS*, we are engaged in developing towards a new IP establishment with quality-conscious.

With the extremely high quality of *Deus Ex: Human Revolution* released in the second quarter, we plan to develop this IP as a franchise.

Regarding yet unannounced IPs, we should certainly be able to announce 2 to 3 titles to everyone within a few years.

Although we believe the basic business model for creating new IPs is the packaged title sales at present, the network has become a standard feature. With a requirement that an IP has to be capable of making a continuous profit contribution, we are aiming to establish 10 IPs.

**Appendix: Fiscal Year March 2012 Planning**

Billions of Yen

	Fiscal Year Ended 3/11		Fiscal Year Ending 3/12		Change
		%		%	
Net Sales	125.3	100%	130.0	100%	4.7
Operating Income	7.3	6%	10.0	8%	2.7
Ordinary Income	5.4	4%	10.0	8%	4.6
Net Income	-12.0	-10%	5.0	4%	17.0
Depreciation and Amortization	6.6	-	6.0	-	(0.6)
Capital Expenditure	5.4	-	6.0	-	0.6

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The overall fiscal year plan has not been changed since the beginning of the period.

Under conditions roughly unchanged from the present, we believe that our plan can be achieved. However, as we have tighten the quality control on game content out of regret that our financial results for the last fiscal year plunged to a record-low, any project that does not meet the strictest standards, would be cancelled. As a result, we currently have no plans to revise these figures.

**Appendix: Fiscal Year Ending March 2012: By Business Segment**

1. Projections for the Fiscal Year ending March 31, 2012

	Digital Entertainment	Amusement	Publication	Handbook/sales	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	70.0	47.0	10.0	3.0	-	-	130.0
Operating Income	14.0	2.5	1.8	0.7	-	(9.0)	10.0
Operating Margin	20.0%	5.3%	18.0%	23.3%	-	-	7.7%

2. Results for the Fiscal Year ended March 31, 2011

	Digital Entertainment	Amusement	Publication	Handbook/sales	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	64.2	45.0	13.0	3.0	-	(9.0)	125.3
Operating Income	11.3	2.2	3.2	0.7	(1.5)	(8.5)	7.3
Operating Margin	17.6%	4.8%	24.6%	22.4%	-	-	5.8%

3. Change (1 - 2)

	Digital Entertainment	Amusement	Publication	Handbook/sales	Amortization of goodwill	Eliminations or unallocated	Total
Net Sales	5.8	2.0	(3.0)	(0.0)	-	-	4.7
Operating Income	2.7	0.3	(1.4)	0.0	1.5	(9.5)	2.7

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Below, for reference, is the plan for the whole fiscal year.

**Appendix: Change in Units Sold by Region**

Years Ending March 31

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012E
Japan	4.93	6.30	7.86	7.21	7.52	5.19	11.70	8.49	5.30
N. America	5.85	3.76	3.51	6.15	3.79	3.96	7.59	4.74	4.10
Europe	2.74	0.92	0.82	3.50	3.02	2.38	7.20	5.43	5.10
Asia, etc.	0.10	0.07	0.04	0.07	0.08	0.08	0.17	0.19	
<b>Total</b>	<b>13.62</b>	<b>11.05</b>	<b>12.23</b>	<b>16.93</b>	<b>14.41</b>	<b>11.61</b>	<b>26.66</b>	<b>18.95</b>	<b>14.50</b>

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**Appendix: Fiscal Year March 2012 Planning Key Title Lineup (only previously announced titles)**

Title	Region	Platform	Release Date (Scheduled)
Deus Ex: Human Revolution	JP	PS3/Xbox 360	10/20 (Released on Oct. Sep. for NA and EU)
FINAL FANTASY Reiki	JP	PSP	10/27
Slime MorMorri DRAGON QUEST 3: Dai Katzoku to Shippo Dan	JP	3DS	11/2
Fortune Street	JP, NA	Wii	12/1 (JP), 12/5 (NA)
FINAL FANTASY XIII-2	JP, NA, EU, Asia	PS3/Xbox 360	12/15 (JP), 2012/01 (NA, AU), 2012/03 (EU)
Army Corps of Hell	JP, NA, EU	PS Vita	12/17 (JP), 2012/02 (NA, EU)
LORD of APOCALYPSE	JP	PS Vita/PSP	12/17 (JP)
Call of Duty: Modern Warfare 3	JP	PS3/Xbox 360/PC	11/17 (scheduled) 12/22 (post-over for PS3/Xbox360)
THEATRHYTHM FINAL FANTASY	JP	3DS	This winter
KINGDOM HEARTS 3D (Dream Drop Distance)	JP	3DS	Spring 2012
HEROES OF RUIN	NA, EU	3DS	Spring 2012

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Looking back, while the fiscal year before last we saw our highest net income, in actuality, we were in the worst shape during that period and the one following it. In the face of that, we managed to plant our seeds well, and the quality and content of each of those titles are taking shape.

Developments overseas also show much to look forward to in the future, with Europe nearing completion to an ideal structure and America assembling new staff.

However, only a portion will contribute this period, and the period where revenue bounces back is still a little further out. For this reason, I report to everyone that at present, efforts to reform are progressing smoothly.

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