

CONSOLIDATED FINANCIAL REPORT
for the Nine-Month Period Ended December 31, 2005

Company Name: SQUARE ENIX CO., LTD.	Market: Tokyo Stock Exchange, First Section
Code: 9684	Headquarters: Tokyo
URL: http://www.square-enix.com/	
Representative: Yoichi Wada, President and Representative Director	
Contact: Yosuke Matsuda, Director	Phone: 03-5333-1555 (main)

1. Notes to Providing the Quarterly Financial Statements

- 1) The simple method for accounting method: N/A
- 2) Change of significant accounting policies since the previous fiscal year: N/A
- 3) Change in scope of consolidation and application of the equity method:
 Consolidated (added) - (removed) -
 Equity method (added) 1 (removed) -

2. Consolidated Financial Report for the Nine-Month Period Ended December 31, 2005

(1) Consolidated Financial Highlights

(Millions of yen except percentages and per share data)

	Net Sales		Operating Income		Recurring Income		Net Income	
Nine Months Ended	%		%		%		%	
December 31, 2005	68,994	13.2	6,334	(75.5)	6,936	(73.1)	4,291	(67.7)
December 31, 2004	60,931	49.7	25,859	159.0	25,795	190.2	13,298	150.5
Fiscal Year 2004	73,864		26,438		25,901		14,932	

	Earnings Per Share (Basic)	Earnings Per Share (Diluted)
Nine Months Ended	Yen	Yen
December 31, 2005	38.88	38.57
December 31, 2004	120.81	119.78
Fiscal Year 2004	135.63	134.46

Note: Percentages in net sales, operating income, recurring income, and net income are the percentage changes compared with the same period of the previous fiscal year.

[Notes Regarding the Consolidated Financial Highlights]

The net sales, operating income, recurring income, and net income amounted to ¥68,994 million (up 13.2% from the same period of the previous fiscal year), ¥6,334 million (down 75.5%), ¥6,936 million (down 73.1%), and ¥4,291 million (down 67.7%) for nine months (April 1, 2005 – December 31, 2005) results of the consolidated group of SQUARE ENIX Co., Ltd. (the “Company”). Such quarterly results as this nine-month period are considerably affected by the title release schedule.

In addition, the Company has been consolidating financial results of TAITO CORPORATION and its consolidated subsidiaries (collectively, “TAITO”) since September 28, 2005. Therefore, the Company’s nine-month period results as of December 31, 2005, consolidates TAITO’s balance sheet as of December 31, 2005 and statement of income for the period from October 1, 2005 through December 31, 2005.

Games (Offline)

The Company plans, develops, and distributes games for game consoles and mobile game terminals.

During the reporting period (April 1, 2005 – December 31, 2005), the Company released “*Kingdom Hearts II*” on December 22, 2005 for PlayStation2 (“PS2”), and achieved over a million units shipped within three days of the release date (1,100 thousand units in Japan as of December 31, 2005), and “*Romancing SaGa*” (450 thousand units in Japan and 50 thousand units in North America-ditto), “*Dragon Quest VIII: Journey of the Cursed King*” (430 thousand units in North America), and “*FRONT MISSION 5*” (180 thousand units in Japan-ditto) for PS2, and “*Slime Mori-Mori Dragon Quest 2 Daisensha-to-Shippo-dan*” (260 thousand units in Japan-ditto) for Nintendo DS.

Consequently, net sales of the Games (Offline) segment totaled ¥21,199 million (down 43.3% from the same period in the previous fiscal year), and operating income amounted to ¥974 million (down 95.1%).

Games (Online)

The Company plans, develops, distributes and operates online games connected to the network.

During the reporting period, in the Games (Online) segment, the operation of MMORPG (Massively Multi-player Online RPG) service, “*FINAL FANTASY XI*” (“FFXI”) proceeded at a steady pace with over 500,000 subscribers in Japan, North America and Europe. In addition, “*FRONT MISSION ONLINE*” and “*EVERQUEST II*” were launched during this period.

Consequently, net sales of the Games (Online) segment totaled ¥9,623 million (down 9.2%), and operating income was ¥3,746 million (down 15.7%).

Mobile Phone Content

The Company plans, develops and provides content for mobile phones.

During the reporting period, the Company provided various content such as ring tones, wallpaper, games and portals for mobile phone content. The Company is deploying its original content making the best use of its original content such as “*DRAGON QUEST*” and “*FINAL FANTASY*,” which were launched in the previous fiscal year, and the Mobile Phone Content segment performed well.

Consequently, net sales of the Mobile Phone Content segment were to ¥3,659 million (up 17.5%), and operating income amounted to ¥736 million (down 26.4%).

Publication

The Company publishes magazines, comics, serial comics and game strategy books.

During this period, the Company published serial comics featured in monthly magazines and game strategy books as well as monthly magazines “*SHONEN GANGAN*,” “*G FANTASY*,” “*GANGAN WING*,” and “*YOUNG GANGAN*”. Despite the lack of publications of game strategy books for major titles in this period, the Publication segment performed well in the sale of comic magazines and serial comics.

Consequently, net sales of the Publications segment totaled ¥6,968 million (down 9.5%), and operating income was ¥185 million (down 23.7%).

AM (amusement machines)

Sales from TAITO’s all business segments such as Amusement Operation and Rental, Sales of Goods and Merchandise and Content Services are included in the results of the AM segment, which has been included in the Company’s consolidation since September 28, 2005.

The Company’s consolidated statement of income consolidates TAITO’s statement of income from October 1, 2005, and the Company’s consolidated statement of income for this period consolidates TAITO’s statement of income only for the period from October 1, 2005 through December 31, 2005.

Net sales of the AM segment were to ¥20,988 million, and operating loss was ¥234 million.

Others

The Others segment covers the planning, production, distribution and licensing of the Company titles’ derivative products, and the operation of a school for game designers.

An all-computer-generated picture titled “*FINAL FANTASY VII ADVENT CHILDREN*,” which visualizes the world two years after the ending of “*FINAL FANTASY VII*,” was released in September 2005 as an attempt by the Company to develop a new genre. The picture was invited for a screening at the Venice International Film Festival earning great reception, and the sales have been quite successful.

Net sales in the Others segment totaled ¥6,554 million (up 209.8%), and operating income amounted to ¥2,145 million (up 250.3%).

(2) Consolidated Financial Position

(Millions of yen except percentages and per share data)

	Total Assets	Total Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity Per Share
Nine Months Ended			%	Yen
December 31, 2005	192,247	108,049	56.2	977.73
December 31, 2004	130,326	106,998	82.1	971.81
Fiscal Year 2004	131,695	108,933	82.7	988.19

[Consolidated Statement of Cash Flows]

(Millions of yen)

	From Operating Activities	From Investing Activities	From Financing Activities	Closing Cash and Cash Equivalents
Nine Months Ended				
December 31, 2005	(10,074)	(56,828)	44,159	59,030
December 31, 2004	15,787	919	(3,091)	72,486
Fiscal Year 2004	24,873	574	(2,907)	81,243

[Notes Regarding the Consolidated Financial Position]

Cash and cash equivalents at the end of this period were ¥59,030 million.

The cash flow status and contributing factors are as follows.

1) Cash flows from operating activities

Net income before taxes amounted to ¥7,113 million. However, mainly due to payments for corporate taxes and increase in accounts receivable, cash and cash equivalents used in operating activities amounted ¥10,074 million.

2) Cash flows from investing activities

Cash and cash equivalents used in investing activities were ¥56,828 million. This was primarily due to acquisition of shares of TAITO CORPORATION.

3) Cash flows from financing activities

Mainly due to fund procurement by the issuance of zero-coupon WRT bonds, cash and cash equivalents provided by financial activities were ¥44,159 million.

3. FY2005 Forecasts – Consolidated

At this point, there is no revision to the Company's forecasts of FY 2005 consolidated results announced on November 18, 2005.

■ Attachments

Quarterly Consolidated Balance Sheet (summary),
Quarterly Consolidated Statements of Income (summary),
Quarterly Consolidated Statements of Cash Flows, and
Segment Information.

A Summary of Consolidated Balance Sheet for Nine Months Ended December 31, 2005

(Millions of yen / %)

Account	FY2005 Quarterly Results	FY2004 Quarterly Results	Change		(For Reference)
	(As of December 31, 2005)	(As of December 31, 2004)	Amount	Rate	Fiscal Year 2004
	Amount	Amount	Amount	Rate	Amount
(Assets)					
I Current assets					
1. Cash and deposits	59,035	72,486	(13,450)	(18.6)	81,243
2. Notes and accounts receivable	27,245	14,980	12,264	81.9	7,670
3. Inventories	6,866	1,483	5,383	363.0	1,112
4. Content production account	14,545	15,927	(1,381)	(8.7)	15,510
5. Deferred tax assets	2,174	2,024	149	7.4	3,440
6. Other current assets	5,548	926	4,622	499.2	1,337
Allowance for doubtful accounts	(639)	(419)	(219)	52.4	(262)
Total current assets	114,776	107,408	7,368	6.9	110,053
II Non-current Assets					
1. Property and equipment	31,225	8,929	22,295	249.7	8,918
2. Intangible assets	22,231	6,342	15,888	250.5	6,096
3. Investments and other asset					
(1) Investment securities	1,443	1,483	(40)	(2.7)	1,295
(2) Long-term loans	10	10	0	2.0	9
(3) Rental deposits	17,873	2,863	15,010	524.2	2,863
(4) Construction cooperation fund	2,186	-	2,186	-	-
(5) Claim in bankruptcy	2,292	-	2,292	-	-
(6) Deferred tax assets	3,251	2,579	671	26.0	1,768
(7) Other	1,247	709	538	75.9	689
Allowance for doubtful accounts	(4,291)	(0)	(4,290)	600,923.6	-
Total investments and other assets	24,013	7,645	16,367	214.1	6,626
Total non-current assets	77,470	22,918	54,552	238.0	21,641
Total assets	192,247	130,326	61,921	47.5	131,695
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	12,763	2,822	9,941	352.3	2,241
2. Other accounts payable	2,308	1,321	987	74.7	1,190
3. Accrued expenses	5,744	1,330	4,413	331.6	1,662
4. Accrued income taxes	790	11,096	(10,305)	(92.9)	9,994
5. Advance payments received	930	468	462	98.6	896
6. Deposits received	697	552	145	26.3	385
7. Reserve for bonuses	923	338	584	172.5	1,021
8. Allowance for sales returns	1,199	1,309	(110)	(8.4)	1,316
9. Allowance for losses due to closure of outlets	139	-	139	-	-
10. Other	1,502	2,231	(728)	(32.6)	2,080
Total current liabilities	27,000	21,471	5,529	25.8	20,790
II Non-current liabilities					
1. Corporate bond	50,000	-	50,000	-	-
2. Allowance for retirement benefits	3,103	1,117	1,986	177.7	1,173
3. Other	376	137	239	174.4	139
Total non-current liabilities	53,480	1,254	52,225	4,162.5	1,313
Total liabilities	80,481	22,725	57,755	254.1	22,103
(Minority interests)					
Minority interests in consolidated subsidiaries	3,717	601	3,115	517.6	658
(Shareholders' equity)					
I Common stock	7,757	7,278	479	6.6	7,433
II Capital surplus reserve	36,998	36,518	480	1.3	36,673
III Retained earnings	63,236	63,928	(691)	(1.1)	65,561
IV Unrealized gain on revaluation of marketable securities	552	490	61	12.5	472
V Foreign currency translation adjustment	(7)	(851)	844	(99.2)	(807)
VI Treasury stock	(489)	(365)	(123)	33.8	(401)
Total shareholders' equity	108,049	106,998	1,050	1.0	108,933
Total liabilities, minority interests and shareholders' equity	192,247	130,326	61,921	47.5	131,695

A Summary of Consolidated Statements of Income for Nine Months Ended December 31, 2005

Account		(Millions of yen / %)				
		FY2005 Quarterly Results	FY2004 Quarterly Results	Change		(For Reference)
		(As of December 31, 2005)	(As of December 31, 2004)	Amount	Rate	Fiscal Year 2004
		Amount	Amount	Amount	Rate	Amount
I	Net Sales	68,994	60,931	8,063	13.2	73,864
II	Cost of sales	37,902	19,156	18,745	97.9	25,703
	Gross profit	31,091	41,774	(10,682)	(25.6)	48,161
	Reversal of allowance for sales returns and price protection	1,316	1,569	(253)	(16.1)	1,569
	Provision for allowance for sales return and price protection	1,199	1,309	(110)	(8.4)	1,316
	Net gross profit	31,208	42,034	(10,825)	(25.8)	48,414
	Selling, general and administrative expenses	24,873	16,175	8,698	53.8	21,975
III	Operating income	6,334	25,859	(19,524)	(75.5)	26,438
IV	Non-operating income	845	404	441	108.9	542
V	Non-operating expenses	244	468	(224)	(47.8)	1,080
	Recurring income	6,936	25,795	(18,859)	(73.1)	25,901
VI	Extraordinary gain	1,359	7	1,351	17,116.2	118
VII	Extraordinary loss	1,150	265	885	333.6	443
	Income before income taxes and distribution of loss in partnership (<i>tokumei-kumiai</i>)	7,145	25,537	(18,392)	(72.0)	25,576
	Distribution of loss in partnership	31	19	11	59.1	20
	Income before income taxes	7,113	25,517	(18,404)	(72.1)	25,556
	Corporate, resident and enterprise	917	12,372	(11,454)	(92.6)	11,267
	Refunded income taxes	(906)	-	(906)	-	-
	Deferred income taxes	2,541	(192)	2,734	(1,418.9)	(760)
	Minority interest in consolidated subsidiaries	269	39	229	581.4	116
	Net income	4,291	13,298	(9,007)	(67.7)	14,932

A Summary of Consolidated Statements of Cash Flows for Nine Months Ended December 31, 2005

Account		(Millions of yen / %)		
		FY2005 Quarterly Results	FY2004 Quarterly Results	(For Reference)
		(As of June 30, 2005)	(As of June 30, 2004)	Fiscal Year 2004
		Amount	Amount	Amount
I	Cash flows from operating activities			
	Income before income taxes	7,113	25,517	25,556
	Depreciation and amortization	3,964	1,314	1,814
	Decrease (increase) in accounts receivable	(10,577)	(3,011)	4,319
	Increase (decrease) in inventories	343	(6,433)	(5,618)
	Increase (decrease) in purchase liabilities	2,661	(399)	(953)
	Increase (decrease) in accrued consumption taxes	(657)	717	614
	Increase (decrease) in other current assets	(1,462)	60	(94)
	Increase (decrease) in other non-current assets	(291)	(218)	(198)
	Increase (decrease) in other current liabilities	(983)	133	701
	Income taxes paid	(9,333)	(2,487)	(2,768)
	Other	(852)	592	1,500
	Net cash provided by operating activities	(10,074)	15,787	24,873
II	Cash flows from investing activities			
	Payments for acquiring property, plant and equipment	(4,662)	(912)	(1,318)
	Payments for acquiring intangible assets	(218)	(176)	(362)
	Proceeds from sales of investment securities	1,504	2,001	2,000
	Payments for acquisition of shares in affiliates	-	(27)	(27)
	Payments for acquisition of shares in consolidated subsidiary	(53,752)	-	-
	Proceeds from return of guarantee money paid	504	75	104
	Payments for provision of guarantee money paid	(174)	(71)	(101)
	Other	(29)	29	280
	Net cash provided by investing activities	(56,828)	919	574
III	Cash flows from financing activities			
	Payments for dividends	(6,398)	(3,212)	(3,300)
	Proceeds from issuance of corporate bond	50,000	-	-
	Other	558	121	392
	Net cash provided by financing activities	44,159	(3,091)	(2,907)
IV	Effect of exchange rate changes on cash and cash equivalents	529	194	27
V	Net (decrease) increase in cash and cash equivalents	(22,213)	13,809	22,567
VI	Cash and cash equivalents at beginning of period	81,243	58,676	58,676
VII	Cash and cash equivalent at period end	59,030	72,486	81,243

Segment Information

1. Consolidated Business Segment Information

FY2004 Quarterly Results (April 1, 2004 to December 31, 2004)

(Millions of yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income								
Net sales								
(1) Sales to outside customers	37,407	10,595	3,113	7,698	2,115	60,931	-	60,931
(2) Intersegment sales	-	-	-	-	-	-	-	-
Total	37,407	10,595	3,113	7,698	2,115	60,931	-	60,931
Operating expenses	17,471	6,150	2,111	5,332	1,503	32,570	2,501	35,071
Operating income	19,936	4,445	1,001	2,365	612	28,360	(2,501)	25,859

Notes: 1. The classification of business segments is made according to the types of products and services.

2. Major products offered by each business segment

Segment	Major Products
Games (Offline)	Games
Games (Online)	Online games
Mobile Phone Content	Content for mobile phones
Publication	Magazine comics, serial comics, game-related books
Other	Derivative products such as character merchandise, school for game designers

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥2,501 million.

These expenses are related to administrative departments, such as accounting and general affairs, of the Company, which provide services and operational support that are not allocable to specific business segments.

FY2005 Quarterly Results (April 1, 2005 to December 31, 2005)

(Millions of yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	AM	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income									
Net sales									
(1) Sales to outside customers	21,199	9,623	3,659	6,968	20,988	6,554	68,994	-	68,994
(2) Intersegment sales	-	-	-	-	-	-	-	-	-
Total	21,199	9,623	3,659	6,968	20,988	6,554	68,994	-	68,994
Operating expenses	20,225	5,877	2,922	5,162	21,223	4,408	59,820	2,839	62,659
Operating income	974	3,746	736	1,805	(234)	2,145	9,174	(2,839)	6,334

Notes: 1. The classification of business segments is made according to the types of products and services.

2. Major products offered by each business segment

Segment	Major Products
Games (Offline)	Games
Games (Online)	Online games
Mobile Phone Content	Content for mobile phones
Publication	Magazine comics, serial comics, game-related books
AM	Sales from TAITO's operation such as Amusement Operation and Rental segment, Sales of Goods and Merchandise segment and Content Services segment for the period began October 2005 and ended December 2005
Other	Derivative products such as character merchandise, school for game designers

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥2,839 million.

These expenses are related to administrative departments, such as accounting and general affairs, of the Company, which provide services and operational support that are not allocable to specific business segments.

2. Consolidated Geographic Segment Information

FY2004 Quarterly Results (April 1, 2004 to December 31, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income							
Net sales							
(1) Sales to outside customers	53,203	9,588	680	614	64,086	(3,155)	60,931
(2) Intersegment sales	-	-	-	-	-	-	-
Total	53,203	9,588	680	614	64,086	(3,155)	60,931
Operating expenses	28,988	7,929	701	608	38,226	(3,155)	35,071
Operating income (loss)	24,215	1,659	(21)	5	25,859	-	25,859

- Notes:
- The classification of geographic segments is made according to geographical distances.
 - Main countries included in each segment:
 - North America.....the United States of America
 - Europe.....United Kingdom
 - Asia.....China
 - There are no unallocated operating expenses included in "Eliminations or Unallocated."

FY2005 Quarterly Results (April 1, 2005 to December 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income							
Net sales							
(1) Sales to outside customers	59,729	7,132	311	1,821	68,994	-	68,994
(2) Intersegment sales	2,013	406	287	-	2,707	(2,707)	-
Total	61,742	7,539	598	1,821	71,701	(2,707)	68,994
Operating expenses	56,816	6,893	498	1,159	65,367	(2,707)	62,659
Operating income	4,926	645	100	662	6,334	-	6,334

- Notes:
- The classification of geographic segments is made according to geographical distances.
 - Main countries included in each segment:
 - North America.....the United States of America
 - Europe.....United Kingdom
 - Asia.....China, South Korea
 - There are no unallocated operating expenses included in "Eliminations or Unallocated."

For Reference

October 1, 2005 to December 31, 2005

Summary of Consolidated Financial Statements
Segment Information

SQUARE ENIX®

January 30, 2005

The following consolidated statements of income, consolidated statements of cash flows, and segment information were figured by the balance between the consolidated financial results for the nine-month period ended December 31, 2005 and for the first-half period ended September 30, 2005.

(for reference)

A Summary of Consolidated Balance Sheet

- Comparison between balance sheet as of September 30, 2005 and as of December 31, 2005

(Millions of yen / %)

Account	As of December 31, 2005	As of September 30, 2005	Change	
	Amount	Amount	Amount	Rate
(Assets)				
I Current assets				
1. Cash and deposits	59,035	53,489	5,546	10.4
2. Notes and accounts receivable	27,245	18,267	8,977	49.1
3. Inventories	6,866	6,182	684	11.1
4. Content production account	14,545	16,173	(1,628)	(10.1)
5. Deferred tax assets	2,174	3,959	(1,785)	(45.1)
6. Other current assets	5,548	3,457	2,090	60.5
Allowance for doubtful accounts	(639)	(584)	(55)	9.4
Total current assets	114,776	100,945	13,831	13.7
II Non-current Assets				
1. Property, plant and equipment	31,225	30,116	1,109	3.7
2. Intangible assets	22,231	22,823	(592)	(2.6)
3. Investments and other asset				
(1) Investment securities	1,443	1,116	327	29.3
(2) Long-term loans	10	11	(0)	(8.6)
(3) Rental deposits	17,873	18,087	(214)	(1.2)
(4) Construction cooperation fund	2,186	2,325	(138)	(6.0)
(5) Claim in bankruptcy	2,292	2,308	(15)	(0.7)
(6) Deferred tax assets	3,251	3,328	(77)	(2.3)
(7) Other	1,247	1,212	35	2.9
Allowance for doubtful accounts	(4,291)	(4,299)	7	(0.2)
Total investments and other assets	24,013	24,090	(76)	(0.3)
Total fixed assets	77,470	77,030	439	0.6
Total assets	192,247	177,976	14,270	8.0
(Liabilities)				
I Current liabilities				
1. Notes and accounts payable	12,763	10,121	2,642	26.1
2. Short-term borrowings	-	40,000	(40,000)	(100.0)
3. Other accounts payable	2,308	2,375	(66)	(2.8)
4. Accrued expenses	5,744	5,544	199	3.6
5. Accrued income taxes	790	534	255	47.8
6. Advance payments received	930	832	98	11.8
7. Deposits received	697	403	294	73.1
8. Reserve for bonuses	923	1,698	(774)	(45.6)
9. Allowance for sales returns	1,199	1,118	81	7.3
10. Allowance for losses due to closure of outlets	139	139	-	0.0
11. Other	1,502	972	530	54.6
Total current liabilities	27,000	63,739	(36,738)	(57.6)
II Non-current liabilities				
1. Corporate bond	50,000	-	50,000	-
2. Allowance for retirement benefits	3,103	3,239	(136)	(4.2)
3. Other	376	338	38	11.2
Total fixed liabilities	53,480	3,578	49,901	1,394.6
Total liabilities	80,481	67,318	13,162	19.6
(Minority interests)				
Minority interests in consolidated subsidiaries	3,717	4,211	(494)	(11.7)
(Shareholders' equity)				
I Common stock	7,757	7,684	73	1.0
II Capital surplus reserve	36,998	36,925	73	0.2
III Retained earnings	63,236	62,252	984	1.6
IV Unrealized gain on revaluation of marketable securities	552	380	171	45.1
V Foreign currency translation adjustment	(7)	(327)	320	(97.8)
VI Treasury stock	(489)	(468)	(20)	4.3
Total shareholders' equity	108,049	106,446	1,602	1.5
Total liabilities, minority interests and shareholders' equity	192,247	177,976	14,270	8.0

(for reference)

A Summary of Consolidated Statements of Income
- Total amount during October 1, 2005 to December 31, 2005

(Millions of yen / %)

Account		October 1, 2005 to December 31, 2005
		Amount
I	Net Sales	41,903
II	Cost of sales	24,729
	Gross profit	17,173
	Reversal of allowance for sales returns and price protection	-
	Provision for allowance for sales return and price protection	81
	Net gross profit	17,092
III	Selling, general and administrative expenses	13,242
	Operating income	3,850
IV	Non-operating income	524
V	Non-operating expenses	168
	Recurring income	4,205
VI	Extraordinary gain	(62)
VII	Extraordinary loss	166
	Income before income taxes and distribution of loss in partnership (<i>tokumei-kumiai</i>)	3,977
	Distribution of loss in partnership	9
	Income before income taxes	3,967
	Corporate, resident and enterprise taxes	501
	Refunded income taxes	-
	Deferred income taxes	1,369
	Minority interest in consolidated subsidiaries	7
	Net income	2,088

A Summary of Consolidated Statements of Cash Flows
- Total amount during October 1, 2005 to December 31, 2005

(Millions of yen / %)

Account		October 1, 2005 to December 31, 2005
		Amount
I	Cash flows from operating activities	
	Income before income taxes	3,967
	Depreciation and amortization	3,114
	Decrease (increase) in accounts receivable	(8,836)
	Increase (decrease) in inventories	974
	Increase (decrease) in purchase liabilities	2,541
	Increase (decrease) in accrued consumption taxes	321
	Increase (decrease) in other current assets	(1,409)
	Increase (decrease) in other non-current assets	13
	Increase (decrease) in other current liabilities	366
	Income taxes paid	(309)
	Other	73
	Net cash provided by operating activities	817
II	Cash flows from investing activities	
	Payments for acquiring property, plant and equipment	(4,154)
	Payments for acquiring intangible assets	(191)
	Proceeds from sales of investment securities	-
	Payments for acquisition of shares in affiliates	-
	Payments for acquisition of shares in consolidated subsidiary	(608)
	Proceeds from return of guarantee money paid	482
	Payments for provision of guarantee money paid	(127)
	Other	(46)
	Net cash provided by investing activities	(4,645)
III	Cash flows from financing activities	
	Payments for dividends	(905)
		(40,000)
	Proceeds from issuance of corporate bond	50,000
	Other	126
	Net cash provided by financing activities	9,220
IV	Effect of exchange rate changes on cash and cash equivalents	153
V	Net (decrease) increase in cash and cash equivalents	5,546
VI	Cash and cash equivalents at beginning of period	53,484
VII	Cash and cash equivalent at period end	59,030

Segment Information

(for reference)

- Total amount during October 1, 2005 to December 31, 2005

1. Consolidated Business Segment Information

October 1, 2005 to December 31, 2005

(Millions of yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	AM	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income									
Net sales									
(1) Sales to outside customers	12,592	2,694	1,439	2,496	20,988	1,690	41,903	-	41,903
(2) Intersegment sales	-	-	-	-	-	-	-	-	-
Total	12,592	2,694	1,439	2,496	20,988	1,690	41,903	-	41,903
Operating expenses	10,775	1,579	1,019	1,682	21,223	875	37,156	896	38,052
Operating income	1,816	1,115	419	814	(234)	814	4,747	(896)	3,850

Notes: 1. The classification of business segments is made according to the types of products and services.

2. Major products offered by each business segment

Segment	Major Products
Games (Offline)	Games
Games (Online)	Online games
Mobile Phone Content	Content for mobile phones
Publication	Magazine comics, serial comics, game-related books
AM	Sales from TAITO 's operation such as Amusement Operation and Rental segment, Sales of Goods and Merchandise segment and Content Services segment for the period began October 2005 and ended December 2005
Other	Derivative products such as character merchandise, school for game designers

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥896 million.

These expenses are related to administrative departments, such as accounting and general affairs, of the Company, which provide services and operational support that are not allocable to specific business segments.

2. Consolidated Geographic Segment Information

October 1, 2005 to December 31, 2005

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income							
Net sales							
(1) Sales to outside customers	37,882	3,739	121	159	41,903	-	41,903
(2) Intersegment sales	1,017	(26)	82	(2)	1,070	(1,070)	-
Total	38,899	3,713	203	156	42,973	(1,070)	41,903
Operating expenses	34,992	3,712	162	256	39,123	(1,070)	38,052
Operating income	3,907	1	41	(100)	3,850	-	3,850

Notes: 1. The classification of geographic segments is made according to geographical distances.

2. Main countries included in each segment:

(1)North America.....the United States of America

(2)Europe.....United Kingdom

(3)Asia.....China, South Korea

3. There are no unallocated operating expenses included in "Eliminations or Unallocated."