
FY2004 First Half Results Analyst Meeting

SQUARE ENIX®

November 19, 2004

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.

These statements include pro-forma for historical data that reflect the aggregation of former two companies' operating results (former ENIX and former SQUARE) with no adjustment.

The financial information presented in this document is prepared according to generally accepted accounting principles in Japan.

1. FY2004* First Half Results

*FY2004 = Fiscal Year Ended March 31, 2005

FY2004 First Half Results - Consolidated

Millions of Yen

	As of September 30, 2003		As of March 31, 2004		As of September 30, 2004	
		%		%		%
Current Assets	78,211	78%	84,441	76%	87,696	79%
Fixed Assets	22,652	22%	26,192	24%	23,571	21%
Total	100,863	100%	110,633	100%	111,267	100%
Current Liabilities	11,433	11%	12,185	11%	11,407	10%
Long-term Liabilities	656	1%	1,152	1%	1,201	1%
Total Liabilities	12,090	12%	13,338	12%	12,609	11%
Minority Interests in Consolidated Subsidiaries	834	1%	594	1%	591	1%
Total Shareholders' Equity	87,938	87%	96,700	87%	98,067	88%
Total	100,863	100%	110,633	100%	111,267	100%
Number of Employees	1,324	-	1,412	-	1,501	-

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April 2003 - September 2003		October 2003 - March 2004		April 2004 - September 2004	
		%		%		%
Net Sales	19,730	100%	43,472	100%	24,395	100%
Operating Income	2,331	12%	17,067	39%	5,952	24%
Ordinary Income	1,899	10%	16,349	38%	6,133	25%
Net Income	1,192	6%	9,801	23%	3,133	13%
Depreciation and Amortization	970	-	1,004	-	850	-
Capital Expenditure	2,064	-	640	-	733	-

FY2004 First Half Results by Segments - Consolidated

①1st half year of FY2004

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	8,099	7,684	1,977	5,157	1,476	-	24,395
Operating Expenses	6,549	4,431	1,343	3,405	1,106	1,606	18,442
Operating Income	1,549	3,252	633	1,752	370	(1606)	5,952
Operating Margin	19.1%	42.3%	32.0%	34.0%	25.1%	-	24.4%

②1st half year of FY2003

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	9,349	3,822	1,277	3,569	1,712	-	19,730
Operating Expenses	7,900	2,839	713	2,504	1,203	2,238	17,399
Operating Income	1,448	983	563	1,065	509	(2238)	2,331
Operating Margin	15.5%	25.7%	44.1%	29.8%	29.7%	-	11.8%

③Change (① - ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	(1250)	3,862	700	1,588	(236)	-	4,665
Operating Expenses	(1351)	1,592	630	901	(97)	(632)	1,043
Operating Income	101	2,269	70	687	(139)	632	3,621

FY2004 First Half Year Results – Unit Sales

Title	Release Date	Platform	Thousand Units	FY2003	Change
<i>DRAGON QUEST Characters Toruneko-no-Daibouken 3 Advance -Fusigi-no-Dungeon-</i>	June 2004	GBA	140		
<i>FINAL FANTASY I - II Advance</i>	July 2004	GBA	280		
<i>Final Fantasy XI Chains of Promathia (including all-in-one packs)</i>	September 2004	PS2/PC	250		
<i>Full Metal Alchemist 2 Akaki Erikusiru no Akuma</i>	September 2004	PS2	160		
<i>DragonQuest V Tenku no Hanayome (repeat ordered)</i>	March 2004	PS2	340		
Others	—	—	170		
Japan	—	—	1,340	1,670	(330)
<i>FRONT MISSION 4</i>	June 2004	PS2	140		
<i>Star Ocean -Till the End of Time-</i>	August 2004	PS2	310		
<i>Final Fantasy XI Chains of Promathia</i>	September 2004	PS2/PC	230		
Others	—	—	800		
North America	—	—	1,480	1,330	150
<i>Drakengard</i>	May 2004	PS2	110		
<i>Final Fantasy XI Chains of Promathia</i>	September 2004	PC	60		
<i>Star Ocean -Till the End of Time-</i>	September 2004	PS2	90		
Others	—	—	250		
Europe (PAL)	—	—	510	480	30
<i>Final Fantasy X-2</i>	April 2004	PS2	30		
Others	—	—	10		
Asia, etc.	—	—	40	30	10
TOTAL	—	—	3,370	3,500	(130)

(rounded to nearest ten thousand)

FY2004 First Half Results

Consolidated Net Sales by Region

Millions of Yen

Region	First Half of FY2003		First Half of FY2004		Change
		%		%	
Japan	15,862	80%	16,895	69%	1,033
North America	2,721	14%	5,925	24%	3,204
Europe (PAL)	358	2%	945	4%	587
Asia, etc.	789	4%	628	3%	(161)
Total	19,730	100%	24,395	100%	4,665

FY2004 First Half Results – Non-Consolidated

Millions of Yen

	As of September 30, 2003		As of March 31, 2004		As of September 30, 2004	
		%		%		%
Current Assets	69,388	73%	80,435	77%	81,494	79%
Fixed Assets	26,068	27%	24,188	23%	21,894	21%
Total	95,456	100%	104,623	100%	103,388	100%
Current Liabilities	8,491	9%	9,338	9%	7,385	7%
Long-term Liabilities	652	1%	1,147	1%	1,195	1%
Total Liabilities	9,144	10%	10,486	10%	8,581	8%
Total Shareholders' Equity	86,312	90%	94,137	90%	94,807	92%
Total	95,456	100%	104,623	100%	103,388	100%
Number of Employees	1,085	-	1,137	-	1,205	-

Note: Employees = Permanent employees + Contract employees

Millions of Yen

	April 2003 - September 2003		October 2003 - March 2004		April 2004 - September 2004	
		%		%		%
Net Sales	16,045	100%	35,384	100%	19,170	100%
Operating Income	1,817	11%	14,174	40%	4,711	25%
Ordinary Income	1,652	10%	13,966	39%	4,878	25%
Net Income	952	6%	8,390	24%	2,758	14%
Depreciation and Amortization	888	-	921	-	779	-
Capital Expenditure	1,987	-	561	-	679	-

2. FY2004* Projections

*FY2004 = Fiscal Year Ended March 31, 2005

FY2004 Projections: Consolidated/Non-Consolidated

Consolidated

Millions of Yen

	FY2003 Results		FY2004 Projections		Change	Rate of Change
		%		%		
Net Sales	63,202	100%	73,000	100%	9,798	16%
Operating Income	19,398	31%	25,000	34%	5,602	29%
Ordinary Income	18,248	29%	25,000	34%	6,752	37%
Net Income	10,993	17%	13,500	18%	2,507	23%
Depreciation and Amortization	1,974	-	3,000 *	-	1,026	
Capital Expenditure	2,704	-	1,900	-	(804)	

*Including amortization of goodwill in the amount of 1,200 million yen associated with the acquisition of UIEvolution, Inc.

Non-Consolidated

Millions of Yen

	FY2003 Results		FY2004 Projections		Change	Rate of Change
		%		%		
Net Sales	51,429	100%	62,000	100%	10,571	21%
Operating Income	15,991	31%	23,200	37%	7,209	45%
Ordinary Income	15,618	30%	23,300	38%	7,682	49%
Net Income	9,342	18%	13,000	21%	3,658	39%
Depreciation and Amortization	1,809	-	1,670	-	(139)	
Capital Expenditure	2,548	-	1,700	-	(848)	

FY2004 Projections by Segments - Consolidated

①FY2004 projections

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	41,400	14,000	4,900	10,400	2,300	-	73,000
Operating Expenses	22,700	8,600	3,700	7,200	1,800	4,000	48,000
Operating Income	18,700	5,400	1,200	3,200	500	(4,000)	25,000
Operating Margin	45.2%	38.6%	24.5%	30.8%	21.7%	-	34.2%

Exchange rate:USD1=JPY100.00、EUR1=JPY125.00、CNY1=JPY13.00

②FY2003

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	37,988	8,924	2,793	9,671	3,824	-	63,202
Operating Expenses	21,583	6,575	1,633	6,491	2,797	4,722	43,803
Operating Income	16,404	2,348	1,159	3,180	1,027	(4,722)	19,398
Operating Margin	43.2%	26.3%	41.5%	32.9%	26.9%	-	30.7%

③Change (① - ②)

Millions of Yen

	Game(off-line)	Game(on-line)	Mobilephone Content	Publication	Others	Corporate	Total
Net Sales	3,412	5,076	2,107	729	(1,524)	-	9,798
Operating Expenses	1,117	2,025	2,067	709	(997)	(722)	4,197
Operating Income	2,296	3,052	41	20	(527)	722	5,602

FY2004 Projections – Unit Sales

Thousand Units

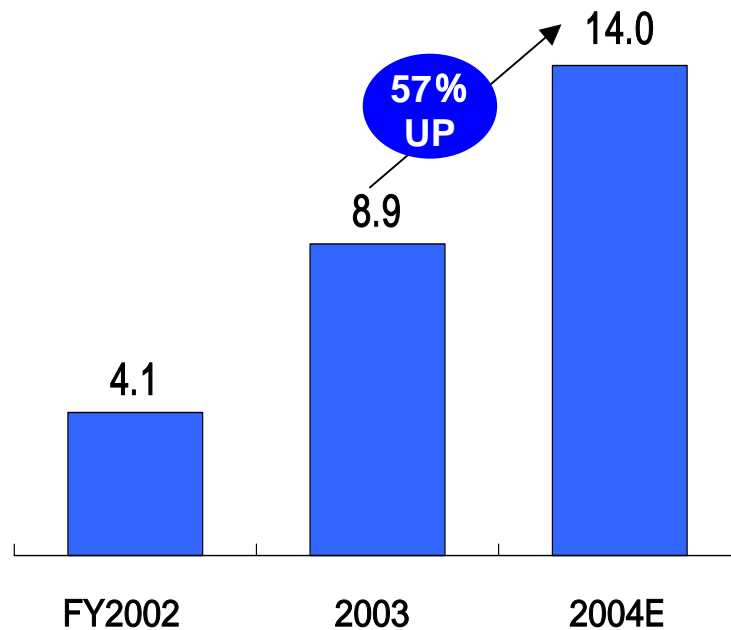
	Japan	North America	Europe (PAL)	Asia, etc.	Total
FY2004 Projections	6,600	2,600	1,100	100	10,400
%	63%	25%	11%	1%	100%
FY2003	4,930 *	5,850	2,740	100	13,620
%	36%	43%	20%	1%	100%
Change	1,670	(3,250)	(1,640)	0	(3,220)

*Including the unit sales of “KENSHIN DRAGON QUEST YOMIGAERISHI DENSETSU NO TSURUGI”.

-Online Game-

-Growth of Net Sales-

(Billions of Yen)

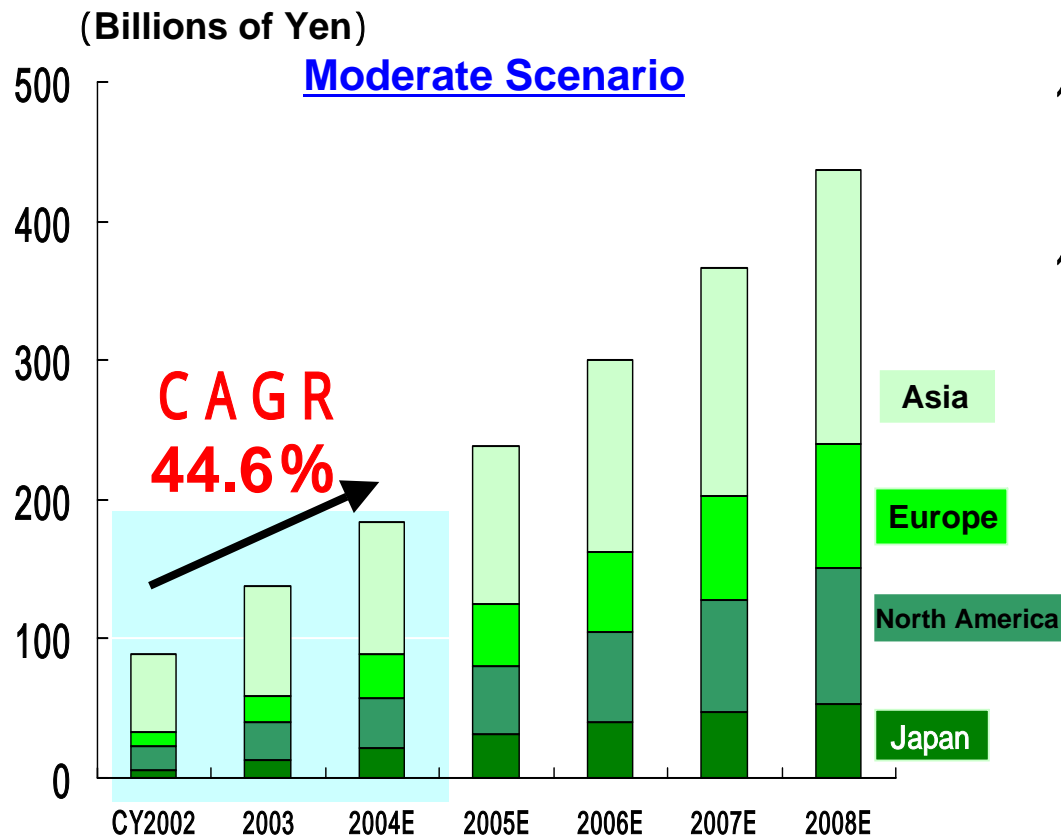


FY2002 result is the simple addition of former two companies' results (former ENIX and former SQUARE)

- Number of “FFXI” registered users reached 550,000 worldwide
- The beta testing for “Front Mission Online” started on November 4, 2004
- Titles to be newly released in 2005
 - “EverQuest ” early 2005
 - “Front Mission Online”
 - “Fantasy Earth”
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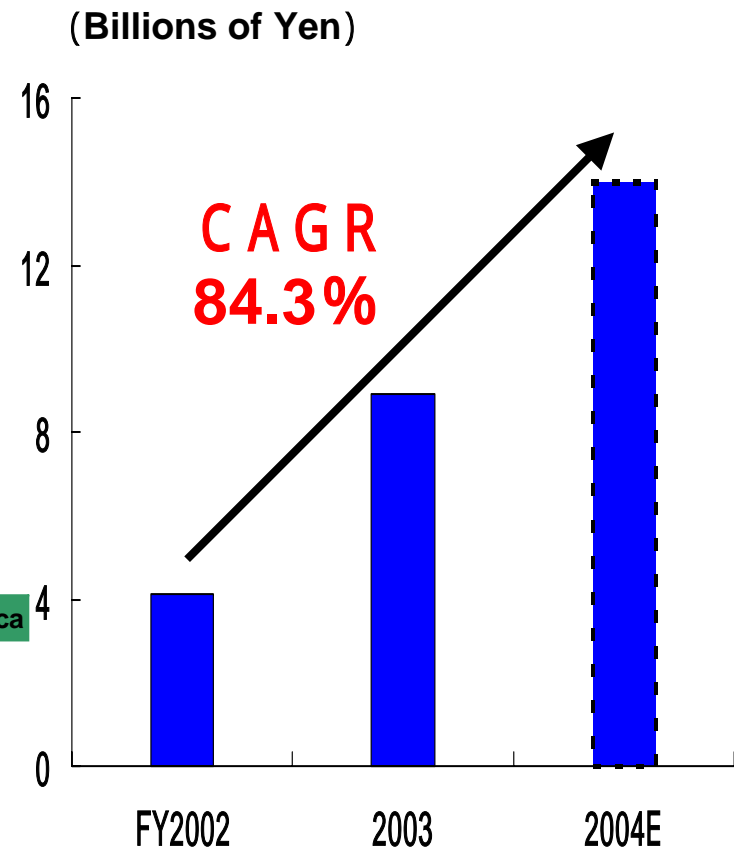
-Online Game-

**Projected Growth of
Global Online Game Market**



Created by SQUARE ENIX from various sources

**Projected Growth of
SQEX-Online Net Sales**

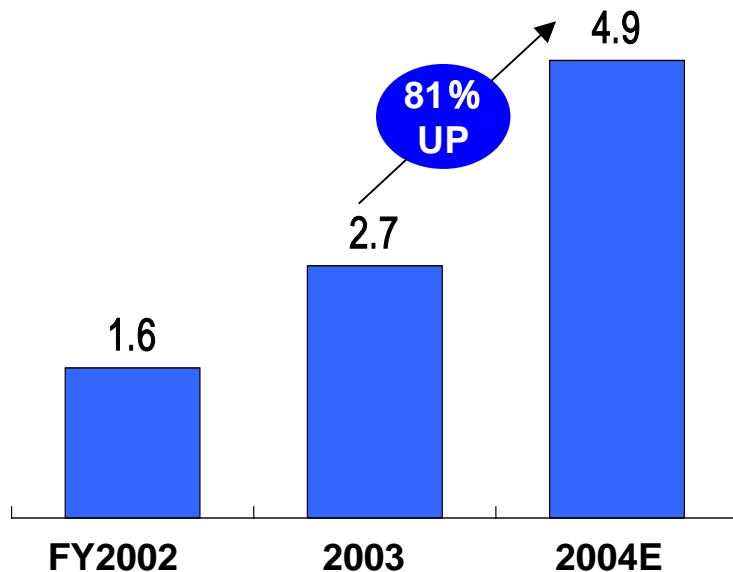


FY2002 result is the simple addition of former two companies' results

-Mobilephone Content-

-Growth of Net Sales-

(Billions of Yen)



FY2002 result is the simple addition of former two companies' results (former ENIX and former SQUARE)

- “DQ-i” and “FF-i” have been established as comprehensive portal site
- Provide games for mobilephones, which have evolved into a game console

Provide full port version of “DRAGON QUEST” and “FINAL FANTASY”
“BEFORE CRISIS FFVII”

New content to come;

“FRONT MISSION MOBILE”

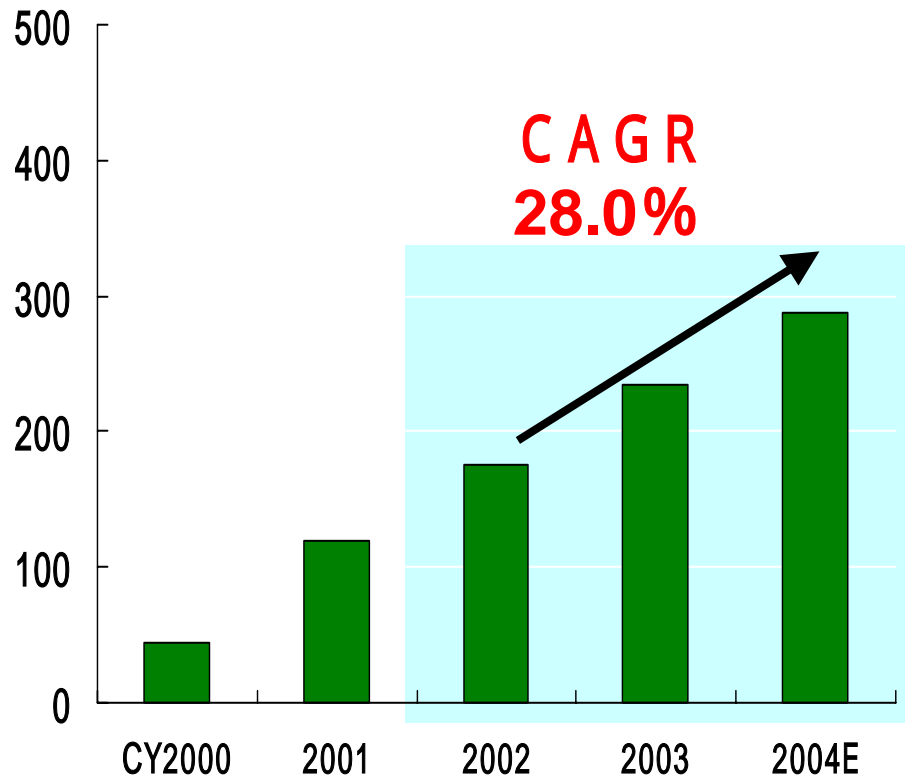
Full port version of “FF ”

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-Mobilephone Content-

Projected Growth of Mobilephone Content Market in Japan

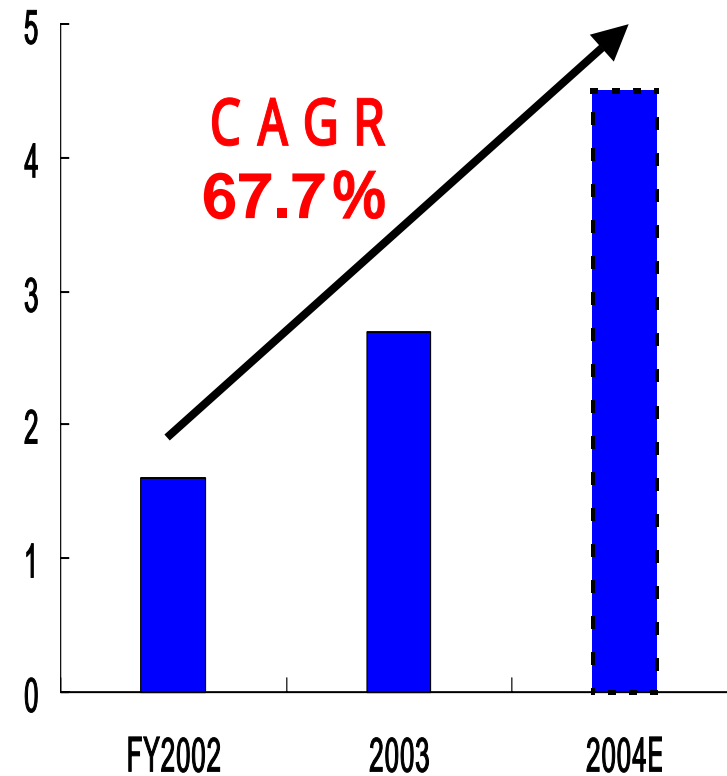
(Billions of Yen)



Source: Digital Content Hakusho 2004

Projected Growth of SQEX-Mobile Net Sales

(Billions of Yen)

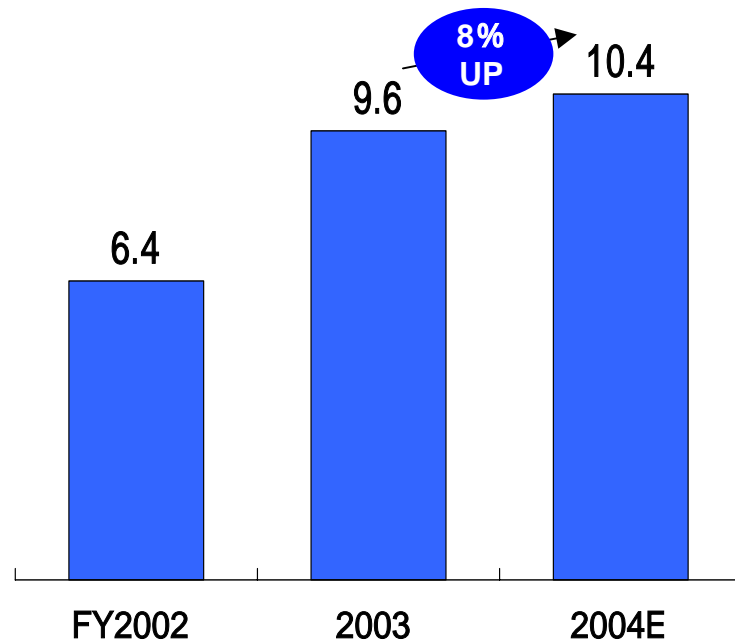


FY2002 result is the simple addition of former two companies' results with no adjustment

-Publications-

-Growth of Net Sales-

(Billions of Yen)



FY2002 result is the simple addition of former two companies' results (former ENIX and former SQUARE) with no adjustment

- Magazines

New monthly magazine, "YOUNG GANGAN" will be issued in the second half year

- Comics

Total sales of "Fullmetal Alchemist" reached 1,200,000 copies (volume 1-8)

Animated "Mahoraba" will come on screen in the second half year

"SOUL EATER", which was issued In June makes steady growth

- Game-related books

Big titles of strategy guides for "DRAGON QUEST" will be issued

(For Reference)

COMPILATION OF FINAL FANTASY VII



CG animation
“ADVENT CHILDREN”
The world 2 years after FFVII

Mobilephone Content
“BEFORE CRISIS”
for 6 year period before FFVII

PSP 「Crisis Core」
? ? ? ? ?

PS2 「Dirge of Cerberus」
The world 3 years after FFVII

Creation of new original content and provision of whole new experiences to users:

The users will experience an outlook on the world of FFVII through the diversified content

Full deployment of the ability to create an original content

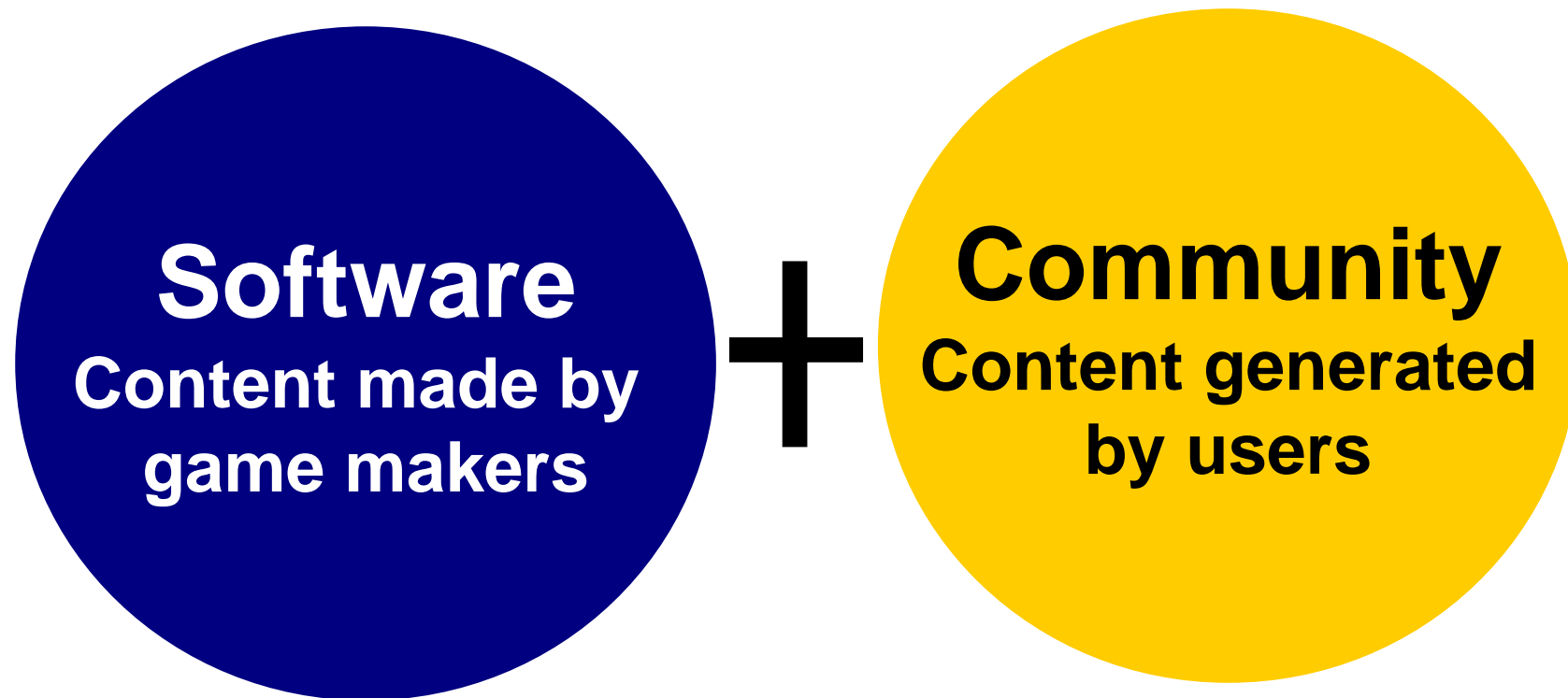
Midterm Strategy

Network will Fundamentally Change the Entertainment

Network is the Game

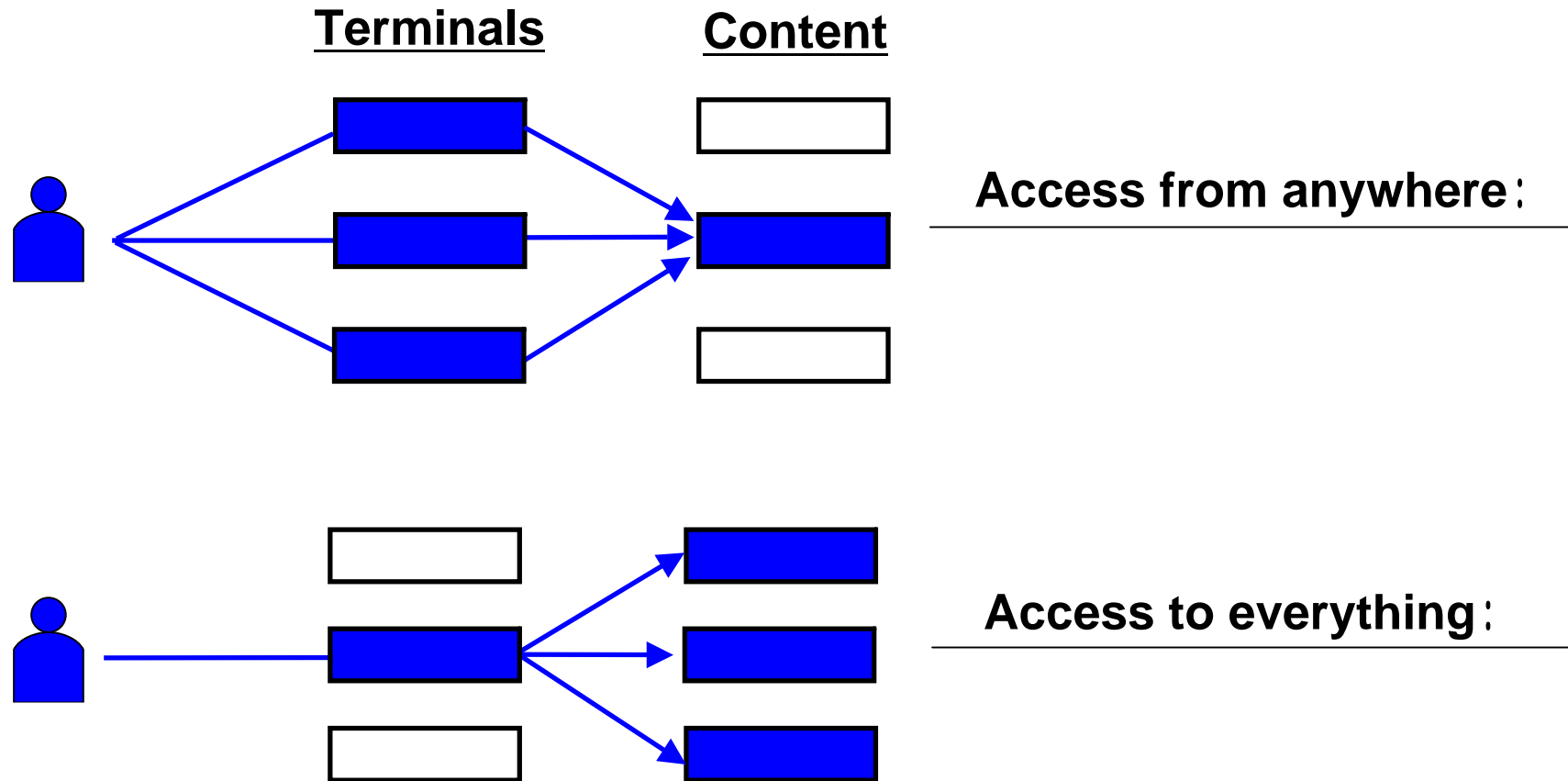
Everything plays Games

Network is the Game : Communications among users are vital to network content



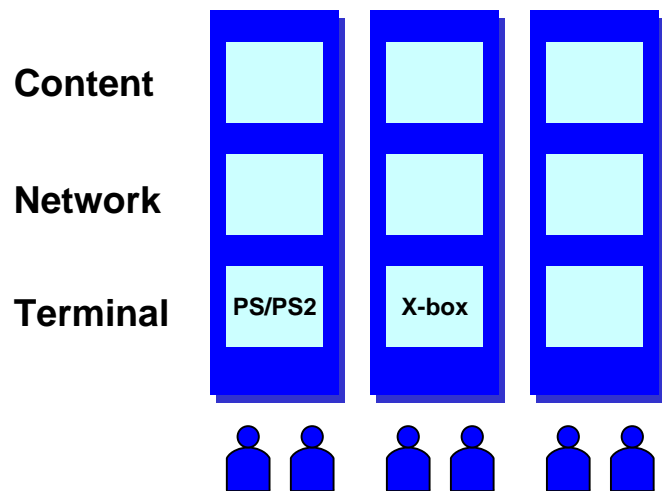
Everything plays Games:

Advanced terminal technology changes the way users access content



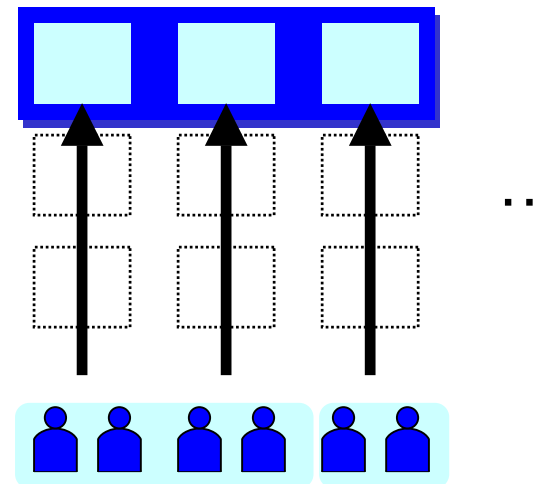
New Entertainment Transform The Industry Architecture

Now



- Vertically integrated by terminal type
- Close relationship with console maker is important
- Product out oriented mindset

Future



- Open network will break the vertical integration. Close relationship with platform technology holders become important
- Terminal and network differences will become less important. Customer ownership shifts to content provider
- Community management conforming to customers' needs become key factor for success

In Response to the New Industry Architecture, our Strategy is to...

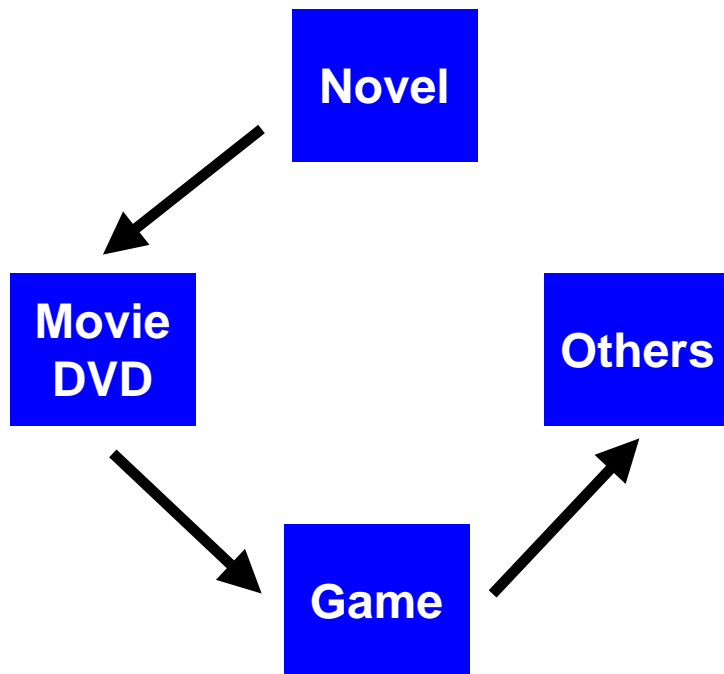
Enhance Community Management

Deploy “Polymorphic Content”

Formulate the New Platforms

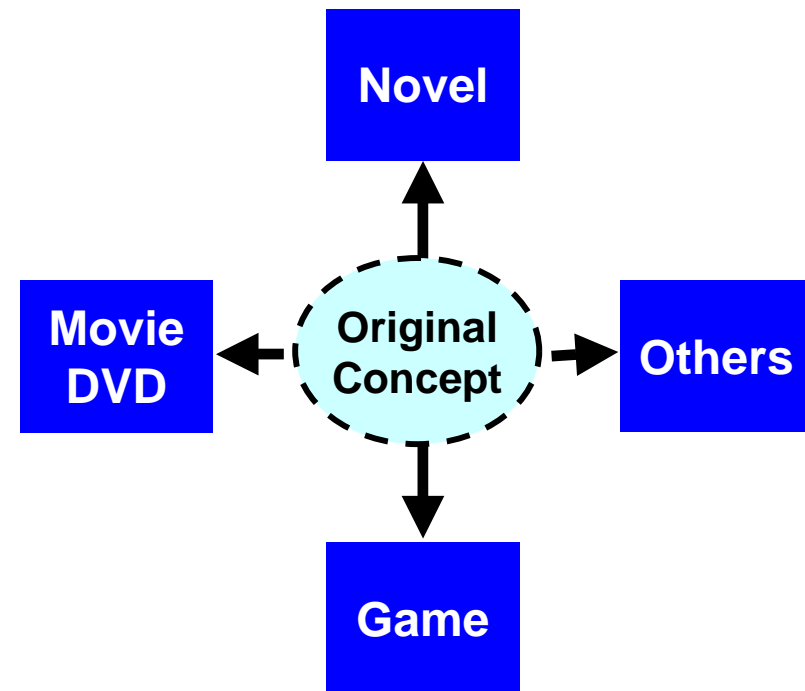
Deploy “Polymorphic Content”

Traditional model of secondary use of content



- The secondary content is a mere porting of the original to a different format
- Number of customers decreases as the content is deployed in different formats sequentially

“Polymorphic Content”



- Original concept created at higher abstract level can be a “polymorphic” content.
- Content makers with interactive design capabilities, which is the most scalable but difficult, have competitive advantage.