SQUARE ENIX

2011
ANNUAL REPORT

Corporate Philosophy

To spread happiness across the globe by providing unforgettable experiences
This philosophy represents our company's mission and the beliefs for which we stand.

Each of our customers has his or her own definition of happiness.
The Square Enix Group provides high-quality content, services, and products to help those customers create their own wonderful, unforgettable experiences, thereby allowing them to discover a happiness all their own.

Management Guidelines

These guidelines reflect the foundation of principles upon which our corporate philosophy stands, and serve as a standard of value for the Group and its members. We shall strive to achieve our corporate goals while closely considering the following:

1. Professionalism
We shall exhibit a high degree of professionalism, ensuring optimum results in the workplace. We shall display initiative, make continued efforts to further develop our expertise, and remain sincere and steadfast in the pursuit of our goals, while ultimately aspiring to forge a corporate culture disciplined by the pride we hold in our work.

2. Creativity and Innovation
To attain and maintain new standards of value, there are questions we must ask ourselves: Is this creative? Is this innovative?
Mediocre dedication can only result in mediocre achievements. Simply being content with the status quo can only lead to a collapse into oblivion. To prevent this from occurring and to avoid complacency, we must continue asking ourselves the aforementioned questions.

3. Harmony
Everything in the world interacts to form a massive system. Nothing can stand alone.
Everything functions with an inevitable accord to reason. It is vital to gain a proper understanding of the constantly changing tides, and to take advantage of these variations instead of struggling against them. We shall continue to work towards harmony and serve as an integral part of this ever-fluctuating system.

In order to achieve ideal performance levels, we as individuals, shall aim for a mutual respect amongst our coworkers, remain conscious of the duties assigned us, and place an emphasis on teamwork.
As a corporate organization, we shall work diligently to maintain an optimal balance culminating in the ultimate satisfaction of all our stakeholders, including customers, shareholders, counterparties, and employees.
As a business entity, we shall contemplate what functions we are to perform within the realm of industry, while acting in a manner that ensures the mutual harmony and benefit of all parties within it.
Finally, as a member of society, we shall comply with laws and regulations while fulfilling our civic obligations, including community involvement and environmental conservation.

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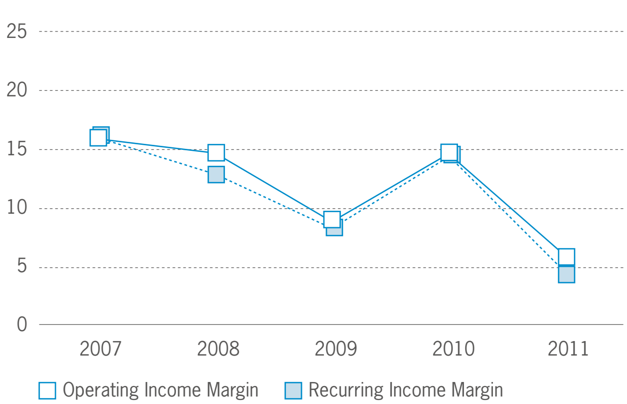
Financial Highlights

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31

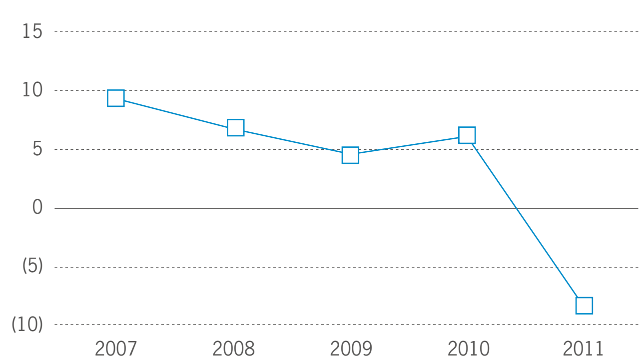
					Millions of Yen	Thousands of U.S. Dollars
	2007	2008	2009	2010	2011	2011
For the Year						
Net sales	¥ 163,472	¥ 147,516	¥ 135,693	¥ 192,257	¥ 125,271	$ 1,506,567
Operating income	25,916	21,520	12,277	28,235	7,325	88,101
Recurring income	26,241	18,864	11,261	27,822	5,390	64,830
Net income (loss)	11,619	9,196	6,333	9,509	(12,043)	(144,841)
At Year-end						
Total assets	¥ 215,679	¥ 212,134	¥ 213,194	¥ 270,529	¥ 206,336	$ 2,481,492
Total equity	129,461	147,034	147,318	152,680	133,558	1,606,230
					Yen	U.S. Dollars
Per Share of Common Stock						
Net income (loss)	¥ 105.06	¥ 81.85	¥ 55.11	¥ 82.65	¥(104.66)	$ (1.26)
Total equity	1,168.91	1,280.50	1,280.92	1,326.82	1,160.66	13.96
					%	
Key Ratios						
Operating income margin	15.9%	14.6%	9.0%	14.7%	5.8%	
Recurring income margin	16.1	12.8	8.3	14.5	4.3	
Return on equity	9.3	6.7	4.3	6.3	(8.4)	
Equity ratio	60.0	69.3	69.1	56.4	64.7	

Notes: 1. For the convenience of readers, amounts in U.S. dollars have been translated using the currency exchange rates at March 31, 2011 of ¥83.15=US$1.
2. Total equity = Common stock + Capital surplus + Retained earnings + Treasury stock + Accumulated other comprehensive loss

Operating Income Margin/Recurring Income Margin (%)



Return on Equity (%)



To Our Shareholders

Yoichi Wada

President and
Representative Director

I am grateful to our shareholders for the opportunity to present the Company's annual report for the fiscal year ended March 31, 2011.

On a consolidated basis, net sales for the fiscal year ended March 31, 2011 totaled ¥125,271 million (a decrease of 34.8% from the prior fiscal year), operating income amounted to ¥7,325 million (a decrease of 74.1%) and recurring income amounted to ¥5,390 million (a decrease of 80.6%); and a net loss of ¥12,043 million was recorded.

The Company's operating income ratio stood at 5.8%.

In the fiscal year ended March 31, 2011, latent vulnerabilities surfaced as a result of incomplete reform. I must apologize that corrective actions stated as nearly complete in prior years were not sufficient to avoid this situation.

In order to ensure new development going forward, we made a reassessment of the year-end balance sheet. While these actions resulted in the recording of a net loss, our financial position continues to be strong, allowing us to set dividends applicable to the fiscal year ended March 31, 2011 at ¥30.00 per share.

The game industry is under a major transformation. In this environment, our Group is pursuing a dual operational approach by which we simultaneously protect profit generated from existing business models while also transforming the framework of our businesses in anticipation of a new industry ecosystem. For the year under review, I regret that we did not sufficiently achieve the former of these goals.

While the rapid pace of change in the operating environment is ongoing, developments are in-line with our prior expectations. Therefore, our basic strategy remains unchanged.

1. Globalization
2. Becoming "Network Centric"
3. Strengthening Own-IPs

I would like to discuss each of these strategic pillars later.

The Year's Shortcomings

We did not have success from our new releases during the year.

Amid the intensification of competition in the console game software market, a polarization has emerged between the very best games and those which do not earn a profit. Our mistake was not reacting with sufficient regard to such an environment. We failed to thoroughly perfect certain products in the rush to launch new IPs. The release of mid-class debut titles with an intention to raise quality in future iterations can be seen as our failure. Further, we stumbled in the launch of our "FINAL FANTASY XIV" online game, a title which held our utmost confidence.

Weakness was discovered in the management of the development organization. For this, we must apologize to our customers and our shareholders. However, instead of giving up and shutting down, we have renewed the team and are working hard to recover the FINAL FANTASY brand and rebuild our presence in the MMORPG space. Progress is taking place at an extremely high rate, and we are enthusiastic about the revival to "top-title" status in the near future.

Learning from these mistakes, we decided to concentrate our focus on approximately 10 new and existing key franchises from the second half of the fiscal year under review. For these titles, we have established a development system without compromise. As a result, we delayed the launch of the upcoming "DEUS EX: HUMAN REVOLUTION" from the fiscal year under review upon our decision to spend more time in further polishing the quality of the title.

The weakness of new releases, a stumble in "FINAL FANTASY XIV" and the delay of "DEUS EX: HUMAN REVOLUTION" were the primary factors resulting in operating income of ¥7.3 billion, substantially lower than forecast at the start of the fiscal year and the lowest level in our company history.

Preparation for Recovery

First of all, at the time of preparing our year-end financial statements, we conducted a thorough reassessment of our balance sheet.

From operating income of ¥7.3 billion to a net loss of ¥12.0 billion, excluding a foreign exchange loss of ¥2.1 billion, there is a difference of ¥17.2 billion.

51% of this amount, or ¥8.8 billion, was the result of a goodwill write-down. The amounts of goodwill previously recorded for EIDOS and TAITO were based on assumptions of industry conditions at the time of their respective acquisitions. While the underlying value of each business continues to be high, we decided it necessary to more conservatively value future earnings generation from planned business models given the dramatic industry transformation.

Further, certain development cancellations and related losses amounted to ¥4.4 billion, or 26% of the aforementioned difference. These losses were recorded as we decided to refocus our attention on fewer, stronger titles.

While the balance of the content production account increased from ¥16.0 billion to ¥19.9 billion, the composition is changing dramatically as we pursue global development. At present, already more than 40% is recorded at development studios outside Japan (Figure1).

Including taxes of ¥2.0 billion yields a total of about 90% of the difference explained above.

While I regret concerns that may have been caused by our swing to a loss during the fiscal year ended March 31, 2011, the real nature of the loss is as described above. Finally, the vast majority of the decline in total assets was due to goodwill and the planned payback of capital for corporate bond redemptions, while extraordinary loss items were related to valuations and did not materially impact capital flows. As a result, our cash balances have not fallen (Figure 2).

Financial treatment is important, however, in the end this is accounting for the past. It goes without saying that our business and how we energize our vital human resources are more important. In addition to reorganization and a review of the chain of command, we also improved our internal communication methods from those based on a hierarchical organization to a system in which management can communicate directly with all employees as a tool for conveying Group vision as well as business directives. Moreover, in order to promote the active and honest exchange of views among employees, we have begun holding workshops on various topics and information exchange events. I believe that the transformation of our Group's culture is our most critical issue and the fastest road to success.

New Signs

While fundamentally changing Group culture is not an easy task, we have already started to see some teams leading the way with good results. At the E3 game show held in June 2011, the quality of our various titles earned extremely high praise (Figure 3). With enhancing brand value a top priority for the Group, these are certainly very encouraging examples.

In addition, we are starting to see the fruits of our labor in the creation of new genres. Our browser game launched in August 2010 called "SENGOKU IXA" has already grown to become a significant earnings generator. In addition, several of our social game releases have also achieved success in the market. Using the feedback we are receiving in these new genres, we are further strengthening our development capabilities.

Figure 1 Content Production Account by Region

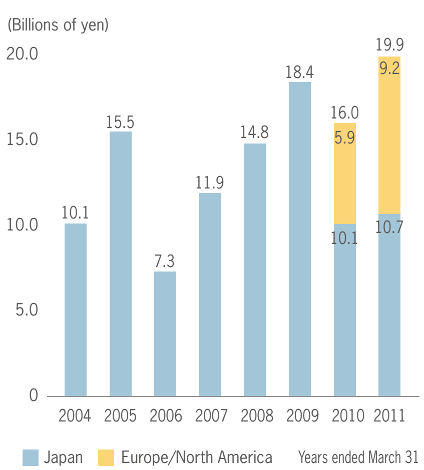


Figure 2 Comparison of Total Assets

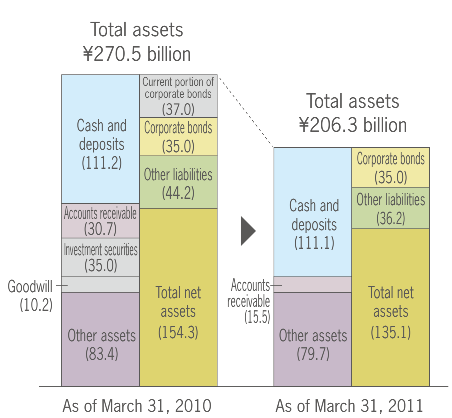
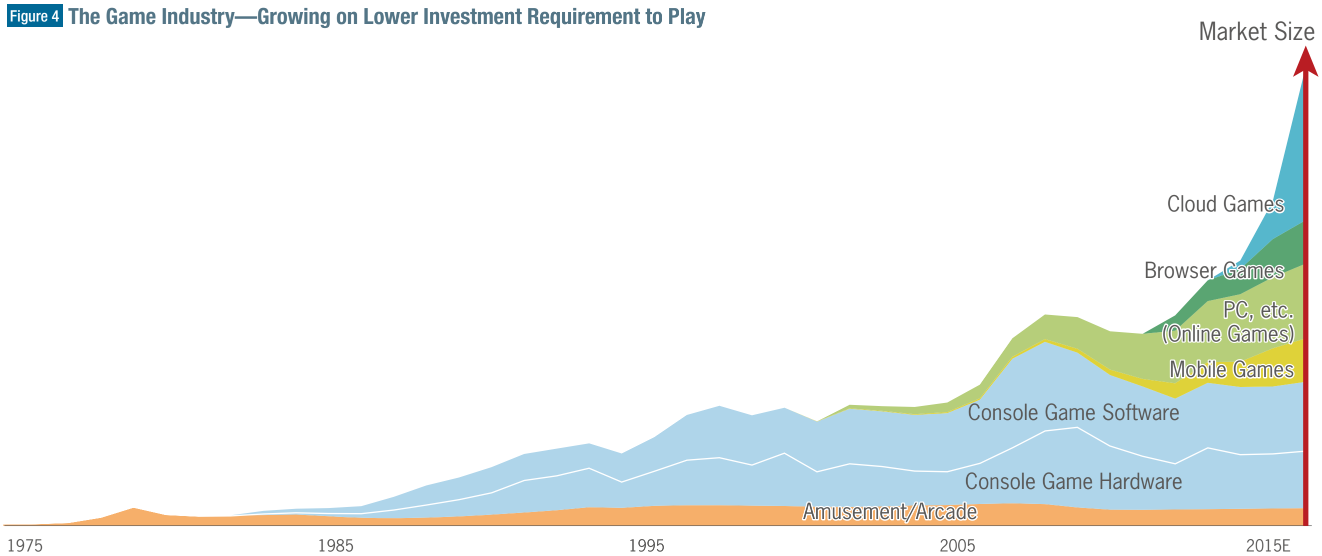


Figure 3 E3 Expo, U.S. (June 2011)
Future Titles Earn Wide Acclaim

(Announced June 30, 2011)

- **"TOMB RAIDER"** (Due: Autumn 2012)
  21 Awards, 68 Nominations
  Best Action Game (*IGN*), etc.
- **"HITMAN ABSOLUTION"** (Due: 2012)
  19 Awards, 50 Nominations
  Best of Show (*GameSpot*), etc.
- **"DEUS EX: HUMAN REVOLUTION"**
  4 Awards, 19 Nominations
  (Due: August 2011 N. America/Europe; September 2011 Japan)
- **"FINAL FANTASY XIII-2"**
  1 Award, 12 Nominations
  (Due: December 2011 Japan; January 2012 N. America; Early 2012 Europe)

Figure 4 **The Game Industry—Growing on Lower Investment Requirement to Play**



Various sources compiled by the Company

Historical Development of the Game Industry

For a deeper understanding of our basic strategy, I would now like to describe our outlook for the gaming industry while reviewing historical developments to date. Our Group created, and is now implementing, a strategy based on a clear understanding of the game industry's history.

Within the growth of the games industry, there is a clear trend appearing.

Games are an incredibly complex application, and making them work requires an environment of incredibly high capabilities. In order for a customer to play a game, such application software requires an investment in the operating environment, namely hardware. As the required investment in the environment is reduced, the entry barrier for consumers is lowered and the game industry grows (Figure 4).

In the early stages of the video game industry, making a game run was difficult and each individual game required its own unique hardware. To that end, arcade owners purchased machines, and the business model saw these owners spread the investment cost to their customers in the form of coin operations.

Next, Nintendo developed its Nintendo Entertainment System (NES), and the investment cost for the average consumer to own a game machine was greatly reduced. This was the birth of the home video game console industry.

From there, the console game market grew quickly as the capabilities of each game console advanced and third-party developers increased the overall supply of software.

In 2000, when the PlayStation 2 System was released, the concept of the game console as a games-only device disappeared. At one price, you gained both a game console and a DVD player, which had the effect of dramatically reducing the consumer's investment in the environment specifically to play games.

In the years following, people gained the ability to play games on mobile phones in Japan. With this, we entered the age of general purpose devices capable of playing games. While PCs had been capable of playing games for some time, PCs with such extremely high specifications required by games began to serve as de facto game consoles. Now, however, we find that even average PCs are capable of allowing people to enjoy games as well.

Since the 2007 debut of the iPhone, smartphones and tablet PCs have spread rapidly, fully establishing the lifestyle of playing games on general purpose devices. Furthermore, around 2006, all game devices became connected to the Internet, which can be viewed as a critical aspect of the industry's subsequent expansion.

As it became possible to play games on all devices, the barrier in form of investment required for hardware began to disappear. From now on, we must focus our attention on software as the platform for playing game applications.

In the next stage of development, the focal point becomes whether games are playable on application software, such as browser and Flash, as standard features in PCs.

In the coming years, I believe the capabilities of this software will grow tremendously and allow the market to expand to customers who lacked awareness of games in the past (this is already happening).

The dramatic expansion of the customer base and the permeation of the network environment will cause both business models and content design to transform fundamentally. From now on, only those who are able to create true innovation in response to this new marketplace will be leaders.

The era of physical media such as DVDs selling through physical channels of retail stores and marketing methods primarily through mass media is coming to an end. Now, the important point is how to best utilize social media networks as sales channels. Furthermore, revenue models will evolve from one-time, fixed priced sales to a pay-as-you-go billing ("freemium" being one example).

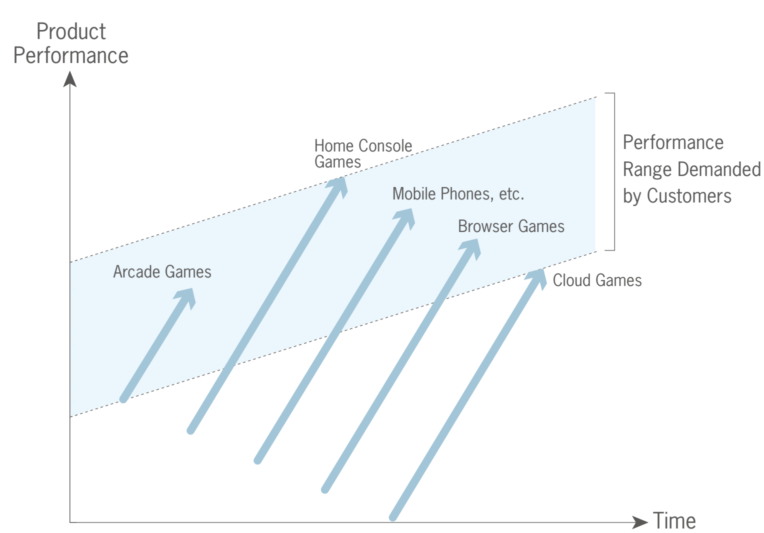
On top of business models changing, content design must also evolve. Values required going forward are fundamentally different from those of the past. In this industry which is not cooling down, but rather, expanding substantially, most game publishers, including us, are struggling to make a leap forward in the midst of such an evolution of values.

Furthermore, what comes next is cloud gaming.

Assuming the availability of a network environment, data storage and processing are performed by servers. When we move to this stage, content and services are managed on the servers, leading to the emergence of a new entertainment market whereby not just games, but many forms of entertainment, are fused together.

Here, I should touch upon a common question. The question is whether or not the browser and cloud are only able to penetrate the market with simple games and full-scale games remain on consoles. I believe that these new platforms are not inferior, but rather, will evolve, whereby the boundary between consoles and other devices will disappear. This is the

Figure 5 The Innovator's Dilemma



quintessential innovator's dilemma. Sustaining innovation will be surpassed by disruptive innovation, and the dilemma is that winners in sustaining innovation are unable to comprehend disruptive innovation, or unable to change course, which is precisely what is happening to the game industry (Figure 5). I can even say that cloud gaming will be the most ideal alternative for high-end gaming within 10 years.

The Group's Three Strategic Pillars

1. Globalization

If the gaming industry expands as investment barriers for customers are lowered, geographic expansion is inevitable. Globalization is a basic premise of all companies in the industry. Therefore, our strategy differentiates itself on how we define globalization.

Our group does not think of one global, abstract market. We do not believe it is realistic that every title will sell throughout the entire world, and we do not seek this. Market segments should be identified not by region but by consumer preference, and each piece of content must be pursued on its individual characteristics. It might be the case that certain content designed for Japan's extremely small segment of core users also appeals to French and Chinese students as well. I think our market segmentation approach based on customer preference is more scalable in that deployment is not limited to a specific region.

Having this basic concept, our distribution channels take firm root in each respective region we operate.

Even though there are no national borders for taste, the distribution of content is entirely dependent on local business practices. In fact, even network services are rooted in local cultural differences making them extremely regional in nature.

Furthermore, our Group's recruiting bases that cover the world give us a very significant competitive strength.

In addition to considering talent from various regions, we also consider factors such as personnel systems, taxes, and foreign exchange, to construct the optimal human resource portfolio.

We are also focusing on entering emerging markets. We have almost completed our foundations in Japan, North America and Europe, and established a foothold in China. Going forward, we will be actively expanding into more territories.

2. Becoming "Network Centric"

As I have mentioned, we have to transform both our business model and our content design. The two critical points are embracing the continuous relationships with customers and having pricing determined by customers according to their level of satisfaction. We need to pursue these not only with emerging new genres, but also as we implement network aspects into our traditional packaged software titles as well.

Furthermore, under a common infrastructure, we gain the ability to become network, and even platform operators. Ultimately, however, we must transform ourselves into a community platform operator.

3. Strengthening Own-IPs

As our business domain is entertainment, the ultimate bond between our customers and us is content brands. This will remain unchanged regardless of infrastructure and business models utilized. We will put all our efforts toward creating 10+ compelling IPs comparable to FINAL FANTASY.

Furthermore, with the network as the centerpiece of business operations, the amount of flexibility held when converting a particular title into various content or services becomes critical. How a creator might want to alter a title later in its life-cycle is unpredictable in the development stage. However, the current copyright system defines the rights of copyright holders regarding changes allowed. Thus, without our own-IPs, we would face fundamental obstacles in our business expansion. Therefore, we are focused on holding our own-IPs.

After a year which may have given you concern, we are determined to achieve our established targets and look forward to your continuing loyal support.

Yoichi Wada

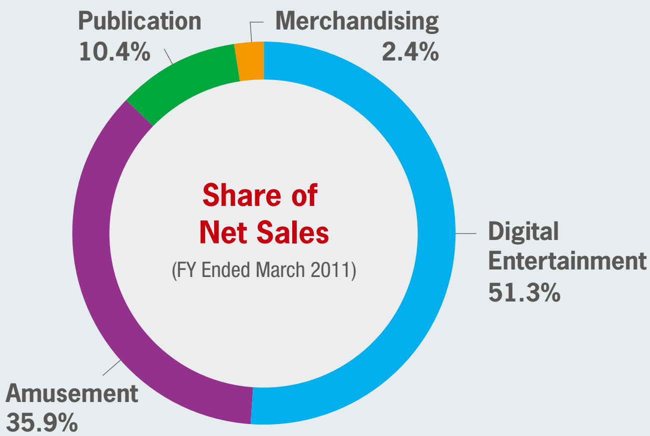
Yoichi Wada
President and Representative Director
SQUARE ENIX HOLDINGS CO., LTD.

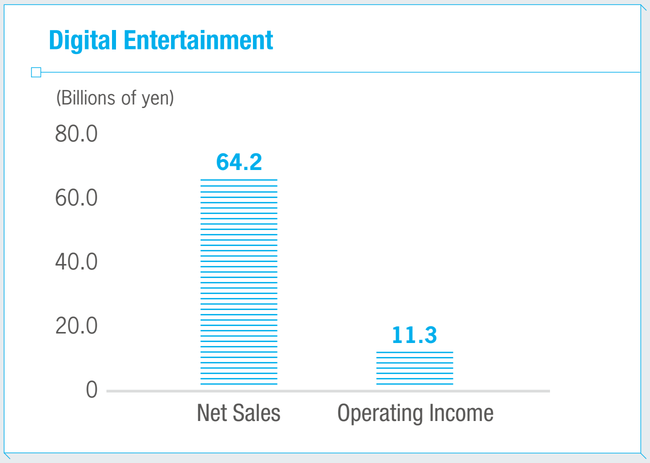
The Square Enix Group (the "Group") is continuing determined efforts to strengthen the competitiveness and profitability of its business segments of Digital Entertainment, Amusement, Publication and Merchandising.

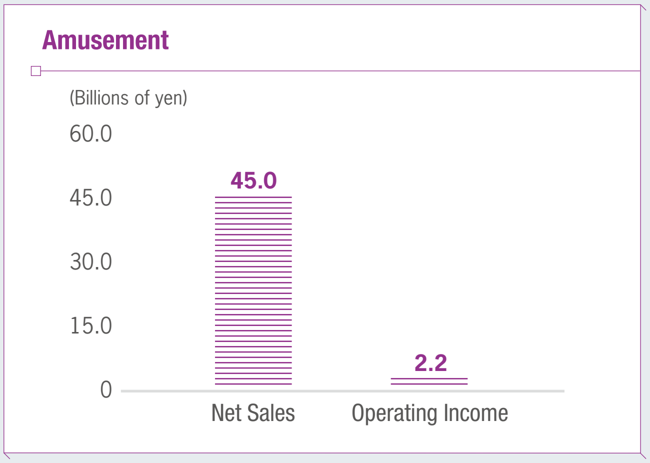
Net sales for the fiscal year ended March 31, 2011 totaled ¥125,271 million (a decrease of 34.8% from the prior fiscal year); operating income amounted to ¥7,325 million (a decrease of 74.1% from the prior fiscal year); and recurring income amounted to ¥5,390 million (a decrease of 80.6% from the prior fiscal year).

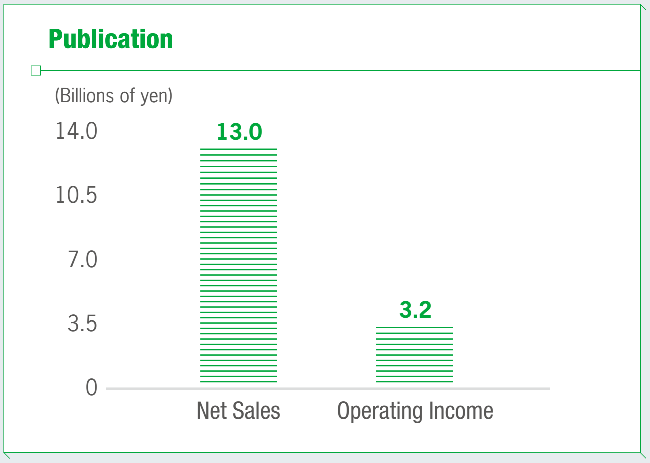
Under a rapidly changing operating environment and more prudent estimates of future cash flows, the Group wrote-off goodwill balances during the fiscal year. The resulting extraordinary loss was the main factor causing a net loss of ¥12,043 million during the fiscal year ended March 31, 2011, compared to net income of ¥9,509 million in the prior fiscal year.

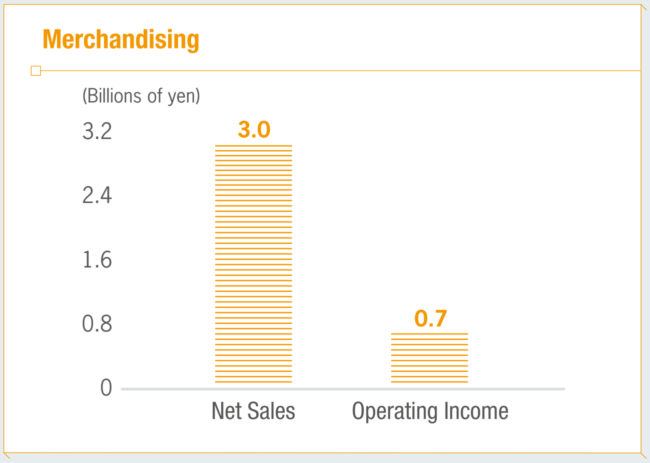
During the fiscal year, an extraordinary loss of ¥570 million was recorded as a result of the Tohoku Pacific Ocean Earthquake and Tsunami.











Digital Entertainment

The Digital Entertainment segment plans, develops, distributes and operates digital entertainment content primarily in the form of games. Digital entertainment content is offered to meet customer lifestyles across a variety of usage environments such as consumer game consoles (including handheld game machines), personal computers and mobile phones.

During the fiscal year ended March 31, 2011, while “DRAGON QUEST MONSTERS: Joker 2” released in April and “Kane & Lynch 2: Dog Days” released in August became million sellers, the segment experienced weakness in sales of console games.

In content for other platforms such as PCs and smartphones, successes are emerging such as the Group’s virtual community portal site called “Nicotto Town,” where cumulative IDs exceeded 700,000 in December. Further, an online simulation game called “SENGOKU IXA” in partnership with Yahoo! JAPAN, launched fee-based services in August and continues to enjoy robust growth.

During the fiscal year ended March 31, 2011, net sales and operating income in the Digital Entertainment segment totaled ¥64,204 million (46.6% below prior fiscal year) and ¥11,283 million (61.2% below prior fiscal year), respectively.

Amusement

The Amusement segment consists of the operation of amusement facilities and the planning, development and distribution of arcade game machines and related products for amusement facilities.

During the fiscal year ended March 31, 2011, amusement facilities operations met difficult market conditions with continued profit improvement efforts.

During the fiscal year ended March 31, 2011, net sales and operating income in the Amusement segment totaled ¥45,012 million (13.9% below prior fiscal year) and ¥2,178 million (45.4% below prior fiscal year), respectively.

Publication

The Publication segment includes comic books, game strategy books and comic magazines.

During the fiscal year ended March 31, 2011, the Group had favorable results supported by continued strong comic book sales accelerated by TV broadcasting animation programs of popular titles.

Further, the Group has been dedicated to developing network-based businesses such as distribution of special applications for iPhone, iPod touch and iPad by which the Group's GANGAN ONLINE, a web-based comic magazine, can be browsed.

During the fiscal year ended March 31, 2011, net sales and operating income in the Publication segment totaled ¥13,045 million (9.2% below prior fiscal year) and ¥3,204 million (22.2% below prior fiscal year), respectively.

Merchandising

The Merchandising segment includes the planning, production, distribution and licensing of derivative products of titles owned by the Group.

In the fiscal year, the Group continued to distribute and license items such as character goods and soundtracks based on the Group's own IPs while also strengthening its character goods lineup with additional products based on third party content.

During the fiscal year ended March 31, 2011, net sales and operating income in the Merchandising segment totaled ¥3,018 million (44.9% below prior fiscal year) and ¥680 million (62.8% below prior fiscal year), respectively.


FINAL FANTASY XIII


DRAGON QUEST
Sentinels of the Starry Skies
IX


Disney
SQUARE ENIX
KINGDOM HEARTS
Birth by Sleep


TOMB RAIDER


HITMAN™
ABSOLUTION


DEUS EX
HUMAN REVOLUTION™

1. Status of Corporate Governance

(1) Overview of corporate governance system and objectives

The Company has adopted the corporate auditor system for its corporate governance. To strengthen monitoring functions and ensure the maintenance of sound management, at least half of the corporate auditors are drawn from outside the Company. Furthermore, in accordance with the objective standards provided under the Company's internal decision-making authority rules, the Board of Directors, which sets management policy, is clearly separated from the decision-making bodies responsible for the execution of operations. This system aims to enhance the efficiency and balance of management decision-making and operational execution.

The Board of Directors comprises five directors, including one outside director. The Company has four corporate auditors, three of whom, including one standing corporate auditor, are drawn from outside the Company. The directors are appointed for a term of one year, the same as for companies adopting the committee system.

In principle, the Board of Directors convenes monthly, and each of the directors, including the outside director, engages in vigorous discussion and exchange of opinions aimed at enhancing their mutual oversight functions. With regard to matters concerning basic policy on the system of compensation for directors and corporate auditors, the Company has voluntarily established the Compensation Committee as an advisory body that submits reports to the Board of Directors. This system is designed to ensure management objectivity and transparency.

In principle, the Board of Auditors convenes monthly, and conducts accounting and operational audits based on the audit plan. The corporate auditors attend meetings of the Board of Directors to audit the execution of duties of the directors.

The Board of Directors has passed a resolution establishing the Company's Basic Policy on Building an Internal Control System. The Company is building such systems to ensure auditing and supervisory functions are strictly maintained and to confirm that all business activities comply with all relevant laws and regulations and the Company's Articles of Incorporation, as well as to enhance the efficiency of the directors' exercise of duties.

To ensure a rigorous compliance system, the Company clearly specifies the importance of compliance in its management guidelines and The Group Code of Conduct. The Company has established the Internal Control Committee and an internal compliance reporting (whistleblower) system, through which Company-wide compliance measures are integrated laterally across organizational reporting lines. With regard to the management and operation of the Company's information systems, which form the foundation of efficient operational functions, the Company has established the Information System Management Committee to oversee information systems on a Company-wide basis.

To ensure the maintenance of a robust risk management system, Company-wide risk management measures are integrated laterally across organizational reporting lines. This is achieved through the reinforcement of relevant internal organizational divisions, and the establishment of the Internal Control Committee and an internal compliance reporting (whistleblower) system.

(2) Organization, personnel and procedures for internal audits and audits by corporate auditors; and coordination between internal audits, audits by corporate auditors and independent audit firm

Internal audits are carried out by the Auditing Division, which currently comprises one person and reports directly to the president. The Auditing Division performs regular monitoring, reviews and evaluations (internal evaluations) of internal control systems, including those of Group companies—taking into account the relative importance of and risk inherent in each part of the organization—and provides reports and recommendations to the president. The Auditing Division's functions are carried out while sharing information with the Board of Auditors and the independent audit firm.

Audits by the corporate auditors are carried out by four corporate auditors, three of whom are drawn from outside the Company. Nobuhiro Saito, a corporate auditor, has many years' experience working at financial institutions, and possesses extensive expertise in finance and accounting-related matters. The finance and accounting expertise of two other corporate auditors, Norikazu Yahagi and Ryuji Matsuda, is outlined in the section below covering outside directors and corporate auditors.

Information on audits by the independent audit firm is provided in the section below covering the statutory audit firm.

Each quarter, the corporate auditors and the statutory audit firm coordinate their activities through mutual reporting and exchange of opinions. An appropriate forum is convened for the exchange of opinions, and the matters discussed during these meetings are reflected in the performance of audit operations.

Appropriate reporting to the director responsible for internal control on the aforementioned audit activities is carried out through the Board of Directors and the Internal Control Committee.

(3) Personal, financial, business or other relationships constituting conflicts of interest between the Company and its outside director or outside corporate auditors

The Company has one outside director and three outside corporate auditors.

Makoto Naruke was appointed as outside director based on his extensive and broad experience and knowledge as a senior corporate executive. At meetings of the Board of Directors, Naruke offers recommendations and advice to ensure the adequacy and appropriateness of decision-making.

Ryoichi Kobayashi was appointed as an outside auditor based on his abundant experience and extensive knowledge gained through serving as an officer at several companies. Kobayashi offers his opinions at meetings of the Board of Directors and Board of Auditors as appropriate. The Company has notified the Tokyo Stock Exchange regarding the status of Kobayashi as an independent officer pursuant to the rules for listed companies stipulated by the stock exchange.

Norikazu Yahagi has served as an outside corporate auditor at several companies, including IBM Japan, Ltd., where he served as a standing corporate auditor. He was appointed as an outside auditor based on his extensive expertise on internal control, finance and accounting-related matters, and based on his experience in serving as a full-time director of the Japan Corporate Auditors Association. Yahagi offers his opinions at meetings of the Board of Directors and Board of Auditors as appropriate. The Company has notified the Tokyo Stock Exchange regarding the status of Yahagi as an independent officer pursuant to the rules for listed companies stipulated by the stock exchange.

Ryuji Matsuda holds qualifications as an attorney and certified public accountant (CPA). He was appointed as an outside corporate auditor based on his extensive expertise in finance and accounting-related matters. Matsuda offers his opinions at meetings of the Board of Directors and Board of Auditors as appropriate. The Company has notified the Tokyo Stock Exchange regarding the status of Matsuda as an independent officer pursuant to the rules for listed companies stipulated by the stock exchange.

The outside director and outside corporate auditors work closely with the Auditing Division, the corporate auditors and the statutory audit firm, and are subject to appropriate reporting and engage in an exchange of opinions at meetings of the Board of Directors, Board of Auditors, Internal Control Committee and other forums.

There are no conflict-of-interest relationships between the Company and the outside director or between the Company and the outside corporate auditors.

(4) Overview of compensation system for directors and corporate auditors

(i) Total compensation paid to directors and corporate auditors, total compensation for each category of director and corporate auditor, and the total number of directors and corporate auditors

Compensation Paid to Directors

	Number of individuals	Total remuneration (Millions of yen)	Remuneration breakdown (Millions of yen)	
			Monetary compensation	Non-monetary compensation
Directors	4	375	264	111
Outside director	1	7	6	1
Total	5	382	270	112

Notes: 1. Non-monetary compensation applicable to the fiscal year under review was in the form of stock options.
2. The Company has abolished retirement benefits for directors and corporate auditors.

Compensation Paid to Corporate Auditors

	Number of individuals	Total remuneration (Millions of yen)	Remuneration breakdown (Millions of yen)	
			Monetary compensation	Non-monetary compensation
Corporate auditor	1	6	6	—
Outside corporate auditors	3	29	29	—
Total	4	36	36	—

Note: Compensation for corporate auditors was determined as shown above after taking into account corporate auditor independence in relation to the Company's management.

(ii) Decision-making policies on remuneration, etc., for directors and corporate auditors

The remuneration for directors consists of monetary compensation as a basic consideration and non-monetary compensation such as stock options. The decisions on directors' remuneration, etc., are reviewed every year by taking into account the business performance of the Company for the fiscal year concerned and their contribution to the business performance. To ensure the objectivity and transparency of the annual review of directors' remuneration, the president of the Company determines the amount of remuneration and the distribution among the directors within the scope of the total remuneration amount approved by a General Meeting of Shareholders in accordance with a report by the Compensation Committee, an advisory body. Stock options are determined by the Board of Directors, also in accordance with a report by the Compensation Committee.

The remuneration for corporate auditors is only monetary compensation in light of the independence of corporate auditors from the corporate management of the Company. Corporate auditors' remuneration is also reviewed every year. The amount of remuneration and the distribution among the corporate auditors are determined through consultations among the corporate auditors within the scope of the total remuneration amount approved by a General Meeting of Shareholders.

(5) Matters relating to the Company's holdings of shares

Matters relating to shares held by the Company, which has the largest balance-sheet value of investments in shares within the Square Enix Group, are as follows:

(i) Number of companies in which shares are held and total amount presented on the balance sheets for investments in shares for purposes other than purely investment purposes:

There are no applicable items.

(ii) Companies in which shares are held, investment category, number of shares, amount presented on the balance sheets and investment purpose for investments in shares for purposes other than purely investment purposes:

There are no applicable items.

(iii) Total amount presented on balance sheets for the fiscal years ended March 31, 2010 and March 31, 2011; and total dividends received, total gain on sale of shares and total loss on revaluation of shares for the fiscal year ended March 31, 2011 for investments in shares for purely investment purposes:

Millions of yen

Category	Previous fiscal year	Fiscal year ended March 31, 2011			
	Total amount presented on balance sheets	Total amount presented on balance sheets	Total dividends received	Total gain on sale of shares	Total loss on revaluation of shares
Unlisted shares	48	31	—	—	(Note 1) (16)*
Shares other than those above	429	292	13	—	(15) (139)*

Notes: 1. Owing to unlisted shares having no market price and recognizing the extreme difficulty in determining fair value, gain or loss on revaluation of unlisted shares is not presented in the table above.
2. Figures denoted with an asterisk under “Total loss on revaluation of shares” indicate impairment losses for the fiscal year under review.

(iv) Companies in which shares are held, number of shares, amount presented on the balance sheets for investments in shares for which the purpose of investment has changed from “purely investment purposes” to “purposes other than purely investment purposes”:

There are no applicable items.

(v) Companies in which shares are held, number of shares, amount presented on the balance sheets for investments in shares for which the purpose of investment has changed from “purposes other than purely investment purposes” to “purely investment purposes”:

There are no applicable items.

(6) Names of certified public accountants (CPAs) and name of statutory audit firm that conducted audits of the Company

The Company retains Ernst & Young ShinNihon as its statutory audit firm pursuant to the Companies Act and the Financial Instruments and Exchange Law to perform independent third-party accounting audits. The Company cooperates fully with the statutory audit firm to ensure its smooth performance of duties.

The following CPAs conducted audits of the Company during the fiscal year ended March 31, 2011.

- CPAs performing audits:
  Limited-liability partners: Koichiro Watanabe, Kenichi Shibata and Tatsuya Yokouchi
- Personnel providing audit assistance:
  13 CPAs, 9 assistant CPAs

(7) Overview of liability limitation agreements

The Company has liability limitation agreements in place with its outside director and outside corporate auditors in accordance with Article 427, Paragraph 1, of the Companies Act to limit liabilities provided under Article 423, Paragraph 1, of the Companies Act. These agreements limit the liability of the outside director and each outside corporate auditor to ¥10 million or the legally specified amount, whichever is greater, on condition that the director or corporate auditors have performed their duties in good faith and without gross negligence.

(8) Prescribed number of directors

The Company’s Articles of Incorporation stipulate that the number of directors shall not exceed 12.

(9) Resolution requirements for the election of directors

The Company’s Articles of Incorporation stipulate that resolutions for the election of directors shall be made by the majority of votes of shareholders exercising their voting rights at the General Meeting of Shareholders where shareholders in attendance hold one-third or more of outstanding voting rights.

(10) Bodies able to determine dividends paid from retained earnings

The Company’s Articles of Incorporation stipulate that matters provided under Article 459, Paragraph 1, of the Companies Act may be determined by the Board of Directors unless legally stipulated otherwise. The objective of this provision is to expand the range of options enabling flexible execution of capital policies.

(11) Exemption from liability of directors and corporate auditors

Pursuant to Article 426, Paragraph 1, of the Companies Act, the Company's Articles of Incorporation stipulate that a director (including former directors) may be exempted from liability for actions related to Article 423, Paragraph 1, of the Companies Act, up to the limit provided by law, through a resolution passed by the Board of Directors. This provision aims to ensure the maintenance of an environment in which directors may exercise their duties to the maximum of their abilities and are able to fulfill the roles expected of them.

(12) Matters requiring special resolutions at the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that the special resolutions provided under Article 309, Paragraph 2, of the Companies Act may be passed by a majority of two-thirds or more of the votes of shareholders present at the General Meeting of Shareholders where shareholders in attendance hold one-third or more of outstanding voting rights. The objective of this relaxation of special resolution requirements is to ensure the smooth proceedings of the General Meeting of Shareholders.

2. Compensation to Independent Audit Firm, etc.

(1) Compensation paid to statutory audit firm

Millions of yen

Category	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
	Compensation for statutory audit operations	Compensation for non-audit operations	Compensation for statutory audit operations	Compensation for non-audit operations
Parent company	52	51	52	1
Consolidated subsidiaries	78	—	78	—
Total	130	51	130	1

(2) Other significant compensation

Fiscal year ended March 31, 2010

The Company's consolidated subsidiaries SQUARE ENIX OF EUROPE HOLDINGS LTD. and SQUARE ENIX OF AMERICA HOLDINGS, INC. paid compensation to the Ernst & Young Group amounting to ¥126 million for statutory audit operations and ¥13 million for non-audit operations. The independent audit firm retained by the Company is also affiliated with the international auditing network of the Ernst & Young Group.

Fiscal year ended March 31, 2011

The Company's consolidated subsidiaries SQUARE ENIX OF EUROPE HOLDINGS LTD. and SQUARE ENIX OF AMERICA HOLDINGS, INC. paid compensation to the Ernst & Young Group amounting to ¥92 million for statutory audit operations and ¥19 million for non-audit operations. The independent audit firm retained by the Company is also affiliated with the international auditing network of the Ernst & Young Group.

(3) Non-audit operations provided by statutory audit firm

Fiscal year ended March 31, 2010

The non-audit operations provided by the statutory audit firm for which the Company paid compensation comprise such operations as the preparation of correspondences to securities firms relating to the issuance of corporate bonds.

Fiscal year ended March 31, 2011

The non-audit operations provided by the statutory audit firm for which the Company paid compensation comprise such operations as the provision of guidance and advice regarding the preparation of English-language financial statements.

(4) Policy on determining audit compensation

The Company's policy on determining compensation for audits conducted by the statutory audit firm takes into account such factors as the scale of the Company's business operations, the number of days required to conduct audits and the characteristics of the operations performed.

Directors, Auditors and Executive Officers

(As of June 30, 2011)

Board of Directors

President and
Representative Director
Yoichi Wada

Executive Vice President and
Representative Director
Keiji Honda

Director
Yosuke Matsuda

Director
Yukinobu Chida

Director *1
Makoto Naruke

Corporate Auditors

Standing Auditor *2
Ryoichi Kobayashi

Auditor *2
Norikazu Yahagi

Auditor *2
Ryuji Matsuda

Auditor
Nobuhiro Saito

Senior Executive Managing Officers

Koji Taguchi

Shinji Hashimoto

Yoichi Haraguchi

Akihide Miyawaki

Executive Managing Officers

Mike Fischer

Philip Rogers

Michihiro Sasaki

Managing Officer

Hirokazu Nishikado

Honorary Chairman

Yasuhiro Fukushima

*1: External Director specified in Article 2, Item 15, of the Companies Act
*2: External Auditors specified in Article 2, Item 16, of the Companies Act

Financial Section

CONTENTS

SQUARE ENIX HOLDINGS CO., LTD. assumes full responsibility for the accompanying consolidated financial statements prepared in conformity with accounting principles generally accepted in Japan, which are the English translation of the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan (*yukashoken hokokusho*).

Management Discussion and Analysis of Operating Results and Financial Position (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years Ended March 31

The following statements are based on management's view of SQUARE ENIX HOLDINGS CO., LTD. (the "Company") as of June 30, 2011 and have not been audited. The following management discussion and analysis also contains forward-looking statements concerning the future performance of the Company. Please read the disclaimer regarding forward-looking statements at the beginning of this Annual Report.

1. Significant Accounting Policies and Estimates

The consolidated financial statements of the SQUARE ENIX Group (the "Group") are prepared in accordance with generally accepted accounting principles in Japan (JPNGAAP). In preparing the consolidated financial statements, management chooses and applies accounting policies, and makes estimates that affect the disclosure of amounts in assets, liabilities, income and expenses. Management formulated these estimates based on historical performance and certain other factors. However, actual results may differ materially from these estimates due to uncertainties inherent in the estimates.

Important accounting policies used in the preparation of the Group's consolidated financial statements are contained in the section titled "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements," of this report. In particular, judgments used in making estimates in the preparation of the consolidated financial statements are affected by the following accounting policies.

(1) Revenue Recognition

Sales revenue of the Group is ordinarily recognized when products are shipped or services are provided, while royalty revenue is recognized based on receipt of a statement from the licensee. In certain cases, the recognition of sales is determined based on contracts entered into with suppliers and product type.

(2) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based on estimated irrecoverable amounts to prepare for bad debt losses on receivables. In the event that the financial condition of a counterparty deteriorates and its solvency declines, the Group may provide additional amounts to the provision for doubtful accounts or record bad debt losses.

(3) Content Production Account

When the Group determines that the estimated market value of the content production account—based on expected future demand and market conditions—has fallen below actual costs, the Group recognizes a write-down of the content production account. If future demand and market conditions are worse than management's forecasts, there is the possibility that further write-downs will become necessary.

(4) Unrealized Losses on Investments

The Group owns shares in certain financial institutions and companies with which it sells or purchases goods. These shareholdings include stock in listed companies subject to price fluctuation risk in the stock market and stock in privately held companies for which share prices are difficult to calculate. In the event that the fair value of these shares as of the end of the fiscal year declines by 50% or more of their acquisition cost, the entire amount is treated as an impairment loss. In addition, in the event that the fair value of marketable shares declines 30% to 50%, an amount determined as necessary considering the importance and potential for recovery of the shares is treated as an impairment loss. During the fiscal year ended March 31, 2011, the Company recorded a loss on revaluation of investment securities amounting to ¥175 million.

Worsening market conditions or unstable performance at the invested companies may require the recording of revaluation losses in the event that losses are not reflected in current book value, or, the book value becomes irrecoverable.

(5) Deferred Tax Assets

The Group records a valuation allowance to provide for amounts of deferred tax assets thought likely to decrease. In evaluating the necessity of a valuation allowance, the Company examines future taxable income and possible tax planning for deferred tax assets with a high likelihood of realization. If the Company determines that all or a portion of net deferred tax assets cannot be realized in the future, the Company writes down such deferred tax assets during the fiscal year in which the determination is made. If the Company determines that deferred tax assets in excess of the recorded amount can be realized in the future, the Company recognizes deferred tax assets to the recoverable amount and increases profits by the same amount during the period in which the determination is made.

2. Analysis of Financial Policy, Capital Resources and Liquidity

The Group meets its working capital and capital investment requirements principally through internal funding resources and the issuance of corporate bonds. As of March 31, 2011, the Group's balance of interest-bearing debt was ¥1,338 million. The net assets ratio stood at 64.7%. Cash and cash equivalents at the end of year totaled ¥109,751 million, an increase of ¥33 million compared with the previous fiscal year-end.

Cash flows in the fiscal year ended March 31, 2011, as well as the principal factors behind these cash flows, are described below.

(1) Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥14,827 million, a decrease of 28.8%, compared with the previous fiscal year.

Although a loss before income taxes and minority interests of ¥9,970 million and an increase in inventories of ¥4,827 million somewhat reduced cash provided by operating activities, this reduction was offset by various factors. Principal items bolstering cash provided by operating activities included a decrease in notes and accounts receivable of ¥13,800 million, depreciation and amortization of ¥6,608 million, and impairment loss of ¥8,853 million.

(2) Net Cash Provided by Investing Activities

Net cash provided by investing activities totaled ¥30,407 million, in contrast with net cash used in investing activities of ¥53,774 million in the previous fiscal year. Principal items contributing to this total included proceeds from redemption of short-term securities of ¥35,000 million, proceeds from collection of guarantee deposits of ¥1,482 million, and purchase of property and equipment of ¥4,700 million.

(3) Net Cash Used in Financing Activities

Net cash used in financing activities amounted to ¥42,354 million, compared with net cash provided by financing activities totaling ¥31,707 million in the previous fiscal year. The principal items were redemption of bonds totaling ¥37,000 million and cash dividends paid amounting to ¥4,026 million.

The Group believes that it will be possible to procure the funds required for working capital and capital investments in the future to maintain growth based on its sound financial standing and ability to generate cash through operating activities.

3. Analysis of Business Performance in the Fiscal Year Ended March 31, 2011

■ Assets

Total Assets

Millions of yen

March 31	2010	2011	Change
	¥270,529	¥206,336	¥(64,193)

Total assets as of March 31, 2011 amounted to ¥206,336 million, a decrease of ¥64,193 million compared with the previous fiscal year-end. The main factors contributing to this change were as follows:

Cash and Deposits

Millions of yen

March 31	2010	2011	Change
	¥111,211	¥111,126	¥(85)

Short-Term Investment Securities

Millions of yen

March 31	2010	2011	Change
	¥35,000	¥—	¥(35,000)

The Company used certificates of deposit (short-term investment securities) amounting to ¥35,000 million for the redemption of yen-denominated zero coupon bonds with warrants, which matured in November 2010.

Notes and Accounts Receivable

Millions of yen

March 31	2010	2011	Change
	¥30,682	¥15,474	¥(15,208)

The year-end balance of notes and accounts receivable varies greatly depending on the timing of new game title releases.

In the fiscal year ended March 31, 2011, notes and accounts receivable amounted to ¥15,474 million, down ¥15,208 million, mainly owing to the absence of major game title releases during the fourth quarter of the fiscal year under review. This situation contrasted with the previous fiscal year in which "FINAL FANTASY XIII," "Just Cause 2" and other major titles were launched in the United States and Europe during March.

Content Production Account

Millions of yen

March 31	2010	2011	Change
	¥16,025	¥19,890	¥3,865

As a rule, content development costs incurred during the period from a title's formal development authorization through to its release are capitalized in the content production account. When the title is released, this amount is then recorded as an expense.

The content production account is reevaluated based on the current business environment.

As of March 31, 2011, the content production account totaled ¥19,890 million, an increase of ¥3,865 million compared with the end of the previous fiscal year.

Non-Current Assets

Millions of yen

March 31	2010	2011	Change
	¥18,850	¥17,328	¥(1,522)

At the end of the fiscal year under review, total property and equipment stood at ¥17,328 million, down ¥1,522 million from the end of the previous fiscal year, primarily owing to a decline in tools and fixtures (net) from ¥2,410 million to ¥1,808 million, and a decrease in amusement equipment (net) from ¥2,832 million to ¥2,304 million.

Intangible Assets

Millions of yen

March 31	2010	2011	Change
	¥21,623	¥10,324	¥(11,299)

Total intangible assets as of March 31, 2011 amounted to ¥10,324 million, down ¥11,299 million, mainly reflecting impairment of goodwill.

Investments and Other Assets

Millions of yen

March 31	2010	2011	Change
	¥16,707	¥14,382	¥(2,325)

Total investments and other assets decreased ¥2,325 million, to ¥14,382 million, at the end of the fiscal year under review, primarily as a result of declines in rental deposits and construction support deposits.

■ Liabilities

Millions of yen

March 31	2010	2011	Change
	¥116,271	¥71,192	¥(45,079)

As of March 31, 2011, total liabilities amounted to ¥71,192 million, a decrease of ¥45,079 million compared with the previous fiscal year-end.

The main factors contributing to this change were as follows:

Current Liabilities

Millions of yen

March 31	2010	2011	Change
	¥75,257	¥28,504	¥(46,753)

Total current liabilities decreased ¥46,753 million, to ¥28,504 million. This improvement was largely the result of a ¥37,000 million redemption of yen-denominated zero coupon bonds with warrants, which matured in November 2010. Other key factors included a decrease in notes and accounts payable from ¥10,666 million to ¥7,777 million, a decrease in short-term loans from ¥2,808 million to ¥1,338 million, a decrease in accrued income taxes from ¥4,090 million to ¥2,269 million, and a decrease in allowance for sales returns from ¥4,046 million to ¥1,780 million.

Non-Current Liabilities

Millions of yen

March 31	2010	2011	Change
	¥41,013	¥42,687	¥1,674

Total non-current liabilities declined ¥1,674 million to ¥42,687 million, owing primarily to asset retirement obligations of ¥657 million that resulted from the Company's application of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18). Another principal factor was an increase in the allowance for employees' retirement benefits from ¥2,170 million to ¥3,061 million.

■ Shareholders' Equity/Net Assets

Millions of yen

March 31	2010	2011	Change
Common stock	¥ 15,204	¥ 15,204	¥ —
Capital surplus	44,444	44,444	—
Retained earnings	98,848	82,711	(16,137)
Treasury stock	(856)	(859)	(3)
Total shareholders' equity	157,641	141,501	(16,140)
Unrealized gain on revaluation of other investment securities	(9)	(14)	(5)
Foreign currency translation adjustments	(4,951)	(7,929)	(2,978)
Total accumulated other comprehensive loss	(4,960)	(7,943)	(2,983)
Stock acquisition rights	715	814	99
Minority interests in consolidated subsidiaries	861	771	(90)
Total net assets	¥154,258	¥135,143	¥(19,115)

As of March 31, 2011, total shareholders' equity amounted to ¥141,501 million, a decrease of ¥16,140 million compared with the previous fiscal year-end. This reflected the shift to a net loss, as well as the payment of a year-end dividend for the previous fiscal year (¥25 per share) and an interim dividend for the fiscal year under review (¥10 per share).

■ Consolidated Statements of Income

Net Sales and Operating Income

Millions of yen

Years ended March 31	2010	Composition	2011	Composition	Amount change	Percent change
Net sales	¥192,257	100.0%	¥125,271	100.0%	¥(66,986)	(34.8)%
Gross profit	83,721	43.5%	49,424	39.5%	(34,297)	(41.0)%
Reversal of allowance for sales returns	4,863	2.5%	4,046	3.2%	(817)	(16.8)%
Provision for allowance for sales returns	4,046	2.1%	1,779	1.4%	(2,267)	(56.0)%
Net gross profit	84,538	44.0%	51,691	41.3%	(32,847)	(38.9)%
Selling, general and administrative expenses	56,303	29.3%	44,365	35.4%	(11,938)	(21.2)%
Operating income	¥ 28,235	14.7%	¥ 7,325	5.8%	¥(20,910)	(74.1)%

Comparisons by segment with the preceding fiscal year are provided on pages 8–11.

Non-Operating Income and Expenses

Millions of yen

Years ended March 31	2010	2011	Change
Non-operating income	¥ 758	¥ 347	¥ (411)
Non-operating expenses	1,171	2,282	1,111

Total non-operating income decreased ¥411 million, to ¥347 million, mainly owing to a reduction in dividends received. Within non-operating expenses, the Company registered a foreign exchange loss of ¥2,149 million, mainly as a result of USD and GBP exchange rate fluctuations. This loss was a key factor contributing to total non-operating expenses of ¥2,282 million.

Extraordinary Gain and Loss

Millions of yen

Years ended March 31	2010	2011	Change
Extraordinary gain	¥ 128	¥ 633	¥ 505
Extraordinary loss	17,919	16,007	(1,912)

Under extraordinary loss, the Company recorded an impairment loss of ¥8,853 million, including impairment losses on goodwill of ¥8,416 million. At the time of the acquisitions of TAITO CORPORATION and the U.K. company Eidos plc, the Company recorded goodwill as a result of both purchases. For the fiscal year under review, however, it has recognized impairment losses, based on more cautious estimates for future cash flow in view of the recent changes in the business environment.

The Company also recorded loss on disposal of content and equipment and loss related to content as a result of restructuring, which together totaled ¥4,472 million, in addition to loss on disaster of ¥570 million and loss on adjustment for changes in accounting standard for asset retirement obligations of ¥462 million. As a result of these and other factors, total extraordinary loss amounted to ¥16,007 million.

■ Capital Expenditures and Depreciation and Amortization

Millions of yen

Years ended March 31	2010	2011	Change
Capital expenditures	¥6,916	¥5,363	¥(1,553)
Depreciation and amortization	7,962	6,608	(1,354)

Capital expenditures for the fiscal year ended March 31, 2011 amounted to ¥5,363 million, a decrease of ¥1,553 million compared with the previous fiscal year, mainly reflecting a decline in spending in the Amusement business from ¥5,476 million to ¥3,779 million.

Depreciation and amortization totaled ¥6,608 million, down ¥1,354 million from the previous fiscal year, primarily as a result of depreciation and amortization in the Amusement business declined from ¥4,828 million to ¥3,987 million.

4. Strategic Outlook, Issues Facing Management and Future Direction

Management's key task is to ensure growth in the Group in the medium and long term, maintaining profitability through the creation of advanced, high-quality content and services. As the development and popularization of information technology (IT) and network environments rapidly advance, the Group anticipates a major transformation in the structure of the digital entertainment industry. The Group believes that this will be driven by such factors as increased consumer needs in the area of network-compliant entertainment and growing access to a diverse range of content by users of devices that provide multiple functions.

The Group will strive to respond to these changes, and has adopted a medium- to long-term management strategy that focuses on pioneering a new era in digital entertainment.

The Group's operating forecast for the fiscal year ending March 31, 2012 is as follows (as of June 30, 2011).

Millions of yen

Years ended/ ending March 31	2004 actual	2005 actual	2006 actual	2007 actual	2008 actual	2009 actual	2010 actual	2011 actual	2012 forecast
Net sales	¥63,202	¥73,864	¥124,473	¥163,472	¥147,516	¥135,693	¥192,257	¥125,271	¥130,000
Operating income	19,398	26,438	15,470	25,916	21,520	12,277	28,235	7,325	10,000
Recurring income	18,248	25,901	15,547	26,241	18,864	11,261	27,822	5,390	10,000
Net income (loss)	10,993	14,932	17,076	11,619	9,196	6,333	9,509	(12,043)	5,000

5. Basic Policy for Profit Distribution and Dividends

The Group recognizes the return of profits to shareholders as one of its most important management tasks. The Group maintains internal reserves to enable priority to be given to investments that will enhance the value of the Group. Such investments may include capital investments and M&A for the purpose of expanding existing businesses and developing new businesses. The retention of internal reserves is done while also taking into account return to shareholders, operating performance and the optimal balance for stable dividends. Accordingly, the Group strives to maintain stable and continuous dividends. The portion of dividends linked to operating results is determined by setting a consolidated payout ratio target of approximately 30%.

The Company's basic policy is to pay dividends from retained earnings twice a year, through an interim dividend and a year-end dividend. The bodies authorized to determine dividends paid from retained earnings for the fiscal year ended March 31, 2011 were the Annual General Meeting of Shareholders or the Board of Directors in the case of the year-end dividend, and the Board of Directors in the case of the interim dividend.

Total dividends applicable to the fiscal year were ¥30 per share, comprising an interim dividend of ¥10 and a year-end dividend of ¥20. In accordance with Article 459 of the Companies Act, the Company's Articles of Incorporation stipulate that dividends paid from retained earnings and other related matters may be determined by a resolution of the Board of Directors.

Dividends from retained earnings applicable to the fiscal year ended March 31, 2011 were as follows.

Date of resolution	Total dividends (Millions of yen)	Dividends per share (Yen)
November 4, 2010 Resolution of the Board of Directors	¥1,150	¥10
May 18, 2011 Resolution of the Board of Directors	2,301	20

6. Risk Factors

The Group identifies the items listed below as potential risk factors that could affect operating results. Forward-looking statements are in accordance with management's judgment as of June 30, 2011.

(1) Changes in the Economic Environment

In the event of a harsh downturn in the economy causing consumer expenditure to fall, demand for the Group's products and services in the entertainment field may decline. Such circumstances may lead to adverse impact on the Group's business performance.

(2) The Group's Ability to Respond to Changes in Consumer Preferences in the Digital Content Market and the Rapid Progress of Innovative Technology

It is possible that the Group's substantial transformation stated in "4. Strategic Outlook, Issues Facing Management and Future Direction" may adversely affect the Group's business performance if the Group is unable to respond adequately and promptly to such transformation.

(3) Changes in Game Platforms and the Group's Response

The Group's core business predominantly involves the sale of game software for use on home-use video game consoles. Consequently, the Group's business may be affected by change in market shares of console platforms caused by generational transition, and changes in console manufacturers' strategies.

(4) Securing Human Resources to Execute the Group's Growth Strategies Concentrating on the Creation of New Content and the Promotion of Global Businesses

The Group has been making rapid progress in expanding its business operations. Delays in securing ideally suited human resources may adversely affect the Group's business performance.

(5) Expansion in the Group's International Business Operations

As the Group pursues an expansion of its international business operations, a variety of factors present in the countries and regions in which the Group operates may affect the business performance. Such factors include market trends, the political situation, economic climate, laws and regulations, cultural factors, religious factors and customs.

(6) Exchange Rate Fluctuations

The Group includes consolidated subsidiaries located in North America, Europe and Asia. The risk of foreign exchange loss has been reduced as foreign currency gained by those subsidiaries is expended for settlement or reinvestment in the applicable countries. However, sales, expenses, assets, liabilities and net assets of the foreign subsidiaries are converted into Japanese yen amounts in the consolidated financial statements. Consequently, exchange rates may affect the Group's financial results if they fluctuate beyond management forecasts.

(7) Entertainment Industry Laws

The operation of amusement facilities is subject to government control under the Law for Proper Control of Entertainment and Amusement Businesses and other related laws and regulations. These laws and regulations include an approval and licensing system for the opening and operation of amusement facilities, regulations on business hours (ordinances vary, but operation is generally prohibited from midnight to 10 a.m.), age restrictions (ordinances vary, but the admittance of persons under 16 years of age after 6 p.m. and persons under 18 years of age after 10 p.m. is generally prohibited), area restrictions on outlet opening, and regulations concerning facility structures, interiors, lighting and noise. While strictly complying with the laws and regulations, the Group has actively pursued the establishment of new amusement facilities.

However, if regulations were to change owing to the establishment of new laws or other reasons, the Group's business performance may be affected.

(8) Management of Personal Information

With regard to the management of personal information, in conjunction with the enactment of the Personal Information Protection Law, the Group has bolstered employee training with the aim of increasing awareness about the handling of personal information. The Group has also identified all personal information obtained by the Group, and improved the timeliness of its personal information management systems. The Group has undertaken a full range of measures to strengthen its internal control systems, including ongoing improvements to technology controlling access to its customer database and to its data security systems, restrictions on personnel permitted to access information and establishment of a monitoring system, and appropriate management of customer inquiries. The Group intends to maintain its stringent management systems for personal information by reviewing current systems and enhancing employee training. However, if a leak of personal information were to occur from the Group, the Group's business performance may be affected.

(9) Accidents and Disasters

The Group periodically carries out accident prevention checks, facility inspections, emergency drills and administers policies on infectious diseases to minimize accidents and the potential impact of disasters, including terrorist attacks, infectious diseases, food poisoning, fires, electrical blackouts, computer system or server malfunctions, earthquakes, typhoons, flood damage and other accidents. However, in the event of an accident, disaster or infectious disease affects the Group, it may not be possible to avoid or alleviate all adverse impacts.

A major earthquake, accident or disaster including infectious disease could impede the Group's operations and affect business performance.

(10) Litigation and Other Claims

The Group is being managed strictly in compliance with laws and regulations and with full respect for third parties' rights while carrying out its operations. However, in the course of its business activities in the global arena, the risk of the Group becoming a defendant in litigation exists. If such litigation were to occur, the Group's business performance may be affected.

Consolidated Balance Sheets (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
As of March 31

Millions of yen

	2011	2010
Assets		
Current assets		
Cash and deposits	¥111,126	¥111,211
Notes and accounts receivable	15,474	30,682
Short-term investment securities	—	35,000
Merchandise and finished goods	2,992	3,237
Work in progress	287	54
Raw materials and supplies	427	469
Content production account	19,890	16,025
Deferred tax assets	4,493	6,231
Income taxes receivable	6,907	5,994
Other	2,821	4,973
Allowance for doubtful accounts	(120)	(533)
Total current assets	164,301	213,347
Non-current assets		
Property and equipment		
Buildings and structures	17,617	16,809
Accumulated depreciation	(12,771)	(12,198)
Buildings and structures (net)	4,846	4,610
Tools and fixtures	10,840	13,582
Accumulated depreciation	(9,031)	(11,171)
Tools and fixtures (net)	1,808	2,410
Amusement equipment	19,948	23,919
Accumulated depreciation	(17,643)	(21,086)
Amusement equipment (net)	2,304	2,832
Other	188	144
Accumulated depreciation	(99)	(51)
Other (net)	89	92
Land	8,277	8,277
Construction in progress	2	626
Total property and equipment	17,328	18,850
Intangible assets		
Goodwill	—	10,233
Other	10,324	11,390
Total intangible assets	10,324	21,623
Investments and other assets		
Investment securities	386	567
Long-term loans	—	6
Rental deposits	12,316	13,530
Construction support deposits	—	1,125
Claims in bankruptcy	—	202
Deferred tax assets	1,082	1,682
Other	*1 1,280	*1 300
Allowance for doubtful accounts	(683)	(706)
Total investments and other assets	14,382	16,707
Total non-current assets	42,034	57,182
Total assets	¥206,336	¥270,529

The accompanying notes are an integral part of these statements.

Millions of yen

	2011	2010
Liabilities		
Current liabilities		
Notes and accounts payable	¥ 7,777	¥ 10,666
Short-term loans	1,338	2,808
Current portion of corporate bonds	—	37,000
Other accounts payable	—	3,528
Accrued expenses	—	6,611
Accrued income taxes	2,269	4,090
Accrued consumption taxes	—	2,839
Advance payments	—	920
Deposits received	—	561
Reserve for bonuses	1,453	1,571
Allowance for sales returns	1,780	4,046
Allowance for game arcade closings	487	321
Asset retirement obligations	63	—
Other	13,332	291
Total current liabilities	28,504	75,257
Non-current liabilities		
Corporate bonds	35,000	35,000
Allowance for employees' retirement benefits	3,061	2,170
Allowance for directors' retirement benefits	266	250
Allowance for game arcade closings	590	645
Deferred tax liabilities	2,577	2,354
Asset retirement obligations	657	—
Other	534	593
Total non-current liabilities	42,687	41,013
Total liabilities	71,192	116,271
Net Assets		
Shareholders' equity		
Common stock	15,204	15,204
Capital surplus	44,444	44,444
Retained earnings	82,711	98,848
Treasury stock	(859)	(856)
Total shareholders' equity	141,501	157,641
Accumulated other comprehensive loss		
Unrealized loss on revaluation of other investment securities	(14)	(9)
Foreign currency translation adjustments	(7,929)	(4,951)
Total accumulated other comprehensive loss	(7,943)	(4,960)
Stock acquisition rights	814	715
Minority interests in consolidated subsidiaries	771	861
Total net assets	135,143	154,258
Total liabilities and net assets	¥206,336	¥270,529

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2011	2010
Net sales	¥ 125,271	¥192,257
Cost of sales	*1 75,846	*1 108,536
Gross profit	49,424	83,721
Reversal of allowance for sales returns	4,046	4,863
Provision for allowance for sales returns	1,779	4,046
Net gross profit	51,691	84,538
Selling, general and administrative expenses		
Packaging freight charge	2,336	3,535
Advertising expense	7,935	11,053
Sales promotion expense	67	157
Compensation for directors	596	519
Salaries	12,534	15,145
Provision of allowance for bonuses	1,408	2,378
Net periodic pension costs	1,135	1,102
Provision to allowance for directors' retirement benefits	15	13
Welfare expense	1,463	1,755
Rental expense	1,782	2,367
Commissions paid	4,228	4,105
Depreciation and amortization	1,903	2,281
Other	*2 8,956	*2 11,886
Total selling, general and administrative expenses	44,365	56,303
Operating income	7,325	28,235
Non-operating income		
Interest income	95	188
Dividends received	36	343
Rental income	24	30
Miscellaneous income	190	195
Total non-operating income	347	758
Non-operating expenses		
Interest expenses	59	30
Bond issuance cost	—	142
Investment loss on equity method	—	49
Foreign exchange loss	2,149	842
Miscellaneous loss	73	105
Total non-operating expenses	2,282	1,171
Recurring income	5,390	27,822
Extraordinary gain		
Gain on sale of property and equipment	*3 1	*3 33
Gain on sale of investment securities	0	10
Reversal of allowance for doubtful accounts	94	9
Gain on forgiveness of debts	—	22
Gain on reversal of subscription rights to shares	125	20
Gain on reversal of foreign currency translation adjustments	317	—
Other	94	30
Total extraordinary gain	633	128
Extraordinary loss		
Loss on sale of property and equipment	*4 1	*4 69
Loss on disposal of property and equipment	*5 621	*5 389
Loss on liquidation of subsidiaries and affiliates	136	72
Loss on evaluation of investment securities	*6 175	*6 166
Impairment loss	*7 8,853	*7 255
Accelerated amortization of goodwill	—	*8 12,209
Severance payments associated with business restructuring	—	1,985
Provision of allowance for game arcade closings	311	25
Loss associated with business restructuring	—	*9 1,860
Acquisition costs	—	770
Loss on adjustment for changes of accounting standard for asset retirement obligations	462	—
Loss related to content	*11 2,074	—
Loss on disposal of content and equipment	*12 2,398	—
Loss on disaster	*13 570	—
Other	398	114
Total extraordinary loss	16,007	17,919
Income (loss) before dividends distribution from silent partnership, income taxes (*tokumei-kumiai*)	(9,983)	10,031
Dividends distribution from silent partnership (*tokumei-kumiai*)	(12)	4
Income (loss) before income taxes and minority interests	(9,970)	10,026
Income taxes–current	1,738	1,881
Income taxes for prior periods	—	*10 1,745
Refund of income taxes	(2,249)	—
Income taxes–deferred	2,594	(3,158)
Total income taxes	2,083	469
Loss before minority interests	(12,054)	—
Minority interests in income (loss)	(11)	48
Net income (loss)	¥(12,043)	¥ 9,509

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Year ended March 31

	Millions of yen
	2011
Loss before minority interests	¥(12,054)
Other comprehensive loss	
Unrealized loss on revaluation of other investment securities	(5)
Foreign currency translation adjustments	(3,034)
Other comprehensive loss	*2 (3,040)
Comprehensive loss	*1 (15,094)
(Breakdown)	
Comprehensive loss attributable to owners of the Company	(15,026)
Comprehensive loss attributable to minority interests	¥ (67)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

Millions of yen

	2011	2010
Shareholders' equity		
Common stock		
Balance at the end of previous period	¥ 15,204	¥ 15,134
Changes during the period		
Issuance of new shares	—	69
Total changes of items during the period	—	69
Balance at the end of current period	15,204	15,204
Capital surplus		
Balance at the end of previous period	44,444	44,375
Changes during the period		
Issuance of new shares	—	69
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	69
Balance at the end of current period	44,444	44,444
Retained earnings		
Balance at the end of previous period	98,848	93,220
Changes during the period		
Dividends from retained earnings	(4,027)	(3,450)
Net income (loss)	(12,043)	9,509
Change of scope of consolidation	(22)	(431)
Change of scope of equity method	(42)	—
Total changes during the period	(16,136)	5,627
Balance at the end of current period	82,711	98,848
Treasury stock		
Balance at the end of previous period	(856)	(852)
Changes during the period		
Purchase of treasury stock	(3)	(4)
Disposal of treasury stock	0	1
Total changes during the period	(2)	(3)
Balance at the end of current period	(859)	(856)
Total shareholders' equity		
Balance at the end of previous period	157,641	151,879
Changes of items during the period		
Issuance of new shares	—	139
Dividends from retained earnings	(4,027)	(3,450)
Net income (loss)	(12,043)	9,509
Purchase of treasury stock	(3)	(4)
Disposal of treasury stock	0	0
Change of scope of consolidation	(22)	(431)
Change of scope of equity method	(42)	—
Total changes during the period	(16,139)	5,762
Balance at the end of current period	¥ 141,501	¥ 157,641

The accompanying notes are an integral part of these statements.

Millions of yen

	2011	2010
Accumulated other comprehensive income		
Unrealized gain on revaluation of other investment securities		
Balance at the end of previous period	¥ (9)	¥ (71)
Changes during the period		
Net changes in items other than shareholders' equity	(5)	62
Total changes during the period	(5)	62
Balance at the end of current period	(14)	(9)
Foreign currency translation adjustments		
Balance at the end of previous period	(4,951)	(4,488)
Changes during the period		
Net changes in items other than shareholders' equity	(2,977)	(462)
Total changes during the period	(2,977)	(462)
Balance at the end of current period	(7,929)	(4,951)
Total accumulated other comprehensive income		
Balance at the end of previous period	(4,960)	(4,560)
Changes during the period		
Net changes in items other than shareholders' equity	(2,983)	(399)
Total changes during the period	(2,983)	(399)
Balance at the end of the current period	(7,943)	(4,960)
Stock acquisition rights		
Balance at the end of previous period	715	410
Changes during the period		
Net changes in items other than shareholders' equity	98	304
Total changes during the period	98	304
Balance at the end of current period	814	715
Minority interests in consolidated subsidiaries		
Balance at the end of previous period	861	995
Changes during the period		
Net changes in items other than shareholders' equity	(90)	(133)
Total changes during the period	(90)	(133)
Balance at the end of current period	771	861
Total net assets		
Balance at the end of previous period	154,258	148,724
Changes during the period		
Issuance of new shares	—	139
Dividends from retained earnings	(4,027)	(3,450)
Net income (loss)	(12,043)	9,509
Purchase of treasury stock	(3)	(4)
Disposal of treasury stock	0	0
Change of scope of consolidation	(22)	(431)
Change of scope of equity method	(42)	—
Net changes in items other than shareholders' equity	(2,975)	(228)
Total changes during the period	(19,115)	5,533
Balance at the end of current period	¥ 135,143	¥154,258

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows (JPNGAAP)

SQUARE ENIX HOLDINGS CO., LTD. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen	
	2011	2010
Cash flows from operating activities		
Income (loss) before income taxes and minority interest	¥(9,970)	¥ 10,026
Depreciation and amortization	6,608	7,962
Amortization of goodwill	1,492	13,906
Impairment loss	8,853	255
Reversal of foreign currency translation adjustments	(317)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	462	—
Loss related to content	1,174	—
Loss on disposal of content and equipment	731	—
Loss on disaster	48	—
Increase (decrease) in allowance for doubtful accounts	(394)	(190)
Increase (decrease) in reserve for bonuses	(121)	157
Increase (decrease) in allowance for sales returns	(2,026)	(540)
Increase (decrease) in allowance for employees' retirement benefits	891	525
Increase (decrease) in allowance for directors' retirement benefits	15	14
Increase (decrease) in allowance for game arcade closings	166	(129)
Interest and dividends income	(131)	(531)
Interest expenses paid	59	30
Foreign exchange losses (gains)	2,206	990
Loss (gain) on sales of investment securities	(0)	(10)
Loss on evaluation of investment securities	175	166
Loss on disposal of property and equipment	621	389
Loss on sale of property and equipment	1	69
Decrease (increase) in notes and accounts receivable	13,800	(14,157)
Decrease (increase) in inventories	(4,827)	9,019
Increase (decrease) in notes and accounts payable	(2,007)	(890)
Increase (decrease) in accrued consumption taxes	(2,421)	2,445
Decrease (increase) in other current assets	2,218	(1,904)
Decrease (increase) in other noncurrent assets	67	223
Increase (decrease) in other current liabilities	(26)	1,257
Other, net	576	436
Subtotal	17,927	29,523
Interest and dividends income received	198	163
Interest expenses paid	(54)	(31)
Income taxes paid	(1,994)	(5,269)
Refund of income taxes	1,226	—
Income taxes paid for prior periods	(2,475)	(3,548)
Net cash provided by operating activities	¥ 14,827	¥ 20,838

The accompanying notes are an integral part of these statements.

	2011	2010
	Millions of yen	
Cash flows from investing activities		
Payments into time deposits	¥ (1,062)	¥(2,618)
Proceeds from withdrawal of time deposits	1,052	1,229
Purchase of short-term investment securities	—	(35,000)
Proceeds from redemption of securities	35,000	—
Proceeds from sales of investment securities	0	7
Purchase of property and equipment	(4,700)	(6,076)
Proceeds from sales of property and equipment	45	174
Purchase of intangible assets	(931)	(387)
Proceeds from sales of intangible assets	0	0
Purchase of investments in subsidiaries	(20)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(12,202)
Proceeds from sales of stocks of subsidiaries and affiliates	—	32
Proceeds from liquidation of subsidiaries	—	391
Payments for rental deposits	(143)	(372)
Proceeds from collection of rental deposits	1,482	1,074
Other, net	(314)	(26)
Net cash provided by (used in) investing activities	30,407	(53,774)
Cash flows from financing activities		
Increase in short-term loans payable	—	2,956
Decrease in short-term loans payable	(1,325)	(2,941)
Proceeds from issuance of common stock	—	139
Proceeds from issuance of bonds	—	35,000
Redemption of bonds	(37,000)	—
Purchase of treasury stock	(3)	(4)
Cash dividends paid	(4,026)	(3,442)
Other, net	0	0
Net cash provided by (used in) financing activities	(42,354)	31,707
Effect of exchange rate change on cash and cash equivalents	(2,744)	(499)
Net increase (decrease) in cash and cash equivalents	135	(1,728)
Cash and cash equivalents at beginning of the year	109,717	111,875
Increase in cash and cash equivalents from newly consolidated subsidiary	—	65
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(101)	(495)
Cash and cash equivalents at end of the year	*1 ¥ 109,751	*1 ¥109,717

The accompanying notes are an integral part of these statements.

Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements

1. Scope of Consolidation

■ Year ended March 31, 2010

(1) Number of consolidated subsidiaries:
46 and one voluntary partnership
Names of principal consolidated subsidiaries:
SQUARE ENIX OF AMERICA HOLDINGS, INC.
SQUARE ENIX OF EUROPE HOLDINGS LTD.
SQUARE ENIX CO., LTD.
TAITO CORPORATION
SMILE-LAB Co., Ltd.
SQUARE ENIX, INC.
SQUARE ENIX LTD.
SQUARE ENIX (China) Co., LTD.
CRYSTAL DYNAMICS INC.
EIDOS INTERACTIVE CORP.
IO INTERACTIVE A/S

Smile-Lab Co., Ltd., has been included in the scope of consolidation of the Company, effective this fiscal year, owing to its increase in materiality.

DIGITAL ENTERTAINMENT ACADEMY CO., LTD., has been excluded from the scope of consolidation of the Company, effective from the first quarter of this fiscal year, owing to its decrease in materiality. In the fourth quarter of this fiscal year, DIGITAL ENTERTAINMENT ACADEMY CO., LTD., completed liquidation procedures.

At the end of the third quarter of this fiscal year, SG Lab INC. completed liquidation procedures, and, consequently, was excluded from the Company's scope of consolidation.

On February 1, 2010, TAITO CORPORATION transferred all its businesses relating to the operation of game arcade facilities; and the planning, development, production, sales and rental of coin-operated game machines (excluding the planning, development and sale of game software for home-use game consoles); to ES1 CORPORATION, a consolidated subsidiary of the Company whose shares were acquired by the Company during this fiscal year. Simultaneously, TAITO CORPORATION changed its corporate name to TAITO SOFT CORPORATION. On March 11, 2010, TAITO SOFT CORPORATION was subject to an absorption-type company merger with SQUARE ENIX CO., LTD.

On February 1, 2010, ES1 CORPORATION changed its corporate name to TAITO CORPORATION.

In this fiscal year, SQEX LTD. changed its corporate name to SQUARE ENIX OF EUROPE HOLDINGS LTD.

(2) Names of principal non-consolidated subsidiaries:
SQUARE ENIX MOBILE STUDIO CO., LTD.

(Rationale for the exclusion of subsidiaries from the scope of consolidation)
Non-consolidated subsidiaries conduct operations that are relatively small in scale. The total amounts of the non-consolidated subsidiaries' assets, sales, equity in net income (loss), and equity in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements.

■ Year ended March 31, 2011

(1) Number of consolidated subsidiaries:
34 companies and one voluntary partnership
Names of principal consolidated subsidiaries
SQUARE ENIX OF AMERICA HOLDINGS, INC.
SQUARE ENIX OF EUROPE HOLDINGS LTD.
SQUARE ENIX CO., LTD.
TAITO CORPORATION
SMILE-LAB Co., Ltd.
SQUARE ENIX, INC.
SQUARE ENIX LTD.
SQUARE ENIX (China) CO., LTD.
CRYSTAL DYNAMICS INC.
EIDOS INTERACTIVE CORP.
IO INTERACTIVE A/S

During the fiscal year ended March 31, 2011, COMMUNITY ENGINE INC. and 10 other companies were liquidated or in the process of being liquidated and were excluded from the scope of consolidation due to diminished material impact on the Company's business performance and financial status.

Stylewalker, Inc., merged with TAITO CORPORATION on March 1, 2011.

(2) Names of principal non-consolidated subsidiaries:
hippos lab Co., Ltd. (formerly, SPC 2)
SQUARE ENIX MOBILE STUDIO CO., LTD.
SQUARE ENIX Business Support, CO., LTD.

(Rationale for the exclusion of subsidiaries from the scope of consolidation)
Same as the year ended March 31, 2010.

2. Application of the Equity Method of Accounting

■ Year ended March 31, 2010

Number of equity-method affiliates: 1
ROCKSTEADY STUDIOS LTD.

Brave, Inc., was excluded from the scope of application of the equity method in this fiscal year owing to the Company's sale of all shares held in Brave, Inc.

ROCKSTEADY STUDIOS LTD. was included in the scope of application of the equity method owing to its acquisition of shares of EIDOS LTD.

Non-consolidated subsidiaries that were not accounted for under the equity method (SQUARE ENIX MOBILE STUDIO CO., LTD., and others) and an affiliated company (BMF CORPORATION) were excluded from the scope of application of the equity method because such impact on consolidated net income and retained earnings was small.

■ **Year ended March 31, 2011**

There are no equity-method affiliates.

ROCKSTEADY STUDIOS LTD. was excluded from the scope of application of the equity method in the fiscal year ended March 31, 2011, because of diminished significance.

Non-consolidated subsidiaries that were not accounted for under the equity method, including hippos lab Co., Ltd. (formerly, SPC 2), SQUARE ENIX MOBILE STUDIO CO., LTD., and SQUARE ENIX Business Support, CO., LTD., as well as affiliated companies, were excluded from the scope of application of the equity method because the impact on consolidated net income and retained earnings was insignificant.

3. Fiscal Year-End of Consolidated Subsidiaries

■ **Year ended March 31, 2010**

Among the Company's consolidated subsidiaries, the fiscal years of SQUARE ENIX (China) CO., LTD., HUANG LONG CO., LTD., BEIJING TAIXIN CULTURAL AMUSEMENT CO., LTD., SQUARE PICTURES, INC. and FF FILM PARTNERS end on December 31.

In the preparation of the accompanying consolidated financial statements, such financial statements which have a December 31 fiscal year-end, have been used. Significant transactions between the fiscal year-end and the consolidated balance sheet date of March 31 are reconciled for consolidation.

For SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., the fiscal year-end of which is December 31, a provisional settlement of accounts as of the Company's balance sheet date was used as the basis for the preparation of the consolidated financial statements.

■ **Year ended March 31, 2011**

Same as the year ended March 31, 2010

4. Summary of Significant Accounting Policies

(1) Standards and valuation methods for major assets:

■ **Year ended March 31, 2010**

A) Investment securities

Other investment securities

Securities for which fair values are available:

Market value, determined by the quoted market price as of the balance sheet date, with unrealized gains and losses reported as a separate component of net assets at a net-of-tax amount, and cost of sales determined by the moving-average method

Securities for which fair values are unavailable:

Stated at cost determined by the moving-average method

B) Inventories

Manufactured goods, merchandise:

Stated at cost, determined by the monthly average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet value).

Consolidated subsidiaries, however, principally determine cost by the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

However, amusement equipment is stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Content production account:

Stated at cost, determined by the identified cost method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Raw materials, unfinished goods:

Domestic consolidated subsidiaries state raw materials and unfinished goods at cost determined by the moving-average method (book-entry devaluation method based on the decrease in profitability is used with respect to balance sheet values).

Supplies:

Stated at the last purchase price

■ **Year ended March 31, 2011**

A) Investment securities

Other investment securities

Securities for which fair values are available:

Same as the year ended March 31, 2010

Securities for which fair values are unavailable:

Same as the year ended March 31, 2010

B) Inventories

Manufactured goods, merchandise:

Same as the year ended March 31, 2010

Content production account:

Same as the year ended March 31, 2010

Raw materials, unfinished goods:

Same as the year ended March 31, 2010

Supplies:

Same as the year ended March 31, 2010

(2) Method of depreciation and amortization for major assets:

■ **Year ended March 31, 2010**

A) Property and equipment (excluding leased assets)

Property and equipment of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. However, for buildings (excluding building fixtures) acquired on or after April 1, 1998, and overseas consolidated subsidiaries, the straight-line method is applied. The estimated useful lives of major assets are as follows:

Buildings and structures	3-65 years
Tools and fixtures	2-20 years
Amusement equipment	3 years (auxiliary components: 5 years)

B) Intangible assets (excluding leased assets)
Amortized using the straight-line method. Software used in-house is amortized using the straight-line method based on an internal estimate of its useful life (five years).

C) Leased assets
Leased assets under finance lease transactions that do not transfer ownership.
Depreciation for leased assets is computed under the straight-line method over the lease term with no residual value. Among finance lease transactions that do not transfer ownership, those lease transactions that commenced on or before March 31, 2008, are accounted for in the same manner as operating lease transactions.

■ **Year ended March 31, 2011**

A) Property and equipment (excluding leased assets)
Property and equipment of the Company and its domestic consolidated subsidiaries are depreciated using the declining-balance method. However, for buildings (excluding building fixtures) acquired on or after April 1, 1998, and overseas consolidated subsidiaries, the straight-line method is applied. The estimated useful lives of major assets are as follows:

Buildings and structures	3-65 years
Tools and fixtures	2-20 years
Amusement equipment	3-5 years

B) Intangible assets (excluding leased assets)
Same as the year ended March 31, 2010

C) Leased assets
Same as the year ended March 31, 2010

(3) Method of recognition for significant deferred assets:

■ **Year ended March 31, 2010**

Corporate bond issuance costs:
Corporate bond issuance costs are expensed as incurred.

■ **Year ended March 31, 2011**

Not applicable

(4) Accounting for allowances and reserves:

■ **Year ended March 31, 2010**

A) Allowance for doubtful accounts
An allowance for doubtful accounts provides for possible losses on defaults of receivables. The allowance is made up of two components: the estimated credit loss on doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.

B) Reserve for bonuses
A reserve for bonuses is provided for payments to employees of the Company and certain consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

C) Allowance for sales returns
At certain consolidated subsidiaries prior to the fiscal year ended March 31, 2010, allowances are provided for losses on the return of published materials, at an amount calculated based on historical experience prior to this fiscal year and allowances are provided for losses on the return of game software and other, comprising an estimated amount of future losses assessed based on the probability of the return by each game title.

D) Allowance for game arcade closings
For closures of game arcades that have been determined at certain consolidated subsidiaries, an allowance is provided at an amount in line with reasonable estimates of future losses on such closures.

E) Allowance for employees' retirement benefits
At the Company and certain consolidated subsidiaries, an allowance for employees' retirement benefits is provided at the amount incurred during the fiscal year, based on the estimated present value of the projected benefit obligation and pension plan assets. Unrecognized actuarial differences are fully amortized in the year following the year in which they arise. At certain consolidated subsidiaries, amortization for each fiscal year is made over a certain period (five years) using the straight-line method within the average remaining years of service of the eligible employees when the differences are recognized, commencing from the year after the year in which they are incurred. Unrecognized prior service cost is amortized over a certain period (one year or five years) within the average remaining service period of the eligible employees. In addition, at certain of the Company's domestic consolidated subsidiaries, a reserve for employees' retirement benefits is provided at an amount equal to 100% of the benefits the subsidiaries would be required to pay under the lump-sum retirement plan if all eligible employees were to voluntarily terminate their employment at the balance sheet date.

F) Allowance for directors' retirement benefits
At the Company and certain consolidated subsidiaries an allowance for directors' retirement benefits is provided to adequately cover the costs of directors' retirement benefits, which are accounted for on an accrual basis in accordance with internal policy.

■ **Year ended March 31, 2011**

A) Allowance for doubtful accounts
Same as the year ended March 31, 2010

B) Reserve for bonuses
A reserve for bonuses is provided for payments to employees and executive officers of the Company and certain consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

C) Allowance for sales returns
Same as the year ended March 31, 2010

D) Allowance for game arcade closings
Same as the year ended March 31, 2010

E) Allowance for employees' retirement benefits
At the Company and certain consolidated subsidiaries, an allowance for employees' and executive officers' retirement benefits is provided at the amount incurred during the fiscal year, based on the estimated present value of the projected benefit obligation and pension plan assets. Unrecognized actuarial differences are fully amortized in the year following the year in which they arise. At certain consolidated subsidiaries, amortization for each fiscal year is made over a certain period (five years) using the straight-line method within the average remaining years of service of the eligible employees when the differences are recognized, commencing from the year after the year in which they are incurred. Unrecognized prior service cost is amortized over a certain period (one year or five years) within the average remaining service period of the eligible employees.

In addition, at certain of the Company's domestic consolidated subsidiaries, a reserve for employees' retirement benefits is provided at an amount equal to 100% of the benefits the subsidiaries would be required to pay under the lump-sum retirement plan if all eligible employees were to voluntarily terminate their employment at the balance sheet date.

F) Allowance for directors' retirement benefits
Same as the year ended March 31, 2010

(5) Translation of foreign currency transactions and accounts:

■ Year ended March 31, 2010

All monetary assets and liabilities of the Company and its overseas consolidated subsidiaries denominated in foreign currencies are translated at the balance sheet date at the year end rates. The resulting translation gains or losses are credited or charged to income. All assets and liabilities of overseas consolidated subsidiaries are translated as of the balance sheet date at the year end rates, and all income and expense accounts are translated at rates for their respective periods. The resulting translation adjustments are recorded in net assets as "Foreign currency translation adjustments" and are included in minority interests in consolidated subsidiaries.

■ Year ended March 31, 2011

Same as the year ended March 31, 2010

(6) Method and period of amortization of goodwill

■ Year ended March 31, 2010

Goodwill is amortized using the straight-line method over a period of either 10 years or 20 years. However, goodwill considered immaterial is fully amortized during the fiscal year in which it was incurred.

■ Year ended March 31, 2011

The Company amortizes goodwill over a 10-year period using the straight-line method. However, goodwill considered immaterial is fully amortized during the fiscal year in which it was incurred.

(7) Scope of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

■ Year ended March 31, 2010

Cash and cash equivalents in the consolidated statements of cash flows comprises cash on hand, bank deposits which may be withdrawn on demand and short-term investments with an original maturity of three months or less and with minimal risk of fluctuations in value.

■ Year ended March 31, 2011

Same as the year ended March 31, 2010

(8) Additional accounting policies used to prepare consolidated financial statements:

■ Year ended March 31, 2010

Accounting treatment of consumption taxes and local consumption taxes
Income statement items are presented exclusive of consumption taxes and local consumption taxes.

■ Year ended March 31, 2011

Accounting treatment of consumption taxes and local consumption taxes
Same as the year ended March 31, 2010

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

■ Year ended March 31, 2010

All assets and liabilities of consolidated subsidiaries are revalued on acquisition.

■ Year ended March 31, 2011

Not applicable

New Accounting Standards

■ Year ended March 31, 2010

(Application of Partial Amendments to Accounting Standard for Retirement Benefits (Part 3))

Effective from this fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," (ASBJ Statement No. 19, July 31, 2008).

This change had no material impact on operating income, recurring income or income before income taxes and minority interests.

No retirement benefit obligation difference was recognized as a result of the application of this accounting standard.

■ Year ended March 31, 2011

(Application of Accounting Standard for Asset Retirement Obligations)

From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Asset Retirement Obligations" ASBJ Statement No. 18, issued March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

Consequently, operating income and recurring income decreased by ¥165 million, respectively, and loss before income taxes increased by ¥627 million.

(Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method)

From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued March 10, 2008), and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force No. 24, issued March 10, 2008).

This change had no impact on operating income, recurring income or loss before income taxes and minority interests.

Reclassifications

■ Year ended March 31, 2010

(Consolidated Balance Sheets)

Until the fiscal year ended March 31, 2009, "income taxes receivable" was presented as part of "other" within current assets. From the fiscal year ended March 31, 2010, "income taxes receivable" is presented as a separate item as a result of an increase in materiality.

In the fiscal year ended March 31, 2009, "income taxes receivable" amounted to ¥1,422 million.

(Consolidated Statements of Income)

Until the fiscal year ended March 31, 2009, "gain on sale of property and equipment" was presented as part of "other" within extraordinary gain. From the fiscal year ended March 31, 2010, "gain on sale of property and equipment" is presented as a separate item due to composition exceeding 10 percent of total extraordinary gain.

In the fiscal year ended March 31, 2009, "gain on sale of property and equipment" amounted to ¥4 million.

■ Year ended March 31, 2011

(Consolidated Balance Sheets)

Listed separately until the fiscal year ended March 31, 2010, "Long-term loans" was ¥12 million in the fiscal year ended March 31, 2011, less than five percent of total assets, and due to diminished materiality is now presented as part of "Other" within "Investments and other assets."

Listed separately until the fiscal year ended March 31, 2010, "Construction Cooperation Fund" was ¥880 million in the fiscal year ended March 31, 2011, less than five percent of total assets, and due to diminished materiality is now presented as part of "Other" within "Investments and other assets."

Listed separately until the fiscal year ended March 31, 2010, "Claims in bankruptcy" was ¥178 million in the fiscal year ended March 31, 2011, less than five percent of total assets, and due to diminished materiality is now presented as part of "Other" within "Investments and other assets."

Listed separately until the fiscal year ended March 31, 2010, "Other accounts payable" was ¥3,348 million in the fiscal year ended March 31, 2011, less than five percent of combined liabilities and net assets, and due to diminished materiality is now presented as part of "Other" within "Current liabilities."

Listed separately until the fiscal year ended March 31, 2010, "Accrued expenses" was ¥4,802 million in the fiscal year ended March 31, 2011, less than five percent of combined liabilities and net assets, and due to diminished materiality is now presented as part of "Other" within "Current liabilities."

Listed separately until the fiscal year ended March 31, 2010, "Accrued consumption taxes" was ¥180 million in the fiscal year ended March 31, 2011, less than five percent of combined liabilities and net assets, and due to diminished materiality is now presented as part of "Other" within "Current liabilities."

Listed separately until the fiscal year ended March 31, 2010, "Advance payments received" was ¥3,672 million in the fiscal year ended March 31, 2011, less than five percent of combined liabilities and net assets, and due to diminished materiality is now presented as part of "Other" within "Current liabilities."

Listed separately until the fiscal year ended March 31, 2010, "Deposits received" was ¥407 million in the fiscal year ended March 31, 2011, less than five percent of combined liabilities and net assets, and due to diminished materiality is now presented as part of "Other" within "Current liabilities."

(Consolidated Statements of Income)

From the fiscal year ended March 31, 2011, the Company applies "Regulation for Terminology, Forms and Presentation of Financial

Statements" (Cabinet Office Ordinance No. 5, issued March 24, 2009), based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008).
As a result, "Loss before minority interests" is presented in the accompanying Consolidated Statements of Income and Consolidated Statement of Comprehensive Income.

Listed separately until the fiscal year ended March 31, 2010, "Severance payments associated with business restructuring" was ¥75 million in the fiscal year ended March 31, 2011, falling below 10 percent of total extraordinary loss and is now presented as part of "Other" within "Extraordinary loss."

Listed separately until the fiscal year ended March 31, 2010, "Loss associated with business restructuring" was ¥39 million in the fiscal year ended March 31, 2011, falling below 10 percent of total extraordinary loss and is now presented as part of "Other" within "Extraordinary loss."

Additional Information

■ Year ended March 31, 2010

Not applicable

■ Year ended March 31, 2011

From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued June 30, 2010). The Company presents "Accumulated other comprehensive loss" and "Total accumulated other comprehensive loss" as of March 31, 2010 and 2011, in the accompanying Balance Sheet, which had previously been presented as "Valuation and transaction adjustments" and "Total valuation and transaction adjustments" as of March 31, 2010.

Notes to Consolidated Balance Sheets

■ Year ended March 31, 2010

*1 Investments in non-consolidated subsidiaries and affiliates:
Investments and other assets ¥69 million

■ Year ended March 31, 2011

*1 Investments in non-consolidated subsidiaries and affiliates:
Investments and other assets ¥51 million

Notes to Consolidated Statements of Income

■ Year ended March 31, 2010

*1 Inventories at fiscal year-end are stated after writing down based on its decrease in profitability. The following amount is included within cost of sales as loss on valuation of inventories. ¥6,640 million

*2 Selling, general and administrative expenses include research and development expenses of ¥1,243 million

*3 Breakdown of gain on sale of property and equipment

Buildings and structures	¥ 31 million
Tools and fixtures	0 million
Amusement equipment	1 million
Other	0 million
Total	¥ 33 million

*4 Breakdown of loss on sale of property and equipment

Tools and fixtures	¥ 52 million
Buildings and structures	16 million
Amusement equipment	0 million
Total	¥ 69 million

*5 Breakdown of loss on disposal of property and equipment

Buildings and structures	¥ 78 million
Tools and fixtures	34 million
Amusement equipment	268 million
Software	4 million
Other	3 million
Total	¥389 million

*6 Loss on evaluation of investment securities was due to a significant decline in market prices of marketable securities.

*7 Impairment loss
In the fiscal year ended March 31, 2010, the Group posted impairment loss on the following groups of assets:

Millions of yen

Location	Usage	Category	Impairment amount
Kawasaki-shi, Kanagawa	Idle assets	Land	¥ 43
Kita-Karuizawa, Nagano	Assets planned for disposal	Land and buildings	9
Tokushima-shi, Tokushima	Assets planned for disposal	Land	119
Shibuya-ku, Tokyo, and others	Idle assets	Telephone subscription rights	9
Shibuya-ku, Tokyo, and others	Assets planned for disposal	Amusement equipment	74
Total			¥255

In the fiscal year ended March 31, 2010, due to the inclusion of Eidos Ltd. and its consolidated subsidiaries within the Company's scope of consolidation, the Group revised its method of grouping assets. In the Amusement business segment, each business location is classified as one asset-grouping unit. In other business segments, classification of asset groups is carried out based on the relationships between businesses. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually, separately from those mentioned above.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable market value. With regard to assets planned for disposal, their recoverable value was recognized as falling below book value. Consequently, their book value has been written down to the applicable recoverable value.

In principle, the recoverable amounts for these assets are determined based on their fair value calculated using market prices.

*8 Accelerated amortization of goodwill
Accelerated amortization of goodwill is the amount of goodwill amortized in this fiscal year ended March 31, 2010 relating to TAITO CORPORATION. A change in business circumstances caused a revision in the estimate of the goodwill's useful life and recoverable value.

*9 Loss associated with business restructuring
This item principally comprises business restructuring losses relating to an overhaul of the Group's game development and sales structures in Europe and the United States due to the acquisition of the Eidos Group.

*10 Income taxes for prior periods
With regard to transactions between the Company and its subsidiaries in the United States and the United Kingdom, although the Company had been preparing to file mutual agreement based on the bilateral advance pricing agreement (BAPA) system relating to transfer pricing taxation, during this fiscal year, a mutual agreement became effective between the governments of Japan and the United States. Japan and the United Kingdom plan to reach a mutual agreement in the near future. The amount presented as income taxes for prior periods is the net amount after offsetting taxes paid and estimated taxes payable against tax refunds under the aforementioned mutual agreements.

Year ended March 31, 2011

*1 Inventories at fiscal year-end are stated after writing down based on its decrease in profitability. The following amount is included within cost of sales as loss on valuation of inventories. ¥2,095 million

*2 Selling, general and administrative expenses include research and development expenses of ¥710 million

*3 Breakdown of gain on sale of property and equipment

Tools and fixtures	¥ 0 million
Amusement equipment	1 million
Total	¥ 1 million

*4 Breakdown of loss on sale of property and equipment

Tools and fixtures	¥ 1 million
Total	¥ 1 million

*5 Breakdown of loss on disposal of property and equipment

Buildings and structures	¥ 49 million
Tools and fixtures	297 million
Amusement equipment	257 million
Software	6 million
Other	10 million
Total	¥621 million

*6 Loss on evaluation of investment securities
Same as the year ended March 31, 2010

*7 Impairment loss
In the fiscal year ended March 31, 2011, the Group posted impairment loss on the following groups of assets.

Millions of yen

Location	Usage	Category	Impairment amount
Shinjuku-ku, Tokyo	Assets planned for disposal related to home-use online karaoke business (discontinued business)	Telephone subscription rights	¥10
		Amusement equipment	1
		Tools and fixtures	1
Ebina, Kanagawa Prefecture	Amusement equipment production and sale	Buildings	0
		Tools and fixtures	45
		Software	4
		Long-term prepaid expenses	0
		Leased tools and fixtures	13
		Finance leases that do not transfer ownership of rental transactions	13
Shibuya-ku, Tokyo	Idle assets	Telephone subscription rights	2
Shibuya-ku, Tokyo	Assets planned for disposal	Amusement equipment	94
Shibuya-ku, Tokyo	Other	Goodwill	3,574
United Kingdom	Other	Goodwill	4,841
		Intangible assets	248
Total			¥8,853

In the Amusement business segment, each division, including captive outlets, rented outlets and equipment production and sales, is classified as one asset-grouping unit. In other business segments, classification of asset groups is carried out based on the relationships between businesses. Idle assets that are not used for operational purposes and assets planned for disposal are classified individually, separately from those mentioned above.

With regard to idle assets presented in the table above, market value had fallen substantially below book value and the future use of these assets was deemed uncertain. For these reasons, the book value of these idle assets has been written down to the applicable market value. With regard to assets planned for disposal, their recoverable value was recognized as falling below book value. Consequently, their book value has been written down to the applicable recoverable value.

For goodwill and intangible assets, asset values were reassessed, taking into account changes in the market environment, and book values were subsequently written down to the applicable recoverable values. Note that calculation of recoverable amounts is based on net selling price or value in use.

In principle, net selling price is based mainly on market price, and value in use is calculated using future cash flows discounted at 10.5%.

*11 Loss related to content

These are losses related primarily to the special maintenance of content.

*12 Loss on disposal of content and equipment

These are losses related to content in the Digital Entertainment segment and equipment in the Amusement segment for which development has ceased, following careful review of marketability prompted by sluggish sales of newly released console games and the market's harsh assessment of key titles.

*13 Loss on disaster

This category includes restoration costs incurred in the repair or rebuilding of arcade facilities damaged or destroyed by events associated with the Tohoku Earthquake as well as fixed costs incurred while facilities were closed.

Notes to Consolidated Statement of Comprehensive Income

Year ended March 31, 2011

*1 Comprehensive income for the year ended March 31, 2010

Comprehensive income attributable to shareholders of the Company	¥9,109 million
Comprehensive income attributable to minority interests	27 million
Total	¥9,137 million

*2 Other comprehensive income (loss) for the year ended March 31, 2010

Unrealized gain on revaluation of other investment securities	¥62 million
Foreign currency translation adjustments	(482) million
Total	(420) million

Items Pertaining to the Consolidated Statements of Changes in Net Assets

Year ended March 31, 2010

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

Thousands of shares

	Shares as of March 31, 2009	Share increases during the year	Share decreases during the year	Shares as of March 31, 2010
Shares issued and outstanding				
Common stock*1	115,305	64	—	115,370
Total	115,305	64	—	115,370
Treasury stock*2				
Common stock	295	2	0	297
Total	295	2	0	297

*1 The increase of 64 thousand shares of common stock issued and outstanding was due to the exercise of stock options.

*2 The increase of 2 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.

The decrease of 0 thousand shares of treasury stock was due to the sale of fractional shares constituting less than one trading unit

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options: As of March 31, 2009	Increase during the year	Decrease during the year	As of March 31, 2010	Balance as of March 31, 2010 (Millions of yen)
Supplying company (parent company)	Issuance of yen-denominated zero-coupon warrant bonds maturing in 2010, pursuant to a resolution of the Board of Directors on November 9, 2005	Common stock	10,882,352	—	—	10,882,352	—
	Issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010	Common stock	—	14,000,000	—	14,000,000	—
	Stock acquisition rights as stock options (Treasury stock acquisition rights)	—	—	—	—	—	724 (8)
	Total	—	—	—	—	—	724 (8)

Notes: 1. The amounts shown in parentheses indicate the number of treasury stock acquisition rights.
2. The increase of 14,000,000 shares in this fiscal year stems from the relevant issuance of convertible bonds.

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 24, 2009 (Annual General Meeting of Shareholders)	Common stock	¥2,300	¥20	March 31, 2009	June 25, 2009
November 5, 2009 (Board of Directors' Meeting)	Common stock	1,150	10	September 30, 2009	December 4, 2009

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 23, 2010 (Annual General Meeting of Shareholders)	Common stock	¥2,876	Retained earnings	¥25	March 31, 2010	June 24, 2010

Year ended March 31, 2011

1. Type and number of shares issued and outstanding, and type and number of shares of treasury stock

	Shares as of March 31, 2010	Share increases during the year	Share decreases during the year	Shares as of March 31, 2011
				Thousands of shares
Shares issued and outstanding				
Common stock	115,370	—	—	115,370
Total	115,370	—	—	115,370
Treasury stock*				
Common stock	297	1	0	299
Total	297	1	0	299

* The increase of 1 thousand shares of treasury stock was due to the acquisition of fractional shares constituting less than one trading unit.
The decrease of 0 thousand shares of treasury stock was due to the sale of fractional shares constituting less than one trading unit.

2. Stock options and the Company's stock options

Category	Details of stock options	Type of shares issuable for the exercise of stock options	Number of shares allocated for the purpose of stock options				Balance as of March 31, 2011 (Millions of yen)
			As of March 31, 2010	Increase during the year	Decrease during the year	As of March 31, 2011	
Supplying company (parent company)	Issuance of yen-denominated zero-coupon warrant bonds maturing in 2010, pursuant to a resolution of the Board of Directors on November 9, 2005	Common stock	10,882,352	—	10,882,352	—	—
	Issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010	Common stock	14,000,000	—	—	14,000,000	—
	Stock acquisition rights as stock options	—	—	—	—	—	814
	Total	—	—	—	—	—	814

Note: The decrease of 10,882,352 shares in the fiscal year ended March 31, 2011, was because the period in which to exercise stock options (stock acquisition rights) attached to applicable bonds closed.

3. Dividends

(1) Dividend payments

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 23, 2010 (Annual General Meeting of Shareholders)	Common stock	¥2,876	¥25	March 31, 2010	June 24, 2010
November 4, 2010 (Board of Directors' Meeting)	Common stock	1,150	10	September 30, 2010	December 3, 2010

(2) Dividends with a record date during this fiscal year, but whose effective date falls in the following fiscal year

Date of approval	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
May 18, 2011 (Board of Directors' Meeting)	Common stock	¥2,301	Retained earnings	¥20	March 31, 2011	June 23, 2011

Notes to Consolidated Statements of Cash Flows

■ Year ended March 31, 2010

*1 A reconciliation of cash and cash equivalents in the consolidated statements of cash flows to the corresponding amount disclosed in the consolidated balance sheets is as follows:

(As of March 31, 2010)

Cash and deposits	¥111,211 million
Time deposits with maturity periods over three months	(1,494 million)
Cash and cash equivalents	¥109,717 million

*2 Breakdown of principal assets and liabilities of companies newly included in the Company's scope of consolidation resulting from share acquisition

Due to the inclusion of EIDOS LTD. and one affiliate of EIDOS LTD. in the Company's scope of consolidation through a share acquisition, the following is a breakdown of principal assets and liabilities at the time of the aforementioned commencement of inclusion in the scope of consolidation as well as the share acquisition costs and the relationship to the payment for share acquisition—net.

	Millions of yen
Current assets	¥ 7,849
Non-current assets	14,910
Goodwill	6,637
Current liabilities	(14,654)
Non-current liabilities	(223)
Share acquisition costs	14,519
Amount paid during the fiscal year ended March 31, 2009	(1,503)
Cash and cash equivalents	(814)
Payment for share acquisition—net	¥12,202

■ Year ended March 31, 2011

*1 A reconciliation of cash and cash equivalents in the consolidated statements of cash flows to the corresponding amount disclosed in the consolidated balance sheets is as follows:

(As of March 31, 2011)

Cash and deposits	¥111,126 million
Time deposits with maturity periods over three months	(1,375 million)
Cash and cash equivalents	¥109,751 million

Lease Transactions

■ Year ended March 31, 2010

Finance lease transactions

(1) Type of leased assets

Amusement facilities in the Amusement business (buildings and structures)

(2) Depreciation method for leased assets

Please see the following sections: "Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements; 4. Summary of Significant Accounting Policies; (2) Method of depreciation and amortization of major assets." Finance lease transactions that do not transfer ownership and that commenced on or before March 31, 2008, are accounted for in a similar manner to the accounting treatment for ordinary operating lease transactions. Detailed information for finance lease transactions are as follows:

1. Acquisition cost, accumulated depreciation and net book value of leased assets:

Millions of yen

	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥ 593	¥472	¥120
Tools and fixtures	593	453	139
Total	¥1,186	¥926	¥259

Note: The total amount of future lease payments at the end of the year constituted an insignificant portion of net property and equipment at the end of the year. Accordingly, total acquisition cost included the interest portion thereon.

2. Ending balances of future lease payments:

Due within one year	¥165 million
Due after one year	94 million
Total	¥259 million

Note: The total future lease payments at the end of the year constituted an insignificant portion of total property and equipment at the end of the year. Accordingly, total future lease payments included the interest portion thereon.

3. Lease payments and depreciation expense:

Lease payments	¥338 million
Depreciation expense	¥338 million

4. Method of calculation for depreciation

Depreciation is calculated using the straight-line method over a useful life with no residual value.

(Impairment loss)
No impairment loss was recognized on leased assets.

Operating lease transactions

Future lease payments on noncancellable leases:

Due within one year	¥1,070 million
Due after one year	—
Total	¥1,070 million

■ **Year ended March 31, 2011**

Finance lease transactions

(1) Type of leased assets
Same as the year ended March 31, 2010

(2) Depreciation method for leased assets
Same as the year ended March 31, 2010

1. Acquisition cost, accumulated depreciation and net book value of leased assets:

Millions of yen

	Acquisition cost	Accumulated depreciation	Net book value
Buildings and structures	¥425	¥390	¥34
Tools and fixtures	218	160	58
Total	¥643	¥550	¥92

Note: Same as the year ended March 31, 2010

2. Ending balances of future lease payments:

Due within one year	¥67 million
Due after one year	24 million
Total	¥92 million

Note: Same as the year ended March 31, 2010

3. Lease payments and depreciation expense:

Lease payments	¥175 million
Depreciation expense	¥175 million

4. Method of calculation for depreciation
Same as the year ended March 31, 2010

(Impairment loss)
No impairment loss was recognized on leased assets.

Operating lease transactions

Future lease payments on noncancellable leases:

Due within one year	¥655 million
Due after one year	124 million
Total	¥779 million

Notes Regarding Financial Instruments

■ **Fiscal year ended March 31, 2010**

1. Matters concerning financial instruments

(1) Policies regarding financial instruments

With regard to the management of funds, the Group only utilizes financial instruments with low market risk, such as deposits. With regard to fund procurement, the Group utilizes the issuance of corporate bonds and borrowings from financial institutions.

Forward-exchange transactions are carried out within the amount of foreign currency-denominated transactions conducted by the Group. It is the Group's policy not to engage in derivative transactions for speculative purposes.

(2) Types of financial instruments held, risks associated with those financial instruments and the risk management system

The Group is exposed to customer credit risk through notes and accounts receivable, which are trade receivables. The Group endeavors to reduce this risk by managing the outstanding balance and due date for each transaction in accordance with internal rules at each Group company for sales management. Owing to the Group's global business operations, a portion of its notes and accounts receivable are denominated in foreign currencies, which are exposed to exchange rate fluctuation risk. Although the Group, in principle, does not engage in derivative transactions, for the purpose of hedging against the risk of future fluctuations in foreign-exchange rates, it enters into forward foreign exchange contracts from time to time. Although forward foreign exchange contracts involve exposure to exchange rate fluctuation risk, each counterparty to these transactions is, without exception, a highly creditworthy bank. Hence, the Group judges that credit risk through counterparty breach of contract (counterparty risk) is negligible. With regard to forward foreign exchange transactions, all risk is centrally managed by the accounting division under the approval of a representative director and the director assigned to oversee accounting and finance matters.

Short-term investment securities are held in the form of negotiable certificates of deposit, and the market price fluctuation risk associated with these instruments is extremely low. Investment securities mainly comprise stock market listed shares, and, hence, exposed to market price fluctuation risk. However, fair values are monitored and regularly reported to the Board of Directors.

Rental deposits consist of deposits required to be furnished by the Group when it enters into real estate leases relating to the Group's headquarters, other offices and amusement arcade facilities. Construction support deposits consist of deposits furnished by the Group in relation to amusement arcade leases. Although these deposits involve exposure to counterparty credit risk, for the headquarters and other offices and amusement arcades, the general affairs division and sales division with the Group confirm the creditworthiness of the lessors through regular contact with the respective counterparties. In addition, the accounting division checks with each of these divisions on the situation at the end of each fiscal year.

Notes and accounts payable are defined as those trade payables due within one year. Short-term loans are used to meet short-term working capital requirements. The Group avoids the settlement liquidity risk associated with short-term payables, including notes and accounts payable, other accounts payable, accrued expenses, accrued corporate taxes, accrued consumption taxes, deposits received and short-term loans, through the monthly review of its funding plan and other methods. Although foreign currency-denominated trade payables involve exposure to exchange-rate fluctuations, the Group reduces this risk through similar methods to those used to manage the risk associated with foreign currency-denominated trade receivables. Although the Group is exposed to interest-rate risk through short-term loans. The group, however, is able to respond flexibly to interest rate fluctuations since the borrowing periods are short.

Current portion of corporate bonds comprise yen zero-coupon convertible bonds due 2010, which are redeemable in November 2010. Corporate bonds comprise euro yen zero-coupon convertible bonds due 2015, which the Group issued in the fiscal year under review to refinance the aforementioned corporate bonds redeemable within one year. Since each of these bonds are issued as zero-coupon bonds, they do not involve exposure to interest rate fluctuation risk.

(3) Supplementary information regarding the fair value, etc., of financial instruments

The fair value of financial instruments includes amounts based on market prices as well as those calculated using an appropriate formula when there is no applicable market price. Since variable factors are included in the calculation of such fair values, the adoption of different assumptions may lead to changes in these fair value amounts.

2. Fair value of financial instruments

With regard to financial instruments held by the Company and its consolidated subsidiaries, the values presented on the consolidated balance sheet as of March 31, 2010, the estimated fair value and the difference between these amounts are as follows. Items for which fair value is difficult to estimate are not included in the following table (Note 2).

Millions of yen

	Book value	Fair value	Difference
Assets:			
(1) Cash and deposits	¥111,211	¥111,211	¥—
(2) Notes and accounts receivable	30,682		
Allowance for doubtful accounts	(530)		
Notes and accounts receivable, net	30,152	30,152	—
(3) Short-term investment securities	¥ 35,000	¥ 35,000	¥ —
(4) Investment securities	480	480	—
(5) Rental deposits	13,530		
Allowance for doubtful deposits paid	(526)		
Rental deposits, net	13,004	11,973	(1,030)
(6) Construction support deposits	1,125	1,087	(37)
(7) Claims in bankruptcy	202		
Allowance for doubtful accounts	(180)		
Claims in bankruptcy, net	21	21	—
Total assets	190,995	189,927	(1,068)
Liabilities:			
(1) Notes and accounts payable	10,666	10,666	—
(2) Short-term loans	2,808	2,808	—
(3) Current portion of corporate bonds	37,000	37,000	—
(4) Other accounts payable	3,528	3,528	—
(5) Accrued expenses	6,611	6,611	—
(6) Accrued income taxes	4,090	4,090	—
(7) Accrued consumption taxes	2,839	2,839	—
(8) Deposits received	561	561	—
(9) Corporate bonds	35,000	39,287	4,287
Total liabilities	¥103,106	¥107,393	¥4,287
Derivative transactions	—	—	—

Notes: 1. Matters concerning the methods for estimating fair value and short-term investment securities

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

(3) Short-term investment securities
Short-term investment securities comprise negotiable certificates of deposit. Owing to their short-term maturity, fair value is recognized as equivalent to book value. Book value is therefore recorded as fair value.
(4) Investment securities
Investment securities comprise stock market listed shares and fair value is the stock-market trading price. For information relating to each of the holding purposes of securities, please refer to the note titled "Securities."
(5) Rental deposits, and (6) Construction support deposits
The fair values of these items are the net present value, which has been discounted at a rate that appropriately reflects the length of time the deposits are expected to be held for and the credit risk of the deposit holder.
(7) Claims in bankruptcy and claims under reorganization
For claims in bankruptcy and claims under reorganization, the Company calculates an allowance for doubtful claims based on the expected recovery amount. Consequently, the fair values of these claims are recognized as equivalent to the book value as of the balance sheet date less allowance for doubtful claims, and recorded as this amount.
Liabilities
(1) Notes and accounts payable, (2) Short-term loans, (3) Current portion of corporate bonds, (4) Other accounts payable, (5) Accrued expenses, (6) Accrued corporate taxes, (7) Accrued consumption taxes, and (8) Deposits received
Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.
(9) Corporate bonds
The fair value of corporate bonds issued by the Company is the price quoted by the correspondent financial institutions.

2. Financial instruments for which it is extremely difficult to estimate fair value

Millions of yen

Item	Book value
Unlisted shares	¥87

These items are not included in "(4) Investment securities" above owing to the recognition of their lack of market prices and the extreme difficulty in estimating fair value based on such methods as estimated future cash flows.

3. Planned redemption amounts subsequent to the consolidated balance sheet date for monetary claims and investment securities that have a maturity date

Millions of yen

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Deposits	¥109,494	¥ —	¥ —	¥ —
Notes and accounts receivable	30,682	—	—	—
Short-term investment securities				
Available-for-sale securities with maturity (Negotiable certificates of deposit)	35,000	—	—	—
Rental deposits	3,410	2,021	7,359	740
Construction support deposits	603	64	457	—
Claims in bankruptcy	202	—	—	—
Total	¥179,392	¥2,085	¥7,816	¥740

4. Planned repayment amounts subsequent to the consolidated balance sheet date for corporate bonds.
Please refer to the "Corporate Bonds Issued" tables within the Supplementary Schedule section of the Notes to Consolidated Financial Statements.

(Additional information)
From the fiscal year ended March 31, 2010, the Company has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19) (March 10, 2008).

Year ended March 31, 2011

1. Matters concerning financial instruments
(1) Policies regarding financial instruments
With regard to the management of funds, the Group only utilizes financial instruments with low market risk, such as deposits. With regard to fund procurement, the Group utilizes the issuance of corporate bonds and borrowings from financial institutions.
Forward-exchange transactions are carried out within the amount of foreign currency-denominated transactions conducted by the Group. It is the Group's policy not to engage in derivative transactions for speculative purposes.
(2) Types of financial instruments held, risk associated with these financial instruments and the risk management system
The Group is exposed to customer credit risk through notes and accounts receivable, which are trade receivables. The Group endeavors to reduce this risk by managing the outstanding balance and due date for each transaction in accordance with internal

rules at each Group company for sales management. Owing to the Group's global business operations, a portion of its notes and accounts receivable are denominated in foreign currencies, which are exposed to exchange rate fluctuation risk. Although the Group, in principle, does not engage in derivative transactions, for the purpose of hedging against the risk of future fluctuations in foreign-exchange rates, it enters into forward foreign exchange contracts from time to time. Although forward foreign exchange contracts involve exposure to exchange rate fluctuation risk, each counterparty to these transactions is, without exception, a highly creditworthy bank. Hence, the Group judges that credit risk through counterparty breach of contract (counterparty risk) is negligible. With regard to forward foreign exchange transactions, all risk is centrally managed by the accounting division under the approval of a representative director and the director assigned to oversee accounting and finance matters.

Corporate taxes receivable is a refund of corporate taxes that is recouped in a short period of time.

Investment securities mainly comprise stock market listed shares, and, hence, exposed to market price fluctuation risk. However, fair values are monitored and regularly reported to the Board of Directors.

Rental deposits consist of deposits required to be furnished by the Group when it enters into real estate leases relating to the Group's headquarters, other offices and amusement arcade facilities. Although these deposits involve exposure to counterparty credit risk, for the headquarters and other offices, and for amusement arcades, the general affairs division and the sales division, respectively, confirm the creditworthiness of the lessors through regular contact. In addition, the accounting division checks with each of these divisions on the situation at the end of each fiscal year.

Notes and accounts payable are defined as those trade payables due within one year. Short-term loans are used to meet short-term working capital requirements. The Group avoids the settlement liquidity risk associated with short-term payables, including notes and accounts payable, accrued corporate taxes and short-term loans, through the monthly review of its funding plan and other methods. Although foreign currency-denominated trade payables involve exposure to exchange-rate fluctuations, the Group reduces this risk through similar methods to those used to manage the risk associated with foreign currency-denominated trade receivables. Although the Group is exposed to interest-rate risk through short-term loans. The Group, however, is able to respond flexibly to interest rate fluctuations since the borrowing periods are short.

Corporate bonds comprise euro yen zero-coupon convertible bonds due 2015. As zero-coupon bonds, they are not exposed to the risk of interest rate fluctuations.

(3) Supplementary information regarding the fair value, etc., of financial instruments

The fair value of financial instruments includes amounts based on market prices as well as those calculated using an appropriate formula when there is no applicable market price. Since variable factors are included in the calculation of such fair values, the adoption of different assumptions may lead to changes in these fair value amounts.

2. Fair value of financial instruments

With regard to financial instruments held by the Company and its consolidated subsidiaries, the values presented on the consolidated balance sheet as of March 31, 2011, the estimated fair value and the difference between these amounts are as follows. Items for which fair value is difficult to estimate are not included in the following table (Note 2).

Millions of yen

	Book value	Fair value	Difference
Assets:			
(1) Cash and deposits	¥111,126	¥111,126	¥ —
(2) Notes and accounts receivable	15,474		
Allowance for doubtful accounts	(119)		
Notes and accounts receivable, net	15,354	15,354	—
(3) Income taxes receivable	6,907	6,907	—
(4) Investment securities	334	334	—
(5) Rental deposits	12,316		
Allowance for doubtful deposits paid	(526)		
Rental deposits, net	11,790	11,335	(455)
Total assets	145,513	145,058	(455)
Liabilities:			
(1) Notes and accounts payable	7,777	7,777	—
(2) Short-term loans	1,338	1,338	—
(3) Accrued income taxes	2,269	2,269	—
(4) Corporate bonds	35,000	35,000	—
Total liabilities	¥ 46.386	¥ 46.386	¥ —
Derivative transactions	—	—	—

Notes: 1. Matters concerning the methods for estimating fair value and short-term investment securities

Assets

(1) Cash and deposits, (2) Notes and accounts receivable and (3) Income taxes receivable

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

(4) Investment securities

Investment securities comprise stock market listed shares and fair value is the stock-market trading price. For information relating to each of the holding purposes of securities, please refer to the note titled "Securities."

(5) Rental deposits

The fair values of these items are the net present value, which has been discounted at a rate that appropriately reflects the length of time the deposits are expected to be held for and the credit risk of the deposit holder.

Liabilities

(1) Notes and accounts payable, (2) Short-term loans and (3) Accrued corporate taxes

Since these items are settled on a short-term basis, book value is used on the assumption that fair value is principally equivalent to book value.

(4) Corporate bonds

The fair value of corporate bonds issued by the Company is the price quoted by the correspondent financial institutions.

2. Financial instruments for which it is extremely difficult to estimate fair value

Millions of yen

Item	Book value
Unlisted shares	¥51

These items are not included in “(4) Investment securities” above owing to the recognition of their lack of market prices and the extreme difficulty in estimating fair value based on such methods as estimated future cash flows.

3. Planned redemption amounts subsequent to the consolidated balance sheet date for monetary claims and investment securities that have a maturity date

Millions of yen

	Within one year	More than one year but within five years	More than five years but within 10 years	More than 10 years
Deposits	¥109,618	¥ —	¥ —	¥ —
Notes and accounts receivable	15,474	—	—	—
Income taxes receivable	6,907	—	—	—
Rental deposits	3,788	4,392	4,013	121
Total	¥135,664	¥4,392	¥4,013	¥121

4. Planned repayment amounts subsequent to the consolidated balance sheet date for corporate bonds

Please refer to the “Corporate Bonds Issued” tables within the Supplementary Schedule section of the Notes to Consolidated Financial Statements.

Securities

■ Year ended March 31, 2010

1. Held-for-sale securities

Not applicable

2. Held-to-maturity securities with market value

Not applicable

3. Other investment securities with market value:

Millions of yen

	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Stocks	¥ 86	¥ 54	¥ 32
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	86	54	32
Securities with acquisition cost exceeding book value	(1) Stocks	393	441	(47)
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	35,000	35,000	—
	Subtotal	35,393	35,441	(47)
Total		¥35,480	¥35,495	¥(15)

4. Securities sold during the fiscal year ended March 31, 2010

Millions of yen

Item	Proceeds	Aggregate gain on sale	Aggregate loss on sale
(1) Stocks	¥7	¥2	¥0
(2) Bonds			
a. Government bonds and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	0	0	—
(3) Other	—	—	—
Total	¥7	¥2	¥0

5. Investment securities subject to impairment

In the fiscal year under review, other investment securities (shares) were subject to impairment amounting to ¥166 million.

With regard to the impairment of shares, shares whose fair value has fallen to below 50% of the acquisition price are fully impaired, and shares whose fair value has fallen to between 30% and 50% of the acquisition price are impaired by an appropriate amount after taking into consideration the materiality of the amount involved and the likelihood of recovery.

Year ended March 31, 2011

1. Held-for-sale securities

Not applicable

2. Held-to-maturity securities with market value

Not applicable

3. Other investment securities with market value:

Millions of yen

	Type	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Stocks	¥4	¥2	¥1
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	4	2	1
Securities with acquisition cost exceeding book value	(1) Stocks	330	352	(22)
	(2) Bonds			
	a. Government bonds and municipal bonds	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	330	352	(22)
Total		¥334	¥355	¥(21)

4. Securities sold during the fiscal year ended March 31, 2011

Millions of yen

Item	Proceeds	Aggregate gain on sale	Aggregate loss on sale
(1) Stocks	¥0	¥0	¥—
(2) Bonds			
a. Government bonds and municipal bonds	—	—	—
b. Corporate bonds	—	—	—
c. Other	—	—	—
(3) Other	—	—	—
Total	¥0	¥0	¥—

5. Investment securities subject to impairment

In the fiscal year under review, other investment securities (shares) were subject to impairment amounting to ¥175 million.

With regard to the impairment of shares, shares whose fair value has fallen to below 50% of the acquisition price are fully impaired, and shares whose fair value has fallen to between 30% and 50% of the acquisition price are impaired by an appropriate amount after taking into consideration the materiality of the amount involved and the likelihood of recovery.

Derivative Transactions

Year ended March 31, 2010

1. Derivative transactions for which hedge accounting has not been applied

Not applicable

2. Derivative transactions for which hedge accounting has been applied

Not applicable

Year ended March 31, 2011

1. Derivative transactions for which hedge accounting has not been applied

Not applicable

2. Derivative transactions for which hedge accounting has been applied

Not applicable

Employees' Retirement Benefits

Year ended March 31, 2010

1. Overview of employees' retirement benefit plan

The Company and its domestic consolidated subsidiaries have a lump-sum retirement payment plan in accordance with their internal bylaws.

The projected benefits are allocated to periods of service on a straight-line basis. The Company's domestic consolidated subsidiaries apply a simplified method in the calculation of the retirement benefit obligations. In addition, certain of the Company's overseas subsidiaries maintain defined contribution retirement pension plans.

2. Retirement benefit obligation:

	Millions of yen
Retirement benefit obligation	¥(10,742)
Fair value of plan assets	6,431
Net unfunded obligation	(4,311)
Unrecognized prior service cost	(138)
Unrecognized actuarial loss	2,280
Allowance for employees' retirement benefits	¥ (2,170)

3. Retirement benefit expenses:

	Millions of yen
Service cost	¥ 533
Interest cost	168
Expected return on plan assets	(86)
Amortization of prior service cost	(333)
Amortization of net actuarial gain	804
Retirement benefit expenses	¥1,086

Note: In addition to the retirement benefit expenses shown above, the Company recorded severance payments related to business restructuring amounting to ¥1,985 million in the fiscal year ended March 31, 2010.

4. Assumptions used in accounting for the above plans:

Periodic allocation method for projected benefits	Straight-line basis
Discount rates	1.329-2.035%
Expected rate of return on plan assets	1.329%
Period over which prior service cost is amortized	1-5 years
Period over which net actuarial gain or loss is amortized	1-5 years

Year ended March 31, 2011

1. Overview of employees' retirement benefit plan

Same as the year ended March 31, 2010

2. Retirement benefit obligation:

	Millions of yen
Retirement benefit obligation	¥(11,255)
Fair value of plan assets	6,209
Net unfunded obligation	(5,046)
Unrecognized prior service cost	—
Unrecognized actuarial loss	1,984
Allowance for employees' retirement benefits	¥ (3,061)

3. Retirement benefit expenses:

	Millions of yen
Service cost	¥ 542
Interest cost	152
Expected return on plan assets	(82)
Amortization of prior service cost	(81)
Amortization of net actuarial gain	720
Retirement benefit expenses	¥1,249

Note: In addition to the retirement benefit expenses shown above, the Company recorded severance payments related to business restructuring amounting to ¥75 million in the fiscal year under review.

4. Assumptions used in accounting for the above plans:

Periodic allocation method for projected benefits	Straight-line basis
Discount rates	1.250-1.969%
Expected rate of return on plan assets	1.250%
Period over which prior service cost is amortized	1-5 years
Period over which net actuarial gain or loss is amortized	1-5 years

Stock Options

Year ended March 31, 2010

1. Expense items and amounts during the fiscal year related to stock options:

Cost of sales	¥ 13 million
Selling, general and administrative expenses	311 million

2. Amounts recorded as gains due to vested stock options unexercised by employees:

Reversal of stock acquisition rights	¥20 million

3. Details, scale of and changes in stock options

(1) Details of stock options

	2002 stock options	2004 stock options	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options
Category of grantees	Company directors and employees	Company directors and employees	Company directors and employees	Directors and employees of the Company's subsidiaries	Company directors	Company employees, and directors and employees of the Company's subsidiaries	Company directors	Company directors	Company employees
Number of grantees	696	206	52	3	5	59	5	5	7
Number of stock options	2,550,000 shares of common stock*	600,000 shares of common stock	902,000 shares of common stock	7,000 shares of common stock	450,000 shares of common stock	670,000 shares of common stock	19,800 shares of common stock	57,000 shares of common stock	140,000 shares of common stock
Date granted	June 22, 2002	June 19, 2004	June 18, 2005	June 18, 2005	December 4, 2007	December 4, 2007	August 21, 2008	October 21, 2009	January 15, 2010
Conditions for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests
Service period	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established
Rights exercise period	July 1, 2004 to June 30, 2009	July 1, 2006 to June 30, 2009	July 1, 2007 to June 30, 2010	July 1, 2007 to June 30, 2010	November 20, 2009 to November 19, 2012	A. One-third of options granted: November 20, 2009 to November 19, 2012 B. One-third of options granted: November 20, 2010 to November 19, 2012 C. One-third of options granted: November 20, 2011 to November 19, 2012	August 22, 2008 to August 21, 2028	October 22, 2009 to October 21, 2029	December 26, 2011 to December 25, 2014

Note: The number of stock options indicated for 2002 has been adjusted for the April 1, 2003 business merger (1 to 0.85) with SQUARE CO., LTD.

(2) Scale of and changes in stock options

With respect to stock options outstanding at this fiscal year-end, the number of stock options and the status of their exercise to shares of common stock are indicated below:

1) Number of stock options

	2002 stock options	2004 stock options	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options
Before vesting (shares)									
March 31, 2009	—	—	—	—	450,000	670,000	—	—	—
Granted	—	—	—	—	—	—	—	57,000	140,000
Forfeited	—	—	—	—	—	28,700	—	—	—
Vested	—	—	—	—	450,000	214,600	—	57,000	—
Unvested balance	—	—	—	—	—	426,700	—	—	140,000
After vesting (shares)									
March 31, 2009	868,700	446,000	825,000	1,000	—	—	19,800	—	—
Vested	—	—	—	—	450,000	214,600	—	57,000	—
Exercised	64,600	—	—	—	—	—	—	—	—
Forfeited	804,100	446,000	33,000	—	—	4,300	—	—	—
Balance unexercised	—	—	792,000	1,000	450,000	210,300	19,800	57,000	—

2) Price information

Yen

	2002 stock options	2004 stock options	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options
Exercise price	¥2,152	¥2,981	¥3,365	¥3,360	¥3,706	¥3,706	¥ 1	¥ 1	¥2,293
Average share price at exercise	2,260	—	—	—	—	—	—	—	—
Fair market value on grant date	—	—	—	—	526	A. 526 B. 594 C. 715	3,171	2,107	385

4. Method of estimating the fair value of stock options

The fair value of the 2009 Stock Options granted during the fiscal year under review was estimated using following method.

(1) Method of valuation used: Black-Scholes option pricing model

(2) Main assumptions used and method of valuation

	2009 Stock Options	2009 Stock Options
Expected share price volatility (Note 1)	33.3%	36.4%
Expected life (Note 2)	10 years	3.45 years
Expected dividend (Note 3)	Dividend yield 1.26%	Dividend yield 1.50%
Risk-free interest rate (Note 4)	1.40%	0.31%

Notes: 1. Calculated based on historical share price data prior to the grant date over a period equivalent to the expected life.

2. Owing to insufficient accumulated data, an appropriate estimate is problematic. Consequently, the midpoint of the available exercise period has been used as the estimated life.

3. For the 2009 Stock Options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2009.

4. Yield of government bonds corresponding to the expected life of the options.

5. Method of estimating the number of vested stock options

In principle, owing to the difficulty of appropriately estimating the forfeited number of stock options for future periods, estimation of the vested number is based on actual forfeitures in prior periods.

■ **Year ended March 31, 2011**

1. Expense items and amounts during the fiscal year related to stock options:

Cost of sales	¥ 13 million
Selling, general and administrative expenses	210 million

2. Amounts recorded as gains due to vested stock options unexercised by employees:

Reversal of stock acquisition rights	¥125 million

3. Details, scale of and changes in stock options

(1) Details of stock options

	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options
Category of grantees	Company directors and employees	Directors and employees of the Company's subsidiaries	Company directors	Company employees, and directors and employees of the Company's subsidiaries	Company directors	Company directors	Company employees	Company directors	Company employees	Company employees
Number of grantees	52	3	5	59	5	5	7	5	6	2
Number of stock options	902,000 shares of common stock*	7,000 shares of common stock	450,000 shares of common stock	670,000 shares of common stock	19,800 shares of common stock	57,000 shares of common stock	14,000 shares of common stock	77,000 shares of common stock	140,000 shares of common stock	20,000 shares of common stock
Date granted	June 18, 2005	June 18, 2005	December 4, 2007	December 4, 2007	August 21, 2008	October 21, 2009	January 15, 2010	August 23, 2010	August 23, 2010	January 14, 2011
Conditions for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests	No conditions have been set for vesting of interests
Service period	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established	No service period has been established
Rights exercise period	July 1, 2007 to June 30, 2010	July 1, 2007 to June 30, 2010	November 20, 2009 to November 19, 2012	A. One-third of options granted: November 20, 2009 to November 19, 2012 B. One-third of options granted: November 20, 2010 to November 19, 2012 C. One-third of options granted: November 20, 2011 to November 19, 2012	August 22, 2008 to November 21, 2028	October 22, 2009 to October 21, 2029	December 26, 2011 to December 25, 2014	August 24, 2010 to August 23, 2030	July 30, 2012 to July 29, 2015	December 25, 2012 to December 24, 2015

(2) Scale of and changes in stock options

With respect to stock options outstanding at this fiscal year-end, the number of stock options and the status of their exercise to shares of common stock are indicated below:

1) Number of stock options

	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options
Before vesting (shares)										
March 31, 2010	—	—	—	426,700	—	—	140,000	—	—	—
Granted	—	—	—	—	—	—	—	77,000	140,000	20,000
Forfeited	—	—	—	17,000	—	—	—	—	—	—
Vested	—	—	—	210,300	—	—	—	77,000	—	—
Unvested balance	—	—	—	199,400	—	—	140,000	—	140,000	20,000
After vesting (shares)										
March 31, 2010	792,000	1,000	450,000	210,300	19,800	57,000	—	—	—	—
Vested	—	—	—	210,300	—	—	—	77,000	—	—
Exercised	—	—	—	—	—	—	—	—	—	—
Forfeited	792,000	1,000	200,000	33,000	—	—	—	—	—	—
Balance unexercised	—	—	250,000	387,600	19,800	57,000	—	77,000	—	—

2) Price information

Yen

	2005 stock options	2005 stock options	2007 stock options	2007 stock options	2008 stock options	2009 stock options	2009 stock options	2010 stock options	2010 stock options	2010 stock options
Exercise price	¥3,365	¥3,360	¥3,706	¥3,706	¥1	¥1	¥2,293	¥1	¥1,895	¥1,779
Average share price at exercise	—	—	—	—	—	—	—	—	—	—
Fair market value on grant date	—	—	526	A. 526 B. 594 C. 715	3,171	2,107	385	1,464	364	250

4. Method of estimating the fair value of stock options

The fair value of the 2010 Stock Options granted during the fiscal year under review was estimated using following method.

(1) Method of valuation used: Black-Scholes option pricing model

(2) Main assumptions used and method of valuation

	2010 Stock Options	2010 Stock Options	2010 Stock Options
Expected share price volatility (Note 1)	32.8%	36.1%	36.3%
Expected life (Note 2)	10 years	3.44 years	3.45 years
Expected dividend (Note 3)	Dividend yield 1.96%	Dividend yield 1.96%	Dividend yield 2.34%
Risk-free interest rate (Note 4)	0.97%	0.14%	0.32%

Notes: 1. Calculated based on historical share price data prior to the grant date over a period equivalent to the expected life.

2. Owing to insufficient accumulated data, an appropriate estimate is problematic. Consequently, the midpoint of the available exercise period has been used as the estimated life.

3. For the 2010 Stock Options, this was calculated based on the actual dividend applicable to the fiscal year ended March 31, 2010.

4. Yield of government bonds corresponding to the expected life of the options.

5. Method of estimating the number of vested stock options

In principle, owing to the difficulty of appropriately estimating the forfeited number of stock options for future periods, estimation of the vested number is based on actual forfeitures in prior periods.

Tax Effect Accounting

Year ended March 31, 2010

1. Significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen
Deferred tax assets	
1) Current assets	
Enterprise tax payable	¥ 270
Business office tax payable	31
Reserve for bonuses	644
Accrued expenses	281
Allowance for sales returns	460
Non-deductible portion of allowance for doubtful accounts	337
Loss on write-offs of content production account	3,815
Loss on inventory revaluation	407
Allowance for game arcade closings	135
Other	67
Valuation allowance	(10)
Offset to deferred tax liabilities (current)	(209)
Total	6,231
2) Non-current assets	
Non-deductible portion of allowance for employees' retirement benefits	959
Allowance for directors' retirement benefits	90
Expense for stock-based compensation	296
Non-deductible depreciation expense of property and equipment	214
Impairment loss	508
Loss on investments in securities	482
Non-deductible portion of allowance for doubtful accounts	57
Loss carried forward, etc., at overseas subsidiaries	527
Research and development expense	112
Allowance for game arcade closings	272
Loss carried forward	756
Other	311
Valuation allowance	(2,376)
Offset to deferred tax liabilities (non-current)	(530)
Total	1,682
Total deferred tax assets	7,913
Deferred tax liabilities	
(1) Current liabilities	
Accrued expenses and other cost calculation details	162
Enterprise taxes receivable	46
Offset to deferred tax assets (non-current assets)	(209)
Total	—
(2) Non-current liabilities	
Non-current assets	190
Tax effects from intangible non-current assets relating to business combinations	2,487
Other	206
Offset to deferred tax assets (non-current)	(530)
Total	2,354
Total deferred tax liabilities	2,354
Balance: Net deferred tax assets	¥5,559

2. A reconciliation of the statutory tax rate and the effective tax rate is as follows:

Statutory tax rate	40.70%
Permanent differences relating to entertainment expense, etc., excluded from non-taxable expenses	3.81
Permanent differences relating to dividends received, etc., excluded from non-taxable expenses	(1.39)
Valuation allowance	5.14
Taxation on a per capita basis for inhabitants' tax	0.39
Amortization of goodwill	55.79
Use of tax loss carried forward	(116.93)
Taxes for prior fiscal years, etc.	14.12
Differences in tax rate from the parent company's statutory tax rate	1.44
Other	1.34
Effective tax rate	4.68%

Year ended March 31, 2011

1. Significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen
Deferred tax assets	
1) Current assets	
Enterprise tax payable	212
Business office tax payable	46
Reserve for bonuses	440
Accrued expenses	659
Allowance for sales returns	200
Non-deductible portion of allowance for doubtful accounts	88
Tax credits	503
Loss on write-offs of content production account	2,237
Loss on inventory revaluation	645
Allowance for game arcade closings	197
Loss carried forward	171
Other	145
Valuation allowance	(863)
Offset to deferred tax liabilities (current)	(191)
Total	4,493
2) Non-current assets	
Non-deductible portion of allowance for employees' retirement benefits	1,252
Allowance for directors' retirement benefits	96
Expense for stock-based compensation	336
Non-deductible depreciation expense of property and equipment	200
Asset retirement obligations	181
Impairment loss	424

Loss on evaluation of investments in securities	456
Non-deductible portion of allowance for doubtful accounts	67
Non-deductible portion of excess expenses on lump-sum depreciable assets	219
Loss carried forward, etc., at overseas subsidiaries	1,720
Allowance for game arcade closings	238
Loss carried forward	173
Other	443
Valuation allowance	(2,936)
Offset to deferred tax liabilities (non-current)	(1,792)
Total	1,082
Total deferred tax assets	5,576
Deferred tax liabilities	
(1) Current liabilities	
Accrued expenses and other cost calculation details	190
Other	0
Offset to deferred tax assets (non-current assets)	(191)
Total	—
(2) Non-current liabilities	
Non-current assets	1,544
Tax effects from intangible non-current assets relating to business combinations	2,076
Other	749
Offset to deferred tax assets (non-current)	(1,792)
Total	2,577
Total deferred tax liabilities	2,577
Balance: Net deferred tax assets	2,998

2. A reconciliation of the statutory tax rate and the effective tax rate is as follows:
No breakdown of key components is presented for the fiscal year ended March 31, 2011 because the Company posted a loss before income taxes and minority interests.

Business Combinations

■ Year ended March 31, 2010

Application of the purchase method

1. Name of the company acquired and business operations subject to the business combination, main purpose of the business combination, date of business combination, legal form of business combination, and name of the company and percentage of voting rights held subsequent to business combination
(1) Name of the company acquired and its principal business operations
Name of company: Eidos plc (hereinafter "Eidos")
Type of business: Games (interactive entertainment products)

(2) Purpose of the business combination
This acquisition was carried out based on the judgment that, by combining the hit products of Eidos with the products of SQUARE ENIX Group, it would further strengthen the position of the SQUARE ENIX Group as one of the global leaders in the interactive entertainment industry.

(3) Date of business combination
April 22, 2009

(4) Legal form of the business combination and name of the post-combination company
Legal form of the business combination: Share acquisition
Post-combination name of the acquired company: Eidos Ltd.

(5) Percentage of voting rights acquired: 100%

2. Period for which the acquired company's operating results have been included in the Company's consolidated financial statements
April 22, 2009 to March 31, 2010

3. Acquisition cost of the company subject to business combination and breakdown thereof

Acquisition price Eidos shares	GBP84,418,536.85 (¥12,217 million)
Acquisition cost	GBP84,418,536.85 (¥12,217 million)

The yen amount shown above was calculated using the exchange rate prevailing on April 22, 2009.

4. Amount of goodwill recognized, reasons for recognition, and method and period of amortization
(1) Amount of goodwill recognized: GBP45,205,785.17 (¥6,542 million)
The yen amount shown above was calculated using the exchange rate prevailing on April 22, 2009.
(2) Reasons for recognition of goodwill
Principally, in the regions where Eidos conducts its games business, a portion of the excess earnings power its major game titles are expected to generate could not be identified with specific assets, and this amount was recognized as goodwill.
(3) Method and period of amortization of goodwill
Amortized by the straight-line method over 10 years

5. Breakdown of principal assets received and liabilities assumed as of the date of business combination

	Millions of yen
Current assets	¥ 7,786
Non-current assets	19,543
Total assets	27,329
Current liabilities	14,654
Total liabilities	14,850

6. Estimated impact on the Consolidated Statements of Income in this fiscal year calculated based on the assumption that the business combination was completed on the first day of the fiscal year

	Millions of yen
Net sales	¥ 0
Recurring loss	447
Net loss	447

These estimates were not subject to audit certification.

Common control transactions

1. Outline of the business combination
   (1) Name of the company acquired and business operations subject to the business combination
   In February 2010, the Company's wholly owned subsidiary TAITO CORPORATION (hereinafter "the splitting company") transferred all its rights and obligations relating to the amusement business to ES1 CORPORATION (hereinafter "the succeeding company"), also a wholly owned subsidiary of the Company, in an absorption-type company split. Simultaneously, the corporate name of the splitting company was changed to TAITO SOFT CORPORATION and the corporate name of the succeeding company was changed to TAITO CORPORATION.
   Prior to the aforementioned absorption-type company split, SPC-NO. 1 CO., LTD. ("SPC1"), the succeeding company's 100% parent company and a wholly owned subsidiary of the Company, and the succeeding company were merged by way of an absorption-type merger, with SPC1 being the absorbed entity and the succeeding company being the surviving entity.
   Subsequently, in March 2010, TAITO SOFT CORPORATION was subject to an absorption-type company merger. The Company's wholly owned subsidiary SQUARE ENIX CO., LTD., is the surviving entity.
   (2) Legal form of the business combination
   An absorption-type company split in which TAITO CORPORATION is the splitting company and ES1 CORPORATION is the succeeding company. In addition, an absorption-type company merger in which TAITO SOFT CORPORATION is the extinguished entity and SQUARE ENIX CO., LTD., is the surviving entity.
   (3) Name of the post-combination company
   Absorption-type company split: TAITO CORPORATION
   The corporate name of the splitting company was changed to TAITO SOFT CORPORATION and the corporate name of the surviving company was changed to TAITO CORPORATION.
   Absorption-type company merger: SQUARE ENIX CO., LTD.
   (4) Outline of the transaction including purpose of the transaction
   The purpose of the transaction is to aggregate the Group's business units responsible for operating its amusement-related businesses, and hence improve efficiency and profitability by transferring the amusement business from TAITO SOFT CORPORATION as the splitting company to ES1 as the succeeding company, which has operated arcade facilities prior to the transaction.
   In addition, by integrating the business operated by TAITO SOFT CORPORATION related to game software for home game consoles into the games business operated by SQUARE ENIX CO., LTD., the Group aims to enhance the efficiency and profitability of these businesses.

2. Outline of the accounting treatment

The transaction was treated as a common control transaction pursuant to "Accounting Standard for Business Combinations" (Business Accounting Council, issued on October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, revised on November 15, 2007). These transactions, namely the aforementioned absorption-type company split and absorption-type company merger, have no impact on the Consolidated Financial Statements.

■ **Year ended March 31, 2011**

Not applicable

Asset Retirement Obligations

■ **Year ended March 31, 2011**

Balance Sheet Amount for Asset Retirement Obligations

a) Summary of applicable asset retirement obligations
Asset retirement obligations include the duty of restoration arising from contractual requirements set forth in real estate leases for buildings, including offices at the headquarters, as well as amusement facility arcades.

b) Assumptions used in calculating applicable asset retirement obligations
Asset retirement obligations on buildings, including offices at the headquarters, are based on estimated useful life, generally ranging between 10 and 24 years, and a discount rate generally set between 1.300% and 2.240%.
For amusement facility arcades, asset retirement obligations are based on an estimated useful life of 10 years—the average operating period for arcades that have been closed—and a discount rate between 0.955% and 1.355%.

c) Changes to aggregate asset retirement obligations applicable to the fiscal year ended March 31, 2011

	Millions of yen
Beginning balance (See note)	¥649
Increase due to procurement of property and equipment	1
Accretion expense	8
Decrease due to fulfillment of asset retirement obligations	(9)
Other	71
Ending balance	¥721

Note: From the fiscal year ended March 31, 2011, the Group applies "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). As a result, the Group recognized asset retirement obligations at beginning of the fiscal year ended March 31, 2011.

Matters Relating to Real Estate Leases, Etc.

■ **Year ended March 31, 2010**

Not applicable

■ **Year ended March 31, 2011**

Not applicable

Segment Information

[Consolidated Business Segment Information]

■ **Year ended March 31, 2010**

Millions of yen

	Games	Amusement	Publication	Mobile phone content	Merchandising	Total	Eliminations or unallocated	Consolidated total
I Sales and operating income (loss)								
Net sales								
(1) Sales to external customers	¥109,948	¥52,299	¥14,367	¥10,171	¥5,470	¥192,257	¥ —	¥ 192,257
(2) Intersegment sales	1	—	—	0	2	3	(3)	—
Total	109,949	52,299	14,367	10,171	5,473	192,261	(3)	192,257
Operating expenses	86,135	49,406	10,247	5,578	3,645	155,013	9,008	164,022
Operating income (loss)	¥ 23,814	¥ 2,892	¥ 4,120	¥ 4,593	¥1,827	¥ 37,248	¥ (9,012)	¥ 28,235
II Total assets, depreciation and amortization, impairment loss and capital expenditures								
Total assets	¥ 92,502	¥36,266	¥10,033	¥ 3,826	¥4,025	¥146,654	¥123,874	¥270,529
Depreciation and amortization	2,341	4,828	14	41	15	7,241	721	7,962
Impairment loss	—	74	—	—	—	74	181	255
Capital expenditures	¥ 935	¥ 5,476	¥ 6	¥ 23	¥ 1	¥ 6,443	¥ 473	¥ 6,916

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

2. Principal products and services provided by each business segment are summarized as follows:

Segment	Principal products and services
Games	Games, online games
Amusement	Amusement facility operation and rental, sales of amusement game machines
Publication	Magazine comics, serial comics, game-related books
Mobile Phone Content	Content for mobile phones
Merchandising	Derivative products such as character merchandise

3. Unallocated operating expenses included in "Eliminations or unallocated" totaled ¥9,078 million. These expenses were related to administrative departments of the Company which provide services and operational support that cannot be allocated to specific business segments.

4. Unallocated assets included in "Eliminations or unallocated" totaled ¥123,946 million. These assets mainly comprised cash and deposits, deferred tax assets and buildings and structures of administrative departments of the Company.

5. As described in the notes to Consolidated Statements of Income *8, the Company recorded accelerated amortization of goodwill.

6. Changes in allocation of operating expenses

While all of the expenses for the administration department of TAITO CORPORATION were previously included in the Amusement segment, these expenses have been included in "Eliminations or unallocated" since the fiscal year ended March 31, 2010. The changes in allocation were made to clearly show each segment's administrative expenses. The operating expenses for the administration department of TAITO CORPORATION were as follows:

For the fiscal year ended March 31, 2010 ¥2,220 million

For the fiscal year ended March 31, 2009 ¥1,810 million

7. Due to the Company's acquisition of Eidos Ltd. in the first quarter of the fiscal year ended March 31, 2010, the amount of total assets for the Game segment increased by ¥35,864 million.

[Consolidated Geographic Segment Information]

■ Year ended March 31, 2010

Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations or unallocated	Consolidated total
I Sales and operating income (loss)							
Net sales							
(1) Sales to external customers	¥143,293	¥25,389	¥23,271	¥ 302	¥192,257	¥ —	¥192,257
(2) Intersegment sales	7,774	3,162	4,958	91	15,985	(15,985)	—
Total	151,067	28,551	28,229	394	208,243	(15,985)	192,257
Operating expenses	124,703	25,334	29,599	375	180,014	(15,991)	164,022
Operating income (loss)	26,363	3,216	(1,369)	18	28,229	6	28,235
II Total assets	¥239,705	¥33,599	¥36,804	¥1,703	¥311,812	¥(41,283)	¥270,529

Notes: 1. The classification of geographic segments is made based on geographical distance.
2. Main countries included in each segment:
(1) North America.......................... United States of America, Canada
(2) Europe.................................... United Kingdom, France, Germany, others
(3) Asia.. China, South Korea, Taiwan, others
3. There were no unallocated operating expenses included in “Eliminations or unallocated.”
4. There were no unallocated assets included in “Eliminations or unallocated.”
5. In this fiscal year, due to the acquisition of the shares of EIDOS LTD., Canada has been added to the North America segment and France, Germany and others have been added to the Europe segment.

[Consolidated Overseas Sales]

■ Year ended March 31, 2010

Millions of yen

	North America	Europe	Asia	Total
I Overseas sales	¥26,315	¥23,523	¥1,260	¥ 51,099
II Consolidated sales	—	—	—	192,257
III Overseas sales as a percentage of consolidated sales	13.7%	12.2%	0.7%	26.6%

Notes: 1. The classification of geographic segments is made based on geographical distance.
2. Main countries included in each segment:
(1) North America.......................... United States of America, Canada
(2) Europe.................................... United Kingdom, France, Germany, others
(3) Asia.. China, South Korea, Taiwan, others
3. Overseas sales represent sales of the Company and its consolidated subsidiaries to countries and areas outside Japan.

[Segment Information]

■ Year ended March 31, 2011

1. Outline of reporting segments

The Company’s reporting segments are business units for which abstracted financial data is available and periodically reviewed by the Board of Directors to determine resource allocation and evaluate business performance.

Under internationally recognized brands, such as SQUARE ENIX, TAITO and EIDOS, the Company seeks to provide high-quality entertainment content and services through diverse formats geared to customer lifestyles.

Accordingly, the Company maintains four business segments, each dedicated to a particular entertainment content and service format: (1) the “Digital Entertainment” segment, for interactive digital content for game consoles, personal computers and mobile phones; (2) the “Amusement” segment, for amusement facility operation as well as the sale and rental of arcade game machines; (3) the “Publication” segment, for publication of comic books, game strategy books and comic magazines; and (4) the “Merchandising” segment, for planning, production, distribution and licensing of derivative products. These are the Company’s reporting segments.

2. Calculating reporting segment sales, income (loss), assets and other items

Accounting treatment methods applied to financial results of reporting segments are the same as those used in the preparation of the Company’s consolidated financial statements. Reporting segment income corresponds to operating income. Intersegment sales are based on prevailing prices in the market for the content and/or services provided.

3. Information on sales, income (loss), assets, liabilities and other items by reporting segment

■ **Year ended March 31, 2010 (for comparative purposes)**

Millions of yen

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Net sales							
(1) Sales to outside customers	¥120,119	52,299	¥14,367	¥5,470	¥192,257	¥ —	¥192,257
(2) Intersegment sales	1	—	—	2	3	(3)	—
Total	¥120,120	¥52,299	¥14,367	¥5,473	¥192,261	¥ (3)	¥192,257
Segment operating income	¥ 29,056	¥ 3,986	¥ 4,120	¥1,827	¥ 38,990	¥(10,755)	¥ 28,235
Segment assets	¥ 56,581	¥26,638	¥ 6,574	¥3,161	¥ 92,955	¥177,574	¥270,529
Other items							
Depreciation and amortization	2,383	4,828	14	15	7,241	721	7,962
Increases in property and equipment and intangible assets	958	5,476	6	1	6,443	473	6,916

Notes: 1. (1) Segment adjustments (¥10,755 million) include amortization of goodwill (¥1,742 million) and unallocated corporate operating expenses (¥9,080 million).
(2) Unallocated assets amounting to ¥178,420 million are included in the ¥177,574 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and cash equivalents).
(3) The ¥721 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.
(4) The ¥473 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.
2. Segment operating income corresponds to operating income on the Consolidated Statements of Income.

■ **Year ended March 31, 2011**

Millions of yen

	Reporting Segments					Adjustment (Note 1)	Consolidated total (Note 2)
	Digital Entertainment	Amusement	Publication	Merchandising	Total		
Net sales							
(1) Sales to outside customers	¥64,203	¥45,012	¥13,045	¥3,009	¥125,271	¥ —	¥125,271
(2) Intersegment sales	0	0	—	8	9	(9)	—
Total	¥64,204	¥45,012	¥13,045	¥3,018	¥125,280	¥ (9)	¥125,271
Segment operating income	¥11,283	¥ 2,178	¥ 3,204	¥ 680	¥ 17,346	¥(10,021)	¥ 7,325
Segment assets	¥44,471	¥23,241	¥ 5,252	¥2,803	¥ 75,768	¥130,568	¥206,336
Other items							
Depreciation and amortization	¥ 1,855	¥ 3,987	¥ 22	¥ 18	¥ 5,884	¥ 724	¥ 6,608
Increases in property and equipment and intangible assets	874	3,779	11	12	4,677	685	5,363

Notes: 1. (1) Segment adjustments (¥10,021 million) include amortization of goodwill (¥1,492 million) and unallocated corporate operating expenses (¥8,573 million).
(2) Unallocated assets amounting to ¥130,410 million are included in the ¥130,568 million adjustment to segment assets. Most of this amount comprises funds for management of surplus funds (cash and cash equivalents).
(3) The ¥724 million adjustment to depreciation and amortization is associated with unallocated assets that do not belong to any reporting segment.
(4) The ¥685 million adjustment to increases in property and equipment and intangible assets is associated with unallocated assets that do not belong to any reporting segment.
2. Segment operating income corresponds to operating income on the Consolidated Statements of Income.

[Related Information]

■ **Year ended March 31, 2011**

1. Information by product or service

This information is identical to that of segment information and has therefore been omitted.

2. Information by geographical area

(1) Sales

Millions of yen

Japan	North America	Europe	Asia	Total
¥104,633	¥10,639	¥8,723	¥1,273	¥125,271

Note: Sales are grouped by country or region, based on customer location.

(2) Property and equipment

Millions of yen

Japan	North America	Europe	Asia	Total
¥16,655	¥394	¥258	¥20	¥17,328

3. Information by major customer

This information has been omitted because all sales to major customers account for less than 10% of the net sales amount shown on the Consolidated Statements of Income.

[Information related to impairment losses on property and equipment in each reporting segment]

■ **Year ended March 31, 2011**

Millions of yen

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Impairment losses	¥261	¥173	¥—	¥—	¥8,418	¥8,853

Note: "Eliminations or unallocated" is amount related mainly to impairment losses on goodwill.

[Information related to amortization of goodwill and the unamortized balance in each reporting segment]

■ **Year ended March 31, 2011**

Millions of yen

	Digital Entertainment	Amusement	Publication	Merchandising	Eliminations or unallocated (Note)	Total
Amortization for fiscal year under review	¥—	¥—	¥—	¥—	¥1,492	¥1,492
Balance at end of fiscal year under review	¥—	¥—	¥—	¥—	¥—	¥—

Note: "Eliminations or unallocated" is the amount of amortization expense on goodwill in corporate that cannot be allocated to reporting segments.

[Information related to gain on negative goodwill in each reporting segment]

■ **Year ended March 31, 2011**

Not applicable

(Supplementary Information)

■ **Year ended March 31, 2011**

From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, issued March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued March 21, 2008).

[Related Party Transactions]

■ **Year ended March 31, 2010**

Not applicable

■ **Year ended March 31, 2011**

Not applicable

Per Share Information

■ Year ended March 31, 2010

Net assets per share (yen)	¥1,326.82
Net income per share (yen)	82.65
Diluted net income per share (yen)	82.59

Note: The basis for calculating net income per share and diluted net income per share is provided below:

Net income per share:	
Net income (millions of yen)	¥9,509
Income not available to common shareholders (millions of yen)	—
Income available to common shareholders (millions of yen)	9,509
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	115,057
Adjustments to net income used to calculate diluted net income per share:	
Adjustments to net income (millions of yen)	—
Increase in the number of shares of common stock (thousands of shares)	76
(number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(76)

Summary of residual securities that do not dilute the Company's earnings per share:

Third issuance (first allotment) of stock acquisition rights pursuant to a resolution by the General Meeting of Shareholders held on June 18, 2005; Third issuance (second allotment) of stock acquisition rights pursuant to a resolution by the General Meeting of Shareholders held on June 18, 2005; issuance of yen-denominated zero-coupon bonds maturing in 2010, pursuant to a resolution of the Board of Directors on November 9, 2005; fourth issuance of stock acquisition rights pursuant to a resolution by the Board of Directors on November 19, 2007; fifth issuance of stock acquisition rights pursuant to a resolution by the Board of Directors on November 19, 2007; issuance of January 2010 stock acquisition rights pursuant to a resolution by the Board of Directors on December 25, 2009; issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010

■ Year ended March 31, 2011

Net assets per share (yen)	¥1,160.66
Net income (loss) per share (yen)	(104.66)
Diluted net income per share (yen)	

Note that earnings per share after adjustment for residual securities has been omitted because, despite the existence of residual securities, the Company posted a net loss.

Note: The basis for calculating net income per share and diluted net income per share is provided below:

Net income (loss) per share:	
Net loss (millions of yen)	¥ (12,043)
Income (loss) not available to common shareholders (millions of yen)	—
Income (loss) available to common shareholders (millions of yen)	(12,043)
Average number of shares of common stock outstanding during the fiscal year (thousands of shares)	115,072
Adjustments to net income used to calculate diluted net income per share:	
Adjustments to net income (millions of yen)	—
Increase in the number of shares of common stock (thousands of shares)	—
(number of shares reserved for the purpose of new share issuances for exercise of share subscription rights)	(—)

Summary of residual securities that do not dilute the Company's earnings per share:

Fourth issuance of stock acquisition rights pursuant to a resolution by the Board of Directors on November 19, 2007; fifth issuance of stock acquisition rights pursuant to a resolution by the Board of Directors on November 19, 2007; issuance of January 2010 stock acquisition rights pursuant to a resolution by the Board of Directors on December 25, 2009; issuance of euro yen zero-coupon convertible bonds due 2015, pursuant to a resolution of the Board of Directors on January 18, 2010; issuance of August 2010 stock acquisition rights pursuant to a resolution by the Board of Directors on July 29, 2010; issuance of January 2011 stock acquisition rights pursuant to a resolution by the Board of Directors on December 24, 2010

Significant Subsequent Events

■ Year ended March 31, 2010

Not applicable

■ Year ended March 31, 2011

At its meeting on June 22, 2011, the Board of Directors resolved conditions pursuant to the distribution of stock acquisition rights in the form of stock options as a component of compensation for the Company's Directors, in accordance with the provisions of Articles 236, 238 and 240 of the Company Law of Japan.

(1) Reason for issuing stock acquisition rights as stock options

The Company will issue stock acquisition rights as stock options as compensation for the execution of duties by directors.

(2) Outline of stock acquisition rights

1. Issue date

   July 21, 2011

2. Eligibility and number of allotted shares

   A total of 870 units, wherein one (1) unit equals 100 shares, will be offered to five (5) directors.

3. Issue price

   No payment will be required in exchange for stock acquisition rights.

4. Class and number of shares given to stock acquisition rights
   A total of 87,000 shares of common stock.
5. Exercise price
   One (1) yen per share.
6. Exercise period
   From July 22, 2011 through July 21, 2031.
7. Increases in common stock and capital surplus in the event shares are issued through the exercise of stock acquisition rights

a) The amount by which common stock increases through the issuance of shares upon the exercise of stock acquisition rights will be half the maximum increase of common stock, as calculated in accordance with Article 17, Paragraph 1, of the Corporate Accounting Rules, and any fraction less than one (1) yen that results from such calculation will be rounded up to the nearest whole yen.

b) The amount by which capital surplus increases through the issuance of shares upon the exercise of stock acquisition rights will be the amount that remains after the aforementioned maximum increase in common stock is subtracted from the aforementioned capital increase.

Supplementary Schedule

[Corporate Bonds Issued]

Company	Bond type	Issuance date	Outstanding balance as of March 31, 2010 (Millions of yen)	Outstanding balance as of March 31, 2011 (Millions of yen)	Coupon (%)	Security	Maturity date
SQUARE ENIX HOLDINGS CO., LTD.	Five-year yen-denominated bonds with warrants*2	November 25, 2005 (UK time)	¥37,000 (37,000)	—	—	None	November 25, 2010 (UK time)
SQUARE ENIX HOLDINGS CO., LTD.	euro yen zero coupon convertible bonds due 2015*3, 4	February 4, 2010 (UK time)	¥35,000	¥35,000	—	None	February 4, 2015 (UK time)
Total			¥72,000 (37,000)	¥35,000			

Notes: 1. The amounts shown in parentheses in the column for "Outstanding balance as of March 31, 2010" indicate the amount of corporate bonds maturing within one year.

2. Information relating to yen-denominated zero-coupon warrant bonds maturing in 2010 is as follows.

(As of March 31, 2011)

Issuance price	100% of face value
Aggregate amount of issuance	¥50.0 billion
Warrants applicable to	Common shares
Exercise price (yen)	¥3,400
Period for exercise of warrants	November 28, 2005 to November 11, 2010 (local time where funds are deposited)
Issuance price of shares upon exercise of warrants and amount capitalized (yen)	
Issuance price	¥3,400
Amount capitalized	¥1,700
Conditions for exercise of warrants	Warrants cannot be exercised partially

Note: Based on the conversion price revision clause set forth in bond terms and conditions for these bonds with stock acquisition rights, the Company executed an adjustment to the exercise price on November 21, 2008. The exercise price before adjustment was 3,439.8 yen.

3. Information relating to euro yen zero-coupon convertible bonds maturing in 2015 is as follows.

(As of March 31, 2011)

Issuance price	100% of face value
Aggregate amount of issuance	¥35.0 billion
Warrants applicable to	Common shares
Exercise price (yen)	¥2,500
Period for exercise of warrants	February 19, 2010 to January 20, 2015 (local time where funds are deposited)
Issuance price of shares upon exercise of warrants and amount capitalized (yen)	
Issuance price	¥2,500
Amount capitalized	¥1,250
Conditions for exercise of warrants	Warrants cannot be exercised partially

4. Amount scheduled to be repaid within five years from March 31, 2011 is summarized as follows.

Millions of yen

Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years
¥—	¥—	¥—	¥35,000	¥—

[Borrowings]

Category	Balance as of March 31, 2010 (Millions of yen)	Balance as of March 31, 2011 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	¥2,808	¥1,338	1.3	—
Long-term borrowings due for repayment within one year	—	—	—	—
Lease obligations due for repayment within one year	31	40	—	—
Long-term borrowings (excluding the amount due for repayment within one year)	—	—	—	—
Lease obligations (excluding the amount due for repayment within one year)	64	66	—	May 2012 to April 2016
Other interest-bearing liabilities	—	—	—	—
Total	¥2,903	¥1,445	¥—	¥—

Notes: 1. The average interest rate shown is the weighted average interest rate on the balance of borrowings at the fiscal year ended March 31, 2011.
2. Average interest rates for lease obligations are omitted because lease obligations include assumed interest amounts.
3. Lease obligations (due for repayment within one year) are included in accrued expenses, and lease obligations (long term) are included in "Other" of "Non-current liabilities."
4. Scheduled repayment amounts during five years subsequent to March 31, 2011 for lease obligations (excluding the amount due for repayment within one year) are as follows.

Millions of yen

	More than one year but within two years	More than two years but within three years	More than three years but within four years	More than four years but within five years
Lease obligations	¥28	¥20	¥13	¥4

[Asset retirement obligations]

Asset retirement obligations at the end of the fiscal year in review (ended March 31, 2011) amounted to less than one percent of total liabilities and net assets as at the year-end date and have therefore been omitted, as provided in Article 92-2 of Regulations for Consolidated Financial Statements.

[Other]

Quarterly Financial Information

Millions of yen

	1Q April 1, 2010 to June 30, 2010	2Q July 1, 2010 to September 30, 2010	3Q October 1, 2010 to December 31, 2010	4Q January 1, 2011 to March 31, 2011
Net sales	¥32,540	¥35,516	¥30,126	¥27,087
Income (loss) before income taxes and minority interests	3,609	(398)	1,844	(15,026)
Net income (loss)	1,812	(89)	97	(13,865)
Net income (loss) per share (yen)	15.75	(0.77)	0.85	(120.49)

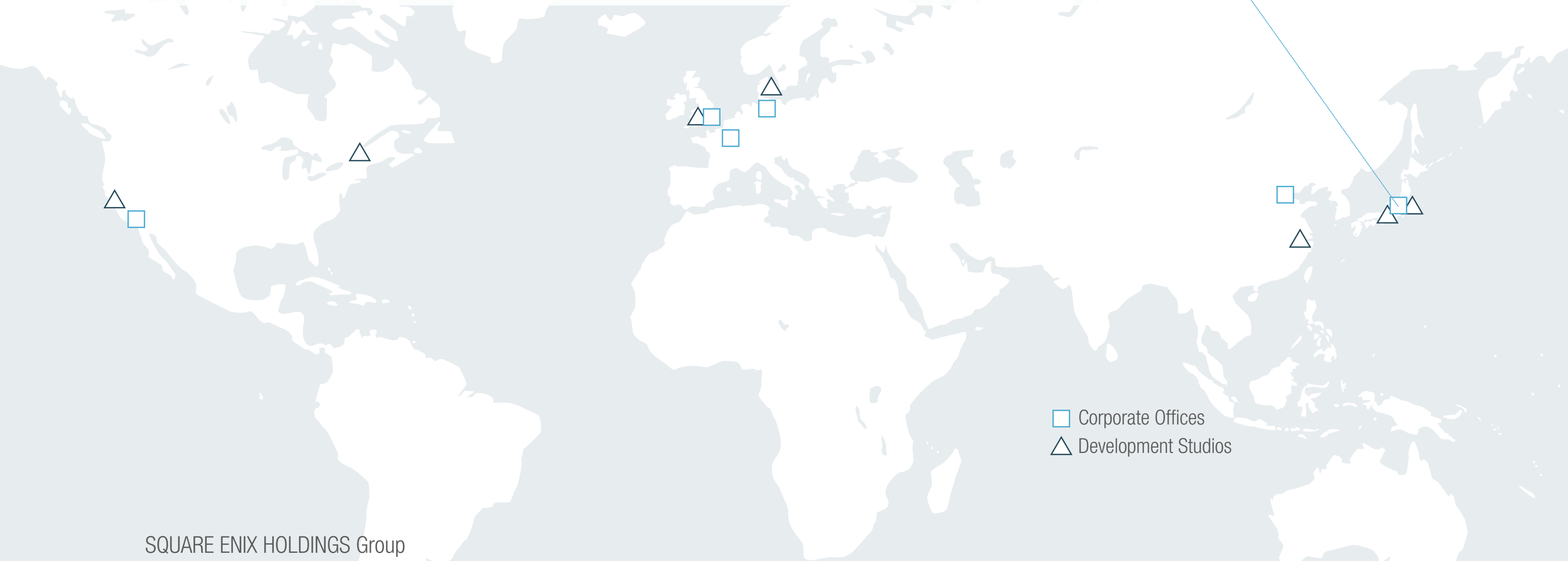
Corporate Data

(As of March 31, 2011)

Company Profile

Headquarters: Shinjuku Bunka Quint Bldg.
3-22-7 Yoyogi, Shibuya-ku
Tokyo 151-8544, Japan.
TEL.+81-3-5333-1144

Established: September 22, 1975
Common stock: ¥15,204,474,100
Number of employees: 3,297 (Consolidated)
Note: Number of part-time employees is not included in the number of employees



SQUARE ENIX HOLDINGS Group

Company Name	Established	Fiscal Year-End	Common Stock	Percent of Voting Rights	Principal Lines of Business
Major Consolidated Subsidiaries					
Japan					
SQUARE ENIX CO., LTD.	October 2008	March	¥1,500 million	100.0%	Digital entertainment, amusement, publication, merchandising
TAITO CORPORATION	June 2009	March	¥1,500 million	100.0%	Digital entertainment, amusement, merchandising
SMILE-LAB Co., Ltd.	February 2008	March	¥10 million	100.0%	Provision of online entertainment service
North America					
SQUARE ENIX OF AMERICA HOLDINGS, INC.	November 2006	March	US$1	100.0%	Holding of shares in and business management of Square Enix Group companies located in North America
SQUARE ENIX, INC.	March 1989	March	US$10 million	100.0% (100.0%)	Digital entertainment, publication, merchandising in North America
CRYSTAL DYNAMICS INC.	July 1992	March	US$40 million	100.0% (100.0%)	Development of games
EIDOS INTERACTIVE CORP.	March 2007	March	C$600 million	100.0% (100.0%)	Development of games
Europe					
SQUARE ENIX OF EUROPE HOLDINGS LTD.	December 2008	March	GB£1	100.0%	Holding of shares in and business management of Square Enix Group companies located in Europe
SQUARE ENIX LTD.	December 1998	March	GB£111million	100.0% (100.0%)	Digital entertainment, publication, merchandising in Europe
IO INTERACTIVE A/S	November 1990	March	DKK15million	100.0% (100.0%)	Development of games
Asia					
SQUARE ENIX (China) CO., LTD.	January 2005	December	US$12 million	100.0% (100.0%)	Digital entertainment in China and Asia
HUANG LONG CO., LTD.	August 2005	December	10 million yuan RMB	— [100.0%]	Sale and management of online games in Asia

Note: In the Percentage of Voting Rights column, numbers in parentheses ( ) represent the percentage of indirect holdings and are including in the total percentage of voting rights held by the Company. Numbers in brackets [ ] represent the percentage of holdings of closely related parties of parties of the same interest and are excluded from the total percentage of voting rights held by the Company.

Investor Information

(As of March 31, 2011)

Share Information

Number of shares issued: 115,370,596

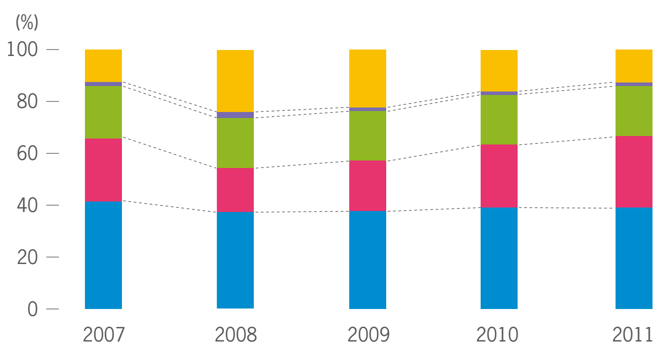
Number of shareholders: 35,032

Principal Shareholders

Rank	Shareholder	Investment in SQUARE ENIX (Thousands of Shares)	(%)
1	Yasuhiro Fukushima	23,626	20.47
2	Fukushima Planning Co., Ltd.	9,763	8.46
3	Sony Computer Entertainment Inc.	9,520	8.25
4	State Street Bank and Trust Company 505223	8,868	7.68
5	Japan Trustee Services Bank, Ltd. (Trust Account)	8,845	7.66
6	Masashi Miyamoto	7,077	6.13
7	The Master Trust Bank of Japan, Ltd. (Trust Account)	3,115	2.69
8	State Street Bank and Trust Company	3,068	2.65
9	S System Co., Ltd	2,045	1.77
10	The Government of Singapore Investment Corporation Pte Ltd.	1,314	1.13

Note: Japan Trustee Services Bank, Ltd. (Trust Account) includes 3,666 shares held in the name of Japan Trustee Services Bank, Ltd. (Trust Account 1-9).

Share Ownership (Thousands of shares)



	2007		2008		2009		2010		2011	
Financial Institutions	13,756	(12.4%)	27,760	(24.1%)	25,770	(22.4%)	18,643	(16.2%)	15,711	(13.6%)
Financial Instruments Companies	1,843	(1.7%)	2,678	(2.3%)	1,558	(1.4%)	1,479	(1.3%)	981	(0.9%)
Other Companies	22,553	(20.3%)	22,148	(19.2%)	22,190	(19.2%)	22,161	(19.2%)	22,122	(19.2%)
Foreign Companies and Individuals	26,801	(24.1%)	19,620	(17.1%)	22,271	(19.3%)	28,029	(24.3%)	31,668	(27.4%)
Individuals and Other	45,992	(41.5%)	42,909	(37.3%)	43,514	(37.7%)	45,055	(39.0%)	44,884	(38.9%)
Total	110,947	(100.0%)	115,117	(100.0%)	115,305	(100.0%)	115,370	(100.0%)	115,370	(100.0%)

Shareholders' Memo

- Fiscal year:
April 1 to March 31

- Record dates for dividends from retained earnings:
September 30 (Record date for interim dividend)
March 31 (Record date for year-end dividend)

- Annual General Meeting of Shareholders:
June

- Administrator of the register of shareholders:
Mitsubishi UFJ Trust and Banking Corporation

- Shareholder registration agent:
Securities Agency Department Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashi-suna, Koto-ku, Tokyo 137-8082 TEL: +81-120-232-711

- Listed on:
The First Section of the Tokyo Stock Exchange

- Securities code:
9684

- Trading unit:
100 shares

- Public notices:
URL:
http://www.pronexus.co.jp/koukoku/9684/9684.html
(Japanese)

(Public notices will be announced in the *Nikkei*, a Japanese-language newspaper, in case an electronic notice is not possible due to accident or other unavoidable reason.)

SQUARE ENIX HOLDINGS CO., LTD.
www.square-enix.com/

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