SQUARE ENIX.

November 18, 2005

CONSOLIDATED FINANCIAL RESULTS
FOR THE FIRST-HALF PERIOD ENDED SEPTEMBER 30, 2005

Company Name:	Square Enix Co., Ltd.	Market:	Tokyo Stock Exchange, First Section
Code:	9684	Headquarters:	Tokyo
	URL : http://www.square-enix.com/		
Representative:	Yoichi Wada, President and Representative Director		
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Date of Board Approval:	November 18, 2005		
U.S. GAAP:	Not adopted		

1. FY2005 First-Half Period Consolidated Financial Results (April 1, 2005 to September 30, 2005)

(1) Consolidated Financial Results (Millions of yen, except percentages and per share data)

	Net Sales		Operating Income		Recurring Income	
First-Half Period Ended						
September 30, 2005	27,091	11.1 %	2,484	(58.3) %	2,730	(55.5) %
September 30, 2004	24,395	23.6 %	5,952	155.3 %	6,133	222.8 %
Fiscal Year 2004	73,864		26,438		25,901	

	Net Income		Earnings Per Share (basic)	Earnings Per Share (diluted)
First-Half Period Ended				
September 30, 2005	2,202	(29.7) %	19.96	19.79
September 30, 2004	3,133	162.8 %	28.47	28.24
Fiscal Year 2004	14,932		135.63	134.46

1) Equity in gain or loss of affiliated company (Millions of yen)	First-half period ended September 30, 2005	—
	Fiscal year ended March 31, 2005 (FY 2004)	—
	First-half period ended September 30, 2004	—
2) Mid-term average number of shares issued and outstanding (Consolidated)	First-half period ended September 30, 2005	110,340,469
	Fiscal year ended March 31, 2005 (FY 2004)	110,093,589
	First-half period ended September 30, 2004	110,066,955
3) Change in significant accounting policies	Applicable	

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

(2) Consolidated Financial Position (Millions of yen, except percentages and per share data)

	Total Assets	Total Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity Per Share
September 30, 2005	177,976	106,446	59.8 %	963.77
September 30, 2004	111,267	98,067	88.1 %	890.69
March 31, 2005	131,695	108,933	82.7	988.19

Note: Number of shares issued and outstanding at period-end	First-half period ended September 30, 2005	110,448,123
	Fiscal year ended March 31, 2005 (FY 2004)	110,234,893
	First-half period ended September 30, 2004	110,102,426

(3) Consolidated Statement of Cash Flows (Millions of yen)

	From Operating Activities	From Investing Activities	From Financing Activities	Closing Cash and Cash Equivalents
First-Half Period Ended				
September 30, 2005	(10,891)	(52,183)	34,939	53,484
September 30, 2004	1,513	1,276	(2,072)	59,624
Fiscal Year 2004	24,873	574	(2,907)	81,243

(4) Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries: 17 and 1 partnership

Number of equity method non-consolidated subsidiaries: —

Number of equity method affiliates: 1

(5) Change in Scope of Consolidation and Application of the Equity Method

Consolidated (Added) 6 (Removed) — Equity-Method (Added) 1 (Removed) —

2. FY2005 Consolidated Forecasts (April 1, 2005 to March 31, 2006) (Millions of yen)

	Net Sales	Recurring Income	Net Income
FY2005	136,000	28,500	17,500

(Reference) Earnings per share (basic) forecasts for FY2005; 158.45 yen

* The above forecasts are based on information available at the time this material was prepared. A number of indefinite factors are inherent in, and could cause actual results to be materially different from, these forecasts.
Please see page 9 for more details regarding the above forecasts.

1. AFFILIATED COMPANY INFORMATION

SQUARE ENIX Group (“the Group”) is composed of SQUARE ENIX CO., LTD. (“the Company”), 17 consolidated subsidiaries, one partnership, three non-consolidated subsidiaries and two affiliated companies.

A list of businesses performed by the Group and the companies that compose it are as follows. (Section refers to business segment)

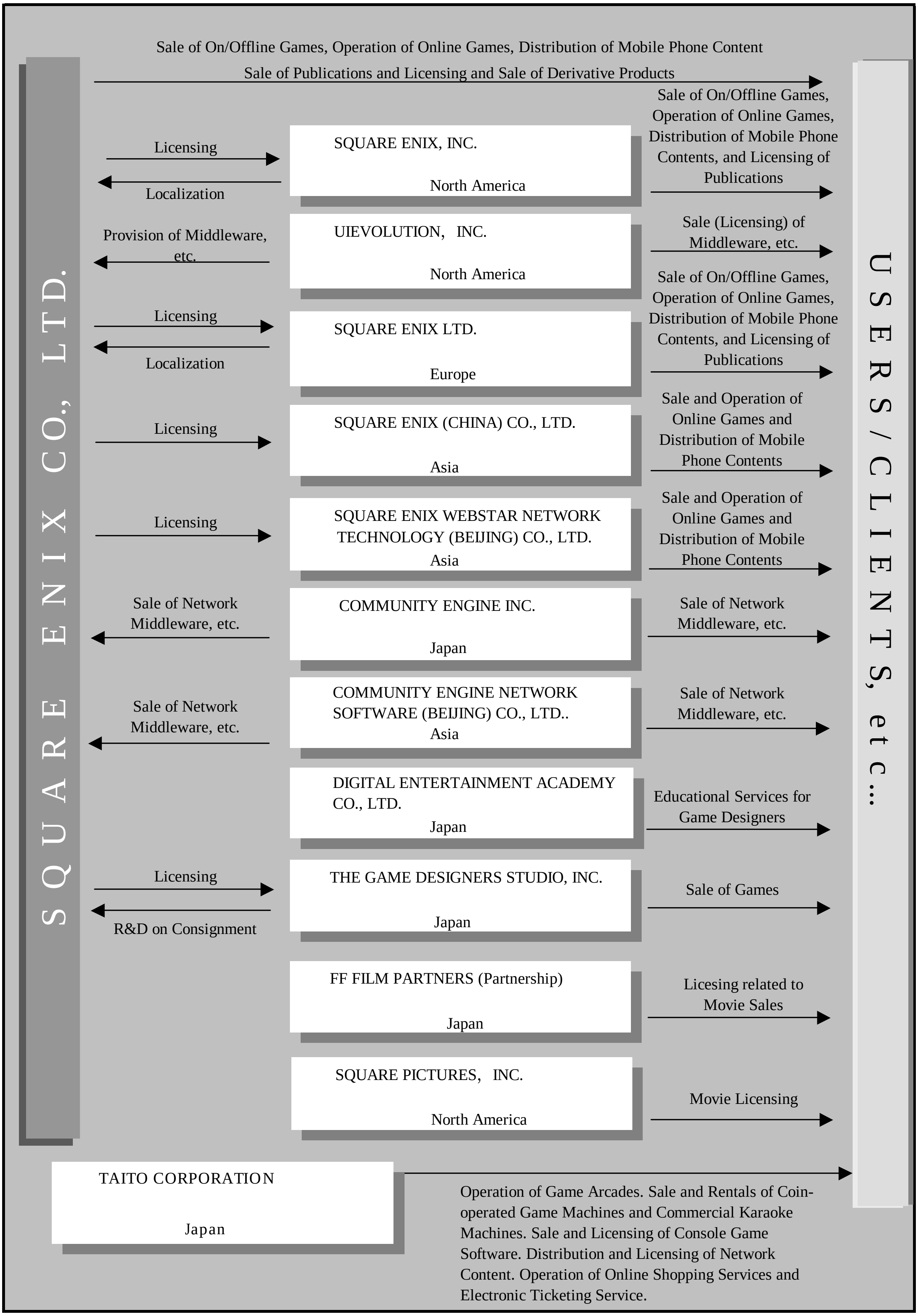
Consolidated Companies

Section	Region	Name of Company	Major Operation
Games (Offline)	Japan	SQUARE ENIX CO., LTD.	Development and distribution of game software
		THE GAME DESIGNERS STUDIO, INC.	Development and distribution of game software
	North America	SQUARE ENIX, INC.	Distribution of game software in North America
		UIEVOLUTION, INC.	Development and licensing of network applications and middleware
		SQUARE L.L.C.	Goodwill transferred to SQUARE ENIX, INC.
	Europe	SQUARE ENIX LTD.	Distribution of games in Europe
Games (Online)	Japan	SQUARE ENIX CO., LTD.	Game software development, distribution and operation of online games
		COMMUNITY ENGINE INC.	Development and distribution of network applications and middleware
	North America	SQUARE ENIX, INC.	Distribution and operation of online games in North America
		UIEVOLUTION, INC.	Development and licensing of network applications and middleware
	Europe	SQUARE ENIX LTD.	Distribution and operation of online games in Europe
	Asia	SQUARE ENIX (China) CO., LTD.	Distribution and operation of online games in China
		SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD.	Distribution and operation of online games in China
		COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD.	Development and distribution of network applications and middleware
Mobile Phone Content	Japan	SQUARE ENIX CO., LTD.	Development and distribution of mobile phone content
	North America	SQUARE ENIX, INC.	Development and distribution of mobile phone content in North America
		UIEVOLUTION, INC.	Development and licensing of network applications and middleware
	Europe	SQUARE ENIX LTD.	Development and distribution of mobile phone content in Europe
	Asia	SQUARE ENIX (China) CO., LTD.	Development and distribution of mobile phone content in China
		SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD.	Development and distribution of mobile phone content in China
Publication	Japan	SQUARE ENIX CO., LTD.	Publication and distribution of magazines, serial comics and game-related books
	North America	SQUARE ENIX, INC.	Licensing of game-related books in North America
	Europe	SQUARE ENIX LTD.	Licensing of game-related books in Europe
Other	Japan	SQUARE ENIX CO., LTD.	Planning, production, sale and licensing of derivative products
		DIGITAL ENTERTAINMENT ACADEMY CO., LTD.	Operation of schools for game designers
		FF FILM PARTNERS (partnership)	Licensing and management of movies and derivative products
	North America	SQUARE PICTURES, INC.	Management of overseas movie revenues

Taito Corporation (“TAITO”) and its consolidated subsidiaries and equity-method affiliates became the Company’s consolidated subsidiaries as of September 28, 2005. However, since the Company’s consolidated statement of income for the first-half period (April–September 2005) does not consolidate TAITO’s statement of income for the same period, there is no effect of TAITO’s statement of income upon the Company’s consolidated statement of income for same period.

Consolidated Subsidiaries	Taito Corporation, Taito Art Corporation, Effort Co., Ltd., Beijing Taixin Cultural Amusement Co., Ltd., Taito Korea Corporation, Taito Tech Corporation
Affiliate Accounted for using the Equity-Method	Baltec Co., Ltd.
Non-Consolidated Subsidiaries	BMF CORP., SOLID CO., LTD., HUANG LONG CO., LTD.
Affiliates not Accounted for using the Equity-Method	Kusanagi, Inc.

The following chart outlines transactions within the Group.



Note: The above chart shows transactions of consolidated companies only.

2. Management Policy

The management policy employed by SQUARE ENIX CO., LTD. (“the Company”), and its enterprise group consisting of the Company, consolidated companies and partnership (“the Group”) is as follows.

(1) Basic Policy

The Group’s basic policy is to provide various consumers with imaginative fun and excitement through creating and distributing advanced high-quality content.

For sustainable growth and expansion of the Group to reward our shareholders, we seek to bring the Group the greatest value with efficient operations that effectively utilize management resources.

(2) Basic Policy on Profit Distribution

It is one of the Company’s most important management policies to return profit to our shareholders.

We will reserve our retained earnings as we take priority over investments for effective purposes for future growth of corporate value, such as enhancement and expansion of existing business operations, capital investments for new business development and merger and acquisition activities.

Regarding returning profit to shareholders as important, retained earnings are also to be expended for dividends, and we will maintain continuous and stable dividend payouts.

(3) Stock Trading Unit Reduction

The Company recognizes that long-term investment from a wide range of investors and investor base expansion is important to the Company’s capital strategy. We therefore reduced our stock trading unit to 100 shares per unit, and have established an environment facilitating investments by various investors.

(4) Targeting Management Benchmark

The Company recognizes that realization of growth while maintaining profitability is a fundamental duty of management. During the first-half period ended September 30, 2005, TAITO CORPORATION (“TAITO”) became the Company’s consolidated subsidiary as of September 28, 2005, and the Company’s consolidated statement of income will consolidate that of TAITO from the second half of FY2005.

We set the target growth rate of consolidated earnings per share after the consolidation of TAITO at over 10%, and the target operation profit ratio at over 20%.

(5) Strategic Outlook, Issues Facing Management and Future Direction

It is management’s main task to grow the Company in the medium and long term, maintaining profitability with the creation of advanced, high-quality content.

As the development and popularization of information technology (IT) and network environments are rapidly advancing, new digital entertainment will transform the industry structure in the near future; customer needs for network-compliant entertainment will increase; and multifunctional terminals will give users easy access to various types of content.

It is the Group’s medium- and long-term strategy to respond to such changes and to open up a new era of digital entertainment.

(6) Corporate Governance

1) Basic Perspective on Corporate Governance

The Company employs the statutory auditor system for its corporate governance. The monitoring function is strengthened by ensuring that half the auditors are from outside the Company. The Board of Directors, which focuses on enterprise-level management decisions, delegates a part of its powers to decision-making committees in accordance with the objective standard to facilitate operations.

2) Implemented Measures

A) Management system and any other corporate governance system regarding decision making, execution and monitoring of business operations

The Company has six directors (one from outside) and four corporate auditors (two from outside and one standing corporate auditor). The term for directors is one year, and half the corporate auditors come from outside.

There is an independent internal audit staff unit (directly reporting to the president) inspecting, examining and evaluating the Group's operations, taking significance and risks into account.

Board of Directors' meetings are held at least once a month and enhance mutual checking by vigorous discussions among the directors, including one from outside.

Board of Corporate Auditors' meetings are held at least once a month, and perform account and operation auditing based on audit policies. The corporate auditors also attend Board of Directors' meetings.

Significant legal issues and events are consulted with several outside counsels as needed. Accounting issues are reviewed by an external independent audit firm, ChuoAoyama PricewaterhouseCoopers, under the Commercial Code of Japan and the Securities and Exchange Law.

B) Personal, financial or business relationships and any conflict of interest between the Company and outside directors/corporate auditors

Nothing to be specified.

C) Enhancement of corporate governance for the last fiscal year

The Company has increased Board members from five to six to strengthen its decision-making capacity, enabling it to deal with complicated and vital management tasks, as stated above. Furthermore, we have appointed two directors in charge of development, and accounting and financial position, respectively, to strengthen our control over operations.

(7) Parent Company

Nothing to be specified.

3. Operating Results and Financial Conditions

(1) Operation Highlights of First-Half Period Ended September 30, 2005

The Company has been making determined efforts to strengthen the foundation and profitability of its business segments of Games (Offline), Games (Online), Mobile Phone Content, Publication and Others.

The Company has been pursuing fundamental R&D activities to obtain advanced information technologies, which are crucial to promote growing network-related businesses, and to apply such technologies to our products and services.

During this period, the Company acquired 93.7% of shares in TAITO CORPORATION ("TAITO") by TOB. As a result of TAITO's consolidation into the Group, the Company has achieved a new outlet for its content, including the arcade business.

Consolidated financial results for the first-half period ended September 30, 2005

Net sales	¥27,091 million	(up 11.1%)
Operating income	¥2,484 million	(down 58.3%)
Recurring income	¥2,730 million	(down 55.5%)
Net income	¥2,202 million	(down 29.7%)

(% is the rate of change in comparison with the same period of the previous fiscal year)

Unit sales, including repeat orders, for the first-half period ended September 30, 2005

Japan	1.52 million units
North America	0.73 million units
Europe	0.48 million units
Asia	0.03 million units
Total	2.76 million units

(2) Operating Results by Business Segment

1) Games (Offline)

The Company plans, develops and distributes games for game consoles and mobile game terminals. We also handle localization of games developed and distributed in Japan for distribution in North America through our wholly owned subsidiary, SQUARE ENIX, INC. (SEI), while distribution in Europe and Asia is handled by leading publishers through licensing arrangements.

During the reporting first-half period, the Company released *"Romancing SaGa – Minstrel Song –"* (450 thousand units in Japan as of September 30, 2005), *"DRAG ON DRAGOON 2 – love red, ambivalence black"* (210 thousand units in Japan) and *"GRANDIA III"* (250 thousand units in Japan) for PlayStation2 ("PS2").

Consequently, net sales in the Games (Offline) segment totaled ¥8 billion (up 6.3% from the same period in the previous fiscal year), and operating loss amounted to ¥0.8 billion (down 154.4%).

2) Games (Online)

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

During this period, the Games (Online) segment proceeded at a steady pace with its leading MMORPG (Massively Multi-player Online RPG) service, *"FINAL FANTASY XI"* ("FFXI") reaching over 500,000 subscribers in Japan, North America and Europe. Along with the launch of *"FRONT MISSION ONLINE"* for PS2, the Company's stock of online game content has been achieving further expansion.

Consequently, net sales of the Games (Online) segment totaled ¥6 billion (down 9.8%), and operating income was ¥2 billion (down 19.1%).

3) Mobile Phone Content

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

During the reporting first-half period, the Company provided various content services such as ring tones, wallpaper, games and portals for mobile phones. The Company is deploying its original content making the best use of its strength through providing mobile network games such as *“DRAGON QUEST” and “FINAL FANTASY,”* which were launched in the previous fiscal year, and the Mobile Phone Content segment performed at a steady pace.

Consequently, net sales of the Mobile Phone Content segment were ¥2 billion (up 12.2%), and operating income amounted to ¥0.3 billion (down 50.0%).

4) Publication

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

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

Consequently, net sales of the Publications segment totaled ¥4 billion (down 13.3%), and operating income was ¥0.9 billion (down 43.4%).

5) Others

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

Taking place two year after the ending of *“FINAL FANTASY VII,”“FINAL FANTASY VII ADVENT CHILDREN”* was released during this period. The film was invited for a screening at the Venice International Film Festival for two years in a row, earning great reception, and recorded strong sales.

Net sales in the Others segment amounted to ¥4 billion (up 229.4%), and operating income totaled ¥1 billion (up 259.3%).

(3) Operating Results by Region

1) Japan

All business segments—Games (Offline), Games (Online), Mobile Phone Content, Publication and Others—are operated in Japan.

The games are shipped to retail stores through the Company's own distribution channel. Since the Company licenses the sale of game content in Asia as well as some parts of the PAL region (Europe), sales from such licenses are included in the regional results of Japan.

In the Games (Online) segment, the Company provides services on "PlayOnline" of such online games as "*FINAL FANTASY XI*" and the sale of game disks.

In the Mobile Phone Content segment, the Company provides such mobile phone content as games, ring tones, and wallpaper for NTT DoCoMo, au and vodafone.

Currently, the Publication and Others segment are operated primarily in Japan.

Net sales in Japan were ¥22 billion (up 17.5%), and operating income was ¥1 billion (down 78.0%).

2) North America

The Company operates Games (Offline), Games (Online) and Mobile Phone Content services in North America, and licenses the sale of game content developed by the Company, primarily to SEI.

"*FULLMETAL ALCHEMIST 2 : Curse of the Crimson Elixir*" and "*RADIATA STORIES*" were released during this period, and the online game service, "PlayOnline," containing "*FINAL FANTASY XI,*" have been making steady growth to the same level as in Japan.

Net sales in North America totaled ¥3 billion (down 36.3%), and operating income was ¥0.6 billion (down 50.4%).

3) Europe

The Company primarily provides Games (Offline), Games (Online) and Mobile Phone Content services in Europe. In Europe, the Company primarily sells game content through licensing to leading publishers in this region. Furthermore, the Company succeeded in entering the online gaming and mobile phone content market in Europe in the previous fiscal year.

Net sales in Europe amounted to ¥0.3 billion (down 19.0%), and operating income was ¥0.05 billion (up 2,078.4%).

4) Asia

In Asia, the Company provides primarily Games (Online) and Mobile Phone Content services. In Games (Online) segment, the Company primarily provides an online game service of "*CROSS GATE*" for PCs in China.

Net sales in Asia were ¥1 billion (up 288.0%), and operating income was ¥0.7 billion (up 2,589.2%)

(4) Financial Conditions

Cash and cash equivalents at the end of this period were ¥53 billion.
The cash flow status and contributing factors are as follows.

1) Cash flows from operating activities

Net income before taxes amounted to ¥3 billion. However, mainly due to payments for corporate taxes, gain on sales of investment securities and increase in accounts receivable, cash and cash equivalents used in operating activities came to ¥10 billion.

2) Cash flows from investing activities

Cash and cash equivalents used in investing activities were ¥52 billion. This was due primarily to acquisition of shares of TAITO CORPORATION.

3) Cash flows from financing activities

Mainly due to fund procurement through bank loans, cash and cash equivalents provided by financial activities were ¥34 billion.

A Trend of Solvency Indices of the Group:

	First-Half Period Ended September 2003	Fiscal Year Ended March 2004	First-Half Period Ended September 2004	Fiscal Year Ended March 2005	First-Half Period Ended September 2005
Shareholders' Equity Ratio	87.19%	87.41%	88.14%	82.72%	59.81%
Shareholders' Equity Ratio on Market Value Basis	303.03%	309.59%	299.18%	275.76%	195.16%
Term of Repayment of Interest-Bearing Liabilities	0.2622 year	0.0013 year	0.0048 year	—	—
Interest Coverage Ratio (times)	10,227.73	1,203.36	7,336.07	85,196.65	—

Notes: Shareholders' Equity Ratio: Shareholders' equity / Total assets

Shareholders' Equity Ratio on Market Value Basis (%):

Market capitalization of outstanding stock / Total Assets

Term of Repayment of Interest-Bearing Liabilities:

Interest bearing liabilities / Cash flows from operating activities

Interest Coverage Ratio: Cash flows from operating activities / Interest paid

* determined from consolidated financial results
* Interest-bearing liabilities include all the liabilities on which the Company is paying interest.
* Cash flows from operating activities and interest paid are stated as "Cash flows from operating activities" and "Interest paid" in the consolidated statements of cash flows, respectively.

(5) Forecasts for FY2005

Consolidated forecasts for FY2005 ending March 31, 2006

Net sales	¥136 billion
Operating income	¥29 billion
Recurring income	¥28 billion
Net income	¥17 billion

(6) Risk Factors

The forecasts for the consolidated operating results stated above have been prepared on the basis of the current business environment as of November 18, 2005.

Risks, which may affect the Company's financial condition, include:

1) Changes in the Economic Environment

A marked downturn in the economic situation that would cause consumers to reduce spending could lead to a decrease in demand for our firm's products and services in the entertainment field, and there is a possibility that this could affect the Group's performance.

2) Ability to Adapt to Changes

If the Company cannot adapt appropriately and quickly enough to changes in customer preferences in the digital content market and rapid technical advances (mentioned in Strategic Outlook, Issues Facing Management and Future Direction), there is a possibility that this could affect the Group's performance.

3) New Platforms

There is a possibility that the Group, in particular our home-use game software business, may be affected by the release of new platforms (game consoles) and manufacturers' strategies. When new platforms are about to be released, there is a tendency for consumers to avoid purchasing new games, and there is a possibility that the accompanying reduction in sales could affect the Group's performance.

4) Securing Personnel

The Group continues to grow its business at a rapid rate and achieve growth. If we are not able to appropriately develop the personnel required to carry out the Company's growth strategy – centered around developing new content and services as well as expansion overseas – there is a possibility that this could affect the Group's performance.

5) International Business Expansion

In the Games (Offline), Games (Online) and Mobile Phone Content business segments, the Group is expanding its business internationally. However, there is a possibility that the market trends, political/economic situation, laws, culture, religion and customs, etc., of these countries could affect the Group's performance.

6) Exchange Rate Risk

The Company has established overseas consolidated subsidiaries in the United States, Europe and China. The local currencies that these subsidiaries earn is mainly used for settlements in that country or turned to local investment, and actual exchange rate risk is reduced. However, sales, costs and assets, etc., for overseas consolidated subsidiaries operating in foreign currencies are converted to yen when preparing consolidated financial statements. If the exchange rate at the time of conversion has moved out of the expected band, then there is a possibility that this could affect the Group's performance.

7) Law Governing Adult Entertainment Businesses

Revenues from game arcade operations are subject to the law in Japan governing adult entertainment businesses and related ordinances. This law covers regulations regarding the system of approval and licenses for the construction and operation of game facilities, restrictions on the hours of operation (generally, operation is prohibited midnight to 10 a.m.), age limits on who may use such facilities (while specifics vary depending on the ordinance, entry of persons under 16 years of age is prohibited from 6 p.m., and from 10 p.m. for persons under 18 years), regulations stipulating where new sites can be built, and those concerning the structure, interior design, noise level, and other physical aspects of the facilities. While the Company actively expands its game arcades in compliance with this law, the Group's performance may be affected by new laws, or revisions and other changes to this law.

8) Management of Personal Information

With the enactment of the Personal Information Protection Law, the Company is working to raise awareness of the importance of properly handling this information through enhanced employee training, and making timely improvements to eliminate unnecessary personal data throughout the Group. The Company also strives to enhance the management system for personal information by improving the environment and security system for accessing databases, limiting the number of people with access to sensitive information, developing checks-and-balances, and responding to customer requests. To date, the Company has avoided any incidents in which customers' personal information was leaked outside the Company. While the Company remains committed to taking all possible precautions based on further strengthening the system for managing personal information and upgrading training for employees, the Group's performance may be adversely affected in the event of any leak of personal information.

9) Accidents and Disasters

The Group conducts regular disaster prevention inspections, facility inspections, and accident prevention training in an attempt to minimize the negative impact of terrorist attacks, infectious diseases, food poisoning, fire, power cuts, system and server crashes, earthquakes, damage from violent winds and torrential rain, and other accidents and disasters. The Company, however, offers no guarantee that it can prevent or reduce the impact of these events. Major earthquakes and other accidents and disasters that impair the ability to conduct business may adversely affect the Group's performance.

10) Legal Actions

The Group remains committed to compliance with laws and regulations. However, there is a risk of legal action being taken against the Company in respect of its business operations, and this could affect the Group's performance.

4. Consolidated Financial Statements for the First-Half Period Ended September 30, 2005

(1) Consolidated Balance Sheet

(Millions of yen)

Account \ Term	Notes	FY2004 First-Half Period (As of September 30, 2004) Amount		Rate	FY2005 First-Half Period (As of September 30, 2005) Amount		Rate	Change	FY2004 (As of March 31, 2005) Amount		Rate
				%			%				%
(Assets)											
I Current assets											
1. Cash and deposits			59,624			53,489		(6,135)		81,243	
2. Notes and accounts receivable			9,795			18,267		8,472		7,670	
3. Inventories			884			6,182		5,297		1,112	
4. Content production account			14,474			16,173		1,699		15,510	
5. Deferred tax assets			1,970			3,959		1,988		3,440	
6. Other current assets			1,310			3,457		2,147		1,337	
Allowance for doubtful accounts			(363)			(584)		(220)		(262)	
Total current assets			87,696	78.8		100,945	56.7	13,249		110,053	83.6
II Non-current assets											
1. Property and equipment											
(1) Buildings and structures		3,505			18,896				3,667		
Accumulated depreciation		1,379	2,125		11,141	7,754		5,629	1,525	2,142	
(2) Tools and fixtures		8,727			11,401				9,116		
Accumulated depreciation		5,658	3,068		8,282	3,118		49	6,162	2,954	
(3) Amusement equipment		—			57,176				—		
Accumulated depreciation		—	—		43,726	13,449		13,449	—	—	
(4) Other		7			33				16		
Accumulated depreciation		7	0		20	12		12	8	7	
(5) Land			3,813			5,518		1,704		3,813	
(6) Construction in progress			4			261		257		—	
Total property and equipment			9,012	8.1		30,116	16.9	21,104		8,918	6.8
2. Intangible assets											
(1) Goodwill			5,958			20,526		14,568		4,934	
(2) Other			1,114			2,297		1,183		1,161	
Total intangible assets			7,072	6.4		22,823	12.8	15,751		6,096	4.6
3. Investments and other assets											
(1) Investment securities	*1		1,221			1,116		(105)		1,295	
(2) Long-term loans			11			11		(0)		9	
(3) Rental deposits			2,801			18,087		15,286		2,863	
(4) Construction cooperation fund			—			2,325		2,325		—	
(5) Claim in bankruptcy			—			2,308		2,308		—	
(6) Deferred tax assets			2,745			3,328		583		1,768	
(7) Other	*1		707			1,212		505		689	
Allowance for doubtful accounts			(0)			(4,299)		(4,298)		—	
Total investments and other assets			7,486	6.7		24,090	13.6	16,603		6,626	5.0
Total non-current assets			23,571	21.2		77,030	43.3	53,459		21,641	16.4
Total assets			111,267	100.0		177,976	100.0	66,709		131,695	100.0

(Millions of Yen)

Account \ Term	Notes	FY2004 First-Half Period (As of September 30, 2004) Amount	Rate	FY2005 First-Half Period (As of September 30, 2005) Amount	Rate	Change	FY2004 (As of March 31, 2005) Amount	Rate
			%		%			%
(Liabilities)								
I Current liabilities								
1. Notes and accounts payable		1,840		10,121		8,280	2,241	
2. Short-term borrowings		—		40,000		40,000	—	
3. Long-term borrowings due within one year		7		—		(7)	—	
4. Other accounts payable		1,426		2,375		948	1,190	
5. Accrued expenses		1,455		5,544		4,089	1,662	
6. Accrued corporate taxes		2,890		534		(2,355)	9,994	
7. Advance payments received		236		832		596	896	
8. Deposits received		347		403		55	385	
9. Reserve for bonuses		595		1,698		1,102	1,021	
10. Allowance for sales returns		1,366		1,118		(248)	1,316	
11. Allowance for losses due to closure of outlets		—		139		139	—	
12. Other	*4	1,240		972		(268)	2,080	
Total current liabilities		11,407	10.3	63,739	35.8	52,332	20,790	15.8
II Non-current liabilities								
1. Allowance for retirement benefits		1,075		3,239		2,164	1,173	
2. Allowance for directors' retirement benefits		51		174		122	55	
3. Other		75		164		89	84	
Total non-current liabilities		1,201	1.1	3,578	2.0	2,376	1,313	1.0
Total liabilities		12,609	11.4	67,318	37.8	54,708	22,103	16.8
(Minority interests)								
Minority interests in consolidated subsidiaries		591	0.5	4,211	2.4	3,620	658	0.5
(Shareholders' equity)								
I Common stock		7,262	6.5	7,684	4.3	421	7,433	5.6
II Capital surplus reserve		36,503	32.8	36,925	20.7	422	36,673	27.8
III Retained earnings		54,864	49.3	62,252	35.0	7,388	65,561	49.8
IV Unrealized gain on revaluation of other investment securities		334	0.3	380	0.2	45	472	0.4
V Foreign currency translation		(576)	(0.5)	(327)	(0.2)		(807)	(0.6)
adjustment						249		
VI Treasury stock		(321)	(0.3)	(468)	(0.3)	(147)	(401)	(0.3)
Total shareholders' equity		98,067	88.1	106,446	59.8	8,379	108,933	82.7
Total liabilities, minority interests and shareholders' equity		111,267	100.0	177,976	100.0	66,709	131,695	100.0

(2) Consolidated Statements of Income

(Millions of yen)

Account	Notes	FY2004 First-Half Period (April 1, 2004 to September 30, 2004) Amount		Rate	FY2005 First-Half Period (April 1, 2005 to September 30, 2005) Amount		Rate	Change Amount	FY2004 (April 1, 2004 to March 31, 2005) Amount		Rate
				%			%				%
I Net sales			24,395	100.0		27,091	100.0	2,695		73,864	100.0
II Cost of sales			8,557	35.1		13,173	48.6	4,615		25,703	34.8
Gross profit			15,838	64.9		13,918	51.4	(1,919)		48,161	65.2
Reversal of allowance for sales returns			1,569	6.4		1,316	4.8	(253)		1,569	2.1
Provision for allowance for sales returns			1,366	5.6		1,118	4.1	(248)		1,316	1.8
Net gross profit			16,041	65.7		14,116	52.1	(1,924)		48,414	65.5
III Selling, general and administrative expenses											
1. Packaging freight charge		293			304				634		
2. Advertising expense		2,490			2,975				5,346		
3. Sales promotion expense		86			126				109		
4. Provision for doubtful accounts		145			—				77		
5. Compensation for directors		110			142				233		
6. Salary		1,690			2,482				4,251		
7. Provision to reserve for bonuses		214			256				418		
8. Net periodic pension costs		51			(16)				107		
9. Provision to reserve for directors' retirement benefits		117			4				121		
10. Welfare expense		317			341				753		
11. Rental expense		507			601				1,033		
12. Commissions paid		1,072			1,087				2,667		
13. Depreciation and amortization		530			583				1,141		
14. Other		2,459	10,088	41.4	2,741	11,631	42.9	1,543	5,079	21,975	29.7
Operating income			5,952	24.3		2,484	9.2	(3,468)		26,438	35.8
IV Non-operating income											
1. Interest income		42			47				72		
2. Dividends received		2			22				4		
3. Foreign exchange gain		428			189				296		
4. Rental income		16			29				30		
5. Miscellaneous income		88	579	2.4	32	321	1.2	(257)	138	542	0.7
V Non-operating expenses											
1. Interest expenses		0			12				2		
2. Commissions paid		—			62				—		
3. Loss on disposal of inventories		0			—				3		
4. Loss on write-off of content production account		381			—				983		
5. Miscellaneous loss		16	398	1.6	0	75	0.3	(322)	90	1,080	1.4
Recurring income			6,133	25.1		2,730	10.1	(3,403)		25,901	35.1
VI Extraordinary gain											
1. Reversal of allowance for doubtful accounts		—			63				11		
2. Gain on sale of property and equipment	*1	0			—				0		
3. Gain on sale of investment securities		—			1,353				106		
4. Other		—	0	0.0	5	1,422	5.2	1,422	—	118	0.1
VII Extraordinary loss											
1. Loss on sale of property and equipment	*3	0			12				2		
2. Loss on disposal of property equipment	*2	37			130				50		
3. Evaluation loss on shares in affiliates		128			—				145		
4. Loss on sale of investment securities		2			—				2		
5. Loss on evaluation of investment securities	*4	79			91				80		
6. Loss on reverse split of shares in affiliates		—			234				—		
7. Impairment loss	*5	—			188				—		
8. Loss on adjustment in payment process		—			302				—		
9. Accelerated amortization of goodwill		—			—				145		
10. Other		11	261	1.1	23	984	3.6	722	16	443	0.6
Income before income taxes and distribution of loss in partnership *(tokumei-kumiai)*			5,872	24.0		3,168	11.7	(2,703)		25,576	34.6
Distribution of loss in partnership *(tokumei-kumiai)*			11	0.0		22	0.1	11		20	0.0
Income before income taxes			5,860	24.0		3,145	11.6	(2,715)		25,556	34.6
Corporate, resident and enterprise taxes		2,829			416				11,267		
Refunded income taxes		—			(906)			(2,006)	—		
Deferred income taxes		(140)	2,688	11.0	1,171	681	2.5		(760)	10,506	14.2
Minority interest in consolidated subsidiaries			38	0.2		261	1.0	222		116	0.2
Net income			3,133	12.8		2,202	8.1	(931)		14,932	20.2

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of yen)

Account \ Term	Notes	FY2004 First-Half Period (April 1, 2004 to September 30, 2004) Amount		FY2005 First-Half Period (April 1, 2005 to September 30, 2005) Amount		Change Amount	FY2004 (April. 1, 2004 to March. 31, 2005) Amount	
(Capital surplus)								
Ⅰ Capital surplus at beginning of period			36,393		36,673	280		36,393
Ⅱ Increases in capital surplus								
1. Gain on disposal of treasury stock		5		0			1	
2. Shares issued through stock options		103	109	251	251	142	278	280
Ⅲ Capital surplus at end of period			36,503		36,925	422		36,673
(Retained earnings)								
Ⅰ Retained earnings at beginning of period			53,931		65,561	11,630		53,931
Ⅱ Increase in retained earnings								
1. Net income		3,133	3,133	2,202	2,202	(931)	14,932	14,932
Ⅲ Decreases in retained earnings								
1. Dividends		2,200		5,511		—	3,301	
2. Bonus for directors		0	2,201	—	5,511	3,310	0	3,302
Ⅳ Retained earnings at end of period			54,864		62,252	7,383		65,561

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account / Term	Note	FY2004 First-Half Period (April 1, 2004 to September 30, 2004) Amount	FY2005 First-Half Period (April 1, 2005 to September 30, 2005) Amount	Change Amount	FY2004 (April 1, 2004 March 31, 2005) Amount
I Cash flows from operating activities					
Income before income taxes		5,860	3,145	(2,715)	25,556
Depreciation and amortization		850	850	0	1,814
(Decrease) increase in allowance for doubtful accounts		125	(97)	(222)	31
Decrease in reserve for bonuses		(644)	(305)	338	(218)
Decrease in allowance for sales returns		(240)	(208)	32	(267)
(Decrease) increase in allowance for retirement benefits		96	(59)	(156)	195
Increase (decrease) in allowance for directors' retirement benefits		(58)	4	62	(54)
Interest and dividends received		(44)	(70)	(25)	(76)
Interest expenses		0	12	12	2
Gain on sale and disposal of property and equipment		38	142	104	52
Gain on sale of investment securities		—	(1,353)	(1,353)	(106)
Loss on sale of investment securities		2	—	(2)	2
Losses on investments in securities		79	91	11	80
Evaluation loss on shares held in affiliates		128	—	(128)	145
Decrease (increase) in accounts receivable		2,284	(1,740)	(4,025)	4,319
(Increase) decrease in inventories		(4,345)	(631)	3,714	(5,618)
(Decrease) increase in purchase liabilities		(1,382)	120	1,502	(953)
(Decrease) increase in accrued consumption taxes		(181)	(979)	(798)	614
Decrease (increase) in other current assets		54	(52)	(107)	(94)
Increase in other non-current assets		(213)	(304)	(90)	(198)
(Decrease) increase in other current liabilities		(144)	(1,349)	(1,204)	701
Directors' bonuses paid		(0)	—	0	(0)
Other		613	904	291	1,632
Subtotal		2,877	(1,882)	(4,760)	27,559
Interest and dividends received		46	24	(21)	83
Interest paid		(0)	(9)	(9)	(0)
Income taxes paid		(1,410)	(9,024)	(7,613)	(2,768)
Net cash provided by (used in) operating activities		1,513	(10,891)	(12,405)	24,873
II Cash flows from investing activities					
Payments for acquiring property and equipment		(618)	(508)	109	(1,318)
Payments for acquiring intangible assets		(120)	(27)	93	(362)
Proceeds from sale of investment securities	*2	2,001	1,504	(496)	—
Proceeds from redemption of investment securities		—	—	—	2,000
Payments for acquisition of shares in consolidated subsidiary		(20)	(53,143)	(53,123)	(27)
Proceeds from liquidation of shares in affiliates		34	—	(34)	34
Proceeds from return of guarantee money deposited		33	22	(11)	104
Payments for provision of guarantee money		(8)	(47)	(38)	(101)
Other		(24)	16	41	245
Net cash provided by (used in) investing activities		1,276	(52,183)	(53,460)	574
III Cash flows from financing activities					
Decrease (increase) in short-term borrowings		—	40,000	40,000	—
Payments for acquisition of treasury stock		(76)	(67)	8	(154)
Payments for dividends		(2,202)	(5,493)	(3,291)	(3,300)
Payments for dividends for minority interests		—	(2)	(2)	(2)
Other		206	502	295	549
Net cash (used in) provided by financing activities		(2,072)	34,939	37,011	(2,907)
IV Effect of exchange rate changes on cash and cash equivalents		229	376	147	27
V Net (decrease) increase in cash and cash equivalents		947	(27,759)	(28,707)	22,567
VI Cash and cash equivalents at beginning of period		58,676	81,243	22,567	58,676
VII Cash and cash equivalents at end of period	*1	59,624	53,484	(6,140)	81,243

Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements for the First-Half Period Ended September 30, 2005

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
1. Scope of Consolidation	A) Number of Consolidated subsidiaries: 10 and one partnership DIGITAL ENTERTAINMENT ACADEMY CO., LTD. COMMUNITY ENGINE INC. THE GAME DESIGNERS STUDIO, INC. SQUARE ENIX, INC. SQUARE L.L.C. SQUARE PICTURES, INC. SQUARE ENIX LTD. SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO.,LTD UIEVOLUTION,INC. FF・FILM PARTNERS (partnership) SQUARE ENIX U.S.A., INC. and SQUARE ENIX EUROPE LTD. changed company names to SQUARE ENIX, INC. and SQUARE ENIX LTD.	A) Number of consolidated subsidiaries: 17 and one partnership DIGITAL ENTERTAINMENT ACADEMY CO., LTD. COMMUNITY ENGINE INC. THE GAME DESIGNERS STUDIO, INC. SQUARE ENIX, INC. SQUARE L.L.C. SQUARE PICTURES, INC. SQUARE ENIX LTD. SQUARE ENIX (China) CO., LTD. SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD. UIEVOLUTION, INC. FF･FILM PARTNERS (partnership) TAITO CORPORATION HUANG LONG CO., LTD. TAITO KOREA CORPORATION TAITO ART CORPORATION EFFORT CO., LTD. TAITO TECH CORPORATION As TAITO CORPORATION, HUANG LONG CO., LTD., TAITO KOREA CORPORATION, TAITO ART CORPORATION, EFFORT CO., LTD. and TAITO TECH CORPORATION are deemed to have become under the Company's management as of September 30, 2005, the Company's consolidated financial statement for the first year ended September 30, 2005 consolidate only their balance sheet for the same period.	A) Number of consolidated subsidiaries: 11 and one partnership DIGITAL ENTERTAINMENT ACADEMY CO., LTD. COMMUNITY ENGINE INC. THE GAME DESIGNERS STUDIO, INC. SQUARE ENIX, INC. SQUARE L.L.C. SQUARE PICTURES, INC. SQUARE ENIX LTD. SQUARE ENIX (China) CO., LTD. SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD. UIEVOLUTION, INC. FF･FILM PARTNERS (partnership) SQUARE ENIX (China) CO., LTD., was established in January 2005 and has been included in the Company's scope of consolidation from this fiscal year.
	B) Non-consolidated subsidiaries BMF CORPORATION SOLID CO., LTD. SPORTS BB CORPORATION was liquidated during this period. (Rationale for the exclusion of subsidiary companies from the scope of consolidation) The non-consolidated subsidiaries conduct operations that are relatively small in scale. The total of non-consolidated subsidiaries' assets, sales, equity stakes in net income (loss), and in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements	B) Non-consolidated subsidiaries BMF CORPORATION SOLID CO., LTD. HUANG LONG CO., LTD. (Rationale for the exclusion of subsidiary companies from the scope of consolidation) The non-consolidated subsidiaries conduct operations that are relatively small in scale. The total of non-consolidated subsidiaries' assets, sales, equity stakes in net income (loss), and in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements	B) Non-consolidated subsidiaries BMF CORPORATION SOLID CO., LTD. SPORTS BB CORPORATION was liquidated during this fiscal year. (Rationale for the exclusion of subsidiary companies from the scope of consolidation) The non-consolidated subsidiaries conduct operations that are relatively small in scale. The total of non-consolidated subsidiaries' assets, sales, equity stakes in net income (loss), and in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
2. Application of the Equity Method of Accounting	Number of equity-method non-consolidated subsidiaries and affiliates: 0 Principal non-consolidated subsidiaries not accounted for under the equity method (BMF CORPORATION, SOLID CO., LTD., SQUARE U.S.A., INC.) and an affiliated company (KUSANAGI INC.) are excluded from the scope of consolidation as equity-method affiliates, as the Company's equity stakes in net income (loss) and in retained earnings (deficit) in these companies are deemed to have immaterial effect on the Company's consolidated financial statements. In addition, as the Company's investment in MAG GARDEN CORP. is deemed to be temporary, it has been excluded from the scope of consolidation as an equity-method of accounting affiliate.	Number of equity-method non-consolidated subsidiaries and affiliates: 1 BALTEC CO., LTD. BALTEC CO., LTD. has been included in the Company's equity-method non-consolidated subsidiary from this first-half period ended September 30, 2005. Principal non-consolidated subsidiaries not accounted for under the equity method (BMF CORPORATION, SOLID CO., LTD., HUANG LONG CO., LTD.) and an affiliated company (KUSANAGI INC.) are excluded from the scope of consolidation as equity-method affiliates, as the Company's equity stakes in net income (loss) and in retained earnings (deficit) in these companies are deemed to have immaterial effect on the Company's consolidated financial statements. In addition, SQUARE U.S.A., INC. was liquidated during this first-half period, and the Company sold all its shares in MAG GARDEN CORP.	Number of equity-method non-consolidated subsidiaries and affiliates: 0 Principal non-consolidated subsidiaries not accounted for under the equity method (BMF CORPORATION, SPORTS BB CORPORATION , SOLID CO., LTD., SQUARE U.S.A., INC.) and an affiliated company (KUSANAGI INC.) are excluded from the scope of consolidation as equity-method affiliates, as the Company's equity stakes in net income (loss) and in retained earnings (deficit) in these companies are deemed to have immaterial effect on the Company's consolidated financial statements. In addition, as the Company's investment in MAG GARDEN CORP. is deemed to be temporary, it has been excluded from the scope of consolidation as an equity-method affiliate.
3. Period/Year-End of Consolidated Subsidiaries	The first-half period of SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., SQUARE PICTURES, INC., COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD, and FF・FILM PARTNERS (partnership) ends June 30. In the preparation of consolidated financial statements, their financial statements for the first-half period ended June 30 are used. Important transactions between the end of first-half period and the interim balance sheet date of September 30 are reconciled for consolidation.	The first-half period of SQUARE PICTURES, INC., COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD., SQUARE ENIX (China) CO., LTD., and FF・FILM PARTNERS (partnership) ends June 30. In the preparation of consolidated financial statements, their financial statements for the first-half period ended June 30 are used. Important transactions between the end of first-half period and the interim balance sheet date of September 30 are reconciled for consolidation. The first-half period of HUANG LOND CO., LTD. and SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. ends June 30. In the preparation of consolidated financial statements, their provisional financial statements as of consolidated balance sheet date of September 30 are used.	The fiscal year of SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD., SQUARE ENIX (China) CO., LTD., SQUARE PICTURES, INC. and FF・FILM PARTNERS (partnership) ends December 31. In the preparation of consolidated financial statements, their financial statements for the year ended December 31 are used. Important transactions between the end of the fiscal year and the end of the fiscal year balance sheet date of March 31 are reconciled for consolidation.
4. Summary of Significant Accounting Policies (1) Standards and valuation methods for major assets	A) Investment securities Held-to-maturity securities: Stated at amortized cost on a straight-line basis 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 shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method	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 shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method	A) Investment securities Held-to-maturity securities: Stated at amortized cost on a straight-line basis 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 shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
	Securities for which fair values are unavailable: Stated at cost determined by the moving average method	Securities for which fair values are unavailable: Stated at cost 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	B) Inventories Manufactured goods, merchandise: Stated at cost, determined by the monthly average method (Stated at cost determined by the average method for some subsidiaries)	B) Inventories Manufactured goods, merchandise: Stated at cost, determined by the monthly average method
	Content production account: Stated at cost, determined by the individual identification	Content production account: Stated at cost, determined by the individual identification	Content production account: Stated at cost, determined by the individual identification
	Unfinished goods: Stated at cost, determined by the monthly average method	Unfinished goods: Stated at cost, determined by the monthly average method (Stated at cost determined by the average method for some subsidiaries)	Unfinished goods: Stated at cost, determined by the monthly average method
	Supplies: Stated at last purchase price	Supplies: Stated at last purchase price	Supplies: Stated at the last purchase price
	C) Derivatives Determined by quoted market price	C) Derivatives ————	D) Derivatives ————
(2) Method for depreciation and amortizion	A) Property and equipment Property and equipment are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Buildings and structures 3–50 years Tools and fixtures 3–15 years	A) Property and equipment Property and equipment of the Company and its domestic subsidiaries are depreciated using the declining-balance method. However, buildings, which were acquired after April 1, 1998, excluding structures, are depreciated using the straight-line method. Estimated useful lives of major assets are as follows: Buildings and structures 3–65 years Tools and fixtures 3-15 years Amusement equipment 3-8 years	B) Property and equipment Property and equipment of the Company and its domestic subsidiaries are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Buildings and structures 3–50 years Tools and fixtures 3-15 years
	B) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimated useful life of five years. For all other intangible fixed assets, trademarks are amortized using the straight-line method based on an estimated useful life of ten years, and goodwill is amortized using the straight-line method over a period of five years.	B) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimated useful life of five years. For all other intangible fixed assets, trademarks are amortized using the straight-line method based on an estimated useful life of ten years, and goodwill is amortized using the straight-line method over a period of five years.	B) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimated useful life of five years. For all other intangible fixed assets, trademarks are amortized using the straight-line method based on an estimated useful life of 10 years. Goodwill is amortized using the straight-line method over a period of five years.
(3) Accounting for allowances and reserves	A) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment, and a general reserve calculated based on historical default rates.	A) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment, and a general reserve calculated based on historical default rates.	A) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment, and a general reserve calculated based on historical default rates.

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
	B) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company and its consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date. C) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this period, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. In addition, the Company and its domestic consolidated subsidiaries provide a reserve for retirement benefits equal to 100 percent of such benefits the Company and its 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. (Additional Information) Previously, the Company had provided a reserve for retirement benefits equal to 100 percent of such benefits the Company would be required to pay if all eligible employees were to voluntarily terminate their employment at the balance sheet date. Effective from the first-half period ended September 30, 2003, the Company changed its accounting policy for reserve for retirement benefits to the method described above. As a result of this change, recurring income and income before income taxes increased by ¥393 million, respectively. D) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to this period. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title. E) Allowance for directors' retirement benefits 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. ———	B) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company and its consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date. C) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this period, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. Past service obligations are amortized based on account proportionally divided by particular period (one year) within average period of time in service remained when the obligations incurred. In addition, the Company and its domestic consolidated subsidiaries provide a reserve for retirement benefits equal to 100% of such benefits the Company and its 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. D) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to this period. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title. E) Allowance for directors' retirement benefits 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. F) Allowance for loss on closure of outlet An allowance for loss on closure of outlet is provided for possible losses arising from closing of arcade outlets, which were reached to decision during this first-half period, is provided at the rational amount expected in the future.	B) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company and its consolidated subsidiaries at the amount expected to be paid in respect of the calculation period ended on the balance sheet date. C) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this period, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. Past service obligations are amortized based on account proportionally divided by particular period (one year) within average period of time in service remained when the obligations incurred. In addition, the Company and its domestic consolidated subsidiaries provide a reserve for retirement benefits equal to 100% of such benefits the Company and its 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. D) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to this fiscal year. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title. E) Allowance for directors' retirement benefits 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. ———

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
(4) Translation of foreign currency transactions and accounts	All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the interim balance sheet date at the rate prevailing on that date. The resulting translation gains or losses are charged or credited to income. All monetary assets and liabilities of overseas subsidiaries are translated as of the balance sheet first-half period-end rate and all income and expense accounts are translated at rates for their respective periods. The resulting translation adjustments are recorded in minority interests in consolidated subsidiaries and shareholders' equity as "Foreign Currency translation adjustment".	All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the interim balance sheet date at the rate prevailing on that date. The resulting translation gains or losses are charged or credited to income. All monetary assets and liabilities of overseas subsidiaries are translated as of the balance sheet first-half period-end rate and all income and expense accounts are translated at rates for their respective periods. The resulting translation adjustments are recorded in minority interests in consolidated subsidiaries and shareholders' equity as "Foreign Currency translation adjustment".	All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated at the balance sheet date at the year-end rate. The resulting translation gains or losses are charged or credited to income. All monetary assets and liabilities of overseas subsidiaries are translated as of the rate prevailing on the balance sheet date and all income and expense accounts are translated at rates for their respective periods. The resulting translation adjustments are recorded in minority interests in consolidated subsidiaries and shareholders' equity as "Foreign Currency translation adjustment".
(5) Accounting for leases	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees are accounted for as operating leases.	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees are accounted for as operating leases.	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees are accounted for as operating leases.
(6) Accounting for deferred assets	Share issuance expenses Costs associated with issuance of common shares are expensed as incurred.	Share issuance expenses Costs associated with issuance of common shares are expensed as incurred.	Share issuance expenses Costs associated with issuance of common shares are expensed as incurred.
(7) Additional accounting policies used to prepare consolidated financial statements	A) Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax. B) Accounting treatment of overseas subsidiaries The accounts and records of overseas subsidiaries are maintained in conformity with accounting principles and practices generally accepted in their respective countries.	A) Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax. B) Accounting treatment of overseas subsidiaries The accounts and records of overseas subsidiaries are maintained in conformity with accounting principles and practices generally accepted in their respective countries.	A) Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax. B) Accounting treatment of overseas subsidiaries The accounts and records of overseas subsidiaries are maintained in conformity with accounting principles and practices generally accepted in their respective countries.
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	All assets and liabilities of consolidated subsidiaries are revalued on acquisition.	All assets and liabilities of consolidated subsidiaries are revalued on acquisition.	All assets and liabilities of consolidated subsidiaries are revalued on acquisition.
6. Amortization of Goodwill	Goodwill is amortized over a period of 3–5 years on a straight-line basis.	Goodwill is amortized over a period of 5 or 20 years on a straight-line basis.	Goodwill is amortized over a period of 3–5 years on a straight-line basis.
7. Appropriation of Retained Earnings	The consolidated statement of capital surplus and retained earnings is prepared based on earnings (deficit) appropriations determined during the period.	The consolidated statement of capital surplus and retained earnings is prepared based on earnings (deficit) appropriations determined during the period	The consolidated statement of capital surplus and retained earnings is prepared based on earnings (deficit) appropriations determined during the fiscal year.
8. Scope of Cash and Cash Equivalents in the Statements of Cash Flows	Cash and cash equivalents in the consolidated statements of cash flows is comprised of cash on hand, bank deposits which are able to be withdrawn on demand and highly liquid short-term investments with an original maturity of three months or less and with minor risk of significant fluctuations in value.	Cash and cash equivalents in the consolidated statements of cash flows is comprised of cash on hand, bank deposits which are able to be withdrawn on demand and highly liquid short-term investments with an original maturity of three months or less and with minor risk of significant fluctuations in value.	Cash and cash equivalents in the consolidated statements of cash flows is comprised of cash on hand, bank deposits which are able to be withdrawn on demand and highly liquid short-term investments with an original maturity of three months or less and with minor risk of significant fluctuations in value.

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

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
――――	(Accounting standard for impairment of Non-current Assets) Effective from the first-half period ended September 30, 2005, the Company has applied the accounting standard for impairment of non-current assets―"Proposal of Accounting Standard for Impairment of Non-current Assets" (issued on August 9, 2002 by the Business Accounting Council in Japan) and "Guideline for Application of Accounting Standard for Impairment of Non-current Assets" (issued on October 31, 2003, the Sixth Guideline for Application of Business Accounting Standard) As a result, income before income taxes decreased in the amount of ¥188 million. Total amount of impairment loss was deducted directly from the book value of each asset in accordance with amended policy of consolidated financial statements.	――――

Reclassifications

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
(Consolidated Balance Sheet) "Goodwill," which was included in intangible assets until the previous first-half period ended September 30, 2003, is stated separately as the amount became material. In the first-half period ended September 30 2003, "Goodwill" included in intangible assets was ¥365 million.	――――	(Consolidated Balance Sheet) "Goodwill," which was included in "Intangible assets" in the previous fiscal year, is presented separately in the reporting term as the amount became material. In the previous fiscal year, "Goodwill" included in "Intangible assets" was ¥6,361 million.

Notes to Consolidated Balance Sheets

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
――――	*1 Investment in non-consolidated subsidiaries and affiliates Investments and other assets ¥14 million	*1 Investment in non-consolidated subsidiaries and affiliates Investment securities ¥151 million Investments and other assets ¥4 million
*2 Number of shares issued and outstanding: common stock 110,227,018	*2 Number of shares issued and outstanding: common stock 110,618,868	*2 Number of shares issued and outstanding: common stock 110,385,543
*3 Number of shares in treasury stock: 124,592	*3 Number of shares in treasury stock: 170,745	*3 Number of shares in treasury stock: 150,650
*4 Accounting for consumption tax Accrued consumption tax is included in other current liabilities.	*4 Accounting for consumption tax Accrued consumption tax is included in other current liabilities.	*4 Accounting for consumption tax ――――
5 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX U.S.A. INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of September 30, 2004 the liability outstanding under the guarantee was U.S.$ 1,124,000 (¥124 million).	5 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of September 30, 2005, there is no liability outstanding under the guarantee. In addition, guarantee obligations for a consolidated subsidiary in Japan regarding leasing contracts with a buyer of karaoke machine is ¥78 million.	5 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of March 30, 2005, there is no liability outstanding under the guarantee.

Notes to Consolidated Statements of Income

<table>
<tr><th>First-Half Period
Ended September 30, 2004</th><th>First-Half Period
Ended September 30, 2005</th><th>FY2004
(April 1, 2004 to
March 31, 2005)</th></tr>
<tr><td>*1 Breakdown of gain on sale of property and equipment

Tools and fixtures ¥0 million

*2 Breakdown of loss on disposal of property and equipment

Tools and fixtures ¥36 million
Buildings and structures ¥1 million
Total ¥37 million

*3 Breakdown of loss on sale of property and equipment

Tools and fixtures ¥0

*4 Loss on of investment securities is due to the significant decline in market prices of marketable securities.

*5 Impairment loss
――――</td>
<td>*1 Breakdown of gain on sale of property and equipment
――――

*2 Breakdown of loss on disposal of property and equipment

Tools and fixtures ¥120 million
Buildings and structures ¥0 million
Software ¥9 million
Total ¥130 million

*3 Breakdown of loss on sale of property and equipment

Tools and fixtures ¥12 million

*4 Loss on of investment securities is due to the significant decline in market prices of marketable securities.

*5 Impairment loss
Impairment losses in asset incurred during the first-half period ended September 30, 2005 are as follows.

<table><tr><th>Location</th><th>Usage</th><th>Category</th></tr><tr><td>Nagareyama city, Chiba Pref.</td><td>Idle asset</td><td>Land</td></tr><tr><td>Tokushima city, Tokushima Pref.</td><td>Idle asset</td><td>Land</td></tr></table>
Cash in- flow from each business segment of the Group are complementary to each other in terms of similarity in nature of goods, merchandise, services and markets. Consequently, all assets for each operational purposes are categorized in one asset group, and the idle assets, which are not for operational purpose, are categorized individually. In addition, assets related to the Group’s headquarters and welfare facilities are categorized as communal assets.
While the market value of the idle assets mentioned above has been severely declining compared with their book value, and since the chance of utilizing these assets is indefinite, their book value has been lowered to the recoverable amount, and is included in extraordinary loss as an impairment loss of ¥188 million.
In addition, the recoverable amount of assets is determined by market price, and the market value is calculated on the basis of a realistic appraisal.</td>
<td>*1 Breakdown of gain on sale of property and equipment

Tools and fixtures ¥0 million

*2 Breakdown of loss on disposal of property and equipment

Tools and fixtures ¥47 million
Software ¥2 million
Total ¥50 million

*3 Breakdown of loss on sale of property and equipment

Tools and fixtures ¥2 million

*4 Loss on of investment securities is due to the significant decline in market prices of marketable securities.

*5 Impairment loss
――――</td></tr>
</table>

Notes to Consolidated Statements of Cash Flows

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
*1 Reconciliation of cash and cash equivalents on consolidated statements of cash flows to the amounts disclosed in the consolidated balance sheet is as follows. Cash and deposits ¥59,624 million Cash and cash equivalents ¥59,624 million	*1 Reconciliation of cash and cash equivalents on consolidated statements of cash flows to the amounts disclosed in the consolidated balance sheet is as follows: Cash and deposits ¥53,489 million Time deposits other than cash equivalents ¥(5) million Cash and cash equivalents ¥53,484 million	*1 Reconciliation of cash and cash equivalents on consolidated statements of cash flows to the amounts disclosed in the consolidated balance sheet is as follows: Cash and deposits ¥81,243 million Cash and cash equivalents ¥81,243 million
*2 "Gain on sale of investment securities" includes income from redemption of held-to-maturity government bonds, ¥2,000 million.	————	————

Lease Transactions

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
Information related to finance leases other than those that transfer ownership to the lessee	Information related to finance leases other than those that transfer ownership to the lessee	Information related to finance leases other than those that transfer ownership to the lessee
1. Acquisition cost, accumulated depreciation and net book value of leased assets	1. Acquisition cost, accumulated depreciation, impairment loss and net book value of leased assets	1. Acquisition cost, accumulated depreciation and net book value of leased assets
(Millions of yen) Tools and fixtures: Acquisition cost 90, Accumulated depreciation 57, Net book value 32 Total: Acquisition cost 90, Accumulated depreciation 57, Net book value 32	(Millions of yen) Buildings and structures: Acquisition cost 1,278, Accumulated depreciation 110, Net book value 1,167 Tools and fixtures: Acquisition cost 1,822, Accumulated depreciation 1,109, Net book value 803 Total: Acquisition cost 3,100, Accumulated depreciation 1,129, Net book value 1,970	(Millions of yen) Tools and fixtures: Acquisition cost 74, Accumulated depreciation 49, Net book value 24 Total: Acquisition cost 74, Accumulated depreciation 49, Net book value 24
Note: The acquisition cost is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.	Note: The acquisition cost is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.	Note: The acquisition cost is immaterial in proportion to the amount total property and equipment at the end of the year. Accordingly, the total acquisition cost includes the interest portion.
2. Outstanding balance of future lease payment Due within one year ¥15 million Due after one year ¥17 million Total ¥32 million	2. Outstanding balance of future lease payment Due within one year ¥444 million Due after one year ¥1,526 million Total ¥1,970 million	2. Outstanding balance of future lease payment Due within one year ¥14 million Due after one year ¥9 million Total ¥24 million
Note: The total future lease payment at the end of the period is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total future lease payment includes the interest portion.	Note: The total future lease payment at the end of the period is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total future lease payment includes the interest portion.	Note: The total future lease payment at the end of the year is immaterial in proportion to the amount of total property and equipment at the end of the year. Accordingly, the total future lease payment includes the interest portion.
3. Lease payment and depreciation Lease expenses payment ¥9 million Depreciation expense ¥9 million	3. Lease payment, transfer from impairment loss in leased asset and depreciation Lease expenses payment ¥7 million Depreciation expense ¥7 million Note: Lease payment, transfer from impairment loss in leased asset and depreciation do not include those of TAITO and its affiliates.	3. Lease payment and depreciation Lease expenses payment ¥16 million Depreciation expense ¥16 million
4. Method of calculation for depreciation Depreciation is calculated using the straight-line method over the useful life with no residual value.	4. Method of calculation for depreciation Depreciation is calculated using the straight-line method over the useful life with no residual value. (Impairment loss) There is no impairment loss recognized regarding leased assets.	4. Method of calculation for depreciation Depreciation is calculated using the straight-line method over the useful life with no residual value.

Securities

The first-half period ended September 30, 2004

1. Other investment securities with market value

(Millions of Yen)

	Type	Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value exceeding acquisition cost	(1) Stocks	319	921	602
	Subtotal	319	921	602
Securities with acquisition cost exceeding book value	(1) Stocks	76	39	(37)
	Subtotal	76	39	(37)
Total		396	960	564

2. Investment securities whose fair values could not readily be determined as of September 30, 2004

(Millions of Yen)

	Book value
(1) Other marketable securities	
Unlisted securities (excluding OTC securities)	81
(2) Investments in affiliates	179

Note: An impairment loss of ¥79 million was incurred in the first-half period ended September 30, 2004.

The first-half period ended September 30, 2005

1. Other investment securities with market value

(Millions of Yen)

	Type	Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value exceeding acquisition cost	(1) Stocks	186	841	654
	Subtotal	186	841	654
Securities with acquisition cost exceeding book value	(1) Stocks	198	185	(12)
	Subtotal	198	185	(12)
Total		385	1,027	641

Note: An impairment loss of ¥46 million was incurred in the first-half period ended September 30, 2005. Impairment loss on securities is charged to income when the market price at the end of the first-half period falls below 50% of the acquisition cost. Impairment loss on securities is also charged to income when the market price at the end of the first-half period falls to between 50% and 30% of the acquisition cost after considering factors such as the significance of the amount and the possibility of recovery.

2. Investment securities whose fair values could not readily be determined as of September 30, 2005

(Millions of Yen)

	Book value
(1) Other marketable securities	
Unlisted securities (excluding OTC securities)	88
Unlisted foreign bonds	0
Total	88

Note: An impairment loss of ¥44 million was incurred in the first-half period ended September 30, 2005

FY2004 (April 1, 2004 to March 31, 2005)

1. Held- for-sale securities

Not applicable

2. Other investment securities with market value

(Millions of Yen)

	Type	Acquisition cost	Book value	Unrealized gain (loss)
Securities with book value exceeding acquisition cost	(1) Stocks	179	994	814
	Subtotal	179	994	814
Securities with acquisition cost exceeding book value	(1) Stocks	76	58	(18)
	Subtotal	76	58	(18)
Total		256	1,052	796

Note: Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls below 50% of the acquisition cost. Impairment loss on securities is also charged to income when the market price at the end of the fiscal year falls to between 50% and 30% of the acquisition cost after considering factors such as significance of the amount and the possibility of recovery.

3. Securities sold during the fiscal year

(Millions of yen)

Amount of Sale	Gain on Sale	Loss on Sale
248	106	2

4. Investment securities whose fair values could not readily be determined as of March 30, 2005

(Millions of Yen)

	Book value
(1) Other marketable securities	
Unlisted securities (excluding OTC securities)	81

Note: An impairment loss of ¥80 million was incurred in the first half-year ended March 31, 2005

5. Redemption schedule of other securities with a maturity date on those to be held to maturity

Not applicable

Derivative Transactions

The first-half period ended September 30, 2004

Amount of derivative transactions, market value, and evaluation loss (gain)

(Millions of Yen)

Type of Subject	Type of Transaction	Amount	Market Value	Evaluation Loss (Gain)
Currency	Exchange reservation	2,767	2,776	(8)

Notes: 1. Market value is determined by forward rate.
2. No accounts over a period of one year.

The first-half period ended September 30, 2005

1. Derivatives Transaction

A) Type of transactions and policies engaged in
The Company does not engage in derivative transactions in principle, but enters into foreign exchange forward contracts to reduce the effect of fluctuations in foreign currencies.

B) Purpose of transactions
The Company enters into foreign exchange forward contracts to cover anticipated transactions denominated in foreign currencies, but does not enter into these contracts for speculation.

C) Risks
Foreign exchange forward contracts include the market risk of fluctuations in foreign currencies but in our estimation, the risk of nonperformance is considered to be low as the contracts are entered into with prestigious financial institutions.

D) Risk Management
Contracts are approved by the representative director and executive director in charge, and the Accounting and Financing Division administer the risk management.

2. Market Value of Transaction

Not applicable

FY2004 (April 1, 2004 to March 31, 2005)

2. Derivatives Transaction

A) Type of transaction and policies engaged in
The Company does not engage in derivative transactions in principle, but enters into foreign exchange forward contracts to reduce the effect of fluctuations in foreign currencies.

B) Purpose of transactions
The Company enters into foreign exchange forward contracts to cover anticipated transactions denominated in foreign currencies, but does not enter into these contracts for speculation.

C) Risks
Foreign exchange forward contracts include the market risk of fluctuations in foreign currencies but in our estimation, the risk of nonperformance is considered to be low as the contracts are entered into with prestigious financial institutions.

D) Risk Management
Contracts are approved by the representative director and executive director in charge, and the Accounting and Financing Division administer the risk management.

3. Market Value of Transaction

Not applicable

Segment Information

1. Consolidated Business Segment Information

The First-Half Period Ended September 30, 2004

(Millions of Yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Total	Eliminations or unallocated	Consolidated total
Sales and operating income								
Net Sales								
(1) Sales to outside customers	8,099	7,684	1,977	5,157	1,476	24,395	—	24,395
(2) Intersegment sales	—	—	—	—	—	—	—	—
Total	8,099	7,684	1,977	5,157	1,476	24,395	—	24,395
Operating expenses	6,549	4,431	1,343	3,405	1,106	16,836	1,606	18,442
Operating income	1,549	3,252	633	1,752	370	7,559	(1,606)	5,952

Notes:
1. The classification of business segments is made according to the types of products and services.
2. Major products offered by each business segment

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

3. Unallocated operating expenses included in the "elimination or unallocated" column totaled ¥1,606 million. These expenses are related to administrative departments of the Company, which provide services and operational support that cannot be allocated to specific business segments.

The First-Half Period Ended September 30, 2005

(Millions of Yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Total	Eliminations or unallocated	Consolidated total
Sales and operating income								
Net Sales								
(1) Sales to outside customers	8,607	6,928	2,219	4,471	4,863	27,091	—	27,091
(2) Intersegment sales	—	—	—	—	—	—	—	—
Total	8,607	6,928	2,219	4,471	4,863	27,091	—	27,091
Operating expenses	9,449	4,297	1,903	3,480	3,532	22,664	1,942	24,606
Operating income (loss)	(842)	2,631	316	991	1,330	4,427	(1,942)	2,484

Notes:
1. The classification of business segments is made according to the types of products and services.
2. Major products offered by each business segment

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

3. Unallocated operating expenses included in the "elimination or unallocated" column totaled ¥1,942 million. These expenses are related to administrative departments of the Company, which provide services and operational support that cannot be allocated to specific business segments.

FY2004 (April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Others	Total	Eliminations or unallocated	Consolidated total
Sales and operating income								
Net Sales								
(1) Sales to outside customers	41,944	13,853	4,557	10,859	2,649	73,864	—	73,864
(2) Intersegment sales	—	—	—	—	—	—	—	—
Total	41,944	13,853	4,557	10,859	2,649	73,864	—	73,864
Operating expenses	22,295	8,866	2,818	7,448	1,866	43,295	4,131	47,426
Operating income	19,649	4,986	1,738	3,411	782	30,569	(4,131)	26,438

Notes:
1. The classification of business segments is made according to the types of products and services.
2. Major products offered by each business segment

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

3. Unallocated operating expenses included in "Eliminations or unallocated" totaled ¥4,131 million. These expenses are related to administrative departments, such as accounting and general affairs, of the Company, which provide services and operational support that cannot be allocated to specific business segments.

2. Consolidated Geographic Segment Information

The First-Half Period Ended September 30, 2004

(Millions of Yen)

	Japan	North America	Europe	Asia	Total	Eliminations or unallocated	Consolidated Total
Sales and operating income							
Net Sales							
(1) Sales to outside customers	17,792	5,854	319	428	24,395	—	24,395
(2) Intersegment sales	1,643	153	167	—	1,964	(1,964)	—
Total	19,435	6,007	487	428	26,359	(1,964)	24,395
Operating expenses	14,812	4,709	485	400	20,407	(1,964)	18,442
Operating income	4,623	1,297	2	28	5,952	—	5,952

Notes: 1. The classification of geographic area segments is made according to geographical distances.
2. Main countries included in each segment:
(1) North America………the United States of America
(2) Europe………United Kingdom
(3) Asia………China
3. There are no unallocated operating expenses included in the "elimination or unallocated" column.

The First-Half Period Ended September 30, 2005

(Millions of Yen)

	Japan	North America	Europe	Asia	Total	Eliminations or unallocated	Consolidated Total
Sales and operating income							
Net Sales							
(1) Sales to outside customers	21,847	3,393	189	1,661	27,091	—	27,091
(2) Intersegment sales	995	432	205	2	1,636	(1,636)	—
Total	22,842	3,825	395	1,664	28,728	(1,636)	27,091
Operating expenses	21,823	3,181	335	902	26,243	(1,636)	24,606
Operating income	1,018	644	59	762	2,484	—	2,484

Notes: 1. The classification of geographic area segments is made according to geographical distances.
2. Main countries included in each segment:
(1) North America………the United States of America
(2) Europe………United Kingdom
(3) Asia………China
3. There are no unallocated operating expenses included in the "Elimination or unallocated" column.

FY2004 (April 1, 2004 to March 31, 2005)

(Millions of Yen)

	Japan	North America	Europe	Asia	Total	Eliminations or unallocated	Consolidated Total
Sales and operating income							
Net Sales							
(1) Sales to outside customers	60,949	11,528	577	810	73,864	—	73,864
(2) Intersegment sales	3,436	360	312	13	4,123	(4,123)	—
Total	64,386	11,889	889	823	77,988	(4,123)	73,864
Operating expenses	40,425	9,619	858	646	51,550	(4,123)	47,426
Operating income	23,960	2,270	31	176	26,438	—	26,438

Notes: 1. The classification of geographic segments is made according to geographical distances.
2. Main countries included in each segment:
(1) North America………the United States of America
(2) Europe………United Kingdom
(3) Asia………China
3. There are no unallocated operating expenses included in "Eliminations or unallocated."
4. There are no unallocated assets included in "Eliminations or unallocated."

3. Consolidated Overseas Sales

The First-Half Period Ended September 30, 2004

(Millions of Yen)

	North America	Europe	Asia	Total
Ⅰ Overseas sales	5,925	945	628	7,500
Ⅱ Consolidated sales				24,395
Ⅲ Percentage of overseas sales to consolidated sales	24.3%	3.9%	2.6%	30.7%

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

The First-Half Period Ended September 30, 2005

(Millions of Yen)

	North America	Europe	Asia	Total
Ⅰ Overseas sales	3,462	375	1,759	5,597
Ⅱ Consolidated sales				27,091
Ⅲ Percentage of overseas sales to consolidated sales	12.8%	1.4%	6.5%	20.7%

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

FY2004 (April 1, 2004 to March 31, 2005)

(Millions of Yen)

	North America	Europe	Asia	Total
Ⅰ Overseas sales	12,295	1,298	1,179	14,772
Ⅱ Consolidated sales				73,864
Ⅲ Percentage of overseas sales to consolidated sales	16.6%	1.8%	1.6%	20.0%

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

Production, Order and Sales Information

(1) Production

Because a production process of one product/merchandise differs from that of another despite being under the same segment, the production scale by segment is not indicated in monetary accounts or quantity of units.

(2) Purchasing

Consolidated purchasing results by segment for the first half-year ended September 30, 2005 (Millions of yen)

Segment	First-Half Period Consolidated Results (Apr. 1, 2004 to Sep. 30, 2004)		First-Half Period Consolidated Results (Apr. 1, 2005 to Sep. 30, 2005)		Increase (decrease)		FY2004 Consolidated Results (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount	Rate	Amount	Rate	Amount	Change	Amount	Rate
Games (Offline)	1,577	36.0%	1,210	24.0%	(366)	(23.3)%	6,179	51.4%
Games (Online)	355	8.1%	206	4.1%	(148)	(41.9)%	508	4.2%
Publication	1,987	45.3%	2,088	41.3%	101	5.1%	4,373	36.4%
Others	466	10.6%	1,544	30.6%	1,077	230.7%	958	8.0%
Total	4,387	100.0%	5,050	100.0%	662	15.1%	12,019	100.0%

Note: The above amounts do not contain consumption taxes.

(3) Orders Received

The Group does not manufacture products by order.

(4) Sales

Consolidated sales results by segment for FY2004 (ended March 31, 2005) (Millions of yen)

Segment	First-Half Period Consolidated Results (Apr. 1, 2004 to Sep. 30, 2004)		First-Half Period Consolidated Results (Apr. 1, 2005 to Sep. 30, 2005)		Increase (decrease)		FY2004 Consolidated Results (Apr. 1, 2004 to Mar. 31, 2005)	
	Amount	Rate	Amount	Rate	Amount	Change	Amount	Rate
Games (Offline)	8,099	33.2%	8,607	31.8%	507	6.3%	41,944	56.8%
Games (Online)	7,684	31.5%	6,928	25.6%	(755)	(9.8)%	13,853	18.7%
Mobile Phone Content	1,977	8.1%	2,219	8.2%	242	12.2%	4,557	6.2%
Publication	5,157	21.1%	4,471	16.5%	(685)	(13.3)%	10,859	14.7%
Others	1,476	6.1%	4,863	17.9%	3,386	229.4%	2,649	3.6%
Total	24,395	100.0%	27,091	100.0%	2,695	11.1%	73,864	100.0%

Note: The above amounts do not contain consumption taxes.

SQUARE ENIX.

November 18, 2005

NON-CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST-HALF PERIOD ENDED SEPTEMBER 30, 2005

Company Name: Square Enix Co., Ltd.
Code: 9684
URL : http://www.square-enix.com/
Representative: Yoichi Wada, President and Representative Director
Contact: Yosuke Matsuda, Director and Executive Officer
Date of Board Approval: November 18, 2005
Date of Dividend Payout: December 9, 2005

Market: Tokyo Stock Exchange, First Section
Headquarters: Tokyo
Phone: 03-5333-1555
Interim Dividend Payout: paid · not paid
Stock Trading Unit: 100 shares

1. FY2005 First-Half Period Non-Consolidated Financial Results (April 1, 2005 - September 30, 2005)

(1) Non-Consolidated Financial Result (Millions of yen, except percentages and per share data)

	Net Sales		Operating Income		Recurring Income	
First-Half Period						
September 30, 2005	22,445	17.1 %	874	(81.4) %	2,026	(58.5) %
September 30, 2004	19,170	19.5 %	4,711	159.3 %	4,878	195.2 %
Fiscal Year 2004	63,950		24,080		23,533	

	Net Income		Earings Per Share (basic)
First-Half Period			
September 30, 2005	2,468	(10.5) %	22.37
September 30, 2004	2,758	189.4 %	25.06
Fiscal Year 2004	13,562		123.19

1) Mid-term average number of shares issued and outstanding
- First-half period ended September 30, 2005: 110,340,469
- Fiscal year ended March 31, 2005 (FY 2004): 110,093,589
- First-half period ended September 30, 2004: 110,066,955

2) Change in significant accounting policies: Applicable

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

(2) Dividends

	Interim Dividend Per Share	Annual Dividend Per Share
First-Half Period	Yen	Yen
September 30, 2005	10.00	――――
September 30, 2004	10.00	――――
Fiscal Year 2004	――――	60.00

(3) Non-Consolidated Financial Position (Millions of yen, except percentages and per share data)

	Total Assets	Total Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity Per Share
September 30, 2005	150,501	102,209	67.9 %	925.41
September 30, 2004	103,388	94,807	91.7 %	861.08
March 31, 2005	124,105	104,909	84.5 %	951.69

1) Number of shares issued and outstanding at period-end
- First-half period ended September 30, 2005: 110,448,123
- Fiscal year ended March 31, 2005 (FY 2004): 110,234,893
- First-half period ended September 30, 2004: 110,102,426

2) Amount of treasury stock
- First-half period ended September 30, 2005: 170,745
- Fiscal year ended March 31, 2005 (FY 2004): 150650
- First-half period ended September 30, 2004: 124,592

2. FY2004 Forecasts (April 1, 2004 to March 31, 2005) (Millions of yen except per share data)

	Net Sales	Recurring Income	Net Income	Annual Dividend Per Share	
				at the end of year	
				Yen	Yen
FY2005	75,000	21,000	13,000	20.00	30.00

(Reference) Earnings per share (basic) forecasts for FY2005; 117.70 Yen

* The above forecasts are based on information available at the time this material were prepared. A number of indefinite factors are inherent in, and could cause actual results to be materially different from, these forecasts.

6. Non-Consolidated Financial Statements for the First-Half Period Ended September 30, 2005

(1)Non-Consolidated Balance Sheet

(Millions of Yen)

Account \ Term	Notes	FY2004 First-Half Period (As of September 30, 2004)		FY2005 First-Half Period (As of September 30, 2005)		Change	FY2004 (As of March 31, 2005)	
		Amount	Rate	Amount	Rate	Amount	Amount	Rate
			%		%			%
(Assets)								
I Current Assets								
1. Cash and deposits		51,524		35,109		(16,415)	74,218	
2. Notes receivable		2		—		(2)	—	
3. Accounts receivable		8,099		8,791		692	6,840	
4. Inventories		571		703		132	625	
5. Content production account		14,469		16,139		1,669	15,510	
6. Loans to affiliates		5,379		2,603		(2,775)	2,469	
7. Deferred tax assets		727		2,430		1,703	2,950	
8. Other current assets	*2	727		1,518		791	668	
Allowance for doubtful accounts		(8)		(6)		1	(6)	
Total current assets		81,494	78.8	67,291	44.7	(14,202)	103,276	83.2
II Non-current assets								
1. Property and equipment								
(1) Buildings	*1	2,076		2,009		(66)	2,079	
(2) Tools and fixtures	*1	2,756		2,370		(385)	2,638	
(3) Land		3,813		3,625		(188)	3,813	
(4) Other		4		3		(0)	3	
Total property and equipment		8,650	8.4	8,008	5.3	(641)	8,535	6.9
2. Intangible assets		1,051	1.0	973	0.7	(77)	1,083	0.9
3. Investments and other assets								
(1) Investment securities		1,042		888		(154)	1,133	
(2) Shares held in affiliates		4,001		66,786		62,785	3,326	
(3) Long-term advanced prepaid expenses		437		346		(90)	431	
(4) Guarantee money		2,736		2,789		52	2,800	
(5) Deferred tax assets		2,727		1,572		(1,155)	2,095	
(6) Other		1,248		1,844		596	1,421	
Allowance for doubtful accounts		(0)		—		0	—	
Total investments and other assets		12,192	11.8	74,228	49.3	62,035	11,209	9.0
Total non-current assets		21,894	21.2	83,210	55.3	61,315	20,828	16.8
Total assets		103,388	100.0	150,501	100.0	47,112	124,105	100.0

(Millions of Yen)

Account \ Term	Note	FY2004 First-Half Period (As of September 30, 2004) Amount	Rate	FY2005 First-Half Period (As of September 30, 2005) Amount	Rate	Change Amount	FY2004 (As of March 31, 2005) Amount	Rate
			%		%			%
(Liabilities)								
I Current liabilities								
1. Accounts payable-trade		1,678		2,493		81.4	2,282	
2. Short-term borrowings		—		40,000		40,000	—	
3. Long-term borrowings due within one year		7		—		(7)	—	
4. Other accounts payable		1,627		1,374		(252)	1,210	
5. Accrued corporation taxes		1,522		62		(1,460)	9,960	
6. Advance payments received		5		399		394	437	
7. Reserve for bonuses		583		701		117	1,009	
8. Allowance for sales returns		814		817		2	832	
9. Other	*2	1,145		1,169		23	2,155	
Total current liabilities		7,385	7.1	47,018	31.2	39,632	17,888	14.4
II Non-current liabilities								
1. Allowance for retirement benefits		1,069		1,108		38	1,167	
2. Allowance for directors' retirement benefits		51		59		8	55	
3. Other		75		106		31	84	
Total non-current liabilities		1,195	1.2	1,274	0.9	78	1,307	1.1
Total liabilities		8,581	8.3	48,292	32.1	39,710	19,195	15.5
(Shareholders' equity)								
I Common stock		7,262	7.0	7,684	5.1	421	7,433	6.0
II Capital surplus								
1. Reserved common stock		36,497		36,919		421	36,668	
2. Other capital surplus		5		5		0	5	
Total capital surplus		36,503	35.3	36,925	24.5	422	36,673	29.6
III Retained earnings								
1. Statutory reserve		885		885		—	885	
2. Optional reserve fund		29,522		29,522		—	29,522	
3. Unappropriated retained earnings		20,620		27,280		6,660	30,223	
Total retained earnings		51,027	49.4	57,687	38.3	6,660	60,731	48.9
IV Unrealized gain on revaluation of marketable securities		334	0.3	380	0.3	45	472	0.3
V Treasury stock		(321)	(0.3)	(468)	(0.3)	(147)	(401)	(0.3)
Total shareholders' equity		94,807	91.7	102,209	67.9	7,402	104,909	84.5
Total liabilities and shareholders' equity		103,388	100.0	150,501	100.0	47,112	124,105	100.0

(2)Non-Consolidated Statements of Income

(Millions of Yen)

Account \ Term	Notes	FY2004 First-Half Period (April 1, 2004 to September 30, 2004) Amount		Rate	FY2004 First-Half Period (April 1, 2005 to September 30, 2005) Amount		Rate	Change Amount	FY2004 (April 1, 2004 to March 31, 2005) Amount		Rate
				%			%				%
I Net sales			19,170	100.0		22,445	100.0	3,274		63,950	100.0
II Cost of sales			7,160	37.4		12,069	53.8	4,908		22,938	35.9
Gross profit			12,009	62.6		10,375	46.2	(1,634)		41,012	64.1
Reversal of allowance for sales returns			814	4.2		832	3.7	18		814	1.3
Provision for allowance for sales returns			814	4.2		817	3.6	2		832	1.4
Net gross profit			12,009	62.6		10,390	46.3	(1,618)		40,993	64.0
III Selling, general and administrative expenses			7,298	38.0		9,516	42.4	2,218		16,912	26.4
Operating income			4,711	24.6		874	3.9	(3,837)		24,080	37.6
IV Non-operating income	*1		568	3.0		1,228	5.5	659		526	0.8
V Non-operating expenses	*2		401	2.1		75	0.4	(325)		1,073	1.6
Recurring income			4,878	25.5		2,026	9.0	(2,852)		23,533	36.8
VI Extraordinary gain	*3		8	0.0		1,361	6.1	1,352		118	0.2
VII Extraordinary loss	*4,5		261	1.3		746	3.3	485		1,048	1.7
Income before income taxes and distribution of loss in partnership *(tokumei-kumiai)*			4,626	24.2		2,640	11.8	(1,985)		22,603	35.3
Distribution of loss in partnership *(tokumei-kumiai)*			11	0.1		22	0.1	11		20	0.0
Income before income taxes			4,614	24.1		2,618	11.7	(1,996)		22,582	35.3
Corporate, resident and enterprise taxes		1,465			(50)				10,315		
Refunded income taxes		—			(956)				—		
Deferred income taxes		390	1,856	9.7	1,106	150	0.7	(1,706)	(1,295)	9,019	14.1
Net Income			2,758	14.4		2,468	11.0	(289)		13,562	21.2
Retained earnings brought forward from the previous period			17,861			24,812		6,950		17,861	
Cash dividends paid			—			—		—		1,101	
Retained earnings at end of period			20,620			27,280		6,660		30,323	

Summary of Significant Accounting Policies Used in the Preparation of Non-Consolidated Financial Statements for the First-Half Period Ended September 30, 2005

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
1. Standards and Valuation Methods for Investment Securities	(1) Held-to-maturity securities: Stated at amortized cost on a straight-line basis (2) Investments in consolidated subsidiaries and affiliates: Stated at cost, determined using the moving-average method (3) Other investment securities: Securities for which fair values are available: Market value, determined by the quoted market price as of the interim balance sheet date, with unrealized gains and losses reported as a separate component of shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method. Securities for which fair values are unavailable: Stated at cost determined using the moving- average method	(1) Held-to-maturity securities: ――― (2) Investments in consolidated subsidiaries and affiliates: Stated at cost, determined using the moving-average method (3) Other investment securities: Securities for which fair values are available: Market value, determined by the quoted market price as of the interim balance sheet date, with unrealized gains and losses reported as a separate component of shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method. Securities for which fair values are unavailable: Stated at cost determined using the moving- average method	(1) Held-to-maturity securities: Stated at amortized cost on a straight-line basis (2) Investments in consolidated subsidiaries and affiliates: Stated at cost, determined using the moving-average method (3) Other investment securities: Securities for which fair values are available: Market value, determined by the quoted market price as of the interim balance sheet date, with unrealized gains and losses reported as a separate component of shareholders' equity at a net-of-tax amount, and the cost of sales determined by the moving-average method. Securities for which fair values are unavailable: Stated at cost determined using the moving- average method
2. Standards and Valuation Methods for Inventories	Manufactured goods, merchandise: Stated at cost, determined using the monthly average method Content production account Stated at cost, determined using the individual identification Unfinished goods: Stated at cost, determined using the monthly average method in principle Supplies: Stated at last purchase price	Manufactured goods, merchandise: Stated at cost, determined using the monthly average method Content production account Stated at cost, determined using the individual identification Unfinished goods: Stated at cost, determined using the monthly average method in principle Supplies: Stated at last purchase price	Manufactured goods, merchandise: Stated at cost, determined using the monthly average method Content production account: Stated at cost, determined using the individual identification Unfinished goods: Stated at cost, determined using the monthly average method in principle Supplies: Stated at last purchase price
3. Standards and Valuation Methods for Derivatives	Determined by quoted market price	―――	―――
4. Method for Depreciation and Amortizion	(4) Property and equipment Property and equipment are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Building 50 years Structures 3–18 years Tools and fixtures 3–15 years (4) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimate useful life of five years. For all other intangible non-current assets, trademarks are amortized using the straight-line method based on an estimated useful life of ten years,	(4) Property and equipment Property and equipment are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Building 50 years Structures 3–18 years Tools and fixtures 3–15 years (4) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimate useful life of five years. For all other intangible non-current assets, trademarks are amortized using the straight-line method based on an estimated useful life of ten years,	(4) Property and equipment Property and equipment are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Building 50 years Structures 3–18 years Tools and fixtures 3–15 years (4) Intangible assets In-house software used by the Company and its domestic consolidated subsidiaries is amortized using the straight-line method based on an estimate useful life of five years. For all other intangible non-current assets, trademarks are amortized using the straight-line method based on an estimated useful life of 10 years,

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
	and goodwill is amortized using the straight-line method over a period of five years.	and goodwill is amortized using the straight-line method over a period of five years.	and Goodwill is amortized using the straight-line method over a period of five years.
5. Accounting for Deferred Assets	———	Share issuance expenses Costs associated with issuance of common shares are expensed as incurred.	Share issuance expenses Costs associated with issuance of common shares are expensed as incurred.
6. Accounting for Allowances and Reserves	(4) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates. (4) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company at the amount expected to be paid in respect of the calculation period ended September 30, 2004. (3) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this period, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. (Additional Information) Previously, the Company had provided a reserve for retirement benefits equal to 100 percent of such benefits the Company would be required to pay if all eligible employees were to voluntarily terminate their employment at the balance sheet date. Effective from the previous second half year, the Company changed its accounting policy for reserve for retirement benefits to the method described above. As a result of this change, recurring income and income before income taxes each increased by ¥393 million, respectively. (4) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to the first-half period ended September 30, 2004. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title.	(4) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates. (4) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company at the amount expected to be paid in respect of the calculation period ended September 30, 2005. (3) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this period, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. Past service obligations are amortized based on account proportionally divided by particular period (one year) within average period of time in service remained when the obligations incurred. (4) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to the first-half period ended September 30, 2005. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title.	(4) Allowance for doubtful accounts An allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated loss on default of doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates. (2) Reserve for bonuses A reserve for bonuses provided for payments to employees of the Company at the amount expected to be paid in respect of the calculation period ended March 30, 2005. (3) Allowance for retirement benefits An allowance for retirement benefits is provided at the amount incurred during this year, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the fiscal year following that in which they arise. Past service obligations are amortized based on account proportionally divided by particular period (one year) within average period of time in service remained when the obligations incurred. (4) Allowance for sales returns An allowance is provided for losses due to the return of published materials, at an amount calculated based on historic experience, prior to the fiscal year ended March 31, 2005. In addition, allowance is provided for losses due to the return of game software, at an estimated amount of future losses assessed by each game title.

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
	(5) Allowance for directors' retirement benefits 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.	(5) Allowance for directors' retirement benefits 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.	(5) Allowance for directors' retirement benefits 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.
7. Accounting for Leases	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees are accounted for as operating leases.	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees are accounted for as operating leases.	Finance leases, other than those for which the ownership of the leased assets are considered to be transferred to the lessees, are accounted for as operating leases.
8. Additional Accounting Policies Used to Prepare Non-Consolidated Financial Statements	Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax.	Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax.	Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax.

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

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
———	(Accounting standard for impairment of Non-current Assets) Effective from the first-half period ended September 30, 2005, the Company has applied the accounting standard for impairment of non-current assets—"Proposal of Accounting Standard for Impairment of Non-current Assets" (issued on August 9, 2002 by the Business Accounting Council in Japan) and "Guideline for Application of Accounting Standard for Impairment of Non-current Assets" (issued on October 31, 2003, the Sixth Guideline for Application of Business Accounting Standard) As a result, income before income taxes decreased in the amount of ¥188 million. Total amount of impairment loss was deducted directly from the book value of each asset in accordance with amended policy of consolidated financial statements.	———

Notes to Balance Sheet

First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
*1 Accumulated depreciation of Property and equipment ¥6,509 million *2 Treatment of consumption tax Accrued consumption tax is included in other current liabilities. 3 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX U.S.A. INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of September 30, 2004 the liability outstanding under the guarantee was U.S.$ 1,124,000 (¥124 million).	*1 Accumulated depreciation of Property and equipment ¥7,008 million *2 Treatment of consumption tax Accrued consumption tax is included in other current liabilities. 3 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of September 30, 2005, there is no liability outstanding under the guarantee.	*1 Accumulated depreciation of Property and equipment ¥7,109 million *2 Treatment of consumption tax Accrued consumption tax is included in other current liabilities. 3 Contingent liabilities for guarantees The Company has issued a revolving guarantee to a maximum limit of U.S.$15 million on behalf of consolidated subsidiary SQUARE ENIX INC., in favor of SONY COMPUTER ENTERTAINMENT AMERICA INC. As of March 30, 2005, there is no liability outstanding under the guarantee.

Notes to Statements of Income

<table>
<tr><th>First-Half Period
Ended September 30, 2004</th><th>First-Half Period
Ended September 30, 2005</th><th>FY2004
(April 1, 2004 to
March 31, 2005)</th></tr>
<tr>
<td>*1 Principal non-operating income
Interest income ¥47 million
Dividends received ¥7 million
Rental income ¥16 million
Foreign exchange income ¥433 million</td>
<td>*1 Principal non-operating income
Interest income ¥48 million
Dividends received ¥863 million
Rental income ¥31 million
Foreign exchange income ¥254 million</td>
<td>*1 Principal non-operating income
Interest income ¥72 million
Dividends received ¥9 million
Rental income ¥34 million
Foreign exchange income ¥296 million</td>
</tr>
<tr>
<td>*2 Principal non-operating expenses
Content disposal loss ¥400 million</td>
<td>*2 Principal non-operating expenses
Interest expenses ¥12 million
Commisions paid ¥62 million</td>
<td>*2 Principal non-operating expenses
Content disposal loss ¥996 million</td>
</tr>
<tr>
<td>*3 Principal extraordinary income
Reversal of allowance for doubtful account
¥8 million</td>
<td>*3 Principal extraordinary income
Gain on sale of investment securities
¥1,353 million
Gain on sale of shares in affiliates
¥2 million</td>
<td>*3 Principal extraordinary income
Reversal of allowance for doubtful account
¥11 million
Gain on sale of investment securities
¥106 million</td>
</tr>
<tr>
<td>*4 Principal extraordinary losses
Loss on sale of property and equipment
¥0 million
Loss on disposal of property and equipment
¥37 million
Loss on investment securities
¥79 million
Evaluation loss on shares held in affiliates
¥128 million</td>
<td>*4 Principal extraordinary losses
Loss on sale of property and equipment
¥12 million
Loss on disposal of property and equipment
¥130 million
Loss on investment securities
¥91 million
Impairment loss
¥188 million
Loss on adjustments in payment process
¥302 million</td>
<td>*4 Principal extraordinary losses
Loss on sale of property and equipment
¥2 million
Loss on disposal of property and equipment
¥49 million
Loss on investment securities
¥80 million
Evaluation loss on shares held in affiliates
¥897 million</td>
</tr>
<tr>
<td>*5 Impairment loss
—</td>
<td>*5 Impairment loss
Impairment losses incurred during the first-half period ended September 30, 2005 are as follows.
<table>
<tr><th>Location</th><th>Usage</th><th>Category</th></tr>
<tr><td>Nagareyama city, Chiba Pref.</td><td>Idle asset</td><td>Land</td></tr>
<tr><td>Tokushima city, Tokushima Pref.</td><td>Idle asset</td><td>Land</td></tr>
</table>
Cash in- flow from each business segment of the Group are complementary to each other in terms of similarity in nature of goods, merchandise, services and markets. Consequently, all assets for each operational purposes are categorized in one asset group, and the idle assets, which are not for operational purpose, are categorized individually. In addition, assets related to the Group’s headquarters and welfare facilities are categorized as communal assets.
While the market value of the idle assets mentioned above has been severely declining compared with their book value, and since the chance of utilizing these assets is indefinite, their book value has been lowered to the recoverable amount, and is included in extraordinary loss as an impairment loss of ¥188 million.
In addition, the recoverable amount of assets is determined by market price, and the market value is calculated on the basis of a realistic appraisal.</td>
<td>*5 Impairment loss
—</td>
</tr>
<tr>
<td>6 Depreciation
Property and equipment ¥610 million
Intangible assets ¥169 million</td>
<td>6 Depreciation
Property and equipment ¥562 million
Intangible assets ¥175 million</td>
<td>6 Depreciation
Property and equipment ¥1,315 million
Intangible assets ¥342 million</td>
</tr>
</table>

Lease Transactions

	First-Half Period Ended September 30, 2004	First-Half Period Ended September 30, 2005	FY2004 (April 1, 2004 to March 31, 2005)
Information related to finance leases other than those that transfer ownership to the lessee.	1. Acquisition cost, accumulated depreciation and net book value of leased assets (Millions of yen) Acquisition cost / Accumulated depreciation / Net book value Tools and fixtures: 90 / 57 / 32 Total: 90 / 57 / 32 Note: The acquisition cost is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion. 2. Outstanding balance of future lease payments Due within one year ¥15 million Due after one year ¥17 million Total ¥32 million Note: The total future lease payment at the end of the period is insignificant portion of total property and equipment at the end of the period. Accordingly, the total future lease payment includes the interest portion. 3. Lease payment and depreciation Lease expenses payment ¥9 million Depreciation expense ¥9 million 4. Method of calculation for depreciation Straight-line method over the useful life with no residual value is used to calculate depreciation.	1. Acquisition cost, accumulated depreciation, impairment loss and net book value of leased assets (Millions of yen) Acquisition cost / Accumulated depreciation / Net book value Tools and fixtures: 74 / 57 / 17 Total: 74 / 57 / 17 Note: The acquisition cost is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion. 2. Outstanding balance of future lease payments Due within one year ¥14 million Due after one year ¥2 million Total ¥17 million Note: The total future lease payment at the end of the period is insignificant portion of total property and equipment at the end of the period. Accordingly, the total future lease payment includes the interest portion. 3. Lease payment, transfer from impairment loss in leased asset and depreciation Lease expenses payment ¥7 million Depreciation expense ¥7 million 4. Method of calculation for depreciation Straight-line method over the useful life with no residual value is used to calculate depreciation. (Impairment loss) There is no impairment loss recognized regarding leased assets.	1. Acquisition cost, accumulated depreciation and net book value of leased assets (Millions of yen) Acquisition cost / Accumulated depreciation / Net book value Tools and fixtures: 74 / 49 / 24 Total: 74 / 49 / 24 Note: The acquisition cost is immaterial in proportion to the amount of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion. 2. Outstanding balance of future lease payments Due within one year ¥14 million Due after one year ¥9 million Total ¥24 million Note: The total future lease payment at the end of the period is insignificant portion of total property and equipment at the end of the period. Accordingly, the total future lease payment includes the interest portion. 3. Lease payment and depreciation Lease expenses payment ¥16 million Depreciation expense ¥16 million 4. Method of calculation for depreciation Depreciation is calculated using the straight-line method over the useful life with no residual value.

Securities

Shares in consolidated subsidiaries and affiliates with market value

(Millions of yen)

	First-Half Period Ended September 30, 2004			First-Half Period Ended September 30, 2005			FY2004 (April 1, 2004 to March 31, 2005)		
	Book Value	Market Value	Unrealized Gain	Book Value	Market Value	Unrealized Loss	Book Value	Market Value	Unrealized Gain
Shares in consolidated subsidiaries	—	—	—	63,074	61,710	(1,363)	—	—	—
Shares in affiliates	151	1,445	1,293				151	1,707	1,556
Total	151	1,445	1,293	63,074	61,710	(1,363)	151	1,707	1,556