

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2007 (JPNGAAP)

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

Market: Tokyo Stock Exchange, First Section

Headquarters: Tokyo

1. Consolidated Financial Highlights (April 1, 2007 to December 31, 2007)

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

	Net Sales		Operating Income		Recurring Income		Net Income	
Nine Months Ended		%		%		%		%
December 31, 2007	114,293	(7.1)	17,909	(8.9)	17,354	(14.2)	9,095	(0.0)
December 31, 2006	123,035	78.3	19,656	210.3	20,228	191.6	9,095	111.9
Fiscal Year 2006	163,472		25,916		26,241		11,619	

	Earnings Per Share (basic)	Earnings Per Share (diluted)
Nine Months Ended	Yen	Yen
December 31, 2007	81.54	81.14
December 31, 2006	82.26	81.88
Fiscal Year 2006	105.06	104.71

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

	Total Assets	Net Assets	Equity Ratio	Book Value Per Share
Nine Months Ended			%	Yen
December 31, 2007	212,814	149,280	69.6	1,289.34
December 31, 2006	208,498	128,141	60.9	1,150.70
Fiscal Year 2006	215,679	130,639	60.0	1,168.91

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

	From Operating Activities	From Investing Activities	From Financing Activities	Closing Cash and Cash Equivalents
Nine Months Ended				
December 31, 2007	10,264	(6,640)	(3,066)	100,253
December 31, 2006	18,070	(3,135)	(2,993)	87,546
Fiscal Year 2006	32,809	(5,671)	(2,912)	99,847

2. Dividends

	Dividend Per Share		
	Interim	Year-end	Annual
FY2006	10.00 yen	25.00 yen	35.00 yen
FY2007	10.00	—	30.00
FY2007 Projection	—	20.00	

3. FY2007 Consolidated Forecasts (April 1, 2007 to March 31, 2008) (Millions of yen, except percentages)

	Net Sales		Operating Income		Recurring Income		Net Income		Earnings Per Share
Full Year		%		%		%		%	yen
	162,500	(0.6)	21,000	(19.0)	20,000	(23.8)	12,000	3.3	104.45

Disclaimer

The forward-looking statements in this document are based upon the information currently available, and necessarily include elements that are not entirely predictable. Actual results may differ from the forward-looking statements in this document.

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

A Summary of Consolidated Balance Sheet for Nine Months Ended December 31, 2007

(Millions of yen)

Account	FY2006 Quarterly Results	FY2007 Quarterly Results	Change		(For Reference)
	(As of December 31, 2006)	(As of December 31, 2007)	Amount	Rate	Fiscal Year 2006
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current assets					
1. Cash and deposits	87,551	80,320	(7,231)	(8.3)	99,852
2. Notes and accounts receivable	28,107	22,258	(5,849)	(20.8)	21,206
3. Short-term securities	—	24,123	24,123	—	—
4. Inventories	5,825	5,048	(776)	(13.3)	4,188
5. Content production account	10,271	14,501	4,230	41.2	11,903
6. Deferred tax assets	2,142	3,479	1,336	62.4	5,634
7. Other current assets	3,389	5,171	1,781	52.6	4,656
Allowance for doubtful accounts	(434)	(349)	85	(19.6)	(832)
Total current assets	136,854	154,554	17,700	12.9	146,608
II Non-current assets					
1. Property and equipment	27,069	21,380	(5,688)	(21.0)	25,664
2. Intangible assets	22,141	20,329	(1,811)	(8.2)	21,657
3. Investments and other asset					
(1) Investment securities	1,085	387	(698)	(64.3)	455
(2) Long-term loans	174	184	9	5.7	176
(3) Rental deposits	16,962	13,448	(3,513)	(20.7)	14,198
(4) Construction cooperation fund	1,913	1,546	(367)	(19.2)	1,886
(5) Claim in bankruptcy	2,210	2,954	744	33.7	5,065
(6) Deferred tax assets	5,259	807	(4,451)	(84.6)	4,939
(7) Other	583	638	54	9.3	541
Allowance for doubtful accounts	(5,756)	(3,417)	2,339	(40.6)	(5,515)
Total investments and other assets	22,432	16,549	(5,883)	(26.2)	21,748
Total non-current assets	71,644	58,260	(13,384)	(18.7)	69,071
Total assets	208,498	212,814	4,316	2.1	215,679
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	11,007	10,899	(107)	(1.0)	13,275
2. Short-term loans	—	26	26	—	—
3. Other accounts payable	2,387	2,374	(13)	(0.6)	4,773
4. Accrued expenses	4,877	4,372	(505)	(10.4)	3,379
5. Accrued income taxes	1,785	576	(1,209)	(67.7)	994
6. Advance payments received	1,027	703	(323)	(31.5)	1,188
7. Deposits received	793	793	0	(0.1)	490
8. Reserve for bonuses	755	708	(46)	(6.2)	1,872
9. Allowance for sales returns	1,869	1,704	(164)	(8.8)	2,271
10. Allowance for game arcade closings	223	393	170	76.4	2,973
11. Other	2,619	1,040	(1,578)	(60.3)	1,185
Total current liabilities	27,346	23,593	(3,752)	(13.7)	32,404
II Non-current liabilities					
1. Corporate bond	50,000	37,000	(13,000)	(26.0)	50,000
2. Allowance for retirement benefits	2,590	1,680	(910)	(35.1)	2,169
3. Other	420	1,259	838	199.5	466
Total non-current liabilities	53,011	39,940	(13,071)	(24.7)	52,635
Total liabilities	80,357	63,534	(16,823)	(20.9)	85,040
Net assets					
I Shareholders' equity					
1. Common stock	7,937	14,897	6,959	87.7	8,038
2. Capital surplus reserve	37,178	44,138	6,960	18.7	37,279
3. Retained earnings	81,790	89,988	8,197	10.0	84,315
4. Treasury stock	(528)	(586)	(57)	11.0	(540)
Total shareholders' equity	126,379	148,439	22,059	17.5	129,092
II Valuation and translation adjustment					
1. Unrealized gain on revaluation of other investment securities	210	(64)	(275)	(130.7)	(8)
2. Foreign currency translation adjustment	382	(249)	(631)	(165.2)	377
Total valuation and translation adjustment	592	(313)	(906)	(153.0)	368
III Stock acquisition rights	—	20	20	—	—
IV Minority interests in consolidated subsidiaries	1,169	1,135	(34)	(2.9)	1,178
Total net assets	128,141	149,280	21,139	16.5	130,639
Total liabilities and net assets	208,498	212,814	4,316	2.1	215,679

A Summary of Consolidated Statements of Income for Nine Months Ended December 31, 2007

(Millions of yen)

Account	FY2006 Quarterly Results	FY2007 Quarterly Results	Change		(For Reference)
	(As of December 31, 2006)	(As of December 31, 2007)	Amount	Rate	Fiscal Year 2006
	Amount	Amount	Amount	Rate	Amount
I Net Sales	123,035	114,293	(8,741)	(7.1)	163,472
II Cost of sales	64,780	61,659	(3,121)	(4.8)	87,262
Gross profit	58,254	52,634	(5,620)	(9.6)	76,210
Reversal of allowance for sales returns	1,186	2,271	1,084	91.4	1,186
Provision for allowance for sales returns	1,869	1,704	(164)	(8.8)	2,271
Net gross profit	57,572	53,201	(4,371)	(7.6)	75,125
III Selling, general and administrative expenses	37,916	35,291	(2,624)	(6.9)	49,209
Operating income	19,656	17,909	(1,746)	(8.9)	25,916
IV Non-operating income	979	1,046	67	6.9	1,176
V Non-operating expenses	406	1,600	1,194	293.4	852
Recurring income	20,228	17,354	(2,873)	(14.2)	26,241
VI Extraordinary gain	2,990	1,088	(1,901)	(63.6)	3,778
VII Extraordinary loss	4,410	2,456	(1,953)	(44.3)	11,629
Income before income taxes and distribution of loss in partnership (<i>tokumei-kumiai</i>)	18,808	15,986	(2,821)	(15.0)	18,390
Distribution of loss in partnership	15	(2)	(17)	(113.8)	16
Income before income taxes	18,792	15,988	(2,804)	(14.9)	18,374
Corporate, resident and enterprise taxes	3,556	1,376	(2,180)	(61.3)	2,915
Refunded income taxes	(117)	(424)	(306)	261.0	(127)
Deferred income taxes	6,231	5,993	(238)	(3.8)	3,941
Minority interest in consolidated subsidiaries	26	(51)	(78)	(291.9)	24
Net income	9,095	9,095	0	0.0	11,619

A Summary of Consolidated Statements of Cash Flows for Nine Months Ended December 31, 2006

(Millions of yen / %)

Account	FY2006 Quarterly Results	FY2007 Quarterly Results	(For Reference)
	(As of December 31, 2006)	(As of December 31, 2007)	Fiscal Year 2006
	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes	18,792	15,988	18,374
Depreciation and amortization	8,120	7,297	11,115
Decrease (increase) in accounts receivable	4,075	(1,203)	11,090
(Decrease) in inventories	(3,401)	(3,495)	(2,780)
(Decrease) increase in purchase liabilities	(324)	(1,949)	1,671
(Decrease) in accrued consumption taxes	(604)	(112)	(320)
Income taxes paid	(5,686)	(531)	(7,249)
Other	(2,900)	(5,728)	908
Net cash provided by operating activities	18,070	10,264	32,809
II Cash flows from investing activities			
Payments for acquiring property and equipment	(8,226)	(5,512)	(10,733)
Payments for acquiring intangible assets	(299)	(163)	(413)
Proceeds from return of guarantee money paid	948	1,637	1,113
Payments for provision of guarantee money paid	(325)	(566)	(398)
Payments for acquiring short-term securities	—	(4,123)	—
Other	4,766	2,086	4,760
Net cash provided by investing activities	(3,135)	(6,640)	(5,671)
III Cash flows from financing activities			
Payments for dividends	(3,237)	(3,737)	(3,314)
Other	243	670	401
Net cash provided by financing activities	(2,993)	(3,066)	(2,912)
IV Effect of exchange rate changes on cash and cash equivalents	339	(82)	356
V Net (decrease) increase in cash and cash equivalents	12,281	475	24,582
VI Cash and cash equivalents at beginning of period	75,252	99,847	75,252
VII Increase in cash and cash equivalents due to increase in consolidated subsidiaries	13	—	13
VIII Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	—	(70)	—
IX Cash and cash equivalent at period end	87,546	100,253	99,847

Segment Information

1. Consolidated Business Segment Information

FY2006 Quarterly Results (April 1, 2006 to December 31, 2006)								(Millions of yen)	
	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income									
Net sales									
(1) Sales to outside customers	40,298	10,568	4,396	8,135	56,369	3,267	123,035	—	123,035
(2) Intersegment sales	—	—	—	—	—	—	—	—	—
Total	40,298	10,568	4,396	8,135	56,369	3,267	123,035	—	123,035
Operating expenses	26,473	5,570	3,671	5,580	57,123	1,970	100,390	2,989	103,379
Operating income	13,824	4,998	724	2,555	(754)	1,297	22,645	(2,989)	19,656

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
Amusement	All the businesses of the TAITO Group including Amusement operation and Rental, Sales of Goods and Merchandise and Content Services
Other	Derivative products such as character merchandise, school for game designers

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥2,989 million.

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

FY2007 Quarterly Results (April 1, 2007 to Decemeber 31, 2007)								(Millions of yen)	
	Games (Offline)	Games (Online)	Mobile Phone Content	Publication	Amusement	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income									
Net sales									
(1) Sales to outside customers	34,541	9,495	4,974	8,514	50,406	6,362	114,293	—	114,293
(2) Inter-segment sales	—	—	79	—	896	252	1,229	(1,229)	—
Total	34,541	9,495	5,054	8,514	51,302	6,614	115,523	(1,229)	114,293
Operating expenses	25,788	4,792	3,962	5,759	49,662	4,197	94,163	2,220	96,384
Operating income	8,752	4,702	1,092	2,755	1,640	2,416	21,359	(3,450)	17,909

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
Amusement	All businesses of Taito Group such as Amusement Operation and Rental, Sales of Goods and Merchandise, and Content Services
Other	Derivative products such as character merchandise, creator training school

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥3,406million.

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

2. Consolidated Geographic Segment Information

FY2006 Quarterly Results (April 1, 2006 to December 31, 2006)

(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	95,552	20,698	6,022	762	123,035	—	123,035
(2) Intersegment sales	7,672	638	256	8	8,575	(8,575)	—
Total	103,224	21,336	6,279	771	131,610	(8,575)	123,035
Operating expenses	89,378	15,827	5,461	1,287	111,954	(8,575)	103,379
Operating income	13,845	5,509	817	(516)	19,656	—	19,656

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

2. Main countries included in each segment:

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

(2) Europe.....United Kingdom

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

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

FY2007 Quarterly Results (April 1, 2007 to Decemeber 31, 2007)

(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	100,481	8,621	4,693	497	114,293	—	114,293
(2) Inter-segment sales	4,012	420	259	7	4,700	(4,700)	—
Total	104,494	9,041	4,952	505	118,994	(4,700)	114,293
Operating expenses	88,656	7,136	4,314	975	101,083	(4,698)	96,384
Operating income	15,837	1,905	637	(470)	17,910	(1)	17,909

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, Korea

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