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TAITO to Divest its Commercial Karaoke Machines Business

TAITO CORPORATION (Tokyo, Japan, "TAITO"), a wholly owned subsidiary of SQUARE ENIX CO., LTD. (Tokyo, Japan, the "Company") and XING INC. (Nagoya, Japan, "XING") announced today the transfer of TAITO's commercial karaoke machines business to XING.

TAITO will divest its commercial karaoke machines business into a newly established company as of July 1, 2006, and then sell all shares held by TAITO in the new company to XING. Consequently, XING will operate the commercial karaoke machines business as its wholly owned subsidiary.

XING is a subsidiary of BROTHER INDUSTRIES, LTD. providing the communication karaoke system, "JOYSOUND," and mobile phone content business as its major businesses. XING and TAITO have developed a cooperative relationship in the commercial karaoke machines business through the co-development of karaoke-related products, and cross-provision of music content.

TAITO has been a consolidated subsidiary of the Company since September 2005, and in consideration of the mid- and long-term growth strategy for the Company and its enterprise group (the "Group"), the Company reached a conclusion that divestiture of the commercial karaoke machines business to XING will enhance the Group's corporate value. The Company will continuously seek to strengthen the profitability of the Group through the effective utilization of integrated subsidiaries.

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