

**Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2010  
(Translation of *Kessan Tanshin*)**

*Company name:* SQUARE ENIX HOLDINGS CO., LTD.  
*Shares traded:* Tokyo Stock Exchange, First Section  
*Company code:* 9684  
*URL:* <http://www.square-enix.com/eng>  
*Representative:* Yoichi Wada, President and Representative Director  
*Contact:* Yosuke Matsuda, Director and Chief Financial Officer  
*Annual general meeting of shareholders:* June 23, 2010 (planned)  
*Date of dividend payout:* June 24, 2010 (planned)  
*Presentation of Financial Report (Yukashoken-Hokokusho):* June 24, 2010 (planned)

1. Consolidated Financial Results (April 1, 2009 to March 31, 2010)

(1) Consolidated Financial Results

*(Millions of yen, except percentages and per share data)*

Fiscal year ended	Net sales		Operating income		Recurring income		Net income	
		%		%		%		%
Mar. 31, 2010	192,257	41.7	28,235	130.0	27,822	147.1	9,509	50.1
Mar. 31, 2009	135,693	(8.0)	12,277	(42.9)	11,261	(40.3)	6,333	(31.1)

Fiscal year ended	Earnings per share (basic)	Earnings per share (diluted)	Return on equity	Recurring income to total assets	Operating margin
	yen	yen	%	%	%
Mar. 31, 2010	82.65	82.59	6.3	11.5	14.7
Mar. 31, 2009	55.11	54.99	4.3	5.3	9.0

Note: Equity in gain (loss) of affiliated companies  
 FY ended March 31, 2010: (49 million yen)  
 FY ended March 31, 2009: (18 million yen)

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
			%	yen
Mar. 31, 2010	270,529	154,258	56.4	1,326.82
Mar. 31, 2009	213,194	148,724	69.1	1,280.92

Note: Total equity  
 FY ended March 31, 2010: 152,680 million yen  
 FY ended March 31, 2009: 147,318 million yen

(3) Consolidated Statements of Cash Flows

Fiscal year ended	From operating activities	From investing activities	From financing activities	Closing cash & cash equivalents
Mar. 31, 2010	20,838	(53,774)	31,707	109,717
Mar. 31, 2009	18,974	(10,991)	(3,044)	111,875

## 2. Dividends

	<i>Dividends per share</i>					Total annual dividend payments million yen	Dividend payout ratio (consolidated) %	Dividend on equity ratio (consolidated) %
	1Q yen	2Q yen	3Q yen	FY-end yen	Total yen			
Fiscal year ended Mar. 31, 2009	-	10.00	-	20.00	30.00	3,450	54.4	2.3
Fiscal year ending Mar. 31, 2010	-	10.00	-	25.00	35.00	4,027	42.3	2.7
Fiscal year ending Mar. 31, 2011 (projection)	-	10.00	-	20.00	30.00		28.8	

## 3. Consolidated Forecasts (April 1, 2010 to March 31, 2011)

	Net sales		Operating income		Recurring income		Net income		Earnings per share
		%		%		%		%	yen
Six months ending Sep. 30, 2010	76,000	(16.1)	4,000	(69.4)	4,000	(67.2)	2,400	(10.6)	20.86
Fiscal year ending Mar. 31, 2011	160,000	(16.8)	20,000	(29.2)	20,000	(28.1)	12,000	26.2	104.28

## 4. Other

- (1) Significant changes among subsidiaries (resulting from a change in the scope of consolidation) during the period:  
New items: 1 company added. The Group acquired the equity shares of the newly consolidated Eidos Ltd.
- (2) Changes in accounting principles, procedures, disclosure methods, etc., pertaining to preparation of consolidated financial statements (Those to be stated as "Changes to the Basis of Presenting Consolidated Financial Statements"):
  1. Changes associated with revision in accounting standards: Yes
  2. Other changes: No
- (3) Outstanding shares (common stock):
  1. Number of shares issued and outstanding (including treasury stock)  
As of Mar. 31, 2010: 115,370,596                      As of Mar. 31, 2009: 115,305,996
  2. Number of treasury stock:  
As of Mar. 31, 2010: 297,765                              As of Mar. 31, 2009: 295,813

Disclaimer: (1) This document is a translation of the Japanese language "Kessan Tanshin" prepared in accordance with the guidelines of the Tokyo Stock Exchange. The Japanese language document shall prevail in the event any differences or discrepancies exist between this English translation and the original. (2) 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. (3) Please refer to page 5 for additional information related to Group forecasts.

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

## 1. Consolidated Results

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

Net sales for the fiscal year ended March 31, 2010 totaled ¥192,257 million (an increase of 41.7% from the prior fiscal year), operating income amounted to ¥28,235 million (an increase of 130.0% from the prior fiscal year), recurring income amounted to ¥27,822 million (an increase of 147.1% from the prior fiscal year) and net income amounted to ¥9,509 million (an increase of 50.1% from the prior fiscal year).

A discussion of results by segment for the fiscal year ended March 31, 2010 follows.

## 2. Consolidated Business Segment Information

### Games

The Games segment plans, develops, distributes, and operates games for game consoles (including handheld game machines) and personal computers as well as online games. This segment includes amortization of goodwill relating to the consolidation of Eidos Ltd. into the Group. Games developed by the Group are marketed in the world's major regions through key subsidiaries including SQUARE ENIX CO., LTD. (Japan), SQUARE ENIX, INC. (North America region) and SQUARE ENIX LTD. (Europe and PAL regions).

During the fiscal year ended March 31, 2010, major game titles such as "FINAL FANTASY XIII," "DRAGON QUEST IX: Sentinels of the Starry Skies," "Batman: Arkham Asylum," "KINGDOM HEARTS 358/2 Days" and "DRAGON QUEST VI" were new million sellers released during the year contributing to the Group's favorable results.

Net sales in the Games segment totaled ¥109,949 million (an increase of 128.4% from the prior fiscal year), and operating income increased 254.0% to ¥23,814 million.

### Amusement

The Amusement segment includes TAITO CORPORATION's operation of amusement facilities and planning, development and distribution of arcade game machines for amusement facilities and related products. The planning, development and distribution of arcade game machines by SQUARE ENIX CO. LTD. are also included in this segment. Further, the segment includes amortization of goodwill relating to consolidation of TAITO CORPORATION into the Group.

In arcade game machines, "DRAGON QUEST Monster Battleroad II" performed well during the fiscal year under review, while amusement facility operations remained at low levels under the continued difficult market conditions.

Net sales in this segment totaled ¥52,299 million (a decrease of 12.7% from the same period in the prior

fiscal year), and operating income decreased by 11.8% to ¥2,892 million.

### **Publication**

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

During the fiscal year, the Group had favorable results supported by continued strong comic book sales accelerated by TV broadcasting animation programs of popular titles as well as favorable sales of strategy guide books based on popular game titles.

Consequently, net sales in this segment totaled ¥14,367 million (an increase of 10.6% from the prior fiscal year), and operating income increased 16.4% to ¥4,120 million.

### **Mobile Phone Content**

The Mobile Phone Content segment provides a range of mobile phone content services including the planning, development and management of portal services, games, ring tones and wallpapers.

The service lineup including “FINAL FANTASY” and “DRAGON QUEST” portal services has been continuously leveraging the Group’s strength in original content.

Net sales in the Mobile Phone Content segment totaled ¥10,171 million (a decrease of 6.9% from the prior fiscal year), and operating income increased 8.1% to ¥4,593 million.

### **Merchandising**

The Merchandising segment covers planning, production, distribution and licensing of derivative products of titles owned by the Group. The CG-animated film “FINAL FANTASY VII ADVENT CHILDREN COMPLETE,” released in April 2009, contributed to sales and profit of this segment.

Net sales in this segment totaled ¥5,473 million (an increase of 45.6% from the prior fiscal year), and operating income increased 124.2% to ¥1,827 million.

## **3. Consolidated Geographic Segment Information**

### **Japan**

In the “Japan” segment, the Group operates all business segments: Games, Amusement, Publication, Mobile Phone Content and Merchandising.

Japanese sales of game content developed by the Group’s subsidiaries in Japan, North America and Europe are conducted by SQUARE ENIX CO., LTD., and included in this segment. The operation of online games, sales of arcade game machines, publications, mobile phone content services and sales of derivative products are also included in this segment. The operation of amusement facilities and sales of arcade machines by TAITO CORPORATION, a wholly owned subsidiary, are also included in this segment.

Net sales in this segment totaled ¥151,067 million (an increase of 24.2% from the prior fiscal year), and operating income increased 205.1% to ¥26,363 million.

## **North America**

In the “North America” segment, the Group is primarily engaged in the Games business in the United States and Canada.

North American sales of game content developed by the Group’s subsidiaries in Japan, North America and Europe are conducted by SQUARE ENIX, INC., and included in this segment.

In April 2009, U.K.-based Eidos Ltd. (reorganized into SQUARE ENIX LTD. from November 2009) joined the Group. Accordingly, the sales and profit figures of the North American game development facilities formerly owned by Eidos are now included in this segment.

Net sales in this segment totaled ¥28,551 million (an increase of 112.7% from the prior fiscal year), and operating income increased 17.9% to ¥3,216 million.

## **Europe**

In the “Europe” segment, the Group is primarily engaged in the Games business in European countries and other PAL territories.

European sales of game content developed by the Group’s subsidiaries in Japan, North America and Europe are conducted by SQUARE ENIX LTD., and included in this segment. The sales and profit figures of the European game development facilities of SQUARE ENIX LTD. are also included in this segment.

Net sales in this segment totaled ¥28,229 million (an increase of 320.1% from the prior fiscal year), while the segment recorded an operating loss of ¥1,369 million (compared to operating income of ¥987 million in the prior fiscal year).

## **Asia**

In the “Asia” segment, the Group is primarily engaged in the Games and Amusement businesses in China. SQUARE ENIX (CHINA) CO., LTD., a wholly owned subsidiary, operates online gaming services for PC-based online games developed in Japan. Further, amusement facilities are operated by BEIJING TAIXIN CULTURAL AMUSEMENT CO., LTD., a wholly owned subsidiary, and included this segment. The sales and profit figures of the Chinese game development facilities of SQUARE ENIX LTD. are also included in this segment.

Sales in this segment totaled ¥394 million (an increase of 7.2% from the prior fiscal year), and operating income was ¥18 million (compared to an operating loss of ¥77 million in the prior fiscal year).

## **4. Consolidated Forecasts**

The Group is prepared to meet the new business environment that is expanding our customer base through the proliferation of broadband networks to homes and a wider selection of game platforms. We view this change as an opportunity to capture new profit sources and are making every effort to expand our financially well-established network related businesses to have our Group’s attractive content enjoyed by an ever-growing number of users. The Group’s consolidated forecasts for the fiscal year ending March 31,

2011 are detailed below and based on foreign exchange rate assumptions of \$1 = ¥95 and €1 = ¥125:

Net sales	¥160,000 million
Operating income	¥20,000 million
Recurring income	¥20,000 million
Net income	¥12,000 million

## 5. Risk Factors

The Group identifies the items listed below as potential risk factors that could affect operating results. Forward-looking statements are in accordance with management's judgment as of May 18, 2010.

### ① Changes in the Economic Environment

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

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

It is possible that the Group's substantial transformation stated in "8. Strategic Outlook, Issues Facing Management and Future Direction" may adversely affect the Group's business performance if the Group is unable to respond adequately and promptly to such transformation.

### ③ Changes in Game Platforms and the Group's Response

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

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

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

### ⑤ Expansion in the Group's International Business Operations

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

#### ⑥ Exchange Rate Fluctuations

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

#### ⑦ Entertainment Industry Laws

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

#### ⑧ Management of Personal Information

With regard to the management of personal information, in conjunction with the enactment of the Personal Information Protection Law, the Group has bolstered employee training with the aim of increasing awareness about the handling of personal information. The Group has also identified all personal information obtained by the Group, and improved the timeliness of its personal information management systems. The Group has undertaken a full range of measures to strengthen its internal control systems, including ongoing improvements to technology controlling access to its customer database and to its data security systems, restrictions on personnel permitted to access information and establishment of a monitoring system, and appropriate management of customer inquiries. To date, no leakage of personal information has occurred from the Group. The Group intends to maintain its stringent management systems for personal information by reviewing current systems and enhancing employee training. However, if a leak of personal information were to occur from the Group, the Group's business performance may be affected.

#### ⑨ Accidents and Disasters

The Group periodically carries out accident prevention checks, facility inspections, emergency drills and administers policies on infectious diseases to minimize accidents and the potential impact of disasters, including terrorist attacks, infectious diseases, food poisoning, fires, electrical blackouts, computer system

or server malfunctions, earthquakes, typhoons, flood damage and other accidents. However, in the event of an accident, disaster or infectious disease affects the Group, it may not be possible to avoid or alleviate all adverse impacts.

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

#### ⑩ Litigation and Other Claims

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

## 6. Consolidated Financial Position

### ① Assets

As of March 31, 2010, total current assets were ¥213,347 million (an increase of 34.7% compared to March 31, 2009). The increase was mainly due to short term investment securities and notes and accounts receivable, which increased by ¥35,000 million and ¥15,249 million, respectively. This increase in short term investments is the result of a ¥35,000 million Euro Yen convertible bond issuance during the fiscal year under review, which is currently invested in certificates of deposit.

Total non-current assets increased 4.3% to ¥57,182 million as of March 31, 2010. This increase was primarily due to increased intangible assets resulting from the acquisition of Eidos Ltd.

As a result, total assets increased 26.9% to ¥270,529 million.

### ② Liabilities

As of March 31, 2010, total current liabilities were ¥75,257 million (an increase of 220.6% compared to March 31, 2009). The primary factors causing this increase were an increase in short-term loans resulting from the acquisition of Eidos Ltd. and an increase in current portion of bonds to ¥37,000 million caused by a classification change for bonds which now have less than one year until maturity.

Total current liabilities increased 0.1% to ¥41,013 million as of March 31, 2010. The main factor affecting current liabilities was a ¥35,000 million Euro Yen convertible bond issuance during the fiscal year under review and ¥37,000 million Yen convertible bonds which became current in accordance with maturity timing.

As a result, total liabilities increased 80.4% to ¥116,271 million.

### ③ Net Assets

As of March 31, 2010, net assets were ¥154,258 million (an increase of 3.7% compared March 31, 2009). The increase was mainly due to the increase in net income during the period under review.



#### \*Amortization of Goodwill

During the fiscal year ended March 31, 2010, the Group recognized an accelerated amortization of goodwill as an extraordinary loss in the amount of ¥12,209 million related to Taito Corporation. The amount is the result of a revision of the Group's previous estimation of the goodwill's useful life and recoverable value which were impacted by a change in business circumstances.

#### Consolidated Cash Flow

As of March 31, 2010, cash and cash equivalents totaled ¥109,717 million, a decrease of ¥2,157 million compared to March 31, 2009. Cash flows fiscal year ended March 31, 2010 as well as the principal factors behind these cash flows are described below.

##### ① Net cash provided by operating activities

In the fiscal year ended March 31, 2010, net cash provided by operating activities totaled ¥20,838 million (an increase of 9.8% from the prior fiscal year).

While offset somewhat by an increase in accounts receivable of ¥14,157 million, the increase in net cash provided by operating activities was primarily driven by income before income taxes of ¥10,026 million, a decrease in inventories of ¥9,019 million, depreciation and amortization of ¥7,962 million and amortization of goodwill of ¥13,906 million.

##### ② Net cash used in investing activities

Net cash used in investing activities totaled ¥53,774 million (an increase of 389.2% from the prior fiscal year).

The increase was mainly due to payments for acquiring shares in subsidiaries and affiliated companies (¥12,202 million during the fiscal year ended March 31, 2010) resulting from the acquisition of Eidos Ltd. and payments for short term securities (certificates of deposit) of ¥35,000 million.

##### ③ Net cash (used in) provided by financing activities

Net cash provided by financing activities totaled ¥31,707 million (compared to ¥3,044 million cash used by financing activities in the prior fiscal year).

This net cash provided by financing activities was mainly due to the issuance of ¥35,000 million Euro Yen convertible bonds during the fiscal year ended March 31, 2010.

#### **7. Basic Policy for Profit Distribution and Dividends**

The Group recognizes the return of profits to shareholders as one of its most important management tasks. The Group maintains internal reserves to enable priority to be given to investments that will enhance the value of the Group. Such investments may include capital investments and M&A for the purpose of

expanding existing businesses and developing new businesses. The retention of internal reserves is done while also taking into account return to shareholders, operating performance and the optimal balance for stable dividends. Accordingly, the Group strives to maintain stable and continuous dividends. The portion of dividends linked to operating results is determined by setting a consolidated payout ratio target of approximately 30%.

However, regarding dividend payments for the fiscal year ended March 31, 2010, it has been decided to add a special dividend of 5 yen per share to commemorate the Company's achievement of the highest annual recurring income since the merger in April 2003, bringing projected annual dividends to 35 yen per share (10 yen at the end of the 2<sup>nd</sup> quarter and 25 yen at the fiscal year end).

## **8. Strategic Outlook, Issues Facing Management and Future Direction**

### **(1) Management Philosophy**

With a philosophy "to spread happiness across the globe by providing unforgettable experiences", the Group offers advanced, high-quality content and services. We strive to reward shareholders by maximizing profit based on efficient use of resources in the generation of sustained business development and growth.

### **(2) Management Targets**

The Group recognizes the utmost importance of achieving growth underpinned by profitability. The Group pursues targets of generating an earnings per share growth rate of over 10% and a recurring income to sales ratio of above 20%.

### **(3) Management's key task is to create advanced, high-quality content and services that allow the Group to grow in the medium- and long-term while maintaining profitability. As the development and popularization of information technology (IT) and network environments rapidly advance, we anticipate a major transformation in the structure of the digital entertainment industry. We believe that this will be driven by factors such as increased consumer needs in the area of network-compliant entertainment and growing access to a diverse range of content by users of multi-function devices. The Group strives to respond to these changes, and has adopted a medium- to long-term management strategy that focuses on pioneering a new era in digital entertainment.**

### **(4) Issues Facing Management**

In order to achieve the Group's medium- to long-term strategy, it is imperative to expand our global business and meet customers' diverse content needs. To do so, it is critically important that the Group acquires and develops ideally suited human resources.

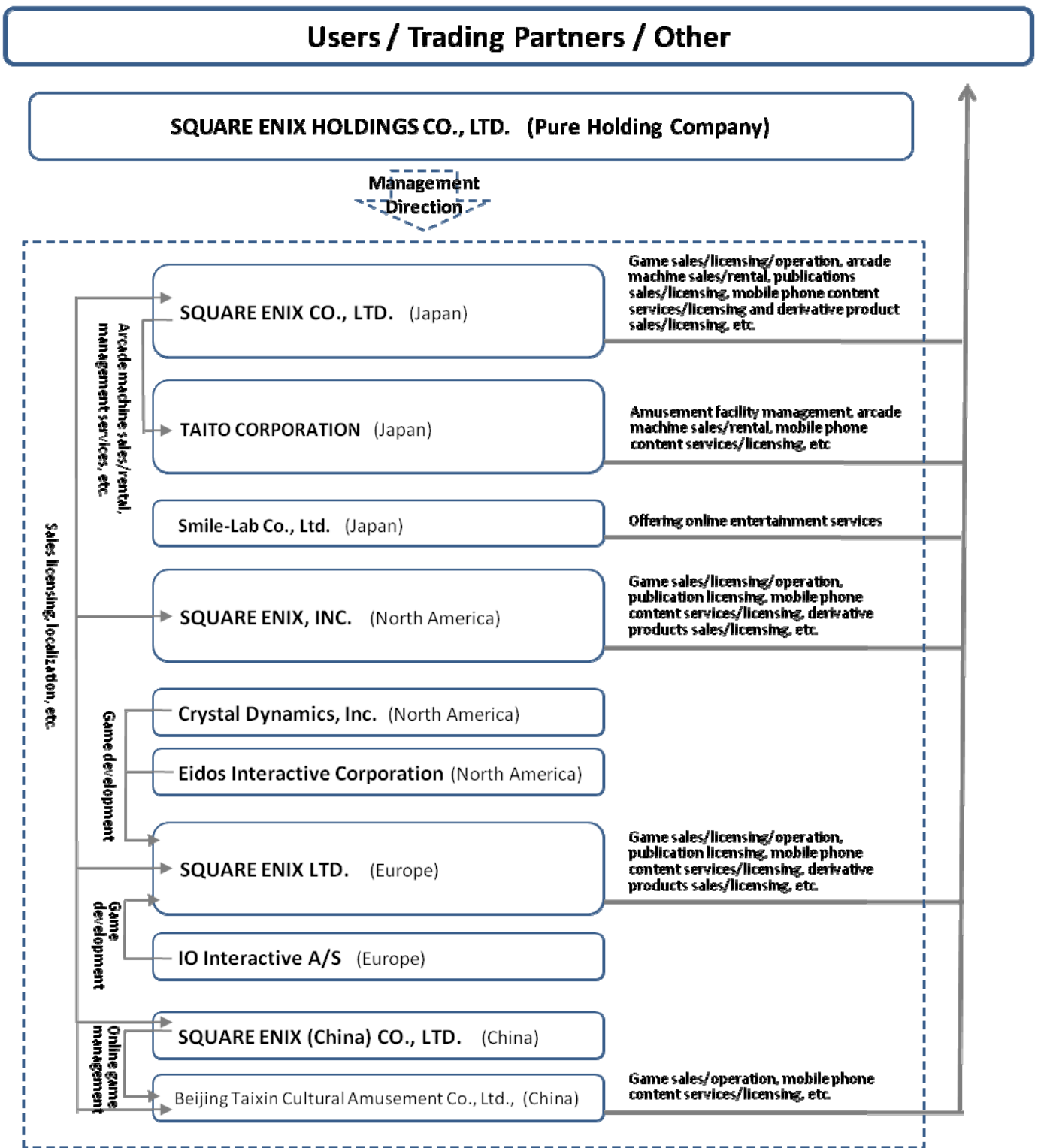
The Group's Outline of Operations:

The following outline of operations lists the Group's primary business segments and subsidiaries.

(Consolidated subsidiaries)

Domain	Primary Business Description	Region	Company Name
Games	Plans, develops, distributes, and operates games for game consoles (including handheld game machines) and personal computers as well as online games	Japan	SQUARE ENIX CO., LTD. Smile-Lab Co., Ltd. 2 others
		North America	SQUARE ENIX, INC. Crystal Dynamics, Incorporated Eidos Interactive Corporation 3 others
		Europe	SQUARE ENIX LTD. IO Interactive A/S 23 others
		Asia	SQUARE ENIX (China) CO., LTD. Beijing Taixin Cultural Amusement Co., Ltd. 2 others
Amusement	Operation of amusement facilities and planning, development and distribution of arcade game machines for amusement facilities and related products	Japan	TAITO CORPORATION SQUARE ENIX CO., LTD.
		Asia	Beijing Taixin Cultural Amusement Co., Ltd. 1 other
Publication	Comic books, game strategy books, comic magazines, etc.	Japan	SQUARE ENIX CO., LTD.
		North America	SQUARE ENIX, INC.
		Europe	SQUARE ENIX LTD.
Mobile phone content	Provides a range of mobile phone content services including the planning, development and management of portal services, games, ring tones and wallpapers	Japan	SQUARE ENIX CO., LTD. TAITO CORPORATION 1 other
		North America	SQUARE ENIX, INC.
		Europe	SQUARE ENIX LTD.
		Asia	SQUARE ENIX (China) CO., LTD.
Merchandising	Planning, production, distribution and licensing of derivative products of titles owned by the Group	Japan	SQUARE ENIX CO., LTD. 1 other
		North America	SQUARE ENIX, INC. 1 other
		Europe	SQUARE ENIX LTD.

The Group's business diagram:



(Note) Above business diagram only includes key consolidated subsidiaries.

## Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2010	As of Mar. 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	111,211	111,981
Notes and accounts receivable	30,682	15,432
Short-term investment securities	35,000	-
Merchandise and finished goods	3,237	4,917
Work in progress	54	291
Raw materials and supplies	469	581
Content production account	16,025	18,392
Deferred tax assets	6,231	3,882
Income taxes receivable	5,994	-
Other	4,973	3,179
Allowance for doubtful accounts	(533)	(270)
Total current assets	<u>213,347</u>	<u>158,387</u>
Non-current assets		
Property and equipment		
Buildings and structures	16,809	16,467
Accumulated depreciation	(12,198)	(11,849)
Buildings and structures (net)	<u>4,610</u>	<u>4,618</u>
Tools and fixtures	13,582	11,577
Accumulated depreciation	(11,171)	(8,274)
Tools and fixtures (net)	<u>2,410</u>	<u>3,302</u>
Amusement equipment	23,919	21,344
Accumulated depreciation	(21,086)	(18,753)
Amusement equipment (net)	<u>2,832</u>	<u>2,590</u>
Other	144	56
Accumulated depreciation	(51)	(20)
Other (net)	<u>92</u>	<u>36</u>
Land	8,277	8,515
Construction in progress	626	19
Total property and equipment	<u>18,850</u>	<u>19,082</u>
Intangible assets		
Goodwill	10,233	17,771
Other	11,390	925
Total intangible assets	<u>21,623</u>	<u>18,697</u>
Investments and other assets		
Investment securities	567	2,063
Long-term loans	6	360
Rental deposits	13,530	12,327
Construction support deposits	1,125	1,249
Claim in bankruptcy	202	376
Deferred tax assets	1,682	952
Other	300	528
Allowance for doubtful accounts	(706)	(831)
Total investments and other assets	<u>16,707</u>	<u>17,027</u>
Total non-current assets	<u>57,182</u>	<u>54,806</u>
Total assets	<u>270,529</u>	<u>213,194</u>

(Millions of yen)

	As of Mar. 31, 2010	As of Mar. 31, 2009
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	10,666	10,097
Short-term loans	2,808	26
Current portion of corporate bonds	37,000	-
Other accounts payable	3,528	2,884
Accrued expenses	6,611	1,503
Accrued income taxes	4,090	3,239
Accrued consumption taxes	2,839	686
Advance payments	920	563
Deposits received	561	517
Reserve for bonuses	1,571	1,413
Allowance for sales returns	4,046	1,598
Allowance for game arcade closings	321	445
Other	291	499
Total current liabilities	75,257	23,477
Non-current liabilities		
Corporate bonds	35,000	37,000
Allowance for employees' retirement benefits	2,170	1,644
Allowance for directors' retirement benefits	250	236
Allowance for game arcade closings	645	721
Deferred tax liabilities	2,354	-
Other	593	1,390
Total non-current liabilities	41,013	40,992
Total liabilities	116,271	64,469
Net assets		
Shareholders' equity		
Common stock	15,204	15,134
Capital surplus	44,444	44,375
Retained earnings	98,848	93,220
Treasury stock	(856)	(852)
Total shareholders' equity	157,641	151,879
Valuation and translation adjustments		
Unrealized gain on revaluation of other investment securities	(9)	(71)
Foreign currency translation adjustments	(4,951)	(4,488)
Total valuation and translation adjustments	(4,960)	(4,560)
Stock acquisition rights	715	410
Minority interests in consolidated subsidiaries	861	995
Total net assets	154,258	148,724
Total liabilities and net assets	270,529	213,194

## Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
Net sales	192,257	135,693
Cost of sales	108,536	79,527
Gross profit	83,721	56,166
Reversal of allowance for sales returns	4,863	1,135
Provision for allowance for sales returns	4,046	1,598
Net gross profit	84,538	55,703
Selling, general and administrative expenses		
Packaging freight charge	3,535	2,169
Advertising expense	11,053	5,546
Sales promotion expense	157	417
Compensation for directors	519	456
Salaries	15,145	14,097
Provision of reserve for bonuses	2,378	1,755
Net periodic pension costs	1,102	353
Provision to reserve for directors' retirement benefits	13	20
Welfare expense	1,755	1,799
Rental expense	2,367	2,375
Commissions paid	4,105	3,399
Depreciation and amortization	2,281	1,397
Other	11,886	9,637
Total selling, general and administrative expenses	56,303	43,426
Operating income	28,235	12,277
Non-operating income		
Interest income	188	696
Dividends received	343	12
Rental income	30	43
Miscellaneous income	195	157
Total non-operating income	758	909
Non-operating expenses		
Interest expenses	30	1
Bond issuance cost	142	-
Investment loss on equity method	49	18
Foreign exchange loss	842	1,715
Miscellaneous loss	105	189
Total non-operating expenses	1,171	1,925
Recurring income	27,822	11,261

*(Millions of yen)*

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
Extraordinary gain		
Gain on sale of property and equipment	33	-
Gain on sale of investment securities	10	0
Reversal of allowance for doubtful accounts	9	13
Reversal of allowance for obligation related to legal proceedings	-	181
Gain on forgiveness of debts	22	-
Gain on reversal of subscription rights to shares	20	-
Other	30	33
Total extraordinary gain	128	228
Extraordinary loss		
Loss on sale of property and equipment	69	26
Loss on disposal of property and equipment	389	790
Loss on liquidation of subsidiaries and affiliates	72	-
Loss on evaluation of investment securities	166	120
Impairment loss	255	859
Accelerated amortization of goodwill	12,209	-
Severance payments associated with business restructuring	1,985	30
Provision of allowance for game arcade closings	25	286
Loss associated with business restructuring	1,860	-
Acquisition costs	770	-
Legal settlement payment	-	15
Other	114	221
Total extraordinary loss	17,919	2,350
Income before income taxes, minority interests and distribution of loss in partnership (tokumei-kumiai)	10,031	9,139
Distribution of loss (gain) in partnership (tokumei-kumiai)	4	(14)
Income before income taxes and minority interests	10,026	9,153
Current income taxes	1,881	4,502
Income taxes for prior periods	1,745	-
Refunded income taxes	-	(1,841)
Deferred income taxes	(3,158)	198
Total income taxes	469	2,859
Minority interests in consolidated subsidiaries	48	(39)
Net income	9,509	6,333



## Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
Shareholders' equity		
Common stock		
Balance at the end of previous period	15,134	14,928
Changes during the period		
Issuance of new shares	69	206
Total changes of items during the period	69	206
Balance at the end of current period	15,204	15,134
Capital surplus		
Balance at the end of previous period	44,375	44,169
Changes during the period		
Issuance of new shares	69	206
Disposal of treasury stock	(0)	(0)
Total changes during the period	69	206
Balance at the end of current period	44,444	44,375
Retained earnings		
Balance at the end of previous period	93,220	90,295
Changes during the period		
Dividends from retained earnings	(3,450)	(3,446)
Net income	9,509	6,333
Change in scope of consolidation	(431)	16
Change in scope of equity method	-	22
Total changes during the period	5,627	2,925
Balance at the end of current period	98,848	93,220
Treasury stock		
Balance at the end of previous period	(852)	(841)
Changes during the period		
Purchase of treasury stock	(4)	(13)
Disposal of treasury stock	1	2
Total changes during the period	(3)	(11)
Balance at the end of current period	(856)	(852)
Total shareholders' equity		
Balance at the end of previous period	151,879	148,552
Changes of items during the period		
Issuance of new shares	139	412
Dividends from retained earnings	(3,450)	(3,446)
Net income	9,509	6,333
Purchase of treasury stock	(4)	(13)
Disposal of treasury stock	0	2
Change in scope of consolidation	(431)	16
Change in scope of equity method	-	22
Total changes during the period	5,762	3,326
Balance at the end of current period	157,641	151,879

(Millions of yen)

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
Valuation and translation adjustments		
Unrealized gain on revaluation of other investment securities		
Balance at the end of previous period	(71)	(12)
Changes during the period		
Net changes in items other than shareholders' equity	62	(59)
Total changes during the period	62	(59)
Balance at the end of current period	(9)	(71)
Foreign currency translation adjustments		
Balance at the end of previous period	(4,488)	(1,504)
Changes during the period		
Net changes in items other than shareholders' equity	(462)	(2,984)
Total changes during the period	(462)	(2,984)
Balance at the end of current period	(4,951)	(4,488)
Total valuation and translation adjustments		
Balance at the end of previous period	(4,560)	(1,517)
Changes during the period		
Net changes in items other than shareholders' equity	(399)	(3,043)
Total changes during the period	(399)	(3,043)
Balance at the end of the current period	(4,960)	(4,560)
Stock acquisition rights		
Balance at the end of previous period	410	81
Changes during the period		
Net changes in items other than shareholders' equity	304	329
Total changes during the period	304	329
Balance at the end of current period	715	410
Minority interests in consolidated subsidiaries		
Balance at the end of previous period	995	1,077
Changes during the period		
Net changes in items other than shareholders' equity	(133)	(81)
Total changes during the period	(133)	(81)
Balance at the end of current period	861	995
Total net assets		
Balance at the end of previous period	148,724	148,193
Changes during the period		
Issuance of new shares	139	412
Dividends from retained earnings	(3,450)	(3,446)
Net income	9,509	6,333
Purchase of treasury stock	(4)	(13)
Disposal of treasury stock	0	2
Change in scope of consolidation	(431)	16
Change in scope of equity method	-	22
Net changes in items other than shareholders' equity	(228)	(2,795)
Total changes during the period	5,533	530
Balance at the end of current period	154,258	148,724

## Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
Cash flows from operating activities		
Income before income taxes and minority interest	10,026	9,153
Depreciation and amortization	7,962	6,978
Impairment loss	255	859
Increase (decrease) in allowance for doubtful accounts	(190)	(221)
Increase (decrease) in reserve for bonuses	157	(388)
Increase (decrease) in allowance for sales returns	(540)	572
Increase (decrease) in allowance for employees' retirement benefits	525	117
Increase (decrease) in allowance for directors' retirement benefits	14	20
Increase (decrease) in allowance for game arcade closings and other allowances	(129)	181
Interest and dividends received	(531)	(708)
Interest expense	30	1
Foreign exchange loss	990	1,255
Loss (gain) on sale of investment securities	(10)	17
Loss (gain) on revaluation of investment securities	166	120
Loss on disposal of property and equipment	389	790
Loss on sale of property and equipment	69	26
Amortization of goodwill	13,906	1,104
Decrease (increase) in accounts receivable	(14,157)	1,569
Decrease (increase) in inventories	9,019	(4,273)
Increase (decrease) in accounts payable	(890)	1,493
Increase (decrease) in accrued consumption taxes	2,445	(4)
Decrease (increase) in other current assets	(1,904)	1,975
Decrease (increase) in other non-current assets	223	37
Increase (decrease) in other current liabilities	1,257	(1,542)
Other	436	597
Subtotal	<u>29,523</u>	<u>19,736</u>
Interest and dividends received	163	713
Interest paid	(31)	(1)
Income taxes paid	(5,269)	(1,473)
Prior period income taxes paid	(3,548)	-
Net cash provided by operating activities	<u>20,838</u>	<u>18,974</u>

(Millions of yen)

	Fiscal year ended Mar. 31, 2010	Fiscal year ended Mar. 31, 2009
<b>Cash flows from investing activities</b>		
Investments in time deposits	(2,618)	(83)
Proceeds from time deposits	1,229	-
Payments for acquiring short-term securities	(35,000)	(36,000)
Proceeds from sale of short-term securities	-	36,000
Payments for acquiring investment securities	-	(1,506)
Proceeds from sale of investment securities	7	4
Payments for acquiring property and equipment	(6,076)	(9,983)
Proceeds from sale of property and equipment	174	103
Payments for acquiring intangible assets	(387)	(146)
Proceeds from sale of intangible assets	0	0
Payments for acquiring shares in subsidiaries and affiliated companies	-	(1)
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(12,202)	-
Proceeds from sale of shares in subsidiaries and affiliated companies	32	9
Proceeds from liquidation of subsidiaries	391	-
Proceeds from return of rental deposits	1,074	1,199
Payments for provision of rental deposits	(372)	(161)
Other	(26)	(426)
<b>Net cash used in investing activities</b>	<b>(53,774)</b>	<b>(10,991)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	2,956	-
Payments for short-term loans	(2,941)	-
Proceeds from issuances of shares	139	412
Proceeds from issuance of corporate bonds	35,000	-
Payments for acquisition of treasury stock	(4)	(13)
Payments for dividends	(3,442)	(3,443)
Payments for dividends for minority interests	-	(2)
Other	0	2
<b>Net cash provided by (used in) financing activities</b>	<b>31,707</b>	<b>(3,044)</b>
Effect of exchange rate changes on cash and cash equivalents	(499)	(4,475)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,728)</b>	<b>462</b>
Cash and cash equivalents at beginning of the year	111,875	111,479
Increase in cash and cash equivalents due to inclusion of newly consolidated subsidiaries in the scope of consolidation	65	-
Decrease in cash and cash equivalents due to exclusion of subsidiaries from the scope of consolidation	(495)	(66)
<b>Cash and cash equivalents at end of the year</b>	<b>109,717</b>	<b>111,875</b>

# Segment Information

## 1. Consolidated Business Segment Information

Fiscal year ended March 31, 2009

(Millions of yen)

	Games (offline)	Games (online)	Mobile phone content	Publication	Amusement	Other	Total	Eliminations or unallocated	Consolidated total
<b>I. Sales and operating income (loss)</b>									
Net sales									
(1) Sales to outside customers	36,340	10,580	7,078	12,984	56,620	12,088	135,693	-	135,693
(2) Intersegment sales	2	48	13	0	1,648	281	1,996	(1,996)	-
<b>Total</b>	<b>36,343</b>	<b>10,629</b>	<b>7,092</b>	<b>12,985</b>	<b>58,269</b>	<b>12,370</b>	<b>137,690</b>	<b>(1,996)</b>	<b>135,693</b>
Operating expenses	32,180	7,541	3,403	9,444	59,214	9,104	120,888	2,527	123,415
<b>Operating income (loss)</b>	<b>4,162</b>	<b>3,087</b>	<b>3,689</b>	<b>3,540</b>	<b>(944)</b>	<b>3,266</b>	<b>16,801</b>	<b>(4,523)</b>	<b>12,277</b>
<b>II. Total assets, depreciation and amortization, impairment loss and capital expenditures</b>									
Total assets	38,320	10,325	3,452	9,074	57,927	12,699	131,799	81,394	213,194
Depreciation and amortization	485	375	20	13	4,741	666	6,301	676	6,978
Impairment loss	-	-	-	-	76	-	766	92	859
Capital expenditures	297	177	1	2	10,663	1,417	12,559	572	13,131

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:

<i>Segment</i>	<i>Major Products</i>
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 ¥5,336 million. These expenses were related to administrative departments of the Company which provide services and operational support that cannot be allocated to specific business segments.

4. Unallocated assets included in "Eliminations or unallocated" totaled ¥82,368 million. These assets mainly consisted of cash and deposits, deferred tax assets and buildings and structures of administrative departments of the Company.

5. Changes in accounting procedures:

Effective from the fiscal year ending March 31, 2009, the "Accounting Standard for Measurement for Inventories" (ASBJ Statement No. 9; July 5, 2006) has been applied. In conjunction with application of the accounting standard, operating income was reduced in the nine month period ended December 31, 2008 by ¥42 million for Games (offline), ¥24 million for Games (online) and ¥618 million for Amusement compared to the figures in accordance with prior accounting standard.

**Fiscal year ended March 31, 2010**
*(Millions of yen)*

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

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

<i>Segment</i>	<i>Major Products</i>
Games	Games, online games
Amusement	Amusement facility operation and rental, sales of amusement game machines
Publication	Magazine comics, serial comics, game-related books
Mobile phone content	Content for mobile phones
Merchandising	Derivative products such as character merchandise
  - Unallocated operating expenses included in "Eliminations or unallocated" totaled ¥9,078 million. These expenses were related to administrative departments of the Company which provide services and operational support that cannot be allocated to specific business segments.
  - Unallocated assets included in "Eliminations or unallocated" totaled ¥123,946 million. These assets mainly consisted of cash and deposits, deferred tax assets and buildings and structures of administrative departments of the Company.
  - The Square Enix group (the "Group") has been making determined effort to strengthen the foundation and profitability of its business segments of Games (offline), Games (online), Mobile Phone Content, Publication, Amusement and Others under this new established holding company since October 2008. Based on the changes in corporate structure as well as adjustment and strengthening its business foundation, the Group has decided to change its business segments to Games, Amusement, Publication, Mobile phone content and Merchandising, starting from the fiscal year ended March 31, 2010. The segment information of the same period in the previous fiscal year applied to the new business segmentation follows.

**Fiscal year ended March 31, 2009**
*(Millions of yen)*

	Games	Amusement	Publication	Mobile phone content	Merchandising	Total	Eliminations or unallocated	Consolidated total
<b>I. Sales and operating income (loss)</b>								
Net sales								
(1) Sales to outside customers	48,132	59,915	12,984	10,903	3,757	135,693	-	135,693
(2) Intersegment sales	4	0	0	23	-	28	(28)	-
<b>Total</b>	<b>48,136</b>	<b>59,915</b>	<b>12,985</b>	<b>10,926</b>	<b>3,757</b>	<b>135,721</b>	<b>(28)</b>	<b>135,693</b>
Operating expenses	41,408	56,634	9,447	6,678	2,942	117,108	6,307	123,415
Operating income	6,727	3,281	3,540	4,248	815	18,613	(6,335)	12,277
<b>II. Total assets, depreciation and</b>								
Total assets	48,929	23,503	9,074	4,089	6,908	92,505	120,689	213,194
Depreciation and amortization	874	4,421	13	58	656	6,024	953	6,978
Impairment loss	-	758	-	-	-	758	100	859
Capital expenditures	482	11,899	2	35	27	12,447	684	13,131

**Notes: 6. Change in allocation of operating expenses:**

While all of the expenses for the administration department of Taito Corporation was included in the Amusement the past, these expenses have been included in Eliminations or unallocated since the first quarter ended in June 30, 2009. The changes to allocation was made to deliver a clearer view of administrative expenses in each segment. The operating expenses for the administration department of Taito Corporation are as follows:

Fiscal year ended Mar. 31, 2010	¥2,220 million
Fiscal year ended Mar. 31, 2009	¥1,810 million

7. Due to the acquisition of Eidos Ltd. in the first quarter of this fiscal year, the amount of total assets for the Game segment increased by ¥35,864 million.

## 2. Consolidated Geographic Segment Information

Fiscal year ended March 31, 2009

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations or Unallocated	Consolidated total
I. Sales and operating income							
Net sales							
(1) Sales to outside customers	115,681	13,247	6,417	346	135,693	-	135,693
(2) Intersegment sales	5,908	175	302	21	6,407	(6,407)	-
Total	121,590	13,423	6,720	367	142,101	(6,407)	135,693
Operating expenses	112,949	10,694	5,733	444	129,821	(6,405)	123,415
Operating income (loss)	8,640	2,728	987	(77)	12,279	(1)	12,277
II. Total assets	202,370	15,785	18,108	1,639	237,904	(24,710)	213,194

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

2. Main countries included in each segment:

(1) North America: United States of America

(2) Europe: United Kingdom

(3) Asia: China, South Korea

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

4. There were no unallocated assets included in "Eliminations or unallocated."

5. Changes in accounting procedures:

Effective from the fiscal year ended March 31, 2009, the "Accounting Standard for Measurement for Inventories" (ASBJ Statement No. 9; July 5, 2006) has been applied. In conjunction with application of the accounting standard, operating income declined ¥645 million and ¥39 million for "Japan" and "Asia", respectively, compared to the figures in accordance with prior accounting standard.

Fiscal year ended March 31, 2010

(Millions of yen)

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

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

2. Main countries included in each segment:

(1) North America: United States of America, Canada

(2) Europe: United Kingdom, France, Germany, others

(3) Asia: China, South Korea

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

4. There were no unallocated assets included in "Eliminations or unallocated."

5. Due to the acquisition of Eidos Ltd. in the first quarter of this fiscal year, Canada is added to the North America segment and France, Germany and others are added to the Europe segment.



### 3. Consolidated Overseas Sales

Fiscal year ended March 31, 2009

(Millions of yen, except percentages)

	North America	Europe	Asia	Total
I. Overseas sales	14,285	6,713	1,298	22,297
II. Consolidated sales	-	-	-	135,693
III. Percentage of overseas sales to consolidated sales	10.5%	5.0%	1.0%	16.5%

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

2. Main countries included in each segment:

- (1) North America: United States of America, Canada
- (2) Europe: United Kingdom, France, Germany, others
- (3) Asia: China, South Korea, Taiwan, others

3. Overseas sales represent sales of the Company and its consolidated subsidiaries to countries and areas outside of Japan.

Fiscal year ended March 31, 2010

(Millions of yen, except percentages)

	North America	Europe	Asia	Total
I. Overseas sales	26,315	23,523	1,260	51,099
II. Consolidated sales	-	-	-	192,257
III. Percentage of overseas sales to consolidated sales	13.7%	12.2%	0.7%	26.6%

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

2. Main countries included in each segment:

- (1) North America: United States of America, Canada
- (2) Europe: United Kingdom, France, Germany, others
- (3) Asia: China, South Korea, Taiwan, others

3. Overseas sales represent sales of the Company and its consolidated subsidiaries to countries and areas outside of Japan.