SQUARE ENIX.

May 24, 2005

CONSOLIDATED FINANCIAL RESULTS
for Fiscal Year Ended March 31, 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		
Contact:	Yosuke Matsuda, Director and Executive Officer	Phone:	03-5333-1555 (main)
Date of Board Approval:	May 24, 2005		
U.S. GAAP:	Not adopted		

1. FY2004 Consolidated Financial Results (April 1, 2004 to March 31, 2005)

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

	Net Sales		Operating Income		Recurring Income	
Fiscal Years Ended		%		%		%
March 31, 2005	73,864	16.9	26,438	36.3	25,901	41.9
March 31, 2004	63,202	—	19,398	—	18,248	—

	Net Income		Earnings Per Share (Basic)	Earnings Per Share (Diluted)	Return on Equity	Recurring Income to Total Assets	Recurring Income Margin
Fiscal Years Ended		%	Yen	Yen	%	%	%
March 31, 2005	14,932	35.8	135.63	134.46	14.5	21.4	35.1
March 31, 2004	10,993	—	100.04	99.76	11.9	16.4	28.9

① Equity in gain or loss of affiliated company (Millions of yen)	Fiscal year ended March 31, 2005 (FY2004)	—
	Fiscal year ended March 31, 2004 (FY2003)	(760)
② Mid-term average of number of shares issued and outstanding (Consolidated)	Fiscal year ended March 31, 2005 (FY2004)	110,093,589
	Fiscal year ended March 31, 2004 (FY2003)	109,884,947
③ Change of significant accounting policy	N/A	

④ Percentages in net sales, operating income, recurring income and net income are the percent change compared with the previous fiscal year.

⑤ Since the merger of Enix Corporation and Square Co., Ltd., took place on April 1, 2003, there are no prior figures with which to compare results for the fiscal year ended March 31, 2004.

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

	Total Assets	Total Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity Per Share
Fiscal Years Ended			%	Yen
March 31, 2005	131,695	108,933	82.7	988.19
March 31, 2004	110,633	96,700	87.4	878.85

Note: Number of shares issued and outstanding at year-end (Consolidated)	Fiscal year ended March 31, 2005 (FY2004)	110,234,893
	Fiscal year ended March 31, 2004 (FY2003)	110,030,879

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

	From Operating Activities	From Investing Activities	From Financing Activities	Closing Cash and Cash Equivalents
Fiscal Years Ended				
March 31, 2005	24,873	574	(2,907)	81,243
March 31, 2004	14,139	(10,579)	(6,739)	58,676

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

Number of consolidated subsidiaries: 11 and 1 partnership

Number of equity-method non-consolidated subsidiaries: —

Number of equity-method affiliates: —

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

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

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

	Net Sales	Recurring Income	Net Income
First Six Months	26,000	2,000	800
Full-Year	90,000	27,000	15,500

(Reference) Earnings per share (basic) forecasts for FY2005: ¥140.61

※ 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 10 for more details regarding the above forecasts.

1. AFFILIATED COMPANY INFORMATION

SQUARE ENIX Group ("the Group") is composed of SQUARE ENIX CO., LTD., 11 consolidated subsidiaries, three non-consolidated subsidiaries, two affiliated companies and one partnership. A list of businesses performed by the Group and the companies that compose it are as follows. (Section refers to operating segment)

【Consolidated Companies】

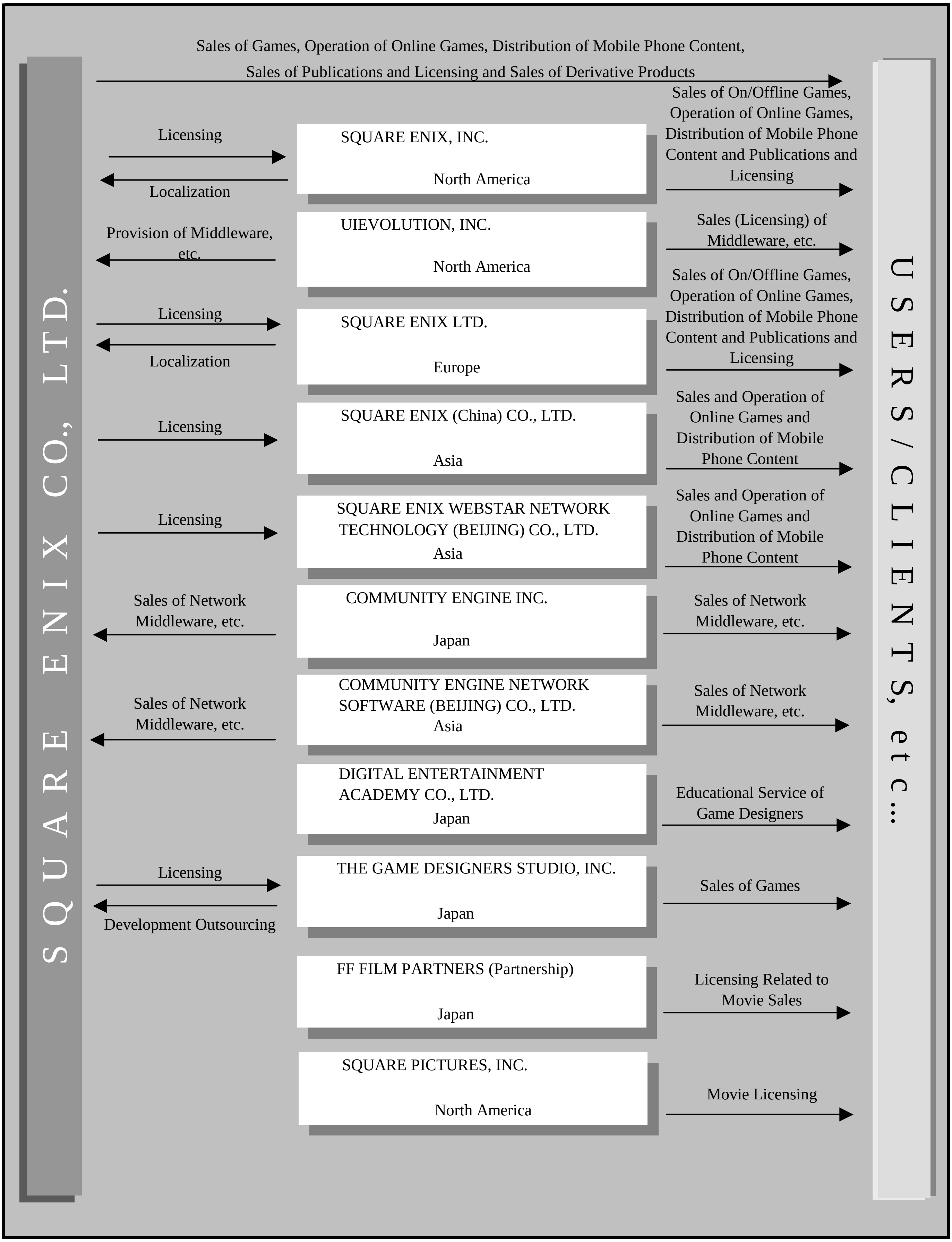
Section	Region	Name of Company	Major Operation
Games (Offline)	Japan	SQUARE ENIX CO., LTD.	Development and distribution of game software
		THE GAME DESIGNERS STUDIO, INC.	Development and distribution of game software
	North America	SQUARE ENIX, INC. *	Distribution of game software in North America
		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, sales 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

*Changed company name as of July 1, 2004

【Affiliates not Accounted for Using the Equity-Method】
MAG GAREN CORP. (listed on Tokyo Stock Exchange Mothers market), Kusanagi, Inc.

【Non-Consolidated Subsidiaries】
BMF CORP., SOLID CO., LTD.
SQUARE U.S.A., INC.

The following chart outlines transactions within the Group.



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

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 dreams 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 an efficient operation that effectively combines 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 mergers and acquisitions 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) Views and Policy of Stock Trading Unit Reduction

The Company perceives that long-term investment from a wide range of investors and investor base expansion are important to the Company’s capital strategy. We set 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 perceives that realization of growth with maintaining profitability is a fundamental management task. We set the target operation profit ratio at a range between 25% and 30% as we sustain the investments necessary for growth.

(5) Medium- and Long-Term Management Strategy and Task

It is the 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 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 enable users to have 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 a new era of digital entertainment.

In such a period of transformation, the Group will continue to deal with such strategic tasks as an appropriate management of network communities, the deployment of “Polymorphic Content” based on diversified methods of expression and the formation of new platforms for various content.

(6) Corporate Governance

① Basic Perspective on Corporate Governance

The Company adopts the statutory auditors system for its corporate governance system. The monitoring function is strengthened by having half of the auditors from outside. 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 statutory auditors (two from outside and one standing statutory auditor). The term for directors is one year, and half of the statutory auditors come from outside.

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

The Board of Directors' meeting is held at least once a month and enhances mutual checking by vigorous discussions among the directors, including one from outside.

The Board of Auditors' meeting is held at least once a month, and performs account and operation auditing based on audit policies. The auditors also attend the Board of Directors' meeting.

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 Security Exchange Law.

Certified Public Accountants in Charge this Fiscal Year

- Partner staff Nobuyoshi Yuasa, Yasuhisa Yajima
- Supporting staff

  Certified public accountants: 2 Assistants: 6 Other: 1

Compensation for Directors and Auditors

Compensation for directors	¥332 million	(including ¥6 million for outside director)
Compensation for auditors	¥28 million	(including ¥12 million for outside auditor)

Note: Above compensation amounts include retirement benefits of ¥176 million paid to a retired director in accordance with the resolution of the annual general meeting of shareholders.

Compensation for External Audit Firm

The Company has paid a compensation of ¥26 million for ChuoAoyama PricewaterhouseCoopers for auditing in accordance with the audit agreement.

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

Nothing to be specified.

C) Enhancement of corporate governance for the last year

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

(7) Parent Company

Nothing to be specified.

3. Operating Results and Financial Conditions

(1) Operation Highlights of FY2004 (Ended March 31, 2005)

The Company has been making determined efforts to strengthen the foundation and profitability of its business segments of Games, Online Games, 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.

The Games (Online) and Mobile Phone Content segments have continued to make significant growth in this fiscal year in addition to the Games (Offline) segment. The Publication segment has made increased income and profit despite unfavorable market conditions.

Consolidated financial results for FY2004

Net sales	¥73,864 million	(up 16.9%)
Operating income	¥26,438 million	(up 36.3%)
Recurring income	¥25,901 million	(up 41.9%)
Net income	¥14,932 million	(up 35.8%)

(% is the rate of change in comparison to the previous fiscal year results)

Numbers of new game titles released during FY2004

Japan	11 titles
North America	7 titles
Europe	4 titles
Asia	1 title

Unit sales, including repeat orders, for FY2004

Japan	6.30 million units
North America	3.76 million units
Europe	0.92 million units
Asia	0.07 million units
Total	11.05 million units

Additionally, it is the Company's basic policy on profit distribution to maintain continuous and stable dividend payouts. The Board of Directors, however, has decided after taking into account our recent financial performance to pay a commemorative dividend for our 25th fiscal year (¥30) in addition to the ordinary dividend. Dividend per share for the fiscal year ended March 31, 2005 will be doubled from that of the previous fiscal year (interim dividend: ¥10, year-end dividend: ¥20) to ¥60 (interim dividend: ¥10, year-end dividend: ¥50, including the commemorative dividend of ¥30).

(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 to distribute in North America through our wholly owned subsidiary, SQUARE ENIX, INC. (SEI), while distribution in Europe and Asia is handled by leading publishers through license arrangements.

During this fiscal year, “DRAGON QUEST VIII Sora-to-Umi-to-Daichi-to-Norowareshi Himegimi” was released and is now the first PlayStation2 (PS2) title in Japan achieving over 3 million units shipped (3,610 thousand units in Japan as of March 31, 2005). In addition, “Kingdom Hearts Chain of Memories” for Game Boy Advance (“GBA”) has over 1 million units shipped worldwide (360 thousand units in Japan, 720 thousand units in North America) Other new game titles released during this period are “FULLMETAL ALCHEMIST 2 Akaki Erikusiru-no-Akumu” (160 thousand units in Japan), “DRAGON QUEST & FINAL FANTASY in Itadaki Street Special” (380 thousand units in Japan), “RADIATA STORIES” (290 thousand units in Japan) and “MUSASHI: Samurai Legend” (80 thousand units in North America) for PS2; and “Toruneko no Daibouken 3 Advance –Fushigi no Dungeon–” (140 thousand units in Japan) and “FINAL FANTASY I・II Advance” (290 thousand units in Japan, 500 thousand units in North America and 150 thousand units in Europe) for GBA. Furthermore, we released “Egg Monster HEROES” (90 thousand units in Japan) for Nintendo DS in December 2004.

Consequently, net sales of the Games (Offline) segment totaled ¥41 billion (up 10.4% from the previous fiscal year), and operating income amounted to ¥19 billion (up 19.8%).

② Games (Online)

The Company plans, develops, distributes and operates online games connected to the network. In September, 2004, the expansion pack “FINAL FANTASY XI: Chains of Promathia” was released in Japan and North America, while online game service “PlayOnline” and “FINAL FANTASY XI” (“FFXI”) were launched in Europe.

The number of “FFXI” subscribers has been increasing at a steady pace since its launch in Japan (May 2002) and North America (Oct. 2003) reaching over 500,000. “FFXI” has now grown to be one of the top MMORPGs (Massively Multi-player Online RPGs) in the world. Game servers for the service are concentrated in Japan, and since access peak times differ from one continent to another, the operation efficiency has increased significantly as service areas have expanded. In addition, sales are steadily growing for “Cross Gate,” a MMORPG developed specifically for the Asian market, and the title has acquired a top-tier position in terms of membership in the Chinese online gaming market.

Consequently, net sales of the Games (Online) segment totaled ¥13 billion (up 55.2%), and operating income was ¥4 billion (up 112.4%).

③ Mobile Phone Content

The Company plans, develops and provides content such as ring tones, wallpapers, game and portals for mobile phones.

We have been deploying our original content making the best use of its strength through providing a mobile network game, “BEFORE CRISIS -FINAL FANTASY VII-,” which takes advantage of network and digital camera functions, a full-port version of “FINAL FANTASY II,” an RPG for Nintendo Family Computer, and a mobile simulation game, “FRONT MISSION 2089.” Furthermore, we collaborated in creating an interface for “EZ Game Street!,” au mobile phone’s game portal service. In addition, an expansion overseas in North America, Europe and Asia has been in progress.

Consequently, net sales of the Mobile Phone Content segment was ¥4 billion (up 63.2%), and operating income amounted to ¥1 billion (up 50.0%).

④ Publication

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

We published monthly magazines “SHONEN GANGAN,” “G FANTASY” and “GANGAN WING,” and newly published a comic magazine for young adults, “YOUNG GANGAN,” during this period.

“Mahoraba,” featured in a monthly magazine, came on air as an animated television show during this period. Another television show, “FULLMETAL ALCHEMIST,” which came on air in the previous fiscal year, ended in September 2004, however, it has retained its popularity, and we have published over 15 million copies of its comics. In addition, we have published game strategy books for the two big titles “DRAGON QUEST V” and “DRAGON QUEST VIII.”

Consequently, net sales of the Publications segment totaled ¥10 billion (up 12.3%), and operating income was ¥3 billion (up 7.3%).

⑤ Other

The Other segment covers the planning, production, distribution and licensing of Square Enix titles’ derivative products.

The Company sells toys and merchandise for a wide range of ages, such as merchandise related to “DRAGON QUEST,” pencils named “BATO-EN” and character goods related to “FINAL FANTASY,” “Kingdom Hearts” and “FULLMETAL ALCHEMIST.” We also licenses music CDs as the soundtracks.

Net sales in this segment amounted to ¥2 billion (down 30.7%), and operating income totaled ¥0.7 billion (down 23.8%).

(3) Operating Results by Region

① Japan

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

The games are shipped to retail stores through the Company’s own distribution channel. Since the Company licenses the sales 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 and sales on “PlayOnline” of such online games as “FINAL FANTASY XI” for PS2 and PC as well as “CROSS GATE” and “Depth Fantasia” for PC.

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

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

Net sales in Japan was ¥64 billion (up 21.3%), and operating income was ¥23 billion (up 48.0%).

② North America

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

Although no title sold over a million units during this period, online game titles such as “FINAL FANTASY XI” have been making steady growth.

Net sales in North America totaled ¥11 billion (down 11.0%), and operating income was ¥2 billion (down 28.9%).

③ Europe

The Company primarily provides Games (Offline), Games (Online) and Mobile Phone Content services in Europe. Sales of game content are generally licensed to leading publishers in this region.

Furthermore, the Company succeeded in entering into the online gaming and mobile phone content market in Europe by launching “FINAL FANTASY XI Chains of Promathia” in September 2004, with SQUARE ENIX LTD. as the publisher.

Net sales in Europe amounted to ¥0.8 billion (up 107.9%), and operating income was ¥0.03 billion (down 66.1%).

④ Asia

In Asia, the Company provides primarily Games (Online) and Mobile Phone Content services.

The Company strengthened its business foundation by establishing the 100% subsidiary Square Enix (China) Co., Ltd., in Beijing as a new base of business operations in China in January 2005. Accompanying this development, a dissolution of SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. (SEW), a joint-venture with Softstar Entertainment, Taiwan, is scheduled for December 2005. SEW will continue to operate its current services, including operation of “CROSS GATE,” until Square Enix (China), takes over fully.

Net sales in Asia was ¥0.8 billion (up 14.8%), and operating income was ¥0.1 billion (-% operating loss of the previous fiscal year amounted to ¥0.07 billion).

(4) Financial Conditions

Cash and cash equivalents at the end of this period were ¥81 billion.

The cash flow status and contributing factors are as follows.

① Cash flows from operating activities

Net income before taxes amounted to ¥25 billion, and resulted in cash and cash equivalents of ¥24 billion.

This was due primarily to the increased work-in-progress to ¥5 billion caused by content development, and from the decreased sales credit of negative ¥4 billion due to difference in the dates of title release each year.

② Cash flows from investing activities

Mainly due to income from investment securities such as maturity of government bond of ¥2 billion and capital investment in property, plant and equipment, and intangible assets of negative ¥1 billion, the cash and cash equivalents from investing activities are ¥0.5 billion.

③ Cash flows from financing activities

Mainly due to dividend payouts, the cash and cash equivalents from financial activities are ¥2 billion.

A Trend of Solvency Indices of the Group:

	FY2003		FY2004	
	First Six Months	Year-End	First Six Months	Year-End
Shareholders’ Equity Ratio	87.19%	87.41%	88.14%	82.72%
Shareholders’ Equity Ratio on Market Value Basis	303.03%	309.59%	299.18%	275.76%
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 are paying interests.
* Cash flows from operating activities and interest paid are “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	¥90 billion	(¥73 billion for FY2004)
Operating income	¥27 billion	(¥26 billion for FY2004)
Recurring income	¥27 billion	(¥25 billion for FY2004)
Net income	¥15 billion	(¥14 billion for FY2004)

(6) Risk Factors

The forecasts for the consolidated operating results stated above have been prepared based on the current business environment as of May 24, 2005.

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

① Changes in consumer preferences in the digital content market, and the Company's ability to respond to rapid progress of innovative technology

In such a period of transitions as stated in the medium- and long-term strategy and tasks, it is probable such change may affect the Company's financial result if the Company is unable to deal with the transitions properly and promptly.

② Obtaining employees of talent to further the Company's strategy of concentrating on creation of new content services and business development overseas

The Company has been making rapid growth in expanding its business operations globally. Delay in recruiting employees may adversely affect the Company's financial condition.

③ Fluctuation of exchange rates

The Group includes consolidated subsidiaries located in North America, Europe and China. The risks of foreign exchange loss have been reduced, since the foreign currency gained by subsidiaries are expended for disbursement or reinvestment in each country. However, sales, expenses and assets of the overseas subsidiaries are converted into Japanese yen amounts on the consolidated financial statements. Consequently, the exchange rate may effect the Company's financial results as it fluctuates beyond our forecast.

4. Consolidated Financial Statements for FY2004 (Ended March 31, 2005)

(1) Consolidated Balance Sheets

(Millions of yen)

Account / Term	Note	FY2003 Results (As of March 31, 2004) Amount		Rate	FY2004 Results (As of March 31, 2005) Amount		Rate	Change
				%			%	
(Assets)								
I Current assets								
1. Cash and deposits			58,676			81,243		22,567
2. Notes and accounts receivable			12,046			7,670		(4,375)
3. Inventories			809			1,112		303
4. Content production account			10,128			15,510		5,381
5. Deferred tax assets			1,850			3,440		1,590
6. Other current assets			1,157			1,337		179
Allowance for doubtful accounts			(227)			(262)		(34)
Total current assets			84,441	76.4		110,053	83.6	25,612
II Fixed assets								
1. Property, plant and equipment								
(1) Buildings and structures		3,445			3,667			
Accumulated depreciation		1,250	2,195		1,525	2,142		(52)
(2) Tools and fixtures		8,445			9,116			
Accumulated depreciation		5,367	3,077		6,162	2,954		(123)
(3) Other		7			16			
Accumulated depreciation		7	0		8	7		7
(4) Land			3,813			3,813		—
Total property, plant and equipment			9,087	8.2		8,918	6.8	(168)
2. Intangible assets			7,550	6.8		6,096	4.6	(1,454)
3. Investments and other assets								
(1) Investment securities	*1		3,516			1,295		(2,221)
(2) Long-term loans			4			9		4
(3) Rental deposits			2,864			2,863		(1)
(4) Deferred tax assets			2,665			1,768		(896)
(5) Other	*1		502			689		187
Total investments and other assets			9,554	8.6		6,626	5.0	(2,927)
Total fixed assets			26,192	23.6		21,641	16.4	(4,550)
Total assets			110,633	100.0		131,695	100.0	21,061

(Millions of Yen)

Account \ Term	Note	FY2003 Results (As of March 31, 2004) Amount		Rate	FY2004 Results (As of March 31, 2005) Amount		Rate	Change
				%			%	
(Liabilities)								
I Current liabilities								
1. Notes and accounts payable			3,205			2,241		(963)
2. Long-term borrowings due within one year			18			—		-18
3. Other accounts payable			1,020			1,190		170
4. Accrued expenses			1,551			1,662		111
5. Accrued income taxes			1,313			9,994		8,681
6. Accured consumption taxes			408			1,022		614
7. Advance payments received			697			896		198
8. Deposits received			354			385		31
9. Reserve for bonuses			1,239			1,021		(218)
10. Allowance for sales returns			1,569			1,316		(253)
11. Other			807			1,057		249
Total current liabilities			12,185	11.1		20,790	15.8	8,604
II Fixed liabilities								
1. Accrued pension costs			978			1,173		195
2. Allowance for directors' retirement benefits			110			55		(54)
3. Other			63			84		20
Total fixed liabilities			1,152	1.0		1,313	1.0	160
Total liabilities			13,338	12.1		22,103	16.8	8,764
(Minority interests)								
Minority interests in consolidated subsidiaries			594	0.5		658	0.5	64
(Shareholders' equity)								
I Common stock	*2		7,154	6.5		7,433	5.6	278
II Capital surplus reserve			36,393	32.9		36,673	27.8	280
III Retained earnings			53,931	48.7		65,561	49.8	11,630
IV Unrealized gain on revaluation of marketable securities			363	0.3		472	0.4	108
V Foreign currency translation adjustment			(898)	(0.8)		(807)	(0.6)	90
VI Treasury stock	*3		(245)	(0.2)		(401)	(0.3)	(156)
Total shareholders' equity			96,700	87.4		108,933	82.7	12,232
Total liabilities, minority interests and shareholders' equity			110,633	100.0		131,695	100.0	21,061

(2) Consolidated Statements of Income

(Millions of yen)

Account \ Term	Note	FY2003 Results (April 1, 2004 to March 31, 2004) Amount		Rate	FY2004 Results (April 1, 2004 to March 31, 2005) Amount		Rate	Change Amount
				%			%	
I Net sales			63,202	100.0		73,864	100.0	10,662
II Cost of sales			22,084	34.9		25,703	34.8	3,619
Gross profit			41,117	65.1		48,161	65.2	7,043
Reversal of allowance for sales returns and price protection			1,420	2.2		1,569	2.1	149
Provision for allowance for sales returns and price protection			1,569	2.5		1,316	1.8	(253)
Net gross profit			40,968	64.8		48,414	65.5	7,446
III Selling, general and administrative expenses	*1							
1. Packaging freight charge		545			634			
2. Advertising expenses		5,119			5,346			
3. Sales promotion expenses		660			109			
4. Provision for doubtful accounts		332			77			
5. Compensation for directors		231			233			
6. Salary		3,887			4,251			
7. Provision to reserve for bonuses		1,130			418			
8. Net predict pension costs		491			107			
9. Provision to reserve for directors' retirement benefits		6			121			
10. Welfare expenses		698			753			
11. Rental expenses		955			1,033			
12. Commissions paid		3,023			2,667			
13. Depreciation and amortization		1,179			1,141			
14. Other		3,307	21,569	34.1	5,079	21,975	29.7	406
Operating income			19,398	30.7		26,438	35.8	7,040
IV Non-operating income								
1. Interest income		67			72			
2. Interest from securities		78			4			
3. Foreign exchange gain		—			296			
4. Rental income		0			30			
5. Miscellaneous income		294	440	0.7	138	542	0.7	102
V Non-operating expenses								
1. Interest expenses		7			2			
2. Foreign exchange loss		788			—			
3. Stock issuance expense		8			—			
4. Loss on disposal of inventories		—			3			
5. Loss on write-off of content development account		—			983			
6. Equity on losses of non-consolidated subsidiaries and affiliates		760			—			
7. Miscellaneous losses		25	1,590	2.5	90	1,080	1.4	(510)
Recurring income			18,248	28.9		25,901	35.1	7,653
VI Extraordinary gain								
1. Gain on sale of property, plant and equipment	*2	—			0			
2. Gain on sale of investment securities		59			106			
3. Gain on sale of shares in affiliates		240			—			
4. Reversal of allowance for doubtful accounts		—	300	0.5	11	118	0.2	(182)
VII Extraordinary loss								
1. Loss on sale of property, plant and equipment	*3	123			2			
2. Loss on disposal of property, plant and equipment	*4	198			50			
3. Evaluation loss on shares in affiliates		125			145			
4. Loss on evaluation of investment securities	*5	375			80			
5. Loss on sale of investment securities		84			2			
6. Provision of amortization of consolidated adjustment account		—			145			
7. Other losses		—	907	1.4	16	443	0.6	(464)
Income before income taxes and distribution of loss in partnership *(Tokumei-kumiai)*			17,640	28.0		25,576	34.6	7,935
Distribution of loss in partnership			24	0.0		20	0.0	(4)
Income before income taxes			17,616	28.0		25,556	34.6	7,940
Income taxes:		3,600			11,267			
Current deferred		2,962	6,563	10.4	(760)	10,506	14.2	3,943
Minority interest in consolidated subsidiaries			59	0.1		116	0.2	57
Net income			10,993	17.5		14,932	20.2	3,939

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of yen)

Account \ Term	Note	FY2003 Results (April. 1, 2003 to March. 31, 2004) Amount		FY2004 Results (April. 1, 2004 to March. 31, 2005) Amount		Change Amount
(Capital surplus)						
Ⅰ Capital surplus at beginning of year			9,383		36,393	27,010
Ⅱ Increases in capital surplus						
1. Increase due to merger		26,792		―		
2. Gain on disposal of treasury stock		4		1		
3. Shares issued through stock options		213	27,010	278	280	(26,730)
Ⅲ Capital surplus at year-end			36,393		36,673	280
(Retained earnings)						
Ⅰ Retained earnings at beginning of year			33,341		53,931	20,590
Ⅱ Increase in retained earnings						
1. Net income		10,993		14,932		
2. Transferred from merged company		11,524		―		
3. Increase due to increase in consolidated subsidiaries		16		―		
4. Increase due to decrease in consolidated subsidiaries		36	22,569	―	14,932	(7,637)
Ⅲ Decreases in retained earnings						
1. Dividends		1,979		3,301		
2. Bonus for directors		―	1,979	0	3,302	1,322
Ⅳ Retained earnings at year-end			53,931		65,561	11,630

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account / Term	Note	FY2003 Results (April 1, 2003 – March 31, 2004) Amount	FY2004 Results (April 1, 2004 – March 31, 2005) Amount	Change Amount
I Cash flows from operating activities				
Income before income taxes		17,616	25,556	7,940
Depreciation and amortization		1,974	1,814	(160)
Increase (decrease) in allowance for doubtful accounts		224	31	(193)
Increase (decrease) in reserve for bonuses		688	(218)	(907)
Decrease in allowance for sales returns and price protection		(105)	(267)	(161)
Increase (decrease) in accrued pension costs		576	195	(381)
(Decrease) increase in allowance for directors' retirement benefits		(26)	(54)	(28)
(Decrease) increase in reserve for office relocation costs		(589)	—	589
Interest and dividends received		(145)	(76)	68
Interest expenses		7	2	(5)
Gain on sale of investment securities		(59)	(106)	(47)
Loss on sale of investment securities		84	2	(82)
Losses on investments in securities		375	80	(294)
Gain on sale of shares held in affiliates		(240)	—	240
Evaluation loss on shares held in affiliates		125	145	20
Loss on disposal of property and equipment		198	50	(148)
Gain on sales of property and equipment		—	(0)	(0)
Loss on sales of property and equipment		123	2	(121)
Decrease (increase) in accounts receivable		4,852	4,319	(532)
(Increase) decrease in inventories		(6,745)	(5,618)	1,126
(Decrease) increase in purchase liabilities		(507)	(953)	(445)
(Decrease) increase in accrued consumption taxes		(104)	614	719
Decrease in other current assets		250	(94)	(345)
Decrease (increase) in other fixed assets		299	(198)	(498)
(Decrease) increase in other current liabilities		(2,014)	701	2,715
Directors' bonuses paid		—	(0)	(0)
Other		1,958	1,632	(325)
Subtotal		18,818	27,559	8,740
Interest and dividends received		126	83	(43)
Interest paid		(11)	(0)	11
Income taxes paid		(4,794)	(2,768)	2,025
Net cash provided by operating activities		14,139	24,873	10,733
II Cash flows from investing activities				
Payments for acquiring property, plant and equipment		(2,709)	(1,318)	1,390
Payments for acquiring intangible assets		(416)	(362)	54
Proceeds from sales of investment securities	*2	—	2,248	2,248
Payments for acquisition of shares in affiliates		(6,461)	(27)	6,434
Proceeds from sale of shares in affiliates		423	—	(423)
Proceeds from clearance of shares in affiliates		—	34	34
Proceeds from return of guarantee money paid		407	104	(302)
Payments for provision of guarantee money paid		(1,843)	(101)	1,741
Other		20	(2)	(23)
Net cash (used in) provided by investing activities		(10,579)	574	11,153
III Cash flows from financing activities				
Decrease (increase) in short-term borrowings		(1,000)	—	1,000
Payments for acquisition of treasury stock		(147)	(154)	(7)
Payments for dividends		(1,955)	(3,300)	(1,344)
Payments for dividends for minority interests		(2)	(2)	—
Payments of cash lien of dividend to retiree shareholders of merged company		(4,153)	—	4,153
Payments for partnership distributions		(616)	—	616
Other		1,135	549	(585)
Net cash used in financing activities		(6,739)	(2,907)	3,831
IV Effect of exchange rate changes on cash and cash equivalents		(984)	27	1,012
V Net (decrease) increase in cash and cash equivalents		(4,164)	22,567	26,731
VI Cash and cash equivalents at beginning of year		39,847	58,676	18,829
VII Increase in cash and cash equivalents due to merger		22,632	—	(22,632)
VIII Increase in cash and cash equivalents due to increase in consolidated subsidiaries		484	—	(484)
IX Decrease in cash and cash equivalents due to increase in consolidated subsidiaries		(123)	—	123
X Cash and cash equivalents at year-end	*1	58,676	81,243	22,567

Summary of Significant Accounting Policies Used in the Preparation of Consolidated Financial Statements for FY2004 (Ended March 31, 2005)

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
1. Scope of Consolidation	(1)Number of consolidated subsidiaries: 10 and one partnership DIGITAL ENTERTAINMENT ACADEMY CO., LTD. COMMUNITY ENGINE INC. THE GAME DESIGNERS STUDIO, INC. SQUARE ENIX U.S.A., INC. SQUARE L.L.C. SQUARE PICTURES, INC. SQUARE ENIX EUROPE LTD. SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD. COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) CO., LTD. UIEVOLUTION, INC. FF・FILM PARTNERS (partnership) COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING)CO., LTD., and UIEVOLUTION,. INC., were newly acquired during FY2004. Due to the increasing importance of their business activities, COMMUNITY ENGINE INC. and SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., have been included in the Company's scope of consolidation from this fiscal year. THE GAME DESIGNERS STUDIO, INC., SQUARE L.L.C., SQUARE PICTURES, INC., SQUARE ENIX EUROPE LTD. and FF FILM PARTNERS (partnership) have been included in the Company's scope of consolidation from this fiscal year due to the merger with SQUARE CO., LTD. In addition, proceedings to liquidate ENIX AMERICA INC. were completed during this fiscal year. (2)Non-consolidated subsidiaries BMF CORPORATION SPORTS BB CORPORATION SOLID CO., LTD. Proceedings are currently in progress to liquidate SPORTS BB CORP. following a resolution at the annual general meeting of stockholders held on March 15, 2004. (Rationale for the exclusion of subsidiary companies from the scope of consolidation) Non-consolidated subsidiaries conduct operations that are relatively small in scale. The total of non-consolidated subsidiaries' assets, sales, equity in net income (loss), and equity in retained earnings (deficit) are deemed to have an immaterial effect on the Company's financial performance and consolidated financial statements.	(1)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. (2)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) Same as FY2003

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
2. Application of the Equity Method of Accounting	Number of equity-method non-consolidated subsidiaries: 1 DIGICUBE CO., LTD. On November 26, 2003, the Company's affiliate, DIGICUBE CO., LTD., filed for bankruptcy with the Tokyo District Court. As a result of the declaration of bankruptcy, the firm was delisted from the Hercules Nippon New Market of the Osaka Securities Exchange on December 13, 2003. Principal non-consolidated subsidiaries not accounted for by 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 in net income (loss) and equity 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.	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 in net income (loss) and equity 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. Fiscal Year-End of Consolidated Subsidiaries	The fiscal year of SQUARE ENIX WEBSTAR NETWORK TECHNOLOGY (BEIJING) CO., LTD., COMMUNITY ENGINE NETWORK SOFTWARE (BEIJING) 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 December 31 fiscal year-end are used. Important transactions between their fiscal year-end and the consolidated balance date of March 31 are reconciled for consolidation.	The first half 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., COMMUNITY ENGINE NETWORK SOFTWARE(BEIJING) CO., LTD., and FF･FILM PARTNERS (partnership) ends December 31. In the preparation of consolidated financial statements, their financial statements for the December 31 fiscal year-end are used. Important transactions between their fiscal year-end and the consolidated balance 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: Amortized cost method, amortized 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 Securities for which fair values are unavailable: Stated at cost determined by the average method B) Inventories Manufactured goods, merchandise: Stated at cost, determined by the monthly average method Content production account: Stated at cost, determined by the identified cost method Supplies: Stated at the last purchase price	A) Investment securities Same as FY2003 B) Inventories Same as FY2003.

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
(2) Method for depreciation and amortizion of major assets	A) Property, plant and equipment Property, plant and equipment are depreciated using the declining-balance method. Estimated useful lives of major assets are as follows: Buildings and structures 3–50years Tools and fixtures 3–20years (Change in accounting policy) Previously, assets with a purchase price greater than or equal to ¥100,000 and less than ¥200,000 were depreciated on a straight-line basis over a period of three years. To unify the accounting policy as a result of the merger and to further strengthen the financial position, from this fiscal year acquired assets that are deemed to have an immaterial impact on the Company's consolidated financial position are expensed at the time of purchase. The result of this change on the Company's consolidated operating income, recurring profit and income before taxes for the fiscal year under review is considered immaterial.	A) Property, plant and equipment Property, plant 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 3-15years
	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.	B) Intangible assets Same as FY2003

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
(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 credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates. B) Reserve for bonuses A reserve for bonuses 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) Accrued pension costs An allowance for retirement benefits is provided at the amount incurred during this fiscal year, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the next year in which they arise. 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. （Additional Information） Until the previous fiscal year, the Company had provided a reserve for retirement benefits equal to 100% 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 current fiscal year, as the number of Company employees exceeded 300 due to the merger with SQUARE, the Company changed its accounting policy for reserve for retirement benefits to the method described above. As a result of this change, retirement expense increased ¥437 million, and recurring profit and income before income taxes each decreased ¥416 million. Moreover, this change in accounting method was adopted in the second half of the fiscal year under review due to the merger with SQUARE and the increase in the Company's number of employees above 300. Reserve for retirement benefits for the first half were calculated using the previous method. Adjusting first-half accounts to reflect the change in accounting method, recurring profit and income before income taxes would increase ¥393 million. 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.	A) Allowance for doubtful accounts Same as FY2003 B) Reserve for bonuses Same as FY2003 C) Accrued pension costs 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 next fiscal year 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 Same as FY2003 E) Allowance for directors' retirement benefits Same as FY2003

	FY2003 (April 1, 2003 to March 31, 2004)	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 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 balance sheet year-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."	Same as FY2003
(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.	Same as FY2003
(6) Accounting for deferred assets	Stock 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 Same as FY2003 B) Accounting treatment of overseas subsidiaries Same as FY2003
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	All assets and liabilities of consolidated subsidiaries are revalued on acquisition.	Same as FY2003
6. Amortization of Goodwill	Goodwill is amortized over a period of 3 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 retained earnings is prepared based on earnings (deficit) appropriations determined during the fiscal year.	Same as FY2003
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.	Same as FY2003

Additional Information

FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
(Accounting treatment for costs related to the planning and development of game content paid to third parties) Until the fiscal year ended March 31, 2003, the Company expensed the costs related to the planning and development of game content when paid to a third party. Effective from the fiscal year ended March 31, 2004, as a result of efforts to strengthen the decision-making process in connection to the development of game software and to implement more stringent selection criteria, such costs incurred during the development stage are capitalized as "Content production account" and charged to cost of sales at the time of sale of related game products. For the fiscal year ended March 31, 2004, "Content production account" included such capitalized costs in the amount of ¥3,763 million.	―――
(Accounting for business combination) On April 1, 2003, ENIX CORPORATION and SQUARE CO., LTD., merged and formed SQUARE ENIX CO., LTD. The merger was effected through the issue of 51,167,293 common shares and allocated on the basis of one SQUARE CO., LTD., common share for every 0.85 ENIX CORPORATION common shares. The merger was consummated on an equal footing by combining the entire control over net assets and management activities prior to the merger, and sharing both the post-merger benefits and risks equally. In addition, it was not possible to determine which entity was the acquirer. Therefore, this business combination was accounted for under the pooling-of interests method. Details of post-merger assets and liabilities are provided on the following page.	―――

* Assets and Liabilities Transferred from SQUARE CO., LTD., due to the Merger

(Millions of yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	36,490	Current liabilities	13,489
Cash and deposits	16,931	Accounts payable–trade	1,717
Accounts receivable–trade	11,438	Current portion of long-term debt	22
Finished goods	45	Accounts payable–other	2,808
Merchandise	11	Payables arising due to merger	4,153
Content production account	3,402	Income taxes payable	4
Suppliers	77	Consumption tax payable	422
Prepaid expenses	375	Accrued expenses	1,248
Accounts receivable–other	483	Advances received	594
Income taxes receivable	537	Deposits received	83
Deferred tax assets	2,980	Reserve for bonuses	463
Other current assets	217	Allowance for sales returns	893
Allowance for doubtful accounts	(10)	Reserve for office relocation costs	1,074
		Other current liabilities	3
Fixed assets	14,370		
Property, plant and equipment	3,759	Fixed liabilities	359
Buildings and structures	621	Long-term debt	18
Tools and fixtures	2,663	Long-term deposits received	39
Land	421	Reserve for retirement benefits	301
Construction in progress	53		
Intangible assets	1,027	Total liabilities	13,848
Goodwill	250		
Trademarks	45		
Telephone rights	6		
Software	636		
Software production account	88		
Investments and other assets	9,584		
Investment securities	1,345		
Investment in subsidiaries	3,376		
Long-term loans receivable	4		
Long-term prepaid expenses	5		
Investment in consortiums	560		
Leasehold deposits	590		
Deferred tax assets	3,383		
Other investments	316		
Allowance for doubtful accounts	(0)		
Total assets	50,860	Net worth	37,012

Notes to Consolidated Balance Sheets

FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)
*1 Investment in non-consolidated subsidiaries and affiliates Investment securities ¥341 million Investments and other assets ¥4 million	*1 Investment in non-consolidated subsidiaries and affiliates Investment securities ¥151 million Investments and other assets ¥4 million
*2 Number of shares of common stock outstanding: 110,130,418	*2 Number of shares of common stock outstanding: 110,385,543
*3 Number of shares of treasury stock: 99,539	*3 Number of shares of treasury stock: 150,650
4 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 March 31, 2004, the liability outstanding under the guarantee was U.S.$432 thousand (¥45 million).	4 Contingent liabilities for guarantees ―――――

Notes to Consolidated Statements of Income

FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
*1 Selling, general and administrative expense includes R&D costs of ¥7 million.	*1 ―――――
*2 Breakdown of gain on sale of property and equipment ―――――	*2 Breakdown of gain on sale of property and equipment Tools and fixtures ¥0 million
*3 Breakdown of loss on sale of property and equipment Tools and fixtures ¥123 million	*3 Breakdown of loss on sale of property and equipment Tools and fixtures ¥2 million
*4 Breakdown of loss on disposal of property and equipment Tools and fixtures ¥159 million Software ¥39 million Total ¥198 million	*4 Breakdown of loss on disposal of property and equipment Tools and fixtures ¥47 million Software ¥2million Total ¥50 million
*5 Loss on investment securities is due to the significant decline in market prices of marketable securities.	*5 Same as FY2003

Notes to Consolidated Statements of Cash Flows

FY2003 (April 1, 2003 to March 31, 2004)	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 sheets is as follows: Cash and deposits ¥58,676 million Cash and cash equivalents ¥58,676 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 ―――――	*2 "Gain on sale of investment securities" includes income from redemption of held-to-maturity national bond of ¥2 billion.

5. Segment Information

1. Consolidated Business Segment Information

FY2003 (April 1, 2003 to March 31, 2004) (Millions of yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publishing	Other	Total	Eliminations or Unallocated	Consolidated Total
Sales and operating income								
Net sales								
(1) Sales to outside customers	37,988	8,924	2,793	9,671	3,824	63,202	—	63,202
(2) Intersegment sales	—	—	—	—	—	—	—	—
Total	37,988	8,924	2,793	9,671	3,824	63,202	—	63,202
Operating expenses	21,583	6,575	1,633	6,491	2,797	39,081	4,722	43,803
Operating income	16,404	2,348	1,159	3,180	1,027	24,120	(4,722)	19,398
Assets, depreciation and capital expenditures								
Assets	55,104	14,215	2,583	14,225	5,980	92,110	18,523	110,633
Depreciation	870	742	17	12	92	1,735	239	1,974
Capital expenditures	188	513	12	0	—	715	1,989	2,704

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
Publishing	Magazine comics, serial comics, game-related books
Other	Derivative products such as character merchandise, school for game designers

3. Unallocated operating expenses included in "Eliminations or Unallocated" totaled ¥4,722 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.
4. Unallocated assets included in "Eliminations or Unallocated"totaled ¥18,523 million. These assets are related to adaministrative departments of the Company.
5. As in "Summary of Significant Accounting Policies used in the Preparation of Consolidated Financial Statements, " the method for depreciation and amortizion of property, plant and equipment are expensed at the time of purchase from FY2003. The result of this change is considered immaterial.

FY2004 (April 1, 2004 to March 31, 2005) (Millions of yen)

	Games (Offline)	Games (Online)	Mobile Phone Content	Publishing	Other	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
Assets, depreciation, and capital expenditures								
Assets	64,860	20,752	4,725	20,448	6,168	116,955	14,739	131,695
Depreciation	693	770	35	19	99	1,618	195	1,814
Capital expenditures	106	725	51	3	17	905	618	1,523

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
Publishing	Magazine comics, serial comics, game-related books
Other	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 are not allocable to specific business segments.
4. Unallocated assets included in "Eliminations or Unallocated" totaled ¥14,739 million. These assets are related to adaministrative departments of the Company.

2. Consolidated Geographic Segment Information

FY2003 (April 1, 2003 to March 31, 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	49,354	12,981	148	717	63,202	—	63,202
(2) Intersegment sales	3,718	389	279	—	4,387	(4,387)	—
Total	53,073	13,371	428	717	67,589	(4,387)	63,202
Operating expenses	36,880	10,178	336	796	48,191	(4,387)	43,803
Operating income (loss)	16,192	3,192	91	(79)	19,398	—	19,398
Assets	96,547	12,106	772	1,207	110,633	—	110,633

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."
5. As in "Summary of Significant Accounting Policies used in the Preparation of Consolidated Financial Statements," the method for depreciation and amortizion of property, plant and equipment are expensed at the time of purchase from FY2003. The result of this change is considered immaterial.

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
Assets	118,306	10,694	1,010	1,683	131,695	—	131,695

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

FY2003 (April 1, 2003 to March 31, 2004) (Millions of yen)

	North America	Europe	Asia	Total
Ⅰ Overseas sales	15,618	2,121	972	18,712
Ⅱ Consolidated sales				63,202
Ⅲ Percentage of overseas sales to consolidated sales	24.7%	3.4%	1.5%	29.6%

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.

6. Lease Transactions

FY2003 (April 1, 2003 to March 31, 2004)	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

FY2003 (April 1, 2003 to March 31, 2004)

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	48	41
Total	90	48	41

Note: The acquisition cost payment is an insignificant portion of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.

2. Ending balance of future lease payments

Due within one year	¥16 million
Due after one year	¥24 million
Total	¥41 million

Note: The total future lease payment at the end of the period is an 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	¥18 million
Depreciation expense	¥18 million

4. Method of calculation for depreciation

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

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	74	49	24
Total	74	49	24

Note: The acquisition cost payment is an insignificant portion of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.

2. Ending 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 an 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

Same as FY2003

7. Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities are summarized as follows: (Millions of yen)

	FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)
Deferred tax assets (Current assets)		
Enterprise tax payable	115	809
Office tax payable	18	19
Accrues bonuses, allowance for bonuses to employees	500	415
Advances paid	252	310
Accrued expenses	309	346
Allowance for sales return	466	442
Prepaid expenses	205	—
Non-deductible portion of allowance for doubtful accounts	86	162
Tax credits	118	80
Non-deductible portion of allowance for content production account	(258)	(190)
Evaluation loss on content	—	1,140
Other	35	(97)
Total	1,850	3,440
Deferred tax assets (Fixed assets)		
Non-deductible portion of allowance for retirement benefits	392	477
Allowance for directors' retirement benefits	53	31
Non-deductible depreciation expense of property, plant and equipment	684	562
Advance payments	552	—
Tax effect on deficit of subsidiaries	666	690
Loss on investments in securities	472	242
Other	91	87
Total	2,914	2,093
Offset to deferred tax assets (Fixed assets)	(249)	(324)
Balance	2,665	1,768
Net deferred tax assets	4,515	5,209
Deferred tax liabilities (Fixed liabilities)		
Net unrealized gains on available-for-sale securities	(249)	(324)
Total	(249)	(324)
Offset to deferred tax assets (Fixed assets)	249	324
Total deferred tax liabilities	—	—
Net deferred tax assets (liabilities)	4,515	5,209

2. Reconciliation of the statutory tax rate and the effective tax rate (%)

	FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)
Statutory tax rate	42.05	40.70
Permanent differences excluded from non-taxable expenses	0.18	0.17
Permanent differences excluded from gross revenue	(0.18)	(0.01)
Increase/decrease in valuation allowance	(3.18)	—
Taxation on per capita basis for residents tax	0.07	0.04
Foreign tax credits	(0.33)	—
Special income tax credits	(0.95)	(0.56)
Investment loss on equity method	1.76	—
Tax effect on related companies' unappropriated retained earnings	(1.36)	—
Amortization of consolidation adjustment account	0.34	2.43
Adjustments in unrealized profits due to consolidation	(1.00)	—
Difference in tax rate with the parent company	0.01	(1.17)
Other	(0.15)	(0.49)
Effective tax rate	37.26	41.11

8. Securities

FY2003 Year-End (ended March 31, 2004)

1. Held-to-sell securities
   Not applicable

2. Held-to-maturity securities with market value (Millions of yen)

	Type	Book Value	Market Value	Unrealized Gain (Loss)
Securities with market value exceeding book value	(1) Government bonds	2,000	2,000	0
	Subtotal	2,000	2,000	0
Total		2,000	2,000	0

3. Other investment securities with market value (Millions of yen)

	Type	Acquisition Cost	Market Value	Unrealized Gain (Loss)
Securities with book value exceeding acquisition cost	(1) Stocks	179	797	617
	Subtotal	179	797	617
Securities with acquisition cost exceeding book value	(1) Stocks	76	71	(4)
	Subtotal	76	71	(4)
Total		256	869	613

Note: An impairment loss of ¥222 million was incurred in the fiscal year ended March 31, 2004, in connection with the Company's other marketable securities with market value. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls not less than 50% of the acquisition cost. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls between 30% and 50% of the acquisition cost after considering such factors as the significance and amount of securities and the potential for recovery.

4. Securities sold during this fiscal year (Millions of yen)

Amount of Sale	Gain on Sale	Loss on Sale
156	59	84

5. Investment securities whose fair values are not readily determined as of March 31, 2004 (Millions of yen)

	Book Value
(1) Other marketable securities Unlisted securities (excluding OTC securities)	165

Note: An impairment loss of ¥278 million was incurred in the fiscal year ended March 31, 2004, in connection with the Company's other securities whose fair values are not readily determined as of March 31, 2004. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls not less than 50% of the acquisition cost. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls between 30% and 50% of the acquisition cost after considering such factors as the significance and amount of securities and the potential for recovery.

6. Held-to-maturity securities
   Not applicable

FY2004 Year-End (ended March 31, 2005)

1. Held-to-sell securities
   Not available

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

3. Securities sold during this fiscal year (Millions of yen)

Amount of Sale	Gain on Sale	Loss on Sale
143	106	2

4. Investment securities whose fair values are not readily determined as of March 31, 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 fiscal year ended March 31, 2005, in connection with the Company's other marketable securities with market value. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls not less than 50% of the acquisition cost. Impairment loss on securities is charged to income when the market price at the end of the fiscal year falls between 30% and 50% of the acquisition cost after considering such factors as the significance and amount of securities and the potential for recovery.

5. Held-to-maturity securities
   Not applicable

9. Derivative Transactions

FY2003 (April 1, 2003 to March 31, 2004)

The Group does not engage in derivative transactions.

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

1. Condition of Transaction

   A) Type of transaction and purpose of engagement

      The Company does not engage in derivative transactions in principal, however, to avoid foreign exchange rate risks, it is probable that we may engage in exchange reservation transaction.

   B) Transaction policy

      Exchange reservation transaction is made within a range of foreign currency transaction amount, and the Company does not engage in speculation transaction.

   C) Risks

      Exchange reservation transaction contains risks resulting from fluctuation of exchange rate. Additionally, the Company considers that there are few risks of non-fulfillment of a contract by credible banks to contract of exchange reservation.

   D) Risk Management

      Under the approval of the representative director or an executives in charge, the Accounting and Financing Division administer the risk management.

2. Market Value of Transaction

   Not applicable

10. Retirement Benefits

FY2003 (ended March 31, 2004)

1. Overview of retirement benefit plan applied

The Company and its domestic consolidated subsidiaries applied a lump-sum retirement payment plan with regard to its retirement benefit obligation. The projected benefits are allocated to periods of service on a straight-line basis. Its domestic consolidated subsidiaries apply the conventional method in the calculation of retirement benefit obligations. In addition, certain of the Company's overseas subsidiaries maintain defined contribution retirement pension plans.

2. Retirement benefit obligation

Retirement benefit obligation	¥988	million
Unrecognized actuarial difference	¥(10)	million
Allowance for retirement benefits	¥978	million

3. Retirement benefit expenses

Service cost	¥602	million
Interest cost	¥12	million
Retirement benefit expenses	¥615	million

Service cost includes a deficit of ¥388 million due to the change in calculation of retirement benefit obligation from the conventional method to the basic method.

4. Assumption used in accounting for retirement benefit obligation

Periodic allocation method for projected benefits	Straight-line basis
Discount rate	1.611%
Years over which net actuarial gains and losses are amortized	1 year

FY2004 (ended March 31, 2005)

1. Overview of retirement benefit plan applied

The Company and its domestic consolidated subsidiaries applied a lump-sum retirement payment plan with regard to its retirement benefit obligation. The projected benefits are allocated to periods of service on a straight-line basis. Its domestic consolidated subsidiaries apply the conventional method in the calculation of retirement benefit obligations. In addition, certain of the Company's overseas subsidiaries maintain defined contribution retirement pension plans.

2. Retirement benefit obligation

Retirement benefit obligation	¥969	million
Unrecognized past service obligation	¥100	million
Unrecognized actuarial difference	¥103	million
Allowance for retirement benefits	¥1,173	million

3. Retirement benefit expenses

Service cost	¥210	million
Interest cost	¥15	million
Amortization of net actuarial gains and losses	¥10	million
Retirement benefit expenses	¥235	million

Service cost includes a deficit of ¥388 million due to the change in calculation of retirement benefit obligation from the conventional method to the basic method.

4. Assumption used in accounting for retirement benefit obligation

Periodic allocation method for projected benefits	Straight-line basis
Discount rate	1.652%
Years over which past service obligations are amortized	1 year
Years over which net actuarial gains and losses are amortized	1 year

11. 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 FY2004 (ended March 31, 2005) (Millions of yen, %)

Segment	FY2003 Consolidated Results (Apr. 1, 2003 to Mar. 31, 2004)		FY2004 Consolidated Results (Apr. 1, 2004 to Mar. 31, 2005)		Change (negative)	
	Amount	Rate	Amount	Rate	Amount	Change
Games (Offline)	5,123	52.4	6,179	51.4	1,055	20.6
Games (Online)	380	3.9	508	4.2	127	33.6
Publication	2,534	25.9	4,373	36.4	1,838	72.6
Other	1,742	17.8	958	8.0	(783)	(45.0)
Total	9,780	100.0	12,019	100.0	2,238	22.9

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	FY2003 Consolidated Results (Apr. 1, 2003 to Mar. 31, 2004)		FY2004 Consolidated Results (Apr. 1, 2004 to Mar. 31, 2005)		Change (negative)	
	Amount	Rate	Amount	Rate	Amount	Change
Games (Offline)	37,988	60.1	41,944	56.8	3,956	10.4
Games (Online)	8,924	14.1	13,853	18.8	4,929	55.2
Mobile Phone Content	2,793	4.4	4,557	6.2	1,764	63.2
Publication	9,671	15.3	10,859	14.7	1,187	12.3
Other	3,824	6.1	2,649	3.6	(1,174)	(30.7)
Total	63,202	100.0	73,864	100.0	10,662	16.9

Note: The above amounts do not contain consumption taxes.

SQUARE ENIX

May 24, 2005

NON-CONSOLIDATED FINANCIAL RESULTS for Fiscal Year Ended March 31, 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		
Contact:	Yosuke Matsuda, Director and Executive Officer	Phone:	03-5333-1555
Date of Board Approval:	May 24, 2005	Interim Dividend Payout:	paid ・ not paid
Annual General Meeting of Stockholders:	June 18, 2005	Stock Trading Unit:	100 shares
		Date of Dividend Payout:	June 20, 2005

1. FY2004 Non-Consolidated Financial Results (April 1, 2004 to March 31, 2005)

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

	Net Sales		Operating Income		Recurring Income	
Fiscal Years Ended		%		%		%
March 31, 2005	63,950	24.3	24,080	50.6	23,533	50.7
March 31, 2004	51,429	—	15,991	—	15,618	—

	Net Income		Earings Per Share (Basic)	Earnings Per Share (Diluted)	Return on Equity	Recurring Income to Total Assets	Recurring Income Margin
Fiscal Years Ended		%	Yen	Yen	%	%	%
March 31, 2005	13,562	45.2	123.19	122.13	13.6	20.6	36.8
March 31, 2004	9,342	—	85.02	84.77	10.4	14.8	30.3

① Mid-term average of numbers of shares issued and outstanding
Fiscal year ended March 31, 2005 (FY2004) 110,093,589
Fiscal year ended March 31, 2004 (FY2003) 109,884,947

② Change of significant accounting policy N/A

③ Percentages in net sales, operating income, recurring income and net income are the percent change compared with the previous fiscal year.

④ Since the merger of Enix Corporation and Square Co., Ltd. took place on April 1, 2003, there are no prior figures with which to compare results for the fiscal year ended March 31, 2004.

(2) Dividends

	Annual Dividend Per Share	Interim	Year-end	Total Dividends (annual)	Payout Ratio	Diividend Rate of Stockholders' Equity
Fiscal Years Ended	Yen	Yen	Yen		%	%
March 31, 2005	60.00	10.00	50.00	6,612	48.8	6.3
March 31, 2004	30.00	10.00	20.00	3,299	35.3	3.5

Note: Year-end dividend for FY2004 : Commemorative dividend ¥30.00 Special dividend ¥ -

(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
Fiscal Years Ended			%	Yen
March 31, 2005	124,105	104,909	84.5	951.69
March 31, 2004	104,623	94,137	89.9	855.55

① Number of shares issued at year-end
Fiscal year ended March 31, 2005 (FY2004) 110,234,893
Fiscal year ended March 31, 2004 (FY2003) 110,030,879

② Amount of treasury stock
Fiscal year ended March 31, 2005 (FY2004) 150,650
Fiscal year ended March 31, 2004 (FY2003) 99,539

2. FY2005 Forecasts (April 1, 2005 - March 31, 2006) (Millions of yen, except per share data)

	Net Sales	Recurring Income	Net Income	Annual Dividend Per Share Interim	Year-end	
				Yen	Yen	Yen
First Six Months	23,000	2,100	1,200	10.00	—	—
Full-Year	75,000	21,000	12,000	—	20.00	30.00

(Reference) Earnings per share (basic) forecasts for FY2005: ¥108.86

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

7. Non-Consolidated Financial Statements for FY2004 (Ended March 31, 2005)

(1) Non-Consolidated Balance Sheets

(Millions of yen)

Term / Account	Note	FY2003 Results (As of March 31, 2004)			FY2004 Results (As of March 31, 2005)			Change
		Amount		Rate	Amount		Rate	Amount
				%			%	
(Assets)								
I Current assets								
1. Cash and deposits			52,158			74,218		22,059
2. Notes receivable			1			—		(1)
3. Time deposits	*3		10,819			6,840		(3,979)
4. Inventories			444			481		36
5. Content production account			10,126			15,510		5,384
6. Unfinished goods			81			98		16
7. Supplies			32			44		11
8. Advanced payment expenses			332			334		1
9. Accrued payment received	*3		250			84		(166)
10. Loans to affiliates			5,073			2,469		(2,603)
11. Deferred tax assets			1,112			2,950		1,837
12. Other current assets			17			248		231
Allowance for doubtful accounts			(17)			(6)		11
Total current assets			80,435	76.9		103,276	83.2	22,841
II Fixed assets								
1. Property, plant and equipment								
(1) Buildings		3,350			3,544			
Accumulated depreciation		1,206	2,143		1,465	2,079		(63)
(2) Structures		24			24			
Accumulated depreciation		20	3		20	3		(0)
(3) Ships		7			7			
Accumulated depreciation		7	0		7	0		—
(4) Tools and fixtures		7,695			8,254			
Accumulated depreciation		4,927	2,767		5,616	2,638		(129)
(5) Land			3,813			3,813		—
Total property, plant and equipment			8,729	8.3		8,535	6.9	(193)
2. Intangible assets								
(1) Goodwill			190			130		(60)
(2) Trademarks			39			33		(6)
(3) Softwares			717			635		(81)
(4) Softwares under development			10			159		149
(5) Telephone rights			9			9		—
(6) Other			145			114		(30)
Total intangible assets			1,112	1.1		1,083	0.9	(28)
3. Investments and other assets								
(1) Investment securities			3,175			1,133		(2,041)
(2) Shares held in affiliates			4,143			3,326		(817)
(3) Long-term loans			4			9		4
(4) Long-term advanced payment expenses			468			431		(36)
(5) Investment in consortiums			1,051			1,406		355
(6) Guarantee money			2,774			2,800		26
(7) Deferred tax assets			2,712			2,095		(616)
(8) Other			16			5		(11)
Total investments and other assets			14,347	13.7		11,209	9.0	(3,137)
Total fixed assets			24,188	23.1		20,828	16.8	(3,359)
Total assets			104,623	100.0		124,105	100.0	19,482

(Millions of yen)

Account \ Term	Note	FY2003 Results (As of March 31, 2004) Amount		Rate	FY2004 Results (As of March 31, 2005) Amount		Rate	Change Amount
				%				
(Liabilities)								
I Current liabilities								
1. Account payable	*3		3,300			2,282		(1,018)
2. Long-term borrowings due within one year			18			—		(18)
3. Accrued payments	*3		1,114			1,210		96
4. Accrued expenses			986			767		(218)
5. Accrued corporation taxes			984			9,960		8,976
6. Accrued consumption taxes			401			1,016		614
7. Advance payments received			151			437		285
8. Deposits received			336			370		34
9. Reserve for bonuses			1,229			1,009		(219)
10. Allowance for sales returns			814			832		18
11. Other			0			0		(0)
Total current liabilities			9,338	9.0		17,888	14.3	8,549
II Fixed liabilities								
1. Long-term deposits			63			84		20
2. Accrued pension costs			973			1,167		194
3. Allowance for directors' retirement			110			55		(54)
Total fixed liabilities			1,147	1.1		1,307	1.1	159
Total liabilities			10,486	10.1		19,195	15.4	8,709
(Shareholders' equity)								
I Common stock			7,154	6.8		7,433	6.0	278
II Capital surplus reserve								
1. Reserved common stock		36,389			36,668			
2. Other capital surplus reserves								
(1) Gain on disposal of treasury stock		4			5			
Total capital surplus reserve			36,393	34.8		36,673	29.6	280
III Retained earnings								
1. Reserved retained earnings		885			885			
2. Optional reserve fund								
(1) Special reserve fund		29,522			29,522			
3. Unappropriated earnings		20,062			30,323			
Total retained earnings			50,469	48.2		60,731	48.9	10,261
IV Unrealized gain on revaluation of marketable securities			363	0.3		472	0.4	108
V Treasury stock			(245)	(0.2)		(401)	(0.3)	(156)
Total shareholders' equity			94,137	89.9		104,909	84.6	10,772
Total liabilities and shareholders' equity			104,623	100.0		124,105	100.0	19,482

(2) Non-Consolidated Statements of Income

(Millions of yen)

Account \ Term	Note	FY2003 Results (April 1, 2003 to March 31, 2004) Amount		Rate	FY2004 Results (April 1, 2004 to March 31, 2005) Amount		Rate	Change Amount
				%				
I Net sales								
Net sales of merchandise	*6	51,429	51,429	100.0	63,950	63,950	100.0	12,521
II Cost of sales								
1. Merchandise in inventory at beginning of the year		358			444			
2. Merchandise purchased		8,999			12,706			
3. Cost of merchandise production	*1	10,273			10,317			
Total		19,631			23,469			
4. Other accounts transferred	*2	41			48			
5. Merchandise in inventory at end of the year		444	19,144	37.2	481	22,938	35.9	3,794
Gross profit			32,285	62.8		41,012	64.1	8,726
Reversal of allowance for sales returns and			1,420	2.8		814	1.3	(605)
Provision for allowance for sales returns and			814	1.6		832	1.4	18
Net gross profit			32,890	64.0		40,993	64.0	8,102
III Selling, general and administrative expenses	*5							
1. Packaging freight charge		498			601			
2. Advertising expenses		2,747			4,055			
3. Sales promotion expenses		605			—			
4. Provision for doubtful accounts		4			—			
5. Compensation for directors		194			184			
6. Salary		3,422			3,471			
7. Provision to reserve for bonuses		1,107			396			
8. Net predict pension costs		487			98			
9. Provision to reserve for directors' retirement benefits		6			121			
10. Welfare expenses		596			596			
11. Rental expenses		777			838			
12. Commissions paid		2,404			2,246			
13. Depreciation and amortization		1,070			1,005			
14. Outside production accounts		819			1,027			
15. Other		2,155	16,899	32.9	2,269	16,912	26.4	13
Operating income			15,991	31.1		24,080	37.6	8,089
IV Non-operating income								
1. Interest income		10			72			
2. Interest from securities		83			9			
3. Foreign exchange gain		—			296			
4. Rental income		29			34			
5. Miscellaneous income		252	376	0.7	113	526	0.8	150
V Non-operating expenses								
1. Interest expenses		0			0			
2. Foreign exchange loss		728			—			
3. Loss on disposal of inventories		—			3			
4. Loss on write-off of content		—			996			
5. Stock issuance expense		8			—			
6. Other		11	748	1.5	73	1,073	1.6	325
Recurring income			15,618	30.3		23,533	36.8	7,914
VI Extraordinary gain								
1. Gain on sale of investment securities		59			106			
2. Gain on sale of shares in affiliates		240			—			
3. Reversal of allowance for doubtful accounts		—	300	0.6	11	118	0.2	(182)
VII Extraordinary loss								
1. Loss on sale of property, plant and equipment	*3	123			2			
2. Loss on disposal of property, plant and equipment	*4	193			49			
3. Loss on sale of investment securities		84			2			
4. Loss on evaluation of investment securities		375			80			
5. Evaluation loss on shares in affiliates		317			897			
6. Other		—	1,095	2.1	16	1,048	1.7	(46)
Income before income taxes and distribution of loss in partnership *(Tokumei-kumiai)*			14,823	28.8		22,603	35.3	7,779
Distribution of loss in partnership			24	0.0		20	0.0	(4)
Income before income taxes			14,799	28.8		22,582	35.3	7,783
Income taxes		1,600			10,315			
Current deferred		3,856	5,457	10.6	(1,295)	9,019	14.1	3,562
Net income			9,342	18.2		13,562	21.2	4,220
Retained earnings brought forward from the previous year-end			1,814			17,861		16,047
Retained earnings brought from merged company			10,004			—		(10,004)
Cash dividends paid			1,098			1,101		2
Retained earnings at year-end			20,062			30,323		10,261

(3) Proposal of Appropriation

(Millions of yen)

Term / Account	Note	FY2003 (April 1, 2003 to March 31, 2004)		FY2004 (April 1, 2004 to March 31, 2005)	
I Unappropriated retained earnin			20,062		30,323
II Appropriation of retained earnings					
1. Cash dividend paid		2,200	2,200	5,511	5,511
III Retained earnings carried forward			17,861		24,812

Dividend Per Share

Type	FY2003 (April 1, 2003 to March 31, 2004)			FY2004 (April 1, 2004 to March 31, 2005)		
	Annual	Interim	Year-End	Annual	Interim	Year-End
Ordinary dividend	30.00	10.00	20.00	60.00	10.00	50.00

* Year-end dividends for FY2004 includes a commemorative dividend of ¥30.00.

Summary of Significant Accounting Policies Used in the Preparation of Non-Consolidated Financial Statements for FY2004 (Ended March 31, 2005)

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
1. Standards and Valuation Methods for Investment Securities	(1) Held-to-maturity securities: Amortized cost method, amortized on a straight-line basis (2) Investment 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 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: Same as FY2003 (2) Investment in consolidated subsidiaries and affiliates: Same as FY2003 (3) Other investment securities: Securities for which fair values are available: Same as FY2003 Securities for which fair values are unavailable: Same as FY2003
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 identified cost method Unfinished goods: Stated at cost, determined using the monthly average method in principal Supplies: Stated at last purchase price	Manufactured goods, merchandise: Same as FY2003 Content production account: Same as FY2003 Unfinished goods: Same as FY2003 Supplies: Same as FY2003
3. Method for Depreciation and Amortizion of Current Assets	(1) Property, plant and equipment Property, plant 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 3–20 years (Change in accounting policy) Previously, assets with a purchase price greater than or equal to ¥100,000 and less than ¥200,000 were depreciated on a straight-line basis over a period of three years. To unify the accounting policy as a result of the merger and to further strengthen the financial position, from this fiscal year acquired assets deemed to have an immaterial impact on the Company's consolidated financial position are expensed at the time of purchase. The result of this change on the Company's consolidated operating income, recurring profit and income before taxes for this fiscal year is considered immaterial. (2) 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 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.	(1) Property, plant and equipment Property, plant 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 (2) Intangible assets Same as FY2003
4. Accounting for Deferred Assets	Stock issuance expenses Costs associated with issuance of common shares are expensed as incurred.	————

	FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
5. Accounting for Allowances and Reserves	(1) 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 credit loss for 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 on the balance sheet date. (3) 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, 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 retirement benefits An allowance for retirement benefits is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation. Unrecognized actuarial differences are fully amortized in the next year in which they arise. (Additional Information) Until the previous fiscal year, the Company had provided a reserve for retirement benefits equal to 100% 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 current fiscal year, as the number of Company employees exceeded 300 due to the merger with SQUARE, the Company changed its accounting policy for reserve for retirement benefits to the method described above. As a result of this change, retirement expense increased ¥437 million, and recurring profit and income before income taxes each decreased ¥416 million. Moreover, this change in accounting method was adopted in the second half of this fiscal year due to the merger with SQUARE and the increase in the Company's number of employee above 300. Reserve for retirement benefits for the first half was calculated using the previous method. Adjusting first-half accounts to reflect the change in accounting method, recurring profit and income before income taxes would increase ¥393 million. (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.	(1) Allowance for doubtful accounts Same as FY2003 (2) Reserve for bonuses Same as FY2003 (3) Allowance for sales returns Same as FY2003 (4) 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 next fiscal year 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. (5) Allowance for directors' retirement benefits Same as FY2003
6. 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.	Same as FY2003
7. Additional Accounting Policies Used to Prepare Consolidated Financial Statements	Accounting treatment of consumption tax Income statement items are presented exclusive of consumption tax.	Accounting treatment of consumption tax Same as FY2003

Additional Information

FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
(Accounting treatment for costs related to the planning and development of game content paid to third parties) Until the fiscal year ended March 31, 2003, the Company expensed the costs related to the planning and development of game content when paid to a third party. Effective from the fiscal year ended March 31, 2004, as a result of efforts to strengthen the decision-making process in connection to the development of game software and to implement more stringent selection criteria, such costs incurred during the development stage are capitalized as "Content production account" and charged to cost of sales at the time of sale of related game products. For the fiscal year ended March 31, 2004, "Content production account" included such capitalized costs in the amount of ¥3,763 million.	―――
(Accounting for business combination) On April 1, 2003, ENIX CORPORATION and SQUARE CO., LTD., merged and formed SQUARE ENIX CO., LTD. The merger was effected through the issue of 51,167,293 common shares and allocated on the basis of one SQUARE CO., LTD., common share for every 0.85 ENIX CORPORATION common shares. The merger was consummated on an equal footing by combining the entire control over net assets and management activities prior to the merger, and sharing both the post-merger benefits and risks equally. In addition, it was not possible to determine which entity was the acquirer. Therefore, this business combination was accounted for under the pooling-of interests method. Details of post-merger assets and liabilities are provided on the following page.	―――

* Assets and Liabilities Transferred from SQUARE CO., LTD., due to the Merger

(Millions of Yen)

Category	Amount	Category	Amount
(Assets)		(Liabilities)	
Current assets	36,490	Current liabilities	13,489
Cash and deposits	16,931	Accounts payable–trade	1,717
Accounts receivable–trade	11,438	Current portion of long-term debt	22
Finished goods	45	Accounts payable–other	2,808
Merchandise	11	Payable due to merger	4,153
Content production account	3,402	Income taxes payable	4
Suppliers	77	Consumption tax payable	422
Prepaid expenses	375	Accrued expenses	1,248
Accounts receivable–other	483	Advances received	594
Income taxes receivable	537	Deposits received	83
Deferred tax assets	2,980	Reserve for bonuses	463
Other current assets	217	Allowance for sales returns	893
Allowance for doubtful accounts	(10)	Reserve for relocation-related costs	1,074
		Other current liabilities	3
Fixed assets	14,370		
Property, plant and equipment	3,759	Fixed liabilities	359
Building and structures	621	Long-term debt	18
Tools and fixtures	2,663	Long-term deposits received	39
Land	421	Reserve for retirement benefits	301
Construction in progress	53		
Intangible assets	1,027	Total liabilities	13,848
Goodwill	250		
Trademarks	45		
Telephone rights	6		
Software	636		
Software production account	88		
Investments and other assets	9,584		
Investment securities	1,345		
Investment in subsidiaries	3,376		
Long-term loans receivable	4		
Long-term prepaid expenses	5		
Investment in consortiums	560		
Leasehold deposits	590		
Deferred tax assets	3,383		
Other investments	316		
Allowance for doubtful accounts	(0)		
Total assets	50,860	Net worth	37,012

Reclassifications

FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
(Balance Sheet) "Manufactured goods" and "Merchandise," which were stated separately until the previous fiscal year, are now presented as "Manufactured goods and merchandise" to unify the accounting policy as a result of the merger. "Prepaid expenses," which was stated separately in current assets until the previous fiscal year, is included in "Other" because of its small amount. "Accounts receivable–other," which was included in "Other" until the previous fiscal year, is stated separately as the amount became material due to the merger. In the previous fiscal year, "Accounts receivable–other" included in "Other" was ¥0 million (Statements of Income) "Merchandise sales," "Manufactured goods sales," "Merchandise in inventory at beginning of period," "Manufactured goods in inventory at beginning of period," "Merchandise purchased," "Merchandise in inventory at the end of period" and "Manufactured goods in inventory at the end of period," which were stated separately until the previous fiscal year, are now presented as "Manufactured goods and merchandise net sales," "Manufactured goods and merchandise in inventory at beginning of period," "Manufactured good and merchandise purchased" and "Manufactured goods and merchandise in inventory at the end of period" to unify the accounting policy as a result of the merger. "R&D expenses," which was presented in selling, general and administrative expenses, is included in "Other" due to its small amount (¥7 million at the end of this period).	————

Notes to Balance Sheets

FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)
*1 Number of shares authorized 300,000,000 Number of shares issued and outstanding 110,130,418	*1 Number of shares authorized 300,000,000 Number of shares issued and outstanding 110,385,543
*2 Treasury stocks owned by the Company Common shares : 99,539	*2 Treasury stocks owned by the Company Common shares : 150,650
*3 Assets and liabilities in affiliates include: Time deposits ¥405 million Accrued payment received ¥7 million Account payable ¥110 million Accrued payments ¥58 million	*3 Assets and liabilities in affiliates include: Time deposits ¥317 million Accrued payment received ¥47 million Account payable ¥72 million Accrued payments ¥115 million
*4 Incidental liabilities 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 March 31, 2004 the liability outstanding under the guarantee was U.S. $432,000 (¥45 million).	*4 Incidental liabilities ————
*5 Dividend limitation Due to accounting market value into the assets according to the provision of Commercial Code, Article 124 – 3, total shareholders' equity increased to ¥363 million.	*5 Dividend limitation Due to accounting market value into the assets according to the provision of Commercial Code, Article 124 – 3, total shareholders' equity increased to ¥472 million.

Notes to Statements of Income

FY2003 (April 1, 2003 to March 31, 2004)	FY2004 (April 1, 2004 to March 31, 2005)
*1 Cost of merchandise production is related to the publishing of books and magazines and development of game content.	*1 Same as FY2003
*2 Other accounts transferred: Selling, general and administrative expenses ¥41 million	*2 Other accounts transferred: Selling, general and administrative expenses ¥45 million Loss on disposal of inventories ¥3 million Total ¥48 million
*3 Loss on sale of property, plant and equipment Tools and fixtures ¥123 million	*3 Loss on sale of property, plant and equipment Tools and fixtures ¥2 million
*4 Loss on disposal of property, plant and equipment Tools and fixtures ¥154 million Software ¥39 million Total ¥193 million	*4 Loss on disposal of property, plant and equipment Tools and fixtures ¥47million Buildings ¥2 million Total ¥49 million
*5 Total R&D costs R&D costs included in general and administrative expenses and cost of sales is ¥7 million.	*5 Total R&D costs ———
*6 Notes to affiliated companies Net sales ¥4,956 million	*6 Notes to affiliated companies Net sales ¥3,831 million

2. Lease Transactions

FY2003 (April 1, 2003 to March 31, 2004)	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

FY2003 (April 1, 2003 to March 31, 2004)

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	48	41
Total	90	48	41

Note: Acquisition cost payment is an insignificant portion of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.

2. Ending balance of future lease payments
   - Due within one year ¥16 million
   - Due after one year ¥24 million
   - Total ¥41 million

Note: Total future lease payment at the end of the period is an 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 ¥18 million
   - Depreciation expense ¥18 million

4. Method of calculation for depreciation
   Depreciation is calculated using the straight-line method over the useful life with no residual value.

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	74	49	24
Total	74	49	24

Note: Acquisition cost payment is an insignificant portion of total property and equipment at the end of the period. Accordingly, the total acquisition cost includes the interest portion.

2. Ending balance of future lease payments
   - Due within one year ¥14 million
   - Due after one year ¥9 million
   - Total ¥24 million

Note: Total future lease payment at the end of the period is an 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
   Same as FY2003

3. Securities

Shares in affiliates with market value

	FY2003 (April 1, 2003 to March 31, 2004)			FY2004 (April 1, 2004 to March 31, 2005)		
	Book Value	Market Value	Unrealized Gain (Loss)	Book Value	Market Value	Unrealized Gain (Loss)
Shares in affiliates	151	1,377	1,226	151	1,707	1,556
Total	151	1,377	1,226	151	1,707	1,556

4. Tax Effect Accounting

1.Significant components of deferred tax assets and liabilities are summarized as follows: (Millions of yen)

	FY2003 〔As of March 31, 2004〕	FY2004 〔As of March 31, 2005〕
Deferred tax assets (Current assets)		
Enterprise tax payable	115	809
Office tax payable	18	18
Accrues bonuses, allowance for bonuses to employees	500	410
Advances paid	252	310
Accrued expenses	309	241
Allowance for sales return	166	176
Non-deductible portion of allowance for content production account	(258)	(190)
Evaluation loss on content	—	1,140
Other	9	34
Total	1,112	2,950
Deferred tax assets (Fixed assets)		
Non-deductible portion of allowance for retirement benefits	392	475
Allowance for directors' retirement benefits	53	31
Non-deductible depreciation expense of property, plant, and equipment	745	551
Advance payments	552	—
Tax effect on deficit of subsidiaries	666	1,031
Loss on investments in securities	472	242
Other	77	87
Total	2,962	2,420
Offset to deferred tax assets (Fixed assets)	(249)	(324)
Balance	2,712	2,095
Net deferred tax assets	3,825	5,046
Deferred tax liabilities (Fixed liabilities)		
Net unrealized gains on available-for-sale securities	(249)	(324)
Total	(249)	(324)
Offset to deferred tax assets (Fixed assets)	249	324
Total deferred tax liabilities	—	—
Net deferred tax assets (liabilities)	3,825	5,046

2. Reconciliation of the statutory tax rate and the effective tax rate (%)

	FY2003 〔As of March 31, 2004〕	FY2004 〔As of March 31, 2005〕
Statutory tax rate	42.05	40.70
Permanent differences excluded from non-taxable expenses	0.24	(0.17)
Permanent differences excluded from gross revenue	(0.23)	(0.01)
Increase/decrease in valuation allowance	(3.78)	—
Foreign tax credits	(0.39)	—
Taxation on per capita basis for residents tax	0.08	0.05
Special income tax credits	(1.13)	(0.63)
Other	0.03	(0.34)
Effective tax rate	36.87	39.94

5. Transformation of Directors

Not applicable

6. Other

Not applicable