

January 1, 2017

A New Year's Letter from the President

I would like to wish everyone a Happy New Year.

A year of major opportunities in entertainment contents

2016 saw advances in digital technology that vastly expanded the avenues for creative expression in the world of entertainment, giving rise to the potential for generating a variety of new contents. I expect that potential to lead to major opportunities for our Group in 2017.

2016: A year of technological innovation

In 2016, global smartphone sales reached 1.5 billion units¹, with smartphone ownership in Japan extending to over 67% of the population². As these figures demonstrate, the smartphone has become an essential communication tool that is firmly entrenched in our daily lives. It has also come to be used as a versatile gaming console. Not to be outshone by such multipurpose devices, dedicated game consoles have also generated increasing demand, with the PlayStation 4 surpassing 50 million units in worldwide sales faster than any previous PlayStation console and sales of the Xbox One also demonstrating sharp growth, especially in North America.

In addition, 2016 also marked the dawn of VR and AR technologies. VR devices expected to deliver new gaming experiences were brought to market, and a variety of VR contents were rolled out. 2016 was also a year in which we saw the potential for the fusion of powerful IP with new technologies to give rise to new experiences and for major successes to be born of such combinations. Moreover, future-defining technologies and services such as IoT and AI also drew considerable attention in 2016.

Our Group also released a rich variety of contents that leveraged our key existing and new IP while also taking advantage of the features of a wide range of platforms. We also moved forward with research and development efforts into new fields such as VR and AR and were able to share some of the results of those envelope-pushing initiatives.

Creating contents via new avenues of expression

These sweeping developments will impact the entertainment contents business in a variety of ways. The diversification and proliferation of entertainment content delivery platforms brought about by technological innovation are a boon for contents providers such as ourselves. By leveraging new technologies and providing new experiences, we can not only breathe new life into existing contents, but also generate new contents thanks to the new avenues through which our creators are able to exercise their talents.

Advancements in VR, AR, AI, and other technologies significantly broaden the potential of digital contents, in part by enabling the depiction of broader ranges of emotions and more complex human relationships. Such technological advancements represent major



opportunities for our Group to generate richer entertainment contents. In 2017, we will continue to keep pace with the changing times and environment, and in the face of constantly evolving technology, always strive to create contents that our customers will love.

2017 will also mark the 30th anniversary of *FINAL FANTASY*. We have a variety of plans in place to commemorate this milestone just as we did last year for the 30th anniversary of *DRAGON QUEST*. Please look forward to what we have in store as our signature IP franchises continue to evolve.

We thank you for your ongoing support and wish you the best in the new year.

Yosuke Matsuda
President and Representative Director,
SQUARE ENIX HOLDINGS CO., LTD.

¹ 2016 outlook from a June 2016 Gartner, Inc. survey

² March 2016 Consumer Confidence Survey by the Cabinet Office, Government of Japan