

January 1, 2015

A New Year's Letter from President

I would like to wish everyone a Happy New Year.

2014 was a year of “transformation” for the Square Enix Group.

In recent years, the environment surrounding the entertainment content industry has been changing at an ever-increasing pace. Diversification of hardware platforms for content, the rapid spread of smartphones and tablets, and the advanced network infrastructure have brought fundamental changes to business models in the industry. The established model is shifting from the traditional disc-based sales model to full game downloads via the internet and cloud-based gaming by streaming. Moreover, new monetization models as typified by Free-to-Play (F2P) are rapidly growing in addition to conventional pre-paid content sales.

In 2014, a year where I believe the above-mentioned environmental changes provided us with a favorable opportunity, the Square Enix Group has been tackling reforms of our business structure from various aspects.

First, we worked on enriching our content.

The primary focus of our content development are two areas - Blockbuster games using the Group's high-quality IPs and LIVE games, which we define as games for smartphone, tablets, online and arcade. While Blockbuster titles will continue to be an integral part of our business, we pursued regional expansion and diversification of distribution channels such as cloud gaming.

We also diligently worked on the pipeline expansion of our LIVE games. In this area, we can expect to provide our customers with brand-new experiences; competitive or co-operative gameplay, e-sports, and lively user community activities stimulated by video streaming of gameplay.

Secondly, we pushed forwards with adopting a variety of business models in 2014.

We bolstered up game sales via download and streaming, and with new monetization models as represented by F2P. But new content is not limited to games, and with the widespread adoption of reading books on smart devices, we have been reinforcing digital sales of manga comics.

As a results of driving reforms, we achieved several big hits of smartphone games such as “DRAGON QUEST MONSTERS SUPER LIGHT” and “SCHOOLGIRL STRIKERS.”

Thirdly, we drove overseas expansion centered on the Asian region.

We expanded our content to emerging markets mostly in Asia by forming alliances with strong partners starting with the launch of “FINAL FANTASY XIV” in August 2014, as the franchise's debut in China. We also established a foothold for business expansion in unexplored regions for us in emerging markets.

Lastly, another achievement can also be seen in our amusement business.

We succeeded in ensuring profit and strengthening the foundations for further growth in the game arcade operation business. Against the wind of the increased consumption tax in Japan, we are exploring efficient store management.

In 2015, we shall show further results from our structural reform efforts in the previous year.

Our diverse and strong upcoming lineup, from Blockbuster games to LIVE games will be either announced or released to our customers around the world. We will also continue to work with utmost effort for further expansion of sales channel via download and cloud technology to deliver our content in the optimum form for each of our customers. Furthermore, we will pursue developing businesses in the emerging markets – not only in Asia, but also other regions including Middle East, South America and Russia.

The Square Enix Group will continue to rise to the strategic challenges facing our industry in this year. Our endeavour is to provide amazement and excitement, those “jack-in-the-box” moments, through the creativity of our developers and visionaries. We will make ourselves ready to adapt to any future changes in the business environment, and commit ourselves to delivering the very best quality entertainment to our customers, filled with “fun.”

Again, I would like to wish everyone a happy and prosperous year, and on behalf of the Square Enix Group, I appreciate your continuous support for many years to come.

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