

## A Message to Our Shareholders



### Yosuke Matsuda

President and Representative Director

Oct. 2001 Senior Vice President, SQUARE CO., LTD. (currently SQUARE ENIX HOLDINGS CO., LTD.)

Apr. 2003 Senior Vice President and General Manager, Accounting and Finance Division

Jun. 2004 Director, Accounting and Finance

Mar. 2013 Senior Executive Managing Director and Representative Director

Jun. 2013 President and Representative Director (incumbent)

(Significant Positions Concurrently Held)

President and Representative Director, SQUARE ENIX CO., LTD.

President and Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. (the Group's intermediate holding company in the Americas)

Director, SQUARE ENIX OF EUROPE HOLDINGS LTD. (the Group's intermediate holding company in Europe and other regions)

Deputy Chairman of the Board, SQUARE ENIX (China) CO., LTD. (the Group's operating company in China)

Thank you for your continued support of the Square Enix Group. I am pleased to present this review of our results for the fiscal year ended March 2015 and an outline of our strategies for the future.

On a consolidated basis, net sales for the fiscal year ended March 2015 totaled ¥167.8 billion, operating income amounted to ¥16.4 billion, recurring income was ¥16.9 billion, and net income reached ¥9.8 billion. A concerted effort by our Group's leadership and employee body resulted in year-on-year growth in both net sales and income. This achievement would not have been possible without the support of our shareholders, for whom we are sincerely grateful.

### Business Segment Overview

In the fiscal year ended March 2015, we made particularly significant strides in the realm of smart device content for the Japanese market. Hit titles such as "SCHOOLGIRL STRIKERS," "FINAL FANTASY Record Keeper," and "Kai-ri-Sei Million Arthur" have added to the breadth of our pipeline and grown into major earnings pillars. In Japan's mobile market, advances in device technology have resulted in even stronger demand for highly playable games. As such, how we go about differentiating ourselves in order to deliver unparalleled gaming experiences is an increasingly important issue.



**SCHOOLGIRL STRIKERS**

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**DRAGON QUEST Dokodemo MONSTER PARADE**

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**Kai-ri-Sei Million Arthur**

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**FINAL FANTASY  
Record Keeper**

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**MOBIUS  
FINAL FANTASY**

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We have continued to make this our goal in the new fiscal year as demonstrated by the June 2015 launches of “MOBIUS FINAL FANTASY” and “DRAGON QUEST Dokodemo MONSTER PARADE,” both of which are off to strong starts. In particular, we position “MOBIUS FINAL FANTASY” as a strategic differentiator since its quality vastly exceeds that of conventional smartphone games. Its massive popularity has significant implications for how we will approach our business going forward. In short, we hope to create a situation where we achieve further growth via competition-crushing content quality and delivery.

In the MMO space, “FINAL FANTASY XIV” and “DRAGON QUEST X Online” have developed into stable earnings generators that underpin our financial performance. We launched new services and undertook new initiatives with “DRAGON QUEST X Online,” including offering “Dragon Quest X Companion App” and making the game available via the cloud on smart devices and Nintendo 3DS. We are meanwhile rolling out “FINAL FANTASY XIV” to new service territories, having launched it in



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**Dragon Quest X  
Companion App**  
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**FINAL FANTASY XIV**  
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China in August 2014 and with plans for a South Korean launch in September 2015. In the fiscal year ending March 2016, we are working to retain existing players and to attract new players by offering expansion discs for both games. These are examples of how we continue to promote these two games with new development efforts and services in order to ensure their position as a major earnings backbone for our Group.

In the HD (high-definition) game space, we released two new titles—“DRAGON QUEST HEROES: The World Tree’s Woe and the Blight Below,” in February, and “FINAL FANTASY TYPE-0 HD,” in March. As the first full-fledged action RPG (role-playing game) in the DRAGON QUEST franchise, “DRAGON QUEST HEROES” has successfully added another alluring layer to the series. “FINAL FANTASY TYPE-0 HD” is the HD version of the “FINAL FANTASY TYPE-0” title we had previously made available on the PlayStation Portable (PSP) platform. Demand for the HD version



**DRAGON QUEST HEROES:**  
**The World Tree's Woe and the Blight Below**  
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**FINAL FANTASY TYPE-0 HD**  
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 CHARACTER DESIGN: TETSUYA NOMURA

was strong from European and North American game players as the PSP version had only been available in Japan. As such, the title, which includes a playable demo of “FINAL FANTASY XV,” has proven a major success, selling over a million units globally. In addition to these new titles, we also saw growth in sales of full downloads of catalog titles, demonstrating that we are achieving longer product lifecycles. Given our ample catalog of assets, we are confident that this trend will work to our advantage.

We are slated to release the latest installments of multiple major franchises from our European and North American studios in the second half of the fiscal year ending March 2016. PlayStation 4 and Xbox One have been on the market for two years and uptake of both platforms by gamers is now at full steam. Meanwhile, major European and North American publishers have plans for releasing a string of new titles. We are proud to say that our lineup for the fiscal year ending March 2016 represents a strong offering that can stand up to those of any of our peers. Competition is intensifying as the market picks up, but we intend to spare no effort in readying ourselves for the key holiday season.

In the Amusement segment, our arcades continue to face a challenging environment, in part due to the hike in the consumption tax in Japan. Thanks, however, to our efficient management of our arcades, the segment was able to book operating income of ¥3.6 billion for the fiscal year ended March 2015. We did not release any major new game machines for sale, but existing titles such as “LORD of VERMILION III” and “GUNSLINGER STRATOS 2” contributed to sales thanks to brisk



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demand. While the Amusement segment faces a challenging environment, we believe it will occupy a unique position in our content business going forward since it offers players the opportunity to experience games in the real rather than the virtual world. We intend to mark a new era in the Amusement business by leveraging smart devices and other technological advances to provide new content that creates the feeling of live game play.

The Publication segment delivered a strong performance thanks to the success of television anime series adapted from our comic titles. In particular, we see the strong growth of anime adaptations of titles originating on our “Gangan Online” platform as an extremely important achievement that will help spur our further transition to online media going forward. Growth in e-books was also significant, serving as another indicator of the fact that digitization is becoming a major trend.

The Merchandising segment has grown into a stable business where we leverage not only our own properties, but also make proactive use of third-party content. Our high-quality merchandise has met with a great reception from customers, and more recently our collectors’ boxes and other special fan offerings have also proven popular. We intend to continue to build up our merchandise lineup as we see it as a key element in further enriching our content offering.



**LORD of VERMILION III**  
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**GUNSLINGER STRATOS 2**  
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**Gangan Online**  
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## The Way Forward

Our business environment is undergoing major changes. Sales of PlayStation 4 and Xbox One are growing significantly, primarily in Europe and North America. At the same time, smart devices are becoming more advanced and more commonplace. As such, we are seeing an evolution in where and how we enjoy digital content. Moreover, as the term IoT (Internet of Things) suggests, everything around us is beginning to connect to the Internet. This is another trend that promises to create new experiences for us. We recognize that such changes are a constant feature of the landscape in which we do business, and based on that recognition, we maintain a constant goal: to deliver content of consistently high quality to customers around the world under the best conditions possible. We will continue to strive to attain that goal by engaging in research into the latest content and technologies, developing new business models, and cultivating new sales channels and regions. In addition, we will focus on the following initiatives in order to further strengthen and enrich our Group's content and IP portfolios.

### 1. Revitalizing Existing IPs

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We will revitalize some of our strong IPs in ways that meet the needs of the modern gaming market. For example, we will take an IP developed for earlier generations of game consoles and recreate it for the latest consoles, while also proactively developing versions for play on smart devices. In addition, we will also explore possibilities involving VR (virtual reality) and other new platforms. We want our longtime fans to relish reliving past experiences with a freshness that only the latest in technology can provide, while at the same time have new customers enjoy the IP as though it were brand new. By not only optimizing single pieces of IP for single platforms but also rolling out IP in a multi-dimensional manner to meet the needs of the modern market, we believe we can deliver exciting new experiences.

### 2. Creating New IPs

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How to constantly generate new IPs and how to cultivate them are key business issues for any content provider. Once new content begins to take shape, it is vital to have an environment and mechanisms in place that help it grow into a major franchise. We intend to strengthen our efforts to sow the seeds of new content, and cultivate them constantly, and we will pursue a variety of avenues in order to do so. Our Group possesses many content platforms, including console games, smart device games, arcades, PC games, and comics. All of those platforms are capable of giving rise to new IPs. We see this as a strength of our Group that is unmatched by any competitor. We will work in the fiscal year ending March 2016 to ensure that these IP cultivation platforms give rise to new IPs for us to foster for the future.

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### 3. Collaboration with Partner Companies

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As I mentioned above, we find ourselves in an age of change. Devices, business models, and the competition are constantly changing. This means that today's assumptions may not apply tomorrow. In such an ever-changing environment, insisting on complete self-reliance does not strike us as the best approach to staying unique and highly adaptable. Instead, I believe it is more beneficial to remain flexible about forming partnerships with others. A willingness to seek in others what we lack is a better approach to growing our business in this age of uncertainty. As such, we will not rule out any possibility as we explore and execute collaborative initiatives ranging from joint collaborations focusing on a single product to business alliances of a wider scope. In so doing, we hope to capture earnings opportunities in a timely fashion and leverage them for our further growth.

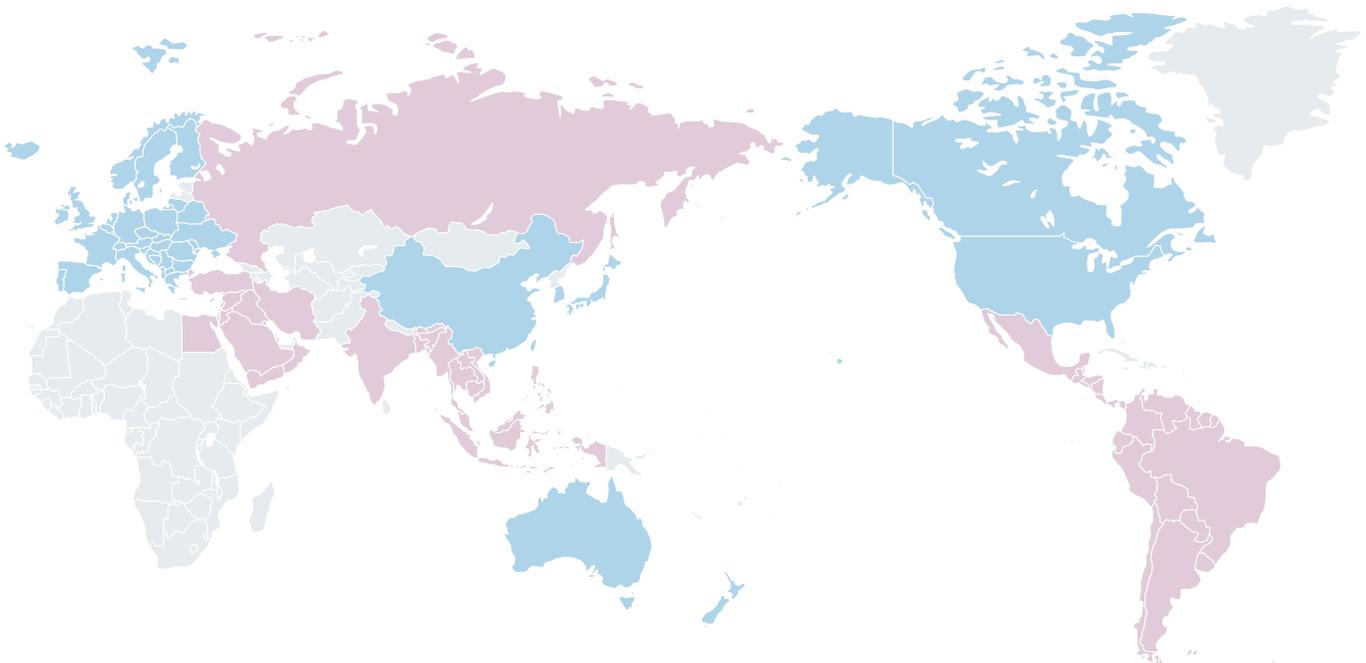
### 4. Geographic Expansion

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The regions marked in red on the map below are those that the Square Enix Group has yet to enter. While the Internet has made the world more interconnected and less impeded by national boundaries, I believe that regional and individual tastes remain a major determinant of preferences for different types of content. Furthermore, as these untapped regions experience economic growth, their demand for content will mount, and their consumers will begin to want content rooted in the local culture rather than being satisfied solely with imports. As such, these regions have the potential to

#### Overseas Expansion of the Digital Entertainment Segment

- Target markets
- Existing markets





become major content-consuming markets in the future, which means it is important to establish a foothold there now. In the fiscal year ending March 2016, we will remain open to not only exporting existing content but also investing in local development efforts in these regions. We note also that economic growth in Asia remains strong and that the region continues to be a key market for us. In terms of size and technological development, Asia is now an advanced market rather than a growing one. In particular, China's shift to mobile has been remarkable, and the country possesses some of the most advanced mobile game development technologies in the world. This makes collaborations and partnerships with Chinese companies very appealing, and we intend to approach such opportunities as an important part of taking on the competition not only in China itself but also in Japan and globally.

### **For Our Next Stage of Growth**

We target significant upside for the fiscal year ending March 2016. We expect games for smart devices and PCs, as well as online games including MMOs, to continue to drive earnings. Moreover, the second half of the fiscal year will see the launch of new HD game titles developed by our European and North American studios. These major franchise titles embody the brand value of the Square Enix Group and continue to occupy a key position in our product portfolio. Moreover, digitization has expanded the lifetime product value of these titles, sustaining sales for a much longer time. As I mentioned above, the lineup we announced at the most recent E3 trade show was extremely well received for its quality, richness, and diversity. This raised high expectations for sales in the second half of the fiscal year, and we will work to see those expectations met. In addition, we believe that enriching and diversifying our product pipeline via the aforementioned initiatives will be a determining factor in the Square Enix Group's leap to its next stage of growth. We will need to invest to make that happen. At the same time,

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### DEUS EX: MANKIND DIVIDED

Deus Ex: Mankind Divided ©2015 Square Enix Ltd. All rights reserved. Developed by Eidos-Montréal.



### JUST CAUSE 3

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### HITMAN

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our Group's management team is well aware that one of its most important missions is to share the fruits of that rich pipeline with our investors. The centerpiece of our shareholder return policy is dividends premised on a consolidated payout ratio of 30%. We intend to reward our shareholders primarily via dividends, while considering the balance we need to strike between shareholder return and investment in content development for our future growth.

Two years have passed since I assumed the office of President and Representative Director. Investments we have made over that time are now gradually beginning to generate benefits. My intention is that the fiscal year ending March 2016 will be a year not only of reaping even greater rewards from the investments we have engaged in to date, but also a year for sowing new seeds that will take us to our next stage of growth. In an ever-changing business environment, our Group's management team has been entrusted with a vital mission: to constantly create new excitement and new surprises to meet the expectations of our global customer base, and in so doing, to enhance our enterprise value so that we may also meet the expectations of our shareholders and all our stakeholders. We will devote ourselves every day to the fulfillment of that mission, and we look forward to your continued support.

Yosuke Matsuda  
President and Representative Director