

Past and Future of Game market in Japan



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Speaker profile

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- Birth : Dec. 30 1973 Age:37
- 1997~2001 [TECMO] ConsoleGame Dev/Pub
- 2003~2008 [GameOn] OnlineGame Publisher
Managing Director
- 2008~2011 [ONE-UP] Online/SocialGame Dev/Pub
CEO/President
- 2011~ [Aiming] SmartPhone/Social Game Dev/Pub
Founder/CEO/President

About Aiming

- Established : May 2011
- Number of staff : 150 Nov. 2011
- We funded 1.5B JPY from VentureCapital by Sep. 2011
- Well experienced Staff in the Online game industry have gathered to our Company. Some of the staff developed the famous titles known as “Stone Age” and “CrossGate”.

Most of them are from two following well known companies.

One is OnlineGame Publisher “ Game On Inc.” , and the other is

“Community Engine Inc.” which developed the communicating engine used in the most of Japanese Online Games today. “Community Engine Inc.” is one of the oldest studios that developed MMORPG in Japan.

- We have developed 3 big titles, each of them sold more than 300M JPY.
- We will focus on online games and social games for smartphone from now on.
- Aiming is one of the most watched game companies in Japan.

History of Console Games in Japan

- 1983 FAMILY COMPUTER (NES)
- 1989 GAME BOY
- 1990 SUPER FAMICOM (S-NES)

↑“The era of Nintendo”

However, SEGA and NEC developed some console game machines and sold well.

- 1994 The war of “Next Generation Console Games”
“PlayStation” “Nintendo64” “SEGA SATURN” appeared.
- 1998 The Industry of console games in Japan came to peak.
Market scale was 513.7B JPY (Software)
The winner was SONY PlayStation.

History of Console Games in Japan

- Game industry in Japan slumped for several years from 1999.
- The market scale has become 270B JPY in 2003.
- NintendoDS and Wii remarkably succeeded in 2007 and the market recovered to 430B JPY .
- Currently, the market scale is around 250B JPY.
- In North America and Europe , the market scale has become 2.3T JPY by the success of NintendoDS, Wii, X-BOX360 and PS3 in 2007. But the market have declined , the scale became 1.7T JPY now.

★The Issues

- extremely huge content , too expensive budget , monopoly of the famous titles
- no space for the venture companies , stagnation of game industry, lack of flexibility of the human resources

Japan is not the center of the world in game industry any more.

History of console games in Japan

- There already was MMORPG in Japan when Korean “Lineage” was released.
- “Life Storm” , the game developed by Japan System Supply , Inc. , have failed and the company went bankrupt.
 - The developing team remained and moved to the other company.
 - They developed “StoneAge” and “CrossGate”.
 - And , they are the staff of Aiming Inc. now.
- Not only “SQUAREENIX” and “KOEI” , but also large numbers of companies were making online games at that time.

Why the online games are not welcomed in Japan today ?

→The reason is that the “Console game machine owing rate” is still larger than the “Internet connection owing rate” .

History of Online Games in Japan

- example of success in number of user per month in 2002
- “Ragnarok Online” CCU100 thousand (the best record)
- “FinalFantasy XI” CCU100 thousand (the best record whole world)

- example of sales success in Free2Play in 2004~2005
- “Pangya” around 200M JPY /month
- “Maple Story” around 250M JPY / month
- “RED STONE” around 300M JPY / month

History of Online Games in Japan

- However, there might have been no PC installing type online game whose sales is 300B JPY / month beside these 3 titles have released by now.
- Perhaps “ Monster Hunter Frontier “ may have succeeded.
- Currently, the scale of online game market in Japan is only 12B JPY .
- →It has been slumping for these several years.
- Recent remarkable success
 - MMORPG made in Taiwan
 - the games that includes “action” elements.
 - main remarkable titles : “Dragon Nest” “C9”
 - remarkable FPS game : “A.V.A”

Age of the Social Games has come

- **Apps for Facebook**

We can ignore the sales in Facebook by now.

→However, the point is not the sales but that twitter and Facebook are most used SNS on PC in Japan.(And usage rate of mixi is less than them .)

What about on mobile phone ?

- **mixi**

Aug 2009 Social app service released .

At the beginning , the Apps are for PC , and then the apps for mobile phones appeared later .

There are the restriction on the games in which user can play with “virtual friends”.

→For this reason , the marked doesn't grow well.

→The rare successful example :

“Brouser Sangokushi “ 420M JPY / month (best record)

Age of the Social Games has come

- **Membership** : DeNA(Mobage) 32million vs GREE 27million
 - **Sales** :
 - **DeNA** May 2008 29.7B JPY, May 2009 37.6B JPY,
May 2010 48.1B JPY, May 2011 112.7B JPY,
Apr. 2012 170B JPY (forecast)
 - **GREE** Jun.2008 2.9B JPY, Jun.2009 13.9B JPY,
Jun.2010 35.2B JPY, Jun.2011 64.1B JPY,
Jun.2012 140B JPY (forecast)
 - 300B JPY market have appeared these 2 years for instance. Most of the sales is for Japan domestically.
 - The Apps are for the mobile phone.(Statistically, more than 1 mobile phone is owned per 1 person in japan.)
 - Both of these companies used to have the function of SNS, DeNA was used to be a “reward type “ game web site ,and GREE was a SNS for mobile phone .
 - And then , they adopted Free2Play model .
- cf. SQUAREENIX 130B JPY in Japan, less than its 20 % abroad.

Age of the Social Games has come

- **Sales per month**

- DeNA

TOP1-3 more than 1B JPY TOP5th around 500-300M JPY

TOP10th around 100M JPY

- GREE

TOP1 around 1B JPY TOP3rd more than 300M JPY

TOP10 around 50M JPY

- Both DeNA and Gree develop the games which earns large amount of Sales .
- Differs from Facebook, platform serves games .

Investment in each categories of games

- **Console Games**

- Sales of more than 100 thousand packages won't be expected for each title from now.

- Profit is ¥2,000~3,000 for one package.

- Retail price is around ¥ 6,000 .

- Cost

- Development : 100 M JPY ~

- Advertisement : 10 M JPY~

- It is very hard to make hit title unless its scale is big.

- Downloading will be mainstream of selling.

- More and more games will be Free2Play type because console game machines will connect the internet.

Investment in each categories of games

- **PC installing type Online Games**

- Sales : 30M JPY / month

- Cost

Development : 200M JPY is not enough for developing one software.
500M JPY will be needed.

Advertisement : 30M JPY ~ (first 3 months)

→ Development of PC installing type Online Games doesn't work at all in Japan.

→ There'll be chances if Korean titles has good performance.

→ DeNA and Gree will beat all of their opponents because they spend 10B JPY for advertisement.

→ PC installing type will be beaten by the online games on smart phone.

→ There'll be chances in FPS games which cannot played on smartphone.

Investment in each categories of games

- **PC-WEB Online Games / Social Games**

- Sales : 30M JPY / month

- Cost

Development : 10M JPY ~80M JPY

Advertisement : 10M JPY~ (first 3 months)

→ There still be chances comparing with Installing type.

→ 100 thousand membership is expected if we serve games on “Yahoo!Mobage” . Still , “Yahoo!Mobage” impose us to pay 40% of sales as commission.

→ We cannot expect go get 10 thousand membership in “Hangame”.

→ There may be a chance if we serve games on “mixi”, because this SNS focuses playing games.

Investment in each categories of games

- **Mobile Phone Social Game (not for smart phone , Domestically in Japan)**

- Sales : 1M JPY ~ 100M JPY / month

- Cost

Development : 10M JPY ~20M JPY

Advertisement : 15M JPY~ (first 3 months)

→ More than 600 titles are released among 18 months .

→ Cheap developing cost make us challenge to make games easily.

→ DeNA(Mobage) and GREE also impose us to pay 40% of sales as commission.

→ Customer will consider that the game is only “one of them”

→ There are big Powerful winners and the others in this world.

Investment in each categories of games

- **Mobile Phone Social Game (not for smart phone , Domestically in Japan)**
 - Sales : 1M JPY ~ 100M JPY / month
 - Cost
 - Development : 10M JPY ~20M JPY
 - Advertisement : 15M JPY~ (first 3 months)
 - More than 600 titles are released among 18 months .
 - 100 thousand membership is expected if we serve games on “Yahoo!Mobage” .
 - We cannot expect go get 10 thousand membership in “Hangame”.
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Investment in each categories of games

- **Online and Social Games on Smartphone**

- Sales : 1M JPY ~ 150M JPY / month

- Cost

- Development : 20M JPY ~150M JPY

- Advertisement : 15M JPY~ (first 3 months)

- Japanese Free2Play Games are topping in the sales ranking of app store

- Only topping 3 titles sell over 100M JPY per month.

- What will happen next ?

Japanese Games on apple app store

- **TOP Sales(Grossing) Ranking**

No.1 Doriland (GREE) Daily 3~5+M JPY

→Traditional Japanese Mobile Social Game

style : Mission + Card + battle + Free2Play

No.2 Kingdom Conquest (SEGA) Daily 3~5M JPY

→style : Strategy + MO-Action + Free2Play

No.3 Kaibutsu Chronicle(Adways) Daily 2~3M JPY

→ Traditional Japanese Mobile Social Game

style : Mission + Battle + Free2Play

Japanese Free2Play Games

- PC Online

PayUser / Monthly Active User = 15% ~ 30% ↑

ARPPU per Month = 6,000 ~ 20,000 JPY ↑

Model case : MAU 100,000 PayU 30,000 ARPPU 10,000

→ 300M JPY

- Mobile SocialPC Online

PayUser / Monthly Active User = 5% ~ 10% ↑

ARPPU@Month = 1,500 ~ 4,000 JPY ↑

Model case : MAU 1M PayU 100,000 ARPPU 4,000

→ 400M JPY

Point of Japanese Market

- Mainly, paying user is male around 20~35 years old .
 - ARPPU is higher than any other countries .
 - Most of them used to play games 10~15 years ago,so they potentially know fun of playing games.
 - ★Different from the other Asian countries, this is the remarkable point .
- Mobile 3G internet connection is useful
 - MMORPG for mobile phone existed before smartphone appeared .
- Mobile phone already had beautiful display and highly sophisticated abilities before smartphone spread.
- Mobage and GREE succeeded to get “light user”. They tend to lose interest in game easily , however. cf. NintendoDS

Future of Game Industry

- **DeNA(Mobage) and GREE**

Currently, their games are only for Japan , and growth of its market is slowing down.

Their sales result of each quarter shows that the sales of DeNA stopped growing .

Japanese primary game players are unique.

Different from Japan, game players in Asia are younger.

Age group of Facebook user is also different.

There are huge number of games whose style is “Mission+Card+Battle” today , but we don’t have new style yet.

Does the current style works when everyone has sophisticated smartphone ?

These two companies are willing to do M&A for the purpose of getting diversity of the games and bigger scale of new platform.

Future of Game Industry

- **How can we associate with DeNA and GREE ?**

They are expecting new styled games.

Both of them takes 40% of our sales as commission, and they don't regard each title so important.

→It makes no difference to them if they get 1B JPY per 5 titles or 100titles.

The fact is that they have the biggest platforms in Japan.

If a game is hit there , the sales will be several hundred million JPY per month.

We should associate with them carefully understanding these situations.

Future of Game Industry

- **Console Game Industry**

KONAMI have achieved success in making social games. CAPCOM also succeeded in making app for smartpone , “Smurf Village”.

Their sales scale are not as much as existing console game business, however.

Every game publisher think they have to achieve success in future smartphone business.

- ★ Issues

- lack of experience of developing online games and Free2play games
- difficulty in challenging in stagnating game industry