

# Trends and the Outlook for Japan's Game Market

By Hamamura Hirokazu

## Current Situation of the Game Markets

The game industry has become larger than the film industry in Japan. Many people point out, however, that the game market has been gradually shrinking over the last five years. Among video game consoles, the PlayStation2 (PS2, released March 2000 by Sony Computer Entertainment, or SCE) currently has the largest market share. GameBoy Advance (GBA, launched March 2001 by Nintendo) enjoys the No.1 share among portable game devices. The same can be said in markets worldwide. Although the sales of hardware have been fallen off because the number of such device owner increased after several years from the sales, the sales of software have increased with the spread of devices. However, it turns out that the market has in fact

been slowly shrinking

The Japanese market has been boosted with the release of big name game software such as *Dragon Quest VIII* (released November 2004 by Square Enix / PS2), other million-copy selling titles include *Metal Gear Solid 3: Snake Eater* (released December 2004 by Konami / PS2) and *Gran Turismo 4* (released December 2004 by SCE / PS2). However, what attracted the most attention were the new portable devices, "Nintendo DS" (DS, by Nintendo) and "PlayStation Portable" (PSP, by SCE), both released in December 2004.

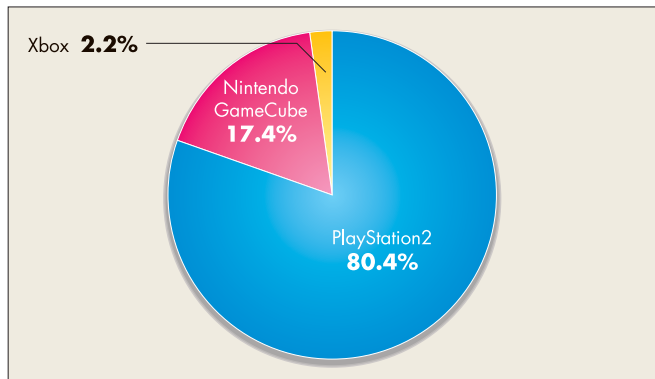
## Impact of the New Portable Game Devices on the Market

The DS was designed to be the successor to the GBA. Almost all the GBA game titles can be played on the DS. However, the DS is not merely a newer

version of the GBA; it also has new added functions, which are the subject of much conversation. The reason for the release of the DS lies in Nintendo's outlook for the game market. With the game market gradually declining since 2000, Nintendo felt that its game machine standard had attained full maturity.

It was Nintendo that first came up with the cross-shaped directional pad and A/B function buttons on its "Family Computer" (released July 1983) and in doing so, the company created a kind of basic grammar for video games. Nintendo has continued to make game software based on this operational method over the last 20 years. As a result, the gap between the game novice and experienced players has grown quite large. Since creators have continued to make game software mainly for very experienced players, the market is now full of advanced and complicated game software.

Figure 1 Non-portable game machines: Total units sold in Japan



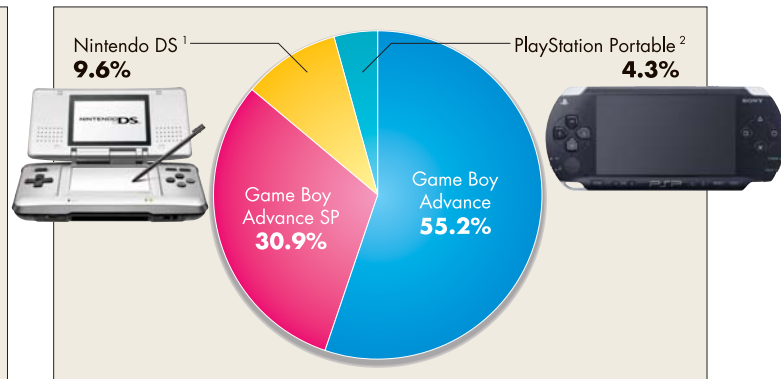
| Console           | Manufacturer                      | Launch Date    | Total Sales |
|-------------------|-----------------------------------|----------------|-------------|
| PlayStation2      | Sony Computer Entertainment Japan | March 4, 2000  | 17,065,340  |
| Nintendo GameCube | Nintendo                          | Sept. 14, 2001 | 3,688,230   |
| Xbox              | Microsoft                         | Feb. 22, 2002  | 462,822     |

Source: Enterbrain survey

Notes: All figures are estimates

Total sales periods: From launch date until Jan. 30, 2005

Figure 2 Portable game devices: Total units sold in Japan



| Console              | Manufacturer                      | Launch Date    | Total Sales |
|----------------------|-----------------------------------|----------------|-------------|
| Game Boy Advance     | Nintendo                          | March 21, 2001 | 8,954,447   |
| Game Boy Advance SP  | Nintendo                          | Feb. 14, 2003  | 5,018,880   |
| Nintendo DS          | Nintendo                          | Dec. 2, 2004   | 1,550,496   |
| PlayStation Portable | Sony Computer Entertainment Japan | Dec. 12, 2004  | 701,680     |

Source: Enterbrain survey

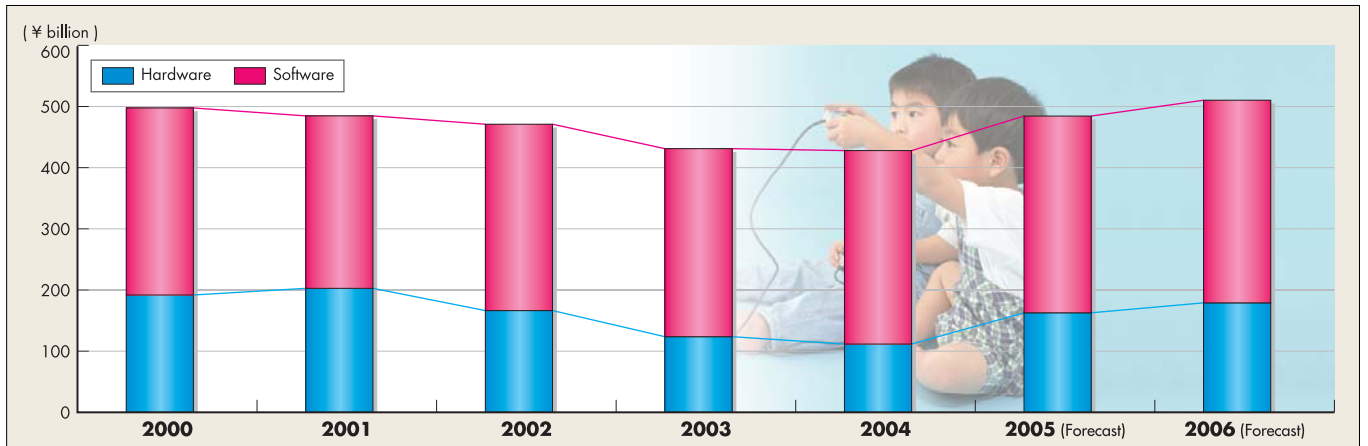
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Notes: 1) Nintendo DS is a trademark of Nintendo.

2) ©2004 Sony Computer Entertainment Inc. All rights reserved. Design and specifications are subject to change without notice. is a registered trademark of Sony Computer Entertainment Inc. is a trademark of Sony Computer Entertainment Inc. is a trademark of Sony Corporation.

Figure 3 Changes in the size of the Japanese market (monetary basis)



|          | 2000   | 2001   | 2002   | 2003   | 2004   | 2005 (Forecast) | 2006 (Forecast) |
|----------|--------|--------|--------|--------|--------|-----------------|-----------------|
| Hardware | 191.83 | 202.71 | 166.37 | 123.67 | 111.61 | 162.73          | 179.00          |
| Software | 305.79 | 281.99 | 304.72 | 307.45 | 316.34 | 321.68          | 331.33          |
| Total    | 497.62 | 484.70 | 471.09 | 431.12 | 427.95 | 484.41          | 510.33          |

Photo: ©2004 ARMOR PROJECT / BIRD STUDIO / LEVEL-5 / SQUARE ENIX



DRAGON QUEST VIII

Given the game device standard and needs of the players, Nintendo has determined the current situation has reached stagnation point, and has decided to create a new market to have both the creators and the players begin all over again at the same starting line, by reinventing the directional pad and the A/B button operation. Nintendo came up with a completely new game format for the DS by introducing features such as two screens, a touchpad and sound input. Completely new types of software for the DS have been released, and 1.6 million units have already been sold in Japan. It seems that the general public has taken to the new format.

The PSP is a hardware of extension of the conventional game device. While the

Source: Enterbrain survey

Notes: All figures are estimates

Based on the assumption that PS3 will be released at the end of 2006

Annual survey periods began on Dec. 27 and ended on Dec. 26 of the following year, starting in 1999

PSP is SCE's first portable game device, the graphics are overwhelmingly sophisticated and advanced. Players can enjoy the most beautiful graphics among current portable game devices, perhaps the same or better than the graphics of the PS2. Just like Nintendo, SCE has gone beyond the previous fan base to try and open up an even larger game market.

The PSP was made not only to play games, but to enjoy content like movies and music. In doing this, SCE has created opportunities for people who have not played games before to try out SCE's video games.

### Outlook for the Game Market in 2005 and Beyond

The DS and the PSP are created based on the concept of greatly expanding the previous game fan bases. It is indis-

putable that these devices, which went on sale at the end of 2004, are helping to reenergize the future of the game market.

In 2005, it is expected that the non-portable video game console format will be revised. At the world's largest game trade show, the Electronic Entertainment Expo (E3) 2005 to be held in Los Angeles in May, new game consoles are supposed to be unveiled for SCE's PS2, the Nintendo GameCube and Microsoft's Xbox.

It appears that the game market will make great strides during 2005 and 2006. Its expansion will not be limited to Japan but will spread around the world. **J.S**

Hamamura Hirokazu is a president of Enterbrain. He is also a Chief Editor of the *Famitsu* Editorial Board.

ENTERBRAIN, Inc. is an influential company in the digital entertainment industry. It publishes magazines for various game genres including home game machines, portable game devices, arcade games and PC games in Japan. These are the top-selling magazines in each of their categories. *Weekly Famitsu*, a comprehensive game information magazine, has a weekly circulation of about 500,000 copies. The magazines research various game environments, sales information and trends and give a fairly comprehensive view of the Japanese game market.

