Current state of affairs

The game industry in Japan is the third largest in the world, generating a total revenue of 12.5 billion dollars in 2017. Japan has a long history in pioneering and developing video game hardware and software, and the recent international success of Sony and Nintendo prove that Japanese game companies are still relevant globally. The console gaming market in Japan is growing again for the first time in 11 years with the successful sales performance of the Nintendo Switch. Taken on a whole, the industry grew around 1.2% in 2016. This number might seem low compared to other Asian countries like China, but this is mainly because the market is already matured and most consumers already have had access to for instance the mobile gaming infrastructure. More importantly, The ARPPU (Average Revenue Per Paid User) for mobile games in Japan is incredibly high when compared to other companies around the world, meaning simply that Japanese gamers on average spend more than consumers in other countries.

More than half of all revenue is generated by mobile games, followed by console gaming and pc gaming a distant third. The mobile games are generally free-to-play (F2P), where monetization is achieved through what is called the ‘gacha’ mechanism: the player uses some form of in-game currency to obtain randomized awards. This mechanism is more or less identical to the ‘lootbox’ mechanism that is currently becoming more widely used outside of mobile gaming. Gacha games make up almost all of the major grossing mobile games.

One of the more well-known examples is the Puzzle & Dragons game. The games are designed to accommodate the lifestyle of working adults who have the money to spend on these games. Typically one round in the game requires one or minutes two complete, the average time for one stop on a subway line where lots of people spend time on their phones. Because players are usually very loyal to one certain game, it is important to create a constant stream of new content. Aside from F2P mobile games there is a considerable market for mobile gaming hardware such as the 3DS, as well as a console market and a small but steadily growing market for PC games.

Opportunities for Dutch companies

The biggest financial rewards can be gained in the area of F2P mobile games. It is important to cater to the Japanese taste in art direction and gameplay when entering the market. A quick glance at the top ranking games in the app store and google play reveal a heavy emphasis on anime style themed games. A few western companies like Supercell have gained traction with western style games but this was in part due a hefty advertising budget. One way to enter the market effectively is through collaborating with a major Japanese publisher and releasing a game with a popular Japanese IP. One good example is the Dutch game studio Paladin, that together with Bandai Namco has released several mobile games based on Japanese IP such as Tamagotchi and Katamari Damashi.
The innovative nature of Dutch game companies make them a good partner to provide creative ideas to Japanese publishers. Another successful example of a Dutch mobile game that does well on the Japanese market is the Grumpy Cat game series created by Lucky Kat Studios.

There are also plenty of opportunities for console games as long as the differences in taste of the Japanese gamers are taken into account. Console platforms like the Playstation Store prefer to be approached through the country where the company is located. This means that if you want to sell on the PS store in Japan your first line of contact would be through Sony Europe. In this manner business in Japan can be done without the need for a physical presence, and this also applies to mobile gaming platforms. One example of a Dutch game that has been successful on console in Japan is Lethal League. Lastly, more and more Japanese gamers are switching over to the PC platform. This means that there are also increasing opportunities for reaching consumers through Steam in Japan.

The Embassy of the Netherlands in Japan has been organizing a Holland Pavilion at the Tokyo Game Show for the last few years. If you want to find a publisher in Japan, present your game to consumers or simply test the waters please contact the Embassy for more information at TOK-GAMES@minbuza.nl