



**NEW ZEALAND
TRADE & ENTERPRISE**
Te Taurapa Tūhono

PC & CONSOLE GAMING INDUSTRY JAPAN

South East and East Asia Market Research

JULY 2024

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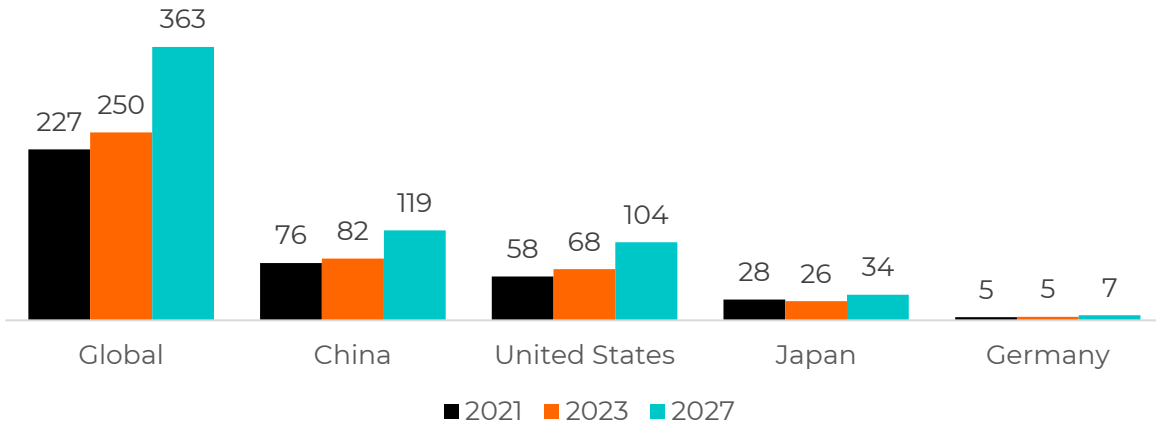
SECTION 1

MARKET OVERVIEW

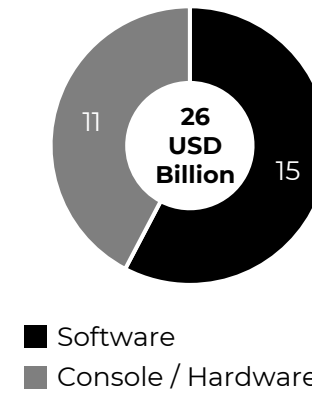
Market Overview

Japan's post-COVID gaming market stabilizes in 2023 at USD 26 billion at a (three-year average) and is expected to grow 6.8% annually until 2027.

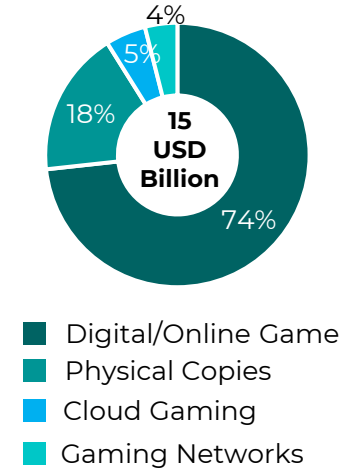
Market Size by Revenue (PC/Console Games)
USD Billion



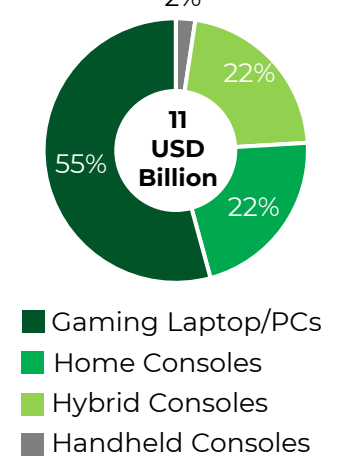
Japan Market Size (2023)
USD Billion



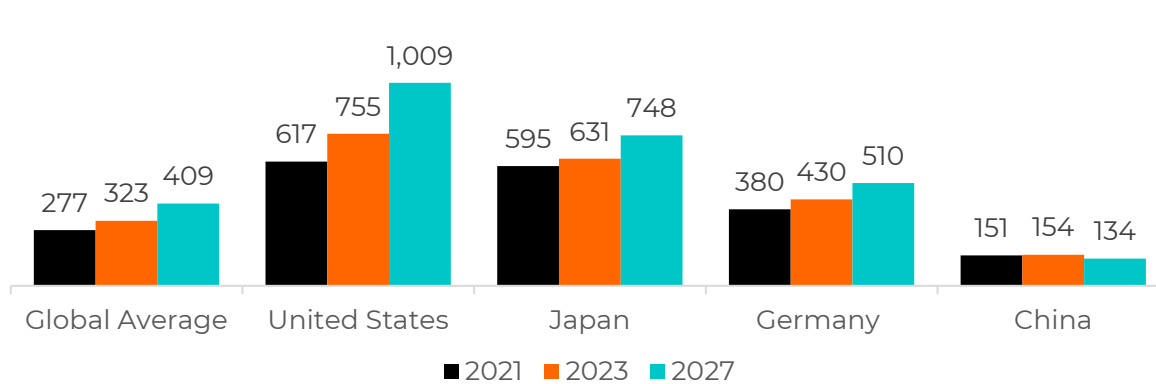
Software Revenue Split %



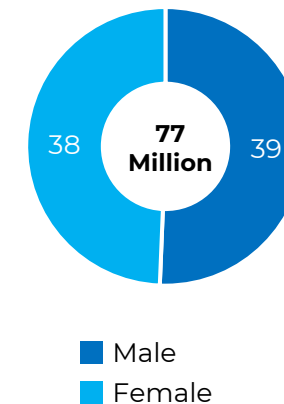
Hardware Revenue Split %



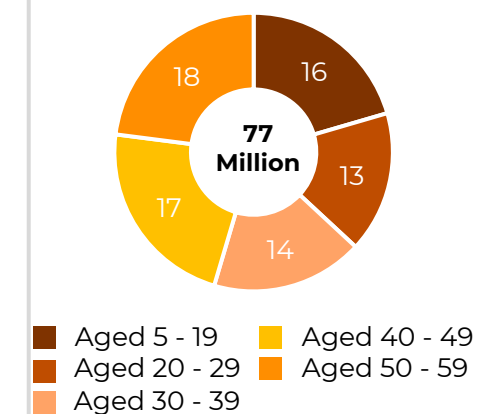
Average Revenue Per User by Market (PC/Console Games)
USD



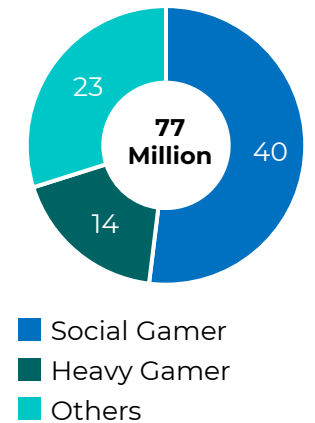
Japanese Gaming Population (2023) Millions



Japanese Gamer Age Groups (2023) Millions



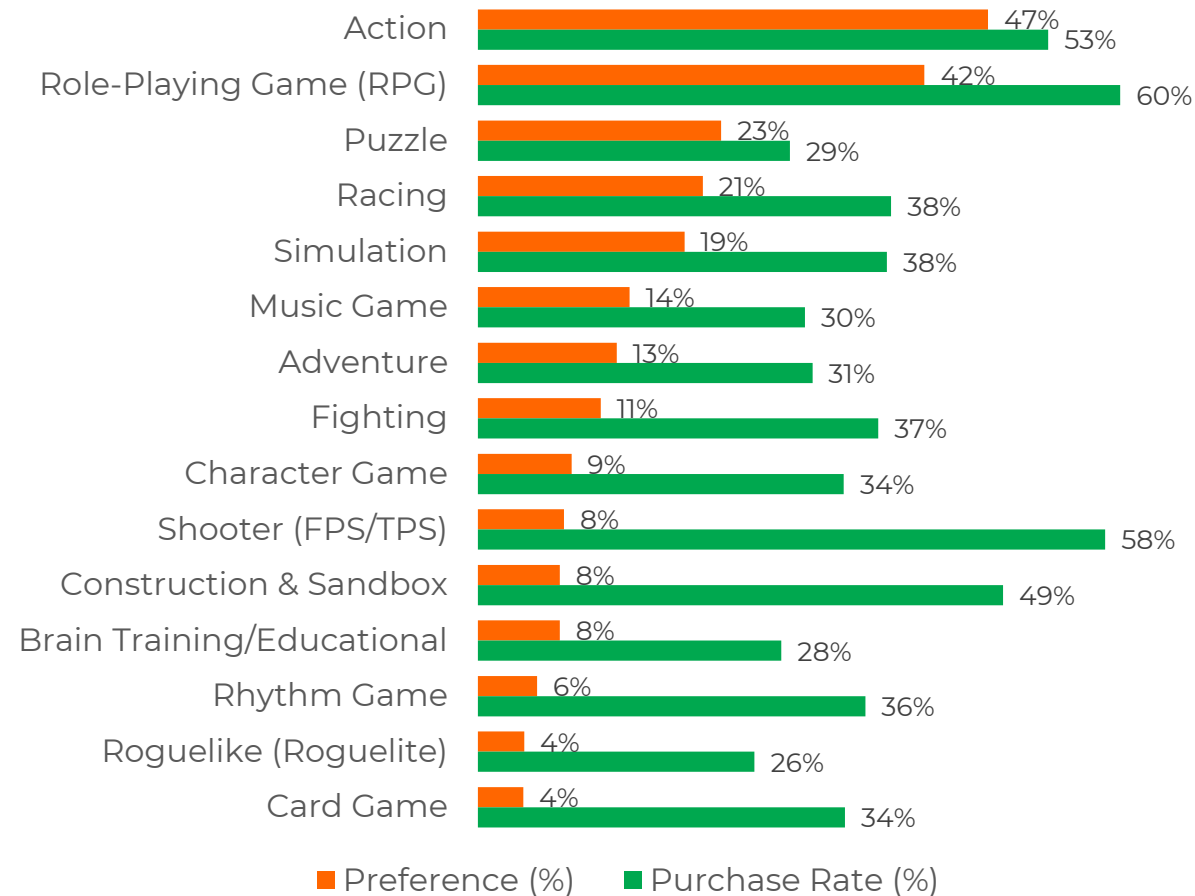
Japanese Gamer Engagement (2023) Millions



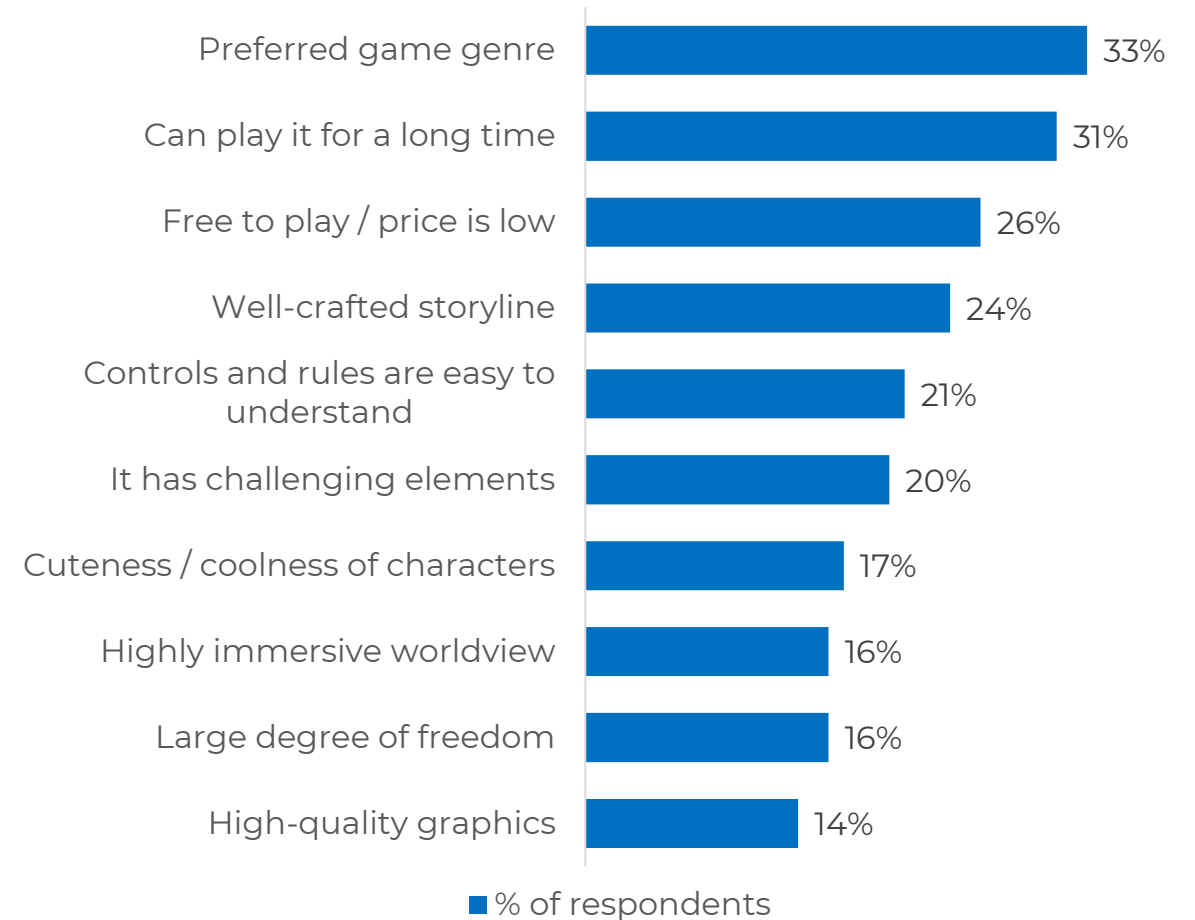
What Are Japanese Gamers Seeking For?

Gamers in their teens & 20s favour sandbox games (Animal Crossing) and shooters (Fortnite, APEX legends). RPG and Action games hold a timeless appeal.

Gaming Preferences in Japan: Genre vs. Purchase Rate
% Share of Respondents (n=8,896)



What Drives Gamers to Play?
% Share of Respondents (n=1,070)



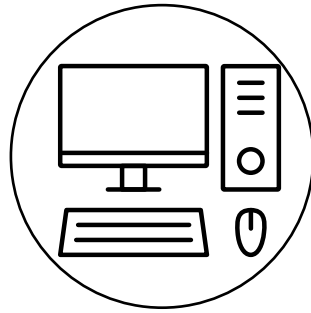
What Makes Japanese Gamers Buy?

Shaped by a culture of trust, Japanese gamers discover games through friends' recommendations and platform reviews

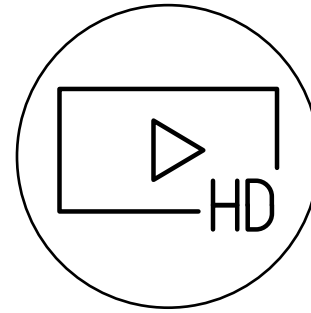
Key Purchase Drivers (Ranked Left to Right)



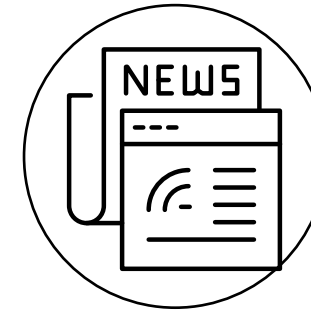
Recommendation By Friends



Gaming Platforms (Steam)



Official Site / Social Media (YouTube, Instagram)

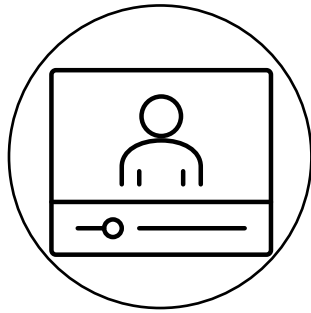


Sales Information (Magazines)

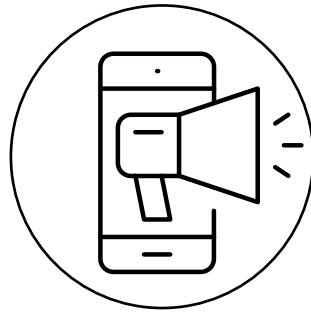


Gaming Media Sites (Famitsu, Dengeki PlayStation)

Other Influential Drivers (Ranked Left to Right)



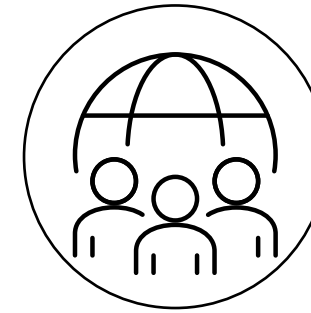
Influencers / KOLs



Online Advertisements



Physical Stores

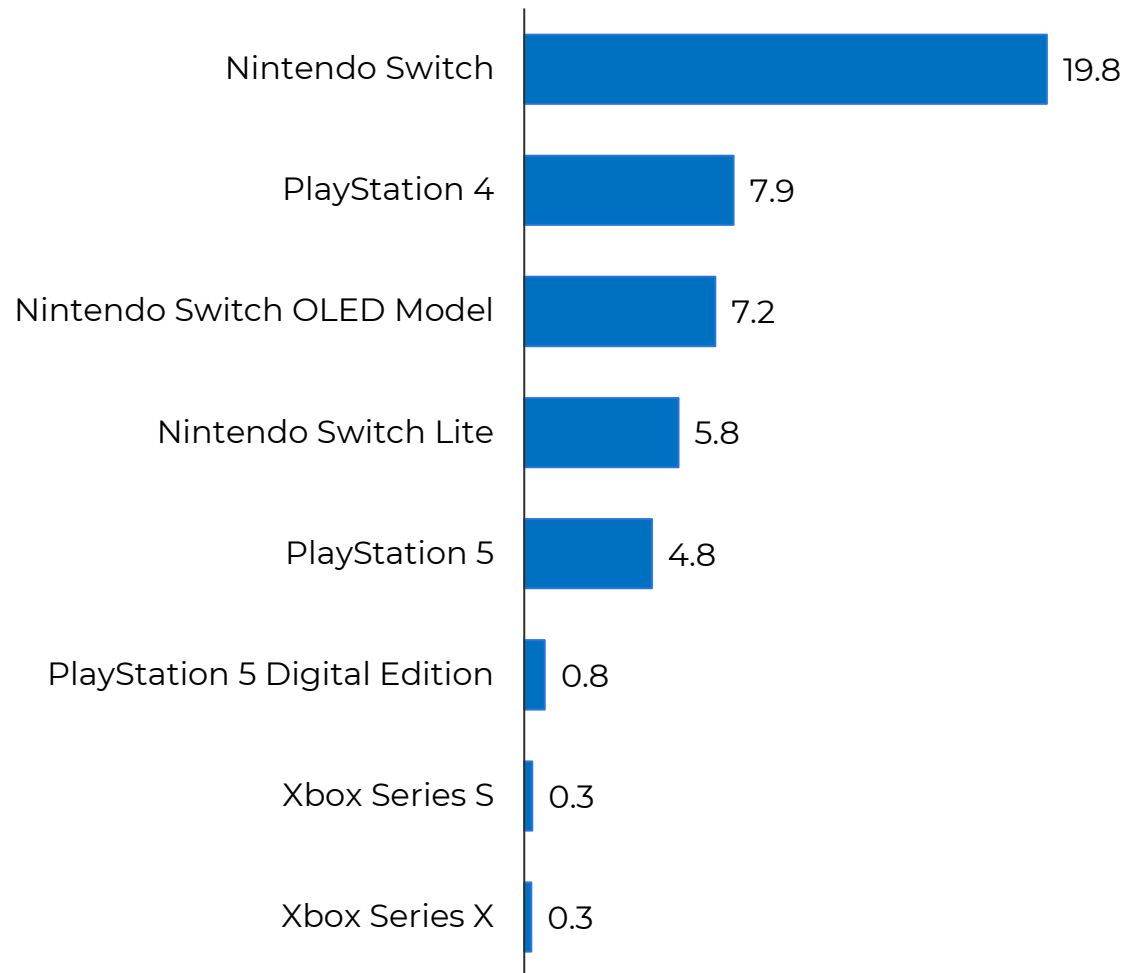


Gaming Communities

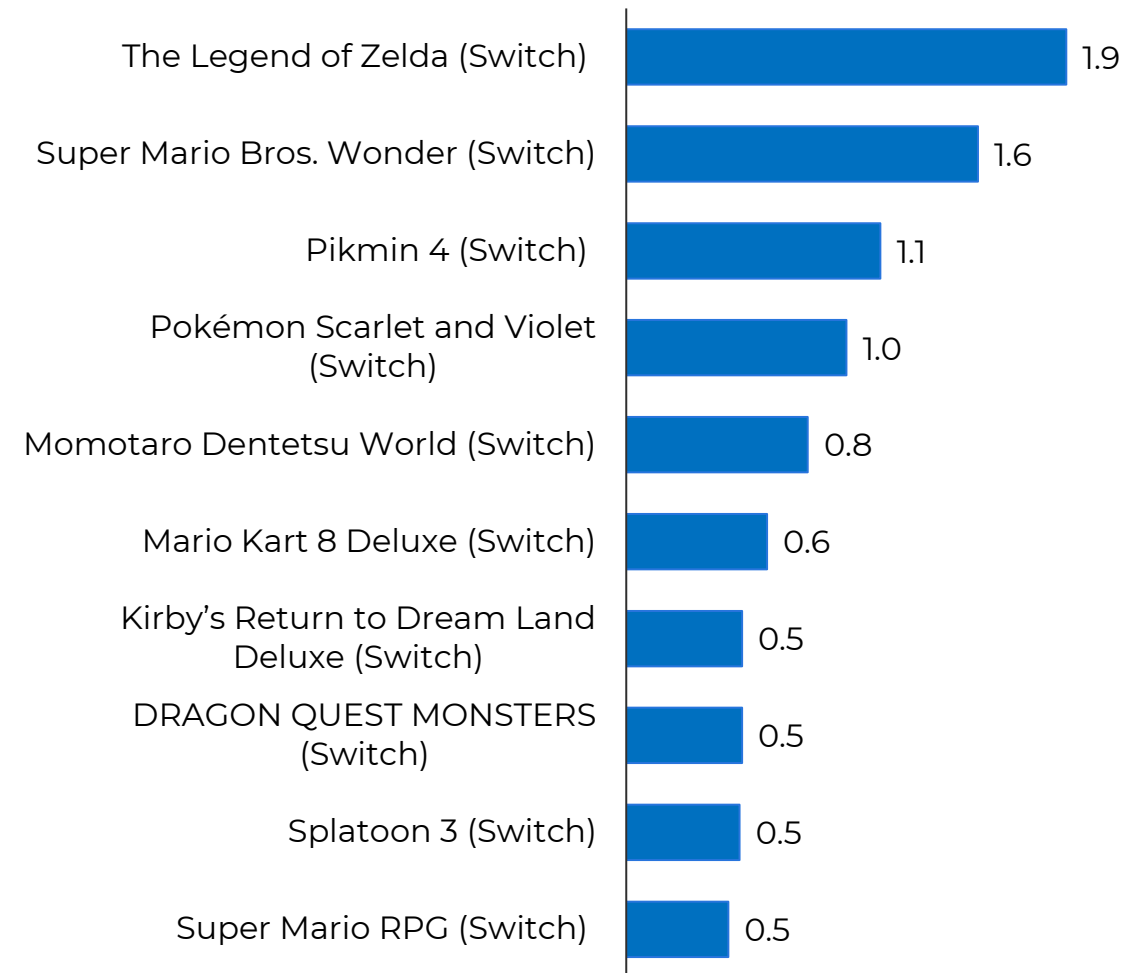
Portability & Genre Variety Lifted Switch's Post-Pandemic Success

Nintendo Switch's unique blend of portability and library of games across popular genres allowed gamers to enjoy immersive experiences on the go

Cumulative Unit Sales of Gaming Consoles Sold as of May 2024
Millions Units



Top 10 Game Title (Console) Sold in 2023
Millions Units



SECTION 2

NAVIGATING JAPAN'S EVOLVING GAMING LANDSCAPE

Challenges Emerge in Japan's Thriving Gaming Sector

Japanese game developers, the engines of the sector's success, are now battling economic challenges

Economic Headwinds

- Japanese gaming industry leaders such as Sony anticipate a declining sales growth, citing intensifying competition from indie developers, the approaching maturity phase of current consoles, and inflationary pressures.
- Local industry giants such as Square Enix were forced to scale back on new releases amid rising production hours and operating costs.
- Long development cycles and an increasingly competitive market make recouping costs for new games difficult, especially as AAA development expenses outpace revenue growth.

Evolving Consumer Landscape

- Research from Famitsu indicates that gamers are playing fewer titles overall, with a growing trend of focusing on just one or two games.
- With a growing gamer focus on fewer titles and the affordability of mobile and indie games, the competition for user attention in the gaming landscape has intensified, challenging traditional big-budget games.
- JRPGs, once cherished for their captivating stories, risk becoming stale after years of repetitive formulas of adhering to the convention of young heroes battling the evil to save the world.

Impact on Local Developers

- These factors squeeze developers, forcing them to be risk averse and releasing sequels / remakes on their proven franchises to its loyal fanbase.
- This is evident with the recent release of Final Fantasy 7 Rebirth in March 2024. Despite its continued success, sales and active user count came in below expectations.
- Overreliance on established conventions discourages innovation in gameplay, storytelling, and limits its target audience to only young gamers.
- 63% of Japan's gaming population is over the age of 30. As gamers age, it becomes harder to project themselves onto characters who still resemble high school students, creating a sense of emotional distance.

PC and Indie Games Power Japan's Shift to Global Expansion

Tokyo Game Show 2023 showcased a gaming landscape primed for experience and global reach, with PC and indie games leading the charge.

Rise of PCs and PC Games

- The COVID-19 pandemic and Japan's stay-at-home trend brought in a wave of users purchasing gaming PCs for work, live streaming and entertainment.
- Since 2015, the number of PC gamers rose from 11 million to 16 million. Of that 16 million, 4.5 million plays solely on PC, which is more than double the number of exclusive PC gamers in Japan in 2015.
- Gaming PCs' affordability and narrowing price gap with gaming consoles further lifted user adoption, resulting in the rise of PC games.
- Game developers and publishers are capturing this opportunity by increasingly releasing games on PC as it has lower distribution fees and greater self-publishing and development control.
- The shift towards multi-platform game releases is further fuelled by Steam's significant improvements to its storefront, making it more appealing to the Japanese audience.

Rise of Indie Games

- Tokyo Game Show (TGS) 2023 highlighted the rising prominence of PC and indie games. This was evident in the significant amount of event space dedicated to showcasing local and foreign indie titles.
- Game developers at TGS credited the PC platform's ease of publishing and localisation as a key factor driving popularity in indie games.
- Nintendo's heavy support for indie titles through its Indie World initiative has certainly helped expand the audience for indie games in Japan and make Switch a platform of choice, Steam is another major growth factor for Japanese indie gaming
- The Nintendo Switch's portability and user-friendly experience have fostered a loyal fanbase receptive to innovative gameplay ideas and concepts.
- Indie game titles are also generally priced lower, which Japanese gamers perceive as a great value.

Impact on Gaming Sector

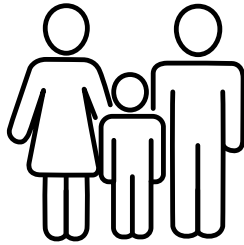
- The Tokyo Game Show and broader Japanese trends paint gaming as a lifestyle, with survey results highlighting that consumers are curious to learn about new game releases and embracing a more experiential and international gaming landscape.
- The event also highlighted a resurgence of dot graphics, a style often favoured by smaller studios and indie developers. Beyond resource efficiency, these pixelated visuals evoked a sense of nostalgia, with many TGS titles recalling classic game concepts and rekindling memories of the "good old days" for players.
- Other trends highlighted in the TGS event include; increasing presence of AR/VR game exhibits, rising popularity of eSports events.

SECTION 3

GO-TO-MARKET STRATEGIES

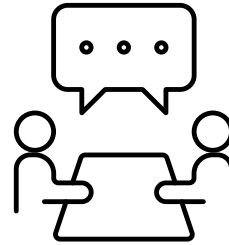
Go-To-Market Strategies to Succeed in Japan

A firm understanding of Japan's gaming culture and social landscape is key to captivating gamers and attracting publishers



Understand Your Target Audience

A breakthrough in Japanese market hinges on understanding their unique gaming preferences - genres, themes, art styles, and motivations. Cultural and social context is key for long-term success.



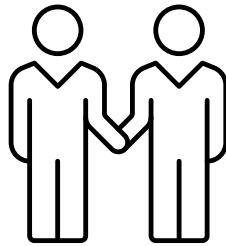
Language Localisation Strategy

Localisation is more than translation. It tailors a game's content for cultural understanding, boosting player immersion.



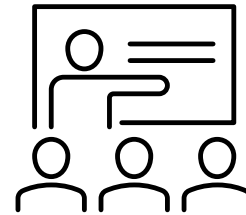
Adhere To Laws And Regulations

Japan strictly regulates Gacha mechanics and virtual currency in games, while the CERO system restricts violence, drug use or mature content.



Partnering With A Local Publisher

By partnering with a publisher, developers can immerse themselves in game creation while the publisher tackles market access and promotion, ensuring the game reaches a wider audience.



Tailored Marketing Strategy

A successful media outreach is all about the details. Japanese consumers generally prefer text-heavy and bold visuals on advertisements.

Understanding Your Target Audience

Cultural fluency attracts gamers, understanding gaming culture goes together with a well-crafted language localisation strategy

Gaming Culture

- **Social Activity:** Gaming goes beyond entertainment, forging real-world and online connections, making it a lifestyle choice for Japanese gamers.
- **Genre Preferences:** RPGs, action, and strategy games fuel vibrant communities of avid Japanese gamers.
- **Game Design:**
 - **Eye-catching Visuals:** Japanese games often feature adorable "kawaii" characters with vibrant colours and cartoonish exaggerations. This unique aesthetic appeals to a broad audience, from children to adults.
 - **Sonzaikan & Sekaikan:** Sonzaikan, which translates to "sense of presence", is a concept that evokes an emotional response from the gamer that creates a personal connection with the characters' personality or game play. In other words, each character is defined by a simple concept, which in turn determines its behaviour and appearance.

Sekaikan, which translates to "world view", is the guiding principle that ensures all aspects of the game work together to deliver a unified and immersive world experience based on the creator's vision. In other words, Japanese games are focused on making the gamer feel a part of the world within the story.
 - **Emphasis on Narrative:** A well-crafted narrative with complex storylines make players feel more immersed in the game. They become emotionally invested in the characters and the story's outcome. For example, the Final Fantasy series often tackle complex themes such as love, death, and sacrifice, which can resonate with players on a deep emotional level.



Language Localisation and Marketing Strategy

A successful localisation and marketing strategy is about creating a culturally immersive experience that resonates with Japanese gamers

“Japanese media outlets are active on X (Twitter), where GIFs reign supreme. To grab the attention of these audiences, create engaging animated images that showcase your game.”

Language Localisation

- **Professional Translation:** Avoid literal translations. Focus on conveying the intended meaning, tone, and cultural context.
- **Respectful Tone:** Utilize appropriate levels of politeness considering characters' relationships and situations.
- **Gendered Language:** Use correct pronouns and speech patterns for each character's gender.
- **Writing System:** Ensure proper use of Kanji, Hiragana, and Katakana, adhering to current Ministry of Education guidelines.
- **Text Wrapping:** Manually adjust text wrapping to avoid breaking down words and maintain grammatical accuracy.

Testing & Quality Assurance

- **Native Speaker Playtesting:** Have native Japanese speakers playtest the game to identify any awkward phrasing or inconsistencies
- **Cultural Sensitivity Testing:** Review all content for potential cultural sensitivities that might offend Japanese audiences.
- **Voice Acting:** If dubbing voices, utilize experienced Japanese voice actors who can deliver the appropriate tone and emotions.

Tailored Marketing Strategy

- **Understanding Demographics:** By identifying the biggest demographics for your video game, you can market accordingly to what might be an underserved market—increasing your chances of standing out from the crowd.
- **Marketing Materials:** Localize all marketing materials, including trailers, websites, and social media content, using the same localization principles as the game itself and taking into consideration Japan's gaming culture.

Pre-launch Campaign

- **Start Early, Don't Delay:** Build anticipation well before the launch date.
- **Earn Media Coverage:** Secure exposure in reputable gaming publications and news outlets through a dedicated PR/marketing strategy.
- **Craft Engaging Content:** Create high-quality gameplay trailers and maintain an active social media presence with organic content.
- **Leverage Paid Promotion:** Utilize targeted ads and collaborate with gaming influencers on YouTube, X (Twitter), Instagram.

Selecting The Right Media Platform

YouTube is the leading video platform, with gamers primarily using it to watch trailers and redirect viewers to your Steam or official site page. TikTok's popularity is high among teenagers, potentially allowing a game to go on viral.

Japanese gamers value trust and familiarity, making traditional media like TV commercials and magazines a powerful complement to online marketing. These advertisements act as an initial brand touchpoint, fostering awareness, while online media reinforces that message and builds deeper brand familiarity.

Platforms like X (Twitter), Discord, and Steam embrace anonymity, fostering a free space for gamers to express themselves and fuelling vibrant user engagement

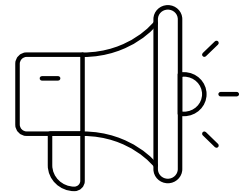


Viewership

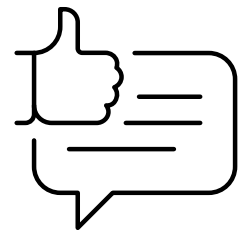
Social Gamers



Heavy Gamers



Brand Awareness (Familiarity)



User Engagement



Highly Reviewed Japanese Indie Game Publishers



[Active Gaming Media](#)



[Marvelous Games](#)



[D3 Publisher](#)



[Playism](#)



[Happinet](#)



[Gravity Game Arise](#)



[Chorus Worldwide](#)



SECTION 4

CASE STUDIES

A Space for the Unbound (ASTFU)

Success Factors

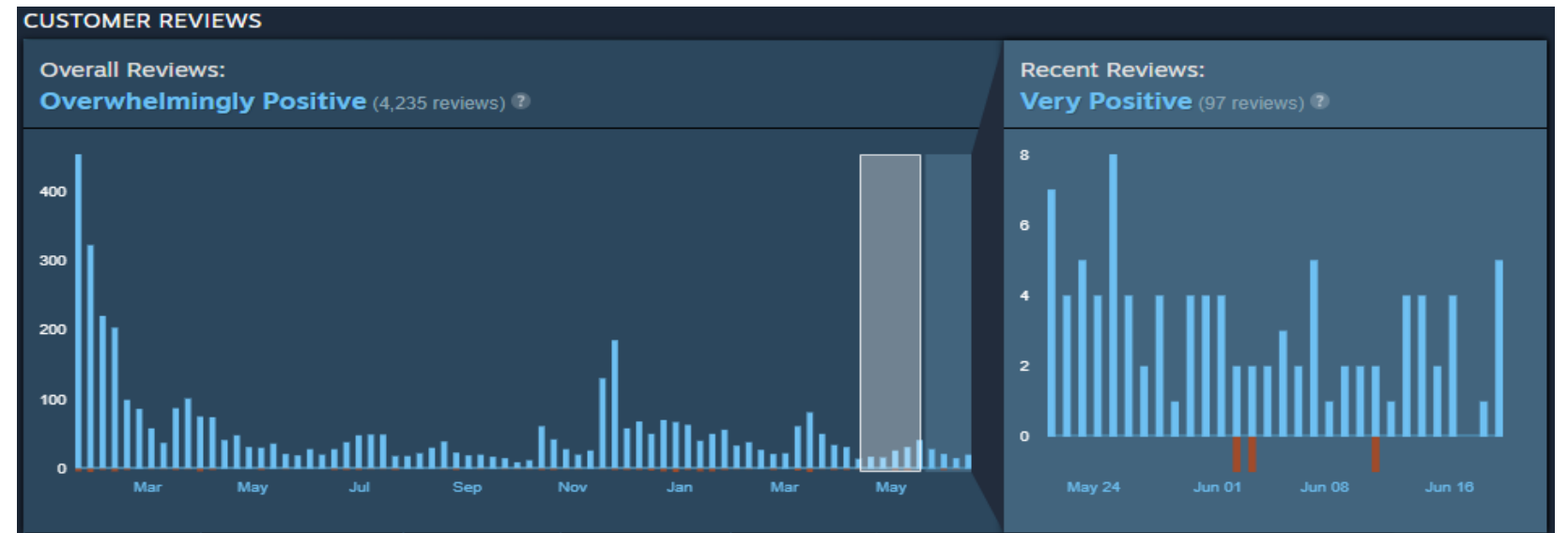
Cultural Resonance: ASFTU's story, set in late 1990s rural Indonesia, resonates with players through its evocation of a bygone era, which resonates with nostalgic sentiments of the Japanese audience.

Gameplay & Genre: The game features high school students gaining supernatural powers to explore the minds and traumas of others, adding a compelling and engaging layer to the gameplay.

Game Design & Visuals: A captivating story with emotional depth, memorable characters, and a relaxing soundtrack complements the immersive pixel art of characters, backgrounds, and even animal companions

Localisation Partnership: Chorus Worldwide, a local publisher with team helped with the Japanese localisation and console publishing, ensuring a smooth cultural adaptation and accessibility for the Japanese market.

Indonesian Game 'A Space for the Unbound' Wins Japan Future Award 2022



Source: Japan Times, Steam

Dredge

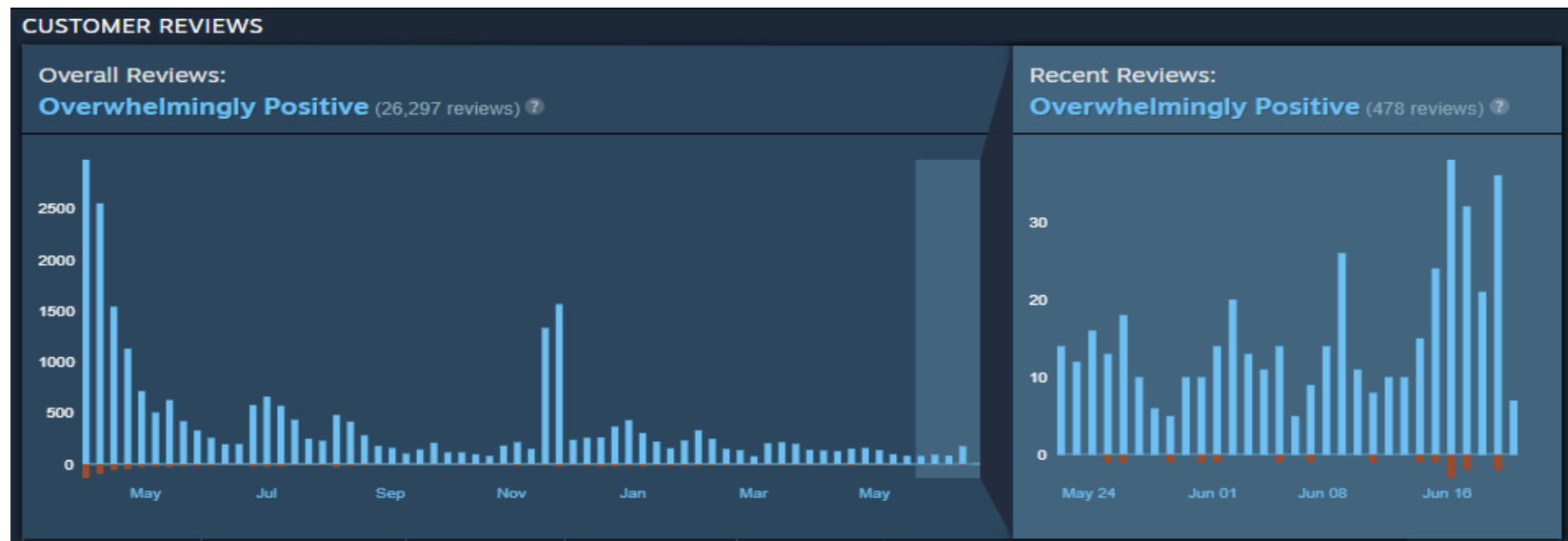
Success Factors

Market Conditions & Timing: Dredge's release benefited from a lack of competition from major titles due to COVID-19.

Gameplay & Genre: Elements of horror and collection appealed to Japanese gamers' taste for *Sonzaikan*, *Sekaikan* and in-game item collections.

Localisation Strategy: High-quality localisation and fast patching likely boosted accessibility and gameplay experience for Japanese players.

Marketing Strategy: Strong global reviews on Steam sparked the interest of influential Japanese streamers, whose playthroughs then reached a wider audience through articles and social media





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