

HEY BIG SPENDER!

JAPAN OUTSPENDS THE US, CONTINUES ITS METEORIC GROWTH



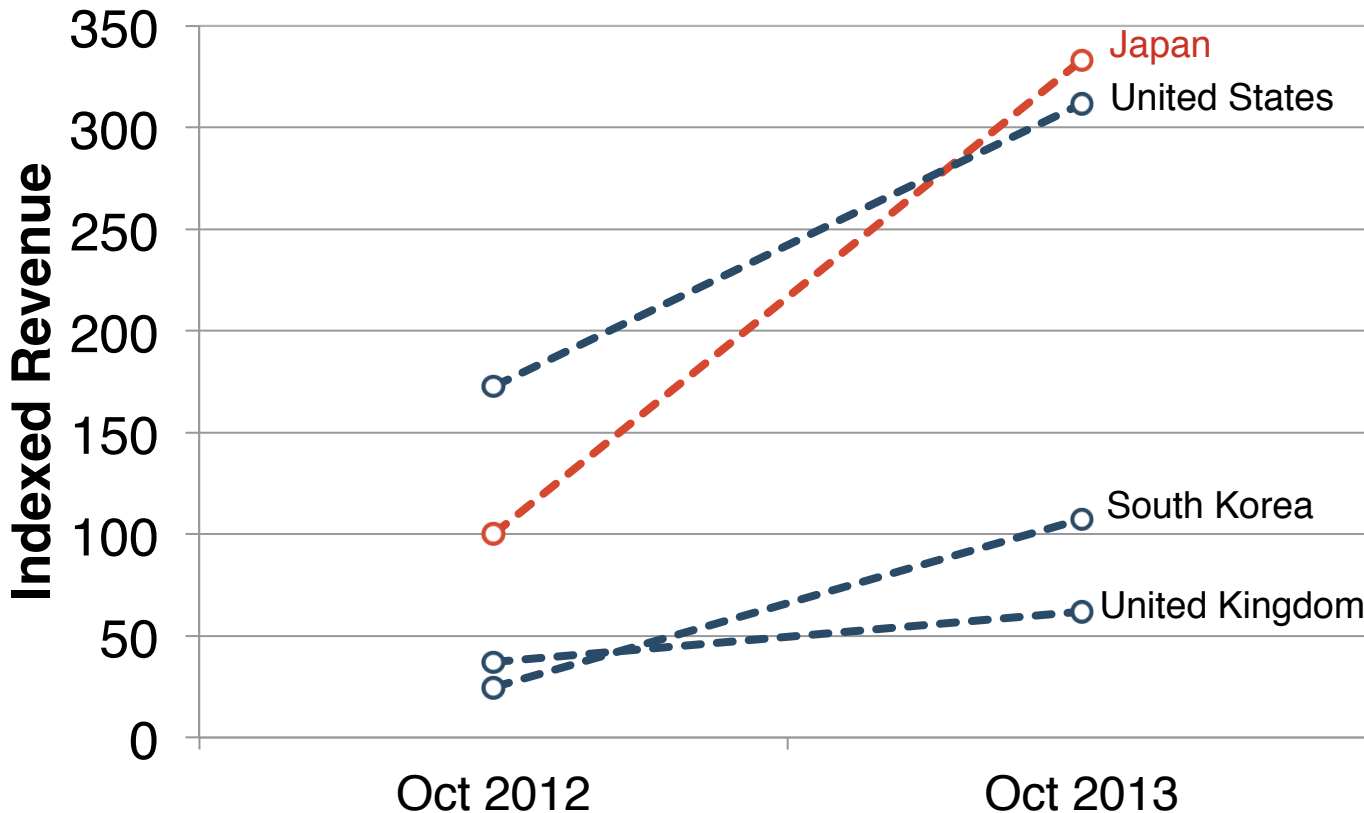
Japan Outspends US, Continues Meteoric Growth

1. **Japan Revenue Overtakes US**
2. How Japan Hit #1
3. Japan's Strongest Performers
4. Looking Ahead to 2014
5. Conclusions & Key Takeaways



Japan Now #1 Country in App Store Revenue

Combined iOS App Store & Google Play Monthly App Revenue



- Over the past year, Japan's app store spend has exploded, exceeding growth in other major markets
- Japan now top-grossing country across iOS and Google Play combined

Japan Outspends US, Continues Meteoric Growth

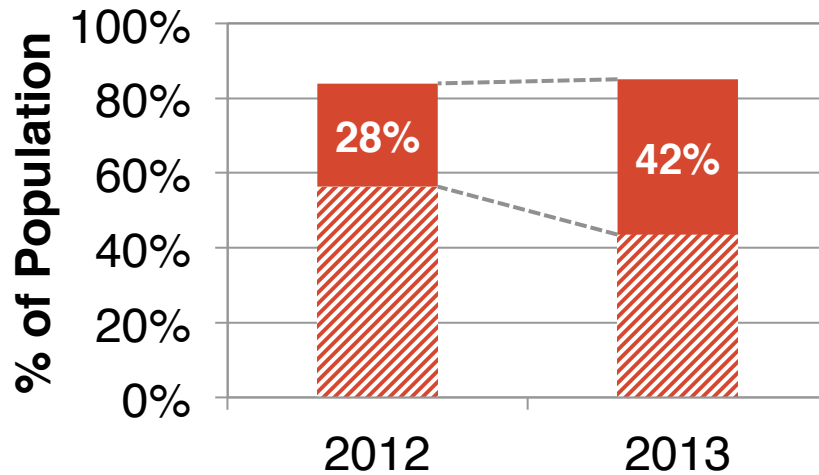
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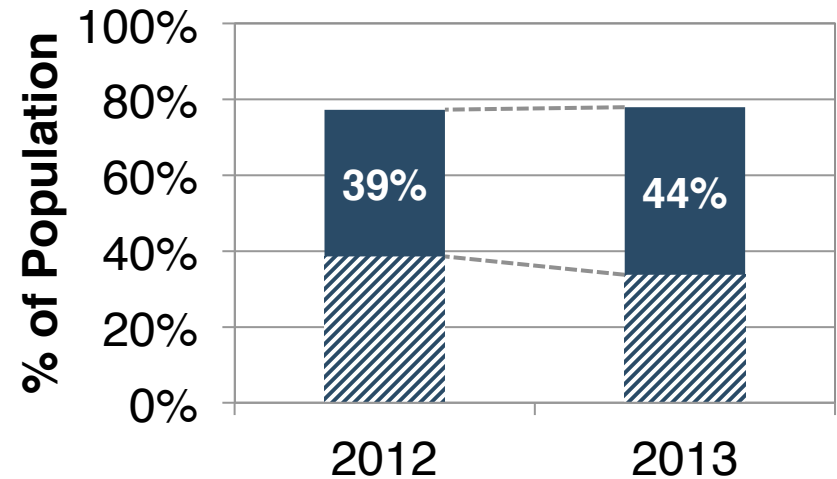
Smartphone Adoption Catching Up Rapidly in Japan

Annual Mobile Phone Penetration

Japan



United States



■ Smartphone users
▨ Other mobile phone users

Japan Population: 127M**

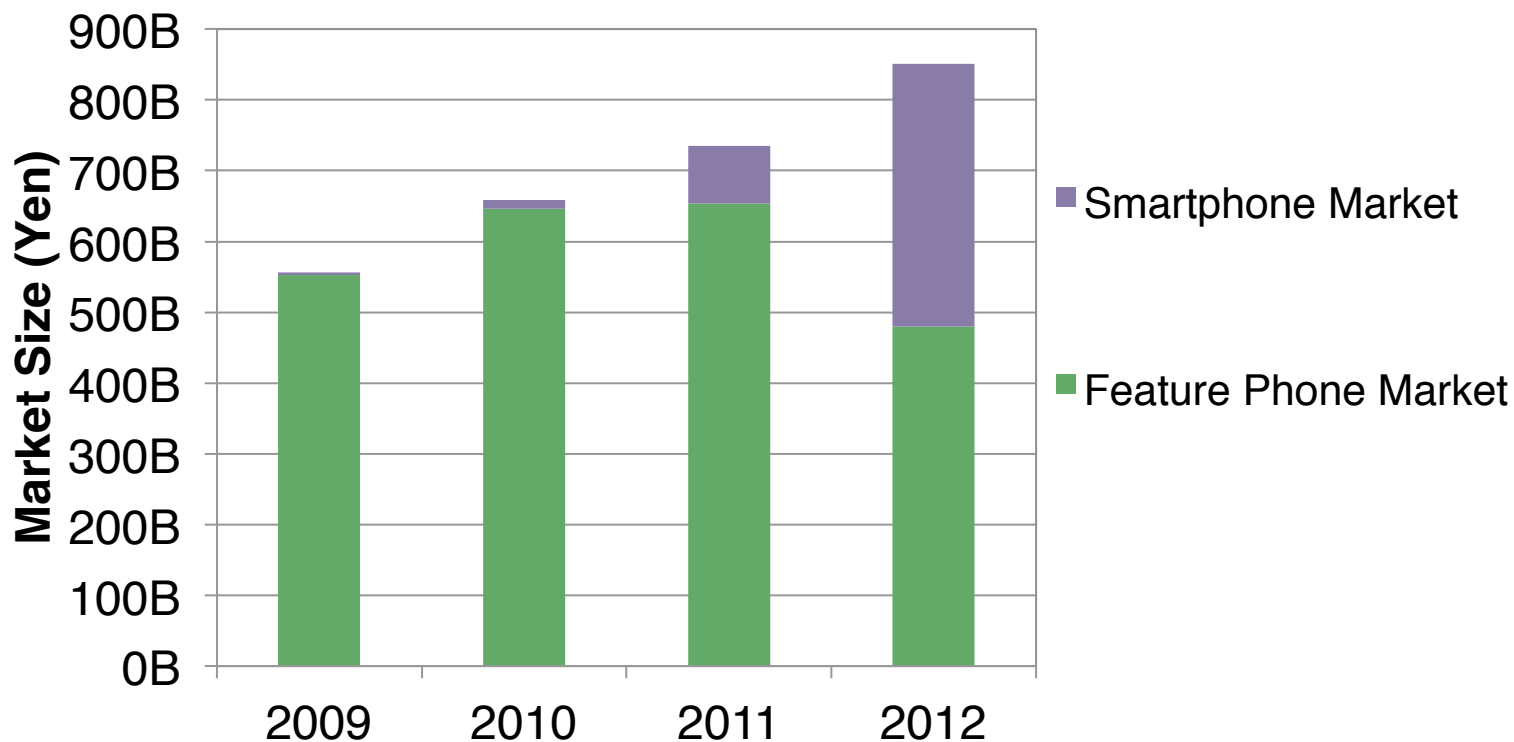
■ Smartphone users
▨ Other mobile phone users

US Population 317M**

- While Japan is a mobile-centric society, smartphone adoption has lagged behind other major markets; feature phones already were quite advanced
- Smartphone penetration in Japan started catching up rapidly in 2013

Mobile Digital Content Market Already Strong in Japan

Annual Mobile Phone Digital Content Market in Japan



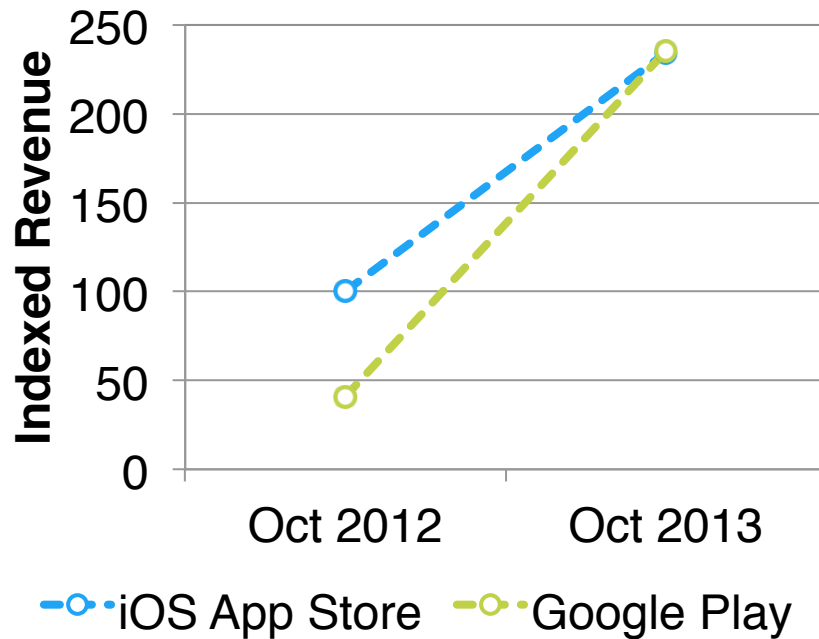
Source: Mobile Content Forum, Japan, August 2013

- Japanese consumers already have been accustomed to purchasing digital content (e.g., music and games) on feature phones
- Digital content market has been growing steadily the past few years

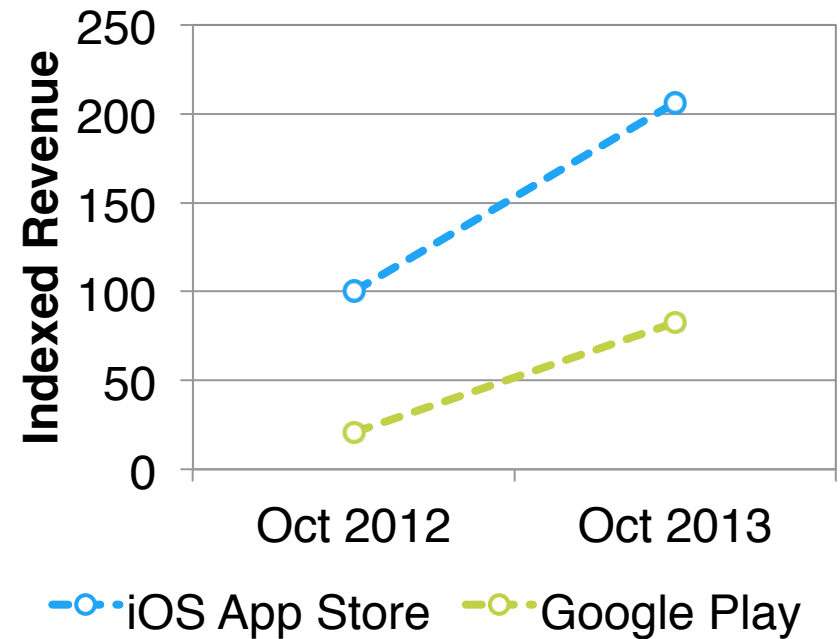
Google Play Caught Up to iOS in Japan App Revenue

iOS App Store vs. Google Play Monthly App Revenue

Japan



Rest of World



- App spend on Google Play has skyrocketed in Japan, far outpacing growth in the rest of the world
- Google Play has closed the gap with iOS in app revenue in Japan

Carrier Billing for Google Play Japan Facilitates Payment

...In some markets, Google has teamed up with wireless carriers... to include app purchases on phone bills, [Director, Google Play] Kochikar said.

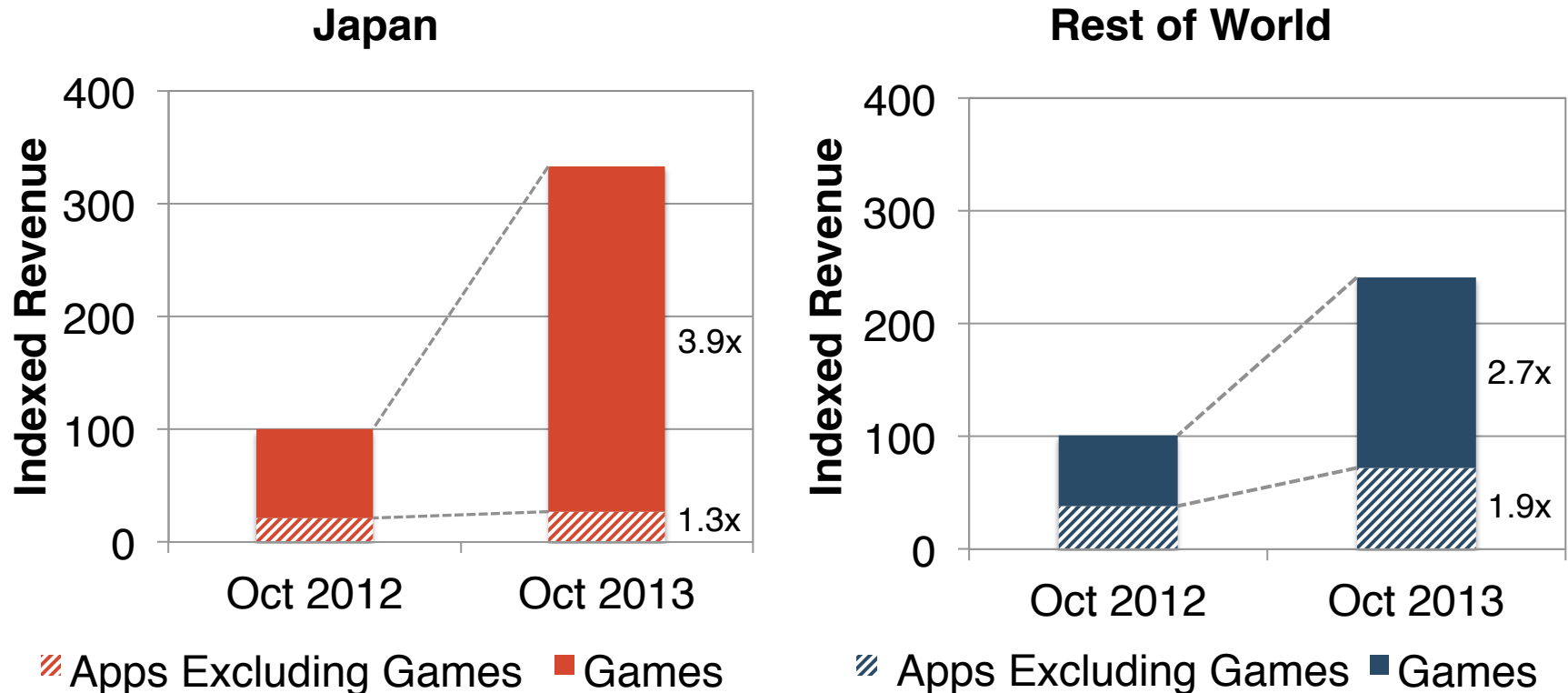
In Japan and South Korea, two countries with direct carrier billing, Google developers have seen revenue jump almost 14- fold, the company said.

Source: [Bloomberg](#), February 2013

- Japan traditionally has relied on cash, rather than credit cards
- Google Play introduced carrier billing for Japan's leading mobile carriers (NTT DoCoMo, KDDI, and Softbank) in early 2011

Explosive Growth in Games Drove Japan Revenue

Combined iOS App Store and Google Play Monthly App Revenue



- Growth in games spend in Japan dramatically outpaced growth in the rest of the world

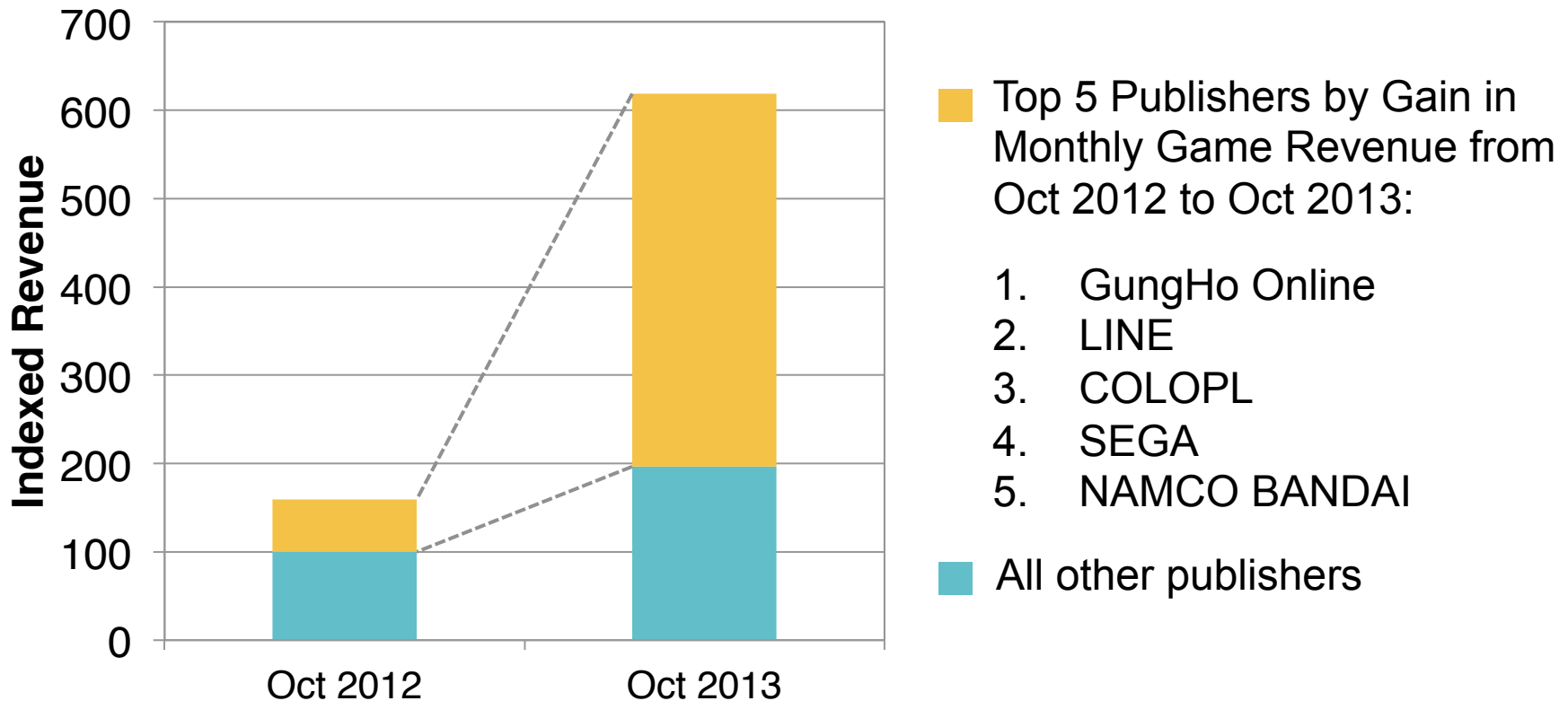
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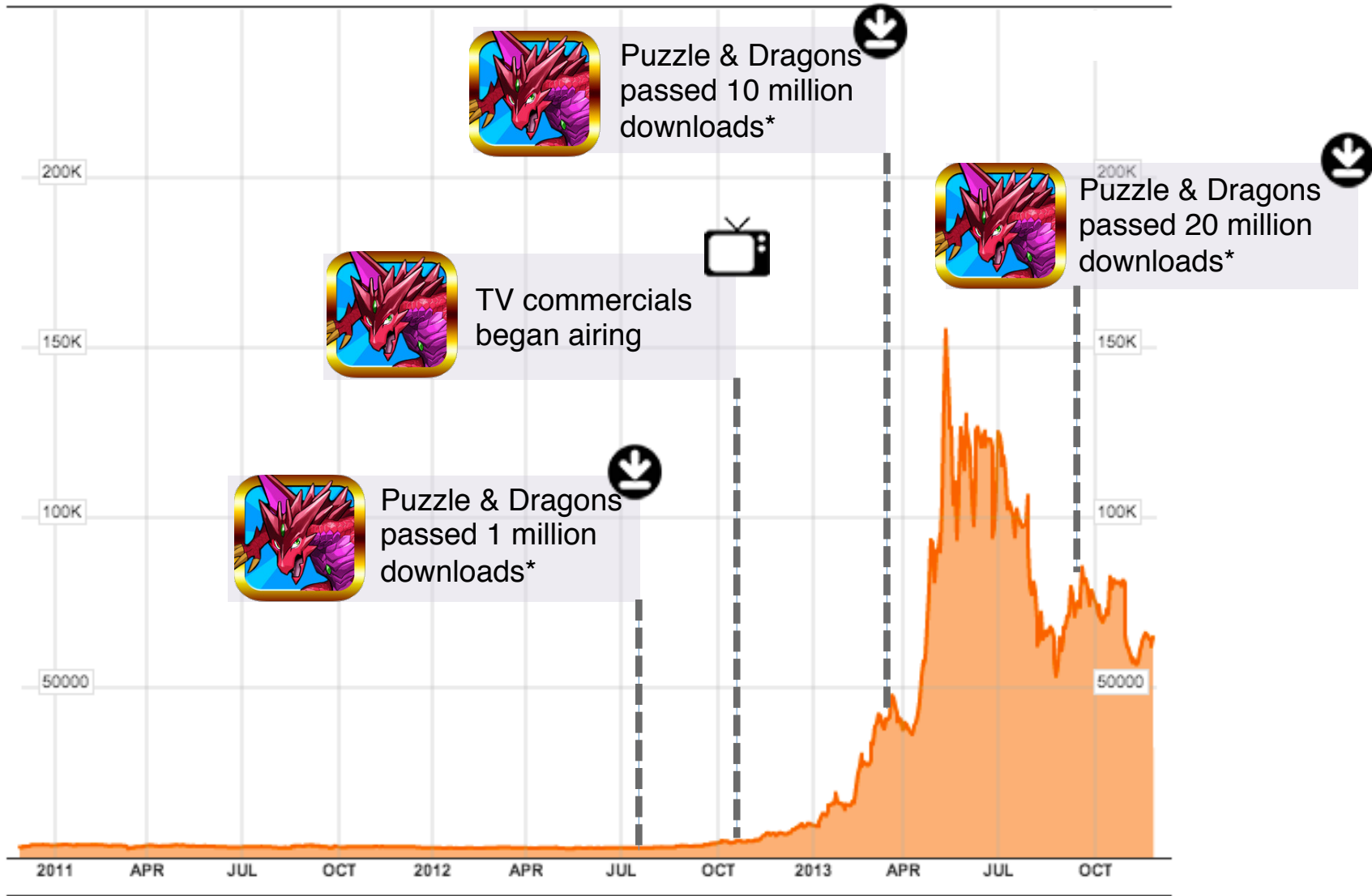
Domestic Publishers Led the Growth in Japan

Combined iOS App Store and Google Play Monthly Game Revenue in Japan



- While Puzzle & Dragons from GungHo Online has dominated the headlines in Japan this past year, LINE, COLOPL, SEGA, and NAMCO BANDAI also saw significant growth in game revenue

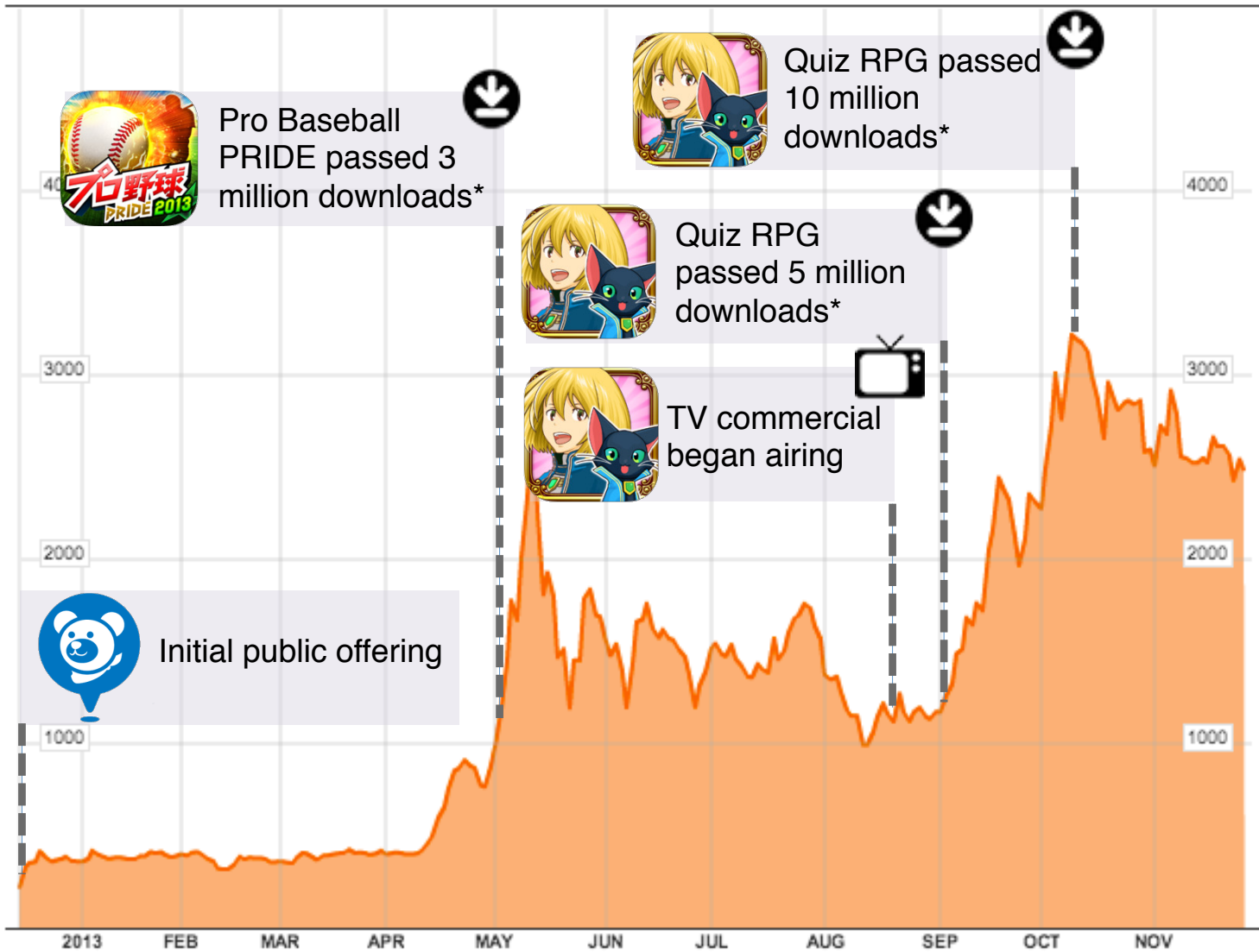
Riding the Dragons: The Success of GungHo Online



* Figures released by GungHo

Source: Bloomberg, 2013

COLOPL's Home Run Hitters



* Figures released by COLOPL

Source: Bloomberg, 2013

COLOPL's Quiz RPG Spiked After TV Commercials



Quiz RPG: World of Mystic Wiz

クイズRPG 魔法使いと黒猫のウィズ [App]

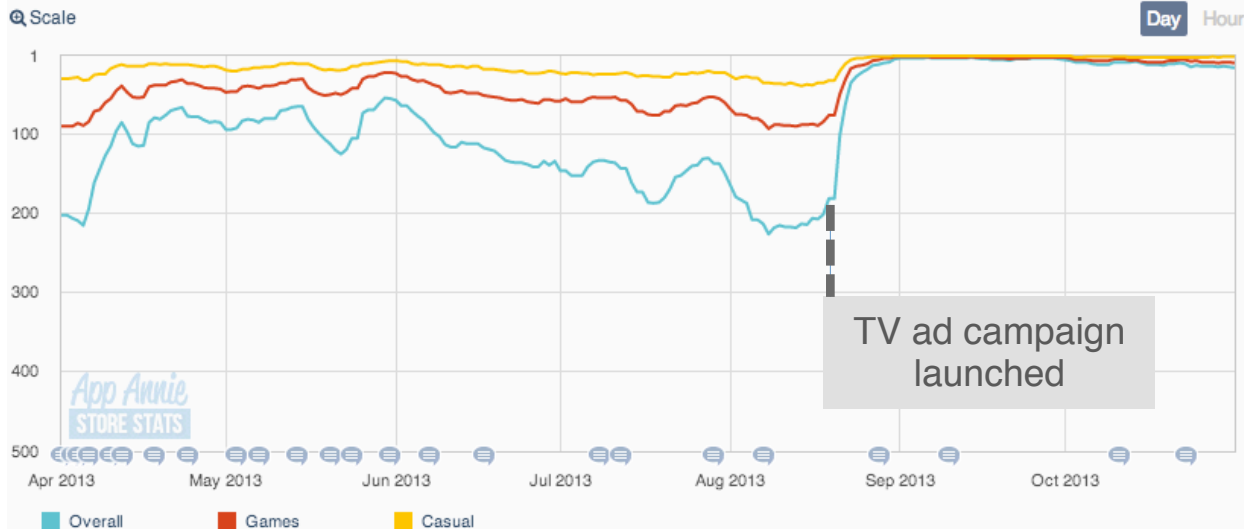
Store: Google Play | Price: Free | Publisher: COLOPL, Inc. | Unified App: Quiz RPG The... (6 apps) | App Franchise: N/A

Rank History

Japan - Apr 1, 2013 ~ Nov 1, 2013

Country: Japan | Date Range: Apr 1, 2013 ~ Nov 1, 2013

Download Ranks | Grossing Ranks



- After TV commercials began screening, downloads* tripled in 3 months
* Source: COLOPL, 2013
- TV commercials also have driven huge growth in Japan for other games, such as Puzzle & Dragons *App Annie*

LINE Expands from Messaging App to Game Platform

- LINE announced explosive growth in users throughout 2013



- LINE also established a gaming platform that integrates with the messaging service. Hit games include:



LINE POP



LINE Pokopang



LINE WIND runner

- The company is rumored to be considering an IPO*

* Source: Reuters, October 2013

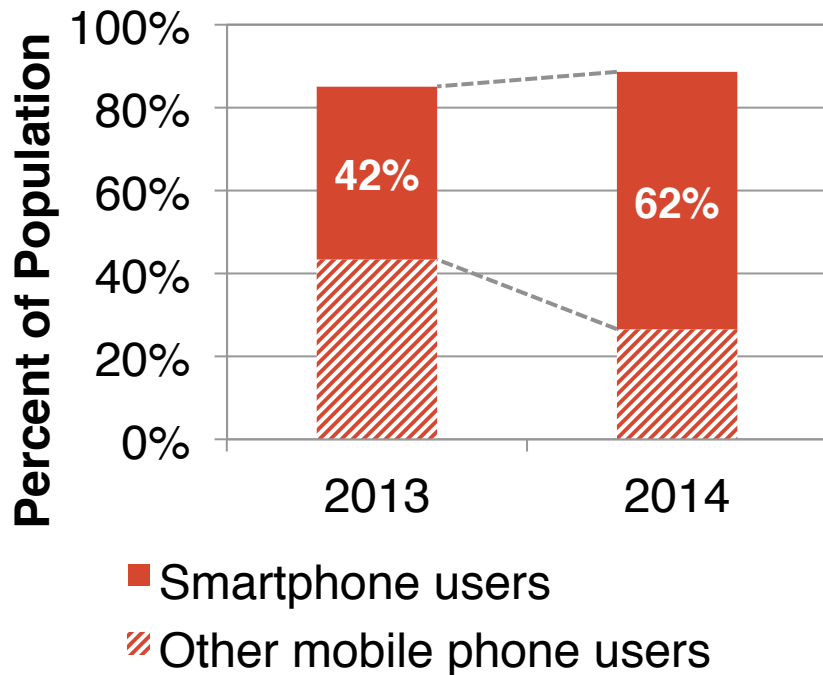
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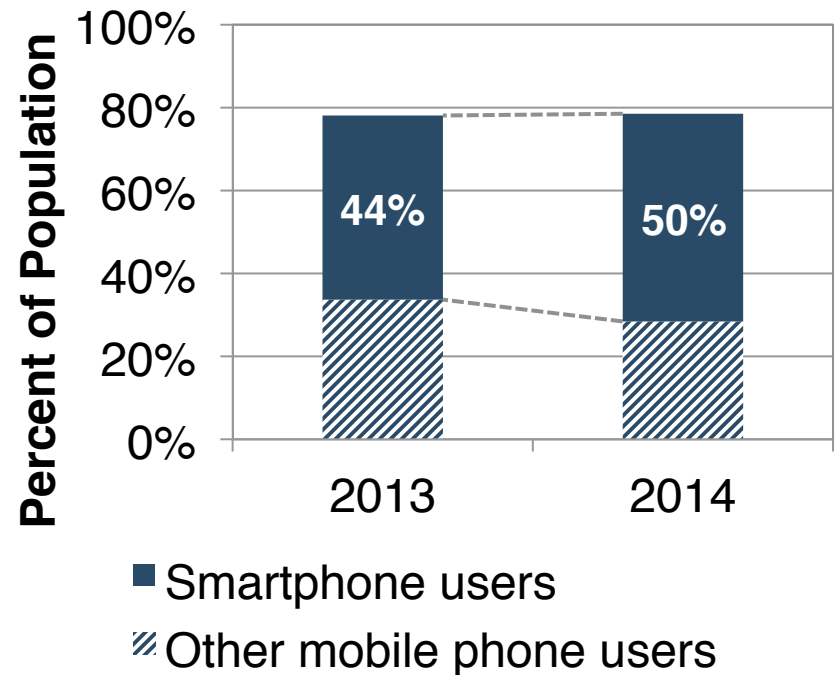


Smartphone Adoption in Japan Will Accelerate in 2014

Projected Annual Mobile Phone Penetration Japan



United States

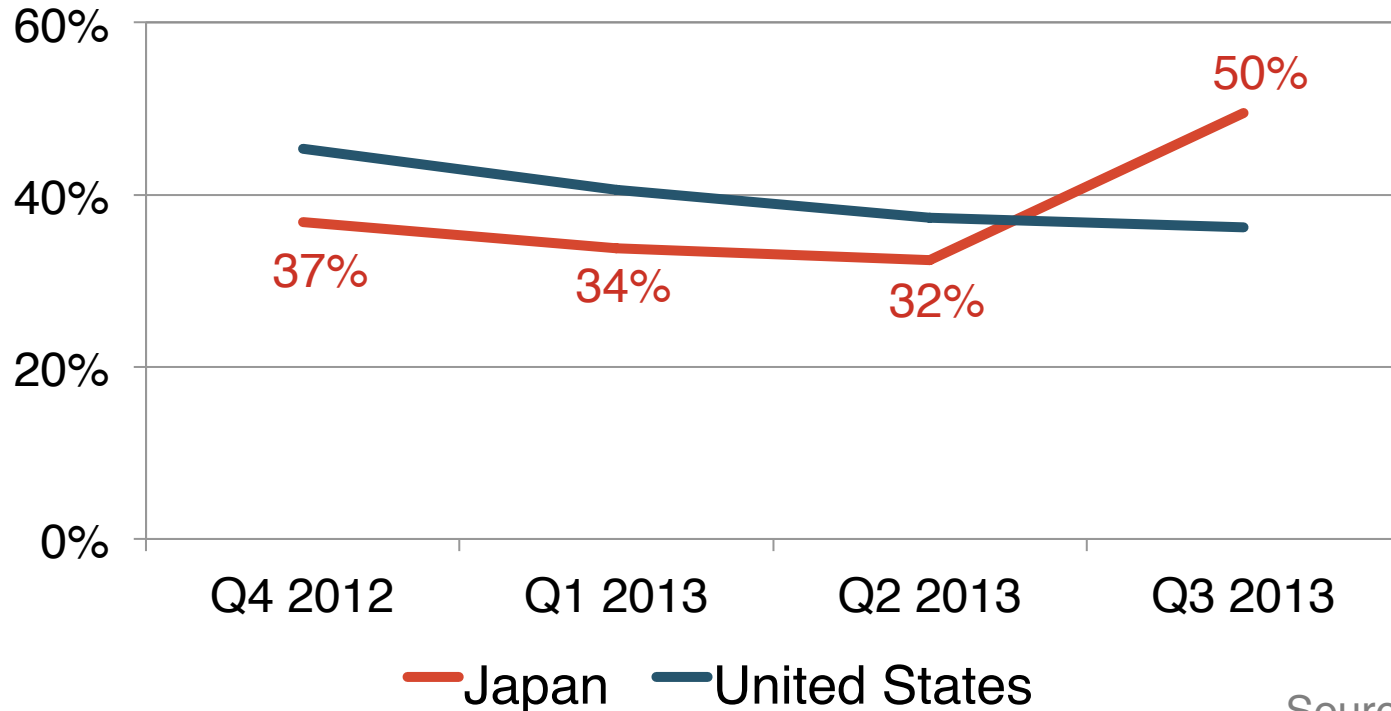


Source: eMarketer, Inc., 2013

- Japan is far from being saturated for smartphones; penetration is expected to grow further in 2014, overtaking that in the United States and contributing to further app store gains

iOS Device Sales Grow After DoCoMo Adds iPhone to Its Lineup in September 2013

Apple's Share of Smartphone Unit Sales



Source: IDC

- DoCoMo added the iPhone Sep 20, so Q3 only partly reflects the impact
- It will be interesting to watch how Apple's device install base* and app revenue develop in Japan in the coming months

(* Note: A shift in device sales does not necessarily result in a shift in install base)

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Japan: Conclusions & Key Takeaways

- Japan has surpassed the United States to become the top-grossing country by combined iOS and Google Play app revenue
 - **Smartphone adoption** has been catching up rapidly in Japan
 - **Google Play** revenue has soared in Japan, catching up to iOS
 - **Games** revenue in particular has exploded in Japan
- Publishers that rode the wave to success in Japan included not just **GungHo Online**, but also **LINE**, **COLOPL**, **SEGA**, **NAMCO BANDAI**
 - Successful publishers were **domestic**, having local knowledge
 - **TV advertising** is effective in driving app performance in Japan
- More investment opportunities await in Japan next year
 - **Smartphone adoption** will accelerate in 2014
 - iOS devices more accessible with **DoCoMo offering the iPhone**

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