Outside the Box

Amid Videogame Speed Race, Nintendo Turns to Simplicity

Company Aims at Older Crowd

With a New Way to Play: Users Get Off the Couch

Tennis vs. ‘Grand Theft Auto’

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AND NICK WINGFIELD

Twenty years after Nintendo Co. commanded the videogame hardware business and the afternoons of teenage boys, the company is stuck in third place, outgunned by Sony Corp. and Microsoft Corp.

Now Nintendo is trying to reinvent the market by going after a largely untapped audience—people over 25 years old. In a new game console to be introduced later this month, the company is aiming for simplicity, rather than the computing power and fast-paced graphics that have pushed Nintendo’s rivals past it.

The company will still offer classic shoot-'em-up games and new editions of its cartoon 1980s hits such as Super Mario Brothers. But Nintendo will be moving beyond flashing thumbs and joy-

In Some Places,
U.S. Money Isn’t
As Sound as a Dollar

* * *

Serious Business

Global sales of Nintendo’s last three videogame systems versus its main rivals for each:

<table>
<thead>
<tr>
<th>NAME (YEAR LAUNCHED)</th>
<th>SALES, millions of units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early 1990s</strong></td>
<td></td>
</tr>
<tr>
<td>Super Nintendo Entertainent System (1990)</td>
<td>48.1</td>
</tr>
<tr>
<td>Sega Genesis (1988)</td>
<td>30.8</td>
</tr>
<tr>
<td><strong>Mid-1990s</strong></td>
<td></td>
</tr>
<tr>
<td>Sony PlayStation (1994)</td>
<td>102.5</td>
</tr>
<tr>
<td>Nintendo 64 (1996)</td>
<td>32.9</td>
</tr>
<tr>
<td>Sega Saturn (1994)</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>2001 to present</strong></td>
<td></td>
</tr>
<tr>
<td>Sony PlayStation 2 (2000)</td>
<td>111.3</td>
</tr>
<tr>
<td>Microsoft Xbox (2001)</td>
<td>24.6</td>
</tr>
<tr>
<td>Nintendo GameCube (2001)</td>
<td>21.2</td>
</tr>
<tr>
<td>Microsoft Xbox 360 (2005)</td>
<td>6</td>
</tr>
</tbody>
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Note: Figures are as of Sept. 30. Figures for PlayStation 2, Xbox and Xbox 360 refer to the number shipped to retailers.

Source: the companies

sticks to a new kind of controller that players wave in the air. They can stand
in their living rooms and mimic the motion of casting a fishing rod, tossing a
bowling ball, or swinging a tennis racket—and see it happen on their TV screens.

It’s not your son’s videogame. If Nintendo’s risky strategy is successful, it
could challenge the conventional wisdom in the $17 billion console videogame
industry: that success lies in the fastest, most powerful machines possible, whatever
the cost. That’s partly how Sony has dominated the industry since 2000 with the
PlayStation 2, a machine so powerful that the Japanese government once feared it could be used to develop ad-

阿拉伯文
Advanced weapons. Its PlayStation 3, which comes out a week before Nintendo’s new console, is even more powerful. Second-place Microsoft is using a similar strategy in its Xbox 360, out since last year.

As more consumers are overwhelmed with increasingly complicated gadgets, some companies are trying to gain a competitive advantage by producing cleaner, simpler designs. In Japan, cellphones are typically loaded with a high-resolution digital camera, music player and Internet capabilities. But this spring, one of the hottest-selling mobile phones for KDDI Corp., a major mobile operator in Japan, was a phone called Neon, which didn’t have the most advanced digital camera or the biggest screen but looked like a bar of soap. The elegant design helped it sell out in just three months.

Just as Apple Computer Inc. made a comeback with the innovative and simple iMac computer and iPod music player, Nintendo is hoping that a less complex innovation can have as much market impact as enhanced computer-chip speed—and at a lower cost.

Nintendo has been recording healthy profits in part because it has relied on products that are simpler and less costly to make. Despite its third-place position, it earned $841 million on sales of $4.35 billion last fiscal year. It expects its new system—dubbed the Wii to sound like “we” or “wheel”—and its games to be profitable within a year.

By contrast, Sony and Microsoft are spending billions of dollars developing their machines, with little return so far. Sony’s games earned $75 million on revenue of $8.19 billion in the fiscal year ended in March 2006. Microsoft has not yet earned a penny from its Xbox business, analysts say.

In Japan, demand for videogame machines is declining. In the past three years, the number of videogame players sold there has declined by more than 8%, while more household members say they are not interested in playing, according to an annual survey by the Japanese industry group Computer Entertainment Suppliers Association. Sales of both hardware and software have fallen about 29%.

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to 496.5 billion yen ($4.3 billion) in 2005
from 623.2 billion yen ($5.7 billion) in
2000, according to the group.

"Everyone thought that consumers
would continue to buy new consoles as
long as you could play more real and
more impressive games," Nintendo chief
executive Satoru Iwata said in an interview.

While fans cheered the new games, he
said, "There were also people who
would quietly walk away because they
got too complex."

In the U.S., the share of households
with game consoles hasn't budged past
36% for the past decade, according to
San Francisco con-
sumer research firm Odyssey LE.

U.S. console game sales nearly tripled in
the same period, with makers are selling
more games to the same universe of
console owners. With an eye on this trend,
Microsoft also is turning some of its atten-
tion to less high-velocity games to try to
bring in new customers, especially
women. Sony announced its controller
for PlayStation 3 will respond to hand
movements by players, though only
within a conventional design.

But Nintendo is in a tricky position.
The company has always featured a gen-
tler roster of games than its rivals, in-
cluding long-running bits such as its
Zelda game that keep profits rolling in.
Its challenge is to hold onto the game
geeks who crave the speed, power and
intricacies of high-tech games even while
forgoing the race for power.

While many game industry execu-
tives and analysts say the new console
could well raise Nintendo's approxi-
mate 15% market share, some point
out it lacks the technological depth of
its rivals. Sony argues the Wii's design
may have limited appeal. A con-
troller good for swing'gup a virtual
tennis racket "might be a good way to do
that and just that," says Kaz Hirai,
president and CEO of Sony's U.S.
videogame division. Jeff Bell, an Xbox
vice president at Microsoft, said Nin-
tendo's innovation could turn out to be
a "novelty."

One Advantage

One potential advantage for Nint-
endo: price. The simpler Wii will retail
for $299, compared with starting prices of
$499 for the PlayStation 3 and $399 for the
Xbox 360.

Unlike the hardware and software gi-
ants it now competes against, Kyoto-
based Nintendo's roots are in games.
Founded in 1889 as a maker of traditional
Japanese playing cards, Nintendo made
two difficult transitions to become a toy
company in the 1960s and then a video-
game maker in the 1970s. Its big break
came in the 1980s with its Nintendo Entert-
ainment System, which pioneered so-
phisticated arcade-style graphics in a
home console.

But by 2001, Nintendo faced formidable
competition from Sony and Microsoft. Nin-
tendo chief executive Hiroshi Yamauchi
was disappointed by sales of the Nintendo
64, meant to compete with the first PlaySta-
tion, and he wanted to pull out of the expen-
sive race. Mr. Yamauchi, a member of Nint-
endo's founding family, was looking for a
more economical, innovative way to com-
pete.

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The GameCube, launched in 2001, was an uncomfortable compromise. Though powerful, its square, toggle console initially came in purple, and Nintendo stayed away from many of the most violent types of games for the console, including the popular Grand Theft Auto. That led a perception that Nintendo games were primarily for young kids.

The dream team was headed by Mr. Iwata, whom Mr. Yamavi-chi recruited to the company. He took over the top job in 2002, as company engineers were already looking to affordably differentiate the next-generation console, code-named “Revolution.”

When the developer, knew there often was a gap between his own perception of a game and players’ response to it. He had seen test users overlook a feature he was excited about, or become engrossed with one he had thought trivial. The overall message he got from the test players was clear: We were getting too intimidating, and too fun, unless users devoted hours to learn how to play them.

Meanwhile, Sony and Microsoft were competing to develop even more powerful consoles. Neither company discussed how much they spent to develop their consoles. Sony spent about $3.5 billion for the processing chip alone, the company said. Its PlayStation 3 console has a chip that performs 210 billion calculations per second, akin to the speed of a supercomputer. Sony spokesman Satoshi Fukutoku says it is based on the “idea of what will come in the future.”

Nintendo intentionally limited the capabilities of the processing chip at the heart of the Wii. That way, it was also able to use a quieter, lower-energy processor that could stay on, and run cooler, than the two game engineers who agreed with the company’s need for a different general direction felt anxious.

“My brain knew what had to be done, but the rest of me didn’t want to follow,” says Shigeru Miyamoto, Nintendo’s 58-year-old chief creative officer. He is developing Mario and the 1981 hit Donkey Kong. Game creators compete to produce graphically detailed games, he says, so it can be a letdown to purposely create simpler games.

The turning point for Mr. Miyamoto and his team came in 2004, when Nintendo launched a portable game machine, the DS. Nintendo considers that relatively simple machine to be a forerunner to the Wii. It opens like a book and has a touch-sensitive screen that players can write on with a stylus.

One DS game, Brain Age, asks players to complete 110 timed drills that test memory and reasoning. In Japan, the game sold big among men and women in their 40s, 50s and older, many of whom had never played videogames. Worldwide sales of the DS beat Sony’s PlayStation Portable machine, which had difficulty selling software and graphics nearly as good as the Nintendo 2.5 machines.

“Nintendo proved with the DS that more for complicated games, and Mr. Miyamoto suggested that other add-on controllers could be plugged into the device for games that need them.

The first game developed for the Wii controller was tennis. For Mr. Miyamoto, it demonstrated the potential of a wireless controller that could be freely swung, “it’s like being able to take off the seat head and fly.”

In WarioWare: Smooth Moves,” a collection of short, simple games, players make chopping motions to mimic using a knife in a kitchen, or place the controller at their hips while swaying to mimic hula-hooping. Classic Nintendo games like Mario Kart racing and Super Smash Brothers let two players swing one controller to wield a sword, and press a button on another to activate a shield with their other hand.

New Moves

To show off its new moves, Nintendo is packaging sports games with the console that include bowling, baseball, tennis and golf. To reach nongamers in an older demographic, the company says about 80% of its U.S. television spending will be aimed at 25- to 39-year-olds, through programs such as ABC’s “Dancing with the Stars.”

The company has sponsored private Wii-playing parties in volunteers’ living rooms. At one recent event in the Kansas City suburb of Tonganoxie, Karlye Weatherford stood and punched the air with her fists, clutching controllers that transmitted her movements to two images on the screen. In front of about 50 friends and family members enjoying a catered barbecue lunch, the 28-year-old mother of three knocked out her husband’s character after a series of blows. She says she rarely touches the family’s Xbox.

Nintendo also is seeking urban taste-makers by giving a series of Wii demonstrations at the New York offices of Def Jam records, the Plat Farm clothing label and Vice magazine.

Nintendo also has begun to tackle outside games, especially those involving outside game developers on board. Because Nintendo is strong in developing its own games, outside developers were less likely to focus on their hardware—which ultimately limited their consoles’ appeal. So Nintendo mode courting them a bigger party, especially to broaden its appeal in the U.S. and Europe. For example, the French publisher Ubisoft Entertainment SA, known for big hits like the spy game “Splinter Cell,” will make a title exclusively for Wii called Red Steel. It will allow players to wield swords by swinging the controller.

A lure for the console game makers: Games for the Wii can cost as little as half as much to develop as graphically intense titles for its rivals, where budgets are jumping into the $20 million range."

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