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Japan and East Asia Music Market Update

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sarah Fund



Speakers:

- MC → Mina Jungmin Choi, International A&R, S.M. Entertainment (Korea)
- JH → Jonathan Ho, General Manager, Fujipacific Music S.E. Asia (Hong Kong)
- JM → John Paul McLellan, Partner, Haldanes (Hong Kong)
- KO → Ken Ohtake, Executive VP, Sony Music Publishing (Japan)
- SM → Shinji Miyazaki, Managing Director, Avex (Taiwan)
- AA → Alexander Abramoff (Moderator), President, AIA International Co. (Japan)



Introduction

AA: Good morning, ladies and gentlemen, and welcome to this panel, the panel titled “Japan and East Asia Music Market Update.” It is for the second consecutive year, that Music Publishers Association of Japan is sponsoring a panel on the same theme, and this fact alone, I think, clearly demonstrates how vital this region is for our music industry worldwide. As it is this year, it was my pleasure to moderate this panel last year, and because we have so many topics to discuss during this panel today, I have no intention of repeating what I said last year about the importance of this region.

However, let me just point out that as the economy in Japan is showing some strong signs of recovery and as the buying power of people in various countries in the region continues to grow, the overall climate for our business in this region is heating up and the time is quickly maturing for artists from other parts of the world to try to tap opportunities in this region. As they say, “Hit the iron when it is hot.”

Let me introduce the panelists we have today. On my immediate left, we have Shinji Miyazaki, Managing Director of Avex Taiwan, a subsidiary of Avex, a Japanese major independent in Taiwan. Next to Shinji, we have Jonathan Ho, General Manager of Fujipacific Music South-East Asia, one of the leading music publishing companies in the region. Next to Jonathan, we have John McLellan, partner at Haldanes Law Firm in Hong Kong. John is British, and he has been described as one of the leading entertainment lawyers in Hong Kong by Who’s Who of the Law. Next to John, we have Mina Choi who is the only flower we have on our panel, and who was kind enough to join our panel replacing

her colleague. Mina has joined us at the very last moment, so thank you, Mina, for joining us. Next to Mina, we have Ken Ohtake, Executive Vice President of Sony Music Publishing (Japan), one of the most successful music publishing companies in Japan. Ken is also a board member of the Music Publishers Association of Japan. And my name is Alexander Abramoff, and I will be moderating this panel today. I have been with the Japanese music industry for more than thirty years and I now run an entertainment consultancy in Tokyo called AIA International.

Now, I would like to start by asking Ken to give us an update on Japan. We all know that Japan is the second largest music market in the world but it is not necessarily an easy market to break. I'm sure Ken will give us some tips. Ken, it is all yours.



Japan Music Market

KO: Thank you, Alex. Good morning, everyone. I'll do some presentation using my computer, so I'll move around. Before I start my presentation, there are some announcements. There will be the showcase called 'Japan Night' tonight at 5 o'clock in the Majestic. There are three artists who'll be performing, and sushi and

Japanese beer will be served. So, please come by. And, along with JETRO, we have our booths downstairs at 20.10. So, please come by.

OK, let me start with the global sales of recorded music and how we are positioned. As you see, the United States is the biggest market and Japan is the next. According to IFPI numbers, Japan has 15.3% of the world market share. What kind of music is sold in Japan is shown on the next sheet. It is rather small. This is last year's top 30 album chart from Oricon. Oricon is the biggest chart magazine in Japan, equivalent to Billboard or Music Week.

As you see, there are only five international repertoires. The blue one is the so-called "world majors." The yellow base is non-majors. Sony Music in Japan is not merged with BMG. So, what we call "major" is the company who doesn't have any autonomy with the Japanese company, and New York or London is controlling.

OK, at number 12, we have Disco-zone. The album that has a hit tune called Maiahi. The artist is called O-zone, and this is on Avex. It is significant that this was a success in 2005. They are Romanian artists, totally unknown, introduced by Avex. And, as Avex has no pressure from their US company or UK company, they have very free marketing. And they can use the strategy, the marketing experience from what they have succeeded in domestic repertoire. And also, this is kind of a new artist case. But, even on the old catalogue, the company called Usen successfully managed to pitch their old song to a Japanese singer and had a major success.

The Japanese market is very domestic oriented, and the ratio between the local and the international is about 80 to 20. It has become significant that non-world majors dominate the market. This is the chart. If you count up the top sixty albums, international repertoire has sixteen, including those five.

This is the Japanese music market forecast. In the year 2005, RIAJ first announced the

numbers for digital downloading. The total revenue of RIAJ as a result increased after a seven years history of dropping. Please note that JASRAC collection history at the bottom. It is kind of steady with slight growth. It is said the tendency will maintain in 2006, and we hope there will be some increase in 2007 and 2008.

This is the chart for market shares: Sony Music has 19.8%, Avex has 12.4%, Universal is the biggest major in Japan and has 10.1%, Victor Entertainment 7.6%, EMI has 6.9%, Toy's Factory - this is the domestic local label, and they only have few international - has 6.5%, Warner Music Japan 4.9%, BMG Japan 4.3%. And the rest are all independents.

Internet & Mobile Market Shares and Sales History. This is the total of the internet and mobile market, but 96% of digital downloading is on mobile in Japan. There are a few reasons for that. It is because the Japanese mobile system and mobile hardware is far more advanced than what it is here and the one in America. PC penetration itself has been always lower compared to the United States or other territories. And at the same time, mobile phone technology is far advanced. The younger generation communicates, and they purchase and they browse on the mobile phones. PC is used mostly to burn music from CDs, mostly rented CDs.

This is about the concert market. The number of concerts is increasing rapidly. But the income is slightly declining. This shows there is a reason that there are smaller venues built in the past few years. This is to match the demand from the independent label oriented markets. And for those younger new artists, it is very important to have those smaller concerts to be held, to have the exposure, and to develop the artists' career. And also, the so-called summer festivals are very common in Japan. It is very useful for international repertoire to be known in Japan because there will be local artists performing along with international acts. So, a big summer festival like Fuji Rock or Summer Sonic holds more than 200 acts in three nights. Most of the summer festivals are held in July or August. So, please come and experience what is going on over there.

Finally, there are a few significant points to remember. A very short sales period. A poor start is very difficult to recover. Artists, information, artwork and photo are keys. And it is quite an image-oriented market. Music is a fashion putting great emphasis on photos, press and artist story and artwork.

And also important is terrestrial TV. Radio, press, cable TV are only stepping stones to mainstream TV. It is crucial to reach high sales. In Tokyo, there are six major terrestrial TV stations and most of them have a lot of variety of programs, a lot of dramas, a lot of music programs. But MTV and all those satellite programs are not the major keys to have the exposure in comparison to other markets.

And tie-ins. One of the powerful sales drives in the market. International artists are locked out of most TV drama opportunities due to the leveraging power of local management companies. This going, master license fee rate for a local artist is substantially lower than that for international. This means those TV drama theme is one of the very important tools to break the music in Japan. A lot of strong actors and actresses' management has the power to control what the theme music will be. To the usage of music on terrestrial TV, blanket royalty collection is applicable. But once it becomes DVD, it will be very expensive for a synchronization fee and other performer's royalties. Japanese record companies and artists tend to have a very low rate, that is reduced rate, so it is very competitive to have a TV drama tie-in.

Also a TV commercial. A lot of western songs are used on TV commercials in Japan but

according to the JASRAC rules, if the song is originally registered in Japan, the writer and the master rights holder, and the publisher can waive their income, like synchronization income and performance royalty for one year. That means the client can use the music for free for one year. We use that as the tool for more exposure and, as a result, more record sales.

So, we still manage to plug in a lot of well known songs like ones by Queen or the Beatles, or Aerosmith. Those generous clients will pay a lot of synch fees but they are not many. Those who are not rich enough to afford this kind of synch fee will always go to domestic artists.

Therefore, I think if you want to enter the Japanese market, it is crucial to find the right person at the right company as your counterpart. It is very important. The local artist marketing experience and knowledge will be very helpful. That can be also reflected to exploit an international repertoire.

Also physical music sales and digital downloads are not the only income sources for the music in Japan. Like synch and the secondary usage. If you can consider all those possible income sources. The publisher that you speak with will be very important. Trust your publisher and let them speak with the record company or the ad agency and make your music big in Japan.

Also, lastly, the digital thing in Japan. We have been very successful in the mobile music environment. One of the reasons is the mobile carriers surcharge is as low as 9% or 12% compared to 20% or 30% in America or the UK. So, the content provider is more competitive and has more freedom to try whatever they want to do. A music company communicates really well with the content providers as well as the carriers. NTT Docomo and KDDI, those people will listen to us music people. So the communication between the technology and the music is now very important. The record company who has a major success in Japan is very good at that. Hope that MIDEM can combine MIDEM and MIDEM.NET and people can go freely in between the two.

That's about it from me and if you have any questions, later, there will be a Q&A time. Thank you.

East Asia Music Market

AA: Thanks, Ken. That was an excellent presentation, and very enlightening. Thank you. Now let us zoom up on Korea, Hong Kong, Taiwan and China in our discussion. Mina, how big or important is the international market in Korea?



MC: In Korea, we have not been exposed to international markets so far except Japan and China. Years ago we started thinking that the international market would have a big benefit for Asian countries. We think especially the Asian market is getting toward the international market. For example, we have a big artist called BoA, I don't know if you've ever heard about her. She has been a big success in Japan as well with Avex. We planned for several years to make her out of Korea. We are the first company in Korea to make a big success internationally.

AA: She is very popular in Japan.

MC: Yes, very popular. She sold about 10 million copies since she started her first album in the year 2000.

AA: And American music, for example, or the UK music, how important in Korea?

MC: Songs and records? Records. Still in Korea, the local market is bigger. But we tried to get some songs from outside of Korea, I mean outside of Asia. Because Asia is going to develop very fast currently. So for now I can tell America is the biggest international market still, but Asia will be the biggest market as much as American in the near future. I won't say just Korea or Japan or Thailand. We have to call all these countries 'Asia'. Same concept as we call America or Europe. So if you see Asia as abig continental, then you have to concentrate on the Asian market.

For example, let me give you an example with our company SM Entertainment. We buy songs from Europe such as Norway, Denmark, and Sweden. It is a little different, they have a little different market from Korea but still their songs fit in the Asian market. We started using their songs to make Korean-Asian music industry more international.



AA: Shinji, how important is the international music in Taiwan?

SM: It is very important actually. Let me first of all give everybody rough overview of Taiwan music market. The population of Taiwan is about 23 million, and unfortunately records, especially packaged CD sales are declining dramatically during the past 5 years. I think for the fiscal year 2005, according to IFPI Taiwan's figures, the CD sales in Taiwan would reach only US\$100 million. It used to be triple these figures. But still, it is a big sizable market in the Asian region.

Of these Taiwanese CD sales, 50% is generated from non-local repertoire. 50%, so a half. Within the 50%, I would say 15% comes from Asia, what we call the regional repertoire, i.e. Japanese repertoire and Korean repertoire. Of the rest of the 35%, maybe a little less than 10% is classical, and 25 to 30% is coming from what we call the international repertoires: American and European music.

Also some of the international CD sales during the year 2005 were quite big. Britney Spears Greatest Hits sold about 110,000 copies. Jesse McCartney, Beautiful Soul, 45,000 copies. Phantom of the Opera S/T, 40,000 copies. Il Divo, 30,000 copies. And Madonna latest album, 29,000 copies. So, the record sales of international repertoire are quite sizable in the market. Also, the other interesting thing is many people even in the Taiwan market do not realize that, like the Korean market, many of the hit makers or popular artists are adapting the international songs written by English writers, Swedish writers, or Danish writers. And those albums containing adapted songs sell up to 200,000 copies. It used to be 300,000 copies in the past. So it is big for the CD sales. And also the good thing about it is

that the Taiwanese market is paying for mechanicals. So, good for the writers as well. It is quite an interesting market.

AA: Jonathan, is it almost the same in Hong Kong? Is it 50% international?

JH: I think maybe less than that for Hong Kong because...

AA: What is the ratio between the regional repertoire and the international repertoire if you have any figures?

JH: We can classify into a few repertoires. One is the major Cantonese repertoire which may account for, let's say 50% of the market, probably leaving 20 to 30% to the regional repertoire which is Mandarin and also Korean. Korean music is getting very popular because of the TV series which are so popular for the past two years in Hong Kong. And the movies. So there is a hit wave of Korean culture in Hong Kong. I think it is the same for China as well. Leaving the rest, 20 to 30% which belongs to the international repertoire.



AA: John, can you give us an analysis on the international market in China?

JM: Going on from what Jonathan said, I think the interesting phenomenon now, and I think in most of Asia, is the Korean wave. It really has transcended all borders from Japan, Hong Kong, China, Taiwan, even Thailand. I think this the hottest for artists right now [showing box case of the Korean artist "Rain"].



AA: The top guy.

JM: "Rain". It is truly "Raining" in Asia. I think he is remarkable; he has sold over 100,000 units in just China.

AA: In China?

JM: Yeah, which put it into perspective, most western artists would struggle to sell more than a thousand. So, for him to be able to achieve those numbers is quite remarkable.

AA: Shinji, what is the most widely accepted style of international music in Taiwan would you say?

SM: It is quite open but I would say the most popular, or well accepted type of music or style of music is the mainstream pop, like Sweet Box, for example, which is just a typical European pop music. It sold very well and was covered by a couple of artists. And also

popular are mainly the pop artists in the States or Europe, like Lindsay Lohan, Britney Spears and some of the cute looking boys. The rock style music is also well accepted, Taiwanese rock artists, in particular. But, my personal feeling is that the rock always has some cultural or social background and it wouldn't become as big as other pop music styles.

AA: Mina, is there any new trend of international music which is getting more and more accepted or is getting more and more popular in Korea?

MC: I would say rock, pop, and R&B edge for now. We still have ...like in Taiwan, the mainstream pop like Britney Spears and urban are very big too.

AA: Do hip hop artists sell in Korea?

MC: The problem is (that it is) still maniac stuff.

AA: Niche.

MC: Yes. In Korea, hip hop is there but still not the mainstream. I would say rock, pop, and R&B edge such as several kinds of genre are combined into one song, and rock ballads are getting bigger for now too, but I don't know if it is the new trend....

AA: Jonathan, in Hong Kong, any new trend?

JH: I think this question to the States or to the UK, what is hit in the Billboard chart or the UK chart, then it will be popular in Hong Kong. But I noticed, I cannot say it is a trend, because in the past the people used to buy music. They are now turning into late 30's or middle 40's, and they tend to buy those music in the 80's and early 90's. So the record companies in Hong Kong they repackage those CDs like AC/DC or some very beautiful compilation or box set. And they release most of these CDs in the market. And also....

AA: At what price?

JH: It is a very cheap price. Some are very cheap but some are like a CD price, about US\$12. Some are in a very thick compilation, very luxurious packaging. And 3 CDs at one CD price which is \$12 for three CDs which contains around 50 to 60 songs.

Another phenomenon is, when I discussed with one of the leading record distributors in Hong Kong, he told me after the release of the Chinese tourists into Hong Kong, they find out some of the CD sales or the audiophile products like classical products are gaining some sales. It is all because of those Chinese tourists because they told the shops they couldn't find some very good quality audiophile products in China. So, when they can go to Hong Kong, they can go to HMV and get those CDs. So that's the lucky situation in Hong Kong.

AA: John, have you noticed anything being based in Hong Kong?

JM: I think I wouldn't say it is large but to my surprise a lot of people are familiar with urban music and hip hop is becoming quite a popular genre, not least in that it is actually crossing over into local language. We have quite a growing market both in Hong Kong and

China where you know rap is being developed as an accepted form of expression which doesn't always sit well with the authorities.

AA: Ken, you deal a lot with such authorities, but do you notice anything?

KO: Yes. For a Japanese publisher's point of view, the Asian market is really a good market for the cover songs. Because they pick up a lot of Japanese songs and translate them into Chinese or Korean. And in Korea, we have a big success with the artist called Nakashima Mika, and her song has become number 1.

AA: Translated?

KO: Yes. And obviously I think the quality varies in other territories including Japan. Whatever these people aim in their target market like Japan, Hong Kong or wherever, to reach or compete with Madonna or compete with Britney Spears is always difficult. But there's always a niche in our market, in the Asian market. In Japan, some record companies like Victor and Pony Canyon, they are very good at ringtones. And also Victor and a few other record companies are really good at surf music. These records should sell only, maybe, 20,000 to 50,000 copies but it is a big number. And I think several things are happening in each of the territories.

AA: If I were an artist or a manager looking for a deal in South-East Asia or East Asia, what are some pros and cons for me of signing with a major international record company?

JM: I'm stepping into something of a trap here. I think unfortunately one of the problems you will find in most of Asia excluding Japan is that you don't really have a very strong regional independent sector now. The financial crisis of 1997 really hit the independent sector very hard across the music industry on all platforms. That said, Avex is possibly one of the only independents outside of Japan that can truly offer an alternative. Avex aside, territory by territory you can find local independent companies but it is very hard. I think the best strategy would be, as Ken suggested, is to try and find labels in each market that might be suited to your genre. Outside Japan, broadly speaking, however, that accepted would be pop. There is not a broad market for other genres. You may think otherwise, Jonathan, but pop is the accepted media of music.

AA: Mina, what would you say are some pros and cons of going to try and find a deal with a local independent in Korea, if I were an artist or a manager coming from the US or the UK or Europe and shopping for a record deal in Korea? Would I get more attention if I would sign with a local independent?

MC: So far it is not very common. So, you really have to be careful in finding a local independent. They are very used to having local artists, not international artists. So I would go for the major first and then get some idea and do some research (inaudible). And to make bigger exposure or get more attention, you should keep thinking about finding professional promoters and marketers. It is very important to make a big success as an artist as well.

AA: Shinji, do you have any comments?

SM: For the Taiwanese market, I would say it is really depending on the commitment from the company regardless of whether it is independent or international companies. But there are pros and cons. With international companies, like what was said, the four majors naturally have international repertoire.

In Taiwan, a promotion or marketing team that handles local repertoire wouldn't have a line with newspaper writers or TV promoters for international repertoires. It is totally separated. The international major labels, they have already an established line with the media and also a sizable team and experiences. But one thing to note is that they have many catalogues on their hands, so if your new catalogue gets into their hands, we don't know what the priority would be for them? On the other hand, the independent may not have a team...although there are a couple of companies already developing international repertoire for quite some time, which have a team. Also because their catalogues are smaller than what the majors have, their commitment to the catalogues would be really much more than what the majors would do sometimes.

AA: Jonathan, how are international acts promoted in Hong Kong-like via, television, printed press? How do they get promoted? What is the most important promotional medium?

JH: I think for the TV and radio would be the most influential way to promote an artist.

AA: So, if you are trying to break an international act,,first you go to TV,then to radio and then to the printed press?

JH: I think TV would be the first priority and then next should be the radio, and then the press.

AA: Is it more or less the same in Taiwan, Shinji?

SM: Yes, mostly TV and also the radio, but recently promoting though the internet is getting there. One good example is what we did, the same thing as our headquarters in Japan, for Maiahi. This is originally called Dragostia Din Tei in Romanian. This song was a huge hit in Japan. The promotional way in Japan was quite unique: on radio, TV and also some flash animation on the internet. We adopted this concept for the Taiwanese market.

What Japan did was to use, I think, the Romanian song that most people didn't understand actually what was sung about, but some phrases of which sounded like Japanese phrases. So, we adopted that concept and put it into Chinese. Especially, Taiwan has a Taiwanese dialect, so we put it into the Taiwanese dialect, and also created some fish and octopus characters and they dance on this flash shown through the internet. And it was quite a big success. The album sold 16,000 copies. With one of the music streaming services called KK Box, I think, for one or two weeks, this song was number 1 in the chart. So, the online promotion pitch is getting bigger right now.

AA: Well, Shinji mentioned the internet. Mina, is promotion via the internet important in

Korea?

MC: So far it is not very common. So, you really have to be careful in finding a local independent. They are very used to having local artists, not international artists. So I would go for the major first and then get some idea and do some research (inaudible). And to make bigger exposure or get more attention, you should keep thinking about finding professional promoters and marketers. It is very important to make a big success as an artist as well.

AA: Mina, are mastertones important for international music. Mastertones or ringtones?

MC: Yes, for mobiles? When you call, you can hear the ringtones music, every kind of music, pop, Korean, Japanese and so on.

AA: Ringback?

MC: Ringback tones, yes.

AA: And Shinji, in Taiwan too? Are mastertones important for international repertoire?

SM: Yes, this is mostly ringback tones there, because the GSM system which is the tele-music system, or the third generation GSM system has just started. Unlike Japan, there isn't a full song or two songs downloading. It is maybe 15 seconds downloading, and it is getting bigger. Quite a big market. I have one figure, although it might not be accurate. I think it was for last year, this music side of the mobile business in Taiwan would be about US\$30 million. So, that's quite big.

AA: Jonathan, what roles do music publishers play in promoting international records in Hong Kong?

JH: In the past, Hong Kong used to be a market for adaptation. In the 80's, there were lots of Cantonese songs which were from the Japanese songs. I think more than 50% of the adaptation came from Japanese repertoire. But then in the middle of the 90's, one of the strong radio stations banned playing the adaptation. Then the market went to the local original songs. But then, it turned out there was not a very good supporting creative team in Hong Kong. So, a few years after that, they released the banning of the adaptations, and then the market tended to look for some other songs in other regions like Europe or the States.

I think the publisher helping the international repertoire still in Hong Kong is to get it on a local recording by a major artist. The other thing is to get the songs placed in a commercial, also a TV series. One of the Danish groups called Michael Learns To Rock, one of his songs 'That's Why You Go Away' was used in a hit TV series in Hong Kong and that helped them promote the image of the artist, and that made them very successful in Hong Kong and also China as well.

AA: John, do you have any comments on roles that music publishers play?

JM: No, just would endorse what Jonathan said earlier. I think it was the Cranberries in the mid 90's, Faye Wong covered a couple of their tracks that did very well in the region and which then helped the Cranberries break as an act in the Chinese speaking market. Unusual.

AA: Shinji, will it make sense for an international act to cover a local hit in Taiwan, if that act is trying to break the Taiwanese market?

SM: It works in the sense of... well I think... while I'm a Japanese but I'm in the Taiwanese market, my feeling is that, if a big international act adapts a local Chinese song, that would be very polite and well mannered to the market, I think. And then maybe the consumers there will be touched, because they take good care of their audiences. In that sense, it works. But there aren't so many examples I can come up with. Maybe the audience wants them...

AA: Mina, if I were an artist coming from Europe, would it make sense for me to try to sing in Korean if I'm trying to break the Korean market?

MC: In Korean?

AA: In the Korean language?

MC: It would be fresh and new.

(laughter)

AA: Do you think it would work as a strategy?

MC: One of the most important methods to give the audience a feeling is language. So, if you sing in Korean language, you can break the Korean market. However, it will take a while to overcome a lot of barriers to make people feel as you sing comfortably in Korean.

AA: Well that would be a notable trial. Shinji, can you give us an example of the most successful marketing campaign conducted for an international act you have witnessed in the Taiwanese market over the past year?

SM: Yes, Britney Spears.

AA: Did they do anything special, I mean in Taiwan?

SM: No, the market itself pretty much reflects the chart action in the US. She has been very big, so it is pretty natural. But acts



like Jesse McCartney or, I don't remember the name of the young boy acts from England.

AA: Gary Barlow?

SM: Gareth Gates. He's very popular now.

He came to Taiwan for promotion. He visited many and also different kinds of places. He did small unplugged showcases. The coverage was huge. So, that was a wise step for the market.

AA: And Jonathan, anything?

JH: Yes. Last year, like I mentioned, the Danish group Michael Learns To Rock. There is a big hit song which is a Mandarin song sung by Jacky Cheung. He is the top artist in Hong Kong. The song title is Wen Be. In Mandarin it means Kiss and Say Goodbye. That Chinese song in English, and then release it in Hong Kong and Taiwan and China as well, and that received a very good sales. And also the image of the group is so good because the people (say) "you cover our song, so we better listen to how you sing this famous hit song." This is one of the strategies.

AA: Mina, any examples you may share with us?

MC: First, Britney Spears came to Korea the year 2004, for the Christmas Special TV show. So she had a show shared with BoA, together. BoA is the biggest female singer in Korea. Britney is also the biggest international artist in Korea. So it was a big promotion.

AA: For both of them?

MC: For both of them. Also Jessica Alba worked on a commercial. She actually worked on a commercial for Korean cosmetics. It is a good promotion to make people recognize the artists and it also develops people to ask about songs or movies of the artists. Some of them come to have a tour, basically just to have a concert in Korea.

AA: A different example, isn't it? Mina, what input do you need the most from an international artist if she or he really wants to break the Korean market? For example her or his availability for promotion, rights for mastertones or compilation rights. What do you need the most?

MC: Commercial and promotional visit would be the most....

AA: So the artist would have to make himself or herself available for promotion. In Taiwan?

SM: It is very important, same as Korea. Whether it is just a tape, or a video, it won't work. Actually, visiting Taiwan is the most successful way.

AA: Promotional visit?

SM: Yes.

AA: Hong Kong?

JH: Yes, promotional visit, very important.

AA: Ken, what would you say for Japan? What do we need the most?

KO: Promotional visit is very important. Like Madonna did it very well. I think she only came to London and Tokyo. A promotional visit, but at the right time.

AA: What would you say for new acts?

KO: New acts, doing showcases. Or using some summer festivals would be a good chance, I think.

AA: But it is very competitive, right? With the growing use of the internet and mobile phone technologies, in various sectors of our industry, I think. It is expected that touring will become more and more important. So if we could spend a moment discussing the touring situation in this region. What cities can an international artist play in Korea? Is it just Seoul they can play?

MC: Seoul mostly, yes. Pusan is the next one. But you should have Seoul for sure.

AA: As a very strong base?

MC: Yes.

AA: In Taiwan, Shinji? Taipei?

SM: Mostly in Taipei. The second largest city is Kaohsiung but I do not come up with any big international act's concert held recently...

AA: Hong Kong is Hong Kong. China, John?

JM: China is actually developing into a very viable component in any touring circuit. It will be interesting to see how it develops going forward. Certainly, a lot of western companies like SFX are now looking at China with a view to developing their business there. But Beijing, Shanghai, Guangzhou, Chengdu, you have got a lot of very big tier one cities, and a whole host of big second and third tier cities.

AA: Do they have big venues there?

JM: Yes, and multiple venues. Touring is a little fraught with difficulties because some acts probably would not be allowed to tour. Some acts would probably find that their repertoire would be censored.

There was an incident with the Rolling Stones who twice, I think in 2004 and 2005, tried

to play China but for various reasons weren't able to do it. I think that they were advised that the lyrics of some of their songs would not be permitted. All lyrics to all songs would have to be translated before a permit would be issued. But that being said, it is a viable market for western artists, and "must have" for Chinese artists.

AA: So it is becoming more and more important.

JM: Absolutely.

AA: Mina, in Seoul what type of venues do you have the biggest venue an international artist could play? 10,000?

MC: About 70,000.

AA: 70,000? Is that indoor? Outdoor?

MC: Outdoor.

AA: In Taiwan, Shinji?

SM: The biggest venue would be the soccer field, outdoor. Indoor, a medium sized dome stadium just opened up last year. Capacity should be about 15,000, Rain did a concert at the end of December.

AA: How about an indoor venue in Seoul?

MC: 20,000 or 30,000.

AA: 20,000 or 30,000? Hong Kong?

JH: 40,000. And there is a new Hong Kong Expo Centre which is near the new Hong Kong airport; I heard that it can accommodate around 60,000. That will be the biggest one.

AA: So East Asia will be a very important touring circuit. How many concerts can an established international act do in Seoul? One, two, three shows? An established international act per tour?

MC: Per tour? Normally one to three.

AA: Three? In Taiwan, Shinji?

SM: An international act?

AA: Yes, for an international act touring Taiwan.

SM: Some of them are very small, some



very big.

AA: For an established act.

SM: A very established act like Elton John, maybe 5 or 6 shows. But if some of those new comer popular acts, maybe 10 to 15.

AA: Yes, a good number. In Hong Kong?

JH: About one to three.

AA: Do they sell merchandizing at concerts in Seoul, Taiwan and Hong Kong?

JH: Yes.

AA: And licensors get paid properly?

(laughter)

AA: John, any comments?

JM: No, I think, I don't know about Japan or Korea but certainly in China and Hong Kong, I think you would just do a flat fee deal, try to "guesstimate" what you would sell.

AA: But in general can international licensors expect to get paid properly, can they expect to have proper business transactions in South East Asia nowadays?

JM: What do you mean by 'properly'?

AA: Well, you know....

JM: Well, certainly I would think the payment models you would pursue for touring and for merchandizing, even for repertoire I think would be rather different to the accepted western models. I don't think yet we are at the stage certainly in Hong Kong or in China where you could expect to get a proper royalty account for merchandising or ticket sales.

AA: Is it getting better?

JM: It is, but you wouldn't for example split box office. I am not aware of anyone doing that yet. You would have a flat fee it. Likewise with merchandizing. I am not aware of anyone getting paid on royalties, again in general it would be a guarantee and if you got anything extra, well good luck. But I think that will change certainly if you have the likes of SFX beginnig to develop into China, I think perhaps a box office split will be coming.

AA: Ken do you have any input? From your experience of dealing with the regions, do you think the situation is improving ?

KO: Yes and no. I mean a lot of countries have their own laws. Supposed to be protected...A country like Korea, there is a problem with KOMCA and a music publisher. In China, you have a physical problem. You see more CDs in the market than you expected.

AA: But hopefully, the situation will improve....

KO: Hopefully, yes.

AA: What do you think is the key for an international act to succeed in your territory,if I may ask each territory? Is it the song, the artist or your business partner? Mina, what would you say is the key?

MC: I would say the key is the song.

AA: In Taiwan, Shinji, what would you say?

SM: The song. The music has to sell. And then next would be the right partner, working out a strong strategy that would be useful.

AA: In Hong Kong, Jonathan, what would you say?

JH: Yes, I think the song is very important, it is the key. Next should be the artist, how you package the artist.

AA: John?

JM: I think obviously the song is important. Anyway a lot of these countries are not easy to access for international acts. I would say that your business partner would be crucial. We have quite a lot of success with, remarkably, a Thai-American singer last year in Japan. She was singing in English and through the efforts of the local partner, she managed to sell 400,000 records which was unexpected in Japan. The business was very successful.

AA: Could a success in your territory prove to be a stepping stone for that in China? Mina, what would you say? If an artist is successful in Korea, could it be a stepping stone to his or her success in China? From Hong Kong I would expect "yes" and definitely from Taiwan?

JH: I don't know if directly... but the mainland China market is definitely closely looking at what is going on in Taiwan. The popular Mandarin repertoire acts in mainland China are mostly Taiwanese. So they are checking some of the chart action of Taiwan. If one international act became very successful in Taiwan that information would definitely go to China. And maybe the acts would be used for the TV commercial or their campaign. The more exposure in China, the more opportunity. In that way, it may be effective.

AA: How about for artists coming from the US, if they break the Taiwanese market.

JH: When they break in Taiwan, there would be some local strategy for marketing and

promotion wise. So the exposure, as that exposure in Taiwan is getting bigger that information is going to China as well. So, regardless of whether it is Chinese or non-Chinese.

AA: Ken, do you think Japan could be a stepping stone to China?

KO: I don't think so.

AA: So, it doesn't matter if an international act or an American act, for example. that breaks in Japan could...

KO: Budget-wise, if a Japanese company pays half the promotional costs, the flight and all those expenses, that'll help their Chinese branch to bring an American artist to visit Shanghai, but for domestic reasons, I don't think it would be a stepping stone.

AA: Could, however, a success in your territory prove to be a stepping to that in Japan? For example, if an American artist succeeds in Hong Kong, could it be a stepping stone for his or her success in Japan? No? Taiwan?

KO: No, not really.

AA: Korea? No.

KO: Japan is quite independent, or isolated.

AA: We all know that Japanese artists are actively involved with this region. But are you trying to break your own acts in America or in Europe? For example, are you trying to break Korean artists in America or in Europe?

MC: Yes of course.

AA: Have you had any success?

MC: We haven't actually started it yet but we are planning it. But before that, we are trying to get into China first, then all Asian territories. China is a big market already and has a lot of potential to develop more and more within 10 years. Countries from all over the world are now staring at China as the most developing continent. Therefore, if we work closely and deeply with China and in China, we can successfully make a big Asian music scene. The Korean artists or any Asian artists will be in a European country or America representing Asia, not just Korean artists but has to be the Asian artists.

AA: So, first you try to have some success in Asia and then you expand to Europe probably and then to America. Is that the same strategy you have for artists in Hong Kong?

JH: I think that, for the Hong Kong artist, if the Hong Kong artist is willing to break the market in the US, because of the language, the Cantonese language, even though Jacky

Cheung or Andy Lau are very popular in the States but they are restricted to the China town area, so not America. So they cannot penetrate to the English market. So what they can do is only the China town market. And also they go to the States for organizing some concerts and that is only for the Chinese community.

JM: We have had Asia artists who have tried to breach in English...

AA: They'll have to sing in English?

JM: Yes, there is a Hong Kong artist called Coco Lee who actually grew up in San Francisco, and she was signed I believe to Epic / 550. Sony spent a lot of money on trying to break her with limited success, I would say.

I believe that there will be other artists who will continue to try. We certainly have another artist now called Tata Young, the Thai-American girl I mentioned signed to Sony. She is now recording her second English album in New York. So I'm hopeful that they will have a go at breaking her in the U.S. with the second album. It is really difficult when the American record companies already have full roster of artists to try and persuade them to make an Asian artist.

AA: From Taiwan?

SM: It is very difficult. First of all, you have to sing in English. So, to penetrate into the mass market is very difficult. But a huge number of Chinese people are living in the States for example. So I heard a lot of Chinese acts going to Las Vegas to do the shows. So business-wise, it is good.

AA: Like we had some Japanese artists performing in Las Vegas. Ken, any examples of Japanese artists trying to break overseas?

KO: I really envy other countries like China or Korea. Those Chinese people or Koreans who are living in America are very loyal to their country because they are immigrants, and though they have very little intention to go back to their own country, they have a big nostalgia with their country. But most of the Japanese people living in America are going to go back to Tokyo in about three years. So they are not very supportive to the Japanese artists who are doing some activities in America. They are more interested in what those artists are singing in Japanese in Tokyo.

So, in that sense, it is very difficult to have support and to have success for Japanese artists in America and maybe in Europe. But there are some rare cases. We have the artist called Puffy Ami Yumi. They were picked up by the Cartoon Network. There are always some Japanese sub-culture geeks within the media people. One guy called Sam Register picked up on Puffy Ami Yumi as a theme music for the cartoon called Teen Titans. And the cartoon became a big hit.

They decided to do a cartoon about those two girls, Puffy AmiYumi. This animation has become a real big hit. But the CD itself is not that big. So they are a big phenomenon and really make a lot of money from merchandizing but make little money from CDs. So the music itself is not really successful.

Q and A

AA: I think we are running short of time and so I think we should open up to the floor for some questions. Any questions? Lady over there? I think you have a microphone.

Q1: Can I ask the panelists to comment on the future of trading of music within the Asian countries. Is it going to grow? Or, is it always Asia is, one big region towards the US and Europe, and back and forth? Or, is there going to be a bigger Pan Asian trading of music content both physical and regular? Can you comment on that?

JH: I think it is growing, especially for the China market. Compared to 10 years ago, the China market is more open. Now I know some of the regional companies, they are planning to move their regional base to Shanghai or Beijing. I am sure China is the market that will be affecting the other regions in the future, maybe 5 or 10 years later. Things are going on and everything is getting in order.

JM: I don't think you can look at Asia as a block. I think, as you have to consider, each country Japan and Korea has its own distinct tastes and identities although there may be some crossover. I think with China, to some extent musically it is looked at as "Greater China" with Hong Kong and Taiwan, Singapore and possibly Malaysia, there are certain similarities and tastes there. But, yes, certainly, as a region it will continue to grow economically for music. Whether that means it will be a growth for western companies looking to sell into the region, I'm not so sure.

AA: Ken, any comments?

KO: It is not a block at all. But if you combine China and India, there are a lot of people living over there. So, it is definitely growing.

AA: Shinji, would you like to comment?

SM: It is not a block, but in the whole region, the market should be getting bigger. The digital side of the music business has just started. Since this has started, we don't have to worry about pirates stealing our stuff. Maybe within a few years, it is going to be bigger in the Chinese market.

AA: Mina, would you like to share anything?

MC: Yes, I'm sure it is going (inaudible)

Q2: ...you mentioned stepping stones. Can it be also a hindrance to break through in one area... I mean in one region in order to break through? I mean, if you break in Japan, for instance, could it hinder you breaking through in China, or vice versa?

KO: I don't really think consumers will be resistant to any artist, for example, if he or she

breaks in Japan first.

JM: I think the only area would be, if you break in Japan, you won't have a wish to go anywhere else.

AA: That's a good point. (laughter)

JM: And being the second largest market in the world, you should stay there.

Q3: I have two questions. About the lyrics. Well I'm from Japan. So, do the people in Korea, or Hong Kong or Taiwan, really do understand English lyrics, as sung by, for example, Britney Spears or some other artists? For the people, understanding of the lyrics, the music or the style or the attitude of the artist - which is the most important thing? I want to ask about the lyrics for one thing.

And the second thing is which generation is most buying CDs and DVDs in Korea, Hong Kong, Taiwan? Just like teenagers. I read some magazines and they said the most buying generation is 30 years old or 32 years old or something like that. I would like to know the situation in other Asian countries. Thank you.

JH: Yes, for Hong Kong, the large group of consumers who buy the new CDs, they are in their late 30's or early 40's who used to buy LPs or cassette tapes when they were young. But there is a phenomenon of idol pop singers. If you release some CDs in Hong Kong, if you go to Hong Kong and to a record shop, you will see some very special packaging of the CD of some teenage pop artists. They are packaged in some very luxurious and special CD boxes, and those also will be attractive to teenagers.

MC: I think it is similar to Hong Kong; it is very dependent on the artist. For the idol pop stars, (buying generation is) mostly from elementary school kids to high school kids. You will find the generation for ballad or rock mostly in 30's and 20's. And we do have special packages for especially idol pop stars, I mean, idol local pop stars. We sometimes produce what we call story books. So, all the photos of the artist and their autographs and their diaries (are contained), it is very attractive to teenagers so that the groupies are very crazy about the packaging and they are collect them this kind of sales mostly is happened by teenagers.

JM: One of the problems we have is that practically no one is buying CDs or DVDs. And one of the things we haven't talked about is, particularly in China, the phenomena of mobile and online use. In China, it is almost going to skip physical products completely and go straight to digital. You have this phenomenon now of unknown artists who are uploading their music onto the web for free downloads in many places and are achieving quite staggering numbers. Numbers of up to 100 million downloads of tracks. Now, basically, these aren't getting paid for.

But that it is driving the mobile companies, for instance, to make ringtones or callback tunes of these tracks and they are selling these ringtones which become hugely popular. It is sidestepping the major record companies completely who are now trying to get in on the

act by signing these kids who have successful downloads to record labels. And I think that phenomena in China will be hugely important in the evolution of the market.

Q4: I'm from SU Entertainment out of Los Angeles, and I have been working with a single core artist assigned to Universal Records International. Basically my question is "are your artists that you are working with, for instance S.M. Entertainment, are they interested in actually recording with producers from the United States like that produce Britney Spears etc.?" They have come to me and looking for different outlets to also release their CDs. So I am wondering if there is a genuine interest there. Or is it ... you've mentioned that you've gotten songs from Denmark and places like that ... is it that you are not really interested in US producers right now, or is it that you don't have access?

MC: Oh we are very interested in US producers all the time. As I heard, Rain, a big artist in Korea, he already did some records with American producers. For our artist BoA, she is always open to American producers. It is hard to find the right producers at a right time though.

JM: I think you would be quite horrified if you knew some of the budgets particularly for Chinese artist now. I am not sure if there would be money to go around for an American producer.

Q5: A question for Mr. Ohtake. Do you think anime figure in the American and European community will be a back door to make use of Japanese pop singers who sing the opening and ending just like Koda Kumi, or Orange Range to enter in those markets for Japanese acts?

KO: Yes, it depends on what we target. We have a band called Orange Range who sells more than 2 million albums easily in Japan. But we don't want them to compete with the artist like Nine Inch Nails who are huge in America because it is totally different. But the animation will open the gates at least to those who love animation. And animation theme songs are very good income source for the publishers, because even if the animation song is translated into English or French or Italian, we get money. So, it is a very important strategy for the music publishers. For an artist, for instance, we have a band called L'Arc-en-Ciel, totally unknown here but sold over 20,000 copies in America. But it is only sold to those who love Japanese animation.

Q6: It came to my mind that actually worked for quite some time for a TV station's label that actually airs all those Japanese anime series like Ukiyo. We actually developed artists that sang because most kids want to understand the lyrics. So, we sort of translated them and we had all these discussions with the publishers, of course. And eventually, these people became really known. One girl singer in Germany sold like 600,000 albums. We actually never thought of proposing that to the Japanese if they appealed to the idea of interest...we were always what kind of Japanese culture is doing anywhere else, and what

kind of people they are representing now. But that just came because of that question. So it is interesting. I don't know, maybe I should propose this.

The other thing is there is a sound track in German. Are they determined to bring foreign artists to Japan? Because there is one soundtrack that I am supervising on, that reflects all the medieval and gothic acts out of Europe, especially Germany, Scandinavia and the Netherlands. Richard Blackman was well known in Japan and he also has a project that I actually signed about seven years ago. This scene is really growing and is a movie that reflects...The Secret Ring Saga. Is a movie a good way of establishing those artists in Japan?

KO: You mean a Japanese movie?

Q6: Actually it is an international movie that reflects a German Saga, just like the Lord of the Rings. It is called The Ring of the Nibelungs. In that movie, there is the soundtrack that has all these acts that actually do that kind of music, medieval and gothic. It is going to be shown in Japan, all over Asia. I don't know the release dates. But is the soundtrack and artist development...

KO: Soundtrack, yes and no. Movie, I think yes, because the movie industry is growing, especially Japanese movies are growing rapidly. So you can make money from DVD as well. But in some cases like Titanic that was huge but that was huge everywhere else, too. Phantom of the Opera last year was very big. But that was very professional. For European art movies, soundtrack is created in a niche and it is not easy to drive your artist's success in Japan. But at least, it will be a very good try.

AA: Any other questions? OK, thank you very much. Why don't you give a big round of applause to our panelists? Thank you.

-END-



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