

# General Overview of Japanese Market

-10 things you don't know about  
Japanese Music Market-

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**J** ⇒ Jonny Thompson (General Manager, Nichion International, Nichion, Inc.)

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**J** : Ladies and gentlemen, we're going to start in a few minutes but before we do, I actually need some volunteers. The presentation that we're going to do is a little bit different than the usual kind of market overview presentation. I'm not a big fan of lots of numbers, lots of data, things like that. But what we're going to try to give you is a kind of general picture of what goes on in the Japanese market. But as we do that, just to make it a little more entertaining, a little more exciting and a little more fun, we've actually done it in a multiple choice type of question, where you can actually choose the correct answer.

Japan is very big on game shows and I know they have these crazy game shows, whether it's A or whether it's B or whether it's C, if you get the correct answer. Imported, exclusively for your use from Japan, these very handy, multiple choice answerable flags are here, so we can do this in one of two ways. If you'd like to raise your hand and say "Gee, I kind of like to participate", here we go. I can use some help to pick some volunteers from the audience.

There are multiple choice. There are actually several questions within the multiple choice series where we have some very nice looking refreshments from Japan sitting over there. I'm not exactly sure what those are. I think they are Wasabi - what are those, actually? Wasabi Japanese rice crackers.

I can't do it for every questions. I can do it for some of the questions. I will let you know in advance what the questions are. If it was nicer, you know, somebody who got all ten answers, we could fly you off to Japan. Maybe next year we'll do that. So if everybody is ready, I guess we can begin in maybe just a couple of minutes? We can begin?

Ladies and gentlemen, I'd like to introduce you to Mr. Haji Taniguchi, of Avex Music Publishing.

**H:** Thank you very much. I am also, the chairman of Music Publishers Association of Japan.

**J:** We thank MPAJ for giving us this opportunity, to kind of give you, as I said earlier, the general overview of the Japanese market. I'm very nervous right at the moment because one of the major publishers that we represents is standing right to my right here, so if I don't do - (Laughter), who may question me on some of these answers later on.

Just a word of caution before we begin. Japan is very unique in one way and that it's not a country that has one set of data that we can all point to and say "This is accurate" or "This isn't accurate". There are multiple sources for data in Japan. For example, there is the RIAJ which is the Recording Industry Association of Japan. There is JASRAC which is the copyright society. There is MPAJ, there is Oricon which is the equivalent to Japan's billboard. There are multiple sources that we have to rely on to give some of these information to you. That information varies between different sources, so we're just trying to amalgamate it as best we can, to give you a general overview.

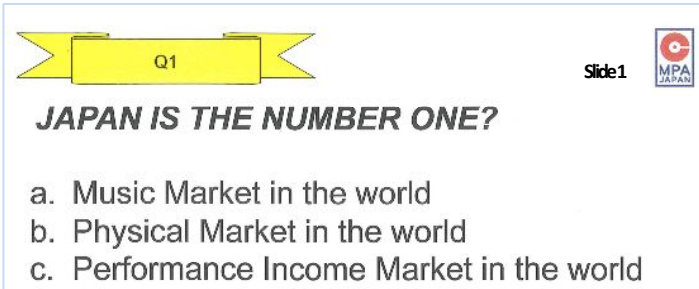
The reason why I'm saying this is, if tomorrow suddenly everybody's Facebook and Twitter pages give all kinds of answers saying Japan is like this and like that, somebody may be saying that's not correct, or maybe it's a different number. But in general, most of the information that we're giving - actually all these information we are giving you is very accurate and accurate reflection of what's in the market at the moment.

So, as we go multiple choice question, we'll go for the first question. Question Number One.

**H:** It's an easy one, isn't it?

**J:** Yes it is, actually. Maybe not so

easy. So Japan is the number one which: A. music market in the world; B. physical market in the world; or C. performance income market in the



Q1

Slide 1

**JAPAN IS THE NUMBER ONE?**

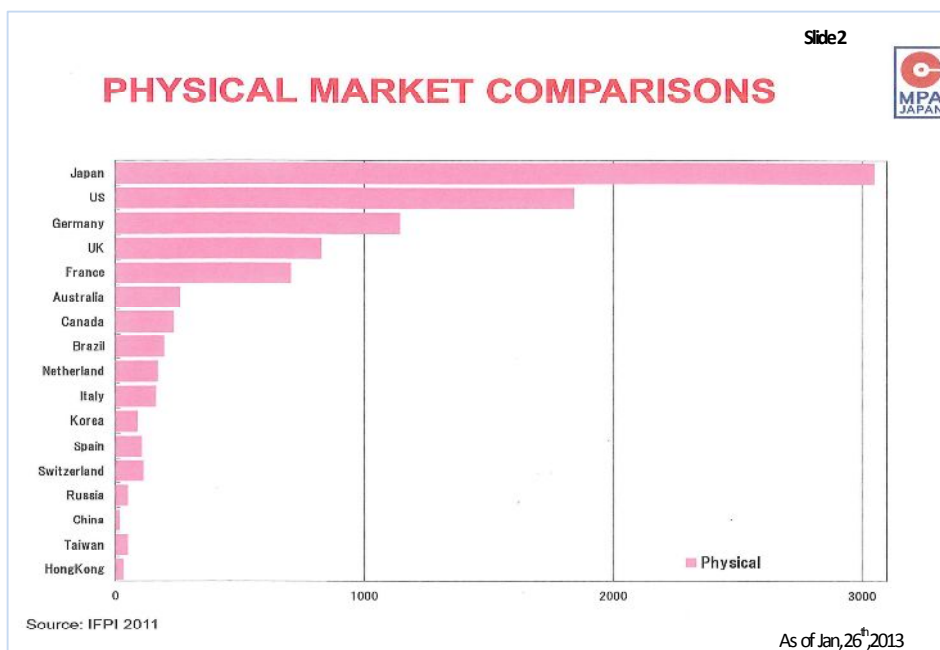
- a. Music Market in the world
- b. Physical Market in the world
- c. Performance Income Market in the world

world. By performance income, I mean copyright performance income. So which of the three? Anybody who has the? All right, we got Cs. We got Cs. Lots of Cs. Bs - Bs and Cs. Taniguchi-san, can you tell me what the correct answer is? <Slide 1>

H: I think the correct answer is, Japan is the number one physical market in the world.

J: That is correct! Japan is the number one physical market in the world, as of 2011. We don't have the data yet for 2012.

H: Right. Here is the figure <Slide 2>. As you can see, Japan is far larger than any other market, as



far as the physical distribution is concerned. It's huge, actually, isn't it?

J: It is very big, and actually the physical market has increased in Japan last year, year on year

compared to prior year, so it's still a huge part of what makes up the Japanese market. We are very much a physical market in Japan.

H: Why is it so?

J: I think part of the reason has to do with the way Japanese society is in terms of how they still like to keep and maintain, have some kind of tactile or physical thing to touch. Also, there are other things involved. There are still rental CDs in Japan, and there's other market factors are involved, you know, but it is a very robust and very healthy, and actually it's a very growing physical market in Japan. So

congratulations to the people who got the right answer.

By the way, performance is actually, in Japan, we are the number three market in the world in performance. And in terms of

Slide3

Q2

**JAPAN'S DIGITAL SALES ARE?**

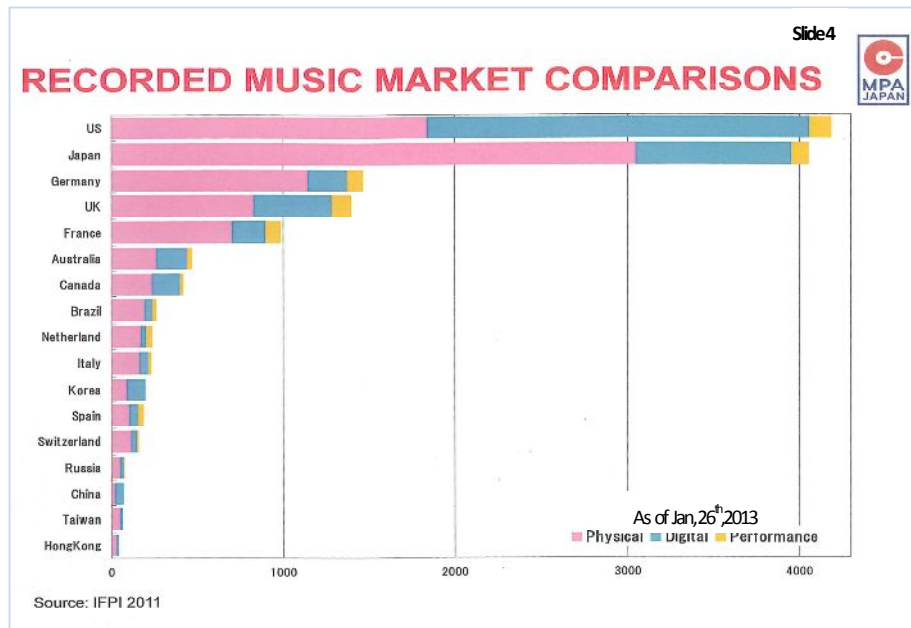
- a. Greater than Physical Sales and increasing
- b. Less than Physical Sales but growing
- c. Less than Physical Sales and declining

overall market, Japan is number two music market in the world, just behind United States.

**H :** Let's move on to the next question.

**J :** Now, this gets a little more difficult. So Japan's digital sales are: A. greater than physical sales and increasing; B. less than physical sales but growing, or C. less than physical sales and declining **<Slide 3>**. Anybody want to go for answers? We have A's. We have A's and B's - and B's and B's. Actually the correct answer is C, isn't it? The correct answer is C. Very good. Japan's market is actually, in terms of - go ahead.

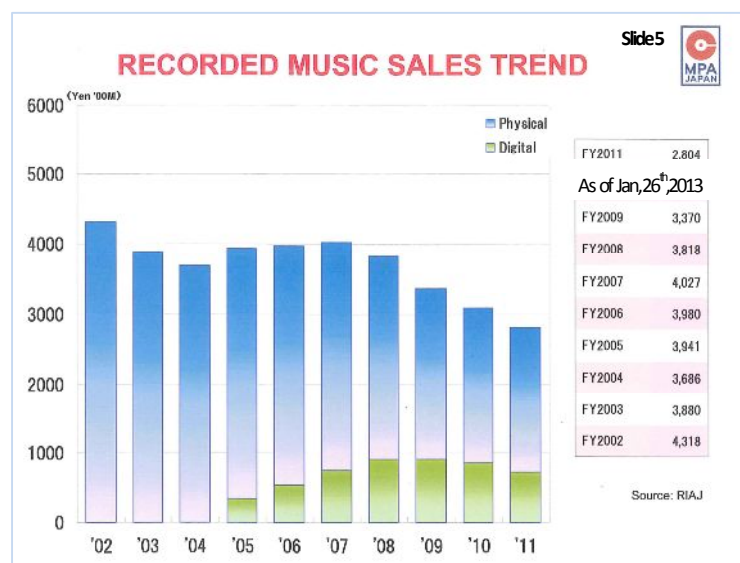
**H :** Yes. As far as Digital distribution is concerned, as you can see **<Slide 4>**, the blue portion, this is the size of Digital distribution. And if you compare that with the pink portion which



is the physical as you have seen before, it's much smaller. By the way, this is what Johnny had said. If you combine physical distribution and digital distribution, Japan is number two only next to the States, but still, the point is that US and Japan is more than twice as large as any other territories.

Again, this is the digital distribution portion. As you can see, for the past 4 years or so, it's been declining **<slide 5>**.

**J :** Part of the reason digital is declining in Japan which makes it very unique is that all during this period of time, Japan was primarily in mobile phone download base digital market. As a matter of fact, around about 2007 and 2008, Japan's digital market was 90% mobile phone based and only 10% internet/PC based. Digital



downloads to mobile phones were popular in Japan because each of the mobile phone companies had their own proprietary encoding systems for music, so if you downloaded music to your phone at the time, you couldn't transfer the music to any other phone. You could, but you had to go through some very illegal technical processes.

So, what happened was, if you go back to this line, during this period of time, it was 90-10. Somewhere around 2010 and particularly during last year, the transitions to smartphones occurred, and as a result of that, the market has dropped very rapidly. As a matter of fact, off the record, mobile downloads and sales could potentially disappear within five years and that is a view held by many in the music industry.

And just how much it's dropped is pretty incredible. Comparing 2011 to 2012, up until September of 2012, the mobile download market in Japan has dropped both in terms of value and in terms of the actual number of downloads, 40% compared to last year. So it's definitely declining.

At the same time, PC-based or internet-based downloads have increased by 25%, so we are seeing an increase on PC or internet based and decline on the mobile side, and overall, that contributes

Q3

Slide6

MPA JAPAN

**INTERNATIONAL SALES IN JAPAN ARE?**

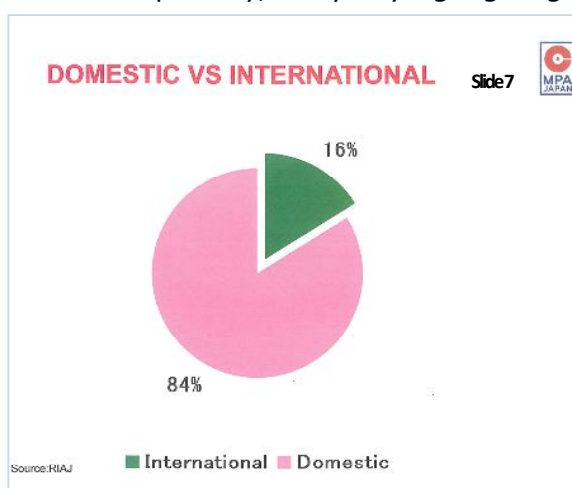
- a. Greater than 50% of the total market
- b. Less than 50% of the total market
- c. Equal to 50% of the total market

to about a 30% decline for the digital market in Japan.

That's not to say that there isn't a digital market. It's just much, much smaller.

Currently it only makes up about 20% of the market. On a copyright basis, it's significantly less than that, which we'll get to in a minute. So anyways, that's the overall kind of digital picture at the moment.

This is probably, everybody's going to get this right, I think. International sales in Japan are



greater than 50% of the total market; less than 50% of the total market or equal to 50% of the total market? **<Slide 6>**. David, what do you think? A! We have A's. We have B's. We have lots of B's, actually.

Actually the correct answer is - you're right - the correct answer is B, less than 50%, yes.

**H :** Here is the correct answer **<Slide 7>**. It's only

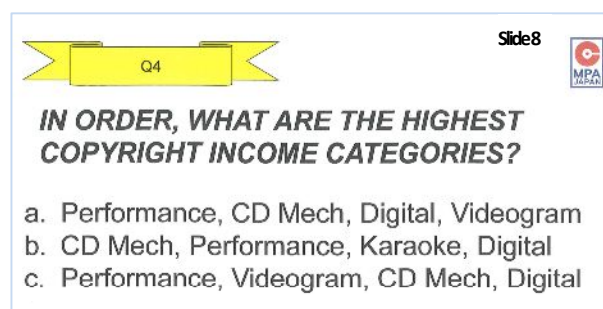
16%, actually. Those of you who aren't creators, directors and publishers from outside of Japan, primarily you are looking at this market in Japan. But if you are songwriters or publishers, of course there are chances of having your songs recorded by Japanese artists. In that case, songs will be within this side of the market.

**J** : Traditionally Japan has been, for a longest period of time, it's been 75% domestic, 25% international. Over probably the past 10 years, just the International part of the pie continues to get smaller and smaller. There are a number of reasons for that, some of which would be discussed maybe in some of the seminars that happen tomorrow, one of which is on co-writing and pitching. But it is declining, and the actual physical sales, even though still relatively strong as we still have international artists who sell over 200,000 copies or maybe 300,000 physical copies, but it's still a very, very small pie, and it continues to decline which is worrisome for those of us representing international repertoire.

Year on year, for the past two years, international actually went down in volume and went down in value 20% for two years in a row, so we lost about close to 40%, if not so of total market value in terms of what occurs Internationally. There are, but as Taniguchi-san said, there are other things that are happening to counterbalance that which is this part of the physical pie, also includes a large number of international songwriters who have contributed songs to major Japanese artists. And that makes a huge difference and that's also accounted for some of the growth on the domestic side as well. You know, I don't know what the pink means.

**H** : I just realized your shirt matches it.

**J** : Thank you, yes it does. Now, this gets a little difficult, because we're mainly talking about copyright a little bit. Copyright income in Japan which is very, very important. Japan is, I think number - I was going to say number two or so in terms of copyright income in the world. In order, what are the highest copyright income categories? What are the categories that generate most revenue in Japan in order? **<Slide 8>**



Slide 8

Q4

**IN ORDER, WHAT ARE THE HIGHEST COPYRIGHT INCOME CATEGORIES?**

- a. Performance, CD Mech, Digital, Videogram
- b. CD Mech, Performance, Karaoke, Digital
- c. Performance, Videogram, CD Mech, Digital

A, we have Performance, CD Mechanical, Digital and Videograms which would be videos and music videos. B, we have a different order. We have CD Mechanical, Performance, Karaoke and Digital in the Japanese distribution. And C, we have Performance, Videograms, CD Mechanicals, and

Digital. Now, it gets a little confusing looking at all this, so just take your best guess to what seems like the one. Lots of B's.

H : Lots of B's.

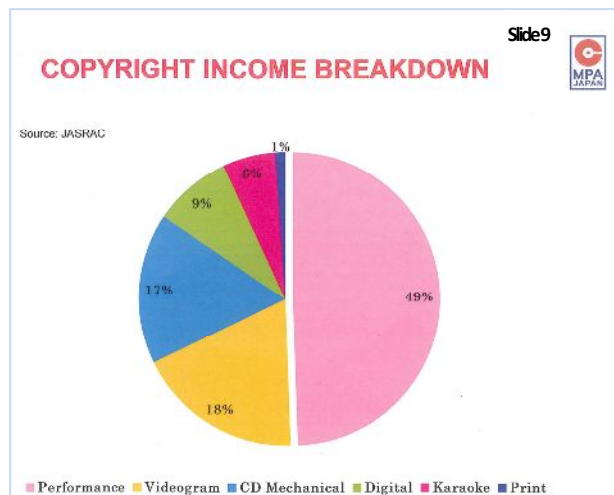
J : Yes, after all this talk about how big the mechanical market is and how big the physical market is, that's where I obviously would go. But actually the answer is-?

H : I'm not sure, but I think it's C, isn't it?

J : You are correct.

H : It's C.

J : It's C by about this kind of margin which is pretty incredible, actually <Slide 9>. Performance accounts for 49%. Physical music videos account for 18%. CD mechanicals 17%, digital is 9%, karaoke is 6% and printed, 1% of the digital pie in Japan. This part is huge primarily because JASRAC



which is the copyright society in Japan has in place, particularly on the television side, has blanket agreements in place with the broadcasters. I can't say anything further than that. My parent company is a broadcaster. But tomorrow, there is a seminar on sync, which will cover some of that and discuss why this part of the performance side is so huge. Part of

it also, a large part of it has to do with the television commercials in Japan and how music is used in television commercials in Japan.

The other interest thing is, getting back to the physical side, you both have CDs and you both have videos which are DVDs and Blu-rays accounting for close to 35% of copyright income in Japan. This part of the pie far over here, in one year, compared to 2011 to 2012, actually grew by 18%, which probably, compared to any other market in the world when you think about sales moving to digital, physical actually increasing and certainly DVD physical is increasing. It's pretty unique and pretty incredible.

Even so, just on the copyright side, because of the fact, even though there are still downloads, because of the shift to smartphones the margins are getting smaller, and so digital only still accounts for 9% or 10% of the total copyright income in Japan. On the master side, it's close to 20%, on the



copyright side, it's a much, much, much smaller share, which also, in a country where we yet to have Spotify and we don't have any major streaming services for music, is a very worrisome trend as well.

**H :** It's a trend for its revenue. Only 10 years or so ago, the split was like one third performance or one third mechanical and one third everything else.

**J :** Yes, there's been a big change. I think it's a reflection of - certainly the domestic side is much more physical market, but also the fact that in terms of digital, the growth in Japan is very, very slow, and will continue to be slow I think for a period of time.

**H :** We should also note that - this figure is from JASRAC, Japan's copyright society. The total revenue of JASRAC has been quite steady in the past 10-15 years, pretty much the same amount for the past 10 years. It's only the allocation that has changed.

**J :** I think the good thing to say is that the pie chart itself changes, as Taniguchi-san is saying, and certainly JASRAC itself, year on year, usually is either marginally up or down or the same, so it's a very stable copyright market in that regard. But the parts of the pie have certainly changed significantly over the past 10 years or so.

**H :** Next. How many million-selling physical singles were there in the year 2012, which is last year? A. 5. B. 0. C. 2? I see A's. **<Slide 10>**

Q5

Slide 10 MPA JAPAN

**HOW MANY MILLION SELLING PHYSICAL SINGLES WERE THERE IN 2012?**

- a. 5
- b. 0
- c. 2

**J :** Lots of A's.

**H :** Only A's.

**J :** A is correct. You're actually all very right. Very good.

**H :** Yes, there were five million-selling CDs last year, but amazingly, those five singles came from the same group, for AKB48. **<Slide 11>**

**J :** If anybody asks me to name all 48, I'm leaving. I can't do that. Taniguchi-san's correct. AKB48

**AKB48**



Slide 11



have 5 million-plus-selling singles in one year alone. This group of 48 girls-

**H :** I think more than 48.

**J :** Actually there is more than 48. They account for about US 200 million dollars in music revenue

with one group. Just one group. I think their biggest selling single is 1.82 million copies for a CD single. It actually still exists in Japan. We have all round pieces of plastic that you can still play in the CD player. I'm not even accounting for a lot of the digital sales, but primarily the physical side, that's 5 million-selling singles for one given artist, which is a huge number of singles.

As a matter of fact, we just received the figures yesterday and for 2012, the Japanese market, in terms of the total music market, increased by 8% over prior year, which means this group probably accounted for maybe 4% or more of that just on their own, just in terms of sales by itself. Can you name all 48?

**H** : I can name three of them.

**J** : I'm not going to ask.

**H** : Question number six.

**J** : Actually, this is, I think it's time that we give something away, as this is going to be something we give something away for, so we give something away for the right answers for everybody here. Go ahead.

**H** : Excluding K-pop and Adele's "21," what was the biggest selling international album in the year

Q6

Slide12

MPA JAPAN

**EXCLUDING K-POP AND ADELE'S "21,"  
WHAT WAS THE BIGGEST SELLING  
INTERNATIONAL ALBUM IN 2012?**

- a. Carly Rae Jepsen "KISS"
- b. Che'Nelle "BELIEVE"
- c. Linkin Park "LIVING THINGS"

2012? **<Slide 12>**

**J** : Now it gets tricky. This is not so easy. Oh come on, there is - you want to wave the - there is good food over there. There is here we go. We got C's. We got B's. We got A's. This is - we got

A's? The correct answer is actually B. Anybody has B's, we can-

**H** : We got B's?

**J** : Yes, we got B's.

**H** : All right.

**J** : These are the numbers **<Slide 13>**. Now, if we go back to what I said earlier, if you looked at the question, excluding K-pop because there were

Slide13

MPA JAPAN

**TOP SELLING INTERNATIONAL CD ALBUMS**

Che'Nelle "BELIEVE"	239,000
Linkin Park "LIVING THINGS"	140,000
Carly Rae Jepsen "KISS"	135,000

several artists in K-pop that were a little bit above this. And we also exclude Adele's "21" even though - well, we did that because the timing that the album was released. So if we're just looking at locally-pressed albums that were released in 2012, that's the ranking order of the albums in Japan.

This album by this artist, Che'Nelle "Believe", is unique in that it's an international artist that's developed in Japan, locally, by a Japanese label for the Japanese market. I'm sure they'd like to export it as well. But that was primarily what they did. And I believe this album, there were covers of Japanese songs in English, and she also did some other originally written songs as well. But that kind of gives you a picture of where the international market is in Japan.

We talked about AKB48 earlier in their sales of 5 million-selling singles. The best that International can do, and this is even the Japanese locally developed artist, so if we get down to the next level, we're looking at something like Linkin Park at 140,000 copies, which is about where the international market is in Japan now. If you can sell anything above 100,000 locally-pressed physical album copies in the Japanese market as an International artist, you are doing very, very well. As a matter of fact, the threshold now is closer to 50,000 copies.

But on the other extremely, you have Japanese artists who are selling 10 times more than International artists.

**H :** Maybe, if you're going to produce good selling international artist, they should always follow what Che'Nelle did?

**J :** No. {Laughter} It depends, I think. I think the point that Taniguchi-san is trying to get me to make is, the important thing is that there is a market for International music in Japan. I think what's very critical about the



International market in Japan is, at some point we got away from kind of tailoring International artists or songs for the Japanese market, and I think that's hurt a lot of International sales in Japan.

If, again, whether it's the song, whether it's the artist, there are different things that can be done to help an International artist become successful in Japanese market. Some of those, again, will be discussed tomorrow. There are different steps to be taken to be able to do that. But just to give you a quick run through some of the other artists that we're talking about, and where they rank in terms of Japan's combined Domestic/International chart. This Che'Nelle album is actually, with Japanese

albums and the International albums combined, that album is actually number 22 on the combined chart, so there are 21 other, domestic artists which have physical sales that are significantly higher than that.



Just the run through some names that you would be familiar with. Right after that, Carly Rae is at about number 44. Maroon 5 is at 57 with 110,000 copies. Taylor Swift is about 100,000 copies at 64. If we start getting way down lower, Lady Gaga - yes that was a little earlier but still selling in Japan, and that was 90,000. Madonna was 83 at 80,000. And then we get down at Offspring at 100, with about 70,000 copies.

So that's kind of where, as I said earlier, that between probably the 50,000 mark and upwards of 100,000 or 150,000 is really what you are looking at in terms of International sales, which is a lot less than it was certainly 10 years ago, and even a couple years ago, as a matter of fact. So there are, again, it has to do a lot with the music itself. It also has to do with the fact that Japan domestically has incorporated so much of International into its own music that the fan base in Japan is used to listening to domestic songs which are much closer to Western songs than they've been before.

**H** : What percentage of music consumers purchase CD in Japan? <Slide 14>.How many of them

Slide 14

Q7

**WHAT PERCENTAGE OF MUSIC CONSUMERS PURCHASE CD'S IN JAPAN?**

- a. 25%
- b. 15%
- c. 35%

would actually buy CD's? A. 25%. B. 15%. C. 35%? C - C - C...

**J** : Everybody's got this right. You are correct. C is correct. Somewhere around 35% of music consumers in Japan still actually purchase CD's.

Now, if we start getting into demographic breakdown of what that 35% is, you will find that it is largely a much older audience, actually. It's actually an audience that's somewhere between - actually above 30 and above who continue to purchase CD's.

But, that doesn't rule out the younger age group which is somewhere between 14 to 22 which is out purchasing all of the AKB48 singles, and as a matter of fact, 14 to 20 year old guys and the other guys are buys AKG singles. But it's still a very, very heavily CD based and still a large part of the populations still do purchase CDs in Japan.

This doesn't necessarily mean the rest of them download. Matter of fact, what's not in here is Japan still has a very huge rental CD market which most consumers still rely upon to get their music. As a matter of fact, most CD releases in Japan are available at your local rental store usually for some cases a week and most cases a day after the actual release, so you can actually go and physically rent a CD and then go back and rip it into whatever player you want. Whether that's good or bad is another point. Next.

**H** : It's a bonus question.

**J** : We should giveaways for this as well.

**H** : How many CD's per year does the average Japanese music consumer purchase? **<Slide**

**15>**. A. 2 CD's. B. 9 CD's. C. 5 CD's.

**J** : We got A's. We got C's. We got - lots of

C's. Actually the correct answer is B. It's about 10 CD's per year, somewhere around that per year. Actually, anybody with B's will receive a prize. Again, that's a little bit of an older market, but still, by CD's we're talking either singles or albums but this is primarily an album based question. That 35% of the market is still purchasing about 9 or 10 CDs per year, at a pricing threshold which is very interesting, which we'll get to in a minute.

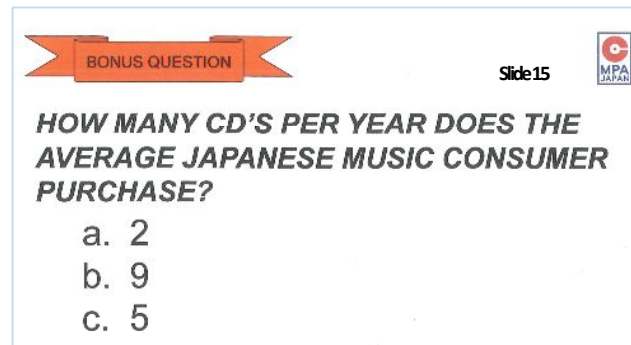
But it is, again, this is just to emphasize the fact that it is still a very healthy, still a very robust physical market, and there are still, even though we're talking the entire world about the impact of digital and certainly it's already happening in Japan and will continue to grow, the timetable for that growth is probably much different in Japan than it is in the rest of the world.

**H** : Question 8. What was JASRAC's top income earning foreign song in the year 2012? **<Slide 16>**.

Poker Face - Lady Gaga; Shall We Dance? - Rodgers & Hammerstein; Each Other's Way - EXILE.

**J** : All right. What do we have? We have lots of C's and B's. We're all across the board, actually, which is very good. The correct

answer is B. Can anybody take a guess as to why it might be B? Do you know why it's B?

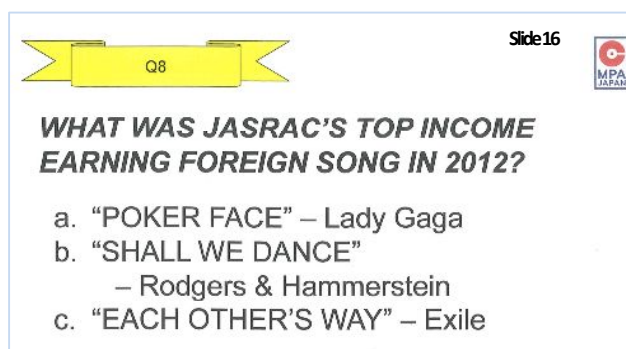


**BONUS QUESTION**

Slide15

**HOW MANY CD'S PER YEAR DOES THE AVERAGE JAPANESE MUSIC CONSUMER PURCHASE?**

- a. 2
- b. 9
- c. 5



**Q8**

Slide16

**WHAT WAS JASRAC'S TOP INCOME EARNING FOREIGN SONG IN 2012?**

- a. "POKER FACE" – Lady Gaga
- b. "SHALL WE DANCE" – Rodgers & Hammerstein
- c. "EACH OTHER'S WAY" – Exile

**Female1:** It might be that Japan's great tool is English teaching and English speaking and- I don't know. What is it?

**J :** You're close, actually. The reason why Shall We Dance? is JASRAC's top income earning foreign song in 2012 has largely to do with one factor which is television commercials. It's been used for a particular brand for a long period of time, and it continues to be used. And that generates a huge amount of performance income in Japan. If you attend tomorrow the Sync Seminar which I would encourage you to do because it's a very - the sync market in Japan is much, much different than it is in any place else in the world. And a large part of that difference has to do with the fact, one, what kind of songs are used in television commercials, but two, where those songs generate revenue. And it isn't necessarily always the sync. There is another component that goes in it. If I give this away, my fine colleague in the back wearing a hat will be angry at me because then he will lose something to talk about tomorrow, so I'm not going to tell you yet.

**H :** I was going to say that if this is really the foreign song, because EXILE is a Japanese group, pop group.

**J :** It would be wise for Taniguchi-san to talk about EXILE because they are Avex-based artist which will be very - {Laughter}. What's interesting about this is, you have - actually there are multiple components in one question. Shall We Dance? as we talked about before, being the standard song, as used in a lot of television commercials as most standard songs in Japan do. Lady Gaga's Poker Face, because of the fact of what Gaga did worldwide and how successfully she sold in Japan physically, on the physical CD bases. It's in here less in performance, more physical base.

But why is there a Japanese artist on the foreign income earning song list? And the reason for that is, this song is actually a co-write by two International song writers and the Japanese song writer. And the song is written by an International writer. It's considered a foreign income or foreign income earning song. This single, I think, sold - don't quote me on this - I think it was close to - I don't think it did a million copies. I think it was 700,000 copies or something like that, which is a huge number in Japan.

But the important thing about that is, we've talked about the decline of the international market on an artist based side, but at the same time, there has been an increase in the International market on a songwriter base. International songwriters now have an opportunity to get their songs placed in the Japanese market which is something we'll talk about in tomorrow's Co-write seminar.

Just to give you an example, there is a company that we work closely with, an independent song promoter. They had somewhere around about I think 120 songs cut last year. One company, with writers from Scandinavia, writers from Germany, writers from US, writers from all around the world; and those songs get placed - unfortunately they don't get placed in the AKB48, that would be really nice, but unfortunately they don't quite make it there. But they do get placed with other Japanese artists who are very successful, such as EXILE. And by the way, EXILE is Japan's second largest selling artist. AKB48 accounted for about 200 million US in the music sales last year. EXILE accounted for about 120 million US in sales last year, in terms of - I'm talking dollars, not total songs.

It's just to show you that there are multiple sides. You can still be successful as an International artist and generating a lot of income. You can, obviously if you have a catalog or a very good standard song that people are very familiar with in Japan, there are opportunities for that in television commercials and other usages.

But, also, if you have songwriters or if you work as an artist yourself and are also a songwriter, there are avenues for you to get your songs placed with Japanese artist, and also achieve the kind of sales that we see here for foreign songs. Let's move on.

**H :** Question number nine. What is the average price for a CD album and CD single in Japan? A. Album 10 Euro / Single 5 Euro; B. Album 20 Euro / Single 10 Euro; C. Album 15 Euro / Single 7.5 Euro.

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**J :** Everybody look at this, this is all - we got lots of C' actually, and there are a couple of B's.

**H :** I see some B's also. I do see some B's, yes.

**J :** The correct answer is B. Very high price point in Japan. It continues to be a very high price point in Japan. We just talked about this earlier. That's 10 CDs a year. 35% of the market is still virtually purchasing physical CDs. 20 Euro adds up very quickly. For singles, for something like AKB, that's about 10 Euro per single. And we were talking about DVD sales earlier. For some of these artists, if you put another line over here with DVD sales, the average DVD is somewhere around about, for a music DVD, somewhere around about, I want to say, close to 60 Euro for a physical DVD.

Now, a lot of those artists are idol artists and there is lots of extras that go into the DVD packaging, but still, if you think that something that costs 60 Euro has increased in one year 18% of the previous



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**WHAT IS THE AVERAGE PRICE FOR A CD ALBUM AND CD SINGLE IN JAPAN?**

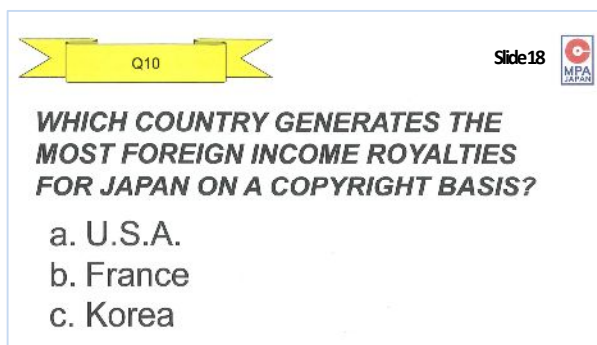
- a. Album 10 Euro / Single 5 Euro
- b. Album 20 Euro / Single 10 Euro
- c. Album 15 Euro / Single 7.5 Euro

year, it's a pretty incredible number to think about how much physical side still continues to grow in Japanese market.

**H :** This is really one of the reasons that Japan still has a very healthy physical market.

**J :** And remember, if it's a domestic artist and it's a domestic release, where else can you get it? Nowhere else. So, maintaining those price point isn't necessarily that difficult in a market where Japan is the only place, realistically, you're going to be able to purchase that product; which kind of helps Japan maintain certainly not only its price points but certainly it really makes domestic very, very, very important in terms of anything in Japan, and how you deal with the domestic market really determines your future in terms of working in the Japanese market as well.

**H :** Now we'll move on to Question number 10, which is the last question. Which country generates



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Q10

**WHICH COUNTRY GENERATES THE MOST FOREIGN INCOME ROYALTIES FOR JAPAN ON A COPYRIGHT BASIS?**

- a. U.S.A.
- b. France
- c. Korea

the most foreign income royalties for Japan on a copyright basis? A. USA; B. France and C. Korea. **<Slide 18>**

**J :** It being the last question, we'll give away some more goodies with this as well. What this basically means is Japanese music outside of

Japan generating income outside of Japan, what country generates the most for Japanese music outside of Japan. Go ahead. I need to see everybody's answer. A - we have A. We have C's. We have lots of C's actually, lots of C's.

Yes, it would look like that, wouldn't it? Fine folks in Korea is just over there. Actually it's B. It's actually B. I don't know if there were any B answers, but it is actually B. France accounts for, in terms of income outside of Japan for Japanese repertoire, France accounts for nearly 20% of all income from around the world, which is pretty surprising if you think about it. There is a very healthy market in France for J-pop and also idol pop. It was surprising to me as well. I didn't know. And this figure has been for two years running now, in 2011 as well as 2012. So it's very consistent.

Korea is actually way, way, much lower than you would anticipate on the list. As a matter of fact, I have a list that I'm not supposed to tell you so you didn't hear from me. But actually the number one is France. Number two is Italy. I have no idea why. Number three is Germany. Number four is Hong Kong and number five is actually Korea.



So, Europe actually is a very strong market, more stronger than we probably anticipated or think about for Japanese music, which means there are lots of opportunities for, I think that's part of the reason why European song writers have had success in Japan; maybe European artists as well. But it is a very huge - it's very important for Japan obviously to continue to be able to export its music out, but where it places its priority, going forward, I think this kind of shows you that maybe development in Europe is certainly, and territory throughout Europe might help lead to some additional income for Japanese music outside of Japan.

**H :** Japanese culture has been introduced to these countries in Europe, and Anime, for example, has been - Japanese Anime has been brought into France, Italy and many other European territories for years now. They use Japanese products in their broadcasting. That's probably why. That's probably one of the reasons that Japanese music is generating lots of royalties in those territories.

**J :** That's kind of just a big general picture, again as I said earlier, varying numbers across different sources, but it kind of gives you a little of a glimpse of what the market is like in Japan. Again, we're going into some more details tomorrow. There is a Co-writer seminar at 12, and there is the Sync seminar after that in Auditorium I, so I'll do questions in a second. If you want to learn a little bit more about issues on those topics, I would encourage you to attend these sessions.

But we still have some time. I'm actually out of time. We still have time, so I'll be happy to open up to questions. Go ahead.

### << Q&A >>

**Male1:** How do you define a music consumer and a non-music consumer?

**J :** That's a good question, actually, and what I was worried about the most was I was going to get a question like I am getting here. (Laughter) The way that Japan does it is, the reason why we limited it at the music consumer was the survey itself that was done was with people who actually purchase music. They are obviously people who don't purchase music, who listen to it via other means. So, the basic meaning of that question is just somebody whether it's a physical CD, whether it's a download, some form of actually purchasing music is what they consider to be a music consumer. A non-music consumer would be somebody who doesn't actually purchase music.

Now, that actually includes rental as well. So anybody who rents a CD is considered a music consumer also, so it's a pretty broad market. I had it just as consumers but I was asked to limit it to

music consumers. I hope it answers your question. Does anybody else have any questions? Anything else?

**Male2:** I had a question; what about foreign artists singing in Japanese? Do you think that would affect success of foreign artists in Japan?

**J :** There are varying debates on this. Taniguchi-san, how do you feel about foreign artists singing in Japanese?

**H :** I think it's cheesy.

**J :** That was direct.

**H :** I don't know - I can't think of any song in Japanese by non-Japanese artist. I mean, hit in Japan. Can you think of it?

**J :** It's not impossible. But it's extremely difficult. It's going to be interesting in the coming years because with all the exposure to the Japanese music and all the exposure to the Japanese Anime and all kinds other things, I think we're going to see more and more individuals like yourselves who are going to be saying - no, seriously, who're going to say, "You know, I get it, and I can hear it, and I want to try it". If it was 10 years ago, I probably would have said, "Never". I would probably agree with Taniguchi-san as well, you know, it's cheesy, it's kind of - it's cheesy in a sense that you're never going to be able to convey the same kind of emotion in Japanese regardless of how good your pronunciation is, much the same way that Japanese artists trying to sing in English wouldn't be able to convey the same kind of emotions as well.

But, at the same time, as music changes, and depending on what kind of music you are doing, that may not necessarily be that important. As a matter of fact, there is a lot of us who believe that maybe it's not really necessary to have Japanese artists singing in English overseas. Just have them sing Japanese is good enough. So by the same token, would I say just don't do it? No. Is it difficult? Yes. And you'll get a lot of people who will say, "Nah, nice try, it's great, but it's just not going to work" but somebody will take a chance.

**H :** Having said that, what do you think about other Asian artists? They are non-Japanese, most of them are singing in Japanese, and probably because they are Asians, we don't really consider foreign artists, Chinese artists, non-Japanese. But they are non-Japanese. I don't know.

But if I see a great singer coming to Japan - actually residing in Japan, singing in Japanese, I don't know. I think the artist's performance should be first successful in their own territories.

**J :** I agree. Go ahead. I think somebody else has a question. Somebody else?

**Female2:** I'm just going to comment that culturally, in Japan, there is this sense of purity and the desire for non-intermarriage, that kind of thing historically. And that would make a Western-looking person sing in Japanese, it would be like fingernails on a chalkboard, to my Japanese friends who said that.

**J :** I would agree to a certain degree. However, being a product of a Japanese mother and an American father, it's difficult for me to respond to that.

**Female2:** Were you raised in Japan?

**J :** Both. I would agree with you to the extent that, as I said earlier, it's not easy. It's difficult. A lot of it has to do with cultural bias. There are some that exist. But I think more has to do with the emotion of the song, what they are able to convey in a song. There have been many numbers of Japanese artists who have tried to travel outside, and it just doesn't work. No matter how much money you spend, whatever.

But that's not to say that there are not other ways for the music to travel both ways. Not to sound like a broken record just emphasizing the fact that other than artist based development in Japan, there is also songwriter based development, and the song really can travel anywhere in the world regardless of what the lyrics are, regardless of - because those lyrics can be translated. It would actually be done in Japanese again. So I think if you look at it from purely artist's standpoint, yes it's difficult. But there are ways in the market. Anybody else?

**Female3:** Hello. In the presentation you may have already spoken about this. I'm interested to know how strong is Classical music in Japan?

**J :** My boss will probably have a better answer to that. That's a good question. The market share wise, it's not very big, actually, very minimal. Afterwards, when we are done, I have documents over there that would tell me exactly what the percentage is. My guess, off the top of my head, I want to say less than 5%, but I might be wrong. But it's close to that. It's not huge. But I can show you just when we are done. Promise. I can show you.

**H :** Classical music in Japan is one of the categories that probably create more income from live appearances etc. than from recordings.

**J :** Sure, go ahead.

**Male3:** Hi. In regards to the international co-write, what would you say trending wise, would it be more successful for the song to still be in English but still sung by the Japanese artists, or could songs translate and do, be more successful in the sense?

**J :** I would not want to go into self-promotion, but tomorrow, we're getting into a little bit detail on that. The short answer to your question: any song that's written by an International in Japan, 95% of those songs will be sung in Japanese. That song that you've written, when it gets to be done in Japanese, there will be a Japanese lyric writer who would write original Japanese lyrics to that song regardless of what the lyrics you've written.

Communicating the message of a song in Japanese becomes very, very important, so it's not to say that they disregard the lyrics. Matter of fact, they may use part of the lyrics within the song. But it's very rare for a Japanese artist to sing 100% in English. So you have to be prepared for the fact that your songs will go under some major changes in terms of what's going to happen. But then it becomes the issue of your wonderful song having a chance to be on an album in another market in the world or is it better to just really protect it and have it sung the way you want to have it sung? And that's something for each individual song writer to have to decide what they would think is best. But it will be done in Japanese. And your lyrics, as important as they may be, will be largely - I don't want to say ignored, but won't be used.

**H :** That's the short answer?

**J :** Tomorrow is the long answer.

**Female4:** My question with you is actually there are two. You talk about co-writing and songwriting with Japanese artist to get you introduced. What type of material are they interested in?

**J :** Everything.

**Female4:** Can I get your card and make an appointment?

**J :** You can make an appointment afterwards. We'll talk later and we'll figure out. But no, you're right. That's a very, very important point. One of the points is going to come up tomorrow, actually, in the sync side as well. It's very important. We get the same question all the time which is, where do I go? This is all nice and this is what the market's like, and what you can do for co-write opportunities and where it is. But who do I talk to? And that's the hardest part. That's something that we really haven't solved yet. Others who come into places like this, we hope to do more of that.

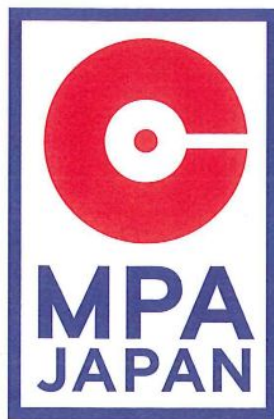
Part of the reason for doing this kind of presentation is to make everybody a little more aware of the fact that there are opportunities in Japan, as it is difficult to meet the right people, but much more so than it used to be. I think there is a lot more people who are actually looking for good songwriters.

I know Taniguchi-san is also really, in fact, still looking for songwriters, many international songwriters are actually signed directly, not to original publishers but directly in Japan. My company does the same way as well. There are others also. The good thing is, it's changed. There is a much bigger markets for songs in Japan. The hard thing is, it's a multi-stage process, so you have to get used to writing for the Japanese market. And that's not necessarily easy. It can be frustrating. It can be time consuming. And it takes a lot of patients. It also takes a lot of flexibility. But if you persevere, you can sometimes have tremendous success. But it's a good question.

Okay, I'll stop. I've been told to not talk anymore. Okay. Probably too much. I think the reason why is, for all of you, I thank you very much. We'll hope to do this more, maybe next year with different information. At the same time, as I said earlier, there are two other seminars tomorrow which well go into greater detail on these points particularly. So, again, I thank you all very much for attending.

(End)

The data which I introduced in the sentence are past. There is a part unlike the current market situation.



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