



Music Matters '09 MPAJ Conference  
PLUG INTO JAPAN  
***JAPAN MUSIC INDUSTRY UPDATE***  
***– voices from frontline –***

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## JAPAN MUSIC INDUSTRY UPDATE -voices from frontline-



— sarah fund —

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### Moderator:

**KO** ⇒ **Ken Ohtake**, President, Sony Music Publishing (Japan) Inc. and Director & Chairman of the International Commission, MPAJ

### Speakers:

**KK** ⇒ **Kimitaka Kato**, Managing Director, Universal International, Universal Music LLC

**YK** ⇒ **Yoshiaki Kudo**, Founder & CEO, Digz Inc. Group

**NN** ⇒ **Nobu Nakatake**, SVP International Labels, BMG Japan

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**Presenter:** "Plug Into Japan." First of all, a big "thank you" to the Music Publishers Association of Japan for supporting this panel and a very warm welcome to our Japanese delegation. And here to take an in-depth look into the Asia-Pacific's number one music market, we have the following panel. First of all, we are going to welcome our moderator, Ken Ohtake, president of Sony Music Publishing in Japan, and director and chairman of the International Commission for MPAJ. Dozo.

**KO:** Hi, ladies and gentlemen. My name is Ken Ohtake. I am president of Sony Music Publishing and also I work for Music Publishers Association in Japan. As Mr. Kei Ishizaka mentioned in his keynote speech this morning, the Japanese music market has been very strong for



the past few years. It has always been said that; there are "Japan only" hits; there is a smooth shifting to the digital market; and a lot of music executives from around the world have the privilege of big bonuses from Japanese revenue. Behind all those myths, what is the reality? We have a big problem with piracy in digital downloading. We only have less than 25% of international music repertoire, and various other issues are hidden behind the myths. And today I am bringing three panelists to the stage who are mainly working and contributing to the music industry in Japan day by day. It's promised that these three will be the leaders of the industry in the very near future. So please you can learn from them and be updated as they are the front line

voices. And also you can contact them directly for your future businesses. Let me introduce the three panelists: Kimi Kato, who is the managing director of Universal International in Japan, a market leader for the past few years with a very strong marketing strategy. Yoshi Kudo. He manages various music producers, and also he has a music production company, constantly providing hit songs to a lot of Japanese labels. His songs include (those recorded by) Exile, Kumi Koda, Crystal Kay. Most of you may have heard of those names. And the last one is Nobu Nakatake. He created the fundamentals of BMG's digital business model in Japan, and now after the merger (with Sony) he is responsible for the entire international marketing for Sony Music's Sony BMG label. So please welcome the three amigos, whatever, including me the Japanese "Il Divo." Please welcome our panelists, thank you.

Starting with Kimi, please give a short introduction about yourself.

**KK:** Hello everyone, my name is Kimi Kato. I work for Universal International as introduced by Ohtake san. Thank you very much for the compliment. I've been working for Universal for about 10 years now. I started off as sales, then international promotion, and then international marketing. I became the product manager for rock acts signed to Island/Def Jam and Universal/Motown. I then became the marketing manager for Interscope/Geffen/A&M, Polydor UK, Mercury UK, Island UK and other international repertoire. I was appointed as managing director for International two years ago. This is my third year as the managing director for International. We are having a great time, although, as you know, the market condition



is not so great. Before I started working for Universal, I was working for a bank for two years and I was actually quite glad that I left the bank but not sure if I ended up in the right business. But yes, we are still thriving and eager to move forward as the leading international company and we hope that the market condition gets better by introducing great wonderful hits from all over the world. Thank you.

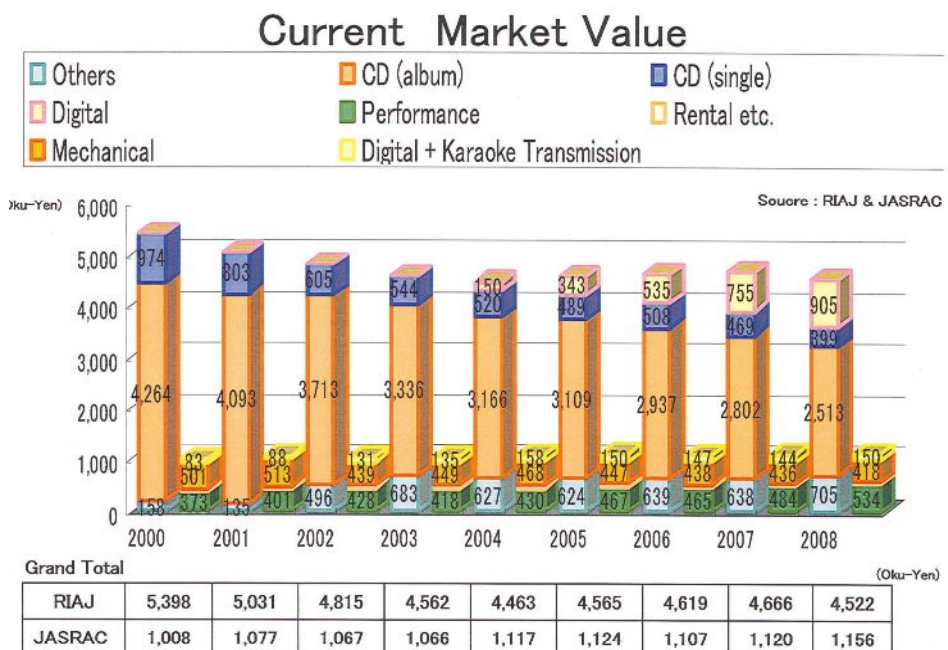
**KO:** Thank you. Yoshi?

**YK:** First of all, thanks Ken and MPAJ for having me here today. Really, thanks for that. My name is Yoshi Kudo. I am running a music production company called Digz Inc. I founded Digz Inc. USA when I finished my career in Berklee College of Music, Boston. It was 10 years ago, maybe. Then after that, I came back to Japan and I founded another company called Digz Inc. Japan when I was 27 years old or so. We are not only a music production company but also a management company. Many talented producers and writers belong to it, including writers from overseas. That's it.

**KO:** OK. Nobu?

**NN:** I am Nobu Nakatake doing the marketing for RCA/JIVE international repertoire for the Japanese market. For the one and only company in Tokyo that is still preserving the brand-name BMG in its company name. But actually we are a subsidiary 100% owned by Sony Music Entertainment Japan. We have merged. For most of my career I spent for the A&R marketing and promotion. Three years ago I started to work for Digital Business. I did it for three years. And I am back now in the marketing world again and now here I am. Thank you for having me here at this time.

**KO:** OK, let's start our panel. The first slide, please, to be shown on the screen. This is our current market value. There are a few significant things that are to be discussed. So why don't we go to the first agendum: Plug Into Japan, Local Repertoire Dominance. As I told you before





there is only 25% or less of international music repertoire market. And (we'll show you) what is significant in this by talking about a few examples. Yoshi, can you give us a few examples about local repertoires?

**YK:** OK. Firstly, the industry is now demanding a new sound and new products so quickly. New artists are continuously being introduced by all the labels. The meaning is that all the time there are new products, new concepts everyday. And to be able to keep up with all the demands, a production company like us, a music production needs speed. My company manages different types of writers. One of the most popular writers will write music, arrange, write lyrics and also put on the recording the vocals all by himself sometimes in a day or in a few days. OK, I have some sample songs that I brought today. I just want to mention that this is just a demo song. These are the writers, not the singers. Can you just play the song, please?



(Music plays)

**KK:** Is this the new Exile single?

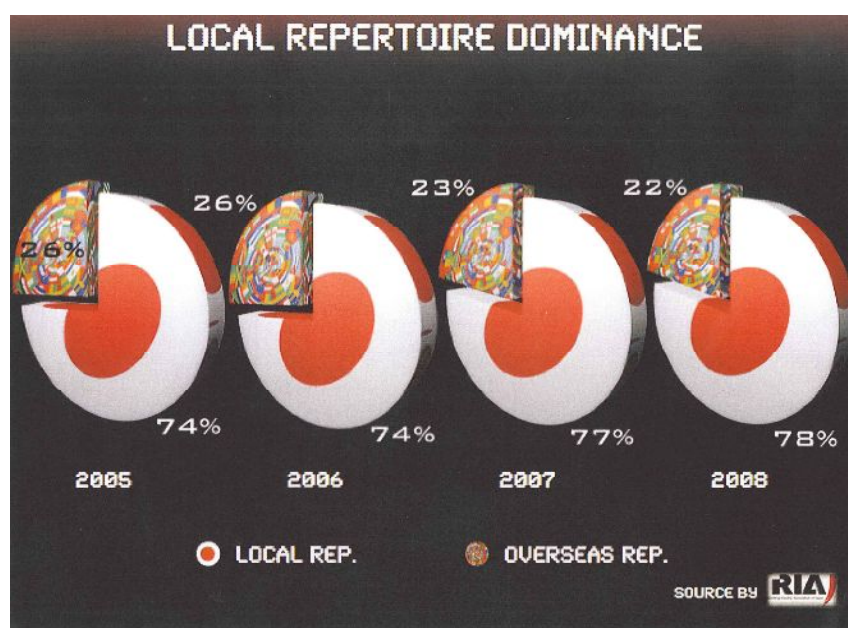
**YK:** Not Exile, but they are thinking of picking it up.

**NN:** May I challenge you? This number is not good for me or Kimi either because we are mainly looking after marketing for international repertoire in the Japanese market. Listening to that track it sounds pretty much R&B.

**KK:** It is R&B.

**NN:** It is R&B, right? So, how would it be different from the international repertoire? Why does your local repertoire sell more, and dominates, kicking us out of the market?

**YK:** Mmm. That question...



**NN:** What attracts you? What attracts the listeners and consumers way better than Int'l R&Bs do?

**KK:** It's in Japanese. I think this chart represents a lot of the major markets around the world, as you might understand, have shown over the past few years that the domestic repertoire has been increasing. And I'm sure you guys have found that. We think there are a number of reasons. One reason we think is because of the Internet...growing Internet, accessibility, availability to look into and access all the information you ever wanted. It is all there...which then means you start to lose interest in foreign languages or music content that you don't understand the language of because you can start to get everything in your own language. So we think that this is probably going to continue for a while unless we have a major significant hit single or hit track that will change this current situation completely. I think it will continue. In a lot of countries, this trend will probably be the trend for a while. This is my opinion.

**KO:** Following up on what Kimi said, Japan is the world's second biggest market. There is only one time zone and one language there. It is very different from other major territories. So, Yoshi, what kind of time frame do you have when someone requests you to produce some music and to hand in your masters to the record company?

**YK:** It depends but most of the time, one day for the recording, one day for the mix, and one day for the editing. So the quickest is three days but sometimes it takes maybe a week to do everything. The time is really an important thing...and of course quality and time. Of course my company has reasonable pricing also. It is really important, nice quality, the speed, and a reasonable price also.

**KK:** So you provide a good service?

**YK:** That's it. Like Yoshinoya (a famous Japanese style fast food chain) style.

**KK:** Fast food? Fast food music!

**KO:** This local dominance is really the basis of the Japanese music industry. It refers to two or three other agendas that I'm going to show you right now. So it is basically local repertoire dominance and the record still sells over a million in some cases. A lot of downloads. So is there any chance of foreign writers writing for those Japanese artists?

**KK:** I think there are a lot of opportunities for international foreign artists, writers or producers to come to Japan and introduce their own creativity or perform. We have actually come to a point where we find it more difficult to introduce or break international acts. We try to collaborate with Japanese acts, meaning that it can go the other way. Domestic acts can work with international

producers or songwriters to create a more dynamic hit track. Anyone can do it.

**KO:** So it is both marketing and creativity?

**KK:** I think it is a lot to do with that.

**NN:** Yes, that's true not only in terms of the production, songwriting or the performance, but also in the way of promotion as well. Collaborations with local artists such as doing interviews or having features on TV with local artists bring more opportunities to Int'l artists. In most cases it is pretty tough to book major TV slots and get crossover magazines just by an international artist only. But getting them to work together with a local artist brings extra coverage as well.

**KO:** So you need a strong music collaboration between the Japanese and international music writers and artists. OK let's go the next point on the agenda.

**KK:** There's no rule.

**KO:** No rule but a chance. OK.

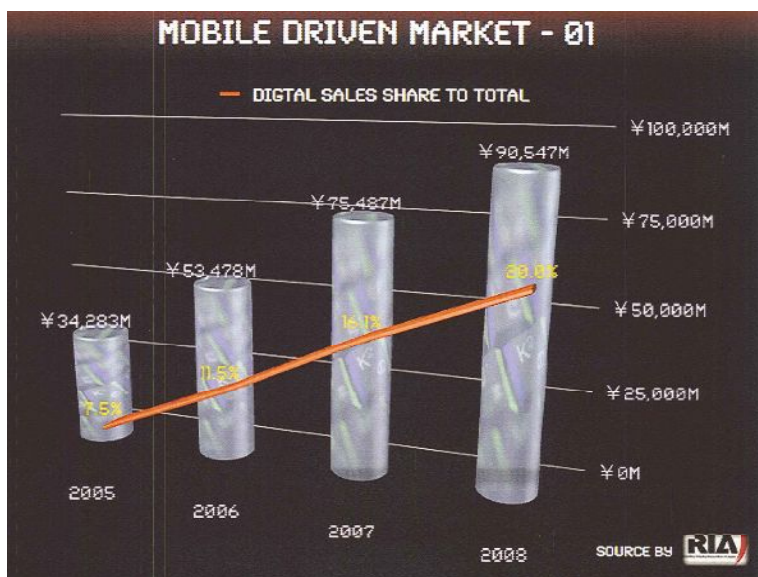
**KK:** I'm sure Kudo san, Yoshi has a lot of people that he works with in the domestic scene. (To Yoshi) You may not want to mention. I suppose there are a lot of rules there behind the scenes. But otherwise I think anyone can have an opportunity. I'm sure Yoshi is the kind of person who would definitely help these foreign producers or songwriters that are eager to get into the market because it is a big market. I know it is a huge market and there is so much opportunity for everyone, not just the Japanese. He is the kind of person who understands international as well as domestic. Because he is deeply into the domestic scene right now, you should hook up with this guy.

**YK:** It really is the time for collaborating... domestic composers and international composers. Mix together and do some sounds in the studios at the same time. We need something new.

**KO:** Great. So, we have to find something new. What is next? It is a very mobile-driven market. This is about the digital. The digital market is very much driven by the mobile. That was clearly mentioned in Mr. Ishizaka's speech this morning. But do you have any specific update about this, Nobu?

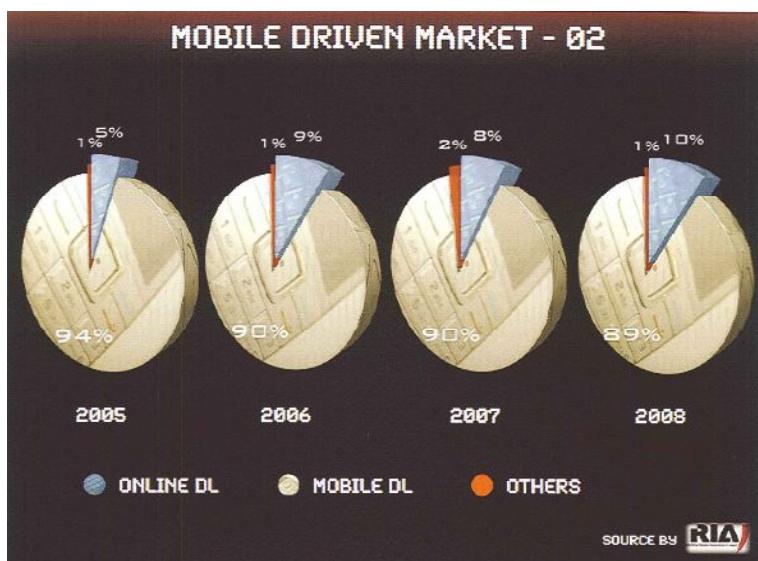


NN: Yes. This number (on screen) we are at. The source is RIAJ. So it is the total digital sales.



As you can see, it is growing, jumping up. Also the red line shows the digital share to the total music sales. So last year we had 20% of total music industry sales from digital. Next slide please. Not only Japan but generally the Asian market, each country has a mobile-driven market. Particularly Japan. In 2005 we were making over 90% of the total digital revenue from the mobile. From 2005 to 2006 the online download ratio jumped up from 5 to 9%. The main

factor is iTunes landed in Japan in 2005 in the summer. I have advertised iTunes as promised. So that has been growing and growing. But still relatively the mobile download is dominating the digital market.



KK: I'm just looking at 2008. What percentage of online download of the 10% is iTunes?

NN: It is not disclosed officially.

KK: Roughly.

NN: Roughly more than half is supposed to be shared by iTunes, I guess.

KK: And what about of the 89%?

NN: 89%? You mean the provider? The Label Mobile.

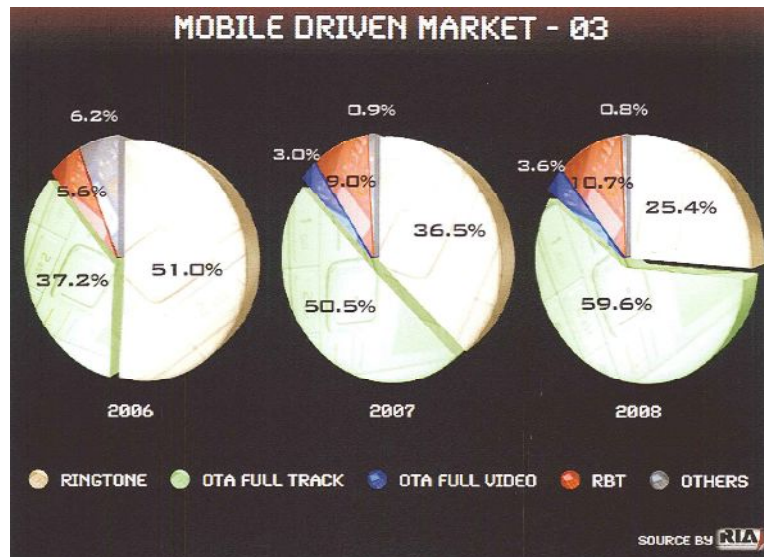
KK: How much is that now?

NN: I think over 60%. It could be 70%. It depends. We don't have the official number for the mobile download breakdown by the partners As well as the online download partners. But there are two giants: one is iTunes for online, and the other is Label Mobile for mobile download. And this is the breakdown by mobile product. So ringtone AKA "Chaku-Uta" and OTA (Over



-The-Air) Full Track a/k/a "Chaku-Uta Full." So, it now totally shifted from ringtone to OTA Full Track. It is a healthy growth that we can see on the Ringback Tone (RBT). This is the grand landscape of the digital.

**KO:** Kimi, can you give us one example, as Mr. Ishizaka mentioned this morning? I think you have more detailed information about what you have achieved.



**KK:** Yes, of course. Before that I just quickly wanted to make sure that everyone knew that we are probably the only market, I don't know, until last year the decline in the industry had been compensated by the increasing sales of the digital, especially mobiles. We are not sure about it now. It has actually gone down 3%, as mentioned by Kei this morning. We think that it could decline even further. So we are following the rest of the world, I guess. I think we've come to a saturated point where the decline of physical sales can not now be compensated by the increase in digital sales. But as you can see from this graph, the Full Track download has increased immensely. Full Track is \$4. That's a lot of money. So I think that from now on the single market where we market our hit tracks toward the younger generation that are mobile-driven kids who buy tracks through the mobile phones.

I wanted to go into explaining or introducing an act as an example that we have, just in case you may not have heard of. This is an act called GReeeeN. Who has heard of this act? There are not many people who have heard of this act.

**KO:** What are the four "e"s?

**KK:** I'll explain in a minute. Well, this is an act called GReeeeN. This act is a four piece band, but I don't have the artists' photos, and I'll explain why. They are studying to become dentists, hence the logo (in the shape of teeth), I guess. The number of "e"s is (the number of) the guys. They've had two massive hit songs, both selling over 5 million downloads on mobile and PC.

**KO:** \$4 each?

**KK:** Yes, half of that is the Full Track. Half is the dollar one (ringtone). One of the two songs, the recent track, has exceeded 6 million (downloads), of which 2.5 million is Full Track. And the album which was released last year has sold over a million records. So, it is a big number for

Japan, too. What is so special about this act is that they have never been on TV nor have they ever played a show. That's amazing and that's why I don't have the artists' photos. I have not seen them. Only a few people from our company have seen them. They do come to our offices but I don't notice them. I could be passing by and not notice them. They have continued not to show themselves. For us it is a huge strategy. We can say we don't want to show them to create mysteriousness. But the biggest reason why they didn't want to show their faces was because they hadn't told their parents. (laughter)

**KO:** Do you have their music?

**KK:** Yes. This is the 6 million download track. You've got to listen to this. I thought I'd get you to listen to it. It is called Kiseki which means "miracle."

(music plays)

**KK:** It is a brilliant track. It is simple, melodic... but I think the biggest reason (for the hit) is because of the lyrics. I think that the message this brings to all of us is that if you have an amazing track with brilliant lyrics you have a hit.

**YK:** It has to have a good melody.

**KK:** You have a hit. You can sell 6 million records.

**KO:** Strong songs are really needed, and this is a very good example of a success. A lot of young Japanese students and young people don't speak English. So they just listen to Japanese music. Is there any separate strategy for digital marketing for international repertoire?

**NN:** International repertoire? Not just for international, but part of the strategy, I'd like to mention the price setting. As you might have heard, the price setting for the mobile product (in Japan) is much higher than any other country's price setting. Ringtone is ¥100 to ¥150 or \$1 to \$1.50. OTA Full (Track), the average is ¥350 which is \$3 to \$4. It is very unique which is great for a record company. One secret I think is the business model between a record company and a digital music vendor is Agency model, instead of license model. So, record companies set the retail price.

We pay commission to content provider which is sometimes Label Mobile itself.

Last year, before the merger with Sony Music Entertainment, BMG did mark up of all the products Such as ringtone and ringtone Full Track by 20% to 50%. And the total download number declined. Actually the total sales were raised. So we get a higher ARPU (average revenue per user). I still think that it wasn't a good thing as we lost a number of downloads which means we lost listeners. However we got total revenue more than we had.

**KK:** Do you think that (decline) was because you raised the price?

**NN:** I think so.

**KK:** Oh, you do?

**NN:** Yes, the monthly download number clearly showed that.

**KK:** How about the piracy increasing at the same time?



**NN:** Well it is tough to know how many tracks we have potentially lost due to the piracy. It is pretty tough to say. But the numbers show that as the price was raised we lost the download numbers. But we could make up for the decline because we raised the price. That is a question I ask to myself. Now we are under the big Sony Music Entertainment Japan umbrella so we have now a different price strategy. But it has given me a good lesson. I just wanted to share with you this lesson.

**KO:** So there is no specific international repertoire market strategy for the digital market but can you develop the artists as you do for the Japanese artists for international repertoire by using digital?

**KK:** Yes, I think so. I don't know if you remember Kei Ishizaka's presentation this morning about how the time line was set. It is a kind of a basic strategy. It doesn't always happen but it is kind of a guideline towards how we release our acts. We do usually apply the same kind of strategy along with domestic acts. We do release the Chaku-Uta, the ringtone first, and then the Full Track. But obviously depending how the promotion is built around the releases. We do release singles. We release Full Track ringtones, as if it were a single. We work radio and we work TV around it and then build enough momentum towards the release of the album.

**KO:** So there is still hope for international repertoire as well?

**KK:** We look at the daily sales of mobile and ringtone, as if we were looking at the stock market really. If we go to a TV show, and immediately the next day you see this huge download figure or even on the same day you can find out if that TV show had an influence. It is so quick these days. It is not as if you have to wait to find the sales of the CD. But at the same time we have very strong sales of single CDs, not as strong as it used to be, though. We do have a strong single CD market still. This means that we need to coexist with digital and physical. We market it to the

young generation with digital, but at the same time we need to market our products by segmenting the age-group. We have a certain strategy.

**KO:** Let's talk about that later. OK, this is about the digital update. The next strategy that has always been popular in Japan is sync, the so-called sync business. We have two different kinds of business. Sync business always has to fight with the tie-in business. According to the JASRAC rules a new song can be used free for TV commercials for one year if the writers agree. Most Japanese songs on new singles which are newly written songs can be used for free sync fee, free performance fee, for nothing for one year.

So if we present international songs to a Japanese client to be used for their TV commercials, we normally as a publisher we charge a sync fee, and the record company charges a sync master fee. Clients want to use free songs so they tend to go for Japanese songs to promote their products on TV commercials. But there are some examples where new English or foreign songs are used on TV commercials. Do you have the DVD here today?

**NN:** Yes. Could you play the DVD? I would like to show you how it is used.

**KO:** Just one example.

**NN:** Nothing new but is just to give you an idea. Could you playback the DVD?

(Music plays)

**KO:** This is a lingerie catalogue TV commercial.

**NN:** It is like Victoria's Secret.

**KO:** This is an example where an international repertoire successfully beat the competition, winning against Japanese songs. How was it achieved?

**NN:** I can't tell you the number, I'm sorry. But it worked tremendously well. It was only one week campaign by Peach John Company, on a nationwide terrestrial TV network. By the way that is Kelly Clarkson and for your information, down below on the screen, there is a credit of the performer Kelly Clarkson in Japanese letters. In one week we earned downloads equal to the number of downloads we earned since the album came out which was six months ago.

**KK:** That's not bad.

**KO:** Yoshi, if a record company asks you to produce music for them, are they always thinking about the sync or tie-ins? Do you have to think about the length of the song or the melody or



whatever? The sync deal never comes automatically so do you design the music for syncs?

**YK:** OK. Concerning that question, I have never done that before but if somebody asked me to do it I would have to think about it.

**NN:** The toughest thing (for international repertoires) to get a sync deal or a TV tie-in for a particular company's campaign is that, for a local repertoire a domestic writer can waive the sync fee but an international writer and those recording pieces cannot.

**KO:** It's not always "cannot." According to the PRS rules, it used to be impossible but now it depends on the writers. So, a lot of writers who know about the market tend to waive. But it's not always good for the industry, because as a publisher we lose business, and as a record company you lose gain as a master usage fee. But you may be able to gain more by losing tiny bits and pieces.

**KK:** So what we are trying to say is to waive the rights. Waive it, and we will make sure we will sell for you. We will sell records - more downloads and win business. This is what we're trying to say, right?

**NN:** Also in terms of the competition with the local repertoire, one of the toughest things (for the international repertoire) which is good for the local writers and producers is that, as Yoshi mentioned, you can alter, you can adjust to the concept (to accommodate clients' request). "OK, I can change the melody" or "I can change the lyrics" instantly. That's the great thing, right?

**KO:** OK, there must be some questions about sync later. So, the fourth on the agenda, which is our last point on the agenda: the adult market, or marketing.

**KK:** This is not what you think!

**KO:** Also as mentioned in Mr. Ishizaka's presentation this morning, we have a very strong follow wind for the CD sales for the consumers over 40 years old, plus the songs by some artists who are over 40 years old. They have created a very special market that was first seen two to three years ago. This is very different from the digital downloading scene. A lot of Japanese adults, I mean people over 40 years old, they have very similar cell phones to what high school or college students have but they never download any music. For instance there is an artist called Mariya Takeuchi who sold over a million records in the past two years but the download ratio of this album is less than 2%. Everything is CD. And a CD still costs about \$30 which profits both record companies and the writers. So we are still hanging on to this ancient media.

**KK:** Yes, we still have the good old days of selling CDs. This is a typical segmented marketing

strategy that we take. When I explained and talked about GReeeeN and the mobile downloads and all that, that was towards the young kids. I'm sure you understand all that. Then there are people over 40s, millions of people. Over 42 million people in Japan are over 40 years old and they have money. We know those are the type of people who won't download as much, and will probably buy CDs. They have actually gone away from going to stores. We've been trying to find a way to get them to move their backsides to go to the record stores and actually buy the CDs.

We have been very successful over the last few years. I think Universal has been one of the leading adult, elder... or mature market marketing company. The other example is the Hideaki Tokunaga. He is a Japanese act. He did a cover version of all the hit tracks that the over 40s like. He has released three (cover) albums and all of them in total had sold 3 million records, which cost about \$30 each. This is only last year. So as you might hear, as you might understand, there is still a lot of business that we can do if we have the right act, the right track, the right people that are creating this marketing. We can do things.

Another example that we just recently did is the Carpenters. That Carpenters - not a new band. The Carpenters without Karen. We got Richard. We knew that this year was the 40th anniversary and we wanted to do something with my budget, and we were trying to think what we could do to increase our revenue. So we came up with Richard Carpenter. The Carpenters would be celebrating the 40th anniversary since they signed with A & M. He didn't know that. We went to him and said, "This is your 40th anniversary. Do you want to do something?" He was happy to remaster all of his tracks. We got them remastered and released it through a new format called SHMCD, which is a very high-quality CD. Since the April 22nd release, the day they signed 40 years ago with A&M, that is in a month and a bit, we have sold over 100,000 records already to this date. We have sold it as a two CD package at the price of ¥3800. That's about \$35. And we've hardly sold any downloads. We have sold it all on physical CD. If you think about it, there is still a market for physical. We don't have to give up on physical. We can sell mobile on young and upcoming acts, but also we cannot forget about these acts that had their days and they can still have a few more days.

**NN:** On that marketing for the Carpenters, which medium outlet worked best to reach the consumer? To reach that generation particularly? As far as I see it, I assume that they don't really aggressively go somewhere else to grab the information, right?

**KK:** Well, what we did was we got him to come to Japan and actually do some promotion. That really shook everyone to go out and buy it. We had all the morning TV shows and the major commentators talking about the Carpenters. I really think that shook them to go out and buy it.

**NN:** You were trying to hide the secret, right? That was amazing. When I saw the Carpenters on the top of the Oricon Album chart, the first question I asked you was what tie-in did you get?

**KK:** We had no tie-ins. We didn't have any sync. We had a few TV performances. But we did

announce it very loudly.

**KO:** So the power of music?

**KK:** Yes.

**NN:** Good music.

**KK:** Music matters.

**KO:** Other record companies followed the idea of Universal and what they have done is, they had Eric Martin from Mr. Big to cover old Japanese songs in English. And that was a big hit, mostly CDs. A few other examples. You did a great job with Abba.

**KK:** I think that was a very good strategy. That was a Universal UK, worldwide strategy. And the whole thing worked everywhere. The movie came out and the soundtrack came out, and the soundtrack went ballistic. And then the catalogue also followed up with it. That was just only because of the movie and we just rode on it. It was a very good business model for us because it worked in every single country. And there wasn't a country where it didn't work... I don't think. Maybe there was.

**KO:** This is one of the things which have been quite obvious in the past few months, the past six to 18 months. To wrap up this panel, what is the most important thing, long-term artist development, strong songs or marketing strategy? Overall, Kimi san, what do you aim for to be more successful in your field?

**KK:** Well, we need more hits. Hits. It's all about the hits, isn't it?

**KO:** Nakatake san?

**NN:** I agree with him. The hits, nothing but the hits. But obviously analyzing to know who we are selling to.

## **Q & A**

**KO:** To know who you're selling to. We definitely need more hits from you guys in the auditorium. Japan is quite open but this is not always made clear. It is not a myth. It is a reality that we have briefly explained to you. So please contact any of us personally for any further details and we welcome discussion of any kind of deal with you. Before we go, if there are any questions I am happy to answer them.

**Q.1**

**Woman:** Thank you very much. Hi, I'm Deborah Newman. I asked a question before. I am from the States. My question goes back to the mobile marketing and distribution side. My question is what kind of data are you getting from the mobile operators about the downloading of your music? How much about what users are downloading which artists? And how are you then using that information to market back to those customers, not just more music by that artist but other artists? How are you using what is now a very data-driven opportunity to market in the mobile space?

**NN:** Can I? First of all, the telco (telecommunications) companies don't provide record companies or the music distributors with what kind of demography the purchasers are. Those kind of information are protected by law. Though we can know when and what time that the music was downloaded.

**Woman:** What city?

**NN:** No. We can't get that.

**KK:** We don't get much detail, not enough for us to use for marketing. All we know is when the download is happening and are able to analyze why, but do not know who is downloading them.

**NN:** We can know how many downloads by minute for 24 hours. But...

**Woman:** So you can tie that to a TV appearance for example?

**KK:** Yes, exactly.

**NN:** To know the consumers and downloaders, each record company has to do their own research about the consumer.

**Woman:** Are the downloads dual downloads to a PC and to a mobile phone? Or just to a mobile phone?

**NN:** That mobile download is just a mobile download. It is very unique because the download is tethered to the mobile phone number which means you can only play back the downloaded music with the mobile number which downloaded it. It is very strict DRM (Digital Rights Management). That's another driver to make this market healthier.



**Q.2**

**Man:** Hi, Steve McClure from McClure's Agent Music News. Thanks gentleman for the very interesting presentation. I'll try and make it really quick. We've seen a lot of new products Chaku-mero, Chaku-Uta, ringback tones, all the rest of it come on to the Japanese market in the last few years powering the digital market, especially the mobile market. But as you say, it seems to have run out of steam. What is next in terms of product development? And a very specific question, excuse my ignorance, but does the saihan resale price maintenance apply to digital products? I know it applies to physical. You're saying yes.

**NN:** No, it's only to the physical.

**Man:** That's why we have the Label Mobile? Well that's a loaded question.

**KO:** Well we need to explain a lot of things to answer your questions.

**Man:** I know, let's go back to the first point. Maybe that's the best thing. What's next? How can you keep the market expanding because it is kind of flattened, right?

**NN:** Well one way would be the quality of the music. We started the mobile music download with 48k first. Then upgraded now to 256k, with AAC (Advanced Audio Coding) on the mobile, which is equivalent to the iTunes Plus sound quality. So one direction is the better quality of music, the other direction would be the movie image, higher quality video.

**Man:** You mean for Chaku Video on mobile?

**NN:** On a mobile. In a different way, maybe for higher bit rate in streaming. That's my personal opinion.

**KO:** OK, thank you very much. We are running out of time. So thank you for listening. I'll see you in the back. Goodbye.

**Presenter:** Arigato gozaimasu. Thank you gentlemen.



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