

## Country Profile: Japan

Authors' society JASRAC saw a growth in both revenues and distributions in the year ending March 31, 1996, the latest for which there are figures available. JASRAC increased its collections by 4.9% and distributions by 5.2%. Collections rose to ¥ 82.63bn and distributions were ¥ 81.91bn (see separate story for full details).

### The Japanese Record Market

Japan is the world's second-largest soundcarrier market, accounting for some 17% of total world sales. In 1996, according to international record industry association IFPI, the retail value of the market was ¥ 735.59bn, a rise of 2%. Unit sales rose 1% to 426.7m. Expressed in dollar terms, because of the fall of the yen against the dollar the retail value of the Japanese soundcarrier market fell just under 12% from \$7.65bn to \$6.76bn. Unit sales rose 1% to 426.7m.

The Recording Industry Association of Japan (RIAJ) also publishes production figures, based on the output of its 30 member companies. These show that a total of 472.3m audio discs were produced in 1996, with a wholesale value of ¥ 583.86bn, a 2% increase in value over 1995. Production of CD albums also rose 2% to 448.8m units, while audio cassette production (which includes cassette singles) fell 10% to 22.5m units. Production of CD singles rose 2% by volume to 166.2m units and 4% by value to ¥ 104.41bn. Of these 98% were by Japanese artists, underlining the strong appeal of domestic repertoire in Japan.

Sales figures are also supplied by trade magazine *Oricon*, which publishes a weekly Top 100 singles and albums chart. This is compiled from a poll of 10,900 retail outlets. Because of retail price controls, record prices are the same throughout Japan, so *Oricon* is able to calculate the retail value of chart sales. In 1996 this was ¥ 429.35bn, a 3% rise on 1995. This mirrors the growth in the production of Japanese soundcarriers as a whole.

The best-selling albums of 1996 were by globe (sic) and Namie Amuro. Both sold almost 4m units. The best-selling

Western artist was the Carpenters. The group's album, which was specially compiled for the Japanese market, sold 1.9m units. The group outsold Mariah Carey, the best selling Western act of both 1994 and 1995. The Western repertoire single that sold the most was Celine Dion's *To Love You More*.

### Western Repertoire In Japan

Much of the recent demand for Western music in Japan has been spurred by the development of the compilation market. All the major labels now release albums in this format. The *Now 4* compilation was the eighth best-selling international album of the year, with sales of 528,000, and the best-selling compilation album overall. Other successful compilation albums in 1996 included *Dance Mania 1* (480,000 units), *Max 2* (430,000) and *Mega Hits: Party* (298,000). Sales of compilation albums tend to peak around their release date and around Christmas. Due to the lack of dedicated television music channels in Japan they tend to be promoted through specific, limited advertising campaigns.

Another trend in the Western repertoire market is the growing popularity of a broad range of music genres, beyond mainstream, established pop and rock international artists. Heavy Metal rock acts Iron Maiden, Def Leppard and others regularly achieve sales of over 100,000, while the groups Ace of Base, Me and Me and the Cardigans - what *Oricon* calls "North European Melody" acts - have had similar success.

### Retailing In Japan

The growth of the foreign retail chains continues to affect the retail sector as a whole, with foreign retailers accounting for about 10% of the market. Four foreign retail chains, Tower, HMV, Virgin and Sam Goody, operate about 60 stores. In line with the expansion of foreign retailers, shipments of imported albums have also increased. In the first six months of 1995, imports accounted for 25% of the CD market as a whole. The rise of the yen against the dollar in 1995 meant that prices for import albums fell to as low as ¥ 1,200, signifi-

cantly lower than Japanese manufactured albums. In 1995, 5.7m CDs were imported into Japan. In 1996, as the yen fell against the dollar, this fell dramatically to 2.6m units. However, the contrast between the price of imported and domestically produced albums exacerbated concern over the *saihan* resale price-maintenance system.

*Saihan* applies to all Japanese-made soundcarriers, of both domestic and international repertoire, and ensures a uniform price (dictated by record companies) of around ¥ 3,200 for CDs and ¥ 1,200 for tapes across the country. The governmental Fair Trade Commission has recommended the abolition of the system, on the basis that the practice is restrictive and unfair to consumers. In some areas, the system is already beginning to break down, either by retailers promoting new product as "used" for reduced prices, or by record labels manufacturing titles outside Japan and importing them at a reduced price. Japanese retailers are fighting any move towards change. Small retailers hold that liberalization of the market would bring instability and leave them unable to compete against the larger chains, forcing many to go out of business. The RIAJ, JASRAC and other industry bodies are now working together to lobby for retention of the system. The RIAJ argues that *saihan* is necessary for the release of large numbers of titles across a broad range of repertoire, to the benefit of both consumers and minority artists. Government action, however, is likely to be slow and observers do not expect any changes this year.

### Copyright Developments

In 1996 the Japanese Parliament agreed to amend its copyright laws and extend neighboring rights copyright protection for international repertoire from 25 to 50 years. This was made retroactive from March 1997, when the amendment took effect. The move followed legal action by the U.S. and the European Commission (EC) at the World Trade Organization (WTO).

## JASRAC

JASRAC, the Japanese Society for Rights of Authors, Composers and Publishers, was established in 1939. It administers nondramatic performing, broadcasting, cable transmission, mechanical reproduction, synchronization and distribution rights in musical works. The society's headquarters are in Tokyo and it has 23 regional licensing offices throughout the country and a staff of 550.

Moriyuki Kato is JASRAC's president and chief executive officer. There is no other society in Japan dealing with the music rights of authors, composers and publishers. JASRAC administers over 1.1m copyrights. Of its 10,679 members, 9,125 are authors or composers and 1,506 are publishers. In 1996, the society had reciprocal agreements with 92 collection societies in 70 countries around the world.

In the year ending March 31, 1996, the latest for which there are figures available, JASRAC increased its collections by 4.9% and distributions by 5.2%. Collections rose to \$776.09m and distributions were \$769.32m. In the three years since 1992-1993, JASRAC's revenues have grown by 14% from \$717.39m. Administration costs for the year 1995-96 were 12% of the total distributable income. This is a 0.3% fall compared with the previous year. In September 1995, for the first time, JASRAC distributed royalties for digital audio home recordings made in 1993. Royalties for the year 1994, \$669,672 were distributed in March 1996.

Of the revenues for 1995-96, 61.4% (\$476.75m) came from mechanical royalties, a 4.6% increase, \$357.19m came from CD sales, which accounted for 46% of JASRAC's total income, and represents a 10.8% increase. This double figure increase was due to the increased production of CD-Gs (music CDs which are capable of printing song lyrics on a screen for karaoke purposes) and several multi-million selling releases.

Royalties for the use of recorded music in commercials showed the biggest rise, with an increase of 43% to \$7.54m. This reflected the growing use of popular songs to help market products in Japan. Synchronization rights for use of music in broadcasts increased by 7.1% to \$183,150. JASRAC's receipts from foreign societies (including broadcasting and other public performances) increased 37% to \$4.05m.

Performance rights income grew 7.2% to \$232.27m. This represents 30% of JASRAC's total income. Public performance royalties increased 6.6% to \$13.21m. A substantial proportion of this public performance figure, 65%, came from the karaoke sector, which showed an increase of 9.6%. This increase was a result of karaoke operators moving to online systems. After lengthy negotiations with the Association of Music Electronics Industry (AMEI), JASRAC agreed to a royalty contract for online karaoke. AMEI will pay JASRAC between five and seven U.S. cents for each song registered with online karaoke providers for the period before September 1995. The two parties are still negotiating a rate for the period after that.

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Broadcasting is an increasingly important source of royalties for composers and publishers in Japan. In 1995-96 JASRAC's income from all forms of broadcasting rose 7.2% to \$87.07m, but this is a very small proportion of performance rights income compared with that collected by societies in other developed nations. JASRAC has agreed with public and commercial broadcasters on new licenses, an issue that has been pending for a long time.

Rates will be increased from the current 1% of revenues for NHK (the country's public broadcaster) or from the broadcasting income of commercial broadcasters to 1.5% over a six-year period starting in 1995. The recording royalties for broadcasting purposes will also be raised to 140% of the current rate over the same six-year period. There are 181 commercial broadcasters in Japan, of which 58 are just radio stations, 87 television broadcasters and 36 have interests in both radio and television. In addition, NHK operates two satellite channels and there are 15 commercial satellite operators.

Revenue deriving from CD rental decreased 3% to \$44.71m in 1995-96. Rental revenues have not increased since 1992. The one-year ban on the rental of new titles by foreign artists and tighter copyright laws are gradually reducing the impact of the once vibrant rental industry. JASRAC says large numbers of stores are closing down or switching businesses. JASRAC has licensing agreements with almost all rental shops. The tariff is based upon a fee per rental of soundcarrier (currently 0.66 cents for CDs and 0.47 cents for music cassettes) plus a fixed monthly fee between \$845 and \$3,757 depending on the size of the establishment.

The digital recording levy was introduced in the copyright reform of December 1992 and came into force in June 1993. It applies to digital recording systems such as DAT, DCC and MiniDisc and is administered by SARA, which collects monies due from electrical and electronic media manufacturers' associations, as well as from importers. After the deduction of administration costs, the levy is passed on to three bodies: JASRAC, the council of performers' organization Geidankyo and RIAJ. These in turn distribute them to their members. Tariff rates for 1995 were 2% for hardware and 3% for software (in 1993 and 1994 the tariff rates were 1% for both). In the first six months of financial 1996-1997, JASRAC collected \$850,000 from this source, an increase of 378%. The amount SARA collected from the manufacturers of digital hardware was \$3m. According to SARA, a great deal of this increase was attributable to the increasing popularity of the MD format in Japan.

JASRAC is concerned with the development of multimedia products and their effect on authors' rights. Since setting up the Multimedia Research Working Group in 1994, it has been engaged in deciding on an appropriate method of royalty collection, given the increasing diversification and digitalization of media. Japan's position as one of the world's leading economies and manufacturers of audio and video hardware and software has meant that JASRAC plays a leading role at international authors' body CISAC in its discussions on rights management in the multimedia age. Also the huge popularity of karaoke in Japan, which has led to the swift development of online karaoke services, has given JASRAC early experience in dealing with the new forms of soundcarrier transmission.

As a WTO member Japan is obliged to adhere to the provisions of the agreement on Trade Related Aspects of Intellectual Property (TRIPS), which obliges members to provide at least 50-year retroactive protection to performers and producers (known as neighboring rights) of sound recordings released since 1946. Japan's failure to implement the 50-year rule had meant that pre-1971 Western recordings could be copied and sold by local record companies without the rightholder's permission, as long as the mechanical royalties due to composers, authors and publishers were paid. This loophole was taken advantage of by small labels - all non-RIAJ members - which produced mostly compilation albums that were sold cheaply, at between ¥ 500 and ¥ 1,000 (compared with ¥ 1,400 for imported albums and ¥ 3,200 for Japanese albums in 1996) in small outlets, mostly station kiosks and convenience stores. Artists affected ranged from Elvis Presley and the Beatles to Jacques Brel, as well as classical performers such as Herbert von Karajan.

RIAJ estimated 6m pre-1971 recordings of Western repertoire were sold in 1995 worth over \$40m. The EC said European musicians and record companies lost \$121m a year in royalties. The amendment means that non-Japanese artists and producers should earn more from Japan in the future. IFPI estimates that sales of international repertoire in Japan in 1995 were worth \$2.70bn. Another area of concern to industry and authors' rights groups is the development of the CD-Recordable (CD-R) format. In 1995, the RIAJ, in cooperation with five other industry bodies including JASRAC and the RIAJ, issued a statement detailing its estimates of the effect of the commercial introduction of CD-R. This said that up to 30% of sales would be converted to copying and that the volume of home taping would rise by 39%, should the format become widely available. The group of six called upon the developers of CD-R - Kenwood, Marantz, Pioneer and Yamaha - to consider the issue of compensation, if worst-case predictions on the introduction of CD-R are fulfilled.

### **New Formats**

Also of importance to the industry is the Digital Video Disc (DVD). Common stan-

dards for DVD were agreed upon in 1995 and all the signs are that since its introduction in 1996 in Japan and early 1997 in the U.S. the format will be a success. To date, though a number of music titles have been released the major attraction of DVD is for film. That said, the format's enormous storage capacity looks set to make it attractive to top computer manufacturers, probably as a replacement of CD-ROM. To date little progress has been made on developing music DVDs.

A format that has made a dramatic comeback in Japan is Sony's MiniDisc system (MD), which in 1996 finally became a successful product, albeit as a machine that makes copies of digital recordings, rather than the pre-recorded format it was originally marketed as.

In Japan in 1995 sales of MD players rose 200% to 728,000 units, according to the Nihon Keizai Shimbun. In the same year Pioneer Electronics and Matsushita, manufacturers that had previously not made MD players, entered the market. Sony, which in 1995 had the biggest share of MD system sales, said that it sold 300,000 units in the first six months of 1996 and predicted it would sell 1.7m in the full year. These figures suggest that the MD

format has reached a point in Japan where its widespread availability is becoming a promotional tool. The reasons for the newfound success and potential of the MD system are twofold: price, and its ability to make recordings of near-CD clarity.

A format to make a surprising comeback in Japan is the vinyl album. According to the RIAJ, production of vinyl albums rose 77% to 994,000 units and 49% by value to ¥ 1.31bn. While this trend has also been seen in other parts of the world, in Japan vinyl has become a full-fledged niche market. Confirmation of the newfound appeal of vinyl has been a new generation of (mostly expensive) record players that electronics manufacturers introduced to the market in 1995-1996. Once such player, Seiko Epson's Sigma 500, costs ¥3.2m. A cheaper version, the Sigma 200, costs ¥ 1.4m. Nonetheless, since their introduction in late 1995, Seiko has already sold 30 Sigma 500s and has been selling 10 units a week of the Sigma 200. According to the Japanese Electronics Industries Association, sales of vinyl players in 1995 rose to 140,000 units, compared with sales of 52,000 units in 1992 and they are expected to have risen further in 1996.

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## Music Publisher Profile

Shinko Music Publishing Co Ltd is one of Japan's leading independent publishers. Owner and CEO Shoo Kusano has served as a publisher member of the Council and the Board of Japanese authors' society JASRAC since 1965. He has also served as chairman of the Music Publishers Association of Japan between 1980 and 1992. The firm, which was founded by Shoo Kusano's father in 1932 as a publisher of printed music, has regularly been one of JASRAC's five top-earning publisher members.

Unusual for a Japanese music publisher, Shinko is active both in domestic repertoire and international repertoire. Among the international catalogs Shinko represents in Japan and the Far East are those of Robbins, Feist, Miller Hastings, United Artists Blackwood and April Music. This means that Shinko owns for the region such evergreens as *Over the Rainbow*, *Goldfinger* and *Singin' In the Rain*.

Recently Shinko acquired the catalog of Irving Berlin Music, which includes *White Christmas* and *There's No Business Like Show Business*. Through its subsidiary Rock'N Roll Music, Shinko controls the rights of Arc Music for the region. Arc's catalog includes such Chuck Berry hits as *Roll Over Beethoven* and *Johnny B. Goode*.

Shinko has over 2,000 books of sheet music in its catalog and publishes a number of best-selling monthly music magazines, some - like *Backstage Pass* and *Gigs* - devoted to domestic artists and some - such as *Burrn!* and *Crossbeat* - about international artists. The company also imports music books from Hal Leonard and Music Sales and co-publishes Japanese editions of a wide range of music books.

Shinko has its own studios and is involved in artist management and concert presentation. In 1996 the company entered the CD-ROM market, signing a deal with popular graphic artist and composer Osamu Sato to create a series of edutainment CD-ROMs. Shinko is also developing a band simulation game for Sony's PlayStation.