資料

Lecture Note: Media and Content Industry in Japan

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Abstract: This article explaining the characteristics of media and content industry in Japan is the manuscript that the author read at the seminar held at the Amherst College, Massachusetts, on March 5, 2019. The author explained the structural features of the Japanese media and content industry and its background. Conventional mass media such as broadcasters, newspapers, and publishing houses prospered in Japan. One might attribute such prosperity to the success of the government's media policies as an economic policy to help the industries grow. However, such prosperity of conventional mass media created problems to be solved. Structural features of the industry generated the problem that TV broadcasters and newspaper publishers' supremacy in the distribution process of content capture the larger chunk of financial resources, and only a small amount is assigned to content production. We should consider whether the treatment gap between permanent employees of major media enterprises and employees of production companies is legitimate. We should also consider the status quo of the media and content industry from the viewpoint of its future development. The most important factor for further development is creativity. If they cannot keep creating good pieces of work, their products will be replaced by imported pieces. Therefore, we need to change the current structure of the industry in which major media enterprises capture larger parts of benefits into a structure where creators are legitimately rewarded.

Key words: Media Industry, Content Industry

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1. Introduction

It is an honor for me to deliver a lecture here in this prestigious college in the United States.

Although my main subject of study is journalism, I would like to talk about the Japanese media and content industry today. Before I got a job at a university, I had worked for the secretariat of the Japan Newspaper Publishers and Editors Association. Newspaper publishers and major broadcasters including the giant public broadcaster, Japan Broadcasting Corporation (NHK), join this association as a member. As the association's mission is to promote the interests of member organizations, I know the reality of newspaper publishing and broadcasting business. I have a lecture titled "Lecture on Media Industry" at Doshisha University. Partly based on the knowledge that I acquired through firsthand observation of business practices of media companies, I would like to talk about the structural features that characterize the Japanese media and content industry, and the challenges the industry is facing today.

It is a global trend that mass media have been losing their presence after the spread of the Internet to the public in the middle of the 1990s and the rapid development of smart phones following the arrival of Apple's iPhone which entered the Japanese market in 2008. However, as far as I observe, mass media, especially broadcasters, still have a very strong presence in my country. Even old media like newspapers and magazines still have a strong influence over society. In Japan, conventional mass media hold supremacy in the media and content industry. This structural feature of the Japanese media and content industry is maintained more or less through the cozy relationship between the government and the major media companies, especially broadcasters and newspaper publishers.

"Media" is a means to convey or disseminate "content" or information. "Media" matters more than "content" in Japan. This is one of the major structural features of the Japanese media and content industry. One who dominates the process of conveying or disseminating "content" also dominates the process of creation of "content." As a result, content creators receive less financial benefit from the media and content business. This structural feature prevents the Japanese media and content industry from further development. I will talk about these in detail in this lecture.

2. Structural Characteristics of the Japanese Media and Content Industry

I would like to start this lecture with a general overview of the structural features of the Japanese media and content industry.

2-1. Strong Presence of TV Broadcasters

It is reasonable to start by mentioning the strong presence of TV broadcasters in Japan to explain the structural features of the Japanese media and content industry.

TV broadcasters using terrestrial radio waves are the most important actors in the Japanese media and content industry. The nation-wide public broadcaster NHK has two terrestrial channels, two satellite TV channels, and multiple radio channels. A commercial broadcaster is given a prefecture-wide business license to broadcast using terrestrial radio waves. So, any commercial broadcaster using terrestrial radio waves is supposed to provide local service, while NHK broadcasts nation-wide. However, in reality, the local commercial TV broadcasters form nation-wide networks with key stations in Tokyo and sub-key stations in Osaka. Five major commercial TV broadcasters have their channels in Tokyo, and these function as key broadcasting stations in a nation-wide network. About 70 to 90% of the programs run by local terrestrial broadcasters are provided by key or sub-key broadcasters. We have one more local channel in Tokyo, which is independent from any networks.

Each of the five key broadcasters in Tokyo have an affiliate company for free-of-charge satellite TV broadcasting. Plenty of pay-TV channels using broadcast and communication satellite facilities, as well as cable, are available. Content providers using the Internet, such as Netflix and Hulu, have recently made inroads into the Japanese market.

Although channels other than terrestrial TV channels are available, NHK and the commercial broadcasters belonging to the nation-wide network with key stations in Tokyo have a much stronger presence so far.

According to the yearly survey by the giant Japanese advertising company Dentsu, Inc., terrestrial broadcasters occupy the largest share in the advertising market in Japan. Please refer to the graph (Figure 1), which shows the transition of the sales divided by the difference of media.

Advertising market share of terrestrial TVs increased and exceeded that of newspapers in the middle of the 1970s. The latest 2017 data shows that advertising sales for terrestrial TVs is about 3.5 times more than that of newspapers, 9 times more than that of magazines, and

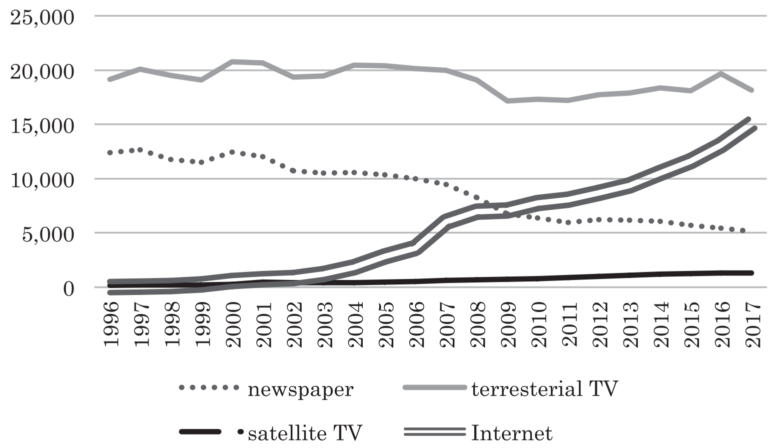

Figure 1 Share in Ad Market

(Source: Dentu Inc., Unit:100 million yen)

14.1 times more than that of radios. Advertising sales for radios and magazines are very low in Japan, so the figures are not shown on the graph (Figure 1). Sales figures of satellite TVs have recently been increasing and exceeded that of radios, but they are still less than 10% of the sales of terrestrial TVs. Of course, more and more money is spent for Internet ads. The total amount spent on Internet ads may exceed that on terrestrial TVs in the near future, but still, the amount spent on the latter is about 1.2 times higher than that on the former. A noticeable fact is that the advertising market for terrestrial TVs has been almost flat for the past 20 years, while the advertising market for newspapers and magazines tremendously shrunk. I do not mean that terrestrial TVs are not affected by the Internet, but they have not yet become obsolete in the advertising market in Japan.

The above-mentioned survey shows the strong presence of terrestrial TVs in the advertising market. In addition, major radio stations are run as affiliated companies of TV broadcasters, which increases the presence of TV broadcasters.

The giant public broadcaster NHK carries no advertisements at all. It is run by “receiving fees” which the Broadcasting Act designates every TV owner to pay. The yearly budget of the public broadcaster amounts to more than 720 billion yen, or about 6.6 million U.S. dollars, given 1 U.S. dollar equals to 110 yen, which is equivalent to about one-third of the total revenue of all commercial broadcasting companies in Japan.

The key commercial broadcasters have made inroads into the business of cinema. 9 out of 10 Japanese films listed among the top 10 bestsellers in 2018 were partly funded by commercial TV broadcasters.

As I mentioned before, the five key commercial terrestrial broadcasters have subsidiary companies that are given licenses to conduct satellite TV business. The number of channels of satellite broadcasting is increasing due to digitalization, but, when digital satellite TV started, only the broadcasters affiliated with key stations and NHK were allowed licenses for free-of-charge broadcasting. Even now, only three minor broadcasters are granted licenses for satellite TV broadcasting for free, other than NHK and the five key affiliated broadcasters.

All in all, NHK and the five key commercial broadcasters are very strong in the media and content industry in Japan and have strong influence over the Japanese society as a whole.

2-2. Strong Presence of Conventional Mass Media in Japan

I heard that lots of well-known newspapers were closed down in the United States. Japanese newspapers are much affected by the changing media environment where the Internet and smart phones prevail. Very few students at my university subscribe to daily newspapers. However, I can say that the major newspapers still enjoy a strong presence in Japanese society.

Of course, newspaper circulations are rapidly declining these days. You can see the graph (Figure 2) of the transition of newspaper circulations The survey by the Japan Newspaper Publishers and Editors Association shows that the newspaper circulations hit a peak in 1997. The figure in 2018 is about 74.2% of the figure in 1997. To put it differently, newspapers lost one-fourth of the circulations in the past 20 years.

We have five major national newspapers and about 40 regional newspapers called "prefectural newspapers" which enjoy the lion's share in the prefectures where they are published. If we call these "major newspapers," there are no major newspapers closed down so far. According to the data of Japan Audit Bureau of Circulations, the best-selling newspaper is *The Yomi-*

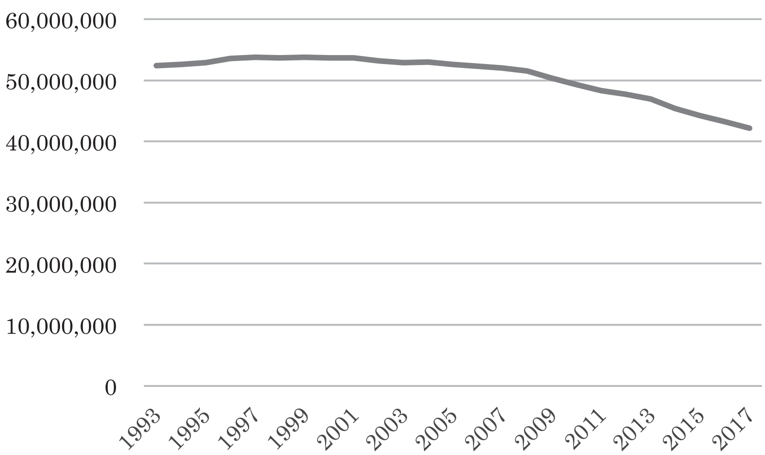

Figure 2　Transition of Newspaper Circulations
(Source: The Japan Newspaper Publishers and Editors Association)

uri Shimbun with a circulation of more than 8 million copies a day, and the most prestigious newspaper is *The Asahi Shimbun* with more than 5 million copies a day. Most of the prefectural newspapers' circulations range from 150,000 to 500,000. The circulation of the regional newspaper *The Chunichi Shimbun* reached more than 2.3 million copies a day.

Newspaper companies have had strong influence over the broadcasters, because many of the national and regional newspapers were parent bodies that established the commercial broadcasters. The presidents of two out of five key commercial broadcasters are still ex-employees of the parent newspaper companies. The influence of newspaper companies over commercial broadcasters constitute one of the major factors that keeps the status quo of newspapers in today's Japan.

Regulations on the concentration of media ownership are imposed to secure the multiplicity and variety of distribution of information in most of the developed countries. Japan is unique in terms of the fact that newspapers with relatively strong influence have close financial and personnel ties with broadcasters. There is a legal regulation that regulates the concentration of ownership of mass media enterprises, but there are a lot of loopholes. Broadcasters and newspaper publishers enjoy preferential treatment regarding this matter. The fact that almost no lawyers or media critics criticize the concentration of ownership from the viewpoint of freedom of expression symbolically shows how strong the broadcasters and newspapers are in our society.

If we look at the publishing sectors, they have much more variety than the newspaper and broadcasting sectors. According to the survey by the Ministry of Economy, Trade, and Industry, more than 3,000 publishing houses exist, and more than half of them have only 10 or less employees. There are plenty of bookshops in urban areas. You can probably find multiple bookshops around almost any train station in the Tokyo metropolitan area. However, many bookshops are forced to close due to the competition with online bookshops like Amazon. According to the yearly survey by the private research institute, the number of bookshops declined from about 22,000 in 1999 to 12,000 in 2017, or by 44%.

The culture cultivated by many publishing houses and bookshops created plenty of literature works, as well as comics that become the basis of animation works which lots of Japanese people love. The major publishing houses publish weekly magazines which often reveal scandals with great impact on politics and society, although their sensationalism is much criticized by the public and their circulation is declining even much more sharply than that of newspapers.

The bookshops are networked through wholesalers specializing in book and magazine sales.

The top two wholesalers handle about 80% of the distribution of books and magazines to bookshops and convenience stores all over Japan on a daily basis, which is a system unique to Japan. The network of bookshops secure easy access to newly published books and magazines. It is because of this network that books and magazines function as mass media in Japan.

So, in Japan, we have very strong TV broadcasters which dominate radio and film markets; newspapers with large circulations and strong connections with broadcasters; and plenty of independent publishing houses that are networked through the system of wholesalers and bookshops. The business of conventional mass media that comprises TV, newspapers, magazines, and books still prospers in Japan, although their presence is weakening due to the rapid development of media technologies.

2-3. Cozy Relations between the Media and Government behind the Prospering Mass Media, and the Dominance of Media Companies over Creatives

I explained my observation that conventional mass media still prospers in Japan. Now, I would like to consider what is behind this prosperity.

Major broadcasters and newspaper publishers construct cozy relationships with the government based on their strong influence over the public as well as the politicians. As the case of the dysfunctions of the legal regulations on the concentration of media ownership shows, the government preferentially treated such major media. I would like to suggest that the governmental policies favoring conventional mass media based on the cozy relationships between the government and major media contributes to their prosperity. Let me show some cases indicating how such cozy relationships worked by looking at the historical development of Japanese media.

As I stated before, terrestrial TV broadcasters are central to the Japanese media and content industry. Until the end of World War II, the government used the broadcasting system for political propaganda. The former body of NHK was a solo broadcaster. The foundations of the broadcasting administration today were established under the U.S. occupation. In the beginning, when Japan restarted as a democratic country, a unique system was adopted in which both public and commercial broadcasters exits. Although the ministry in charge of the broadcasting administration was not willing to admit commercial broadcasters, a commercial broadcaster acquired license rights at the beginning of the post-war era. The strong demand of potential commercial broadcasters was one of the factors that pushed the government to issue commercial broadcasting licenses. The system in which both public and commercial broadcasters co-existed was unique in the ages right after World War II. There were only commercial broadcasters in the United States and only public ones in Europe. TV broadcasting started soon after Japan regained its independence. First provisional license for TV broadcasting was granted to a commercial TV broadcaster, Nippon Television Network, in 1952, although NHK preceded in terms of the actual start of TV broadcasting in 1953.

Lots of newspapers entered into the broadcasting business. The first commercial TV broadcaster was established by the former owner of the national newspaper *The Yomiuri Shimbun.* As I stated before, NHK broadcasts nation-wide, and the commercial broadcasters are supposed to provide local service. That is why a commercial broadcaster is granted a license for prefecture-wide broadcasting, except for certain areas. The five major national newspaper publishers and the prefectural newspaper publishers entered into the broadcasting business by investing in the establishment of TV broadcasters. The national and regional or prefectural newspapers with large circulations have strong influence over politicians. Their political power was used for the newly established TV broadcasters to acquire broadcasting licenses.

The basic business structure through which newspapers and broadcasters jointly put pressure on politicians and officials still exists. Terrestrial TV had been completely digitalized by 2012. The digitalization of terrestrial broadcasting was a worldwide phenomenon. Digitalization of broadcasting results in an increase in the number of channels, as more choices of information is in the interest of the public. In Japan, the number of satellite channels increased after digitalization which started in the late 1990s, but a similar increase has never happened in terrestrial TV broadcasting. Of course, existing broadcasters never want more channels which means more competition, while more channels and more choices of information is in the interest of the public. Japan is a unique country where digitalization did not result in the establishment of more channels. It is reasonable to infer that the cozy relationship between policy makers and broadcasters, as well as the newspaper companies backing them, played an important role in keeping the status quo in terms of the number of channels. Of course, there was no public discussion that criticized the governmental decision not to increase the number of channels, because broadcasters and newspapers that dominated the public discourse never discussed the possibility of an increase in the number of channels.

The governmental policy also contributed to the prosperity of the Japanese newspaper industry. The pre-war Japanese government integrated many small local newspapers into one regional newspaper in most prefectures, for convenient censorship. When Japan was defeated in World War II, the regulation was lifted. However, newspaper publishers adopted the pre-war system. It was very reasonable for the regional newspaper publishers to keep an ideal business situation with no major competitors. The regional newspapers in Japan prospered because they inherited the pre-war governmental policy. Regional newspapers basically do not interfere with the market of the prefecture where other regional newspapers dominate. The national newspapers have been challenging the market dominated by regional newspapers, and the competition between them are fierce. However, the basic business structure of the newspaper industry was passed onto today.

The foundation of Japanese newspaper business is the solid network of newspaper retailers which covers almost all of Japan and distributes newspapers very early in the morning every day. This solid network of newspaper retailers is built thanks to the special treatment by the government in terms of the Antimonopoly Law. The law prescribes as a rule that retailers are free to set the prices of the goods they sell as they wish and that producers of the goods cannot designate retailers to sell their product at fixed prices. The government implemented a policy to make newspapers exception from the general principle of the Antimonopoly Act and prohibited newspapers retailers from discounting newspapers. This special treatment partly deprived retailers of freely conducting their business and contributed to the stable management of newspaper publishing, while enabling publishers to keep a superior bargaining position against retailers. The newspaper sales and the distribution system based on the special treatment contributed to the stabilization of the newspaper publishing business, while consumers were forced to buy newspapers at prices designated by newspaper publishers.

Old media publishers' strong power over the government and politicians is symbolically observed in the case of the 2015 tax hike exemption for newspapers. The Japanese government is planning to raise the consumption tax from 8% to 10% in October this year. Foods and drinks, except for foods eaten at restaurants and alcohol, will be exempted from the tax hike to mitigate the impact on lower-income households. Strangely enough, newspapers are included in the items to be exempted from the tax hike. It is no wonder that newspaper publishers put strong pressure on policy makers to ensure special treatment for newspapers. Surely, there was a time when most households subscribed to at least one newspaper. However, more and more households choose not to subscribe to newspapers. As I stated before, the circulations of newspapers have dropped by about 25% in the past 10 years. It is clear that newspapers are no longer daily necessities. In spite of that, only newspapers other than foods and drinks are given a special tax exemption. The case symbolizes the strong power of newspaper publishers on policy makers.

As I stated, TV broadcasters and newspaper publishers hold supremacy in the process of distribution of content or information. They have successfully transferred their dominance of "media" to the process of "content" creation.

"Kisha Club" is a notorious system in news business. "Kisha" means "press," but it is not like the "Press Club" which globally exists for the socialization of journalists. It is a unique Japanese system that secures exclusive access for journalists or employees of major broadcasters and newspapers to major news sources such as the police, governmental offices, and political parties, while limiting access for foreign press and Japanese freelance journalists. European journalists considered the system as a "trade barrier" and asked the European Committee to negotiate with the Japanese government to lift such barriers at the beginning of this century. The efforts did not bear much fruit.

Japanese terrestrial TV broadcasters do not provide many imported programs. Although I do not have any official data, it is certain that more than 95% of the programs broadcast by terrestrial broadcasters are domestically produced. Imported Korean TV drama series are very popular these days. But, most of such imported drama series are broadcast on satellite channels or at times when low viewing rates are expected, that is, late at night or around noon. Disney's affiliated company in Japan started a channel named "D-life" and provided their TV drama series for free in 2012, but it is a satellite broadcast. The channel provides lots of popular made-in-USA drama series, but I have not heard of any D-life drama series become very popular in Japan. Most of the programs that cause a great sensation in Japan are made in Japan.

The dominance of TV broadcasters and newspapers with governmental support is symbolically observed in the movie industry. Cinema was the king of entertainment until the late 1950s. As TV equipment became widely accessible to the public, the number of moviegoers rapidly dropped. Please refer to the graph (Figure 3) which shows the transition of the number of moviegoers for each year. The cumulative total number of moviegoers hit a historic high in 1958 and a historic low in 1996. The number of moviegoers in 1996 is equivalent to 11% of that in 1958. After 1996, the numbers increase. The cumulative total number of 2017 increased by more than 40% from that of 1996.

The popularity of domestically produced films contributed to the recovery of the number of moviegoers in Japan. According to the statistics of Motion Picture Producers Association of Japan, the 2016 total revenue from domestic productions increased by 179%, or about 2.8 times more than the value in 2002 which was the lowest available figure since 2000. We do not have access to the figures before 2000 as the association changed their method of calculation. The latest 2017 total revenue was less than the previous year's, but still increased, more than double, by 135% from the value in 2002. The total revenue from imported films was highest in 2002, and then declined. 2012 is the lowest. In terms of revenue, Japanese films'

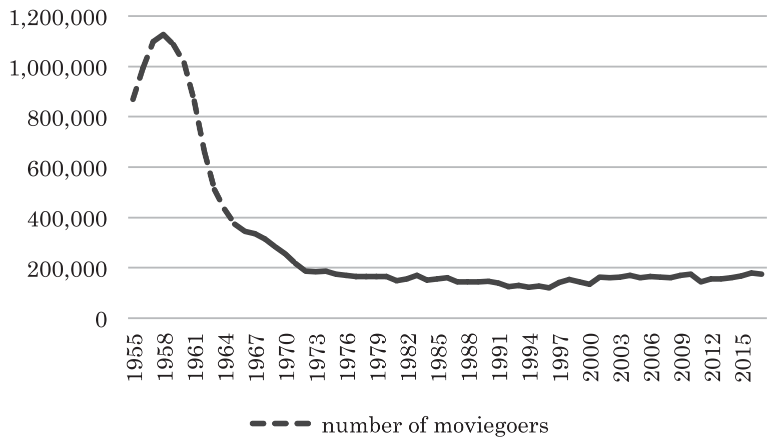

Figure 3 Transition of Number of Moviegoers
(Source: Motion Picture Producers Association of Japan)

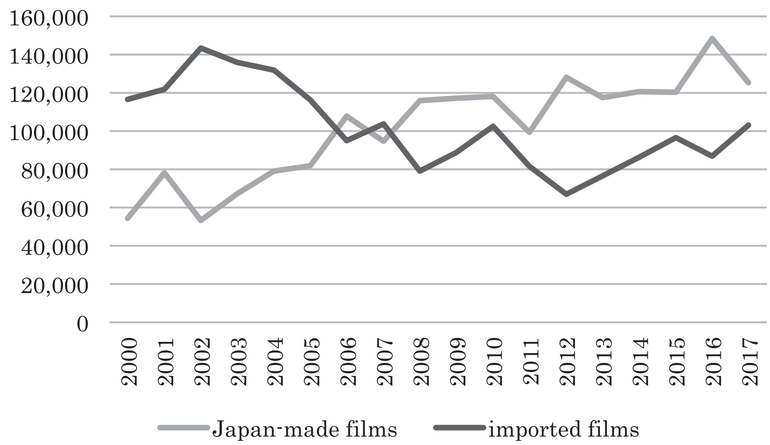

Figure 4 Transition of Revenues by the Sales of Movie Tickets
(Source: Motion Picture Producers Association of Japan, Unit: million yen)

have exceeded that of imported films, including Hollywood movies, in these years.

Active investment in film production by TV broadcasters is one of the major factors that contributes to the recent upward trend of Japanese films. Since one of the key commercial TV broadcasters achieved big success in producing the film based on the TV drama series, titled *Odoru-Dai-Sosasen, Bayside Shakedown* in English, converting TV drama series into movies took root in the Japanese movie industry. In that case, TV drama functions as a long trailer for the movie, which promises success at the theater. Although TV broadcasters invest in film production which is not based on TV drama series, the conversion of TV dramas or animation series into movies has been much repeated.

Conventional mass media such as TV broadcasters and newspapers also wield dominant power over the production process of movies. The most common way of collecting financial resources to produce a film or an animation program for TV in Japan is to establish a consortium called "Production Committee." A Production Committee is normally established by major media companies with big promotion capacities including a TV broadcaster, a newspaper company, a publishing house, and a film distribution company to finance the production and promotion costs for a film. The companies participating in a Production Committee share the rights of the film for business use. For example, a broadcaster acquires the right to broadcast on their own TV channel and a film distribution company acquires the right to screen the film on theatres. The game companies tend to join the Production Committee of animation works recently, as anime characters can be used in computer games. However, major conventional mass media companies normally comprise the core of Production Committees as they can use their media to promote the work, to ensure profit. In other words, it is very difficult for independent creators to be successful in film and animation business in Japan, as they have limited access to distribution channels and resources for promotion. The Production Committee style in Japan enables conventional mass media to hold supremacy over creatives who actually produce the works.

In this way, conventional mass media organizations such as terrestrial TV broadcasters and newspapers hold supremacy in the process of distribution of information, with the help from the government, and they have converted the supremacy in the process of distribution into supremacy in the process of creation.

I stated that TV broadcasters and newspaper publishers put pressure on policy makers in Japan. If you have read the comments on issues regarding freedom of expression in Japan, you may be skeptical about my observation. You may have heard that the Japanese media is not as strong to be able to put pressure on the government to lead the course they want. You may have the impression that reality is just the opposite of my observation, that is, the government puts strong pressure on conventional media to control them as they wish and that the freedom of expression guaranteed by the Constitution is just nominal in Japan. If you are familiar with the comments on Japanese press, you may think that way.

I know that some media critics, academics, and journalists at home and abroad state so. I do not agree with those observations. Some argue that freedom of expression is highly restricted in Japan, citing cases where politicians criticize news coverage of broadcasters per the Broadcasting Act that designates broadcasters to be politically fair and not distort the facts.

Sure, politicians sometimes try to manipulate the media. However, as far as I understand, this can be observed everywhere. What matters is whether politicians have the legal power to control media and whether the media industry yields to the illegitimate pressure from politicians. I heard a professor of famous Japanese university specializing in media policies say, "It is only Japan among developed countries where politicians publicly criticize and put pressure on broadcasters." I suppose that no one would agree with his view after Mr. Donald Trump was elected as the President of the United States. I understand that freedom of expression is secured quite extensively in Japan. A very simple evidence for my observation is that the ministry in charge of the administration of broadcasting has never imposed administrative penalties on broadcasters since the foundations of today's broadcasting system was established right after the defeat of Japan in World War II. If you research how the Federation Communications Commission in the United States regulates broadcasters, you can find out how generous Japan's administrative body is towards broadcasters.

3. The Challenges Facing the Japanese Media and Content Industry

I explained the structural features of the Japanese media and content industry and its background. Conventional mass media such as broadcasters, newspapers, and publishing houses prospered in Japan. One might attribute such prosperity to the success of the government's media policies as an economic policy to help the industries grow. However, such prosperity of conventional mass media created problems to be solved. I will discuss the Japanese media and content industry's challenges and problems as the Internet and smart phones become public utilities.

3-1. Inward-Looking Business Practices in Japanese Media and Content Industry

It is sure that the presence of Japanese content is much weaker than that of Hollywood films. Some Japanese films and animations receive awards at well-known international film festivals. Many European superstar football players enjoyed the Japanese soccer anime *Captain Tsubasa* in their boyhoods. Content business experts may be familiar with the content produced in Japan. However, I rarely hear the news of a Japanese film being screened at many theaters and earning great amounts of revenue in the United States and Europe. We have no such popular films as the recent film about the rock band Queen, *Bohemian Rhapsody,* which attracted millions of people and caused a sensation even in Japan. Godzilla may be famous, but *Godzilla* of Hollywood was not made in Japan. Japanese filmmakers created a Godzilla movie titled *Shin Godzilla,* which was a big hit in theaters in 2016 in Japan. However, I hear that this film was not so appealing to international audiences. The only Japanese film that became a big hit may be the animation film *Pokemon* in 1999.

A characteristic of the Japanese media and content industry is its weak presence of media organizations and content in the international market despite the big scale of the domestic market.

It is often mentioned that Japan has suffered from a great amount of "information deficit." While Japan has developed through the export of hardware such as vehicles and electronics, we have not been successful in exporting software or content. I heard that the popular Korean boy band BTS hit number one in US music charts. I cannot imagine a Japanese group achieving such success in the near future.

The then Prime Minister Junichiro Koizumi set a governmental goal to protect and use intellectual rights in the Diet speech in 2002, and the Intellectual Property Basic Act was enacted in the same year. Since then, the government has tried to foster popular culture, like animation pieces, as an item to export, as the major conventional driving forces of economic growth such as motor vehicles of Toyota and Honda and the electronics of Sony and Toshiba are losing their supremacy in the market after the growth of rival countries like Korea. However, it seems that the actual situation is not developing as the government expected.

Japanese mass media enterprises are satisfied with the rich market in Japan. Therefore, they do not have much incentive to create work that would appeal to consumers overseas. Japan's media and content industry has prospered, but its media enterprises are very inward-looking. As I stated before, Japanese TV broadcasters often produce films based on their TV drama series. These practices symbolically show the inward-looking tendency of Japanese media enterprises. It may be a right business strategy to focus on the market and products that are very promising. However, the current Japanese media enterprises cannot meet the expectations of the government which wants media content to be a major export item. The basic structure of the Japanese media and content industry is established by the governmental policy that favorably treats conventional mass media, especially broadcasters and newspapers. Then, we need to reconsider from the perspective of public interest, whether this basic structure should be maintained and whether the government should keep the policies that favorably treat conventional mass media.

3-2. Slow Adaptation to Digitalization

The current business structure preserves the strong presence of conventional mass media enterprises and prevents newcomers from entering into the market even in the changing media environments generated by the Internet and smart phones.

Hulu that succeed in the U.S. market by providing "over-the-top media services" using the

Internet networks made inroads into the Japanese market in 2011, but things did not go well, and the Japanese subsidiary was sold to one of the key terrestrial TV broadcasters, Nippon Television Network Corporation, in 2014.

The public broadcaster NHK was reported to establish a policy to simultaneously distribute their TV programs on the Internet by the summer of 2020 when the Tokyo Olympic Games will be held. The commercial broadcasters oppose the policy, arguing that NHK's expansion to the Internet signals illegitimate oppression from the public broadcaster on commercial broadcasters. I do not think that the public agrees with the argument of commercial broadcasters. Although commercial broadcasters gradually increase the number of TV programs to be distributed on the Internet, they may have to do more to adapt to the new media environments to counter NHK's expansion on the Internet.

Newspaper publishers are the most prominent example that face challenges in adapting to the new media environments based on the Internet and smart phones. The circulations of major Japanese newspapers are relatively high, and the publishers employ quite a large number of employees. For example, the publisher of the most prestigious national newspaper, *The Asahi Shimbun,* with a circulation of more than 5 million copies, employs more than 4,500 people. *The Kyoto Shimbun,* the prefectural newspaper in Kyoto with a circulation of more than 400,000 copies, employs more than 400 people. Although they explore ways to profit from digital content, they still do not know how to earn profit that is good enough to keep their many employees. As the paper version of newspapers still sell quite well, it is rather absurd for them to drastically change their business model.

The Nihon Keizai Shimbun, known as *The Nikkei,* is the only major financial newspaper in Japan and is a monopoly. It is only *The Nikkei* that actively searches for a new business model. They actively tackle the challenges of digitalization since they started the digital version of the newspaper in 2010. As the publisher enjoys a monopolistic position in providing financial news to the Japanese public, monthly subscription of the digital version is as expensive as about 40 U.S. dollars. The price is very aggressive if we compare it to the price of 2 U.S. dollars a week for *The New York Times.* The publisher announced in January 2017 that they had more than 500,000 paid-for subscribers for the digital content, making them the fourth largest newspaper publisher with paid-for digital subscribers, after *The New York Times, The Wall Street Journal,* and *The Financial Times. The Nikkei* also aggressively tackles challenges in expanding to overseas markets. They started a new financial newspaper in English for the Asian market in 2013, established their Asian headquarters at Singapore in 2014, and paid as much as 844 million pounds to Pearson plc to buy *The Financial Times* in 2015.

The Nikkei is an exceptional case among Japanese newspaper publishers. According to the latest survey of the Japan Newspaper Publishers and Editors Association, among the 9 largest newspaper publishers, only one publisher responded that the revenue from digital content accounted for more than 10% of its total revenue. Although the association did not mention the name of the publisher, it may be *The Nikkei.* The four publishers' revenues from digital content ranged from 1% to 5% of the total, and the other four's was less than 1%.

As I stated before, newspapers sell quite well in Japan, although the circulations are rapidly dropping. It is reasonable for newspaper publishers other than *The Nikkei* to assume that they cannot expand to overseas markets. If they transform their business model to a more digital-oriented one, their sales may be damaged. As long as they do not know how to profit from digital content, they have to keep their conventional business model. It seems to me that the only rational way for Japanese newspaper publishers is to try to increase profit from side businesses. Actually, the publisher of *The Asahi Shimbun,* among others, has been actively investing in start-up companies recently.

Digital publishing business is not going well either. Publishing business suffered from a long-term business slump. The total sales in the publishing business in Japan have been shrinking since 1996. The total sales of 2017 are just about 52% of that of 1996. The growth of digital publishing market is slow. According to the survey of the Publication Science Institute, the total sales of digital publications was about 2 billion U.S. dollars in 2017, up 16% from last year. It accounted for 14% of the total publishing sales. Among digital publishing, only the section of comics is rapidly growing. I will come back to this topic later.

3-3. Impoverishment of the Production Staff

"Media" is the means of communicating or disseminating information or content. Media itself do not create content to be communicated. Conventional mass media prospered in Japan. Structural features of the industry generated the problem that TV broadcasters and newspaper publishers' supremacy in the distribution process of content capture the larger chunk of financial resources, and only a small amount is assigned to content production. As a result, the production staffs are not well paid and have to work in rough environments where they are forced to work longer hours. While it is very difficult to be a permanent employee of a TV broadcaster, the working staff for the production companies of the TV programs are always troubled by the shortage of work forces.

Lots of TV production companies are involved in the process of making TV programs. It is well known that there is a big gap in terms of treatment, including pay, between the TV broadcaster employees and TV production company employees who actually create the programs.

In 2007, a TV production company made a health and diet program using fabricated data. According to the report by the third party that investigated the background of the fabrication, three-quarters of the total amount of money paid by the sponsor of the TV program was captured by the TV broadcaster and an advertising company, and only one-fourth was paid to the TV production companies which actually created the program.

The average salaries of the permanent employees of the key TV broadcasters are more than 100,000 U.S. dollars a year, while that of the employees of the TV production companies are generally very low. Some employees are reported to be paid as low as 20,000 U.S. dollars a year.

We can also find the problem of impoverishment in the process of animation production. Animation production companies normally have very little financial power and do not have enough financial resources to produce a film. Even if they can produce work on their own, they do not have much know-how to put their works on screen, make DVDs for sale, and use animation characters for computer games. Therefore, major media companies with financial resources form a Production Committee which outsources the production of animation films to animation production companies. The production companies are normally not able to join the Production Committee as they are not financially large enough to be a member. They just receive orders from the Production Committee and the financial resources to cover the cost of production of animation work. Additional sales profits acquired by the Production Committee is not shared by the animation companies which actually created the works, as member companies of the Production Committee hold all exclusive rights to the works. Generally speaking, those who are actually involved in the process of making animation works are underpaid. As a result, animation companies suffer from a permanent shortage of creators, and more and more parts of the production process are outsourced to foreign countries like China.

I can mention two problems here. We should consider whether the treatment gap between permanent employees of major media enterprises and employees of production companies is legitimate. Especially, TV broadcasters are required to pursue not only their own but also the public interest, because their business is based on the privilege granted by the government to exclusively use a certain bandwidth of radio waves. TV broadcasters are required to be sensitive to public interest. We should discuss whether it is legitimate for TV broadcasters to capture the larger part of revenues and pay higher salaries to their permanent staff while maintaining very rough working environments for the creators of movies, TV programs, and animation pieces.

We should also consider the status quo of the media and content industry from the viewpoint of its future development. The most important factor for further development is creativity. If they cannot keep creating good pieces of work, their products will be replaced by imported pieces. Therefore, we need to change the current structure of the industry in which major media enterprises capture larger parts of benefits into a structure where creators are legitimately rewarded. Otherwise, talented younger generations will no longer want to work as content creators.

4. A New Movement

I focused on the structural features of the Japanese media and content industry in this lecture.

The Japanese media and content industry is relatively stable, and conventional mass media maintain a strong influence over the whole industry, while they find it difficult to keep up with the pace of rapid development of media and information technologies. However, we can see some signs of possible structural change in areas of animation and digital publishing.

Please refer to the graphs based on the survey of the Association of Japanese Animators, showing the recent business trends in the field of animation. The association defines the animation market in two ways, in a broad sense and in a narrow sense. Figures of the animation market in a broad sense cover all revenue earned by the actors involved in the animation business including TV broadcasters, newspapers, publishing houses, and game companies. The figures of the animation market in a narrow sense covers the revenues that the animation production companies have earned.

As I stated before, animation production companies and creators work under tough business circumstances as conventional mass media enterprises hold supremacy in their field. The graph (Figure 6) shows the transition of the revenues of animation production companies. We can see on the graph that the total revenue of animation production companies sharply declined from 2005 to 2009, and have steadily recovered since 2009. 2016 figures hit a historic high. Total revenues of 2017 exceeded those of the previous year and increased by more than 70% since 2009.

Exports and the investment from overseas contributed to the rapid expansion of the market. Please look at the graphs (Figure 7 and 8) showing the transition of revenue sources of Japanese animation industry in a narrow sense. You will notice that revenues from overseas have increased over the past few years. The Association of Japanese Animators stated that the Chi-

Figure 5 Transition of Revenues of Japanese Animation Industry in a Broad Sense
(Source: Association of Japanese Animators, Unit: 100 million yen)

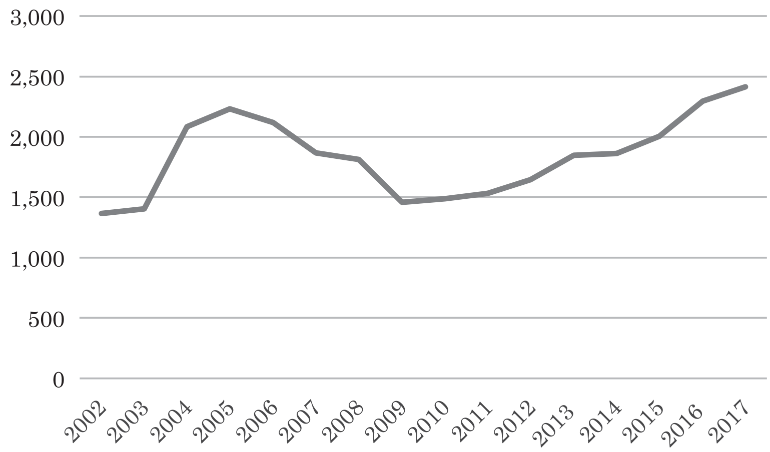

Figure 6 Transition of Revenues of Japanese Animation Industry in a Narrow Sense
(Source: The Association of Japanese Animators, Unit: 100 million yen)

nese market became the biggest market for animation exports in 2016. China established tight regulations on the broadcast of Japanese animation works. However, the regulations are looser on the Internet, and Chinese media-services providers actively buy Japanese animation works for online distribution. Chinese over-the-top media services providers, as well as those in the United States like Netflix, not only bought Japanese products but also started to directly invest in the production of Japanese animations.

The main revenue source of animation production companies has been the TV broadcasters in Japan. Revenues from TV broadcasters is still larger than those from overseas. However, the growth of new revenue sources may decrease the reliance of animation production companies on TV broadcasters and change the power relations between TV broadcasters and animation companies.

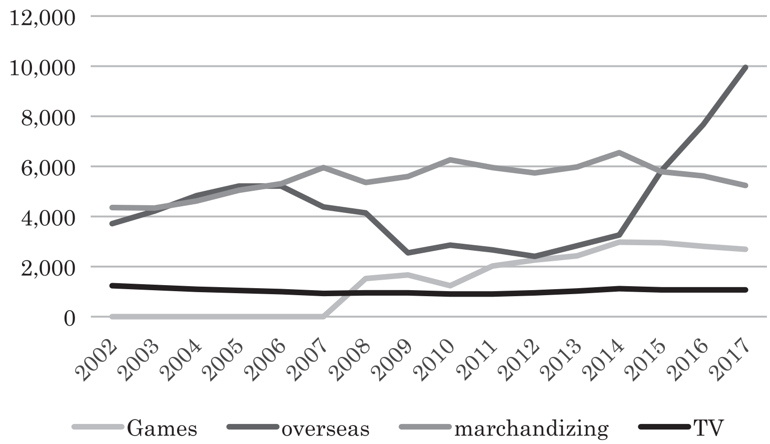

Figure 7 Transition of Revenue Sources of the Japanese Animation Industry in a Broad Sense
(Source: Association of Japanese Animators, Unit: 100 million yen)

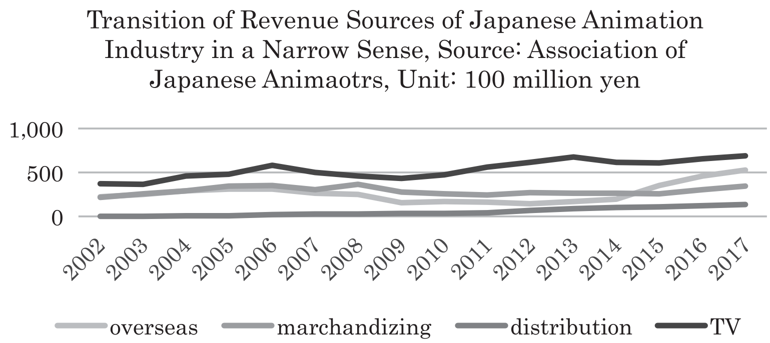

Figure 8 Transition of Revenue Sources of Japanese Animation Industry in a Narrow Sense
(Source: Association of Japanese Animators, Unit: 100 million yen)

Table Total Sales of Paper Comics and Digital Comics

		2015	2016	2017
Paper	comic books	2102	1947	1666
	comic magazines	1166	1016	917
Digital	comic books	1149	1460	1711
	comic magazines	20	31	36

(Source: Research Institute for Publications, Unit: 100 million yen)

Another area where we can see signs of change is the digital publishing of comics. As I stated before, the pace of growth of digital publishing as a whole is not as rapid as expected. However, the area of digital comic publishing is an exception. The table above shows the total sales of paper comics and digital comics for the past three years, as surveyed by the Research Institute for Publications. As the table shows, sales in digital publishing of comic books exceeded that in print publishing in 2017.

The applications for comics that gained popularity in the 2010s brought about the growth of digital comic publishing. Applications do not just provide an alternative way for comic readers to access animation works. They are changing the business model of comic publishing and the relations among publishing houses, authors, and readers.

Readers can access parts of many works with free trials. Before the arrival of comic applications, names of authors and works were recognized by the public when the authors were entitled to run serial stories on major weekly or monthly magazines. An author could not succeed if the editors of major publishing houses did not discover his or her talent. The comic applications enabled readers to access more pieces of work. Therefore, talented authors can reach their readers even before major magazine editors discover their talents. The structure of the comic business is changing. Attractiveness of works and talents of authors matter more than the reputation of publishing houses and magazines.

The revenue sources of publishers and authors have multiplied. Publishing houses relied mainly on the revenues from magazine sales until the 1970s, and the revenues from comic books became the main revenue source for them since the 1980s. Comic applications provided publishing houses with a new revenue source, that is, revenues from advertisement, online sales of products related to the works, and game applications provided by publishing houses. Authors also receive distributed profits from advertisement and sales of goods. Comic authors are known to be forced to work very hard when they become popular and work on serial stories on magazines. The multiplying revenue sources may give authors a more comfortable or flexible work environment that is independent of publishing houses.

The speed of technological development is too fast for me to keep up with. More drastic changes may be under way than what I have mentioned here. I believe, however, that the Japanese media and content industry has very conservative features, and so do its consumers. It is reported that Apple iPhone's share of the smart phone market reached almost 50% in Japan, while around 10% in the United States. I suppose that iPhone sells very well in Japan partly because iPhone was the first smart phone in Japan and consumers who bought iPhones first do not bother to switch to another maker even when they are buying a new device. Another reason is that lots of other people use iPhones. I suppose that the large share of iPhone in Japan symbolically shows the conservativeness of Japanese consumers. I am not sure if the Japanese media and content industry can keep the creativity that is necessary for further development of the industry given such conservative consumers. I am afraid that my basic feeling of being conservative as a Japanese consumer may be reflected on the picture of the Japanese media and content industry I described here.

Technologies keep developing, and the pace of development may be even faster in future, whether we like it or not. If I have a chance to talk about the same topic in a few years, I may describe a totally different picture of the industry.

I would be glad to hear your ideas on the future of the media and content industry in the United States or other parts of the world.

Thank you for your time and attention.