



A Study of Japan's Film Industry

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Introduction

The Japanese film industry is the fourth largest film market in the world, trailing the United States/ Canada and China. While American films are still extremely popular, Hollywood no longer dominates the Japanese market. Since 2008, Japanese films have accounted for more box office revenue than imported films.

This is not to say that the chances for imported films are limited. The recent megahit of the movie “Frozen” (titled in Japan as “Anna and the Snow Queen”) demonstrates the size and appeal of the market in Japan. The film was popular beyond all expectations, and became a social phenomenon in Japan in 2014.

This study will focus on Japan's Film Industry and introduce major trends while commenting on the success of “Frozen.”

The Japanese Market

According to the Motion Picture Producers Association of Japan, in 2014, a total of one hundred and sixty one million people were recorded going to the movies. This was an increase of 3.4 percent from the previous year. The overall box office revenue total for 2014 was 207 billion yen (\$ 1.956 billion*). Compared to 2013, this was an increase of 6.6 percent (Motion Picture Producers Association of Japan).

Japanese films have accounted for more revenue than foreign films since 2008. In 2014, Japanese films accounted for 58.3% of box office revenue while foreign films accounted for 41.7%. The year saw 1184 films, with 615 Japanese and 569 imported films. The charts below demonstrate these trends.

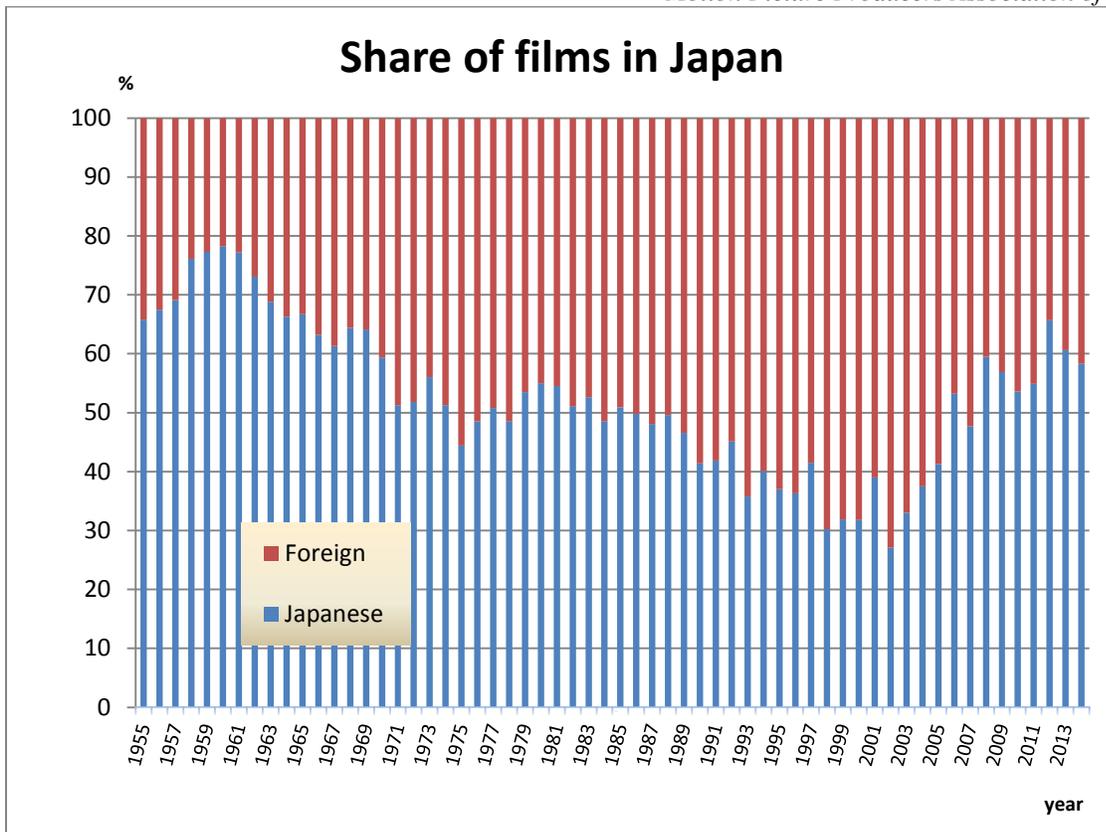
**Unless otherwise noted, the exchange rate is calculated as \$1=105.85yen which is the average of monthly rate in 2014 as published by Mitsubishi UFJ Research and Consulting. Since the exchange rate drastically affects the revenue in U.S. dollars, please refer to the value of U.S. dollars just as an example.*

**For the comparison purpose, \$1=105.85 yen rate is used for 2015 revenue later too.*

Film Industry Data in Japan

Year	Number of Visitors (million people)	Number of Released Films			Box Office Revenue (million yen)			Share (%)	
		JP	Foreign	Total	JP	Foreign	Total	JP	Foreign
2000	135.39	282	362	644	54,334	116,528	170,862	31.8	68.2
2001	163.28	281	349	630	78,144	122,010	200,154	39	61
2002	160.77	293	347	640	53,294	143,486	196,780	27.1	72.9
2003	162.35	287	335	622	67,125	136,134	203,259	33	67
2004	170.09	310	339	649	79,054	131,860	210,914	37.5	62.5
2005	160.45	356	375	731	81,780	116,380	198,160	41.3	58.7
2006	164.59	417	404	821	107,944	94,990	202,934	53.2	46.8
2007	163.19	407	403	810	94,645	103,798	198,443	47.7	52.3
2008	160.49	418	388	806	115,859	78,977	194,836	59.5	40.5
2009	169.30	448	314	762	117,309	88,726	206,035	56.9	43.1
2010	174.36	408	308	716	118,217	102,521	220,737	53.6	46.4
2011	144.73	441	358	799	99,531	81,666	181,197	54.9	45.1
2012	155.16	554	429	983	128,181	67,009	195,190	65.7	34.3
2013	155.89	591	526	1,117	117,685	76,552	194,237	60.6	39.4
2014	161.12	615	569	1,184	120,715	86,319	207,034	58.3	41.7

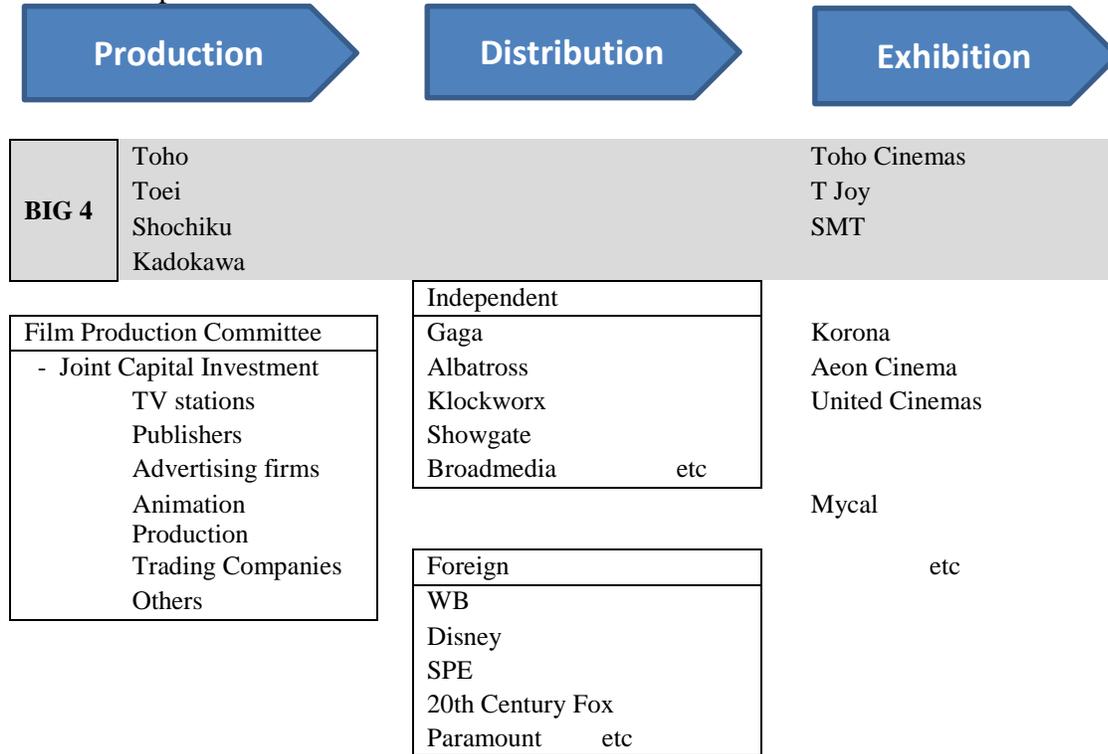
Motion Picture Producers Association of Japan



The Film Industry in Japan

The Japanese film industry consists of companies involved in three stages of movie production. This includes: film production, distribution, and exhibition. (See "Flow of Japanese Film Industries")

Flow of Japanese Film Industries:



Created based on METI - Contents Industry

In Japan, foreign production companies will either have a local presence in the form of a local subsidiary that takes on the distribution role, or have an official partnership with a Hollywood based major production company. Walt Disney Studios will produce a film in the States and trust Walt Disney Japan to market the film in Japan. Toho Studios in Japan works with Universal Studios to distribute and market their films in Japan. Other companies pair together for specific films as well.

Hollywood films have a partnership with a distribution company in the Japan. This arrangement makes marketing efforts country appropriate and ensures the film's success through proper access to theaters and adequate visibility. The right distribution partner will also help in securing top talent for voice actors and subtitling specialists.

When seeing a foreign film, Japanese choose between dubbed or subtitled options. These options have given birth to a market for voice actors and subtitling specialists, with renowned

names getting first pick of feature films, and securing profits. A famous subtitle specialist, such as Ms. Natsuko Toda, would charge 4 million Japanese yen (\$37,789) per a movie.

For non-Hollywood films, the Japanese company must make a decision on whether to take the risk in picking up the film. Usually the financial risk is too great and distribution companies veer towards familiar Hollywood produced films. Often, non-Hollywood and foreign titles are purchased by Japanese distribution companies after they receive awards at the film festivals.

In the Hollywood Antitrust Case of 1948, the U.S. Supreme Court decided that movie studios should not own their own theatres or retain the rights to show their films in theaters. This decision was to create a more level playing field and prevent major studios from having unfair advantages.

It is interesting to note that in Japan, production companies themselves owning distribution and exhibition companies is not illegal.

Japan's All Time Favorites

Examining Japan's all time film favorites helps better set the setting for understanding the industry.

The chart bellows documents the films that have been the most popular in Japan.

Rank (Rank in Foreign films)	Title	Gross (estimated) in Billion Yen	Distributor	Release Date	JP or Foreign
1	Spirited Away (Sen to Chihiro no Kamikakushi)	30.4	TOHO	7/20/2001	JP
2 (1)	Titanic	26.2	FOX	12/20/1997	Foreign
3 (2)	Frozen	25.48	WDS	3/14/2014	Foreign
4 (3)	Harry Potter and the Philosopher's Stone	20.3	WB	12/1/2001	Foreign
5	Howl's Moving Castle	19.6	TOHO	11/20/2004	JP
6	Princess Mononoke	19.3	TOHO	7/12/1997	JP
7	Bayside Shakedown 2	17.35	TOHO	7/19/2003	JP
8 (4)	Harry Potter and the Chamber of Secrets	17.3	WB	11/23/2002	Foreign
9 (5)	Avatar	15.6	FOX	12/23/2009	Foreign
10	Ponyo	15.5	TOHO	7/19/2008	JP
11 (6)	The Last Samurai	13.7	WB	12/6/2003	Foreign
12 (7)	E. T.	13.5	CIC	12/4/1982	Foreign
12 (7)	Armageddon	13.5	WDS	12/12/1998	Foreign
12 (7)	Harry Potter and the Prisoner of Azkaban	13.5	WB	6/26/2004	Foreign
15 (10)	Jurassic Park	12.85	UIP	7/17/1993	Foreign

Kogyo Tsushinsha

Out of the top fifteen, ten are foreign films.

The number one film of all time in Japan is “Titanic.” Three “Harry Potter” films claim slots in the top ten. Fantasy films “Avatar,” “Jurassic Park,” and “E.T.” also make the rankings. Dramatic films such as “Armageddon” also make the ranking. The one surprising film may have been “The Last Samurai” featuring Tom Cruise as the last “samurai” who treasures Japanese values. The film was the subject of scorn for many with its unrealistic plot and historical inaccuracies, but loved for presenting Japan in a “positive light” to the world. “Memoirs of a Geisha” did not do as well possibly due to the casting of a non-Japanese as lead, and to the fact that it was not the most positive portrayal of Japanese history and culture.

It is evident that the Japanese do enjoy foreign films, and that they like Disney franchises and animation features. In 2015, Disney films continue to be successful. Following the mega hit of “Baymax (9.18 billion yen: \$86.7 million)”, “Cinderella” made 5.73 billion yen: \$54.13 million (Oricon Dec 2015). Other notable American movies were “Jurassic World (9.5 billion yen: \$89.75 million)”, “Minions (5.23 billion yen: 49.4 million)”, “Mission: Impossible (5.11 billion yen: 48.28 million)” and “Inside Head (4.03 billion yen: 38.07 million)” (Oricon Dec 2015).

One can see that there are no independent or non-Hollywood films in the top fifteen.

Japan’s Film Rankings for 2014

Seeing the all-time popular film list and knowing how well Disney franchises do internationally, is easy to assume that Hollywood dominates the Japanese market. To a degree, it still does capture a sizeable share. However, the trend has been a decrease in the popularity of imported films, and an increase in the popularity and number of domestic films.

Looking at the popular films for 2014 helps give on an idea of such trends.

The chart below shows films that grossed over 2 billion yen (\$18.9 million) in the box office in 2014.

	Rank	Title	Gross (estimated) in Billion Yen (Million \$)	Distributor
Japanese	1	The Eternal Zero (Eien no Zero)	8.76 (82.76)	Toho
	2	Stand by me Doraemon	8.38 (79.17)	Toho
	3	Samurai X/Ruroni Kensin kyototaika-hen	5.22 (49.32)	Warner Brother
	4	Terumae Romae II	4.42 (41.76)	Toho
	5	Samurai X/Ruroni Kensin Densetsu-no-Saigo-Hen	4.35 (41.1)	Warner Brother
	6	Lupin III vs Detective Conan The Movie	4.26 (40.25)	Toho

	7	Detective Conan Dimensional Sniper	4.11 (38.83)	Toho
	8	Doraemon: New Nobita's Great Demon	3.58 (33.82)	Toho
	9	When Marnie Was There	3.53 (33.35)	Toho
	10	Pokémon the Movie: Hoopa and the Clash of Ages	2.91 (27.49)	Toho
	11	The Tale of Princess Kaguya	2.47 (23.33)	Toho
	12	Hot Road	2.47 (23.33)	Shochiku
	13	Lupin III	2.45 (23.15)	Toho
	14	The Mole Song – Undercover Agent Reiji	2.19 (20.69)	Toho
	15	Partners: The Movie III	2.12 (20.03)	Toei
	-			
Foreign	1	Frozen	25.48 (240.72)	World Disney Studio
	2	Maleficent	6.54 (61.79)	World Disney Studio
	3	Gravity	3.23 (30.51)	Warner Brother
	4	Godzilla	3.2 (30.23)	Toho
	5	The Amazing Spider-Man 2	3.14 (29.66)	Sony Pictures Entertainment
	6	Transformers: Age of Extinction	2.91 (27.49)	Paramount Pictures

Yano Research Institute

The top ranking Japanese film, which followed “Frozen” in the overall ranking for 2014, was “The Eternal Zero”. This film was about a grandson discovering the hidden story of his grandfather who was a kamikaze pilot during World War II. The film does not beautify war, but focuses on how Japanese soldiers struggled with the concept of giving their life for their country, and captures the internal struggle of dying with grace versus living for the future. The sentimental tone and use of boy band heart throbs made the film a huge hit.

The film that came in a close second was “Stand by me Doraemon”. For Japan experts, Doraemon is well known as the blue robotic cat that helps those around him with futuristic products.

Both the second and third place films were based on characters or stories familiar to the Japanese public. “The Eternal Zero” was made into movie from a million seller book prominently featured in media, and Doraemon is similar to Mickey Mouse in Japan. There is no Japanese person that does not know Doraemon and very few Japanese would have missed the news about the popularity of “The Eternal Zero.” One can also see the strong performance of films based on Japanese cartoons (manga) and animation films.

While “Frozen” appears as a clear winner for 2014, this actually is an anomaly and one can see that domestic films have performed better than foreign ones. For 2014, 15 Japanese films made over 2 billion yen in the box office, while only 6 foreign films were able to do so.

The “Frozen” Phenomenon

Given the immense popularity of the film, it’s impact in Japan is certainly worth examining.

In 2014, Americans were stunned to see the popularity of the film “Frozen” in Japan. The film brought in \$241 million, making it the third highest grossing film of all time in Japan.

Considering that it grossed \$400 million in the United States and Canada, Japan’s share certainly contributed to the film’s \$1.2 billion total. Frozen was the highest-grossing film of 2013 and the highest grossing animated film of all time.

It is important to note, that this figure does not include merchandise sales. The official soundtrack sold 300,000 copies, and became the highest selling Disney soundtrack in Japan. Halloween brought a huge demand for Elsa costumes, and Christmas was accompanied with Elsa themed lighting attractions. Tokyo Disney Resort has also announced plans for a massive redevelopment that will include a Frozen themed area with a Scandinavian port set to open in 2017.

Disney welcomed the popularity of the film after declining popularity of imported films in Japan. Japan became a market to court for business, and “Baymax (Big Hero Six in the United States)” was released. Roy Conli, producer for the film, said, “The whole movie is not just a tribute to Japan, but a love letter to the Pacific Rim.” The main character is Hiro Hamada, his brother Tadashi Hamada, and the movie set in the fictional setting of San Fransokyo, a city that combines landmarks from both San Francisco and Tokyo. The film made \$75 million in Japan and grossed over \$621 million worldwide. It was the top animation film of 2014.

Just Why was Frozen Popular in Japan?

The film, titled “Anna and the Snow Queen” was popular for many reasons. The choice of actresses Takako Matsu and Sayaka Kanda to voice Elsa and Anna was a smart move as their voices were appealing to the Japanese audience. The film’s focus on two strong female leads resonated in a country facing Womenomics. Finally, a necessity in a country where karaoke is a pastime, the theme song was catchy and easy to sing. “Frozen” had all the magical elements that combined made the film a surprisingly huge success in Japan.

While not every imported film will make it in Japan, “Frozen” showed that there still is a huge market for U.S. content and merchandising. However, not every film will be like “Frozen” and it is important to properly acknowledge trends in Japan’s film industry.

The following chart shows the American films that have made over 2 billion yen from 2001 until 2014. There are only ten or so films a year that are able to break this line of revenue.

Year	Rank	Title	Gross (estimated) in Billion Yen	Distributor
2014	1	Frozen	25.48	WDS
	2	Maleficent	6.54	WDS
	3	Gravity	3.23	WB
	4	Godzilla	3.2	TOHO
	5	The Amazing Spider-Man 2	3.14	SPE
	6	Transformers: Age of Extinction	2.91	PPJ
2013	1	Monsters University	8.96	WDS
	2	Les Misérables	5.89	TOHO-TOWA
	3	Ted	4.23	TOHO-TOWA
	4	Wreck-It Ralph	3	WDS
	5	Skyfall	2.75	SPE
	6	Iron Man 3	2.57	WDS
	7	Despicable Me 2	2.5	TOHO-TOWA
	8	The Lone Ranger	2.09	WDS
	9	A Good Day to Die Hard	2.06	FOX
	10	Fast & Furious 6	2.02	TOHO-TOWA
2012	1	Mission: Impossible - Ghost Protocol	5.38	PPJ
	2	Resident Evil: Retribution	3.81	SPE
	3	Marvel's The Avengers	3.61	WDS
	4	The Amazing Spider-Man	3.16	SPE
	5	Men in Black 3	3.13	TOHO-TOWA
	6	Dark Shadows	2.16	WB
	7	Madagascar 3: Europe's Most Wanted	2.05	PPJ
2011	1	HARRY POTTER AND THE DEATHLY HALLOWS - PART 2	9.67	WB
	2	Pirates of the Caribbean: On Stranger Tides	8.87	WDS
	3	HARRY POTTER AND THE DEATHLY HALLOWS - PART 1	6.86	WB
	4	Transformers: Dark of the Moon	4.25	PPJ
	5	Cars 2	3.01	WDS
	6	THE CHRONICLES OF NARNIA: THE VOYAGE OF THE DAWN TRI	2.69	FOX
	7	Tangled	2.56	WDS
	8	RISE OF THE PLANET OF THE APES	2.42	FOX
	9	Black Swan	2.39	FOX
	10	TRON:LEGACY	2.12	WDS

Motion Picture Producers Association of Japan

Seeing the hits from 2014, 2013, 2012 and 2011, one can once again see the trends for films that have been successful in Japan. Disney films tend to be successful in addition to super hero themed movies such as “Mission Impossible” and “The Amazing Spider-Man.” American comedy does not necessarily translate that well into Japanese, but “TED” was a surprising hit with a strong demand for merchandise. Drama, animation, super hero stories tend to be continuing popular categories.

Prospects and Future Possibilities

There are two ways for American films to enter the Japanese market. One is partnering with a distribution company in Japan as many Hollywood production companies do. Another would be to have one's film purchased by a Japanese distribution company. The later option is more challenging, as few Japanese companies wish to take risks with independent films. Independent films can opt to partner with a production company, as opposed to a distribution company and create joint features but this option is also not seen very often.

This is precisely why American films in Japan tend to mostly be major Hollywood productions. Very few films make it into the market that are not backed by major labels, and without extensive publicity done by a local partner, success for such films is challenging.

There will be a continuing market for American films in Japan through the partnerships of major Hollywood production companies and Japanese distribution partners. Japan is a cartoon and animation loving nation, and will continue to favor animated films and fantasy stories. The audience will also flock to action packed dramas. Comedies will likely only be successful if the humor can easily translate into Japanese.

Historical dramas or films with intense emotional or metaphoric features may not be well received due to subtitling and voice overs. The Japanese will stick to Japanese films for such experiences, and view foreign films more in an entertainment category. The burden of digesting an overly complicated plot or internal struggle through subtitles or voice overs is too much for the average viewer.

For films that follow the principles above, there can be chances and surprise successes in the Japanese market.

For those interested in learning more, contact at Entertainment Specialist, Ms. Tamami Honda at Tamami.Honda@trade.gov.