



A Look at Japan's Music Market

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Introduction

According to International Federation of the Phonographic Industry (IFPI), the Japanese music industry is the second largest music industry in the world, trailing the United States.¹ Japan's music market has consistently produced high sales through its steady demands in the physical markets (CDs, DVD, etc.) and through the expanding online streaming market.

The Japanese music market is dominated by domestic artists. Non-Japanese music captures a market share of about 13% including music from all countries outside of Japan.² Within Japanese music, J-Pop continues to be the core of the industry, holding 79.1% of market share while the next most prominent genre of music is anime sound tracks, which holds only 9.0% of the market.³

Japan has seen a continuous uptrend in the percentage of domestic music, producing low rates of success for international music. However, American top-hit songs have a consistent and significant role in the Japanese entertainment business.

This study will focus on Japan's music industry in J-Pop—introducing major trends and commenting on the phenomena of various idol groups.

The Japanese Music Market

As noted before, Japan is recorded to have the second largest music market in 2015 with \$2.6 billion (¥327.3 trillion) in trade value, comfortably above the third largest player, Germany, at \$1.4 billion (¥176.2 trillion) in trade value.⁴ Japan's music market held 13% of the global industry, which is roughly \$20 billion (¥2,518 trillion).⁵

Japan's production value showed a slight increase of 1% from last year's production value, making it the first increase in overall music sales Japan has seen in three years.⁶ The breakdown of the increase from 2014 to 2015 statistics is shown in the figure below.

¹ IFPI, "Digital Music Report: Charting the Path to Sustainable Growth," January 2016

² RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016

³ Oricon Inc., "2015 Yearly End Report," January 2016

⁴ IFPI, "Global Music Report: Music Consumption Exploding Worldwide," 2016

⁵ IFPI, "Global Music Report: Music Consumption Exploding Worldwide," 2016

⁶ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016

Music industry sales can be broken down into three categories: audio, music videos, and digital music. Audio refers to physical forms of music, mostly CD albums and CD singles, and others such as vinyl discs. Music videos refer to the unit production of music DVDs and Blu-Ray Discs. Lastly, digital music refer to music downloads or streams, which includes subscriptions, ringtone downloads, and single track and album downloads. The chart below shows the distribution of increase in value from the previous year.

Music Recording Industry in Japan Statistics 2014 vs. 2015

	Value in 2014 in thousands of USD (billions of JPY)	Value in 2015 in thousands of USD (billions of JPY)	Compared to previous years
Audio Recordings	1,480.4 (186.4)	1,450.2 (182.6)	98%
Music Videos	537.6 (67.7)	571.0 (71.9)	106%
Digital Music	347.0 (43.7)	374.0 (47.1)	108%
TOTAL of Recorded Music	2,365.9 (297.9)	2,394.5 (301.5)	101%

Source: 2015 Oricon Inc. Yearly Report

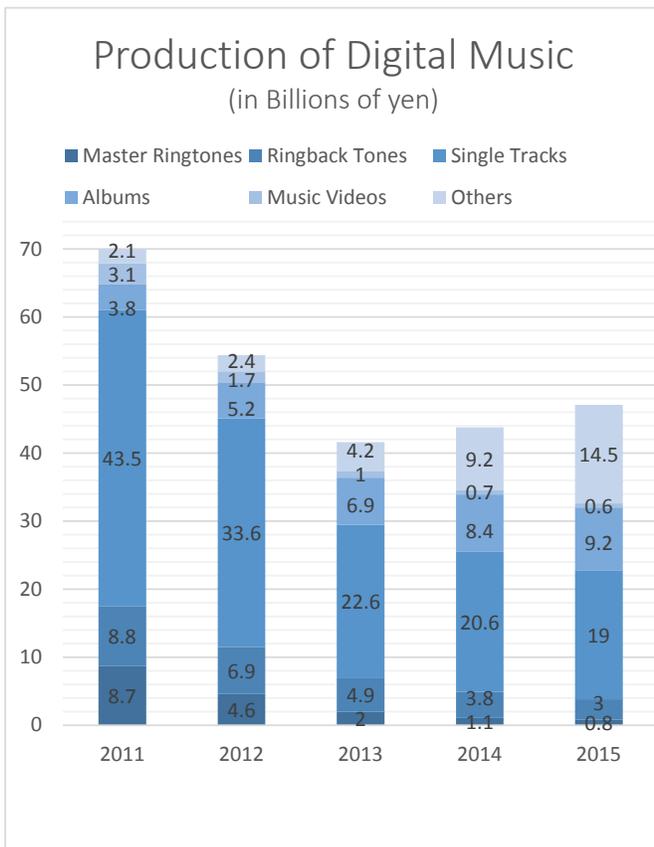
Digital Music:

Japan's growth in the digital music industry began in 2014, when the market saw an increase in revenue by 4.9%, the first positive growth in five years.⁷ In 2015, increases in the digital industry continued as it saw a sharp increase in subscriptions which led to its dramatic 8% increase in revenue.⁸ In addition, Japan experienced a slight increase in its originally low rate of online streaming. However, the market still only accounts for less than 5% of Japan's total recorded music industry, which shows enormous potential for future growth.⁹ In fact, companies such as Spotify have already begun to express interest in expanding their market into Japan. The composition of digital music revenue in 2015 and growth of the digital music industry is shown in the charts below.

⁷ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016

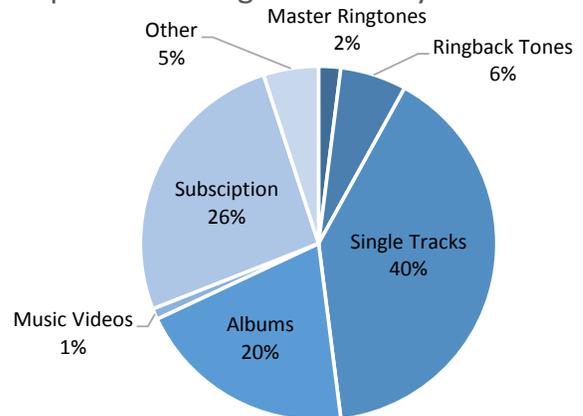
⁸ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016

⁹ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016



Source: IFPI Global Music Report 2016

Composition of Digital Music by Format in 2015



Source: IFPI Global Music report 2016

Audio:

The global music industry has seen a continuous fall in sales of physical formats of music, which accounted for only 39% of the total industry revenues in 2015.¹⁰

However, Japan has seen a contradicting trend in this audio recording market and recorded robust physical market shares of 60% in 2015.¹¹ Japan has been consistent in their strong market in audio recordings and despite the 2% decrease in total CD revenue, the sales from physical forms of music continues to be a core of the music industry in Japan.¹² In fact, audio revenue is almost completely composed of CD revenue, making the decrease in production of audio recordings consistent with the decrease in total CD production. This nearly identical parallel can be seen in the following chart.

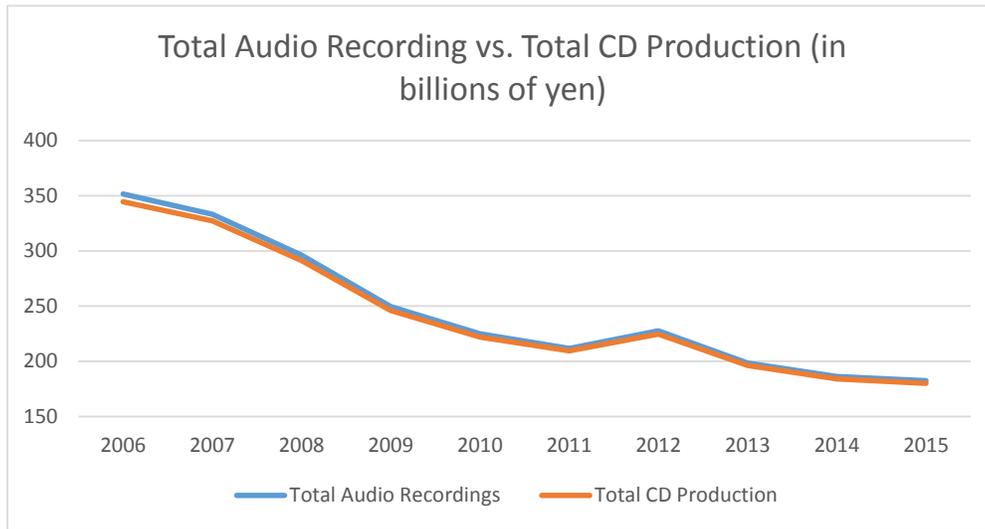
In a trend reverse to many other countries, Japanese still prefer physical copies of CD's, magazines, and books. Digital sales of all such products have not been as strong. The Japanese prefer to have physical copies, and to cater and sustain such preferences, magazines are printed on high quality glossy paper, CD singles have elaborate cases, and small paperback books are

¹⁰ IFPI, "Global Music Report: Music Consumption Exploding Worldwide," 2016

¹¹ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2015

¹² IFPI, "Global Music Report: Music Consumption Exploding Worldwide," 2016

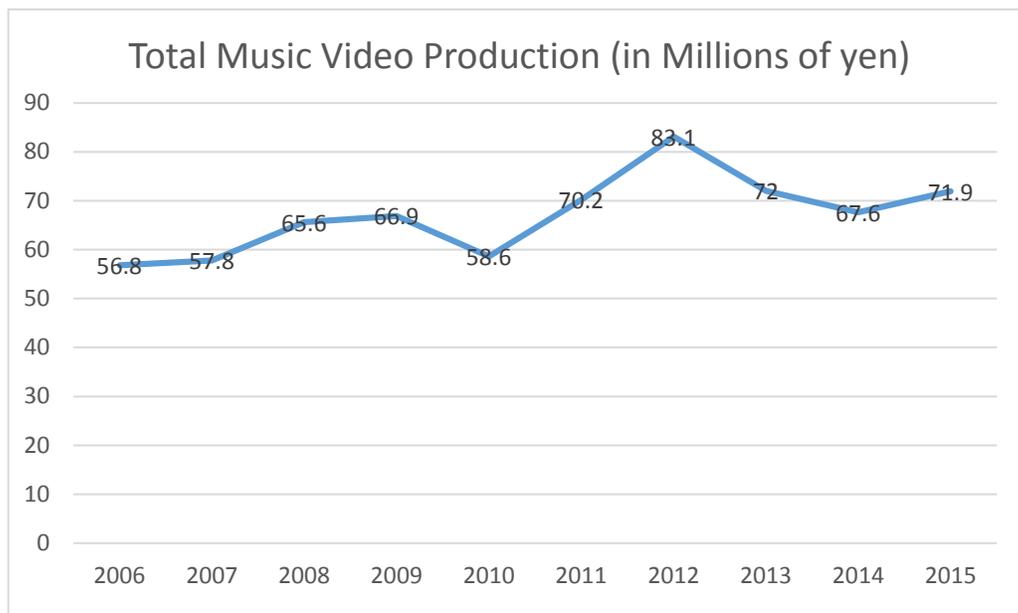
designed to be fashionable and portable to accompany long commutes. Furthermore, CD single's often come with links to special websites or even chances to enter a lottery and meet one's favorite singer. Such benefits continue to sustain sales of physical audio products.



Source: IFPI Global Music Report 2016

Music Videos:

Japan has consistently seen relatively low sales and production rates for music videos. In 2015, only 15.6% of total recorded music revenue was acquired through music video sales.¹³ Since music CDs have held such a large portion of sales, music DVDs and Blu-Ray DVDs have not seen much demand. Despite this fact, Japan has seen slow but steady increases in production in the last decade, as shown in the figure below.



Source: IFPI Global Music Report 2016

¹³ IFPI, "Global Music Report: Music Consumption Exploding Worldwide," 2015

Some highlights from the overall music industry’s growth in recent years include YouTube Red’s debut in Japan in 2015 along with 61 other countries—where producers worked to introduce the Japanese market to a wider range of music sales—and the dramatic 33.5% increase in synchronisation revenues—income from the use of music in advertising, film, games and television programs.¹⁴

Major Companies in the Japanese Music Industry

Japanese music companies can be divided into two categories: record labels and talent agencies. In each of these categories, a number of companies dominate the music market. The main distinguishing factor between the two is that talent agencies produce idols and idol groups to become artists, actors, and celebrities while record labels deals purely with music. Some idol agencies have their own record label while some idol groups contract with both agencies and record labels. Idol groups and agencies have seen an immense growth and consistent popularity since they began in the 70s in the Japanese culture, which in turn has given more business for the record labels.

Record Labels:

The following chart lists the major record label companies in Japan in 2015 by largest market share of the recorded music industry.

2015 Record Label Ranking

Rank	Company	Share
1	Avex Group Holding, Inc.	16.7%
2	Sony Music Entertainment	13.1%
3	Universal Music	12%.2
4	J Storm	8.2%
5	King Record	7.1%

Source: 2015 Oricon Inc. Yearly Report

Avex topped the market share ranking in 2011 for the first time in four years. After the movie and soundtrack to “Frozen” (known as “Anna and the Snow Queen” in Japanese) was released in 2014 and achieved immediate and extreme popularity, Avex pulled its lead even further ahead in its top rank with total sales of \$380.3 million (¥47.89 billion).¹⁵ The gross sales of the “Frozen” soundtrack, including the Standard Edition initially released March of 2014, was 1.3 million copies after a year since release.¹⁶ According to Avex’s company’s profile data released in 2015, their top three titles released in the fiscal year 2014 was, in order: Frozen (Deluxe Edition), Planet Seven and Ballada (shown in graph below).

¹⁴ IFPI, “Global Music Report: Music Consumption Exploding Worldwide,” 2015

¹⁵ Avex Group Company Profile, 2015

¹⁶ Avex Group Company Profile, 2015

2015 Avex Top CDs

Rank	Artist	Title	Copies Produced
1	Various Artists	Frozen -Deluxe Edition-	1,006
2	J Soul Brothers III from EXILE TRIBE	Planet Seven	948
3	Namie Amuro	Ballada	548

Source: Avex Company Profile (released in 2015)

Idol Agencies:

In 1971, the first idol group, Sannin Musume, made its debut, marking the beginning of the boom of idols. Japan saw a rapid output of idol and idol groups in the following years, creating an era known as the “Golden Age of Idols” in the 80s. Ever since this explosion of popularity, idols have continued to play a prominent role in the entertainment industry, becoming one of the main faces of Japanese culture.

Some identifying features of girl idol groups include a large group of young girls wearing cute clothes, dancing happily, and singing to bubblegum pop. Japanese idols can be thought of being similar to America’s Billie Piper, S Club 7 or Hilary Duff. However, Japanese idols are not expected to have high vocal skills.

Idol agencies have multiple roles of educating their idols with various talents such as singing, dancing, theatre and organizing television appearances. A unique quality of idol agencies is that big brand idol groups remain unchanged and recycles through many members, which gives fans the ability to grow up with them and remain fans for life. This also has nostalgia purposes, where past idols can be brought back for a reunion event or show.

Another unique quality of idol agencies is that they thrive to gain extreme fans, creating some obsessive and crazy fandom. Although this extreme fandom also exists in the West, Japanese super-fans are arguably more widespread. In order to achieve these hardcore fans, some agencies have their idols sign a contract saying that they must keep their relationships completely secret or even prohibiting relationships, to create an illusion that the idols are innocent and available. One idol group even has an official café to feature items from the group and have customers eat alongside videos of them performing (although none of the actual members are present in real life) to satisfy their fans’ needs to feel involved with the idols.

The top two Japanese talent/idol agencies are AKS and Johnny and Associates. Both AKS and Johnny’s are agencies involved in various entertainment-related activities other than music—including film and merchandise production. AKS manages multiple top female idol groups such as AKB48, SKE48 and HKT48. All of these idol groups are similar in their overall concept of many cute, young girls forming one group, but each has a various themes that gives them an edge (such as age group, hometown, etc.). Despite the similarity between these groups, AKS continues to see success with their many female idol groups.

Johnny and Associates is a talent agency promoting male entertainers that become known as Johnnies (Jani’z in Japanese). The agency is known for their rich history—dating back to 1963,

making it the first idol agency to be created—and for their notoriously tight management of their idols. The agency has produced numerous major idol groups including SMAP, Arashi, Kat-tun and many others.

The fluidity among various entertainment categories may be what sustains the idol industry and makes it so profitable. Idols can sing, model, star in movies and dramas, and serve as commentators on television programs. Popular dramas will always feature at least one idol, usually the love interest and idols can have their own comedy or variety shows. Becoming popular essentially promises access to multiple roles, making having popular idols a very lucrative business tool. Bartering also helps one star idol bring several fledging idols along with her/him to increase their visibility.

2015 Top Artists and Songs

The charts below show, respectively, the top artists, CD albums, and singles by total sales in 2015 according to the Oricon Yearly Ranking. The Oricon Ranking system is based purely off physical sales, and excludes streaming and airplay. It is also exclusive to Japanese music, and is considered the official Japanese music industry's ranking system.

2015 Top Japanese Artists and Groups by CD Sales

Rank	Artist	Total Sales in millions of USD (billions of JPY)
1	Arashi (idol group)	113.79 (14.32)
2	AKB48 (idol group)	89.67 (11.29)
3	J Soul Brothers III from Exile Tribe	54.40 (6.85)
4	Kis-My-Ft2 (idol group)	45.82 (5.77)
5	Kanjani8 (idol group)	43.33 (5.47)

Source: 2015 Oricon Inc. Yearly Ranking

2015 CD Album Ranking

Rank	Album	Artist
1	Japonism	Arashi
2	Planet Seven	J Soul Brothers III from Exile Tribe
3	Dreams Come True the Best!	Dreams Come True
4	Koko ga Rhodes da, Koko de Tobe!	AKB48
5	0 to 1 no Aida	AKB48
6	Reflection	Mr. Children
7	Budou	Southern All-Stars
8	Tree	Sekai No Owari
9	Can! Johnny's no Genki ga deru CD!!	Can! Johnny's
10	Kis-My-World	Kis-My-Ft2

Source: 2015 Oricon Inc. Yearly Ranking

2015 Single Album Ranking

Ranking	Song Title	Artist
1	Bokutachi ha Tatakawanai	AKB48
2	Halloween Night	AKB48
3	Green Flash	AKB48
4	Kucibiru ni Be My Baby	AKB48
5	Koke Tisshu Jutai-Chu	SKE48

Source: 2015 Oricon Inc. Yearly Ranking

Out of the top five Japanese groups and artists, four bands are under the agency of Johnny's and Associates: Arashi, J Soul Brothers, Kis-My-Ft2 and Kanjani8. The remaining band, AKB48 belongs to AKS. In regards to record labels, J-Storm is currently partnered with Arashi while Avex is contracted with J-Soul Brothers and Kis-My-Ft2. The remaining two bands are in various record labels outside the top five companies.

As the charts show, one name that consistently takes a presence in each chart is AKB48. According to Oricon rankings, AKB48 made \$47.64 million (¥5.99 billion) in singles and \$28.18 million (¥3.54 billion) in CD albums in 2015.¹⁷ These sales numbers were significantly higher than Arashi's \$18.70 million (¥2.35 billion) in singles and \$28.18 million (¥3.54 billion) in CD albums.¹⁸ However, even with these significantly lower statistics, Arashi took the top spot in the most overall sales and most sold album rankings. Two categories Arashi dominated were music DVDs and Blu-Ray DVDs, seeing nearly ten times more sales in in both categories than AKB48, with \$35.60 million (¥4.48 billion) and \$31.05 (¥3.91 billion) respectively.¹⁹

AKB48 is undoubtedly one of the most major, if not the most major, of female idol groups. The idol group is a 130-member group named after Akihabara, an area in Tokyo where the group's theater, café and original roster of 48 members are located. The producer of this group, Yasushi Akimoto, was inspired by the idea of "idols you can meet" and created subgroups to perform in multiple areas at once. They also have a concept of having their members being "ordinary," everyday girls, appealing to their fans that any girl can become an AKB member. Their presence goes beyond CDs and songs, some even claiming that AKB48 is "integrated into the everyday life of Japan" by their appearance in numerous commercials, news segments, television hosts, magazine covers, ads, and more. Not only do they have a large influence on the Japanese music industry, but they also control the Japanese pop culture.

Arashi is a band that has a large fan club based around the world, which is unusual for a Japanese band. Although their music is produced and released specifically for the Japanese market and taste, the band have fans (who call themselves "Arashain") all over Asia—including, but not limited to, Malaysia, Singapore, Indonesia and the Philippines. Arashi has a particularly strong presence in the Japanese television market, both in films and shows. They have appeared as guests on many shows as well as hosted their own variety shows. They even hosted NHK's *Kohaku Uta Gassen*, one of Japan's most important television show that takes place on New

¹⁷ Oricon Inc., "2015 Yearly End Report," January 2016

¹⁸ Oricon Inc., "2015 Yearly End Report," January 2016

¹⁹ Oricon Inc., "2015 Yearly End Report," January 2016

Year's Eve to celebrate the music of the past year, for five consecutive years from 2010 to 2014. The group is also very involved in the Japanese film industry and each of the five members are all successful actors. The concept of their band is to capture the hearts of young kids, teenagers, adults and the elderly alike from their relatable, uplifting songs that are meant to give the listeners motivation and confidence.

Both of these idol group's producers release songs catered to Japanese tastes. Since karaoke is a large industry in Japan, music that produces high sales tend to be songs that become most sung in karaoke. Therefore, the Japanese music industry is heavily influenced by songs that are relatable to their fans and listeners, as well as songs that are relatively easy and enjoyable to sing.

Foreign Music in the Japanese Music Industry

The composition of domestic and international recorded music, on a value basis, was 87% and 13% respectively.²⁰ Domestic music clearly dominates over international music; however, international, especially Western, music takes a significant presence in the Japanese music industry.

Although the ratio of international recorded music to domestic recorded music may be discouragingly low, American pop songs are generally played in Japanese public spaces such as malls, supermarkets, restaurants, etc. In fact, it is more common to hear American top-hits being played throughout the city than Japanese songs. Therefore, Japanese people are accustomed to American songs since many Western songs are widely played throughout Tokyo.

According to Billboard articles, the international newsweekly of music and entertainment, two foreign songs that saw large success in Japan are "Beautiful Sunday" by David Boone and "To Love You More" by Celine Dion. In the April 1977 article, "Beautiful Sunday" was said to be the "biggest foreign single hit in the history of the Japanese music industry."²¹ It sold over 2.05 million copies by the end of 1976, just a year after its release in Japan. It reached the #1 spot on the Oricon Singles Weekly Ranking Chart for two consecutive months and is still one of the top selling single by a foreign artist in Japan.²²

"To Love You More" by Celine Dion saw similar outcomes in its release in Japan. In the August 1996 Billboard article, it claimed that this song became the first #1 song by a foreign artist since "Flashdance" by Irene Cara, released over a decade before, and went on to sell 1.5 million copies within the first few months, making it "more [popular] than any foreign single in Japanese history."²³

In regards to top 2015 international songs, there were four songs from Western artists that made Japan's Billboard Hot Hit's top 20 in 2015. Those songs were "I Really Like You" by Carly Rae Jepsen; "Shake It Off" by Taylor Swift; "Uptown Funk" by Mark Ronson; and "See You Again"

²⁰ RIAJ, "Statistics Trends: The Recording Industry in Japan," April 2016

²¹ Billboard, "Billboard Publication," April 1977 Issue

²² Billboard, "Billboard Publication," April 1977 Issue

²³ Billboard, "Billboard Publication," August 1996 Issue

by Wiz Khalifa.²⁴ (Billboard charts are based on airplay, sales and streaming.) All of these songs except “I Really Like You” made the American Billboard Top 100 Single Hits as well, proving that the Japanese music industry is interested in similar pop songs that gain popularity in America.²⁵ Similar trends were seen in previous years as well.

A similarity that can be seen among the English songs that took the top ranking positions in the Japanese Billboard ranking is that all of them have choruses that are sing-along friendly. As mentioned above, since karaoke is a large part of the culture in Japan, songs that are not only relatable but also easy and fun to sing tend to make more sales than those that are complicated and difficult. Therefore, much of the songs that are produced for the Japanese taste are simple songs that come with an easy dance routine—similar to the High School Musical soundtrack. With groups such as AKB48, who thrive to create fans that want to become AKB members, having easy songs also helps create the image of anyone being able to join the idol industry. Additionally, songs in the Japanese music industry tend to have generic themes without any specific story behind the lyrics, in order to make the songs relatable to a wider audience.

However, that is usually not the case with American celebrity artists. For example, Taylor Swift has seen a very successful career with many top hits and albums. She is known for her songs that reflect on her past relationships or events in her personal life. Although her general themes of love and youth are relatable to her fans, her songs are special because they have a specific story behind them. A reason for Western artists creating more personal songs could be from the fact that American celebrities are more open to the media, whether through paparazzi or from interviews. Since these artist’s lives are already seen to the public, they use their personal stories to create their songs. However, the opposite process occurs in Japanese idol groups, who are sometimes bound by contract to keep their relationships and personal lives a secret—limiting them to create more generic songs.

Summary

Recently, the Japanese music industry saw a change in events that wildly upset and surprised many fans. SMAP, a core Japanese male idol group, announced this August that they would be ending their career as a group, which began in 1988, the following New Year’s Eve. They are arguably the country’s most popular boy-band and have been a top-selling group throughout their career. Like Arashi, they have a strong presence on television—making appearances on TV dramas, commercials, and even hosts their own variety show SMAPxSMAP, which became one of the most famous television shows in Japan. The five members became an iconic figure in the Japanese pop culture, achieving unprecedented levels of success in various entertainment industries, as a group and individually. The announcement of their break up sent shockwaves through the Japanese entertainment industry, marking an end to the beloved SMAP-era.

Why does this matter for the music industry? The break-up of SMAP is expected to have major repercussions on various entertainment industries—including the music market. The band, which produced many hit songs, also has a strong brand name within the commercial industry and thus, negative effects are predicted for TV stations and commercial sponsors as well. The fact that the

²⁴ Billboard, “Billboard Japan Yearly Top 100 Hits,” 2015

²⁵ Billboard, “Billboard America Yearly Top 100 Hits,” 2015

Prime Minister himself commented on the breakup shows just how much of an impact idol groups have in Japan. Such idols and singers dominate more than just music, but often the television, film, and modeling industries as well. The interconnected-ness of these industries coupled with uniquely Japanese cultural characteristics, make the music industry a hard one to break into.

As mentioned, the Japanese music industry is very exclusive to and dominated by domestic artists. American artists and music that do make it into the industry are, most often, major labels with pop songs that partner with Japanese record labels. Although Japan spends over a billion dollars on music from foreign countries on yearly basis, entering the 13% of international music without a major label company will be a difficult and costly process.

That being said, there are a few of ways for Western songs to enter the Japanese music industry. One could partner with an American digital distributor to get the music on iTunes Japan or Amazon Japan. Although this process would be inexpensive and convenient, it would be difficult for these songs to gain any popularity without a network of industry and media connections. Another way is to contract with a Japanese record label to have music distributed to Japan digitally or physically, or both. One could take similar processes by partnering with a Japanese digital music distributor. However, these two options are costly processes since they require extra distribution, translation, and administration fees.

With the Japanese music industry not producing much improving statistics overall and the unique characteristics of Japanese culture, it will be a challenge for international artists to break into this music industry. Technology provides an easy way for songs to be available in Japan, but does not guarantee to see success in the market.

We recommend you consider visiting Japan during the industry trade show to get a better sense of the market.

Trade Events

Japan Content Showcase

<http://www.jcs.tokyo/en/about/detail/>

Reference

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