

# Thriving Online Music Business in Japan

## iTunes? No, It's Ring Melodies/Songs

By **MIYATAKE Hisayoshi**

Japan is second only to the United States in the consumption of music software. In 1998, the value of music software production reached a record high ¥600 billion, but has since been on the decline, shrinking to ¥350 billion in 2006. (The term "music software" here means music CDs, cassette tapes and analog discs.)

But it would not be right to assume just by seeing the figures that the Japanese music industry is faltering. The country's music business is in fact thriving, with revenues related to the rights of composers, lyricists, singers and musicians continuing to grow, according to the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC). Even though sales of music software have not increased of late, online music purchases via the Internet are helping to keep the music business brisk in Japan.

### Online Distribution Booming

Data by the Recording Industry Association of Japan (RIAJ) show that after peaking at ¥607.4 billion in 1998, production of audio records/tapes (music software) declined for eight consecutive years, reaching ¥351.6 billion in 2006, down about 40% from its peak (*Chart on the next page*).

However, the chart does not necessarily mirror all of what the Japanese music business looks like today. In this Internet age, music is available not only in CDs, but in all forms of media, and in Japan, we should pay attention to the mobile phone.

In this country, one cannot make light of pay online music distribution services when discussing the music business. In such services, people download melodies and songs for a fee from the Internet. The RIAJ says that the market for pay online music distribution grew 56% in 2006 from the year before to ¥53.4 billion, exceeding the output of single CDs

(¥50.8 billion) for the first time.

In other countries, many people probably associate Internet downloading of music with downloading to the personal computer or think of Apple's *iTunes*. In Japan, however, people associate online music distribution with downloading onto their mobile phones. Numbers tell the story clearly.

In 2006, downloads to mobile phones accounted for ¥48.2 billion, 90% of total online music sales, according to the RIAJ. Sales of "*chaku-uta*" song downloads – which permit part of a song to be downloaded for about ¥100 – totaled ¥24.6 billion while sales of "*chaku-uta full*" – full-length songs downloadable for around ¥300 each – were at ¥17.9 billion.

Services for listening to online music on Apple's *iPod* have proved a hit worldwide. As the online *iTunes* store opened in Japan only in August 2005, it appears safe to presume that the 2006 figures represent online music sales associated with the "*chaku-melo*" (ring-tone music), "*chaku-uta*" and "*chaku-uta full*" services.

### Music Copyrights & JASRAC

Royalties for music copyrights collected by JASRAC reflect the business level of the Japanese music industry. Copyright royalties are the fees paid to copyright holders (composers, lyricists, arrangers and the like) whenever music is broadcast on TV or radio or used in movies and TV dramas. JASRAC sees to it that such fees also are paid to copyright holders when their songs are sung in *karaoke* parlors or performed in concerts. Growth in the amount of royalties paid shows that the volume of music consumed in Japan as products is expanding.

Copyright royalties that JASRAC collected in fiscal 1998 came to around ¥98.5 billion and grew to ¥113.6 billion in fiscal 2005. In other words, in the course of just seven years, royalty

receipts rose by about ¥15.1 billion or 15%. In Japan, music CD sales may be falling, but it is safe to say that the music business as a whole is growing.

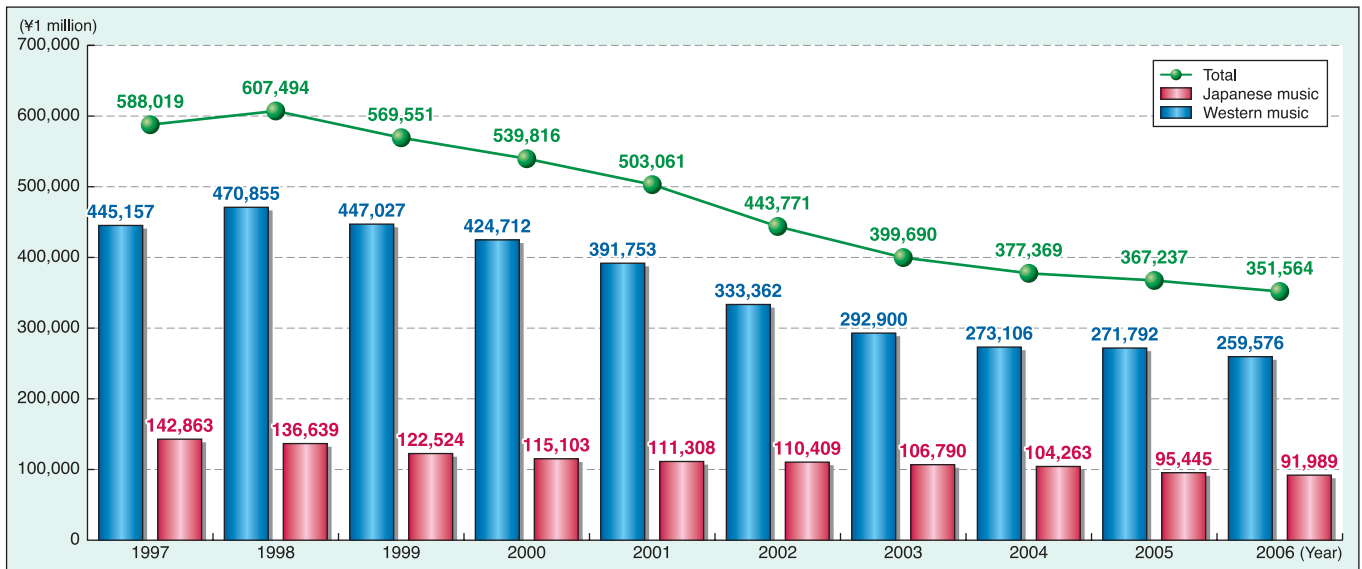
### Unique Cellphone Culture in Japan

The widespread use of mobile phones in listening to music reflects the fact that the device has become an indispensable tool for most Japanese. It should be noted that the mobile phone is not just a tool for talking and sending messages, but an object that visually appeals to a Japanese aesthetic. As is known well, Japanese people have always appreciated things that are *kawaii* (cute). The mobile phone, small and available in many pretty colors, comes under the *kawaii* category, as do the trinkets that can be attached to it.

American and European visitors to Japan rediscover the Japanese fondness for things *kawaii* when they see that it is not only high school girls but many Japanese people who decorate their mobile phones with small, cute character goods such as *Hello Kitty* and *teddy bear* trinkets. Even some businesspeople add their personal touch to their mobile phones with *anime* characters such as *Doraemon*, *Pokemon* and *Crayon Shinchan*. Certainly, what kind of mobile phone one possesses and how one decorates it seem to have become a kind of fashion statement in Japan. The mobile phone has become part of the Japanese lifestyle and has generated a culture that is quite different from those in Europe and the United States.

The Japanese mobile phone is remarkable not only for its appearance but also for having numerous functions. In addition to being used for talking and sending emails, almost all mobile phones can also serve as cameras as people now often send friends photographs via the mobile phone. There are also mobile phones now with an additional function called "*wansegu*" (one segment) that can

Chart Output of music software (audio records/tapes)



Source : Recording Industry Association of Japan (RIAJ)

receive terrestrial TV broadcasts.

In addition, mobile phones now come with credit card or debit card-like functions, and can be used for purchases at convenience stores or kiosks. They can also be used when using public transport such as railways and subways, eliminating the need to buy fare tickets every time.

On the other hand, the mobile phone is also becoming an important tool for playing music. The ring-tone music download to mobile phones – widely known as “*chaku-melo*” – is an important part of the services provided by mobile phone companies. “*Chaku-melo*” is a very short passage of music, ranging from *anime* theme songs and pop songs to classical music excerpts. Foreign businesspeople visiting Japan are often surprised to hear such ring-tone music when a mobile phone rings during a business meeting.

It was the widespread acceptance of “*chaku-melo*” that later led to the online distribution of excerpts of popular songs known as “*chaku-uta*” or of full-length songs called “*chaku-uta full*,” which are now the driving force of online music sales. As mentioned before, music downloaded on mobile phones now accounts for 90% of the ¥48.2 billion online music distribution market. The figures may reflect Japanese people’s obsession with the mobile phone.

### Ideal Copyright Business

Some copyright experts credit the online music distribution system for preventing illegal copying and for facilitating the payment of copyright fees. Okamoto Kaoru, professor at the National Graduate Institute for Policy Studies, says the “*chaku-uta*” and “*chaku-uta full*” mobile phone services have helped set up an ideal business model.

Okamoto writes in his book, “*Chosakuken no Kangaekata*” (Viewpoints from Copyrights), that there are three factors to be noted about the Japanese online music distribution system. One is the smooth collection of copyright royalties. When users download “*chaku-uta*” or “*chaku-melo*,” they are actually copying the music on their mobile phones, and so there is essentially the need for each user to make a copyright contract with JASRAC. However, things are made simple for users as mobile phone companies have contracts with JASRAC to collectively pay all copyright fees.

The second factor is that copy protection makes it difficult for “*chaku-melo*” and “*chaku-uta*” to be copied onto a computer. Copyright holders such as composers, lyricists and record companies tend to worry how their music is used once downloaded via the Internet. But the copy protection mechanism helps quell such concerns.

The third factor Okamoto notes is the subtle way copyright royalties are collected from mobile phone users. Under an “automatic charging system” for downloading “*chaku-melo*” and “*chaku-uta*,” royalties are added to or included in telephone fees, and most mobile phone users are not aware that they are paying copyright fees.

In such an environment, it is natural for the “*chaku-melo*” and “*chaku-uta*” services to have spread explosively, Okamoto says.

The earliest available data on copyright royalties for “*chaku-melo*” are for fiscal 1999 when JASRAC started compiling data under the category of “interactive distribution” (online music distribution through the Internet) and began publishing them. Copyright fees for “*chaku-melo*” were a mere ¥336 million in fiscal 1999, but shot up to more than ¥9.2 billion in fiscal 2005 while royalties for online *karaoke* were at ¥6.7 billion in fiscal 2006. In short, the statistics clearly show that in less than 10 years, downloadable music for mobile phones has grown into a massive music medium, surpassing online *karaoke*.

JS

Miyatake Hisayoshi is an editor of multimedia services at Kyodo News. He was chief press officer of 2002 FIFA World Cup Korea/Japan, and a fellow of the Nieman Foundation for Journalism at Harvard University.