

SMEs and the Globalization of Japanese Anime

By Kimura Makoto

THE Miyazaki Hayao *anime*, *Spirited Away*, won the Golden Bear Award at the Berlin International Film Festival in 2002, as well as the Oscar for Best Animated Feature Film at the 2002 Academy Awards. *Howl's Moving Castle* was also nominated for an Academy Award in 2006. Toriyama Akira's *Dragon Ball* held the first place on the English version of the Lycos search engine from 2001 to 2005. Anime are now seen on TV in over 70 countries, and over 60% of TV anime programs worldwide are made in Japan.

The number of anime programs on US TV networks jumped from 13 in the early 1990s to 37 in March 2006. The size of the anime market in the United States, including revenues from character licensing, home videos and cinema screenings reached US\$ 2,940 million in 2004, which exceeds the value of US imports of Japanese steel. Moreover, *Yu-Gi-Oh!* and *Pokemon* made it into the US's top-five rated prime-time animated programs of 2005.

On the UK's BBC4, seven Japanese film directors were featured in a program about filmmaking in Japan last January. Of these, three were anime film directors: Oshii Mamoru (*Ghost In The Shell*, *Avalon* and *Innocence*), Miyazaki Hayao (*Spirited Away*), Otomo Katsuhiro (*Akira*, and *Steam Boy*). As of February 2006, there are 18 Japanese anime on the German TV channel RTL2, including *Inuyasha*, *Detective Conan* and *Crayon Shin-Chan*.

Even in China, where there are restrictions on foreign content, the animated feature film *Gin-iro no Kami no Agito*, which was released in Japan last January, has been decided to make its debut at 1000 theaters in spring 2006.

The allure of Japanese anime lies in a quality that is different from Western animation. The chief producer of *Pokemon*, Shogakukan's Kubo Masakazu, has remarked that the special

nature of Japanese animation can be found in "its characters that capture the viewer's heart, and the way it brings out their emotions." He also notes that anime provide "a fascinating worldview, adventure, many characters that transform and rich storytelling." Japanese anime's competitiveness stems from the fact that 60% of anime are produced from manga (comic books). The manga boom in Japan began with the inauguration of two weekly manga magazines in 1959. Today, there are 70,000 manga titles and 120 million copies of comic books and manga magazines are printed each year.

It is clear that there has been rapid growth in the anime character business. Popular series from manga magazines are made into single comic book volumes, and once several comic book editions have been released, they are made into TV anime programs. There is also a high level of affinity between music and anime, as is seen by the success of Puffy (Japanese duo) in the United States. Popular comics have several million fans, and this ensures high TV ratings. After being broadcast on TV, anime are transformed into feature films, released on DVD, and merchandising of the anime characters is also carried out. This has led to the formation of a "one-source/multi-use" business model. *Pokemon*, which started as a video game character, was developed based on this model, and has now grown into a ¥1 trillion industry.

The size of the anime market in Japan is over ¥200 billion, and is ¥2 trillion when merchandising is included. In contrast, the global animation industry is worth about ¥300 billion, and is estimated at ¥3 trillion with merchandising. In other words, Japanese anime occupies over 60% of the global animation market in monetary value, roughly the same market share as when calculated by TV programming hours, as mentioned above.

■ SMEs Provide Production Support

While Japanese anime are predominant in the global market, their foundation is actually supported by small and medium-sized enterprises (SMEs). Studio Ghibli Inc., which produced *Spirited Away* and *Howl's Moving Castle*, was actually a division of one of the largest publishing firms in Japan, Tokuma Shoten Publishing Co., Ltd., and was established in 2005 with investment from Miyazaki Hayao and others, with 140 employees. Its anime attract fans worldwide by remaining true to the hand-drawn method, in contrast to the computer-graphic animation created in Hollywood.

The popular anime *Naruto* has been airing on the Cartoon Network in the United States since last September. *Naruto* is a mischievous misfit at a *ninja** school who continues to grow while pursuing his dream of becoming a head *ninja*. The US copyrights belong to VIZ Media while the production company in Japan is Pierrot Co., Ltd., with 53 employees in Mitaka, Tokyo. The famous anime film director Oshii worked for Pierrot in the 1980s.

Such anime production companies can be categorized into three types: (1) original contractors involved in the planning and production of anime, such as Toei Animation Co., Ltd., Shin-ei Animation Co., Ltd., Pierrot Co., Ltd. and Tezuka Productions Co., Ltd.; (2) gross or primary subcontractors, mid-sized productions that take on the general production from the original contractors; and (3) secondary subcontractors, small and medium-sized specialty studios that perform specific processes. Since the original contractors have only a few dozen employees and very few full-time animators, they hire temporary staff for each project.

There are about 440 anime production companies in Japan, and 80% of them are concentrated in Tokyo, specifically in

*Note : Ninja were secret agents who practiced martial arts during the Samurai Period.

Table 1 Main Anime Production Companies in Japan

Representative Works	Production Company	Location (Tokyo)	Number of Employees	Capital (¥ million)	Year Est.
Naruto, Hikaru no Go	Pierrot	Mitaka	53	352	1979
Astro Boy, Black Jack, Jungle Emperor Leo	Tezuka Productions	Shinjuku	52	20	1968
Ghost in the Shell, Blood+, The Prince of Tennis	Production I.G.	Kokubunji	113	378	1987
Neon Genesis Evangelion, Cutie Honey	GAINAX	Koganei	60	20	1984
Fullmetal Alchemist	Aniplex	Chiyoda	50	2,280	1995
Inuyasha, Mobile Suit Gundam, Steamboy	SUNRISE Inc.	Suginami	170	39	1972
Howl's Moving Castle, Spirited Away	STUDIO GHIBLI ⁽¹⁾	Koganei	140	10	2005
Dragon Ball, Yu-Gi-Oh!	TOEI ANIMATION	Nerima	260 ⁽²⁾	2,867	1948

Source : Association of Japanese Animations, etc.

Notes : 1) Division became independent from Tokuma Shoten

2) Core employees number 260, but on a consolidated basis the number of employees is 456, which is classified as a "large company"

Suginami, Nerima, Musashino, Mitaka and Kokubunji cities. The companies are concentrated in this area because the original contractors such as Toei Animation, Mushi Production Co. and TMS Entertainment Ltd., all set up studios there for the launch of anime TV programs in Japan around 1960. Under these original contractors, groups of small and medium-sized subcontractors were established to specialize in individual processes. This has created a vertical specialization of labor enabling production to be achieved in a short period of time.

Anime production is a labor-intensive process. Not including voice actors, a total of 130 to 190 people are needed to make one TV series, and 240 to 300 people to make one 40-minute feature film. For this reason, overseas outsourcing of the coloring, animation processes and digitalization have become major issues for the industry. Furthermore, the financial system for the market is not developed yet as in the West, and there is a lack of funds for international large-scale productions. In countries like South Korea and China, the government promotes the development of creators and IT specialists, and provides funding support. Now members of the Japanese anime industry are starting to lobby for such support.

Moving into a Mega-Competition Era

There are 90 anime programs aired on TV each week in Japan. Japanese TV broadcasting networks usually order content production from an anime production company, while obtaining dis-

tribution rights. Due to this business model where producers do not obtain their copyrights, profits from secondary uses such as DVD and overseas program sales are not necessarily returned to the production companies. For this reason, these companies are starting to adopt a self-financed business model in which they procure their own financing, produce content for which they obtain their own copyrights, and eventually recoup production costs through sales in Japan and overseas.

MIPCOM is the largest international broadcast content trade show held in Cannes, France every October, with over 10,000 industry participants from 93 countries and regions. Since 2003, the Japan External Trade Organization (JETRO) has been setting up a booth at the show to support the sales of TV broadcast rights and DVD rights of Japanese anime production companies. In 2005, 12 small and medium-sized Japanese anime companies took part in the show, including Pierrot, Tezuka Productions, and Milky Cartoon Co., Ltd., and carried out over 600 business negotiations.

It is certainly not an easy task for small and medium-sized anime production companies to develop in overseas markets. In France, there is a quota system that requires 60% of the TV programs broadcast in the country to be made in the EU, and 40% of those must be French productions.

The same system is used in China, but the country virtually prohibits foreign-produced programs during prime time, in order to promote domestic programs. Although advertising for related charac-

ter products in Japan is specifically timed during anime broadcasts, this is not allowed in France. Even in the United States, this kind of timed advertising, as well as advertising spots in adjacent program time slots, is subject to broadcast ethics regulations.

While Japanese anime have gained a good share of overseas TV broadcasting, they have been playing second fiddle to US animation in terms of feature films. The animated feature film with the highest attendance during the period of 1999 to 2003 was *Finding Nemo*, with 500 million people worldwide. By contrast, the Japanese animated feature film with the highest attendance, *Pokemon: The First Movie*, was in eleventh place with a gross attendance of 150 million. The acclaimed Miyazaki anime, *Howl's Moving Castle*, opened in just 700 to 800 theaters in the United States in 2004, while major films by Walt Disney Pictures or DreamWorks are screened in 2,000 to 3,000 theaters.

It has been said that the popularity and strength of Japanese anime lies in the mix of media as is seen in *Pokemon*, and in the different feeling they offer from Western animated productions. US, European, and other Asian animation companies are studying the secret of Japanese anime's success, and are beginning to adopt the Japanese business model. Fierce competition is already underway in the animation industry in which Japan is still the greatest force. **JS**

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