

Economic Contribution of the
Japanese Film and Television
Industry

Final Report

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1. Executive Summary

The goal of this study is to quantify the economic contribution of the film and television industry in Japan. This study is basically an update to the study conducted in 2012 and 2015, providing additional essence of recent industry trends as well as important aspects of government policy agendas such as content industry development strategy and regional revitalization.

This study was conducted in collaboration with local industry organizations, in addition to quantitative analysis based on sources from governmental statistical agencies, industry bodies, and other parties, to provide robust results illustrating the industry structure.

1.1 Framework and methodology

In order to assess the economic contribution of the Japanese film and television industry, this study estimates economic indicators such as gross output, value added, labor income, tax revenue, and employment. These economic indicators were estimated through direct impact which describes the economic activity within the defined industries, and indirect impact which describes the economic activity in other industries triggered by the direct impact, as well as induced impact which describes the further economic impact resulting from increase in income. These are added to derive the total economic contribution for each indicator.

1.2 Results for economic contribution and market outlook

The economic contribution in FY2018 brought about by the film and television industry in Japan as well as its market forecast (2019 to 2023) are as follows:

<Economic Impact>

- The **total gross output** in Japan arising as a result of the film and television industry is approximately 5,660.1 billion Yen for the direct impact, and 13,705.2 billion Yen for the total contribution including indirect/ induced impact.
 - The **total value added** is 2,455.3 billion Yen for the direct impact, and 6,853.7 billion Yen for the total contribution including indirect/induced impact.
 - The **labor income** is 1,149.1 billion Yen for the direct impact, and 3,141.3 billion Yen for the total contribution including indirect/induced impact.
 - The **tax revenue** generated from film and television industry is 514.0 billion Yen for the direct impact, and 1,366.9 billion Yen for the total contribution including indirect/induced impact.
 - The **total employment** created from film and television industry is estimated to be 137,412 for the direct impact, and 520,839 for the total contribution including indirect/induced impact.

- The **total value added** for the film and television industry accounts for 0.45% of GDP¹ for the direct impact, and 1.25% for the total contribution.

<Market Forecast>

- The distribution market (Film, Television broadcasting, Home Video, Internet distribution) in the Japanese Film and Television broadcasting industry has been steadily growing at an average annual growth rate of + 0.8% since FY2013, to reach 4,592.2 billion yen in FY2018.
- Although the market might see decline trend in longer economy trend, it will continue to grow moderately at an average annual growth rate of + 0.5%, and is expected to reach 4,630.3 billion yen by FY2023.

¹ Nominal GDP for FY2018 : 550.4 trillion Yen (Announced by the Cabinet Office)

2. Framework and Methodology

2.1 Outline of the study

In this section, the outline of this survey is explained.

2.1.1 Purpose of the study

The aim of this report is to analyze the contribution of the Japanese film and television industry to the Japanese economy, quantitatively and qualitatively. In particular, this study measures the direct and indirect economic impact derived from production, distribution and exhibition/ consumption of film and television content. In addition, this study includes industry outlook with forecast over the next five years, considering the recent market trends in each subsector, which is defined in this report.

Also, apart from these macro-economic approaches, this study covers case studies to give a practical image of the economic effects originating in films and television broadcasting.

2.1.2 Study items

This report covers the study items shown in Table 2-1.

Table 2-1 Description of the study items

Study items	Description	Article
Market trend analysis	The results include the past and recent market trend for each subsector within the industry, by explaining time series of important statistics, and/or examples of major services.	3.1 – 3.7
Estimation of economic contribution	The results describe the economic impact of film and television industry as well as for each subsector for the year 2018. This is the main purpose of the assignment.	
Market outlook	The results explain the industry outlook and estimates for market forecast from 2019 to 2023, for major subsectors considering the market trend analysis.	3.1.2
Economic ripples effects	The study item focus on the estimates of the market size (direct impact) attributed to film content and economic impact on regional economy, and to illustrate practical cases of economic effects.	3.8

2.1.3 Study flow

This study was conducted based on the following steps:

1	Research planning	Existing study surveys, analysis framework and research items
2	Data collection	Market research, Economic indicators, interviews and discussions with industrial organizations
3	Analysis	Estimation of economic contribution, market trend and forecast

2.2 Framework and methodology

This section describes the analysis framework and estimation / forecast methods used in this study.

2.2.1 Measures of economic contribution

This study estimates the economic contribution of the film and television broadcasting industry in four indices. Table 2-2 describes each index in detail.

Table 2-2 Economic index measured in this study

Index	Definition
Gross Output	Total amount of production concerning value of goods and services based on labor and capital within the industry. This represents the total amount of revenue of all participants in the industry. Gross Output includes the intermediate inputs, which is the value of all goods and services used as inputs to generate that output.
Value Added	Value that was added by activities within the industry, which excludes the value of intermediate input from the Gross Output. It consists of production surplus, labor income and net indirect tax. Value Added is often described as the gross domestic product (GDP) contribution of an industry. It is the most commonly used measure of the value generated by an industry or by the economy and can be used to compare with national GDP statistics.
Labor Income	A subcomponent of Value Added which is distributed to the employer, who offered labor within the industry. It represents the value of output generated by the entity’s direct labor inputs, as measured by the income to labor.
Tax revenue	Taxes (net of subsidies) paid by the industry.
Employment	Total of number of employees in each industry. In this study, in principle, Full Time Equivalent (FTE) jobs are estimated, rather than total jobs which includes part-time.
Export value	Export revenue or overseas sales of film and television content (package, format, etc.) and related products such as merchandizing.

Economic contribution estimated in this study represents the contribution of film and television industry to the domestic economy. In particular, it is the total of direct, indirect, and induced impacts concerning economic index shown in Table 2-2. In this study, these are defined as follows:

Direct effect

Gross output, value-added, employment, and tax revenues that arise based on capital and labor attributed to film and television industry. This represents the direct economic activities in the industry, which includes, for example, production and distribution of film and television content as well as film exhibition.

Indirect effect

Gross output, value-added, employment, and tax revenues that arise as a consequence of changes in the level and value for suppliers of goods and services to that industry. This represents economic activities that are brought to other industries which provide goods and services to the film and television industry. For example, it includes revenue in industries which provide materials to location for film production.

Induced effect

Gross output, value-added, employment, and tax revenues that arise as a consequence of increase in the level and value of expenditure on goods and services due to the increased labor incomes, within the film and television industry and the industries that supply them.

The impact mentioned above are added together to present the total economic impact.

2.2.2 Methodology and assumptions of economic impact

2.2.2.1 Estimation of direct impacts

We estimated the direct component of the film and television broadcasting industry's economic impact in terms of its contribution to the four indices (Table 2-2). The estimation flow is as follows:

- First, we estimated the total revenue for each subsector, which we defined it as Gross Output. The figures our based on industrial statistics published from the government and industrial organizations. Also, we gathered the data for Employment (number of employees: FTEs) from these statistics, and conducted necessary estimation to meet the definition of each subsector.
- We selected an industry sector that best describes each subsector, from the national Input-Output transaction table. Input-Output transaction table is a format that describes the transaction between goods and services of economic activities during the year. This study used "Information and Communication Industry Input-Output transaction table" published by the Bureau of Statistics of Ministry of Internal Affairs and Communications. It categorizes industries that are relatively comparable to the industries defined in this study.
- We then used the Input-Output transaction table to estimate the ratios of Value Added to Gross Output, Gross Output to Employment, and Gross Output to Labor Income in the selected industry sector, to derive the three indices from the Gross Output.

- For Tax revenue, estimation has been conducted for indirect tax, individual tax, and corporate tax. These components were estimated by multiplying effective tax rate to Value Added, Labor Income, and Operating Surplus.

2.2.2.2 Estimation of indirect and induced impacts

The indirect and induce impacts were estimated by basically multiplying certain multipliers to the direct impact. The multipliers were obtained from the “Inverse matrix table” contained in the Input-Output transaction table mentioned in the previous section. Inverse matrix table is a table which describes the value of economic activity required to meet the demand, when additional demand in a certain industry is assumed. The sum of inverse matrix coefficient (“Multiplier”) is the total volume of effect in all the industries within the economy, when there is 1 unit demand in a certain industry sector. Therefore, the multiplier describes the “pump-priming effect” (scale of impact on own industry as well as on other industries) and is represented in figure of 1 or more. For example, when a multiplier is “1.5”, “1” equals the value attributed to its own industry and “0.5” to the other industries.

The induced impacts were estimated by first obtaining the portion of the estimated labor income from the direct and indirect impact. This value is attributed to each industry based on average propensity of consumption, which is the average percentage income spent, and distribution ratio of private final consumption expenditure to every industry. Finally, the multiplier is multiplied to that expenditure and added up to derive the induced impact.

For the indirect and induced impact of Employment, this study focuses on employment based on FTEs. However, the “Information and Communication Industry I-O table” mentioned above, does not distinguish FTEs from the total number of employees. Therefore we combined the national Input-Output table “Input-Output table” compiled by Statistics Bureau of Japan, which aggregates the FTEs for all industries. In particular, we derived the ratio for FTEs to total employees for each industry from the 2005 I-O table, and multiplied the ratio to the employment table contained in the “Information and Communication Industry I-O table”. Next, employment coefficients (ratio of FTEs to gross output) for each industry are derived in order to estimate the multiplier for indirect and induced impact for employment, taking into account the increase in gross output mentioned above. The multiplier is then multiplied to the direct impact (employment). Details of the methodology are provided in the Appendix.

2.2.3 Methodology and assumptions of market forecast

The market forecast is estimated for the distribution market (Film, television broadcasting, home video, internet (online) distribution), based on interview surveys with industry organizations, by analyzing past market trends, financial results from major players, as well as results of surveys conducted by industry associations. Detailed forecasts were conducted by breaking down into sub-markets that internally have different growth factors. The forecast assumed a moderate scenario considering economic and market trends.

2.3 Definition of industry

2.3.1 Categorizing the subsector

In this study, we categorized individual subsectors within film and television broadcasting industry by the following two aspects:

- Types of output (2.3.1.1)
- Stages in the value chain (2.3.1.2)

Breaking the industry down in these aspects helps understanding the value added in different stages of the economic activity in the industry. This section explains the industry and subsectors covered in this report in terms of the two aspects.

2.3.1.1 Types of output

Types of output refer to the output of content in products or services within the industry. In this study, the following outputs are included:

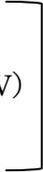
- Films (domestic and foreign)
- TV programs
(domestic and foreign program distributed domestically, including commercials)
- Other audiovisual content (such as original contents on internet distribution)

The categorization of the above is adopted from statistics published from government organization, hence lowering the barriers in estimations. It currently represents the key output of the industry.

However, when economically evaluating the content industry, it is difficult to distinguish the value added within the flow from production to final consumption. Moreover, considering the recent trends in the market environment, its range of outputs is increasingly transformative. To give examples relating to film and television broadcasting industry; convergence among different types of content, merchandizing originated in film/television programs, and increasing demand in multi-screen (TV/PC/mobile) provision over broadcast and communication network. The framework and industry categorization used in national statistics do not currently reflect these trends. Consequently, analysis of outputs based on traditional film screen and television screen will not reflect the whole industry. This is why we have covered market trend analysis for each subsector to assess in a wider view, given that the estimates are bound by available statistics.

2.3.1.2 Stages of Value Chain (subsectors)

The value chain of the type of outputs, described in the previous section, which are produced and provided to consumers, can be broken down into the following six subsectors:

- Production
 - Distribution
 - Film Exhibition
 - Television Broadcasting (Terrestrial/satellite/CATV)
 - Home video (retail and rental)
 - Internet (online) streaming
- 

Distribution
(Consumption)

In this study, we analyze each subsector in terms of economic impact as well as market trend analysis. The definition for each subsector is explained in Table 2-3.

Table 2-3 Definition of the each subsector

Subsector	Definitions
Production	Production subsector refers to producing the type of output defined in this report (film, television program, and other visual/video content), which includes development, photography and related technical process.
Distribution	Distribution subsector refers to distributing the produced or completed content. It does not include retail distribution.
Film Exhibition	Exhibition subsector refers to displaying the distributed films to the public, through location such as cinema and theatres. The revenue is generated from admission fees paid by the audience. The figures used to derive the economic impact includes other revenues such as merchandising in theaters (3.3), but excluded from the market forecast (3.1.2) which covers direct revenue from content.
Television Broadcasting	Broadcasting subsector refers to distributing of content through broadcast television media. In this study, terrestrial, satellite, and CATV is covered as these are the main television media in Japan. The revenue is generated from subscription fees and advertisement. Internet Protocol TV (IPTV) is included here and its market trend is explained within this subsector.
Home video	Home video subsector refers to selling or rental of content on physical format such as DVDs/Blu-ray discs. The figures used to derive the economic impact are retail based, which is the sales at retail and rental outlets.
Internet(online) Streaming	Internet (online) streaming subsector refers to distributing of content through internet media, viewed on multiple platforms (e.g. PC, TV, and Mobile). While the analysis of market trends and the like has an overview, the quantification

is for the paid distribution market.

Out of those listed above, film exhibition, broadcasting, home video and internet (online) streaming are generally referred to as a “window”, which films, TV programs, and other audiovisual content are delivered to consumers. The film and television broadcasting industry is one of the most advanced areas in the content industry in terms of multi-use/multi-window. The film industry is especially remarkable in this trend. When a produced film is released, in general, revenue is generated from admission fees paid by the audience through exhibition in the cinemas and a portion of the revenue is paid to film production/distribution companies. After a certain period, the same film is delivered to consumers through multiple windows, such as pay-tv, home video (retail and rental) and terrestrial television broadcasting. Hence, revenue is generated from retail sales or advertisements. In addition, in recent years, internet media and devices such as mobile phones/tablets are penetrating at an enormous rate, leading to diversity of windows. Business model tend to diversify also, as well as choice in pricing for consumers such as metered-rate (traditionally, Pay-Per-View) or flat-rate. This implies that the means to deliver film and television content to potential viewers is widening.

2.3.2 Structure of the Japanese Film and Television Industry

2.3.2.1 Japanese Film Industry

Industry structure of Japanese film is shown in Figure 2-1. Production companies produce films, and distribution companies reserve screens in theaters and also roll out sales promotion. Exhibition companies operate and manage cinemas. The major domestic film companies, which are the four member companies of the Motion Picture Producers Association of Japan, Inc. (Shochiku, Toho, Toei and Kadokawa²), integrates production, distribution as well as exhibition. As for the exhibition companies, other players include independent companies as well as foreign-affiliated companies which mostly manage the cinema complex. Also, many of the Japanese films are now produced by the “co-production committee”. The committee consists of film companies, publishing companies, video retailing companies, advertising firms and broadcast operators. Co-production committee scheme raises the recognition (of the film) relatively in a short term and contributes to the increase in exhibition mobilization, since fund-raising, risk-avoidance and synergistic effect can be expected.

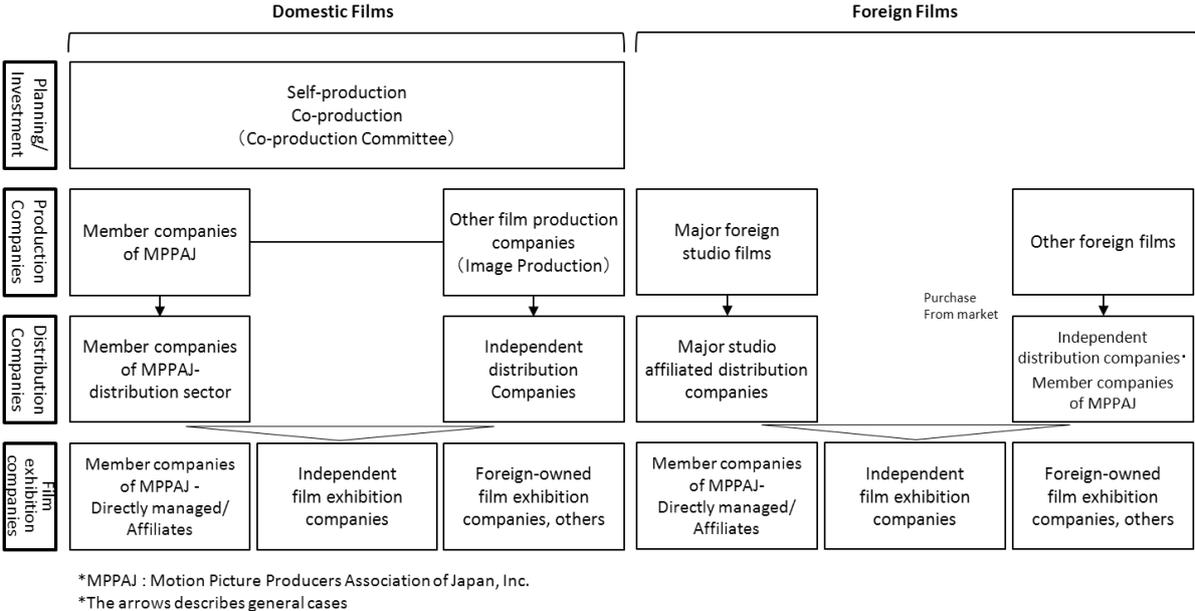
In the case of foreign films, there are mainly two ways to distribution. One way is when major foreign studios (MPA member companies) distribute through affiliated distribution agencies³

² Company name changed to KADOKAWA Co., Ltd. (second generation corporation) on July 1, 2019.

³ Warner Entertainment Japan, Sony Pictures Entertainment Japan, Walt Disney Japan, Paramount Japan G.K., Twentieth Century Fox Film Corporation, and Universal Pictures

and the other is for the Japanese distribution agencies to purchase a film through foreign market. The member companies also purchase and distribute foreign films. Film exhibition does not depend on the players categories (major domestic companies, independent, foreign-affiliated), and are released in various theaters such as cinema complex.

Figure 2-1 Structure of domestic film industry



(Source : Mitsubishi Research Institute, Inc. based on multiple sources)

2.3.2.2 Television Broadcasting Industry

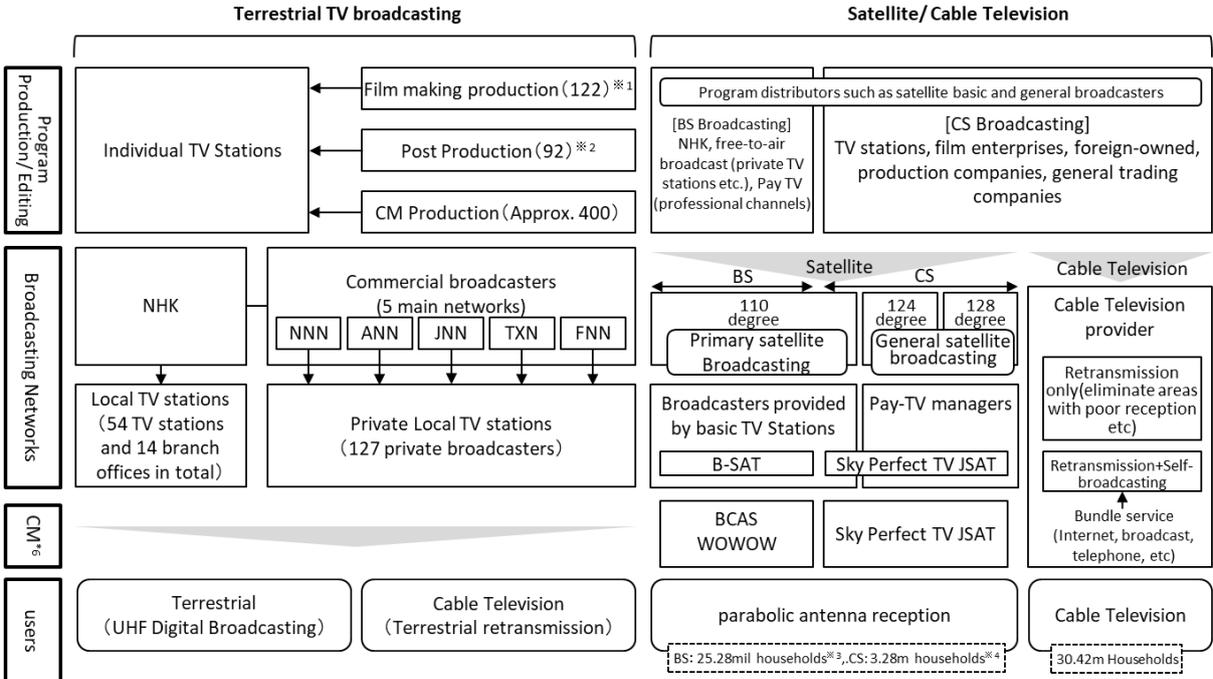
Figure 2-2 shows the structure of the Japanese television broadcasting industry. In Japan, television broadcasting is broadly divided into terrestrial broadcasting, satellite broadcasting and CATV. In recent years, IPTV (Internet Protocol TV) and 1 SEG broadcasting provided for mobile phones have penetrated to a certain level. The terrestrial broadcasting consists of public broadcaster NHK and commercial broadcast operators. NHK collects subscription fee and commercial broadcast operators’ business is basically based on advertising revenues. Commercial broadcast operators conclude “Network Agreement” to build cooperative relationships such as programming, news report, production and sales business among local stations. Currently, there are five commercial broadcast operators.

For satellite broadcasting, there are two categories; BS (Broadcast Satellite) broadcasting which utilizes broadcast satellite, and CS (Communication Satellite) which utilizes communication satellite. The former has been developed as semi-quasi-media and the latter

(Toho-Towa is responsible for distribution). As for the other independent distributing agencies of foreign films, Toho-Towa, GAGA Corporation, Asmik Ace Entertainment Inc., and others can be listed.

has developed as multi-channel specialized media. In 2002, CS broadcasting utilizing communication satellite, which is at the same orbit as BS broadcasting (110°East), has started. However, due to a revision in the regulatory framework, BS broadcasting and CS broadcasting (110°East) are currently categorized as “Primary Broadcasting”, which is the same as terrestrial broadcasting, and are referred to as “Satellite Primary Broadcasting”. Other satellite broadcasts are categorized as “General broadcasting”, which is the same as CATV, and are referred to as “Satellite General Broadcasting”. As for the CATV, there are two categories. One is which CATV provides retransmission of terrestrial television broadcasting programs. The other is which CATV provides pay multi-channel packages that bundle retransmission of terrestrial and BS broadcasting with specialized channels. Moreover, some provide services with VOD services or internet connections and telephone services.

Figure 2-2 Structure of Domestic Television Broadcasting Industry



*1: Association of All Japan TV Program Production (ATP) Number of member companies(July 2019)
 *2: Japan Post Production Association(JPPA) Number of member companies (July 2019)
 *3: Subscribers for NHK-BS and WOWOW (May 2019)
 *4: Subscribers for Sky perfect TV! (June 2019)
 *5: Terrestrial Retransmission only households are excluded (September 2018)
 *6: Customer management

(Source : Mitsubishi Research Institute, Inc. based on multiple sources)

2.3.3 Scope of industry and market

Based on 2.3.1- 2.3.2 and the scope and categories of the available statistical data, we have set the target scope of this study as shown in

Figure 2-3. The economic contribution of each window in distribution (consumption) includes

all visual content other than film exhibitions, as sum in general, and as for the films, revenues related to the film content are described in section 3.8.

For the market outlook, we have set distribution (consumption) market, as whole, for forecast.

Figure 2-3 Scope of the industry and market

	Films	TV Programs	Other audio-visual
Production	Domestic (Japanese Films)	Domestic (Japanese TV programs)	Domestic (Other Japanese audio-visual content)
Distribution	Domestic & Foreign (Japanese and foreign films)	Domestic & Foreign (Japanese and Foreign TV programs)	Domestic & Foreign (Other Japanese and foreign audio-visual content)
Distribution (Consumption)	Exhibition Broadcasting Home Video Internet (online)	Broadcasting Home Video Internet (online)	Broadcasting Home Video Internet (online)

(Source : Mitsubishi Research Institute, Inc.)

2.4 Approximations and limitations

2.4.1 Time frame

The economic contributions stated in this study are basically based on the economic activity of in FY2018 or latest depending on the data source. However, note that the size of economic activity of film and television broadcasting industry relatively tends to change year by year, similar to other content industries such as music/books, and that the cycle goes beyond one year and spans multiple years.

Forecast is based on past market trends and forecast of industrial organizations as well as discussions. The duration of past market trends is for past 5 years.

2.4.2 Estimated versus actual figures

Numerical values were based on the latest data available, by using the actual value of the corresponding year (FY2018). Also, for some subsectors, the available statistics do not fully specify the component parts of the subsector defined in this report, therefore assumptions were made in order to estimate the most approximate results. Approximations from the similar or broader industry categorization have been used. This is provided in the Appendix.

The figures for Employment, we used the actual value for FY2018 or estimated considering the ratio of the number of employees to the gross output in the industry that best describes the subsector in focus. However, note that considering the labor-intensive employment structure often seen in the film industry, there is a limit in estimating the snapshot of the

current employment status.

2.4.3 Unit for Evaluation

When considering the flow of added value along the value chain in the industry, there are important aspects such as to avoid double counting and to reflect the actual structure in each subsector. In particular, definition for the unit of evaluation is important whether it is based on production or demand (consumption), or other aspects such as usage scenes.

For example, when evaluating based on production, in general, there is an advantage of understanding the value added in the content (film or TV program) production stage. Therefore, it can be said that it is a valid evaluation unit in understanding the cross-window or value added within indirect economic effects to other industries, before the produced content is consumed. However, compared to the general consumer goods where value added can be understood from differences between production and retail sales, it is difficult to discriminate the value added, due to its intangible nature and mixed distribution channels such as broadcasting or internet. On the other hand, when evaluating based on demand (consumption), the value added includes all the value added in the distribution process. However, it is likely to double count the value added and be over-estimated, since it is difficult to distinguish between Business to Business and Business to Consumer relationship. Therefore, there are limitations in understanding the value added flow from content production to consumption, with a single evaluation unit. Moreover, there are limitations in available data across every subsectors defined in this report.

3. Study results

3.1 Film and Television Industry (Overview)

The economic contribution in FY2018 brought about by the film and television industry in Japan as well as its market forecast (2019 to 2023) are as follows:

3.1.1 Economic Contribution

The economic contribution in FY2018 brought about by the film and television broadcasting industry in Japan are as follows.

<Economic Impact>

- The **total gross output** in Japan arising as a result of the film and television industry is approximately 5,660.1 billion Yen for the direct impact, and 13,705.2 billion Yen for the total contribution including indirect/induced impact.
 - The **total value added** is 2,455.3 billion Yen for the direct impact, and 6,853.7 billion Yen for the total contribution including indirect/induced impact.
 - The **labor income** is 1,149.1 billion Yen for the direct impact, and 3,141.3 billion Yen for the total contribution including indirect/induced impact.
 - The **tax revenue** generated from film and television industry is 514.0 billion Yen for the direct impact, and 1,366.9 billion Yen for the total contribution including indirect/induced impact.
 - The **total employment** created from film and television industry is estimated to be 137,412 for the direct impact, and 520,839 for the total contribution including indirect/induced impact.
- The **total value added** for the film and television industry accounts for 0.45% of GDP for the direct impact, and 1.25% for the total contribution.

<Economic ripple effects>

- The demand for film, television broadcasting, and internet (online) streaming induces economic effect especially to the video production and distribution industry, an intermediate sector in the industry. These businesses induce a significant effect on job creation due to their relatively high ability to absorb employment. Significant economic effects are expected by retroactively expanding to more audiences and continuing demand for new content and format.
- The impact on the neighboring industries and to regional/local economy have both demand and supply aspects. On the supply side, industry ripple effect from local production and consumption are accelerated by building a value chain and utilizing facilities (cinemas, outlets, etc.) based in that region/local economy. On the demand side, for example, recent examples show economic impact on tourism, where visitors are inspired by content related to a certain region/local area.

Table 3-1 shows the detailed estimated results for economic contribution and Table 3-2 shows the comparison results with other industries.

Table 3-1 Estimated economic contribution

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Film production & distribution	264.8	616.6	110.0	308.3	51.5	139.4	19.2	58.1	10,096	19,234
TV production & distribution	717.4	1,670.7	298.1	835.3	139.6	377.8	52.1	157.4	27,352	52,111
Film Exhibition	300.8	614.6	171.6	352.3	85.7	166.0	34.9	69.4	20,488	68,145
TV Broadcasting	3,789.7	9,404.7	1,610.5	4,637.6	726.6	2,113.1	355.5	940.2	50,067	316,134
Home video	389.5	844.9	209.4	467.0	102.1	215.1	41.3	91.7	25,764	45,831
Internet (online) streaming	198.0	553.7	55.6	253.3	43.6	129.9	10.9	50.1	3,646	19,385
Total	5,660.1	13,705.2	2,455.3	6,853.7	1,149.1	3,141.3	514.0	1366.9	137,412	520,839

(Source : Mitsubishi Research Institute, Inc.)

Table 3-2 GDP contribution of Film/television industry

	Film Industry and Television Industry	
	Direct contribution	Total contribution
Value added	2,455.3 billion Yen	6,853.7 billion Yen
GDP Contribution ⁴	0.45%	1.25 %

(Source : Mitsubishi Research Institute, Inc.)

3.1.2 Market outlook

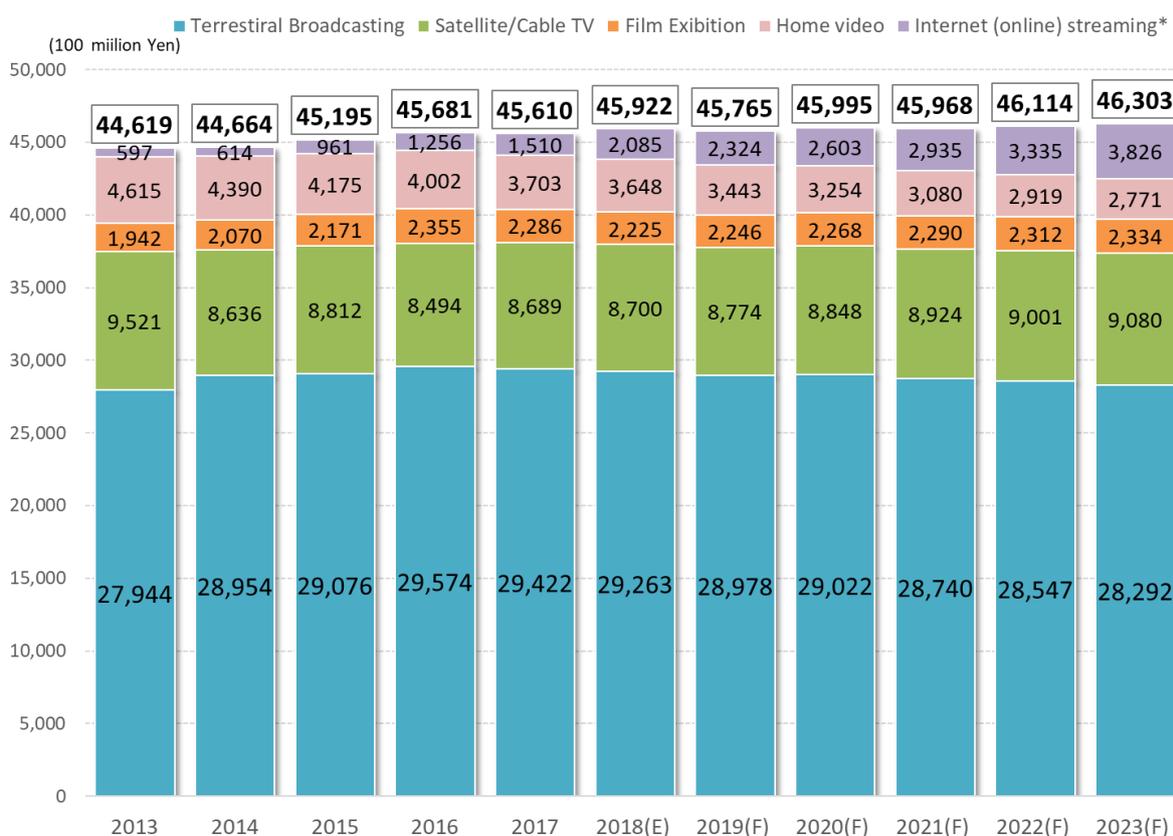
The market forecast (FY2019 to 2023) in Japan is as follows. This forecast covers the market for final demand, in particular, film exhibition⁵, TV broadcasting, home video (retail, rental) and internet (online) streaming market.

Figure 3-1 shows the market forecast for film industry and Television broadcasting industry.

⁴ Nominal GDP for FY2018 : 550.4 trillion Yen (Announced by the Cabinet Office)

⁵ The market forecast for film exhibition covers cinema business revenue. Economic contribution covers both cinema business and wholesale/retail business, which includes food/beverage and merchandise sales (see section 3.3).

Figure 3-1 Market forecast of film and television industry



* Includes digital advertising for television content

(Source : Mitsubishi Research Institute, Inc.)

- Overview:** The Japanese film and television broadcasting industry have been growing at cumulative average growth rate of +0.8% since FY2013, and together is expected to reach 4,592.2 billion Yen by FY2018. Although the growth rate will decelerate due to structural changes in subsectors, the industry is expected to continue to grow moderately at annual growth rate of +0.5% and to reach 4,630.3 billion yen by FY2023.
- Film exhibition:** A virtuous cycle of cinema hits continues, recording the highest box office revenue as well as total number of films released in the past three years. Unexpected hits are driven via SNS or “Word-of-mouth” effect, indicating potential revenue opportunities. In addition, new usage of theaters such as ODS (Other Digital Stuff) and participatory screenings are expected to induce additional revenue and attract new fans. The film exhibition market is assumed to steadily maintain from roughly 220 billion to 230 billion yen.
- TV broadcasting:** Television advertising expenses, despite being affected by the overall economy trend, have occupied approximately 30% of total advertising expenses, however negative impact from growth of internet advertising is increasing. Terrestrial broadcasting revenue will turn downward by an annual growth rate of -0.7% to stay at 2,829.2 billion yen in FY2023. Satellite broadcasting and cable TV market are expected to grow at annual growth

rate of +0.9%, to together reach 908.0 billion yen by FY2023, driven by advancement infrastructure such 4K/8K broadcasting and additional channels.

- **Home video:** Both retail and rental market continue to see down trend due to demand shift toward internet (online) distribution, mainly in foreign films and dramas, genres which once led the market growth. The current driver, live music and animation, may follow the current trend which will lead to annual growth rate of -5.4% to result 277.1 billion yen (retail basis) by FY2023.
- **Internet (online) streaming:** The paid video distribution market has grown by double digits over the past five years and has already surpassed the home video rental market and also closing the gap between film exhibition revenue. Driven by the popularity among original contents, the customer base will be supported mainly through SVOD service. Major broadcasters are providing their own VOD service, now exploring TV digital (internet) advertising via catch-up online platform, and further development is expected in simultaneous internet (online) streaming of terrestrial TV programs. In total, the market growth is expected to continue at annual growth rate of +13% to reach 382.6 billion yen by FY2023.

3.2 Film production/distribution

3.2.1 Economic contribution

The estimated result of the economic contribution of the film production and distribution⁶ is outlined in Table 3-3. The film production and distribution industry has brought the economic effect of 616.6 billion Yen for gross output, 308.3 billion Yen for value added, 139.4 billion Yen for labor income, 58.1 billion Yen for tax revenue, and 19,234 employees.

Production has an especially labor-intensive nature that involves a large number of staff through a variety of processes, from planning to shooting and editing. Therefore, it has a high employment coefficient in the information and telecommunications industry and has a great job creation effect.

Table 3-3 Economic contribution- Summary of results

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Film production and distribution	264.8	616.6	110.0	308.3	51.5	139.4	19.2	58.1	10,096	19,234

(Source : Mitsubishi Research Institute, Inc.)

3.2.2 Market Analysis

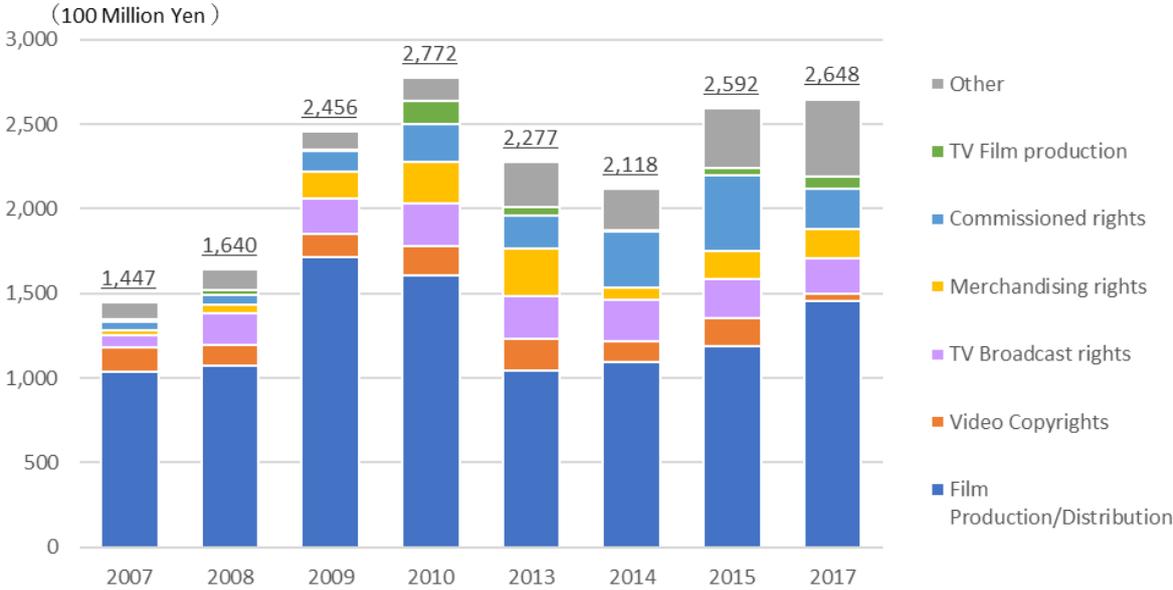
3.2.2.1 Revenue

The revenue in film production and distribution industries is shown in Figure 3-2. In this industry, before 2008 “film production/distribution revenue” was in the range of 100 billion Yen, the market saw an increase trend over 160 billion yen during 2009 and 2010. However, in 2013, it has fallen to roughly 100 billion Yen, which led to decline in overall revenues. The decline in 2013 is affected by the decline in the box office revenue. In 2010, there were three films that generated more than 10 billion yen in box office, compared to one in 2013. This difference of box office hits is 26.5 billion yen in overall film exhibition revenue. Since 2015, the market has been driven by box office hits such as animation film “Your name”, the market is again seeing increase trend. As the industry basically depends on revenue share from exhibition revenue, it is affected by the prosperity of works, whether it leads to box office hits. Especially in Japanese films, the box office hits include many animation films. In 2018, out of top 31 Japanese films which have box office over 1billion Yen (total revenue: 79.02 billion yen), 9 films (total revenue: 28.83 billion yen) were animation films which accounted for 36% in terms of revenue.

⁶ According to the statistics by the Ministry of Economy, Trade and Industry (lastly published in 2014), the ratio between annual revenue of the film production industry (including the rights revenue) and film distribution industry was 45% vs 55%.

On the other hand, due to diversification of media such as internet distribution as well as rising demand for video content, various business entities are investing in content, and thus production demand is increasing. For this reason, in addition to “film production/distribution revenue”, which is the main business, rights revenue such as “consignment production revenue” and “television rights revenue” are also growing. In 2007, revenues other than the film production and distribution revenue accounted for 28% of total revenue, it has increased to 45% in 2017. Recently, however, video copyright revenues have decreased significantly due to the decline in home video market.

Figure 3-2 Revenue from film production and distribution industries⁷



(Source: “Survey of Selected Service Industries”, Ministry of Economy Trade and Industry)

3.2.2.2 Number of distributed films

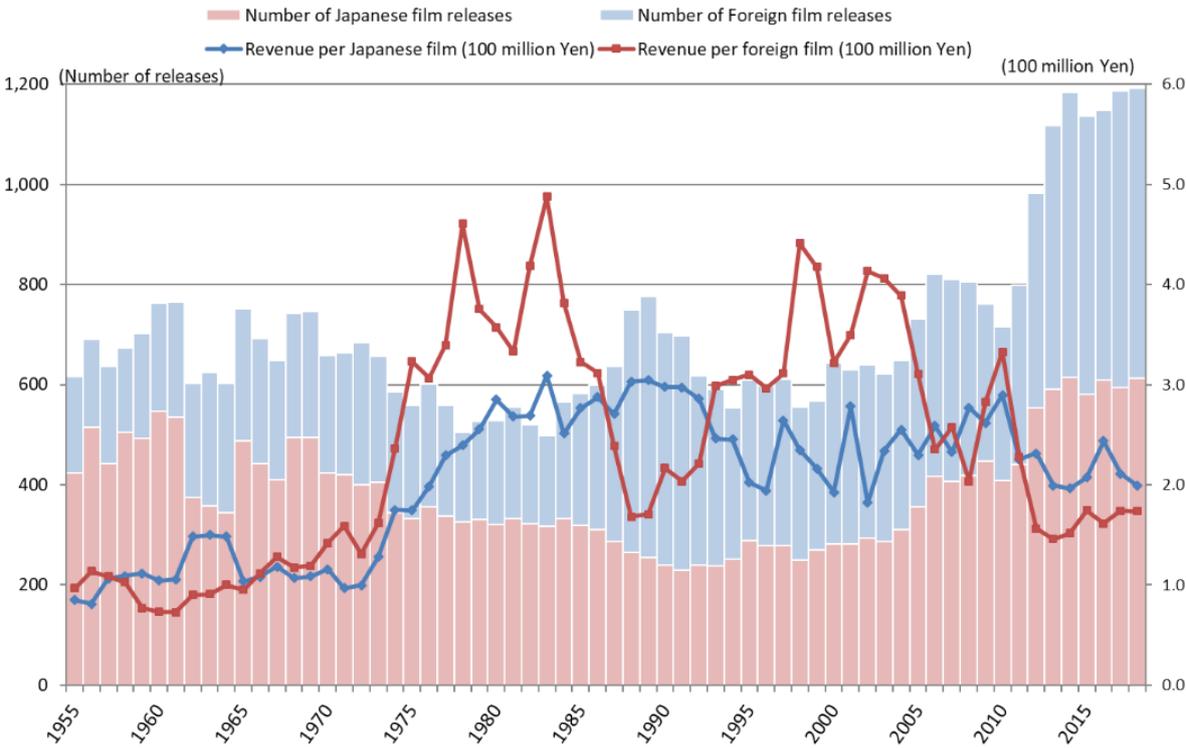
The number of Japanese and foreign films released in Japan is shown in Figure 3-3. Reversal phenomenon in numbers of Japanese films and foreign films was seen twice, in 1987 and 2006. The number of films have significantly increased after 2011 for both Japanese and foreign films, surpassing 1,000 films in 2013. In 2018, there were 613 Japanese films and 579 foreign films, 1,292 films in total, the highest number ever released.

The background of these figures can be explained from several aspects. Firstly, digitization has dramatically improved the efficiency of the film production environment. Some of the impacts of digitization include the improvement of efficiency in filming and editing, as well as reduction of production cost. This enables production under small number of staffs, and post production

⁷ The index related to the film production and distribution business is extracted from the “Survey of Selected Service Industries (Production and distribution of video content)”. Note that the survey was not conducted for 2011, 2012, and 2016.

companies specialized in computer editing has attracted attention. The shift toward digital cinema and implementation of state-of-the-art equipment has all accelerated this trend. Secondly, as it is more efficient to distribute films to multiple screens, due to increase of cinema complexes and number of screens, the structure of film distribution has changed, where film can potentially be released in theaters without major distributors, which had led to an increase in turnover of released films. However, as number of films increases, some films are eventually screened, for example, only once per day, which can be considered as a decrease in opportunity for audiences who wishes to see that certain film. In terms of distribution, creating box office hits via traditional mass media marketing and leveraging social awareness of films is considered less effective compared to past trend. Practically, the revenue per film has been decreasing. During the 2000s, revenue per foreign films was higher than Japanese films, however it has reversed since 2011.

Figure 3-3 Number of distributed films and revenue per film (Japanese and foreign)



(Source: Motion Picture Producers Association of Japan, Inc.)

3.2.2.3 Trends and future prospects

Promotions using the Internet

In general, the promotion of films after they have been completed is handled by distribution companies. Traditional film advertisements are primarily previews of coming attractions screened in cinemas, TV commercials, newspaper and magazine advertisements and so on. Up

to now, TV and other advertisements have been timed to coincide with the film premiere, and to a certain extent it was possible to anticipate a return in the form of increased theater-goer attendance commensurate with the budget spent on advertising. However, the widespread use of the Internet in recent years has changed the way in which people relate to media, and people generally get their information on films from the Internet. Accordingly, the persuasive power of traditional advertising via the mass media has declined, and this kind of return on advertising cannot be anticipated as in the past. Thus, there are limits to the effectiveness of paid promotions such as paid TV spots.

In addition, the ways in which films are promoted have also changed, such as the effective use of the Internet. The major changes are the use of SNS and the increase in promotions aimed at mobile devices. The ratio of promotions that make use of Twitter, Instagram, YouTube and other SNS is increasing each year. For example, if people who view an upcoming film on Twitter immediately comment on it, their retweets will cause other fans to get excited as well, and the resulting word of mouth can cause a domino effect that catches fire and results in a hit trend. This was true in the case of the film “Your Name” and “Shin Godzilla” which made a major contribution to the box office revenue in 2016; word of mouth on SNS was a major factor in increasing attendance. In the case of these films, the synergy of promotions on the Internet and in other media before and after the premiere increased the number of retweets, greatly increasing attendance in the second week and thereafter, and preventing attendance from dropping.

In this way, with many options in terms of media and content that are available to consumers, the use of new promotion approaches to increase interaction with consumers and create buzz will be increasingly important.

The emergence of unexpected hit films

In 2018, there were 31 Japanese films and 23 foreign films that generated box office revenue of 1 billion Yen or more. These hit Japanese and foreign films accounted for 65% and 76%, respectively, of the respective total box office revenues. Thus, the market structure is concentrated, with 4-5% of films accounting for approximately 70% of the box office revenues.

However, in addition to films such as “Your Name” and “Shin Godzilla” that are expected to become hits as well as other major studio films, the number of unexpected hit films is also increasing. Examples include “One Cut of the Dead” which was made for a mere 3 million Yen and yet achieved box office revenues of more than 3 billion Yen in 2017, and “Fly Me to the Saitama” in 2019, which was a live-action version of a popular manga. After “One Cut of the Dead” was shown at two theaters in Tokyo, the aforementioned word of mouth resulted in over-capacity crowds day after day. In response to this sudden popularity, the film was shown nationwide and attracted daily over-capacity crowds in regional areas as well. Not only was it a remarkable independent film hit, it even became a social phenomenon.

As noted earlier, the increased number of screens and the changing distribution structure have provided increased opportunities to bring films to more cinema fans than ever before. However, the results will vary depending on whether potential revenue opportunities can be discerned. An industry that produces a type of content that can result in unexpectedly high returns provides opportunities to aim for hit films and appeal to specific types of viewers, so the focus should not be limited only to films that have large budgets and major companies that can devote resources and spend large sums on advertising.

3.3 Film Exhibition

3.3.1 Economic contribution

The estimated result of the economic contribution of the film exhibition industry is shown in Table 3-4. The film exhibition industry has brought the economic contribution of 614.6 billion Yen for gross output, 352.3 billion Yen for value added, 166.0 billion Yen for labor income, 69.4 billion Yen for tax revenue, and 68,145 employees. The average revenue structure of film exhibition consists 77.3% in cinema business, and 19.3% in wholesale/retail business, which includes food/beverage and merchandise sales. The economic contribution includes these businesses in total to broadly capture the economic activities related to film entertainment.

Table 3-4 Economic contribution for Film Exhibition sector

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Film Exhibition	300.8	614.6	171.6	352.3	85.7	166.0	34.9	69.4	20,488	68,145

(Source : Mitsubishi Research Institute, Inc.)

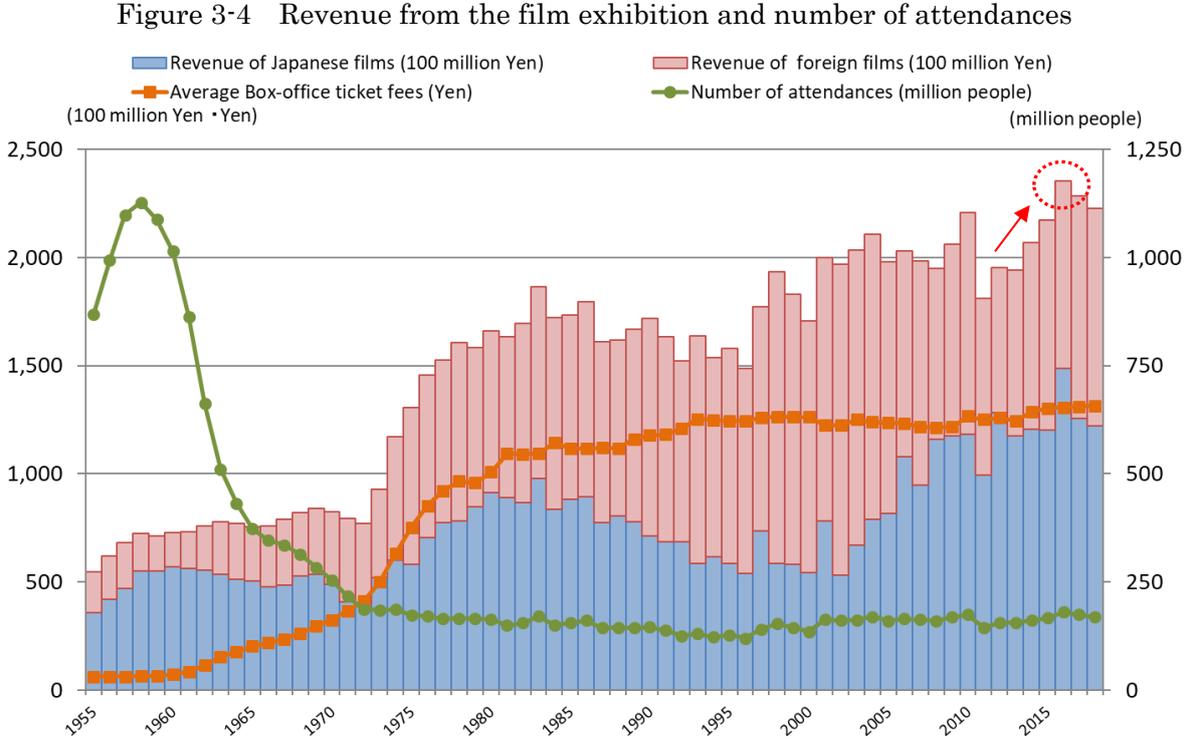
3.3.2 Market Analysis

3.3.2.1 Revenue and Number of Attendance

Revenue from film exhibition, number of attendances, and average admission fees at the cinemas is shown in Figure 3-4. In 1950s, the number of Japanese film productions had exceeded 500 (see Figure 3-3). Production and distribution were active and the revenue from Japanese films continued to increase. Film attendance exceeded 1 billion annually from the late 1950s to the beginning of 1960s. Later, as television rapidly became popular and widespread due to the Tokyo Olympics in 1964, inversely, film industry started to decline. 1 billion in attendance dropped to approximately one quarter by 1970s.

In 1970s, with the background of this sluggishness, average attendance fee rose and the expansion of the box-office revenue was seen. In 1970s, although the percentage of foreign film revenue increased, from the late 70s to the mid-80s, with the entry of KADOKAWA films, Japanese films, which were overpowered by the foreign films and television broadcasting, became thriving and the revenue from exhibition increased rapidly. In 1980s, although it turned into declining tendency again due to growth in the rental market, the film exhibition market saw an increase tendency with the development of cinema complex and the rapid increase in screen numbers, after 1993. The number of attendance gradually recovered and film once again gained its position. In 2000s, due to the contribution TV broadcast operators, Japanese film exhibition market maintained its condition and the revenue size of 200 billion Yen and 160 million attendances. It should be especially stated that the revenue from the film

exhibition in 2010 marked the highest record in the Japanese film exhibition history. Although decrease has been seen in 2011 due to the Earthquake crisis, the market revenue is pitching up again, in 2016 the revenue was 235.5 billion yen, setting a new highest record. The market has kept its revenue size since then.



(Source: Motion Picture Producers Association of Japan, Inc.)

3.3.2.2 Number of screens

The number of screens in the Japanese cinemas is shown in Figure 3-5. The number of screens once was 7,457 in 1960, continued to decrease due to the penetration of television. The number of screens in 1993 decreased to 1,734, around 20% compared to the peak. However, after 1995, the increasing tendency was consistently seen for the number of screens.

This is supported by the development of the cinema complex that has two or more screens in one facility⁸. Since one preferable film can be selected within the same cinema complex from many others, the choice widened for the audience, resulting in the increase in number of the attendance. Moreover, it can be said that the cinema complex has boosted demand among residents in the suburb area, because the location of the cinema complex is usually within a shopping mall in the area. Cinema complexes attract various consumer segments to adjacent commercial facilities (e.g. shopping centers) and public events, which lead to additional

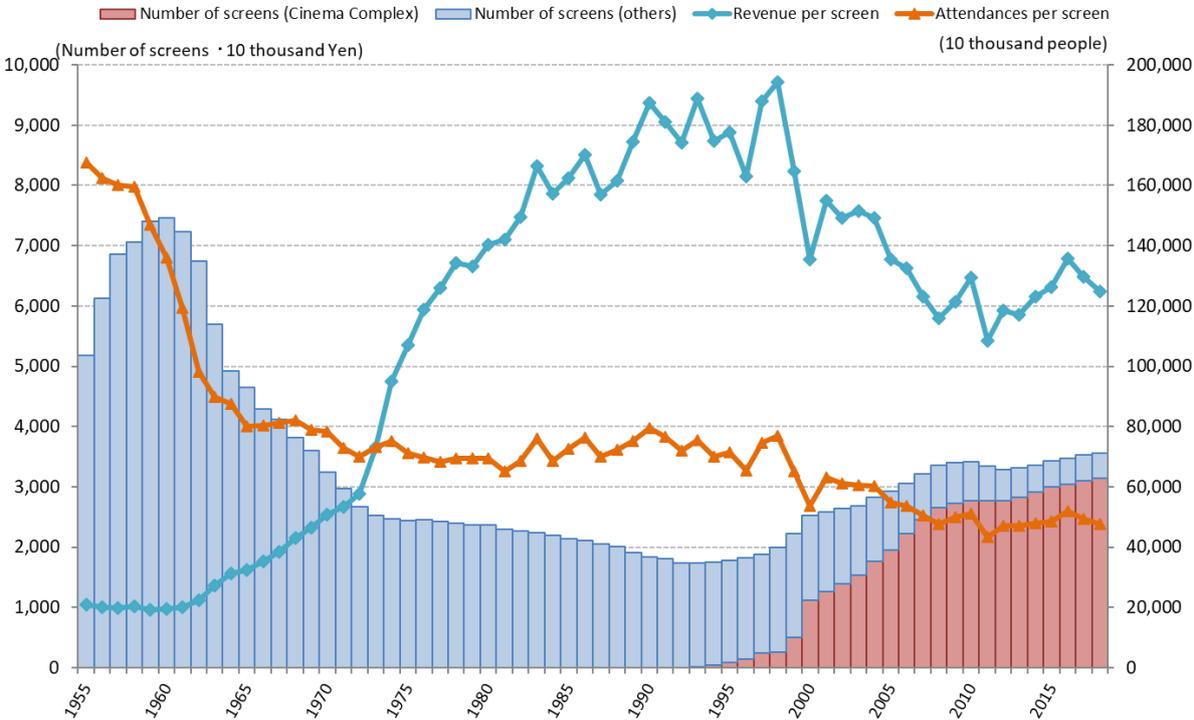
⁸ Survey of Selected Service Industries (“Production and distribution of video content” and “Cinemas”), published by the Ministry of Economy Trade and Industry defines cinema complex as multiple screens (6 or more) installed in one building / facility which ticket office, entrance, lobby / shop, projection room, etc. are consolidated and shared.

consumption of goods and services.

In 2010, 267 out of 527 cinemas were complex facilities with shopping centers⁹. In addition, it can be assumed that the development of cinema complex brought change in film distribution structure, as it lowered the barrier of film releasing without the support of the major distribution companies. Therefore, the number of released films has increased, which had led to the increase in number of attendances. At present, more than 80% of the screens are occupied by the cinema complex.

Cinema complex, which is generally located in local shopping malls, contributes to the attracting various demographics of fans, not only in urban areas but also in rural areas. In addition, with the spread of cinema complex, the business structure of film distribution has changed, and it has become easier to reach nationwide without major distribution companies. On the contrary of the increase in number of screens, the revenue from film exhibition per screen has been declining since 2000, however it is reaching a floor due to the saturation of number of screens and rising box office revenue. In 2018, there were 3,561 screens, in which 3,150 screens were cinema complex. However, the number of existing cinemas in regional cities is decreasing. The viewing habit in film exhibition has been changing from going to regional cinemas, to more comfortable complex facilities and selecting films from multiple screens.

Figure 3-5 Number of screens and revenue / attendances per screen



(Source: Motion Picture Producers Association of Japan, Inc.)

⁹ Based on “Survey of Selected Service Industries (Cinemas)”, Ministry of Economy, Trade and Industry

3.3.2.3 Trends and future prospects

Securing cinema fans and repeat customers

Since the 2000s, box office revenues and cinema attendance have remained steady at a certain scale, and going to the films remains firmly established as a part of people's lives. This trend is said to have been supported by cinema fans who have cultivated the habit of going to cinemas starting from a young age. However, in recent years, demand has been boosted by a virtuous cycle in which the release of particularly popular films have attracted more people to cinemas, where they further learn about other new films.

Conversely, if this cycle is disrupted, the market may face challenges to increase revenue or maintain attendance. In recent years, in particular, it has been pointed out that the proportion of young people among attendances has reduced due to the spread of mobile devices and Internet distribution services, and changing environment that allow people to view content from various types of media. Under these circumstances, companies have focused their promotion efforts on cinema complexes, and they have invested in promotional activities and various types of advertising campaigns that appeal directly to the people who visits the cinemas. Examples include a campaign on "Service Day" — the first of each month, a day on which ticket prices are lower than usual. In a special campaign, moviegoers were encouraged to see the film in cinemas on that day and then tweet comments on the film on Twitter using the hashtag "#MovieDay" to be eligible to win a prize. In this way, companies are incorporating the SNS word of mouth effect into their promotional approaches, using familiar tools and media to attract viewers that include young people.

One example of how to attract repeat customers is Dreampass¹⁰, a program that began in 2010. Dreampass is a service that sells cinema tickets for films that moviegoers want to see, or screens films at cinemas on demand. Requests from moviegoers are collected via the Internet, and after negotiations with film distribution companies, tickets for films that are allowed to be screened are sold and the film is screened at a cinema complex. This serves to hedge risk, as the screening only become a reality after the user request for a screening event has achieved a certain threshold of ticket sales. The policy can also help to attract moviegoers during the off-season.

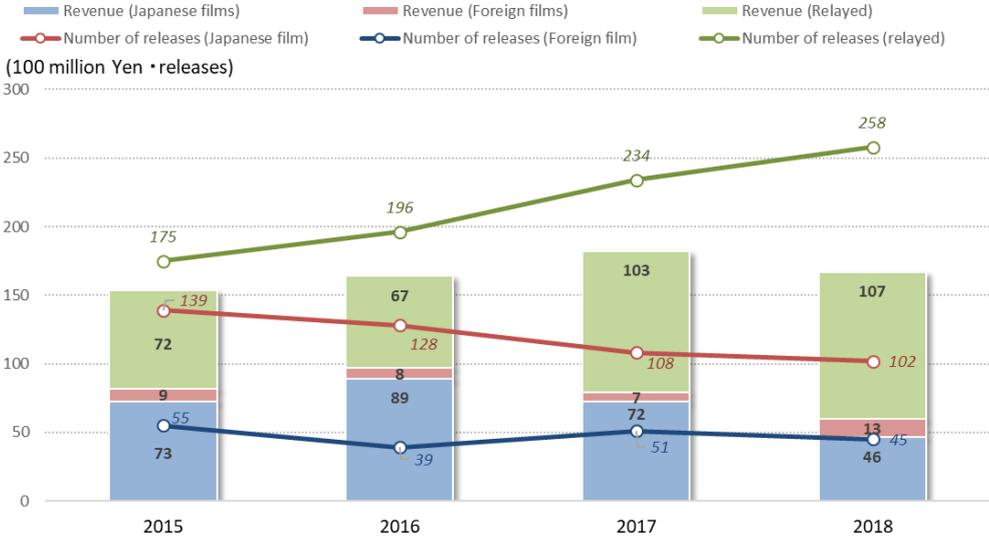
ODS and public viewing

Nowadays anyone can purchase an inexpensive large flat-screen TV and state-of-the-art sound system in their home, thereby creating an environment for enjoying 4K, 8K etc. high-resolution audiovisual entertainment. For this reason, it will be necessary to once again attract existing cinema fans as well as find a way to develop new customers by providing value of viewing in a cinema and having them experience this appeal for themselves.

¹⁰ Provided by TOHO Cinemas

From this perspective, progress has been made in recent years on new ways to use cinema facilities, against the backdrop of digital content creation and advances in digital screen technologies. Examples include the use of cinemas for ODS (Other Digital Stuff/Online Digital Source) and public viewing, to screen recorded or live non-film content such as live music performances and concerts, live sporting events, theatrical performances, kabuki performances, comedy or other storytelling performances (such as *rakugo* and *manzai*) and other popular events at venues with limited capacity. This is expected to be effective in attracting audiences of core fans, particularly in the case of motivating people who live in non-metropolitan areas to come to the cinema. For some time now, there have been regular screenings at cinemas of filmed kabuki plays and “Met Live Viewing” performances filmed at the Metropolitan Opera House in New York, as well as “theater movies” — recorded performances of the Gekidan Shinkansen theatrical troupe that have been edited into films. However in recent years, the number of screenings of live or recorded music performances and concerts, etc. has increased, as have the box office revenues from these screenings. In some cases, attendance at such events has exceeded that of film screenings. These still amount for only a small amount of revenue compared to total film box office revenues, but further growth can be anticipated in this market.

Figure 3-6 ODS revenue and number of released works



(Source: Motion Picture Producers Association of Japan, Inc.)

Emergence of participatory screenings

Another new screening mode that has been attracting attention and does not require the use of special equipment is “Cheering Screenings.” This turns the cinema into a live concert hall, where fans come to support their favorite character during the screening. The performance is participatory, with the audience singing along with the film, allowing people

to enjoy the film in the same way they would a live music performance or concert. Examples are the film “Frozen” (where the audience sang along with the film) and the animated film “KING OF PRISM by Pretty Rhythm” (where the moviegoers sang and supported their favorite characters). At such audience participation type screenings, fans are able to share their excitement and emotional reactions, and this helps to develop repeat customers. This is in keeping with other recent trends such as hands-on experience and “experiential consumption” (making consumer choices based on the value of the experience rather than the possession of material things). In the aforementioned Dreampass service as well, the creation of “participation” by fans in the form of gathering requests for ODS film screenings is becoming a trend.

Moreover, to take advantage of the 2020 Tokyo Olympics and Paralympics, companies are moving ahead with plans to show the various sporting events at cinemas. They are also taking this one step further by determining the home provinces of particularly promising athletes who will be competing, and then working with local cinema complexes to show the competitions of those athletes in cinemas where local fans can gather to support them.

Progress in entertainment and new ways of using cinemas, including the aforementioned ODS and public viewing, will make it possible to develop new viewers regardless of what generation they belong to or where they live. Accordingly, it is hoped that these efforts can resolve the problem of sluggish growth in viewing audiences (such as members of younger generations not going to cinemas) and the difficulty of operating cinemas in regional areas with declining populations.

3.4 TV program production/distribution

3.4.1 Economic contribution

The estimated result of the economic contribution of the TV program production/distribution industry is shown in Table 3-5. The TV program production industry has brought the economic contribution of 1,670.7 billion Yen for gross output, 835.3 billion Yen for value added, 377.8 billion Yen for labor income, and 157.4 billion Yen for tax revenue. As with film production, TV program production has a wide range of work, including planning, filming, editing, sound, and studio-related work, thus impact in employment is also high.

Table 3-5 Economic contribution for TV program production / distribution sector

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
TV production and distribution	717.4	1,670.7	298.1	835.3	139.6	377.8	52.1	157.4	27,352	52,111

(Source : Mitsubishi Research Institute, Inc.)

3.4.2 Market Analysis

3.4.2.1 Revenue

Over the decade the revenue structure of TV program production has changed, where proportion of TV program production/distribution revenue has decreased and consignment production revenue and revenues related to technical services has risen.

Figure 3-7 Revenue structure of TV program production and distribution industry¹¹

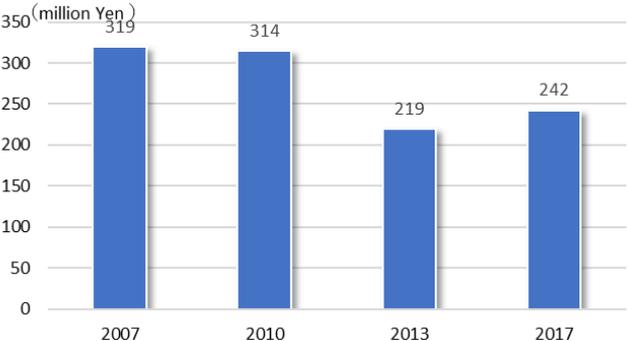


(Source: "Survey of Selected Service Industries", Ministry of Economy Trade and Industry)

¹¹ TV Program Production/Distribution Revenue: Revenue from the production (excluding commissioned) or distribution of TV programs. Video (including DVD) copyright revenue: revenue from licensing rights to make TV programs (those copyrighted in-house) to other companies. Commissioned Production: income earned from the production of television programs (including TV commercials) commissioned by other companies.

Revenue per company for TV program production and distribution industry saw a declining trend from 2007 to 2013, and has risen in 2017. This may be due to factors such as an increase in the number of companies in the market and also reduction in TV program production costs, in addition to the changes in revenue structure described above. In fact, according to the “Information and Communication Basic Survey” in 2017, “low production budget” had the highest response (63.7%) in terms of management issues among production companies. According to the survey, the number of produced TV broadcast programs (excluding commercials) totaled 32,101 (2017 results, 221 companies). From this point of view, improvement in supply and demand structure in production and distribution is expected which would result in higher economic contribution in the long term.

Figure 3-8 Production and distribution per company



(Source: “Survey of Selected Service Industries”, Ministry of Economy Trade and Industry)

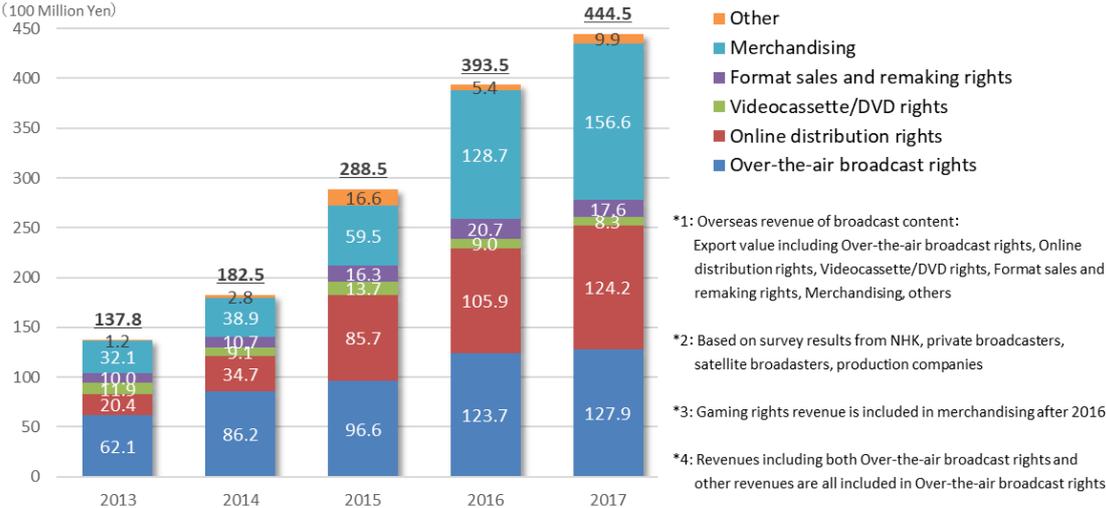
3.4.2.2 International market development

Figure 3-9 and Figure 3-10 indicate the international revenue of Japanese TV broadcast content. The export revenue of broadcast programs has increased from 13.78 billion yen in FY2013 to 44.45 billion yen in FY2017, tripling in four years. By genre, “animation” accounts for nearly 80%, followed by “drama”, “variety”, “sports”, and “documentary”. By region, “Asia” accounts for nearly 60% of broadcast content export destinations, but exports to other regions are also steadily expanding.

Overseas promotion is considered important in terms of further growth in content industry. As a means of promotion, international co-production schemes have received attention, which is different from conventional program licensing. International co-production generally refers to the process of creating works between two or more countries by incorporating the needs and preferences of different markets and combining the resources involved in both productions. There are several approaches such as sharing actual production process, which includes fundraising such as joint investment, production by producers/staffs/casts from both countries, or from multiple countries focusing on a certain script made in one country. Although there are still various issues in international co-production from the perspective of creating scripts and

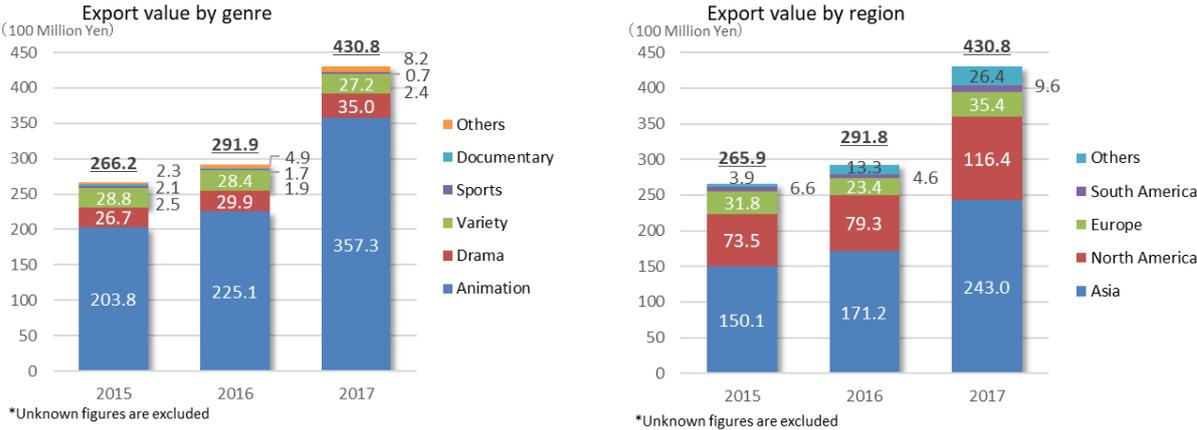
sharing responsibilities through dialogue in multiple countries, business relationships, capacity building and development, benefits in knowledge sharing can be expected for further development in the industry. In recent efforts, for example, international joint production between Japan and ASEAN countries, contribute to the government plans represented by the “Cool Japan Strategy” and “Visit Japan Strategy”, development in international markets and cultural exchanges, and local production companies develop into local economies.

Figure 3-9 Overseas revenue of Japanese TV broadcast content



(Source: Ministry of Internal Affairs and Communications)

Figure 3-10 Overseas revenue of Japanese TV broadcast content (breakdown)



(Source: Ministry of Internal Affairs and Communications)

3.5 Television broadcasting

3.5.1 Economic contribution

The estimated result of the economic contribution of the television broadcasting industry is shown in Table 3-6. The television broadcasting industry has brought the economic contribution of 9,404.7 billion Yen for gross output, 4,637.6 billion Yen for value added, 2,113.1 billion Yen for labor income, 940.2 billion Yen for tax revenue, and 316,134 employees.

Table 3-6 Economic contribution for Television broadcasting sector

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Public broadcasting	733.2	1,703.1	378.1	921.8	193.5	446.5	77.3	182.1	14,015	66,018
Commercial broadcasting	2,186.5	5,715.0	817.3	2,695.3	429.1	1,282.1	175.5	537.8	21,473	182,628
CATV broadcasting	500.5	1,085.8	273.7	595.4	81.7	229.9	61.4	124.4	13,584	42,071
Satellite broadcasting	369.6	900.8	141.3	425.1	22.3	154.6	41.3	95.9	995	25,416
Total	3,789.7	9,404.7	1,610.5	4,637.6	726.6	2,113.1	355.5	940.2	50,067	316,134

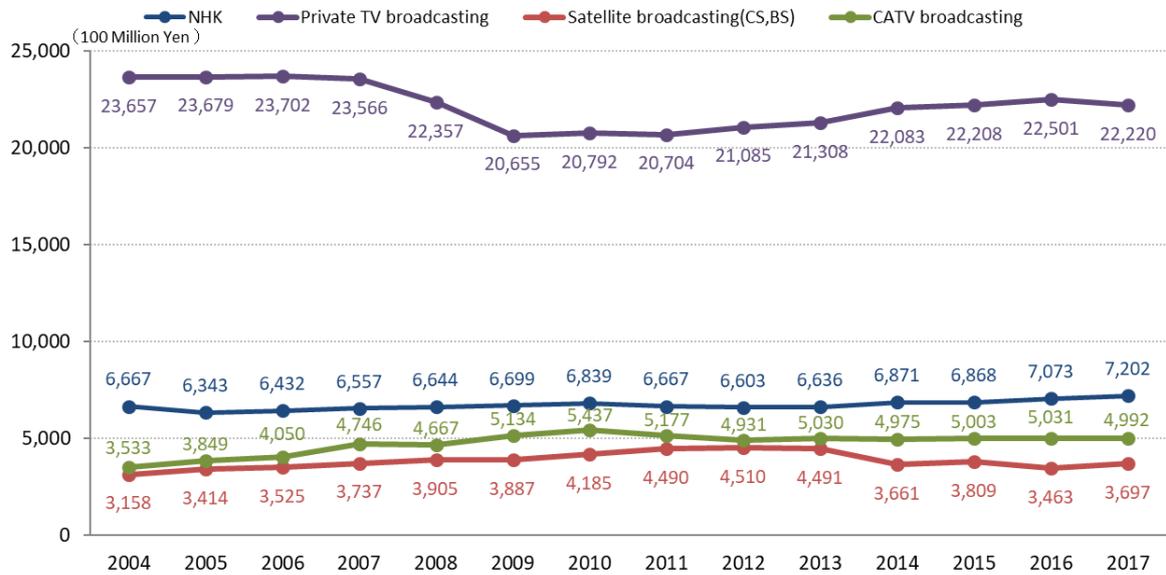
(Source : Mitsubishi Research Institute, Inc.)

3.5.2 Market Analysis

3.5.2.1 Revenue

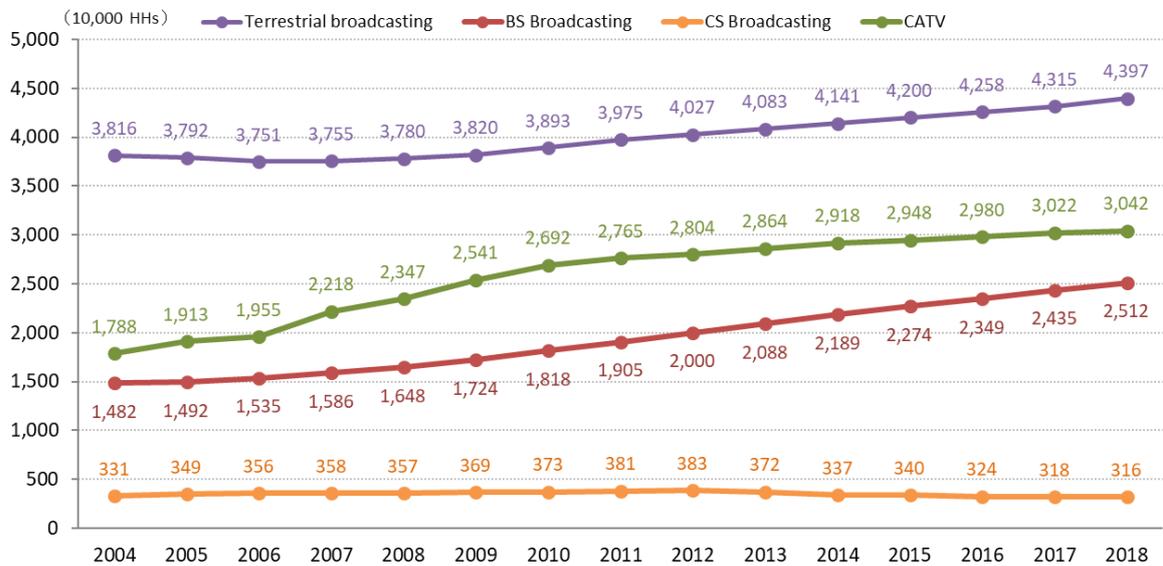
Total revenue and number of households of major broadcasting media is shown in Figure 3-11 and Figure 3-12, respectively. The operating revenue of the terrestrial broadcasting has been sluggish in accordance with the declining tendency in the advertising expenditure. On the other hand, revenue is steadily increasing for satellite broadcasting and CATV. One reason for this is due to increase in households upgrading a TV set and tuners to receive terrestrial digital broadcasting. In particular, for satellite broadcasting, the subscription of CS broadcasting has progressed to some extent due to the spread of antennas and receivers that can receive both BS broadcasting and CS broadcasting (110 degrees). As for BS broadcasting, number of subscribers continues to increase by providing program menu to different market segment compared to free-to-air terrestrial broadcasting and thus contributing to the overall advertising market. As for CATV, the shift to HD (High Definition), expansion of channel lineups, bundled service offers (with internet and/or telephone services), resulted in increase in subscription leading to revenue growth.

Figure 3-11 Revenue of each broadcast platform



(Source: "Revenue and expenditure of general broadcasters and cable TV broadcasters", Ministry of Internal Affairs and Communications)

Figure 3-12 Number of viewing households (HHs) of each broadcast platform



(Source: Ministry of Internal Affairs and Communications)

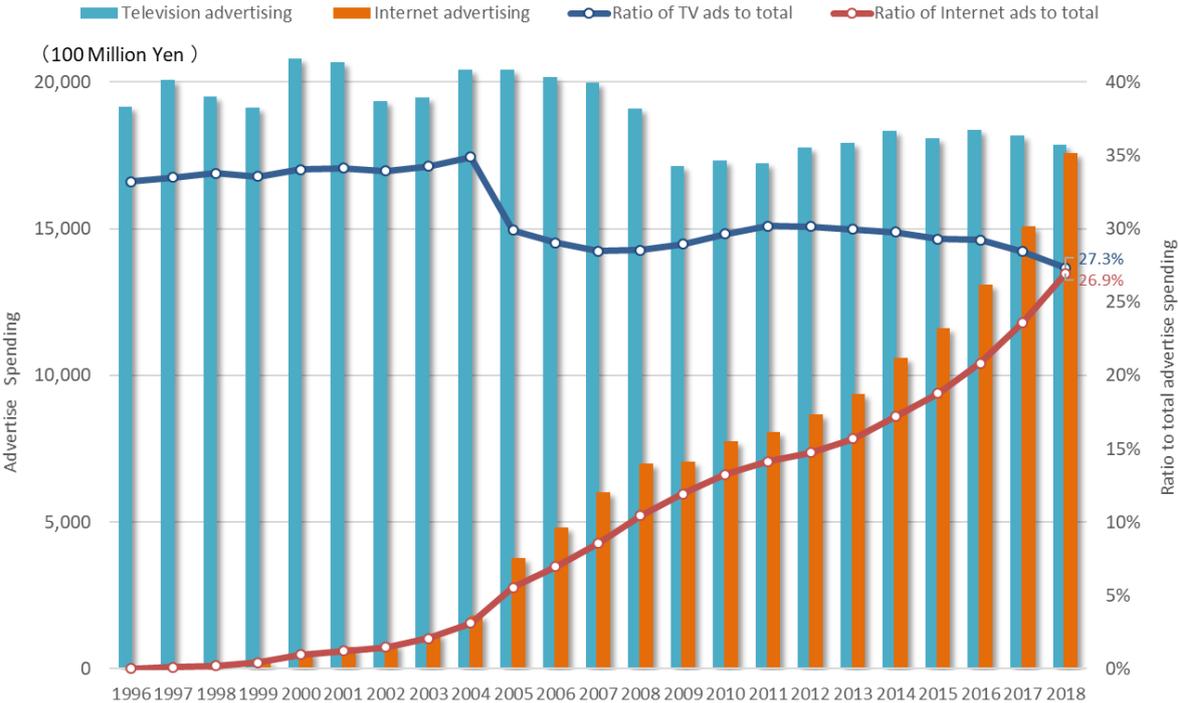
3.5.2.2 Advertising spend

Total advertise spending in Japan has continued to grow steadily with the gradual growth in overall economy, reaching 6.53 trillion yen in 2018. The ratio of TV media advertise spending (terrestrial television and satellite/CATV media) in total advertising expenses, have remained at approximately 30%, despite being affected by economic conditions such as domestic private

sector demand. Advertise spending for terrestrial television has been declining since 2016, even though in 2018 sports programs such as the Winter Olympics and FIFA World Cup contributed, the amount was 1,784.8 billion yen (-1.8% YoY), staying at 27.3% of total advertise spending. For the satellite/CATV media, BS broadcasting, CS broadcasting, and CATV broadcasting have been steadily increasing, however the market saw a decline to 127.5 billion yen (-1.9% YoY) in 2018.

On the other hand, internet advertising has been growing for the past 20 years, driven by programmatic advertising and video advertising (including SNS). In 2018, it was 1,758.9 billion yen (116.5% YoY), a double-digit growth for the fifth consecutive year. It has contributed to 26.9% of the total advertising expenses, close to TV advertising expenses. According to Research Institute of JBA, the above trend is unlikely to be a temporary phenomenon, and the negative impact of internet advertising expenses on TV advertising expenses is statistically proven in recent years. After 2019, advertise spend for TV and internet may reverse, which indicates the overall market is in the midst of structural changes.

Figure 3-13 Advertise spending for television and internet



3.5.2.3 Trends and future prospects

Rollout of new 4K and 8K satellite broadcasting

In the effort to increase the resolution of digital broadcasts in Japan, the open bandwidth that has become available due to the termination of analog BS service and additionally allocated bandwidth is being used to start broadcasting on new channels and shift from

standard definition (SD) to high definition (HD) broadcasting. In addition, to achieve 4K and 8K transmissions, since 2015 regular broadcasting at 4K resolution has been provided on CS (Japan Sky Perfect TV premium service) and on some cable TV and IPTV platforms, and test broadcasting at 4K / 8K resolution have been conducted on BS from 2016. Moreover, in December 2018, actual broadcast service finally began on BS and other platforms under the title “New 4K8K Satellite Broadcasts.” Nine companies including NHK and key stations of commercial networks offer 4K broadcasts on a total of 17 channels on the BS and CS platforms, and the world’s first 8K broadcasts are offered by NHK on one BS channel. Thus, it has become possible to see numerous attractive programs in high resolution with vividly realistic images.

Increasing awareness of New 4K / 8K Satellite Broadcasts involves the challenges of attracting more people to purchase the compatible TV receivers and other elements of the reception environment. However, as much of the live coverage of the upcoming Tokyo Olympics and Paralympics in 2020 will be broadcast in 4K and 8K, this is expected to achieve widespread penetration as a new media environment. In addition, the permit application process for BS channels was conducted in September 2019, therefore introduction of new channels on satellite broadcasting platforms is expected to continue.

This broadcasting trend toward increased resolution and the creation of numerous channels will lead to related equipment investment and produce the demand for 4K / 8K and other new content, and accordingly these trends are expected to contribute to potential economic growth.

Convergence of broadcasting and communication

Against the backdrop of the complete digitalization of broadcasts, as well as the spread of broadband lines and Internet access terminals and the development of HTML5 and other Internet technologies, the fusion of broadcasting and communications is creating new full-fledged services. In Japan, a new standard specification (HybridCast) has been established as the technical infrastructure for achieving services that combine broadcasting and communications (Internet). Not only will HybridCast make it possible to provide detailed images and data on TV screens utilizing telecommunications, it will allow interactive coordination with social and personal services, and will enable smartphones and tablets and so on to be used as second screens.

In the future, the use of viewing data and other data provided by means of Internet distribution infrastructure will be developed, along with new services and applications that can be accessed from the TV such as coordination with e-commerce. HybridCast is also expected to lead to the creation of new business models and a ripple effect on peripheral industries.

Business development of local terrestrial broadcasters

There are 127¹² commercial broadcasters (terrestrial broadcasting) in Japan. Of these, compared with the 15 broadcasting companies in the Tokyo, Nagoya and Osaka regions, it is the local broadcasters in other areas that have experienced dramatic changes in the operating environment in terms of media diversity and the like as a result of declining regional populations and the popularity of the Internet. The major factor that determines the scale of the income from TV spots on local stations is the population in that area. As a result, population decline in regional areas is a body blow to local stations, and it is expected to be difficult for local stations to increase the TV advertising that has constituted most of their revenue. The Japan Commercial Broadcasters Association predicts that the reduction in the rate of growth of sales revenues from terrestrial broadcast television from now on will be more significant at local stations than at stations in the Tokyo, Nagoya and Osaka regions.¹³

On the other hand, local residents rate local information programs highly, as seen in comments such as “I have a great deal of affection for them” or “They provide useful information.” Local stations preserve journalism in the community and actively work to collect and disseminate lifestyle-related information, information on disasters and information that is of interest to the community. Therefore, they serve as a member of the local community that helps to ensure the safety and security of the community and provides stimulation to the community. It has been pointed out that this social role of local stations will continue to be important.

From this perspective, policies to upgrade the operating infrastructure of local stations are being discussed, in order to ensure a source of local information and promote the distribution of local content (from the local region to the nation, and from the local region to other countries).¹⁴ Specific examples include using the Internet to promote the distribution of local content and disseminating local content overseas. Moreover, coordination with local stakeholders such as local governments and local industries has been raised as an important approach to enable local stations to work to resolve common issues such as regional stimulation as a member of the local community.

Local content promotion by Cable TV stations

In Japan, there are 698 registered cable TV operators as of the end of 2018¹⁵. Among them, 492 operators provide independent broadcasting (community channel) in addition to

¹² Member companies of JBA

¹³ Quarterly journal of commercial broadcasting management (December 2018)

¹⁴ Ministry of Internal Affairs and Communications “Committee for various issues in broadcasting / Strengthening the management of broadcasting business -Intermediate report-” (July 11th 2019)

¹⁵ Ministry of Internal Affairs and Communications

retransmission of terrestrial broadcasting programs. Through community channels, these operators provide local information useful for local residents, such as local administrative information, traffic information, disaster prevention information, disaster information, and local shopping information. The number of community channel subscribers is 29.62 million as of end of 2018¹⁶.

Japan Cable Television Association (JCTA), to which 352 cable TV operators are members, promotes in developing high-quality content production in these regions. Since 2011, it has been operating the “All Japan Cable-Contents Management System (AJC-CMS)”, a content distribution system that provides content to other regions' cable television. AJC-CMS is a system utilizing Internet to distribute broadcasting programs to Cable TV stations nationwide by sharing meta data, which functions as collecting, distributing, and distributing regional contents. Cable TV operators in each region can obtain high-quality program from cable TVs nationwide to coordinate programs near the area, for them to contribute to regional revitalization and increasing the appeal and influence. In addition, it is possible provide content to residents in other areas. Furthermore, prior to the new 4K / 8K satellite broadcasting described above, in December 2015, JCTA started “Cable 4K”, the cable TV industries' first unified 4K community channel. Cable TV operators across the country are now united to broadcast original 4K broadcast programs. In this way, cable TVs play an important role in distributing local information, by enhancing content production and coordination capabilities through mutual cooperation in the industry.

¹⁶ Ministry of Internal Affairs and Communications

3.6 Home video

3.6.1 Economic contribution

The estimated result of the economic contribution of the home video industry is shown in Table 3-7 home video industry has brought the economic contribution of 844.9 billion Yen for gross output, 467.0 billion Yen for value added, 215.1 billion Yen for labor income, 91.7 billion Yen for tax revenue, and 45,831 employees. Here, the economic contribution covers the final demand (retail basis), therefore the retail market such as sales in retail outlets is included in addition to the distribution from the manufacturer to retail and rental outlets (shipment basis). Therefore, for example, the estimation includes the number of employees in retail shops and rental shops.

Table 3-7 Economic contribution of Home Video sector

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Home Video	389.5	844.9	209.4	467.0	102.1	215.1	41.3	91.7	25,764	45,831

(Source : Mitsubishi Research Institute, Inc.)

3.6.2 Market Analysis

3.6.2.1 Revenue (retail-based)

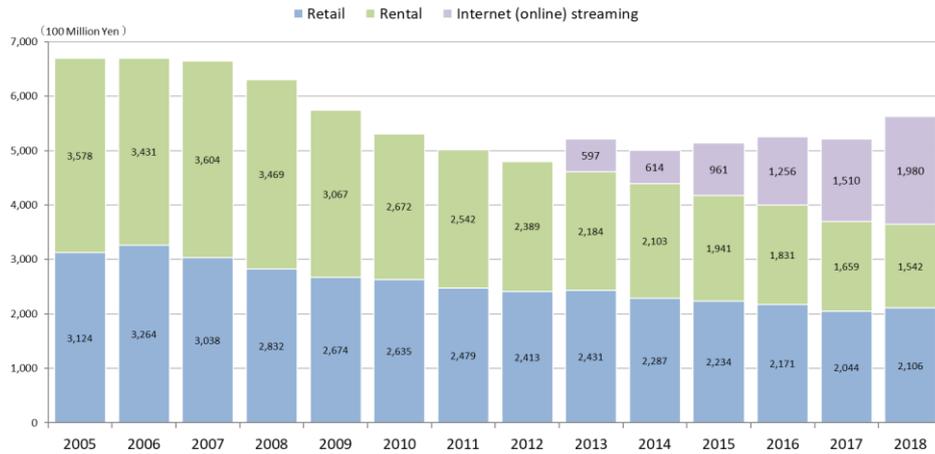
Revenue from home video sales is shown in Figure 3-14. The rental market was larger than retail market although the relation reversed in 2012. The decline in demand for foreign films and TV dramas, which had previously driven the market, as well as shift toward the internet streaming has prominently induced revenue reduction. It is also worth noting that in 2018 the revenue of the rental market and the internet streaming (paid) market reversed.

In fact, according to a consumer survey conducted by the Japan Video software Association¹⁷, in 2018, the purchase rate of retail home video (DVD, etc.) was 15.8%, and rental usage rate for rental home video was 25.6%. The usage rate of internet streaming (paid) was 16.3% exceeding the retail home video¹⁸. Comparing with statistics in 2014, number of retail home video users decreased by 13.2% and rental home video users decreased by 31.1%. On the other hand, internet streaming (paid) users have more than tripled. (See 3.7 for details on the Internet streaming).

¹⁷ “Video Software Market Size and User Trend Survey 2018 Report” (May 2019)

¹⁸ Purchase rate: the percentage of people who purchase one or more new home video in one year. Rental usage rate: the percentage of people who rent one or more home video in one year. Usage rate of internet streaming (paid) : the percentage of people who used internet streaming (paid) in one year.

Figure 3-14 Revenue for home video vs paid internet (online) streaming



(Source: Japan Video Software Association)

3.6.2.2 Revenue (wholesale-based)

Figure 3-15 shows revenue and number of shipments in wholesale market. In terms of retail market, although it increased rapidly with the spread of DVDs since 2000, it has decreased since 2005. Although it has reached the floor after 2010, it has been decreasing again since 2014 as well as number of shipments. In 2018, it was slightly lower than the previous year.

For the rental market, both revenue and number of shipments remained stable until 2007. Although measures were conducted to strengthen inventory management at rental shops in accordance with demand, due to the demand shift toward Internet (online) streaming, it subsequently continued to decline gradually over 60% in the last decade.

Figure 3-15 Revenue from home video sales (wholesale to retail and rental shops)

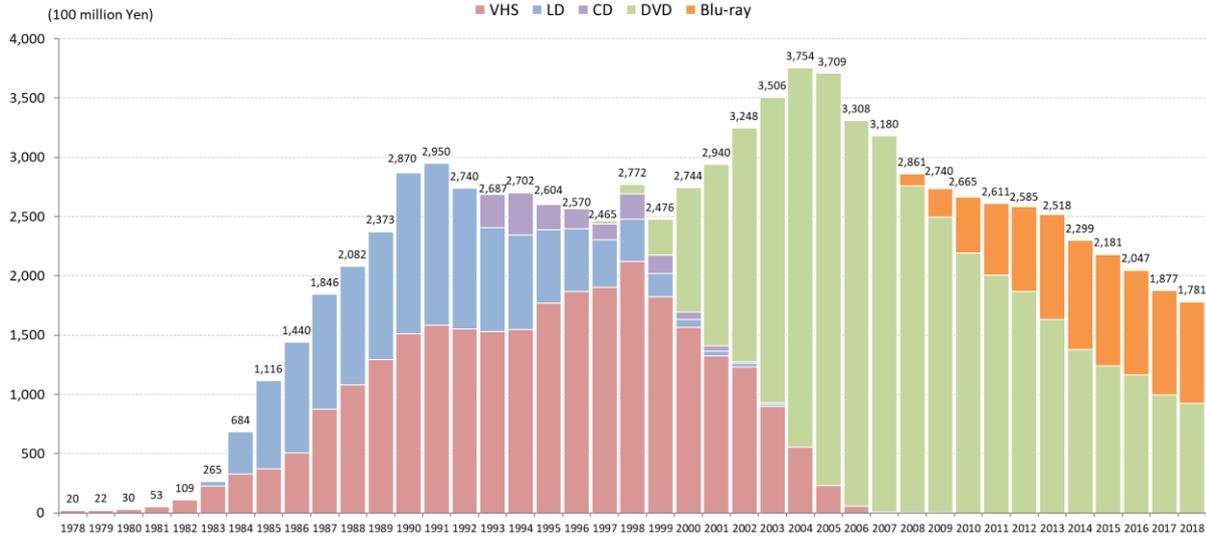


(Source: Japan Video Software Association)

3.6.2.3 Revenue by media and genre

Revenue for each home video media is shown in Figure 3-16. DVD has substituted former major media rapidly after 2000, however its revenue has been in decreasing tendency since 2005, after the substitution reached the completion stage. However, Blu-ray Disc, which shipment started around 2008, has expanded its share steadily. Its result in 2018, accounted for approximately 50% of the total home video revenue, a rise compared to 23% in 2011. However, DVD demand interrupted 100 billion yen in 2017, and the overall package market continues to decline.

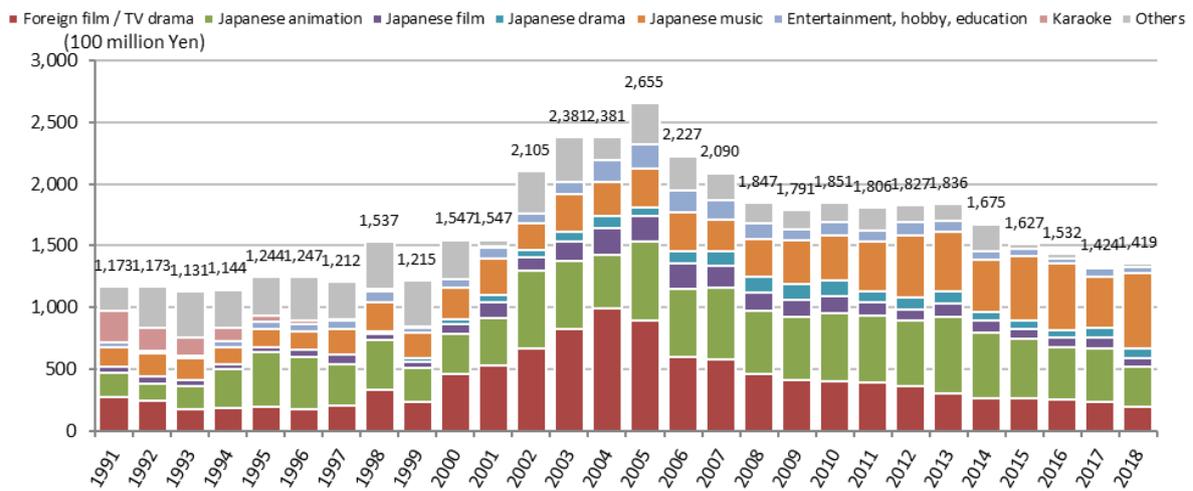
Figure 3-16 Revenue by home video media



(Source: Japan Video Software Association)

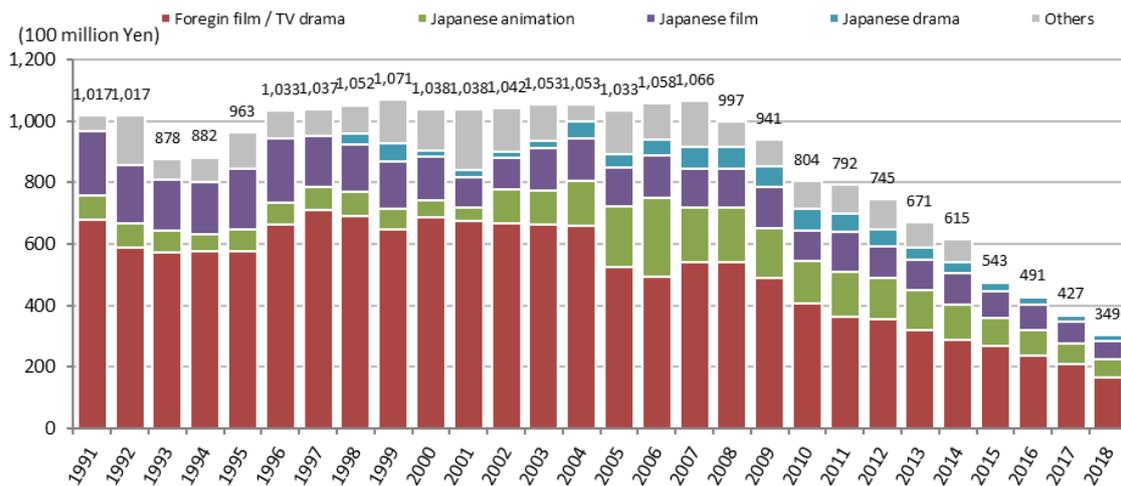
Figure 3-17 shows the revenue by genre in the retail market. Foreign films and overseas dramas are declining due to lack of popular titles, and currently the market is driven by animation and domestic music (music live video, etc.). In particular, live videos of popular domestic artists and Japanese animation hits such as “Your Name” are leading the market. For the rental market, although foreign films and overseas dramas are still strong due to its revenue sharing business model, the market is decreasing year by year due to the shift to Internet (online) streaming. However, there is a certain demand for domestic dramas and films that are not necessarily provided for internet streaming services.

Figure 3-17 Revenue share by genres (retail market)



(Source: Japan Video Software Association)

Figure 3-18 Revenue share by genres (rental market)

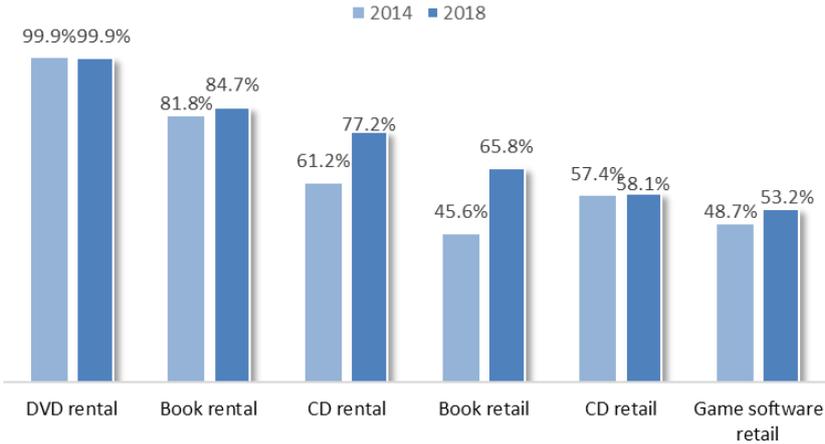


(Source: Japan Video Software Association)

3.6.2.4 Trends and future prospects

Against the backdrop of the spread of e-commerce and video distribution services, the operating environment for outlets that deal in DVDs and other video software products is becoming more and more difficult each year. This is shown by the fact that the number of (rental) outlets that are members of the Compact Disc & Video Rental Commerce Trade Association of Japan (CDV-JAPAN) has decreased by almost 30% during the past 10 years, from 3,463 in FY 2008 to 2,495 in FY 2018. Another indicator is outlet size: outlets measuring roughly 1,300m² or larger accounted for 12.4% of the total in FY 2014, but by FY 2018 this figure had increased to 16.0%, indicating a period in which outlets compete to survive and it is mainly the largest outlets that are able to do so. One trend in this period is the decision to deal in products other than home videos. A look at the business operations of

CDV-JAPAN member outlets shows that the business is changing to one in which DVD rentals are the mainstay but outlets are transitioning into becoming general outlets that deal in various media: renting books and CDs as well and selling books, CDs and games (Figure 3-19). For example, percentage of rental outlets selling books have increased from 45.6% in 2014 to 65.8% in 2018.



(出所：CDV-JAPAN)

Figure 3-19 Percentage of rental outlets providing various rental/retail business

Tsutaya (Culture Convenience Club Company, Limited), a major player in the rental business, is pursuing further changes to its operations as a retail enterprise by opening landmark-type outlets that offer added value. For example, in May 2017, the company opened an outlet in Tokyo’s Ginza district that offers a wide array of art products designed to appeal to inbound tourists from other countries. The company is deploying a concept with a different image from that of the traditional rental outlets.

Nevertheless, it will be difficult to realistically deploy this type of operation on a large scale at other than large outlets — for example, at small and medium-sized outlets, or at outlets in regional areas. Moreover, as in the case of cinemas, these brick-and-mortar outlets that deal not only in rentals but also in other content products are centers for disseminating media and culture in both urban and rural areas, and they are important centers that continue to be a point of contact with local residents. Rental outlets in particular have a membership system, meaning that they have a connection to their customers (local residents). They may rely on the potential as they seek approaches to provide added value that will enable them to play a new role in the community and service its needs.

3.7 Internet (online) streaming

3.7.1 Economic contribution

The estimated result of the economic contribution of the film/video distribution through Internet (online) streaming is shown in Table 3-8. Internet (online) streaming industry contributes 553.7 billion Yen for gross output, 253.3 billion Yen for value added, 129.9 billion Yen for labor income, 50.1 billion Yen for tax revenue, and 19,385 employees.

Table 3-8 Economic contribution- Summary of results

[Unit: Billion Yen, person]

Sector	Gross output		Value added		Labor income		Tax revenue		Employment	
	Direct	Total	Direct	Total	Direct	Total	Direct	Total	Direct	Total
Internet (online) streaming	198.0	553.7	55.6	253.3	43.6	129.9	10.9	50.1	3,646	19,385

(Source : Mitsubishi Research Institute, Inc.)

3.7.2 Market Analysis

3.7.2.1 Market structure

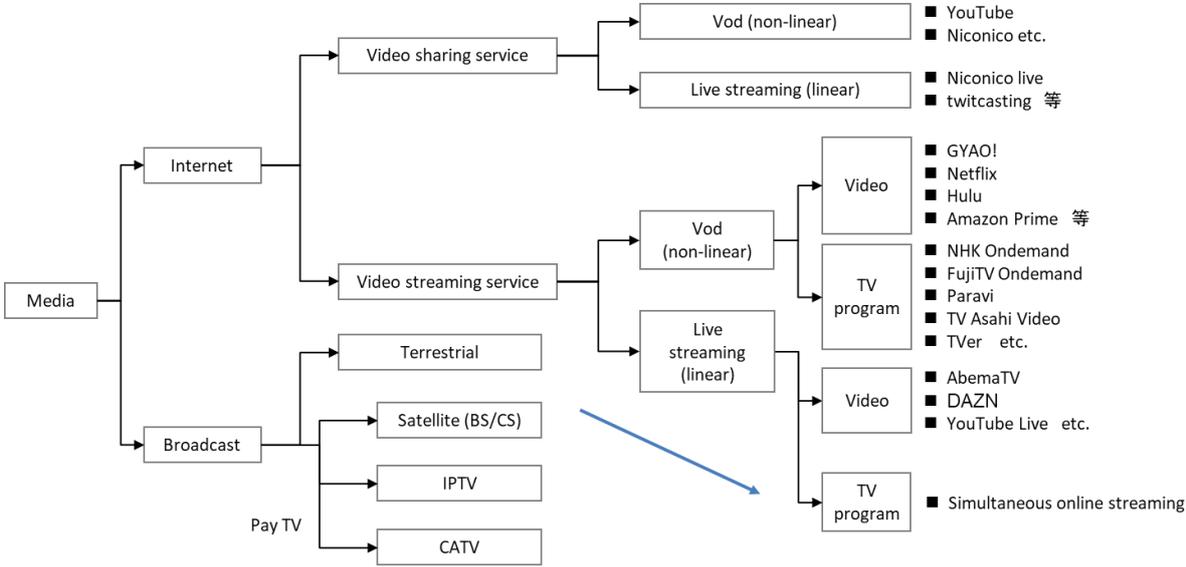
Figure 3-20 shows the types of video distribution services based on type of content and mode of provision. The type of service can be divided into two general categories: video sharing services and video distribution services. For each type, the modes of provision comprise video on demand (VOD), which includes “catch-up” distribution (making a show available for viewing on the Internet after its broadcast), and live distribution. Types of content include programs aired by TV networks, and Internet-based service original films and programs etc. created by telecommunications carriers and platform businesses. In recent years, in the area of live distribution, live telecasts of sporting events and other content for which there is great demand for real-time viewing have become popular. In this way, many different companies have entered the market, each trying to distinguish itself from its competitors, and the market has been stimulated as a result. Live distribution services for broadcast programs (Internet simulcasts of broadcast programs), which are seen as complementing traditional broadcasts, are expected to be provided, initially by NHK.

In addition, from a business model perspective, services can be divided generally into two types: for-fee services offered based on a one time charge or subscription model and free services that are based primarily on advertising revenues. This study focused on sales (economic impact) of the for-fee Internet broadcast service market in the latter case. Specifically, this includes “Subscription Video On Demand” (SVOD)¹⁹, “Transaction Video On

¹⁹ Subscription Video On Demand: Monthly payment for unlimited streaming

Demand” (TVOD)²⁰ and “Electronic Sell Through” (EST)²¹ . Accordingly, it does not include “Advertisement Video On Demand” (ADVOD)²².

Figure 3-20 Domestic Internet (online) streaming service



(Source : Mitsubishi Research Institute, Inc.)

3.7.2.2 Revenue

The domestic market for for-fee video distribution services has been growing rapidly due to the popularity of broadband Internet and smartphones. The market was 59.7 billion Yen in 2013, but by 2018 it had grown to 198.0 billion Yen (average annual growth rate of 27.1%). This exceeds the rental market (154.2 billion Yen in 2018) and rivals that of box office revenues (222.5 billion Yen in 2018). As noted in 3.6, the use rate of for-fee internet streaming (paid) services by consumers is already greater than the purchase rate for retail home video, and it will soon be competitive with the use rate for rental home video, and it is ultimately expected to reach the combined markets for home video retail and rental revenue.

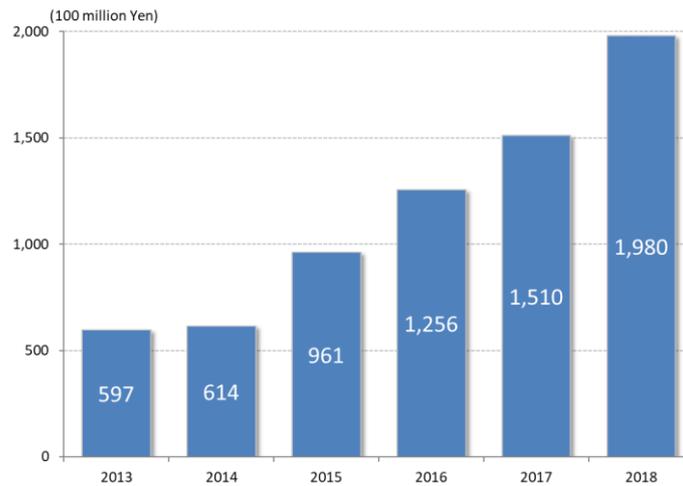
In terms of business models, a GEM Partners survey (published results) found that SVOD accounted for 76.0% of the overall market in 2018. The shares for TVOD and EST were 13.5% and 10.6%, respectively. Calculating revenues using the market breakdown noted above, this amounts to 150.5 billion Yen for SVOD, 26.7 billion Yen for TVOD and 21.0 billion Yen for EST. A consumer survey conducted by the Japan Video Software Association found that, regarding the consumer use distribution in the past five years for these three modes, SVOD was growing, and the market was shifting from TVOD and EST to SVOD.

²⁰ Transaction Video On Demand: Pay per view on rental basis

²¹ Electronic Sell Through: Pay per view

²² Advertisement Video On Demand: Free view with advertising

Figure 3-21 Revenue for internet streaming (paid) market



(Source: Japan Video Software Association)

3.7.2.3 Trends and future prospects

Increase in “Internet original” content

With the profusion of video distribution services and platforms springing up and engaging in intense competition with one another, each company is putting its main energies toward distinguishing itself from its competitors with various selling points. In recent years in particular, Abema TV, Netflix, Amazon and other major video distribution service companies are achieving popularity and creating buzz by producing many “Internet original” programs in cooperation with domestic networks and production companies and so on. A consumer survey conducted by The Japan Video Software Association found that the most common reason that people began using for-fee online streaming services was to view “original content”. This trend is the same for SVOD, TVOD and EST. Accordingly, for consumers, both the number of content as well as original content are important factors promote the use of online streaming services. In addition, in the provision of video content over the Internet (“secondary use”), the fact that many issues relating to rights clearance and business remain to be resolved is another factor spurring the creation of original content.

From the standpoint of the economic ripple effect, increased demand for Internet original products will encourage the production of new video products. Specifically, this is the increased production value of the “video production and distribution business” as in section 3.2 and 3.4 According to a survey²³ conducted by the Institute for Information and Communications Policy, within the video software market, the market for Internet original programming is 122.5 billion Yen for Internet original programs, and the market for video sharing is 43.1 billion Yen (results for FY 2017). The market for Internet original programs has grown to approximately 46% of the market for video creation and distribution (264.8 billion Yen) and

²³ “Report on production and distribution of media soft”, IICP

approximately 17% of the market for TV program creation and distribution (717.4 billion Yen). Providing original products will incorporate the growth of the video distribution services that constitute a new distribution channel, and therefore it will help to expand the scale of the industry.

Use of Internet distribution in the broadcasting industry and coordination

Companies in the broadcasting industry are also looking for ways to coordinate with Internet media and incorporate their market growth. NHK and major commercial networks have established their own VOD platforms, and they are offering VOD distribution of broadcast programs and providing catch-up viewing services and so on. In October 2015, with the aim of preventing illegal video distribution, PRESENTCAST Inc., a company founded with joint funding from five Tokyo-based commercial networks and four advertising agencies, debuted TVer, a free advertising-supported catch-up distribution service for TV programs. TVer offers programs provided by each of the TV networks that can be viewed on a PC (using a browser) or on a smartphone or tablet (using an app). The number of anime programs and variety programs is limited, but the company makes an active effort to offer TV dramas and other content. Moreover, in 2016 some quasi-key stations began participating in TVer, distributing programs directly and enabling viewers to see local programs that were only broadcast in a limited area. As of August 2019, the service offered some 200 programs made available through the cooperation of the five Tokyo-based commercial networks and 10 other companies. Approximately 80% of the viewings took place using a smart device. The company has grown steadily and has worked to upgrade the service, for example releasing a “TVer TV app” in response to strong user demand. Cumulative app downloads including the TVer TV app have exceeded 18 million.

In addition to the aforementioned VOD, services that provide live feeds of broadcast programs have also begun to appear. The for-fee satellite broadcast company WOWOW began Internet-simulcasting its programs in 2018. NHK is also working on the necessarily institutional steps and so on that are needed to provide Internet simulcasts of its broadcast programs and is expected to begin full-fledged simulcasting in 2019 and thereafter. Nevertheless, as terrestrial broadcasting remains the primary media, finding opportunities to earn revenues from the simulcasting of broadcast programs itself remains an issue, with the exception of live broadcasts of sporting events that are in high demand. A new business model is needed which Internet simulcasting is used to prime the pump and lead to catch-up distribution and VOD and other secondary distribution or e-commerce and other broadcast-linked services.

Against the backdrop of these efforts, among the types of Internet advertising, expenditures on “TV media digital advertising” (ads produced by the TV networks) have grown to a certain scale. According to major Japanese advertising agency Dentsu, TV media digital advertising in 2018 came to 10.5 billion Yen (of which advertising during catch-up services and other

Internet video distribution accounted for 10.1 billion Yen).²⁴ Internet advertising expenditures in total amounted to less than 1% of expenditures on TV advertising, but future growth is anticipated.

²⁴ “Advertising Expenditures in Japan” Dentsu

3.8 Estimation of market size attributed to content genre

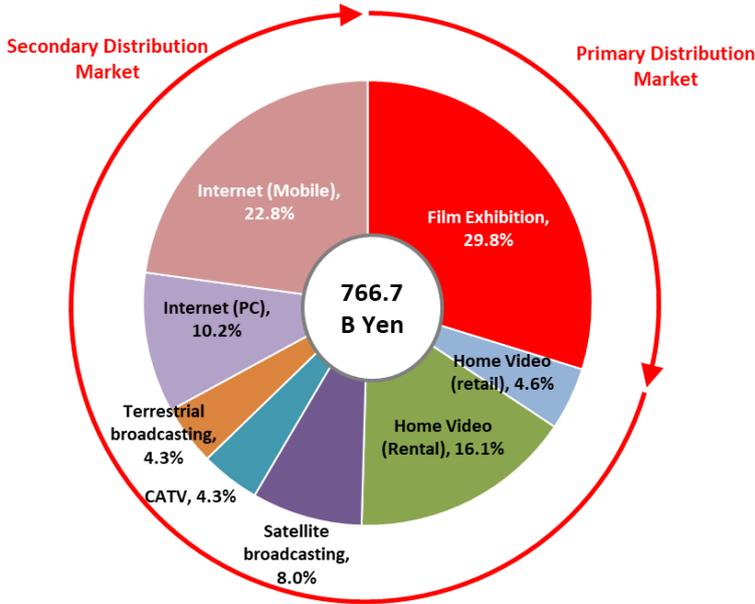
3.8.1 Estimation of market size attributed to films

In this section, taking account the analysis in the previous sections, we estimated the market value focusing on films, for each distribution window. The results are derived from studies conducted by Institute for Information and Communications Policy (IICP).

In general, film is first distributed through exhibition, which we define in this section, as primary distribution market. It is then distributed through home video (retail, rental), pay TV, terrestrial broadcasting, TV/ PC online and mobile, which we defined as secondary distribution market.

Figure 3-22 shows the market revenue attributed to films, and the share for each distribution window. The figures are estimated by multiplying certain ratio to overall revenue (The details are noted in the appendix). Note that the home video market (retail, rental) accounts for the retail market revenue, which covers the final consumption. The total revenue accounts for 766.7 billion Yen. Primary distribution market, or film exhibition, consists of approximately 29.8%, and secondary distribution market accounts for 70.2%. This indicates that the overall market attributed to films is more than three times as large as the film exhibition market.

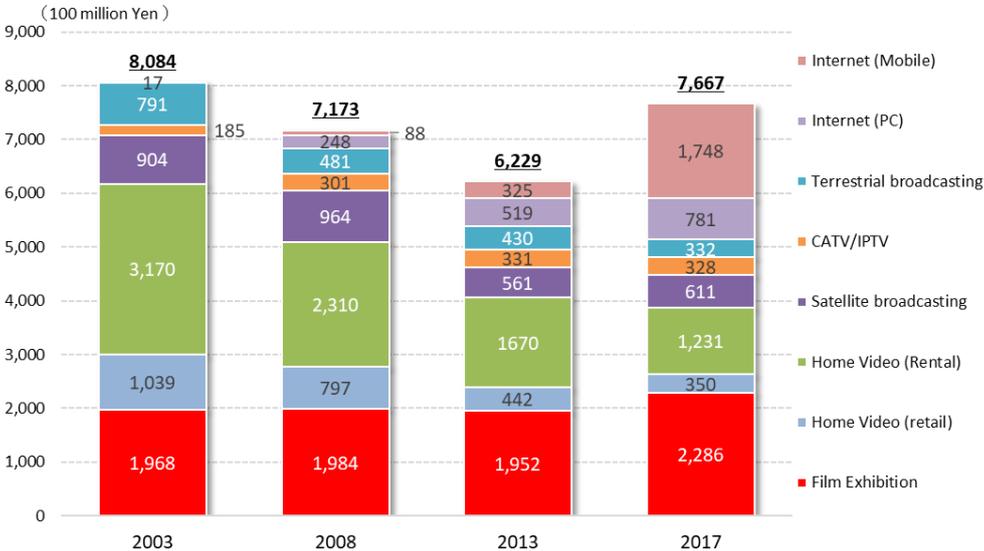
Figure 3-22 Market revenue and share attributed to films (2017)



(Source: IICP report, Mitsubishi Research Institute estimates)

Figure 3-23 shows the change in market revenue. As mentioned in 3.3 the primary distribution market (film exhibition) has maintained its size. Secondary distribution market has been declining, due to downward trend in home video market as well as television and satellite media. On the other hand, in the past five years, internet distribution, especially internet streaming over mobile, has increased significantly, recovering the past 10-year reduction. The Internet streaming market (for PC + mobile phone) has already exceeded the box office revenue (primary distribution market), and it is assumed to replace the previous home video market. Thus, the film industry has a feature that the secondary distribution market is much larger than the primary distribution. In recent years, there has been a trend in windows and the duration, such as online streaming shortly after film release, or simultaneously. Especially, the position of the Internet streaming has grown year by year.

Figure 3-23 Market revenue attributed to films



(Source: IICP report, Mitsubishi Research Institute estimates)

3.8.2 Estimation of market size attributed to Animation

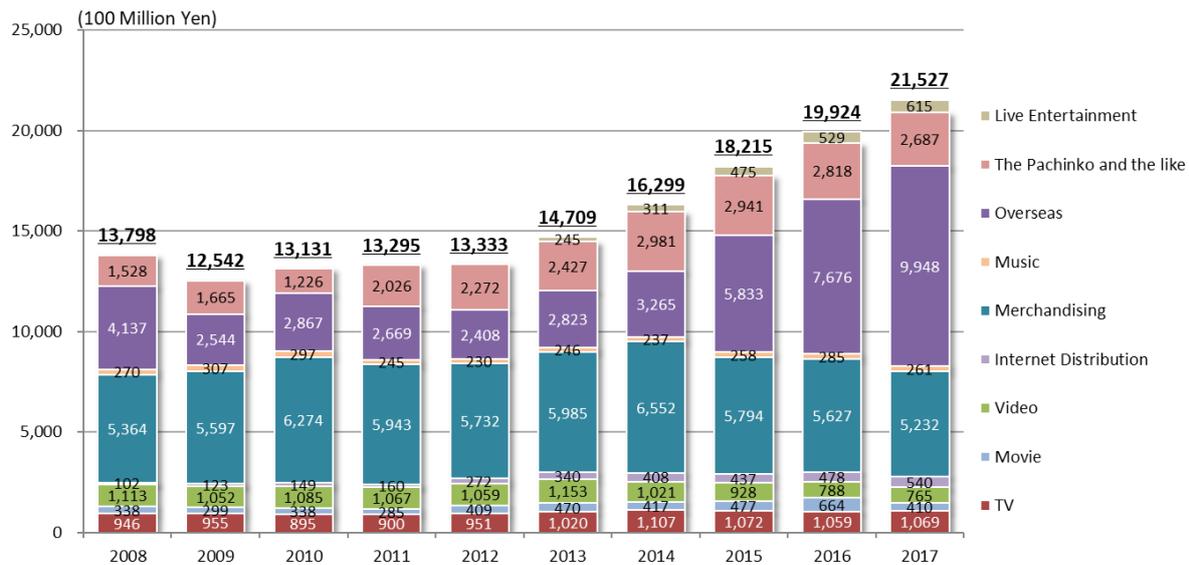
According to the industry statistics published by The Association of Japanese Animations, Japanese animation market in a broad sense which captures the end-user market²⁵ has continued to expand steadily, reaching 2,152.7 billion Yen in 2017, the first time exceeding 2 trillion Yen (Figure 3-24). Looking at the breakdown, in addition to TV, film, video, and Internet distribution, the proportion of merchandising and overseas sales is large, which indicates that animation business has a large leverage effect, spreading to secondary use of works.

Looking at the trend in the past decade, TV related market have remained steadily since

²⁵ Market size based on estimated revenues in animation and animation-related product markets

peaking in 2015, and film related market has been rising year by year. Similar to the trend described in the previous section, the market is seeing downtrend for video and the uptrend for Internet distribution. Merchandising (including game software) has been declining gradually since peaking in 2014, but it is expected to increase if market is assumed such as smartphone games and digital merchandising, which is out of scope of the statistics. Live entertainment related market is also expanding rapidly. Overseas sales have once peaked in the mid-2000s, and have significantly decreased since then, but have risen sharply since 2015, reaching the scale close to domestic market. On the other hand, overseas revenue changes greatly, and the dependence on market and window (Internet distribution, etc.) of specific region / country is increasing, and the animation industry (production side) does not entirely benefit from distribution and smartphone games within overseas sales. Thus, the industry, having a variety of windows, is facing challenges such as the need for early stabilization of the domestic market, which is currently undergoing structural changes in terms of window.

Figure 3-24 Japanese animation market trends in a broad sense



(Source: IICP report, Mitsubishi Research Institute estimates)

3.9 Regional economic contribution

The previous sections focused on the economic impact of the film and television broadcast industry and trends in each sector basically from a macro perspective. This section will focus on the contribution of the industry to the local economy, from both perspective of the relationship with the region (supply side) as well as regional contribution (demand side).

3.9.1 Relationship with the region

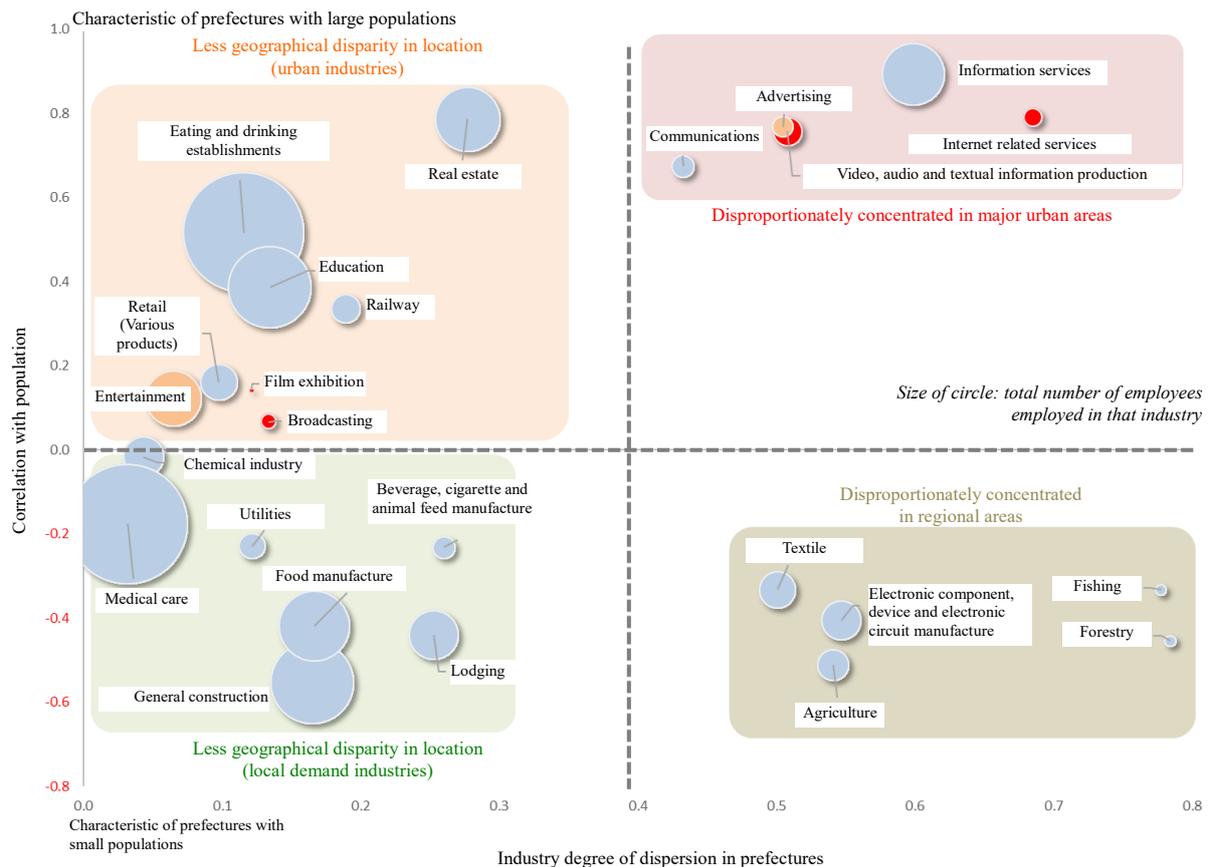
In sections 3.2 - 3.7, each sector consisting the value chain in film and TV broadcast industry were analyzed. This section focuses on the contribution of this value chain to the local economy in terms of domestic geographical distribution. Figure 3-25 shows the relationship between prefectural population and the geographical distribution of major industries. The vertical axis shows the correlation between the population of each prefecture and the number of people employed in individual industries. The higher, the greater the extent to which the industry is specific to prefectures with a large population. The horizontal axis shows the degree of dispersion (Gini coefficient) of each industry. The higher, the more uneven the industry is geographically distributed.

Based on both axes, the major industries in Japan can be divided into four categories. Viewed in terms of the value chain for the film and TV broadcast industry, both the “video, audio and textual information production industry” — comprising “film production/distribution” (section 3.2), “TV program production/distribution” (section 3.4) and “home video” (section 3.6) — and “Internet related services” comprising “Internet streaming” (section 3.7) belong to the group

that is disproportionately located in (specialized with respect to) major large cities, a typical Tokyo-centric industry. In contrast, “film exhibition” (section 3.3) and “television broadcasting” (section 3.5) have a low geographical degree of dispersion and are located primarily in urban areas, and can be categorized as “predominantly urban“ industries. However, as there is a particularly low correlation with population within the group, they also have the characteristics of the lower left-hand group, which can be categorized as “local demand” group.

Accordingly, there are major differences in geographical distribution in terms of production and distribution, thus effect to local economy differs. The production and distribution industry is labor-intensive and attracts large numbers of people, so it tends to be concentrated in Tokyo (where there is an accumulation of resources and related industries). On the other hand, films and TV programs and other content are delivered to end users via cinemas and broadcast infrastructure based in each region. Moreover, internet related services are disproportionately located in urban areas, and they provide services nationwide via the Internet.

In this way, the film and television broadcast industry produce works in a highly productive environment in urban areas, primarily in Tokyo, and it provides these works to various locations nationwide, and therefore it can be said to contribute to the local economy in the sense of stimulating demand in each local area. In terms of recent and future trend in regional economy contribution, decentralization to regional areas is expected to enable the industry to better respond to local needs and convey information, and to discover potential content in these regional areas. Specifically, this may include bolstering the content production by local terrestrial stations and cable TV stations, as noted in the section 3.5 , and use of Internet distribution infrastructure by local stations to distribute their original and regional content to other areas domestically and also globally, as noted in the section 3.7 . In terms of distribution (consumption), new opportunities to attract communities using cinemas have attracted notice, as described in the section 3.3 . Also, rental and retail outlets may have new roles and ways to provide added value to the community, as centers for promoting local cultural perspectives.



(Source: Mitsubishi Research Institute, Inc.)

Figure 3-25 Relationship between population and location of major industries

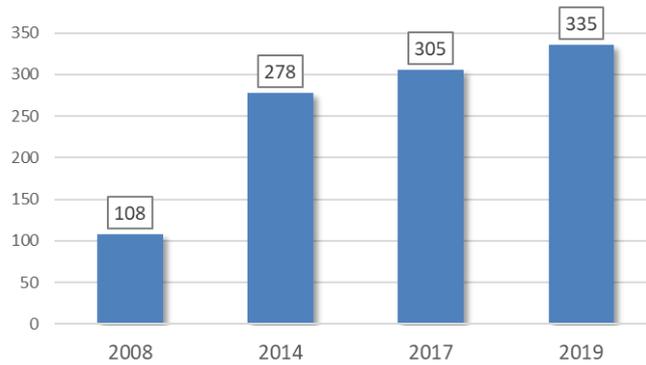
This section focuses on a broad overview of the film commissions that play an important role in linking the production industry with local communities as part of the trends noted above, as well as the expansion of production companies into regional areas.

3.9.1.1 The role of Film Commissions

Film Commissions (FC)²⁶ play an extremely important role in supporting the film and TV program production industry. Since the first FC in Japan was established in 2000, many FCs have been established throughout Japan, primarily at local governments nationwide, with the aim of publicity and promoting tourism. As of 2019, there were 335 such organizations nationwide (see Figure 3-26). The fact that the Association of Film Commissioners International (AFCI) has approximately 300 member organizations is a sign of the large number of FCs in Japan and how active they are.

²⁶ Organizations that provide support to facilitate location filming of movies, TV dramas, commercials and other video products. Film Commissions are public agencies that have the following three attributes:

- ✓ Nonprofit public agency
- ✓ Provides one-stop services for consultations relating to filming support
- ✓ Handles all types of product content



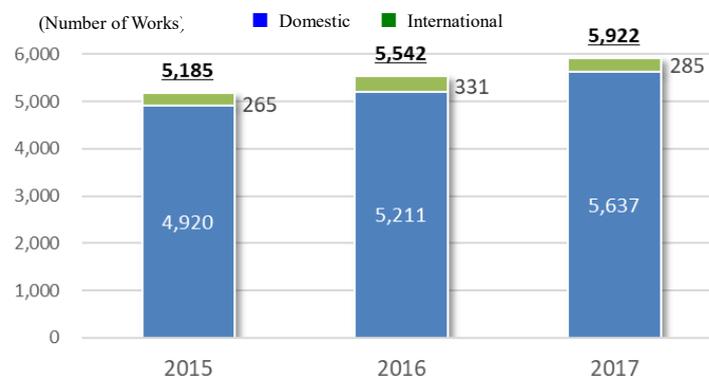
(Source: Japan Film Commission)

Figure 3-26 Number of Film Commissions in Japan

FCs work to attract production companies, conduct promotional activities, provide support for location filming, and conduct activities to stimulate the region using the supported works. The following are examples of activities:

- Collaboration between local residents and the video industry: film festivals and screening events
- Policy of inviting production companies as a tourism policy: film (screen) tourism
- Preservation and use of cultural assets: facility renovation and preservation activities
- Sales promotion for local specialty products: product placement
- Coordination with local educational institutions: video production workshops

In addition, a wide variety of content is supported: films (documentaries, shorts), TV (dramas, variety programs, information programs, news), animation, stills, programs distributed via the Internet etc. As shown in Figure 3-27, the number of works that have been supported both at home and abroad is increasing steadily. Of the 50 top grossing films in Japan in 2017, 38 Japanese works (28 live-action films and 10 animated films) received 100% support for filming from FCs and local governments.



(Source: Japan Film Commission)

Figure 3-27 Works that have received domestic and international support (for filming)

Examples of Film Commissions is explained below.

<Sapporo Film Commission²⁷>

Based on the vision of Sapporo City's "Ordinance for Realizing the city admired by the world through the Power of audiovisuals", promotion and support of location shooting have been conducted in various genres such as TV dramas and commercials, and the appeal of Sapporo through audiovisual content. The location support is not limited to the domestic market, and staff members who can manage multiple languages are based in overseas, and detailed services are provided to produce a "city of audiovisual" that can attract worldwide attention. In addition, promotion have been conducted including human resource development to widen the industry, such as preparing lectures for students and young producers, as well as international co-production schemes to shoot in Sapporo in collaboration between producers in Sapporo and overseas.

Sapporo FC has succeeded in supporting a work from preparation to promotion by actively proposing and coordinating the location to shoot. In addition, by creating opportunities for students in the city to learn on-site through filming, and also contributing to increased sales at coffee shops that have become a shooting location and stamp spots for FC's stamp rally, etc., it has developed beneficial activities in the region.

<Kobe Film Office²⁸>

As one of the oldest FCs in Japan, Kobe Film Office was established with the expectation of attracting filmmakers from both domestic and foreign filming locations to convey the reconstruction of Kobe City and inducing economic effect in the region. It has succeeded in attracting many large-scale works by responding to the needs of producers, such as providing support for shooting that is difficult to realize such as in the subway and providing a one-stop service, taking advantage of the location with various scenic spots such as urban cityscape and rural scenery, sea and mountains. In addition, the FC has been developing an beneficial environment, through mechanism in which citizens are involved in work as volunteer extras and staffs, and subsidies to fund part of location and hunting cost both for domestic and overseas production projects that visit Kobe.

Other efforts to create an economic effect in the region include creation of location tours and panel displays utilizing the locations. It attracted approximately 10,000 visitors to the panel exhibition as a commemorative event for film "Death Note Light up the NEW world". In addition, the FC provides location map and location apps as to promote the support. In particular, the app contributes to location guide to tourists coming to Kobe and also rediscovery of local attractions to local residents.

²⁷ <https://www.screensapporo.jp/>

²⁸ <https://www.kobefilm.jp/>

<Saga-Prefecture Film Commission²⁹>

As one of the objectives to discover local attractions through audiovisual production and to make local residents reaffirm the local attractiveness, the Film Commission is responsible for regional revitalization, tourism promotion, and cultural promotion through location attraction.

Low awareness was a challenge for attracting tourists, however with the relaxation of Thailand's tourist visas in 2013, Saga FC conducted careful research in order to attract tourists from Thailand. By researching Thai films and searching for a director in Saga, it succeeded in attracting the later hit film "Timeline". Local media have promoted areas where the actors visited, which now attracts 300 people per day at most, visiting the shrines where there were few tourists before the film release, and the shrine started to offer a fortune in Thai language. In 2014, the FC succeeded in attracting one Thai film and two dramas. The number of tourists visiting Saga Prefecture was 370 in 2013, but rapidly increased to 5190 in 2015.

Despite the fact that currently there are no direct flights and access is not as convenient, it succeeded in attracting many Thai tourists by developing location tourism in cooperation with the Prefectural Tourism Division. The local residents are trying to interact with Thai tourists, and this has led to the revitalization of the region through FC activities.

Film Commission activities have a direct benefit in that inviting production companies to the region results in spending on accommodations, equipment rental, location sets and so on in that region. The impact also extends to the service industries that provide services to the film crew, and therefore it can be expected to create jobs and new businesses and so on. These activities also play a role in increasing tourism and the like (to be discussed later), stimulating creative activities, cultural promotion such as prompting a reexamination of local culture, and also community-building and fostering a sense of local pride through cooperation with the community and the involvement of local residents. In this sense, from the perspective of the aforementioned decentralization of the value chain to regional areas, the function of Film Commissions could be described as using local resources and potential and distributing the production activities of what is an overwhelmingly Tokyo-centric industry to many regions, helping to stimulate local economies.

In view of the role and importance of Film Commissions, the government, in its Intellectual Property Strategic Program 2019 (June 21, 2019), established the goal of providing "support for video works through improvement of the filming environment both at home and abroad" and sharing the burden of permitting procedures for location filming and gathering information on locations throughout Japan and providing it to Film Commissions in various locations, in order to promote filming and stimulate creative activities, and also to further bolster its publicity activities both at home and abroad. The goal of the "Empirical study project for attracting location filming for foreign video works as economic stimulus for local economies,

²⁹ <https://www.saga-fc.jp/>

etc. (project to attract foreign video location filming)” being promoted by the Cabinet Office is to determine how effective incentives would be in attracting major video work filming projects to come to Japan from overseas and create successful examples in which location filming for actual major video works was attracted from overseas, and to make a quantitative and qualitative determination of the benefits to the local economy.

3.9.1.2 Regional expansion of production companies

With the dramatic changes to the production and circulation value chain resulting from advances in digitalization, it has become possible for small- and medium-sized companies to conduct business not only in Tokyo but also in regional (non-urban) areas. Production companies with advanced editing capabilities can accept business from anywhere in the country and send the results anywhere within Japan or overseas.

To take the field of anime as an example, historically there was a significant concentration of anime production companies in the Tokyo metropolitan area. In recent years, however, there have been many examples of companies expanding to regions other than Tokyo or other cities and opening offices and working with local governments and local partners to conduct business. Such company efforts are expected to create jobs and produce various benefits to society, thus contributing to the local economy. As of 2016, there were 622 anime production companies nationwide, of which 542 (87.1%) are located in Tokyo, and 576 are concentrated in the four prefectures including Tokyo that collectively make up the Tokyo metropolitan area. The remaining 46 companies are located in other regions, but since 2000, in an increasing number of cases, even companies that have head offices located in Tokyo have established digital department studios and drawing departments in regional areas for purposes of staff hiring and training and due to the availability of high-speed Internet. Table 3-9 shows some examples. Some companies have studios in multiple regions. In many cases, these regional studios are used to generate a portion of the 3D graphics and so on for the works being created in the Tokyo head office (including some very popular works); currently there are almost no examples of complete works being created in the regional studios. However, for regional anime creators, the ability to be involved in creating anime works that are being produced in Tokyo while remaining in their home town is becoming a powerful incentive.

Table 3-9 Studios located outside of Tokyo
of Animation production companies based in Tokyo

Studio name	Location (prefecture)	Studio name	Location (prefecture)
Graphica, Inc. Sapporo Studio	Hokkaido	Creators in Pack Inc. Osaka Studio	Osaka
Sunshine Corporation Sapporo Studio	Hokkaido	Lucky Pictures Inc. Osaka Studio	Osaka
Production I.G Niigata Studio	Niigata	LIDEN FILMS Kyoto Studio	Kyoto
Asahi Production Miyagi Shiroishi Studio	Miyagi	Sanzigen Inc. Kyoto Studio	Kyoto
Asura Film Co., Ltd. Kanazawa Studio	Ishikawa	Asura Film Co., Ltd. Yoshii Studio	Okayama
LIDEN FILMS Fukaya Studio	Saitama	Ufo Table Inc. Tokushima Studio	Tokushima
Tezuka Productions Co., Ltd. Niiza Studio	Saitama	Studio Kagura Kagawa Studio	Kagawa
WHITE FOX Izu Studio	Shizuoka	Trigger Inc. Fukuoka Studio	Fukuoka
ILCA, Inc. Nagoya Studio	Aichi	Sanzigen Inc. Fukuoka Studio	Fukuoka
Sanzigen Inc. Nagoya Studio	Aichi	GREEN Oita Studio	Oita
LIDEN FILMS Osaka Studio	Osaka	Asura Film Co., Ltd. Okinawa Studio	Okinawa

(Source: Prepared based on references from The Association of Japanese Animations and individual company websites)

In addition to this kind of company expansion, another trend that is attracting notice from the standpoint of regional stimulation is the production and circulation of local content by cooperative organizations that include local governments, local broadcasters, content production companies, and sponsors. In recent years, these activities have spread to ASEAN nations and other parts of Asia, and there is increasing dissemination of local content in foreign countries. This overseas expansion is becoming increasingly diverse and includes joint international production schemes that are based on local needs. In addition, Film Commissions in major regions in Japan are also actively working to attract overseas broadcasters and production companies and other entities. Such activities are expected to have benefits in areas other than business expansion such as cultural exchanges and regional stimulation, and further efforts are anticipated.

3.9.2 Regional contribution

From a demand side perspective, the impact can be organized in terms of the economic ripple effect produced by the content that extends to other industries and fields. The economic ripple effect produced by the content industry can be seen as the content in various fields produced by the content industry that attracts product planning and stimulates production in non-content industries, producing increased added value. A noteworthy example is the increased added value from the production and sale of goods with anime characters from a popular anime work. In particular, as noted earlier, the proportion of film production and distribution income accounted for by rights revenue is increasing, and this is being deployed increasingly in other fields (see Table 3-10).

In this way, there are various aspects to the “ripple effect” produced in industries that generally have little direct connection to cinema. This should be distinguished from the economic benefit (indirect benefit) that was analyzed in the preceding sections. In other words, of the indirect benefits, the scope of the primary ripple effect is mainly industries that bring about intermediate input to the film industry, while the scope of the secondary ripple effect is primarily the increase in all industries produced by the change in income that resulted from the direct benefits and the primary ripple effect. However, in terms of actual economic activities and economic value, the ripple effect discussed in this section overlaps these indirect benefits in some areas, so it is possible that a portion of the monetary amount will be included in the economic benefits estimated in the preceding sections.

Table 3-10 Categorization and examples of ripple effects

Segment	Description
Character, Design	Product planning / marketing for apparel, toys, or general merchandizing through reconfiguration of content format and copyright management of films
Fashion	Product planning / marketing for clothing and accessories after reconfiguration of content format and copyright management of films
Culture	Product planning / marketing in related service market by expressing lifestyles of the film characters [Examples: “dance boom”, “soccer boom”]
Tourism	Consumption made by filming crew/ staff and tourists visiting film locations (lodging, meals, souvenir purchase and so on)
Transportation	Consumption made by filming crew/staff and tourists visiting filming locations on Transportation
Other fields	Increase in recognition (rise in popularity) of the filming location, etc.

3.9.2.1 Tourism impact

Tourism impact is one of the typical ripple effects of film and television programming. This includes, in particular, tourist's consumption in transportation, lodging, meals, souvenir purchases and rise in popularity of film and television program locations induced by the location tourism. Also, in Japan, content induced tourism for animated content is nowadays referred to as "pilgrimage to sacred places" a term used to mean visiting the location of scenes in animation, considering these places as equivalent to holy places for fans. As such tourism impact is expected, many local governments, local commercial associations and local sponsors perform aggressive invitation activities of filming location as well as promotion activities for the purpose local economy revitalization; none the less the scale of the effect varies according to the scale of the films producing, film director and the cast.

Table 3-11 shows various studies which has estimated the economic ripple effect of Japanese films and TV programs. The results indicate that although the magnitude of the effect may depend on the content of the work, there are cases where an economic ripple effect was similar to its box office income. Considering the economic ripple effects in a wider perspective, not limited to just regional economies, it is assumed that the scale is even larger.

Table 3-11 Examples of Ripple Effects (Tourism impact) to the Local Area

Title [year]	Area	Total economic effects	Breakdown	
			Direct effect	Indirect/ Induced effect
<Films>				
Bizan [2007] *box-office:1.21b Yen	Tokushim-City/ Tokushima Pref (Bizan summit)	2.4b Yen (in Tokushima Pref. during Awa-festival)	1.8b Yen (tourists' consumption) * Tourists within the prefecture increased by approx. 500 thousand per year	0.58b Yen
Nobouno Shiro ("The floating castle") [2012] *box-office:2.84b Yen	Ikuta-City/ Saitama Pref.	3.79b Yen (in Saitama Pref.)	1.09b Yen (film revenue in Saitama pref.) 1.42b Yen (tourists consumption)	1.28b Yen
Rudolf and Ippai Attena [2016] *box-office:1.46b Yen Your name[2016] *box-office:25b Yen A Silent Coice[2016] *box-office:2.3b Yen	Gifu-City, Hida-City, Oogaki-City /Gifu pref.	25.3b Yen (in Gifu Pref., 3 works in total)	16.27b Yen (tourists' consumption) *sacred pilgrims visitors was about 1.03 million	9.02b Yen

<TV program>				
Lucky Star [2007]	Kuki-City/ Saitama-Pref.	3.14b Yen <small>(in Saitama Pref. / 10year accumulation)</small>	2.04b Yen (tourists' consumption) * Tourists (sacred pilgrims) increased by approx. 3.31 million during 10 years after the airing	1.1b Yen
Ryomaden [2010]	Kochi Pref.	53.5b Yen <small>(in Kochi Pref.)</small>	34.2b Yen (tourists' consumption) *Tourists increased (38% increase from previous year), and visitors to 4 venues in the prefecture was 920 thousand (the past average is approximately 260 thousand)	19.3b Yen
	Nagasaki Pref	18.2b Yen <small>(in Nagasaki Pref.)</small>	10.4b Yen <small>(tourists' consumption:11.2b Yen + investment in facilities:0.7b Yen)</small> *Visitors to related facilities increased by 1.027million	7.7b Yen
Yae-no-Sakura [2011]	Aizu Area/ Fukushima Pref.	21.5b Yen <small>(in Fukushima Pref.)</small>	8.18b Yen (tourists' consumption) 0.263b Yen <small>(Constuction of taiga-drama museum)</small> * number of tourists, mainly in Aizuwakamatsu, increased compared to before the Great East Japan Earthquake	13b Yen
Ama-Chan [2013]	Kuji-City/ Iwate Pref. <small>(5 Municipalities in North Sanriku Coast)</small>	3.3b Yen <small>(in Iwate Pref.)</small>	2.1b Yen (tourists' consumption) *Tourists visiting related areas increased compared to before the Great East Japan Earthquake	1.19b Yen
Mare[2015] *1	Wajima-City/ Ishikawa Pref	6.6b Yen <small>(in Ishikawa Pref.)</small>	4.24b Yen (tourists' consumption) * tourists to Wajima City increased by 340 thousand	0.927b Yen
Segodon[2018] *1	Kagoshima Pref.	25.8b Yen <small>(in Kagoshima Pref.)</small>	16.8b Yen <small>(tourists' consumption: 16.2b Yen + facility investment: 2.4b Yen)</small> *tourists to Kagoshima increased by 600 thousand (including 400 thousand from outside the prefecture)	9b Yen
Natsuzora[2019] *1	Hokkaido Tokachi Area	9.5b Yen <small>(in Hokkaido Tokachi Area)</small>	6.3b Yen (tourists' consumption) *tourists to the region increased by 497 thousand.	3.2b Yen

*1: Calculated based on the estimated number of incoming customers

(Source) Bugin Economic Research Institute, Shikoku Bureau of Economy Trade and Industry, Iwate Economic Research Institute, Bank of Japan Fukushima Branch, Bank of Japan Kochi Branch, Juroku Research Institute Company, Kyusyu Economic Research Institute, Development Bank of Japan, Development Bank of Japan and University of Kanazawa, Bank of Japan Kushiro-branch

3.9.2.2 Contribution Regional promotion

Recent trend can be seen in works that have originated in a certain region, spread not only locally but also nationwide, regional development and promotion by attracting film commission. In addition to attracting on-location shoots, PR activities being developed based on local information by FCs rooted in the region, contributes to the local economy in creating synergies between the work and the attractiveness of the region.

<Okayama Prefecture: Film “The 8-Year Engagement” (released in December 2017)³⁰>

A non-fiction book based on the story of an actual couple in Okayama Prefecture. After the release, the number of spectators was over 2 million at the end of January of the following year, and the total box office revenue announced in January 2019 was 2.82 billion. This work supports the production team in many aspects, such as the provision of location and cooperation of medical supervision related to the story, in cooperation with the prefecture and city on location correspondence, and many media in event holding and location map creation Exposed to. For this reason, Okayama's unknown attractions, such as romantic scenes using Okayama trams and scenes on observation decks, have been transmitted, and the number of tourists has increased since the release.

<Fukuoka: The film "I want to eat your pancreas" (released in July 2017) ³¹>

Based on a novel, this work depicts the main character, “T”, who lives away from human interaction and grows up with his classmates suffering from illness. The film was shot in Fukuoka which is the important travel destination in the story, and FC's efforts have faithfully reproduced the view in the story in promoting shooting at a high-quality foreign-affiliated hotel and stalls which are in general difficult to conduct shooting. In addition, FC has actively promoting local information, such as creating location maps of shooting locations, creating travel packages, and presenting campaigns using film tickets. The promotion was not limited to Japan, as it also attracted foreign tourists by providing information of the location in multiple languages in conjunction with overseas screening of the film.

³⁰ 4th JFC Award Grand prize : Okayama Prefecture Film Commission

³¹ 4th JFC Award outstanding performance award : Ibaraki Film Commission

<Hiroshima Prefecture: Animation film " In This Corner of the World" (released in November 2016) ³²>

An animated film based on a comic series by a manga artist from the city of Hiroshima. The story is about a main character's daily life during the war in Hiroshima. This work is an indie film that attracted about 39 million yen from crowdfunding for pilot film production, and the number of first screens for the first week was around 60 and the number of viewers exceeded 30 thousand, the box office revenue exceeded 2.5 billion yen in late March. The fan base expanded from the region to the whole country. The promotion of location map supervised by the Film Commission has attracted fans who was interested in experiencing the world of the film, evoked the movement of "sacred pilgrimage", and as local residents had much emotion to not let the memories of the war to disappear, that effort led to the expansion of Hiroshima fans rooted in the region.

As mentioned above, the film and television broadcasting industry not only contribute to the overall economy, but also contributes to maintaining and developing the local economy, such as focusing on the region and attracting visitors to the region. Conventionally, spread of local information and promotion have been conducted in each area, however the effect of using audiovisual works and promotion of information that matches the view of the content that impressed many, can further contribute to conventional efforts.

³² 3rd JFC Grand prize: Hiroshima Film Commission

4. Appendix

4.1 Methodology and Sources of data

The estimation for economic contribution (gross output, value added, labor income, tax revenue, and employment for each sector) was based on different data sources and assumptions, mostly underlying on the basis of comparable industry within the national statistics. Here we describe the data sources and methodology in details.

Film production/distribution

Item		Details
Direct Impact	gross output	Based on the “2017 Survey of Selected Service Industries (Production and distribution of video content)” published by the Ministry of Economy Trade and Industry. Revenue for “Film production and distribution” was referred.
	value added / labor income	Based on the ratio of value added and labor income to gross output for the “Motion Picture and Video Production/ Distribution” in the “2016 Information and Communication Industry Input-Output transaction table” published by the Bureau of Statistics of Ministry of Internal Affairs and Communications (herein after, I-O table.).
	tax revenue	Estimation has been conducted for indirect tax, individual tax, and corporate tax. These components were estimated by multiplying effective tax rate, in particular, effective indirect tax rate, effective direct individual tax rate and effective direct corporate tax rate, to value added, labor income, and operating surplus, respectively. Tax rates were derived from 2017 statistics from Ministry of Finance and Ministry of Internal Affairs and Communications.
	employment	Based on the “2017 Survey of Selected Service Industries (Production and distribution of video content) “. FTEs related to films was estimated by multiplying FTEs in “Film/television/video production and distribution” with ratio of the gross output of “Film production and distribution” to total.
Indirect /Induced Impact	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for “Motion Picture and Video Production/ Distribution” contained in the I-O table to the gross output. Induced impact is estimated by applying average percentage

		income consumed (0.745) and composition ratio of private final consumption expenditure to every industry (derived from the I-O table), to the direct / indirect labor income.
	value added / labor income	Based on multiplying the ratios of value added and labor income to the gross output.
	tax revenue	Based on multiplying effective tax rate, in particular, effective indirect tax rate, effective direct individual tax rate and effective direct corporate tax rate, to value added, labor income, and operating surplus for indirect and induced impact, respectively.
	employment	Indirect/induced employment are derived from employment coefficient and indirect/induced gross output, then multiplied its impact ratio to direct impact for employment.

Television production/distribution

Item		Details
Direct Impact	gross output	Based on “2017 Survey of Selected Service Industries (Production and distribution of video content)”. Revenue for TV program production and distribution was referred.
	value added / labor income	Based on the ratios of value added and labor income to the gross output for the “Motion Picture and Video Production/ Distribution” in the I-O table.
	tax revenue	The methodology is the same as in the previous tables.
	employment	Based on “2017 Survey of Selected Service Industries (Production and distribution of video content)”. FTEs related to films was estimated by multiplying FTEs in “Film/television/video production and distribution” with ratio of the gross output of “TV program production and distribution” to total.
Indirect /Induced Impact	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for “Motion Picture and Video Production/ Distribution” contained in the I-O table.
	value added / labor income / tax revenue / employment	The methodology is the same as in the previous tables.

Film Exhibition

Item	Details
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Direct Impact	gross output	Based on “2017 Survey of Selected Service Industries (Production and distribution of video content)”. Total revenue for film exhibition including exhibition and related business was referred.
	value added / labor income	Based on the ratios of value added and labor income to the gross output in the “Cinemas / Performing theaters/ Event halls” in the I-O table.
	tax revenue	The methodology is the same as in the previous tables.
	employment	Based on FTEs for Cinemas, provided in the “2017 Survey of Selected Service Industries (Cinemas)” published by the Ministry of Economy Trade and Industry.
Indirect /Induced Impact	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for “Cinemas / Performing theaters/ Event halls” contained in the I-O table.
	value added / labor income / tax revenue / employment	The methodology is the same as in the previous tables.

Television Broadcasting

Item	Details	
Direct Impact	gross output	Gross output consists of revenue of terrestrial television, satellite and CATV. Terrestrial television is the sum of revenue of NHK(FY2018) and commercial broadcasters. Revenue of commercial broadcasters is based on “Income statistics of commercial broadcasters for FY2017” published by the Ministry of Internal Affairs and Communications. Revenues for FY2018 were estimated based on growth forecasts published by Research Institute of JBA and financial results for FY2018 for five major broadcasters. Satellite and cable TV, revenues for FY2018 were estimated based on the Ministry of Internal Affairs and Communications “Status of commercial broadcasters in FY2017” and historical data.
	value added / labor income	Based on the ratios of value added and labor income to the gross output in the “Public broadcasting”, “Commercial television broadcasting”, “Commercial satellite broadcasting”, “Cable television broadcasting” contained in the I-O table.
	tax revenue	The methodology is the same as in the previous tables.

	employment	Based on the ratios of number of employees to gross output in the “Public broadcasting” ”Commercial television broadcasting” “Commercial satellite broadcasting” “Cable television broadcasting” in the I-O table.
Indirect /Induced Impact	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for each industry selected as above, contained in the I-O table. Rest of the methodology is the same as in the previous table.
	value added / labor income / tax revenue / employment	The methodology is the same as in the previous tables.

Home Video

Item		Details
Direct Impact	gross output	Based on the revenue statistics published by the Japan Video Software Association. Note that the figures represent revenue on retail basis.
	value added / labor income	Gross output was divided into wholesale revenue (published by the Japan Video Software Association) and remaining retail revenue. As for the wholesale revenue, estimates were derived based on the ratio of value added and labor income to gross output for the “Motion Picture and Video Production/ Distribution” in the I-O table. For the remaining retail revenue, estimates were derived based on ratio of value added and labor income to gross output for the “Retail business” in the I-O table.
	tax revenue	The methodology is the same as in the previous tables.
	employment	For the wholesale, estimates were derived based on the “2017 Survey of Selected Service Industries (Production and distribution of video content)”. FTEs related to home videos was estimated by multiplying FTEs in “Film/television/video production and distribution” with ratio of the gross output of “Video (DVD)” to total. For the retail, estimates were derived based on the ratios of number of employees to gross output in the “Retail business” in the I-O table.
Indirect /Induced	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for “Motion Picture and Video

Impact		Production/ Distribution” contained in the I-O table.
	value added / labor income / tax revenue / employment	The methodology is the same as in the previous tables.

Internet (online) streaming

Item		Details
Direct Impact	gross output	Based on the revenue statistics published by the Japan Video Software Association (JVA). Note that the figures represent revenue on retail basis for paid Internet (online) streaming services.
	value added / labor income	Based on the ratios of Value Added/ Labor Income to Gross Output in the “Internet based services” contained in the I-O table. This includes IPTV services.
	tax revenue	The methodology is the same as in the previous tables.
	employment	Based on the number of employees provided in the “Survey on Information and Communication Industry (Internet based services)”. FTEs were estimated by applying the ratio of total FTEs to the total revenue, to the Gross Output.
Indirect /Induced Impact	gross output	Indirect impact is estimated by applying domestic self-sufficiency rate and multipliers for “Internet based services” contained in the I-O table. Rest of the methodology is the same as in the previous tables.
	tax revenue	The methodology is the same as in the previous tables.
	value added / labor income / employment	The methodology is the same as in the previous tables.

The ratio and multipliers derived is provided in the tables below. Figures used, attributed to the same sector in the I-O table, are provided in the same table.

Film production/distribution, Television production/distribution, Home video

	Ratio or multiplier	Value
Direct impact	Ratio of value added to gross output	0.42
	Ratio of labor income to gross output	0.19
Indirect impact	Multiplier for gross output	1.86
	Multiplier for value added	2.16

Induced impact	Multiplier for gross output	1.47
	Multiplier for value added	1.64

Film Exhibition

	Ratio or multiplier	Value
Direct impact	Ratio of value added to gross output	0.67
	Ratio of labor income to gross output	0.33
Indirect impact	Multiplier for gross output	1.48
	Multiplier for value added	1.41
Induced impact	Multiplier for gross output	1.52
	Multiplier for value added	1.44

Television Broadcasting

	Ratio or multiplier	Value
Direct impact	Ratio of value added to gross output	0.42
	Ratio of labor income to gross output	0.19
Indirect impact	Multiplier for gross output	1.98
	Multiplier for value added	2.21
Induced impact	Multiplier for gross output	1.50
	Multiplier for value added	1.67

Internet (Online) Streaming

	Ratio or multiplier	Value
Direct impact	Ratio of value added to gross output	0.28
	Ratio of labor income to gross output	0.22
Indirect impact	Multiplier for gross output	2.21
	Multiplier for value added	3.37
Induced impact	Multiplier for gross output	1.59
	Multiplier for value added	2.19

The parameters for estimating tax revenue are as below.

Parameters	Value (b Yen, %)	Year	Source
Indirect Tax revenue	33,183	2017	Ministry of Finance
Nominal GDP	547,495	2017	Cabinet Office (SNA statistics)
Effective indirect tax rate	6.1%	2017	Ratio of above two parameters
Individual direct tax revenue	40,549	2017	Ministry of Internal Affairs and

			Communications
Compensation of Employees	271,108,	2017	Statistics office
Effective direct individual tax rate	15.0%	2017	Ratio of above two parameters
Corporate direct tax revenue	28,257	2017	Ministry of Internal Affairs and Communications
Operating Surplus / Mixed Income	101,885	2017	Statistics office
Effective direct corporate tax rate	27.7%	2017	Ratio of above two parameters

4.2 Main quantitative data sources

- Income statistics of commercial broadcasters, published by the Ministry of Internal Affairs and Communications.
- Survey of Selected Service Industries (“Production and distribution of video content” and “Cinemas”), published by the Ministry of Economy Trade and Industry.
- Survey of Information and Communication Industry (Television program production) published by the Ministry of Internal Affairs and Communications.
- The 2017 Information and Communication Industry Input-Output transaction table, published by the Bureau of Statistics of Ministry of Internal Affairs and Communications, March 2019.
- Revenue statistics, published by the Motion Picture Producers Association of Japan, Inc., updated annually.
- Revenue statistics, published by the Japan Video Software Association, updated every half year.
- National account, published by Ministry of Finance, Ministry of Internal Affairs and Communications ,Statistics office

4.3 Details for estimation of market size attributed to films

Market		Framework	Methodology	Source
Primary Distribution Market	Film Exhibition	Revenue from exhibition of films produced for theatrical release	Film exhibition revenue	Film Almanac
Secondary Distribution Market	Terrestrial Broadcast	Operators' revenue (subscription, advertising) from broadcasting films	Broadcast operators' revenue * percentage of film broadcasted	Commercial Broadcasting Almanac, NHK Radio & television year book
	Satellite Broadcast, CATV	Operators' revenue from broadcasting films	Satellite broadcast operator and CATVs' revenue * percentage of film broadcasting	NHK Radio & television year book, MIC materials
	Home Video	Revenue from film video	Wholesale Revenue * (retail margin ratio)+ total rent video * wholesale market share of film videos * average rental price	JVA materials
	Online	(PC Internet, Mobile) Online Video (film) revenue	User average expenditure * number of internet users / mobile internet users	IICP survey

*MIC: Ministry of Internal affairs and Communications

*JVA: Japan Video software Association

(Source: "Report on production and distribution of media soft", IICP)

4.4 Restrictions

This report has been commissioned by the Motion Picture Associations which has been prepared solely for the purposes herein. Mitsubishi Research Institute, Inc. accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the information provided in this report.

All the data collected for the preparation of this report is publicly available; hence we have not conducted an audit in respect to various government departments or other organizations that have provided the information necessary to undertake this assignment. The statements and opinions written in this report are given in good faith, based on information available at the date of this report, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. The views expressed in this report represent our independent consideration and assessment.

We reserve the right, but are under no obligation, to revise or amend our report if any additional information which exists at the date of our report, but was not drawn to our attention during its preparation, subsequently comes to light.