Information Media Trends in Japan

2018

Information Media White Paper

MEDIA INNOVATION LAB

Print
Broadcasting
Telecommunications
Films and Videos
Pop Culture
Games
Online Services
Advertising

Preface

This book summarizes a carefully selected set of basic data to give readers an overview of the information media environment in Japan.

The year 2017 was a year of plenty for news stories and media reporting. Big events in Japan included the Tokyo Metropolitan Assembly election and torrential rains in northern Kyushu in July, the dissolution of the House of Representatives in September, and a snap election for the House in October, which coincided with the landfall of Typhoon No. 21. In foreign affairs, coverage focused on developments following U.S. President Donald Trump's inauguration, North Korea's ballistic missile launches, and other events, and attention is now focused on what will come out of the U.S.-North Korea talks scheduled for June 2018. The year 2017 also saw "fake news" become a widely-recognized phrase that has captured people's interest.

Amid this backdrop, in April 2018 discussions were held about regulatory reforms for broadcasting, including abolishing Article 4 of the Broadcasting Act, which required that broadcast programs demonstrate political fairness. Firmly rooted opposition, however, has made it unlikely that any sweeping changes will be made. These and other debates made for a year of asking how reporting should be and the regional and public nature of media.

Meanwhile, at the end of last year the Grand Bench of Japan's Supreme Court issued its first ruling on the payment of NHK reception fees. The ruling found the relevant provisions of the Broadcast Act to be constitutional and mandated that those who own broadcast reception equipment pay NHK reception fees. The ruling also emphasized that the reception fee helps fulfill citizens' right to know and supports the financial base of independently-run businesses. The ruling can be construed as reflecting the expectation that NHK play a role as a public broadcaster.

How journalism should be is a question that should be asked not only to NHK but also private broadcasters and other media services. It is important that there be trust between those who send and receive broadcasts. This applies not only to news and press stories, but also to entertainment, and this includes the advertisements as well as the program content. Advertisers do not purchase time on untrustworthy media services. This is something we would do well to keep in mind.

With the present situation where young people are apparently moving away from the television as a device, it is important as a first move, to use all available delivery channels and devices to expand the TV program viewing landscape. 2018 marks the third year of discussions over simultaneous Internet streaming of terrestrial television broadcasts in preparation for the Tokyo 2020 Olympic and Paralympic Games. It seems the top priority now is to use the Internet to provide viewers with quality programs that meet broadcasting standards.

We hope that this book can assist its readers in research activity and business development. It contains data derived from various sources, such as white papers, reports, almanacs, and research surveys from both government and the private sector. We wish to once again express our gratitude for everyone that allowed us to use their data.

Ritsuya Oku
Chief Executive Director
Dentsu Media Innovation Lab (June, 2018)

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Overview of Japan's Media Industries

Modern media in Japan has its roots in the 17th century's appearance of *kawaraban* handbills, the prototype for subsequent newspapers. These woodblock-printed single sheets delivered news such as natural disasters, social events, "love suicides," and other items of topical interests.

The popularity of *kawaraban* was supported by a growing public literacy rate. Crucial to this development was the rise of Edo Period private educational institutions, called *terakoya* (temple schools), where children of commoners learned reading and writing. The emergence of booklending shops (*kashihonya*) also played a key role in stimulating children's interest in reading.

Around the same time, publishers such as Juzaburo Tsutaya (1750-1797) succeeded in the publishing business of woodblock prints (*ukiyo-e*), mainly for the merchant class. In addition, new genres such as *sharebon* (humorous stories set in the red-light district), *yomihon* (novels, often with an historical slant), and *kibyo-shi* (satirical picture books for adults) targeted at a wider public. The rise of these publications spurred general interest in culture.

Whereas early newspapers in Western Europe were mainly directed at an upper-class readership, Japanese print media have served the common people since the very earliest days of the *kawaraban* and *ukiyo-e*.

Japan's information media market began to assume its modern form with the advance of print media in the late 19th century. The subsequent rise of broadcasting, and then the Internet, have broadened and extended the market tremendously.

As in other countries, Japan's traditional media industries have been struggling to cope with the game-changing impact of the Internet expansion. The media in Japan also has to face the unprecedented challenges caused by drastic changes in society, such as a rapidly aging society and population decline.

Print

Newspapers

Newspapers are the nation's most significant print medium. Specialty and general newspapers both have a large presence, with many specialty papers covering specific areas such as sports, finance, and individual industries. General newspapers vary in geographical scope: national papers serve the entire country, while larger regional papers cover areas typically consisting of several prefectures. Smaller regional papers and community papers are also available.

In recent years, numerous major newspapers in the United States and the United Kingdom have been sold to new owners or merged into larger media conglomerates. While the Japanese newspaper market is also downtrending, most regional papers are still operated by their original owners with circulation share of over 50% of household. This vast readership largely owes to sophisticated home delivery systems, and business models that rely more on circulation revenue than on advertising revenue.

Still, Japanese newspaper revenues have been falling for the past several years. Most of this drop can be attributed to a decline in advertising revenue. Circulation revenues are also decreasing, although not as fast.

The Yomiuri Shimbun, the largest national newspaper, has the highest circulation in the world, at

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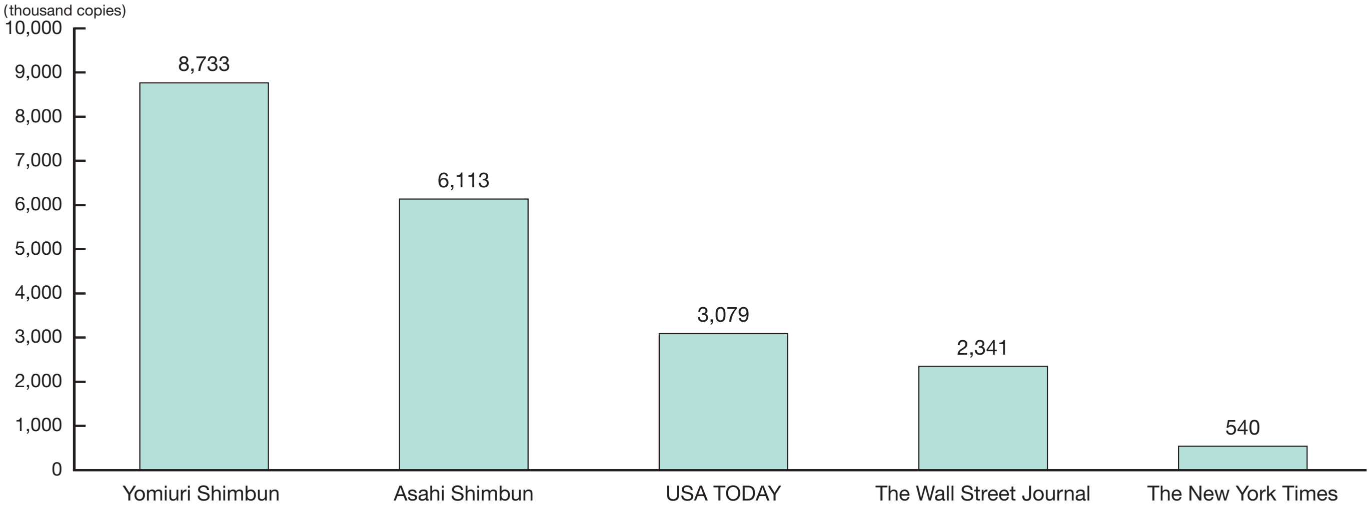
Average Daily Weekday Circulation of Major Newspapers in Japan and United States



Yomiuri Shimbun & Asahi Shimbun: Average weekday print circulation of morning editions for six months ending in December 2017 according to "Newspaper Publisher Report" by Japan Audit Bureau of Circulations.

USA TODAY: Total daily average print, digital replica, digital non-replica and branded edition circulation of morning editions according to the Alliance for Audited Media's December 2017 Publisher's Statement, cited from GANNETT CO., Inc. Form 10-K 2017.

The Wall Street Journal: Total average paid print and digital circulation of Monday to Friday editions for the six months ending on March 28, 2016 based on Alliance for Audited Media data, cited from NEWS CORPORATION. Form 10-K 2016.

The New York Times: Average print circulation (which includes paid and qualified circulation of the newspaper in print) of weekdays (Monday to Friday) for the six-month period ending on December 31, 2017 according to data collected by the Alliance for Audited Media, cited from THE NEW YORK TIMES COMPANY. Form 10-K 2016.

8.73 million copies a day. The Asahi Shimbun, in second place, has a circulation of 6.11 million. These papers continue to hold their own by virtue of their large circulations; particularly significant given that most of their revenues come from sales of papers, as opposed to sales of ad space.

It is also worth noting that newspaper companies do not list their shares on financial exchanges, allowing them to run their businesses without external interference. Their independence is further supported by a law enacted in 1951 (Act No.212) that specifically limits the transfers of shares in stock companies whose business purpose is publication of daily newspapers.

Newspapers have been an integral part of Japanese culture for a long time, with dedicated readerships maintained through home delivery systems. The rapid rise of the Internet, however, is bringing structural changes to the industry; and newspaper companies in Japan, as elsewhere in the world, face a challenging future. One way they are responding is through management changes; streamlining their staffing, outsourcing their printing, and eliminating evening editions. They are also beginning to promote their own digital editions. The Nikkei and the Asahi Shimbun were the first to introduce paywalls for digital newspaper editions, with Mainichi Shimbun and some regional papers later joining the movement. In 2015 the Nikkei acquired the Financial Times from Pearson and its pay subscribers of digital editions reached approximately 560,000 in 2018.

Books and Magazines

Book and magazine publishers are also facing challenges from the growing use of the Internet and digital content. Both the book and magazine markets have been shrinking, with a decrease of 1.2 trillion yen in 2016 from the peak year of 1996.

At the end of FY 2016, the number of publishing companies in Japan stood at 3,434 of which 2,636 were based in Tokyo. Many of these are small and specialized publishing houses.

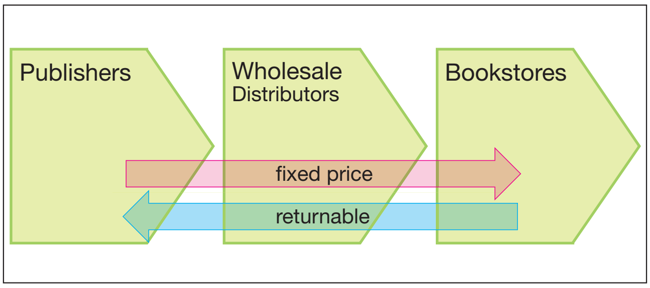
A characteristic of Japan's publishing industry is its reliance on wholesale book distributers. Book-

Overview of Japan's Media Industries

stores and convenience stores across the country typically work with one of the two major wholesalers, Nippon Shuppan Hanbai, Inc. or Tohan Corporation, to maintain their inventory adjustments. Under the Japanese system, retailers maintain fixed prices (they do not discount books) and have the right to return unsold books.

With the spread of smartphones and tablets, publishing companies are now also gearing up for digital publishing.

■ Resale Price Maintenance System and Consignment Sales System



Broadcasting

Terrestrial broadcasting in Japan began in 1925, when the Tokyo Broadcasting Station (a forerunner of today's NHK) started radio broadcasts. In February 1953, NHK, a public broadcaster known in English as the Japan Broadcasting Corporation, started operating as a noncommercial broadcaster-initiated television broadcasting in Japan. Commercial stations then started operations in August of that year.

As post-war economic growth continued, TV soon replaced radio as the public's favorite source of broadcast entertainment. Today, virtually all households have one or more TVs, and TV broadcasting is extremely important as a vehicle for advertisement, as a source for breaking news, and as a means to access major sports and national events.

Today, TV broadcasting is provided by NHK, a public broadcaster with nationwide coverage, and by 127 commercial broadcasters with regional scope. NHK is funded by receiving fees (collected from the every household and business with TV receiving equipment), whereas commercial stations are funded mainly by advertising.

Japan has five nationwide commercial broadcast

■ TV Broadcasting Networks in Japan (as of 2018)

Status	Commercial Broadcasters					Public Broadcaster
News networks:	JNN	NNN	FNN	ANN	TXN	NHK
Key stations located in Tokyo:	TBS	NTV	CX	EX	TX	
Sub-key stations in Osaka:	MBS	YTV	KTV	ABC	TVO	
Sub-key stations in Nagoya:	CBC	CTV	THK	NBN	TVA	
Total number of news network affiliated stations:	28 companies	28 companies	28 companies	24 companies	6 companies	

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networks, each centered around a key Tokyo-based station. Most commercial broadcasters operate as network affiliates, and broadcast programs produced by these key stations and subkey stations. These key stations are therefore highly influential, and reap the highest revenues in the industry.

In Japan, there is no strict ban on the crossownership of newspapers and broadcast stations. Four of five key stations are affiliated with four major newspapers.

NHK and five major commercial networks deliver their programs on terrestrial and satellite broadcasting. Household penetration of paid multichannel platforms is just around 20%, meaning they are not as popular as those in other countries like the United States.

Although television remains a dominant force in the media market, it has been losing ground to the Internet in recent years. Viewers are increasingly watching videos online, and broadcasters are under growing pressure to utilize the Internet as part of their business strategy.

It is widely believed that the rise of the Internet is engendering significant changes in lifestyles and viewing habits. Television stations are responding with efforts to promote their programs on the Internet and through social media, as they look for ways to both maintain traditional viewership and leverage new opportunities. In 2015, just after the full launch of Netflix and Amazon Prime Video in the Japanese market, five major Tokyo-based TV networks jointly started an ad-supported and free streaming video service, named TVer. TVer provides about 170 programs weekly and each episode is made available for approximately a week. TVer app downloads had exceeded ten million as of December 2017. Meanwhile, NHK, a public broadcaster, began its trial for simultaneous online broadcasts of its programming. The government plans to revise the Broadcast Law, which limits NHK's ability to simultaneously stream programs online. NHK is also due to start providing regular service of 4K/8K Super Hi-Vision Satellite Broadcasting on December 1st, 2018.

Another free Internet TV service, AbemaTV, jointly launched by CyberAgent and TV Asahi in 2016, aired a 72-hour live show in 2017 featuring some of the former members of SMAP, a now-disbanded Japanese pop band, and gained over 74 million views, AbemaTV's highest viewership to date.

Telecommunications

Virtually all Japanese households are equipped with fixed lines, which have long been dominant for both phones and data transmission. Today, however, fixed-line usage is trending downward as mobile phones and wireless broadband proliferate.

In FY 2011, for the first time, mobile communications revenues accounted for over half of all telecoms revenues, far exceeding the revenues from fixed-line services. Also in the same year, revenues from data transmission surpassed those from voice telephony.

Japan's cutting-edge technologies are driving up revenues from data transmission, and demand is surging. MIC's (Ministry of Internal Affairs and Communications) efforts to promote FTTH, which started in the early 2000s, have brought the current subscription count to 30.1 million as of the end of 2017. 4G mobile phone and Broadband Wireless Access (BWA) subscriptions reached 114.9 million and 55.4 million, respectively. Nationwide, Japan's fixed broadband subscriptions totaled 39.2 million, which includes FTTH, DSL, CATV Internet service, and Fixed Wireless Access (FWA) subscriptions. (Source: MIC)

Although overall momentum has shifted from fixed to mobile, the telecom market has reached maturity, and overall revenues are declining. The

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telecom industry is dominated by three players: NTT (Nippon Telegraph and Telephone), KDDI, and SoftBank. The three are fiercely competing with respect to both infrastructure and services. And E-commerce giant Rakuten will launch cellular services in 2019, becoming the fourth mobile network operator in Japan. In 2014, many companies from different industries, such as Aeon, a retail giant, started to enter the Mobile Virtual Network Operator (MVNO) business and expanded the budget smartphone market. The penetration of smartphones is well past that of conventional phones.

Films and Videos

Feature Films

The country's four major film companies, Shochiku, Toho, Toei, and Kadokawa, pursue a multi-business strategy: they not only produce films, but also distribute them and operate multiplex theaters. Multiplex theater franchises have reached into rural areas, while smaller theaters are closing. In recent years theatergoers are also responding favorably to the showing of ODS ("other digital stuff"): typically sporting events, musical performances, *kabuki*, *rakugo*, and so forth. "4D" (3D film with physical effects including rain, wind, strobe lights, and vibration) theaters in cinema-complexes are also getting popular.

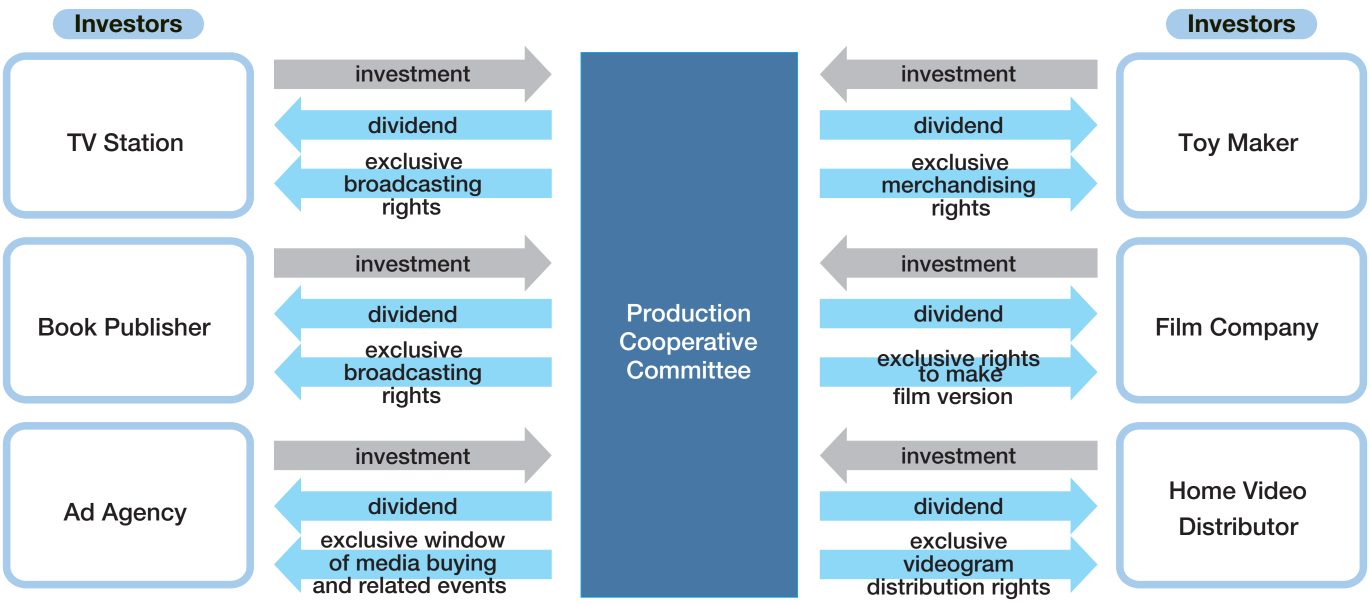
Videograms

DVDs are still the most popular form of home video entertainment. However, both sell-through and rental revenues have been falling in recent years. With more people watching videos online, the rental business is facing a severe challenge. London-based Perform Group launched sports streaming service DAZN for which it signed a 10-year, 200 billion yen deal to stream J.League (Japanese pro soccer league) content exclusively in 2016.

Manga and Animation

Manga and animation have a significant cultural presence in Japan. Media-mix is the key strategy of maximizing the influence of manga and animation content. Many different forms of content such as TV programs, films, books, videograms, toys, and theater plays are produced based on popular manga and animation works. Nowadays live entertainment and events related to animation such as "2.5 dimensional"* musicals, voice actor con-

■ **Example of an Animation Production Cooperative Committee Scheme**



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certs, animation song concerts, and original key drawing exhibitions are becoming quite popular. And many live-action movies based on comics intended for girls have been released. "Comic Market" is one of the biggest events among manga and animation fans. It is held twice a year, attracting a total of more than 1 million fans and cosplayers.

Companies from various industries such as publishing firms, TV broadcasters, film companies, advertising agencies, toy makers, and game companies take part to form a "production cooperative committee" to produce an animation in order to pursue media-mix strategies and merchandising opportunities.

In Japan, animation programs are frequently aired on late-night terrestrial TV, because TV is positioned as an effective promotion tool to sell DVD and Blu-ray discs later.

＊ Real actors sing and act as characters from "two-dimensional" manga or animation.

Games

Console Games

Nintendo and Sony, the two major global providers of game consoles, have been struggling to introduce new consoles to the market over the past few years. The yearly trends of the video game market are greatly affected by the successful launch of new consoles and game software to be played on these consoles. However, the time and budget required to develop game consoles and software are getting longer and more costly, making the market environment more severe than ever.

Arcade, Online, and Mobile Games

The number of arcade game centers has decreased by half from ten years ago and fallen to its lowest level ever. On the other hand, the smartphone app game market is rapidly growing.

Advertising

Japan's advertising expenditures for 2017 totaled 6.39 trillion yen, an increase of 1.6% compared with the previous year's figure. The gradual expansion of Japan's economy in calendar 2017 saw overall spending on advertising post year-on-year gains for the sixth consecutive year.

The Internet advertising market (1.51 trillion yen) recorded double-digit growth (15.2%), and was the main driver boosting overall advertising expenditures. However, TV retains a large share of expenditures (30.4%).

Japan is the third largest advertising market in the world. Advertising expenditures are now in an era of slow growth correlating with the low-growth of GDP, although they have recovered from the slump after the Great East Japan Earthquake in 2011.

Advertising agencies in Japan can often have competing accounts because traditionally client conflict has not been regarded as controversial. Major agencies like Dentsu extend their activities beyond brand advertising, to produce entertainment content such as animations and films, acquire the broadcasting rights of popular sporting events, and act as the marketing partner for the Olympic Games.

Overview of Japan's Media Industries

Japan's Information Media Industries at a Crossroads

Japan is following the global trend: entering an era where single devices are used to consume content from multiple media. Telecom networks are crucial to this new scenario. We have already reached the point where individuals can utilize any of numerous devices available for seamless access to a wide variety of information and services, from virtually anywhere at any time.

Traditional information media industries developed around multiple platforms, each with its own monopolized transmission and distribution channels. This multi-platform model does not suit the emerging networked society, where electronic transfers no longer rely on specific channels and devices. This suggests that the industry as a whole has reached a turning point.

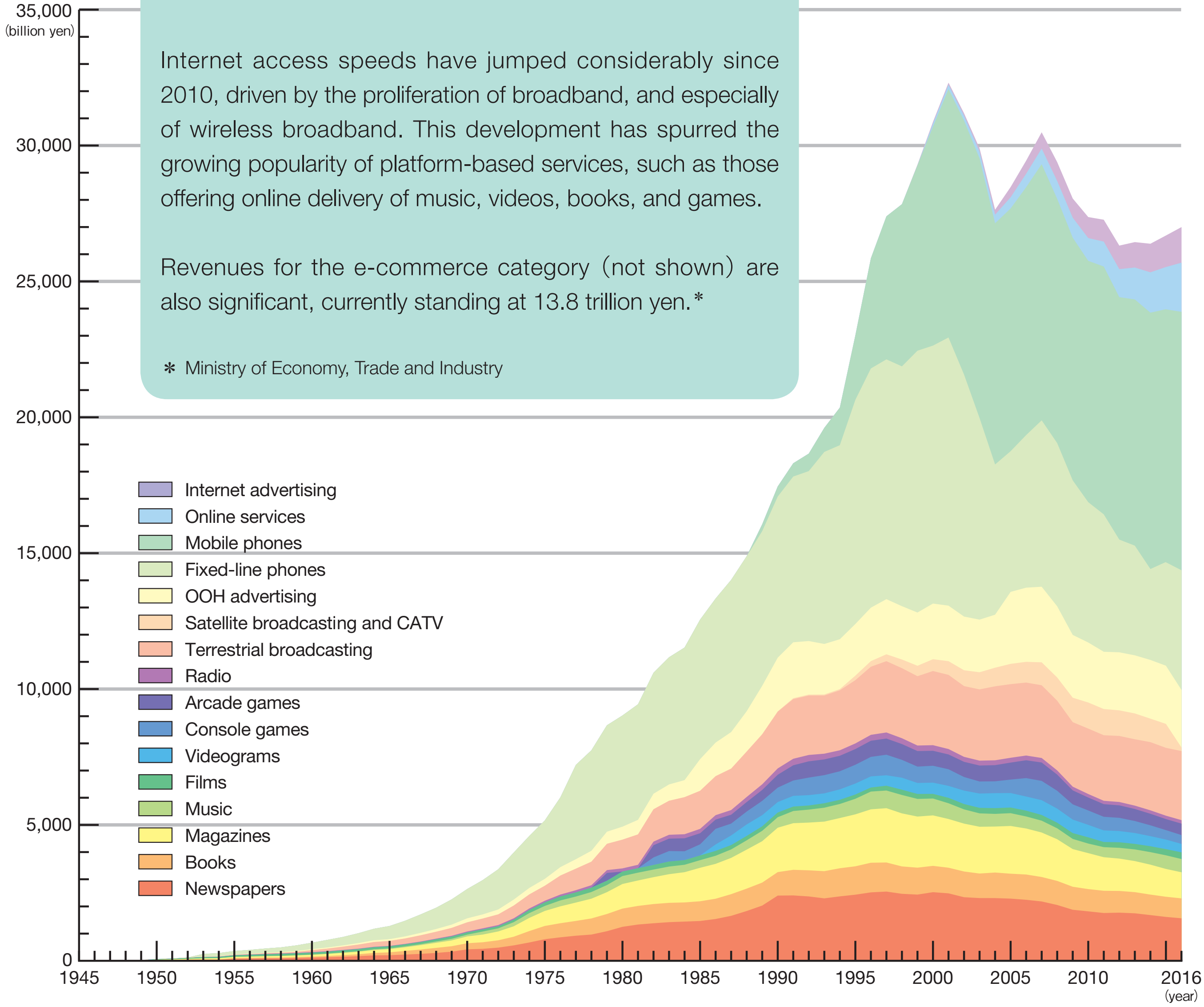
Growth of Japan's Information Media Industries (1945–2016)

The graph indicates year-on-year trends in market sizes of all sectors. Total market size peaked in the early 2000s, and has trended downward since.

Internet access speeds have jumped considerably since 2010, driven by the proliferation of broadband, and especially of wireless broadband. This development has spurred the growing popularity of platform-based services, such as those offering online delivery of music, videos, books, and games.

Revenues for the e-commerce category (not shown) are also significant, currently standing at 13.8 trillion yen.*

* Ministry of Economy, Trade and Industry



Overview of Japan's Media Industries

Information Media Business Sectors（1975–2015）

Sector		Items	1975	1995	Growth Rate (%)＊1	2015	Growth Rate (%)＊2
National Statistics		Population	111 million	125 million	112.6	128 million	102.4
		Households	33 million	44 million	133.3	56 million	127.3
		GDP	148 trillion yen	513 trillion yen	346.6	531 trillion yen	103.5
		US Dollar-Yen Exchange Rate	308	94	—	120	—
At home	Video	Television Broadcasting	617 billion yen	2,660 billion yen	431.1	3,522 billion yen	132.4
		Commercial Satellite Television	—	130 billion yen	—	557 billion yen	428.5
		Cable Television	—	113 billion yen	—	500 billion yen	442.5
		Videogram（Rental and Sell-through）	—	405 billion yen	—	352 billion yen	86.9
		Console Games	—	693 billion yen	—	348 billion yen	50.2
	Text	Books and Magazines	977 billion yen	2,590 billion yen	265.1	1,522 billion yen	58.8
		Magazine Advertising	67 billion yen	374 billion yen	558.2	244 billion yen	65.2
		Newspapers	885 billion yen	2,426 billion yen	274.1	1,790 billion yen	73.8
		Newspaper Advertising	409 billion yen	1,166 billion yen	285.1	568 billion yen	48.7
	Audio	Records（Packaged）	185 billion yen	574 billion yen	310.3	183 billion yen	31.9
		Radio	74 billion yen	255 billion yen	344.6	127 billion yen	49.8
	Online Distribution	Music Distribution	—	—	—	100 billion yen	—
		Video Distribution	—	—	—	141 billion yen	—
		Digital Publishing	—	—	—	182 billion yen	—
		Mobile Contents	—	—	—	1,563 billion yen	—
		Online Game	—	—	—	106 billion yen	—
		Internet Advertising	—	—	—	1,159 billion yen	—
	Tele-communication	Telecommunications Business	2,155 billion yen	10,648 billion yen	491.1	13,119 billion yen	123.2
		Fixed-line Communication	2,155 billion yen	8,269 billion yen	383.7	3,817 billion yen	46.2
		Mobile Communication	—	2,379 billion yen	—	9,302 billion yen	391.0
Outdoor	Box-office related	Feature Film Box Office Revenues	131 billion yen	158 billion yen	120.6	217 billion yen	137.3
		Amusement Arcade Revenues	—	578 billion yen	—	405 billion yen	70.1
		Karaoke Revenues	—	1,164 billion yen	—	617 billion yen	53.0
		Live Entertainment Revenues	—	—	—	512 billion yen	
		Sports Gate Revenues	—	132 billion yen	—	156 billion yen	118.2
		Outdoor Advertising/Others	255 billion yen	1,056 billion yen	414.1	1,257 billion yen	119.0

＊1 Growth rate since 1975
＊2 Growth rate since 1995
Note: Blue＝Figures higher than GDP growth rate of the respective year（compared to 20 years ago）.

The Japanese media industry has shown some hesitance in moving into Internet activities. Today, however, it is recognized that Internet engagement is becoming essential to continued business viability. In time, the industry will transition to a strategy of continuously developing and offering new services to meet emerging demands. It is expected that the industry will eventually generate new businesses through the development and deployment of new technologies both at home and abroad.

Information Media Trends in Japan

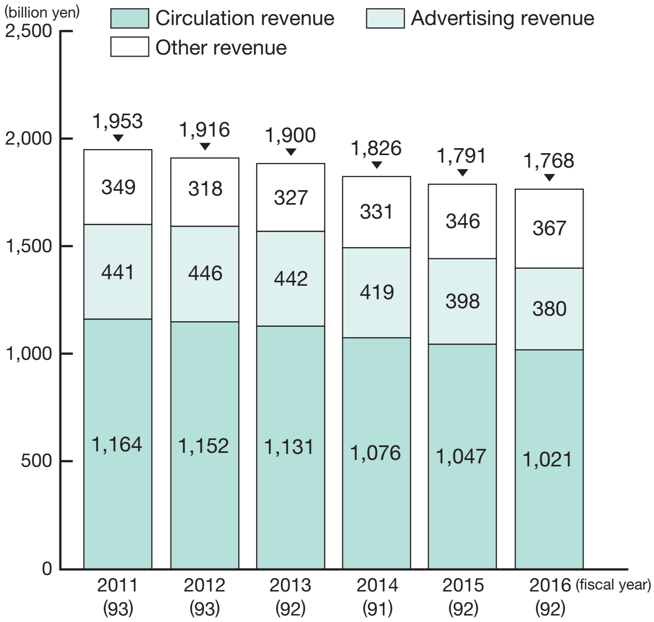
Sector-Specific Statistics and Trends

Newspapers

A Downward Trend in Printed Newspaper Circulation

- 96% of newspaper copies are directly delivered to subscribers via home delivery networks of newspaper distributors.
- Aside from the five national newspapers, regional newspapers are published in each prefecture.
- Circulation revenue accounts for approximately 60% of newspaper revenue. Advertising revenue has been dropping in recent years.
- News Curation Services such as Yahoo! News, LINE NEWS, SmartNews, and NewsPicks, are growing.

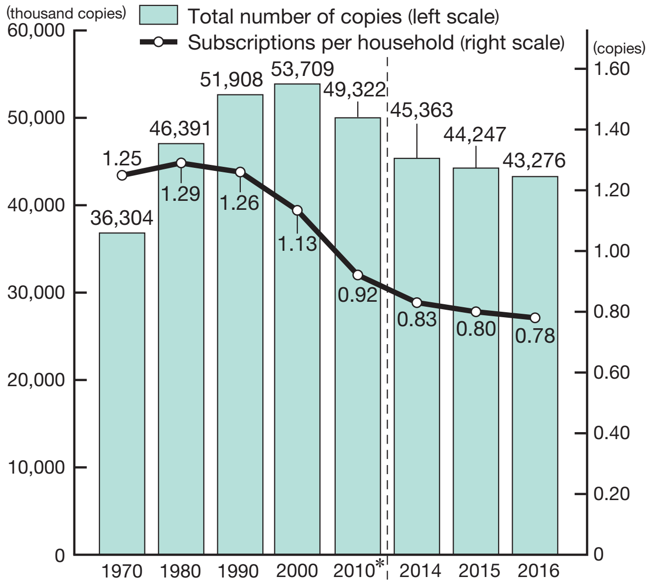
Newspaper Revenues



Note: Figures in parentheses indicate the number of companies counted.

Source: *Nihon Shinbun Kyokai* (NSK)
(The Japanese Newspaper Publishers & Editors Association)

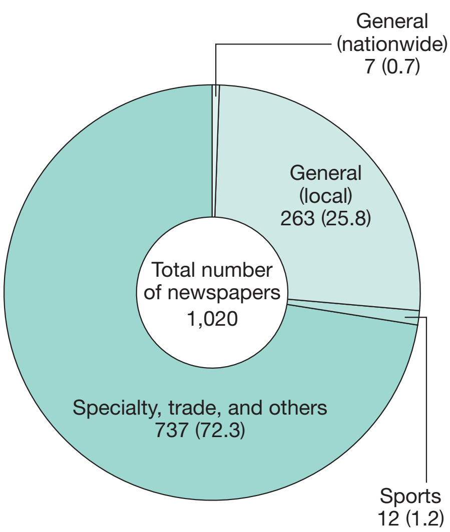
Newspaper Circulation Volume



* Every 10 years for 2010 and earlier
Note 1: Set of morning and evening papers counted as one copy.
Note 2: Annual survey conducted in October each year.

Source: *Nihon Shinbun Kyokai* (NSK)
(The Japanese Newspaper Publishers & Editors Association)

Number of Newspapers by Type (2014)



Numbers in parentheses indicate composition ratios : %
The numbers of newspapers are estimated based on a sample survey, rounded down.

Source: Ministry of Economy, Trade, and Industry

Revenue of National Newspapers

(billion yen)

Company (Fiscal Year End)	2012	2013	2014	2015	2016	2017
Asahi Shimbun (March)	311	314	313	288	274	262
Mainichi Shimbun*1 (March)	243	238	233	224	219	209
Yomiuri Shimbun*2 (March)	423	429	417	398	384	383
Nikkei (December)	171	169	170	180	188	–
Sankei Shimbun (March)	84	83	82	79	77	75

*1 Consolidated results of 38 group companies
*2 Consolidated results of 6 group companies
Note 1: Unless otherwise noted, all financial data are on a non-consolidated basis.
Note 2: The figures are rounded down to the nearest billion yen.

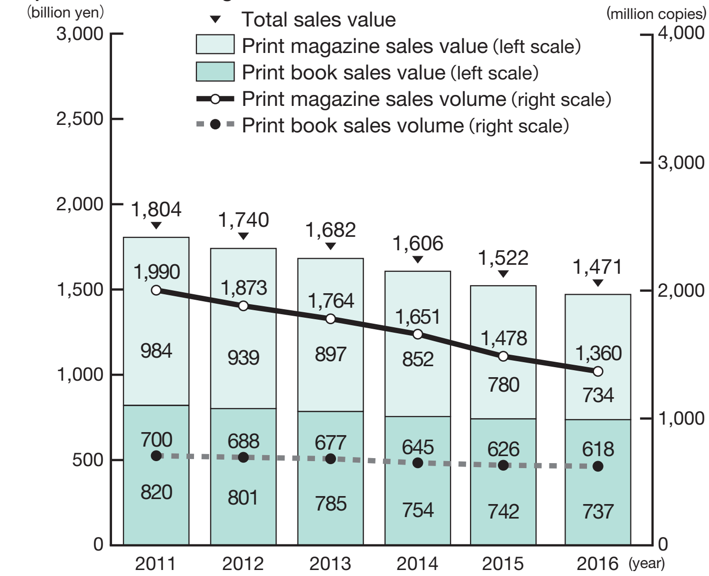
Source: The Bunka News and each company's IR data

Books and Magazines

The Digital Publishing Market is on a Growth Path

- The markets for print books and magazines are on the decline. By 2017, collectively, they had shrunk to about half that of the peak year, 1996.
- Manga account for approximately 20% of total print book and magazine sales.
- dmagazine, a digital magazine subscription service, is going strong.
- Events and influencer businesses organized by magazines are becoming a new major revenue source for publishers.

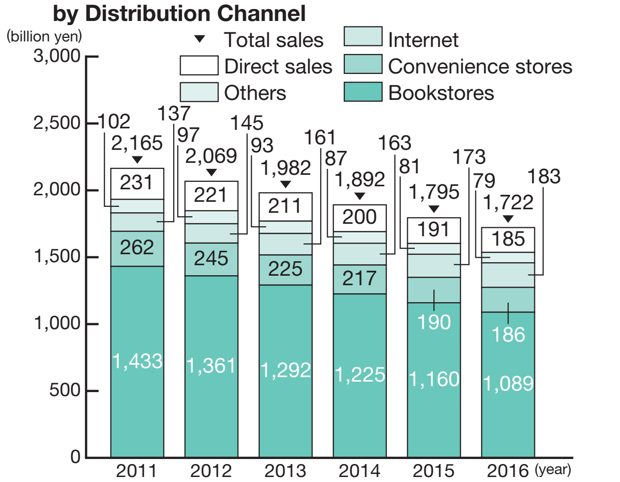
Sales Value and Volume of the Publishing Market (print books and magazines)



Total number of copies sold	2,690	2,561	2,441	2,295	2,104	1,978	(million copies)

Source: The All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications

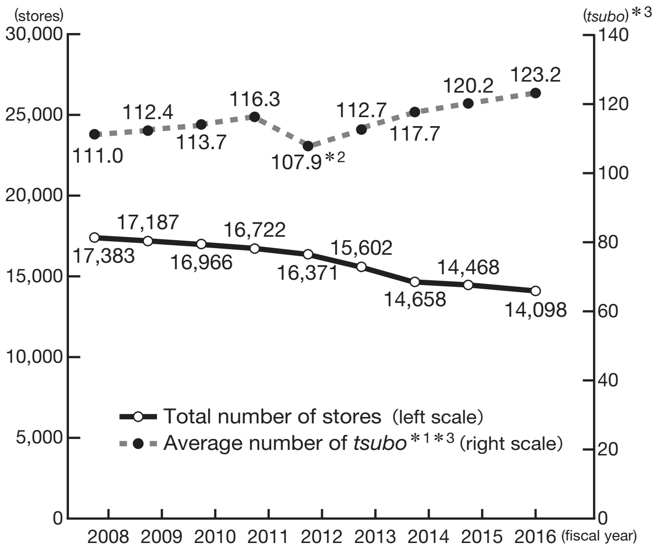
Value of Publishing Sales (print books, magazines, etc.), by Distribution Channel



Note: Bookstores: Sales value through brick and mortar selling published materials.
Convenience stores: Sales value through convenience stores.
Internet: Sales value of printed materials through online bookstores, not including digital materials such as e-books and e-magazines, nor academic journals.
Others: Sales value through National Federation of University Co-operative Associations, bookstalls at railway stations, supermarkets, or drugstores, and secondary wholesalers.
Direct sales: Sales value of publishing firms directly selling to retail stores or readers without using wholesale distributors. Readers include schools, research facilities, and educational institutions as well as individuals.

Source: *Nippon Shuppan Hanbai* Inc.

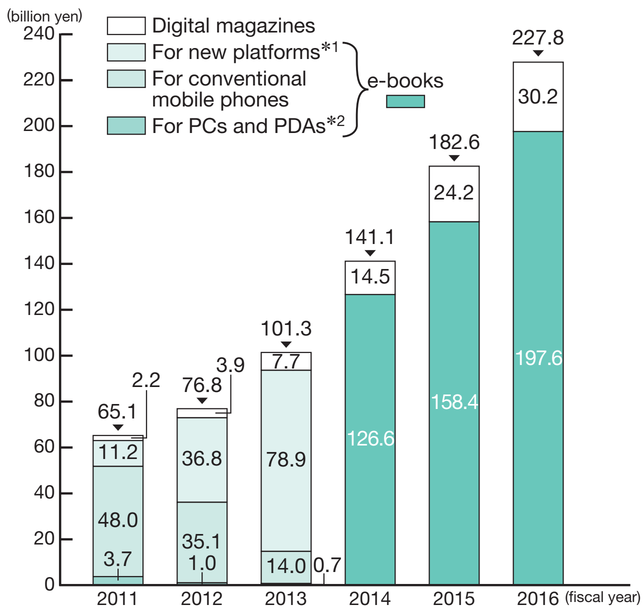
Number of Bookstores



*1 Some stores include sales floor area for items other than books, magazines, and comics.
*2 The reason that the average number of *tsubo* decreased in fiscal year 2012 was that approximately 1,400 small stores with a size of 1 to 49 tsubo that were undetermined until fiscal year 2011 were included in fiscal year 2012.
*3 "Tsubo" is a unit of area in the Japanese system of weights and measures.
1 *tsubo* = 3.31 m^2

Source: Japan Publishing Organization for Information Infrastructure Development

Digital Publishing Market



*1 For smartphones, tablets, and dedicated e-book readers. E-books supporting multiple devices including PCs fall into this category.
*2 For PCs and PDAs only. E-books supporting multiple devices are not included.
Note: User expenditure in Japan

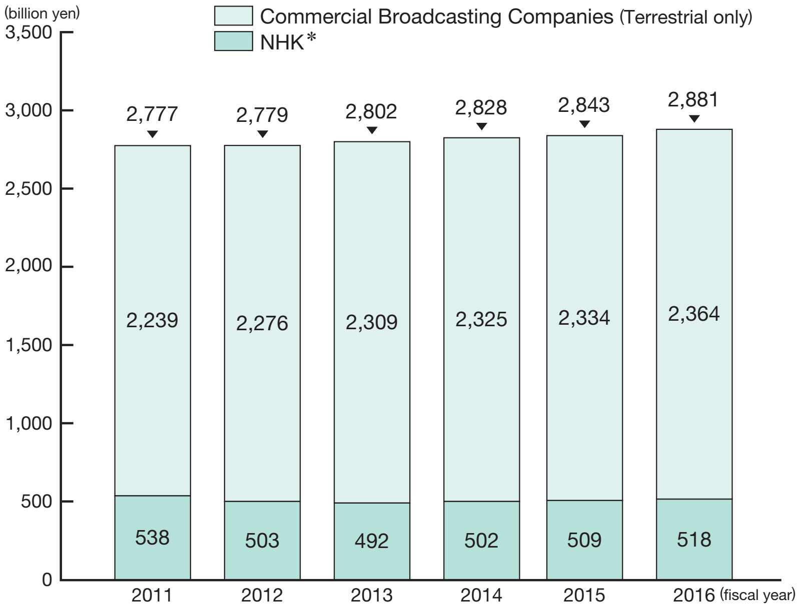
Source: Impress Corporation

Public Broadcasting and Free-to-air Broadcasting (Terrestrial)

The Market is Centered on NHK and the Five Key Commercial Broadcasters

- Broadcasts from public broadcaster NHK (the Japan Broadcasting Corporation) and from commercial free-to-air broadcasters supported by advertising can be directly received by each household via terrestrial broadcasts.
- TV receiving fees account for more than 95% of the income of NHK. The Broadcast Act of Japan requires that anyone with a device capable of receiving TV enter into a contract with NHK and pay receiving fees.
- There are 127 commercial broadcasting companies in Japan. Most of them are affiliated with the five key broadcasters based in Tokyo.

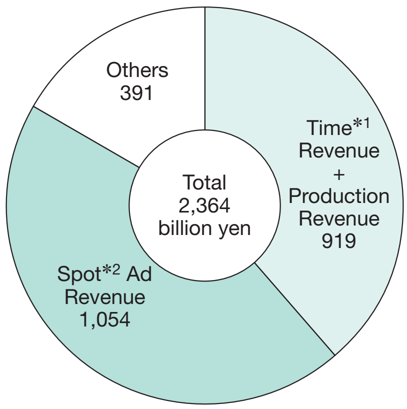
■ Revenue of NHK and Terrestrial Commercial Broadcasters



* The figures are the whole of NHK's revenues minus the satellite broadcasting revenues.
Note: Total revenue for commercial broadcasters include radio broadcast revenue, television broadcast revenue, and other business revenue.

Source: The Japan Commercial Broadcasters Association and NHK

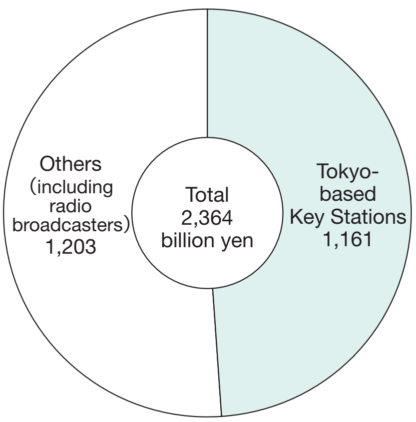
■ Total Revenue of Terrestrial Commercial Broadcasting Companies by Type
(Fiscal Year 2016)



*1 "Time" refers to program sponsorship advertising.
*2 "Spot" refers to spot commercials placed mostly between programs.
Note 1: Total revenue of radio and television.
Note 2: Multimedia broadcasting is not included.

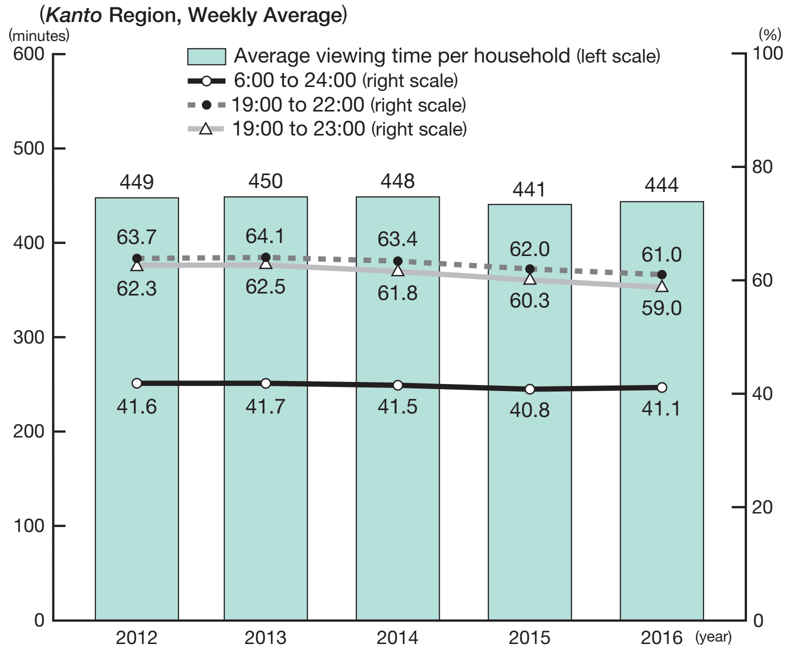
Source: The Japan Commercial Broadcasters Association

■ Total Revenue of Terrestrial Commercial Broadcasting Companies by Regions
(Fiscal Year 2016)



Source: Ministry of Internal Affairs and Communications

■ Average Television Viewing Time per Household and Households Using Television, by Time of Day
(*Kanto* Region, Weekly Average)



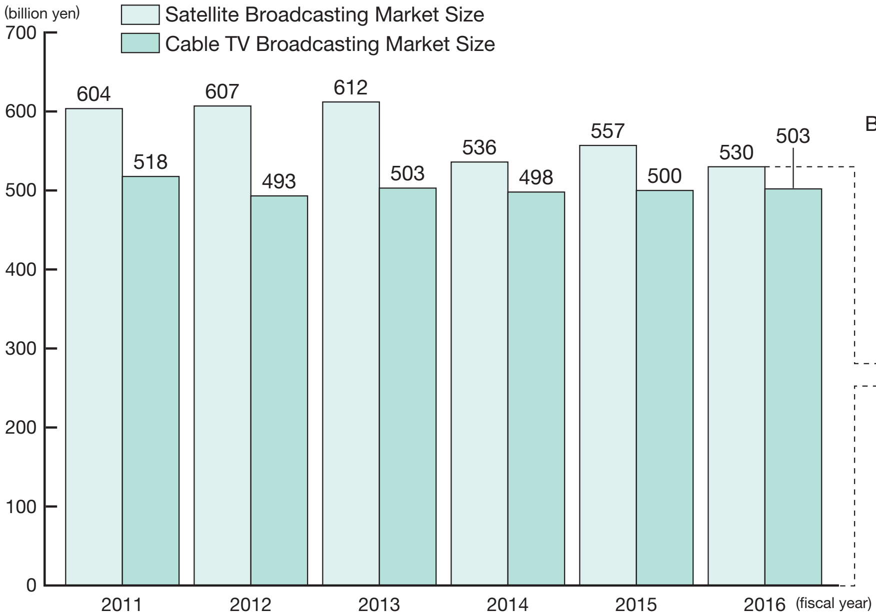
Source: Video Research Ltd.

Multi-Channel Platforms (Satellite, CATV, and IPTV)

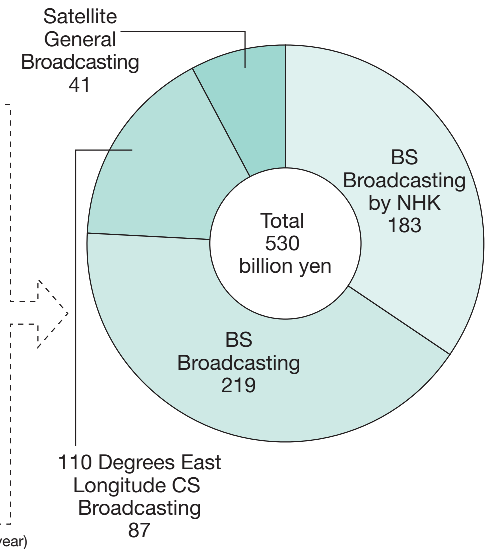
Multi-Channel Service Subscriptions Total 11.7 Million

- A satellite platform carries channels from NHK (receiving fees required) and from the affiliate stations of the five key commercial networks (free-to-view). Paid broadcast services are also available via satellite.
- A paid subscription to Sky Perfect JSAT, a satellite-based programming operator, or cable TV is required to view channels from a variety of genres.
- The estimated multi-channel service penetration rate for households remains in the 20%-plus range.

■ Total Revenue of Satellite Broadcasting and Cable TV Broadcasting



Revenue of Satellite Broadcasting by Type
(Fiscal Year 2016)



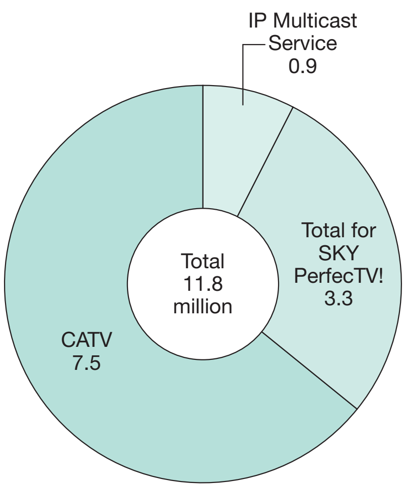
Note: Satellite broadcasting market size shows revenues from satellite broadcasting business by channel operators.
Cable TV broadcasting market size shows revenues from broadcasters whose main business is offering cable TV services including running community channels.

Source: NHK and Ministry of Internal Affairs and Communications

Note: Total revenue of satellite broadcast business for each operator.

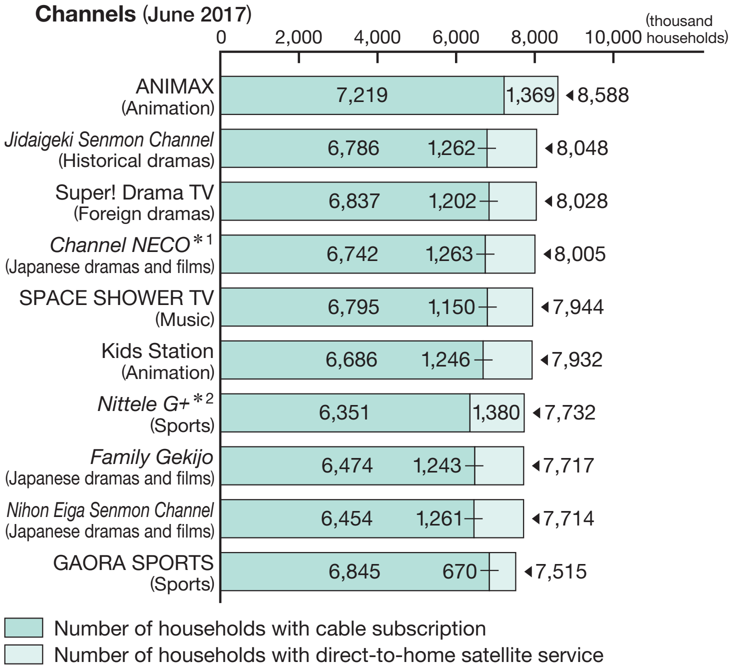
Source: NHK and Ministry of Internal Affairs and Communications

■ Subscriptions for Paid Multi-Channel Services (March 2017)



Source: *Hoso Journal-sha*, SKY Perfect JSAT and Ministry of Internal Affairs and Communications

■ Number of Households Subscribed to Major Specialized Channels (June 2017)



＊1 Calculated on January 31, 2017
＊2 Calculated on May 31, 2017

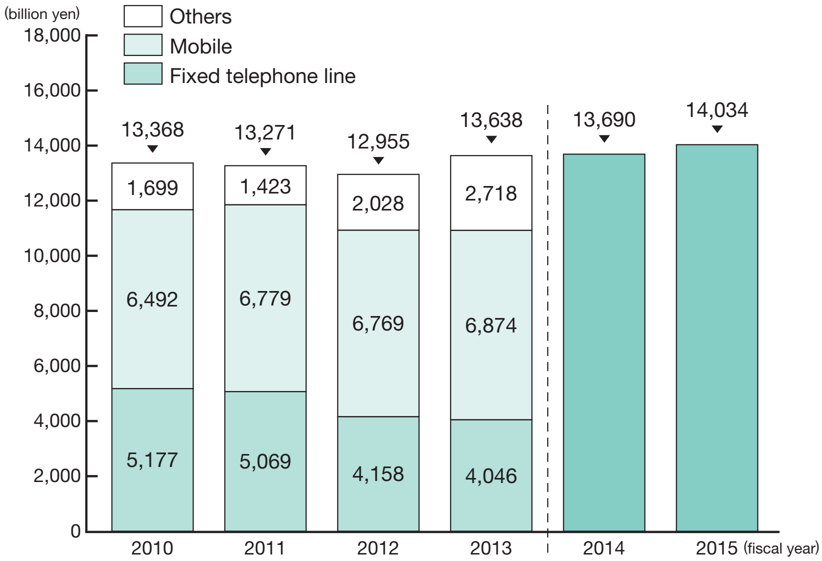
Source: Satemaga BI Inc.

Telecom Carriers and Internet

There is Intense Competition Among the Three Major Carriers

- The three major telecom operators in Japan are NTT (formerly state-owned, then privatized in 1985), KDDI, and SoftBank.
- More than 80% of the population has access to the Internet.
- Broadband Wireless Access (BWA) subscriptions continue a sharp upward trend.

■ Total Revenue of Telecommunication Business



Note: Fixed telephone line: Fixed-line voice transmission (domestic), fixed-line voice transmission (international), and fixed-line data transmission.
Mobile: Mobile or Personal Handyphone System voice transmission, and Mobile or Personal Handyphone System data transmission.
Others: Wireless call, dedicated lines, telegram, Internet data centers, other forms of communications, and unspecified.
The estimation method was modified in 2014, precluding any direct comparison to figures prior to 2013.

Source: Ministry of Internal Affairs and Communications and Ministry of Economy, Trade and Industry

■ Revenue of Three Major Telecom Carriers' Sales

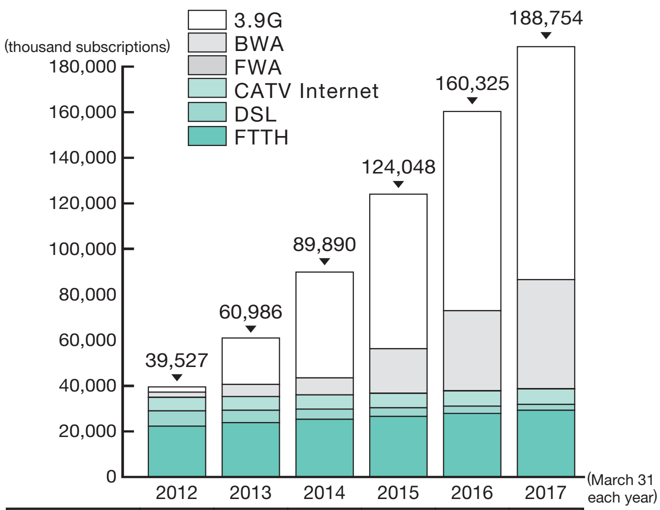
(billion yen)

Company (Fiscal Year End)	2015	2016	2017
NTT (March)	11,095	11,540	11,391
KDDI (au) (March)	4,270	4,466	4,748
SoftBank (March)	8,504	8,881	8,901

IFRS-based financial statements.
Note 1: Consolidated basis.
Note 2: Each company's sales figures include sales from all businesses other than communications businesses.
Note 3: The figures are rounded down to the nearest billion yen.

Source: Each company's IR data

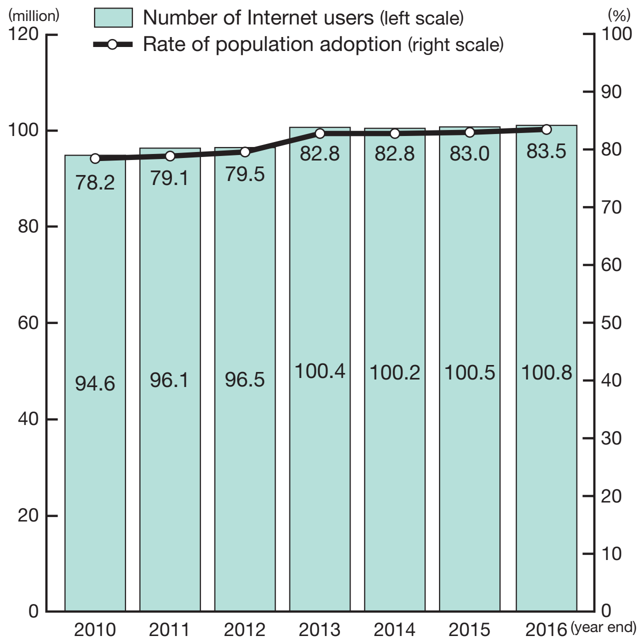
■ Broadband Subscriptions



	2012	2013	2014	2015	2016	2017
FTTH	22,305	23,854	25,313	26,612	27,879	29,320
DSL	6,705	5,425	4,470	3,753	3,204	2,512
CATV Internet	5,906	6,012	6,225	6,430	6,732	6,853
FWA	10	9	8	7	6	6
BWA	2,304	5,313	7,461	19,466	35,137	47,889
3.9G	2,297	20,373	46,413	67,781	87,369	102,175

Source: Ministry of Internal Affairs and Communications

■ Internet Usage



Note 1: The number of Internet users is an estimated value based on the results of a survey of people aged six or above who used the Internet in the past year.
Note 2: Includes Internet users on mobile phones.

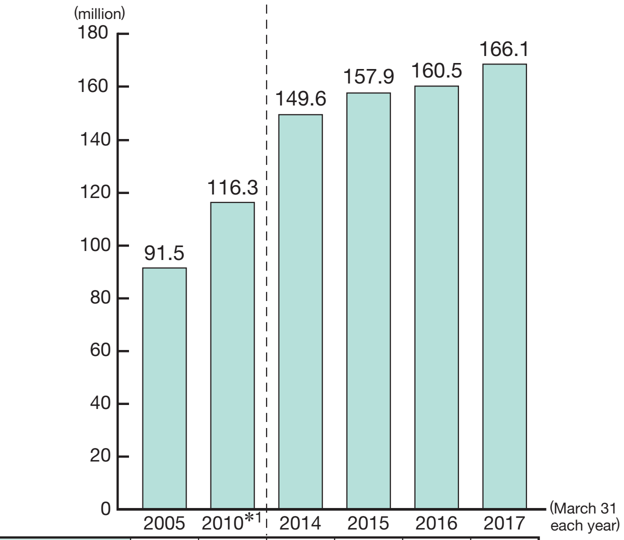
Source: Ministry of Internal Affairs and Communications

Mobile Communications

The Rapid Spread of Smartphones Has Had a Major Impact

- Smartphones account for more than 80% of total shipment volume of mobile phones. The iPhone's share is quite high in Japan compared to other countries.
- Many companies from different industries have become Mobile Virtual Network Operators (MVNO), and the number of MVNO subscribers has grown rapidly.
- Rakuten, an e-commerce giant, will launch cellular services in 2019, becoming the fourth mobile network operator in Japan.

■ Mobile Phone and PHS Subscriptions

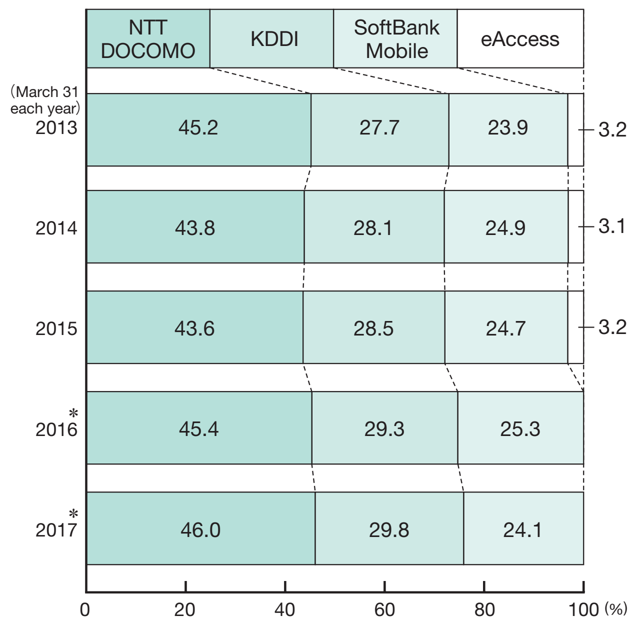


Mobile phones	87.0	112.2	144.0	152.7	156.5	162.7
3.9G (LTE)	—	—	46.4	67.8	87.4	102.2
PHS*2	4.5	4.1	5.6	5.2	4.0	3.4

*1 Every five years for 2010 and earlier *2 PHS: Personal Handy-phone System

Source: Ministry of Internal Affairs and Communications

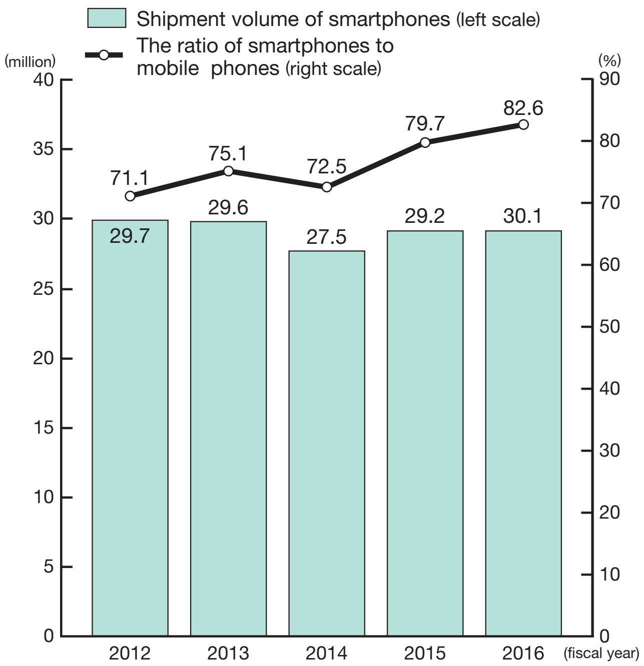
■ Composition Ratio of Mobile Phone Subscriptions by Carrier



* After adjusting for intra-group transactions

Source: Ministry of Internal Affairs and Communications

■ Smartphone Shipments in Japan



Source: MM Research Institute

■ Penetration Rates of Internet Devices (2016)

(%)

	Home computer	Conventional mobile phone (including PHS)	Smart-phone	Tablet device	Home video game console, Internet capable
6 to 12 years old	40.0	6.1	37.5	39.3	34.9
13 to 19 years old	61.7	6.1	79.5	31.3	23.0
20 to 29 years old	78.9	7.1	92.4	25.5	16.0
30 to 39 years old	72.1	9.7	87.4	33.4	14.0
40 to 49 years old	73.0	14.8	78.1	31.4	8.1
50 to 59 years old	69.6	17.2	64.3	25.6	2.6
60 to 69 years old	50.0	20.7	31.1	14.6	0.5

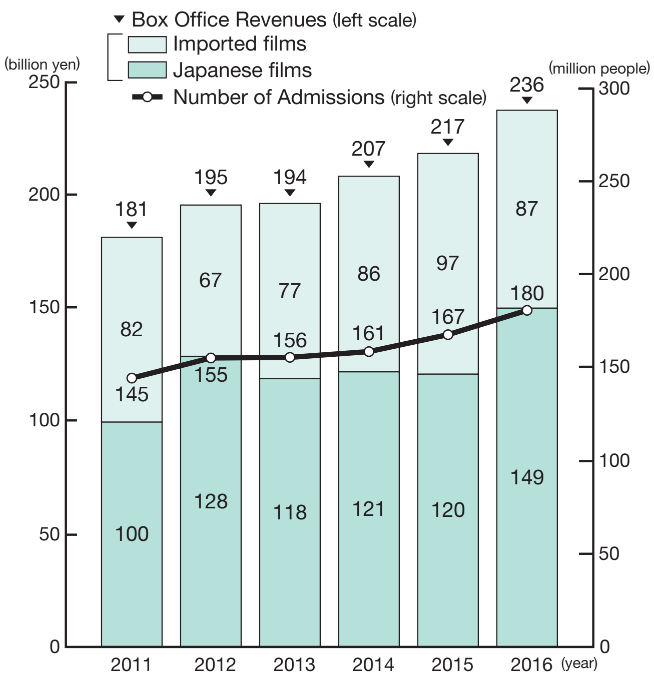
Source: Ministry of Internal Affairs and Communications

Feature Films

Box Office Revenue Reaches a Record of 236 Billion Yen

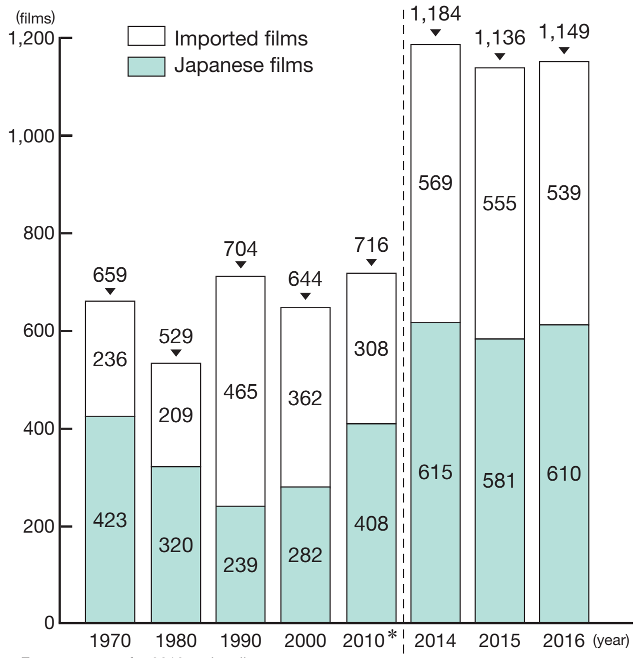
- Box office revenue for feature films was boosted by a succession of mega hits including *Your Name.* and *Shin Godzilla* in 2016.
- The number of screens is growing due to the increasing number of cinema complexes with multiple screens. On the other hand, the closure of small-scale independent cinema theaters continues.
- 4DX/MX4D film theaters have seen rapid expansion, suggesting that people are fond of not only watching but also “experiencing” films.

Total Box Office and Admissions



Source: Motion Picture Producers Association of Japan, Inc.

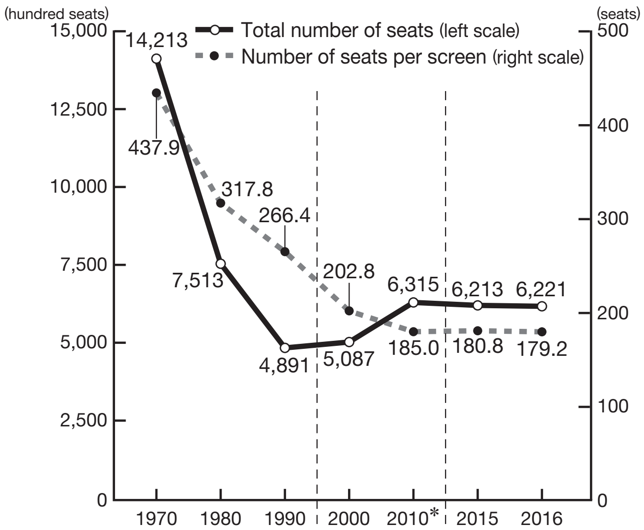
Number of Films Released



* Every ten years for 2010 and earlier

Source: Motion Picture Producers Association of Japan, Inc.

Number of Cinema Screens and Seats (end of year)



Number of screens	3,246	2,364	1,836	2,508	3,414	3,437	3,472

* Every 10 years for 2010 and earlier
Note 1: Drive-in theaters are not included in number of screens.
Note 2: Calculation method differs for the period of 1970 to 1990. Annual survey conducted in September of each year.

Source: *Jiji Eiga Tsushinsha* and *Kinema Junpo*

Top Box Office Films

Year of Release	Title	Box Office Revenue (billion yen)	Japanese/ imported	Distributor *1
2001	Spirited Away	30.80	Japanese	Toho
2014	Frozen	25.50	Imported	WDS
2016	Your Name.	25.03	Japanese	Toho
2001	Harry Potter and the Philosopher's Stone	20.30	Imported	WB
2004	Howl's Moving Castle	19.60	Japanese	Toho
2003	Bayside Shakedown 2	17.35	Japanese	Toho
2002	Harry Potter and the Chamber of Secrets	17.30	Imported	WB
2009	Avatar	15.60	Imported	FOX
1998	Titanic	16.00*2 (26.2)	Imported	FOX
1997	Princess Mononoke	11.30*2 (19.3)	Japanese	Toho

*1 Distributor abbreviations are as follows: WB: Warner Bros. Pictures FOX: 20th Century Fox WDS: Walt Disney Studios
*2 Distribution revenue. Numbers in parentheses are based on box office figures released by Toho.
Note: Major films from 1980

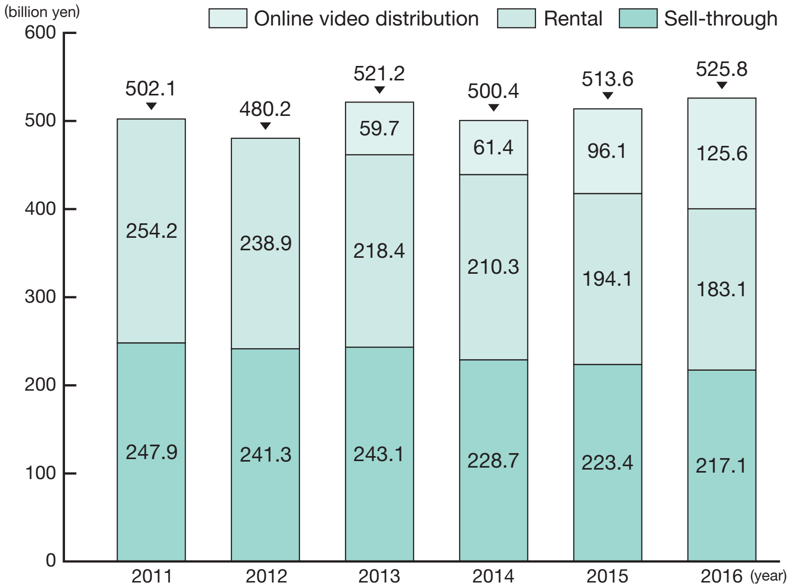
Source: Motion Picture Producers Association of Japan. Inc

Videograms

Online Video Distribution Exceeds 100 Billion Yen

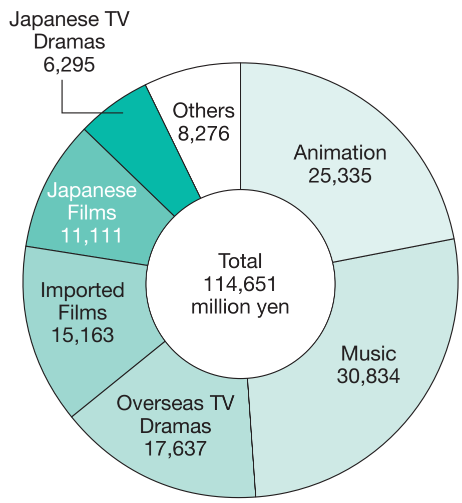
- The sales of online paid video services are growing rapidly, while the downtrend for both sell-through and rental markets continues.
- Music and animation are the top two genres of DVDs shipped.
- Even in Japan, more and more original programs are produced by online services such as Netflix, Amazon Prime, and Hulu, and some of them are broadcast on regular television.

Consumer Spending on Videograms



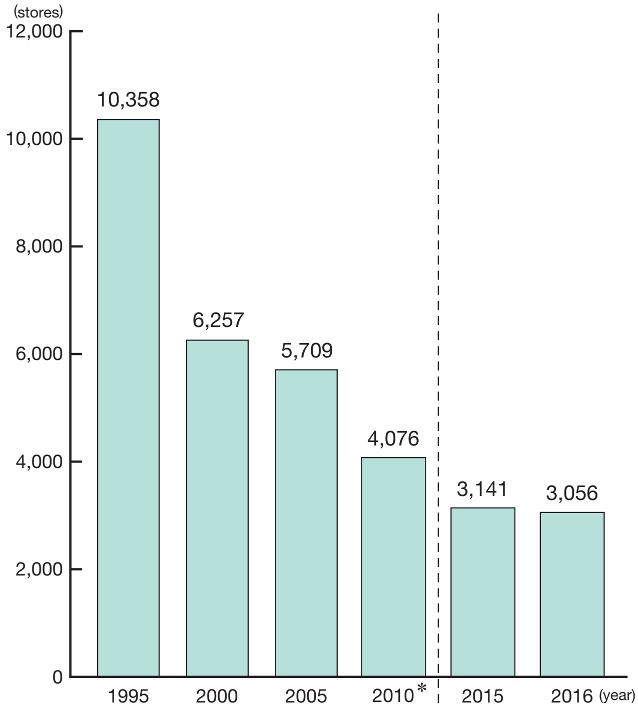
Source: Japan Video Software Association

Shipment Value of DVDs by Category (2016) (Sell-through + Rental)



Source: Japan Video Software Association

Number of Video Rental Stores



* Every five years for 2010 and earlier
Note 1: Number of member stores of the Japan Video Software Association rental system.
Note 2: Annual survey is conducted in December of each year, excluding stores with an unknown new address.

Source: Japan Video Software Association

Top Sales of Videograms

Type	Rank	Title (Distributor)	Estimated number of discs sold
DVD	1	J Soul Brothers Third Generation LIVE TOUR 2015 BLUE PLANET (rhythm zone)	496,073
	2	ARASHI LIVE TOUR 2015 Japonism (J Storm)	292,411
	3	ARASHI BLAST in Miyagi (J Storm)	286,692
	4	Sayonara Sensation (J Storm)	219,754
	5	Hey! Say! JUMP LIVE TOUR 2015 JUMPing CARnival (J Storm)	204,962

Type	Rank	Title (Distributor)	Estimated number of discs sold
Blu-ray	1	Star Wars: The Force Awakens MovieNex (First Edition, Walt Disney Studio Japan)	339,635
	2	ARASHI LIVE TOUR 2015 Japonism (J Storm)	309,487
	3	Zootopia MovieNEX (Walt Disney Studio Japan)	297,427
	4	ARASHI BLAST in Miyagi (J Storm)	266,941
	5	LoveLive! The School Idol Movies (Special Edition) (Bandai Visual)	224,278

Note 1: Survey period: December 28, 2015 to December 19, 2016
Note 2: The estimated numbers of DVDs and Blu-ray discs sold in the Japanese market were calculated from the sales performance of retail stores and at event venues, with 22,930 stores taking part in the survey. Those stores include CD retailers, combined shops handling rental DVDs, books, etc., electronics retail stores, convenience stores, genre specialist stores, and online stores.

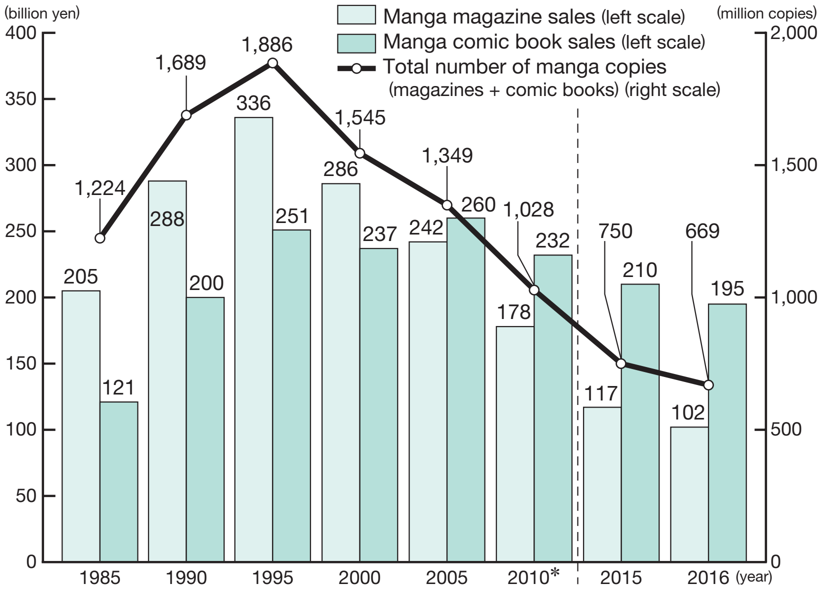
Source: Oricon Research "Oricon Entertainment Market Report 2016"

Manga

Many Hit Manga are Adapted into Animation or Live Action Films

- Typically a manga work is published in comic book format, subsequent to its serialization in a manga magazine.
- The print manga markets are in a downtrend, but the sales of digital manga have offset the decrease.
- Print manga magazine copies continue to decrease, suggesting that publishers are focusing on apps for manga. Subscription services, such as LINEmanga, are increasing in popularity.

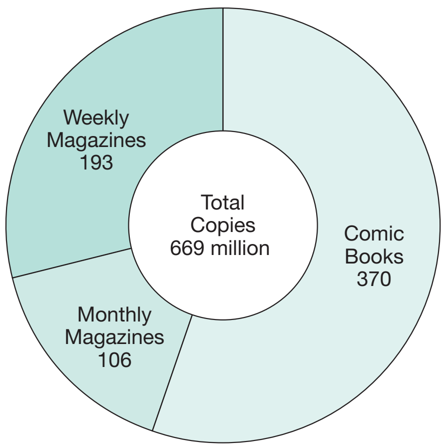
Sales of Print Manga Magazines and Comic Books



* Every five years for 2010 and earlier

Source: The All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications

Sales Volume of Manga by Type (2016)



Source: The All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications

Sales of Manga Magazines by Title (October 2015 to September 2016)

Genre		Magazine Name (Publisher)	(copies)
For children	Boys	Weekly *Shonen* Jump (Shueisha)	2,220,000
For children	Boys	Weekly *Shonen* Magazine (Kodansha)	1,032,587
For children	Boys	Monthly CoroCoro Comic (Shogakukan)	840,833
For children	Boys	Monthly *Shonen* Magazine (Kodansha)	509,067
For children	Boys	Weekly *Shonen* Sunday (Shogakukan)	350,521
For children	Girls	*Ciao* (Shogakukan)	492,917
For children	Girls	*Bessatsu* Margaret (Shueisha)	194,583
For children	Girls	*Ribon* (Shueisha)	181,667
For children	Girls	*Hana to Yume* (Hakusensha)	130,375
For adults	Men	Weekly Young Jump (Shueisha)	557,143
For adults	Men	Big Comic Original (Shogakukan)	513,042
For adults	Men	Young Magazine (Kodansha)	415,592
For adults	Men	Big Comic (Shogakukan)	307,875
For adults	Men	Morning (Kodansha)	232,804
For adults	Women	BE・LOVE (Kodansha)	102,646
For adults	Women	YOU (Shueisha)	86,333

Source: Japan Magazine Publishers Association (JMPA)

Top Sales of Comic Books (2016)

Genre	Title (No. of Volumes), Author (Publisher, Magazine)	Number Published* (thousand copies)	Film Adaptation
For boys	ONE PIECE (83), Eiichiro Oda (Shueisha, Weekly *Shonen* Jump)	3,600	Animated
For boys	Attack on Titan (21), Hajime Isayama (Kodansha, *Bessatsu Shonen* Magazine)	1,900	Animated Live-action
For boys	HUNTER×HUNTER (33), Yoshihiro Togashi (Shueisha, Weekly *Shonen* Jump)	1,620	Animated
For boys	Assassination Classroom (21), Yusei Matsui (Shueisha, Weekly *Shonen* Jump)	870	Animated Live-action
For girls	Cardcaptor Sakura: Clear Card (1), CLAMP (Kodansha, *Nakayoshi*)	500	Animated
For girls	Monthly Girls' Nozaki-kun (8), Tsubaki Izumi (Square *Enix, Gangan* Online)	500	Animated
For youths	Tokyo Ghoul: Re (9), Sui Ishida (Shueisha, Weekly Young Jump)	820	Animated
For youths	One-Punch Man(6), ONE, Yusuke Murata (Shueisha, *Tonari*-no Young Jump)	750	Animated
For women	*Chihayafuru* (33), Yuki Suetsugu (Kodansha, BE・LOVE)	350	Animated Live-action
For women	Tokyo *Tarareba* Girls (6), Akiko Higashimura (Kodansha, Kiss)	350	Live-action

* Total number published in 2016.
Note: Manga adapted to animated and/or live action films as of December 2016.

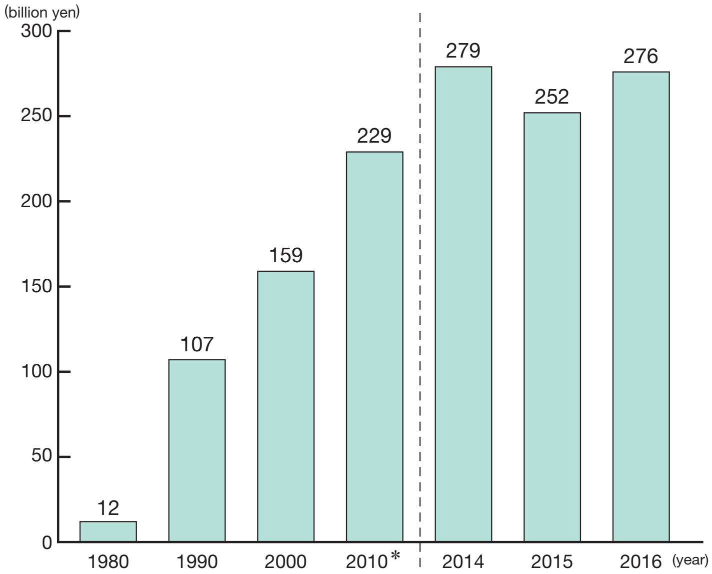
Source: The All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications

Animation

User Consumption of Animation in Japan Exceeds 250 Billion Yen

- Animated programs are frequently shown on late night terrestrial TV.
- *Your Name*. became a blockbuster hit exceeding 25 billion yen. That is the largest worldwide gross for a Japanese film, surpassing *Spirited Away*.
- "VTubers," the abbreviation of Virtual YouTubers, are people who use motion capture to make animations and put them on YouTube, are getting popular in Japan. Studios related to Vtubers are being established one after another.

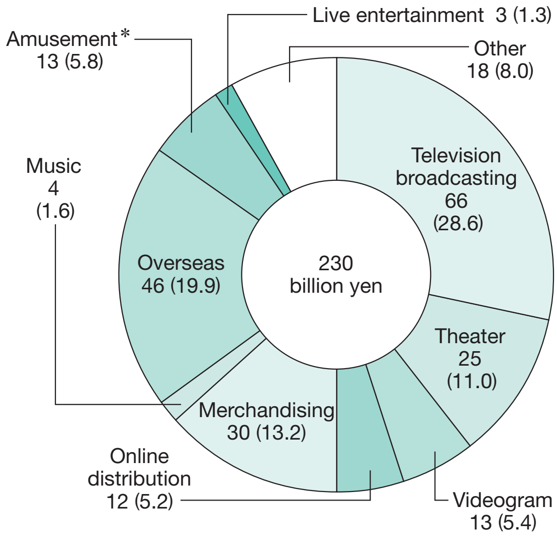
■ Consumer Spending on Animation
(For Feature Film/Television/Videogram/Online Distribution)



* Every ten years for 2010 and earlier.

Source: Media Development Research Institute Inc.

■ Revenue of Animation Production Companies by Type (2016)



Figures in parentheses show share : %

* Amusement means revenues from producing visuals for pachinko and slot machine parlors and revenue shares.

Source: The Association of Japanese Animations

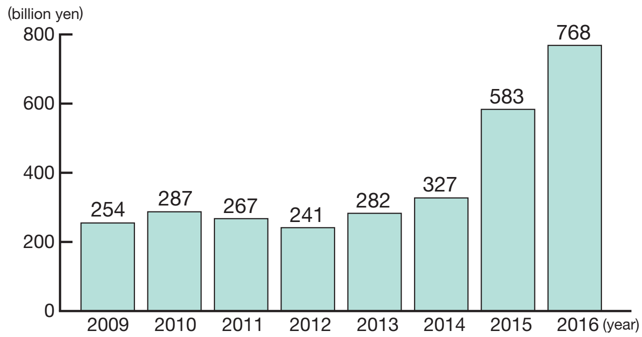
■ Top Box Office Animation Films

Year of Release	Title	Box Office Revenue (billion yen)	Japanese/ Imported	Distributor
2001	Spirited Away	30.80	Japanese	Toho
2014	Frozen	25.50	Imported	WDS*
2016	Your Name.	25.03	Japanese	Toho
2004	Howl's Moving Castle	19.60	Japanese	Toho
1997	Princess Mononoke	19.30	Japanese	Toho
2008	Ponyo	15.50	Japanese	Toho
2013	The Wind Rises	12.02	Japanese	Toho
2004	Finding Nemo	11.00	Imported	Buena Vista
2010	Toy Story 3	10.80	Imported	WDS*
2002	Monsters, Inc.	9.37	Imported	Buena Vista

* Walt Disney Studios

Source: Motion Picture Producers Association of Japan, Inc.

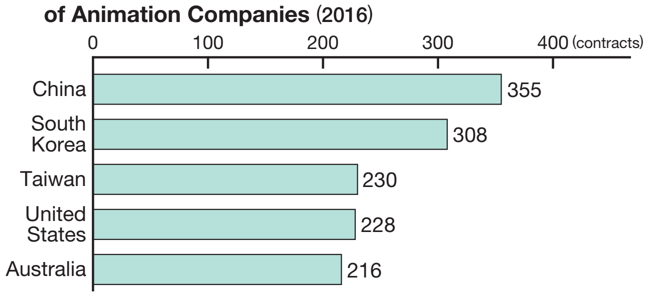
■ Overseas Sales of the Animation Industry



Note: Estimated user expenditures based on overseas business of member companies of the Association of Japanese Animations

Source: The Association of Japanese Animations

■ Top Five Countries and Regions for Overseas Contracts of Animation Companies (2016)



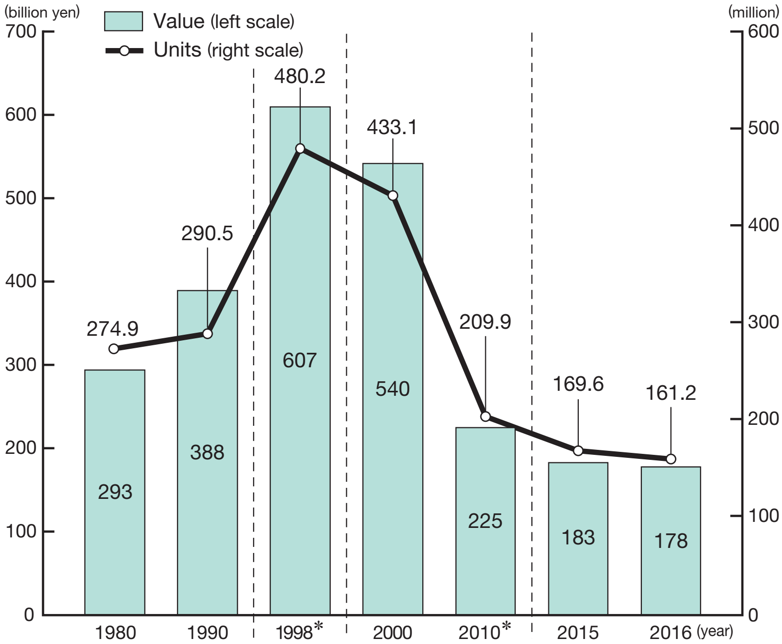
Source: The Association of Japanese Animations

Music

CDs Still Have a Majority Share of Music Market in Japan

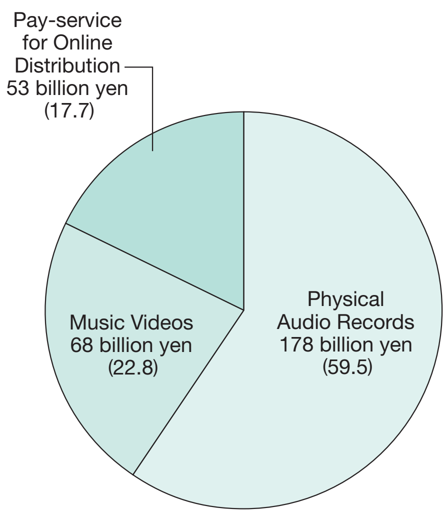
- In Japan, CDs (physical audio records) still account for a large sales share.
- Tickets to attend idol events are often included in CD packages to stimulate vigorous sales.
- Disbanded pop group SMAP sold well over a million CDs and half a million DVDs.
- The concert market has grown steadily in recent years. But due to a number of large concert venues being under renovation, there was a shortage of venues, which has had a negative impact on the live market.

Production Data of Audio Records



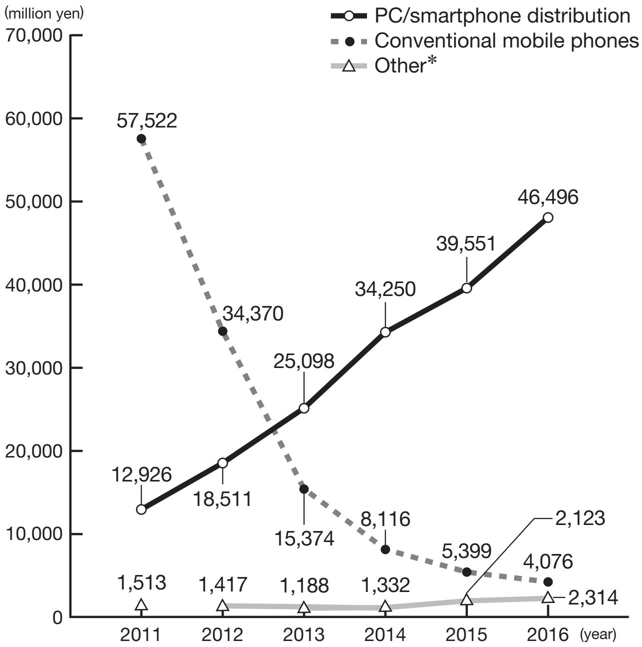
* Every ten years for 2010 and earlier, with the exception of 1998, which was the year with the highest sales.
Note: Total of analog discs, CDs, cassette tapes, etc. Music videos excluded.
Source: The Recording Industry Association of Japan

Music Sales by Type (2016)



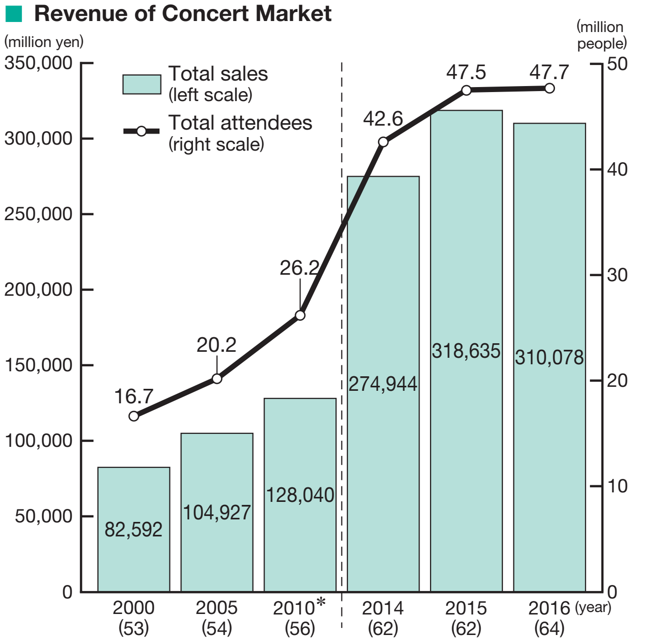
Figures in parentheses show share: %
Source: The Recording Industry Association of Japan

Revenue from Music Downloads, by Type



* Subscription services and other digital music content
Note: Total revenue of member companies of the Recording Industry Association of Japan
Source: The Recording Industry Association of Japan

Revenue of Concert Market



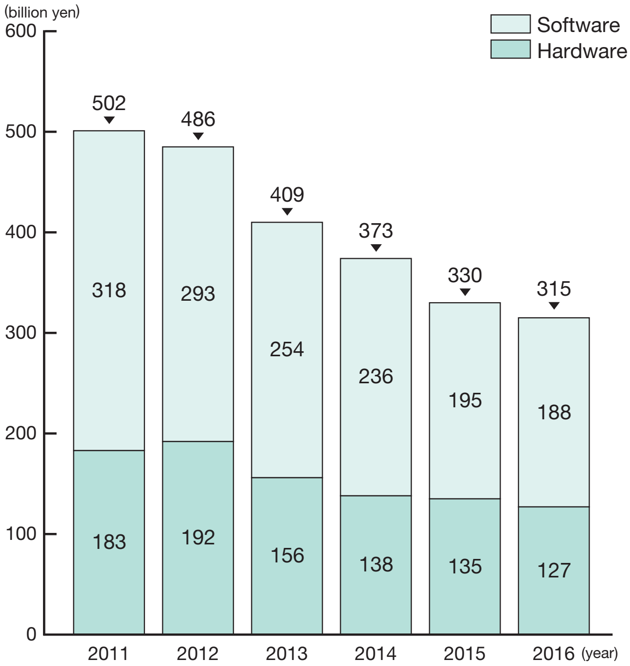
The survey is carried out annually by the All Japan Concert & Live Entertainment Promoters Conference to its member companies. Numbers of the companies surveyed are in parentheses.
* Every five years for 2010 and earlier
Note: Market size represented by ticket revenue
Source: All Japan Concert & Live Entertainment Promoters Conference

Console Games

The Rapid Growth in Mobile Games is Causing a Stir in the Industry

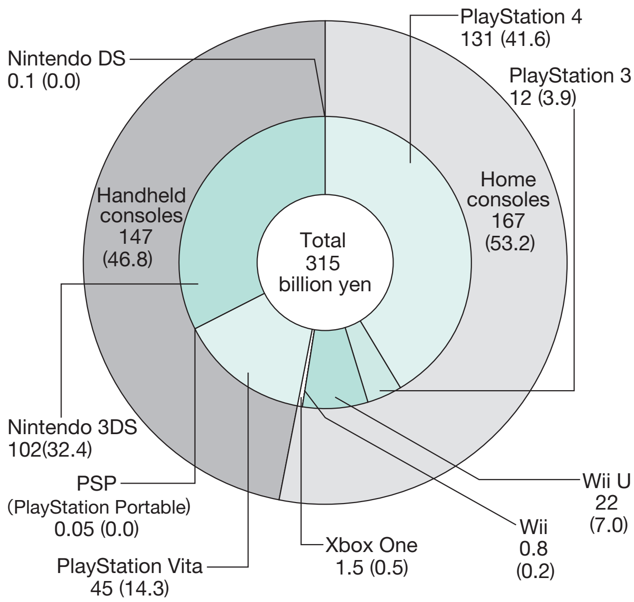
- The console game market continues to decline, but the pace of decline was slower in 2016.
- Presumably, the rapid growth in mobile game apps boosted by the spread of smartphones has caused the console game market to shrink.
- Sony launched PlayStation VR in 2016 and Nintendo introduced Nintendo Switch in 2017. Nintendo released Labo, a series of DIY cardboard craft kits to work with Nintendo Switch, in 2018.

Console Video Game Sales in Japan



Source: Computer Entertainment Supplier's Association

Sales Value of Video Game, by Console (2016)



Figures in parentheses show share : %

Source: Computer Entertainment Supplier's Association

Revenue of Major Video Game Companies

(Hardware Makers) (billion yen)

Company (Fiscal Year End)	2015	2016	2017
Sony (March)*1	1,388	1,551	1,649
Nintendo (March)	549	504	489
Non-consolidated	366	379	363

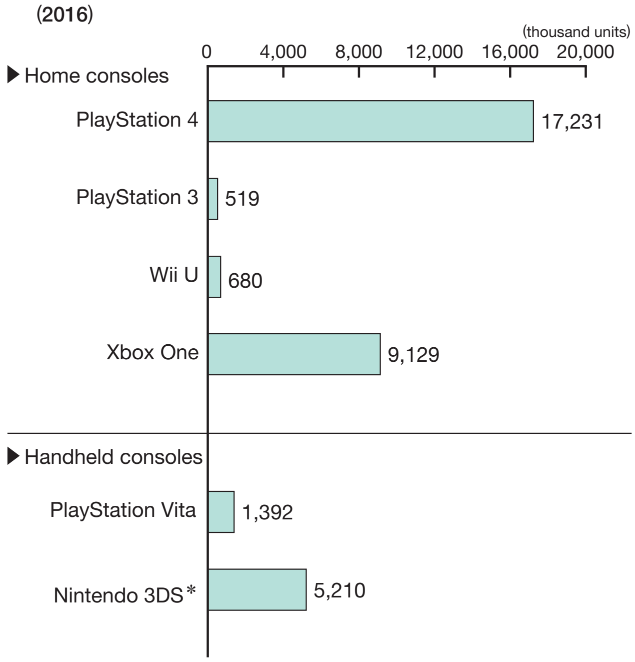
(Software Makers)

Company (Fiscal Year End)	2015	2016	2017
Bandai Namco Holdings (March)	565	575	620
Network Business	288	320	380
Konami (March)	218	249	229
Digital Entertainment Business	96	115	105
Square Enix Holdings (March)	167	214	256
Digital Entertainment Business	111	158	199
Capcom (March)	64	77	87
SEGA Games (March)*2	79	68	76

*1 Sales of Game segment (excluding revenues derived from business with affiliated companies). FY2015 figure reflects the reclassification of business segments in 2016.
*2 Non-consolidated results.
Note 1: Unless otherwise noted, all financial data are on a consolidated basis.
Note 2: The figures are rounded down to the nearest billion yen.

Source: Each company's IR data and other various research data

Number of Video Games Shipped Overseas, by Console (2016)



* Figures for the Nintendo 3DS include the Nintendo 3DS LL, New Nintendo 3DS, New Nintendo 3DSLL, and Nintendo 2DS.

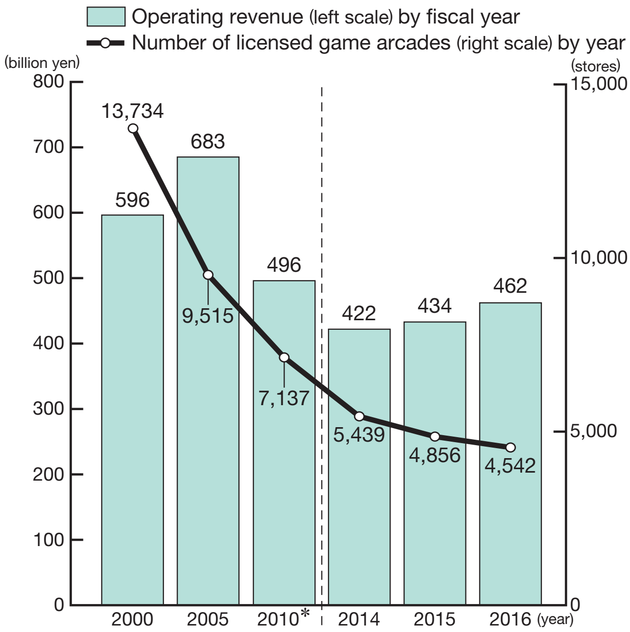
Source: Computer Entertainment Supplier's Association

Arcade, Online, and Mobile Games

Mobile Game Market Exceeds 1,000 Billion Yen

- Although the market for online games using PCs is on the decline, the market for smartphone games is experiencing significant growth.
- The smartphone game market has been rapidly increasing since 2011, and exceeded 1,000 billion yen in 2016.
- Mobile app games that use an item-selling based payment model are quite popular.
- Three Japanese eSports organizations have joined forces to establish a cohesive unit known as Japan eSports Union, or JeSU.

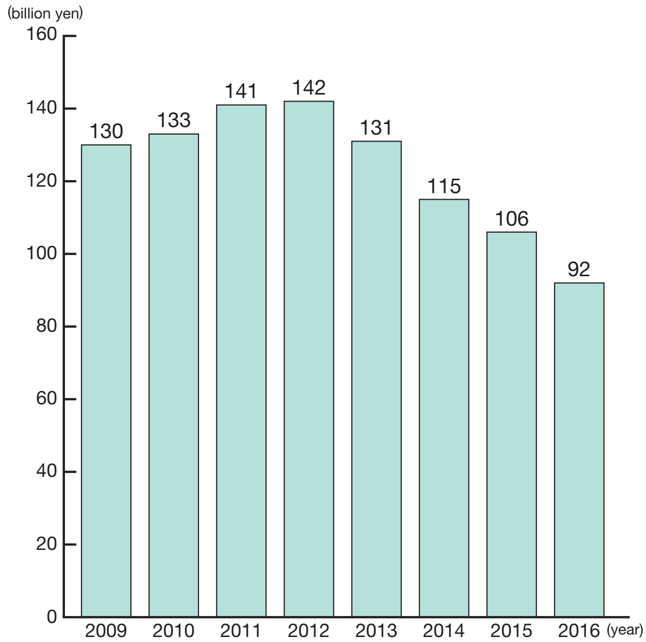
■ Arcade Game Market



* Every five years for 2010 and earlier

Source: Japan Amusement Machine and Marketing Association Inc. and National Police Agency

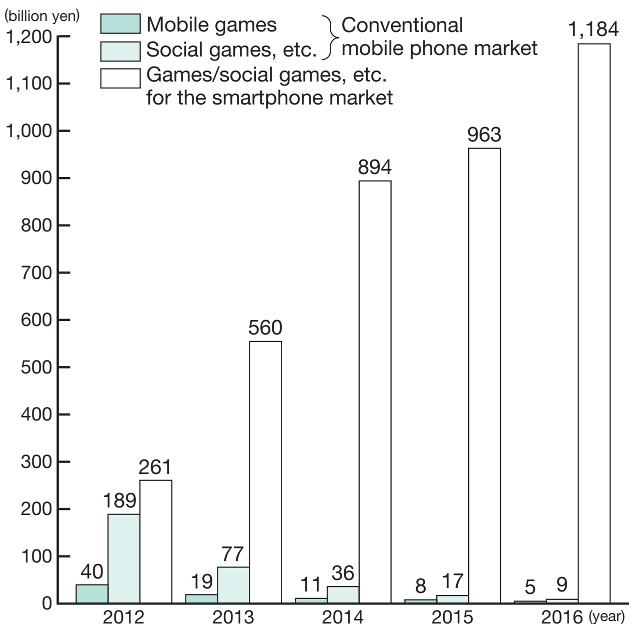
■ Revenue of Online Game Market



Note: Total of packaged sales for PCs and home consoles and revenues of game services.

Source: Japan Online Game Association

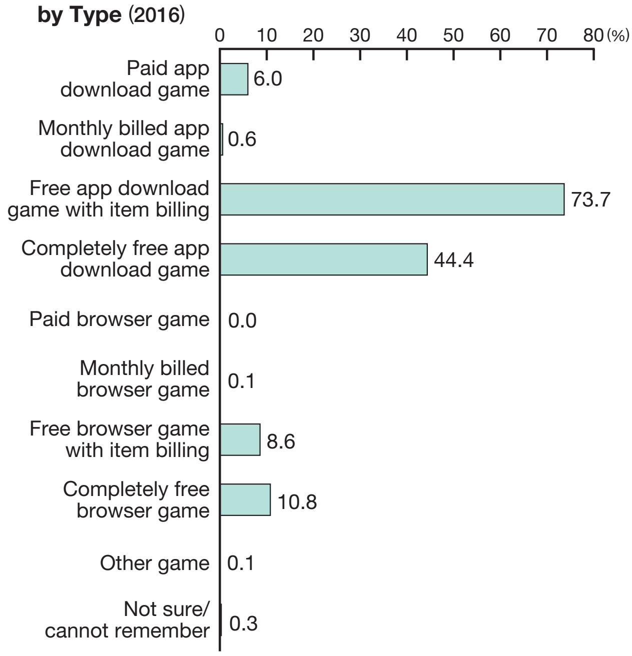
■ Consumer Spending on Mobile Game and Social Game Market



Note: User expenditures

Source: Ministry of Internal Affairs and Communications

■ Gaming Experience on Smartphones and Tablets by Type (2016)



Note: Response by regular players of smartphone and tablet games.

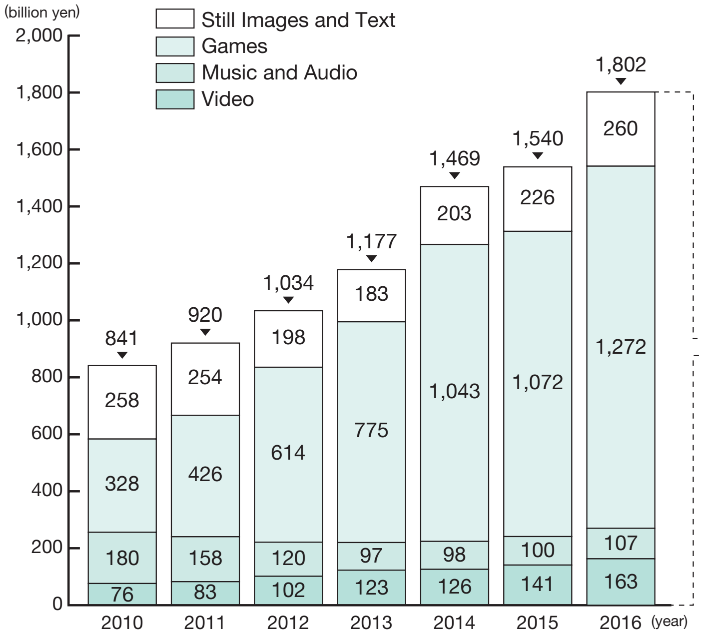
Source: Computer Entertainment Supplier's Association

Online Distribution and Websites

The Presence of Gaming has Become Prominent

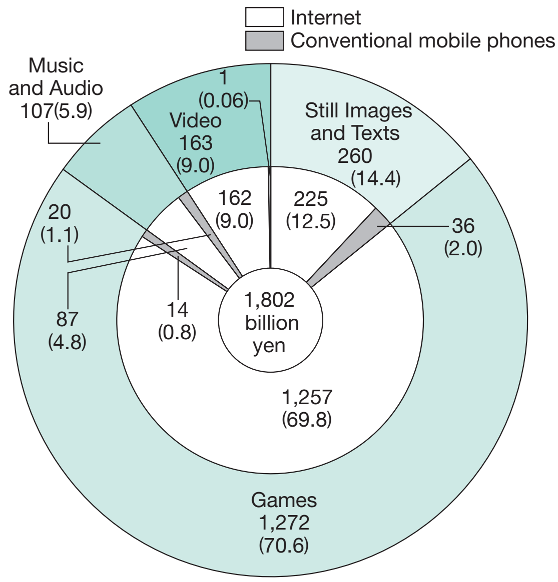
- The share of games is on the rise in the digital content market where transactions are carried out on the Internet.
- Music downloads and online video delivery markets started to grow with the market entry of Netflix, Amazon Prime, Apple Music, Google Play Music, Spotify and others that provide subscription-based services.
- Since the early stage of the Internet, Yahoo! JAPAN has been one of the dominant websites in terms of access numbers in Japan. In recent years, mobile app usage has seen rapid growth.
- LINE is the most frequently used social media in Japan, followed by Facebook, Twitter, and Instagram.

Consumer Spending on Online Distribution



Source: Digital Content Association of Japan

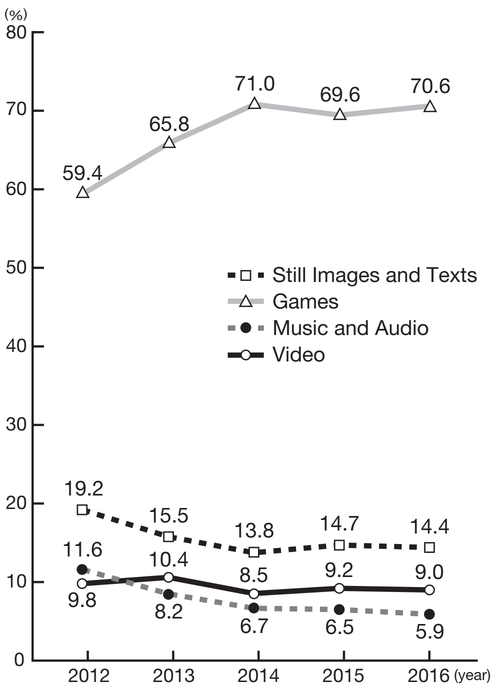
Online Distribution by Device (2016)



Figures in parentheses indicate market share : %

Source: Digital Content Association of Japan

Sales Composition Ratio of Digital Content by Type



Source: Digital Content Association of Japan

Top Ten Accessed Websites by Domain (Fiscal Year 2016)

Rank	Domain Name	Site Name	Estimated Number of Unique Visitors (Million People)	Access (Reach) (%)	Average Number of Access (Frequency)	Estimated Number of Viewed Pages (Million Pages)	Average Viewed Pages (Pages)	Average Visit Time (Hours, Minutes, Seconds)
1	yahoo.co.jp	Yahoo! JAPAN	46.8	87.8	155.9	79,786	1,705.8	19:42:57
2	google.co.jp	Google	32.5	61.0	69.1	11,122	342.1	3:29:06
3	youtube.com	YouTube	30.8	57.7	44.3	5,333	173.4	12:41:25
4	rakuten.co.jp	Rakuten	29.8	55.9	47.4	14,566	488.5	4:52:55
5	amazon.co.jp	Amazon	28.4	53.3	28.9	5,291	186.2	2:30:26
6	google.com	Google	26.6	49.9	19.9	1,936	72.7	1:31:24
7	fc2.com	FC2	26.2	49.2	38.1	5,659	215.9	3:16:22
8	naver.jp	NAVER	24.6	46.1	9.9	713	29.1	0:32:13
9	goo.ne.jp	goo	24.2	45.4	18.9	1,447	59.8	1:05:36
10	microsoft.com	Microsoft	23.3	43.7	4.7	268	11.5	0:13:51

Note: For the period from April 2016 to March 2017.

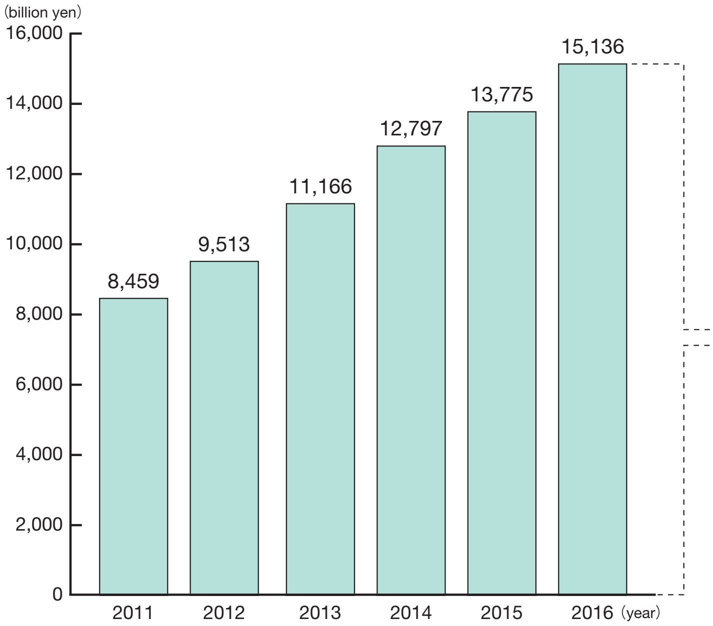
Source: Video Research Interactive Inc.

E-Commerce and Electronic Money

The Online Shopping Market is Steadily Expanding

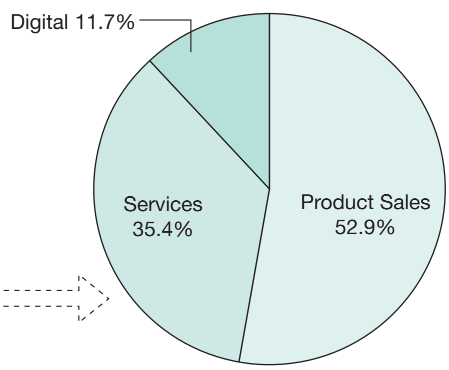
- Amazon and Rakuten lead the online shopping market, and Mercari, a mobile flea market app, became popular mainly among young people.
- New forms of electronic money based on FeliCa, a Japanese Near Field Communication (NFC) technology, is widely used for public transportation and small non-cash payments.
- Mobile payment apps like LINE Pay and Apple Pay are getting popular.

■ Consumer Spending on B to C (Business to Consumer) E-Commerce



Source: Ministry of Economy, Trade and Industry

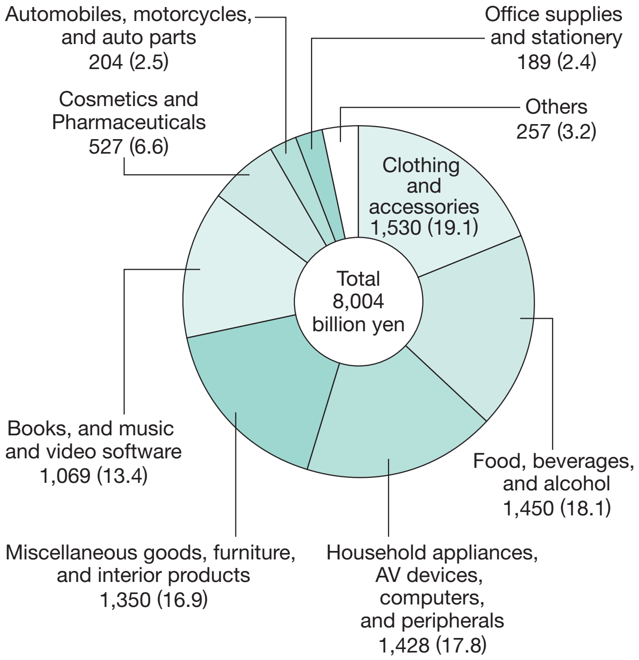
B to C (Business to Consumer) E-Commerce by Business Type (2016)



Note: Business type details are as follows.
Product Sales: Food, beverages, alcohol, household appliances, AV devices, computers and peripherals (not including online games), books (not including digital publishing), music and video software, cosmetics, pharmaceuticals, miscellaneous goods, furniture, interior products, automobiles, motorcycles, auto parts, office supplies, stationery, and others
Services: Travel, eating & drinking, tickets, finance and other services (healthcare, insurance, beauty & barbers, accommodation, education, and others)
Digital: Digital publishing (electronic books and digital magazines), paid music streaming, paid video streaming, online games, and others

Source: Ministry of Economy, Trade and Industry

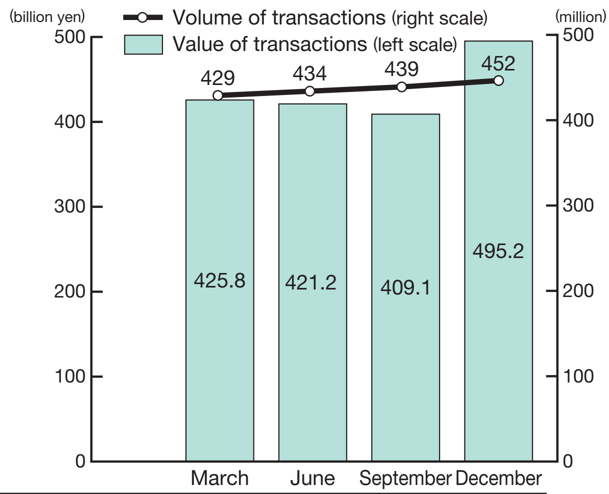
■ B to C (Business to Consumer) E-Commerce (Product Sales) by Business Type (2016)



Figures in parentheses indicate market share: %

Source: Ministry of Economy, Trade and Industry

■ Electronic Money Data (2016)



	March	June	September	December	
Number issued	302.5	312.5	319.7	328.6	(million cards)
for mobile phones	29.3	29.8	30.2	30.9	(million phones)
Value per transaction	992	970	933	1,095	(yen)

Note 1: Eight cards of three different types were surveyed; vendor specific (Rakuten Edy), public transport (ICOCA, Kitaca, PASMO, SUGOCA, Suica), and retail (nanaco, WAON). Public transport electronic money does not include amounts used for boarding and buying tickets.
Note 2: Data sampled every three months

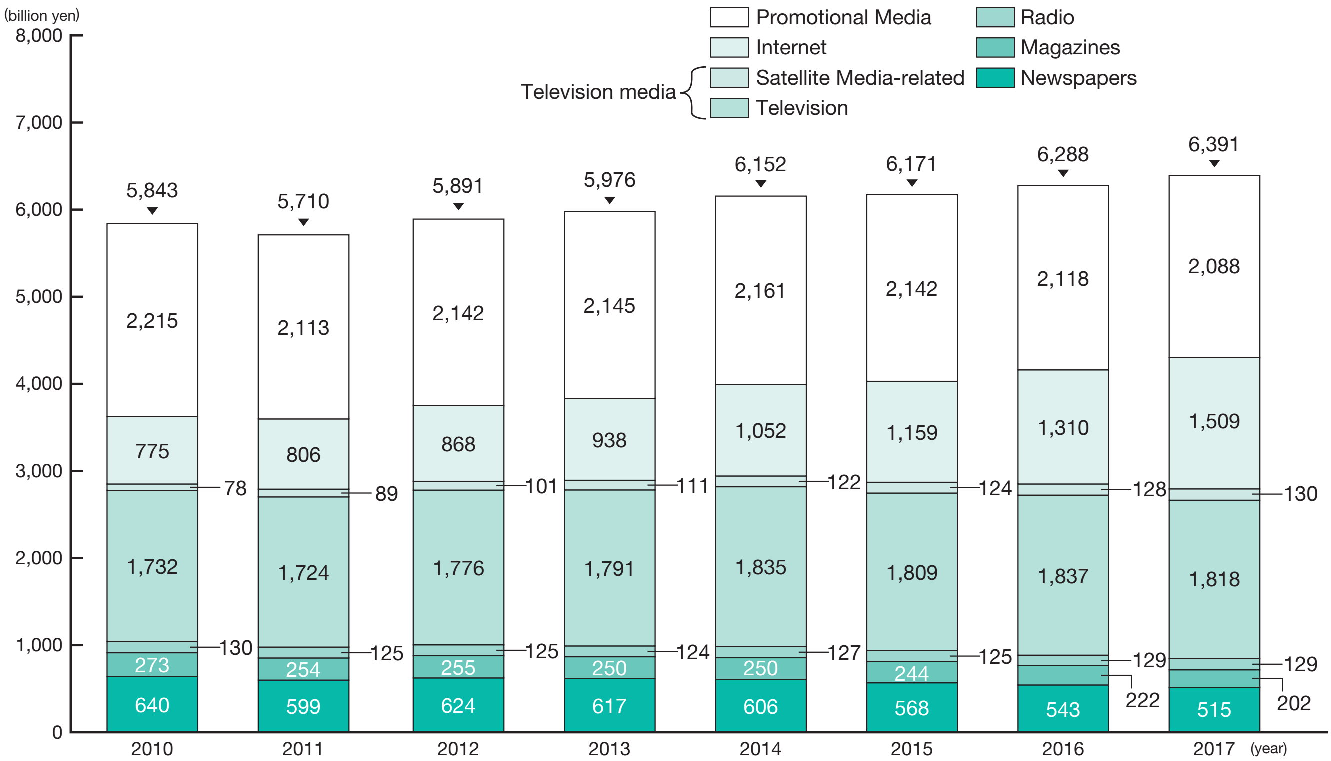
Source: Bank of Japan

Advertising Expenditures

Advertising Expenditures Rose 1.6%, to 6.39 Trillion Yen in 2017

- The Internet advertising market (1.51trillion yen) recorded double-digit growth (15.2%), and was the main driver boosting overall advertising expenditures.
- For traditional media, year-on-year spending rose in 6 of the 21 industry categories.
- The top 10 advertising agencies account for almost half of total revenue of all advertising agencies.

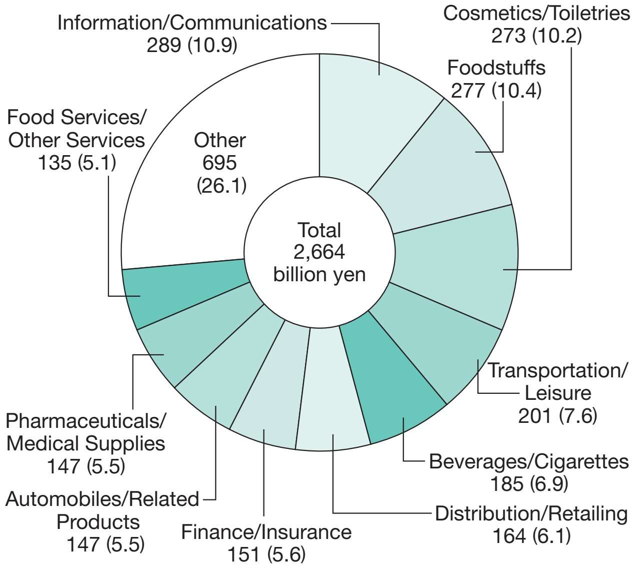
Advertising Expenditures



Note: Estimated figures for terrestrial television and satellite media have been combined as "television media" from 2014.

Source: Dentsu Inc.

Advertising Expenditures by Business Types for 4 Traditional Mass Media (2017)



Figures in parentheses show share : %

Note: The four traditional media: Newspapers, Magazines, Radio, and Television, excluding Satellite Media-related.

Source: Dentsu Inc.

Revenue of Major Advertising Agencies

(billion yen)

Company (Fiscal Year-end)	2015	2016
Dentsu (December)	1,156	1,600
Hakuhodo (March)	658	686
Asatsu-DK (December)	306	314
Daiko (March)	113	119
JR East Japan Planning (March)	105	109

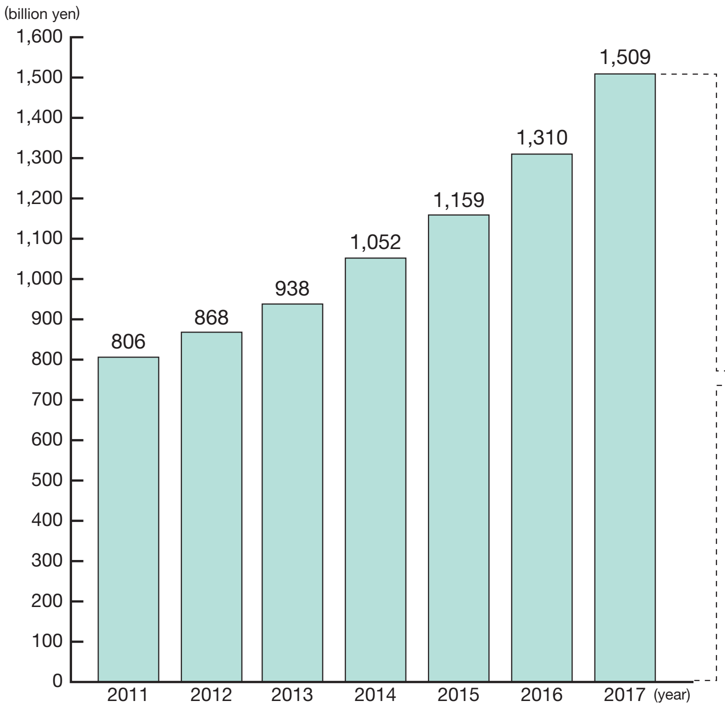
Source: Each company's IR data and other various data

Internet Advertising

Internet Advertising Spending on Internet Advertising Rose 15.2% to 1.51 Trillion Yen

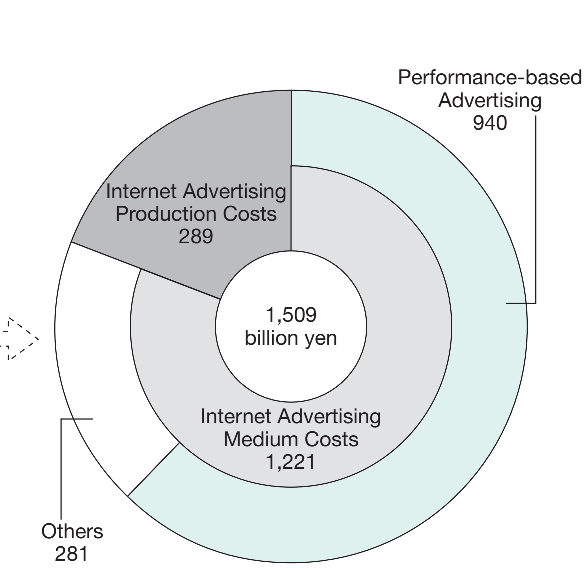
- 77.0% of overall spending on Internet media was on performance-based advertising.
- Spending on video advertising amounted to 115.5 billion yen and accounted 9.5% of overall Internet media.
- Revenues from Internet advertising of traditional media (newspapers, magazines, TVs) has grown.
- The Japanese market saw an acceleration in the penetration of private marketplaces (PMPs).

■ Internet Advertising Expenditures



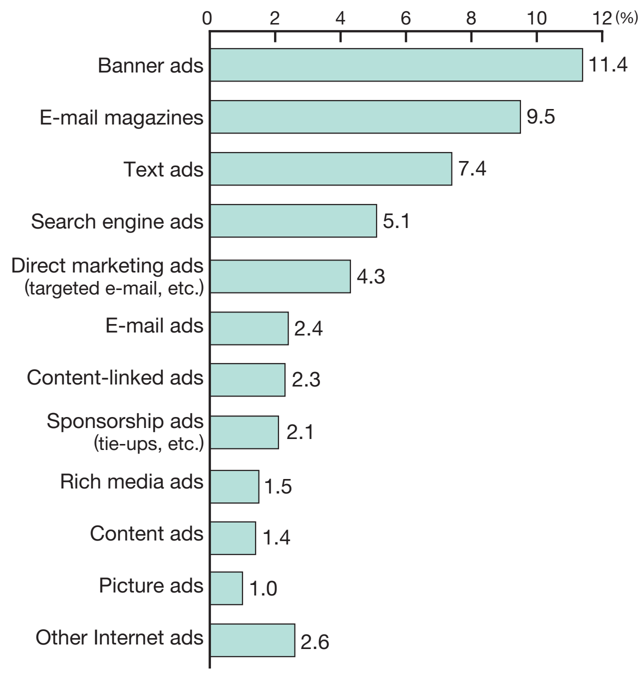
Source: Dentsu Inc.

Internet Advertising Expenditures by Type (2017)



Source: Dentsu Inc.

■ Type of Internet Advertising Implemented (End of 2016)



Note: Companies implementing Internet advertising

Source: Ministry of Internal Affairs and Communications

■ Revenue of Major Internet Advertising Agencies

(million yen)

Company (Fiscal Year-end)	2014	2015	2016
CyberAgent (September)	205,234	254,381	310,665
Cyber Communications*1 (December)	74,527	82,068	100,252
D.A. Consortium (March)	105,335	117,463	144,980
GMO Ad Partners (December)	23,742	28,111	30,494
Irep*2 (September)	53,615	58,023	77,795
Opt*3 (December)	66,984	64,052	69,815
Septeni Holdings (September)	54,345	64,547	73,280

*1 Non-Consolidated. Cyber Communications changed its fiscal year-end from March to December, in 2015. Revenue from April to December 2015 was 66,807 million yen.
*2 Irep adopted a holding company system in January 2015
*3 Opt moved to a holding company system in April 2015, and changed its name to Opt Holding. Opt Holding split out its marketing business function, and transferred it to Opt.
Note 1: Consolidated basis
Note 2: The figures are rounded down to the nearest million yen.

Source: Each company's IR data and other various data

Appendix

Macro Statistics

	Data		Year	Source/Remarks
	Figures	Share		
Area of the Whole Country	377,971.57km^2		2016	Ministry of Land, Infrastructure, Transport and Tourism
Administrative Boundary				
Number of Prefectures Number of Cities Number of Towns and Villages	47 791 927		2017	Japan Geographic Data Center
Population/Households				
Total Population	127,907,086		2017	Japan Geographic Data Center
Men Women	62,394,275 65,512,811	48.8% 51.2%		
Youth Population Productive Population Aged Population	16,142,185 77,491,846 34,272,983	12.6% 60.6% 26.8%		
Number of Households	57,477,037		2017	Japan Geographic Data Center
Family Households Nuclear Households Husbands and Wives Only Parents and Children Single Parent and Children Couples with Their Parents Couples, Children, and Couples' Parents Other Types of Families One-person Households Households Including Non-relatives	34,314,998 29,754,438 10,718,259 14,288,203 4,747,976 866,414 1,924,011 1,770,135 18,417,922 463,639	64.3% 55.8% 20.1% 26.8% 8.9% 1.6% 3.6% 3.3% 34.5% 0.9%	2015	Ministry of Internal Affairs and Communications
Average Number of Persons per Household	2.23		2017	Japan Geographic Data Center
National Economic Accounting				
Gross Domestic Product (GDP) Private Final Consumption Expenditure* Final Consumption Expenditure of Household* Domestic Final Consumption Expenditure of Household* National Earnings National Disposable Income	530,545 billion yen 300,082 billion yen 292,714 billion yen 293,799 billion yen 550,624 billion yen 427,173 billion yen		2015	Cabinet Office, Government of Japan *Nominal Figures
Domestic Production by Industry*	420,741 billion yen			
Primary Industry Secondary Manufacturing Pulp and Paper Precision Instrument Printing Tertiary Industry Telecommunication Business	5,618 billion yen 137,773 billion yen 1,908 billion yen 3,988 billion yen 2,430 billion yen 277,350 billion yen 12,025 billion yen			
Labor				
Labor Force Population	66,480 thousand		2016	Ministry of Internal Affairs and Communications Note: Estimated Figures
Employed Persons	64,400 thousand	96.9%		
Self-employed Family Worker Employee Primary Industry Secondary Manufacturing Tertiary Industry	5,270 thousand 1,530 thousand 57,290 thousand 2,220 thousand 15,360 thousand 45,810 thousand	7.9% 2.3% 86.2% 3.3% 23.1% 68.9%		
Totally-unemployed Persons	2,080 thousand	3.1%		

A Research for Information and Media Society 2018

Information Media Trends in Japan 2018 was compiled from *A Research for Information and Media Society 2018* (in Japanese), which was published by the Dentsu Media Innovation Lab on February 21, 2018.

Ever since its very first release in 1993, *A Research for Information and Media Society,* which offers a wide range of data sets and in-depth commentaries for key industries, has served as a very good reference book for all those interested in grasping the landscapes of information and media industries in Japan. Published every year, the latest 2018 edition marks the 25th publication.

The 272-page latest edition contains 600+ charts and graphs. The Japanese information media industries are classified into 13 categories for thorough analysis and commentary. Given the nature of the book as a reference book, the editorial priority is placed on securing the continuity of data, thus main statistical data sets are presented in chronological order. Significant data are highlighted and visualized in the form of an industry structure diagram in the top two summary pages of each chapter. The summary pages are intended to assist the reader to find the data sets needed from the wide variety and number of data in the book.

Key findings from exclusive studies conducted by the Dentsu Media Innovation Lab are referred in the feature articles. Twelve carefully selected hot industry topics from 2017–2018, such as Ultra HD (4K and 8K) are also presented with in-depth commentaries in the beginning of the book.

Main content

Feature: Smartphone -10 years of creative destruction-

1. The present of smartphone
2. New platform in smartphone era produce new-generation influencers
3. A chronological table of smartphone in Japan
4. Consumer behavior in IoT -post-smartphone- era
5. Future possibilies of TV in smartphone era

Feature 2: New topics of information media industry

Part 1: Trends in the information media industry

Newspapers / Books and Magazines / Music / Films and Videos / Animation / Games / Radio and Television / Satellite and Cable TV / Telecommunications / Content and Services / Advertising / Mail Order and E-Commerce / Event

Contact information

Price: ￥18,280 (including tax)
Orders can be placed through the official Dentsu website.
http://www.dentsu.co.jp/knowledge/publish/concerned_media/infomedia2018.html

Contact details for inquiries:
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