Information Media Trends in Japan

2016

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.

Total advertising expenditures in Japan were 6.171 trillion yen in 2015 (100.3% compared to the previous year). Of this, television advertising expenditures (terrestrial television and satellite media related) accounted for 1.932 trillion yen (98.8% compared to the previous year) while Internet advertising expenditures accounted for 1.159 trillion yen, posting double-digit growth of 10.2% compared to the previous year.

A new level of competition emerged for video delivery services in Japan. Netflix made a full-scale entry into the market and Amazon expanded its online video services for customers with an Amazon Prime subscription, both in September 2015. In the following month, five Tokyo-based broadcasters launched a catch-up service, TVer. While the delivery of these services centers around on-demand models, new services that focus on live streaming based on schedules, namely AbemaTV and Sportsnavi LIVE, entered the market in 2016. It remains to be seen how the situation will turn out for individual service providers' business strategies and the further development of paid online video services in Japan, where the penetration of paid multichannel TV service is relatively low with a household subscription rate of approximately 20%.

The penetration rates of media devices are 98.1% for TVs, 79.1% for PCs, and 32.0% for tablets. The overall mobile phone penetration rate is 95.3%. By type of phone, smartphones with a penetration rate of 67.4% surpassed the traditional mobile phones' rate (64.3%) for the first time.* Although the last several years have seen rapid increases in smartphone penetration—especially among young people—this growth is leveling off. Users are demonstrating a growing interest in achieving a balance between the quality and cost of services used, and Mobile Virtual Network Operators (MVNOs) are beginning to capture market share as a new option for consumers.

Regarding efforts to adopt advanced picture quality technologies for television broadcasting, Japan is undergoing preparations in line with a roadmap targeting both 4K and 8K trial broadcasts in 2016 using broadcast satellite (BS). In 2018, regular 4K broadcasts are being planned that will use both BS and communication satellites (CS), as well as the provision of 8K regular broadcast using BS. Mobile carriers are also working to achieve by 2020 the 5G standard for mobile communication services, which will allow for high-speed, high-capacity throughput on par with current fiber-optic lines. Through such efforts, infrastructure is now being built that will further improve user convenience.

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 to everyone who allowed us to use their data.

＊Source: Consumer Confidence Survey in 2016 by the Cabinet Office, data for households with multiple residents.

Ritsuya Oku

Chief Executive Director

Media Innovation Lab

Dentsu Innovation Institute (May 2016)

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Sector-Specific Statistics and Trends

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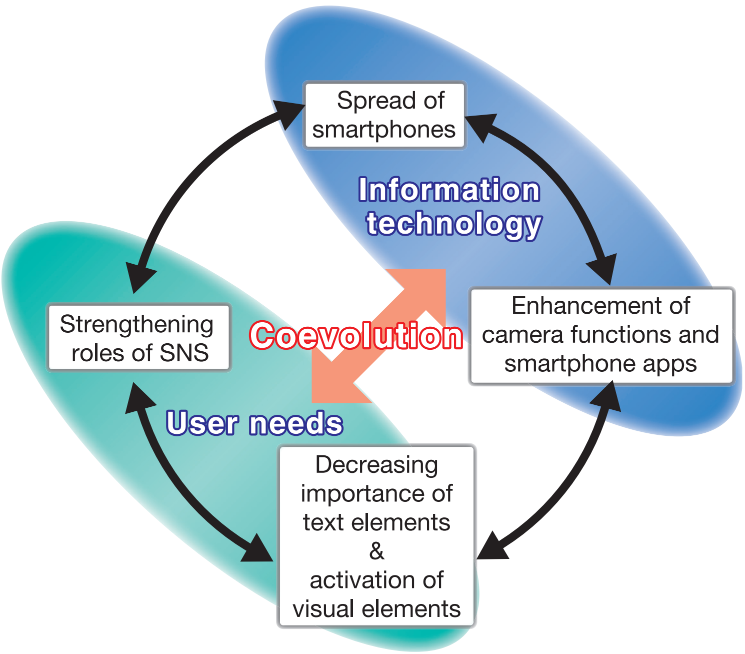
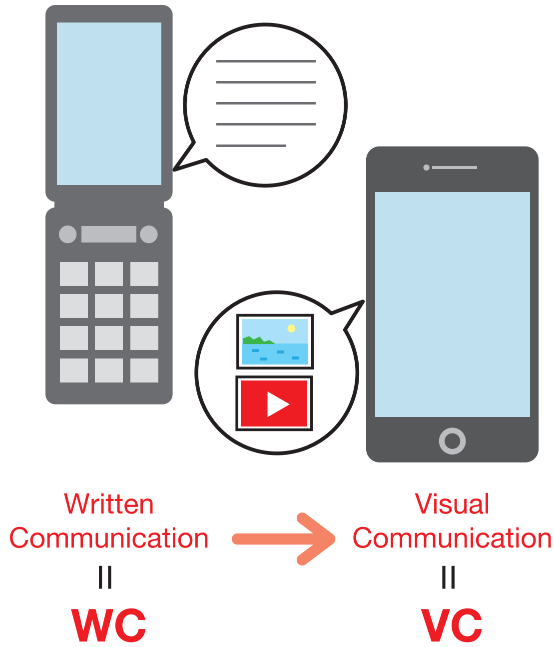
Feature: A Shift from Written Communication to Visual Communication

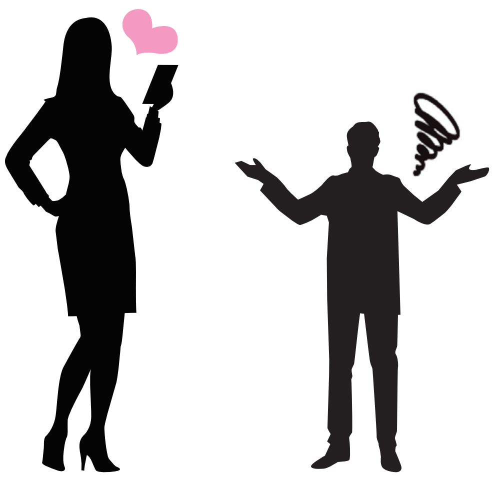
Today, with a wide range of smartphone applications available, images and videos are replacing text as core communication media among young smartphone users.
When we began investigating the information-related behavior of young people—who live at a time in which smartphone-centered lifestyles have become mainstream—one of the key characteristics we found was that they use photos, videos, and other visual media to communicate. While photos and videos had previously been generally reserved for recording special events, nowadays such media are a tool for sharing emotions and situations with other people. Widely used social media is also becoming more visual and less literal. Here are seven key facts regarding visual communication.
VIDEO AVAILABLE ⇒ URL　http://bcove.me/9hgbf762





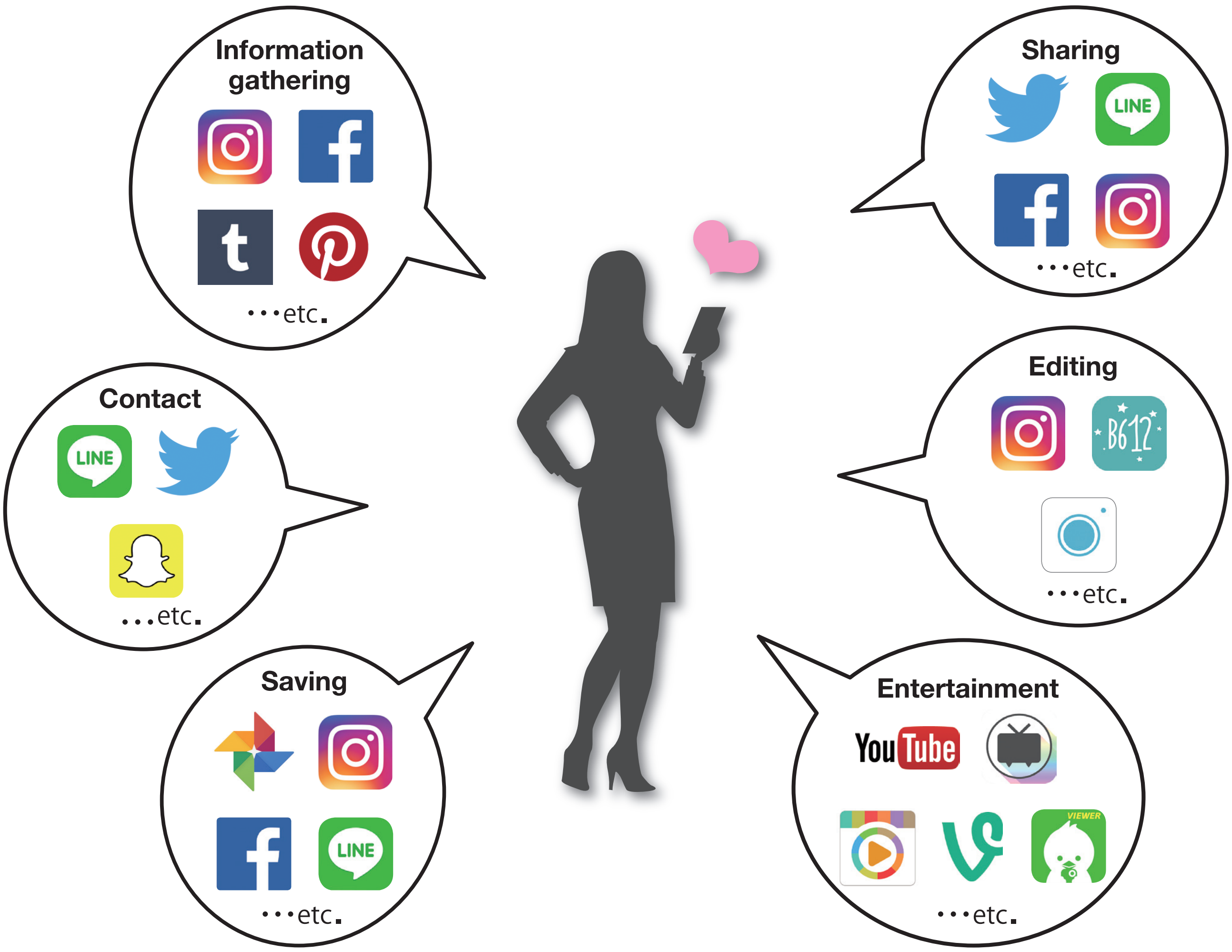
Seven key facts regarding visual communication

FIRST, young female users, who tend to value the more emotional aspects of communication, are leading the trend toward visual communication.

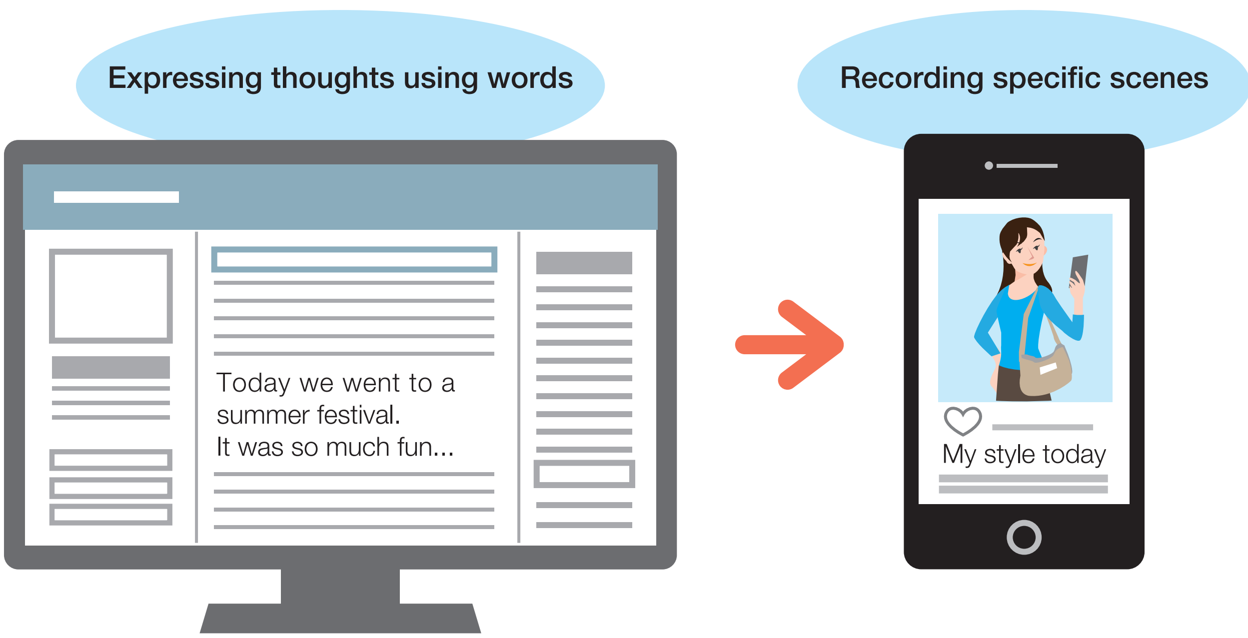


Feature: A Shift from Written Communication to Visual Communication

SECOND, people are using diverse applications in a smart way to meet their specific needs.

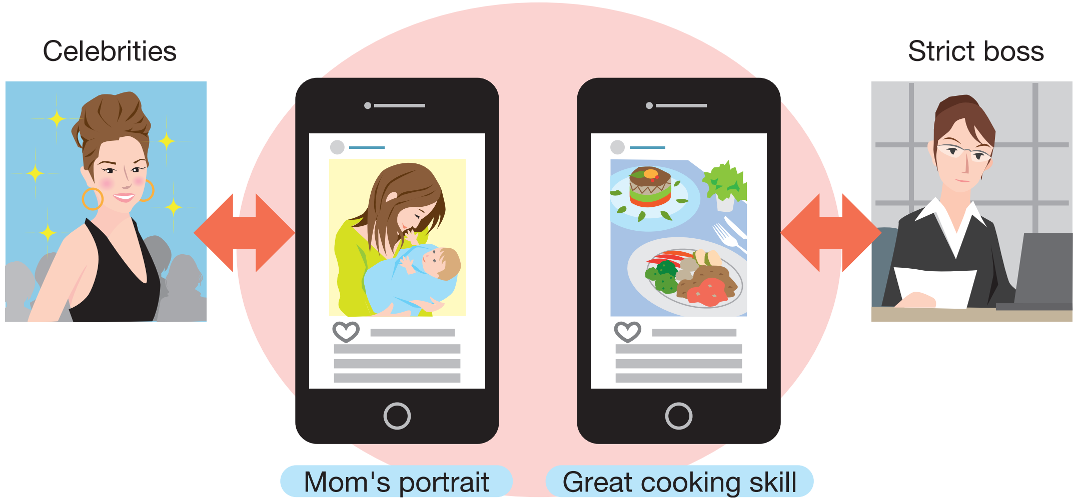


THIRD, people are starting to replace the written approach for recording daily activities with a photo album approach that is more visually oriented.

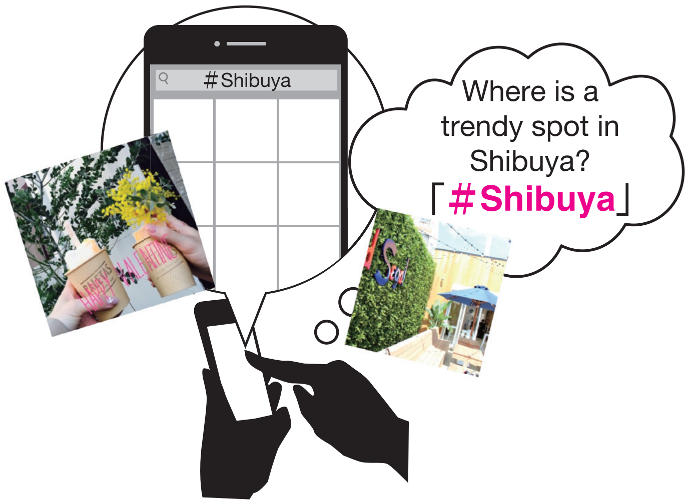


Feature: A Shift from Written Communication to Visual Communication

FOURTH, the photo album approach allows people to discover different aspects of their friends or celebrities and better familiarize themselves with these people.



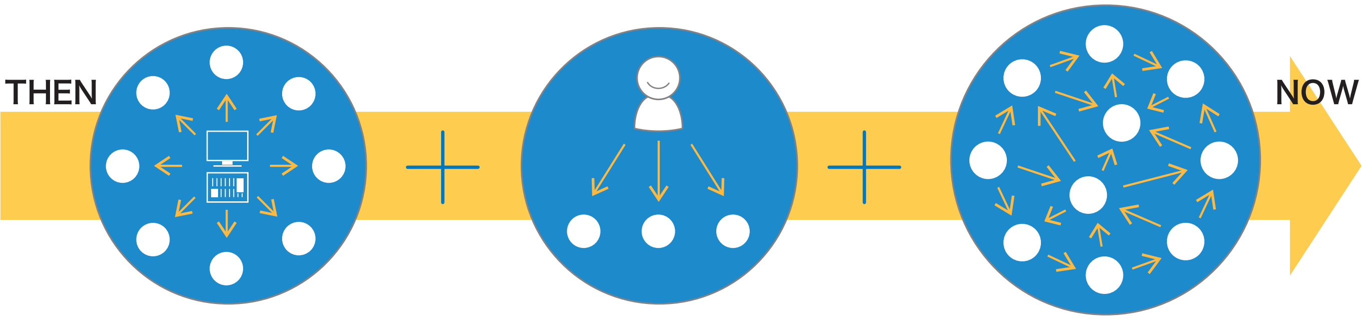
FIFTH, photo apps are now used as a search engine to check out trends and make shopping decisions.



SIXTH, having a style that stands out among heaps of information is crucial to gaining people's attention.

Feature: A Shift from Written Communication to Visual Communication

SEVENTH, there are frequently observed patterns in images uploaded to various websites. Simulacrums, meaning copies with no original, inspire people to want to have experiences similar to those shown in the images they see. This simulacrum phenomenon represents a new model of information transmission and trend setting.



Mass media model

People and things are influenced by mass media. For example, products sell as a result of a TV commercial campaign. People go on a trip after reading a magazine feature.

Influencer model

The target of admiration is clear. People and things are influenced by a person's comments. For example, there is a fad for something after a popular model writes about it in her blog.

Simulacrum model

Despite the original information source being unclear, many people feel admiration and empathy for what is being expressed, and experience it themselves through simulation. For example, people want to attend some event they often see on a visual communication app.

By analyzing the phenomenon of "making oneself stand out or appear in a positive light on social media," we begin to see a simulacrum model for the young people's behavior when it comes to information. This is the model for information transfer and trend propagation in the visual communication era.

Conclusion

The visuals appearing in the simulacrum model are an expression of young people's interests, and we have observed information behavior in which preferences are discovered through a self-feedback mechanism based on visuals communicated by the user. In other words, the place in which visual communication takes place may be seen as an accumulation of insights visualized by young people.

In an era in which it is common for people to make searches of information sourced from content generated by each other, we anticipate that this will develop into places where purchasing takes place directly through the integration of e-commerce functions and other capabilities. Based on this view, we believe that under such models, the diffusion of audience information and the identification of trends propagated by such actions will continue to grow in importance.

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 interest.

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) were 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 the fastest 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.

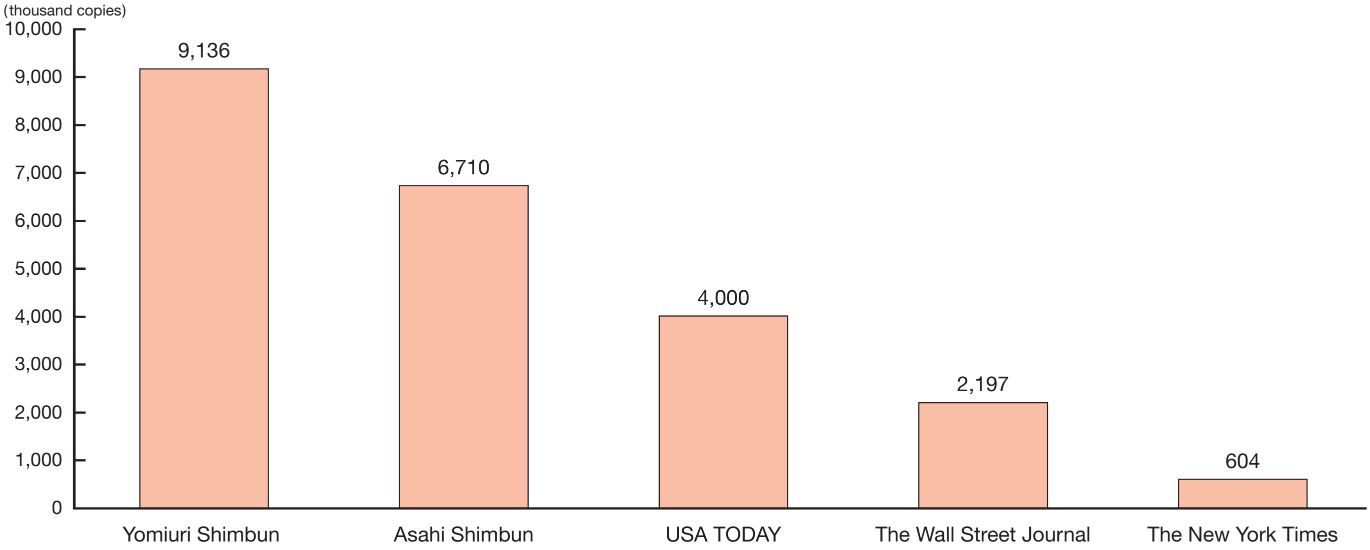
In recent years, numerous major newspapers in the United States and the United Kingdom have been sold to new owners or merged into larger media conglomerates. While the Japanese newspaper market is also downtrending, most regional papers are still operated by their original owners with circulation share of over 50% of households. 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

Overview of Japan’s Media Industries

■ **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 2015 according to "Newspaper Publisher Report" by Japan Audit Bureau of Circulations.

USA TODAY: Total average print, digital replica, digital non-replica and branded edition circulation of morning editions according to the Alliance for Audited Media’s December 2015 Publisher’s Statement, cited from GANNETT CO., Inc. Form 10-K 2015.

The Wall Street Journal: Total average paid print and digital circulation of Monday to Friday editions for the six months ending on March 29, 2015 based on Alliance for Audited Media (“AAM”) data, cited from NEWS CORPORATION. Form 10-K 2015.

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 27, 2015 according to data collected by the Alliance for Audited Media, cited from THE NEW YORK TIMES COMPANY. Form 10-K 2015.

9.14 million copies a day. The Asahi Shimbun, in second place, has a circulation of 6.71 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 the 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 exceeded 450,000 in 2016.

Publishing

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 more than 1 trillion yen in 2014 from the peak year of 1996.

At the end of FY2014, the number of publishing companies in Japan stood at 3,534 of which 2,702 were based in Tokyo. Many of these are small and specialized publishing houses.

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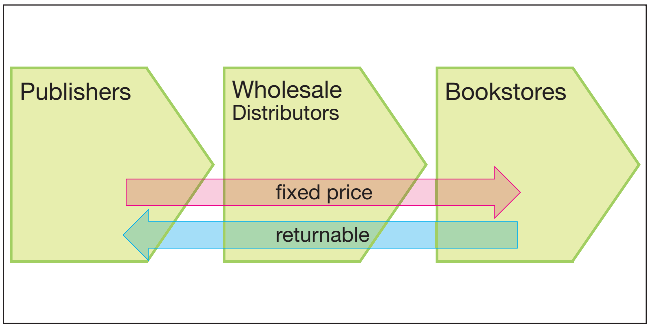
A characteristic of Japan's publishing industry is its reliance on wholesale book distributors. Bookstores and convenience stores across the country typically work with one of the two major wholesalers, Nippon Shuppan Hanbai, Inc. or Tohan Corporation, to maintain their inventory adjustments. Under the 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 digital publishing, especially for manga. Traditional publishing firm Kadokawa established a holding company with Dwango, a provider of the "Nico Nico Douga" video sharing platform and inked a direct deal with Amazon without conventional wholesalers. Such moves have become commonplace in this time of great market change.

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 station 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 na-

TV Broadcasting Networks in Japan (as of 2016)

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	30 companies	28 companies	26 companies	6 companies	

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tional 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 every household and business with TV receiving equipment), whereas commercial stations are funded mainly by advertising.

Japan has five nationwide commercial broadcast 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 sub-key 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, the five major Tokyo-based TV networks jointly started an ad-supported and free streaming video service, named TVer. Each network supplies TVer with 10 to 15 programs weekly and each episode is made available for about seven days. TVer app downloads exceeded two million by February 2016. Meanwhile, NHK, a public broadcaster, began its trial for simultaneous online broadcasts of its programming. When strong earthquakes struck Kumamoto, NHK delivered news online at the same time it appeared on TV.

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 FY2011, 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 27.6 million. 3.9G mobile phone subscriptions reached 82.8 million.
FTTH and 3.9G mobile accounted for about 80% of the country's broadband subscriptions, which is 141.2 million. (As of the end of 2015. Source: MIC.)

Although overall momentum has shifted from fixed to mobile, the telecom market has reached maturity, and overall revenues are declining. The telecom industry is dominated by three players: NTT (Nippon Telegraph and Telephone), KDDI,

Overview of Japan's Media Industries

and SoftBank. The three are fiercely competing with respect to both infrastructure and services. 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 now surpassing that of conventional phones. The big three mobile carriers previously locked their SIM cards into users' smartphones. But in 2015, the Ministry of Internal Affairs and Communications mandated that they sell all smartphones and tablets with unlocked SIM cards, if so requested by customers, in order to stimulate competition among MVNOs. With an eye on the Tokyo 2020 Olympic and Paralympic Games, the government started promoting the spread of free Wi-Fi hot spots to provide more foreign visitors with speedy wireless Internet access.

Films and Videos

Feature Films

In recent years, annual box-office revenue has been in the area of 200 billion yen. 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.

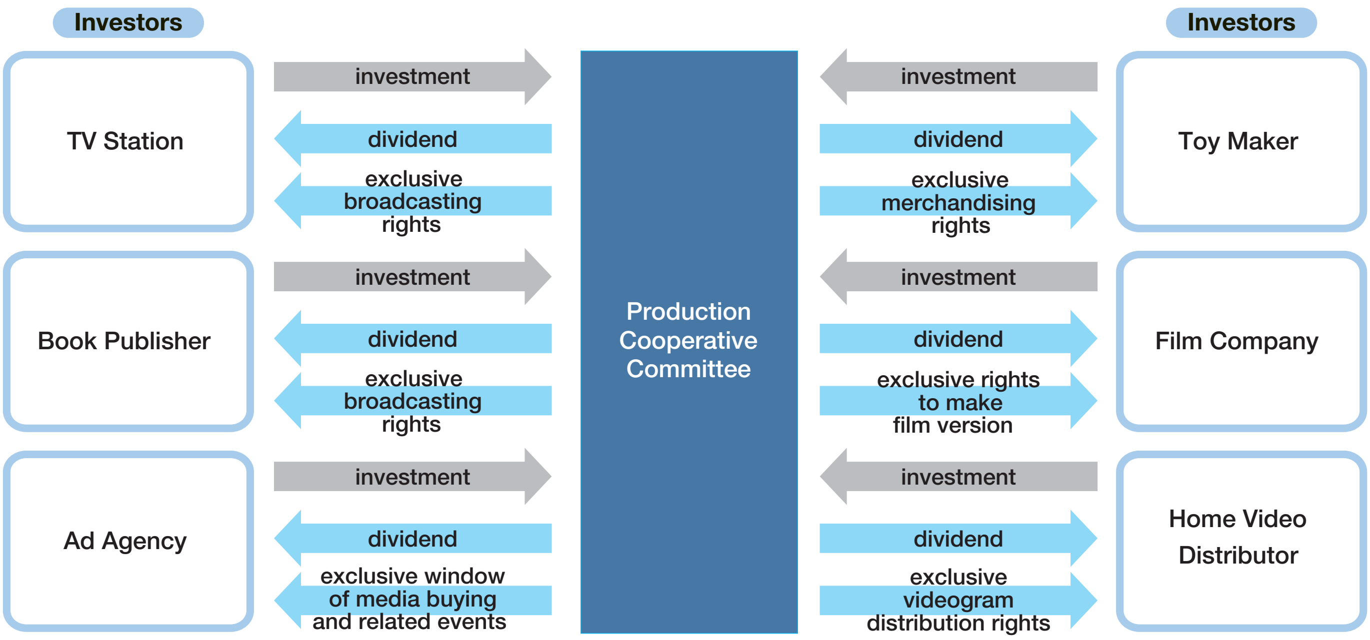
Videograms

DVDs are still the most popular form of home video entertainment. However, both sell-through and rental revenues are falling for recent years. With more people watching videos online, the rental business is facing a severe challenge. Netflix launched its services in Japan in September 2015, and the videogram market is expected to accelerate its move toward online distribution.

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 ani-

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



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mation 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 concerts, animation song concerts, and original key drawing exhibitions are getting quite popular. "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.

The animation market exceeded 250 billion yen in 2014 for the first time.

* 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. In the mobile games market, "Puzzle and Dragons" (from GungHo Online Entertainment), "Monster Strike" (from mixi), and "Disney Tsum Tsum" (from LINE) have been big hits. The top three companies collectively command a 40% share of the market.

Advertising

In 2015, advertising expenditures in Japan totaled 6.17 trillion yen (100.3% compared to the previous year). Despite sluggish personal consumption, overall spending on advertising posted year-on-year gains for a fourth consecutive year.

The Internet advertising market (1.16 trillion yen) recorded double-digit growth (10.2%), and was the main driver boosting overall advertising expenditures. However, TV retains a large share of expenditures (31.3%).

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 available devices to seamlessly access a wide variety of information and services, from virtually anywhere at any time.

The information media industry 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.

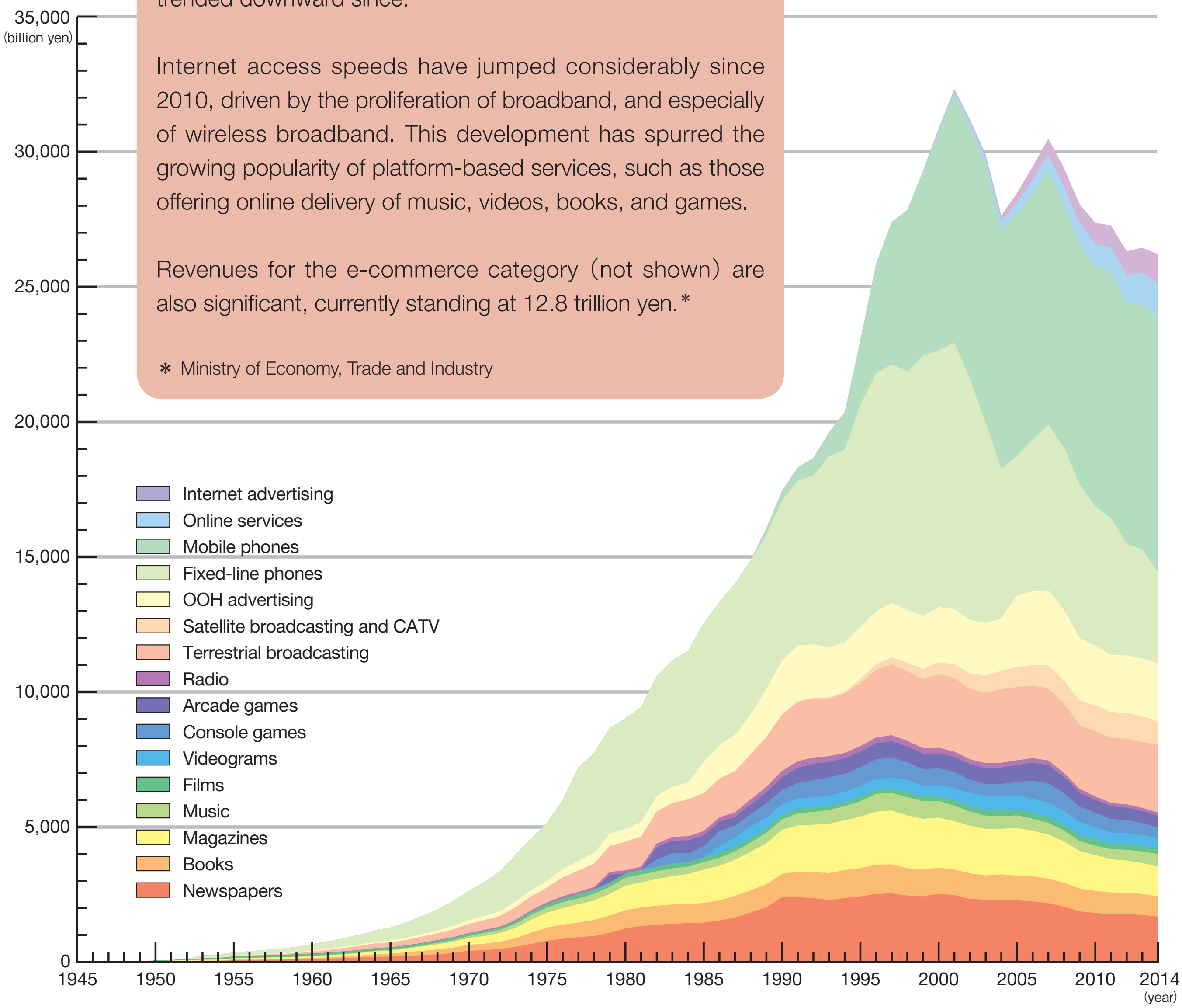
Growth of Japan's Information Media Industries (1945–2014)

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 12.8 trillion yen.*

* Ministry of Economy, Trade and Industry



Overview of Japan's Media Industries

Information Media Business Sectors (1970–2010)

Sector		Items	1970	1990	Growth Rate (%)*1	2010	Growth Rate (%)*2
National Statistics		Population	104 million	123 million	118.6	127 million	103.2
National Statistics		Households	29 million	41 million	141.2	53 million	129.6
National Statistics		GDP	73 trillion yen	423 trillion yen	576.4	482 trillion yen	114.0
National Statistics		US Dollar-Yen Exchange Rate	360	144	—	88	—
At home	Video	Television Broadcasting	361 billion yen	2,291 billion yen	634.2	2,760 billion yen	120.5
At home	Video	Satellite Broadcasting	—	—	—	566 billion yen	—
At home	Video	Cable Television	—	—	—	544 billion yen	—
At home	Video	Videogram (Rental and Sell-through)	—	396 billion yen	—	460 billion yen	116.2
At home	Video	Console Games	—	534 billion yen	—	532 billion yen	99.6
At home	Text	Books and Magazines	435 billion yen	2,130 billion yen	489.8	1,875 billion yen	88.0
At home	Text	Magazine Advertising	42 billion yen	374 billion yen	895.0	273 billion yen	73.1
At home	Text	Newspapers	470 billion yen	2,353 billion yen	500.4	1,932 billion yen	82.1
At home	Text	Newspaper Advertising	—	329 billion yen	—	528 billion yen	160.7
At home	Audio	Records (Packaged)	66 billion yen	388 billion yen	590.3	225 billion yen	58.0
At home	Audio	Radio	41 billion yen	283 billion yen	688.1	158 billion yen	56.0
At home	Online	PC Software	—	222 billion yen	—	300 billion yen	135.3
At home	Online	Music Distribution	—	—	—	177 billion yen	—
At home	Online	Video Distribution	—	—	—	76 billion yen	—
At home	Online	Digital Publishing	—	—	—	66 billion yen	—
At home	Online	Mobile Contents (Conventional Mobile Phones)	—	—	—	419 billion yen	—
At home	Online	Applications (Smartphones)	—	—	—	12 billion yen	—
At home	Online	Internet Advertising	—	—	—	775 billion yen	—
At home	Tele-communication	Telecommunications Business	1,021 billion yen	6,079 billion yen	595.1	14,216 billion yen	233.8
At home	Tele-communication	Fixed-line Communication	1,021 billion yen	5,715 billion yen	559.4	5,266 billion yen	92.1
	Tele-communication	Mobile Communication	—	372 billion yen	—	8,951 billion yen	2,404.8
Outdoor	Box-office related	Feature Film Box Office Revenues	83 billion yen	172 billion yen	208.4	221 billion yen	128.4
Outdoor	Box-office related	Amusement Arcade Revenues	44 billion yen	474 billion yen	1,072.4	496 billion yen	104.6
Outdoor	Box-office related	Karaoke Revenues	—	580 billion yen	—	617 billion yen	106.4
Outdoor	Box-office related	Live Entertainment Revenues	70 billion yen	356 billion yen	507.8	316 billion yen	88.7
Outdoor	Box-office related	Sports Gate Revenues	17 billion yen	105 billion yen	617.6	139 billion yen	132.4
Outdoor	Box-office related	Outdoor Advertising/Others	148 billion yen	1,333 billion yen	889.8	1,213 billion yen	91.0

*1 Growth rate since 1970
*2 Growth rate since 1990
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

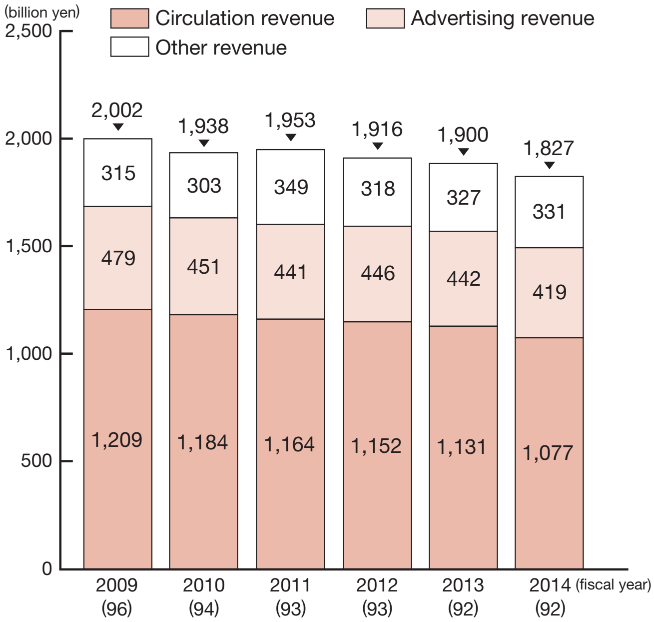
Sector-Specific Statistics and Trends

Newspapers

A Downward Trend in Printed Newspaper Circulation

- 95% of newspaper copies are directly delivered to subscribers via home delivery networks of newspaper distributors.
- Aside from the five national newspapers, block newspapers and regional newspapers are published in each prefecture.
- Circulation revenue accounts for approximately 60% of newspaper revenue. Advertising revenue has been dropping in recent years.
- While sales and readership of printed editions are decreasing, Internet news services and digital editions are growing in use.

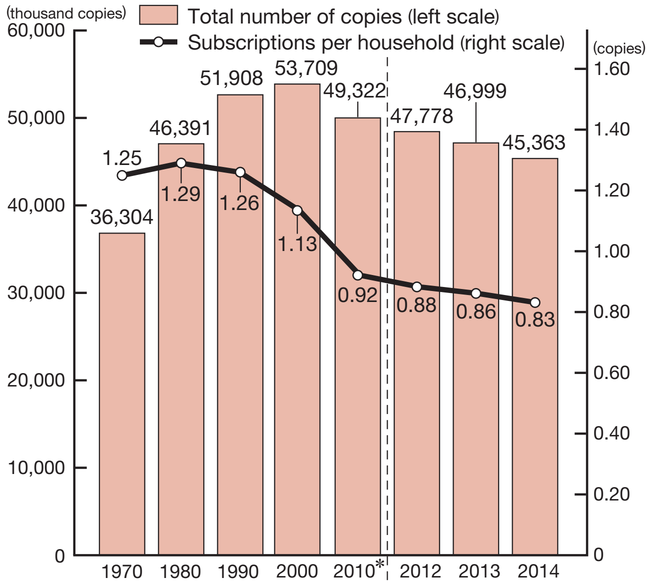
Newspaper Revenues



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

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

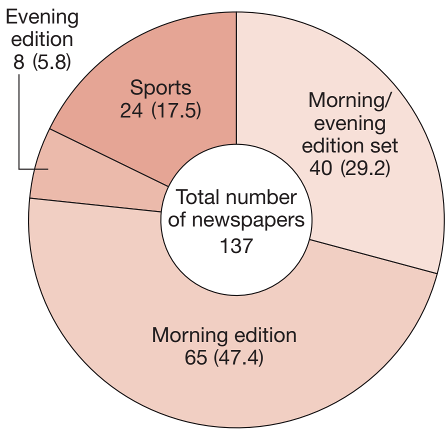
Newspaper Circulation Volume



* 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 General Daily Newspapers by Type (2014)



Note 1: Regional editions published by the main and branch offices of national newspapers and block newspapers are separately counted.
Note 2: The number of newspapers published in Japan is 88 general newspapers and 14 sports newspapers when regional editions published by the main and branch offices of national newspapers and block newspapers are counted as a single title and aggregated by their titles.

Revenue of National Newspapers

(billion yen)

Company (Fiscal Year End)	2010	2011	2012	2013	2014	2015
Asahi Shimbun (March)	327	316	311	314	313	288
Mainichi Shimbun *1 (March)	131	125	243	238	233	224
			123 *2	122 *2	120 *2	118 *2
Yomiuri Shimbun *3 (March)	435	423	423	429	417	398
Nikkei (December)	177	170	171	169	170	–
Sankei Shimbun (March)	91	86	84	83	82	79

*1 Consolidated results of 38 group companies
*2 Non-consolidated results of Mainichi Shimbun
*3 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.

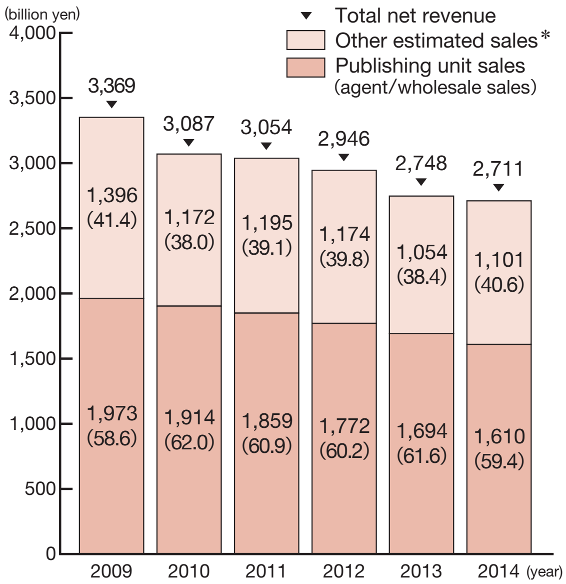
Source: *Shinbun no Shinbunsha*

Books and Magazines

The Digital Publishing Market is on a Growth Path

- The markets for both books and magazines are on the decline. In 2014, markets collectively shrank by more than 1 trillion yen from the peak year 1996.
- Manga accounts for more than 20% of total book and magazine sales.
- Because of the prevalence of smartphones and tablets, the digital publishing market is gaining momentum.
- Events organized by magazines are becoming a new major revenue source for publishers.

■ Net Revenue of Publishing Industry

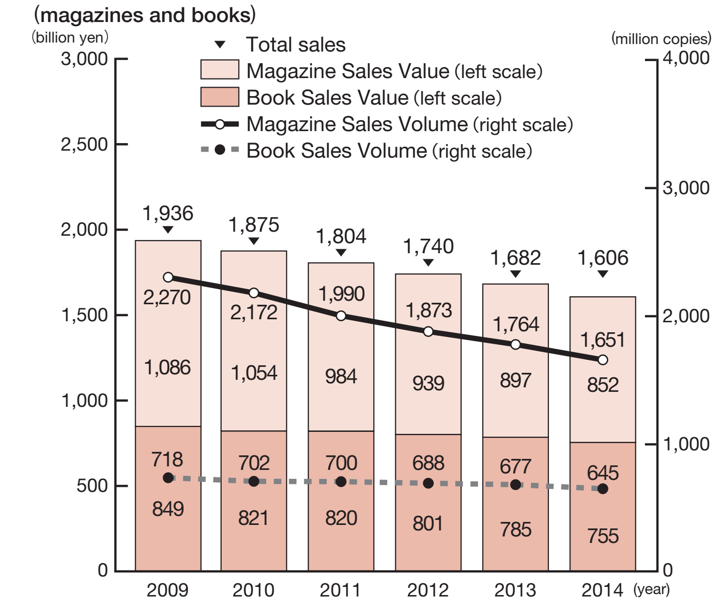


Numbers in parentheses indicate composition ratios : %

＊ In addition to direct sales, includes revenue from products other than published materials (video related, advertising revenue, copyright revenue, real estate revenue, revenue from commissioned products, media products, toys, stationery, and art, etc.).

Source: *Nippon Shuppan Hanbai* Inc.

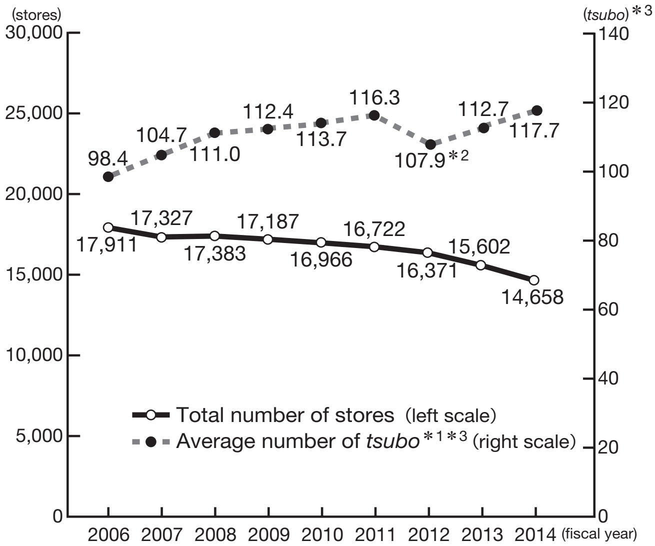
■ Sales Value and Volume of the Publishing Market (magazines and books)



	2009	2010	2011	2012	2013	2014	
Total number of copies sold	2,988	2,875	2,690	2,561	2,441	2,295	(million copies)

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

■ Number of Bookstores



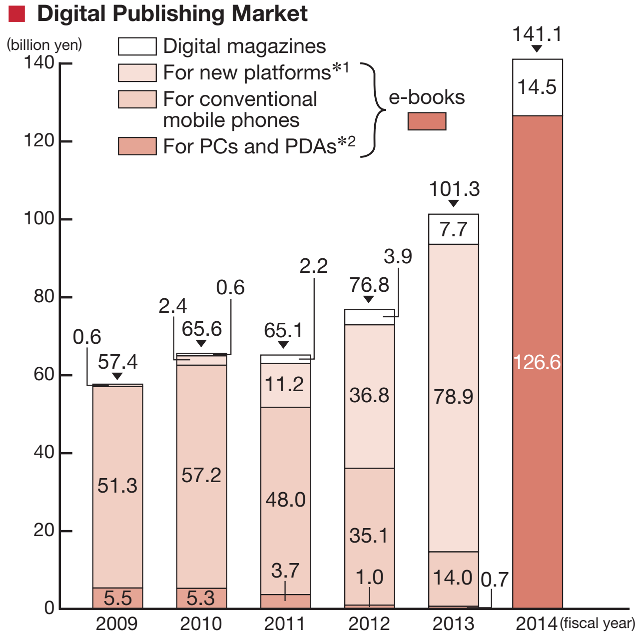
＊1 Some stores include sales floor area for items other than books, magazines, and comics.

＊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 m²

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

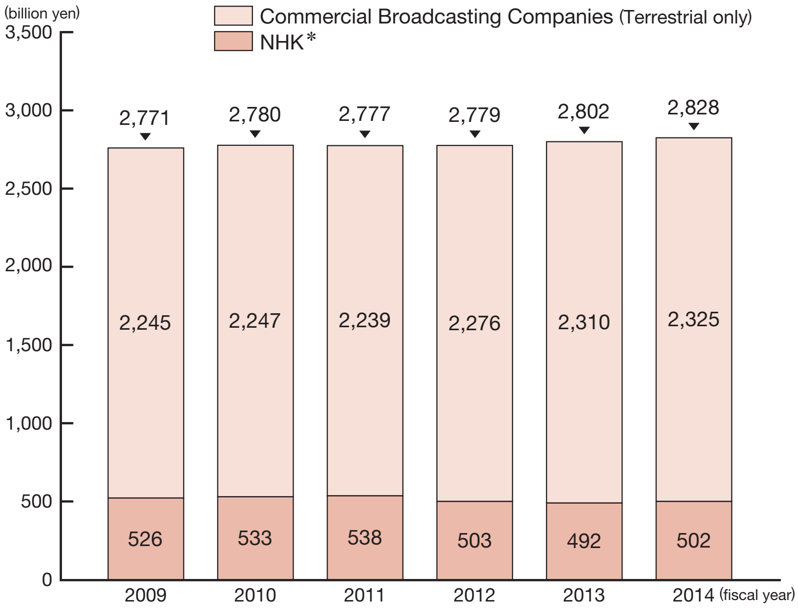
Source: Impress Corporation

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

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

- Broadcasts from a public broadcaster called 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.

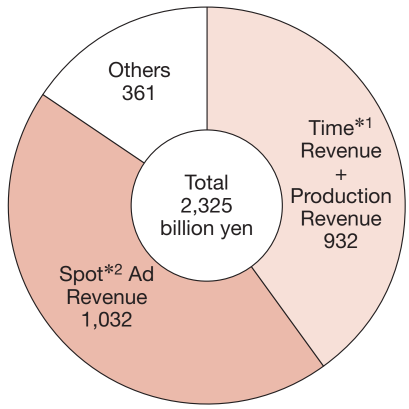
■ Revenue of NHK and Terrestrial Commercial Broadcasters



* 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

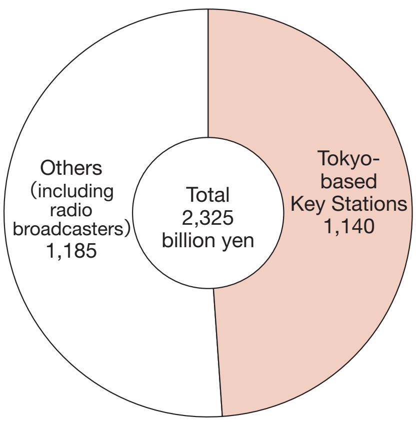
■ Total Revenue of Terrestrial Commercial Broadcasting Companies by Type (Fiscal Year 2014)



*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.

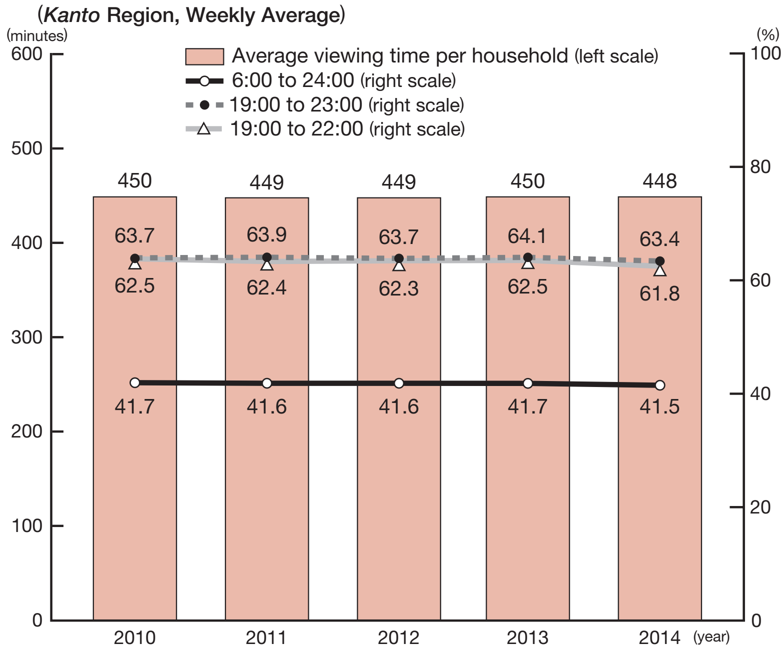
Source: The Japan Commercial Broadcasters Association

■ Total Revenue of Terrestrial Commercial Broadcasting Companies by Regions (Fiscal Year 2014)



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.

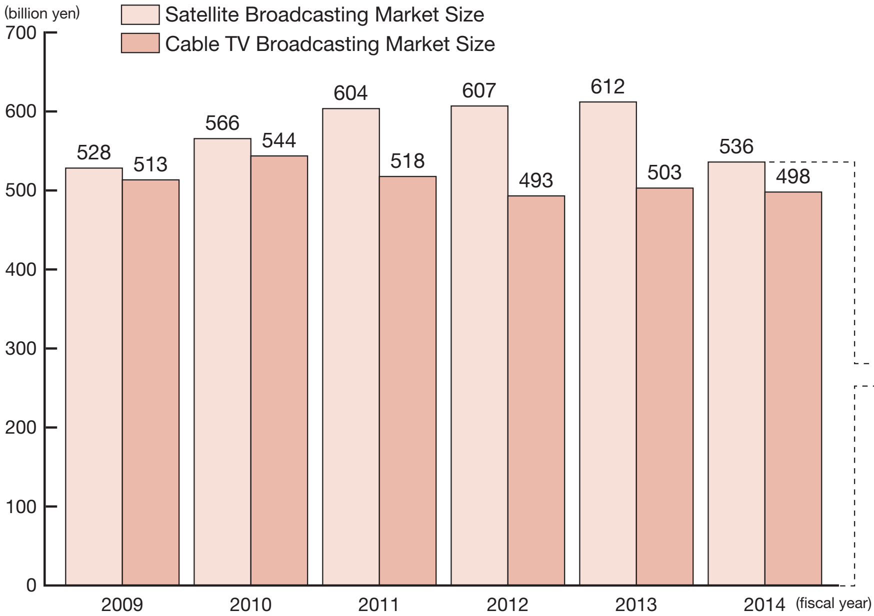
2 Broadcasting

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

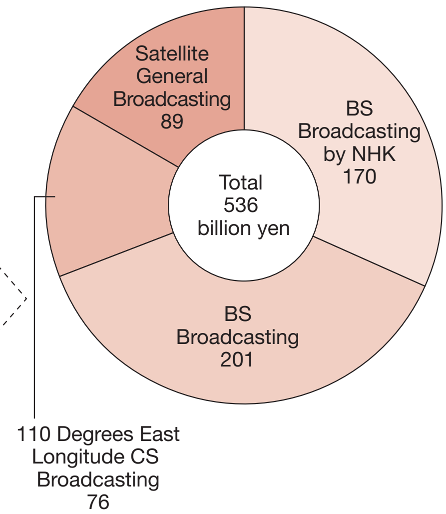
Multi-Channel Service Subscriptions Total 12.5 Million

- 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 2014)



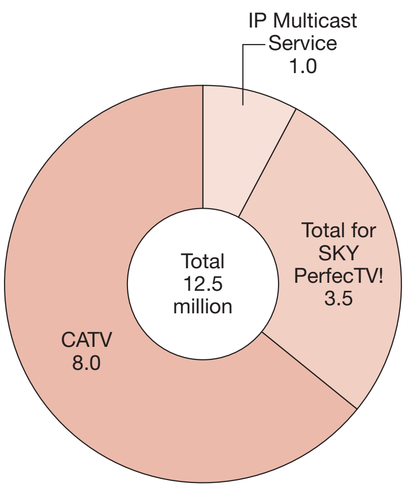
Note: Satellite broadcasting market size shows revenues from satellite broadcasting business by channel operators.
Cable TV broadcasting market size shows revenues from broadcasters whose main business is offering cable TV services including running community channels.

Source: NHK and Ministry of Internal Affairs and Communications

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

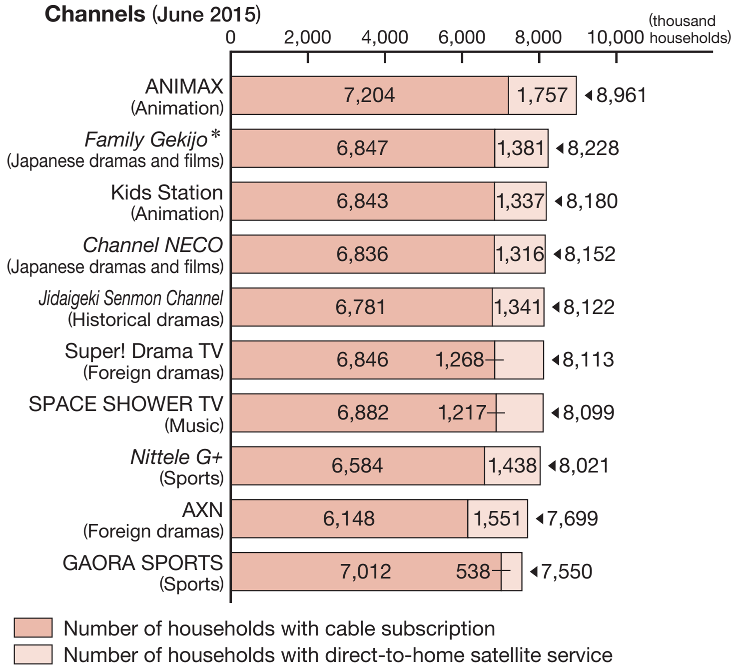
Source: NHK and Ministry of Internal Affairs and Communications

■ Subscriptions for Paid Multi-Channel Services (March 2015)



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

■ Number of Households Subscribed to Major Specialized Channels (June 2015)



* Calculated on December 31, 2013

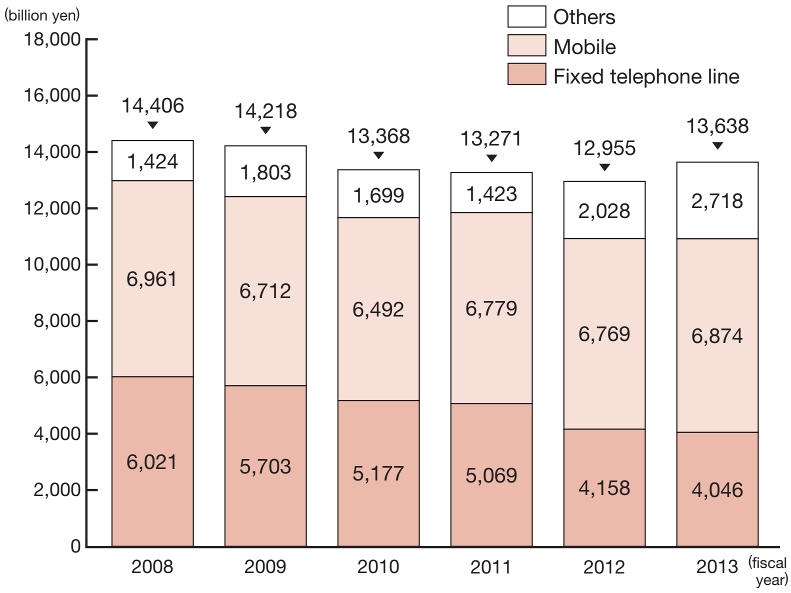
Source: Satemaga BI Inc.

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.
- The number of broadband subscriptions is on the rise since 2013, backed by the spread of smartphones.
- More than 80% of the population has access to the Internet.

■ 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 Unaccounted for.

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

■ Revenue of Three Major Telecom Carriers' Sales

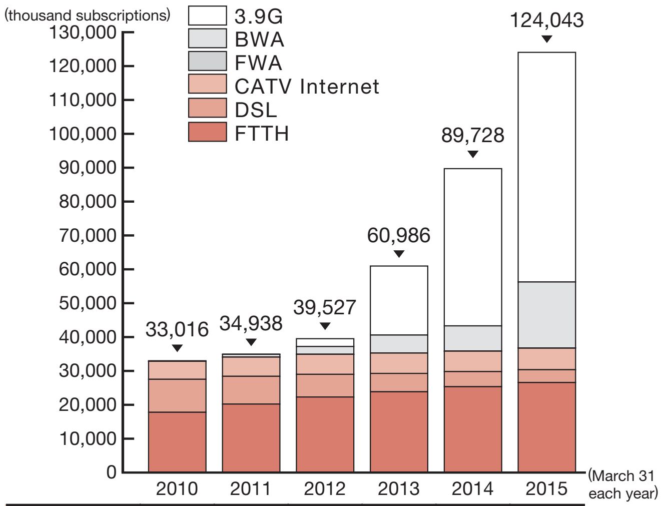
(billion yen)

Company (Fiscal Year End)	2013	2014	2015
NTT *1 (March)	10,700	10,925	11,095
KDDI (au) (March)	3,662	4,333	4,573
SoftBank *1 (March)	3,202	*2 6,666	8,670

*1 IFRS-based financial statements.
*2 Sprint's business performance is consolidated with SoftBank's consolidated financial statements from July 11, 2013.
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

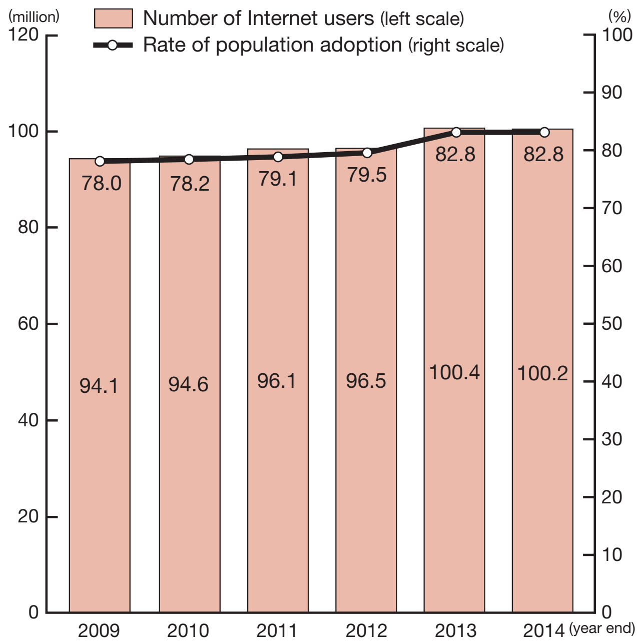
■ Broadband Subscriptions



	2010	2011	2012	2013	2014	2015
FTTH	17,802	20,218	22,305	23,854	25,353	26,606
DSL	9,735	8,201	6,705	5,425	4,470	3,753
CATV Internet	5,314	5,672	5,906	6,012	6,023	6,430
FWA	12	10	10	9	8	7
BWA	153	811	2,304	5,313	7,461	19,466
3.9G	—	26	2,297	20,373	46,413	67,781

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.

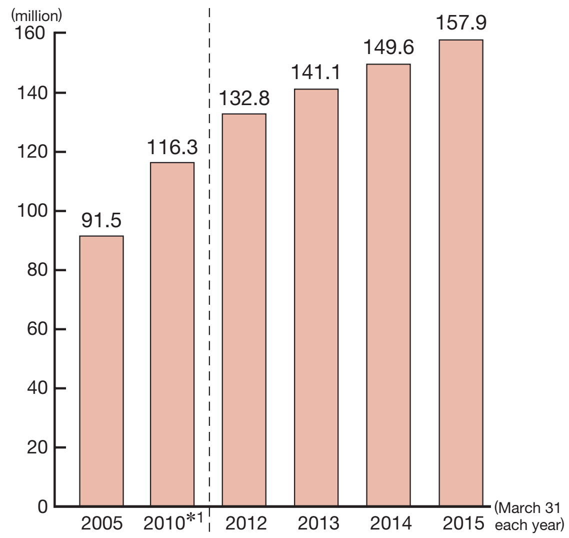
Source: Ministry of Internal Affairs and Communications

Mobile Communications

The Rapid Spread of Smartphones Has Had a Major Impact

- The number of mobile subscribers in 2015 has increased by 70% compared to 2005.
- Smartphones account for more than 70% of total shipment volume of mobile phones. The release of the iPhone in 2008, which is highly acclaimed in Japan, boosted smartphone shipments.
- Many companies from different industries have become Mobile Virtual Network Operators (MVNO), and the number of MVNO subscribers has grown rapidly.
- Over 90% of people in their 20s have smartphones.

■ Mobile Phone and PHS Subscriptions

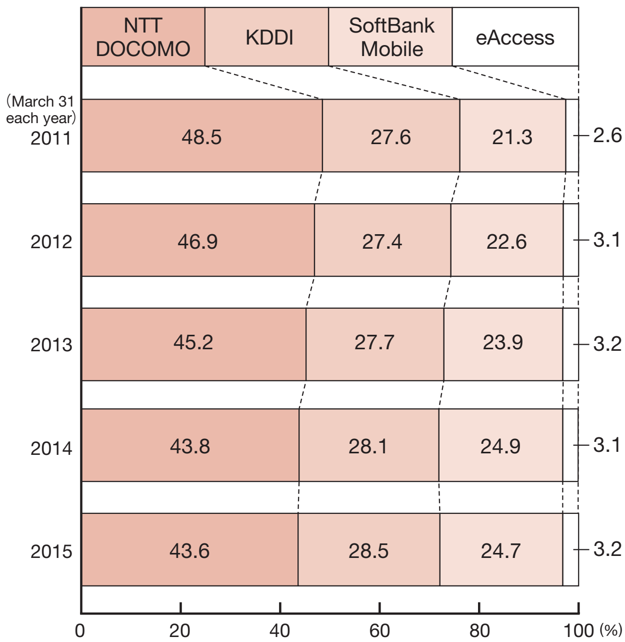


	2005	2010*1	2012	2013	2014	2015
Mobile phones	87.0	112.2	128.2	136.0	144.0	152.7
3.9G (LTE)	—	—	2.3	20.4	46.4	67.8
PHS*2	4.5	4.1	4.6	5.1	5.6	5.2

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

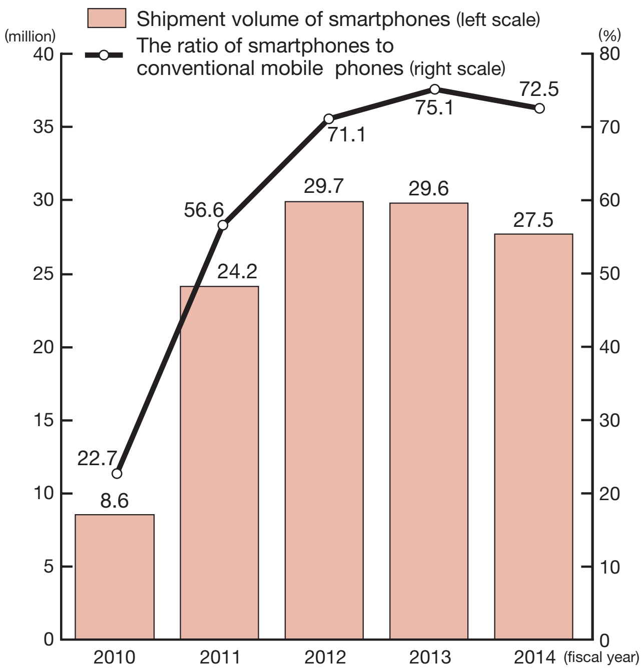
Source: Ministry of Internal Affairs and Communications

■ Composition Ratio of Mobile Phone Subscriptions by Carrier



Source: Ministry of Internal Affairs and Communications

■ Smartphone Shipments in Japan



Source: MM Research Institute

■ Penetration Rates of Common Communication Devices by Demographic Group (End of 2014)

(%)

	Home computer	Computer outside the home	Conventional mobile phone (including PHS)	Smartphone	Tablet device
6 to 12 years old	37.0	7.9	15.3	20.5	22.1
13 to 19 years old	65.5	17.3	14.2	71.7	21.9
20 to 29 years old	71.3	33.1	17.5	88.9	17.5
30 to 39 years old	69.3	35.4	23.0	79.0	23.2
40 to 49 years old	70.3	35.2	34.3	64.6	21.5
50 to 59 years old	63.6	34.7	49.6	42.5	16.8
60 to 69 years old	45.6	13.9	57.7	16.2	8.3
70 to 79 years old	23.3	3.5	46.4	5.3	3.5
80 years and older	6.9	0.9	24.9	1.2	1.2

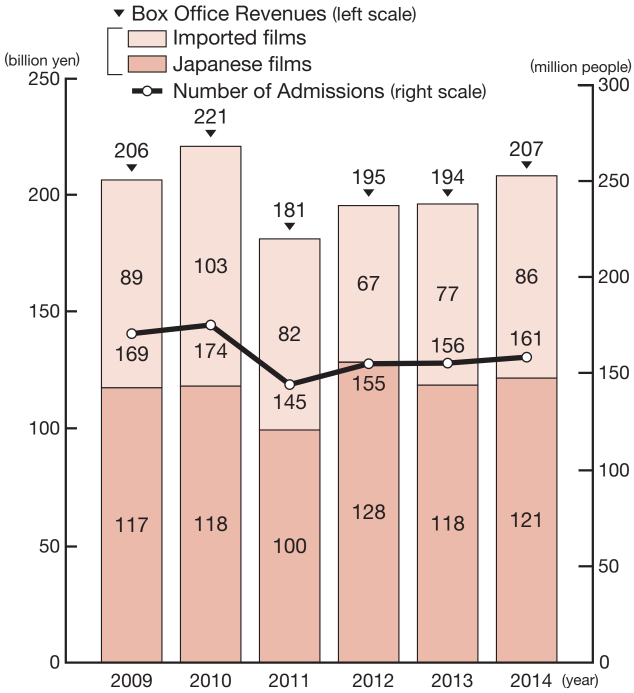
Source: Ministry of Internal Affairs and Communications

Feature Films

Box Office Revenue Remains Steady at about 200 Billion Yen

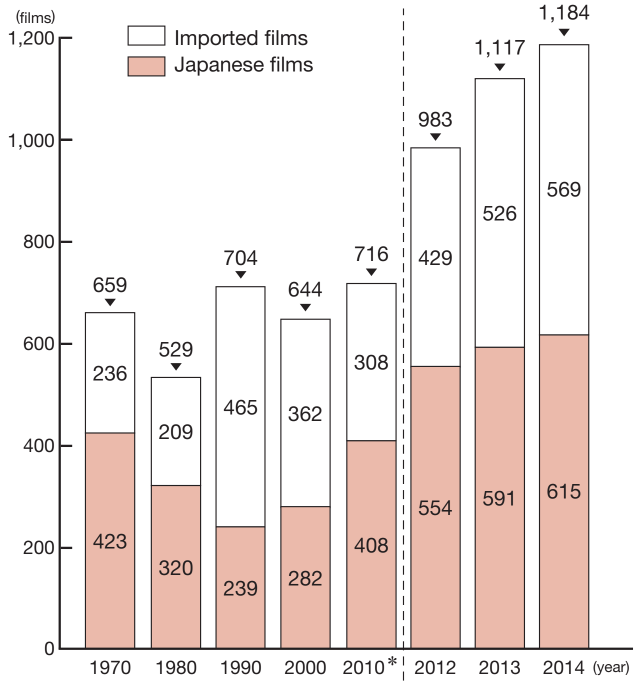
- In recent years, box office revenue for feature films has been in the area of 200 billion yen.
- The number of screens is growing due to the increasing number of cinema complexes with multiple screens. On the other hand, the closure of small-scale independent cinema theaters continues.
- Animated movies such as "Stand by Me Doraemon" and "Yo-kai Watch" were big hits in 2015.

Total Box Office and Admissions



Source: Motion Picture Producers Association of Japan, Inc.

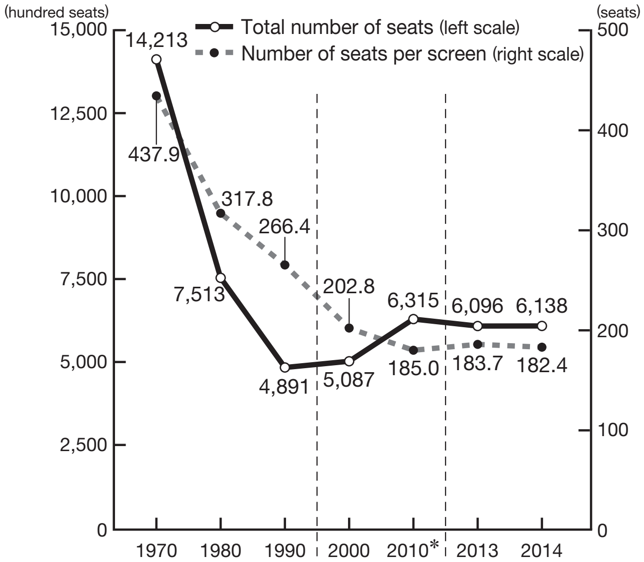
Number of Films Released



* Every ten years for 2010 and earlier

Source: Motion Picture Producers Association of Japan, Inc.

Number of Cinema Screens and Seats (end of year)



	1970	1980	1990	2000	2010*	2013	2014
Number of screens	3,246	2,364	1,836	2,508	3,414	3,318	3,365

* Every 10 years for 2010 and earlier

Note 1: Drive-in theatres 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*

Top Box Office Films

Year of Release	Title	Box Office Revenue (billion yen)	Japanese/ Foreign	Distributor *1
2001	Spirited Away	30.40	Japanese	Toho
2014	Frozen	25.48	Foreign	WDS
2001	Harry Potter and the Philosopher's Stone	20.30	Foreign	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	Foreign	WB
2009	Avatar	15.60	Foreign	FOX
2008	Ponyo	15.50	Japanese	Toho
1998	Titanic	16.00 *2 (26.2)	Foreign	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

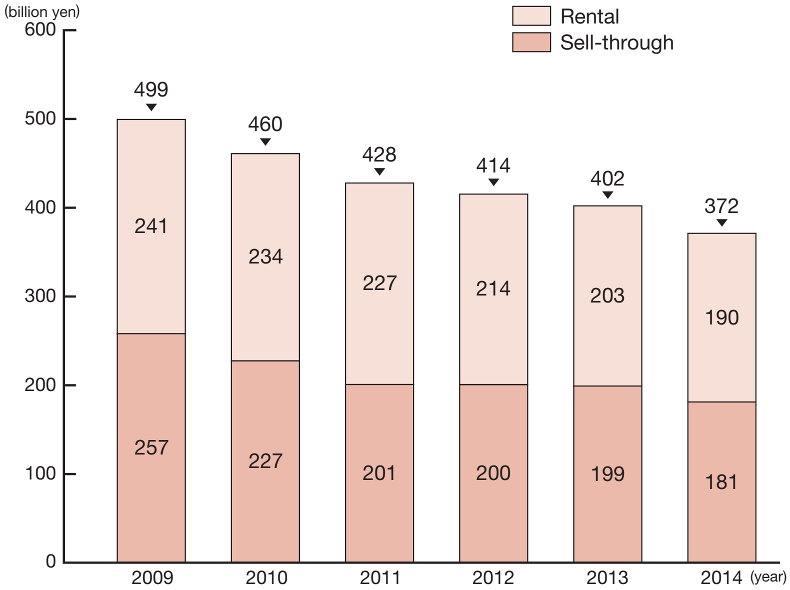
Source: Motion Picture Producers Association of Japan. Inc

Videograms

Sell-through and Rental of DVDs are Trending Down

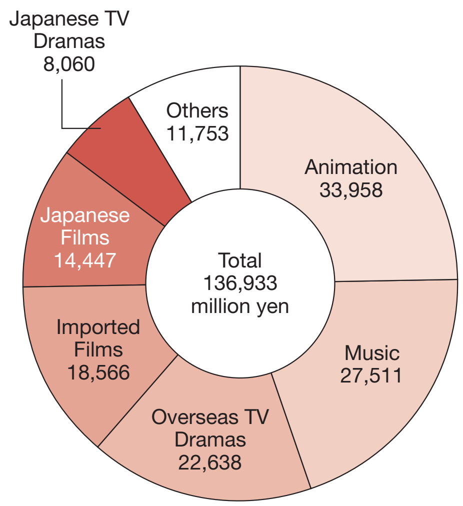
- The popularity of DVDs had accelerated the growth of the videogram market. But in recent years, there has been a downtrend for both sell-through and rental markets.
- Music and animation are the top two genres of DVDs shipped. Individual hits are often foreign films.
- The number of video rental shops has decreased to about 30% of the numbers during the 90s.
- Netflix launched its services in Japan in September 2015. With the growing popularity of online video services, we may see a full-scale shift in the videogram market toward online distribution services.

Consumer Spending on Videograms



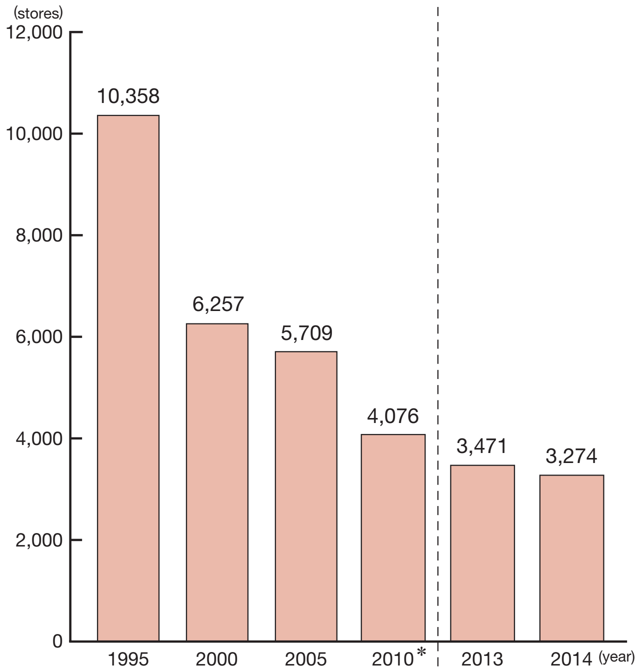
Source: Media Development Research Institute Inc.

Shipment Value of DVDs by Category (2014)
(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 (Genre, Distributor)	Estimated number of discs sold
DVD	1	The Wind Rises (Animation, Walt Disney Studios Japan)	128,784
	2	The Eternal Zero DVD (Japanese film, Amuse Soft Entertainment*)	78,334
	3	Ted (14.03) (Foreign film, NBCUniversal Entertainment Japan)	72,668
	4	*Suiyo Dodesho?* (How do you like Wednesday?) No.21 (Variety/Comedy, Hokkaido Television Broadcasting)	71,417
	5	Gintama: The Movie: The Final Chapter: Be Forever Yorozuya (Limited Manufacture Edition) (Animation, Aniplex)	62,190

Type	Rank	Title (Genre, Distributor)	Estimated number of discs sold
Blu-ray	1	Frozen MovieNEX (Animation, Walt Disney Studios Japan)	2,269,447
	2	Puella Magi Madoka Magica New Feature: Rebellion (Limited Manufacture Edition) (Animation, Aniplex)	154,042
	3	Pacific Rim DVD+Blu-ray Set (Limited Edition) (Foreign film, Warner Home Video)	133,377
	4	MOBILE SUIT GUNDAM UC 7 (Limited Edition) (Animation, Bandai Visual)	118,997
	5	Love Live! 2nd Season1 (Limited Edition) (Animation, Bandai Visual)	115,870

* Amuse Soft Entertainment was acquired by its parent company, Amuse in 2015.
Note 1: Survey period: December 9, 2013 to December 7, 2014
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 32,000 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.

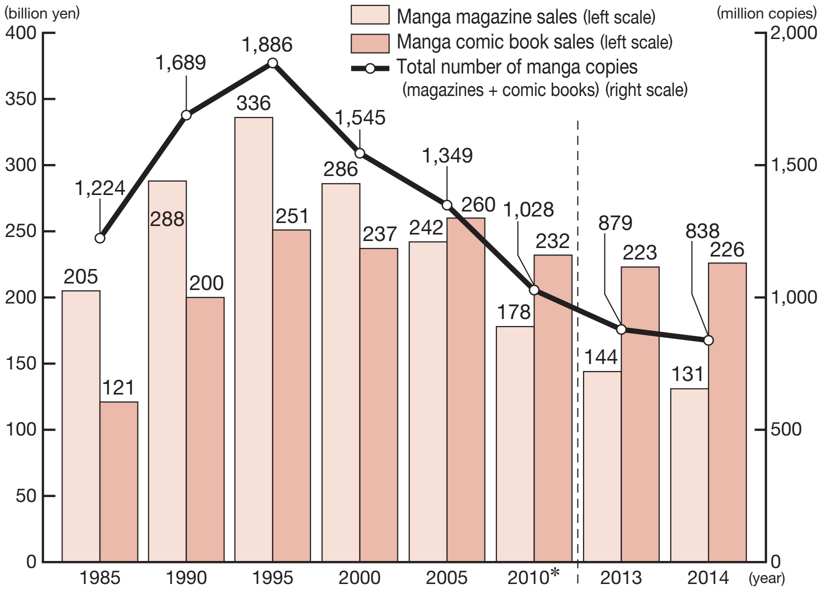
Source: Oricon Research "Oricon Entertainment Market Report 2014"

Manga

Many Hit Mangas 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 number of mangas periodically distributed online through apps is increasing. They are mostly free-to-read supported by advertising.
- Animated and live-action films and TV series have been produced based on hit mangas such as “Attack on Titan” and “*Chihayafuru*”.

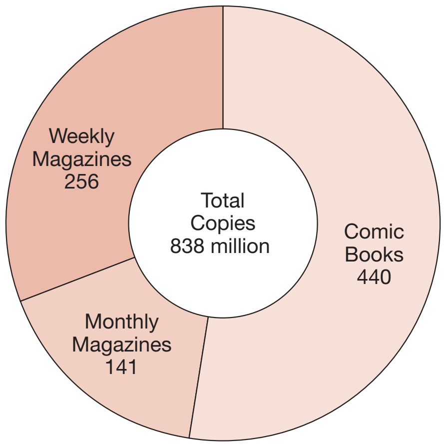
■ Sales of Manga Magazines and Comic Books



* 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 Mangas by Type (2014)



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

■ Printed Volume of Manga Magazines by Title (October 2012 to September 2014)

Genre		Magazine Name (Publisher)	(copies)
For children	Boys	Weekly *Shonen* Jump (Shueisha)	2,701,042
		Weekly *Shonen* Magazine (Kodansha)	1,260,696
		Monthly CoroCoro Comic (Shogakukan)	768,334
		Monthly *Shonen* Magazine (Kodansha)	621,996
		Weekly *Shonen* Sunday (Shogakukan)	456,375
	Girls	*Ciao* (Shogakukan)	543,334
		Bessatsu Margaret (Shueisha)	220,000
		Ribon (Shueisha)	202,500
		Hana to Yume (Hakusensha)	146,875
For adults	Men	Big Comic Original (Shogakukan)	611,292
		Weekly Young Jump (Shueisha)	596,667
		Young Magazine (Kodansha)	537,105
		Big Comic (Shogakukan)	336,375
		Morning (Kodansha)	280,742
	Women	BE・LOVE (Kodansha)	115,850
		YOU (Shueisha)	94,000

Source: Japan Magazine Publishers Association (JMPA)

■ Top Sales of Comic Books (2014)

Genre	Title (No. of Volumes), Author (Publisher, Magazine)	Number Published* (thousand copies)	Film Adaptation
For boys	ONE PIECE (76), Eiichiro Oda (Shueisha, Weekly *Shonen* Jump)	4,000	Animated
	Attack on Titan (15), Hajime Isayama (Kodansha, *Bessatsu Shonen* Magazine)	2,560	Animated Live-action
	NARUTO (71), Masashi Kisimoto (Shueisha, Weekly *Shonen* Jump)	1,300	Animated
	Silver Spoon (12), Hiromu Arakawa (Shogakukan, Weekly *Shonen* Sunday)	1,200	Animated Live-action
For girls	*Kimi ni Todoke*: From Me to You (22), Karuho Shiina (Shueisha, *Bessatsu* Margaret)	810	Animated Live-action
	AO-HARU-RIDE: Blue Spring Ride (12), Io Sakisaka (Shueisha, *Bessatsu* Margaret)	720	Animated Live-action
For youths	Saint Young Men (10), Hikaru Nakamura (Kodansha, Morning two)	750	Animated
	TERRA FORMARS (11), Yu Sasuga (Shueisha, Weekly *Young* Jump)	750	Animation
For ladies	*Kyo wa Kaisha Yasumimasu*. (7), Mari Fujimura (Shueisha, Cocohana)	600	Live-action
	Attack on Titan: Birth of Levi (Kodansha, Monthly Comic ARIA)	550	Animation

* Total number published in 2014
Note: Manga adapted to animated and/or live action films as of December 2015.

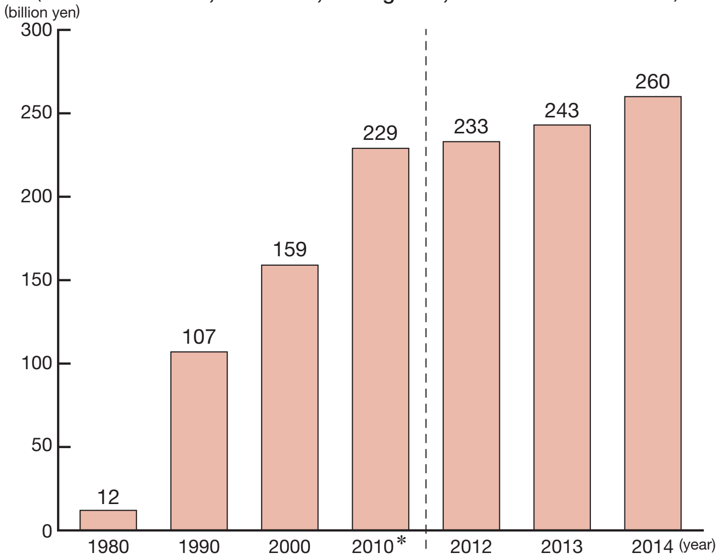
Source: The All Japan Magazine and Book Publisher's and Editor's Association and the Research Institute for Publications

Animation

User Consumption of Animation in Japan Exceeds 250 Billion Yen

- In 2014 consumer spending on animation in Japan exceeded 250 billion yen for the first time.
- Animated programs are frequently shown on late night terrestrial TV.
- Animated films produced by Studio Ghibli, such as “Spirited Away,” often rank at the top of box office lists.
- South Korea, the United States, and Taiwan are the top three overseas markets with respect to the numbers of contracts the Japanese animation companies have signed for broadcasts, videograms, and distribution of their works.

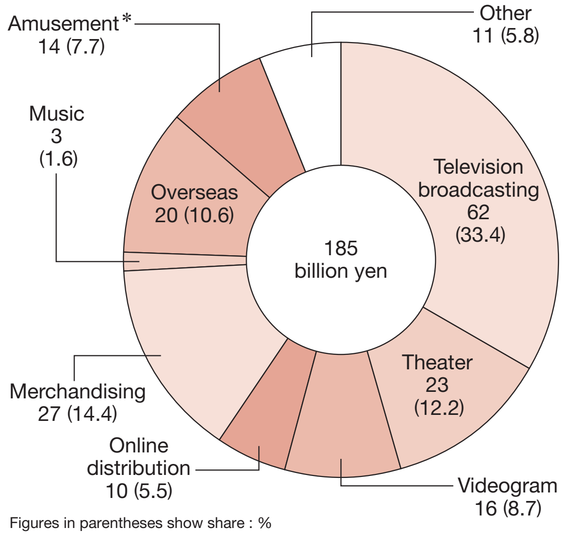
■ Consumer Spending on Animation
(For Feature Films, Television, Videograms, and Online Distribution)



* Every ten years for 2010 and earlier.

Source: Media Development Research Institute Inc.

■ Revenue of Animation Production Companies by Type (2014)



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

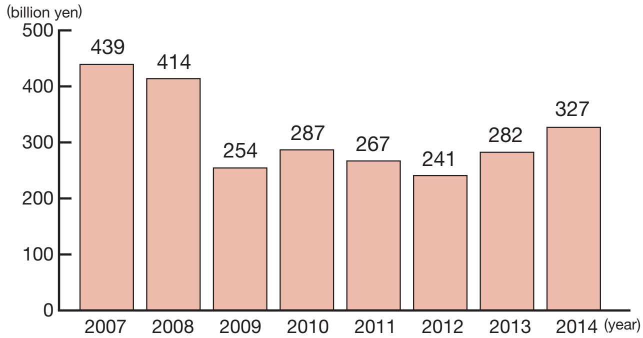
■ Top Box Office Animation Films

Year of Release	Title	Box Office Revenue (billion yen)	Japanese/ Foreign	Distributor
2001	Spirited Away	30.40	Japanese	Toho
2014	Frozen	25.48	Foreign	WDS*
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	Foreign	Buena Vista
2010	Toy Story 3	10.80	Foreign	WDS*
2002	Monsters, Inc.	9.37	Foreign	Buena Vista
2010	Arrietty	9.25	Japanese	Toho

* Walt Disney Studios

Source: Motion Picture Producers Association of Japan, Inc.

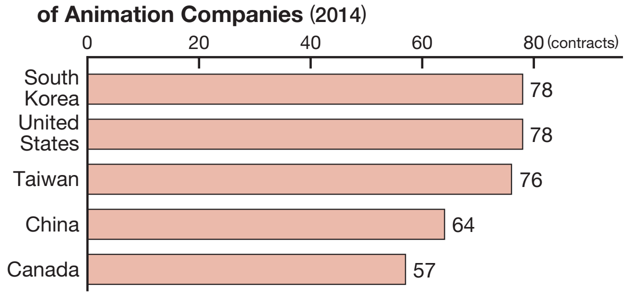
■ Overseas Sales of the Animation Industry



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 (2014)



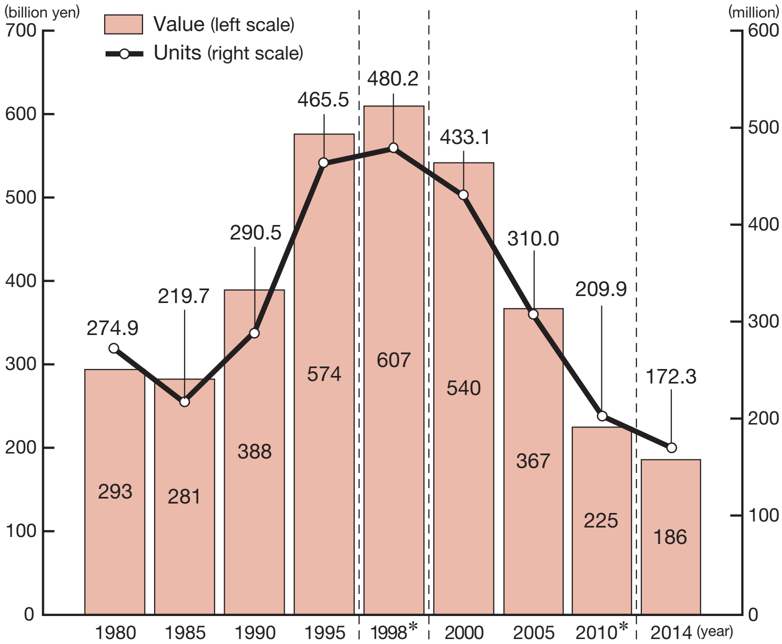
Source: The Association of Japanese Animations

Music

Many Subscription Music Services Launched in 2015

- 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.
- Many subscription-based online music distribution services such as AWA, LINE MUSIC, Apple Music, Google Play Music, and Amazon Prime Music were launched in 2015.
- The concert market is growing in size while the overall music software market is facing a difficult situation.

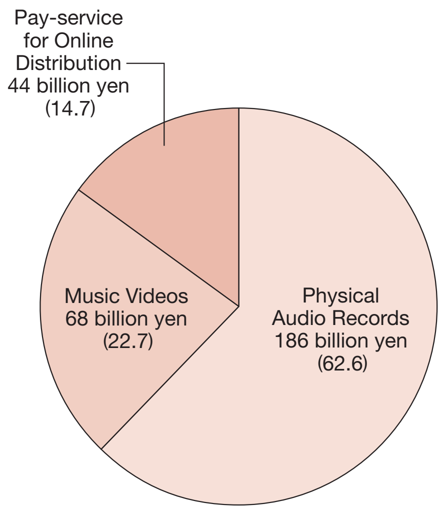
Production Data of Audio Records



* Every five years for 2010 and earlier, with the exception of 1998, which was the record year with the highest sales.
Note: Total of analog discs, CDs, cassette tapes, etc. Music videos excluded.

Source: The Recording Industry Association of Japan

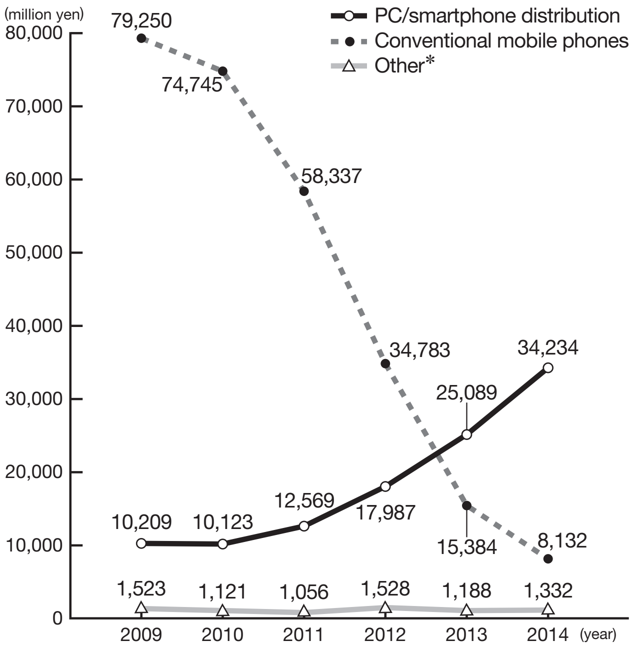
Music Sales by Type (2014)



Figures in parentheses show share: %

Source: The Recording Industry Association of Japan

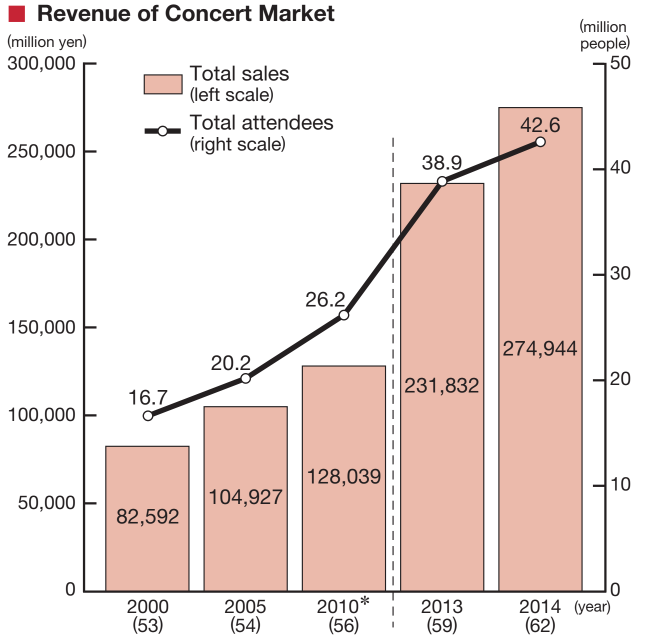
Digital Music Revenue by Type



* 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

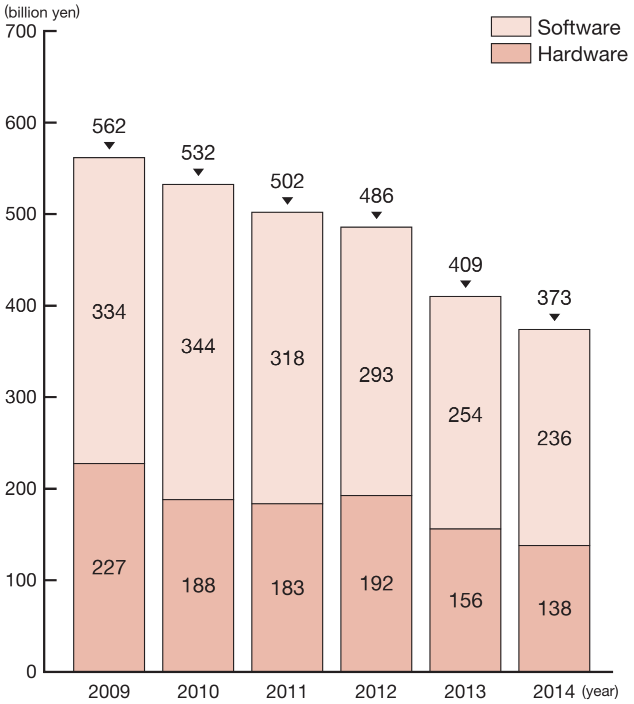
Source: All Japan Concert & Live Entertainment Promoters Conference

Console Games

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

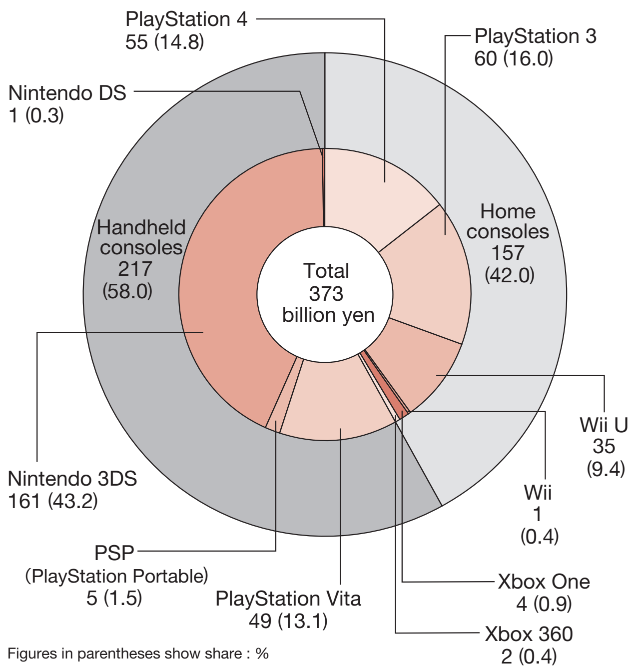
- The console game market continues to struggle with 2014 sales sinking below 400 billion yen.
- Presumably, the rapid growth in mobile game apps boosted by the spread of smartphones has caused the console game market to shrink.
- Sony plans to market its PlayStation VR, a virtual-reality headset, in October 2016.

■ Console Video Game Sales in Japan



Source: Computer Entertainment Supplier's Association

■ Sales Value of Video Game by Consoles (2014)



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)	2013	2014	2015
Sony (March)*1	527	1,043	1,388
Nintendo (March)	635	571	549
Non-consolidated	607	448	366

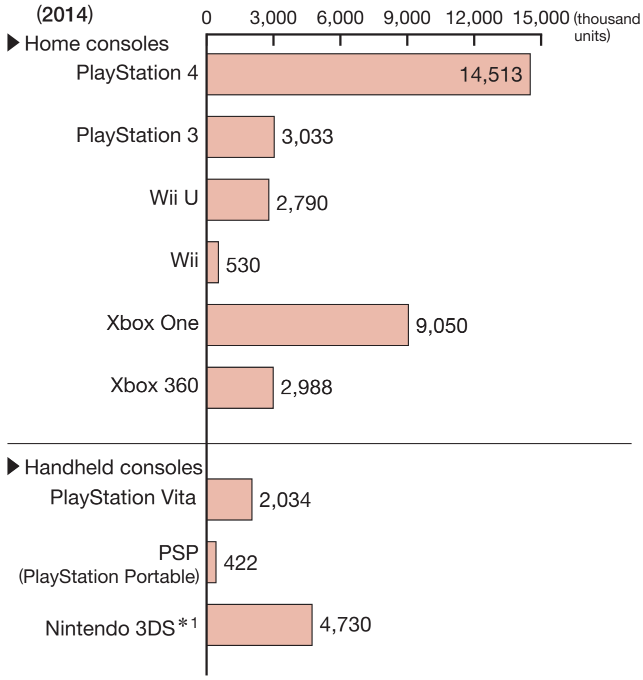
(Software Makers)

Company (Fiscal Year End)	2013	2014	2015
Bandai Namco Holdings (March)	487	507	565
Content Business	263	278	288
Konami (March)	225	217	218
Digital Entertainment Business	116	104	96
Square Enix Holdings (March)	147	155	167
Digital Entertainment Business	89	94	111
Capcom (March)	94	102	64
Sega (March)*2	86	81	79

*1 Sales of Game segment (excluding revenues derived from business with affiliated companies). FY2014 figure reflects the reclassification of business segments in 2015.
*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 (2014)



*1 Figures for the Nintendo 3DS include the Nintendo 3DS LL and Nintendo 2DS.

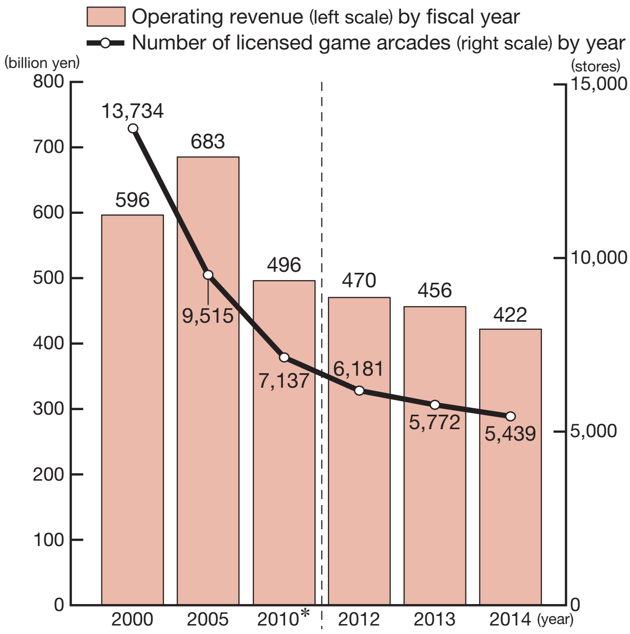
Source: Computer Entertainment Supplier's Association

Arcade, Online, and Mobile Games

A Surge in Games for Smartphones

- The number of game arcades has almost halved in the past 10 years to its lowest level ever.
- Although the market for online games using PCs has peaked, the market for smartphone games is experiencing significant growth.
- The smartphone game market has been rapidly increasing since 2011, and reached almost 900 billion yen in 2014.
- Mobile app games that use an item-selling based payment model are quite popular.

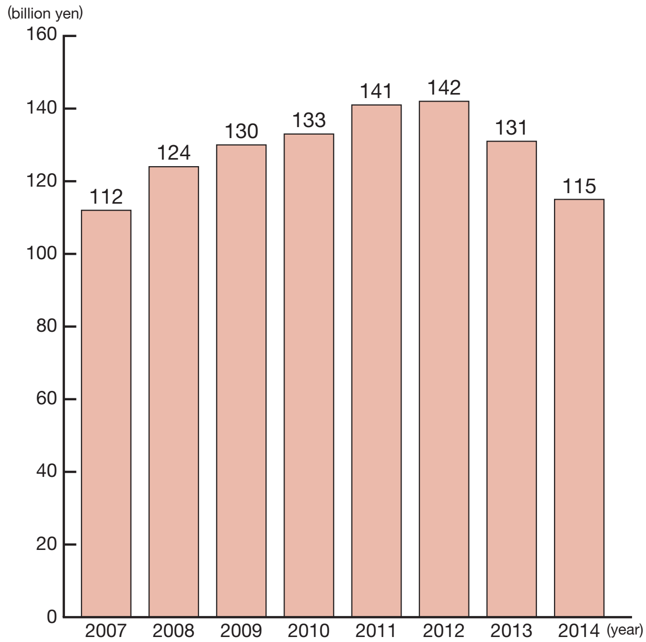
Arcade Game Market



* Every five years for 2010 and earlier

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

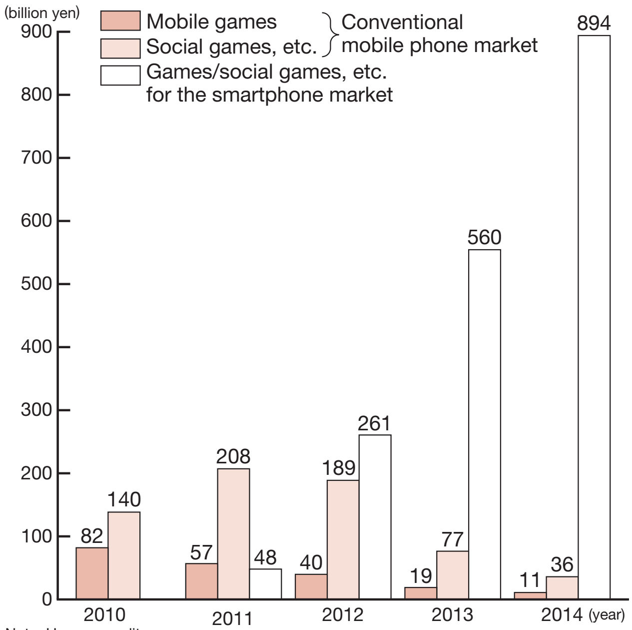
Revenue of Online Game Market



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

Source: Japan Online Game Association

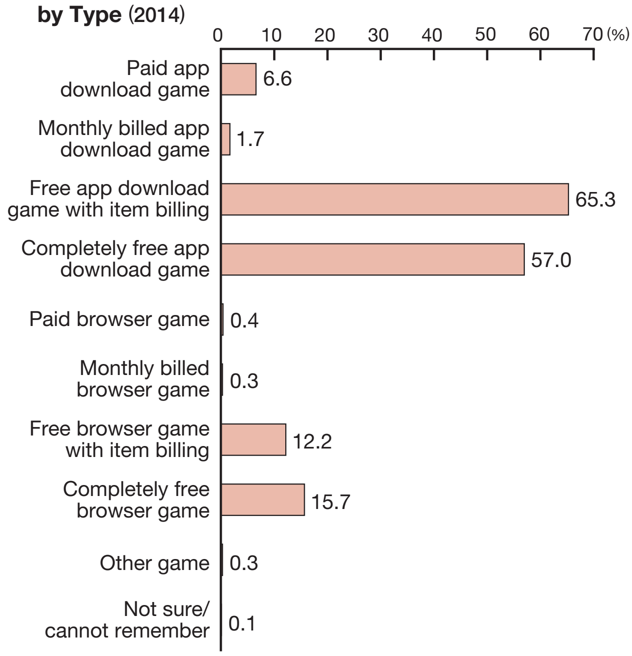
Consumer Spending on Mobile Game and Social Game Market



Note: User expenditures

Source: Ministry of Internal Affairs and Communications

Gaming Experience on Smartphones and Tablets by Type (2014)



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

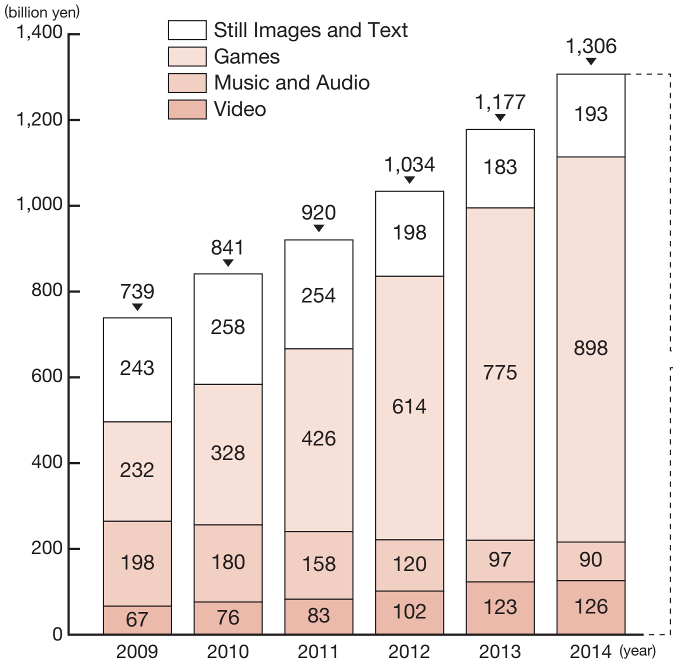
Source: Computer Entertainment Supplier's Association

Online Distribution and Websites

The Presence of Gaming has Become Prominent

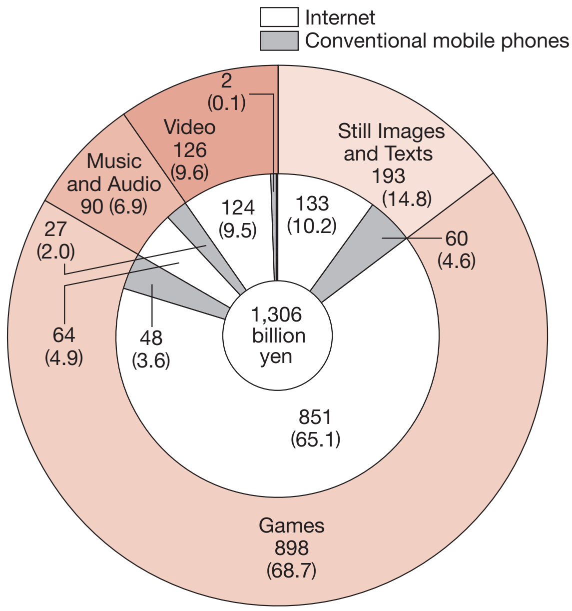
- The share of games is on the rise in the digital content market where transactions are carried out on the Internet.
- Music downloads and online video delivery markets have been slow in growth. This may change with the market entry of Netflix, Apple Music, Google Play Music, Amazon Prime Music and 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.

■ Consumer Spending on Online Distribution



Source: Digital Content Association of Japan

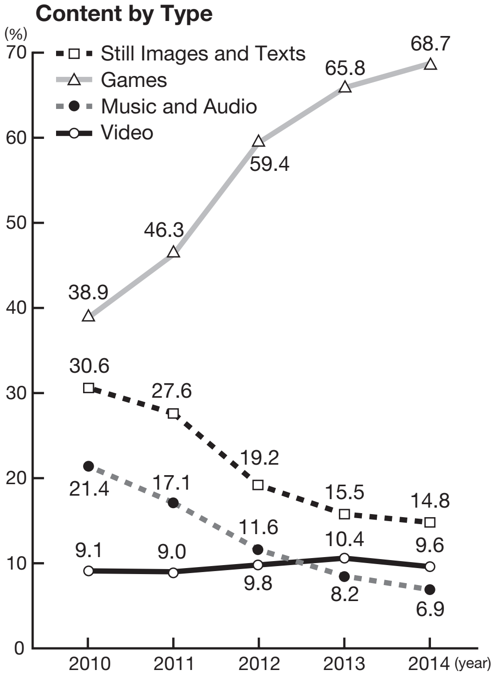
Online Distribution by Device (2014)



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 2014)

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	45.2	89.9	164.9	95,217	2,106.2	22:31:19
2	google.co.jp	Google	32.8	65.3	70.7	14,418	439.2	3:43:01
3	youtube.com	YouTube	31.3	62.3	37.7	8,743	279.3	11:05:23
4	rakuten.co.jp	Rakuten	30.7	61.0	50.9	18,732	610.5	5:36:41
5	fc2.com	FC2	29.5	58.6	50.7	9,589	325.2	5:10:09
6	amazon.co.jp	Amazon.co.jp	28.3	56.4	28.3	4,432	156.3	2:09:23
7	google.com	Google	27.1	53.9	20.8	3,716	137.1	1:36:18
8	wikipedia.org	Wikipedia	26.8	53.3	23.2	2,710	101.1	1:43:06
9	naver.jp	NAVER	26.5	52.8	12.2	1,176	44.3	0:43:12
10	goo.ne.jp	goo	25.4	50.4	21.6	1,844	72.7	1:29:02

Note: For the period from April 2014 to March 2015.

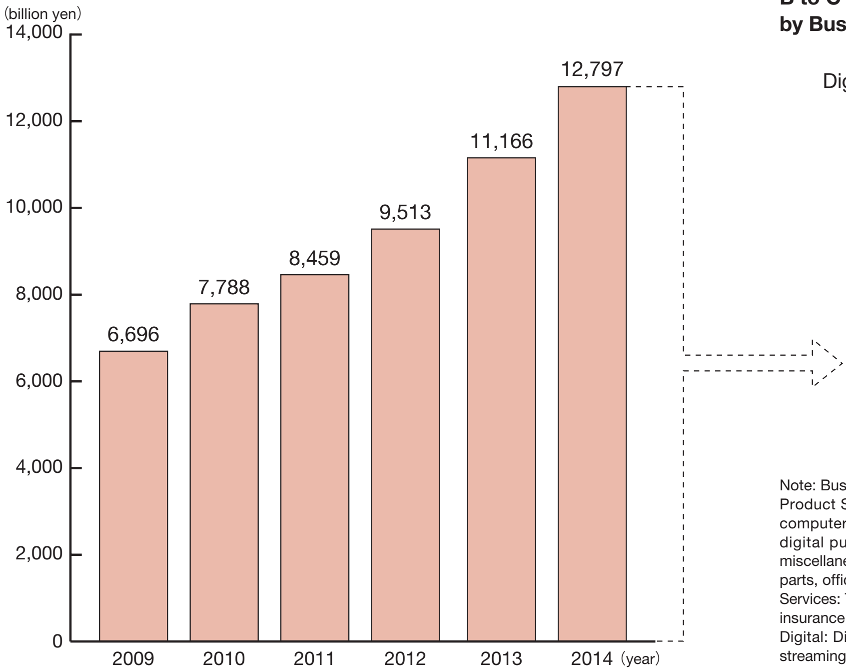
Source: Video Research Interactive Inc.

E-Commerce and Electronic Money

The Online Shopping Market is Steadily Expanding

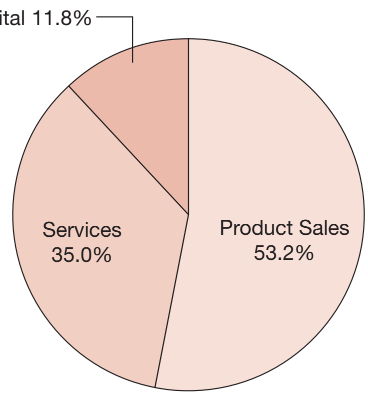
- B to C (business to consumer) e-commerce market accounts for about 13 trillion yen.
- Amazon and Rakuten lead the online shopping market.
- Use of electronic money issued by distribution chains and public transportation sectors is increasing.
- New forms of electronic money based on FeliCa, a Japanese Near Field Communication (NFC) technology, is widely used for public transportation and small non-cash payments.

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



Source: Ministry of Economy, Trade and Industry

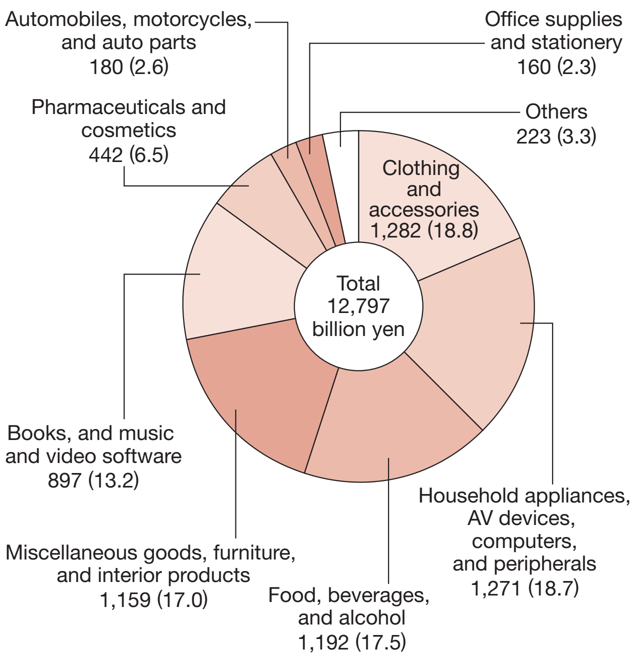
B to C (Business to Consumer) **E-Commerce by Business Type** (2014)



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

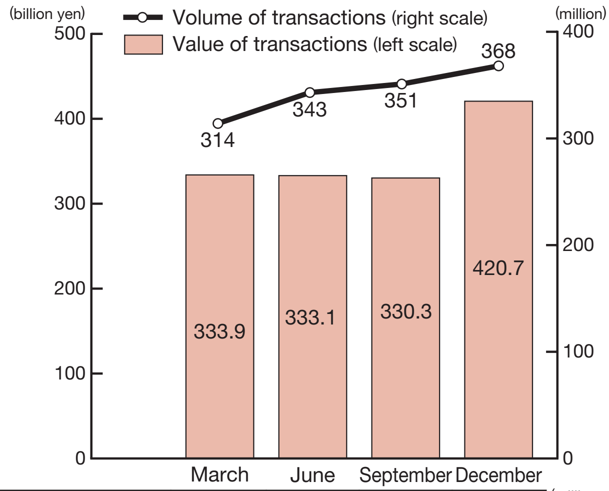
Source: Ministry of Economy, Trade and Industry

■ B to C (Business to Consumer) E-Commerce by Business Type (2014)



Source: Ministry of Economy, Trade and Industry

■ Data of Electronic Money (2014)



	March	June	September	December	
Number issued	229.7	240.1	246.7	255.3	(million cards)
for mobile phones	25.6	26.2	26.7	27.2	(million phones)
Value per transaction	1,062	970	942	1,145	(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 of every three months

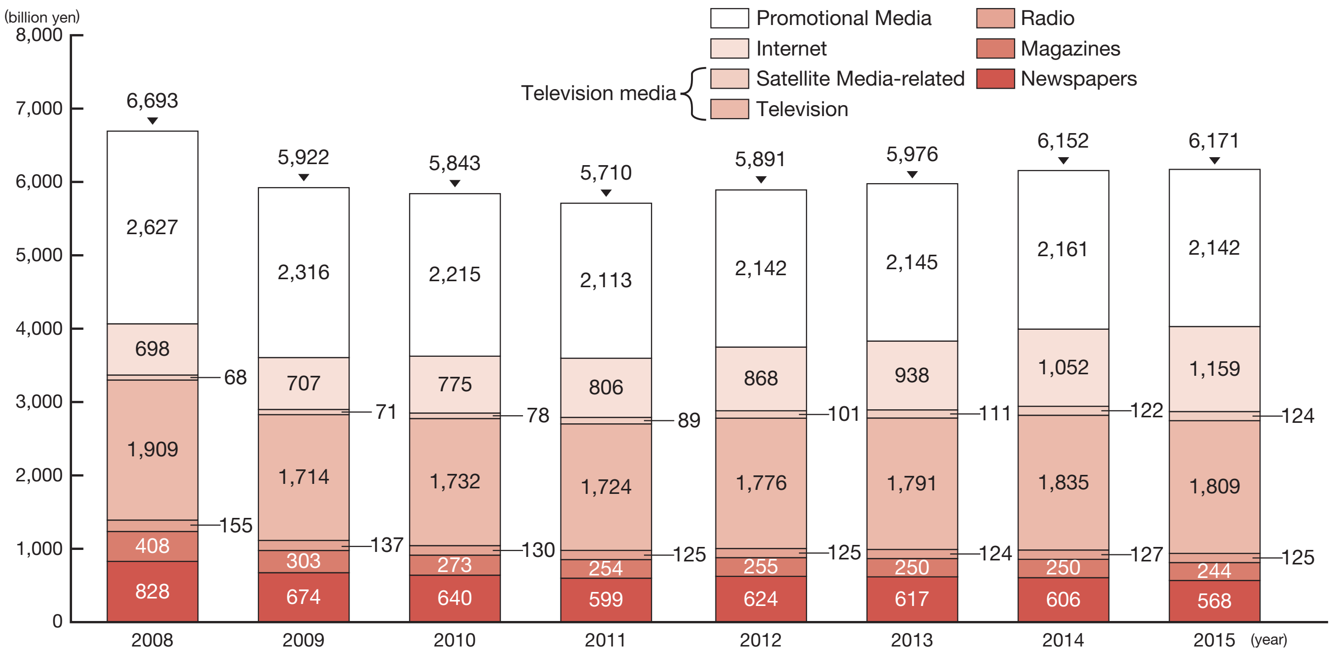
Source: Bank of Japan

Advertising Expenditures

Advertising Expenditures rose 0.3%, to 6.17 Trillion Yen in 2015

- In 2015, advertising expenditures in Japan totaled 6.17 trillion yen (100.3% compared to the previous year). Despite sluggish personal consumption, overall spending on advertising posted year-on-year gains for a fourth consecutive year.
- The Internet advertising market (1.16 trillion yen) recorded double-digit growth (10.2%), 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.

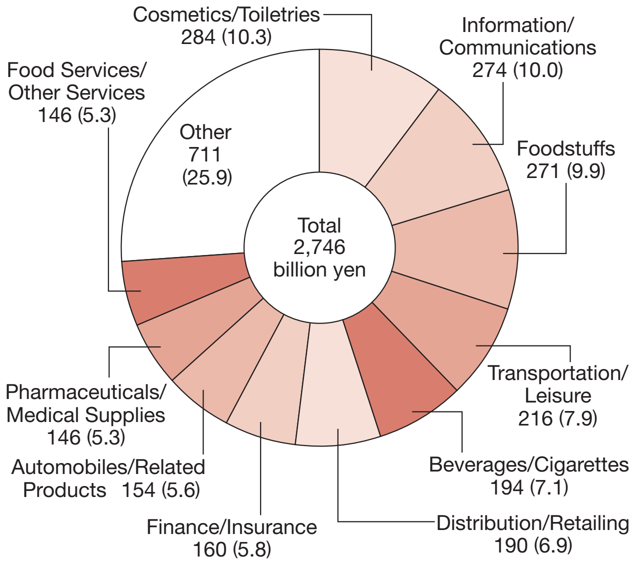
Advertising Expenditures



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 four Traditional Media (2015)



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 (2014)

(billion yen)

	Total	Composition ratio (%)	Traditional media	Composition ratio (%)
Dentsu	1,538	25.0	866	29.5
Hakuhodo	662	10.8	377	12.9
Asatsu-DK	306	5.0	178	6.1
Daiko Advertising	115	1.9	67	2.3
East Japan Marketing & Communications	104	1.7	12	0.4

Note 1: The composition ratio indicates each agency's share in the total revenue and revenue for the four traditional mass media.

Note 2: The figures are rounded down to the nearest billion yen.

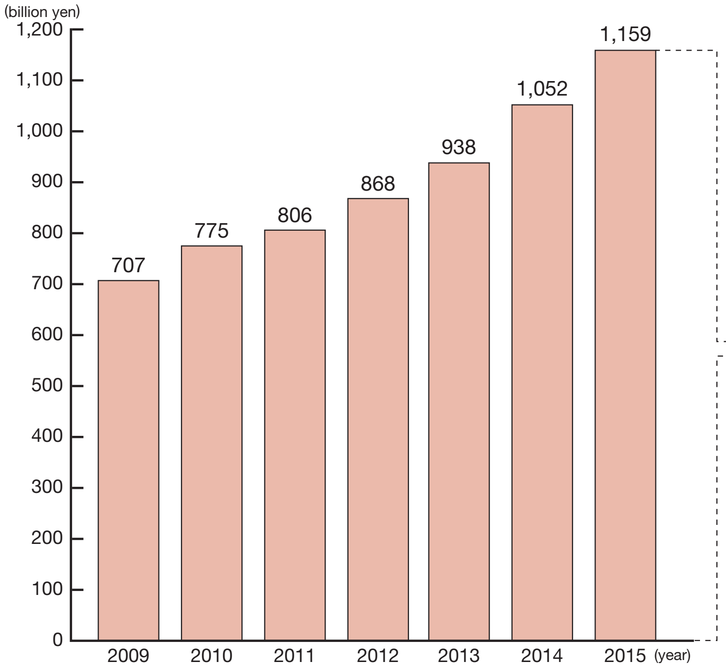
Source: The Advertising and Economy Research Institute

Internet Advertising

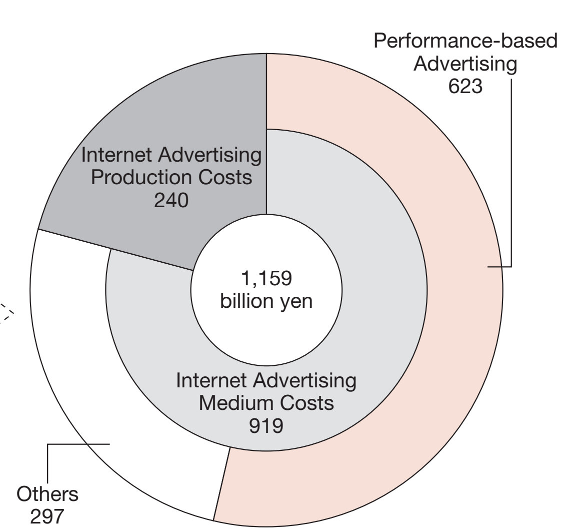
Internet Advertising Expenditures Boosted Overall Expenditures

- In addition to traditional banner ads, now smartphone, video, and targeted ads using new advertising technologies are becoming popular. These kinds of ads contribute to market growth, as in other countries.
- Performance-based advertising is being utilized for smartphones and tablets in particular, including search engine advertising, ad networks, and ad exchanges.
- As a new market trend, the use of private marketplaces (PMPs) has begun to expand. PMPs allow participation by a limited number of buyers and sellers in automated ad transactions.

Internet Advertising Expenditures

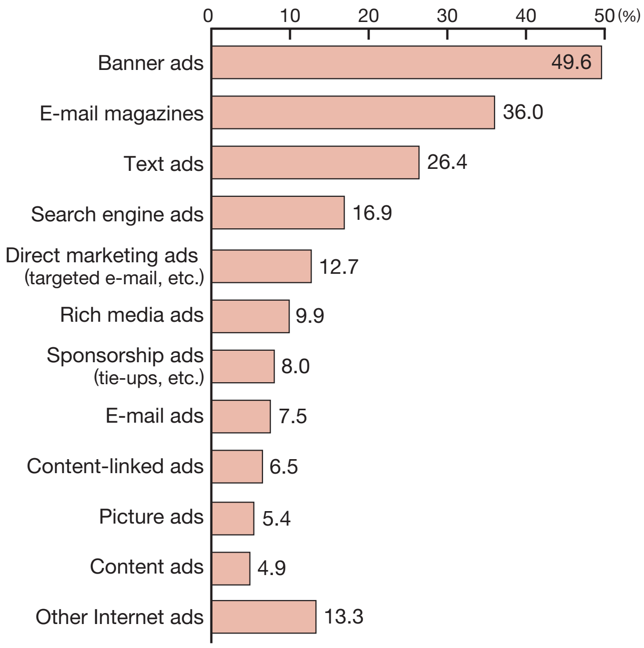


Source: Dentsu Inc.



Source: Dentsu Inc.

Type of Internet Advertising Implemented (End of 2014)



Note: Companies implementing Internet advertising

Source: Ministry of Internal Affairs and Communications

Revenue of Major Internet Advertising Agencies

(million yen)

Company (Fiscal Year-end)	2012	2013	2014
CyberAgent (September)	141,111	162,493	205,234
Cyber Communications* (March)	65,360	72,323	74,527
D.A. Consortium (March)	82,785	96,319	105,335
GMO Ad Partners (December)	15,368	18,923	23,742
Irep (September)	37,761	47,390	53,615
Opt (December)	78,909	67,624	66,984
Septeni Holdings (September)	41,358	45,982	54,345

* Non-Consolidated.
Note 1: Consolidated basis
Note 2: The figures are rounded down to the nearese 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	377,972.28km^2		2014	Ministry of Land, Infrastructure, Transport and Tourism
Administrative Boundary				
Number of Prefectures	47		2015	Japan Geographic Data Center
Number of Cities	790			
Number of Towns and Villages	928			
Population/Households				
Total Population	128,226,483		2015	Japan Geographic Data Center
Men	62,534,401	48.8%		
Women	65,692,082	51.2%		
Youth Population	16,492,143	12.9%		
Productive Population	78,909,420	61.5%		
Aged Population	32,824,841	25.6%		
Number of Households	56,412,140		2015	Japan Geographic Data Center
Family Households	34,515,547	66.6%	2010	Ministry of Internal Affairs and Communications
Nuclear Households	29,206,899	56.3%		
Husbands and Wives Only	10,244,230	19.8%		
Parents and Children	14,439,724	27.9%		
Single Parent and Children	4,522,945	8.7%		
Couples with Their Parents	962,552	1.9%		
Couples, Children, and Couples' Parents	2,435,639	4.7%		
Other Types of Families	1,910,457	3.7%		
One-person Househsholds	16,784,507	32.4%		
Households Including Non-relatives	456,455	0.9%		
Average Number of Persons per Household	2.27		2015	Japan Geographic Data Center
National Economic Accounting				
Gross Domestic Product（GDP）	480,128 billion yen		2013	Cabinet Office, Government of Japan *Nominal Figures
Private Final Consumption Expenditure*	293,550 billion yen			
Final Consumption Expenditure of Household*	286,264 billion yen			
Domestic Final Consumption Expenditure of Household*	285,634 billion yen			
National Earnings	395,967 billion yen			
National Disposable Income	395,189 billion yen			
Domestic Production by Industry*	422,209 billion yen			
Primary Industry	5,753 billion yen			
Secondary Manufacturing	116,508 billion yen			
Pulp and Paper	2,095 billion yen			
Precision Instrument	1,527 billion yen			
Printing	2,356 billion yen			
Tertiary Industry	299,948 billion yen			
Telecommunication Business	10,828 billion yen			
Labor				
Labor Force Population	65,870 thousand		2014	Ministry of Internal Affairs and Communications Note: Estimated Figures
Employed Workers	63,510 thousand	96.4%		
Self-employed	5,560 thousand	8.4%		
Family Business Workers	1,680 thousand	2.6%		
Employed	55,950 thousand	84.9%		
Primary Industry	2,300 thousand	3.5%		
Secondary Manufacturing	15,480 thousand	23.5%		
Tertiary Industry	44,740 thousand	67.9%		
Totally-unemployed Persons	2,360 thousand	3.6%		

A Research for Information and Media Society 2016

Information Media Trends in Japan 2016 was compiled from *A Research for Information and Media Society 2016* (in Japanese), which was published by the Dentsu Innovation Institute on February 18, 2016.

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 2016 edition marks the 23rd publication.

The 271-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 Innovation Institute are referred to in the feature articles. Twelve carefully selected hot industry topics from 2015–2016, such as Ultra HD (4K and 8K), are also presented with in-depth commentaries at the beginning of the book.

Main content

Feature 1: 20-year history of the Internet

Special Report: A shift from written communication to visual communication

1 Development of the Internet ad market – 1996–2014 and beyond

2 The changing role of media as viewed by the consumer, from 2000 to the present

3 History of Internet ad methods and 12 events that changed consumers' media behaviors and consciousness

4 Relationship between media and users and how the Internet has changed it

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 / Events

Contact information

Price: ￥17,280 (including tax)
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