

Advertising dated March 13, 2017 (Nihon Keizai Newspaper)  
Advertising dated March 14, 2017 (Yomiuri Newspaper and Asahi Newspaper)

# Fiscal 2016 Business Affairs

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## 権利を主張する。 それだけじゃない。

音楽は時を超えてみんなの心に生き続ける。  
心に響く旋律が、心を震わせる歌が、  
ずっとずっとみんなの宝物であるために、私たちは動く。  
より新しく、より楽しく、よりしなやかに。  
JASRACはこれからも音楽をつくる人たちの権利を守りながら、  
音楽文化へのさらなる貢献を目指します。

**JASRAC**<sup>®</sup>  
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JASRAC not only asserts its rights (collecting royalties and taking legal action), but also grants licenses quickly and in a user-friendly manner, and distributes royalties with precision. It also undertakes various activities to help cultivate music culture. As the first part of a 2-year campaign to publicize these activities, JASRAC placed a full-page advertisement, as shown above, in major national newspapers.

## (1) Royalties and Other Fees Collected in FY2016

Category	Collection (JPY)	Against FY2015 (%)
Performances	58,597,002,291	100.4
Performances, etc.	21,377,883,605	101.0
Broadcasts, etc.	31,129,430,342	98.8
Cable broadcasts, etc.	4,733,061,766	105.5
Film exhibitions	219,870,802	106.3
Background music	730,535,012	145.1
Foreign income (performances)	406,220,764	80.3
Reproduction	25,098,759,322	78.0
Audio discs	12,248,529,429	95.6
Videograms	12,466,850,336	72.4
Foreign income (reproduction)	97,110,219	77.9
Other reproduction	286,269,338	14.2
Publication	999,150,035	101.6
Reproduction for particular purposes*	5,445,076,362	----
Reproduction for advertisement	1,259,217,858	----
Reproduction for games	4,185,858,504	----
Lending	3,154,618,961	97.1
Composite use	18,511,501,107	109.9
Online Karaoke	7,069,145,193	101.0
Interactive transmissions	11,442,355,914	116.2
Remuneration for private audio/video recording	14,928,439	37.2
<b>Total</b>	<b>111,821,036,517</b>	<b>100.1</b>

\* This category has been newly established and includes “Reproduction for advertisement” that had been included in “Other reproduction” and “Publication” until last year, and “Reproduction for games” that had been included in “Videograms” until last year.

### Performances, etc.

The amount of royalties collected for “Performances, etc.” exceeded last year’s result for the following reasons: the continued growth of the concert market, new contracts concluded with large and popular facilities such as hotels, clubs and discos, and the re-evaluation of music usage and renewal of existing contracts.

### Broadcasts, etc.

The amount of royalties collected for “Broadcasts, etc.” (blanket fees) exceeded last year’s result due to an increase in NHK subscription income, back payments resulting from the ascertainment of the share of JASRAC repertoire in broadcasts for FY2015, etc. On the other hand, broadcasting royalties for commercials were below last year’s results due to a decrease in the use of administered works by major companies. As a result, total collection was slightly below last year’s result.

### Interactive transmissions

The amount of royalties collected for “Interactive transmissions” exceeded 10 billion yen for the first time. This was due to endeavors to proactively license rapidly growing subscription services, and the continued growth of video-posting (sharing) websites, etc. As a result, the number of work usage reports also significantly increased.

## (2) Royalties and Other Fees Distributed in FY2016

Category	Distribution (JPY)	Against FY2015 (%)
Performances	59,981,422,297	101.3
Performances, etc.	22,459,164,905	106.7
Broadcasts, etc.	31,890,337,972	98.8
Cable broadcasts, etc.	4,472,808,847	95.7
Film exhibitions	190,334,440	89.0
Background music	487,712,583	99.4
Foreign income (performances)	481,063,550	92.5
Reproduction	27,082,985,381	84.7
Audio discs	12,438,390,829	97.8
Videograms	13,915,483,626	81.3
Foreign income (reproduction)	84,581,632	85.6
Other reproduction	644,529,294	32.0
Publication	1,021,857,891	102.1
Reproduction for specific purposes*1	3,304,195,187	----
Reproduction for advertisement	887,694,005	----
Reproduction for games	2,416,501,182	----
Lending	3,163,108,728	91.5
Composite use	17,906,171,786	112.6
Online Karaoke	6,984,153,042	100.1
Interactive transmissions	10,922,018,744	122.4
Remuneration for private audio/video recording	16,345,309	39.6
<b>Total</b>	<b>112,476,086,579</b>	<b>100.8</b>

\*1 This category has been newly established and includes "Reproduction for advertisement" that had been included in "Other reproduction" and "Publication" until last year, and "Reproduction for games" that had been included in "Videograms" until last year.

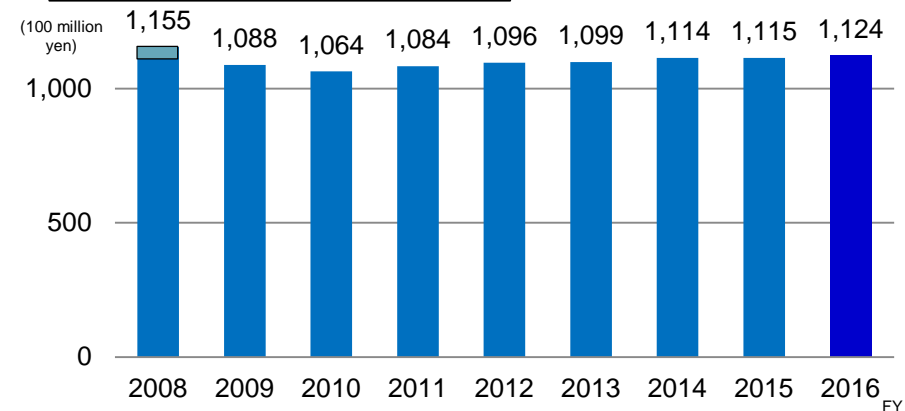
## Second largest amount of distributions ever

Distribution of royalties collected for "Performances, etc.," which reflects the continued growth of the concert market, and distribution of royalties collected for "Interactive transmissions," which reflects the expanded market for subscription services and continued growth of online game services, increased substantially. The distribution total amounted to 112,470 million yen (100.8% year-on-year, an increase of 880 million yen), the second largest result ever\*2.

Distribution statements are prepared by calculating royalties per type of use, and distributions are made quarterly (in June, September, December and March). In FY2016, rights owners of approximately 2.11 million works received distributions.

\*2 The largest amount was recorded in FY2008 (115,500 million yen), but the figure would have been below the distribution total for FY2016 if back payments for cable television broadcasting that were distributed that year were excluded.

## Distribution totals since 2008



### **(3) Topics**

#### **1) Licensing of performances by pachinko and pachislo machines commence**

Following successful negotiations with an organization representing pachinko and pachislo machine (similar to pinball and slot machines) manufacturers, JASRAC began licensing audio and video performances of JASRAC repertoire using such game machines on January 1 of this year.

For collection purposes, game-machine manufacturers obtain licenses on behalf of store managers (source licensing scheme), and JASRAC calculates royalties in proportion to the number of game machines manufactured and the number of administered works reproduced. JASRAC has also decided on a transitional measure to reduce royalties for three years after the start of administration.

#### **2) Increased coverage of music use in classes**

JASRAC started administering performances at singing classes (where services are mainly to give singing lessons to students, such as karaoke classes and vocal schools) in April 2016.

JASRAC already administers music use in ballroom dancing classes (since 1971), fitness clubs (2011), and classes at culture centers that teach musical instruments (2012), among other kinds of classes. JASRAC is now preparing to commence administration of performances at commercial musical instrument classes.

#### **3) New tariff established for reproduction for the purpose of advertisement**

At the annual general meeting of members held in June 2015, the copyright trust contract was amended to add a usage category where the fee rates are quoted by the members. In conjunction, Section 15 “Reproduction for advertisement” and Section 16 “Reproduction for games” were added to Chapter 2 of the Tariffs.

JASRAC also integrated licensing operations for reproduction for advertisement and games in the Advertisement, Game and Film Licensing Section in April 2016. Previously, different sections of the Reproduction Rights Department handled parts of these operations.

Reference URL: <http://www.jasrac.or.jp/info/create/ad.html>

#### **4) Tariff for videograms amended**

In recent years, the diversification of audio visual products led to a decline in retail prices for such products, while the enlarging data capacity of recording media led to an increase in the number of works used in each product. This resulted in a higher percentage of production costs being paid as copyright royalties.

The tariff for videograms was amended in October 2016 to address this issue. In the new tariff, royalty rates are stipulated separately for different reproduction purposes and types of content.

## 5) Broadcast royalties distributed per second of use

Because NHK and commercial TV broadcasters have become capable of reporting every second of use for every work broadcast, JASRAC amended its distribution rules to distribute broadcast royalties on a per-second-of-use basis (applicable from 2016-12 distribution).

Meanwhile, with all usage reports for broadcasts in FY2015 submitted, the usage shares of works administered by each of the copyright management organizations were reflected in the royalty calculations in accordance with the agreement of the “Review Committee on the Method to Determine Usage Share of Repertoire in the Field of Broadcasting” (Five-Party Talks).

### **\*Distribution based on census reports\***

In distributing royalties, JASRAC uses the “census distribution” method, in which all works used are reported and processed.

The so-called “sampling distribution” method is now only used in limited areas, such as live performances at places of entertainment, and distributions based on this method account for only 1.98% of all royalties distributed in FY2016.

## 6) Amendments made to options regarding partial entrustment of rights

At the annual general meeting of members held in June 2016, a resolution was adopted to amend the copyright trust contract so that trustors can more freely choose the rights they wish to entrust, effective from April 1, 2017. With this amendment, trustors applied for amendments to the extent of rights entrusted to JASRAC for approximately 500 thousand works.

## 7) Reduction of applied administrative expense rates

Operating income exceeded, and operating expenditure fell below the FY 2016 budget. Therefore, in order to return reserve funds not scheduled to be spent (\*) to right holders as soon as possible, applied administrative expense rates were partially reduced only for the 2017-03 distribution.

\*The reserve fund is allocated as a reserve for extra-budgetary business spending, requiring approval from the Board of Directors to expend.

### (1) World Creators Forum, CISAC Board of Directors Meeting and Asia-Pacific Committee Meeting Held in Beijing

In November, the World Creators Forum hosted by CISAC (International Confederation of Societies of Authors and Composers) and meetings of the CISAC Board of Directors and the Asia-Pacific Committee were held in Beijing, and Chairman Haku Ide, Executive Advisor Shunichi Tokura and President Michio Asaishi attended the World Creators Forum as panelists.

President Asaishi, who joined a panel discussion under the title of “The Role of Collective Management Organizations in the 21st Century,” explained the huge amounts of data processing undertaken by JASRAC in its management business, and expressed JASRAC’s commitment to provide technical support as well as copyright management know-how to copyright management organizations in the Asia-Pacific region.

At the Board of Directors’ meeting, JASRAC participated in discussions on CISAC’s membership criteria, among other topics, and reported on issues relating to the extension of the copyright protection term in Japan.



At the Asia-Pacific Committee, a regular election for chairperson was held, and Satoshi Watanabe, who is in charge of International Affairs, General Affairs Bureau at JASRAC, was appointed as the new chairperson.

### Establishment of APMA (Asia-Pacific Music Creators’ Alliance)

APMA was established in 2016 as a regional alliance comprising CIAM (International Council of Music Authors), which is a CISAC authors’ council. Its purpose is to promote the protection and expansion of rights of music creators in the Asia-Pacific region. The inaugural executive committee consists of leading music creators representing various countries, and JASRAC Executive Advisor Shunichi Tokura has been elected as the 1st Chairperson.

APMA will gather the opinions of music creators on copyright issues in the Asia-Pacific region, and campaign for fair remuneration for creators, and emphasize the importance of protecting their rights on various occasions.

An Executive Committee meeting was held in Seoul on May 11, 2017. In November, a general meeting will be held in Tokyo.



Reference URL: <http://apmaciam.wixsite.com/home>

## (2) Enhancing Copyright Management in Asia

JASRAC has been working actively to enhance copyright management standards in Asia.

In FY2016, 34 government officials and copyright management organization staff from 12 Asian countries, including China and Vietnam, visited JASRAC to receive lectures about JASRAC's copyright management operations and to exchange opinions.

JASRAC also dispatched its staff to the "Symposium on Practical Operations of Collective Management Organizations" held in Taipei, and the "8th Japan-Korea Copyright Forum" held in Seoul.

In addition, JASRAC held consultations with the Maldivian government toward the establishment of copyright management organizations, as no such organizations currently exist in that country.

### ● Visitors received from the following 12 countries in FY2016

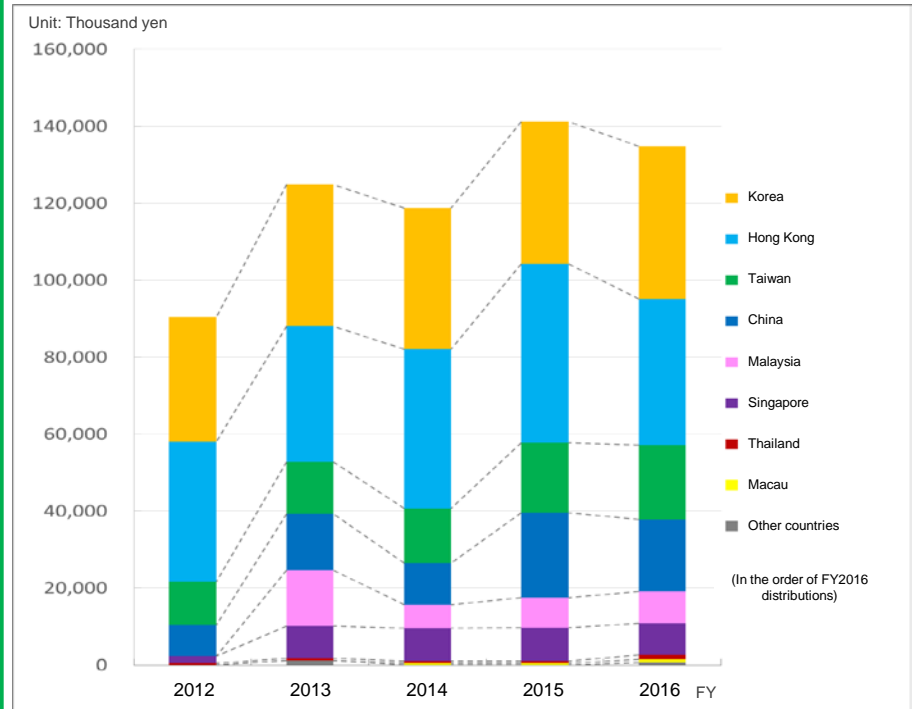
Indonesia	Korea	Cambodia*
Singapore	China	Pakistan
Bhutan*	Philippines	Vietnam
Myanmar*	Maldives*	Laos*

\* Countries where no copyright management organizations exist.

## Distributions from Asia Since FY2012

In FY2016, the amount of distributions from Asia was approximately 134 million yen, a slight decrease from last year as it was affected by the appreciation of the yen.

Distributions from KOMCA (Korea) increased by 7.5% year-on-year. In particular, distributions from the online and karaoke box categories increased steadily: increases of 15.6% and 20.8%, respectively.



#### (1) “Kokorone” Project



Through the “Kokorone” project, in operation since 2011, JASRAC Members and Trustors (lyricists, composers and publishers) can donate royalties paid for the use of works of their choice to the “Kokorone” Fund, to help with the restoration of, as well as the promotion of music culture in, regions affected by the Great East Japan Earthquake.

Project totals as of the end of March 2017:

Number of works chosen	435
Members/Trustors participating	214
Total amount of money donated	40,502,492 yen

JASRAC donated 10 million yen from the fund to construct the Kamaishi Town Hall (right) under construction in Iwate Prefecture.



Reference URL: <http://www.jasrac.or.jp/kokorone/>

#### (2) Kumamoto Earthquakes Restoration Support

JASRAC transferred three million yen, including donations from Members and Trustors, officers and employees, and expenditure from JASRAC’s general account, to the Kumamoto Earthquakes Donation Account of Kumamoto Prefecture.

On July 29, Chairman Haku Ide and President Michio Asaishi visited the Tokyo Office of Kumamoto Prefecture to present the Kumamoto Earthquakes donations catalogue to Director Junichi Watanabe of the office.

JASRAC also halted its collection of royalties for a three month period, from April to June, from business operators in the entire area of Kumamoto Prefecture which was heavily damaged.

Target facilities:

Restaurants, hotels, karaoke boxes, classes using music, CD rental shops and other facilities that concluded annual blanket license agreements with JASRAC





### (1) Withdrawal of Hearing Request to the Japan Fair Trade Commission

JASRAC expressed its dissatisfaction with a cease and desist order dated February 27, 2009, from the Japan Fair Trade Commission and requested a hearing to seek revocation on April 28, 2009. However, considering subsequent changes in the licensing environment (1) to (3) as shown below, JASRAC decided that concentrating on its main business of music copyright administration was more beneficial for the healthy development of the music market than continuing to question whether or not the order was justified, and withdrew the hearing request in September 2016. JASRAC will go through procedures to execute the order.

- 1) Many broadcasters now report works used on a census basis.
- 2) It was decided that “repertoire usage share” would be reflected in broadcasting royalty rates in and after FY2015 based on talks by broadcasters and copyright management organizations (Five-Party Talks).
- 3) NexTone Inc. dropped its suit and allegations against JASRAC, resolving all disputes between the two organizations.

On February 14, the Tokyo High Court decided to confiscate 30 million yen out of the 100 million yen that JASRAC had deposited to stay the execution of the JFTC’s cease and desist order, despite the JFTC’s petition to confiscate the full amount. Neither the JFTC nor JASRAC filed an appeal, confirming this decision.

### (2) Public Relations Activities

#### 1) The 3rd JASRAC Music Culture Award

On November 18, 2016, a presentation ceremony for the 3rd JASRAC Music Culture Award was held at Dai-ichi Hotel Tokyo. This award program was established in 2014 to reward sometimes unheralded activities of individuals, groups, as well as works, that may not necessarily lead to impressive statistics or business results in terms of sales or use, and to praise the merits of contributing to the development of music culture.

##### Recipients

- ◆ Ms. Kyoko Ito
- ◆ Mr. Hirofumi Misawa
- ◆ The Swing Dolphins, Kesenuma Junior Jazz Orchestra
- ◆ Yamakiya Taiko



#### 2) THE JASRAC SHOW!

JASRAC webcast THE JASRAC SHOW! through *NicoNico Live* each month, inviting JASRAC affiliate lyricists and composers on the show as guests, to talk about their experiences before they made their debuts, and their experiences in creating music.



The 50th memorial special program  
(Chairman Haku Ide and Mr. Masao Sen)