

# Fiscal 2013 Business Affairs

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# 1. Collections

## (1) Amount of royalties and other fees collected in FY2013

Category	Collection (JPY)	Against FY2012 (%)
Performances, etc.	19,939,339,832	102.2
Broadcasts, etc.	29,762,870,259	101.9
Cable broadcasting, etc.	4,515,132,703	98.7
Film exhibition	144,385,663	95.5
Background music	434,489,513	102.7
Foreign income (performing)	526,676,112	160.9
<b>Total – Performing</b>	<b>55,322,894,082</b>	<b>102.1</b>
Audio disc	14,152,546,909	91.0
Videogram	19,382,613,671	89.8
Foreign income (mechanical)	209,705,908	160.6
Recording and other sources	1,937,591,606	93.6
<b>Total – Mechanical</b>	<b>35,682,458,094</b>	<b>90.7</b>
<b>Publication</b>	<b>1,095,664,852</b>	<b>94.2</b>
<b>Lending</b>	<b>3,483,973,355</b>	<b>119.1</b>
Online Karaoke	6,470,670,163	102.6
Interactive transmission	8,721,360,079	112.4
<b>Total – Composite use</b>	<b>15,192,030,242</b>	<b>108.0</b>
<b>Total collection</b>	<b>110,777,020,625</b>	<b>99.2</b>
Remuneration for private audio recording	56,708,804	72.5
Remuneration for private video recording	11,855,400	14.4
<b>Total – Private recording</b>	<b>68,564,204</b>	<b>42.6</b>
<b>Grand Total</b>	<b>110,845,584,829</b>	<b>99.1</b>

The total amount of royalties and other fees collected in FY2013 was 110.84 billion yen.

### Performances, etc.

The amount of royalties collected from “performances, etc.” exceeded last year’s result for the following reasons: the concert market was booming; there was a considerable increase in the number of large-scale events; not only did the *karaoke* market shrink at a slower pace, but we also enhanced collaboration with *karaoke*-leasing companies and endeavored to be faster and more effective in concluding license contracts with new premises.

### Audio discs and videograms

The amount of royalties collected from audio discs and videograms was below last year’s level for the following reasons: the production of audio discs, which started to increase in 2012 for the first time in 14 years, decreased again; the use in videograms such as music videos and “*pachinko*” pinball machines, which was increasing until FY2012, saw a decrease.

### Interactive transmissions

Although the amount of interactive transmission royalties has tended to decrease since FY2009, the amount for FY2013 greatly exceeded last year’s level due to an increase in demand for on-demand video services\* and for music streaming subscription services for smart phones.

\*Services which distribute video content in response to users’ requests.

# 1. Collections

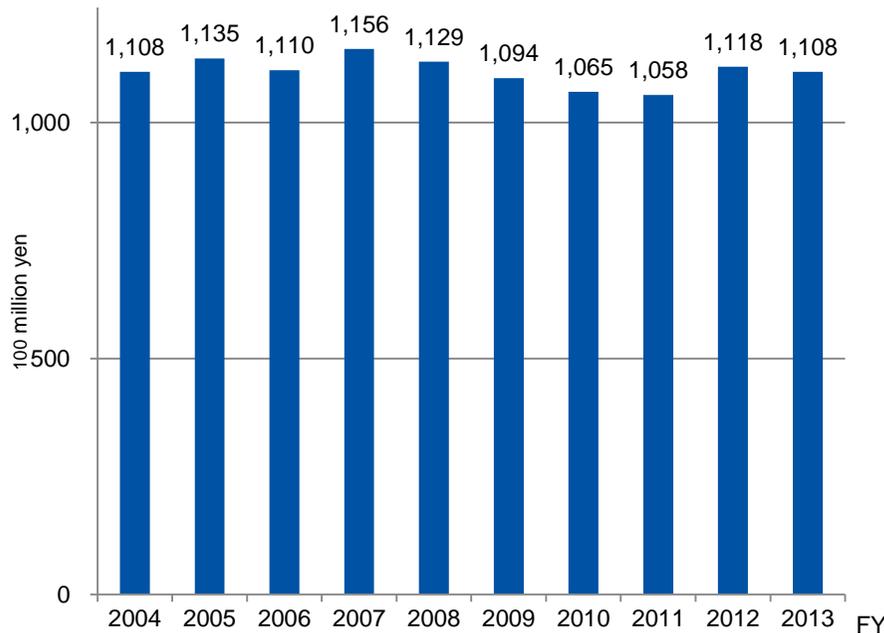
## (2) Changes in collections

Although the amount of royalties collected in FY2013 is nearly at the same level as in FY2004, there is a big change in the breakdown of the total amount.

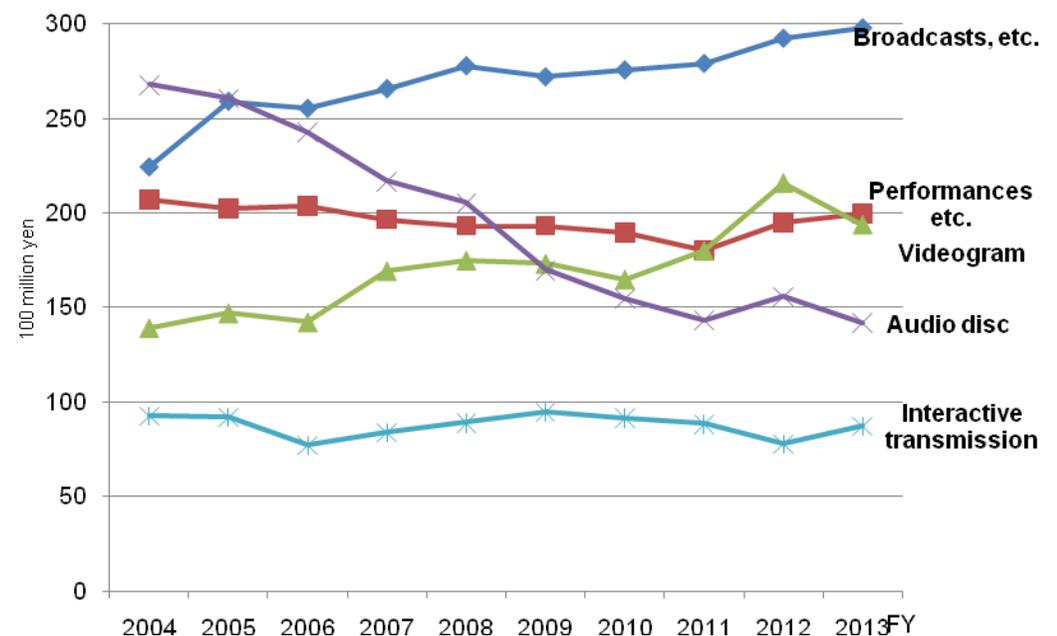
In particular, the amount of royalties from audio discs, which accounted for 24.2% of the total amount in FY2004, decreased by half to 12.8% in FY2013.

In other categories, such as “performances, etc.” (18.7% to 18.0%) and “interactive transmissions” (8.4% to 7.9%), the percentage stayed at nearly the same level, while the percentages for “broadcasts, etc.” (from 20.2% to 26.9%) and videograms (12.6% to 17.5%) have increased.

Changes in total amount:



Changes in collections for major categories



## 2. Increasing Music User's Convenience

### (1) Disclosure of a list of UGC\*1 service providers that have signed an agreement with JASRAC

In March 2014, JASRAC publicly released a list of UGC service providers that have signed a comprehensive agreement with JASRAC.

On websites operated by these providers, individual users are able (1) to use JASRAC administered works for video-sharing websites\*2 and (2) to post lyrics of JASRAC administered works on their individual blog websites without individually obtaining licenses from JASRAC.

\*1: Content generated by individual users such as video-sharing websites and individual blog websites.

\*2: It is necessary to obtain licenses from music producers and performers in order to use preexisting sound sources.

Reference URL: <http://www.jasrac.or.jp/news/14/0318.html>

### (2) Release of a royalty assessment web page for music usages on the Internet

In March 2014, JASRAC released a royalty assessment web page to provide information on relevant tariff rates for the use of music on the Internet.

In addition, JASRAC has also publicly released a simulation application designed to estimate royalties for concert events, sound recordings such as CDs, tapes and integrated circuits, and video software such as DVDs and videos.

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

### (3) Creation of an inquiry counter for the use of music in election campaigns

It is necessary to obtain permission from individual copyright owners when using music in election campaigns, regardless of whether or not royalties are required.

In July 2013, in consideration of the removal of the bans on online election campaigns, JASRAC created an inquiry counter to make inquiries to copyright owners on behalf of users about the use of JASRAC repertoire for election campaigns.

Reference URL: <http://www.jasrac.or.jp/release/pdf/13070301.pdf>

#### Number of JASRAC administered works released on the musical works information database (J-WID)

JASRAC has a musical works database, consisting mainly of works administered by JASRAC that have registered prior usage in Japan, that is open to the public and can be used to search for rights ownership information.

As of the end of March 2014, there were 1.33 million domestic works and 1.72 million foreign works, for a total of 3.05 million JASRAC administered works that can be searched on the database (an increase by 170,000 compared to last year).\*

\* The number of works that can be searched on J-WID does not equal the number of works administered by JASRAC.

### 3. Improving Services for Copyright Owners

#### (1) Reduction of applied administrative expense rates\*

Starting from FY2014, JASRAC has reduced the applied administrative expense rates for film exhibitions, record rentals and video rentals.

JASRAC is striving to reduce expenses, and expenses as a percentage of total distribution amounts has decreased from 12.1% in FY2010 to 11.7% in FY2013.

#### (2) Provision of Electronic Distribution Statements

JASRAC sends distribution statements to copyright owners by mail, which show the work titles and royalty amounts subject to distribution for each category. From the March 2014 distribution, JASRAC started to provide electronic distribution statements via the Internet.

JASRAC also released the “Distribution Statement Guide” on JASRAC’s website to explain how to read the distribution statements.

Reference URL : <http://www.jasrac.or.jp/contract/member/pdf/faq02.pdf>

<Major categories for which applied rates were changed from June 2010>

Category	Registered rate	Applied rate			
		June 2010 distribution	June 2011 distribution	June 2012 distribution	June 2014 distribution
Performances, etc.	30%	27%		26%	
Film exhibitions	30%	30%			26%
Broadcasts, etc.	15%	11%	10%		
Record rentals	15%	11%			10%
Video rentals	25%	11%			10%

\* Administrative expense rates that are actually applied within the range defined in the “Rules of Administrative Expenses” registered with the Agency for Cultural Affairs.

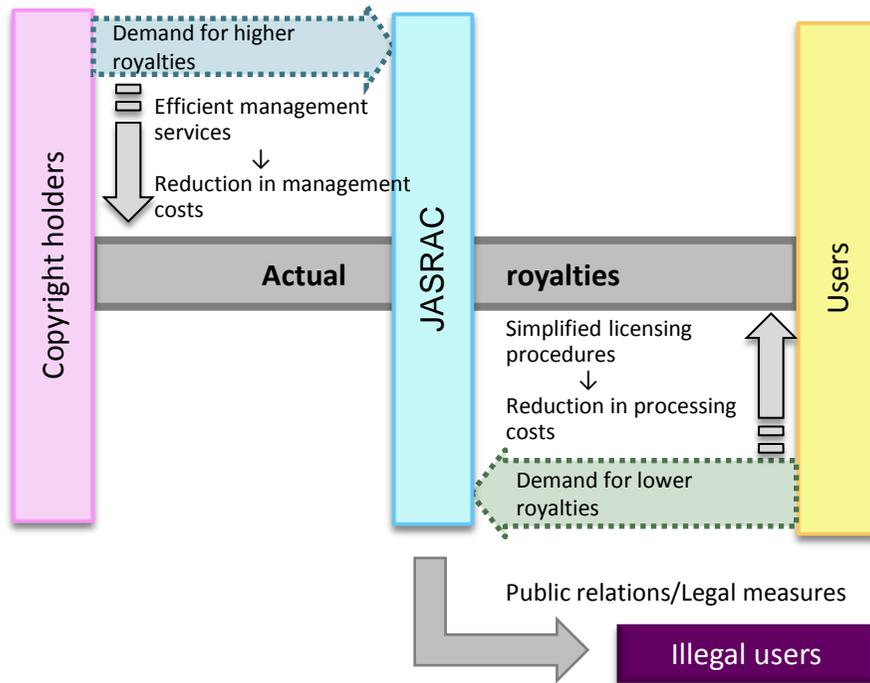
<Example of a distribution statement (recording)>

** 録音使用料 **											<b>Sample</b>	
作品コード	作品名	作家名	取分率	使用者名	カタログ番号	1 2	3 4	レート	計算対象数	使用料	5 備考	6 進 及
XXXXXXXX	キロノフウセン	シヤマ ハルコ	4/8	●レコード	XXX XXXX	RD	LV	6.10	1000	3,050	B	
	ディスク=	3,050		テープ=	0	オルゴール=	0		作品合計	3,050		
XXXXXXXX	ひよこのパジャマ	シヤマ ハルコ	4/8	◇ミュージック	XXXX XXX	TN	LV	8.10	100	405	B	13/2 S
	ディスク=	0		テープ=	405	オルゴール=	0		作品合計	405		
XXXXXXXX	ESPRESSIVO	JIROO U	6/12	▲レコード	XXX XX	RD	LI	6.10	500	1,525	B	
			6/12	▲レコード	XXX XX	RD	LI	6.10	10	31	B	SAMPLE
			6/12	▲レコード	XXX XX	RD	LI	6.10	800	2,440	B	
	ディスク=	3,996		テープ=	0	オルゴール=	0		作品合計	3,996		
合計		ディスク=	7,046	テープ=	405	オルゴール=	0		合計=	7,451		
1 種目	( R-ディスク	T-テープ	M-オルゴール)									
2 種別	( A-シングル	B-LP(45)	C-LP(33)	D-CD	E-CDG(カラオケ)	F-CD8(シングル)	G-CD8					
	H-CD8(カラオケ)	I-CD I(カラオケ)	J-MD	K-CD-ROM	L-CDV	M-ICカード (カラオケ)	N-カセット					
	O-カートリッジ	P-オーブリアル	Q-DAT	R-ICチップ	S-ROMカートリッジ	T-FD	U-DB					
	V-ICカード	VG-ICカード(複製)	W-DCC	X-DB(カラオケ)	Y-CD-ROM(複製)	Z-FD(複製)	5-フラッシュメモリ					
	5G-フラッシュメモリ(複製)	6-DVDオーディオ	6G-DVDオーディオ(複製)	7-SACD	8-CD EXTRA							
3 原盤	( I-輸入盤 L-国内盤)	4 形態 (I-インストメンタル	K-カラオケ	V-ボーカル	M-カラオケ文字入り)	5 消費税	6 S-個別進及分					*-保留解除分

## 4. Gaining Public Trust

### 1. Just and Fair Copyright Management

#### ■ Appropriate royalties and fair management



By providing users with fair and simple licensing procedures and copyright holders with efficient management services (distribution, etc.), JASRAC has made strides in both the effective protection of copyrights and the facilitation of music usage.

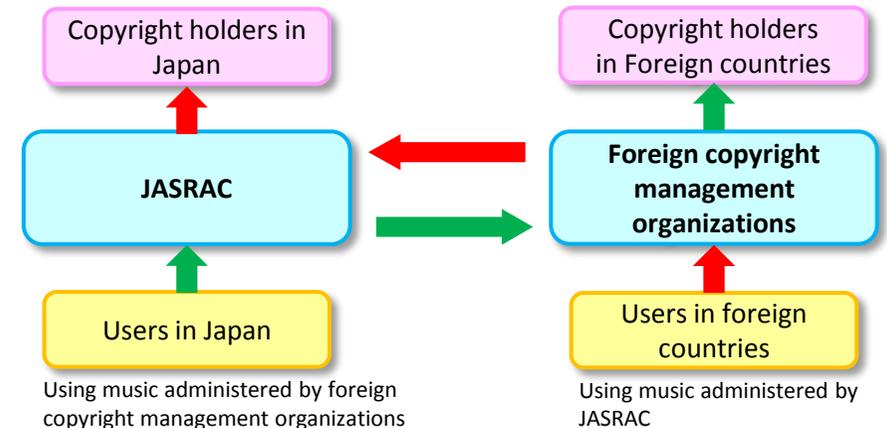
### 2. Programs for the Improvement of Copyright Systems

- Extension of the term of copyright protection
- Annulment of “wartime prolongation”
- Establishment of a new private copying remuneration system

### 3. Expansion of the Global Network

#### ■ Expanding copyright management for overseas music use

Royalty flow based on reciprocal agreements



#### ■ Enhancing copyright management in Asia

# 4-1. Just and Fair Copyright Management

## (1) Background music in commercial facilities

With the development of digital and networking technology, commercial facilities playing background music on PCs and mobile music players are increasing. To tackle this issue, JASRAC requested the association of background music users to cooperate in increasing the number of licensed facilities, and in February this year JASRAC also sent out questionnaires to approximately 300,000 facilities across Japan to conduct a survey on the use of music to enhance market penetration.

## (2) Legal measures against the illegal use

JASRAC filed lawsuits against 15 persons in 15 cases of illegal use of copyrighted works on the Internet, including infringements using file-sharing software. 11 out of the 15 cases involved the use of “Gnutella.” Considering the large number of music files shared using this software, JASRAC started sending email warnings to Gnutella users in collaboration with the CCIF\* in April this year.

In addition, in February this year, JASRAC filed a lawsuit against a karaoke equipment lease company in Nagoya City for the infringement of copyrights. This is the first lawsuit against a karaoke equipment lease company in the Tokai area and the eighth such lawsuit in Japan.

\* CCIF: Consortium against Copyright Infringement via File-Sharing Software. Previously email warnings have been sent to users of file-sharing software such as “Winny” and “Share.”

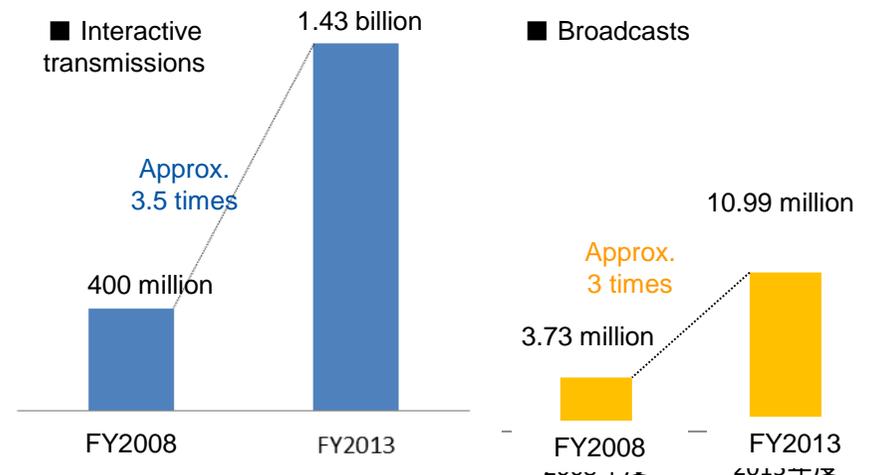
## (3) Dealing with the rapid increase in the volume of work usage reports

The volume of work usage reports continued to increase in FY2013. As a result of an increase in the number of tracks made available by digital music service providers, there were approximately 1.43 billion lines (increase by 73 million compared to the previous year) of data in work usage reports for “interactive transmissions.” Due to an increase in the number of broadcasters reporting on a census basis by electronic means, there were also approximately 10.99 million lines of data in work usage reports for broadcasting (an increase of 3.21 million compared to the previous year).

JASRAC is coping with the increase in the volume of work usage reports by improving systems to increase the rate of automatic matches with works in the JASRAC database, and also through collaboration with the Copyright Data Clearinghouse (CDC).

As of the end of March this year, among the 227 stations operated by 193 commercial terrestrial broadcasters, 183 stations operated by 161 broadcasters are reporting on a census basis.

Changes in the number of lines of data in work usage reports:



## 4-2. Programs for the Improvement of Copyright Systems

### (1) Extension of the term of copyright protection

The Copyright Law of Japan stipulates that authored works shall be protected for fifty years following the author's death.

Copyrighted works of countries in the EU and the United States, whose protection terms are life of the author plus 70 years, are only protected for 50 years after the death of the author for uses taking place in Japan, and hence copyright term extension is one of the demands put on the table in the Trans-Pacific Partnership (TPP) negotiations.

In an effort to achieve international harmonization, JASRAC is requesting that the term of copyright protection be extended, and in August 2013, JASRAC held a meeting with the press to provide news reporters with accurate information.

### (2) Annulment of “wartime prolongation”

In Japan, based on the San Francisco Peace Treaty, the copyrights of some works created by nationals of the allied nations of World War II are protected for a period equivalent to the length of the war, in addition to the usual copyright protection period (50 years from the death of the author). JASRAC is demanding that wartime prolongation, which is imposed only on Japan, be dissolved. On June 5, 2013, JASRAC Chairman Shunichi Tokura visited the Japanese Embassy in Washington D.C. to discuss this issue with Kenichiro Sasae, Japanese Ambassador to the United States.

Reference URL: [http://www.jasrac.or.jp/senji\\_kasan/index.html](http://www.jasrac.or.jp/senji_kasan/index.html)

### (3) Establishment of a new private copying remuneration system

On November 14, 2013, Culture First, an association of 85 organizations including JASRAC, made a proposal for the creation of a new remuneration system to replace the current private audio and video copying system.

The major points of the proposition are the following:

#### (i) The subject of the remuneration should be the copying function provided for the purpose of private copying

Under the current system, devices and media subject to compensation are those defined in government ordinances. However, long delays in relevant government agencies coming to an agreement resulted in the system lagging far behind market realities. Focusing on the “copying function” rather than the equipment and media will enable the remuneration system to operate in line with the market.

#### (ii) The supplier of the copying function should be obligated to pay the remuneration

In the current system, individual users are obligated to pay the remuneration. However, considering the effectiveness and economic rationality of such a system, manufacturers that are generating profits by supplying users with copying functions should be obligated to pay the remuneration.

In the 30 other countries that have implemented similar remuneration systems, not one obligates the end user to pay the remuneration.

Reference URL: <http://www.jasrac.or.jp/news/13/1114.html>

## 4-3. Expansion of the Global Network

### (1) Expanding copyright management for overseas music use

In an ongoing effort to ensure the precise management of copyrights overseas in accordance with “Reciprocal Representation Agreements\*,” JASRAC provided the following information to foreign copyright management organizations.

- Provision of information on use of JASRAC repertoire overseas
- Provision of work information to International database CIS-Net (1.3 million cumulative works at end of Mar. 2014)
- Provision of fiches internationales\* (13,000 works in FY2013)
- Provision of cue-sheets\* (6,000 audiovisual works in FY2013)

※

Reciprocal Representation Agreement: Agreement to reciprocally administer other societies' repertoire in its territory (see page 6).

Fiches internationales: International standard work index card

Cue-sheets: Documents detailing musical works and interested parties included in audiovisual works.

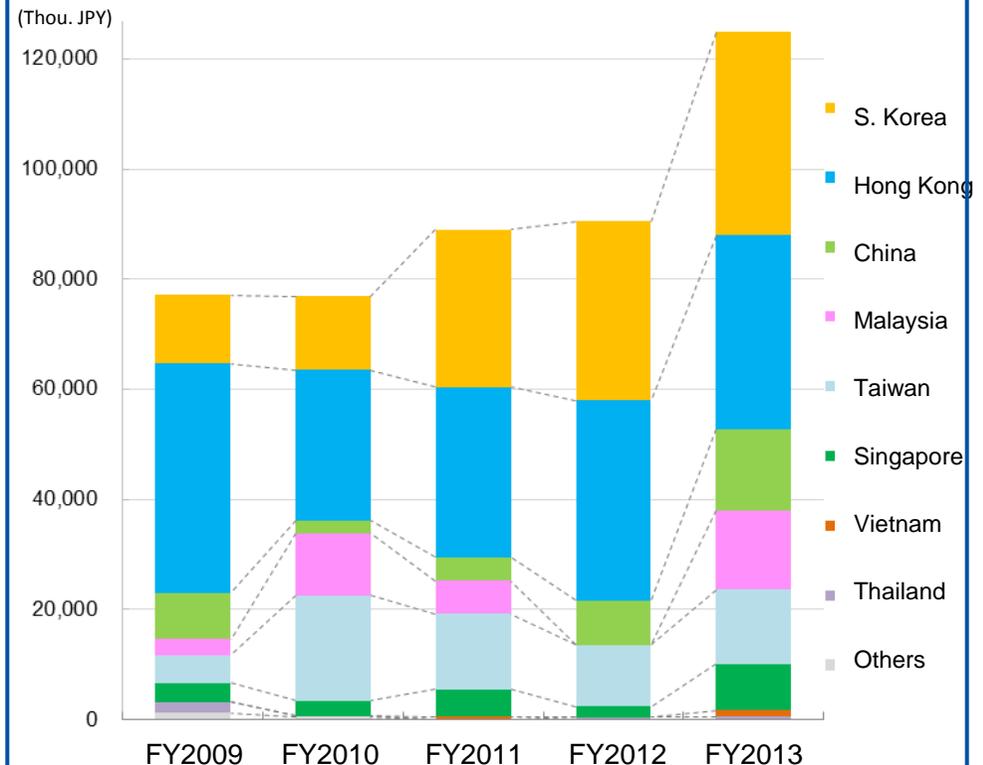
### (2) Enhancing copyright management in Asia

JASRAC provided technical and business training for trainees from 16 countries and one territory including Indonesia, Cambodia, Myanmar and Vietnam, while sending lecturers to Singapore, Thailand and Malaysia, to contribute to the further enhancement of copyright management in Asia. As for China and South Korea where copyright laws and systems are in the process of being amended, JASRAC has exchanged views with government officials and staffs of sister copyright management organizations of both countries.

### < Changes in foreign income from Asian territory >

Foreign income from Asia surpassed the 100 million JPY mark for the first time in FY2013.

This can be attributed to the increased payments from South Korea and China. Income from South Korea surpassed that of Hong Kong to become the largest amount earned in Asia, and income from China reached 10 million JPY for the first time.



## 5. Great East Japan Earthquake Recovery Support Material for the 2014 Periodic Press Conference

### (1) “Kokorone” project

Through the “Kokorone” project, JASRAC Members and Trustors (lyricists, composers and publishers) can donate royalties paid for the use of works that they choose to help with the reconstruction of regions affected by the Great East Japan Earthquake.

The progress of the project, as of the end of April this year, is as follows:

Number of works chosen: 250

Members/Trustors participating: 130

Amount of money for donators:

33,723,125 yen

Support activities utilizing the Kokorone Fund will be implemented with due consideration of the requirements and circumstances of the affected regions.



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

The 27 works chosen for the “Kokorone Song Act,” which solicits works created by JASRAC Members/Trustors for the psychological support of people affected, were made into a CD and donated to broadcast stations and libraries in Iwate, Miyagi and Fukushima Prefectures.

Works submitted are available at the JASRAC website and “JASRAC Channel” on the NicoNico Channel website.

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

### (2) “Stage Created by Music Experts” held

Concerts for young people: “Music Appreciation Program for Boys and Girls: Stage Created by Music Experts” was held on June 29, 2013 in Kesenuma, Miyagi, and on June 30 in Ofunato, Iwate. A combined total of approximately 850 persons were invited to these concerts.

In this event, professional studio musicians who performed on stage visited schools in the event areas to provide music lessons to junior high and high school students.

In September, six students visited JASRAC from Ofunato Daiichi Junior High School to thank the musicians for the music lessons and for the invitation to the performance.

JASRAC received a hand-made “big-catch flag” from the students, who said that they “hoped to return the favor to those who supported” them, and asked that we watch over them as they “march to recovery.”



## 6. Other Issues

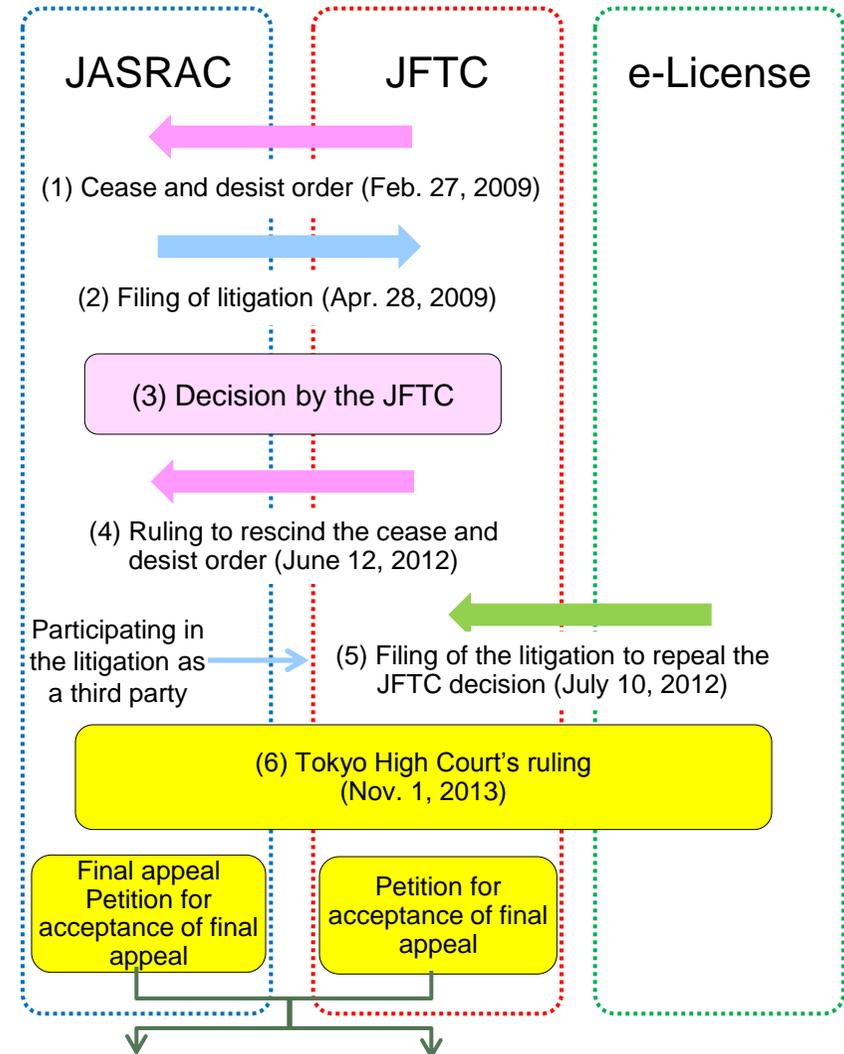
### ■ Litigation to repeal the JFTC decision

The Japan Fair Trade Commission (JFTC) rescinded the cease and desist order regarding JASRAC's method for the collection of royalties for the use of music in broadcasting and other activities on June 12, 2012. e-License filed litigation against the JFTC to repeal its decision (litigation to repeal the JFTC decision). On November 1, 2013, the Tokyo High Court (Chief Judge: Toshiaki Imura) partially acknowledged the claims of the company and ruled to repeal the decision.

JASRAC is participating in this litigation as a "third party whose rights are infringed as a result of the litigation" defined in the Administrative Case Litigation Act. On November 13, JASRAC filed a final appeal against the above ruling and a petition for acceptance of the final appeal to the Supreme Court, on the following grounds: the ruling of the Tokyo High Court is based on an erroneous interpretation of the law; e-License does not qualify as claimant in this litigation; and there is no reason to repeal the JFTC decision.

The JFTC also filed a petition for the acceptance of the final appeal to the Supreme Court against the Tokyo High Court's decision.

Events leading up to the litigation to repeal the JFTC decision



(4) established if acknowledged

Return to (3) if not acknowledged