

# 18. Audio/Video Software

## 1. Definition of Category

Audio software:	Records (analog discs), compact discs (digital discs) (does not include cassettes or other tape-recorded music)
Video software:	Video cassettes (does not include video discs)

HS Numbers	Commodity
<Audio software>	
8524.10-010, -020	Records
8524.99-000, -010, 32-000	Compact discs
<Video software>	
8524.53-021, -029	Video tape
8524.39-000	Video discs

Notes: (1) The term "video discs" refers to both LD (laser discs) and VHD (video high-density).  
(2) The category of audio-video software also encompasses multimedia products such as CD Graphics and CD ROM. However, these items will not be discussed in this report.

## 2. Import Trends

### (1) Recent Trends in Audio-Video Software Imports

#### <Audio Software>

Imports of audio software began growing since 1993, reaching a peak in 1996 with more than 80 million units. After temporarily decline, imports of audio software turned sharply upward in 2000, and 2001 saw a continuation of the growth trend, with an annualized increase of 2.3%. Imports totaled 69.19 million units, the highest number in the past five years. CD imports grew from Germany and the United Kingdom, while on a value basis imports posted their first increase in three years, to ¥30.4 billion (up 8.1% from the year before).

Virtually all shipments of domestic audio software are on CD, with analog phonograph records making up less than 1% of the total. This contrasts with imports, where phonograph records account for 15% of the total, with 9,030 units compared to 60,162 units on CD. The number of enthusiasts who evaluate highly the sound quality of analog phonographs has been increasing. In most cases, Japanese record companies acquire reproduction and resale rights to foreign audio software under contract with foreign record labels. Sometimes Japanese record companies import foreign records or CDs as finished goods from the foreign record company if they cannot produce enough volume themselves or if they expect only modest sales. The Recording Industry Association of Japan estimates that Japanese record companies import 30% of all imported CDs.

#### <Video Software>

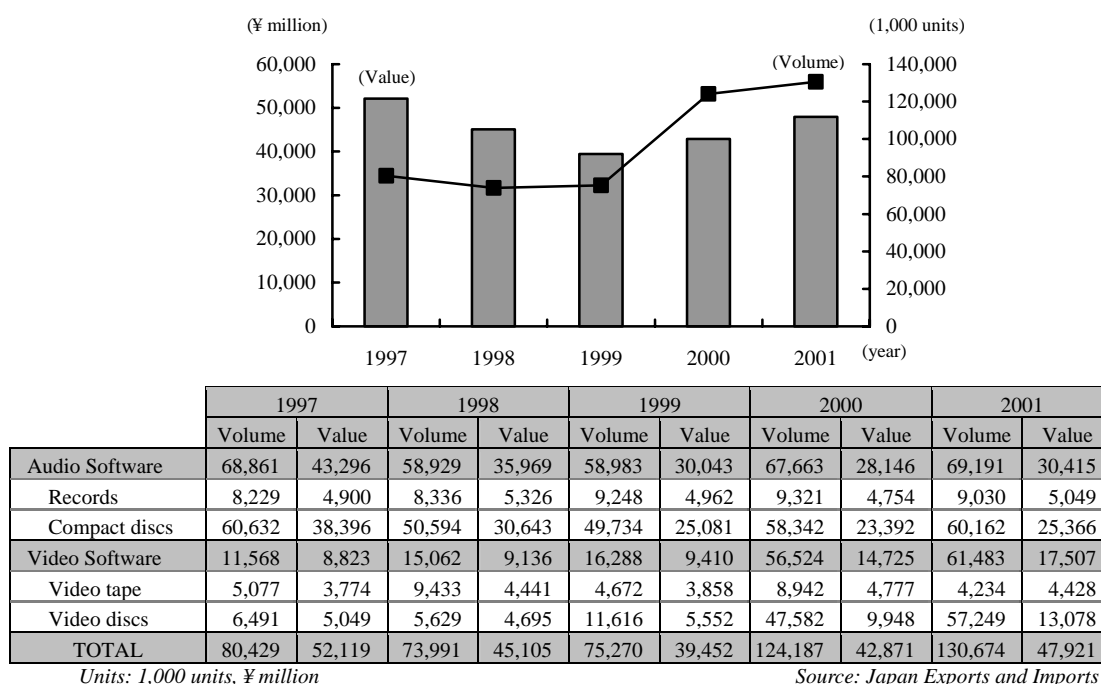
Unlike audio software, video software has problems with language differences and media format incompatibilities (refer to 6. Product Characteristics). As a result, there has been no truly thriving market for imported video software. In the area of video software, 2000 saw a huge volume of imports from Taiwan, the Republic of Korea and other Asian nations. 2001 marked another year of growth, with imports rising 8.8% to 61.5 million units. Video software imports are now nearly as numerous as audio software imports. Nearly all imports are on video discs.

### (2) Imports by Place of Origin

#### <Audio Software>

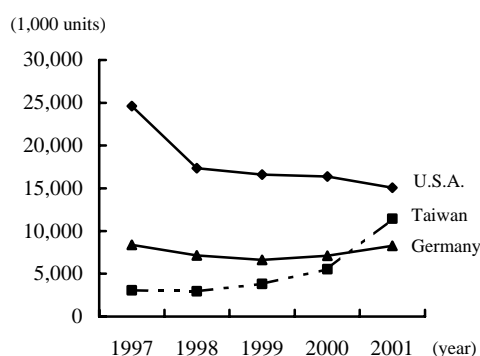
Compact discs are imported from many countries in Asia and West. On a volume basis, Hong Kong had ranked first in 2000, but saw its imports sink by half in 2001 while imports from Taiwan doubled. Thus, there has been considerable fluctuation. In general, CDs imported from other Asian nations are very inexpensive, so on a value basis the lead goes to the United States (32.8% import share), Germany (17.9%), and the United Kingdom (15.0%). In phonograph records, the United States (60.8%) and the United Kingdom (25.3%) hold a commanding lead over all other exporters, while other Asian nations are barely visible. (see Fig. 2, 4)

**Fig. 1 Japan's audio/video software imports**

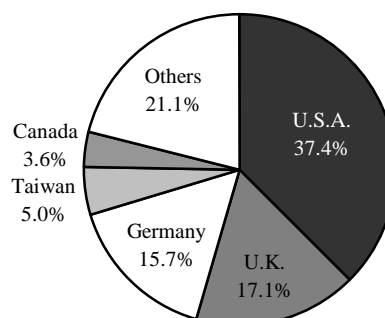


**Fig. 2 Principal exporters of audio software to Japan**

**Trends in import volume by leading exporters**



**Shares of audio software imports in 2001 (value basis)**



	1997	1998	1999	2000		2001		Value	
	Volume	Volume	Volume	Volume	Value	Volume	Value		
U.S.A.	24,610	17,354	16,618	16,376	10,133	15,071	21.8%	11,373	37.4%
Taiwan	3,085	2,938	3,822	5,532	669	11,449	16.5%	1,536	5.0%
Germany	8,372	7,147	6,630	7,095	3,902	8,256	11.9%	4,783	15.7%
U.K.	7,891	6,712	6,632	6,716	4,377	7,218	10.4%	5,212	17.1%
Singapore	3,181	3,260	3,448	2,565	914	6,105	8.8%	1,063	3.5%
Others	21,722	21,519	21,832	29,379	8,150	21,093	30.5%	6,449	21.2%
<b>TOTAL</b>	<b>68,861</b>	<b>58,929</b>	<b>58,983</b>	<b>67,663</b>	<b>28,146</b>	<b>69,191</b>	<b>100.0%</b>	<b>30,415</b>	<b>100.0%</b>
(E U)	23,459	19,415	18,654	20,606	11,906	20,547	29.7%	12,592	41.4%

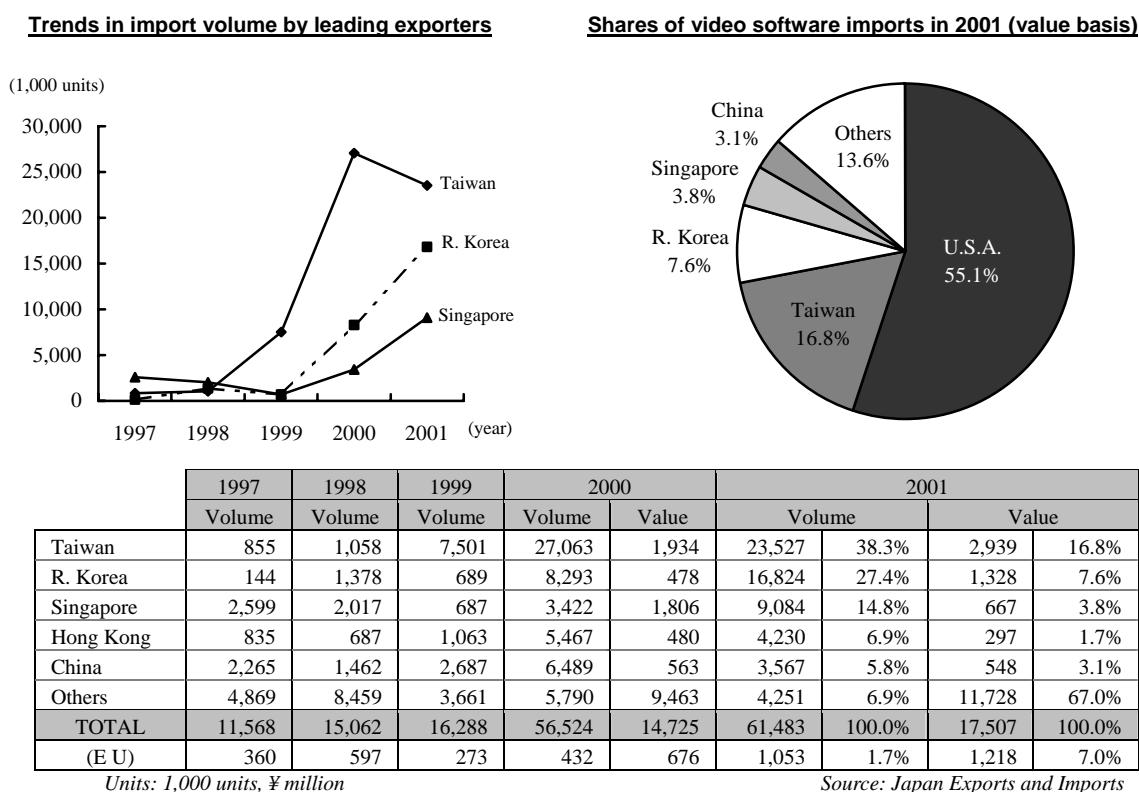
Units: 1,000 units, ¥ million Source: Japan Exports and Imports

**<Video Software>**

In the area of video software, former volume leader Taiwan saw its video software exports to Japan decline in 2001 with an import share of 38.3%, while imports grew dramatically from the Republic of Korea (27.4%) and Singapore (14.8%). This nation-to-nation fluctuation notwithstanding, import volume from Asian nations overall has increased considerably over the past 1-2 years. These results suggest not only a heightened interest in the cultures of other Asian countries, but also the continuing and increasingly normative trend in video software as well to shift manufacturing to other Asian countries, as has happened in other product fields.

However, while three top countries accounted for 80.5% of all Japan's imports on a volume basis, together they account for just 28.2% of all imports on a value basis. They trail the United States, the leading exporter to Japan in this field with a 55.1% import share, by a large margin. (see Fig. 3, 4)

**Fig. 3 Principal exporters of video software to Japan**



**Fig. 4 Leading exporters by product category (2001)**

		Total	First			Second		
			Country	Share	Yearly change	Country	Share	Yearly change
Volume	Records	9,030	U.S.A.	60.8%	99.7	U.K.	25.3%	83.6
	Compact discs	60,162	Taiwan	19.0%	206.9	U.S.A.	15.9%	88.2
	Video tape	4,234	R. Korea	37.9%	95.7	China	20.3%	18.1
	Video discs	57,249	Taiwan	40.6%	86.4	R. Korea	26.6%	230.0
Value	Records	5,049	U.S.A.	60.4%	116.7	U.K.	28.1%	86.4
	Compact discs	25,366	U.S.A.	32.8%	110.7	Germany	17.9%	121.5
	Video tape	4,428	U.S.A.	70.8%	86.1	Taiwan	18.8%	232.4
	Video discs	13,078	U.S.A.	49.8%	60.5	Taiwan	16.1%	133.7

Units: 1,000 units, ¥ million      Source: Japan Exports and Imports

**(3) Imports' Market Share in Japan**

As Japanese record companies sometimes produce foreign record labels, distinction of a domestic product and an import is not clear. According to statistics by the Record Industry Association of Japan, the domestic production of audio software showed decline to ¥554.9 billion in 2000, down for the first time since 1984. 2001 saw further decline to ¥526 billion. In contrast, domestic production of video software rose to ¥137.6 billion, due mainly to success of DVDs (digital video discs).

According to industry sources, imports' share of music CDs, which account for the majority of audio software, is 6-8% in recent years, while the share of imported phonographs is about 80%. In the video software market, the imports' share is estimated at just 2%.

**Fig. 5 Domestic production of audio/video software (reference)**

	1996	1997	1998	1999	2000
Audio software	563.9	568.5	589.4	554.9	526.0
Analog disk	1.3	1.4	1.5	3.6	2.1
Compact disk	562.6	567.1	587.9	551.3	523.9
Video software	116.1	113.9	139.7	109.4	137.6
Video tape	77.7	83.1	103.9	82.5	75.5
Video disk	38.4	30.8	35.8	26.8	62.1

Unit: ¥ billion

Source: Recording Industry Association of Japan

In addition to above, domestic production includes audio-video software (CD graphics, CD ROM and video CD), resulting total of ¥19.8 billion in 2000.

### 3. Key Considerations related to Importing

#### (1) Regulations and Procedural Requirements at the Time of Importation

The importation of audio and video software is subject to provisions of intellectual property related laws such as the Customs Tariff Law and the Copyright Law.

##### 1) Customs Tariff Law

The Law prohibits the importation of the following items. These may not be imported.

- Products that infringe registered patents, new utility models, designs, trademarks or copy rights.
- Products that are harmful to public safety or morality (such as pornographic materials)

##### 2) Copyright Law

Under the Copyright Law, protection is accorded to not only works by Japanese citizens and works first issued in Japan, but also works which Japan is bound to protect under international conventions. Japan is a member of the Universal Copyright Convention, the Berne Convention, the Phonographs Convention, the WIPO Phonographs Convention, and the Rome Convention. Material that is legally produced in any signatory nation to these conventions may be imported. However, material that has been reproduced in a non-signatory nation may not be imported without permission from the copyright holder (including performers, producers, and broadcasting organizations holding peripheral copyrights, etc.).

Imports of videotapes of foreign films, etc. consequently require the permission of the copyright owner from the viewpoint of the rights to distribution (1994 Decision on Disney's 101 Dalmatians Case). For more details, contact the Japan Video Association. When copying by oneself, copying Japanese, etc., the permission of the copyright holder is required. For audio tapes etc., the channel is the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC). For rentals, confirmation is required since payment of royalties to copyright holders is sometimes required.

#### (2) Regulations and Procedural Requirements at the Time of Sale

The sale of audio and video software is subject to provisions of intellectual property related laws such as the Customs Tariff Law and the Copyright Law. In addition, containers and packaging may be subject to provisions of the Containers and Packaging Recycling Law and the Law for Promotion of Effective Utilization of Resources. For more detailed information about the subject, scope, labeling method, etc., please consult the competent government agencies listed below.

#### (3) Competent Agencies

- Customs Tariff Law  
Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance  
TEL: 03-3581-4111 <http://www.mof.go.jp>
- Copyright Law  
Copyright Division, Commissioner's Secretariat, Agency For Cultural Affairs, Ministry of Education, Culture, Sports, Science and Technology  
TEL: 03-3581-4211 <http://www.mext.go.jp>
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources  
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry  
TEL: 03-3501-1511 <http://www.meti.go.jp>  
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment  
TEL: 03-3581-3351 <http://www.env.go.jp>

## 4. Labeling

### (1) Legally Required Labeling

There are no legal requirements for labeling for audio and video software. But, to protect the rights of copyright holders, sometimes the following marks are used to prove that the product is a legitimate one sold with the consent of the copyright holder:

#### 1) P Mark

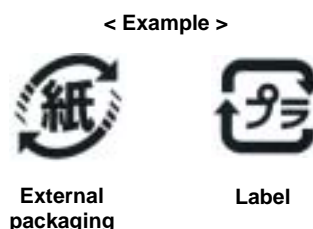
P is an abbreviation of phonograph. International standard graphical symbol used with phonographs and compact discs to indicate copyright ownership of the recorded material. Countries not members of the Phonographs Convention have registration systems. Be sure to obtain them.

#### 2) © Mark

An international mark showing who owns the copyright. Under the Universal Copyright Convention, registration is a requirement of a copyright. (In countries party to the Berne Convention, a copyright arises upon creation of a work, so the mark is not required. When a country is party to the two treaties, the Berne Convention takes precedence.) In 1989, however, the U.S. joined the Berne Convention and the number of countries adopting the registration system began declining.

### 2) Labeling under the Law for Promotion of Effective Utilization of Resources

When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, tags, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.



### (2) Voluntary Labeling Based on Provisions of Law

There is no voluntary labeling based on provisions of law for audio and video software.

### (3) Voluntary Industry Labeling

#### 1) JASRAC Mark

The JASRAC (Japanese Society for Rights of Authors, Composers and Publishers) Mark certifies that the consent of the copyright holder (in the member of JASRAC) has been obtained for audio tapes, etc.

- Japanese Society for Rights of Authors, Composers and Publishers (JASRAC)

TEL: 03-3481-2121      <http://www.jasrac.or.jp>



#### 2) Legitimate Video Identification Mark

The Japan Video Association established a mark certifying that the product is legitimate. Member companies may apply this mark to the videos or their cases. Foreign-affiliated video companies and other firms sometimes attach their own marks as well.

- Japan Video Software Association

TEL: 03-3542-4433      <http://www.jva-net.or.jp>

Legitimate Video  
Identification Mark



## 5. Taxes

### (1) Customs Duties

Customs duties on audio/video software are free. (see Fig. 6)

### (2) Consumption Tax

CIF x 5%

**Fig. 6 Customs duties on audio/video software**

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
8524.10	Records				
-010	(1) Exceeding 20 cm in diameter and not exceeding 40 r. p. m	Free	(Free)		
-020	(2) Other	Free	(Free)		
8524.99	Compact discs				
-010	(1) Digital audio discs	Free	(Free)		
-090	(2) Other	Free	(Free)		
8524.32	For reproducing sound only	Free	(Free)		
8524.53	Video tape				
-021	(1) Of a width not exceeding 12.7 mm	Free	(Free)		
-029	(2) Of a width exceeding 12.7 mm	Free	(Free)		
8524.39	Video discs	Free	(Free)		

Note: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

## 6. Product Characteristics

### <Audio Software>

There is some degree of variation in product quality by place of origin, with French and German products enjoying a reputation for superior quality. Imported audio software products are characterized by the following traits in comparison with their Japanese counterparts:

- 1) High sound quality
- 2) Low prices
- 3) Room for improvement in materials and workmanship
- 4) Quick sales (receiving) dates

### < Video Software>

There is no discernible difference in quality between imported and Japanese-made video software. The table below lists the different TV broadcast signal formats used by different countries. The differences in transmission methods and receiver circuitry make these formats incompatible. Consequently, video cassettes containing signals recorded in one format cannot be played back on equipment designed for a different format. Japan, the United States, the Republic of Korea and Taiwan all use NTSC signal format, and tapes from these countries may be played back on standard equipment in the others.

**Fig. 7 Color television broadcast signal formats in leading countries**

Countries	Signal Format
Japan, U.S.A, Republic of Korea, Taiwan, The Philippines, Canada	NTSC
Austria, The Netherlands, Sweden, Spain, Germany, Belgium, Great Britain, Italy, Australia, New Zealand, Brazil, Thailand, Singapore, China, Hong Kong	PAL
France, Russia, Iran, India, Greece	SECAM

## 7. Domestic Distribution System and Business Practices

### (1) Domestic Market Conditions

#### <Audio Software>

The proliferation of CDs means that demand spurred by the analog-to-digital transition has come to an end. CD sales have shown signs of sluggishness as a result. A small number of million-seller titles continues to prop up the market, while other titles struggle to post any sales growth. The decline in 8 cm CDs is particularly dramatic, as the market has suddenly moved over to 12 cm CDs.

In Japan, copyrighted material is exempt from provisions of the Anti-Monopoly Law. Thus, while most manufacturers are prohibited from dictating a retail price for their products to wholesalers and retailers, records and CDs are exempt from this prohibition. This puts record companies in a much stronger position in the market than is the case in other industries in Japan. In April of 1992 the Fair Trade Commission undertook a reevaluation of the exemption of copyrighted materials from the retail price setting prohibition.

As a result, the Commission decided for now to treat compact discs the same as records, but it also asked record companies to make certain voluntary changes: 1) Record companies will voluntarily set retail prices, and will strive to cut retail prices. 2) Retail prices of CDs that are over two years old will be decontrolled. 3) Record companies make residual stocks of CDs available to consumers at lower prices rather than collecting and destroying those stocks.

Music delivery services over the Internet have gotten started, but there is still little content and downloading is slow. Thus, there are numerous challenges in the path of widespread adoption of Internet music distribution. However, 2001 saw rapid growth in high-speed broadband services, so future trends will bear watching.

**<Video Software>**

The video software market has long been supported by sales to video rental outlets. But the proliferation of video rental stores led to intense price competition, and decline of the number of outlets. At the same time, rental stores are increasing in size, going under franchise management, and adopting more modern acquisition systems. In addition, some large foreign-owned video rental chain stores are opening stores in Japan. However, the overall trend is downward for rental fees, so there has been a slump in numbers in rental.

In contrast, sales to individual users are increasing as more families own VCRs, more video tapes come out in the more affordable ¥3,000 price range and more tapes are on sale in bookstores, convenience stores and supermarkets. Especially, DVDs are selling well in the recent market. The fact that game machines can also play back DVDs is helping promote their acceptance and wider use. A general pattern is emerging of rental for motion pictures and sale for music and animation.

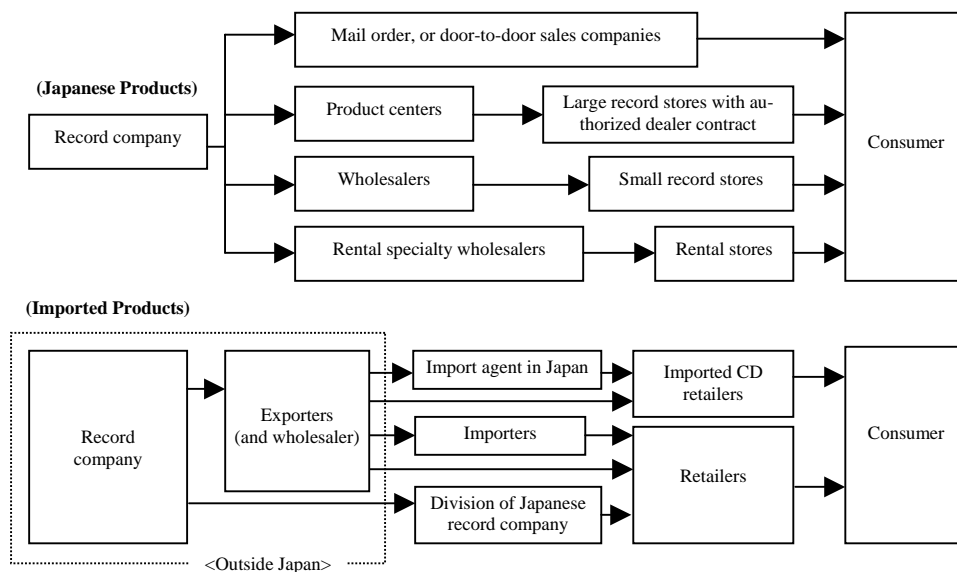
**(2) Distribution Channels**

**<Audio Software>**

Japanese audio software is distributed through three principal channels. Some are sold through large retail outlets that operate under authorized dealer contracts and obtain their stocks from record company supply networks. Some are distributed through wholesalers who carry products from all record companies, while some are sold through special order merchants. Authorized dealerships are allowed to return a certain portion of unsold merchandise under terms of their dealer contracts, but ordinary record stores are expected to buy the merchandise with no return privileges.

Imported audio software is distributed either through importers who buy direct from foreign wholesalers and pass the merchandise on to retailers, through import divisions of Japanese record companies, or through direct purchases from abroad by retail outlets. Foreign-owned chain stores ship from their main offices in quantities comparable to the larger record importers, and some of these stores also wholesale merchandise to other retailers. At the present time most of the stores that carry imported audio software are located in major metropolitan areas, but wider dissemination of product information and increased mail order sales will mean greater sales for imported audio software all across Japan.

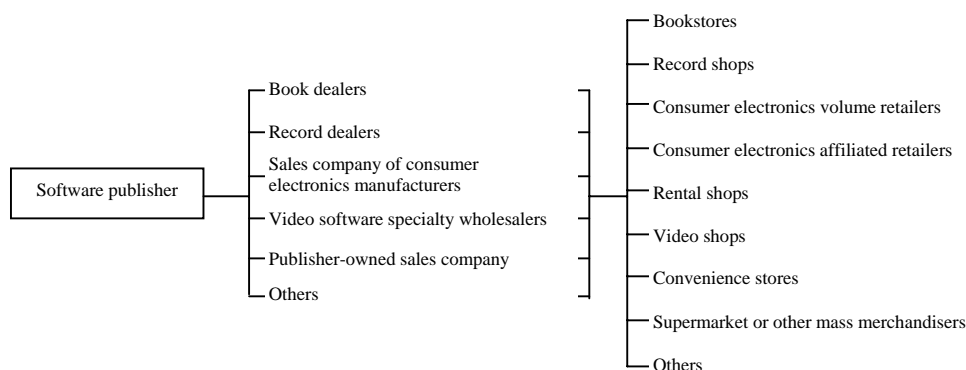
**Fig. 8 Distribution channels for audio software**



**<Video Software>**

Video software distribution channels differ according to whether the merchandise is destined for sale to rental outlets or individual users. Fig. 9 below illustrates the process in greater detail.

**Fig. 9 Distribution channels for video software**



### (3) Key Considerations for entering the Japanese Market

There are no especially noteworthy problems prospective importers are likely to encounter. Still, audio and video software sales are subject to highly volatile trends in consumer preference, and prospective importers should have a clear understanding of those trends before starting operations. Importers of foreign audio or video software with names or logos similar or identical to trademarked material in Japan must obtain permission from the trademark holder prior to import. Copyright, trademark and intellectual property law in general are very complex, and prospective importers should be well-informed about intellectual property law matters.

### 8. After-Sales Service

Retailers will exchange merchandise with defects in sound or visual image reproduction.

### 9. Related Product Categories

Imports of amplifiers, tuners, speakers, turntables and other audio equipment are subject to provisions of the Electrical Appliance and Material Safety Law. For more information, consult the section on “Audio Equipment” (III-17) in this guidebook.

### 10. Direct Imports by Individuals

Products that violate intellectual property laws, are considered pornographic or otherwise prohibited may not be imported. Otherwise there are no restrictions. However, individuals should note that video programs recorded in Europe or other places using an incompatible signal format cannot be replayed on ordinary VCRs in Japan.

### 11. Related Organizations

- Recording Industry Association of Japan      TEL: 03-3541-4411      <http://www.riaj.or.jp>
- Japan Audio Society (JAS)      TEL: 03-3546-1206      <http://plaza2.mbn.or.jp/~JASinfo>
- Compact Disc & Video Rental Trade Association of Japan      TEL: 03-3234-8824      <http://www.cdv-j.or.jp>