

Audio Recording Market

Contents

Summary

I. Market Overview

II. Production Trends

III. Import Trends

IV. Consumption Trends

V. Distribution Trends

VI. Relevant Laws

VII. Future Market Prospects

VIII. Advice for Exporters to Japan

IX. List of Related Trade Fairs and Exhibitions

X. List of Related Organizations

Yen-Dollar Exchange Rates

Year	Yen/US\$
1990	145
1991	135
1992	127
1993	111
1994	102
1995	94

Source: *International Financial Statistics*, IMF

Summary

With the increase of leisure time and the popularity of *karaoke*, lifestyles including the enjoyment of music have become common among the Japanese. For this reason, the audio recordings market in Japan grew in both the sales amount and in the sales quantity. Compared to the previous year, in 1995 the market size for audio recordings increased by 15.9% to 714.2 billion yen.

In the Japanese audio recordings industry, it is said that there are 81 manufacturers. The top six manufacturers, however, dominate one-half of the entire market, indicating that the market is concentrated.

Many major foreign manufacturers have entered the Japanese market in previous years, and recently, the entry and expansion of large-scale foreign retailers have become increasingly noticeable. Because of the recent price reduction for imported recordings due to the rising yen, and of the increase in the number of foreign record stores, imports have been on the increase.

Japanese consumers buy audio recordings not only for enjoying music itself, but also for practicing *karaoke*. In addition, young people still tend to prefer the Western culture, and want to pick up the latest trends of the Western music. Because of this, there is high demand for the Western music.

Distribution channels for audio recordings include the market route, the rental route and the special sale route. And, with the expansion of foreign record stores, low-priced Western repertoire imports have become common. At the same time, emergence of new distributors such as domestic discount stores has intensified price competition. In response, manufacturers have tried to lower prices and cut back on production costs.

In Japan, as for laws and regulations related to audio recordings, there are copyright laws and regulations, and the resale price maintenance system. The former aim to protect the profits of songwriters and composers as well as performers and record producers, while the latter requires retail stores to sell at resale prices for a certain period of time.

Finally, because the number of young people, who are the main consumers of audio recordings, is gradually decreasing, broadening the consumer age group and creating demand through development of new software for the multimedia society have become major challenges in the industry.

Exporters to Japan should make the latest works of universally popular artists available in the Japanese market as soon as possible, guarantee quality of their products, and understand Japanese business practices.

I. Market Overview

1. History of the Japanese Audio Recordings Market

The Japanese audio recording industry began when the first flat disc records were sold in 1903. This was made possible after manufacturing engineers dispatched from the companies of Gramophone (Great Britain) and Columbia (The United States) took home with them original discs recorded in Japan, had them

manufactured in their own countries, and sent back to Japan.

During the Taisho Period (1912-1925), the notion of "popular" songs gradually took form. In 1915, *Kachusha no Uta (The Song of the Kachusha)* by Sumako Matsui sold 20,000 copies and became the first hit record of Japan. In 1917, the collaboration work *Sasurai no Uta (The Song of the Wanderer)* by Sumako Matsui and composer Shinpei Nakayama sold 270,000 copies in six months, after which the audio recording industry grew rapidly.

The audio recording industry was understandably stagnant during the years of World War II, but in 1946, *Ringo no Uta (The Song of the Apple)* became the first major hit record of the postwar era, and many hit songs that followed contributed to the recovery of the industry. With Japan's rapid postwar economic growth, musical tastes of the consumers changed, and Western popular music such as rock, pop and other related new music genres became favorites of the young people. Consequently, the audio recording industry gradually spread to the young age group.

By the late 1960s, major international record companies such as CBS, EMI, Warner Group, and Polygram established joint ventures in Japan one after another, bringing in internationalism in the Japanese recording industry.

In 1984, compact discs (CDs) were introduced by major manufacturers, and because of their high-quality sound and durability, many works were reissued on CD and created new demands. While production of records and cassettes has continued to decrease in both volume and value, production of CDs has shown a double-digit increase every year.

Today, as lifestyles of the Japanese become more individual, demands for music have become diverse. In addition, with major foreign record stores finding their way into Japan, low-priced imported products have spread rapidly and have brought about price competition. As new digital products such as mini discs (MDs) and digital video discs (DVDs) are put to sale, expansion of demand is expected.

2. Major Products and Surveyed Products

With the advancement of audio-visual (AV) technology, diversified digital products, such as those that record music and picture at the same time, have been developed. Today, analog records have completely shifted to digitally recorded CDs, and the next generation of AV products such as MDs, which are more compact than CDs, and DVDs, which enable long recording of high-quality sound and picture, is beginning to take off.

In this report, major products of the audio recording industry such as CDs, analog records (LPs and singles) and cassettes are the subjects of the survey.

3. Size of Japanese Audio Recordings Market

The Japanese audio recordings market has grown both in sales value and in sales volume in recent years. According to the statistics taken by the only international organization that represents the world's recording industry, the International Federation of Phonographic Industry (IFPI), the sales value in 1995 was 7,142 billion yen, with an increase of 15.9% and the sales volume was 416.6 million discs/cassettes, with an increase of 11.5% compared to the previous year.

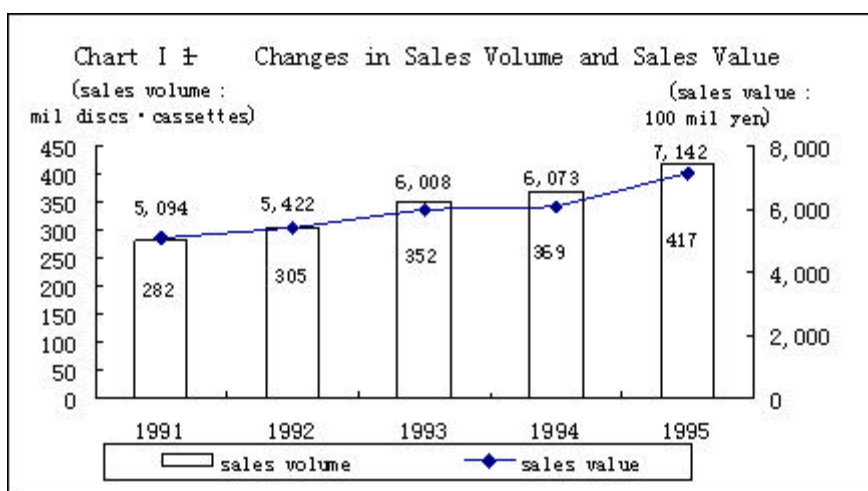
Table I-1 Size of Japanese Audio Recordings Market (1991-1995)

	Sales Volume					Sales Value	
	Single	LP	Cassettes	CD	Total	in US \$	In ¥
1991	89.6	0.9	19.4	171.8	281.7	4,937.5	509,357
1992	105.8	0.8	16.2	181.8	304.6	5,256.3	542,244
1993	145.3	0.7	14.0	191.8	351.8	5,824.4	600,845
1994	125.4	5.0	11.0	227.5	368.9	5,887.4	607,341
1995	145.0	8.5	9.0	254.1	416.6	6,923.6	714,241

- Note:
1. Unit: sales volume = 1 million discs /cassettes sales value = 1 million U.S. dollars / 1 million y
 2. the sum of LPs, cassettes, and CDs is the sum of sales volume
 3. the sales value is calculated with the exchange rate of 1 U.S. dollar = 103.16 yen

Source: IFPI

In 1995, the share of sales in Japan in sales worldwide was 19%, and was second after the United States. For CDs, which constitute the largest product segment in the audio recordings market, sales in Japan had 13% share.

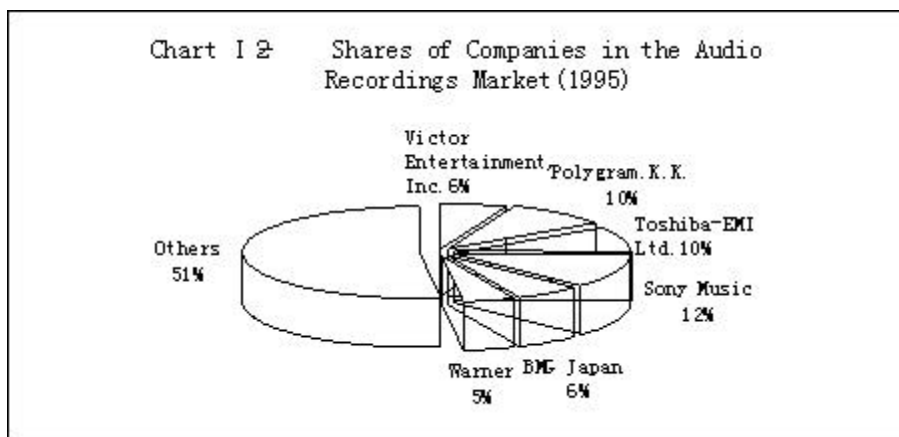


Source: IFPI

4. Major Manufacturers and Retail Stores

1. Major Manufacturers

In total, there are 81 record companies in Japan (Oricon Inc, *Oricon Yearbook 1996*). Among them, 29 major companies were members of the Recording Industry Association of Japan as of April 1997 (see Chart I-2). Major manufacturers, such as Sony, Victor, Toshiba, and Matsushita, are in many cases affiliates of electronics manufacturers. This is because audio recordings have grown with the development of hardware by these electronics manufacturers. In 1968, regulations on foreign investments in Japan were relaxed to allow 50% capital participation by foreign companies, and foreign manufacturers entered the Japanese market one after another. Today, many of the major Japanese manufacturers are joint ventures involving major international companies. Based on the total sales value of CDs, analog records and cassettes, Victor Entertainment, Polygram, Toshiba-EMI, Sony, BGM Japan, and Warner Music Japan are the top six companies, which account for 49% of the entire market. The market is highly concentrated.



Source : Record Tokushin Publishing Company

Table I-2 Companies in the Recording Industry Association of Japan

(as of April 1997: By dates of participation in RIAJ and of foundation)

Company Name	Foundation	Sales value	Number of employees
Nippon Columbia Co., Ltd.	Oct. 1910	36,894	665
Victor Entertainment, Inc.	May. 1972	85,907	657
King Record Co., Ltd.	Nov. 1951	24,580	340
Teichiku Records Co., Ltd.	Nov. 1951	13,474	379
Polydor K.K.*	May. 1953	32,683	72
Toshiba EMI Ltd.	Oct. 1960	82,727	1,121
Nippon Crown Co., Ltd.	Sep. 1963	45,361	250
Tokuma Japan Communications Co., Ltd.	Feb. 1965	14,153	160
Sony Music Entertainment, Inc.	Mar. 1968	114,547	2,063
Mercury Music Entertainment Co., Ltd.	Jun. 1970	11,511	50
Pony Canyon Inc.	Oct. 1966	78,700	616
Warner Music Japan Inc.	Nov. 1970	34,954	272
Bandai Music Entertainment, Inc.	Aug. 1956	8,186	135
For Life Records Inc*	Jun. 1975	7,968	108
Vap, Inc.	Jan. 1981	28,834	190
Taurus Records, Inc.*	May. 1981	2,535	39
Polystar Co., Ltd.*	Jan. 1980	7,149	96
Alfa Music, Inc.	Jun. 1993	1,000	28
Kitty Enterprises, Inc.*	Mar. 1993	3,618	43
Fun House, Inc.*	Apr. 1984	6,485	90
East West Japan, Inc.	Mar. 1982	12,250	70
BMG Japan Inc.	Sep. 1987	47,895	329
NEC Avenue, Ltd.	Oct. 1987	N.A.	12
Meldac Corporation*	Jul. 1985	3,936	40
Pioneer LDC, Inc.	Mar. 1981	25,710	350
MCA Victor, Inc.	Jul. 1991	N.A.	95
B-gram Records, Inc.	N.A.	N.A.	N.A.
Avex D.D., Inc.*	Apr. 1988	34,420	181
Zain Records, Inc.	Apr. 1991	7,100	5

- Note :
1. Companies with "*" marks are sales consignment manufacturers.
 2. Unit : sales value = 1 million yen
 3. Sales value is for fiscal 1995 and the number of employees for July 1996.

Source : "Yearbook 1996", Recording Industry Association of Japan

"Teikoku Databank Company Yearbook", Teikoku Databank , Ltd.

(2) Retail Stores

Although official statistics concerning stores that sell audio recordings are not available, approximately 8,000 specialty audio recordings retail stores are said to exist in Japan. Most of these stores are small stores with floor space of only 10-20 *tsubo* (30-60 square meters). Other stores that sell audio recordings are: discount stores, convenience stores, electrical appliance stores, supermarkets, bookstores, and computer software stores. Among the specialty stores, major stores like Shinseido, Yamano Music, and Sumiya, are expanding business by increasing the number of their retail outlets. The oldest retailer, Shinseido, owned 302 outlets as of August 1996, and their sales value, it held about 10% share of the entire market. In addition, foreign record stores entering the Japanese market have drawn much attention in recent years. Today, Tower Records, (38 stores as of December 1996), HMV (19 stores as of October 1996), and Virgin Mega Stores (15 stores as of 1995) have emerged as major chain stores in Japan. According to interviews with industry sources, the three foreign retailers together make up about 10% of the entire market in sales value. Also, mail order sales are estimated to make up about 7% of the entire market, while specialty stores constitute the remaining 70%.

Table I -3 Major Audio Recordings Retail Stores

Company Name	Foundation	Capital (mil)	Number of Stores	'95 Sales Value (mil)
Disk Union	Feb.1979	21,500	42	14,335
HMV Japan K.K.	Feb.1990	25,000	19	N.A.
JEUGIA Corporation	May.1952	95,250	N.A.	15,330
Shinseido Co.,Ltd.	Jun.1964	318,080	302	80,833
Sumiya Co.,Ltd	Oct.1963	189,375	109	45,848
Tower Records Inc.	Dec.1981	2,500	38	32,800
Virgin Mega Stores Japan Ltd.	Jun.1990	10,000	15	10,500
Yamano Music Co.	Dec.1926	20,000	N.A.	30,796

Note : Companies listed by English alphabetical order

Source : "Teikoku Databank Kaisha Nenkan", Teikoku Databank, Ltd.

II. Production Trends

1. Trends in Domestic Production

Because of the high demand for audio recordings in recent years, production has been increasing. Table II-1 shows the trends in production in the last five years by 30 major companies that belong to the Recording Industry Association of Japan (RIAJ). In 1995, total production volume of analog discs, CDs, and cassettes combined increased 12% over the previous year, and their value increased by 9%. By item, CD production volume increased by 14.9%, and value grew by 10.4% from the previous year (Chart II-1). Looking at ratio of 8cm and 12cm CDs, the 8cm CDs have become more dominant in both sales value and volume in recent years. Meanwhile, production of analog discs and cassettes has been gradually decreasing in both value and volume.

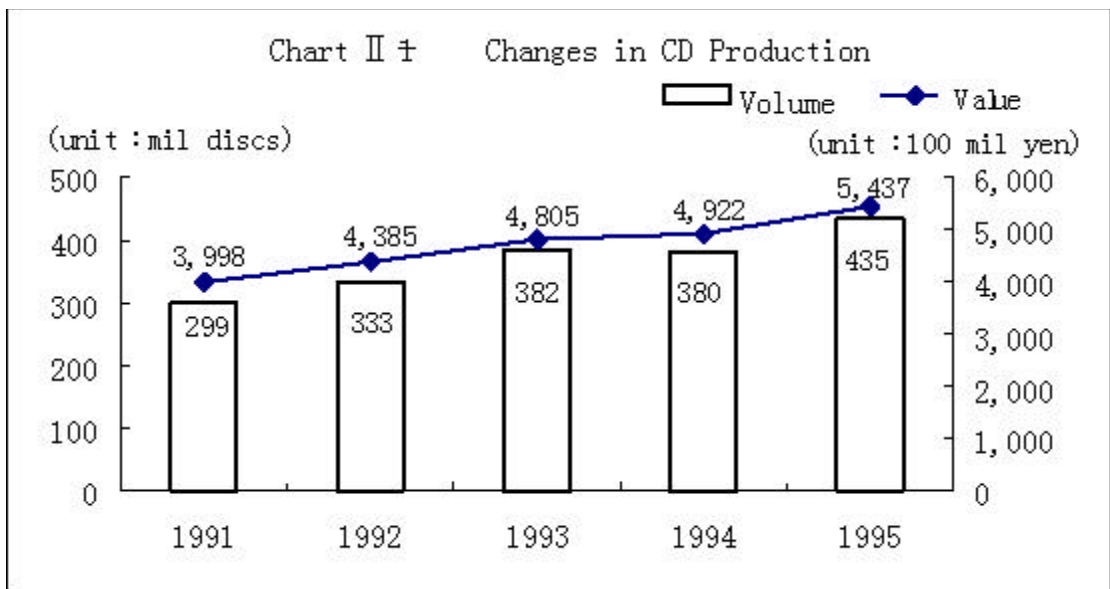
Table II 1 Changes in Audio Recordings Production

(units : 1000 discs • cassettes / mil yen)

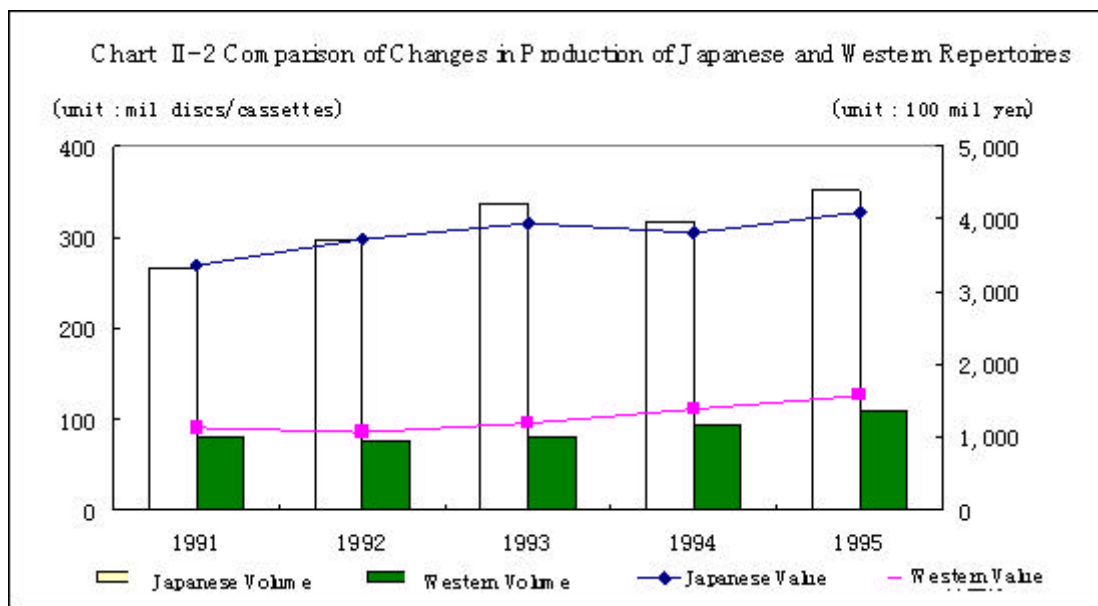
			1991		1992		1993		1994	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
CDs	8cm	Japanese	84,051	51,181	107,639	67,377	151,194	96,146	134,470	86,455
		Western	4,725	2,785	2,920	1,687	2,602	1,564	3,801	1,916
		Total	88,776	53,967	110,559	69,064	153,795	97,710	138,271	88,371
	12cm	Japanese	138,782	239,001	151,585	267,442	150,598	267,000	152,568	268,125
		Western	71,715	106,828	71,086	102,025	77,158	115,753	89,131	135,746
		Total	210,497	345,829	222,671	369,467	227,756	382,754	241,699	403,870
	Sub-total	Japanese	222,833	290,182	259,223	334,819	301,792	363,146	287,038	354,579
		Western	76,440	109,613	74,006	103,712	79,759	117,317	92,931	137,662
		Total	299,273	399,795	333,230	438,531	381,551	480,464	379,970	492,241
Analog Disks	Japanese	158	122	66	83	153	146	239	346	
	Western	823	1,363	947	1,769	689	1,375	381	735	
	Total	982	1,484	1,013	1,852	842	1,522	620	1,081	
Cassettes	Japanese	42,861	45,306	38,083	36,744	34,774	30,957	29,450	25,438	
	Western	1,717	2,408	770	1,075	559	732	410	486	
	Total	44,579	47,714	38,853	37,819	35,333	31,689	29,860	25,924	
Total	Japanese	265,852	335,610	297,372	371,646	336,719	394,249	316,727	380,363	
	Western	78,980	113,384	75,723	106,556	81,007	119,424	93,722	138,883	
	Total	344,832	448,994	373,095	478,202	417,726	513,673	410,449	519,246	

Note: Includes consigned production of Recording Industry Association of Japan companies.

Source: "Yearbook" 1992-1996 ed., Recording Industry Association of Japan



Source: "Yearbook" 1992-1996 ed., Recording Industry Association of Japan



Source: Same as Table II-1.

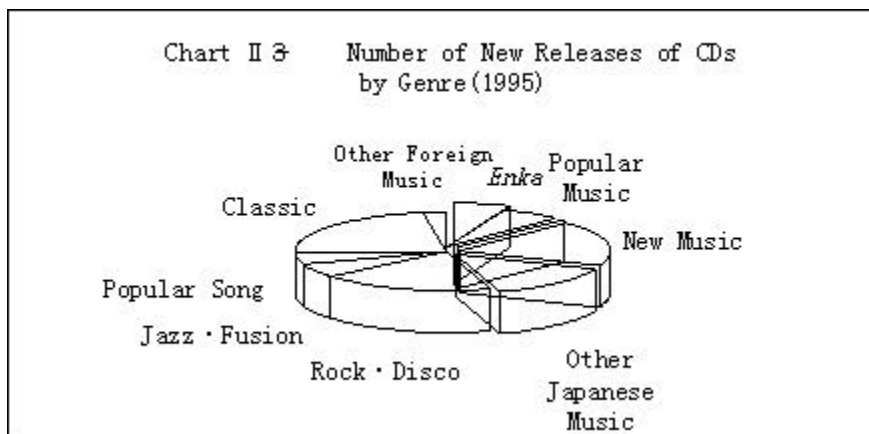
When viewing production volume and value of the entire audio recording products by genre, one finds that production of both domestic and foreign repertoire has increased (see Chart II-2). Especially in 1995, production for Japanese repertoire exceeded 350 million discs (cassettes) and 400 billion yen. As for foreign repertoire, production increased to 100 million discs (cassettes), and its value reached 157.4 billion yen. In addition, while analysis of new recording works of 1995 by genre shows that the ratio of foreign music to domestic music was 52 to 48, for CDs, which constitute the largest segment of the audio recordings market, the ratio of foreign music to domestic music was higher. For CDs, the ratio of foreign music to domestic

music was 55 to 45 (see Table II-2 and Chart II-3).

Table II-2 Number of New Releases in 1995

Type of Music			8cm CD	12cm CD	CD sub-total	Analog	Cassette	Total
Japanese	Popular	Enka	461	670	1,131	0	1,058	3,320
		Popular Music	498	658	1,156	11	155	2,478
		New Music	1,146	2,252	3,398	60	58	6,914
		Other	268	2,344	2,612	21	734	5,979
		Total	2,373	5,924	8,297	92	2,005	18,691
Foreign	Popular	Rock Disco	132	3,257	3,389	11	0	6,789
		Jazz Fusion	3	1,074	1,077	51	0	2,205
		Popular Song	72	871	943	1	2	1,889
		Soundtrack	2	241	243	0	5	491
		Other	9	227	236	20	1	493
		Sub-Total	218	5,670	5,888	83	8	11,867
		Classical	0	4,128	4,128	70	2	8,328
		Other	1	0	1	0	0	2
		Total	219	9,798	10,017	153	10	20,197
Total			2,592	15,722	18,314	245	2,015	38,888

Source: "Yearbook" 1996 ed., Recording Industry Association of Japan



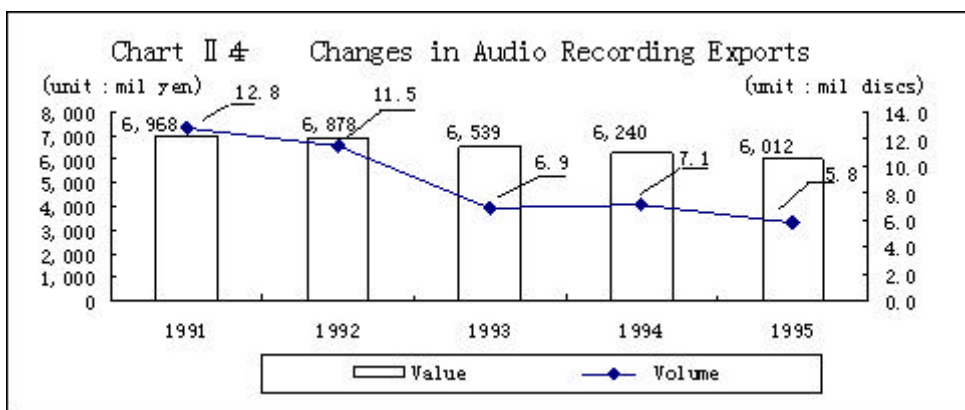
Note: The portion cut off on the right is of Japanese Music

Source: "Yearbook" 1996 ed., Recording Industry Association of Japan

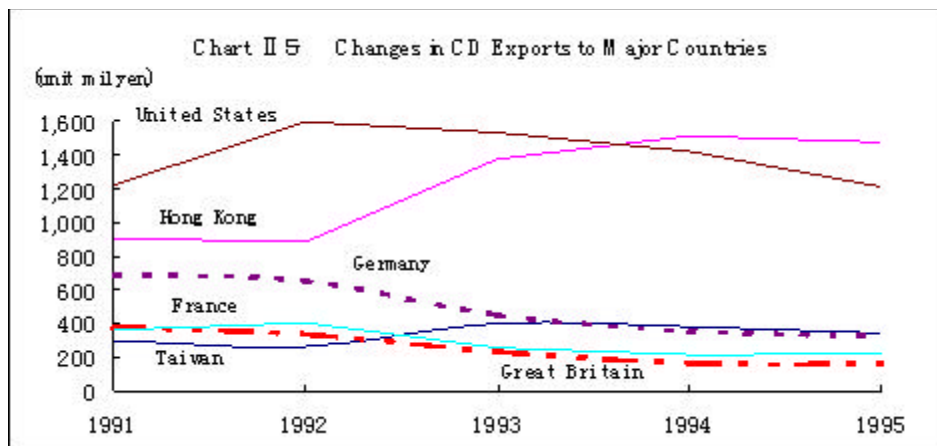
2. Trends in Exports

According to *Japan Exports & Imports* of the Ministry of Finance, in 1995, Japan's audio recording exports amounted to 5.85 million discs/cassettes, with 18% decrease from the previous year. These exports were valued at 6.01 billion yen, decreasing by 4% from the previous year. As illustrated in Chart II-4, exports of audio recordings have been declining both in quantity and in value, because of the yen appreciation in recent years.

As for CDs, which constitute the largest product category that accounts for more than 90% of all audio recordings, the main destinations of exports are: the United States, Hong Kong, Germany, France, Taiwan, and Great Britain. While the United States had always been the largest importer until 1994, Hong Kong took over its place: In 1995 CD exports to Hong Kong were valued at 1.475 billion yen, and accounted for 31% of the entire exports. The United States followed with 1.21 billion yen. Therefore, with the two countries combined, they dominated 56% of Japan's total exports. Exports to Asian countries/regions such as Hong Kong and Taiwan are high, but exports for Western countries continue to decline.



Source: "Japan Exports & Imports", Ministry of Finance



Source: "Japan Exports & Imports", Ministry of Finance

3. Trends of Manufacturers

Table II-3 shows major record companies' sales in fiscal year 1995. As mentioned earlier, one of the characteristics of the Japanese audio recordings market is that the market share of Japanese subsidiaries of major overseas manufacturers is very large. Foreign record companies, which have shown their strength in foreign repertoire in the past, are recently enhancing production of domestic works, by signing contracts with more artists and hiring more staff. For example, Polygram announced that it will strengthen its domestic music category as well, and that it plans to increase domestic music /foreign music ratio from 50 to 50 in fiscal year 1995 to 60 to 40 in the future. In addition, the German BGM Japan had begun placing emphasis on the domestic music category long before any of the other companies began to do so. In 1995, the company's sales of Japanese repertoire reached 27.5 billion yen, with 218% increase from the previous year. This also contributed greatly to the overall sales, which grew as much as 77% compared to the previous year.

On the other hand, major domestic companies are trying hard not to lose against the growing foreign companies seeking to expand share in the domestic music segment of the Japanese market, and are striving to survive by using their know-how and experiences that they have acquired so far. For instance, King Records achieved the highest sales in the company's history in fiscal year 1995, by using its know-how in the animation category and working through the whole process of animation from planning animation works to producing audio recordings.

In addition, emergence of small and compactly organized companies that quickly understand consumers' needs are worth attention. These emerging companies have aggressively used trend-conscious producers and have succeeded in producing big hits with a few but talented staff, going against major manufacturers that lag behind in renewing their production team.

In recent years, companies have also made their ways into the Asian market. There are mainly two patterns that are observed in these moves:

(1) To survive the price competition in the domestic market, manufacturers like Pony Canyon and Polygram have built factories in Asian countries/regions such as China and R. O. Korea where manufacturing cost is low, and press CDs and cassettes to import them back to Japan. Interviews with major manufacturers indicated that pressing cost per CD would be 30-40 yen lower than with domestic production.

(2) Some major manufacturers, such as Sony Music Entertainment and Victor Entertainment, have taken a strategy whereby they find local artists and promote them in the local market using know-how they have acquired in the Japanese market.

Table II-3 Sales of Major Manufacturers in Fiscal 1995

Company Name	Sales (change over previous year)					Ratio	
	(in mil yen)	CD	Record	Cassette	Other	Japanese (%)	Western (%)
Victor	85,907 (-0.1)	41,112	44	1,505	43,246	35,835(84)	6,826 (16)
Polygram K.K.	89,002 (-4.9)	67,723	0	1,485	19,794	34,811(50)	34,397 (50)
Toshiba-EMI	82,727 (4.7)	66,396	183	2,226	13,922	43,545(63)	25,260 (37)
Nippon Crown	45,361 (41.6)	38,888	0	2,055	4,418	40,597(99)	346 (1)
Sony Music	114,547 (2.3)	82,835	0	1,690	30,022	59,010(70)	25,515 (30)
Pony Canyon	78,700 (7.0)	28,700	0	700	49,300	25,900(88)	3,500 (12)
BMG Japan	47,895 (77.7)	43,070	14	326	4,485	27,520(63)	15,890 (37)

Source: Record Tokushin Publishing Company

4. New Product Development

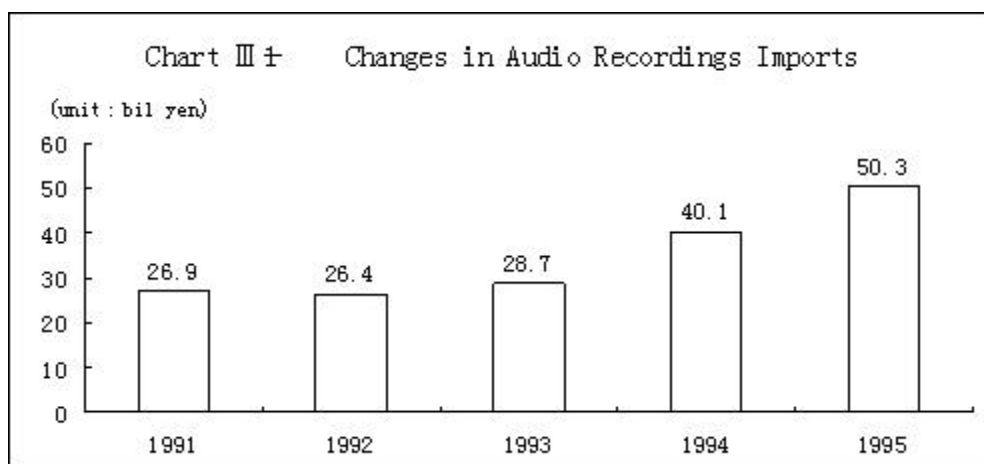
Progress of audio visual technology brings new demand for audio recordings. Major record companies like Sony Music Entertainment, Victor Entertainment, and Japan Columbia are all developing new CDs capable of playing high-quality sound that is close to the original. Also, since MDs are more portable than CDs, MD sales are expected to increase. In addition, recently, introduction of DVDs is frequently discussed in the industry. While DVDs and CDs are of the same size, a DVD's storage capacity is a few times more than a CD's. Because one can also record pictures on DVDs and DVDs have high-quality sound as well, demand for DVDs is expected to increase in the future.

III. Import Trends

1. Overall Trends

Total imports of audio recordings rose between 1990 and 1995. Especially in 1994 and 1995, imports recorded a dramatic increase over the previous year. In 1994, total imports were valued at 40.1 billion yen (39.7% increase from the previous year), and in 1995, at 50.3 billion yen (25.4% increase from the previous year). The rapid increase of imports can be attributed mainly to the increase of CD imports. Increase of analog record and cassette imports was small.

The following are some of the reasons for the increase in audio record imports, mainly CDs: (I) Because yen was strong until May, 1995, record stores lowered prices for imported discs and consumption accelerated. (II) Because imports, unlike domestically produced foreign repertoire products, are not regulated by the resale price maintenance system, small retail stores that sell low-priced imported CDs increased. (III) Lately, there has been an increase of specialty record stores that sell large quantity of imports, especially large-scale foreign record retailers. (IV) More sales channels have been created, as large record stores and bookstores, influenced by the trend noted in (III), sell imports, and new distribution routes for imports, such as the Internet and mail-order, emerge.



Source: "Japan Exports & Imports", Ministry of Finance

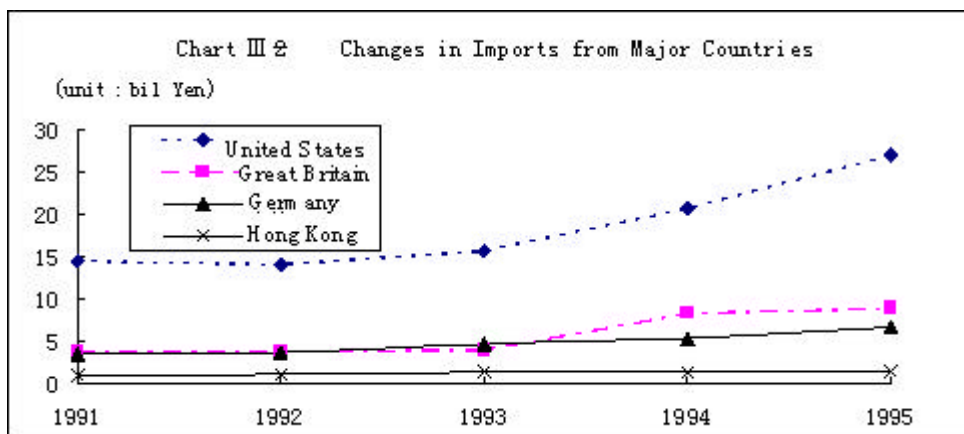
2. Trends by Country

Analysis of the trend of imports by country for the past five years shows that the United States has been by far the largest exporter to Japan. In 1995, imports from the U.S. amounted to 26.9 billion yen and accounted for 53% of the total imports. Great Britain (8.8 billion yen, and 18% of the total imports) and Germany (6.5 billion yen, and 13% of the total imports) followed the U.S. The three countries combined dominate 80% of the entire imports.

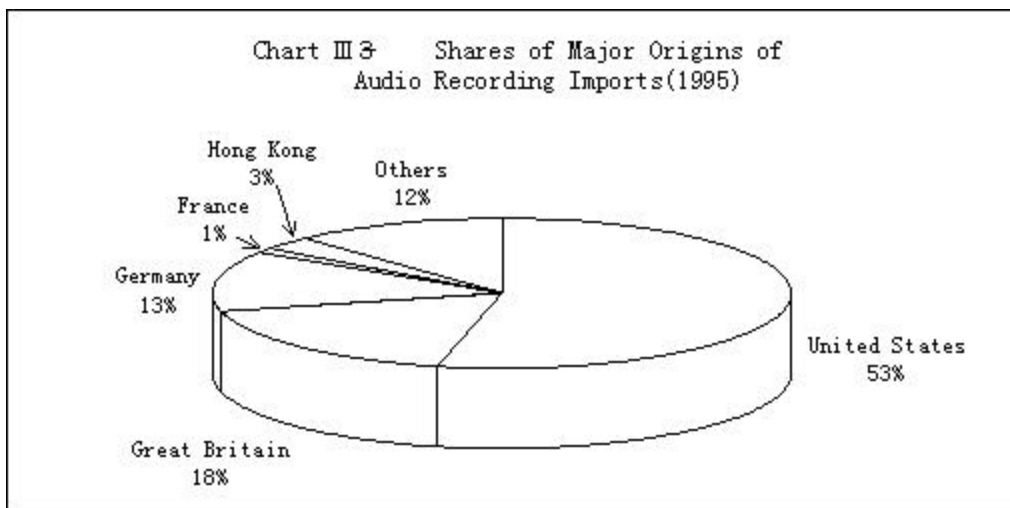
According to interviews with industry sources, audio recordings imported from the United States and Great Britain are mostly in rock/disco categories, and they are strongly supported by young people, who are the main consumers of audio recordings in Japan. Meanwhile, most of classical music recordings are imported

from Germany and Holland, and they are supported by stable demand among all age groups.

While most of imports come from Europe and the United States, recently, there has been notable increase of imports from Asian countries/regions like Hong Kong, Taiwan, and Singapore. One of the main factors causing this phenomenon is that there is a movement among major record companies such as Victor, Japan Columbia, and Sony Music Entertainment to pressing original Japanese copies in foreign countries and importing them back to Japan.



Source: "Japan Exports & Imports", Ministry of Finance

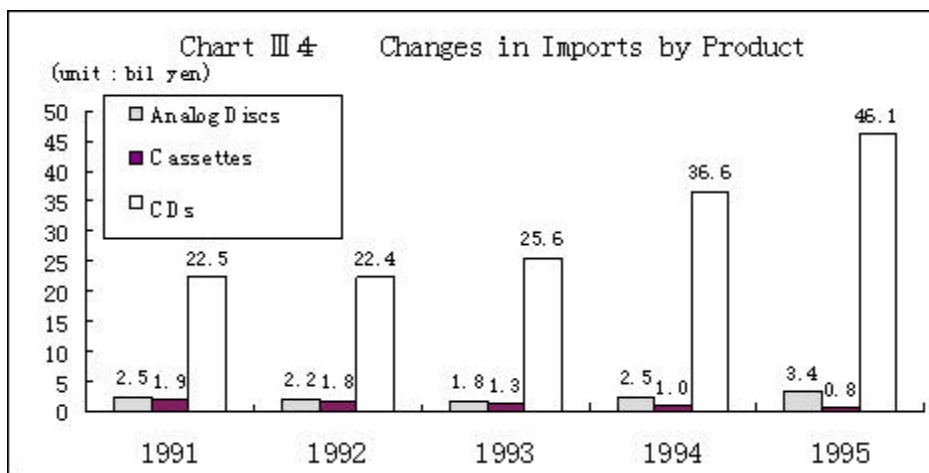


Source: "Japan Exports & Imports", Ministry of Finance

3. Trends by Product

When viewing the trend of audio recording imports by item, one finds that imports of CDs are the largest with

36.6 billion yen in 1994, and 46.1 billion yen in 1995, constituting about 90% of the entire imports each year. On the other hand, the imports of cassettes decreased for four consecutive years since 1991. In 1995, the cassette imports dropped by 50% to 800 million yen.



Source: "Japan Exports & Imports", Ministry of Finance

4. Competition Between Imports and Domestic Products

While audio recording imports, as previously mentioned, have exhibited increasing trend for the past few years, the share of imports in the Japanese audio recordings market is still small: It was only 7% in 1995. However, because imports, unlike domestic discs, do not need lyric translations and commentary, they can be put to the market quickly. Imports also have an advantage of being cheaper because they are manufactured at low cost and are imported duty-free. Moreover, because the resale price maintenance system is not applied to imports, low prices of these imports have resulted in price differentials between domestic and imported products, and consequently, in a situation in which two basically same items are sold under two different prices. At one point in time, for some products, price difference between imports and domestically produced recordings was as large as approximately 1,000 yen. Such price difference has stimulated willingness among the young people, who are the main consumers, to buy more imports.

While domestic manufacturers have emphasized the "value added" on the imports, such as translation and commentary, the market trend seems to be moving towards imported CDs. Lately, domestic retail stores are selling more imports because imports are gaining more popularity; these stores cannot compete against low-priced imports by only selling domestic products. Also, major record companies like Sony have reduced the prices of domestic products in order to avoid further widening in price gaps between imports and domestic products.

Table III-1 Shares of Imports in the Japanese Audio Recordings Market

	1991	1992	1993	1994	1995
Market Size (in bil yen)	509.4	542.2	600.8	607.3	714.2
Imports (in bil yen)	26.9	26.4	28.7	40.1	50.3
Imports' share	5.3%	4.9%	4.8%	6.6%	7.0%

Source: "Japan Exports & Imports", Ministry of Finance, IFPI

5. Cases of Successful Imports

Both in imports and domestic products, there was a record breaking increase in foreign repertoire's share in 1995. For example, Mariah Carey's albums, *Daydream* and *Merry Christmas*, both sold more than a million copies, and as of January 1, 1996, the latter had sold over 2 million copies. This was the first album to sell more than 2 million copies in the foreign music market. The reason for *Merry Christmas* being such a blockbuster was that a song included in the album, *All I Want For Christmas Is You* was sold as a single and was used as the theme song for a TV drama series. Other million sellers include Scatman John's album, *Scatman's World*.

Also in 1995, the collaboration work between a Japanese group Kryzler and Company and Celine Dion, *To Love You More* became another million seller.

Therefore, it seems that in recent years, tie-ins with TV as theme songs, songs used in programs, or as commercial tunes, help producing hits. And, because there is fascination for the Western culture among the Japanese, most hits in the United States are also likely to succeed in Japan.

6. Foreign Record Companies in the Japanese Market

For the most part, foreign record companies entered the Japanese market by taking one of the following two strategies – direct entry and exporting. As for direct entry, foreign record companies, using networks of international major companies, have entered the market by establishing either joint ventures or 100% subsidiary companies. Large companies (Polygram, Sony, Warner, BGM and EMI), which together hold 70% of the world music market, made their advancement into Japan in early days. Meanwhile, with exporting, there are three ways of entry: (I) by concluding licensing contracts with Japanese record companies' sales subsidiaries; (II) by selling to Japanese parallel importers; or (III) by exporting through major foreign record stores (Tower Records, HMV, Virgin Mega Stores).

Table III-2 Examples of Major Foreign Record Companies in the Japan Market

Company Name	Foundation	Foreign Invertor(ratio)	Japanese Investor (ratio)
Polydor K.K.	May.1953	Polygram(100%)	
Polygram K.K.	Sep.1981	Polygram(100%)	
Mercury Music Entertainment Co.,Ltd.	Jun.1970	Polygram(100%)	
Sony Music Entertainment,Inc.	Mar.1973		Sony (93%), Other (7%)
Warner Music Japan Inc.	Nov.1970	Time Warner(100%)	
BMG Japan	Jul.1987	BMG Co.,Ltd(100%)	
Toshiba-EMI Ltd.	Apr.1969	Thorm EMI plc(50%)	Toshiba(50%)

Source : "Teikoku Databank Kaisha Nenkan", Teikoku Databank, Ltd.

Some parts through interview

7. Major Foreign Record Stores in the Japanese Market

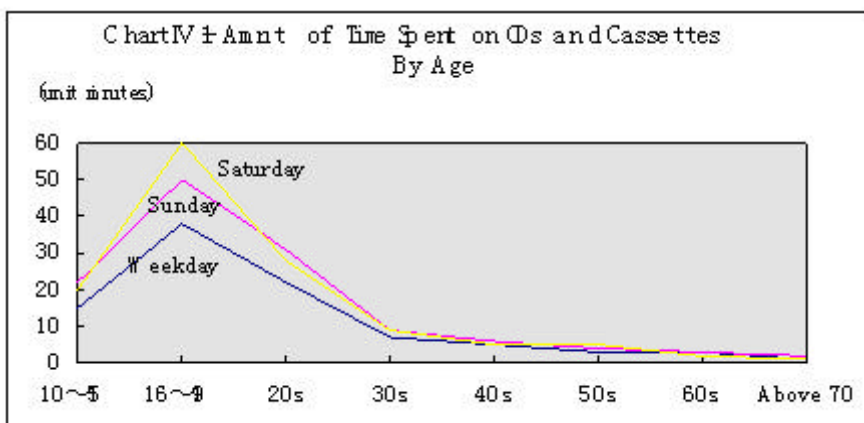
In Japan, there are three major foreign record retailers: HMV Japan, Tower Records, and Virgin Mega Stores. These stores have large retail outlets in the Tokyo area, and have recently opened outlets in major regional cities, and have contributed greatly to the increase of audio recording imports. Compared to domestic record stores, these major foreign retail stores not only have attractive exterior appearance and a wide variety of products, but also have successfully encouraged consumers to purchase more by lowering prices of imports under the pretext of passing on benefits of strong yen, and by widening price gaps between imports and domestic products.

The number of retail outlets of HMV Japan, Tower Records and Virgin Mega Stores in Japan are 19 (as of October 1996), 38 (as of January 1997), and 18 (as of January 1997) respectively. In an interview concerning further expansion in Japan, HMV stated that it plans to increase the number of outlets in the Tokyo area, rather than to open more outlets in regional cities. Tower Records stated that it intends to open new stores in areas with population exceeding 500,000 and in cities where prefectural governments are located, or, in cities with comparable conditions, aiming eventually at opening one store per prefecture. The Virgin Mega Stores company, is also planning to open outlets in prefectural government sites and in similar places, or in ordinance-designated cities (*seirei-shitei-toshi*). The policies of the three companies indicate that, in general, instead of increasing outlets through aggressive regional marketing, they tend to open outlets based on convenience of the location and concentration of consumers, so that the outlets generate profits.

IV. Consumption Trends

1. Characteristics of Japanese Consumers

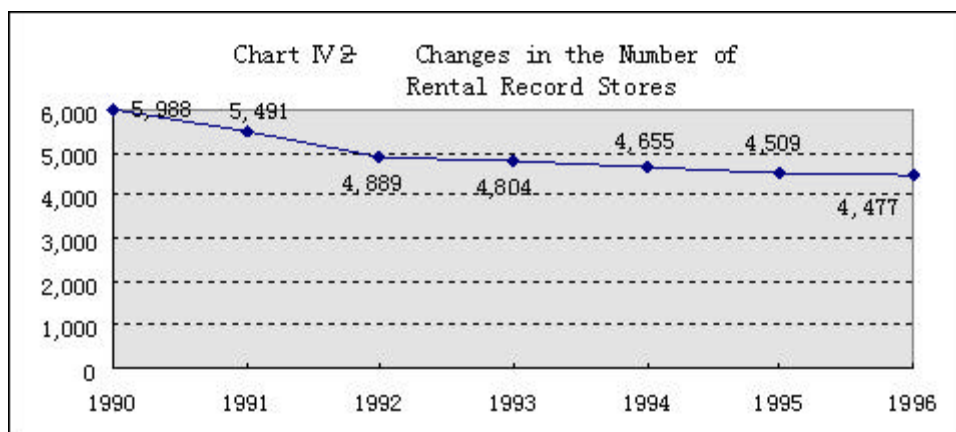
Chart IV-1 shows, by age group, time a person spends listening to either CDs or cassettes. As can be seen from the chart, an older person spends less time listening to music. According to interviews with major record companies, the main consumers of audio recordings are those in a very young age group, from those in upper elementary school grades to those in the mid-twenties. The majority of consumers are 15-17 years old.



Source : "NHK's Time Use Survey Databook" 1995 ed.

NHK Broadcasting Culture Research Institute

Furthermore, existence of record rental stores is a major characteristic of the Japanese market. In 1980, the first store opened based on a student's idea. However, a lawsuit regarding the right of reproduction was filed soon after the opening. In 1984, the Copyright Law was revised and the record rental industry acquired legal recognition. While the number of record rental stores registered in the Japan Compact Disc Rental Commerce Trade Association reached its peak with 6,213 stores in 1989, because CDs have become much more accessible due to price reduction, more consumers now buy CDs directly instead of renting them at a rental store. For this reason, the number of record rental stores has gradually declined to 4,477 stores as of late April, 1996.



Note: the numbers for 1996 are as of April

Source: "Yearbook" 1996 ed., Recording Industry Association of Japan

2. Patterns in Consumption

With the progress of information technology, information related to audio recordings now spreads throughout the country immediately. This has resulted in enormous sales of audio recordings in a short period of time. Recently, every year, 10-20 works, many of which are of rock and popular music, have sold more than a million copies. Meanwhile, Enka (Japanese lyrical popular music) and classical music, which are popular in the middle-aged group, are hardly popular among young people. In reality, the consumption of Enka and classical music works only amounts to a small percentage of the total music consumption.

The Japanese buy audio recordings not only to enjoy music, but also to practice karaoke, especially with CD singles. This phenomenon has been supported by the statistics in the Oricon Yearbook 1996 edition, which showed that five of the top ten selling single CDs were ranked within top 10 karaoke songs at the same time.

In addition, there is a strong Western influence among the Japanese youth, and they tend to want to pick up Western popular music as soon as possible. This creates large demand for foreign repertoire. Because of the entry of major foreign record companies into Japan, imports have quickly spread. They have drawn much attention not only because they are released before domestic products, but also because they are cheaper by a few hundred yen compared to domestic products.

(1) Annual Purchasing Amount

The Nikkei Sangyo Shohi Kenkyujo, in March 1996, conducted a survey regarding CD consumption among 750 consumers living in the Tokyo area between the ages 14-39 (442 people answered; among them, 25.8% were teen-agers, 38.2% in their twenties, and 36.0% in their thirties). According to this survey, the average number of CDs owned per person was 61, and 20% of the surveyed owned more than 100 CDs. Moreover, on average, 8.9 CDs were purchased per year and 26,300 yen was spent for purchasing these CDs (The Nikkei Industrial Newspaper, 30 March, 1996). The general consumption patterns of the Japanese are described below on the basis of the same survey and interviews with industry sources.

(I) Major Reasons for Purchasing

The lifestyle of young Japanese almost always involve music. They play music, for instance, when they are in their room or when they are out for a drive. Music recordings are consumed based on individuals' taste, and are purchased by decisions on musical contents, especially based on factors such as what is popular and what one favors. Many consumers also purchase CDs by impulse. Even in the survey, one out of every three people (32%) answered that they buy music impulsively. Also, about half (48%) of the surveyed said that they enter CD/record stores to kill time and 46% of those people replied that they tend to buy impulsively on many occasions.

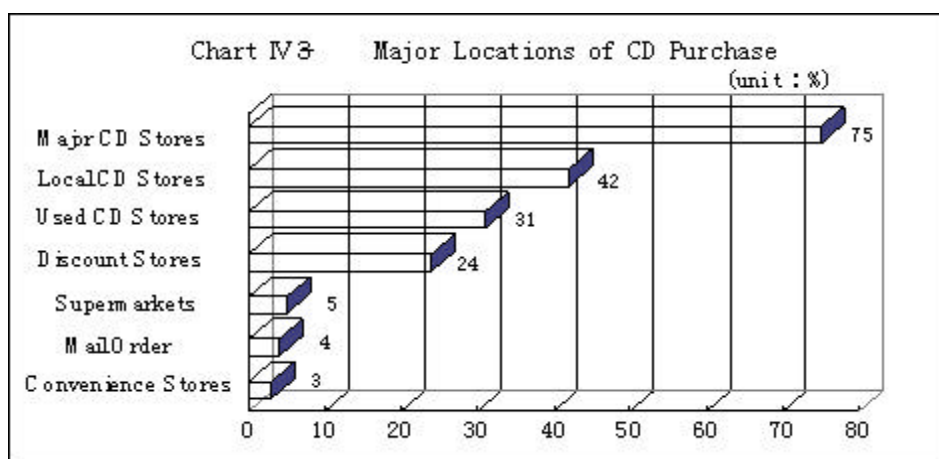
(II) Location of Purchase

Most consumers purchase audio recordings at large CD/record stores, but there are still many people who shop in smaller retail stores that have existed for a long time in a town's shopping center. Recently, more people are beginning to shop at large electrical appliance stores and discount shops which are rapidly expanding sales of audio recordings. While there is not much age difference among those who go to large-scale stores, it seems that the younger the consumer, the more he/she tends to go to small stores in the neighborhood (see Table IV-1, Chart IV-3)

Table IV- 1 Top Five Consumer Store Selection Criteria

Store Selection Criteria	% answered
located near home or work, on the way to school, office	64%
easy to find CDs	35%
good selection	34%
not crowded	19%
low prices	18%

Source: Nikkei Sangyo Shohi Kenkyujo



Source: Nikkei Sangyo Shohi Kenkyujo

(III) Purchasing Price

In the Japanese market, the price for a single-CD is around 1,000 yen, and for albums, imported CDs are

priced at around 2,000 yen while domestically produced CDs are around 2,000-3,000 yen. According to interviews with industry sources, it seems that consumers are not so much concerned with prices because they purchase according to their individual taste.

On the other hand, under the resale price maintenance system, it is compulsory for retail stores to sell audio records at fixed prices. In recent years, with the expansion of major foreign record stores, low-priced CDs have become common, and increasing number of consumers are dissatisfied with the price difference between imports and domestic products. Currently, some in the Fair Trade Commission are trying to review the resale price maintenance system, with the premise of abolishing the system. Once the system is abolished, it is expected that there will be greater price competition for audio recordings.

V. Distribution Trends

1. Characteristics of Audio Recordings Distribution

As mentioned earlier, Japanese specialty audio recording stores are usually small or medium-sized, and audio recording products have a characteristic of being sold in small quantity but in a wide variety. Because of this, many wholesalers purchase and distribute products on behalf of record companies, functioning as general trading companies for retail stores.

Until now, in addition, under the resale price maintenance system, audio recordings have been sold within a structure in which specialty record stores constitute the core. In recent years, however, with widening price differentials between domestic and overseas markets due to rising yen, and with decreasing rent for real estate, major record stores like HMV, Tower Records, and Virgin Mega Stores have expanded their business. As they accelerate opening of outlets all over Japan, for foreign repertoire, low-priced imports have penetrated the market. In addition to these foreign record stores, emergence of discount stores and large electrical appliance stores is drawing attention. Because these new stores are rapidly becoming powerful, the price differentials between domestic and overseas markets have become apparent. The audio recordings retail industry that had no competition under the resale price maintenance system is thus being shaken, and the resale price maintenance system is currently being reviewed on the assumption that the system needs to be abolished.

2. Sales Methods and Distribution Channels

For distribution of audio recordings, there are the market route for catalog products; the rental route for record and CD rentals; and the special sales route, for specially ordered packages. The market route is further divided into two routes. One is the special contract store route, where distributors like branch stores and sales offices of manufacturers sell directly to special contract stores. The other is the wholesale store route, where wholesalers act as mediators.

ChartV-1 Distribution Routes of Audio Recordings

Record Companies

Special sales route

Manufacturers' Distribution Network

Mail order

Market route Rental route

(II)

Door-to-door sales companies

(I) Wholesalers Specialized

wholesalers

Office machinery

sales companies

Special Affiliated Rental stores

— stores

Others

contract stores

????????????????

Note : (I)is the special contract store route

(II)is the wholesale store route

Source : Recording Industry Association of Japan

Shigeru Kawabata, "*The Record Industry*", Kyoikusha

(I) Special Contract Store Route

Special contract stores are retail stores that have signed direct selling contracts with record companies. Since special contract stores usually buy products from record companies at wholesale prices (70% of the market prices), they have a profit margin of 30% of market prices. These retail stores do not necessarily have special contracts with all of the record companies: Sometimes, they sign contracts with a few record companies and buy products of other record companies from wholesalers.

Because audio recordings are considered as "resale" items, if purchased items do not sell, they can be returned to record companies. On the other hand, the quantity of returned products cannot exceed the number that has been established in contracts with record companies.

(II) Wholesale Store Route

Retail stores that have placed wholesalers as mediators between themselves and record companies are known as affiliated stores. The resale price maintenance system is again applied to the relationship between affiliated stores and wholesalers. Wholesale prices that wholesalers offer affiliated store are 75% of market prices, plus 5-6% commission. Because audio recording products are sold in small quantity but in a wide variety, distribution cost would be high if record companies try to sell small quantity of products to each small and medium- sized retail store. Wholesalers, acting as general trading companies, purchase products in large quantity from record companies and then distribute them to small and medium-sized retail stores.

(III) Rental Route

In Japan, there exists a rental route, which is different from the usual market route. For the purpose of keeping audio recordings in the market from being misappropriated for rental uses, a sticker must be placed on cases of recordings for rental. Currently there are nine wholesale companies for record and CD rentals throughout the country and they all have regions in which they are strong. While their wholesale prices are the same, service to rental stores varies among wholesalers. Normally, these wholesalers buy products from record companies, place rental stickers, and deliver them to rental stores on the date by which rental is allowed.

(IV) Special Sales Route

The products that are handled in the special sales route mainly consist of those planned and produced with certain objectives. Products are sold directly to users through independent sales organizations and system, which differ from those in the market route. Specifically, for instance, there is a route in which mail order companies or door-to-door sales companies plan their own products and ask record companies to produce and deliver them to these distribution companies. Record companies also deliver packages for karaoke boxes to karaoke machine sales companies. Promotional music for musical instruments, airplanes, and supermarkets are also sold through this channel.

3. Channels for Imports

Audio recordings are generally imported through the following three channels:

(I) Japanese Record Company Route

While Japanese record companies manufacture audio records, most of them are also are involved in import business by themselves or through subsidiaries. For this reason, these companies sell imports to special contract stores or affiliated stores through the special contract store route or the wholesale store route, as they sell domestic products through the market route.

(II) Importing From Foreign Exporters

According to interviews with industry sources, there are cases in which the Japanese importers and retail stores import directly from foreign exporters. In some countries, because exporters are powerful and deal with music of various genres, Japanese companies can sometimes import a wide range of products at low prices by doing business with these exporters.

(III) Importing Directly From Parent Company

Among the foreign record companies, Tower Records, for example, imports audio recordings from its parent company in the United States.

4. Marketing Strategies of Major Companies

[Pricing]

As major foreign record stores enter the market and imports become common, in recent years, existence of price differentials between similar imports and domestic products for the same musical works, has become recognized by general consumers. Also, because the problem of the price difference between domestic and overseas markets was frequently taken up by the media during the period of the yen's appreciation, consumers today increasingly demand low prices. To cater to the needs of the consumers, for the first time in the industry, one of the major record manufacturers, Sony Music Entertainment, decided to lower its prices in April 1996. The new prices apply mainly to works of new artists, foreign repertoire and other older works: With the lowering of prices, however, price competition in the industry seems inevitable in the future.

[Cost Reduction]

To deal with consumers' demand for low prices, there has been a move among manufacturers towards cost reduction. For example, they have reduced costs by moving press factories out of Japan to Asian countries where labor is cheap.

VI. Relevant Laws

1. Relevant Laws and Regulations

(1) Copyright Related Laws

As for the related laws and regulations, most importantly, there is the Copyright Law, which constitutes the basis of existence for the industry. In the field of music, the Copyright Law is a law that protects rights of songwriters/composers who create works in the form of music, and interests of neighboring right holders, who are performers of musical works or producers of works such as CDs. There are various rights

depending on the use of musical works. For recording, there is the right of reproduction, and for renting records and CDs, there is the right of lending. There are also the right of broadcasting and the right of wire transmission. In Japan, the organization that supervises copyrights, collects and allocates royalties is the Japanese Society for Rights of Authors, Composers and Publishers (JASRAC). Also, producers, record manufacturers and those involved in broadcasting and cable broadcasting, who act as media that deliver copyrighted material to the public, are entitled to neighboring rights. For the usage of copyrighted material through broadcasting, the Recording Industry Association of Japan collects royalties and pays dividends to record manufacturers, while for performers, the Japan Council of Performers' Organizations (Geidankyo) functions in the same way. With international distribution of copyrighted materials, Japan has signed various international treaties, in order to protect rights of both foreign copyrighted works and Japanese copyrighted works used abroad. Specifically, these treaties include: the Bern Convention for the Protection of Literary and Artistic works, the Pan-American Conventions, the Universal Copyright Convention, the Convention for Protection of Performers of Producers of Programs and Broadcasting Organizations, the Phonograms Convention, and the Athens Accord.

Moreover, JASRAC is the only organization that supervises copyrights. The organization has the sole right to collect copyright royalties and pay dividends under the Law on Intermediary Business Concerning Copyrights.

(2) Resale Price Maintenance System

New audio recording products like CDs are exempt from the application of the Anti-Monopoly Law. Thus, when retail stores and manufacturers conclude sales contracts regarding new audio recording works, manufacturers can specify resale prices for a limited period of time (currently two years). If retail stores violate the terms of their contracts and sell at reduced prices, the manufacturers are entitled to penalize such retail stores by stopping the shipment of products and canceling the contracts.

2. Importing Procedures and Tariff Rates

In Japan, there are no regulations concerning the import of audio records, and as can be seen in Table VI-1, tariff rates are basically zero.

Table VI-1 Tariff Rates for Audio Recordings

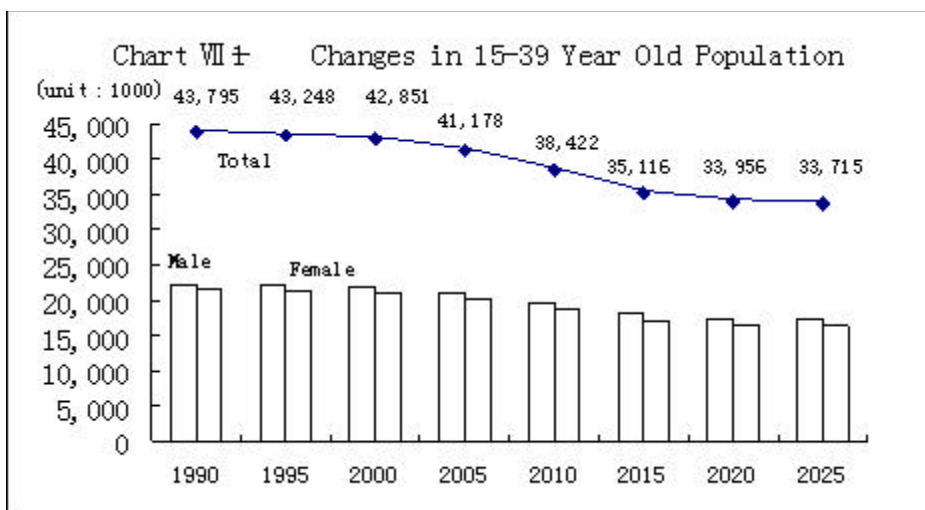
Number	Stat Code Number	N A C C S	Item	Rate of Duty			
				General	WTO		Preferential
					12/31/97	1/1/98	
8524.10			Gramophone Records	Free			
	010	4	not exceeding 40 r.p.m.	Free	6.24yen/disc	3.12yen /disc	
	020	0	other	Free	2.56yen/disc	1.28yen/disc	
8524.51	010	5	tapes of a width not exceeding 4mm for record	Free	0.7%	0.3%	
8524.99	010	0	Digital Audio Discs	Free	0.7%	0.3%	

Source: "Custom Tariff Schedules of Japan", 1997ed., Japan Tariff Association

VII. Future Market Prospects

1. Growth Potential of Consumer Population

Chart VII-1 shows forecasts for the population of the 15-39 year old Japanese, who are the core consumers of audio recordings in the years to come. As clearly shown by the chart, both male and female population in this age group will surely decrease in the future as the number of children decrease. With the spread of low-priced imports, prices of audio recordings have been decreasing. In order to maintain the current market size and also expand in the future, the main issue now is how to expand the main consumer age group and to develop new software to create new demands.



Note : the numbers for after 2000 are estimates

Source : "Japan's Future Population Forecast - Sept. 1992 Forecast"

Ministry of Health and Welfare

2. Future Market Trends and Competition

As mentioned before, in Japan, audio recording products are exempt from the Anti-Monopoly Law, and under the resale price maintenance system, retail stores have been obligated to sell products at fixed prices set by record manufacturers. However, since the United States requested Japan to abolish the system during the 1989 SII (Structural Impediments Initiative) talks, there have been active discussions on the necessity of the resale price maintenance system. As imports spread outside of the system, and price reduction for newly released products by discount stores becomes common, consumers are becoming more interested in prices of audio recordings. Currently, The Fair Trade Commission is reviewing the system on the assumption that it should be abolished.

As the multimedia society progresses, it has now become possible for consumers to enjoy audio recordings through the Internet, in addition to buying them as "products." Emergence of such new forms of audio recordings will probably never completely replace the current forms, but they are expected to arouse more demands by transmitting information on audio recordings to consumers more quickly and broadly.

3. Technological Development of Audio- Visual Products

In the years to come, there will be a trend for the use of software that integrates sound, image, characters and other information with the application of digital technology. Recently released DVDs have drawn much attention as the hottest audio recording products in the multimedia age, and expansion of the DVD market is expected to stir up new demands.

VIII. Advice for Exporters to Japan

Based on the survey results, the following summarizes points that should be noted by foreign companies planning to expand exports to Japan.

1. Forms of Market Entry

To increase exports to Japan, there are mainly four ways that companies can follow:

- (I) Enter into partnership with Japanese record manufacturers and export recordings to Japan through them because many Japanese record companies have importing functions.
- (II) Export to Japanese importers and retail stores that directly import products.
- (III) Establish a Japanese company as an import retail store, import the products and then sell them.
- (IV) Establish a Japanese subsidiary for manufacturing, press original discs in Japan, and then sell them.

Because the world's major audio recordings manufacturers have already established corporations in Japan, market entry by option(IV) would be quite difficult. On the other hand, it seems that options(I), (II), and(III) would be effective ways of market entry in the future. Especially through option(I), it is possible to enter the market with small capital; and as mentioned before, since record companies and retail stores are very close in the Japanese distribution structure, it is possible to sell throughout the sales network of Japanese record manufacturers. While foreign companies directly opening stores as in option(III) have drawn attention, this option should be carefully considered after extensive research on the Japanese market, because large stores require large capital investment and management know-how.

2. Products

(1) Artists

Young people in Japan are in a way fascinated by the Western culture and music. Thus, Western audio recordings tend to be well received. Works of internationally known artists are likely to become popular in Japan as well, but in this case, it is important for the products to be made available in the Japanese market as soon as possible after its release. Sometimes, there are products that sell better in Japan than in their own country: Thus, planning during the production stage becomes crucial. It is important to find artists who will be easily received by the Japanese and to produce music that matches Japanese taste.

(2) Quality of Products

Some Japanese consumers have come to distrust imported products because they sometimes find defective products (scratched discs, discs that skip songs or have bad sound quality) among cheap audio recordings that are imported to Japan. Since the Japanese consumers are very strict on defects, exporters should minimize defects as much as possible, and seek to improve their products' quality.

3. Japanese Business Practices

Once exporters decide to enter the Japanese market, it becomes necessary for them to understand business practices in the Japanese market.

(1) Strict Observance of Deadlines

As one of the business practices, it is taken for granted that customers' orders are quickly processed and that products are delivered punctually on promised dates. However, according to interviews with industry sources, there have been cases where problems arose because some foreign exporters did not observe the deadline, and trust was lost between the exporters and customers. Also, there is no convention in Japan whereby producers demand extra fee for ensuring delivery on the deadline.

1. Maintenance of Catalogs

Because there is a wide variety of products in Japan, catalogs and product code numbers are maintained. Yet, in ordering products from overseas, because foreign companies' catalogs are not necessarily well maintained, products that differ from those ordered are sometimes delivered, or ordering does not go smoothly. In addition, because catalogs are important sources of product information for Japanese customers, it is better to maintain them.

(3) Sales Target

When a foreign exporter starts exporting through Japanese record companies, it is initially unclear, even for the Japanese side, how many products can be sold. Japanese partners may become displeased if foreign exporters aggressively assign sales targets or demand quick sales improvement. Therefore, in order to maintain stable, long-term partnership, demands like the ones noted above should be avoided.

IX. List of Related Trade Fairs and Exhibitions

In Japan, while there are no audio recording trade fairs or exhibitions organized by industry-related organizations, there are trade fairs and exhibitions that promote sales by foreign companies. They are as follows:

Trade Fairs and Exhibitions	Contents
Audio Fair	Time:End of October (Annual Event)
	Place:Sunshine City
	Convention Center?Ikebukuro)
	Organizer: Japan Audio Society
	TEL:03-3546-1206??FAX:03-3546-1207
"Pro-Audio"?General Exhibition of Audio Machinery	Time:June in Every Second Year (Even Numbered Years)
	Place:Sunshine City
	Convention Center?Ikebukuro)
	Organizer: Japan Audio Society
	TEL:03-3546-1206??FAX:03-3546-1207

X. List of Related Organizations

(1) Government Agencies

Ministry of International Trade and Industry Consumer Goods Industries Bureau Recreation and Miscellaneous Goods Division	
1-3-11, Kasumigaseki Chiyoda-ku, Tokyo 100	Tel: 03-3501-9227 Fax:03-3501-0315
Agency for Cultural Affairs Cultural Development Division Copyright Division	
3-2-2, Kasumigaseki Chiyoda-ku, Tokyo 100	Tel: 03-3581-1276 Fax; 03-3591-0305

(2) Industry Related Organizations

Recording Industry Association of Japan	
Nittetsu Kobiki Bldg. 2F 7-16-3, Ginza Chuo-ku, Tokyo 104	Tel: 03-3541-4411 Fax: 03-3541-4460
Japanese Society for Rights of Authors, Composers, and Publishers (JASRAC)	
1-7-13, Nishi Shinbashi Minato-ku, Tokyo 105	Tel: 03-3502-6551 Fax: 03-3508-8183
GEIDANKYO	
1-7, Ginza Chuo-ku, Tokyo 104	Tel: 03-3567-8748 Fax: 03-3567-8714
Music Publishers Association of Japan	
Daichi Nanou Bldg. 7F 2-21-2, Nishi Shinbashi Minato-ku, Tokyo 105	Tel: 03-3459-9141 Fax: 03-3459-9140
Japan Audio Society	
Record kaikan 6F 2-8-9, Tsukiji Chuo-ku, Tokyo 104	Tel: 03-3546-1206 Fax: 03-3546-1207
The Federation of Music Producers Japan	
Jingumae Wada Bldg. 2F 5-48-1, Jingumae Shibuya-ku, Tokyo 150	Tel: 03-5467-6851 Fax: 03-5467-6852

Major Manufacturers

Bandai Music Entertainment, Inc.	
3-8, Yochomachi Shinjuku-ku, Tokyo 162	Tel: 03-5379-3560 Fax: 03-5379-3573
Sony Music Entertainment, Inc.	

JS Ichigaya Bldg. 5F 5-1, Goban-cho Chiyoda-ku, Tokyo 162	Tel: 03-5210-3775 Fax: 03-5210-3700
Toshiba-EMI Ltd.	
2-2-17, Akasaka Minato-ku, Tokyo 107	Tel: 03-5512-1759 Fax: 03-5512-1773
Nippon Crown, Co., Ltd.	
2-10-8, Akasaka Minato-ku, Tokyo 107	Tel: 03-3582-4743 Fax: 03-3583-6176
Pioneer LDC, Inc.	
1-20-6, Ebisu Minami Shibuya-ku, Tokyo 150	Tel: 03-5721-4893 Fax: 03-5721-9800
For Life Records Inc.	
3-28-8, Ikejiri Setagaya-ku, Tokyo 154	Tel: 03-5430-3100 Fax: 03-5430-9581
Polystar Co., Ltd.	
2-14-6, Ebisu Minami Shibuya-ku, Tokyo 150	Tel: 03-5721-3212 Fax: 03-5721-3212
Mercury Music Entertainment Co., Ltd.	
Wako Bldg. 4-8-5, Roppongi Minato-ku, Tokyo 106	Tel: 03-3479-3714 Fax: 03-3403-1692
King Record Co., Ltd.	
1-2-3, Otowa Bunkyo-ku, Tokyo 112	Tel: 03-3945-2134 Fax: 03-3945-1366
Teichiku Records, Co., Ltd.	
4-7-7, Aobadai Meguro-ku, Tokyo 153	Tel: 03-3481-3251 Fax: 03-3481-3245

Tokuma Japan Communications Co., Ltd.	
Tokuma Bldg. 1-1-16, Higashi Shinbashi Minato-ku, Tokyo 105	Tel: 03-3573-0364 Fax: 03-3573-0384
Nippon Columbia Co., Ltd.	
4-14-14, Akasaka Minato-ku, Tokyo 107-11	Tel: 03-3584-8231 Fax: 03-3584-8135
BMG Japan Inc.	
1-3-9, Shibuya Shibuya-ku, Tokyo 150	Tel: 03-3797-9020 Fax: 03-3499-3304
Victor Entertainment, Inc.	
Piazza Bldg. 4-26-18, Jingumae Shibuya-ku, Tokyo 150	Tel: 03-3746-5697 Fax: 03-3746-5741
Pony Canyon Inc.	
2-1-1, Irifune Chuo-ku, Tokyo 104	Tel: 03-3555-6620 Fax: 03-3555-6820
Polydor K.K.	
1-8-4, Ohashi Meguro-ku, Tokyo 153	Tel: 03-3780-8548 Fax: 03-3780-8552
Warner Music Japan Inc.	
3-1-2, Kita Aoyama Minato-ku, Tokyo 107	Tel: 03-5412-3320 Fax: 03-3479-4887

Import and Distribution Dealers

Athine Inc.	
Daiei Shinjuku Office 2F 2-1-11, Kabukicho Shinjuku-ku, Tokyo 160	Tel: 03-5273-8141 Fax: 03-5273-8140

Virgin Mega Stores Japan Ltd.	
3-9-9, Shinjuku Shinjuku-ku, Tokyo 160	Tel: 03-3353-0038 Fax: 03-3226-1350
Gyokkodo	
1-10-5, Hanazono Otaru-shi 047	Tel: 0134-25-2400 Fax: 0134-24-0128
JEUGIA Corporation	
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Yamano Music Co.	
4-5-6, Ginza Chuo-ku, Tokyo 104	Tel: 03-3562-5051 Fax: 03-3567-9087
Iwaki Infotainment Co., Ltd.	
1-10-37, Takamatsu Higashi Izumi Sano-shi 598	Tel: 0724-64-8880 Fax: 0724-64-8881
HMV Japan K.K.	
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Cisco International Corporation	
Wako Bldg. 32 1F 2-11-10, Tsukiji Chuo-ku, Tokyo 104	Tel: 03-5550-3701 Fax: 03-5550-3705
Shinseido Co., Ltd.	
1-23-17, Kamiogi Suginami-ku, Tokyo 167	Tel: 03-3393-5157

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Tower Records Inc.	
2-15-9, Minami Shinagawa Shinagawa-ku, Tokyo 140	Tel: 03-5479-8620 Fax: 03-5479-7087
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1-17-15, Sotokanda Chiyoda-ku, Tokyo 101	Tel: 03-5295-1331 Fax: 03-5295-1335