



THE EXPANDING ANIME INDUSTRY

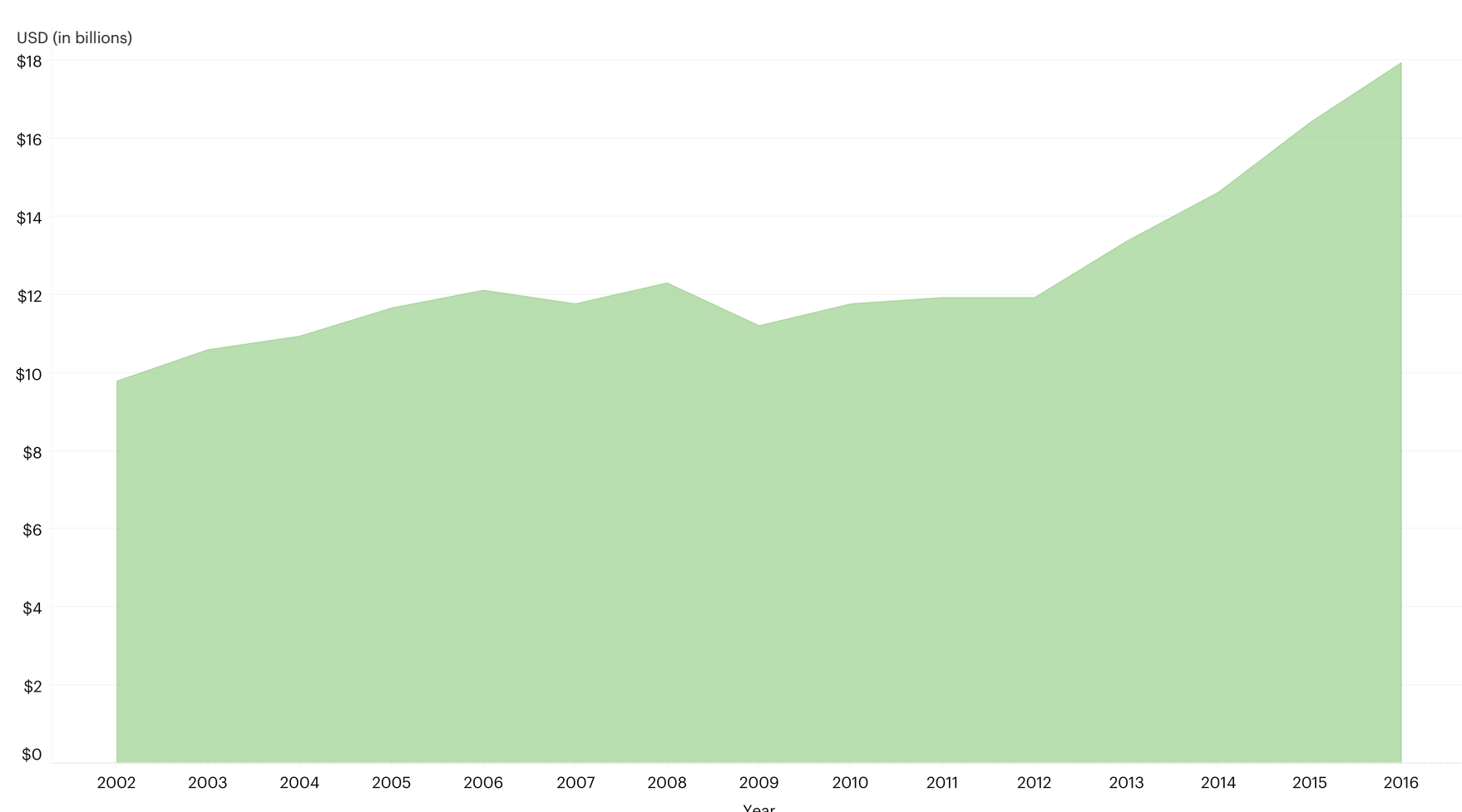
Expanding the Japanese Animation Market and Overseas Sales

The Japanese animation industry has been expanding - not just in Japan, but across the globe. In 2016, this industry, which recorded positive growth for four consecutive years, crossed the 2 trillion yen (or about \$18 billion \$306 million) mark when it recorded sales of 2 trillion 900 million yen (or about \$18 billion \$320 million) (109.9% on a year-by-year basis). Looking at each genre within the industry, five of the genres (Movie, Internet Distribution, Music, Overseas and Live Entertainment) increased while four genres (TV, Videogram, Merchandising and Pachinko) decreased. The number of increased genres and that of decreased genres are almost the same. The main factors of the growth were Movie, which recorded the highest box office in the animation genre (66.3 billion yen, 141.4% yr/yr), Internet Distribution, which records the highest sales every year (47.8 billion yen, 109.4% yr/yr), and Overseas, which recorded a significant increase (76.6 billion yen, 131.6% yr/yr). Overseas, which took 1st place in the previous year, further expanded, leaving Merchandising, the 2nd by a narrow margin in the previous year. It could be said that the overseas sales supported the overall growth of the industry. Although a recent report of the animation industry has not yet been released, we can conclude or estimate that from the revenues and its upward growth since 2012 that there will be positive results leading up to current year. Important to mention, the animation industry entered the 4th anime boom in terms of sales. As shown in the figure below, the sales amount hit bottom in 2009, picked up in 2010, and has accelerated since 2013. Focusing on the domestic sales trend for the past four years, the annual sales

remained mostly level, increasing by 3.8% from 2013. Meanwhile, the overseas sales trend showed a dramatic increase, increasing by 171.9% from 2013. Like previously mentioned, the growth of the industry was attributed to the overseas market. This was also the reason the industry fell little benefit through the growth reached the level of the 4th animation boom. The stagnation of the domestic market was due to unsuccessful transition of distribution channels; the switch from existing channels shrinking (TV, Videogram, Pachinko, and Merchandising) to new channels growing (Movie, Internet Distribution, and Live Entertainment) did not go well. The growth of those new channels was not enough to make up for the decline of the existing channels.



Revenues of the Japanese Animation Industry



“The market has continued to expand, recording the highest sales for four consecutive years while the size crossed the 2 trillion yen (\$18 billion) mark which was helped and driven by overseas sales.”

Production Minutes of Japanese TV Animation



What Production Minutes Indicated: The Main Audience are Adults

Eventually, the share of late-night animations took over that of day-time animations in 2015, and the difference increased in 2016 (refer to the figure above). This, which had been reported before, was quite unique in Japan and was not seen in any other countries where animations aimed at children dominated (or where no animations other than animations for children existed). In 2018, the first OTAKU generation (such as Mr. Toshio Okada) will reach the age of sixty, which means a wide range of generations, ranging from babies less than one year old to adults aged sixty, watch animations in Japan. In other words, Japan, the leading country in animation, enjoys a monopoly over the adult animation market which can develop much further, especially considering the fact that there is an interest for Japanese animation overseas. Another factor that came in to play was the rise of short animations. The number of short animation works increased from 275 to 356 in the last four years while the production minutes remained almost the same (110,000 min-plus, per year in the last four years). This was because the number of short animation works within ten minutes of runtime had increased. This phenomenon, generated thanks to the speeding up of daily life, the quick passage of time, and the growth of individual digital creators, is expected to continue along with the effect of Internet media, which requires no fixed time-frames. Despite being animations, there exist a large variety of genres targeted toward a broad audience, including adults.

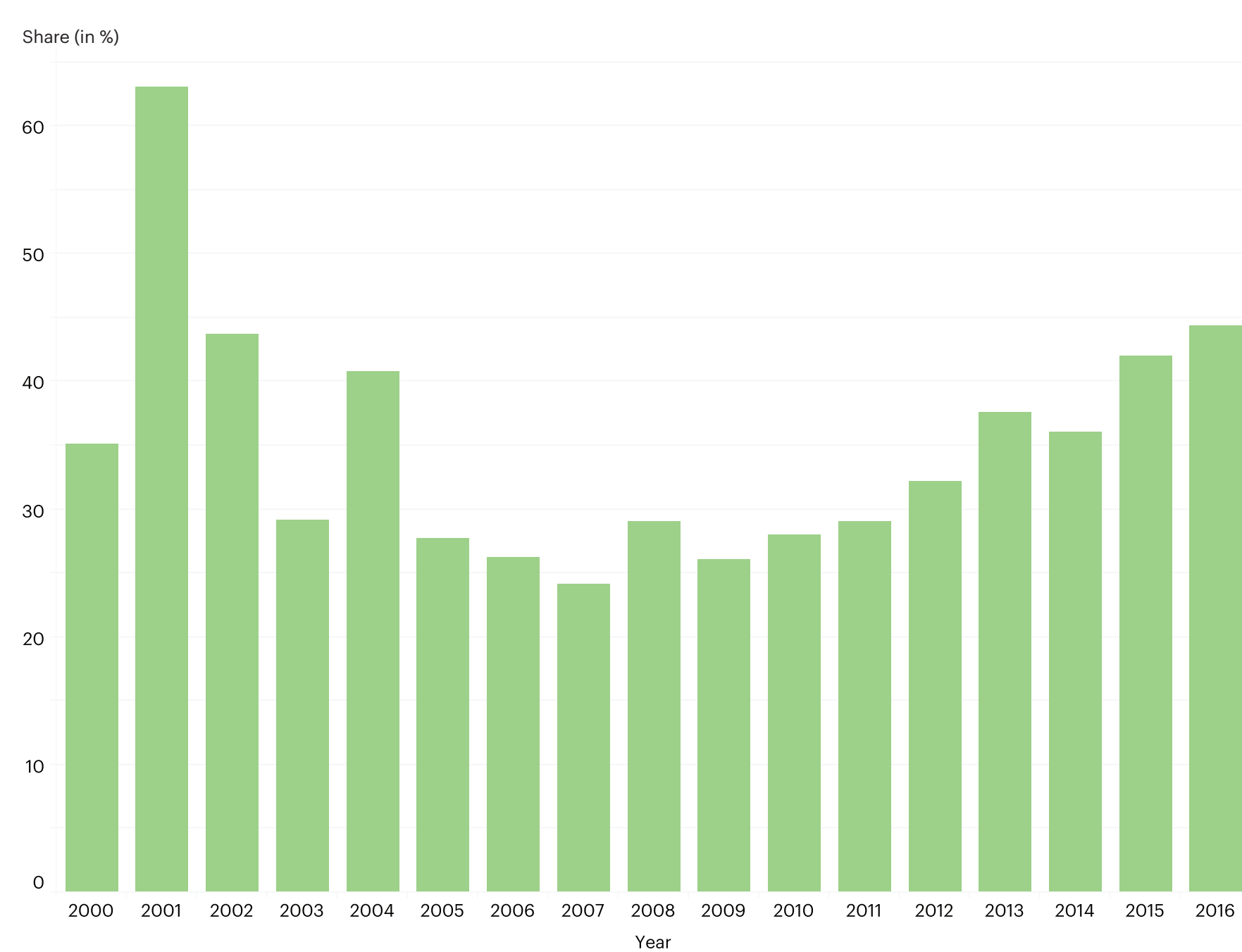


Change in Theatrical Animation Trends

The year 2016 will be remembered as the year movies changed. Thanks to the success of “Shin Godzilla”, “Your Name”, and “In This Corner of the World”, manga, anime and special effects, the genres which used to be categorized as “subculture”, can now be seen as recognizable and no longer a “subculture”. As seen in the figure below, it can be concluded that theatrical animations have increased their presence since the 2000s; however, the phenomenon was more prominent in 2016. The year 2016 stood out due to the release of “Spirited Away” by Studio Ghibli. Theatrical animations and special effects movies, which were sometimes considered less important, came to be acclaimed. The three works mentioned above received 91% of the major domestic film awards: the Japan Academy Awards, Kinema Junpo Best 10, Blue Ribbon Awards and Mainichi Film Awards for Best Picture, Best Director and Best Screenplay. The works also occupied 80% of the awards for staff. It is indeed a notable feat. Animation and special effects, which used to be considered “subculture”, became recognized as mainstream in film culture in 2016 and hopefully will continue to.



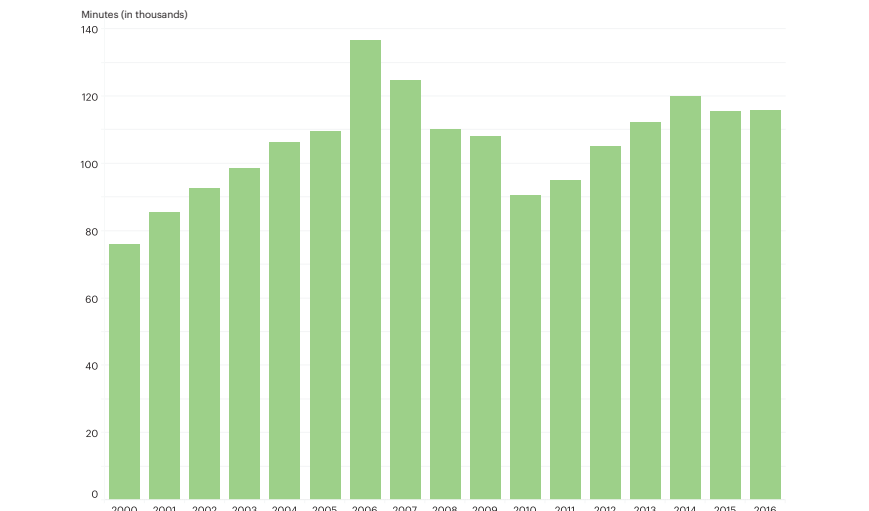
Share of Anime Box Office in Overall Japanese Film Box Office



“It had been thought that the box office records established by Hayao Miyazaki were unbreakable but “Your Name.” recorded the 2nd largest box office records among all Japanese movies.”

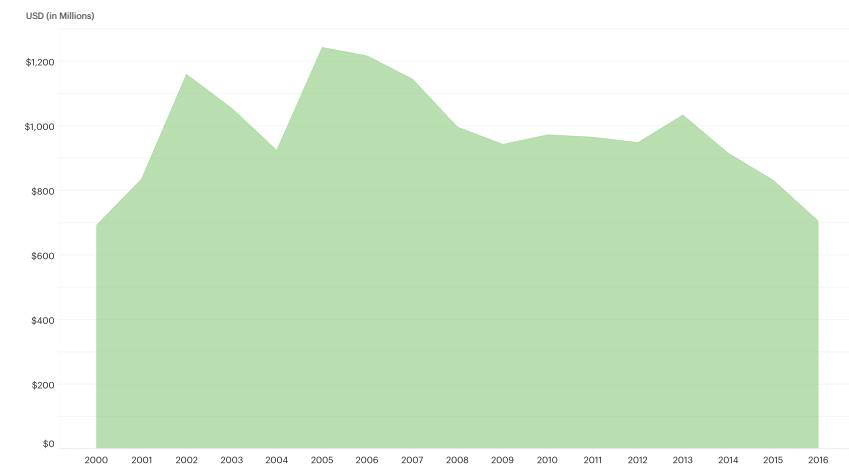
Trends in the Japanese Animation Market (2017)

Production Minutes of TV Animation



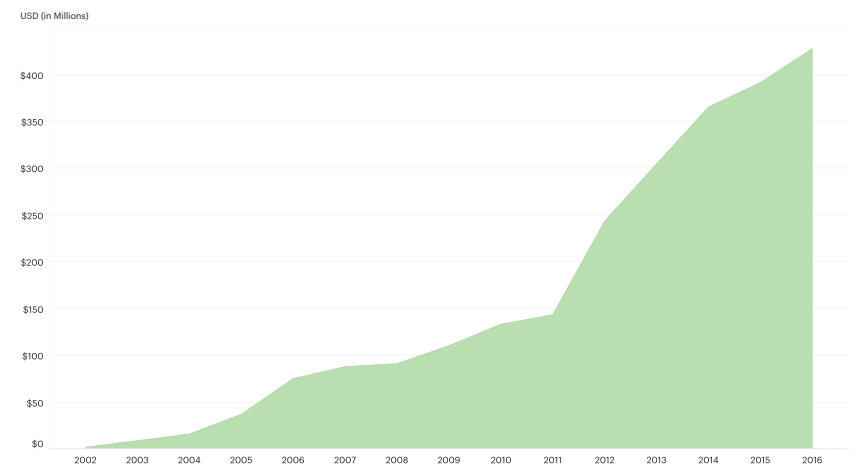
Production minutes of TV animation remained high. Production minutes of TV animation broadcasts in 2016 was 115,805 minutes, surpassing 115,533 minutes in 2015. The production minutes have remained high since 2015 thanks to an increase in animation investments from newcomers as well as from existing studios which have positive investment policies. While animation production boomed, problems such as delays or suspensions in production have occurred. This was because the development of staff did not catch up with the demand on-site. Although the demand for new animation works is still high in the market, the current production minutes might be the maximum for Japanese animation studios mainly relying on traditional hand-drawn anime.

Animation Videograms (USD)



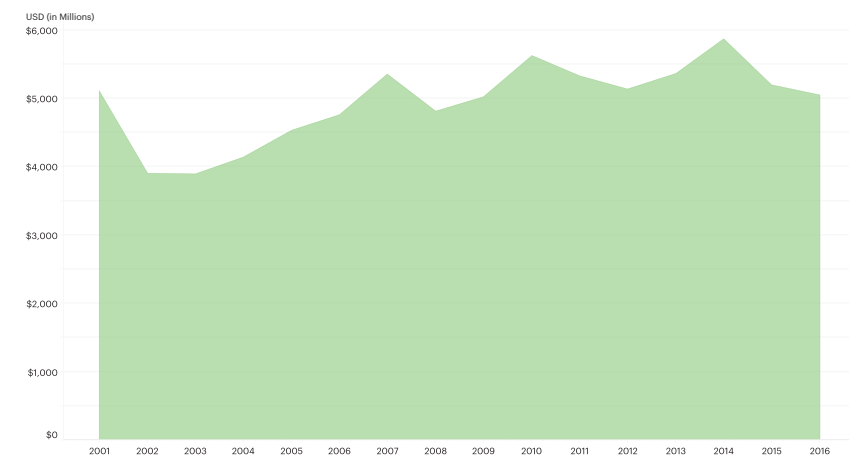
The animation videogram market deteriorated into a full-scale, downward fall. The size of the animation videogram market in 2016 was 78.3 billion yen (or about \$706 million), which had been decreasing for three consecutive years, by 15.1% from the previous year. Many of the industry participants mentioned the market slowdown in recent years, as confirmed by the data here indicating that the animation videograms market has reached a big turning point and has become an urgent issue for the industry. Considering the rise of the internet and the popularization of online streaming services, the need to purchase animation videograms, which can be pricey, is becoming less desirable.

Animation Distribution via the Internet (USD)



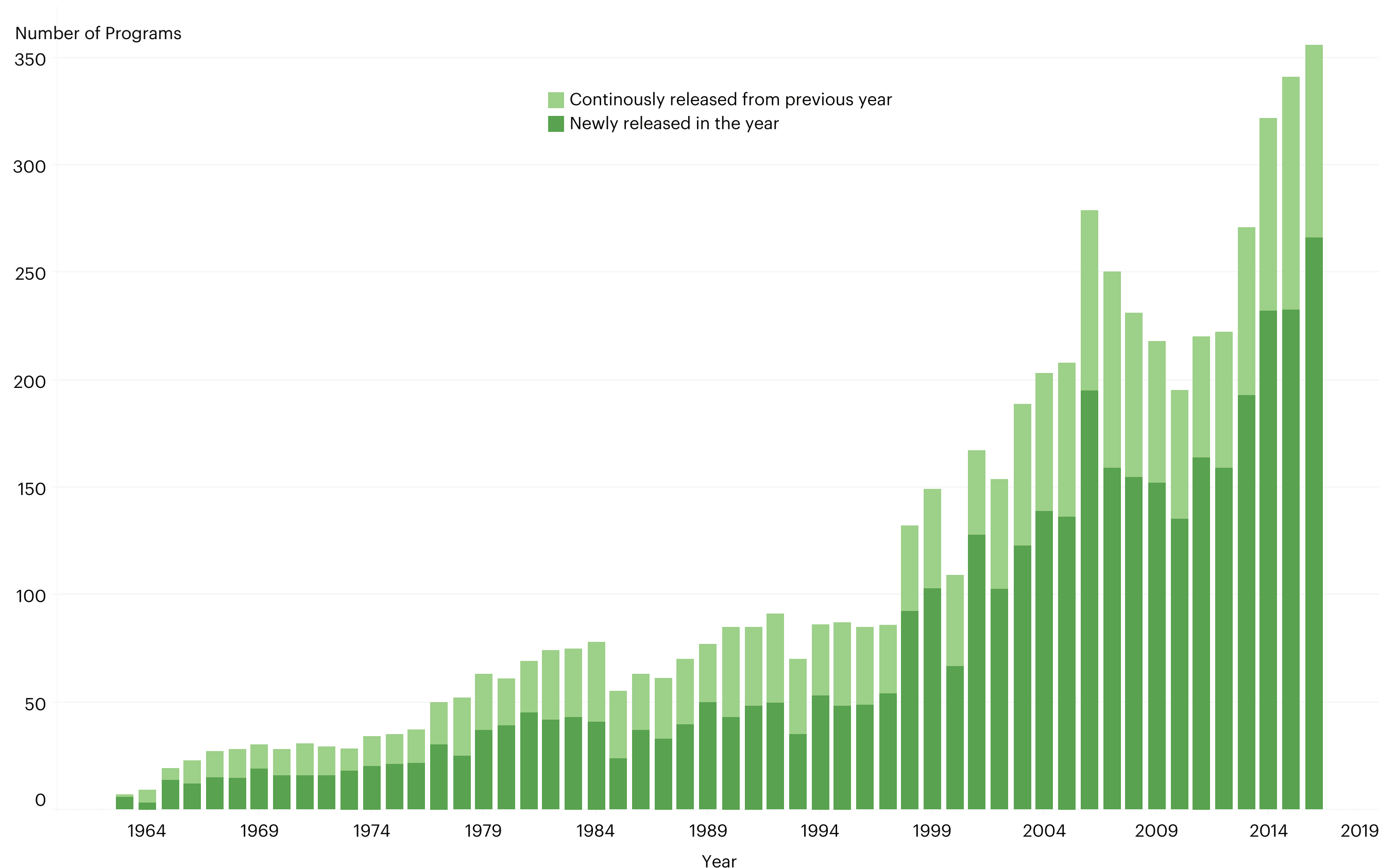
The animation distribution market grew continuously in positive, upward rise. In 2016, the size of the Japanese animation distribution market via the internet was 47.6 billion yen (or about \$434 million), increasing by 9% over the previous year. Some thought the market, growing continuously through the 2000s, would take over the animation videograms market; however, the videograms market remains parallel with the distribution market. Animation works via internet distribution are mainly targeted to a general audience while those in the videograms market are targeted to more dedicated anime fan communities even though the market shrinkage is unavoidable.

Merchandising related to Animations (USD)



The market size shrunk due to a shift from physical products to digital products. The size of the Japanese merchandising market related to animation characters shrunk to 562.7 billion yen (or about \$5 billion), which was 97.1% of its size in the previous year. This was because digital products (especially video and mobile games) were not included in the data. Actually, the overall market size (i.e. the revenues of animation studios) increased significantly. Surely consumers are losing their appetites for physical products along with the shift to digital products. From now on, it is essential for character merchandising businesses to build a new business scheme incorporating digital products.

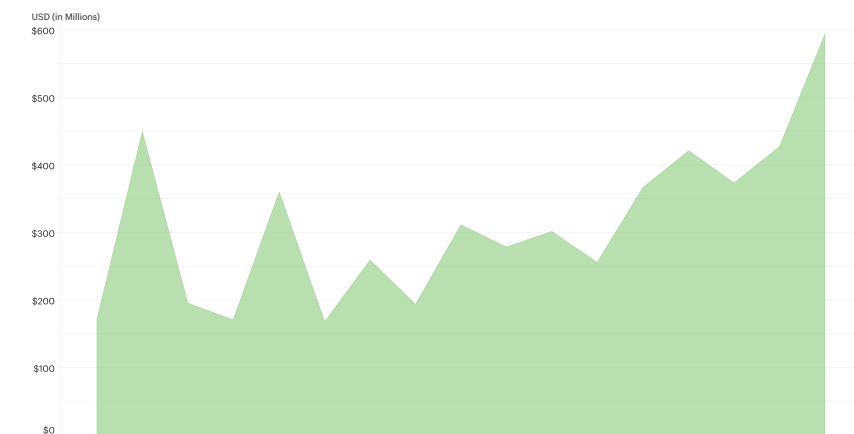
Number of TV Animation Programs



New entries from China and the Game Industry increased. In 2016, a total of 356 TV animation programs were broadcast (90 continuing, 266 new), which increased from 2015. New programs increased significantly by 33 while programs broadcast/serialized continuously decreased by 18. This was because late-night animation programs broadcast mainly for one season increased while daytime animation programs decreased. There was a swarm of new entries, especially from companies engaged in mobile games for smart phones, to animation businesses. The number of animation programs based on such mobile games was on an increasing trend, reflecting increasing interest in animation businesses. It could be said that those game application companies had an appetite for business expansion by means of diversification including character merchandising. Regarding China, an increasing demand for Japanese animations whose distribution officially started on a full scale in China pushed up license fees in the market. Under such circumstances, some of the Chinese internet distributors participated in production as investors in order to secure the license in China.

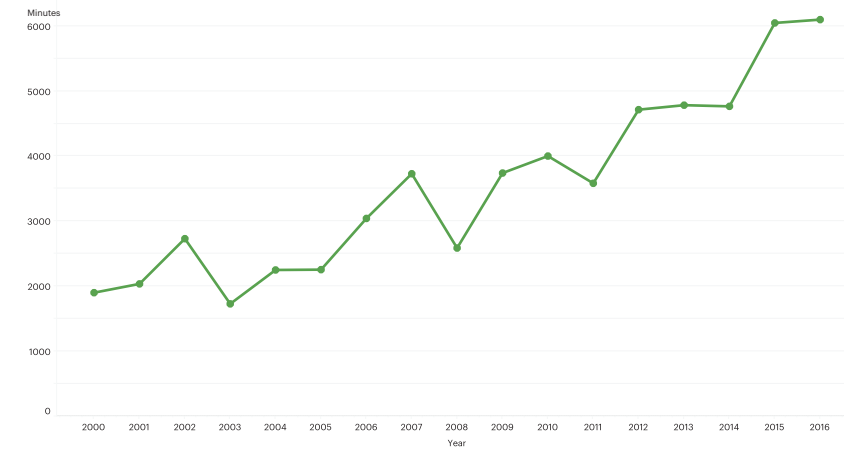


Box Office Revenue of Theatrical Animations (USD)



“Your Name.” exceeded 25 billion yen (or \$228 million). Theatrical animations made a big leap. Since the mid-90s, the box office for theatrical animations was pushed up by Ghibli works. However, in 2015, the box office recorded 47.7 billion yen (or about \$426 million) without the release of any works by Ghibli, which gave the animation industry an optimistic outlook that it could do well without Ghibli. Eventually, the thing no one ever expected happened: the theatrical animation “Your Name.” released. It had been thought that the box office records established by Hayao Miyazaki were unbreakable but “Your Name.” recorded the 2nd largest box office records among all Japanese movies. The hit absolutely drew attention to theatrical animation businesses, and the box office for it showed great potential.

Production Minutes of Theatrical Animation



Number of Theatrical Animation



The number of theatrical animation works continuously increased thanks to an active market. In 2016, 81 theatrical animation works were released. This was a slight decrease compared to 86 in 2015, but was the second-most in history. On the other hand, the production minutes in 2016 slightly increased (6,097 minutes in 2015 when the production minutes first exceeded 6,000 minutes). This was because of the continuous success of regular animation series such as “Detective Conan” and “Doraemon” as well as the boom of small- and mid-sized movies; and eventually the mega-hit success that “Your Name.” brought. It is not hard to imagine the success of that work stimulating creative desires in the industry. The theatrical animation market seems like it will be active from now on considering the growing interest.

