

Manga Industry in Japan

1-1 Market Size in Japan

• Manga

The market size for manga books and manga magazines is shown in Chart 1 as the total sales made at bookstores and convenience stores through distributing companies. Moreover, the figures under magazine sales include income from advertising.

Sales from manga books make up over 25% of total book sales, while those from manga magazines comprise 20% of total magazine sales. While sales of manga books have increased slightly, in recent years those of manga magazines have been stagnant.

[Chart 1] Manga Market (Unit: ¥ billion)

	¥ billion	Source
Manga Books (05)	260.2	A
Manga Magazines (05)	242.1	A
Total	502.3	

A “2006 Publication Index Annual Report” by the All Japan Magazine and Book Publishers’ and Editors’ Association, the Research Institute for Publications

1-2 Exports/Imports of Manga

- **Manga** [Export Amount] Approximately 12 billion yen (estimate)

Export and import of manga are classified between exports and imports, which involve physically moving manga books and magazines, and licensing to local publishing companies overseas.

(Export)

Due to the licensing sales to local publishing companies overseas, many manga are translated and published in various countries around the world, including Asia, North America and Europe. Over ten major publishing companies in Japan handle licensing for translation publication. According to a person handling overseas business at a major publishing house, the total of such licensing income is considered to be approximately 12 billion yen.

(Import)

There are many cases of comics from overseas being published in Japan, such as “Peanuts,” which is imported from the U.S., but no statistics have been collected to show the number of copies sold and the sales amount for such comics from overseas, so the current extent of importation is not known.

1-3 Structure and Domestic Business of the Manga Publishing Industry

As shown in Chart 2, The Japan Cartoonists' Association has 184 members and Manga Japan 60 members, but Japan is estimated to have approximately 4,000 cartoonists. Many of the manga books that contain manga drawn by these manga artists are published by about ten major manga publishing houses, such as Shogakukan Inc., Kodansha, Ltd., Shueisha Inc., Akita Publishing co., Ltd., Futabasha Publishers Ltd., Shonengahosha, Hakusensha, and Leed Publishing co., Ltd., out of 4,260 publishing companies.

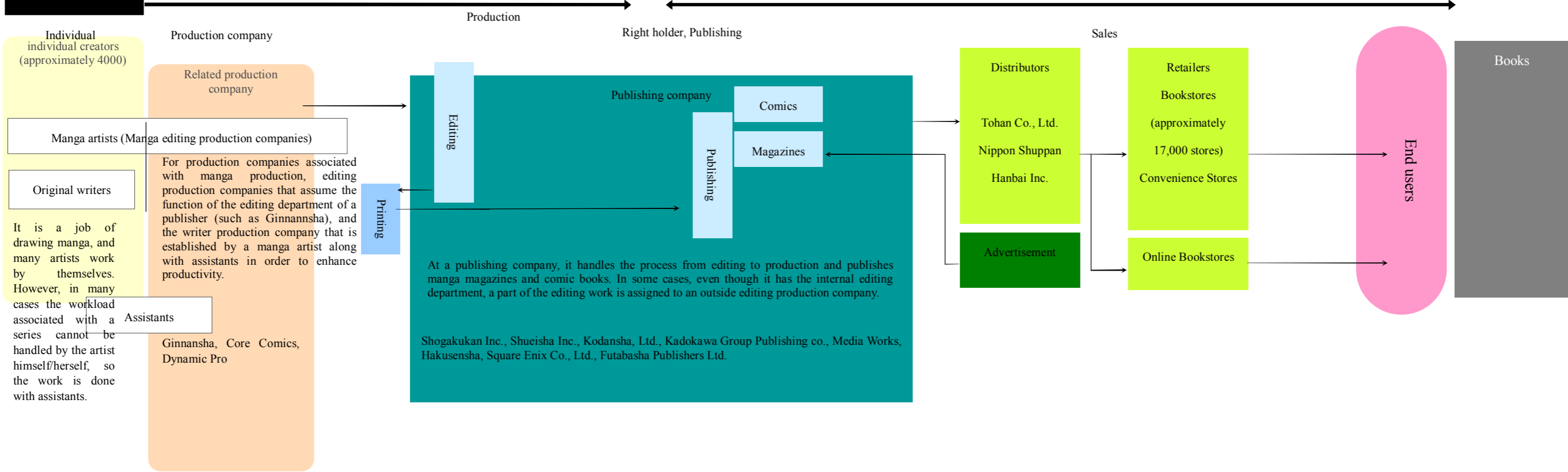
Manga makes up approximately 20% of magazine sales and approximately 27% of book sales in Japan, and has become a genre that supports the Japanese publishing industry. As shown in [Chart 2-5], in publishing manga, the division of labor has been established whereby a manga artist creates manga, a publishing company handles the editing, binding and printing, and a bookstore sells it after receiving it through a distribution company. In many cases such a publishing company will manage the secondary usage rights as an agent for the manga artist.

A typical course for manga to compete for popularity among serial manga in many commercial manga weekly magazines, and to be published as a book if the work is well received, and then to become an animation film when the manga gains a group of stable fans.

On the other hand, sales in the *doujinshi* (coterie magazines) market are estimated to be several tens of billions of yen a year and to make up as much as 10% of sales of the manga books and magazines at bookstores, judging by the fact that each participant is believed to spend JPY30,000 on average at so-called "Komike (Comic Market)"--which is held in the summer and winter at the Tokyo Big Sight and whose participants exceed 150,000 a day--and combined with sales at smaller scale events nationwide. Commercial publishing companies also have started participating in Komike, which is planned by amateurs.

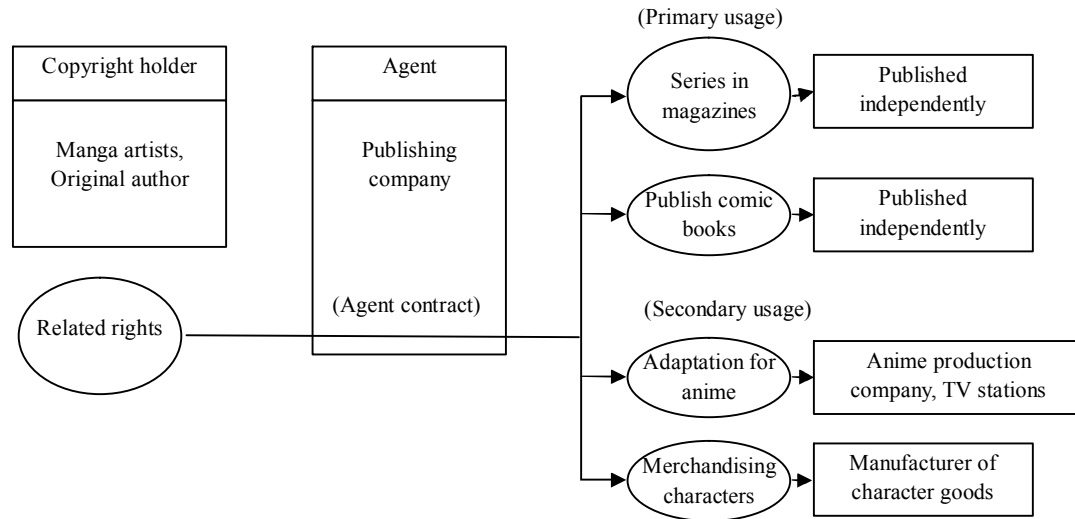
Manga

[Chart 2] Manga Publishing's Industrial Structure & Domestic Transactions



1-4 Structure of Transactions Involving Manga-Related Rights

[Chart 3] Structure of Transactions Involving Manga-Related Rights



The copyright to the manga is owned by a manga artist who creates the work. When an original author is involved, the original author is also considered a copyright holder.

However, in many cases a manga artist will sign an agency contract with a publishing company and assign the management of his/her copyright to that company.

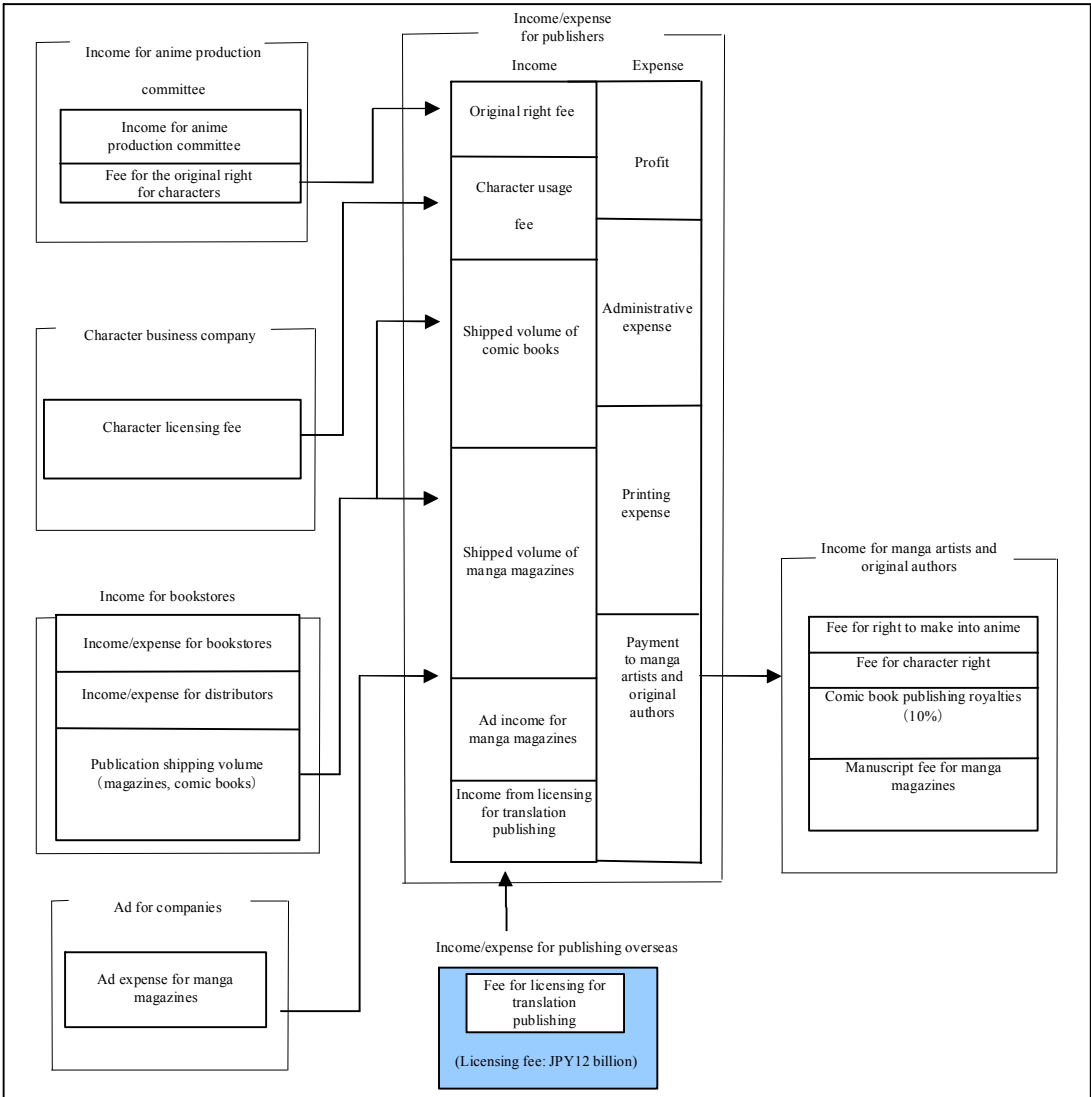
Manga artists are paid compensation for manuscripts in the case of serial manga, and when their work is published as a book they are paid royalties. When a manga is used for an animation film for TV and theaters, the secondary usage of the manga by making it into an animation film is considered to be an adaptation of the manga, and consequently the original usage fee is paid to the copyright holder. Moreover, animation films based on manga are considered the secondary copyrighted work, and the right to control the release of the animation films is incurred. For example, in exporting an animation film, the consent of the original author and the payment of the usage fee are required. Moreover, in manufacturing character goods the character merchandise company pays the usage fee to the copyright holder.

Transactions overseas are conducted as licensing-fee transactions in order to publish translated manga between manga publishing companies and publishers overseas. The copyright holder owns the translation right, the right to have control over translation and the right to release it, and he/she receives the translation-right fee in connection with the publishing of translation.

1-5 Companies Involving Manga, and Income Structure by Content and Funding Sources

The business involving manga begins with placing a series in the manga magazine. The publishing company tries to improve the profitability of manga magazine publishing with advertising fees on top of the sales of manga magazines. Serial manga that have become popular are published as comic books, and royalties are paid to manga artists and original authors. Furthermore, the publishing company acts as an agent in the usage of characters and the making of animation films, and the income from such revenues is distributed to manga artists and original authors through the publishing company. In publishing the translated version overseas, the publishing company acts as an agent as well.

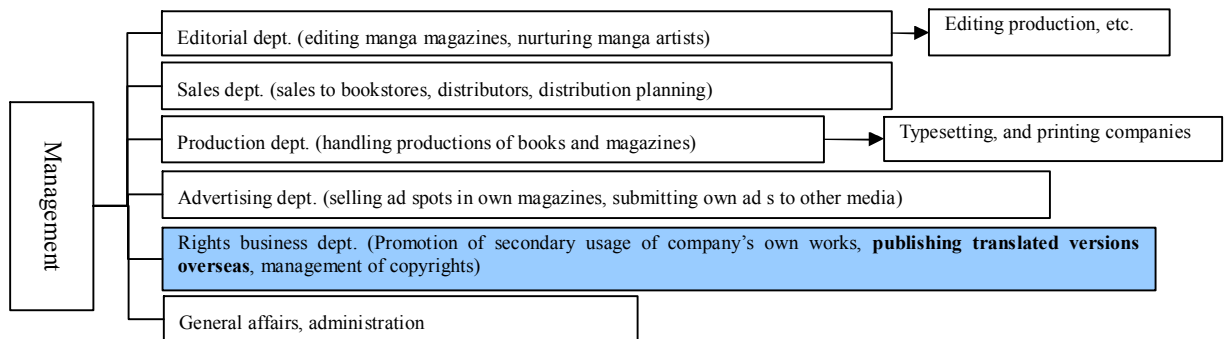
[Chart 4] Income/Expense of Manga Business



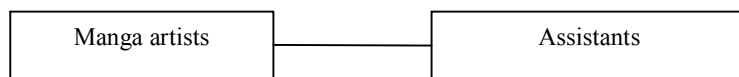
1-6 Structure of Companies Involved with Manga and Departments in Charge of Overseas Transactions

In many cases the publishing company handles the usages of rights as an agent to a manga artist, who is the right holder. Large manga publishing companies have a department for management of the copyrights associated with publishing translated versions overseas, but medium- and small-size publishers do not have enough manpower and knowledge in that field, and some of them do not have such specialized departments. However, some mid- and small-size publishers are actively seeking business overseas.

[Chart 5] Corporate Organization at Manga Publisher



[Chart 6] Positioning of Manga Artists



1-7 Overseas Sales Ratio and Their Positions in the Overall Industry

Approximately ten major publishers in Japan sell translated versions of manga, and their licensing income is believed to be in the neighborhood of JPY12 billion. Contrastingly, domestic sales of manga books are estimated at JPY260.2 billion, while the right-associated income is estimated at JPY 26 billion, sales of manga magazines at JPY 242.1 billion, and the right-associated income from them at approximately JPY 24 billion. Therefore, the total right-associated income is estimated at approximately JPY50 billion. Based on that estimate, the ratio of licensing income derived from overseas is significant at approximately 25% of the domestic right-associated income.

That is the reason manga publishing houses have been engaged in the licensing business of publishing translated versions overseas for more than ten years and have been able to open sales routes all over the world. Characteristically, the global manga boom goes hand in hand with the anime that is created based on the manga. In many cases, when the anime is broadcasted or is made into a DVD the marketing for character merchandise and card games will start at the same time. Moreover, in various countries such as the U.S., Japanese publishing houses have invested money in establishing manga publishing companies overseas and have been involved not only in the licensing business but also in the publishing business.

Citing a case similar to that of manga, in recent years translated versions of light novels have been published, and although the business is only four or five years old the expansion of the market in Europe, the U.S. and Asia is expected.

As described above, overseas sales of manga are conducted as sales of licenses to publish translated versions, and the translated versions are published by the publisher overseas. Compared to the distribution system in Japan, the publishing market overseas is more complicated, whereby the wholesale price varies according to the distribution routes such as bookstores and kiosks, no established retail price exists, and the return of goods is allowed.

1-8 Targeted Markets by Region

The order of the highest sales growth by regions at major publishing houses is as follows: 1. Eastern Asia, 2. Southeast Asia (including Oceania), 3. Europe, and 4. the U.S., and the Japanese manga are sold all over the world.

Considering the United States, in recent years translation and publishing have been done through mainly four agents/publishing companies specializing in Japanese manga. One of those companies, the San Francisco-based VIZ Media, LLC, was established by two large Japanese publishing companies for the purpose of expanding the presence of Japanese manga in the U.S. The company publishes “VIZ” brand comics. It also works as an agent for merchandizing anime characters. The other company, Tokyo Pop, Inc., works as an agent and a publisher. Because it keeps its office in Japan, it can regularly engage in sales activities with Japanese companies in Japan, and it also engages in sales of licensing and publishing throughout Europe and the U.S.

VIZ Media is trying to develop a market in Latin American countries too, but the manga culture itself has not spread into the region, and it cannot reach the point of considering the region a market for manga.

In Europe the number of countries is increasing where contracts to publish manga are made, and the growth rate is the highest in the world. However, manga there are mainly geared toward children, and the generation for manga geared toward adolescents has not emerged.

The number of manga titles published in France in 2005 was 1,142, demonstrating a considerable increase from the previous year's 754 titles (source: Association des Critiques et Journalists de Bande Dessinée). The number of copies for the first print per manga title increased as well. The first printing of the latest volume of “Naruto,” the most popular title in 2005, as volume number 19, was 110,000 copies. Because the first printing of the volume published in the previous year was 60,000 copies, even on the basis of the first printing it was practically doubled. The French Publishers Association established a category of “manga” in 2004, and the size of the manga market was acknowledged by a public institution. The number of copies of manga published in 2004 exceeded 10 million, greater than the number of copies of tourist guides published, such as the *Michelin Guide* (9.6 million copies). In recent years the manga market has expanded rapidly, and the world's French-speaking region is expected to be a large market in the future.

In Germany, whose market is second to France, the publication of Japanese manga is becoming very

active. Tokyo Pop has entered the market and established an agency specializing in manga, working in collaboration with VIZ Media Europe.

Business inquiries from publishers in Northern and Eastern Europe are increasing, and the Japanese manga have started being published in those regions. The market's potential size is still not known, so test marketing is desirable.

In China a permit from the Central Government is required for publication. It is unclear as to what type of manga work the permit is granted, and it is unpredictable. However, the number of contracts for officially sanctioned publishing is on the rise. Still, illegal pirate copies of many Japanese manga continue to be published.

In South Korea there are many regulations on words and letters for manga publishing, but the market is on the expansion trend.

In Taiwan the agent is active, but the market is small. Pirate copies of what is published in Taiwan are often published in mainland China. There is some new movement in the market, such as launching of a girls' manga magazine with works provided by Japanese publishing companies.

The issue of so much piracy throughout Southeast Asia has been a problem, but the publishing volume of translated versions in Vietnam and the Philippines is actually on the rise and provides a hope of business there in the future.

In Thailand the number of copies sold is large, but the unit price is so low that they do not bring in large amounts of income from sales.

Total sales in the Asian market are limited due to the low unit price. Even if the legitimate version is published as a preventive measure against piracy, the profitability is low.

In Europe and the U.S., the book unit price is high but the market is limited, and the number of copies sold is not very different from that of Asia. Attention is directed toward the Middle East and highly populated India as the next possible markets.

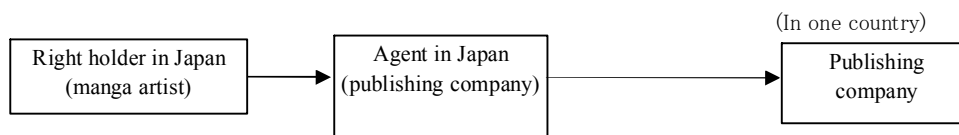
1-9 Business Partners for Overseas Sales, and Examples of Sales Routes

The distribution sources of Japanese manga consist mainly of about ten major manga publishing companies, but in recent years mid- and small-size publishers and domestic publishing distributors have also entered the field.

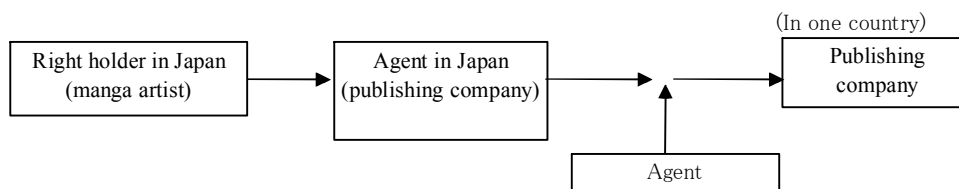
The buyers overseas are local publishers, and individual contracts for publishing translated versions are signed directly by local publishers or through agents.

[Chart 7] Examples of Sales Routes of Manga Sales Overseas

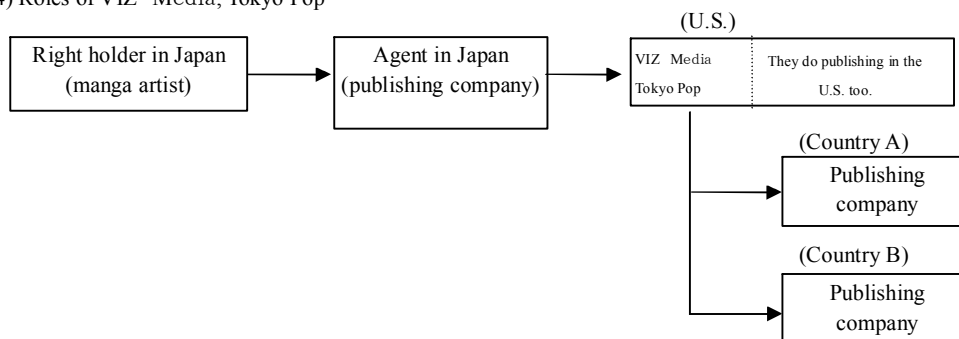
(1) Sales to Publishing companies by Country



(3) Each Right Sold Through an Agent by Country



(4) Roles of VIZ Media, Tokyo Pop



In the United States, about four agents specializing in the Japanese manga take central roles in transactions. Among those agents the San Francisco-based VIZ Media, LLC, which is founded with investment from Japanese publishing companies, even publishes books and magazines. Tokyo Pop, which operates from Japan, also publishes books and magazines in the U.S.

Considering Europe, in France sales to local publishers are the main business. However, in Germany Tokyo Pop has established an agency specializing in the Japanese manga and has been working in collaboration with VIZ Media Europe.

Inquiries from local publishers in Northern and Eastern Europe are on the rise. However, their business strength (i.e., selling power) is not easily assessed, and more information about those publishers is needed.

In China the permission system is an obstacle, and it is difficult to choose the buyer. Even after selling a license, sometimes a book will not be published. Moreover, it is said that each year only about three works are released.

In developing sales in each country, because the development of a market is required for character merchandise or card games along with anime based on manga, it is desired to make sales to mixed media companies that can develop multimedia business such as broadcasting and toy sales.

1-9 Method of Developing Customer Base Overseas

Among the ten or so manga publishing houses that sell rights to translate Japanese manga and publish them overseas, some companies are said to have contracts with over 300 publishing companies overseas. As a means to develop a customer base at those companies, in some cases they receive inquiries on their merchandise after being shown at the international trade show, and subsequently contracts are made after negotiations. Lately they will often receive inquiries directly from prospective customers once they have seen the company's website. Because the marketability of Japanese manga has been recognized due to its boom, it is not difficult to develop the customer base.

Moreover, mid- and small-size Japanese publishing companies and Japanese companies in coordinating business have entered the field of selling the right to translate and publish Japanese manga overseas and have been developing their customer base by participating in the international trade show. Even in such case, as long as what they are trying to sell has strong marketability, since the dominant manga publishing overseas is limited, it should not be that difficult to approach prospect customers. Especially sales should be easier through VIZ Media, who is a publishing company and an agent and is expanding sales network from the U.S. to worldwide, and Tokyo Pop.

Under such business environment, the issue that commonly faces manga publishing companies is the selection of buyers in Northern and Eastern Europe, Russia, India and the Middle East, where Japanese manga aren't published very much. Many publishing companies have said they have received many inquiries but that they could not tell which company was trustworthy and had selling power. In order to solve the issue, each country's publishing market should be analyzed and there should be an investigation into each company that has placed an inquiry for comparison against such analysis.

Moreover, among large publishing companies, for the purpose of mixed media development, some of them seek to partner with the total media capital that has strength in publishing, movies, broadcasting, games and development of character merchandise. It seems necessary to investigate the activities of the media capital in each country.

Because the market for the Japanese manga is open overseas, while developing the customer base overseas it seems important to encourage mid- and small-size Japanese publishing companies and businesses that handle old manga whose publishers are defunct in order to enter the market.

1-10 Joint Production with Companies Overseas and Format Sales

The existence of a company that is based in Japan and publishes Japanese manga worldwide as an agent and publisher can be considered an example of the new global trend in joint publishing.

Tokyo Pop, which exemplifies such a company, foresees that every two to three years a new business model of the manga is created and disappears overseas. Tokyo Pop does not follow the business model of “serial manga → making into an anime → increase sales of books” like other Japanese publishing companies. While the company develops original work that is rooted in each country’s culture, it considers it important to develop contents that go beyond cultural differences among countries and have global appeal.

