

The Japanese Television Industry



Legal System Governing the Television Broadcasting Industry

Television stations in Japan are governed by the Broadcast Law and the Radio Law. The Broadcast Law facilitates the effective use of airwaves as a shared public asset, and the Radio Law requires broadcasters to fulfill certain public duties because of the tremendous influence they exert on society through the information they transmit. Commercial television broadcasters must be licensed by the Ministry of Internal Affairs and Communications, which regulates public airwaves and broadcasting. New entry into broadcasting is heavily restricted.

Television stations are also subject to the Mass Media Decentralization Rules, which regulate control of multiple broadcasting stations by designated entities and ensure freedom of expression. Other regulations include the Restriction of Foreign Investment, which limits voting rights of foreign entities and their Japanese agents to 20%.

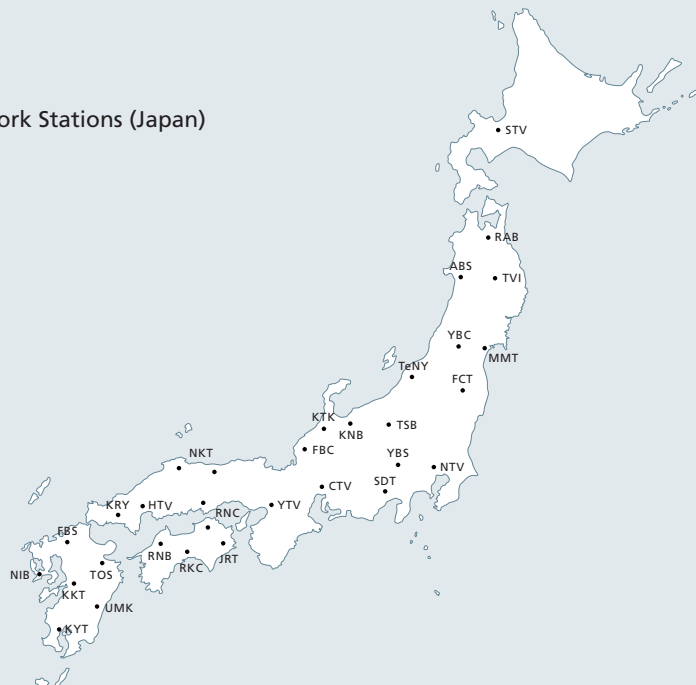
Features of Television Stations in Japan

■ Terrestrial Television Network

Commercial terrestrial television broadcasters in Japan have specified regions. National commercial broadcasters consist of five key stations in Tokyo. Beneath each of these stations are associated regional and local stations that form individual nationwide networks. The regional and local stations sign network agreements with their key stations and cooperate in news, programming and other business activities. However, pursuant to the Mass Media Decentralization Rules, each station is a licensed broadcaster with independent capital.

These network stations, along with the equipment required for airwave broadcasts, facilitate free viewing of high-quality commercial television programming anywhere in Japan, if viewers simply install an antenna. Terrestrial television broadcasting can transmit the same information to some 40 million households at the same time through 100 million receivers nationwide. This makes terrestrial television broadcasting the most effective advertising medium for marketers—far surpassing satellite broadcasting and cable television.

□ NTV Network Stations (Japan)



■ Revenue Sources for Commercial Television Broadcasters

Commercial television broadcasters in Japan derive their revenues mainly from broadcasting sales, specifically the fees paid by sponsors for airing commercial messages (CMs), which are broadly classified into two types: time ads during designated programs and spot ads between programs. The broadcasting industry voluntarily limits CMs to 18% of total weekly air time, with additional air time restrictions based on program length. The minimum CM lengths are 30 seconds for time ads and 15 seconds for spot ads.

The two types of CMs are also sold in different ways. Time ads are normally sold through six-month contracts with sponsors, with continuation confirmed and fees renegotiated in April and October. Clients cannot place ads during their favorite programs unless slots are available. In spot ads, clients submit their desired broadcast periods, timeslots and ad prices through their advertising agency, and the CM broadcast schedule is drawn up accordingly.

■ Television Station Program Production

In contrast to the United States, Japanese television stations do not have restrictions on program production and copyright possession. As stations in Japan control their own program production, editing, broadcasting and copyrights, they can use the same content for various purposes by virtue of controlling the copyrights. In addition to terrestrial broadcasting of films and animations, stations have recently begun taking advantage of new opportunities to expand revenues and profits by offering content on DVDs and through overseas sales.



Trends in Advertising Expenditures

Total advertising expenditures in Japan in 2006 reached ¥5,995.4 billion, or 100.6% of the 2005 amount, marking the third consecutive year of growth. In the first half of 2006, despite the rebound from the Aichi Expo in the prior year, advertising expenditures remained strong, owing to the Torino Winter Olympics, FIFA World Cup™ Germany and other major events. In the second half of 2006, mobile phones were advertised aggressively as “1-SEG” services (described on page 19) were launched and a mobile phone portability system was introduced. However, several factors, notably more industries spending less on advertising and the falloff after last year’s Lower House elections and the Tokyo Motor Show, reduced the total advertising expenditure growth rate compared with the previous year.

Television advertising expenditures totaled ¥2,016.1 billion, 98.8% of the previous year’s figure. A host of major sporting events—the Torino Winter Olympics, the World Baseball Classic, the FIFA World Cup™ in Germany and the 2006 World Volleyball Championships—all broadcast primarily by major stations in Tokyo, raised time ad expenditures to 100.8% of the preceding year’s amount. At the same time, spot ad expenditures fell to 97.1% of the previous year’s level, as rates for regular programming declined and regular programs were suspended in favor of single-episode specials.

By industry, advertising expenditures performed well in energy, materials and machinery; real estate and housing facilities; transportation and recreation; hobby sporting goods; and dining and other services. Expenditures decreased in finance and insurance; cosmetics and toiletries; foods, beverages and cigarettes; and other industries.

Source: Dentsu, Inc., *Advertising Expenditures in Japan*.

