

The Book Market of Japan

Breakfast Meeting

October, 11, Frankfurt am Main

Seiichi Higuchi

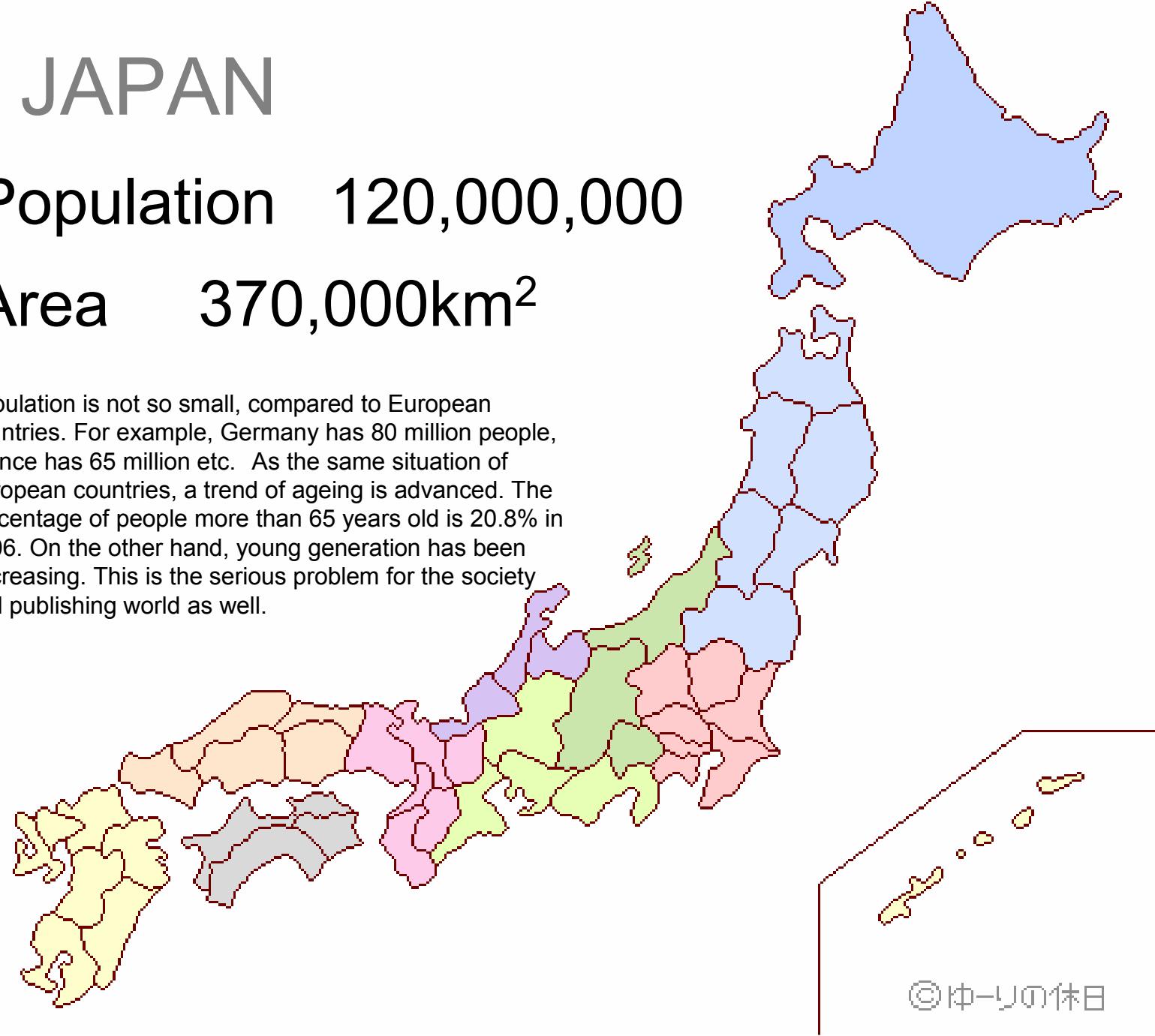
Japan Book Publishers Association

JAPAN

Population 120,000,000

Area 370,000km²

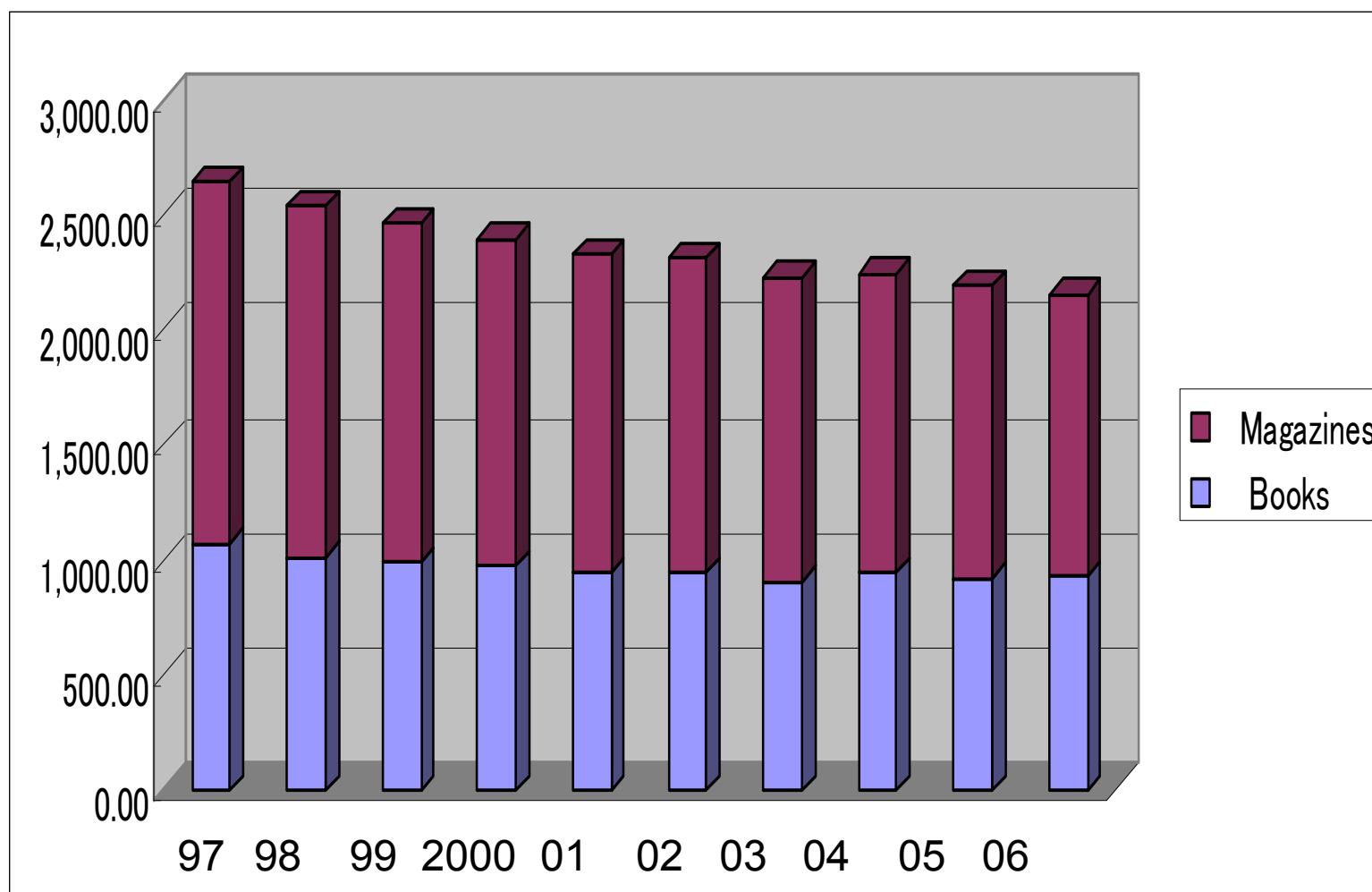
Population is not so small, compared to European countries. For example, Germany has 80 million people, France has 65 million etc. As the same situation of European countries, a trend of ageing is advanced. The percentage of people more than 65 years old is 20.8% in 2006. On the other hand, young generation has been decreasing. This is the serious problem for the society and publishing world as well.



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Outline of the Book Market of Japan

Retail Market Sales of Books and Magazines



Total Sales of Publications in 2006

Books 932.6 billion yen

(US\$ 7.8 billion)

Magazines 1,220,0

(US\$10.2 billion)

Japanese book market is not necessarily small, but it has become declined since mid 1990s. The total sales of publishing industry in 2006 were nearly same as those of 1990. Japanese publishing industries lost 500 billion yen per year for these ten years. This means the size of the publishing industry became small by 20% of the maximum.

Ten years ago, parents always said to their children, do not read manga but study hard. However, nowadays children do not read even manga. Their only concern seems to communicate their friends through mobile phones.

1. Most medium-sized and large publishers in Japan produce both books and magazines, and both are distributed through the same channel.

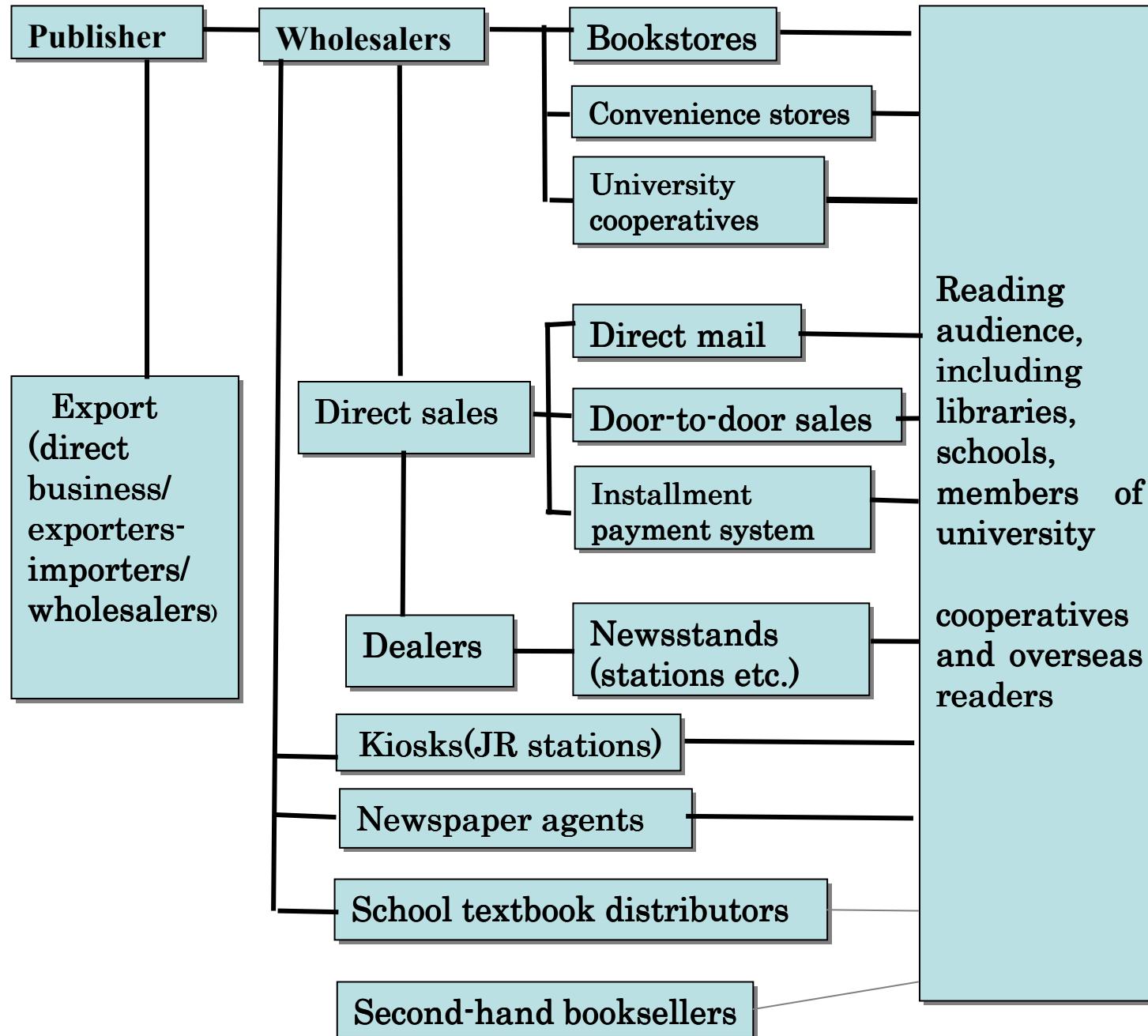
In the trade market, a wholesale distributor will usually act as an intermediary between the publisher and the bookstore. Generally, publishers do business with distributors on a consignment basis, with the distributor then selling to the retail market on returnable basis.

Distributors promptly and efficiently deliver books to bookstores and other retailers nationwide after receiving stock from publishers. It is difficult to sell books and magazines in Japan without a distributor, but a significant advantage of this system is that even small publishers can compete on an equal basis with major publishing houses in terms of getting titles into a large number of bookstores.

Major Publishing House in Japan

Company	Turnover in 2006 (million yen)	Number of new titles in 2006
Shogakukan	146,951	937
Kodansha	145,570	2,013
Shueisha	139,982	849
Kadokawa	68,100	1,138
Gakken	67,601	1,106
Gyosei	59,182	243
NikkeiBP	55,248	250
Zenrin	51,278	—
Kobunsha	32,500	442
Bungeishunju	31,271	530
Top 10 Total	797,683	7,508
Share of Top 10	37.08%	9.66%
Total	2,152,540	77,722

2. Approximately 70% of publications are distributed by a few wholesalers, which cover the whole country.



Major Wholesalers

(million yen)

Company	Sales	Books	Magazines	others
Nippan	678,217	252,016	338,751	87,449
Tohan	654,964	253,149	354,757	47,058
Osakaya	120,561	71,644	47,652	1,264
Kurita	58,563	—	—	—
Taiyosha	48,274	22,141	24,995	1,138
Nikkyohan	38,269	Books 28,901 Textbooks 8,174		1,195
Chuosha	26,641	6,488	14,987	5,165
Total	1,625,489	642,513	781,142	143,269

Nippn, Oji Logistic Center



Tohan, Okegawa SCM Center



These are the major wholesalers in Japan. As you know, the share of two big wholesalers, Nippn and Tohan are overwhelming. These two big companies covers more than 60% of total sales of publications.

4. Bookstores are able to stock publications without any risk because of the consignment system.

Book stores are able to stock publications without any risk because of the consignment system. Under the Consignment Sales System, retailers and wholesalers can freely return unsold publications within a set period of time (usually six months for newly released books). So, even small booksellers are able to distribute a large selection of books with no risk, and specialty bookstores can stock titles with small print runs or a slow turnover. Conversely, the consignment sales system is also effective for mass-market publications aimed at nationwide audiences. The unique system of book consignment serves consumers well because it offers more choice, and it serves booksellers well because it helps them maintain their vitality. However, it can also work to detrimental effect when publishers overproduce and distribute books that do not sell, thus resulting in a large volume of returns. The task of rationalizing the distribution system to avoid this pitfall still needs to be addressed.

Almost publications are distributed on a returnable basis.

Books

Publisher Wholesaler Bookstore



Margin (8%)

Margin (22%)

Magazines

Publisher Wholesaler Bookstore

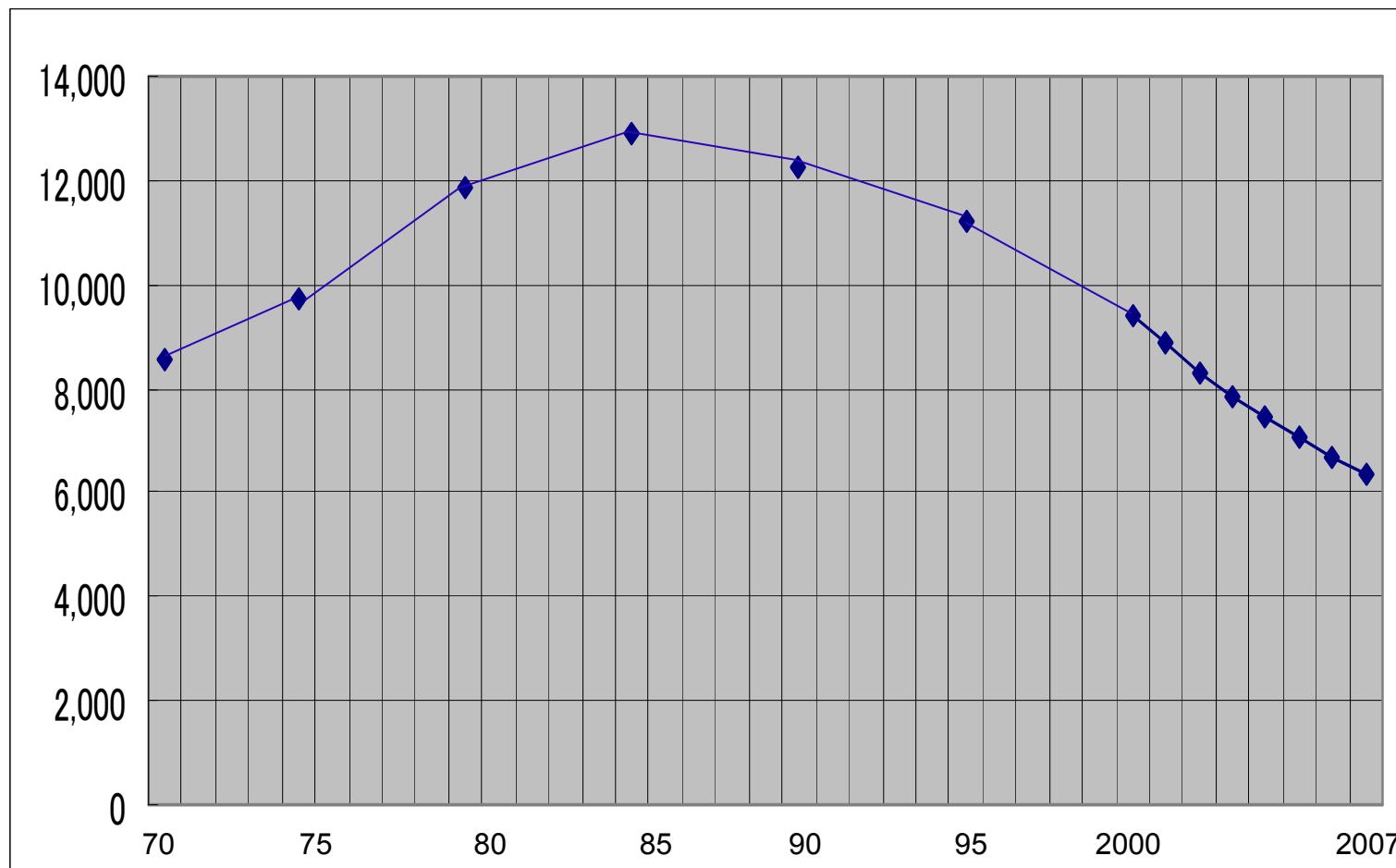


Margin (8.5%)

Margin (23%)

Number of Bookstores in Japan

(Members of Japan Booksellers Federation)

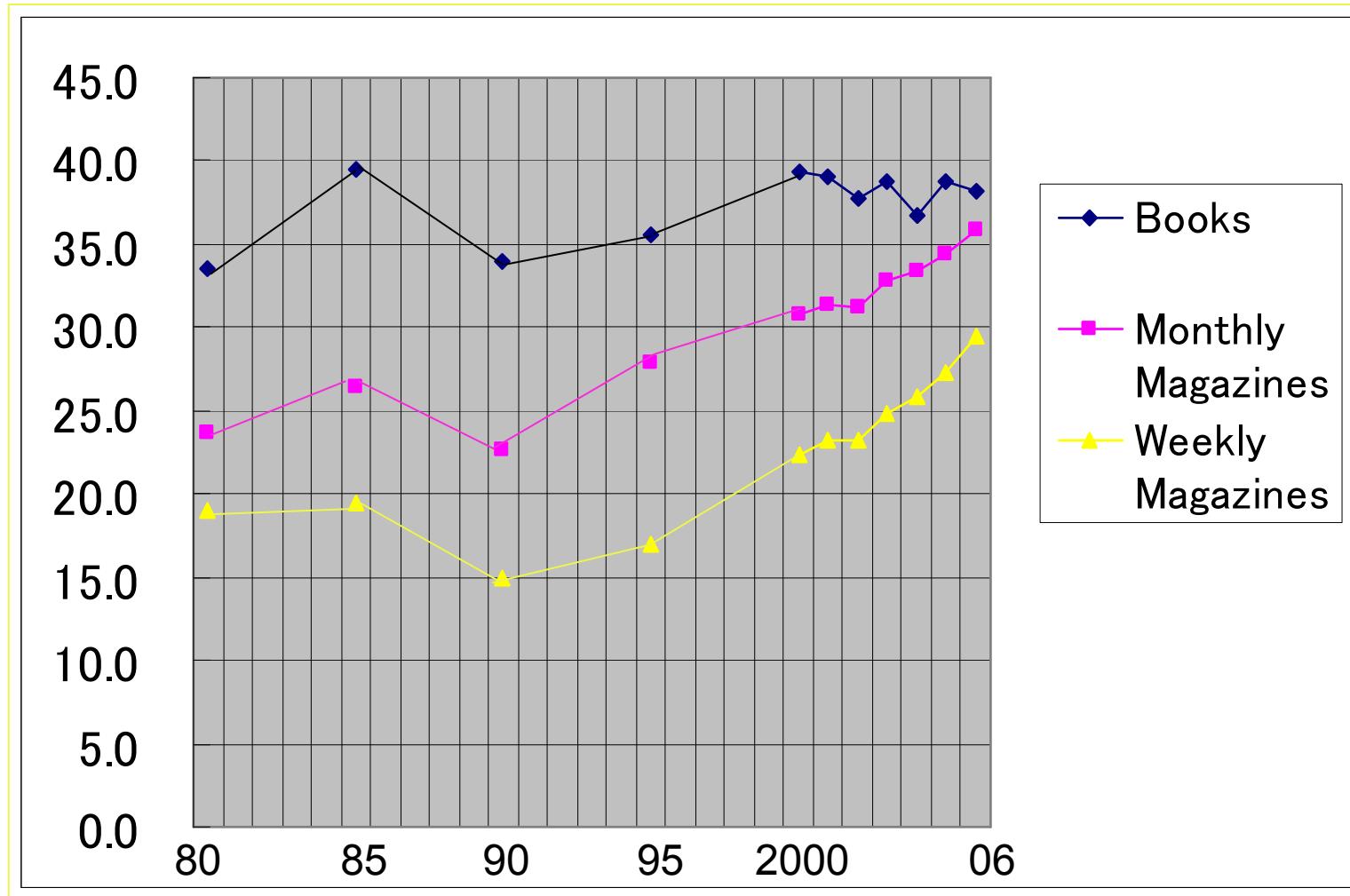


Major Bookstore Chains

(including Convenience stores)

Company	Sales in 2006 (Million yen)	Number of stores	Share (%)
(Seven Eleven Japan)	177,345	11,735	8.2
Kinokuniya	118,070	65(+Overseas 24)	5.5
Maruzen	98,146	47	4.6
(Lawson)	80,423	8,564	3.7
(Familymart)	58,784	6,501	2.7
(Circle K Japan)	55,859	2,681	2.6
Yurindo	54,265	32	2.5
Bonkyodo	52,775	223	2.5
Junkudo	37,474	31	1.7
Miraiya	31,569	155	1.5
Top 10 Total	764,710	—	35.5
Share of Top 10 (%)	35.5	—	
Total	2,152,540	—	

Rate of Returns



Kinokuniya Shinjuku South Store



Junkudo, Ikebukuro store



These are the major bookstore chains in Japan. Comparing with the situation of USA, the share of the big chains are not so high. Three big chains in US, Barnes & Noble, Borders, Books-A-million have approximately more than 50% of the whole book market. In Japan, the total sales of top 6 chains are 392 billion yen, and this figure is about 18% of the total sales of the whole country. Even the biggest one, Kinokuniya shares only 5.5%.

You can understand that the biggest sales are accomplished by Seven Eleven Japan. Of course, Seven Eleven is not a bookstore but a convenience store chain. The 95 of the sales of Seven Eleven are magazines.

Kobunkan, Kanda-jimbocho



This is a typical small bookstore. We used to be able to see such small bookstores in the every corner of towns, however, as I mentioned, many small bookstores became closed. Fortunately, this store is still alive at Kanda-jimbocho, where is the famous as book town in Tokyo. There are many publishers, bookstores, antiquarian booksellers, small distributors in the area. This store's owner was the ex-president of the Japan Booksellers Federation.

5. Readers are able to buy publications for fixed price anywhere in Japan because of the Resale Price Maintenance System.

Publications were ruled an exception to the 1953 Anti-Monopoly Law, allowing the continuation of the pre-war custom of selling publications at fixed prices.

The Resale Price Maintenance System, under which a publication are sold across the country at a fixed price. For the publishers and bookstores across the country, resale price maintenance enables the distribution of a wide variety of titles in small volumes and makes possible royalty payments for books with a small circulation.

This does not mean that publications must be sold at a fixed price, but only means that the publications are allowed to be sold at a fixed price. In other words, it depends on publisher whether they sell a specific publication at a fixed price or not. The Resale Price Maintenance Agreements themselves are contracts between publishers and wholesaler, or between wholesaler and bookseller on a voluntary basis.

For eight years, the publishing industry fought against the government Fair Trade Commission's (FTC's) stance that "from the perspective of market competition, the resale price maintenance system should be abolished." This standoff came to an end on March 23, 2001, when the commission released the following comment:

"From the perspective of fair competition policy, the resale price maintenance system should be abolished. However, considering the large number of dissenting voices expressing concern about the possible influences on culture and the public good, as well as a lack of public consensus on and support for abolition, we therefore announce that, for the time being, it is appropriate that the present system be maintained."

The Japan Book Publishers Association values the understanding and support of the Japanese public in this matter, but regrets that the commission persists in maintaining the position that the resale price maintenance system should be abolished.

Part of the reason for the decision was that, of the more than 28,000 comments sent to the FTC on the resale price maintenance system, more than 99% were from supporters of the system, including authors groups, local public organizations and nonpartisan members of the National Diet. It would be fair to say that the commission was unable to ignore such an overwhelming result.

In accordance with the request of the FTC that publishers, distributors and bookstores should consider ways to make the system "more flexible and practical".

The publishing industry in Japan has been working to promote flexible and diversified use of the resale price maintenance system to benefit readers, such as the development of channels for the sale of books at open prices, special thank-you sales for readers, and revisions of resale price maintenance contracts and manuals governing the system.

Resale Price Maintenance System

Books

Periodicals

Newspapers

Phonograms

Music Tapes

Music Compact Discs

The Anti-monopoly Law allows to conclude the resale price maintenance agreement on these 6 categories of commodities. Books, Periodicals, Newspapers, Phonograms, Music Tapes and Music Compact disks. The RPMA is the only exception of the law and the government does not want to extend the limitation to any other new media and new type of goods and services.

RPMS is not applied to :

CD-ROM, DVD

E-books

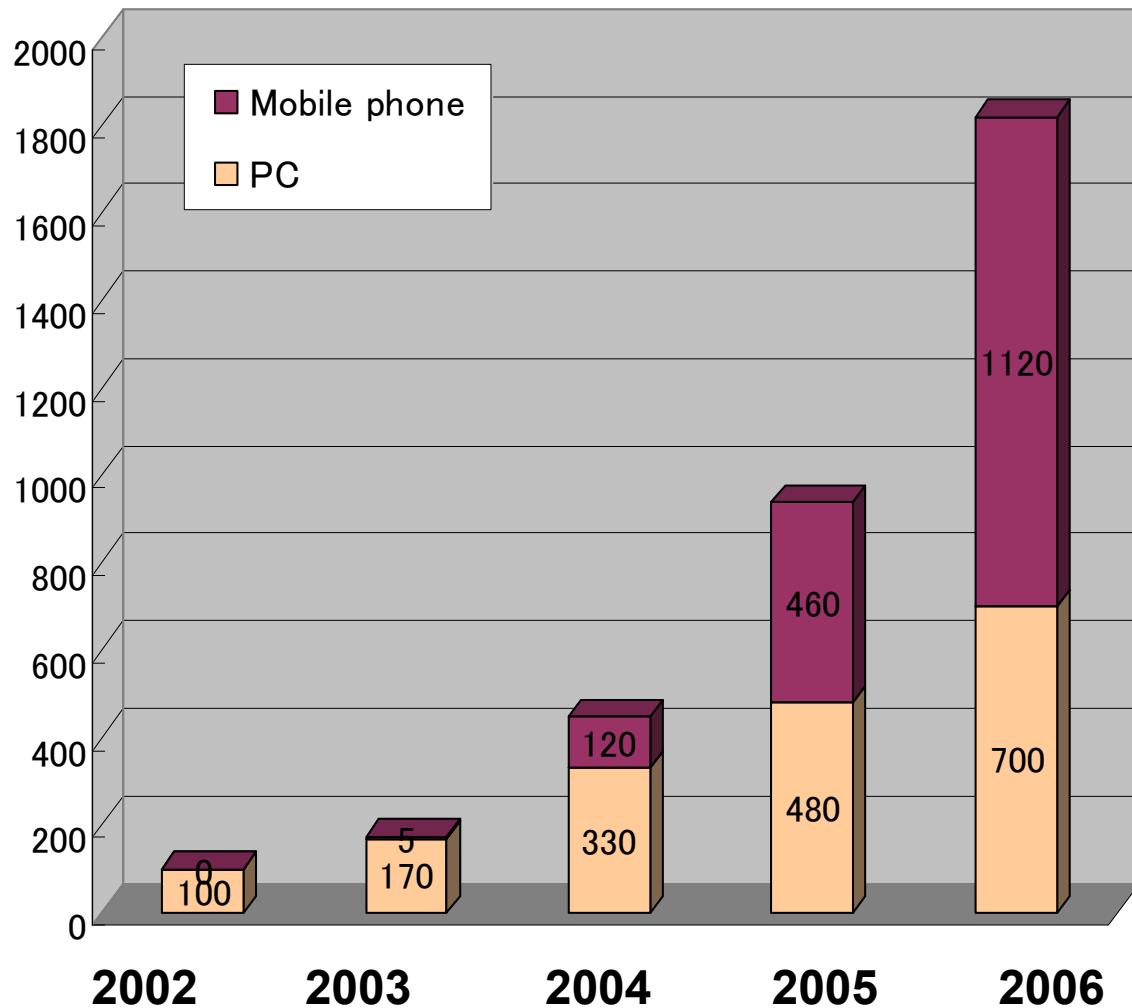
Secondhand Books and Periodicals

Foreign Books and periodicals, journals

So, CD-ROM, DVD, E-books are not allowed to be sold at a fixed price. And as the RPMA is an agreement between publishers and wholesalers or between wholesalers and bookstores, after once publication is sold to the third party including readers, the RPMS is not applied. Therefore, secondhanded bookshops are able to set the retail price at their discretion. And regarding foreign books and magazines, as there is no RPMA between foreign publisher and importer in Japan, RPMS is not applied.

Development of E-book

(Million yen)



6. Most of publishers are small or medium-sized company and their stocks are not listed on the market.

Merger and acquisition of publishing companies is seldom done in Japan.

7. The market of publications in Japanese is mature and many books published abroad are translated into Japanese.

On the other hand, the market of books in English is relatively small.

Number of Translation Titles

Year	New Publications	Translations	%
1994	48,824	4,303	8.8
1999	51,682	4,462	8.6
2004	56,613	4,943	8.7

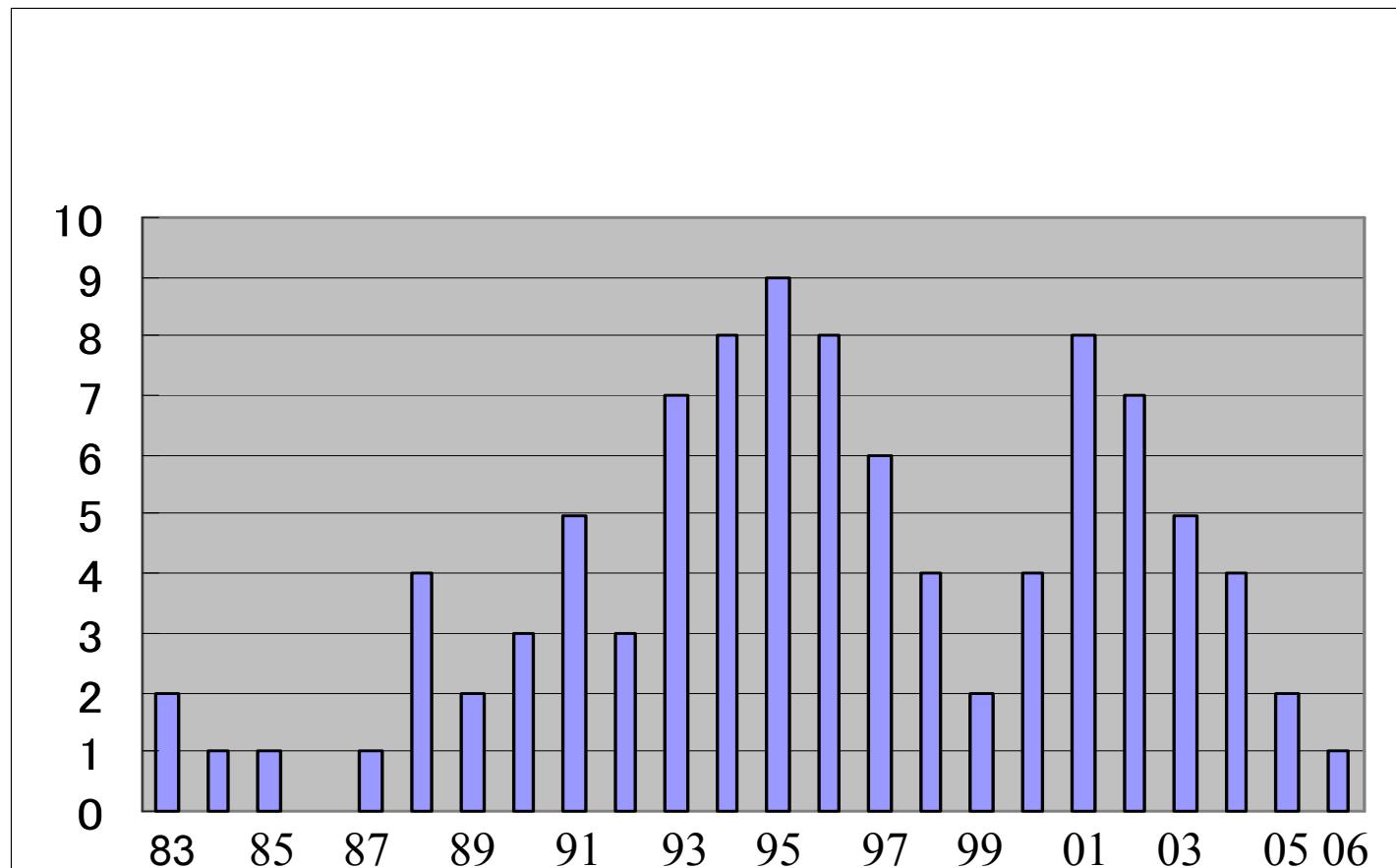
Ratio of New Translation Title to the Field

Subjects	1968	2004	(%)
General	2.0	1.2	
Philosophy	10.0	10.7	
History	7.0	5.2	
Social Science	18.4	13.6	
Natural Science	13.1	6.8	
Engineering	5.1	6.0	
Industry	1.8	2.4	
Art	3.4	12.6	
Linguistic	1.1	2.8	
Literature	38.1	38.7	
Total	100.0	100.0	

Translated Books of Literature

Original language	1968	2004
English	394	1,523 (606: Harlequin)
German	63	62
French	133	93
Russian	66	27
Italian	7	15
Others	144	198
Total	807	1,918

Number of Translation titles among Top 30 bestsellers



Harry Potter and the Half-Blood Prince
was only translation title among top 20
sales in 2006.

In 2005, *The Da Vinci Code* was only
translation title among top 20.

The Brothers Karamazov

(by Dostoevskii)

- New translation was published by Kobunsha in September 2006.
- 4 volumes in paperbacks
- More than 260,000 copies was sold.

Trends of Bestsellers in Japan

1. Paperbacks in Shinsho size

Major Big publishing Houses are publishing many books in the Shinsho size. In 2006, 11 books among top 30 bestsellers was in the shinsho size.

This is the biggest bestseller in 2003. The title is BAKA NO KABE, the Wall of the Fools. This book was sold by more than 4 million copies to date. The author is Dr. Takeshi Yoro, an Anatomist.

The contents of shinsho books are in various fields. There is a few translation titles, for Example, Shueisha published the works of Dr. Amartya Sen, who is the first Novel Economics Prize winner from Asia, and Dr. Avram Noam Chomsky, who is one of the most famous linguist and critic to the neo conservatism in the United States.

No.2 Light Novels.

This is a kind of Japanese English. This means fiction titles, such as love story, fantasy or science fiction for young generation, mainly young women.

It seems that they are a kind of intermediate between manga and novel. Many of them contain some illustrations and, their jackets are just like comics.

Some of them are published as e-books and we can read them with mobile phone.

No. 3 Mental cure of the aged people.

- Among the bestsellers, there are some books for coloring drawings. And some books are printed the text of famous classics in gray color and readers will be able to trace them with pencil. The aged people may feel a kind of cure when they spend quiet time in their room, and color drawings or trace text by themselves.
- And not a few books to look back on the time of 1950s to 70s. People were poorer than now, but they were able to believe a legend of high economic growth of Japan and be able to have a hope in the future then.

Export from Japan to Asia

Translation from Japan to Korea

Total number of new publication

45,521 titles

Translation from Japan

4,324 titles(9.5%)

Manga·Comic 2,668

Literature 581

Children's Book 402

Social science 303

Kyobo Book Store, Seoul Korea



Reading Promotion

- The Year of Book Reading for Children (2000)
- The Act of Book Reading Promotion for Children(2001)
- Literary Culture Promotion Act(2005)]
- Literary Culture Promotion Organization (to be established on 2007.10.24)

Thank You for your attention.

Seiichi HIGUCHI

higuchi@jpa.or.jp