

1. Overview of Record Production in Japan in 2001

The total production of audio and video recordings by the 24 member companies of the Recording Industry Association of Japan (RIAJ), including OEM production, was 442.8 million units (92% vs. previous year) and 652.5 billion yen in value (96% vs. previous year) from January to December 2001. In terms of both units and value, production decreased in comparison with the previous year.

Audio recordings totaled 385.1 million units (89% vs. previous year) and 503.1 billion yen in value (93% vs. previous year). Reflecting the very severe situation, both units and value were lower than the previous year for four consecutive years and three consecutive years respectively.

The breakdown within the audio recording category showed a drastic drop following the previous year in production of 3" CD singles to 9.8 million units (30% vs. previous year) and 3.9 billion yen in value (26% vs. previous year). Despite an increase in the previous year, 5" CD singles production fell to 99.6 million units (95% vs. previous year) and 76.4 billion yen in value (93% vs. previous year). Consequently, total production of CD singles was lower than the previous year at 109.4 million units (79% vs. previous year) and 80.3 billion yen in value (82% vs. previous year).

Production of 5" CD albums also declined in both units and value to 259.2 million units (94% vs. previous year) and 409.3 billion yen (96% vs. previous year) respectively.

Analogue cassette tapes amounted 15.2 million units (88% vs. previous year) and 12.1 billion yen in value (87% vs. previous year).

Among the video recordings, DVD production favorably increased to 38.8 million units (169% vs. previous year) and 82.5 billion yen in value (148% vs. previous year), while production of LD and video tapes decreased. The total production of video recordings was 57.7 million units (122% vs. previous year) and 149.5 billion yen in value (109% vs. previous year).

[Production of Audio and Video Recordings in 2001]

Item		Units (millions)	Share (%)	% vs. previous year	Value (billions of yen)	Share (%)	% vs. previous year
Audio	3" CDs	9.8	2	30	3.9	1	26
	5" CD singles	99.6	22	95	76.4	12	93
	5" CD albums	259.2	59	94	409.3	63	96
	CD total	368.6	83	89	489.6	75	93
	Analog	1.3	0	68	1.4	0	65
	Cassettes	15.2	3	88	12.1	2	87
	Total	385.1	87	89	503.1	77	93
Video	DVDs	38.8	9	169	82.5	13	148
	LDs	2.1	0	66	3.6	1	57
	Tapes	16.8	4	80	63.4	10	84
	Total	57.7	13	122	149.5	23	109
Grand Total		442.8	100	92	652.5	100	96

[Reference]

CD derivative audio - visual recordings	134.9	-	77	16.1	-	81
---	-------	---	----	------	---	----

- Notes:
1. Above figures include OEM production by RIAJ members for non-RIAJ members.
 2. Figures are rounded, hence possible difference between breakdown and total.
 3. Above figures include recordings imported by RIAJ members.

2. Major Issues For the Japanese Recording Industry

In 2001, sales of audio recordings marked the second consecutive year of negative growth worldwide at 5% year-on-year basis.

The recording industry in Japan was no exception. Production of audio recordings in Japan has declined for three consecutive years on a year-on-year basis. Industry circumstances are more severe than ever before. While development in digitization and networking have brought significant improvement and benefit to our lives, in terms of the music field, they have also promoted the means for illegal and excessive reproduction. This presents a risk to the "creative cycle" which is a fundamental basis in development of the music culture.

Under such conditions surrounding the recording industry, legal measures against unlawful use of music on the internet have been taken in cooperation with related parties. For prevention of rapidly increasing reproduction on to CD-Rs, introduction of copy control technologies to CDs has been activated. We shall communicate these moves toward adoption of new technology to consumers to obtain their understanding and support. At the same time, we need to encourage adoption of the recommended labeling on product packaging.

In addition, we will take initiative toward legislation concerning the issues of international distribution of music CDs, digital broadcasting for the purpose of recording at the private level, and the problem about distribution of used CDs that is becoming more apparent recently.

Based on the background such above, the major issues to be tackled by the Japanese recording industry in this year are outlined as follows:

1. Countermeasures against illegal activities

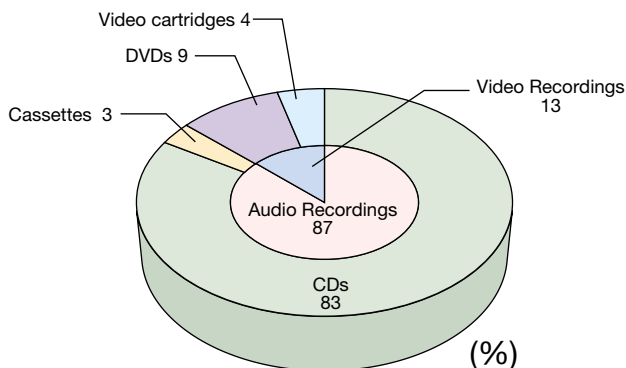
- ◎ Countermeasures against illegal use of music on the internet
- ◎ Countermeasures against illegal recordings

2. Support to introduce technologies for protection of right

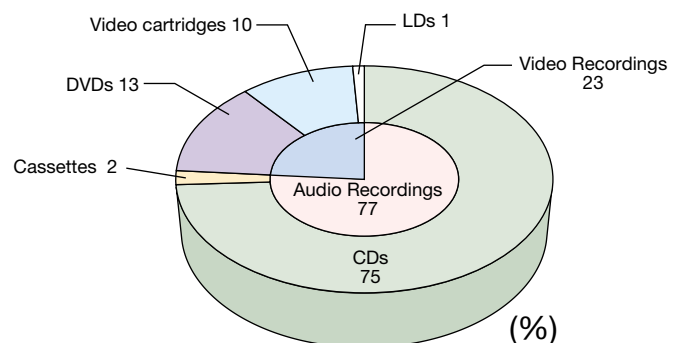
3. Measures for legislation

- ◎ Establishment of exclusive right of public transmission
- ◎ Establishment of importation right
- ◎ Improvement in laws concerning distribution of used CDs

Production share by format in 2001(units)



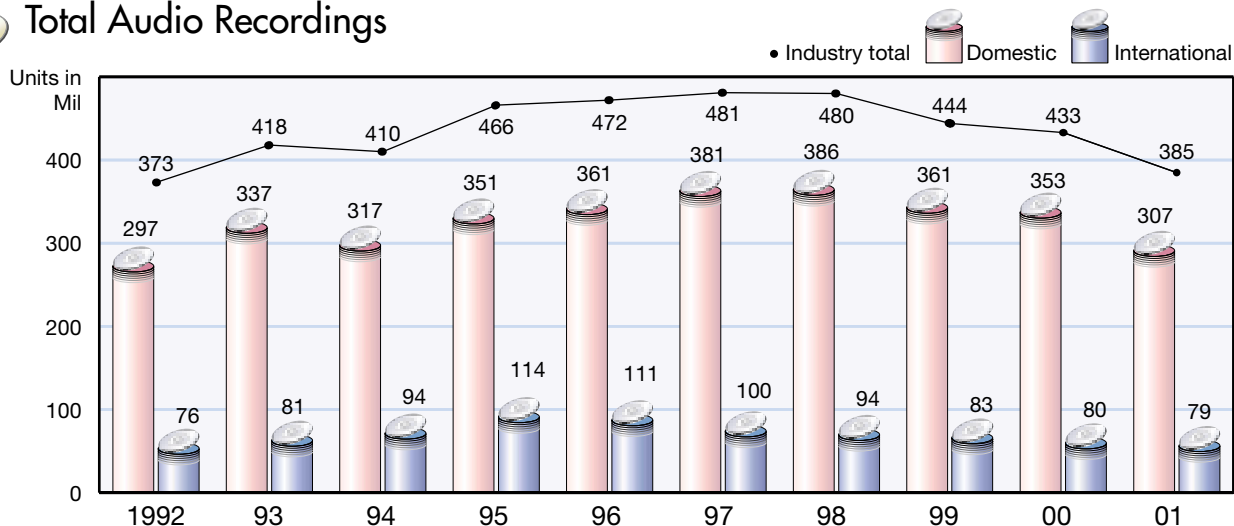
Production share by format in 2001(value)



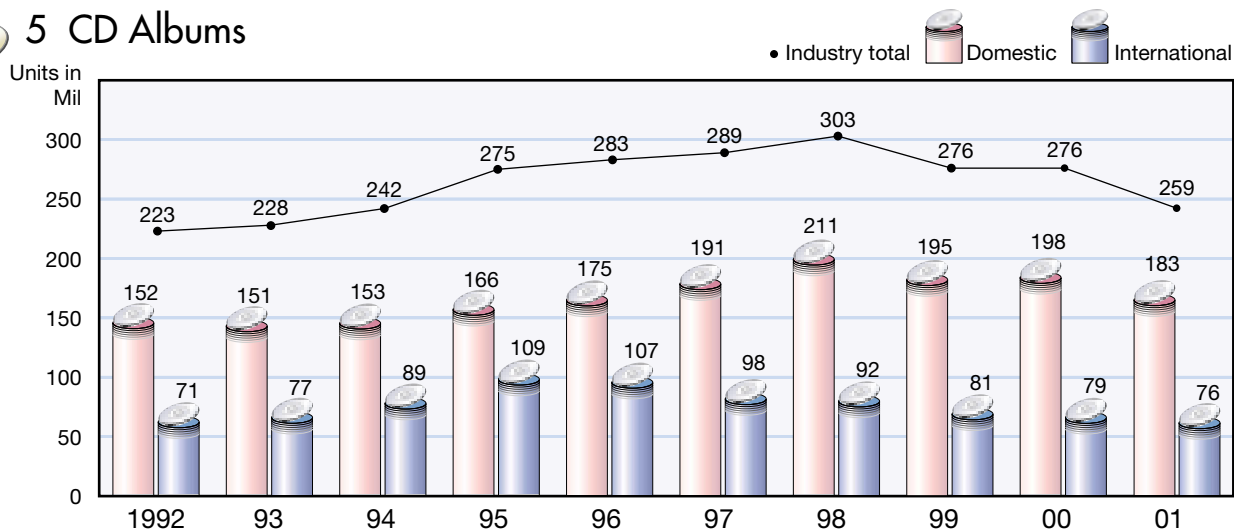
3. Production Trends by Format

A. Audio Recordings — Unit Basis

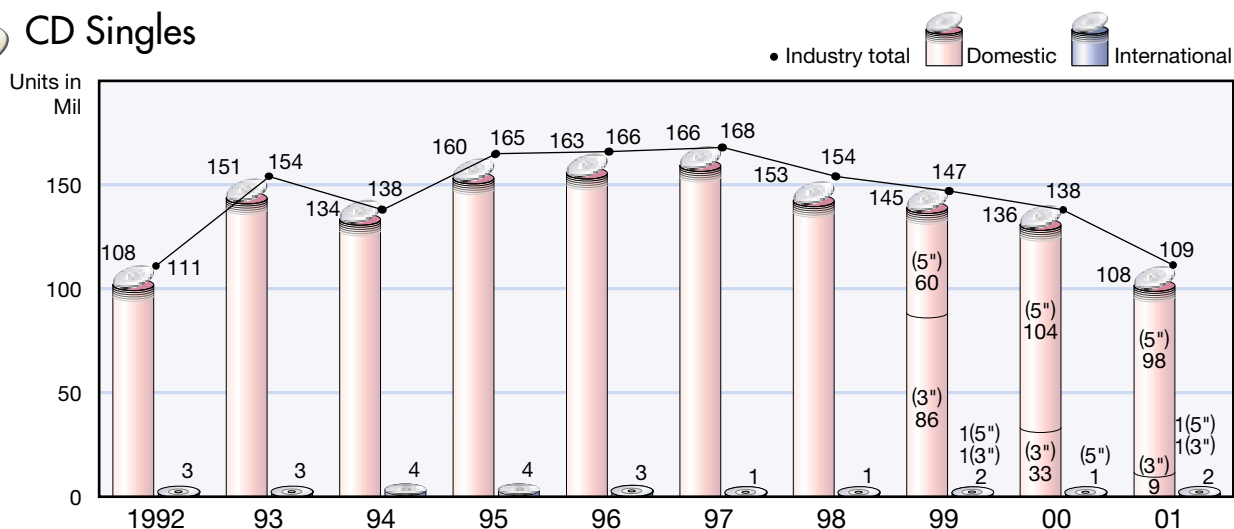
1 Total Audio Recordings



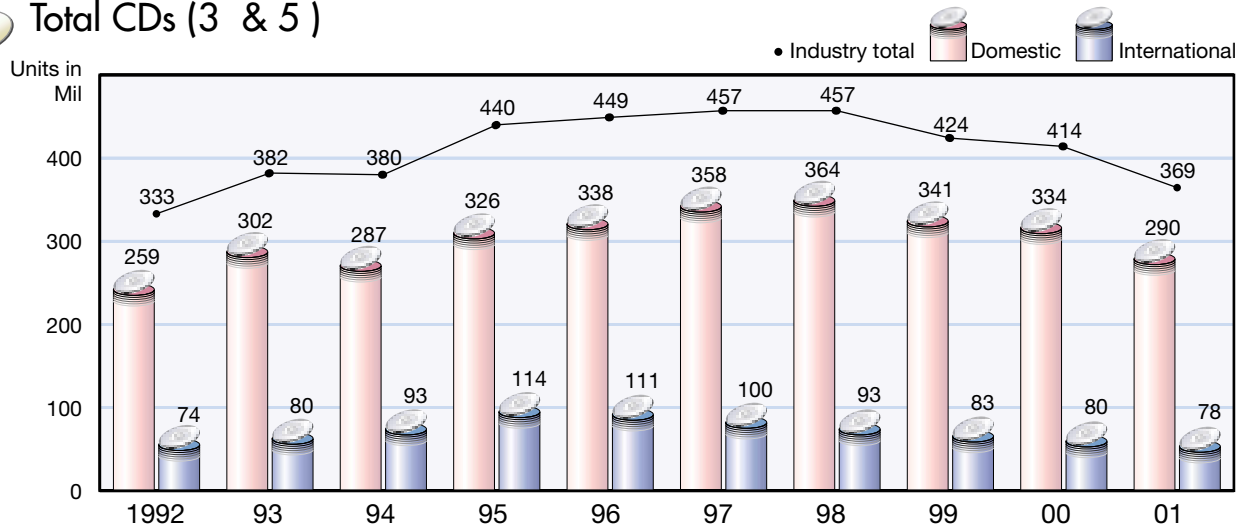
2 5 CD Albums



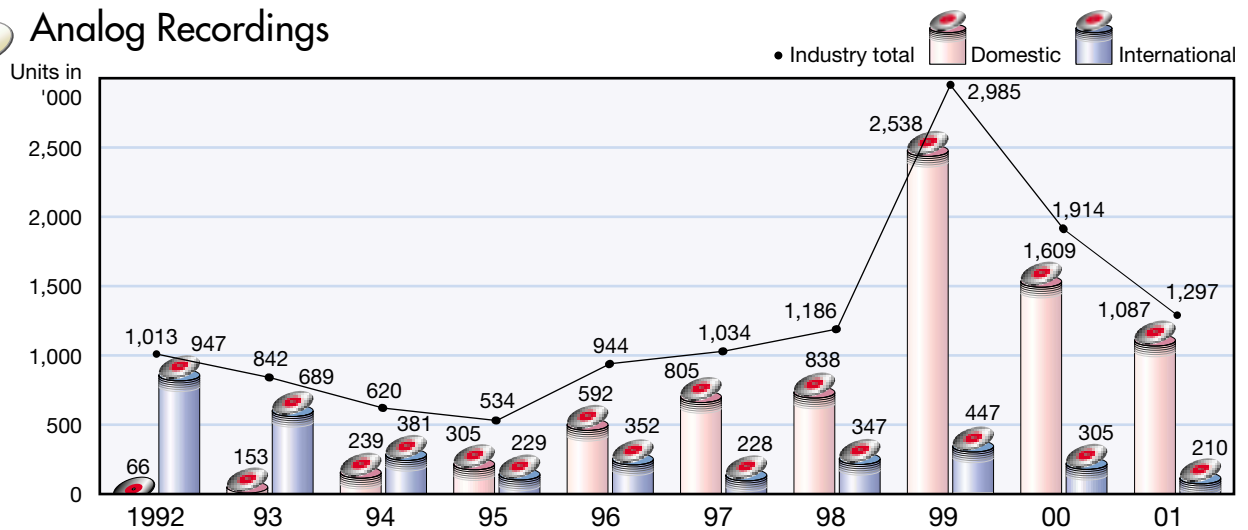
3 CD Singles



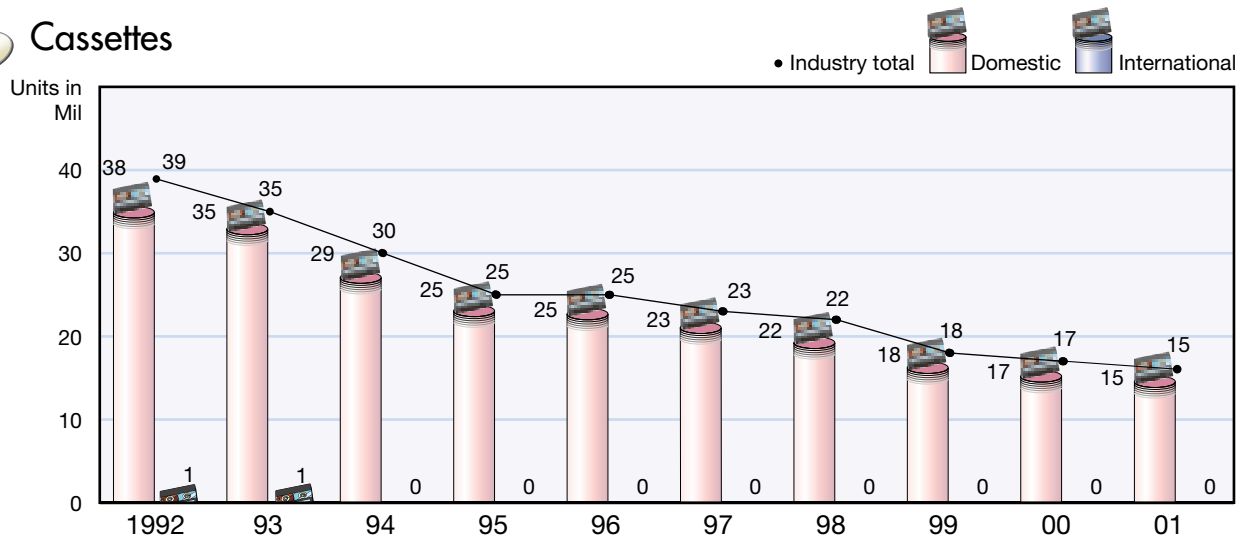
4 Total CDs (3 & 5)



5 Analog Recordings



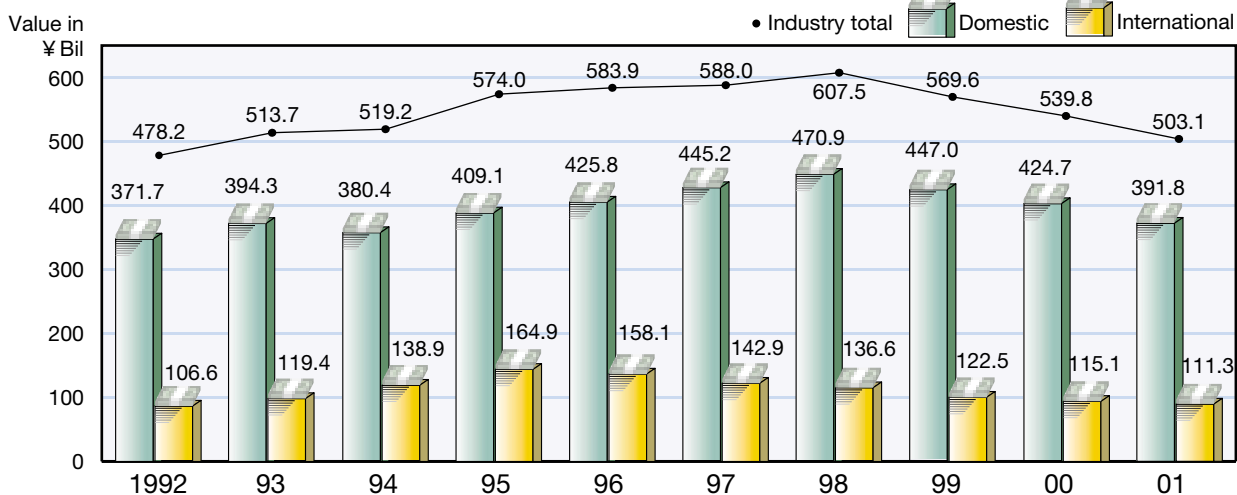
6 Cassettes



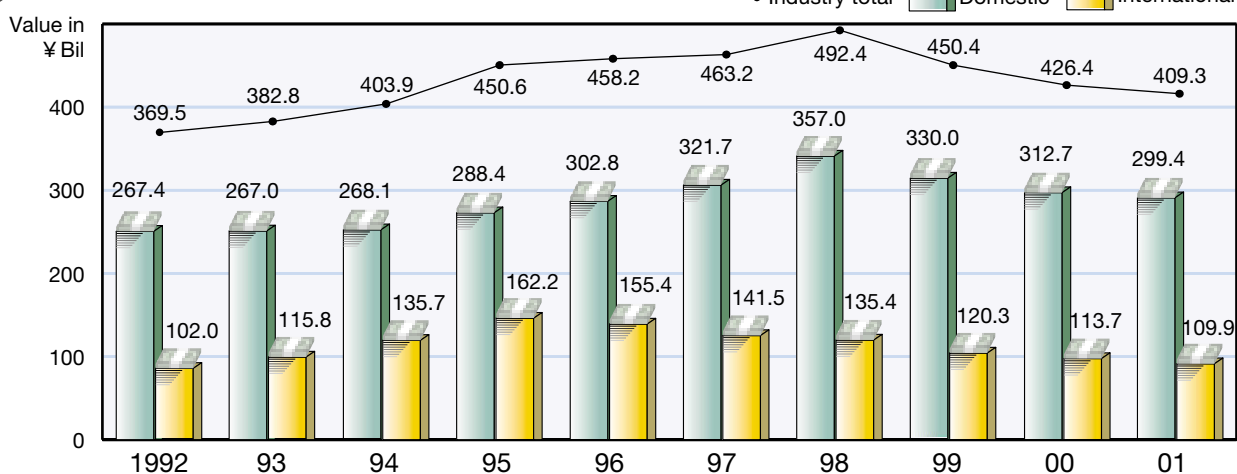
3. Production Trends by Format (con't.)

B. Audio Recordings — Value Basis

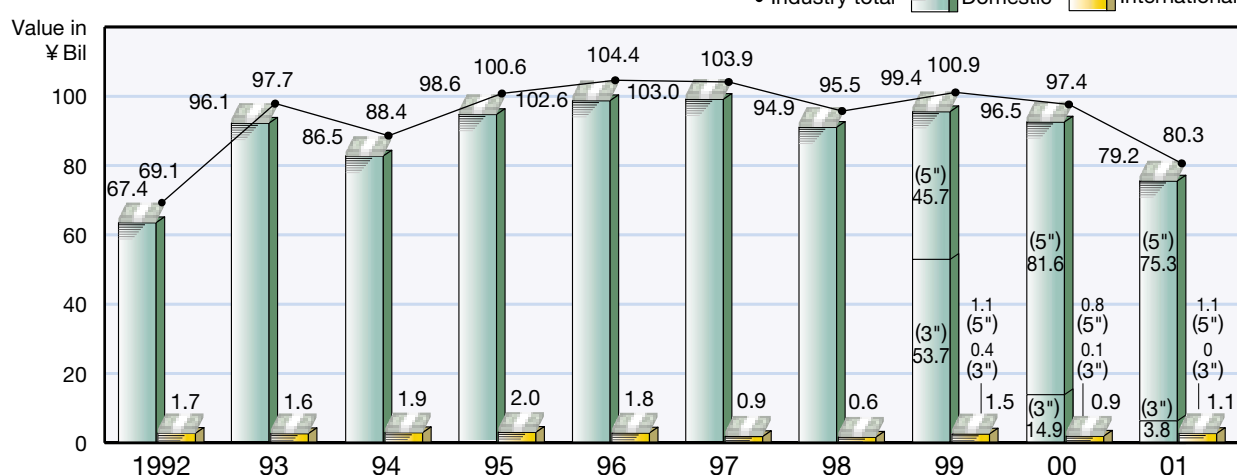
1 Total Audio Recordings



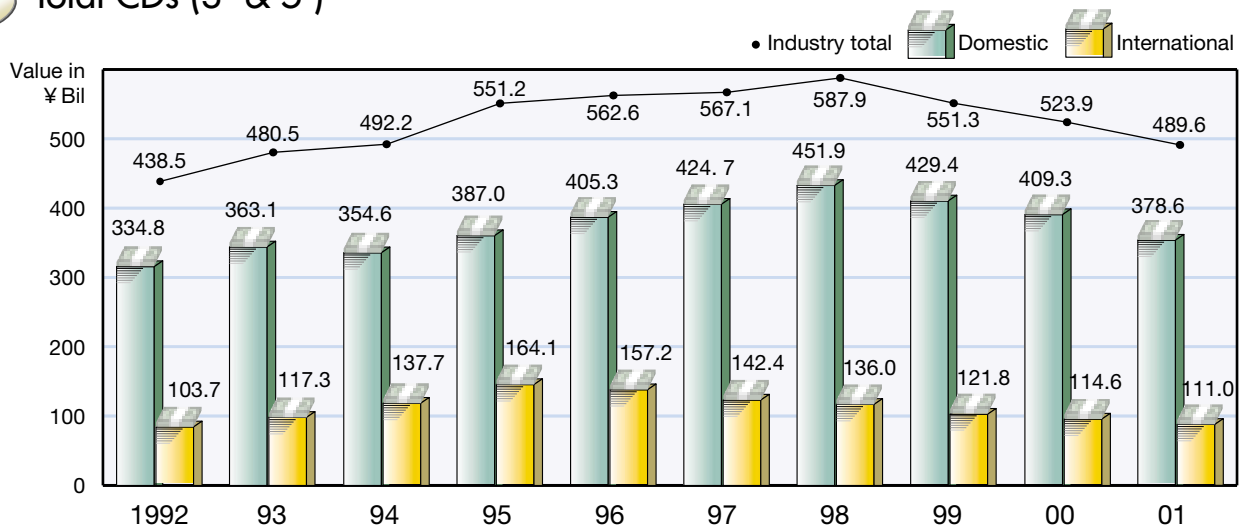
2 5 CD Albums



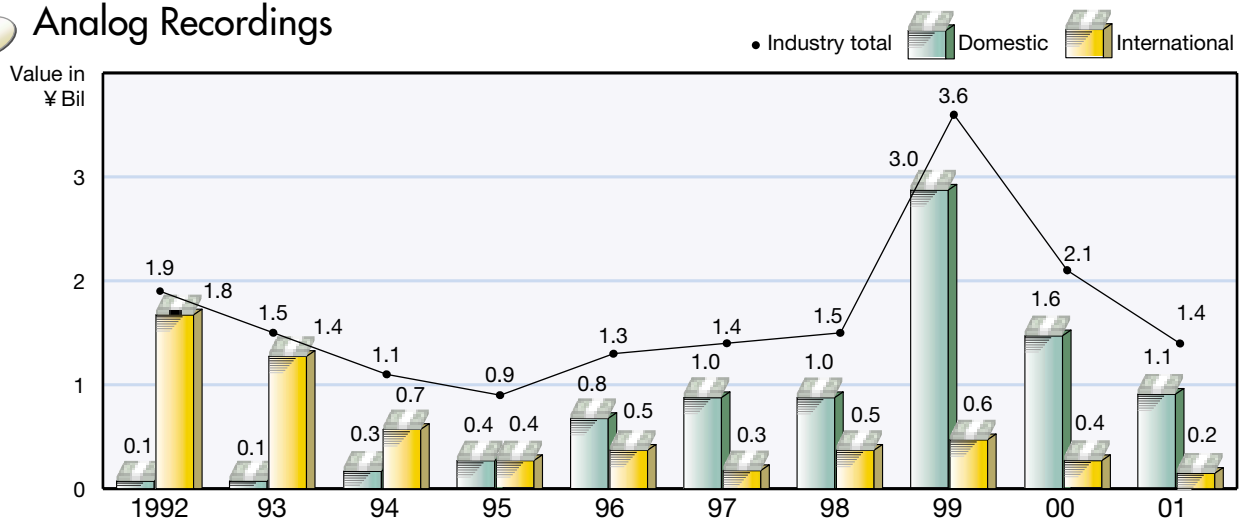
3 CD Singles



4 Total CDs (3 & 5)



5 Analog Recordings



6 Cassettes

