



公正取引委員会

Japan Fair Trade Commission

Fact-finding Survey on the actual transaction environment for creators at anime production sites [Overview]

December 2025



公正取引委員会

Japan Fair Trade Commission

Cabinet decision

- **Grand Design and Implementation Plan for New Capitalism, 2024 Revised Edition (Cabinet Decision, June 21, 2024)**

“In order to develop a trading environment in which individual creators of films, animation, etc. can fully demonstrate their creativity, following on from the fact-finding survey in the fields of music and broadcast programs,(2025)from the beginning of the new year, we will conduct a fact-finding survey of the trading environment for creators at film and animation production sites.”

- **Grand Design and Implementation Plan for New Capitalism, 2025 Revised Edition (Cabinet Decision, June 13, 2024)**

“To develop a transactional environment in which the creativity of individual creators in film, anime, and other fields can be maximized, we will continue the fact-finding survey, which has been conducted since 2025, on the transactional environment for creators at film and anime production sites, with the aim of publishing the results this fall. Based on the findings of that survey, we will formulate guidelines clarifying the approach under the Anti-Monopoly Act.”

Interview survey

- Starting in January 2025, interviews were conducted with production companies, freelancers across various occupations, industry associations, production committees, etc. to gather information on the industry's structure, current conditions, and challenges.

(Number of interviewees)

	Anime industry
Production company	34
Freelancers(*)	16
Industry association	4
Production committee, etc.	14
Experts (lawyers/scholars, etc.)	7
Total	75

* Requests for interviews with creators working as freelance screenwriters, directors, animators, etc. were made through multiple industry associations to which they belong or through experts.

Questionnaire survey

- A questionnaire survey was conducted from June to July 2025 among production companies and freelancers to assess the status of disclosure of transaction terms.

	Anime industry
Number distributed	Production companies: 417 companies Freelancers: over 1,900
Number of responses received	Production companies: 130 companies (response rate: 31.2%) Freelancers: 165
Implementation period	June 16 to July 22, 2025

* For the survey of production companies, responses were requested from businesses classified under the Japan Standard Industrial Classification as animation production companies etc.

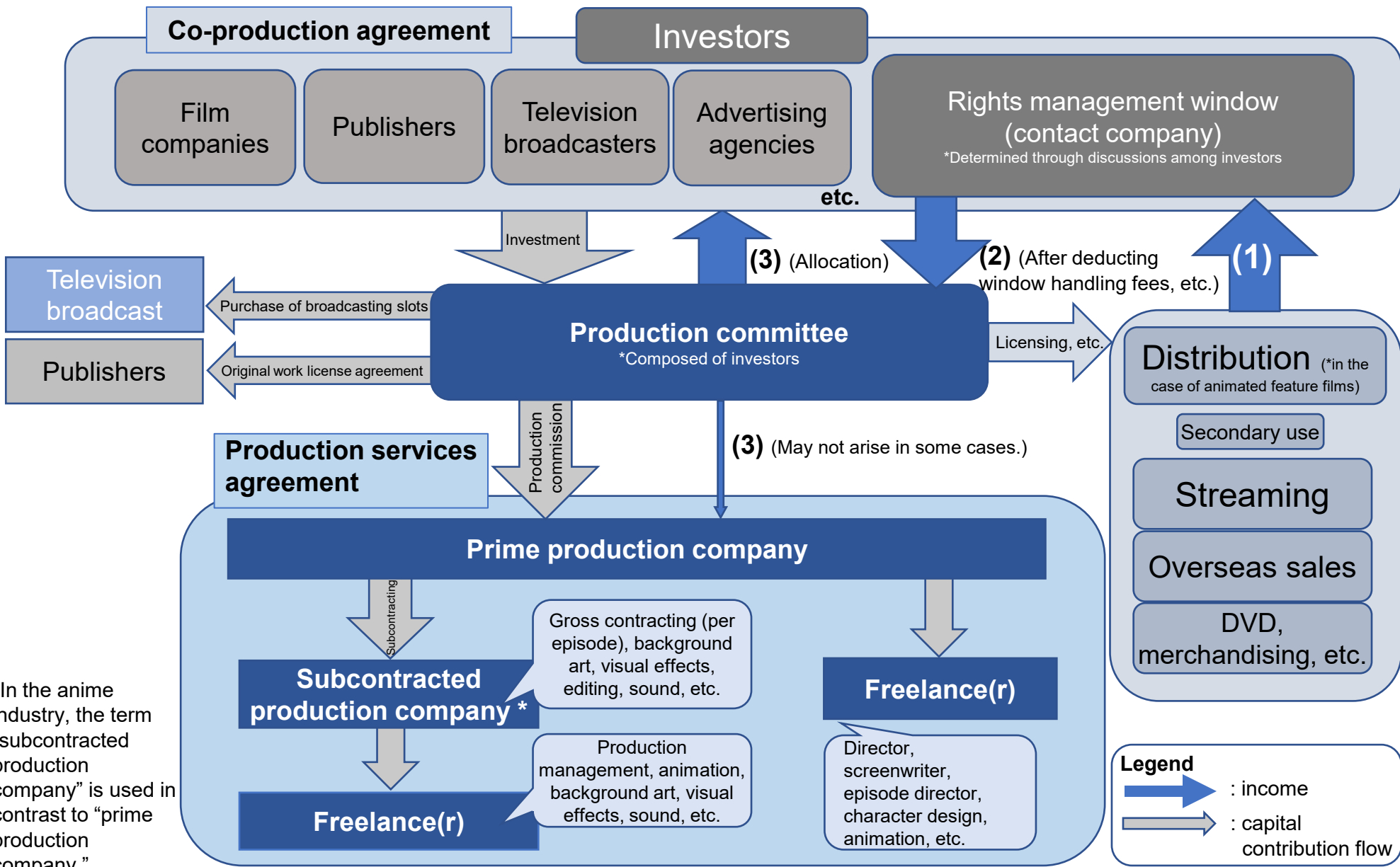
* For the freelance survey, responses were requested through industry associations to which freelancers belong or through production companies that were interviewed.

Information Submission Form

- A dedicated information submission form for both the film and anime industries was established on the Japan Fair Trade Commission website (January 29, 2025)
- By the end of November of the same year, a total of 219 submissions had been received across both industries, and interviews were conducted with the providers.

Overview of the anime production market

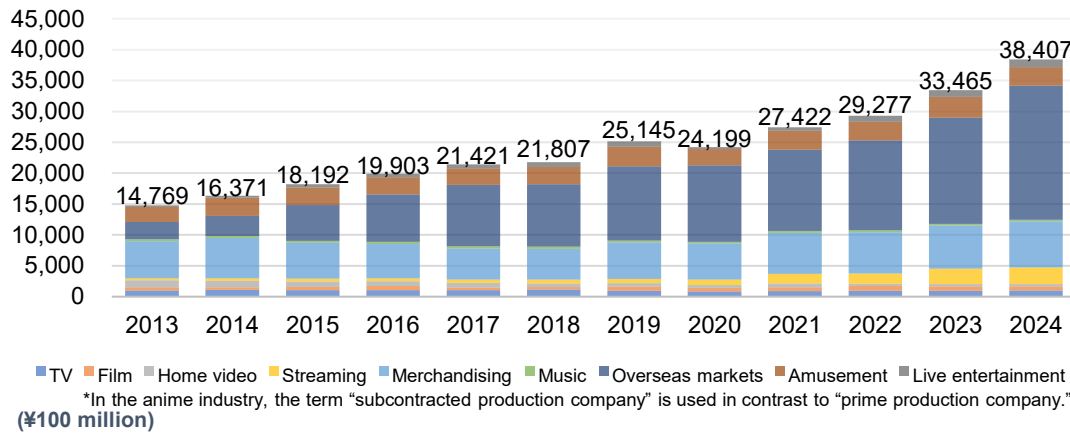
Transaction entities and revenue structure (production committee system)



Market size, etc.

(¥100 MILLION)

Overall anime industry market size



Production company business overview, etc.

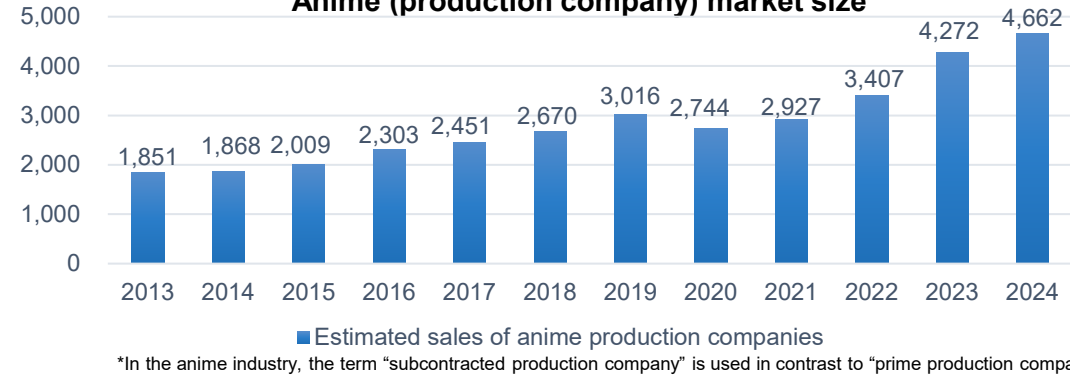
Production company capital and number of employees

Capital	Number of employees	¥10 million or less	Over ¥10 million up to ¥50 million	Over ¥50 million	Unknown	Total
10 employees or fewer	Count	35	3	0	1	39
	Percentage	28.5%	2.4%	0.0%	0.8%	31.7%
More than 10 and up to 100 employees	Count	40	9	9	3	61
	Percentage	32.5%	7.3%	7.3%	2.4%	49.6%
Over 100 employees	Count	5	6	12	0	23
	Percentage	4.1%	4.9%	9.8%	0.0%	18.7%
Unknown	Count	0	0	0	0	0
	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%
Total	Count	80	18	21	4	123
	Percentage	65.0%	14.6%	17.1%	3.3%	100.0%

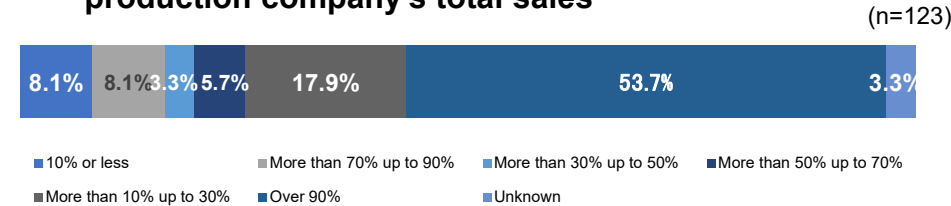
*Based on survey results

(¥100 million)

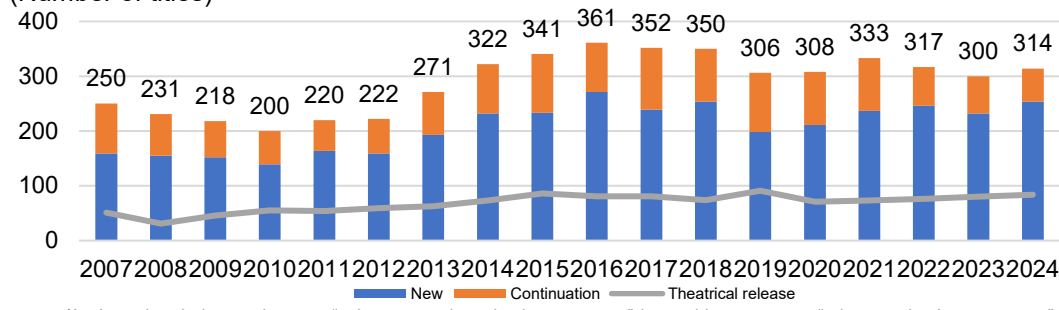
Anime (production company) market size



Share of anime production revenue in a production company's total sales



Number of anime productions



Number of production companies and creators (freelancers)

Anime industry	
Production company	811 companies (*1)
Creator	6,200 people (*2) Of these, 50% to 70% are considered to be freelancers.

*1) Association of Japanese Animations, "Anime Industry Report 2021" (Japanese)
*2) Yosuke Yasui, "Supply-side Issues in Japan's Anime Industry" (2025) (Japanese)

Key findings of this report

	Transaction stage	Potentially problematic actions	Possible types of violations and applicable laws and regulations
Transactions between production committees and prime production companies	Contract stage	◆ Insufficient or delayed disclosure of transaction terms	Obligation to disclose transaction terms (the SME Transactions Act) Conduct that induces abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Extremely low consideration (production commission fees) and unilateral determination of consideration	Unjust price reductions and unilateral determination of payment without engaging in consultation (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Uncompensated transfer of copyright	
	Production process Payment stage	◆ Order cancellation	Unjust modification/retakes of the content of benefit payments (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Non-payment of additional production commission fees arising from extensions of the production period	
		◆ Late payment (non-payment)	Late payment (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
Transactions between prime production companies and subcontracted production companies	Contract stage	◆ Insufficient or delayed disclosure of transaction terms	Obligation to disclose transaction terms (the SME Transactions Act) Conduct that induces abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Extremely low consideration (production commission fees) and unilateral determination of consideration	Unjust price reductions and unilateral determination of payment without engaging in consultation (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
	Production process Payment stage	◆ Order cancellation	Unjust modification/retakes of the content of benefit payments (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Non-payment of additional production commission fees arising from extensions of the production period	Unjust modification/retakes of the content of benefit payments (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
		◆ Deductions and delayed payment (non-payment)	Reductions and delayed payment (the SME Transactions Act) Abuse of superior bargaining position (Anti-Monopoly Act)
	Transactions between production companies and freelancers	Contract stage	◆ Insufficient or delayed disclosure of transaction terms
◆ Extremely low remuneration levels			Unjust price reductions (the Act on the Improvement of Transactions between Freelancers and Enterprises, the SME Transactions Act)
◆ Non-payment of surcharges arising from short delivery deadlines			Unilateral determination of payment without engaging in consultation (the SME Transactions Act)
Production process Payment stage		◆ Order cancellation	Unjust modification/retakes of the content of benefit payments (the Act on the Improvement of Transactions between Freelancers and Enterprises, the SME Transactions Act)
		◆ Non-payment of additional remuneration arising from extensions of the engagement period	Unjust modification/retakes of the content of benefit payments (the Act on the Improvement of Transactions between Freelancers and Enterprises, the SME Transactions Act)
		◆ Deductions and delayed payment (non-payment)	Reductions and delayed payment (the Act on the Improvement of Transactions between Freelancers and Enterprises, the SME Transactions Act)
			Potentially problematic conduct
Transactions between streaming service providers and prime production companies			Unilateral determination of payment without engaging in consultation (the SME Transactions Act), and disclosure of information such as view counts

Status and timing of disclosure of transaction terms

Survey results

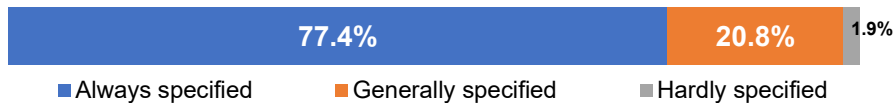
State of disclosure of transaction terms in writing

- In the survey of **prime production companies**, approximately 98% reported that transaction terms are disclosed, combining responses of “always disclosed” and “generally disclosed.”
 - In interviews with **prime production companies**, the majority responded that in recent years contracts clearly setting out transaction terms have been issued in almost all transactions.
- *As disclosed items, over 90% of respondents cited “production commission fees,” “scope of work,” “delivery timing,” “treatment of copyright,” “payment timing for production commission fees,” and “handling of secondary-use fees, success-based remuneration, and production royalties.”

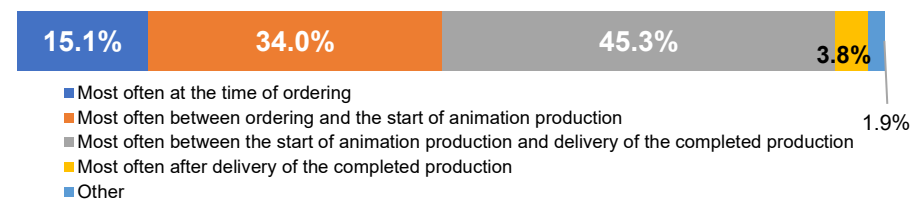
Time of disclosure of transaction terms in writing

- In the survey of **prime production companies**, when asked when transaction terms, etc. are actually disclosed in writing, approximately 15% responded “most often at the time of order placement,” about 30% responded “between order placement and the commencement of production work,” about 45% responded “between the start of production and delivery,” and about 4% responded “after delivery.”
- In interviews with **production committees**, respondents stated that “at the time of order placement, we issue an order form specifying important matters such as production commission fees, production royalties, delivery deadlines, broadcast schedules, and assignment of copyright,” and that “because production companies inform us that production commission fees cannot be finalized at the time of order, we set a minimum amount in the order form and allow flexibility to adjust later.”
- From **prime production companies**, respondents stated that “after receiving an order form outlining transaction terms such as consideration and delivery deadlines, we negotiate and execute the contract when production is approximately one-third complete,” and that “in some cases, issuance of the contract may be delayed by more than one year after notification that production has commenced.”

Status of disclosure of transaction terms (past five years)



Timing of disclosure of transaction terms etc. (past five years)



* Prime production companies were asked to respond regarding trends over the past five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

With respect to disclosure in writing of transaction terms in dealings with production committees, in most cases transaction terms, including key matters, are disclosed; however, as to timing, in a considerable number of cases disclosure occurs only after the production committee has placed an order with the prime production company and production work has already commenced. In this regard,

- ◆ If the transaction falls within the scope of the SME Transactions Act, the production committee (i.e., its constituent entrepreneurs), must, upon placing an order with a prime production company for the creation of an information-based deliverable, immediately disclose the required matters (Article 4, Paragraph 1 of the SME Transactions Act).
- ◆ In addition, the production committee (i.e., its constituent entrepreneurs), is required to immediately disclose finalized matters in writing, to determine any outstanding matters as early as possible following sufficient consultation, and to promptly disclose such matters through supplementary written documentation (Article 4, Paragraph 1, proviso of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, failure to disclose transaction terms before the prime production company commences anime production leaves the contract terms unclear at the time work is performed, which may disadvantage the prime production company and may give rise to conduct constituting abuse of superior bargaining position.

Determination of consideration (production commission fees)

Survey results

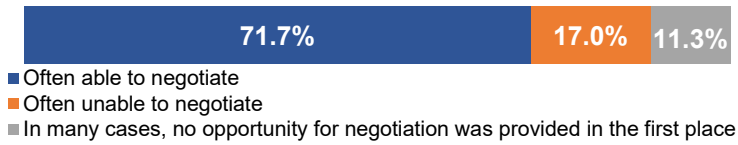
- In the survey of **prime production companies**, approximately 90% responded that production commission fees have increased over the past 10 years. Approximately 70% responded that they were often able to negotiate the amount of the production commission fee.
- With respect to operating profit and loss based solely on production commission fees, approximately 60% reported operating at a loss, whereas approximately 40% reported operating at a loss when production royalties etc. were included.
- Approximately 60% responded that they were not satisfied with the level of production commission fees, citing as principal reasons “higher required quality,” “longer production periods,” and “the inability to pass on increases in costs.”
- In interviews(**production committees**), respondents stated that “production commission fees have more than doubled over the past 10 years,” that “production companies’ bargaining power has strengthened and in some cases they specify the amount,” and that “production royalties are used as a point of adjustment to offset rising production costs.”
- From **prime production companies**, respondents stated that “even in cases where production commission fees have increased, labor costs have risen to a greater extent,” and that “for small prime production companies such as ourselves, there is no strong perception of substantial increases.”
- A business association stated, “The breakdown of production costs requested by production companies is a black box, and it is unclear how those costs are actually allocated. However, when we ask production companies to provide details, they respond that if pressed they will withdraw from the project and move on to another production,” indicating the nature of the relationship.

How production commission fees are determined (last 5 years)

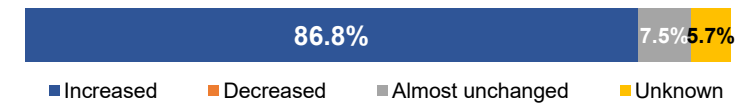


- Production commission fees are often set within upper limits or unit-price ranges presented by business partners
- In many cases, agreement is reached on the proposed production commission fee taking into account necessary production costs (cost of production)
- Other

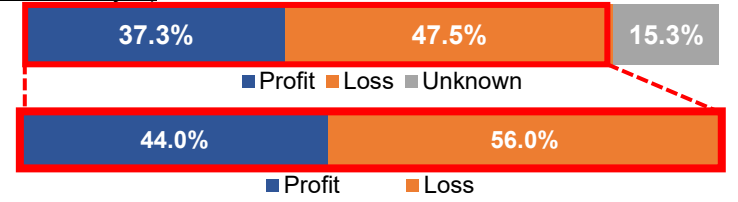
Whether the amount of production commission fees is negotiable (past five years)



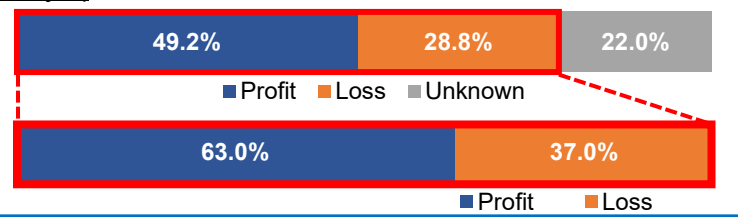
Changes in the level of production commission fees (past 10 years)



Operating profit and loss based solely on production commission fees (most recent fiscal year)



Operating profit and loss including production commission fees, secondary use fees, production royalties, and success-based remuneration (most recent fiscal year)



* Subcontracted production companies were asked to respond regarding trends during the relevant period, including the most recent five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

While approximately 90% responded that production commission fees have increased, approximately 60% of prime production companies reported operating at a loss based solely on production commission fees, and approximately 40% when production royalties etc. are included reported operating at a loss, suggesting that the profitability of prime production companies remains limited. Although such circumstances do not in themselves constitute a violation of the SME Transactions Act/Anti-Monopoly Act,

- where a transaction falls within the scope of the SME Transactions Act, if a production committee (i.e., its constituent entrepreneurs) unilaterally sets compensation for a prime production company at a level substantially below the ordinarily payable amount without adequately considering factors such as heightened quality requirements, longer production periods, and rising prices, this may constitute an issue (unjustly low pricing) under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.
- In addition, where the production committee (i.e., its constituent entrepreneurs), unilaterally determines payment by refusing to engage in consultation or by failing to provide necessary explanations despite a request for price consultation from a prime production company, this constitutes a violation under the SME Transactions Act (unilateral determination of payment without engaging in consultation) (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs) abuses its superior bargaining position by unilaterally setting substantially low consideration without sufficient consultation that takes into account heightened quality requirements, extended production periods, or rising prices, thereby causing unjust disadvantage to a prime production company contrary to normal business practices, this constitutes a violation under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

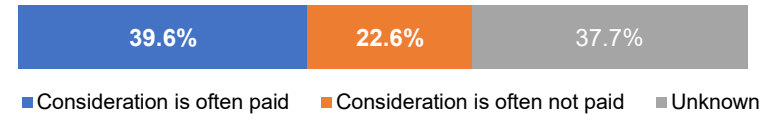
Determination of consideration where rights are transferred

Survey results

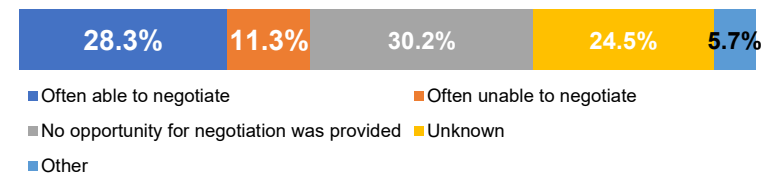
- In the survey of **prime production companies**, approximately 40% responded that consideration is often paid when copyright belonging to the prime production company is transferred, approximately 20% responded that it is often not paid, and where paid the most common response was that it is included in the production commission fee. With respect to copyright ownership and consideration, approximately 30% responded that they were often able to negotiate, while a combined total of approximately 40% responded that they were often unable to negotiate or that no opportunity for negotiation was provided.
- In interviews with **production committees**, respondents stated that “copyright is ultimately held by the production committee that invests in the work,” and that where copyright belonging to a prime production company is transferred, “the transfer consideration is included in the production commission fee.”
- From **prime production companies**, respondents stated that “only a limited number of production companies are able to utilize such rights, so we do not consider it necessary for production companies to hold copyright,” and that “production budgets are barely sufficient to cover actual costs, so it cannot be said that consideration for copyright is included.”
- A business association stated that “where a prime production company holds copyright, the production commission fee is paid on the premise that the work, including the copyright, will be delivered, so the concept of a separate transfer consideration does not arise.”

* Prime production companies were asked to respond regarding trends over the past five fiscal years.

When transferring copyrights, the payment status of copyright fees (for the past five years)



Negotiation status regarding copyright ownership and transfer consideration (past five years)



Considerations under the SME Transactions Act and the Anti-Monopoly Act

In transactions subject to the SME Transactions Act, where a production committee (a constituent business operator) includes in the “content of the benefit” copyright belonging to a prime production company and requires its assignment to the production committee, setting the production commission fee, including consideration for such assignment, at a level unreasonably and substantially below the ordinarily payable consideration constitutes a violation of the SME Transactions Act (unjust low pricing) (Article 5, Paragraph 1, Item 5 of the SME Transactions Act). In this regard, In addition,

- where the production committee (i.e., its constituent entrepreneurs) includes in the “benefit details” copyright belonging to a prime production company and requires its assignment, and despite a request from the prime production company for price consultation regarding the production commission fee, including consideration for such assignment, refuses to engage in consultation, fails to provide necessary explanations, or otherwise unilaterally determines payment, this constitutes a violation of the SME Transactions Act (unilateral determination of payment without engaging in consultation) (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
- In addition, where the production committee (i.e., its constituent entrepreneurs), includes copyright belonging to a prime production company within the scope of performance and requires its transfer, and despite a request from the prime production company for price consultation concerning the production commission fee, including consideration for such transfer, refuses to engage in consultation or fails to provide necessary explanations and unilaterally determines payment, this constitutes a violation under the SME Transactions Act (unilateral determination of payment without engaging in consultation) (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs), abuses its superior bargaining position by requiring a prime production company, in connection with a production commission, to transfer copyright together with the deliverables at a substantially low level of consideration, thereby causing unjust disadvantage to the prime production company contrary to normal business practices, this constitutes a violation under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Order cancellation

Survey results

- In interviews with **production committees**, respondents stated that “where production of a production is cancelled, compensation is paid in accordance with the extent of production actually performed.” There is no demand for monetary compensation where a project is cancelled before production commences. Respondents also stated that they often engage in constructive discussions, such as whether another project can be produced using the same production line.
- From **prime production companies**, respondents stated that “we spent tens of millions of yen on pre-production. However, production was suspended midway and the costs incurred up to that point were not paid,” and that “in some cases planning and development are remunerated under a separate contract, in which case the production company does not suffer disadvantage even if the project is abandoned.”

Considerations under the SME Transactions Act and the Anti-Monopoly Act

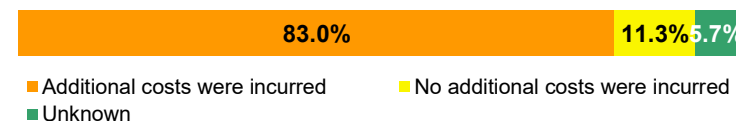
Prime production companies stated that in some cases production committees cancelled orders placed with them and did not bear the expenses incurred up to the time of cancellation.

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if the production committee (i.e., its constituent entrepreneurs), cancels an order without any reason attributable to the prime production company and fails to bear the costs of work already performed, thereby unjustly harming the interests of the prime production company, this constitutes a violation under the SME Transactions Act (unjust modification of the content of benefit payments) (Article 5, Paragraph 2, Item 3 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs) abuses its superior bargaining position by cancelling, without justifiable grounds, a production commission it placed with a prime production company and refusing to bear the costs incurred up to the time of cancellation, thereby causing unjust disadvantage to the prime production company contrary to normal business practices, this constitutes a violation under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

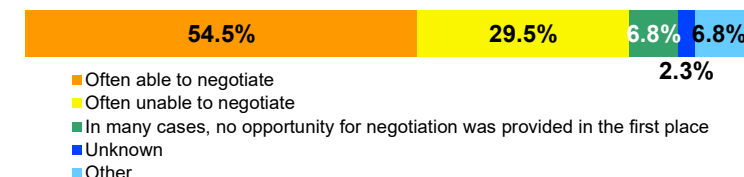
Survey results

- In the survey of **prime production companies**, over 80% responded that “there had been cases in which additional costs were incurred.” While negotiations are conducted to some extent when additional costs arise, with respect to payment of such costs just under 40% responded that they were often “paid in full” or “paid in part in an amount considered satisfactory,” whereas just over 40% responded that they were often “paid only in part in an amount considered unsatisfactory” or “not paid at all.”
- In interviews with **production committees**, respondents stated that “requests for increases in production costs are frequent and are addressed each time through written memoranda. They further stated that “we identify the stage at which an increase is required, confirm what would occur if additional investment is not provided, and determine after consultation whether to approve the increase,” that “where there is an additional request from a production company, we pay after consultation,” and that “because unanimous consent of the production committee is required, additional payment is often not possible even in cases where the managing company considers payment appropriate.”
- From **prime production companies**, respondents stated that “where additional budget becomes necessary, we negotiate with the production committee, including the underlying causes,” and that “even if the full amount is paid, general administrative expenses are not covered, so once production costs exceed the budget the company operates at a loss.”
- A business association stated that “production costs must in principle be accepted at the studio’s quoted price, so where the original author requires retakes this places the production committee in a very difficult position.”

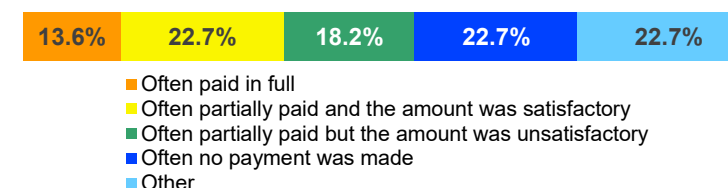
Whether additional costs have been incurred (past five years)



Whether additional costs are negotiable (past five years)



Whether additional costs have been paid (past five years)



* Prime production companies were asked to respond regarding trends over the past five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

Over 80% of prime production companies responded that in the past five years “there have been cases in which additional costs were incurred,” and while some stated that the production committee may pay such additional costs following consultation, others stated that there are cases in which the production committee does not pay additional costs not attributable to the prime production company.

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if the production committee (i.e., its constituent entrepreneurs), causes additional costs to arise for a prime production company, without any reason attributable to that company, by requiring extensions of the production period, work differing from the original contract, or retakes, and then fails to pay the increased costs, thereby unjustly harming the interests of the prime production company, this constitutes a violation under the SME Transactions Act (unjust modification of the content of benefit payments) (Article 5, Paragraph 2, Item 3 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs), abuses its superior bargaining position by requiring a prime production company to redo work or by unilaterally changing transaction terms without justifiable grounds, thereby causing unjust disadvantage to the prime production company contrary to normal business practices, this constitutes a violation under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Late payment (non-payment)

Survey results

- In interviews with **prime production companies**, respondents stated that “payment was not made by the due date on the grounds that investment in the production committee had not yet been finalized,” and that “although the contract may stipulate that the first payment is due before delivery, payment is not made by that date and sometimes funds are not remitted at all.”
- A business association stated that “payment delays do not arise from procedural stagnation within the production committee, and if delays occur, they are likely attributable to procedures within the managing company,” and further that “with respect to payment, the industry as a whole has made serious efforts in recent years.” It was further stated that although practices may not have been fully satisfactory five years ago, particularly over the past one to two years payments have been subject to careful verification.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

In some cases, prime production companies responded that production committees sometimes fail to pay the production outsourcing fee even after the payment due date has passed.

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if a production committee (i.e., its constituent entrepreneurs), regardless of whether it inspects the contents of the prime production company’s performance, still fails to make payment after the expiration of the payment due date set within as short a period as possible and within 60 days from the date of receipt (the date on which the deliverables were received from the prime production company), this constitutes an issue under the SME Transactions Act (delay in payment) (Article 5, Paragraph 1, Item 2).(*)

* If the payment due date is contractually set within 60 days from the date of receipt, failure to pay the consideration by that payment due date constitutes an issue under the SME Transactions Act, even if payment is made within 60 days from the date of receipt. If the contract does not specify a payment date, payment must be made by the date of receipt. Furthermore, in anime production outsourcing agreements, there are cases in which the production outsourcing fee is paid in installments and some of the payment due dates are set before the delivery date; in such cases, regardless of whether the works have been received, failure to make payment by each payment due date constitutes an issue under the SME Transactions Act (delay in payment).

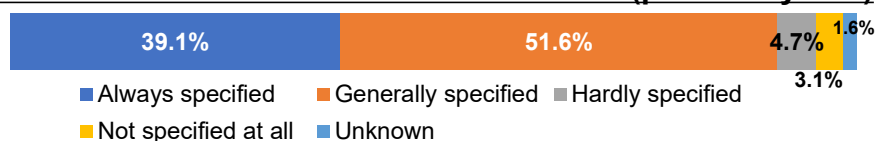
- Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs), by abusing its superior bargaining position, fails to pay the production outsourcing fee by the payment due date specified in the contract without justifiable grounds, thereby causing the prime production company to suffer an unjust disadvantage in light of normal business practices, this constitutes an issue under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Survey results

State of disclosure of transaction terms in writing

- In the survey of **subcontracted production companies**, more than 90% responded that transaction terms are “always specified” or “generally disclosed.”
- In interviews with **subcontracted production companies**, one respondent stated that “where the period before production begins is short, a purchase order may be used as a substitute.”
- * As for the items specified, over 90% indicated that the scope of work and the production commission fee (including the amount) were clearly stated. By contrast, approximately 40% reported that the “handling of copyright (property rights), including transfer and attribution,” was specified, while only 10-20% indicated that terms concerning “handling of secondary-use fees, success-based remuneration, and production royalties,” “arrangements in the event of budget overruns,” or “disclosure of the production’s income and expenditure status” were set out.

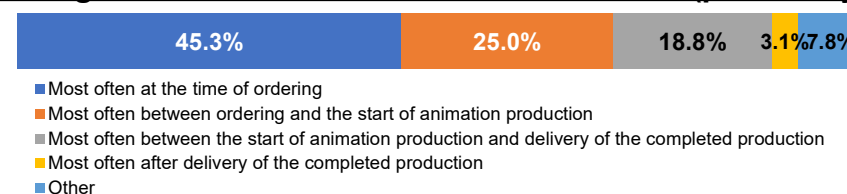
Status of disclosure of transaction terms (past five years)



Time of disclosure of transaction terms in writing

- In the survey of **subcontracted production companies**, when asked when transaction terms etc. are actually specified in writing or by equivalent means, just under 50% responded that this occurs at the time of order placement, while nearly the same proportion responded that disclosure occurs after the order is placed but before production begins, after production has begun but before delivery, or after delivery.
- In interviews with **prime production companies**, one respondent stated, “because a prime production company that bears rights clearance obligations under its contract with the production committee would face difficulties later, we make efforts to present transaction terms.”
- From **subcontracted production companies**, respondents stated that “contracts exist but are executed late,” and that “in some cases no contract has been prepared even at the commencement of work.”

Timing of disclosure of transaction terms etc. (past five years)



* Subcontracted production companies were asked to report on trends over the past five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

Although transaction terms are generally specified, only about 50% indicated that such terms are set out in writing at the time of order placement.

- ◆ If the transaction falls within the scope of the SME Transactions Act, the prime production company must immediately specify the transaction terms when entrusting a subcontracted production company with the creation of information-based deliverables (Article 4, Paragraph 1 of the SME Transactions Act).
- ◆ Prime production companies are also required to specify finalized transaction terms immediately in writing or by equivalent means, and with respect to outstanding matters, to determine them as early as possible after sufficient consultation and promptly issue supplementary written notice once determined (Article 4, Paragraph 1, proviso of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, failing to specify transaction terms in writing before a subcontracted production company commences the commissioned work leaves the contractual terms unclear and may disadvantage the subcontracted production company, thereby creating circumstances that could give rise to abuse of superior bargaining position.

Survey results

- In the survey of **subcontracted production companies**, approximately 60% responded that production commission fees are often set within the ceiling or unit price range presented by the business partner, while about 30% indicated that they frequently reach agreement based on a fee proposal that reflects necessary production costs.
- Approximately 60% responded that they “were often able to negotiate” the amount of the production commission fee.
- Although approximately 80% of subcontracted production companies responded that production commission fee levels have “increased,” slightly more than 30% responded that, with respect to operating profit and loss based solely on production commission fees, they were in the “red.”
- Approximately 70% of subcontracted production companies responded that they were “not satisfied” with production commission fees, citing as the principal reasons that “required quality standards have increased,” that “baseline production commission fees are low to begin with,” and that they “cannot pass on rising costs.”
- In interviews with **prime production companies**, responses included, “In light of recent inflation, we have approached them to ask whether any upward adjustment is necessary,” and “We understand that labor costs etc. may need to be passed on, but there are cases where we are asked only to raise prices without any explanation or supporting basis, which makes negotiation necessary.”
- From **subcontracted production companies**, responses included, “Although the required quality has increased, unit prices have not changed much from the past,” and “Increases in production commission fees are allocated to higher personnel costs associated with extended production periods and to increased overhead expenses, so we do not feel that our effective remuneration has actually increased.”

How production commission fees are determined (past five years)



■ Production commission fees are often set within upper limits or unit-price ranges presented by business partners

■ In many cases, agreement is reached on the proposed production commission fee taking into account necessary production costs (cost of production)

■ Other

Whether the amount of the production commission fee can be negotiated (past five years)



■ Often able to negotiate

■ Often unable to negotiate

■ In many cases, no opportunity for negotiation was provided in the first place

■ Unknown

Changes in the level of production commission fees (past 10 years)



■ Increased

■ Decreased

■ Almost unchanged

■ Unknown

Operating profit or loss based solely on production commission fees (most recent fiscal year)



■ Profit

■ Loss

■ Unknown



■ Profit

■ Loss

※ Subcontracted production companies were asked to respond regarding trends during the relevant period, including the most recent five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

Although approximately 80% responded that production commission fee levels have “increased,” slightly more than 30% of subcontracted production companies responded that they were in the red with respect to operating profit and loss based solely on production commission fees, suggesting that profitability is not high for some subcontracted production companies. Although such circumstances do not in themselves constitute a violation of the SME Transactions Act/Anti-Monopoly Act,

- ◆ where a transaction falls within the scope of the SME Transactions Act, if a prime production company unilaterally sets compensation for a subcontracted production company at a level substantially below the ordinarily payable amount without adequately considering factors such as heightened quality requirements, longer production periods, and rising prices, this may constitute an issue (unjustly low pricing) under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.
- ◆ Moreover, where a prime production company, despite a request from a subcontracted production company for price consultations, refuses to engage in discussions, fails to provide necessary explanations, or otherwise unilaterally determines the remuneration, this constitutes an issue under the SME Transactions Act, namely unilateral determination of remuneration without responding to consultations (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by unilaterally setting remuneration at a markedly low level without engaging in sufficient consultations that take into account heightened quality requirements, extended production periods, rising costs, or similar circumstances, thereby causing unjust disadvantage to a subcontracted production company contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Survey results

- In interviews with **subcontracted production companies**, a subcontracted production company engaged in sound production responded, “If a transaction is cancelled for reasons not attributable to us (for example, because sound effects become unnecessary as a result of changes in the animation process), remuneration is paid for work performed up to that point,” and “Even if the schedule changes, the contract with the prime production company is not terminated midstream.”

Considerations under the SME Transactions Act and the Anti-Monopoly Act

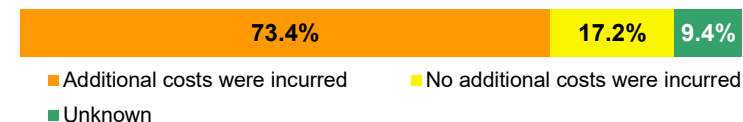
Subcontracted production companies also responded that, when orders are cancelled, “Remuneration is paid for work performed up to the point of cancellation,” and “Even if the schedule changes, the contract with the prime production company is not terminated midstream,” and there were responses indicating that prime production companies endeavor to avoid causing disadvantage to subcontracted production companies.

- ◆ If a transaction falls within the scope of the SME Transactions Act, and a prime production company cancels an order without reasons attributable to the subcontracted production company and fails to bear the costs of work already performed, thereby unjustly harming the interests of the subcontracted production company, this constitutes an issue under the SME Transactions Act, specifically an unjust modification of the content of benefit payments (Article 5, Paragraph 2, Item 3 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by cancelling a production order without justifiable grounds and refusing to bear costs incurred up to the time of cancellation, thereby causing unjust disadvantage to a subcontracted production company contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

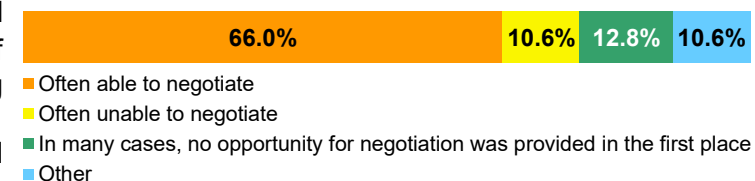
Survey results

- In the survey of **subcontracted production companies**, more than 70% responded that “there were cases where additional costs were incurred.” Although negotiations appear to take place to some extent when additional costs arise, with respect to payment, just under 60% responded that “We were often paid in full” or “We were often paid only in part and found the amount acceptable,” whereas just under 30% responded that “We were often paid only in part and were dissatisfied with the amount” or “We were often not paid at all.”
- In interviews with **prime production companies**, responses included, “Subcontracted production companies invoice the full production cost immediately upon delivery of deliverables,” and “Under monthly payment arrangements, if work extends into the following month due to retake instructions, we pay the corresponding additional amount,”.
- At **subcontracted production companies**, responses included, “Where work is commissioned on a per-shot basis, retakes typically generate additional fees,” “If the required quality level is not met, retakes may be requested, but the criteria for assessing quality are ambiguous,” and “If changes in production content extend the production period and the original production commission fee becomes insufficient, we undertake additional negotiations.” They also responded, “Additional compensation is not necessarily granted in all cases,” and “Even when we are engaged for the finishing process, corrections arising from earlier stages occur, and we are sometimes forced to make revisions as in-between animation inspection work outside the scope of the contract.”

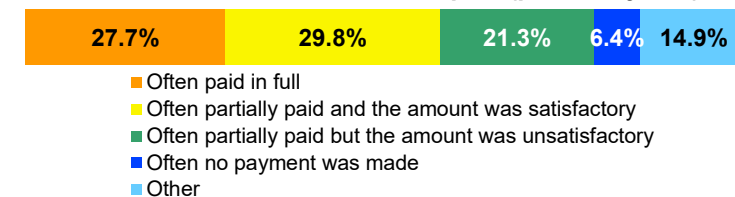
Whether additional costs may be incurred (Past 5 years)



Whether additional costs are negotiable (past five years)



Whether additional costs have been paid (past five years)



* Subcontracted production companies were asked to report on trends over the past five fiscal years.

Considerations under the SME Transactions Act and the Anti-Monopoly Act

More than 70% of subcontracted production companies reported having experienced situations in which additional costs arose, and some also indicated that prime production companies paid additional production commission fees following consultations between the parties. However, some respondents stated that even in cases where the additional costs were not attributable to the subcontracted production company, the prime production company did not pay those additional costs.

- ◆ If a transaction falls within the scope of the SME Transactions Act, and a prime production company causes a subcontracted production company to incur additional costs by extending or postponing the production period, requiring work that differs from the original contract, or demanding retakes without reasons attributable to the subcontracted production company, and then fails to pay the increased costs, thereby unjustly harming the interests of the subcontracted production company, this constitutes an issue under the SME Transactions Act, specifically unjust modification of the content of benefit payments and unjust retakes (Article 5, Paragraph 2, Item 3 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by requesting retakes or unilaterally altering transaction terms without justifiable grounds, thereby causing unjust disadvantage to a subcontracted production company contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Survey results

[Deduction]

- In interviews with **subcontracted production companies**, responses included, “We undertook a gross contract from a prime production company, but after completion of the anime production, the amount remitted was reduced from the amount initially presented.” They further responded, “We have since repeatedly requested payment of the outstanding balance, but it has still not been paid,” and “The ordering party had unilaterally deducted bank transfer fees from the agreed remuneration.”

[Delayed payment (non-payment)]

- In interviews with **subcontracted production companies**, responses included, “Although we delivered the work, payment was not made by the due date, and when we inquired, we were told, 'We cannot pay because we do not have the funds,' and even now, one year later, payment has not been made,” and “There have been several instances in which our remuneration was effectively defaulted on.”

Considerations under the SME Transactions Act and the Anti-Monopoly Act

[Deduction]

Although limited in number, some subcontracted production companies reported that the amount paid had been reduced from the amount agreed at the time of order placement.

- ◆ If a transaction falls within the scope of the SME Transactions Act, a prime production company may not reduce remuneration without reasons attributable to the subcontracted production company, and such conduct constitutes an issue under the SME Transactions Act, specifically reduction of remuneration (Article 5, Paragraph 1, Item 3 of the SME Transactions Act).
- Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by reducing the remuneration stipulated in the contract without justifiable grounds, thereby causing unjust disadvantage contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

[Delayed payment (non-payment)]

Although limited in number, some subcontracted production companies reported that payment had not been made by the due date or that non-payment had occurred.

- ◆ If a transaction falls within the scope of the SME Transactions Act, and a prime production company fails to make payment by the payment deadline set within the shortest possible period not exceeding 60 days from the date of receipt, counted from the date on which deliverables are received from the subcontracted production company, regardless of whether it conducts an inspection of the performance, this constitutes an issue under the SME Transactions Act, specifically delay in payment (Article 5, Paragraph 1, Item 2 of the SME Transactions Act).(*)
 - * If the contract stipulates a payment deadline within 60 days from the date of receipt, failure to pay by that contractual deadline constitutes an issue under the SME Transactions Act, even if payment is made within 60 days from the date of receipt. If no payment deadline is specified, payment must be made by the date of receipt.
- Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by failing to pay remuneration by the contractual due date without justifiable grounds, thereby causing unjust disadvantage to a subcontracted production company contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Survey results

State of disclosure of transaction terms in writing

- In the survey of **freelancers**, approximately 40-50% responded that the “content of the work,” the “amount or unit price of remuneration,” the “payment due date,” and the “delivery timing” were “communicated in writing in advance.”
- In interviews with **production companies**, responses included, “Transaction terms are recorded on duplicate production slips (order forms).”
- Business associations indicated that, in response to the Act on the Improvement of Transactions between Freelancers and Enterprises, they are proactively specifying transaction terms and that the manner of disclosure varies depending on the contractual arrangement.

Time of disclosure of transaction terms in writing

- In the survey of **freelancers**, approximately 40% responded that transaction terms are most often specified at “the time the order is placed.”
- In interviews with **production companies**, responses included, “In many cases, at the initial meeting we have them sign both the order form and the contract.”
- From freelancers, there was a response that, based on past disputes, “we negotiate to obtain written documentation before commencing work”.

The timing of specification of transaction terms etc. (past three years)



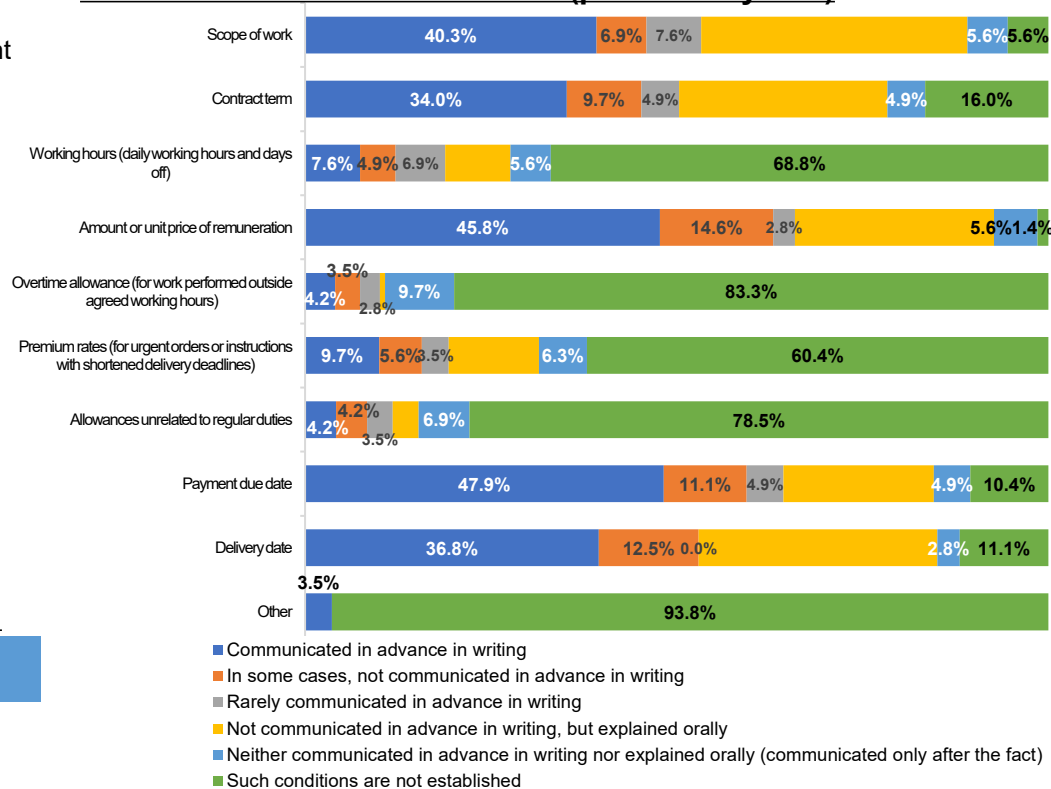
- Most often at the time of ordering
- Most often between ordering and the start of animation production
- There are many cases where terms are specified after animation production work has commenced but before delivery (completion of work)
- Often after delivery (completion of work)
- Other

Interpretation under the Act on the Improvement of Transactions between Freelancers and Enterprises

While some freelancers responded that transaction terms are increasingly being specified in writing, it appears that even for key items required under the Act on the Improvement of Transactions between Freelancers and Enterprises to be set out in writing, including the “content of the work,” the “amount or unit price of remuneration,” the “payment due date,” and the “delivery timing,” fewer than half are specified in writing at the time of order placement.

- ▲ Where the Act on the Improvement of Transactions between Freelancers and Enterprises applies, a production company that outsources work to a freelance creator must immediately specify the transaction terms in writing, such as in an order document setting out the items required to be specified under the Act (Article 3, Paragraph 1 of the Act on the Improvement of Transactions between Freelancers and Enterprises).
- ▲ In addition, production companies are required to specify finalized matters immediately in writing, and with respect to outstanding matters, to determine them as early as possible following sufficient consultation and promptly issue supplementary written notice once determined (Article 3, Paragraph 1, proviso of the Act on the Improvement of Transactions between Freelancers and Enterprises).

Disclosure of transaction terms (past three years)



* Freelancers were asked to report on trends over the past three years.

Compensation levels and the status of negotiations concerning remuneration

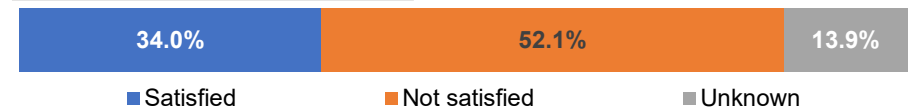
Survey results

- In the survey of **freelancers**, approximately 70% responded that remuneration levels are “rising.”
- With respect to satisfaction with remuneration, more than half responded that they were “not satisfied.” As reasons, approximately 90% cited “because it has not kept pace with rising prices” and “because baseline remuneration/unit rates are low to begin with.”
- In interviews with **production companies**, responses included, “Unit rates for animation have increased to 130% over the past three years,” “Occupations previously remunerated on a piece-rate basis are increasingly being shifted to retainer contracts (monthly remuneration) in order to secure personnel, and labor costs are rising,” and “As retainer contracts and employee status become more common, remuneration levels have increased dramatically,” while there was also a response stating, “We are operating on a precarious financial footing and are unable to respond fully to negotiations.”
- From **freelancers**, responses included, “Animation work is paid at around ¥200-¥250 per cut, so it is not possible to earn a decent living,” “Higher-quality animation is being required, and even if unit rates rise, they do not correspond to the workload,” “Remuneration for direction has increased in recent years, but because duties have expanded, it is not commensurate,” and “In order to negotiate, one must be prepared for the possibility of losing future work.”

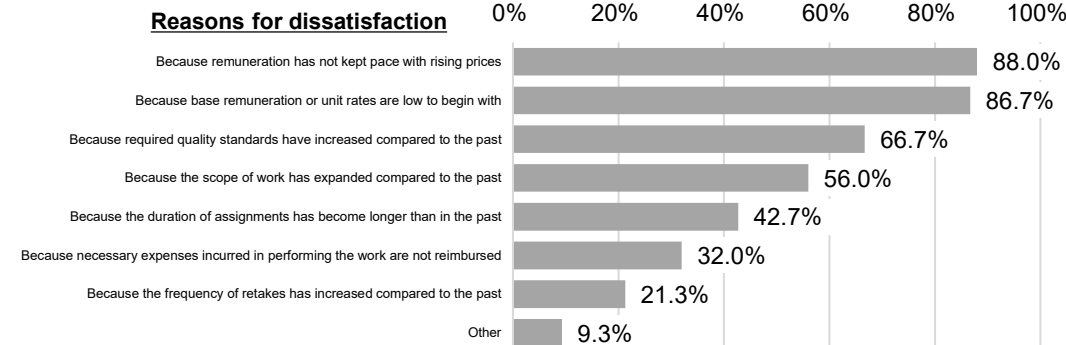
Changes in remuneration levels (past ten years)



Satisfaction with remuneration levels



Reasons for dissatisfaction



Negotiation status regarding remuneration amounts and unit rates (past three years)



- There is a forum for negotiation, and terms can be adjusted to a satisfactory level.
- There is a forum for negotiation, and terms can be adjusted, but not to a satisfactory level.
- There is no forum for negotiation (negotiations are not possible).
- No negotiation is necessary.
- There is a forum for negotiation, but terms cannot be changed.

* Freelancers were asked to report on trends over the most recent three years etc.

Considerations under the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act

Although trends vary by occupation, 70% of freelancers reported that remuneration levels have increased, indicating an overall upward trend. However, the majority remain dissatisfied with current remuneration levels due to rising prices, historically low base remuneration or unit rates, and heightened quality requirements. Such circumstances do not in themselves immediately constitute a violation of the Act on the Improvement of Transactions between Freelancers and Enterprises or the SME Transactions Act, but

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company, in light of circumstances such as rising prices, unfairly sets remuneration at a level significantly below the ordinarily payable amount, this constitutes an issue under the Act, specifically unfair price reduction (Article 5, Paragraph 1, Item 4 of the Act on the Improvement of Transactions between Freelancers and Enterprises).
- ◆ Even in cases where a transaction does not fall within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if it falls within the scope of the SME Transactions Act, and a production company unfairly sets remuneration at a level significantly below the ordinarily payable amount in light of circumstances such as rising prices, this constitutes an issue (unjustly low pricing) under the SME Transactions Act (Article 5, Paragraph 1, Item 5).
- ◆ In the case of a transaction that falls under the scope of the Act on Specified Commercial Transactions, if the production company unilaterally determines the price (remuneration) by refusing to negotiate or failing to provide the necessary explanation despite the freelancer's request for price negotiations, this will constitute an issue under the Act on Specified Commercial Transactions (unilateral determination of price without negotiating) (Article 5, Paragraph 2, Item 4 of the Act on Specified Commercial Transactions).

Orders with Unreasonably Short Deadlines

Survey results

- In interviews with **production companies**, there was a response stating, “If we place an order with a freelance creator on a short deadline, we may pay a rush fee.”
- From **freelancers**, there was a response stating, “When an order is urgent, I negotiate to secure a rush fee.” Because the basis for an increase is clear, negotiations are relatively straightforward in short-deadline cases.” By contrast, there was also a response stating, “No matter how urgent the work is, or even if it requires overnight work, there is no additional premium.”

Considerations under the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act

One freelance creator responded that even when a production company placed an order with a short deadline, no additional premium was paid.

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company places an order on a short deadline and unjustifiably sets remuneration at a level significantly below the ordinary rate, this constitutes an issue under that Act, specifically unjust price reduction (Article 5, Paragraph 1, Item 4).
- ◆ Even in cases where the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply, if the transaction is subject to the SME Transactions Act, a production company’s unjust setting of a price significantly below the ordinary rate for a short-deadline order constitutes an issue (unjustly low pricing) under the SME Transactions Act (Article 5, Paragraph 1, Item 4). Furthermore, where a production company unilaterally determines the price or remuneration by refusing to engage in price discussions regarding a short-deadline order, or by failing to provide necessary explanations despite a request from a freelance creator, this constitutes an issue under the SME Transactions Act, namely unilateral determination of price without engaging in consultations (Article 5, Paragraph 2, Item 4).

Survey results

- In interviews with **freelancers**, responses included, “My order was canceled while I was still in the preparatory stage, such as reviewing storyboards, and I was not paid for the portion of the work I had already begun,” and “Because it is not possible to immediately secure other work to fill the gap created by a cancellation, a sudden cancellation can make it difficult to sustain one’s livelihood.”

Considerations under the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act

Some respondents reported that, in certain transactions, orders were canceled and remuneration for work already performed was not paid.

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company cancels an order without grounds attributable to the freelance creator and fails to bear the costs associated with work already performed, thereby unjustly harming the freelancer’s interests, this constitutes an issue under that Act, specifically an unjust modification of the content of benefit payments (Article 5, Paragraph 2, Item 2).
- ◆ Even in cases where the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply, if the transaction is subject to the SME Transactions Act and a production company cancels an order without grounds attributable to the freelance creator, fails to bear the costs associated with work already performed, and thereby unjustly harms the freelancer’s interests, this constitutes an issue under the SME Transactions Act, specifically an unjust modification of the content of benefit payments (Article 5, Paragraph 2, Item 3).

Additional remuneration payments

Survey results

[Postponement/extension]

- In interviews with **freelancers**, responses included, “For freelancers paid a fixed monthly amount, even if the engagement is extended, remuneration continues to be paid, so there is no financial disadvantage,” while others stated, “In roles paid on a per-episode basis, if the production period is extended, the period of commitment is prolonged without any increase in remuneration, so the relative value of the remuneration declines.”

[Retakes]

- In interviews(**freelancers**), responses included, “Because of the low quality of animation outsourced overseas, an entire episode had to be redone, and although I, as the color specification inspector, effectively performed the equivalent of two episodes’ worth of work, I was paid only the originally agreed per-episode rate,” and “No additional remuneration is paid for retakes requested by the production committee.” Respondents further stated that retakes requested by the production committee are often unreasonable, and that even in cases where approval had been obtained from the production committee at an earlier stage, vague instructions were later issued, such as, “The character’s face is not cute enough, so make it cuter.”
- From business associations, there was a response stating, “Retakes of storyboards and similar materials are sometimes requested, but given the importance of the role, retakes are inherent in the nature of the work.”

[Addition of tasks different from the original benefits]

- In interviews with **freelancers**, responses included, “Even when I was required to correct inadequate work by other sections, no additional remuneration was paid,” “Although I was working on in-between animation inspection, I was required to make corrections normally handled by an animation director, yet I was not paid at the animation director rate,” and “I accepted an assignment as a second-pass key frame animator, but because the schedule fell behind, I was also required to perform duties normally handled by the animation director, namely correcting first-pass key frames.”

[Other changes to the content of benefit payments]

- In interviews with **freelancers**, responses included, “Work may become busier due to urgent tasks or accelerated deadlines, but no additional remuneration is paid as a result,” and “Although the standard work period for in-between animation inspection per episode is three months, schedules are frequently delayed, and in severe cases the actual work period is reduced to less than one month.” Although the workload itself does not change, no increase in remuneration, such as a rush premium, is paid even in such circumstances.”

Considerations under the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act

Freelancers reported that there have been cases involving extensions of the production period, additions of work differing from the original scope, retakes, or other changes to the agreed performance, in which no additional remuneration was paid.

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company, without grounds attributable to the freelance creator, extends the production period, requires work that differs from the original contractual scope, or demands retakes, and fails to pay additional remuneration despite additional labor being incurred, thereby unjustly harming the freelancer’s interests, this constitutes an issue under that Act, specifically unjust modification of the content of benefit payments and unjust retakes (Article 5, Paragraph 2, Item 2).
- ◆ Even in cases where the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply, if the transaction is subject to the SME Transactions Act and a production company, without grounds attributable to the freelance creator, extends the production period, requires work that differs from the original contractual scope, or demands retakes, and fails to pay additional remuneration despite additional labor being incurred, thereby unjustly harming the freelancer’s interests, this constitutes an issue under the SME Transactions Act, specifically unjust modification of the content of benefit payments and unjust retakes (Article 5, Paragraph 2, Item 3).

Deductions and delayed payment (non-payment)

Survey results

[Deduction]

- In interviews with **freelancers**, responses included, “When I was compelled to engage additional help due to circumstances attributable to the production company and not to me, the cost of that assistance was deducted from my remuneration, reducing the originally agreed rate by several tens of thousands of yen,” “When I accepted a partially exclusive engagement for a fixed term, I was not paid for the final month,” and “Although I issued invoices clearly stating that the bank transfer fee was to be borne by the production company, the transfer fee was sometimes deducted from my remuneration without authorization.”

[Delayed payment (non-payment)]

- In interviews(**freelancers**), responses included, “Due to the production company’s deteriorating cash flow, payments have been delayed beyond the due date,” and “There have been instances in which remuneration for several episodes was not paid despite delivery.” Respondents further stated, “Because this project was prolonged due to delays etc., I was unable to take on other production concurrently, resulting in an extended period without income,” and “Although the production company had explained that I would receive a fixed monthly payment, there were periods during which no remuneration was paid.”

Considerations under the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act

[Deduction]

Some freelancers reported that, in certain cases, remuneration was reduced from the amount originally agreed after delivery, or that bank transfer fees were deducted.

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company reduces the remuneration determined at the time of engagement without grounds attributable to the freelance creator, this constitutes an issue under that Act, specifically reduction of remuneration (Article 5, Paragraph 1, Item 2).
- ◆ Even in cases where the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply, if the transaction falls within the scope of the SME Transactions Act, a production company’s reduction of the entrusted remuneration without grounds attributable to the freelance creator constitutes an issue under the SME Transactions Act, specifically reduction of the subcontract price (Article 5, Paragraph 1, Item 3).

[Delayed payment/Non-payment]

Some freelancers reported that, in certain cases, payment was made after the due date or that a portion of the remuneration was not paid.

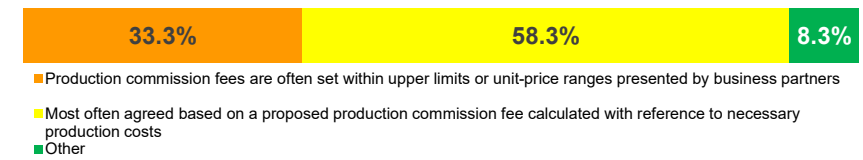
- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, regardless of whether the production company conducts an inspection of the freelancer’s performance, if remuneration is not paid by the due date set within as short a period as possible and in any event within 60 days from the date of receipt, namely the date on which the deliverables were received from the freelance creator, this constitutes an issue under that Act, specifically a violation of the obligation to pay remuneration by the due date (Article 4, Paragraph 5).
- ◆ Even in cases where the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply, if the transaction falls within the scope of the SME Transactions Act and a production company fails to pay the entrusted remuneration to the freelance creator after the due date has passed, this constitutes an issue under the SME Transactions Act, specifically delay in payment (Article 5, Paragraph 1, Item 2).

Terms and conditions of transactions concerning production commission fees, etc.

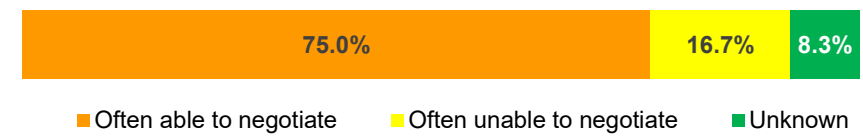
Survey results

- In the survey of **prime production companies**, 75% responded that they “were often able to negotiate” the amount of the production commission fee (with Japanese and international streaming service providers). With respect to satisfaction with the amount of the production commission fee, 25% responded that they were “satisfied,” while approximately 60% responded that they were “not satisfied.” Regarding satisfaction with remuneration other than the production commission fee, just under 10% responded that they were “satisfied,” while approximately half responded that they were “not satisfied.”
- In interviews with **streaming service providers**, responses included, “In addition to the production commission fee, we pay a fixed percentage of that fee as general administrative expenses into a separate account,” and “Because our subscription contracts do not link individual productions directly to revenue, it is difficult to adopt a remuneration structure tied to revenue.” Regarding remuneration other than the production commission fee, responses included, “Although it is not common to pay remuneration such as production royalties or success-based remuneration in addition to the production commission fee, depending on the background of the project and the outcome of individual negotiations, it is possible to agree to some form of additional remuneration.” With respect to additional costs, there was a response stating, “If additional costs arise and a supporting rationale is provided, we bear the excess amount following consultation.”
- From **prime production companies**, there was a response stating, “We are required to report a detailed breakdown of costs, and although there are no royalties, we are assured recovery of actual production costs.” Unlike the production committee model, the fact that losses are effectively precluded represents a significant advantage for the production company.” By contrast, there was also a response stating, “Because foreign-affiliated streaming service providers operate on a buyout basis, there is no upside from hit-driven returns such as production royalties, and even if the upfront consideration is substantial, the overall economic value generated by the production is lower.”

Method of determining production commission fees (past five years)



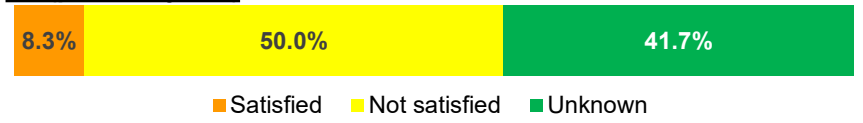
Whether negotiation of the production commission fee amount was possible (past five years)



Satisfaction with the amount of the production commission fee (past five years)



Satisfaction with remuneration other than the production commission fee (past five years)



* Prime production companies were asked to respond regarding trends over the past five fiscal years.

Approach under the SME Transactions Act

Streaming service providers and prime production companies responded that production costs are reimbursed at actual cost, that the prime production company’s general administrative expenses are paid separately, and that additional costs are paid in most cases where a reasonable basis is presented, suggesting that prime production companies are in a position to secure operating profits relatively easily. By contrast, mechanisms such as production royalties and success-based remuneration are generally not adopted, and a “buyout model,” under which streaming service providers bear the full production commission fee in exchange for an assignment of copyright, appears to be prevalent, and some prime production companies that receive production royalties under the production committee model responded that profits are not substantial in practice. Although this situation does not in itself constitute an issue under the SME Transactions Act,

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if a prime production company requests discussions regarding pricing, including revenue-sharing arrangements, namely performance-based remuneration tied to sales or view counts of a production, and the streaming service provider unilaterally determines the price by refusing to engage in discussions or failing to provide necessary explanations, this constitutes an issue under the SME Transactions Act, specifically unilateral determination of price without engaging in consultations (Article 5, Paragraph 2, Item 4).

Survey results

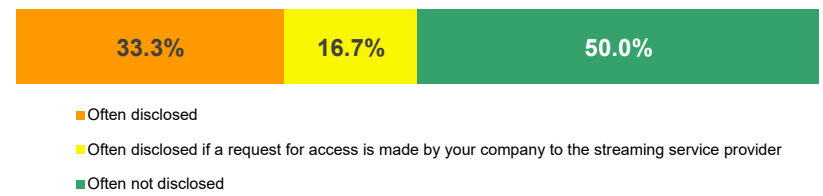
[Significance of information such as view counts]

- In interviews with **production committees/prime production companies**, responses included, “From a marketing perspective, we would like to know how many times a production has been viewed,” and “Because we cannot effectively apply the results to the production, distribution, and exhibition of subsequent productions, we would at minimum like to receive data on total viewers, and ideally demographic data such as viewer numbers by age group.”

[Disclosure of information such as view counts]

- In the survey of **prime production companies**, regarding disclosure of view counts by Japanese and international streaming service providers, 50% responded that such information is “often disclosed” or “often disclosed upon request for access,” while 50% responded that it is “often not disclosed.”
- In interviews with **streaming service providers**, there was a response stating, “We always conduct a post-release review of each title, and share information such as the extent to which the production was viewed as necessary,” indicating that a certain degree of information disclosure is undertaken. By contrast, some respondents stated that disclosure of detailed information, such as user attributes and viewing time slots, is difficult due to associated costs and because such information constitutes trade secrets.
- From **production committees** and **prime production companies** (including companies with experience receiving production commissions from streaming service providers), there was a response stating, “Some Japanese streaming service providers provide monthly data on view counts, whereas overseas streaming service providers in particular provide no information at all.”

Disclosure status of view counts (past 5 years)



* Prime production companies were asked to respond regarding trends over the past five fiscal years.

Competition policy perspective

According to the interview survey, streaming service providers may, particularly in the case of flat-fee contracts, namely agreements under which a fixed license fee based on the license term constitutes the consideration, refrain from disclosing information such as view counts to business partners, including production committees and prime production companies, or may disclose information whose content or level of precision does not meet the expectations of the content provider. Such information may form the basis for negotiations over production commission fees or license consideration when renewing contracts or entering into agreements for series productions or similar productions.

Streaming service providers may hold a superior bargaining position over their counterparties, namely content providers, and in assessing whether a streaming service provider’s failure to provide information such as view counts constitutes abuse of superior bargaining position, a comprehensive determination is made taking into account factors such as whether sufficient consultations were conducted between the parties and the supply and demand conditions for video content. Accordingly, from the perspective of preventing violations of the Anti-Monopoly Act, it is desirable that consideration for content be set through sufficient negotiations between streaming service providers and content providers; therefore, not only in revenue-sharing arrangements but also in flat-fee contracts, streaming service providers are expected, when renewing contracts or entering into agreements for series or similar productions, to provide information regarding user viewership of the relevant content to the extent necessary for appropriate negotiations over consideration.

- ◆ In order to prevent conduct that may give rise to issues under the Anti-Monopoly Act, the SME Transactions Act, and the Act on the Improvement of Transactions between Freelancers and Enterprises, **the contents of this report will be disseminated to constituent entrepreneurs of production committees, production companies, and business associations etc. that are involved with freelancers.**
- ◆ **In coordination with relevant ministries and agencies, progress in initiatives undertaken by relevant businesses will be closely monitored, and strict and appropriate action will be taken against violations of the Anti-Monopoly Act and other applicable laws.**
- ◆ Based on this report, **guidelines** setting out specific interpretations under the Anti-Monopoly Act, the SME Transactions Act, the Act on the Improvement of Transactions between Freelancers and Enterprises, and competition policy **will be formulated and published.**