Fact-finding survey on the Trading Environment for Creators in Anime Production

Survey

December 2025
Japan Fair Trade Commission

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List of Abbreviations Used in This Report

Number	Abbreviation	Original name/definition
1	the SME Transactions Act	Act on Preventing Delay in Payment to Small and Medium-Sized Entrusted Business Operators in Relation to Manufacturing Consignment (scheduled to take effect January 1, 2026) Note: it has been renamed from the former Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (SME Transactions Act)
2	the Anti-Monopoly Act	Act on Prohibition of Private Monopolization and Maintenance of Fair Trade
3	the Act on the Improvement of Transactions between Freelancers and Enterprises	Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators
4	Freelance(r)	Freelance: In this report, “freelance” refers to a party that falls under either (1) or (2) below and has no organizational structure: (1) an individual with no employees; or (2) a corporation with only a single representative, no other officers (including directors, executive officers, business-executing members, auditors, or equivalent positions; the same applies below), and no employees.
5	Commercial production/ Creative production	“Production” refers to the entire business process (planning and development, fundraising, creation of the production, commercialization, and profit generation) while “creation” refers specifically to the process of making the production and turning it into a product.[1]
6	Prime production company	A production company that receives orders directly from clients such as production committees, video streaming platforms, and general corporations.
7	Subcontracted production company	A production company that is subcontracted to by another production company. In the anime industry, the term “subcontracted production company” is used in contrast to “prime production company.”
8	Production commission fee	The transaction amount (contracted order value) for film or animation production.
9	Production cost(s)	The costs incurred in producing a film or animation (production costs).

[1]Keiji Nakamura and Akiko Sasaki, A Clear Guide to Trends and Mechanisms in the Film Industry , Shuwasystem-Shinsha (2021), p. 84. (Japanese)

Chapter 1　Survey objectives etc.

1 Survey purpose

Anime, music, broadcast programs, films, games, and manga are assets of which Japan can be justly proud. However, the Content Industry Revitalization Strategy (formulated and set out in the Cabinet Decision of June 21, 2024, "The Grand Design and Action Plan for New Capitalism: 2024 Revised Edition") states that "an environment in which creators can work sustainably with peace of mind has yet to be established.　We want to develop an environment in which Japan's film and anime creators can fully realize their creativity. Fact-finding surveys in the music and broadcast program sectors, revealed that a transaction environment for creators at film and animation production sites will be conducted from the beginning of 2025."

In light of this situation, the Japan Fair Trade Commission conducted fact-finding surveys in the transaction field related to film and animation production (hereinafter referred to respectively as the "film industry" and the "anime industry"[2])[3]. This report describes the results of the survey in the anime industry[4].

2 Survey methodology

1 Questionnaire survey

From June to July 2025, a questionnaire survey was conducted with production companies engaged in anime creation (hereinafter simply referred to as "production companies") and freelancers.

Survey subjects	Number distributed	Number of responses received	Response rate
Production company[5]	417	130	31.2%
Freelance[6]	Over 1900	165	-

According to the Association of Japanese Animations, there were 811 production companies registered in Japan as of 2020[7]. The number of creators engaged in anime creation is estimated at approximately 6,200, of whom 50 to 70% are estimated to work as freelancers[8].

[2]This survey mainly covers transactions related to the production of animated films and television anime programs.
[3]The survey was carried out with the cooperation of The Japan Research Institute, Ltd. (hereinafter referred to as "JRI").
[4]For fact-finding survey results relating to the film industry, see the "Survey Report on Transaction Environments for Creators at Film Production Sites."
[5] Responses were requested from businesses etc. classified under "Animation Production" in the Japan Standard Industrial Classification.
[6]Responses were requested through the industry associations to which freelancers belong or through production companies that had conducted interviews.
[7]Association of Japanese Animations, Anime Industry Report 2021, Document 4 (December 2021) (Japanese)
[8]Yosuke Yasui, Supply-side Issues in Japan's Anime Industry, pp. 38 and 48 (2025) (Japanese)

2 Interview survey

From January through December 2025, interview surveys were conducted with a total of 75 entities, as outlined below.

Respondent category	Number of participants
Production company	34
Freelance(r)	16
Industry association	4
Production committee, etc.[9]	14
Experts[10]	7
Total	75

3 Information Submission Form

To gather information on potentially problematic transactions etc. between creators engaged in film and anime production and production companies, the Japan Fair Trade Commission launched an online information submission form in January 2025; by the end of November that year, it had received 219 submissions across both industries.

[9]For production committees, the survey covered businesses with experience investing in production committees, including film companies, distributors, and publishers. This also includes video streaming companies.
[10]The survey targeted economists, legal scholars, lawyers, etc.

Chapter 2 Overview of the anime production market etc.

1 Overview of the anime production market

1 Transaction participants

(1) Production committee

A "production committee" is an organization formed by multiple businesses that jointly invest for the purpose of undertaking collaborative projects related to the production and usage of films and animation (hereinafter "anime")[11], serving as a framework to distribute and mitigate investment risk. The constituent entrepreneurs typically include film companies, broadcasters, publishers, advertising agencies, video software distributors, music publishers, etc., with each participant assuming responsibility for aspects such as anime production, distribution, promotion, and exhibition. Most production committees take the legal form of civil-law partnerships (voluntary associations), with decisions made through consensus among the members. In addition, copyright etc. in completed anime works are jointly held by the committee members, with profits allocated primarily in proportion to each member's investment[12].

(2) Video streaming companies

These companies enter into streaming license agreements with copyright holders and stream or exclusively release content on their own platforms. They may also produce and distribute original productions in-house by leveraging their substantial financial resources. In the latter case, video distribution companies commission production from a prime production company.

(3) Production company

Production companies are businesses engaged in activities such as planning, scriptwriting, storyboarding, layout, key animation, in-between animation, background art, filming, editing, and sound production. In the anime industry, depending on the contracting party, production companies are categorized as either "prime production companies" or "subcontracted production companies[13]."

A Prime production company

A prime production company is a business that directly undertakes anime production commissions from production committees, video streaming companies, and similar clients. While employees of the prime production company may participate in anime production, as discussed below it is common for work to be re-commissioned to subcontracted production companies and freelancers. Additionally, since the 1970s, many production companies have outsourced animation, coloring, and finishing processes to businesses in China, South Korea, Taiwan, as well as Southeast Asian countries such as the Philippines, Vietnam, Thailand, and Malaysia, primarily as a cost-reduction measure[14].

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[11] "Anime" refers to creative works that depict motion by photographing large numbers of drawings or figures with slight variations frame by frame and rapidly sequencing multiple still images.
[12] Ministry of Economy, Trade and Industry, Report on the FY2016 Content Industry Strengthening Measures Support Project (Survey on Overseas Expansion and Financing of Video Content) (February 2017), p. 8 (Japanese)
<https://dl.ndl.go.jp/view/prepareDownload?itemId=info%3Andljp%2Fpid%2F11274472&contentNo=1>
[13] In this report, the term "subcontracted production company" is used as the counterpart to "prime production company."
[14] Kazuhiro Ando, "Entertainment Business: Industrial Structure and Contract Practices," Rittor Music (2024), p. 289 (Japanese)

B Subcontracted production company

As noted in (3) above, in the anime industry, businesses that are re-commissioned by prime production companies to handle all or part of production are referred to as "subcontracted production companies," in contrast to prime production companies. The transactional positions of prime production companies and subcontracted production companies often switch depending on the project. Among subcontracted production companies[15], those responsible for specific processes such as scriptwriting, direction, key animation, in-between animation, CG, background art, special effects, filming, and editing are referred to as "specialist studios."

When a company is contracted to produce an entire episode at once, for example, one episode out of a 12-episode television season, rather than a partial process, this is referred to as "gross contracting[16]."

(4) Freelance(r)

Anime production in Japan relies heavily on freelancers, including animators. Since the 1970s, rising labor costs have led many anime production companies to outsource processes such as animation and coloring, which were previously handled in-house, to freelancers[17].

The principal occupations involved in production are outlined below[18] [19].

Director/Episode Direction	The director is the individual responsible for the overall creative content of the production. Episode direction refers to the role responsible for structuring the production in accordance with the director's vision, with primary responsibility for the content of individual episodes.
Character Design	This refers to the creation of characters appearing in the work, or to the work of designing those characters. Depending on the nature of the project, there may also be dedicated designers for specific elements, such as mechanical designers responsible for machinery.
Key animation / key frames	This refers to the drawings that form the basis of the animation, or the work of producing those drawings. Animators responsible for key animation are referred to as "key animators."
Inbetweening ("tweening")	Individuals responsible for the animation in between key frames are referred to as "in-between animators." This role is typically assigned to "in-between animators," many of whom later advance to key animator positions. The key animation and in-between animation processes are collectively referred to as "animation."
In-between animation inspection	This refers to the process of reviewing and correcting in-between animations created by in-between animators to identify missing lines, inconsistencies, or other defects.
Animation director	The animation director is responsible for the animation drawing in the assigned episode. The animation director reviews drawings produced by multiple animators, issues correction instructions, and may personally make revisions. The individual responsible for maintaining consistency in animation drawing across the entire production is referred to as the chief animation director.

[15]This also includes companies that undertake work within the anime production process, such as agencies representing voice actors.
[16]Japan Fair Trade Commission, "Report on the Fact-finding Survey of the Animation Industry" (January 2009), p. 4 (Japanese)
[17]Kazuhiro Ando, "Entertainment Business: Industrial Structure and Contract Practices," Rittor Music (2024), p. 289 (Japanese)
[18] Yoyogi Animation Academy, "Industry Guide: How Anime Is Made: An Explanation of the Production Process and Budget" (September 11, 2024), https://www.yoani.co.jp/gyokainavi-top/animator/an-works/how-to-make-anime/ (accessed August 5, 2025) (Japanese)
[19] A-1 Pictures official website, "2026 New Graduate Recruitment: Job Categories," https://a1p.jp/new_grad_2026/ (accessed August 5, 2025) (Japanese)

Finishing	This refers to the process of applying color to in-between frames. Coloring is performed using specified colors based on a predefined color design.
Background art	This refers to the process of creating anime backgrounds based on line drawings provided by animators.
Compositing	This refers to the process of assembling animation drawings, finished coloring, background art, etc. applying visual effects, and producing the final video image.
Production coordination	This refers to the role, or the associated duties, of managing the production schedule. Production coordinators communicate with the various staff members and departments involved, monitor progress, and manage production schedules and budgets.

2 Commercial production workflow

(1) Creative production workflow

The process from project planning through completion of the finished animation varies depending on the production. Under the currently mainstream production committee model, a producer typically identifies an original work (such as a manga or novel) or commissions a scriptwriter to develop an original story outline (plot and world setting), then proceeds with project development with the aim of producing an anime adaptation. Planning is generally led by film companies, broadcasters, publishers, and similar entities, with production moving forward once a production company is commissioned to carry out the work. Also, in some cases a prime production company pitches its own projects to a production committee. However, in recent years, productions based on existing source material such as manga have become increasingly common.

Where an original work exists, permission to use the source material is obtained first, after which the primary use is determined. This primary use refers to usage aligned with the purpose of production, such as terrestrial television broadcast or theatrical release. Use for other purposes is referred to as secondary use, and includes activities such as character merchandising, overseas television sales, and licensing to streaming platforms[20].

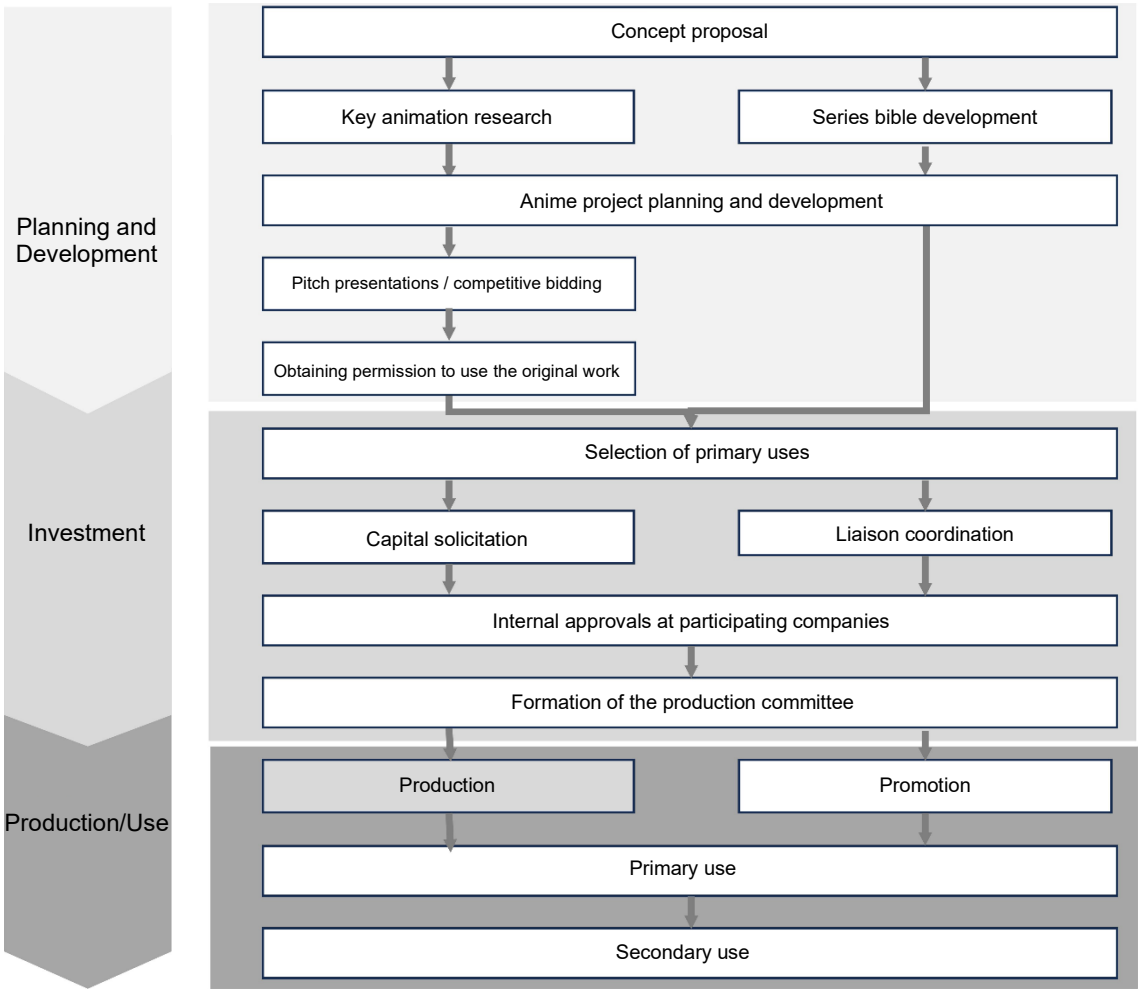
The actual anime production work is carried out by a prime production company commissioned by the production committee etc. after funding has been secured under the production committee model[21]. Once completed, the anime is delivered to the production committee etc. and then distributed to consumers through various media channels, including television broadcast, theatrical release, streaming by video streaming companies, and sales of DVDs, etc[22].

[20]For further details, see "Japan Fair Trade Commission, Report on the Fact-finding Survey of the Animation Industry" (January 2009) (Japanese)

[21]Under the production committee model, the committee is generally a partnership without legal personality, and a managing company acts as the executing party or as the committee's representative in entering into production commission agreements with production companies.

[22]Ministry of Economy, Trade and Industry, "Current Status of the Industry and Action Plan (Draft) [Anime] (Secretariat Materials No. 2)" (January 17, 2025), p. 16 (Japanese)
https://www.meti.go.jp/shingikai/mono_info_service/entertainment_creative/pdf/003_04_02.pdf (accessed August 5, 2025)

Figure 2-1 Example workflow from anime planning through production

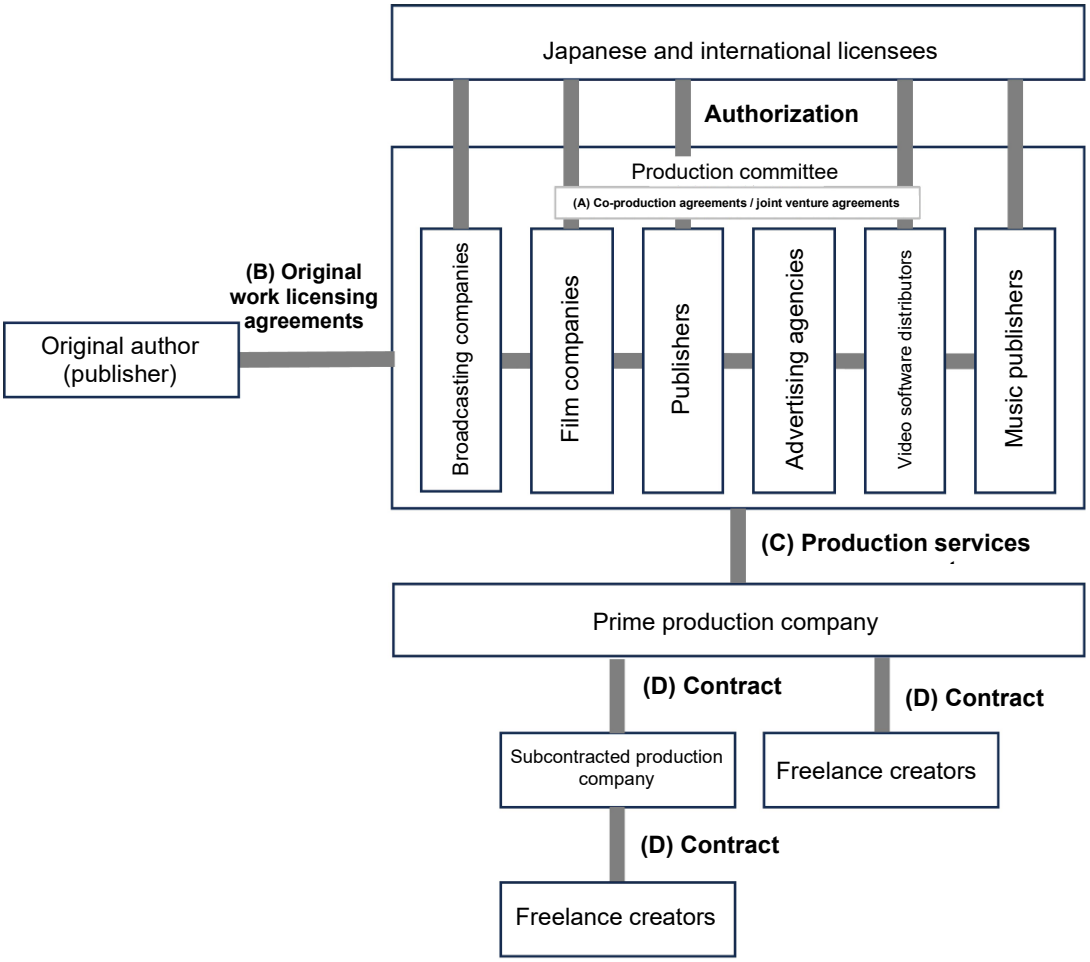


Source: Prepared based on "Anime Business and Production Committees by the Association of Japanese Animations" (Japanese)

(2) Various contracts

When producing an anime, a range of contracts are concluded among investors such as production committees, production companies, and freelancers. A typical contract for anime production under the production committee system is outlined below:

Figure2-2Example of the structural framework for anime production under the production committee model



Source: Prepared based on the Association of Japanese Animations', "Anime Business and Production Committees" and the Ministry of Economy, Trade and Industry's "Guidelines for Promoting Fair Subcontracting Transactions in the Animation Production Industry" (Japanese)

A Joint production agreement / joint business agreement

Under the production committee model, a joint production agreement or joint business agreement sets out matters such as each participant's investment amount, selection of the managing company, ownership of copyright etc., and profit allocation. Because most production committees are civil-law partnerships without legal personality, partnership assets such as contributed capital and copyright in the production are jointly owned by the investors. From among the investors, a managing company is appointed to lead operation of the production committee; legally, this entity is positioned as the partnership's executing member[23] [24].

[23]Takao Ikushima, "Contractual Practices for Anime Production: Production Committee Model (Joint Production Agreements)" (December 6, 2023), p. 4 (Japanese)
https://www.amt-law.com/asset/pdf/bulletins1_pdf/231206.pdf (accessed August 5, 2025)
[24]Copyright and Content Committee (FY2007), Copyright in Anime (2008), p. 22 (Japanese)
https://jpaa-patent.info/patents_files_old/200808/jpaapatent200808_011-047.pdf (accessed August 5, 2025)

B Original work licensing agreement

An original work licensing agreement is a contract under which the copyright holder (the original author) or the publisher managing the author's rights grants the production committee permission to use a manga or novel as the source material for an anime[25].

C Production services agreement

A production services agreement is a contract under which a production committee etc. commissions a prime production company to deliver a finished production and sets the corresponding compensation, and is executed on a per-title basis.

In some cases, the agreement also provides for payment of various royalties from the production committee to the prime production company, such as production royalties and, in the case of original anime, original-work royalties[26].

Although royalty income for production companies declines over time following release, some observers note that even modest royalties from individual productions can accumulate over the long term, potentially becoming a stable source of income as the number of completed productions increases[27].

D Commissioning subcontracted production companies and freelancers

In anime production, service agreements are concluded between prime production companies and subcontracted production companies, as well as between production companies and freelancers, to commission deliverables and set compensation. Some freelancers referred to as "main staff," such as directors and screenwriters who play central roles in production, may also contract directly with the production committee.

Depending on the occupation, commissions to freelancers may take the form of so-called "binding contracts," under which compensation is paid monthly over the contract term; in other cases, such as directing or scriptwriting, payment may be made on a per-production basis, while for key animation or finishing tasks, compensation may be calculated per drawing or per shot based on output. Binding contracts are reportedly chosen in some cases to ensure continuity of personnel and improve production quality, and generally fall into two categories: "fully binding[28]" and "partially binding[29] [30]."

[25]Ministry of Economy, Trade and Industry and UniJapan Public Interest Foundation, "Various Contracts in the Content Business" (2018), p. 6 (Japanese)
https://www.unijapan.org/producer/pdf/producer_341.pdf (accessed August 5, 2025)
[26]Association of Japanese Animations, "The Anime Business and Production Committees" (October 21, 2024) (Japanese)
https://www.bunka.go.jp/seisaku/bunkashingikai/chosakuken/seisaku/r06_03/pdf/94124501_02.pdf (accessed August 5, 2025)
[27]Takezawa Naoya, Takeuchi Yukio, Akabe Hiroyasu, and Nakamura Naoto, "Challenges in Fundraising for Japanese Anime Production, Nanzan Business Research Center" Working Paper No. 2401 <dfc38dbaa0ad86ea3e9a1832f8acf7f27f52c6da.pdf> (2024) (Japanese)
[28]A "fully binding" contract provides monthly remuneration for the duration of the contract. Under full binding, the individual devotes themselves exclusively to the project and does not accept work from other production companies, in exchange for higher remuneration than under partial binding arrangements.
[29]A "partially binding" contract likewise provides monthly remuneration during the contract period, but at a lower rate of remuneration than fully binding, while allowing the individual to take on work from other production companies concurrently.
[30]Ministry of Economy, Trade and Industry, Guidelines for Promoting Fair Subcontracting Transactions in the Animation Production Industry (revised May 2025), p. 11, footnote 2 (Japanese)

(3) Production stages

Anime production is divided into three phases: pre-production as the preparation stage; production, which focuses primarily on creating visual materials; and post-production, which completes the production through editing, sound production etc..

A Pre-production

Pre-production involves selecting staff and, based on the project proposal, establishing the foundation of anime production through activities such as series composition and scripting, design and settings, and storyboarding, as well as finalizing the production workflow.

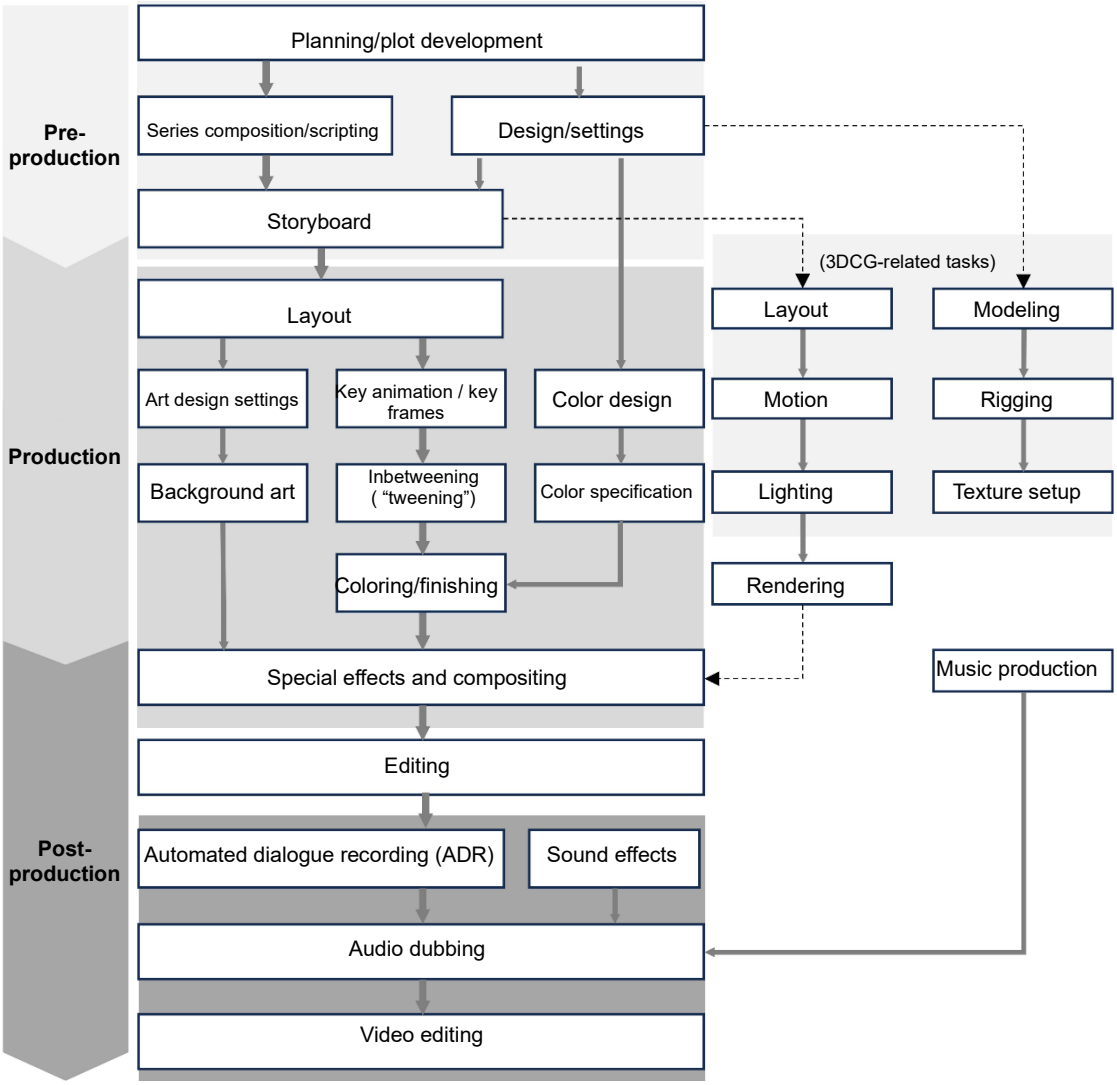
B Production

Production covers the core stages of anime creation, including key animation, determination of art settings, coloring and finishing, and compositing. In recent years, an increasing number of anime productions incorporate 3DCG, and related tasks such as 3DCG layout and modeling are also performed.

C Post-production

Post-production refers to downstream processes following compositing, including editing of footage, voice recording, and sound effects.

Figure 2-3 Overview of the anime production stages



Source: Prepared based on “Anime Business and Production Committees by the Association of Japanese Animations” (Japanese)

(4) Production methods and revenue structure

Anime production involves multiple funding structures. While the production committee model is currently the most widely used, other structures also exist, including special purpose company (SPC) arrangements, limited liability partnership (LLP) arrangements, and crowdfunding models[31].

[31] Takao Ikushima, “Contractual Practices for Anime Production: Production Committee Model Joint Production Agreements,” Intellectual Property Prism No. 260 (2024) (Japanese)
https://www.amt-law.com/asset/res/news_2024_pdf/publication_0028631_ja_001.pdf (accessed August 5, 2025)

A Advertising revenue model

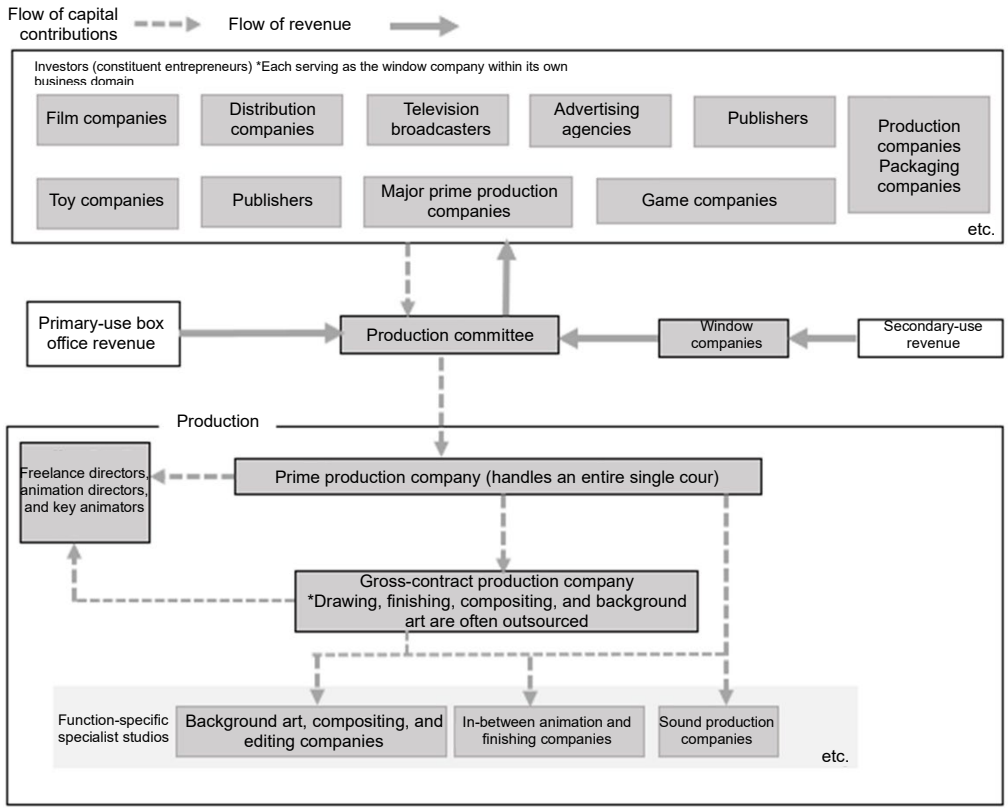
Under the advertising revenue model, broadcasters, advertising agencies, and sponsoring advertisers develop the project, and production companies are commissioned to produce the anime. In Japan, this advertising revenue model was widely used prior to the introduction of the production committee model discussed below.

B Production committee model

The objectives of forming production committees and their principal constituent entrepreneurs are as described in Section 1(1) above.

In addition to investing in the production committee and receiving profit distributions, constituent entrepreneurs may also serve as intermediaries between secondary users and the production committee, entering into secondary-use licensing agreements and collecting licensing fees. These rights are referred to as "window rights" and include television broadcast rights, streaming rights, and merchandising rights. Under the joint business agreement, each constituent entrepreneur deducts window fees etc. from revenue generated through secondary use, with the remaining balance treated as production committee income[32]. Even in cases where a constituent entrepreneur cannot recover its contribution through distributions from production committee income, it may in practice recoup its investment through window fee revenue, etc.

Figure2-4 Example of investment and revenue structure under the production committee model



Source: Prepared based on p. 18 of the Ministry of Economy, Trade and Industry's "Current Status of the Industry and Action Plan [Anime] (Secretariat Materials No. 2)" (Japanese)

[32] Takao Ikushima, "Contractual Practices for Anime Production: Production Committee Model Joint Production Agreements," Intellectual Property Prism No. 260 (2024) (Japanese)
https://www.amt-law.com/asset/res/news_2024_pdf/publication_0028631_ja_001.pdf (accessed August 5, 2025)

C Streaming service provider model

Streaming service providers, many of which are foreign-owned and possess substantial financial resources, may produce and distribute original productions in addition to licensing and distributing existing productions across multiple platforms. In such cases, the streaming service provider commissions an anime production company to produce the production.

D Joint investment model / single-sponsor model

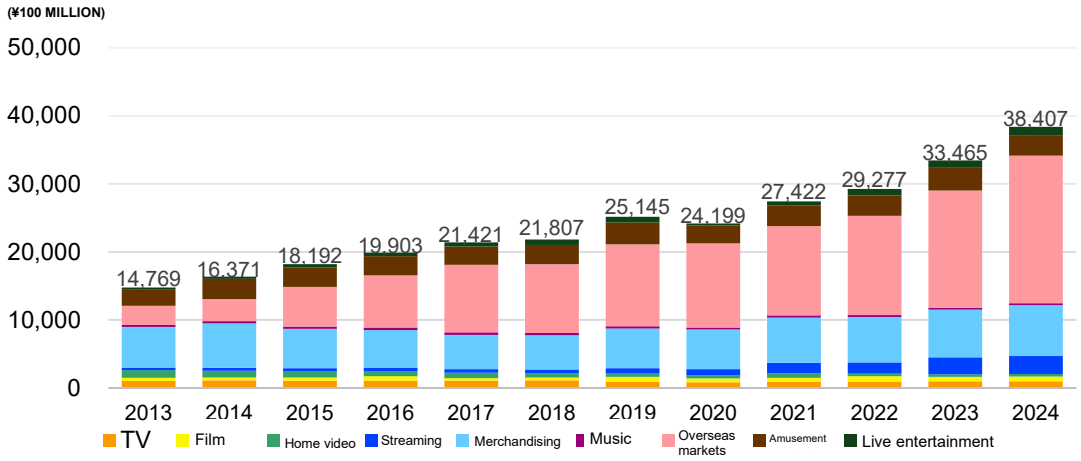
In recent years, some projects have been produced either by a single company (a production company) fully funding anime production without forming a production committee, or through investment by two or three companies, such as production companies and publishers. Although this approach is limited to cases where the production company has sufficient financial capacity, it allows a single company to finance production with its own funds and manage the entire commercial rollout, including negotiating and executing broadcast agreements with broadcasters and entering into secondary-use licensing arrangements[33].

3 Market size and market trends

(1) Market size

The anime industry reached a record high of ¥3.3465 trillion in 2023, approximately triple its size in 2002[34]. Recent market growth has been driven largely by expansion in overseas markets, including anime-related consumption abroad such as broadcasting, theatrical exhibition, video, streaming, and merchandise. A comparison of Japanese and overseas markets shows that, in 2023, the overseas market surpassed the Japanese market in scale.

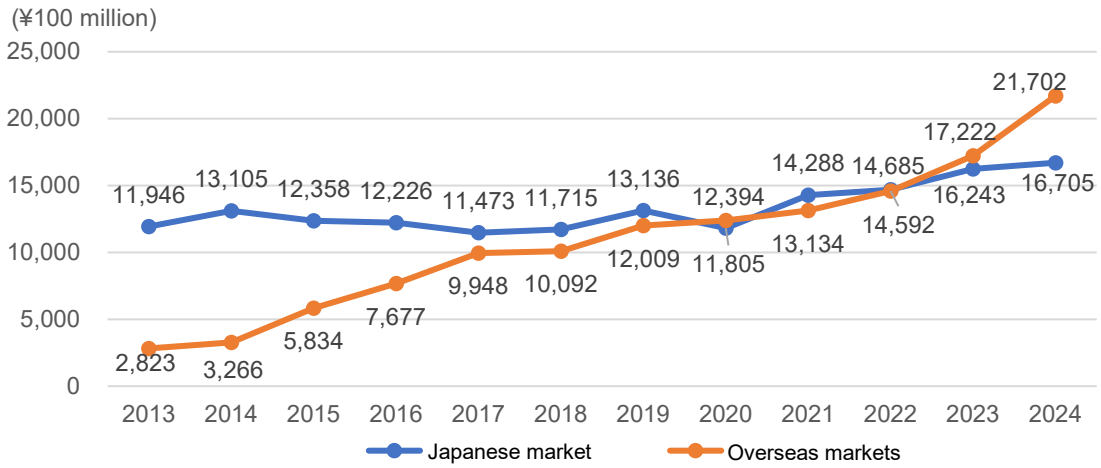
Figure 2-5 Trends in the Japanese anime market (industry)



Source: Prepared based on "The Anime Industry Report 2025" (Summary Edition) by the Association of Japanese Animations (Japanese)

[33]Kazuhiro Ando, "The Entertainment Business: Industrial Structure and Contract Practices," Rittor Music (2024), p. 299 (Japanese)
[34]Association of Japanese Animations, "Anime Industry Report 2025: Summary Edition" (December 2025) (Japanese)

Figure 2-6 Comparison of Japanese and overseas anime markets

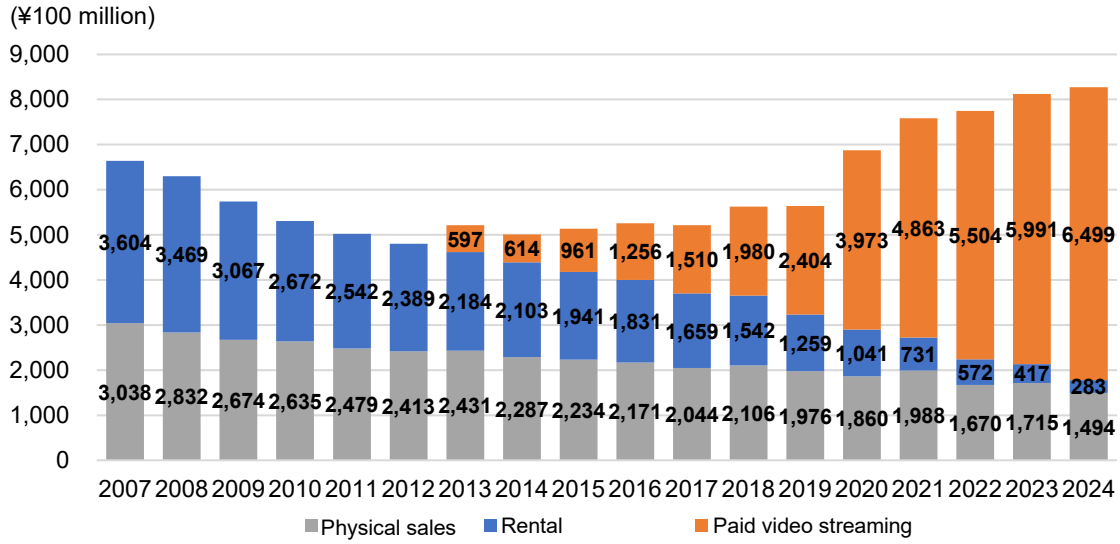


Source: Prepared based on "Anime Industry Report 2025" by the Association of Japanese Animations (Japanese)

(2) Growth of the video streaming services market

In recent years, paid video streaming services (subscription-based unlimited viewing, digital rentals, and paid downloads) have rapidly expanded within the home video market, with particularly strong growth.

Figure 2-7 Trends in the home video market size

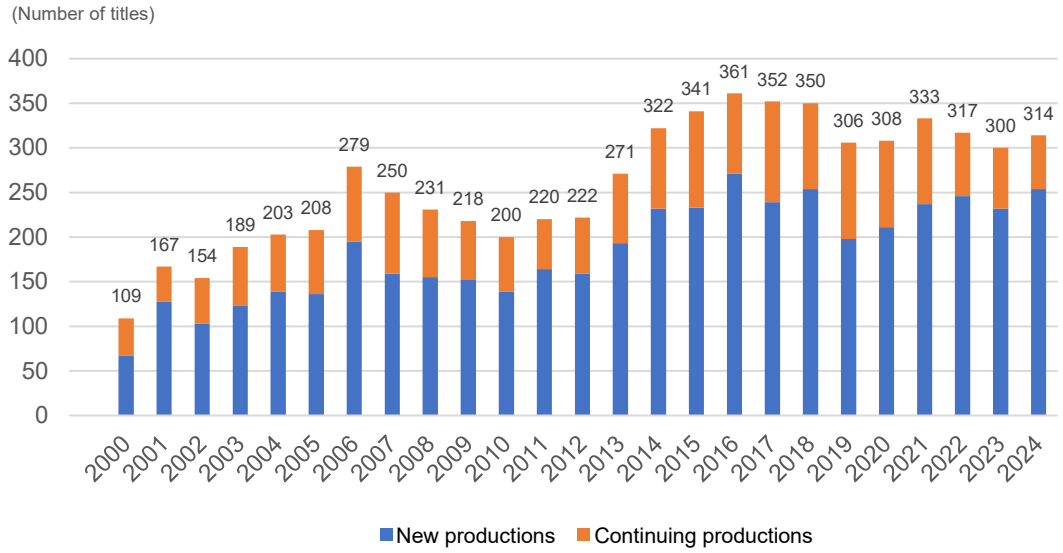


Source: Prepared based on the Japan Video Software Association's "2024 Video Software Market Size and User Trends Survey Report" (wherein content categories such as film and anime are not distinguished) (Japanese)

(3) Number of productions

Annual television anime output was approximately 100 titles in 2000[35], but in recent years has stabilized at around 300 titles. As the anime market expands, demand for new titles continues to rise; however, industry-wide labor shortages are placing severe strain on production sites, and some observers note that a substantial increase in output will remain difficult going forward[36].

Figure 2-8 Number of television anime titles produced



Source: Prepared based on "Anime Industry Report 2025" by the Association of Japanese Animations (Japanese)

(4) Talent shortages and rising production costs

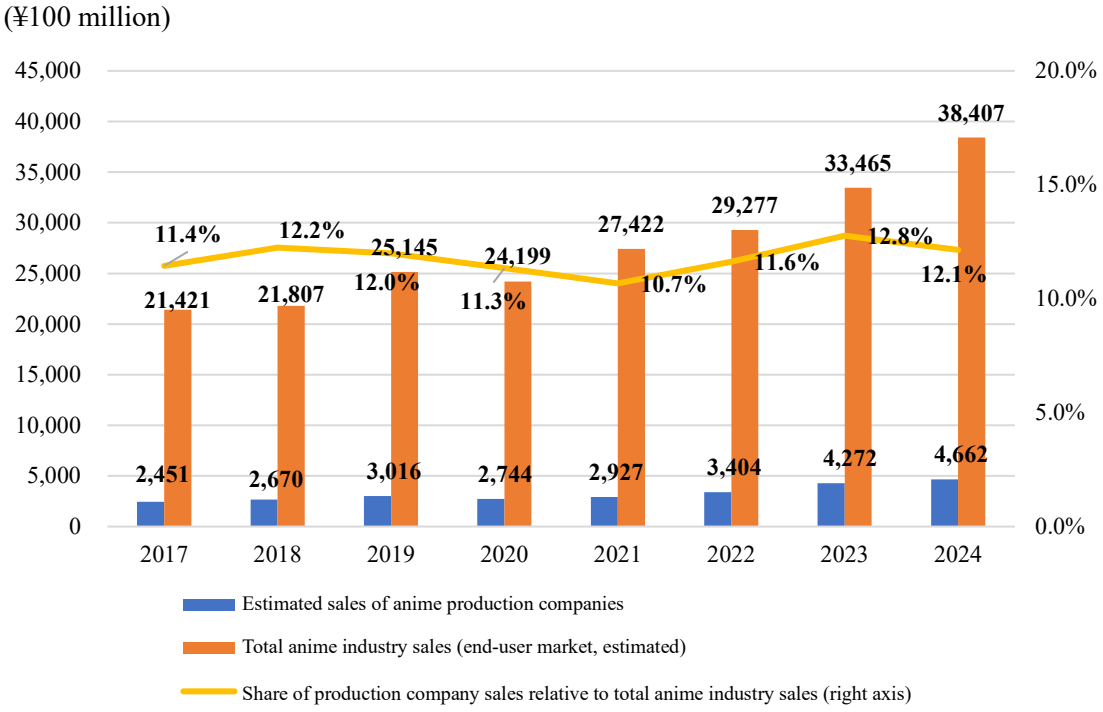
In recent years, anime production has faced significant labor shortages[37], which are cited as one factor contributing to higher production costs. Many production companies report upward pressure on production costs, attributing this to rising labor expenses driven by workforce shortages, increased overseas outsourcing costs due to the weaker yen, and broader inflationary pressures affecting personnel and other production expenses[38]. In addition, from the standpoint of securing talent on an ongoing basis and improving production quality, companies have increasingly entered into binding contracts with freelancers or converted them into employees, which is also viewed as contributing to higher production costs.

[35] Bandai Namco Filmworks Inc., "Current Status and Challenges of the Animation Business" (September 9, 2024), p. 5 (Japanese) https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/wgkaisai/contents_dai1/siryou4.pdf (accessed August 5, 2025)
[36] Ministry of Economy, Trade and Industry, "Current Status of the Industry and Action Plan (Draft) [Anime] (Secretariat Materials No. 2)" (January 17, 2025), p. 23 (Japanese)
[37] Ministry of Economy, Trade and Industry, "Guidelines for Promoting Fair Subcontracting Transactions in the Animation Production Industry" (revised May 2025), p. 11 (Japanese)
[38] Association of Japanese Animations, "Anime Industry Report 2025" (December 2025) (Japanese)

(5) Share of production company revenue within the market

Although the overall anime market continues to expand, production company revenues have not grown at the same pace, and production company revenue accounts for only about 10% of total anime end-user sales in Japan.

Figure 2-9 Share of production company revenue relative to anime end-user sales in Japan

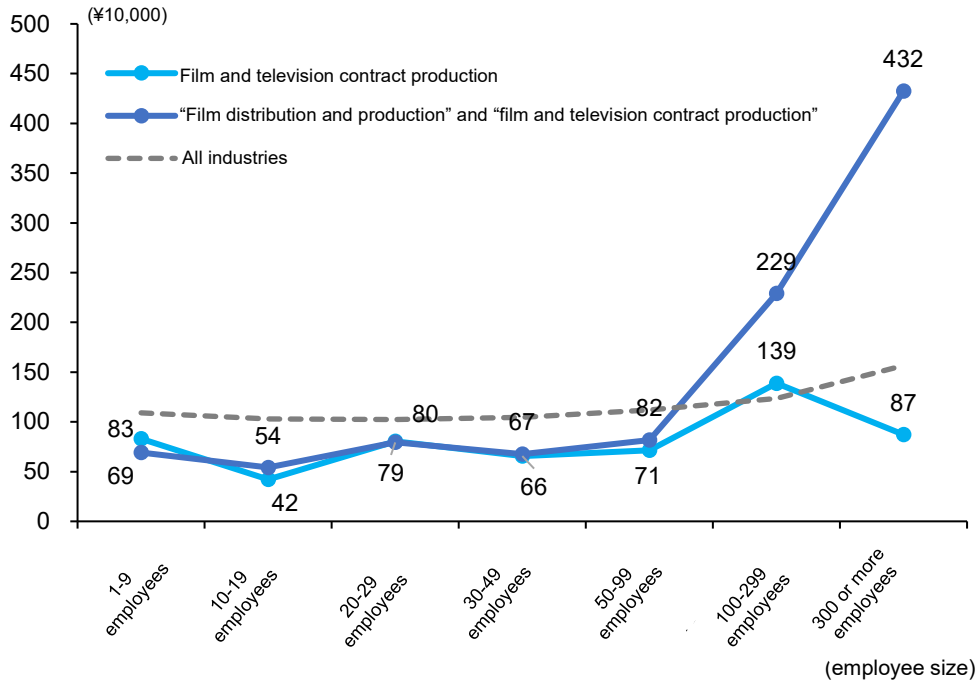


Source: Prepared based on “Anime Industry Report 2025” by the Association of Japanese Animations (Japanese)

(6) Operating profit of film and television contract production companies by employee size

On a per-employee basis, operating profit at film and television contract production companies[39] generally falls below the all-industry average, regardless of company size. By contrast, when "film distribution and production"[40] is included, companies with 100-299 employees record profit levels roughly twice the all-industry average, and companies with 300 or more employees reach approximately three times that level.

Figure 2-10 Operating profit per employee by company size



Source: Individual microdata analysis conducted by the Japan Research Institute based on the Ministry of Internal Affairs and Communications Economic Census for Business Activity (2021), "Visual Information Production and Distribution sector" (Japanese)

[39]The sub-category of the Japan Industrial Classification was limited to 411 (Visual information production and distribution), and companies with zero entries in [Construction and Enterprise Services] 1744_Film production and distribution services (excluding contract production) and greater than zero entries in [Construction and Enterprise Services] 1745_Film contract production services or [Construction and Enterprise Services] 1746_Television program production services were extracted. This category includes anime production companies.

[40]The sub-category of the Japan Industrial Classification was limited to 411 (Visual information production and distribution), and companies with entries in [Construction and Enterprise Services] 1744_Film production and distribution services (excluding contract production) and greater than zero entries in [Construction and Enterprise Services] 1745_Film contract production services or [Construction and Enterprise Services] 1746_Television program production services were extracted.

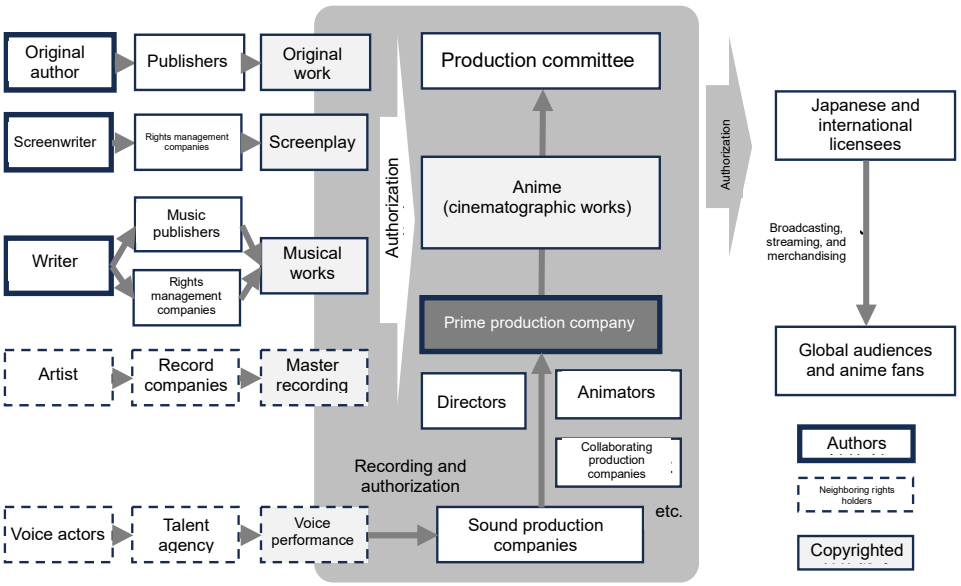
4 Content and rights

(1) Copyright

A Copyright

Copyright refers to the rights granted to creators of works and is protected under copyright law. Copyright comprises authors' moral rights and copyright (economic rights).

Figure 2-11 Overview of anime rights relationships (example)



Source: Prepared based on "Anime Business and Production Committees" by the Association of Japanese Animations and the Policy Subcommittee on Copyright of the Council for Cultural Affairs (Japanese)

B Authors

For works such as anime that qualify as "cinematographic works," Article 16 of the Copyright Act defines an author as a person who has "made a creative contribution to the overall formation of the work" (the "modern author"). By contrast, authors of the original source material, screenplays, and musical works used (so-called "classical authors") are not treated as authors of the cinematographic work.

(Authors of cinematographic works)
Article 16. The author of a cinematographic work is the person who, excluding authors of novels, screenplays, music, or other works adapted or reproduced in that cinematographic work, has contributed creatively to its overall formation through roles such as production, direction, staging, cinematography, or art direction. However, this does not apply where the preceding article is applicable.

C Attribution of copyright

For "cinematographic works" such as anime, Article 29 of the Copyright Act provides that "if the author of a cinematographic work … has promised the producer of the cinematographic work that the author will participate in its production, the copyright to that cinematographic work belongs to the producer of the cinematographic work."

Subsection 4: Attribution of copyright in cinematographic works

Article 29. Copyright in a cinematographic work (excluding works to which Article 15, Paragraph (1), the following Paragraph, or Paragraph (3) applies) belongs to the film producer where the author has undertaken to participate in production for that producer.

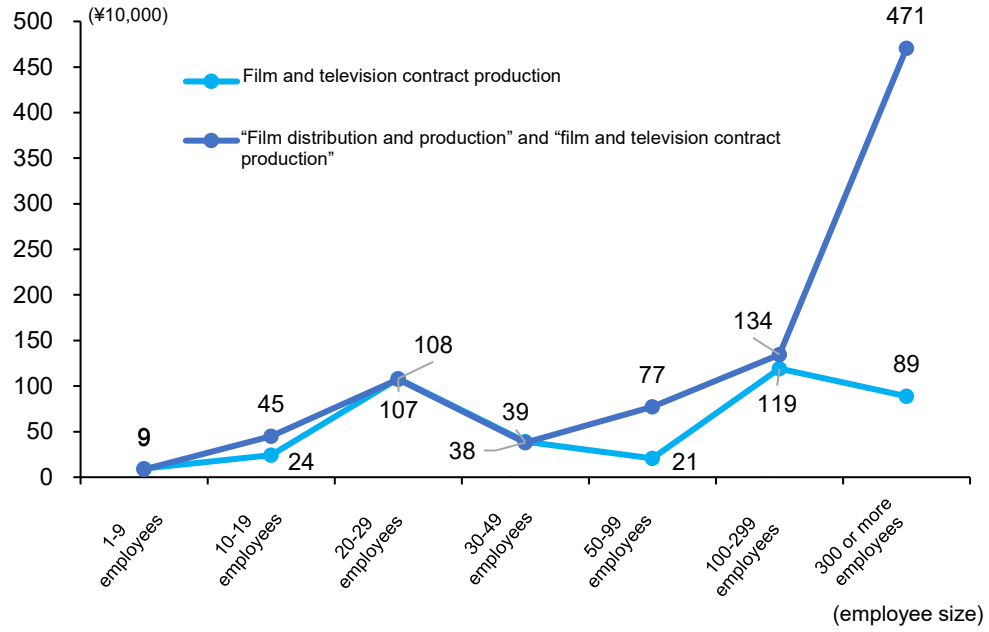
A "film producer" is defined as a person who has initiative and responsibility for the production of a cinematographic work (Copyright Act, Article 2, Paragraph 1 Item 10). Multiple court decisions address the criteria for determining who qualifies as "a person having initiative and responsibility," and, under the production committee model, which entity constitutes the "film producer" is determined based on the specific facts of each individual case.

In commercial practice, contracts commonly provide that rights vest in the commissioning production committee or are assigned from the prime production company.

(2) Revenue from copyright licensing

An examination of video copyright licensing service revenue per employee by employee size shows that, compared with film and television contract production companies, companies that also engage in "film distribution and production" record particularly high levels, especially among those with 300 or more employees. One contributing factor is that, as noted above, copyright in anime productions is typically vested in the production committee, and constituent entrepreneurs in larger production committees generate income through copyright licensing.

Figure 2-12 Video copyright licensing service revenue per employee



Source: Individual microdata analysis conducted by the Japan Research Institute based on the Ministry of Internal Affairs and Communications Economic Census for Business Activity (2021), "Visual Information Production and Distribution sector" (Japanese)

2 Actual transaction practices in anime production

1 Production company

(1) Business scale and business overview

A Business scale

In a survey of production companies, as shown in Figure 2 13, 90.2% of respondents[41] (111 companies) were small and medium-sized enterprises[42] [43].

Figure 2-13 Production company capital and employee counts

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

Source: Prepared based on survey results

[41]There were 123 valid responses in total; because response counts vary by question, the applicable base is indicated as "n=" in the figures.

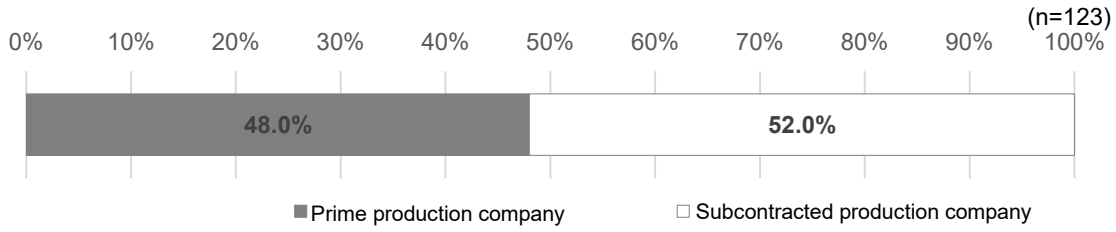
[42] Under the Small and Medium Enterprise Basic Act, small and medium-sized enterprises in the service sector are defined as "as companies with total capital or investments of ¥50 million or less, or 100 or less regular employees whose principal business is in the service sector."

[43]Percentages are rounded to one decimal place, so totals may not equal exactly 100.

B Transactional position

In a survey of production companies, as shown in Figure 2 14, 48.0% identified their primary position in the transaction chain as “prime production companies,” while 52.0% identified as “subcontracted production companies.”

Figure 2-14 Primary position within each company’s commercial chain



Source: Prepared based on survey results

C Comparison of business scale between prime production companies and subcontracted production companies

Responses on capital and employee counts show that subcontracted production companies are generally smaller in scale than prime production companies across both measures[44].

Figure 2-15 Capital and employee counts (prime production companies)

Capital / Number of employees	¥10 million or less	Over ¥10 million up to ¥50 million	Over ¥50 million	Unknown	Total
10 employees or fewer	10	1	0	0	11
	16.9%	1.7%	0.0%	0.0%	18.6%
More than 10 and up to 100 employees	19	7	5	2	33
	32.2%	11.9%	8.5%	3.4%	55.9%
Over 100 employees	5	2	8	0	15
	8.5%	3.4%	13.6%	0.0%	25.4%
Unknown	0	0	0	0	0
	0.0%	0.0%	0.0%	0.0%	0.0%
Total	34	10	13	2	59
	57.6%	16.9%	22.0%	3.4%	100.0%

Source: Prepared based on survey results

[44]For the capital and employee thresholds applicable to commissioning business operators and small and medium-sized entrusted businesses under the SME Transactions Act, see the relevant statutory criteria Figure2 32.

Figure 2-16 Capital and employee counts (subcontracted production companies)

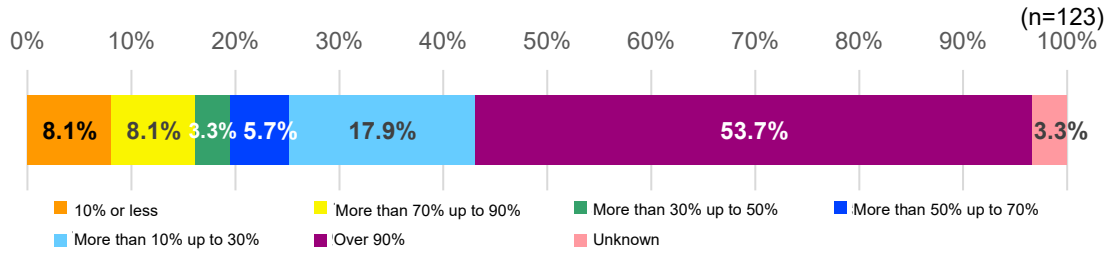
Capital / Number of employees	¥10 million or less	Over ¥10 million up to ¥50 million	Over ¥50 million	Unknown	Total
10 employees or fewer	25	2	0	1	28
	39.1%	3.1%	0.0%	1.6%	43.8%
More than 10 and up to 100 employees	21	2	4	1	28
	32.8%	3.1%	6.3%	1.6%	43.8%
Over 100 employees	0	4	4	0	8
	0.0%	6.3%	6.3%	0.0%	12.5%
Unknown	0	0	0	0	0
	0.0%	0.0%	0.0%	0.0%	0.0%
Total	46	8	8	2	64
	71.9%	12.5%	12.5%	3.1%	100.0%

Source: Prepared based on survey results

D Production company sales breakdown

In a survey of production companies, as shown in Figure 2 17, 53.7% reported that revenue from anime production[45] accounted for more than 90% of total sales, while 77.3% reported that it accounted for more than 50% .

Figure 2-17 Share of total sales attributable to anime production over the past year



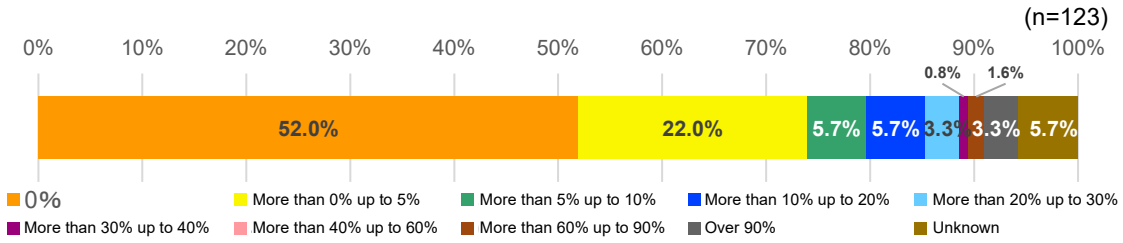
Source: Prepared based on survey results

The same survey also found, as shown in Figure 2 18, that 52.0% of respondents reported zero revenue from use of their own copyrights[46], while 22.0% reported that such revenue accounted for more than 0% and up to 5% of total sales.

[45] "Sales from anime production" refers to "the total amount of revenue generated from the business of producing anime across all media, including television, theatrical releases, commercials, video streaming, and games or amusement machines (including revenue from commissioned transactions (subcontract transactions) and independently produced works, but excluding revenue derived from secondary-use fees, success-based remuneration, production royalties, etc.)."

[46] For example, where a production company invests in a production committee, it may receive income from copyright usage in proportion to its investment share.

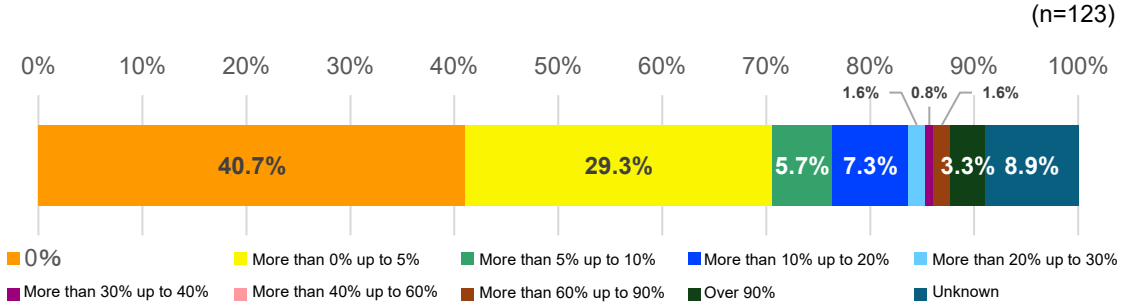
Figure 2-18 Share of total sales derived from use of the company's own copyrights over the past year



Source: Prepared based on survey results

The same survey further discovered, as shown in Figure 2 19, that 40.7% of respondents reported zero revenue from sources other than use of their own copyrights (such as secondary-use fees, success-based remuneration, and production royalties), while 29.3% reported that such revenue accounted for more than 0% and up to 5% of total sales.

Figure 2-19 Share of total sales over the past year derived from sources other than use of the company's own copyrights



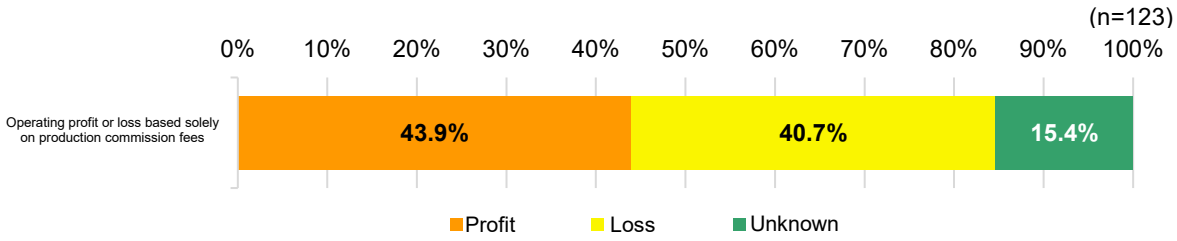
Source: Prepared based on survey results.

These results indicate that many anime production companies generate little or no revenue from copyright usage or related income streams and depend primarily on production commission fees for their sales.

E Operating profit and loss

In a survey of production companies, as shown in Figure 2 20, 40.7% reported that their anime production operations run at a loss when relying solely on production commission fees.

Figure 2-20 Operating profit and loss for anime production over the past year

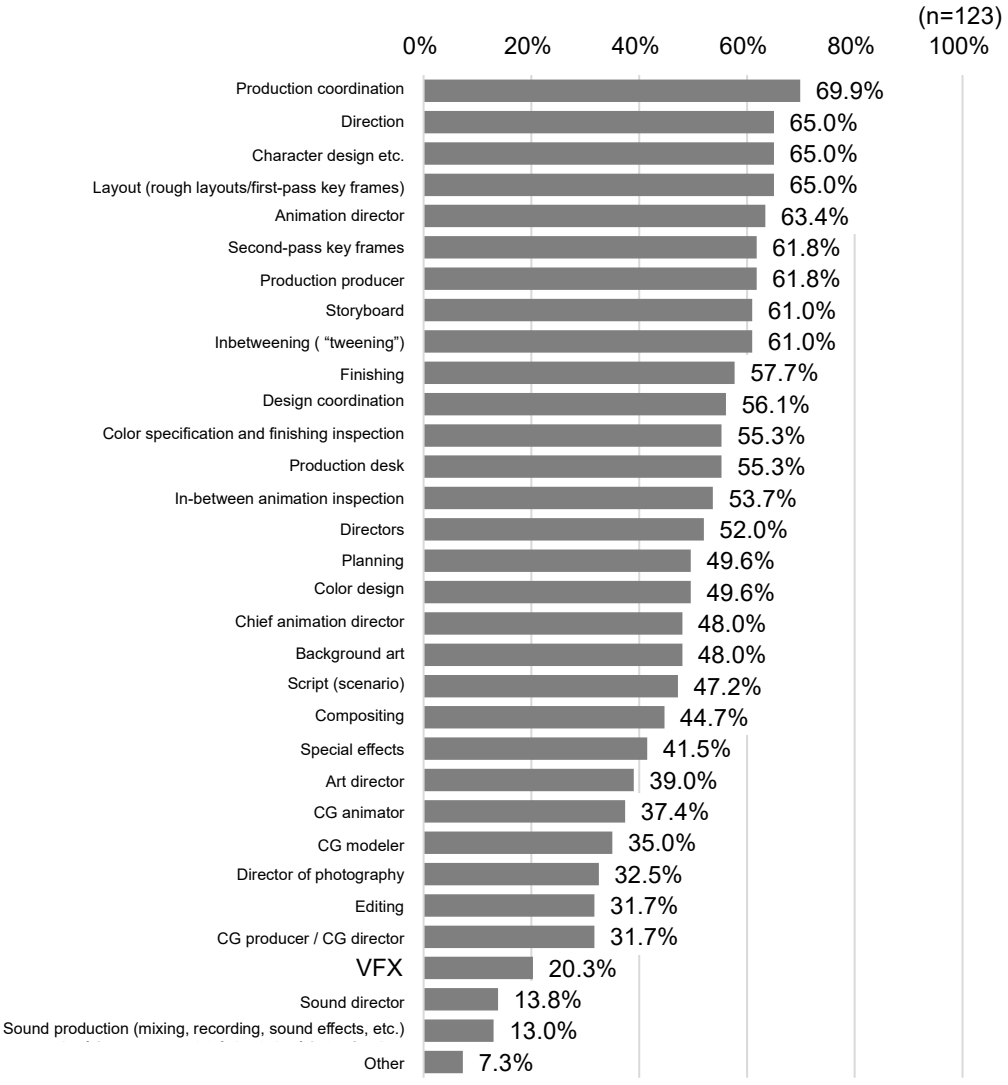


Source: Prepared based on survey results

F In-house production processes

When asked which stages of the anime production process they handle internally, as shown in Figure 2 21, respondents most frequently cited production coordination, direction, character and other design work, layout (rough key frames/first-pass key frames), and animation direction.

Figure 2-21 Roles and processes handled internally by production companies over the past five years (multiple responses)[47]



Source: Prepared based on survey results.

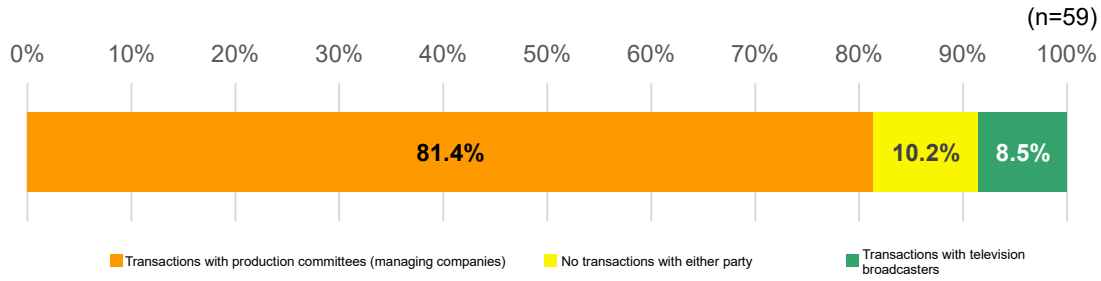
[47]The following responses were submitted in the free-text field under “Other.”
- Production, casting, end-card illustration, encoding, Live2D modeling and animation, CG compositing, CG look development, pipeline development, and related work

(2) Transaction overview

A Transactions involving prime production companies

In a survey of prime production companies, as shown in Figure 2 22, transactions with production committees accounted for the largest share of business partners, at 81.4% .

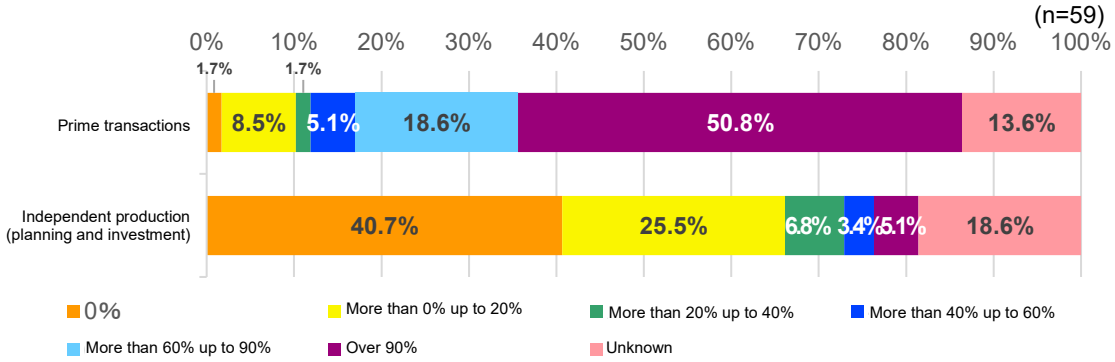
Figure 2-22 Most frequent transaction business partners for prime production companies over the past five years



Source: Prepared based on survey results

Also, as shown in Figure 2 23, the same survey found that 50.8% of prime production companies reported that more than 90% of their anime production revenue came from prime transactions (including independent productions); when combined with those reporting 60 to 90% , the total reached 69.4% . This indicates that many prime production companies derive the vast majority of their anime production revenue from prime transactions, including independent projects.

Figure 2-23 Share of anime production revenue attributable to prime transactions and independent productions over the past five years



Source: Prepared based on survey results

Interviews with production committees and production companies yielded the following responses. These findings indicate that transactions with production committees are critical for many prime production companies.

[Interview Excerpt (1)]

<Production committee>

- We maintain ongoing relationships with approximately seven or eight production companies that have established track records. We vary our commissioning partners depending on factors such as the genre of the project, production schedules, and relationships with individual producers. Beyond those seven or eight companies, we also occasionally work with new production companies.
- Even limiting the scope to prime production companies, we maintain relationships with dozens.

<Production companies>

- Because anime production now takes a very long time, studios cannot handle many productions at once: even large companies typically produce only four to five productions per year, mid-sized companies like ours about three, and smaller studios around one to two. While more than 100 production companies act as prime production companies in the anime industry, there are far fewer players on the production committee side, roughly 30 to 40 companies including distributors, television broadcasters, publishers, and record companies. These 30 to 40 companies form different combinations for each project to establish production committees, and the number that serve as managing companies is even more limited, which constrains available business partners.
- Roughly 20 to 30% of commissioned projects come from existing business partners. The remainder are awarded by different business partners on a project-by-project basis. However, because anime production itself takes three to four years, our business partner relationships effectively rotate on roughly a three-year cycle.
- In the anime industry, only a limited number of well-capitalized companies are able to form production committees, resulting in a small pool of commissioning clients. Because production commission fees are often insufficient and gross margins[48] are low at roughly 5 to 8%, production companies have limited opportunities to build capital and lack financial resilience; as a result, they must continuously secure work to stay afloat and are effectively forced to accept production committee terms even when conditions are unfavorable.
- Although people often say that companies should simply choose projects with better terms because demand exceeds supply, production companies operate under heavy fixed costs, and leaving production capacity idle for even one or two months can destabilize the entire business. As a result, production companies are forced to prioritize schedule alignment above all other conditions and continue accepting any projects that fit their timelines.
- Because our company is independent and works with a wide range of firms, not being dependent on any single company may be one reason we are viewed as a valuable partner. Production companies that receive a large volume of orders from a single film company are likely to find it harder to attract work from other film companies.

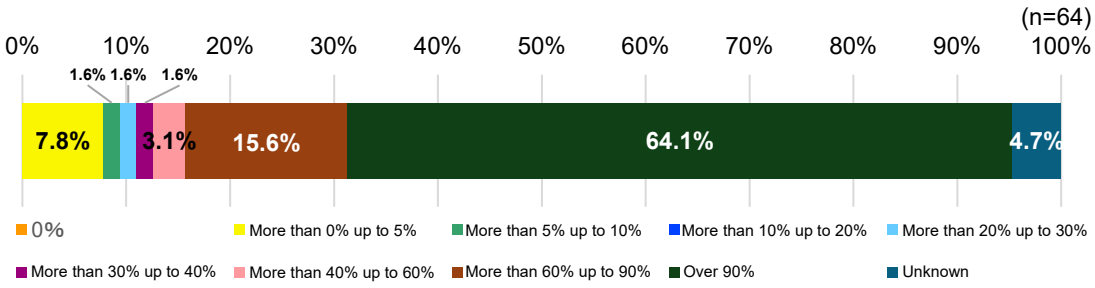
[48]By comparison, small and medium-sized enterprises in the broader video, audio, and publishing sectors etc. are reported to have average gross margins of 42.0%, versus 24.5% for SMEs across all industries.

Among all industries, the figure for small and medium-sized enterprises is 24.5%. ("Financial indicators for small and medium-sized enterprises based on the 2015 Basic Survey on the Status of Small and Medium-sized Enterprises," compiled by the Japan Small and Medium-sized Enterprise Consultants Association, Doyukan, p. 228 (2017))

B Transactions involving subcontracted production companies

In a survey of subcontracting production companies, as shown in Figure2 24, the percentage of subcontracting production companies that responded that sales from transactions with production companies (subcontracting transactions) account for over 90% of their anime production sales was 64.1%, and when the percentage of those that responded that it was between 60% and 90% was added, the total was 79.7%, suggesting that many subcontracting production companies earn most of their anime production sales from subcontracting transactions.

Figure2-24 Share of anime production revenue derived from subcontracting transactions over the past five years



Source: Prepared based on survey results

[Interview Excerpt (2)]

<Subcontracted production company>

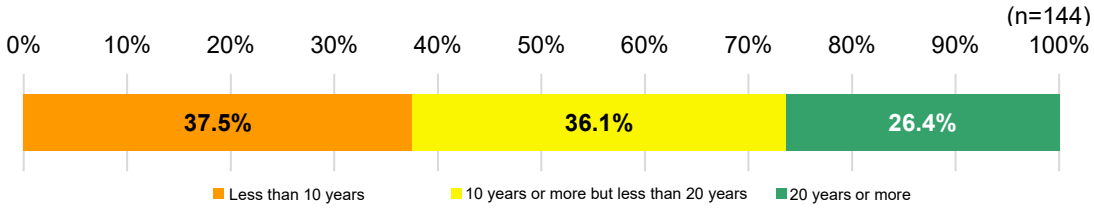
- We sometimes work alongside major production companies. When negotiating terms, they are fully aware of their overwhelming size advantage and take an aggressive stance. As a result, we negotiate to secure a workable unit price while largely complying with their requirements.
- Because new requests frequently come in from other production companies that hear about our reputation as a specialized studio, we have not settled into a fixed set of business partners.
- As a sound effects company, we are involved in multiple productions at the same time. Also, we do not have fixed business partners and instead work with a wide range of sound production companies, including new partners.

2 Freelance(r)

(1) Respondent attributes, etc.

In a survey of freelancers[49], as shown in Figure2 25, 37.5% reported less than 10 years of freelance experience, 36.1% reported 10 years or more but less than 20 years, and 26.4% reported 20 years or more.

Figure2-25 Years of freelance experience

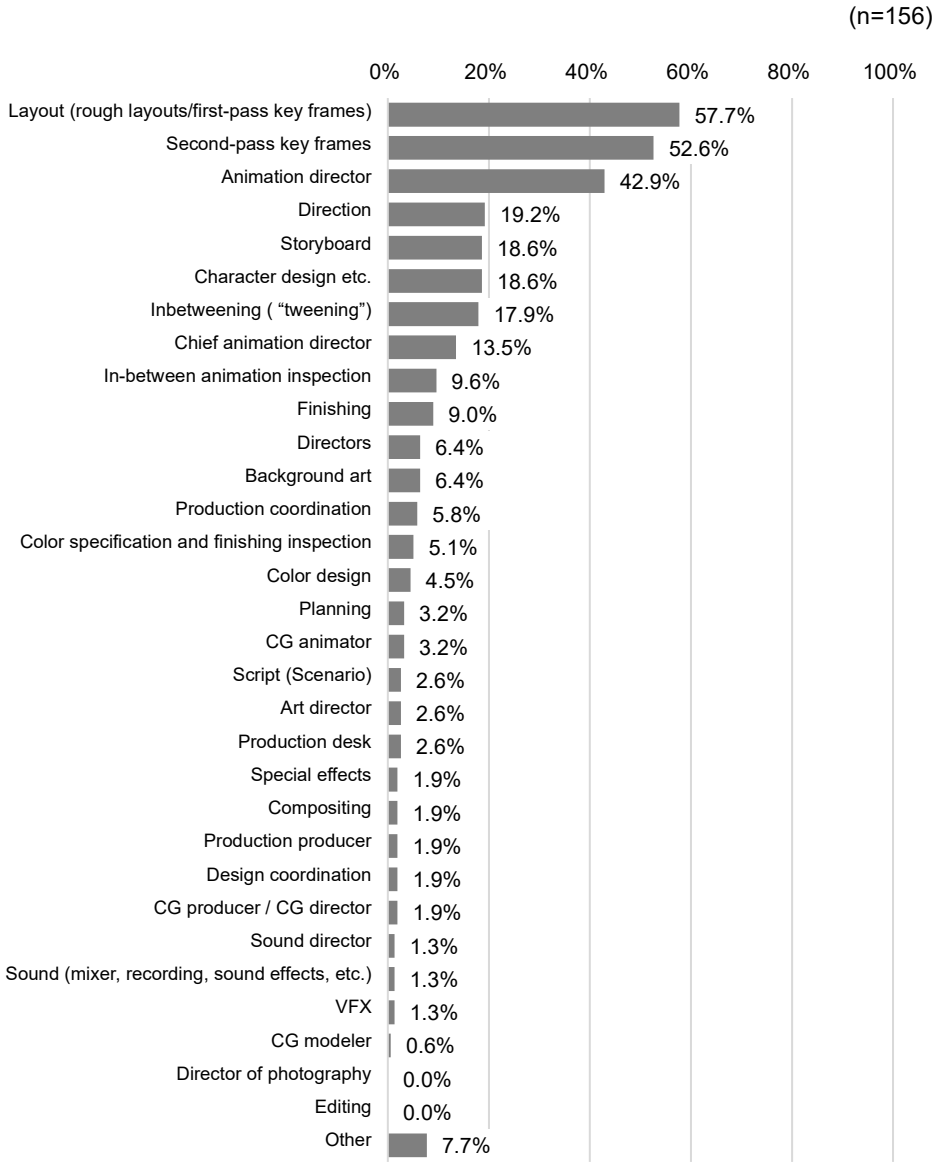


Source: Prepared based on survey results

Regarding the sections handled by freelancers, as shown in Figure2 26, layouts (rough key frames/first-pass key frames), second-pass key frames, and animation directors were the most commonly reported.

[49] There were 156 valid responses to the freelance survey; because of the nature of the questionnaire, the valid sample size differs by question and is shown as "n=" in each figure.

Figure2-26 Sections handled over the past three years (multiple responses)[50]



Source: Prepared based on survey results

[50]The following responses were submitted in the free-text field under “Other.”
- Art setting; assistant art director (including setting/art boards/outsourcing coordination); special effects; setting research; production administration; new staff training; planning and concept art board creation; producer; animation supervision; TP corrections; CG layout; CG layout director; 2D design; and 2D material compositing

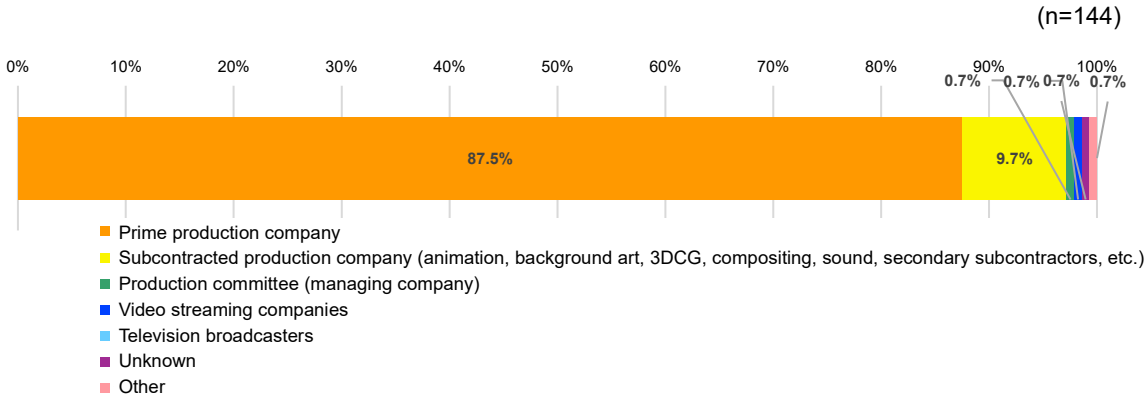
(2) Transaction overview

A Business partners

In a survey of freelancers, as shown in Figure2 27, 87.5% identified prime production companies as their primary business partner.

According to interviews, prime production companies do not outsource all episodes of a single television anime cour to subcontracted production companies; instead, they frequently subcontract several episodes on a gross basis while also assembling freelance animators to handle production internally. This likely explains why prime production companies were reported as the most frequent business partner in the survey results.

Figure2-27 Business partner with the highest number of transactions for freelancers over the past three years[51]



Source: Prepared based on survey results

[Interview Excerpt (3)]

<Production companies>

・ To produce a single cour (12 episodes), we enter into contracts with approximately 300 freelancers. Because we typically commission two productions per person, we have transactions with a cumulative total of roughly 2,000 individuals per year. We remit remuneration to approximately 200 freelancers each month.

<Freelancers>

・ Primary business partners are prime production companies (which also execute the contracts). In rare cases, a production committee etc. serves as the business partner instead.

・ Character design, storyboards, and director/episode direction are most often commissioned by the prime production company. Because key frames are typically contracted in bundled units under semi-binding arrangements, they are not accepted

[51]The following responses were submitted in the free-text field under “Other.”
- Production Committee (Publisher)

by subcontracted production companies, which usually commission work on a per-unit basis.

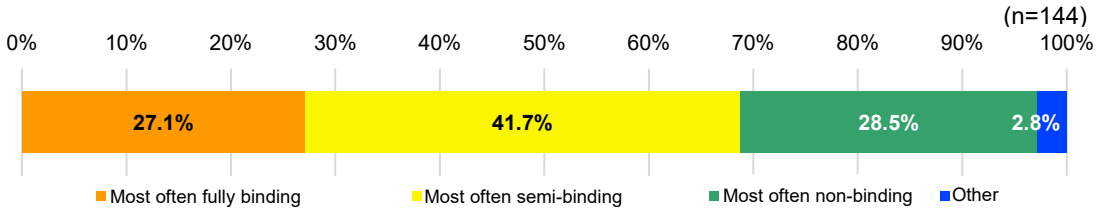
B Contract type

In a survey of freelancers, as shown in Figure2 28, 27.1% reported that they most often enter into fully binding contracts and 41.7% reported semi-binding contracts, for a combined total of 68.8%.

In addition, in cases where there is no binding arrangement, interviews indicate that piecework contracts based on workload are used, for example.

According to the interview survey, production companies stated that "in recent years, due to labor shortages, even positions that were previously compensated on a piecework basis are increasingly being placed under retainer contracts, resulting in higher personnel costs," and that "after receiving orders from production committees, it is necessary to secure the required freelance personnel early in the production process, and therefore retainer contracts are entered into two to three months prior to the commencement of actual work." As a result, they continue paying retention fees even when no work is underway, and the further production start dates slip beyond schedule, the more labor costs accumulate."

Figure2-28 Freelance contract types[52]



Source: Prepared based on survey results

[Interview Excerpt (4)]

<Production companies>

・ Under a semi-binding contract, the freelancer is retained for a fixed period without a guaranteed minimum workload, so payment is required even if no deliverables are produced. Currently, freelancers will turn down fully binding contracts that, in principle, prohibit concurrent engagements.

[52]The following responses were submitted in the free-text field under "Other."
- Nothing in particular was mentioned
- Semi-binding over the past three to four years; previously fully piecework-based
- There is no concept of binding contracts
- Fully binding, but based on a verbal agreement

- Because there are only a limited number of skilled animators, production companies must enter into (semi-)binding contracts two to three months before any actual work begins.
- Billing units vary by section. Key animators are typically remunerated per shot, in-between animators are typically remunerated per sheet, and animation directors etc. are typically remunerated per episode or per month.
- In recent years, roles that were previously compensated on a piecework basis have increasingly shifted to binding contracts in order to secure personnel, driving up labor costs. In the past, low unit prices paid to animators effectively functioned as a buffer to offset insufficient production commission fees; although remuneration practices have improved and remuneration is now more appropriate than before, production companies cannot cover the cumulative cost of proper remuneration through production commission fees alone.
- Some freelancers have entered into exclusive service agreements with our company (roughly equivalent to binding contracts). For first-time animation collaborators, we use a structure combining a minimum guarantee with piecework compensation (roughly equivalent to a semi-binding contract). For other sections, contracts are concluded on a fixed-term basis rather than per project, with production assigned by our company during that period and remuneration paid monthly.

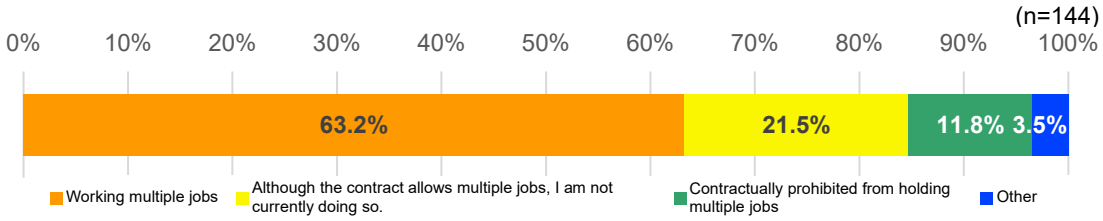
<Freelancers>

- Although minimum unit rates have risen slightly compared with the past, higher-quality animation is now expected, and per-frame workload and working hours have increased, so even with higher rates, the remuneration is not in line with the volume of work. As a result, under piecework arrangements based on unit price multiplied by output, total income does not increase, making it difficult to maintain a livelihood.
- Contracts with affiliated companies are concluded on an annual basis, and remuneration is generally piecework-based. After completing tasks assigned by the company, freelancers issue an invoice, and piecework remuneration and allowances for that month’s work are paid.

C Transaction dependence

In a survey of freelancers, as shown in Figure2 29, 63.2% reported holding multiple jobs, indicating that many freelancers rely on concurrent engagements. On the other hand, about 30% reported either not holding multiple jobs despite being contractually permitted to do so, or being contractually prohibited from holding multiple jobs.

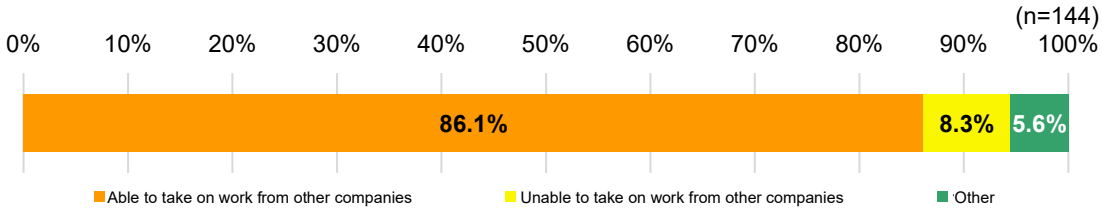
Figure2-29 Freelance multiple-job status[53]



Source: Prepared based on survey results

Regarding freelancers' dependence on business partners, as shown in Figure2 30, 86.1% reported that they are able to take on work from another company with little gap after completing a project, representing a clear majority.

Figure2-30 Freelancers' dependence on business partners[54]



Source: Prepared based on survey results

[Interview Excerpt (5)]

<Freelancers>

・ Most work comes through repeat engagements with past clients or referrals from personal contacts. During peak periods, I have handled around seven projects in a single month, spanning different genres and production stages. On average, I handle about two projects simultaneously. When work dries up, I take on short-term part-time jobs unrelated to anime to support myself.

[53]The following responses were submitted in the free-text field under "Other."
- Holding multiple jobs is essential because remuneration is too low to make a living otherwise
- Whether multiple jobs are permitted under the contract is unclear, and commissioning parties assign work on the assumption that freelancers will not take on multiple jobs
- Holding multiple jobs by mutual agreement between companies
- Occasionally, to a limited extent.
- Avoid working multiple jobs

[54]The following responses were submitted in the free-text field under "Other."
- I am exhausted and would prefer not to take on more work, but often have no choice for living expenses
- It is difficult because project end points are unclear
- My career is still short, so I cannot say for certain
- I do not know, because in recent years I have been working with a fixed company
- I am almost fully occupied with work for one company and cannot take on projects from other companies
- It depends on the situation at the time

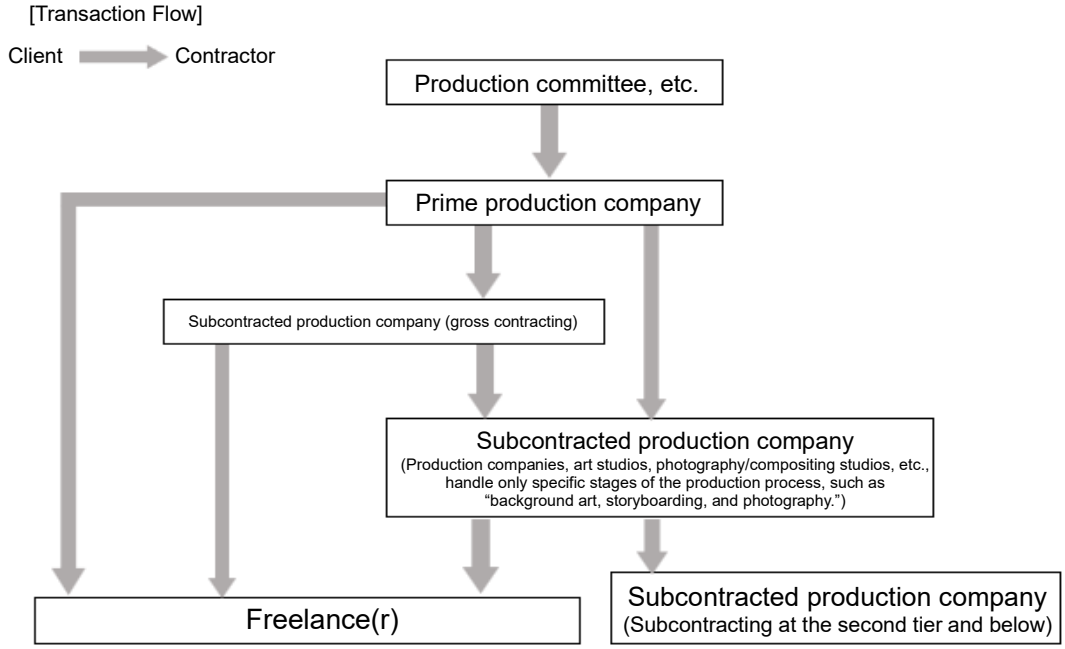
These findings indicate that many freelancers operate without relying on a single business partner.

3 Applicability of the Anti-Monopoly Act etc.

1 Applicability of the Anti-Monopoly Act

The principal transaction flows among parties involved in anime production are shown in Figure2 31.

Figure2-31 Transaction flow in anime production



Source: Prepared based on the Ministry of Economy, Trade and Industry, "Guidelines for Promoting Proper Subcontracting Transactions in the Animation Production Industry" (Japanese)

Transactional relationships among parties vary, and classification depends on the actual circumstances rather than contract titles; for business-to-business transactions not subject to labor laws, the Anti-Monopoly Act, the SME Transactions Act, and the Act on the Improvement of Transactions between Freelancers and Enterprises may apply.

Where conduct violates both the Act on the Improvement of Transactions between Freelancers and Enterprises and the Anti-Monopoly Act, the former generally takes precedence. Where conduct violates both the Act on the Improvement of Transactions between Freelancers and Enterprises and the SME Transactions Act, the former likewise applies as the general rule[55]. If the Act on the Improvement of Transactions between Freelancers and Enterprises does not apply and the conduct

[55]Japan Fair Trade Commission, "Approach to the Applicability of the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators in Relation to the Anti-Monopoly Act and the " (May 2024) (Japanese)

violates both the SME Transactions Act and the Anti-Monopoly Act, the SME Transactions Act applies as a general rule[56].

Figure2-32 Scope of application under the SME Transactions Act

Content of the business transaction	Capital and employee thresholds	
	Commissioning business operator	Small and medium-sized entrusted business operators (including individuals)
Commissioning of information deliverables[57] and outsourcing of service provision[58]	Capital exceeding ¥50 million	Capital of ¥50 million or less
	Capital exceeding ¥10 million and up to ¥50 million	Capital of ¥10 million or less
	More than 100 regular employees	100 or fewer regular employees

As shown in Figure2 32, while constituent entrepreneurs of production committees are often large enterprises such as film companies, broadcasters, publishers, and advertising agencies. As shown in Figure 2 13, 90.2% of production companies are small and medium-sized enterprises. Accordingly, except where a production company exceeds a certain scale, transactions commissioned to production companies in anime production are likely in most cases to fall within the scope of the SME Transactions Act.

As noted above, even in cases where the SME Transactions Act does not apply, the Anti-Monopoly Act may still apply.

2 Characteristics of anime production transactions

(1) Key characteristics of anime production transactions

Anime production is a creative activity, and the final form of the deliverable is not fixed at the start of pre-production; as described in Figure 2 1 and Figure 2 3 above, stakeholders first share an abstract concept to develop the project and plot, which is then progressively concretized through character design and storyboards. As the production process advances, many specialized studios and freelancers take on highly segmented tasks, making inter-process adjustments for integration an expected and inherent feature. In addition to those directly engaged in production, there are numerous constituent entrepreneurs, including production committee members as investors and original authors, and input from these parties from multiple perspectives can require a retake that loops back across earlier stages.

Thus, although anime production transactions generally proceed in a waterfall-style[59] sequence from planning to completion, they also exhibit a high degree of fluidity, which often makes it difficult around the pre-production stage when work is commissioned to the prime production company to accurately estimate workloads, staffing needs, and production timelines.

[56]Japan Fair Trade Commission, "Summary of Opinions on the Draft Guidelines under the Anti-Monopoly Act Concerning Abuse of a Superior Bargaining Position, and the Commission's Responses" (November 2010) (Japanese)
[57]Excludes program development.
[58]Excludes transportation, warehouse storage of goods, and information processing.
[59]In system development, the waterfall model refers to a method in which phases such as requirements definition, design, development, and testing proceed in a fixed top-down sequence, with each phase completed before moving to the next and no return to earlier stages. While this approach keeps progress management costs low, it offers little flexibility for specification changes, and rework between phases can require substantial time and expense.

(2) Relationships among transaction parties

A Multi-layered outsourcing and division of labor

As shown above in Figure2 4, anime production contracting is both multi-layered and organized through a division of labor among specialized studios and freelancers, with freelancers playing a substantial role alongside corporate entities.

In general, whether one party holds a superior bargaining position cannot be determined without considering the specific circumstances of each transaction, and the same applies to anime production transactions. In the interview survey, production committees responded that "there is intense competition to secure production companies, production commission fees are rising, and in some cases the production committees are bearing additional costs." By contrast, production companies responded that "labor costs have increased and production costs have also risen, so even if production commission fees are increasing, they cannot be said to be sufficient, and the financial condition of production companies is poor"; that "although production committees do not provide sufficient remuneration, payments to freelancers are increasing, leaving production companies caught in the middle"; and that "Although labor shortages have led to improvements in the working environment for freelancers in many occupations, those in unit-rate remuneration positions such as animation and finishing remain in a difficult situation."

Given this multi-layered structure, it is not appropriate to uniformly assume that transactional disadvantages are simply passed from stronger ordering parties to weaker contractors; each transaction must be assessed on its own facts.

B Bargaining power

While production committee constituent entrepreneurs are often large enterprises such as film companies, broadcasters, publishers, and advertising agencies, as shown in Figure 2 13, 65% of production companies have capital of ¥10 million or less, small production companies frequently find themselves at a bargaining disadvantage relative to production committee constituent entrepreneurs.

At the same time, global demand for anime content has surged alongside the rise of streaming platforms, making it extremely difficult to secure prime production companies with strong production capabilities, with many booked solid several years in advance. Against this backdrop of expanding budgets and rising production commission fees, transactions between ordering parties (including production committees) and prime production companies can

involve prolonged negotiations, and in some cases prime production companies hold substantial bargaining power.

In transactions between production committees or production companies and freelancers, freelancers often have weaker bargaining power; however, given the industry-wide labor shortage relative to production demand, highly capable freelancers who receive direct nominations from production committees may command meaningful negotiating leverage, indicating wide variation by individual.

C Management dependency

According to a survey of production companies, as shown in Figure 2 17, more than half reported that anime production accounts for over 90% of total revenue, indicating that anime-related transactions often play a central role in their business operations.

The interview study further indicated that smaller operators have fewer production lines, and that for prime production companies both television series and theatrical anime typically require two to three years to complete, increasing the likelihood of heavy managerial dependence on a single project.

By contrast, for subcontracted production companies, while full-episode re-entrustment creates similar dependency, arrangements based on gross units or per-shot assignments can, depending on contract structure, result in lower management dependence.

D Other

According to the interview survey, production committees responded that “in recent years, due to rising demand for anime production, there has been competition to secure production companies for projects scheduled several years in advance,” and it appears that, for production companies, certain transaction terms, including production commission fees, have shown a tendency toward improvement. On the other hand, multiple prime production companies responded that “although circumstances vary by production company, small production companies with limited production lines often continue transactions with specific clients,” and that “in order to keep their production lines filled under hand-to-mouth operating conditions, they have no choice but to continue accepting orders even if the transaction terms include somewhat disadvantageous provisions.” It appears that such prime production companies have a practical need to maintain transactions with those clients. As noted in (1) above, anime production transactions typically begin before details are finalized, with production starting under broadly defined conditions including production commission fees, and specific terms only crystallizing as the production process advances. As a result, once production has

progressed and substantial deliverables have already been created, suspending work or withdrawing from the contract is generally difficult.

Chapter 3 Survey results and evaluation by transaction stage (actual transaction practices and promotion of fair competition)

1 Transactions between production committees and prime production companies

1 Ordering stage

(1) Status of written clarification of transaction terms

A Actual conditions

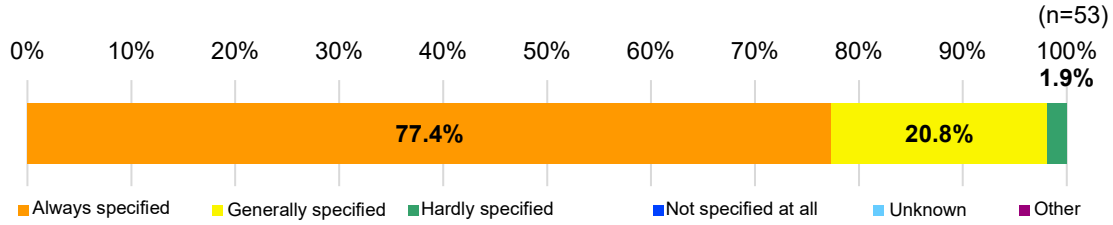
(A) Status of written clarification of transaction terms

In a survey of prime production companies[60], regarding the status of specification of transaction terms in writing[61] in transactions with production committees over the past five years[62], as shown in Figure3-1, 77.4% responded that they are "always specified" and 20.8% responded that they are "generally specified," for a combined total of approximately 98%.

In addition, upon reviewing the matters specified as transaction terms, as shown in Figure3-2, disclosure rates were high for the items required to be specified under Article 4 of the SME Transactions Act, including "production commission fees (including the amount)" (98.1%), "delivery timing and delivery conditions" (96.2%), "handling of copyright (property rights), including transfer and attribution" (94.2%), "payment timing for production commission fees" (92.3%), and "handling of secondary-use fees, success-based remuneration, and production royalties" (90.4%).

Interviews likewise indicate that most prime production companies receive clearly stated transaction terms in written form when contracting with production committees.

Figure3-1 Status of written clarification of transaction terms in contracts with production committees over the past five years



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

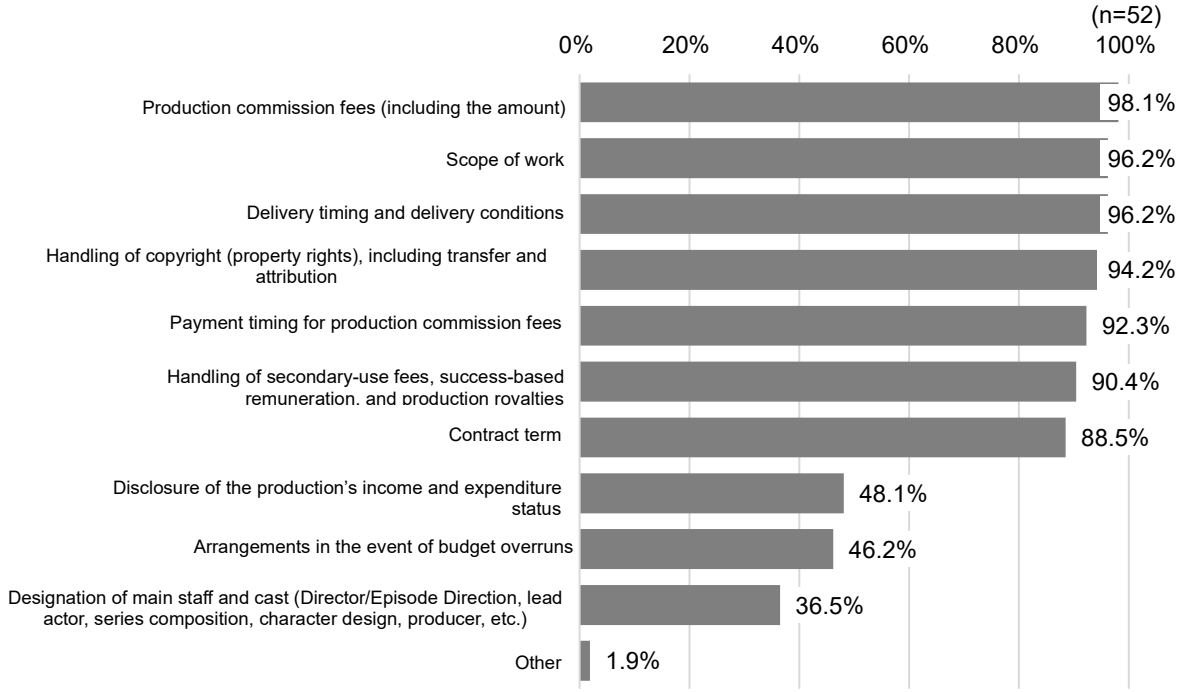
[60] This reflects aggregated responses from survey participants who identified themselves as prime production companies. The same applies to Section 4 below.

[61] "Written materials" refers to documents such as contracts and purchase orders, as well as electronic communications that identify the recipient (including email, SNS, and chat tools), or delivery of electronic files via media such as USB drives or CD-Rs.

[62] Anime production transactions typically span two to three years; accordingly, the survey of production companies generally requested responses covering transactions over the most recent five fiscal years.

According to the survey of prime production companies, 46% reported between one and five transactions with production committees over the past five fiscal years, while 24% reported between six and ten.

Figure3-2 Items specified as transaction terms over the past five years (multiple responses)[63]



Source: Prepared based on survey results

[Interview Excerpt (6)]

<Production committee>

- We issue purchase orders during pre-production. We consider the transaction finalized at the time the purchase order is sent. While purchase orders do not include clauses allowing retroactive changes to production commission fees, they state that any subsequently issued supplemental document will supersede the original.
- At the time of ordering, we issue purchase orders specifying key terms such as production commission fees, production royalties, delivery deadlines, broadcast schedules, and copyright transfer.

<Prime production company>

- Formal contracts are in place between [our company] and both the production committee and the television broadcaster.
- Although contracts contain standard provisions common to all productions as well as production-specific terms, we prepare written contracts for all transactions [in which we are involved].
- We do not undertake transactions without written contracts, and we rarely encounter cases where a contract is not prepared.
- As a general practice, we execute contracts with the managing company of the production committee prior to the start of production. Before execution, we have

[63] No specific entries were provided in the free-response field under "Other."

outside counsel review draft contract terms and then conduct discussions with the production committee. Although final execution can take time and preparatory work may begin before signing, draft terms are reviewed in advance and key matters are fixed through issuance of the purchase order, so in practice we do not proceed under ambiguous contract terms.

- We receive from the client a purchase order setting out the principal transaction terms, such as remuneration and delivery deadlines. After that, [our company and the client] negotiate the details of the contract, and the contract is signed when the production process is about one-third of the way through.

B Timing of written clarification of transaction terms

In a survey of prime production companies, as shown in Figure3-3, with respect to the timing over the past five years at which production committees specified transaction terms, etc. to prime production companies in writing, approximately 15% responded that "it is often at the time the order is placed," while over 80% in total responded that "it is often between the time the order is placed and the commencement of anime production," "it is often after the commencement of anime production and before delivery of the anime production," or "it is often after delivery of the anime production."

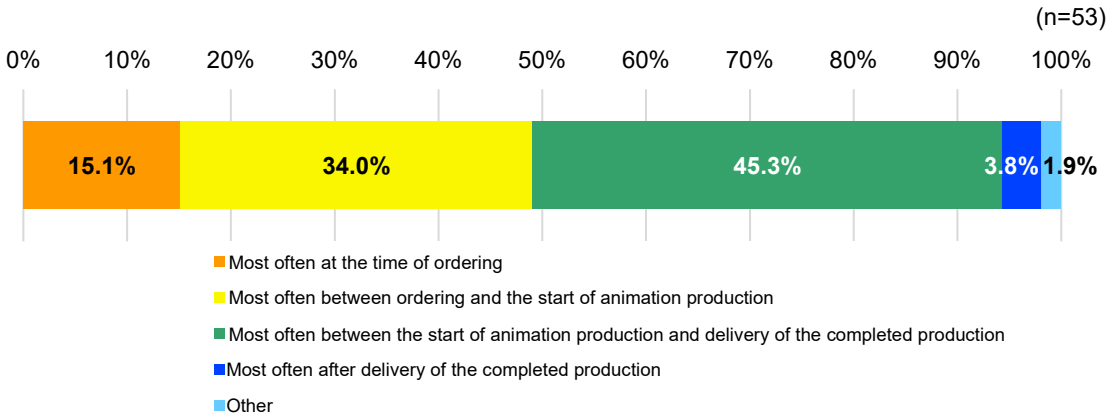
As to the preferred timing for specifying transaction terms, as shown in Figure3-4, approximately 50% responded "at the time the order is placed," and approximately 40% responded "between the time the order is placed and the commencement of anime production."

In interviews, production committees stated that, "due to the nature of anime production as an abstract creative work, scripts and storyboards necessary to calculate production commission fees are often not finalized at the ordering stage, and the production committee itself may not yet be fully formed, making it difficult in many cases to set specific production commission fees and detailed transaction terms, and that where contractual terms cannot be fully finalized, issuance of written documents is delayed."

In interviews with prime production companies, there were responses such as "formal contracts are delivered one to three years late," "because contracts are not executed even after the commencement of anime production, we have no choice but to accept terms that are unfavorable to the production company," and "in the case of television anime, because the broadcast date is fixed, even if other transaction terms are under negotiation, only the deadline is fixed, and we are compelled to commence production work before concluding the contract in order to meet the delivery deadline." Under these circumstances, although transaction terms are generally documented in writing, the proportion specified at the point of ordering appears to remain relatively low.

On the other hand, in interviews, both prime production companies and production committees responded that "because delivery of the formal contract is delayed, a written document setting forth basic matters such as a purchase order is delivered (is provided) in advance," and that "in some rare cases, planning and development and the actual production commission are treated as separate contracts, and a written document relating to the former is delivered in advance so that planning and development work may commence."

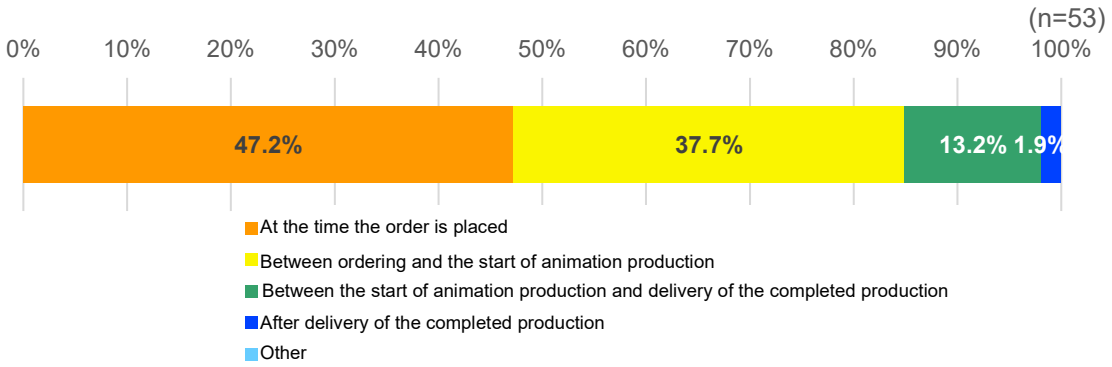
Figure3-3 Timing of written specification of transaction terms over the past five years[64]



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

Figure3-4 Desirable timing for specifying transaction terms



Source: Prepared based on survey results

[Interview Excerpt (7)]

<Production committee>

- Because production companies tell us they cannot determine production commission fees at the ordering stage, we set a minimum amount in the purchase order and allow for adjustment later. There is a gap between issuing the purchase order and executing the contract, and we are asked to finalize production costs once the script is completed.
- In contracting with production companies, negotiations sometimes remain unresolved, such as the rate of success-based remuneration, making it impossible in some cases to execute the contract before production begins. If investment partners

[64]The following responses were submitted in the free-text field under "Other."
- Unable to respond because it is unclear which point in the planning process constitutes "ordering"

have not yet been finalized, contract terms with the production company may also remain unsettled.

- Ideally, contracts should be executed once the production company submits its estimate. Because part of the remuneration is paid to the production company before production starts, contracts must be executed in advance; if the script is complete, it can be reviewed on that basis and, if there are no issues, the contract can be concluded before production begins.
- Since contract execution requires detailed alignment on individual terms, there are cases where contracts are not issued until after the production phase has already started. However, in part to comply with the SME Transactions Act, we issue a purchase order at the time of ordering, prior to execution of the formal contract, specifying key terms such as production commission fees, production royalties, delivery deadlines, broadcast schedules, and copyright transfer.

<Prime production company>

◆Timing of written clarification of transaction terms

- Items such as delivery dates and payment due dates are often communicated by email. There are no purchase orders or memoranda.
- Even among major managing companies, issuance of the contract can be delayed by more than a year after internal approval and receipt of the green light to begin production. During this period, production companies bear substantial costs, often in the hundreds of millions of yen, while facing uncertainty over their ability to seek redress if the agreement is later repudiated due to the absence of a written contract. Once a production company receives deliverables from freelancers or subcontracted production companies, payment cannot be deferred, and where binding agreements exist with freelancers, monthly remuneration must be paid. If contract issuance is delayed, we would at least like to exchange purchase orders or memoranda. Given strained cash flow, production companies also seek advance payments or early initial installments of production commission fees.
- The production commission fee is finalized, and the formal contract is executed with the client only at the final stage of production. In some cases, the contract is issued only after the broadcast has concluded. Contracts are not executed prior to the commencement of production.
- Although anime production typically spans two to three years from planning to release, contract discussions arise only about six months before full-scale production begins, by which time the opportunity to accept alternative projects has already passed. As a result, production companies effectively have no realistic option to decline and may be compelled to accept unfavorable terms.
- We receive from the client a purchase order setting out the principal transaction terms, such as remuneration and delivery deadlines. After that, [our company and the client] negotiate the details of the contract, and the contract is signed when the production process is about one-third of the way through. In the course of contract negotiations, production committees sometimes state, “Unless you accept [xx condition], we cannot make payment.” Given tight cash flow, production companies may be forced to concede to such conditions in order to secure payment.

・ At the initial stage of negotiating transaction terms with the production committee, we confirm whether production royalties or success-based remuneration will be included, but the specific conditions governing those payments are not determined at that time. The terms for setting production royalties and success-based remuneration are driven by the contents of the joint production agreement forming the production committee, and because that agreement is subject to prolonged negotiations over investment shares and representative roles, such terms are often not finalized until much later. By the time these discussions occur, production is already underway, making it difficult for production companies to renegotiate conditions proposed by the production committee; as a result, production royalties are rarely accepted, and success-based remuneration is typically limited to around 5%.

・ Production companies incur costs during pre-production. While absorbing such costs may be unavoidable for self-initiated projects, when studios are approached and asked to cooperate, they would like to bill for that work but are unable to do so. If a project proceeds to production, the issue is effectively absorbed into the commission, but if it is canceled, the studio bears the loss. From the production committee's perspective, not executing a contract at the planning and development stage serves as an effective means of preventing production companies from claiming compensation in the event of cancellation.

◆Preferred timing for written specification of transaction terms

・ Although we understand that drafting production commission contracts takes time, if execution is delayed, we would like written purchase orders etc. specifying already-agreed items to be provided in advance.

・ We would like contracts to be executed before animation production begins. If terms are determined later, production companies cannot realistically refuse conditions imposed by production committees. For example, if a client requests additional work such as refinements to line processing or expanded color gradation, the production company would be in a position to decline those requests if the scope of work were clearly defined in the contract in advance.

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

According to a survey of primary production companies, regarding the disclosure of transaction terms in writing during dealings with production committees over the past five years, as shown in Figure3-1, transaction terms including important matters were disclosed in most cases. On the other hand, as shown in Figure3-3, it appears that in a significant number of cases, the disclosure timing occurs after the production committee places an order with the prime production company or after production work has commenced.

Under the SME Transactions Act, where a commissioning business operator entrusts a small or medium-sized entrusted business operator, it must immediately specify the required matters (Article 4, Paragraph 1 of the SME Transactions Act). In general, a transaction in which anime production is commissioned between a production committee and a prime production company

is considered to constitute a commission for the creation of information-based deliverables (the SME Transactions Act, Article 2, Paragraph 3). Where such transaction falls within the scope of the SME Transactions Act, the production committee (i.e., its constituent entrepreneurs) must, upon commissioning the creation of information-based deliverables to the prime production company, immediately specify the required particulars.

In anime production, scripts and storyboards, which function as design specifications, may not yet be finalized at the ordering stage, and the production committee itself may not be fully formed, making it difficult to fix detailed production commission fees and transaction terms; similar views were widely expressed in interviews. According to interviews, production committees and prime production companies responded that, in such cases, some production committees issue memoranda etc. setting out matters determined at that time, and, after treating planning and development and the actual production commission as separate contracts, deliver documentation relating to the former in advance so that the production company may commence planning and development work. The SME Transactions Act permits supplementary specification where certain matters remain undetermined (Article 4, Paragraph 1, proviso). Accordingly, the production committee (i.e., its constituent entrepreneurs) must immediately specify in writing all matters that have been finalized and, after sufficient consultation, determine outstanding matters as early as possible and promptly provide supplementary written notice.

Even in cases where the SME Transactions Act does not apply, if the transaction terms are not specified in writing or by other means before the prime production company begins anime production, the prime production company may be required to perform the work with the contractual terms left unclear. There were also responses indicating that, if unfavorable terms are presented after work has commenced, the production company has no choice but to accept them. Such circumstances may therefore become a cause of inducing conduct by the production committee (i.e., its constituent entrepreneurs) that constitutes abuse of a superior bargaining position against the prime production company. For this reason, even in such cases, the production committee (i.e., its constituent entrepreneurs) may consider immediately clarifying the terms of the transaction in writing or other form for matters that have been decided, and determining any undecided matters as soon as possible after sufficient discussion, and clarifying them in writing or other form.

(2) Transaction consideration (production commission fees, etc.)

A Actual conditions

(A) Methods for setting production commission fees

In a survey of prime production companies, as shown in Figure3-5, with respect to methods of determining production commission fees over the past five years, just over 40% responded that they “often determine production commission fees within the upper limits or unit prices presented by the business partner,” while similarly just over 40% responded that

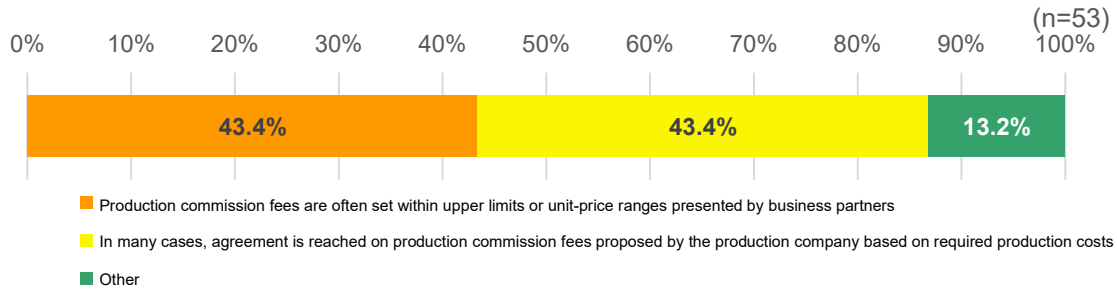
they “often reach agreement on production commission fees proposed by their company based on necessary production costs (manufacturing costs).”

With respect to the status of negotiations over the amount of production commission fees during the past five years, as shown in Figure3-6, approximately 70% responded that they “were often able to negotiate.”

In interviews, production committees provided responses regarding methods for determining production commission fees reflecting both approaches based primarily on estimates prepared by production companies and approaches based primarily on production committee budgets, including statements such as, “Production commission fees are determined with reference to estimates based on the cost markup method,” and “Production commission fees and advertising expenses are set in light of projected revenues from the production.” Regarding the degree of negotiation, while some respondents stated that “in recent years, production companies’ bargaining power has shown a tendency to strengthen, with producers on both sides adjusting amounts based on experience,” others stated that “in the process of forming consensus within the production committee, requests from prime production companies are not easily reflected.”

Prime production companies responded that “we have become more able to negotiate compared to the past,” while multiple respondents also stated that “because production commission fees are presented by the production committee, there is little substantive room for negotiation,” and that “even if the production company prepares an estimate, it becomes a mere formality aligned with the amount presented by the production committee,” suggesting that in some cases increases in production commission fees and fixed costs are not sufficiently reflected. In addition, some respondents stated that “production companies have weak price negotiation power and are in a situation where they have no choice but to accept unfavorable conditions,” citing cash-flow constraints and concerns about continuing transactions, suggesting that in some cases production commission fees are not sufficiently negotiated.

Figure3-5 Methods for determining production commission fees over the past five years[65]

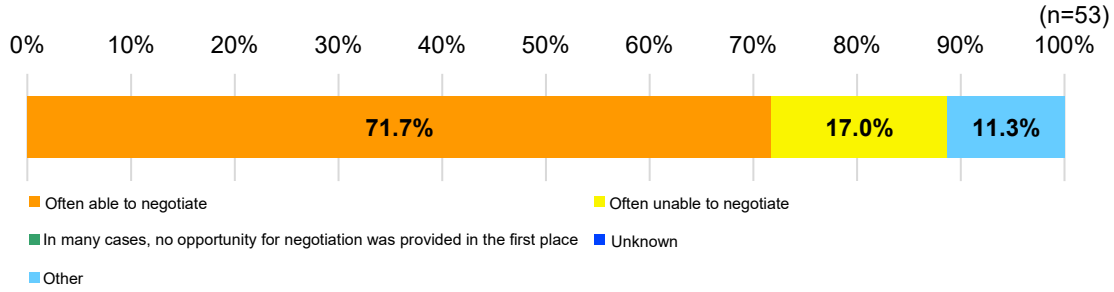


*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[65]The following responses were submitted in the free-text field under “Other.”
- Agreement is often not reached on amounts proposed based on production costs alone, and consensus is instead achieved through adjustment of other conditions
- After the business partner presents an amount, the production company proposes its preferred figure, and the final amount is determined by mutual agreement

Figure3-6 Whether production commission fee amounts were negotiable over the past five years[66]



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (8)]

<Production committee>

- Production commission fees and advertising budgets are determined based on revenue simulations for each production.
- With respect to production commission fees, production companies' bargaining power has strengthened in recent years. In setting budgets, we sometimes present an indicative figure and negotiate, while in other cases production companies specify an amount, stating, for example, "we cannot accept the project unless it is ¥○○ million."
- Even when the managing company wishes to add royalties such as production royalties or success-based remuneration on top of production commission fees, opposition from publishers holding original rights and strong influence often prevents the production committee from reaching a unified position.
- Rather than treating production companies as disposable on a project-by-project basis, we factor in the possibility of ongoing collaboration (across multiple productions) and fine-tune transaction terms in light of counterpart requests. However, because production committees function as civil-law partnerships requiring unanimous agreement on production-related matters, requests from production companies regarding commission fees or contract terms are frequently rejected at the committee level, even in cases where the managing company is inclined to accept them, due to objections from other members. Because prime production companies across the industry understand this decision-making structure, many production companies likely abandon negotiations from the outset, assuming that "even if we negotiate with or make requests to the managing company, they will not be approved anyway."

[66]The following responses were submitted in the free-text field under "Other."
- Although amounts are negotiated at the time an order is placed, execution of the production commission contract and commencement of production are often delayed by several years; in light of rising outsourcing costs, even when requests are made to increase production commission fees again prior to contract execution, more than half of counterparties decline to engage
- Negotiation was possible for long-running series broadcast over multiple years, but not for one- to four-cour series
- Negotiation itself is possible, although acceptance of proposed terms is not assured

<Prime production company>

◆Cases where there is room for negotiation

・ It is possible to negotiate production commission fees with production committees. Even estimates calculated based on our own assumptions may be accepted, though they may also be reduced.

・ Over many years of producing the same title on a continuing basis, transaction terms have shifted slightly. Production commission fees are set through consultation with clients, taking into account external factors such as inflation and technological innovation. As digitalization driven by technological advances reduces per-frame costs compared with traditional manual processes, negotiations may sometimes seek reductions in production commission fees. To date, we have generally been able to negotiate modest overall increases in production commission fees.

◆Cases where sufficient negotiations are difficult

・ We have never submitted an independent budget estimate. The production committee presents a per-episode fee and schedule, and the engagement proceeds only if we accept those terms.

・ In most cases, production commission fees are set at amounts designated by the production committee. It is uncommon for us to prepare a cost estimate from the ground up and propose it independently. We may provide a rough preliminary estimate, but approval is ultimately limited to amounts within the production committee's budget framework.

・ The production committee will present a production commission fee that will serve as the basis for negotiations, but will also be asked to present an estimate (budget). However, this estimate is calculated based on the unit price per shot of key animation or animation, in accordance with the amount presented by the production committee, and does not take into account labor costs (monthly labor costs, etc.), so it must be considered to be separate from the actual cost base of production. The acceptance of only unit-price-based estimates is one of the primary structural factors leading to loss-making transactions.

・ In principle, production commission fees should be calculated after an order is received and the script, storyboards, and other specifications are defined. In practice, however, only the total amount and number of episodes are indicated at the ordering stage, with detailed creative content determined later. In some cases, the finalized production commission fee proves insufficient once the full scope becomes clear, yet studios are required to operate within that fixed amount and are unable to reopen negotiations.

◆ Rising labor costs, etc.

・ With respect to production commission fees, it would be preferable to set only a minimum baseline initially so that future increases in labor costs can be reflected, and then, upon commencement of full-scale production, calculate the actual required person-months and finalize the amount through a separate written agreement. Depending on the production committee, this approach is sometimes feasible in practice.

・ Because anime production typically spans multiple years, labor costs for freelancers and transaction terms with subcontracted production companies may change during that period; however, such changes cannot realistically be reflected at the time production commission fees are set, and absent contractual adjustment clauses, they are not revised afterward.

・ Although production may take approximately three years, production commission fees are fixed at the time of order, leaving production companies to bear the risk of subsequent economic changes such as labor cost increases.

・ A further factor contributing to production deficits is that contracts often relate to works scheduled several years ahead, and even in cases where production costs, including labor, rise in the interim, production committees do not agree to pass through those increases.

◆ Negotiating power of production companies, etc.

・ It is estimated that more than 80% of production companies in the anime industry lack meaningful pricing power. Many operate almost entirely on production commission fees and function on a hand-to-mouth basis. Although success-based remuneration or production royalties are often included, success-based remuneration yields no return until recoupment is achieved[67]. Due to this, concerns over cash flow constrain assertive negotiation. Even in cases where production royalties are included, the conditions are frequently structured in ways that limit their practical value. Concerned about being excluded from future commissions, production companies refrain from assertive negotiation, creating a vicious cycle in which cash flow continues to deteriorate.

・ In negotiating production commission fees, the managing company of the production committee often uses the stock phrase, “the production committee is operating at a loss, so no budget can be allocated,” and production companies tend to accept this at face value and conclude that they cannot seek an increase in the budget for themselves alone. However, review of publicly disclosed investor materials of participating companies may indicate profitability derived from streaming fees etc.

・ Through negotiation, it is sometimes possible to secure a slight increase in the per-episode production commission fee, but the counterparty may then state, “since we agreed to increase the amount, you must now comply with our demands,” and repeatedly make requests that differ from the original conditions (such as quality requirements).

・ Even in cases where more favorable production commissions are offered, companies must decline if their production lines lack capacity. Conversely, projects with low production commission fees and limited runs may be known to generate little profit, yet companies accept them to avoid idle production capacity if they fit within existing line schedules. Production committees are aware of these operational constraints and may structure terms accordingly. Accordingly, transactions between

[67]Recoupment refers to recovery by the production committee of its total project costs (capital contributions) from revenues generated through secondary use of the production by constituent entrepreneurs, after deduction of distribution fees, expenses, and various royalties. Completion of recoupment (recovery of 100% of invested capital) does not necessarily coincide with the break-even point for each constituent entrepreneur.

production committees and production companies exhibit structural disparities in bargaining power.

<Industry associations>

・ In anime production, it is often difficult to clearly estimate the required work and costs at the time of ordering, and project details tend to be finalized gradually as production progresses. Anyone involved in production should already be aware of this characteristic.

(B) Production commission fee level

In a survey of prime production companies, as shown in Figure3-7, approximately 90% responded that production commission fee levels have "increased" over the past 10 years.

However, with respect to satisfaction with the amount of production commission fees, as shown in Figure3-8, while approximately 20% responded that they were "satisfied," more than half responded that they were "dissatisfied." As shown in Figure3-9, approximately 70% to 80% cited as reasons for being "dissatisfied" that "production costs (manufacturing costs) have increased as a result of higher quality requirements than in the past," "production costs (manufacturing costs) have increased as a result of longer production periods than in the past," and "increases in prices have not been passed on."

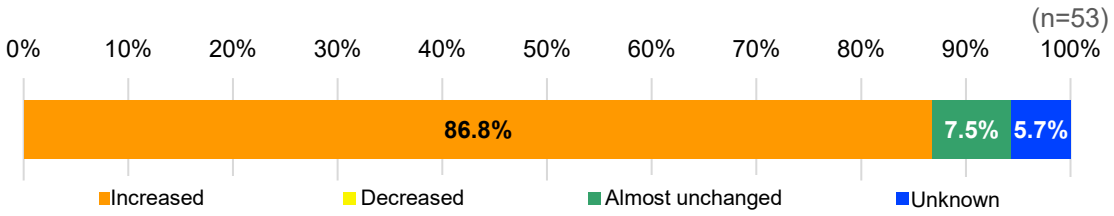
With respect to operating profit or loss based solely on production commission fees, as shown in Figure3-10, approximately 60% of prime production companies responded that they were operating at a "loss," and even among prime production companies with capital exceeding ¥50 million, approximately 30% responded that they were operating at a "loss," suggesting that profits are difficult to generate from production commission fees alone.

In interviews, multiple production committees acknowledged cost increases at production companies and stated that they have increased commission fees accordingly, noting, for example, that "production commission fees have increased by 1.5 to four times compared to 10 years ago, driven by labor shortages and rising personnel costs due to more sophisticated production processes."

By contrast, prime production companies responded that although increases in anime production commission fees have been noted in recent years, "in reality, small and medium-sized production companies still receive many low-priced projects, and this has not led to improved business performance." Several prime production companies further stated that production commission fees do not generate profit and may result in losses, because required costs have increased beyond the rise in commission fees due to longer production periods and heightened quality demands; commission fees are fixed at the time of contract and subsequent labor cost increases cannot be passed through; and where production costs

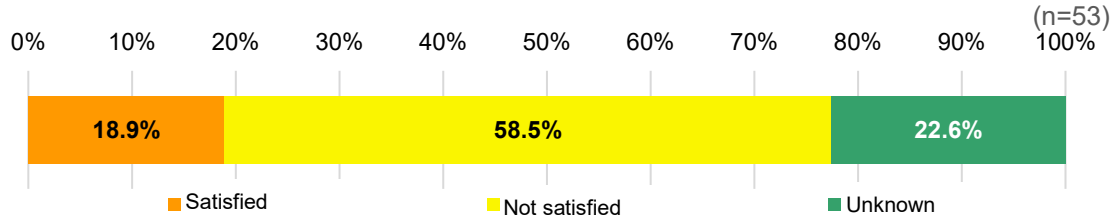
exceed commission fees, companies must absorb the shortfall out of their limited gross margins.

Figure3-7 Changes in production commission fees over the past 10 years



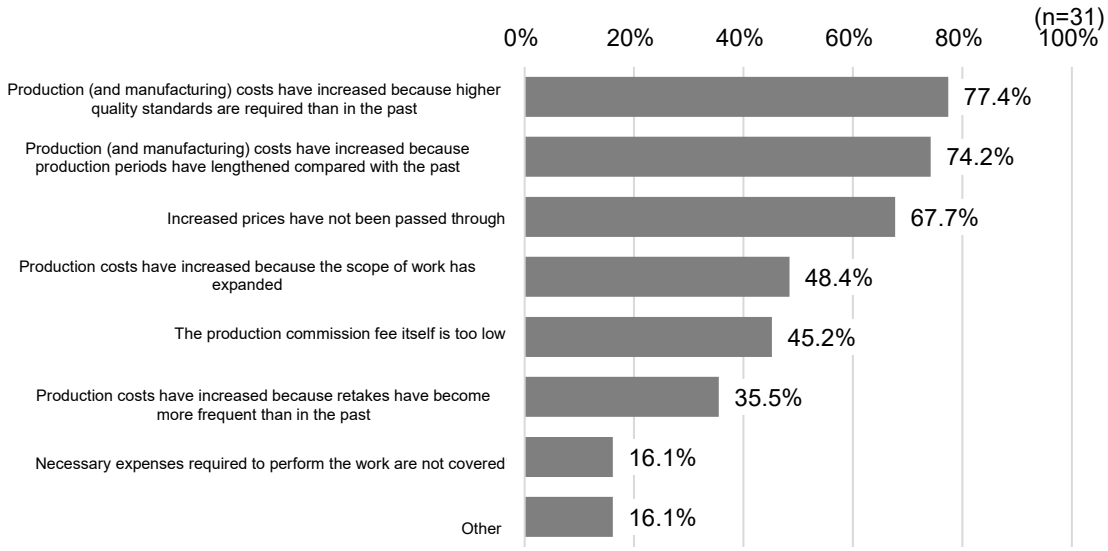
Source: Prepared based on survey results

Figure3-8 Satisfaction with the level of production commission fees



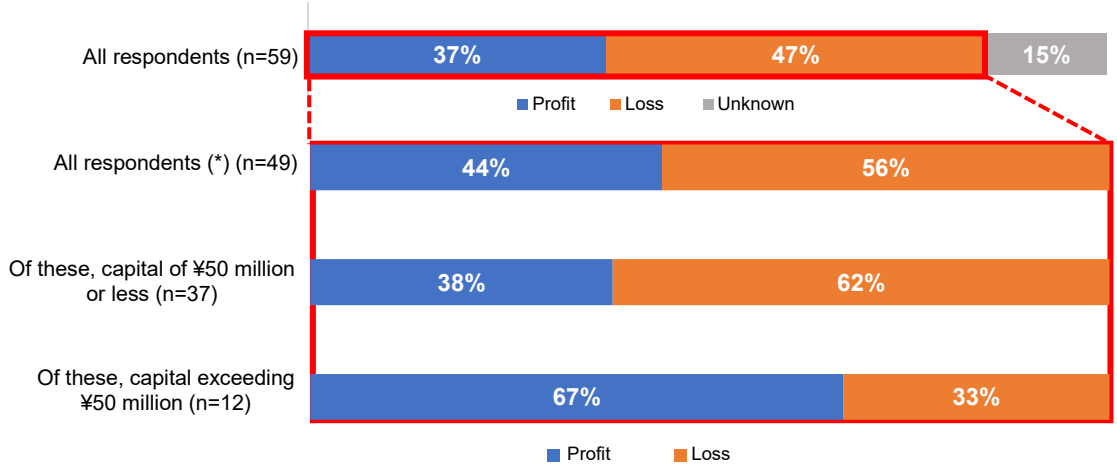
Source: Prepared based on survey results

Figure3-9 Reasons for dissatisfaction with the level of production commission fees (multiple responses)[68]



Source: Prepared based on survey results

Figure3-10 Operating profit or loss over the past year based solely on production commission fees



*Excludes responses of "Do not know" regarding capital and "Do not know" regarding operating profit or loss based solely on production commission fees.

Source: Prepared based on survey results

[68]The following responses were submitted in the free-text field under "Other."
- There is a big difference in price compared to major companies.
- Insufficient compensation for costs arising from schedule delays due to factors beyond production control, such as soaring per-episode rates caused by animation staff shortages, and scheduling for opening/ending production tied to audio-stage conditions like music tie-ins
- While per-episode rates have improved compared to around ¥15 million per episode a decade ago, the business model remains unchanged
- Due to rising labor costs and the introduction of the invoice system.
- Labor costs for freelancers and external creators have also increased, making profitability difficult to achieve under current conditions

[Interview Excerpt (9)]

<Production committee>

- The prevailing level of production commission fees has risen by approximately 1.5 to four times compared with about 10 years ago. The increase in production commission fees reflects higher costs required to secure freelancers amid labor shortages, as well as greater complexity in the production process due to more sophisticated CG and composition work, which has increased overall staffing requirements. Even as production commission fees have risen, production companies' expenditures have increased correspondingly.
- Amid competition among production companies, the production commission fee per episode has increased by approximately ¥1 million each year.
- Production companies' costs have risen due to expenses associated with partially retaining freelance production staff, and price increases have spread across individual production stages. Production commission fees are now more than double their level of 10 years ago.
- Heightened viewer expectations for quality have also contributed to the rise in production commission fees.

<Prime production company>

◆ The level of production commission fees

- Although production commission fees are widely described as having increased substantially across the industry, small prime production companies such as ours continue to receive relatively low-fee projects; as a result, while fees have risen, we do not perceive a significant increase. Television anime projects vary widely in scale, and well-known productions based on established original productions or series, for which substantial production commission fees are paid, are typically awarded to major production companies.
- Even when a production committee increases the production commission fee, rising labor costs and overall prices mean that the increase does not outpace the growth in the production costs required by production companies, and the gap has not been closed. At present, depending on the title, production commission fees would need to be approximately 1.5 to 2 times the current market level for a company to generate sustained profit and achieve growth; from the perspective of production companies, current levels cannot be regarded as appropriate.

◆Production deficits, etc.

- Even in cases where production commission fees have increased, labor costs have risen to a greater extent, and the company continues to operate at a loss. Labor costs account for as much as 80% of total production costs, and increases in labor costs therefore have a significant impact on the management of production companies.
- As quality expectations have risen, both the time required for anime production and the number of freelancers engaged have increased. Freelance remuneration is structured either on a piece-rate basis or as a fixed monthly retainer. Under a fixed arrangement, extending the production period or increasing the number of freelancers results in a corresponding net increase in production costs. Accordingly, even if the production commission fee per episode increases, costs have risen by a

greater margin year after year, further undermining the profitability of production companies.

- Anime production costs comprise equipment expenses, studio expenses, labor costs, software expenses etc., with labor costs accounting for the largest share. However, because production commission fees have not increased, labor costs cannot be adequately covered. As a result, the profitability of production companies is under pressure.
- Anime production costs consist almost entirely of labor expenses, and because production commission fees are paid in installments, incoming payments from new projects can be applied to outstanding costs from prior productions. Accordingly, even in cases where cash on hand is insufficient to cover the costs of a previous project, securing the next commission allows the company to continue operating on a rolling cash-flow basis, barely avoiding insolvency.

◆Other

- Planning and development expenses are included in the production commission fee. In some cases, planning and development expenses are recorded separately; in others, they are allocated across episodes and added to the per-episode production commission fee. If the company were able to hold the copyright in the production, it could accept planning and development expenses as a necessary risk; however, bearing that risk without holding the rights does not provide a commensurate return. This issue is recognized as a transactional challenge that requires future resolution.
- Producers representing the production committee sometimes remark, “Although the budget has increased, we do not know what it is being used for.” Across the industry, there is insufficient recognition that production companies also bear fixed costs. Little consideration is given to the profit margins of production companies, and the industry as a whole exhibits a marked lack of financial literacy.
- It is sometimes argued that profits do not accrue to production companies because they are not permitted to invest in production committees; however, this characterization is inaccurate. Even in cases where investment is made, most anime titles fail to achieve recoupment, and production companies that participate solely as passive investors, without distribution or licensing rights, do not generate profit. Such passive investment closely resembles a de facto discount on the production commission fee.
- Digitalization has enabled unlimited revisions, resulting in animation work with no clear endpoint. Some creators prioritize creative considerations to the extent that they fail to meet deadlines and lack cost discipline. Amid labor shortages, production companies cannot readily terminate relationships with such creators, and inadequate creative control leads to cost overruns.

<Industry associations>

- Because production committees can recover approximately 80% of their investment through presales[69] once a production is completed, completion of the

[69]In the anime industry, this refers primarily to a production committee entering into a license agreement with a streaming service or other distributor prior to completion of the work.

project is prioritized, and production companies retain a certain degree of negotiating leverage.

(C) Production royalties/success-based remuneration

In anime production, in addition to the production commission fee, contracts may provide for payment of production royalties[70] or success-based remuneration[71], calculated by applying a specified rate to the production committee's secondary-use revenues, as part of the consideration for the work.

In a survey of prime production companies, as shown in Figure3-11, with respect to whether production royalties or success-based remuneration were paid in addition to production commission fees for productions produced during the past five fiscal years, approximately 50% responded that there had been at least one such instance for each of production royalties and success-based remuneration. Also, as shown in Figure3-12, approximately 40% responded that they "were often able to negotiate" regarding production royalties and success-based remuneration.

By contrast, as shown in Figure3-13, regarding satisfaction levels, approximately 40% responded that they were "Not satisfied" with production royalties, and approximately 50% responded that they were "Not satisfied" with success-based remuneration.

In addition, as shown in Figure3-14, with respect to operating profit or loss from the anime production business including production royalties, approximately 40% of prime production companies with capital of ¥50 million or less and approximately 10% of those with capital exceeding ¥50 million responded that they were operating at a "loss." Overall, as shown in Figure3-10 and Figure3-14, compared with operating profit or loss based solely on production commission fees, the loss ratio decreased by approximately 19 percentage points when production royalties were included.

In interviews, several prime production companies stated that "success-based remuneration is unlikely ever to be triggered, so it does not contribute to corporate management," whereas "production royalties are the most important source of revenue for production companies because, regardless of the title, a portion of the production committee's revenue becomes profit for the production company," indicating that production companies place greater emphasis on production royalties than on success-based remuneration.

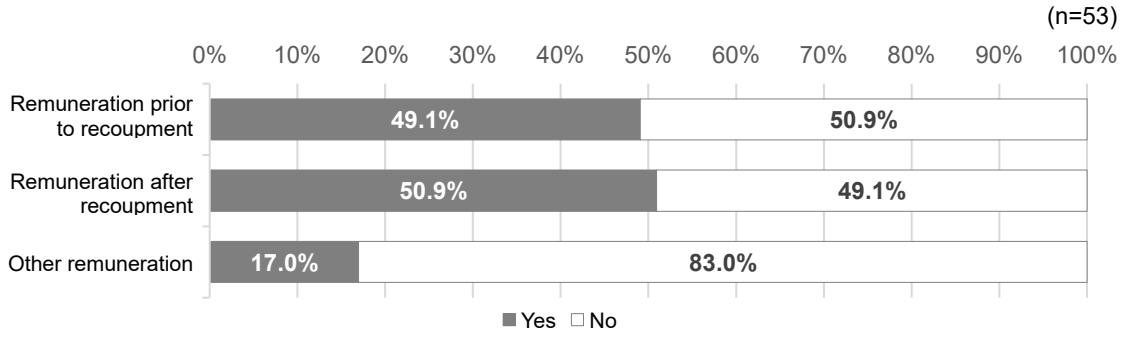
Production committees responded that production royalties etc. may be established, stating that "production companies with larger scale and stronger track records sometimes request higher rate settings," and in particular that "given the sharp increase in the number of anime productions and the resulting competition for production companies," they negotiate rates on the premise of such arrangements so that greater returns are allocated to production companies.

[70]This refers to remuneration paid by applying a specified rate to revenues earned by the production committee, regardless of whether recoupment has been completed. The revenue base and applicable rate vary by contract; for example, the rate may be applied to the amount remaining after deduction of distribution handling fees etc. These payments are also referred to as studio royalties or production royalties.

[71]This refers to remuneration paid after recoupment has been completed, calculated by applying a specified rate to revenues earned by the production committee etc.

On the other hand, some prime production companies stated that negotiations over production royalties are difficult, reporting that "we have continued to assert production royalties, but they have not yet been established," and that "production committees show a willingness to allow an increase if framed as a higher success-based remuneration rate rather than as production royalties," suggesting that whether such arrangements are established and the negotiated rate differ depending on the size and track record of the production company.

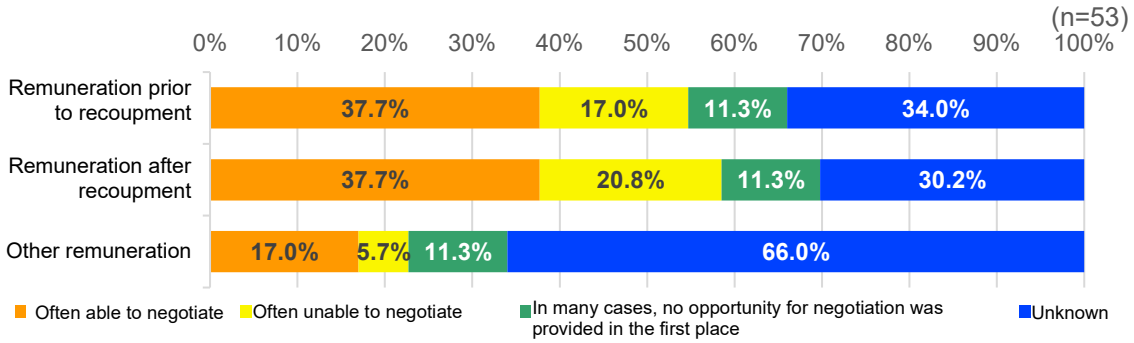
Figure3-11 Whether remuneration in addition to the production commission fee was paid during the past five fiscal years



*Prime production companies were asked to indicate whether at least one such case occurred during the most recent five fiscal years

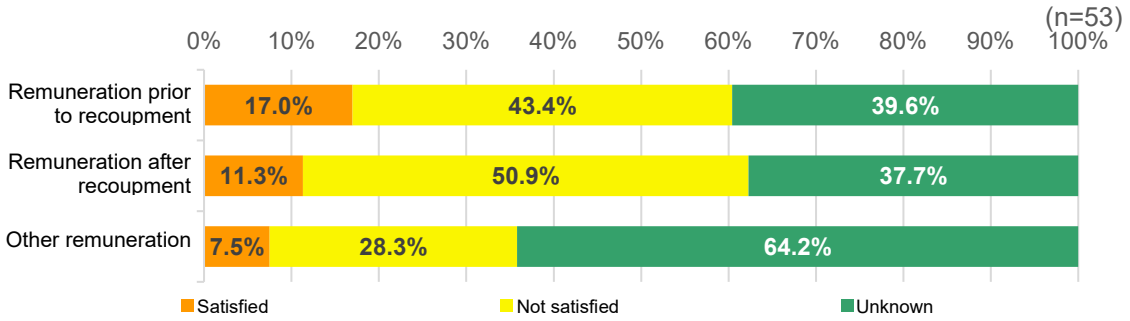
Source: Prepared based on survey results

Figure3-12 Whether production royalties and success-based remuneration were negotiable during the most recent five fiscal years



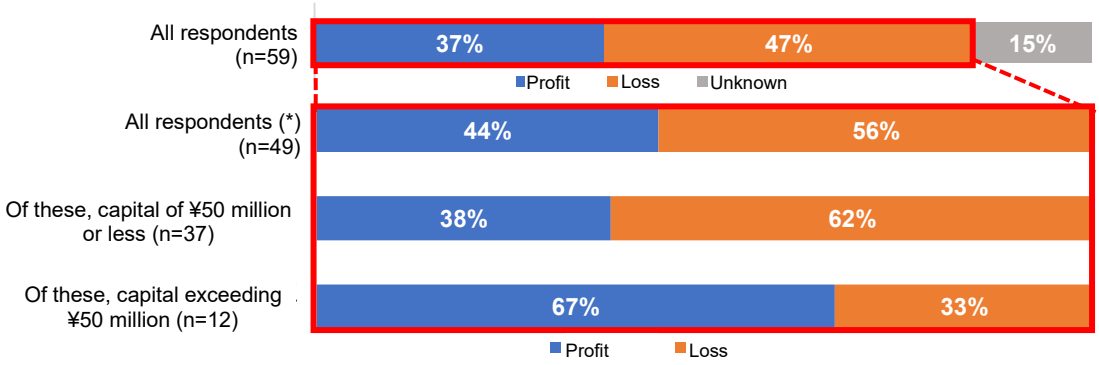
Source: Prepared based on survey results

Figure3-13 Satisfaction with production royalties and success-based remuneration over the past five fiscal years



Source: Prepared based on survey results

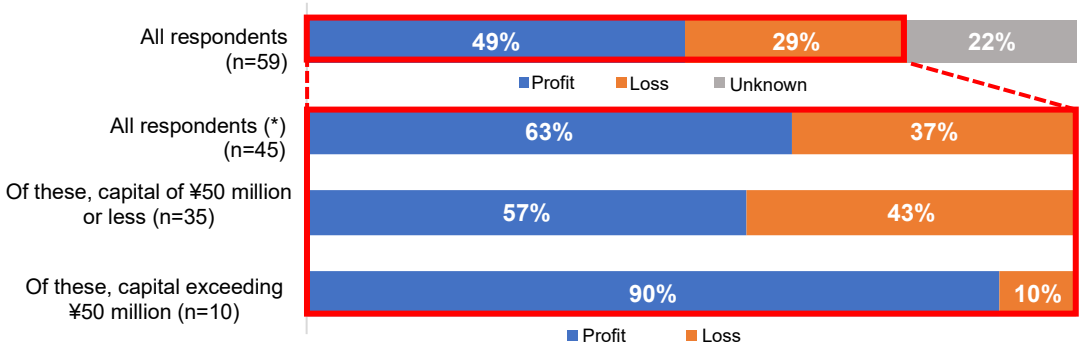
Figure3-10 (reproduced) Operating profit or loss over the past year based solely on production commission fees



*Excludes responses of "Do not know" regarding capital and "Do not know" regarding operating profit or loss based solely on production commission fees.

Source: Prepared based on survey results

Figure3-14 Operating profit or loss over the past year including production commission fees, secondary-use revenues, production royalties, success-based remuneration etc.[72]



*Excludes responses of "Do not know" regarding capital and "Do not know" regarding operating profit or loss from anime production including production royalties.

Source: Prepared based on survey results

[72]According to Teikoku Databank, "Animation Production Market Trends Survey 2025" (August 15, 2025), in 2024, 65.5% of production companies engaged as prime contractors or gross contractors reported a "profit" (40.0% increased profit and 25.5% decreased profit), while 34.5% reported a "loss."

[Interview Excerpt (10)]

<Production committee>

- In recent anime productions, payments referred to as "studio royalties" (production royalties) are in some cases made to production companies by applying a certain percentage to production committee remuneration from before recoupment is completed. In circumstances where production commission fees have increased but production costs have risen even further, production companies have requested higher commission fees; as a compromise, rather than increasing the commission fee, parties have agreed to grant production royalties payable from revenues prior to recoupment. In recent years, this approach appears to have become increasingly common.
- In anime, incentive payments to production companies other than production commission fees are generally structured as production royalties (remuneration payable prior to recoupment). Production royalties are intended to return to production companies a portion of the content usage revenues, including secondary-use revenues, earned by the production committee. Conditions including the applicable royalty rate and the revenue base to which the rate is applied are determined through negotiations with the production company. The revenue base to which the rate is applied is, in principle, the distributable pool remaining after deduction of distribution handling fees and various royalties from the production committee's revenues (final top-off [73]). However, in the case of prominent production companies with strong brand value, production royalties may in some instances be calculated on revenues prior to deduction of distribution handling fees (initial top-off).
- Recently, where our company serves as the managing company, no distribution handling fee is set; only actual expenses incurred in performing distribution functions are recognized, and all remaining sales revenues are collected and distributed as production committee income. Compared with traditional distribution methods that permit distribution handling fees, this approach facilitates recoupment by the production committee and, where success-based remuneration are granted to prime production companies, increases the likelihood that such success-based remuneration will in fact be triggered.

<Prime production company>

◆ Impact of success-based remuneration, etc. on management

- Although our company is among the more established and larger production companies, the anime production business nonetheless recorded a loss in the most recent fiscal year. Without production royalties etc., the business would not be sustainable.
- Production royalties typically generate substantial income through streaming agreements concluded one to two years after broadcast, and thereafter smaller amounts continue to accrue each time the production committee's streaming agent renews such agreements. As the number of productions increases and royalty streams accumulate, these payments can grow to a scale that contributes meaningfully to the financial stability of production companies.

[73]This refers to the advance deduction of distribution handling fees, expenses, and various royalties before revenues are allocated among participating entities.

・ Success-based remuneration are calculated by applying a rate to production committee revenues after recoupment has been completed; however, because managing fees, distribution handling fees, royalties, etc. are made before determining the distributable pool, recoupment is infrequently achieved in practice. As a result, in most cases success fees do not generate revenue for production companies.

・ Since a portion of the revenue from any anime goes directly to the production company as profit, production royalties account for a significant portion of total profits, making them the most important source of income for production companies. Success-based remuneration has limited practical significance.

・ Although success-based remuneration, calculated by applying a rate to revenues after recoupment, is sometimes granted, which is welcome, they are unlikely to yield substantial returns barring an exceptional hit and have minimal impact on corporate management. It's certainly better than nothing, and it does serve as a bargaining chip. Even after recoupment, if the applicable rate were set at several tens of percent, the prospect of a major hit would create meaningful upside; production companies therefore seek to negotiate arrangements under which 20 to 30% of post-recoupment production committee revenues would be allocated to them. In practice, however, such terms are difficult to secure.

◆Cases where production royalties etc. could be set

・ In recent years, production royalties have increasingly taken the form of remuneration of several percent calculated on revenues prior to the top-off stage. Whereas the negotiated rate was previously 1 to 2%, it is now possible in some cases to negotiate rates in the range of 3 to 5%. However, in many cases a trade-off is made between the royalty rate and the level of the production commission fee. From the perspective of production companies, a 10% rate would be desirable, but such a level is generally not accepted.

・ Until three years ago, the company derived almost no revenue other than production commission fees. Through negotiations and participation in production committees, it became possible to receive production royalties. Production royalties generate revenue both before and after recoupment is completed. Even in cases where recoupment is not achieved, royalties may be set at approximately 1 to 2% of the production committee's total revenues, or at just under 2% of the net revenues remaining after expenses are deducted following recoupment.

・ The grant of production royalties payable prior to recoupment is treated as a condition for undertaking anime production. Contracts also provide that, with respect to revenues generated prior to recoupment, production royalties are subject to a first top-off.

・ Production royalties are incorporated into contracts for many productions. Production companies also negotiate with the managing company of the production committee to establish success-based remuneration calculated on the net revenues remaining after deduction of expenses from production committee revenues following recoupment, as well as to secure higher applicable rates. No temporal limitation has been imposed on the duration of royalty payments.

・ An increasing number of arrangements provide for production royalties calculated as a specified percentage of production committee revenues generated prior to recoupment. In the current seller's market, characterized by a shortage of production

capacity, production committees are increasingly agreeing to production royalties in order to secure production companies' participation.

◆Cases where production royalties etc. could not be set

- In one case, a production company was commissioned to produce an anime based on a well-known original production widely expected to be a hit; despite the high quality demanded and a production commission fee that was insufficient by comparison, negotiations did not result in the grant of a success-based remuneration.
- While larger production companies with a track record of hit titles may be better positioned, small and mid-sized production companies often struggle to incorporate production royalties or success-based remuneration into their contractual terms and may face severe financial pressure as a result.

◆Other

- Although production companies appear to focus on the size of the royalty percentage, what is most important is "what constitutes the revenue base to which the percentage is applied." In addition to whether the rate applies to revenues before or after recoupment, the order of top-off is significant, specifically whether the rate is applied before or after deduction of distribution handling fees and expenses; production companies must take these factors into account when negotiating with production committees.
- Even production companies responsible for major hit titles have successively become subsidiaries of other firms or exited the market, highlighting structural concerns that commercial success and corporate viability are not necessarily aligned and reinforcing production companies' resolve to secure production royalties.

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

(A) Unjust price reduction

According to a survey of prime production companies, more than 80% responded that production commission fee levels for anime production have "increased" in recent years. This appears to reflect overall increases in production costs driven by labor shortages, increasingly sophisticated production processes, and heightened quality expectations.

However, despite rising production commission fees, approximately 60% of prime production companies reported operating losses based solely on production commission fees, and approximately 40% reported losses even when production royalties etc. were included, indicating that profitability remains limited.

In interviews, production committees stated that "growing viewer demands for higher quality have led to rising production commission fees," while prime production companies responded that "as a result of digitalization, revisions can be made indefinitely, leaving no clear end to animation work," and that "amid labor shortages, even creators who are particular about creative aspects and fail to observe deadlines or cost consciousness cannot easily be replaced, resulting in a lack of creative control and cost overruns," suggesting that excessive pursuit of quality at production sites may increase necessary production commission fees.

On the other hand, many prime production companies pointed out that "even if production commission fees increase, increases in personnel and other costs associated with higher

quality requirements and longer production periods exceed such increases," indicating that production costs may not be fully passed on to production commission fees.

Although such circumstances do not in themselves constitute a violation of the SME Transactions Act or the Anti-Monopoly Act, where a transaction falls within the scope of the SME Transactions Act, if a production committee ("constituent entrepreneur") 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 unjust price reduction under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.

Even in cases where the SME Transactions Act does not apply, if a production committee ("constituent entrepreneur"), by abusing a superior bargaining position, unilaterally sets compensation at an unreasonably low level without sufficient consultation in light of heightened quality requirements, longer production periods, and rising prices, thereby causing unjust disadvantage to a prime production company in light of normal business practices[74], this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

(B) Unilateral determination of consideration without consultation

As noted above, while many transaction parties acknowledge that production commission fees have been rising, a survey of prime production companies indicated, as shown in Figure3-5, that with respect to methods of determining production commission fees, slightly more than 40% responded that they "often determine production commission fees within the upper limits or unit prices presented by the business partner," and slightly more than 40% responded that they "often reach agreement based on production commission fees proposed by their company taking into account necessary production costs (manufacturing costs)."

In interviews, production committees stated that "rather than treating prime production companies as disposable on a project-by-project basis, we keep in mind the possibility of continuing relationships (on other productions as well), and therefore fine-tune transaction terms while taking into account the counterparty's requests," clarifying that a certain degree of negotiation takes place between production committees and prime production companies in determining production commission fees.

However, some production companies responded that "the production committee presents the per-episode fee and schedule, and the matter is decided based on whether we accept them," suggesting that consultations may in some cases be insufficient.

Since the enforcement of the SME Transactions Act amendments, if a production committee (constituent entrepreneur) unilaterally determines the production commission fee despite a request from a prime production company for price negotiations, or fails to provide necessary explanations, such conduct may constitute unilateral determination of consideration without consultation[75] under Article 5, Paragraph 2, Item 4 of the SME Transactions Act.

Even in cases where the SME Transactions Act does not apply, if a production committee ("constituent entrepreneur"), by abusing a superior bargaining position, unilaterally sets

[74] "Normal business practices" means practices that are regarded as acceptable from the standpoint of maintaining and promoting fair competition. Accordingly, the mere fact that conduct conforms to existing commercial practices does not in itself justify such conduct (Guidelines Concerning Abuse of a Superior Bargaining Position, Section 3).

[75] This provision was added as a prohibited act for commissioning business operators through statutory amendment (scheduled to take effect on January 1, 2026).

compensation at an unreasonably low level without sufficient consultation in light of heightened quality requirements, longer production periods, and rising prices, thereby causing unjust disadvantage to a prime production company in light of normal business practices[76], this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

As previously mentioned in Chapter 2, Section 3, 2(1), it is often difficult to calculate the exact amount of work, required personnel, and working period before and after pre-production when production is commissioned, and as a result, it may be difficult to calculate estimates and determine production commission fees. In fact, during interviews, a prime production company stated, "We believe it is appropriate to calculate and estimate the production commission fee after receiving the order and determining the contents of the script and storyboards, etc., but in this industry, the production commission fee is decided at the order stage based only on the amount and number of episodes presented, and the specific content of the anime is determined thereafter." There are cases where the content is not enough within the already-determined production commission fee, but even in such cases, it must be kept within the scope of the production commission fee and cannot be renegotiated."

With respect to this point, a production company responded, "Only a minimum amount of remuneration is fixed so that future increases in labor etc. can be reflected, and once full-scale production begins, the actual required man-months are calculated and confirmed separately in writing," indicating that some production committees fix only a minimum remuneration amount at the outset and respond to subsequent changes in circumstances. In addition, a production committee responded that, "while production commission fees have increased, production costs have increased even further, and in response to requests to raise production commission fees, we have treated the grant of production royalties from before recoupment is completed as a point of compromise instead of increasing the production commission fee," indicating that some production committees utilize production royalties as an adjustment mechanism. Accordingly, where, due to the nature of production, it is difficult to calculate and fix the contract price at the time of commissioning, the parties may, following sufficient consultation, consider establishing a remuneration payment method tailored to the circumstances of each transaction, including minimum remuneration guarantees as well as the structure and rate of production royalties.

[76]See Japan Fair Trade Commission, "Guidelines Concerning Abuse of a Superior Bargaining Position under the Anti-Monopoly Act" (revised June 16, 2017), Section 4.3(5)A, Unilateral Determination of Transaction Consideration.

(3) Contractual treatment of copyright

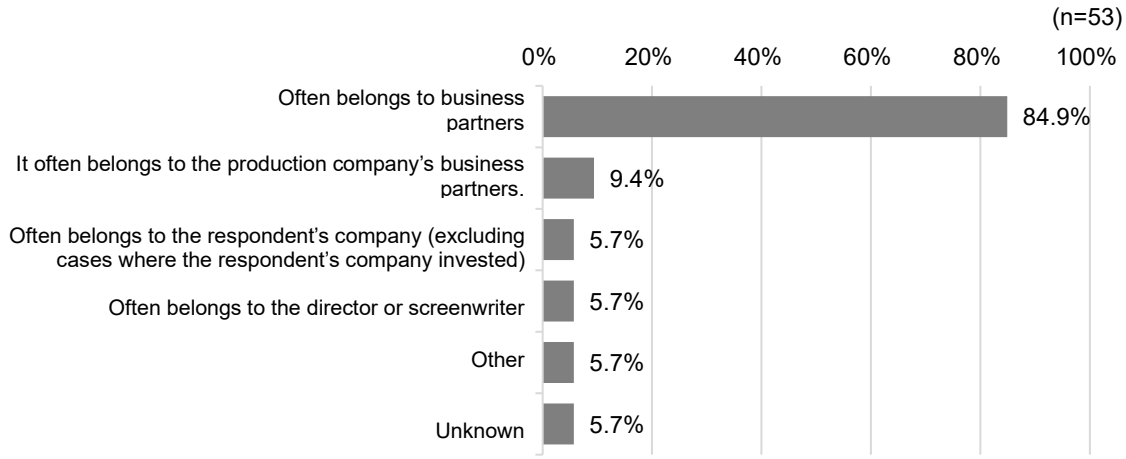
A Actual conditions

(A) Attribution of copyright

As discussed in Chapter 2, Section 1-4, pursuant to Article 29 of the Copyright Act, the entity in which copyright vests (such as the production committee or the prime production company) depends on the specific facts of each case.

In interviews with production committees and prime production companies, some respondents stated that contracts provide that "copyright shall vest in the production committee upon completion," while others stated that where copyright vests in the production company, "it is assigned to the production committee at the time of completion." Also, as shown in Figure3-15, in the questionnaire survey of prime production companies, approximately 80% responded that, with respect to the final holder of copyright over the past five years, it "often belonged to the business partner," suggesting that in many cases the production committee is treated as the final holder of copyright regardless of the initial vesting entity.

Figure3-15 Final ownership of copyright over the past five fiscal years (multiple responses permitted)



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (11)]

<Production committee>

- Where copyright initially vests in the prime production company, the contract provides that such copyright is transferred to the production committee upon completion of the work. It is conceptually possible to grant a license without effecting an assignment of copyright. However, from a business standpoint, a mere license is considered insufficient; accordingly, in order to control and utilize the rights directly, the production committee requires the production company to assign the copyright.
- Because the business model is premised on utilizing rights to generate revenue, it is considered rational to consolidate copyright in a production committee with the capacity to manage and monetize those rights, and this approach is understood to have long constituted industry practice.
- In practice, copyright is often ultimately held by the production committee that has made the investment, and it is regarded as sufficient so long as copyright ultimately vests in the production committee. It is recognized that, going forward, discussion will be necessary regarding the degree of creators' contributions and compensation commensurate with those contributions. There is an understanding of the argument that production companies and creators should receive compensation for copyright.
- The prevailing view is that, because the production committee pays the production commission fees, copyright should be held by the production committee and allocated among its members in proportion to their respective investment ratios.
- If a production company seeks ultimately to retain copyright, the straightforward option is to participate in the production committee as an investor.

<Prime production company>

- Even in cases where a production company were to retain the rights, only a limited number of production companies possess the capacity to utilize those rights commercially; accordingly, some take the view that there is no particular necessity for production companies to hold copyright. Conversely, where copyright initially vests in the prime production company, the absence of compensation for its transfer is viewed as problematic.
- In cases where a production company undertakes a joint production with another production company or a television broadcaster, it may retain copyright. However, under the production committee system, even in cases where the production company originates the project, it does not ultimately retain copyright. Where copyright initially vests in the production company, it is contractually assigned to the production committee.
- Even in the case of an original production, the copyright in the audiovisual production is not shared with the production company and instead ultimately vests in the production committee.

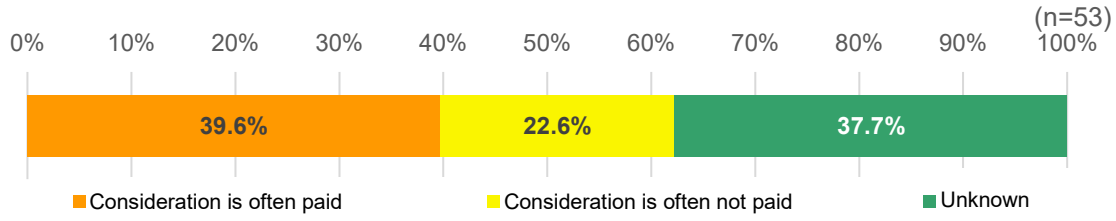
(B) Setting of consideration for transfer of copyright initially vesting in the prime production company

In the questionnaire survey of prime production companies, regarding payment of consideration in cases where copyright was assigned during the past five years, approximately 40% responded that consideration was "often paid," while approximately 20% responded that it was "often not paid." Among prime production companies that responded that consideration was "often paid," the most common response regarding its substance was that it was "included in the production commission fee."

In interviews, production committees responded that where copyright vested in a prime production company is assigned, "the consideration for the assignment of copyright is included in the production commission fee," that "the consideration for assignment cannot be separately calculated," or that "because the prime production company records a certain profit within the production commission fee under headings such as production management expenses, that amount constitutes consideration for the assignment of copyright." In addition, some respondents stated that "production royalties are not intended to constitute consideration for the assignment of copyright."

Prime production companies provided multiple responses regarding cases in which copyright vested in the prime production company is assigned, including statements such as "it is problematic that copyright is assigned to the production committee without compensation," and "because almost no payment is made beyond production costs, the copyright is effectively assigned for ¥0."

Figure3-16 Payment status of consideration for assignment of vested copyright over the past five years[77]



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[77]When prime production companies that responded that "consideration was often paid" were asked to specify the content of such "consideration," the responses were as follows:
- Included in the production commission fee (or required to be included) (8 responses)
- Original rights (1 response)
- Character design usage fees and similar items (1 response)
- Use of interim materials at studio-sponsored events and similar arrangements in lieu of remuneration (1 response)
- Returns in the form of royalties agreed within the production committee (1 response)
- Script royalties and similar items (1 response)

[Interview Excerpt (12)]

<Production committee>

- It is understood that where copyright vested in a prime production company is assigned, the consideration for that assignment is included in the production commission fee paid by the production committee. Because the production company records a certain level of profit within the production commission fee under headings such as production management expenses, that amount is regarded as constituting consideration for the assignment of copyright.
- Where copyright vests in a prime production company, payment to the production company is structured so that consideration for the assignment is included within the production commission fee. Contracts are concluded without itemizing or disclosing the breakdown between the production commission fee and consideration for the assignment.
- Because audiovisual copyright has not yet been commercially utilized at the time it arises and its value cannot then be readily assessed, it is not realistic to estimate separate consideration for its transfer where it initially vests in a prime production company.
- Production royalties are not compensation for the assignment of copyright; rather, they represent a partial distribution to the production company of revenues derived by the production committee from usage of the content, including secondary uses.

<Prime production company>

- If copyright were to remain with the production company, the production committee would require the production company's authorization to utilize it, and some production companies lack the capacity to administer copyright; accordingly, while there is no objection in principle to assigning copyright to the production committee where it vests in a prime production company, the issue raised is that such assignment is effected without consideration.
- The production company is only just able to cover its costs through the production commission fee, and in our case this results in an operating loss. Accordingly, the production commission fee corresponds to actual costs, and it cannot reasonably be characterized as including consideration for copyright.
- Because there are virtually no payments beyond production costs, even in cases where copyright vested in a prime production company is assigned to the production committee, it is in substance transferred for ¥0.
- Even in cases where copyright vested in a prime production company is assigned to the production committee, our company does not regard the production committee as having paid any consideration for that assignment. Although some contracts state that consideration for the assignment of copyright is "included in the production commission fee," the amount of the production commission fee paid is often barely sufficient to cover the actual production costs or results in a production loss, making it difficult to regard that fee as including meaningful consideration for copyright.
- Where copyright vested in a prime production company is assigned to the production committee, the production company must either receive a separate assignment fee in addition to the production commission fee or secure contractual terms entitling it, as a copyright holder, to 10%-30% of revenues prior to completion

of recoupment (top-off); absent such arrangements, the production company cannot maintain financial stability or invest in training animators. In some overseas markets, production companies retain copyright, and in certain cases hold 40%-50% ownership interests.

<Industry associations>

- Where copyright vests in a prime production company but must be assigned to the production committee, the production company does not receive a share of revenues from secondary usage. A further concern is that many production companies are staffed primarily by personnel with on-site production backgrounds who lack the capacity to negotiate with production committees and, even if they were to retain copyright, would lack the ability to administer those rights or distribute revenues. Since they can only receive production commission fees with a labor distribution rate of over 90%, this also means that they do not have the money to allocate to management (human resources).
- Where copyright vests in a prime production company, the production commission fee is paid on the premise that the copyright will be delivered together with the work, and no separate concept of assignment consideration arises.

<Experts (lawyers and scholars)>

- Even in cases where copyright vests in a prime production company and a contract is concluded for its assignment, the consideration need not take the form of a lump-sum payment and may instead be structured as post hoc royalties. There are precedents in other industries.
- Although a structure in which consideration for copyright is paid separately from the production commission fee is conceivable, it is inherently difficult at the contract stage to assess the economic value of the work. Accordingly, a running royalty structure, that is, a revenue-share model under which revenues from secondary usage are distributed to the original rights holder in proportion to sales, may be more workable. Such payment structures are reportedly used in certain overseas markets.

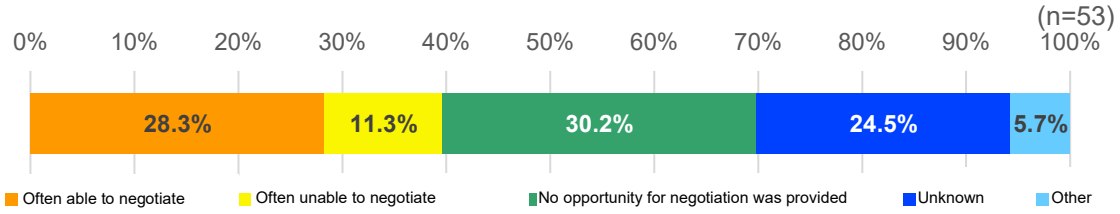
(C) Status of negotiations

In the questionnaire survey of prime production companies regarding the status of negotiations over the past five years concerning copyright ownership and consideration for assignment, as shown in Figure3-17, approximately 30% responded that they were “often able to negotiate,” approximately 10% responded that they were “often unable to negotiate,” and approximately 30% responded that “no opportunity for negotiation was provided.”

In interviews, production committees stated that where copyright vests in a prime production company, it is a shared understanding that “consideration for assignment of copyright is included within the general administrative expenses component of the production commission fee,” while also acknowledging that they have “never expressly confirmed with the prime production company that consideration for assignment of copyright is included in the production commission fee.”

Prime production companies, by contrast, provided multiple responses such as “there is an unwritten industry norm that copyright is not subject to negotiation,” and “even if we request that the production committee return a portion of the profits derived from usage of copyright, they will not agree.”

Figure3-17 Negotiation status over the past five years regarding copyright ownership and consideration for assignment



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (13)]

<Production committee>

・ Where copyright vests in a prime production company, it is regarded as a shared understanding with the production company that consideration for assignment is included within the general administrative expenses component of the production commission fee. They have never expressly confirmed with the production company that consideration for assignment of copyright is included within the production commission fee.

<Prime production company>

◆ Views that negotiations are insufficient

・ Although requests are sometimes made to production committees for a share of profits derived from usage of copyright, such requests are not accepted.

・ Even in cases where copyright vests in a prime production company, it is understood that the production commission fee does not include consideration for the assignment of copyright etc., and no explanation has been provided to the contrary. Copyright ownership and consideration are not treated as matters for negotiation, and it is understood that there is no room for discussion.

・ There is an industry-wide unwritten norm and commercial practice that copyright is not subject to negotiation.

・ Production committees take the position that if they engage in discussions with production companies regarding copyright, the discussion will develop into questions of consideration, and that “attribution to the production committee is a matter of course under commercial practice,” and therefore they do not engage in negotiations and maintain that no issue concerning copyright exists. In principle, negotiation over copyright ownership and consideration should be possible; however, given the stronger bargaining position of production committees, there is

significant concern that resisting this commercial practice would result in loss of future work.

◆Other

- Given the long-standing structural practices in the industry, negotiation over consideration for assignment of copyright where it vests in a prime production company is effectively not possible; moreover, even if such consideration were sought at this stage, production committees would likely respond by reducing production royalties. The immediate priority is to negotiate appropriate production commission fees, and ultimately those fees should be structured to include consideration for the assignment and consolidation of copyright in the production committee.
- An increasing number of arrangements provide for production royalties calculated as a specified percentage of production committee revenues generated prior to recoupment. Because copyright itself is not open to negotiation, our company negotiates the rate of production royalties instead.

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

Regarding the setting of consideration for assignment where copyright vested in a prime production company is transferred, interviews revealed that production committees stated that "because copyright in audiovisual works has no identifiable value at the time it arises, as it has not yet been utilized, it is unrealistic to estimate separate consideration for the transfer of copyright," and experts likewise pointed out that "at the contract stage, it is not possible to calculate the economic value of the work." Business associations also responded that "production commission fees are paid on the premise that the work will be delivered together with copyright, and therefore the concept of separate consideration for assignment does not arise."

Conversely, experts have pointed out that "while it would be desirable to pay consideration for copyright, because it is not possible to assess how much economic value the work will have at the contract stage, a structure in which secondary-use revenues are distributed to the original rights holder in proportion to sales is easier to conceive," and production committees have responded that "production royalties are granted to production companies in the sense of returning a portion of the content usage revenues (such as secondary-use revenues) earned by the production committee," suggesting that, in practice, *ex post* revenue-sharing arrangements may be implemented in conjunction with production royalties. With respect to consideration for assignment where copyright vests in a prime production company, production committees stated in interviews that "consideration for assignment of copyright is included in the production commission fee," whereas multiple prime production companies responded that "most of the production commission fee consists of personnel expenses, and it cannot be the case that gains from assignment of copyright are included in the production commission fee," indicating that prime production companies may in some cases perceive the assignment as effectively uncompensated or inadequately compensated. Experts have also observed that

“while it would be desirable to pay consideration for copyright, because it is not possible to assess how much economic value the work will have at the contract stage, a structure in which secondary-use revenues are distributed to the original rights holder in proportion to sales is easier to conceive.”

In transactions subject to the SME Transactions Act, where copyright vests in a prime production company and the production committee (i.e., its constituent entrepreneurs) requires that such copyright be assigned to it as part of the “content of the benefit,” if the production committee sets the production commission fee, including consideration for assignment of copyright, at a level unreasonably and substantially below the ordinarily payable consideration, such conduct constitutes a violation of the SME Transactions Act (unjust low pricing) (Article 5, Paragraph 1, Item 5 of the SME Transactions Act).

With respect to consultations regarding consideration for assignment where copyright vests in a prime production company, the questionnaire survey of prime production companies indicated that approximately 40% in total responded that they “were often unable to negotiate” or that “no opportunity for negotiation was provided” regarding copyright ownership or assignment consideration; moreover, interviews with production committees and prime production companies included statements such as “we have never expressly confirmed with the prime production company that consideration for assignment of copyright is included in the production commission fee,” and “given the long-standing structure of the industry, it is not possible to negotiate consideration for assignment of copyright,” suggesting that consultations regarding copyright ownership and consideration may in some cases be insufficient.

Following enforcement of the SME Transactions Act, where copyright vests in a prime production company and the production committee (i.e., its constituent entrepreneurs) requires that such copyright be assigned to it as part of the “content of the benefit,” if the production committee unilaterally determines the production commission fee, including consideration for assignment of copyright, by refusing to engage in price consultations despite a request from the prime production company or by failing to provide necessary explanations, such conduct constitutes a violation of the SME Transactions Act (unilateral determination of consideration 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 the production committee (i.e., its constituent entrepreneurs), in commissioning production, requires assignment of copyright together with delivery of the work and, by leveraging its abuse of superior bargaining position, compels the prime production company to assign copyright at an unreasonably low consideration, thereby causing unjust disadvantage contrary to normal commercial practice, such conduct constitutes a violation of the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

Where copyright vests in the production committee from the outset, copyright does not form part of the “content of the benefit” provided by the prime production company, and the foregoing issues do not arise.

2 Performance of transactions

(1) Order cancellation

A Actual conditions

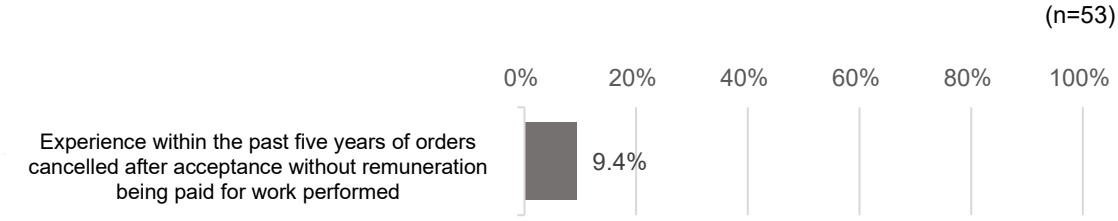
In the questionnaire survey of prime production companies, as shown in Figure3-18, approximately 10% responded that during the past five years there had been cases in which "an order was cancelled after acceptance, but remuneration for work performed was not paid."

In interviews, prime production companies stated that "even if a contract is cancelled for reasons attributable to the commissioning party, in most cases the full amount of costs incurred up to that point is not paid," and that "there are cases where orders are cancelled at the pre-production stage, but the full amount of costs incurred is never paid."

In addition, some prime production companies responded that when an order is cancelled, "because we are unable to find a replacement project for the suddenly vacated production line, fixed costs continue to be incurred without generating revenue, resulting in a loss."

By contrast, production committees responded that "where production of a production is cancelled, compensation is paid in accordance with the actual level of production performed."

Figure3-18 Experience within the past five years of orders cancelled after acceptance without remuneration being paid for work performed[78]



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (14)]

<Production committee>

・ Compensation in the event that a production is canceled during the process of producing it will be paid based on the actual work performed. No monetary compensation is sought where a project is cancelled before production begins. It is common to engage in constructive discussions, including whether another project can be produced on the same production line.

[78]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

<Prime production company>

◆ Experience with order cancellations

- Where commencement of production is put on hold, negotiations are undertaken to seek payment of expenses incurred during the standby period, including personnel costs to secure freelance personnel; however, in one case, expenses remained unpaid even two and a half years after the project was ultimately cancelled following suspension of production. In that case, the company had advanced pre-production at its own expense, incurring costs of several tens of millions of yen. Production was subsequently suspended, and the lead company within the production committee informed us that the work would instead be produced by another company; we were required to relinquish all rights arising during pre-production, including copyright, and none of the expenses incurred up to that point were reimbursed.
- There are also cases in which orders are cancelled at the pre-production stage, and full reimbursement of the costs incurred is not provided. A frequent scenario is that the original author does not approve the project, resulting in termination of production midstream. In fact, several years ago our company experienced cancellation of an order for reasons attributable to the original author, despite having completed the script and location scouting. In that instance as well, our company ultimately bore the costs. Because no written agreement is typically executed at the pre-production stage, many production companies assume that payment will not be made in any event and therefore do not even submit a claim.
- Within the anime industry, where delivery is not completed and the contract is cancelled for reasons attributable to the commissioning party, the full amount of costs incurred up to that point is in most cases not paid. In addition, it is generally not possible to secure substitute production for a production line that suddenly becomes idle, resulting in fixed costs continuing to accrue without revenue and thereby causing losses.

◆Planning and development stage

- There have been instances in which a project failed to materialize at the script stage, production was halted without clarity as to responsibility, and our company bore the script fees etc.
- Although rare, in cases where the lead company within the production committee is conscientious and enters into a separate agreement for planning and development, remuneration may be paid even if the project is abandoned, in which event the production company does not incur a loss.

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

The questionnaire survey of prime production companies indicated that only a minority responded that there had been cases in which “an order was cancelled after acceptance, but remuneration for work performed was not paid.” However, interviews with prime production companies included statements such as “there are cases in which orders are cancelled at the pre-production stage, but we are never paid the full amount of the costs incurred,” indicating instances where a production committee cancelled a production commission and did not bear the costs incurred by the prime production company up to that point. Moreover, even in cases

where the prime production company has not yet commenced production and specific costs have not arisen, some respondents stated that “particularly where cancellation occurs immediately before operations begin, it is difficult to secure substitute work,” suggesting that cancellation may disadvantage 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) cancels an order without reasons attributable to the prime production company, or fails to bear the costs associated with work already performed, thereby unjustly harming the prime production company’s interests, such conduct may constitute a violation of the Act (unjust modification of the content of benefit payments) (Article 5, Paragraph 2, Item 3).

In determining whether the prime production company’s interests have been unjustly harmed, it is necessary to assess comprehensively factors such as the losses incurred by the prime production company as a result of changes in the content of benefits, including expenses borne by it, and the extent of costs assumed by the production committee (i.e., its constituent entrepreneurs) in response to those losses.[79]

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 canceling an order without justifiable grounds and refusing to bear costs incurred up to the time of cancellation, thereby imposing an unfair disadvantage on the prime production company in light of normal commercial practices, such conduct may constitute abuse of a superior bargaining position under the Antimonopoly Act (Article 2, Paragraph 9, Item 5(c)).

(2) Additional payment of production commission fees

A Actual conditions

(A) Overview

a Incidence of additional costs

In the questionnaire survey of prime production companies, as shown in Figure3-19, more than 80% responded that there had been cases over the past five years in which “additional costs were incurred,” suggesting that in most anime productions additional expenditures arise. Reasons cited for such additional costs included extensions of the production schedule, efforts to improve quality or meet additional requirements, increases

[79] Where it is recognized that the prime production company’s interests have not been unjustly harmed (for example, because the production committee (i.e., its constituent entrepreneurs) has borne the expenses or losses incurred by the prime production company) the conduct will not constitute a violation.

From the standpoint of dispute prevention, production committees (i.e., its constituent entrepreneurs) and prime production companies may consider stipulating in advance, (through mechanisms such as a “cancellation policy”), whether payment will be made by the production committee to the prime production company in the event of cancellation of a service commission, and if so, the amount of such payment. However, care must be taken, as depending on how such payment terms are structured, they may give rise to issues under the SME Transactions Act, including unfair price reduction or unjust modification of the content of benefit payments.

In cases involving manufacturing consignment, repair consignment, or the creation of information-based deliverables, even in cases where a cancellation policy has been predetermined as described above, if the goods or information-based deliverables have already been completed, the commissioning party must accept such goods and pay the manufacturing consignment fee, etc. by the predetermined due date, unless there is a reason attributable to the prime production company. (See Japan Fair Trade Commission website, “Frequently Asked Questions Q52” (published December 24, 2025).)

in labor and outsourcing costs, additional work beyond the scope initially agreed, and retake work.

b Negotiations concerning additional costs

As shown in Figure3-20, prime production companies may negotiate with production committees for payment of additional production commission fees when additional costs arise, and more than half responded that they had “often been able to negotiate” over the past five years, indicating that negotiations are conducted to a certain extent.

In interviews, production committees stated that “we may negotiate to suspend production if additional production commission fees are not accepted,” while prime production companies stated that “where additional budget is required, we negotiate with the production committee, including regarding the factors that led to the budget shortfall,” although multiple prime production companies also stated that “we cannot negotiate aggressively in light of concerns that conditions for future commissioned productions may worsen.”

c Allocation of additional costs

As noted above, while prime production companies appear to have been able to negotiate to a certain extent with production committees regarding payment of additional costs, the questionnaire survey of prime production companies indicated, as shown in Figure3-21, that in the past five years just under 40% in total responded that they were “often paid in full” or “only paid in part, but often satisfied with the amount,” whereas the combined total of those who responded that they were “only paid in part, but often not satisfied with the amount,” or “often not paid at all” exceeded 40%, suggesting that even in cases where negotiations are possible, in a certain number of cases prime production companies do not obtain satisfactory results.

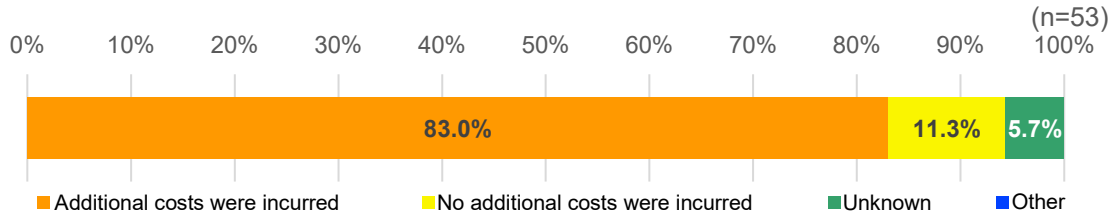
Interviews further indicated that production committees responded that “where additional amounts are requested in cases not attributable to the production company, the production committee pays at least a portion of the additional production commission fee,” and that “where the matter is not the responsibility of the production company, additional production commission fees are paid,” indicating that production committees bear additional costs (in whole or in part) in certain circumstances.

Conversely, some prime production companies stated that “as a general rule, production committees do not cover additional costs.”

It was also noted that because a production committee comprises multiple member companies and each member must obtain internal approval, there are cases in which the committee is unable to authorize payment of additional costs, suggesting that structural features specific to the production committee system may impede such payments.

Several prime production companies further stated that "even if the full additional amount is paid, general administrative expenses are not covered, and once production costs exceed the budget, the company operates at a loss," indicating that even full payment of additional production commission fees does not necessarily result in profit for the prime production company.

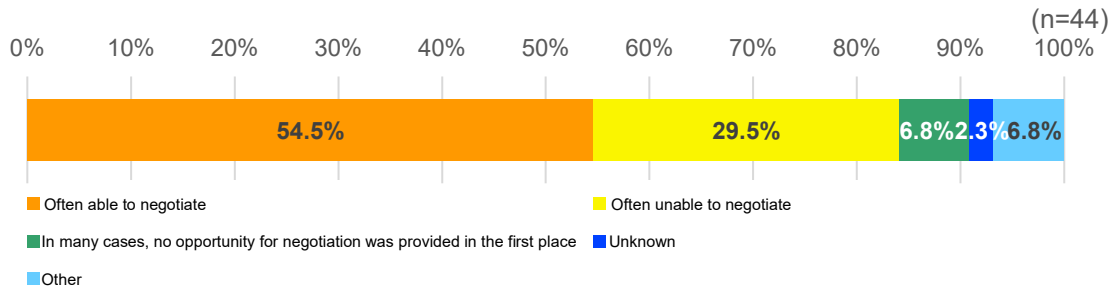
Figure3-19 Whether additional production costs were incurred over the past five years[80]



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

Figure3-20 Whether negotiation over payment of additional production commission fees was possible over the past five years[81]



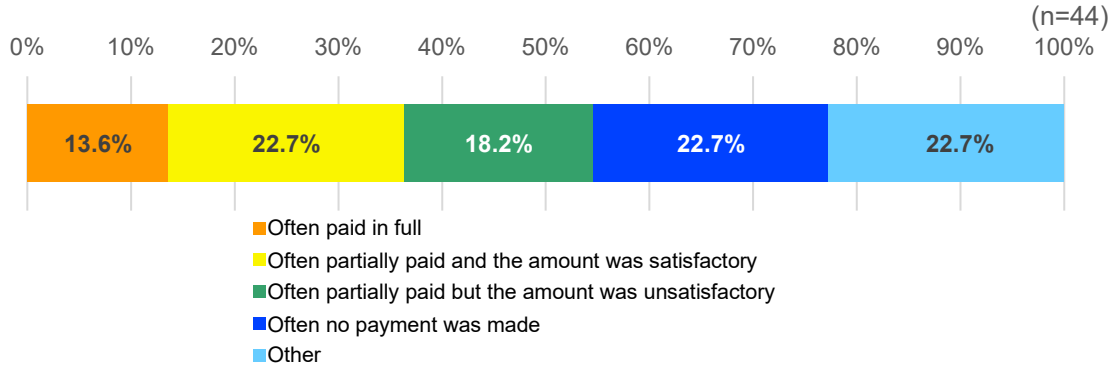
*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[80]When respondents were asked to specify the nature of "additional costs," the principal responses and the number of similar responses were as follows (each number includes responses of similar meaning):
- Schedule delays and extensions of the production period, including both causes attributable to the production company and external causes (16 responses)
- Requests for higher quality than originally agreed at the time of contracting (7 responses)
- Increases in labor and outsourcing costs (7 responses)
- Additional work beyond the scope initially agreed (5 responses)
- Retake work (4 responses)

[81]The following responses were submitted in the free-text field under "Other."
- Where the scope of the order changed, negotiation was possible
- Because the costs relate to internal personnel expenses, no claim is made in the first place
- Production costs are generally agreed in advance, and where our company undertakes production, cost overruns are often borne internally

Figure3-21 Whether additional production commission fees were paid over the past five years[82]



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (15)]

<Production committee>

- Where additional costs arise due to circumstances not attributable to the production company, such as natural disasters or requests from the production committee, and the production company seeks additional production commission fees, the matter is addressed through consultation with the production company. Such consultation does not concern whether the production company should bear the entire cost, but rather the allocation of the burden between the production committee and the production company.
- Prime production companies frequently request increases in the production commission fee, which are addressed on a case-by-case basis through written memoranda. The production committee inquires at which stage an increase is required, examines the consequences of not providing additional funding, and, following consultation, determines whether to approve an increase in the production commission fee. Where delays in other projects or similar factors, not attributable to the production company, make it difficult to secure staff, additional production commission fees are paid. Prime production companies may state that they will suspend production if requests for additional production commission fees are not accepted.
- Standard contract templates generally impose a completion guarantee obligation on the production company, although they also contain provisions allowing for exceptions. During the COVID-19 pandemic, when production companies faced significant hardship, our company paid additional production commission fees for projects that had been suspended and subsequently resumed.

[82]The following responses were submitted in the free-text field under "Other."
- When additional work arose, an estimate was submitted and the amount was generally adjusted to a mutually acceptable level When the production period was exceeded due to shortcomings on our side, no additional payment was made
- Although delays were attributable to our company, payment was sometimes made following consultation
- Production costs are generally agreed in advance, and where our company undertakes production, cost overruns are often borne internally

・ Because production committees operate on a unanimous-decision basis, obtaining approval to amend contractual terms is difficult. Accordingly, within a production committee, a decision to approve payment in excess of the production commission fee agreed at the time of contracting is difficult to obtain. In some instances, the lead company bears additional costs on its own; however, because doing so would increase its investment ratio, opposition from other members may make unilateral additional expenditure impracticable.
・ Where the production method is evidently cost-intensive, such as extensive use of 3DCG, additional production commission fees may be approved.

<Prime production company>

◆Cases where additional production commission fees are negotiated, including cases where the production committee bears part of the costs

・ Where additional budget is required, part of the cause may in some cases be attributable to the production company. Because the allocation of responsibility is often unclear, when additional budget becomes necessary, negotiations are conducted with the production committee, including discussion of the factors that led to the shortfall. During anime production, retakes may be requested by the original author or the production committee, and where it is said that "we are pointing this out because what has been produced has not reached the required standard," responsibility may be attributed to the production company.
・ Where additional production commission fees are required, negotiations are undertaken with the production committee. Whether additional costs are borne depends on a range of factors, including the production company's reputation, projected commercial performance of the production, the status of negotiations concerning other concurrent projects, and the quality of the relationship with the lead company within the production committee. In some cases reimbursement of additional costs is approved, but in many cases it is not.
・ Where a shortfall arises and the production committee is asked to cover it, partial payment may be made. However, because production companies operate in the position of contractors to production committees, there is a constant concern that pressing for additional payment may damage the relationship and jeopardize future commissions.
・ Where costs exceed initial projections, additional production commission fees may be requested from the production committee. Because our company is able to maintain a certain level of quality, it has relatively strong leverage in such negotiations.
・ Even in cases where additional budget is approved, it typically covers only a portion of the losses and is often insufficient in practical terms. Even if the full shortfall is paid, the purpose is merely to restore the project to break-even; general administrative expenses are not covered, and once production costs exceed the original budget the company remains in a loss position.

◆Cases where additional production commission fees cannot be adequately negotiated

- As a general rule, production committees do not cover additional costs. Where additional costs arise due to circumstances attributable to the production committee, however, those costs are to be borne by the production committee. In practice, however, production committees rarely bear additional costs.
- Given the risk of losing future commissions or facing less favorable terms on current or future projects, production companies are effectively unable to adopt a firm bargaining stance.
- Producers serving on production committees establish committees composed of multiple member companies for each project and maintain extensive industry relationships through which information circulates. As a result, reputational information, including perceptions that a particular production company has resisted committee decisions, can spread quickly, constraining the ability to negotiate.

◆Other

- Production commission fees are estimated to include a modest allowance for general administrative expenses, which constitutes part of gross margin. When additional costs arise, that margin is reduced to absorb the overrun.
- Even in cases where a production committee agrees to increase the production budget, such payment typically serves only to offset part of an already realized loss, and discussions tend to focus on how much of the deficit can be reduced.
- Because creators receive on-screen credit for their production and do not bear managerial responsibility, they may press for high quality irrespective of the level of the production commission fee. Because production committees also seek to achieve higher quality within the same production commission fee, they may, for example, state “please follow the director’s instructions,” thereby aligning with measures that increase the burden on the production company without committing to pay additional costs.

(B) Specific issues (where the prime production company is not at fault)

As noted in Section (A)-a above, the questionnaire survey of prime production companies identified the following principal reasons for additional costs: extension of the production schedule, efforts to enhance quality (in response to requests), increases in labor and outsourcing costs, additional work beyond the originally agreed scope, and retake work. With respect to payment by production committees for additional costs incurred in circumstances not attributable to the prime production company, the questionnaire survey and interviews yielded the following results:

a Extension or postponement of the production period

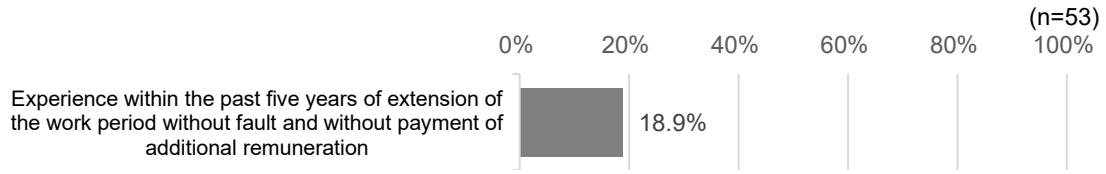
In anime production, freelancers may be retained under monthly remuneration arrangements referred to as “binding contracts.” Accordingly, where the production period is extended, prime production companies may be required to incur additional personnel costs etc. associated with the extension.

In the questionnaire survey of prime production companies, as shown in Figure3-22, approximately 20% responded that within the past five years they had experienced a case in which "the work period was extended for reasons not attributable to themselves, but no additional remuneration was paid."

In interviews, production committees stated that "where a production company requests additional production commission fees, whether to pay depends on the extent of the delay and the cause of the delay," and that "because production period and quality are proportional, delivery may be delayed as a result of prioritizing quality, but as improved quality also benefits the production committee, we accept requests from production companies to the extent possible." Conversely, some production committees responded that "because production companies are subject to an obligation to guarantee completion, we do not in principle assume additional payments, and production companies understand this and rarely request additional amounts."

Prime production companies, however, stated that "even in cases where delivery deadlines are extended for reasons attributable to the production committee, additional production commission fees are not paid," and that "even after the delivery deadline has passed, requests for quality improvements continue up to the eve of broadcast, and the production company bears the associated costs."

Figure3-22 Experience within the past five years of extension of the work period without fault and without payment of additional remuneration[83]



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (16)]

<Production committee>

- Delays are common in anime productions. When delays occur, discussions may be held with the production company regarding an increase in the production commission fee. Depending on the specific circumstances, additional production commission fees may be paid.
- It is understood that delays in the production schedule tend to increase production costs given the nature of anime production; however, as a general matter, production

[83]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

companies do not typically request additional production commission fees from production committees. Although such requests may be made, whether payment is approved depends on the extent of the delay, the degree to which production costs exceed the production commission fee, and the underlying reasons for the delay. Because production companies are contractually subject to a completion guarantee obligation, additional payment is not the default assumption, and it is understood that production companies recognize this and therefore do not frequently request additional amounts.

- Where delays in script supervision cause the production schedule to be pushed back, the amount presented by the production company is generally paid.
- Additional costs resulting from an extension of the production period are, in principle, borne by the production committee or the lead company. Where the production committee does not approve an increase, our company bears the cost. An additional amount in the range of several million yen may not present a significant issue, but where the amount approaches ¥100 million, production may have to be discontinued.
- In anime production, quality and production time are closely correlated. Large production companies in particular tend to prioritize quality, which can lead to delayed delivery and higher production costs as the schedule extends. However, higher quality may result in favorable evaluations from streaming services, which benefits the production committee. Accordingly, production committees endeavor, where feasible, to accommodate requests from production companies concerning extensions of the production period.

<Prime production company>

◆ Reasons why additional costs may arise due to postponement or extension of the production period

- In some cases, production committees themselves cause the production schedule to be prolonged. For example, in one currently commissioned project, the production committee is responsible for developing the original work and script, but that stage is already three years behind schedule, and our company has remained on standby without accepting other projects.
- The production period may also be extended due to circumstances on the production committee's side, such as postponement of the broadcast date by one year from the original schedule. Even in cases where the broadcast is deferred, the production company cannot simply conclude production within the originally planned period. Where the production committee places strong emphasis on quality, revisions may continue until immediately prior to broadcast, extending the production period in line with the delayed airing. Although costs increase as the schedule is extended, the production committee does not necessarily cover those additional costs.
- To secure freelancers, production companies place some under monthly retention arrangements and pay fixed remuneration, and if the delivery schedule is extended, they must incur additional monthly retention costs.
- Extension of the production period therefore results in additional labor costs for both freelancers and employees. If freelancers are released from their retainer

arrangements, it becomes difficult to reassemble the same team, necessitating continued payment of retention fees and leading to further increases in production costs.

- In the past, even in cases where on-site creators sought to devote additional time to improving quality, the piece-rate payment system imposed practical limits, as they needed to produce a certain volume of work to sustain their livelihoods. However, with the shift to a monthly compensation structure, staff have been able to spend as much time as they deem necessary until they are satisfied with the outcome. At present, production committees place greater emphasis on the commercial value of content in anticipation of secondary usage. As a result, they take the position that [works delivered at a mediocre level of quality will not be popular, so they] will not generate profit, and therefore prefer to wait until quality is sufficiently assured. Production committees may state, "Please allow the creators to take the time necessary to produce a good product," yet the additional costs corresponding to time taken beyond the schedule are borne by the production company. As both production committees and creative staff increasingly prioritize quality over adherence to the original production schedule, production companies are placed in a difficult position and, in effect, must absorb ongoing costs while awaiting completion.

◆ Payment status of additional production commission fees by production committees

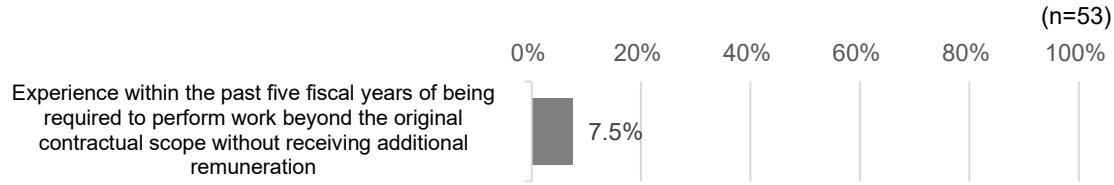
- In recent years, it has become common for a program initially scheduled for an April broadcast to be postponed until July. Regardless of whether the delay is attributable to the production committee or the production company, additional production commission fees are generally not paid solely due to the extension of the delivery schedule. Accordingly, the longer the production period extends, the greater the out-of-pocket burden on the production company.
- Even when the schedule is extended, costs are, as a general rule, borne by the production company. Because any revision to an agreed production commission fee requires the managing company to obtain approval from the production committee, it is difficult for additional production commission fees to be approved absent exceptional circumstances.
- Where unforeseen circumstances arise, such as the need for retakes or illness of key animators, and the production period is extended, the additional costs incurred as a result are, in practice, borne by the production company.
- Where there is a gap between the contractual delivery date and the scheduled broadcast date, production companies may be required to continue quality enhancements up until immediately prior to broadcast. For example, in cases where delivery is scheduled for the end of June and broadcast for early October, even if the animation itself is completed by the end of June, quality revisions may be demanded up to the eve of broadcast, effectively preventing final delivery until the end of September. In such cases, the production company bears approximately three additional months of both variable and fixed costs. Situations where the production commission fee was originally calculated on the assumption of, for example, a 12-month production period, but the schedule is extended and costs ultimately accrue over 15 months constitute one of the principal causes of production deficits.

b Performance of work inconsistent with the contract

In the questionnaire survey of prime production companies, as shown in Figure3-23, approximately 10% responded that within the past five years they had been required to perform "work different from the original contractual content, without receiving additional remuneration."

In interviews, prime production companies stated that "after performing the contract, we are required to revise the broadcast anime for DVD release and are made to carry out the work without additional remuneration," and that "we are asked to collect and process materials necessary for promotion without remuneration."

Figure3-23 Experience within the past five fiscal years of being required to perform work beyond the original contractual scope without additional remuneration[84]



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (17)]

<Prime production company>

- In what is referred to as "DVD retakes," production companies may, after delivery and performance of the contract, be required to revise an anime that has already been broadcast for DVD release, and requiring such post-delivery revisions without additional remuneration is problematic. After delivery of the anime, the production committee may assert that, while the broadcast version posed no issue, the quality is insufficient for DVD release. Because many anime productions are completed only shortly before the contractual delivery deadline, production companies may feel vulnerable to quality-related criticism and, in practice, find it difficult to refuse such requests even after formal delivery. In some cases, production committees are perceived as taking advantage of this situation by requiring DVD retakes without compensation.
- Production companies may also be asked, without remuneration, to collect/process promotional materials and to coordinate with creators for publicity purposes.
- As a general rule, the production of advertisements, trailers, and similar promotional materials is commissioned under separate contracts. If such work is intended to be included within the original contractual scope, it should be expressly

[84]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

stipulated in the contract documentation, and the corresponding fee should reflect that inclusion. Where additional work arises that was not contemplated in the original contract, negotiations with the production committee for additional production commission fees are frequently unsuccessful.

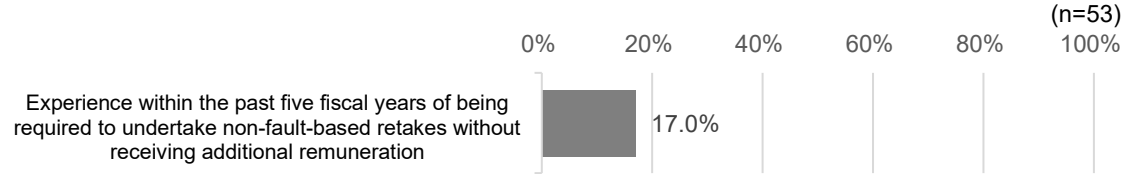
c Retakes

In the questionnaire survey of prime production companies, as shown in Figure3-24, approximately 20% responded that within the past five years there had been cases in which "retakes not attributable to themselves were required, but no additional remuneration was paid."

In interviews, production committees responded that "where there is a retake requested by the original author and the publisher is a member of the production committee, we consider increasing the costs," and that "the cost of a requested retake may in some cases be included in the original production commission fee, and in other cases be paid additionally," suggesting that determinations are made on a case-by-case basis and that additional production commission fees are sometimes paid. Prime production companies also responded that "we negotiate and in some cases it is approved," and that "whether payment is made depends on the case," indicating that additional production commission fees for retakes are sometimes paid.

Conversely, some prime production companies stated that "even in cases where a retake is not attributable to any defect on our part, the retake costs are basically not paid by the production committee," and that "retake requests arise despite agreement having been reached at an earlier production stage (without any additional production commission fee being paid)," suggesting that in some cases prime production companies respond to retakes not attributable to themselves without compensation.

Figure3-24 Experience within the past five fiscal years of being required to undertake non-fault-based retakes without receiving additional remuneration[85]



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (18)]

<Production committee>

- Where retake requests from the original author exceed initial expectations, or in other circumstances not attributable to the production company, the production committee may, in some cases, pay additional production commission fees.
- Publishers, in their capacity as managers of the original work (and its underlying rights), often exercise greater influence than production companies or production committees. In some instances, the original author closely supervises even minor

[85]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

details. If revisions by the original author exceed initial expectations, resulting in an extended production period and increased labor costs etc., and if the publisher is a member of the production committee, the resulting cost increase may be regarded as attributable to the production committee side. In such cases, the allocation of additional costs is discussed with the production company.

・ Because the animation is not fully completed at the stage of voice recording and dubbing, requests for retakes may arise during the editing stage. Additionally, issues may come to light after broadcast as a result of viewer feedback. For example, animation errors such as an incorrect number of fingers on a character, or content deemed inconsistent with public order and standards. In such cases, the production company may voluntarily implement corrections, or revisions may be made at the director's initiative in connection with home video release. The cost of this may be included in the initial production commission fee, or it may be paid separately.

<Prime production company>

◆Cases where additional production commission fees may be paid due to retakes

・ In some cases, negotiations regarding the burden of additional costs associated with retakes may be approved.

・ Additional work is often required at the direction of the original author, and whether or not additional production fees are paid in such cases depends on the case. We have the impression that the production committee is flexible in their response (paying a portion of the cost), but we have received approval from the production committee at each key point in the production process, and since these are additional costs at the direction of the original author that are not our responsibility, we believe that they should pay the full amount.

・ If retakes are required to meet the original author's request, and if we are at fault in coordinating with the original author, we will cover the retakes within the remuneration. If the original author or business partner is at fault, we will negotiate and receive additional fees before requesting a retake.

◆Cases where retake requests are taken on free of charge

・ The editor stated, "Unless you make the revisions intended by the original author, the original author's approval will not be granted." If you don't do so, we won't be able to publish it and then you will likely have to pay the damages," so I was forced to do a retake for free.

・ The production committee may request retakes at the request of the original author (supervised by the original author), and the production company must respond to this. Normally, it is the job of the managing company and publisher to control the original author, but the production company is held responsible for failing to create a draft that reflects the original author's intentions, and is forced to bear the costs.

・ After we had completed sound design and editing, the production committee instructed us to replace several shots and re-edit the work. When the running time changes, the timeline collapses and all sound effects must be rebuilt from scratch. The cost is approximately ¥1.3 million per television episode and ¥10 million for a theatrical release; however, although the revisions and resulting impact were

attributable to the counterparty, and we attempted to negotiate, we were ultimately required to absorb the expense.

- Even in cases where retakes are not attributable to any fault on our part, the production committee does not typically pay the associated costs. Given the nature of the deliverables, it is not possible at the outset of a project to share a fully detailed vision of the finished production with the commissioning party, and there are no objective standards for anime quality; as a result, it is difficult to establish whether responsibility for retakes lies with the production company or the production committee. When retake instructions become excessive, we negotiate, stating that "at the very least, please pay additional costs," but even then it is considered fortunate if only a portion of the costs is recovered, and in some cases no payment is made at all, with statements such as "the problem lies in the low quality on the production side."
- If a retake is demanded at the final stage, such as V-editing (video editing), we must revert to earlier stages of the process, and in some cases revisions continue up to the broadcast date, resulting in substantial additional costs. Because the production committee rarely bears these additional costs, the impact on the production company's profit and loss can be severe.
- A standard 30-minute anime episode comprises roughly 300 shots; however, due to successive retake demands from the production committee, we were at one point required to produce more than 600 shots for a single episode. This situation continued for an entire cour. If the error is clearly attributable to us, for example a character being drawn with six fingers, we accept responsibility; however, requiring the protagonist to wear accessories not included in the approved character design cannot reasonably be treated as our fault. Nevertheless, we received no additional payment, and despite the work becoming a commercial hit, we recorded a production loss exceeding ¥100 million.
- Retake requests are issued even after the content has been approved at the storyboard and rush check stages. The production committee may state, in substance, "we said this at the storyboard stage, but please revise it this way after all," and in some cases it issues such instructions fully aware that they differ from its original directions.

◆Other

- Contracts with production committees often merely stipulate that "if there are defects, they must be corrected," and even in cases where the production company does not regard the work as defective, it may be treated as defective and required to make corrections without compensation. Because this expands the scope of work the production company must perform and increases production costs, we negotiate to clarify which types of revisions fall within our responsibility and seek to amend the contractual terms accordingly.
- Retakes amounting to approximately 10% of the total shots may be tolerable; however, where retake demands are extensive, the production committee should bear the associated costs. Although higher budgets generally yield higher-quality anime, production companies operate under a fixed production commission fee and must deliver quality within that financial ceiling. By issuing retake requests after the fact,

the production committee effectively seeks to enhance quality without increasing the production commission fee. If retakes are required, that suggests the initial production commission fee was improperly priced.

<Industry associations>

・ When the original author requires retakes, the production schedule is extended, and the production company will seek additional production costs as a result. Because production costs are effectively determined by the studio's quoted price, the production committee faces significant financial strain when the original author demands retakes.

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

In the questionnaire survey of prime production companies, as shown in Figure3-19, more than 80% responded that during the past five years there had been cases in which "additional costs were incurred." Some respondents indicated that additional production commission fees are paid following consultations between the production committee and the prime production company; however, others reported that even in cases where the additional costs were not attributable to the prime production company, the production committee did not pay them.

Where a transaction falls within the scope of the SME Transactions Act, if the production committee (i.e., its constituent entrepreneurs), despite there being no reason attributable to the prime production company, causes the prime production company to postpone or extend the production period, perform work different from that under the original contract, or carry out reworking (retakes), and thereby additional costs are incurred by the prime production company, if it fails to pay [86]those increased costs to the prime production company or otherwise unjustly harms the interests of the prime production company, this constitutes an issue under the SME Transactions Act (unjust modification of the content of the performance and unjust reworking) (Article 5, Paragraph 2, Item 3[87]).

In commissions involving the creation of information-based deliverables such as anime production, whether the deliverables satisfy the commissioned scope and meet acceptance criteria may depend in part on the production committee's evaluative judgment, and in some cases it is not feasible to specify clear inspection standards in advance in a purchase order etc. In this context of ambiguous standards, retakes may arise, for example, from supervision by the original author; in some instances, the production committee, as a party to the original production license agreement, may not have maintained sufficient communication with the author to prevent excessive retakes, while in others the prime production company's deliverables may deviate from the required quality level, such that responsibility varies by project; there are also cases in which a freelance creator designated by the production committee as essential staff fails to meet deadlines and, prioritizing quality, extends the production schedule, leaving unclear the allocation of responsibility between the production

[86]Multiple prime production companies responded that "even if the production committee pays the full amount of additional costs, the payment merely brings the balance to ±0 and does not cover general administrative expenses, so once production costs exceed the budget, the company records a loss"; in addition to material and labor costs, general administrative and other overhead expenses must also be appropriately taken into account.

[87]If, without any reason attributable to the prime production company, the production committee causes the production period to be extended and the prime production company incurs additional costs, yet the production committee fails to pay additional remuneration or otherwise harms the prime production company's interests, such conduct may also constitute a reduction of payment under Article 5, Paragraph 1, Item 3 of the SME Transactions Act).

committee that made the designation and the prime production company that manages progress as the freelancer's business partner.

Interview findings likewise indicate that both prime production companies and production committees acknowledged the absence of clear quality standards, the resulting difficulty of sharing a detailed quality vision in advance, and the corresponding difficulty of determining whether responsibility for a retake lies with the production committee or the prime production company.

In such circumstances, when the production committee (i.e., its constituent entrepreneurs), regardless of whether acceptance has occurred, requires a retake on the grounds that the prime production company's performance differs from the originally commissioned scope, even though the relevant standards could not necessarily be clarified in advance, it must not unilaterally determine the cost allocation in a manner that unjustly harms the prime production company's interests; instead, taking into account the circumstances leading to the retake, it must engage in sufficient consultation with the prime production company and determine a reasonable allocation of costs[88].

Even in cases where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs) abuse(s) its superior bargaining position by requesting a retake without justifiable grounds or unilaterally changing transaction terms, thereby imposing an unjust disadvantage on the prime production company in light of normal business practices, such conduct constitutes abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

(3) Late or non-payment

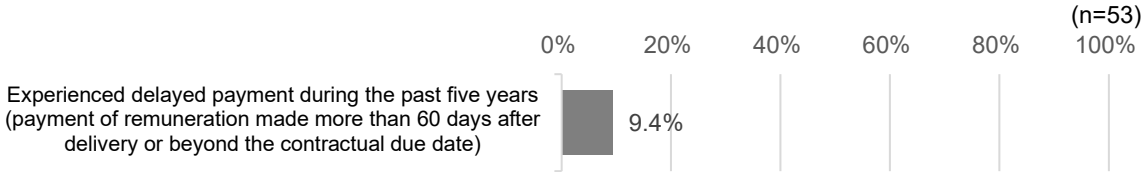
A Actual conditions

In the questionnaire survey of prime production companies, as shown in Figure3-25 and Figure3-26, approximately 10% responded that during the past five years there had been "delayed payment (payment of production commission fees made more than 60 days after delivery or beyond the contractual due date)," and approximately 5% responded that there had been "non-payment of remuneration."

In interviews, although the number of cases was limited, prime production companies 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 initial payment due date under the contract was prior to delivery, payment was not made by that date and, in some cases, funds were not received even after broadcast."

Figure3-25 Experience within the past five fiscal years of delayed payment (payment of remuneration made more than 60 days after delivery or beyond the contractual due date)[89]

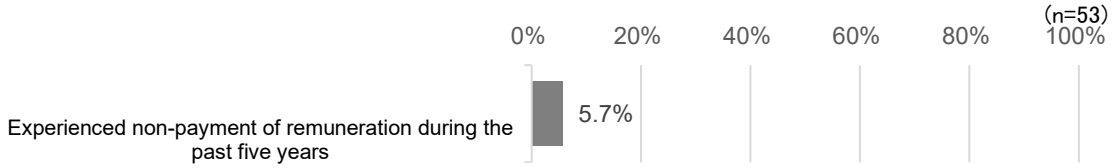
[88]See Japan Fair Trade Commission, "Operational Standards for the SME Transactions Act," Part IV, 8(4), and "Text on the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operator," p.107.
[89]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

Figure3-26 Experience within the past five fiscal years of non-payment of remuneration[90]



*Prime production companies were asked whether they had experienced such conduct at least once within the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (19)]

<Prime production company>

- In a transaction with the managing company of a production committee, payment was not made by the due date on the grounds that investment in the production committee had not yet been finalized.
- On one occasion, when we were responsible for producing a particular production, payment of ¥800 million in production commission fees was delayed. No interest was paid. The delay appears to have resulted from a policy adopted by the managing company not to make payments under arrangements lacking a written contract.
- Contracts with production committees generally provide for installment payment of the production commission fee, and in some cases the first installment is due prior to delivery. However, payment is sometimes not made by the due date and may remain outstanding even after broadcast; although in other industries it may be common to refuse delivery in the absence of payment, if a broadcast slot is missed the production company bears public criticism, and therefore it cannot in practice adopt a “no payment, no delivery” approach.
- Work frequently commences before a purchase order etc. has been issued because the delivery date has already been set. Even in cases where installment payment is agreed, specific payment due dates may remain unsettled, yet delivery of the deliverables is still required. Because a broadcast slot cannot be left vacant, delivery

[90]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

must proceed. Depending on the production committee, payment may not be made even after acceptance, and in some cases substantial production costs must continue to be borne without any written contract in place.

<Industry associations>

- Payment delays do not arise from procedural bottlenecks within the production committee itself. If delays occur, they are likely attributable to internal procedures within the managing company.

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

In the questionnaire survey of prime production companies, although limited in number, as shown in Figure3-25Figure3-26, there were prime production companies that responded that during the past five years there had been “delayed payment” or “non-payment” by production committees.

Interview responses likewise indicated that an increasing number of managing companies have internal rules that “payment cannot be made without a written contract,” while at the same time execution of contracts tends to be delayed, with the result that payment is not made by the due date.

If a production company does not receive payment by the due date for information-based deliverables it has supplied, it may face cash-flow constraints, encounter difficulty paying remuneration to employees and freelancers, and in the worst case be driven into insolvency, thereby undermining business stability. Particularly in the anime industry, as noted in Chapter 2, Section 2, 1(1)(a), many production companies are small in scale and lack substantial capital reserves; accordingly, such conduct may have a significant impact on their operational stability.

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 of payment (the date on which the deliverables were received from the prime production company), [91] this constitutes an issue under the SME Transactions Act (delay in payment) (Article 5, Paragraph 1, Item 2).

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

[91] If the parties fail to specify a payment due date, the date on which the deliverables are actually received is deemed the due date under Article 3, Paragraph 2 of the SME Transactions Act, and failure to pay by that date likewise constitutes delayed payment under the SME Transactions Act). In anime production commission contracts, installment payments of the production commission fee may in some cases include due dates set prior to delivery; in such circumstances, failure to pay by each contractual due date constitutes delayed payment under the SME Transactions Act regardless of whether the deliverables have been accepted.

3 Transactions with video streaming companies

(1) Overview

As noted in Chapter 2, Section 1, 1(2), video streaming companies enter into license agreements with copyright holders of anime productions for streaming on their own platforms and, in some cases, commercially produce and distribute original productions themselves. In the latter scenario, the video streaming company commissions anime production to a prime production company.

With respect to production commission transactions between video streaming companies and prime production companies, the survey found that, for the matters described in Sections 1 and 2 above, conditions were generally more favorable than in transactions between production committees and prime production companies[92].

By contrast, whereas production royalties or success-based remuneration may be provided under the production committee model, such arrangements are generally not established in transactions with certain video streaming companies, indicating differences in contractual terms. Interview findings also reflected a range of views from production committees and prime production companies regarding the disclosure of information such as view counts, including in the context of license agreements for streaming rights with video streaming companies.

Accordingly, the following section outlines the status of transaction terms relating to production commission fees etc., as well as the status of information disclosure.

(2) Transaction terms relating to production commission fees etc.

A Actual conditions

(A) Methods for setting production commission fees

In a survey of prime production companies, regarding methods for determining production commission fees during the past five years, as shown in Figure3-27, approximately 60% responded that they “often reach agreement on production commission fees proposed based on necessary production costs (manufacturing costs),” and approximately 40% responded that they “often determine production commission fees within upper limits or unit prices presented by the business partner.” With respect to negotiations over the amount of production commission fees, as shown in Figure3-28, approximately 70% responded that they “were often able to negotiate.”

Interview responses from both video streaming companies and prime production companies indicated that video streaming companies may bear the full production cost, cover planning and development expenses, and, where additional costs arise, engage in discussions based on the grounds presented by the prime production company and bear the excess amount.

A video streaming company responded that, separate from the production commission fee, it pays a fixed percentage of the production commission fee as general administrative expenses into a separate account, and a prime production company stated that, unlike under

[92]For example, the survey indicated that approximately 5% reported that there had been “retakes not attributable to themselves for which no additional remuneration was paid” (approximately 20% in transactions with production committees), and 0% reported that there had been “extensions of the work period not attributable to themselves for which no additional remuneration was paid” (approximately 20% in transactions with production committees).

the production committee model, “the fact that we will absolutely not incur a loss is a significant advantage for a prime production company.”

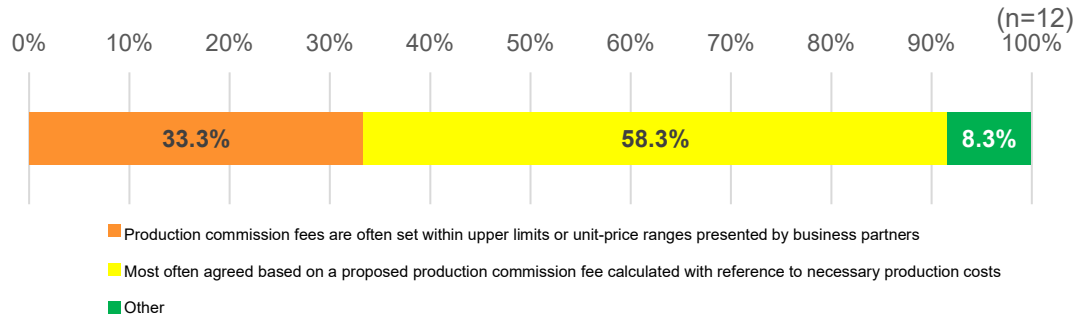
(B) Level of production commission fees etc.

In a survey of prime production companies, regarding satisfaction with the amount of the production commission fee, as shown in Figure3-29, approximately 40% responded that they were “satisfied,” and approximately 40% responded that they were “dissatisfied.”

In interviews, a video streaming company responded that, with respect to increases in production commission fees, “where a production proves successful and production of a subsequent season or sequel is decided, we take measures such as increasing the production commission fee (outsourcing fee) for creators in the subsequent season or sequel.” With respect to remuneration other than production commission fees, while respondents stated that “such payments are not common,” they also responded that “depending on individual negotiations, it is possible to agree to pay some form of additional remuneration,” indicating that remuneration beyond production commission fees may be paid depending on negotiations.

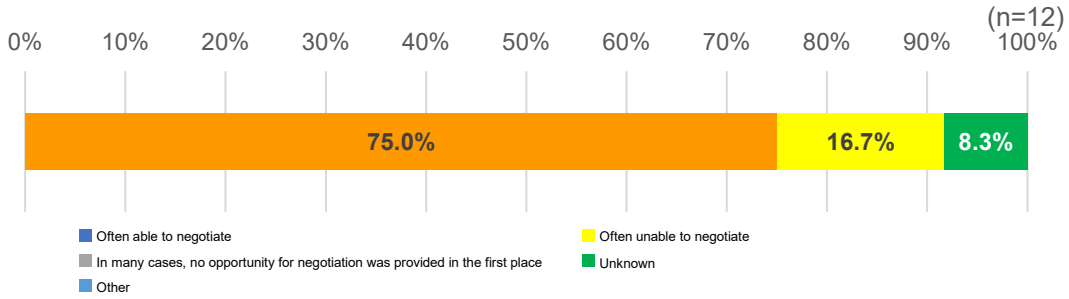
Prime production companies stated that “production commission fees paid by video streaming companies are high,” whereas prime production companies that receive production royalties or that invest in production committees and receive window fees responded that “video streaming companies may assert that they pay 'high amounts,' but the contracts are buyout arrangements and there is no upside from hits such as production royalties, so even if the upfront nominal amount is large, the economic value generated by the production is lower.”

Figure3-27 Methods for determining production commission fees during the past five years



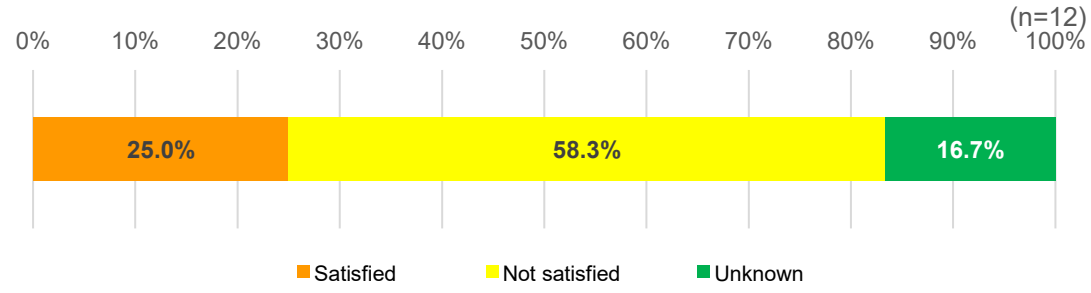
*Prime production companies were asked to respond regarding trends over the most recent five fiscal years
Source: Prepared based on survey results

Figure3-28 Ability to negotiate the amount of production commission fees during the past five years



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years
Source: Prepared based on survey results

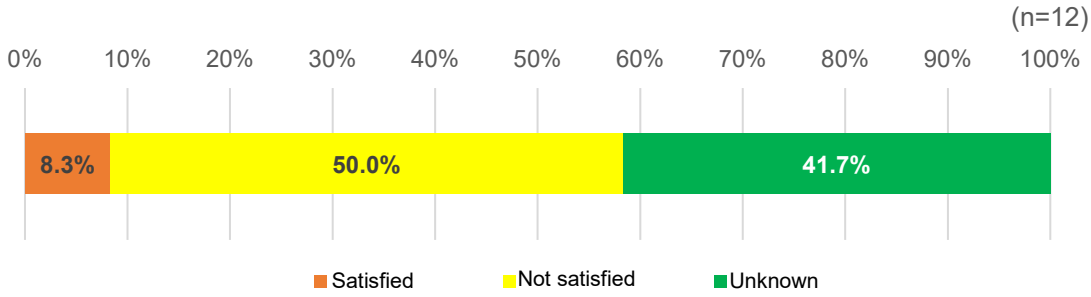
Figure3-29 Satisfaction with the amount of production commission fees[93]



Source: Prepared based on survey results

[93]With respect to reasons for being "dissatisfied," consistent with the survey results concerning the production committee model, the leading reasons were that "production costs (manufacturing costs) have increased as a result of higher required quality than before," "production costs (manufacturing costs) have increased as a result of longer production periods than before," and "increases in prices have not been passed on."

Figure3-30 Satisfaction with remuneration other than production commission fees



Source: Prepared based on survey results

[Interview Excerpt (20)]

<Video streaming companies>

◆Method and level of setting production commission fees

- The approach to determining production commission fees differs fundamentally from the Japanese production committee model. For large-scale projects, unlike the production committee model, the production commission fee is not determined on the premise of a fixed budget such as "please produce this for ¥○ billion"; rather, the prime production company is asked to calculate the production costs, several budget meetings are held, and in principle the production commission fee is determined based on that estimate.
- At our production operations, in the interest of accounting transparency, we request that the prime production company establish a separate bank account for each project, and by managing expenditures through that dedicated account, we maintain clarity regarding the recipients and amounts of all payments.

  In addition, separate from the production commission fee, we pay the production company a fixed percentage of that fee as general administrative expenses into a clearly segregated account, thereby ensuring that the production company secures a profit. Under the production committee model, the obligation to guarantee completion may result in the production company bearing cost overruns, including by drawing from general administrative expenses embedded within the production commission fee. By contrast, because we maintain separate accounts for production costs and administrative expenses, once production costs exceed the agreed budget the parties engage in consultations, and the administrative expense portion is not readily eliminated.
- Under the audiovisual production services agreement, we agree to bear the full production budget in exchange for the transfer of copyright in the production from the prime production company. In addition, we characterize a portion of the production commission fee as remuneration for the commissioned services, including the transfer of copyright, and pay a specified percentage of the total fee as such remuneration, depending on the project. The level of this remuneration is determined appropriately in light of factors such as the scale of the production, the production structure, and the budget.
- Because our business model is based on subscription agreements under which users pay monthly fees, individual productions are not directly tied to revenue, making it difficult to adopt a remuneration structure linked to the performance of a specific title.

◆Planning and development costs and additional expenses

- We calculate planning and development costs by itemizing each task involved, such as research, scenario hunting, and location scouting. For planning and development work that we commission, we pay the production company the agreed planning and development costs as consideration for the services, regardless of whether a production decision, including a greenlight, is ultimately made.
- Because revisions are inherent in the production of a production, additional costs may arise. In such cases, we bear the excess amount based on the justification presented by the production company and following discussions between the parties, as appropriate to the circumstances.

◆ Payment status of remuneration other than production commission fees

- It is not standard practice to pay a prime production company any remuneration other than the production commission fee, such as production royalties or success-based bonuses. However, depending on the background to the project and the outcome of individual negotiations with the prime production company, the parties may agree to provide additional remuneration.
- Under the production committee model, additional remuneration may in some cases be paid in connection with the allocation of revenues from secondary or tertiary usage; however, where the business is limited to streaming, the streaming of secondary-use revenues is structurally difficult under the prevailing business model. We are, however, engaged in ongoing discussions regarding the return of value to creators. For example, where a production proves successful and a subsequent season or sequel is commissioned, we may respond by increasing the production commission fee, or other outsourced fees, payable to creators for that subsequent season or sequel.

<Prime production company>

◆ Responses indicating that production commission fee levels are high

- In transactions with certain foreign-owned streaming platforms, some contracts provide for payment at 20% above production costs. Although a detailed breakdown of costs must be submitted, and no production royalties are paid, the prime production company is guaranteed recovery of its actual production costs. Unlike the production committee model, the arrangement ensures that the prime production company does not incur a loss, which represents a significant advantage.
- We have previously received an approach from a foreign-owned streaming platform offering a production commission fee so substantial that it was evident the amount incorporated consideration for copyright etc.
- Contracts with foreign-owned streaming platforms require submission of a detailed cost breakdown and provide for payment of actual expenses, including back-office costs, plus a 10% margin; however, no production royalties are paid, and the arrangement is structured as a buyout. That said, given that achieving a 10% profit margin is uncommon under ordinary circumstances, the terms are not viewed as unfavorable compared with those under a production committee.
- Production commission fees paid by streaming platforms are generally high and, unlike transactions with a production committee, are understood to include

compensation for the transfer of copyright. While no production royalties or success-based remuneration are provided, the payment criteria clearly permit recovery of actual costs incurred, and additional expenses are also reimbursed, which renders the arrangement fair in that respect.

◆ Responses indicating that production commission fee levels are not necessarily high

- In transactions with foreign-owned streaming platforms, no *ex post* revenue allocation, such as production royalties, is provided, and the contract is structured as a buyout. Although order amounts from foreign-owned streaming platforms are indeed high, our company earns comparatively substantial production royalties in transactions with production committees; under a buyout structure, however, no additional revenue is returned even if the work becomes a hit, and overall profitability is therefore limited. That said, where a prime production company is facing tight cash flow and requires immediate liquidity, it may welcome orders from overseas streaming platforms willing to pay comparatively high production commission fees.
- In many cases, transactions with foreign-owned streaming platforms take the form of a fixed streaming license fee without any production royalties. Although production commission fees are often described as exceeding Japanese market rates, our assessment is that they are not materially higher. By way of illustration, they may amount to approximately 1.2 to 1.5 times the prevailing Japanese production commission fee. They do not give the impression of being double the Japanese rate. Given the restrictions on television broadcasting, merchandising, and similar secondary usage, the terms are not necessarily attractive; whether to proceed depends on the circumstances, including the desire to secure a project or the need for short-term liquidity.
- While streaming platforms contribute to global dissemination of productions, the contractual terms themselves are not regarded as satisfactory. They may assert that they "are paying a high amount"; however, because the arrangement is a buyout and does not provide hit-related upside such as production royalties, even if the nominal amount is substantial, the economic value generated by the production is lower. Even when proposing a structure that reduces the production commission fee in exchange for performance-based remuneration, negotiations have reportedly been categorically rejected.

◆Other

- Foreign-owned streaming platforms cover additional costs. They appear to set a desired streaming date in advance and may propose, "How much would it take to meet the schedule?"
- In one instance, we accepted a prime contract for an anime funded by a foreign-owned streaming platform; during production, however, changes to that platform's Japanese broadcasting regulations rendered the work ineligible for broadcast, and the platform asserted that because delivery had not occurred, the production commission fee would not be paid. Accordingly, where overseas businesses are involved, Japanese commercial practices may not apply, creating a risk of substantial loss.

B Approach under the SME Transactions Act

In interviews, both streaming platforms and prime production companies provided multiple responses indicating that, in addition to reimbursement of actual production costs, planning and development expenses are paid, general administrative expenses of the prime production company are paid separately, and additional costs are reimbursed following consultation where reasonable justification is presented; these responses suggest that prime production companies are often positioned to secure an operating profit. A prime production company also responded that "the consideration paid by streaming platforms is substantial and includes consideration for the assignment of copyright."

By contrast, payment structures such as production royalties, success-based remuneration, and revenue-sharing arrangements, which are observed under the production committee model, are generally not adopted[94]. Where copyright vests in the prime production company, a "buyout structure" under which the streaming platform bears the full production commission fee in exchange for assignment of copyright is considered to be common[95]. In this regard, some prime production companies that receive comparatively high production royalties in transactions with production committees responded that "in transactions with streaming platforms, because there is no post-release revenue such as production royalties, overall profits are not large." Although such circumstances do not in themselves immediately constitute a violation of the SME Transactions Act, once the Act has entered into force, where a transaction falls within its scope and a prime production company requests price negotiations, including with respect to a revenue-sharing structure, any unilateral determination of payment amount by a streaming platform (such as unilateral refusal to engage in discussions of the payment amount), may give rise to an issue under the SME Transactions Act, specifically unilateral price determination without responding to a request for consultation (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).

(3) Information disclosure

In interviews, both production committees and prime production companies stated that, particularly in dealings with foreign-owned streaming platforms, information such as view counts is not disclosed.

Because issues relating to disclosure are relevant not only to production commission transactions with prime production companies but also to licensing transactions for streaming rights with production committees, which frequently hold copyright in the production, the following discussion reflects interview responses from production committees as well.

[94] A performance-based remuneration structure under which payment is linked to factors such as sales of the production or number of views.

[95] That said, there are indications of efforts to enhance the motivation of prime production companies, including consideration of higher production commission fees for sequels and the introduction of future incentive-based remuneration.

A Actual conditions

(A) Significance of information such as view counts

In interviews, production committees and prime production companies stated that information such as post-release view counts "can be utilized for marketing," and that "without such information, it cannot be used for the production, streaming, or theatrical release of subsequent productions; at a minimum, we would welcome demographic data such as total viewers and viewers by age group," while also noting that "because the data itself has value to streaming platforms, they likely do not disclose it in order to avoid giving the counterparty room to negotiate," suggesting that such information may be useful in marketing subsequent productions and in negotiations with streaming platforms.

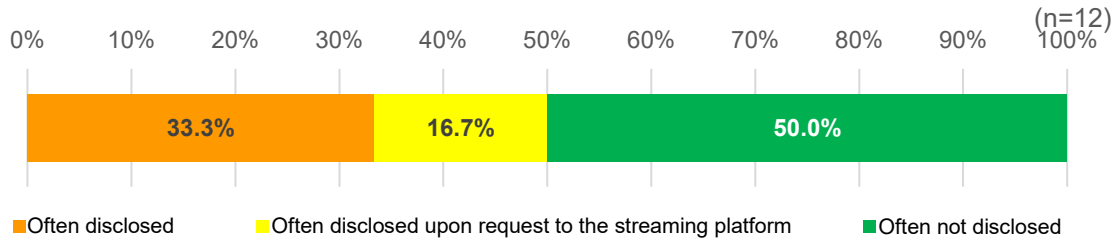
(B) Disclosure of information such as view counts

In the questionnaire survey of prime production companies, as shown in Figure3-31, regarding disclosure of view counts over the past five years, approximately 30% responded that such information is "often disclosed," approximately 20% responded that it is "often disclosed if our company requests access from the streaming platform," and approximately 50% responded that it is "often not disclosed."

In interviews, streaming platforms responded that "with respect to productions commissioned to production companies, we always conduct post-release review meetings and share information such as how much the production was viewed as necessary," and that "in revenue-sharing arrangements, we report information to our business partners," indicating that a certain degree of disclosure is undertaken. By contrast, regarding detailed information such as user attributes and viewing time bands, respondents stated that "considering the system and personnel costs of providing information, it is burdensome and unrealistic to provide the full range of data sought by business partners," and that "information concerning view counts and similar metrics constitutes important trade secrets," indicating that detailed disclosure is difficult due to burden and confidentiality concerns.

Production committees and prime production companies responded that "foreign-owned streaming platforms do not disclose information such as view counts," while also noting that "some Japanese streaming platforms do provide such information."

Figure3-31 Whether view count information has been disclosed over the past five years



*Prime production companies were asked to respond regarding trends over the most recent five fiscal years
Source: Prepared based on survey results

[Interview Excerpt (21)]

<Streaming platforms>

◆ Disclosure of information such as view counts

- Because the granularity of data we collect, including view counts, is not particularly fine, the scope of information we can disclose is inherently limited; however, we consider that we provide production companies with the information necessary for their purposes. In particular, for productions commissioned to production companies, we invariably conduct post-release review meetings and, where appropriate, share information such as the extent of viewership.
- We do not disclose to licensors data such as view counts, gender breakdown, or age demographics for distributed productions. Where license fees are calculated based on total playback hours etc. for a production, we may report the figures necessary for determining those license fees.
- Where the transaction is structured as revenue sharing, sales are apportioned based on the aggregate number of unique users across all episodes, and that unique user figure is reported to the counterparty. No other data is disclosed. We would respond if requested, but no such request has been made.

◆ Difficulty of information disclosure

- Although it may be technically possible to collect data such as which episodes were most viewed, whether viewing was concentrated at night, or whether viewing peaked during summer vacation periods, we do not, in any event, collect data internally at a high level of granularity. Taking into account the system and personnel costs required to provide the level of detail sought by business partners, doing so would impose a substantial burden and is not considered practicable. At most, we can share with business partners the data and internal evaluations that already exist, on a case-by-case basis through the responsible staff.
- Information concerning user attributes and preferences, including view counts per production, gender distribution, and age demographics, constitutes important trade secrets, and, from the standpoint of protecting user trust, is in principle not disclosed. Where necessary for calculating license fees, relevant data may be disclosed to the licensor within that limited scope, and even then only subject to confidentiality obligations.
- Providing detailed viewing data to all business partners would require, for example, the construction of systems allowing counterparties to access our internal dashboards, which would entail significant cost and is therefore difficult to implement.

<Production committee / Prime production company>

◆ Requests for information disclosure

- From a marketing standpoint, we would like access to streaming metrics (including view counts, total viewing time, and number of unique users).
- It is perceived as highly unfair that streaming platforms do not disclose data they are expected to possess, such as view counts and viewer demographics. We have attempted to negotiate disclosure, but overseas streaming platforms have responded

that “it cannot be done,” and we are unable even to get to the negotiation table. We do not consider the requested disclosure to be technically infeasible.

- The absence of access to marketing data presents a significant challenge. Without such data, it cannot be effectively utilized in planning production, distribution, or theatrical release of subsequent productions; at a minimum, demographic data such as total viewers and viewer numbers by age group would be desirable. We do not seek disclosure beyond that level, given the existence of trade secrets.
- We believe streaming platforms should disclose information such as view counts. However, because many streaming platforms do not provide such disclosure, negotiations currently proceed on the assumption that the information will not be shared.
- No view count or similar data has been disclosed by overseas streaming platforms. Frankly, we would very much like access to data such as view counts. Multiple departments within our company have sought disclosure, but those requests have been consistently declined.
- In streaming transactions, the single most important metric is view count. Access to view count data would enable assessment of promotional effectiveness and audience engagement with the core content and would serve as critical input for future promotional strategies; however, streaming platforms have not been willing to provide such data.

◆ Disclosure of information

- Foreign-owned streaming platforms do not disclose view counts etc. This is attributed to the commercially sensitive nature of such data for streaming platforms. Disclosure of streaming metrics would not only provide prime production companies with additional bargaining leverage but could also affect competition among platforms, and streaming platforms are therefore reluctant to disclose such information.
- Information concerning view counts and target audience segments cannot be obtained. Some Japanese streaming platforms provide monthly view count data; however, many provide no data at all, and foreign-owned streaming platforms in particular provide none. Streaming platforms are understood to regard the data itself as valuable and, because its disclosure would increase the counterparty’s bargaining leverage, are therefore presumed not to release it.
- Foreign-owned streaming platforms generally do not respond to requests for disclosure. Some Japanese streaming platforms do provide information.
- Foreign-owned streaming platforms do not disclose data view counts etc. At most, we receive vague verbal comments such as that a title is “apparently a hit in South America.”

◆ Responses indicating that disclosure could adversely affect negotiations

- It was also suggested that, even if streaming platforms were to disclose data, providing information beyond what is strictly necessary could prompt excessive price reduction demands and undermine negotiations etc. Because streaming platforms are structured so that productions appearing in rankings tend to experience

accelerated growth in view counts, as increased visibility attracts additional viewers, disclosure of such data would not necessarily contribute to a healthy market environment.

B Competition policy perspective

Interviews suggest that streaming platforms do not disclose view counts etc. to business partners (production committees) and prime production companies, particularly where the contract is structured as a flat-fee arrangement[96], or that any information disclosed may fall short of the level of detail or accuracy sought by the content provider.

Such information may serve as a basis for negotiating production commission fees or license consideration upon contract renewal or when entering into agreements for series or similar productions.

With respect to the streaming business, the Japan Fair Trade Commission also conducted a Fact-finding Survey on Connected TV and Video Streaming Services, etc. (published March 2024); the sector appears to be competitive to a certain degree, and, in light of the interview results concerning production commission fee levels described in (2) above, it cannot at present be concluded that streaming platforms frequently impose markedly low consideration.

At the same time, streaming platforms may occupy a superior bargaining position vis-à-vis their counterparties, the content providers; in assessing whether a platform has unilaterally set an unduly low level of consideration for content, thereby constituting an abuse of superior bargaining position under the Anti-Monopoly Act, a comprehensive evaluation is required, taking into account whether sufficient negotiations occurred between the parties and circumstances such as supply and demand conditions for video content. From the standpoint of preventing violations of the Anti-Monopoly Act, it is desirable that consideration for content be determined through sufficient negotiations between streaming platforms and content providers. Accordingly, not only in revenue-sharing arrangements but also in flat-fee contracts, streaming platforms should provide, to the extent necessary for appropriate negotiations regarding consideration at the time of contract renewal or when entering into agreements for series or similar productions, information concerning user view counts etc. for the relevant content[97].

[96] A fixed license fee, determined based on factors such as the license period, constitutes the consideration for the transaction.
[97] See Japan Fair Trade Commission, "Report on the Fact-finding Survey on Connected TV and Video Streaming Services, etc." (March 2024), p.120.

2 Transactions between prime production companies and subcontracted production companies

1 Ordering stage

(1) Status of written clarification of transaction terms

A Actual conditions

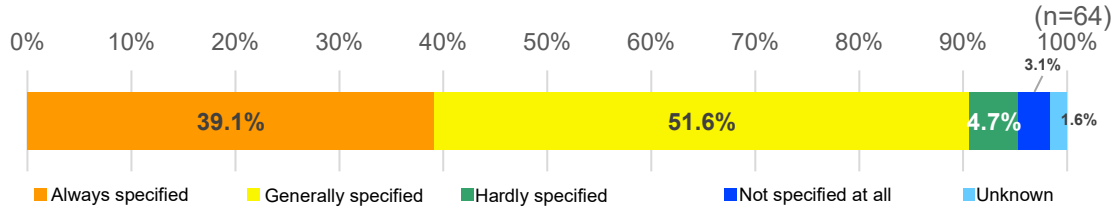
(A) Status of written clarification of transaction terms

In the questionnaire survey of subcontracted production companies[98], regarding the status of specification of transaction terms in writing[99] in transactions with prime production companies over the past five years, as shown in Figure3-32, approximately 90% in total responded that such terms are "always specified" or "generally specified."

In addition, upon confirming the matters specified as transaction terms, as shown in Figure3-33, high percentages were reported for items required to be specified under Article 4 of the SME Transactions Act, including "scope of work" (98.3%), "production commission fees (including the amount)" (98.3%), "delivery timing and delivery conditions" (84.5%), and "payment timing for production commission fees" (74.1%).

In interviews, prime production companies responded that "unless rights ownership is clearly determined, prime production companies that bear responsibility for rights clearance in contracts with production committees will face difficulties later, and therefore we endeavor to present transaction terms," while also noting that "because production and back-office functions are not separated and production staff may be unfamiliar with issuing orders, written documentation is not always thoroughly provided." Subcontracted production companies reported that they do receive written purchase orders and contracts, but that the extent of issuance of such documentation varies depending on the prime production company. Some respondents indicated that orders are often placed orally and that, where the volume of work is small, the work period is short, or the commission amount is minor, no written or equivalent documentation may be provided.

Figure3-32 Disclosure of transaction terms in writing or equivalent form in contracts with prime production companies over the past five years



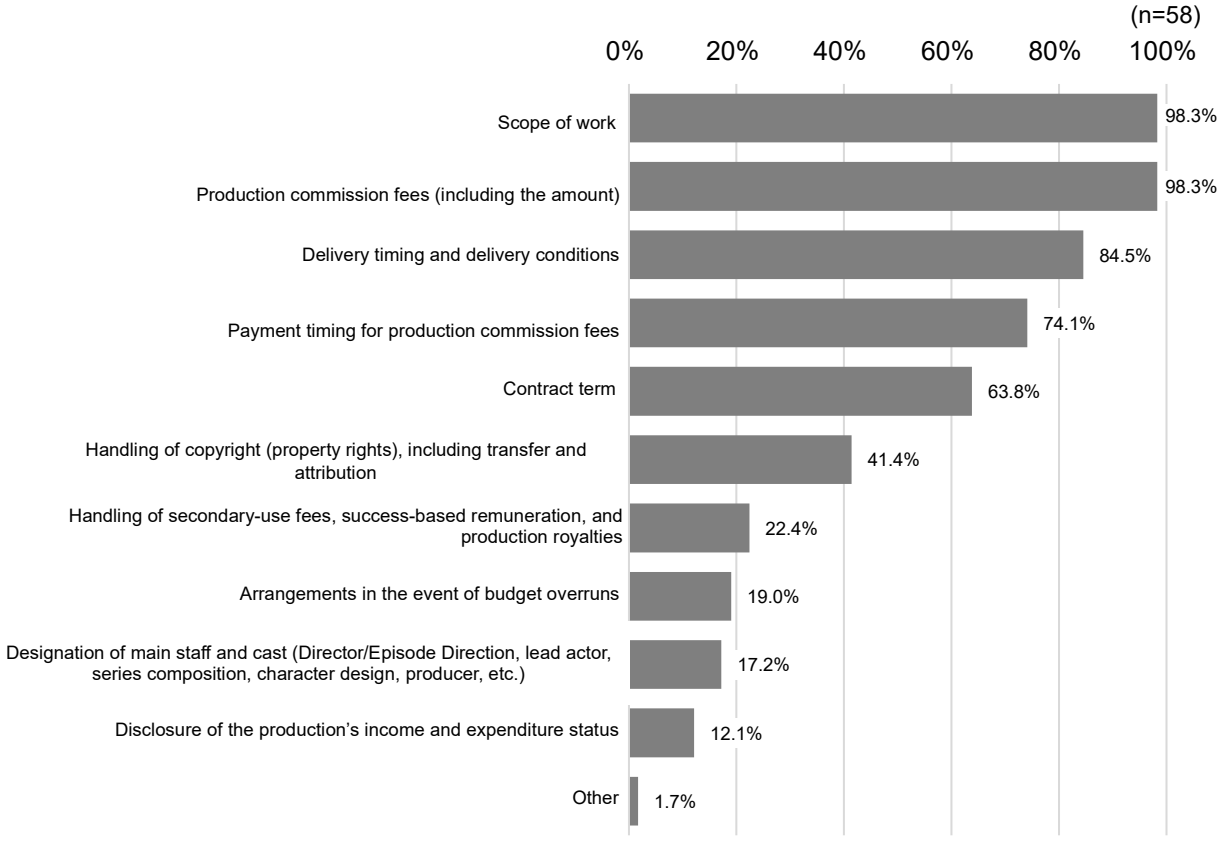
*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[98]This refers to the tabulation of responses from production companies that identified their primary position in the transaction chain as that of a subcontracted production company. The same applies in Section 2 below.

[99] "Written materials" refers to documents such as contracts and purchase orders, as well as electronic communications that identify the recipient (including email, SNS, and chat tools), or delivery of electronic files via media such as USB drives or CD-Rs.

Figure3-33 Items specified as transaction terms (multiple responses permitted)[100]



Source: Prepared based on survey results

[Interview Excerpt (22)]

<Prime production company>

- At present, in light of the development of legislation such as the SME Transactions Act and the Act on the Improvement of Transactions between Freelancers and Enterprises, our company provides written documentation to subcontracted production companies.
- That said, many prime production companies are small in scale; in such companies, production and back-office functions are not separated, and production staff may be unfamiliar with issuing orders, with the result that written documentation is not always thoroughly provided when placing orders with subcontracted production companies.
- Because failure to clearly determine rights ownership can later create difficulties for the prime production company, which bears responsibility for rights clearance under its contract with the production committee, we endeavor to specify transaction terms in advance.

[100]The following responses were submitted in the free-text field under "Other."
Order placement and delivery deadline

<Subcontracted production company>

◆ Whether transaction terms are specified in writing or equivalent form

- In most cases involving commissioned production of a theatrical anime, a written contract is concluded with the prime production company.
- As a general rule, a contract is in place. By exception, where the period before commencement of production is short, such as when "we will begin production next week, so please assist," or where the commissioned amount is relatively small, on the order of ¥100,000, a formal contract may not be prepared and a purchase order may be used instead.
- Whether a contract is prepared depends on the prime production company. Where the assignment involves a defined volume of work, such as animation and finishing for half of an episode, and the commissioning entity is an established company, a written contract is prepared; however, in the case of piecemeal work ordered by number of shots, arrangements may be agreed by telephone between the parties, with exchanges such as "Could you handle this?" "Sure." In such cases, no written contract is executed.
- In some instances, no contract is provided, and only a production schedule and purchase order are issued prior to commencement. As a result, certain terms agreed orally may become ambiguous.
- In practice, contracts are seldom concluded with prime production companies. The first written order for a television anime production from a prime production company was received in June of this year. At the initial stage of the engagement, the schedule and remuneration are adjusted in person and agreed orally.
- In transactions between a sound effects company and an anime sound production company, a written contract is typically not executed. In some cases, the purchase order is issued only after completion of the production work.

◆ Matters specified

- The purchase order states the unit price and the number of units ordered, but does not specify a delivery deadline. Because delivery deadlines vary depending on the status of the production, they are not specified in the order document but are instead communicated verbally or by email, for example, "Please complete that title by xx date."

◆Other

- Some respondents indicated that they often prefer not to have a written contract. This is attributed to the difficulty of negotiating on equal terms with the ordering party and concern that a written contract may contain provisions unfavorable to the subcontracted production company.
- One perceived reason contracts are not concluded in advance is that the amount of remuneration is not finalized until shortly before commencement. With respect to sound production costs, remuneration for voice actors and the sound director is determined first, followed by remuneration for sound effects etc.

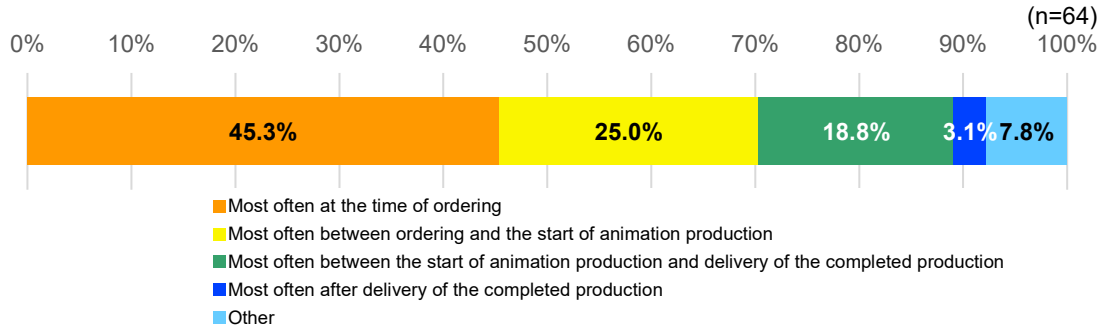
(A) Timing of written clarification of transaction terms

In the questionnaire survey of subcontracted production companies, as shown in Figure3-34, regarding the timing at which prime production companies actually specify transaction terms, etc. in writing, approximately 45% responded that such terms are most often specified "at the time the order is placed," while approximately 47% in total responded that they are most often specified "after the order is placed but before commencement of anime production," "after commencement of anime production but before delivery of the anime," or "after delivery of the anime."

Compared with transactions between production committees and prime production companies (Figure3-4), a higher proportion of respondents indicated that transaction terms are specified at the time of ordering in transactions between prime production companies and subcontracted production companies.

In interviews, prime production companies responded that "based on the purchase order, we execute a contract with the subcontracted production company no later than before the first payment is made," whereas subcontracted production companies responded that "although there is a contract, it is concluded late," and that "in some cases, no contract has been prepared at the time work commences." Interviews also included responses, particularly from specialized studios, indicating that issuance of written documentation tends to be delayed.

Figure3-34 Timing of specification of transaction terms etc. in writing or equivalent form over the past five years[101]

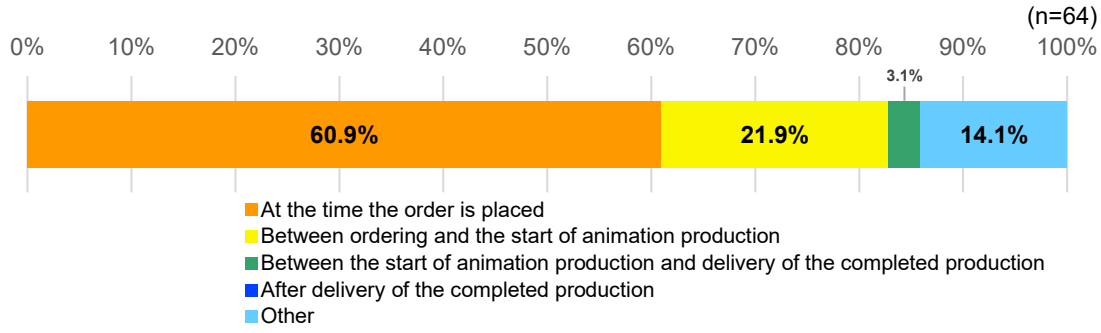


*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[101]The following responses were submitted in the free-text field under "Other."
- Decision is made after reviewing the terms etc. prior to placing the order
- Terms are presented at the time of ordering and subsequently revised and finalized through discussions during production
- The timing of specification varies by prime production company, including at the time of order placement, after the order but before commencement of work, or even after delivery
- In some cases, no written or equivalent documentation exists
- Depending on the counterparty, all four items may be specified

Figure3-35 Preferred timing for disclosure of transaction terms[102]



Source: Prepared based on survey results

[Interview Excerpt (23)]

<Prime production company>

・ Based on the purchase order, the prime production company executes a contract with the subcontracted production company no later than before the first payment becomes due. In the case of a continuing anime series, creation typically begins 18 to 24 months before broadcast; for a series scheduled to air in FY2025, the purchase order would be issued during FY2023.

<Subcontracted production company>

・ Although a written contract exists, it is often executed only after a significant delay.

・ The amount of remuneration is often not disclosed in advance (by the prime production company) and is instead determined after completion of the creation work. When remuneration proves lower than expected after the order has been placed and the work completed, schedule control and business management become difficult; accordingly, subcontracted production companies request that the terms be clearly set out in writing in advance.

・ In some cases, no written contract has been prepared at the time work commences. Even in cases where the arrangement begins as a verbal agreement, once the contract is concluded and work has started, it is difficult to withdraw solely because certain transaction terms are unsatisfactory.

[102]The following responses were submitted in the free-text field under “Other.”
- Before an order is placed Orders should, in principle, be issued only after detailed terms have been agreed
- We have no choice but to accept the conditions set by the counterparty, so whether a written document is issued is beside the point As a result, the timing makes no practical difference
- At the stage when accepting or declining the order is under consideration
- From a cash-flow perspective, the terms should ideally be disclosed at the order stage; however, because it is difficult to produce an accurate estimate at that point, it would be preferable to finalize the amount later
- Any timing is acceptable provided payment is properly made
- At the same time the work is requested
- In many cases, the prime production company does not issue a written contract
- The preferred timing depends on the nature of the work, but ideally it should be before or at the time the order is placed

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

According to the questionnaire survey of subcontracted production companies, regarding the disclosure in writing of transaction terms in dealings with prime production companies over the past five years, as indicated in Figure3-32 and Figure3-33, important terms are disclosed in writing in most cases; however, as shown in Figure3-35, in a substantial number of cases disclosure occurs either immediately before the commencement of the commissioned creation work or after work has already begun.

Under the SME Transactions Act, where a commissioning business operator entrusts a small or medium-sized entrusted business operator, it must immediately specify the required matters (Article 4, Paragraph 1 of the SME Transactions Act). In general, commissioning transactions for anime creation between prime production companies and subcontracted production companies are considered to constitute commissions for the creation of information-based deliverables under Article 2(3) of the SME Transactions Act; where such transactions fall within the scope of the Act, the prime production company must specify the transaction terms without delay when commissioning the creation of information-based deliverables.

As with transactions between a production committee and a prime production company (see Section 1(1)(i) above), even in cases where detailed terms cannot be fixed at the ordering stage and certain matters remain unresolved, the SME Transactions Act permits subsequent supplementary disclosure (proviso to Article 4(1)); accordingly, the prime production company is required to specify finalized terms immediately in writing and, after sufficient consultation regarding unresolved matters, to determine them as early as practicable and promptly provide supplementary written disclosure.

Even in cases where the SME Transactions Act does not apply, there were responses stating that “failing to specify transaction terms in writing before the subcontracted production company commences the commissioned work results in the subcontracted production company performing work under unclear contractual terms, and if unfavorable conditions are presented after commencement, the subcontracted production company may have no choice but to accept them,” suggesting that such practices may give rise to abuse of superior bargaining position by the prime production company. Accordingly, even in such cases, prime production companies should promptly specify finalized terms in writing and, following adequate consultation, determine unresolved matters as early as practicable and disclose them in writing.

(2) Transaction consideration (production commission fees, etc.)

A Actual conditions

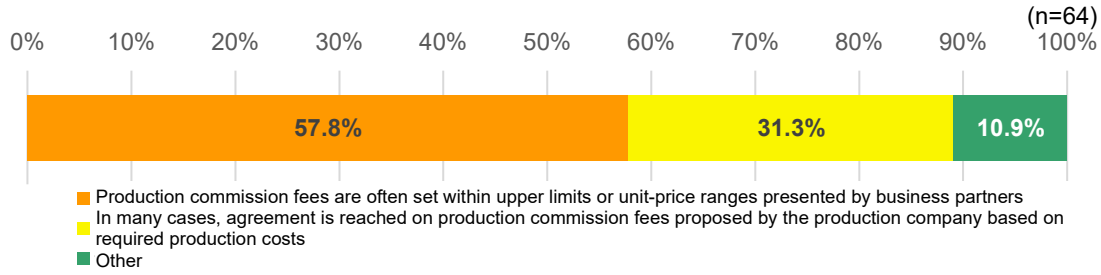
(A) Methods for setting production commission fees, etc.

In the questionnaire survey of subcontracted production companies, as shown in Figure3-36, regarding methods for determining production commission fees over the past five years, just under 60% responded that they “often determine production commission fees within the upper limits or unit prices presented by the business partner,” while approximately 30% responded that they “often reach agreement on production commission fees proposed after taking into account necessary production costs (manufacturing costs).”

With respect to negotiations over the amount of production commission fees, as shown in Figure 3 37, just under 60% responded that they "were often able to negotiate."

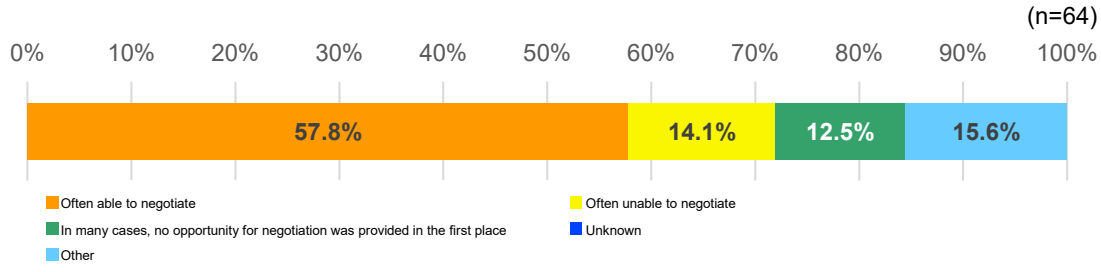
In interviews, several subcontracted production companies responded that production commission fees are often specified by the prime production company and that the unit price itself is not negotiable; however, some stated that "a budget is presented, the scope of work is examined, and cost calculations are carried out accordingly." They further noted that projected costs frequently exceed the initial budget, in which case the subcontracted production company presents its cost estimates and enters into negotiations. A prime production company also responded that "we are aware that the counterparty's business conditions are difficult, and if negotiations are raised, we will accept a modest increase."

Figure3-36 past Methods for determining production commission fees over the past five years[103]



*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years
Source: Prepared based on survey results

Figure 3-37 Whether the amount of production commission fees has been negotiable over the past five years[104]



*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years
Source: Prepared based on survey results

[103]The following responses were submitted in the free-text field under "Other."
- The proposed amount is discussed and finalized by mutual agreement (*two responses to this effect)
- The base unit price is predetermined but may be adjusted depending on the content

[104]The following responses were submitted in the free-text field under "Other."
- Negotiation is possible for items other than animation, but there is little to no room to negotiate fees for animation work
- Additional negotiations are conducted where unforeseen work arises
- Negotiation may have been possible, but no proactive efforts were made
- Negotiation is technically possible, but any increase is minimal and rarely reaches the requested amount
- It depends on the scope of work and the business partner
- After previously being told, "We do not entertain such requests," the respondent has not raised the issue again.

[Interview Excerpt (24)]

<Prime production company>

- A project is not halted solely because the production commission fee proposed by a subcontracted production company is considered too high. In response to recent price increases, the company has proactively asked whether an upward adjustment of the production commission fee is warranted, even absent a request from the subcontracted production company. It also makes advance payments of production commission fees where appropriate.
- In proposing a production commission fee, the company may approach a subcontracted production company with an indicative amount, asking, "Could you undertake this for approximately ¥XXX,XXX?" While aware of the subcontracted production company's difficult financial circumstances and willing to accept modest increases through negotiation, the company does not agree to substantial increases given the constraints of the original commission amount. Proposals are often declined; however, the reason is typically capacity constraints at the subcontracted production company rather than the fee level itself.
- For certain anime creation projects for which it serves as the prime production company, the company outsources portions of the work to other production companies. The order amount may be determined either on the basis of an estimate submitted by the subcontracted production company or through negotiation after the company presents a proposed unit price.
- Subcontracted production companies sometimes seek fee increases, but their requested amounts cannot simply be accepted in full. Although it recognizes that labor cost pass-through may be necessary in some cases, requests for fee increases are sometimes made without supporting explanation or evidence, necessitating negotiation.

<Subcontracted production company>

◆Cases where there is room for negotiation

- Even when approached with new projects, the standard rate for key frames, typically ¥3,000 to ¥4,000 per shot, is initially presented; however, for layout key frames the company negotiates ¥15,000 per shot, and for particularly complex shots it negotiates ¥20,000 to ¥30,000 per shot. Such successful negotiations are considered exceptional. The company attributes this to its reputation, the high quality of its staff, and its association with well-known creators.
- Typically, a fixed budget is presented at the outset, after which the scope of work is reviewed and costs are calculated. Where costs are projected to exceed the budget, the company presents its cost estimates and enters into negotiations.
- In one instance, when a specialized studio sought negotiations with a prime production company, the fee was promptly increased to 1.5 times the original amount without opposition. As a result, the company returned to profitability within one year. In essence, although the prime production company recognizes the value of specialized studios and understands that a rejected proposal would be problematic, it may continue offering low fees where counterparties do not initiate negotiations, thereby maintaining transactions at below-value levels.

◆**Cases where sufficient negotiations are difficult**

- By the time a request for work reaches the company, the prime production company has typically already fixed the budget, including allocations for each stage of the process. As a result, although a subcontracted production company may attempt to negotiate higher rates, reaching agreement on an increase is difficult in practice. Because animation and finishing work involve large volumes, even a modest increase in the unit price can have a significant impact on the overall budget. As most of the company's assignments consist of partial work on a per-episode basis, negotiations are often perceived as challenging.
- Although the company sets a minimum unit price for accepting work, unit prices are generally specified by the prime production company, and opportunities to negotiate the rate itself are rare. The total production commission fee is determined by the prime production company.
- For projects other than 30-minute television anime, the company submits an estimate in advance and negotiates accordingly, with a post-production reconciliation conducted after completion. However, fee levels tend to follow past precedents, making upward revisions difficult to secure. In work where creative contribution is particularly emphasized, there is often no clear benchmark to support a request for higher rates, and it remains unclear what level of increase would be considered reasonable.
- Some prime production companies are reluctant to engage in negotiations. Although the company does not actively seek to transact with such counterparties, it lacks the flexibility to decline work selectively.

(B) Production commission fee level

In the questionnaire survey of subcontracted production companies, as shown in Figure3-38, 75% responded that production commission fee levels have increased over the past 10 years.

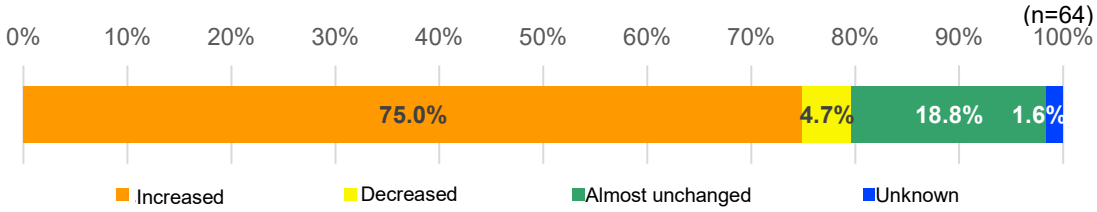
However, with respect to satisfaction with the amount of production commission fees, as shown in Figure3-39, just under 20% reported being "satisfied," while just under 70% reported being "not satisfied." As shown in Figure3-40, the reasons given for being "not satisfied" were that approximately 70% responded that "production costs (manufacturing costs) are rising because the required quality has increased compared to the past," approximately 65% responded that "the base level of production commission fees is low to begin with," and approximately 60% responded that "inflationary increases have not been passed on" and that "production costs (manufacturing costs) are rising because the production period has become longer than before."

Regarding operating profit or loss attributable solely to production commission fees by business category, as shown in Figure3-41, the proportion of subcontracted production companies engaged in animation that reported profits was equal to the proportion reporting

losses, whereas in other categories the proportion reporting profits exceeded those reporting losses.

In interviews, prime production companies stated that production commission fees paid to subcontracted production companies have increased; however, subcontracted production companies responded that increases have been absorbed by extended production periods and corresponding rises in labor and overhead costs, and that they do not perceive any real increase in effective remuneration. Several respondents further stated that, despite rising quality expectations, increases in production commission fees have been minimal and unit prices have remained largely unchanged for decades. Additional responses indicated that trends differ by production stage, for example that “unit prices for animation and finishing have not increased, whereas rates for key animation and color design have risen,” and that “although rates for animation directors, key animators, and animators have increased somewhat, the rate of increase is modest.”

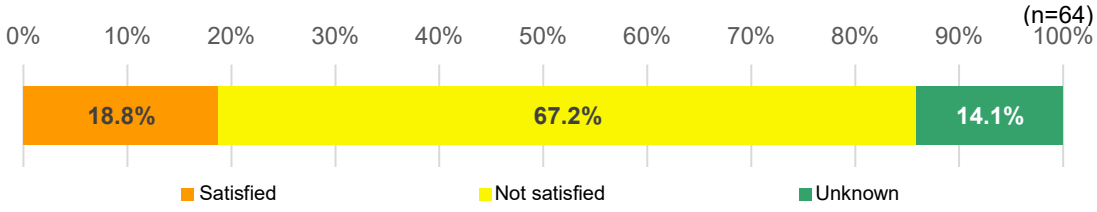
Figure3-38 Changes in production commission fee levels over the past 10 years



Respondents were asked to describe trends over the most recent 10 fiscal years

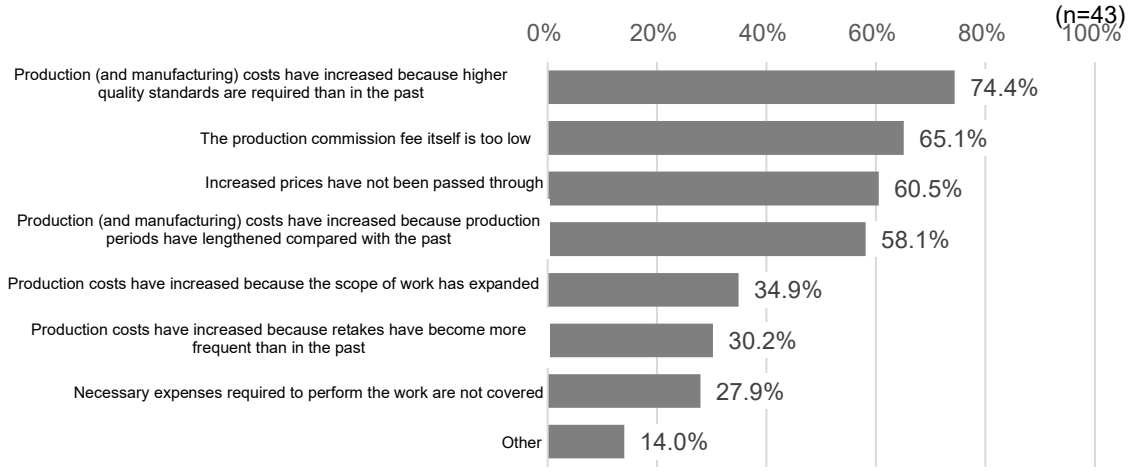
Source: Prepared based on survey results

Figure3-39 Satisfaction with the level of production commission fees



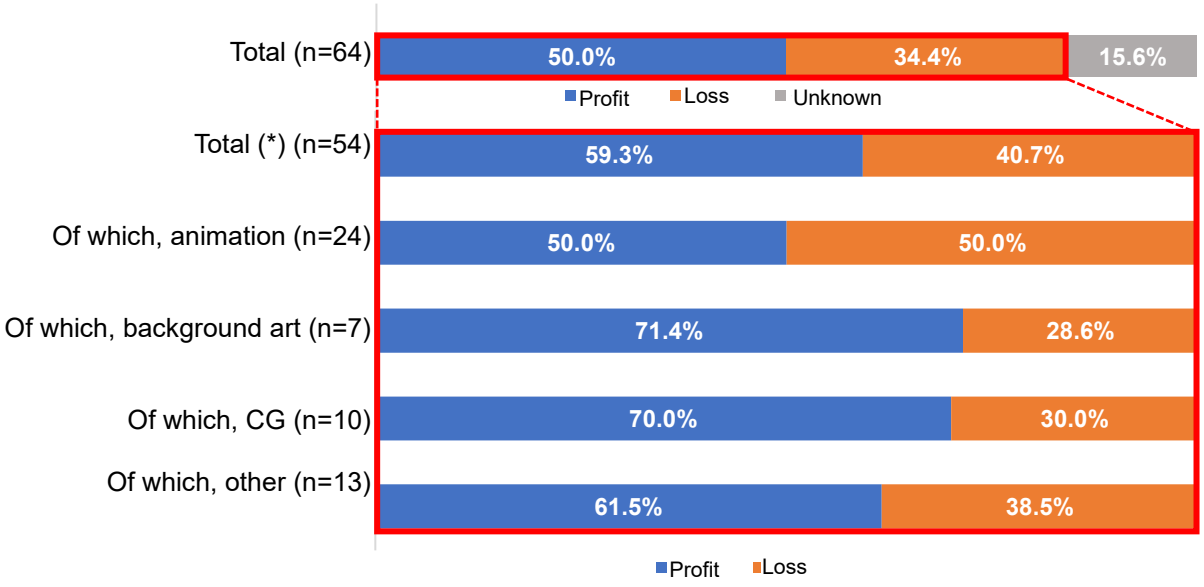
Source: Prepared based on survey results

Figure3-40 Reasons for dissatisfaction with the level of production commission fees (multiple responses)[105]



Source: Prepared based on survey results

Figure3-41 Operating Profit or Loss by Business Category over the Past Year[106]



*Excluding responses that selected “Unknown” with respect to operating profit or loss attributable solely to production commission fees.

Source: Prepared based on survey results

[105]The following responses were submitted in the free-text field under “Other.”
- Compared with the game industry, with which the company also conducts business, production commission fee levels are perceived as lower
- Fee levels are insufficient to sustain a livelihood without excessive overtime
- The remuneration does not reflect the quality delivered
- The method of setting unit prices is perceived as unfair
- Unit prices are too low relative to the complexity of the work and the time required
- The company is adversely affected by factors beyond its control, such as schedule delays

[106]Other categories include photography, editing, sound, etc.

[Interview Excerpt (25)]

<Prime production company>

- Outsourcing costs to specialized sound studios have increased slightly to ¥1.5 million per episode. Of that amount, approximately ¥700,000 represents labor costs, and compensation for mixers and engineers has risen modestly. Where a specialized sound studio seeks a price increase, the matter is first discussed with the production committee, after which negotiations are conducted with the studio.
- No margin is built into outsourcing costs paid to sound companies; accordingly, the quoted amount is passed through directly to the subcontractor.
- Production commission fees paid by the prime production company to subcontracted production companies have increased. Although the prime production company continues creation while payment of production commission fees amounting to several hundred million yen remains deferred by the production committee, such circumstances are irrelevant to the subcontracted production company, which therefore invoices for the full amount immediately upon delivery of the deliverables. Because subcontracted production companies can bill the prime production company for incurred costs and receive payment, it is suggested that they may face comparatively fewer cash-flow constraints.

<Subcontracted production company>

◆ The level of production commission fees

- A government report stated that the average fee for gross subcontracting was ¥8 million; however, that level is no longer sustainable under current conditions. It has also been reported that the production commission fee per episode was ¥25 million, but accepting work at that level today would result in insolvency.
- Unit prices for animation and finishing have not increased, whereas unit prices for key animation and color design have risen. However, color design is remunerated on a per-title basis, and substantial time is spent in meetings and other non-billable activities, resulting in comparatively low effective remuneration relative to actual working time.
- Compared with the past, the quality demanded of anime productions has increased. For example, even in cases where character line production itself is not especially intricate, direction and staging have become more expansive and complex year by year. As a result, the number of cuts that can be completed within a given period has declined markedly compared with the past. Although unit prices have remained largely unchanged, both the company and individual creators face increasing strain because they are unable to complete the same volume of work.
- Any increase in production commission fees has been absorbed by longer production periods and the associated rise in labor and overhead costs, and there is therefore no sense that effective remuneration has increased.
- Of the overall production commission fee for anime, the portion allocated to sound production in television anime was reportedly as low as ¥1 million per episode 10 years ago. At present it ranges from approximately ¥1 million to ¥1.8 million, with a median of around ¥1.5 million, indicating little change from past levels.

◆ **The Level of Unit Prices for Animation and Finishing**

- Even at the highest rate offered, the unit price for animation and finishing is only ¥230 per sheet, which is extremely low relative to the effort required. In some cases, the rate is as low as ¥180 per sheet. Because creators cannot be left without assignments, where work at ¥230 per sheet is unavailable, projects at ¥180 per sheet must nevertheless be accepted.
- Animation and finishing work requires high volume to generate profit; however, in recent years it has increasingly demanded a level of detail and line density that precludes processing large quantities. For example, in some recent anime productions, the volume of line production that previously would have been spread across 10 sheets is now concentrated into a single sheet. Nevertheless, compensation is paid only at the rate for one sheet.
- Despite the increasing level of quality demanded, unit prices have remained largely unchanged for decades. Fees for animation directors, key animators, and in-between animators have risen somewhat, but the rate of increase has been modest. Approximately 50 years ago, the fee for one sheet of animation was in the mid-¥100 range, which at the time was sufficient to purchase a bowl of ramen. Even today, the fee for one sheet of animation remains in the mid-¥200 range, reflecting little substantive change. At current price levels, a bowl of ramen cannot be purchased for an amount in the mid-¥200 range. Under such conditions, it is difficult to sustain a basic standard of living.
- Key animators are compensated on a per-shot basis, typically covering approximately 5 to 10 shots. However, that fee includes review by the animation director and the chief animation director at the prime production company, as well as subsequent revisions. Given the significant time required, the prevailing rate is burdensome not only for animation but also for key animation work.

◆ **Production royalties and success-based remuneration**

<Subcontracted production company>

- Subcontracted production companies are rarely paid success-based remuneration.
- The subcontracting production company does not receive royalties; it is simply a commissioned relationship.
- A long time ago, after subcontracting for a hit production, I received a cash payment based on the amount of the contract, even though it was not stated in the contract. The amount was small, around ¥20,000 to ¥30,000.
- Following a successful financial result, one production company paid cash amounts of ¥500,000 to ¥1,000,000 to subcontracted production companies and freelance directors, with the aim of returning the secondary usage fees from the use of IP (not as remuneration for the production itself, but as remuneration for their contributions to the prime contractor).

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

(A) Unjust price reduction

According to the questionnaire survey of subcontracted production companies, as in transactions between production committees and prime production companies, many respondents indicated that production commission fee levels in anime production

transactions between prime production companies and subcontracted production companies have “risen” in recent years. As with Section 1.1(2)A(B) above, this is thought to reflect the reality that production costs are rising overall due to factors such as labor shortages, more sophisticated production processes, and higher standards of quality required for productions.

Despite the upward trend in production commission fees, operating profitability based solely on those fees varies by segment of the industry; notably, 50% of subcontracted production companies responsible for animation reported operating losses, indicating that profitability remains weak for a substantial portion of subcontracted production companies. Subcontracted production companies also responded that “although fees for animation directors, key animators, and in-between animators have risen somewhat, the rate of increase is modest,” suggesting that rising production costs, particularly labor expenses, may be outpacing increases in production commission fees.

Although this situation does not in itself constitute a violation of the SME Transactions Act or the Anti-Monopoly Act, in transactions subject to the SME Transactions Act, if a prime production company sets remuneration at a level substantially below the ordinarily payable amount, without taking into account higher quality requirements, longer production schedules, or rising prices, this may constitute unjust low pricing under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.

Even in cases where the SME Transactions Act does not apply, if a prime production company, by abusing its superior bargaining position, unilaterally sets remuneration at an unreasonably low level without adequate consultation in light of heightened quality demands, extended production periods, or rising prices, and thereby imposes unjust disadvantage on a subcontracted production company contrary to normal commercial practice, this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

In addition, in transactions between production committees and prime production companies, 86.8% responded that production commission fees have “risen,” whereas in transactions between prime production companies and subcontracted production companies, 75% responded that they have “risen.” Although this represents a difference of approximately 10 percentage points, it appears that increases in production commission fees in upstream transactions between production committees and prime production companies may be cascading to some extent into downstream transactions as well. However, in interviews conducted in both tiers of transactions, multiple prime production companies and subcontracted production companies stated that increases in production commission fees have not kept pace with rising labor costs and other inputs, suggesting that the pass-through of higher production costs into production commission fees remains insufficient.

(B) Unilateral determination of consideration without consultation

As noted above, while many transaction parties acknowledge rising production commission fees, in the questionnaire survey of subcontracted production companies, as shown in Figure 3-37, just under 60% responded that they “were often able to negotiate” in determining production commission fees over the past five years. Interviews also revealed that some prime production companies stated that “we proactively inquire whether there is a need to increase the production commission fee,” suggesting that certain prime production companies actively engage in negotiations over such fees.

However, as shown in Figure3-36, whereas approximately 30% responded that they "often reach agreement on production commission fees proposed after taking into account necessary production costs (manufacturing costs)," just under 60% responded that they "often determine production commission fees within the upper limits or unit prices presented by the business partner"; interviews likewise included multiple responses from subcontracted production companies stating that unit prices are designated by the prime production company and are rarely negotiable, indicating that even in cases where an opportunity for negotiation exists, consultation may be insufficient.

Since the enforcement of the SME Transactions Act, where a subcontracted production company requests price consultations concerning production commission fees, a prime production company's refusal to engage in consultation, failure to provide necessary explanations, or other unilateral determination of remuneration may constitute a violation under Article 5, Paragraph 2, Item 4 of the SME Transactions Act, namely unilateral price determination without engaging in consultation.

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 an unreasonably low level without adequate consultation in light of heightened quality requirements, extended production schedules, or rising prices, and thereby causes unjust disadvantage to a subcontracted production company contrary to normal commercial practice, this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

As noted in Chapter 2, Section 3, 2 (1), in transactions between production committees and prime production companies, it may be difficult at the outsourcing stage to calculate estimates or finalize production commission fees; similar difficulties may also arise in transactions between prime production companies and subcontracted production companies, where fees may not be determinable at the time of contracting.

According to interviews, unlike transactions between production committees and prime production companies, no respondents indicated that minimum remuneration guarantees, production royalties, or success-based remuneration are established in transactions between prime production companies and subcontracted production companies; however, in order to ensure adequate pass-through of rising production costs into production commission fees, it may be appropriate, depending on the remuneration structures adopted upstream, for prime production companies and subcontracted production companies to establish transaction-specific payment arrangements, including minimum remuneration guarantees, following sufficient consultation between the parties.

2 Performance of transactions

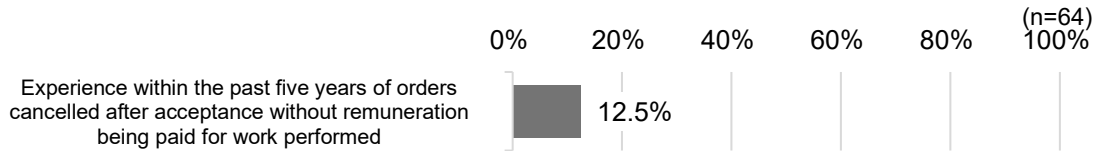
(1) Order cancellation

A Actual conditions

In a survey of subcontracted production companies, as shown in Figure3-42, approximately 10% reported that, within the past five years, an order was cancelled after acceptance and remuneration was not paid for work already performed.

In interviews, a subcontracted production company engaged in sound production responded that "where a transaction is cancelled through no fault of our own (for example, where changes in the animation process render sound effects unnecessary), remuneration is paid for the portion of work completed up to that point."

Figure3-42 Experience within the past five years of orders cancelled after acceptance without remuneration being paid for work performed[107]



*Subcontracted production companies were asked whether they had experienced the conduct at least once during the past five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (26)]

<Subcontracted production company>

- Ordinarily, where a transaction is cancelled through no fault of the subcontracted production company, for example because changes in the animation process render sound effects unnecessary, remuneration is paid for work completed up to the point of cancellation. To assess the likelihood that a project may be terminated, we communicate with the prime production company responsible for sound production and confirm the status as needed. The counterparty does not necessarily provide regular updates.
- Because termination would create issues for both parties, even if the schedule changes, the contract with the prime production company is not terminated mid-performance.

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

In interviews, subcontracted production companies responded that where an order is cancelled, "remuneration is paid for work performed up to the point of cancellation," and that

[107]The percentage reflects the proportion of subcontracted production companies that reported having experienced the conduct at least once during the past five fiscal years; it does not indicate the incidence rate of such conduct relative to the total number of transactions.

“even if the schedule changes, the contract with the prime production company is not terminated mid-performance,” suggesting that in some cases prime production companies seek to avoid disadvantaging subcontracted production companies. By contrast, in the survey of subcontracted production companies, approximately 10% reported that, after being commissioned by a prime production company, the order was cancelled and remuneration was not paid for work already performed.

In transactions subject to the SME Transactions Act, if a prime production company cancels an order without any reason attributable to the subcontracted production company and fails to bear the costs incurred for work already performed, thereby unjustly harming the interests of the subcontracted production company, [108] this may constitute an unjust modification of the content of benefit payments under 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 an order without justifiable reason and refusing to bear costs incurred up to the point of cancellation, thereby causing unjust disadvantage to a subcontracted production company contrary to normal commercial practice, this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

(2) Additional payment of production commission fees

A Actual conditions

(A) Overview

a Incidence of additional costs

In the questionnaire survey of subcontracted production companies, as shown in Figure3-43, more than 70% responded that “additional costs had arisen” at least once during the past five years, indicating that, as in transactions between production committees and prime production companies, additional costs frequently arise in work performed by subcontracted production companies. Reasons cited for additional costs, similar to upstream transactions, included extensions of the production schedule, efforts to enhance quality in response to requests, rising labor costs, additional work beyond the initial order scope, and retakes.

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[108] As stated in Section 1-2-1(i) above, it should be noted that whether the interests of the subcontracted production company have been unjustly harmed is determined by comprehensively considering such factors as the losses incurred by the subcontracted production company due to bearing costs arising from changes to the content of the performance or retakes, and the amount of costs borne by the prime production company as the commissioning business operator, and assessing whether the subcontracted production company suffered a disadvantage. No issue arises where the prime production company bears the costs or losses incurred by the subcontracted production company as a result of changes or a retake, such that the subcontracted production company’s interests are not unjustly harmed.

To prevent disputes, prime production companies and subcontracted production companies may establish in advance, for example through a cancellation policy, whether payment will be made upon cancellation of a service outsourcing contract and, if so, in what amount. However, care must be taken, as depending on how such payment terms are structured, they may give rise to issues under the SME Transactions Act, including unfair price reduction or unjust modification of the content of benefit payments.

In cases of manufacturing consignment, repair consignment, or the creation of information-based deliverables, even if a cancellation policy has been established in advance, where goods or deliverables have already been completed, the prime production company must accept the goods and pay the consignment fee by the agreed payment date unless there is a reason attributable to the subcontracted production company (see Japan Fair Trade Commission website, “Frequently Asked Questions Q52” (published December 24, 2025)).

b Negotiations concerning additional costs

As shown in Figure3-45, subcontracted production companies sometimes seek payment of additional production commission fees from prime production companies when additional costs arise, and over the past five years more than 60% responded that they "were often able to negotiate," suggesting that negotiations are conducted to a certain extent.

In interviews, a subcontracted production company responded that "changes to the production scope after contract execution may extend the production period and render the original production commission fee insufficient." Where the anticipated shortfall exceeds a certain threshold, the company negotiates for additional production commission fees

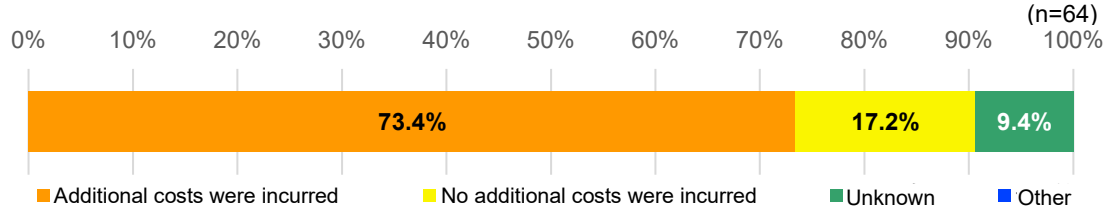
c Allocation of additional costs

As noted above, subcontracted production companies appear to be able to negotiate to some extent with prime production companies regarding payment of additional costs; however, with respect to additional payments made by prime production companies over the past five years, as shown in Figure3-44, just under 60% responded that "the full amount was often paid" or that "only part was paid but the amount was satisfactory," whereas nearly 30% responded that "only part was paid and the amount was unsatisfactory" or that "no payment was made at all," indicating that even in cases where negotiations occur, outcomes are not always sufficient from the perspective of subcontracted production companies.

In interviews, some prime production companies responded that they pay the invoiced amount, stating that "subcontracted production companies submit invoices for the full production commission fee immediately after delivery," whereas subcontracted production companies responded that "although some prime production companies provide additional budget, the amount may be only about one-tenth of the requested amount." Subcontracted production companies also responded that "if we make such requests, we may not receive work next time, making negotiations difficult in the first place," and that "where it is known that the prime production company's overall budget is insufficient, we may hesitate to request additional production commission fees."

As noted above, just under 60% of subcontracted production companies responded that additional costs were "often paid in full" or "partially paid but at satisfactory levels," whereas, as described in Section 1.2(2)(a), in transactions between production committees and prime production companies, just under 40% of prime production companies responded that additional costs were "often paid in full" or "partially paid but at satisfactory levels." One factor underlying this disparity may be that production committees consist of multiple companies and, depending on the terms of the committee agreement, unanimous consent may be required to approve additional payments, making such decisions difficult.

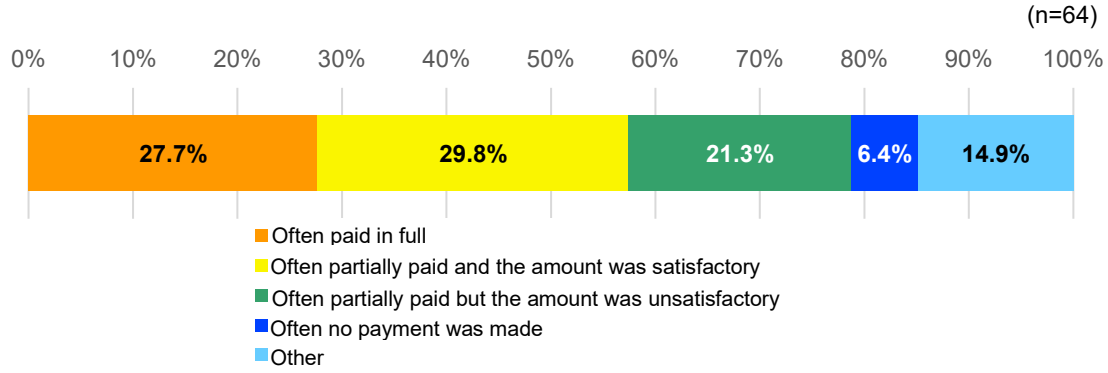
Figure3-43 Whether additional production costs were incurred over the past five years



*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

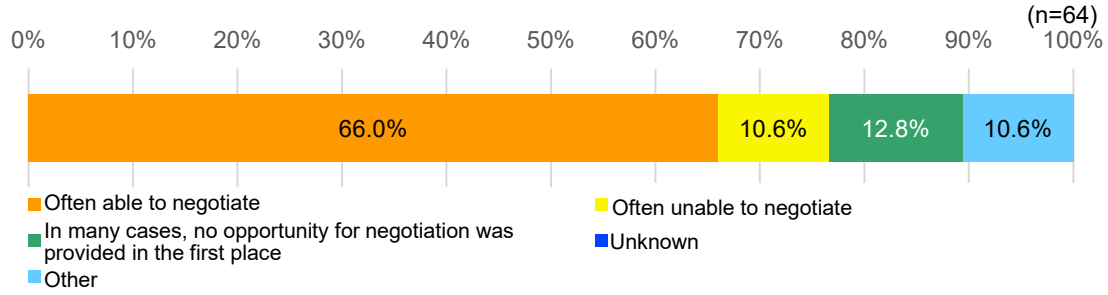
Figure3-44 Whether additional costs were paid during the past five years[109]



*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

Figure3-45 Whether negotiation over additional cost payments was possible during the past five years



*Subcontracted production companies were asked to respond regarding trends over the most recent five fiscal years

Source: Prepared based on survey results

[109]The following responses were submitted in the free-text field under "Other."
- Some companies paid the full amount, while others did not pay at all
- Whether additional costs were recognized varied depending on the prime production company
- Responses differed by project; in some cases the full amount was paid, in others only part was paid, and in some cases additional costs were not approved Outcomes varied depending on the content of the work and the timing of negotiations, making generalization difficult

[Interview Excerpt (27)]

<Prime production company>

・ Subcontracted production companies immediately invoice the full production commission fee upon delivery of deliverables. Because subcontracted production companies can bill the prime production company for incurred costs and receive payment, it is suggested that they may face comparatively fewer cash-flow constraints.

<Subcontracted production company>

◆Cases where additional production commission fees are negotiated or partially borne by certain prime production companies

・ Where work is commissioned on a per-shot basis, retakes typically give rise to additional work fees, although the outcome may vary depending on negotiations.

・ If it becomes clear after commencement that additional work will be required, the subcontracted production company first seeks to negotiate on the basis that the work falls outside the scope described in the work specification sheet. However, because the subcontracted production company seeks to maintain the ongoing relationship and secure future assignments, it may ultimately accept the request to avoid damaging the relationship with the business partner. In such cases, the subcontracted production company bears the additional costs.

・ Changes to the production scope after contract execution may extend the production period, rendering the original production commission fee insufficient. Where the anticipated shortfall exceeds a certain threshold, the subcontracted production company negotiates for an increase in the production commission fee.

◆Cases where additional production commission fees cannot be adequately negotiated

・ Some prime production companies provide additional budget, but the amount may be limited to roughly 1/10 of the amount requested. Because making such requests may result in not being hired for more work in the future, negotiations are often difficult from the outset.

・ Where it is understood that the prime production company's overall budget is constrained, the subcontracted production company may hesitate to seek additional production commission fees. When subcontracted production companies seek additional production commission fees, prime production companies often respond that instead of increasing the fee, they will compensate by allocating more work in the future. Although this may in some cases result in additional orders, such assurances are not necessarily honored.

(B) Specific issues, where the subcontracted production company bears no responsibility

As noted above in (a), survey responses from subcontracted production companies identified reasons for additional costs including extensions of the production period, efforts to enhance quality in response to requests, rising labor costs, additional work beyond the initial scope, and retakes.

a Extension or postponement of the production period

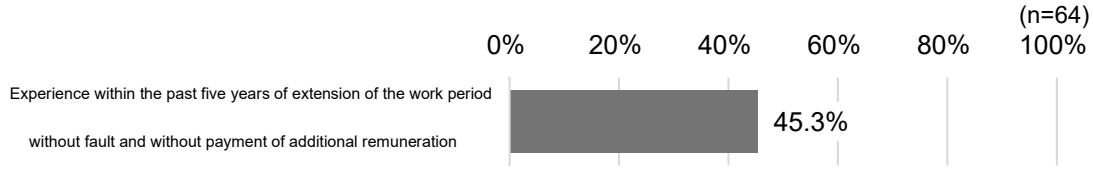
In anime production, subcontracted production companies, like prime production companies, often secure freelance personnel under so-called binding contracts providing monthly remuneration; where the production period is extended, they may therefore incur additional personnel expenses associated with the extended period.

In the questionnaire survey of subcontracted production companies, as shown in Figure3-46, more than 40% responded that during the past five years "the work period was extended through no fault of their own, and no additional remuneration was paid."

In interviews, subcontracted production companies responded that "there is almost no compensation for delays" and that "the absence of reimbursement from prime production companies for extended production periods places financial strain on management."

As noted in Section 1.2(2)(b), in transactions between production committees and prime production companies, just under 20% responded that payment was "not made" in response to the same question.

Figure3-46 Experience within the past five years of extension of the work period without fault and without payment of additional remuneration[110]



*Subcontracted production companies were asked whether they had experienced the conduct at least once during the past five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (28)]

<Subcontracted production company>

◆Experience with postponement or extension of the production period

・ In sound production, post-recording can be conducted without completed animation footage, whereas dubbing requires the finished visuals and is therefore affected by delays in animation production. Dubbing is ordinarily conducted one

[110]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

week after post-recording, but due to delays in animation production, there have been cases in which the interval between post-recording and dubbing extended to approximately six months.

- Whereas one episode previously required approximately one and a half months to produce, in some cases production now takes roughly six months per episode. Previously, one production manager was assigned per episode, and for one and a half months of work the cost was approximately ¥450,000, assuming a monthly remuneration of ¥300,000; more recently, however, extended production periods mean that if production takes six months, personnel costs alone may reach approximately ¥1,800,000. Moreover, due to labor shortages, a single production manager can no longer handle an episode alone, and it is now common for two or three to be assigned per episode, further increasing costs. This situation is not limited to production management; it applies across departments paid on a monthly basis. As monthly remuneration for key animation has risen in recent years, costs have increased accordingly.
- Prime production companies often engage multiple subcontracted production companies simultaneously. As a result, where the quality of one subcontracted production company is insufficient, the prime production company may allocate additional support to that company. In such cases, additional review and coordination can delay overall progress, extending the production period and affecting other subcontracted production companies as well.

◆Additional costs arising from postponement or extension of the production period

- Rescheduling due to delays in anime production is generally communicated one week in advance, although in rare instances notice has been given only on the day before. There is little or no compensation for delays.
- Changes to the production scope after contract execution may extend the production period, rendering the original production commission fee insufficient. Where the anticipated shortfall exceeds a certain threshold, the subcontracted production company negotiates for an increase in the production commission fee. Such increases are not guaranteed.
- If the production period is extended, the subcontracted production company seeks to negotiate additional personnel costs with the prime production company. Costs other than personnel expenses are determined on a per-unit basis according to work volume, and because the overall workload does not change even if the schedule is delayed, only additional personnel costs are claimed.
- At the time of contracting, the subcontracted production company informs the counterparty in advance that additional production commission fees will be sought if the schedule is extended; however, it may hesitate to seek such increases in transactions where no prior agreement on additional remuneration exists, where past dealings did not involve additional claims, or where the overall commercial production budget is known to be insufficient.
- The absence of compensation from the prime production company for extended production periods has placed financial strain on operations. In one project, the production period was initially scheduled for six months but ultimately extended to one and a half years. When informed that no compensation would be provided for the extended production period, the subcontracted production company indicated its

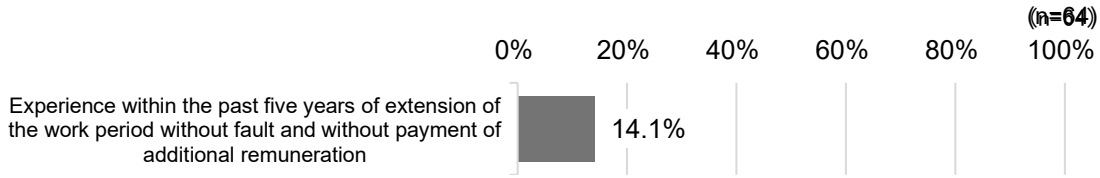
intention to withdraw, but was told in response that withdrawal would cause losses and could result in legal action.

b Performance of work inconsistent with the contract

In the survey of subcontracted production companies, just over 10% responded that during the past five years they had been "required to perform work beyond the original contractual scope but received no additional remuneration."

In interviews, a subcontracted production company stated that it had been required to revise work from an earlier production stage beyond the scope of its originally contracted process, yet received remuneration only for the originally contracted process.

Figure3-47 Experience within the past five fiscal years of being required to perform work outside the original contractual scope without receiving additional remuneration[111]



*Subcontracted production companies were asked whether they had experienced the conduct at least once during the past five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (29)]

<Subcontracted production company>

◆Cases where work performed outside the contractual scope without payment of additional costs

- Although the company was contracted to perform the finishing process, where the preceding process was handled by an overseas subcontracted production company, revisions to that earlier process were invariably required, and the company frequently undertook out-of-scope in-between animation inspection work without additional remuneration. Where sufficient time exists between color specification inspection (finishing inspection) and filming, errors attributable to overseas re-entrusted studios can be returned for correction; however, at the final finishing inspection stage of animation there is often no such margin, and in response to retake instructions from the prime production company, the subcontracted production company may be compelled to implement corrections in-house.
- With respect to color specification inspection work, subcontracted production companies sometimes attempt to seek additional remuneration for retakes requested by the prime production company; however, because corrections made prior to filming are at times treated as falling outside the definition of a retake, the boundary for additional payment is ambiguous, negotiations are difficult, and additional remuneration is frequently not provided. With respect to color specification inspection work, although correcting animation would ordinarily fall outside the

[111]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

scope of such work, retake instructions from the prime production company may include requests such as “Could you add lines here?” or, in more extreme cases, “Could you create (partial) motion?” In such cases, the animation portion is corrected during the color specification inspection process, after which finishing (coloring) is performed again.

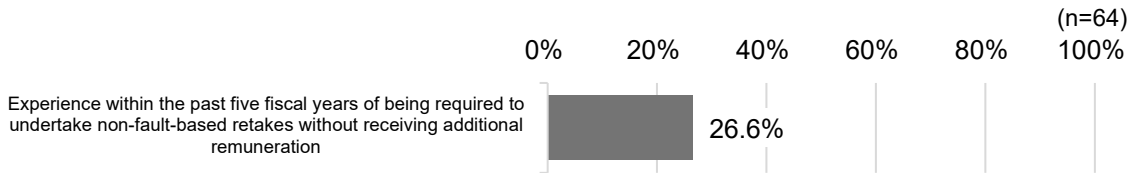
c Retakes

In the survey of subcontracted production companies, just under 30% responded that during the past five years they had experienced “retakes not attributable to themselves for which no additional remuneration was paid.”

In interviews, a prime production company responded that “retakes may be requested for quality reasons.” It also stated that where deficiencies are so significant that correction cannot be completed by the deadline even after a retake request, the prime production company may undertake the corrections itself; further, in unit-price contracts retake work is regarded as included in the agreed rate, whereas in monthly contracts remuneration is paid based on the work period including retakes, indicating that payment practices for retake work vary depending on quality considerations and contract terms.

Several subcontracted production companies responded that, given the nature of the work, a certain level of retakes is understood to be included in the production commission fee, and that “where retake demands are unreasonable, we negotiate to obtain additional remuneration.” Many prime production companies will agree to additional payment if negotiations are undertaken. However, because the prime production company’s own production commission fee is fixed, negotiations may focus on reducing the number of shots subject to retake, and additional remuneration may be secured through such negotiations. By contrast, some subcontracted production companies responded that “despite being required to undertake a very large number of retakes, no additional work volume was paid for,” and that although they attempt to claim additional fees for retakes requested by the prime production company, corrections made prior to filming are sometimes not treated as retakes, leaving the boundary for additional payment ambiguous; as a result, negotiations are difficult and additional remuneration is often not provided, with some responding that they handle retakes not attributable to themselves without compensation.

Figure3-48 Experience within the past five fiscal years of retakes not attributable to oneself without additional remuneration being paid[112]



*Subcontracted production companies were asked whether they had experienced the conduct at least once during the past five fiscal years

Source: Prepared based on survey results

[112]The figure represents the percentage of companies that responded that they had experienced that kind of conduct at least once within the most recent five fiscal years and does not indicate the proportion of transactions in which such conduct occurred.

[Interview Excerpt (30)]

<Prime production company>

・ In the case of a unit-price contract, retake fees do not arise, and it is understood that the work will continue until the client provides approval. However, where a retake involves changes to the specifications originally provided by the prime production company, for example changing an originally expressionless drawing to a smiling one, additional fees are paid. There are also monthly payment contracts with subcontracted production companies and freelance personnel; in such cases, if retake instructions extend the work into a subsequent month, remuneration corresponding to the extended period is paid.

<Subcontracted production company>

◆Cases where a certain level of retakes is regarded as included in the production commission fee

・ When an entire episode is commissioned on a gross basis, up to approximately 10% of retakes are tolerated without additional work fees.

・ Although not common, in smaller transactions the maximum number of retakes may be specified in advance in the contract, or criteria for what constitutes a retake may be aligned at an early stage of production.

・ Sound effects are rarely approved on the first submission. For each episode, approximately 3 to 20 elements are revised in accordance with the intentions and instructions of the sound director and the animation director. Such revisions are regarded as part of the originally commissioned work, given the inherently interpretive nature of implementing the director's vision.

◆Negotiation and payment standards concerning additional remuneration

・ Where retake requests are considered unreasonable, the subcontracted production company negotiates with the prime production company to obtain payment of additional costs. Many prime production companies will agree to additional payment if negotiations are undertaken. However, because the prime production company's own production commission fee is fixed, negotiations may focus on reducing the number of shots subject to retake. The company does not accept production from prime production companies responsible for low-budget projects where such negotiations are unlikely to succeed.

・ Retakes requiring corrections are infrequent at the in-between animation inspection stage. However, discrepancies in communication can give rise to differing interpretations, resulting in divergence between the originally requested content and the work actually produced. In such cases, responsibility for additional costs is determined based on whether fault lies with the prime production company or the subcontracted production company.

・ Where the work does not meet the quality level required by the prime production company, retakes may be requested. However, the criteria for assessing quality are regarded as ambiguous and, in practice, dependent on the discretion of the prime production company.

・ In sound production, where retakes are required after delivery has been completed, for example because the audio does not align with the finalized visuals, the subcontracted production company treats this as newly commissioned work and seeks additional remuneration. If reshoots are required, additional remuneration is paid to voice actors and sound staff.

・ Because editing and sound work follow our stage of production, we normally deliver by the specified deadline. However, additional work may be required later. Where it is clear that the rework is attributable to the commissioning party, requests for additional budget are more likely to be accepted. In some instances, when a request for re-editing or retakes involved only a minimal workload, we agreed to proceed for a modest additional fee.

◆Cases where additional remuneration was insufficient

・ In one instance, after being commissioned to produce shots for a production, we were subjected to an unusually large number of retakes, yet no additional compensation was paid.

・ Attempts are sometimes made to claim additional fees for retakes from the prime production company; however, because revisions made prior to filming may be treated as outside the scope of retakes, the boundary for payment of additional fees is ambiguous, negotiations are difficult, and additional compensation is often not provided.

d Other changes to contractual terms

Interview responses from subcontracted production companies indicated that the originally agreed production period was unilaterally shortened or that emergency work, including late-night and holiday work, was required, yet no additional remuneration, such as rush fees, was paid.

[Interview Excerpt (31)]

<Subcontracted production company>

◆Cases where the delivery schedule was shortened from the original deadline without payment of additional costs

・ We have experienced situations in which the delivery schedule was abruptly shortened. In one production, we were initially contracted on the basis of an eight-week schedule per episode. However, because the project coincided with the start of a new broadcast cour, and the original author and the production committee were still assessing audience reaction, the story materials, including the script, were not delivered to us by the prime production company. As a result of this delay, the delivery schedule was effectively reduced by half, to four weeks. To meet the shortened schedule, we needed additional personnel, but we were unable to secure staff on short notice and ultimately completed the work through overnight shifts by the existing team. The prime production company did not provide any additional remuneration or increase in the agreed unit price. It is possible that the prime

production company likewise did not receive additional funds from the production committee.

◆**Emergency requests and demands for late-night or holiday work**

- When the schedule established by the prime production company falls behind and production becomes compressed, there are periods in which large volumes of animation and finishing materials are delivered all at once; in order to address corrections during finishing inspection, producers at the prime production company frequently demand that we remain on standby, even late at night or on holidays. In such cases, deadlines are extremely tight, sometimes as soon as the following day, and no consideration is given to staff rest time. When we attempt to decline late-night or holiday work, we are told that standby time is already built into the production commission fee, specifically the per-episode unit price, and that responding is therefore only natural, leaving us with no practical choice but to comply. Even when we respond to such requests, additional remuneration, such as a rush fee, is rarely paid.
- We have requested that the prime production company pay additional remuneration for work performed on holidays, but some companies agree to pay while others refuse. Prime production companies often assert that such work is already included in the original production commission fee, although we were never informed of any such condition.

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

In the questionnaire survey of subcontracted production companies, as with transactions between production committees and prime production companies, more than 70% reported having experienced situations requiring additional costs. Some respondents indicated that, following discussions between the prime production company and the subcontracted production company, additional production commission fees were paid; however, others reported that even in cases where the additional costs were not attributable to the subcontracted production company, the prime production company nevertheless refused to pay them.

Where a transaction falls within the scope of the SME Transactions Act, if the prime production company, despite there being no reason attributable to the subcontracted production company, causes the subcontracted production company to postpone or extend the production period, perform work different from that under the original contract, or carry out reworking (retakes), and thereby additional costs are incurred by the subcontracted production company, if it fails to pay those increased costs to the subcontracted production company or otherwise unjustly harms the interests of the subcontracted production company, this constitutes an issue under the SME Transactions Act (unjust modification of the content of the performance and unjust reworking) (Article 5, Paragraph 2, Item 3)[113].

[113]In addition, where the subcontracted production company incurs additional costs due to an extension or postponement of the production period for reasons not attributable to it, and the prime production company fails to pay corresponding additional remuneration, such conduct may also amount to an unlawful reduction of payment under Article 5, Paragraph 1, Item 3 of the SME Transactions Act.

In commissions for the creation of information-based deliverables such as anime, whether the deliverables satisfy the commissioned content and meet the acceptance criteria may depend in part on the evaluative judgment of the prime production company, and in some cases it is not feasible to specify detailed inspection standards in advance in the purchase order etc. In circumstances where standards are ambiguous and communication is insufficient, differing understandings of the scope of work may result in deliverables that diverge from the required quality level, giving rise to situations in which responsibility is unclear. In interviews as well, subcontracted production companies responded that "the boundary between cases in which additional costs are paid and those in which they are not is ambiguous, making negotiations difficult."

In such cases, regardless of whether acceptance has occurred, a prime production company must not unilaterally determine the allocation of costs when requiring retakes on the ground that the content of performance differs from the original commission, even if the relevant standards could not be clearly defined in advance, and thereby unjustly harm the interests of the subcontracted production company; instead, it must determine a reasonable allocation of costs after sufficient consultation with the subcontracted production company, taking into account the circumstances that led to the request for retakes[114].

Even in cases where the SME Transactions Act does not apply, if a prime production company uses its superior bargaining position to require retakes without just cause or to unilaterally change transaction terms, thereby imposing an unfair disadvantage on a subcontracted production company contrary to normal commercial practice, this may constitute abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act.

(3) Reduction of payment; delay or non-payment

A Actual conditions

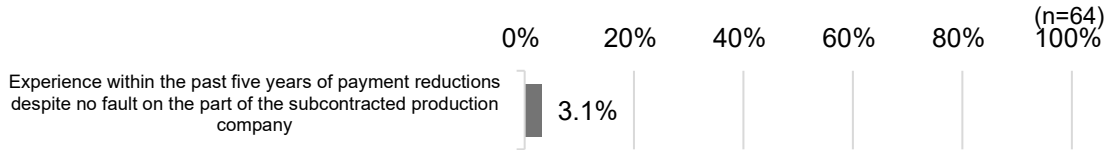
(A) Reduction of payment

In the questionnaire survey of subcontracted production companies, as shown in Figure3-49, approximately 3% responded that during the past five years they had experienced "a reduction in payment despite no fault on their part."

In interviews, subcontracted production companies responded that "although we undertook a gross contract from a prime production company, after completion of the anime we received a remittance reduced from the originally quoted amount." They further responded that "despite repeatedly requesting payment of the outstanding balance, it remains unpaid," and that "the client has unilaterally deducted bank transfer fees from the agreed remuneration."

[114]See Japan Fair Trade Commission, "Operational Standards for the SME Transactions Act," Part IV, 8(4), and "Text on the Act on Proper Transactions with Small and Medium-Sized Entrusted Business Operator," p.107.

Figure3-49 Experience within the past five years of payment reductions despite no fault on the part of the subcontracted production company[115]



*Subcontracted production companies were asked whether they had experienced such conduct at least once during the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (32)]

<Subcontracted production company>

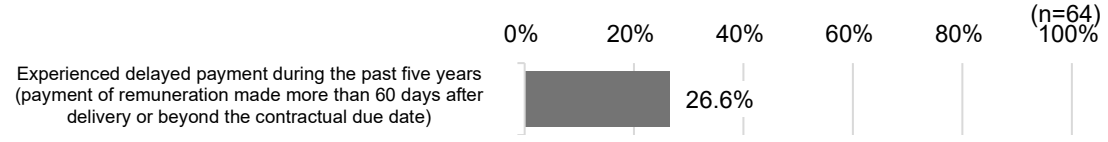
- In a project we undertook on a gross basis, after completion of the anime the prime production company remitted an amount reduced from the originally quoted order price. We continue to request payment of the outstanding balance from that prime production company on a regular basis, but no payment has been made to date.
- One prime production company had been unilaterally deducting bank transfer fees from the agreed remuneration; only when we recently executed a master agreement was it clarified for the first time that the counterparty would bear the transfer fees.

(B) Late or non-payment

In the questionnaire survey of subcontracted production companies, as shown in Figure3-50, just under 30% responded that during the past five years they had experienced "delayed payment (payment of remuneration made more than 60 days after delivery or beyond the contractual due date)."

In interviews, a subcontracted production company responded that "although we delivered the work, no payment was made by the due date, and when we inquired, we were told, 'We do not have the money, so we cannot pay,' and even one year later payment has still not been made."

Figure3-50 Experience within the past five fiscal years of delayed payment (payment of remuneration made more than 60 days after delivery or beyond the contractual due date)[116]

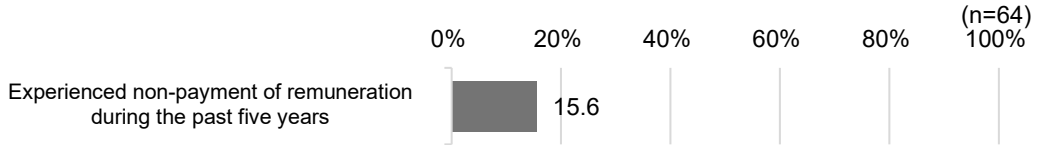


*Subcontracted production companies were asked whether they had experienced such conduct at least once during the most recent five fiscal years

Source: Prepared based on survey results

[115]The percentage shown represents the proportion of companies that responded that they had experienced such conduct at least once during the most recent five fiscal years and does not indicate the rate of occurrence relative to the total number of transactions.
[116]Same as above

Figure3-51 Experience of non-payment of remuneration within the past five fiscal years[117]



*Subcontracted production companies were asked whether they had experienced such conduct at least once during the most recent five fiscal years

Source: Prepared based on survey results

[Interview Excerpt (33)]

◆Delayed payment

<Subcontracted production company>

- In general, payments are made on time, but some prime production companies occasionally delay payment. One such company has openly stated that "it will not make payment until it has itself received payment," and as a result payment is often significantly delayed. Payments are frequently made as late as three months after delivery.
- Because we must cover personnel costs, we seek to arrange payment on a monthly basis wherever possible. However, depending on the prime production company or the specific project, payment terms may be altered mid-project to vague conditions under which payment is said to depend on the progress of commercial production. These discussions often arise toward the end of the project, on the stated ground that payment will be made only after the Director/Episode Direction has approved the deliverables. Where the client is a large production company, internal approval procedures, including formal authorization processes, can take considerable time, resulting in delayed payment.
- There are also cases in which schedules are extended and payment is not made as originally expected. In such situations, because we are unable to pay freelancers without receiving funds from our business partners, we are compelled to request that freelancers accept delayed payment. Without incoming funds from our business partners, we are unable to make payment.

◆Non-payment

<Subcontracted production company>

- We have experienced several instances in which remuneration was not paid. Although the amounts in each case were not large and we repeatedly demanded payment and eventually received partial remittances, companies that fail to pay once often later go bankrupt, resulting in ultimate non-recovery. The reason for this is that many production companies are in a state of running on a shoestring, paying production commission fees for the next job to the subcontractor they hired for the

[117]The percentage shown represents the proportion of companies that responded that they had experienced such conduct during the most recent five fiscal years and does not indicate the rate of occurrence relative to the total number of transactions

previous production, and since they are not in a business model that can make a large profit, they are unable to escape this situation.

・ A subcontracted production company responsible for visual effects responded that “after delivery, when the payment due date passed without payment and we inquired, we were told, 'We do not have the money, so we cannot pay,' and even now, one year later, we have not received payment.”

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

(A) Reduction of payment

In the survey of subcontracted production companies, a small number responded that “the price was reduced from the amount agreed at the time of order.” Interview responses from subcontracted production companies indicated that, after delivery, payment was made in an amount lower than originally agreed, and in some cases bank transfer fees were deducted.

Where a transaction falls within the scope of the SME Transactions Act, if the prime production company reduces the payment despite there being no reason attributable to the subcontracted production company, this constitutes an issue under the SME Transactions Act (reduction of payment) (Article 5, Paragraph 1, Item 3).

Even in cases where the SME Transactions Act does not apply, if a prime production company, by abusing its superior bargaining position, reduces the contractually agreed consideration without justifiable grounds and thereby causes a subcontracted 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).

(B) Late or non-payment

In the survey of subcontracted production companies, just under 30% responded that “there was delayed payment,” and a smaller proportion responded that “there was non-payment.” Interview responses likewise indicated cases in which payment was made after the contractual due date.

Where a transaction falls within the scope of the SME Transactions Act, if the prime production company, regardless of whether it inspects the contents of the subcontracted production company’s performance, still fails to pay the consideration 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[118] (the date on which the deliverables were received from the subcontracted production company), this constitutes an issue under the SME Transactions Act (delay in payment) (Article 5, Paragraph 1, Item 2).

Even in cases where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by failing, without justifiable grounds, to

[118]If the parties fail to specify a payment due date, the date on which the deliverables are actually received is deemed the due date under Article 3, Paragraph 2 of the SME Transactions Act, and failure to pay by that date likewise constitutes delayed payment under the SME Transactions Act). In anime production commission contracts, installment payments of the production commission fee may in some cases include due dates set prior to delivery; in such circumstances, failure to pay by each contractual due date constitutes delayed payment under the SME Transactions Act regardless of whether the deliverables have been accepted.

pay the contractually agreed price by the due date, thereby imposing an unjust disadvantage on a subcontracted production company in light of normal business practices, such conduct constitutes abuse of superior bargaining position under Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

In interviews, subcontracted production companies responded that "basically there are no delays in payment, but on rare occasions there are prime production companies that delay payment," while in the questionnaire survey of subcontracted production companies just under 30% responded that "there was delayed payment," and a smaller proportion responded that "there was non-payment." There were also responses such as, "That company openly says, 'We will not pay until we ourselves have been paid,' so payment is often delayed," and, "Schedules sometimes run over, and in some cases payment is not received. In such cases, because we may be unable to pay freelancers, we end up asking them to accept delayed payment. We do not have the funds, so if we are not paid by our business partner, we cannot make payment either." These responses suggest that, within the multilayered structure of anime production, where many small production companies have limited financial capacity, delays in payment on the ordering side may be causing delays in payment on the receiving side.

3 Transactions between production companies and freelancers

1 Ordering stage

(1) Status of written clarification of transaction terms

A Actual conditions

(A) Status of written clarification of transaction terms

In the questionnaire survey of freelancers, regarding the status of specification of transaction terms in writing[119] in transactions with production companies over the past three years, as shown in Figure3-52, approximately 40% to 50% responded that the "content of work," "amount or unit price of remuneration," "payment due date," and "delivery date," which are required to be specified under the Act on the Improvement of Freelance and Business Transactions, were communicated in advance in writing

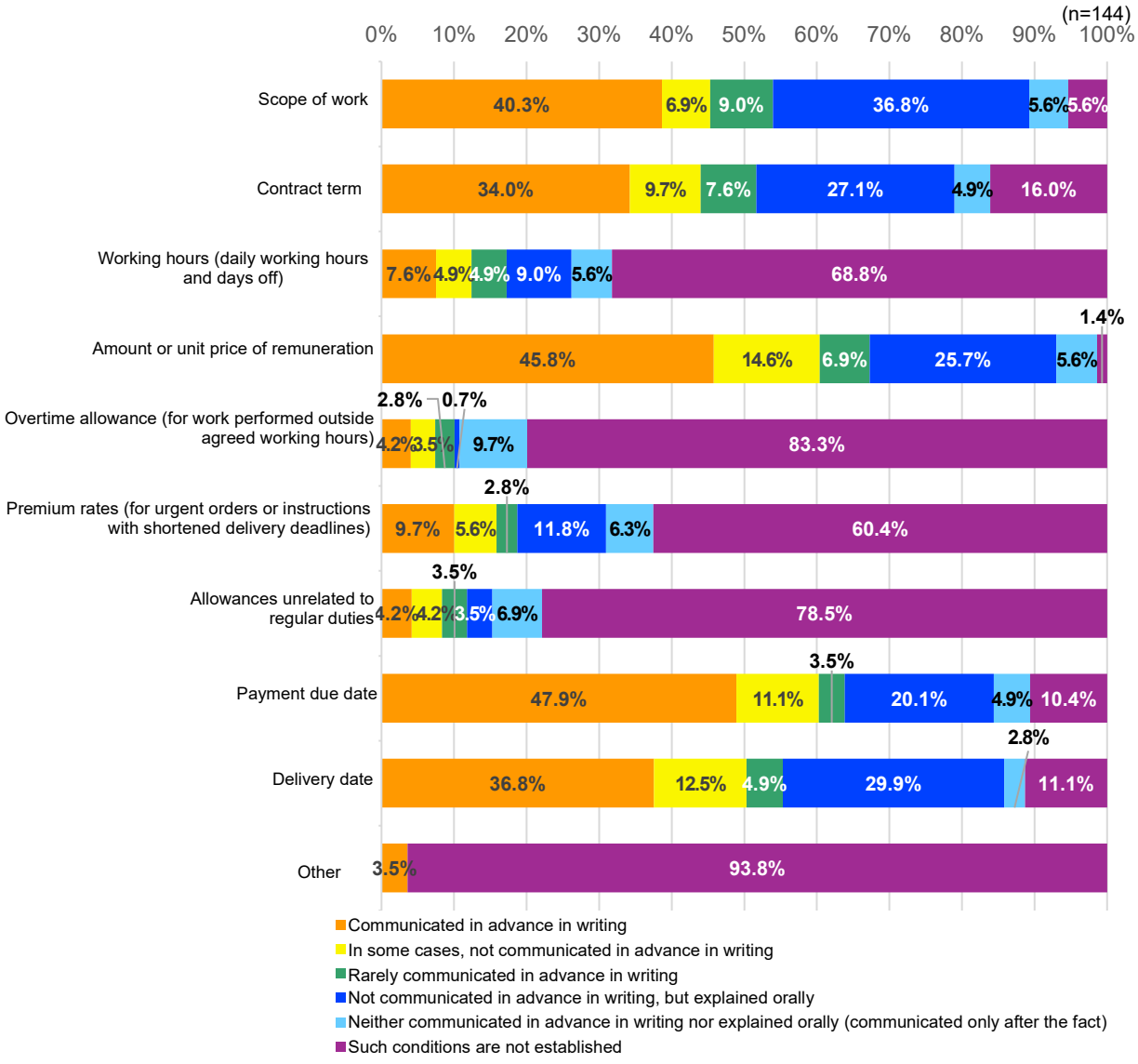
In interviews, several production companies responded that they specify transaction terms through contracts, order slips, email, etc.; however, some companies stated that they do not specify such terms, and others indicated that freelancers are reluctant to formalize arrangements in writing, citing reasons such as "many people dislike the burden of affixing seals to contracts" and "(freelancers) refuse to put agreements in writing."

Freelancers also responded that the extent of specification differs by occupation, for example that "in the case of character design work, a contract is provided." Business associations also stated that while transaction terms are specified in writing in fixed-term or exclusive contracts, disclosure is inadequate in unit price contracts, indicating that the level of specification varies depending on the contract structure.

[119] "Written materials" refers to documents such as contracts and purchase orders, as well as electronic communications that identify the recipient (including email, SNS, and chat tools), or delivery of electronic files via media such as USB drives or CD-Rs.

Both production companies and freelancers reported that, following the enforcement of the Act on the Improvement of Transactions between Freelancers and Enterprises[120], they have specified, or have had specified, transaction terms in writing.

Figure3-52 Disclosure of transaction terms in writing or equivalent form in contracts with prime production companies over the past five years[121]



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

Source: Prepared based on questionnaire survey results[122]

[120] Effective November 1, 2024

[121] The following responses were submitted in the free-text field under "Other."
- Payment of consumption tax, etc.
- Asked for a written contract, but the matter was left ambiguous and never formalized
- Cancellation fee

[122] Because percentages are rounded to the nearest second decimal place, totals may not equal 100%.

[Interview Excerpt (34)]

<Production companies>

◆Responses indicating that transaction terms are specified in writing

- Transaction terms, including the scope of work, remuneration, and rights clearance, are stated on duplicate production slips (order forms), and payment is made upon delivery.
- Until recently, transactions with freelancers were often conducted solely through the exchange of order forms. Contracts are now being prepared in response to the enforcement of the Act on the Improvement of Transactions between Freelancers and Enterprises. For freelancers under full-time exclusive contracts, we either exchange a one-page terms sheet or present the transaction terms by email. In each case, required details such as the contract term are specified.
- We ensure that transaction terms with freelancers are retained at least by email, rather than through social media platforms such as LINE. Because LINE and other social media platforms allow message histories to be deleted, they may give rise to disputes over what was or was not said if issues later arise.
- Our company, a subcontracted production company, has executed written service agreements with freelancers. Under these agreements, the company assigns work when available and pays remuneration based on deliverables.
- Price, scope of work, delivery date, etc. are discussed in advance by email or telephone. If the freelancer accepts those terms, we issue a written order to the freelancer. A written agreement is then executed between our company and the freelancer.
- After reaching agreement on transaction terms verbally or through messaging tools, we issue a service agreement and related order documentation.

◆Responses indicating that transaction terms are not specified in writing

- We do not execute written contracts with freelancers. We do not present terms by email, and most arrangements are made orally. Although our company has not encountered problems to date despite the absence of written contracts, we frequently hear of industry-wide disputes, such as non-payment of agreed remuneration, and therefore believe it will be necessary going forward to execute contracts with each freelancer.
- There is no written contract between our company and the freelancer. Because a leak of an unreleased anime title could jeopardize our company's viability, we require freelancers to affix their seal to a confidentiality memorandum.
- In many cases, no written contract is executed. Many animators are reluctant to be bound by formal arrangements and tend to resist burdensome procedures such as affixing seals to contracts. By contrast, younger freelancers are more likely to request written contracts. Where such requests are made, we provide a written contract.
- It is difficult to incorporate quantitative terms into contracts with freelancers, and attempts to formalize agreements in writing are sometimes refused. From the freelancer's perspective, maintaining an ambiguous arrangement over an extended period may be viewed as strategically advantageous. If terms are formalized in a strict written contract, it may limit informal flexibility or discretionary conduct, and

for that reason it is often considered preferable to maintain less clearly defined arrangements.

<Freelancers>

◆Responses indicating that transaction terms are specified in writing

- Since the enforcement of the Act on the Improvement of Transactions between Freelancers and Enterprises, I have often executed written contracts with production companies for new engagements; however, with production companies with which I had pre-existing relationships prior to the Act, contracts are often not executed. (Key animator/Animation director/Character designer)
- I make a point of obtaining at least a memorandum or order form specifying remuneration and delivery date, although the descriptions are frequently vague. (Color specification inspector/Color design)
- With respect to contract terms, I request that an order form etc. be sent in advance by email and then discuss and confirm the terms in person based on that document. Order forms typically include (1) materials relating to the anime production, (2) broadcast timing, (3) the engagement period, and (4) the monthly remuneration amount (and/or unit price). Other listed items generally include the order date, delivery date, and scheduled payment date. The specific scope of work is not stated. Because the precise work content is not specified, the wording effectively allows the production company to require the freelancer to perform any work it deems necessary. In many cases, no written contract is executed. (Director)
- In the case of character design work, a written contract is provided. Character design involves highly copyrightable subject matter, and production companies require written contracts in order to address copyright issues such as assignment of copyright and waiver of moral rights. When performing duties as an animation director, which are not considered to generate copyright, written contracts are often not provided. (Key animator/Animation director/Character designer)
- Documentation varies by production company: the first provided a simple one-page contract listing only the number of shots and the fee; the second provided neither a contract nor any explanation; the third, which has a legal department, executed a sealed contract that included the engagement period, scope of work, and a buffer period in the event of delays. The contract with the third company specifies the particular production to which the freelancer will be assigned. It further provides that if the freelancer works on other productions, a new contract must be executed. (Key animator)

◆Responses indicating that transaction terms are not specified in writing

- Whether engaged as a key animator or animation director, no written contract is provided. (Key animator, Animation director)
- There is no contract that clearly specifies the terms, and even when requested, the production company ignores the request. (Color specification inspector/Color design)
- I have been engaged in anime production for many years as a character designer and chief animation director, yet to date have executed a written contract with only one company. (Character designer/Chief animation director)

・ There is no written document setting out the contractual terms. The only confirmation occurs after the fact through invoices, which verify that the number of sheets completed matches the number instructed by the production company. Terms and instructions are communicated verbally only, with no follow-up by email or similar means. (In-between animation)
・ As a general rule, production companies do not issue order forms in advance or execute written contracts. In some cases, an order form is sent electronically around the time notification of remuneration payment is issued.(In-between animation inspection)
・ Whether a written contract exists varies by production company. Order forms are often issued, but service agreements are frequently not executed. (Key animator/Animation director/Character designer)

◆Requests for transaction terms to be specified in writing
・ It is preferable to have a written document setting out the contractual terms. Disputes over what was or was not said are common in this industry, and because initial verbal instructions may later change, it is important to retain written records. (Key animator)
・ I would prefer to have a written contract in order to avoid disputes. In this industry, only a limited number of production companies prepare written contracts. Even in cases where a contract is prepared, it may include a clause allowing the production company to terminate the agreement unilaterally. While termination may be justified in cases such as illness, the wording of such clauses feels overly stringent. (Director)
・ In the ordinary course of performing work, the absence of order forms or written contracts does not usually create difficulties; however, when irregularities arise in the scope of work or conditions, or when misunderstandings occur between the parties, the lack of written documentation becomes problematic. (In-between animation inspection)

◆Other
・ If no contract is provided, I proactively email the studio to confirm, for my own protection, whether it is acceptable to proceed without one. Because I am uncomfortable communicating by telephone, I avoid verbal negotiations and instead conduct discussions in writing. (Key animator/Animation director/Character designer)

<Industry associations>
・ Written contracts between production companies and freelancers are rarely executed. Since the enforcement of the Act on the Improvement of Transactions between Freelancers and Enterprises, production companies have reportedly begun executing written contracts with animators under exclusive engagement arrangements; however, similar practices have yet to become widespread for freelancers who are not subject to such arrangements.
・ Contracts governing transactions between production companies and freelancers often did not exist. In particular, remuneration for key animation and in-between animation is set on a per-sheet basis, and because each shot is typically

commissioned to a different individual, the value of any single transaction is low and does not justify the administrative burden of preparing a contract. The terms of the transaction were considered sufficiently clear based solely on the purchase order, and no formal contract was deemed necessary. At present, influenced by the Act on the Improvement of Transactions between Freelancers and Enterprises and the widespread practice of fully or partially restricting freelancers, production companies now appear to be proactively preparing written contracts or, at a minimum, clearly specifying contractual terms in writing.

(B) Timing of written clarification of transaction terms

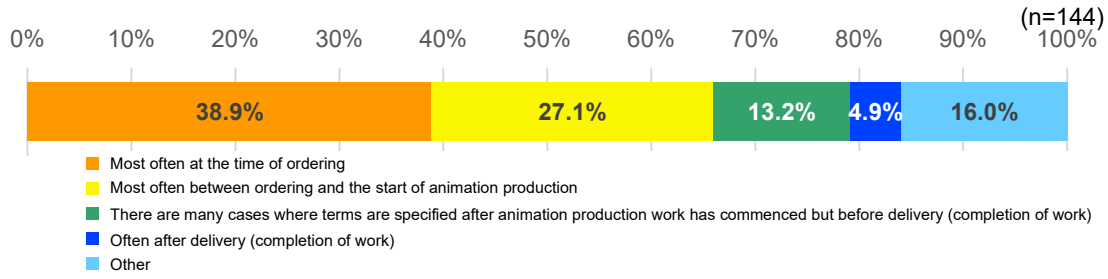
In a survey of freelancers, as shown in Figure3-53, approximately 40% responded that, over the past three years, transaction terms etc. were most often specified in writing "at the time the order was placed," whereas a combined total of approximately 50% responded that they were most often specified "after the order was placed but before commencement of anime production work," "after commencement of anime production work but before delivery (completion)," or "after delivery (completion)."

In addition, many respondents who selected "Other" (16%) stated that no written documentation was provided at all[123].

In the interview survey, some freelancers stated that they request written documentation before commencing work in order to prevent disputes. Business associations also responded that "frequent turnover among freelancers and the fast-paced nature of the industry make it difficult to complete contract procedures promptly."

[123]The following responses were submitted in the free-text field under "Other."
- I often do not receive anything (*two identical responses)
- No written documentation (*11 identical responses)
- Often, nothing is provided other than a purchase order
- In many cases, nothing is formalized in writing, and a document labeled as a purchase order is received only near the billing date at the end of the month
- In principle, only a purchase order stating the unit price and delivery date is issued, and even that is often provided after delivery
- After discussing the transaction terms at the time of the initial order, we were told to continue under the same format, and only later did we realize that certain terms had never been put in writing, and there may be other conditions we remain unaware of

Figure3-53 Timing of specification of transaction terms etc. in writing over the past three years



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

Source: Prepared based on survey results

[Interview Excerpt (35)]

<Production companies>

・ At the initial meeting, freelancers are often asked to sign both a purchase order and a contract.

<Freelancers>

・ Because there have been past disputes over contractual terms, I negotiate to obtain written documentation before commencing work (Color specification inspector/Color design)

・ Although a written contract exists, it is generally executed only after delivery. There is typically no prior communication by email etc., and matters are usually handled verbally (Scriptwriter).

・ In many cases, a purchase order is issued only after a verbal agreement has been reached. The purchase order specifies the scope of work, the delivery deadline, and remuneration. An invoice is then issued at the end of the month based on that information. As a general rule, a purchase order is received before work begins, although in some cases it is provided only after work has already commenced due to administrative delays. (In-between animation)

・ The purchase order does not state the amount of remuneration. In most cases, the amount is communicated verbally, but disputes frequently arise over whether certain statements were made, so to prevent problems I request confirmation of the amount by email (Animation Director, Character Designer).

<Industry associations>

・ The timing of contract issuance varies, occurring before work begins or during the course of the work. Ideally, all contract procedures would be completed prior to commencement of work; however, frequent turnover among freelancers and the fast-paced nature of the industry make it difficult to complete contract formalities promptly.

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

According to interviews, some respondents indicated that, partly due to the enforcement of the Act on the Improvement of Freelance and Business Transactions, transaction terms are increasingly being specified in writing; however, the questionnaire survey of freelancers shows that, as shown in Figure3-52, fewer than 50% responded that items subject to a statutory duty of specification under the Act on the Improvement of Freelance and Business Transactions, such as “content of work,” “amount or unit price of remuneration,” “payment due date,” and “delivery date,” were “communicated in writing in advance,” suggesting that specification of transaction terms remains insufficient in some cases. With respect to the timing of specification of transaction terms, as shown in Figure3-53, approximately 40% responded that terms are most often specified “at the time the order is placed,” whereas a combined total of approximately 50% responded that they are most often specified “after the order is placed but before commencement of anime production work,” “after commencement of anime production work but before delivery (completion),” or “after delivery (completion),” indicating that even in cases where terms are specified in writing, this frequently occurs after the work has already been commissioned.

Under the Act on the Improvement of Transactions between Freelancers and Enterprises, when a production company, acting as a commissioning business operator, outsources work to a freelancer, it must immediately disclose the required items [124] by providing written documentation, such as a purchase order, that sets out the transaction terms (Article 3, Paragraph 1 of the Act on the Improvement of Transactions between Freelancers and Enterprises)[125].

As with transactions between production committees and prime production companies (see Section 1.1(1)(i) above), where it is difficult at the ordering stage to determine detailed transaction terms, the Act on the Improvement of Transactions between Freelancers and Enterprises permits items with legitimate grounds for indeterminacy to be treated as undetermined items, provided that supplemental disclosure is made immediately once the content is determined (Article 3, Paragraph 1, proviso of the Act on the Improvement of Transactions between Freelancers and Enterprises); accordingly, production companies are required to disclose confirmed items immediately in writing, and, after sufficient consultation, to determine undetermined items as promptly as possible and promptly issue supplemental written disclosure.

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[124] (1) Name of the commissioning business operator and the specified entrusted business operator, (2) Date of outsourcing, (3) Details of the performance to be provided by the specified entrusted business operator, (4) Date of receipt of the performance or provision of services, (5) Place of receipt of the performance or provision of services, (6) Where inspection of the performance is required, the date by which inspection will be completed, (7) Amount of remuneration and payment due date, (8) Where remuneration is paid by a method other than cash, matters relating to the method of payment.

[125] With respect to required disclosure items whose specific content cannot be determined for legitimate reasons (undetermined items), it is not necessary to state the substantive content at the time of outsourcing; however, the reason the content cannot be determined and the scheduled date by which the undetermined item will be finalized must be disclosed at the time of outsourcing.

(2) Status of transaction consideration (remuneration)

A Actual conditions

(A) Compensation levels

In a survey of freelancers, regarding methods of receiving remuneration over the past three years[126], as shown in Figure3-54, more than 60% in total responded that "monthly retainer is most common" (full exclusivity) or "monthly retainer plus piece-rate is most common" (partial exclusivity).

With respect to remuneration levels over the past ten years, as shown in Figure3-55, approximately 70% of all freelancers responded that remuneration has "increased." As shown in Figure3-56, when broken down by remuneration structure, approximately 70-80% of freelancers paid "per production"[127], by "monthly retainer," or by "monthly retainer plus piece-rate" responded that remuneration has "increased," whereas only around 50% of those paid "per episode" or on a "per sheet/per shot piece-rate basis" responded that it has "increased," suggesting that changes in remuneration levels differ to some extent depending on remuneration structure.

With respect to satisfaction with remuneration levels, as shown in Figure3-57, approximately 30% responded that they were "satisfied," while approximately 50% responded that they were "not satisfied." Among those dissatisfied, approximately 90% responded that this was "because remuneration has not kept pace with rising prices" or "because the base remuneration/unit price is low to begin with."

In the interview survey, multiple production companies stated that overall remuneration levels for freelancers are rising, while others indicated that remuneration remains low for certain roles, including animation, finishing, and background art. Several respondents further indicated that unless production commission fees increase or production royalties etc. can be secured, it is difficult to raise freelancers' remuneration, suggesting that transaction terms between production committees and prime production companies, as well as between prime production companies and subcontracted production companies, may influence freelancers' remuneration levels.

Freelancers responded that, although "in numerical terms, retainer remuneration has increased considerably," remuneration levels are still not sufficient. For example, with respect to work such as animation, finishing, and key animation, freelancers responded that "even for the same volume of work, remuneration differs by nearly double between piece-rate and retainer arrangements," that "at unit prices of around ¥200-¥250, it is impossible to earn a proper living," and that "although unit prices have not changed, higher quality requirements mean that fewer sheets can be completed than in the past, so hourly remuneration has in fact declined."

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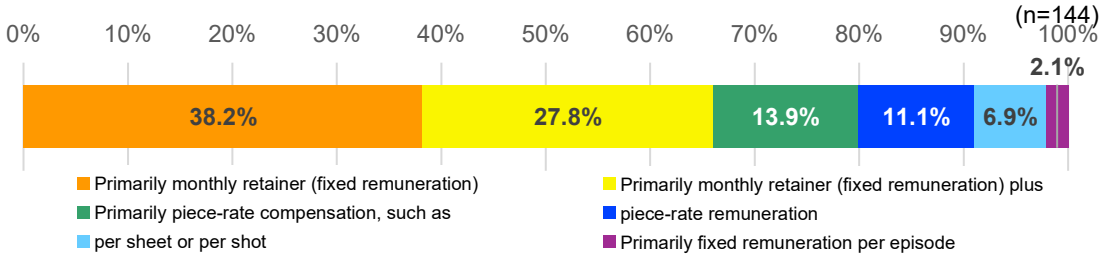
[126] As noted in Chapter 2, Section 1, 2(2)(e), freelancers' remuneration structures vary depending on the production company and the freelancer's role, including full-exclusivity and partial-exclusivity contracts providing monthly remuneration, as well as unit-price arrangements calculated per production, per episode, per sheet, or per shot.

[127] Among freelancers who responded that they are paid primarily "per production," many held positions directly tied to or significantly influencing the creative aspects of a production, such as director, storyboard artist, character designer, chief animation director, and color designer.

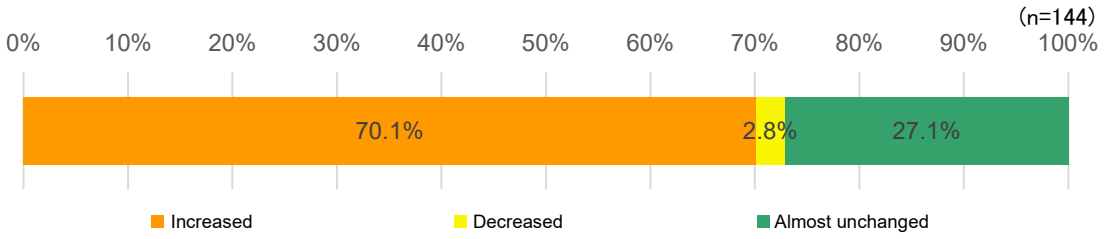
Figure3-54 Remuneration structure over the past three years



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

Source: Prepared based on survey results

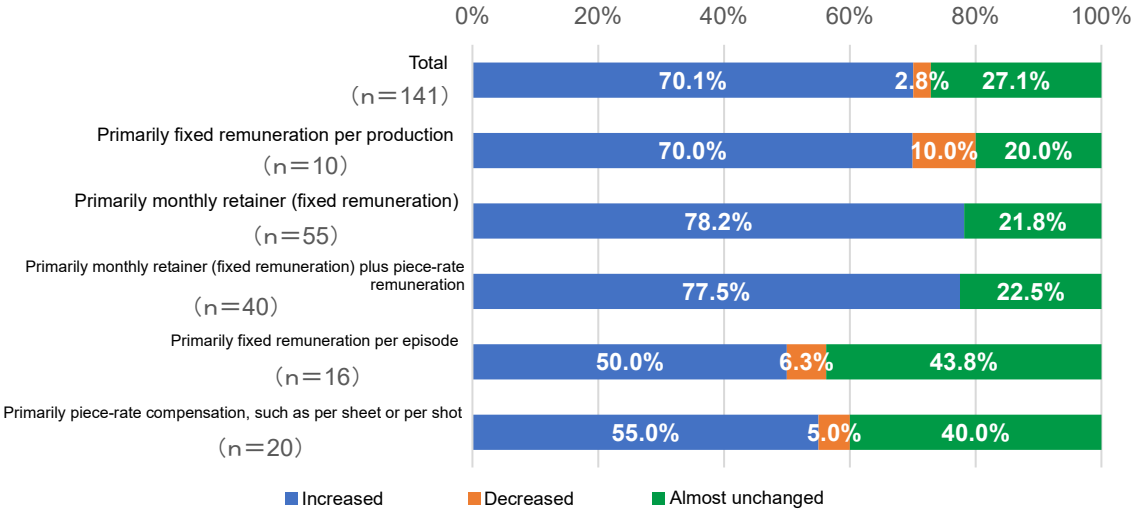
Figure3-55 Changes in remuneration levels over the past 10 years



*Freelancers were asked about trends over the past 10 years

Source: Prepared based on survey results

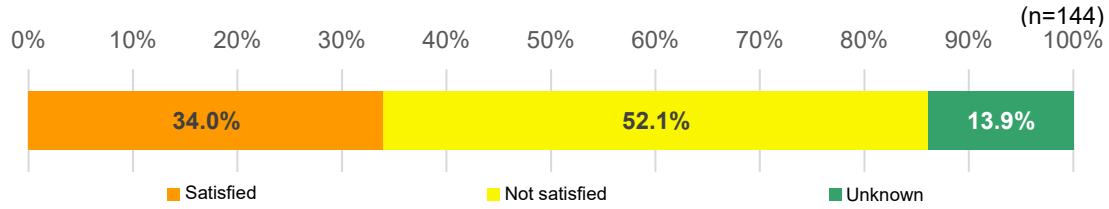
Figure3-56 Changes in remuneration levels over the past 10 years (by remuneration structure)



*Freelancers were asked about trends over the past 10 years

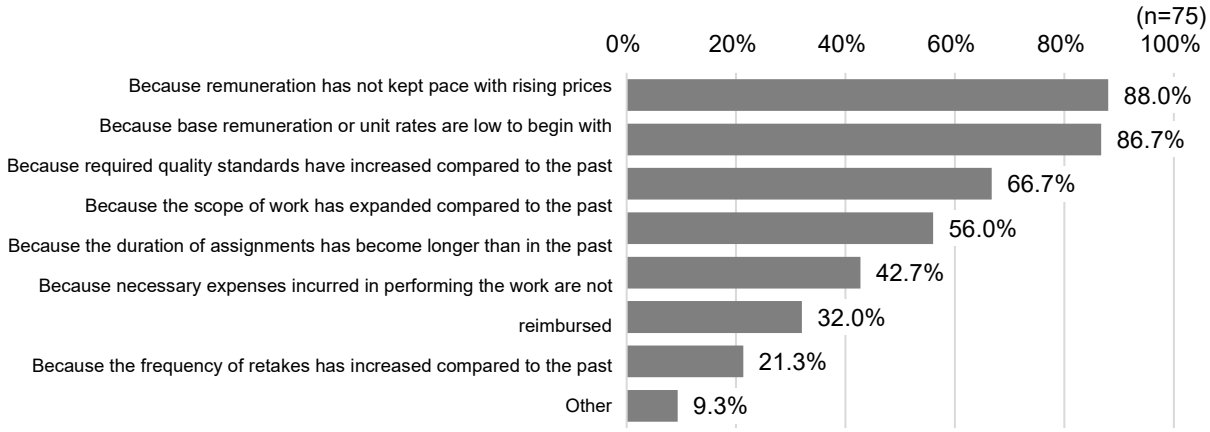
Source: Prepared based on survey results

Figure3-57 Satisfaction with remuneration levels



Source: Prepared based on survey results

Figure3-58 Reasons for dissatisfaction with remuneration levels in anime production work (multiple responses)[128]



Source: Prepared based on survey results

[Interview Excerpt (36)]

<Production companies>

◆Responses indicating that remuneration levels are rising

- Unit rates of remuneration for animation work have increased. They have risen by approximately 130% over the past three years. By contrast, the rate of increase in production commission fees has been lower.
- Although unit rates vary by role, remuneration levels for freelancers have risen in recent years. While this varies depending on the quality of the production and the specific role, remuneration in sections such as key animation has roughly doubled compared to the past.
- In recent years, even for roles that were previously compensated on a piece-rate basis, there has been a sharp increase in the use of exclusivity contracts to secure

[128]The following responses were submitted in the free-text field under "Other."
- There are no clear skill-based pay standards, and managers determine remuneration based on their own discretion, resulting in some less-skilled newcomers receiving higher pay.
- Although I believe my income is relatively favorable compared to the average, there are inevitably months when earnings decline depending on timing, so I would like greater income stability. There have also been cases where I was receiving a holding fee, but the schedule kept being pushed back, and then, for reasons attributable to the other party, the holding fee could no longer be paid, which caused problems for me.
- There are business operators who do not pay consumption tax
- High quality is required despite short production schedules
- If the number of shots or specific work details, such as character design or the inclusion of shadows, are not known at the contract stage, it is impossible to determine the applicable unit rate or whether the effective hourly remuneration will fall below ¥1,000.
- Under a full-exclusivity arrangement, it is unclear how much of the payment constitutes work remuneration and how much constitutes the retainer. Freelance schedules are structured on the assumption that they will not take time off.

talent, resulting in higher labor costs. In the past, low unit rates paid to animators effectively functioned as a means of offsetting insufficient production commission fees; although the industry has moved toward more appropriate remuneration levels, which is a positive development, production companies find that cumulative fair remuneration cannot be covered by production commission fees alone.

- Production companies engage personnel across multiple roles, including directing, setting design, background art, and CG, and in recent years even roles that were previously paid on a piece-rate basis have increasingly shifted to exclusivity contracts to secure talent, driving up labor costs.
- As remuneration under exclusivity contracts has expanded and more creators have been hired as employees, remuneration levels have risen dramatically, and there is a perception that production costs have more than doubled over the past five years. To secure younger talent in anticipation of future labor shortages, companies are paying several hundred thousand yen to creators whose output would otherwise command less than ¥5,000 in piece-rate terms.

◆Responses indicating that remuneration levels are low depending on role

- Because production companies seek to retain highly skilled animators capable of producing high-quality work, remuneration for top-tier talent has increased. By contrast, in-between animators are reportedly paid in the ¥200-per-sheet range, amounting to roughly ¥50,000 per month. Although unit rates have not changed, higher quality requirements have reduced the number of sheets that can be completed compared to the past, resulting in a decline in effective hourly remuneration. If one isolates only this lowest tier, the structure can be characterized as being sustained by the usage of workers' sense of fulfillment.
- The most poorly compensated creators are in-between animators and background artists. In our case, we have sufficient financial resources and are moving toward hiring them as employees, so remuneration has increased compared to the past; however, industry-wide conditions remain unfavorable. The completed anime productions that are actually broadcast or streamed consist mainly of drawings produced by in-between animators rather than key animators, so improving conditions for in-between animators would also contribute to enhancing overall quality.
- In-between animation and finishing are generally remunerated on a per-sheet basis, so unless unit rates rise, remuneration remains low. Accordingly, in-between animation and finishing roles are the lowest-paid positions in the industry. Although production companies would like to raise per-sheet unit rates or offer exclusivity contracts, they are reluctant to do so because this would increase production costs.

◆Reasons why freelancers' remuneration cannot be increased

- Unless production commission fees paid by production committees increase, it is difficult to raise freelancers' remuneration on a sustained basis.
- To return greater remuneration to creators, production companies would need to improve profitability; however, further increases in production commission fees are not expected. Even in cases where production commission fees increase, depending on the company's financial position, those funds may be used to cover deficits from prior productions, so payments to freelancers do not necessarily increase on a net

basis. To return value to creators, we hope to increase actual distributions by adding production royalties or improving the base and rate conditions. Because production royalties constitute long-tail revenue that largely becomes net profit, once a production company strengthens and stabilizes its operations (moving away from running on a shoestring budget), it can increase freelancers' remuneration for video and finishing work, provide monthly salaries, or hire them as employees; therefore, it is also important for freelancers that production companies earn production royalties.

- To strengthen production companies and enable them to allocate funds to freelancers, I believe it should become standard practice for production royalties to be topped up even before recoupment is complete in transactions with production committees.
- Anime production operates under a fully divided labor system, with market principles applied. For example, freelancers who produce poor-quality work are not hired. Therefore, production companies are not considered to be utilizing freelancers. Even for video and finishing work, paying high rates to Japanese freelancers is often avoided in favor of outsourcing to overseas locations such as Vietnam, demonstrating market principles at work and limiting the ability to increase remuneration for these roles.

◆Other

- Some freelancers leverage their technical skills to enter semi-binding contracts with multiple companies, earning remuneration without performing work by claiming they are busy with other orders.

<Freelancers>

◆Remuneration system/structure

- Under binding arrangements, remuneration is a fixed monthly amount for full exclusivity and a combination of a retainer plus piecework for partial exclusivity. In our case, animation directors earn ¥400,000 per month, and key animators earn approximately ¥300,000 per month (Key animator/Animation director).
- Remuneration is determined by role, payment system (piecework or fixed monthly fee), and the length of the binding period. There are three remuneration structures: (1) piecework based on unit price × number of pieces, (2) hybrid of fixed fees plus piecework, and (3) fixed fees only. Individual situations vary, but under the piecework system (unit price × number of sheets), low unit rates make it difficult to earn a living (Key animator/Animation director/Character designer).
- Due to the shortage of personnel in the anime industry, production companies aim to secure key roles and veteran staff, creating a seller's market for these positions. However, the overall budget is fixed, and the strain caused by higher remuneration for certain staff members falls on mid-level and junior staff, particularly younger staff (whose fixed costs are low or who have no fixed remuneration). (Key animator/Animation director/Character designer)

◆Responses indicating that remuneration has increased

- I think remuneration has risen significantly in recent years, but because prices have

also increased, the real situation has changed little (Key animator/Animation director).

◆Responses indicating that remuneration levels are insufficient

- Even for the same workload, remuneration can be about twice as high under an exclusivity arrangement compared with a piece-rate system. Animation work is generally paid at a unit rate of approximately ¥200-¥250, so even if one works diligently, it is not possible to earn a decent living. Exclusivity contracts provide better terms than piece-rate remuneration. (In-between animation)
- The unit price for TV anime in-between animation is ¥300 per sheet, and for theatrical TV anime versions it is ¥400 per sheet. I can draw 200–250 in-between animation sheets per month, so my current monthly remuneration is approximately ¥75,000. The production company provides allowances, but including these, the monthly income is only ¥140,000-¥150,000. It is difficult to make a living without living with parents. (In-between animation)
- The low unit price is the problem. I would like the unit price increased rather than the retainer fee. In particular, the unit rates for in-between and second-pass key frame animation are so low that it is impossible to make a living from them alone (In-between animator/Key animator).
- The unit price for key animation has remained unchanged for 30 years (Key animator/Animation director).
- Although the minimum unit price has increased slightly compared with the past, recent demand for high-quality drawings has increased the workload and hours per sheet for staff, so any unit price increase does not match the actual work. Therefore, under a piece-rate system where income is calculated as unit price × number of sheets, total earnings do not rise, making it difficult to sustain a living (Key animator/Animation director/Character designer).
- Animation directors are paid slightly more than key animators, but the remuneration does not reflect the workload. Animation directors receive fixed remuneration (the going rate is approximately ¥400,000 per month), so the more corrections they undertake, the more financially disadvantageous it becomes. (Key animator, Animation director)
- With respect to directing, remuneration per episode has increased by several tens of thousands of yen in recent years. However, even though the pay has increased, it does not translate into more profits because the amount of work I each year is increasing. Causes of the increased workload include fixing the work of inexperienced personnel hired due to labor shortages, shooting based on storyboards, and holding meetings to decide the composition of works that utilize CG. Accordingly, remuneration should increase in proportion to the expansion of work processes (Director).
- Remuneration for scenario writers is unrelated to their career background. Even if a writer has a strong reputation or representation, the typical rate is around ¥300,000 per episode, with essentially no room for negotiation beyond that. This market perception has not changed since debuting 20 years ago, and when adjusted for inflation, it has effectively declined (Scriptwriter).

<Experts>

- Some freelancers are highly skilled and take on high-profile character design work, and are remunerated accordingly; however, the majority receive very low pay relative to the hours they work. In particular, for those responsible for in-between animation and key animation, the work is paid on a unit-price basis, and since unit prices have not increased, their remuneration has not increased either. Even among top-tier directors, screenwriters, and character designers (for example, directors of well-known productions) expenses such as location scouting are often not reimbursed, leaving them unable to save money.

<Industry associations>

- The anime industry still pays extremely low rates when converted to hourly wages. The unit prices for key animation and in-between animation have not changed in 50 years.

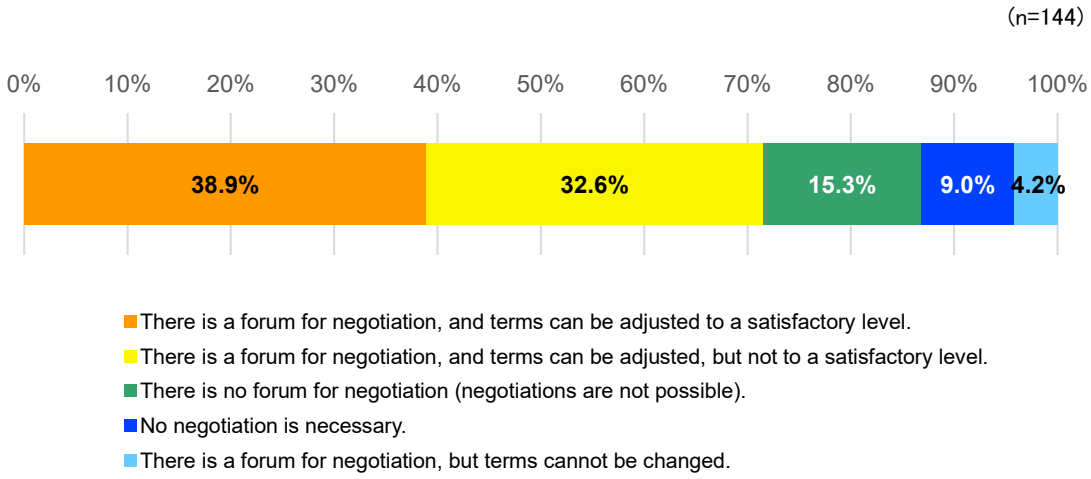
(B) Status of remuneration negotiations

In a survey of freelancers regarding negotiations over remuneration amounts and unit prices, as shown in Figure3-59, approximately 70% in total responded that, over the past three years, “there is a forum for negotiation and conditions can be adjusted to a satisfactory level” or that “there is a forum for negotiation and conditions can be adjusted, though not to a satisfactory level.”

In interviews, several production companies responded that “we negotiate with freelancers every time” and that “in many cases we have no choice but to negotiate due to labor shortages,” while others stated that, because they are “operating on a tight budget,” they are unable to respond sufficiently to negotiations, including those concerning remuneration.

Freelancers responded that “it is not the case that we are never given an opportunity to negotiate” and that “production companies are relatively flexible with respect to partial rate negotiations,” while there were also responses stating that “to negotiate, one must be prepared for the possibility of losing future work” and that “I do not have a clear sense of the prevailing market rate of remuneration for my own work.” Business associations indicated that many freelancers are unable to negotiate due to humility or a craftsman mentality.

Figure3-59 Negotiation status regarding remuneration amounts or unit prices over the past three years



* Freelancers were asked about trends over the past three years.

Source: Prepared based on survey results

[Interview Excerpt (37)]

<Production companies>

◆Answers stating that negotiations are conducted

- Our company sometimes negotiates remuneration with freelancers. More experienced freelancers tend to be anchored to historical rates and are often reluctant to engage in price negotiations. By contrast, younger generations (in their 30s and 40s) who can access information online frequently seek to negotiate. We have adopted a policy of accepting the requests of freelancers "with whom we wish to continue working."
- We negotiate remuneration with freelancers in every case. In light of labor shortages and rising prices, we have increased remuneration levels. There is intense competition to secure highly capable freelancers.
- Although many individuals in the anime industry lack negotiation skills, and some highly skilled personnel may therefore be utilized, the frequency of negotiations has increased compared with the past, with some individuals even sharing negotiation strategies on social media.
- We conduct price negotiations twice a year with those who have entered into exclusive service agreements with us, and renew their contracts effective April of the following year.
- Freelancers frequently seek to negotiate contractual terms. It is also common for freelancers to state that "we will not accept work below this amount." Given the labor shortage and the fact that other companies may in practice commission work at those rates, we are often compelled to engage in negotiations.

◆Answers indicating that there are cases in which negotiations cannot be accommodated

- We have raised transaction prices with freelancers through negotiations. However, because production commission fees alone do not allow production companies to secure sufficient profit and many operate on a hand-to-mouth basis, the reality is that they are often unable to respond adequately to negotiation requests.
- Prime production companies actively compete to recruit highly skilled animation staff, and freelance animators are aware of these conditions, resulting in our company receiving project-by-project requests for fee increases from such freelancers. However, among freelancers, those in the middle or lower tiers have seen limited increases in remuneration, as production companies perceive little benefit in committing to high fixed monthly payments even in cases where exclusivity arrangements are imposed. Our company is already operating at a production loss, and we are therefore unable to accommodate negotiations from such individuals.

<Freelancers>

◆Answers stating that negotiations are conducted

- When I first began working as a freelance creator, I was unfamiliar with prevailing market rates for my services and did not consider negotiating remuneration. However, after completing a certain volume of work and gaining a sense of market rates, I came to view my remuneration as insufficient and, given the trust I had established with the company, entered into fee negotiations. When I negotiated, the production company responded constructively, and my remuneration was increased. (Key animator)
- I make a point of finalizing contractual terms before accepting assignments. In some cases, negotiating results in higher remuneration. At a minimum, opportunities to negotiate are provided. (Animation director, character design)
- In the case of key animation, the unit price may increase where numerous characters appear, the drawings are complex, or the workload is substantial. If the workload proves more onerous than initially anticipated, it is possible to negotiate the unit price after work has commenced. Because the precise scope of work is often unclear at the time of commissioning, production companies are perceived as relatively receptive to negotiations over specific components of the unit price. (Key animator, Animation director, character design)
- When serving as animation director, if the submitted key frames are substandard, the director may undertake what is known as a full revision, reworking and correcting the entire set of key frames from scratch. In such cases, where the animation director's fixed remuneration is low, they negotiate to receive payment equivalent to what they would have earned had they performed the work as a key animator, in order to secure remuneration commensurate with the workload. In my experience, payment has never been withheld by a production company. However, from the company's perspective, a fully revised shot entails paying twice the unit price for the key frames, to two individuals, which may represent a substantial loss. (Animation director, character design)
-

◆Answers indicating that sufficient negotiations are not, or cannot be, conducted

- In one project where the workload for color design increased, I sought to negotiate higher remuneration with the production company, but the negotiations were unsuccessful and I did not receive any further commissions from that company thereafter. From a freelance creator's standpoint, entering into negotiations requires accepting the risk of losing future work. Even when negotiating, one must proceed cautiously and adopt a restrained approach so as not to be perceived as difficult. (Color specification inspector/Color design)
- Quality standards vary by project; for productions with simple linework, a single in-between frame can be completed in approximately 5 to 10 minutes, whereas for productions with complex and dense linework, a single in-between frame may require roughly 1 to 2 hours. However, there is no difference in the unit price between the two. I sought to negotiate with the production company to which I am affiliated to have the unit price reflect actual working hours, but there was no room for negotiation. (In-between animation)
- Freelancers have limited horizontal networks, and those working on in-between animation inspection are particularly few in number within the industry, leaving them with few peers to consult. Because they cannot access information on other freelancers' contractual arrangements or precedent cases, they lack a clear benchmark for negotiations with production companies and, faced with this information asymmetry, feel constrained to engage only in tentative negotiations. (In-between animation inspection)
- In practice, most freelancers have an insufficient grasp of prevailing remuneration levels for their services and limited understanding of effective negotiation strategies. In particular, negotiating with a company with which one wishes to maintain an ongoing working relationship presents a significant psychological hurdle. In fact, the only times I have negotiated for higher remuneration with a production company were when I had been assigned work under poor conditions and had resolved that it would be acceptable if no further work were offered; I have never attempted such negotiations with a company with which I wished to build an ongoing relationship. (Color specification inspector)

<Industry associations>

- Even among top creators, many are modest, possess a craftsman-like disposition, or are otherwise introverted, and as a result are unable to negotiate effectively. Some do not even assert their entitlement to proper remuneration, even when dissatisfied with the finished product.

(C) Remuneration other than consideration for services, such as success-based remuneration

In anime production, in addition to the production commission fee paid as consideration for services, contractual terms may provide for royalties etc. calculated by applying a specified rate to secondary use revenues earned by the production committee or other rights holders.

In a survey of freelancers, as shown in Figure3-60, regarding whether they had received remuneration other than consideration for services during the past three years, approximately 15% responded that they had received “secondary use fees,” and approximately 10% each responded that they had received “royalties,” “success-based remuneration,” or “other remuneration.” Those who reported receiving such remuneration were engaged in occupations including director, screenwriter, storyboard artist, character designer, chief animation director, art director, and sound.

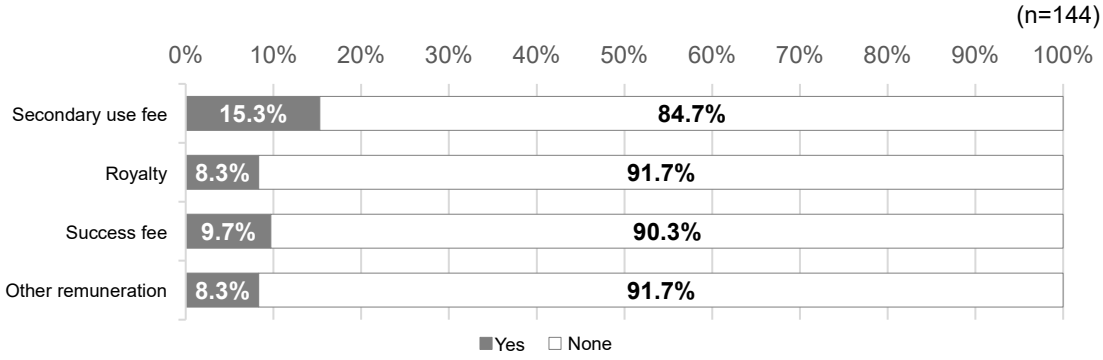
In interviews, a small number of production companies responded that they distribute remuneration other than consideration for services to all or some creators, including freelancers, using production royalties received from production committees as the source of funds; however, others stated that, due to limited royalty income and the high administrative costs of making payments to a large number of freelancers, they are “unable to return success-based remuneration or other remuneration beyond service consideration to freelancers.”

Some freelancers reported having received bonus payments following the commercial success of a production, while others stated that they had never received, or even heard of, success-based remuneration.

These findings indicate that remuneration other than consideration for services, such as success-based remuneration, is not broadly paid to freelancers in general and appears to be paid only in limited occupations etc.[129].

[129] For example, screenwriters, who are mainly members of the Japan Screenwriters Association, generally receive royalties on top of compensation for their work (script fees). According to the Association's royalty regulations, in the case of anime production transactions, the production committee pays script royalties equal to a certain rate multiplied by the production committee's income (e.g., 3.5% of the sales price to the distribution company).

Figure3-60 Whether respondents received remuneration other than payment for services during the past three years[130]



*Freelancers were asked about trends during the past three years

Source: Prepared based on survey results

[Interview Excerpt (38)]

<Production companies>

◆Answers stating that success-based remuneration is paid

- Our company has long established success-based remuneration etc. for animators. A portion of production royalties is allocated and distributed to approximately 100 creators within the company, including freelancers. As an incentive structure tied to commercial success, we consider it desirable for the commissioning party and the prime production company to conclude a contract under which a success-based remuneration is paid to the production company, which then distributes that amount to creators.

  However, providing such remuneration to creators is impeded by the need to obtain the commissioning party's understanding, secure funding sources such as production royalties, and bear the administrative burden and costs associated with distribution. As the number of recipients and productions subject to distribution increases, back-office operations expand significantly, raising costs for the production company and placing pressure on management. This burden is particularly severe for small and medium-sized production companies, for which even the calculation and allocation of success-based remuneration alone can result in higher labor costs and operational strain.

◆Answers stating that no success-based remuneration is paid

- We do not provide success-based remuneration etc. to freelancers. Our company engages hundreds of freelancers, and if success-based remuneration were introduced, it would be necessary to calculate such payments individually for each freelancer. Given that we have only one staff member responsible for general affairs, although we would prefer to implement such arrangements, we lack the administrative capacity to do so. It is likely that establishing success-based

[130]The contents of the "remuneration other than those mentioned above" were mainly as follows:
- Special remuneration (bonus) in accordance with annual contribution
- A lump sum payment in a year when the production company was in the black

remuneration for freelancers will remain difficult going forward. I am not aware of any other production company that provides success-based remuneration to freelancers.

- We do not offer success-based remuneration to freelancers.
- If royalties were to be granted to creators, the funding source would be production royalties paid to our company by the production committee; however, even in cases where such royalties are received, the rate remains low and the income unstable, making it difficult to redistribute funds to creators.

<Freelancers>

◆Answers stating that success-based remuneration has been received

- At a production company with which I was previously affiliated, secondary use fees were paid, based on DVD sales performance, to the individual credited at the end of the end roll as "Director/Series Director," regardless of whether that person was a freelance creator or an employee. The calculation was based on the number of DVDs sold and the number of streaming views. Employees received 50%, while freelancers received 75%. In my case, in peak years I earned up to ¥2 million annually from secondary use fees alone. I have heard that some individuals were able to support themselves solely on that income. As the market shifted from DVDs to streaming, this income declined, but even now it amounts to approximately ¥200,000 per year. In the case of streaming, the payment is approximately ¥1 per view and therefore modest; however, when viewership is strong, it can still constitute an attractive revenue source. (Director)
- I received additional remuneration, in the form of a success-based remuneration, from a production company on only one occasion. When I worked on a theatrical release while affiliated with a subcontracted production company, the film became a major hit and each animator was subsequently paid a ¥5,000 bonus as a success-based remuneration. (In-between animation)

◆Answers stating that success-based remuneration has never been received

- Although there may be limited exceptions, freelancers generally do not receive success-based remuneration. (Key animator)
- I have never received any bonus or similar payment separate from the unit remuneration from the production company with which I primarily transact. (Key animator/ Animation director)
- I have never even heard of success-based remuneration. It does not appear to be stipulated in the contract. (Screenwriter)
- Even when a production becomes a commercial success, I have never received a bonus, nor have I heard of such payments being made. (In-between animation)
- As a character designer, I do not receive royalties or similar payments. Under the contract, rights to the characters I design are assigned to the production company; accordingly, I may not draw them outside the scope of the production, and because the arrangement is a full buyout, I do not receive secondary use fees or royalties. (Key animator/Animation director/ Character design)

<Industry associations>

- In order to distribute success-based remuneration to individual creators, it would

be necessary to assess each creator's contribution; however, given the large number of personnel involved and the nature of the work, this would likely be difficult.

B the Act on the Improvement of Transactions between Freelancers and Enterprises, perspective under the SME Transactions Act

(A) Unjust price reduction

As noted above in Section a-(a), although trends in remuneration levels appear to vary by occupation, approximately 70% of freelancers reported that remuneration levels are rising, suggesting an overall upward trend. However, a majority of freelancers remain dissatisfied with current remuneration levels, citing factors such as failure to keep pace with rising prices.

Although such circumstances do not in themselves constitute a violation of the Act on the Improvement of Transactions between Freelancers and Enterprises or the SME Transactions Act, where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company, in dealing with a freelancer, fails to take into account circumstances such as rising prices and unjustly sets the amount of remuneration at a level significantly lower than the ordinarily paid consideration, this constitutes a problem under the Act on the Improvement of Transactions between Freelancers and Enterprises (unjustly low pricing) (the Act on the Improvement of Transactions between Freelancers and Enterprises, Article 5, Paragraph 1, Item 4)[131][132].

Furthermore, 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 is subject to the SME Transactions Act, a production company's unjust setting of remuneration at a level significantly lower than the ordinarily paid consideration, in light of factors such as rising prices, constitutes unjustly low pricing under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.

(B) Unilateral determination of consideration without consultation

As noted above in (a)(b), responses to the questionnaire survey of freelancers suggest that many production companies do engage in negotiations; however, interviews with both production companies and freelancers indicate that even in cases where an opportunity for negotiation exists, consultation may in some cases be inadequate. In addition, against the backdrop of limited production royalties received by production companies, remuneration other than consideration for services, such as success-based remuneration, appears to be paid to freelancers only in limited occupational categories.

When the term of outsourcing is one month or longer (Article 5, Paragraph 1 of the Act on the Improvement of Transactions between Freelancers and Enterprises and Article 1 of its Enforcement Order). The same applies below with respect to prohibited acts prescribed under the Act on the Improvement of Transactions between Freelancers and Enterprises.

[132] If a production company, without explicitly discussing during price negotiations the need to reflect cost increases such as inflation in transaction prices, maintains remuneration at prior levels and thereby unjustly sets remuneration at a level significantly lower than the ordinarily paid consideration, this may constitute unjustly low pricing (Japan Fair Trade Commission, "Guidelines Concerning the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators" (May 31, 2024), Part II, 2(2)E(c)).

Although such circumstances do not in themselves constitute a violation of the SME Transactions Act, following its enforcement, where a production company unilaterally determines remuneration by refusing to engage in price negotiations, including discussions of success-based remuneration, or by failing to provide necessary explanations despite a freelance creator's request for consultation, this constitutes a prohibited act of unilateral determination of consideration without engaging in consultation under Article 5, Paragraph 2, Item 4 of the SME Transactions Act.

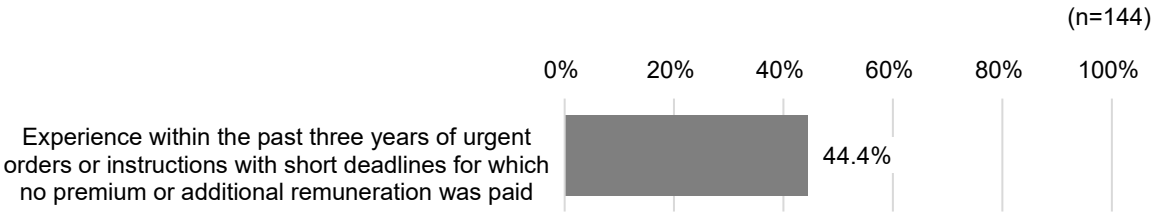
(3) Orders with Unreasonably Short Deadlines

A Actual conditions

In the questionnaire survey of freelancers, as shown in Figure3-61, approximately 40% responded that, during the past three years, they had experienced "urgent orders or instructions with short deadlines for which no premium or additional remuneration was paid."

In interviews, some production companies responded that "we may pay an expedited fee if placing an order with a short deadline," and some freelancers responded that "if negotiated, a surcharge may be added," while others responded that "no premium is ever paid."

Figure3-61 Experience within the past three fiscal years of urgent orders or instructions with short deadlines for which no premium or additional remuneration was paid[133]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years
Source: Prepared based on survey results

[Interview Excerpt (39)]

<Production companies>

- Where orders are placed with short deadlines, we may pay an expedited fee to freelancers. In the final stages of a production, we may increase staffing and complete the production through intensive manpower deployment, which raises labor costs; accordingly, we negotiate with the prime production company for higher remuneration than usual and, when commissioning freelancers, we also pay an additional expedited fee.

<Freelancers>

◆Answers indicating that a premium may be paid if negotiations are conducted

This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

- For urgent requests such as “Finish by tomorrow,” I negotiate to obtain an expedited fee; however, some production companies do not agree to add such a premium. Where additional payment can be secured, particularly in the case of in-between animation, which may be ordered with same-day deadlines to address retakes of another person’s work, the unit price may be increased to approximately double. Because the basis for requesting an increase is clear, negotiations tend to be comparatively easier in cases involving short deadlines. (In-between animation)

◆Answers stating that no premium is paid even in cases where orders are placed with short deadlines

- Regardless of how urgent the work is, or even in cases where late-night work becomes unavoidable, no premium is paid. Where direction, such as storyboards, is not finalized, substantial time may be consumed before the animation stage begins; to meet broadcast deadlines, animators in the animation stage are then required to work late into the night. Accordingly, the practice of using animators as a buffer for schedule and budget adjustments should be corrected, either by refraining from issuing such compressed instructions or by paying an appropriate premium. (In-between animator/Key animator)

B the Act on the Improvement of Transactions between Freelancers and Enterprises, perspective under the SME Transactions Act

As noted above in (a), there appear to be a certain number of cases in which no premium is paid to freelancers despite the placement of short-deadline orders.

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 with a shorter-than-usual deadline and unjustly sets remuneration at a level significantly below the ordinarily paid consideration without taking into account the increased costs incurred by the freelance creator, this constitutes unjustly low pricing under Article 5, Paragraph 1, Item 4 of that Act.

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 is subject to the SME Transactions Act, a production company’s unjust setting of a price significantly below the ordinarily paid consideration in connection with a short-deadline order constitutes a problem under the SME Transactions Act (unjustly low pricing) (the SME Transactions Act, Article 5, Paragraph 1, Item 5), and where a production company unilaterally determines the price (remuneration) by refusing to engage in price consultation or by failing to provide necessary explanations despite a freelancer’s request for consultation regarding a short-deadline order, this constitutes a problem under the SME Transactions Act (unilateral determination of consideration without engaging in consultation) (the SME Transactions Act, Article 5, Paragraph 2, Item 4).

2 Performance of transactions

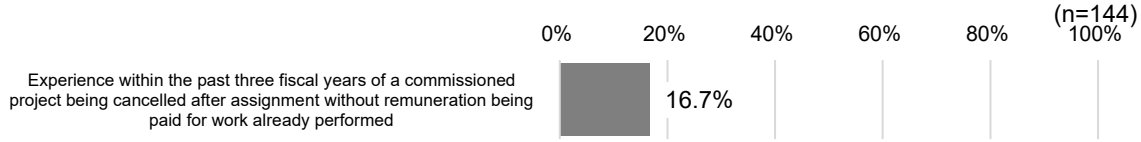
(1) Order cancellation

A Actual conditions

In the questionnaire survey of freelancers, as shown in Figure3-62, approximately 20% responded that, during the past three years, "a commissioned project was cancelled after assignment and no remuneration was paid for work already performed."

In interviews, a freelancer responded that "an order was cancelled while preparatory work was underway, and no remuneration was paid for the portion already commenced." Another respondent stated that "because it is not possible to immediately secure alternative work to fill the period left vacant by cancellation, a sudden cancellation can make it impossible to sustain one's livelihood."

Figure3-62 Experience within the past three fiscal years of a commissioned project being cancelled after assignment without remuneration being paid for work already performed[134]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (40)]

<Freelancers>

◆Answers stating that remuneration was not paid for work already performed following cancellation of an order

- I received an order from a production company, was provided with materials, and had been engaged in preparatory work for several days when the order was abruptly cancelled. Before commencing drawing, it was necessary to review the storyboards and materials; however, despite having already begun that review, no remuneration was paid for that work (nor was any remuneration provided.). In addition, I had declined other projects during the work period indicated at the time of commissioning, but the cancellation left my schedule vacant, and I was unable to secure substitute work, resulting in no income during that period. (In-between animator/Key animator)

◆Answers stating that losses were incurred as a result of order cancellation

- I have experienced cancellation of an order by a production company. Although I kept my schedule open based on the timetable initially presented by the production

This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

company, several months passed without any assignment; upon inquiry, I was informed that the project itself had been cancelled (and I had not been notified for several months that no production would be forthcoming). No compensation of any kind was provided by the production company. At the time the work was requested, I asked for a written contract, but my request was ignored and no written agreement was put in place, leaving me with no practical recourse. (Color specification inspector/Color design)

- Color design is a role that becomes involved at the planning stage, approximately two years before the animation process, and because alternative work cannot readily be secured during periods left vacant by cancellation, a sudden cancellation may jeopardize one's livelihood. (Color specification inspector/Color design)

B the Act on the Improvement of Transactions between Freelancers and Enterprises, perspective under the SME Transactions Act

As noted above in (a), responses to the questionnaire and interview surveys of freelancers indicate that, in some transactions, orders were cancelled and no remuneration was paid for work already performed or for periods that could not be filled with other projects.

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, without bearing the costs incurred for work performed, thereby unjustly harms the freelancer's interests, this constitutes an unjust modification of the content of benefit payments under Article 5, Paragraph 2, Item 1 of that Act.

Furthermore, where a production company cancels a service contract at the last minute without grounds attributable to the freelancer, thereby preventing the freelancer from undertaking alternative work, the company must not only bear the costs of work rendered futile up to that point but also pay an amount equivalent to the "amount of remuneration" for the cancelled contract; otherwise, such conduct may constitute an unfair change to the content of performance that unjustly harms the freelancer's interests under the Act[135].

Furthermore, 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 is subject to the SME Transactions Act, cancellation of an order without grounds attributable to the freelance creator, coupled with failure to bear the costs incurred for work performed and resulting in unjust harm to the freelancer's interests,[136] constitutes an unjust modification of the content of benefit payments under Article 5, Paragraph 2, Item 3 of the SME Transactions Act.

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[135]See Japan Fair Trade Commission, "Guidance Based on the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators (Appendix 2: Points to Note Regarding the Provisions of Article 5 of the Act on the Improvement of Transactions between Freelancers and Enterprises)" (December 10, 2025) (Japanese).

[136]As stated in Section 1-2(1)(i) above, it should be noted that whether the interests of the freelancer have been unjustly harmed is determined by comprehensively considering such factors as the losses incurred by the freelancer as a result of bearing costs due to changes to the content of the performance or reworking, and the amount of costs borne in response by the production company, and assessing whether the freelancer can be said to have suffered a disadvantage. Where the production company bears the costs and losses

(2) Additional Payment of Remuneration

A Actual conditions

As noted in Section 1.2(2)-a-(a) and Section 2.2(2)-a-(a) above, in anime production, additional costs frequently arise in both transactions between production committees and prime production companies and transactions between prime production companies and subcontracted production companies. The reasons cited for additional costs include extensions of the production period, additional work beyond the originally agreed scope, and retakes; in such circumstances, it may be necessary to extend the outsourcing period to freelancers or to request additional work. A questionnaire and interview survey of freelancers regarding payment practices in cases involving extensions or postponements of outsourcing periods and requests for additional work yielded the following results:

(A) Postponement or Extension of Period

In the questionnaire survey of freelancers, as shown in Figure3-63, just under 30% responded that, during the past three years, “the work period was extended through no fault of their own, and no additional remuneration was paid.”

In interviews, some freelancers responded that “for freelancers receiving a fixed monthly remuneration, payment continues even if the period is extended, so there is no disadvantage in terms of remuneration,” while others, particularly those paid per episode, responded that “when the production period is extended, the commitment period increases without any increase in remuneration, and the relative value of remuneration declines.”

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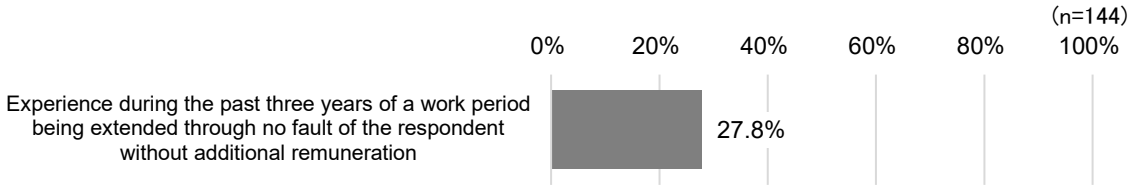
incurred by the freelancer as a result of changes or retakes and it is recognized that the freelancer’s interests have not been unjustly harmed, no violation arises.

From a dispute-prevention perspective, production companies and freelancers may consider specifying in advance, for example through a cancellation policy, whether payment will be made and the amount payable to the freelancer in the event that a service contract is cancelled. In this context, it should be noted that, depending on whether such payment is made and the amount specified, the arrangement may constitute unjustly low pricing or an unjust modification of the content of benefit payments in violation of the Act on the Improvement of Transactions between Freelancers and Enterprises.

Furthermore, in cases involving manufacturing outsourcing or the creation of information deliverables, even if a cancellation policy as described above has been established in advance, where the goods or information deliverables have already been completed, the production company must accept the deliverables and pay remuneration by the predetermined due date unless there are grounds attributable to the freelance creator.

Figure3-63 Experience within the past three fiscal years of a work period being extended through no fault of the respondent without additional remuneration[137]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (41)]

<Freelancers>

◆Cases where additional remuneration was paid in connection with an extension of the production period

- As a freelance creator receiving fixed monthly remuneration, even if the engagement period is extended, remuneration continues to be paid and therefore there is no financial disadvantage. (Key animator, Animation director, Character design)
- My period of involvement was extended by one month, and during that additional month the production company requested that I undertake a different assignment, which I completed. Because the change was due to the other party's circumstances, the originally agreed remuneration was paid even for the period during which the original work was not performed. (Key animation)
- This means that remuneration has been paid to freelancers, including myself, for the one-month extension, and that the production company has therefore incurred an additional month's personnel costs beyond what was originally anticipated. (Key animation)
- Due to a change in the production period, there was a site where the start of production was delayed by one month, but at that time the production company increased the number of animation directors and made up for the one-month delay in the production schedule. The work I performed as an animation director was reduced from what had originally been scheduled to be assigned to me due to the addition of more animation directors, but I was nevertheless paid the remuneration agreed upon in the original contract. (Key animator)

◆Cases of non-payment of additional remuneration due to postponement or extension of the production period

- For in-between animation inspection, which is paid on a per-episode basis, if the production period is extended, the period of commitment is prolonged without any increase in remuneration, resulting in a relative decline in the value of that remuneration. Also, since payment cannot be requested before the work is completed, it is entirely possible that if the work is extended, there will not be enough money to cover living expenses. An acquaintance of mine was unable to

This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

claim for extension after extension, and was barely making ends meet by dipping into his savings. (Key animator/Animation director/Character designer)

- On one project, the production period ended up being about six months longer than the time indicated by the production company when the request was made, due to delays in the previous process. I ended up turning down two or three new projects from other companies that I would have been able to production on. The per-episode unit rate for color specification inspection at that site was higher than the going rate for the initially proposed three-month work period, but because the period was extended and the work ultimately lasted nine months, the effective remuneration was reduced to one-third. Because we were not properly informed of the schedule delays and the delay became prolonged, we could not accept the situation; after negotiating an increase in remuneration, we were paid an additional ¥100,000, but even then it was not commensurate with the work. (Color specification inspector)
- Although the production period is presented by the production company at the time of order, delays of six months to one year frequently occur in the end. Even after work has commenced, delays arise during periods spent waiting for completion of the preceding process. If the engagement were on a monthly retainer, remuneration would presumably be paid during waiting periods; however, because remuneration for color design is calculated per production, and for color specification inspection per episode, extensions of the schedule effectively reduce the remuneration. For that reason, I sometimes negotiate for remuneration covering waiting periods, but the production company does not agree. (Color specification inspector/Color design)
- The production company states that it cannot accommodate such requests because the production commission fee is insufficient. Instead, they may promise to introduce us to the next project, but this does not constitute remuneration, as it merely results in production on a different project for which we receive the ordinary remuneration due for that production. Moreover, those promises are often not honored. (Color specification inspector/Color design)

<Information submission form>

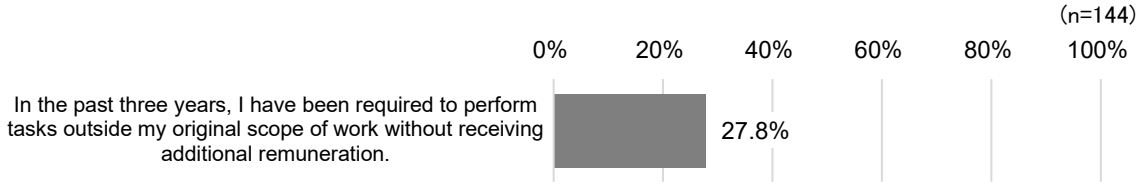
- One company accelerates production schedules and pressures animators, and in some cases makes them wait several months between first-pass key frames and second-pass key frames, with no compensation for that period. In the end, I received remuneration only for the first-pass key frames.
- Schedule delays effectively reduced remuneration, and unfair retakes further increased the workload.

(B) Addition of tasks that differ from the original scope of work

In a survey of freelancers, as shown in Figure3-64, just under 30% responded that, during the past three years, they had been “required to perform tasks different from the original scope of work without receiving additional remuneration.”

In interviews, a freelancer responded that “I undertook tasks that were not originally part of the contracted role, but no additional remuneration was paid.”

Figure3-64 Experience within the past three fiscal years of being required to perform work outside the scope of work without additional remuneration[138]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (42)]

<Freelancers>

◆Cases where tasks outside the original scope of work were performed but no additional remuneration was paid

- In TP corrections, image revisions after digital painting, we are sometimes required to redo all of the key frames or to draw in-between frames when the animation is insufficient. Even when required to remedy inadequate work by other sections in this way, we are paid only the standard flat rate for TP corrections, with no additional remuneration. (Color specification inspector/Color design)
- On one occasion, I was specifically asked by a director to undertake work outside the scope of my color design duties, but received no additional remuneration from the production company. Although I appreciated being selected by the director, the producer at the production company was aware that I was performing duties outside color design and nonetheless declined to adjust the remuneration. (Color specification inspector/Color design)
- Corrections to the finishing stage, the painted portions of TP, do not ordinarily fall within the scope of in-between animation inspection work; however, when schedules are tight, it is understood that such corrections must be handled concurrently with animation work, and remuneration for those finishing corrections is properly paid, so I have no complaint. However, with respect to corrections to the animation itself, we are sometimes required to make revisions that would ordinarily fall within the responsibilities of the animation director. In-between animation inspection work ordinarily involves correcting issues such as line distortion without altering the intended animation performance. However, it is sometimes required to undertake revisions that fall within the animation director's remit, including redrawing character expressions. Although I receive no remuneration as an animation director, I question why, as a video inspector, I am required to perform work at that level. (In-between animation inspection)
- I accepted an assignment as a second-pass key frame animator, but because the schedule fell behind, I was required to perform tasks normally handled by the animation director, namely corrections to first-pass key frames. Despite the work

[138]This figure is calculated based on the percentage of freelancers who reported experiencing such conduct in the past three years and does not indicate the incidence rate of such conduct across all transactions.

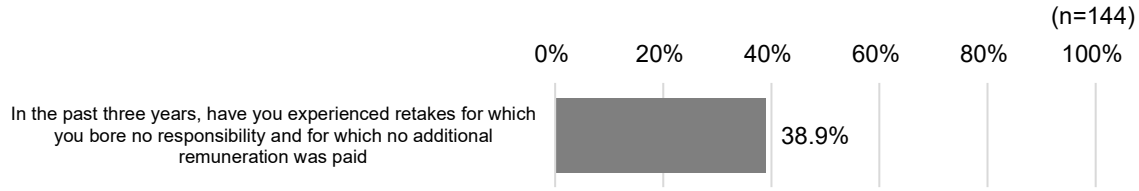
exceeding the commissioned scope of second-pass key frames, I was paid only the unit rate applicable to second-pass key frames. (In-between animator/Key animator)

(C) Retakes

In a survey of freelancers, as shown in Figure3-65, just under 40% responded that, during the past three years, they had experienced "retakes for which they bore no responsibility[139] and for which no additional remuneration was paid."

In interviews, freelancers responded that "although we effectively completed work equivalent to two episodes, we were paid only the originally agreed unit price for one episode," and that whereas retakes previously involved pointing out defects attributable to either the production company or the freelancer, there has recently been an increase in vague requests such as "make this a standout episode," without any additional remuneration being paid. By contrast, some respondents stated that "in many cases, we consider the cause of retakes to be our own lack of ability."

Figure3-65 Experience within the past three fiscal years of being required to do a retake for which the respondent bore no responsibility, without additional remuneration[140]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (43)]

<Freelancers>

◆Cases where retakes were required and no additional remuneration was paid

- In one project for a production company, an entire episode was subject to retakes due to the low quality of animation outsourced overseas. As a color specification inspector, I complied with the production company's request for retakes and effectively performed work equivalent to two episodes, yet I was paid only the originally agreed remuneration for one episode. (Color specification inspector)
- Although I carried out the work in accordance with the animation meeting, I was required to do a retake on the grounds that it did not reflect the production team's current view. In cases of retakes for which I bore no responsibility, a new per-shot unit rate should ordinarily have applied, yet no additional remuneration was paid. (Key animator/Animation director)

[139]This includes being required to do a retake after the production had been approved as delivered, being subjected to excessive revisions due to unclear instructions, and being required to redo work inconsistent with the original instructions.
This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

- No additional remuneration is paid for client retakes, that is, retakes requested by the production committee. The production committee's position is that the animation director is responsible for ensuring drawing quality, and that a client retake signifies a failure of that quality assurance; accordingly, the resulting revisions are treated as corrective work. However, many client retakes are unreasonable; even in cases where approval had been obtained from the production committee at an earlier stage, vague instructions may be given, such as "the character's face is not cute enough, so make it cuter." (Key animator/Animation director/character design)
- Retakes are sometimes requested on the grounds that the work does not align with the original author's intentions. In some instances, it is not that the original author insists on changes, but rather that the production committee is deferring to the author. (Character design/Chief animation director)
- In recent years, retakes from the production committee increased abruptly on a particular project. Previously, retakes were limited to pointing out production company defects, such as a character lacking horns, but production committees have increasingly demanded higher quality and now request retakes based on vague comments such as "it needs more energy" or "make this a standout episode." (In-between animation)
- During the scriptwriting process, five or six rounds of retakes are generally expected, but retakes exceeding the usual number sometimes occur. In such cases, no additional remuneration is paid. (Script)
- I have also experienced situations in which multiple rounds of retakes were imposed. Tasks that would ordinarily be corrected by the animation director were instead reassigned to the key animators for revision. Following discussions involving a third party, it became clear that the retakes were not issued for the stated purpose of training younger staff, but rather as an outlet for frustration arising from other work. (Key animator)

◆Cases where retakes were required and additional remuneration was paid

- With respect to finishing work, if there are deficiencies in the coloring within the assigned scope, corrections are made without charge. However, once the work has been finalized for screening, remuneration for color retakes is paid. (Color specification inspector)

◆Other

- Although retakes increase the workload without any corresponding remuneration and leave no time off, we nonetheless attempt to negotiate with the production company. Producers at production companies state that even when they negotiate with production committees, saying "if you require retakes, please extend the schedule and increase the production commission fee," their requests are not granted and they are instead threatened with statements such as "in that case, we will change production companies," and therefore they cannot provide freelancers with additional remuneration or leave. Retakes sometimes require hiring additional freelancers, and even in cases where the production committee does not provide an increased production commission fee, the production company's costs rise; in that

respect, the production company may also be seen as a victim. (In-between animator/Key animator)

- I consider the problems with retakes to be twofold: (1) unreasonable retakes are imposed, and (2) the criteria under which the director accepts a script are unclear. Going forward, it may be necessary to establish clear standards for retakes and to agree that additional remuneration will be paid where a finalized script is nevertheless subject to further retakes. (Script)
- In one color specification inspection assignment for a production company, the quality of the materials delivered to my stage of the process was so poor that nearly all shots required retakes, and a substantial number had to be redone from the first-pass key frames. Although remuneration was said to include retake work, the effective result was that I performed roughly double the workload for the standard per-episode rate. After completing that project, the same company approached me about color specification inspection production for its next production; however, given the poor production management and quality of the previous project, I negotiated that if retake production exceeded two-thirds of the total number of shots, they add approximately ¥20,000 as compensation, whereupon the commission itself was withdrawn. The company's remuneration for color specification inspection had originally been lower than the unit rates at other companies. Even with the proposed additional "¥20,000," the rate would still have been lower than that offered by other companies, so I believed it would be accepted, but the request for work itself was cancelled. (Color specification inspector)

<Industry associations>

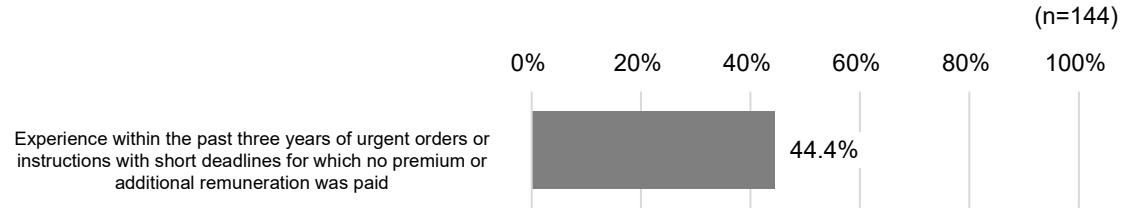
- Freelancers such as key animators are not ordinarily required by production companies to undertake retakes; where corrections are necessary, animation directors or checkers often make the revisions directly.
- Although roles such as storyboard artist may receive retake requests from animation directors, they are singular and critical positions within each production, and retakes are inherent in the nature of the work, such that requiring them does not in itself present a problem.

(D) Other changes to the scope of work

In a survey of freelancers, as shown in Figure3-61, approximately 40% responded that, during the past three years, they had experienced "urgent orders or instructions with short deadlines for which no premium or additional remuneration was paid." In addition, as shown in Figure3-66, approximately 20% responded that, during the past three years, they had been "required to work beyond contracted hours without receiving additional remuneration."

In interviews, freelancers responded that "no premium is paid even if the work period is shortened."

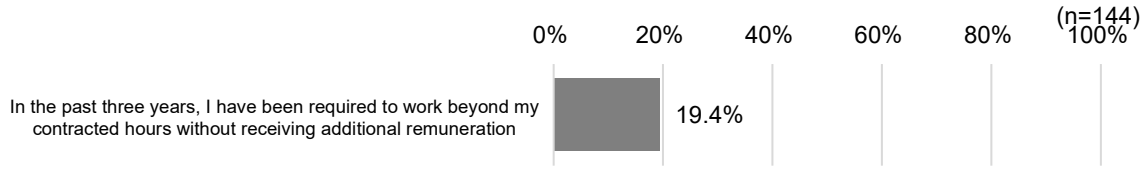
(Figure3-61 (reproduced)) Experience within the past three years of urgent orders or instructions with short delivery deadlines for which no premium or additional remuneration was paid[141]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

Figure3-66 Experience within the past three fiscal years of being required to work beyond contracted hours without additional remuneration[142]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (44)]

◆Example where the work period was shortened but no surcharge was paid

- Where the review process in the preceding stage is prolonged and work on second-pass key frames finally begins, instructions may then be issued to complete the work within only a few days, resulting in a delivery deadline shorter than the schedule initially presented. In such cases, the unit rate may be increased if we negotiate; however, the initiative must come from us, and the counterparty will almost never propose an increase. (In-between animator/Key animator)
- Although the standard work period per episode for in-between animation inspection is three months, schedules are frequently delayed, and in extreme cases the effective work period is reduced to less than one month. Because the overall workload does not decrease, the amount of work per day increases, and we may be compelled to work late into the night in response to requests such as “please deliver by tomorrow morning,” yet even in such cases no rush fee or other premium is paid. (In-between animation inspection)
- Work may become more demanding due to urgent tasks or accelerated deadlines, but no additional remuneration is paid as a result. We are often told abruptly that a delivery originally scheduled for late next month has been moved up to this week

This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

[142]Same as above

and must be prioritized, but we have never received any rush fee or similar premium for that. (Key animator/Animation director/character design)

B the Act on the Improvement of Transactions between Freelancers and Enterprises, perspective under the SME Transactions Act

As noted above in A, the questionnaire and interview surveys of freelancers indicate that, although not a majority, some respondents experienced extensions of the production period, additions of work outside the original scope, retakes, or other changes not attributable to the freelancer, without any additional remuneration being 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 any reason attributable to the freelancer, extends the production period, requires work outside the original contract, or imposes retakes, and fails to pay additional remuneration despite additional work being incurred, thereby unjustly harming the freelancer's interests, this constitutes a violation under the Act, namely an unjust modification of the content of benefit payments or an unfair retake (Article 5, Paragraph 2, Item 2 of the Act on the Improvement of Transactions between Freelancers and Enterprises)[143].

Even in cases where the transaction does not fall within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if it is subject to the SME Transactions Act, similar conduct, namely extending the production period, requiring work outside the original contract, or imposing retakes without fault on the part of the freelancer and failing to pay additional remuneration despite additional work being incurred, thereby unjustly harming the freelancer's interests, constitutes a violation under the SME Transactions Act, specifically an unjust modification of the content of benefit payments or an unfair retake (Article 5, Paragraph 2, Item 3 of the SME Transactions Act)[144].

With respect to retakes, in commissions for the creation of informational deliverables such as anime, whether the deliverables satisfy contractual requirements and meet acceptance standards is partly assessed based on the value judgments of the production company and, ultimately, the production committee, and in some cases it may be impossible to specify inspection standards clearly in advance in documents such as purchase orders. In such circumstances, where standards are ambiguous and communication is insufficient, differences in understanding of the required work may arise, leading to deliverables that deviate from expected quality levels, and responsibility may therefore be difficult to determine. In the interview survey as well, freelancers stated that the standards for determining whether additional remuneration would be paid are ambiguous and that negotiations are difficult.

[143]In such circumstances, where additional work arises from an extension of the production period without fault on the part of the freelancer and the production company fails to pay additional remuneration, the conduct may also constitute a reduction in remuneration (Article 5, Paragraph 1, Item 2 of the Act on the Improvement of Transactions between Freelancers and Enterprises).
[144]In such cases, where additional work arises from an extension of the production period without fault on the part of the freelancer and the production company fails to pay additional remuneration, the conduct may also constitute a reduction in payment (Article 5, Paragraph 1, Item 3 of the SME Transactions Act).

In such cases, regardless of whether the deliverables have been accepted, a production company must not unilaterally determine the allocation of costs when requiring retakes or other additional work on the grounds that the deliverables differ from the originally commissioned content, even if the relevant standards could not be clearly specified in advance; instead, it must determine a reasonable allocation of costs following sufficient consultation with the freelancer, taking into account the circumstances that led to the retakes or additional work.

(3) Deductions, late payment, and non-payment

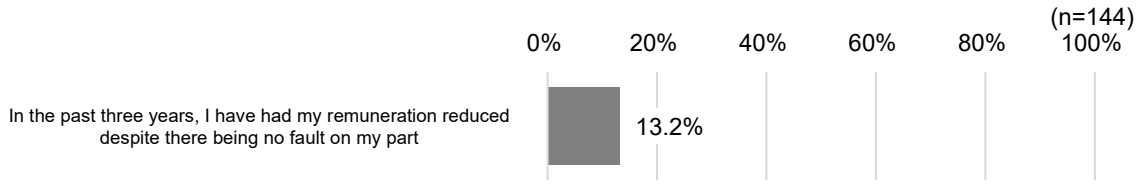
A Actual conditions

(A) Reduction of payment

In a survey of freelancers, as shown in Figure3- 67, just over 10% responded that, during the past three years, they had experienced "a reduction in payment despite bearing no responsibility."

In interviews, freelancers responded that "only half of the remuneration originally promised was paid" or that "the consumption tax portion was deducted on the grounds that I was not registered under the invoice system."

Figure3- 67 Experience within the past three years of payment reductions despite no fault on the part of the subcontracted production company[145]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (45)]

<Freelancers>

- When, for reasons attributable to the production company and not to me, I was required to engage an assistant, the cost of that assistant was deducted from my remuneration, resulting in a reduction of several tens of thousands of yen from the originally agreed unit rate. (Color specification inspector)
- On one occasion, under a semi-exclusive engagement for a fixed contractual period, I was not paid the remuneration for the final month. The monthly remuneration had been agreed in advance, and I worked on the project for several months. Although I delivered the work for the final month, no payment was made. The production company rejected my request on the grounds that "a substantial

[145]This figure is calculated based on the percentage of freelancers who reported experiencing such conduct in the past three years and does not indicate the incidence rate of such conduct across all transactions.

amount of remuneration had already been paid over several months"; however, the arrangement was a semi-exclusive engagement with fixed monthly remuneration, I had properly delivered the final month's work, and the overall workload had in fact been significantly greater than originally anticipated under the contract, making the refusal unjustifiable. (Animation director/Character design)

- Where a freelance creator is not registered under the invoice system, some production companies reduce remuneration on that basis. (Color specification inspector)
- When issuing an invoice to a production company that specifies that bank transfer fees are to be borne by the company, those fees are nevertheless sometimes deducted unilaterally from the remuneration. The initial contract terms often make no reference to bank transfer fees. (Color specification inspection/Color design)

Information submission form

- A certain company unilaterally notified me that it would not pay the consumption tax portion. Because this is the only company with which I can contract, changing business partners is difficult.
- Remuneration presented in advance is reduced for budgetary reasons, leaving responsibility and remuneration ambiguous.

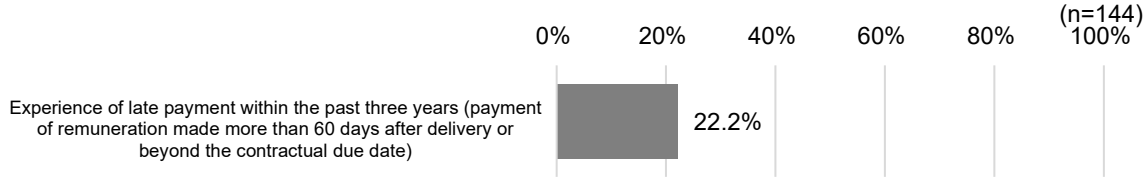
(B) Late or non-payment

In a survey of freelancers, as shown in Figure3- 68, approximately 20% responded that during the past three years they had experienced "late payment (payment of remuneration made more than 60 days after delivery or beyond the contractual due date)."

In interviews, freelancers responded that "remuneration was delayed by about one month due to the production company's cash flow situation."

Freelancers also reported instances of non-payment, stating that "even after completing and delivering the work, remuneration was not paid."

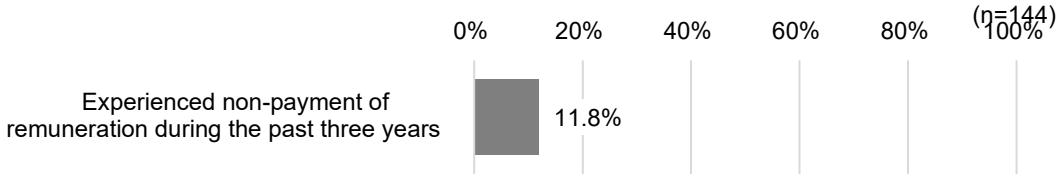
Figure3- 68 Experience within the past three fiscal years of delayed payment[146]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

Figure3- 69 Experience within the past five fiscal years of non-payment of remuneration[147]



*Freelancers were asked whether they had experienced such conduct at least once during the past three years

Source: Prepared based on survey results

[Interview Excerpt (46)]

◆Delayed payment

<Freelancers>

- On one occasion, remuneration from a production company was paid after the due date on the grounds of the company's cash flow difficulties. In another case, I discovered that payment had been delayed by a different company, and when I contacted the production assistant in charge regarding the outstanding amount, there was no response, creating concern that the matter might result in non-payment. At that time, I contacted the production assistant's supervisor directly and obtained a response; however, payment was ultimately delayed by approximately two months. (Color specification inspector)

◆Non-payment

<Freelancers>

- Despite having delivered the work, I was not paid remuneration for several episodes. There was no defect in my work. Even after I inquired with the production company regarding payment, no explanation was provided, and communication was subsequently cut off. In this project, there was no written contract and all communications were oral, leaving me with no effective recourse. Due to delays etc., I remained engaged on this project for an extended period and was unable to take on other production concurrently, resulting in a prolonged loss of income and,

[146] This figure represents the percentage of freelancers who reported having experienced such conduct during the past three years and does not indicate the incidence rate of such conduct relative to the total number of transactions.

[147] Same as above

for a time, the need to rely on public assistance. (Color specification inspector/Color design)

- In some instances, although I performed the work, remuneration was not paid because the production company went bankrupt or became entangled in disputes with other companies. (Color specification inspector/Color design)
- Although the production company made it out to seem that remuneration would be paid on a monthly basis, I was left unpaid for a portion of the period I was working on the production. Because the agreement was purely oral and no written document existed, I was informed at the invoicing stage that payment would not be made and had no practical choice but to acquiesce. (Key animator/Animation director/Character design)

Information submission form

- In an animation project involving a particular technology, unreasonable conditions were imposed. Ultimately, due to circumstances attributable to a certain company, the project was cancelled and remuneration remained unpaid.
- At a certain company, there is an issue of non-payment of remuneration for idea development work.

B the Act on the Improvement of Transactions between Freelancers and Enterprises, perspective under the SME Transactions Act

(A) Reduction of payment

The questionnaire and interview surveys of freelancers indicate that, although not widespread, some freelancers were paid less than the amount originally agreed after delivery, or had bank transfer fees deducted from their remuneration.

Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, a production company's reduction of the remuneration agreed at the time of contracting, absent any reason attributable to the freelancer, constitutes a violation of that Act, namely an unlawful reduction of remuneration (Article 5, Paragraph 1, Item 2 of the Act on the Improvement of Transactions between Freelancers and Enterprises).

Even in cases where the transaction does not fall within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if it is subject to the SME Transactions Act, a reduction of the agreed price, that is, remuneration, without fault on the part of the freelancer constitutes a violation of the SME Transactions Act, namely an unlawful reduction of payment (Article 5, Paragraph 1, Item 3 of the SME Transactions Act).

(B) Late or non-payment

The questionnaire and interview surveys of freelancers indicate that, although not widespread, some freelancers experienced payment after the contractual due date.

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 deliverables, failure to pay remuneration by the due date set within the shortest possible period not exceeding 60 days from the date of receipt of the deliverables constitutes a violation of the Act, namely a breach of the obligation to pay remuneration by the due date (Article 4, Paragraph 5 of the Act on the Improvement of Transactions between Freelancers and Enterprises).

Even in cases where the transaction does not fall within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if it is subject to the SME Transactions Act, failure to pay remuneration after the due date constitutes a violation of the SME Transactions Act, namely late payment (Article 5, Paragraph 1 and Paragraph 2 of the SME Transactions Act).

Chapter 4 Response of the Japan Fair Trade Commission

The survey identified conduct that may raise issues under the SME Transactions Act or the Anti-Monopoly Act in transactions between production committees and prime production companies, and between prime production companies and subcontracted production companies, in relation to the disclosure of transaction terms and the setting of transaction consideration, as well as conduct that may raise issues under the Act on the Improvement of Transactions between Freelancers and Enterprises or the SME Transactions Act in transactions between production companies and freelancers.

To prevent conduct that may raise issues under the Anti-Monopoly Act, the SME Transactions Act, and the Act on the Improvement of Transactions between Freelancers and Enterprises (hereinafter collectively referred to as the "Anti-Monopoly Act, etc."), the Japan Fair Trade Commission has published the results of this survey and disseminated the contents of this report to constituent entrepreneurs of production committees, production companies, and relevant business associations representing freelancers.

The Japan Fair Trade Commission will continue to monitor the progress of initiatives undertaken by relevant businesses to address the issues identified in this report, in coordination with the relevant ministries and agencies and through ongoing communication. In addition, the Japan Fair Trade Commission will closely scrutinize conduct at each stage of transactions, from ordering parties such as production committees through to freelancers, including the conduct identified in this report as potentially problematic under the Anti-Monopoly Act, etc., and will respond strictly and appropriately to any violations of those laws.

Going forward, taking into account the Content Industry Revitalization Strategy set forth in the "Grand Design and Action Plan for a New Form of Capitalism, 2025 Revised Edition" (approved by Cabinet decision on June 13, 2025), the Japan Fair Trade Commission intends to formulate and publish guidelines setting out specific interpretations under the Anti-Monopoly Act, etc. and competition policy based on the contents of this report.