



**公正取引委員会**

Japan Fair Trade Commission

# **Fact-finding Survey on the Trading Environment for Creators at Film Production Sites [Overview]**

December 2025



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Japan Fair Trade Commission

## Cabinet decision

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

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

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

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

## Interview survey

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

(Number of interviewees)

	Film field
Production company	21
Freelance (*)	22
Industry association	5
Production committee, etc.	14
Experts (lawyers/scholars, etc.)	5
Total	67

\* Requests for interviews with creators working as freelancers in shooting, editing, sound, etc. were made through multiple industry associations to which they belong or through experts.

## Questionnaire survey

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

	Film field
Number distributed	Production companies: 1,607 companies Freelancers: over 2,000
Number of responses received	Production companies: 436 companies (response rate: 27.1%) Freelancers: 143
Implementation period	June 9 to July 14, 2025

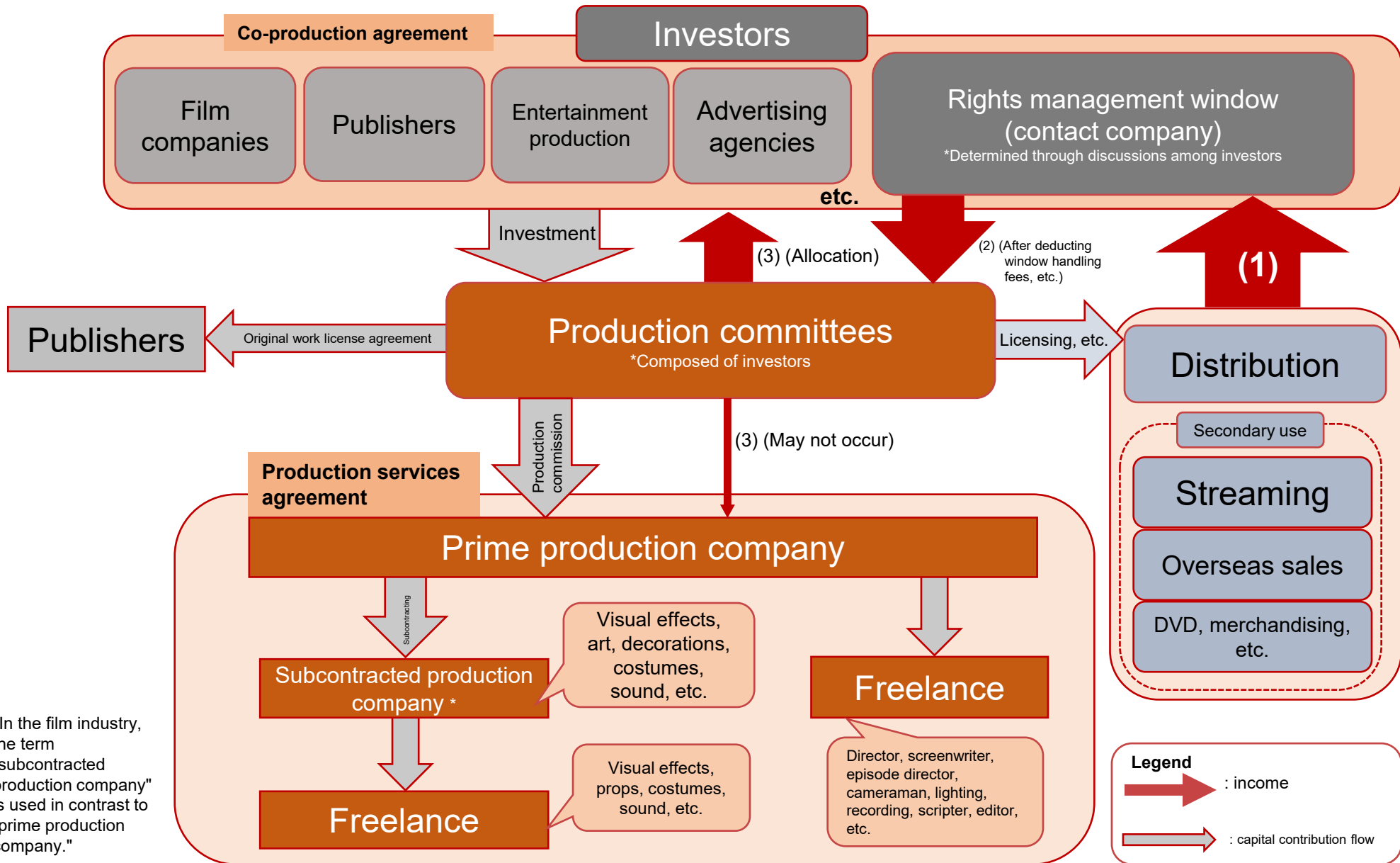
- \* For the production company survey, responses were requested from businesses classified under "Film and Video Production (excluding Television Program Production and Animation Production)" in the Japan Standard Industrial Classification.
- \* For the freelance survey, responses were requested through industry associations to which freelancers belong or through production companies that were interviewed.

## Information submission form

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

# Overview of the film production market (transaction entities)

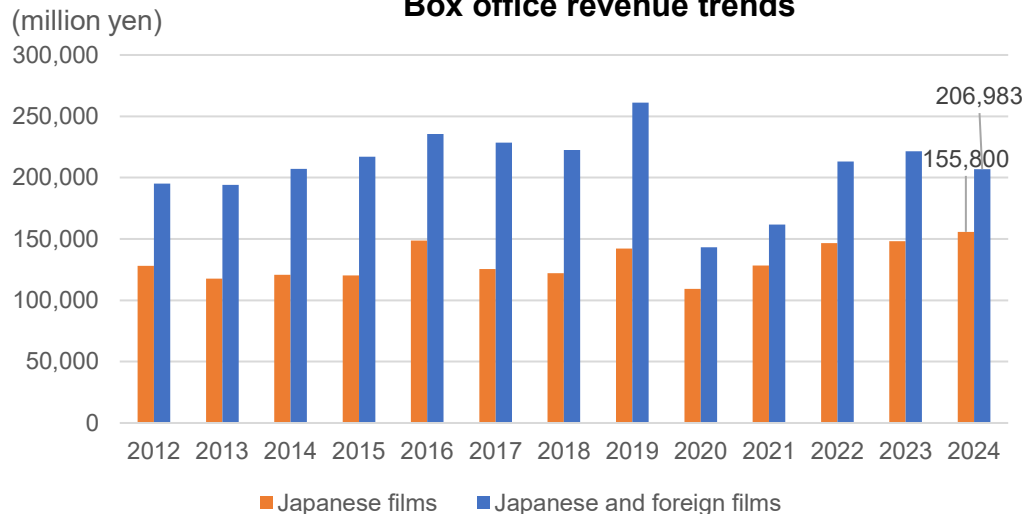
## Transaction entities and revenue structure (production committee system)



# Overview of the film production market (market size, etc.)

## Market size, etc.

### Box office revenue trends



\*Japanese films include live-action films, anime feature films, live performance videos, etc.  
\*From the Motion Picture Producers Association of Japan, Inc.'s past data list

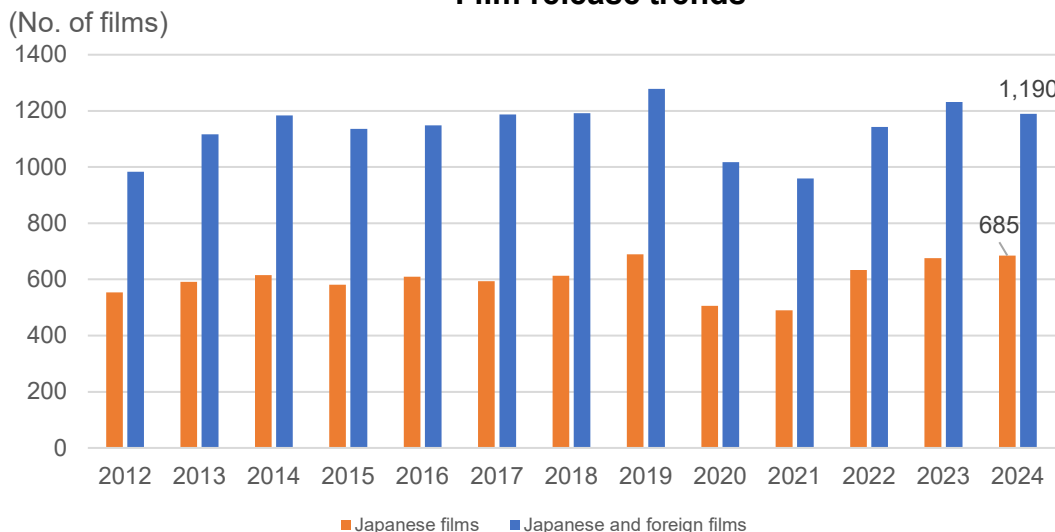
## Production company business overview, etc.

### Production company capital and number of employees

Capital	10 million yen or less	Over 10 million yen up to 50 million yen	Over 50 million yen	Unknown	Total
Number of employees					
10 employees or fewer	55 59.8%	7 7.6%	1 1.1%	1 1.1%	64 69.6%
More than 10 and up to 100 employees	11 12.0%	5 5.4%	4 4.3%	0 0%	20 21.7%
Over 100 employees	0 0%	2 2.0%	6 7.0%	0 0.0%	8 9.0%
Unknown	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
<b>Total</b>	<b>66 71.7%</b>	<b>14 15.2%</b>	<b>11 12.0%</b>	<b>1 1.1%</b>	<b>92 100.0%</b>

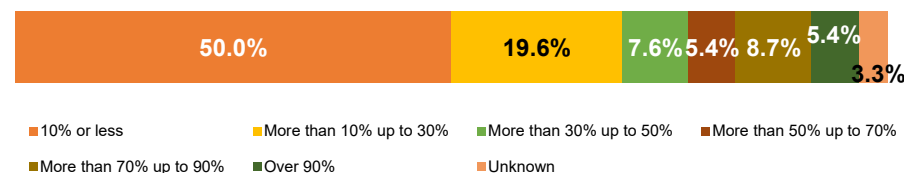
\*Based on survey results

### Film release trends



\*From the Motion Picture Producers Association of Japan, Inc.'s past data list

### Share of film production revenue in a production company's total sales



\*Based on survey results

### Number of production companies and creators (freelancers)

Film field	
Production company	65 companies (*1)
Creators	Approximately 2,200 (*2)

(\*1) Total number of films registered with the Japan Motion Picture Production Standards Association

(\*2) Total number of creators belonging to the organizations that make up the Audiovisual Employees Alliance of Japan

# Key findings of this report

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

\*Because the SME Transactions Act (the amended SME Transactions Act) came into force on January 1, 2026, the section-by-section discussion is presented on the basis of the regulations under the SME Transactions Act.

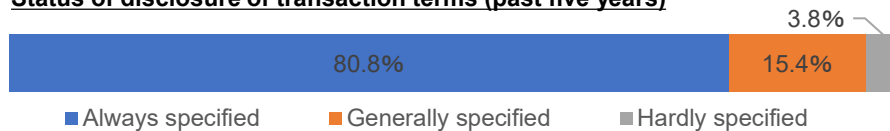
# Status and timing of disclosure of transaction terms

## Survey results

### State of disclosure of transaction terms in writing

- In a survey of **prime production companies**, approximately 96% reported that transaction terms are disclosed, combining responses of "always disclosed" and "generally disclosed."
  - In interviews, **production committees** responded that, "we understand that contracts have been issued 100%," and "we are requesting and negotiating with production companies to follow the contract template in the Japan Motion Picture Production Standards Association Guidelines."
  - Prime production companies** responded that they "always have a production services agreement with the managing company of the production committee" and that "unlike other video industries, the film industry does sign written contracts."
- \* The items that were clearly stated were "scope of work," "production commission fees," "payment period," "delivery date," and "copyright handling," each of which was more than 80%.

### Status of disclosure of transaction terms (past five years)



### Time of disclosure of transaction terms in writing

- In a survey of **prime production companies**, when asked when the terms of the transaction are actually made clear in writing, etc., approximately 10% responded that "it is often at the time of ordering." Approximately 40% responded, "from after placing an order until production begins," approximately 40% responded, "from after production begins until delivery," and approximately 10% responded, "after delivery."
- In interviews, **production committees** responded that, "negotiations sometimes remain unresolved, such as the rate of success fees, making it impossible in some cases to sign the contract before production begins."
- Prime production companies** responded that "in cases where the legal department of the managing company is unable to check the contract in time, a memorandum of understanding is sometimes concluded to make partial payment of the production commission fee," and "since the contract is not created for some time after the agreement is made, it is almost like a verbal agreement until then, which makes it difficult to feel at ease, but unless we move forward with planning and assemble a staff, we won't be able to finish production on time."

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



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

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

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

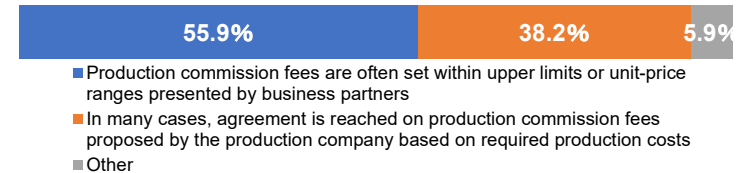
- ◆ In this regard, if the transaction falls within the scope of the SME Transactions Act, the production committee (i.e., its constituent entrepreneurs), must, upon placing an order with a prime production company for the creation of an information deliverable, immediately disclose the required matters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

# Determination of consideration (production commission fees)

## Survey results

- In the survey of **prime production companies**, approximately 60% responded that production commission fees are often set within the ceiling or unit price range presented by the business partner, while about 40% indicated that they frequently reach agreement based on a fee proposal that reflects necessary production costs.
- Approximately 60% responded that they "were often able to negotiate" the amount of the production commission fee.
- Approximately 30% responded that production outsourcing costs have "increased" over the past 10 years, approximately 20% responded that they have "decreased," and approximately 40% responded that they have "remained largely unchanged."
- Approximately 70% of prime production companies responded that they are "dissatisfied" with the production commission fees, with 60% to 70% responding that they are "unable to pass on rising prices," "required quality is getting higher," and "the production commission fees are low to begin with."
- In interviews, **production committees** responded that, "we decide based on an estimate using the cost markup method (a method of setting the final transaction price at the manufacturing cost plus a profit)," and "we determine the total project cost (budget) based on the committee's expected revenue, and then negotiate and decide on a feasible production commission fee."
- Prime production companies** responded that, "negotiations over production costs often focus on reducing expenses, such as rewriting the screenplay to fit the budget, rather than seeking increases," "if the budget proposed by the production committee is insufficient, we negotiate, but the results are rarely satisfactory; unless we squeeze subcontracted companies and freelancers to make up for the pressure from the production committee, we cannot produce the work," and "in most cases, success fees are included."
- Trade associations responded that "negotiations are merely an accumulation of costs, and are not one-sided based on power relationships."

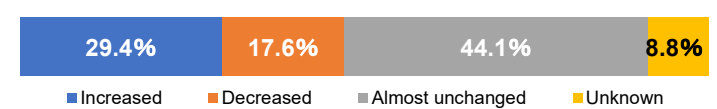
### Method of determining production commission fees (past five years)



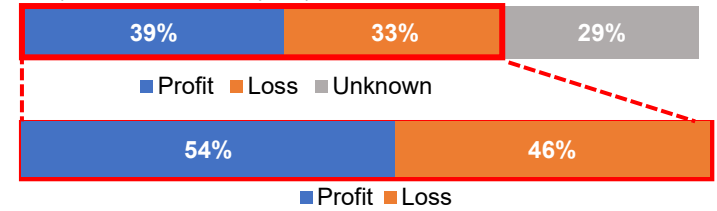
### Whether negotiation of the production commission fee amount was possible (past five years)



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



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



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

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

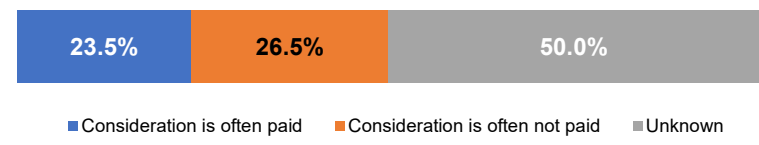
- While approximately 30% responded that production commission fees have risen, approximately 20% responded that they have decreased, and approximately 40% responded that they have remained largely unchanged. Furthermore, approximately 50% of prime production companies reported operating at a loss based solely on production commission fees, suggesting that the profitability of prime production companies remains limited. Although such circumstances do not in themselves constitute a violation of the SME Transactions Act 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 rising prices, this may constitute unjust price reduction under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.
  - In addition, where the production committee (i.e., its constituent entrepreneurs), unilaterally determines payment by refusing to engage in consultation or by failing to provide necessary explanations despite a request for price consultation from a prime production company, this constitutes a violation under the SME Transactions Act (unilateral determination of payment without engaging in consultation) (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
  - Even where the SME Transactions Act does not apply, if a production committee ("constituent entrepreneur"), by abusing its superior bargaining position, unilaterally sets remuneration at an unreasonably low level without adequate consultation in light of rising prices, and thereby imposes unjust disadvantage on a prime 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.

# Determination of consideration where rights are transferred

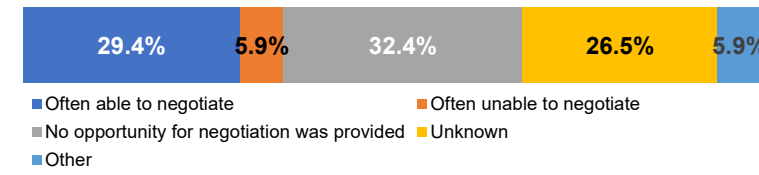
## Survey results

- In a survey of **prime production companies**, approximately 20% responded that consideration is often paid when copyright belonging to the prime production company is transferred, approximately 30% responded that it is often not paid, and where paid the most common response was that it is included in the production commission fee. With respect to copyright ownership and consideration, approximately 30% responded that they were often able to negotiate, while a combined total of just under 40% responded that they were often unable to negotiate or that no opportunity for negotiation was provided.
- In interviews, **production committees** responded that, "when the copyright is held by the prime production company, the contract stipulates that it will be transferred to the production committee at the time of delivery," "the transfer fee is included in the production commission fee," "since the business model is to make profits by managing the rights, we think it is reasonable to have the copyright concentrated in a production committee with the ability to manage them," and "since the copyright is not being managed at the time it is created, it is not possible to find any value in it, so it is not realistic to separately estimate the fee for transferring the copyright."
- Prime production companies** responded that, "we do business under the assumption that the copyright is originally acquired by the production company and then transferred to the production committee free of charge," and "we are never given any explanation about copyright by the production committee, and it is not even a topic of discussion."
- A trade association stated that "where a prime production company holds copyright, the production commission fee is paid on the premise that the work, including the copyright, will be delivered, so the concept of a separate transfer consideration does not arise."

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



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



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

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

With regard to consideration for the transfer of copyright, production committees responded that "consideration for the transfer of copyright is included in the production commission fee," whereas prime production companies responded that, "we conduct transactions on the assumption that copyrights are transferred free of charge." It is therefore believed that prime production companies may perceive that they are effectively transferring copyrights free of charge or that the consideration provided is insufficient. In this regard,

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

# Order cancellation

## Survey results

- In interviews, **production committees responded that**, “when production of a film is suspended or canceled, we take appropriate measures, such as paying the costs of staff and other staff members being retained for at least one month, or arranging for them to be put on the next project or other projects.”
- **Prime production companies** responded that, "sometimes things that are planned get cancelled. From planning to the start of production, there are human costs involved, such as attending multiple planning meetings and conducting research. We negotiate quite tenaciously to get even a small amount paid," and "even if a verbal decision has already been made to produce a film and production (or preparations for production) is underway, (when the film is canceled or postponed) the production committee says, 'we haven't even signed a contract yet, so it's your own fault that you've hired people,' and they sometimes refuse to cover the costs."

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

One prime production company responded that there are cases in which a production committee (i.e., its constituent entrepreneurs) cancels a production order it has placed with a prime production company, and does not cover the prime production company's expenses incurred up until the order cancellation.

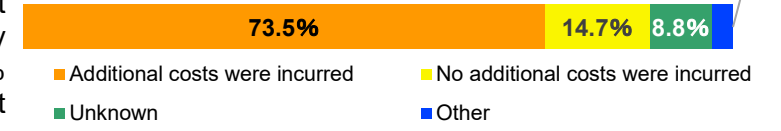
- ◆ Where a transaction falls within the scope of the SME Transactions Act, if the production committee (i.e., its constituent entrepreneurs), cancels an order without any reason attributable to the prime production company and fails to bear the costs of work already performed, thereby unjustly harming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

# Payment of additional production commission fees

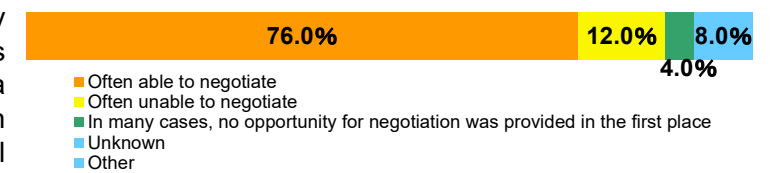
## Survey results

- In a survey of **prime production companies**, approximately 70% responded that “there had been cases in which additional costs were incurred.” While negotiations are conducted to some extent when additional costs arise, with respect to payment of such costs, 60% responded that they were often “paid in full” or “paid in part in an amount considered satisfactory,” whereas 40% responded that they were often “paid only in part in an amount considered unsatisfactory” or “not paid at all.”
- In interviews, **production committees** responded that, "production companies are obligated to guarantee completion within the production costs of the initial contract, so they will not pay additional costs except in the case of a typhoon, earthquake, etc." However, other responses included that "additional production commission fees are often paid by setting aside a contingency fund," and "regardless of the Japan Motion Picture Production Standards Association Guidelines, discussions have traditionally been held with production companies when additional costs become necessary due to force majeure such as an accident involving a cast member."
- Prime production companies** responded that, "we may have to pay additional costs if unexpected expenses arise due to reasons beyond the production company's control, such as a cast member's poor health," "Because we are obligated to guarantee completion, the production committee rarely makes additional payments even if the production commission fee falls short, except in cases of natural disasters or other factors," and "after deciding on the shooting period, the production committee's managing company sometimes asks us to use cast members who are not able to film due to the schedule, and we have no choice but to cover the additional costs."

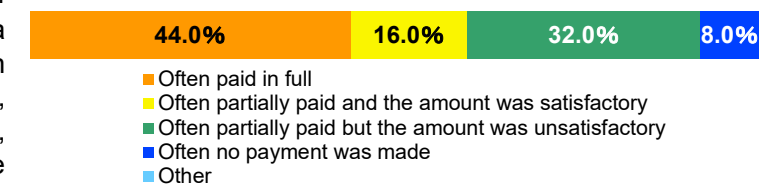
### Whether additional costs have been incurred (past five years)



### Whether additional costs are negotiable (past five years)



### Whether additional costs have been paid (past five years)



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

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

Approximately 70% of prime production companies responded that in the past five years “there have been cases in which additional costs were incurred,” and while some stated that the production committee may pay additional production commission fees, others stated that there are cases in which the production committee does not pay additional costs not attributable to the prime production company.

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

# Reduction of payment

## Survey results

- In interviews, **prime production companies** responded that, "the fee that had been decided at the ordering stage was reduced by half at the time of payment."
- In addition, trade associations responded that, "it is impossible for a large company, at least one that is listed on the stock exchange, to make such a reduction" (trade association on the production committee side), and "it is unlikely that a large company, at least one that is listed on the stock exchange, would make such a reduction, and they cannot do such a thing" (trade association on the production company side).

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

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

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if the production committee (i.e., its constituent entrepreneurs) reduces the payment despite there being no reason attributable to the prime production company, this constitutes an issue under the SME Transactions Act (reduction of payment) (Article 5, Paragraph 1, Item 3).
- Even where the SME Transactions Act does not apply, if a production committee (i.e., its constituent entrepreneurs), by abusing its superior bargaining position, reduces the contractually agreed consideration without justifiable grounds and thereby causes a prime production company to suffer an unjust disadvantage in light of normal business practices, this constitutes an issue under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

# Late payment (non-payment)

## Survey results

- In interviews, **prime production companies** responded that “deposits may be delayed due to internal circumstances of the managing company.” For example, one company responded that “it seems that the weaker film department is reluctant to say that it wants to use the budget quickly,” and “there was a case where a project was suddenly ordered, and they worked on it without signing a contract, filmed it, and delivered it, but the production commission fee was not paid.”
- Trade associations responded that “payment delays do not arise from procedural bottlenecks within the production committee itself. If there is a delay in payment, it is likely due to procedural issues within the production company,” and “(regarding the setting of payment deadlines) since filming cannot proceed without paying the running costs to the prime production company, it is common practice to make payments in installments. Making payments without the delivery of the final deliverable poses a risk if the production company goes bankrupt, but because we have a mutually beneficial relationship with the production company, we pay in installments.”

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

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

- ◆ Where a transaction falls within the scope of the SME Transactions Act, if a production committee (i.e., its constituent entrepreneurs), regardless of whether it inspects the contents of the prime production company’s performance, still fails to make payment after the expiration of the payment due date set within as short a period as possible and within 60 days from the date of receipt (the date on which the deliverables were received from the prime production company), this constitutes an issue under the SME Transactions Act (delay in payment) (Article 5, Paragraph 1, Item 2).
  - \* If the contract stipulates a payment deadline within 60 days from the date of receipt, failure to pay by that contractual deadline constitutes an issue under the SME Transactions Act, even if payment is made within 60 days from the date of receipt. If the contract does not specify a payment date, payment must be made by the date of receipt. Furthermore, in film production outsourcing agreements, there are cases in which the production outsourcing fee is paid in installments and some of the payment due dates are set before the delivery date; in such cases, regardless of whether the works have been received, failure to make payment by each payment due date constitutes an issue under the SME Transactions Act (delay in payment).
- Even where the SME Transactions Act does not apply, if the production committee (i.e., its constituent entrepreneurs), by abusing its superior bargaining position, fails to pay the production outsourcing fee by the payment due date specified in the contract without justifiable grounds, thereby causing the prime production company to suffer an unjust disadvantage in light of normal business practices, this constitutes an issue under the Anti-Monopoly Act (abuse of superior bargaining position) (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

# Status and timing of disclosure of transaction terms

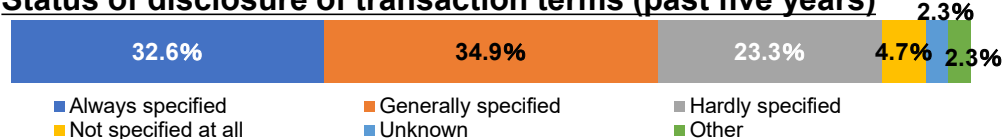
## Survey results

### State of disclosure of transaction terms in writing

- In a survey of **subcontracted production companies**, approximately 30% responded that the terms of the transaction are "always clearly stated," just over 30% responded that they are "generally clearly stated," and just under 30% responded that they are "rarely clearly stated" or "never clearly stated."
- In interviews, **prime production companies** responded that they "always issue a purchase order when a subcontracted production company begins production."
- **Subcontracted production companies** responded that they rarely receive contracts or purchase orders from production companies, and that "contracts are exchanged only when working with some major companies, and only about 20% of cases," and "as a reason for why contracts are not exchanged, costumes are often prepared each time depending on the director's ideas at the time, so it is difficult to decide the costume budget at the beginning and it is difficult to obtain written documents."

\*As for the items specified, scope of work (93.1%) and the production commission fee (including the amount) (82.8), etc.

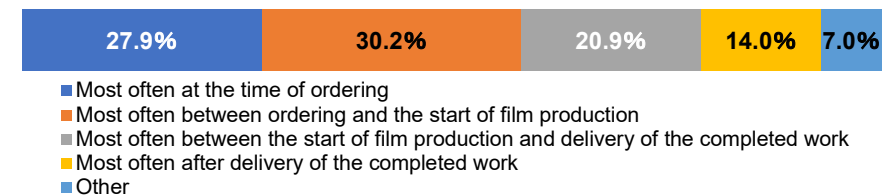
### Status of disclosure of transaction terms (past five years)



### Time of disclosure of transaction terms in writing

- In a survey of **subcontracted production companies**, when asked when the terms of the transaction are actually made clear in writing, etc., just under 30% responded that "it is often at the time of ordering." A total of just over 60% responded either "from after placing an order until production begins," "from after production begins until delivery," or "after delivery."
- In interviews, **prime production companies** responded that they "sign contracts before the first payment is made at the latest," and "in the case of an ongoing series, production begins one and a half to two years in advance, so purchase orders are already issued two years in advance."
- However, **subcontracted production companies** responded that, "In some cases, no written contract has been prepared at the time work commences. Even 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."

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



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

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

Although transaction terms are often specified, only about 30% indicated that such terms are set out in writing at the time of order placement.

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

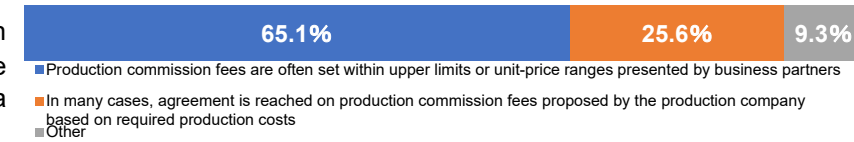
# Determination of consideration (production commission fees)

## Survey results

- In a survey of **subcontracted production companies**, just under 70% responded that production commission fees are often negotiated within the ceiling or unit price range presented by the business partner, while just under 30% indicated that they frequently reach agreement based on a fee proposal that reflects necessary production costs.
- The majority responded that they "were often able to negotiate" the amount of the production commission fee.
- Approximately 20% reported that production commission fee levels have increased over the past 10 years, while just under 30% reported that they had decreased, and approximately 50% reported that they were about the same.
- Regarding operating profit and loss based on production commission fees alone, 75% of prime production companies responded that they were profitable, and 25% answered that they were not profitable.
- Just under 70% of subcontracted production companies reported that they were "dissatisfied" with production commission fees, with the most common reasons cited being "the production commission fees are too low to begin with," "we cannot pass on the cost of rising prices," and "quality requirements are becoming more stringent."
- In interviews, **prime production companies** responded that, "we inform producers that they would not unnecessarily have to reduce the fee as long as it was within budget, even without negotiations from subcontracted production companies," and that "due to external pressure from the government in recent years, it is no longer possible to lower fees paid to freelancers and subcontracted production companies."
- Subcontracted production companies** responded that, "production fees haven't increased in the last 10 or 20 years. Budgets for mid-sized films are not increasing, let alone those for large-scale commercial films," and, "when we try to negotiate, they sometimes hint that they could simply place the order with a competitor."

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

### How production commission fees are determined (past five years)



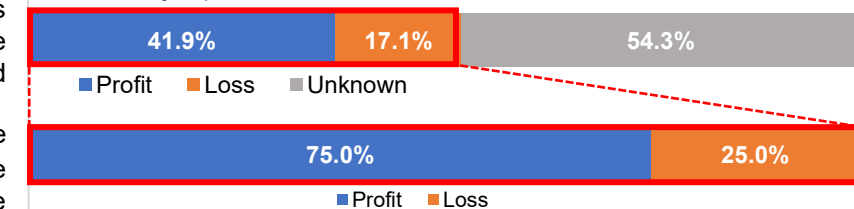
### Whether the amount of the production commission fee can be negotiated (past five years)



### Level of production commission fees (past 10 years)



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



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

Just under 30% responded that the level of production commission fees was "declining," while approximately 50% responded that it was "roughly unchanged," suggesting that the situation does not yet indicate an upward trend. 25% of subcontracted production companies responded that they were operating at a loss based on production commission fees alone, suggesting that some subcontracted production companies are not very profitable. 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 prime production company unilaterally sets compensation for a subcontracted production company at a level substantially below the ordinarily payable amount without adequately considering factors such as rising prices, this may constitute unjust price reduction under Article 5, Paragraph 1, Item 5 of the SME Transactions Act.
- ◆ Moreover, where a prime production company, despite a request from a subcontracted production company for price consultations, refuses to engage in discussions, fails to provide necessary explanations, or otherwise unilaterally determines the remuneration, this constitutes an issue under the SME Transactions Act, namely unilateral determination of remuneration without responding to consultations (Article 5, Paragraph 2, Item 4 of the SME Transactions Act).
- Even 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 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.

# Order cancellation

## Survey results

- In interviews, **prime production companies** responded that, "When a project is canceled or postponed, the prime production company needs to compensate remuneration for clients and freelancers to some extent, and sometimes the production committee that decided to cancel or postpone the project does cover these costs, but sometimes they do not."
- **Subcontracted production companies** responded that, "film production may be canceled at the last minute, leaving schedules empty." In that case, our company requests a few percent as payment for the work done up to that point," and "production may be canceled in cases such as the COVID-19 pandemic or problems with actors. The schedule is adjusted on a yearly basis, and it would be difficult to secure a deal of the same scale at short notice, resulting in losses," and "whether cancellation fees will be paid depends on the circumstances. If the film production committee pays the cancellation fee, it will be passed on to the subcontracted production company, but if the prime production company hasn't received it, we won't be paid."

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

Subcontracted production companies responded that if an order is canceled, "we make it a rule to receive a few percent as work fees," while some responded that after being commissioned to produce a film by a prime production company in the past five years, the order was canceled but they were not paid for work that had already been done.

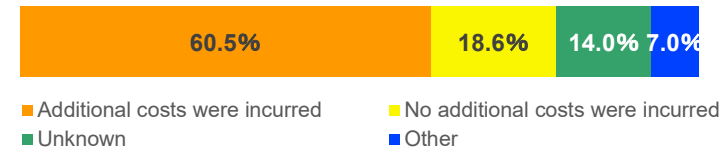
- ◆ If a transaction falls within the scope of the SME Transactions Act, and a prime production company cancels an order without reasons attributable to the subcontracted production company and fails to bear the costs of work already performed, thereby unjustly harming the interests of the subcontracted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

# Payment of additional production commission fees

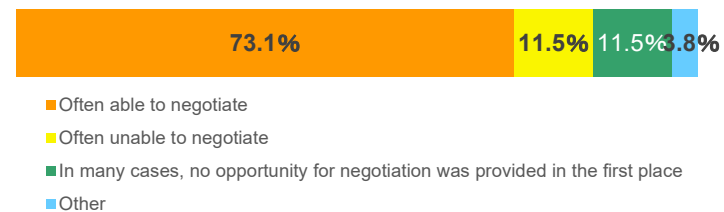
## Survey results

- In a survey of **subcontracted production companies**, approximately 60% responded that “there had been cases in which additional costs were incurred.” With respect to negotiations when additional costs arise, approximately 70% responded that they “were often able to negotiate,” suggesting that negotiations are successful to a certain extent; however, with respect to the payment of additional costs by the prime production company, while a majority responded that “the full amount was often paid” or “only a portion was paid, but the amount was often acceptable,” approximately 20% responded that “only a portion was paid, but the amount was often unacceptable,” and approximately 15% responded that “no payment was made at all.”
- In interviews, **prime production companies** responded that, “in the past, we kept the compensation paid to freelancers and subcontracted production companies low, but nowadays, due to external pressure from the government, such as the Fair Trade Commission, we can no longer lower the compensation or remuneration paid to freelancers or subcontracted production companies or be hesitant to pay them.”
- Subcontracted production companies** responded that, “we negotiate if the workload exceeds expectations,” “it occasionally happens that filming is extended by two weeks or a month due to an actor’s injury; while foreign video streaming companies, when they are the client of the prime production company, will cover the additional costs for the extension, the situation varies when dealing with production committees,” “regarding additional costs due to retakes, we negotiate to have them covered,” “there are cases where instructions change and we are forced to do endless retakes, even though the issue is not due to our technical capabilities. “We don’t necessarily receive additional compensation, and even if we receive anything, it will only be a paltry amount.”

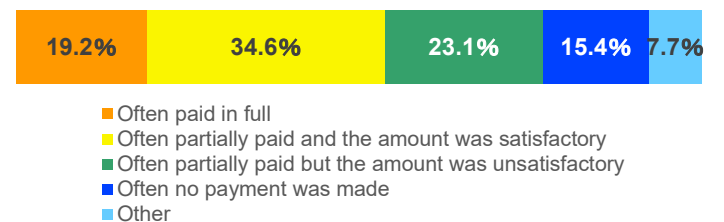
### Whether additional costs may be incurred (Past 5 years)



### Whether additional costs are negotiable (past five years)



### Whether additional costs have been paid (past five years)



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

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

More than 60% of subcontracted production companies reported having experienced situations where additional costs were incurred, and 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.

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

# Deductions and delayed payment (non-payment)

## Survey results

### [Deduction]

- In interviews, **subcontracted production companies** responded that, “after receiving an order, we may present an estimate and reach an agreement, but the other party may ask us to redo the work because the level of completion is lower than they had requested. The quality that the other party was talking about was not clear at the time of placing the order or when they instructed us to redo the work, and even after the work was redone they were not satisfied, so not only did they not pay the additional costs for the redoing, but they actually reduced the amount.”

### [Delayed payment (non-payment)]

- In interviews, **subcontracted production companies** responded that, “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 prime production company, internal approval procedures, including formal authorization processes, can take considerable time, resulting in delayed payment,” and “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.”

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

### [Deduction]

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

- ◆ If a transaction falls within the scope of the SME Transactions Act, a prime production company may not reduce remuneration without reasons attributable to the subcontracted production company, and such conduct constitutes an issue under the SME Transactions Act, specifically reduction of remuneration (Article 5, Paragraph 1, Item 3 of the SME Transactions Act).
- ◆ Even 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).

### [Delayed payment (non-payment)]

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

- ◆ If a transaction falls within the scope of the SME Transactions Act, and a prime production company fails to make payment by the payment deadline set within the shortest possible period not exceeding 60 days from the date of receipt, counted from the date on which deliverables are received from the subcontracted production company, regardless of whether it conducts an inspection of the performance, this constitutes an issue under the SME Transactions Act, specifically delay in payment (Article 5, Paragraph 1, Item 2 of the SME Transactions Act).(\*)

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

- Even where the SME Transactions Act does not apply, if a prime production company abuses its superior bargaining position by failing to pay production commission fees by the contractual due date without justifiable grounds, thereby causing unjust disadvantage to a subcontracted production company contrary to normal business practices, this constitutes an issue under the Anti-Monopoly Act, namely abuse of superior bargaining position (Article 2, Paragraph 9, Item 5(c) of the Anti-Monopoly Act).

## Survey results

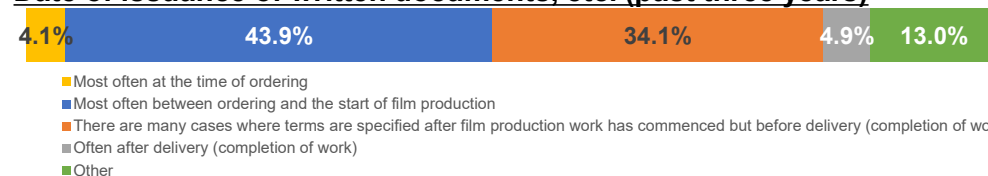
### State of disclosure of transaction terms in writing

- In the survey of **freelancers**, approximately 10-20% responded that the "content of the work," the "amount or unit price of remuneration," the "payment due date," and the "delivery timing" were "communicated in writing in advance."
- In interviews, **production companies** responded that, "the practice of signing contracts has gradually become more widespread over the past decade or so," while others responded that, "freelancers often refuse to sign contracts even when provided."
- Freelancers** responded that, "these days, we're signing more and more contracts," while others responded that, "I have never received any documents outlining the terms of the transaction, including purchase orders and other similar documents."

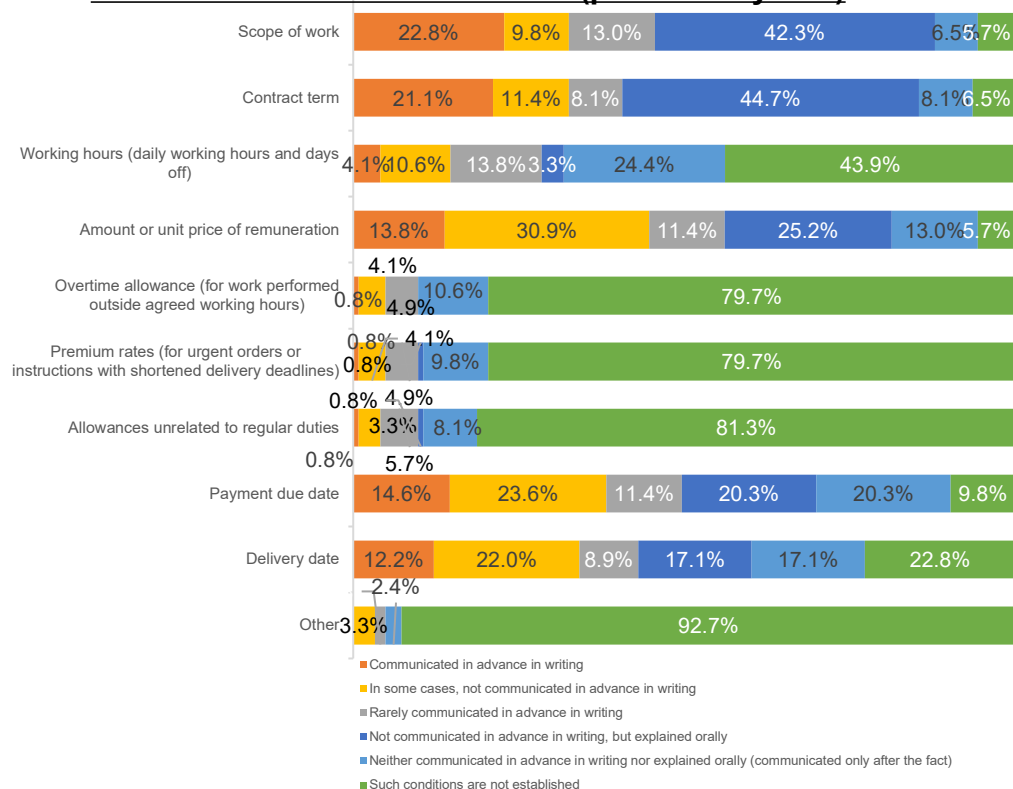
### [Time of disclosure of transaction terms in writing]

- In a survey of **freelancers**, approximately 4% responded that transaction terms are most often specified at "the time the order is placed."
- In interviews, **production companies** responded that, "we try to send out purchase orders before filming begins."
- Freelancers** responded that, "negotiations may not be successful, and sometimes the terms may not be agreed upon until after filming has begun, resulting in work proceeding without the finalized terms being clearly stated. In that case, it's not realistic to immediately switch to another project, so I have no choice but to accept the terms offered."

### Date of issuance of written documents, etc. (past three years)



### Disclosure of transaction terms (past three years)



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

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

While some freelancers responded that transaction terms are increasingly being specified in writing, it appears that even for key items required under the Act on the Improvement of Transactions between Freelancers and Enterprises to be set out in writing, including the "content of the work," the "amount or unit price of remuneration," the "payment due date," and the "delivery timing," around 10 to 20% are specified in writing at the time of order placement.

▲ If a transaction falls under the scope the Act on the Improvement of Transactions between Freelancers and Enterprises Act, when a production company, acting as a commissioning business operator, outsources work to a freelancer, it must immediately disclose the required items 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).

▲ In addition, production companies are required to specify finalized matters immediately in writing, and with respect to outstanding matters, to determine them as early as possible following sufficient consultation and promptly issue supplementary written notice once determined (Article 3, Paragraph 1, proviso of the Act on the Improvement of Transactions between Freelancers and Enterprises).

# Compensation levels and the status of negotiations concerning remuneration

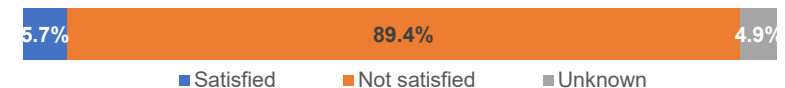
## Survey results

- In a survey of **freelancers**, regarding remuneration levels over the past 10 years, approximately 15% said their income had "increased," while approximately 20% reported that they had decreased, and approximately 60% reported that they were about the same.
- With respect to satisfaction with remuneration, approximately 90% responded that they were "not satisfied." As reasons, approximately 90% cited "because it has not kept pace with rising prices" and "because baseline remuneration/unit rates are low to begin with."
- In interviews, **production companies** responded that, "It's a seller's market for everyone except for directors and engineers, and in some cases freelancers are in a stronger position than production companies," but when asked why they can't raise remuneration, they responded that, "because there is a limit to the overall budget, we can't raise salaries for staff such as engineers, chiefs, and second assistant directors. It will be difficult to raise the remuneration of these staff members unless production fees increase."
- Freelancers** responded that, "the market rate hasn't changed at all," "the amount offered is lower than the market rate, and even if you can increase it, it will only be enough to bring it back up to the market rate," and "the film industry's practice of presenting terms after work has begun is strange."

### Changes in remuneration levels (past ten years)



### Satisfaction with remuneration levels



### Reasons for dissatisfaction



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



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

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

With respect to the level of remuneration, just over 10% responded that it has "increased," approximately 20% responded that it has "decreased," and approximately 60% responded that it has "remained largely unchanged." Furthermore, due to rising prices and the fact that the remuneration/unit rates were low to begin with, approximately 90% are dissatisfied with their current remuneration levels. Such circumstances do not in themselves immediately constitute a violation of the Act on the Improvement of Transactions between Freelancers and Enterprises or the SME Transactions Act, but

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

# Orders with unreasonably short deadlines

## Survey results

- In interviews, **freelancers** reported that, “the production company instructed us to complete the finishing work quickly, and we ended up completing work in just three weeks that would normally take a month and a half. In that case, no rush fee was paid, but rather a three-week retention fee (remuneration), which was not commensurate with the amount of work.”

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

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

- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, if a production company places an order 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), 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 1, Item 5, and Paragraph 2, Item 4).

## Survey results

- In interviews, **production companies** responded that, "it is customary for production companies to compensate freelancers with approximately 60% of the contract amount in the event of an interruption or cancellation, but our company pays about 80%," and "we include a cancellation policy in the contracts we enter into with freelancers."
- In interviews, some **freelancers** responded that they received compensation after the order was canceled, while others responded that, "when a project falls through, I try to bill for the costs incurred up to that point in creating the scenario, but there are cases where the amount billed is not fully paid," and "even if film production is canceled at the last minute, some production companies may not provide compensation. If that happens, you will not be able to find work right away and will end up unpaid."
- Trade associations responded that "even if an order is canceled, most companies probably compensate freelancers 100% of their wages for the current month and 50% for the following month."

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

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

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

# Additional remuneration payments

## Survey results

### [Postponement/extension]

- In interviews, **production companies** responded that, "our contracts with staff are on a monthly basis, so we will have to cover the staff costs for the length of the postponement."
- Some **freelancers** responded that they had been paid additional compensation, while others responded that, "even though work was performed (after the initial contract period), no payment was made," and "filming wrapped up at the end of April, but even though the remaining work continued into May, the production company said that the contract period had already ended, and no remuneration was paid from that point onwards."

### [Addition of tasks different from the original agreement]

- In interviews, **freelancers** responded that, "I may receive instructions to perform additional work that was not included in the original contract. In most cases they will not pay unless the freelancer requests it. Even if you request additional remuneration, they may make you continue working for free," "the director asked me to take on additional tasks that would normally be assigned to other specialized staff, and although I performed tasks outside the scope of my original work, I was not paid any additional remuneration."

### Retakes

- In interviews, **freelancers** responded that, "two to three retakes are already factored in when the request is received. However, the fee remains the same no matter how many retakes there are, so the work period just increases and the fee becomes relatively low," and "even after the editing work is completed and the other party has given their approval and paid the fee, there are times when the editor is asked to make some corrections, but the fee is not paid for those corrections. There is a long gap between releases, and depending on the film and the director, some films may have to be revised multiple times."

### [Other changes to the content of benefit payments]

- In interviews, **freelancers** responded that, "due to budget constraints, production companies sometimes unilaterally shorten the contract end dates for individual staff members. In such cases, the originally scheduled contract period will be shortened, but remuneration will only be paid for the period of work," and "(in terms of editing work) even if there is a delay in filming and it is not your fault, you have to force yourself to finish the work, but there is no extra pay."

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

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

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

# Reduction of payment; delay or non-payment

## Survey results

### [Deduction]

- In interviews, **freelancers** responded that, "sometimes the fee is reduced from what was initially offered because the budget is insufficient," "bank transfer fees are deducted without permission," and "I was told 'you asked us to increase the assistant's salary, so we increased it, but in return, we'll reduce your salary,' and my remuneration, which I had already agreed to, was unilaterally reduced by about 150,000 yen per month."

### [Delayed payment (non-payment)]

- In interviews, **freelancers** responded that, "it's taken as long as six months for me to get paid," "Delays in payment of remuneration are not uncommon. In such cases, the freelancer must proactively follow up, as the other party will generally not contact them unless they initiate the process. Therefore, it is necessary to keep in contact until payment is made," and "Many production companies are struggling to make ends meet, so even if they intend to pay, they may not be able to, and may say, 'we'll pay the next time we get money,' resulting in delayed or defaulted payments."

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

### [Deduction]

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

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

### [Delayed payment/Non-payment]

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

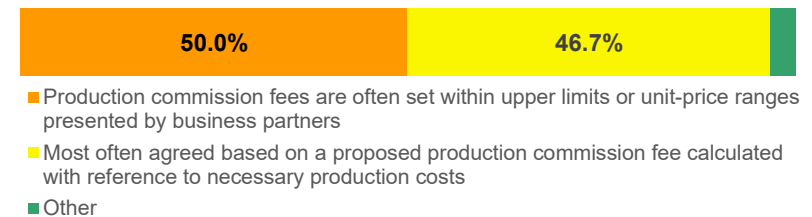
- ▲ Where a transaction falls within the scope of the Act on the Improvement of Transactions between Freelancers and Enterprises, regardless of whether the production company conducts an inspection of the freelancer's performance, if remuneration is not paid by the due date set within as short a period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

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

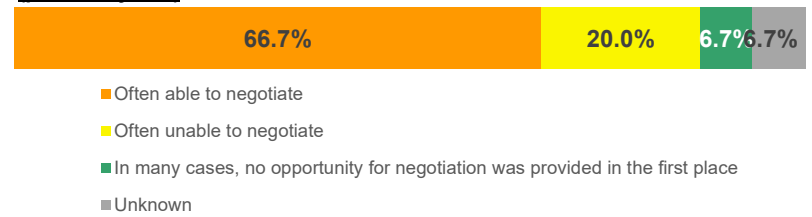
## Survey results

- In a survey of **prime production companies**, approximately 70% responded that they "were often able to negotiate" the amount of the production commission fee (with Japanese and international streaming service providers). With respect to satisfaction with the amount of the production commission fee, 30% responded that they were "satisfied," while just over 40% responded that they were "not satisfied." Regarding satisfaction with remuneration other than the production commission fee, just under 20% responded that they were "satisfied," while just under 40% responded that they were "not satisfied."
- In interviews, **video streaming companies** responded that, "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," "since individual works are not directly linked to revenue under subscription contracts, it is difficult to implement a remuneration structure tied to revenue," and "we create a detailed rate sheet broken down by itemizing each task involved, such as research, scenario hunting, and location scouting, and calculate planning and development costs by applying these rates to the actual expenses incurred by the production company; we then ensure that the production company is paid for these services." Regarding remuneration other than the production commission fee, responses included, "Although it is not common to pay remuneration such as production royalties or success remuneration in addition to the production commission fee, depending on the background of the project and the outcome of individual negotiations, it is possible to agree to some form of additional remuneration." With respect to additional costs, there was a response stating, "If additional costs arise and a supporting rationale is provided, we bear the excess amount following consultation."
- Some **prime production companies** responded that, "the contract structure of foreign video streaming companies completely separates production commission fees and production costs (profits). Although the ratio of profit to production commission costs is less than 10% in the production committee model, the scale of production commission costs is orders of magnitude larger, so the amount of profit is far greater than that of a regular film," while others responded that, "in the case of works produced by foreign video streaming companies, there is no such thing as a success fee," and "when transacting with video streaming companies, small production companies may view the profits as substantial, whereas large production companies may consider profits in the tens of millions of yen to be small."

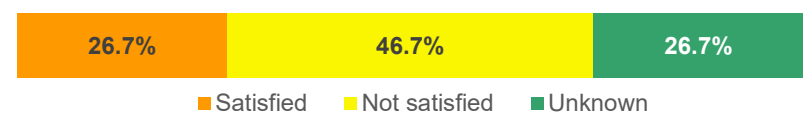
### How production commission is determined (past five years) 3.3%



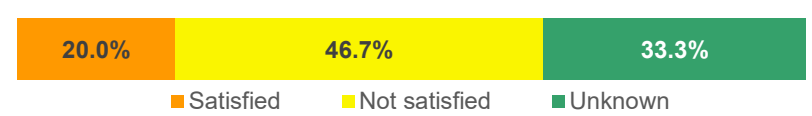
### Whether negotiation of the production commission fee amount was possible (past five years)



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



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



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

## Approach under the SME Transactions Act

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

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

# Disclosure by streaming service providers of information such as view counts

## Survey results

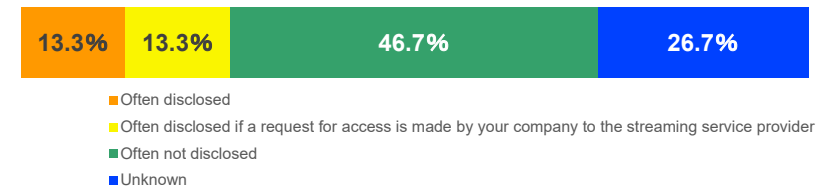
### [Significance of information such as view counts]

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

### [Disclosure of information such as view counts]

- In a survey of **prime production companies**, regarding disclosure of view counts by Japanese and international streaming service providers, a total of approximately 30% responded that such information is "often disclosed" or "often disclosed upon request for access," while approximately 50% responded that it is "often not disclosed."
- In interviews with **streaming service providers**, there was a response stating, "We always conduct a post-release review of each title, and share information such as the extent to which the production was viewed as necessary," indicating that a certain degree of information disclosure is undertaken. By contrast, some respondents stated that disclosure of detailed information, such as user attributes and viewing time slots, is difficult due to associated costs and because such information constitutes trade secrets.
- From **production committees** and **prime production companies** (including companies with experience receiving production commissions from streaming service providers), there was a response stating, "Some Japanese video streaming companies provide monthly data on view counts, whereas foreign video streaming companies in particular provide no information at all."

### Disclosure status of view counts (over the past five years)



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

## Competition policy perspective

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

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

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