



Licensing in Japan:

Opportunities and  
Challenges

# The Basics

- The world's third largest economy
- The third largest licensing market
- Highly urbanized—15 cities with populations over 1 million



# The Basics

- Population peaked in 2010 at 128 million
- Birth dearth
- An aging society:
  - 30% over 60
  - 50,000+ over the age of 100



# Retail

- Mature with a long history (Mitsukoshi Dept. Store began its business in 1673)
- Mass market, specialty retail, department store, e-commerce are all well-developed with many players
- Very competitive and consumer-focused



# Retail

- Big players: transition to 'real estate' model nearly complete
- Specialty market fragmented (but many chains are interconnected at the top)



# Domestic Business

- Japanese companies often value stability over growth
- Long-term personal business relationships are highly valued
- Competitors often have ‘cozy’ relationships
- Note: over half of companies world-wide with histories of more than 200 years are Japanese



# Domestic Business

- Wholesalers are still very important
- Retailers will often favor a small number of wholesalers
- At times, products may pass through more than one wholesaler on its way from licensee to retail
- Licensees may not have access to all retailers due to their own network of wholesalers



# Domestic Business

- For special retail events, local agents will often coordinate a choice of wholesaler with the retailer and with the licensees
- As a result, the agent may be involved in determining each partner's profit margin





# Domestic Business

- Government and banks are in many ways integrated into business
- Corporate losses and overdue loans are often tolerated
- Innovation is encouraged but should not be 'disruptive'
- Conservative, quietly patriotic



# How Does This Affect Licensing?

- Long-term, classic (or with such potential) properties are preferred
- Short-term properties should be clearly presented as such with clear exit dates and strategies



# How Does This Affect Licensing?

- Once established, expect an agent relationship to be long-term
- It is essential to begin building a sense of trust from the first meeting
- It is natural that the first visits to Japan be exploratory, be clear about your intent and timetable when speaking with potential agents
- Be open if interviewing to other potential agents
- ‘Poaching’ agents is frowned upon



# Unique Characteristics of Licensing

- Japan has formal tax treaties with many foreign countries.
- Under many of these tax treaties, local withholding taxes on royalties can be waived or reduced (US = 0%; UK = 0%; Canada = 10%, etc.)



# Unique Characteristics of Licensing

- The home country of the property owner determines which tax treaty governs the transaction
- Note that the entity being paid the royalties is not necessarily the beneficiary of the tax waiver (for example, a property owner working through a non-local agent; first level agreements need to be clear)



# Unique Characteristics of Licensing

- By empowering the Japanese agent to sign license agreements directly with the licensee, the licensee can avoid the withholding tax complications and the beneficiary need only apply for a single payer waiver



# Unique Characteristics of Licensing

- If needed, additional ‘comfort language’ can be added to the agency agreement obliging the agent to sign agreements only with the clear permission from the overseas agent/owner



# Unique Characteristics of Licensing

- Some parties favor ‘master license agreements’ with sub-licensing rights over agency agreements with direct signing rights due to these Tax Office rules





# Unique Characteristics of Licensing

- Another alternative is to create a Japanese company empowered to sign license agreements
- Setting up a Japanese company can be easily and cheaply done, however, maintenance and staffing are expensive
- One alternative to staffing is to sign a service agreement with a trusted partner



# Unique Characteristics of Licensing

- Recommendation is that a structure is chosen that allows the licensee to sign a domestic agreement
- International agreements at the licensee level create headaches for your partners and give the impression that trust and long-term commitment are lacking



# Unique Characteristics of Licensing

- Due to the complexity of the wholesale system, royalties are very seldom based on wholesale sales
- Manufacturers (licensees) often determine the retail price on products
- Royalty rates (3-5%) based on 'recommended retail price' are very common



# Unique Characteristics of Licensing

- Retailers often demand that sales be made on a consignment basis
- Timing of royalty calculation becomes a challenge
- For each license proposal, a good agent should recommend a system that matches the licensee's internal system for recognizing sales
- Rigid systems and inaccurate definitions create audit problems with both owners and the Tax Office



# Unique Characteristics of Licensing

- Retail fragmentation and demand for unique product by many retailers results in cases of short production runs, especially at fashion retail
- Many licensees manufacture to order creating an opportunity to tie royalty collection to units manufactured rather than sold



# Unique Characteristics of Licensing

- The old system of 'product seal' based royalty collection is making a comeback
- Flexibility and transparency is key to creating royalty rules that will work for each individual licensee



# Unique Characteristics of Licensing

- Licensees are under pressure to deliver product swiftly, approval delays may harm the licensee
- Note: “no reply in ## days = ‘deemed unapproved’” rules should no longer be used anywhere in the world; these are antiquated and open to ‘Prevention Doctrine’ claims by licensees if invoked and the guarantee is not exceeded



# Unique Characteristics of Licensing

- Pre-production samples are expensive but generally not a problem
- ‘Final sample prior to production’ requirements are no longer practical
- Generally, Japanese licensees are seen as having some of the highest quality and closest adherence to design rules in the world. Once they understand the property’s expectations, the licensee will generally deliver superior product.





# Top Licensing Categories

- Toys
- Apparel
- Fashion Accessories
- Software/Video Games/'Apps'
- Promotions
- Food
- Stationery



# Popular Property Categories

- Character/Entertainment
- Fashion Brands
- Sport
- Designers
- Celebrity
- Music



# Some Overseas Property Successes

- Disney/Marvel, Universal, Snoopy, Moomin, Miffy, Paddington Bear, Betty Boop, Thomas the Tank, Peter Rabbit, Popeye, Barbie, Where's Waldo, Barbapapa, MLB, NBA, European Soccer Teams, Marilyn Monroe, Charles Chaplin, Tommy Lee Jones, Lisa Larsen, Marimekko, The Beatles, ...



## Some Successful Partnerships (Multiple Properties)

- Grace (Apparel)
- The Skater (Tabletop)
- Yamaka (Ceramics)
- Sun-Star (Stationery)
- Takarajimasha ('Mooks')
- Delfino (Diaries)
- Hakuhodo, Dentsu (Promotions)
- Uniqlo (Retail Apparel)
- Takara Tomy, Bandai (Toy)

# Is My Property Ready for Japan?

- Is there local awareness?
- Is there an awareness-building plan?
- Are you committed to creating long-term partnerships?
- Are you and your systems flexible and ready to adapt to a market with unique expectations?



# Is My Property Ready for Japan?

- Japanese consumers love licensed productions and promotions
- Experienced potential partners are looking for new opportunities
- Be prepared to be pleased and surprised!



有難う  
御座いました

*Thank you very much!*

David Buckley

President

Copyrights Asia Ltd.

1-6-12 Yoyogi, Shibuya-ku

Tokyo 151-0053 JAPAN

+81-3-3377-8300

buckley@copyrights.co.jp

www.copyrights.co.jp



**JAPAN LICENSING  
EXPO**

# Licensing Expo Japan

Show Overview



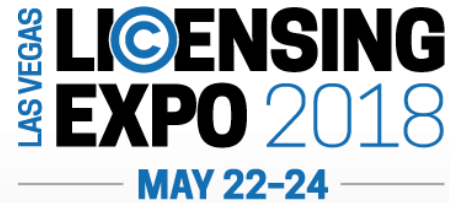


# The Global Licensing Group

**4**  
Licensing Tradeshows

**1**  
Licensing Summit Event

**1**  
Licensing Publication



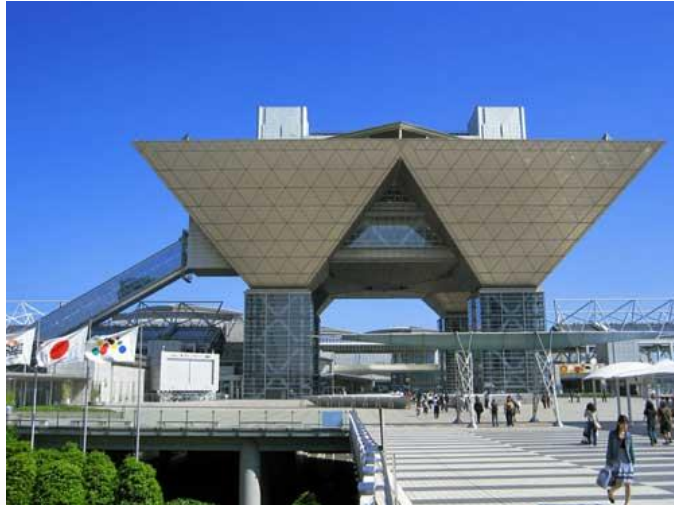


**JAPAN LICENSING  
EXPO**

# 2017 Launch

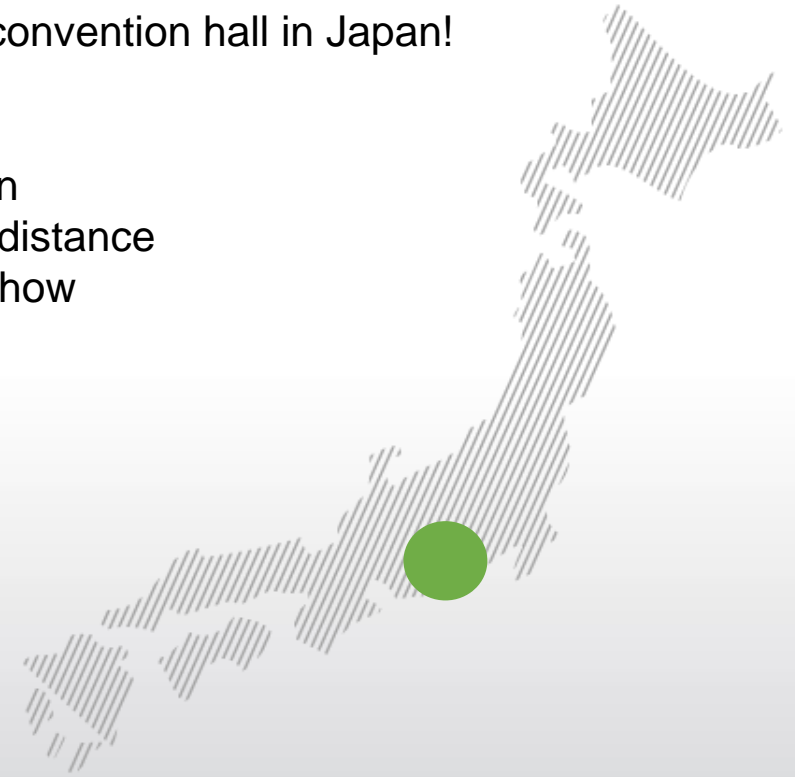
The Who, What, Where, and Why!

## Location & Experience



- Organized by UBM, Sponsored by LIMA
- Located at Tokyo Big Sight – largest convention hall in Japan!
- Located on the shore of Tokyo Bay
- Easily accessible by train, taxi, or car
- 30 minutes by train from Tokyo Station
- Several hotel partners within walking distance
- Co-Located with IFF MAGIC Japan Show

**IFFMAGIC**  
JAPAN



# Stats

350+

Properties



13,700+

Attendees



35+

Countries

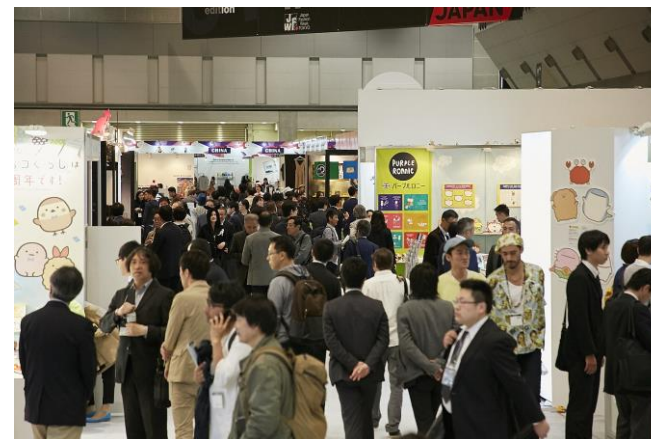


2,000+

Seminar Attendees



# Show Floor



# 2017 Attendee Sample



# 2017 Exhibitor Sample



## Networking Events & Activities

- Cocktail Reception Party
- LIMA Japan Retail Tour
- Costume Character Parade
- Educational Seminars





# Licensing Education



- All GLG Shows feature licensing education during the course of the show dates
- Over 25 industry trends & educational seminars, round tables & panels
- Topics range from Licensing 101 to international licensing law
- Organized in conjunction with LIMA (Licensing Industry Merchandisers Association)



[www.licensing.org](http://www.licensing.org)

# License Global Magazine

- In-house media arm of the Global Licensing Group
- Founded in 1998 by Mr. Steven Ekstract
- 96,000+ Subscribers
- Print and Digital Publications
- Daily e-Newsletter worldwide coverage
- Expanding multi-language offerings (Japanese and Mandarin)
- Producer of NYC Licensing Summit
- Annual Special Reports and Licensing Expo Case Studies



# License Global Magazine

- Exhibitor Preview digital publications for each GLG show
  - Listing for each exhibitor with company highlight, URL, bio and logo
  - Includes regional market report
  - Distributed to LG and Licensing Expo databases
- Official Publisher for Expo Show Directories and Dailies
  - Exhibitor data inclusion
  - Advertisement opportunities
  - Editorial opportunities
  - Multi-language for China and Japan
- Bi-monthly subscription publications
  - Advertisement opportunities
  - Editorial opportunities



{Licensing Expo China 2017}

### Licensing Expo China 2017 Exhibitor Preview

<p><b>1st PLACE</b> www.1place.jp Booth: N072, N078 T: +81 3 5784 1587 E: info@1place.co.jp</p> <p><b>Alilo Brands</b> www.alilo.com Booth: N011 T: +86 21 6040 0967 E: info@alilo.com</p> <p><b>Alpha Group</b> www.alpha.com Booth: N009, N008 Fang Feng T: +86 20 38932378 E: alpha_licensing@alpha.com</p> <p><b>Animation International (Shanghai)</b> www.animation.com.cn Booth: N016, N011 Alison Wang T: +86 21 64776687 E: info@animation.com.cn</p> <p><b>Animen</b> www.animen.com.tw Booth: N006-10 Yueheng Yang T: +86 2 27803933 E: service@animen.com.tw</p> <p><b>Asyl Brand Design</b> www.asyl.cn Booth: N046 T: +1 772 263 0730</p>	<p><b>Beijing Dream Castle Culture</b> www.dreamcastle.com Duo Wang Booth: N027, N064 T: +86 10 6847260 825 E: wangdun@dreamcastle.com</p> <p><b>Beijing Familyout Culture</b> www.familyout.com Duo Li Booth: N009 T: +86 10 56265921 E: marketing@familyout.com</p> <p><b>Beijing Master Art Culture and Art</b> Booth: N011 T: +86 13810049595 E: 1370940@qq.com</p> <p><b>Brandgeniuty</b> www.brandgeniuty.com Booth: N046 T: +86 10 8477448 802</p>	<p><b>China Brands Group</b> www.chinabrandsgroup.com.cn Booth: N022, N023 T: +86 21 22727066 E: china_gu@chinabrandsgroup.com.cn</p> <p><b>Click Licensing Asia</b> www.clicklicensing.com Booth: N016, N016 Flora T: +86 21 51610066 E: china@clicklicensing.com</p> <p><b>Click!</b> www.click.com.cn Booth: N033 T: +86 10 77076939 E: xuehui@click.com.cn</p> <p><b>Ctrl-A</b> www.ctrl-a.com Booth: N033 T: +86 10 77076939 E: xuehui@ctrl-a.com</p> <p><b>Dancing Culture Media</b> www.dancingculture.com Booth: N024, N021 T: +86 21 54183196 E: business@dancing.com</p> <p><b>Danzing Star Culture Development</b> Booth: N024, N021 Jie Zhang T: +86 10 8477448 802 E: business@danzingstar.com</p>	<p><b>Carlot</b> Booth: N005-3 T: +86 8 2754247 E: info@carlot.com</p> <p><b>China Brands Group</b> www.chinabrandsgroup.com.cn Booth: N022, N023 T: +86 21 22727066 E: china_gu@chinabrandsgroup.com.cn</p> <p><b>China Brands Group</b> www.chinabrandsgroup.com.cn Booth: N022, N023 T: +86 21 22727066 E: china_gu@chinabrandsgroup.com.cn</p> <p><b>China Brands Group</b> www.chinabrandsgroup.com.cn Booth: N022, N023 T: +86 21 22727066 E: china_gu@chinabrandsgroup.com.cn</p>
---	---	---	--

{Licensing Expo China 2017}

<p><b>DMM.com</b> www.dmm.com Booth: N022, N023 T: +86 2 29719512 E: dmmpictures@163.com</p> <p><b>Dmaxcat</b> www.dmaxcat.com Booth: N006-6 T: +86 2 2306 2327 E: embering@163.com</p> <p><b>Empire Multimedia</b> www.empiremultimedia.com Booth: N044, N043 T: +86 10 91942040 E: licensing@emp-163.com</p> <p><b>Enzo Partners</b> www.enzo.com Booth: N022, N023 T: +86 20 60811900 E: enzo@163.com</p> <p><b>Fantawild Animation</b> www.fantawild.com Booth: N009, N027 T: +86 795 6822666 8448 E: licensing@163.com</p> <p><b>Force Wood</b> www.forcewood.com Booth: N043</p>	<p><b>Dezding Star</b> www.dezding.com Booth: N022, N023 T: +86 795 2800939 E: 28200211@qq.com</p> <p><b>DMM PICTURES</b> www.dmm.com Booth: N022, N023 T: +86 2 29719512 E: dmmpictures@163.com</p> <p><b>F. Rhythm 3D Animation</b> www.rhythm3d.com Booth: N022, N023 T: +86 20 2306 2327 E: embering@163.com</p> <p><b>Funiverse</b> www.funiverse.net Booth: N027 T: +86 400651112 E: www@funiverse.net</p> <p><b>Guangdong Huasen Century Animation</b> www.huasengroup.com Booth: N022, N023 Liyue Chen T: +86 20 38513000 E: 278767728@qq.com</p> <p><b>Empire Multimedia</b> www.empiremultimedia.com Booth: N044, N043 T: +86 10 91942040 E: licensing@emp-163.com</p> <p><b>Enzo Partners</b> www.enzo.com Booth: N022, N023 T: +86 20 60811900 E: enzo@163.com</p> <p><b>Fantawild Animation</b> www.fantawild.com Booth: N009, N027 T: +86 795 6822666 8448 E: licensing@163.com</p> <p><b>Force Wood</b> www.forcewood.com Booth: N043</p>	<p><b>Hangzhou Dato Era Cultural Development</b> www.dato.com.cn Booth: N022 Jie He T: +86 571 8907576 E: jhe@dato.com.cn</p> <p><b>Hangzhou Happy Reunion Animation</b> www.happyreunion.com Booth: N029, N030 Zi Chen T: +86 21 61075739 E: brand@happyreunion.com</p> <p><b>Hangzhou Soha Technology</b> www.sohatech.com Booth: N023 T: +86 571 8781986 E: 50418940@qq.com</p> <p><b>Hangzhou TThunder Animation</b> www.tthunder.com Booth: N011 Lei Feng T: +86 571 8627789 E: fanjun@tthunder.com</p> <p><b>Hangzhou Westlake Animation</b> www.westlake.com Booth: N041 Zhou Wang T: +86 571 8827500 E: 8818@westlake.com</p>
--	--	---



# JAPAN LICENSING EXPO

## 2018 Show

What to expect this coming April 2018!



# New Exhibitor Sample for 2018



**PRESENTATION 2018**



## Matchmaking Service Debut in 2018



- Pre-set meetings with registered attendees and exhibitors
- Set your own exhibitor profile so attendees can find you
- Offered at all Global Licensing Group shows



*Licensing Expo Matchmaking service provided us with quality companies and product for Walmart.com. The service made it convenient to set up and receive meetings as well as have a central location to meet. Great asset and service to the Expo.*

- Mary Donatelli, Partner Services,  
Walmart.com

## Global Partner Program

Global Partner status is achieved when a company proves their position in the global licensing market by exhibiting at Licensing Expo Las Vegas **and** one or more Global Licensing Group shows within the **same** calendar year. This program recognizes the excellence of these brands by offering valuable promotional opportunities and increased exposure before, during, and after each show - ***all free of any added cost to the exhibitor.***



### Perks include, but not limited to:

- Enhanced Company Listings on show marketing collateral
- Logo inclusion in License Global Magazine print ad
- Complimentary LG eNews digital advertisement
- Social Media Coverage on GLG Channels

[www.ubmlicensinggroup.com](http://www.ubmlicensinggroup.com)



# JAPAN LICENSING EXPO

THANK YOU  
ありがとうございます

Questions about the show? Please contact:  
Steven Ekstract, *Brand Director, Global Licensing Group*  
[Steven.Ekstract@ubm.com](mailto:Steven.Ekstract@ubm.com)

[www.licensingexpoJapan.com/en](http://www.licensingexpoJapan.com/en)  
[www.ubmlicensinggroup.com](http://www.ubmlicensinggroup.com)  
[www.licensemag.com](http://www.licensemag.com)