

Article

# The Anime Industry, Networks of Participation, and Environments for the Management of Content in Japan

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**Abstract:** Video-sharing sites like YouTube and streaming services like Amazon Prime Video and Netflix, along with unlawful platforms such as Anitube, are environments of consumption enabled by increasing transnational consumption that are pushing for transformations in the Japanese animation industry. Among these platforms, the Kadokawa Dwango Corporation is known to rely on the integration of consumers' practices and the needs of the animation industry in a changing and challenging era of transnational content flows. In this paper, I focus on the Kadokawa Dwango Corporation, a major player in the contemporary media mix, and its pushing forward of the creation of an environment that integrates two different stances on cultural content: one which represents the industry's needs regarding cultural content as intellectual property, and another that represents consumers' practices and which regards content as a common or free resource for enabling participation in digital networks. I argue that rather than the production of content, it is the production of value through the management of fictional worlds and user's participation in media platforms that lies at the core of the Kadokawa Dwango Corporation's self-proclaimed 'ecosystem'. This case represents the transformations in the Japanese content industry to survive the increasing transnationalisation of consumption and production.

**Keywords:** Kadokawa Dwango; Niconico; Japanese animation market; fan culture; media mix

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## 1. Introduction: Emergency Measures and the Kadokawa Dwango Corporation's Two-Sided Position

On 13 April 2018, the Japanese media reported that the Japanese government, at a panel held at the Intellectual Property Strategy Headquarters, decided to take 'emergency measures'<sup>1</sup> asking Internet providers to voluntarily block access to the piracy websites Mangamura, Anitube, and Miomio. In the same day, the headquarters also published a document that explained these measures as extraordinary but necessary to protect copyright holders and the base of the business upon which content is produced. In the case of Anitube, famous for streaming Japanese animation for free, it was estimated around 46 million people accessed the website in February 2018 (99% from Japan), causing an estimated 88 billion yen ([IPSH Intellectual Property Strategy Headquarters](#)) of damage to the industry.

In the same day, major publishers, such as Kodansha Ltd., Shueisha Inc., and Kadokawa Corporation, subsidiary of Kadokawa Dwango Corporation, made public announcements praising the measures, followed by the Association of Japanese Animations. On 23 April, Nippon Telegraph and Telephone Corp (NTT) announced that it would block the sites identified by the government.

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<sup>1</sup> All quotations and sources originally in Japanese have been translated by the author.

This announcement came a day after legal experts and members of telecommunication companies in Tokyo discussed the hazards of the way in which ‘emergency’ measures like these, lacking proper legal provisions and public debate, allow the government to arbitrarily block access to internet sites.<sup>2</sup>

The day following the NTT announcement, Nobuo Kawakami, president of Kadokawa Dwango Corporation, announced his support of the government decision as the only resource available due the current loophole in Japanese law against illegal foreign internet services that target Japanese consumers. However, as Kawakami states, his position on this issue is two-sided; one is from the point of view of a copyright-holding company, and the other from the perspective of a web service that ‘should be worried about being the target of regulation’ (Kawakami 2018). In fact, besides Kadokawa Corporation, the other subsidiary of the Kadokawa Dwango Corporation is Dwoango Co., Ltd., the company that runs the video-sharing site Niconico (formerly Niconico Dōga). Niconico is a popular site in Japan, similar to YouTube, and closely related to Japanese anime and manga amateur and fan culture, where users are able to upload material that many have copyright issues. This gave Niconico a reputation of being ‘a den of illegal videos’ (Iijima 2017, p. 62) since its beginning, around 2007, fostering further efforts by the site to erase illegally uploaded content.

This series of events comes after the increasing massification and trans nationalisation of the Japanese content industry sector usually considered a subculture, the sector represented mainly by manga, animation, and tokusatsu films (mainly science fiction, horror, or fantasy films characterised by the use of special effects). The success of the films *Your Name*, *Shin Godzilla*, and *In This Corner of the World* in theatres in 2016 made it evident that this ‘subculture’ had transformed into mainstream culture (AJA Association of Japanese Animation). In addition, foreign platforms, such as Netflix and Amazon Prime Video, have been operating in Japan since 2015, and since 2017, Netflix has further been recognised as an important player in the Japanese animation production scene, when their collaboration with around 50 anime studios and related companies was announced (AJA Association of Japanese Animation). Thus, although, according to data from the Anime Industry Report 2017, streaming of digital content still constitutes only a small share of the market (2.4% in the broad sense<sup>3</sup> and 5.2% in a limited sense), significant transformation in the ways in which industrial actors and cultural policies regard digital content are already building the foundation for a system in which digital content is central.

This paper analyses the way in which Kadokawa Dwango Corporation addressed these transformations, responding to international trends as well as deeply domestic issues, such as the complicated relationship between the Japanese content industry, its long-running horizontal structure, and the networks of participation shaped by consumers, such as those in fan and amateur cultures. In this paper, I argue that Kadokawa Dwango Corporation’s proclaimed ‘two-sided position’ can be described as rooted in an environment aimed at creating value based on the management of at least two forms of integration: the integration of fictional worlds and the integration of platforms. The first form of integration is built on the dynamics between property and commons, and the second form of integration, built upon the first one, points to the integration of users’ activities into a closed environment comprising the combination, interplay, and management of several platforms. Thus, my aim is to show how these forms of integration respond to the conditions and practices of the Japanese anime industry, as well as fan and amateur cultures.

My analysis broadly covers 2010 to 2016. This is a period where the Japanese animation industry was in a continued depression and moved from its structural orientation toward home markets toward a marked market recovery, diversification, and an increasing adaptation to international driving forces. Besides industrial reports, relevant material published in magazines and newspapers, and previous

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<sup>2</sup> Statement available from the following website: [https://www.nttdocomo.co.jp/info/news\\_release/2018/04/23\\_00.html](https://www.nttdocomo.co.jp/info/news_release/2018/04/23_00.html) (accessed on 27 April 2018).

<sup>3</sup> The AJA defines the ‘broad sense’ of the Japanese animation market as ‘based on estimated sales in animation and animation-related markets’ (AJA Association of Japanese Animation, p. 2).

research on the subject, I based my analysis on the fieldwork and interviews I conducted between 2014 and 2015 in Japan, as part of my Ph.D. research on the Japanese animation content industry and its amateur and fan culture (Hernández 2016).

## 2. Theoretical Framework: Economy of Participation in Informational Networks

The cases analysed in this paper exemplify the transformations of consumer culture and industrial practices that the Internet as an increasingly socially interactive media continues to bring about. Much research focusing on the participatory features of new Internet platforms has been done, in particular after the emergence of the Web 2.0, through terms such as user-generated content (UGC), referring to the content produced by media platforms users as amateur videos, or consumer-generated media (CGM), referring to media like YouTube, shaped mostly by user-generated content (see for example Gillespie 2010; Kozinets et al. 2008; Snickars and Vonderau 2009; Kim 2012).

Previous literature related to the keywords of ‘participatory culture’ (Jenkins 2006a, 2006b; Delwiche and Henderson 2013) and ‘collective intelligence’ (Lévy 2013), or the work of Lawrence Lessig (2004, 2006), on intellectual property, has shown how the productivity of engaged media users, such as fan communities or the open-source movement, are transforming our ways to relating to media on the basis of collaboration and shared interests, goals, and resources. Scholars such as Von Hippel and von Krogh (2006), focusing on the open-source movement, have also argued for the positive effect that freely revealing findings and transforming proprietary information into public domain may have for industries, fostering innovation at low costs while the protection of information may be rather expensive (Von Hippel and von Krogh 2006).

In contrast, authors such as Tiziana Terranova (2000, 2004) have argued that the Internet relies on networks of immaterial unpaid labour, fuelling a prolific strain of criticism on the exploitation behind audiences’ productivity. For instance, Andrejevic (2009) seeks to develop a ‘theory of exploitation for the interactive era’ (p. 406) focusing on the transformation of YouTube into a profit-making structure, where the industry seeks to capitalise on ‘user-generated data’ (p. 406) and the information generated by users’ interaction with its platform. As he concludes, content providers ‘want the use-generated data without the user-generated content’ (p. 421). In a similar vein, Fuchs, based on the premise that knowledge is in essence a public good and its production is inherently social and cooperative (Fuchs 2009, p. 77), argues that in a commodified Internet economy, consumers’ productivity and participation means ‘the total commodification of human creativity’ (Fuchs 2009, p. 82).

Marc Steinberg focuses on the Kadokawa Dwango Corporation to criticise Google, Amazon, and Apple’s ‘platform imperialism’, casting a more positive light on the potentials of media platforms. He characterises Internet commercial platforms as self-enclosed ecosystems where content is delivered and points out how a few companies are positioning themselves as the only content distributors, eliminating the possibility of amateur content generation (Steinberg 2017). In contrast, he focuses on the video-sharing site Niconico and its capacity to sustain the ‘communities, cultures, and practices that form around media mix projects’ (Steinberg 2017, p. 99). As Steinberg explains, the Japanese term ‘media mix’ is a ‘popular, widely used term for the cross-media serialisation and circulation of entertainment franchises’ (Steinberg 2012, p. viii). Niconico differs from YouTube as its interface allows users to transform and generate content, fostering subcultural and local networks that may also further develop new forms of the media mix (Steinberg 2017, p. 105).

From a broader perspective on Japanese media culture, Steinberg (2012, 2015) has stressed the central role played by Kadokawa in the development of the media mix system. Following Steinberg, the character merchandising developed since the beginning of the 1960s around the manga and later animation character Tetsuwan Atomu can be regarded as crucial in the development

of the ‘transmedia connectivity’ that lies behind the media mix (Steinberg 2012).<sup>4</sup> This system underwent further development by Kadokawa Pictures, led by Kadokawa Haruki around the 1970s (Steinberg 2012, p. 149; Odagiri 2010).

In this paper, I depart from these perspectives, and in particular, Steinberg (2012, 2015, 2017)’s seminal work on Kadokawa and Niconico, to outline the environment for the management of content that the Kadokawa Dwango Corporation represents while paying particular attention to the industrial practices of the Japanese animation content industry and its relation to animation fan and amateur cultures in Japan.

Although the business models represented by the animation industry and Niconico are contrasting to a large extent, they are inevitably connected in everyday consumption. Moreover, consumers, producers, and content copyright holders have forged a huge grey zone (Hiragi et al. 2014) of informal agreements, based on the linkage between these models. Thus, in this paper I argue that it is the formal integration of these diverging models that lies at the base of the environment pursued by the Kadokawa Dwango Corporation. This formal integration is what allows the creation of value and the management of content and platforms for participation. The 2014 merger of Kadokawa Corporation, a platform for the management of intellectual property, and Dwango Corporation, a platform for the management of users’ activities and UGC, is evidence of this.

### 3. The Cool Revolution and Surviving Transnationalisation

In his book *The Age of the Cloud and the ‘Cool Revolution’* (2010), Tsuguhiko Kadokawa focuses on information technology, its role in transforming the nature of the production and management of content, and the ways in which audiences engage with it. At the time of the book’s publication, he was the CEO of Kadokawa Group Holdings, which is now under the name Kadokawa Corporation, a subsidiary of Kadokawa Dwango Corporation, established after a merger between Kadokawa Corporation and Dwango Co., Ltd. on 1 October 2014. In his book, Tsuguhiko Kadokawa focused on the transformative effects that companies like Google, Apple, and Amazon have on the relationship between hardware, software, and the connection of content and services enabled by the use of information networks and cloud technology. The purpose of this book becomes evident in the title of his subsequent book, *A Copyright Law That is Not Defeated by Google and Apple* (Kadokawa 2013). Kadokawa was calling with urgency for transformation and the construction of a particular system (an ‘ecosystem’) before the race for control of the management of digital content—which had already brought about radical changes in the nature of digital content and its production, consumption, and management—is lost. To this end, in 2010, Kadokawa addressed the situation faced by the content business in Japan with a compelling metaphor. For him, the Japanese content industry’s attitude toward overseas innovations was similar to feudal Japan’s self-imposed isolation. In that context, the video-sharing website YouTube, which has emerged from what he calls ‘the globalisation of knowledge and information’<sup>5</sup> (Kadokawa 2010, p. 58), and more recently Netflix (Kadokawa 2017, p. 157), are like the Black Ships that arrived in Japan at the end of the Edo Period.

The metaphor of the Black Ships conveys a feeling present in the Japanese content industry since those days, and it is linked to the conflictive atmosphere that still surrounds the Cool Japan policies as well. Some of the tension between the Cool Japan policies and the animation industry has its origin in the complicated relationship between the orientation toward the overseas market that the Cool Japan strategy—a set of cultural policies and initiatives carried out by governmental and civil organisations—encourages and the relatively inward orientation of the Japanese industry, which has a

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<sup>4</sup> For instance, Steinberg detailed how, although Akado is commonly regarded in Japan as the origin of the media mix, the image of Atomu provided the consistency necessary to develop connections between several media. See (Steinberg 2012, pp. 70–80).

<sup>5</sup> With this term, Tsuguhiko Kadokawa makes reference to the digitalisation of information and knowledge and its spread through the internet.

strong focus on the domestic market. In this context, Tsuguhiko Kadokawa's metaphor is compelling. As he states, the stance of feudal Japan toward the Black Ships is similar to the stance of content copyright holders and broadcasting companies toward YouTube. They trusted that geopolitics would keep their business area safe, but the worldwide influence of YouTube and more recently Netflix proved they were wrong (Kadokawa 2010, 2017).

Tsuguhiko Kadokawa's words are an interesting mix of several discourses found in the Cool Japan strategies and literature concerning information society and participatory culture. On the base of the globalisation of knowledge, Tsuguhiko Kadokawa regarded the 'Cool Revolution' as a revolution led by 'participating masses' (Kadokawa 2010, p. 128). These masses have clear goals, use media content based on their lifestyle (p. 128), and are actively engaged in the production of content (p. 113). In Kadokawa's analysis, praise for the democratisation of personal expression by means of the Internet is blended with his characterisation of business models such as that of Apple. For instance, Kadokawa describes the distribution of content through platforms built on specific hardware or terminals that has characterised Apple's business model as a mixture of software and hardware, from which emerges a hybrid business model, shaped by a network of content distribution within a closed system administrated by a single company (in this case, Apple). Within this system, the masses are the receivers as well as the senders of messages; they become active producers of content and participants in a huge space of information where the amount of this information becomes the key to generating value (p. 113).

The protagonists of this 'cool revolution' are the masses. As Kadokawa states, the winning business model of this revolution will be that which coordinates the whole, the model that can satisfy users by offering them a fascinating experience (p. 129). In his view of what he regards as the 'last stage of the cool revolution', 'a unified or integrated 'store' that provides everything will appear' (p. 129). Kadokawa's stress on the role of participative audiences, the integration of production, distribution and consumption, and the emphasis on offering a fascinating experience to users is central for characterizing his standpoint toward the 'cool revolution', as opposed to the overall perspective shared by the Japanese content industry around 2010.

#### 4. The Japanese Animation Industry: Producing Value from Intellectual Property Management

Some of the important changes in the Japanese animation industry in the last decade are concerned with the influence of public cultural policies, such as the Cool Japan strategies, which promote local products or Japanese goods and services overseas by appealing to consumer sensibility through the branding of national or local culture (Mihara 2013, 2014; METI 2014). Among areas like fashion, food, advertising, or tourism, and in particular animation and manga, the promotion of content is one of the most featured elements. The inauguration of the Strategic Council of Intellectual Property in February 2002 and the announcement of the Intellectual Property Basic Act<sup>6</sup> in December of the same year were the frameworks upon which this set of cultural policies was built. As Arai (2005) describes, the Intellectual Property Strategies fostered in Japan since 2002 aim to achieve a 'knowledge-integrated' industrial structure, rather than 'labour-integrated' one (Arai 2005, p. 5) and transform Japan into an 'intellectual property-based nation' (p. 5). Among the measures that aimed to foster an 'intellectual creation cycle' (p. 10), the promotion of content businesses became key to reviving the Japanese economy (p. 10).

The Cool Japan discourse commonly stresses the success and popularity of Japanese animation in foreign markets, as is the case in the speech titled 'Towards New Growth' by former Prime Minister (2008 to 2009) Tarō Asō, in which he highlighted the popularity of Japanese animation, games, and fashion (Asō 2009). Following the same line, Tsuguhiko Kadokawa focuses on the *otaku* as a way

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<sup>6</sup> 'Chiteki zaisan kihon-hō' as in the Japanese original. English translation as in the Japanese Law Translation Database System, Ministry of Justice, Japan. <http://www.japaneselawtranslation.go.jp/> (accessed on 30 April 2018).

to stimulate the Japanese economy, emphasising the spread and popularity of Japanese animation (Kadokawa 2010).

However, in 2009 the Japanese animation industry was still far from being the cultural superpower that the Cool Japan policies seek to promote. There was not only a significant disproportion between the widespread popularity of Japanese animation and monetary profit in overseas markets, as Mihara has pointed out (Mihara 2014). There was also, above all, a fragile and mostly domestically oriented industry in a perpetual financial struggle. This is the industry that formed the backdrop for Tsuguhiko Kadokawa's comparison of the closed attitude of Japanese content copyright holders toward YouTube with the closed attitude of feudal Japan. At the end of 2010, this industry was experiencing a period of continued market depression that generated a feeling of crisis.

#### 4.1. The Markets

According to the most recent version of anime industry data published by The Association of Japanese Animations (AJA Association of Japanese Animation), a general estimation of the 'Japanese animation market in a limited sense'<sup>7</sup> shows an increase between the years 2002 to 2005 (from 136.6 billion yen to 223.2 billion yen) and a fall from 2006 to 2009 (to 145.7 billion yen in 2009). The data shows a sustained recovery from 2010 onward, showing a market size of 230.1 billion yen in 2016, surpassing the market size of 2005 for first time (AJA Association of Japanese Animation).

In addition to income from television broadcast stations, the areas analysed include revenues from several categories such as movies and theatres, videos, distribution via the internet, merchandising and sales of related products, music, overseas markets, and pachinko machines. From these categories, income from television remains the highest, around the 29% on average from 2002 to 2014.<sup>8</sup> In the same period, the other principal sources of income for animation studios are indicated by the average percentages of income for merchandise (16%), videos (14%), and movies and theatres (11%). About 12% of the income, on average, in the same period came from overseas markets. In comparison, data from 2016 shows a decrease in television (28.6%), merchandise (13.2%), and video (5.4%), the same figure for theatres (11%), and an important growth for income from overseas markets (19.2%) (AJA Association of Japanese Animation).

The financial depression from 2006 to 2009 frames the concerns of Tsuguhiko Kadokawa over the expansion of websites such as YouTube. In 2006, overseas markets amounted to 31.2 billion yen compared to 19.5 billion in 2014. Likewise, the domestic video market fell from 37.3 billion yen in 2006 to 16.1 billion yen in 2014. However, in contrast to the general reaction from the industry, Kadokawa's primary concern was not about the losses imputable to piracy and illegal uploading of content by users on YouTube or similar platforms. Rather, he was concerned about losing distribution channels to Internet companies located in the United States, as well as the increasing dependence on storage or cloud services monopolised by companies such as Amazon, Apple, and Google. Based on these conditions, he states that Japanese content industries will lose the 'chance to produce and reproduce new value' (Kadokawa 2010, p. 189).

These concerns are linked to the structure that supports the production and creation of value within the Japanese animation industry. As the above market figures show, the Japanese animation market is composed of different media. This fragmentation of the market and the industries at play is crucial for understanding the different stances of the industries involved in the animation market and their stances toward intellectual property within a general system of production, distribution, and merchandising.

<sup>7</sup> As the AJA report defines it, this is the 'market size based on the estimated sales revenues of all domestic commercial animation studios' (AJA Association of Japanese Animation, p. 2).

<sup>8</sup> All percentages are calculated by the author on the basis of AJA data from 2017 (AJA Association of Japanese Animation).

In all cases, the income from the market of anime broadcasting on television, which is usually the starting point in the process of television anime production, is usually not enough to finance the costs of production. As such, the dependence on secondary uses of the original work is necessary, as is the sale of DVDs or the commercialisation of licenses in order to obtain profits. However, in most cases, a large percentage of the copyright is held by the television station companies, making it difficult for anime companies to directly exploit secondary use of the work. This has led to a prolonged state of deficit in many animation production companies common until now (AJA Association of Japanese Animation; Kanzawa 2007; Aoki 2006; Ishizaka 2005; Taniguchi and Asō 2010).

The market for goods based on animation characters and licenses is one of the most lucrative areas related to the production of animation and represents one of the main incentives for sponsors. The huge gap between the size of the market in a broad sense (1630 billion yen in 2014) and the total of sales revenues for the animation studios (184.7 billion yen in 2014) clearly shows the importance of this area. As the AJA report points out, this gap is largely attributable to the leverage effect produced by 'animation-related business including character merchandising' (AJA Association of Japanese Animation, p. 2). Hence, intellectual property management is essential for safeguarding the system that the anime industrial world has built up around the huge profits gained from character merchandising, and shapes the way in which animation is produced in Japan.

#### 4.2. The Production System

From a broad perspective, the general structure of the anime business has been composed of the relationship among three components: (1) the film or television companies that make a request for the production of content; (2) the anime production company that directly receives the request; and (3) a large number of subcontracting companies that specialise in different steps of the production process. In this system, the television companies are primarily at a higher position, while the anime production companies play a subordinate role (Ishizaka 2005; Taniguchi and Asō 2010). Other related industries that have an important role are the sponsors who provide the initial investment to the television station, the toy makers who manufacture and sell character-related goods, the advertising agencies, and the video packaging companies that sell DVDs, among others.

Overall, the production system used to include the coordinated work of many different companies, most of them being rather small (Ishizaka 2005). This is a tendency that only began to show signals of change after 2016 (AJA Association of Japanese Animation). In 2005 for instance, Ishizaka estimated there to be approximately 440 anime studios or producers, around 70% of which had fewer than 30 employees, and about 42% of which could be considered one-person companies (ibid).

Production work is commonly carried out in the following way: first, the anime production company receives the original commission from the television station. The work requested can be the production of a full show, part of a show, or a collaboration between the television station and the anime company. In each of these cases, the television stations usually retain the biggest percentage of the copyright (Ishizaka 2005; Taniguchi and Asō 2010). Once the anime production company receives the commission, the work is divided and entrusted to many subcontracting companies that specialise in different steps of the production.

Among the sponsors of the television station are the DVD producers and video game and toy makers. In most cases, they own the rights of commercialisation, receiving their profit from the sales of products and licensed goods. However, since the budget given to the anime production companies in almost all cases is not enough to cover the cost of production, such production companies usually rely on secondary use of the product, through the sale of licenses, to obtain profit. Therefore, in many cases the animation is only considered as a means to sell goods, such as toys featuring characters from the animated series. The main concern regarding the working conditions for creative workers here is that because of the unequal power relations between the anime production companies, television stations, and sponsors, in addition to restrictions on copyright, the anime companies, animators, and creative workers are in many cases excluded from the profits. Consequently, not only the protection of

intellectual property but also its proper management is a significant issue in the Japanese animation content industry.

As [Taniguchi and Asō \(2010\)](#) remark, the production committee system enables partial resolution of some of these problems. This system of production, which first appeared in the 1980s in the film industry, has become increasingly popular in the anime industry since the 1990s ([Tanaka 2009](#)); by 2010 nearly 80% of animation was produced following this system ([Taniguchi and Asō 2010](#)). It is worth noting that, as [Steinberg \(2015\)](#) has pointed out, this system was actively pushed by Kadokawa.

#### 4.3. *The Production Committee System: A Horizontally Fragmented Structure*

The production committee system allows many companies to contribute to the production budget and distributes the copyright in proportion to the amount of investment. Through this system, small anime production companies, which are unable to afford a sizable investment, can also participate—albeit on a smaller scale—in the secondary market of animation alongside the sponsors and television stations. However, animation producer Hiroaki Inoue, former executive vice-president of Studio Gainax and producer of several anime since the 1980s, explains that the production committee system has many problems that have resulted in a need for the integration of current and former production practices.<sup>9</sup>

One of the difficulties identified by Inoue is the fragmentation of responsibility across several parties for the management and conclusion of a single project. As he states, such a situation results in nobody taking responsibility. Here, the critical issue to consider, as Inoue points out, is that nobody owns the product in its totality. This situation can cause several complications, such as the restriction of license sales to overseas markets and the worsening of the position in power relations between companies related to content production in comparison to advertising companies. For Inoue, the former is due to the impossibility of animation companies owning their product's intellectual property, remaining manufacturers above all else. In comparison, television companies and advertising companies, as well as toy makers and other goods producers, can gain revenue from other sources. In this regard, an example is the character Hello Kitty, whose intellectual property is wholly owned by the company Sanrio. This is the kind of model that, in Inoue's view, may help the Japanese animation industry survive the fragmentation of markets and production.

In sharp contrast, for [Tanaka \(2009\)](#), the production committee system is a major strength of the Japanese animation industry. Tanaka defines this system as 'horizontally dispersed' in opposition to the system in the United States, which is 'horizontally integrated' ([Tanaka 2009](#)). The Walt Disney Company is the best example of the US system where a single, large company monopolises the rights. This system ensures full receipt of the profits but also presents a greater risk—in terms of bearing the costs of unsuccessful productions—and may obstruct the use of the content on different platforms and media.

On the contrary, the horizontally dispersed Japanese system, as Tanaka explains, consists of many small companies that share the production and the content. Under this system, it is easier to allow the secondary use of the same content and to develop franchises in different media and to adapt the original content (mostly narrative worlds and characters) in a range of new derivative content, and as such, develop the license business and media mix ([Tanaka 2009](#)).

The character business model, a licensing system that generates profit from the secondary use of successful characters, is also part of this model. It can be compared with the star system used by the filmmaking industry in Hollywood, with a growing emphasis since the 1990s on the charisma of characters, as in the case of Hello Kitty and Pokemon, as well as an emphasis on 'moe characters'

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<sup>9</sup> Semi-structured interview conducted by the author with Inoue Hiroaki on 12 March 2015. One session, 120 min. The interview was conducted in Japanese and recorded at a coffee shop near Okayama Station, Okayama city, Okayama prefecture, Japan.



(kyara moe), which followed the success of Neon Genesis Evangelion (Kanzawa 2007). This trend has been reinforced in so-called ‘midnight anime’, a type of TV animation broadcasted mainly from 24 h to 26 h, produced primarily by a large number of small companies that were established in the period of financial success starting 2000 and ending with the short period of renewed TV animation success that occurred from 2005 to 2006<sup>10</sup> known as the ‘anime bubble’ (Taniguchi and Asō 2010, pp. 40–41; TD Teikoku Databank, LTD, p. 6).

The primary purpose of using of characters in marketing is to prompt consumption regardless of the nature of the merchandise to be consumed, or to act as an interface or communication tool between the customer and the seller or brand (Odagiri 2010; Tsuji 2009). In any case, the character is also intellectual property capable of generating profit for its creator or a third party. The licensing and merchandising systems are the mechanisms that link each specific media in which the character can be used. In the case of the content industry, as previously mentioned, the real profit from the content comes from its secondary use as opposed to its primary use. Licenses for merchandising and promotion will link the activities of the original licensor with other parties such as toy and merchandise makers, PR agencies or broadcasting companies, and distributors.

This production model also makes it possible to bear the high production risks that are common in cultural industries, giving dynamism and diversity to the industry and the content produced. However, the management and protection of the licenses becomes complicated, and this is, in many cases, a major obstacle in decision-making processes and in the promotion and expansion of licensed Japanese content in overseas markets (Sugiyama 2006; Tanaka 2009). As one representative of Aniplex Inc. explained in a session held for foreign companies at the event AnimeJapan in 2014,<sup>11</sup> each copyright holder has to give their agreement before the initialisation of commercialisation or the sale of broadcast licenses abroad. This process can significantly delay the distribution of licensed content in overseas markets.<sup>12</sup>

#### 4.4. Pushing for Transformation

Since the domestic market for television animation has, in most cases, the most substantial economic impact on the anime industry, areas such as licenses and the character business in the domestic market, alongside the media mix, play a significant role, while areas such as overseas markets or streaming digital content remain small. The stable relationship between television companies, advertisers, toy makers, and anime companies, along with the amount of the revenue from broadcasting, have kept this horizontally fragmented structure of production and specialised use of various media working alongside the management of intellectual property as central elements in the production of content and monetised value.

However, some factors are also pushing Japanese copyright holders to approach overseas markets and change the actual structure of the industry. Besides the transformations brought about by information technology, the declining birth rate in Japan is also forcing Japanese content copyright holders to explore foreign markets (Koito 2014). The way in which the Japanese videogame industry has positively faced the changes generated by information technology and built overseas markets offers a model of reference for the animation content industry (Koito 2014)—a model that, as Masuda reports, is showing its influence in the animation industry since 2016 with the success of the free smartphone game application Fate/Grand Order and the participation of Aniplex Inc. in the area of social games (AJA Association of Japanese Animation).

<sup>10</sup> The period of the ‘anime bubble’ may differ depending on the year when the market contraction began. This year may vary between 2006 and 2007, depending on the categories which are included in the market analysis. For instance, according to HUMANMEDIA, this bubble period ended in 2007 (HUMANMEDIA Inc. 2011, p. 80).

<sup>11</sup> Anime Japan, preopening event. 21 March 2014. Tokyo Big Sight, Tokyo, Japan.

<sup>12</sup> It is possible to assume that for many stakeholders, in particular those from smaller content producers, copyright management in overseas markets is a too time consuming and risky endeavour to engage without any kind of intermediaries.

It is noteworthy that the natural links between the game industry and the area of computer software, the development of platforms, and the view of consumers as active users of software is closely connected with the transformation of the audiences that websites like YouTube or Niconico are bringing to the production, as well as the social use of media texts such as books, manga, music, movies, or animation. These companies hold a significantly different approach to intellectual property management and ways of producing value that entails an important loss of control over content and an emphasis on the management of communities.

## 5. Losing Control and Creating Value: Participation in the Niconico Economy

Niconico is a website that has been closely linked to manga and videogame fan communities in Japan since its launch. The first prototype of Niconico Dōga (now Niconico) was launched in December 2006 by Niwango, Inc., a company devoted to Internet community sites and which is now part of the Kadokawa Dwango Corporation. The beta service was initiated on 15 January 2007 (SHD Studio Hard Deluxe Co., Ltd.) and, with the launch of the gamma version in March of that year, the upload service became available (Shiba 2014).

After its launch, the site quickly became not only a video-sharing site but a place for play among internet enthusiasts and people associated with the Japanese amateur and fan culture. Niconico, along with YouTube, is a typical example of Web 2.0 and the new possibilities for ‘collective intelligence’ that its architecture enabled. One of the best examples of such possibilities was the proliferation of consumer-generated media (CGM) such as the MAD<sup>13</sup> videos—mashups composed mainly of parodies of fictional anime characters—on the site when it was launched.

Nobuo Kawakami, former president of Dwango and current CEO of Kadokawa Dwango, explains that at its beginning the site was filled with MAD videos ‘and things with problems about copyright’ (Kawakami 2014, p. 62). However, as Sugimoto Seiji, CEO of Niwango, Inc. points out, it is noteworthy that many MAD videos became original content (Shiba 2014, p. 119). The transformation of derivative creations such as the MAD videos into original content is key to understanding how a platform for sharing videos that jeopardise the protection of intellectual property has managed to find its place as a legitimate business model. Niconico has become a showcase for fan produced material and also distributes original content licensed by several content copyright holders, as is the case for some Japanese animation companies.

Derivative content is created from a base of fan mixing practices and the amateur culture, and its transformation into original content enables the possibility of further commercialisation. Expressed in a schematic way, in contrast to the model of the Japanese animation industry summarised above, what Niconico achieved in its first stage of development (mainly around 2007 and 2008) was the creation of value through relinquishing control over the production and use of content as intellectual property. This loss of control fostered the creation of value in a broader sense, that is, the creation of an environment of interaction filled with unconventional content, where both the environment and the content are regarded as valuable by a specific community of users.

### 5.1. Fan Networks, Communities, and Markets

In addition to the illegal uploading of copyrighted material by users, the practice of editing and mixing new videos using formerly original content as raw material has been an important issue in the discussion of websites such as Niconico, YouTube, or Anitube, especially when these services grew quickly in popularity. However, the nature of Niconico is different to that of YouTube, and these two also differ greatly from Anitube. The organic relationship between Niconico and the amateur and fan communities that preceded it played an essential role in the early formation of Niconico and its current state. This website was in some degree the heir of the Japanese fan and amateur culture, which

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<sup>13</sup> MAD stands for ‘music anime dōga’, a pseudo-anglicism where the Japanese word ‘dōga’ means video.

is commonly thought to have originated in the 1970s and 1980s. This culture has at its core the amateur production of manga or derivative works and fan-constructed networks of distribution for these works. Fan creations are usually sold at events such as Comic Market, which is the most famous example of a significant amount of fan events that are held every month in Japan. Thus, these events are a display of the massive network of fan and amateur activities that spread all over Japan and overseas.

The organisation of these events, called 'dōjinshi sokubaikai', is similar to free markets where fans sell fan-made magazines, music, or software among other media texts. Many of the texts are parodies or derivative works that may borrow characters and elements from an original text, but tend to concentrate on characters or elements of popular animation shows, manga, or games. These works, also called secondary creations (ni-ji sōsaku), the network of fans and amateurs, and their practices of interaction and communication through the appropriation of media texts as public domain, were at the core of the effervescence that characterised Niconico at its beginning.

Although the massive fan culture in Japan feeds on the unlawful use of intellectual property, many content copyright holders recognise its importance. As Hiroyuki Nakagawa, patent attorney and head of the Nakagawa International Patent Office notices, the market value created has no relation to intellectual property rights (Nakagawa and Tomonori 2015, p. 11). In other words, as long as there is a market, anything can be an object of commodification. It is more common that the acknowledgment of something as intellectual property and its registration within the copyright system comes after the creation of value in the market. This process, which can be understood as an example of what has been called a 'second enclosure movement' (Klein et al. 2015), is a central element to consider when we address the relationship between various media and the companies involved in the media mix system or the character business described above. Therefore, amateur and fan communities, as key players in the process of value creation, have shaped a symbiotic although informal and often conflicting relationship with the content industry.

## 5.2. Architectures for Participation and Commons

In his book *The Ecosystem of Architectures* (2008), Satoshi Hamano, a researcher of information society theory, focuses on the environment that links the user and the software through his use of the keyword 'architectures'. He analyses Google, blogs, 2Channel, Mixi, and Nico Nico Dōga, among other platforms, and regards the architectures that support these services as a type of power based on the management of environments. He stresses that these architectures render unnecessary the internalisation of values or ideas in order to support such structures (Hamano 2008, p. 21). In this respect, he takes a similar stance to that of authors, such as Terranova (2004), who have argued for the loss of centrality of meaning and rhetoric in power struggles in information networks. However, Hamano is rather optimistic about these architectures and the way in which they shape society.

Hamano argues that architectures like those of Niconico help consumers to produce new videos or works, as in the case of the MAD videos, by encouraging collaborative creations (Hamano 2008, 2012). That is, he focuses on how fans or amateur creators share their works among themselves as 'commons' (Hamano 2008, pp. 99, 250). For Hamano, this is the base for producing a particular type of content which can no longer be regarded as conventional 'secondary creations' but as 'n' creations (Hamano 2008, p. 249), that is the mix and remix of several secondary creations. As he stresses, this way of producing new cultural texts is different to the ways in which YouTube is used (Hamano 2008, p. 250).

For Hamano, the dynamic creativity behind Niconico and the MAD videos is based on a particular architecture of Niconico which he describes as a type of pseudo-synchronisation. One of the characteristics of Niconico is that its users can post messages in the video window. These messages are displayed in front of the video at the minute and second that the user posted them. Each user can add messages separately, and when the video is reproduced, these messages are also reproduced, merged, and synchronised. This feature generates the sensation of watching the video together with other commentators.

As Hamano argues, the illusion of simultaneous viewing allowed by Niconico's architecture is the basis for the creation of evaluation standards for the content posted on the website. These standards are the result of the aggregation of shared subjective judgments on the value of the work made by users, and given that they are determined through viewer consensus, they have a degree of objectivity. This sort of objectivity becomes the basis for quality standards that further encourage creativity and participation. Moreover, the evaluation standards depend on the community of users and it is limited to them, and for that reason Hamano refers to them as 'bounded objectivity' (Hamano 2008, p. 257). Based on this feature, Hamano stresses in a later work that by building this type of architecture the aim of Niconico is to offer a shared experience, or to give users the 'service of 'experiencing' the video' (Hamano 2012, p. 489).

Drawing on Walter Benjamin's famous thesis on the mechanical reproduction of artworks, Hamano calls this feature a reproduction not of the work, but of the here and now (Hamano 2012). This feature is what lies for him at the base of the 'n' creations that animate the popularity of Niconico, and serves to differentiate it from YouTube. In other words, he is emphasising the role of an environment which has at its base not the production and reproduction of works or media texts, but rather the production and reproduction of a social experience. The presence of a community and media texts that are regarded as commons is essential to setting up a media environment that allows this production of social experience and the productivity that emerges from this base. Examples of this productivity begin with activities, such as adding commentary or adorning the videos with text, a feature also stressed by Steinberg (2017) as a way to transform the content. Further activities, such as adding illustrations or animation to a song uploaded by a different user, or borrowing elements from a video to produce a different one, are at the base of the extraordinary productivity of the genre of amateur electronic music, Vocaloid, and the popularity of the virtual singer, Hatsune Miku, from around 2007 to 2014, whose songs were mostly produced as UGC by communities gathered on Niconico.

Likewise, Masahiro Hamasaki (Hamasaki 2011; Hamasaki et al. 2008), senior researcher at the Information Technology Research Institute at the National Institute of Advanced Industrial Science and Technology (AIST), has focused on the particularities of the networks that shape the content of websites like Niconico. He focuses on the high productivity in the production of 'n' creations, in particular on the kind of collaboration that, in contrast to other types of media production, lacks formal labour organisation and a clear goal. This sort of spontaneous collaboration characterises the production of new media texts on the Niconico platform. Hamasaki emphasises the important role played by informal structures in collaboration, and the way in which fan cultures generate or develop new resources that a profit-making structure or rational production system cannot afford.<sup>14</sup>

The perspectives of Hamano and Hamasaki are strongly linked to the concept of 'collective intelligence' (Lévy 2013) and have as their base the role of knowledge and, in this case, media texts or content as shared resources within a specific community with clear boundaries. Their accounts of the textual productivity behind MAD videos or fan works and the popularity of the architectures that enable such productivity delineate some of the more important elements as the presence of a community and the understanding of works, texts, or content as a type of commons.

### 5.3. Commodification and Platforms

Participation in fan or amateur networks may be a non-profit activity. However, CGM, like Niconico, are also profit-making structures. When authors such as Fuchs (2009) speak of the commodification of audiences or Terranova of free labour (Terranova 2000, 2004), they are referring in

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<sup>14</sup> Semi-structured interview conducted by the author with Hamasaki Masahiro on 15 December 2014. One session, 96 min. The interview was conducted in Japanese and recorded at the Information Technology Research Institute, AIST Tsukuba, Japan.

essence to the same phenomenon: the integration of social interaction into a profit-making environment. Likewise, despite the rising popularity of Web 2.0 and digital media which in Japan is closely linked to the proliferation of UGC, IT-related industries, and the Creative Commons organisation, not everybody is so enthusiastic about the participatory amateur culture.

The animation and manga producer Susumu Sakurai regards amateur culture as a culture that ‘has grown too much’.<sup>15</sup> Sakurai is CEO of Creators Producer Units Go Inc., a small production company founded in 1996. In his view, slogans like that of the third annual Niconico Chōkaigi festival—‘everyone is a protagonist’—are misleading. He argues that such a slogan aims to make attendees believe that they are protagonists because they can participate or express themselves, when in fact they are only allowed to participate if they pay for the service or the entrance fee, as in the case of the Niconico Chōkaigi festival. Similarly, participatory culture and CGM seem to blur the line between amateur and professional creators, but as Sakurai states, amateur participation in the industry only worsens the labour conditions for creative workers and content production companies.

While people directly involved in content production make a clear distinction between creators and audiences, new digital media like Niconico popularises participation in media production and blends the figure of the creator with that of the audience to generate the figure of the user. Increasingly, the user and the content remain as two poles that give dynamism to a system where content is less fixed and social experience is more closely tied to media production.

The role of the kinds of digital media commonly described as platforms arguably goes beyond the role of mere communication intermediaries (which provide channels and means for mediated communication). Platforms provide multiple delivery channels for media content and play a central role in the creation of media synergy. The interaction between several media that synergy strategies aim to create is only made possible by capturing users’ attention and making them build connections between the different platforms in which the content is distributed. As Hamano has shown in the case of Niconico, the relevance of the content for the user is closely tied to the social dynamics of appreciation enabled by the website’s architecture. This feature makes digital media platforms an essential element for building and shaping users’ shared experience, becoming active agents, rather than neutral carriers, at the core of the communication process.

The term platform, applied to digital media, usually conveys the image of open structures that support the activities of users. However, as Gillespie points out, this word misrepresents the influence that digital media exerts in deliberately ‘shaping the contours of public discourse online’ (Gillespie 2010, p. 358). For Gillespie, media like YouTube uses the term platform to simultaneously address consumers, advertisers, and content owners, eluding the contradictions arising from the frictions between these three different audiences and the liability the platform providers may have for any possible copyright infringement. Sakurai’s discussion about participatory culture conveys these frictions, which are related to the simultaneous approach to content as commons for enabling participation and property for obtaining monetary profit.

In any case, as mediators between users, platforms are not as open and neutral as they seem and shape the ‘practical, technical, economic, and legal’ (Gillespie 2010) conditions behind the production and management of content. Increasing attention on CGM exists alongside concerns about intellectual property protection, but in the case of industries focused on both media platforms and the management of licenses, we can also find a different approach to the concept of property and media content that is changing the practices that until now have characterised the production, management, and monetarisation of content for industries like Japanese animation. Within this context, it is not surprising that content copyright holders or industries focused on the professional production of content collide with platform industries focused on the creation, management, and commodification

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<sup>15</sup> Semi-structured interview conducted by the author with Sakurai Susumu on 28 April 2014. One session, 111 min. The interview was conducted in Japanese and recorded at 1107Production Company, Ōkubo office, Shinjuku Ward, Tokyo, Japan.

of environments for participation which have an important base of ‘amateur’ content, as in the case of Niconico. However, from the perspective of platform providers, the appeal of a system based on a coalition of both systems and the creation of an ‘integrated store’ that unifies all in a single environment, as Tsuguhiko Kadokawa stressed, is clear.

## 6. Between Content and Users: Kadokawa’s Management of Fictional Worlds and Media Platforms

Tsuguhiko Kadokawa defines a platform as ‘a concept of the cloud age in which persons, things, and money overwhelmingly come together’ (Kadokawa 2013, p. 37). Kadokawa argues that the power of cloud services, such as Apple’s iCloud, is focused on user experience of the ‘total value’ (Kadokawa 2013, p. 20) generated by the organic combination of several reproduction environments designed for the cloud where all the content can be concentrated and stored. Furthermore, the organic aggregation of platforms and content into an environment in which companies such as Amazon, Apple, and Google are pioneers neutralises property rights and subordinates the role of content copyright holders to the owners of the integrated stores and channels of distribution. Kadokawa criticises the ‘monopoly of the platform’ built by these companies but at the same time he admires it (Kadokawa 2010, 2017). In a quote from Jōichi Itō (director of the MIT media lab), states that those with control of the brand, the network, the ecosystem, and the platform—as opposed to control over content—are on ‘the winning side’ (Kadokawa 2013, p. 51).

The system pursued by the Kadokawa Dwango Corporation can therefore be described as an environment composed of users and content in which the management of content, rather than its production, is fundamental. As the *Company Research and Analysis Report* issued by FISCO Ltd. summarises, the Kadokawa Dwango Corporation’s strength is in its wide services network, supported by the management and development of intellectual property into various media and services. Among them, Niconico’s web service focuses on user-generated content and the communities that have this content as their core (Sato 2017). As a publisher, the Kadokawa Dwango Corporation releases around 5000 new stock keeping units per year, including already running magazines and manga titles, as well as the commercialisation of user-generated content—mostly novels—which are the original works at the core of the media mix process (KDC Kadokawa Dwango Corporation). In the case of animation, the Kadokawa Corporation’s website lists 169 titles, dated from 2010 to 2018, as part of its ‘intellectual property strategy’ (KC Kadokawa Corporation). The publication by Kadokawa of three novels and two manga titles in relation to Shinkai Makoto’s 2016 megahit animation film *Your Name* is one recent example of this system that holds the management of content at its core. Kadokawa was one of the companies that participated in the film’s production committee and managed the adaptation and realisation of the film in different media.

Furthermore, this environment depends on the integration of two systems capable of generating content and value. One is the system widely used by the horizontally fragmented Japanese animation industry, a system focused on the production of fictional worlds and its management as intellectual property. The other is the informal system of amateur and fan creativity that developed parallel to the industry, a system in which productivity has been fostered by the architectures of participation as seen in the case of Niconico. I regard these two forms of integrations as an attempt for the double integration of several fictional worlds and the integration of several platforms into a single closed environment.

The most recent stages of development of this environment can briefly be approached through the history of Kadokawa and Dwango after the two companies initiated a comprehensive business tie-up in October 2010. The former Kadokawa Group Holdings also advanced its internet platform construction with the start of its digital books store, BOOK☆WALKER, two months later, in December 2010. In May 2011, both companies also initiated an alliance with capital involvement, and six months later, in November 2011, BOOK☆WALKER and Niconico Dōga launched ‘Niconico A comic service’. In March 2013, the joint advertising venture ‘Smile Edge Co., Ltd.’ was established, and in July of the same year, a business alliance between Nippon Telegraph and Telephone Corp (NTT) and Dwango

was celebrated. After the merger of Kadokawa and Dwango in May 2014, all Dwango and Kadokawa subsidiary companies came to comprise a group of 42 subsidiaries. The group is focused on the web services provided by Niconico, and the publishing business of magazines and books carried out by Kadokawa. These business include the IP management of books and video, as well as videogames and live events, among other business (Sato 2017).

### 6.1. Management of Integrated Fictional Worlds

This form of integration is part of what Steinberg and Ōtsuka have regarded as a particular development of the media mix system led by Tsuguhiko Kadokawa since the 1980s. As consumer attachment to content enables media synergy, fictional worlds are the engine that drives engagement and participation within Kadokawa's media mix. Moreover, the further integration and management of fictional worlds within Kadokawa's system gives fictional worlds a similar role to that of the cathedrals of consumption described by Ritzer (2005)—a means of consumption where fantasies are crucial in luring the consumer. These cathedrals are characterised by the focus not on the commodity for sale or the consumer but on the setting. In the case of Kadokawa's integrated fictional worlds, rather than the commodified users of the platforms or the content, the central element is the setting that exists between users and content. Generating and administering this setting is the main focus of the media mix developed by Tsuguhiko Kadokawa.

As Ōtsuka has repeatedly argued (Ōtsuka 2001, 2004, 2014), the logic that brings together many different media forms in the consumption of one particular work is backed by the presence of a fictional narrative world, or a fragment of that world, such as a fictional character. From Ōtsuka's perspective, it is the narrative backdrop that is consumed and prompts further consumption. He calls this drive 'narrative consumption' (Ōtsuka 2001) and argues that it was a common notion among advertising companies like Dentsu Inc. in the 1980s (Ōtsuka 2004). Likewise, it was also a core element in the logic of the content developed by the Kadokawa Corporation during the same period.

'Narrative consumption' also provides the basis for creating many secondary or derivative works based on a particular fictional world. As Ōtsuka stresses, this system lacks a hierarchical structure where a single work stands as an 'original'. Therefore, it also erases the figure of the author, which is conventionally the basis for ownership, as well as the author's rights or the copyright system. Although this 'narrative consumption' system draws resources from the narrative worlds, which can be regarded as commons or in the public domain (Ōtsuka 2014), it also needs to have copyright management in order to commercialise the content generated. Therefore, for Ōtsuka, this system simulates the existence of an original work and an author. As he emphasises analysing Kadokawa's business scheme, even in the case of the Haruhi Suzumiya series, when an original novel is adapted into various media and the media mix is created, it loses its place as an original. In this case, the fictional character becomes the axis of a system for generating variations that are developed and commercialised in different media platforms (Ōtsuka 2014). The Haruhi Suzumiya series was originally published as a novel by Kadokawa Shoten in 2003, followed by the manga serialisation in 2004, also by Kadokawa Shoten. The TV animation version (season 1 in 2006 and season 2 in 2009) was produced by Kyoto Animation with the participation of Kadokawa Shoten and Kadokawa Pictures.

Here, it is crucial to identify how the media mix system implies not only the creation of content or the use of content in different media. It also signifies the integration of such media in an environment or system. This environment will prompt active consumption in a way that is, in principle, beneficial for the industry. From this perspective, a focus on narrative, such as in the case of Ōtsuka, may be also considered part of this integrative environment, as it links any creative work or activity to a particular fictional universe. Steinberg has focused on this feature and stresses how the media mix is not merely the re-use of content in several media, but rather is the creation and management of content that intersects throughout several media platforms, expanding and generating new content as a model of the media mix (Steinberg 2012, 2015).

## 6.2. Management of Integrated Platforms

The October 2014 merger of Kadokawa with Dwango, the company that manages Niconico through its subsidiary Niwango, has been regarded as the integration of several platforms for content management into a single system—the Kadokawa-Dwango ecosystem. As Ōtsuka points out (Ōtsuka 2014), Kadokawa represents the management of professional content, while Dwango had a similar function in the amateur-produced content scene. None of these companies are focused on the production of content, but rather on the construction of an infrastructure. From this perspective, the merging of the Kadokawa and Dwango platforms or infrastructures has meant that free or spontaneous amateur practices are subsumed into a one-sided, closed system.

The media mix system, a widespread commercial practice for developing content across several media platforms, can be regarded as a form of platform integration. It is built on the base of the proliferation of several narrative worlds and fictional characters on different media platforms, and is closely related to the animation industry and its horizontally disseminated shape, as well as to its precarious financial position. Moreover, as in the case of narrative worlds where the central element is not the content or the user but the setting between them, the central element is, in this case, not in any of the platforms, but in the environment generated by the interplay of all of them. The role of Kadokawa as a provider of infrastructure, in contrast to the role of anime production companies, reflects this feature.

The decentralised structure of the content industry, namely the industries related to animation, manga, and videogames, is the primary environment wherein media mix practices have been developed. This decentralisation developed from the specific needs of the television animation industry and has provided a way to cope with the production risks inherent to the nature of content and cultural industries. The role of fictional worlds in the integration of several platforms, alongside the management of the interplay between platforms and the activities carried out by their users in a profit-making structure, is a distinctive feature of the business model of the Kadokawa Dwango Corporation. As such, the Kadokawa Dwango Corporation draws on the particular media ecology shaped by the Japanese anime industry and networks of participation.

## 7. Conclusions: Monetising Values and Environments for Content Management

In this paper, I have shown how the business model pursued by the coalition between Kadokawa and Dwango has at its base the industrial practices and structure that characterises the Japanese animation industry and the network of fan and amateur culture upon which Niconico built its platform for participation. Although closely linked in practice, the business model behind the character licensing business and the media mix model, as developed by Kadokawa under the direction of Tsuguhiko Kadokawa and now under the lead of Nobuo Kawakami, represents two different stances toward the creation of value and the management of content. The tacit acceptance of the creation of derivative works by fans that has characterised the stance of the animation industry and content copyright holders toward amateur markets like Comic Market has generated a grey area of informal practices that entail overlooking copyright infringement. This grey area and the impossibility of its formalisation within a legal framework is a signal of the differences that usually keep both stances concerning the use of content divided. As such, we can regard the practices of the Kadokawa Dwango Corporation as an attempt to formalise and commodify the environment that has linked these two models in practice.

The animation industry is based on a model that seeks to protect the content regarded as intellectual property and depends on its commercialisation, generating revenue mostly from a secondary market spread throughout an extensive horizontal network composed of various media, services, and merchandise. However, as we saw, this system has failed to ensure good conditions for small anime production companies. On the other hand, the model represented by Niconico and the Dwango Corporation has at its base not the content but the commodification of social activity generated within its platforms. Yet, the role of content is still fundamental to this system—not as



intellectual property but as the cultural resource in which the social activities unfold—hence content takes the form of commons in this system.

As both are business models based on the production of monetary profit, in both cases the management of intellectual property is an essential element. The difference is, therefore, in the object of management and commodification, for the animation industry the object is the content itself and for the platforms, it is the audience or the ‘participative masses’. As in the case of the media mix and the character business model, the stress is not only on the joint effect of the use of content in several media platforms, the use of content in advertising for selling goods or services, or the use of the same resource for the secondary market, but also on the central task of creating value, as in the case of the networks of participation enabled by the Niconico architecture.

The ‘two-sided’ position represented by Kadokawa Dwango in the current debate on Internet regulation describes its nature as an environment for the management of content in which the commercial practices of the industries related to animation production and the practices of fans merge. Particularly from 2016 until now, a fierce rivalry among digital platforms has increasing been pushed by transnational trends. Legal internet platforms, such as Netflix, and unlawful platforms, such as Anitube, are transforming the Japanese animation industry and putting the legal provisions concerning the management and protection of intellectual property under pressure. It remains to be seen if the Kadokawa Dwango environment is able to survive as a two-sided platform within the changing domestic and transnational conditions.

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