Proceedings of ICEMGD 2025 Symposium: Innovating in Management and Economic Development
DOI: 10.54254/2754-1169/2025.LH27709

Profit Model of Japanese Animation and Its Implications for China's Animation Industry

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Abstract. By virtue of its mature, multi-fragmented synergistic profit system, the Japanese anime industry has secured its position as a global leader. Using literature review and case study methods, this study analyzes the five core profit models of this industry: the production committee model, character merchandising, global windowing strategy, transmedia development, and cinema–music collaboration. In light of the challenges faced by China's animation industry, such as lack of synergy across the industrial chain, delays in derivative product development, and weak international expansion capabilities, targeted optimization paths are further proposed: building a production committee–type industrial alliance, implementing synchronous development of films and derivative products, establishing a full-cycle IP management system, and enhancing cultural translation and international operation capabilities. This study provides a development framework with both theoretical value and practical guidance for China's animation industry to break through the bottleneck of profitability and enhance its international competitiveness.

Keywords: Japanese Animation, Profit Models, Chinese Animation Industry, Intellectual Property (IP), Production Committee

1. Introduction

Within the global animation industry landscape, Japan continues to shape the trajectory of the sector through its mature industrial chain and globalized IP operations. The 2024 Anime Industry Report released by the Japan Animation Association states that the total scale of Japan's anime market reached 3.35 trillion yen in 2023 (a year-on-year increase of 14.3%), with overseas revenue accounting for 51.3%, thus surpassing the domestic market for the first time, and demonstrating its strong global influence and commercialization capacity [1]. By contrast, although China's animation industry has sustained overall growth, multiple structural challenges exist: the industrial chain remains fragmented with insufficient coordination across its segments, while the low added value of derivative products continues to hinder value maximization [2]. Against this backdrop, this study focuses on the five core profit models of the Japanese anime industry: the production committee model, character merchandising, global windowing strategy, transmedia development, and the collaboration of theatrical releases with music. This study systematically analyzes their operational mechanisms and synergistic effects, and further distills development paths applicable to the Chinese context, ultimately addressing the pain points of China's animation industry. A literature review

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methodology is employed to systematize theoretical foundations and a case study is used to examine representative examples, thereby enhancing both the scientific rigor and practical relevance of the research.

2. Profit models in the Japanese anime industry

As a global benchmark in the cultural content industry, the sustained competitiveness of Japan's anime sector derives from a highly synergistic profit ecosystem. The sector's five core models are interlinked, consequently forming a complete value chain that spans from creative incubation to global value capture.

2.1. Production committee model

The production committee model serves as a core mechanism of risk diversification and value co-creation in the industry. The central logic lies in integrating publishers (IP originators), television broadcasters (distribution channels), advertising agencies, and merchandise and derivative product developers into a special purpose company (SPC). Participants share copyright revenues and project risks in proportion to their investment, thereby addressing both the financing challenges of high-cost projects and the obstacles of resource coordination [3]. The distinctive advantage of the model, which is widely applied, lies in forward multi-segment coordination: publishers embed plans for future derivative development during the character design stage; TV stations secure primetime scheduling to maximize audience exposure; and merchandise producers intervene early to shorten development cycles, thereby ensuring the rapid convergence of "content" and "commodity." The effectiveness of this model is exemplified by the 2001 animated feature Spirited Away, which exemplified the successful integration of resources to achieve both box-office success and critical acclaim [4].

2.2. Character merchandising

The most stable and enduring source of profit in the Japanese anime industry is character merchandising. Built upon the principle of "character as brand," character merchandising relies on the licensing of physical goods, which constitutes a major pillar of industry revenues. The Japan Animation Association reported that character merchandise accounted for 20.9% of Japan's anime industry revenue in 2023, significantly higher than the combined audiovisual category (TV, film, video, and music), which represented only about 5.92% [1]. The success of such merchandising fundamentally relies on consumers' "emotional projection": fans project their strong affective attachment to virtual characters onto tangible products, consequently forging lasting emotional bonds through the purchase and collection of merchandise. This bond not only generates immediate revenue but also endows IPs with enduring value. Moreover, iconic examples such as Pikachu and Doraemon have continued to yield merchandise-driven profits decades after the conclusion of their original narratives, thereby underscoring the long-term commercial viability of this model.

2.3. Global windowing strategy

The global windowing strategy maximizes the value of anime IPs worldwide by implementing a layered windowing approach. The operational logic of the strategy is as follows: the primary window captures core fans and establishes global influence through theatrical premieres, television broadcasts, and regional simultaneous releases. The secondary window relies on subscription-based

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video-on-demand (SVOD) platforms such as Netflix and Disney+ to achieve large-scale monetization and reach potential audiences. Finally, the long-tail window engages price-sensitive users through ad-supported (AVOD) and free video-on-demand (FVOD) services, thereby contributing to sustained long-term revenue.

2.4. Transmedia development

Transmedia development achieves exponential value growth by restructuring the IP ecosystem. “Transmedia storytelling, which refers to decomposing IP assets into modular content that can be distributed across different media and thereby extending the IP’s boundaries through multi-platform collaboration, is at the core of this model. In the gaming sector, for instance, the mobile game Fate/Grand Order successfully leveraged the original IP to expand its narrative universe and build a loyal user base. In the theme park sector, Tokyo Disney Park’s “Frozen” attraction transforms virtual narratives into offline consumption experiences. Similarly, the “2.5-dimensional” stage play adapts anime plots into live performances, ultimately appealing to high-value audiences while feeding back into other media forms [5]. Through such collaborations, transmedia development not only breaks through the ceiling of IP value creation but also facilitates audience expansion, thus enabling IPs to reach a broader and more diverse user base.

2.5. Cinema and music collaboration

The fusion of cinema screenings and anime music forms the “emotional reinforcement system” for Japanese anime IPs, effectively extending their life cycle. Cinema screenings deepen audience attachment through the ritualized experience of collective viewing. For example, the theatrical release of The First Slam Dunk in China evoked widespread “collective nostalgia,” reigniting enthusiasm for the franchise. Meanwhile, anime music acts as a powerful emotional medium that can circulate independently of the original animation. For instance, the theme song of Suzume gained wide distribution through music platforms, ultimately boosting box-office performance while reaching audiences beyond moviegoers. Together, the five major profit models form a deeply integrated cycle of value creation: the production committee model establishes the foundation, character merchandising provides stable cash flow, global windowing strategies expand market reach, transmedia development broadens revenue boundaries, and cinema–music collaboration strengthens engagement and extends IP lifecycles. Recurring revenues from this cycle are ultimately reinvested into the creation of new IPs, which in turn sustains a continuous closed-loop system of industrial growth.

3. Core challenges in the profit model of China’s animation industry

Despite the scale expansion of China’s animation industry, its profit model still faces systemic challenges that constrain sustainable development and international competitiveness, which can be summarized in four major aspects, as discussed in the following subsections.

3.1. Insufficient industrial chain synergy and lack of risk diversification mechanisms

China’s animation industry chain, including creative incubation, content production, distribution, and derivative development, remains highly fragmented. Most enterprises are small in scale and tend to focus on a single segment, resulting in the dispersed allocation of key resources such as talent, capital, and technology, with the prominent issue of inefficient, repetitive investment [6]. Moreover,

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the industry lacks effective risk-sharing mechanisms. Animation projects are characterized by high investment, long production cycles, and considerable uncertainty. However, small and medium-sized enterprises face limited financing channels, while inter-company collaboration suffers from weak trust and the absence of fair benefit distribution rules. As a consequence, project risks cannot be effectively diversified. The combination of “resource integration failure + insufficient risk-sharing” not only hampers the improvement of originality but also prevents the industry from achieving economies of scale. Thus, reconstructing industrial chain synergy mechanisms has become an urgent necessity.

3.2. Lagging derivative development and value loss due to piracy

Derivative development in China’s animation industry suffers from time lags. For instance, the blockbuster film Nezha: Birth of the Demon Child took as long as six months to launch its official licensed merchandise, while counterfeit products reached the market in just 15 days [7]. This significant delay caused the former to miss the optimal sales window, with piracy eroding a large market share. In addition, the problem is further exacerbated by the inadequacy of China’s copyright protection system. For example, current legal frameworks are plagued by vague definitions of infringement and insufficient penalties. The cost of infringement remains far lower than the potential profit, thus emboldening piracy activities [8]. Furthermore, this situation undermines the motivation of original content creators and fundamentally obstructs industrial innovation and upgrading.

3.3. Misaligned transmedia development and declining IP sustainability

Transmedia collaboration is essential to sustaining the long-term popularity of IPs. However, China’s animation industry often suffers from misaligned development timelines. After an IP gains traction in one medium (e.g., animation), supporting content in other media (e.g., games, live-action adaptations) is rarely released in time, thereby causing audiences’ attention to dissipate. For example, in 2019, the animation “The King’s Avatar” achieved phenomenal online success. However, the development of its companion game lagged behind, and once the animation concluded, no timely follow-up content was available. Consequently, users quickly shifted their attention to competing works, which led to the loss of core fans and a steep decline in the IP’s popularity. The disconnect, that is, “single-medium boom followed by multi-media delay,” not only wastes the momentum of initial traffic but also reveals weaknesses in the industry’s ability to coordinate IP commercialization timelines, ultimately making it difficult to sustain IP vitality in the long term.

3.4. Weak cultural translation capacity and underdeveloped international operations

Weak cultural translation capacity and the absence of a mature international operations system constitute the core barriers to the overseas expansion of China’s animation industry. At the cultural level, Chinese works often rely excessively on domestic cultural symbols, such as mythological motifs, without sufficiently breaking down cultural barriers to align with global audiences’ cognitive frameworks and emotional points of resonance. This has resulted in far lower acceptance in overseas markets compared to domestic performance [9]. For instance, although Nezha: Birth of the Demon Child generated a global box office of over RMB 15.8 billion, which ranked fifth worldwide, overseas revenue accounted for less than 3%. This striking imbalance illustrates how insufficient cultural translation constrains international returns [10]. At the operational level, most Chinese

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animation companies have yet to establish organizational structures suited for international markets. Global expansion efforts are further undermined by the shortage of professionally trained, international talent, thereby leaving overseas operations weak and fragmented.

4. Transformation of China's animation industry: lessons from Japan

Japan's globalized anime industry practice offers valuable insights for the systemic transformation of China's animation sector. Drawing on the core pain points of the Chinese animation industry, this study identifies four strategic directions of reform.

The essence of Japan's production committee model lies in forming Special Purpose Vehicles jointly funded by key stakeholders across the value chain, including video platforms, publishing houses, and merchandise developers. Through legally binding agreements, these alliances clearly define copyright revenue distribution and risk-sharing ratios. For example, the international edition of Ling Cage: INCARNATION has already experimented with a similar collaborative mechanism [11]. The core value of such alliances is twofold: introducing derivative development and overseas market expansion considerations at the early stages of project planning, thereby achieving the forward planning of "content–merchandise–overseas distribution." mitigating the financing burden on individual enterprises, significantly reducing costs and stabilizing return on investment through joint investment and risk-sharing.

First, policies should promote the synchronous development model in which derivative product design and development commence simultaneously with the animation scriptwriting phase, and release schedules should be clearly defined. By compressing the time window, this approach reduces opportunities for piracy and helps restore market order. Second, the copyright protection system should be reinforced: Clearly define the scope of infringement for transmedia use of character images and names, thus avoiding legal ambiguity. Scale penalties according to enterprise size and the impact of infringement, thus increasing the cost of illegal activities. Establish a national-level IP protection center that integrates blockchain-based evidence, e-commerce platform monitoring, and cross-border enforcement cooperation to improve efficiency in handling infringement cases, build a comprehensive barrier for copyright protection, safeguard original content, and ensure that value generated along the industrial chain is effectively retained and sustainably upgraded [12].

Extending the life cycle of an IP requires the introduction of professional IP managers, who are responsible for coordinating and designing long-term development roadmaps and addressing transmedia coordination gaps that could lead to user attrition. Specific measures include the following: implementing a rigorous transmedia oversight system to ensure consistency across animation, games, and live-action adaptations, thereby avoiding fragmentation of IP identity. Developing lightweight supplementary content during operational gaps, such as spin-off shorts or character audio dramas, to maintain user engagement. Drawing on the success of strategies like Touken Ranbu's "2.5D strategy," using stage plays and musicals to expand the audience demographic while feeding back into the development of animation and games. The objective is to extend the average lifecycle of IPs and establish sustainable channels for value realization.

To enhance their global capabilities, Chinese animation enterprises need to strengthen three key aspects: cultural translation: retain Eastern aesthetic elements (e.g., ink-wash painting style, traditional mythological elements) while constructing universal narrative frameworks. Involving international screenwriters and cultural consultants to ensure overseas cultural adaptation and enhance audience receptivity. Localized creative centers: establish production hubs in key markets (e.g., Los Angeles for science fiction/fantasy, Paris for artistic animation) to deepen local engagement and broaden thematic diversity, thereby reducing cultural barriers. Distribution

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collaboration: enhance partnerships with global streaming platforms such as Netflix and Disney+, ultimately leveraging their channels for worldwide content dissemination. Implement flexible licensing strategies tailored to regional markets, and prioritize entry into mainstream markets to increase overseas revenue share.

5. Conclusion

The core competitiveness of Japanese anime derives from the in-depth synergy of its five profit models. Essentially, this reflects a successful application of value chain theory in the cultural and creative industries. Through the systematic integration of IP development, production, distribution, and derivative development segments, the industry has built an ecosystem that enables controllable risks and long-term value realization. This study confirms the applicability of this theoretical framework in the dynamic coordination of the animation industry and highlights the central role of multi-segment coupling in driving exponential growth in IP value. China's animation industry must overcome structural bottlenecks and pursue transformation along four key paths: (1) establishing production committee–style industrial alliances, (2) implementing synchronous development of animation and derivatives while strengthening copyright protection, (3) developing a full-cycle IP management system, and (4) enhancing cultural translation capabilities and international operational capabilities. Future research could further examine the impact of generative AI on the animation industry, including its potential to improve content creation efficiency, support personalized derivative development, and reshape user interaction models, with particular attention to how it may transform traditional profit chains.

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