

# Music Streaming Service Aims at Japan, Where CD Is Still King

By BEN SISARIO

As listeners around the world turn to streaming music, there has been one important holdout: Japan. More than 80 percent of the sales in the country are still on physical formats like CDs, and the industry in Japan has been resistant to allowing streaming services to take root.

On Thursday, a new service arrived that could change that. Line Music, from the company that operates the hugely popular messaging app Line, opened in Japan ahead of both Spotify and Apple Music, advertising 1.5 million tracks and prices as low as \$4 a month.

According to an announcement, Line Music will have songs from Japanese record companies like Avex and King, as well as the major international labels like Universal, Sony and Warner. The service notes the involvement of Western acts like Taylor Swift and Sam Smith and omits perhaps the biggest Japanese pop act, the girl group AKB 48. But the company says it expects its catalog to grow to 30 million songs by next year, making it roughly as big as Western services like Spotify or Deezer.

Japan is the second-largest music market after the United States, with slightly less than \$3 billion in sales last year, according to the International Federation of the Phonographic Industry, a trade group. Last year, the Japanese market fell 5.5 percent, with CD sales sliding and the country's tiny digital market failing to take up the slack.

"Any new service launch in Japan is good news," said Alice Enders, a media analyst with En-



Taylor Swift performing last month in Tokyo. Her music will be on Line Music, a new offshoot of the Line messaging app.

ders Analysis in London who has studied the Japanese market.

The new Line service will charge 500 yen (about \$4) a month for a basic plan that allows 20 hours of streaming each month, or twice that much for unlimited listening; discounts for students will make the service available for less than \$2.50. Last month, Line unveiled a version in Thailand for as little as \$2 a

month.

One big advantage for Line Music is that it will be integrated with the Line messaging app, which lets users communicate by sending each other cartoon icons that are bigger and more expressive than conventional emoticons. Line Music users will be able to send one another music and playlists through the messenger app.

Line's biggest market is Japan, but the company has said that as many as 560 million users have registered around the world. (Ms. Swift is one Western pop star who has taken note of the phenomenon, posting updates on the service and even offering a set of icons based on her face.)

Jun Masuda, the chief executive of Line Music, said in a state-

ment that the company hoped it "can raise our users' interest in music and revitalize the music industry in an effort to become the top music streaming service available."

Spotify is not available in Japan, and Apple has not said yet whether Apple Music, its new streaming service, will be available there when it opens around the world at the end of June.

## BUSINESS BRIEFING

### F.T.C. Reaches Settlement In Kickstarter Fraud Case

The Federal Trade Commission on Thursday announced a settlement in its first Internet crowdfunding case, which involved a board-game maker who investigators say collected money on Kickstarter to fund a project but spent the money on personal expenses. The F.T.C. said Erik Chevalier advertised in May 2012 that he planned to produce a game designed by two prominent board game artists. Mr. Chevalier raised four times his stated goal of \$35,000. Rather than deliver copies of the game, as he had said he would after meeting that goal, he canceled the project, but never paid promised refunds. Mr. Chevalier is prohibited "from making misrepresentations about any crowdfunding campaign and from failing to honor stated refund policies," but a \$111,794 judgment was suspended because of his inability to pay.

REBECCA R. RUIZ

### Appeals Court Denies Delay Of Net Neutrality Rules

A federal appeals court on Thursday denied requests to stay new net neutrality rules, which go into effect Friday. The court granted an expedited hearing of the case, meaning it could be argued as soon as the fall. The decision, issued by the United States Court of Appeals for the District of Columbia Circuit, does not necessarily signal that the court will uphold the new, stricter rules, which reclassify high-speed Internet as a telecommunications service and subject it to utility-style regulation.

REBECCA R. RUIZ

# I.M.F. Recalls Negotiators as Deadline Looms for Reaching a Deal on Greek Debt

From First Business Page

The I.M.F., the European Central Bank and other eurozone countries. Greece will be hard-pressed to repay on its own now that the economy has slumped back into a recession.

To some degree, bankers and negotiators say the I.M.F. decision should not be seen as a total surprise, given the state of discussions over a deal to release €7.2 billion in aid to the country. Greece and the I.M.F. have been at loggerheads for months over thorny issues like pensions cuts and labor reforms.

The breaking point appears to have been a document that European Commission President Jean-Claude Juncker submitted to Greece in recent days. One top Greek official who spoke on the condition of anonymity said the document was chock-full of "maximalist I.M.F. proposals" that they could not agree to.

When it became clear to I.M.F. officials that this would be the Greek stance, they decided to head back to Washington, people involved in the talks said.

While the I.M.F. move certain-

*Liz Alderman contributed from Paris and Landon Thomas Jr. from New York. Niki Kitsantonis contributed reporting from Athens, James Kanter from Brussels, and Mikayla Bouchard from Washington.*

ly increases tensions on both sides, some veterans of such high stakes negotiations argue that is the point of the strategy. Peter Doyle, a former economist at the fund who specialized in Europe, said that there were many occasions when he was called home at a sensitive time in debt talks — only to resume discussions and even get a deal done.

Yes, they are hopping on planes, Mr. Doyle said, but their computers and cellphones will remain switched on.

"The I.M.F. never leaves the table," the spokesman, Gerry Rice, said at a press briefing in Washington. "But the ball is very much in Greece's court right now."

The I.M.F. is not the only hard-liner.

Many believe a certain camp in the German finance ministry would just as soon see Greece default and leave the euro. On the other hand, Greek officials have bet from the beginning that Chancellor Angela Merkel of Germany, unwilling to have such a rupture in the eurozone on her watch, would swoop in and draft a compromise pact at the last minute.

For the moment, there is little sign that Ms. Merkel is ready to make such a move. And European officials fear that time is running short.

"There is no more space for gambling, there is no more time



Prime Minister Alexis Tsipras of Greece on a news broadcast.

for gambling," Donald Tusk, the European Council president, said on Thursday, in remarks aimed at Greece. "The day is coming I am afraid that someone says the game is over."

While the I.M.F. has publicly blamed Greek intransigence for its decision to walk away, senior officials at the fund said that they were just as frustrated with Europe's refusal to consider writing down its pile of Greek debt.

Europe has extended maturities and reduced interest payments on its loans. But the stock of debt, at 180 percent of the overall economy, remains at an unsustainable level, I.M.F. economists say. By statute, the fund

cannot lend money when a debtor is deemed to have a level of debt that it cannot service in the future. The I.M.F. skirted this restriction in the case of Greece by arguing that a bailout was needed to prevent financial contagion.

I.M.F. executives are now privately saying that Greece's problems cannot be solved with pension and labor reforms alone. Europe, too, must come through with significant debt relief, said one official involved in the negotiations who spoke on the condition of anonymity. Without it, there is little hope that the Greek economy will break out of its multiyear slump, the person said.

Relations have soured quickly

in recent weeks.

Greece this month opted to bundle more than €1.5 billion in imminent loan repayments due to the I.M.F. by the end of June, optimistic that it would quickly seal a deal for financial aid. The extension was meant to buy Athens more time to renegotiate terms that Prime Minister Alexis Tsipras of Greece, facing pressure from his leftist Syriza party, said forced Greece to accept too much austerity.

Just last week, Mr. Tsipras and Mr. Juncker signaled that they were working out differences. But days after they met in Brussels, Mr. Tsipras made a strident speech in Athens front of a cheering Greek parliament in which he called the creditors' plan "absurd."

Those remarks reignited tensions with European policy makers, and Mr. Juncker accused Mr. Tsipras of failing to disclose important details of the proposal made by Greece's creditors. Mr. Juncker said he wanted Greece to remain in the euro currency zone but could not "pull a rabbit out of the hat."

Mr. Tsipras was playing to a home crowd to some extent. Far-left members of Syriza, which rode to electoral victory in January on pledges of repudiating the current bailout and its austerity terms, have been rebelling against Mr. Tsipras for making some concessions that appeared

to go against the party line.

After the most recent meetings, all sides publicly sought to cast the situation in a positive light.

Mr. Tsipras met with Ms. Merkel and President François Hollande of France on Wednesday night in Brussels. The Greek prime minister and Mr. Juncker met on Thursday and went into closed-door discussions with broad smiles for the cameras that were widely cited in the Greek media as a sign that tensions had eased.

"We are cooperating to reach an agreement that will ensure Greece can recover with social cohesion and sustainable debt," Mr. Tsipras said in a statement.

But beneath the surface, it was a different story.

The decision by Mr. Juncker to hold more direct negotiations with Mr. Tsipras showed the expert-level process involving I.M.F. officials was not functioning properly, one person with knowledge of the discussion who spoke on the condition of anonymity. Mr. Juncker's involvement amounted to "a last attempt to make a deal possible," the person said.

After recalling its team from Brussels, the I.M.F. said that "major differences remain" and that "no progress" had been made on narrowing them.

"We are well away from an agreement," said Mr. Rice.

# Amazon's E-Book Business Under Investigation by European Antitrust Regulators

From First Business Page

rope, they have to take special pains not to do things that extend their dominance."

The European Commission's announcement is the latest obstacle facing United States technology companies in Europe. European authorities have pursued tax, antitrust and other investigations into the businesses of Apple, Google and Facebook.

Amazon has also drawn scrutiny

*Melissa Eddy and James Kanter contributed reporting.*

tiny for its complex tax practices in Luxembourg, home to its European headquarters, which are the subject of a separate investigation by the authorities. The commission is also pursuing an antitrust investigation into whether large tech companies have impeded competition in Europe's online shopping industry.

"Amazon has developed a successful business that offers consumers a comprehensive service," Europe's antitrust chief, Margrethe Vestager, said on Thursday in a statement. "It is my duty to make sure that Amazon's arrangements with publish-

ers are not harmful to consumers, by preventing other e-book distributors from innovating and competing effectively with Amazon."

In a statement, Amazon said it was "confident that our agreements with publishers are legal and in the best interests of readers." The company said it would "cooperate fully during this process."

Amazon rose to success by figuring out how to sell books and then e-books online. Now, with more power than any bookseller in modern times — and as a publisher and a manufacturer of e-book devices as well — the company is finding itself challenged by critics, publishers and regulators.

The European disclosure came as Amazon continues to negotiate with Penguin Random House, the world's largest publisher, for new contract terms. Attempts to reach a deal have yielded little. When talks with another publisher, Hachette, broke down last year, writers of all sorts took to the barricades, fueling copious discussion about whether Amazon was saving the world of reading or ruining it.

A spokeswoman for Penguin Random House said "all is good" between it and Amazon. A spokesman for Amazon did not return a message for comment.

The court case that cemented Amazon's e-book dominance in the United States over rivals like Barnes & Noble is being viewed differently in 2015 than it was in 2012.

Amazon introduced the Kindle,

the first truly popular electronic reader, in 2007. When Apple introduced the iPad three years later, publishers tried to use the new device as leverage against Amazon. The ensuing price-fixing suit was settled by the publishers. Apple lost in court. (Hachette was one of the defendants, as was Penguin, then a separate company from Random House.)

Apple's deep pockets allowed it to pursue an expensive appeal, and a hearing in New York last December seemed to show that two of the three judges might be sympathetic to its arguments. A ruling is expected later this year.

"The government and lower court viewed it as price fixing, which is an automatic violation of the antitrust laws," said Michael Carrier, an antitrust expert at Rutgers School of Law in Camden. "But Apple — and the appeals court — could view this as possibly the only way to enter a market dominated by a monopolist charging excessively low prices."

The European Commission's e-books investigation is at an early stage and still could be dropped or end in a settlement without a formal finding of wrongdoing. If formal charges, or a statement of objections, are eventually brought against Amazon and Amazon fails to successfully rebut those findings, the company could face a fine of as much as 10 percent of its most recent annual global sales.

The largest single fine levied by the commission, the European Union's executive body in Brussels, is 1.1 billion euros (\$1.2 billion) in 2009 against Intel, the

chip manufacturer, for abusing its dominance of the computer chip market. But the accumulated penalties paid by another American technology titan, Microsoft, were even higher, totaling almost €2 billion in European fines over a decade.

In Europe, Amazon's issues with publishers have been building. The company has been estimated to sell about eight out of every 10 e-books in Britain. In Germany, the market share is just under half. In the United States, Amazon has an estimated two-thirds of the e-book market.

Last June, the German Publishers and Booksellers Association submitted a complaint to the German antitrust authority, asserting that Amazon's monopolistic position in the e-book market violated competition law.

Later that summer, hundreds of writers from Austria, Germany and Switzerland signed an open letter to Amazon, accusing it of manipulating its recommended reading lists and of lying to customers about the availability of books as retaliation in a dispute with Bonnier, a leading publishing group in Germany, over e-book prices.

The Bonnier dispute echoed the fight between Amazon and Hachette in the United States. In response to the European authors' complaints, Amazon contended Bonnier offered "most of its titles under conditions that make it significantly more expensive for us to sell a digital version, as compared to a printed edition."

Amazon and Bonnier reached

an agreement over the e-book pricing in October, but neither side revealed details.

The European Commission said on Thursday that the e-books investigation was distinct from the antitrust dispute between Germany and Amazon and was not the result of a formal complaint.

"The in-depth investigation launched today was at the commission's own initiative," said Ricardo Cardoso, a spokesman for the commission.

Alexander Skipis, president of the German publishers' association, welcomed the commission's move on Thursday as confirmation of unfair practices pointed out by the organization last year.

"The publishers' association will continue to monitor very closely and call attention to unfair practices," Mr. Skipis said.

Ms. Vestager, a longtime Danish politician, has taken an assertive approach since becoming the European Union's competition commissioner last year.

In April, she brought formal antitrust charges against Google, accusing the American tech giant of using its dominance as a search engine to "artificially" skew results to favor its own shopping service to the detriment of rivals. In May, she announced an antitrust investigation into whether large tech companies were impeding competition in online shopping.

Although the regulators said the investigation was not aimed at specific companies, Amazon's sales are more than double those of its closest competitor.

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