Asia Retail Country Report Series

What's New and What's Next in Japan Retail

February 2018

Asia Distribution and Retail

FUNG BUSINESS INTELLIGENCE

Key economic indicators

127.5 million*
Population

US$4,880.3 billion*
GDP

0.8%*
Consumer price inflation

US$990 billion**
Retail sales
Up 0.7% yoy

Up 1.6% yoy*
Real GDP growth

US$42,682*
GDP per head

US$76.1 billion**
Internet sales
Up 8.3% yoy

Source: Economist Intelligence Unit estimates for 2017*, Euromonitor International forecasts for 2017**; compiled by Fung Business Intelligence

Major domestic retailers

AEON
1st

Sales 2016: 7,543,969 million yen (US$64,500 million)*
Outlets 2016: 16,519
Major businesses and brands:
Superstores: Aeon
Supermarkets and discount stores: Maxvalu, Maruetsu, Kasumi
Convenience stores: Ministop
Drugstores: Welcia
Shopping malls: Aeon Mall
Fashion specialty stores: Ikka, LBC, Vence Exchange, Current, Notch, Tokyo Design Channel, G-foot

*US$1=116.96 yen; Bloomberg's USDJPY spot exchange Rate on 30 December 2016

Seven & I
2nd

Sales 2016: 4,032,077 million yen (US$34,474 million)*
Outlets 2016: 20,900
Major businesses and brands:
Convenience stores: Seven-Eleven
Superstores: Ito-Yokado
Supermarkets: York-Benimaru, York Mart
Department stores: Sogo & Seibu
Maternal care specialty stores: Akachan Honpo
Lifestyle specialty stores: The Loft
Fashion specialty stores: Smile Land
Online fashion stores: Nissen, Brandeli

FamilyMart UNY
3rd

Sales 2016: 843,815 million yen (US$7,215 million)*
Outlets 2016: 18,335
Major businesses and brands:
Convenience stores: FamilyMart, Circle K Sunkus
Superstores: UNY, Apita, Piago, U-Home

Source: Companies' annual reports and financial results; compiled by Fung Business Intelligence

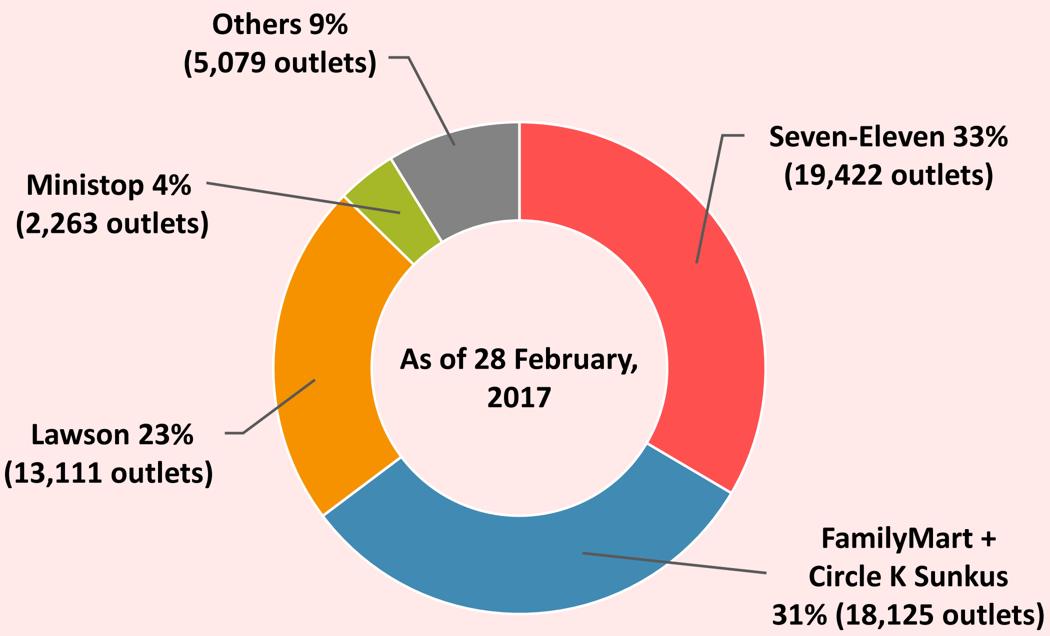
Major retailers by sector

Sector	Major retailers
Internet retailing	Amazon.com Inc., Rakuten Inc., Softbank Corp., Apple Inc., Japan Consumers Cooperative Union
Apparel and footwear	Fast Retailing Co Ltd., Shimamura Co Ltd., Onward Holdings Co Ltd., Aoyama Trading Co Ltd., ABC-MART Inc.
Beauty and personal care	Shiseido Co Ltd., Kao Corp., Kosé Corp., Kanebo Cosmetics Inc., Procter & Gamble Japan KK
Consumer electronics	Apple Japan Inc., Sharp Corp., Sony Corp., Panasonic Corp., Sony Mobile Communications Inc.
Catering	Skylark Group, Zensho Holdings Co Ltd., Colowide Co Ltd., Akindo Sushiro Co Ltd., Saizeriya Co Ltd.

Source: Euromonitor International; compiled by Fung Business Intelligence

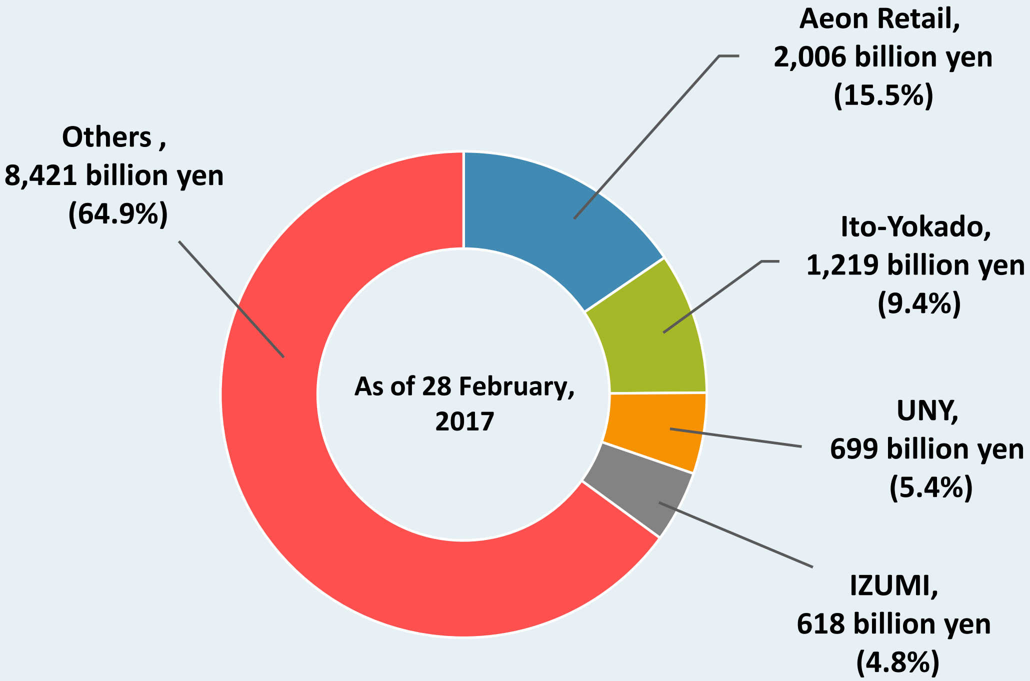
Market share

Number of major convenience store chains in Japan, as of 28 February 2017



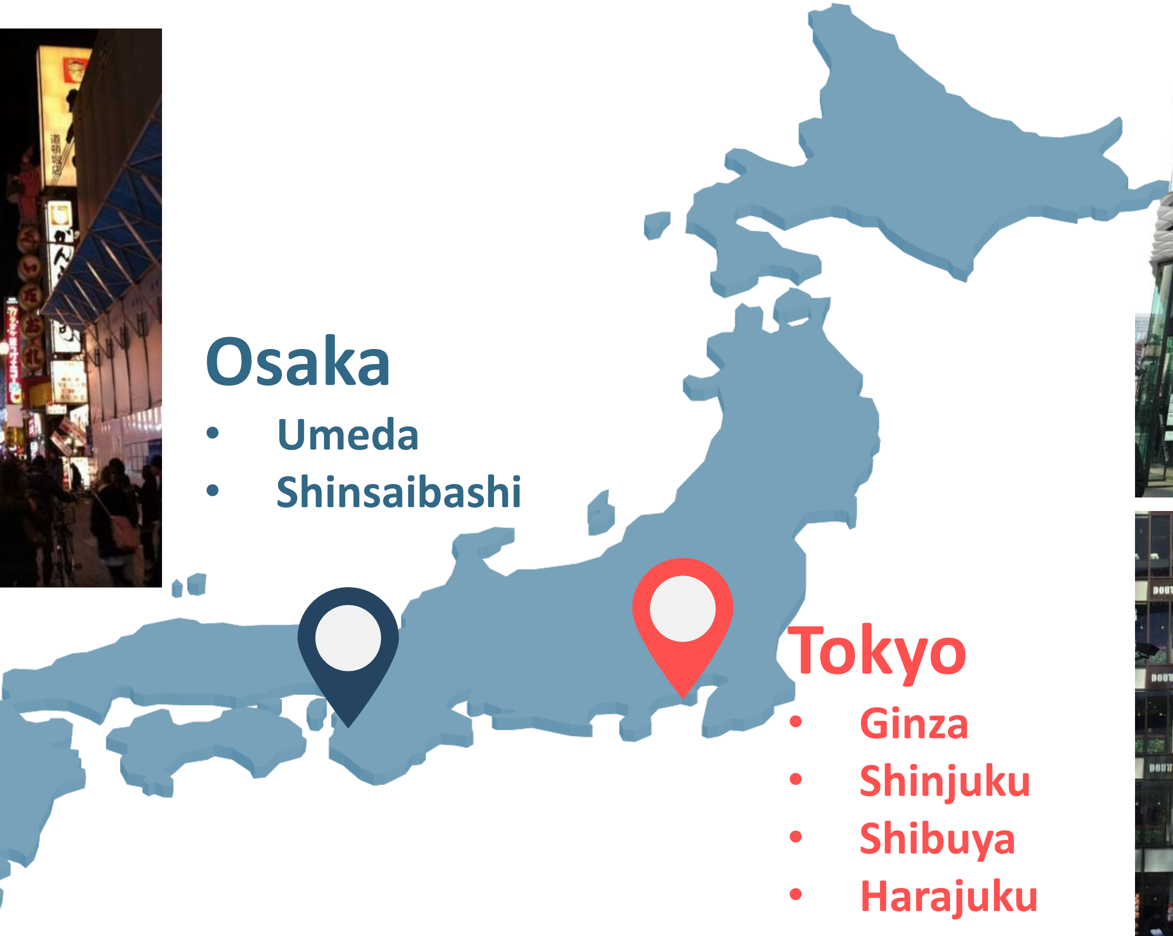
Source: FamilyMart UNY's 2017 annual report; current survey of Commerce, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry Japan; and documents released by each company

Sales of major superstores in Japan, as of 28 February 2017



Source: FamilyMart UNY's 2017 annual report; current survey of Commerce, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry Japan; and documents released by each company

Key retail districts



Osaka

- Umeda
- Shinsaibashi

Tokyo

- Ginza
- Shinjuku
- Shibuya
- Harajuku

Photo source: Fung Business Intelligence

Prevailing trends

Photo source: Fung Business Intelligence

Sluggish sales growth

Economic uncertainty as well as shrinking and aging population has continued to weight on Japan’s retail market, with retail sales experiencing sluggish growth over the past few years.

Changes in consumer spending pattern due to economic concerns

Despite the sales slowdown in general, grocery retailers such as supermarkets have registered strong growth as compared to non-grocery specialists and mixed retailers, as many households tighten purse strings and prioritize their spending on daily essentials due to future economic concerns.

Prevailing trends

Photo source: Fung Business Intelligence

Drugstore sales surpass those of department stores for the first time

Driven by a rise in elderly and health-conscious consumers and a shift in tourist spending from luxury goods to daily necessities and beauty items, drugstore sales surpassed those of department stores for the first time on record in 2016. Drugstores sales rose from 4.2 trillion yen in 2004 to 6.5 trillion yen in 2016, exceeding department store sales of some 6 trillion yen in 2016. By contrast, department store sales have been scaling back after reaching a peak at 12.1 trillion yen in 1991. In particular, sales share of apparel in department stores declined sharply from 6.1 trillion yen in 1991 to 2.9 trillion yen in 2016.

Prevailing trends

Photo source: Fung Business Intelligence

CVS remains the dominant distribution channel

CVS remains the dominant distribution channel in terms of store number and continues to perform well in the market, benefiting from the constantly growing single-person household and aging population. With its widespread coverage and extensive store networks nationwide, CVS not only can satisfy the needs of the numerous one-person households in the country, but also those of elderly consumers. Because of factors such as location, age or health problems, many aging consumers in Japan have limited access to supermarkets and major shopping areas. CVS, with its extensive number of outlets nationwide, plays an important part in providing many elderly consumers with access to daily essentials, making it significant in the changing Japanese society.

Prevailing trends

Photo source: Fung Business Intelligence

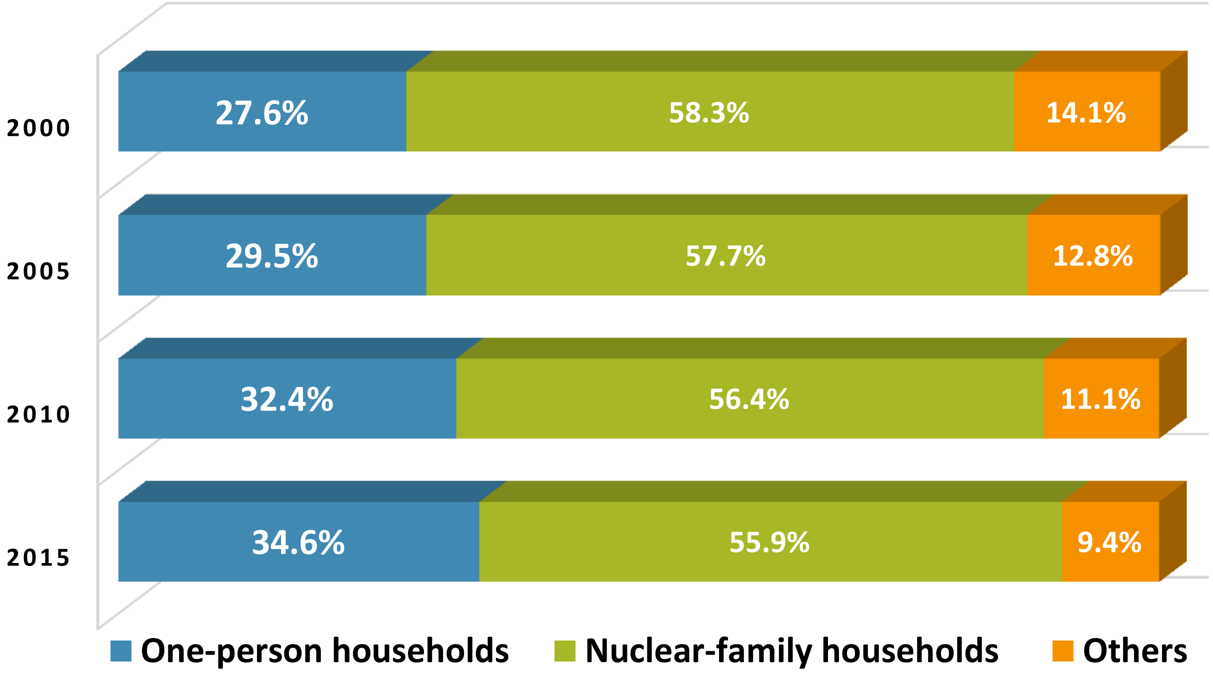
Rise of new retail formats – Street stalls and mobile sales vehicles

New retail formats in the form of street stalls and mobile sales vehicles is on the rise to target the elderly market. More than offering grocery items, these street stalls and mobile sales vehicles have expanded their product range to provide other daily necessities for older consumers such as apparel.

DID YOU KNOW ?

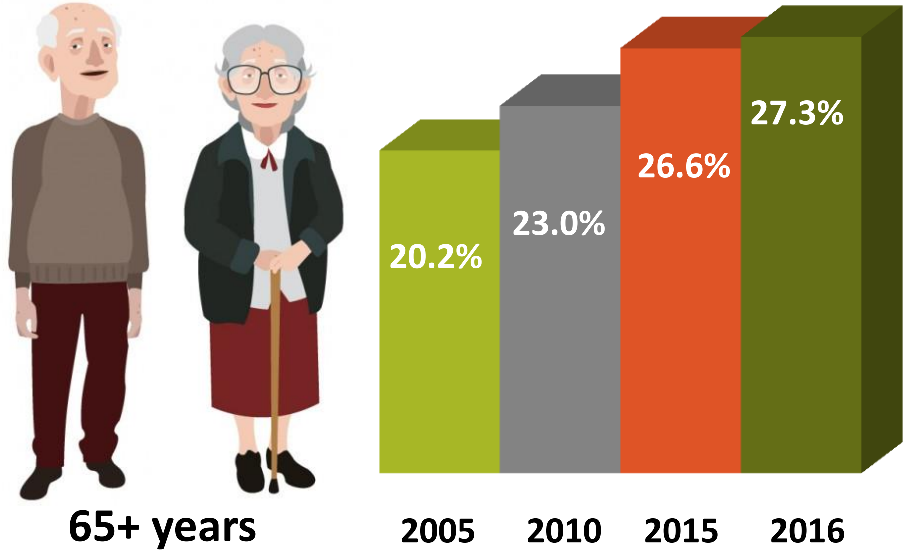
Growth of one-person household and senior population

Change in household composition in Japan



Source: Statistic Bureau, Ministry of internet Affairs and Communication Japan; compiled by Fung Business Intelligence

In 2016, the senior population (65 years and above) was 34.59 million, constituting 27.3% of the total population, or one in every four persons, marking a record high.



Source: Statistic Bureau, Ministry of internet Affairs and Communication Japan; compiled by Fung Business Intelligence

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