



A Look at Japan's Furniture Market

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October 2015

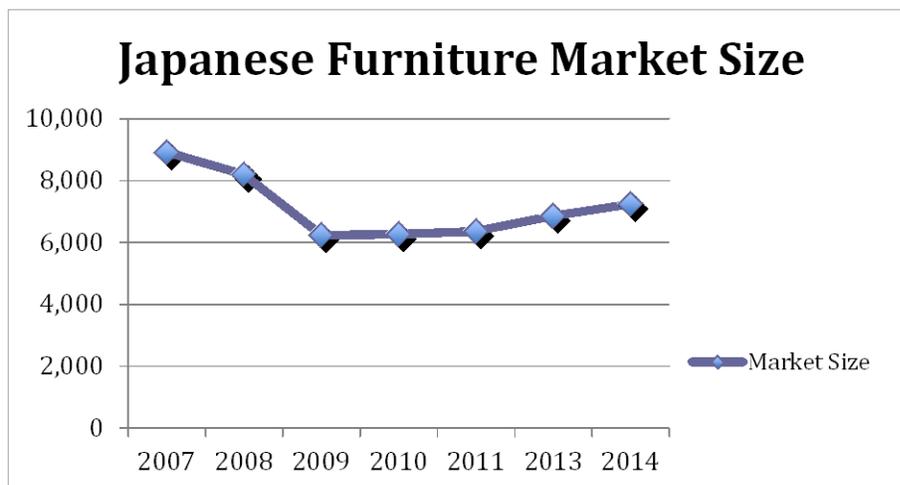
Introduction

Japan will experience a construction boom with the 2020 Olympics, and there will be opportunities for U.S. firms that study the market and enter the right segment. In order to do so, one must understand Japan's unique challenges, and develop a proper strategy for entry.

The size of home furniture market expanded by 5.6% to JPY723.2 billion (\$6,027 million) in 2014¹. Japan imported \$7,050,574,000 worth of furniture in 2014 from rest of the world², and although the number seems to fluctuate every year, there has been a steady increase since 2005.

While the market is likely to decline in the short-term as the demand for building new houses decrease and bridal-related business decline (in Japan, when couples get married, they tend to move into a new apartment and eventually build their own house), increase in housing starts and recovering business conditions highlight potential growth in the long-term.

The market is becoming more and more polarized between high-value-added products and low-priced products as the consumers who favor fine interior and the consumers who prefer low-priced furniture in the stagnant economy becomes more defined.



¹ Yano Research Institute, "Home and Office Furniture Market in Japan 2015"

² JETRO (2005~2014)

Japanese Economy and Housing Trends

The Japanese economy is expected to expand by 1% this year. It has undergone a major change in the system when the VAT increased from 5% to 8% in April 2014. According to Ministry of Land, Infrastructure, Transport, and Tourism, the number of new housing starts experienced 11% growth in 2013 because people wanted to build houses before the tax increase went into effect. The new houses made before the tax hike support most of furniture sales today. That being said, while more houses were built, the average number of rooms per house is smaller. Hence, less furniture is needed overall.

While the 2020 Olympics is attracting a construction boom, the gap between the pre-tax housing boom and post-tax development is crucial. The value sales at Japanese furniture stores are expected to post a compound annual growth rate of 1% until 2017³.

Housing Price

In Japan, houses typically fall into one of two types: houses and condominiums. Traditionally, houses in Japan are two-storied with small gardens and are surrounded by a high fence. Condominiums are now more common especially in urban centers, and can vary from small apartments with few stories to a collective apartment for hundreds of people.

Houses

For August 2015, the Housing Starts increased 8.8% where the average between 1961-2015 is 2.54% with the highest 67.63% in March 1972 and lowest -43.96% in September 2007⁴. Land prices in *Tokyo metropolitan area fell by 1.5% as well as **Osaka area, which dropped by 3.8%. However, the house prices are expected to continue rising from last year. Meanwhile, average price for existing houses in Tokyo was up by 1.3% to JPY32,470,000 (\$269,655) and 4.7% rise in Osaka to JPY20,720,000 (\$172,074) in June 2015⁵.

Condominium

*In Tokyo metropolitan area, average price of existing condominium units rose by 6.6% to JPY453,000 (\$3,762) per square meter and new condominium units skyrocketed by 21.4% to JPY829,000 (\$6,885) per square meter in y-o-y to June 2015. **In Osaka area, the average price for existing condominium rose by 9.3% to JPY282,000 (\$2,342) per square meter while new condominium units dropped slightly by 0.4% to JPY551,000 (\$4,576) per square meter over the same period.

*Tokyo metropolitan area includes Tokyo, Kanagawa, Saitama, and Chiba Prefectures

**Osaka area includes Osaka, Hyogo, Kyoto, Nara, Shiga, and Wakayama Prefectures

Income Ratio

The average price of a new apartment in 2013 was 6.59 times the average annual income, while a second-hand apartment was 4.58 times the average annual income. While the average annual

³ Companiesandmarkets.com, "Japanese furniture stores market led by Nitori and IKEA," June 12, 2013

⁴ Trading Economics, "Japan Housing Starts"

⁵ Global Property Guide

income has increased by 3.85% over the years, the rise in apartment prices has outpaced the increase. In Tokyo metropolitan area, the average price for new apartments was 8.8 times the average income while it was 6.07 for second-hand apartments. While Tokyo has the highest income ratio, Kyoto is second highest⁶.

Average Size of Housing

The average size of the floor space per dwelling is $94.91m^2$ (1021.6 square feet) and the number of rooms per dwelling is 4.6 rooms. The prefecture with smallest number is Tokyo with $67.69m^2$ (728.6 square feet) and 3.41 rooms per dwelling. Osaka was $77.49m^2$ (834 square feet) with 4.07 rooms in 2013. The largest was Toyama prefecture in Chubu region, recording $149.62m^2$ (1610.5 square feet) and 5.92 rooms per dwelling.

A very common layout of a 1LDK house would have living room with sofa, small table, TV table, dining table, chairs, bed, working table, work chair, and closet. A studio apartment will have a bed, table, chair, and a closet. It is not uncommon for a family of five to live in a two-bedroom apartment as having one's own room is not a definite in Japan. College students and young working professionals will live in cozy studios if they cannot commute from home. Those who have the privilege of being able to commute will opt to be on the train for over an hour to work each way to reduce living costs.

Size affects Furniture Choices

While many U.S. companies offer an attractive lineup of products, the issue is that they are just too large for the average Japanese dwelling. Large chests, tables, and sofas do not fit Japanese houses. Traditional Japanese houses that have tatami mats also cannot have heavy furniture, and the same goes for those in apartment buildings.

The average condominium elevator holds 9 people and about 600 kilos of weight. Smaller elevators can only hold 4 people and about 300 kilos of weight. Such restrictions pose challenges for getting large pieces into condominiums, especially high rises. When one decides to purchase furniture, the first thing one considers is the width of one's doors and elevator. Consumers will forgo the beautiful piano for a small electric keyboard, or the large sofa for a loveseat due to such challenges. One needs to be aware of such challenges in deciding whether Japan is an appropriate market.

Furniture needs to be practical

As space is limited and expensive, storage options are popular. Furniture that is aesthetically pleasing and useful at the same time is on most consumer agendas. Storage cabinets are extremely popular and there are many boxes detailing techniques for living in small spaces by using effective storage techniques.

⁶ Japan Property Central, "Apartment price to income ration worsens nationwide, but improves in Tokyo and Osaka," August 4, 2014

Furniture Sales Statistics (METI) 2010-2014

Wooden Furniture		
Furniture Type	Total Production Quantity	Growth Trend
Wooden shelves	1,230,036	-
Cupboards	937,738	-
Other shelves	292,298	-
Wooden desks and tables	418,391	+
Wooden desks	134,621	-
Wooden tables	283,770	+
Wooden chairs	945,147	+
Sofas	289,217	+
Dining chairs	511,443	+
Other chairs	144,487	+
Wooden beds	296,142	-
Other Wooden furniture	3,522,566	+

Metal Furniture		
Furniture Type	Total Production Quantity	Growth Trend
Desks	2,552,351	+
Other Desks (Tables)	1,351,482	+
Chairs	5,321,712	+
Swivel Chairs	1,961,744	+
Other Metal Chairs	3,359,968	-
Filing Cabinets	435,464	-
Storage Cabinets	1,901,333	+

Sink Cabinets, Range Tables, and Cooking Tables	411,070	-
Sink Cabinets	191,010	+
Range Tables	135,390	-
Cooking Tables	84,670	-
System Kitchens	1,046,593	+
Metal Beds	204,627	+
Racks	1,825,097	+
Partition	3,536,580	-
Other Metal Furniture	2,342,310	+
Chest of Drawers	41,514	-

Another important thing to note is that Japanese apartments do not come furnished. When moving into an apartment, one needs to purchase pieces including a refrigerator, washer and dryer, and microwave. Many Japanese consumer electronics stores will sell packages including the products above in price sets ranging from approximately \$400-\$1000.

Weekly Ranking of Furniture Sales in Rakuten (Search Date- October 6, 2015)

1. Wooden TV table with drawers (available in 4 colors)
2. A pair of colored drawers – 2 chests (available in 17 colors)
3. Plastic slim drawer – 5 chests (available in 7 colors)
4. Wooden TV table with adjustable drawers (available in 3 colors)
5. Metal rack with caster

Dominant Players

Nitori Co., Ltd. remains the top player with 11% value share in 2014 and has expanded to United States as “Aki-Home.” Nitori focuses on the low to mid pricing range, and has nationwide distribution network with 320 stores. Many people seem to favor Nitori for its reasonable price and wide color variations as well as the simple designs that can match any homes.

IKEA is a significant foreign player in the Japanese furniture market. IKEA Japan KK entered the market in 2006 with vast product offering, fashionable designs, and DIY selling style. Its gross sales were JPY77.1 billion (\$646million), which was 5.9% higher than last year⁷.

These two successful players highlight the recent sales trend: low-mid priced simple but varied designs of furniture. As the trend shifts to economical furniture, Otsuka Furniture, another significant player has shifted its production from luxury to economical furniture. There is a new trend in Japan called, “Uchishoku” meaning “Dinning in the House” where more and more

⁷ Ryutsu News

people are eating at home to cut their spending. As they spend more time at home, consumers are starting to enjoy decorating their house with style.

Recommendations

There is a potential for the Japanese furniture market to grow in the long-term, especially for economically priced pieces geared towards small spaces. The decoration style in Japan is diverse: traditional Japanese style to Scandinavian style is popular amongst younger generations. So, there is room for creativity. There is also a clear growth in some type of the furniture including drawers and storage cabinets.

With wide varieties of colors, simple designs, and reasonable price, there is an opportunity to expand into Japanese market as long as one has a Japan specific strategy.

As a first step, we encourage visiting the market and attending the Japan Home Show. The show has 850 exhibitors and 35,000 attendees, and allows one to see trends and connect with potential business partners.

Japan Home Show 2015

Date: 11/18 (Fri.) ~20 (Sun.)

Venue: Tokyo Big Site

URL: <http://www.jma.or.jp/jhbs/>

IFFT/interiorlifestyle living

Date: 11/25(Wed.) ~27(Sat.)

Venue: Tokyo Big Site

URL: www.iff-interiorlifestyleliving.com

How we can help

The Commercial Section can provide market entry counseling. Fee based services include matchmaking and Embassy supported company promotion events.

For more information, please email Consumer Goods Specialist Yoshiko Okamoto at Yoshiko.Okamoto@trade.gov.