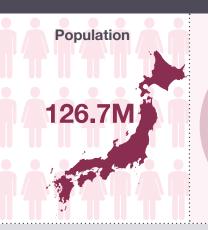
AN **OVERVIEW** OF E-COMMERCE TRENDS IN JAPAN



BASIC ELEMENTS TO CONSIDER FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) DOING BUSINESS IN JAPAN VIA E-COMMERCE CHANNELS

QUICK FACTS (2015)





Internet population

64% use the web to shop.

Online expenditure per capita is on average \$82 per month.

All online purchases

\$88B



Second largest e-commerce market in Asia Pacific with a growth rate of 0.14% (from 2011 to 2015).



Consumer spending

Total consumer spending: \$20K per capita

> The highest consumer spending per capita in Asia Pacific.

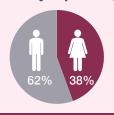
Total online consumer spending:

\$695 per capita

Total grocery consumer spending: \$3.13 per capita

Total online grocery* consumer spending: \$55.20 per capita

Demographics of online grocery* spending



Women aged 35-54 spend the most, representing **35%** of total online grocery sales.

Total online grocery* \$7B



with a growth rate of **9.8%** (from 2010 to 2015).

TOP METHODS OF ACCESSING THE INTERNET FOR SHOPPING



116.7 million personal computer users



106 million mobile phone users 49% are smartphones



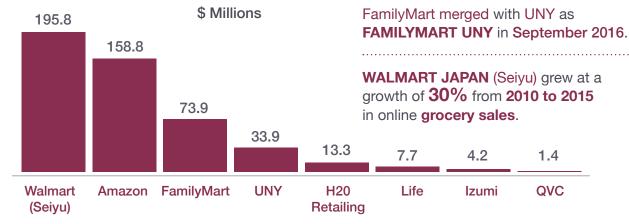
50 million laptop users



30 million tablet users

M-commerce or internet retailing via mobile devices & tablets is forecast to account for 42% of all internet retailing sales. Internet retailing is dramatically shifting from e-commerce using computers to smartphones.

TOP INTERNET E-GROCERS in grocery sales



Note: All dollars are in US funds.

Total online grocery data only includes food and drink.





JAPANESE CUSTOMER BEHAVIOUR & TRENDS

Japanese consumers are shopping more online for edible goods due to the convenience and chance to bargain hunt during periods of economic downturn. This trend is beneficial to Canadian SMEs as there is greater opportunity to expand their consumer base beyond a physical space.

MAPANESE CONSUMERS WANT:

- Maximum quality and fresh food with minimum sauces or additives.
- Convenient food products.
- Ethical, low environmental impact brands.
- Multiple prices range and better deals.
- Trustworthy brands.
- Customer interaction and personalised service.

Japanese customers have high expectations towards service.

Japanese are avid researchers: They count on online review sites or online word-ofmouth for information.

Customer Interaction through Social Networking:

- Online retailers share new campaigns.
- · Customers provide both positive and negative feedback.
- Customers give some ideas on new product design and influence corporate social responsibility.

Payment methods:

- · Mainly pay by credit cards.
- · Cash-on-delivery is becoming less popular.
- Omni-channel strategy: Internet retailers partner with convenience stores to offer collection services and purchase in stores.

UNDERSTANDING JAPAN'S ONLINE MARKETPLACE TRENDS

Online grocery sales are **expected** to **grow** by



8.5% from 2015 to 2020.

The annual value is estimated to be

\$10.5B in 2020.



Japan has the world's oldest population, which will create an opportunity for functional foods designed for health-conscious seniors.



The **increase in sales tax** will continue to drive more price-sensitive Japanese consumers to online grocery platforms to seek lower-priced goods.



Japan plans to open special economic zones which offer reduced taxes and provide subsidies to new companies establishing e-commerce operations.



The **2020 Tokyo Olympics**, Japan's new economic stimulus, will potentially boost Japan's economy and benefit Canadian companies, especially small and medium-sized enterprises exporting into Japan.



COMPANY SPOTLIGHT



- Focuses on fresh food and beverage sales with over 10,000 items online.
- Plans to capitalise on its strengths, including enhanced range of imported goods, and continue to expand the capacity of seiyu.com.
- Plans to expand lineups of globally sourced merchants and introduces them in Seiyu physical stores.
- Plans to increase
 - the lineup to some 100,000 store keeping units (SKUS) by the end of 2016.
- Provides pick up service in its 345 physical stores in Japan's 25 prefectures.

Note: All dollars are in US funds.

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