Japan Fashion Market
Opportunities and Trends 2021

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1. Japan Fashion Market Overview

Global Apparel is a Growth Industry

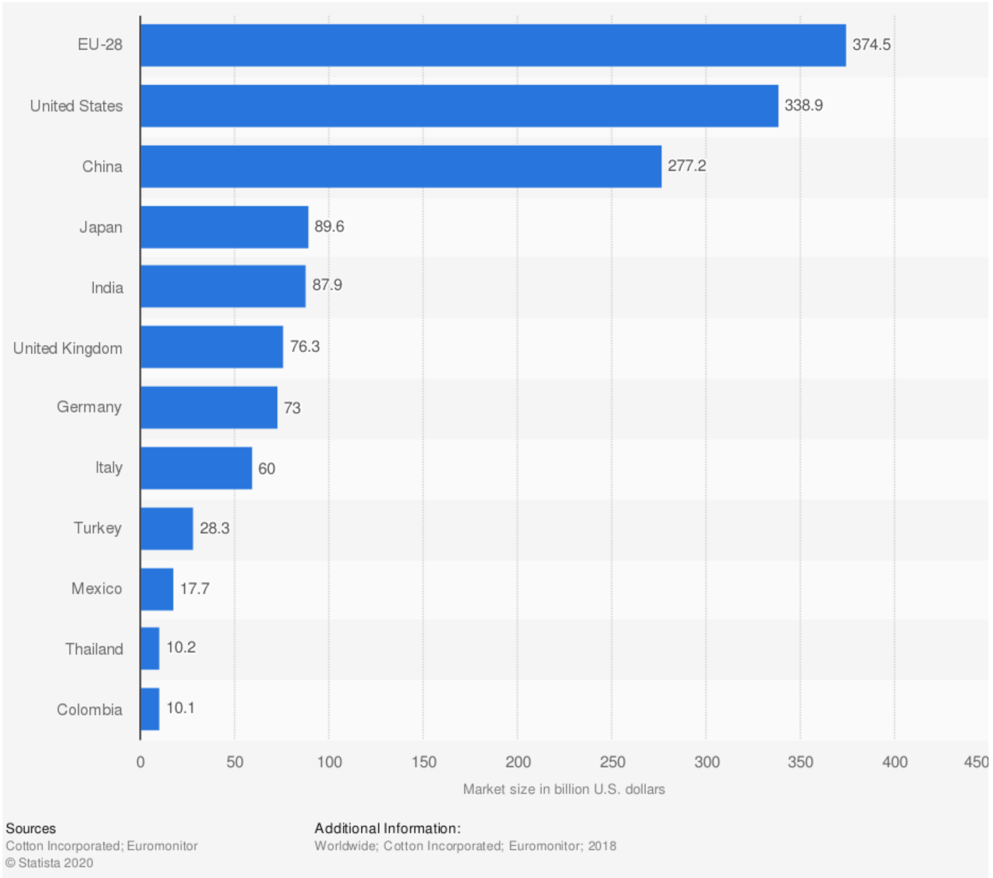
Globally, the apparel market will grow at a compounded annual growth rate of 3.6% in real terms by 2025 and 7.6% in nominal terms after factoring in inflation. A market that was $1.3 trillion US$ in 2015 is projected to grow to $2.7 trillion (in nominal terms) by 2025. The largest markets in the world are the EU, US and China. China and Southeast Asian countries are experiencing rapid growth in both the luxury market for the wealthy, and the middle market for the masses due to rapid economic development and large populations. There has been rapid development of the market by large global, luxury and fast fashion companies. Only large companies seem to be successful entering these markets, as they need the financial resources to spend significantly on marketing to gain brand awareness.

The Middle East/Africa and Eastern Europe regions are also experiencing rapid growth. Growth can be attributed to increased population, an expanding middle class in emerging economies, and a growing affluent population.

The developed countries of North America and Western Europe are expected to have slower growth of 2.0% and 0.5%, respectively.

Unfortunately, Japan is expected to remain relatively flat for the short term, and negative for the long term. However, it is a large market and there are growth segments and opportunities, if strategically developed.

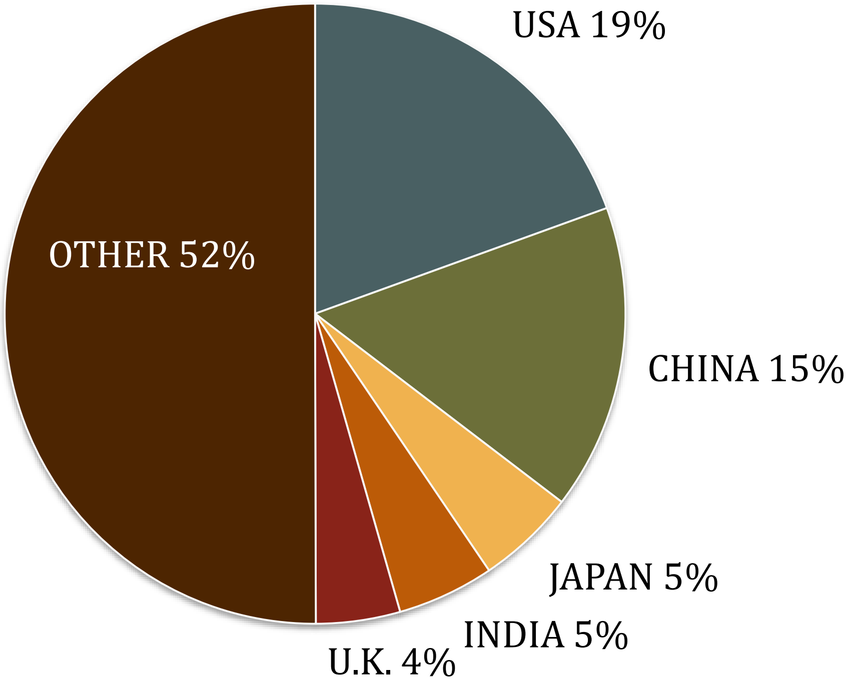
Japan:
Small Size, but Big Volume



Sources: Roland Berger, Statista 2020

Global Apparel Ranking
(Total Market = US $1.8 trillion)

1. USA $339 billion
2. China $277 billion
3. Japan $90 billion
4. India $88 billion
5. UK $77 Billion



Statista's global apparel market estimated volume is US$1.8 trillion for 2019 sales (women's apparel, men's apparel and children's apparel).

Japan #3 in Apparel Global Ranking

Japan is a large, dynamic, exciting and highly competitive fashion forward market. The Japanese have a great appreciation of quality, craftsmanship, technology and design, as a result of centuries of fashion culture.

Japan is the world's third largest apparel market after the U.S. and China, accounting for 5% of total global sales. Twenty years ago, Japan was ranked second to the U.S., but China's rapid growth has changed the face of the global apparel industry. The size of the Japanese market is large compared to other markets in the world, making Japan an attractive market for foreign companies.

Japan has an affluent, well educated population with a very high level of apparel sales per capita, about three times higher than China. High sales per capita allow for efficiencies in distribution with consumer populations concentrated in the largest cities of Tokyo, Yokohama, Osaka, Nagoya and Sapporo.

The Japanese apparel market is a unique market with a competitive environment that is different from the rest of the world. When compared to other countries, Japan has a larger middle class that has been highly influenced by the trend market in the middle price range.

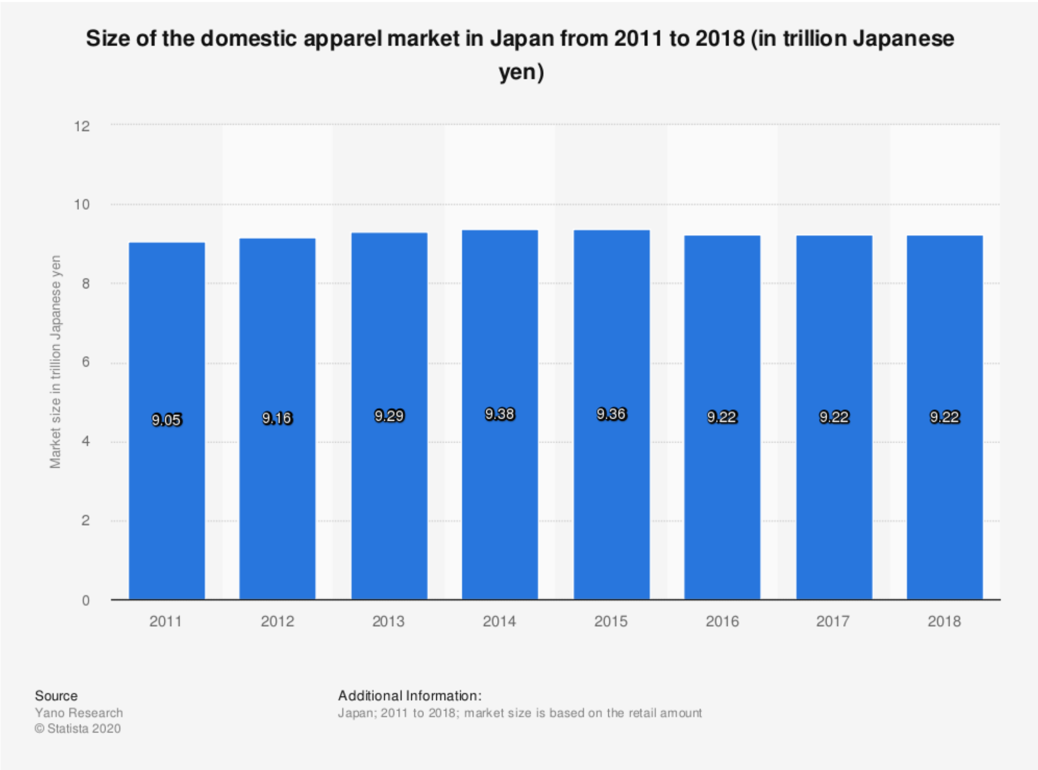
Source: Statista 2020 https://www.statista.com/outlook/90000000/100/apparel/worldwide

Japan's Relatively Flat Apparel Sales Trend

The fashion market in Japan has been stable for the past few years and is expected to contract slight in the future, due to a declining birthrate and aging population. Consumption of apparel is falling, while other categories like home interiors, food and communications rise. This trend has accelerated due to the COVID pandemic.

Over the past decade the fastest growing retailers have been specialty chains. Specialty stores have experienced 15 years of consecutive growth. Recently however, the top specialty chains face saturation in distribution and consumers are changing habits and searching for better values with online competitors. E-commerce share continues to grow as does the share of the biggest firms, with the top 10 apparel retailers increasing share. At the same time, micro-enterprises will proliferate thanks to online platforms. Department stores continue to loose share and sales continue to contract. General Merchandise (GMS) chains are also falling in share.

Importantly, those retailers with fresh ideas and strong marketing to back them up continue to outperform. The fashion market is perennially dynamic and adapts to new market realities.



Specialty Growing

E-commerce Growing

Department Stores Shrinking

GMS Shrinking

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Source: Yano Research @ Statista 2020

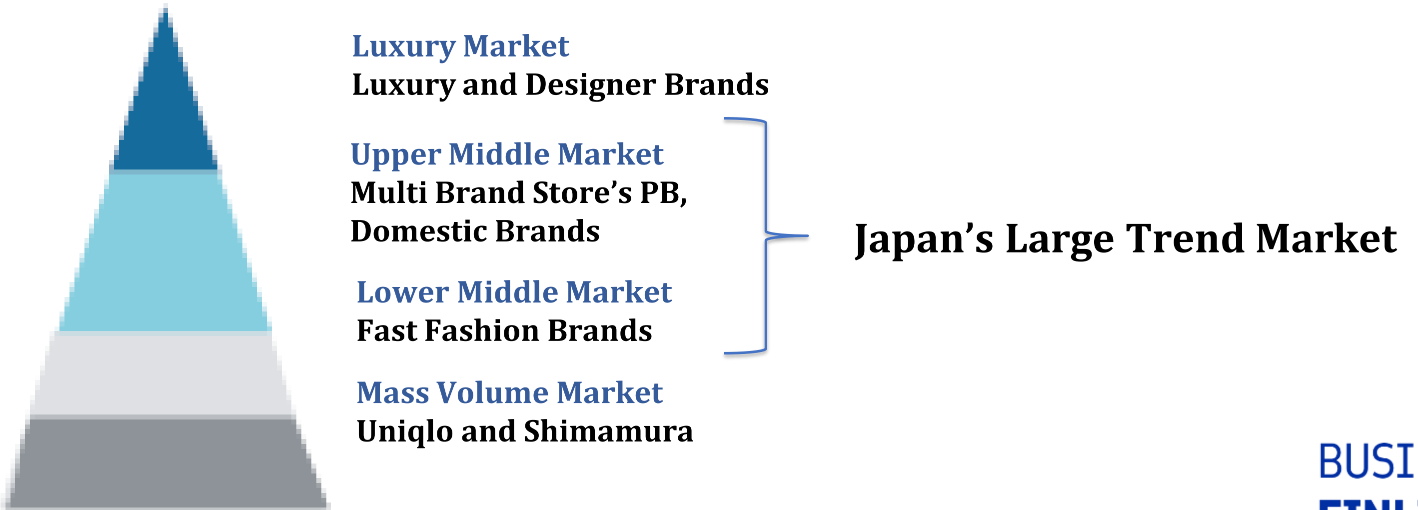
Japan’s Large Middle Trend Market

The Japanese fashion market grew by marketing to the middle class, and expanded by opening stores in commercial facilities with department stores and shopping centers that were anchored by an infrastructure of railways and train station where the middle class commuted and gathered. This large middle class was highly influenced by opinion leaders promoted through magazines and media. Consumers were easily swayed by trends. Apparel companies developed business models that encouraged consumption by creating new, unique trends every season. In the past few decades, the Japanese lagged behind other countries in their pursuit of individual uniqueness and became increasingly homogeneous in their buying habits. However, this is changing.

The Japanese apparel market can be divided into four main categories:

- At the top of the pyramid is the luxury market. In Japan this includes luxury brands from western luxury conglomerates such as LVMH and Kering, as well as premium Japanese designer brands, such as COMME des GARCONS, Issey Miyake, Yohji Yamamoto, and Sacai.
- Below this luxury tier, is the large upper middle market. In Japan, private labels of major select shops, brands of general apparel manufacturers, and overseas contemporary brands belong to this layer.
- The lower middle layer is the Kernig lower middle market, and includes foreign-owned fast-fashion brands such as Zara and H&M, as well as Japanese domestic brands sold in shopping centers and fashion buildings.
- The bottom tier is the mass volume zone. This is where low-priced Japanese mass-market brands such as UNIQLO and Shimamura are located.

The upper-middle and lower-middle markets make up the large total trend market where trend-conscious products are sold. The large trend market has remained an important market for imported brands.



Source: Roland Berger

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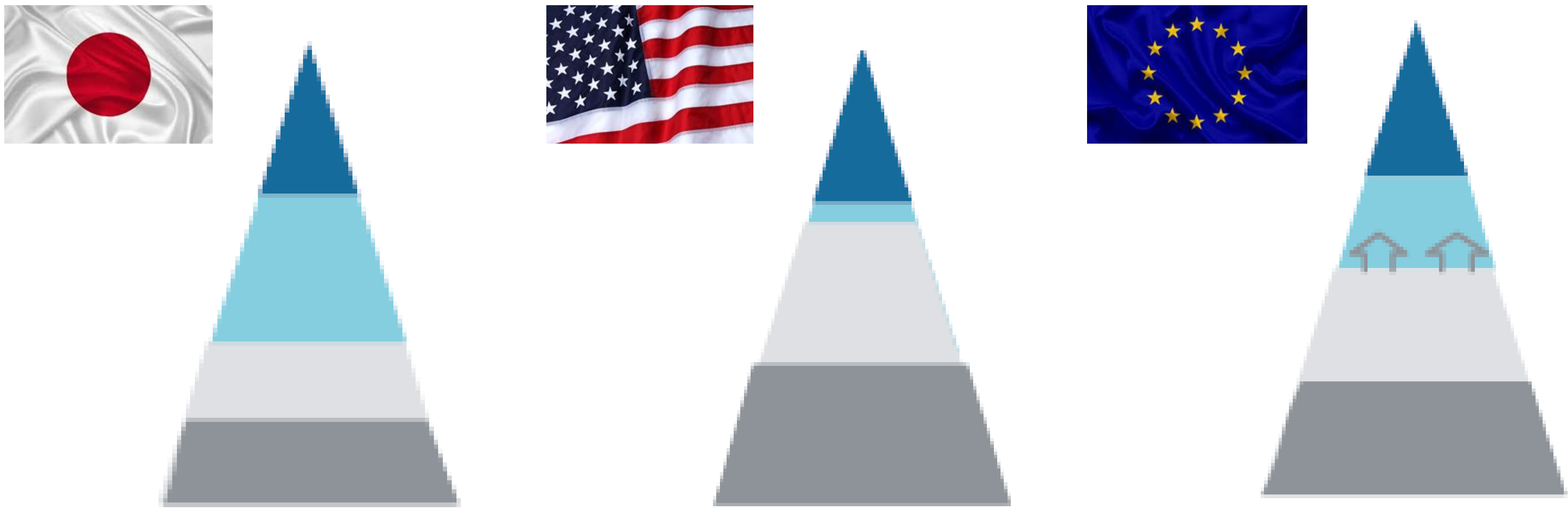
Japan’s Trend Market Uniqueness

The trend market is a significant size in Japan compared to other developed countries.



Japan
- The market is evenly divided in each price range.
- In particular, the upper middle market is larger than the rest of the world.
- Large trend market.

USA
- Bi-polarization into luxury and lower middle price ranges.
- Excluding luxury, the average price for clothing is 1/3 of Japan.

Europe
- The upper middle is larger than the US, but smaller than Japan.
- Many players are struggling with the rise of fast fashion.

Source: Roland Berger

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Japan Future Forecast: More Globalization, More Like Western Markets

The middle class is a huge consumer segment in Japan, born of Japan's post-war rapid economic growth and baby boom. It is a market that not only domestic apparel companies, but also department stores, select shop distributors and many foreign fashion companies have relied on.

Now, the Japanese fashion market is changing due to changes in consumer demographics, shifts in attitudes and the economy. The maturing of consumers and digitalization have caused segmentation in the historically homogeneous middle class. The middle class is subdividing into smaller groups to form consumer segments with their own unique values. Consumers in each group behave differently and traditional trend oriented Japanese fashion marketing is no longer applicable.

In the future, the Japanese fashion market is expected to become more globalized with the luxury market remaining stable and the mass volume market increasing in importance. Going forward, the domestic apparel market will continue to be polarized and the trend market, which is in the middle price range, will continue to decline. In the trend market, there is more and more fragmentation, and consumer preferences and shopping methods are becoming more and more diversified. Combined with changes brought by digital technology, trends will have less impact, will be smaller in volume, and will have a shorter lifecycle. Compared to the global market, Japan's mid-priced market, although large, is gradually shrinking, and the market structure is becoming more like the Western market, which is polarized into luxury and mass volume. In this context, the presence of global companies will increase in the luxury and mass volume markets. Although it is still significant in size, it will become more and more difficult to achieve large sales volumes in the Japan domestic trend market alone.

Luxury Market Flat

Trend Market Down
But Still Large

Mass Market Up

Source: Roland Berger

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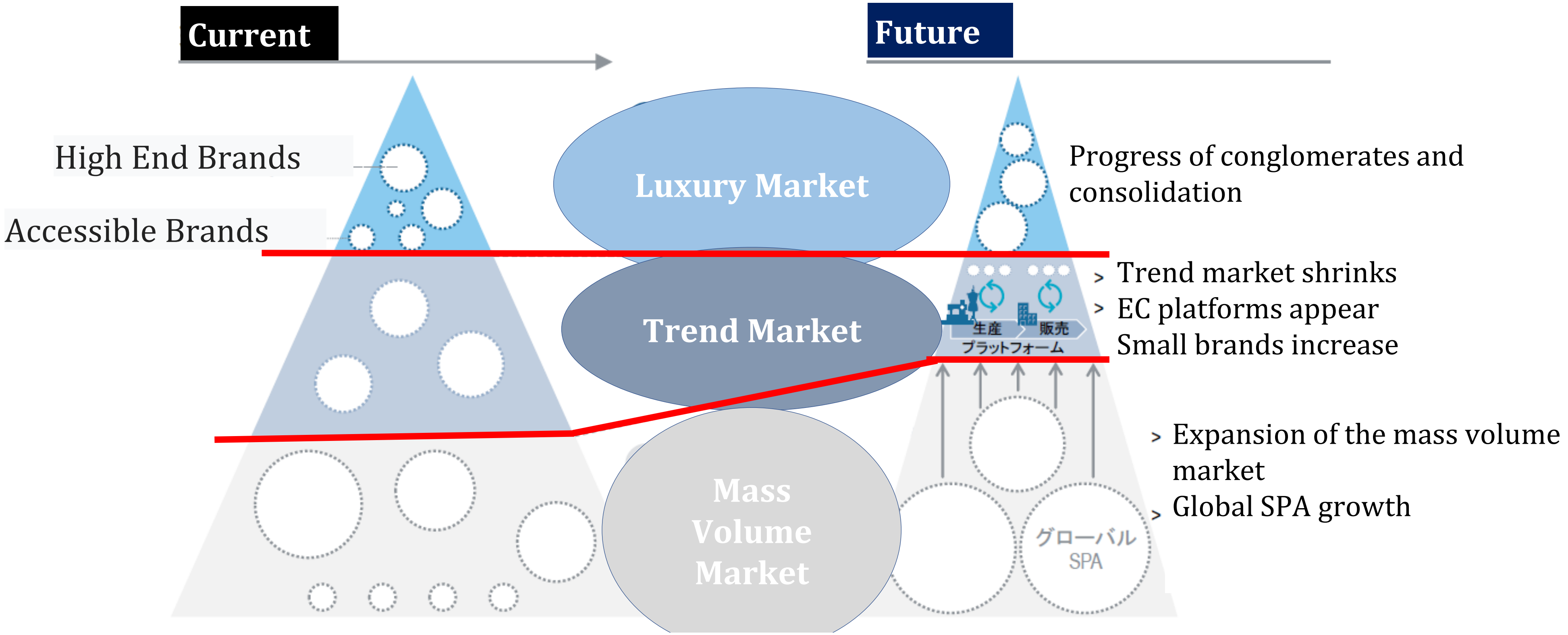
Future Forecast: Trend Market Shrinking and Segmenting, but Still Substantial in Size



Source: Roland Berger

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Japan's Large, Entrenched Domestic Companies Dominate

In Japan, there are several strong Japanese brands that have dominated the domestic market with high quality, including UNIQLO, MUJI, COMME des GARCONS and ASICS . These companies have continued to grow due to the size of the Japan market alone, making them less reliant on overseas markets, and highly entrenched in the domestic market. The top three retailers in Japan are domestic companies, UNIQLO, SHIMAMURA, and AEON RETAIL. ZOZO, the largest e-commerce retailer in 4th position is also a domestic brand. The mass market is dominated by domestic companies that have limited international presence, but are formidable in Japan. The top 100 apparel companies account for 70% of the total apparel market.

Over the past 30 years, western fashion companies have recognized the sales potential in the Japanese market and have entered making this a fiercely competitive market where fashion companies from all over the world now compete. Imported brands distribute primarily in department stores. Top ranking department stores take positions 5 though 7. In order they are 5. Daimaru-Matsuzakaya, 6. Isetan-Mitsukoshi, and 7. Takashimaya. As department stores have slipped in share, distribution through E-commerce and free standing specialty stores has become more important for imported brands.

Top 25 Retailers of Apparel by Apparel Sales FY 2018

Rank	Company	Type	Sales ¥mn	YonY %	Apparel in Total Sales* %
1	Uniqlo	SpS	864,778	6.7	100.0
2	Shimamura	SpS	539,834	-3.3	100.0
3	Aeon Retail	GMS	314,508	-3.6	17.2
4	Zozo	EC	297,278	19.4	92.0
5	Daimaru-Matsuzakaya	DpS	278,295	1.1	40.9
6	Isetan-Mitsukoshi	DpS	227,706	-2.2	35.9
7	Takashimaya	DpS	224,608	0.5	28.7
8	Adastria HD	SpS	222,664	-0.1	100.0
9	GU	SpS	211,800	6.4	100.0
10	Onward Holdings**	SpS	186,448	-1.0	79.5
11	Aoyama Shoji	SpS	184,753	-2.3	100.0
12	World	SpS	184,749	0.7	82.0
13	Sogo Seibu	DpS	174,056	-10.4	28.8
14	United Arrows	SpS	158,918	2.9	100.0
15	Ito-Yokado	GMS	153,590	-8.8	13.4
16	TSI Holdings**	SpS	131,188	6.1	82.0
17	Hankyu-Hanshin	DpS	130,995	1.3	29.0
18	Pal Group	SpS	130,474	5.9	100.0
19	Baycrews	SpS	118,771	10.3	95.0
20	Aoki Holdings	SpS	114,404	-3.4	65.0
21	Ryohin Keikaku (Muji)	SpS	113,739	11.2	41.0
22	Seiyu*	GMS	113,432	-	-
23	Marui Group	DpS	112,462	1.8	45.0
24	Sazaby League	SpS	111,340	-3.4	95.0
25	Uny	GMS	92,011	5.7	12.4

SpS=Specialty, GMS=General Merchandise, DpS= Department Stores

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Source: Japan Consuming 10-2019

High Number of Stores per Capita, Delayed E-commence Adoption

Japan has a very high number of distribution points per capita. Japan has more stores per capita, or fewer people per store, compared to other developed markets like the US and the UK. Japanese often frequent a store's basement level food floor on a daily basis to pick up items for their evening meals when commuting. This daily habit makes accessibility to apparel very convenient.

It is believed that this high accessibility lead to the slow adoption of e-commerce in Japan compared to other developed countries. Although when compared to other parts of the world, the Japanese had been slower to migrate from department stores to e-commerce, the COVID -19 situation has accelerated the switch In distribution as employees are allowed to work remotely from home reducing the need for long commutes and frequent visits to station retailers.

Comparison Number of Retail Stores per Capita

	Japan	USA	UK
Population 2018	126.93 million	325.72 million	66.40 million
% E-Commerce.	6.22%	9.85%	20.67%
Number of Retail Locations	990,246	1,064,210	307,195
Food & Drink	299,120	162,733	97,420
Apparel	140,465	143,261	40,875
Population per Store	128	306	216
Pop per store Food & Drink.	424	2,002	682
Population per store Apparel	904	2,274	1,624

Food Basement with Easy Access from Railways

Source: Data cited from the latest METI survey results: *PDF: FY 2019 International Economic Survey on Building a Domestic and Foreign Economic Growth Strategy (Market Survey on Electronic Commerce)

Success of Omni-channel Connection

Japan is moving away from the traditional business model of increasing sales by increasing the number of physical stores. There is a drive to integrate each brand's brick and mortar store with their e-commerce. Showroom stores are growing to improve the seamless integration of off and online selection and sales. Showroom stores displaying samples only, or hybrid stores mixing samples and take away merchandise are becoming more common as a way to reduce store size, staff numbers, and improve customer service. Stores are becoming pure brand communication galleries rather the stockrooms.

Online customer service sales via social networking sites is also becoming particularly effective. Companies like United Arrows and Uniqlo have been able to attract more fans to its popular stores. Branding and recognition through online video is the future of the apparel industry.

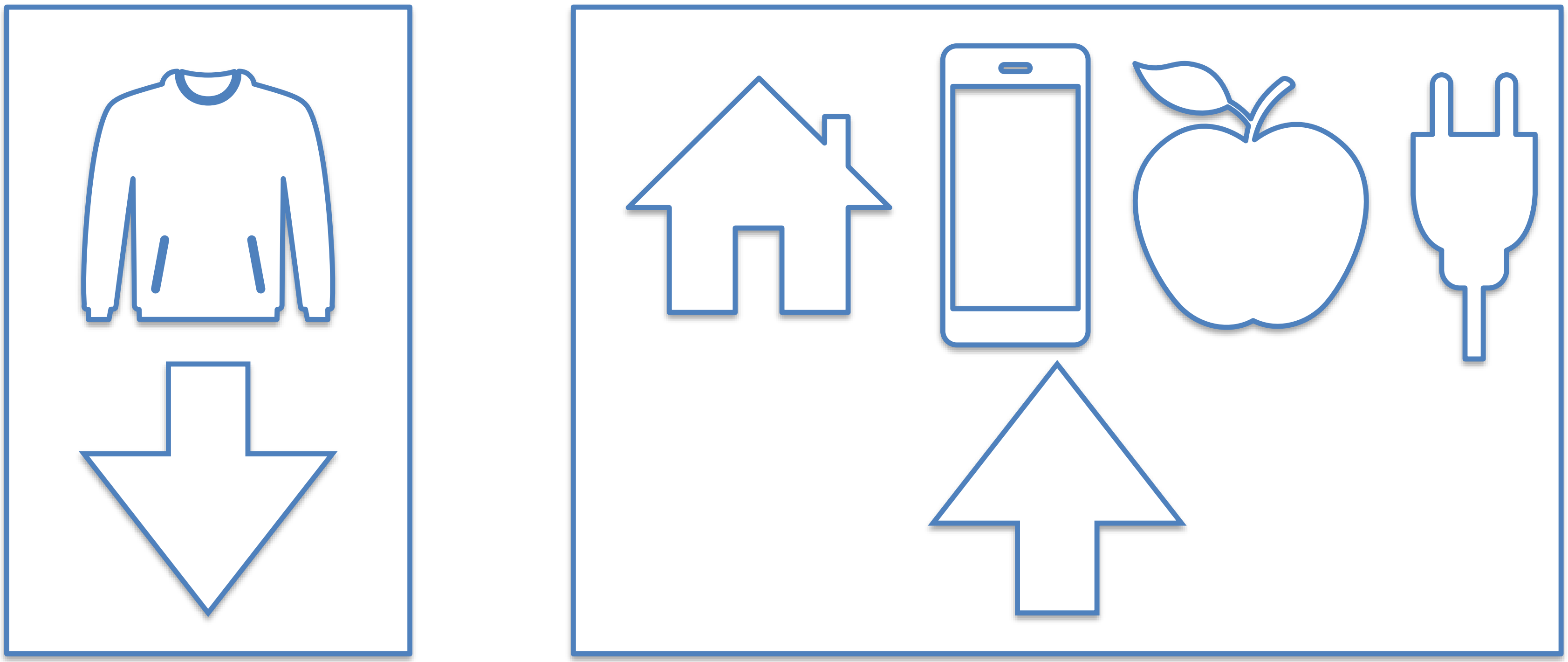
The communication of brands and products through social networking sites, led by Instagram, is also expanding. In the trend market, the consumer audience has become fragmented and multiple influencers vary from macro to micro influencers. The method of communication is mainly through social media, online, print media, and video. Japan is still a very strong print magazine market, an exception to other countries. Japan ranks third in YouTube usage, and the main audience is teenagers and young 20 year olds. In the fashion world, there are many YouTubers that target young people with their products and advice and Gen Z responds by buying.

The next race is not in formats, but in data capture. While the market is tougher, there is plenty of growth for companies with the right merchandise, brand and access to consumer data for targeted marketing.

Source: United Arrows' Omnichannel Strategy
https://www.digital-transformation-real.com/blog/casestudies-omnichannel.html

Japan's Changing Future

Although 2018-19 was a solid year for the fashion industry in Japan, especially for larger businesses, future challenges are significant. For the past decade, Japan has been experiencing an apparel recession and an "era of poor clothing sales." The domestic fashion market in Japan continues to shrink due to a shrinking population and a generational shift in key consumer attitudes with a reduction in consumer confidence. Japanese are also spending less on fashion and more on other categories like home and tech, as they face rising food and utility prices.



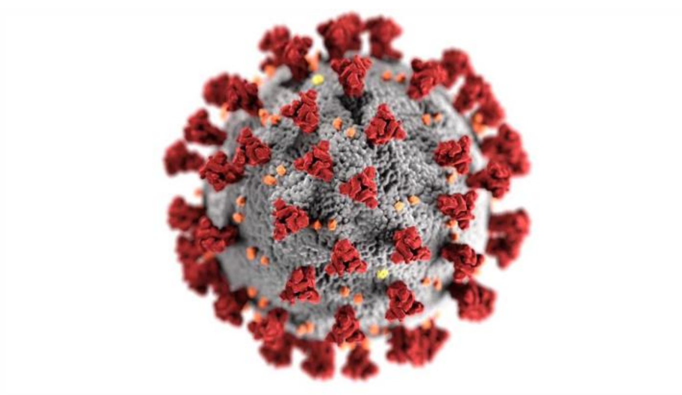
Japanese are spending less on fashion and more on home, tech, food and utilities.

Source: FASHION NAVI https://fashion-navi.info/future/

Japan's 2020 COVID Response: Recovering, but Slowly

Due to sluggish economic activity caused by the global coronavirus outbreak, Japan's real GDP in the April-June period of 2020 was 27.8% lower than the previous year, the biggest drop since World War II. Although Japan did not have a complete lockdown and fatalities are far less than Europe and the US, a "V-shaped recovery" is difficult to achieve due to strong concerns about additional waves of infection. Many economists believe that it will take until around 2024 for GDP to recover from its recent peak in the July-September 2019 period. The main reason for this is the large declines in exports and consumer spending. The decline in consumer spending has had a huge impact on fashion companies doing business in Japan. Renown, once Japan's No. 1 apparel maker, has failed. But as of October 2020, it is a positive sign that not many other fashion companies will be forced into bankruptcy. This is due to the effectiveness of spring/summer bargain sales and discounted inventory disposal through online shopping, as well as government subsidies.

There have been successes and disasters. UNIQLO's comparable store sales in Japan (directly managed stores) increased 29.8% YoY in August. This is the third consecutive month since June that the company has posted positive sales growth. Spending per customer also increased by 3.0%, marking the seventh consecutive month of growth. In contrast, same-store sales at the four major department store operators were down 30-40% YoY in September. J-Front Retailing, which owns Daimaru and Matsuzakaya, saw same-store sales fall 40.6%, Takashimaya fell 35.2%, Isetan Mitsukoshi Holdings fell 32.7%, and Sogo & Seibu fell 29.1%. Since June, when economic activity resumed, Japanese fashion companies and retailers have seen significant divergence. Although Japan's economic recovery is assumed to be faster than other countries, it will still be slow.



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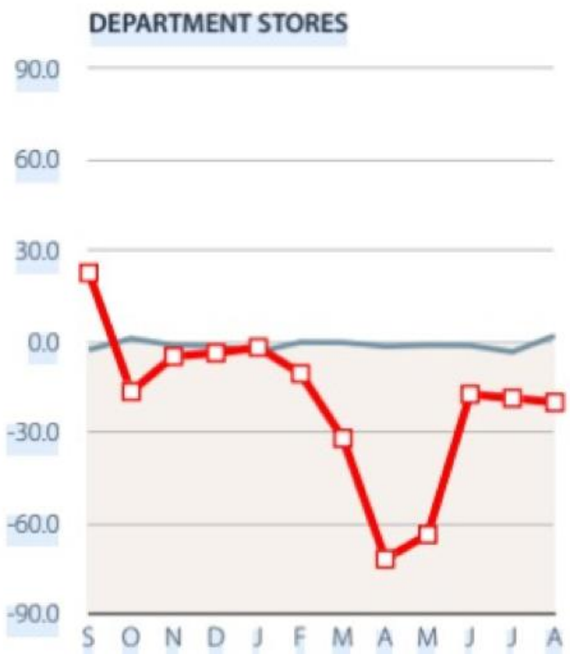
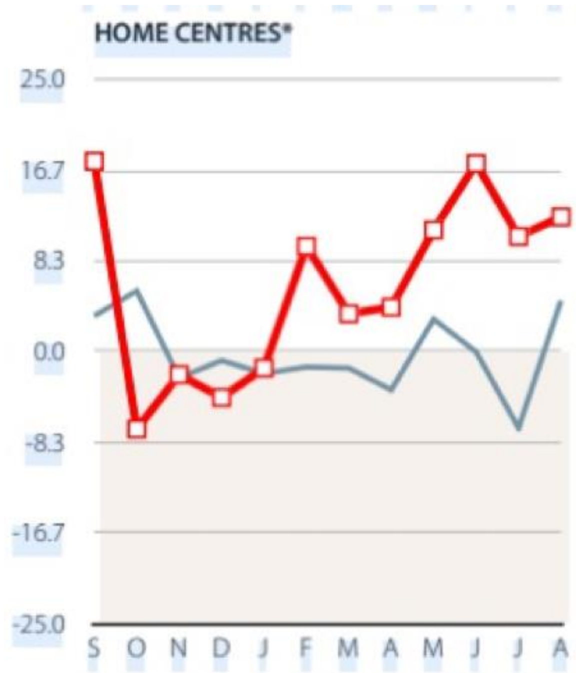
Source: (https://xtrend.nikkei.com/atcl/contents/18/00190/00068/) (https://www.yano.co.jp/press-)(release/show/press_id/2217) (https://xtrend.nikkei.com/atcl/contents/18/00190/00068/)

COVID Impact on Total Retail

For the period of September 2019 to August 2020 total retail sales suffered due to the COVID in Japan. Note that while Department Stores trended down, total retail sales were partially offset with increased spending in Supermarkets and Home Centers as Japanese cooked and focused on their homes.





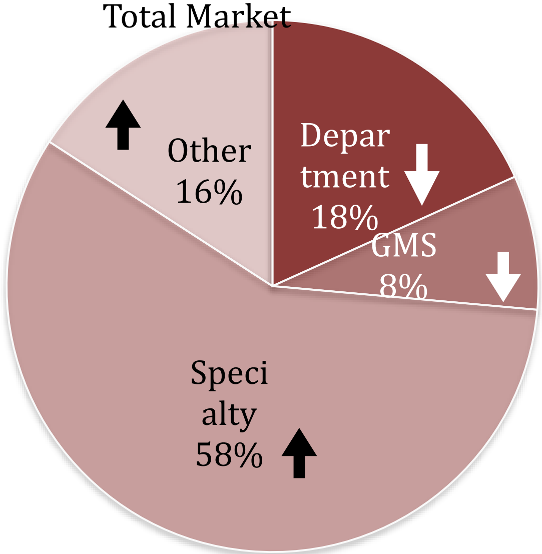
Source: Japan Consuming 10-2019

2. Distribution Trends

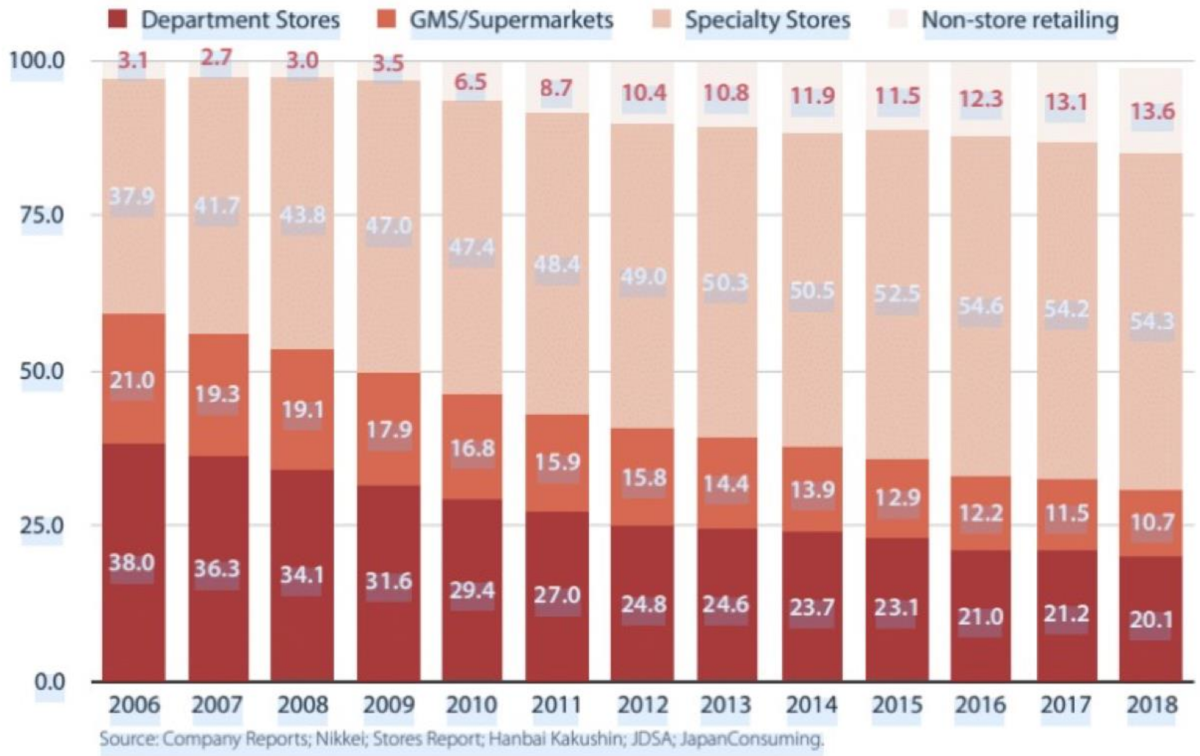
Specialty Stores Dominate the Market and are Growing

The Japan total domestic apparel retail market in 2018 by sales channel is as follows: department stores accounted for 18% of the total domestic apparel market, at ¥1,794.5 billion; mass merchandisers accounted for 8% of the total market, at ¥802.7 billion; specialty stores accounted for 58% of the total market, at ¥5,674.4 billion; and others (e.g., e-commerce, mail order) accounted for 16% of the total market, at ¥1,559.3 billion. The historical share of market graph shows the overall share increase in specialty stores and non-store retailing (mail order, e commerce) over time for the top 100 retailers.

Japan 2018 Apparel Sales by Distribution Channel Total Market



Top 100 Retailers Only Apparel Market Share by Distribution



Source: Company Reports; Nikkei; Stores Report; Hanbai Kakushin; JDSA; JapanConsuming.

Source: Japan Consuming

Slow E-commerce Rise Pre-COVID

Compared to other countries Japan's total e-commerce sales where only growing at a 6% rate pre-COVID. Significantly slower than other countries. In addition, in 2019 e-commence represented 6.76 % of total sales. Although Japan was late to adopt e-commerce, there is now rapid expansion of the e-commerce market in Japan.

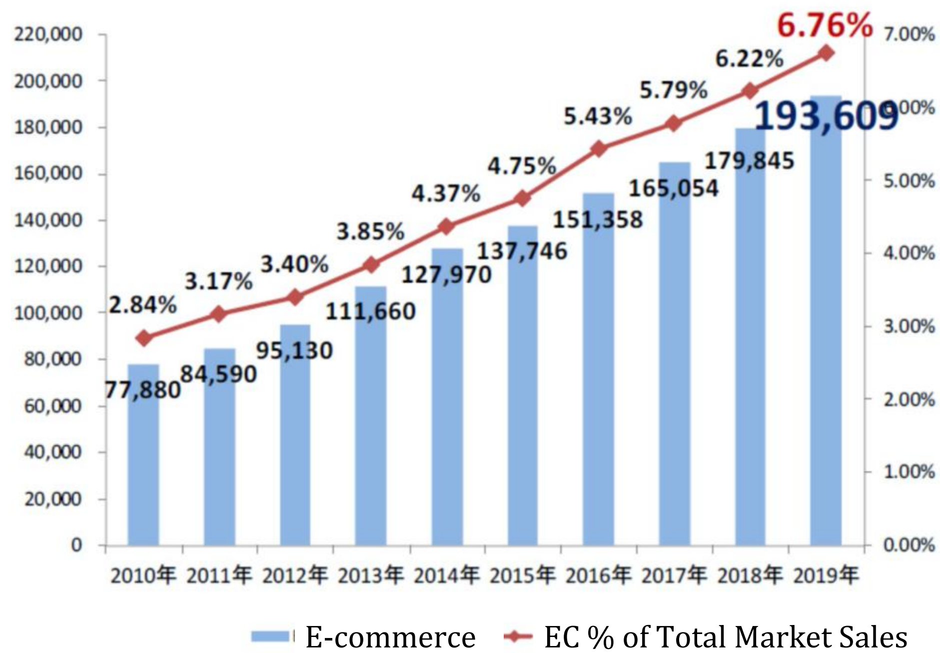
The changes in the social environment caused by the evolution of IT and the spread of smartphones has changed consumers' information gathering and purchasing behavior on the Internet. At the same time, major e-commerce companies and other influential corporations have been a major force behind the changes for consumers. The COVID pandemic has also significantly fueled the use of e-commerce.

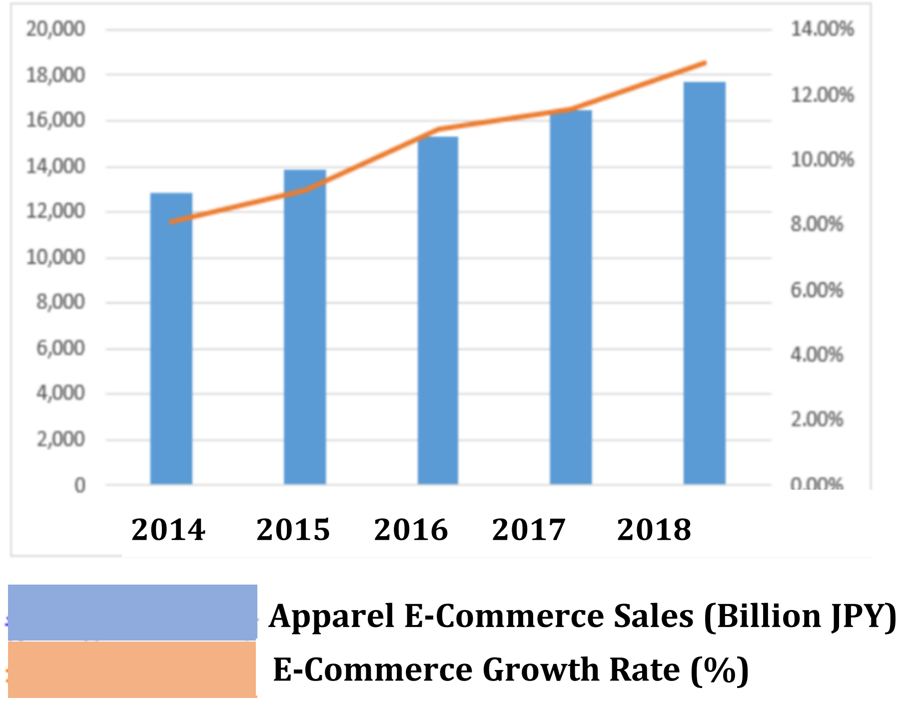
Japan Ranks 4th in total E-commerce (includes apparel)

Ranking	Country	Market Scale (Million US $)	Comparison to prior year
1	China	11,153	35.1%
2	USA	4,549	16.3%
3	UK	1,126	17.1%
4	Japan	953	6.0%
5	Germany	651	11.3%
6	Korea	563	20.9%
7	France	488	16.9%
8	Cananda	340	29.9%
9	Australia	215	12.3%
10	India	209	42.1%

Source: Emarketer (Feb. 2018)

Japan Total E-commerce Retail Trend





Apparel E-Commerce has Higher Penetration of Sales then Total Retail

E-commerce market is growing rapidly, with the apparel e-commerce market size of 1.91 trillion yen in fiscal 2019. The year-on-year growth rate was 7.74%.

Although e-commerce only represents 6.76 % of total Japan retail sales, apparel has a higher penetration of e-commerce representing almost 13% of total sales (pre-COVID).

This reinforces the importance of e-commerce for the apparel industry in Japan.

	E-commerce Apparel Sales	EC as % of apparel retail
2014	1.28 Trillion Yen	8.11%
2015	1.38 Trillion Yen	9.04%
2016	1.53 Trillion Yen	10.93%
2017	1.64 Trillion Yen	11.54%
2018	1.77 Trillion Yen	12.96%

Source: Ministry of Economy, Trade and Industry (METI).

Significant Investment by E-Commerce Companies in Japan Apparel

Companies such as Rakuten, Amazon, and Yahoo, as well as Japanese fashion e-commerce pioneer ZOZO, have made fashion e-commerce more and more convenient for consumers, especially in the volume and trend markets. In addition, the Japanese fashion e-commerce market has been revitalized by the entry of flash sale sites and international luxury e-commerce companies such as YOOX Group, SSENSE and Farfetch.

In recent years, select shops and major specialty chain stores have started to focus on omni-channel shopping, lowering the barrier between consumers and the real world. In addition, more and more services are being offered that take advantage of the large amount of information available on the internet, ease of use, and personalization, making it more convenient for users to get information from a variety of sources.

In the past, e-commerce had been a challenge for companies. But, as the scale of e-commerce expands, companies are investing in logistics and security, in addition to increasing investment in online operation and marketing costs.

Yahoo acquired ZOZO and merged with LINE

Source: savari.jp/ nikkei.com

Luxury Apparel E-commerce Initiatives

E-commerce is a significant trend in the luxury market. Rakuten, one of Japan's largest online shopping sites, announced the launch of Rakuten Fashion Luxury in October 2020. Marc Jacobs, Fred, and Kenzo, all part of the LVMH group, are participating in the launch, which will gradually expand to cover apparel, accessories, and cosmetics.

The company Fred, plans to launch collaborative products with Clot, which will be presented at Rakuten Fashion Week Tokyo, exclusively available on Rakuten Fashion Luxury. The company launched with the aim of strengthening the fashion category and improving services for users on Rakuten Fashion. It also started a dedicated app this year, and there are already over 1,200 select brands participating in this app.

Source: Senken Shimbun https://senken.co.jp/posts/rakuten-201006

The Rise of the Fashion Complex

Department stores used to be the fashion destination for imported brands, but for a younger generation, that is where their mothers shopped. The new generation has different consuming behaviors and prefer shopping in fashion complexes rather than department stores. Luxury brands are shifting out of department stores to where the new generation shops. Now station and fashion buildings are reimagining themselves with high-end retail. In the past these facilities were judged to have traffic, but not enough purchasing power to attract high end retailers, and while they may have opened affordable brands, almost none of them were luxury stores.

The opportunity for retailers comes with the redevelopment of transportation hubs. Shibuya is a prime example where fashion complexes have been reimagined and renovated for the Tokyo Olympics and the inbound customers that were anticipated. The complex has been designed in line with the desires of a new generation of Japanese shoppers. For example ,Shibuya Parco has been built on five core themes: fashion, arts, culture, dining and technology. With a total of 193 shops this experiential location includes museums, event spaces, theaters and galleries with a variety of attractions including anime art and video game events.

Imported brands, such as Gucci, Loewe, and Kenzo opened in the renovated Shibuya Parco in 2019. In addition, Balenciaga, Saint Laurent, Givenchy, Jimmy Choo, Valentino, Bulgari, and Tiffany's opened in Shibuya Scramble Square. In Shibuya Miyashita Park, Louis Vuitton opened their first men's flagship store in the world, with Balenciaga and Prada also opening free standing stores.

Shibuya Parco

Shibuya Miyashita Park

Shinjuku Lumine

Shibuya Scramble Square

Gotemba Premium Outlet Shizuoka

Karuizawa Prince Shopping Plaza Nagano

Growth Of Outlet Malls

Overall sales of outlets in 2018 were estimated to be 887 billion Yen. Although the number of outlet locations did not increase in 2018, sales again achieved their highest level ever in 2018. Because of this growth, brands increased their focus on the outlet mall sales channel. Most brands now develop dedicated product lines just for this distribution channel. Originally when outlet malls were used as a way to clear inventory, many brands did not want to sell under their brand name, but recently brand name exposure is standard, and the position of this sales channel in their sales strategies has changed significantly. The share of leading brands in outlet malls has expanded to 15-20% for luxury brands, and 35-60% for affordable luxury brands. As a result, outlet malls will become the second most important sales channel for luxury brands after department stores and there is significant future potential for this to increase.

Outlet Malls are a strong sales outlet for inbound consumers (tourists) accounting for almost 15% of total sales. For outlets such as Gotemba an Rinku that promote and provide shuttle buses from major metropolitan areas, inbound sales represent as much as 30% of sales.

Major companies such as Mitsubishi Estates and Simon's (40% of the market together) plan to significantly renovate and expand existing malls, as well as open new Premium Outlet locations in the near future.

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Source: Yano Research Institute

The Decline of Department Stores and Shift to Free-Standing Branded Stores

Like the United States, Department Stores have experienced steady declines year-over-year for the past decade. Much of this is due to the growth of alternative distribution channels that are more convenient. In addition, Japanese have shifted their attitudes about value and lower priced mass brands are performing better. Department store sales are also declining because of Japan's declining and aging population. At the same time, younger consumers have migrated to major cities for job opportunities, resulting in store closures in smaller cities.

Major luxury brands have shifted away from the low profit margins of the department store format and have successfully opened free standing branded stores. They have been more successful opening free standing stores in proximity to the department store location. For example, Louis Vuitton opened a large street-level store across the street, after leaving the Isetan Shinjuku store.

We expect to see the trend of unprofitable department store closures continue.

Isetan Shinjuku

Louis Vuitton (across the street)

Source: Yano Economic Research Institute

Rapid Growth of Shared and Reuse Economies

The rapid adoption of services that offer apparel on rental, or reuse of previously owned apparel have grown in popularity in line with consumer's attitudes about fashion. These services offer unique, quality, sustainable, ethical and an environmentally sound approach to fashion and have been quickly embraced by a younger generation.

Leasing & Subscription

Reuse and Vintage

Internet Auction

Flea Market

Why ?

Unique

Quality

Sustainable

Ethical

Environmental

BUSINESS FINLAND

MECHAKARI

airCloset

SUSTINA

EDIST. CLOSET

Laxus

THE BLK TUX

RENT THE RUNWAY

gwynnie bee.

Growth of Clothing & Accessory Sharing

Subscriptions have been a multi-industry trend in recent years and have included office shares, vacation shares and car shares. Apparel specific subscriptions are also growing in popularity. The market for fashion rentals was estimated at 5.6 billion yen in 2018; it is expected to reach 28 billion yen by 2023. Just like Stitch Fix in the U.S., many companies large and small have adopted fashion subscription services in Japan to gain market share.

"Branded" items such as high-priced branded bags and watches have been successful. The popularity of company services has also been boosted by the services of stylists, who can provide full-body coordination suggestions and services that eliminate the need to go shopping.

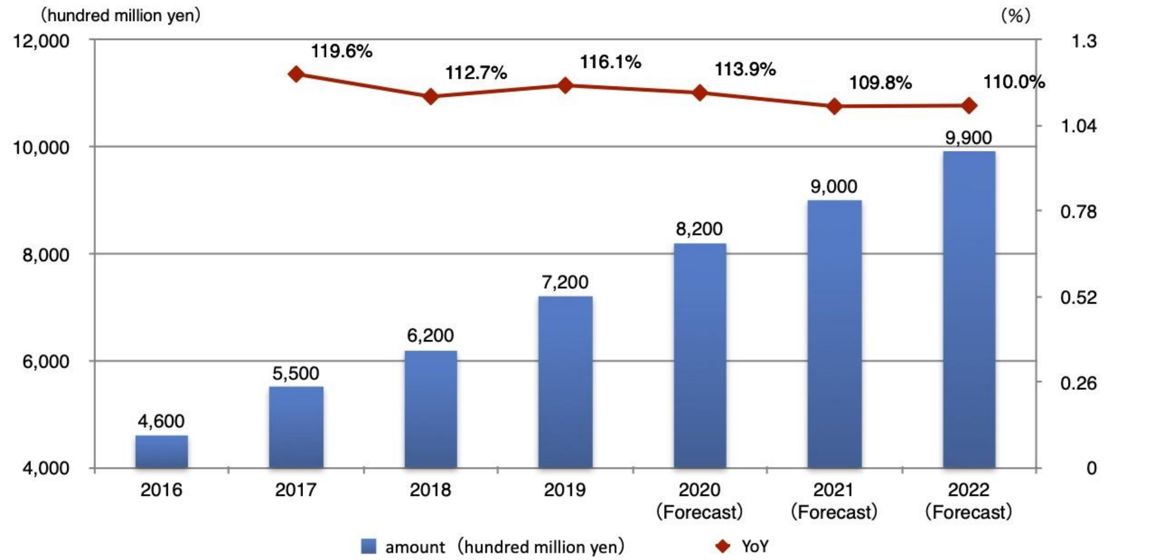
Air Closet, a fashion rental service for women, appears to be steadily growing. Both membership and sales are up a solid 60% year over year in 2018. The company has been increasing its partnerships with brands by offering customers the opportunity to try on clothes through the rental service, rather than visiting stores.

Source WWDJapan https://www.wwdjapan.com/articles/964761
Source: https://www.recycle-tsushin.com/news/detail_4859.php

Growth of Reuse and Vintage

Japan has always had a strong street culture, and second-hand clothes have been a familiar commodity that has deeply penetrated into the general population as a means of expressing fashion. With the rise of sneakers and street casual fashion, and the revival of 80’s and 90’s clothing style among young people, secondhand clothing shops have attracted a new level of attention. In addition, the ease of customer to customer online applications and the sense of sustainability have become a driving force.

In the middle market and mass market, there are many large suburban second hand stores, such as 2nd Street and BOOK OFF, that offer clothing, household goods, books, games, and other items for the whole family. In the past, the secondhand clothing boom was dominated by American casual and army-style clothing, but more recently, specialty secondhand clothing stores began to appear specializing in designer brands with more expensive prices. Pawnshop giant KOMEHYO has also opened stores in large cities, particularly in prestigious retail areas like Ginza, to carry a variety of luxury brands. Reuse items are also available in the main stores of Louis Vuitton and Gucci.



Survey by Yano Research Institute

Note 1. Based on the retail price, not including handling fees at C2C service providers (apps/websites).
Note 2. Values for 2020 and beyond are forecasts.
Note 3. Market includes clothing, apparel goods, jewelries/precious metals, kimonos/draperies, outdoor goods/ imported brand items. General home appliances, smartphones, games, CD/DVD, toys, old coins, musical instruments are excluded.

Source WWDJapan https://www.wwdjapan.com/articles/964761

Growth of Reuse and Vintage Interview on the Street Video (Translation on following page)

Growth of Reuse and Vintage Interview on the Street Video

This video offers a glimpse of young, trendier Japanese in the heart of the Tokyo fashion district, Harajuku. This area has always featured vintage and reuse stores. But for a new generation reuse and vintage is becoming more popular and the market has been growing in Japan. They want to express themselves as individuals, and not wear the same clothes as their peers. They also enjoy the treasure hunt to show their own unique style.

(Translation)

“Japan’s trendy destination, Harajuku, is a key place to purchase used clothes and there are many signs for reuse shops.

There is no resistance to used clothes.
“I don't like wearing the same clothes as others.”

“I like old clothes because I can buy clothes that other people don't wear.
I like going to thrift stores. Because it’s cute and you won’t get bored.”
Are you selling your old clothes to thrift stores? “Yes, I do.”

Are you wearing old clothes? “Yes, I am.”
“The moment I saw them, I wanted this pair of pants.”

“All are used clothes except shoes. I only have old clothes. I like buying second-hand clothes because it feels like a treasure hunt.” “

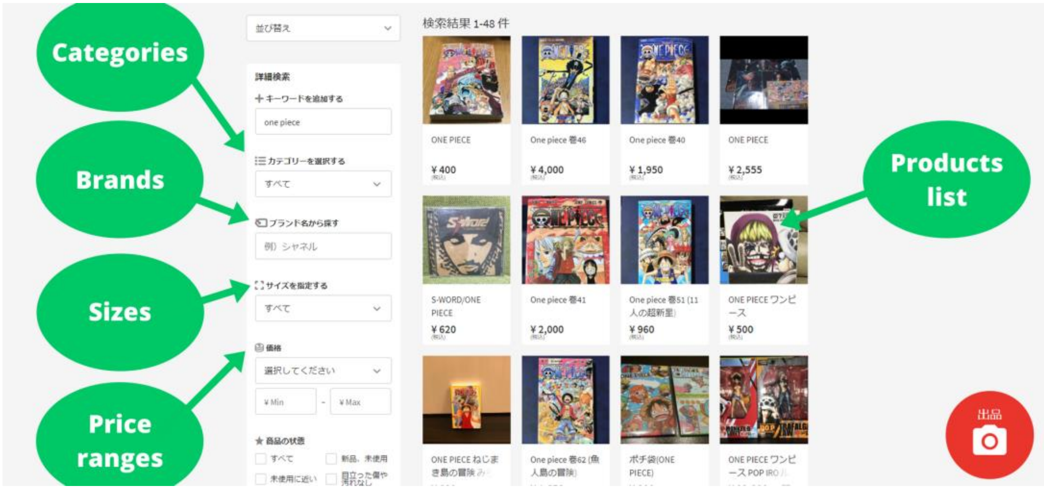
Customer to Customer Flea Market App

With the proliferation of smartphones, the market for consumer-to-consumer product purchases using applications is expanding rapidly. In the apparel industry this has included a surge in online auctions and flea market apps.

Yahoo Auction, which opened in 1999, and mercari, which was established in 2013, are the leading customer to customer market applications in Japan. Mercari is a "flea market" app where you can buy and sell both used and unused items. As of 2018, the number of domestic downloads of the mercari app surpassed 71 million. The market size of the flea market app market is 639.2 billion yen, growing rapidly for the third consecutive year. By age group, 47% of users are teenagers.

The main reason for the widespread use of flea market apps can be attributed to a change in thinking about used goods. Resistance to second-hand goods and a decrease in the preoccupation with new items have had an impact. As a result, it has become a major contributor to the recycling society. It is so popular that some people have a dedicated device just for the app. More than one in every two Japanese use it.

The psychology of the mercari user is to feel good. Based on research, the seller is motivated because they want to sell to someone who is like them and will utilize the item so they don't have to feel guilty about throwing it away. The buyer says they want to have peace of mind about their purchase. There are users who want to sell to someone they can relate to and buyers who want to buy with confidence and understanding. This is the site's psychology rather than competitive spirit or a desire to sell at a higher price.



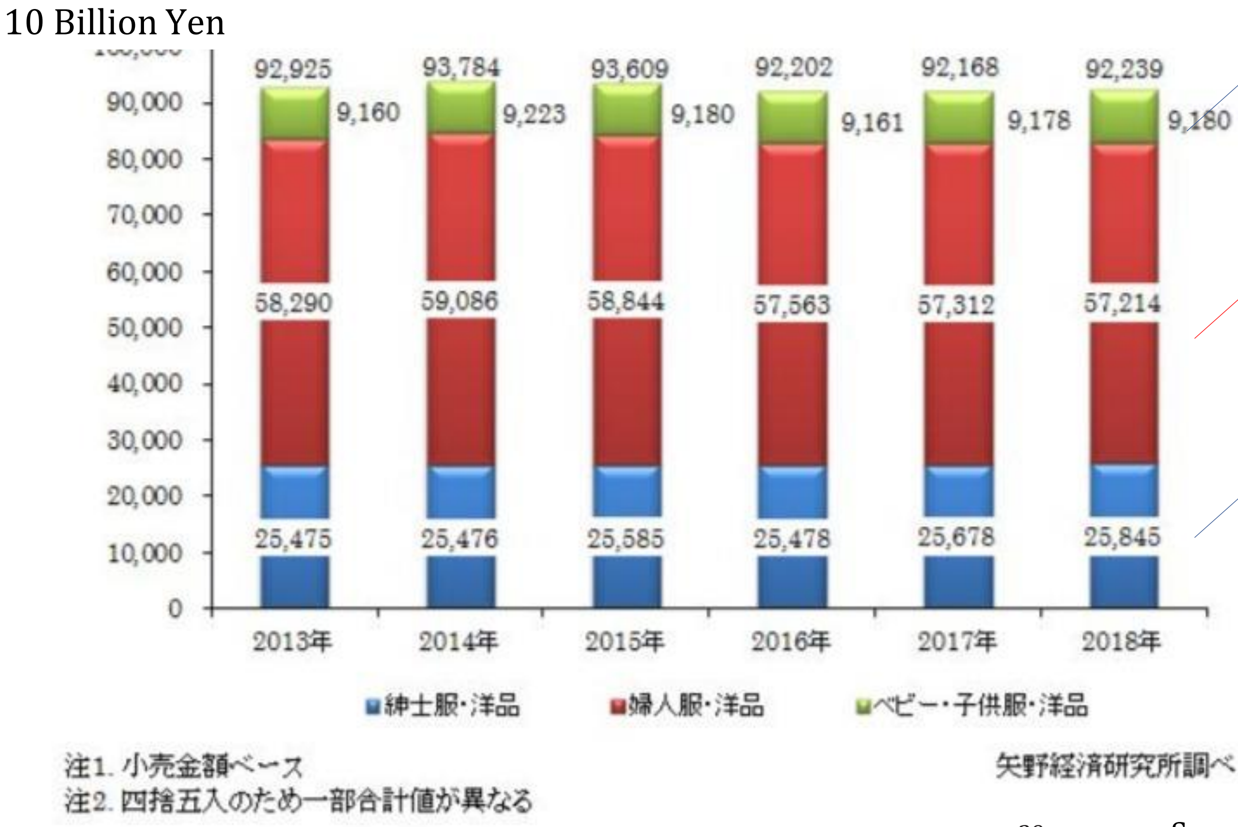
Source: Hakuhodo's "Survey of 10,000 Consumers,"
Source: "Development of Infrastructure for a Data-Driven Society in Japan 2018".
Source: TOYO KEIZAI ONLINE: https://toyokeizai.net/articles/-/297341
Source: https://about.mercari.com/press/news/articles/20190425_consumersurvey/

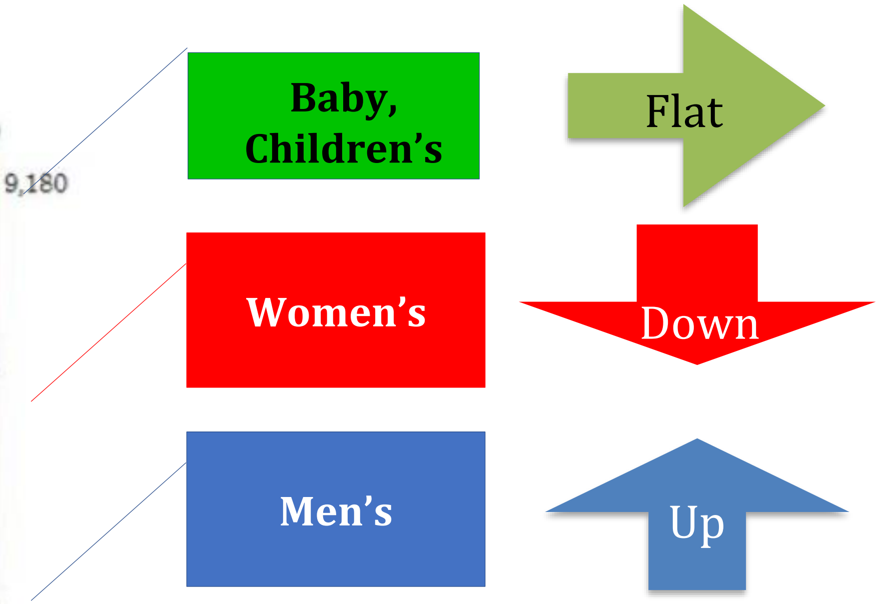
3. Category Trends

Women's Down, Men's Up, Children's Flat

In 2018, the total domestic apparel retail market was up only .1% over the previous year's total retail market size achieving 9,223.9 billion yen, remaining flat for the second consecutive year. Looking at the market by product category, the women's apparel market was down .2% versus the previous year to 5,721.4 billion yen, continuing a downward trend over the past few years. The men's apparel market was slightly up .7% over the previous year to 2,584.5 billion yen, continuing an upward trend. The baby, and children's apparel market was relatively flat compared to the previous year at 918.0 billion yen.

Japan Total Apparel Sales Trends





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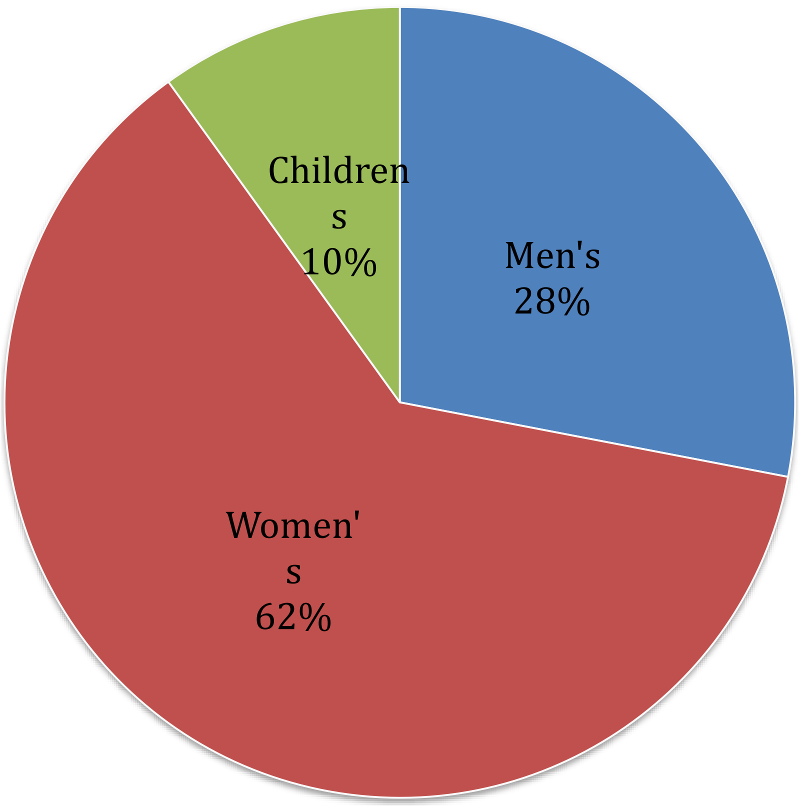
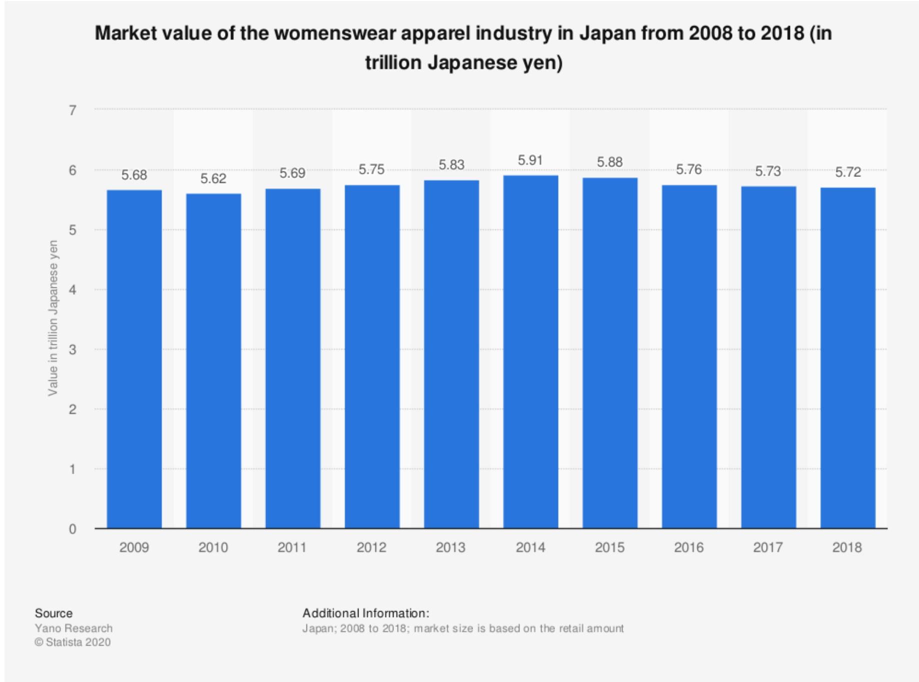
Source: Yano Research Institute (Apparel Research Report)

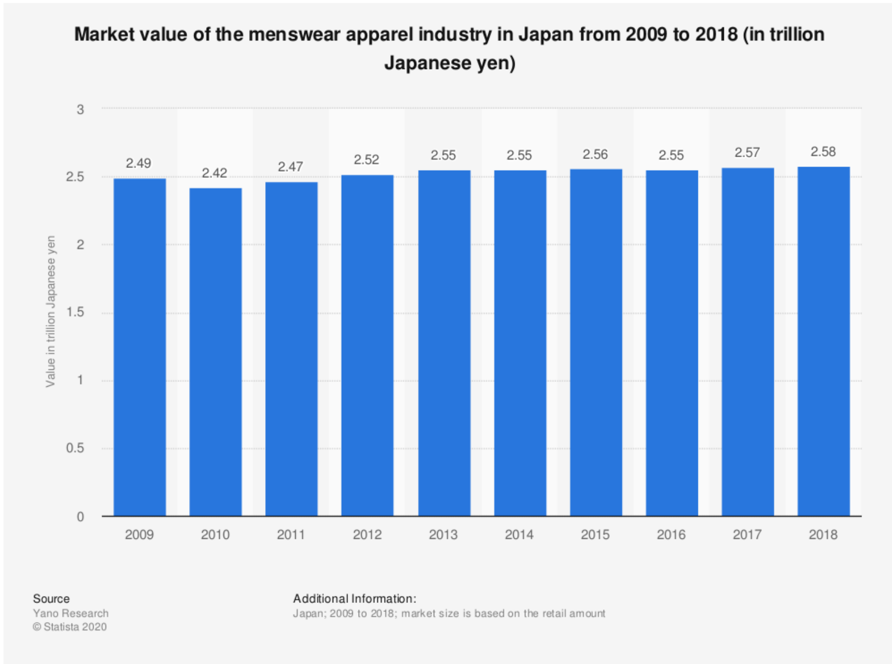
Women’s Largest Category, Although Flat to Down

Women’s apparel represents 62% of the total industry, although sales trends have been trending flat over time this is still a very large market. Men’s represents 28% of the market and has been growing slightly over time.

2018 Apparel Sales by Category







Source: Yano Research Institute (Apparel Research Report)

Women's Style

This provides a range of looks that represents the core apparel style for Japanese women in 2020. This represents were the bulk of the apparel market resides with a range in styles from clean working style to printed, loose fitting dresses.

Working Style

Office Casual

Basic Casual

Casual Accessory Scarf

Street Casual Trend

Street Casual

Conservative Basic

Basic Casual

Print Dress Lady Like

Print Dress

Men's Style

These looks represent the core apparel style for Japanese men in 2020. This is where the majority of men's apparel currently sells. The working look is consistent among all "salary men." Tones of black, grey and white dominate the market.

Working

Casual Basic

Casual Short Pants & Sleeve

Street - Sport

Casual American Style

Fashion Trends

The fashion industry is constantly changing, but for the past year or two, the three trendy keywords have been "logos," "sneakers" and "reprints."

Return to the Logo

It is said that fashion trends repeat themselves, and the "logo" boom has recently been extremely widespread both in the number of items with logos and the purchasing behavior among customers.

In particular, 90's fashion has become the trend for millennials, and most brands are using their logos on a vast array of their collection items. The popularity among the millennial generation is also because logos look good on social media.

From luxury brands to the mass market, we are witnessing the return of the logo boom. The street style driven by luxury brands and the popularity of vintage clothing among the millennial demographic have combined to create a brand logo boom like in the 1990s. Casual brands such as Gap and GUESS, as well as luxury vintage brands like GUCCI, all have large logos on the front of their sweatshirts. This design has a history of branding and is based on a decades old design. In recent years, small, one-off logos on the sleeves of down jackets have also become a hit, and although the aforementioned large logos are too youthful for the middle age group, every down jacket brand, especially the more expensive down jacket brands, like Moncler's sleeve logo, are eager to embrace them. Logos are becoming a trend even for mid-priced brands. Prada's recent collection, also featured a number of items with the brand's logo, and the company expects this trend to continue.

Fashion Trends

Sneaker Sales Increasing Among Both Men and Women

An increasing number of brands are selling sneakers as part of their product offerings. Even dress shoe and pump brands are now including them in their collections. The percentage of sneaker sales has increased dramatically over the past year in Japan. Among luxury brands, ¥100,000 yen sneakers have become popular as an entry-level product. Many of these items are designed as limited edition collaborations. They become unique, trendy, and coveted. They are easy to wear, for both men and women.

Isetan's Men's Pop Up

Fashion Trends

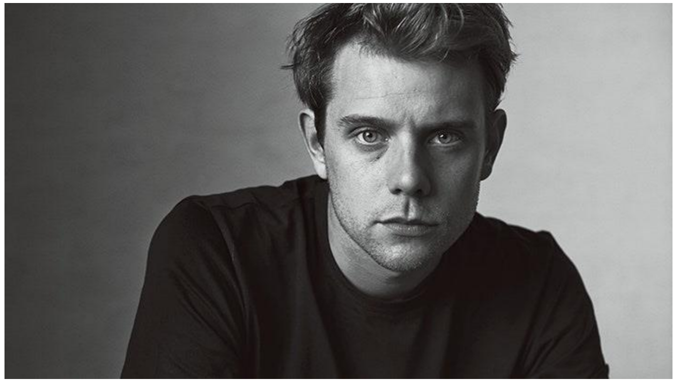
Reprints : Re-offering Brand Classics

Legacy brands are reaching back into their archives and reintroducing brand classics to a new generation. The development and sale of "reprinted" products is increasing, and a strong trend is emerging across the apparel industry. One factor that is behind this trend is the increasing number of designer changes at large brands. The brand's past archive is a good opportunity to review the DNA of the brand, reinterpret and then reinvent.

Top brands have hired new design directors who are reinventing brands by reaching back to the brand's core DNA. These include Louis Vuitton, Dior and Loewe.

This approach for the millennial generation also makes it easier for them to understand the important items that distinguish and represent the brand. By adding 90's elements such as the logo, big silhouette, and street fashion, brands are able to create a nostalgic effect for their old fans, and a novelty effect for their new customers.

Virgil Abloh for Louis Vuitton and Kim Jones for Dior, now changed to Fendi



Jonathan Anderson for Loewe

Fashion Trends

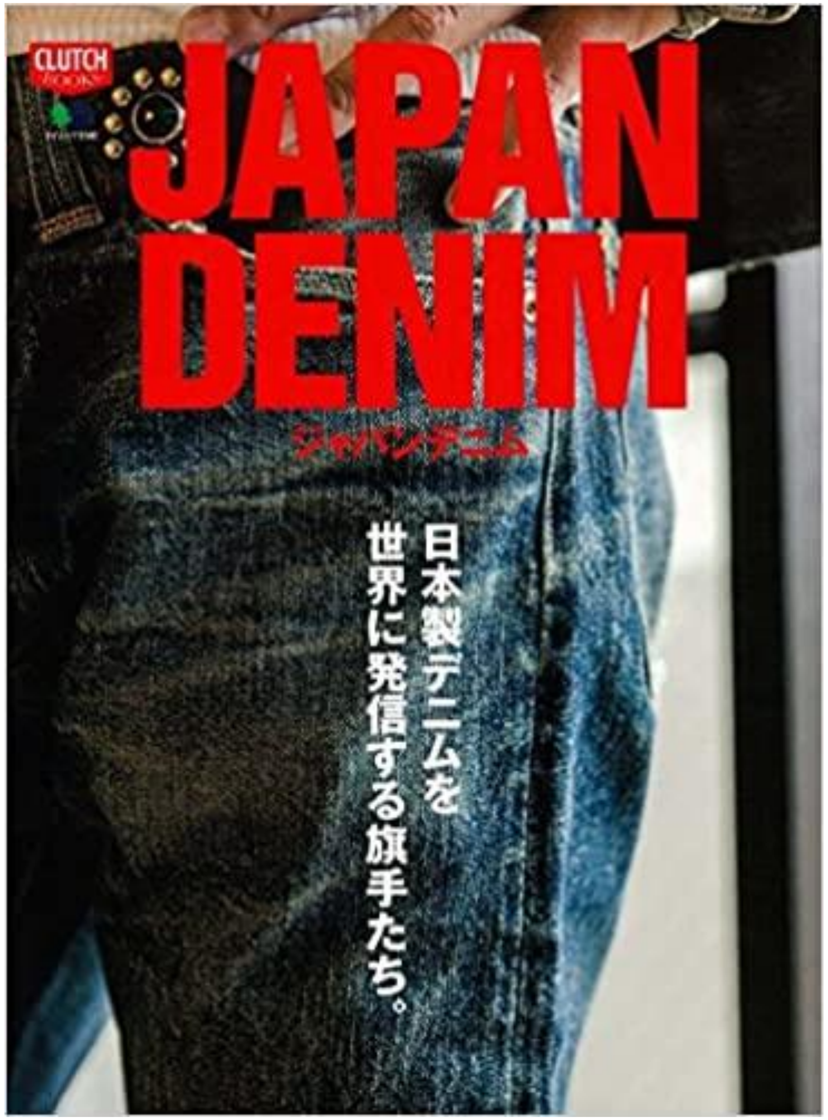
Japan’s Vibrant Street Wear Culture

Tokyo’s Harajuku, and Shibuya neighborhoods are a fashion mecca for the young to shop and be seen. Street and sports styles are all the rage from the luxury buyer to the mass market. Street styles mirror the popular trends in urban centers around the world. Balenciaga and Supreme are particularly popular at this time. These are often combined with vintage clothing and items from the past including everything from luxury designer vintage clothing to old casual brands like GAP.

Youtube Influencer on Buying Sneakers

Street Style Tokyo Fashion Week Fall Winter 2019 - 2020

Fashion Trends



Appreciation of Quality, Craftsmanship and Technology

The appreciation of craftsmanship, historical artistry and techniques, as well as technology and innovation have gained a new appreciation among the Japanese. In the apparel market, demand for high quality and high functionality clothing is on the rise. The Japanese have recognized the superiority of Japan products compared to the disposable quality of imported fast fashion brands. The increase of foreign tourist and their appreciation of Japan quality has also increased awareness among the Japanese. Brands with a historical quality legacy or recent technological advances are attracting more attention among Japanese consumers.

No seam Knitwear

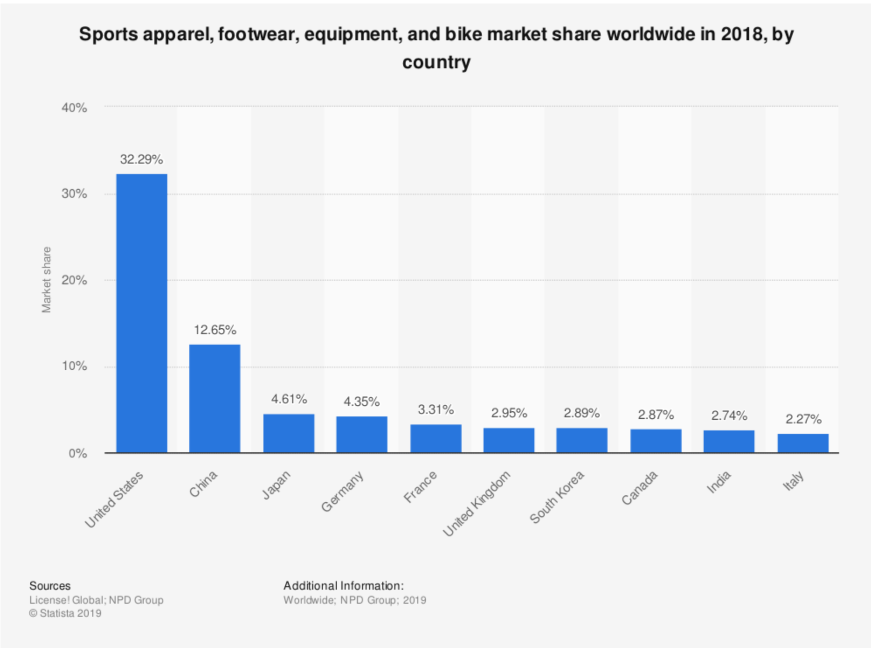
Traditional Craftsmanship

Fashion Trends

Volume Trend - Loose, Oversized for Men and Women

For Japanese, who are petite by global standards, it has long been a challenge to wear in-style imported brands. It was difficult to find the right size because the sleeves of western designs were too long and the thickness of the body was different, especially for men. In the past, when European and American designer brands entered the Japanese market, a XXXS size was introduced, and conversely, when Japanese men's brands entered the international market, Japanese XL size was changed to M size in the U.S. In contrast, one of the reasons why Kuro is gaining share of the Japanese market is because of its size range. In particular, in the middle price zone, Japanese women's domestic brand offers loose silhouettes for fashion conscious consumers in their 30s-50s that cover their body shape. These are consistently popular in Japan. Note that although the body hugging dress is popular in the US and Europe, it is not in Japan. While a small segment may purchase this style for a night out, unlike other countries this is not a big market in Japan. In addition, note that Zara and H&M do not offer original size development in Japan.

Fashion Trends



Source: Yano Research Statista 2020

Sportswear Apparel for Daily Wear

Japan ranks as the 3rd largest country in sports apparel sales after the US and China. Recently, sportswear brands are becoming more common as they enter the daily wear lifestyle arena.

More and more people are adopting outdoor clothing, shoes, and bags as casual fashion, with the majority of them being young men and women in their 30s and younger. It has become mainstream to incorporate clothing and rainwear into fashion as outerwear. The number of people who use outdoor clothing and shoes is increasing not only in the casual scene, but also in the business scene. In the casual scene, young people have been the main users, but in the business scene, middle-aged people are using outdoor products. The number of people who use rainwear and down jackets instead of coats in winter, as well as sweat-absorbing, quick-drying and odor-proof inner wear is increasing.

Japan has traditionally been strongly influenced by street style, and has incorporated sports and outdoor activities into its daily life. High performance casual brands such as Onitsuka Tiger, Snow Peak and Montbell have been accepted as fashion brands in the mass market, And there have been collaborations in the luxury market including Sacai and NIKE. One of the most popular brands in Japan is The North Face. Its logo T-shirts have been selling well, and in autumn/winter, its mountain jackets and other outerwear products have become popular

The sportswear market is expanding, driven by the outdoor lifestyle market. In terms of the future outlook for the Japanese market, the domestic outdoor/lifestyle market is forecast to grow +7.6% YoY to 119.62 billion yen. In interviews with manufacturers and retailers, many believe that popular brands will remain popular in the lifestyle scene for the foreseeable future, and the indication is that the trend continues.

Fashion Trends
Popularity of Sportswear Bags and Backpacks

Among high school and college students, square sacks and packs, such as Fuse Box, are increasingly being used as school bags. Students carry round a lot of heavy items such as textbooks, notebooks, and club equipment, so outdoors' durable sacks and bags with good storage capacity are popular.   In some areas, new student parent orientation sessions include the fuse box as an example of a desirable commuter bag, and students are instructed to purchase a similar product. Although fuse boxes have been in the spotlight for some time now, no retailers has yet noted a modulation of the trend, and it is expected that they will continue to be the staple product of choice for many students and business people moving forward.

In addition, shoulder bag type products for small items such as smart phones and wallets are also popular among men and women. Especially, “sakosh" which are being sold by not only outdoor brands, but also fashion brands.

BUSINESS FINLAND

Source: FASHION NAVI https://fashion-navi.info/future/

Fashion Trends

A Boom in Outdoor Footwear

Outdoor shoes are known for their waterproofness, warmth and grip in stormy weather, and in recent years, outdoor brands have been increasing their lineup of lifestyle shoes with easy-to-use designs. Outdoor brands have also expanded their sales channels to include not only outdoor specialty stores, but also fashion select shops.

Also, the thick-soled trend is fueling sneaker demand. The demand in thick-soled shoes led to the popular brand, Hoka. The trail running brand Salomon, is also popular. The French company collaborated with high-fashion brands (e.g. Ganryu) to enhance its brand image, and is working to raise awareness of the brand both for the fashion scene and for athletes.

Strappy sandals, a sandal with a belt that holds the forefoot and ankle in place, are now being sold not only by outdoor brands, but also by high fashion brands, and have become a summer fashion item for both men and women. Teva's and Chaco's strap sandals are offered as a summer staple at select fashion stores, and the company has received many inquiries for its color-specific models. Keen, which is based on the concept of "protecting your toes," is another outdoor sandal brand that is highly recognized. The company's outdoor sandals are now available at camping and other specialty stores, further increasing their recognition as an outdoor footwear brand. TNF introduced a strap sandal in 2019 that simplifies the process of putting on and taking off the sandal. Japanese always remove their shoes when entering their homes and often at restaurants. Easy on-off shoes are popular. Outdoor sandals are often used in summer outdoor leisure scenes such as camping and outdoor festivals, and brightly colored products are often offered as a popular choice. In recent years, more and more people are also using as casual fashion from spring until autumn or as office shoes, and the popularity of black and gray colored items is increasing. Keen is proposing a range of items that can be used in the business world.

BUSINESS FINLAND

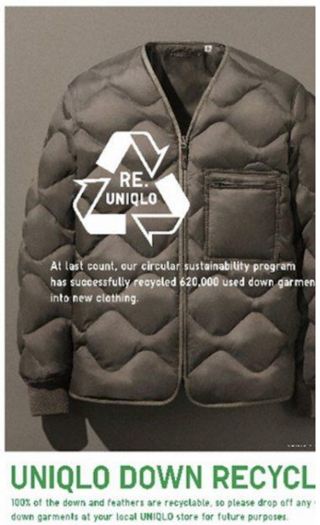
Source: FASHION NAVI https://fashion-navi.info/future/
https://www.yano.co.jp/press-release/show/press_id/2329 (Yano Research Institute)

Fashion Trends

Down Jackets a Winter Staple

There are three segments of the down jacket market: luxury, middle market and mass. All three have become a staple item for the Japanese in the winter months. In the luxury market Moncler's performance has been driven by the success of various projects, including the Genius Collection, a collaborative collection with several unique designers. Many department stores say that despite recently mild winters, Moncler was the clear winner. Not only were they successful in driving sales of down jackets but sales of non-down items are growing as well. In 2019 Canada Goose exploded, but still trailed Moncler. There is also middle market for down jackets (around 70,000 yen) and UNIQLO's inner down jackets (around 5,000 yen) have become a staple as well.

Wholesalers have high confidence in this product as a material that can command a high unit price. However, there are concerns about future trends in this product, such as the warm winter, intensifying competition due to market expansion, and a lack of replacement purchases from an ethical standpoint. Uniqlo has started their down recycling program to address sustainability.



Outdoor

According to the Yano Economic Research Institute's "Survey on the Outdoor Market" (2019), Japan's outdoor market was worth 50.77 billion yen in 2018, an increase of 7.5% compared to the previous year. The light outdoor segment (camping, hiking, outdoor festivals, etc.) accounted for 54.8% of the total market, followed by the lifestyle (city walking) segment that accounted for 22.2% of the total.

In the outdoor market, camping continues to be popular among a wide range of consumers from the young to senior citizens, and this light outdoor sector continues to expand. As more and more people are enjoying camping there has been an increase at sports mass merchandisers. The camping equipment section is now open year round. Some campgrounds are full every day during major holidays. In addition to demand for facilities, demand is spilling over into related products and lifestyle apparel, shoes and bags continue to perform well. The lifestyle segment, where outdoor branded clothing and shoes are used on a daily basis, has become a major market for leading apparel companies. Outdoor brands are being embraced for walking around town, traveling, and commuting to work and school. The market continues to be strong and the lifestyle segment is expected to grow even faster than the light outdoor segment.

Sports retailers are developing outdoor specialty stores and renovating existing stores. The company Alpen, is opening more "Outdoors" stores. The company has also moved to open new stores specializing in outdoor and mountaineering. And with the entry of a number of new companies into the market, the outdoor equipment market is expected to continue to grow.

Outdoor activities have always been popular with the Japanese. Trend setters began a craze for “Glamping” or glamour camping a few years ago, and now COVID has lead to further interest in camping among the population. It is easy to secure social distance and enjoy Japan’s beautiful mountains, lakes, rivers and oceans when camping and hiking.

Source: (https://xtrend.nikkei.com/atcl/contents/18/00190/00068/) (https://www.yano.co.jp/press-)(release/show/press_id/2217) (https://xtrend.nikkei.com/atcl/contents/18/00190/00068/)

Fashion Trends

Retailer Success: Workman

Workman was until recently, a quiet success story supplying specialist work clothing and uniforms using a franchise store model. Over the years, it has gained a growing following among mainstream consumers thanks to labor tested quality and an unmatched authenticity for rugged gear. It was the most profitable retail company in 2019.

Workman Plus is a new chain targeting consumers with ranges of sports related apparel in conjunction with suppliers like Mitsubishi Shoji Fashion. Workman Plus will accelerate growth in the next 5 years by focusing on outdoor and active wear together with workwear. The offering is only 300 SKU's with a wide assortment of outerwear for every season, sportswear and basic apparel such as denim, sneakers and deck shoes. The core price point is from 980 Yen to 2,900 Yen. The most expensive item is a 6,800 Yen coverall made for bicycling commuters. Other major categories are gardening, hiking and running. Their success in the "athleisure" and outdoor fashion markets is due to Workman's existing reputation for low cost performance.

Workman targets "anti-glamour" and those wary of the inflated prices of famous brands. As the success of Uniqlo and others have shown, many Japanese are looking to buy on value rather than on brand name alone.
Recently, rather than fashion designers, Workman has engaged 30 YouTubers, to collaborate in the development of new products. YouTubers include a variety of people such as a camp blogger, yoga instructor, travel reporter, and motorcycle hobbyist, as part of their ambassador marketing. These influencers are more knowledgeable of the active lifestyle and the needed functionality of products that enthusiasts want.

Workman Plus will take on the French retailer Decathlon, as the French retailer attempts to build a chain of stores in Japan. We expect imitators and new activity in this area due to Workman's success.

Source: Japan Consuming 10-2019, fashionsnap.com October 3, 2020

BUSINESS FINLAND

Fashion Trends

Stay at Home Trend

Home furnishings sales have continued to increase over the past few years, and since the COVID outbreak, this trend has accelerated. Sales of mid-priced furniture, comfortable loungewear, cooking utensil and other products for the comfort of the home have increased. More Japanese are working from home and their apparel needs have shifted. We see an abundance of casual and comfortable lounge wear among mass brands such as Uniqlo.

Interior Design "Japandi" = Hygge + Wabi-Sabi

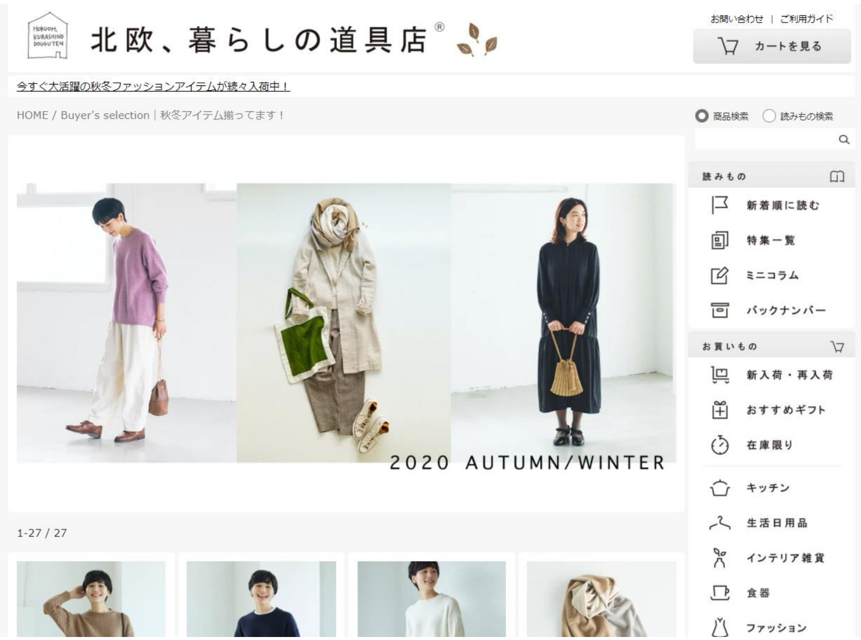
One of the key interior design trends for 2020 is "Japandi." Japanese interiors are often sleek and elegant, but can come across as stark. With the addition of modern, more rustic details in Nordic Design and the Scandinavian concept of "Hygge" a beautiful balance of simplicity with texture and comfort is achieved. Both cultures have a love of simplicity, functionality, craftsmanship and natural elements. Japandi is becoming more popular with an interest in a simpler life that is sustainable. Core to this trend is natural materials, simplicity, soft and deep colors, the elimination of the superfluous, artisanal pieces and incorporating nature.

Scandinavian Lifestyle & Fashion for Japanese

Although the Japanese have a strong association of Finland, as a country for home interior elements, more than fashion. The Scandinavian aesthetic of clean designs, natural colors, comfort and long lasting quality also carries over to men's and women's fashion. The Japanese understanding of Scandinavian clothing is a clean design in natural, and textured fabric.

There is a popular Scandinavian Lifestyle site called HOKUOH KURASHINO DOUGU TEN which has over 1 million followers. This popular Japanese blog style online store run by Kurashicom Inc. has a 14 year history as a pioneer in story-style online commerce.

HOKUOH KURASHINO DOUGU TEN
https://hokuohkurashi.com/
https://www.instagram.com/hokuoh_kurashi/?hl=ja



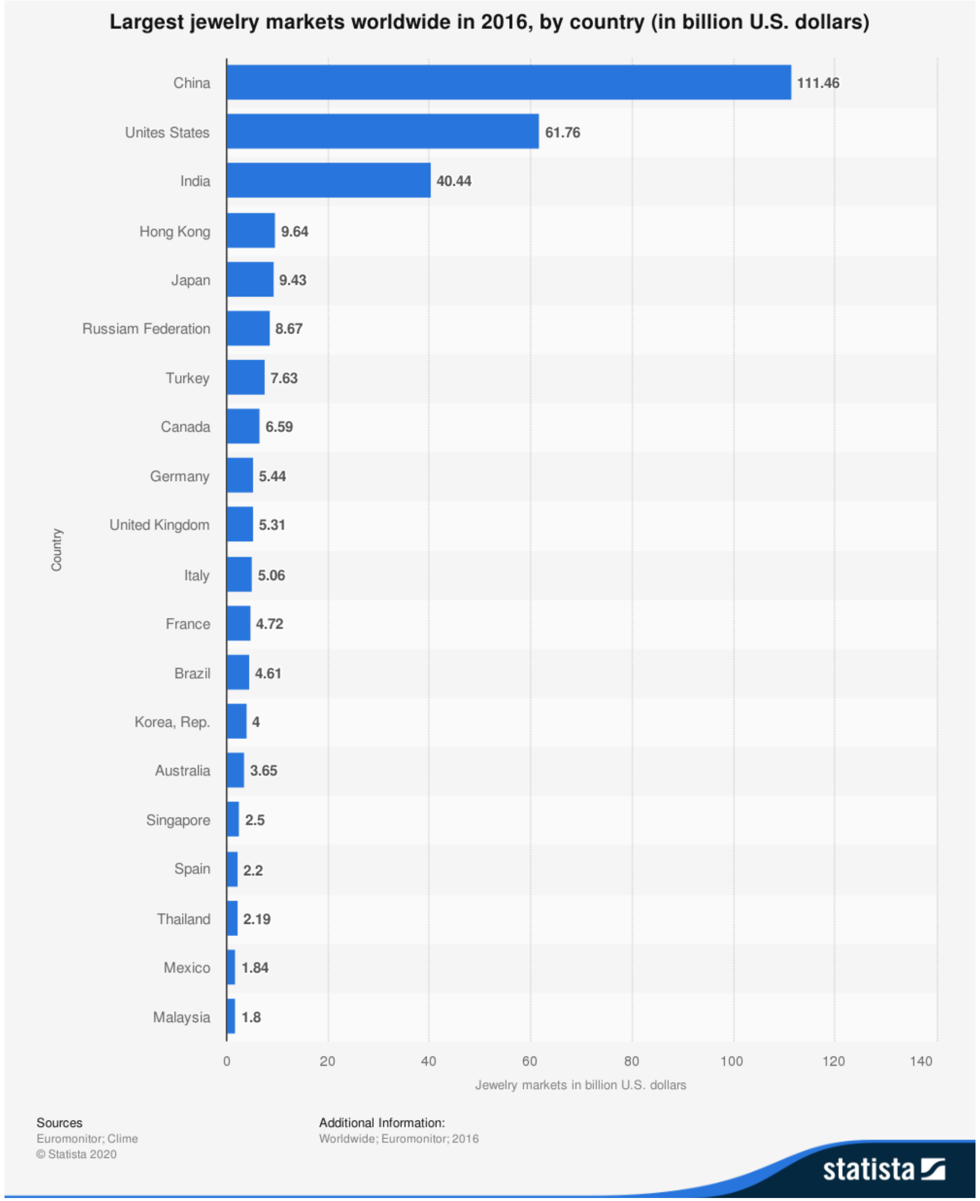
Fashion Trends

Rise of Korean Fashion Brands

Korean fashion is also a trend among young people. Rakuma, an app run by Rakuten, has released the results of a survey of its users regarding their "favorite fashion references." For the question about which countries other than Japan they look to for fashion inspiration, South Korea was the most popular country for teens and 20-somethings, the U.S. for those in their 30s to 50s, and France for seniors in their 60s and older.

The influence of K-Pop and Korean dramas has been significant in the acceptance of South Korea among the younger population. South Korea also has a reputation for craftsmanship, compared to China. On October 8, 2020, the first domestic store of the Korean specialty store “A Land" opened in Shibuya. About 900 people applied for part-time jobs to work there and the line was around the block when the store opened, showing the popularity of Korean fashion. The core price range is 6,900 yen for tops, 7,900 yen for bottoms, and 15,000 yen for outerwear. Estimated spend per customer is 9,000 yen. The first store's sales target for the first year is 700 million yen. In the future, the company aims to achieve annual sales of 1 billion yen per store.

Dolly & Molly with 10,000 stores in South Korea and China opened their first stores in Japan. The clothing is based on the latest European designs, but made for the Asian physique. The Japan market is 3 times larger than South Korea making it an attractive expansion option for Korean brands.



Source: Statista 2020,

Jewelry Market Projected for Growth

Japan ranks as the 5th largest country in jewelry sales at 9.43billion US$.

The Japanese jewelry market has witnessed continuous growth in the past few years and is projected to grow even further during the forecast period (2020-2024). The market is expected to be driven by various growth enhancing factors such as the growing number of online shoppers, growing female labor force, a growing number of social network users, as well as a growing tourism industry.

In regards to jewelry design, Japanese women have a preference for tiny, delicate, discreet designs, that are not flashy. Japan has the highest consumption of platinum jewelry per person. Platinum is especially popular for weddings because it is seen as more valuable than silver. Gold is also particularly popular, rather than silver or copper, because of how it looks with the Japanese skin color. Gold is also a symbol of good fortune and is easier to maintain.

Note that the market is not free from challenges that are hindering its growth. Some of the major challenges faced by the market are the decreasing female population, declining marriages and cyber fraud.

Key Players

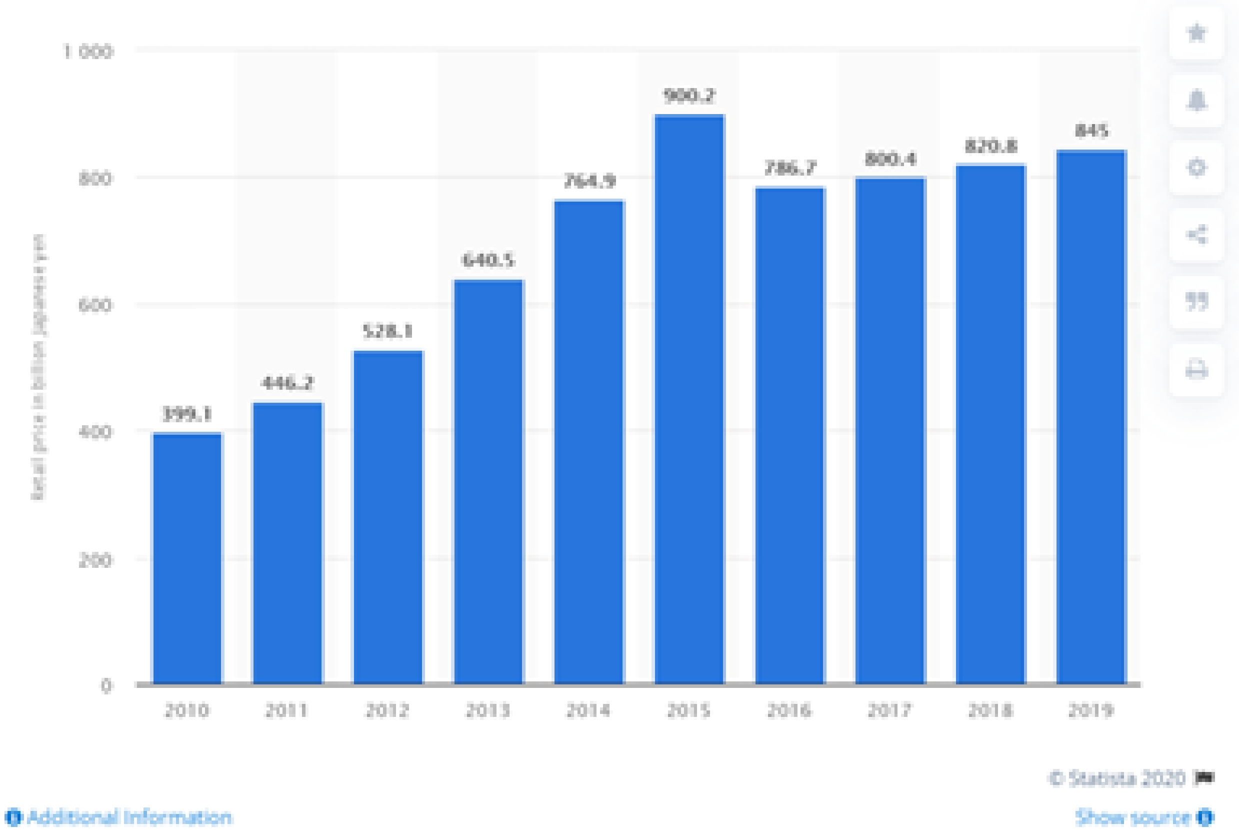
TASAKI NIWAKA 4°C
MIKIMOTO STAR JEWELRY

BUSINESS FINLAND

Watch Market Projected for Growth

Jn 2019, the retail value of the watch market in Japan was forecasted to amount to around 845 billion Japanese yen, a 2.9% increase from 820.8 billion yen in the previous year.

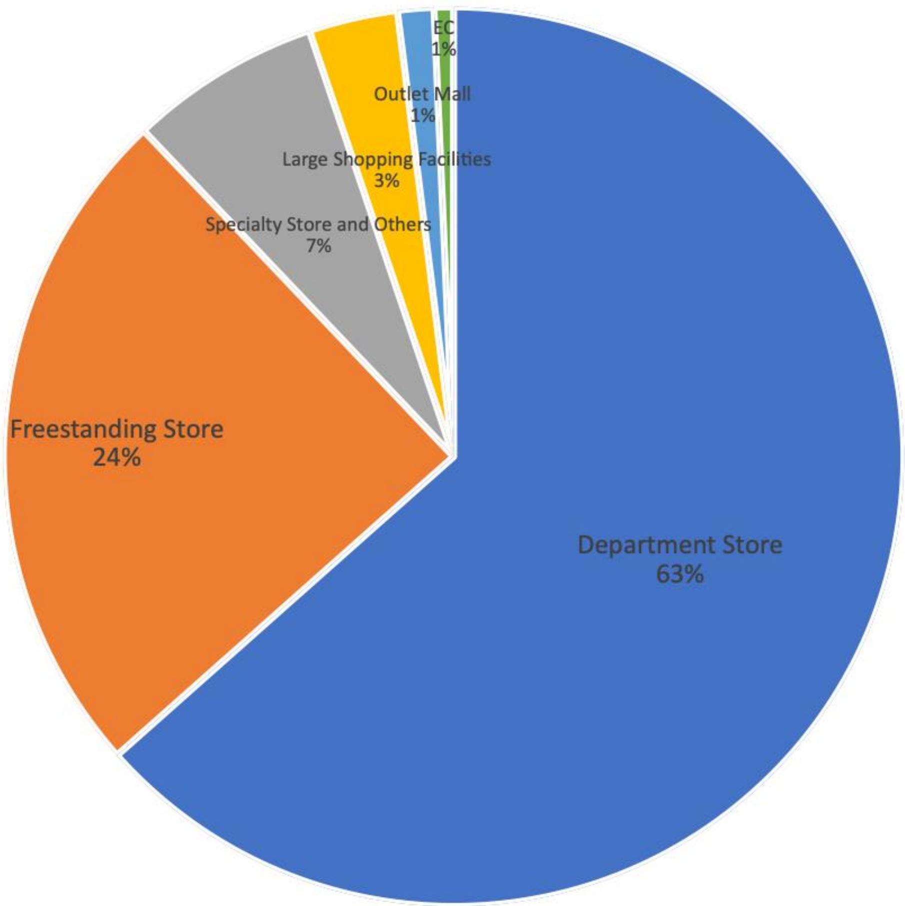
Watches make up the majority of the Japanese timepiece-related retail market, with smart watches expanding the market.



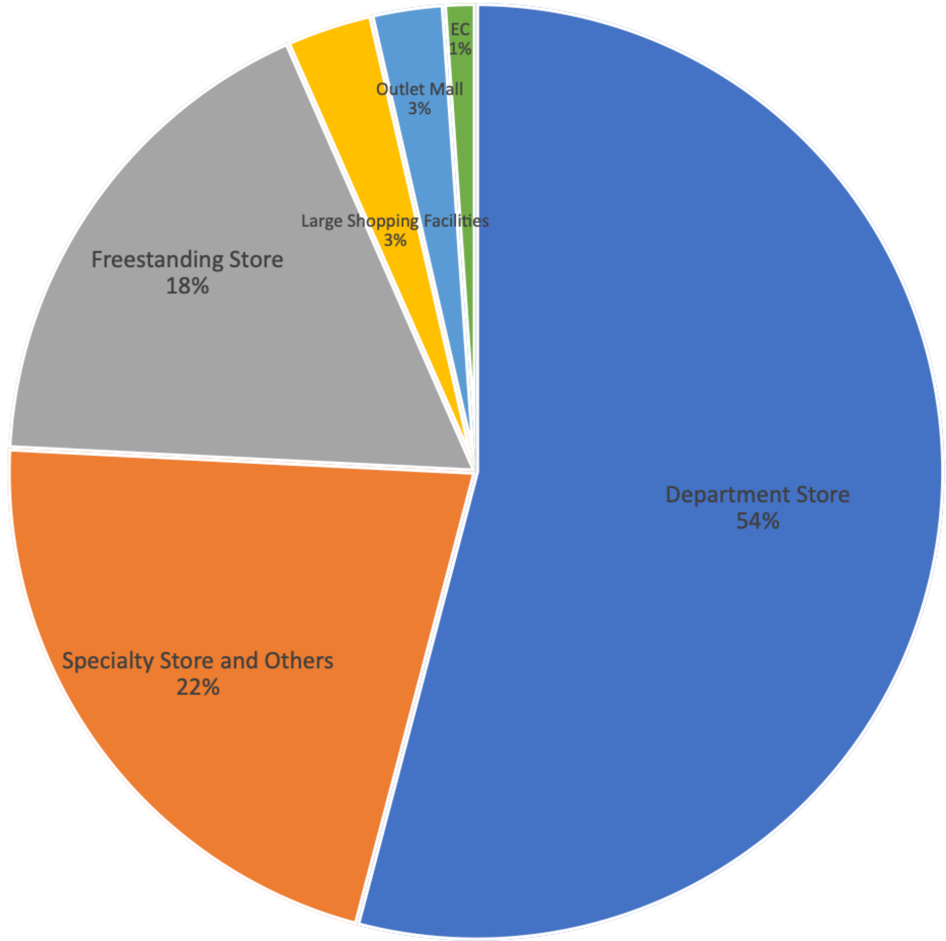
Source: Statista 2020

Department Stores Have the Greatest Share of Distribution in Japan for both Jewelry 63% and Watches 54%

Share of Jewelry Sales by Channel
2018 16B Y



Share of Watch Sales by Channel
2018 23B Y



Source: Statista 2020

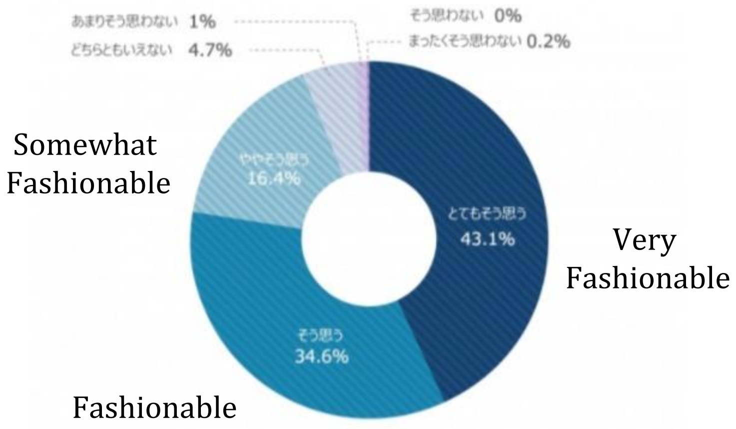
Children's Market More Spending on Fewer Children

The size of the retail baby and children's clothing market was ¥920 billion in 2018, up .2% from the previous year. Despite declining birthrates in Japan, the market has remained largely unchanged. One reason the market has not shrunk as the number of births continues to decline is that there is more money to spend on each child, and sales at baby and children's specialty stores for casual clothing are consistent. Children's clothing specialty stores have been focusing on developing private brands and original products with an emphasis on safety, security, high quality, high functionality, and popularity. Consumers prefer trendy clothes that reflect their parents' tastes. Some adult clothing brands are entering the children's clothing market, and vice versa.

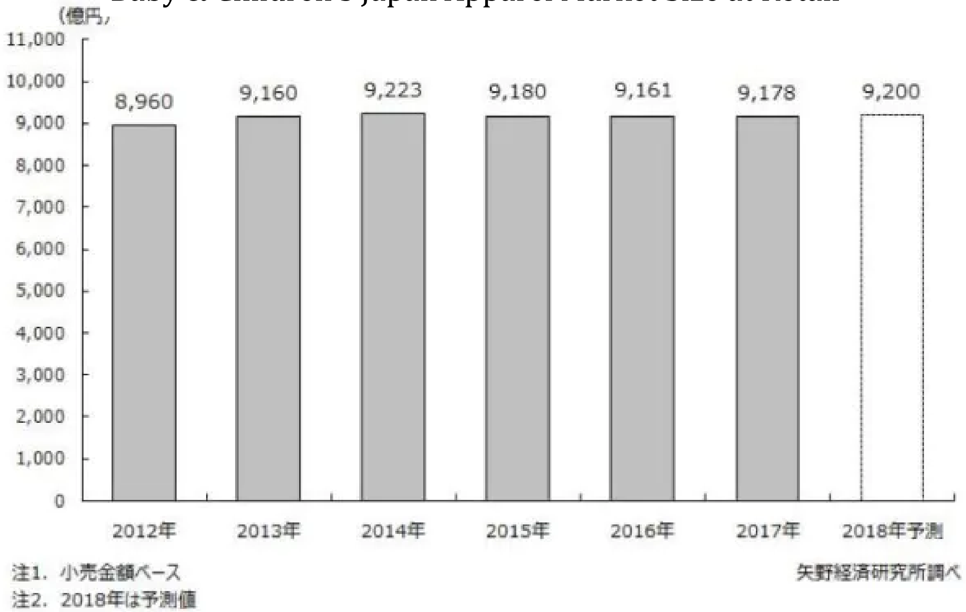
According to a survey conducted by Interspace and Hakuhodo, more than 90% of mothers want their children to dress up, nearly 60% of the children themselves are interested in fashion and 80% agree with the idea of matching fashion between parents and children. About 40% of them have experience in handmade products.

The average purchase price was 1,561 yen for t-shirts and 2,187 yen for bottoms, with the trend being to combine them with items in the higher price range. In other words, high prices for outerwear, and low prices for pants and other daily items.

Do you want your children to be fashionable?



Baby & Children's Japan Apparel Market Size at Retail



Source: https://www.interspace.ne.jp/press/940.html

Source: https://www.nikkei.com/article/DGXLRSP515256_V20C19A7000000/ (Source: Yano Research Institute)

4. Consumer Demographics and Attitudes

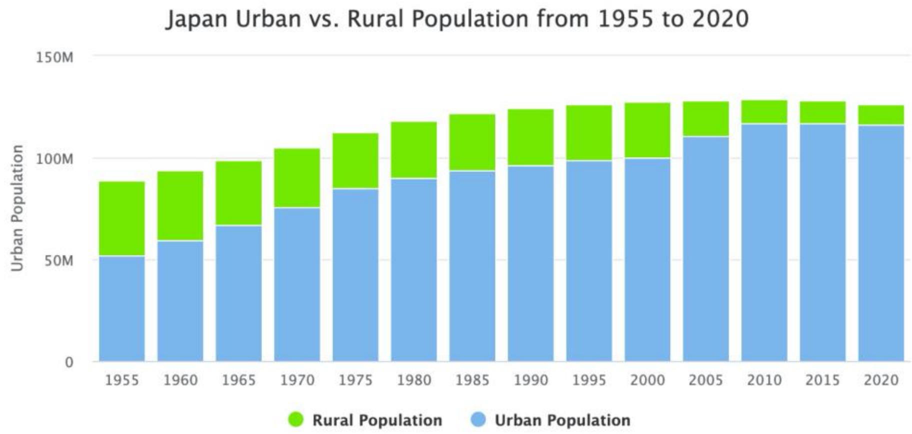
Densely Populated Urban Regions

Japan is an island country, ranking 11th in population globally. The country is highly populated and densely concentrated in urban areas on flat land, since 75% of Japan's land is mountainous. The country has a forest cover rate of 68.5%, one of the highest in the world (almost as high as Finland).

The Tokyo - Yokohama region is the world's most populous city with 35 million residents.

Japan Urban Population

Currently, **91.7 %** of the population of Japan is **urban** (116,322,813 people in 2019)

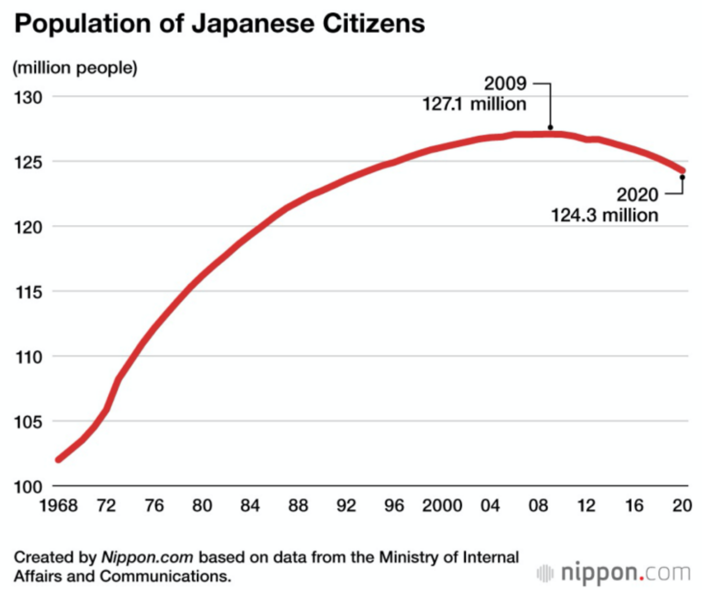


Global Population Rank	Country	Population 2020	Yearly Change	Density P/Km2	Land Area Km2	Median Age	Urban Population
1	China	1,439,323,776	0.39%	153	9,388,211	38	61%
3	US	331,002,651	0.59%	36	9,147,420	38	83%
11	Japan	126,476,461	-0.30%	347	364,555	48	92%
116	Finland	5,540,720	0.15%	18	303,890	43	86%

Largest Cities in Japan

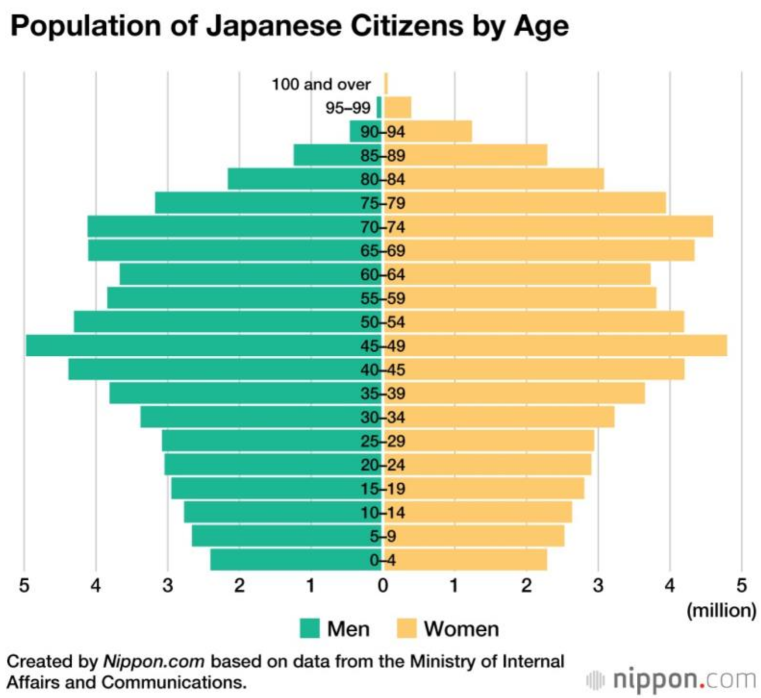
#	CITY NAME	POPULATION
1	**Tokyo**	8,336,599
2	**Yokohama**	3,574,443
3	**Osaka**	2,592,413
4	**Nagoya**	2,191,279
5	**Sapporo**	1,883,027
6	**Kobe**	1,528,478
7	**Kyoto**	1,459,640
8	**Fukuoka**	1,392,289
9	**Kawasaki**	1,306,785
10	**Saitama**	1,193,350

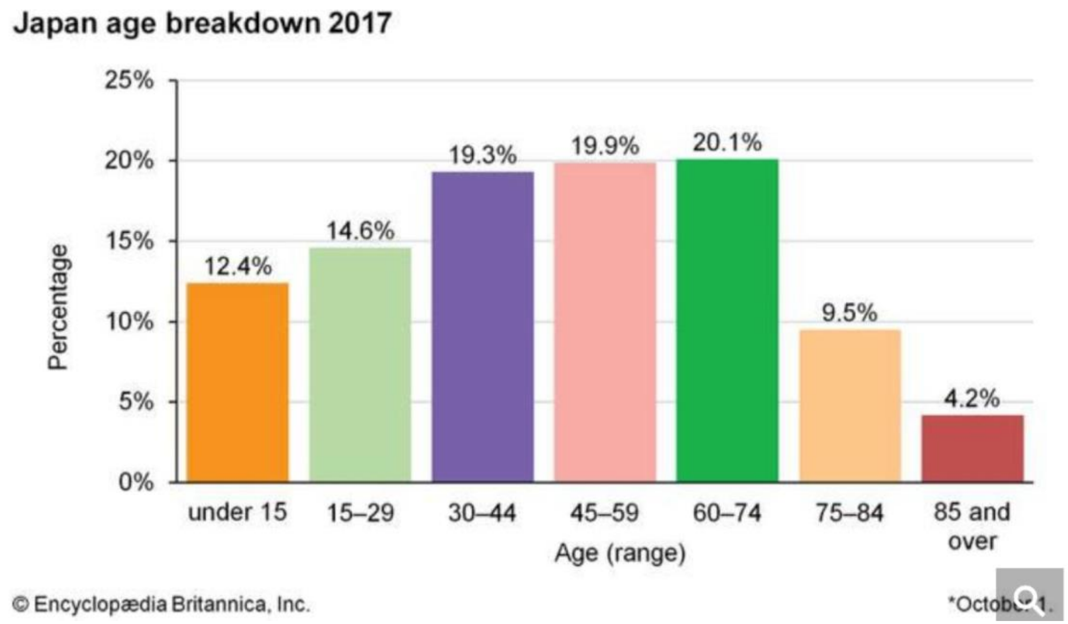
Source: https://www.worldometers.info/world-population/population-by-country/



Aging and Shrinking Population

Japan's population is aging faster than any other nation. By the year 2060, it is estimated that residents age 65+ will represent 40% of the total population. The country has one of the highest longevity rates at 84.2 years. The ratio is 1.01 males to every 1 female for Japanese between the ages of 15 and 64. The Japanese enjoy a high standard of living and education. 90% consider themselves middle-class. Japan society is linguistically, ethnically, and culturally homogeneous composed of 98.1% ethnic Japanese.

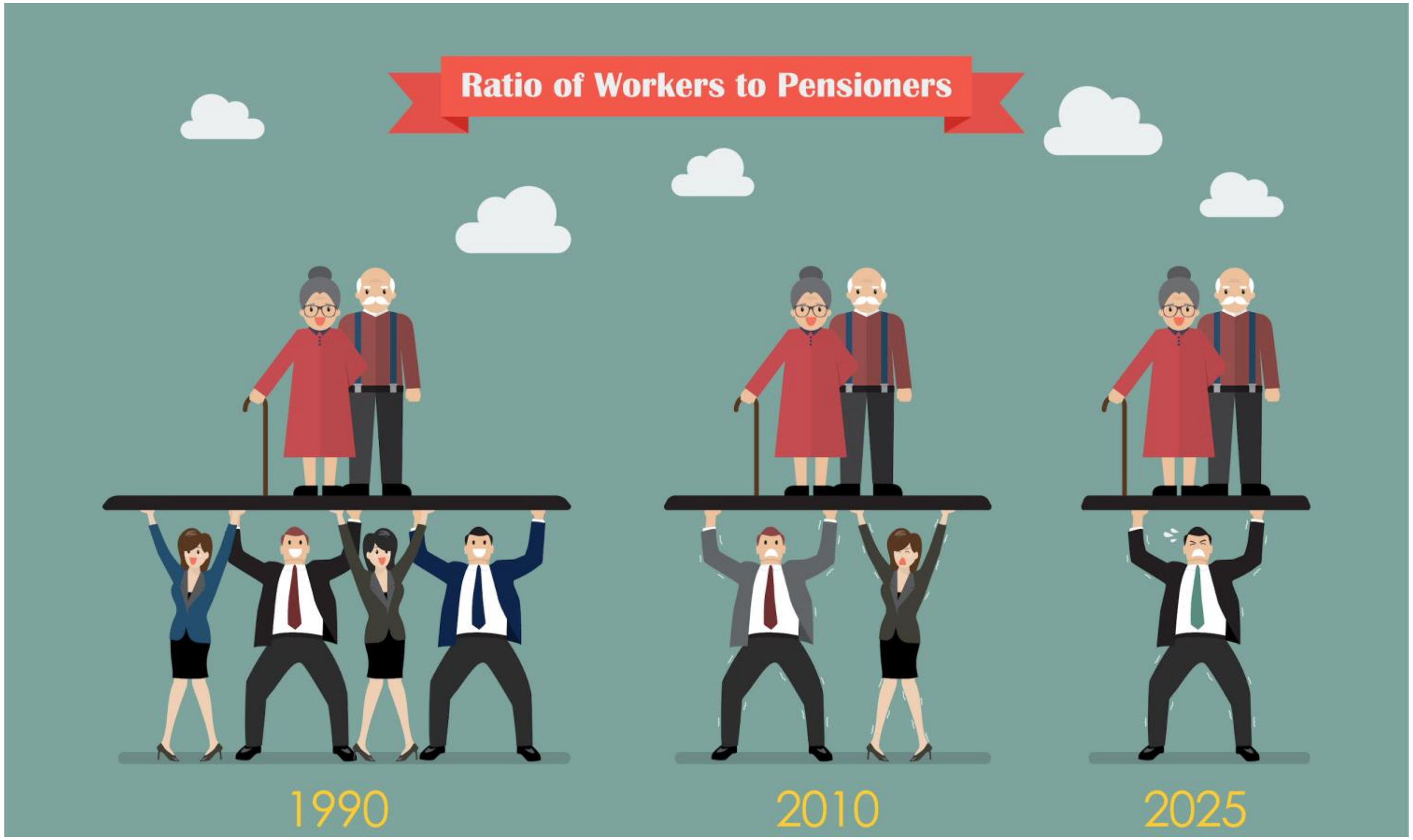




BUSINESS FINLAND

Aging Population Places Pressure on Future Generations

Declining market due to an overall decrease in the population, a reduction in the birthrate, and an aging population that spends less and results in labor shortages.



Source: tutitatu.com

Attitude Change - Not Your Parent's Luxury Apparel

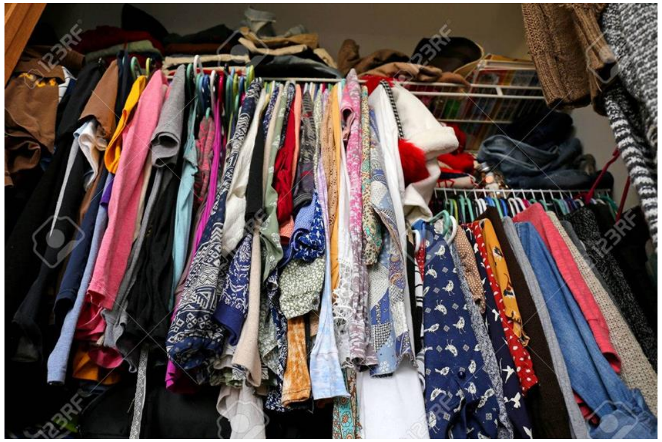
Thirty years ago the Japanese had a reputation of an insatiable appetite for branded luxury items. Not just in Japan, but around the world. The lines in front of Prada in Milan were primarily Japanese tourists, luxury items in travel retailing airport locations catered to the Japanese buyer, and department stores in Japan were growing and expanding distribution. The Japanese middle class bought luxury items not just for the logo, but because they strongly believed that high prices signaled high quality. Owning expensive high-end products was seen as an essential, rather than just an aspiration in Japan and Japanese were willing to travel and pay to purchase branded bags, clothes and accessories.

But even Japan's seemingly insatiable hunger for luxury goods eventually started to decline. From 2008 to 2009 there was a sudden and significant 7% percent decline in the Japanese market and the height of unprecedented growth for luxury firms from Japanese consumers was over. Triggered by the global financial crisis in 2008 ,there was also a 5% reduction in the number of "parasite singles", or children who lived with their parents and used their personal incomes as discretionary spending. The financial crisis was followed by the Tohoku earthquake and tsunami in March 2011, then the recession and declining incomes, and employment instability. This set up the next generation to be very different from the previous, especially in regards to their spending behavior. All of this added up to a change in the consumption behavior and a new attitude.

The first instinct of Japan's Millennials is not to consume, but rather, to save and not spend. And when they spend their money on goods, they look for bargains. Brand-name clothing is not appealing, nor is driving, or spending weekends in department stores shopping. They simply "do not want". What they like is to save money. When they do spend they are more likely to spend on services rather than products, and on technology rather than goods. Japan's young consumers are looking for something more than the temporary satisfaction that comes from the purchase of material goods. They are looking for enjoyment, for personal satisfaction, for an experience to share with others.

Source: Perspectives on Sustainable Fashion in Japanese Apparel Market, Test di Laurea 2018

Lifestyle



Spending on Experiences, Rather than Goods

One recent lifestyle trend in Japan is "koto-consumption." It is the spending of money on experiences. Specifically, "koto-consumption" refers to the tendency for consumers to place value on experiences that cannot be obtained through possession, such as activities, events and resort hotels and travel. Traditionally, consumption of goods was a priority, but there are three reasons for this shift to "koto-consumption":

1. Maturation of domestic consumption
Japan's population is economically mature, unlike other developing countries. A significant amount of the population have the things that they need. According to a survey conducted by East Japan Railway Planning, 50% of respondents answered, "I can't think of a thing I want." 52% say, "My house is overflowing with things and I don't want to buy any more." Goods are at a maximum. Closets are full.

2. Increase in internet usage
The proliferation of smartphones and advances in communication technology have made it possible for Japanese to experience more than ever before. Spending on entertainment with music, movies, reading, and playing online games has grown substantially.

3. Increase in health consciousness
Perhaps due to the aging of the population in Japan, health consciousness is steadily increasing. The percentage of people who engage in sports has been increasing overall. In particular, the number of people who engage in regular activities (2x per week, for 30 minutes) has tripled between 1992 and 2018, from 6.6% to 20.7%. In addition, the rate of jogging/running and the number of fitness club users has increased steadily in recent years.

Source: jp.123rf.com /uwasa.jp
https://www.jeki.co.jp/info/files/upload/20160125/160125WoTHP.pdf (2016 data)
https://www.mof.go.jp/public_relations/finance/201908/201908g.pdf (Source: (2) and (3))

Lifestyle

Enjoying a Unique Experience

"Toki-consumption" is another recent lifestyle trend in Japan. "Toki-consumption" refers to the fact that an experience can only be enjoyed at a certain time in a certain place.

There are three specific characteristics:

1. Non-replication

If you miss the excitement of that moment, you will never have the same opportunity to experience it again.

2. Participation

This is not about experiencing the event as a third party or a bystander, but about being proactively committed to the event with a sense of ownership.

3. Contribution.

Awareness that we are "contributing" together, sharing the goals and objectives of the event.

Examples of "Toki-consumption" are the Halloween event at the Fashion Complex, Shibuya Scramble, or a participatory event at Universal Studios Japan.

In addition, trends include "imi-consumption," which refers to consumption that is driven not only by the function of the product or service itself, but also by the added value of being able to contribute to society, and "emo-consumption," which refers to consumption that includes experiences that move people's hearts.

From these examples, Japanese consumers are looking for experiences in addition to shopping, and recently shops that combine interior design, sundries and cafes, such as Ron Herman, have become mainstream. It is becoming more difficult to attract customers to a shop format that only sells clothes.

Source: jp.123rf.com /uwasa.jp
https://www.jeki.co.jp/info/files/upload/20160125/160125WoTHP.pdf (2016 data)
https://www.mof.go.jp/public_relations/finance/201908/201908g.pdf (Source: (2) and (3))

Millennials

1981-1995

Japanese in their late 20's & 30's

Although millennials have a wide range of opinions on spending behavior, men and women both rank travel, dining out and entertainment as the top things they would like to spend money on. Indicating that they value "experience" as a form of personal consumption over and above just owning things. It is also clear that personality is more important than appearance.

Among men, books, comics and magazines come in first, followed by food, beverages and confectionery second, and fashion items third. Among women, fashion items come in first, cosmetics and beauty products second and food, beverages and confectionery third. Men are more willing to spend on hobbies and women are more willing to spend on personal appearance.

More than half of young adults have a "very good" perception of the "sharing economy." It allows them to try an item before buying, reduces waste and does not require storage space. For both men and women the most popular items they prefer to rent or share on a shot term basis instead of buying are: books, comics, and magazines, followed by cars and bicycles, They are also interested in co-living and shared houses.

61% of men and 79% of women said they would rather have something that suits them rather than a particular branded item. Overall, 70%, said that "things that fit me" or "personalities" were more important than "brands".

When asked what would be a "treat for themselves". Answers included:
Men - "Eat good food", "Watching sports", "Buy the game or book I want to buy", "Invest in my hobby", "Consider a trip that I would not normally think about".
Female - "Buying department store cosmetics", "Go to a beauty salon", "Traveling abroad and eating good food", "Traveling, going out to eat good food, live music", "Buy a branded bag".

Source:
https://ecnomikata.com/column/21887/
Survey period: Thursday, February 21 - Friday, February 22, 2019
Survey subjects: 20-somethings / male and female / in-house monitor members
Allocation method: 1,096 samples (509 samples of men in their 20s and 587 samples of women in their 20s)

Gen Z

1996-2012

Japanese Late Teens & Early 20's

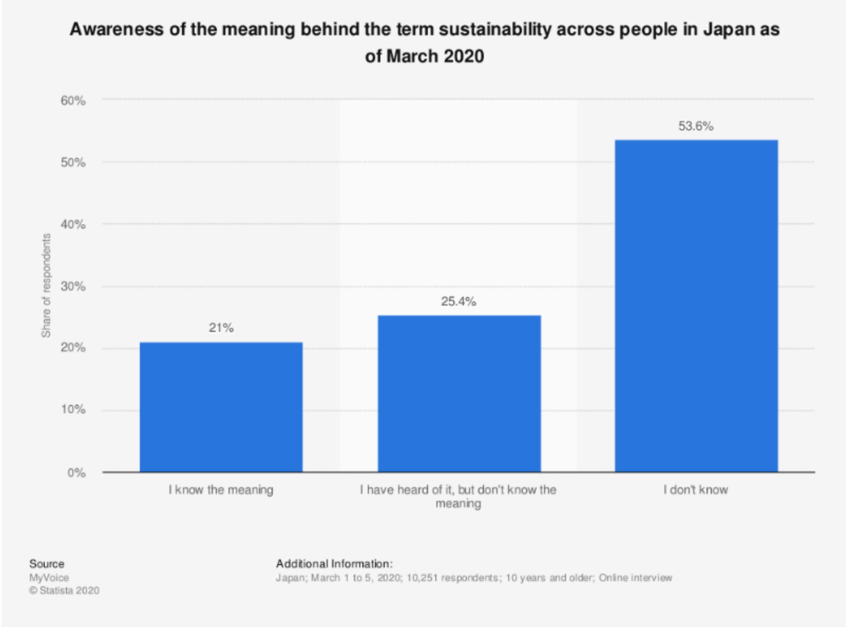
Among Gen Z women, 40% of female college students say that the number one thing they spend the most money on every month is "clothes and beauty." When asked what they have spent the most money on, travel came in first, but clothing came in second and beauty came in third.

YouTuber videos are the deciding factor in the purchase of products. About 30% of female university students have purchase from a YouTube video. About 50% of them have purchased cosmetics after watching YouTuber videos. 30% respond that they purchase online on a monthly basis. ZOZOTOWN is the main online shopping site, with about 90% of respondents saying they use it, reflecting the importance they place on fashion. They also put more emphasis on word-of-mouth communication by influencers than on media information on the Internet.

About 60% of female college students have a credit card. Online shopping is cashless with full use of e-commerce. The trend toward cashless shopping among female college students is growing in proportion to the rate of online shopping. We can expect to see more and more students making full use of e-commerce to make purchases in the future. Companies will need to focus on improving their online shopping and cashless shopping options.

When asked about savings, the most popular answer was "no, not yet," at around 40%, unlike the older generation this indicates a tendency to focus more on consumption rather than on savings.

Source:
https://ecnomikata.com/ecnews/22401/
KIRINZ Corporation "Money and Purchasing Behavior"
500 female university students at 46 universities in Tokyo. February 15 and March 1, 2019.



Sustainability: A New Attitude Among Youngest Generation

After the oil industry, the apparel industry is the second most polluting industry in the world. Sustainability needs to be considered in regards to environmental, economic and social implications. First is concern about the exploitation of the planet's natural resources, economic sustainability is concerned with population growth rate and consumer demand. And social sustainability is the desire to pursue development while ensuring life-enhancing conditions within society. These three dimensions need to be balanced in order to fully achieve sustainability. The fashion industry is working to achieve these goals.

In Japan, luxury goods still hold a strong desire for many consumers. But new attitudes are evolving especially with the next generation of consumers and companies that offer luxury goods, sustainably developed will gain share. An increasing number of young consumers have expressed an interest in environmental issues, tradition and simplicity. Consumers who are more concerned about the environment are more likely to buy "designs that can be worn in future years, instead of following current fashion", "products that are well made and look like they will last a long time" and "products with good basic functionality." Young consumers in Japan have a clear knowledge of their priorities: they want products that are simple, functional and that last for a long time. They want services that allow them to enjoy the experience and share it with others. And if possible, they want what they consume to be kind to the environment and contribute in some way to the good of society. While still low in awareness, there is a growing trend and desire for sustainability in Japan through repurposing old fabrics, up cycling, and reusing.

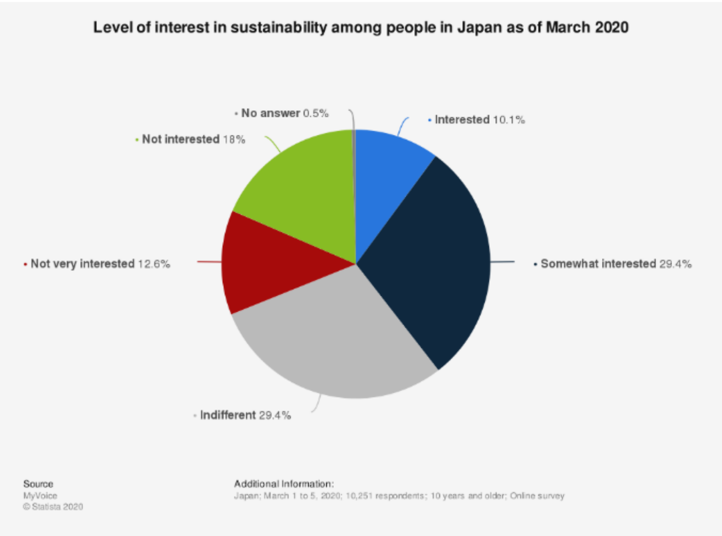
Source: https://prtimes.jp/main/html/rd/p/000000075.000027658.html

Sustainability Fashion Trends continued

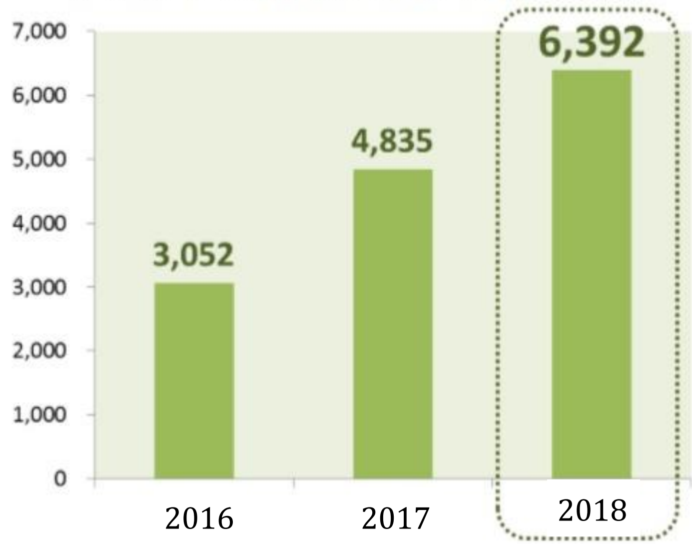
Awareness of sustainability in fashion is a frequent topic of discussion in the fashion media. 40% of Japanese express an interest in sustainability. When asked if they would like to adopt eco-friendly fashion a significant 71.6% agreed or somewhat agreed. 66.5% of people said that it would improve the image of a brand if it was using environmentally friendly materials. However, only 5.3% of people said they actually consider the environment when choosing fashion.

The trend for sustainability in fashion links to the rapid development of sharing and the emergence of an information society. Information is shared and communicated within the community generating value, beyond just a product value. Online trends in sustainability include apparel rental, as well as the flea market sites. Smartphone applications that allow individuals to buy and sell goods online, just like a flea market, are mainly found on Mercari and Rakuma.

Fashion brands are up cycling materials, including kimono fabric and old textiles to create new clothing and designs. They are using discarded plastics and industrial waste to create fashion. The reuse and vintage market continues to grow among the young. Brands such as Uniqlo have been leaders in the trend for sustainability, raising awareness and creative a positive image of the company among their customers.



Flea Market App Market Size (100 Million Yen)



Source: https://prtimes.jp/main/html/rd/p/000000075.000027658.html
file:///C:/Users/user/Downloads/statistic_id1172229_level-of-interest-in-sustainability-japan-2020.pdf

Sustainability in Fashion

Hataraku tote bags made
from road work banners.

Comme ca Commune shoulder bag from
recycled plastic bottles.

D&Department with up cycled fabrics.
Each item has detailed information on the origin.

Modeco up cycles industrial waste. This unisex
bag is crafted from a worn fireman uniform.

BUSINESS FINLAND

Source: Timeout August 2020

Fast fashion waste.

Resold without damaging brand's name

Sustainability is Leading to New Business Opportunities

Businesses are being created to reduce waste in the apparel industry. Traditionally, defective stock has been sold or discarded. FINE Inc. launched Rename in 2017, a service that replaces tags in apparel inventory and provides them to retailers for sale. The company re-tags clothing left in inventory and sells it under the name Rename. The service is attracting attention as a solution for the apparel industry driven by fast fashion and mass production.

In addition to reliably clearing out the inventory, the tags are replaced and the brand image is not damaged. Consumers also benefit from the trust that the products are brand name in nature, but sold at lower prices.

Source: https://www.nikkei.com/article/DGXMZO47421480X10C19A7000000/

UNIQLO Sustainability Statement "Unlocking The Power of Clothing"

Diversity and Inclusion

Although Japan is ethnically very homogeneous, there is a trend in fashion for individuality and inclusion no matter what size, shape, age or gender. The number one trend for diversity in Japan is “genderless." In terms of specific clothing design, men wearing women's clothing and women wearing men's clothing is acceptable. Examples include women wearing trousers and trendy men wearing skirts in major cities. In addition, the most common and accepted style of dress for both sexes is oversized or big size, which blurs the gender distinction and allows for freedom and flexibility in dressing.

For women, examples of popular cross gender items include the "stadium jumper" which is derived from the winter jacket worn by athletes or the Varsity jacket of the US. Another is the "MA-1" jumper derived from U.S. Air Force pilots, and the "skajan" derived from the jumper of the U.S. soldier. All of these masculine sports or military-related apparel are adapted for women. The design silhouettes symbolize masculinity, but for women there are variations in materials and colors, and some designs add feather or fur to add a feminine or cute touch. The combination of masculine and feminine elements and the cuteness has gained popularity among women. Women have also been influenced by the clothes worn by male celebrities, such as actors and singers, and they have imitated their wardrobes.

In the case of men's outfits they often use feminine tones and materials including floral embroidery, floral cardigans, knitwear with butterflies, pastel-colors, chiffon and lace shirts, and pink linings. This apparel style has been achieved by focusing on color, pattern and material to create a design that is not conscious of gender differences.

More than one in three people choose clothes without regards to gender on a regular basis. Although 60% are conscious of which gender clothing is designed for, there are many who will buy what looks good on them, and 80% say they have worn both men’s and women’s clothing. In addition to fashion, genderless initiatives are taking place in a variety of settings, from cosmetic brands to commercial restrooms. Genderless fashion will continue to permeate the scene.

Women’s Genderfluid

Men’s Genderfluid

Source: OMOHARA Research Institute Survey

Diversity and Inclusion - Appealing to Your Uniqueness

You don't need to follow a trend.

You are unique.

Comedian Naomi Watanabe as Spokesperson

Source: numero.jp/amazon.co.jp

Tourist Consumption

Over the past few years declines in department store sales from Japanese consumers were partially offset by inbound (tourist) consumption. There had been a significant influx of middle-class Chinese tourists on group tours that had helped department stores recover some of their losses.

On a national level inbound consumption represented 5.8% of total spending in Japan in 2018.   If the share is limited to department stores in central Tokyo, the share is thought to exceed 10%. The past few years there was a dependable market from inbound consumption.

But as the COVID pandemic showed the risk of a sudden halt is unavoidable due to global health concerns, as well as political risks. In addition, for global brands the purchase in Japan may simply mean that the exact same item is not purchased in the inbound customer’s home market.

5. Imported Brands - Best Practices for Success in Japan

Summary of Opportunities for Imported Brands

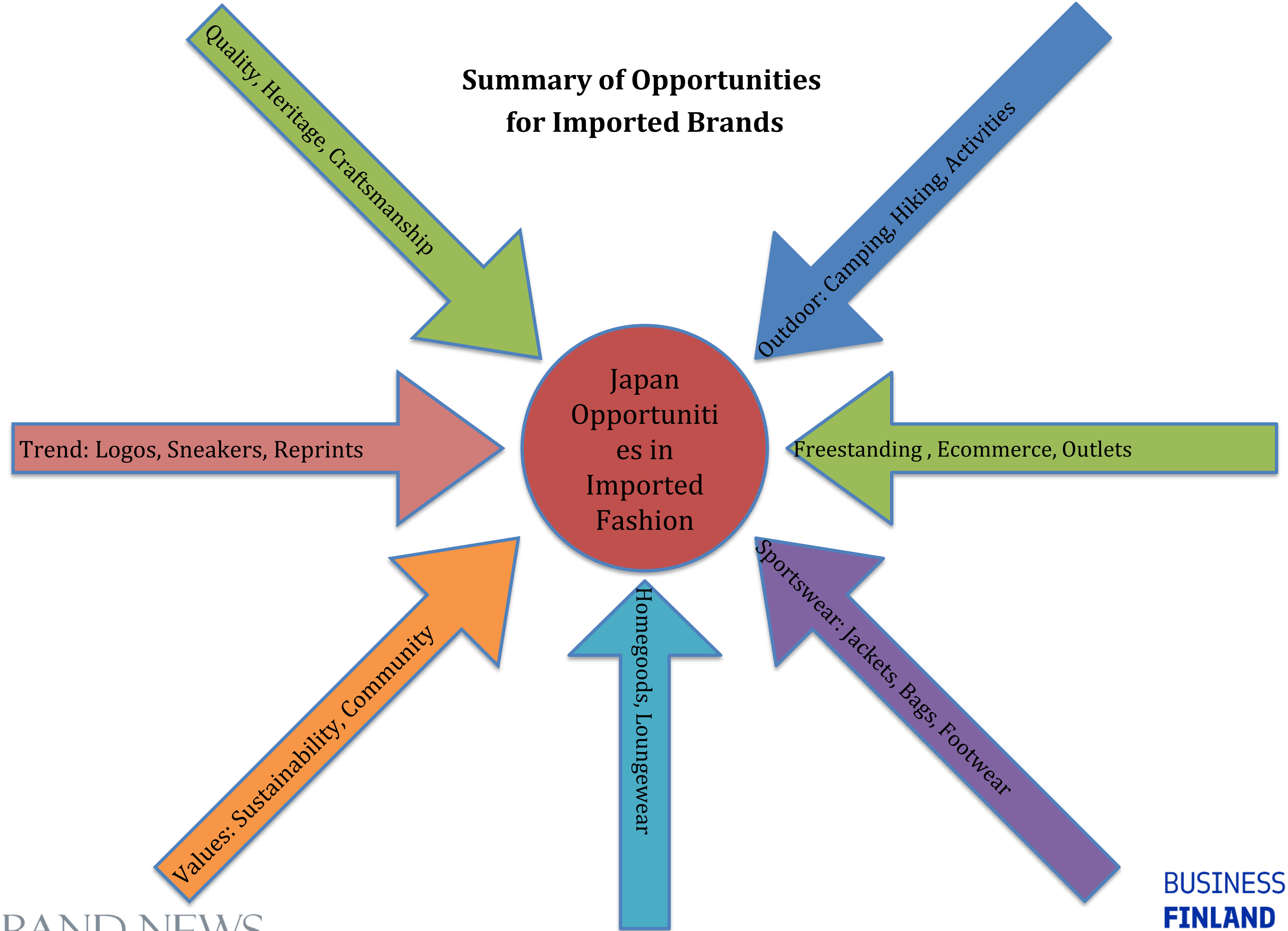
Over the past few decades imported brands have been particularly successful in the trend and luxury markets. However while the luxury market is expected to remain relatively flat in the future, the trend market is expected to loose share to the mass market as the next generation of Japanese fashion consumers are more value conscious than their parents. Despite this future downward trend market projection it is important to recognize that the size of the Japan trend market is substantial and even with a reduction in overall size, it is still one of the largest in the world. With the right product mix and strategy, opportunities are available.

We have identified opportunities for growth in the trend market with logos, sneakers and reprints. As well as fashion that provides quality, heritage and craftsmanship. The sportswear categories are growing with opportunities in down jackets, accessories and footwear. The entire outdoor market is growing in line with the Japanese appreciation of camping, hiking and outdoor activities. This is in line with evolving values that are embraced by all age ranges. We also see continued interest in lounge wear for at home "nesting" as affordable furniture, home center products and cooking supplies are increasing sales.

Brands that can tie into millennials desires for experiences rather than just "stuff" will also be successful. Especially if they can connect with consumer's values for sustainability, individuality and community.

The sales channel structure of leading imported brands has been largely unchanged over the past 10 years, with the shrinkage of the department store sales channel and the expansion of outlet malls and e-commerce sales channels being the clear trend. Imported brands have traditionally focused on department stores as the main source of sales. But as department stores continue to experience a difficult situation, luxury brands have shifted and develop free standing stores, as well as a robust e-commerce presence and as a result, key imported brands have been successful.

Summary of Opportunities for Imported Brands



BRAND NEWS

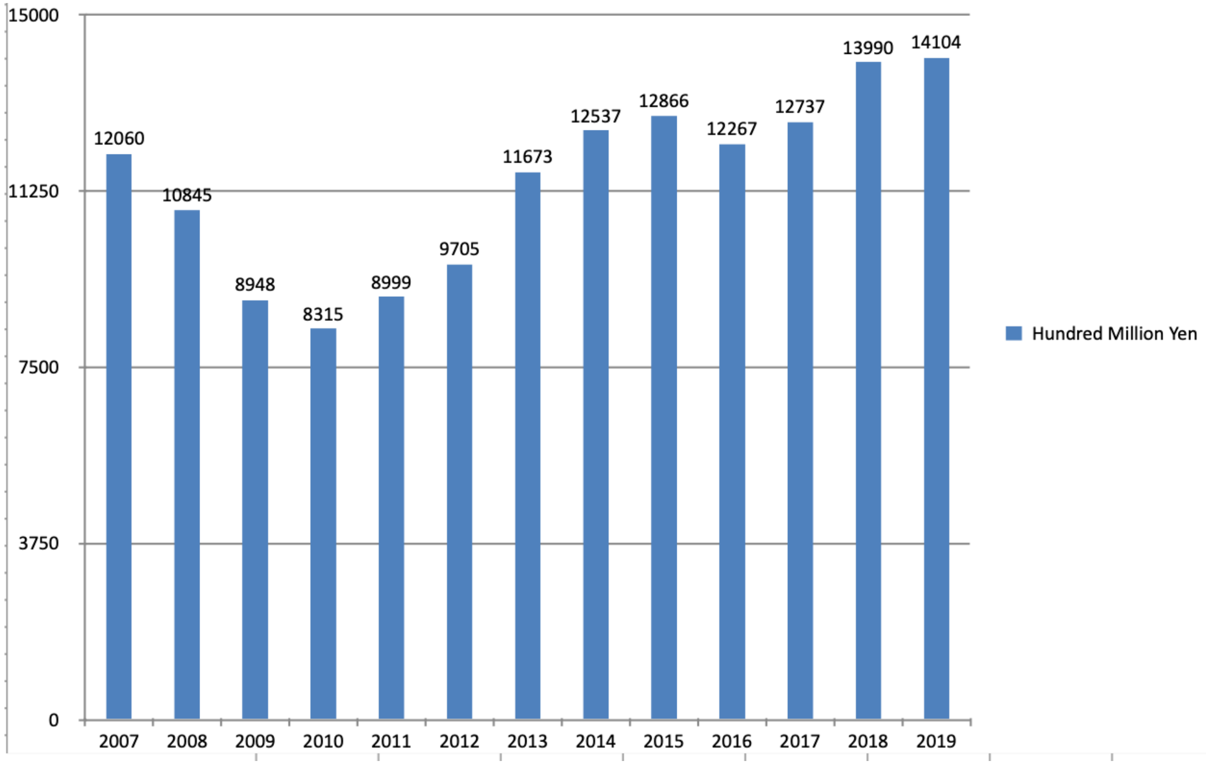
BUSINESS FINLAND

Imported Clothing & Accessory Market Outperforms Total Apparel

The clothing and accessories market for imported brands has been on a generally positive trend since 2010. Growth of imported brands has been outpacing the total Japan apparel market. In 2018, imported brands grew 9.8% YoY to 1.4 trillion yen, a significant increase of nearly double digits since 2005. If we includes watches, jewelry, crystal products, ceramics, writing instruments, and eyewear, in addition to clothing and accessories, the retail volume is estimated to be 2.4 trillion yen, up 6.8% over the Home goods previous year.

In the past few years, the Japanese market has benefited from factors that have helped to boost consumption among the wealthy , millennials, and increased inbound demand. Imported brands started to take an aggressive stance in creating demand through strategic initiatives. Brands innovated their designs by bringing in a new generation of designers, invested in stores and e-commerce, strengthened two-way communication (digital, social media, and events), and implemented unprecedented collaborations. All of these changes have helped to update the image of many imported brands to make them fresher and more appealing to a new generation. These changes helped to not only encourage millennials (including inbound) to consume, but they have created a novelty with the traditional customer base, leading to further consumption growth.

Clothing and Accessories Imported into Japan (US and European Brands Only)

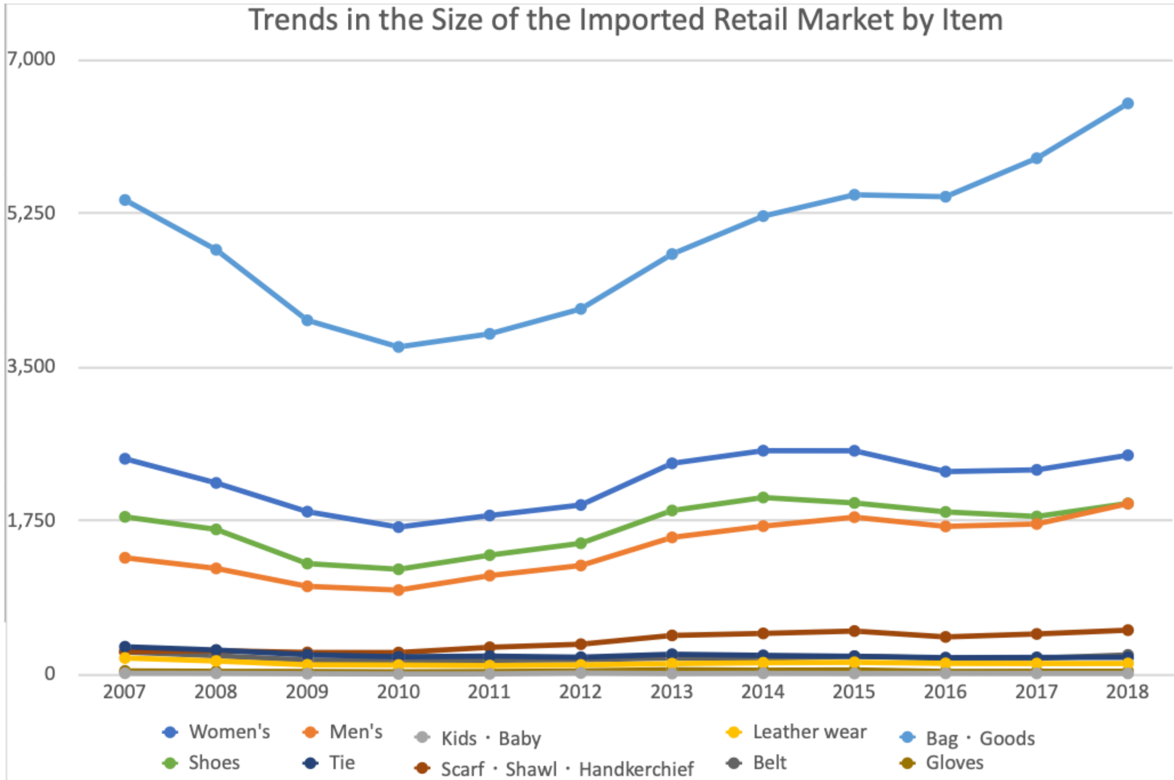


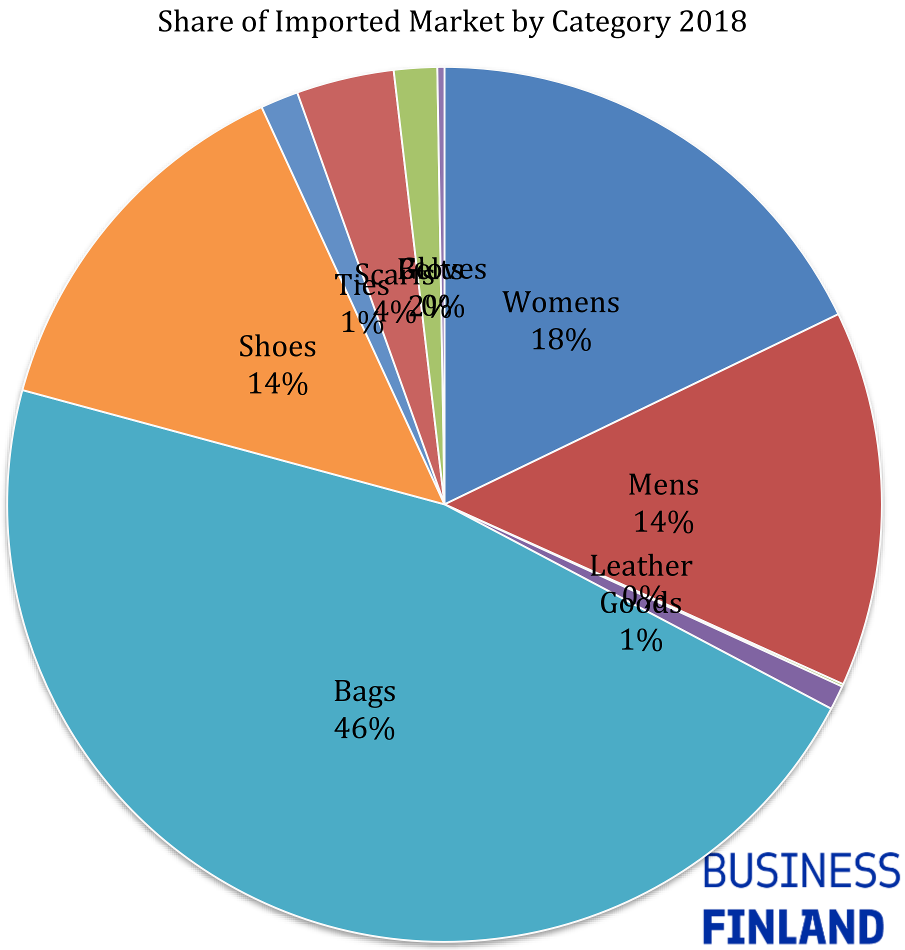
BUSINESS FINLAND

Source: Yano Economic Research Institute

Imported Top Categories for Apparel are Bags, Women's, Men's and Shoes

The clothing and accessories market for imported brands is dominated with the bag category at 46% of the total market. Bags have had particularly strong growth since 2010. The second strongest category is women's clothing at a 18% share, and then Shoes and Men's at 14% share each. All of the top categories have performed well since 2017.



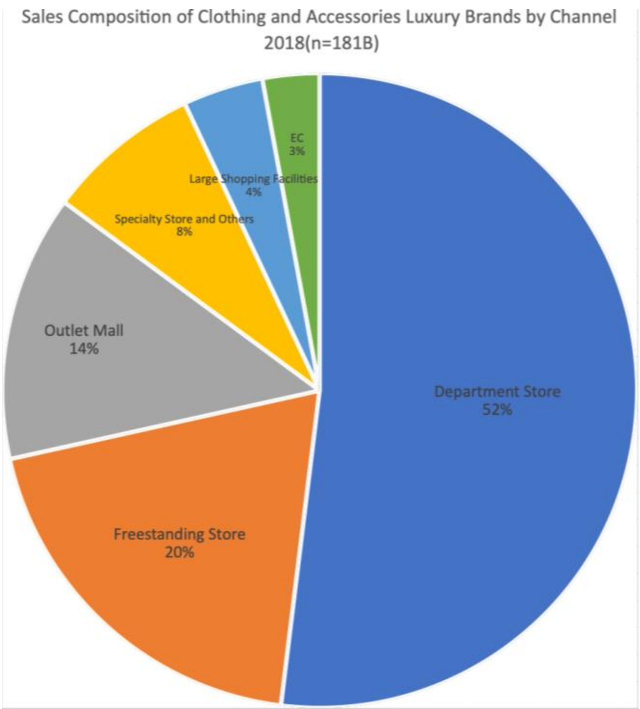


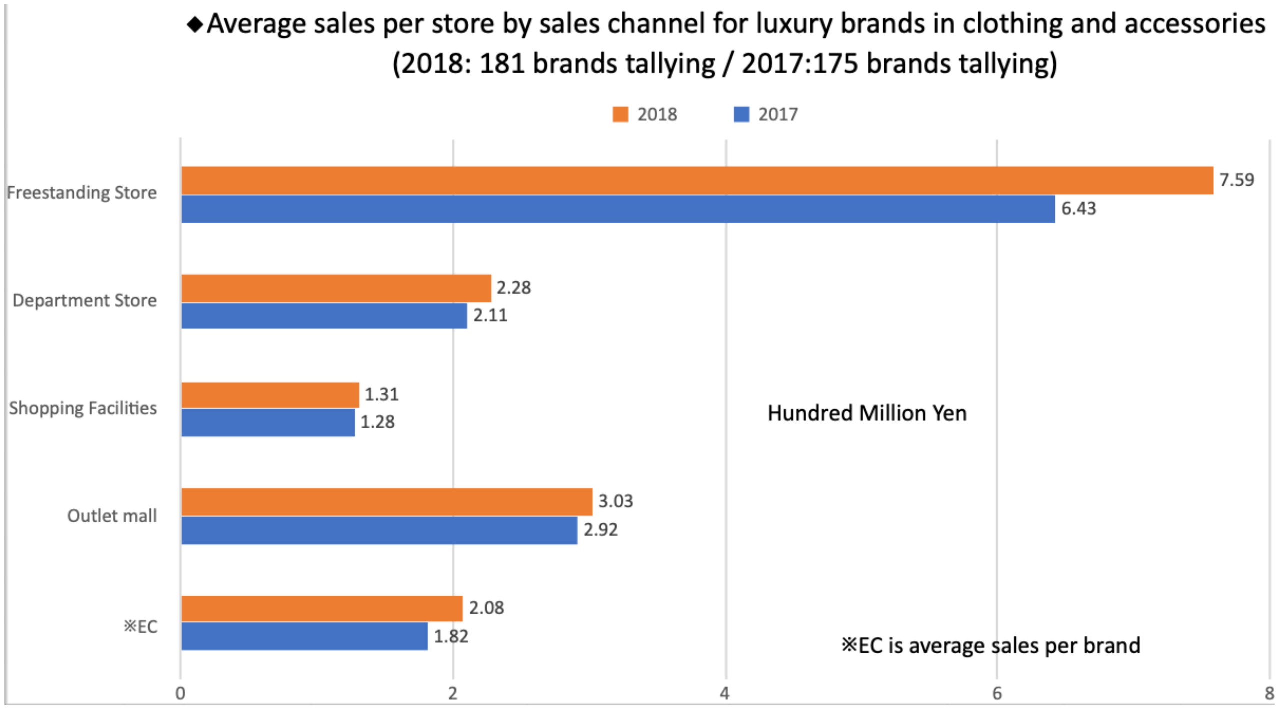
Source: Yano Economic Research Institute

Luxury Clothing & Accessory Sales are Primarily in Department stores.

Department stores remain the top distribution channel for luxury brands with 52% share. Free standing stores represent 20% and outlet malls 14%. Note that e- commerce is particularly low for the luxury category at only 3% share.

Sales per store for luxury brands (including affordable luxury) are highest in free standing stores averaging 750 million yen in 2018 (based on 181 brands). Many of the top brands' flagship stores generate sales of 3 or 5 billion yen per store, and the figures for those brands have raised the overall average. Even so, luxury brands' standalone stores are in the heart of major cities and need to generate a certain amount of sales to be profitable, so sales at least at this average level should be a good guide. Sales were also up more than 100 million yen compared to 2017, indicating that inbound demand and purchases by wealthy customers were strong.

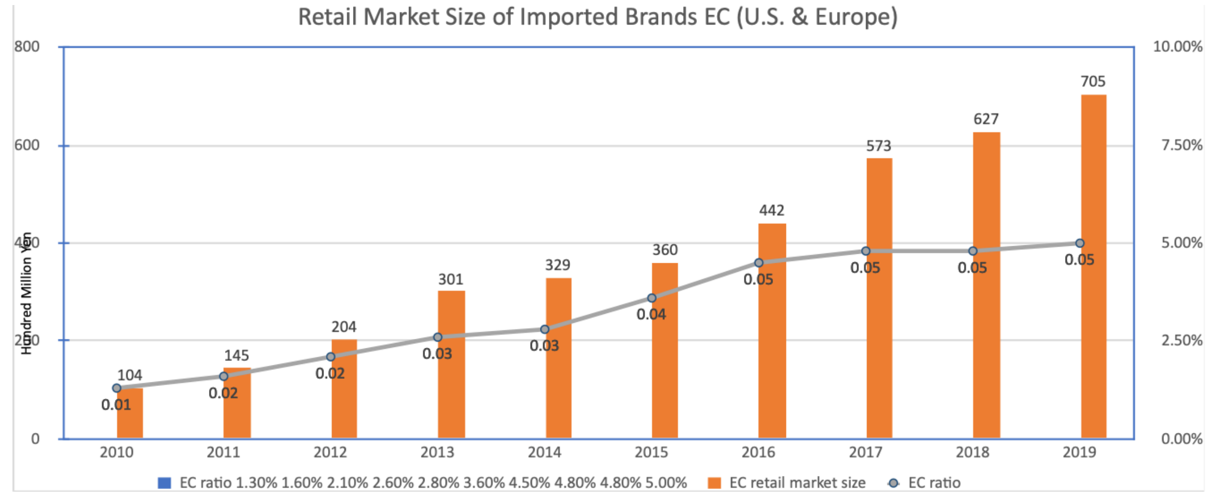


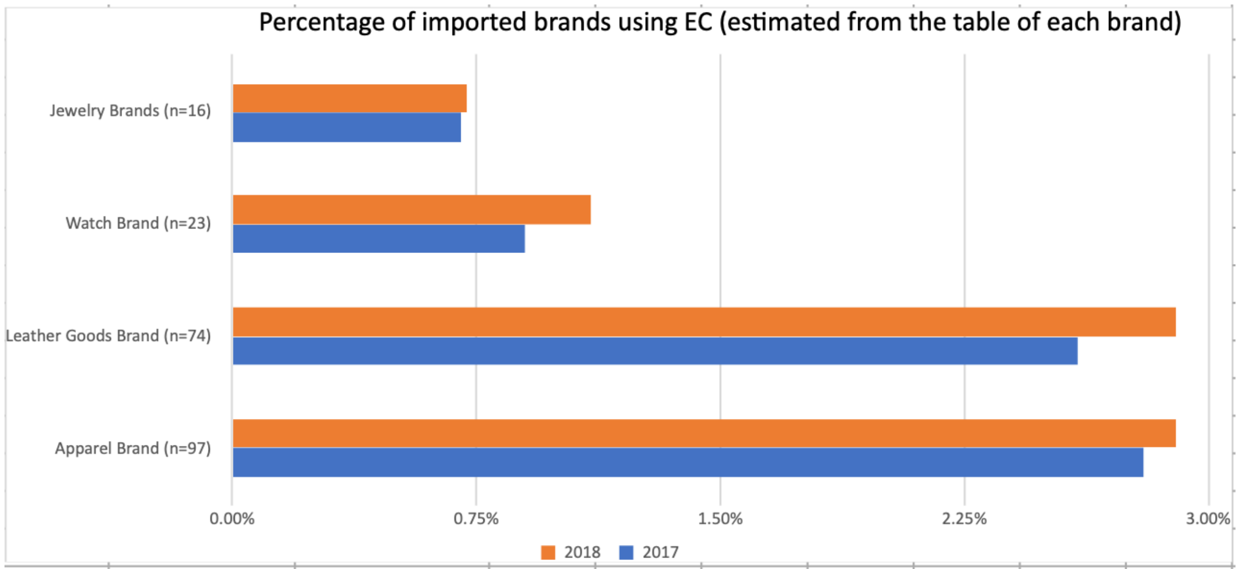


Source: Yano Economic Research Institute

Imported Brand Sales on E commerce is Difficult for Consumers

Imported brands (mainly luxury goods) still account for a smaller percentage of total sales in e-commerce than the fashion category as a whole (clothing and accessories). In fact, according to the Ministry of Economy, Trade and Industry (METI), the percentage of total fashion that is e-commerce based is nearly 13%, while the percentage of e-commerce for imported brands is less than 5%. Two major factors have been cited as the key reasons. The first is the problem of user information and the ability to experience the product.





※Apparel and leather goods exclude casual brands.

Source: Yano Economic Research Institute

Users say they are reluctant to pay for expensive items online, and that they would prefer to buy the same product, in a real store given the proximity of a brick and mortar location. Especially because they may receive a higher level of customer service and information in store. However, this hurdle is decreasing every year as e-commerce becomes more popular. In addition, for the younger generation, the hurdle of entering a luxury brand store may be intimidating, and the trend for them towards the Internet is likely to accelerate.

The second issue is that many imported brands are not offering the same conveniences on line as Japanese are accustomed to receiving when purchasing domestic apparel brands. Japan's e-commerce is a universal platform. Japanese consumers, who are used to Japanese standard services (e.g., payment methods, delivery times, size image support, etc.), often find imported e-commerce services unfriendly and feel that they are not usable, and often find it difficult to purchase. In addition, in many cases, the sales are not with a Japan company, but with the imported brand's home country, which also makes it difficult.

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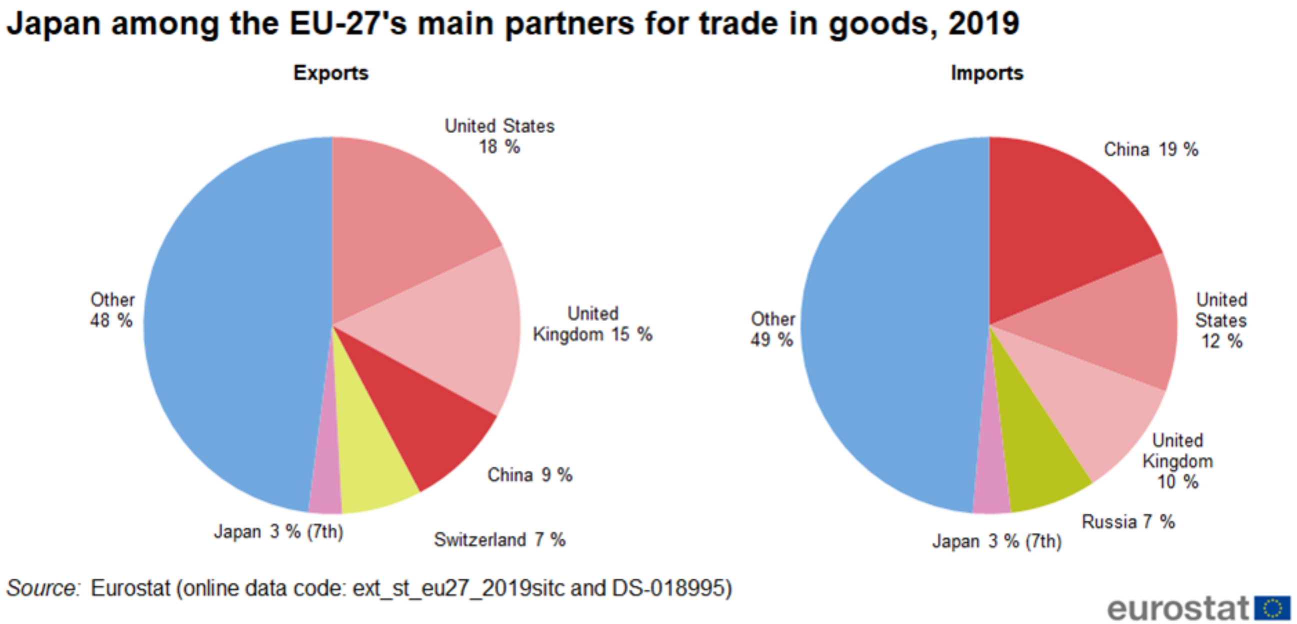
Retail Pricing Structure in Japan for Imported Brands

In terms of trade between Japan and the EU, The Japan - EU Economic Partnership Agreement came into effect on February 1, 2019, with the immediate elimination of high tariffs of 9.1-12.8% on finished clothing. This is a major benefit for companies importing apparel from all over the EU to Japan, and it is also driving down the price of EU imports.

The removal of tariffs on apparel products from the EU has increased the price competitiveness of apparel products from the EU in the Japanese market, but the risk of exchange rate fluctuations remains. However, the yen has been appreciating since 2014, which is an advantageous trend for EU companies.

Consumers are also required to pay a 10% consumption tax on retail prices. Therefore, it is important to recognize that the final cost to the consumer is the retail price plus sales tax (10%).



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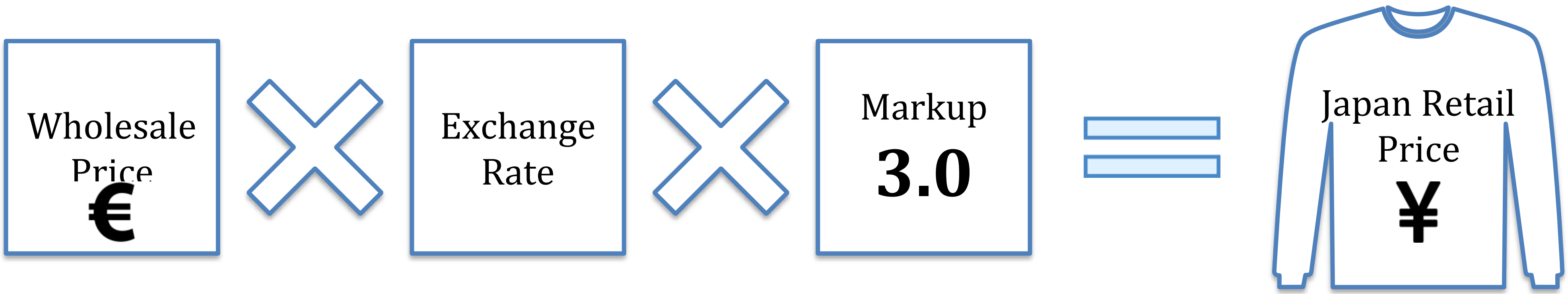
Japan Margin Structure
Imported Luxury Brands Standard Retail Pricing Strategy

The retail price of imported brands in Japan has been calculated as a mark-up averaging 3.0, with 3.5 being the highest. This significant makeup has covered tariffs, import costs, quality display tag creation/sewing, and trading company margins.

The retail price of imported brands in Japan is also heavily influenced by foreign exchange rates. The standard formula for determining the retail price in Japan is:

Japanese retail price (Japanese yen) = wholesale price (euro) X exchange rate X markup (3.0)

Of course a full competitive review to determine a new brand's pricing position in Japan is required to accurately determine the appropriate strategy. However, this markup works as the standard starting point.



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Demand for Sizing Different than the West

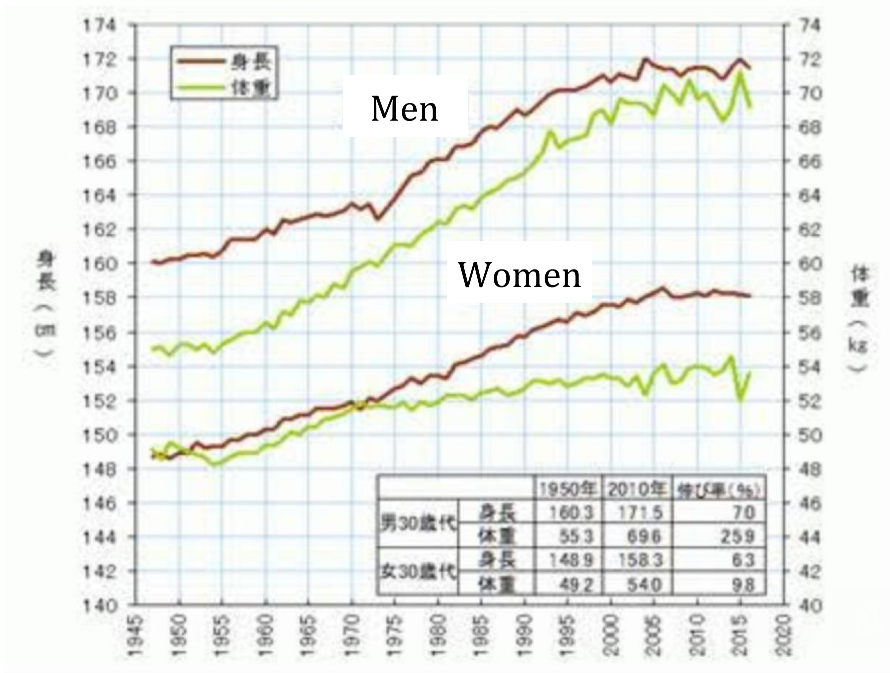
Japanese, on the whole, do not like revealing or tight fitting clothes. Perhaps this is because they are very size conscious, with many women buying clothes smaller than their actual size and men buying larger sizes. The Japanese also want to make their bodies look as good as possible, so the silhouette and length are very important to them.

Over the past 50 years the average height and weight of Japanese in their 20s and 30s has been on the rise. This has led to an increase in the length of limbs, which has led to an increase in the number of people who are able to wear imported clothes.
As a result of this increase in size, many people could not get larger sizes, unless they bought imported brands. There was also more awareness and information about Western fashion, so more Japanese became interested in Western brands.

For women, the actual sizes of European and American brands imported into Japan were European sizes (France, Germany) 32, 34, XS, S, American sizes, 0, 2, XXS, XS, S, and Italian sizes are 40, 42, 44 and S.
Men's sizes are French 34, 46, S and M. German sizes and American sizes are 34, 36, S and M. Italian sizes are 34, 36, S and M.

In the Japanese market, the most common sizes for Japanese women are 7, 9, S, and M. The most common sizes for men are M, L.

Changes in Average Height and Weight of Japanese



Mens						
International standards	**Japan**	**England**	**U.S.A.**	**Germany**	**France**	**Italy**
XS	1(S)	34	34	44	38	44
S	2(M)	36	36	46	40	46
M	3(L)	38	38	48	42	48
L	4(LL)	40	40	50	44	50
XL	5(3L)	42	42	52	46	52

Womens						
International standards	**Japan**	**England**	**U.S.A.**	**Germany**	**France**	**Italy**
XXS	5(XS)	6	0-2	32	34	38
XS	7(S)	8	4	34	36	40
S	9(M)	10	6	36	38	42
M	11(L)	12	8	38	40	44
L	13(LL)	14	10	40	42	46
XL	15(3L)	16	12	42	44	48

Distribution Strategy

In Japan, there is a clear distinction between the Japanese domestic fashion brand market and the imported brand market. Each requires different strategies in regards to targeted customers, product offering, price positioning, distribution, communication and promotion.

For smaller imported brands it is important to work with Japan partners to expand their business in Japan. Partner companies can work to manage logistics, sales and marketing. Historically this had been the only option because Japan had very different commercial customs than other countries. While this remains important for smaller brands, more recently, larger global brands have used their global strength to sell directly to customers through a concession system with retailers or directly to consumers through free standing stores. For large global brands this allows them to save on the distributor’s commission, giving an opportunity to offer their apparel at a lower, more competitive retail price.

For smaller brands there is a preference to work with a distributor who can handle the brand in Japan. Successful imported brands have the right product assortment, price position and quality in line with Japanese consumer desires. In order to create interest with buyers, the brand should present during market at Paris Fashion Week. This is because many Japanese buyers go to Paris to purchase. An alternative is to bring samples to Tokyo for Japan market week, (right after the sales season in Paris) and work with a showroom company to invite buyers to review the apparel. It is also possible to participate in a joint Tokyo exhibition. Nowadays, online sales exhibitions are also available, so it is possible to use them as an alternative.

Once you conclude a contract with a showroom or distribution company, you can increase the number of stores that handle your products or open directly operated stores. It is important to have a clear understanding of the sales opportunity and need for the correct level of inventory. This is because the more the distributors sell, the more commissions they receive, so they often sell in large quantities and to inappropriate channels, without regard to a brand’s image. When you find a partner, it is important to control them and expand your business in Japan strategically.

Once you have established a point of sale in major Japanese multi-brand stores or department stores, the first step is to increase the sell through of the store. In order accomplish this you have to invest in PR and promotion. Japanese stores will buy your products for 2-3 seasons to determine the sales volume, but if they don't sell through they won't buy past this point. The key is to gain brand name recognition and loyal fans in the first two years. Since retailers only do limited sales promotion, an imported brand needs to hire a marketing communications agency in Japan to drive awareness.

Distribution Strategy (continued)

After successfully increasing the number of stores across Japan in the wholesale business, the brand must directly manage stores and concessions with department stores, to manage and analyze the brands' customer information for sales and marketing activities. At this stage, the company will expand its sales channels to street stores, fashion complexes, outlets and duty free shops. This stage will require a very large investment.

E-commerce will rapidly increase in importance in the future. The scale of fashion e-commerce in Japan is still small compared to western countries, but due to COVID, the e-commerce market for fashion-related products is expected to grow rapidly in the future. In addition, Generation Z will become a major fashion purchaser in the near future, and their fashion purchasing behavior is quite different from that of previous generation of Japanese customers.

The current Japanese fashion e-commerce giant is ZOZO, but it is not an effective channel for imported brands due to its low unit sales price. Better options will be Farfetch, YOOX, SSENSE, and MATCHESFASHION, which have entered Japan to sell imported brands. These sites are expected to expand their market share. The brand will have to compete with many other brands by simultaneously promoting its products in Japan. Alternatively, many companies have entered the market with only their own branded e-commerce sites. The challenge for them is to drive Japanese customers to these sites. This requires the expertise of a Japanese marketing communications agency.

Imported Apparel Brands Communication Strategy

Creating brand awareness among the target audience with engaging communication is critical to the success of imported brands in Japan. It is important to have representation in Japan (in Japanese) to present the brand to influencers, bloggers, editors and stylists and drive consumer awareness.

The method of communication is mainly through social media, online, print media, and video. Importantly, unlike other markets print fashion and lifestyle magazines still play an important role in brand communication in Japan. Japanese trust these printed sources of information and continue to rely on them. In addition, most of these magazines also have an active online communication component to increase brand awareness.

A strong digital push is essential for brand awareness. In the trend market the consumer audience has become fragmented and there are multiple influencers who have a range of ability to disseminate information from macro influencer to micro influencers. Finding the right micro influencer for a brand's positioning can lead to high brand loyalty. Loyalty leads to success, even if if the targeted audience is small and segmented. The communication of brands and products through social media sites, led by Instagram is expanding exponentially. YouTube channel is also an important media to disseminate information. Japan ranks third in YouTube usage, and the main audience is teenagers and young 20 year olds. In the fashion world, online bloggers endorse products and can be highly influential to create buying habits for consumers, especially Gen Z. Events with loyal customers also play an important role in building long term success.

On a more macro scale, seeding apparel with celebrities is also a strong opportunity to create awareness as musicians, actors, and athletes can all be strong influencers for a brand.
Finding the right PR showroom partner to communicate a brand and efficiently coordinate the showing and lending of seasonal samples is critical to local success as it leads to significant product placement, editorial and coverage in the press.

6. Conclusion

The Nordic Lifestyle is Appealing to the Japanese

Japan's import market is significant in size, and offers opportunities for brands that fit with Japanese desires. For the past several years, the Nordic lifestyle has been extremely appealing to the Japanese. There is an entire trend of young city dwellers considering, or at least fantasizing, about leaving the dense urban city and resettling in more remote areas like Hokkaido.

Attitudes about sustainability, community and a holistic lifestyle correspond with many of Finland's brand positions, and there is growth in important outdoor and sportswear categories where many Finnish brands have strong product offerings.

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