

Furniture Industry: Latest Research Findings in 2009

- The market which was beginning to show some signs of recovery turned into the downswing phase again due to the recession. -

➤ **Research Outline**

Yano Research Institute has conducted a study on the home and office furniture industry in Japan as described below.

1. Research period: January to April 2009
2. Research targets: Home furniture manufacturers and retailers (28 firms), and office furniture manufacturers (10 firms)
3. Research methodologies:
Face-to-face interviews with relevant personnel, supplemented by interviews via telephone and e-mail, and literature researches.

➤ **Key Findings**

◆ **Due to the economic recession, the market turned into the downturn again.**

After continuous downswing for a long time, the home and office furniture market had started showing some signs of recovery in recent years. With the major impacts by the global recession started in the autumn of 2008, however, it is expected that the market will turn into the downswing phase again.

◆ **Home furniture market size in 2008 was 876 billion yen, increased by 1.2 percent compared to the previous year.**

The home furniture market size (based on the shipment from manufacturers) in 2008 was estimated to be 876 billion yen, increased by 1.2 percent compared to the previous year. Until the middle of 2008, the market was showing some signs of prosperity with strong consumer spending fueled by the economic recovery. Since the fall in 2008, however, the consumer propensity has weakened and the market declined. Although the good business conditions in the first half has covered up the decline started from fall, the total growth achieved in 2008 was limited to be marginal.

◆ **Office furniture market size in 2008 was 393.2 billion yen, decreased by 12.9 percent compared to the previous year.**

The office furniture market size (based on the shipment from manufacturers) in 2008 was estimated to be 393.2 billion yen, decreased by 12.9 percent compared to the previous year. The office furniture market had been growing steadily since 2002, based on the increasing demand for office furniture created by the increase of office relocations due to the urban redevelopment projects, and the demand for security related office furniture to comply with the Private Information Protection Law. Since the recession started in the fall of 2008, however, these demands have fallen rapidly and the market has been impacted significantly.

➤ **Report format:**

Published report: "Furniture Industry 2009"

Issued in: June 2009

Language: Japanese

Format: 679 pages in A4 format

Price: 110,000 yen (5,500 yen of consumption tax shall be charged for the sales in Japan.)

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➤ Research Summary

1. Overview of the home furniture market

The home furniture market had long been in gradual decrease with the decrease of demand for newly built homes and new families. Since 2000, however, an interior boom started among younger generations, and the demand for high price products including high performance beds increased in all age brackets. In 2006, the business development of IKEA in Japan has attracted attentions at various media, and contributed to increasing people's interest in the interior. The market, thus, stopped shrinking and recovered to flattening level.

Since the fall of 2008, however, along with the economic recession, the consumer propensity has weakened, and a preference for lower-priced goods has strengthened again. Among the retailers of furniture, there is only a few retailers are sustaining good business performance.

The market size (based on the shipment from manufacturers) in 2008 was 876.0 billion yen, increased by 1.2 percent compared to the previous year, owing to the good business conditions in the first half covering up the drops started from the fall. In 2009, however, there is no encouraging factor to improve the consumer propensity, and severe market environment is expected.

2. Trends of the home furniture manufacturers and retailers

Facing with the tough business environment, many enterprises are changing their sales strategies for survival.

Among the furniture manufacturers, increasing number of enterprises are focusing on the sales through housing suppliers, such as housing companies and condominium developers, as such housing suppliers are trying to increase their sales by including optional furniture into their deal.

Among the furniture retailers who used to focusing on the prospective customers, increasing number of enterprises are focusing on retaining their existing customers through suggestion/follow-up of the customers, and promotional activities by utilizing the data of their existing customers and their purchase records.

3. Overview of the office furniture market

The office furniture market had been gradually increasing since 2002, owing to the increasing demand for office relocations by urban redevelopment projects and the demand for security related products to comply with the Private Information Protection Law, coupled with the replacement demand for higher performance furniture with the corporate performance recovery.

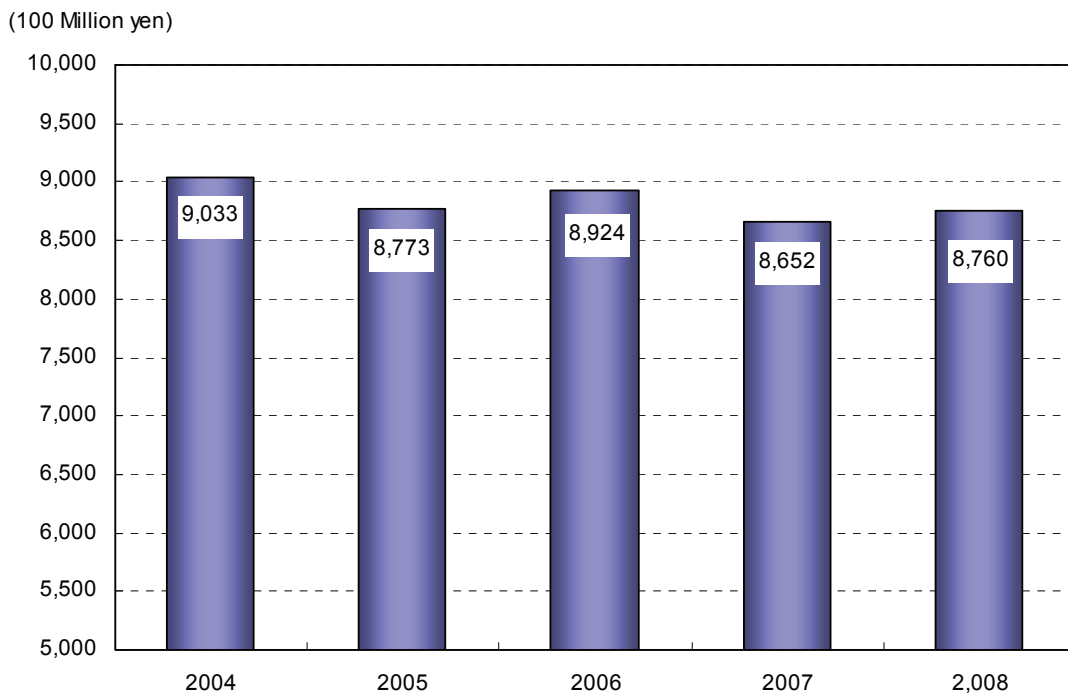
Since the recession started in the fall of 2008 and the corporate performance rapidly dropped, the demand for office relocation has decreased rapidly. The office furniture has become a target of cost reduction measures, and the replacement itself has reduced drastically. Further, as the demand for security related product also has peaked out, the office furniture demand has rapidly decreased and the market size (based on the shipment of manufacturers) in 2008 has shrunk considerably to 393.2 billion yen, decreased by 12.9 percent compared to the previous year.

4. Trends of the office furniture manufacturers

With the expectation that the total number of office workers will decrease in a long term due to the falling birthrate and therefore the aging population, and the demand for office furniture will peak out, office furniture manufacturers have been working on the measures to cope with such social situations long before the current economic recession to start. Specifically, the development of a new demand for creating new office environment with highly functional layouts and storages to improve intellectual productivity and creativity, and the business development into newly emerging countries including BRICs and Asian countries.

However, many people consider that any of such measures may not yield any substantial results under the current global economic downturn. They recognize a period until the economic recovery as a "Time for Patience", and are implementing various measures for survival, including the streamlining of their business and management.

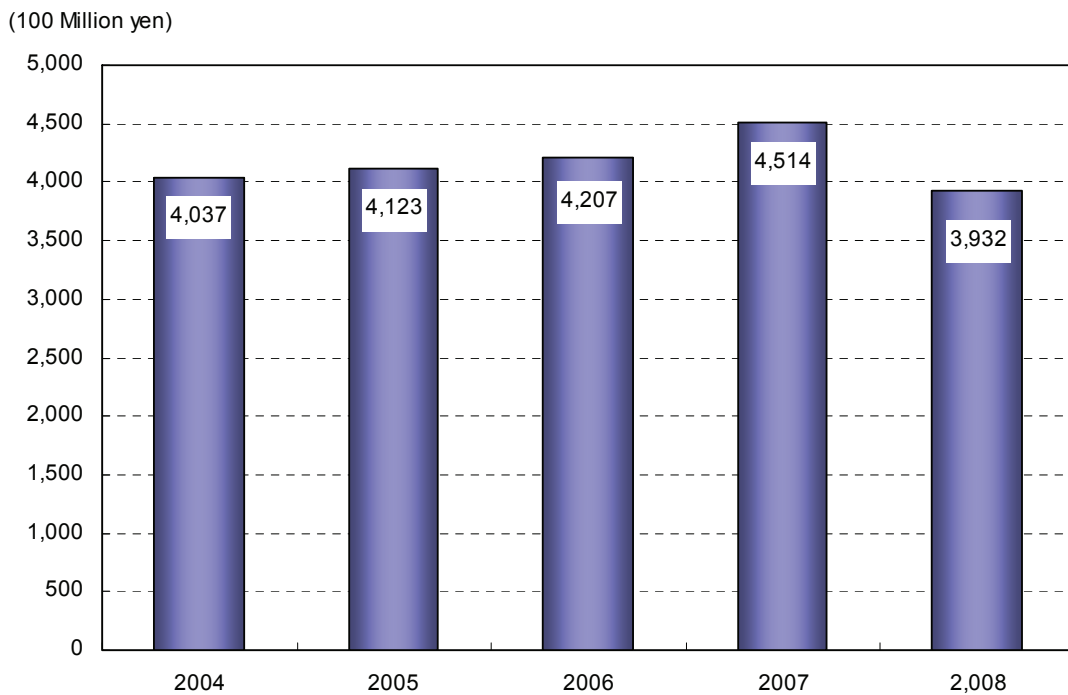
Fig. 1: Home Furniture Market Size Transition



Note 1: Based on the shipment from manufacturers

Estimated by Yano Research Institute

Fig. 2: Office Furniture Market Size Transition



Note 2: Based on the shipment from manufacturers

Estimated by Yano Research Institute