

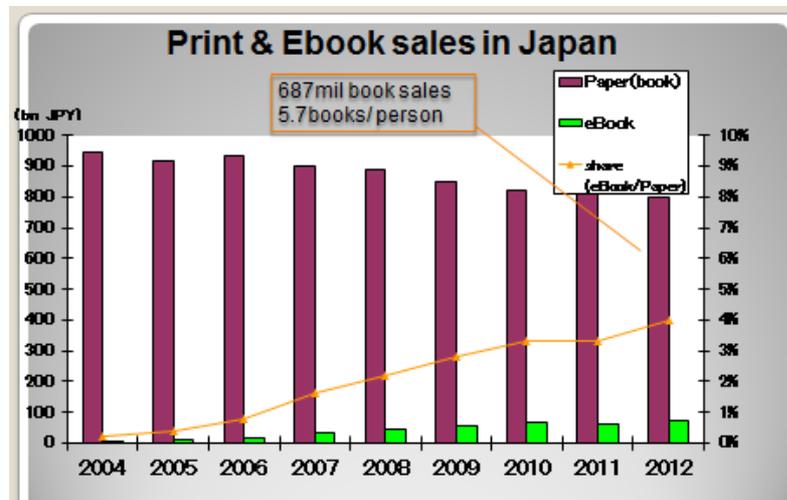
IPA Country Report – Japan

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Q1. How is the Japanese publishing market performing?

It has been downsizing over the last decade, as the graph shows. In 2012, total sales amounted to JPY1.682trillion, representing a 3.3% drop from 2011. Book sales were JPY785 billion, which is a 2.0% drop and magazines represented JPY897 billion, a 4.4% drop. Although we had some mega hits (eg a new Murakami), it wasn't enough to stimulate customers' buying behavior.



Q2. What are the biggest challenges facing Japanese publishers today?

Free books, discounting, and VAT. On average, customers bought 5.7 books from online/offline bookstores in 2013. The number of books borrowed from public libraries is rapidly increasing, reaching 5.8 books per capita in the same year.

Meanwhile, a new business model has emerged: secondhand bookstores which sell recent titles in large volume, in good condition and at very low prices. This presents a compelling proposition, compared to buying a new book at the fixed price.



Customers now have many options in terms of price and format, ie between a new book, a paperback version, a 'new' second hand book, an e-book or borrowing from a library. This makes it difficult to run a stable publishing business.

We will have a VAT increase (from 5% to 8%) on April 1st and expect a further increase to 10% in two years time.

Q3. How are bookstores doing?

They are having quite a tough time given that customers have many options for accessing books, such as obtaining them free from libraries or at low cost as mentioned above. That said, Japan remains very well served by book stores, compared to other markets (see chart)

| | No. of Bookstores | Population/Shop | Area Coverage |
|-------|-------------------|-----------------|--------------------------|
| USA | 10898 | 27363 | 884km ² /shop |
| UK | 4000 | 14925 | 61km ² /shop |
| KOREA | 3589 | 13318 | 28km ² /shop |
| JAPAN | 16576 | 7710 | 23km ² /shop |
| TOKYO | 1626 | 6104 | 1.3km ² /shop |

Q4. How is the e-book market developing?

It is growing, although there is a gap between forecast and actual market growth. It reached JPY93 billion, which is 5.5% of the print publishing market, in 2013. Until now, its growth has mainly relied on comic titles which customers could not easily find in bookstores: there are tens of thousands of niche titles which appeal to dedicated fans.

Q6. How is the educational publishing sector performing?

It is quite stable. Customers have fewer options compared to the trade sector. Educational publishers are rushing into preparation for digitizing their products and services, since educational committees in each region are considering the possibility of introducing digital materials into education in primary school/ junior high school.