

## Announcement of the results of the 2005 e-Commerce Market Survey

Press Release

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Ministry of Economy, Trade and Industry

METI (Information Economy Division of the Commerce and Information Policy Bureau), the Next Generation Electronic Commerce Promotion Council of Japan (ECOM; Chairman: Takuya Goto, Chairman of the Board of Directors, Kao Corporation) and IDC Japan (Managing Director: Masato Takeuchi) jointly conducted the 2005 e-Commerce Market Survey. Through a comparison of Japan and the U.S., the survey analyzed the current state of Japan's e-commerce market. The results are hereby released.

### 1. Background of the survey

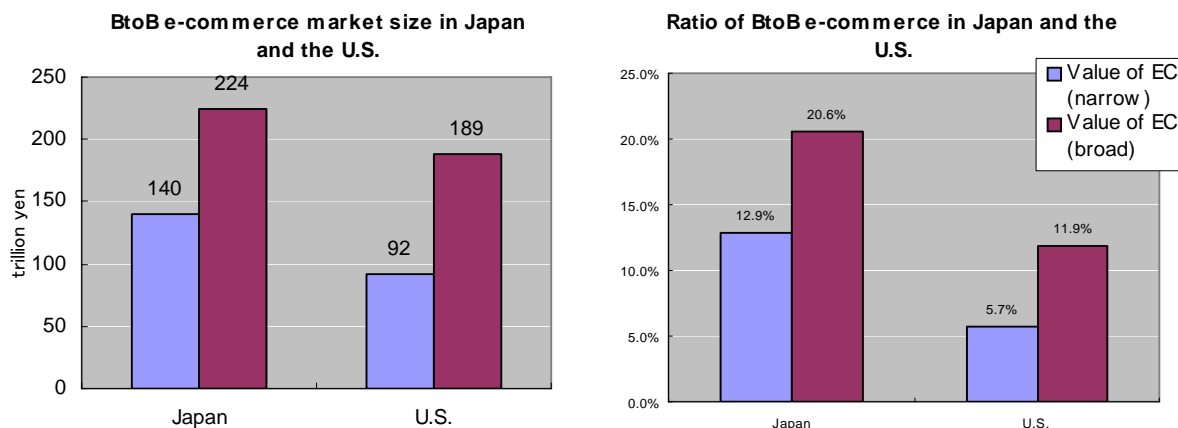
The present survey is the eighth of a series of annual surveys conducted since 1998 and covers e-commerce activity from January to December 2005. The survey was conducted through telephone and face-to-face interviews of companies and consumers in Japan and the U.S. during the period from January to March 2006. This was the first attempt of the survey to address the U.S. market conditions, enabling a comparison of Japan and the U.S. in order to analyze the current state of the Japan's e-commerce market.

### 2. Survey results

#### (1) Business-to-business (BtoB) e-commerce (EC) market

##### (i) Market size

The ratio of e-commerce to total BtoB commerce in Japan is twice as great as that in the U.S.



The U.S. BtoB e-commerce market as narrowly defined \* is worth 92 trillion yen and that as broadly defined\* 189 trillion yen, while the Japanese comparable markets are worth 140 trillion yen and 224 trillion yen, respectively. These figures can be converted into the ratio of

e-commerce market to the national BtoB commerce market (EC ratio), with each country's economic size taken into account. The results show that the narrowly and broadly defined EC ratios in Japan are 12.9% and 20.6% respectively, compared with 5.7% and 11.9% in the U.S. The Japanese figures are almost double the U.S. figures, suggesting that e-commerce is much more widespread in Japan than in the U.S.

\* Definitions of e-commerce

Narrowly defined e-commerce refers to Internet commerce.

Broadly defined e-commerce refers to Internet commerce combined with commerce that is conducted via computer network systems other than the Internet, such as VANs and dedicated lines.

(ii) e-commerce use by business sector

Transport equipment and electric and information equipment drive the use of e-commerce.

#### BtoB e-commerce market size and ratio in Japan and the U.S.

(in billion yen; US\$1 = 110.2 yen)

Sector		Market size (broad)		Market size (narrow)		EC ratio (broad)		EC ratio (narrow)	
		Japan	U.S.	Japan	U.S.	Japan	U.S.	Japan	U.S.
Construction	Construction	4,782	9,840	3,530	3,244	4.4%	7.2%	3.2%	2.4%
Manufacturing	Food	16,087	14,336	2,005	5,366	35.9%	18.3%	4.5%	6.8%
	Textiles & Household Goods	7,440	8,672	5,615	4,788	20.2%	12.4%	15.3%	6.9%
	Chemicals	19,748	23,663	10,699	11,908	34.0%	16.9%	18.4%	8.5%
	Ferrous & Nonferrous Metals	13,709	9,744	9,409	5,381	23.3%	13.7%	16.0%	7.6%
	Industrial & Precision Equipment	9,441	6,395	6,174	5,254	20.5%	16.6%	13.4%	13.7%
	Electric & Information Equipment	31,355	12,822	21,991	10,179	39.6%	18.8%	27.8%	15.0%
	Transport Equipment	28,603	30,470	21,743	11,115	46.4%	36.0%	35.2%	13.1%
Information & Communications	Information & Communications	6,312	12,199	5,364	4,720	12.2%	10.1%	10.4%	3.9%
Transport	Transport	4,879	1,782	4,236	802	8.7%	3.5%	7.6%	1.6%
Wholesale	Wholesale	71,044	53,419	41,766	24,802	20.1%	12.4%	11.8%	5.8%
Finance	Finance	8,775	1,978	6,594	1,048	12.9%	0.9%	9.7%	0.5%
Service	Real Estate	171	499	165	271	0.4%	1.7%	0.4%	0.9%
	Advertising	103	980	64	518	1.8%	11.5%	1.1%	6.1%
	Rental	112	129	110	64	0.8%	1.0%	0.8%	0.5%
Other	Retail	912	1,810	912	1,810	N/A	N/A	N/A	N/A
	Other Services <sup>1</sup>	68	422	68	422	N/A	N/A	N/A	N/A
Total		223,539	189,159	140,444	91,690	N/A	N/A	N/A	N/A
Total (not including "Other")		222,559	186,927	139,464	89,458	20.6%	11.9%	12.9%	5.7%
Manufacturing		126,382	106,101	77,636	53,990	32.8%	19.3%	20.1%	9.8%
Non-Manufacturing		97,157	83,058	62,808	37,700	N/A	N/A	N/A	N/A
Non-Manufacturing (not including "Other")		96,178	80,825	61,828	35,468	13.8%	7.9%	8.9%	3.5%

<sup>1</sup>"Other Services" refer to three service sectors: "hotel & travel," "restaurants," and "entertainment."

Note that only the estimated market size is available for "Retail" and "Other Services" (no EC ratio available).

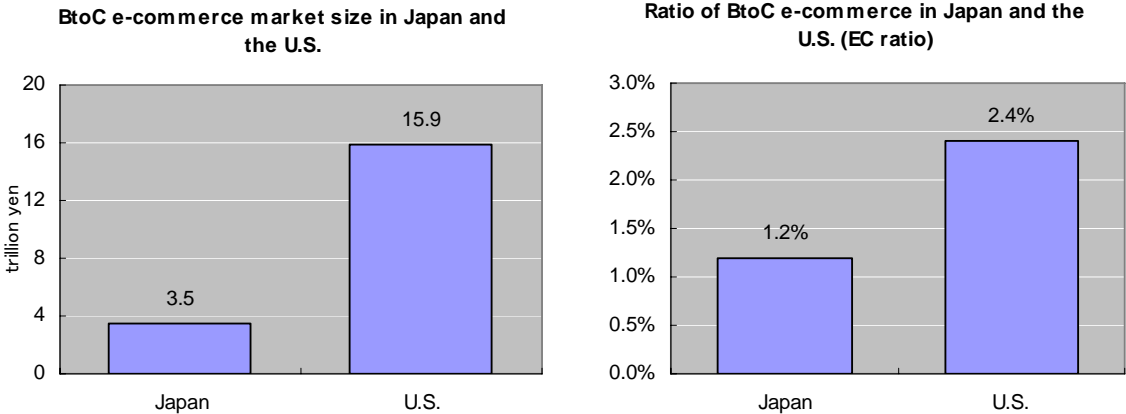
An analysis of e-commerce use in the BtoB market by business sector shows that e-commerce is widely used in the transport equipment (with the broadly and narrowly defined EC ratios in Japan at 46.4% and 35.2%, respectively) and electric and information equipment

(with the comparable figures standing at 39.6% and 27.8%) sectors, contributing to the expansion of the Japanese e-commerce market. In almost all sectors, the EC ratio in Japan is higher than that in the U.S.

(2) Business-to-consumer (BtoC) e-commerce market

(i) Market size

The U.S. leads in BtoC e-commerce.



The size of the BtoC e-commerce market in Japan is 3.5 trillion yen, compared with 15.9 trillion yen in the U.S. Even in the EC ratio, Japan (1.2%) lags behind the U.S. (2.4%).

(2) e-commerce use by business sector

e-commerce use is more common in the information and communications, electric products, and hotel and travel sectors in Japan.

### BtoC e-commerce market size and ratio in Japan and the U.S.

(in billion yen; US\$1 = 110.2 yen)

Sector		Market size		EC ratio	
		Japan	U.S.	Japan	U.S.
Retail	General Retail	832	6,143	4.1%	7.7%
	Clothing & Accessories	32	519	0.2%	2.1%
	Food	147	624	0.3%	1.0%
	Automobiles & Auto Parts	22	1,267	0.1%	1.2%
	Furniture & Household Goods	63	59	1.5%	0.4%
	Electrical Appliances	380	286	4.0%	2.3%
	Pharmaceuticals & Cosmetics	83	114	0.9%	0.5%
	Sports, Books, Music, Toys	151	366	1.7%	3.7%
Service	Hotel & Travel	360	535	3.7%	2.4%
	Restaurants	22	161	0.2%	0.3%
	Entertainment	68	148	0.2%	0.7%
Other	Construction	0	426	N/A	N/A
	Manufacturing	120	1,721	N/A	N/A
	Information & Communications	858	1,148	N/A	N/A
	Transport	190	519	N/A	N/A
	Wholesale	33	1,399	N/A	N/A
	Finance	85	466	N/A	N/A
	Other Services <sup>1</sup>	12	31	N/A	N/A
Total		3,458	15,933	N/A	N/A
Total (not including "Other")		2,160	10,223	1.2%	2.4%
Retail		1,711	9,379	1.3%	2.8%
Non-Retail		1,747	6,554	N/A	N/A
Non-Retail (not including "Other")		449	845	0.9%	0.9%

<sup>1</sup> "Other Services" refer to three service sectors: "real estate," "advertising" and "rental."

Note that only the estimated market size is available for "Other" (no EC ratio available).

The BtoC e-commerce market in Japan is smaller than that in the U.S. However, the market size is relatively large in sectors such as information and communications, which refers to digital content distribution and software sales; and general retail, which includes leading mail-order houses selling a wide variety of goods; electrical appliances, which mainly consists of personal computers and household appliances; and hotel & travel. This suggests that sales via the Internet are growing in these sectors ahead of other sectors.