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## Japan

### Market Development Reports

#### Food Business Line

*Periodic Press Translations from ATO Tokyo*

**2003**

**Approved by:**

Kevin Sage-EL, Deputy Director  
ATO Tokyo

**Prepared by:**

Akiko Matsuyoshi, Marketing Clerk

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**Report Highlights:** From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: Improved varieties of *onigiri* rice balls have proven successful in attracting the Japanese consumer into retail establishments; There are high expectations for *Costco Japan's* 4<sup>th</sup> store which opened on April 17 in Amagasaki City, near Osaka, Japan; *McDonald's Japan* seeks to diversify its product brand image with new offerings that contain added value for their customers; The *Nakashoku* market continues to show growth potential in Japan; Frozen processed food imports continue to nudge market share from domestically produced product and; The Iowa Beef Mission pays a visit to Japan.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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[JA]



## Food Business Line

Periodic Press Translations from ATO Tokyo

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### Retail/Wholesale

- Good sales of gourmet *onigiri* rice balls and aggressive restructuring efforts resulted in increased operating profit for four out of the top five convenience store operators in fiscal 2002. The biggest sign of business improvement was lower declines of same-store sales. Industry leader *Seven-Eleven Japan*, saw sales at all stores go up 5% and its consolidated pretax profit went up by 4% in fiscal 2002 compared to 2001, which are record figures. *Onigiri* rice balls that contain expensive ingredients such as *matsutake* mushrooms or red snapper supported the record sales for *Seven-Eleven Japan*. Gourmet rice balls were introduced at the end of 2001 and became an instant hit, having sold more than 100 million rice balls in a year despite being priced slightly higher at 160-200 yen, compared with 100-120 yen for other rice balls. (a 4/16)
- All five major food-oriented supermarkets, *Life Corporation*, *Maruetsu*, *Tokyu Store*, *York Benimaru*, and *Okuwa*, reported an increase in pretax working profit in fiscal 2002 compared to 2001. Efforts in product labeling, employee education, prepared food offerings, packaged products in smaller quantities, new stores and expansion of operating hours are believed to have contributed to increased earnings. (a 4/18)
- *Seiyu* announced an 87% decline in parent-only pretax working profit in fiscal 2002 compared to 2001, which is the first full-year of earnings since coming under the control of *Wal-Mart Stores*. *Seiyu* has only recently implemented some of *Wal-Mart's* management and pricing strategies. Thus it is noted that more time will pass before the effect of *Wal-Mart's* low-price strategy begins to produce visible results. (a 4/22)

*ATO Comments: In other retail activities, Costco Japan opened its 4<sup>th</sup> store on April 17 in Amagasaki City, with a population of a half-million people on the outskirts of Osaka, Japan. The convenience of trains and highways and, its proximity to major adjoining urban areas however, provides this new Costco store with a potential customer base of 4 million consumers and innumerable retail and HRI business. Much better located than at least two of Costco Japan's other three store locations, Costco's management expect their Amagasaki store to out-sell its counterparts. In its pre-opening promotional campaign, over 6,000 new business and individual members were registered, 50% higher than previous Japan Costco store openings. With its characteristic stock of high quality U.S. beef, poultry, processed food, snacks, and low prices, Costco brings a new dimension of possibilities for U.S. food exports.*

### Food Service

- *McDonald's Japan* announced plans to test-market new menu items beginning on April 23 in an effort to renew and upgrade its product brand image to one that exemplifies "high value" and "healthy". Some of the unique menus are the "Premium Burger" that uses twice the amount of selected premium beef compared to normal beef burgers, and the "Tofu Burger". Both are priced at ¥270 and ¥230 yen, respectively, much higher than the inexpensive 59-yen burgers. (b 4/22)
- The *Nakashoku* or Home Meal Replacement (HMR) market, such as *sozai* side dishes and *bento* lunch boxes is expanding. According to the *Food Service Industry Research Center*, the market size of *Nakashoku* has expanded by 35% in the last five years, rising

to ¥5.8 trillion (excluding *sozais* sold at supermarkets and convenience stores) in 2002. (b 4/24)

- According to the survey by the *Nikkei Marketing Journal*, total sales of Japan's top 100 food service companies increased by 1.9% in 2002 compared to 2001, marking the lowest increase in nine years. While giants such as *McDonald's* and *Royal* suffered from a sales decline, small and mid-sized operators such as *Fuji Food System* which runs a cafeteria-style restaurant chain called *Maido Ookini Shokudo* ('Thank You as Always', in the Osaka dialect), tripled sales growth in fiscal 2002. Emerging operators of Japanese-style pub restaurants, such as *Tasco System* and *Sanko Marketing Foods* also reported satisfactory results. (b 4/24)

### **Food Processing/New Products/Market Trends**

- According to the *Japan Frozen Food Association*, domestic production of frozen food in 2002 for the business sector declined 1.1% and, for the household sector it declined by 2.3%. This was the fifth consecutive year in a row of a decline for the business sector. On the other hand, frozen processed food imports increased by 20.2%, drawn from a survey that was completed for 32 companies that import processed frozen food. (f 4/17)

### **Food Safety/Consumer Awareness**

- No Significant Articles

### **ATO/Cooperator/Competitor Activities/Trade Shows**

- The State of Iowa's Japan Office, *Iowa Pork Producers Association* and *Beef Industry Association* held a reception during the visit of the Iowa Beef Mission on April 8, 2003. The mission was made up of representatives for pork and beef associations, state university experts, and exporters with the Secretary of Agriculture for the State of Iowa as the head of the delegation. About 150 people from the Japanese meat industry attended the reception. (f 4/21)

#### **Sources**

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal        |
| (c) The Japan Food Journal       | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News          | (f) The Food Industry News              |

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