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Food Business Line - Periodic Press Translations

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Report Highlights: *Seven & I Holdings*, the owner of 7-Eleven and Ito Yokado, to complete purchase from Millennium Retailing, Inc. for a 65-percent share ownership of Sogo Department Stores and Seibu Department Stores; *Marubeni Corporation* and *Advantage Partners (AP)*, to split a 35-percent share in The Daiei Inc.; Some sign of sales recovery shown among membership of *Japan Department Store Association* and *Japan Chain Store Association*; Information panels at *Royal Holdings Co., Ltd.* restaurants will start displaying information on the origin of 22 of its main food ingredients; *Kirin Brewery Co.* will strengthen its Diet Food business and; Beginning this summer, *Nippon Meat Packers* will start a new brand of quality HMR targeting the aging population.

Includes PSD Changes: No
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Food Business Line

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Retail/Wholesale

- *Seven & I Holdings*, the owner of 7-Eleven and Ito Yokado, concluded its share purchases through Nomura Principal Finance Co., Ltd. for shares of Millennium Retailing, Inc., the owner of Sogo Department Stores and Seibu Department Stores. The 65-percent stake will make Seven & I Holdings the top national retailer by adding department store business to its core management. (a. 12/26)
- The major trading company, *Marubeni Corporation* and investment fund operator, *Advantage Partners (AP)*, sponsoring organizations for *The Daiei Inc.*, confirmed their acquisition plans, amounting to a combined 33.4% share of *The Daiei Inc.*, currently held by *The Industrial Revitalization Corporation of Japan (IRCJ)*. The purchase will take place in 2007. (a. 12/27)
- *Aeon Co., Ltd.* will open new type supermarket called “My Basket” in metropolitan residential areas. The floor space will be limited to about 1/10 of its “Max Value” supermarket usually located in the suburban areas. To complement *Aeon’s* strategy which keeps targeting mainly suburban areas, My Basket targets the aged population and the ‘returned-to-central town’ population. Meanwhile *Aeon* is strongly opposed to the revised plan for the Urban Planning Law, which limits building large-scale stores in commercial districts of central downtown areas. (a. 1/7)

ATO Note: These downtown districts are usually predominated by smaller, single proprietor stores that would lose business if major supermarkets were allowed to enter.

- *CO-OP Net* made up of seven prefectural regional consumer food co-ops within the Kanto region reported that the combined total sales of CO-OP Net will reach 800 billion yen by the year of 2015. It will conduct an intensive review of its management system and upgrade its B-to-C Internet business. (b. 1/11)
- *Mitsui & Co., Ltd.* will establish a new information data system called “MAG Links” to be shared by 8 related food wholesale companies. The system will convert each company’s product code and order system to one unified system to reduce cost and expand products handled. It will build up a stronger cooperation with each other in this large wholesale group with the total sales size of 1 trillion yen with an aim to expand more business with retailers. (b. 1/23)
- According to the *Japan Department Store Association*, total sales for its member department stores in December increased by 0.9%, respectively on a same-store basis compared to the same month last year. It was the fourth consecutive increasing month, the first in 9 years. In addition, according to the *Japan Chain Store Association*, total sales of its member supermarkets in December increased by 1.8% compared to the same month last year. However, total sales in 2005 decreased by 2.6% compared to 2004, and food sales has not improved due to low-price competition and decreasing share of the number of customers caused by increasing competition. (a. 1/25, b. 1/30)

Food Service

- *Royal Holdings Co., Ltd.* will start displaying information panels to show the origin of 22 of its main food ingredients used at Royal Host family restaurants. (a. 12/27)
- With the Japanese Government, again banning beef imports from the U.S. last week and with no prospect of shipments resuming, restaurant operators that had already started using beef from Australia, China and other regions are taking steps to secure procurement channels for these sources. *Rex Holdings Co.*, which operates the Gyu-Kaku chain of grilled meat restaurants, had planned to start advertising new menu items using U.S. beef in addition to its existing Australian and domestic beef dishes. But now, it has ditched these plans due to the second import ban. (a. 1/24)
- *Yoshinoya D&C Co.* will restart beef bowl menu using U.S. beef for three days from February 11. Utilization of U.S. beef is anticipated to be only 16% of the total amount before the ban, and they are planning to sell it for limited period after March. Upon learning of the new ban on beef imports from the U.S., Yoshinoya has once again delayed putting its 'gyudon beef on rice bowl dishes back on its menus. (b. 1/20;i. 1/21)
- According to the Nikkei MJ's survey targeting 30 major food service companies, each major food service company will increase the number of outlets and food service market will expand in 2006. Finishing of restructure and resumption of U.S. beef are the primary factors. (b. 1/6)

Food Processing/New Products/Market Trends

- *Kirin Brewery Co.* will strengthen its Diet Food business managed by its subsidiary *Kirin Well-Foods Co., Ltd.* The sales of the diet drink "Lieta", a food replacement beverage, increased in 2005 by as much as 3.3 times that of the previous year. It is expected that an increase of 75% is needed to meet the target of 7 billion yen in 2006. (g. 1/7)
- *Ajinomoto Co., Ltd.* will establish a joint venture with a company in China to produce vegetables for cup soup ingredients. The production of these ingredients already has an established traceability system. There will be 15% savings compared to outsourcing and, will also upgrade food safety, trust and competition. (b. 1/18)
- The meat importer, *IF Trading Co., Ltd.*, has imported beef with JAS certification Production Information from Mexico for the first time. It will be the alternative for U.S. beef and import 500 tons annually. (b.1/18)
- Beginning this summer, *Nippon Meat Packers* will start a new brand of quality HMR such as roast beef, soups and other European style menu items developed in cooperation with restaurant chefs. The products will be in department stores beginning this summer. The project corresponds to the aging society's increasing demands for quality HMR. (b. 1/20)
- According to the shipping statistics in 2005 for five major beer companies', total shipment decreased by 3.1% compared to that of 2004. This was the first decrease in two years. (b. 1/20)

Food Safety/Consumer Awareness

- There are more movements to enforce traceability systems, which enable consumers to check for information on a product's production record. *Pearl Rice Yamagata*, a rice organization associated with Agricultural Co-operative Associations has established its own rice traceability system, and some rice shops started offering the system so that consumers can check for information on fertilizers used for the growing the rice. (b. 1/23)

ATO/Cooperator/Competitor Activities/Trade Shows

- This year, USMEF will double the members of “U.S. Beef Sommelier” who can explain characteristics and the appropriate cooking methods for U.S. beef. So far, since September 2005, 65 people have been registered as U.S. Beef Somerlier. Meanwhile, according to one major survey, 45% of 806 adults responding from the metropolitan area replied that they will not buy U.S. beef. (b. 1/11)

∞ 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 |
| (g) Fuji Sankei Business I | (h) Pan News |
| (i) Nihon Keizai Shimbun | |

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