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Food Business Line - Periodic Press Translations

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Report Highlights:

Sony Plaza Corporation will change its name to Plazastyle Corporation as of May 1 this year; Top food wholesaler, Kokubu & Co., Ltd., and the fifth ranked food wholesaler, Mitsui Foods Co., Ltd. announced that they reached terms for a business agreement; TESCO, the major supermarket chain from England, will accelerate its plans to open outlets in China, Korea and Japan in 2007; Lotte Co., Ltd concluded a franchise contract with the U.S. major donut company Krispy Kreme Doughnuts to start business in Japan this winter and; Aeon Group will gradually increase use of biomass material made from corn to 20,000 tons by February 2010.

Includes PSD Changes: No
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Food Business Line

Periodic Press Translations from ATO Tokyo Vol. VI, Issue 4, April 1-30, 2006

Retail/Wholesale

- A grocery store *Sony Plaza Corporation* changed its name to *Plazastyle Corporation* as of May 1 this year. Sony Plaza was Japan's first import grocery store created by the founder of Sony Corporation in 1966. The name of "Sony" will be erased due to the changes in capitalization for this and other groups of the company. (a. 4/19)
- The financial settlement of *Seven & I Holdings Co., Ltd.* in February 2006 period showed the record high profit for both sales and ordinary profit. The group's all major companies gained high profit. *Seven-Eleven Japan* had increased income and increased profit for the consecutive 26 periods since its stocks were listed, *Seven-Eleven USA* had also an increase of 2 figures percentage, and the sales profit of *Ito Yokado* increased by 37%. (f. 4/17)
- *Seven-Eleven Japan Co., Ltd.* will target increasing the sales of its private label products to 58% of the total sales. They will develop more original box lunch and HMR products and strengthen health oriented food menus to increase the number of middle-aged customers. (b. 4/19)
- *Aeon Group's* financial statement for February 2006 showed the record of sales profit for the consecutive 6 periods, due to the performance of its expanded direct business and improvement in retail business, especially clothing sales. (f. 4/10)
- According to the financial statements for February for the 7 major convenience store operators in Japan, all seven (eight chains) realized sales decreases compared to the same period of last year mainly due to the decrease of customers caused by the intensified competition and standardized items and services which may have not fulfill customers' needs. (f. 4/24)
- According to the *Japan Department Store Association*, total sales for its membership in 2005 increased by 0.7%, respectively on a same-store basis, compared to the same month last year. It was the first increase in 9 years since 1999. The *Japan Chain Stores Association* reported total sales in 2005 among its supermarket membership decreased by 2.0% compared to the same month last year. It was the decrease for the 9 consecutive years. Food and grocery markets are still sluggish. (a. 4/25)
- The top food wholesaler, *Kokubu & Co., Ltd.*, and the fifth *Mitsui Foods Co., Ltd.* announced that they secured the business cooperation including the shared distribution system. *Mitsui Foods Co., Ltd.*, an affiliate of *Mitsui & Co., Ltd.*, has lost business with *Daiei* and had further aggravation in business. Now Japan's food wholesale industry has three major groups of *Kokubu/Mitsui*, *Mitsubishi Corporation* and *Itochu Corporation*. (a. 4/4, b. 4/9)
- *Nippon Access Inc.*, one of major food distribution companies, has started the best-before-date control system for processed foods so that they can avoid delivering foods with short best-before-date products to retailers. (b. 4.5)
- *Family Mart Co., Ltd.* will start a new food shopping website in collaboration with *Itochu Corporation*. For the first few months, approximately 500 items of mainly food supplements and diet foods will be sold, and fresh foods such as those consumers cannot buy at retail stores will be added one after another after July. (a. 4/20)

- Supermarkets and liquor stores have started discount sales of beer taste beverage “the third beer” before the tax increase for the third beer from May 1 and also targeting consumers who buy large stock for the Golden Week vacation. (a. 4/15)
- *Aeon Group* decided to defer the price increase of “the third beer” at its 1000 outlets even after the tax increase starting May 1. The price war may be accelerated if other retail stores follow *Aeon’s* decision. (b. 4/28)
- *Mycal Corporation*, which operates under the *Aeon Co., Ltd.*, will open two new *SATY* outlets for the first time in 6 years since its financial collapse in 2001. (b. 4/28)
- The major supermarket in England *TESCO* will accelerate its plans to open outlets in China, Korea and Japan in 2007. In Japan, its major business *TESCO EXPRESS* has started preparing for opening experimentally 10 outlets this fall. (b. 4/28)

Food Service

- *Lotte Co., Ltd.* and an industrial revitalization company *Revamp Corporation* concluded a franchise contract with the U.S. major donut company *Krispy Kreme Doughnuts* to start business in Japan this winter. They are planning to open 30-50 outlets within 5 years. (a. 4/13)
- *Lotteria Co., Ltd.*, supported by an industrial revitalization company *Revamp Corporation*, opened the first renewed *Lotteria* hamburger restaurant in Tokyo. The menu includes new items such as low calorie tofu & seaweed hamburger, and the interior was renewed to be healthy and open image with red and yellow. (b. 4/28)
- *Tokyu Department Store* has started food delivery service in collaboration with an institutional food service company *Mefos Ltd.* The menu development is supervised by *Hotel Okura* to appeal to the growing, health-oriented elderly generation. (b. 4/9)
- According to the Beef bowl restaurants operator *Yoshinoya D&C* ‘s announcement of projected business for February 2007, they will use 1,000 tons of U.S. beef for the limited version of U.S. beef bowl monthly after September, *Yoshinoya’s* expected latest month for the resumption. (b. 4/9)
- *McDonald’s Japan* will start raise the price of set menus beginning in May and add more higher price new items. Also approximately 200 outlets will start 24-hour business to develop late-night market. (a. 4/20)
- According to the report, total sales for 18 out of 30 major food service chains in March increased, respectively on a same-store basis, compared to the same month last year. It was the first increase for more than half of the surveyed chains since July 2004. (b. 4/24)
- *Aeon Group* will change the package for its private label products to biomass materials mainly made with corn. They will gradually increase the amount starting from 2% of total materials in February 2007 and target using 20,000 tons of biomass materials by February 2010. (b. 4/21)

Food Processing/New Products/Market Trends

- The volume of shipment of beer, *Happoshu* and the third beer of *Kirin Brewery Co.* during January-March surpassed *Asahi Breweries, Ltd.* to come back to its top. *Asahi* had kept the top for consecutive 5 years since 2001, but delayed selling the low price third beer. (a. g. 4/13)
- According to *Japan Frozen Food Association*, the total consumption of frozen food in Japan in 2005 was 2.33 million tons, increased by 1.6 % compared to the previous year. The total import of frozen vegetables in 2005 increased by 3.3% to the record of 786,507 tons. The total import of ready-to-eat frozen foods in 2005 increased by 12.2% to 291,098 tons,

however, the above mentioned total consumption does not include it. If it's included, the total consumption of frozen food in Japan in 2005 would be increased by 2.7%. (f. 4/17)

- *Asahi Breweries, Ltd.* announced that they conduct merger & acquisitions of the major baby food manufacturer Wakodo Co., Ltd. This M&A enables Asahi to participate in the baby food market and develop non-alcohol business. (a. 4/25)
- Coffee suppliers will increase price for coffee for home use due to the soaring price for the imported coffee beans. It will be the first increase of price for 11 years since the lean year of Brazilian coffee beans in 1994. (b. 2/9)
- Major meat suppliers started developing chicken with brand names and added value by food safety and traceability system in order to invigorate the poultry market which has been sluggish due to the AI outbreak in Europe and Asia. Ito Ham Co., Ltd. has “Satsuma Jidori” raised in Satsuma City in Kyushu Prefecture, and Nippon Ham Co., Ltd. has “Ohkawa Dori” imported from the contract poultry farm in Brazil. (a. 4/15)
- The sales of tropical fruits including mangos which have been the most popular fruit at restaurants are increasing at supermarkets. Mangos, mainly from Philippines, are in the peak season right now, and the price decreased due to the increased imports. (a. 4/28)

Food Safety/Consumer Awareness

- The Japanese Consumers' Co-operative Union will strengthen management of pesticide residue of their products and ingredients facing the positive list system starting next month. Approximately 4900 items of Co-op food products will be divided into three groups of “priority management items”, “priority research items”, and “general items”. (f. 4/24)

ATO/Cooperator/Competitor Activities/Trade Shows

- California Fig Advisory Board sponsored “California Fig Recipe Contest” and the final competition and award ceremony was held March 30 at the Tokyo Confectionery School. (f. 4/24)
- Promotional activities of beef exporting countries such as Australia, Canada and New Zealand are active further facing the coming vacation season. Each country is promoting its safety and reassurance of its beef. (b. 4/3)

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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