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Food Business Line

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Report Highlights: A summary of current news reports in America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: total sales and profits of Japan's two largest supermarket retailers increase in 2001; total sales of Japan's five largest convenience store chains increase in 2001; upscale supermarkets are starting to open stores in the food basements of department stores; Yoshinoya D&C reports record high profits in 2001; and British supermarket retailer Tesco announces plans to enter Japanese and Chinese markets.

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Food Business Line

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Retail/Wholesale

- Total sales and profits of Japan's two largest supermarket retailers increased in 2001 over 2000, according to the companies' year-end financial reports. Ito-Yokado's total sales rose 2.1%, while profits rose an astounding 88.1%. At the same time, total sales of rival AEON (formerly JUSCO) rose 2.9% and profits rose 12.4%. However, in terms of overall group sales, the Ito-Yokado group (including Seven-Eleven Japan) surpassed the AEON group. AEON plans to continue to expand by opening and acquiring new stores, while Ito-Yokado plans to continue to focus on making its existing stores more efficient. Both companies are preparing for increased competition expected from the arrival of Wal-Mart to Japan. (a 4/12)
- According to year-end financial reports, total sales of Japan's five largest convenience store chains increased in 2001 over 2000 due to new store openings, while same-stores for all five companies declined due to lower prices and declining expenditures per customer caused by the deflated economy. During the same period, Seven-Eleven Japan and C&S Co., Ltd. (a merger of Circle K and Sunkus & Associates) achieved an increase in operating profits of 4.2% and 5.2%, respectively, while the profits for the other three companies declined. (a 4/17)
- Upscale supermarkets are starting to open stores in the food basements of department stores, as food sales have been a growing area for department stores in recent years. For example, Kinokuniya opened a store in the food basement of Tokyu Department Store in Tokyo in March which has attracted many working women. Shell Garden of the Seibu Group opened a "Cooking Station" corner in Sogo Department Store (now owned by Seibu Department Store) in Yokohama featuring cooking demonstrations and menu ideas for housewives. (a 4/9)
- According to the company's year-end financial report, AEON's consolidated group sales increased 7% in 2001 compared to 2000, while its operating profit increased 30% to a record level during the same period. This was mainly due to a 23% increase in sales by its Talbots clothing chain subsidiary. (a 4/8)
- According to the Japan Department Store Association, same-store sales of member companies in the Tokyo area declined by 0.6% in March 2002 compared to the same month last year. This was the fourth consecutive month of decline for sales of all products, including food, clothing and household goods. Food sales alone, declined by 2.9% during the period. (a 4/17)

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- According to Yoshinoya D&C's year-end financial report, the company's overall consolidated profit increased by 4% to an historic record high in 2001, due to a successful discount campaign in the first half of the year which was profitable enough to cover losses brought about by the detection of BSE in Japan in the latter half of the year. For 2002, Yoshinoya plans to increase its operating profit by 12% and open more than 100 new stores, including some focused on sushi and other types of food, as well as the traditional gyudon (grilled beef bowl) menu. (a 4/10)

- *Surugaya*, which currently operates 65 *tonkatsu* (pork cutlet) and *sozai* (side dish) restaurants in the Tokyo Metropolitan area, plans to develop a coffee shop chain which serves *tonkatsu* and *sozai*. The first outlet, which is located in Yokohama, is called "Roman-kan Yokohama." *Surugaya* plans to open some 10 outlets this year. (a 4/11)
- *First Kitchen* plans to start a Japanese-style fast food chain called "*Onigiri* Kitchen Om's." The first outlet is scheduled to open on May 13 at JR's Oji station in Tokyo. About 15 varieties of *onigiri* (rice balls) will be sold, along with green tea, *sozai* (side dishes) and sweets. *Onigiri* will be made only after an order is taken. *First Kitchen* plans to open 3 to 5 outlets by the end of 2002. (b 4/18)

ATO/Cooperator/Competitor Activities/Trade Shows

- The largest supermarket company in England, *Tesco*, has announced plans to enter the Japanese and Chinese markets. *Tesco* is currently in negotiations with companies in China, but is still searching for a joint venture partner in Japan. (a 4/12)
- *Suntory* plans to introduce a new Lipton fruit-flavored packaged tea product on May 14 using imported Italian lemons and imported French peaches. (a 4/10)
- *Asahi Beverage* plans to introduce "Tiara Lemon Tea" using lemon juice imported from Italy. This product will only be sold during the summer through the end of August. (a 4/18)

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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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