Voluntary - Public

Date: 12/21/2018

GAIN Report Number: JA8708

Japan

Post: Osaka ATO

Japan Regional Retail Foods

Report Categories:
Retail Foods

Approved By:
Jeff Zimmerman - Osaka ATO Director

Prepared By:
Kenta Kubokawa - Agricultural Marketing Specialist

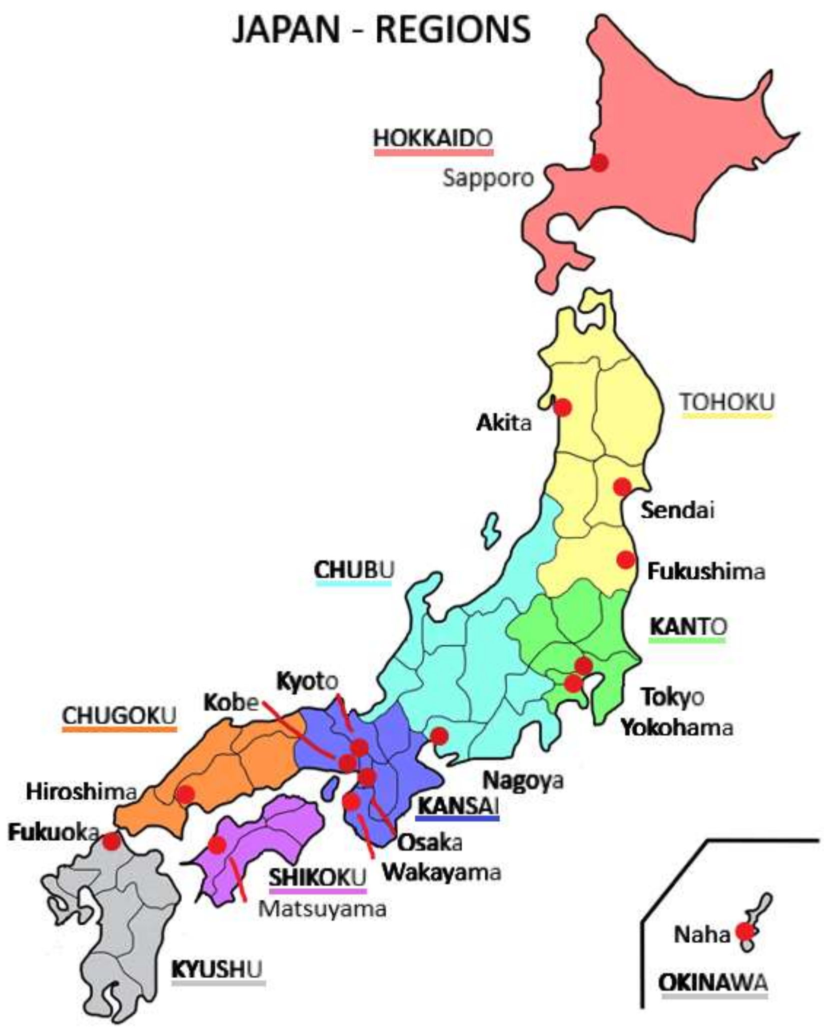
Report Highlights:

In 2017, Japan’s retail food and beverages sector accounted for $474.3 billion in sales of which an estimated $310 billion, or 65 percent, is attributed to regional independent supermarket chains. This report provides an overview by region of independent supermarkets. Independent regional supermarkets provide opportunities for either new U.S. exporters or those looking to further penetrate the Japanese market.

Japan's Regional Independent Supermarkets

This report provides an overview of Japan's regional independent supermarkets; in particular, those whose management makes independent purchasing decisions (cf. Appendix I). This definition excludes nationwide firms – such as United Supermarket Holdings (U.S.M.H.), Aeon, Ito-Yokado, Seiyu - and their directly managed subsidiaries whose purchasers have less autonomy over product purchasing. For a more detailed analysis of the overall Japanese retail market, one should refer to the annual Japan Retail Foods GAIN report located here

Regional Focus



In 2017, Government of Japan (GoJ) statistics show the total value of all retail food and beverage sales was estimated at $474.3 billion (52.2 trillion JPY) (1 USD =110 JPY). Of this total, the domestic supermarket/general merchandise stores (SM/GSM) sector (excluding Department Stores) accounted for 72 percent or, $342 billion in food and beverages sales. Independent regional supermarkets account for approximately 65 percent of overall food and beverage retail sales, an estimated $310 billion in 2017.

By region, from East to West, the total food and beverage sales of supermarkets and general merchandise stores totaled; Hokkaido 5 billion USD, Tohoku 7 billion USD, Kanto (incl. Tokyo) 35 billion USD, Chubu 11 billion USD, Kansai (incl. Osaka) 15 billion USD, Shikoku 3 billion USD, Chugoku 5 billion USD, Kyushu 6 billion USD and Okinawa 0.5 billion USD (cf. Appendix II).

<u>Hokkaido</u> *(red on the map)*

Major local SM/GMS	2017 Sales (million USD)
· Co-op (108 stores, region wide)	2,885
· Ralse (72 stores, Sapporo and central Hokkaido)	1,270
· A-Coop (67 stores)	603
· Lucky (35 stores, Sapporo and its suburbs)	417

The most northern and eastern region of Japan, the island of Hokkaido, has long been influenced by its distance from mainland Japan, harsher climate, and lower population density. Though the largest geographic region by area, Hokkaido's population is ranked 7 out of the 9 geographical regions, with only 5.3 million inhabitants. The main cities includes Sapporo with 2 million, followed by Asahikawa (430 thousand) and Hakodate (265 thousand). Hokkaido's economy is driven by industries such as fishing, agriculture, dairy farming.

Hokkaido's independent supermarkets are focused on the main urban centers of the region with limited prospects for expansion. Because of its low population density, not as many independent local supermarket chains are present. Co-op is the largest regional chain; this predominance is maintained, in part, by its longstanding customer loyalty program. Though not mandatory, many customers throughout the years have opted into the paid membership and catalogue-order program that Co-op offers.

<u>Tohoku</u> *(yellow on the map)*

Major local SM/GMS	Sales (million USD)
· York Benimaru (220 stores, region wide)	4,290
· Co-op (46 stores, Miyagi Pref.)	N/A

Tohoku, meaning "northeast," is a region with its largest city - Sendai - facing the Pacific Ocean. The region is famous for its high quality seafood and fruits, particularly apples. The population of this region is less than 10 million. Co-op and York Benimaru are the region's main independent retailers.

Kanto Region (*incl. Tokyo, green on the map)*

Major local SM/GMS	Sales (million USD)
· Inageya (137 stores, S. Kanto)	2,315
· Ohzeki (40 stores, City of Tokyo)	850
· Torisen (60 stores, N. Kanto)	770
· Ohtani (31 stores, N. Kanto)	N/A (unlisted and not made it public)
Premium SM/GMS	**Sales (million USD)**
· Seijoh-Ishi-I (162 stores, City of Tokyo)	745
· Meidji-ya (33 stores, City of Tokyo)	255
· Kinokuniya (27 stores, City of Tokyo)	N/A (consolidated to JR East)

The Kanto is the largest market in Japan with a population of more than 50 million. Tokyo attracts people from all over the country and sets nationwide trends across the full range of consumer purchasing. Tokyo itself is home to 1,795 supermarket/general merchandise stores with total food and beverage sales of $35 billion (cf. Appendix II). Given the population density, Tokyo has many store chains that specialize in specific product offerings.
For a more detailed description of the major supermarkets in the Kanto region, please refer to the annual Japan Retail Foods GAIN report located here.

Chubu Region *(light blue on the map)*

Major local SM/GMS (main areas)	Sales (million USD)
· Uny (158 stores, Aichi Perf. & others)	11,341
· Baro (108 stores, Gifu Pref.)	4,663

The Chubu region consists of several prefectures centered around the major city of Nagoya, in Aichi Prefecture. One unique facet of the retail market in this region is that both major retail chains are dominant in a specific area and there is little head-to-head competition.

Kansai Region *(Incl. Osaka, Kobe, Kyoto; blue on the map above)*

Major local SM/GMS	Sales (million USD)
· Life (266 stores, Kansai & Kanto)	6,160
· Heiwado (149 stores, E. Kansai)	3,982
· Mandai (148 stores, Osaka)	2,970
· Okuwa (161 stores, S. Kansai)	2,443
· Co-op Kobe (161 stores, Hyogo Pref.)	2,172
· Co-op Kinki (the rest of Kansai)	1,282
· Kansai Super (65 stores, N. Kansai)	1,115
· Izumiya (87 stores, Osaka)	N/A (consolidated to H2O Group)
Premium SM/GMS	**Sales (million USD)**
· *Koh-yo (55 stores, N. Kansai)	1,031
· Ikari (25 stores, N. Kansai)	264
· *Hankyu Oasis (79 stores N. Kansai)	N/A (consolidated to H2O Group)

Hankyu Oasis and Koh-yo could be categorized as "upper middle", not necessarily "premium"

The Kansai region is the second largest market in Japan and lies in the center of the Japanese archipelago. Osaka is the center of the region with more than 40 percent of the regional population and GDP concentrated in the prefecture. The region also offers significant food and beverage market opportunities with a population of approximately 21 million people. The total numbers of supermarket/general merchandise stores exceeds 800, with total food and beverage sales of $15 billion in 2016 (cf. Appendix II).

The Kansai region maintains many independent regional supermarket/general merchandise chains. These companies tend to employ regional sales strategies and often have a dominant share in specific local areas. For example, the Heiwado chain operates only in Shiga prefecture, and enjoys a dominant market position in that prefecture. The same applies to Okuwa, Mandai and Izumiya in their respective locations. Life Company, on the other hand, has sought to grow through expansion of their operational area. They have expanded into the Kanto region as well as the whole of the Kansai region. Life is also a regional front-runner in themed outlets, having opened an “Organics” store last year in Osaka.

The Ikari chain leads the region in premium offerings together with Hankyu Oasis and Koh-yo. Ikari deals primarily with high-end domestic products. Hankyu Oasis caters to upper-middle class consumers and has an aggressive policy of constantly revitalizing its image; product turnover and frequent store renovations are part of its strategy. This strategy has supported a robust expansion in Home Meal Replacement sales, in-store dining facilities, and even in-store cooking demonstrations/seminars for consumers.

Chugoku *(orange on the map)*

Major local SM/GMS	Sales (million USD)
· Izumi (110 stores, Hiroshima Perf. & others)	7,298
· A-COOP (71 stores, Shikoku and Chugoku region)**	275
· Sanyo Marunaka (77 stores, Okayama Pref.)*	N/A

*including 20 stores in Kansai
** 19 stores are located in Ehime Prefecture, Shikoku Region

The largest city of the Chugoku region is Hiroshima. Manufacturing and heavy industry, including shipbuilding are the main economic drivers of the region. Fruit farming and fishery production are regional specialties recognized throughout Japan. Both neighboring regions of Kyushu and the Kansai influence the region's economy and culture, including culinary culture.

Shikoku *(purple on the map)*

Major local SM/GMS	Sales (million USD)
· Fuji (96 stores, Shikoku and Chugoku regions)*	3,070
*including 29 stores in Chugoku region	

Shikoku is an island lying between the Kansai and Kyushu. The largest city is Matsuyama, and economic drivers include both manufacturing and farming (vegetables and fruits). The east side of the island has strong ties with Kansai region while the Chugoku region influences the west side of the island.

Kyushu *(gray on the map)*

Major local SM/GMS (main areas)	Sales (million USD)
· Trial (85 stores, whole Kyushu)	3,067
· Marukyo (88 stores, N. Kyushu)	748
· Nishitetsu (53 stores, N. Kyushu)	N/A

The largest city in the Kyushu region is Fukuoka. Fukuoka is located in the northern part of the region, facing the main island of Honshu and in many ways serves as gateway to the region. Major industries include manufacturing (e.g. machinery), the automotive and semiconductor industries, and shipbuilding. The region has a population of 13 million. However, Kyushu is unique in Japan in that its population is still growing. The region consumes more chicken per capita than other regions in Japan. Presence of several large regional independent supermarkets coupled with an increasing population may provide opportunities for U.S. food and beverage products.

<u>Okinawa</u> (*gray island on the map above)*

Major local SM/GMS (main areas)	**Sales (million USD)**
· SAN-A (66 stores, region wide)	961
· Kanehide (60 stores, region wide)	N/A

Okinawa is an isolated island located far to the southeast of mainland Japan. Naha is the capital of the region and Okinawa is so far removed from the main islands of Japan that it was an independent country until the 18^{th} century. Even today, a number of U.S. military bases remain active and Okinawa is more familiar with U.S. food culture and products than other regions in Japan. Due to its location, only local retail chains are present.

APPENDIX I: Top Supermarkets by Food or Total Sales in 2017 ***(1USD=JPY110)***

(Regional Independent Supermarkets denoted by shaded rows)

Rank[I]	Company Name	Food Sales (US$ Million)	Number of Outlets	Location of HQ (pref.)	Region	Total Sales[II] (US$ Million)
1	U.S.M.H.[*/**]	5,870	511	Tokyo	Kanto	6,305
2	Life Cooperation	5,090	266	Osaka/Tokyo	Kansai	5,983
3	Ito-Yokado	5,030	164	Tokyo	Kanto	11,032
4	UNY Group	4,390	191	Aichi	Chubu	6,096
5	Arcs	4,260	336	Hokkaido	Hokkaido	4,672
6	Valor		243	Gifu	Chubu	4,663
7	Maruetsu[**]	3,180	292	Tokyo	Kanto	3,380
8	York Benimaru	3,050	220	Fukushima	Tohoku	3,900
9	Mandai		148	Osaka	Kansai	2,970
10	Co-op°			Hokkaido	Hokkaido	2,885
11	Heiwado	2,390	149	Shiga	E. Kansai	3,211
12	Kasumi[**]	2,330	185	Ibaraki	Kanto	2,380
13	MaxValuNishiNihon[*]	2,250	182	Hiroshima	Chugoku	2,456
14	Inageya		137	Tokyo	S. Kanto	2,315
15	Co-op Kobe°		161	Kobe	Kansai	2,204
16	Trial		85	Fukuoka	Kyushu	3,067
17	Nishitetsu Store		53	Fukuoka	Kyushu	6,818
18	Kanehide		60	Okinawa	Okinawa	5,954
19	Izumi	1,960	110	Hiroshima	Chugoku	6,329
20	MaxValu Tokai[*]	1,880	148	Shizuoka	Chubu	2,015
21	Okuwa	1,810	161	Wakayama	Kansai	2,359
22	MaxValu Kyushu[*]	1,510	153	Fukuoka	Kyushu	1,592
23	MaxValu Chubu[*]	1,420	117	Aichi	Chubu	1,580
24	Fuji	1,190	96	Ehime	Shikoku	2,667
25	Izumiya		87	Osaka	Kansai	2,250
26	Co-op°		46	Miyagi	Tohoku	2,197
27	MaxValu Hokkaido[*]	1,090	89	Hokkaido	Hokkaido	1,128
28	AEON Hokkaido[*]	1,040	73	Hokkaido	Hokkaido	1,696
29	Co-op Kinki°			Osaka	Kansai	1,282
30	Ralse			Hokkaido	Hokkaido	1,270
31	Kansai Super		65	Hyogo	Kansai	1,115
32	Halows	1,010	78	Okayama	Chubu	1,070
33	AEON Kyushu[*]	990	113	Fukuoka	Kyushu	1,951
34	San-A	910	66	Okinawa	Okinawa	1,586
35	Sanyo Marunaka		77	Okayama	Chubu	1,090
36	MaxValu Tohoku[*]	890	95	Akita	Tohoku	940
37	Aoki Super	890	51	Aichi	Chubu	920

(Continued) **APPENDIX I: Top Supermarkets by Food or Total Sales in 2017**
(Regional Independent Supermarkets denoted by shaded rows)
(1USD=JPY110)

Rank[I]	Company Name	Food Sales (US$ Million)	Number of Outlets	Location of HQ (pref.)	Region	Total Sales[II] (US$ Million)
38	Ohzeki		40	Tokyo	Kanto	850
39	Torisen		60	Gunma	Kanto	770
40	Seijoh-Ishi-I		162	Tokyo	Kanto	745
41	Marukyo		88	Fukuoka	Kyushu	748
42	Tobu Store	610	59	Tokyo	Kanto	720
43	SuperValu	540	32	Saitama	Kanto	670
44	Olympic Group	500	38	Tokyo	Kanto	910
45	A-Coop Hokuren°°		67	Hokkaido	Hokkaido	603
46	Tenmaya Store	450	47	Okayama	Chugoku	590
47	MaxValu Kanto**	370	34	Tokyo	Kanto	390
48	Hokuo Lucky	320	35	Hokkaido	Hokkaido	379
49	A-Coop Nishinihon°°		71	Hiroshima	Chugoku	266
50	Meijiya		33	Tokyo	Kanto	255
51	Hankyu Oasis		79	Osaka	Kansai	N/A
52	Ohtani		31	Tochigi	N. Kanto	N/A
53	Kinokuniya		27	Tokyo	N. Kanto	N/A

Source: Tokei Geppou May 2018 pp 55, 51
**All affiliated with AEON CO., LTD.*
***Affiliated U.S.M.H.*
I Based on estimated food sales.
II ATO Osaka derived total sales estimates from multiple sources (includes food sales)
° Co-op supermarkets with high prevalence in region. Nearly every prefecture in Japan possesses a chain of independent Co-op supermarkets. Co-op supermarkets traditionally support local origin products; however, imported products are also available.
°° A-Coop supermarkets with high prevalence in region. For full list refer to Appendix III. A-Coop supermarkets traditionally support local origin products; however, a limited amount of imported product is also available.

APPENDIX II

SM/GMS Sales by Region (Billion USD)								
	Hokkaido	Total Sales	F&B Sales	Cloths	# stores	Area (1,000 sq m)	Sales YoY %	Population
2014		6.95	4.88	0.59	303	1356	2.4	5,327,000
2015		6.85	5.04	0.55	282	1173	1.8	
2016		6.81	5.22	0.53	282	1175	2.6	
	To-hoku							
2014		9.58	7.09	0.80	485	1975	2.1	8,872,000
2015		9.49	7.23	0.80	468	1821	1.1	
2016		9.36	7.31	0.77	469	1794	0.5	
	Kanto (incl. Tokyo)							
2014		49.00	33.16	4.59	1910	9372	2.1	50,999,000
2015		47.97	34.14	4.46	1786	8066	1.6	
2016		46.82	34.88	4.22	1795	7943	1.2	
	Chu-bu							
2014		15.15	10.56	1.43	641	3361	1.9	11,288,000
2015		15.15	11.02	1.42	591	3017	2.8	
2016		14.93	11.25	1.39	597	3033	1.4	
	Kansai (incl. Osaka)							
2014		21.18	14.37	2.20	837	4499	1.4	21,129,000
2015		21.24	14.89	2.11	801	4183	2.1	
2016		20.96	15.09	2.01	806	4124	0.5	
	Shikoku							
2014		3.65	2.59	0.41	190	983	0.7	3,794,000
2015		3.65	2.67	0.40	190	934	1.5	
2016		3.67	2.74	0.39	190	937	1.9	
	Chu-goku							
2014		6.48	4.49	0.80	307	1581	0.6	7,326,000
2015		6.50	4.64	0.78	295	1503	1.5	
2016		6.53	4.76	0.77	296	1498	1.7	
	Kyu-shu							
2014		9.55	5.32	1.48	457	2630	1.7	12,873,000
2015		9.37	5.51	1.41	405	2233	2.1	
2016		9.11	5.60	1.34	406	2227	0.8	
	Okinawa							
2014		1.53	0.33	0.74	47	290	N/A	1,427,000
2015		1.62	0.31	0.79	49	305		
2016		1.72	0.31	0.85	50	308		

Source: METI

<u>APPENDIX III: A-COOP Supermarkets in Japan</u> *(1USD=JPY110)*

Rank	A-COOP	Number of Outlets	Location of HQ (pref.)	Region	2017 Total Sales[H] (US$ Million)
1	Hokuren	67	Hokkaido	Hokkaido	603
2	Kagoshima	70	Kagoshima	Kyushu	506
3	Kanto	37	Kanagawa	Kanto	281
4	Nagano	28	Nagano	Chubu	281
5	Kinki	37	Osaka	Kansai	275
6	Aichi	23	Aichi	Chubu	270
7	Nishinihon	71	Hiroshima	Chukogu	266
8	Kyushu	52	Fukuoka	Kyushu	256
9	Tohoku	50	Iwate	Tohoku	228
10	Miyazaki	36	Miyazaki	Kyushu	171
11	Jacom Ishikawa	15	Ishikawa	Chubu	143
12	Okinawa	20	Okinawa	Okinawa	94
13	JA Life Toyama	4	Toyama	Chubu	91

A-Coop supermarkets traditionally support local origin products; however, a limited amount of imported product is also available.