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Report Highlights:

Eleven of Japan's top 25 food and beverage retailers are headquartered in western Japan. These regional retailers have deep community roots and are known for tailoring their product offerings to meet local preferences. This report describes the evolution of Japan's food retail industry in western Japan and the ongoing competition between national chains and local retailers. This report also highlights the top supermarkets, department stores, and drugstores in western Japan.

Japan Retail Market Summary

In 2021, the total value of all retail food and beverage sales in Japan was \$467 billion accounting for 67 percent of the food market in Japan. The food and beverage retail industry includes supermarkets (SM), department stores, discount stores (DS), convenience stores (CVS), drugstores (DgS), and e-commerce. Supermarkets represent the bulk of the retail food market at 74 percent according to data from the Ministry of Trade, Economy, and Industry and the Statistics Bureau of Japan. This report will focus primarily on the western Japan retail sector. For general information on the retail food market in Japan, see the USDA Japan [Retail Foods](#) report.

History of the Retail Market in Japan

To understand the current structure of the retail market of Japan, it is important to review the historical background. Since the first department store in Japan was established in the early 1900s, department stores in major cities and bus terminals were the leading retail presence for many years. During this period, the common transportation methods were by foot, bicycle, or public transportation (such as bus and train) which led homemakers to do their daily shopping at local shopping streets on weekdays and families traveling together for heavy shopping at department stores on weekends.

In the 1950s, the general supermarket began to take over the market. Allowing consumers to pick items themselves (rather than being guided by in-store staff) and carrying a wide range of products (food, clothing, etc.) all in one location, the general supermarket quickly gained popularity as more convenient than shopping streets and cheaper than department stores. In the 1970s, *Daiei* spurred expansion of the general supermarket business from Kobe and the Kansai area to the rest of Japan, displacing department stores. *Daiei* and other players such as *Ito-Yokado* and *Seiyu* successfully expanded in the major cities by building general supermarkets next to train stations in the residential areas.

From the 1980s, private-owned vehicle use expanded as the common transportation method. With most public transportation not reaching the rural areas of Japan, increasing motorization made rural families more mobile and created new opportunities for general supermarkets to develop large drive-in shopping complexes along major roads. As the transportation range for rural families expanded, specialized shops such as home centers, electronics, and fashion shops also developed along the roadside. With these specialized shops offering more options at a lower price, they gradually took over the sales of general supermarkets for non-food commodities.

In the 1990s, economic downturn led many general supermarkets to decrease the number of stores. *Daiei* and other general market chains were absorbed by *AEON* which grew to become the largest retailer in Japan. During this time, it also became more common for women to get their driver license which expanded their shopping zone beyond the range of walking or biking (about 0.5 miles). This increased competition among supermarkets, causing smaller players to exit the market and larger regional supermarkets and CVS to expand their reach.

The main competition in today's food retail industry sees local chains forming alliances to compete against national chains such as *AEON*. Some local retailers choose to ally with *AEON* instead of competing against it. Meanwhile, department stores now focus primarily on high-end products and

tenant businesses, creating more opportunities for pop-up stores. This business model has proved quite successful for companies such as *H2O Retailing*, the Osaka-based parent company of the *Hankyu* and *Hanshin* brand of department stores.

Retail Market in Western Japan

Western Japan accounts for nearly 40 percent of Japan's population and around one-third of the gross domestic product (GDP). The Kansai region, centered around the three major cities of Osaka, Kobe, and Kyoto, represents the second largest regional economy in Japan with 16 percent of GDP. Although national retailers such as *AEON* are present in western Japan, the area features many local supermarket chains with strong regional presences. Among Japan's top 25 retailers by sales in 2021-2022, seventeen were headquartered outside of the Tokyo/Kanto region and eleven were in western Japan. The western Japan retailers are highlighted in yellow in Figure 1 below. These regional retailers have deep community roots and are known for tailoring their product offerings to meet local preferences.

Figure 1: 2021-2022 Retail Top 25 Ranking

Rank	Retailer	HQ Base	Sales USD(*1)
1	AEON(*2)	Chiba	51.4 billion
2	Seven & i Holdings(*3)	Tokyo	16.2 billion
3	Life Corporation	Osaka	6.9 billion
4	Valor Holdings	Gifu	6.6 billion
5	United Supermarket Holdings	Tokyo	6.3 billion
6	Izumi	Hiroshima	6.1 billion
7	Arcs	Hokkaido	5.2 billion
8	Yaoko	Saitama	4.7 billion
9	York Benimaru	Fukushima	4.6 billion
10	AEON Kyushu	Fukuoka	4.1 billion
11	Heiwado	Shiga	3.9 billion
12	Kobe Bussan	Hyogo	3.6 billion
13	Max Valu Tokai	Shizuoka	3.2 billion
14	AEON Hokkaido	Hokkaido	2.9 billion
15	H2O Retailing(*4)	Osaka	2.8 billion
16	Summit	Tokyo	2.8 billion
17	Fuji	Ehime	2.7 billion
18	Belc	Saitama	2.6 billion
19	Okuwa	Wakayama	2.3 billion
20	Axial Retailing	Niigata	2.2 billion
21	Inageya	Tokyo	2.1 billion
22	Retail Partners	Yamaguchi	2.1 billion
23	Daikokuten Bussan	Okayama	2.0 billion
24	Tokyu(*5)	Tokyo	1.8 billion
25	San-A	Okinawa	1.7 billion

(*1) Exchange rate = JPY110.8/USD (2021 annual average)

(*2) AEON = Sales amount of general supermarket + supermarket sales

(*3) Seven & i Holdings = Sales Amount of super store business

(*4) H2O Retailing = Sales amount of food business

(*5) Tokyu = Sales amount of Tokyu store business

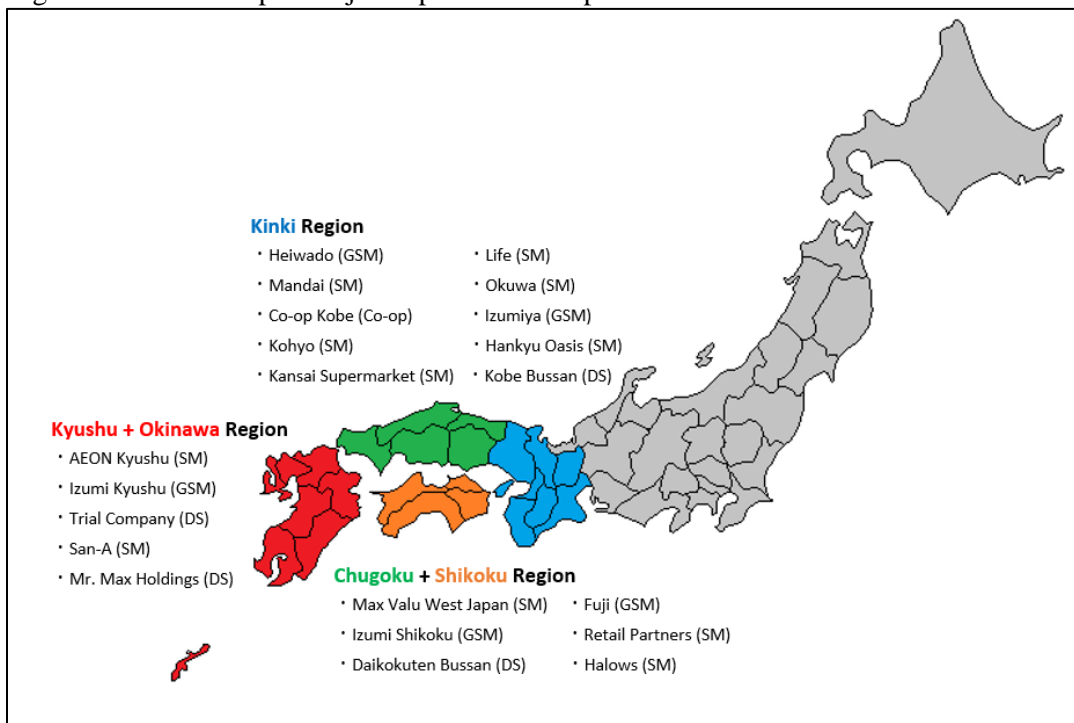
Source: IR documents of each retailer

AEON and *Seven and i Holdings* are the two largest companies with nationwide presence. *AEON* is strongest in the supermarket, general supermarket (GSM), and shopping mall management sectors. *Seven and i Holdings* has an overwhelming presence in the CVS business (*Seven Eleven* convenience stores) along with *Ito-Yokado* general supermarket stores located near the main train stations in bed town cities. While department stores carry high-end foods products and brands not available in most grocery stores, most competition in the retail market is centered on *AEON* competing with other nationwide supermarket chains (such as *Life Corporation* and *Seiyu*) and local supermarket chains.

In general, most national and regional retailers do not import products on their own. Nationwide retailers source their products from importers and distributors across the country, but regional retailers tend to prefer importers and distributors based in the same region to reduce transportation costs and differentiate their product lineup. As explained in the [Exporter Guide](#), Japanese buyers often require several meetings to reach a sales agreement so working with local partners leads to quicker decision-making and stronger business relationships. As such, U.S. exporters seeking to reach western Japan’s 50 million consumers may find it preferable to engage with importers based in western Japan.

Supermarkets

Figure 2: Western Japan Major Supermarket Map



Most western Japan retailers choose either to ally with *AEON* (1st in national sales) or form alliances to compete against it. In the Chugoku and Shikoku regions, *Fuji* (17th) has partnered with *AEON* group by forming a capital alliance. On the other hand, *Izumi* (6th) has partnered with *Seven and i Holdings* (2nd) and is now competing with *AEON* group in the Chugoku, Shikoku, and Kyushu regions. Likewise, *Retail Partners* (22nd) has joined with *Valor Holdings* (4th) and *Arcs* (7th) by forming a capital alliance. Many consolidations took place in western Japan during the COVID-19 pandemic, as follows:

Kinki Region

- *H2O Retailing* (15th) gained *Kansai Supermarket* as their subsidiary company together with *Izumiya* and *Hankyu Oasis*.
- *Konomiya* gained *Super-Okuyama* as their subsidiary company
- *Mandai* gained *Alfheim* as their subsidiary company entering bakery business

Chugoku and Shikoku Region

- *Fuji* (17th) acquired *Nichie* gaining 11 supermarkets in Hiroshima
- *Fuji* (17th) gained *Max Valu West Japan (AEON Group)* as their subsidiary company

Kyushu Region

- *Maruiya Store* gained *Tomura Foods* as their subsidiary company
- *AEON Kyushu* (10th) consolidated *Homewide*, *Max Valu Kyushu*, and *AEON Store Kyushu*

Department Stores

Among Japan's top ten department stores by sales in 2021-2022 (Figure 3), four were headquartered in western Japan. Department stores concentrate on providing line-ups of luxury and high-end products which are not usually sold at supermarkets. Most consumers shop at department stores when looking for products for special occasions such as seasonal and formal gifts. Department stores are trusted for selecting high-quality and durable products, so to be featured is an important status symbol for product suppliers.

Figure 3: 2021-2022 Department Store Top 10 Ranking

Rank	Retailer	HQ Base	Sales USD(*1)
1	Takashimaya	Osaka	6.9 billion
2	Seven & i Holdings(*2)	Tokyo	4.0 billion
3	Mitsukoshi Isetan Holdings	Tokyo	3.8 billion
4	J. Front Retailing	Tokyo	3.0 billion
5	Marui Group	Tokyo	1.9 billion
6	H2O Retailing(*2)	Osaka	1.2 billion
7	Kintetsu Department Store	Osaka	0.9 billion
8	Tenmaya	Okayama	0.8 billion
9	Tokyu(*2)	Tokyo	0.7 billion
10	Matsuya	Tokyo	0.6 billion

(*1) Exchange rate = JPY110.8/USD (2021 annual average)

(*2) Total sales amount of department store business

Source: IR documents of each retailer

As department stores do not have number of chain stores like other retailers, each prefecture has a specific store with a long history the region. *Takashimaya*, now a national brand, got its start in Kansai region while *Hankyu* and *Hanshin* department stores (formally independent, but now both owned by *H2O Retailing*) and *Kintetsu* department store are also famous. In the Chugoku region, *Tenmaya* in Okayama prefecture is well-known. *Iwataya Mitsukoshi* (*Mitsukoshi Isetan* group) and *Izutsuya* have a long history in Fukuoka prefecture of Kyushu region. *Ryubo* is the premier department store in Okinawa.

Drugstores

Figure 4: 2021-2022 Drugstore Top 10 Ranking

Rank	Retailer	HQ Base	Sales USD(*1)
1	Welcia Holdings	Tokyo	9.2 billion
2	Tsuruha Holdings	Hokkaido	8.2 billion
3	Cosmos Pharmaceutical	Fukuoka	6.8 billion
4	Matsumotokiyoshi Holdings	Tokyo	6.6 billion
5	Sun Drug	Tokyo	5.8 billion
6	Sugi Holdings	Aichi	5.6 billion
7	Fuji Yakuhin	Saitama	3.3 billion
8	Create SD Holdings	Tokyo	3.1 billion
9	Kusuri no Aoki Holdings	Ishikawa	3.0 billion
10	Ain Holdings	Hokkaido	2.8 billion

(*1) Exchange rate = JPY110.8/USD (2021 annual average)

Source: IR documents of each retailer

Among Japan's top ten drugstores by sales in 2021-2022 (Figure 4), six were headquartered outside of the Tokyo/Kanto region and one in western Japan. Drugstores are one of the growing segments for food sales in Japan. A leading company of this trend is *Cosmos Pharmaceutical* (3rd in national sales), which announced that 58 percent of total sales came from food items in their 2021-2022 annual financial statement. This trend has been expanding in rural areas due to the availability of floor space. Drugstores mainly handle shelf-stable products such as snacks and instant noodles, however large stores in rural areas also have chilled and frozen shelves for processed foods, beverages, and alcohol.

In western Japan, *Cosmos Pharmaceutical* is the only drugstore expanding nationwide, but there are several regional drugstores handling food as indicated in Figure 5 below. During COVID-19 pandemic, these drugstores started to expand the range of food sales to meat, fisheries, and fresh produce, bringing more competition to the food retail sector.

Figure 5: Western Japan Regional Drugstores

Region	Regional Drugstores
Kinki	Kirindo, Evergreen, Daikoku, Kokumin (<i>Matsumotokiyoshi HD</i> group), Akakabe
Chugoku + Shikoku	Lady Drug (<i>Tsuruha HD</i> subsidiary), Zag
Kyushu	Cosmos Pharmaceutical, Drug Eleven, Drugstore Mori

For more information on western Japan, please contact the Agricultural Trade Office (ATO) in Osaka.

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Attachments:

No Attachments.