

Retail Japan

2019

Diamond Retail Review

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June 2019

Diamond Retail Media Co., Ltd.

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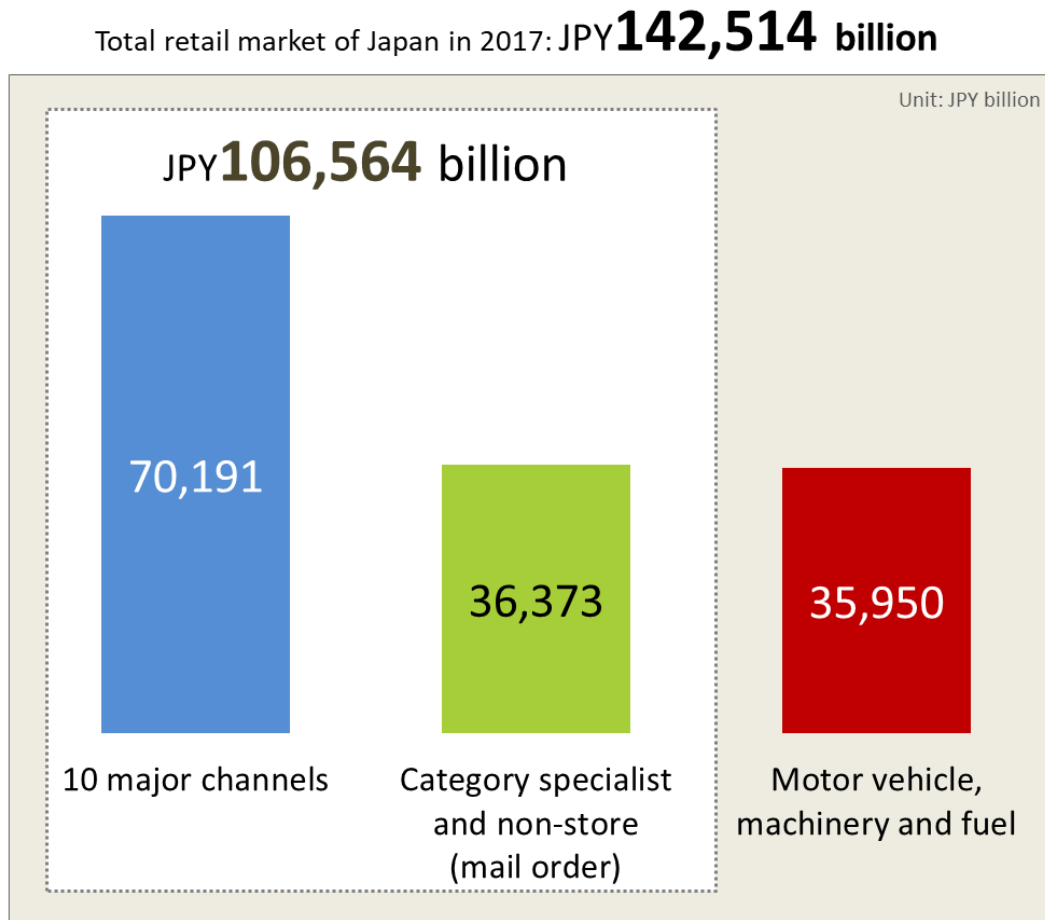
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Japan’s retail market is valued at JPY106,564 billion (exclude Motor vehicle, machinery and fuel) with 65 percent contribution from 10 major channels

Figure 12
Retail market size defined, 2017



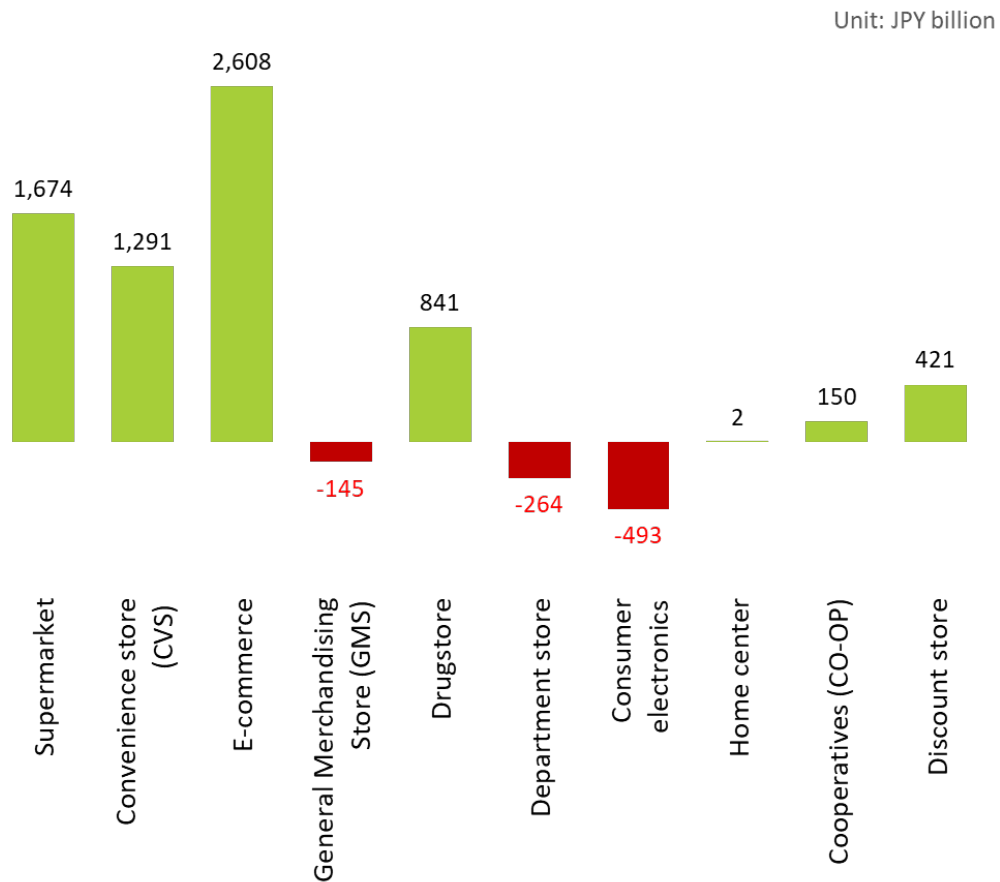
Source: Statistics Bureau, Ministry of Economy, Trade and Industry
Note: Total may not add up due to rounding

- Total retail market size of Japan in 2017 valued at JPY142,514 billion is affirmed by the Ministry of Economy, Trade and Industry of Japan (see Figure 12). The categorisation comprised of three groups and their market size in 2017 are as follows:
 - 10 major mixed merchandise channels JPY70,191 billion
 - Category specialist channels and non-store retails inclusive of mail-order JPY36,373 billion
 - Motor vehicle, machinery and fuel JPY35,950 billion
- This report looks into the retail perspective excluding Motor vehicle, machinery and fuel, a total retail market size of JPY106,564 billion. The proportion of this total market comprised of 65 percent contribution from 10 major mixed merchandise channels and 35 percent from category specialist channels and non-store retails. The 10 major mixed merchandise channels in sequence of their 2017 market size are: (1) Supermarket, (2) Convenience store, (3) E-commerce, (4) General Merchandising Store known as GMS, (5) Drugstore, (6) Department store, (7) Consumer electronics, (8) Home center, commonly known as DIY, (9) Cooperatives (CO-OP) and (10) Discount store.

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7 out of the 10 major mixed merchandise channels gained market share in the past 5 years except for GMS, Department store and Consumer electronics

Figure 18
Market growth (value) of selected channels, 2013-2017



Source: Various sources

Note: Total may not add up due to rounding

- Over 5 years from 2013 to 2017, the 10 mixed merchandise channels grew by JPY6,086 billion with CAGR of 2.9 percent.
- E-commerce channel alone grew by JPY2,608 billion which accounted for 42.8 percent growth in the past 5 years. Other channels which showed substantial growth are supermarket by JPY1,674 billion; Convenience store by JPY1,291 billion; and Drugstore by JPY841 billion (see Figure 18).
- In Japan, Discount store which is a fairly new retail channel, with fewer operators gained JPY421 billion within the same period. While Cooperatives in the regional level which has existed for a long period of time managed to grow by JPY150 billion. Home center has borderline growth of JPY2 billion within the past 5 years.
- 3 big-box channels, namely GMS, Department store and Consumer electronics, contracted in market size within the last 5 years. Consumer electronics suffered the most loss of JPY493 billion, followed by Department store, -JPY264 billion, and GMS, -JPY145 billion.

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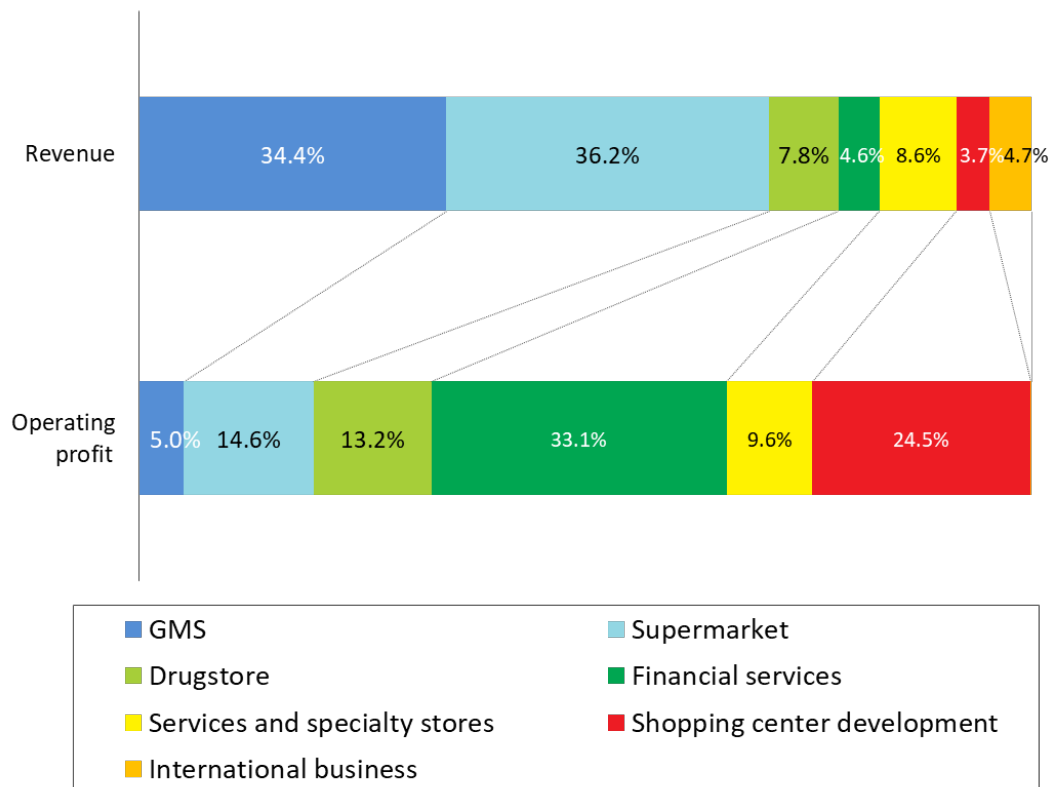
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Supermarket and GMS, the two most lucrative in revenue for 2017 showed declining annual growth tendency of -0.9 percent and 2.4 percent, respectively



Figure 23

AEON Co., Ltd.: Revenue and operating profit distribution by business sector, 2017



Source: AEON Co., Ltd. Financial Report 2018

Note: Total may not add up due to rounding

- AEON Co., Ltd earned JPY8,390 billion in 2017 accounting for 2.2 percent growth from the previous year. The distribution of earnings in terms of business sectors saw Supermarket achieved the highest revenue ratio of 36.2 percent (see Figure 23). This is followed by GMS achieving 34.4 percent and Drugstore at 7.8 percent. These combined business sectors contributed 78.4 percent to their domestic retail business in Japan. Other revenues are coming from Services and specialty stores at 8.6 percent; Financial services at 4.6 percent; International business at 4.7 percent; and Shopping center development at 3.7 percent.
- The business sector with the highest annual growth goes to drugstore with YOY ratio of 11.7 percent (see Figure 25). Trailing behind are Financial services at 9.7 percent; Shopping center development, 6.2 percent; and International business, 5.1 percent. Supermarket being their most lucrative business sector in terms of revenue showed annual growth of negative 0.9 percent. Similarly, GMS which comprised of the AEON store brand only displayed annual growth of 2.4 percent.

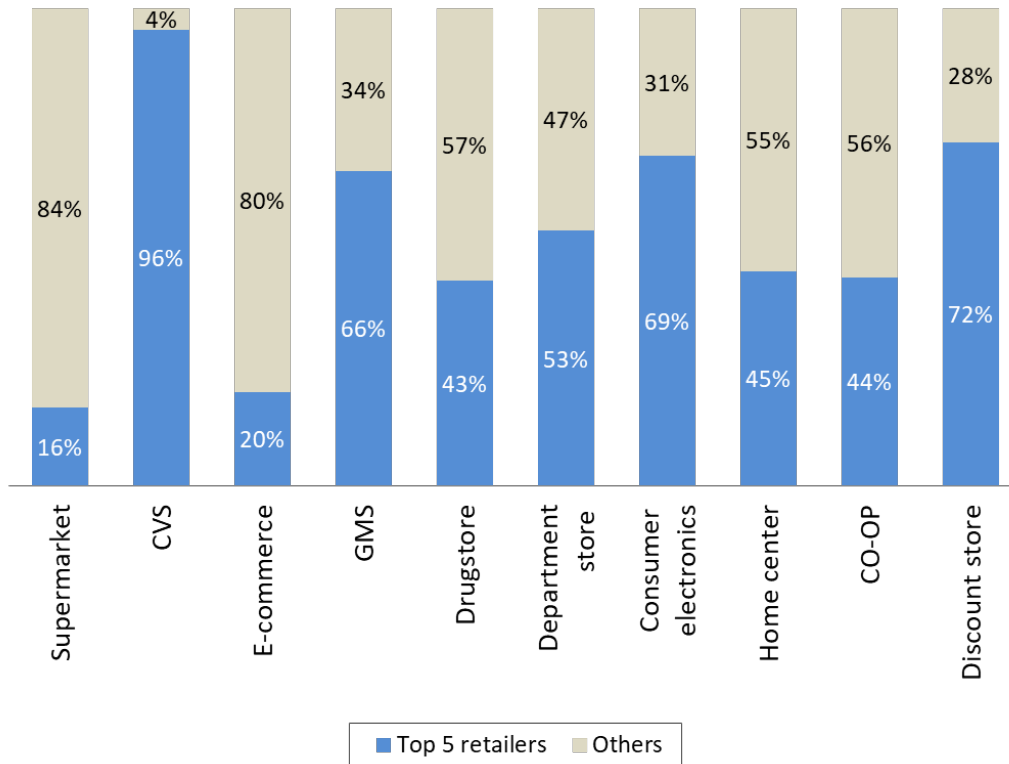
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Top 5 retailers market share dominance in CVS (96 percent), Discount store (72 percent), Consumer electronics (69 percent), GMS (66 percent) and Department store (53 percent)

Figure 32
Top 5 retailers revenue ratio by channels, 2017



Source: Diamond Retail Media, Diamond Chain Store publications

Top 100 retailers in Japan

Sales Unit: JPY, million

	Name of retailer	Revenue 2017	2016 rank	Channel	As of fiscal year
1	Seven-Eleven Japan Co., Ltd.	4,678,083	1	Convenience store	2018 Feb
2	FamilyMart Co., Ltd.	3,016,064	2	Convenience store	2018 Feb
3	AEON Retail Co., Ltd.	2,197,833	3	General Merchandising Store	2018 Feb
4	Lawson, Inc.	2,110,454	4	Convenience store	2018 Feb
5	Fast Retailing Co., Ltd.	1,861,917	5	Category specialist; Apparel	2017 Aug
6	Yamada Denki Co., Ltd.	1,351,349	6	Consumer electronics	2018 Mar
7	Ito-Yokado Co., Ltd.	1,244,262	7	General Merchandising Store	2018 Feb
8	Takashimaya Co., Ltd.	724,604	10	Department store	2018 Feb
9	UNY Co., Ltd.	712,815	9	General Merchandising Store	2018 Feb
10	Welcia Holdings Co.,Ltd.	695,268	17	Drugstore	2018 Feb
11	United Super Markets Holdings Inc.	692,248	12	Supermarket	2018 Feb
12	Edion Corporation	686,284	13	Consumer electronics	2018 Mar
13	Sogo & Seibu Co., Ltd.	685,888	8	Department store	2018 Feb
14	Izumi Co., Ltd.	683,850	15	General Merchandising Store	2018 Feb
15	Yodobashi Camera Co., Ltd.	680,500	18	Consumer electronics	2018 Mar
16	Life Corporation	677,306	14	Supermarket	2018 Feb
17	Isetan Mitsukoshi Holdings Ltd.	673,915	11	Department store	2018 Mar
18	Tsuruha Holdings, Inc.	673,238	20	Drugstore	2018 May
19	Daimaru Matsuzakaya Department Stores Co.Ltd	673,154	16	Department store	2018 Feb
20	Don Quijote Co., Ltd.	596,419	19	Discount store	2018 Jun

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	2015/16 ⁴	2016/17	2017/18
Fiscal year-end	Feb	Feb	Feb
Revenue (JPY mil)	663,799	684,806	692,248
YOY%	-	3.2%	1.1%
Gross profit ratio %	28.2%	28.2%	28.4%
SGA cost ratio %	28.2%	28.2%	28.5%
Operating profit (JPY mil)	14,024	14,320	14,068
YOY%	-	2.1%	-1.8%
Net profit (JPY mil)	5,177	7,268	7,452
YOY%	-	40.4%	2.5%
Net profit ratio %	0.8%	1.1%	1.1%
ROA %	5.5%	5.6%	5.5%
ROE %	4.1%	5.5%	5.4%
Stock turns	na	29.1	28.7
No. of stores	494	503	511
YOY%	-	1.8%	1.6%

Source: United Super Markets Holdings Co., Ltd. Financial Reports

Note: ⁴ First year of establishment

Financial perspective

- United Super Markets Holdings Inc., achieved 1.1 percent increase in revenue in 2017 valued at JPY692,248 million. The revenue proportion is equivalent to 21.4 percent of AEON group's (AEON Co., Ltd.) supermarket business sector. At the end of February 2018 fiscal year, the number of stores totalled 511, an increased of 1.6 percent from the previous year.
- Operating profit and net profit are JPY14,068 and JPY7,452, respectively. Both are maintained in similar levels since the company's establishment which took place in 2015. Net profit ratio remained at 1.1 percent of revenue in 2017 with ROA at 5.5 percent and ROE of 5.4 percent.

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