



Retail Japan 2020

Diamond Retail Review

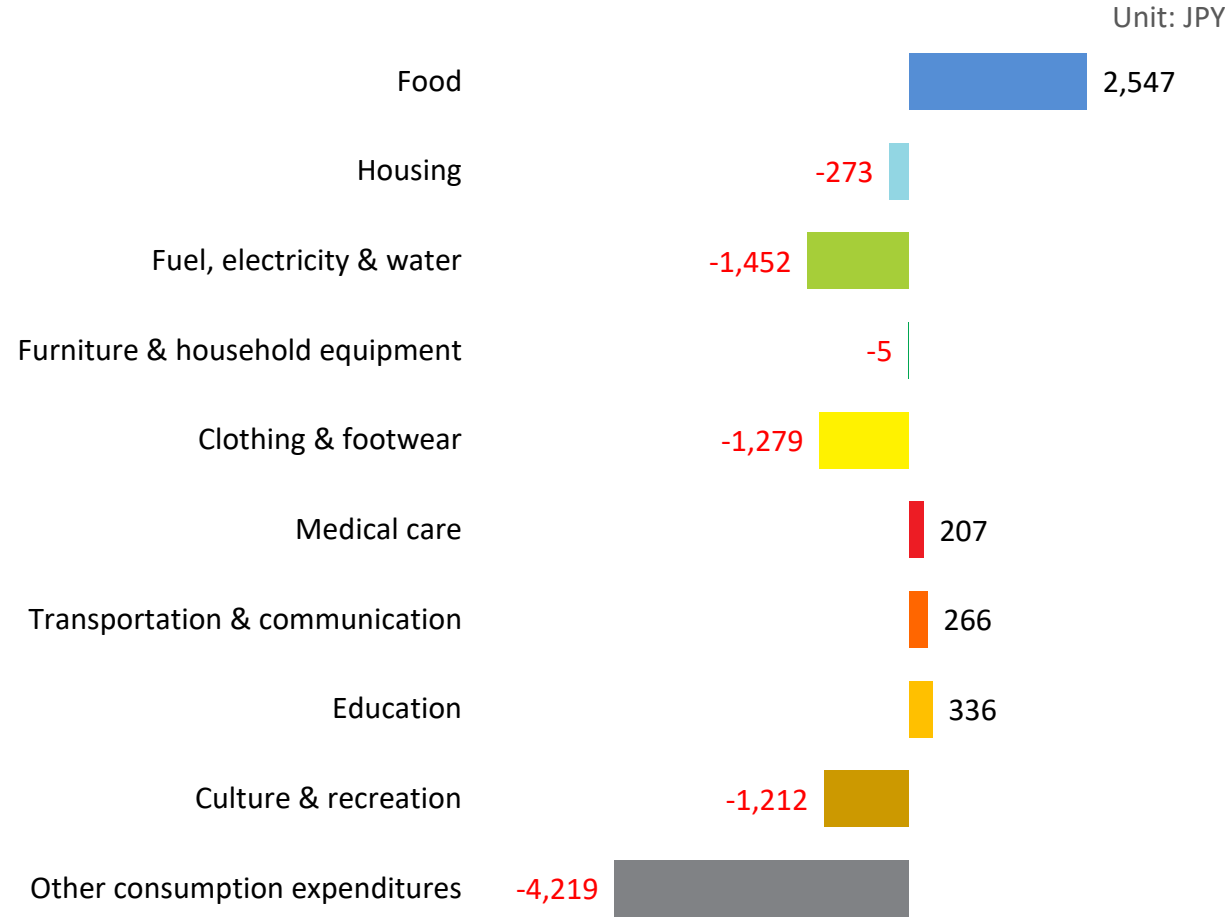
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Diamond Retail Media Co., Ltd.

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In the past 5 years, monthly household expenditure increased substantially only on food category.

- Food accounts for 25.5 percent of all household expenditures and it is the most prominent category which the average Japanese household spend more in the past 5 years, from 2014 to 2018. Households spend an extra of JPY2,547 monthly for this category during the 5 years period.
- Transportation category is the second biggest chunk of all household expenditures accounting for 14.3 percent. However, this category does not see substantial increase over the past 5 years only by JPY266 monthly. Medical care which make up 4.6 percent of household expenditure increased monthly by JPY207 and education with 3.2 percent share of all household expenditures increased JPY336 monthly.

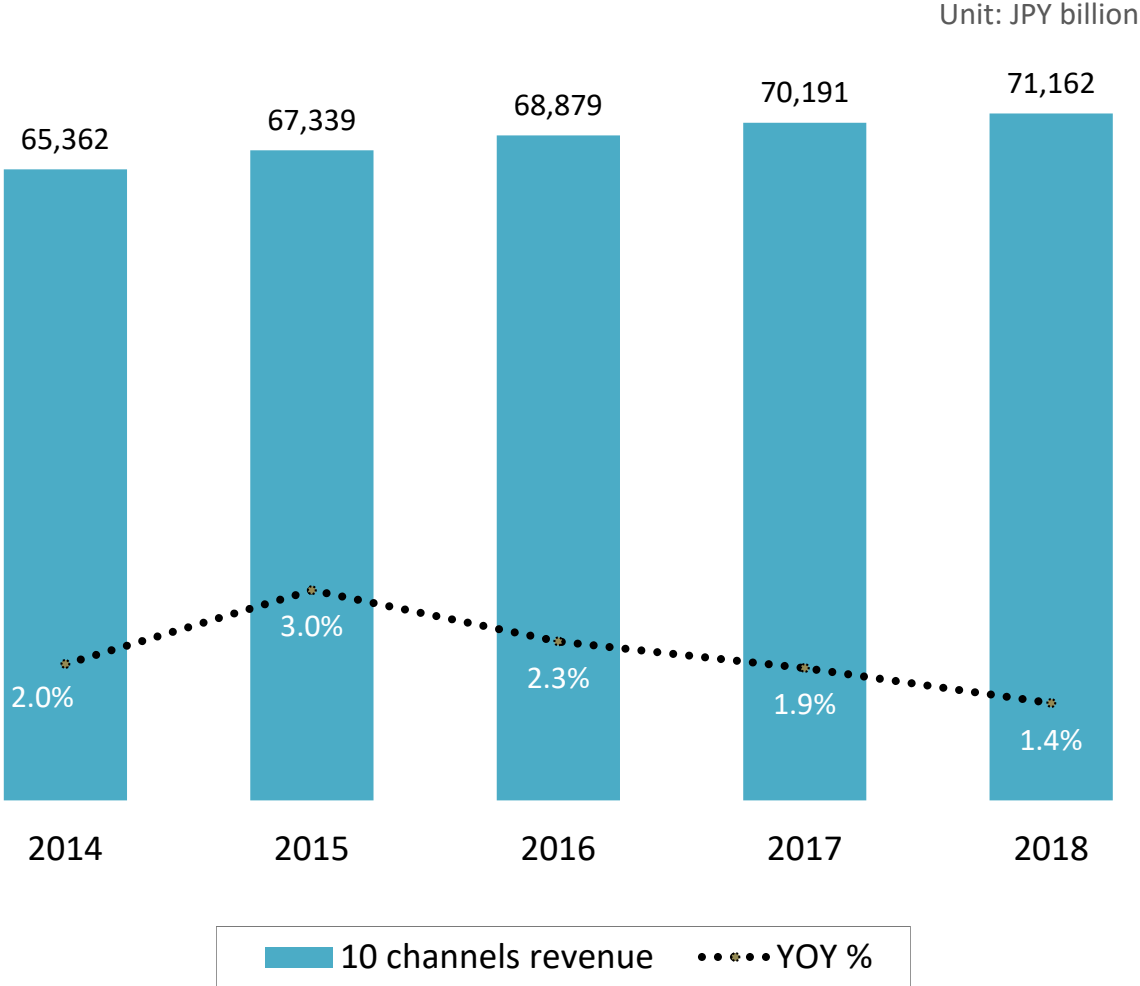
Monthly household expenditure comparisons, 2014 and 2018



The market size of 10 mixed merchandise channels grew by 8.9 percent in the past 5 years.

- The 10 major mixed merchandise channels grew steadily despite the total retail market softening in the earlier years of the decade. In 2018, revenue achieved JPY71,162 billion with annual growth of 1.4 percent.
- 10 mixed merchandise channels are: Supermarket, Convenience store (CVS), E-commerce, Drugstore, General Merchandising Store (GMS), Department store, Consumer electronics, Home center (D.I.Y), Cooperatives (CO-OP) and Discount store


Total retail market of 10 major mixed merchandise channels, 2014-2018



2 mega multi-channel retailers group, AEON and 7&i, earned 21.5 percent of Japan's total retail revenue in 2018.

- The 2 mega retailing groups in Japan represented by their holding companies are AEON Co., Ltd. and 7&i Holdings Co., Ltd. In 2018, AEON Co., Ltd. achieved revenue of JPY8,518,200 million (with 293 subsidiaries) while 7&i Holdings Co., Ltd.'s revenue valued at JPY6,791,215 million (with 160 subsidiaries).
- In 2018 the combined revenue of these 2 mega retailing groups is equivalent to 21.5 percent of Japan's total retail revenue (comprised of 10 major mixed merchandise channels, category specialists and non-store retailers).
- Both AEON Co., Ltd. and 7&i Holdings Co., Ltd. have store brands across most of the mixed merchandise channels, and in several category specialists as well as shopping mall management business.

Major store brands of AEON Co., Ltd. & 7&i Holdings Co., Ltd.

AEON Co., Ltd.	Channel	7&i Holdings Co., Ltd.
   Kasumi	Supermarket	  York-Benimaru York-Mart
	Convenience store	
	GMS	 Ito Yokadao
	Drugstore	 Seven Bi-no Garden
-	Department store	
  A Colle	Discount store	-
 	Category specialists	  Akachan Honpo
	Shopping mall	

Must-visit stores selected have the tendency to be smaller format supermarket by thriving operators.

- Diamond Retail Media conducts Store Of the Year study annually. The stores are shortlisted by shoppers and further researched and finalised by industry experts.
- In recent study, quite a number of small format grocery store such as store brand Kitchen & Market by Hankyu Oasis, was ranked number 1 by shoppers. Kitchen & Market was strongly supported by shoppers' perspectives of 'must-visit' store with highly appreciated store features.

Ranked	1
Store Brand (Business operator)	Kitchen & Market, LUCUA Osaka (Hankyu Oasis, a member of Hankyu Hanshin Holdings, Inc. group of companies; revenue ranked #30)
Location	Osaka (Direct access from JR Osaka Station)
Sales area (m²)	1,455 m ²



Features	<ul style="list-style-type: none"> ● One of the challenging 'grocery + restaurant' concept supermarket store which collaborates with 15 restaurants in the compound. ● Sales ratio comprised of 15% from restaurants, 50% from ready-to-eat foods and 35% from general groceries. ● Less emphasis on national brand items. ● Station young graduates as store attendants to create a livelier atmosphere and buoyant interaction with shoppers.
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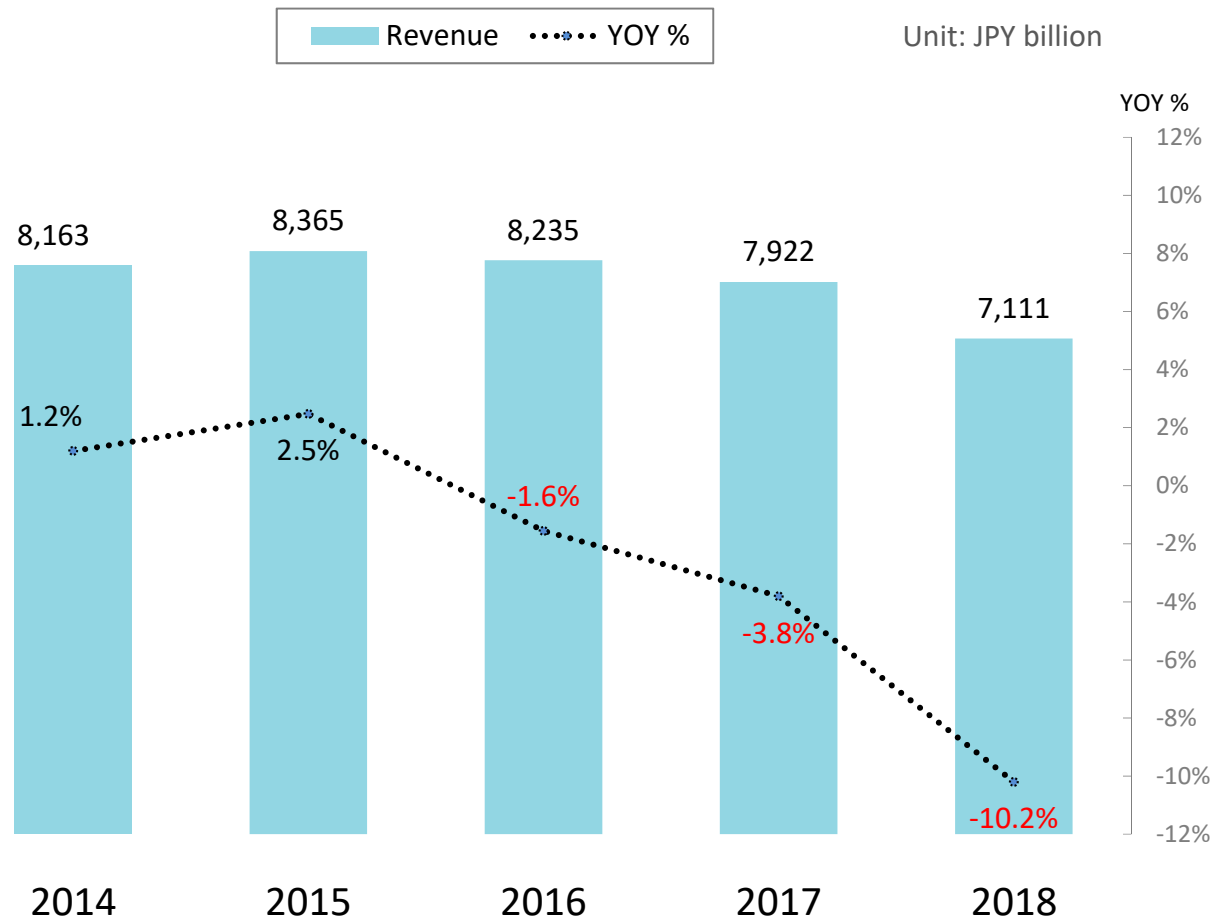
Source: Diamond Retail Media and interviews with shoppers and retailers

Double-digit market contraction for GMS channel with major retailers talking about reformation plans for many years now.

5) GMS

- General Merchandise Store (GMS) is generally known as Hypermarket in Japan. This channel's revenue plunged 3rd consecutive year sliding to rank number 5 in terms of market size. In 2018 GMS's total market size is JPY7,111 billion with minus 10.2 percent annual growth which is the highest drop in 3 years.
- 12 out of 17 retailers ranked among the top 1,000 retailers, indicated revenue shortfall in 2018.
- Major retailers have been in the progress of massive reformation initiatives in this channel, however, favorable result is yet to be actualized.

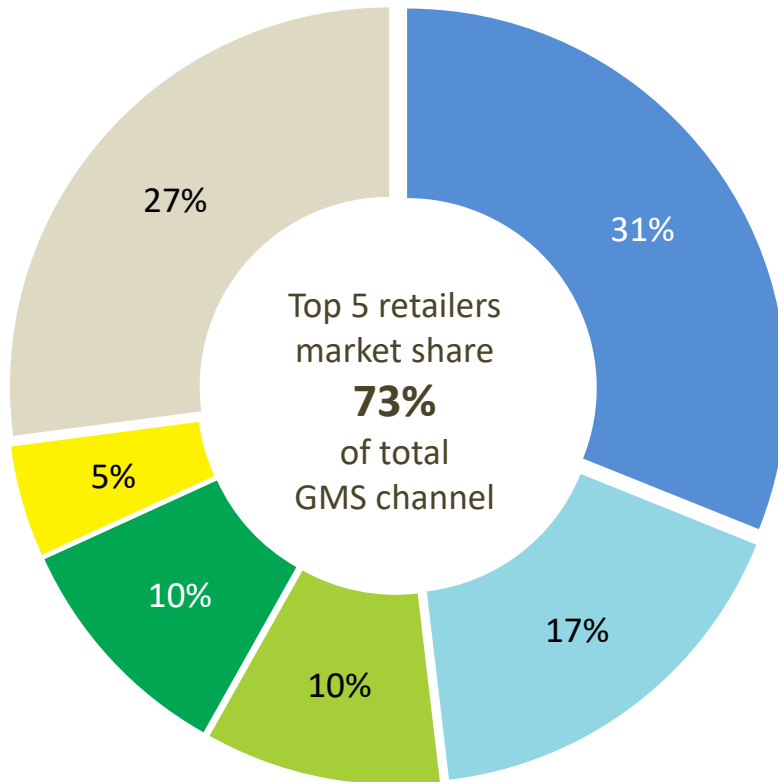
GMS revenue and YOY growth, 2014-2018



Source: Diamond Retail Media, Diamond Chain Store publications

GMS: Top 5 retailers and store brands

Top 5 retailers



1 AEON Retail Co., Ltd



2 Ito-Yokado Co., Ltd.



3 UNY Co., Ltd.



4 Izumi Co., Ltd.



5 Heiwado Co., Ltd.



Top 3 retailers fall short of revenue but retailer ranked number 4 with consistency in growth maintain marginal growth ratio.

- All top 3 retailers in this channel showed revenue shortfall while 4th biggest retailer, Izumi Co., Ltd. with consistency in growth, indicated marginal annual growth of 0.5 percent.
- AEON Retail Co., Ltd. is in the progress of establishing separate operating companies in 6 regional bases to combine Supermarket and GMS operations. As a spin-off, a company solely focused on Grocery category will come into existence.
- Ito-Yokado Co., Ltd. plans to reduce their proprietary store's sales area to 49 percent and restructure store management with new tenant-mix concept.
- UNY Co., Ltd. since January 2019, became a full-fledged subsidiary of Pan Pacific International Holdings Corporation which operates Don Quijote. Store conversion pilot programme started under the store brand of Mega Don Quijote by incorporating Don Quijote's shopping experience concept of non-conventional layout and merchandise display.

GMS: Top 5 retailers financial performance, 2018

Rank	Name of retailer	Revenue		Net profit		Net profit %	ROA	ROE	Stock turns
		(JPY mil)	YOY%	(JPY mil)	YOY%				
1	AEON Retail Co., Ltd	2,185,422	-0.6%	11,895	-	0.5%	na	na	na
2	Ito-Yokado Co., Ltd.	1,236,180	-0.6%	-7,840	-	-	na	na	15.6
3	UNY Co., Ltd.	702,452	-1.5%	37,142	300.9%	5.3%	na	na	na
4	Izumi Co.,Ltd.	686,991	0.5%	20,466	-12.4%	3.0%	7.3	12.3	21.4
5	Heiwado Co., Ltd.	374,755	0.0%	8,921	7.0%	2.4%	7.3	12.3	16.5