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Business execs stung by court order

A court order for 11 former and current Daiwa Bank directors to make massive compensation to shareholders sent a shudder through Japanese business circles. The Osaka District Court ordered the group to pay the bank \$775 million in damages for huge losses incurred at the bank's New York branch. *Page 2*

Land prices drop for ninth straight year

Real estate prices slid again in Japan last year, and the trend is expected to continue, except for certain desirable commercial properties, particularly in downtown Tokyo. Prices fell by 3.6% on average in the 12 months through July 1, due to a glut of properties on the market as restructuring companies sold off their real estate holdings. *Page 2*



Nikkei holds forum on Asian economy

Economic experts attending a seminar in Singapore on the Asian economy cited the health of the Chinese economy and the impact of the information-technology revolution as two of the region's most pressing concerns, in addition to the widening gap between the technological haves and have-nots. *Page 2*

Bridgestone takes hit from tire recall

Bridgestone Corp. expects a 24% drop in group net profit for the year through next March, and will take an extraordinary charge of ¥37.2 billion for the cost of recalling and replacing 6.5 million auto tires supplied by U.S. subsidiary Bridgestone/Firestone Inc. to Ford Motor Co. *Page 8*



Midsize construction firm on the ropes

Kumagai Gumi Co. has unveiled a restructuring plan that analysts say does nothing but put off the painful measures needed to deal with its massive debts. The contractor will ask 15 creditors to forgive a total of ¥450 billion in loans. *Page 11*

Fraud case exposes

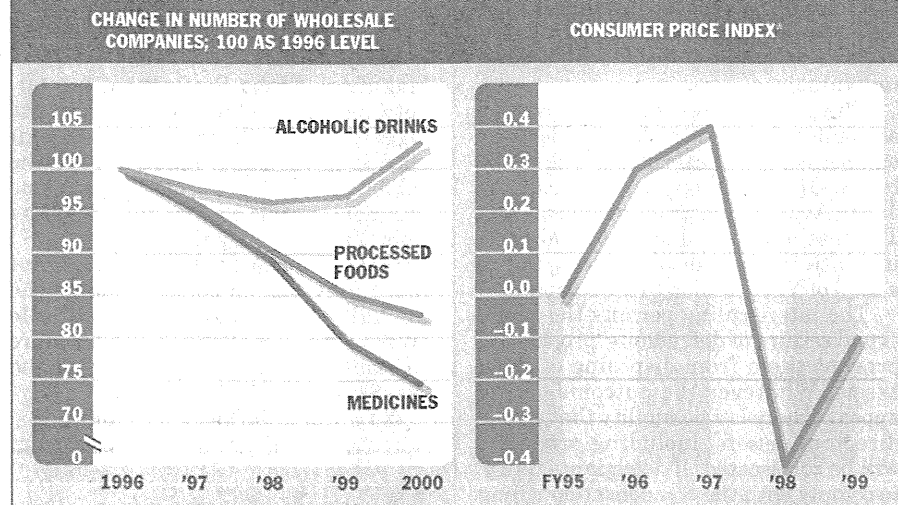
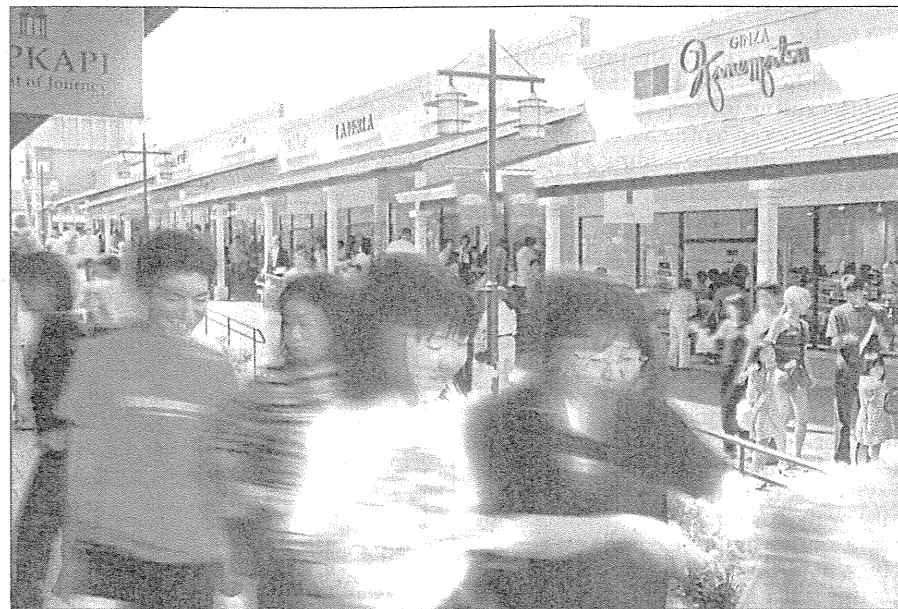


Photo: An estimated 2.05 million shoppers flocked to Gotemba Premium Outlets in the first 50 days after it opened on July 13.

*Effects of consumption tax hike in April 1997 and health-care premium hike in September 1997 excluded; fresh food prices excluded

Source: Economic Planning Agency

Outlet malls help chip away at Japan's sky-high prices

High quality, low prices Consumers crowd aisles of new retailers offering bargains on brand goods

KAORU MORISHITA
Staff writer

Kyoko Yamada was excited when she shopped for discount luxury-brand purses and clothing at Woodbury Common Premium Outlets in the outskirts of New York several years ago. This summer she was thrilled again, not in New York, but in Gotemba, Shizuoka Prefecture, about 100km southwest of Tokyo, where she found a similar factory outlet full of discounted brand items.

"Now I don't have to go all the way to New York. The outlet in Gotemba looks just like the one I saw in the U.S. and it sells brand products at affordable prices," said the 35-year-old Tokyo office worker.

The mall in Gotemba is operated by Chelsea GCA Realty Inc., the major U.S. outlet-mall developer, which runs 21 malls in the country including Woodbury Common, in a joint venture with Mitsubishi Estate Co. and Nissho Iwai Corp.

With 78 outlet shops directly run by mostly well-known brand companies, such as Swiss leather-goods firm Bally, U.S. casual-wear retailer Gap and traditional menswear retailer Brooks Brothers, the mall attracted an estimated 2.05 million visitors in the first 50 days, generating retail sales of ¥6.5 billion (\$60.7 million). Producers use the stores to sell items that are out of season, slightly

damaged or intended for test marketing, at huge discounts of as much as 30-50% or even more.

The Gotemba mall is just one example of factory outlet malls now mushrooming throughout Japan. Although the size and quality of the malls differ, they are succeeding in meeting demand among Japanese consumers like Yamada for brand products at affordable prices.

The outlets represent a growing movement chipping away at Japan's famously high prices. Besides factory outlets, some specialty stores and apparel companies are moving to integrate layers of operations from product planning to retailing, and offer better-quality, lower-price goods. Mergers and acquisitions among wholesalers are also adding to the trend of driving down distribution costs and product prices.

Distribution revolution

"The distribution revolution is bringing about favorable price declines as it reduces international price gaps and, in effect, increases consumers' income level in real terms," said the Economic Planning Agency in its annual report on prices, released in July, titled "Japan's high-price myth in process of collapse." The report noted that the practice of "price-busting," started in the early 1990s by some discount shops in limited products, is now spreading to cover a

wider range of goods and businesses.

For Chelsea GCA, a major outlet-mall developer in the U.S., the Gotemba Premium Outlet was its first mall overseas. "Out of 60 million visitors that Chelsea GCA attracts at its 21 outlet malls in the U.S., 10% are Japanese shoppers seeking deep discounts," said Takuo Kato, president of Chelsea Japan Co., the local joint venture. "This made the U.S. firm realize there is huge market potential in Japan. But the success of the Gotemba mall up to the end of August was surprising," he said.

A total of 78 foreign and domestic brands opened outlets in the Gotemba mall, including Bally, Gap, Trussardi and Nina Ricci. For 35 of the brands, it was their first factory outlet in Japan, and Kato said the popularity of the Gotemba stores is mostly due to these brand products.

"Chelsea's past business results and relationship with major foreign brand companies helped persuade those brands to open outlets at Gotemba," noted Kato. "The companies were comfortable with our strategy to locate the mall 100km from Tokyo because they had worried that the outlets would conflict with their existing full-price shops elsewhere," he said.

Other mall developers are building new facilities. Mitsui Fudosan Co. has opened four outlet malls since 1995 and plans to open another in Makuhari, Chiba Prefecture, in October and another in Mie Prefecture in early 2002.

See **OUTLETS** on Page 3

Mizuho merger losing its luster

Questions over possible bad loans, profitability, as well as personnel integration, spook analysts

YUMIKO SUZUKI
Staff writer

When Dai-Ichi Kangyo Bank, Fuji Bank and Industrial Bank of Japan announced last year they would merge to become the world's largest banking group, the news was greeted with thunderous

profit potential look higher than those of Mizuho. Investors seem to be more impressed with other groups' strategies than with Mizuho's, and wonder whether it can really crack the big leagues of the global financial world.

Another concern is that a rise in interest rates could deal a serious blow

business units in April to gradually consolidate their operations. Full day-to-day operations will be fully consolidated by the spring of 2002.

Other major banks have similar consolidation blueprints: Sumitomo Bank and Sakura Bank will merge to become Sumitomo Mitsui Banking Corp. by April 2001, Bank of Tokyo-Mitsubishi, Mitsubishi Trust & Banking Corp., and Nippon Trust Bank Ltd. will set up a holding company named Mitsubishi



Second opinion

The Internet has been forcing Japanese companies to change the way they do business — now it's altering consumer behavior as well. Price-comparison Web sites are sprouting up to provide information on prices, services and features of a host of products, from computers to insurance to secondhand books. For a closer look, see Page 3.