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## Japan

### Food Service - Hotel Restaurant Institutional

### HRI Market Report Japan 2012

**Approved By:**

Steve Shnitzler, Director,  
ATO Japan

**Prepared By:**

Masayuki (Alex) Otsuka,  
Specialist, ATO Tokyo

**Report Highlights:**

This is an updated guide to Japan's \$333 billion Hotel, Restaurant and Institutional (HRI) Food Service market. The food service industry suffered greatly from the affects of the March 11 great earthquake in 2011, but has shown step by step recovery in spite of a series of economic downturns. The industry is increasingly offering international cuisines throughout the market place. Competition remains intense and the sophisticated Japanese consumer continues to demand high quality food products in their meals. U.S. suppliers are well positioned to compete in many product categories provided they are willing to

adjust to changing market demands.

**Post:**

Tokyo ATO

**Executive Summary:**

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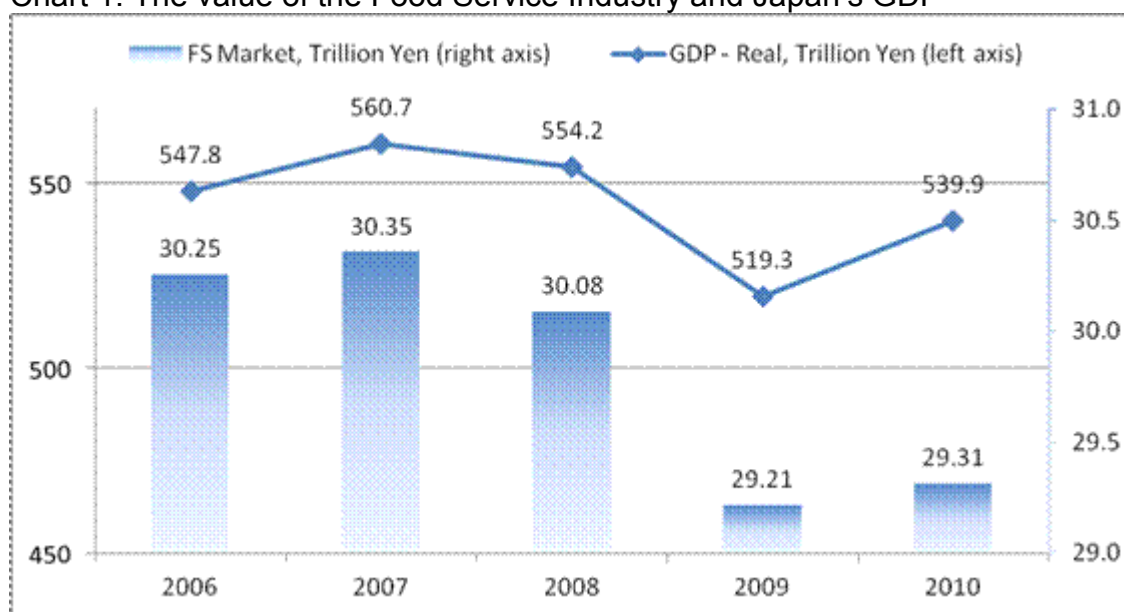
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## I. MARKET SUMMARY

### A. Market Volume and Trend

The food service (HRI) Sector was valued at ¥29.31 trillion in 2010, up from ¥29.21 trillion in 2009, and down from ¥30.25 trillion in 2006. Japan's food service industry is closely tied to the Japanese economy. The HRI sector has increased and decreased along with economy, as reflected in chart 1.

Chart 1: The value of the Food Service Industry and Japan's GDP



Source: Food Service Industry Research Center (Value), Japan Statistic Bureau

Note: In sections I and II, statistics used in this report are primarily expressed in yen, since year-to-year fluctuations in the exchange rate distort the reading of trends.

Chart 2: Annual Average Exchange Rates

Year Average	2006	2007	2008	2009	2010
JP¥ per US\$	116.25	117.93	104.23	93.52	88.09

Source: Trade Statistic of Japan

Chart 3: Corresponding Value in US\$ Using Annual Average Exchange Rates

Japanese Food Service Market	2006	2007	2008	2009	2010
In Japanese Yen Trillion	30.25	30.35	30.08	29.21	29.31
In US\$ Billion	260.22	257.36	288.59	312.34	332.73

Source: Trade Statistic of Japan

The principal reasons for fluctuations in the value of the food service sector in the last five years are attributed to the following:

1. In 2006 and 2007, steady GDP growth and the corresponding increase in spending among Japanese consumers.
2. In 2008 and 2009, the economic influence exerted by the economic collapse and subsequent world economic downturn decreased discretionary spending on business meals and receptions.
3. In 2009 and 2010, economic recovery and the corresponding increase in spending by both businesses and consumers.
4. The March 2011 earthquake and tsunami deeply impacted the entire economy in Japan and HRI sales dropped dramatically. For several months, Japanese consumers and businesses refrained from any action or event that could be perceived as celebratory.
5. Japanese companies and consumers were urged to save up to 15% of electricity due to the nuclear plant shut downs. This provision was not relaxed until after the summer season.
6. In late 2011, industry sources report that sales are recovering but mainly in the less expensive QSR sector. (See Chart 4).

Dining out is an important part of the Japanese culture. The sophisticated Japanese consumer continuously demands high quality food products in their meals. Recent favorable exchange rate shifts favor to U.S. suppliers, who are well positioned to compete in many product categories provided they are willing to adjust to changing market demands.

The food service sector in Japan is larger than the automobile industry in terms of employment. The HRI sector had a total 5.1 million employees as compared to the automobile industry with 770,000 employees in 2009. The sector has been re-organized in the last 5 years as many traditional mom and pop restaurants have gone out of business and have been replaced by new style family restaurants. From 2006 to 2009, the total number of outlets decreased from 786,078 to 721,111, down 8.3 %, and sales also decreased from 29.97 to 29.21 trillion, down only 2.5% indicating a streamlining in the industry. In addition, menu prices have plummeted as deflation has affected the food industry. This deflation creates an opportunity for less expensive, quality imported foods.

Sales volume in the sector registered increases since 2009. However, after the Great Earthquake and Tsunami in March 2011, the sector recorded a biggest month to month drop ever. In recent months total sale of Japan food service industry has recovered. The sales volume in July 2011 ended up with more sales than the same month of the year before and industry sales showed growth in October and November in 2011.

Chart 4: Sales change of 216 major restaurant chains as compared to the same month of the year before in 2010.

Month 2011	Total	QSR*	FSR*	Pub Dining	DR*	Coffee & Tea Shop	Other
Jan	0.2%	2.1%	-1.2%	-3.7%	-0.8%	-0.9%	-3.7%
Feb	1.5%	2.9%	0.9%	-1.6%	0.5%	-0.3%	-4.2%
Mar	-10.3%	-8.3%	-9.4%	-19.8%	-19.5%	-10.7%	-20.3%
Apr	-2.8%	-1.8%	-1.5%	-11.0%	-2.5%	-4.4%	-7.8%
May	-2.0%	-0.5%	-3.4%	-4.9%	-1.5%	-2.0%	-6.4%
Jun	-0.2%	-0.5%	0.8%	-2.9%	5.8%	-0.3%	-5.1%
Jul	0.4%	-0.2%	2.0%	-1.3%	1.4%	-1.7%	-0.5%
Aug	-3.3%	-3.9%	-3.3%	-2.3%	-0.7%	-1.5%	0.6%
Sep	-0.8%	1.9%	-4.6%	-1.1%	0.5%	-2.2%	-1.9%
Oct	0.5%	1.4%	0.0%	-2.4%	1.1%	-0.3%	2.2%
Nov	1.0%	2.7%	-0.1%	-2.6%	1.3%	-1.2%	0.1%
Dec	1.8%	4.0%	0.0%	-1.6%	0.3%	-0.4%	-0.2%

- \*QSR: Quick Service Restaurant, FSR\*: Family Style Restaurant, DR\*: Dinner Restaurant
- Source: Japan Food Service Association

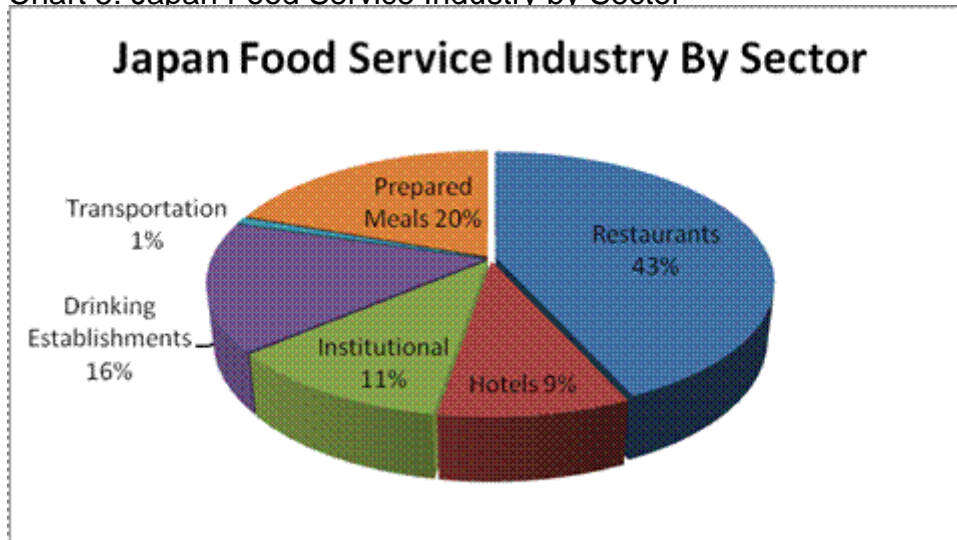
## B. Sectors

The Japanese food service industry, as broadly defined, has six major segments. Among the five traditional food service establishments, in 2010, the largest sector was Restaurants (43.2% of the market and valued at \$144.2 billion), followed by Drinking Establishments (15.9% valued at \$53 billion), Institutional Food Service (11.2 % valued at \$37.3 billion), Hotels (9.4% and valued at \$31.2 billion), and Transportation Related (0.9% valued at \$2.8 billion).

A sixth, separate category that has increasingly grown in importance in Japan is “Prepared Meals Sold at Retail Sores” such as convenience stores, supermarkets and department stores. These foods are ready-to eat, Home Meal Replacement (HMR) type products (obento lunch boxes at the office are one example) and are classified by the Japan Food Service Association within the Food Service Sector. The value of the “Prepared Meals sold at Retail Stores” [1] sector in 2010 was \$64.9 billion, accounting for 19.5 % of the total Japanese food service industry. It is estimated that 22 percent of all meals in Japan are HMR.

The growth in HMR is driven by two demographic sectors: the elderly and young single professionals. Japan’s population is aging faster than any in the world, and many elderly do not have the ability to drive or travel far to grocery shop. As a result, many get their daily meals from the local “conbini” or convenience stores, such as 7-11, Lawsons, or Family Mart. Likewise, young professional who live alone or with roommates often don’t cook and almost exclusively eat outside food. This may explain why according to the OECD, a low proportion of Japanese (46%) participate in cooking and cleaning up afterwards, the second lowest in the OECD and much below the OECD average of 64% participation. However, those Japanese who cook do a considerable amount of it, cooking for 1 hour 39 minutes per day, the fourth highest in the OECD after Mexico, Turkey and Portugal and well above the OECD average of 1 hour 24 minutes.

Chart 5: Japan Food Service Industry by Sector



Source: Food Service Industry Research Center

This HRI industry was overwhelmed twice in last five years. The 1<sup>st</sup> major influence was the world market melt-down in 2008, and the 2<sup>nd</sup> impact was the Great Earthquake and Tsunami on March 11, 2011. The school meal service sector was the only a sub-sector which didn't decrease in 2009. In 2010, the value of Restaurant sector, Institutional sector and Prepared Meals at Retail Stores increased around 2.7 % from the previous year.

Chart 6: Japan HRI Market by Sector by Year

Sector	2006	2007	2008	2009	2010		Change '09 to '10	Share
Unit	¥ Tri.	¥ Tri.	¥ Tri.	¥ Tri.	¥ Tri.	\$ Bil.	%	%
Restaurants	12.34	12.48	12.85	12.61	12.7	144.2	0.71%	43.2
Hotels	3.08	3.13	3.07	2.76	2.75	31.2	-0.36%	9.4
Institutional	3.59	3.62	3.36	3.28	3.29	37.3	0.30%	11.2
Drinking Establishments	5.11	5.22	4.99	4.76	4.67	53.0	-1.89%	15.9
Transportation	0.26	0.25	0.26	0.25	0.25	2.8	0.00%	0.9
Prepared Meals	5.61	5.64	5.54	5.57	5.72	64.9	2.69%	19.5
Total	29.99	30.34	30.07	29.23	29.38	333.5	0.51%	100.0

Source: Food Service Industry Research Center

The key factors affecting the food service industry over the past five years can be summarized as follows;

- A series of worldwide economic crises have chipped away discretionary spending on both business meals and consumer's eat out.
- A strong yen has been slowing down Japanese economy and export business. Many Japanese industries rely heavily on export.
- Worldwide spread of the H1N1 flu scared customers and sales of hotel, travel and banquets decreased by 10% in 2009.

- Food service industry rationalization is going on by chain restaurants, hotels and food suppliers. The industry has been pursuing mergers and acquisitions that improved industry structure and reduced operating costs.
- Increased opening of new outlets by budding restaurant chains and up-scale hotels and the creation of an attractive new style food business, high in value and quality.
- Redevelopment projects have been active in Tokyo metropolitan area. New pub restaurants and sophisticated casual restaurants are being introduced when older buildings are demolished and replaced by newer buildings. These new restaurants are more likely to target women and affluent young people, who are willing and able to pay for higher quality menus.
- The trend to identify popular restaurants. TV programs target specific restaurants and have introduced tasty and high value restaurants, both five star class restaurants and casual style restaurants in both metropolitan area and local region. At the same time, TV programs promote home-grown agricultural products as high-end food products.
- A new food trend, B-class gourmet, features regional restaurants serving localized menus.
- Japanese consumers now tend to show tolerance with imported food including imported food from China after the nuclear accident in Fukushima in 2010. This may be a result of some concerns with domestic foods and radiation.

The Japanese food service sector has traditionally been very receptive to the use of imported food products. This is due partly to the fact that;

- Imported food products are often less expensive than their domestic counterparts.
- The food service industry does not require unique specifications for food packages as does the retail industry.
- The food service sector often incorporates new food concepts from abroad, which makes it more receptive to importing items used in the menu.

### ***C. Value of total Imported Food vs. Domestic Products***

According to the statistics of the Japan's Ministry of Agriculture, Fishery and Forest (MAFF), domestically produced food accounted total of ¥9.82 trillion (\$111.4 billion) which is equivalent to 39% in calorie terms and 69% in value terms of all food consumed in Japan in 2010. In 2010, Japan imported \$80.8 in food, agricultural and seafood products.

While it is difficult to say exactly what percentage of imported food vs. domestic food is used for the food service sector as a whole, it is estimated that well over half of all food service menu items involved imported food stuffs in one form or another. Imported items such as

frozen vegetables, frozen potatoes, beef, pork, shrimp, salmon, wine, cheese and the like are heavily used by the food service sector.

Japan imported a total of \$81 billion agricultural products in 2011, increasing 23.2% over the previous year. The total value of food and agricultural imports from the United States increased by 22% for a 23.5 % share. This overall growth is somewhat due to the disaster, and demonstrates that Japan has more potential for food imports than previous statistics showed. (See Chart 7)

Chart 7: Japan Agricultural Import Total by Country

Rank	Partner Country	United States Dollars			% Share			% Change 2011/2010
		2009	2010	2011	2009	2010	2011	
	World	59,106	65,694	80,917	100.00	100.00	100.00	23.17
1	United States	14,810	15,640	19,003	25.06	23.81	23.48	21.51
2	China	7,347	8,570	10,103	12.43	13.04	12.49	17.90
3	Australia	3,898	4,316	5,025	6.59	6.57	6.21	16.42
4	Canada	3,500	3,905	4,934	5.92	5.94	6.10	26.33
5	Thailand	3,365	3,741	4,842	5.69	5.69	5.98	29.43
6	Brazil	1,996	2,607	3,687	3.38	3.97	4.56	41.42
7	Netherlands	1,692	1,840	2,740	2.86	2.80	3.39	48.97
8	Korea South	1,533	1,799	2,240	2.59	2.74	2.77	24.52
9	Chile	1,547	1,657	2,147	2.62	2.52	2.65	29.56
10	France	1,512	1,591	1,817	2.56	2.42	2.25	14.21
	Other Total	17,906	20,028	24,378	30.30	30.49	30.13	21.72

Source: Global Trade Atlas (HS Code 02 through 24, except 13 and 14)

The strong yen exchange rate of the last few years has driven up food imports from foreign countries to Japan. In particular, dairy products from the U.S. to Japan increased by 55.1 % in value in 2010 from the previous year. Japanese importers have shifted sourcing natural cheese from Oceania countries to the U.S. due to favorable exchange rates, importing shredded cheese mainly used for food service sectors (i.e. pizza and Italian style restaurants). U.S. exports of red meats, chicken, fresh vegetables, and tree nuts to Japan experienced the double digit increases in 2010 over 2009.

Certain segments continue to do better than others, in particular, Italian style chain restaurants, Chinese style chain restaurants, and quick service restaurants (QSR's), including hamburger shops, coffee stands, noodle shops and rice bowl stands, which attract consumers with low menu prices.

Many industry experts predict the Japanese food service sector will be back on the track to recovery in 2012. QSR and streamlined family style restaurant chains continue to lead the industry. Hotel restaurants, new concept casual dining, and ethnic food (Korean and other Asian cuisine) restaurants are expanding as a result of consumer demand. Catering, including home meal replacement, and institutional meal businesses are also expected to grow due to a deflationary environment which will cause most individuals to tighten their budget when it

comes to dining out. After several years out of the market, Wendy's has just returned to Japan. McDonald's continues to expand, using special burgers and sandwiches to attract customers.

#### ***D. Advantages and Challenges***

The industry increasingly offers international cuisines throughout the market place and competition is intense. The sophisticated Japanese consumer generally demands high quality food products in their meals and U.S. suppliers are well positioned to compete in many product categories provided they are willing to adjust to changing market demands.

On the other hand, limited U.S. beef imports continue to affect the food service industry in Japan. The Government of Japan has allowed imports of cattle aged 20 months or less since December 2005. This age restriction is still in place at the time this report was written, and will likely limit the supply to U.S. beef in the food industry as a whole, and particularly in the food service industry.

Nonetheless, U.S. beef imports to Japan increased from 105,000 metric tons (MT) in 2010 to 120,600 MT in 2011, an increase of about 32% in quantity. However, 120,600 tons is still less than a half of the total imports in 2002 before BSE was detected in the United States. As a result of U.S. Meat Export Federation and FAS Japan's marketing efforts, a greater number of major city hotels and family style restaurants are currently serving U.S. beef.

When and if U.S. beef export restrictions are relaxed, we expect that U.S. beef exports will quickly approach pre-2002 levels as Japan's restaurant and institutional industry is the most supportive business community for U.S. beef in the market.

A brief summary of the advantages and the challenges for U.S. food exporters targeting the Japanese food service sector appears below:

Chart 8: Advantages and Challenges

<b>Advantages</b>	<b>Challenges</b>
The success of U.S. fast food and restaurants chain concepts helps introduce American style food inputs into the general diet.	Many consumers view American food culture as less attractive than European or Japanese counterparts.
U.S. food producers have a positive image for safety compared to many Asian competitors, especially among the trade.	Most imported food products are viewed by some consumers as less safe than domestically produced Japanese food products.
The U.S. has a reputation and history as reliable supplier of food (both availability and delivery) at reasonable price.	The quality and reliability of Asian exporting countries has been growing as the distribution infrastructure and quality assurance (QA) procedures have improved.

The United States has a wide variety of food products, including fresh & further processed.	Japanese buyers are sourcing from all over the world rather than from only a few countries.
High Japanese farming costs and a weak dollar make imported food products attractive.	The perception of U.S. price competitiveness and quality has declined vis-à-vis other exporting countries.
After the Fukushima nuclear power plant accident in 2011, the United States is recognized as a source of advanced food processing and food safety assurance technology including sustainability and organic production.	Japanese government policies relating to food safety pose increasing impediments to trade, such as a strict Maximum Residue Level (Positive List), BSE standards and stringent labeling requirements.

## II. Road Map for Market Entry

### A. Entry Strategy

There are no magic formulas for new –to market exporters to enter the Japanese food service market. Strategies will vary depending on the type of food product being introduced and the current competitive environment. However, there are some basic procedures that new-to-market exporters are recommended to follow when considering the Japanese food service market for the first time.

#### 1. Market Access

One of the fundamental first steps is to determine the market access for your products. In particular this means:

- Determine if your product category can currently be imported into Japan. Due to food safety concerns the Japanese government has become increasingly strict in allowing food products into Japan.
- Determine the import classification and tariff rate for your product. Some product categories such as those containing rice and dairy products are still highly protected by the Japanese government and face either prohibitively high tariff or quota barriers. It is important to know in advance if this is the case to prevent time and energy being dedicated to products that will not ultimately be price competitive. Freight forwarders and traders can be helpful in determining into what category your product falls.
- Determine whether your product meets Japanese regulations for food ingredients. If the product contains prohibited ingredients it will have to be reformulated before it can be imported into Japan. In some cases this may be difficult for U.S. exporters due to volume constraints or because the ingredients is a key element of the formulation. By

ascertaining this in advance, U.S. exporters can save themselves much frustration later if it is difficult to reformulate. Sources for this information include:

USDA/FAS GAIN Report, Number JA0035 “Japan Food and Agricultural Import Regulations and Standards (FAIRS Country Report) 2010”

([http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Tokyo\\_Japan\\_12-17-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Tokyo_Japan_12-17-2010.pdf)) Freight forwarders can also be helpful in determining ingredient acceptability.

## 2. Competitive Analysis

Once it is established that the product can be physically exported into Japan it is important to establish whether the product will be accepted from a competitive standpoint. This entails doing at least a preliminary analysis of the market to determine:

- What is the size of the opportunity for the type of product?
- Who are the key customer targets for the products?
- What is the current pricing of similar types of products?
- Can the product be cost effectively introduced?
- What are the key points of differentiation for the product compared to others?
- In what form and what kind of packaging is the competitor's product sold? Will customers expect the same?

To do this analysis it is helpful to take some combination of the following steps:

- Visit Japan to research in person the customers your type of product is sold to and see how the product is marketed.
- Utilize resources such as U.S. Foreign Agricultural Service and the local U.S. Agricultural Trade Office (ATO), State Regional Trade Groups (SRTG's) to obtain information about the market relevant to you product.
- Talk with freight forwarders and Japanese importers that handle your category of products.
- If possible, meet with potential customers to determine the kinds of needs they have and their current sources for your products.

## 3. Comparative Advantage of the products

To succeed in entering the Japanese market, it will be important to define the comparative advantage of your products versus the competition. Potential customers in Japan will have to perceive merit in using your products. The most common merits are:

- Offering price savings that will encourage the customer to give your product a trial.
- Offering a product or form of product that is new to the Japanese market. Every year there are new items that become popular in Japan that newly introduced unique foods.

Recent examples include gourmet hamburgers, craft beers, fresh baked pretzel, smoothies, varietal honey, and sparkling wines, to name a few.

- Offering a more convenient form of the product that makes it easier for food service operators to use. This may include a smaller package and a new technology for packaging that make the product easier to prepare or a new form of the product that offers advantages in terms of labor cost, preparation time or efficiency.
- Offering a high quality product. Food service operators are always interested in products that offer better quality in one form or another. For example, it may be that your product has a demonstrably better track record than competitors on safety issues. These points of difference are worth promoting.

#### 4. Receptivity of the Distribution Trade

It is important for new-to-market exporters to understand how the distribution system works and to identify potential partners or distributors. Such partners or distributors can offer invaluable advice on issues related to the product, its positioning, packaging, labeling, and custom clearance procedures. There are numerous ways to identify these partners. Some suggestions include:

- Ask the ATO and co-operator groups research market potential for your category of products.
- Attend trade shows such as Foodex, Super Market Trade Show and Food Service Industry Show to meet potential partners and obtain leads.
- If visiting Japan, discuss potential importers and distributors with freight forwarders, and if meeting any customers, enquire as to their preferred distribution channel. Many times customers will have their own preferred channels which they use for imported products.

It is important to obtain a reliable on-site partner or importer if you expect to do long term business in Japan and you do not plan to have your own in-country office. Some things to look for include:

- Does the partner/importer represent other imported products?
- Do they have a favorable reputation and financial background in the marketplace?
- Do they have the capability of communicating daily with you in English?
- Do they have an understanding of import procedures for your type of food product?

#### 5. Ability or Willingness to Meet Market Requirements

To be successful, it is very important for the new-to-market exporter to be willing to

make changes to the product if necessary to meet market expectations in terms of service, quality, and price. This process working with Japanese clients will also polish your products quality and increase marketing competitiveness. Some basic suggestions include:

- Make sure you are willing to re-formulate the product if necessary to meet relevant Japanese Food Sanitation Laws and Regulations.
- Be willing to adjust the product or packaging to meet Japanese taste profiles and market expectations. For example, many Japanese operators prefer smaller package sizes due to lack of space to store items.
- Provide samples on a timely basis, but only upon request of a client/importer.
- Ensure that all documentation necessary to clear customs and quarantine procedures is provided in proper form. Japanese customs always request clarify food ingredients and processing outline to define import tariff rate.
- Reply to requests for information in a timely manner, within at least 48 hours, preferably less.
- Work closely with your partner or importer to prepare sales materials in Japanese.
- Be patient. Most Japanese food service operators will start with only a small order in order to test the potential supplier. This is especially true for new-to-market suppliers where the risk of something going wrong (clearing customs, wrong documentation, wrong labeling, etc.) is the highest.
- Japanese food service operators are looking for suppliers who can provide consistent high quality product without defects or foreign materials, and who are reliable partners in terms of both delivery and safety issues. To help cement relations, it is strongly recommended to have face-to-face meetings at least once per year with your customers.

## ***B. Market Structure***

### **1. Distribution**

Most imported food products still pass through trading companies. The large general trading companies such as Mitsubishi, Itochu and Mitsui have many divisions specializing in a wide variety of imported food products, while small importers tend to specialize in a limited line of high value-added items. Trading companies function as legal importers of the products and serve a variety of functions including clearing customs, handling documentation, product testing, warehousing the product, and financing the inventory. In the past, trading companies would normally sell the product to first line wholesalers who in turn would sell to secondary wholesalers and even to third line distributors before the product finally reached the food

service operator.

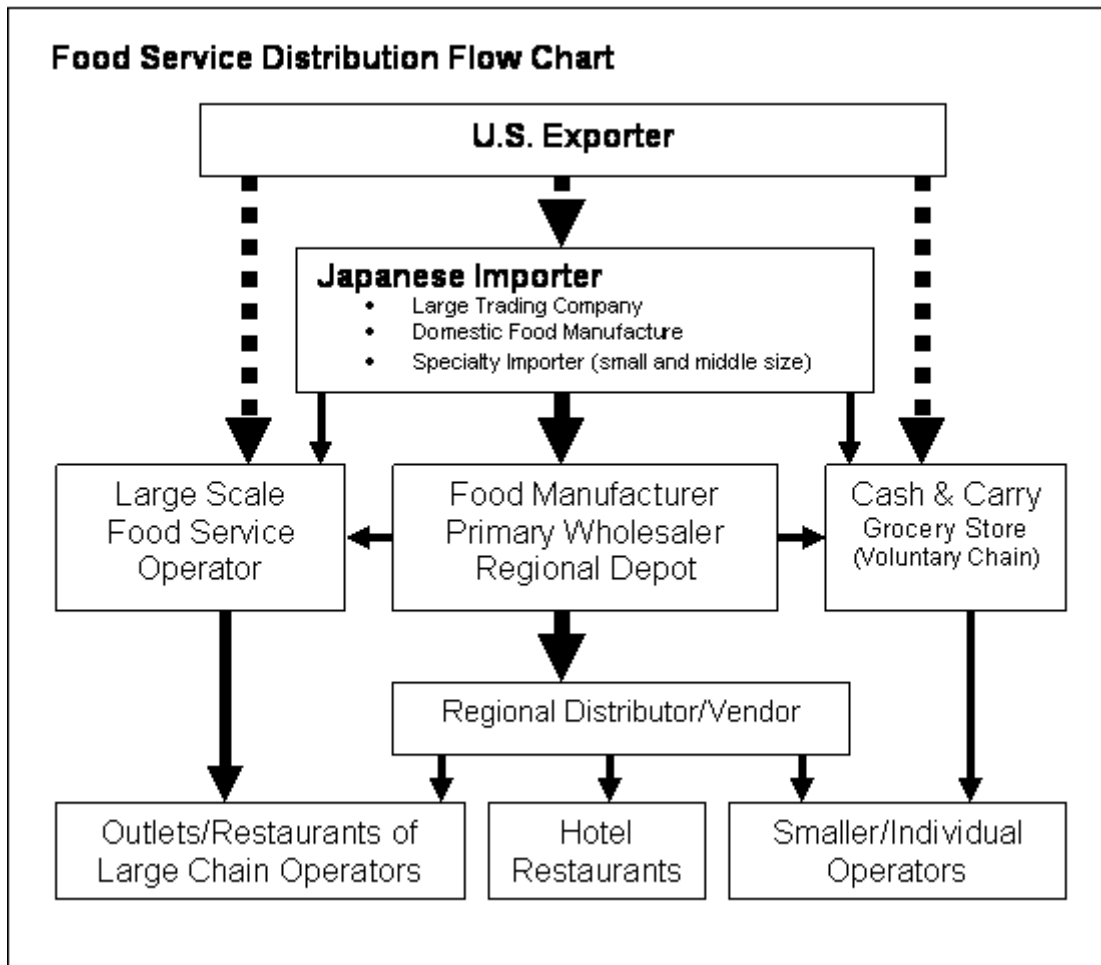
This pattern has changed in the past decade, particularly for chain food service customers who have substantial buying power. In order to reduce food costs, most large food service operators now take possession of the product or use designated distribution centers rather than use wholesalers. In addition, more food service operators import product directly, but the majority still use trading companies). The deflationary environment of the past several years has intensified price competition among food service chains, and has accelerated the trend to eliminate middlemen.

In order to survive in an increasingly competitive marketplace, wholesalers are being forced to consolidate. Smaller wholesalers are either disappearing or being bought by larger ones. In order to add value, most large wholesalers own their own distribution trucks. Wholesalers now focus on carrying broad product lines that can efficiently service small food service operators or small chains with one-stop service. Some wholesalers are now also beginning to import products directly to reduce costs further.

Meanwhile, a written food safety assurance is now the standard in Japan. Food vendors, not manufacturers, are responsible for food safety even if they just deliver food products. Food suppliers are required to provide affidavit like assurance to chain restaurants. This causes food service operators to use several distributors in Japan to hedge risks.

The Cash & Carry trade, including wholesale clubs such as COSTCO and METRO are becoming popular as resource of food products among Japan's smaller size food service operators in order to reduce food costs. The biggest is Gyomu Super (Business Supermarket), which has over 580 outlets throughout Japan. Additionally, regional food wholesalers have formed a strategic purchasing alliance and have opened cash & carry outlets in the region. These local outlets substitute historical food vendors for food service operators. Bulk packed meat, seafood, fresh produce, coffee, seasonings/condiments, wine, cheese, frozen vegetables and frozen bakeries are hot selling food products at these outlets.

Chart 9: A diagram of the flow of product from the U.S. exporter follows:



Source: ATO Tokyo

## 2. Segmentation

A discussion of some of the key trends in the HRI industry that U.S. exporters should be aware of:

### i. Price Competition

Consumers continued to tighten their belts. Saizeriya, the biggest Italian cuisine-family style restaurant with about 870 outlets, introduced authentic Italian cuisine at reasonable prices. For instance, a 500 milliliter carafe of wine is sold at ¥370 (\$4.70) and a bowl of cheese risotto with meat sauce is sold at ¥299 (\$3.80). Saizeriya increased sales by 12% in 2010 and has become very popular company in the market.

<http://www.saizeriya.co.jp/menu/grandmenu.html>

In order to compete in the market, many other fast food and family restaurants took a similar approach by introducing low cost menus. For example, the major beef bowl chains Yoshinoya, and Zensho, the “Sukiya” brand operator, compete by offering lower menu

prices during the same period.

## **ii. New Tastes from America**

The variety of menus available in Japan continues to expand. Partly due to the large number of Japanese traveling abroad every year, foods from South Korea, Europe, Australia and the Americas are becoming increasingly popular. Japanese consumers are interested in trying new tastes. Examples of this include Auntie Anne's pretzel, Robeks Fruits Smoothies & Healthy Eats, and L & L Hawaiian Barbecue, which have successfully launched new business formats in Japan. Wendy's also came back to Japan in December 2011 from several year's absence. The interest in new food ideas opens the door to food exporters to introduce new concepts in to the Japanese market.



The first Auntie Anne's shop in Tokyo, Japan

## **iii. Healthy and Eco Foods:**

Japanese consumers are increasingly interested in foods that are perceived as healthy. This trend takes a variety of forms. For example, family restaurant chains are including nutritional information on the menu, such as allergen content and calories per serving. Fast food restaurants and casual style restaurants strengthen breakfast menus and are introducing small size fruit-rich menus, such as cup salad and pancakes with fruits.

Some restaurants are featuring organic products. In addition, vegetable production in restaurants has slowly gained popularity. Compact size hydroponic leafy vegetable plants feature fresh and eco concepts. Subway Japan has opened an outlet with the vegetable bed in a newly built business complex adjacent to Tokyo station.

U.S. exporters that have products that fit into the "healthy" category will have opportunities as this sector grows.



A Subway shop with a vegetable plant at Tokyo Maru Building, opened on July 6, 2010



Italian restaurant, La Befana, in Shiodome, Tokyo

#### iv. Mega (Big) and Mini, Volume Conscious Developments

In an effort to add value and re-energize customers, many food operators have introduced bigger servings to their menus. In particular, McDonald's Japan introduced a series of big size burgers, such as Grand Canyon Burger, Idaho Burger and Texas Burger under their Big America campaign. Following suit, a major beef bowl chain introduced a new beef bowl, Mega-Gyudon (Mega Beef Bowl). On the flip side, mini-size menu options are also popular in Japan. Many family style restaurants introduced additional small size side menus targeting female customers.



McDonald's Grand Canyon Burger, special menu only in Japan, December 2011 through early 2012

#### v. Information Technology (IT) and B-Class Gourmet:

The IT evolution and prevalence of smart phones provide a dynamic to the local food service industry. One new trend is affectionately called "B-kyu-gurume (B-class gourmet)". Japanese food service operators are striving to introduce new ideas and formats using these local food flavors or combinations. B-Class Gourmet is a new buzzword throughout Japan, meaning cheap, local food, served in local restaurants. Most of menus are everyday home meals, such as fried/soup noodles, deep fried cutlets, and sweets. B-class gourmet establishments have banded together and conduct Japan-wide events that vie with each other for the best B-class gourmet dish.



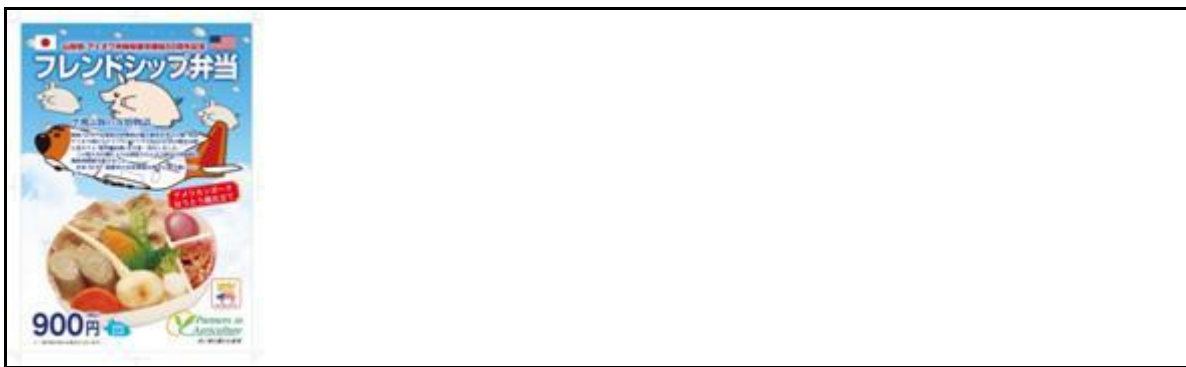
The National B-Kyu Gourmet Contest winner, Fujinomiya Yakisoba (fried noodle)

#### vi. Theme Park Restaurants:

Major theme parks in Japan feature U.S. history and culture including Tokyo Disney Land, Tokyo Disney Sea, and Universal Studios Japan (Osaka). Restaurants located in these theme parks often focus on foods from abroad and offer opportunities for U.S. exporters to test their products. Disney Resorts Japan marked record high sales in 2008 when they celebrated its 25 years anniversary. The Disney Resort will celebrate its 30 years anniversary in Tokyo in 2013 which may create a good new-to-market opportunity for U.S. food products.

Food buyers there are always looking for original and unique new products associated with the United States (for example, smoked turkey drumsticks and caramel popcorn are two popular items at Disneyland).

#### vii. HMR Prepared Foods:



U.S. pork lunch box: a collaboration between ATO Japan and a JR subsidiary, Nippon Restaurant Enterprise

The area of sharpest growth in the food industry has been ready-to-eat products that can be purchased at retail shops. For example, many consumers purchase take-out lunches at convenience stores or similar retail shops that can be eaten quickly at the office or elsewhere. Vendors of these foods have steadily increased the freshness, quality, and variety of the foods they offer, providing a more attractive menu selection to consumers.

U.S. exporters that provide the kinds of products that would fit lunchbox-type or HMR items should consider approaching the assemblers of these types of foods.

Seasonable and special lunch box development is common in the sector industry for special occasions. Frequent menu changing can become both an opportunity and constraint for imported food products.

#### **viii. Further Processed Foods:**



Food service operators are increasingly relying on semi-processed foods rather than raw components. The reasons for this include: 1) help ensure consistency of menus throughout the operators' outlets, 2) speed up the time it takes to prepare and serve the food, 3) increase food safety since less handling and cross contamination opportunities exist, and 4) improve overall costs since less labor is necessary for food preparation. Since the U.S. is a leader in the development of further semi-processed foods, the trend toward further processed foods represents an opportunity for U.S. exporters.

#### **ix. Food Safety:**

The importance of food safety has risen continuously in consumers' minds over the past decade due to a series of highly visible food scares and scandals. In particular, radioactive cesium exceeding the government-set permissible limit was detected in local dairy cows, beef, rice and many leafy vegetables in Fukushima prefecture (and adjacent prefectures) after the nuclear accident in Fukushima. In addition, there have been a number of recent cases where domestic food service operators were responsible for food poisoning events.

As a result of these incidents, food service operators have become much more stringent in demanding strict procedures and systems for food safety from their suppliers. This includes detailed documentation from suppliers regarding QA systems and procedures at the production site, documentation relating to all ingredients used by the supplier including country of origin, and certification that the products adhere to Japanese regulatory requirements. Many chain operators will not consider buying from a new supplier until all the documentation is provided and an on-site inspection of the production facilities is conducted to verify the standards of the supplier.

In addition, food service operators have become much more demanding regarding quick

and accurate responses to any product quality complaints to ensure steps are taken to prevent reoccurrence. Suppliers who do not measure up to the expectations of the food service operators for food safety are often replaced. We highly recommend having a quick response procedure in place to address food safety or product quality complaints to ensure a minimized disruption to trade.

**x. GMO:**

This is significant as it is the first direct to consumer GMO product to be sold in Japan. The road to acceptance will be long, but eventually, we believe that GMO foods will enjoy a certain amount of acceptance. However, at this time, most food service operators in Japan normally require GMO free food products from suppliers and most Japanese consumers do not accept the concept of GMO products. See GAIN report JA1048:

## C. Sub Sector Profiles

A detailed discussion of the various sub-sectors of the HRI food service industry follows.

### 1. Restaurant Sector

The restaurant sector is the largest of the HRI food service segments. Restaurant sales in 2010 were ¥12.7 trillion equivalent to \$144.2 billion. This represents 43.2% of total food service industry sales. The restaurant sector includes a wide variety of operators, ranging from American-style fast food chains to more traditional family owned single outlet restaurants.

The restaurant sector is divided four major sub-segments. A chart diagramming this segmentation follows:

Chart 10: Japanese Restaurant Sector – 2010

<b>Restaurant Sector</b> ¥12.7 Trill. (\$144.2 Bill.)		General Restaurants (70.4%)	¥8.9 Trillion (\$101.5 Billion)
		Sushi Shops (10.3%)	¥1.3 Trillion (\$14.9 Billion)
		Noodle Shops (8.5%)	¥1.1 Trillion (\$12.2 Billion)
		Other (10.8 %)	¥1.4 Trillion (\$15.6 Billion)

Source: Food Service Industry Research Center

### 2. General Restaurants

General restaurants used to be categorized by the Ministry of Economy, Trade & Industry (METI) into five categories: non-specialized restaurants, Japanese restaurants, Western Restaurants, Chinese Restaurants, and Meat/Other Asian until 2006. In 2009, the latest

available census year, METI combined Western cuisine and other ethnic cuisine together as “other specialized” restaurants. The largest numbers of outlets are non-specialized restaurants, followed by specialized, Chinese and Japanese.

Chart 11: Number of Restaurant Outlets by Type of General Restaurant

Type of Restaurants	2004	2006	2009*	Change '06 to '09
Non-Specialized	73,628	73,298	63,427	-13.5%
Specialized: Western, Other Ethnic Cuisine & Meat	57,034	60,394	61,913	2.5%
Chinese	60,930	59,552	56,541	-5.1%
Japanese	41,963	42,572	50,763	19.2%
Total	233,555	235,816	232,644	-1.3%

Source: Ministry of Economy, Trade & Industry

\* The latest year for which census data has been published

The category with the greatest opportunity for most U.S. food exporters are non-specialized and specialized restaurants. The trend has been driven by diversified Western, Japanese and ethnic fusion cuisines. These restaurants are composed of casual and family style restaurants which serve mainly Western dishes as well as restaurants specializing in specific menus such as steak, Hamburg (meat loaf) and pizza/pasta. As a result the menu relies heavily on imported food products to provide authenticity as well as taste. Large family restaurant chains such as Saizeriya (Italian style), Skylark, Royal Host, Denny's, Coco's, Jonathans, and Joyful are major users of imported U.S. foods including items such as beef, pork, frozen potatoes and vegetables.

Up-scale American-style concepts have taken hold in Japanese market in last five years, such as the Oregon Bar & Grill, Ruth's Chris Steak House, Union Square Cafe, Lawry's, and Wolfgang Puck pizza. A popular sector are casual steak restaurant chains that offer free salad, side dishes and cooked rice come with all in one main meal, steak and/or hamburger, at reasonable price (\$10 to \$20). This is an example of authentic American style dishes have been modified and popularized in the industry. These companies use imported foods on their menu extensively.

French restaurants have traditionally been popular in Japan and more recently Italian restaurants have also surged in popularity. Mexican restaurants, which are still few in number, are slowly growing in popularity and provide opportunities for U.S. exporters for items such as tortillas, frozen guacamole, and related Tex-Mex foods. Food service chains that come to Japan from the U.S. are perfect targets for U.S. exporters who also sell those food product concepts in the U.S.

### 3. Sushi Restaurants

Japan is famous for sushi, which is increasingly popular around the world. Japan is the world's largest importer of seafood products and a substantial portion ends up in sushi form. This includes tuna, scallops, sea urchin, salmon, salmon eggs, yellow fin, crab and

shrimp. Most seafood imports pass through wholesale markets such as Tsukiji Fish Market in Tokyo before being delivered to sushi shops throughout Japan. The U.S. is a major exporter of salmon, salmon eggs, and sea urchin used by sushi operators.

The value of the sushi food service segment was estimated at ¥1.3 trillion in 2009, equal to \$14.9 billion. In 2009, the most recent census year, a total of 28,865 sushi restaurants were reported, significantly declined from the prior census (32,327 sushi restaurants in 2006).

#### 4. Noodle Shops

Noodles, served either hot or cold, are one of the most popular foods eaten outside of the home in Japan. Japanese noodles come in two forms. Soba, which are noodles made from buckwheat, and Udon, noodles made from wheat.

In 2009, the value of the soba/udon food service segment was estimated at ¥1.1 trillion or \$12.2 billion. There were estimated 33,005 soba/udon shops in 2009, many of them were used to be single proprietorship shops but chain operators have increased their number of outlets, typically at shopping malls and roadside that have replaced from regional business to chain operation.

Noodles consumed outside of the home are frequently ranked as the most popular lunch item by consumers because they are both quick to serve and eat, and quite inexpensive. A typical soba set will cost only ¥300 - ¥500. It is common for the Japanese 'salaryman' to down a bowl of noodles within minutes during lunch.



Opportunities for U.S. exporters are principally the ingredients used as toppings for noodles. This includes items such as chicken products, seasoned pork slices and sweet corn kernels. Since many noodle shops are individual outlets rather than large chains, U.S. exporters' strategy for selling toppings must rely on major food service wholesalers who supply the shops.

#### 5. Other Restaurant Types

The Food Service Research Center categorizes a number of special food service concepts into its "All Other" category. These include:

- Hamburger Chains
- Fried Chicken Restaurants

- Pizza Shops
- Donuts and Ice Cream Shops
- Beef bowl
- Curry & Rice
- Okonomiyaki

A brief description of those that are of particular interest to the U.S. exporter follows:

#### **i. Hamburger Chains**

The number one food service operator in Japan is McDonald Japan, which opened in 1972 and now has 3,302 units nationwide. The hamburger fast food concept has been one of the most visible and successful segments over the past 40 years. Sales at McDonald's continuously rose 2.2 % to ¥542.7 billion in 2010 as the company raised the prices of its mainstay products by ¥10-50 and per-consumer spending climbed 0.3%. The fast-food chain operator succeeded in attracting customers by increasing the number of new type outlets that have up-scale eat-in counters. A list of the top five hamburger chains includes:

Chart 12: Major Hamburger Chains

of Company	Number of outlets in 2011	% Increase from 2008
McDonald's Japan	3,302	-11.1
Mos Foods	1,391	1.7
Lotteria	465	3.9
Freshness Burger	178	n/a
First Kitchen	128	0

Source: Nikkei Marketing Journal June 2011

By providing reasonably priced, fast and clean service, the hamburger chain concept has captured a significant share of the youth and family dining out budget.

Because the hamburger chain menu uses concepts originating in the U.S., they are ideal targets for U.S. exporters. For example, McDonald's Japan has long imported many of its food items from the U.S. including frozen potatoes, pork patties, fresh tomato, and cut lettuce. Hamburger chain sales declined in 2003 as a result of BSE concerns in Japan but are steadily returning to better than previous levels.

#### **ii. Pizza Restaurants**

The pizza industry has been a bright spot of growth in Japan over the past decade. Fuelled by the launch of Domino's Pizza in the late 1980's, pizza delivery chains have successfully carved out a niche in the food service market in Japan with their promise of rapid delivery. A partial list of some of the top pizza chains includes:

Chart 13: Major Pizza Chains

Name of Company	Number of outlets in 2010	% Increase from 2008
Pizza La (Four Seeds Corp.)	558	-13.2%
Pizza Hut (Kentucky Fried Chicken Japan)	366	4.3%
Strawberry Cones	224	38.3%
Dominos	175	-3.3%
Pizza California (PCS Inc.)	99	-11.6%
Shakey's (R&K Food Service)	22	15.8%

Source: Japan Food Service Association Directory 2011 & ATO research

Pizza restaurants offer a wide variety of choices, many tailored specifically to Japan. In addition to traditional toppings such as pepperoni and sausage, pizzas in Japan feature toppings such as shrimp, squid, scallop, prosciutto, corn, garlic, potatoes and pineapple. Pizza industry has driven a shift of shredded cheese supply from Oceania region to the U.S. due to better value of U.S. products. In addition to sourcing toppings from abroad, pizza chains also source tomato sauce either in chunked and/or pasted from abroad.

### iii. Fried Chicken Restaurants

KFC Japan dominates the fried chicken restaurant market with over 1,500 units nationwide. KFC Japan's has changed policy from promoting domestic Japanese chicken to diversify food products resource abroad a few years ago, the opportunities for U.S. exporters were increased as non-chicken menu items such as fried potatoes and corn kernels for salad have expanded.

## 6. Drinking Establishments

The drinking establishment sector had sales worth ¥4.7 trillion in 2010, equivalent to \$53 billion. This represented 19.7% of the total food service industry sales. The sector is comprised of four segments: pub dining (Izakaya)/beer pub, coffee/tea house, high end Japanese restaurants (Ryotei) and bar/nightclub food service.

Chart 14: Japan's Drinking Establishments Sector

Sector	2006	2007	2008	2009	2010		Change '09 to '10
Unit	¥ Bil.	¥ Bil.	¥ Bil.	¥ Bil.	¥ Bil.	\$ Bil.	%
Total	5,199	5,216	4,988	4,756	4,666	53.0	-1.89%
Pub Dining	1,097	1,101	1,061	1,012	995	11.3	-1.68%
Coffee/Tea Shop	1,057	1,057	1,036	1,005	1,011	11.5	0.60%
Ryotei	364	366	346	328	318	3.6	-3.05%
Night Club	2,682	2,692	2,546	2,412	2,343	26.6	-2.86%

Source: Food Service Industry Research Center

### i. Pub Dining

Pub dining restaurants (Izakaya) are Japan's unique drinking pubs where a variety of home-

style meals are served with various kinds of alcohol beverages including beer, sake, Shochu (Japanese white sprits), wine and cocktails. The market share of chain operations have increased more than individually-owned businesses since 2008. The industry has rationalized its procurement and distribution system due to competition within the sector. Most of chain restaurants use imported food products and beverages in moderation while using regional food products that are popular among consumers.

At pub dining restaurants, consumers order various cooked meals and side dishes together at the same table and share these dishes with colleagues, friends and family. Chain operations are popular because of their reasonable menu pricing and range in food items. Pub dining chain restaurants usually have central buying systems and are looking for new menu ideas. Pub dining operators also modify overseas recipes for their own style and taste. The industry uses fresh oyster, frozen vegetables, canned tomato sauce, canned olive oil, and further processed foods, such as frozen soups, and frozen seasoned pork and beef that are imported from the United States.

A list of major pub dining chains and Coffee/Tea Room Chains in Japan appears below:

Chart 15: Major Pub Dining Chains

Rank 2010	Company	Sales (\$ Mil.)	Outlet Name (Number of Outlets)	Location	Purchasing Agents
1	Monteroza	1,724.9	Sirokiya, Uotami, Wara-wara, (1,858)	Nation wide	Wholesalers
2	Daisho	802.0	Shoya (878)	Eastern Japan	Wholesalers
3	Watami Food Service	953.7	Watami (632)	Nation wide	Trade firms, wholesalers
4	Colowaide East Japan	714.4	Amata-ro, Hokkaido, Hiikiya (511)	Eastern Japan	Trade firms, wholesalers
5	Chimney	671.2	Hananomai/Sakanaya-dojo, Kodawariyama (563)	Eastern Japan	Trade firms, wholesalers
6	Dynac	441.6	Hibiki/Toridori, Sakura, Unoya (247)	Eastern Japan	Trade firms, wholesalers
7	Yoro-no-taki	407.1	Yoro-no-taki (762)	Nation wide	Trade firms, wholesalers, direct import
8	Sapporo Lion	331.0	Ginza Lion, Kakoiya, Agura, Ten (196)	Eastern Japan	Trade firms, wholesalers
9	Sanko Marketing Food	327.9	Toho Kenbunroku, Tsuki no Shizuku, Kin no Kura (161)	Eastern Japan	Trade firms, wholesalers
10	Marche	314.4	Suikoden/Hakkenden (642)	Nation wide	Trade firms, wholesalers

Source: Nikkei Marketing Journal June 2011

## ii. Coffee/Tea Shops

The coffee/tea shop sector is very popular throughout Japan. The sector is grouped into two subsectors, one is a new style self-service coffee/tea shops that are mainly located in major cities and another is conventional style full service coffee/tea rooms that tend to be regional. Total coffee/tea shop sales have shown a downward trend. However, the category of new style coffee shops has increased in sales and number of outlets from ¥239.5 billion and 3,090 outlets in 2005 to ¥403.9 billion and 4,270 outlets (estimates) in 2010. Most of these American style self-service coffee shops serve western style side dishes and finger foods, such as wrap sandwich, cookies, muffins and bagels that have been imported from the United States and other foreign countries.

Meanwhile, the traditional coffee/tea shops have decreased in both sales and number of outlets from ¥1,131 billion and 83,767 outlets in 2004 to ¥1,005 billion and 77,036 outlets in 2009. Most of them do not have a central buying system and buy food products including coffee beans from wholesalers and/or cash & carry stores.

A list of major new style coffee/tea shop chains in Japan in 2010 appears below:

Chart 16: Major Coffee/Tea Room Chains

Company Name	Sales (\$ mil.)	# Units	Location	Purchasing Agents
Starbucks Coffee Japan, Ltd.	1,210.4	912	Nation wide	Trade firms, Wholesalers,
Doutor Coffee Co., Ltd.	1,158.5	1,479	Nation wide	Wholesalers, Direct Import
Pronto	216.7	210	Western Japan	Trade firms, Wholesalers
Chatnoir (Veloce)	186.7	224	Eastern Japan	Trade firms, Wholesalers
Towa Foodservice (Ducky Duck, Tsubaki Café)	123.9	116	Eastern Japan	Trade firms, Wholesalers
Pokka Create Co., Ltd.	88.1	151	Eastern Japan	Trade firms, Wholesalers

Source: Nikkei Marketing Journal June 2011

## 7. Hotel Food Service Sector

The Hotel/Inn sector had food sales worth ¥2.75 trillion in 2010, equivalent to US\$34.2 billion. This represents 11.6% of the total food service industry sales.

Even though new hotel openings by upscale hotel groups such as Conrad, Peninsula, Grand Hyatt and Ritz-Carlton boosted industry sales in 2007, the hotel food business has shown a downward trend in last decade. Most recent statistics in December 2011 showed slight sales recovery of the hotel food business in banquet and reception business from the previous year.

First class hotels have a large variety of on-site restaurants to choose from including Western, Chinese and Japanese restaurants. Hotels are major users of almost all kinds

of foods, particularly imported products. Because they have a large professional chef staff, hotels tend to create many dishes from scratch rather than relying on prepared or further processed foods.

Decision making on what kinds of items to put on the menu is usually made by the executive chefs of each hotel. Because they cater to international travelers, many major hotels regularly feature promotions of different country's cuisines. For the same reason, they are historically more receptive to imported food. A list of major hotel chains in Japan in 2010 appears below:

Chart 17: Major Hotel Chains

Company (Name of Hotel)	Sales \$ million
Seibu HD (Prince Hotels)	3,210.7
Resorttrust Inc. (EXIV)	1,291.8
Tokyu Railways (Tokyu Hotels)	1,076.1
New Otani Group	776.8
Fujita Kanko	763.1
Keio Railways	758.1
Hankyu-Hanshin HD	751.9
Imperial Hotel Group	624.7
Royal Hotels	612.2
Mitsui Hotel Group (Urban)	604.7

Source: Weekly magazine "Hotel Restaurant"

Japan also has many small *Ryokan* or Traditional Japanese style inns, which primarily serve holiday travelers. The menu tends to be limited and features traditional Japanese dishes. *Ryokans* are a less inviting target for U.S. exporters due to their focus on traditional Japanese foods.

#### 8. Institutional Food Service

The institutional food service sector had sales worth ¥3.29 trillion in 2010, equivalent to \$40.1 billion. This represented 13.9% of the total food service industry sales. Institutional food sales slightly increased in 2010 from the previous year. The institutional food service sector is one of the very few sectors that showed upward trend in 2010.

The institutional food service sector is comprised of four segments: business/office cafeterias, school lunch programs, hospitals, and welfare facilities. This might be one segment to see growth as Japan's aging demographic intensifies. Many food service companies are gearing up to service what is called the "silver" market.



A new trend is food to promote health. Tanita is a manufacturer of bathroom scales that can measure stored body fat. The company runs a famous employee cafeteria which has reduced most of the employees' weight. Tanita has published a series of well known recipe books that featured restricted total calorie and tasty menus which have become very popular among consumers. In response to the readers who want to taste those menus at the cafeteria, Tanita opened

a restaurant, Tanita Shokudo, in the center of Tokyo in January 2012. The restaurant has an image of an employee cafeteria and is serving same menus that the company cooks for their employees.

Sales by segment in 2010 were as follows:

Chart 18: Institutional Food Service Sales by Sub-Sectors

Institutional Segments	2010 Sales		
	¥ billion	\$ billion	Share
Business/Office Cafeterias	1,709	19.4	7.2%
School Lunch	496	5.6	2.1%
Hospitals	807	9.2	3.4%
Welfare Facilities	276	3.1	1.2%
Total:	3,288	37.3	13.9%

Source: Food Service Industry Research Center

Chart 19: Ranking Institutional Food Service Chains

Rank 2010	Company Name	Sales (\$ mil.)	# Units	Location	Principal Purchasing Agents
1	Nissin Healthcare Food Service Co.,	1,963	4,450	Tokyo	Wholesalers
2	AIM Service	1,100	1,223	Tokyo	Wholesalers
3	Green House	944	1,615	Tokyo	Wholesalers
4	Seiyo Food-Compass Group, Inc.	867	1750	Tokyo	Wholesalers
5	Fuji-Sangyo Co., Ltd.	734	1909	Tokyo	Wholesalers
6	Uokuni Sohonsa	671	2,490	Osaka	Wholesalers
7	Leoc Co., Ltd.	605	1,859	Tokyo	Wholesalers
8	MEFOSU Inc.	522	2,192	Tokyo	Wholesalers
9	Nikkoku Trust Ltd.	315	964	Tokyo	Wholesalers
10	Nikkyo Create, Ltd.	297	714	Tokyo	Wholesalers

Source: Nikkei Marketing Journal June 2011

Chart 20: Top 50 Restaurant Company Profile

Rank 2010	Company	Sales (\$ Mil.)	Outlet Name, Type, # of Outlets	Location	Purchasing Agents
1	McDonald's Japan	6,160.9	McDonald's, quick service-hamburger (QSR), 3,302	Nation wide	Trade firms, wholesalers
2	Skylark	2,759.3	Skylark/Gusto/Yumean/Barmiyan, Family Style Rest. (FSR), 2,282	Nation wide	Trade firms, wholesalers, Direct import
3	Zensho	2,347.2	Sukiya/Coco's, QSR, 1,562	Nation wide	Trade firms, wholesalers, Direct import
4	Nisshin Health Food Service	1,963.0	Office/hospital meals, Institutional, 4,450	Nation wide	Trade firms, wholesalers
5	Plenus	1,776.7	Hotto Motto, takeout meals, 2,660	Western Japan	Trade firms, wholesalers
6	Kentucky Fried Chicken Japan	1,595.7	KFC/Pizza hut, QSR -delivery meals, 1513	Nation wide	Trade firms, wholesalers
7	Monterozza	1,570.4	Sirokiya/Uotami/Wara-wara, pub dinning, 1,858	Nation wide	Trade firms, wholesalers
8	Duskin	1,361.0	Mr. Donuts, QSR, 1,245	Nation wide	Trade firms, wholesalers
9	Reins International	1,194.1	Gyukaku, casual BBQ house, 1,229	Nation wide	Trade firms, wholesalers, Direct import
10	Moss Food Service	1,142.4	Moss Burger, QSR, 1,391	Nation wide	Trade firms, wholesalers
11	Honke Kamadoya	1,118.1	Kamadoya, take out meals, 2,010	Nation wide	Trade firms, wholesalers
12	AIM Service	1,099.7	Institutional, 1,223	Eastern Japan	Trade firms, wholesalers
13	Saizeliya	1,092.4	Saizeliya, Italian FSR, 870	Nation wide	Direct import, Trade firms
14	Yoshino-ya	1,079.0	Yoshinoya, QSR, 1,174	Nation wide	Direct import, Trade firms
15	Doutor Coffee	1,054.7	Doutor, coffee shop, 1,441	Nation wide	Trade firms, wholesalers, Direct import
16	Kappa Create	998.6	Kappa Zushi, QSR -Sushi, 379	Eastern Japan	Trade firms, wholesalers
17	Osho Food Service	996.7	Gyoza no Osho, Ramen shops, 585	Nation wide	Trade firms, wholesalers
18	Green House Ltd.	944.5	Institutional meal servce, 1615	Nation wide	Trade firms, wholesalers
19	Akindo Sushiro	929.9	Akindo Sushi-ro, QSR -Sushi, 288	Western Japan	Trade firms, wholesalers,
20	Seven & i Food	903.7	Denny's/Poppoya, FSR/QSR, 846	Nation	Wholesalers,

	Systems			wide	Manufacturers
21	Daisho	889.1	Shoya, pub dinning, 878	Eastern Japan	Wholesalers
22	Watami Food Service	878.1	Watami, pub dining, 632	Nation wide	Wholesalers, Manufacturers
23	Seiyo Food Compass	866.6	Han/CASA, pub dinninn, FSR/Institutional, 1,750	Nation wide	Trade firms, wholesalers, Direct import
24	Kura Corporation	803.5	Kura-zushi, QSR, 260	Western Japan	Trade firms, wholesalers
25	Matsuya Foods	787.4	Matsu-ya, QSR-beef bowl, 833	Nation wide	Trade firms, wholesalers, Direct import
26	Ichiban-ya	771.3	Ichiban-ya, fast food-curry shop, 1,185	Nation wide	Trade firms, wholesalers
27	Fuji Sangyo	734.0	Institutional, 1909	Eastern Japan	Wholesalers
28	Joyful	723.8	Joyful, FSR, 707	Western Japan	Wholesalers
29	Coco's Japan	720.4	Coco;s, FSR, 561	Eastern Japan	Trade firms, wholesalers
30	Uokuni Sohonsha	670.9	Office cafeteria-Institutional, 2,490	Western Japan	Wholesalers
31	Four Seeds	660.0	Pizza La, pizza delivery, 886	Nation wide	Trade firms, wholesalers, Direct import
32	Colowaide East Japan	658.9	Amata-ro, WPJ, pub dinings, 511	Eastern Japan	Trade firms, wholesalers
33	Aleph	630.9	Bikkuri Donkey, FSR, 312	Eastern Japan	Trade firms, wholesalers
34	Chimney	611.0	Hananomai/Sakanayadojo, pub dinings, 563	Eastern Japan	Trade firms, wholesalers
35	Nippon Restaurant Enterpirse	607.7	American Diner B&G /Ajisai-tei, QSR, Bento box sales, 422	Eastern Japan	Trade firms, wholesalers, Direct import
36	Leoc Co., Ltd.	605.0	Hospial & company meals, Institutional, 1859	Nation wide	Trade firms, wholesalers
37	Toridoll Coporation	568.7	Marukame Seimen, QSR, 519	Nation wide	Trade firms, wholesalers
38	Mefos	521.5	Institutional, 2192	Eastern Japan	Trade firms, wholesalers
39	Rock Field	519.7	RF1, takeout meals, 302	Central Japan	Trade firms, wholesalers
40	Origin Toshu	512.3	Origin Bento, take out meals, 571	Eastern Japan	Trade firms, wholesalers
41	Kisoji	504.1	Kisoji, Japanese style	Nation	Trade firms,

			restaruant, 170	wide	wholesalers
42	Fujio Food Systems	502.0	Maido Okini, Casual Japananese style rst, 666	Western Japan	Wholesalers
43	Jonathan's & Co.,	495.4	Johnathan's, FSR, 349	Nation wide	Trade firms, wholesalers
44	Atom Corporation	459.3	Steak Miya, FSR, 390	Eastern Japan	Trade firms, wholesalers
45	B-R 31 Ice Cream Co., Ltd.	457.3	31 Ice Cream, QSR, 1,037	Nation wide	Trade firms, wholesalers
46	Create Restaurants	416.0	Portfee/Hinazushi, various, 372	Eastern Japan	Trade firms, wholesalers
47	Koraku-en	402.1	Korakuen, FSR noodle shops, 428	Eastern Japan	Trade firms, wholesalers, Direct import
48	Dynac	395.2	Hibiki/Toridori, pub dinings/restaurants, 247	Eastern Japan	Trade firms, wholesalers
49	Yoro-no-taki	370.6	Yoro-no-taki, pub dining, 762	Nation wide	Trade firms, wholesalers, Direct import
50	Lotteria	361.0	Lotteria, QSR, 465	Eastern Japan	Trade firms, wholesalers

Source: Nikkei Marketing Journal June 2011

### III. BEST PRODUCTS PROSPECTS

See GAIN report JA1711 (or [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide\\_Osaka%20ATO\\_Japan\\_12-20-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Osaka%20ATO_Japan_12-20-2011.pdf)) which presents a list considered to be the best high-value import prospects for the market.

### IV. POST CONTACT AND FURTHER INFORMATION

In Japan, the Foreign Agricultural Service has two Agricultural Trade Offices located in Japan.

#### ***A. Post Contacts***

##### ***In Tokyo:***

ATO Tokyo  
1-10-5 Akasaka  
Minato-ku, Tokyo 107-8420

email: ATOTokvo@fas.usda.gov  
Tel: 81 (3\*) 3224-5115  
Fax: 81 (3\*) 3582-6429

***In Osaka-Kobe:***

ATO Osaka  
American Consulate General  
11-5, Nishitenma 2-chome  
Kita-ku, Osaka 530-8543  
email: ATOOsaka@fas.usda.gov  
Tel: 81 (6\*) 6315-5904  
Fax: 81 (6\*) 6315-5906

*\*Please add a zero before this number if dialing from within Japan.*

The following homepages and reports can provide useful information to interested exporters.

***B. Agricultural Trade Office's homepages***

<http://www.usdajapan.org/> (FAS Japan, English)  
<http://www.us-ato.jp/> (ATO Japan, B2B web site, English & Japanese)  
<http://www.myfood.jp/> (ATO Tokyo, Japanese)

***C. Exporters Guides***

*Reports from Japan's ATOs, in addition to those from the Agricultural Affairs Office in Japan, can be found using the links provided or by searching from the FAS Japan Reports website at:*  
<http://www.fas.usda.gov/scripts/attacherep/default.asp>

\*Please visit the Foreign Agricultural Service's website at <http://www.fas.usda.gov/> and then continue on to the above Reports Website for the available updated versions of the following reports:

***Japan Exporters Guide***

This is comprehensive document from the ATOs in Japan containing information useful to exporters and U.S. suppliers, considering the Japan market for the first time.

GAIN Report JA1711:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide\\_Osaka%20ATO\\_Japan\\_12-20-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Osaka%20ATO_Japan_12-20-2011.pdf)

***Food Processing Sector Study***

A detailed look at Japan's food processing sector by ATO Osaka, identifying key trends and leading Japanese manufacturers.

GAIN Report JA1525:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients\\_Tokyo%20ATO\\_Japan\\_12-21-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients_Tokyo%20ATO_Japan_12-21-2011.pdf)

#### *Retail Food Sector Report*

This is a comprehensive report by the ATOs in Japan on the Japanese retail food market detailing the structure, size and areas of growth of this sector, its key industry players and prospects for various U.S. products.

GAIN Report JA1524:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods\\_Tokyo%20ATO\\_Japan\\_12-21-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Tokyo%20ATO_Japan_12-21-2011.pdf)

#### *Japan Wine Market Annual Report from ATO Tokyo*

GAIN Report dated 2/23/2011:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Wine%20Market%20Report\\_Tokyo\\_Japan\\_2-23-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Wine%20Market%20Report_Tokyo_Japan_2-23-2011.pdf)

#### *Fresh Tomato for Food Service Industry 2011*

GAIN Report JA1507

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Tomato%20for%20Food%20Service%20Industry%202011\\_Tokyo%20ATO\\_Japan\\_6-29-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Tomato%20for%20Food%20Service%20Industry%202011_Tokyo%20ATO_Japan_6-29-2011.pdf)

## ***D. Regulations & Standards***

#### *Food and Agricultural Import Regulations and Standards (FAIRS) Report*

The FAIRS report is a comprehensive guide produced by the Agricultural Affairs Office (AAO) of the U.S. Embassy on Japan's food and beverage regulations, standards and requirements for importation.

GAIN Report JA1035:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Tokyo\\_Japan\\_12-17-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Tokyo_Japan_12-17-2010.pdf)

#### *Procedures for Importing Foods and Related Products into Japan under the Food Sanitation Law*

JETRO report summarizing specific technical import procedures for food products.

<http://www.jetro.go.jp/en/reports/>

Ministry of Agriculture, Forestry and Fisheries report summarizing specific technical import procedures for food products.

<http://www.maff.go.jp/e/index.html>

Ministry of Health, Labor and Welfare report summarizing specific technical import procedures for food products.

<http://www.mhlw.go.jp/english/policy/health-medical/food/index.html>

*Red Meat Export Requirements for Japan*

USDA Food Safety and Inspection Service (FSIS) summary of red meat export requirements for Japan.

[http://www.fsis.usda.gov/Regulations & Policies/Japan Requirements/index.asp](http://www.fsis.usda.gov/Regulations%20&%20Policies/Japan_Requirements/index.asp)

*The National Organic Program - Export Arrangement with Japan*

USDA / Agricultural Marketing Service useful information on National Organic Program and Export arrangement with Japan. Product & Market Briefs

<http://www.ams.usda.gov/nop/NOP/TradeIssues/Japan.html>

## **E. Market Trends**

*Market Development Reports from ATO Tokyo*

Periodic press articles, Japan Food Trends (JFT), communicate Japanese food and lifestyle trends that may help U.S. exporters to generate product and marketing ideas.

Use key words “Japan Food Trends” on;

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

<sup>[1]</sup> For what is normally referred to in most resource publications used for creating this report as “Prepared Meals Sold at Retail Stores,” is locally known as ‘*nakashoku*’. From this point it will also be referred to as “Delicatessen Foods and/or Bento (lunch box products).”