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Food Service - Hotel Restaurant Institutional

Japan HRI Food Service Sector Report 2015

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Report Highlights:

The hotel, restaurant and institutional (HRI) food service industry performed favorably in 2014 and 2015, finally recovering from the prolonged negative impacts of the March 2011 earthquake. Despite the 2014 consumption tax increase setting the broader economy back a step, increased per capita and corporate dining expenditures and steady tourism growth, helped to keep HRI sales growth buoyant in 2014 and 2015. U.S. suppliers remain well positioned to compete in many product categories in the intensely competitive and continually evolving Japanese HRI market.

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Executive Summary:

The hotel, restaurant and institutional (HRI) food service industry performed favorably in 2014 and 2015, finally recovering from the prolonged negative impacts of the March 2011 earthquake. Despite the 2014 consumption tax increase setting the broader economy back a step, increased per capita and corporate dining expenditures and steady tourism growth, helped to keep HRI sales growth buoyant in 2014 and 2015. U.S. suppliers remain well positioned to compete in many product categories in the intensely competitive and continually evolving Japanese HRI market.

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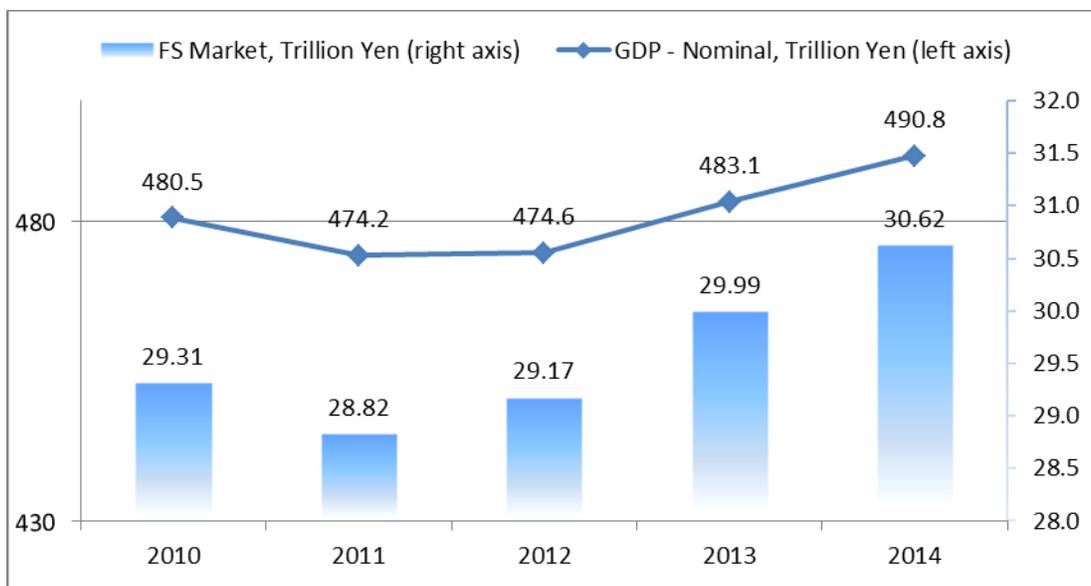
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I. MARKET SUMMARY

A. Market Volume and Trend

The hotel, restaurant and institutional food service (HRI) sector was valued at ¥30.62 trillion (\$286.6 billion) in 2014, up 2.1 percent, from ¥29.99 trillion (\$280.7 billion) in 2013. HRI sales volumes showed a strong recovery due to increased personal and business spending on dining-out, as well as a significant increase in the volume of inbound tourists arriving in Japan. Japan's food service industry is closely tied to Japan's Gross Domestic Product (GDP) and has directly tracked general economic conditions, as evident in Chart 1 below.

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



Source: Food Service Industry Research Institute (Estimate of Foodservice Market in Japan, 2012 through 2016, URL: <http://anan-zaidan.or.jp/data/2015-1-1.pdf>), Japan Statistic Bureau

Note: In Sections I and II, the statistics used are primarily expressed in yen, since year-to-year fluctuations in the exchange rate have been pronounced since 2012, distorting the trends in dollar terms.

Chart 2: Annual Average Exchange Rates

Year Average	2010	2011	2012	2013	2014
JP¥ per US\$	88.09	79.97	80.82	98.65	106.85

Source: Trade Statistic of Japan (-2011), Mitsubishi UFJ Research & Consulting TTS Yearly Average (2012-14)

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

Japan FS Market Total	2010	2011	2012	2013	2014
In Trillion Yen (¥)	29.31	28.82	29.17	29.99	30.62
In US\$ Billion (\$)	332.73	360.39	361.1	304.0	286.6

Source: Food Service Industry Research Institute, Trade Statistic of Japan (-2011), Mitsubishi UFJ Research & Consulting TTS Yearly Average (2012-2014)

There have been several major factors driving HRI performance over the last five years:

1. In 2010, the economic recovery and the corresponding increase in spending for both businesses and consumers.
1. The March 2011 earthquake and tsunami deeply impacted the entire economy in Japan and HRI sales dropped dramatically. For several months, Japanese consumers and business refrained from any action or event that could be perceived as celebratory.
1. Industry sales have recovered slowly since June 2011, but two deadly food poisoning incidents

slowed down sales and scared consumers away from dining out temporarily in late 2011.

1. From 2012 through 2013, industry sources reported that sales were recovering along with an economic upturn, especially in the less expensive Quick Service Restaurant (QSR) sector and the high-end value restaurant sector. Major chain restaurants continue to focus attention on new-style restaurant developments and human resource cultivation.
1. In 2014, the Japanese economy showed some growth as exports recovered (supported by a favorable exchange rate) and business profitability improved (partly on falling energy costs). On the other hand, the April 1, 2014 consumption tax increase, from 5 percent to 8 percent, took a considerable toll on household spending at the same time as average HRI menu prices were increasing in response to higher food, utility and labor costs.
1. The recent surge in overseas visitors to Japan (from 10.3 million in 2013 to 13.4 million in 2014 to nearly 20 million in 2015) has supported growth of both the Japanese economy and HRI sector.

Dining out is an important part of the Japanese culture. Sophisticated Japanese consumer demand high quality ingredients in their meals. The prospects of Japan's implementation of the Trans-Pacific Partnership Agreement will only improve the competitiveness of imported foods in the HRI sector. These several factors favor 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 has re-organized in the last 2 decades as many traditional mom and pop restaurants have gone out of business and have been replaced by new chain-style restaurants. According to the preliminary census report for 2013, from 1991 to 2013, the total number of outlets decreased from 846 thousand to 711 thousand, down 15.8 percent, but sales increased from 29.84 trillion to 29.88 trillion, up 0.1 percent, indicating a streamlining in the industry. The reasons for this streamlining include the recent consumption tax increase, which triggered food price increases in the general economy, and increasing costs of imported ingredients associated with the weakening yen. In addition, the deflationary mindset of consumers has maintained a continuous pressure to reduce menu prices.

According to an industry report, while adverse weather in March and June 2014 impacted sales volumes, the HRI sector registered a continuous recovery even after the consumption tax increase in 2014. Starting in August 2015, the sector saw sales volumes climb (including an increase in average menu price per customer, up 4.2 percent) due to increasing consumer spending on dining out. Upscale restaurants in particular saw a large sales upturn.

The abrupt decline in QSR sales volume from October 2014 through June 2015 were largely driven by a series of food safety scandals beginning in July 2014 involving one of the largest QSR chains in Japan.

Chart 4: Sales of 184 major restaurants (with 33,479 outlets), Monthly Change Compared to the Same Month of the Previous Year

Month	Total	QSR*	FSR*	Pub Dining	DR*	Coffee & Tea Shop	Other*
Oct 2014	-1.2%	-4.1%	2.9%	-2.2%	0.4%	0.4%	7.2%
Nov 2014	1.9%	0.5%	5.9%	-7.3%	4.7%	0.6%	9.7%
Dec 2014	-2.8%	-5.5%	1.2%	-7.0%	1.7%	1.7%	6.6%
Jan 2015	-5.0%	-11.3%	3.0%	-7.6%	2.2%	2.4%	8.5%
Feb 2015	0.9%	-5.7%	8.9%	0.3%	10.1%	5.7%	17.7%
Mar 2015	-4.6%	-10.0%	2.0%	-6.7%	2.0%	3.7%	-8.0%
Apr 2015	-2.7%	-7.3%	3.2%	-6.3%	4.6%	1.8%	6.4%
May 2015	0.8%	-3.0%	6.6%	-7.3%	8.3%	2.5%	6.2%
Jun 2015	-2.3%	-5.9%	1.3%	-5.1%	5.8%	0.2%	6.6%
Jul 2015	1.9%	0.1%	4.7%	-3.3%	8.2%	2.7%	4.4%
Aug 2015	3.2%	4.1%	3.6%	-7.5%	4.9%	2.1%	9.9%
Sep 2015	1.6%	0.3%	4.0%	-5.7%	8.2%	0.8%	7.0%
Oct 2015	5.0%	3.8%	7.0%	-1.1%	11.8%	4.2%	11.4%

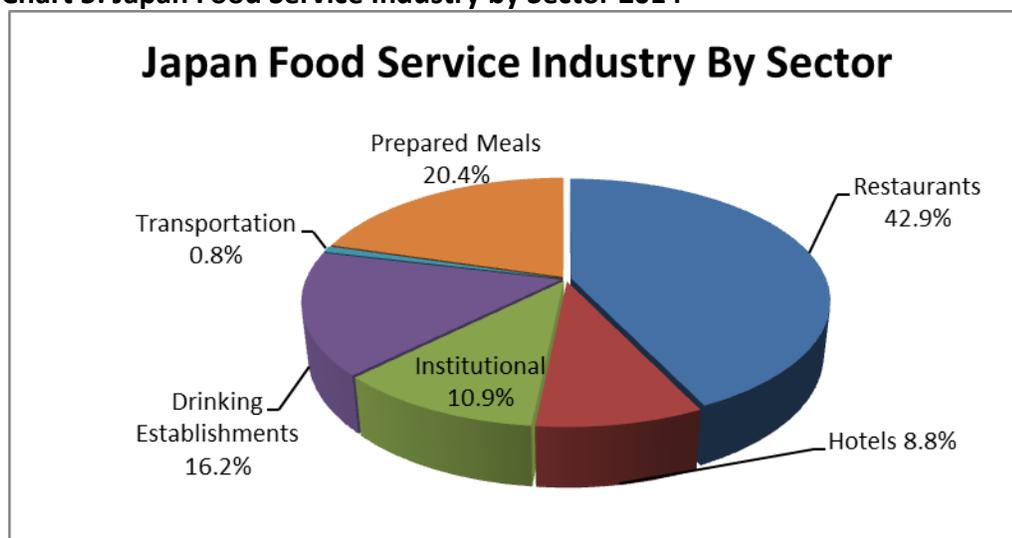
* QSR= Quick Service Restaurant, FSR = Family Style Restaurant, DR = Dinner Restaurant

* Other: including Institutional, School Meal, Deliver Pizza and other

Source: Foodservice Industry Research Institute

B. Sectors

Chart 5: Japan Food Service Industry by Sector 2014



Source: Foodservice Industry Research Institute

The Japanese food service industry, broadly defined, has six major segments. In 2014, the largest of the five traditional segments was Restaurants (valued at \$122.8 billion), followed by Drinking Establishments (valued at \$46.5 billion), Institutional Food Service (valued at \$31.3 billion), Hotels (valued at \$25.1 billion), and Transportation related Food Service (valued at \$2.4 billion).

From 2013 to 2014, the overall sales volume of the restaurant and drinking establishment sectors

increased by 1.6 percent respectively. These statistics reflect strong sales in business among fine dining restaurants. Sales in the institutional sector rebounded in 2014 rising 1.2 percent. Sales volumes in the hotel sector, both western and Japanese style establishments, increased by 1.0 percent. The sales volume of restaurants in the transportation sector showed an increase of 0.8 percent in 2014.

A sixth category that has been growing in Japan is “Prepared Meals Sold at Retail Stores,” such as lunch box (Obento) shops, convenience stores, supermarkets and department stores. These foods are ready-to eat, home meal replacement (HMR) type products and are considered by the Japan Food Service Association to fall within the Food Service Sector. The value of the “Prepared Meals Sold at Retail Stores” sector in 2014 was \$58.5 billion, accounting for 20.4 percent of the total in 2014.

The growth in HMR continues to be driven by two key demographics: 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 shop for groceries. As a result, many get their daily meals from local convenience stores, such as 7-11, Lawson, or Family Mart. Likewise, young professionals who live alone or with roommates often don’t cook and almost exclusively eat outside the home. This may explain why, according to the OECD, such a low proportion of Japanese people (46 percent) participate in cooking and cleaning up afterwards in the home, the second lowest in the OECD and far below the OECD average of 64 percent. However, those Japanese who cook do a considerable amount of it, cooking for an average of 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.

Every segment showed an increase in sales in 2014. This is largely attributed to two factors: first, an increase of per capita dining out expenditures due to favorable corporate earnings; second, the remarkable number of international travelers visiting Japan.

Chart 6: Japan HRI Market by Sector by Year

Sector\Year	2010	2011	2012	2013	2014		Change '13 to '14	Share	
	Unit	¥ Tri.	¥ Tri.	¥ Tri.	¥ Tri.	\$ Bil.			%
Restaurants		12.50	12.20	12.47	12.91	13.12	122.80	1.6%	42.9
Hotels		2.70	2.60	2.55	2.66	2.69	25.14	1.0%	8.8
Institutional		3.28	3.28	3.31	3.30	3.34	31.25	1.2%	10.9
Drinking Establishments		4.73	4.71	4.65	4.89	4.97	46.52	1.6%	16.2
Transportation		0.25	0.23	0.24	0.25	0.25	2.36	0.9%	0.8
Prepared Meals		5.69	5.78	5.95	5.98	6.25	58.46	4.5%	20.4
Total		29.15	28.80	29.17	29.99	30.62	286.53	2.1%	100.0

Source: Foodservice Industry Research Institute

The key factors affecting the food service industry can be summarized as follows:

- A number of economic trends such as a weaker yen, positive economic growth and investments in preparation for the 2020 Tokyo Olympics have supported increased discretionary spending

on both business meals and consumer dining.

- Streamlining within the food service industry as chain restaurants, hotels and food suppliers pursue mergers and acquisitions to reduce operating costs and develop human resources in order to offer better and new types of services.
- Redevelopment projects in the Tokyo metropolitan area have favored the expansion of established restaurant chains. 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 menu items
- An increasing number of new outlets by both restaurant chains and up-scale hotels.
- A trend within the media to recognize and showcase individual restaurants. TV programs are targeting specific restaurants and highlighting restaurants that offer tasty food at a good value, including everything from five star restaurants to casual style restaurants, in both metropolitan areas and rural regions. At the same time, TV programs are also promoting home-grown agricultural products as desirable, luxury items.
- The robust expansion of tourists from European and neighboring Asian countries, driven by the weaker yen and the recent relaxation of visa requirements for travelers from Southeast Asian countries.
- The increased costs of labor, utilities, and imported food items, as a result of the consumption tax increase and the weaker yen, have forced HRI establishments to increase menu prices to maintain profitability.

The Japanese food service sector has traditionally been very receptive to the use of imported food products. This is largely due to:

- Imported food products are often less expensive than their domestic counterparts.
- The food service industry is exempt from food labeling requirements that affect the retail industry.
- The food service sector often incorporates new food concepts from abroad in order to stand out, which makes it more receptive to importing items to use in new menu offerings.

C. Value of Total Imported Food vs. Domestic Products

According to Japan's Ministry of Agriculture, Fishery and Forest (MAFF) statistics, domestically produced agricultural and marine products accounted for a total of ¥9.9 trillion (\$92.7 billion), which is equivalent to 39 percent in calorie terms and 64 percent in value terms of all food consumed in Japan

in 2014. In 2014, Japan imported about ¥7.98 trillion (\$74.7 billion) in agricultural and marine products.

In 2014, Japanese vegetable and fruit imports totaled a record 366 billion yen, up 6.4 percent from the previous year. A representative from the major beef bowl chain operator Yoshinoya Holdings said, “about 90 percent of onions used in our beef bowls are produced in China and other overseas countries. Almost all of the beef in our beef bowls is produced in the United States. As we open more stores, imports have become indispensable to securing a stable supply of ingredients.”

Related to fresh produce imports, Japanese imports of nuts were valued at ¥66.2 billion (\$619 million) in 2014, a 26.4 percent jump from the previous year. Almonds, walnuts, hazelnuts, pistachios and pecans all showed remarkable increases over previous year levels. Along with the increase of wine and craft beer imports to Japan, tree nuts and dry fruits expanded their presence in the everyday lifestyle of Japanese consumers; the United States is the largest supplier of tree nuts to Japan.

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 total food service menu items involve imported food ingredients in one form or another. Imported items such as beef, pork, shrimp, salmon, wine, cheese, frozen vegetables, frozen potatoes and the like tend to dominate the food service sector.

According to Global Trade Atlas, Japan imported a total of \$71.1 billion agricultural and food products in 2014, 3.9 percent less than the previous year. The total share of food and agricultural imports from the United States by value was up from 20.8 percent to 22.9 percent in 2014. Other countries that saw an expanding market share in Japan included Chile, France and South Korea. On the other hand, China, Canada, Thailand, Australia, Brazil and Netherlands all lost ground (overall) over the same period. In particular, the value of seafood, wine, seaweed, fresh fruits, fruits and dairy products imported from Chile increased significantly in 2014; the Japan - Chile Economic Partnership Agreement entered into force in 2007 and Chile is a member of the TPP.

(See Chart 7)

Chart 7: Japan Food and Agricultural Imports by Country

Partner Country	United States Dollars			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	81,159	74,029	71,127	100.00	100.00	100.00	- 3.92
United States	18,003	15,398	16,261	22.18	20.80	22.86	5.61
China	10,861	9,760	9,584	13.38	13.18	13.47	- 1.81
Canada	5,099	4,589	4,168	6.28	6.20	5.86	- 9.18
Thailand	4,780	4,194	4,023	5.89	5.67	5.66	- 4.07
Australia	4,853	4,388	3,995	5.98	5.93	5.62	- 8.95
Brazil	3,569	4,199	3,051	4.40	5.67	4.29	- 27.33
Korea South	2,319	2,038	2,039	2.86	2.75	2.87	0.06
Netherlands	2,724	2,528	1,982	3.36	3.41	2.79	- 21.59
Chile	2,203	1,832	1,938	2.71	2.47	2.72	5.78
France	1,878	1,805	1,835	2.31	2.44	2.58	1.67

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

In 2014, total U.S. agricultural exports to Japan recovered by both volume and market share, driven by increases in major agricultural products such as feed grains, meat products, seafood, nuts/dry fruits and dairy products.

Chart 8: Japan Agricultural Imports from the United States by Product

Description	U.S. Million Dollars			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
Total in Value	18,003.2	15,398.1	16,261.4	100	100	100	5.61
Cereals	5,323.2	3,830.5	4,677.2	29.57	24.88	28.76	22.1
Meat And Edible Meat Offal	3,224.3	2,974.1	3,115.5	17.91	19.31	19.16	4.75
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	1,961.1	1,874.9	1,833.8	10.89	12.18	11.28	-2.19
Fish, Crustaceans & Aquatic Invertebrates	1,430.8	1,131.3	1,211.1	7.95	7.35	7.45	7.05
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	1,004.0	963.5	976.9	5.58	6.26	6.01	1.38
Food Industry Residues & Waste; Prep Animal Feed	815.6	760.3	718.5	4.53	4.94	4.42	-5.49
Prep Vegetables, Fruit, Nuts Or Other Plant Parts	730.0	671.0	635.1	4.05	4.36	3.91	-5.35
Tobacco And Manufactured Tobacco Substitutes	976.9	680.3	610.7	5.43	4.42	3.76	-10.22
Edible Preparations Of Meat, Fish, Crustaceans Etc	546.0	552.4	559.8	3.03	3.59	3.44	1.32
Beverages, Spirits And Vinegar	459.0	454.8	423.7	2.55	2.95	2.61	-6.85
Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	254.7	259.6	363.2	1.41	1.69	2.23	39.9

Commodity: Food & Agricultural products - All (HS 02 through 24, except HS 13 & 14)

Source: Global Trade Atlas

In spite of a weaker yen, U.S. cheese exports increased from 30,300 metric tons (MT) in 2013 to 51,000 MT in 2014, up 68.2 percent. In 2013, total natural cheese exports from the U.S. to Japan were 26,656 MT, an increase of almost doubling of 91.3 %, in quantity over last two years. Japanese food service companies have shifted sourcing of shredded cheese from Oceania countries to U.S. suppliers due to price competitiveness and supply reliability.

D. Advantages and Challenges

The HRI industry is increasingly offering international cuisine at various price points, creating a growing demand for imported agricultural products. 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.

U.S. beef continues to benefit from the 2013 regulatory changes that expanded access for all U.S. beef and beef products from cattle less than 30 months of age. U.S. Beef exports to Japan increased 2.3 percent to 221,739 MT in 2014. While the expanded access since 2013 has helped the United States reclaim market share, competition with Australian beef (the leading supplier to Japan since 2004) has only increased following the implementation of the Japan Australia Economic Partnership Agreement in January 2015. Australia currently maintains a 10 percentage point tariff rate advantage on U.S. frozen beef and a 7 percentage point advantage on fresh/chilled beef; U.S. and Australian beef would both be subject to the same tariff rates upon implementation of the TransPacific Partnership (TPP) agreement.

On November 30, 2015, the Nikkei Marketing Journal (Nikkei MJ), an industry publication, reported that U.S. beef was ranked as the fifth best among 35 beef brands surveyed. The survey included 33 domestic brands plus U.S. and Australian beef. Matsuzaka beef, produced in Mie prefecture, was ranked first, followed by Kobe beef, Miyazaki beef (Miyazaki Prefecture) and Yonezawa beef (Yamagata Prefecture). The study ranked U.S. beef as number five, scoring higher than many famous domestic beef brands such as Omi (Shiga), Maezawa (Iwate), and Saga (Saga). U.S. beef also ranked ahead of non-branded domestic Japanese beef; Australian beef ranked tenth.

The research also asked about buyers' criteria for making decisions on their beef procurement. The highest priority (78 percent) was given to quality (freshness and exterior). The second was taste (68 percent), the third was supply availability (62 percent), the fourth was high level of safety (55 percent) and the fifth was marbling (42 percent). All of those factors were shown to be more important than low price, which came in at 36 percent. A majority of the Japanese buyers were also interested in increasing sales of lean meat, which may suggest a marketing advantage for U.S. suppliers over traditional Japanese domestic beef. For more information, see [GAIN JA 5013](#).

Expansion of U.S. beef exports to Japan has encouraged an increasing number of American menu promotions at all kinds of restaurants in Japan. As a result of U.S. Meat Export Federation and FAS Japan marketing efforts, a greater number of major hotels and family style restaurants are currently serving U.S. beef. Menu fairs focusing on beef has had positive spillover effects increasing utilization of many other U.S. food products, including seafood, fruits, vegetables, nuts, sauces, beer, and wine.

Chart 9: Japan Beef Import by Country

Calendar Year: 2012 - 2014							
Partner Country	Quantity Metric Tons			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	567,059	599,922	587,297	100.00	100.00	100.00	- 2.10
Australia	341,823	310,017	305,675	60.28	51.68	52.05	- 1.40
United States	148,279	216,850	221,739	26.15	36.15	37.76	2.25
New Zealand	35,652	33,585	28,825	6.29	5.60	4.91	- 14.17
Canada	13,137	15,161	16,411	2.32	2.53	2.79	8.25
Mexico	23,117	21,581	12,031	4.08	3.60	2.05	- 44.25
China	1,983	1,148	1,066	0.35	0.19	0.18	- 7.10

Source: Global Trade Atlas (HS Code 020110 through 020230, 020610 through 020629, 021020 and 160250)

At the same time, Japan has been growing its agricultural exports as the Government of Japan attempts to double its agricultural exports by 2020 in an effort to revitalize the sector. Japan’s total agricultural products and food export from January 2015 through November 2015 increased ¥669 billion, equivalent to \$6.3 billion, a 22 percent jump in value, surpassing the previous record high annual total of ¥612 billion set in 2014. As Japan expands its exports, greater levels of trade could create more space for Japan to import more agricultural products from foreign countries.

Likewise, food service operators have been dealing with higher domestic rice prices, which have historically thinned HRI profit margins since rice is still an important staple in the Japanese diet. In November 2015 the average price of domestic table rice was 8.7 percent higher than in November 2014. The production cost of Japanese rice is still more than 4 to 5 times than in the U.S. Even after the TPP agreement, the Government of Japan will continue to levy a 778 percent tariff on imported rice in order to reduce the price gap between imported and domestic. Traditionally, the food service sector has preferred domestic rice over imported rice for a variety of reasons. However, the industry is more and more accepting of imported rice, a situation that expands opportunities for U.S. rice in the market.

The national consumption tax is scheduled to increase from 8 percent to 10 percent on April 1, 2017. The economic trade press has in concerned that the tax increase could slow down Japanese consumer spending. Forty percent of consumers surveyed in July 2015 said they will reduce household expenditures after the next consumption tax increase. Among the items consumers said they would cut back on are dining out and clothing. The 2017 consumption tax increase will be a major challenge for the HRI industry and for food products more generally.

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

Chart 10: Advantages and Challenges

Advantages	Challenges
TPP negotiations concluded. Implementation will reduce import duties for a variety of U.S. agricultural products.	A number of competing countries, including Australia, Chile and Mexico, have already implemented free trade agreements with Japan, creating import duty advantages for products like pork and beef among others.
Japan’s new cabinet strategy calls for the country to double its agricultural exports. It may make more space for food imports.	Japanese food safety policies, including strict Maximum Residue Levels for food additives and stringent labeling requirements, remain an impediment to greater levels of trade.
The success of American style/concept restaurants helps introduce U.S.-origin food ingredients into the Japanese mainstream.	Many consumers view American food culture, and quick service restaurants as less healthy than Japanese and other national culinary options.
American style breakfast and brunch concepts are catching on. These concepts help expand U.S. food product usage in the industry.	Differences between U.S. and Japanese requirements and specifications for value-added food products.
Compared to many Asian competitors U.S. food producers have a positive food safety image, especially among the trade.	Imported food products are viewed by many consumers as less safe than domestically produced Japanese food products.

The United States has a reputation/history as a reliable supplier of food (both availability and delivery) at a reasonable price.	The quality and reliability of Asian exporting countries has been growing as distribution infrastructure and quality assurance (QA) systems have improved.
The United States offers a wide variety of food products, including fresh & processed.	Japanese buyers are sourcing from all over the world rather than from only a few countries.
High Japanese farming costs and decline of agricultural production make imported food products attractive.	The perception of U.S. price competitiveness and quality has declined vis-à-vis other exporting countries, especially in light of recent strong dollar.

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 conditions for your products. In particular this means:

- Determine if your product category can currently be imported into Japan. The Japanese government maintains strict food safety regulations on imported food products.
- 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 tariffs or import quotas. It's 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 ingredient 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. Freight forwarders can also be helpful in determining ingredient acceptability.

For more information, see the latest [FAS Japan Food and Agricultural Import Regulations and Standards \(FAIRS\) Report](#).

2. Competitive Analysis

Once it is established that the product can be physically imported 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 similar products are marketed.
- Utilize resources such as U.S. Foreign Agricultural Service and its local U.S. Agricultural Trade Office (ATO) and your local State Regional Trade Group (SRTG) to obtain information about the market.
- Talk with freight forwarders and Japanese importers that handle your category of products.
- If possible, meet with potential customers to determine their needs and learn about how they are currently sourcing your category of product.

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 newly introduced or unique food items that become popular in Japan. Recent examples include gourmet hamburgers, craft beers, fresh-baked pretzels, smoothies, varietal honey, and sparkling wines.
- 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 cooperator groups about the 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, inquire 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 with you in English?
- Do they have an understanding of import procedures for your type of food product?

5. Ability and 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 of working with Japanese clients could also improve your products' quality and increase marketing competitiveness. Some basic suggestions include:

- Willingness 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 detailed information about food ingredients and manufacturing process (processing) to define the import tariff rate, among other things.
- 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 products 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, Marubeni and Itochu 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. One unique aspect of Japanese food distribution, even though food service operators developed import products directly, they contract out supply chain operation including import procedure, inventory and delivery to vendors. This is a growing trend toward outsourcing after the

venders could streamline their supply chains.

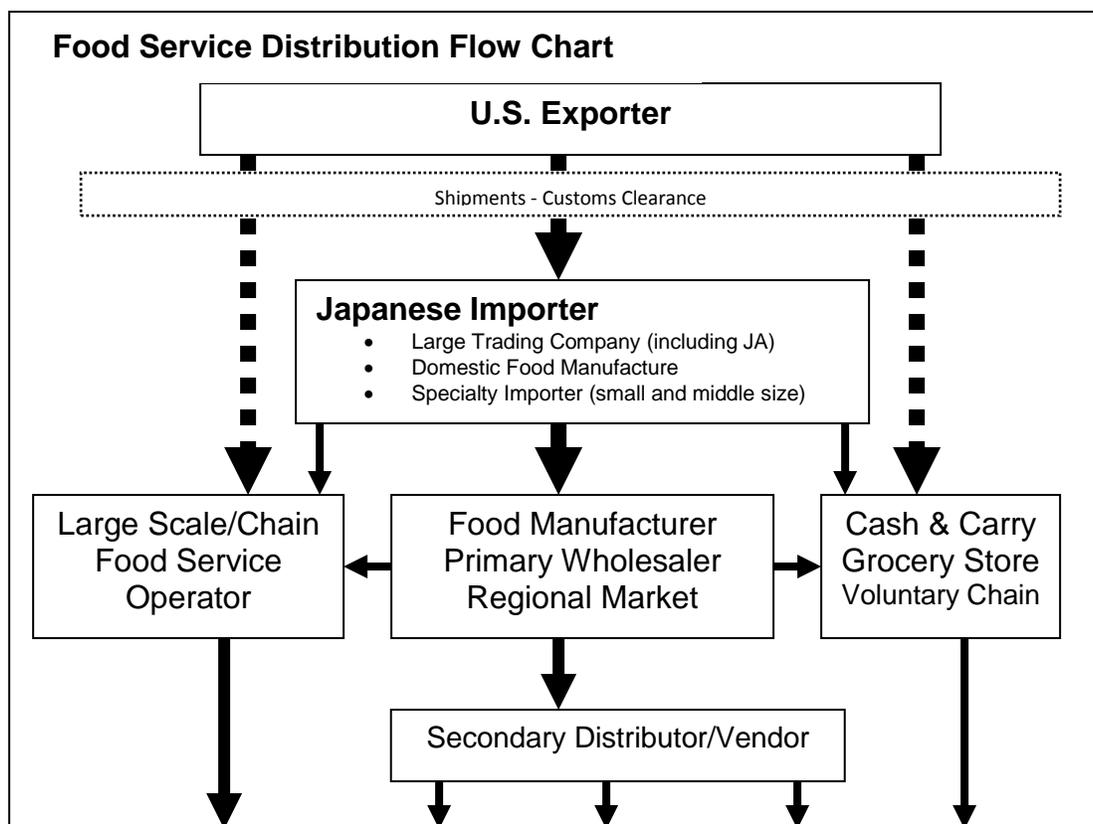
The deflationary environment of the past two decades has intensified price competition among food service chains, and has accelerated the trend to eliminate middlemen.

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 manufactures, are responsible for food safety even if they just deliver food products. Food suppliers are required to provide affidavit-like assurances to chain restaurants. This causes food service operators to use several distributors in Japan to hedge risks.

The cash-and-carry trade, including wholesale clubs, such as COSTCO and METRO, are becoming popular supply resource among Japan's smaller-size food service operators in order to reduce food costs. The biggest is Gyomu Super (Business Supermarket), which has a total of 600 outlets throughout Japan. Additionally, regional food wholesalers have formed a strategic purchasing alliance and have opened cash-and-carry outlets in the region. These local outlets are filling the historical food vendor role for a growing number of food service operators. Bulk meat, seafood, fresh produce, coffee, seasonings/condiments, wine, cheese, frozen vegetables and frozen bakeries are popular products at these outlets.

Chart 11: A diagram of the flow of product from the U.S. exporter



2. Segmentation

Certain segments continue to do better than others, most notably full service restaurants, hotel restaurants and tourist related restaurants including family style restaurants. Family style restaurants continue to successfully attract senior generations with menu development and interior renovation. Key trends in the HRI industry that U.S. exporters should be aware of:

i. Large Increase of Foreign Travelers to Japan

According to the statistics of the Japan National Tourism Organization, the number of foreign travelers visiting Japan substantially increased from 10.364 million in 2013 to 13.433 in 2014, an increase of 29.4 percent. In 2015 the total number of foreign tourists from January through November reached a record high of 17.964 million, up 47.5 percent from the same period of the previous year. The tourists from China (up 109.4 percent), Vietnam (up 50.5 percent) and Philippines (up 45.1 percent) showed the most significant increases. Reports from tourism industry newspapers forecast a steady increase ahead of the 2020 Olympic Games in Tokyo.

The food service industry has been adept at targeting these increasing numbers of foreign travelers by offering special services. A major example is the rapid expansion of Halal food offerings for Muslim tourists, a tourist segment that has skyrocketed as visitors from Southeast Asian countries with significant Muslim populations arrive in increasing numbers. There are few Muslims in Japan and only a few Halal certified restaurants. However, the industry is proactively preparing certified Halal food for those travelers to Japan.

ii. New Tastes from America

The variety of menu items available in Japan continues to expand. Partly due to the large number of Japanese traveling abroad every year (17 million in 2014), foods from Europe, Asia, Australia and the Americas are becoming increasingly popular. Japanese consumers are interested in trying new cuisines and this trend results in the emergence of new types of restaurants and shops every year. Examples of this include Bareburger and Shake Shack, which have successfully launched their first locations in Japan in 2015. Both fast casual chains offer U.S.-style hamburgers made of U.S. beef and U.S. craft beers. Both new burger shops have been successful in attracting wealthy Japanese customers. The interest in new food ideas opens the door to food exporters to introduce new concepts into the Japanese market.



New York based gourmet burger shop, Bareburger, opened shop in a neat housing estate in Jiyugaoka, Tokyo in July 2015. A fashion-related Japanese company operates its business in Japan.



The first Shake Shack burger shop opened in a downtown oasis Omotesando, Tokyo, in November 2015. A jam-packed opening reception at the shop.

iii. Beef Up Meat Eaters

Japanese consumers enjoy grilled beef at American style steak houses and Yakiniku (casual barbeque) restaurants. Consumer affinity for grain-finished steak has only grown with the expanded presence of dry aged beef in the Japanese HRI market. Even the aging Japanese population is contributing to demand as recent academic research has encouraged elderly people to consume more protein in their daily diet. Japanese consumers usually eat thin sliced beef at home, preferring to eat a bigger or thicker cut of steak when dining out.

Driven in part by the success of Wolfgang’s Steakhouse and Royal Host at promoting dry-aged U.S. beef since 2013, customers have created growing interest in and demand for aged beef and even pork.

Pepper Food Service Company sticks to offer casual steak menus at reasonable price and created a stand-up-eating steak restaurant chain, Ikinari Steak, offering a thick cut steak of Certified Angus Beef (CAB) at a relatively inexpensive price. Customers decide how many grams and what cut they want at the cashier before the restaurant cooks the meat to the customer’s specifications and serve it at a standing table. The successful concept has been expanding rapidly, adding 80 outlets in the last few years.

U.S. Meat Export Federation and FAS Japan’s marketing team have promoted authentic American steak and barbeque (BBQ) while explaining the difference between U.S. and Japanese style barbeque, so called Yakiniku. Japanese usually use thin sliced beef for Yakiniku and even for steak. Many chain restaurants and hotel restaurants were impressed by the difference in taste between thin and thicker-sliced cuts of beef. Past promotional efforts have included dry-aged beef and slow-roasted, Texas BBQ. As Japanese consumer awareness and appreciation for these different styles have expanded, they are increasingly cooking with dry-aged beef and classic barbeque techniques using a block of meats. These promotional efforts have also created a buzz within the Japanese media, expanding the reach of these new products.

See more details about the BBQ promotion at:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Great%20American%20Barbeque%20Trade%20Showcase%202014_Tokyo%20ATO_Japan_8-5-2014.pdf



Since its opening in 2014, Wolfgang's Steakhouse has helped to spread the good name and taste of dry aged beef in Tokyo. It quickly became difficult to get a table at the high-end restaurant without a reservation.



A fast growing steak restaurant, Ikinari Steak, offers personalized cuts chosen by gram. A customer can enjoy a full-fledged thick-cut steak in a casual setting.

iv. Third Wave Coffee Shops

The coffee market in Japan is being penetrated by the so-called "third wave" coffee brands from the U.S., such as Blue Bottle, The Gorilla and The Coffee Bean and Tea Leaf. These U.S. coffee shops opened their first outlets in Tokyo in 2015.

The U.S. style third wave coffee shops feature stronger relationships with coffee growers, traders, and roasters in order to provide higher quality coffee beans, fresh roasting and skilled brewers. These concepts are well received by Japanese consumers. Even though Japan has had a number of classical style coffee shops that provide high quality coffee and a cozy atmosphere for long time, the market continues to embrace new concepts from abroad, especially those that can differentiate their product along the lines of quality or customer experience.



Blue Bottle coffee opened the first shop in a neighborhood located east of Tokyo's old residential area. The first shop has regularly had long lines of customers since it opened in February 2015.



The Coffee Bean & Tea Leaf opened the first outlet in the center of Tokyo's business district in May 2015. A joint company, E. A Style, established by a retail giant, AEON, and a QSR chain company, Hotland, operates the coffee shop and expanded the number of outlets to a total 9 locations in just 8 months in Japan.

v. Value Competition

While it can be said that there is an upward trend of eating-out in the market, consumers continue to demand higher food quality and better taste at reasonable prices.

In order to compete in the market, many fast food and family restaurants offer Cho-Nomi (quick drinking) by selling alcoholic beverages and small plate dishes at reasonable price. The major beef bowl chain Yoshinoya prepares drinks and small plate dishes for dinner time that target working professionals on their way home. Sixty Yoshinoya shops tested the Cho-Nomi service in June 2015, and reported increased sales of 20 percent; now all locations offer the same menus Cho-Nomi service.

Other QSR chains, Freshness Burger, Tendon Ten-ya (Tempura bowl), Ringer Hut (Chanpon, vegetable-rich ramen) and a family style chain, Bamiyan (Chinese cuisine), have all followed suit.

<p>Yoshinoya's special signboard in front of the shops that induce people to stop by Cho-Nomi.</p>	<p>A Tenya's special Cho-Nomi set menu of four tempuras and a glass of beer at ¥580.</p>	

vi. Convenience Stores Gain Power as Food Service Operators

Convenience stores (CVS) continue to develop their food merchandising and have begun to rival not only Japan's beef-bowl chains, but also coffee shops and established donut chains. Like beef-bowl restaurants, convenience stores used to heavily rely on professional male customers. But over the years, they have succeeded in appealing to seniors and women by offering meals in smaller portions and expanding their dessert lineups.

CVS chains are also active in the area of takeout coffee sales with increasingly better quality coffee beans and machines. According to a report from Nikkei newspaper in May 2015, the major five CVS chains (7-11, Lawson, Family Mart, Circle K/Sunkus and Mini Stop) sold a total 1.5 billion cups of regular coffee in 2014 which was double the number of sales from the previous year.

After Japanese convenience stores facilitated a change in coffee consumption, CVS chains started to sell fresh donuts from 2015. Seven Eleven sold about 400 million donuts in 2015, providing fresh donuts from central kitchens to stores within 3 hours. Lawson features a fresh image by baking Hawaiian-style malasada donuts at the stores, next to their coffee machines.



A donut show-case located on a cashier counter of a typical Seven-Eleven's store.



Malasada donut at a Lawson store where also has a donut case similar to the competitor.

vii. Premium Bento – Three Star Lunch Boxes

The area of sharpest growth in the food industry has been ready-to-eat products that can be purchased at food service operations. As mentioned before, many consumers purchase take-out lunches at convenience stores or similar retail shops that can be eaten quickly at the office or elsewhere. These are often sold for under 600 yen. Competing with these retailers, food service operators now offer premium bento boxes. They have steadily increased the freshness, quality, and variety of the take away foods they offer, providing a more attractive menu selection to consumers for a higher price than the convenience stores. U.S. exporters that provide the kinds of products that would fit lunchbox-type or HMR items should consider approaching assemblers of these types of foods.



Nippon Restaurant Enterprise's beautiful lunch boxes, named Suwa. An authentic Japanese meal, good for vegetarians, retails for JPY 2,160 (US\$20). This bento box is available at both train station kiosks and restaurant catering.



Ningyocho Imahan, a Tokyo based Sukiyaki restaurant, offers a seasonal bento which celebrates 'girls day' in the spring. Contents: roasted wagyu beef, sashimi and a variety of food for JPY 4,320 (\$40)



The most expensive lunch box of Hotto Motto, the nation's biggest lunch box chain, sold for JPY 790 (\$7.00) featuring a variety of Japanese style food including beef, seafood, egg and vegetables.

Seasonal and special lunch box promotions are common in the industry for special occasions. Frequent menu changes can become both an opportunity and constraint for imported food products.

viii. Food Safety and Food Contamination Scandals

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 2013, there were a spate of food-mislabeling scandals involving big-name Japanese hotels, department stores, and well-established restaurants. It was found that many major hotels and 66 percent of department stores listed domestic origin foods on their menus that were actually imported foods. In Japan’s food culture, consumers tend to be highly conscientious about country of origin and are willing to pay more for locally produced food. Meanwhile, hotel chefs and store buyers are often under pressure from management to cut costs. Use of imported foods can reduce food costs and are often a good value, but imported foods are often perceived as inferior to domestic foods.

In 2014, a TV report showed staff at a Chinese company using expired chicken meat and picking up food from the floor to add back to the production line. The resulting food safety scandal seriously damaged the sales of the largest QSR player and a large-scale convenience store chain, since they used imported chicken from that supplier. Meanwhile, a number of findings of foreign materials, such as metals, plastics or some organic substances, in food and drinks at the same QSR chain in 2015 continued to damaged sales.

A survey of Nikkei MJ on June 21, 2015 reported that 36.7 percent of Japanese consumer reduced frequency of eating at QSR restaurants during the first half of 2015 due to food safety concerns and menu price increases. The 2014 scandal continues to have a negative impact on the sales of the whole QSR industry.

ix. Willing to Pay More for Healthy Eating at Restaurants

Japanese consumers are increasingly interested in dining-out options that are perceived as healthy. For example, family restaurant chains are spontaneously including nutritional information on the menu, such as allergen content and calories per serving. Fast food restaurants and casual style restaurants are introducing vegetable/fruit-rich menus, such as smoothies and pancakes with fruits. McDonald’s sold a new seasonal menu including a “fruit & vegetable smoothie” at “McCafe by Barista” during the summer of 2015. Crisp Salad Works, similar to Chopt on the East Coast and/or Crisp Salad in Texas, opened its first shop in Tokyo in late 2014 and has been attracting affluent customers.

	
<p>McDonald’s seasonal drinks were sold at its specialty cafes mixed with 21 vegetables and 4 fruits for ¥390 (right)</p>	<p>Crisp Salad Works offers American-style chopped salad featuring in-season vegetables.</p>

In addition, western-style breakfast restaurants have gained in popularity and consumers are willing to

pay more. You often see long lines of people waiting in front of restaurants such as Bill’s from Australia, Eggs and Things from Hawaii, and the newly opened Sarabeth’s Kitchen from New York. These offer sophisticated, authentic western-style breakfasts featuring original ingredients from the region.



In December 2015, Sarabeth’s Kitchen from New York opened their 6th location next to Tokyo station with a unique urban atmosphere.

x. Information Technology (IT) and B-class Gourmet

The evolution of IT and the prevalence of smart phones provide a new dynamic to the local food service industry. There are several popular search sites especially designed for finding good restaurants throughout Japan such as Gurunavi and Tabelog.

One long-running trend is affectionately called “B-kyu-gurume” (B-class gourmet). Japanese food service operators are introducing new ideas and formats using local food flavors or combinations. B-class gourmet is a new buzzword throughout Japan, meaning cheap, local food, served in local restaurants. Most menus are everyday home meals, such as noodles, deep fried pork cutlets, and sweets. B-class gourmet establishments have banded together to conduct Japan-wide events that vie with each other for the best B-class gourmet dish.

Food and drinks are the most popular topics on social network sites (SNS), such as Face Book and Twitter, in Japan. Posting pictures, restaurant reviews and menus on SNS helped to build momentum to create new trends and spread restaurants’ reputations far faster than before.



B-One local gourmet contests are held year-round in



A popular Restaurant search site “Tabelog” (eat-log) has

every prefecture in Japan.	publicized the information of 825,000 member restaurants on a map of Japan.
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C. Sub Sector Profiles

Note: ATO Japan bases this report on statistics released by the Japan Food Service Association and its affiliated Foodservice Industry Research Institute, and as well as from the private marketing company Fuji Keizai for the most recent research.

1. Restaurant Sector

The restaurant sector is the largest of the HRI food service segments. Restaurant sales in 2014 were ¥13.1 trillion, equivalent to \$122.8 billion, up 2.1 percent over the previous year. This represents 42.8 percent 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 into four major sub-segments:

Chart 12-a: Japanese Restaurant Sector - 2014

Restaurant Sector ¥13.12 Trill. (\$122.8 Bill.)	General Restaurants (Share 71.3 %)	¥9.36 Trillion (\$87.6 Billion)
	Sushi Shops (8.9 %)	¥1.37 Trillion (\$12.8 Billion)
	Noodle Shops (10.4%)	¥1.16 Trillion (\$10.9 Billion)
	Other (9.3 %)	¥1.22 Trillion (\$11.5 Billion)

Source: Food Service Industry Research Institution

Sales at “General restaurants” soared 2.7 percent in value in 2014 from 2013. General restaurants include family style restaurants, Japanese, Chinese and Western-style restaurants. Sales at sushi shops and noodle shops increased approximately 1.2 percent from 2013. “Other restaurants” was the only segment that significantly dropped in value in 2014, by 4.9 percent compared to 2013; Quick Service Restaurants are a major component of this category.

Chart 12-b: Japanese Restaurant Sector

Type of Restaurants	2012	2013	2014		Change '14/'13	Share
Sales	JPY	JPY	JPY	US\$ bil	%	%
Total Food Service Ind.	291,684	299,923	306,154	286.5	2.1%	100.0
Total Restaurant Sector	124,683	129,088	131,213	122.8	1.6%	42.9
General Restaurant	88,158	91,150	93,615	87.6	2.7%	30.6
Sushi Shop	12,753	13,551	13,708	12.8	1.2%	4.5

Noodle Shop	10,717	11,506	11,644	10.9	1.2%	3.8
Other	13,055	12,881	12,246	11.5	-4.9%	4.0

Source: Food Service Industry Research Institution

2. General Restaurants

Restaurants featuring diversified Western, Japanese and ethnic fusion cuisines represent the segment with the greatest opportunity for most U.S. food exporters. These restaurants are composed of casual and family-style restaurants that mainly serve a mix of Western dishes as well as restaurants specializing in specific menus, such as steak, “Hamburg” (meat loaf), pizza and pasta. Their menus rely heavily on imported food products to provide authenticity as well as taste. Large family restaurant chains such as Skylark, Royal Host, Denny’s, Saizeriya, Coco’s, Jonathans, and Capricchiosa (Italian style) are major users of imported U.S. food ingredients including items such as beef, pork, frozen potatoes, and vegetables.

Upscale American restaurants have taken hold in the Japanese market in a last few years, such as ILEMULINO, Wolfgang’s Steakhouse by Zwiener, Union Square Café and Lawry’s. Along these lines, casual steak restaurant chains that offer free salad, side dishes and cooked rice with a main meal, such as steak or hamburger, at a reasonable price (\$15 to \$25) have been growing in popularity. These companies use imported foods on their menus extensively.

After the relaxation of the rules on imported U.S. beef in February 2013, traditional steak houses and Yakiniku (Korean style barbecue) restaurants significantly increased the variety of beef menu items offered, adding items like T-bone steak, bone-in short ribs and chops. For example, the Japanese steak restaurant chain “Ikinari! Steak” has promoted a U.S. Certified Angus Beef (CAB) steak since the relaxation. The United States is recognized as a quality supplier that can reliably export these special cuts to Japan.

French restaurants have traditionally been popular in Japan and Italian restaurants have continued to surge 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 United States are perfect targets for U.S. exporters who sell related food products.

Chart 13: Number of Restaurant Outlets by Type of General Restaurant

Type of Restaurants	2012	2013	2014	2015*	2016*	Change 2015/2014
Family Style Restaurant	11,585	11,590	11,685	11,830	11,955	1.2%
Western Cuisines (American, European)	9,989	10,097	10,225	10,353	10,456	1.3%
Japanese Cuisine	107,655	106,580	105,475	104,530	103,560	-0.9%
Chinese and Korean Cuisines	36,630	36,320	35,990	35,660	35,380	-0.9%
Ethnic Cuisines (Mexican, Indian, SE Asian)	1,821	1,698	1,598	1,578	1,558	-1.3%

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2015

2015* and 2016*: Estimate

The number of Family Style Restaurants had been decreasing until 2011 due to an industry trend of closing outlets that were not profitable. Then in reaction to an improving economy, the number of family style restaurant has been increasing again since 2012. Italian and French restaurants were a major element of the increase in 2012. American branded restaurants have expanded and gained market share since 2012, driven by an expansion of American-style breakfast outlets and the availability of U.S. beef. Upscale breakfast restaurants, steakhouses and authentic barbeque places became popular in recent years, even though Italian and French cuisines have also remained popular.

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 United States is a major supplier of salmon, salmon eggs, and sea urchin used by sushi operators in Japan.

The value of the sushi food service segment was estimated at ¥1.35 trillion in 2013, equal to \$13.6 billion, and recently returned to positive growth after five years of declining sales. The Fuji Keizai Report estimated that there were about 42,100 sushi restaurants 2014, a decline of 4.3 percent in the number of outlets from five ago (44,000 sushi restaurants in 2010). This doesn’t mean that Japanese consumers are eating less sushi. The major sushi chains far cheaper prices than traditional sushi bars, and are steadily increasing their sales volumes and number of outlets (See chart



in years offer 14).

Chart 14: Major Sushi Chains (Sushi-go-round)

Company	Sales 2014	Sales 2015*		Change	# of outlet	Change
	¥ million	¥ million	\$ million	2015/14, %	2015*	2015/14, %
Akindo Sushiro	128,000	140,000	1,310	9.4%	426	10.4%
Kura Corporation	97,100	100,500	941	3.5%	366	6.4%
Hama Zushi	77,800	83,000	777	6.7%	433	16.1%
Kappa Zushi	71,850	68,000	636	-5.4%	343	1.2%
Gnki Zushi	23,800	25,400	238	6.7%	145	6.6%

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2015
2015*: Estimate



4. Noodle Shops

Noodles, served either hot or cold, are one of the most popular foods eaten both inside and 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 2014, the value of the soba/udon food service segment was estimated at ¥1.16 trillion or \$10.9 billion. According to Fuji Keizai research, there were an estimated 36,750 soba/udon shops in 2014. This number decreased to 34,330 in 2015, a decline of 6.6 percent from the previous year. Many of the restaurants that closed were single proprietorships, but chain operators have increased their number of outlets, typically at shopping malls and roadside stands.

Noodles consumed outside of the home are frequently ranked as the most popular lunch item by consumers because they are quick to serve and quite inexpensive. A typical soba set menu will cost only ¥400 - ¥600. It is common for the Japanese 'salaryman' to finish 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. The soba/udon segment is heading to increase number of large chains than individual shops rapidly. Toridoll, the biggest QSR noodle chain now has a 32 percent of share of the subsector with 780 shops. In terms of full service noodle shops, majorities are still individual outlets, even the biggest full service soba/udon chain – Sagami Group with 213 shops has only a 3.5 percent share of the subsector. U.S. exporters wanting to challenge this segment should target the 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 and shops
- Pizza Delivery Chains and shops
- Fried Chicken Chains and shops
- Donuts and Ice Cream Shops, Beef bowl, Curry & Rice, Okonomiyaki (traditional Japanese food which is like a pancake with meat, vegetables and noodles inside)

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's Japan, which opened in 1972 and now has about 3,100 outlets nationwide. The hamburger fast food concept has been one of the most visible and successful market segments over the past 40 years. However, McDonald's sales were down 11.5 percent to ¥446.3 billion in 2014 as the company closed unprofitable stores. In addition, the company's sales are still low due to a series of food safety scandals in 2014 and 2015. Other major hamburger chains were affected by these food safety scandals, and most of them were losing customers over the same period.

Chart 15: Major Hamburger Chains

Hamburger Chains Name of Company	2015*		Change from 2014	
	Sales Volume in ¥ million	Number of Outlets	% in sales	% in # of outlets
McDonald's Japan	431,900	3,164	-3.2	-0.3
MOS Foods	102,200	1,454	0.1	0.4
Lotteria	26,700	446	-1.5	0.6
First Kitchen	9,600	132	0.1	0.4
Freshness Burger	7,300	164	0.7	1.3

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2015
2015*: Estimate

Even though the scandals had a serious impact on major hamburger chains, by providing reasonably priced, fast and clean service, the hamburger chain concept has kept a significant share of the youth and family dining-out budget, even as customers temporarily reduced their frequency of eating at hamburger chains.

On the other hand, gourmet burger restaurants are rapidly gaining ground in the market. Shack Shack and Bareburger represent the trend and have attracted attention since opening in Tokyo in 2015. Both shops have been popular among young professionals and are diversifying the Japanese consumers' image of American hamburgers to include higher quality options in Japan.

Because the hamburger chain menu uses concepts originating in the United States, they are ideal targets for U.S. exporters. For example, McDonald's Japan and other major players have long imported many of its food items from the United States, including frozen potatoes, pork patties, fresh tomatoes, and cut lettuce.

ii. Pizza Chains

The pizza industry has featured delivery service and has been a bright spot of growth in Japan over the past decade. Fueled by the launch of Domino's Pizza in 1985, 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 16: Major Pizza Chains

Pizza Restaurants (delivery)	2015*		Change from 2014		2015*
	Sales Volume in ¥ million	Number of Outlets	% in sales	% in # of outlets	Market Share
Pizza La (Four Seeds Corp.)	38,850	546	-0.5%	0.4%	24.9%
Dominos (Dominos Japan)	28,000	412	4.9%	0.5%	18.8%
Pizza Hut (Phonix)	24,400	370	1.2%	0.5%	16.9%
Strawberry Cones	7,100	186	-1.4%	1.6%	8.5%
Chicago Pizza Factory	4,050	80	-5.8%	0.9%	3.7%
Pizza 10.4	4,150	124	6.4%	2.2%	5.7%

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2015
2015*: Estimate

Pizza delivery chains 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. The pizza industry has shifted from Oceania to the United States for its shredded cheese supply due to the better value of U.S. products. In addition to sourcing toppings from abroad, pizza chains also source tomato sauce either as tomato chunks or paste from abroad. The Japan's biggest pizza chain, Pizza La, promoted Hawaiian style pizza which uses onion, pineapple and salt imported from the United States.

https://www.pizza-la.co.jp/s/SC_Campaign_HawaiianSeries2014_sp.aspx

iii. Fried Chicken Chains

KFC Japan dominates the fried chicken restaurant market with over 1,135 outlets nationwide. KFC Japan uses domestic Japanese chicken mainly for regular products and uses imported chicken only for diversified seasonal and special menu items, mainly from Brazil or the United States.

6. Drinking Establishments

The drinking establishment sector had sales worth ¥4.97 trillion in 2014, equivalent to \$46.5 billion. This represented 16.2 percent of total food service industry sales. This segment increased its size by 2.8 percent, but didn't change its market share in 2014. The sector is comprised of four segments: 1) pub dining (*Izakaya*) and beer pubs 2) coffee & tea houses 3) high-end Japanese restaurants (*Ryotei*) and 4) bar/nightclub food service.

Chart 17: Japan's Drinking Establishments Sector

Sector	2010	2011	2012	2013	2014		Change '13 to '14
Unit	¥ Bil.	\$ Bil.	%				
Total	4,733	4,702	4,652	4,834	4,971	46.5	2.8%
Pub Dining	1,002	993	978	1,010	1,024	9.6	1.4%
Coffee/Tea Shop	1,019	1,018	1,020	1,060	1,091	10.2	2.9%
Roytei	324	322	317	330	341	3.2	3.3%
Night Club	2,388	2,370	2,337	2,434	2,514	23.5	3.3%

Source: Food Service Industry Research Institute

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 alcoholic beverages including beer, sake, *shochu* (Japanese spirits), wine and cocktails. The market share of chain operations has increased more than individually-owned businesses since 2008. The sector has been heavily dependent on business spending, and has streamlined its procurement and distribution system due to harsh competition within the sector. Most chain restaurants use imported food products 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 according to their own style and taste. The industry uses fresh oysters, 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 in Japan appears below:

Chart 18: Major Pub Dining chains

Rank 2015	Company	Sales* (\$ Mil.)	Brand Name, # of Outlets*	Location	Purchasing Agents
1	Monterozza	1,271.9	Sirokiya, Uotami, Wara-wara, 2,056	Nation wide	Wholesalers
2	Chimney	612.1	Hananomai/Sakanaya-dojo, Kodawariyama, 700	Eastern Japan	Trade firms, wholesalers
3	Watami Food Service	449.2	Watami, 646	Nation wide	Trade firms, wholesalers
4	Daisho	430.5	Shoya, 861	Eastern Japan	Wholesalers
5	Colowide MD	276.1	Amata-ro, Hokkaido, Hiikiya, 519	Nation wide	Trade firms, wholesalers
6	G. Taste	290.1	Murasaki, Toriaezu Gohei, 355	Nation wide	Trade firms, wholesalers
7	Reins International	262.0	Doma-doma, Kamadoka, 287	Nation wide	Trade firms, wholesalers
8	Torikizoku	299.5	Torikizoku, 440	Nation wide	Trade firms, wholesalers
9	Yoro-no-taki	223.7	Yoro-no-taki, 540	Nation wide	Trade firms, wholesalers, Direct import
10	AP Company	261.1	Tukada Nojo, Yonpachi Gyojo, 239	Nation wide	Trade firms, wholesalers

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2015
2015*: Estimate

ii. Coffee/Tea Shops

In 2014, the coffee/tea shop sector grew to ¥1,090 billion in sales, an increase of 2.8 percent from the previous year. The sector is very popular throughout Japan, but the sales volume of the sector had dropped from ¥1,740 billion in the peak year of 1982 to ¥1,020 billion in 2013, a decline of over 40 percent. This sector has seen major structural changes during this period. In 1980, Doutor Coffee Company opened the first self-service coffee shop in Tokyo and sold a cup of regular drip coffee for 150 yen, which was one-third to one-fourth the price of a large majority of conventional style full-service coffee rooms at that time. In 1996, as these self-service coffee shops came into fashion in Japan, Starbucks Coffee opened its first shop in the center of Tokyo. The new style self-service coffee/tea chains, including both Japanese and American outlets, have been waging a long battle to expand their business and have altered the market since then. Meanwhile, the old style full-service coffee/tea shops have been devastated by new style (i.e., the third wave coffee shops and Starbucks

style self-service) coffee/tea chains throughout Japan.

A list of major new style coffee/tea shop chains in Japan in 2015 appears below:

Chart 19: Major Coffee/Tea Room Chains

Rank 2015	Company Name	Sales* (\$ mil.)	# Units*	Location	Purchasing Agents
1	Starbucks Coffee Japan, Ltd.	1,317	1130	Nation wide	Trade firms, Wholeslers, Direct Import
2	Doutor Coffee Co., Ltd.	826	1,252	Nation wide	Same as above
3	Tully's Coffee Japan (Ito-en)	420	592	Nation wide	Same as above
4	Komeda Coffee	443	650	Central Japan	Same as above
5	Saint Marc Café Holdings	219	390	Nation wide	Same as above
6	Pront Corporation (Pront)	206	282	Nation wide	Same as above
8	UCC Foodservice Systems Inc. (Coffee kan)	126	361	Wester Japan	Same as above
7	Chat Noir (Veloce)	98	176	Wester Japan	Same as above
9	Italian Tomato Café Jr. (Italian Tomato)	95	152	Eastern Japan	Same as above
10	Nippon Restaurant System (Hoshino)	94	168	Wester Japan	Same as above

Source: Fuji Keizai – Food Service Industry Marketing Handbook 2015
2015*: Estimate

As mentioned previously, the third wave coffee shops from the United States hit the shores of Japan in 2015. Blue Bottle Coffee, The Coffee Bean and Tea Leaf and Gorilla Coffee opened their first shops in Tokyo one after the other. These new U.S. coffee shops may provide opportunities to expand U.S. food and beverage products in their shops.

On one occasion McDonald's Japan was a popular place to drink regular coffee when the hamburger chain launched a 100 yen (\$1) coffee in 2008. Inspired by popular regular coffee sales among quick service restaurants, Seven-Eleven touched off a boom in convenience store coffee in 2013. In 2014, all major convenience stores including 7-11, FamilyMart, Lawson, CircleKsunkus and Mini-Stop, offer 100 – 150 yen coffee. The regular coffee consumption in Japan increased by 13.4 percent in volume, reached a record high of 449,900 metric tons of coffee beans import in 2014 for the second consecutive year. It is said that convenience store chains contributed to this increase and have become a major threat to the above mentioned coffee chains.

7. Hotel Food Service Sector

The Hotel/Inn sector had food sales worth ¥2.69 trillion in 2014, equivalent to US\$25.2 billion. This represents 8.8 percent of total food service industry sales. After a decade-long decline, the hotel food business showed an increase of 1.1 percent in sales in 2014.

Along with an increasing number of foreign travelers visiting Japan, a number of new hotels run by

foreign –affiliated companies such as Andaz-Hyatt, Aman Resorts and Marriott Hotel were opened in Tokyo in 2014. In response, major Japanese hotels have also scheduled new hotels and/or renovations in order to accommodate increasing foreign tourists ahead of the Olympic Games to be held in Tokyo in 2020. Most of the major hotels showed an increase in sales in 2015 from the previous year.

First class hotels have a large variety of banquet rooms and on-site restaurants 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. Halal foods are one common example. For the same reason, they are historically more receptive to imported food.

Chart 20: Major Hotel Chains Sales in 2013

Rank	Company (Hotel Brand)	Sales 2014	Sales 2015*		Change 2015/14	# of Outlets
		¥ million	¥ million	\$ million	%	2015*
1	Prince Hotels and Resorts	71,000	73,000	683.2	2.8	43
2	Marriott International (Ritz-Carlton)	31,000	33,100	309.8	6.8	14
3	Hotel Okura & Resorts	30,600	32,100	300.4	4.9	16
4	JAL Hotels (Hotel Nikko)	30,200	29,400	275.2	-2.6	31
5	Hankyu Hanshin Dai-ichi Hotel Group	29,000	29,400	275.2	1.4	48
6	New Otani Group	28,700	29,200	273.3	1.7	16
7	Imperial Hotel	27,800	28,300	264.9	1.8	3
8	Rihga Royal Hotel Group	27,800	27,500	257.4	-1.1	11
9	Tokyu Hotels	26,400	25,500	238.7	-3.4	46
10	Resort Trust (Xiv, Sun Resort)	26,300	26,000	243.3	-1.1	44

Source: Fuji Keizai – Food Service Industry Marketing Handbook 2015

2015*: Estimate

Japan also has many small *Ryokan* or Traditional Japanese style inns, which primarily serve holiday travelers. The menu tends to be limited and feature 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 in Japan includes business/office cafeterias, school lunch programs, hospital meals and nursery centers. The sector had sales worth ¥3.34 trillion in 2014, equivalent to \$31.3 billion. This represented 10.9 percent of total food service industry sales. Institutional food sales slightly increased 1.2 percent in 2014 from the previous year according to an increasing elderly population. In spite of sales growth in 2014, the institutional food service sector has shown declines in the number of company cafeterias, of students and of in-house hospital meal service.

Chart 21: Institutional Food Service Sales by Sub-Sectors

Institutional\Sales	2012	2013	2014			
	¥ billion		\$ billion	Change '14/13	Share	
Business/Office Cafeterias	1,715.8	1,687.8	1,721.0	16.1	2.0%	5.6%
School Lunch	490.5	491.9	498.1	4.7	1.3%	1.6%
Hospital meal	813.0	815.5	813.8	7.6	-0.2%	2.7%
Nursery center (infant & preschool)	292.2	300.0	305.9	2.9	2.0%	1.0%
Total:	3,311.5	3,295.2	3,338.8	31.2	1.3%	10.9%

Source: Food Service Industry Research Center

Separately from the above institutional food service market, there is a sub-sector of nursing home (for aging generation) meal service. The sub-sector had sales worth ¥672.2 billion in 2014, equivalent to \$6.3 billion according to Fuji Keizai Food Service Industry Marketing Handbook 2015. This might be one segment to see future growth as Japan's aging demographic expands. Many food service companies are gearing up to service what is called the "silver" market. Nursery home meal service sales are expecting to increase by 3.1 percent in 2015 according to Fuji Keizai data.

In addition, a new trend is online food sales and meal delivery services for senior citizen and patients living at home. According to the Fuji Keizai statistic, the total size of the meal/food delivery sales to this segment was ¥95,300 million (\$892 million) in 2014, an increase of 4.6 percent from the previous year. The report also forecasts that sales will be ¥102,450 million (\$958 million) in 2016, an increase of 7.5 percent from 2014.

Watami Takushoku, the top company delivering meals to senior citizens and nursing homes, originated from a division of a pub dining company Watami Food Systems. Despite an overall sales increase in this market, the company's share of the market declined from 47 percent in 2013 to 41.4 percent in 2014 as competition increased. The online meal delivery market became popular with the aging population and the positive business climate is encouraging newcomers. These online based meal delivery companies use traditional Japanese food ingredients such as, rice, seafood and fresh produce in order to target the senior generation and to meet their taste preferences.

		<p>Photos from the Watami Takushoku website offering health conscious daily special menus cooked by hand and delivered in chilled. ¥2,900 (\$25) for a set of 5 meals, 1 meal per day for 5 days a week.</p>
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Reflecting this segment’s upward trend in general, all of the top 10 companies showed significant increases in sales volume in 2014 from the previous year.

Sales by segment in 2014 were as follows:

Chart 22: Ranking Institutional Food Service Chains

Rank 2014	Company Name	Sales	# Units	Location	Principal Purchasing Agents
		(\$ mil.)			
1	Nissin Healthcare Food Service Co.,	1,883	5,325	Tokyo	Wholesalers
2	AIM Service	1,033	1,431	Tokyo	Same as above
3	Green House	903	1,886	Tokyo	Same as above
4	Seiyo Food-Compass Group, Inc.	757	912	Tokyo	Same as above
5	Fuji-Sangyo Co., Ltd.	672	8,090	Tokyo	Same as above
6	Uokuni Sohonsha	584	2,643	Osaka	Same as above
7	Leoc Co., Ltd.	564	*1,859	Tokyo	Same as above
8	MEFOSU Inc.	462	2,246	Tokyo	Same as above
9	Nihon General Food	280	717	Aichi	Same as above
10	Ichifuji Foodservice	264	1445	Osaka	Same as above

Source: Nikkei Marketing Journal (MJ)– May 27, 2015

* Number of units in 2011

(Nikkei MJ doesn’t separate sales of Tawami Takushoku, institutional business, from a total sale of Watami Food Systems which included majority of a pub dining business.)

Rankings of major foodservice operators by sales are as follows:

Chart 23: Top 50 Restaurant Company Profile

Rank 2014	Company	Sales (\$ Mil.)	Outlet Name, Type, & # of Outlets	Location	Purchasing Agents
1	McDonald's Japan	4,176.9	McDonald's, QSR hamburger, 3,093	Nation wide	Trade firms, wholesalers, Direct import
2	Zensho	993.3	Sukiya, Coco's, QSR-beef bowl & various, 4,897	Nation wide	Trade firms, wholesalers, Direct import
3	Skylark	2,750.7	Skylark/Gusto/Yumean/Barmiyan, FSR, 2,595	Nation wide	Trade firms, wholesalers, Direct import

4	Colowide	2,686.7	Gyukaku, Amata-ro, WPJ, pub dinings, 2,466	Eastern Japan	Trade firms, wholesalers
5	Nisshin Health Food Service	1,883.3	Office/hospital meals, Institutional, 5,325	Nation wide	Trade firms, wholesalers
6	Plenus	1,781.8	Hotto Motto, take out meals, 3,002	Western Japan	Trade firms, wholesalers
7	Monterozza	1,355.1	Sirokiya/Uotami/Wara-wara, pub dining, 2,143	Nation wide	Wholesalers
8	Kentucky Fried Chicken Japan	1,259.1	KFC/Pizza hut, QSR-delivery meals, 1,531	Nation wide	Trade firms, wholesalers
9	Akindo Sushiro	1,178.7	Akindo, Sushi-ro, QSR-Sushi, 377	Western Japan	Trade firms, wholesalers, Direct import
10	AIM Service	1,033.2	Institutional, 1,431	Eastern Japan	Wholesalers
11	Saizeriya	983.1	Italian FSR/Saizeriya, 1,018	Nation wide	Trade firms, wholesalers, Direct import
12	Duskin	954.7	Mr. Donuts, QSR, 1,321	Nation wide	Trade firms, wholesalers
13	Mos Food Service	938.4	Mos Burger, QSR, 1,442	Nation wide	Trade firms, wholesalers
14	Watami Food Service	919.0	Watami, pub dining, 1,094	Nation wide	Trade firms, wholesalers
15	Yoshinoya Holdings	916.1	Yoshino-ya, Hanamaru Udon, 1,190	Nation wide	Trade firms, Direct import
16	Green House	903.1	Institutional, home meal replacement, 1,886	Nation wide	Trade firms, wholesalers
17	Kura Corporation	895.0	Kura-zushi, QSR, 344	Western Japan	Trade firms, wholesalers
18	Osho Food Service	888.2	Gyoza no Osho, Ramen shops, 702	Nation wide	Trade firms, wholesalers
19	Doutor Coffee	819.7	Doutor, coffee shop, 1,359	Nation wide	Trade firms, wholesalers, Direct import
20	Seven and I Foodservice	779.6	Denny's, Famil, Popo, FSR/QSR, 840	Nation wide	Trade firms, wholesalers
21	Honke Kamadoya	775.6	Kamadoya, take out meals, 1,700	Nation wide	Trade firms, wholesalers
22	Matsuya Foods	757.7	Matsu-ya, QSR-beef bowl, 1040	Nation wide	Trade firms, wholesalers, Direct import
23	Seiyo Food Compass	757.2	Institutional, CASA Grande/FSR, 912	Eastern Japan	Trade firms, wholesalers, Direct import
24	Toridoll	754.2	Marukame Seimen, QSR-noodle,	Nation	Wholesalers

			848	wide	
25	Ichiban-ya	711.7	Ichiban-ya, QSR-curry shop, 1,270	Nation wide	Trade firms, wholesalers
26	Daisho	680.6	Shoya, pub dining, 799	Eastern Japan	Wholesalers
27	Fujisangyo	672.1	Institutional, 2,810	Eastern Japan	Wholesalers
28	Four Seeds	592.0	Pizza La, pizza delivery, 886	Nation wide	Trade firms, wholesalers, Direct import
29	Joyful	587.9	Joyful, FSR, 742	Western Japan	Wholesalers
30	Uokuni Sohonsa	584.0	Office cafeteria-Institutional, 2,611	Western Japan	Wholesalers
31	Chimney	570.5	Hananomai/Sakanayadojo, pub dinings, 707	Eastern Japan	Trade firms, wholesalers
32	LEOC	564.0	Institutional, (380)	Eastern Japan	Trade firms, wholesalers
33	Aleph	545.7	Bikkuri Donkey, FSR, 347	Eastern Japan	Trade firms, wholesalers
34	Nippon Restaurant Enterprise	490.3	American Diner B&G /Ajisai-tei, multi-FS/ restaurants/bento, 382	Eastern Japan	Trade firms, wholesalers, Direct import
35	Fujio Food Systems	483.1	Maido Okini, Japanese style rst, 706	Western Japan	Wholesalers
36	Mefos	461.7	Institutional, 2,300	Eastern Japan	Trade firms, wholesalers
37	Rock Field	457.8	RF1, take out meals, 329	Central Japan	Trade firms, wholesalers
38	Origin Toshu	433.5	Origin Bento, take out meals, 615	Eastern Japan	Trade firms, wholesalers
39	Monogatari Corporation	417.7	Yakiniku King, ramen 295	Central Japan	Trade firms, wholesalers
40	B-R Thirty-One Ice Cream	406.3	Thirty-One Ice Cream, QSR-ice cream, 1,140	Nation wide	Trade firms, wholesalers
41	Kisoji	403.5	Kisoji, Japanese style restaurants, 169	Nation wide	Trade firms, wholesalers
42	Hokka-Hokka-tei	386.3	Take away lunch box 1,091	Eastern Japan	Trade firms, wholesalers
43	Koraku-en	373.8	Korakuen, noodle shops, 516	Eastern Japan	Trade firms, wholesalers, Direct import
44	Royal Host	367.5	Royal Host, Cowboy Family, Shakey's, FSR, (270)	Nation wide	Trade firms, wholesalers, Direct import
45	Nippon	359.2	Yomen-ya Goemon, pasta &	Nation	Trade firms,

	Restaurant System		coffee shops, 500	wide	wholesalers
46	Green House Foods	336.9	Saboten, Shahoden HMR/restaurant, 638	Nation wide	Trade firms, wholesalers
47	Dynac	324.9	Hibiki/Toridori, pub dinings/restaurants, 251	Eastern Japan	Trade firms, wholesalers
48	Hiday (Hidaka) Co., Ltd	323.2	Noodle, chinese restaurants, 361	Kanto Region	Trade firms, wholesalers
49	Ootoya	305.2	Otoya, Japanese style FSR, 328	Nation wide	Trade firms, wholesalers
50	Ride On Express	288.2	Gin-no-sara, Kamatora, delivery Japanese, 589	Nation wide	Trade firms, wholesalers

Source: Nikkei Marketing Journal, May 27, 2015

QSR= Quick Service Restaurant, FSR = Family Style Restaurant

Conclusion

The \$300 billion food Service Industry in Japan is vibrant and expanding. U.S. suppliers can take advantage of this exciting market by offering quality products to the appropriate restaurants or restaurant suppliers.

III. POST CONTACT AND FURTHER INFORMATION

Reports from Japan's ATOs, in addition to those from the Agricultural Affairs Office, are frequently updated and can be found by searching from the FAS Japan Reports website at:

<http://gain.fas.usda.gov/Pages/Default.aspx>

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

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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

Japan Exporters Guide

This is comprehensive document from the ATOs in Japan containing information useful to exporters considering the Japanese market for the first time. These reports are frequently updated and can be found using the FAS Japan Reports website at: <http://gain.fas.usda.gov/Pages/Default.aspx> and searching for Japan and Exporter Guide

D. Regulations & Standards

The USDA/FAS Report, "Japan Food and Agricultural Import Regulations and Standards (FAIRS Country Report)", provides information about food import regulations and standards. This report can be found using the FAS Japan Reports website at: <http://gain.fas.usda.gov/Pages/Default.aspx> and searching for Japan and FAIRS.