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Japan

Food Processing Ingredients

Originality and Integrity for Consumer Oriented Products

Approved By:
Steve Shnitzler, Director, ATO Japan

Prepared By:
Sumio Thomas Aoki, Senior Marketing Specialist
Yutaka Urano, Intern

Report Highlights:
The Food Processing Sector in Japan remained strong in 2012. The U.S. continued their strong relationship with the Japanese market. The health, safety, prepared, and processed foods sectors showed increased demand. Key market drivers such as more women in the workforce, an aging population, and health conscious consumers have led to product personalization, product convenience, and product innovations. The Japanese food processing industry remains a vibrant market.

Post:
Tokyo ATO

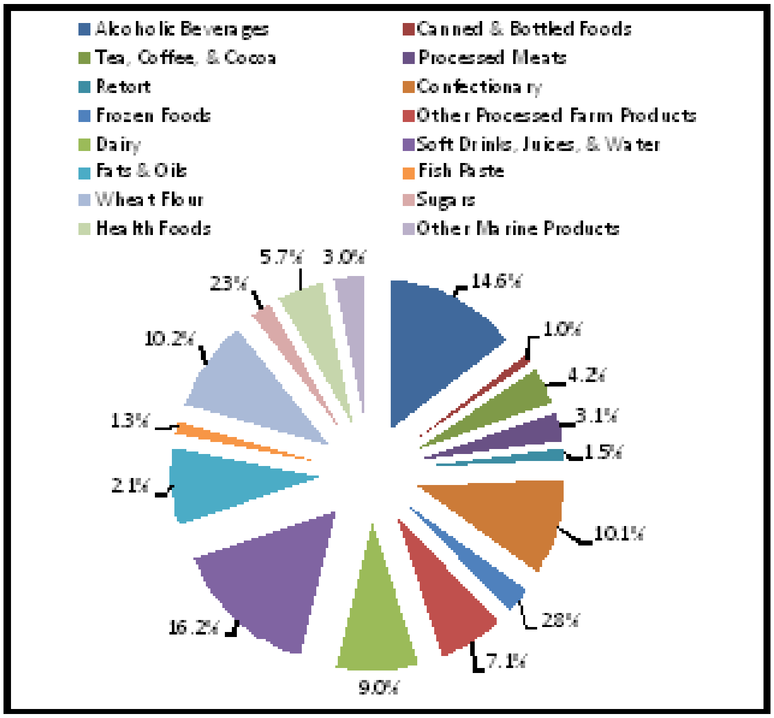
SECTION I: Market Summary

A. Overall Market Summary
The value of the Japanese food processing industry was estimated at Yen 22.8 trillion in 2012, an increase of 1.1% from 2011. Products that contribute to home cooking or ready-to-eat options experienced the most growth. The most significant change was the drop in fats & oils most likely due to the price increase of ingredient costs. The food processing industry is still viewed as a stable and growing industry within Japan.

Due to the large variations of exchange rate fluctuations in the past few years the value data is reported in Japanese Yen. A table of average annual exchange rates is provided for the readers' reference:

Yearly Average	**2010**	**2011**	**2012**
JPY¥ per USD$	88.81	80.84	80.82

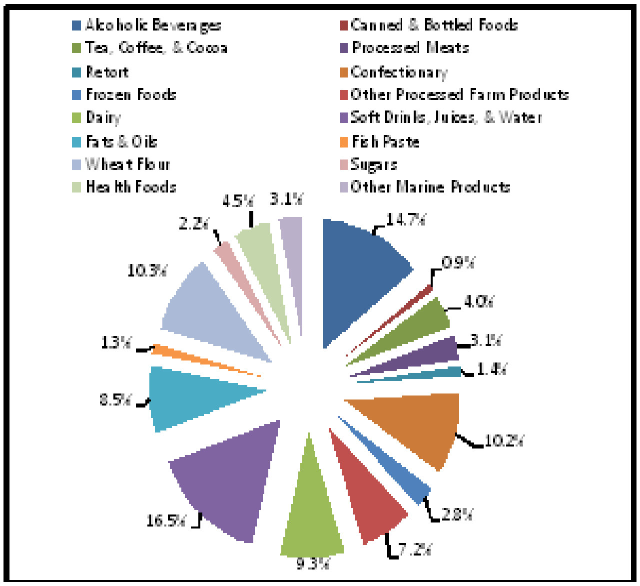
FIGURE 1: Japan Food Processing Industry in 2011



Source: Shurui Shokuhin Tokei Geppo （酒類食品統計月報特別増刊, January号, 2013）

2013 changes are expected to be very minor compared to 2012, which shows the stability of the food processing sector. Health foods, beverages, dairy, and frozen food products will remain flat.

FIGURE 2: Japan Food Processing Industry 2013 Estimate



Source: Shurui Shokuhin Tokei Geppo Tokubetsu Zoukango (酒類食品統計月報特別増刊号, August, 2013)

B. Domestic Companies

The Japanese food processing industry is dominated by 15 major companies, making up almost 50% of the market sales in 2010 (most current available data), with the largest company, Kirin Holdings Co., Ltd., claiming a 10% market share. Appendix A provides a table of the top 15 Japanese food processing companies with their net sales, end channels, production locations, procurement channels, and contact information. This table has been included to provide you with a more detailed image of the current food processing industry in Japan.

C. Key Market Drivers

Key market drivers for the food processing sector include:

- A deflationary economic environment over the past decade, causing processors to seek out lower cost food inputs and international processing options in order to remain competitive.
- Increasing interest in health and functional foods with an emphasis on the growing aging population.
- Increasing emphasis on convenience, ready-to-eat, and value-priced foods.
- Continued diversification of the Japanese diet.
- Personalization and individualization of food and food marketing.
- Larger focus on the demographic of twenty to thirty year olds.
- Heightened consumer and retailer food safety concerns.

D. U.S. Involvement in the Industry (See Figure 3)

The United States is by and far the largest exporter and supplier of agricultural products to the Japanese market, representing 25.59% of all imported value in 2012. This is a small decline from the 26.68% figure in 2011. The gross value slightly decreased from $16.8 billion to $ 15.8 billion, which was most likely caused by higher prices for ingredients. The U.S. remains the dominant exporter for agricultural products both in market share and value. China is the main competitor to the U.S., with exports increasing over the last three years. Canada, France and New Zealand have shown growth also, while products from Thailand and Brazil between have leveled off or declined.

FIGURE 3: Major Food Exporters to Japan

Rank	Partner Country	United States Dollars			% Share			% Change
		2010	2011	2012	2010	2011	2012	2012/2011
	World	50,651,637,905	62,985,914,485	61,569,495,012	100.00	100.00	100.00	- 2.25
1	United States	13,861,954,070	16,803,486,072	15,756,172,793	27.37	26.68	25.59	- 6.23
2	China	6,021,885,019	7,071,054,791	7,919,515,658	11.89	11.23	12.86	12.00
3	Australia	4,232,015,342	4,954,286,780	4,771,515,113	8.36	7.87	7.75	- 3.69
4	Canada	3,502,775,906	4,510,459,983	4,653,071,725	6.92	7.16	7.56	3.16
5	Thailand	3,785,408,999	5,289,681,564	4,401,552,405	7.47	8.40	7.15	- 16.79
6	Brazil	2,380,157,586	3,450,906,863	3,428,784,429	4.70	5.48	5.57	- 0.64
7	Indonesia	1,546,969,646	2,492,405,354	1,800,560,578	3.05	3.96	2.92	- 27.76
8	France	1,306,928,095	1,516,402,739	1,645,883,275	2.58	2.41	2.67	8.54
9	New Zealand	1,286,749,346	1,466,980,027	1,541,601,625	2.54	2.33	2.50	5.09
10	Malaysia	1,029,314,039	1,424,114,778	1,251,249,549	2.03	2.26	2.03	- 12.14

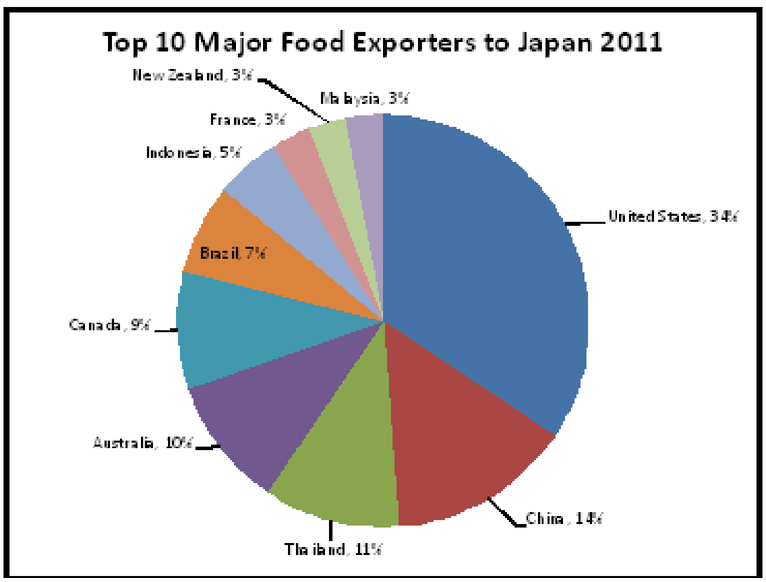


FIGURE 4: Top 10 Major Food Exporters to Japan
Source: Global Trade Atlas (Agriculture Total, Group 2)

E. Analysis

These are three key factors affecting food exports to Japan.

1. Imported food products are often less expensive than their domestic counterparts.
2. Japanese consumers have shown greater acceptance towards imported food since the Fukushima incident.
3. The strong yen exchange rate has driven up food imports from foreign countries to Japan and helped increase the attractiveness of U.S. goods.

For example, U.S. supplies the major portion of corn and hay for the Japanese feed industry. U.S. soybeans support a fundamental Japanese food culture and are used for miso, miso soup, soy sauce, and many other basic foods essential to the dining table.

Whey is used in health products. Cheese goes straight to the pizza delivery companies. Even turkey breast goes directly to Subway Japan.

F. Key Advantages & Challenges for U.S. Food Products

In addition to being the largest exporter to Japan and benefitting from the strong yen purchasing power of U.S. goods, some other factors can be beneficial for U.S. products. Japanese consumers are familiar with ingredients from the U.S. such as: meats, dried fruits, and nuts, etc. Products from the U.S. are also recognized for quality, cultural influences, and health conscious aspects. Some of the key advantages and challenges for U.S. food products are:

FIGURE 5: U.S. Food Product Advantages & Challenges

Advantages	Challenges
The U.S. has a reputation as a reliable supplier of food inputs in terms of availability and delivery.	Consumers perceive Japanese food production as safer than production overseas, including the United States.
U.S. manufacturers produce many specialty food products that are attractive to Japanese consumers.	Making available detailed information to the most appropriate purchaser and company can be difficult in Japan.
Many Japanese love American culture.	Getting your product and product information to the purchaser and consumer is a challenge.

G. Developments within the Industry

Continuing efforts to reduce costs, an increasing number of Japanese food processors have been going off-shore to source processed food items. Examples include Ajinomoto Frozen Foods, the fourth largest frozen food company, which has seven overseas manufacturing plants. Nippon Ham, the largest meat processor in Japan, has joint ventures in Thailand, Australia, Mexico and the United States. Many Japanese companies continue to invest in China to produce frozen vegetables and processed frozen foods specifically for the Japanese market.

Major acquisitions and mergers were scarce for 2012. One mention would be Calpis, who holds the Welch's account and who ranked 65th based on total sales, was sold by Ajinomoto to Asahi Group Holdings. The beverage industry has been highly competitive domestically and Japanese beverage manufacturers have been aggressively expanding overseas.

According to The Beverage & Food Statistics Monthly published by Nikkan Keizai Tsushinsha, the motto for the manufacturing industry in 2012 was "Product Originality and Implementation Manufacturers that adhered to this motto simply sold more, broke price barriers, or differentiated themselves from competitors while recording extraordinary sales. Here are a few products and their descriptions.

Toyo Suisan's, Maruchan Seimen product line boosted overall sales of instant noodles in Japan. It raised necessary attention to the bagged instant noodle market as well as giving customers reason to purchase cupped noodles. Many bagged instant noodles are priced around 80 yen per bag or lower for a five pack. Maruchan Seimen was priced above 100 yen but still became the number one seller. They achieved a high quality noodle that is tender and almost handmade. A total of 5,065,000,000 pieces were manufactured in 2012. The third most produced in a year. Bagged products make up 1.75 billion pieces while there are 3.3 billion cup noodles. Maruchan Seimen ranked 27th in sales in 2012. Keywords: value-added, price ceiling,

Kirin Beverage, the number one Japanese manufacturer (See Appendix A), linked the ever popular soft drink, cola, with an indigestible dextrin dietary fiber that helps prevent digestion of fatty substance that we consume. Mets Cola supports the fattening population while they can continue to enjoy the taste of cola. Keyword: health, functional

Ajinomoto General Foods' Stick Coffee (instant coffee in a stick) made coffee drinking convenient, easy and tasty and is leading the coffee industry in this particular category. The home coffee market got a boost from this and similar products. Keywords: convenient, innovative

Calbee Vegips' vegetable chip concept has been around but Calbee took it further to develop a 3 billion yen market in 2012 the first year Calbee sold Vegips on a national scale. The green packaging is for the thinly sliced fried onion and a red packaging carries pumpkin fried slices. Its light taste and healthy image attracts the target audience, women. Calbee is the largest snack food manufacturer in Japan and ranks 45 with 142 billion yen annual sales. Keywords: healthy, women

Suntory The Premium Malts beer has led the higher priced mass produced beers in Japan. According to the industry, Suntory successfully rearranged its taste profile to have less bitterness, which appeals to the younger drinkers. ATO reported around 2010 that younger drinkers found beer to be too bitter to drink. Suntory is the second largest manufacturer in Japan. Keywords: taste profile, too bitter

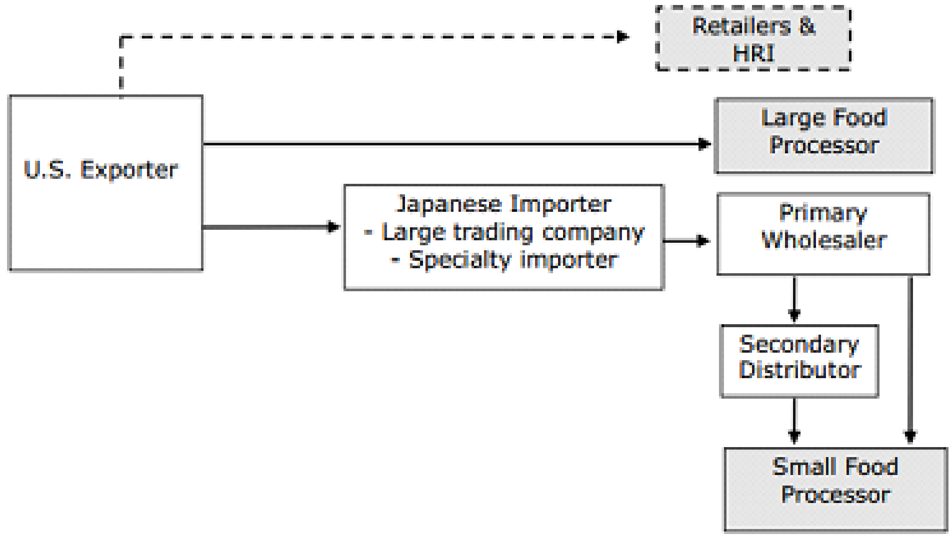
Kikkoman Freshly Pressed Nama (raw)-Soy Sauce isn't pasteurized unlike other soy sauces and freshness is retained longer in a new innovative bottle developed by Kikkoman. According to Kikkoman, "adopts a non-return valve cap that permits soy sauce to pour out, but does not allow air to enter. Without exposure to air, the soy sauce can be preserved for up to 90 days." Kikkoman is the largest soy sauce manufacturer in Japan. Keywords: Fresh, innovative packaging technology

Ajinomoto Frozen Food Non-oil and no water Gyoza surprised the industry and delightfully consumers. Now, homemakers can make frozen gyoza without the hassle of cooking oil or measuring water. The innovative technology is in the pleated wrapper. Just enough oil and water are frozen within the pleated wrapper and when warmed the oil and water seep out to cook the entire gyoza. I'm sure a lot of time and many pieces of gyoza were consumed to develop this technology and recipe. Keywords: innovative technology

SECTION II: Market Structure & Entry

A. Market Structure

The Japanese market structure and distribution system is different from that of the U.S. and thus a thorough understanding of its mechanics before entering the market is essential. The following illustration is a basic flowchart showing how U.S. products would enter and move through the Japanese distribution system. The traditional system looks like this:



Source : ATO

Your product will most likely be handled by a:
1. General trading company
2. First-line wholesaler
3. Second-line wholesaler
4. Retailer, HRI or food processor

Trading companies provide the following services:
1. Legal importer
2. Financier
3. Customs clearance
4. Warehousing
5. Order and shipping documentation

In the past, trading companies would normally sell to first-line wholesalers, who would then sell product to secondary distributors. This pattern has changed in the past decade as companies seek to reduce logistical costs. Large food processors and retailers are now purchasing sizeable quantities of product directly from trading companies. In some cases, the HRI and retail sectors are choosing to directly import items themselves if the size of the transaction makes it cost effective, as displayed in the graph above by the dotted line from U.S. exporters to retailers and HRI. These HRI importers are often large family chain restaurants, *kaiten* (conveyer belt) sushi restaurants, and regional restaurants. Often times, the importer or trading company needs to also add value through special processing, designing, or packaging. These transactions circumvent the usual second-line wholesalers and distributors, but in these tough economic times wholesalers and trading companies realize traditions need to be circumvented.

B. Market Entry

The Japanese market can be a complicated market in which to enter. There are many factors to consider before entering this market, specifically the strict regulations on specific ingredients and additives. Despite this, the Japanese market is still one of enormous potential. With the changing population, demand is shifting and new opportunities are presenting themselves. These trends are discussed in the later sections of the report.

Strategies for entering the Japanese market will vary depending on product characteristics, competition, and the market environment. Tools such as The Market Assessment Checklist are an effective way in which to begin the process of evaluating your product's potential within the Japanese market. The Market Assessment Checklist can be found at:
http://www.fas.usda.gov/agx/market_research/Market_Assessment_Checklist.pdf

For further guidance and a more detailed outline of the variety of resources available to U.S. exporters, please refer to Appendix B.

SECTION III: Sector Trends and Products with Good Sales Potential

A. Consumer Trends

At the consumer level, the following trends are driving the way food processors are marketing their products.

1. *Food Safety*

   Japanese consumers have always been sensitive to food safety issues and March 11 highlighted that trend. Japanese are responsive to two concepts *Anzen* (safety), and *Anshin* (peace of mind). It is not enough for consumers to feel that product is safe; they demand that foods promote a peace of mind. Merchants and retailers can always promote *anzen*, safety, but only time and reputation can bring about the feeling of *anshin*.

2. *Health & Functional Foods*

   With food safety being one of the key food trends of 2011, it comes as no surprise that healthy and functional foods are popular. The official definition of functional foods (FOSHU) and drinks in Japan is "foods which are expected to have a specified effect on health due to the relevant constituents or foods from which allergens have been removed." Functional ingredients such as dietary fiber, oligosaccharides, non-calorie sweeteners, calcium, iron, mineral absorption promoters, beta-carotene, chitosan, specified soy protein, collagen, polyphenols, lactic acid bacteria cultures, soy iso-flavones and germinated brown rice (GABA) have been included in functional foods marketed in Japan. Examples of functional foods include yogurt with lactic bacteria to help digestion and candies with collagen to target skin health. Also, breads with added wheat germs are another functional food.

   In addition to these specialty functional foods, there has also been growing popularity in traditional health foods such as soy milk, which has increased due to its perceived health benefits. Diet conscious consumers have been switching from sugar, soft drinks, cakes and ice creams to low calorie teas, mineral water, as well as fruit and vegetable juices. Tree nuts, especially almonds and walnuts, are also becoming popular.

Snack foods are an area that is truly evolving in terms of health. There are limited snack bar and on-the-go snack options in Japan that specifically target health. While products like Soy Joy have begun to pioneer the path, there is still opportunity in introducing health-based snack products such as low-calorie nutritional bars, energy bars, and processed fruits and vegetables snacks. Many of the health bars and snack options on the market are targeted towards men or athletes and the few low-calorie options that do exist for women are very expensive. The major distribution line for these snack products is through convenience stores, where sales are split between Otsuka Pharmaceuticals, the makers of Soy Joy and CalorieMate, and Asahi, which produces a cereal bar. Affordable health snacks and nutritional bars, both low-calorie and otherwise, have significant potential in this market. In an effort to avoid the high volume, competitive market of convenience stores sales, another recommended entry point is through high-end coffee shops.

Finally, new avenues are being explored for FOSHU by producers to continuing meeting consumer needs. One recent success featured by Nikkei Marketing Journal in the first half of 2012 is Mets Cola (by Kirin Beverage Co.). Mets Cola, released in April, sold over 1.4 million cases in the first month and is the first soft drink to gain certification for health benefits effective in reducing fat if consumed during a meal.

3. *The Aging Population*
Japan is in the midst of a major demographic change. Much like the trend that will also hit the United States in the next couple of decades, the percentage of young people has been shrinking since the 1980's, and the aging population has been growing. By the end of this decade, there will be three pensioners for every child under 15 in Japan. This significant change is creating a substantial new market with new demands. Many domestic firms in Japan have begun the process of creating product lines that cater to the physical and dietary needs of this aging population. These companies claim that products in the market need improvement in the areas of taste, texture, and price. Raising the quality and lowering the price of these products is the current goal of manufacturers and thus many are demanding new purees, specifically meat, fish, vegetable, and fruit, to add as the bases of their soft foods. Last year Japanese aged 60+ spent \$1.18trillion (¥101 trillion) – or presented in another fashion, these silver spenders accounted for 44% of the consumer spending in Japan. Further exemplifying the power of this segment, 70% of the \$1.18trillion was in the 65+ age bracket. As Japan is just the first of many postindustrial nations to experience this trend, the food technology that is pioneered here and now will be the same technology that will cater to the aging population in other nations in the future.

4. *Growth of Convenience Foods*
The fast paced Japanese lifestyle has led to the growth of processed foods as a replacement for meals made from scratch at home. The best example is the rapid expansion of convenience (*konbini*) store chains over the past decades, which specialize in a large variety of prepared meals. Examples of prepared meals are traditional bento lunch boxes, *onigiri* (rice ball), pasta dishes, sandwiches, salads, baked goods, and desserts. Ingredients such as low-cost processed vegetables to be added to bento lunches or as ingredients in very popular snack foods such as *korokke*, a breaded and fried potato or meat patty, are in high demand. Additionally items such as lunch meats and fruit or nut ingredients for confectionery use are also in demand. With over 48,000 convenience stores in Japan, these prepared food options are major competitors with fast-food chains. Major fast food companies describe these "*konbinis*" as competition because they are located in high traffic areas and thus are easy to access on lunch breaks and before

dinner. They are open 24 hours and the meals are inexpensive and tasty.

In addition to these pre-made meals available at convenience stores, processed and packaged convenience food is also becoming very popular. Over the last 7 years, there has been a decline in restaurant dining as many Japanese are looking for less expensive options. These foods are ready-to eat, Home Meal Replacement (HMR) type products (*obento* lunch boxes at the office are one example). It is estimated that 22 % of all meals in Japan are HMR. Many versions of home meal replacement frozen foods that are trending in Japan now with prepared foods composing 56.8% of the frozen food market. Some examples of these foods include cooked rice dishes, Asian and Western noodles, breads, and fish. These dishes have a long shelf life and are easy to prepare.

In addition to this, young Japanese are marrying later which has lead to more Japanese cooking single portions and thus looking not only for freshly prepared meals to grab on the go but also easy to make meals at home. Packaged sauces, meals in-a-box, instant meals, and other easy to make options are growing in popularity and it is this sector of easy home cooking which will continue to grow.

5. *Breakfast*

Traditionally, breakfast has been eaten at home at the kitchen table. External changes to the Japanese lifestyle have led to the growing need for on-the-go breakfast options. As more women enter the workforce and as young Japanese begin to get married at an older age, there has been a significant move toward eating fast, easy, and inexpensive. This growing trend of convenient on-the-go breakfast products can be seen in almost every office building as the workday begins, as people now bring their breakfast to work. Items such as hearty instant cup soups, breakfast bars, and granola are stepping in as filling substitutes for the traditional sit down meal. While some bring these items from home, many Japanese are picking their breakfast up as they go. The McDonald's breakfasts, given the name *asamaku*, (literally: morning McDonald's) as well as other fast food breakfast items have become increasingly popular, mainly for their convenience, price, and the variety of hearty options. Even such items as muffins and morning pastries are becoming more popular as a result of the growing Western influence of coffee shops. But while these sweeter breakfast items are growing, more savory foods and filling food items are preferred in the morning by both men and women.

6. *Beauty & Anti-aging*

Beauty and anti-aging products have always been popular in the Japanese market, yet have remained mainly within the areas of cosmetics and pharmaceuticals. Along similar lines as functional foods, beauty and anti-aging is becoming a new marketing tactic within a growing aging population. This trend is showing large potential in the area of processed foods. While one approach is to educate the public on the natural anti-aging effects of some processed fruits and vegetables as well as juices, other companies have started to add anti-aging ingredients, such as collagen, to candies, beverages, and snack foods. The addition of these beautifying and anti-aging ingredients to food is becoming very popular among women of all ages. While this portion of the industry continues to grow, Japanese regulations surrounding health claims are extremely strict.

7. *Diversification in the Diet*
   The internationalization of the Japanese diet offers U.S. exporters an opportunity to supply ingredients to meet this increasing demand. Japanese consumers have embraced U.S. goods and food ingredients into their diet; nuts, fruits, vegetables, and meat products have become a part of Japanese dietary habits.

B. Producer Trends

Food producers have certain themes and priorities for their goods and the way to present them to the Japanese consumer. In general, the best place to see producer trends and ideas are at the large trade shows (see Appendix: Entry Strategy: part 3). One of the largest in Japan is FoodEX and has roughly 75,000+ unique visitors a year who come to look at vendors, both domestic and foreign. The FoodEX 2012 report shows the most popular foreign and domestic products.

FIGURE 8: Product Ranking

Foreign Food Products	Domestic Food Products
1. Wine 2. Olive Oil 3. Frozen Vegetables 4. (Tie) Dried Fruits, Sparkling Wine 5. Snack Foods 6. (Tie) Fruit, Vegetable Juice & Canned, Bottled Vegetables 7. Frozen Fruits Canned, Bottled Fruits 8. Chocolate 9. Pickled products 10. (Tie) Biscuits, cookies & Sauces 11. Nuts, Seeds 12. Other Vegetable Products 13. Spirits 14. Fresh Fruits 15. Dehydrated Vegetables 16. Fresh Vegetables	1. Seafood Products 2. Functional Foods, Health Oriented Products 3. Confectionary, Desserts 4. Seasonings, Spices 5. Frozen Seafood Products 6. Fruits, Vegetable Juice 7. Pickled products 8. Dressings 9. Ingredients for further processing 10. Japanese Sake 11. (Tie) Processed Vegetables & Wine & Liqueur 12. Fresh Vegetables 13. Miso 14. (Tie) Rice Products & Biscuits/cookies & Other Soft Drinks

Source: FoodEX Japan 2012

You can see a clear trend for foreign products in vegetables and fruits. The United States fills a portion of this market and those U.S. producers experience a good, albeit competitive, relationship for their goods in Japan.

C. Products not Present Due to Significant Barriers

1. Items Containing Prohibited Ingredients or Excess of Allowable Limits
   Because of the strict Japanese regulations on food additives, some U.S. food products containing prohibited additives or excess amount of allowable limits cannot enter Japan. It is highly recommended that U.S. exporters check their product compliance as a first step when considering business in Japan. Contact ATO Japan at atotokyo@fas.usda.gov

   For more information on food additives, please refer to JETRO's Specifications and Standards for Foods, Food Additives, etc. Under the Food Sanitation Act (2010) http://www.jetro.go.jp/en/reports/regulations/pdf/foodext201112e.pdf

2. High Tariff Rate or Quota Restricted Items
   A variety of dairy products such as butter, edible non-fat dry milk and whey products, cheese, yogurt, and other dairy products are subject to TRQ/high tariffs. Likewise, sugar and rice face very high tariff rates. It is wise to check the tariff rates as well as quota restrictions for your product classification. Quotas still exist on some items such as dry beans. Refer to the latest Japan Customs' tariff schedule: http://www.customs.go.jp/english/tariff/2012_4/index.htm (April 2012).

3. Quarantine Restricted Items
   Numerous fresh produce products are prevented from entering Japan due to the Japanese plant quarantine regulations. For example, fresh potatoes are prohibited to import. The list of prohibited produce items can be obtained from APHIS, Tokyo at (011-81-3) 3224-5111 as well as through ATO offices in Japan at atotokyo@fas.usda.gov

SECTION IV: Post Contact & Further Information

For those with questions or seeking additional assistance, please contact the U.S. Agricultural Trade office (ATO) in Tokyo or Osaka at the following addresses:

ATO Tokyo
U.S. Embassy
1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
Tel: 81-3-3224-5115 Fax: 81-3-3582-6429
E-mail address: atotokyo@fas.usda.gov

ATO Osaka
American Consulate General
2-11-5, Nishi Tenma, Kita-ku, Osaka City, Osaka 530-8543
Tel: 81-6-6315-5904 Fax: 81-6-6315-5906
E-mail address: atoosaka@fas.usda.gov

ATO Japan has begun a series of regional reports to provide specific information on major regions in Japan. Please go to http://www.usdajapan.org/ and click on "Regional Briefs". To date, the ATO has reports on the Kansai region (Osaka/Kobe), and the Chugoku region (Hiroshima). Reports on Hokkaido (Sapporo), and Kyushu (Fukuoka/Kagoshima) will be available soon.

Websites: http://www.us-ato.jp, http://www.usdajapan.org, http://www.myfood.jp

Note: It is recommended that U.S. exporters verify relevant import requirements with their foreign customers, who normally have the most updated information on local requirements, prior to exportation. Final import approval of any product is subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry.

SECTION V: Appendix

A. **Company Profiles**

	Company (Main Products)	Net Sales (¥ Mil.)	End User Is	Procurement Channels	Address	Phone # Website
1	Kirin Holdings Co., Ltd. (Beer, Liquors, Wine, & Foodstuff)	¥2,186,177 (Dec. 2012)	Retail/ HRI	Importers, Direct	2-10-1 Shinkawa Chuo-ku, Tokyo 104-8288	03-5541-5321 www.kirinholdings.co.jp
2	Suntory Ltd. (Liquors, Beer, Soft Drinks, & Wine)	¥1,851,567 (Dec. 2012)	Retail/ HRI	Importers, Direct	2-1-40 Dojimahama Kita-ku, Osaka City 530-8203	06-6346-1131 www.suntory.co.jp/
3	Asahi Breweries, Ltd. (Beer, Liquors, Wine, & Foodstuff)	¥1,579,076 (Dec. 2012)	Retail/ HRI	Importers, Direct	1-23-1 Azumabashi Sumida-ku, Tokyo 130-8602	03-5608-51112 http://www.asahibeer.com/
4	Meiji Holdings (Dairy, Beverages, Frozen Foods, Processed Foods, & Baby Foods)	¥1,126,520 (Mar. 2013)	Retail/ HRI	Importers, Direct	1-2-10 Shinsuna Koto-ku, Tokyo 136-8908	03-3273-4001 http://www.meiji.com/english/
5	Maruha Nichiro Holdings (Marine Products)	¥809,789 (Mar. 2013)	Retail	Importers, Direct	1-1-2 Otemachi Chiyoda-ku Tokyo 100-0004	03-6833-0826 http://www.maruha-nichiro.co.jp/english/index.html
6	Nippon Meat Packers. Inc. (Beef, Pork, Chicken, Ham, Sausages, & Deli)	¥671,356 (Mar. 2013)	Retail/ HRI	Importers, Direct	3-6-14 Minami-Honmachi Chuo-ku, Osaka City 541-0054	http://www.nipponham.co.jp/en/
7	Yamazaki Baking Co., Ltd. (Breads, Confection	¥630,890 (Dec, 2012)	Retail/HRI	Importers, Direct	3-10-1 Iwamotocho Chiyoda-ku,	03-3864-3111 http://www.yamazakipan.co.jp/english/index.html

	ary, Jam, & Spread)				Tokyo 101-8585	
8	Ajinomoto Co., Inc. (Amino Acids, Instant Bullion, & Sauces)	¥622,919 (Mar. 2013)	Retail/ HRI	Importers, Direct	1-15-1 Kyobashi Chuo-ku, Tokyo 104-8315	03-5250-8111 www.ajinomoto.co.jp
9	Megmilk Snow Brand Co., Ltd (Milk, Yogurt, Pudding, Functional Dairy Products, Fruit & Vegetable Juices)	¥522,987 (Mar. 2013)	Retail/ HRI	Importers, Direct	13 Honshio-cho Shinjuku-ku, Tokyo 160-8575	03-6887-3690 http://www.meg-snow.com/english/
10	Sapporo Holdings (Beer, Liquors, Soft Drinks, & Wine)	¥492,490 (Dec. 2012)	Retail/ HRI	Importers, Direct	4-20-1 Ebisu Shibuya-ku, Tokyo 150-8522	03-6694-0002 www.sapporoholdings.jp
11	Nichirei Corporation (Frozen & Retort Processed Foods, Chicken, Pork, Beef, & Fish)	¥470,126 (Mar. 2013)	Retail/ HRI	Importers, Direct	6-19-20 Tsukiji Chuo-ku, Tokyo 104-8402	03-3248-2101 http://www.nichirei.co.jp/english/index.html
12	Nisshin Seifun Group Inc. (Flours, Pastas, Pasta Sauces, Rehydratable Noodles, Frozen Foods, & Beverages)	¥455,566 (Mar. 2013)	Retail/ HRI	Importers, Direct	1-25 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-8441	03-5282-6666 www.nisshin.com
13	Morinaga Milk Industry Co., Ltd. (Dairy, Baby Foods)	¥446,218 (Mar. 2013)	Retail/ HRI	Importers, Direct	5-33-1 Shiba Minato-ku, Tokyo 108-8384	03-3798-0111 http://www.morinagamilk.co.jp/english/
14	Coca-Cola West Japan Co., Ltd.	¥386,63	Retail	Direct	7-9-66 Hakozaki Higashi-ku,	092-641-8591 www.ccwest.co.jp

	(Beverages, Functional Beverages, & Functional Foods)	7 (Dec. 2012)			Fukuoka City 812-8650	
15	Nissin Foods Holdings (Cup noodles, pasta, frozen foods, snacks)	¥382,793 (March 2013)	Retail	Importers, Direct	28-1, 6, Shinjuku, Shinjuku-ku Tokyo 160-8524, Japan	03-3205-5111 http://www.nissinfoods-holdings.co.jp/english/

Source: Tokei Geppou, Nikkei Keizai Tsushinsha
Food Manufactures Top 15 List, October 2013 p8
Net sales: unconsolidated

B. **Entry Strategy**

Before You Start:

1. Before considering exporting, please consider the following factors:
    a. If your company has the production capacity to commit to the export market.
    b. If your company has the financial and non-financial (staff, time, etc.) resources to actively support your exported product(s).
    c. If your company has the ability to tailor your product's packaging and ingredients to meet foreign import regulations, food safety standards, and cultural preferences.
    d. If your company has the necessary knowledge to ship overseas such as being able to identify and select international freight forwarders, temperature management, and other factors.
    e. If your company has the ability to navigate export payment mechanisms, such as developing and negotiating letters of credit.

2. Determine whether import of your product is allowed by Japanese food regulation. Because of strict Japanese regulations, there are many agricultural products that are prohibited for import from the U.S. to Japan.
    a. Contact an ATO Japan office for a list of prohibited items.
    b. For plant or animal health information, contact your local APHIS office at: http://www.aphis.usda.gov/animal_health/area_offices/
    c. If the product contains meat or meat products, please refer to the Food Safety Inspection Service Export Library: http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/Japan

3. Perform Some Basic Market Research:
    a. The Market Assessment Checklist is an effective tool to organize and evaluate your market and

product:
http://www.fas.usda.gov/agx/market_research/Market_Assessment_Checklist.pdf

b. Determine whether there is demand for your product and what your target market will be.
c. Determine whether your product is price competitive against Japanese and other producers, keeping in mind transportation costs as well as modification costs.
d. Determine the comparative advantage of your products. Potential customers need to be convinced of the merit of using your products. Some examples are price savings, higher quality, higher value-added, or more convenient packaging.

   1) Agricultural Trade Office (ATO) Tokyo has services to assist you with market research and developing marketing strategies. You should also contact your regional trade group:
      - Midwest: http://www.foodexport.org/
      - West: http://www.wusata.org/
      - Northeast: http://www.foodexportusa.org/
      - South: http://www.susta.org/
   2) Review Japanese food regulations to determine if your product(s) comply with or need to be altered to fit local laws regarding additives, residue levels, and processing procedures. Also understand regulations in terms of weight, size, and labeling. JETRO's Handbook for Agricultural and Fishery Products Import Regulations is a helpful tool: http://www.jetro.go.jp/en/reports/regulations/pdf/agri2009e.pdf

4. Develop an Export Action Plan:

Once you have collected the general market, products, and regulatory information, begin the process of creating an export action plan. This plan will be instrumental in helping distributors and buyers see your vision. Keep in mind that many portions of this plan will change after personal interaction with the market or as more information is gathered.

This action plan should include:

- Objective
- Goals and benchmarks, short-term and long-term
- Product
- Market
- Product packaging and handling
- Product modifications, if applicable
- Financial resources to be committed
- Non-financial resources to be committed
- Additional financing
- Potential importers and buyers
- Schedule
- Marketing plan
- Evaluation

5. Get to Know the Market Personally:

Once you have determined that exportation is feasible and you have developed a basic strategy, either visit Japan to explore opportunities firsthand or find a representative to do so. When appointing agents, be sure your partner has a good reputation and track record in the market place.

This face-to-face interaction is very important in business because Japan is unique in the respect that personal relationships are very important. Additionally, keep in mind that it takes time to form these relationships.

Understand how the Japanese distribution system works and begin the process of figuring out where you are to enter.

Finding a Buyer:

1. Begin looking for potential buyers and distributors. To find trade leads, participate in trade shows, use the trade leads service, and contact the ATO Japan through its website: http://www.us-ato.jp
2. Foreign Buyers List: The Foreign Agricultural Service offers a foreign buyers list for many countries around the world. This list has information on prospective foreign buyers and these contacts can be acquired through the ATO Japan.
3. Trade shows: There are a variety of trade shows, large and small, which act as great tools for market research as well as for finding potential distributors. A list of USDA endorsed trade shows can be found at: http://www.fas.usda.gov/agx/trade_events/usda_shows.asp
    a. The three recommended trade shows in Japan for the food processing sector are:
        1) FOODEX JAPAN 2014: http://www3.jma.or.jp/foodex/en/
        2) International Food Ingredients and Additives Exhibition (IFIA) Japan 2013: http://www.ifiajapan.com/2014/en/index.html
        3) Health Ingredients Japan 2014: http://www.hijapan.info/eng/
    b. Meet with Japanese importers who distribute the types of agricultural products that you wish to export to learn more about the competitive environment.
    c. Visit potential customers to determine if there is interest in your product and to determine how they normally source products.
    d. This is a good way to discover how products are normally reformulated and how packaging is tailored to the marketplace. Most packaging or labeling will have to be changed for the Japanese market, as American packaging is normally too large.

Documentation and Shipping:

1. After revising your export action plan and finding a distributor, begin the process of setting up a payment structure and meeting import documentation requirements. Information on this area can be found at: http://www.fas.usda.gov/agx/ship_doc_req/general_export_req.asp
2. When ready to ship, begin the process of finding a freight forward that often will handle many of the logistics of shipping for a fee. Refer to the Agricultural Export Transportation Handbook for more information: http://www.fas.usda.gov/agx/ship_doc_req/shipping.asp

Marketing:

1. When ready to market your product, use the ATO Tokyo or Osaka offices as resources for information on promotion and marketing.

Additional Resources:

1. For any additional export information, refer to the USDA Foreign Agricultural Service's export assistance website: http://www.fas.usda.gov/agx/exporter_assistance.asp and http://www.us-ato.jp

Helpful Tips:

1. Points to remember when doing business in Japan:
   a. Be clear with importers about the conditions under which price adjustments may occur.
   b. Be aware that Japan is a very service oriented culture and requires quick response to both product complaints and requests for information.
   c. Doing business for the first time in Japan requires patience. Orders normally start small to determine whether the product will meet market requirements.
   d. Arranging a credit check can be a good way to avoid issues in the future. There are a few Japanese companies that will conduct credit checks in English:

Teikoku Databank America, Inc.
780 Third Avenue, 22nd Floor
New York, NY 10017
Tel: 212-421-9805 | Fax: 212-421-9806
Email: tda-support@teikoku.com