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Japan

Food Processing Ingredients

Japan Food Processing Sector Report 2014

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Report Highlights:
The Food Processing Sector in Japan remained stable in 2013, and the United States is still an important supplier. Demand increased for prepared and processed food as well as food that is trusted to be healthy and safe. Key market dynamics driving product innovation include more women joining the workforce, an aging population, and increasingly health-conscious consumers.

Post:
Tokyo ATO

SECTION I: Market Summary

A. Overall Market Summary

The value of the Japanese food processing industry was estimated at 22.8 trillion Yen in 2013, an increase of 0.6% from 2012. Products related to home cooking of ready-to-eat options experienced the most growth. The most significant change was a drop in fats & oil usage, most likely due to an ingredient price increase. The food processing industry is still viewed as a stable industry within Japan.

Due to exchange rate fluctuations in the past few Years, the value data in this report is reported in Japanese Yen. He following table of average annual exchange rates is provided for the readers' reference:

Figure 1

Yearly Average	2010	2011	2012	2013	2014*
JPY per USD	87.77	79.80	79.79	97.59	102.56

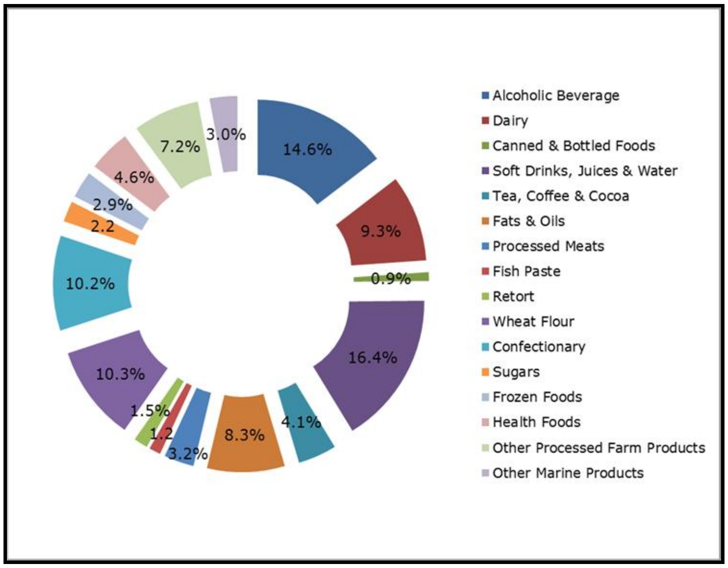
Note: The annual exchange rate in 2014 is the average between January and August.
Source: Principal Global Indicators

Figure 2:Value of the Japanese Food Processing Industry 2012-2014

Category of Foods	Category of Foods	Category of Foods	2014 (Unit: Million Yen)	Year to Year (%)		Composition Ratio (%)	Composition Ratio (%)
				2013/2012	2014/2013	2013	2014
Alcoholic Beverage	3,333,000	3,337,570	3,365,680	100.1%	100.8%	14.6%	14.6%
Dairy	2,106,430	2,116,960	2,144,350	100.5%	101.3%	9.3%	9.3%
Canned & Bottled Foods	224,805	224,502	216,872	99.9%	96.6%	1.0%	0.9%
Soft Drinks, Juices & Water	3,736,415	3,779,953	3,787,367	101.2%	100.2%	16.5%	16.4%
Tea, Coffee & Cocoa	939,950	949,800	955,090	101.0%	100.6%	4.2%	4.1%
Fats & Oils	1,905,052	1,912,169	1,924,159	100.4%	100.6%	8.4%	8.3%
Processed Meats	718,000	733,500	742,000	102.2%	101.2%	3.2%	3.2%
Fish Paste	293,032	290,966	285,827	99.3%	98.2%	1.3%	1.2%
Retort	326,450	339,470	346,460	104.0%	102.1%	1.5%	1.5%
Wheat Flour	2,345,900	2,347,200	2,365,750	100.1%	100.8%	10.3%	10.3%
Confectionary	2,340,100	2,346,500	2,357,500	100.3%	100.5%	10.3%	10.2%
Sugars	502,640	509,500	513,450	101.4%	100.8%	2.2%	2.2%
Frozen Foods	639,234	659,200	665,700	103.1%	101.0%	2.9%	2.9%
Health Foods	960,000	985,000	1,050,000	102.6%	106.6%	4.3%	4.6%
Other Processed Farm Product	1,665,682	1,654,660	1,649,610	99.3%	99.7%	7.2%	7.2%
Other Marine Products	709,540	697,935	688,910	98.4%	98.7%	3.0%	3.0%
Total	22,746,230	22,884,885	23,058,725	100.6%	100.8%	100.0%	100.0%

Changes in 2013 were very minor compared to 2012, which shows the stability of the food processing sector. Sales of health foods, beverages, dairy, and frozen foods remained flat.

FIGURE 4: Japan Food Processing Industry 2014 Estimate



Source: Shurui Shokuhin Tokei Geppo Tokubetsu Zoukango（酒類食品統計月報1月号,January, 2013）

B. Domestic Companies

The Japanese food processing industry is dominated by 15 major companies, making up almost 60% of the market sales in 2013 (according to the most current available data), with the largest company, Kirin Holdings Co., Ltd., claiming a 9.85% 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 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 needs of the aging population.
- Increasing emphasis on convenience and ready-to-eat foods.
- Demand for value.
- 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 5)

The United States is by far the largest exporter and supplier of food* products to the Japanese market, representing 23.1% of all imported value in 2013. This is a small decline from the 24.7% figure in 2012. The gross value increased from $10.7 billion to $ 13.8 billion. The U.S. remains the dominant exporter of 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. Other competitive exporting countries such Australia, Canada, Brazil, Thailand, Holland, France, Indonesia and New Zealand have shown growth as well.

*Previous data included forestry and non-food items. This data represents food and beverages.

FIGURE 5: Major Agricultural Product Exporters to Japan

Rank	Partner Country	United States Dollars (Unit:100)			% Share			% Change 2013/2012
		2011	2012	2013	2011	2012	2013	
1	United States	114,880,456	107,102,697	138,105,895	25.8%	24.7%	23.1%	20.2%
2	China	47,003,671	52,842,723	72,342,378	10.5%	12.2%	12.1%	53.9%
3	Australia	31,694,198	30,657,038	41,384,052	7.1%	7.1%	6.9%	30.6%
4	Canada	28,803,288	29,764,922	40,355,553	6.5%	6.9%	6.7%	40.1%
5	Brazil	22,301,971	22,255,825	38,294,554	5.0%	5.1%	6.4%	71.7%
6	Thailand	34,144,362	28,405,921	38,155,963	7.7%	6.5%	6.4%	11.7%
7	Holland	18,105,578	17,706,751	24,589,498	4.1%	4.1%	4.1%	35.8%
8	France	12,014,125	12,459,943	18,030,841	2.7%	2.9%	3.0%	50.1%
9	Indonesia	16,246,987	11,862,113	15,350,869	3.6%	2.7%	2.6%	-5.5%
10	New Zealand	9,334,850	9,808,251	13,244,193	2.1%	2.3%	2.2%	41.9%
11	Others	111,099,992	111,371,928	159,065,782	24.9%	25.6%	26.6%	43.2%
	World	445,629,479	434,238,110	598,919,578	100.0%	100.0%	100.0%	34.4%

Source: Export and Import Review of Agricultural and Marine Products 2013 (Ministry of Agriculture, Forestry and Fisheries)

Figure 6: Top 10 Food Product Exporters to Japan

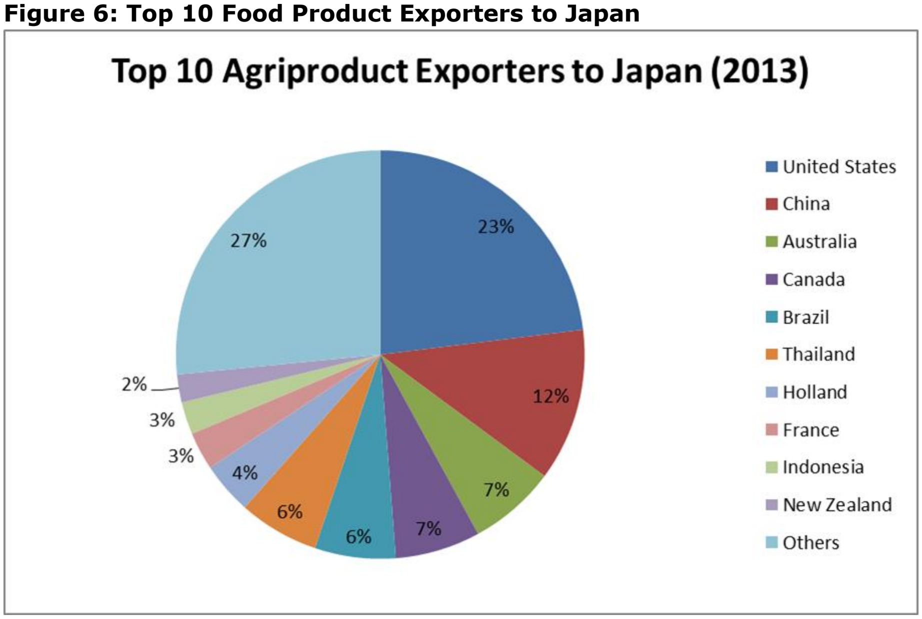
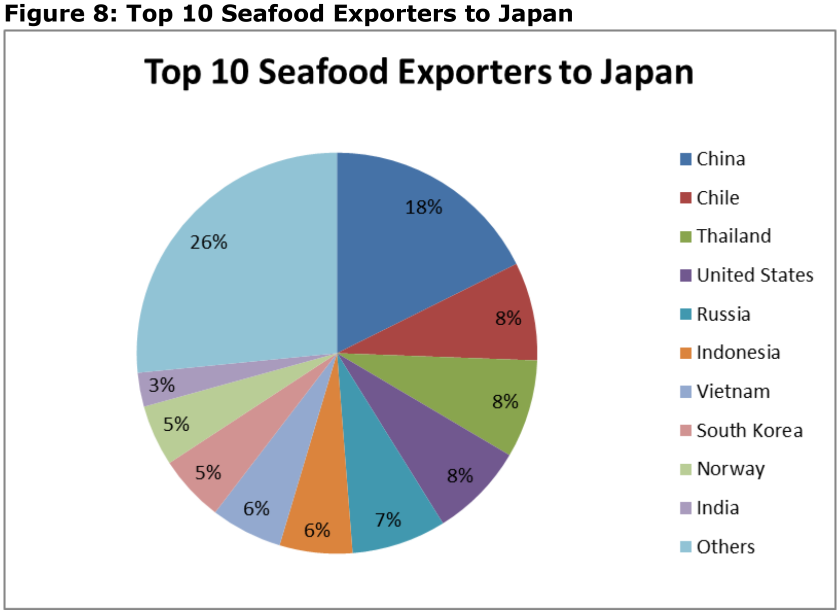


FIGURE 7: Major Seafood Exporters to Japan

Rank	Partner Country	United States Dollars (Unit:100)			% Share			% Change 2013/2012
		2011	2012	2013	2011	2012	2013	
1	China	21,127,364	21,073,093	27,214,523	18.2%	17.6%	17.7%	28.8%
2	Chile	10,497,646	10,439,036	12,215,792	9.0%	8.7%	7.9%	16.4%
3	Thailand	9,685,101	10,191,510	12,205,251	8.3%	8.5%	7.9%	26.0%
4	United States	9,128,402	9,954,756	11,775,913	7.9%	8.3%	7.6%	29.0%
5	Russia	9,094,645	9,697,335	11,764,689	7.8%	8.1%	7.6%	29.4%
6	Indonesia	6,143,085	6,436,562	9,050,264	5.3%	5.4%	5.9%	47.3%
7	Vietnam	5,603,623	5,894,510	8,902,694	4.8%	4.9%	5.8%	58.9%
8	South Korea	6,621,020	6,667,332	8,285,282	5.7%	5.6%	5.4%	25.1%
9	Norway	5,724,044	5,885,413	7,588,620	4.9%	4.9%	4.9%	32.6%
10	India	2,806,320	2,483,801	4,226,332	2.4%	2.1%	2.7%	50.6%
11	Others	29,655,175	31,349,266	40,946,613	25.5%	26.1%	26.6%	38.1%
	World	116,086,426	120,072,614	154,175,971	100%	100.0%	100%	32.8%

Source: Export and Import Review of Agricultural and Marine Products 2013 (Ministry of Agriculture, Forestry and Fisheries)

Figure 8: Top 10 Seafood Exporters to Japan



E. Analysis

Three key factors affecting food exports to Japan are:

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 nuclear incident.
3. The strong yen exchange rate in 2013 drove up food imports from foreign countries to Japan and helped increase the attractiveness of U.S. goods (although that trend has reversed in 2014).

The United States supplies many important components of Japanese food. For example, The U.S. supplies the majority of corn and hay for the Japanese feed industry. U.S. soybeans support the fundamental Japanese food culture and are used for tofu, miso, miso soup, soy sauce, and many other basic food staples. Whey is used in health products. Cheese goes straight to 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 2013 strong yen,   U.S. products enjoy other advantages. Japanese consumers are familiar with ingredients from the United States such as: meats, dried fruits, nuts, etc. Japanese consumers also view products from the U.S. as high-quality, and healthy Some of the key advantages and challenges for U.S. food products are:

FIGURE 9: 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.	Providing detailed information can be difficult in Japan.
Many Japanese love American culture.	Getting product information to the purchaser is a challenge.

G. Developments Within the Industry

The Beverage & Food Statistics publication on 84 food manufacturers' consolidated accounts showed that total revenues increased 5.7% and operating profits increased 14.2% according to March 2013 financial reports. These were most likely affected by the scheduled tax Increase that was planned for later in the year, and a gradual weakening of the Japanese yen. According to projections for the April 2014-March 2015 Japanese fiscal year, 13 food manufacturing sectors out of 15 projected total revenue increases and 11 projected operating profits.

Japanese companies are searching abroad to expand their international businesses. In September 2013 Suntory Food International announced an international investment into the British company Glaxo Smith Klein's Lucozade Ribena, known for its energy drink and other popular beverages. Suntory will develop the market for both product lines. International investments will likely become a larger area of business for many Japanese companies.

Japan Food Journal Co., Ltd. announced the best products that were introduced to the market in 2013 for four categories: General processed, alcoholic beverage, chilled and frozen food, and confectionery. For functional foods, a best new technology and functional food award category was also given.

Here are a few identified products and their descriptions.

In February 2013 **Ajinomoto Co., Inc.** unveiled Japanese and Western style cooking sauces called "Today's Rice Bowl". There are a total of nine flavors such as Pork Rib and Daikon and Honey Ginger Pork Stir-fry. The directions are simple and the concept was for all the products to be made with a single frying pan. In 2013, the market size for this type of seasoning sauce increased 21%, much to the success of Ajinomoto's product. Ajinomoto projects 4 billion yen in sales for 2013.

Kao added two products to their successful canned coffee series called, Healthya (See related report in ATO Tokyo's business website us-ato.jp http://www.us-ato.jp/en/trend/index.html#japan_food). Healthya contains chlorogenic acids, which is a polyphenol claimed to help burn fat. Healthya received approval for a "Tokuho" or FOSHU (Foods for Specified Health Uses) label as it is has been designated by Japan's Consumer Agency as a specialty functional food. Part of the marketing and branding success of Healthya was a taste monitoring campaign covering over 100 thousand drinkers.

Suntory Food International's FOSHU green tea product, Tokucha, also received an award. The effective ingredient is quercetin glycoside, which helps reduce body fat. The main target market is 30-40 year old men who are mostly concerned about body fat, however homemakers and senior citizens are the core customers. Only three months after the product was launched, Tokucha reached 3 million cases, approximately three times the planned annual sales.

Kirin Brewery Co., Ltd. created a new third beer flavored product, Kirin Sumikiri.. Third beer flavored products target the 30 something age group. Kirin Sumikiri has "umami" but is very crisp, without a strong residual after taste. Kirin Sumikiri was launched on May 14, 2013 and within the third month of sales 100 thousand 350 ml cans were sold.

Meiji Co., Ltd. introduced a brand new product-a cheese spread that is spread on bread and then toasted in a toaster oven. The product contains a mixture of cheddar and parmesan cheeses. There are two ways to enjoy the spread. One is to light spread it before toasting to give the crunchy texture. The second is to spread it heavily to softer cheesy melt.

bread a
create a

From **Lotte Co., Ltd.** is a chocolate almond cookie named "Shokorantan". Targeting consumers in their 40's and women in general, Shokorantan in considered an elegant cookie confectionery.

Kagome Co., Ltd.'s "Labre" lactic acid health drink won the Technology and Food Development Award. It contains the lactobacillus brevis sub-species coagulans. L. brevis KB290, found in a fermented vegetable from the Kyoto region which is similar to a turnip. This is a probiotic which claims to support the intestines and improve the immune system functions.

New

SECTION II: Market Structure & Entry

A. Market Structure

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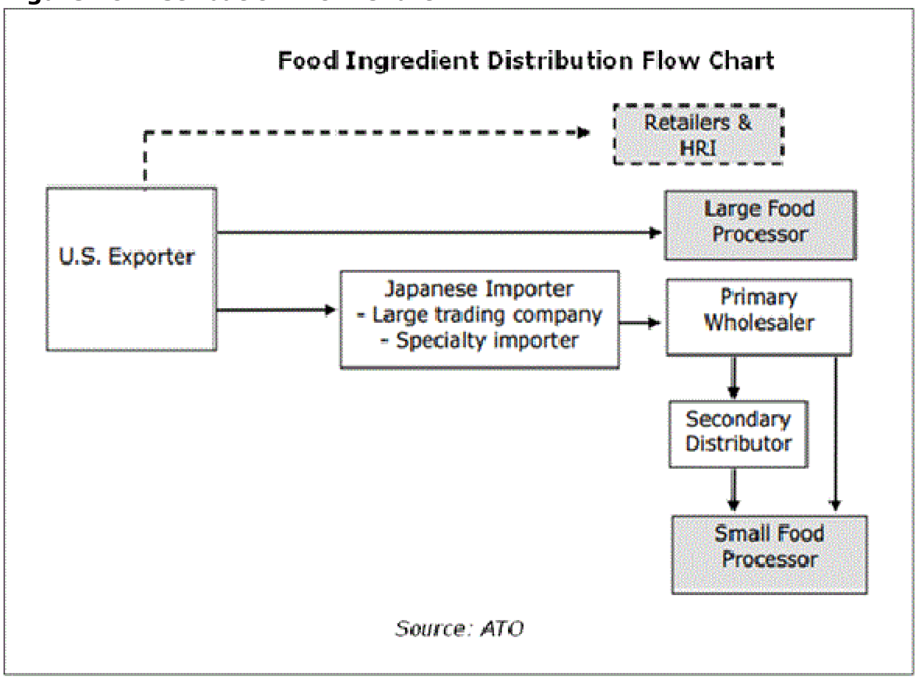
The Japanese market structure and distribution system is different from that of the U.S. and thus a thorough understanding of its mechanics before entering the market is essential. The following illustration is a basic flow-chart showing how U.S. products would enter and move through the Japanese distribution system.

The traditional system looks like this:

Figure 10:Distribution Flow Chart



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. Importing
2. Financing
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 the 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 products 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 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 later sections of this 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

A recent consumer survey showed these results.

Figure 11: Consumer Expenditure Trends 2011-2013 Unit: Yen

Item	2011	2012	2013	12/13	Monthly Average (2013)
Consumer Expenditures	2,966,673	2,971,816	3,018,910	101.6%	251,576
Food Expenditures	766,320	768,690	780,450	101.5%	65,038
Eating Out Expenditures	149,489	150,724	156,638	103.9%	13,053

Note 1: Single Students were excluded from national household data
Note 2: Food Expenditures did not include fresh fish, fresh shellfish, fresh meat, eggs, fresh vegetables and fresh fruits.
Source: Shokuhin Marketing Binran – Total Market Analysis 2014 (Fuji Keizai)

Average monthly consumption expenditures per household for all surveyed households was up 1.6% to Yen 251,576. Food expenditures were up 1.5%. An increase of more the 1% wasn't recorded since 2007. Food expenditures on average for a month were recorded at Yen 65,038, which was 25.8% of consumption expenditures.

Characteristics of food expenditures of the 2013 consumption survey are listed below.

Expenditures for the following food items increased versus the previous year.

Pre-fried noodle products (example: cup noodles)

Pre-fried noodle product demand increased, with an increase of bagged ramen products. An increasing volume was sold through convenience stores.

Wine

The wine market increased mostly due to increased consumption of low -priced table wine.

Carbonated Drinks

Functional colas that received the FOSHU (Foods for Specified Health Uses) claim as well as other carbonated drinks such as "Orangina", which was marketed toward the adult segment, increased the carbonated drink market.

Ice Cream Sherbert

The extremely hot summers in Japan have increased demand for ice cream sherbert products.

Salad

Raw vegetables, cut vegetables and salad variation recipes helped the salad sector grow.

Yogurt

With a strong health image already in place, yogurts and probiotics have been associated with helping people with the flu. Now yogurt products such as Meiji Co., Ltd.'s R-1, which was associated to stimulating NK cells to help fight influenza, has gained consumer popularity and a led to growth in the yogurt market.

Natto (fermented soybeans)

Natto comes in many forms but a television show found that ground soybean natto is related to a heathy lifestyle, which led to higher consumption of natto. Recognition of other health related qualities have given a boost to natto consumption as well.

Vegetable oils

Total sales volume have dropped due to higher ingredient costs and a weaker yen , but total expenditures on vegetable oils have risen.

Decreased expenditures compared to previous year

Powdered milk

A decreasing population of young children as a result of declining birth rates combined with a higher number of breast feeding mothers negatively influenced sales of powdered milk.

Tonkatsu Sauce

Deep fried meal consumption declined for health reasons. Tokatsu sauce, which is usually eaten with deep fried meals, also dipped while competitive products such as specialty sauces and salad dressings replaced tonkatsu sauce.

Beer

Lager beer sales continued to decline due to a shift to cheaper beer-flavored products. However, premium beers and draft beers also soldwell.

Pasta

The weaker yen of 2014 has made imported pasta more expensive and quality frozenpasta offers a shorter preparation time.

Curry

Declining family sizes and a shift from curry sauces to retort bagged products have led to a decrease in curry sales.

B. Producer Trends

The top six selling products in 2013 were Asahi Breweries, Ltd.'s Dry Premium beer, Kao's Healthya coffee, Suntory's specialty green tea products and others listed below.

FIGURE 12: Major Hit Products in 2013

Unit:100 Mil Yen

Trade Name	Company	Item of Goods	Release Date	Sales (2013)
Dry Premium	Asahi Beer	Beer	June 2013	98
Healtya Coffee	Kao	Canned Coffee	April 2013	65.5
Iemon Tokucha	Suntory	Japanese Tea	October 2013	56
Sumikiri	Kirin	Low Malt Beer-Flavored Beverage	May 2013	33
Maxim Tripresso	Ajinomoto	Espresso	April 2013	30
Minami-Alpine's Natural Sparkling Water	Suntory	Domestic Mineral Water	July 2013	20
Maruchan Seimen chilled Chinese noodles (a five pack of noodles)	Toyo-Suisan	Packaged Instant Noodles	April 2013	21
Cook Do Kyouno Oozara	Ajinomoto	Combined Seasonings	August 2013	19
Seven Gold-Gold Bread	Seven & I Holdings (Musasino Foods, Fujipan)*	Bread	April 2013	57

Note: Fujipan and Musashino Foods provide Seven & i Holdings private brand bread named "Seven Premium" as OEM partners.
Source: Shokuhin Marketing Binran – Total Market Analysis 2014 (Fuji Keizai)

Products that were successful before 2013, such as Meiji's Yogurt R-1, Ajinomoto's Nabe Cube (pot cube seasoning), and Kirin's Lychee beverage showed continued growth.

As an example, Meidi Yogurt R-1 recorded 9.7 billion yen in 2012. In 2013 that increased 35% to reach 13.1 billion yen.

Key words for success found in Figures 10 and 11, include:

- Products geared for smaller families
- Premium quality
- New and unique products
- Functional specialty foods/beverages
- High- technology beverages and foods

FIGURE 13: Product Growth Rate Ranking between 2005 and 2014

NO	Item of Products	Growth Rate between 2005 and 2014(2014 Estimate/2005)
1	Combined Seasoning for Korean Food	800.0%
2	Alcohol-Free Beer	775.9%
3	Shoestring Potato	386.0%
4	Liqueur and Water & Highbal	296.8%
5	Handmade-Like Japanese cake	291.9%
6	Carbonated Water	258.0%
7	Barley Tea	240.9%
8	Other Snacks	232.6%
9	Low Molt Beer-Flavored Beverage	210.4%
10	Premium Beer	208.6%
11	Domestic Mineral Water	199.5%
12	Sauce for Japanese Nabe	199.4%
13	Other Snacks	192.2%
14	Gummi Candy	187.7%
15	Green Tea (Tea Bag)	183.3%

Source: Shokuhin Marketing Binran-Sogo Shijyo Bunseki 2014 (Fuji Keizai)

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 certain residues in excess 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, it is generally not permissible to import fresh potatoes
   . The current 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 written 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).

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.

ECTION 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)	¥2,254,585 (Dec. 2013)	Retail/HRI	Importers, Direct	4-10-2 Nakano, Nakano-ku, Tokyo 164-0001	03-5541-5321 http://www.kirinholdings.co.jp/english/
2	Suntory Holdings Ltd. (Liquors, Beer, Soft Drinks, & Wine)	¥2,040,204 (Dec. 2013)	Retail/HRI	Importers, Direct	2-1-40 Dojimahama Kita-ku, Osaka City 530-8203	06-6346-1131 http://www.suntory.com/
3	Asahi Group Holdings, Ltd. (Beer, Liquors, Wine, & Foodstuff)	¥1,714,237 (Dec. 2013)	Retail/HRI	Importers, Direct	1-23-1 Azumabashi Sumida-ku, Tokyo 130-8602	03-5608-51112 http://www.asahibeer.com/
4	Meiji Holdings Co., Ltd. (Dairy, Beverages, Frozen Foods, Processed Foods, & Baby Foods)	¥11,48,076 (Mar. 2014)	Retail/HRI	Importers, Direct	2-4-16 Kyobashi Chuo-ku, Tokyo 104-0031	03-3273-4001 http://www.meiji.com/english/
5	Ajinomoto Co., Inc. (Amino Acids, Instant Bullion, & Sauces)	¥991,332 (Mar. 2014)	Retail/HRI	Importers, Direct	1-15-1 Kyobashi Chuo-ku, Tokyo 104-8315	03-5250-8111 www.ajinomoto.co.jp

	Company (Main Products)	Net Sales (¥ Mil.)	End User Is	Procurement Channels	Address	Phone # Website
6	Yamazaki Baking Co., Ltd. (Breads, Confectionary, Jam, & Spread)	¥968,280(Dec, 2013)	Retail/HRI	Importers, Direct	3-10-1 Iwamotocho Chiyoda-ku, Tokyo 101-8585	03-3864-3111 http://www.yamazakipan.co.jp/english/index.html
7	Maruha Nichiro Corporation (Marine Products)	¥851,708 (Mar. 2014)	Retail	Importers, Direct	3-2-20 Toysu Koto-ku Tokyo 135-8068	03-6833-0826 http://www.maruha-nichiro.co.jp/english/
8	Megmilk Snow Brand Co., Ltd (Milk, Yogurt, Pudding, Functional Dairy Products, Fruit & Vegetable Juices)	¥544,907 (Mar. 2014)	Retail/HRI	Importers, Direct	13 Honshio-cho Shinjuku-ku, Tokyo 160-8575	03-6887-3690 http://www.meg-snow.com/english/
9	Nichirei Corporation (Frozen & Retort Processed Foods, Chicken, Pork, Beef, & Fish)	¥ 511,189 (Mar. 2014)	Retail/HRI	Importers, Direct	6-19-20 Tsukiji Chuo-ku, Tokyo 104-8402	03-3248-2101 http://www.nichirei.co.jp/english/index.html
10	Sapporo Holdings (Beer, Liquors, Soft Drinks, & Wine)	¥509,834 (Mar. 2013)	Retail/HRI	Importers, Direct	4-20-1 Ebisu Shibuya-ku, Tokyo 150-8522	03-6694-0002 http://www.sapporoholdings.jp/english/index.html

	Company (Main Products)	Net Sales (¥ Mil.)	End User Is	Procurement Channels	Address	Phone # Website
11	Nisshin Seifun Group Inc. (Flours, Pastas, Pasta Sauces, Rehydratable Noodles, Frozen Foods, & Beverages)	¥495,930 (Mar. 2014)	Retail/HRI	Importers, Direct	1-25 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-8441	03-5282-6666 http://www.nisshin.com/english/
12	Morinaga Milk Industry Co., Ltd. (Dairy, Baby Foods)	¥443,640 (Mar. 2014)	Retail/HRI	Importers, Direct	5-33-1 Shiba Minato-ku, Tokyo 108-8384	03-3798-0111 http://www.morinagamilk.co.jp/english/
13	Coca-Cola West Japan Co., Ltd. (Beverages, Functional Beverages, & Functional Foods)	¥431,711 (Dec. 2013)	Retail	Direct	7-9-66 Hakozaki Higashi-ku, Fukuoka City 812-8650	092-641-8591 http://www.ccwest.co.jp/english/
14	Nissin Foods Holdings (Cup noodles, pasta, frozen foods, snacks)	¥417,620 (March 2014)	Retail	Importers, Direct	28-1, 6, Shinjuku, Shinjuku-ku Tokyo 160-8524, Japan	03-3205-5111 http://www.nissinfoods-holdings.co.jp/english/
15	NH Foods Ltd. (Beef, Pork, Chicken, Ham, Sausages, & Deli)	¥ 351,994 (Mar. 2014)	Retail/HRI	Importers, Direct	BREEZE TOWER, 4-9, Umeda 2-chome, Kita-ku, Osaka, Japan 541-0054 530-0001	http://www.nipponham.co.jp/en/

Source: Financial results for the full year — Net sales: consolidated

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 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, manage climate controls, and navigate export payment mechanisms, such as letters of credit.

2. Determine whether import of your product is allowed by Japanese food regulations. Because of strict Japanese regulations, there are many agricultural products that are not permitted to be imported from the U.S.
    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

    d. 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

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. 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- or more convenient packaging.

d. The Japan Agricultural Trade Offices (ATOs) in Tokyo and Osaka can Assist 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/

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 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 first-hand or find a representative to do so. When appointing agents, be sure your partner has a good reputation and track record in the market.

   This face-to-face interaction is very important in business because in Japan 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. 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.

2. 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
        i. sector are:
        ii. FOODEX JAPAN 2014: http://www3.jma.or.jp/foodex/en/
        iii. International Food Ingredients and Additives Exhibition (IFIA) Japan 2013: http://www.ifiajapan.com/2014/en/index.html
        iv. 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. 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 responses 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 problems. Companies such as the following 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