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## Japan

### Food Service - Hotel Restaurant Institutional

### Japan HRI Food Service Sector Report 2014

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**Report Highlights:**

This is an updated guide to Japan's \$303 billion hotel, restaurant and institutional (HRI) food service market. The food service industry has recovered from the negative impacts of the prolonged deflationary economy and was showing favorable business conditions in 2013 and early 2014. The wildcard was the response to the 2014 consumption tax increase. U.S. suppliers are well positioned to compete in many product categories, provided they are willing to adjust to changing market demands.

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**Executive Summary:**

In Japan, per capita spending (including company spending) in the HRI sector has increased, making a significant contribution to the food service industry's steady growth. Increased tourism has also contributed to the re-invigoration of the industry as HRI outlets are offering more international cuisines. Competition remains intense and the sophisticated Japanese consumer continues to demand high quality food products.

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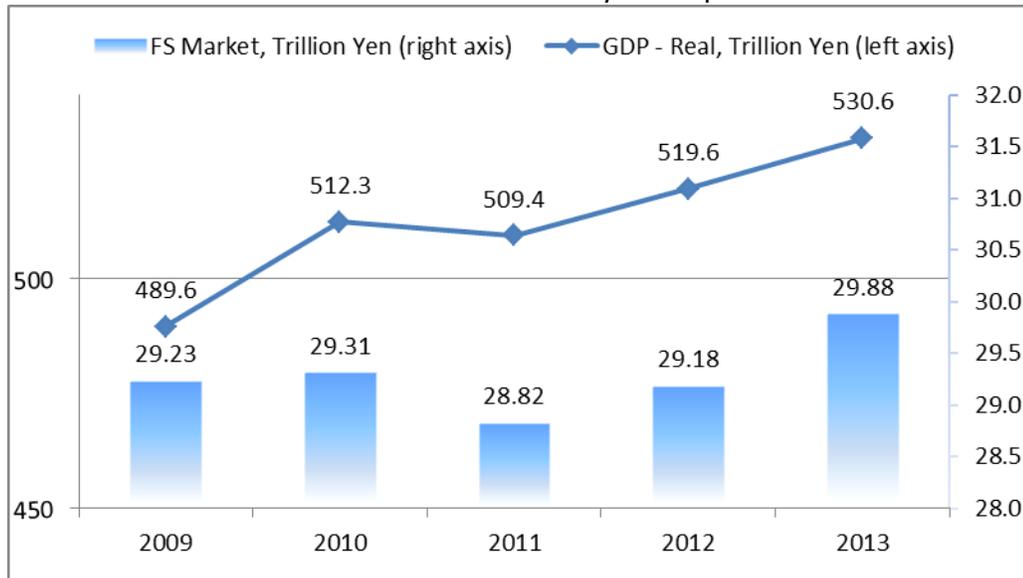
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### I. MARKET SUMMARY

#### A. Market Volume and Trend

The food Service (HRI) sector was valued at ¥29.88 trillion (\$303 billion) in 2013, up 2.4 %, from ¥29.18 trillion (\$296) in 2012. HRI sales volumes showed a strong recovery due to increasing personal and business spending for dining-out, rebounding from the economic slowdown caused by the deflationary-mired economy of the last five years. Japan's food service industry is closely tied to the Japan's Gross Domestic Product (GDP) and has closely tracked general economic conditions, as reflected in Chart 1.

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



Source: Food Service Industry Research Institute (Market), Japan Statistics Bureau (GDP)

In 2013, the business climate for Japan enterprises of all sizes continued to improve, with strong gains for large enterprises – the highest since December 1991. The Japan HRI industry expected continuous increases in 2014. However, the Government of Japan increased the consumption tax from 5 percent to 8 percent, starting on April 1, 2014. The food service industry forecasts that the consumption tax increase will have a negative impact on domestic consumption, including food service sales..

Note: In Sections I and II, the statistics used are primarily expressed in yen, since year-to-year fluctuations in the exchange rate are sometimes extreme, and could therefore distort the trends.

Chart 2: Annual Average Exchange Rates

Year Average	2009	2010	2011	2012	2013
JP¥ per US\$	93.52	88.09	79.97	80.82	98.65

Source: Trade Statistic of Japan (-2011), Mitsubishi UFJ Research & Consulting TTS Yearly Average (2012-13)

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

Japan FS Market Total	2009	2010	2011	2012	2013
In Trillion Yen (¥)	29.23	29.31	28.82	29.18	29.88
In US\$ Billion (\$)	296.30	297.11	292.14	295.79	302.89

Source: Food Service Industry Research Institute, Trade Statistic of Japan (-2011), Mitsubishi UFJ Research & Consulting TTS Yearly Average (2012-2013)

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

1. In 2009, the economic influence exerted by the world economic downturn decreased discretionary spending on business meals and receptions.

2. In 2010, the economic recovery and the corresponding increase in spending for both businesses and consumers.
3. 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.
4. 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.
5. From 2012 through 2013, industry sources reported that sales were recovering along with an economic upturn, especially in the less expensive and casual Quick Service Restaurant (QSR) sector and the high-end value restaurant sector. Major chain restaurants are trying to focus attention on new-style restaurant developments and human resource cultivation.
6. In 2014, the Japanese economy showed a continuous growth trend that was supported by a weaker yen and enhanced business profitability. On the other hand, industry sources forecasted that the consumption tax increase from 5 % to 8%, which took effect on April 1 in 2014, will cause negative impact on total annual food service sales because of increasing costs of food, utility and labor.

Dining out is an important part of the Japanese culture. The sophisticated Japanese consumers demands high quality ingredients in their meals. Japan's participation in the TPP (Trans-Pacific Strategic Economic Partnership Agreement) talks stimulated business research into food import opportunities. This favors U.S. suppliers, who are well positioned to compete in many product categories provided they are willing to adjust to changing market demands, in spite of recent unfavorable exchange rate shifts.

The food service sector has re-organized in the last two 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 food service outlets decreased from 846 thousand to 711 thousand, down 15.8 %, but sales increased from 29.84 trillion to 29.88 trillion, up 0.1 %, indicating a streamlining of the industry. The reasons for this streamlining include 1) ease of entry into the foodservice market, heating up fierce competition among industry operators, 2) Food service operators sought more profit by expanding their business operations, and 3) Japanese consumers always look for better taste, service and popular items at restaurants. In addition, the recent consumption tax increase triggered a price hike in the general economy at that same time that imported ingredient costs were increasing due to a rapidly weakening yen so less efficient restaurants could not easily continue to operate, particularly given the competitive pressure to reduce menu prices continuously.

According to an industry report, sales volumes in the sector registered a strong recovery from late

2013 until May 2014 in spite of more adverse weather than previous years. Then starting in June 2014, the sector saw a downturn in sales volumes (and in the number of customers, down 4.7%) due to the consumption tax increase. Only upper scale restaurants did not see a large sales downturn.

The abrupt decline of QSR sector's sales volume from July 2014 through October 2014 stemmed from allegations that a company in China had selling using expired meat. Several companies including McDonald Japan and Family-Mart (CVS) had imported chicken meat from this company, and suspended sales of their chicken products, and as a result sales fell more than 25% since the scandal broke out in July 2014.

Chart 4: Sales of 212 major restaurants (with 32,038 outlets), Monthly Change Compared to the Same Month of the Previous Year

Month	Total	QSR*	FSR*	Pub Dining	DR*	Coffee & Tea Shop	Other*
Oct 2013	-1.6%	-3.4%	2.2%	-7.9%	0.1%	-0.3%	2.3%
Nov 2013	1.6%	-1.1%	6.4%	-2.6%	5.5%	0.3%	5.8%
Dec 2013	1.6%	-0.3%	5.7%	-3.8%	4.4%	1.2%	5.7%
Jan 2014	3.4%	3.2%	4.4%	-0.8%	5.9%	2.1%	6.8%
Feb 2014	-2.8%	-3.4%	0.4%	-10.2%	-1.3%	-1.4%	-0.6%
Mar 2014	1.7%	1.8%	3.9%	-6.8%	3.4%	-1.3%	5.9%
Apr 2014	2.3%	0.9%	5.0%	-1.3%	4.4%	1.5%	6.3%
May 2014	2.8%	1.3%	6.2%	-1.8%	4.9%	-0.7%	7.8%
Jun 2014	-1.8%	-3.2%	1.5%	-7.6%	0.1%	-1.0%	2.0%
Jul 2014	-2.5%	-5.6%	1.1%	-6.1%	8.8%	-0.5%	7.2%
Aug 2014	-2.1%	-6.2%	2.9%	-5.2%	10.9%	-1.2%	8.4%
Sep 2014	-2.0%	-4.3%	1.5%	-3.7%	4.1%	1.3%	8.9%
Oct 2014	-1.2%	-4.1%	2.9%	-2.2%	0.4%	0.4%	7.2%

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

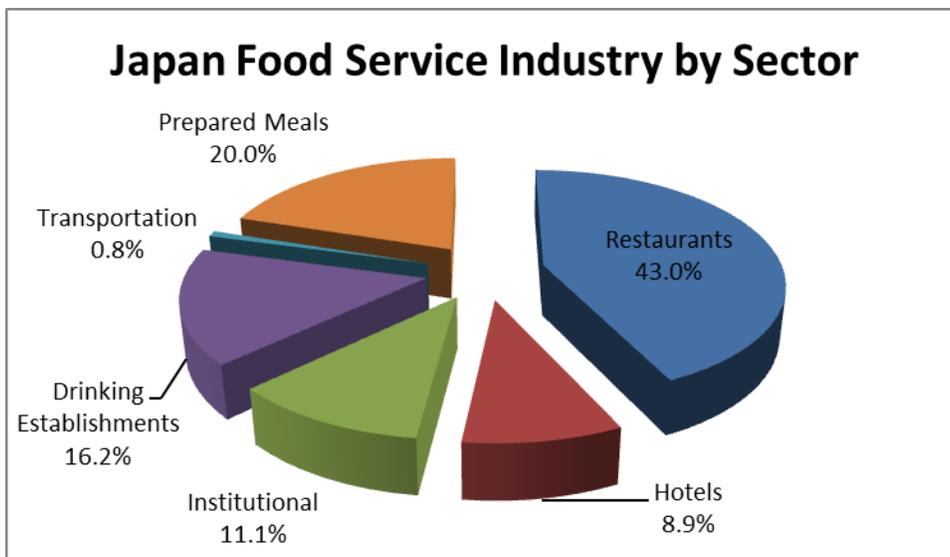
\* Other: including Institutional, School Meal, Deliver Pizza and other

Source: Foodservice Industry Research Institute

The major reasons for the decrease in total sales in June 2014 were rainy weather and less operational weekend dates than the previous year. The consumption tax increase in April 2014 has more strongly hurt sales of casual food service segments, such as QSR, coffee shops and pub dining, compared to upscale restaurants.

## B. Sectors

Chart 5: Japan Food Service Industry by Sector



Source: Foodservice Industry Research Institute

The Japanese food service industry, broadly defined, has six major segments. Among the five traditional food service establishments, in 2013, the largest sector was Restaurants (43.0 % of the market and valued at \$130.2 billion), followed by Drinking Establishments (16.2 % valued at \$49.0 billion), Institutional Food Service (11.1 % valued at \$33.6 billion), Hotels (8.9 % and valued at \$27.0 billion), and Transportation Related Food Service (0.8 % valued at \$2.5 billion).

From 2012 to 2013, the overall sales volume of the restaurant sector increased by 3.0 % and the sales volume of the hotel sector jumped 4.6 %. These statistics reflect strong sales in business among fine dining restaurants. Sales in the institutional sector decreased by -0.2 % in volume. Drinking establishments, mainly pub-style dining restaurants, increased their overall sales volume by 3.9 %. The sales volume of restaurants in the transportation sector showed an increase of 0.9 % over 2012.

A sixth, separate category that has been growing in Japan is “Prepared Meals Sold at Retail Stores” such as convenience stores, supermarkets and department stores. These foods are ready-to eat, Home Meal Replacement (HMR) type products (“Obento” lunch boxes for consumption at the office are one example) 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 2013 was \$60.6 billion, accounting for 20 % of the total Japanese food service industry. Sales in this market segment increased by 0.5 % from the previous year.

The growth in HMR was driven by two demographic sectors: the elderly and young single professionals. Japan’s population is aging faster than any in the world, and many elderly do not have the ability to drive or travel far to shop for groceries. As a result, many get their daily meals from the local “conbini,” or 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, a low proportion of Japanese people (46%) participate in cooking and cleaning up afterwards in the home, the second lowest in the OECD and far

below the OECD average of 64% participation. 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.

The institutional Food segment was the only sub-sector which didn't increase sales in 2013. This is attributed to two factors, which reflect recent trends in Japanese society. The first is a reduction of the number of school children due to the declining birth rate. The second is less operation days of company cafeterias due to a decreasing number of work days.

Chart 6: Japan HRI Market by Sector by Year

Sector\Year	2009	2010	2011	2012	2013		Change	Share
					Unit		12 to '13	
	¥ Tri.	\$ Bil.	%	%				
Restaurants	12.61	12.50	12.22	12.47	12.85	130.23	3.0%	43.0%
Hotels	2.76	2.69	2.37	2.55	2.66	27.00	4.6%	8.9%
Institutional	3.29	3.32	3.29	3.32	3.31	33.58	-0.2%	11.1%
Drinking Establishments	4.76	4.73	4.70	4.65	4.83	49.00	3.9%	16.2%
Transportation	0.25	0.25	0.24	0.24	0.25	2.50	0.9%	0.8%
Prepared Meals	5.57	5.69	5.78	5.95	5.97	60.56	0.5%	20.0%
Total	29.23	29.18	28.61	29.18	29.88	302.87	2.4%	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, rising share values and investments in preparation for the 2020 Tokyo Olympics have promoted increased discretionary spending on both business meals and consumer dining.
- The support of the HRI industry regarding the TPP talks may stimulate relaxation of regulations in general.
- Streamlining by chain restaurants, hotels and food suppliers. The industry has been pursuing mergers and acquisitions to improve industry structure and reduce operating costs, and developing human resources in order to offer better and new types of services.
- Redevelopment projects in Tokyo metropolitan area. These projects have led to a shift in the market players, away from individual businesses towards more 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.
- Increasing number of new outlets by both restaurant chains and up-scale hotels, and the creation of attractive new-style food businesses which offer both good value and high quality.
- The trend of the media recognizing and showcasing individual restaurants. TV programs target specific restaurants and have highlighted 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 also promote home-grown agricultural products as high-end and desirable items.

- The weaker yen has resulted in an increased in the number of tourists from neighboring Asian countries. The Japanese Government recently relaxed its visa requirements and extended its visa waiver program to Southeast Asian countries, further stimulating the number of tourists from Thailand, Malaysia, Philippine and Vietnam.
- The recent price increases for food, employment and utilities caused by the consumption tax increase along with the weaker yen have caused food prices to rise drastically. As a result, food service operators must raise prices on their menus in order to maintain profitability.

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

- Imported food products are often less expensive than their domestic counterparts.
- The food service industry does not require unique specifications for food packages as does the retail industry.
- The food service sector often incorporates new food concepts from abroad in order to stand out, which makes it more receptive to importing items used 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 (\$100.8 billion), which is equivalent to 39 % in calorie terms and 65 % in value terms of all food consumed in Japan in 2012. In 2013, Japan imported about \$106.8 billion in agricultural and marine products.

From January to June of 2014, Japan vegetable and fruit imports totaled a record 500.6 billion yen, up 8 % from the previous year. A representative from the major beef bowl chain operator Yoshinoya Holdings said "About 90% 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 produce in the United States. As we open more stores, imports have become indispensable to securing a stable supply of ingredients."

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 stuffs in one form or another. Imported items such as beef, pork, chicken, shrimp, salmon, fish, wine, cheese, frozen vegetables, frozen potatoes and the like are heavily used by the food service sector.

According to the Global Trade Atlas, Japan imported a total of \$74.1 billion agricultural and food products in 2013, 8.8 % less than the previous year. The total share of food and agricultural imports

from the United States by value was down from a 22.2 %, to 20.8 % in 2013. Other countries that saw declining market share in Japan included China, Canada, Australia, Thailand, Netherlands, South Korea, Chile and France. On the other hand, Brazil was the only country to gain market share during the same period. Feed grain (corn/maize) export volumes from Brazil to Japan increased 5-fold in the last 3 years. (See Chart 7)

Chart 7: Japan Food and Agricultural Imports by Country

Partner Country	United States Dollars, million			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	81,057	81,159	74,029	100.00	100.00	100.00	- 8.79
United States	19,009	18,003	15,398	23.45	22.18	20.80	- 14.47
China	10,103	10,861	9,760	12.46	13.38	13.18	- 10.14
Canada	4,941	5,099	4,589	6.10	6.28	6.20	- 10.01
Australia	5,025	4,853	4,388	6.20	5.98	5.93	- 9.58
Brazil	3,687	3,569	4,199	4.55	4.40	5.67	17.65
Thailand	4,841	4,780	4,194	5.97	5.89	5.67	- 12.26
Netherlands	2,803	2,724	2,528	3.46	3.36	3.41	- 7.19
Korea South	2,241	2,319	2,038	2.77	2.86	2.75	- 12.12
Chile	2,160	2,203	1,832	2.67	2.71	2.47	- 16.87
France	1,820	1,878	1,805	2.25	2.31	2.44	- 3.90

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

Total U.S. agricultural exports to Japan decreased in 2013 by both volume and market share, driven by reductions in commodities such as feed grains, oilseeds, tobacco, fresh produce and seafood related products. However, many major agricultural products exported from the U.S. to Japan such as meat products, processed fruit and vegetable products, and other processed food increased in value in 2013. The general trend demonstrates the shifting role of the United States from a supplier of mostly just commodities to a source of more and more high-value products. The U.S. still has great potential for increased food exports to Japan.

Chart 8: Japan Agricultural Imports from the U.S. by Product

Description (HS Code)	United States Million Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
Total in Value	19,009.3	18,003.2	15,398.1	100	100	100	-14.47

Cereals (1001 through 1008)	6,783.9	5,323.2	3,830.5	35.69	29.57	24.88	-28.04
Meat And Edible Meat Offal (0201 through 0210)	3,148.6	3,224.3	2,974.1	16.56	17.91	19.31	-7.76
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc. (1201 through 1214)	1,913.2	1,961.1	1,874.9	10.06	10.89	12.18	-4.4
Fish, Crustaceans & Aquatic Invertebrates (0301 through 0308)	1,351.5	1,430.8	1,131.3	7.11	7.95	7.35	-20.93
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel (0801 through 0814)	893.3	1,004.0	963.5	4.7	5.58	6.26	-4.03
Food Industry Residues & Waste; Prep Animal Feed (2301 through 2309)	807.4	815.6	760.3	4.25	4.53	4.94	-6.79
Tobacco And Manufactured Tobacco Substitutes (2401 through 2403)	1,124.1	976.9	680.3	5.91	5.43	4.42	-30.36
Prep Vegetables, Fruit, Nuts Or Other Plant Parts (2005 through 2009)	641.6	730.0	671.0	3.38	4.05	4.36	-8.08
Edible Preparations Of Meat, Fish, Crustaceans Etc. (1601 through 1605)	498.1	546.0	552.4	2.62	3.03	3.59	1.18
Beverages, Spirits And Vinegar (2201 through 2209)	408.3	459.0	454.8	2.15	2.55	2.95	-0.91

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

Source: Global Trade Atlas

In spite of a shift towards a weaker yen, U.S. cheese exports increased from 26,700 metric tons (MT) in 2012 to 30,300 MT in 2013, an increase of 13.8 % in quantity. In 2014, total natural cheese exports from the U.S. to Japan is expected to be 48,000 MT, an increase of 58.5 % in quantity over 2013. Japanese food service companies have shifted sourcing shredded cheese from Oceania countries to the U.S. due to price competitiveness and the reliable supply of U.S. cheeses.

As many industry experts predicted, the Japanese food service sector was on track to recovery in 2013 and 2014. According to the data, both in terms of calories (39 % in 2013) and value (65 % in 2013), imported food is becoming increasingly more important in ensuring the continued growth of the food service industry in Japan, due to the lack of sufficient domestic supply of many items.

#### D. Advantages and Challenges

The industry is increasingly offering international cuisines throughout the market place, and competition is intense. The sophisticated Japanese consumer generally demands high quality food

products in their meals and U.S. suppliers are well positioned to compete in many product categories provided they are willing to adjust to changing market demands.

Likewise, the relaxation of the age thresholds for U.S. beef enhances the marketing opportunities for U.S. meat export to Japan. The Government of Japan (GOJ) had only allowed imports of cattle aged 20 months or less from December 2005 until the end of January 2013. As of February 1, 2013, the GOJ relaxed the regulation to allow beef from animals less than 30 months of age, and revised its SRM definitions to align with international (OIE) standards.

U.S. Beef exports to Japan increased from 148,300 metric tons (MT) in 2012 to 216,850 MT in 2013, a jump of about 46.2 % in quantity. This obviously was the outcome of the relaxation of the cattle age restrictions. Total U.S. beef exports from November 2013 through October 2014 increased 226,400 MT, an increase of about 12 % in quantity from the same period of the previous year. This 226,400 tons is still just 75 % of total imports in 2002, before the BSE detection in the United States. We expect that U.S. beef export will reach pre-2002 levels soon, primarily due to the broad acceptance of U.S. beef by Japan's important restaurant and institutional industry.

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's marketing efforts, a greater number of major hotels and family style restaurants are currently serving U.S. beef. This has also promoted the use of many other U.S. food products at these establishments, as American Menu Promotions usually increase the use of other U.S. food and agricultural products such as seafood, fruits, vegetables, nuts, sauces, beer, and wine.

Chart 9: Japan Beef Import by Country

Year Ending: November - October							
Partner Country	Quantity, Metric Ton			% Share			% Change 2014/2013
	2012	2013	2014	2012	2013	2014	
World	584,084	586,760	599,406	100.0	100.0	100.0	2.16
Australia	354,107	310,686	312,335	60.63	52.95	52.11	0.53
United States	152,406	201,749	226,432	26.09	34.38	37.78	12.23
New Zealand	35,648	33,787	29,239	6.10	5.76	4.88	- 13.46
Canada	13,988	14,840	16,806	2.39	2.53	2.80	13.25
Mexico	22,668	22,529	11,899	3.88	3.84	1.99	- 47.18
China	2,253	1,267	1,191	0.39	0.22	0.20	- 6.06

Year Ending: November 2013 through October 2014

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

Food Service operators have been dealing with higher domestic rice prices in recent years, which have thinned profit margins since rice is still an important staple in the Japanese diet. In 2014, Japan's domestic rice production decreased by 2 % in quantity. However, Japan had an accumulated rice

inventory from last year, which resulted in an overall 6.5 % decrease in the average price of domestic rice in October 2014 compared to October 2013. However, the production cost of Japanese rice is still more than 4 to 5 times than in the U.S. Currently, the Japan Government levies a 778 % 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.

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

<b>Advantages</b>	<b>Challenges</b>
The success of U.S. fast food and restaurant chain concepts helps introduce American style food ingredients into the general diet.	Many consumers view American food culture, and quick service restaurants as less healthy than Japanese and other country counterparts.
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.
U.S. food producers have a positive image regarding food safety compared to many Asian competitors, especially among the trade.	Imported food products are viewed by many consumers as less safe than domestically produced Japanese food products.
The U.S. has a reputation and 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 the distribution infrastructure and quality assurance (QA) procedures have improved.
The United States has 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.
Japan's new cabinet strategy calls for the country to double its agricultural exports. It may make more space for food imports.	Japanese government policies relating to food safety pose increasing impediments to trade, such as a strict Maximum Residue Level (Positive List), and stringent labeling requirements.

## II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

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

## 1. Market Access

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

- Determine if your product category can currently be imported into Japan. Due to food safety concerns the Japanese government has become increasingly strict in allowing food products into Japan.
- Determine the import classification and tariff rate for your product. Some product categories such as those containing rice and dairy products are still highly protected by the Japanese government and face either prohibitively high tariff or quota barriers. It'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 ingredients is a key element of the formulation. By ascertaining this in advance, U.S. exporters can save themselves much frustration later if it is difficult to reformulate. Sources for this information include:

<http://gain.fas.usda.gov/Pages/Default.aspx>, set your search to select "Country: Japan", and "Categories: FAIRS

Freight forwarders can also be helpful in determining ingredient acceptability.

## 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 the

product is 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 relevant to you product.
- Talk with freight forwarders and Japanese importers that handle your category of products.
- If possible, meet with potential customers to determine the kinds of needs they have and their current sources for your products.

### 3. Comparative Advantage of the Products

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

- Offering price savings that will encourage the customer to give your product a trial.
- Offering a product or form of product that is new to the Japanese market. Every year there are new items that become popular in Japan that newly introduced unique foods. Recent examples include gourmet hamburgers, craft beers, fresh baked pretzel, smoothies, varietal honey, and sparkling wines, to name a few.
- Offering a more convenient form of the product that makes it easier for food service operators to use. This may include a smaller package and a new technology for packaging that make the product easier to prepare or a new form of the product that offers advantages in terms of labor cost, preparation time or efficiency.
- Offering a high quality product. Food service operators are always interested in products that offer better quality in one form or another. For example, it may be that your product has a demonstrably better track record than competitors on safety issues. These points of difference are worth promoting.

### 4. Receptivity of the Distribution Trade

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

- Ask the ATO and 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, enquire as to their preferred distribution channel. Many times customers will have their own preferred channels which they use for imported products.

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

include:

- Does the partner/importer represent other imported products?
- Do they have a favorable reputation and financial background in the marketplace?
- Do they have the capability of communicating 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:

- Make sure you are willing to re-formulate the product if necessary to meet relevant Japanese Food Sanitation Laws and Regulations.
- Be willing to adjust the product or packaging to meet Japanese taste profiles and market expectations. For example, many Japanese operators prefer smaller package sizes due to lack of space to store items.
- Provide samples on a timely basis, but only upon request of a client/importer.
- Ensure that all documentation necessary to clear customs and quarantine procedures is provided in proper form. Japanese customs always request detailed information about food ingredients and manufacturing process (processing outline) 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 product without defects or foreign materials, and who are reliable partners in terms of both delivery and safety issues. To help cement relations, it is strongly recommended to have face-to-face meetings at least once per year with your customers.

## B. Market Structure

### 1. Distribution

Most imported food products still pass through trading companies. The large general trading companies such as Mitsubishi, Marubeni, Itochu, Mitsui and Sumitomo 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 vendors could streamline their supply chains.

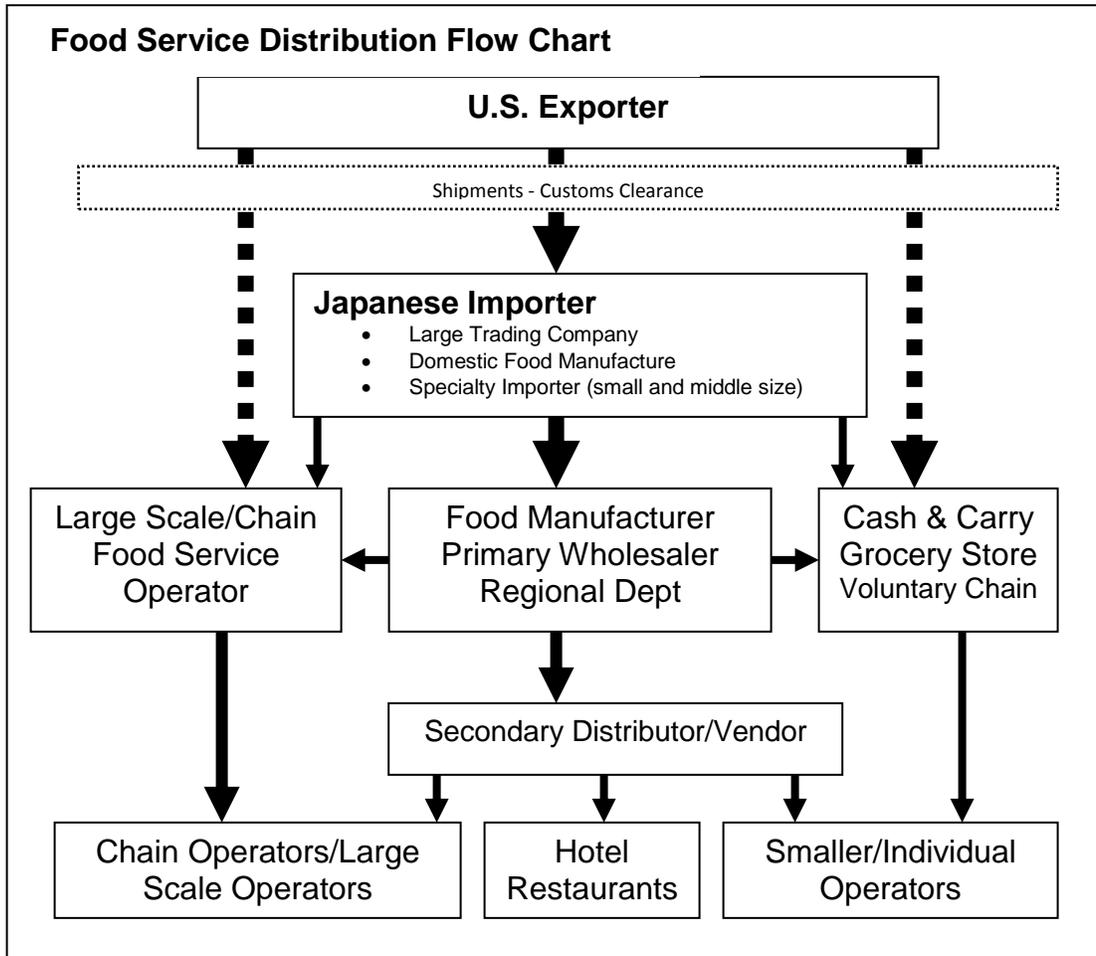
The deflationary environment of the past two decades has intensified price competition among food service chains, and has accelerated the trend to eliminate middlemen.

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

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

Chart 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 family style restaurants, hotel restaurants and tourist related restaurants. Family style restaurants successfully attracted 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 8.358 million in 2012 to 10.364 million in 2013, an increase of 24%. This trend was stimulated by a weak yen and an easing of visa requirements. In 2014 the total number of foreign tourists from January through November reached a record high of 11.685 million, up 39.1% from the same period of the previous year. The tourists from China (up 103.6%), Philippines (up 83.9%), and Vietnam (up 44.3%) showed large increases. The food service industry

increasingly targets these foreign travelers, offering special service. One example is offering Halal food for Muslim tourists. 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 (17.5 million), foods from Europe, Asia, Australia and the Americas are becoming increasingly popular. Japanese consumers are interested in trying new cuisines and this results in the emergence of new types of restaurants and shops every year. Examples of this include Wolfgang’s Steakhouse and Pink Berry frozen yogurt, which have successfully launched new business formats in Japan.

Chicago’s famous Garret Popcorn and Seattle-based KuKuRuZa Popcorn made caramel popcorn popular, and compete with each other in terms of the length of the line of customers in front of their shops in Tokyo. American style popcorn shops really took hold in the market; and domestic players now copy the caramel popcorn theme in local cities. The interest in new food ideas opens the door to food exporters to introduce new concepts in to the Japanese market.



Chicago based Garret Popcorn shops became a big hit, and still has a long line of customers in front of the shop in Harajuku since its opening in February 2013.



The first Pinkberry Frozen Yogurt shop opened in Odaiba, Tokyo, in July 2014.

### iii. Value Competition

While it can be said that there is an upward trend of eat-out in the market, consumers continue to demand higher food quality and better taste at reasonable prices. Royal Host, the top 7 family style restaurant in the FSR category with about 260 outlets throughout Japan, offers “Hotel restaurant quality at the price of a family style restaurant”. The restaurant chain offered hotel restaurant quality steak while promoting Certified Angus Beef (CAB) during its U.S. Steak Fair in 2013. The concept worked well. The company sales increased by 6.1 % in 2013 from the previous year. Royal also operates tempura quick service restaurants, Ten-ya (the biggest Tempura chain), and adopted the same idea of quality and value from steak to tempura.

In order to compete in the market, many other fast food and family restaurants took a similar approach by introducing better menu and taste at a slightly higher price. In the meantime, the major

beef bowl chain Yoshinoya, recently announced that it will raise the beef bowl price in order to keep the same quality in response to a general food price surge of food price. Other restaurants are expected to follow suit.



Royal Host’s menu book for American Menu Fair featuring Alaskan king crab and Certified Angus beef steak. The special menus are served from Dec. 10, 2014 through the end of March 2015.

As of Dec. 17, 2014, Yoshinoya, a beef bowl operator, raised the regular price again from JPY 300 to JPY 380. The price was raised from JPY280 to JPY 300 in April 2014 in response to a hike in the U.S. beef price.

iv. Premium Bento – Three Stars 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 slightly 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 beautifully setout lunch boxes. An authentic Japanese meal, good for vegetarians, retails for JPY2,160 (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 marbled beef, sashimi and a variety of food for JPY 4,320 (\$40)

In Dec 2014, Hotto Motto, the nation’s biggest lunch box chain, launched a premium lunch box sold for JPY 790 (\$7.00) featuring better food ingredients and variety. This kind of higher priced lunch boxes are a trial to learn consumer demand.

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

v. Food Safety and Food Mislabeling 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. The government instituted new standards in response to a number of high cesium limit detections in locally grown agricultural products and serious food poisoning events in 2012. Then in 2013, there were a spate of food-mislabeling scandals involving big-name Japanese hotels, department stores, and restaurants. It was found that many major hotels and 66 % of department stores listed domestic origin foods on their menus which were actually imported foods. In Japan's food culture, consumers tend to be highly conscious about 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. Usage of imported foods can reduce food costs and are often a good value, but are often perceived as inferior to domestic foods.

In 2014, a local Chinese TV report showed staff at a Chinese company using what was depicted to be long-expired chicken meat as well as picking up food from the floor to add back to the mix. The resulting fear about the quality of chicken supplied by China seriously damaged the sales of McDonald's Japan and the convenience store chain Family Mart, since they used imported chicken. In light of the food safety concerns, the governments of Japan and China started a working-level meeting on food safety to try to relieve Japanese concern about the safety of food from China.

vi. Spending More Time at Roadside Rest Areas and Airport Terminals

In terms of domestic travel, new style roadside rest areas are becoming popular. There are over 520 rest areas on toll highways in Japan, and 1,014 roadside stations, so called Michi-no-Eki, on public highways. Most of these facilities have 24 hour food courts that used be a place to just fill the hungry stomachs of drivers. Since the privatization of toll roads in 2005, the private sector has operated rest stops and facilities, and has completely modified their style. In addition, some of these rest areas have theme parks, ski slopes or accommodations targeting traveling families, young groups and long-distance drivers. Events featuring local food and cuisine often take place at the new style roadside stations throughout Japan. In much the same way, major airports have introduced popular restaurants and new style shopping complexes.



Ebina Service Area (SA) in Kanagawa prefecture is the most popular SA which has over 50 restaurants and shops. A total of 1,100 permanent parking spots are filled up quickly every weekend.



Inside Ebina SA there are a number of major QSR shops in its huge food court.



Kariya SA in Aichi prefecture has an amusement park, a hot spring bathhouse, a farmer's market and a shopping mall in the facility. The new rest areas became the destination as opposed to just a stop for travelers.

### vii. Convenience Store Gain Power as Food Service Operator

Convenience stores (CVS) keep evolving their food merchandising and became the biggest rivals not only for Japan's beef-bowl chains but for hamburger chains and coffee shop chains. Like beef-bowl restaurants, convenience stores used to heavily rely on male customers. But over the years, they have succeeded in appealing to other customer segments, such as seniors and women, by offering meals in smaller portions and expanding their dessert lineups which customers can buy with their main meal at the same store.

CVS chains are also active in the area of take out coffee sales with increasingly better quality coffee beans and machines. According to the report of an internet research company in December 2013, 26.8 % of Japanese consumers buy take away coffee at the coffee chains, and a 22.0 % of them buy a cup of take away coffee at the CVS chains, which made CVS the 2<sup>nd</sup> top choice for Japanese consumers.



The shelves fill up with a variety of meal boxes before lunch time every day, at a major convenience store, Seven-Eleven. Almost all of these bento boxes are sold during lunch time, and CVS will fill up with another batch of meal boxes for dinner time.



A major convenience store chain, Lawson, offers special coffee brewed from a scarce variety of coffee beans, Yellow Bourbon, at 180 yen (\$1.80) per a cup for a limited time.

viii. Seniors Hold Key to Spending Growth

Japan’s elderly population accounts for an expanding share of total consumer spending. According to Japanese news reports, households headed by people 60 years of age and older spent over 100 trillion yen in 2013, or about 44% of total consumer outlays.

In an effort to attract customers in this group, many food operators have developed high quality breakfast menus for seniors. Royal Host, a family style restaurant chain, sells diversified breakfast menus that have complex recipes, such as Eggs Benedict, pastry with mixed whip cream and/or special Japanese set plates. Other family style restaurants, such as Denny’s, Gusto, and Joyful also target senior generations.

Like pizza restaurants, many quick service restaurants, such as MOS Burger, Kentucky Fried Chicken, and others introduced home delivery service in order to reach seniors and consumers who eat at home.



MOS Burger offers home delivery service at their 260 outlets.



Joyful’s one plate set menu designed for the senior generation, for a menu price of Y499 (\$5.00) with rice, miso-soup and an additional side item.

ix. Willing to Pay More for Healthy Eating at Breakfast Restaurants

Japanese consumers are increasingly interested in foods that are perceived as healthy. For example, family restaurant chains are including nutritional information on the menu, such as allergen content and calories per serving. Fast food restaurants and casual style restaurants are introducing

vegetable/fruit-rich menus, such as cup salad and pancakes with fruit. Freshness Burger kneads pumpkin into its buns. MOS Burger offers burgers featuring in-season vegetables.

 <p><b>HEALTHY FAST FOOD</b></p> <p>FICO &amp; POMUM JUICE</p>	<p>Domestic fruit wholesaler, Nishino, opened its first smoothie shop, Fico &amp; Pomum, in a new office building in Tokyo in November 2013.</p>
	<p>Mos Burger’s newest Vegetable Burger comes with vegetables (lettuce, tomato and onion) and aurora (mayonnaise and ketchup mix) sauce</p>
	<p>Bills restaurant and a line of people waiting for breakfast at this unique atmosphere, the restaurant is located in front of Shonan beach.</p>

In addition, breakfast restaurants have gained popularity and consumers are willing to pay more. You often see long lines of people waiting in front of restaurants such as Bills from Australia, Eggs and Things from Hawaii, and newly opened Sarabeth’s Kitchen from New York. These offer sophisticated authentic western-style breakfasts featuring original ingredients from the region.

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

The IT evolution and 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 Tabelog and/or Gurunavi.

One 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 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.

<p>Numbers of B-One (Number one B-class Gourmet) contests are held every prefecture in Japan all year round.</p>	<p>A popular Restaurant search site “Tabelogu” (eat-log) spread out the information of 750,000 member restaurants in a map of Japan.</p>

xi. Theme Park Restaurants

In keeping with the uptick in overall Japanese consumer spending, the spending on leisure activities has been solid in 2013. Oriental Land Co., the operator of Tokyo Disney Resort, saw the number of visitors in the April-September period hit a record high of 15.35 million, an increase of over 2.1 million due to its 30<sup>th</sup> anniversary celebration events in Tokyo in 2013 and new attraction openings.

Major theme parks in Japan feature U.S. history and culture including Tokyo Disney Land, Tokyo Disney Sea, and Universal Studios Japan in Osaka. Restaurants located in these theme parks often focus on foods from abroad and offer opportunities for U.S. exporters to test their products.

In the meantime, Tokyo’s brand-new broadcasting tower “Skytree” is a new theme park with the “Solamachi” (Sky-town) shopping facility at the bottom of the tower. Since its doors opened on May 22, 2012 the entire Tokyo Skytree Town Complex had hosted 100 million visitors as of its 849<sup>th</sup> day. The Beer Pub – World Beer Museum features U.S. craft and third country beers, and recorded the highest sales in the shopping complex in this summer.

		<p>Tokyo Sky Tree town is composed of the tallest tower in the world (634 meters). It includes a shopping and restaurant complex, an aquarium and office spaces and is recognized as the city’s new landmark</p>
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Food buyers at these places are always looking for original and unique new products associated with the United States (for example, smoked turkey drumsticks and caramel popcorn are two popular items at Disneyland).

xii. Biotechnology

Even though most food service operators in Japan still require biotech-free food products from suppliers, and some Japanese consumers still do not accept the concept of biotech products, a number of hotel restaurants and chain restaurants in Japan introduced biotech Hawaiian papaya to their consumers in 2014. As a result of promotional efforts done by the State of Hawaii Department of Agriculture and the Hawaii Papaya Industry Association, the first fresh biotech fruit, Rainbow Papaya, has been successfully introduced to Japan.

While many Japanese consumers enjoy biotech papaya, it still has yet to catch on as a regular item. Nonetheless, long-term promotional efforts may pay off if a product has a market potential. See GAIN Report JA3512.

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

C. Sub Sector Profiles

1. Restaurant Sector

The restaurant sector is the largest of the HRI food service segments. Restaurant sales in 2013 were ¥12.9 trillion, equivalent to \$130.2 billion, up 3.0 % over the previous year. This represents 43 % of total food service industry sales. The restaurant sector includes a wide variety of operators, ranging from American-style fast food chains to more traditional family owned single outlet restaurants.

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

Chart 12: Japanese Restaurant Sector - 2013

<b>Restaurant Sector</b> <b>¥12.9</b> <b>Trill.</b> <b>(\$130.2 Bill.)</b>	<b>General Restaurants (share 70.6%)</b>	<b>¥9.07 Trillion (\$91.9 Billion)</b>
	<b>Sushi Shops (10.5%)</b>	<b>¥1.35 Trillion (\$13.6 Billion)</b>
	<b>Noodle Shops (8.9%)</b>	<b>¥1.15 Trillion (\$11.6 Billion)</b>
	<b>Other (10.0%)</b>	<b>¥1.29 Trillion (\$13.1 Billion)</b>

Source: Food Service Industry Research Institution

Sales at “General restaurants” increased 2.8 % in value in 2013 from 2012. General restaurants include, family style restaurants, Japanese, Chinese and Western-style restaurants. Sales at sushi shops and noodle shops soared 5.5 % and 7.1 %, respectively from 2012. “Other restaurants” was the only segment that decreased in value in 2013, by 1.3 % compared to 2012. Quick Service Restaurants are a major component of this category.

Chart 12-b: Japanese Restaurant Sector

Type of Restaurants	2011	2012	2013		Change '13/'12	Share
Sales	JPY	JPY	JPY	US\$	%	%
Total	122,230	124,686	128,473	130.2	3.0%	100
General Restaurants	85,462	88,160	90,658	91.9	2.8%	70.6
Sushi Shops	12,847	12,753	13,459	13.6	5.5%	10.5
Noodle Shop	10,637	10,718	11,474	11.6	7.1%	8.9
Other	13,284	13,055	12,882	13.1	-1.3%	10.0

Source: Food Service Industry Research Institution

## 2. General Restaurants

The category with the greatest opportunity for most U.S. food exporters are restaurants driven by diversified Western, Japanese and ethnic fusion cuisines. These restaurants are composed of casual and family style restaurants which serve mainly 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 Joyful, 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 the last five years, such as the Ruth’s Chris Steakhouse, Union Square Cafe, Lawry’s and Wolfgang Steakhouse. 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 (\$10 to \$20) 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 barbeque) 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 Suehiro promoted a U.S. T-bone Steak Fair soon after the relaxation. The U.S. is recognized as a quality supplier which can reliably export these special cuts to Japan.

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

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 some from the private marketing

company Fuji Keizai.

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

Type of Restaurants	2011	2012	2013	2014*	2015*	Change 2014/2013
Family Style Restaurant	11,481	11,585	11,590	11,695	11,785	0.9%
Western Cuisines (American, European)	9,950	9,989	10,097	10,210	10,274	1.1%
Japanese Cuisine	108,905	107,655	106,580	105,520	104,460	-1.0%
Chinese and Korean Cuisines	36,830	36,630	36,320	36,070	35,860	-0.7%
Ethnic Cuisines (Mexican, Indian, SE Asian)	1,825	1,819	1,695	1,608	1,546	-5.1%

Source: Fuji Keizai Co., Ltd. Food Service Industry Marketing Handbook 2014  
2014\* and 2015\*: Estimate

The number of Family Style Restaurants had been decreased 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 increased since 2012. Italian and French restaurants were a major element of the increase in 2011 and 2012. American branded restaurants have expanded and gained market share since 2012, driven by an expansion of American style breakfast places 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 U.S. 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 turned recently saw growth after the previous five years of decreasing sales. The Fuji Keizai Report estimated that there are about 42,100 sushi restaurants in 2014, a decline of 4.3 % in terms of the number of outlets from five years ago (44,000 sushi restaurants in 2010). This doesn’t mean that Japanese consumers are eating less sushi. The major sushi chains offer far cheaper prices than traditional sushi bars, and are steadily increasing their sales volumes and number of outlets (See chart 14).



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

Company	Sales 2013		Change 2013/12, %	# of outlets 2013	Change 2013/12, %
	¥ Million	\$ Millon			
Akindo Sushiro	118,511	1,201	6.5	336	6.0
Kura Corporation	87,171	884	10.4	331	7.5
Kappa Create	80,937	820	-1.0	N/A	N/A
Genki Zushi	22,399	227	7.1	136	-4.2
Kiyomura	22,200	225	15.6	51	4.1

Source: Nikkei Marketing Journal, May 2014

#### 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 2013, the value of the soba/udon food service segment was estimated at ¥1.15 trillion or \$11.6 billion. There were an estimated 710,000 soba/udon shops in 2010. This number decreased to 659,000 in 2014, a decline of 8.2 % from five years earlier. 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. Since many noodle shops are still individual outlets rather than large chains, even the biggest chain - Gourmet Kineya, has only a 1.3 % share of the subsector with 340 shops. U.S. exporters wanting to sell to 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 3,200 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 4.8 % to ¥504.5 billion in 2013 as the company closed unprofitable stores. In addition, the company’s sales are still low due to the food safety scandal caused by a Chinese chicken supplier which was accused of using expired chicken for the chain’s chicken nuggets and burgers. The hamburger chain halted sales of chicken nuggets and chicken burgers at all of its shops in Japan from late July 2014.

Chart 15: Major Hamburger Chains

Hamburger Chains	2013		Change from 2012	
	Name of Company	Sales Volume in ¥ million	Number of Outlets	% in sales
McDonald’s Japan	504,459	3,164	-4.8	-3.5
MOS Foods	98,663	1,454	1.1	1.6
Lotteria	28,200	446	-1.8	-1.1
First Kitchen	9,724	132	-3.1	2.3
Freshness Burger	7,394	164	3.5	-5.7

Source: Nikkei Marketing Journal, May 2013

Even though the scandal had a serious impact on the hamburger chain, 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 refrain from eating chicken products.

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

ii. Pizza Chains

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

Chart 16: Major Pizza Chains

Pizza Restaurants (delivery)	Number of Outlets			
	Name of Company	2013	2014 Estimate	Market Share 2014, %
Pizza La (Four Seeds Corp.)	552	555	25.3	

Pizza Hut (Kentucky Fried Chicken Japan)	358	365	16.7
Dominos	296	320	14.6
Strawberry Cones	196	190	8.7
Chicago Pizza Factory	154	170	7.8
Pizza 10.4	106	102	4.7

Source: Fuji Keizai – Food Service Industry Marketing Handbook 2014

Pizza shops 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 the U.S. products. In addition to sourcing toppings from abroad, pizza chains also source tomato sauce either as tomato chunks or paste from abroad. In 2014, the Japan's biggest pizza chain, Pizza La, launched Hawaiian style pizza which uses onion, pineapple and salt imported from the U.S.

[https://www.pizza-la.co.jp/s/SC\\_Campaign\\_HawaiianSeries2014\\_sp.aspx](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 1,170 outlets nationwide. KFC Japan uses domestic Japanese chicken mainly for regular products and uses imported chicken for diversified seasonal and special menu items, mainly from Brazil or the United States.

## 6. Drinking Establishments

The drinking establishment sector had sales worth ¥4.84 trillion in 2013, equivalent to \$49 billion. This represented 16.2 % of total food service industry sales. This segment increased its size by 3.9 % and its market share by 0.3 % in 2013.

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	2009	2010	2011	2012	2013		Change '12 to '13	
	Unit	¥ Bil.	¥ Bil.	¥ Bil.	¥ Bil.	\$ Bil.		%
Total		4,756	4,733	4,702	4,652	4,834	49.0	3.9%
Pub Dining		1,012	1,002	993	978	1,010	10.2	3.3%
Coffee/Tea Shop		1,005	1,019	1,018	1,020	1,060	10.7	3.9%
Roytei		328	324	322	317	330	3.3	4.1%
Night Club		2,412	2,388	2,370	2,337	2,434	24.7	4.2%

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 2013	Company	Sales (\$ Mil.)	Brand Name, # of Outlets	Location	Purchasing Agents
1	Monterozza	1,473.5	Sirokiya, Uotami, Warawara, 2,056	Nation wide	Wholesalers
2	Daisho	791.9	Shoya, 861	Eastern Japan	Wholesalers
3	Watami Food Service	715.7	Watami, 646	Nation wide	Trade firms, wholesalers
5	Chimney	601.9	Hananomai/Sakanaya-dojo, Kodawariyama, 700	Eastern Japan	Trade firms, wholesalers
4	Colowide East Japan	595.5	Amata-ro, Hokkaido, Hiikiya, 519	Eastern Japan	Trade firms, wholesalers
6	Dynac	341.6	Hibiki/Toridori, Sakura, Unoya, 244	Eastern Japan	Trade firms, wholesalers
7	Yoro-no-taki	288.9	Yoro-no-taki, 644	Nation wide	Trade firms, wholesalers, Direct import
8	Sanko Marketing Food	260.6	Toho Kenbunroku, Tsuki no shizuku, Kin no Kura, 297	Eastern Japan	Trade firms, wholesalers
9	Sapporo Lion	255.2	Ginza Lion, Kakoiya, Agura, Ten, 192	Eastern Japan	Trade firms, wholesalers
10	Oizumi Foods	236.3	Wan, Sen no niwa, 240	Eastern Japan	Trade firms, wholesalers

Source: Nikkei Marketing Journal - May 2014

## ii. Coffee/Tea Shops

The coffee/tea shop sector is very popular throughout Japan but the sales volume of the sector has dropped from ¥1,740 billion in the peak year of 1982 to ¥1,020 billion in 2013, a decline of over 40 %. 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 (ie Starbucks style) coffee/tea chains throughout Japan.

A list of major new style coffee/tea shop chains in Japan in 2013 appears below:

Chart 19: Major Coffee/Tea Room Chains

Rank 2013	Company Name	Sales (\$ mil.)	# Units	Location	Purchasing Agents
1	Starbucks Coffee Japan, Ltd.	1,251	1016	Nation wide	Trade firms, Wholesalers, Direct Import
2	Doutor Coffee Co., Ltd.	871	1,239	Nation wide	Same as above
3	Tully's Coffee Japan (Ito-en)	421	553	Nation wide	Same as above
4	Komeda Coffee	421	561	Nation wide	Same as above
5	Saint Marc Café Holdings	231	337	Nation wide	Same as above
6	Pronto Corporation	198	241	Nation wide	Same as above
8	UCC Foodservice Systems Inc.	135	390	Nation wide	Same as above
7	Italian Tomato Café Jr.	123	177	Eastern Japan	Same as above
9	Chat Noir (Veloce)	112	180	Nation wide	Same as above
10	Pokka Create (Café de Crie)	91	170	Nation wide	Same as above

Source: Fuji Keizai – Food Service Industry Marketing Handbook 2014

McDonald's Japan became 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 4.3 % in volume, reached a record high of 446,000 metric tons of coffee beans import in 2013. 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 ¥2.66 trillion in 2013, equivalent to US\$27 billion. This represents 8.9 % of total food service industry sales. After a decade-long decline, the hotel food business showed an increase of 4.6 % in sales in 2013.

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 2013 and in 2014. In response, major Japanese hotels have also scheduled new hotels and/or renovations in order to accommodate increasing foreign tourists that are estimated to add an additional ¥2 to 3 trillion to the market in Japan. Most 2014 statistics show an increase in sales from the previous year.

First class hotels have a large variety of 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

Company (Hotel Brand)	Sales \$ Million	# of Outlets
Prince Hotels and Resorts	706.5	43
JAL Hotels (Hotel Nikko)	320.8	34
Hotel Okura & Resourts	307.1	16
Hankyu Hanshin Dai-ichi Hotel Group	303.1	50
New Otani Group	287.9	16
Rihga Royal Hotel Group	285.9	11
Imperial Hotel	278.8	8
Tokyu Hotels	276.7	49
Resort Trust (Xiv, Sun Resort)	270.7	45
Marriott International (Ritz-Carlton)	265.6	11

Source: Fuji Keizai – Food Service Industry Marketing Handbook 2014

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 had sales worth ¥3.31 trillion in 2013, equivalent to \$33.6 billion. This represented 11.1 % of total food service industry sales. Institutional food sales slightly decreased 0.2 % in 2013 from the previous year. In spite of growing sales from 2010 through 2012, the institutional food service sector was the only sector that has shown decreased sales in 2013 due to both a decline in the number of working days for company cafeterias and a declining number of children at school. The institutional food service sector is comprised of four segments: business/office cafeterias, school lunch programs, hospitals, and child care facilities.

Chart 21: Institutional Food Service Sales by Sub-Sectors

Institutional	2011	2012	2013			
	Sales ¥ billion		\$ billion	Change '13/'12	Share	
Business/Office Cafeterias	1,716.4	1,717.90	1,706.6	17.3	-0.7%	5.7%
School Lunch	471.2	490.5	488.0	4.9	-0.5%	1.7%
Hospitals	823.1	820.6	818.9	8.3	-0.2%	2.7%
Childcare Facilities	283.7	292.2	299.6	3.0	2.5%	1.0%
Total:	3,294.4	3321.2	3313.1	33.6	-0.2%	11.1%

Source: Food Service Industry Research Center

A New trend is online food sales and meal delivery services which is not included in the above statistics. According to the Fuji Keizai Food Service Industry Marketing Handbook 2014, the total size of the meal/food delivery sales was ¥1,183.1 billion (\$11.99 billion) in 2013, an increase of 0.2 % from the previous year. The report also forecasts that sales will be ¥1,188 billion (\$12.04 billion) in 2014. This might be one segment to see growth as Japan’s aging demographic intensifies. Many food service companies are gearing up to service what is called the “silver” market.

Watami Takushoku, a subsidiary of a top 27 food service company, originated from a pub dining business. Its sales were up 17.4 % in 2013 compared to 2012, and it enjoys a 47 % share of the online meal delivery market which is popular with the aging population. The online based meal delivery companies target the senior generation by offering easy access and researching their taste preferences.

		<p>Photos from the Watami Takushoku website offering health conscious daily special menus, cooked by hand and delivered chilled.</p>
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Reflecting this segment's upward trend, all of the top 10 companies showed significant increases in sales volume in 2013 from the previous year.

Sales by segment in 2013 were as follows:

Chart 22: Ranking Institutional Food Service Chains

Rank 2013	Company Name	Sales	# Units	Location	Principal Purchasing Agents
		(\$ mil.)			
1	Nissin Healthcare Food Service Co.,	1,946	5,133	Tokyo	Wholesalers
2	AIM Service	1,099	1,393	Tokyo	Same as above
3	Green House	938	1,775	Tokyo	Same as above
4	Seiyo Food-Compass Group, Inc.	803	*1,750	Tokyo	Same as above
5	Fuji-Sangyo Co., Ltd.	702	2,100	Tokyo	Same as above
6	Uokuni Sohonsa	633	2,643	Osaka	Same as above
7	Leoc Co., Ltd.	592	*1,859	Tokyo	Same as above
8	MEFOSU Inc.	481	2,246	Tokyo	Same as above
9	Watami Takushoku	462	530	Tokyo	Same as above
10	Nihon General Food	298	471	Aichi	Same as above

Source: Nikkei Marketing Journal – May, 2014

\* Number of units in 2011

Rankings of major foodservice operators by sales are as follows:

Appendix (Chart 23): Top 50 Restaurant Company Profile

Rank 2013	Company	Sales (\$ Mil.)	Outlet Name, Type, & # of Outlets	Location	Purchasing Agents
1	McDonald's Japan	5,113.6	McDonald's, QSR hamburger, 3,164	Nation wide	Trade firms, wholesalers, Direct import
2	Zensho	4,248.1	Sukiya, Coco's, QSR-beef bowl & various, 4,792	Nation wide	Trade firms, wholesalers, Direct import
3	Skylark	2,924.6	Skylark/Gusto/Yumean/Barmiyen, FSR, 2,606	Nation wide	Trade firms, wholesalers, Direct import
4	Nisshin Health Food Service	1,945.8	Office/hospital meals, Institutional, 5,133	Nation wide	Trade firms, wholesalers
5	Plenus	1,875.3	Hotto Motto, takeout meals, 2,939	Western Japan	Trade firms, wholesalers

6	Monteroza	1,473.5	Sirokiya/Uotami/Wara-wara, pub dining, 2,056	Nation wide	Wholesalers
7	Kentucky Fried Chicken Japan	1,339.8	KFC/Pizza hut, QSR-delivery meals, 1,535	Nation wide	Trade firms, wholesalers
8	Akindo Sushiro	1,201.3	Akindo, Sushi-ro, QSR-Sushi, 356	Western Japan	Trade firms, wholesalers, Direct import
9	AIM Service	1,098.8	Institutional, 1,393	Eastern Japan	Wholesalers
10	Duskin	1,044.1	Mr. Donuts, QSR, 1,350	Nation wide	Trade firms, wholesalers
11	Saizeriya	1,036.6	Italian FSR/Saizeriya, 982	Nation wide	Trade firms, wholesalers, Direct import
12	Mos Food Service	1,000.1	Mos Burger, QSR, 1,454	Nation wide	Trade firms, wholesalers
13	Osho Food Service	974.7	Gyoza no Osho, Ramen shops, 682	Nation wide	Trade firms, wholesalers
14	Yoshinoya Holdings	971.8	Yoshino-ya, Hanamaru Udon, 1,191	Nation wide	Trade firms, Direct import
15	Reins International	969.1	Gyukaku, casual steak house, 1,220	Nation wide	Trade firms, wholesalers, Direct import
16	Green House	937.7	Institutional, home meal replacement, 1,838	Nation wide	Trade firms, wholesalers
17	Kura Corporation	883.6	Kura-zushi, QSR, 331	Western Japan	Trade firms, wholesalers
18	Doutor Coffee	878.0	Doutor, coffee shop, 1,355	Nation wide	Trade firms, wholesalers, Direct import
19	Honke Kamadoya	873.3	Kamadoya, takeout meals, 1,765	Nation wide	Trade firms, wholesalers
20	Kappa Create	820.4	Kappa Zushi, QSR-Sushi, (401)	Eastern Japan	Trade firms, wholesalers
21	Seiyo Food Compass	803.2	Han/CASA/Itoguruma, pub dining/family style/Institutional, (355)	Eastern Japan	Trade firms, wholesalers, Direct import
22	Matsuya Foods	796.8	Matsu-ya, QSR-beef bowl, 1034	Nation wide	Trade firms, wholesalers, Direct import
23	Daisho	791.9	Shoya, pub dining, 861	Eastern Japan	Wholesalers
24	Seven and I Foodservice	791.8	Denny's, Famil, Popo, FSR/QSR, 840	Nation wide	Trade firms, wholesalers
25	Toridoll	786.6	Marukame Seimen, QSR-noodle, 847	Nation wide	Wholesalers

26	Ichiban-ya	719.7	Ichiban-ya, QSR-curry shop, 1,253	Nation wide	Trade firms, wholesalers
27	Watami Food Service	715.7	Watami, pub dining, 646	Nation wide	Trade firms, wholesalers
28	Fujisangyo	701.6	Institutional, 2,100	Eastern Japan	Wholesalers
29	Four Seeds	646.7	Pizza La, pizza delivery, 982	Nation wide	Trade firms, wholesalers, Direct import
30	Uokuni Sohonsha	633.4	Office cafeteria-Institutional, 2,643	Western Japan	Wholesalers
31	Joyful	622.9	Joyful, FSR, 719	Western Japan	Wholesalers
32	Chimney	601.9	Hananomai/Sakanayadojo, pub dinings, 700	Eastern Japan	Trade firms, wholesalers
33	LEOC	592.1	Institutional, (380)	Eastern Japan	Trade firms, wholesalers
34	Aleph	566.9	Bikkuri Donkey, FSR, 337	Eastern Japan	Trade firms, wholesalers
35	Nippon Restaurant Enterprise	532.3	American Diner B&G /Ajisai-tei, multi-FS/ restaurants/bento, 390	Eastern Japan	Trade firms, wholesalers, Direct import
36	Colowide East Japan	522.3	Amata-ro, WPJ, pub dinings, 392	Eastern Japan	Trade firms, wholesalers
37	Rock Field	495.0	RF1, takeout meals, 337	Central Japan	Trade firms, wholesalers
38	Fujio Food Systems	486.1	Maido Okini, Japanese style rst, 670	Western Japan	Wholesalers
39	Mefos	480.8	Institutional, 2,246	Eastern Japan	Trade firms, wholesalers
40	Origin Toshu	472.1	Origin Bento, takeout meals, 612	Eastern Japan	Trade firms, wholesalers
41	Kisoji	463.4	Kisoji, Japanese style restaurants, 172	Nation wide	Trade firms, wholesalers
42	Watami Takushoku	462.2	Home delivery/Catering, 530	Eastern Japan	Trade firms, wholesalers
43	B-R Thirty-One Ice Cream	450.7	Thirty-One Ice Cream, QSR-ice cream, 1,157	Nation wide	Trade firms, wholesalers
44	Atom	442.7	Steak Miya, FSR/QSR, 390	Eastern Japan	Trade firms, wholesalers
45	Hokka-Hokka-tei	442.2	Take away lunch box 1,142	Eastern Japan	Trade firms, wholesalers
46	Royal Host	398.8	Royal Host, Cowboy Family, Shakey's, FSR, (260)	Nation wide	Trade firms, wholesalers, Direct import

47	Koraku-en	381.8	Korakuen, noodle shops, 515	Eastern Japan	Trade firms, wholesalers, Direct import
48	Monogatari Corporation	390.8	Yakiniku King, ramen 260	Central Japan	Trade firms, wholesalers
49	Green House Foods	358.8	Saboten, Shahoden HMR/restaurant, 623	Nation wide	Trade firms, wholesalers
50	Dynac	341.6	Hibiki/Toridori, pub dinings/restaurants, 244	Eastern Japan	Trade firms, wholesalers

Source: Nikkei Marketing Journal, May 2014

QSR= Quick Service Restaurant, FSR = Family Style Restaurant

#### D. Conclusion

The \$303 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.

#### A. Post Contacts

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

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1-10-5 Akasaka

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##### ***In Osaka-Kobe:***

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Kita-ku, Osaka 530-8543

email: ATOOsaka@fas.usda.gov

Tel: 81 (6\*) 6315-5904

Fax: 81 (6\*) 6315-5906

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

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

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

<http://www.usdajapan.org/> (FAS Japan, English)

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

<http://www.myfood.jp/> (ATO Tokyo, Japanese)

#### C. Exporters Guides

##### 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.