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Japan

Food Processing Ingredients

Japan Food Processing Sector

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Report Highlights:

The Japanese food processing industry produced \$216.1 billion in food and beverage products in 2016. Sales are estimated to have increased to \$218 billion in 2017. Japanese food producers focus on maintaining market share with traditional product lines while developing creative products to attract consumers who are always on the lookout for new and innovative foods.

Post:

Tokyo ATO

SECTION I: Market Summary

A. Overall Market Summary

The Japanese food processing industry produces a wide variety of foods, from traditional Japanese foods such as tofu and natto, to health foods for infants and the elderly. Japanese food producers focus on maintaining market share with traditional product lines while developing creative products to attract consumers who are always on the lookout for new and innovative foods. As a result, Japanese food manufacturing is characterized by high rates of product turnover.

According to official Japanese statistics, the Japanese food processing industry produced \$216.1 billion in food and beverage products in 2016. Sales are estimated to have increased to \$218 billion in 2017. Close to three-quarters of that total, or \$160 billion, were manufactured by the 91 largest food and beverage companies (as per [Shokuhin Sangyo Shinbun Website https://www.ssnr.co.jp/news/distribution/2017/11/2017-1122-1616-14.html](https://www.ssnr.co.jp/news/distribution/2017/11/2017-1122-1616-14.html)). The largest food processing companies are traditional breweries who have expanded their portfolio to include foods, distilled spirits, health foods, etc... Many of those groups (Kirin Holdings, Asahi Group Holdings, Suntory Ltd., and Sapporo Holdings) are also competing throughout Asia, Europe and the United States. In addition, a number of companies that emerged from the dairy industry are also among the sector's top 15 companies (e.g. Meiji Holdings, Morinaga Industry Co, Ltd. and Megmilk Snow Brand Co., Ltd.). Other leading food processors include Nippon Ham Foods, Ltd. (meats), Ajinomoto Co., Ltd. (food and amino acids), Yamazaki Baking Co., Ltd. (breads), Ito Ham Yonekyu Holdings (meats) are also in the top 15.

Processed food products that are increasing in popularity include yogurt, meat, soups, and ramen. Popular beverage items include tea, vegetable juice, distilled spirits, and energy drinks. Frozen foods consumption has grown as well due to convenience and recent quality improvements. As more people seek single size portions or don't have time to cook every meal, convenience is a keyword for product developers.

Market entry takes time in Japan, especially for ingredients. Manufacturers are often searching for specific ingredients but are unwilling to disclose new product development plans, and may be reluctant to candidly discuss product sourcing needs. The difficulty for U.S. ingredient suppliers is building relations with potential manufacturers so that when they need your products they will seek you out. That is extremely difficult if you do not have product and representation in-country. It is also essential to have built relations with importers to avoid scrambling to find an importer when you need one.

The yearly average exchange rate in 2016 was 109.84 yen per US dollar, up from the 2015 average of 122.05 yen. The Japanese economy is gradually recovering, so the Japanese food processing industry is believed to have continued expanding through the end of 2017.

Note: Because of the fluctuating exchange rate much of the data in this report is in Japanese Yen. The

following table of average annual exchange rate is provided for the readers' reference:

Figure 1: Yearly Average Exchange rate, Yen/USD

Yearly average	2014	2015	2016
JPY per USD	106.85	122.05	109.84

Source: http://mure-kawasesouba.jp/fx/year_average.php

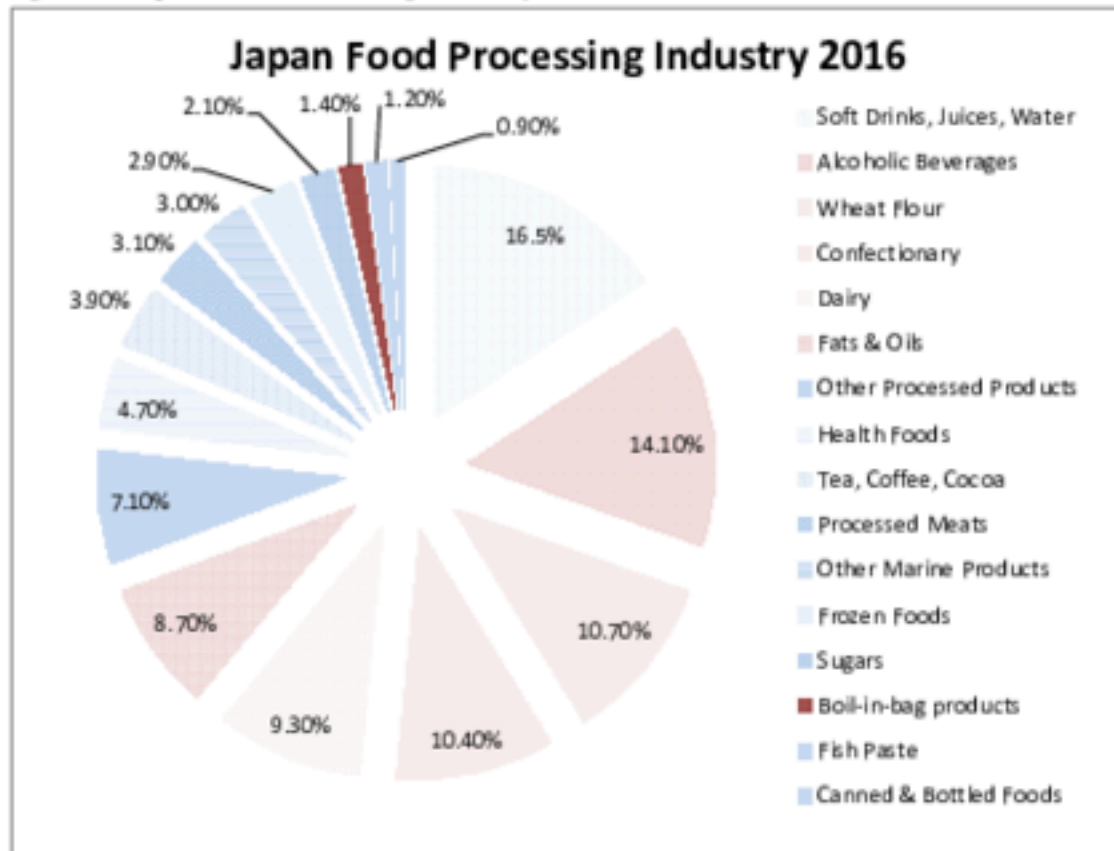
According to trade statistics, the Japanese food processing industry produced a value of \$216.1 billion food and beverage products in 2016 and production is estimated to have increased to \$218 billion in 2017. On a sector-by-sector basis, 2016 sales of health foods saw an increase of 5% that continued through 2017. Processed meats and frozen foods are believed to have increased approximately 1% in 2017. On the other hand, sales of alcoholic beverages and canned & bottled foods are estimated to have fallen 1% in 2017.

Figure 2: Sales Value of the Japanese Food Processing Industry 2015-2017

Category of Foods	2015 (Billion Yen)	2016 (Billion Yen)	2017 Est. (Billion Yen)	Year to Year % increase		Share (%)	
				(2015-16)	(2016-17)	2015	2016
Soft Drinks, Juices, Water	3,740	3,919	3,967	-4.8	1.2	15.9%	16.5%
Alcoholic Beverage	3,366	3,357	3,391	-0.3	1.0	14.6%	14.1%
Wheat Flour	2,532	2,539	2,560	0.3	0.8	10.9%	10.7%
Confectionary	2,447	2,477	2,472	1.3	-0.2	10.3%	10.4%
Dairy	2,140	2,197	2,205	2.6	0.4	9.6%	9.3%
Fats & Oils	2,046	2,071	2,092	1.2	1.0	8.4%	8.7%
Other Processed Products (starch, pickled vegetables, fermented soybeans, etc.)	1,677	1,684	1,691	0.4	0.4	7.4%	7.1%
Health Foods	1,050	1,110	1,165	5.7	5.0	4.5%	4.7%
Tea, Coffee, & Cocoa	920	934	941	1.5	0.8	4.0%	3.9%
Processed Meats	728	734	745	0.7	1.5	3.2%	3.1%
Other Marine Products	702	714	706	1.6	-1.1	3.0%	3.0%
Frozen Foods	687	687	700	0.0	1.8	2.9%	2.9%
Sugars	488	498	497	2.0	-0.2	2.1%	2.1%
Boil-in-bag products	326	327	330	0.3	0.7	1.4%	1.4%
Fish Paste	275	284	277	3.2	-2.4	1.3%	1.2%
Canned & Bottled Foods	207	202	202	-2.2	-0.2	0.9%	0.9%
Total	23,331	23,734	23,941	1.7	0.9	100%	100%

Source: Shurui Shokuhin Tokei Geppo (消費生活統計月報 月号 August 2017 pp20)

Figure 3: Japan Food Processing Industry 2016



Source: Shurui Shokuhin Tokei Geppo (酒類食品統計月報 August 2017)

B. Domestic Companies

The Japanese food processing industry is dominated by 15 major companies of which Kirin Holdings Co., Ltd is the largest. *Appendix A* provides a table of the top 15 Japanese food processing companies with their net sales, production locations, procurement channels, and telephone and website information. Together, these fifteen companies are responsible for almost 60% of food processing sales.

C. Key Market Drivers

Key market drivers for the food processing sector include:

- A declining population.
- A slow economic environment, causing processors to seek out lower-cost food inputs and international processing options to maintain competitive prices. However, a weak Japanese yen has recently caused a slowdown in import growth.
- Continued diversification of the Japanese diet.
- Increasing emphasis on convenience, ready-to-eat foods due to changes in the Japanese family structure, and more women entering the work force.

- Heightened consumer and retailer food safety concerns.
- Increasing interest in health and functional foods with an emphasis on the needs of the growing senior population.

D. U.S. Involvement in the Industry

The U.S. is Japan's number one agricultural trading partner. Although imports from the U.S. have been decreasing recently, the United States is still known as a reliable exporter that provides safe and high quality foods.

Figure 4: Major Food Exporters to Japan in 2016

Ranking	Partner Country	United States Dollars (Billions)			% Share			% Change 2015-16
		2014	2015	2016	2014	2015	2016	
	World	55.5	50.2	49.1	100.00	100.00	100.00	- 2.38
1	United States	14.6	12.6	11.8	26.31	25.07	23.98	- 6.63
2	China	7.2	6.5	6.2	12.95	12.88	12.74	- 3.41
3	Australia	3.9	3.7	3.7	7.10	7.43	7.64	0.39
4	Thailand	3.8	3.7	3.6	6.80	7.33	7.40	- 1.46
5	Canada	3.8	3.3	3.3	6.81	6.62	6.64	- 2.11
6	Brazil	2.8	2.7	2.7	4.97	5.45	5.52	- 1.15
7	France	1.7	1.4	1.5	2.98	2.87	3.02	2.72
8	New Zealand	1.4	1.3	1.3	2.60	2.56	2.69	2.65
9	Indonesia	1.3	1.1	1.1	2.28	2.22	2.30	0.95
10	Philippines	1.1	1.0	1.0	1.98	2.05	2.12	1.04

Source: *Global Trade Atlas: All Commodities*

Figure 5: Japan Import Statistics from United States 2016

Description	United States Dollars (Millions)	% Change
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	2014	2015	2016	2015-16
Cereals	4,677	3,817	3,228	-15.43
Meat	3,115	2,599	2,857	9.9
Misc. Grain, Seed	1,834	1,798	1,598	-11.12
Edible Fruit and Nuts	977	992	905	-8.79
Tobacco	611	606	611	0.79
Preserved Foods	635	596	576	-3.35
By products	719	500	446	-10.87
Beverages	424	430	414	-3.87
Prepared Or Preserved Meat, Meat Offal & Blood Nesoi	466	372	337	-9.58
Miscellaneous Food	301	285	314	9.94
Vegetables	258	216	243	12.56
Dairy, Eggs, Honey	363	254	195	-23.29
Bakery Products	171	143	105	-26.54
Sugars	107	82	68	-16.27
Essent Oils Resinoid; Ext Oleo Terpen By- Prods Etc...	60	57	67	16.88

Source: Global Trade Atlas, Japan Import Statistics, All AG Simplified. (Figures Rounded)

E. Analysis

Some important factors affecting food exports to Japan are:

1. Due to the steady recovery of the Japanese yen, imported foods were less expensive in 2016 versus 2015.
2. The extreme weather conditions in Japan led to increased imports of more vegetables than the previous year.

Due to three typhoons crossing Japan's agricultural prefecture, Hokkaido, in August 2016, vegetable crops were devastated. Japan imported higher amounts of vegetables from the U.S. that year. Also, meats, miscellaneous food, and essential oils saw healthy increases in 2016 compared to the previous year. Overall, due to the gradual recovery of the Japanese yen exchange rate, Japan imported many food ingredients from U.S. exporters.

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

In addition to the U.S. being the largest food exporter to Japan, Japanese consumers are familiar with ingredients from the U.S. such as meats, dried fruits, nuts, etc... Products from the U.S. are also recognized for their high quality, cultural influence, and health conscious aspects. Some of the key advantages and challenges for U.S. food products are:

Advantages	Challenges
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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 overseas production, including the U.S.
Manufacturers in the United States produce many specialty food products that are attractive to Japanese consumers.	Getting detailed information to the most appropriate purchaser in some companies can be difficult in Japan.
Many Japanese consumers love American culture and cuisine.	Getting your product information to the consumer is a challenge.

G. Industry Developments

The turnover rate of food products in Japan is high. Manufacturers need to constantly introduce new products, tastes, packaging and ideas. A good example of this recently is the popularity of ‘maccha,’ or Japanese green tea flavor. Manufacturers in Japan have been adding maccha to chocolates, cookies, crackers, coffees, etc... In addition to new flavors, packaging for these products also gets a lift, with bright green fonts and decorations. Strawberry flavor is also popular, as are hot and spicy flavors (especially added to ramen and chips). Japanese manufacturers are always ready to change taste, texture, packaging or product names to catch the attention of Japan’s finicky and demanding customer base and keep their brands fresh in the eyes of customers.

The year 2016 saw an increase in sales of soft drinks, juices, and water. However, the sales of other categories showed either slight increases or remained flat compared to the previous year. Thus, many companies launched new brands as well as upscale versions of their original products in order to stimulate consumption.

Here are few examples of these new brands products:



In the summer of 2017, the sales of flavored energy drink called Match produced by Otsuka Shokuhin increased. The carbonated acid and sweet taste was popular especially among Japanese teenagers. Match is a Vitamin C supplement drink. Recently, Match can be seen in many Izakaya, or Japanese taverns, as well, where it is mixed with spirits and has become a popular drink for adults.

Also in the summer of 2017, Fujiya produced new versions of a confectionery product called Natsuno Country Maamu, or “Summer’s Country Mom”. This product is sold only in the summer, and is consumed refrigerated or frozen to beat the summer heat. It comes in two flavors, and salty vanilla, which provide a cool flavor sensation. Country Mom cookies have been loved for years by all generations.



mint



Taberu Masuku, or “Eating Mask”, by Morinaga Milk Industry Co., Ltd. is popular among women in 2017. Many Japanese wear surgical masks to protect against cold viruses. This product also helps to protect against colds. The effective ingredient is Shield Lactic Acid which is claimed to increase the body’s immunity and protect the body ‘like a mask.’ Three pills deliver 1 billion Lactic Acid bacteria to the body. This product has become popular as a confectionery and health-supplement.

Another product from Morinaga Milk Industry Co., Ltd. is called Philadelphia Zeitaku San-Sou Jitate no Creamy Cheese, or “Philadelphia Luxury Three-Layered Creamy Cheese.” It is sliced cream cheese which is sandwiched between two cheddar cheeses. Recently, more people are using SNS, so “photogenic” foods are important for those who upload their photos. According to Morinaga Industry, the sales of this product dramatically increased thanks to polarity among SNS users, due to its thickness and beautiful layout.



“Chiki Chiki Bone” produced by Nippon Ham is a frozen spicy chicken on the bone, and it has remained unchanged for 30 years. The product gets attention especially from housewives, because it is convenient when they make lunch boxes for their children. In addition to the normal spicy taste, Nippon Ham produced three more up-scaled versions last year: mayonnaise flavor, lemon flavor, and a boneless version.

Coca-Cola Japan was selling an Ilohas water product featuring a famous strawberry called Amaou only in the Kyushu region, in western Japan. Due to its popularity, it is now sold nationally. Amaou is a famous and delicious strawberry variety in Japan. The 340ml small-sized bottle is easy to drink, and it is considered a prototypical *Gohoubi Shouhi*, or everyday luxury product (see Section III).



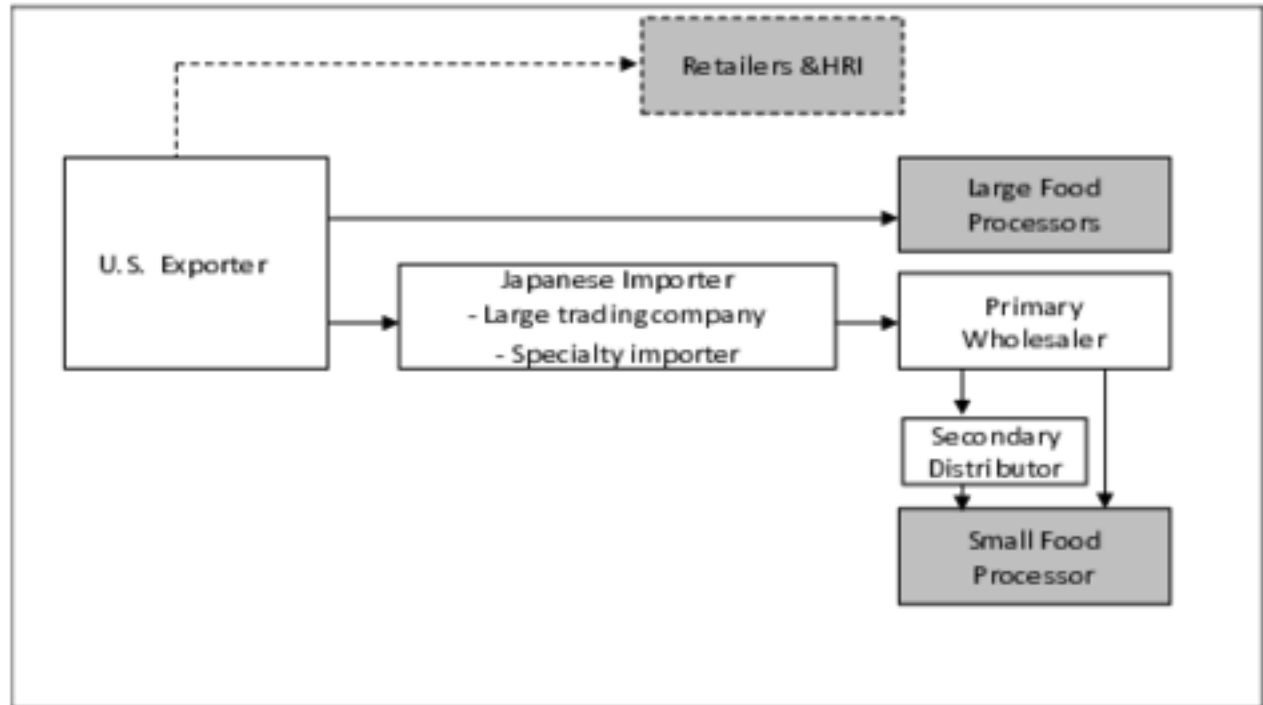
Nissin launched a new product in March 2017 called “Cup Noodle Bukkomi Meshi”. Bukkomi means mixing together, and Meshi means rice. Consumers can enjoy rice, soup, and cup noodle at the same time. The slogan for this product is “Guilty, but delicious”. The sales of this product are expected to increase in 2018 as well.

SECTION II: Market Structure & Entry

A. Market Structure

The Japanese market structure and distribution system is different from the U.S. The following illustration is a basic flowchart showing how imported products would enter and move through the traditional Japanese distribution system:

Figure 6: Food Ingredient 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 play the following services:

1. Import processing
2. Financing
3. Customs clearance

4. Warehousing
5. Preparer of order and shipping documentation

In the past, trading companies would normally sell to first-line wholesalers, who would then sell product to secondary distributors. This pattern has changed in the past decade as companies seek to reduce logistical costs. Large food processors and retailers are now purchasing sizeable quantities of product directly from trading companies.

In some cases, major HRI and retail outlets are directly importing items themselves if the size of the transaction makes it cost effective (as displayed in the graph above).

HRI importers are often large family chain restaurants, *kaiten* (conveyer belt) sushi restaurants, and regional restaurants. Oftentimes, the importer or trading company needs to also add value through special processing 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.

A. Market Entry

It can be difficult to enter the Japanese market. There are many factors to consider, such as strict regulations on some ingredients and additives, demands for consistency and high quality, and the amount of information that buyers will ask for before making a decision to import. Despite this, the Japanese market has enormous potential. With Japan's changing demographics, demand is shifting and new opportunities are constantly presenting themselves.

Strategies for entering the Japanese market will vary depending on product characteristics, competition, and the market environment. However, Japan is a very competitive market. Buyers in the food and beverage industry are inundated with meeting requests and often do not respond to requests for meetings with companies that they do not know. Instead, they prefer to find new products at large trade shows, or specially targeted trade showcases, where they can look at many products at once. Therefore, the best way to learn about the market while getting the chance to talk to potential business partners is to participate in a trade show.

The largest food related trade show in Japan is FOODEX Japan, which takes place every March. Depending on your target market, other smaller trade shows can also be useful, such as the Supermarket Trade Show, International Food Ingredients and Additives Exhibition, Patisserie and Bakery Show, the Tokyo International Gift Show, Health Food Exhibition, etc.

USDA works very closely with State Regional Trade Groups (SRTGs) in the United States, which have been established to help agricultural exporters, offer export counseling to food and beverage companies and bring delegations to trade shows (often helping defer the costs of exhibiting). SRTGs include:

The Southern US Trade Association (SUSTA); <http://www.susta.org>
States AL, AR, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TE, TX, VA, WV

Western US Agricultural Trade Association (WUSATA); <https://www.wusata.org/>
States: AL, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WY

FOODEXPORT Northeast; (215) 829-9111; info@foodexport.org; <https://www.foodexport.org/>
States: DE, NY, VT, CT, MA, ME, RI, NH, MJ, PA

FOODEXPORT Midwest, (312) 334-9200; info@foodexport.org; <https://www.foodexport.org>
States: IL, IN, KS, MN, MO, NE, IA, MI, ND, OH, SD, WI

The Agricultural Trade Office is also available for consultations about the potential for your product in the market. For further guidance and a more detailed outline of the variety of resources available to U.S. exporters, please refer to *Appendix B*.

SECTION III: Sector Trends and Products with Good Sales Potential

A. Consumer Trends

At the consumer level, a number of trends are driving product development and marketing. Among the most significant:

1. Beauty & Anti-Aging

Products that offer beauty or anti-aging benefits have always been popular in the Japanese market. Research has shown that over 80% of Japanese women are aware of the term “anti-aging”, and it is a keyword that attracts many female Japanese consumers.

Japanese green tea (maccha), has always been known as a beverage containing ingredients to make skin beautiful. Maccha contains the entire leaf, ground to powder. Consumers can get Vitamins C, E and A. The combination of Vitamin C and catechin is believed to suppress formation of melanin. Through mass media and SNS, these beverages and foods have gained tremendous popularity.

Another very popular example is gummy candy that has added collagen to improve skin health. Through mass media and SNS, these foods have gained tremendous popularity. Food manufacturers in Japan are always looking for the next anti-aging breakthrough ingredients to introduce in their products, so exporters with new ingredients with beauty related benefits that can tap into this demand and do very well in this market. It is especially helpful if you can offer something that is not yet widely available in Japan.

2. Health & Functional Foods

Like anti-aging and beauty-related food items, foods with other health benefits are also highly prized in Japan. A recent study showed that over 70% of Japanese people feel the need to live a healthy lifestyle, and over 90% of Japanese women have experience dieting. A healthy diet is an extremely valued concept in Japan, and many people aim to maintain a healthy diet by excluding instant foods or adding

foods with special properties.

Functional foods have gained popularity from all generations in Japan. The official definition of functional foods (FOSHU) and drinks in Japan is “food which is expected to have a specified effect on health due to the relevant constituents or food from which allergens have been removed.” Functional ingredients such as dietary fiber, oligosaccharides, non-calorie sweeteners, calcium, iron, mineral absorption promoters, beta-carotene, chitosan, specified soy protein, collagen, polyphenols, lactic acid bacteria cultures, soy isoflavones, and germinated brown rice (GABA) have been included in functional foods marketed in Japan.

Examples of functional foods include yogurt or chocolate with lactic acid bacteria to help digestion and blueberry smoothies with lutein, which is shown to improve eye health. The major distribution line for these functional food products is through supermarkets and convenience stores.

3. “Gohoubi Shouhi”

According to research conducted by the Japanese Cabinet Office, approximately 70% of the Japanese classify themselves as “middle class.” Despite years of deflationary pressure and low income growth, there is a concept of enjoying small luxuries that is popular in Japan. This idea is called “Gohoubi Shouhi” (Reward Consumption).

“Gohoubi Shouhi” refers to a consumer behavior in which individuals treat and reward themselves by purchasing pricier versions of everyday products. For example, approximately 38% of Japanese women spend their extra money on dessert and confectionary products. Many convenience stores have launched up-scale and premium versions of products in their confectionary lines for those who are willing to spend a little extra money on better quality products.

“Puchi Zeitaku” (Mini luxury), “Otonano” (Adult or Upgraded) are other keywords that refer to this concept. Many products such as limited-time special flavor products and craft beers are sold at slightly higher prices than normal products for the *Gohoubi Shouhi* market.

4. Increasing Participation of Women In the Labor Force

Japanese women have always had a great deal of responsibility for daily purchases for both themselves and their families. More women are entering the Japanese work force today, according to a survey by Ministry of Health, Labor and Welfare. For example, in 2016, 410,000 women entered the work force, bringing the total number of working women to 28 million. By comparison, the number of working men increased by only 90,000 (to 37 million). Marketers are targeting women in general and also the working women. (<http://www.mhlw.go.jp/bunya/koyoukintou/josei-jitsujou/16.html>)

Many confectionery companies have launched products that target working women. For example, in convenience stores in Japan you can find a variety of mini-sized candy, snacks, and chocolates that target working women who want a sweet snack with their coffee or lunch.

5. Growth of Convenience Foods

Along with the increase in the number of working women and the long hours worked in Japan, there has been an increase in demand for convenience foods as a replacement for meals made from scratch at home. The best example is the rapid expansion of convenience (*konbini*) store chains over the past decades. These outlets offer a large variety of prepared meals. Examples of prepared meals are

traditional bento lunch boxes, onigiri (rice balls), pasta dishes, sandwiches, salads, baked goods, and desserts. Ingredients such as low-cost processed vegetables for bento lunches or ingredients in snack foods such as croquettes, fried potatoes, and meat patties, are in high demand.

As the number of households with two working parents has increased, so has the demand for easy-to-prepare meals. Another factor is that young Japanese are marrying later, so single people tend to choose easy-to-prepare single-portion meals. Packed sauces, meals in-a-box, instant meals, and other convenient options are growing in popularity and will most likely continue to grow.

6. Demography issues in Japan

Japan is undergoing a major demographic change. Due to low fertility rates, the percentage of young people has been shrinking since the 1980's. The population of Japanese aged 60 and over has been growing, and now accounts for approximately 44% of the total population. By the end of this decade, there will be three pensioners for every child under 15. This significant change has impacted consumer demands.

One impact has been to intensify the already strong demand for healthy and functional food products. Many domestic firms in Japan have begun the process of creating product lines that target the physical and dietary needs of elderly people. These include high-nutrient food products, anti-aging foods, and pureed foods which elderly people can eat with ease (often referred to in this market as “care food” or “universal design”.) Some companies claim that products in the market need improvements in areas of taste, texture, and price. Thus, raising the quality and lowering the price of these products is the current challenge for food producers.

B. Producer Trends

Producer trends can be evaluated at the large trade shows in Japan. One of the largest food trade shows in Japan is called FOODEX (see *Appendix B*, Entry Strategy: part 3), where food producers have an opportunity to exhibit their products and connect with customers. FOODEX lasts four days and usually attracts more than 80,000 trade-only visitors including food service, traders & wholesalers, manufacturers, and retailers. FOODEX organizers also provide data on the types of products most sought out by visitors.

FOODEX Japan 2017 featured a wide variety of exhibitors including:

Exhibits Ranking / Number of Companies Representing:

Ranking	Product Type	# of Companies
1	Alcoholic Beverages	405
2	Confectionaries, Sweets & Confectionary Ingredients	356
3	Organic / Functional Food & Drinks	323
4	Fresh Foods (Processed Foods)	292
5	Frozen Foods	256
6	Dried Foods & Legumes (Beans)	253
7	Canned Products, Bottled Products & Agricultural Preserved Foods	248
8	Beverages	183
9	Coffee & Tea	170

10	Seasonings & Condiments	161
11	Cooking Oils & Fats	153
12	Rice, Noodles & Flour	134
13	Sauces & Dressings	132
14	Special-Occasion, Certified & Professional-Use Foods	67
15	Dairy Products & Eggs	60

The Most Sought After Items According to Buyers Were:

Ranking	Product Type	% of Companies
1	Snacks / Desserts	14.2%
2	Vegetables / Fruits	10.1%
3	Coffee / Tea / Drink ingredients	9.9%
4	Alcoholic beverages	8.4%
5	Livestock / Processed meats	8.1%
6	Bread / Noodles / Pasta	8.0%
7	Seasoning / Spices / Raw Materials / Ingredients	7.6%
8	Marine products / Processed products	7.1%
9	Soft drinks / Water	5.7%
10	Functional foods / Health foods	5.7%
11	Grains	4.5%
12	Dairy / Egg products	3.9%
13	Environmentally-conscious foods / Organic foods	2.8%
14	Other / Food-related products / Information	2.6%
15	Sugar / Spreads	1.0%

Source: FoodEX Japan 2017 (<http://www.jma.or.jp/foodex/index.html>)

The number of Japanese exhibitors were 1,303 and 1,979 exhibitors were from overseas in 2017.

C. Products Not Present Due to Significant Barriers

1. Items Containing Prohibited Ingredients or Ingredients in Excess of Allowable Limits

Because of the strict Japanese regulations on food additives: Some U.S. food products containing prohibited additives or residues/additives in excess of allowable limits cannot enter Japan. U.S.

exporters who are interested in Japanese products should check their product compliance as a first step.

Please 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/report/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, whey products, cheese, yogurt, and other dairy products are subject to tariffs under a tariff-rate quota. Likewise, sugar and rice face very difficult access requirements when imported to Japan. 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. The latest Japan Customs tariff schedules are available in English at the following website:

http://www.customs.go.jp/english/tariff/2012_4/index.htm

3. Quarantine Restricted Items

Numerous fresh produce products are prevented from entering Japan due to the Japanese plant

quarantine regulations. For example, U.S. fresh potatoes are limited by a strict protocol. U.S. apples can be imported but must meet strict phytosanitary standards.

You can check whether or not your products are allowed by contacting the USDA Animal and Plant Health Inspection Service office in Tokyo at (011-81-3) 3224-5111 or emailing the USDA Agricultural Trade Office (ATO) at atotokyo@fas.usda.gov

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 export. Final import approval of any product is subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry.

SECTION IV: Post Contact & Further Information

For additional assistance, please contact us, either the U.S. ATO in Tokyo or Osaka at the following address:

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
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You can also find more information about the USDA offices in Japan by visiting our website at <http://www.usdajapan.org/>, <http://www.us-ato.jp>, <http://www.usdajapan.org>, <http://www.myfood.jp>, or following us on twitter at @USDAJapan.

SECTION V:
Appendix A. Company Profiles

Ranking	Company (Main Products)	Sales (¥ Billion)	End Users	Procurement Channels	Address	Phone # Website
1	Kirin Holdings	2,075	Retail/HRI	Importers, Direct	4-10-2 Nakano, Nakano-ku, Tokyo 164-0001	03-5541-5321 http://www.kirinholdings.co.jp/english/
2	Asahi Group Holdings	1,707	Retail/HRI	Importers, Direct	1-23-1 Azumabashi, Sumida-ku, Tokyo 130-8602	03-5608-51112 http://www.asahigroup-holdings.com/en/

3	Suntory Ltd.	1,411	Retail/HRI	Importers, Direct	Tokyo Square Garden, 3-1-1 Kyobashi, Chuo-ku, Tokyo 104-0031	03-5579-1000 https://www.suntory.com/softdrink/index.html
4	Meiji Holdings Co., Ltd.	1,242	Retail/HRI	Importers, Direct	4-16, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031	03-3273-4001 http://www.meiji.com/global/
5	Nippon Ham Foods Ltd.	1,202	Retail/HRI	Importers, Direct	Breeze Tower, 4-9, Umoda 2-chome, Kita-ku, Osaka	06-7525-3026 https://www.nipponham.co.jp/eng/
6	Ajinomoto Co., Inc.	1,091	Retail/HRI	Importers, Direct	1-15-1 Kyobashi, Chuo-ku, Tokyo 104-8315	03-5250-8111 https://www.ajinomoto.com/en/?scid=av_o_t_pc_cojphead_global
7	Yamazaki Baking Co., Ltd.	1,042	Retail/HRI	Importers, Direct	3-10-1, Iwamoto-cho, Chiyoda-ku, Tokyo 101-8585	03-3864-3111 http://www.yamazakipan.co.jp/english/index.html
8	Ito Ham Yonekya Holdings	793	Retail/HRI	Importers, Direct	1-6-21 Mita, Meguro-ku, Tokyo	03-5723-8111 http://www.itoham-yonekya-holdings.com/english/index.html

9	Morinaga Milk Industry Co., Ltd.	593	Retail/HRI	Importers, Direct	5-33-1 Shiba, Minato-ku, Tokyo 108-8384	03-3798-0111 http://www.morinagamilk.co.jp/english/
10	Megmilk Snowbrand Co., Ltd.	588	Retail/HRI	Importers, Direct	5-1, Yotsuya-honshiocho, Shinjuku-ku, Tokyo	03-6887-3690 http://www.meg-snow.com/english/
11	Coca-Cola East Japan Co., Ltd.	572	Retail/HRI	Importers, Direct	Tokyo Midtown Tower, 9-7-1 Akasaka Minato-ku, Tokyo 107-6211	045-222-5850 https://en.ccbji.co.jp/
12	Kewpie Corporation	552	Retail/HRI	Importers, Direct	1-4-13 Shibuya Shibuya-ku, Tokyo 107-0052	03-3486-3331 https://www.kewpie.co.jp/english/
13	Sapporo Holdings	542	Retail/HRI	Importers, Direct	20-1, Ebisu 4-chome, Shibuya-ku, Tokyo 150-8522	03-6859-2303 http://www.sapporoholdings.jp/english/index.html
14	Nichirei Corporation	540	Retail/HRI	Importers, Direct	Nichirei Higashi-Ginza Building 6-19-20 Tsukiji, Chuo-ku, Tokyo 104-8402	03-3248-2101 http://www.nichirei.co.jp/english/

15	Nissin Seifun	532	Retail/ HRI	Importers, Direct	1-25 Kanda, Nishikie ho, Chiyoda -ku, Tokyo 101 - 0054	03-5282-6666 https://www.nissin.com/english/
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Source: *Shurui Shokuhin Tokei Geppo* (酒類食品月報 月号 September 2017)

Appendix B. Entrance 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 your product is permissible by Japanese food regulations. Strict Japanese regulations can prevent many agricultural products from entering Japan.
- a. Read the Exporter Guide and the Food and Agricultural Export Regulations Report, published by our office and available at:
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx> and selecting "Japan" and "Exporter Assistance"
 - 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>
 - 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/report_s/regulations/pdf/agri2009e.pdf
3. Perform Some Basic Market Research:
- a. Determine the specific area of the market your product is targeting:
<http://www.fas.usda.gov/topics/getting-started>
 - b. Determine whether there is demand for your product by searching online websites, speaking with other companies that have experience in Japan, visiting the market to

conduct market tours, or attending a trade show in Japan.

- c. Determine whether your product is price competitive versus Japanese and other producers, keeping in mind transportation and modification costs. Determine the comparative advantage of your products. Potential customers need to be convinced of the merit of using your products: Such as price savings, higher quality, higher value or more convenient packaging. Most packaging or labeling will have to be changed for the Japanese market, as American packaging is usually too large.
- d. The ATOs in Tokyo and Osaka can assist with market research and developing marketing strategies.

You should also contact your local State Regional Trade Group, which works closely with USDA to help food and agricultural companies advance their exporting goals:

Southern US Trade Association (SUSTA); (504) 568-5986; <http://www.susta.org/>
States AL, AR, FL, GA, KY, LA, MD, MS, NC, OK, PR, SC, TE, TX, VA, WV

Western US Agricultural Trade Association (WUSATA); (360)693-3373 x 314;
<https://www.wusata.org/>
States: AL, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WY

FOODEXPORT Northeast; (215) 829-9111; info@foodexport.org; <https://www.foodexport.org/>
States: DE, NY, VT, CT, MA, ME, RI, NH, NJ, PA

FOODEXPORT Midwest, (312) 334-9200; info@foodexport.org; https://www.foodexport.org
States: IL, IN, KS, MN, MO, NE, IA, MI, ND, OH, SD, WI

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:

- Your story

- 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
- Literature in Japanese

5. Get to Know the Market Personally:

Once you have determined that exporting your product to Japan 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. Trade shows: There are a variety of trade shows, large and small, which act as the best 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/topics/trade-shows>
 - a. The recommended trade shows in Japan for the food processing sector are:

-FOODEX JAPAN <http://www3.jma.or.jp/foodeX/en/>

-Supermarket Trade Show <http://www.smts.jp/en/>

-International Food Ingredients and Additives Exhibition (IFIA) Japan:

<http://www.ifiajapan.com>

-Health Ingredients Japan <http://www.hijapan.info/eng/>

- b. Contact one of the State Regional Groups listed in 3.d above, and ask if they have any upcoming activities involving your target market such as trade missions or showcases.
- c. Try to meet with Japanese importers who distribute the types of agricultural products that you wish to export to learn more about the market.
- d. Once you make contacts, visit potential customers to emphasize your interest and learn more about them, such as how they normally source products. Ask if/how products are normally reformulated and how packaging could be tailored to better fit the marketplace.

Documentation and Shipping:

1. After revising your export action plan and finding an importer/distributor, begin the process of setting up a payment structure and working on import documentation requirements. Information on this area can be found at: <http://www.fas.usda.gov/topics/regulations-and-requirements>. It is very important in Japanese business culture to respond thoroughly and promptly to all requests for information or documentation from your buyer.
2. When ready to ship, consider using a finding a freight forwarder that can handle many of the logistics of shipping for a fee. Refer to the website above for more information on this procedure.

Marketing:

When you are ready to market your product, feel free to contact the ATO Tokyo or Osaka offices as resources for information on promotion and marketing. Buyers may expect your assistance promoting your product in the market.

For additional information, refer to the USDA Foreign Agricultural Service's export assistance website:

<http://www.fas.usda.gov/topics/exporting>

Helpful Tips:

Points to remember when doing business in Japan:

- a. Be clear with importers about the conditions under which price adjustments may be necessary.
- 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.

