Japan

Food Processing Ingredients

Japan Food Processing Sector Report 2014

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

Post:
Tokyo ATO
SECTION I: Market Summary

A. Overall Market Summary

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

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

<table>
<thead>
<tr>
<th>Yearly Average</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPY per USD</td>
<td>87.77</td>
<td>79.80</td>
<td>79.79</td>
<td>97.59</td>
<td>102.56</td>
</tr>
</tbody>
</table>

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

Source: Principal Global Indicators

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

The Japanese food processing industry is dominated by 15 major companies, making up almost 60% of the market sales in 2013 (according to the most current available data), with the largest company, Kirin Holdings Co., Ltd., claiming a 9.85% market share. Appendix A provides a table of the top 15 Japanese food processing companies with their net sales, end channels, production locations, procurement channels, and contact information. This table has been included to provide a more detailed image of the current food processing industry in Japan.

C. Key Market Drivers

Key market drivers for the food processing sector include:

- A deflationary economic environment over the past decade, causing

*FIGURE 4: Japan Food Processing Industry 2014 Estimate*

*Source: Shurui Shokuhin Tokei Geppo Tokubetsu Zoukango (酒類食品統計月報1月号, January, 2013)*
processors to seek out lower cost food inputs and international processing options in order to remain competitive.

- Increasing interest in health and functional foods with an emphasis on the needs of the aging population.
- Increasing emphasis on convenience and ready-to-eat foods.
- Demand for value.
- Continued diversification of the Japanese diet.
- Personalization and individualization of food and food marketing.
- Larger focus on the demographic of twenty to thirty year olds.
- Heightened consumer and retailer food safety concerns.

D. U.S. Involvement in the Industry (See Figure 5)

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

*Previous data included forestry and non-food items. This data represents food and beverages.
FIGURE 5: Major Agricultural Product Exporters to Japan

<table>
<thead>
<tr>
<th>Rank</th>
<th>Partner Country</th>
<th>United States Dollars (Unl:100)</th>
<th>% Share</th>
<th>% Change 2013/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>114,880,456</td>
<td>25.8%</td>
<td>23.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>107,102,697</td>
<td>24.7%</td>
<td>20.2%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>47,003,671</td>
<td>10.5%</td>
<td>12.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>52,842,723</td>
<td>12.2%</td>
<td>53.9%</td>
</tr>
<tr>
<td>3</td>
<td>Australia</td>
<td>31,694,198</td>
<td>7.1%</td>
<td>6.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30,657,038</td>
<td>7.1%</td>
<td>30.6%</td>
</tr>
<tr>
<td>4</td>
<td>Canada</td>
<td>28,803,288</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>29,764,922</td>
<td>6.9%</td>
<td>40.1%</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>22,301,971</td>
<td>5.0%</td>
<td>6.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22,255,825</td>
<td>5.1%</td>
<td>71.7%</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>34,144,362</td>
<td>7.7%</td>
<td>6.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>36,155,963</td>
<td>6.5%</td>
<td>11.7%</td>
</tr>
<tr>
<td>7</td>
<td>Holland</td>
<td>18,105,578</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,706,751</td>
<td>4.1%</td>
<td>35.6%</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>12,014,125</td>
<td>2.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,459,943</td>
<td>2.9%</td>
<td>50.1%</td>
</tr>
<tr>
<td>9</td>
<td>Indonesia</td>
<td>16,246,967</td>
<td>3.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,862,113</td>
<td>2.7%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>10</td>
<td>New Zealand</td>
<td>9,334,850</td>
<td>2.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9,808,251</td>
<td>2.3%</td>
<td>41.9%</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>111,099,992</td>
<td>24.9%</td>
<td>26.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>111,371,928</td>
<td>25.6%</td>
<td>43.2%</td>
</tr>
<tr>
<td></td>
<td>World</td>
<td>445,629,479</td>
<td>10.0%</td>
<td>34.4%</td>
</tr>
</tbody>
</table>

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

Figure 6: Top 10 Food Product Exporters to Japan
FIGURE 7: Major Seafood Exporters to Japan

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

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

Figure 8: Top 10 Seafood Exporters to Japan

Top 10 Seafood Exporters to Japan

- China: 26%
- Chile: 8%
- Thailand: 5%
- United States: 3%
- Russia: 6%
- Indonesia: 6%
- Vietnam: 7%
- South Korea: 5%
- Norway: 5%
- India: 8%
- Others: 18%
E. Analysis

Three key factors affecting food exports to Japan are:

1. Imported food products are often less expensive than their domestic counterparts.
2. Japanese consumers have shown greater acceptance towards imported food since the Fukushima nuclear incident.
3. The strong yen exchange rate in 2013 drove up food imports from foreign countries to Japan and helped increase the attractiveness of U.S. goods (although that trend has reversed in 2014).

The United States supplies many important components of Japanese food. For example, The U.S. supplies the majority of corn and hay for the Japanese feed industry. U.S. soybeans support the fundamental Japanese food culture and are used for tofu, miso, miso soup, soy sauce, and many other basic food staples. Whey is used in health products. Cheese goes straight to pizza delivery companies. Even turkey breast goes directly to Subway Japan.

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

In addition to being the largest exporter to Japan and benefitting from the 2013 strong yen, U.S. products enjoy other advantages. Japanese consumers are familiar with ingredients from the United States such as: meats, dried fruits, nuts, etc. Japanese consumers also view products from the U.S. as high-quality, and healthy. Some of the key advantages and challenges for U.S. food products are:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>The U.S. has a reputation as a reliable supplier of food inputs in terms of availability and delivery.</td>
<td>Consumers perceive Japanese food production as safer than production overseas, including the United States.</td>
</tr>
<tr>
<td>U.S. manufacturers produce many specialty food products that are attractive to Japanese consumers.</td>
<td>Providing detailed information can be difficult in Japan.</td>
</tr>
<tr>
<td>Many Japanese love American culture.</td>
<td>Getting product information to the purchaser is a challenge.</td>
</tr>
</tbody>
</table>
**G. Developments Within the Industry**

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

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

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

Here are a few identified products and their descriptions.

In February 2013 **Ajinomoto Co., Inc.** unveiled Japanese and Western style cooking sauces called “Today’s Rice Bowl”. There are a total of nine flavors such as Pork Rib and Daikon and Honey Ginger Pork Stir-fry. The directions are simple and the concept was for all the products to be made with a single frying pan. In 2013, the market size for this type of seasoning sauce increased 21%, much to the success of Ajinomoto’s product. Ajinomoto projects 4 billion yen in sales for 2013.
Kao added two products to their successful canned coffee series called, Healthya (See related report in ATO Tokyo’s business website us-ato.jp [http://www.us-ato.jp/en/trend/index.html#:~:text=Japan%27s%20food]).

Healthya contains chlorogenic acids, which is a polyphenol claimed to help burn fat. Healthya received approval for a “Tokuho” or FOSHU (Foods for Specified Health Uses) label as it has been designated by Japan’s Consumer Agency as a specialty functional food. Part of the marketing and branding success of Healthya was a taste monitoring campaign covering over 100 thousand drinkers.

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

Kirin Brewery Co., Ltd. created a new third beer flavored product, Kirin Sumikiri. Third beer flavored products target the 30 something age group. Kirin Sumikiri has “umami” but is very crisp, without a strong residual after taste. Kirin Sumikiri was launched on May 14, 2013 and within the third month of sales 100 thousand 350 ml cans were sold.
**Meiji Co., Ltd.** introduced a brand new product—a cheese spread that is spread on bread and then toasted in a toaster oven. The product contains a mixture of cheddar and parmesan cheeses. There are two ways to enjoy the spread. One is to light spread it before toasting to give the crunchy texture. The second is to spread it heavily to softer cheesy melt.

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

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

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**SECTION II: Market Structure & Entry**

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

The traditional system looks like this:

**Figure 10: Distribution Flow Chart**

![Distribution Flow Chart](image)

*Source: ATO*

Your product will most likely be handled by a:

1. General trading company
2. First-line wholesaler
3. Second-line wholesaler
4. Retailer, HRI or food processor

Trading companies provide the following services:

1. Importing
2. Financing
3. Customs clearance
4. Warehousing
5. Order and shipping documentation

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

B. Market Entry

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

Strategies for entering the Japanese market will vary depending on product characteristics, competition, and the market environment. Tools such as the Market Assessment Checklist are an effective way in which to begin the process of evaluating your product’s potential within the Japanese market. The Market Assessment Checklist can be found at:


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

SECTION III: Sector Trends and Products with Good Sales Potential

A. Consumer Trends
A recent consumer survey showed these results.

**Figure 11: Consumer Expenditure Trends 2011-2013**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Expenditures</td>
<td>2,966,673</td>
<td>2,971,816</td>
<td>3,018,910</td>
<td>101.6%</td>
<td>251,576</td>
</tr>
<tr>
<td>Food Expenditures</td>
<td>766,320</td>
<td>768,690</td>
<td>780,450</td>
<td>101.5%</td>
<td>65,038</td>
</tr>
<tr>
<td>Eating Out Expenditures</td>
<td>149,489</td>
<td>150,724</td>
<td>156,638</td>
<td>103.9%</td>
<td>13,053</td>
</tr>
</tbody>
</table>

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

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

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

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

  **Pre-fried noodle products (example: cup noodles)**
  Pre-fried noodle product demand increased, with an increase of bagged ramen products. An increasing volume was sold through convenience stores.

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

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

  **Ice Cream Sherbert**
  The extremely hot summers in Japan have increased demand for ice cream
sherbert products.

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

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

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

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

**Decreased expenditures compared to previous year**

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

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

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

**Pasta**
The weaker yen of 2014 has made imported pasta more expensive and quality frozen pasta offers a shorter preparation time.
Curry
Declining family sizes and a shift from curry sauces to retort bagged products have led to a decrease in curry sales.

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

FIGURE 12: Major Hit Products in 2013

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

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

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

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

Key words for success found in Figures 10 and 11, include:
- Products geared for smaller families
- Premium quality
- New and unique products
- Functional specialty foods/beverages
- High-technology beverages and foods

FIGURE 13: Product Growth Rate Ranking between 2005 and 2014

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

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

C. Products not Present Due to Significant Barriers

1. Items Containing Prohibited Ingredients or Excess of Allowable Limits

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

For more information on food additives, please refer to JETRO’s Specifications and Standards for Foods, Food Additives, etc. Under the Food Sanitation Act (2010)

2. High Tariff Rate or Quota Restricted Items

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

3. Quarantine Restricted Items

Numerous fresh produce products are prevented from entering Japan due to the Japanese plant quarantine regulations. For example, it is generally not permissible to import fresh potatoes. The current list of prohibited produce items can be obtained from APHIS, Tokyo at (011-81-3) 3224-5111 as well as through ATO offices in Japan at atotokyo@fas.usda.gov.

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

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

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

ATO Japan has written a series of regional reports to provide specific information on major regions in Japan. Please go to http://www.usdajapan.org/ and click on "Regional Briefs". To date, the ATO has reports on the Kansai region (Osaka/Kobe) and the Chugoku region (Hiroshima).

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

SECTION V: Appendix
A. Company Profiles
<table>
<thead>
<tr>
<th>Company (Main Products)</th>
<th>Net Sales (Y' Mil.)</th>
<th>End User(s)</th>
<th>Procurement Channels</th>
<th>Address</th>
<th>Phone #/ Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>KKR Holdings Co., Ltd.</td>
<td>3,275,505</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>4-20-2 Nakanosato, Nakanosato-ku, Tokyo 164-0001</td>
<td>03-8543-8201 <a href="http://www.kkrholdings.co.jp/">http://www.kkrholdings.co.jp/</a></td>
</tr>
<tr>
<td>Akashi Group Holdings Ltd.</td>
<td>1,744,277</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>1-3-35-1 Aramakibashi, Sumida-ku, Osaka 530-8602</td>
<td>03-5609-8102 <a href="http://www.sumitomo.com/">http://www.sumitomo.com/</a></td>
</tr>
<tr>
<td>Ajinomoto Co., Inc.</td>
<td>9,993,332</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>1-3-5-1 Kyobashi Chuo-ku, Osaka 542-8315</td>
<td>03-5350-8111 <a href="http://www.ajinomoto.co.jp/">http://www.ajinomoto.co.jp</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company (Main Products)</th>
<th>Net Sales (Y' Mil.)</th>
<th>End User(s)</th>
<th>Procurement Channels</th>
<th>Address</th>
<th>Phone #/ Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamesaki Sake Co., Ltd.</td>
<td>2,000,000</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>1-3-11 Konazawa, Chuo-ku, Kawasaki 210-0017</td>
<td>04-2556-8111 <a href="http://www.kamesaki-sake.co.jp/">http://www.kamesaki-sake.co.jp</a></td>
</tr>
<tr>
<td>Maruhiko Nishio Corporation</td>
<td>2,082</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>1-2-20 Toyama, Kita-ku, Osaka 530-0001</td>
<td>03-6832-0163 <a href="http://www.maruhiko.co.jp/">http://www.maruhiko.co.jp</a></td>
</tr>
<tr>
<td>Kagoshima Shoyu Denki Co., Ltd.</td>
<td>1,000,000</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>1-3-16 Hama-cho, Higashikagoshima-ku, Kagoshima 899-0032</td>
<td>09-9687-8360 <a href="http://www.kagoshima-shoyu.co.jp/">http://www.kagoshima-shoyu.co.jp</a></td>
</tr>
<tr>
<td>Nishino Corporation</td>
<td>1,131,139</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>6-19-20 Tsukiji, Chuo-ku, Tokyo 104-8004</td>
<td>03-5348-0102 <a href="http://www.nishino.co.jp/">http://www.nishino.co.jp/</a></td>
</tr>
<tr>
<td>Sepposan Holdings (Beer, Liquors, etc.)</td>
<td>565,600</td>
<td>Retail/Impt.</td>
<td>Direct</td>
<td>4-20-1 Ebisu, Shibuya-ku, Tokyo 150-8522</td>
<td>03-3694-0000 <a href="http://www.sepposanbridges.co.jp/">http://www.sepposanbridges.co.jp/</a></td>
</tr>
</tbody>
</table>
B. **Entry Strategy**

Before You Start:

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

2. Determine whether import of your product is allowed by Japanese food regulations. Because of strict Japanese regulations, there are many agricultural products that are not permitted to be imported from the U.S.
   a. Contact an ATO Japan office for a list of prohibited items.
   b. For plant or animal health information, contact your local APHIS office at: [http://www.aphis.usda.gov/animal_health/area_offices/](http://www.aphis.usda.gov/animal_health/area_offices/)
   d. Review Japanese food regulations to determine if your product(s) comply with or need to be altered to fit local laws regarding additives, residue levels, and processing procedures. Also understand regulations in terms of weight, size, and labeling. JETRO’s Handbook for Agricultural and Fishery Products Import Regulations is a helpful tool: [http://www.jetro.go.jp/en/reports/regulations/pdf/agri2009e.pdf](http://www.jetro.go.jp/en/reports/regulations/pdf/agri2009e.pdf)

3. Perform Some Basic Market Research:
   a. The Market Assessment Checklist is an effective tool to organize and evaluate your market and product: [http://www.fas.usda.gov/agx/market_research/Market_Assessment_Checklist.pdf](http://www.fas.usda.gov/agx/market_research/Market_Assessment_Checklist.pdf)
   b. Determine whether there is demand for your product and what your target market will be.
   c. Determine whether your product is price competitive against Japanese and other producers, keeping in mind transportation costs as well as modification costs. Determine the comparative advantage of your products. Potential customers need to be convinced of the merit of using your products.

Some examples are price savings, higher quality, higher value-or more convenient packaging.
d. The Japan Agricultural Trade Offices (ATOs) in Tokyo and Osaka can assist with market research and developing marketing strategies. You should also contact your regional trade group:
  ❖ Midwest: http://www.foodexport.org/
  ❖ West: http://www.wusata.org/
  ❖ Northeast: http://www.foodexportusa.org/
  ❖ South: http://www.susta.org/

4. Develop an Export Action Plan:

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

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

5. Get to Know the Market Personally:

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

This face-to-face interaction is very important in business because in Japan personal relationships are very important. Additionally, keep in mind that it takes time to form these relationships.
Understand how the Japanese distribution system works and begin the process of figuring out where you are to enter.

Finding a Buyer:
1. Foreign Buyers List: The Foreign Agricultural Service offers a foreign buyers list for many countries around the world. This list has information on prospective foreign buyers and these contacts can be acquired through the ATO Japan.

2. Trade shows: There are a variety of trade shows, large and small, which act as great tools for market research as well as for finding potential distributors. A list of USDA endorsed trade shows can be found at: http://www.fas.usda.gov/agx/trade_events/usda_shows.asp
   a. The three recommended trade shows in Japan for the food processing sector are:
      i. FOODEX JAPAN 2014: http://www3.jma.or.jp/foodex/en/
      iii. Health Ingredients Japan 2014: http://www.hijapan.info/eng/

   b. Meet with Japanese importers who distribute the types of agricultural products that you wish to export to learn more about the competitive environment.

   c. Visit potential customers to determine if there is interest in your product and to determine how they normally source products. This is a good way to discover how products are normally reformulated and how packaging is tailored to the marketplace. Most packaging or labeling will have to be changed for the Japanese market, as American packaging is normally too large.

Documentation and Shipping:

1. After revising your export action plan and finding a distributor, begin the process of setting up a payment structure and meeting import documentation requirements. Information on this area can be found at: http://www.fas.usda.gov/agx/ship_doc_req/general_export_req.asp

2. When ready to ship, begin the process of finding a freight forward that often will handle many of the logistics of shipping for a fee. Refer to the Agricultural Export Transportation Handbook for more information: http://www.fas.usda.gov/agx/ship_doc_req/shipping.asp
Marketing:

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

Additional Resources:

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

Helpful Tips:

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

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