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# GAIN Report

Global Agricultural Information Network

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## **Japan**

### **Retail Foods Update 2011**

#### **Retail Food Sector**

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**Report Highlights:**

Some say that Japan was moving into a period of economic growth right until March 11, 2011 and the Japanese retail industry was poised to improve on sales and revenues. But sales were severely restrained because of the Great Northeast Japan Earthquake and Tsunami. However, changes in the retail industry impacted industry alliances with the merger of department store giants Mitsukoshi and Isetan; the expansion of the Mitsubishi group food distribution network; the tie-up of two Eastern Japan supermarkets, Arcs and Universe; and headstrong competition between AEON and Seven & i Holdings.

**Post:**

Tokyo ATO

# Japanese Retail Food Sector Report 2011



## U. S. Agricultural Trade Office JAPAN

### I. Japanese Retail Sales

## 1. Overall

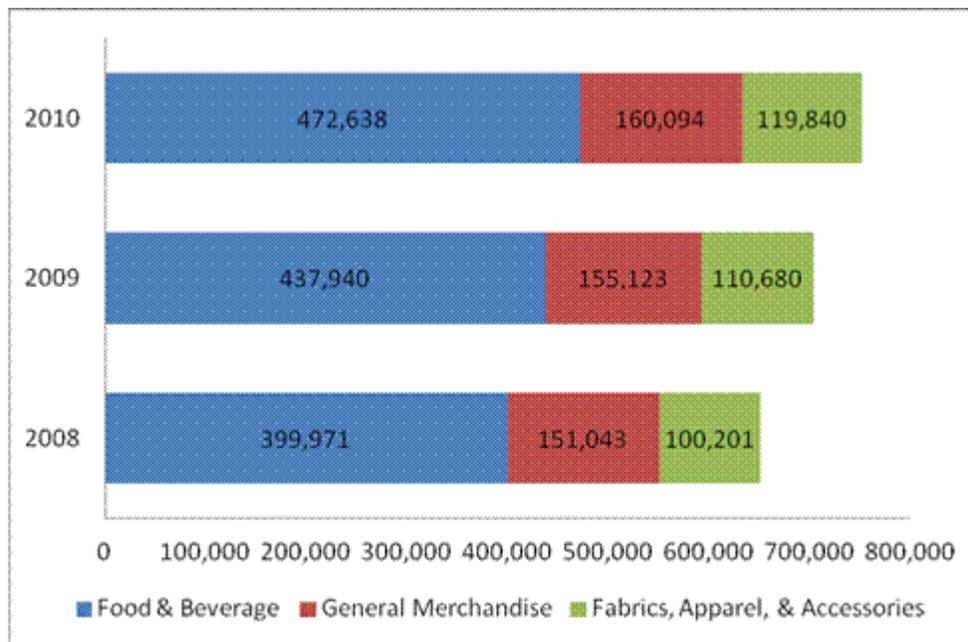
Total retail sales including food & beverages, general merchandise, and fabrics/apparel & accessories in Japan amounted to \$752.6 billion in 2010. The total food and beverage retail sales amount was \$472.6 billion. Total retail sales have increased each year since 2008. 2007 showed a total retail sales of \$614.6 billion and food & beverages sales of \$370.6 billion. The exchange rates used in this report are 104.46 yen/\$ for 2008, 94.57 yen/\$ for 2009, and 88.81 yen/\$ for 2010.

**Figure 1a. Total Retail Sales (million US\$)**

Year	Total	Food & Beverage	General Merchandise	Fabrics, Apparel, & Accessories
2008	651,215	399,971	151,043	100,201
2009	703,743	437,940	155,123	110,680
2010	752,572	472,638	160,094	119,840

Source: METI

**Figure 1b. Chart of Total Retail Sales (million \$)**



## 2. Retail Food Sales

### A. 2011

The retail food sales increased from 2009 to 2010 for the three retail categories listed in Figure 2, according to the Current Survey of Commerce\* conducted by The Ministry of Economic, Trade and Industry (METI). An explanation of the Current Survey of Commerce is in the below chart.

**Figure 2. Food Retail Sales of Three Categories\* for 2008-2010 (Million US\$)**

Year	Total	Large-scale Supermarket & Conventional Supermarkets	Department Stores	Convenience Stores
2008	196,735	76,425	70,662	49,648
2009	208,228	84,919	69,622	53,687
2010	221,535	92,567	70,849	58,119

Source: METI [http://www.meti.go.jp/english/statistics/tyo/syoudou\\_nenpo/index.html](http://www.meti.go.jp/english/statistics/tyo/syoudou_nenpo/index.html),  
 Japan Department Stores Association  
[http://www.depart.or.jp/common\\_department\\_store\\_sale/list](http://www.depart.or.jp/common_department_store_sale/list)

\* Food & beverages definition

Drinks, Japanese and Western alcoholic drinks, seasonings, meat, fresh fish, dried provisions, vegetables, fruits, sweets, bread, dairy products, etc.

## B. Food & Beverage Sales in Japan

Overall sales growth was observed in most regions of Japan as many households spent more time and money purchasing food items to consume at home rather than spending money at restaurants.

Five out of eight prefectures showed positive sale growth rates from 2008 to 2010. Also, in each prefecture, the number of large-scale retail stores increased during this time. Japanese real economic growth rate is estimated at 3.9% in 2010. It is important to keep in mind that even in an environment of stagnant sales geographic markets in Japan are quite sizable - often exceeding that of entire countries. For example, the Kyushu prefecture alone had a GDP that exceeds that of South Korea, Australia and the Netherlands.

**Figure 3. Regional Sales and Population Trends**

Prefecture	Year	Overall Food & Beverage Sales (million yen)	Number of Establishments	2009 Population	2009 Food Purchasing per household (Yen)	Sales Growth Rate '08-'10
Hokkaido	2008	524,125	275	5,507,000	796,008	7.45
	2009	554,309	283			
	2010	563,196	313			
Miyagi (Tohoku)	2008	251,856	131	2,336,000	867,095	-4.03
	2009	244,972	135			
	2010	241,704	139			
Tokyo (Kanto)	2008	1,299,061	336	12,868,000	945,697	-2.99
	2009	1,260,387	346			
	2010	1,260,243	360			
Aichi (Chubu)	2008	708,981	290	7,418,000	926,122	2.51
	2009	718,871	302			
	2010	726,741	313			
Osaka (Kinki)	2008	863,565	295	8,801,000	922,817	-5.33
	2009	836,003	294			

	2010	817,535	297			
<b>Hiroshima (Chugoku)</b>	2008	203,272	84	2,863,000	853,563	2.78
	2009	202,869	91			
	2010	208,919	100			
<b>Ehime (Shikoku)</b>	2008	110,498	63	1,436,000	862,375	2.02
	2009	110,981	70			
	2010	112,734	72			
<b>Fukuoka (Kyushu)</b>	2008	262,211	143	5,053,000	793,021	2.72
	2009	264,166	144			
	2010	269,333	161			

## II. Trends and Changes in the Retail Market

### 1. Hints to Consider When Thinking About Exporting to Japan

If you are considering developing products or searching for products to export to Japan, consider these characteristics of the Japanese market.

- |                          |   |
|--------------------------|---|
| (1) Senior               | Represents the core customer base                     |
| (2) Produce              | Senior and female customers want fresh produce        |
| (3) Deli                 | Including housewives, convenience is in higher demand |
| (4) In-store Preparation | Similar to Deli, more demand for prepared foods       |
| (5) Desserts             | More women purchase desserts at convenient stores     |

### 2. Elderly Population Is Growing Rapidly

As noted above, Japan has the fastest growing elderly population (over 65) or Generation M, in the world. In 2010, Generation M represents 23% of the entire population in Japan. By the year 2020, it is estimated to increase 29% and then 36% by the year 2040. Of course the total population is estimated to decline from 127 million in 2010 to approximately 105 million in 2040. As of August 22, 2010, 40,280,000 Japanese are over 60 years old, which is 31.5% of the total population (Weekly Toyo Keizai, September 3, 2011, pp 40-43).

According to the article, Generation MF is the market that retailers must have a strategic plan. Generation M has the most money in Japan as well.

There are several short term affects of this trend:

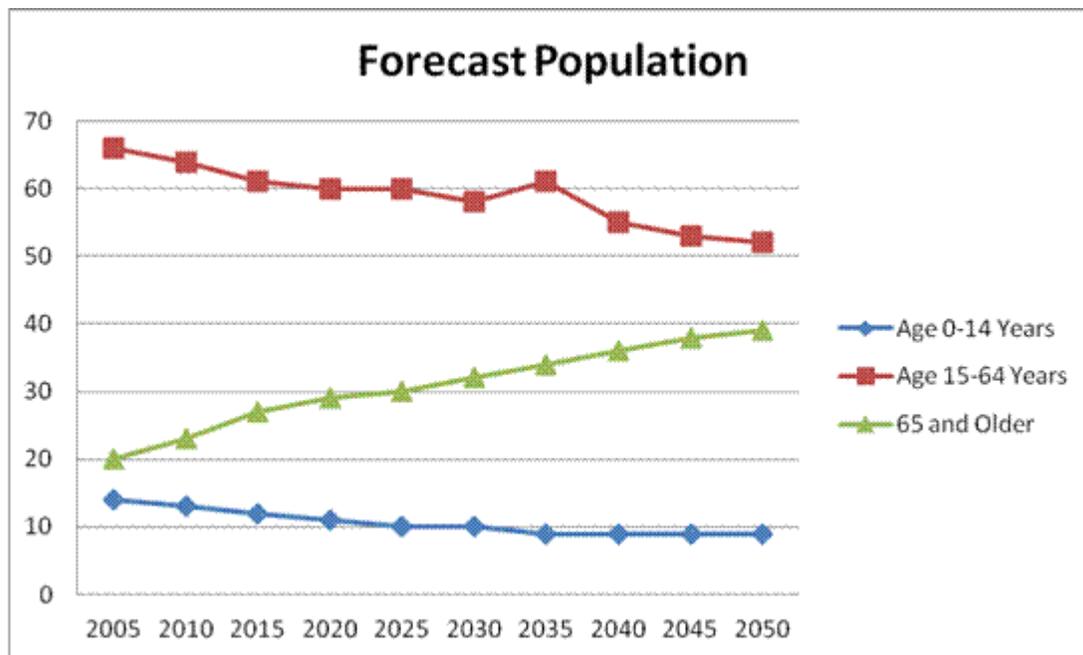
1. Generation M won't be mobile and won't be able to shop. According to an article in the Weekly Toyo Keizai magazine, Seven-Eleven store owners rented vehicles to start servicing hard-to-reach customers. After the Northeast Earthquake and Tsunami, AEON started a similar service in Miyagi prefecture (Northeast Japan).
2. Greater need of delivery service.
3. Expanded availability of internet shopping.
4. Additional mobile vehicle shops.
5. Development of products that fit Generation MF.

**Figure 4: Forecast for Elderly Population**

Year	Population (1,000 People)
------	---------------------------

	<b>Total</b>	<b>Age 0-14 Years</b>	<b>Age 15-64 Years</b>	<b>65 and Older</b>
2005	127,768	17,585	84,422	25,761
2010	127,176	16,479	81,285	29,412
2015	125,430	14,841	76,807	33,781
2020	122,735	13,201	73,635	35,899
2025	119,270	11,956	70,960	36,354
2030	115,224	11,150	67,404	36,670
2035	110,679	10,512	67,919	37,249
2040	105,695	9,833	57,335	38,527
2045	100,443	9,036	53,000	38,407
2050	95,152	8,214	49,297	37,641

Source: National Institute of Population and Social Security Research



### 3. Customers are looking for convenience and added value. Here are three examples:

#### A. Naturally defrosting frozen food

(1) Top three frozen food manufacturers all have their focus on frozen foods that defrost in room temperature and taste good. These products are convenient (natural defrost), eco-friendly (no-cooking) and tasty.

(2) These products must also be bite sizes and packaged in small containers to fit Japanese lunch boxes.

## B. Seasonings

(1) There are many premixed seasonings and sauces in Japan. Noodle soup bases (soba, udon for example), various teriyaki-type sauces and powdered soup bases are popular.

(2) Developing and offering recipes to show how to use these convenient seasonings is a must.

## C. Cosmetics

(1) Cosmetic products have always been sold in supermarkets but they never had the glitter and the professional cosmeticians to apply make-up and lure customers to purchasing the newest and best products. AEON changed that by upgrading their cosmetic sales floor from economy type décor to top department store sales décor and has become the most popular place to try and purchase cosmetic products.

## **4.Home dining and Home Meal Replacements**

The HMR (Home Meal Replacement) market, which represents, ready-to-cook, ready-to-heat and ready-to-eat meals, continues to grow. Driven by such macro trends as an increasing number of single households, the aging population and an increasing number of working women, etc, consumer demand for HMR products is still strong. Retail food outlets are adding to or expanding their HMR product line.

The expanding retail presence of “delicatessen” in supermarkets of all sizes – as well as in department stores and convenience stores – attests to the popularity of the HMR market. HMR sales are also increasing at a brisk rate in the fast food industry.

### **Summitt Store Experiments Fresh Ingredient In-Store Preparation Corner**

Summitt Stores is experimenting with a tasting corner and in-store preparation kitchen constructed right in the fresh food aisle. Fresh produce, meats, and seafood are normally displayed and stocked on store shelves for customers to simply examine and select. Summitt preparation kitchen will cook take-out meals using these fresh products right in the store and as the customers shop. Summitt will also offer tastings of various dishes from their menu.

This is an important step forward. As companies introduce more and more foods, customers often ask how to prepare and serve.

## **5. Healthy Foods Offer Expanded Opportunities**

Driven by the aging population of Japan and rising consumer interest in health maintenance and improvement, the demand for healthy and nutritionally balanced foods has increased. Interest is strongest among those aged 50 and above, and adult women.

The healthy food category (or functional foods) has been growing steadily since the mid 1990's. In Japan, functional food can be divided into “Foods for Specific Health Use,” or FOSHU, and health-enhanced food. Among the numerous attributes that serve to distinguish one from the other, the most important is that FOSHU products require government approval, while health-enhanced food products do not. What motivates companies to pursue the FOSHU designation, rather than avoid the often-lengthy approval process, is that they can affix the FOSHU seal on the product in question should it meet the Minister of Health Labor and Welfare (MHLW) criteria.

## **6. Usage of Private Brands (PB) Expands**

The majority of major food retailers now feature their own private brands. Studies conclude that PB products will continue to gain more shelf space. According to a study by *Manao Kidachi, Chuo University (Private Brand Development and Food Manufacturers Production Role in Japan\*)*, AEON recorded PB sales of \$4.8 billion in 2008 and practically doubled PB sales to \$9.7 billion in 2010. Generally, PB products amount to approximately 10% of total sales. AEON hopes to increase to 20%. Second, PB products were generally produced by secondary food manufacturers. Today, leading manufacturers are beginning to expand production of PB products.

A 2009 survey by the Japan Finance Corporation found that 67.8% of all food manufacturers produce PB products and that 23.2% of those companies would like to increase the number PB products; and 9.8% of all manufacturers wished to introduce PB products to their line-up. In another survey performed in 2010 this time to survey consumer response toward PB products, the survey found that even if the economy improves consumers will continue to purchase PB products.

\*Japan Finance Corporation, Farm, Forest and Sea Department, "Survey of PB Products", August 18, 2009.

\*Japan Finance Corporation, Farm, Forest and Sea Department, "2009 2<sup>nd</sup> Survey of Consumer Trends", February 9, 2010.

## **7. Continued Consolidation of the Food Retail Industry**

### **A. Mitsubishi Shokuhin (Food) Becomes the Largest Food and Beverage Distributor**

On February 18, 2011 Mitsubishi wholesale company was established with the merger of Mitsubishi Shokuhin (food), RyoShoku Ltd., Meidi-ya Corporation, San-Esu Inc., and Food Service Network Co., Ltd. Ryoshoku Ltd. was one of the strongest beverage distributors and was the second largest wholesale company after Kokubu Co. Meidi-ya Corporation ranked eighth and Food Service Network ranked ninth.

The reason for the merger, according to the press release dispatched by the four companies, was to protect the safety of food quality and food supply by creating a new wholesale distribution model capable of adapting to changing consumer demands and diversification and to withstand long term deflation. The strengths of the individual companies will mesh well.

As was discussed in section II of this report, supermarkets and convenient store businesses are strengthening their positions and market share. These retailers have become an essential and necessary shopping entity for many Japanese to function on a daily basis. Their buying power is stronger and they are expanding their manufacturing capability. Not only that they have also been strengthening their distribution network and logistics that compete with other entities of the food distribution industry. Mitsubishi Shokuhin and future growth and consolidation will perhaps balance the relationship between the strong retailers and wholesalers.

### **B. ARCS Group (Always Rising Community Service) Spreads its Network to Mainland Japan with Universe**

ARCS is a holding company established in 2002 with the merger of Hokkaido supermarkets, Ralse and Fukuhara. In order to compete with rising national supermarket chains, maintain localized food businesses and to share logistical distribution ARCS merged with other Hokkaido

supermarkets such as Dounan Ralse (Obihiro) and Fuji (Asahikawa) in 2004, and Tokoh Store (Sapporo) in 2009. ARCS reached record sales in 2010 of \$3.9 billion.

One of the biggest stories of 2011 was the news that ARCS will expand outside of Hokkaido, which ARCS president Yokoyama once said that they would avoid. On October 21, 2011, Universe supermarkets, headquartered in the most northern prefecture on mainland Japan joined ARCS, creating a group that includes 47 stores located in three northern prefectures, (Aomori prefecture 30 stores, Iwate prefecture 16 stores, and Akita prefecture 1 store) adding \$1.3 billion in value to the ARCS group.

ARCS' website address is <http://www.arcs-g.co.jp/> (Japanese Only)

### **C. Competition in Western Japan's Food Distribution Industry is Heating Up**

Three regions, Chugoku, Shikoku and Kyushu have experienced changes in their distribution network similar to northern Japan. Asahi Shokuhin who is one of the largest food distributors finished construction of a distribution center located in Tosu city, Saga prefecture in the Kyushu region inside the Tosu Distribution Center. The facility will warehouse and distribute dried, frozen, and chilled products to Chugoku, Shikoku and Kyushu regions.

The Chugoku and Shikoku supermarket sector saw some changes too. AEON has acquired the largest supermarket chain in Shikoku, Marunaka <http://www.marunaka.net/> (Japanese only), for \$648 million. Marunaka provides AEON 340 stores and \$4.6 billion in sales. Marunaka's strategy was to acquire AEON's private brand, digital money, and AEON's distribution network. AEON strengthens its network in western Japan where it traditionally lagged.

## **III. Retail Market Industry**

### **1. Retail Establishment Trends**

In 2010, supermarkets and convenience stores continued to be the primary distribution channel for food in Japan. Large-scale supermarkets appear to have lost some ground to regional supermarkets. However, to compete against AEON and Ito Yokado regional supermarkets are merging such as ARCS in Hokkaido and Universe in Northern Japan.

### **2. Large-scale Supermarkets and Conventional Supermarkets**

#### **A. Outlets**

The number of outlets changed very little. AEON shrank from 569 outlets in 2007 to 415 outlets in 2009. Barrow grew from 120 (2007) to 173 (2009) and AEON Kyushu (western Japan) doubled from 48 to 99. Most others remained relatively the same.

#### **B. City-style Stores**

March 11 affected the retail industry in many ways. One key finding from March 11 was that convenience stores were better suited to quickly re-establish their store and support the local consumers in an emergency situation. Convenience stores were the first ones to deliver products using small vans and to open their stores in affected areas. Taking the lessons learned to compete with convenience stores, large supermarkets, AEON and Seven & i (Ito Yokado) are developing small "City-style stores". Store sizes measure about 1800 square yards of floor space. Tokyo and other cities are major targets for these City-style stores.

### C. Target Population

As the Japanese market continues to mature, supermarket giants AEON and Seven & i have strengthened their network to reach single adults and the older generation, who will be referred to as the Generation Mature (herein referred to as Generation M).

### D. Price Competition

Price competition has become more intense and is a major feature of the supermarket business in Japan. Supermarkets are seeking to reduce costs and improve their infrastructures through the introduction of management systems and the improvement of procurement processes as well as through the closure of unprofitable stores in their efforts to improve efficiency. The companies which have succeeded to reduce management cost and to prevent losses have regained their profit.

### E. Company profiles

Figure 5 summarizes the top 16 supermarkets.

AEON <http://www.aeon.info/en/>, Ito-Yokado <http://www.7andi.com/en/>, and Daiei <http://www.daiei.co.jp/index.php> (Japanese only) have nationwide supermarket networks. All three are gradually expanding into regional areas outside of Tokyo and Osaka. Uny <http://www.uny.co.jp/> (J) is the strongest regional supermarket with a concentration in the Chubu and Kanto area.

**Figure 5: Top 16 Supermarkets by Total Sales in 2009**

Rank	Company Name	Total Sales (US\$ Mil.)	Food Sales (US\$ Mil.)	Ratio of Food Sales (%)	Number of Outlets	Location of HQ & Stores	Growth Rate '09-'10 (%)
1	Aeon	21,323	10,660	49.9	415	Chiba	4.43
2	Ito-Yokado	15,190	7,197	47.4	175	Tokyo	-1.92
3	Uny	7,720	4,816	62.4	233	Aichi	6.82
4	Daiei	8,319	4,914	52.7	207	Hyogo	-0.47
5	Izumi	4,606	1,511	32.8	83	Hiroshima	12.92
6	Life Corp.	4,771	3,862	80.9	203	Tokyo	5.03
7	Heiwado	3,463	2,004	57.8	105	Shiga	-3.41
8	Izumiyu	3,457	1,948	56.3	86	Osaka	-0.8
9	York Benimaru	3,575	2,633	73.6	156	Fukushima	5.38
10	Maruetsu	3,537	3,285	92.8	242	Tokyo	6.07
11	Barrow	2,214	1,610	72.7	173	Gifu	4.44
12	Fuji	3,124	1,256	40.2	93	Ehime	1.89

13	Okuwa	2,611	1,937	74.1	143	Wakayama	2.67
14	Aeon Kyushu	2,670	1,115	41.7	99	Fukuoka	10.21
15	Summit	2,266	2,106	92.9	97	Tokyo	4.71
16	Inageya	1,797	1,685	93.7	127	Tokyo	-0.59

Source: Food and Beverage Distribution; Nihon Shokuryo Shimbunsha

#### F. Other supermarket locations:

Chubu and Kanto Maruetsu <http://www.maruetsu.co.jp/corporate/> (J)

Valor Supermarket [http://chirashi.valor.co.jp/store\\_search.php](http://chirashi.valor.co.jp/store_search.php) (J)

Kanto Summitt <http://www.summitstore.co.jp/> (J)

Inageya <http://www.inageya.co.jp/> (J)

Kyushu/Chugoku Izumi [http://www.izumi.co.jp/e\\_ir/corporate\\_data.html](http://www.izumi.co.jp/e_ir/corporate_data.html) (J)

AEON Kyushu

Tokyo Kinki Life Corporation <http://www.lifecorp.jp/company/index.html> (J)

Kinki Heiwado <http://www.heiwado.jp/profile/gaiyo.html> (J)

Okuwa , <http://www.okuwa.net/corpo/002.html> (J)

Kinki/Kanto Izumiya <http://www.izumiya.co.jp/> (J)

Fuji <http://www.fujicitio.com/company/company01.html> (J)

York Benimaru <http://www.yorkbeni.co.jp/company/outline.html> (J)

#### G. Specialty Supermarkets

Specialty supermarkets are important for export products because these stores carry products with higher prices. Here is a list and some background information for these specialty supermarkets.

Kinokuniya - First self-service supermarket in Japan.

<http://www.e-kinokuniya.com/kinokuniya2.pdf>

Meidi-ya - First supermarket to specialize in imported products.

<http://www.meidi-ya.co.jp/en/>

Combination of specialty products and convenient store. <http://www.seijoishii.co.jp/> (Japanese only)

Dean & DeLuca - Premium product and prices. Emphasis on delicatessen.

<http://www.deandeluca.co.jp/>

Queens Isetan - Special shelf space for imported products.

<http://www.queens.jp/pc.html> (Japanese only)

Kaldi Coffee - Specializes in premium imported products. <http://www.kaldi.co.jp/english/>

### 3. Convenience Stores

## A. Outlets

The total number of store outlets for the top 10 convenience store companies increased 9.7% in past three years. Total outlets were 45,236 in 2010<sup>9a</sup>, which was a slight increase of 4,013 from 41,223 outlets in 2007<sup>9b</sup>. Sales made a huge jump in three years. In 2007, sales for the top 10 were approximately \$62 billion, whereas in 2010 that shot up to \$90 billion.

One reason for the increase of outlets and sales is the greater utilization of convenience stores by female office workers and Generation M. Convenience stores have developed products, such as desserts and drinks, and services such as a la carte deli bars that attract female office workers to stop by before going to the office or returning home. Generation M has less mobility and utilize convenience stores that are closer to their homes.

Most recently, convenience store companies such as Lawson developed discount convenience stores. These stores have smaller store space, less SKU's, and no fast foods (FF) that convenience stores consistently offer. Discount convenience store prices are cheaper than convenience stores as well.

## B. Company Profiles

The following table (Figure 6) summarizes the top 10 convenience stores in Japan 2010. Seven Eleven has 1,198 more stores than in 2007. Lawson had 1,407 more and FamilyMart was up by 1,530 stores compared to 2007.

One major change since 2008 was FamilyMart's acquisition of am/pm Japan on March 1, 2010. am/pm Japan Co. became its wholly owned subsidiary. The effective cost for the acquisition was about \$155 million.

**Figure 6: Top 10 Convenient Stores in 2010**

Rank	Company Name	Total Sales (US\$ Million)	No. of Outlets	Location
1	Seven-Eleven Japan	33,190	13,232	Nationwide
2	Lawson	18,948	9,994	Nationwide
3	FamilyMart	16,220	8,717	Nationwide
4	Circle K Sunkus	10,395	6,274	Nationwide
5	Mini Stop	3,626	2,042	Tokyo/Nagoya
6	DAILY YAMAZAKI	2,440	1,634	Nationwide
7	Seicomart	1,927	1,102	Hokkaido
8	Cocostore	1,299	837	Nationwide
9	Three F	1,164	704	Tokyo area
10	POPLAR	1,022	700	Nationwide

Source: Lawson Annual Report 2011

## 4. Department Stores

### A. Outlets and Sales

Department store sales accounted for only 5% of the total retail food market with sales of US\$19 billion in 2007. Significant restructuring among major department stores has been increasing. For example, the major department store Sogo filed for chapter eleven bankruptcy and merged with Seibu Department Store, which is now Millennium Retailing Co. The second largest department store, Isetan, merged with the third largest department store Mitsukoshi. The Kansai region's large department store Hankyu merged with its strongest competitor, Hanshin Department Store. They now operate under a name, H2O Retailing. Daimaru Department Store merged with Matsuzakaya and established J Front Retailing.

Food sales at department stores have continuously declined for the past several years with a dramatic decrease in sales from 2000 to 2002 related to store closures.

## B. Depachika

It is important to note the "depachika" phenomenon when discussing the retail food sector of a department store. *Depachika* means the basement floor of the department store where fresh food halls are traditionally located. Traditionally, *depachika* was a quiet retail food location. This changed when shops introduced high-quality HMR. In fact, this was responsible for spurring the high-quality HMR market in Japan. In addition, famous restaurants became tenants and lent their brand names to popularize *depachika*. The *Depachika* phenomenon turned the basement floor from nothing special into an attractive place and a means of bringing customers to department stores.

## C. Premium Price, High Quality, BUT Small Quantity

Department stores usually carry imported branded products. The sale prices are higher than supermarkets but keep in mind that the capacity of department stores to stock quantities is low.

## D. Company Profiles

Figure 7 summarizes the top 10 department stores in Japan.

**Figure 7: Top 10 Department Stores in 2007**

Rank	Company Name	Total Sales (US\$ million)	Food Sales (US\$ million)	Growth Rate (Food) '06~'07	Number of Outlets
1	Takashimaya	9,479	1,856	2.7%	20
2	Isetan	7,143	748	0.3%	10
3	Mitsukoshi	7,036	1,695	- 3.8%	18
4	Sogo	4,564	Undisclosed	-	12
5	Marui	4,532	Undisclosed	-	17
6	Daimaru	4,382	962	2.0%	24
7	Seibu	4,255	Undisclosed	-	16
8	Tokyu	2,735	Undisclosed	-	12
9	Kintetsu	2,731	783	0%	9
10	Hankyu	2,676	695	0.9%	11

Source: Nikkei MJ, Nihon Shokuryo Shinbun – (2010 data not available)

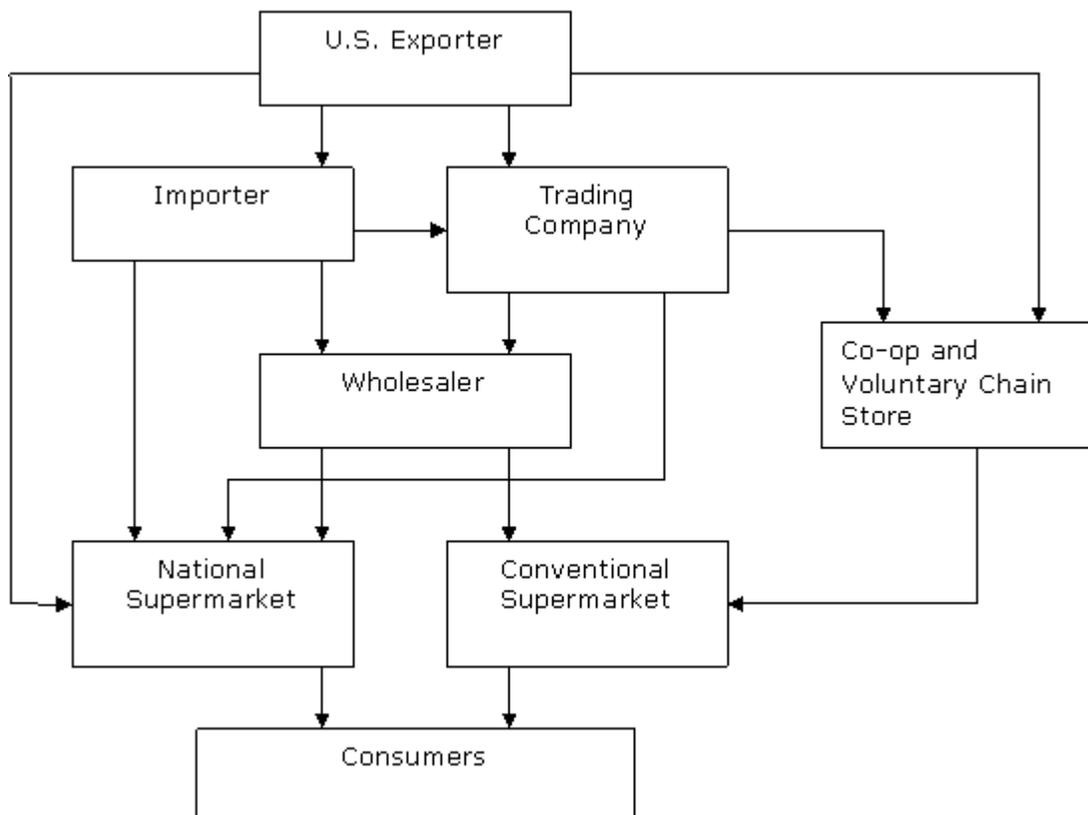
## IV. Road Map for Market Entry

### 1. Food Distribution System in Japan

When considering market entry in Japan’s relatively developed food market, it is important to keep the following points in mind:

- **Overall**, traditional entry points via importers are beginning to make way for other more diverse avenues. For example, even within one food retail organization (i.e., large-scale supermarket, regional supermarket chain, convenience store chain, etc.), there may be several routes for procurement – including importers, wholesalers, etc.
- **Large-scale supermarkets** still rely primarily on importers and wholesalers. Most are engaged to some degree in developing and maintaining private labels, which they tend to outsource to food processors.
- **Conventional supermarkets** tend to depend more on wholesalers. They usually procure from a number of regional/local and national wholesalers who buy imported food products from trading houses and importers. Wholesalers and big trading houses are generally interested in handling high volume products, not niche-oriented products.

**A. Distribution Structure for National and Conventional Supermarkets** - Giant nationwide supermarket chains including Aeon and Seven & i mainly purchase their foods through three channels: (1) direct from the importers; (2) direct from the manufacturers and processors; and (3) wholesalers and distributors. Conventional supermarkets purchase through similar distribution channels, although they mainly purchase from wholesalers, whereas the major national chains rely more on direct routes.

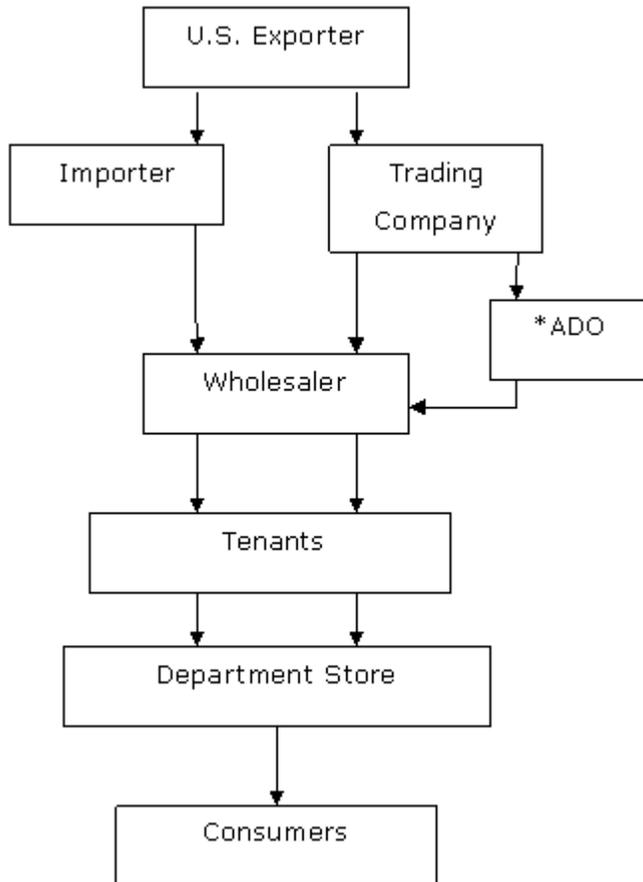


**Figure: 9**

**B. Distribution Structure for Department Stores** - Food items at department stores are procured almost entirely through wholesalers and tenant merchants. Imported products reaching

department store “tenant merchant” shelves is dependent upon the wholesaler purchasing these products from importers or trading companies. Tenant merchant companies mainly purchase the ingredients for their products from wholesalers and then manufacture the products to be sold.

**Figure 10:**



\*ADO - All Nippon Department Stores Development Organization

**C. Distribution Structure for Convenience Stores** - Convenience store chains utilize trading companies and wholesalers, depending on the type of product. Due to limited space, convenience stores can only handle a few brands per category. Product performance is reviewed continuously, and slow moving products are replaced quickly, ensuring the highest turnover possible. Their management systems present the most significant challenges for imported packaged processed foods, since they require that U.S. exporters: 1) modify product taste/specifications to fit the tastes of Japanese consumers; 2) shorten delivery time to ensure freshness; and 3) update and introduce new products frequently.

**D. Co-ops and voluntary chains** use a variety of sources, including importers, wholesalers and direct importing. Serving voluntary chains, there are several major joint procurement organizations: CGC Japan, Nichiryu, All Japan Supermarket Association (AJS) and Consumer Cooperatives (Co-ops). Their major role is to develop private brand products with Japanese food

processors and overseas sources to sell to member retailers. Some of these organizations directly import non-branded food products that are “volume” oriented in nature.

**E. Most traditional stores** (i.e., Mom & Pop and one category stores) depend on wholesalers. Penetration of imported foods into these shops and stores is relatively low.

**F. Specialty stores** (i.e., foreign foods, discount foods, etc.) also primarily depend on wholesalers. Selected coffee shop chains, discount stores and natural food specialty stores with chain operations may be worth development for U.S. food exporters.

**G. Online Sales** - Finally, online sales including TV, mail order offers yet another possible channel that U.S. exporters can consider for retail food distribution. Majority of the sales are still non foods, but food and beverage sales are increasingly being purchased online.

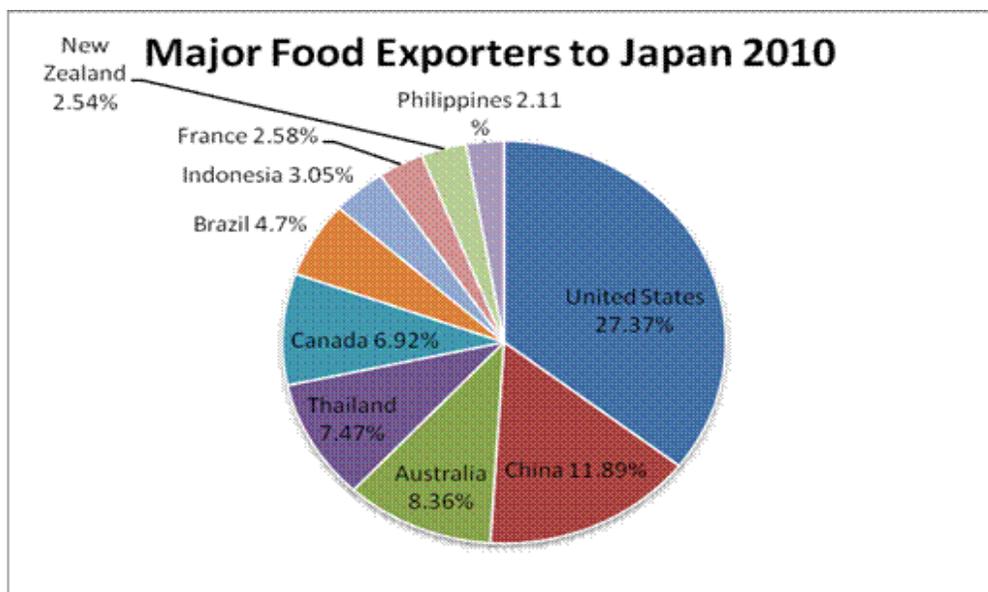
## 2. International Competition of Food Exports to Japan

The United States is the largest exporter of food products to the Japanese market, representing 27.4% of all imported value in 2010. China’s export has increased in the past two years. Their share increased from 9.6% in 2008 to 11.9% in 2010.

**Figure 11a: Major Food Exporters to Japan**

Rank	Country	Value			% Share		
		2008	2009	2010	2008	2009	2010
1	United States	16,983	12,974	13,862	31.61	29.25	27.37
2	China	5,146	5,160	6,021	9.58	11.63	11.89
3	Australia	4,635	3,806	4,232	8.63	8.58	8.36
4	Thailand	3,628	2,959	3,785	6.75	6.67	7.47
5	Canada	4,280	3,165	3,503	7.97	7.14	6.92
6	Brazil	2,407	1,809	2,380	4.48	4.08	4.7
7	Indonesia	1,475	861	1,547	2.75	1.94	3.05
8	France	1,490	1,228	1,307	2.77	2.77	2.58
9	New Zealand	1,304	1,142	1,287	2.43	2.57	2.54
10	Philippines	1,068	1,193	1,069	1.99	2.69	2.11
	<b>World Total</b>	53,729	44,353	50,652	100	100	100

Source: Global Trade Atlas



**Figure 11b - Source Global Trade Atlas**

### 3. Summary of Key Advantages and Current Position of the U.S. Food Products in the Japanese Market (Figure 12):

**Figure 12**

Key Words	Advantages	Current Position
Quality	U.S. specialty food products attract Japanese consumers. U.S. products usually have a good story to tell.	Have a good story to educate customers about the quality of your product. Emphasize quality.
Cultural Influences	Japanese consumers are strongly influenced by U.S. food culture.	Be able to explain how your product relates to American culture.
Health Consciousness	Health related food market in the U.S. is advanced. Even though your product may not be a health product, make sure to emphasize any health benefits.	Address health related benefits but be careful you don't make claims unless you have Japanese government approval.
Food Safety	U.S. agriculture can successfully differentiate itself from Japan and third countries on food safety issues by HACCP, GAP, ISO, etc.	Educating your customer about safety issues helps to facilitate communication and provides your customer transferable knowledge.
Stable Supply	The U.S. is the largest exporter of food products to Japan. As a largest supplier of food products in the world, the U.S. has a great opportunity to expand exports to Japan.	Japan's food self sufficiency rate is only 39% and it has been declining due to aging population and the declining farm population.

### VII. Post Contact and Further Information

If you have any questions or comments regarding this report or need assistance with exporting to Japan, please contact the U.S. Agricultural Trade Offices in Tokyo or Osaka at the following addresses:

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

Other websites: <http://www.myfood.jp>    <http://www.us-ato.jp>