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Report Highlights:

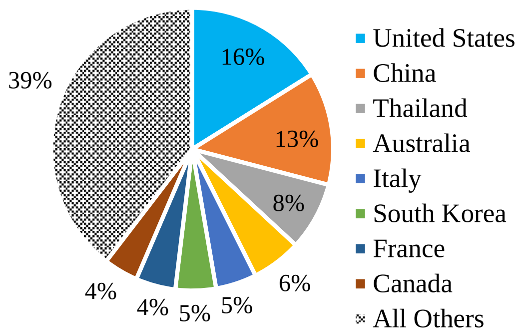
In 2023, total sales of Japan's hotel, restaurant, and institutional food service industry (HRI) increased by approximately 16 percent compared to the previous year, reaching $226.2 billion. The surge in international tourists contributed to these increases in all categories within the hotel and restaurant industry. The U.S continues to be well positioned to continue supplying this segment with U.S. agricultural products accounting for nearly one quarter of the food that Japan imports.

Market Fact Sheet: Japan

Executive Summary:

The United States is the largest foreign supplier of food and agricultural products to an import-reliant Japan (22 percent of import market share)—the fourth largest market for U.S. agricultural products in 2023 ($13 billion). On January 1, 2020, the U.S.-Japan Trade Agreement (USJTA) entered into force, providing preferential tariff access for many U.S. agricultural products. Japan's food industries are well-developed and innovative in all sectors, including, retail, food service, food processing, and distribution.

Japan Consumer-Oriented Product Imports ($39 Billion, 2023)



Food Processing Industry:

The $190 billion food processing industry produces a wide variety of foods: traditional Japanese, Western, and health-oriented foods for infants and the elderly. Food processors focus on maintaining market share among traditional product lines while developing creative and innovative food products to attract consumers.

Food Retail Industry:

In 2023, the total value of all retail food and beverage sales was $198 billion. Supermarkets represent the bulk of the retail food sales at 45 percent and the convenience store sector accounts for approximately 29 percent of sales. Ready-to-eat meals or take-home foods represent an area of growth.

Population: 124,200,000 (Feb. 2024 est.)
GDP: $4.2 trillion (4th)
GDP/Capita (Nominal): $33,816

Top Ten Growth Food Products

1) Confectionary Products
2) Dairy Products (Cheeses)
3) Processed Vegetables
4) Meat Products
5) Condiments and Sauces
6) Eggs & Products
7) Distilled Spirits
8) Beer
9) Processed Fruit

Food Industry by Channels (US$)

Consumer-Oriented Imports	$39 billion
Food Processing Industry	$190 billion
Food Industry Gross Sales	$564 billion
- *Retail (2023)*	*$198 billion*
- *Food Service (2023)*	*$226 billion*

Top Ten Retailers

AEON	Life Co
Seven & I Holdings	H2O Retailing
Yamazaki Baking	Valor Holdings
Pan Pacific International Holdings	USM Holdings
Isetan Mitsukoshi	Izumi

Strength	Weakness
U.S. products are in demand and remain trendy.	The negotiating and decision-making process can take time.
Opportunity	**Challenge**
With USJTA, nearly 90 percent of U.S. products are duty free or receive preferential tariff access.	For products not covered in USJTA, many other suppliers enjoy tariff concessions through other FTAs.

Data sources include: Trade Data Monitor, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank

Data and Statistics Note:

In October 2024, the Japan Foodservice Association (JF) released three years of industry statistical data (2021-2023), which had previously been put on hold (COVID-related issues). The ATO typically sources this data for this report, however, had utilized industry statistical information by Keizai Marketing Research & Consulting Group, a private company for the past three years, that captures subcategories instead of the entire HRI market. This is the first complete year, post COVID-19, that the ATO will have traditionally utilized statistical data from JF to capture the entire HRI industry market.
Note: In this report, the currency rates used are converted using the 2023 annual average exchange rate, since year-to-year fluctuation in exchange rates can distort trends.
Figure 1: Exchange Rate – Annual Average

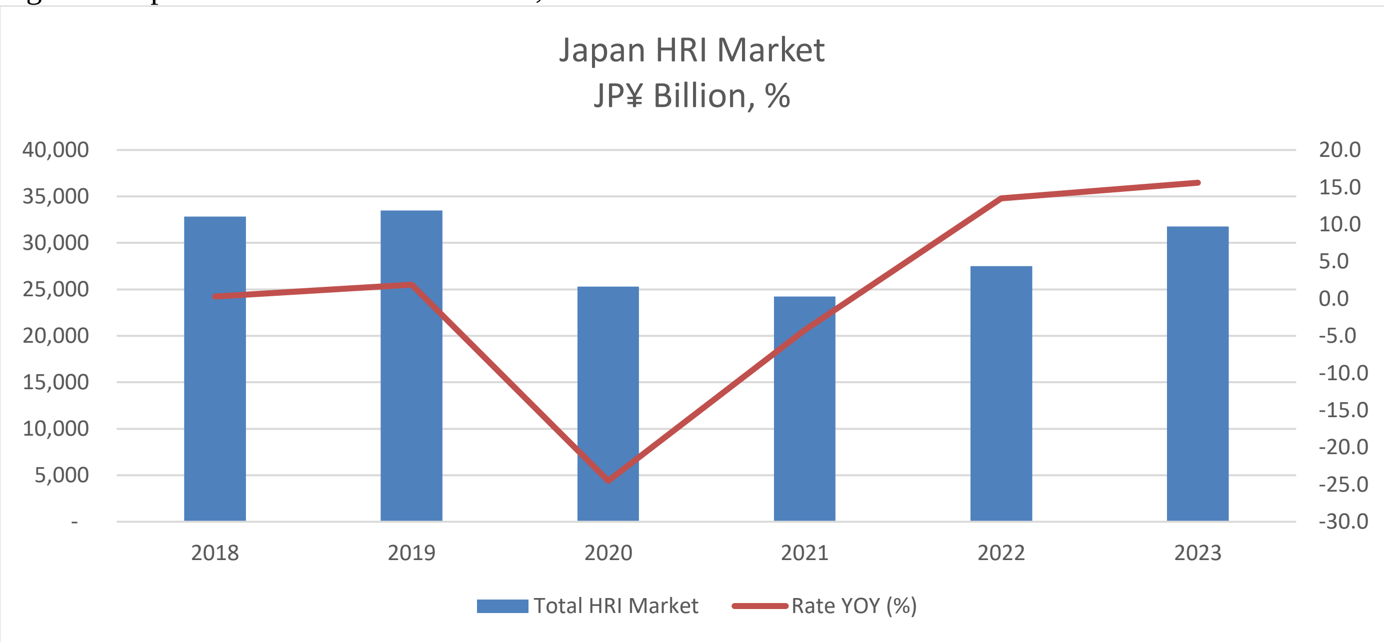
Year Average		2021	2022	2023
JP¥ per US$		109.817	131.454	140.511

Resource: Internal Revenue Service – Yearly Average Currency Exchange Rates
https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates

SECTION 1: Market Summary

In 2023, total sales from the hotel, restaurant, and institutional food service industry totaled $226.2 billion, a steady recovery of nine percent from 2022. According to Foodservice Industry Research Institute (a subsidiary of JF). This data included restaurants, drinking establishments, hotels, institutional centers, transportation and ready-to-eat segments.

Figure 2: Japan HRI Market – Total Sales, Pre. and Post COVID-19



Resource: Foodservice Industry Research Institute, Japan Foodservice Association (JF)
YOY = Year-on-year rate

The Japanese HRI industry is broadly made up of six major segments (Figure 3 below).
Figure 3: Japan Food Service Industry Market – Sales by Segments

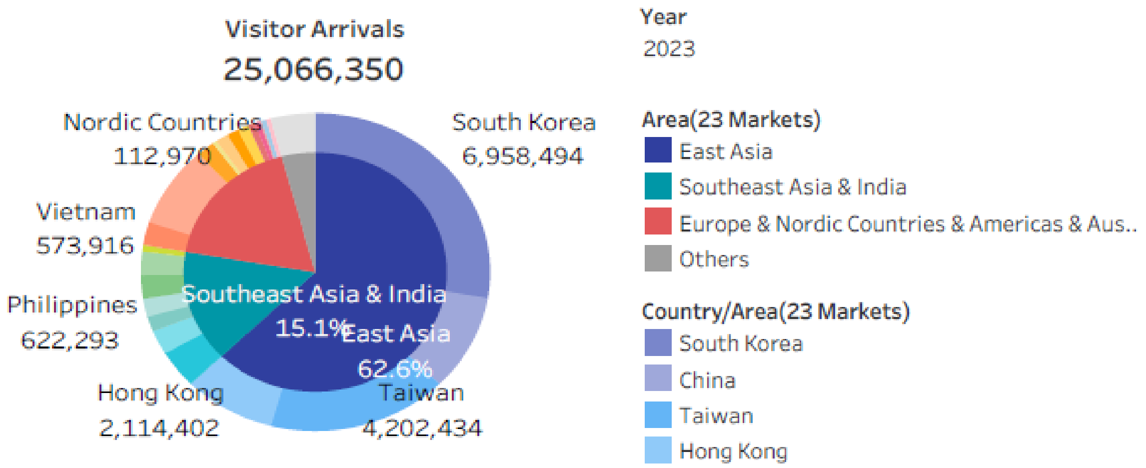
Segment\Year	**2021**		**2022**		**2023**		
Currency	¥ million	$ million	¥ million	$ million	**¥ million**	**$ million**	**% Share**
Restaurant	10,402	74.0	11,914	84.8	**14,131**	**100.6**	**44.5**
Drinking Establishments	2,105	15.0	2,956	21.0	**3,872**	**27.6**	**12.2**
Hotels	1,468	10.4	2,134	15.2	**2,794**	**19.9**	**8.8**

Institutions	2,960	21.1	2,989	21.3	**3,174**	**22.6**	**10.0**
Transportation	94	0.7	104	0.7	**180**	**1.3**	**0.6**
HMR	7,200	51.2	7,402	52.7	**7,632**	**54.3**	**24.0**
Total	24,228	172.4	27,499	195.7	**31,783**	**226.2**	**100.0**
Trend %	-4.2		13.5		**15.6**		

Source: Foodservice Industry Research Institute, Japan Foodservice Association
Exchange Rate: 2023Average Exchange Rate of JP¥140.511 per $ 1 USD

In 2023, sales in the drinking establishments (mainly Izakaya/pub dining) sector increased by 31 percent from the previous year, driven by normalized operations, a return of customary after-work socializing, and increased demand from international tourists (see Figure 3). The pub dining segment is comprised of izakaya's, beer pubs, yakitori establishment, and other small operators. Sales in the transportation, hotel restaurant/banquet, and the restaurants segments also increased by 73 percent, approximately 31 percent and 19 percent respectively, compared to the previous year. The restaurant segments included general restaurants, noodle shops, sushi shops, and other restaurants.

Figure 3: Visitor Arrivals for 2023 by Country/Area



Source: Japan National Tourism Organization (JNTO)

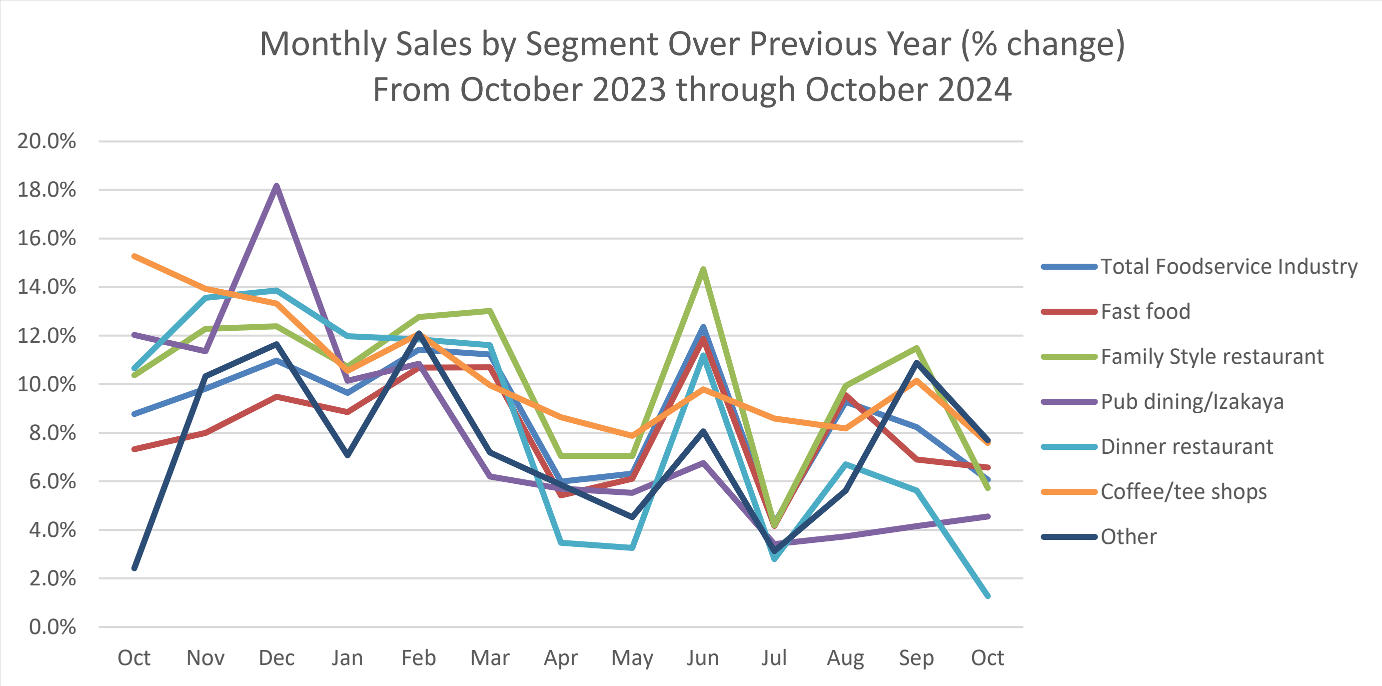
According to Fuji Keizai Research, sales of the restaurant segments increased by 11.0 percent which included Family style, Western style (American, French, Italian and others), Japanese style, Oriental style (Korean & Chinese) and Ethnic style (Mexican, Indian, and Southeast Asian) restaurants. The sales of fast-food chains also increased by nine percent in 2023, compared from the previous year. In 2023, sales in the take-away segment increased by nearly four percent and home-delivery segment remaining stable from 2022. It is the contrast between strong pizza and weak Sushi among the home delivery segment after the pandemic. Customers returned to real restaurants for eating fresh Sushi.

Meat-oriented restaurants continued to show strong business performance. Although the number of Steakhouse and Yakiniku (Japanese barbeque) restaurants declined by nearly two percent and one percent respectively, sales of steakhouse and yakiniku restaurants increased by seven percent respectively in 2023, compared to the previous year. A Nagoya based yakiniku company, Sakai Group (operator of over 130 outlets), has been facing serious labor shortages, hindering the expansion of new yakiniku outlets. The company pursues better restaurant segment suite for current conditions of high price foodstuff and utility charges, labor shortage and shrinking number of customers. These are unified difficulties for majority of restaurants as new challenges of post COVID-19. The menu price and unit price have also increased as same as other categories.

According to Fuji Keizai research, the number of restaurants has been decreasing since 2017. In 2017, 994,963 restaurants were in operation, compared to 899,214 in 2023, a decline of 9,6 percent in six years. In

2023, not only labor shortage but also shortage and related price increase of construction and initial costs of restaurant prevented opening new restaurants in Japan. The Japanese food service industry had been hit hard by the COVID-19 crisis and recovered quickly. However, the HRI industry launch on new challenges, of price surge, labor shortage and shrinking number of customers.

Figure 4: Japan Foodservice Industry Monthly Sales Over Previous Year



Resource: Japan Foodservice Association (JF) Monthly Trend
Sales increase/decrease from the same month of the previous year

Every segment has showed a promising recovery in sales from late 2023 through October 2024. Above all else, the Pub dining/Izakaya saw a remarkable increase in sales in November, December 2023 and January 2024 compared those with the same month of last year.

The increase in sales in June 2023 was attributed to the fact that was a month of good weather despite the yearly rainy season, and there was one day more holiday than the previous year. The increase in inbound tourists throughout this period was also contributing to strong sales in the HRI industry. See details below "Explosion Inbound Tourist" in the Constrains and Opportunities.

Japan HRI industry stakeholders are pursuing new and creative ways to reach consumers in response to the new challenges with changing consumer lifestyles and preferences. Imported foods will continue to play an important role in supporting these industry adjustments.

Advantages	**Challenges**
Implementation of the U.S. – Japan Trade Agreement provided substantial market access to about 90 percent of U.S. agricultural products by duty free or receive preferential tariff access.	Several competing countries including Canada, Australia, Chile, Mexico, and the EU have already implemented trade agreements providing preferential tariff access.
Stable supply ability of U.S. agricultural products have established a foundation of credibility among Japanese importers.	Price hike of U.S. agricultural products and shipping cost reversed price competitiveness between domestic products and U.S. products.
High Japanese farming costs and decline of domestic agricultural production make imported food products vital.	Japanese buyers are now sourcing from all over the world rather than their more limited historic suppliers.

The successes of American style restaurants provide an avenue for introducing U.S. recipes and food ingredients into the Japanese diet.	Many consumers view American cuisine has a less healthy image which linked to higher rates of obesity in the United States than in Japan.
U.S. food manufacturers have a positive reputation for food safety relative to many Asian competitors, especially among the trade.	Imported food products are viewed by many consumers as less safe than domestically produced food products.
American style barbecue, breakfast, brunch concepts and steak houses are catching on. These concepts help expand U.S. food product usage in the industry	Latin American and Asian exporters have been improving distribution infrastructures and quality assurance (QA) procedures.

Constrains and Opportunities

Soaring Prices

Commodity and food prices have been soaring in Japan since Russia's invasion of Ukraine. The continuous depreciation of the Japanese Yen vs. the U.S. dollar is also driving up costs for daily food and related itemss. According to a Tokyo-based Izakaya (pub dining) restaurant, the price for premium quality cooking oil has more than doubled from JP¥3,800 ($27) per 16.5 kilograms liter can in 2022 to JP¥7,700 ($55) in 2023. The government resale price of wheat rose by 90 percent to $482 (JP¥ 76,750) per metric ton in April 2023 from $287 (JPY40,390) in October 2019. It was priced down to $485 (JP¥ 68,240) in October 2023. The price is on a downward trend but are still more than 69 percent above pre-COVID levels. Government of Japan intervened on the domestic wheat price. To fill out a gap between shorter domestic production and estimated demand, GOJ manages wheat import and control selling price to balance wheat supply. GOJ set a government resale price twice a year and sells wheat to flour milling companies and large-scale users such as soy sauce, miso (bean paste) manufacturers. Relatedly, the average price of bread increased by over 21 percent at retail.

The trend of menu price increase has continued for nearly three years and is showing sings of slowing. According to survey results on menu price revision plans among top 100 listed restaurant chains by the Imperial Data Bank, including price increases and those already implemented, a total of 26 companies had announced price increases by April 15, 2024. It was only about 40 % of the level in 2022 (53 companies), when price increases began in earnest, and was also half of the level in 2023, (40 companies).

Explosion Inbound Tourist

On October 11, 2022, Japan dropped a ban on individual tourist visits and remove a cap on daily arrivals, moving closer to pre-pandemic rules as the country looks to ride a global travel rebound. In June 2023, number of inbound tourists to Japan exceeded 2 million visitors in one month for the first time since February 2020 just before COVID-19 struck Japan.

Figure 5: Number of Foreign Traver Visited to Japan

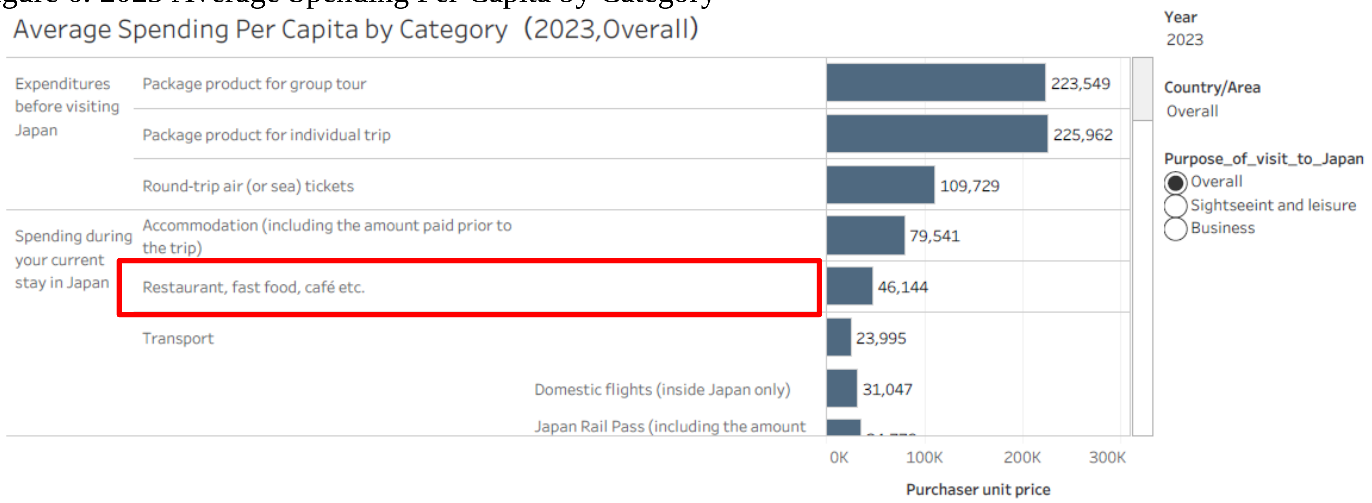
Year	# of Tourists	Y-O-Y Percentage
2019	31,882,049	2.2
2020	4,115,828	-87.1
2021	245,862	-94.0
2022	3,832,110	1,458.6
2023	**25,066,350**	**554.1**

Resource: Japan National Tourism Organization (JNTO)

The number of overseas visitors to Japan in July 2024 was the record high of 3,188,557, 42 percent up compared to the same month in 2023, exceeding 3 million for four consecutive months since March 2024. Additionally, the cumulative total from January to September 2024 increased by 554 percent to 25,066,350 which is 1,458 percent more than a total of the previous year.

After the COVID-19, inbound tourists have showed different spending behavior from before the COVID-19 due to weak Japanese Yen ex-change rate environment and more visitors from Asian countries that consisted of more than 76 percent of total foreign visitors to Japan in 2023. Current foreign tourist spent more for restaurants experience than before, increasingly visiting high-end restaurants and long-established historical Japanese restaurants including sushi bars and fancy Japanese restaurants.

Figure 6: 2023 Average Spending Per Capita by Category



Source: Created by JNTO based on the Japan Tourism Agency's "International Visitor Survey (2011-2023)"
Note: Other categories included in this survey are as follows: confectionaries totaling JPY 11,107, alcoholic beverages totaling JPY 10,302, fresh agricultural products JPY 11,889, other food, drink & tobacco totaling JPY 11,444.

SECTION II. ROAD MAP FOR MARKET ENTRY

Market Entry and Structure

Generally, the first step to market entry is to find an importer, which may take a considerable amount of time. There are no magic formulas for new–to-market exporters to enter the Japanese food service market. Strategies will vary depending on the type of food product being introduced and the current competitive environment. However, there are some basic steps that new-to-market exporters are recommended to follow when they consider entering the market.
One of the fundamental steps before entering the market is to determine whether a product is authorized for sale in Japan. There could be restrictions due to phytosanitary or food safety related concerns that can prevent product from being imported. A preliminary analysis should be completed to determine market potential of products, pricing of similar products, key points of differentiation for the product compared to others, and what kind of packaging is suitable for the market. Products must meet Japanese regulations for food ingredients, especially regarding food additives. If the product contains prohibited ingredients it will have to be reformulated to meet the regulations. Exporters should also be aware of the import classification and tariff rate for products. Freight forwarders and traders can be helpful in determining the category a product belongs to.

For more information, see the latest FAS Japan Food and Agricultural Import Regulations and Standards (FAIRS) report and Exporter Guide at: Exporter Guidance.

Japan Customs has a website for requesting an advance ruling on tariff classifications, which is available to importers and related parties at: 1.Advance Ruling on Classification : Japan Customs
When possible, visiting Japan is recommended. The Tokyo and Osaka Agricultural Trade Offices (ATO), U.S. Agricultural Cooperator Groups, and State and Regional Trade Groups (SRTG) are available as resources for obtaining information about the market. Private companies may also be hired to do product testing among actual consumers and to gauge their reactions to product taste, appearance, and texture. Participating in one of the food related trade shows or showcases allow exporters to research a product's potential and meet Japanese importers who often do not respond to "cold calls" or requests for meetings from unknown companies. The ATO Japan offices organize U.S. pavilions at the Supermarket Trade Show

in February and FOODEX Japan in March and offers support to U.S. exhibitors such as market briefings and arranging meeting space. Other smaller trade shows can also be useful, depending on the target audience.

Distribution

Japan has one of world's most developed food supply chains. One major difference with the United States is that individual restaurants tend to buy food at nearby butcher shops, fresh food markets, local supermarkets, and/or small size food wholesalers. Chain restaurants tend to procure food from food service industry wholesalers who offer combined shipment/delivery of all kinds of foods and restaurant business materials. Some of these wholesalers import food directly from foreign countries but most of them buy imported foods through trading houses, which carry out a variety of functions, including handling documentation, clearing customs, testing for quality assurance, warehousing, and financing the inventory.

Some "cash and carry" retailers, including wholesale clubs such as COSTCO are popular sources for food products among smaller-sized food service operators. The biggest is Gyomu Super (Business Supermarket) owned by a local company, Kobe Bussan, with over 1,060 outlets throughout Japan. In addition to this, regional food wholesalers have formed strategic purchasing alliances and have opened cash and carry outlets. Bulk packed meat, seafood, fresh produce, coffee, seasonings/condiments, wine, cheese, frozen vegetables, edible oil and frozen baked items are popular selling food products at these outlets. HRI-focused wholesalers are consolidating. To add value, most large wholesalers own their own distribution trucks and focus on carrying broad product lines that can provide small food service operators or small chains with one-stop service.

Major Food Service Companies

Top Ten Restaurants (Source: Nikkei MJ Newspaper, June, 2024)

1. McDonald Japan (QSR)
2. Zensho Holdings (beef bowl & etc.)
3. Colowide (pub dining & etc.)
4. Skylark Holdings (restaurants)
5. Food and Life Company (Sushiro, sushi casual)
6. Plenus (bento & restaurants)
7. KFC Japan (QSR)
8. Kura Zushi (sushi casual)
9. Toridoll (Udon noodle, coffee shop, pub dining)
10. Doutor Coffee/Nichi-res Holdings (coffee shops)

Top Five Institutional Food Service (Source: Nikkei MJ Newspaper, June, 2024)

1. Nisshin Healthcare Hood Service
2. Aim Service
3. Green House
4. LEOC
5. Fuji Sangyo

Top Ten Hotel Chains with Food Service (Source: Fuji Keizai Foodservice Industry Handbook 2024)

1. Seibu Prince Hotel Worldwide
2. Marriott International
3. Resort Trust
4. Milial Resort Hotels (Tokyo Disney Resort)
5. Hilton Hotel Group

SECTION III. COMPETITION

The United States is Japan's top agricultural trading partner and known as a reliable export partner that provides safe and high-quality food and beverage products. Under the U.S.-Japan Trade Agreement, nearly 90 percent of U.S. agricultural products enter duty free, or receive preferential treatment. For example, the tariffs on U.S. beef and beef products have declined nearly 23 percent from approximately 39 percent in 2019. The tariff of U.S. wine (holding 2 liters or less) decreased to JPY 125 per liter (whichever less) in 2024 and will be free in 2025. Other product tariffs have also gradually decreased. For more information, please refer to the USDAJapan.org website. However, competitors also have free trade agreements with Japan that reduce or eliminate food and agricultural tariffs, including: the European Union, Canada, Australia, Chile, and Mexico.

The United States is the leading beef exporter to Japan with a 40 percent overall market share and is the leading supplier of fresh/chilled beef, with nearly 49 percent market share in 2023. The United States has a strong association with beef and shares Japan's import market primarily with Australia. U.S. wheat accounts for roughly half of the annual imports, with Canada and Australia making up the other half. Soybean imports are primarily from the United States on a value basis at approximately 70 percent, with Brazil and Canada being the main competitor for food-grade soybeans. The EU, New Zealand, and Australia supply most cheeses, while the U.S. market share is around ten percent. The main U.S. competition for fruits and vegetables come from regional producers, with China primarily supplying on proximity, price competitiveness, and varietal preferences.

Products Present in the Market which have Good Sales Potential

With the implementation of USJTA, USDA Japan published one-page fact sheets to highlight key product categories that received preferential tariff treatment in the agreement (linked in the table below). More information on tariff treatments may be found at USDAJapan.org.

Top Consumer-Oriented Products Imported from the World

- Pork and Pork Products
- Chicken and Chicken Products
- Beef and Beef Products
- Coffee
- Wine
- Dairy Products

Top Consumer-Oriented Products Imported from the United States

- Beef and Beef Products
- Pork and Pork Products
- Processed Vegetables
- Tree Nuts
- Dairy Products

Products Not Present in Significant Quantities which have Good Sales Potential

Japan imports a broad array of products representing the full spectrum of America's consumer-ready, intermediate, and bulk food production. However, Japanese importers and consumers frequently seek new, trendy, and innovative products. Opportunities may be found at any time for competitively priced, quality, or novel products, e.g. alternative meat (plant-based protein) products, edible oil, prepared chicken, coffee, dairy products, craft beer and spirits.

Products Not Present Because They Face Significant Barriers

- Fresh Potatoes
- Pest resistant queen bee

SECTTION V. KEY CONTACTS AND FURTHER INFORMATION

Reports from USDA Japan, including the Agricultural Trade Offices and the Office of Agricultural Affairs, are frequently updated and can be found by searching the FAS Japan Reports website.

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Ministry of Agriculture, Food and Forestry:
Statistics and articles: Links : MAFF

USDA Japan Online
http://www.usdajapan.org/ (FAS Japan, English)
https://twitter.com/usdajapan (FAS Japan, English)
https://ustr.gov/usjta (USJTA, English)

Ministry of Health, Labor and Welfare
Imported Food Safety: Imported Food Safety ｜Ministry of Health, Labour and Welfare (mhlw.go.jp)

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E-mail address: atoosaka@usda.gov

Japan External Trade Organization (JETRO)
Japanese market and regulations:
https://www.jetro.go.jp/en/reports/
Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
JETRO | Japan External Trade Organization:
Search with "food import regulation"

Japan Food Sanitation Law: Food Sanitation Act (japaneselawtranslation.go.jp)
U.S. laboratories approved by the Japanese Government, visit
Ministry of Health: List of Foreign Official Laboratories (mhlw.go.jp)

Japan Customs
Tariff rates in Japan are calculated on a CIF basis and Japan adds an 8% consumption tax to all imports. Japan tariff rates are found here:
http://www.customs.go.jp/english/tariff/

Attachments:

No Attachments