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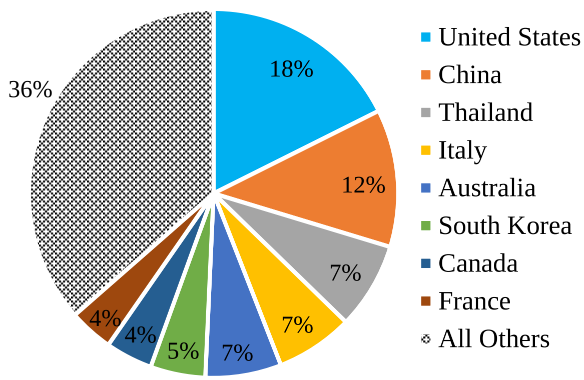
Report Highlights:

Total sales of the hotel, restaurant and institutional (HRI) food service industry totaled JP¥25,517 billion (US$239.1 billion) in 2020, a decrease of 26 percent from 2019 due to the ongoing COVID-19 pandemic. The industry experienced the biggest annual decline in sales since 1994, when industry statistics were first recorded by the Japan Foodservice association. Despite the overall declines, American style fast food chains experienced stable sales, and with easing States of Emergencies (SOEs), increased vaccination rates, and public outings resuming, there's cautious optimism for sales to rebound. Japan's market size and food and agricultural consumption needs are still robust for foreign purchases and will continue to be crucial for U.S. agricultural products that supply the Japanese HRI food service industry.

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 2020 ($11.7 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 ($38.9 Billion, 2020)



Food Processing Industry:
The $220 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 2020, the total value of all retail food and beverage sales was $474 billion. Supermarkets represent the bulk of the retail food sales at 73 percent and the convenience store sector accounts for another 14 percent of sales. Ready-to-eat meals or take-home foods represent an area of growth.

Population:	125,570,000 (Jan 2021)
GDP:	$5.065 trillion (3rd)
GDP/Capita:	$40,335

Top Ten Growth Food Products

1) Beef and Beef Products
2) Pork and Pork Products
3) Processed Vegetables
4) Wheat and Wheat Products
5) Fresh and Processed Fruit
6) Tree Nuts and Peanuts
7) Distilled Spirits
8) Wine and Beer
9) Cheeses
10) Condiments and Sauces

Food Industry by Channels

Consumer-Oriented Imports	$ 39 billion
Food Processing Industry	$ 223 billion
Food Industry Gross Sales	$ 789 billion
- *Retail*	*$ 474 billion*
- *Food Service*	*$ 239 billion*

Top Ten Food Service Providers

McDonald Japan	Sushiro
Zensho Holdings	Plenus
Skylark Holdings	KFC Japan
Colowide	Kura Zushi
Nisshin Healthcare	Mos Burger

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: Global Agricultural Trade System, Trade Data Monitor, LLC, Japan Ministry of Finance, Japan Ministry of Economy, Trade and Industry, Japan Food Service Association, The World Factbook, The World Bank. For additional information, contact [ATOTokyo@ usda.gov](mailto:ATOTokyo@usda.gov)

COVID-19 Impact on Food Service Sales Note:
Beginning in early February 2020, the COVID-19 pandemic caused restaurant and hotel food service sales to decline dramatically as tourism halted, public outings became restricted, and schools closed. Since then, there have been five nationwide SOEs, with the most recent extended until September 30, 2021. The Tokyo Agricultural Trade Office (ATO) is following developments and published a series of reports titled "COVID-19 Impacts on Food Distribution in Japan" which can be found on the USDA GAIN or FAS Japan Reports websites. The latest report dated 6/25/2021, can be downloaded here.

Data and Statistics Note:
The Japan HRI report is regularly produced with key data and statistics from the Japan Foodservice Association (JF), which releases its data and statistics every August. Due to the COVID-19 pandemic, JF has delayed releasing its industry data and statistics. As a result, the 2021 Japan HRI report utilized market research from, Fuji Keizai Marketing Research & Consulting Group, a private company, to capture the entire HRI industry market size. Fuji Keizai data has market estimates for 2022. This report also utilized JF's available data from (July 2020 through July 2021) which reflects monthly trends of member restaurants totaling approximately 73,000 outlets and 800 food service operators.

In this report, the currency statistics used are converted using the 2020 average exchange rate, since year-to-year fluctuation in exchange rates can distort trends.

Year Average	2018	2019	2020
JP¥ per US$	110.424	109.008	106.725

Resource: Internal Revenue Service – Yearly Average Currency Exchange Rates
Yearly Average Currency Exchange Rates | Internal Revenue Service (irs.gov)

SECTION I. MARKET SUMMARY

In 2020, the total value of all food service industry sales in Japan decreased by 26 percent to JP¥25,517 billion (US$239.1 billion) from JP¥34,294.4 billion (US$321.3 billion) in the previous year, according to Fuji Keizai Marketing Research. The Japanese HRI industry, broadly defined, has ten major segments. The Takeout/HMR segment includes ready to eat meal/home meal replacement (HMR) type products sold at Obento (lunch box) shops, convenience stores, supermarkets, and department stores. Sales in this market segment have accounted for 28 percent of the HRI market. Restaurants was the second largest with nearly 18 percent of the market. Institutional food service was the third largest with 15 percent, followed by Fast food with 12 percent. Other sectors include Pub dining, drinking establishments (10 percent), Hotel restaurants and banquets (8 percent), Coffee and tea shops (4.2 percent), Food/Home delivery (3.2 percent). Leisure facilities (2.4 percent) and Transportation (0.1 percent).

Food/Home delivery includes pizza delivery, sushi delivery, and all home delivery and corporate catering. In 2020, sales in the home delivery sector increased in residential areas by food delivery services. On the other hand, according to Fuji Keizai research, the traditional catering service segment, which targets corporate representation and large-scale events, was inflicted with massive cancellations caused by SOE restrictions. Sales reduction of the corporate catering segment were larger than the increase of home delivery sales. As a result, total sales of the food/home delivery sector showed significant drop in 2020.

Figure 2: Japan Food Service Industry Market – Sales (JP¥ billion - US$ billion)

Segment\Year	2019		2020			2021 (Estimate)	
Amount\Currency	¥ billion	$ billion	¥ billion	$ billion	% Share	¥ billion	$ billion
Fast food	3,223.8	30.2	3,018.0	28.3	11.8	3,202.3	30.0
Take out	7,669.2	71.9	7,072.8	66.3	27.7	7,355.2	68.9
Home delivery	1,189.3	11.1	824.5	7.7	3.2	902.8	8.5
Transportation	107.1	1.0	21.9	0.2	0.1	22.8	0.2
Leisure facilities	1,002.0	9.4	623.8	5.8	2.4	715.2	6.7
Institution	4,090.7	38.3	3,831.9	35.9	15.0	3,942.4	36.9
Pub dining	5,294.3	49.6	2,534.2	23.7	9.9	2,596.4	24.3
Restaurant	6,344.9	59.5	4,562.4	42.7	17.9	4,898.9	45.9
Café/tea shop	1,487.8	13.9	1,084.1	10.2	4.2	1,209.6	11.3
Hotel	3,885.5	36.4	1,943.1	18.2	7.6	2,858.8	26.8
Total: HRI	34,294.4	321.3	25,516.5	239.1	100.0	27,704.3	259.6
Trend: year-on-year	2.1%		-25.6%			8.6%	

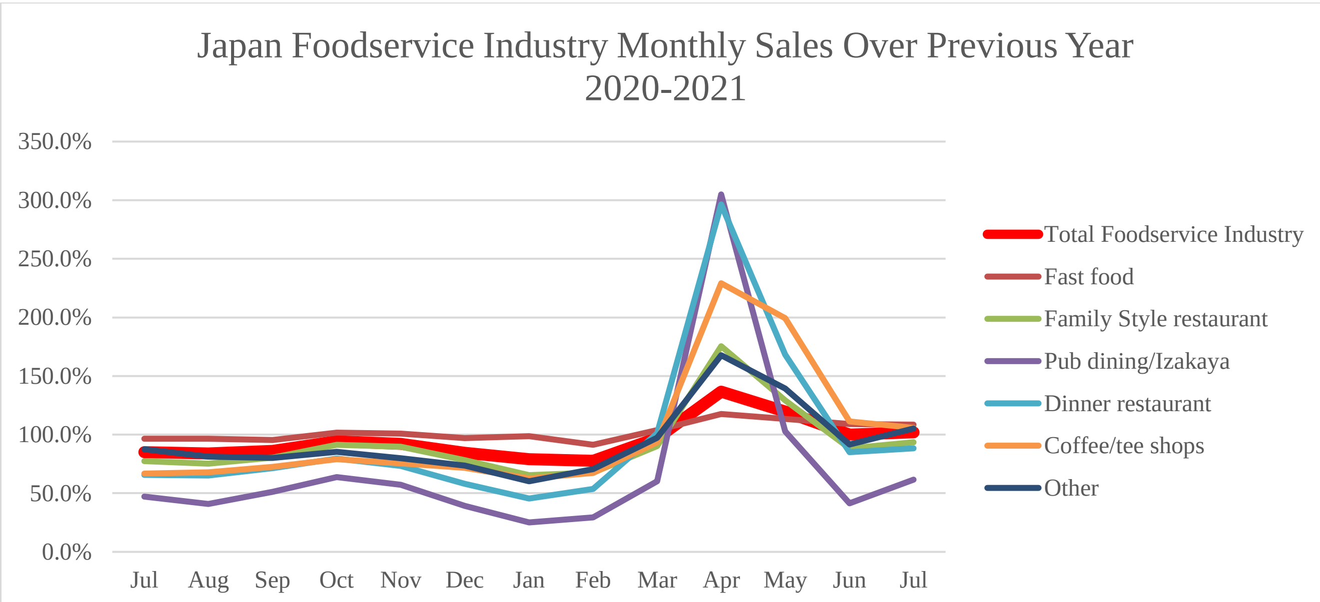
Resource: Fuji-Keizai Marketing Research – Food Service Industry Handbook 2021, No.1 and No.2
Exchange Rate: JP¥106.725 per US$

According to Nikkei MJ industry newspaper, takeout service has trended positively. During the Japanese stay home orders, 90 percent of chain restaurants implemented new capabilities to offer takeout service through online applications and contactless delivery options. Pizza delivery chains, such as Pizza Hut and Domino's Pizza, recorded increased sales by 32 percent and 26 percent respectively, year-over-year in 2020. In addition to offering new applications, Pizza Hut developed individualized pizzas and a combo box containing chicken nuggets and fried potatoes within a pizza box. These pizza chains utilized cheese and fried potatoes imported from the United States. Overall, restaurants sales increased 70 percent in 2020 for restaurants that offered new creative takeout options.

According to Japan Foodservice Association (JF) statistics, total restaurant sales of the member companies in Japan in 2020 dropped 15.1 percent, compared to the previous year, due to mandatory closures of restaurants during the periods of national SOEs.

Foodservice sales in Japan were closely correlated to the periods during the SOE. Monthly sales in the food service sector spiked in April (up 37 percent from the same month in 2020) when the SOE lifted for 35 days from March 22 to April 24. Sales recovered slightly in July (up 2.1 percent from 2020), according to the most recent research by JF. Conversely, the pandemic led to a significant decrease in retail sales at supermarkets, with year-over-year monthly totals down five to ten percent for most major chains in March and April, though sales have since returned to more normal levels.

Figure 1: Japan Foodservice Industry Monthly Sales over Previous Year July 2020 – July 2021



Resource: Japan Foodservice Association (JF) Monthly Trend
Sales increase/decrease from the same month of the previous year
Non SOE period: from March 22 to April 24, 2021

Japan HRI industry stakeholders are pursuing new and creative ways to changing consumer lifestyles and preferences, in response to the COVID-19 pandemic; imported foods may have an important role in supporting 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.
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 provides 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 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.

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 used to sell competitor products. 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 determine 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: https://www.customs.go.jp/english/advance/classification.htm

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. Additionally, 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, 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.

Online shopping has been popular for general consumers, use among the food service industry is also increasing to high-quality fresh seafood and fresh vegetables/fruits delivered directly from production areas to restaurants. The COVID-19 pandemic has accelerated online food distribution, traditional wholesalers at fresh markets started online business for restaurants while keeping the quality of food. These Japanese wholesalers include all cost in food prices and do not charge for delivery separately.

Major Food Service Companies

Top Ten Restaurants (Source: Nikkei MJ Newspaper)

1. McDonald Japan (QSR)
2. Zensho Holdings (beef bowl & etc.)
3. Skylark Holdings (restaurants)
4. Colowide (pub dining & etc.)
5. Sushiro (sushi casual, Food and Life Company)
6. Plenus (bento & restaurants)
7. KFC Japan (QSR)
8. Kura Zushi (sushi casual)
9. MOS Burger (QSR)
10. Yoshinoya Holdings (QSR)

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

1. Nisshin Healthcare Hood Service
2. Aim Service
3. LEOC
4. Fuji Sangyo
5. Uokuni Sohontsha

Top Ten Hotel Chains with Food Service (Source: Fuji Keizai Foodservice Industry Handbook 2021)

1. Prince Hotel
2. Marriott International
3. Hoshino Resort
4. Kyoritsu Maintenance (Dormy Inn, La Vista)
5. Okura Nikko Hotel Management

SCTION III. COMPETITION

The United States is the top agricultural supplier to Japan and known as a reliable exporter that provides safe and high-quality foods. On January 1, 2020, the USJTA entered into force. Now nearly 90 percent of U.S. agricultural products are either duty free or receive preferential treatment, making U.S. products more competitive with other suppliers that have implemented free trade agreements with Japan, including the European Union, Canada, Australia, Chile, and Mexico. The United States competes intensively with Canada in the chilled pork sector. The U.S. share of pork and pork products have decreased from 32.2 percent to 28.7 percent in 2019, however it increased to 33 percent in 2020 while competitors such as Spain, Denmark, and Chile decreased their total share from 24.5 percent to 20.5 percent in 2020. This gap indicated USJTA gave big influence on the trade. The United States competes in the beef market with Australia. U.S. wheat accounts for roughly half of Japan's annual wheat 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 Canada being the main competitor for food-grade soybeans. The EU, New Zealand, and Australia lead in the supply of cheese, while the U.S. market share is just 12 percent. The United States' main competition in vegetables and fruit is regional, with China primarily suppling on proximity, price competitiveness, and varietal preferences.

Figure 3: Japan Imports of Agricultural Products in 2020

Partner Country	**Unit: US$ Millions**			**Market Share (%)**			**% Change**
	2018	**2019**	**2020**	**2018**	**2019**	**2020**	**'20/'21**
World Total	59,856	60,347	58,557	100	100	100	-2.97
United States	14,118	13,207	12,888	23.59	21.89	22.01	-2.42
China	6,713	6,457	6,244	11.22	10.7	10.66	-3.29
Canada	3,683	3,837	3,861	6.15	6.36	6.59	0.62
Australia	4,349	4,180	3,760	7.27	6.93	6.42	-10.06
Thailand	3,638	3,635	3,512	6.08	6.02	6	-3.39
Brazil	2,401	3,415	3,427	4.01	5.66	5.85	0.36
Italy	2,949	2,738	2,839	4.93	4.54	4.85	3.69
South Korea	1,912	2,091	2,090	3.19	3.47	3.57	-0.05
France	1,930	2,038	1,805	3.23	3.38	3.08	-11.41
New Zealand	1,470	1,607	1,605	2.46	2.66	2.74	-0.1
All Others	16,691	17,142	16,525	27.89	28.41	28.22	-3.60

Source: Trade Data Monitor – BICO Agricultural Products

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

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.

Beef & Beef Products	Demand for U.S. lean beef and products continues to increase, mainly through the food service and restaurant channels. This longstanding growth can be attributed in part to Japan's aging population and single-person households, coupled with health-conscious attitudes. New and existing restaurant chains that feature U.S. beef are expanding. For more information, see JA2021-0117.
Pork & Pork Products	Japan imports around 50 percent of its pork supply. Pork is one of the most popular protein choices for Japanese households and is likely to overtake fish as the most consumed protein within the next few years. Ground seasoned pork (GSP) is a

	key ingredient for domestic sausage manufacturers. For more information, see JA2021-0117.
Poultry and Egg products	The United States was the fourth biggest supplier of poultry products in 2020. Thailand, Brazil, and China were major suppliers for Japan market. Although, demand of fried chicken is increasing due to drinking service restriction at restaurants. Chicken products creates more demand in Japan once the COVID-19 settled. JA2021-0122.
Processed Vegetables	After China, the United States is the second largest supplier of processed vegetables, with roughly 20 percent of the import market share in volume. The United States is a major supplier of prepared potatoes, tomato paste, and prepared sweet corn. Higher consumption of home-meal replacements is expected to bolster producer demand for processed vegetables. For related information, see here.
Wheat and Wheat Products	U.S. food wheat is a key ingredient in Japanese bakery and noodle production. USJTA provides tariff parity with competing food wheat suppliers such as Australia and Canada. It also gives the United States a tariff advantage over Turkey, one of the leading pasta suppliers. Pasta is the primary wheat product imported by Japan. For more information, see JA2020-0058.
Fresh & Processed Fruit	Japan imports one-third of its fresh fruit and 90 percent of its processed fruit, with the United States ranked as the second largest supplier for each. Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling domestic production. The United States supplies large quantities of raisins and prunes as well as frozen blueberries and strawberries. For related information, see here.
Tree Nuts and Peanuts	U.S. tree nuts are increasing in popularity in the convenience health snack sector, as detailed in JA2020-0158. Almonds, walnuts, pecans, and peanuts, in plain, roasted and salted forms, are common in single-serve snack packaging at convenience stores across Japan. The Japanese food service industry is beginning to explore new salad creations that incorporate tree nuts.
Whiskey	In 2019, increased domestic consumption and surging global demand for Japanese whiskies led to a record $429.3 million in imports, which are often blended and bottled by local producers. U.S. whiskey exports to Japan reached a record $121.9 million and accounted for 88 percent of total spirits shipments. For more information, see JA2020-0053.
Wine & Beer	Wine consumption in Japan has risen steadily over the last decade. Total imports were valued at $1.8 billion in 2019. For more information, see here. In 2019, the United States became the largest supplier of beer by value at $15.6 million, due to premium craft beer sales. For related information, see here.
Cheeses	Nearly 90 percent of cheese consumed in Japan is imported. Cheese consumption has grown continuously since 2013. Consumption has traditionally focused on domestically produced processed cheese products which use imported natural cheese as ingredients. Popular processed products include sliced cheese, cheese sticks, and bite-sized cheese wedges. For more information, see JA2020-0174.

Top Consumer-Oriented Products Imported from the World

- Pork and Pork Products
- Chicken and Chicken Products

- Beef and Beef Products
- Wine

Top Consumer-Oriented Products Imported from the United States

- Pork and Pork Products
- Beef and Beef Products
- Frozen Potatoes
- Tree Nuts

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, prepared chicken, craft beer and spirits.

Products Not Present Because They Face Significant Barriers

- Fresh Potatoes

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.

ATO Tokyo
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1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
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ATO Osaka
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2-11-5, Nishi Tenma, Kita-ku, Osaka City, Osaka 530-8543
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Fax: 81-6-6315-5906
E-mail address: atoosaka@usda.gov

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

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:
http://www.jetro.go.jp/en/reports/regulations/

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

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

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/

Sources for Retail Market Figures:
METI, Large-scale retail sales trade, Part 3- Table 1, Report on the Current Survey of Commerce.
METI, Convenience store, Part 4- Table 1, Report on the Current Survey of Commerce.
METI, Drug Store, Table Part 4-Table 1, Report on the Current Survey of Commerce.

Attachments:

No Attachments