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Report Name: Home Meal Replacement Market Heating Up in Japan

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Report Highlights:

Among Japanese food industry sectors, the Home Meal Replacement (HMR) sector, or Sozai in Japanese, has shown the highest rate of growth in recent years, with sales reaching a record ¥10.25 trillion (\$95 billion) in 2018. Rising demand for fast, convenient meals has contributed to the market growth. Consumers demand for high-quality food and a unique eating experience coupled with intense competition make the Sozai market dynamic. U.S. ingredient suppliers are well positioned to compete in many product categories, provided they are willing to adjust to market demands.

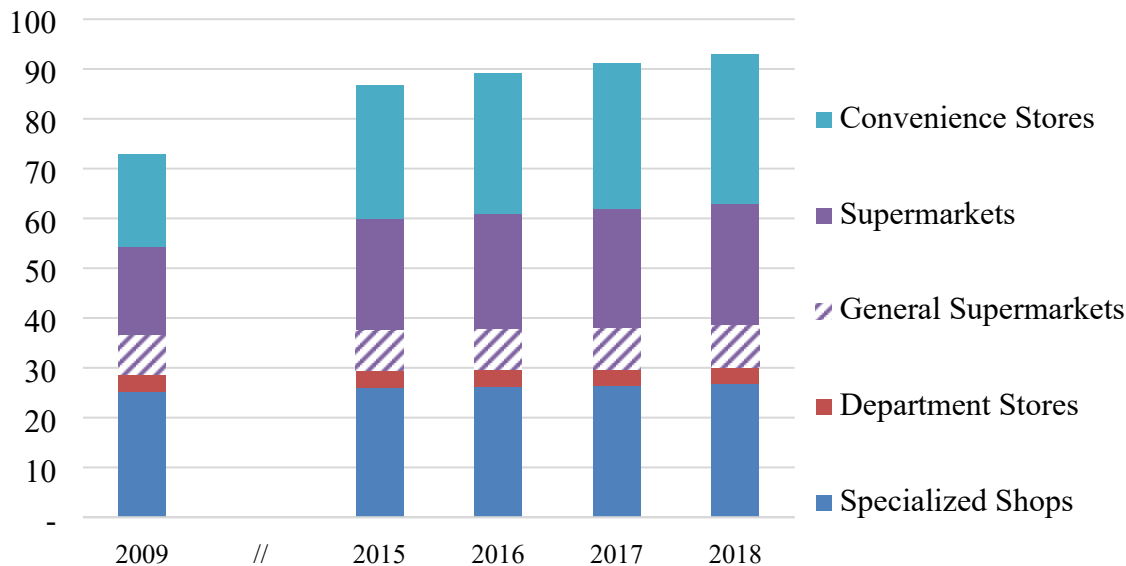
General Information:

The Home Meal Replacement (HMR) industry, called *Sozai* in Japanese, includes ready-to-eat meals, cooked/prepared food and/or delicatessen take-out meals. *Sozai* has a long history; starting more than 200 years ago with *Niuriya* (cooked-food sellers) during the late Edo-period. *Niuriya* prepared daily dishes that included seafood, vegetables, and condiments (such as soy sauce, sake/mirin, sugar, or vinegar). This segment evolved into *Sozai* specialty shops, which expanded product offerings over time.

Sozai products are diverse and often deeply rooted in Japanese home-style cuisine. Increasingly, they also include non-traditional foods such as salads, and sandwiches. According to a study by the Japan *Sozai* Association, the top selling menu items are 1) *onigiri* (hand formed rice balls wrapped in seaweed), 2) bento boxes (assorted take-out meals), 3) sandwiches, 4) croquettes (breaded and deep fried), 5) sushi (including maki (sushi roll), nigiri (hand-formed) and inari zushi (thin deep-fried tofu filled with sushi rice). In addition, boneless fried chicken, tempura (lightly breaded and fried seafood and vegetables), and salads are popular among consumers. These home-style meals are a part of the daily food offerings sold at delicatessens, supermarkets, convenience stores, and local specialty shops.

Market Overview:

Figure 1: Japan HMR Retail Market (Billion US\$)



Source: “Sozai Whitepaper” Japan Sozai Association;

Note: Exchange Rate, 2018 Average, Yen to Dollar: 110.40:1, Source: U.S. Federal Reserve

The total HMR market was valued at ¥10.3 trillion (\$95 billion) in 2018, up two percent from 2017 and 27.3 percent over the last decade (Figure 1). Total sales of HMR made up one-quarter of all retail food

sales. The HMR industry targets consumers of all ages who want to enjoy convenient meals at home, school, or the work place, capitalizing on increases in dual-income households and diversifying palates. Among the Japanese food industry sectors, Sozai sales have shown the strongest growth. According to Nikkei MJ newspaper, Japanese food buyers selected Sozai as the sector that would experience the best growth in 2019 and 2020 (based on survey replies from 63 major supermarket buyers).

In recent years, Sozai shops have experienced steady increases in annual sales. However, according to the Japanese Sozai Association, convenience stores and supermarkets have surpassed specialized shops in HMR sales since 2015. One reason is the increase in the number of convenience stores from 42,600 in 2009 to over 55,700 in 2018, up 30 percent in 10 years. Also, the Great East Japan Earthquake in 2011 severely affected food retailers in disaster areas; prompting senior and middle-aged consumers to shop for Sozai at convenience stores more frequently than before. Previously, the aging population did not typically buy Sozai and/or daily food items at convenience stores supermarkets.

Major Players:

Fujikeizai Market Research & Consulting Group defined the HMR market as the “Take-Out Foods” market. In their study, Fujikeizai divided the market into ten retailer categories, as shown in Figure 2. The top three are convenience stores (38.4 percent market share), supermarkets (29 percent) and delicatessens (12 percent).

Figure 2: Japan Take-Out Food Sales (Billion JP¥):

Category	2014	2015	2016	2017	2018	'18/'17	Share
Total	7,002	7,174	7,326	7,484	7,545	2.2%	100.0%
Bento Shops	329	320	309	303	299	-2.0%	4.0%
Delicatessen	913	915	911	905	903	-0.7%	12.0%
- Department store	353	356	352	348	346	-1.2%	4.6%
- Other	560	560	559	557	557	-0.4%	7.4%
Onigiri Vendors	20	20	20	19	19	-2.1%	0.2%
Sushi Restaurants	70	64	55	54	54	-1.0%	0.7%
Bakery	471	461	460	458	457	-0.4%	6.1%
Supermarket Deli.	2,012	2,056	2,096	2,145	2,188	2.4%	29.0%
Convenience Stores	2,441	2,597	2,739	2,868	2,898	4.7%	38.4%
- Counter Food	479	541	609	654	668	7.3%	8.8%
Sweets	658	655	653	650	647	-0.5%	8.6%
- Department Store	293	293	293	295	294	0.5%	3.9%
- Chou Cream	11	11	12	12	12	1.3%	0.2%
Popcorn	3	3	3	3	2	-11.9%	0.0%
Takoyaki Stands	84	84	82	80	78	-2.5%	1.0%

Source: Fujikeizai Marketing Research & Consulting Group

In the convenience store category, the top three companies, Seven-Eleven Japan, Family Mart, and Lawson combined for 90 percent of the market share in 2018. Conversely, the supermarket sector's top three HMR operators, AEON, Life Corporation, and York Benimaru, accounted for only 11 percent of supermarket HMR sales. Major delicatessen companies were Rock Field (brand name RF1, a high-end HMR producer), Origin Toshu ("daily-use," or traditional, HMR), and Green House (*tonkatsu* (breaded deep-fried pork cutlet)). These three companies comprised 12 percent of delicatessen HMR sales. Online HMR sales are negligible.

According to research by the Japanese Sozai Association, the Sozai share of total convenience store sales increased from 25.1 percent in 2017 to 25.9 percent in 2018. Likewise, in 2018, Sozai sales accounted for 10 percent of total sales by supermarkets and 5.9 percent of the total sales by department stores. HMR products have become an important part of the food and retail industries.

One trend at convenience stores and supermarkets are the sale of individually packaged items, in small plastic bags, such as potato salad, *kinpira* (coleslaw with carrots and gobo root cut into thin strips) and salad chicken (boiled breast meat). Major convenience stores and supermarkets are now developing their own private Sozai brand products that allow for a longer shelf life.

Meanwhile, the high-end HMR companies are increasing their number of outlets and driving market trends. These HMR operators use expensive food ingredients such as smoked salmon, prosciutto, and roast beef; selling their products at a higher price than "daily-use" Sozai, usually at department stores and boutique shops. The high-end HMR companies hire exclusive chefs and designers for menu development/presentation as well as store design.

Generally, deep-fried items such as croquettes, tonkatsu, fried chicken and tempura are key menu items with the largest sales by volume at supermarkets and Sozai shops. High-end HMR shops and delicatessens sale vegetable-based menus, such as salads and ratatouille, since the price of fresh fruits and vegetables are relatively high in Japan.

Manufacturing and Distribution:

Most HMR operators have their own "centralized kitchen," for instance; Rock Field operates 230 outlets served by three centralized kitchens, in Kobe, Shizuoka and Kanagawa. They produce small-portioned assortments of fresh food items and deliver prepared food from the centralized kitchens every day to their shops, where the final packing occurs.

Large-scale HMR companies tend to rely on outside contractors. Plenus, a large-scale bento (take-out lunch box) operator with 3,080 outlets (brand name Hotto-Motto) has three centralized kitchens that produce and deliver food preparations to some of their stores. However, contractors, including major food manufacturers, produce and deliver the majority of Sozai to their remaining stores. Major

convenience stores, including Seven-Eleven Japan with over 20,000 outlets, contract HMR manufacturers throughout Japan. These manufacturers have their own specialties and produce rice-based foods, bento boxes, and/or other HMR products under convenience store brand names. To ratchet up sales, convenience stores and their contractors developed a three-times daily, temperature-controlled delivery program for i) frozen meals, ii) chilled meals (5 degrees Celsius), iii) cooked rice meals (20 degrees Celsius), and vi) room temperature items.

Large-scale food manufacturers and contractors usually buy imported food ingredients from trading houses, which can offset the risk of unused inventory and exchange rate fluctuations. HMR companies are very assertive in exercising control over ingredients, including their origin. They are likely, however, to consider the introduction of new agricultural products when developing new seasonal menus. While HMR operators have their own menu development teams, they often encourage contractors and food manufacturers to propose new menu ideas. Japan's food culture is responsive to seasonal changes. The changing of seasons is an ideal time for food suppliers to suggest and sell new agricultural products and menu ideas. For U.S. food suppliers, HMR companies' main requirement is to have a steady supply of the product during the harvest season.

Prospects and Competition:

For this report, ATO Tokyo interviewed several buyers from the leading HMR companies, and found that they utilize several U.S. agricultural products such as U.S. pork, beef, chicken, frozen vegetables, frozen fried potatoes, corn kernels, fresh lemons, and cream cheese. The high-end HMR companies also use U.S. fresh produce including broccoli, celery, asparagus, and radicchio, but only during harvest season.

Many HMR companies utilize frozen (ready-to-cook) shrimp, white fish, chicken, and vegetables. These prepped and processed items are imported mainly from Asian countries, where low costs make it possible to sell Sozai at a reasonable price.

Recent trends in the industry include "healthy" and "fancy" foods containing unique vegetables and proteins, for example, Japanese consumers now accept the use of tree nuts and dry fruits in HMR menus; supporting higher menu prices. U.S. suppliers have the potential to export value-added agricultural products to Japanese buyers who are looking for fresh and high-quality foodstuffs.

The United States is Japan's number one agricultural trading partner and known as a reliable exporter providing safe and high quality foods. However, other suppliers have implemented free trade agreements with Japan that reduce or eliminate food and agricultural tariffs, including the European Union, Canada, Australia, Chile, and Mexico. In September 2019, the United States and Japan announced a trade agreement that, when implemented, will enable American producers to compete more effectively with countries that currently have preferential tariffs.

Marketing:

To link American foods to high-quality HMR menus, ATO Tokyo held a New Products Trade Showcase in Tokyo in 2019 and created an HMR recipe guidebook through collaboration with U.S. Agricultural Cooperators and a team of hotel chefs. The HMR guidebook was an effective “hook” to attract high quality food buyers from across the HRI and retail sectors.

U.S. agricultural product suppliers have had some success marketing their food and beverages for special occasions, seasonal events, and to the growing HMR scene in large Japanese cities. In addition, the favorable images of American culture among Japanese consumers creates potential to sell quality U.S. agricultural products.

On the other hand, Japan is a very competitive market. Buyers in the food and beverage industry are inundated with meeting requests, therefore, they often do not respond to “cold calls” or requests for meetings with individual companies. Instead, they prefer to find new products at large trade shows, or specifically targeted trade showcases, where they can look at many products at once. Hence, the best way to find buyers here is to participate in one of the food related trade shows or showcases. The Tokyo ATO office organizes the U.S. pavilion at the Supermarket Trade Show in February and FOOD EX Japan in March, and offers support to exhibitors including market briefings, a business meeting lounge as well as inviting many Japanese buyers to the pavilion.

Opportunities should grow for U.S. agricultural products with quality. Generally, Japanese consumers are able and willing to pay for high quality food products. In this market, value-added products companies have a strong opportunity to succeed in industry.

Key Contacts and Further Information:

USDA Japan frequently updates reports, which can be found by searching the [FAS Japan Reports website](#).

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USDA Japan Webpages

<http://www.usdajapan.org/> (FAS Japan, English)
<https://twitter.com/usdajapan> (FAS Japan, English)

Japan External Trade Organization (JETRO)

Japanese market and regulations: <https://www.jetro.go.jp/en/reports/>
Japan Food Sanitation Law: <http://www.jetro.go.jp/en/reports/regulations/>
Specifications and Standards for Foods, Food Additives, etc. under the Food Sanitation Law:
<http://www.jetro.go.jp/en/reports/regulations/>

Cooperators and SRTG Contacts

Industry organizations and State Regional Trade Groups work closely with USDA to help food and agricultural companies advance their exporting goals: To learn more about these groups, and which ones may be working in Japan, please see:

<http://www.usdajapan.org/tradeservice/cooperators-industry-partner-groups/>

USDA Reports

Secondly, FAS publishes a variety of reports, which can help them prepare for entering the Japanese market such as the Exporter Guide, Food and Agricultural Import Regulations (FAIRS), and the Retail Guide. Links to most recent versions of these reports can be found here:

<https://www.fas.usda.gov/regions/japan>. These and many other reports are also available on our website at [Global Agricultural Information Network \(GAIN\)](#).

Import Process Guides

For exporters who are new to the market, the Agricultural Trade Office (ATO) has commissioned a series of reports to detail regulatory requirements for bringing a wide variety of products into Japan. These reports are intended as a guide to navigate the process together with your importer/distributor, and not as ‘Do-It-Yourself’ manuals. To access the guides, please visit: <http://www.usdajapan.org/dl/>

APPENDIX

HMR Snap Shots:



Shop front of RF1, a high-end HMR brand, with sophisticated menu presentations, located in department stores. Photo - Rock Field Co.



RF1's roast beef salad.
Price: JPY697/100 grams.
(about US\$7/0.22 pounds)



A typical Sozai selection, a variety of tempura, croquettes and other fried items, at a local supermarket.



Croquettes: Made with mashed potato, minced meat, and corn. Photo - Wikipedia



Salmon Bento (assorted meal) the white rice comes separately. A traditional menu but comes



Bento - Cut Steak with Garlic, over white rice. This new menu features sliced meat, fried

with salad instead of salted pickles. This is a new style bento. Retail at Y590 (\$5.50). Hotto-Motto/Plenus

shrimp/chicken/minced meat cutlet, an egg, kernel corn and thinly sliced cabbage. Price Y890 (\$8.30) Hotto Motto/Plenus



An ideal sales display of individually packaged HMR foods, potato salad, kinpira salad, salad chicken and traditional Japanese side dishes.

A package of ready-to-eat “salad chicken” boiled and seasoned chicken breast, from Seven-Eleven.

Attachments:

No Attachments.