The Japan Food Service Market
Phase II

Agriculture and Agri-food Canada
International Markets Bureau

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and
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Executive Summary

Japan, a country of 126 million plus people, is made up of over 126 million individual tastes and product desires. It is a country with a restaurant or bar for every 100 residents. However, in the so called Apost bubble@ economy there is a rationalization of the food service sector similar to that taking place in Japan=s banking and construction sector. This report describes some of the market complexities and attempts to bring the diverse developments into focus in order to provide the Canadian exporter with a snapshot of the current food service sector. Some predictions on future trends and possible opportunities in the future are also provided.

Structure of the Food Service Sector

Traditional Restaurants

The main type of food service outlet in Japan is still serving Japanese food.
The second important factor that needs to be understood is the Awestern food@ outlets in Japan do not serve what most Canadians would recognize as Awestern@ foods. Nearly all dishes served in Japanese restaurants have been modified to fit the AJapanese taste@. The Canadian exporter and supplier to this sector would also recognize that in most cases the quality of the finished product from the Japanese operated western restaurants, even the franchises, is superior to the same chain=s franchise outlets in Canada or the US. The competition for customers and profits is ruthless in Japan driving all outlets to improve service, quality of the food, improved tastes (that meet customer expectations and please their palates) and increased volumes of food served while lowering prices.

It is common for working people to Adine out@ five or six times a week. This may take the form of lunch with co-workers in the company cafeteria, buying a lunch box from a convenience store and eating at the desk or in the park or going to a local restaurant with co-workers. As a result the HMR and bento makers turnover of products offered is extremely high and fast.

Working people often leave the large cash outlay for evening dining out with friends. There is a split in the type of dining out desired depending upon the mood of the diner (i.e. they may have had rice for lunch so want pasta for dinner). The type and sex of dining companions is also an important factor; for example, a group of friends since high school getting together for Korean grilled meat dishes and beer if they are men, Italian fine dining if women, family style western restaurants for families (they welcome kids and provide large volumes for growing children=s appetites) and quiet, private traditional Japanese restaurants for entertaining senior business clients.

In a market of 126 million people with such a wide variety of restaurants to choose from, the Canadian exporters challenge is not to find people interested in their products. It is deciding which niche to approach, modifying their products to meet local tastes and packaging and determining a distribution system to get their product from Canada to the customers in a timely and cost-effective fashion.

Asian Restaurants

Chinese restaurants comprise the largest segment of the Asian restaurant sector. Many of the operations in this category include noodle shops featuring AChinese style@ noodles known as *ramen*. The more traditional AChinese restaurants@ purchase ingredients and semi-processed foods that have been developed to fit Japanese tastes.

The Korean restaurants in Japan are dominated by the *yakiniku* style or BBQ houses. The yakiniku sector is extremely important within the meat export sector as they are major users of offal as well as harder to sell cuts of meat. The sector is closely allied to the traditional meat trades in Japan and is less linked to the Anew importers@ (generally trading houses and their interlinked wholesalers). To access the meat markets of this sector one must work within the traditional meat wholesale networks which in general are very tightly connected both personally as well as in business relationships. The traditional sector is generally not as familiar with foreign languages and often has never imported or directly handled an imported product. They are however very interested in pushing excess costs out of the system and in working to shorten the distribution chain to provide greater value if they can maintain adequate service from their suppliers.

There are many other types of Asian foods within Japan. Thai and Indian shops are the largest while other nations serve niche markets in major cities. Menus range may include Vietnamese, Malaysian, Indonesian amongst others. To target this market one generally needs to identify the supplier of the hard to find spices and ingredients linked to that style of cooking. One US mixed flour exporter has had great success in selling his pre-mixes by providing them in small portions to an importer and wholesaler of curry spices. The wholesaler is able to deliver a Anan-mix@ at the same time as delivering the curry spices and other ingredients to Indian restaurants within Japan.

Hotels

The Japanese hotel industry ranges from Multi-national chains to small business hotels with minimum services to traditional Japanese Inns (*Ryokan* or *Minshuku*). Often the larger hotels operate a range of restaurants within the premises and a range of food or themes.

Larger hotels generally purchase smaller quantities and therefore are targeted by suppliers of high-end products with larger margins. Items that have had success in this niche from Canada include lobster, veal, ice wine, rye whiskey and other niche products. The trend has been to doing less preparation in the hotel and to ordering semi-processed ingredients from Japanese wholesalers including sauces, portion controlled meat and fish cuts, frozen vegetables and retorted soups. Due to the individual taste desired by the chef, this process generally involves product development in cooperation with the hotel=s cooking team.

Bars, Snacks and Nightclubs

The Nightclub and bar scene in Japan is extremely large. Some estimates have one bar for every 300 people in the city of Tokyo. Most of the bars are small operations each seating no more then 20 guests at a time. The bars range in type from those that are franchised to traditional Japanese places with rice mat floor seating, to the snack (hostess bar) with its opposite sex companionship included in the cost of the elevated beverage charges.

The drink of choice in Japan is beer followed by whisky (a blend of corn, rice and rye) and then a range of other liquors including *shochu* (a white spirit), *sake* (Japanese rice wine), wines from around the world and, in special nightclubs, all forms of exotic liquors as well. Recent imported beverage growth includes imported beer, wines and even tequila. The challenge within this sector is one of distribution. Most nightclubs, pubs and bars do not have storage space and require frequent Ajust in time@ delivery of the alcoholic beverages and mixes they sell.

Traditionally in Japan all liquor is served with some food item to accompany it creating a market for snack foods and dishes to go with liquor. Again the challenge facing an exporter seeking to enter this marker is having partners able to deliver the small quantities required on a daily basis to each of the outlets targeted.

Home Meal Replacement

The Home Meal Replacement sector or HMR=s in Japan can be broken down into a number of sub-sectors. These include the deli item or *sozai* products sold at supermarkets and department stores, *bentos* or lunch boxes sold in convenience stores and bento specialty outlets, take out foods and delivery services as well as frozen ready to re-heat items sold at retail. The sector is difficult to separate into clear categories as a number of the services and products overlap and blend together. It is important to note there is strong growth in all of the subsectors and it is expected this growth will continue in the future.

The Main factors influencing this increase in HMR foods include:

- People are busy so time and convenience are important
- Food service prices are definitely falling and as prices become more reasonable people will eat out more often rather than purchase ingredients
- Consumer choice/selection of restaurants, fast food and take out menus are increasing
- Cooking at home is time consuming B Japanese prefer to have a number of side dishes not as in North America where meals are based on a main course. Even when they cook western food several side dishes (both Japanese and Western) are prepared. There is a significant increase in the proportion of each meal that uses purchased prepared dishes (*sozai*), e.g. home delivery pizza served with 2-3 vegetable dishes prepared at home.

This is an important component of the HMR business.

Home Delivery

Home delivery is well established in Japan with traditional foods such as noodles and rice bowls being delivered as quickly on scooters as pizza and KFC fried chicken baskets. Some major restaurants are now entering the market. Small transportation companies are also becoming involved in the HMR market and this could be another good target for Canadian companies.

Airline, Catering

The airline catering industry is dominated by a few large airline-affiliated institutional kitchens, primarily with some regional independent contract operators.

One success in this sector is the development of pre-sliced portioned meats and fish that are delivered sliced and frozen to the kitchens who then thaw, stir fry, add sauce and put on top of rice. As product development within this sector is extremely dynamic, requiring frequent menu changes for each airline, it is difficult to deliver fully prepared meals to this sector. Canadian exporters wishing to target this sector are encouraged to seek out and work with the subcontracting kitchens who deliver to the large catering firms.

Institutional

This sector is primarily made up of Cafeterias, School lunch program suppliers, Hospitals, Welfare outlets and Senior's homes. The size of the sector is not to be underestimated. Uokuni Sohonsha, a cafeteria operator that subcontracts the operations of cafeterias all across Japan, had sales in 1999 of over $700 million USD of which $670 million was from their cafeteria sales. One contract to supply such a major chain can result in huge orders for a single Canadian supplier. However, the firm requires the fewest number of suppliers and seeks to buy from one supplier for their entire 6 month or 12 month quantity by contract.

Major Opportunities for Canadian Exporters

Regional Markets

Within Japan the major cities of Osaka and Tokyo often get the attention of exporters to the country. As these are the largest population centres they are also the focus of all of the other countries wishing to export to Japan. However the regional areas of Japan are not to be slighted. Kyushu alone has a GNP that would put it within the G7 if it was a country.

Recent restructuring following the economic shifts in Japan has created a desire within the regions to deal directly with exporters from other nations. This desire to import, plus the fact that the regions are not yet the primary focus of our export competitors, makes the regional markets an excellent target for Canadian firms.

There are additional reasons to include investigation of regional markets. Their size in terms of imports is often more closely aligned to Canadian producers' production capacities, their loyalty is stronger to long term partners once a relationship has been established and they are in general in better financial condition than many of their larger city competitors who speculated in stocks and land during the boom times.

The challenge of language and the fact the regional firms are not as experienced in doing business internationally create some additional challenges for exporters to these regions, but the resulting benefits will far outweigh the effort to enter the marketplace.

Semi-processed Foods

The semi-processed sector is one with huge potential for Canadian exporters. Supplying Japanese manufacturers (makers) with value added, bulk products which they can incorporate into their operations, provides each side with a number of advantages. The Canadian exporter is able to sell a value added product with higher margins, has contracted customers to remove risk, no longer has to be concerned with the final package design or labeling requirements and can often eliminate much of the ingredient concerns associated with exporting a processed food product. The Japanese importer has access to a lower cost value added product than he could produce himself. The product is shipped in bulk in large quantities enabling lower freight costs associated with larger volume shipments and the semi-processed product can be adjusted by adding spices or packing in various private brand bags to sell to numerous clients.

Organic, Natural, Healthy

There is a move to healthier foods and the customer is seeking foods that fit with their ideas on health. Japanese customers see health in terms of their own demographic, middle aged men see a lack of fiber in their diet as a concern, young girls a need to reduce fat and calorie intake, mothers want their children to eat Ahealthy foods@.

There are new laws regarding labeling of organic foods set for implementation in April of 2000. Where previously so called organic foods were sold at a 5 to 15 % premium, it is expected the real organic items will require a 15 to 50 % premium to recoup the costs of production and delivery.

Some North American trends or issues such as salt and cholesterol are not yet a concern in Japan, as the previous healthier Japanese diet, in terms of less red meat consumption, has lowered the concern in these areas. Foods with perceived or real health applications such as blueberries (good for your eyes), red wine (good as an antioxidant), sea salt (micro nutrients) and other healthy foods are very much in demand.

Convenience Stores Convenience Stores

The HMR market will increase rapidly in the near future. Convenience stores (CV) represent the largest market for HMR followed by the supermarkets and Amom and pop@ stores. The convenience store and fast food chain markets are saturated and severe competition is now underway between and within both markets.

This competition is driving the CV stores to increasingly greater efforts to capture the lunch and snack time market and even venture into the breakfast market. Canadian firms who have products in a semi-processed state, and that are willing to work with the *bento* makers who supply the CV outlets will see huge potential export possibilities.

Safety

This trend has been further emphasized by a number of food safety issues, including food poisonings (e-coli 0157), food tampering, mad cow disease press reports, pesticide residues in foods, genetically modified (GM) foods and a number of other issues to raise the awareness and concern with food safety. A recent trend has been to move towards natural or organic foods as a means of eating safer foods.

If a Canadian firm has a solid HACCP or other food safety program in place and can use packaging advantages to guarantee the safety and security of the foods delivered, it will find interested buyers at all levels within the food service and retail HMR trade.

The Japanese government has food safety guidelines as stringent as any found in North America or Europe. The challenge comes in the form of the details within the guidelines. Those involved with processed foods containing multiple ingredients will have to be aware of conflicting guidelines and restrictions on a range of food additives including preservatives, coloring agents, stabilizers and a range of restricted and prohibited items. In some cases a certain red dye is allowed in Japan and not allowed in Canada and the reverse true for a preservative agent. Levels of tolerance for additives differ from North American and great care must be taken to ensure every ingredient in an item is allowable and within tolerance levels.

"Hon-Mono no aji"

Old-fashioned menu items are making a comeback as some customers seek comfort foods from their childhood. Canadian exporters willing to tie up with a Japanese maker, to develop ingredients and semi-processed materials for use in the preparation of this type of food, will find a growing market in Japan=s Asilver@ population.

Genetically Modified Organisms (GMOs)

Recent concerns in the press and at the retail level regarding GMO and non-GMO foods have risen to a feverish level. It remains to be seen if the concern will shift to the food service sector as well.

In the HMR trade some of the new products use their non-GMO or organic features as selling tools. However in the fast food and family restaurant sector the price differences make the use of non-GMO or organic products prohibitively expensive and the chains have no interest in exploring the matter. It appears their customers are more price and time-conscious than concerned over perceived problems with ingredients.

Cost-Driven Niches

For exporters to Japan of foods targeted to the natural or organic sector one must understand the trend of the safe-healthy food boom. In the fast food, *bento* or HMR sector the item must first be cheap, then tasty, and then healthy and this sector can sell it easily. It is not until one reaches the gourmet levels that quality exceeds price as the number one concern. While unsafe food is not allowed it is assumed all food sent to Japan is safe and the consumer perceives some kinds as Amore safe@ than others. Unless the product tastes good and is of good value it will not sell on its organic or healthy merits alone.

Environmental Areas

Recycling. B In near future packaging may need to follow recycling regulations. New regulations were legislated in March 2000.

ISO 14000B Environmental issues, such as waste management, are also becoming important for the Japanese food industry recycling, etc. Some companies are now looking at ISO14001 and Toho, Seiyu Foods Warehouses, Watami Foods, and Green House are already certified

Other issues such as recycling and reducing the production of combustible gases that impact on the ozone layer are all receiving consumer attention.

Internet

Within 5 years the Internet sales market will be very well developed in Japan. Using the Internet as a very strong marketing tool is just coming into vogue in Japan. It has been estimated that only 10 - to15 % of Japanese households have Internet access as compared to 50 % in the US in 1999.

However Internet sales are developing B there are already over 50 million cell phones in Japan, it is estimated over 20 million of these will be Internet capable by 2005. The New age of ›communication life= is well underway.

It is important to note Japanese Internet users use Japanese language Internet browsers, access Japanese language pages and wish to order in Japanese. North American web browsers are in general unable to even show Japanese language pages on screen. Firms interested in the Japanese market should undertake to utilize browsers and web software that allow the development of Japanese language web pages.

The restructuring of the Japanese Food Service distribution system

For Canadian firms who take the time to determine an end user or target market and to work the distribution system back to their plant there are opportunities to cut out certain steps or links in the chain. By eliminating these links the Canadian firm can capture margins previously collected by Japanese firms in exchange for services and keep the extra margins for their own use.

Table of Contents

I. Market Overview - The structure of the Japanese Food Service Industry and characteristics of the market

Japan is a country of over 126 million people, which represents over 126 million individual tastes and product desires. This means it is not fair to over-generalize the market needs or to over simplify the descriptions of that market. It is a country with a restaurant or bar for every 100 residents. However, in the so-called "post bubble" economy, there is a rationalization of the food service sector similar to that taking place in Japan's banking and construction sector. This report describes some of the complexities and brings recent developments into focus, to provide Canadian exporters with a current snapshot of the food service sector; a sector with annual sales of over US$260 billion from some 135 thousand establishments. Some predictions on future trends and possible opportunities in the future are also provided.

It is important for "outsiders" to understand the nature of the "westernization" of the Japanese food market. First of all, the main type of food service outlet in Japan still serves Japanese food. It is also important to understand that the driving force in retail food sales is the ingredients for Japanese foods. The HMR (home meal replacement) trade is primarily targeted to producing quick and easy to prepare Japanese foods for take out and home dining.

The second important factor that needs to be understood is that the "western food" outlets in Japan do not serve what most Canadians would recognize as "western" foods. One can order a squid and corn pizza, a curry salad sandwich, spaghetti with flying fish eggs and fish liver sauce from these so-called western restaurants. Nearly all dishes served in Japanese restaurants have been modified to fit the "Japanese taste". Bastions of American food culture such as Hard Rock Café and Spago's have shifted the flavourings to appeal to the Japanese customers and one might not recognize the menu specials on some nights.

> *"We are trying to turn Sunday Sun into a "traditional" western style family restaurant with Japanese food and Chinese extra dishes"* - manager

Canadian exporters and suppliers to this sector would also recognize that in most cases the quality of the finished product from the Japanese operated western restaurants, even the franchises, is superior to the same chain's franchise outlets in Canada or the US. The competition for customers and profits is ruthless in Japan, driving all outlets to improve service, quality of the food, improve tastes (that meet customer expectations) and increase volumes of food served while lowering prices.

Pizza La's most popular pizza toppings are pepperoni, sausage, potatoes, mushroom and sweet corn (also popular with makers –because it is cheap). Other popular toppings depend on promotional campaigns. Campaigns are held four times per year with special menu items. "Basically we have seasonal menu changes, our winter campaign this year features Crab Pizza" - 4 Seeds manager

It is not uncommon for working people to "dine out" five or six times a week, this may take the form of lunch with co-workers in the company cafeteria, buying a lunch box from a convenience store and eating at the desk or in the park, or going to a local restaurant with co-workers. It is prevalent that most people do not even consider it dining out, (since they define dining out as evening meals that they eat in restaurants). This type of exposure to foods prepared by someone else drives the consumer to a constant search for something new, tasty and economical for lunch and they often save the large cash outlay for evening dining out with friends. The HMR and *bento* makers are driven by a need to provide these "daily" diners with new products on a regular basis, making the turnover of products offered extremely high and fast.

Food Service Industry Market 1998

Food Service Industry 288,585	Provision of Meals 211,388	Business 181,469	Dining Establishments 134,815		Restaurants	97,014
					"Soba"&"Udon" Noodle Shops	11,260
					Sushi Shops	15,375
					Other Restaurants	11,166
			Hotels/Inns & Travel		Hotels/Inns	44,062
					Transport Feeding	2,592
		Mass Feeding 39,919	Institutional		School Lunch	4,890
				Company 21,746 (-0.4)	Company/Office Cafeterias	14,899
					Bento-box lunch	6,874
					Hospitals	11,294
					Social Welfare Facilities	1,989
	Eating & Drinking 67,197		Drinking Establishments	Coffee Shops/ Drinking Houses 27,929 (-1.7)	Coffee Shops	13,782
					Beer Halls/Pubs	14,147
				"Ryotei"/Bars 39,268 (-1.1)	"Ryotei"	4,694
					Bars, Cabarets, Night Clubs	34,574
Food Ingredient Sales		43,803	[36,956]			

Source: Japan Food Industry Research Center, April 1999

The restaurants need to appeal to the customer with something new. This generally takes the form of Japanese style lunch boxes in various forms and “western” foods or “traditional Japanese dining” for the evening. Recently, the French boom that took over the fine evening dining in the eighties has been replaced in the late nineties with an Italian food trend. Traditional Japanese fine dining is seen as *sushi* (raw fish on rice), *sashimi* (sliced raw fish with soy sauce), *shabu shabu* and *nabe* (hot meat and vegetable dishes) and grilled fish items.

The type of dining-out desired, largely depends upon the mood of the diner (i.e. they may have had rice for lunch so want pasta for dinner), and the type and gender of dining companions. For example, a group of friends since high school may get together for Korean grilled meat dishes and beer if they are men, or Italian fine dining if women. Alternatively, family style western restaurants suit families (they welcome kids and provide large volumes for growing children’s appetites) and quiet, private traditional Japanese restaurants, are appropriate for entertaining senior business clients.

McDonald’s and Mos Burger hamburger chains are blending Japanese flavours with Western food. Mos has a Foccacia bread sandwich with Korean stir fry stuffing. McDonalds has hamburger bun with Japanese nabe (stew) inside. This is due to the decreasing youth market and a desire to attract customers in the over 30 year old bracket.

- Chef at a Tokyo Cooking school.

If one searches long enough, one can find a restaurant of any type in Japan, from Sri Lankan, Ethiopian, Egyptian, to the Japanese foods of minute back country regions of Japan, specializing in that regions homemade dishes and liquors. In a market of 126 million people with this variety to choose from, the Canadian exporters’ challenge is not to find people interested in their products. It is deciding which niche to approach, modifying their products to meet local tastes and packaging and then determining a distribution system to get their product from Canada to the customers in a timely and cost-effective fashion.

The Trends section will detail some of the trends in restaurant styles and menus, with a focus on the “fusion trend” where new restaurants are featuring a blending of traditional Japanese dishes with offshore spices or the preparation of “western” dishes using Japanese ingredients or cooking styles.

Food Service Industry Annual Sales by Sector

(Units: 100 Million Yen)	1985	1990	1997	1998
Dining Establishments	78,607	109,462	134,406	134,815
Restaurants	53,608	77,517	97,332	97,014
"Soba"&"Udon" Noodle Shops	7,240	9,133	10,856	11,260
Sushi Shops	11,251	14,436	15,455	15,375
Other Restaurant	6,508	8,376	10,763	11,166
Hotels, Inns, Travel	30,306	48,200	48,761	46,654
Hotels/Inns	1,547	2,122	2,589	2,592
Transport Feeding	28,759	46,078	46,172	44,062
Institutional	30,211	36,441	39,832	39,919
School Lunch	5,683	5,203	4,957	4,890
Company/Office Cafeterias	15,486	18,601	21,838	21,746
Hospitals	7,430	11,012	11,105	11,294
Social Welfare Facilities	1,612	1,625	1,932	1,989
Drinking Establishments	32,948	64,589	68,107	67,197
Coffee Shops	16,963	15,244	14,094	13,782
Beer Halls/Pubs	10,000	13,069	14,305	14,147
"Ryotei"	3,545	4,336	4,746	4,694
Bars, Cabarets, Night Clubs	2,440	31,940	34,962	34,574
Total	**172,072**	**258,692**	**291,106**	**288,585**

Source: Food Service Industry Research Center, Data Book 1999

1. A Look at Price Segmentation

The Japanese market can be separated into dining times linked to price: morning, lunch and evening dining. The coffee shops are expanding their “morning service” offerings to bring in clients earlier in the morning to sell them a simple breakfast along with their coffee. The decline in people eating breakfast at home and the long commutes in the major cities provide a new market opportunity for the coffee shops and fast food outlets. In general, they try to target a price break under 800 yen for a breakfast or morning set including coffee, as coffee prices can range from 150 yen to over 1,000 yen per cup. The cost squeeze is on in this type of set price menu item. The coffee is often sold with a slice of “Texas-sized” toast, with butter/margarine and some jam (usually strawberry) and a small green salad with Japanese dressing. This has become the modern style of traditional Japanese breakfast for people under the age of 40. Those over the age of 40 still desire rice, miso soup and grilled salmon for their breakfast but increasingly this is eaten only if it is home cooked or in hotel restaurants.

Fast food outlets such as Wendy's and McDonald's also pursue this market and, contrary to Western trends, McDonald's dropped their egg items and serve French fries and burger products to the breakfast crowds. Japanese youth do not have the same pre-conceived notions as Canadians about when certain foods are consumed or how. They are very willing to forgo eggs and eat a burger and fries for breakfast. The price competition is vigorous as the fast food outlets try to keep their morning sets to under 700 yen per person for a burger and fries as a morning set, including a beverage.

"Price breakdown due to the economic decline is the largest influence on our firm. Customers are keeping their yen in their pockets due to the pressure of the economy…They are seeking cheaper foods and all the restaurants suffer under this pressure. Sales were only 95% of last year's, leaving a very thin margin of profit and many stores have postponed expenditures, e.g. computer upgrades." - Chain Family Restaurant sales manager

Lunch time is another price break. Before the economic bubble burst, the usual trend was to go to a local noodle shop or a restaurant and order a set lunch for slightly under 1,000 yen per serving. After the bubble, the trend has shifted to *bentos* and restaurants that are able to offer lunch sets for under 800 yen. Convenience stores are trying to outdo each other with attractive selections for under 600 yen per serving. As one can imagine, the pressure to reduce costs is enormous and the risk of not selling some of the inventories is very significant as per unit margins is very slim. Those in the wealthier category may go to a better style restaurant for lunch once a week. The most commonly seen individuals in this category are the single working women out with their friends or co-workers, women who no longer have children at home and are out with friends, as well as the wealthy older generations, again mostly female. This is the target market for the "western" restaurants, the Italian and French restaurants and the trendy up-market hotel restaurants. This group is willing to pay up to 2,000 yen for lunch with a beverage included and is attracted to set menu's with salad, soup, main dish and dessert, as well as a choice of beverage. It is also interesting to notice the rising popularity of "viking" service (buffet service) or all-you-can-eat dessert or salad bar offerings, again at prices that total under 2,000 yen.

In the **evening market**, prices can vary from very cheap (at a noodle tent located under the train tracks for under 500 yen) to very expensive (at a fine French dining restaurant for over 12,000 yen per person). The difference in price is largely due to the level of the restaurant, in terms of image, location, food quality and other factors.

II. Considerations for Canadian Exporters

1. Production

Interviews with the trade and in particular with Dentsu, a large Japanese marketing and advertising agency, highlighted the size of the Japanese market, in terms of both opportunities and constraints to exporters. Japan and the U.S. are quite similar in that both of them have huge sophisticated domestic markets with well-established processing and distribution facilities. Most Canadian exporters have capacities developed primarily for smaller domestic markets with less developed distribution systems in place to capitalize on the export market. With the exception of large Canadian or multinational firms, many processors or importers do not have sufficient production or export facilities to gain significant market share in Japan. Therefore, it is essential to have a realistic assessment of production capability and delivery quantities, as well as a clear understanding of how the products will be distributed, before proceeding with market development in the Japanese marketplace.

We handle 15 containers per month of frozen French fries and sell mostly to small mom and pop style outlets, only one Canadian company has ever been able to supply that quantity.
- wholesaler

In general, big global-sized processors and exporters are specialized in larger trading transactions, but not too interested in delivering small order lots or in making minor modifications to fulfill customers' needs. On the other hand, smaller processors and exporters in Canada have the flexibility and capability to adjust their products and deliver volumes to meet individual market or customer demands, which allow them to cater to selected niches for premium margin products. Hence, the above mentioned entry barrier could propose an opportunity, rather than a threat, to small exporters. This emphasizes the importance of matching business partners in terms of scale and perceived need. For instance, one "small niche market" for beef jerky was found to require weekly deliveries in excess of the Canadian processors total monthly plant capacity.

To their knowledge they have never used an imported product made from frozen dough. The fact that they take delivery of a few pieces of each product several times a day means they would not be interested in ordering imported product directly. If it tasted good, performed well, was cheaper than domestic product, and if it could be delivered by an existing wholesaler or maker delivery connection, they would consider imported product. In the past, their customers purchased what was fast first, then cheap. Recently this has reversed, i.e. "what is cheap and how fast can I get it". - bakery coffee shop operator

The matching of processor/exporter size and capabilities with customers is a key element that needs to be understood as it plays a critical role in any Canadian company's export program. Finding a customer for your product is enough of a challenge without subsequently discovering, after investing time and product development dollars, that the one you have found is too small to use adequate quantities of your product or is so large you cannot service the account.

III. Promotion and Marketing

This study has reinforced that Canada does not have a strong identity which differentiates its food image from that of its competitors, in terms of cooking styles and types of food served. In response, Canada can utilize its well-perceived clean and natural environment to build a stronger and better image onto its food sector. The message can emphasize the "Clean air, clean water and ecologically friendly" image that Canada has enjoyed for years.

> *"The priorities and focus of the Osaka Consulate's Ag Food Program are: safety, clean, healthy and the aging rich population, who are willing to spend for value."*
> - Consulate stuff

Traditionally, these images have had some success in positioning Canada as a preferred travel destination. However, the link to our food products as "safe and healthy" has only been partially accomplished. Two key words in the Japanese food industry today are "*anzen*" (safe) and "*oishi*" (delicious). It is important to build marketing and promotion programs upon these core thoughts.

What is "Canadian food culture"?

This is the challenge faced by Canadian exporters. Canada needs to establish an initial (and unique) image for Canadian food products. It is probably difficult to establish Canadian cooking style or Canadian "Ryori" (Japanese, meaning cooking range or cuisine) in the same way as Italian food, Mexican food, French food, etc. However, we may be able to differentiate ourselves from American food.

> *The most effective marketing and promotional campaigns would be linked to "MADE IN CANADA" with healthy, safe, and quality foods.*

1. Market Entry and Market Development

The key point in promoting products in Japan is to get out and sell it yourself to all of the people involved in the transaction. There is no special technique or secret to marketing in Japan. Frequent visits and follow-ups to customers and suppliers are the basis for success.

The best strategies are:
1. get out and sell your own product,
2. greater frequency of visits to the buyers and their suppliers,
3. change your promotional package constantly and make your products dynamic,
4. invite buyers to a product tasting then follow up and visit each company personally,
5. develop original products,
6. bring new product ideas to the buyers and help them to succeed, and
7. jointly develop new products in cooperation with the buyer.

Personal Contact

All Japanese manufacturers visit their buyers at least twice a year and, in many cases, they meet with their major buyers bi-weekly. They provide an extensive catalogue of all products and extensive samples to speak on their behalf when they are not personally present in front of the buyers. Compare this to the annual 30 minute visit by some exporters during Foodex and the challenge to these Canadian exporters to keep the buyer interested in his product line becomes more obvious. Japanese salespeople use these visits to highlight new products and services. In reality, many of these products have only been slightly changed or are updates of previous products but they give the consumer the image of dynamic new product choices. The concept that Japanese manufacturers introduce a high percentage of new products is not entirely accurate. However, they are constantly changing, rearranging and recreating the "image" giving the impression that the product is new which is very appealing to the Japanese consumers.

Information required from Canada if Doutor Coffee Shop was to consider Canadian products:
- *What kinds of products are available?*
- *How they are processed*
- *Safety information and brochure on Canadian food and food processing*

Recommendations for Canadian exporters

- Booths at trade fairs that focus on target buyers. Foodex is less effective than the JFSA Food Fair for SMEs.
- Have tastings at Embassy which are well targeted and based on research so only the companies interested in buying the products displayed are invited. Consider smaller, more focussed, more specialized tasting receptions. Information should be provided on product purchase, distributors, product process, availability, etc.
- Companies are busy, so suppliers need to show products which are available for sale.
- Canadian suppliers should visit processors.

Product Catalogues

It is important for Canadian firms to take the lead of their Japanese competitors and to prepare professional product catalogues in Japanese including color photos of products and detailed specifications, mainly in loose-leaf form for easy updating.

Sampling

Sampling is another effective marketing tool that is used in Japan, which allows producers to target buyers and to stimulate their interest in the promoted products. Furthermore, feedback collection and follow-up after sampling are also critical to its success. Feedback on the product itself, its taste, packaging and suitability in the Japanese market should be collected at site, whenever possible. This valuable information would help Canadian producers to adjust their marketing mix to cater the Japanese culture.

Should your product be acceptable or should the prospective buyer wish larger quantities to conduct internal market suitability tests, it is crucial that you have the ability to deliver the products on a timely basis.

Promote to Final Buyers

Promote mainly to buyers - too often, Canadian firms “sell” to the middlemen and not to the actual users of their products. These middlemen are important throughout the distribution channel but they do not make the actual purchase decisions.

Besides the sampling receptions, it is also of advantage to Canadian producers to provide restaurant-selling materials that are different from retail, processor or even distributor materials. These materials and related brochures must be designed to offer ideas to the restaurants for changes and innovations, such as new types of food, menu ideas and product descriptions.

Select Suitable Events

Foodex is suitable for large or nationally focused firms. However, it may be too big for smaller firms with no experience in exporting. A number of other smaller, niche type events are more suitable to the SME's size, experience and capabilities.

An important show for the food service industry is FABEX, held in April at Big Site. This show has an HMR market focus on bento makers, processors, family restaurants and food materials. The show's target is on "gaishoku", the food service market and all the producers are there. Small to medium sized exhibitors may find it better than FOODEX because their booth and products would stand out as one of a few international firms. While the FOODEX image is mainly associated with international exhibitors, FABEX is predominantly for Japanese manufacturers and their clients in the food service sector, both who may be targeted by the Canadian exhibitors.

Another important event is the Japan Food Service Association Show held semi-annually for the Food Service Trade. It is important to note that all major meat exporters were represented there in November of 1999 with the exception of Canada.

Success Stories

An effective way to do business in Japan is to create a small success story (based on the Japanese point of view and how it will benefit them), then expand this theme over a campaign or brand character. However, in order to avoid unnecessary mistakes, special care should be taken when designing these success stories. For instance, a campaign that features Canadian Olympic medalists eating beef failed to attract the Japanese because Japanese consumers are not interested in Canadian medalists but want to know what the Japanese medalists are eating.

Nurturing the Brand Image

In developing a new market, one should keep in mind that changing a consumer's perception is one of the hardest, time consuming and expensive tasks to do. In general, Japanese are reluctant to change their perception of product or its brand image once the impression has been formed. Therefore, caution must be taken in establishing the initial brand image and in building brand equity throughout the product life cycle. In some cases, rather than correct a perceived problem with the existing brand image, the Japanese manufacturers will "re-invent" it under a new name and brand image. During one trade speech, a private sector representative emphasized that "Canadian hogs are not fed very much GMO feed". Conversely, the buyers in the room heard "Canadian pork is fed with GMO feed". On the other side, the US marketing campaign for pork emphasized "Safe Healthy US Pork", i.e. GMO feeds were not mentioned, despite the fact that the US hogs were probably fed on GMO corn for over 80% of their diet. In this case, the US pork attained a safe and healthy image but the image of the Canadian pork would be linked to GMO feeds even though only about 10% of their feed are GMO.

Using the Media

In terms of media selection, combining the old and new media vehicles offer the widest reach to audiences in Japan. Television allows an advertiser to evoke audiences' wants, feelings and even create new ideas, but the time does not usually allow for detailed communication. Most companies use a 15-second advertisement that contains brand name and company name identity but not necessary product information. On the other hand, print (e.g. newspapers, magazines) allows for provision of more extensive information, new product featuring, and even some product specification, but does not necessarily contain specific information, such as retail outlets and location. In response, Internet provides more room for information conveyance where the interested individuals can easily obtain details on new products, specifications, product search, retail outlets and other important features in visually attractive web pages.

Pilliteri Estate Winery and Mitsui & Co. (Canada) Ltd. have tied-up to promote mail order and Internet sales of Canadian wine. The new line, marketed in Japan by mailing out flyers with an order form, features selected Canadian wines with Canadian landmark labels, including the Anne of Green Gables House, Lake Louise, Whistler and Niagara Falls.

\- Promotional flyer, March 2000.

The Japanese advertising agencies are beginning to understand how these media can be combined and are starting strategies based on the concept of multidimensional media mix. They also realize that reliance on only one or two vehicles is insufficient in a huge market like Japan. Online marketing is not yet mature enough to capture the whole market, therefore, a strong need still remains for a physical store. The combination of TV, print and point of sale, together with the Internet, is still deemed to be most effective promotional tactic in many cases.

Canadian Health and Nutrition Standards use the above methods along with recipes and examples of special menus developed for different market segments, such as the disabled and elderly in Canada, to support advertising campaigns. This could be done in Japan using Japanese tailored recipes and menus. The Japanese marketers are very interested in learning more about what the supplying countries do, in terms of marketing. This information can draw the attention of both Japanese suppliers and consumers.

Product Differentiation

Collaboration in proposing ideas is needed between the Canadian government and the industry to approach the Japanese food service sector. They need to consider what kind of meals, portions, costs, services and marketing techniques should be featured to distinguish Canada from the competitors. The whole concept of what the Japanese call the “software side” (service, information and ideas) is very critical to the success in the market. In particular, Canada is competing in the Japanese market with the US, Australia, New Zealand, China and a number of Asian countries. In order to gain advantage, Canadians need to move away from basic products to value-added products and services. It is also important to utilize all materials to their full extent, since the tariff and freight costs tend to be high for imported goods.

2. Target Market Segmentation Analysis

There is no clear classification of food market segments in Japan. In general, each restaurant chain or outlet defines its own categories by age. Companies collect customer information on topics such as customer’s age, gender, buying habits and the like. An example of the type of results drawn from the information is:

- young women are an important target in the restaurant industry.

No public organizations are studying consumer trends effectively so that the industry often uses data gathered by private and research companies, instead of gathering them in-house.

Marketing strategies should address the target market properly. For instance, menus should tailor to target markets such as:

1) Deli foods, *bentos*
   – teenagers: large volume, cheap, meat dishes e.g. a half pound microwave cheese burger
   – young ladies: small volume, delicate flavours, e.g. sliced strawberries on a bagel with cream cheese.

2) Denny’s afternoon dessert menu
   – young ladies and housewives: all-you-can-eat tea and dessert bars.

3) The industry in general

– people in their 30's who fall into the higher income bracket and have the least amount of free cooking time.

2.1 The "Younger Generation"

Young women are becoming more aggressive, independent and decisive in their style and purchasing decisions. They know what they want and are willing to buy it. They have a strong sense of personal style. On the other hand, young men are not accustomed to making decisions. They are generally perceived as having no self style. One chain, Mujirushi, markets to young women and they, in turn, influence the men's purchases. The young women bring the men to the store with them and suggest what products the men should buy.

2.2 "Lifestage Marketing"

Food service outlets continue to develop products that will meet the needs of Dankai Junior, the offspring of the baby boomers. This generation grew up in a fairly affluent environment and have their own opinions regarding taste and value.

Understanding and fulfilling the preferences of young women and their needs are very important when marketing to them. For example, young women and young mothers are the targets for Jonathan's family restaurant chain. It emphasizes healthy foods for the kids (e.g. organic vegetables) and for mothers (low calorie dishes) and creates a welcoming atmosphere for families (e.g. providing parking, highchairs, special plates and gifts for the children).

The elderly are considered to be the main target group for products that were especially developed about five years ago (such as hospital food services distribution, i.e. central kitchens and institutional kitchens) and for new products that were introduced two to three years ago (such as meat products that are softer and easier to chew and digest). Other products such as ham and sausages are modified to better satisfy the needs of elderly people. These products and services are mainly available for institutional use in lodging homes and hospitals. Price is a very important factor in this market. An opportunity to expand this concept into the HMR areas exists since increasingly more elderly people are receiving home care. One chain outlet, Seiyo, believes that menus for the elderly (i.e. silver menus) will gradually increase as the market expands.

The greater exposure to western food has increased young people's interest in a wider selection of food and their willingness to try different tastes. Spicy, unusual and new flavour combinations are popular among younger consumers. They are continuously looking for more choices, especially in the vegetable and fruit sectors. These days, raw vegetables are of particular interest to these young Japanese, since they have almost never eaten raw vegetables in the past due to the method of cultivation used prior to the use of chemical fertilizers. The trend to mixing food cultures together is apparent in the Yoshoku Izakaya - mixture of flavours - fusion cooking. Furthermore, menus are recipes that use western (non-Japanese) foods with modifications tailored to the Japanese taste are popular, such as steak with miso sauce, tofu with black bean and red chili pepper and curry flavoured noodles.

3. Market Trend Movements

The food service industry trends are strongly affected by media and news since media helps to create and promote the big trends, for example, the current Italian restaurant boom. Two to three years ago, there was virtually no information on real Italian food ingredients or Magazines started to introduce menus, stories, themes and restaurants from Italy and aroused an interest. TV shows introduced special programs on Italian foods. The trend was also supported by the travel industry developing tour and gourmet packages to Italy. No one group is creating the trend alone but once an interest is started, everyone will follow. The Italian boom was supported by the fact that the menu is perceived as healthy (Mediterranean diet). The ingredients and per plate costs are low (pasta is cheaper than fish or meats), the preparation is easy (unskilled chefs can make pasta) and the concept was not a significant departure from traditional cuisine (nearly all pasta sold in Japan is spaghetti type). The Japanese are familiar with noodles but the sale of penne, macaroni or even other flat noodles has never been popular.

All companies are watching each other for popular items and then copying the success of others. Seasonal menus (introduced four or six times a year) are also an important tactic in menu development. They can be used to gauge new flavours as well as portions and prices for possible inclusion on the main menu (changed only once or twice a year).

3.1 Trend development

The food service industry is very secretive and extremely competitive in developing ideas, but introducing new trends is still done mainly by trial and error. In the fast food chains, chain restaurants and convenience stores, everyone in the industry watches each others new menu items. Once a menu item is successful, everyone copies, thus creating a new trend. Media is often quick to respond to this, helping to fuel the trends.

Menu items and menu development for our coffee chain - The concept and image are given to manufacturers then manufacturers develop menu items. The manager checks each item, selected items are test marketed in a few shops, then added to main menu. On average, they select one dish out of ten. Manufacturers bring sample dishes to Kohikan for them to taste and choose. Sixty percent of their menu is coffee items, foods must complement the main concept of a coffee house, i.e. speedy, simple, tasty, high quality and filling. Generally, only three companies are selected to provide menu ideas, pricing etc. Their newest hit menu item is Foccacia bread, introduced in the Spring of 1999, becomes very popular. So they develope a new menu and now test it in 82 shops and it will be introduced into all 320 stores from April 2000. Foccacia is now on the main menu - volume increased by twenty percent – and people want to eat it as a meal. - Kohi Kan Manager

4. Internet

Within five years, it is expected the E-commerce will be very well developed in Japan and approach that of Europe, if not that of the US. Use of the Internet as a part of a media mix makes it a very strong marketing tool in the Japanese marketplace. An estimated 10 to 15 % of the Japanese households had Internet access in 1999 as compared to 50 % in the US. There are already over 50 million cell phones in Japan and it is estimated that over 20 million of these will be Internet capable by 2005. The new age of communication life is well underway.

Japanese Internet users use Japanese language Internet browsers, access Japanese language pages and wish to order in the Japanese language. However, North American web browsers in general, are incompatible to show Japanese language pages on screen. Hence, Canadian firms that are interested in the Japanese market should undertake to utilize browsers and web software that allow the development of Japanese language web pages.

In our product development, we established a system to send digital photos by Internet, so that suppliers can check product, packaging and processing. This has made a considerable difference in meeting specifications and solving problems as they occur. It took about 1 year to get this far and now a Canadian meat processor is cutting beef tongue to match our restaurant chain specifications. We are very pleased with progress made with this firm, the length of time to negotiate specifications has been met in a relatively short time period. The Internet is one of our most important tools to get rapid feedback, to solve problems and to show processes and procedures by sending digital files. Before the Internet, the procedure was too slow for international business, and therefore, created more reliance on domestic suppliers.

- Chain Restaurant Owner

IV. The Japanese Food Service Distribution System

The Japanese distribution system is noted for its complexity and labyrinth of routes, firms and middlemen. It is often seen as one of the largest barriers to trade for new exporters. However, the complexity is not overwhelming for a dedicated and resourceful firm with the energy and effort to penetrate the seemingly impenetrable maze. The system is slightly less intimidating for new domestic entrants and their only real advantages are linked to language skills and their proximity. Fortunately, some distribution channels are already established for exporters' use, because Japan has over 50% of its food supplied by imports from other nations. It is up to the exporters to determine the flow of their products and to design where and how to enter the distribution chain to obtain the desired result.

1. Background

The Japanese distribution system has developed over centuries and has combined the traditional methods with modern methods. Personal delivery from manufacturers directly to restaurants still occurs, in conjunction with state-of-the-art computerized Point of Sale (POS) systems and just-in-time delivery services.

Many of the products, particularly those grown in Japan, are protected by tariffs and/or non-tariff import restrictions in the form of quotas, limited import licenses, health restrictions and a myriad of other protective mechanisms, aiming to assure the Japanese farmer is not overly affected by a flood of lower cost imports. One such example would be the various restrictions imposed on the importation of 100 % organic wheat flour.

If the goods cannot be produced in Japan in a significant amount, the reverse occurs. Commodities, such as canola seed, are imported into the country with very little price distortion due to policies or tariffs. However, as you move up the processing chain to bottled canola oil, the tariff barriers rise accordingly, in order to protect the Japanese canola seed crushing industry.

In recent years, the level of protection and distortion caused by these types of barriers has been gradually reduced due to pressures from trade negotiations and internal pressures from Japanese end users. It is important for the Canadian government and Canadian trade associations to continue to work cooperatively to pressure further reductions in these barriers in years to come, for the distribution system to continue to restructure itself towards more efficient methods of delivering imported goods to the Japanese consumers.

2. General Flow of Imported Foodstuffs into Japan

In general, imported foods are shipped from the country of origin by the exporter. Large firms may undertake this role themselves, middle-sized ones use freight forwarder services and smaller ones sell the product to exporting agents. In the past, a large majority of the products exported from Canada were handled by Japanese trading companies, known as Trading Houses or *"Sogo Shosha"*.

Once the products reach Japan, they must be cleared and duties and taxes will be paid by the importer. This role is generally served by the Trading houses, import specialty agents, or by wholly owned subsidiaries in the case of larger Canadian existing firms. Extremely large supermarket chains may have their own import divisions or sub-companies, however, it is very rare to have any firm in the food service sector with an import division. This emphasizes the need to ensure your distribution channel includes middlemen to provide the appropriate services required by your ultimate customers.

Once the products are transported to the designated country, they will go through a chain of primary, secondary and tertiary wholesalers to processors, then to the end users. Very often, the products undergo some value-added processes in the hands of the processor, in order to increase their marketability or to better satisfy the needs of the buyers. Under the complicated distribution system in Japan, it is not a surprise that identical items may undergo very different handling before they go to the hands of the end user.

It is wise for Canadian exporters to conduct research on their products and on their customers directly. Exporters can learn and build up their knowledge of the networks that exist in the marketplace, which help them to analyze and evaluate the roles of each player in the distribution chain. Furthermore, this process can help to prevent forfeiture of margins from unnecessary channel members and can gain a more direct connection with the buyers, which may result in profits and a steady long-term customer base. In sum, it is best to focus work on the end user and their needs, with a flatter distribution structure.

Typical links in the export - import - distribution chain

- Canadian manufacturer
- Canadian export broker
- exporter
- customs clearance firm
- importer
- wholesalers (primary)
- makers or manufacturers
- wholesalers (secondary)
- distributors
- brokers
- custom storage and distribution centres
- company owned distribution centres
- delivery firms
- central buying division or purchasing division
- retailer or food service operator
- Customer

3. The Role of the Trading Company in Food Imports

In the past, the trading houses were the eyes and ears of their parent firms in Japan. Prior to World War II, these huge family-owned conglomerates held virtual monopolistic powers that dictated trade and business in the country. After WW II, the allies broke up these so-called "zaibatsu" and tried to instill competition within the system. Gradually over time, the trading houses arose from the ashes of this re-organization and many of them rebuilt into corporate powerhouses nearly as powerful as before, only without the family-owned aspect. They came to control trade in and out of the country and opened offices to buy and sell products internationally. Within Canada, their offices were generally in every major city that had an industry that sold or bought a product handled by the trading house. In recent years, the collapse of the banking system within Japan, stock market shifts, currency shifts, bad investments in Asia and a number of other factors, including the liberalized trading processes, have all contributed to the decline of the trading houses. In Canada, most of the offices are now closed, some of the firms have gone bankrupt and the residual has been swallowed by other firms.

The shift of the trading houses' role has been both a positive and a negative one for Canadian exporters. The services provided by the trading houses in the past, included export opportunity search, product development, translation of materials into Japanese, direct delivery to the customers using their existing distribution network, management of the export/import documentation and processes, currency risk management, assistance in payment methodology and more. Basically, the exporters only need to meet the specifications of product quality and delivery terms, the rest is handled by the trading houses. In return, these trading houses earn high profit margins. They have full knowledge of the market price, so that they are able to bargain for the best deal on their purchases. They resell the products at the highest price to the customers in Japan. This kind of service is ideal for firms that have limited exporting experience or resources. However, firms with sufficient experience with exporting may need to consider dealing with other kinds of exporting service providers or to export directly themselves, in order to save the commission given to the trading house.

With the declining power of trading houses and the restructuring of the Japanese distribution system, more Japanese firms are seeking to become involved directly in the importing process. This means that Japanese firms have to do the tasks internally or to look for other partners. While the food service chain stores are not yet able to handle direct imports by themselves, they are interested in shortening the distribution chain; aiming to enhance their efficiency and profit margins, to increase market knowledge and to build closer customer relationships. Examples of basic changes that Canadian exporter are required to add to their services, include offering products C&F Japanese port pricing versus ex-factory and offering services in the local language and currency.

4. Specialty Importers

Specialty importers unlike trading houses or general importers who handle a range of food and non-food goods, concentrate on a smaller number of products and provide specialized services to their customers. Many food products are handled by the specialty importers as they can provide economies of scale by placing larger orders and distributing them to a number of end-users. Other examples include highly technical products that require particular skills to import successfully. Canadian exporters are currently using a number of specialty importers to facilitate trade in the food service sector. Some of the obvious ones are for the business of live lobster or ice wine that currently have success in the marketplace.

5. Associations in the Food Service Sector

Lacking a representative national distributor is commonly regarded as one of the barriers in accessing the import market in Japan. It is partly due to the geographic situation. The country is broken down into regions based upon relationships, as well as geographical and historical background. A combination of importers, wholesalers and distributors is required to achieve partial coverage of the food service outlets within each region, let alone the entire nation. Therefore, it is of Canadian exporters' interest to be a member of the wholesaler and industry associations in Japan. At least eleven associations provide trade assistance to the first-time exports or to those who wish to broaden their access in the food service market.

6. Primary Wholesalers

The role of the primary wholesaler is to provide the widest possible cross-sectoral coverage of a product. Often these firms are the sole import agent for that product in the country, and are able to control the distribution channel. Occasionally, the primary wholesaler may import directly, but in general, they take the product that has been cleared by a trading company. Primary wholesalers may deliver the product directly to major accounts (e.g. fast food chains or large central kitchens) or they may pass the product to the secondary wholesalers, who focus on one or more aspects of the marketplace. Some national accounts prefer to deal directly with the primary wholesalers for cost saving purposes, others prefer to use secondary or tertiary wholesalers to facilitate smaller just-in-time orders that are inconvenient for the primary wholesalers. Others use these channels for risk protection and for extra services provided by the network. Examples of risk protection are commonly found in frozen or perishable food items where one mistake can create large economic losses and extra services often take the shape of free storage, freezer space, daily delivery in small lots, etc.

If a Canadian supplier's customers can accept full container orders then the service aspects of a primary importer might be of interest, otherwise, secondary or tertiary wholesalers may be more effective. The advantages of granting a primary wholesaler an exclusive right to distribute goods must be weighed against the loss of sales opportunities and the loss of marketing and pricing control within the country. Primary wholesalers must have similar goals to the exporter, in terms of market niches and approaches. Problems may arise in this type of relationship if one side is seeking a large volume-low margin business and the other wants to restrict supplies to capture larger margins.

Some exclusive primary wholesalers can provide access to multiple sales routes and be the closest one to the national distributor, however, they are still not effective in all regions of the country or to all market niches. Many larger Canadian and US firms have appointed primary wholesalers for sectors, such as fast food chains, and another primary wholesaler for retail outlets; while others have appointed the wholesalers based on regions. Again, careful research and study will provide the exporter with a picture of the distribution network most suited to their product in each market segment, niche or region. Then, the correct partners can be approached and negotiations initiated.

The following table displays the relative importance of the import channels previously discussed.

Imported food products supply channels used by food service operators

	Product		
Item	Meat	Seafood	Vegetable
Primary, secondary wholesalers/distrib.	48.5 %	60.9 %	52.7 %
Specialty wholesalers	43.1 %	41.9 %	38.4 %
Retailer/Supermarket	22.2 %	12.5 %	26.5 %
Trading Companies	12.1 %	9.5 %	10.6 %
Specialty Traders	14.6 %	19.3 %	10.3 %
Co-operatives	3.8 %	3.1 %	2.9 %

Source: Food Industry Research Centre - Survey of 400 operators, multiple answers permitted

7. The Secondary and Tertiary Wholesalers

The secondary and tertiary wholesalers generally take possession of imports from the primary wholesaler or deliver from the primary wholesaler to customers. Often, the physical transfer of the goods is done directly from importer to secondary wholesaler with only the paperwork moving through the primary wholesaler. While this may seem a waste of margin and effort, the roles played by each, are important. The primary wholesaler tries to keep the level of price competition between secondary wholesalers to a minimum and seeks to reduce regional marketing conflicts. The secondary wholesalers breaks container lots into smaller delivery units and sends them to regions and areas not accessed by the primary wholesaler and so provides a broader coverage of smaller customers for the brands or products marketed.

The tertiary wholesalers will then break the lots into cases or even smaller quantities to ensure coverage to the independents throughout Japan. These so-called “Mom and Pop” outlets make up a large percentage of the food service market. It is not uncommon for a product, such as a package of pasta, to have travelled through four or five hands before it reaches this type of outlet. Japan’s congested road system, expensive transportation costs and shortage of storage space at the retail and food service level ensure this system. Canadian firms who study the market and the needs of each level will have success by working the system versus fighting it in many cases. Things that can be done to ensure its success, include putting smaller master cartons in every shipping case that are to be sent to the secondary wholesalers. Inside the master cartons, provide smaller “delivery” cartons to be sent to the tertiary level and inside those perhaps allocate products to suit the sizes required by the smaller restaurants.

8. Getting the Product to the End-User

Determining the route and partners to get ones product to the end user is dictated by the market segments you pursue, the nature of your product and the existing channels or relationships within that larger picture. Those who have had the most success have researched the Japanese food service market to identify products they believe they can manufacture in Canada. The next stages are:

- Identify users of those products at the consumer interface or restaurant level.
- Determine the size of potential customer demand which must be matched to the production capabilities and the marketing concept of the Canadian seller to ensure there is a good match for demand versus capacity and for quality versus price.
- Once partners have been identified then the Canadian firm must work backwards along the distribution chain to identify all of the “middle men” who currently deal with EACH potential customer.
- Determine the services that middle players provide and the costs associated with those services.
- Once the foregoing has been completed from the consumer back to the Canadian factory door then the Canadian firm must weigh the cost of providing additional services versus having parts of the existing chain provide those services.
- Once the lucrative aspects have been identified then the non-essential middlemen can be cut out of the chain and the distribution chain shortened.

Care must be taken to evaluate not only the physical aspects of the chain but also the personal aspects. Many foreign companies have attempted to cut out a middleman only to find out the firm had hired the son of their customer and the business was being done for reasons other than financial.

9. The Future of the Distribution System

The Japanese distribution system is very dynamic and, at the same time, amazingly resistant to change. The system resists change until one or more firms break the status quo and upset the competitive aspects of the market. This stimulates a very quick adjustment and accommodation of the new system across the industry. A few years ago, the price busting trend set off by Daiei resulted in the creation of internal trading departments within all of the supermarket chains and the desire to eliminate the role of the trading houses. Similarly, the large losses incurred in this direct business drove the supermarkets back to third party importers to handle the risk associated with currency and import clearance. After each shock, however, the system emerges more streamlined and has additional costs driven out of the system. While it is not expected that the food service chains will copy the examples of the supermarkets and set up their own import divisions, they have learned the lesson, negotiate directly with the suppliers and contract out to the middlemen in handling the logistics for a flat pre-agreed fee. This system is mutually beneficial to both the seller and the buyer and facilitates more direct communication. This process is expected to accelerate the changes within the food service sector as small food service operators seek to copy the successes of their larger competitors.

In conclusion, it is a currently good time for Canadian firms to enter the food service market. The Japanese industry is actively seeking new partners, products and sources of ingredients for their menus to attract an increasingly fickle and tight fisted consumers. Old patterns of distribution are being destroyed and new relationships established, for firms willing to make the commitment in time, energy, travel and resources. The chances of establishing new strong long term relationships are excellent.

V. Non-Chain Niche Markets in the Food Service Sector

1. Hotels

The Japanese hotel industry ranges from multinational chains, such as The Westin, Holiday Inn, and Four Seasons, to small business hotels with minimum services to traditional Japanese Inns (Ryokan or Minshuku). Often, the larger hotels operate a range of restaurants within the premises and a range of food or themes including a Japanese restaurant, Chinese restaurant, Italian restaurant, as well as a coffee shop and bars. Hotels tend to have a Grand or Executive Chef, who manages the menus, staff and ingredients to be utilized, and a purchasing department whose job is to obtain the most convenient delivery and payment terms at the best price. This means that the exporter’s task is not only to convince the chef to place his product but to convince the purchasing department to actually purchase it from the exporter or his agent.

Hotels are the target of firms with gourmet items, that are sold in smaller quantities and with larger margins. Items that have had success in this niche from Canada include lobster, veal, ice wine and rye whiskey among others. A recent trend in the Japanese hotel industry is to do less preparation in-house and to order semi-processed ingredients from Japanese wholesalers, including sauces, portion controlled meat and fish cuts, frozen vegetables and retorted soups. Due to the individual taste of the chef, this process generally involves product development in cooperation with the hotel's cooking team.

Suppliers to the Hotel Industry by Food Type

Type of Food	**Wholesalers**	**Produce/fish/ meat markets**	**Retailers**	**Other(Trading Co., makers)**
Fresh meat	80 %	10 %	5 %	5 %
Processed meat	85 %	5 %	5 %	5 %
Fish	55 %	35 %	7 %	3 %
Fresh produce	55 %	30 %	8 %	7 %
Grain products	90 %	-	10 %	-
Rice	75 %	-	25 %	-
Beverages	75 %	-	18 %	7 %
Processed foods	90 %	-	5 %	5 %

Source: Market Makers

2. Bars, Snacks and Nightclubs

The nightclub and bar scene in Japan is extremely large and some estimates state that there is one bar for every 300 people in the city of Tokyo. Anyone who has had the opportunity to visit any of the famous nightclub areas of Namba in Osaka, Tenjin in Fukuoka or Shinjuku in Tokyo, will recognize that a single building may host over 50 individual operations, each seating no more than 20 patrons at any time. The bars range in type from franchises that are virtually indistinguishable from their operations in Canada (e.g. Hard Rock Café) to Japanese traditional places with rice mat floor seating to the snack bar (e.g. hostess bar) with its opposite sex companionship included in the cost of the elevated beverage charges.

The preferred drinks in Japan are beer followed by whisky (a blend of corn, rice and rye), and then a range of other liquors, including *shochu* (a white spirit), sake (Japanese rice wine) and wines from around the world. In special nightclubs, all forms of exotic liquors as well as imported beer, wines and even tequila are available. The challenge within this sector is distribution. Most nightclubs, pubs and bars do not have storage space and require frequent "just-in-time" delivery. The delivery may include one or two bottles of hard liquor, a mini cask of draft beer, a case of bottled water and two bottles of *sake* or *shochu* per evening. If a Canadian exporter is interested in this market niche, then a partnership with a strong distributor is necessary. Labatt's has had some success through their partnership with Pokka corporation (vending machine sales) and Volvic with their partner Suntory (a beer and whisky maker).

A market for snack foods and easy-to-prepare and serve dishes is complemented by the liquor sector. Traditionally, in Japan, all liquor is served with some food item. The selection ranges from dried fish or squid to peanuts and rice crackers to mini-pizzas and Japanese traditional hot foods. Again, the challenge is having partners able to deliver the small quantities required on a daily basis to each of the outlets.

Main issues for importing are problems with storage/delivery. We are using trading firms because the main problem is we need delivery to each store. Italian Tomato does not have own delivery – delivery must be made to each store by suppliers and trading companies.

- restaurant chain

3. Asian Restaurants

3.1 Chinese restaurants and ramen noodle shops

Chinese restaurants comprise the largest segment of the Asian restaurant sector. Many of the operations in this category include noodle shops featuring "Chinese style" noodles known as "ramen". This style of noodle preparation has been in Japan for many generations and each region has its own style and taste for the dish. In terms of marketing to this sector, the purchasing and product development skills required are identical to those required for selling to the Japanese noodle shops. The more traditional "Chinese restaurants" purchase ingredients and semi-processed foods that have been modified to fit Japanese tastes. Chinese sauces, foods and even semi-processed items are generally not acceptable until they have been customized to fit the Japanese buyers needs and desires.

Canadian products – We are not importing any Canadian products ... because those products are not on their wholesalers list of available products. The Canadian Embassy has introduced cakes and meat – but these products do not have domestic distribution system – therefore there is no way to purchase products. If we were to direct import we would need to import in large quantities but then storage is a problem – both storage and delivery are important issues for imported goods. Our distributors all deliver directly to each store. We have a different distributor for each region. – Daily Foods - restaurant and coffee chop chain

3.2 Korean restaurants

Korean restaurants in Japan are dominated by the yakiniku style or BBQ houses. In this type of cuisine, thin sliced strips of meat are grilled by the customer on a gas or charcoal brazier. The *yakiniku* sector is extremely important within the meat export market as they are the major users of offal, as well as the harder to sell cuts of meat. The sector is closely allied with the traditional meat traders in Japan and is less linked to the "new importers" (e.g. trading houses and their interlinked wholesalers). To access this market, one must work within the traditional meat wholesale networks, which are tightly connected with both personal and business relationships. The traditional sector is generally not familiar with foreign languages and often has never imported or directly handled an imported product before. However, they are very interested in pushing excess costs out of the system and to shorten the distribution chain to provide greater value if they can maintain adequate service from their suppliers.

3.3 Other Asian food outlets

Other commonly known Asian foods served in Japan include Thai, Indian ,Vietnamese, Malaysian and Indonesian. One needs to identify the supplier of the hard-to-find spices and ingredients linked to that style of cooking. One exporter has had great success in selling his pre-mixes by providing them in small portions to the importers and wholesalers of curry spices. The wholesaler is able to deliver his "nan-mix" at the same time as they are delivering the curry spices and other ingredients to the Indian restaurants in Japan.

Presence of Asian Food Outlets in the Food Service Market

Store Type	**Number of Stores**	**Annual Sales (million yen)**	**Average annual sales per store (million yen)**
Chinese noodle (ramen)	34,434	666,012	19,342
Traditional Chinese	24,360	914,498	37,540
Other Asian	17,307	533,915	30,850
Total	78,402	2,194,843	27,992

Source: Ministry of Trade and Industry (92)

4. Home Meal Replacement

The Home Meal Replacement sector or HMR in Japan can be broken down into a number of sub-sectors. These include the deli item (or “sozai” products) sold at supermarkets and department stores, lunch boxes (or “bento”) sold in convenience stores and from specialty outlets, take-out foods and delivery services, as well as microwaveable items sold at retail. Clear categories cannot be defined easily as a number of the services and products overlap and blend together. There is strong growth in all of the sub-sectors and it is expected that this growth will continue in the future.

The lunch box sector has grown exponentially as a result of the economic down turn. Rather than go to a restaurant office employees are now buying lunch boxes and eating them at their desks or in the park. - Convenience store bento maker

Major factors that influence the increase in the HMR foods industry include

- People are busy, so time and convenience are important
- Food service prices are falling and people are more willing to eat out
- Consumer choice/selection of restaurants, fast food and take-out menus are increasing.
- A significant increase in the proportion of each meal that uses prepared dishes from outside (“*sozai*”), e.g. pasta made at home with three to four vegetables and “*sozai*” dishes purchased from outside.

HMR – consumers want one step meal preparation. Often they prefer fully cooked microwave-ready products - Frozen foods retail counter staff.

Statistics are difficult to collect as they are based on the total annual sales of each company. In general, companies only record the sales under the HMR category if they represent more than 50% of the total. For example, if takeout (or “nakashoku”) sales is less than 50% of the total, then this amount will be recorded as restaurants (or “gaishoku”) instead. Furthermore, the varying definitions for the deli items (or “sozai”), lunch boxes (or “bento”) and HMR for individual store in the industry, make it harder to classify the market or to collect data accurately. As a result, the size of the takeout and HMR market may be undervalued.

Consumers are demanding more selection and variety in their foods - airline catering sub-contractor

4.1 Sozai - Deli food items in supermarkets and department stores

The deli food (or "sozai") sector is made up of small segments of ready-to-eat foods that are generally difficult or time consuming to prepare at home. Often, they are purchased as side dishes, and in some cases, one may assemble a full meal from the "sozai" counter. They are particularly of interest to housewives due to its convenience. They save the homemakers' time, so that they can prepare other more complicated dishes. Moreover, with the large selection of sozai, a number of dishes can be purchased at once to suit the different tastes and ages within the family.

Traditional items, such as tempura, oden and others, are the best selling sozai in department stores and supermarkets. This is because the cooking time and effort involved are too inconvenient for the modern householders. The HMR market has good prospect, as lifestyle changes are leading toward takeout and HMR.

Items such as meat products, tempura, salads, spaghetti, salad packages, ready-to-cook set meals and microwavable products are popular in the sozai market. Other categories that have market potential include low cholesterol, low calories, PB development of sugarless products, no preservatives and more.

Seiyu Foods are interested in products from Canada for their HMR bento, sozai, and particularly, semi-processed beef. - Seiyu Foods represenatative

Japanese families want to eat as a group but they usually cannot afford the time to prepare the meals, so they tend to eat independently with separate dishes at the same table. This type of family gathering dinner is declining due to time scarcity. In sum, office ladies, salary men, working mothers and cram school (or "*juku*") students all boost the trend towards HMR and *sozai*.

"Health and lifestyle is a problem – in a bento the salt and preservatives are all to high in Japan now."

> *"Two years ago, we started to study the HMR market (in-store deli concepts). We looked at Marks and Spencer's sandwich shop in London and deli in Europe and France. We now have a sozai section featuring hard-to-cook or "time consuming to prepare" foods in single portions. We have two main targets, they are the busy people or people eating alone, who want a full meal and those who make a main dish and buy all the side dishes."*

4.2 Bento - Convenience stores and specialty shops, eki-ben

The Japanese lunch box (or "bento") is still one of the largest growing sectors in the HMR area. Despite near saturation, bento sales at the convenience stores (CV) are still growing. The growth is largely due to the economic slowdown, causing customers to look for convenience meals at reasonable price range.

Professional bento manufacturers have combined traditional mass production techniques with robotics and assembly procedures taken from Nissan's newest factory. Ingredients are purchased worldwide for the bento makers to prepare and assemble literally billions of lunch boxes per day. These are usually delivered to CV outlets and specialized bento stores three or four times a day. Unsold bento are returned to the maker for disposal and in many cases, only those that are actually sold will be paid for by the retailer.

> *"Our success in selling to the CV stores is tied up with to the bento maker, who sells bento that are partially ready, which can be further processed easily just before delivery."*

The prevalence of the CV stores has created new takeout food and beverage sectors to fulfil the convenience desired by the customers. For instance, Heinz has developed Soup Walker, a creamy tomato soup in a sport squeeze foil pouch with a sport spout as a beverage to be served chilled while walking. Yet, another firm has launched the one-pot "sukiyaki" concept that combines all ingredients in a disposable foil pot and is ready-to-serve when heated on a stove.

Food inputs used by bento makers

Bento inputs	Value (million yen)	Share (%)
Total meat	535	29.2
- processed meats	291	15.9
- fresh meats	244	13.3
Rice	489	26.7
Retorted foods	205	11.2
Vegetables	163	8.9
Seafood	154	8.4
Pasta/bread	59	3.2
Seasonings, sauces	55	3.0
Other ingredients	172	9.4
Total	1,833	100.0

Source: Japan Ham & Sausage Makers Assn.

4.3 Takeout

The takeout sector in Japan is becoming more established. However, it is still not as established as in North America, since most Japanese use public transit and not automobiles. Often, takeout from restaurants is done mostly by the "takeout and eat in" restaurants located nearby the train stations in urban areas. Customers stop on their way home to buy items for dinner at home. The most commonly purchased takeout items include sushi, pastries and cakes.

"To succeed in selling in the HMR niche, we (Plenus) needed to challenge such things as volumes, quality concerns, price, distribution routes all which were major challenges to us. Taste modifications as well as texture became new challenges we developed a take out short style pasta but the pasta got too soggy in sauce and too hard outside of sauce so we had to drop it and so far only spaghetti has worked so far, not penne or other short pastas."

- regional bento maker for Japan's largest bento retailer

4.4 Frozen foods, microwave foods, convenience foods

Frozen food is important in the HMR sector and is growing steadily with the increase in convenience stores with freezer facilities. The increase in the size of Japanese home refrigerators with larger freezer compartments and the product development efforts of the Japanese manufacturers have further boosted the growth in the frozen food sector.

> *Frozen Foods - In 1998, 40% of total frozen food production/consumption were imports. (Total- 1,488,910 tons/ Imports 705,568 tons). The main imports – seafood (mainly prawns, shrimp), beef, pork, chicken products (chilled chicken is mainly domestic), frozen vegetables (mainly from Canada), corn, and blueberries.* - Frozen Foods Association

Canadian successes in this sector include frozen French fries and seafood processed in Japan. Recent additions include blueberry dessert pizza and a line of pizza pockets with the pocket shells produced in Canada. The average size of a frozen HMR food item is quite small and the package must be designed to meet Japanese consumers' needs, including excellent graphics, ease of opening, recipes or re-heating instructions for the various re-heating methods. Canadian firms that wish to target this sector will need to develop their product and package in cooperation with the Japanese retailer or maker, to ensure the product meets consumer perceptions of taste and quality.

> *Canadian products are competitively priced. Canadian companies are progressive – better than some other countries in this way. - Restaurant Chain Owner*

4.5 Home Delivery

Home delivery is well established in Japan with traditional foods, such as noodles and rice bowls, being delivered as quickly on scooters as pizza and KFC fried chicken baskets. Some major restaurants are now entering the market and its importance is still under study.

> *Gusto, a family restaurant owned by Skylark, started a home delivery system earlier this year. Their delivery services related to health care and meals for the elderly and infirm are expected to increase in the near future. - Japan Times February 2000*

Small transportation companies are also starting to get involved in the HMR market, which could be another good target for Canadian companies. Some of these companies also have import experience and are seeking to use their delivery vans, scooters and trucks to target new users. Their automated and computerized delivery systems allow them to compete in a cost-effective way in this sector. In addition, small and medium-sized processors are good targets for the HMR business as they are seeking to breakout of their processing-only business and capture some of the increased margins associated with retail sales to end-users.

5. Airline, Catering

The airline catering industry is dominated by a few large airline affiliated institutional kitchens, primarily with some regional independent contractors. The major kitchens often contract out preparation to smaller kitchens and assemble and deliver the finished products to the airline firms. Per plate expenditures within the sector are constantly moving downwards. In fact, reasonably priced food products with a high image (look expensive) are in constant demand.

One success in this sector is the development of pre-sliced portioned meats and fish that are delivered frozen to the kitchens. Then they will be further processed into a meal. As product development within this sector is extremely dynamic and require frequent menu changes for each airline, it is difficult to deliver fully prepared meals. Canadian exporters are then encouraged to seek out and work with the subcontracting kitchens who deliver to the larger catering firms.

6. Institutional

The institutional sector is primarily made up of cafeterias, school lunch program suppliers, hospitals, welfare outlets and seniors' homes. The size of this sector should not be underestimated. Uokuni Sohonsha, a cafeteria operator that subcontracts its operations across Japan, has over 2,000 cafeteria accounts that serve from 12 to 3,000 customers per day. Major clients include Toshiba, Daihatsu, Marubeni, Matsushita, Dentsu, Sumitomo Bank, Yomiuri Shimbun, Sankei Shimbun as well as schools, hospitals and seniors homes. Its outlets stretch from Okinawa to Hokkaido and last year's sales were over USD $700 million, $670 million of which were from its cafeteria sales. In terms of revenue breakdown, food purchases account for 40%, another 40% for preparation and the rest (20%) covers overheads and profit. Hence, one contract to supply such a major chain can result in huge orders for a single Canadian supplier. However, firms usually prefer to purchase products from the fewest number of suppliers and seek to have a contract with them for their entire six or twelve month quantity.

The Japanese government controls the school lunch programs and what is done regarding procurement of GM foods will impact the consumer image of these products. If Government bans GM foods, it will make it difficult to sell them in the supermarkets. Jusco has already gone all non-GMO unless labelled as containing GMOs. This firm is often the industry leader. The next challenge from the sector will be access to GMO-free livestock feeds and organic livestock feeds. Already there is demand from the schools for shrimp fed on an organic non-GMO feed diet. This feed is made in China and sent to the Madagascar shrimp farms.

7. Convenience Stores

The HMR market will increase rapidly in the near future. Convenience stores represent the largest market for HMR, followed by the supermarkets and mom and pop stores. The markets for convenience store and fast food chain are saturated and severe competition exists between and within both sectors. Fast food and convenience store chains are basically competing for the same customers. Market demand is increasing at a slower rate than the number of outlets available, which leads to strong competition between stores. Per outlet sales are declining, regardless of the increases in overall sales and the number of outlets available. The number of convenience store chains has increased from 10 to 41 chains over the last few years and within each chain, the expansion of franchise outlets is growing rapidly.

The rapid improvement in quality, low prices and wide changing selection is luring fast food customers to the CV's for lunch. The intensive competition drives the CV stores to put greater efforts in capturing the lunch and snack time market. Canadian firms who make semi-processed food products and are willing to work with the bento makers, who supply the CV outlets, will see huge export possibilities.

"Packaging – we see a movement away from bags you boil in water – now everything is becoming microwave ready. All frozen and processed foods are moving in this direction. All-in-one meals are also popular. Japanese want quick meals – they do not want to buy additional ingredients or do extra preparation for any one dish. The impacts of recycling are soon to emerge, and in the near future packaging may need to follow recycling regulations."

- Department store manager

8. Growth in MRE's, HMR's and Other Foods Ready to Eat

The HMR sector in Japan is perhaps even broader than that in Canada or North America. While the industry in Japan is familiar with the terms MRE and HMR the definition is somewhat different from firm to firm. To some firms the category was formerly known as sozai (ready to eat deli items), to others bentos (lunch boxes) and to yet others MRHE (meals ready to heat and eat). Examples of each would include; *sozai* - cooked chicken pieces with burdock salad sold on the food floor of a department store, *bento* - a plastic box of rice, a pork cutlet, shredded cabbage and a pickle sold in a convenience store outlet and MRHE - a tin foil pan (with a handle) with meat, sauce in a package, vegetables, spices and chopsticks all inside the tin foil pan.

The sozai that are trendy or successful now are meat products, Tempura, salads, spaghetti, Salad packages, ready to cook sets of foods (veggies with meats, sauce, etc. all in one pack). Categories that may emerge in food service and HMR's are low cholesterol, less calories, PB development of sugarless products etc.

Statistics in this sector are hard to collect as they are based on total yearly sales for each company. Total sales are recorded under the category which represents more than 50% of total sales. For example, if nakashoku (takeout) is less than 50% then total yearly sales for that establishment will be recorded as gaishoku (restaurants). In addition policy within the store in determining what is sozai (deli items) versus bento's versus HMR vary widely within the industry resulting in a blurring of market niches and resulting data collection. In this respect the statistics are not totally accurate and may underestimate size of the takeout or HMR market.

"Conclusion - while Gaishoku will grow gradually HMR is going to grow much more rapidly from now on" - supermarket buyer.

VI. Japanese Food Industry Issues

1. Safety

The Phase I study[1] highlighted the increasing concern over food safety in Japan and offered examples such as the O-157 e-coli bacterial outbreak. This issue was covered in the questionnaire and revealed the incredible importance of dealing with food safety issues. An interview with the Japan Food Science Information Center has confirmed that a broader understanding of Canada's food safety and hygiene standards in a consumer-ready format would be helpful in promoting Canadian food products and improving its image with the industry.

> *HACCP programs must be in place – we (Japanese maker) were one of the first to get HACCP approval in our factories. ISO is easy to get, especially 14000.*
>
> *Key words to keep in mind are: healthy foods (kenko), tasty (oishi), Safe (anzen). New words may be ecological (eco), non-GMO. GMO products are going to be a problem in the future for sure. - Japanese manufacturer, importer and wholesaler*

The Japanese government's position and industry reaction on GMO is becoming more clear. The consumer desire to purchase non-GMO products is escalating. Industry is challenged to respond as segregation of source materials appears to be outside their control without significant economic impact on the final product price. The current consumers' willingness to pay a 10 to 15 % premium for non-GMO may not be adequate to cover the almost 50% cost increase in separating the two streams of product.

2. Natural and Organic

Natural and organic food products continue to expand in the Japanese food and food service industry. Recently, the Japanese government, has drafted legislation regarding the labelling and certification of organic products. The sole currently authorized Japanese certifying organization in Japan is the Japan Organic and Natural Food Association (JONA). The degree of promotion and acceptance of natural foods in the food service industry should be studied carefully. Interviews show that consumers have the desire to purchase organic products at the retail level and are willing to pay a 15 to 30 % premium.

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[1]**The Food Service Market in Japan**, Team Canada Market Research Centre, Market Support Division (TCM), Department of Foreign Affairs and International Trade http://www.dfait-maeci.gc.ca

However, at the food service outlets level the incorporation of organic ingredients in a full meal is harder to quantify.

Health is the number 1 issue – but still affected by cost. We have been relatively successful in introducing a line of healthy and natural foods in the chain. (We) have kept a strategy of being a bit higher priced than other hamburger chains and have not competed on price in the sales campaigns that other burger chains are using. (Our) strategy shows that if the product is good people will pay a little more – but consumers must be convinced of the quality.

- a large hamburger chain

3. Healthy Foods

Some North American trends or issues such as salt and cholesterol are not a concern in Japan. The Japanese's healthier diet in terms of less red meat consumption has lowered the concern in the former. The heavily pearled rice in the Japanese diet has created concerns over bowel cancer and fiber has emerged as a health food item. Foods with a perceived or real health application, such as blueberries (for your eyes), red wine (as an antioxidant), sea salt (micro nutrients) and other healthy foods are in high demand.

4. Client Collaboration in Market and Product Development

There are clearly strong trends to increase food imports in Japan. Research also indicates that importing product must be adapted to the Japanese market, especially for processed food items. Among those areas, taste and packaging are the foremost important aspects that should be taken care of. Furthermore, strong cooperation between exporters and their clients in market and product development is very critical to the success of the business.

We make frozen dough and sell it as well as scratch bread at our stores. Nearly all of the items baked in the factory are made from frozen dough. Delivery of fresh items takes place between midnight and 6 am generally, so the dough is made all day and frozen, ready for baking at night to be ready for delivery. Our bakeries are located in 7 locations across Japan as well as a bento factory in Kyushu. We make breads and deliver to over 1,000 supermarkets and bakeries and 800 7-11 stores across Japan. The products going to the supermarkets are mostly frozen dough, to the bakeries par baked and frozen dough and 100% baked goods go to the CV stores. Our factories have ovens operating 3 shifts a day (22 hours). We are always looking at ways to develop product inside or outside Japan to help our business but it has to be made to our customer's tastes and our quality specifications. - A large Japanese bakery

5. Distribution Challenges

The traditional roles in a business partnership in Japan are evolving as the economy changes. Increasingly, customers are partnering with the importers in processing and delivery. If this joint ownership is not occurring, we would see buyers seeking to bypass existing channels and importers seeking to sell directly to the customers. The extent of this shift is related to the size of the opportunity and the skills of the firms involved. For instance, importing distributors make products under their own labels, importers open their own distribution companies, large chains have their own import divisions and manufacturers own their sales outlets and import divisions. However, other large firms decide to disband their own divisions and rely on outside suppliers instead. This is largely due to the increased currency risk, to the relative trade volumes and/or to the reallocation of resources into other areas.

Mr. World is a discount liquor wholesaler, retailer and importer. They sell directly to consumers, wholesalers as well as the food service sector. They use posters, on site tasting, special events and low prices to draw customers. The liquor trade in Japan has only recently allowed stores and discount operators like this to import directly and offer low service, low price outlets. This firm imports wines from Canada and holds promotions within their stores and their customers' stores

Other Industry Analysis

The foregoing assessment has been augmented and supported through a survey of Japanese food service establishments. The results of this survey are presented in Appendix 2 of this report.

VII. Opportunities for Canadian Exporters

1. Regional Markets

Regions such as Kanto, Kansai and Kyushu have distinct differences, as well as basic similarities. Even within regions, these differences appear in terms of food culture, tastes, business styles and language dialects.

Within Japan, the major cities of Osaka and Tokyo often get the most attention of exporters to the country. As these are the largest populated areas, they are also the focus of all of the other countries wishing to export to Japan. However, the regional areas of Japan are not to be slighted, Kyushu alone has a GNP that would put it within the G7, if it was a stand alone country.

The regions were formerly serviced by an extended network of import agents, securing much of their imported product second or third hand from Tokyo or Osaka importers. The recent restructuring following the economic shifts in Japan has created a desire within the regions to deal directly with exporters from other nations. This desire to import, plus the fact that the regions are not yet the primary focus of our export competitors, makes the regional markets an excellent opportunity for Canadian firms.

There are additional reasons to include personal visits in regional markets. They relate to their size of demand that is often more closely aligned to Canadian producers production capacities, their loyalty is stronger to long-term partners once a relationship has been established and they are in general in better financial condition than many of their larger city competitors, who speculate in stocks and land during the boom times.

The challenge of language and the fact that the regional firms are not experienced in doing business internationally, create additional challenges for exporters to these regions but the resulting benefits will far outweigh the effort for entry.

Number of Eating Establishments, Sales and Type of Restaurant by Region (1992)

Units: Million Yen/No. of Shops

	Sales	Total	Restaurants (No. of shops)				Soba	Sushi	Coffee
	Million Yen	Shops	Total	Japanese	Western	Yakiniku		Shops	
Total	**13,135,001**	477,048	241,028	41,368	27,150	17,307	37,564	44,974	115,143
Saitama	540,740	17,901	9,732	1,723	1,175	606	2,734	2,243	2,065
Chiba	517,921	15,902	9,273	1,540	1,211	590	1,799	2,105	1,973
Tokyo	2,750,660	60,313	33,561	8,496	5,493	1,947	6,287	6,855	10,651
Kanagawa	956,645	25,110	15,608	2,402	2,005	950	2,401	2,784	3,024
Sub-total	**4,765,966**	119,226	68,174	14,161	9,884	4,093	13,221	13,987	17,713
Osaka	1,336,236	49,527	18,610	3,177	2,159	1,885	2,961	3,950	17,896
Hyogo	615,499	26,130	10,010	1,792	1,198	919	1,464	1,920	8,845
Sub-total	**1,951,735**	75,657	28,620	4,969	3,357	2,804	4,425	5,870	26,741
Fukuoka	430,035	15,924	9,400	1,744	972	582	1,293	1,445	2,661
Saga	51,901	2,564	1,573	216	166	110	162	237	407
Nagasaki	93,598	4,434	2,703	235	278	123	208	578	658
Kumamoto	123,236	5,111	3,409	544	318	208	285	440	717
Oita	74,355	3,787	2,271	338	187	199	234	274	770
Miyazaki	69,205	3,615	2,195	282	242	189	298	317	642
Kagoshima	100,685	5,212	3,098	436	230	161	259	462	1,061
Sub-total	**943,015**	40,647	24,649	3,795	2,393	1,572	2,739	3,753	6,916

Source: MITI, Compiled by NCI & Assoc.

2. Semi-processed Foods

The semi-processed food sector is one with huge potential for Canadian exporters. Canadian exporter provides Japanese manufacturers (makers) with value-added, bulk products. They can incorporate them into their operations, which is beneficial to both parties.

- The Canadian exporter is able to sell a value-added product with higher margins. Furthermore, he has contracted customers to remove risk,
- The exporter no longer has to be concerned with the final package design or labelling requirements and can often eliminate much of the ingredient concerns associated with exporting a truly processed product,
- On the other hand, the Japanese importer has access to a lower cost value-added product than he could produce in-house,
- The product is shipped in large quantities that enable lower freight costs per unit and
- the semi-processed product can be adjusted by adding spices or packing in various private brand bags that can be sold to various clients.

Product development - Manufacturers introduce new products (ingredients and ideas) – but mainly ingredients. All manufacturers have large promotional events, targeted to their customer, tasting and introducing new products and menu ideas. There are two ways to develop and introduce new products:

1) Central kitchens

2) "Shiyoshohachu" (develop recipes in-house for manufacturers to produce)

Pronto used method 2 – they have an Italian, French and Japanese chef. The chefs create new dishes and give recipes to manufacturers for production. Pronto does not actively look for ideas or ingredients overseas – because they are given the latest information from manufacturers and wholesalers. In addition, the president makes two overseas trips per year for new ideas. - Pronto Coffee shop chain Manager

3. Organic, Natural, Healthy

There is a move to healthier foods and customers are seeking foods that fit their concepts on health. This does not imply the North American consumer's health concerns are the same as Japanese health concerns. Japanese customers see health in terms of their own demographic, such as middle-aged men see a lack of fiber in their diet, young girls need to reduce fat and calorie intake, and mothers want their children to eat "healthy foods".

> *"Generally speaking only about 1% of the food in the market is real organic, and the basic concept of organic – is no chemicals. In our current menu we have an organic salad but in the new menu wording will change to healthy because products are not all certified. Pronto is still very interested in organic however we visit farmers to investigate how they are growing their produce and what produce is available."* - coffee shop chain

The fact that no laws regarding the definition of organic have established,has resulted in confusing claims. Differing definitions have confused the consumers when seeking to purchase organic foods. The new laws regarding labelling of organic foods set for implementation in April of 2000 are expected to resolve some of these issues. However, the expected price jump on "real organic" foods may have an impact on their overall demand. While the previously so-called organic foods were sold at a 5 to 15 % premium, it is expected the real organic items will charge a 15 to 50 % premium to recoup the costs of production and delivery.

<u>Organic/Natural/Healthy</u>

- There are a definite increase in organic and natural products and a consumer movement to organic and low herbicide/pesticide products. Several frozen food processors, including Nichirei, are introducing an organic product line.
- Organic food and healthy Consumers like the idea in the supermarket where they pay a 20 - 30 % premium for organic foods. However, in the food service sector, they are not yet willing to pay extra. In the fast food industry, if natural products are priced an extra 10 yen, most people will not buy them.
- Health is the number one issue but demand is still affected by cost versus perceived benefits.

New Zealand is promoting organic food exports and a number of US products are found on the shelves of stores and are now appearing in some family restaurant menus. No Canadian organic product examples were identified in our interviews of the Japanese trade.

Japan allows for both organic and non-organic processing in the same plant but must be able to prove separate production operations. The method and procedures for production separation are the main inspection criteria.

4. Convenience Stores

The HMR market will increase rapidly in the near future. As noted earlier, convenience stores represent the largest market for HMR followed by the supermarkets and mom and pop stores. The Convenience store and Fast food chain market is saturated and severe competition is now underway between and within both markets.

5. Safety

The safety has been further emphasized by a number of food safety issues, including food poisonings (e.g. e-coli 0157), food tampering, mad cow disease press reports, pesticide residues in foods, GMO foods and a number of other issues that have also increased the awareness and concern regarding food safety.

If a Canadian firm has a solid HACCP or other food safety program in place and can use packaging advantages to guarantee the safety and security of the foods delivered. They will find interested buyers at all levels within the food service and retail HMR trade.

6. "Hon-mono no aji" - The Real or Original Taste

Old-fashioned menu items are making a comeback as some customers seek comfort foods from their childhood. This move back to comfort foods and natural tastes without additives or excessive flavourings is resulted from the aging baby boomer generation. Canadian exporters who are willing to tie up with a Japanese maker, to develop ingredients and semi-processed materials for this type of food, will find a growing market in Japan's "silver" population.

"As the over 40 aged population matures they are seeking the foods they ate in their youth, i.e. hayashi rice, curry and others. As the next generation gets older, the 30 something, I think they will be craving a Big-Mac". - spice and sauces provider to the food service industry

Professional chefs are also moving to fusion tastes and seeking to get the "real taste" from their ingredients. This has resulted a desire to offer organic items within their restaurants.

7. Genetically Modified Organisms and the Consumer's Perceptions

Recent concerns in the press and at the retail level regarding GMO and non-GMO foods have risen to a feverish level. The concern is expected to shift to the food service sector as well. Most chefs have not heard many concerns from customers, however, they are all watching the media and the retail sector closely for cues as to when GMOs might have an impact on their business.

> *"Key words to keep in mind are: healthy foods (kenko), tasty (oishi), Safe (anzen). New words may be ecological (eco), non-GMO. GMO products are going to be a problem in the future for sure."* - Frozen foods distributor

In the HMR trade, some of the new selling points lie in the concepts of non-GMO or organics. However, in the fast food and family restaurant sector, the price differences make the use of non-GMO or organic products prohibitively expensive and the chains have no interest in exploring the matter. It appears that their customers are more price and time conscious than concerned over the perceived problems with ingredients.

> *At the Seibu Dept. Store in the sozai counter (deli) they sell pre-cooked Kome (rice) with a description of the region it came from, the cooperative or farmer who raised it, which firm pearled it, where it was cooked and in what type of water. It describes the fact it was not sprayed, nor treated post harvest with any chemicals and how this natural rice is healthier for you than other rice and it is not GMO.* - Department store staff

8. Cost Driven Niches

For natural or organic food exporters to Japan, it is important to understand the trend in the safe-healthy food boom. In the fast food or bento or HMR sector, the item must first be cheap, then tasty and then healthy. It is not until one reaches the gourmet levels that quality exceeds price as the number one concern. It is assumed that all food sent to Japan is safe and the consumer perceives some kinds as " safer" than others. Unless the product tastes good and is of good value, it will not sell on its organic or healthy merits alone.

Frozen dough – there should be growth in frozen dough market. The main point is that bakeries can use part-time help in the store – do not need more expensive trained bakers. There is a general movement in the Food Service industry that may increase systematic production – in this case market will increase for frozen dough. - St. Germaine Bakery

9. Environmental Concerns

Recycling - in the near future, packaging may need to follow recycling regulations. New regulations are to be legislation in March 2000.

"There is a move to environmentally sound products – bamboo chopsticks (recycling), safe products that are renewable, organic, no post-harvest chemicals, no additives/preservatives."
- convenience store franchise operator

ISO 14000 – Environmental issues are also becoming important for the Japanese food industry, in areas such as waste management and recycling. Some companies are now looking at ISO 14001 and Toho, Seiyu Foods Warehouses, Watami Foods and Green House are already certified. Other issues, such as recycling and reducing the production of combustible gases that impact on the o-zone layer, are all receiving consumer attention.

Major Japanese chains including retailers, food service operators and manufacturers have joined together to stimulate the development of a recycling system for food wastes and by-products of food production. It was estimated the food manufacturing industry alone produced over 9,000,000 MT of waste last year. The waste products are being recycled as hog feed and composted for use as fertilizer and so far a 48 % level of success has been achieved.
- Japan Economic Newspaper Mar. 16, 2000

10. Restructuring and the Japanese Food Service Distribution System

Canadian firms find it beneficial to take the time to study their end-users and target markets and to put effort into shortening the distribution chain. They will be rewarded with extra profit margins and operational control, when the structure of the distribution chain is more precise. For example, opening an office in Japan with warehousing facilities allows an exporter to bypass all links in the chain down to the secondary or tertiary wholesalers or in some products, to sell directly to the food service outlets (provided it is cost effective to do so).

Our restaurant chain does not import directly. Sumitomo and Starzen are our main importers but our restaurant chain works directly with the overseas suppliers and ask the trading companies to only handle the import logistics. Talking directly with suppliers is exremely important and problems can be solved quickly. - Chain restaurant owner

11. Home Meal Replacement

Chicken in the HMR market is increasing – now meat processors are focusing product development in this area. Chicken is particularly popular, items like chicken nuggets as an part of a bento or as a side dish etc. - convenience store buyer

As discussed, home consumption of HMR is definitely increasing, partly due to the increase in the services for the elderly and disabled. But there is also an increased demand for prepared foods. People are busy and want convenient quick meals, all groups, young singles, families and elderly, are purchasing more prepared foods. Prepared food sales in supermarkets, department stores and convenience stores are increasing. But now home delivery is becoming more important. Gusto family restaurant started a home delivery system earlier this year. Delivery services related to health care is expected to increase in the near future as special dietary needs are met by ordering in special “seniors” meals etc. Small transportation and delivery companies are also starting to get involved in the HMR market and this could be another good target for Canadian companies. Some of these companies also have import experience.

Kokubu, one of Japan's oldest and largest distribution firms, is actively developing new products and menus for community stores (mom & pop outlets). The Deli section for Community Stores and deli products for other retail outlets – may have an interest in wraps for deli market. Currently they do not have bagels in their deli selection (one of the hottest take out sales items in their convenience store competitors). Some family restaurants are starting to develop HMR products/services and Kokubu and other traditional distribution companies have opened or tied up with bento factories- bento market distribution is very important – i.e. fresh HMR products are delivered daily 2 or 4 times a day.

Small and medium-sized processors are good targets for the HMR business as they have existing plant and equipment resources that can be used to expand their market share in Japan.

Appendices

Japan's Food Service Industry

Appendix 1: Statistics

A. National Food Expenditures
B. Trends in Consumption of Processed Foods
C. Household Expenditures by category
D. Discretionary allowance by Age Group
E. Consumption Trends comparing Dining Out with Dining In
F. Food Service Industry by type of Outlet
G. Food Service Industry Annual Sales by Sector
H. Japanese Food Service Industry Ranking by Profit
I. Japanese Food Service Industry Ranking by Percentage Increases in Sales
J. Japanese Food Retail Industry Ranking by Sales
K. Japanese Food Service Industry Ranking by Sales
L. Japanese Supermarket Industry Ranking by Sales
M. Japanese Wholesale Industry Ranking by Sales
N. Japanese Manufacturers and Processors Industry Ranking by Sales
O. Japanese Convenience Store Industry Ranking by Sales
P. Frozen Food Imports by Country
Q. Franchise Chains by Number of Outlets and Annual sales - Retail
R. Franchise Chains by Number of Outlets and Annual sales - Food Service
S. Franchise Chains by Annual Turnover - Retail
T. Franchise Chains by Annual Turnover - Food Service
U. Food Ingredients Domestic production versus Imports
V. Number of Eating Establishments by Sales and Type of Restaurant
W. Number of Eating Establishments by region
X. Private Food Establishments and Number of People Employed by sector
Y. Growth trend in the Wholesale Eating and Drinking Trade
Z. Eating Establishments by Type of Ownership
AA. Eating Establishments by Ownership and Seating Capacity
BB. Expenditure by Person by Ownership and Type of Shop

Table A: National Food Expenditures, 1980-98

Unit: Yen/mth per household, %

	1980	1985	1990	1995	1996	1997	1998
GNE*	240,009	321,556	432,972	487,212	505,767	514,343	502,451
Tot. Private Fd Consumption*	141,324	188,760	249,286	290,524	299,341	306,438	304,362
Propensity to Consume (%)	77.9	77.5	75.3	72.5	72.0	72.0	71.3
CPI(%Chg from previous yr)	2.8	1.4	3.2	-0.1	0.1	1.8	0.6
Consumption Exp.	230,568	273,114	311,174	329,062	328,849	333,313	328,186
Food Inc. Retail	66,923	73,735	78,956	77,886	77,042	78,306	78,156
Cereals	9,196	9,990	9,121	8,548	8,271	8,108	7,921
Fish/Shellfish	9,682	10,325	10,551	9,880	9,598	9,633	9,435
Meats	7,533	7,891	7,785	7,108	6,878	7,142	6,951
Dairy/Eggs	3,636	3,630	3,735	3,752	3,805	3,922	3,858
Veg./Seaweed	8,591	9,161	10,089	9,931	9,866	9,862	10,429
Fruits	3,367	3,783	3,748	3,410	3,304	3,201	3,191
Oil/Seasoning	2,837	3,080	2,998	3,133	3,141	3,238	3,261
Confectionary	4,168	4,552	5,288	5,080	4,970	5,102	5,057
Processed Foods	3,877	4,813	6,413	7,344	7,303	7,827	7,968
Beverage	2,515	2,564	2,941	3,200	3,223	3,322	3,408
Alcoholic Bev.	3,054	3,520	3,939	3,869	3,897	3,819	3,833
Eating Out	8,467	10,427	12,349	12,643	12,786	13,131	12,844

Table B: Trends in Consumption of Processed Foods

Unit: Average Yen/Mth per household, %

	Consumption Expenditures	Food and Food Products	% Spent on Food	Processed Foods	% Food Spent on Processed Foods
1980	230568	66923	29.03	3877	5.79
1985	273114	73735	27.00	4813	6.53
1990	311174	78956	25.37	6413	8.12
1991	327113	82130	25.11	6826	8.31
1992	333661	82381	24.69	7027	8.53
1993	335246	81562	24.33	7160	8.78
1994	333840	80552	24.13	7166	8.90
1995	329062	77886	23.67	7334	9.42
1996	328849	77042	23.43	7303	9.48
1997	333313	78306	23.49	7827	10.00
1998	328186	78156	23.81	7968	10.19

Table C: National Household Expenditures by Category

(1) Average Monthly Living Expenditure of All Households 1) (Multi-person households) [Yen]

Year	Living expenditure	Food	Housing	Fuel, light and water charges	Household goods and services	Clothing and footwear	Medical care
1985	273 114	73 735	12 686	17 724	11 665	19 606	6 931
1990	311 174	78 956	14 814	17 147	12 396	22 967	8 866
1995	329 062	77 886	21 365	19 911	12 529	20 229	9 845
1997	333 313	78 306	22 308	21 065	12 133	19 336	10 772
Percent change, 1996-1997							
Nominal	1.4	1.6	0.4	3.7	-0.8	-0.3	4.9
Real	-0.2	-0.2	-1.0	-1.0	0.1	-2.5	0.3

1)All households: refer to households excluding those engaged in agriculture, forestry and fisheries, and one-person households

Source: Statistics Bureau, Management and Coordination Agency.

Table D: Monthly Discretionary Allowance Expenditures by Age Group 1998

	Monthly Allowance	Lunch	Drinks	Tea/ Coffee	Cig.	Leisure	Social	Other
20-29 years	41,150	11,160	9,580	2,940	3,820	8,040	1,120	4,500
30-34 years	47,370	12,700	10,910	3,340	4,740	8,890	1,980	4,790
35-39 years	49,810	13,480	11,930	3,210	4,620	8,000	2,980	5,590
40-44 years	56,620	11,480	14,690	2,810	4,650	10,420	5,150	7,430
45-49 years	67,960	13,510	17,910	3,480	4,100	13,610	5,680	9,560
Over 50 years	64,180	12,740	13,570	3,450	3,200	14,140	6,030	11,040
Total 1998	56,240	12,580	13,560	3,230	4,170	10,930	4,180	7,580
1997	52,000	10,840	12,490	2,880	3,650	10,930	4,180	7,030
1996	50,500	9,540	13,080	2,560	3,370	10,140	3,990	7,820
1995	52,940	9,610	12,690	2,370	3,750	9,020	3,970	11,530
1994	50,350	9,940	12,110	2,400	3,720	11,000	4,080	7,100
1993	51,100	10,100	12,790	2,410	3,420	9,840	4,530	8,010

Source: Food Service Industry Research Centre 1999 Data

Table E: Trends in Eating Out

Unit: Average Yen/Mth per household, %

	Consumption Expenditures	Food and Food Products	% Spent on Food	Eating Out	% Spent on Eating Out
1980	230568	66923	29.03	8467	12.65
1985	273114	73735	27.00	10427	14.14
1990	311174	78956	25.37	12349	15.64
1991	327113	82130	25.11	12823	15.61
1992	333661	82381	24.69	13004	15.79
1993	335246	81562	24.33	12994	15.93
1994	333840	80552	24.13	12820	15.92
1995	329062	77886	23.67	12643	16.23
1996	328849	77042	23.43	12786	16.60
1997	333313	78306	23.49	13131	16.77
1998	328186	78156	23.81	12844	16.43

Source: Management & Coordination Agency, Compiled by NCI & Assoc.

Table F: Food Service Industry Market, 1998

Food Service Industry 288,585 (-09)	Provision of Meals 211,388 (-0.7)	Business 181,469 (-0.9)	Dining Establishments 134,815 (0.3)		Restaurants	97,014 (-0.3)
					"Soba"&"Udon" Noodle Shops	11,260 (3.7)
					Sushi Shops	15,375 (-0.5)
					Other Restaurants	11,166 (3.7)
			Hotels/ Inns/& Travel		Hotels/ Inns	44,062 (-4.6)
					Transport Feeding	2,592 (0.1)
		Mass Feeding 39,919 (-0.2)	Institutional		School Lunch	4,890 (-1.4)
				Company 21,746 (-0.4)	Company/ Office Cafeterias	14,899 (-0.4)
					Bento-box lunch	6,874 (-0.5)
					Hospitals	11,294 (1.7)
					Social Welfare Facilities	1,989 (3.0)
	Eating & Drinking 67,197 (-1.3)		Drinking Establishments	Coffee Shop/ Drinking Houses 27,929 (-1.7)	Coffee Shops	13,782 (-2.2)
					Beer Halls/ Pubs	14,147 (-1.1)
				"Ryotei"/Bars 39,268 (-1.1)	"Ryotei"	4,694 (-1.1)
					Bars, Cabarets, Night Clubs	34,574 (-1.1)
Food Ingredient Sales		43,803 (1.9)	[36,956 (2.3)]			

Source: Japan Food Industry Research Center, April 1999

October

Table G: Food Service Industry Annual Sales by Sector

	1985	1990	1997	1998
			unit: 100 Million Yen	
Dining Establishments	78,607	109,462	134,406	134,815
Restaurants	53,608	77,517	97,332	97,014
"Soba"&"Udon" Noodle Shops	7,240	9,133	10,856	11,260
Sushi Shops	11,251	14,436	15,455	15,375
Other Restaurant	6,508	8,376	10,763	11,166
Hotels, Inns, Travel	30,306	48,200	48,761	46,654
Hotels/ Inns	1,547	2,122	2,589	2,592
Transport Feeding	28,759	46,078	46,172	44,062
Institutional	30,211	36,441	39,832	39,919
School Lunch	5,683	5,203	4,957	4,890
Company/ Office Cafeterias	15,486	18,601	21,838	21,746
Hospitals	7,430	11,012	11,105	11,294
Social Welfare Facilities	1,612	1,625	1,932	1,989
Drinking Establishments	32,948	64,589	68,107	67,197
Coffee Shops	16,963	15,244	14,094	13,782
Beer Halls/ Pubs	10,000	13,069	14,305	14,147
"Ryotei"	3,545	4,336	4,746	4,694
Bars, Cabarets, Night Clubs	2,440	31,940	34,962	34,574
Total	172,072	258,692	291,106	288,585

Source: Food Service Industry Research Center, Data Book 1999

Table H: Japanese Food Service Industry Ranking by Percentage Increase in Sales 1998

	Company	Type	1998 Sales Rank	% increase in Sales		Company	Type	1998 Sales Rank	% increase in Sales
1	Nakau	Gyudon	161	48.1	26	Joyful	Western	74	13.8
2	Yakiniku Sakai	Yakiniku	152	46.8	26	Nagashima Kanko Kaihatsu	Multi	171	13.8
3	Ajiyoshi	Sushi	160	45.7	28	Jojoen	Yakiniku	158	13.6
4	Watami Food Service	Tavern/Western	87	31.9	29	Japan McDonald	Hamburger	1	13.4
5	Hanayayoheiji	Japanese	86	29.3	30	Zensho	Gyudon	95	13.2
5	Ramula	Japanese	139	29.3	31	Saint Marks	Western	47	13.0
7	Bamiyan	Chinese	33	28.3	32	Don Steak House	Steak	157	12.9
8	Matsuya Foods	Gyudon	63	25.0	33	Genki zushi	Sushi	79	12.6
9	Saizeriya	Italian	61	22.9	34	Zen Shoku	Institutional	156	12.4
10	Origin Toshu	Bento	119	22.4	35	Strawbery Cones	Pizza	153	12.1
10	ADC	Tavern	131	22.4	36	Sazaby	Tea room	126	11.8
12	Monteroza	Tavern	10	21.6	37	Fuji Sangyo	Institutional	64	11.5
13	Food Net	Sushi	91	20.4	37	Green House Foods	Tonkatsu	75	11.5
14	Four Seeds	Pizza,Italian	26	19.1	39	Gourmet D'or	Multi	89	11.2
15	Anrakutei	Yakiniku	56	16.9	39	Taisho Shoya	Tavern	24	11.2
16	Tomato& Associates	Hamburger	155	16.8	41	WDI Systems	Italian,Western	55	10.9
17	Bashamichi	Spagetti	173	16.7	42	Colowaido	Tavern	103	10.7
18	Dotour Coffee	Cafe,Italian	16	16.3	43	Ohsho Food Service	Chinese	18	10.2
19	Aleph	Hamburger	28	16.2	44	Korakuen	Ramen	185	9.4
20	Kohi Kan	Cafe,Italian	77	15.8	45	West	Multi	118	9.0
21	Ichibanya	Curry Fast Food	37	15.6	46	Jonathan's	Western	21	8.9
22	Life Foods	Japanese	117	15.1	47	Toku Toku	Udon	188	8.6
23	Tokyo Dome	Multi	108	14.9	48	Chat Noir	Cafe	132	8.3
24	Heisei Food Service	Japanese	145	14.5	49	Green House	Institutional	27	8.2
25	Ten Corporation	Tendon	166	14.2	50	Nihon Restaurant System	Spagetti	25	8.0

Source: Nikkei Ryutsu Shimbun, Translated and compiled by NCI & Assoc.

Table H: Japanese Food Service Industry Profit Ranking, 1998

Company			No. Stores	Profit as % of Sales		Sales 1 Million Yen	98 Sales Ranking
				98	97		
1	Saint Marks	Bakery Cafe	177	32.0	26.6	2,096	47
2	Shuho (Tonta)	Ramen	400	20.0	19.6	112	54
3	Yoshinoya D&C	Gyudon	667	17.2	16.7	12,300	14
4	Ohsho Food Service	Chinese	436	11.9	10.5	4,502	18
5	Saizeria	Italian	178	10.8	10.3	2,571	61
6	Bashamichi	Spagetti, Yakiniku	58	10.1	10.9	855	173
7	Watami Food Service	Tavern	106	10.0	8.9	1,725	87
8	Edozawa	Chanko Nabe	108	9.7	11.6	948	125
9	Matsuya Foods	Gyudon	220	9.6	8.6	2,210	63
10	Nihon Restaurant Systems	Spagetti, Western	205	9.1	9.3	1,664	80
11	Korakuen	Ramen	88	8.6	7.9	570	185
12	Ramura	Japanese	44	8.4	7.0	860	139
13	Marche	Tavern	610	8.3	8.0	1,180	45
13	Japan McDonalds	Hamburger	2,852	8.3	8.3	26,019	1
15	Horai	Chinese	53	8.2	8.3	941	127
16	Bamiyan	Chinese	244	8.0	7.7	2,766	33
17	Dotour Coffee	Cafe, Italian	917	7.8	6.7	2,695	16
18	Ringer Hut	Noodles	271	7.6	7.4	1,620	70
19	Yakinikuya Sakai	Yakiniku	78	7.6	8.7	490	152
20	Anrakutei	Yakiniku	237	7.4	5.4	1,783	56
21	Mos Food Service	Hamburger	1,526	7.3	7.7	4,400	6
22	Green House Foods	Tonkatsu	331	7.2	5.3	1,407	75
23	Murasaki Honsha	Tavern	570	7.0	4.9	288	20
24	Zensho	Gyudon	222	6.9	5.3	1,062	95
25	Wako	Tonkatsu	150	6.6	4.9	727	129
26	Don (Steak no Don)	Steak	55	6.3	7.0	585	157
26	Skylark	Western	1,081	6.3	5.5	10,220	3
26	Denny's Japan	Western	515	6.3	7.6	6,350	9
29	Gourmet Kineya	Multi	500	6.1	6.2	2,000	40
29	Strawberry Cones	Pizza	160	6.1	5.8	305	153

Source: Nikkei Ryutsu Shimbun, Translated and compiled by NCI& Assoc.

Table K: Japanese Food Service Industry 1998 Sales Ranking

Company		Head office	Ranking 98	Ranking 97	Ranking 92	1998 Sales (Mil. Yen)	% *	No. Stores	%*
Japan McDonalds	Hamburger	Tokyo	1	1	1	377,909	13.4	2,852	17.0
Hokka Hokka-tei	Bento, onigiri	Tokyo	2	2	4	172,552	0.2	3,248	1.8
Skylark Co. (Skylark, Gusto)	Western Family	Tokyo	3	3	3	162,418	7.7	1,081	8.9
Japan KFC, Pizza Hit	Western FF	Tokyo	4	4	2	132,033	-3.9	1,275	-0.2
Dunskin (Mr. Donuts) Donuts,	Western FF	Osaka	5	6	10	127,200	0.0	1,198	11.4
Mos Food Service (Mos Burger, Mother Leaf)	Hamburger	Tokyo	6	5	8	126,000	-2.0	1,526	3.0
Royal(Royal Host,Sizzlers)	Western Family	Fukuoka	7	7	6	121,430	-0.3	507	3.7
Honka Kamadoya	Bento, onigiri	Hyogo	8	8	7	118,912	3.9	2,503	3.8
Denny's Japan	Western Family	Tokyo	9	9	11	101,084	-2.5	515	3.2
Monteroza (Shirokiya, Uotami, Nihonya)	Tavern	Tokyo	10	13		100,670	21.6	609	15.3
Seiyo Food Systems(Casa,Han)-Westerm Family	Multi	Tokyo	11	10	9	99,069	2.2	775	1.7
Kozozushi	Sushi (FastFood)	Osaka	12	11	5	86,157	-3.8	1,817	-1.5
Yoro-no-taki	Tavern	Tokyo	13	12	12	83,840	0.1	1,823	1.4
Yoshinoya D&C	Gyudon	Tokyo	14	14	16	83,800	6.3	667	3.3
Prince Hotel	Hotel	Tokyo	15	15	14	66,095	-8.3		
Dotour Coffee (Café Colarado, Olive no ki)	Cafe,restaurant	Tokyo	16	17	36	60,622	16.3	917	8.6
Tsubo-hachi	Tavern	Tokyo	17	16	17	59,087	-1.3	544	0.9
Ohsho Food Services	Chinese	Kyoto	18	19	20	57,080	10.2	436	2.3
Shidax Food Service Corp.	Institutional	Tokyo	19	18	22	54,000	3.8	2,083	1.2
Murasaki Honsha	Tavern	Tokyo	20	20	18	50,787	-0.4	570	-3.2
Johnathan's (Skylark Group)	Western Family	Tokyo	21	23	44	49,985	8.9	256	11.8
Aim Service	Institutional	Tokyo	22	21	37	49,000	2.3	582	8.6

Cocos Japan	Western Family	Ibaraki	23	22	23	45,948	-2.9	310	2.6
Taisho Shoya	Tavern	Tokyo	24	26	47	45,197	11.2	428	10.0
Nihon Restaurant Enterprises (was Nippon Shokudo)	Institutional	Tokyo	25	25	31	44,165	6.2	231	1.3
Four Seeds (PizzaLa, Italian, Japanese chains)	Pizza,Italian	Tokyo	26	32		42,839	19.1	440	3.5
Green House	Institutional	Tokyo	27	29	54	40,100	8.2	571	6.7
Aleph (Bikkuri Donkey) - Hamburger	Western Family	Hokkaido	28	34	79	39,500	16.2	207	13.1
Fujita Kanko (Kowakien)	Hotel	Tokyo	29	24	19	39,207	-8.3		
Dynac (Zenmaru,SunValley, Korenbo)	Multi	Tokyo	30	28	32	38,297	2.9	253	2.0
Nikkoku Trust	Institutional	Tokyo	31	27	24	38,201	-0.8	1,026	2.3
Sato Restuarant Systems(Every Day's, Steak &Steak)	Western/Japanese	Osaka	32	30	29	36,500	0.0	240	0.0
Bamiyan (Skylark Co. July 99) Family Restaurant	Chinese	Tokyo	33	55		34,381	28.3	244	27.1
Meffos	Institutional	Tokyo	34	40	89	34,200	7.5	1,740	3.5
Daiwa Jitsugyo(Esquire,Asian Kitchen, Yagura Chaya)	Multi	Osaka	35	33	26	34,100	0.1	209	4.0
Kisoji - Shabu shabu	Japanese	Aichi	36	37	34	33,990	2.6	137	0.0
Ichibanya (Curry, CoCo, Ichibankan)	Western FF	Aichi	37	44	96	33,840	15.6	534	18.9
Supporo Lion	Tavern	Tokyo	38	35	30	33,339	-1.5	228	4.1
Hotel New Otani	Hotel	Tokyo	39	31	21	33,170	-7.9		
Gourmet Kineya (Sandwich shops, family, Japanese)	Multi	Osaka	40	38	48	32,700	1.5	500	3.5
Sunday's Sun (Sunday's Sun, Jolly Pasta,Fraccasso)	Western Family	Yamaguchi	41	41	43	32,509	3.2	254	9.5
Imperial Hotel	Hotel	Tokyo	42	36	40	31,730	-5.7		
Tonden	Japanese	Saitama	43			31,360		112	
Aiya (Skylark Group)	Japanese - Family	Tokyo	44	47	58	30,906	7.7	197	15.2
Marche(Suikoden, Hakkenden,Yajikita,Kaisen)	Tavern	Osaka	45	46	57	30,700	6.9	610	15.1
My Caruisto (Gourmet pizza)	Multi	Osaka	46	48		30,591	6.9	603	7.7
Uokuni Sohonsha	Institutional	Osaka	47	50		30,500		900	
Saint Marks	Bakery Café	Okayama	47	52		30,500	13.0	177	17.2
Orange Food Court (Domdom, Dipperdan)	Multi	Chiba	49	39	32	30,289	-4.8	575	-1.0

Ten Allied Co. Ltd. (Tengu and Japanese restaurants)	Tavern	Tokyo	50	42	61	30,240	-3.4	176	-1.1
Atom	Multi	Aiichi	51	51	77	29,029	7.1	247	5.1
Sagami Chain	Japanese	Aiichi	52	54	75	27,869	3.8	190	6.7
New Tokyo	Tavern,Multi	Tokyo	53	43	25	27,114	-8.7	152	-3.8
Shuho (Chinese Noodle Tonta)	Noodle-Ramen	Chiba	54	56		26,934	3.0	400	7.0
WDI System (Caprichuza,Tony Roma,HardRock Cafe)	Western,Italian	Tokyo	55	60	102	26,500	10.9	173	12.3
Anraku Tei	Yakiniku	Saitama	56	67		26,085	16.9	237	16.7
Volks - Steak House	Western	Osaka	57	49	38	25,431	-8.9	187	-3.1
Tokyu Hotel Chain	Hotel	Tokyo	58	53	27	25,275	-6.1		
Fujiya (Restaurant and Bakery)	Western	Tokyo	59	57	50	24,308	-5.2	220	-3.1
Hito Fuji Food Services	Noodle,Tachigui	Osaka	60	61		23,976	3.4	923	8.3
Saizeriya - Italian	Western Family	Tokyo	61	73		23,870	22.9	178	21.9
Shunyodo (Chagetsu)	Sushi (FastFood)	Kyoto	62	59	39	23,716	-5.9	457	-6.7
Matsuya	Gyudon	Tokyo	63	77	98	23,460	25.0	220	29.4
Fuji Sangyo	Institutional	Tokyo	64	70		23,436	11.5	848	27.1
Pizza California	Pizza	Tokyo	65	45	60	23,415	-18.6	320	-20.2
Famille	Multi	Tokyo	66	63	45	22,824	0.4	326	1.9
Uokuni	Institutional	Hyogo	67	65	55	22,654	0.5	832	0.1
Sato Shoji (Dosanko)	Noodle-Ramen	Tokyo	68	66	51	22,217	1.4	764	-2.6
Hokkoku (Sapporo,Dosanko)	Noodle-Ramen	Tokyo	69	62	35	22,065	-4.2	758	-4.6
Ringer Hat	Noodle	Nagasaki	70	68	59	21,729	0.9	271	4.2
Keio Plaza Hotel	Hotel	Tokyo	71	69	53	21,626	-4.7		
Miya (Steak Miya)	Multi	Tochigi	72	69	74	21,529	0.0	153	
Ganko Food Services(Sushi, Robatayaki)	Japanese	Osaka	73	74	84	20,790	7.8	67	11.7
Joyful	Western Family	Oita	74	80		20,610	13.8	147	6.5
Green House Foods(Kura, Saboten)	Tonkatsu	Tokyo	75	82		19,500	11.5	331	5.8
Washington Hotel	Hotel	Aichi	76	72	78	19,407	-3.6		
Kohii Kan (was Manabe)	Cafe,restaurant	Tokyo	77	88	85	19,265	15.8	447	1.1

Koora Honten (Kamado,Carubi-icho, Daikonya, Furaya)	Japanese/Crab	Aichi	78	79		18,852	3.0	71	14.5
Genki Sushi	Sushi (FastFood)	Tochigi	79	87		18,800	12.6	153	12.5
Nihon Restaurant Systems(Goemon)-Spagetti House	Western/Japanese	Tokyo	80	83		18,245	8.0	205	6.8
Tokyo Kyuko Dentesu (Tokyu Inn)	Hotel	Tokyo	81	75	49	18,159	-4.9		
Captain Cook	Institutional	Tokyo	82	76	90	18,120	4.7	590	-6.6
Hotel Okura	Hotel	Tokyo	83	71	46	17,856	-11.6		
Kintestu Kanko (Tsukihitei, Edogawa,Hyakuraku)	Multi	Osaka	84	75	56	17,845		158	
Mitsui Kanko (Sapporo Grand Hotel)	Hotel	Tokyo	85	78	68	17,820	-4.6		
Hanayayoheiji	Japanese	Tokyo	86	105		17,295	29.3	102	25.9
Watami Food Systems (TGIFriday)	Tavern/Western	Tokyo	87	109		17,265	31.9	106	30.9
Myojo Gaishoku Jigyo(Aji No Mingei)	Noodles-Udon	Tokyo	88	81	72	17,182	-3.2	123	-1.8
Gourmet D'or	Multi	Chiba	89	92	111	17,133	11.2	252	24.8
Friendly	Western Family	Osaka	90	84	86	16,700	-0.6	107	8.1
Food Net(Atom Boy, Miyakobito, Ebi, Uminokuni)	Sushi (FastFood)	Tokyo	91	101		16,515	20.4	242	18.6
Tokyo Uokuni	Institutional	Tokyo	92	85	80	16,457	-2.0	498	1.4
Italian Tomato	Western/Italian	Tokyo	93	90	114	16,100	1.9	255	4.1
Sogo Shoji	Multi	Osaka	94	89	65	15,461	-7.0	106	-4.5
Zensho (Sukiya)	Gyudon	Kanagawa	95	103		15,310	13.2	222	14.4
Hoppo Shoji (Dosanko Taisho)	Noodle-Ramen	Tokyo	96	91	70	14,767	-5.2	559	-3.0
N.E.C. Rybex	Institutional	Tokyo	97	96		14,681	2.3	205	-3.3
Big Boy Japan	Hamburger	Tokyo	98	86	92	14,575		101	
Heiroku	Sushi (FastFood)	Miyagi	99	97		14,429	4.1	104	8.3
Ginza Aster Shokuhin	Chinese	Tokyo	100	94	73	14,399	-5.2	44	0.0
JR West Japan Foods	Multi	Osaka	101	95		14,319	-2.7	377	23.6
Kobeya Restaurants (Bakery and Restuarants)	Western	Tokyo	102	102		13,762	0.8	48	2.1
Colowide	Tavern	Kanagawa	103	118		13,703	10.7	87	14.5
Jiro Restaurant Systems	Western/Italian	Tokyo	104	98		13,476	-2.6	92	1.1
Nihon General Foods	Institutional	Aichi	105	117		13,383	7.6	320	10.7

Kappa Create(Kappa Sushi, Shishi Hiroba)	Sushi (Fast food)	Saitama	106	100		13,336	-2.8	154	-13.0
Sugaki Cosystems (Sugakiya)	Japanese	Aichi	107	105		13,280	-0.7	311	-22.6
Tokyo Dome	Multi	Tokyo	108	121		13,226	14.9	15	0.0
Totenko	Chinese	Tokyo	109	93		13,020	-14.3	44	-4.3
Resort Trust (Private Resort Exec) membership hotel	Hotel	Aichi	110	113		12,816	-0.1		
Tokyo Kaikan	Banquet Hall	Tokyo	111	108		12,690	-3.1	14	-6.7
Yuei Sangyo	Japanese	Osaka	112	99		12,630	-8.0	88	-2.2
Chalon International (Western family, Hotels, Resorts)	Multi	Osaka	113	104		12,520	-6.5	60	-4.8
Pronto Corporation (Cafe,Bakery, Italian)	Cafe,restaurant	Tokyo	114	122		12,400	7.8	107	5.9
UCC Foods Service System	Cafe,restaurant	Hyogo	115	107		12,365	-6.5	208	-11.9
Tricolore	Multi	Tokyo	116	110		12,301	-5.8	266	-5.9
Life Foods (The Meshiya)	Japanese	Osaka	117	134		12,126	15.1	72	22.0
West - Western familiy restuarants ect.	Multi	Fukuoka	118	129		11,995	9.0	59	7.3
Origin Toushu (Origin Bento)	Bento,Onigiri	Tokyo	119	143		11,950	22.4	184	26.0
First Kitchen	Hamburger	Tokyo	120	128		11,856	7.5	101	2.0
Aozushi	Multi	Tokyo	121	111		11,830	-8.7	134	-6.9
Dream Foods (Irohanihoheto,Shunkashuto)	Tavern	Tokyo	122	112		11,820	-8.4	60	-4.8
Sushiden (Sushiden, Sagano)	Sushi	Tokyo	123	116		11,726	-6.4	83	-2.4
Miyoshi Kogoyo	Multi	Osaka	124	120		11,660	0.0	43	-2.3
Edosawa - Chanko Nabe	Japanese	Shizuoka	125	131		11,580	5.9	108	14.9
Sazaby (Afternoon Tea) - Tea room and bakery	Cafe,restaurant	Tokyo	126	135		11,562	11.8	78	-9.9
Horai	Chinese	Osaka	127	123		11,530	0.6	53	3.9
Palace Hotel	Hotel	Tokyo	128	114		11,469	-9.6		
Wako	Tonkatsu	Tokyo	129	127		11,440	3.3	150	0.7
Kokusai Kanko Hotel Nagoya Castle	Hotel	Aichi	130	119		11,265	-5.3		
ADC (Kitano-Icho)	Tavern	Tokyo	131	152		11,200	22.4	45	12.5
Chat Noir (,Cafe Velloce, Lana Petella)	Cafe,restaurant	Tokyo	132	136		11,150	8.3	153	7.0
Nadaman	Japanese	Tokyo	133	132		11,044	4.2	16	0.0

Kitanokazoku	Tavern	Tokyo	134	139		10,833	6.4	57	7.5
Restaurant Morinaga (Bella Bella, Obuntei)	Multi	Tokyo	135	206		10,743		120	
Eitaro	Multi	Aichi	136	124		10,580	-7.4	64	4.9
Atable Matsuya	Multi	Tokyo	137	130		10,567	-3.4	49	4.3
Restaurant Niko	Western	Tokyo	138	115		10,332	-17.9	98	1.0
Ramla (Nihonbashi Tei, Toburo, Torigen)	Tavern	Tokyo	139	170		10,200	29.3	44	29.4
York Busan (Popo)	Multi	Tokyo	140	146		10,190	7.8	121	4.3
BR 31 Icecream	Icecream	Tokyo	141	142		10,063	1.4	322	-0.9
JR East Japan Restaurant	Multi	Tokyo	142	148		10,011	7.6	82	6.5
Koichian	Sushi (Fast food)	Osaka	143	133		10,000	-5.4	164	0.0
Odakyu Restaurant Systems	Multi	Tokyo	144	137		9,939	-3.4	103	2.0
Heisei Food Service(Hamacho)	Japanese	Kanagawa	145	157		9,900	14.5	34	6.3
Hachiban	Noodle-Ramen	Ishigawa	146	141		9,861	-2.1	173	1.2
Torona Japan(Chicago Pizza Factory)	Pizza	Osaka	147	126		9,852	-11.4	213	-16.8
Wenco Japan (Wendy's)	Hamburger	Tokyo	148	145		9,764	1.3	89	6.0
Shinseien	Multi	Tokyo	149	125		9,718	-13.0	24	0.0
Fujiya Hotel	Hotel	Kanagawa	150	144		9,686	-0.4		
Juraku	Multi	Tokyo	151	150		9,684	4.9	44	4.8
Yakinikuya Sakai	Yakiniku	Gifu	152	197		9,531	46.8	78	36.8
Strawberry Cones - pizza and icecream	Pizza	Miyagi	153	159		9,530	12.1	160	8.1
Hirai	Bento,onigiri	Kumamoto	154	151		9,410	2.1	65	8.3
Tomato and Assoc. (Tomato & Onion)	Hamburger	Osaka	155	168		9,316	16.8	82	26.2
Zen Shoku	Institutional	Tokyo	156	161		9,281	12.4	423	7.9
Don (Steak no Don) Steak House	Western	Saitama	157	163		9,250	12.9	55	7.8
Jojoen	Yakiniku	Tokyo	158	166		9,200	13.6	29	7.4
Pao	Chinese	Yamaguchi	159	148		9,100	-2.2	106	-11.7

Ajiyoshi	Sushi	Kanagawa	160	201		9,000	45.7	164	26.2
Nakau	Gyudon	Osaka	161	202		8,962	48.1	111	40.5
Kokusai Hotel	Hotel	Kanagawa	162	138		8,791	-14.3		
Minokichi	Japanese	Kyoto	163	157		8,750	1.2	34	9.7
Human Life (Bento Man)	Bento	Aichi	164	156		8,651	-0.4	186	3.9
Ginhachi	Tavern	Kanagawa	165	155		8,630	-0.8	165	1.2
Ten Corporation (Tendon,Tenya)	Tendon	Tokyo	166	177		8,580	14.2	78	9.9
Isetan Petite Monde	Multi	Tokyo	167	147		8,550	-8.8	73	-6.4
Chimuni	Tavern	Tokyo	168	-		8,526		126	
Hotel East Japan	Hotel	Iwate	169	165		8,520	5.0		
Asakuma - Steak House	Western	Aichi	170	140		8,500	-16.1	82	-14.6
Nagashima Kanko Kaihatsu	Multi	Mie	171	179		8,480	13.8	60	13.2
Asahi Beer Systems	Tavern	Osaka	172	153		8,396	-4.3	63	8.6
Bashamichi (Bashamichi, Haikaratei, Modern Pasta)	Spagetti, Yakiniku	Saitama	173	186		8,377	16.7	58	13.7
Daruma	Multi	Aichi	174	162		8,097	-1.7	108	0.0
Heichinrou	Chinese	Kanagawa	175	173		8,080	4.8	14	0.0
Shin Hankyu Hotel	Hotel	Osaka	176	171		8,076	3.2		
Mikasa Kaikan	Western	Tokyo	177	160		7,900	-6.4	21	-4.5
Tokujyu	Multi	Tokyo	177	167		7,900	-1.5	32	0.0
Japan View Hotel	Hotel	Tokyo	179	193		7,769	17.1		
Kazokutei	Noodle-Soba	Osaka	180	174		7,642	-0.8	72	2.9
Pietro (Italian, Spagetti)	Western/Italian	Fukuoka	181	291		7,638		74	
Magarida Shoten (Tonkatsu KYK)	Tonkatsu	Osaka	182	164		7,592	-6.6	70	-4.1
Hamakatsu	Tonkatsu	Nagasaki	183	180		7,572	2.2	58	1.8
Mabuchi Shoji (Nihonbashi Edo)	Institutional	Tokyo	184	175		7,567	-0.3	378	-1.3
Korakuen (Aizu-po, Kiden)	Noodle-Ramen	Fukushima	185	189		7,480	9.4	88	8.6
Royal Park Hotel	Hotel	Tokyo	186	169		7,474	-5.4		

Tokyo RB Shoji	Multi	Tokyo	187	172		7,390	-5.0	56	-1.8
Toku Toku	Noodle-Udon	Osaka	188	191		7,389	8.6	134	2.3
Nissho Food Systems	Western	Fukuoka	189	188		7,324	5.5	78	11.4
Sanwa Sangyo	Tavern	Tokyo	190	181		7,300	0.4	34	3.0
Kobe Port View Hotel	Hotel	Hyogo	191	176		7,257	-3.5		
Kita Kata (Aizu Kitakata Ramen)	Noodle-Ramen	Nigata	192			7,000		70	
Miyoshino Honten	Bento	Okayama	193	184		6,981	-3.7	11	-8.3
Happoen	Banquet Hall	Tokyo	194	154		6,851	-21.6	1	0.0
Red Lobster Japan - Seafood	Western Family	Tokyo	195	182		6,797	-6.4	37	-7.5
Hotel Tokyu (Pacific Meridian)	Hotel	Tokyo	196			6,661			
Apple Grimm	Western	Nagano	197	182		6,650	-8.4	47	2.2
Art Coffee	Cafe,restaurant	Tokyo	198	190		6,514	-4.6	94	3.1
J and C (Julianne, Jutokuya, Sakanaichiba)	Tavern	Kumamoto	199	199		6,300	0.0	41	5.1
Nihon Subway	Western FF	Tokyo	200	187		6,245	-11.6	129	-13.4

* % Change from previous year.

Source: Nihon Keizai Shimbun,Nikkei Ryutsu Shimbun: Translated and compiled by NCI& Assoc.

Table J: Japanese Retail Sales Ranking 1998

99	98	Store	Type	Head Office	Sales 1999	Sales 1998	No. Stores
1	1	Daiei	Supermarket	Hyogo	2,342,643	2,470,191	346
2	2	Ito Yokado	Supermarket	Tokyo	1,563,338	1,547,594	169
3	3	Jusco	Supermarket	Chiba	1,314,363	1,254,935	281
4	4	MyCal	Supermarket	Osaka	1,149,514	1,135,251	128
5	5	Takashimaya	Department	Osaka	1,053,288	1,097,505	19
6	6	Seiyu	Supermarket	Tokyo	952,633	998,140	189
7	7	Uni	Supermarket	Aichi	789,125	747,981	142
8	8	Mitsukoshi	Department	Tokyo	684,811	733,982	14
9	9	Seibu	Department	Tokyo	586,429	628,448	21
10	10	Marui	Credit Sales	Tokyo	509,845	508,817	31
11	11	Daimaru	Department	Osaka	471,132	506,454	7
12	12	Isetan	Department	Tokyo	418,928	432,028	7
13	13	Matsuzakaya	Department	Nagoya	391,027	421,986	10
14	14	Izumiya	Supermarket	Osaka	374,751	382,520	79
15	15	Kobe Coop	Cooperative	Kobe	360,720	370,056	179
16	21	Life Corporation	Supermarket	Osaka	357,792	294,370	171
17	17	Maruetsu	Supermarket	Tokyo	323,850	318,907	186
18	16	Nagasakiya	Supermarket	Tokyo	314,464	344,143	95
19	19	Hankyu Depart. Store	Department	Osaka	303,430	308,649	7
20	24	Seven-Eleven Japan	Convenience	Tokyo	297,992	277,185	7732
21	20	Kintestu Depart. Store	Department	Osaka	297,869	301,426	9
22	18	Tokyu Depart. Store	Department	Tokyo	295,807	315,784	5
23	23	Heiwado	Supermarket		295,272	287,009	82
24	22	Tokyu Store	Supermarket	Tokyo	284,733	294,134	90
25	27	Izumi	Supermarket	Hiroshima	275,424	263,245	79
26	26	Yoku Benimaru	Supermarket		269,162	265,541	83
27	25	Kotobukiya	Supermarket	Kumamoto	260,149	265,852	136
28	28	Fuji	Supermarket	Matsuyama	226,940	213,269	59
29	29	Tobu	Department	Tokyo	201,686	209,886	2
30	31	Chain Store Okuwa	Supermarket	Wakayama	198,183	184,579	85
31	32	Inageya	Supermarket	Tachikawa	187,733	184,438	124
32	30	Odakyu Depart. Store	Department	Tokyo	184,391	195,375	2
33	36	Matsumoto Kiyoshi	Supermarket	Chiba	176,728	149,717	383
34	35	Sapporo Coop	Cooperative	Sapporo	154,937	157,696	96
35	33	Sogo	Department	Osaka	154,441	168,384	3

36	34	Daikuma	Supermarket		150,064	158,261	28
37	37	Kasumi	Supermarket		147,994	146,435	95
38	39	Nagoya Mitsukoshi	Department	Nagoya	141,633	144,520	4
39	38	Yokohama Sogo	Department	Yokohama	140,345	145,512	1
40	43	Olympic	Supermarket	Tachikawa	139,047	128,670	40
41	44	Family Mart	Convenience	Tokyo	137,903	126,514	4398
42	41	Kanagawa Coop	Cooperative	Yokohama	134,241	133,375	137
43	42	Daimaru Peacock	Supermarket		132,609	128,989	61
44	46	Tenmaya	Department	Okayama	131,246	123,968	7
45	49	Summit	Supermarket	Tokyo	131,008	122,007	70
46	47	Tokyo Coop	Cooperative	Tokyo	130,148	123,379	83
47	50	U Store	Supermarket	Nagoya	128,007	120,266	46
48	40	Maruimai	Department	Sapporo	123,484	135,714	7
49	48	Ogiya Jusco	Supermarket	Chiba	122,114	122,994	22
50	55	Marunaka	Supermarket	Takamatsu	121,566	111,821	93
51	45	Keio Department Store	Department	Tokyo	120,672	124,373	2
52	56	Yamanaka	Supermarket	Nagoya	120,019	111,804	65
53	52	Yoku Mart	Supermarket	Tokyo	118,021	114,903	59
54	58	Taiyo	Supermarket		117,009	110,010	86
55	67	Bag Kimisawa	Supermarket		115,049	96,812	180
56	51	Sotetsu Rosen	Supermarket	Yokohama	114,503	119,255	72
57	96	Sun Live	Supermarket	Fukuoka	111,401	68,663	84
58	53	Tobu Store	Supermarket	Tokyo	109,791	114,752	55
59	57	Hanshin	Department	Osaka	109,282	111,093	7
60	63	MyCal Hokkaido	Supermarket	Sapporo	107,471	99,865	17
61	54	Maruhiro Depart Store	Department		106,000	113,000	10
62	62	Miyagi Seikyo	Cooperative	Miyagi	101,262	99,921	42
63	69	Kansai Supermarket	Supermarket		101,141	94,807	43
64	65	Saitama Coop	Cooperative		101,133	97,438	57
65	59	Daiwa	Department	Kanazawa	100,018	104,790	7
66	60	Shin Chiba Sogo	Department	Chiba	99,543	101,172	1
67	66	Sanwa	Supermarket	Tokyo	98,948	97,014	34
68	61	Marukyo	Supermarket		98,644	100,358	98
69	64	Fuji CTO	Supermarket		97,242	99,676	44
70	70	Niko Nikodo	Supermarket	Kumamoto	94,152	94,157	50
71	68	Hiroshima Sogo	Department	Hiroshima	92,382	95,357	1
72	74	Meitetsu	Department	Nagoya	91,958	85,291	1
73	72	Iwataya	Department	Fukuoka	91,787	92,720	1
74	71	Tenmaya Store	Supermarket	Okayama	87,917	93,932	23
75	83	Baro	Supermarket		85,537	76,827	69
76	82	Tori Sen	Supermarket		84,639	78,377	66
77	73	Matsuya	Department	Tokyo	84,282	89,706	2
78	76	Daku Vivre	Department	Miyagi	84,074	84,723	8
79	75	Shinshu Jusco	Supermarket	Nagano	82,997	85,252	68
80	78	MyCal Tohoku	Supermarket	Aichi	82,013	81,666	18
81	89	Nafuco Kanie	Supermaket	Miyagi	81,521	70,445	34
82	86	Raruzu	Supermarket	Sapporo	81,203	72,805	42

83	79	Commodity Iida	Supermarket	Tokyo	79,789	80,387	54
84	77	Beshiya	Supermarket		79,736	83,974	42
85	87	Sunei	Supermarket		78,416	72,212	57
86	80	Odakyu Shoji	Supermarket	Tokyo	77,889	79,639	51
87	90	Kyushu Jusco	Supermarket	Fukuoka	77,887	70,271	18
88	98	Circle K Japan	Convenience	Aichi	76,701	68,382	2289
89	94	Yaoko	Supermarket	Saitama	74,901	69,231	45
90	84	Tokiwa	Department		73,689	76,605	2
91	81	Kinsho Store	Supermarket	Osaka	73,473	78,636	63
92	92	Well mart	Supermarket	Hyogo	72,310	69,532	82
93	85	Hakata Daimaru	Department	Fukuoka	72,130	75,598	1
94	91	Kintetsu Pare	Supermarket	Nagoya	71,907	70,242	36
95	95	S S V	Supermarket	Nagano	71,282	69,042	55
96	88	Tsuruya Depart Store	Department	Kumamoto	69,562	71,864	1
97	97	Itoya	Department	Kita Kyushu	68,830	68,514	3
98	105	Chiba Coop	Cooperative	Chiba	67,716	63,286	26
99	93	Kyoto Seikyo	Cooperative	Kyoto	67,283	69,369	30
100	100	Sunny Mart	Supermarket		65,200	65,800	23
101	107	Matsuden Shoji	Supermarket	Matsumoto	64,675	61,600	46
102	99	Yamagataya	Department	Tattori	64,670	66,899	1
103	102	Sunny	Supermarket	Fukuoka	63,397	64,589	58
104	106	Toyota Seikyo	Cooperative		62,842	62,410	29
105	101	Saikaya	Department	Kawasaki	62,054	65,502	4
106	111	Yamazawa	Supermarket	Yamagata	59,965	59,184	43
107	103	Robinson Japan	Department	Saitama	59,180	64,219	3
108	109	F Coop	Cooperative	Fukuoka	58,653	59,884	17
109	108	Maruwa	Supermarket	Fukuoka	57,816	60,445	56
110	114	Hokuriku Jusco	Supermarket	Ishikawa	57,240	56,876	19
111	104	Maruei	Department	Nagoya	56,824	63,313	1
112	115	MyCal Kyushu	Supermarket	Fukuoka	54,359	56,748	12
113	110	Hello Foods	Supermarket	Aichi	53,916	59,458	34
114	116	Osaka Izumi Shimin Seikyo	Cooperative	Osaka	52,236	54,686	26
115	118	Keisei Store	Supermarket	Tokyo	52,202	52,471	30
116	117	Marukyu	Supermarket	Gifu	51,780	53,282	74
117	112	Kinkado	Supermarket	Tokyo	49,850	57,278	15
118	121	Kyoei	Supermarket	Tattori	49,406	50,027	60
119	119	Fukuya	Department	Hiroshima	47,776	51,343	1
120	120	Jyujiya	Supermarket	Tokyo	47,244	51,336	16
121	113	Kyoto Kintetsu	Department	Kyoto	47,191	57,014	2
122	122	Grand Tamakoshi	Supermarket	Ichinomiya	45,088	48,219	24

* Unit = 1 Million Yen

Source: Shokuhin Shimbun, Translated by NCI & Assoc.

Table L: Japanese Supermarket Sales Ranking, 1998

Ranking			Store	Head	Sales*		Change	%	No.
98	97	89		Office	1998	1997		Change	Stores
1	1	1	Daiei	Hyogo	2,342,643	2,470,191	-127,548	-5.16	346
2	2	2	Ito Yokado	Tokyo	1,563,338	1,547,594	15,744	1.02	169
3	3	4	Jusco	Chiba	1,314,363	1,254,935	59,428	4.74	281
4	4	5	MyCal	Osaka	1,149,514	1,135,251	14,263	1.26	128
5	5	3	Seiyu	Tokyo	952,633	998,140	-45,507	-4.56	189
6	6	6	Uny	Aichi	789,125	747,981	41,144	5.50	142
7	7	8	Izumiya	Osaka	374,751	382,520	-7,769	-2.03	79
8	10	15	Life Corporation	Osaka	357,792	294,370	63,422	21.54	171
9	9	11	Maruetsu	Tokyo	323,850	318,907	4,943	1.55	186
10	8	7	Nagasakiya	Tokyo	314,464	344,143	-29,679	-8.62	95
11	12	14	Heiwado	Hikone	295,272	287,009	8,263	2.88	82
12	11	13	Tokyu Store	Tokyo	284,733	294,134	-9,401	-3.20	90
13	15	21	Izumi	Hiroshima	275,424	263,245	12,179	4.63	79
14	14	17	Yoku Benimaru	Koriyama	269,162	265,541	3,621	1.36	83
15	13	10	Kotobukiya	Kumamoto	260,149	265,852	-5,703	-2.15	136
16	16	18	Fuji	Matsuyama	226,940	213,269	13,671	6.41	59
17	17	24	Chain Store Okuwa	Wakayama	198,183	184,579	13,604	7.37	85
18	18	16	Inageya	Tachikawa	187,733	184,438	3,295	1.79	124
19	20		Matsumoto Kiyoshi	Chiba	176,728	149,717	27,011	18.04	383
20	19		Daikuma	Hiratsuka	150,064	158,261	-8,197	-5.18	28
21	21		Kasumi	Tsuchiura	147,994	146,435	1,559	1.06	95
22	23		Olympic	Tachikawa	139,047	128,670	10,377	8.06	40
23	22	23	Daimaru Peacock	Suita	132,609	128,989	3,620	2.81	61
24	25		Summit	Tokyo	131,008	122,007	9,001	7.38	70
25	26		U Store	Nagoya	128,007	120,266	7,741	6.44	46
26	24		Ogiya Jusco	Chiba	122,114	122,994	-880	-0.72	22
27	30		Marunaka	Takamatsu	121,566	111,821	9,745	8.71	93
28	31		Yamanaka	Nagoya	120,019	111,804	8,215	7.35	65
29	28		Yoku Mart	Tokyo	118,021	114,903	3,118	2.71	59
30	32		Taiyo	Kagoshima	117,009	110,010	6,999	6.36	86
31	37		Bag Kimisawa	Shizuoka	115,049	96,812	18,237	18.84	180
32	27	25	Sotetsu Rosen	Yokohama	114,503	119,255	-4,752	-3.98	72
33	56		Sun Live	Fukuoka	111,401	68,663	42,738	62.24	84
34	29	22	Tobu Store	Tokyo	109,791	114,752	-4,961	-4.32	55
35	34		MyCal Hokkaido	Sapporo	107,471	99,865	7,606	7.62	17
36	38		Kansai Supermarket	Itami	101,141	94,807	6,334	6.68	43
37	36		Sanwa	Tokyo	98,948	97,014	1,934	1.99	34

38	33		Marukyo	Onogi	98,644	100,358	-1,714	-1.71	98
39	35		Fuji CTO	Yokohama	97,242	99,676	-2,434	-2.44	44
40	39		Niko Nikodo	Kumamoto	94,152	94,157	-5	-0.01	50
41	40		Tenmaya Store	Okayama	87,917	93,932	-6,015	-6.40	23
42	48		Baro	Gifu	85,537	76,827	8,710	11.34	69
43	47		Tori Sen	Tatebayashi	84,639	78,377	6,262	7.99	66
44	41		Shinshu Jusco	Nagano	82,997	85,252	-2,255	-2.65	68
45	43		MyCal Tohoku	Aichi	82,013	81,666	347	0.42	18
46	49		Raruzu	Sapporo	81,203	72,805	8,398	11.53	42
47	44		Commodity Iida	Tokyo	79,789	80,387	-598	-0.74	54
48	42		Beshiya	Gunma	79,736	83,974	-4,238	-5.05	42
49	50		Sanei	Okinawa	78,416	72,212	6,204	8.59	57
50	45		Odakyu Shoji	Tokyo	77,889	79,639	-1,750	-2.20	51
51	51		Kyushu Jusco	Fukuoka	77,887	70,271	7,616	10.84	18
52	54		Yaoko	Saitama	74,901	69,231	5,670	8.19	45
53	46		Kinsho Store	Osaka	73,473	78,636	-5,163	-6.57	63
54	53		Well mart	Hyogo	72,310	69,532	2,778	4.00	82
55	52		Kintetsu Pare	Nagoya	71,907	70,242	1,665	2.37	36
56	55		S S V	Nagano	71,282	69,042	2,240	3.24	55
57	57		Sunny Mart	Kochi	65,200	65,800	-600	-0.91	23
58	59		Matsuden Shoji	Matsumoto	64,675	61,600	3,075	4.99	46
59	58		Sunny	Fukuoka	63,397	64,589	-1,192	-1.85	58
60	62		Yamazawa	Yamagata	59,965	59,184	781	1.32	43
61	60		Maruwa	Fukuoka	57,816	60,445	-2,629	-4.35	56
62	64		Hokuriku Jusco	Ishikawa	57,240	56,876	364	0.64	19
63	65		MyCal Kyushu	Fukuoka	54,359	56,748	-2,389	-4.21	12
64	61		Hello Foods	Aichi	53,916	59,458	-5,542	-9.32	34
65	67		Keisei Store	Tokyo	52,202	52,471	-269	-0.51	30
66	66		Marukyu	Gifu	51,780	53,282	-1,502	-2.82	74
67	63		Kinkado	Tokyo	49,850	57,278	-7,428	-12.97	15
68	69		Kyoei	Tattori	49,406	50,027	-621	-1.24	60
69	68		Jyujiya	Tokyo	47,244	51,336	-4,092	-7.97	16
70	70		Grand Tamakoshi	Ichinomiya	45,088	48,219	-3,131	-6.49	24

* Unit = 1 Million Yen

Source: Shokuhin Shimbun, Translated and compiled by NCI & Assoc.

Table M: Japanese Wholesalers Ranking, 1998

98	97	Company	Head Office	Sales* 1998	Sales* 1997	Profit* 1998	Profit* 1997
1	1	Kokubu	Tokyo	9,073.0	8,583.6	2,009.0	1,701.0
2	2	Yukijirushi Access	Tokyo	7,129.5	7,009.5	213.0	68.0
3	3	Ryoshoku	Tokyo	6,140.0	6,015.6	2,807.0	2,627.0
4	4	Meijiya	Tokyo	4,927.0	5,015.0	-371.0	93.0
5	5	Itochu Shokuhin	Osaka	4,680.3	4,641.1	2,471.0	2,300.0
6	6	Nippon Shurui Hanbai	Tokyo	3,739.9	3,674.6	755.0	795.0
7	7	Kato Sangyo	Nishinomiya	3,690.5	3,558.5	1,814.0	1,330.0
8	8	Asahi Shokuhin	Kochi	2,830.8	2,609.8	502.0	452.0
9	9	Koami	Tokyo	2,605.2	2,596.6	30.0	11.0
10	10	Sanyuu Shokuhin	Tokyo	2,365.6	2,166.0	-	-
11	11	Yamae Hisano	Fukaoka	2,133.8	2,072.3	1,186.0	1,133.0
12	19	Nakaizumi	Tokyo	1,725.8	1,484.5	-778.0	315.0
13	17	Nishino Trading Co.	Tokyo	1,702.0	1,524.9	720.0	415.0
14	12	Maruichi Sangyo	Nagano	1,675.1	1,635.9	524.0	269.0
15	14	Yamaboshiya	Osaka	1,672.0	1,609.9	-	-
16	13	Nishino Shoji	Kobe	1,667.0	1,627.0	-	-
17	15	Sunes	Tokyo	1,618.0	1,577.9	-	-
18	16	Sato	Koriyama	1,500.5	1,532.6	705.0	683.0
19	18	Yukiwa	Tokyo	1,488.6	1,515.6	-	-
20	20	Fujisan Shokai	Kyoto	1,386.9	1,449.2	73.0	48.0
21	21	Saihara	Osaka	1,344.4	1,284.6	-	-
22	22	Takayama	Tokyo	1,300.0	1,267.6	-	-
23	25	Tokan	Nagoya	1,237.9	1,195.7	609.0	417.0
24	24	Kanakan	Kanazawa	1,237.0	1,216.1	-	-
25	23	Hiroya	Tokyo	1,183.8	1,234.0	95.0	118.0
26	27	Toho	Kobe	1,154.0	1,083.0	886.4	504.0
27	26	Yuasa Funashoku	Funabashi	1,106.5	1,119.2	440.0	-597.0
28	31	Aichi Shokuniku Oroshirui Shijo Kyodokumiai	Nagoya	1,101.1	940.0	-	-
29	28	Hokkaido Shurui Hanbai	Sapporo	1,044.5	1,000.3	41.0	23.0
30	29	Umezawa	Nagoya	1,021.9	998.8	-	-
31	30	Hokku Shuren	Sapporo	924.5	940.7	110.0	
32	32	Showa	Nagoya	888.6	867.3	-	-
33	33	Iida	Yao	878.3	865.3	-	-
34	34	Matsuski	Tokyo	827.9	841.2	-265.0	56.0
35	35	Toa Shoji	Tokyo	800.3	742.0	890.9	-
36	36	Nisho Iwai Shokuryo	Tokyo	781.0	720.6	-	-
37	37	Takase Trading	Tokyo	723.5	714.3	-	-
38	38	Goshoku	Kobe	679.3	699.2	218.5	
39	39	Marumizu Nagano Kensui	Matsumoto	678.4	683.7	86.0	61.0
40	41	Izumic	Nagoya	675.0	660.0	-	-
41	42	Shosan Shoji	Tokyo	642.0	644.5	80.0	55.0

42	40	Zenkoku Nogyo Chokuhan	Tokyo	632.9	661.8	0.6	-83.0
43	43	Nihon Matai	Tokyo	631.4	630.3	-	-
44	46	Marudai Horiuchi	Aomori	613.0	581.2	-	81.0
45	45	Sanyodo	Tokyo	602.0	602.0	120.8	120.0
46	44	Shoei Shokuhin Kogyo	Tokyo	588.1	607.4	449.2	409.0
47	47	Hasegawa	Tokyo	577.7	569.1	232.9	319.0
48	48	Nishino Kinryo	Takamatsu	556.1	566.2	56.5	51.0
49	50	Nakano-ken Shurui Hanbai	Nagano	537.2	537.0	274.0	341.0
50	49	Marubeni Shokuryo	Tokyo	532.0	542.0	-	-
51	52	Yaguchi	Tokyo	530.7	509.3	-	-
52	53	Nakajima Tsuda Shoten	Tokyo	523.3	508.2	272.7	374.0
53	54	Tanekiyo	Nagoya	505.3	491.7	375.7	-
54	51	Kogetsu Sangyo	Kita Kyushu	501.7	518.2	-	-
55	57	Tokyo Meihan	Tokyo	486.4	462.0	132.0	-
56	56	Nigata-ken Shurui	Maebashi	483.4	473.2	104.0	122.0
57	58	Shikokuya	Tokyo	480.0	455.0	-	-
58	61	Yatani Shurui	Osaka	470.2	419.3	-	-
59	59	Chiba-ken Shurui	Chiba	455.9	454.8	117.0	125.0
60	60	Fukushimaken Minami Shurui	Koriyama	430.8	422.9	186.0	252.0
61	70	Kitakanto Kokubu	Oyama	427.7	364.1	-	-
62	62	Gumna-ken Oroshi Shuhan	Urawa	410.4	411.2	-0.4	0.2
63	65	Tajimaya	Tokyo	407.0	397.0	-	-
64	66	Shojikiya	Nagoya	405.0	394.9	31.0	42.0
65	63	Kontatsu	Tokyo	404.8	406.6	63.0	-
66	68	Fujitoku Busan	Kurashiki	396.0	380.5	-	-
67	69	Tohoku Kokubu	Sendai	390.7	380.3	419.0	334.0
68	67	Tezuka Sangyo	Osaka	389.1	394.5	83.0	79.0
69	72	Tanaka	Kawasaki	388.9	362.9	-	-
70	55	Furuya	Sapporo	387.6	479.5	256.0	-
71	64	Meikyu	Nagoya	377.8	402.9	372.0	369.0
72	75	Eco Trading	Nishinomiya	366.9	340.9	77.2	83.0
73	71	Kanetomi Shoji	Osaka	364.8	363.2	173.0	-
74	74	Kanto Ryoshoku	Usunomiya	362.0	354.8	-	-
75	76	Sekico Shoji	Kobe	359.9	333.2	-	-
76	73	Sato Shoji	Sendai	359.3	355.8	554.0	604.0
77		Sugino Shoji	Kumagawa	341.7	331.2		
78		Minami Kyushu Shurui	Kagoshima	334.4	318.7		
79		Yoshimi Shoji		332.1	341.3		
80		Yamagata Marugyo	Yamagata	324.6	341.3	33.0	104.0

* Unit = 1 Million Yen

Source: Shokuhin Shimbun, Translated by NCI & Assoc.

Table N: Japanese Manufacturers and Processors Ranking, 1998

Manufacturers

98	97	Company Name	Main product	Head Office	Sales* 1998	Sales* 1997	Profits* 1998
1	1	Kirin Beer	Beer,drinks	Tokyo	11,478.1	12,056.4	246.17
2	2	Asahi Beer	Beer,drinks	Tokyo	10,283.9	9,721.2	88.11
3	3	Suntory	Liquor	Osaka	8,146.7	7,898.8	68.60
4	5	Nippon Ham	Processed meat	Osaka	6,121.9	5,980.5	96.52
5	4	Ajinomoto	Spices	Tokyo	6,109.7	6,131.0	112.80
6	7	Yamazaki Bakery	Bread products	Tokyo	5,919.5	5,820.3	73.65
7	8	Snowbrand Dairy	Dairy products	Tokyo	5,605.7	5,605.7	48.15
8	6	Sapporo Beer	Beer,drinks	Tokyo	5,360.5	5,898.1	-63.35
9	9	Toyo Seikan	Sweets	Tokyo	4,680.5	4,913.7	119.96
10	10	Meji Dairy	Dairy products	Tokyo	4,623.5	4,623.5	21.64
11	12	Itoh Ham	Processed meat	Nishimiya	4,195.2	4,251.9	20.42
12	13	Morinaga Dairy	Dairy products	Tokyo	4,182.3	4,182.3	24.78
13	11	Nichirei	Frozen food, seafood	Tokyo	4,075.3	4,288.8	-45.69
14	18	Suntory Foods	Food and Beverages	Tokyo	3,594.6	3,043.4	29.76
15	14	Maruha	Seafood, processed food	Tokyo	3,567.9	4,106.9	12.36
16	15	Nihon Suisan	Seafood	Tokyo	3,421.3	3,592.3	20.11
17	17	Nishin Seifun	Floor mill	Tokyo	3,232.3	3,327.2	
17	16	Kyowa Hakkou	Seasoning, wine	Tokyo	3,232.2	3,359.9	94.87
19	21	Kyupi	Sauces	Tokyo	2,587.5	2,562.1	47.20
20	22	Meiji Seika	Sweets and foods	Tokyo	2,569.5	2,533.1	34.24
21	19	Prima Ham	Processed meats	Tokyo	2,517.2	2,714.8	3.00
22	23	Nestle Japan Group	Multi	Kobe	2,483.0	2,441.0	129.00
23	25	Kirin Beverages	Beverages	Tokyo	2,433.8	2,358.5	28.50
24	20	Daiwa Seikan	Sweets	Tokyo	2,398.2	2,577.4	31.21
25	24	Nishin Shokuhin	Noodles	Osaka	2,376.6	2,370.5	112.60
26	32	Asahi Beverages	Beverages	Tokyo	2,292.7	1,987.0	16.68
27	26	Lotte	Sweets	Tokyo	2,270.0	2,305.0	
28	28	Rengo	Packaging	Osaka	2,199.0	2,265.7	16.14
29	27	Marudai Foods	Processed meats	Osaka	2,168.5	2,300.8	-13.50
30	29	Toyo Suisan	Fishery, noodle	Tokyo	2,057.0	2,156.5	26.33
31	31	Starzen	Processed meats	Tokyo	2,024.9	2,006.1	8.41
32	33	UCC	Beverages	Kobe	1,947.0	1,962.9	1.39
33	30	Otsuka Seiyaku	Beverages	Tokyo	1,899.2	2,064.0	
34	35	House Foods	Spices	Osaka	1,766.0	1,766.0	67.89
35	36	Nichiro	Frozen food,fish	Tokyo	1,763.2	1,747.1	9.23
36	37	Katokichi	Frozen food,	Kannonji	1,754.7	1,686.3	14.00
37	34	Takara Shuzo	Brewery	Kyoto	1,751.7	1,802.0	38.55
38	38	Nihon Seifun	Flour mil	Tokyo	1,662.3	1,652.8	16.05
39	39	Kinki Coca Cola	Beverages	Settsu	1,591.1	1,574.2	35.71
40	47	Itoen	Beverages	Tokyo	1,540.0	1,347.0	54.44
41	42	Yakult	Beverages	Tokyo	1,525.9	1,498.6	118.33
42	45	Kikkoman	Spices	Noda	1,447.0	1,408.0	20.28
43	41	Morinaga Seika	Sweets	Tokyo	1,431.0	1,504.6	19.24

44	46	Tokyo Coca Cola	Beverages	Tokyo	1,401.0	1,380.0	
45	44	Showa Sangyo	Flour,oil	Tokyo	1,392.4	1,451.9	-11.6
46	40	Kyokuyoriya	Fishery,canning	Tokyo	1,377.3	1,510.8	3.00
47	43	Ezaki Gulico	Sweets	Osaka	1,363.4	1,480.3	22.96
48	48	Daido Drink	Beverages	Osaka	1,352.8	1,297.2	13.04
49	52	Mistukan Group	Spices	Handa	1,327.0	1,073.0	
50	50	Shikishima Bakery	Bakery	Nagoya	1,267.3	1,262.0	11.20
51	51	Mikuni Coca Cola	Beverages	Okegawa	1,246.0	1,247.1	55.09
52	49	Nishin Seiyu	Oil	Tokyo	1,181.6	1,295.0	-29.40
53	54	Kagome	Spices	Nagoya	1,088.4	1,048.0	13.96
54	63	Merchan	Brewery	Tokyo	1,080.6	968.3	5.60
55	56	Yotsuba Nyugo	Dairy	Tokyo	1,035.0	1,030.7	8.00
56	55	Snowbrand Foods	Processed meat,food	Sapporo	1,028.4	1,042.1	1.28
57	60	Kita Kyushu Coca Cola	Beverages	Fukuoka	1,025.2	980.9	55.75
58	61	Calpis	Beverages	Tokyo	991.4	979.6	9.50
59	62	Fuji Coca Cola	Beverages	Ebina	989.4	974.7	28.76
60	68	Calbee	Sweets	Tokyo	981.1	922.9	
61	58	Asahi Denka Kogyo	Food	Tokyo	977.0	1,014.8	10.73
62	53	Otsuka Kagaku	Beverages	Osaka	965.2	1,063.6	
63	57	Fujiya	Bakery	Tokyo	961.2	1,028.0	1.23
64	65	Tone Coca Cola	Beverages	Chiba	956.3	963.2	15.54
65	67	Fuji Seiyu	Oil	Osaka	955.4	925.0	22.19
66	66	S&B Shokuhin	Spices	Tokyo	944.0	938.8	4.11
67	71	Brubon	Sweets	Kashiwazaki	912.4	856.9	6.40
68	70	Chukyo Coca Cola	Beverages	Aichi	908.1	878.8	26.86
69	64	Nihon Nosan Kogyo	Beverages	Yokohama	907.6	967.9	6.16
70	59	Honnen Corporation	Oil	Tokyo	893.6	983.2	-2.03
71	73	Gulico Kyodo Nyugo	Dairy	Tokyo	881.8	832.0	17.70
72	69	Pokka Corporation	Beverages	Nagoya	862.6	907.7	-55.93
73	75	Minami Kyushu Coca Cola	Beverages	Kumamoto	850.0	816.4	30.00
74	79	Fuji Bakery	Bakery	Nagoya	798.8	753.9	15.40
75	77	Hokkai Seikan	Processed foods	Tokyo	790.2	794.1	3.00
76	82	Sanyo Foods	Spagetti	Maebashi	781.2	738.5	7.68
77	74	Ajinomoto General Foods	Foods	Tokyo	777.0	821.0	
78	78	Hagoromo Foods	Processed foods	Shimizu	767.7	764.3	9.64
79	83	Sanyo Coca Cola	Beverages	Hiroshima	761.0	732.7	27.54
80	80	Hokkaido Coca Cola	Beverages	Sapporo	748.1	752.2	28.14
81	81	Kibun Shokuhin	Foods	Tokyo	729.0	746.0	8.19
82	76	Hayashi Kane Sangyo	Fish	Shimonoseki	720.3	800.8	-44.98
83	87	Nagata Nien	Instant food	Tokyo	712.9	610.5	10.65
84	72	Hoko Suisan	Fish	Tokyo	712.0	835.0	-11.52
85	84	Kameda Seika	Rice cracker	Nigata	661.2	710.4	3.34
86	85	Kyodo Nyugyo	Dairy	Tokyo	622.8	660.3	0.19
87	86	Takasa Koryo	Additives	Tokyo	622.4	643.7	17.00
88	88	Riken Vitamin	Spices	Tokyo	604.0	597.5	19.87
89	90	Niken Kagaku	Additives	Tokyo	602.2	579.1	9.80
90	89	Mishinoku Coca Cola	Beverages	Iwate	578.7	581.1	10.96
91	91	Sendai Coca Cola	Beverages	Miyagi	578.4	578.6	14.16
92	98	Sapporo Beer Beverages	Beverages	Tokyo	559.4	508.8	
93	93	Sanei Gen FFI	Additives	Osaka	539.8	558.1	19.64

94	96	Myojo Shokuhin	Noodles	Tokyo	525.4	514.3	-37.40
95	94	Oriental Koubo Kogyo	Yeast	Tokyo	524.9	527.9	4.37
96	97	Kato Kagaku	Sugar	Aichi	520.9	513.8	
97	105	Kanemi Shokuhin	Delicatesen foods	Nagoya	509.0	452.5	
98	102	Nihon Shokuken	Spices	Imaji	503.2	470.0	19.90
99	92	Nikka Wiskey	Brewery	Tokyo	501.5	576.2	-1.44
100	99	Nihon Kansai Seto	Sugar	Tokyo	487.7	503.1	13.70
101	95	Nichiryo Bakery	Bakery	Sapporo	469.2	521.0	-39.67
102	101	Nihon Shokuhin Kako	Starch	Tokyo	469.1	492.2	5.66
103	102	Shikoku Coca Cola	Beverages	Kagawa	465.1	468.0	18.38
104	106	Key Coffee	Beverages	Tokyo	465.0	450.9	13.98
105	108	Stamina Shokuhin	Processed meats	Nishinomiya	459.7	443.2	7.00
106	110	Nishin Seto	Sugar	Tokyo	451.5	432.0	-234.80
107		Nihon Tobacco Sangyo	Food	Tokyo	451.0	153.0	
108	104	Nihon Corn Starch Co.	Starch	Nagoya	450.0	460.0	15.00
109	111	Daiichiya	Bakery	Tokyo	449.7	422.4	-13.50
110	109	Yamazaki Nabisco	Sweets	Tokyo	446.0	441.0	
111	103	Miyoshi Oil	Oil	Tokyo	439.2	465.9	2.80
112	116	Fuji Seal Co.	Packaging	Osaka	429.2	400.5	17.02
113	118	Fuji Co	Processed foods	Nishinomiya	422.4	395.8	21.93
114	112	Nakamuraya	Bakery	Tokyo	412.1	415.9	7.41
115	119	Ebara Shokuhin Kogyo	Spicess	Yokohama	406.3	393.0	

* Unit: 100 million yen

Source: Shokuhin Shimbun, translated by NCI&Assoc.

___Table O: Japanese Convenience Stores 1998 Sales Ranking

Company	Head office	Group	Ranking				1998 Sales	% *	No. Stores
			98	97	96	88	(Mil. Yen)		
Seven-Eleven Japan	Tokyo	Ito-yokado	1	1	1	1	1,848,147	6.2	7,732
Lawsons(Daei Convenience Store Systems)	Osaka	Daiei	2	2	2	2	1,157,181	5.8	7,016
Family Mart	Tokyo	Itochu	3	3	3	3	758,222	6.8	4,398
Circle K Japan	Aichi	Uny	4	5	5	6	406,769	6.9	2,289
Daily Yamazaki(Sun-stop)	Chiba	Yamazaki Bakery	5	4	4	4	381,127	-1.1	2,782
Sunkus and Associates	Tokyo		6	6	6	11	310,605	10.0	1,739
AM-PM Japan	Tokyo	Japan Energy	7	7	8		188,446	21.3	942
Mini Stop	Chiba	Jusco	8	8	7	18	172,856	12.4	1,104
Seicomart	Hokkaido		9	9	10	14	141,990		843
Kokubun Grocers Chain	Tokyo	Kokubun	10	10	9	8	106,932	1.5	656
Three F	Kanagawa	Fuji Citio	11	13	13		96,874	9.2	543
Coco Store	Aichi	Izumic	12	12	12	15	94,723	5.5	642
Popla	Hiroshima		13	14	14		94,153	14.7	657
Kasumi Convenience Network	Ibaraki	Kasumi	14	11	11	13	84,628	-9.3	664
Save On	Gunma	Iseya	15	15	15		64,572	-5.0	553
Mon Mart Store Systems	Tokyo		16	16		10	62,801	-1.1	474
Hiroya	Tokyo		17	17	16	16	45,550	1.2	416
I Family Mart	Fukuoka	Iwataya	18	18	18		42,816	12.6	295
Kyushu Chiki Spar	Kumamoto		19	19	17		27,800	-8.2	212
Minami Kyushu Family Mart	Kagoshima	Honbo	20	21	26		27,077	24.3	189
Kita Hokuriku Family Mart	Fukui	Youth	21	28	29		22,339	21.8	153
Timely	Gifu		22	22	22		22,030	3.6	154
Circle K North Japan	Aomori	Kameya Minami	23	20	19		21,230	-3.5	155
Ryutsu	Tokyo		24	26	23		19,372	3.0	166

Tohoku Spar	Iwate	Bell Center	25	24	21		19,180	-1.0	134
Gyro	Tokyo	Koami	26	23	25		19,046	-7.2	146
Matsuhaya FamilyMart	Nagasaki	Matsuhaya	27	29	27		18,743	13.7	125
Tsukinotomo (TGC Honbu)	Ibaragi		28	27	24		18,672	1.4	148
Higashi Kinki Chiiki Spar(Honbu)	Shiga		29	25			18,502	-3.8	131
Air Link	Chiba		30				17,760		148
JR Nishi Nihon Ritex	Osaka	West Japan Rail	31	30	28		17,344	12.9	96
Okinawa Family Mart	Okinawa	Ryubo	32	31	30		16,730	13.1	126
JR Higashi Nihon Convenience	Tokyo	East Japan Rail	33	32			15,695	14.6	72
Cosmos Japan	Chiba		34	35			13,818	35.3	102
Kotobukiya Convenience System	Kumamoto	Kotobukiya	35	37			13,500	42.1	94
Sunkus Nishi Saitama	Saitama		36				12,152		78
Sunkus Keihanna	Nara		37				11,966		75
Sunny Mart (Shikoku Spar)	Kochi		38	33	34		11,955	1.9	83
Keiji Seicomart	Shiga	Shiga Shuhan	39	36	32		10,855	7.3	71
Sankus Higashi Saitama	Saitama		40				10,304		67
Iino Retail	Chiba	Iino Kaiun	41	40	40		10,143	19.6	75
Hyogo Seicomart	Kyoto	Miyazaki Shoten	42	38	37		10,067	8.9	67
C V S Bay Area	Chiba		43				9,604		41
Tokyo Convenience System	Saitama		44	34	31		9,160	-13.6	61
Sankus NishiShikoku	Eihime		45				8,527		59
Saitama Seicomart	Saitama	Saitama Shurui Hanbai	46	39	36		8,380	-5.6	55
Eiko Sankus	Hokkaido		47				8,164		63
Sankus &Assoc. Higashi Shikoku	Kagawa		48				8,126		50
Sankus Tokai	Aichi		49				7,994		52
Kanto Convenience	Chiba		50				7,560		63

* % Change from previous year.

Source: Nihon Keizai Shimbun, Translated and comiled by NCI & Assoc.

Table P: Frozen Food Imports, 1998

Country	Volume Tones	% Change	Value 1 Million Yen
America	311,742	11.0	43,103
China	264,551	21.4	44,869
Canada	25,717	2.8	3,575
Taiwan	25,700	-8.2	5,908
New Zealand	25,199	-5.0	4,002
Thailand	24,606	11.2	5,596
Mexico	13,017	0.6	3,076
Chile	2,894	22.1	1,184
Australia	2,735	-22.3	373
Indonesia	2,235	24.3	466
Holland	2,171	29.1	451
Total	705,568	12.5	113,984

Source: Japan Frozen Food Association,
(MOF)

Table P(a): Frozen Food Imports by Country, 1994-98

	1994	1995	1996	1997	1998
America	216431	246213	267681	280782	311,742
China	161239	182805	213158	217965	264,551
Canada	18241	19611	22261	251010	25,717
Taiwan	41384	34278	29329	28005	25,700
New Zealand	27830	27814	23786	26528	25,199
Thailand	17361	17145	22230	22128	24,606
Mexico	8074	9109	10684	12933	13,017
Chile	1198	1763	2165	2371	2,894
Australia	2177	3146	5207	3519	2,735
Indonesia	480	1124	1821	1798	2,235
Other	6624	5421	5714	6203	7172
Total	501039	548429	6040369	627242	705568

Table R: Franchise Chains by No. Chains and Outlets and Annual Turnover, (March 1, 1999)

Retail Industries	No. of Chains		Change	No. Stores		Change	Turnover (Million Yen)		Growth
	1998	1997		1998	1997		1998	1997	%
Food stuffs Sub-total	52	50	2	8,112	7,206	906	377,885	328,280	15.1
Bakery and Confectionery	33	32	1	6,767	5,760	1,007	295,418	242,876	21.6
Prepared, processed foods	9	10	-1	1,075	1,156	-81	49,086	52,023	-5.6
Health and other foods	10	8	2	270	290	-20	33,381	33,381	0
Convenience Stores	56	53	3	36,265	33,940	2,325	6,188,250	5,858,893	5.6
Supermarkets	19	27	-8	2,084	1,896	188	756,212	651,306	16.1
Door to door delivery	46	36	10	3,505	3,364	141	739,604	353,185	109.4

Source: Japan Franchise Association

Table T: Food Service Franchise Chains by No. Chains and Outlets and Annual Turnover, (March 1,1999)

Food Service Industry	No. of Chains		Change	No. Stores		Change	Turnover (Million Yen)		Growth
	1998	1997		1998	1997		1998	1997	%
Total Food Services	368	371	-3	45,036	45,239	-200	3,382,146	3,350,791	0.09
Fast Food Sub-total	198	197	1	29,741	30,652	-911	1,930,187	1,962,451	-1.6
Sushi,Bento, Onigiri etc.	39	40	-1	9,645	10,101	-456	480,711	501,528	-4.2
Ramen, Gyoza	56	58	-2	7,329	7,260	69	302,371	302,194	0.1
Soba, Udon	12	12	0	639	689	-50	37,783	42,013	-10.1
Curry Rice, Gydon	25	23	2	1,841	1,677	164	168,862	149,692	12.8
Okonomiyaki	20	16	4	1,213	1,112	101	39,542	41,287	4.-2
Hamburgers, Sandwiches	19	20	-1	5,613	5,643	-30	607,883	587,699	3.4
Ice crea, Frozen Yogurt	11	10	1	785	979	-194	36,928	42,715	-13.5
Other Fast Food	16	18	-2	2,676	3,191	-515	256,107	295,323	-13.3
Family Restaurant Sub Total	101	106	-5	6,842	5,937	905	913,953	813,955	12.3
Japanese (Sushi,Soba)	17	25	-8	583	626	-43	85,334	82,357	3.6
Western (Steak,Pizza,Pasta)	39	42	-3	4,316	3,393	923	619,896	518,616	19.5
Chinese	9	11	-2	314	325	-11	22,495	25,471	-11.7
Other Family	36	28	8	1,629	1,593	36	186,228	187,511	-0.7
Japanese style pub	44	44	0	6,224	6,133	91	424,011	457,938	-7.4
Tea and Coffee Shops	22	21	1	2,068	2,370	-302	99,142	103,397	-4.1
Other Foodservice	3	3	0	164	147	17	14,853	13,050	13.8

Source: Japan Franchise Association

Table S: Franchise Chains Annual Turnover

Retail Industries	Turnover (Million Yen)					
	1998	1997	1996	1995	1994	1993
Food stuffs Sub-Total	377,885	328,280	412,377	352,113	352,900	336,660
Bakery and Confectionery	295,418	242,876	329,274	310,049	314,065	297,145
Prepared, processed foods	49,086	52,023	54,020	31,073	27,338	29,525
Health and other foods	33,381	33,381	29,083	10,991	11,497	9,990
Convenience Stores	6,188,250	5,858,893	5,198,308	4,844,236	4,502,722	3,898,854
Supermarkets	756,212	651,306	712,910	754,450	742,048	828,953
Door to door delivery	739,604	353,185	341,385	298,641	272,861	265,797

Source: Japan Franchise Association

Table T: Food Service Franchise Chains Annual Turnover

Food Service Industry	Turnover (Million Yen)					
	1998	1997	1996	1995	1994	1993
Total Food Services	3,382,146	3,350,791	3,124,300	2,915,451	2,810,669	2,712,999
Fast Food Sub-total	1,930,187	1,962,451	1,821,722	178,556	169,542	1,632,819
Sushi,Bento, Onigiri etc.	480,711	501,528	462,708	477,802	469,694	450,454
Ramen, Gyoza	302,371	302,194	295,920	273,602	265,191	246,842
Soba, Udon	37,783	42,013	39,733	35,309	34,555	29,802
Curry Rice, Gydon	168,862	149,692	121,252	110,985	107,524	105,406
Okonomiyaki	39,542	41,287	38,216	38,258	30,574	24,329
Hamburgers, Sandwiches	607,883	587,699	561,213	507,710	488,731	466,110
Ice crea, Frozen Yogurt	36,928	42,715	41,858	39,958	46,805	41,477
Other Fast Food	256,107	295,323	260,822	244,932	251,468	268,399
Family Restaurant Sub Total	913,953	813,955	758,284	693,741	620,513	609,422
Japanese (sushi,soba)	85,334	82,357	68,131	73,159	59,957	63,756
Western (Steak, Pizza,Pasta)	619,896	518,616	491,291	451,782	413,925	453,537
Chinese	22,495	25,471	21,505	16,012	13,874	14,996
Other Family	186,228	187,511	177,357	152,788	132,757	77,133
Japanese style pub	424,011	457,938	457,998	420,277	430,839	380,952
Tea and Coffee Shops	99,142	103,397	71,296	62,677	55,505	52,894
Other Foodservice	14,853	13,050	15,000	10,200	9,270	

Source: Japan Franchise Association

Table U: Food Ingredients Domestic Production and Imports

Unit: 1,000 Tons

Category	Domestic Production				Imports			
	1985	1990	1995	1997	1985	1990	1995	1997
Grains	12,940	11,825	11,434	10,816	27,108	29,502	27,702	28,327
Potatoes	5,254	4,954	4,546	4,525	200	534	683	707
Starch	2,101	2,577	2,744	2,913	130	167	108	120
Beans	424	198	284	281	5,202	5,415	5,126	5,364
Vegetables	16,455	14,773	14,608	14,344	866	1,921	2,628	2,384
Fruit	5,747	4,411	4,242	4,554	1,904	3,776	4,547	4,265
Meat	3,490	3,360	3,152	3,055	852	1,986	2,413	2,372
Eggs	2,160	2,601	2,549	2,570	39	99	110	104
Dairy Products	7,436	8,550	8,467	8,630	1,579	2,434	3,286	3,498
Fish	11,464	8,013	6,768	6,728	2,257	4,788	6,755	5,998
Seaweed	142	139	144	137	58	62	70	75
Sugar	2,953	2,703	2,719	2,590	1,823	1,668	1,730	1,714
Oils	2,986	2,110	2,074	2,142	422	635	722	733
Miso	658	603	573	572	0	0	3	3
Soy sauce	1,223	1,199	1,143	1,118	0	0	0	1
Other (incl. mushrooms)	3,336	3,294	3,225	3,266	224	1,100	1,065	1,024
Liquor	7,295	9,476	9,633	9,711	71	262	449	409

Source: MAFF

Table V: Number of Eating Establishments, Sales and Type of Restaurant by Region (1992)

Units: Million Yen/No. Of Shops

	Sales	Total	Restaurants (No. of shops)				Soba	Sushi	Coffee
	Million Yen	Shops	Total	Japanese	Western	Yakiniku			Shops
Total	13,135,001	477,048	241,028	41,368	27,150	17,307	37,564	44,974	115,143
Saitama	540,740	17,901	9,732	1,723	1,175	606	2,734	2,243	2,065
Chiba	517,921	15,902	9,273	1,540	1,211	590	1,799	2,105	1,973
Tokyo	2,750,660	60,313	33,561	8,496	5,493	1,947	6,287	6,855	10,651
Kanagawa	956,645	25,110	15,608	2,402	2,005	950	2,401	2,784	3,024
Sub-total	4,765,966	119,226	68,174	14,161	9,884	4,093	13,221	13,987	17,713
Osaka	1,336,236	49,527	18,610	3,177	2,159	1,885	2,961	3,950	17,896
Hyogo	615,499	26,130	10,010	1,792	1,198	919	1,464	1,920	8,845
Sub-total	1,951,735	75,657	28,620	4,969	3,357	2,804	4,425	5,870	26,741
Fukuoka	430,035	15,924	9,400	1,744	972	582	1,293	1,445	2,661
Saga	51,901	2,564	1,573	216	166	110	162	237	407
Nagasaki	93,598	4,434	2,703	235	278	123	208	578	658
Kumamoto	123,236	5,111	3,409	544	318	208	285	440	717
Oita	74,355	3,787	2,271	338	187	199	234	274	770
Miyazaki	69,205	3,615	2,195	282	242	189	298	317	642
Kagoshima	100,685	5,212	3,098	436	230	161	259	462	1,061
Sub-total	943,015	40,647	24,649	3,795	2,393	1,572	2,739	3,753	6,916

Source: MITI, Compiled by NCI & Assoc.

Table W: Establishments, Persons Engaged and Population by Prefecture, 1996-97

Unit:1000 people

Prefecture	Wholesale and retail trade, eating and drinking places* (1996)		Population (1997)**			
	Number of Establishments	Number Employed (1000)	Total	0--14 years old	15--64	65 & over
Japan	2831334	18248	126166	19366	87042	19758
Saitama	107836	744	6852	1066	5031	755
Chiba	92680	647	5852	882	4253	717
Tokyo	322570	2842	11808	1496	8639	1673
Kanagawa	135921	1010	8325	1212	6107	1007
	659007	5243	24512	3444	17923	3145
Osaka	237853	1719	8802	1301	6355	1146
Hyogo	116936	723	5433	851	3752	829
	493894	3256	14235	2152	10107	1975
Fukuoka	115914	763	4970	784	3400	786
Saga	20309	108	885	154	565	167
Nagasaki	36405	189	1536	258	986	291
Kumamoto	39115	225	1863	308	1191	365
Oita	29383	155	1229	192	793	245
Miyazaki	28521	147	1177	199	758	220
Kagoshima	41011	212	1792	301	1116	375
	310658	1799	13452	2196	8809	2449

*Data based Establishment and Enterprise Census 1996

**Data are based on the Population Census and Population Estimates for 1997

Table X: Private Food Establishments and Number of Persons Employed (1996)

(Persons engaged in thousands) Unit: No: of stores, 1000 people

Industry			1--4		5--9		10--19		20-50		50--99		Over 100	
	Total		Employees		Employees		Employees		Employees		Employees		Employees	
	Est.	No. P	Est.	No. P	Est.	No. P	Est.	No. P	Est.	No. P	Est.	No. P	Est.	No. P
Food	65219	1401	23411	61	15193	102	11364	155	9342	4501	3371	232	2538	567
Wholesale/retail: eating, drinking	2828597	18209	1895142	4279	528894	3400	249760	3320	121378	4898 9	2366 8	1574	9755	2119
Food and beverages	89719	1036	37191	96	23760	157	16289	219	9526	4079	2193	146	760	138
Retail food and beverages	576269	3367	415026	911	79964	515	49833	678	25492	9472	4672	313	1282	226
Eating & drinking places	836357	4114	601795	1322	146670	934	56513	744	27055	1135 8	3842	243	482	82
Hotels, boarding, lodging	85919	903	50935	118	16615	109	10006	134	5495	2327	1621	111	1247	270

Source: Statistics Bureau, Management and Coordination Agency.

Data based on the Establishment and Enterprise Census. As of October 1.

Table V: Establishments and Sales:

Wholesale and Retail Trade, Eating &Drinking Places

Year	Wholesale trade	Retail trade	Eating and drinking Places
Number of establishments			
1985	413 016	1 628 644	a)528 395
1988	436 421	1 619 752	b)510 101
1991 1)	461 623	1 605 583	c)491 359
1994	429 302	1 499 948	d)474 048
Percent change (1991-94	-7.0	-6.6	e)-3.5
Sales Billion Yen)			
1985	427 751	101 719	a)8 361
1988	446 484	114 840	b)9 720
1991 1)	571 512	142 291	c)11 156
1994	514 317	143 325	d)13 135
Percent change(1991-94)	-10.0	0.7	e)17.7

1) Figures for wholesale and retail trade were adjusted according to the Standard Industrial Classification for Japan

a) 1982. b) 1986. c) 1989. d) 1992. e) Percent change, 1989-1992. Source: MITI

Table Z: Eating Establishments by Type of Ownership 1992

	Total	Company	Single Proprietor
Number of stores	474,048	123,801	350,247
Total Annual sales (Billion Yen)	13,135	8,448	4,687
Average annual sales (Million Yen)	27.48	68.23	13.38
Average number of employees	5.2	11.6	2.9

Source: MITI, Compiled by NCI & Assoc.

Table AA: Eating Establishments by Ownership and Seating Capacity (1992)

Unit: No. Of Shops

	Total	Ownership		Head and Branch Shops		
Seating Capacity	Shops	Company	Single Proprietor	Single Outlet	Head Office	Branch
1 - 9	19,308	1,351	17,957	18,056	229	1,023
10 - 19	115,009	9,409	105,600	108,031	1,771	5,607
20 - 29	131,671	18,246	113,425	120,563	3,147	7,961
30 - 49	116,041	34,909	81,132	96,293	5,185	15,563
50 - 99	63,303	35,698	27,605	41,410	4,991	16,902
Over 100	28,716	24,188	4,528	11,292	2,975	14,449
Total Stores	474,048	123,801	350,247	394,645	18,298	61,105

Source: MITI, Compiled by NCI & Assoc.

Table BB: Expenditures per Person by Ownership and Type of Shops (1992)

Unit: No. of Shops

Average per person expenditure in Yen	Total Shops	Ownership: Company	Ownership: Single Proprietor	Restaurants*: Total	Restaurants*: Japanese	Restaurants*: Western	Restaurants*: Yakiniku	Soba	Sushi	Coffee Shops
Under 300 yen	20,004	4,564	15,440	3,583	94	22	40	1,080	57	12,130
Over 300 under 500	115,264	20,338	94,926	31,684	898	193	174	7,128	146	65,293
over 500 under 700	132,115	25,312	106,803	74,597	1,957	2,229	1,154	17,063	1,591	28,268
over 700 under 1000	89,538	27,892	61,646	56,164	6,223	8,772	3,248	10,566	7,431	8,078
over 1000 under 1500	52,176	18,945	33,231	33,699	10,094	8,376	5,478	1,524	13,304	1,097
over 1500 under 2000	20,213	10,086	20,127	17,805	7,841	2,957	4,445	133	11,515	213
over 2000 Yen	34,738	16,664	18,074	23,496	14,261	4,601	2,768	70	10,930	64
Total	464,048	123,801	350,247	241,028	41,368	27,150	17,307	37,564	44,974	115,143

* Selected

Source: MITI, Compiled by NCI & Assoc.

Appendix 2:

Japanese Food Service Industry Survey Analysis

Methodology

Eighty-five questionnaires were sent out to restaurant chains and food distributors, wholesalers and retail outlets from November 15, 1999 to January 15, 2000 . The purpose of the survey was to augment the information received in personal interviews and provide collaborative quantitative data. The results were tabulated for responses received by February 15, 2000. Of the 85 questionnaires sent out 35 or 42% were returned.

Restaurants were selected with the assistance of the Japan Food Service Industry Association and are representative of the top 200 rank food service companies. Special care was taken to include companies ranked below the top 50 in sales because it was felt that these companies might offer insight into the potential to increase Canadian imports to medium sized Japanese food service companies.

There are three basic limitations to the data, firstly the sample size is not large. Secondly, given this constraint it was felt that a truly random sampling would not give the feedback required and therefore companies were chosen which were felt to be more representative of potential target markets for Canadian suppliers. Thirdly, the questionnaire was changed at the midpoint in response to comments and recommendations received by the Japan Food Service Industry Association. Questions that were unchanged were tabulated together. Modified questions were tabulated with a smaller sample size.

The above having been said it is the opinion of the researchers that this source of primary data is valid and representative of personal interviews and Japanese food service industry statistics.

Total Number of Responses……..……35
Type of respondent:
Restaurants…………………..…..……21
Distribution firms /wholesalers……...…12
Industry Associations………………….2

Corporate Profiles of respondents
Net annual sales in Million Yen

Restaurants

Under 6,000…………2
6,000 – 15,999………7
16,000 – 24,999……..6
25,000 – 39,999……..4
40,000 - 100,000 0
Over 100,000………..2

Distribution/Retail

Under 10,000………..4
10,000 – 20,999……..3
21,000 – 39,999……..3
40,000 - 500,000 0
Over 500,000………..1

Total number of restaurants or outlets (food service sector only)

Under 10…….1
11 – 100……..4
101- 149……..5
150 - 200…….4
201 – 300…….3
301 – 350…….2
351 - 1000 0
Over 1000……2

Average per person expenditures in eating establishments (number of establishments)

Under ¥1000 8
¥1000 – 1499 6
¥1500 – 2499 5
¥2500 – 3499 5
¥3500 – 4500 3

Note: Some companies have more than one type of restaurant chain – total greater than 21

The sample is believed to be a very representative and the conclusions drawn from this data are considered relevant for the use of Canadian exporters wishing to have a greater understanding of the market opportunities and challenges.

1. Awareness of Imports and Products from Canada

The sector is most conscious of the fact that it uses imported meat and seafood products. The interviews with the importers, wholesalers and distributors revealed that the majority of the frozen vegetables used in the sector are also imported. However since the product is often imported in bulk and re-packaged the awareness of the source country is not wide spread.

Nearly all of the interviewed firms had only a small awareness of Canadian imported products with meats and frozen French fries having the highest recognition level. Canada's relative strength in seafood exports did not appear in the survey or interviews and it is expected that, similar to the vegetable imports, the products are repackaged and delivered under other brand names without the country of origin identified on the box that the food service outlet receives.

2. Ranking Canada's Export Products and Service versus Other Nations

Participants in the survey were asked to rank Canada and other nations from 1 to 5 in terms of performance with regard to a series of quality questions liked to exports.

Price - Canada was ranked the second most expensive after the USA, Asian product was ranked the cheapest followed by domestic and Australian products tied for second cheapest.

Quality, Consistency and Reliability - Canadian products were ranked third after domestic products and those from the EU coming second.

In meeting product specifications and marketability of products, Canada came second last, ahead of only the USA with the Domestic market leading, followed by the EU, Asia and Australia.

In terms of service support, however, Canada was perceived to be second only after the domestic industry and our overall ranking in terms of value was seen as third after the Domestic and EU suppliers.

The question shows us that we are firmly entrenched in the middle ground with room to improve in all sectors. Our country image is of benefit to us but the other aspects of our service and quality packaging need to be improved.

3. Reasons to Import Products

The main reason for imports was overwhelmingly price or value and the main challenges are linked to quality and stability of supply. Most of the problems experienced by the respondents were linked to quality aspects: consistency, food safety issues or shelf life problems. When asked the next most important concern after quality the majority indicated some aspect of certification, labelling and safety issues. Despite these challenges a large number of respondents will continue to import directly and others will start to import products directly in the future.

4. Business Strategies

The recent softening of the Japanese economy after the so called “bubble burst” has shifted the concerns of the food service outlets from quality as number one and price secondary to price as number one and quality a close second. The third and fifth most common replies were also linked to price reduction in the distribution network and labour costs areas. The forth issue is to clarify and obtain a tighter focus on their target markets.

5. The Role of Suppliers in Menu and Product Development

Both the distribution network and the food service outlets themselves expect suppliers to come up with ideas for new products and menus. Canadian exporters will be challenged to provide new menu ideas, recipe concepts, and information on new trends in the marketplace. New product development is seen as a joint venture to be undertaken by all participants in the delivery chain including the Canadian supplier, the distributors and wholesalers as well as the food service operators themselves.

6. Most Targeted Market

Target markets seem to be the busy working groups, especially the younger working single men and women, the men with the least amount of time and the women with the largest disposable incomes. This group seeks convenience, personalized products, larger portion sizes, and are always seeking something new. The way to target this group seems to be by using direct mail, telephone calls (to those who leave their numbers in contests) and by providing special service coupons.

7. Sources of Market Information

Japanese language trade journals were the most often quoted source of new information for research on new products and trends for the distribution sector. The food service operators themselves use a mix of consumer magazines and newspapers as sources for their information. Research tends to be done in-house or by associations. Very few people used non-Japanese information sources.

Sources of information on imported food products and their specifications were overwhelmingly the suppliers of the products, the importers or the processors utilizing those products. Japanese language materials targeted to these three sectors on trends and new products available from Canada would be extremely effective in getting the information passed on to the food service sector. These three sectors also have the highest percentage of Internet use and access.

For new product introductions by Canadian exporters food service operators would like to see brochures (in Japanese) and product samples and to have access to greater detail on the Internet. The kinds of information most sought are pricing and selling points (product features such as health attributes). Of special interest is information on product specifications including safety standards used to protect the food safety of the product. The information Japanese consumers are most interested in learning more about is related to health and safety involving nutrition, specific health benefits, caloric counts, salt and sugar contents, etc. These same consumers are interested in lower prices and unique natural or organic foods. It is expected in the future the emphasis on price and safety will shift to non-GMO, organic foods and healthier aspects such as lower cholesterol.

It is important to note almost no one is concerned with eating "authentic" western dishes. Future trends in eating out are expected to rotate around an increase in single portion sizes and take-out/bento type foods that are healthier for the consumer. There was a marked lack of predictions of a more "western" diet. If anything, interviews point to a move to more natural tastes and the use of fusion cooking styles merging Japanese foods with other ethnic spices and cooking methods. This trend to fast convenient prepared foods for individual consumption is driving an expansion in bento's, sozai and frozen foods as well as the consumption of sandwiches and other breads.

When asked what food products they would consider developing in Canada, the above trends were well represented, i.e. healthy natural foods, low in cholesterol, fat, sugar, calories, additives and salt. Organic foods and non-GMO appeared in the survey as well as hormone and residue free products. Canadian firms are encouraged to focus on healthy, safe foods for the Japanese food service sector.