



## WUSATA Japan Monthly Report

May 2022

### Executive Summary

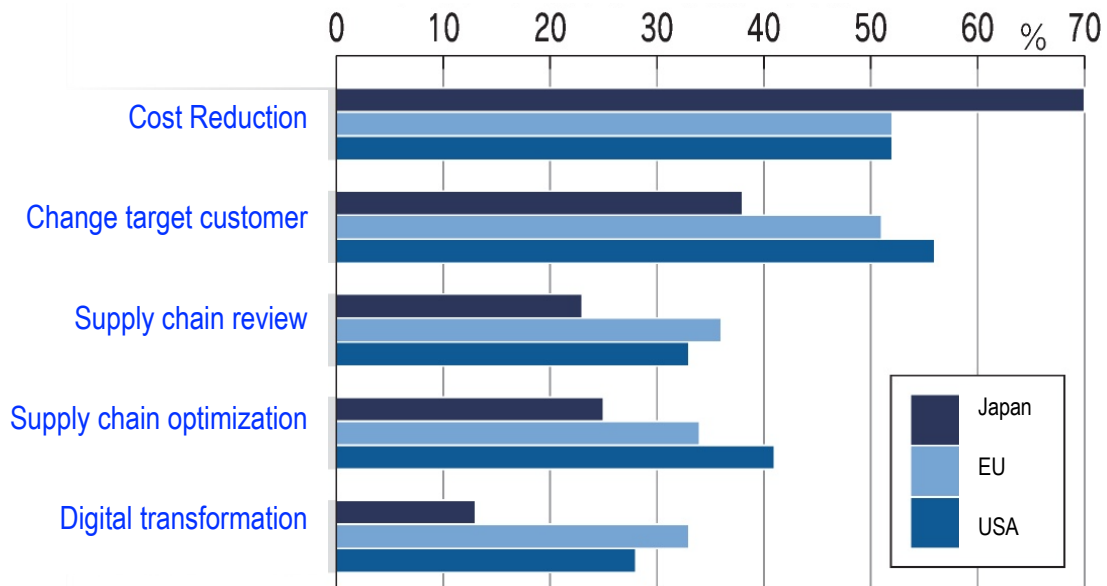
Japan's economy shrank for the first time in two quarters in the January-March period as COVID-19 curbs hit the service sector and surging commodity prices created new pressures, raising concerns about a protracted downturn. The decline presents a challenge for the Japanese Kishida Administration's drive to achieve growth and wealth distribution under his "new capitalism" agenda, stoking fears of a mix of stagnant growth and rising inflation. The world's No. 3 Japan economy fell at an annualised rate of 1.0% in January-March from the previous quarter, gross domestic product (GDP) figures showed, slower than a 1.8% contraction expected by economists. Private consumption, which makes up more than half of the economy, was little changed, the data showed, better than a 0.5% fall expected by economists but below the upwardly revised 2.5% growth seen in the December quarter. Many analysts expect Japan's economy to rebound in coming quarters, helped by easing coronavirus curbs. However, skepticism remains over whether the recovery will be prominent, with surging energy and food prices boosted putting a brake on consumption. For the whole of fiscal 2021 to March, the economy grew 2.1%, posting the first gain in three years. Japanese GDP growth will take time to regain good pace across 2022 due to the hit to household income from higher inflation and signs that elderly consumers remain wary of catching the virus," Tom Learmouth, Japan economist at Capital Economics, wrote in a note.

### Market Intelligence Update:

In May, major food and beverage companies announced to begin raising their consumer goods price from June 2022 on and off through to the end of this year, appealing to the consumers it would be due to the continuing hikes of oil, food raw materials, rising transportation risks and costs, and of course rapid yen depreciation trends. According to a Japan's major economic research institute, consumer-end prices of more than 10,000 food and drink items will be increased by 3 ~ 15% as the Japanese government has quietly approved this move. Russia-Ukraine situation, hyper oil prices, Chinese ZERO-Corona measurement and the extremely weakening Japanese yen's exchange rate are continuing to disappoint consumer minds. Consumers of course are powerless to stop business sectors to the same time, by living in the pandemic era consumers have come to look for new values and appreciating points for the food and drinks they would need not just for their physical appetites but also for satisfying their common sense as citizens of civilized community. More than 50% of Japanese consumers have come to be conscious of food sustainability and global warming/needed efforts for realizing decarbonized society.

Hannover Messe 2022 in Germany was held right after the World Economic Forum in Davos, Switzerland where there were illuminating signs to indicate the world economy would start to move into the new paradigm for the post-pandemic era. One of the words frequently heard and mentioned at the Hannover Messe was 'DPP = Digital Product Passport.' EU has announced it will begin to introduce from 2027, imposing all the manufacturers to attach DPP all the commercial commodities traded in and out of EU regions as a certificate of sustainably, responsibly-to-environment and legitimately manufactured products. DPP will make the carbon footprint digitally visible, letting those be unlicensed to sell and distribute their products regardless their origin countries which will not pass the EU environmental standards and endorsement by third party international certifying organizations. Auto manufacturers like Toyota and Honda in Japan will be the front runners to go on digital transformation movement on global basis, and the next will be surely the Japanese food industries to enter into this new track as they aim to increase export volume and value of Japan branded food and beverages in next decades.

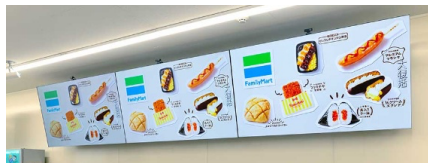
## Actions made by the business corporations under the COVID



Note: Research by East-Asia & ASEAN Economics Study Center in 2021. Respondents were: 125 Japanese companies (incl. their branches in Southeast Asia and India); 99 from EU and 93 from the US.

## Retail Sector---DX Transformation is being advanced by major Convenience Store Chains

Pioneering major convenience store chains in Japan, Family Mart is successfully advancing digital renovation for in-store merchandising systems. More than 15 million shoppers per day nationwide visit a Family Mart outlet who are the directly targeted audience of this digital marketing platform implemented by Family Mart's own new digital media company backed up by the parent company of Family Mart, Itochu Corporation. The new digital media company is named as Gate One, jointly invested and founded by NTT Docomo and Cyber Agent Company, the Japan's #4 advertising agency, last fall. The concept of the new business is to regard Family Mart's 6,600 outlets nationwide as huge and mobile bill-board/sign-boards exposing to the 15,000,000 consumers per day basis. Visual and sliding signage will surely invite and encourage shoppers to buy and enjoy on-site to somewhat substantiate customer journeys quickly to be more handy and pleasant without getting any human contacts. Family Mart merchandisers, vendors and store owners will see more direct reaction by the shoppers like businesspeople, high school & college students, tourists, staying-home remote workers, housewives and senior people to the digital signage, point reward by digital coupons and cashless payment. In this Family Mart's digital marketing scenario, Gate One company will play the medium exclusively to design and install digital signage in major Family Mart outlets to promote on-site to-go food and drink café menus/microwaveable delis and *bentos*.



## Ready-made meals and Deli Market is coming back, slowly but steadily

### Ready-made Meals and Delis:

According to the Japan Ready-Made Meals Association, Japanese ready-meal market size in 2021 recovered much to the level of 10 trillion JPY (approx.. 75 trillion USD) about 103% compared to that of the calendar year 2020. Per sector, the sales share was as below:

Convenience Stores:	3.2 trillion JPY, 101.6% + compared with 2020
Food/grocery retail chains:	2.9 trillion JPY, 106.6% + compared with 2020
Deli specialty stores:	2.7 trillion JPY, 100.5% + compared with 2020

Above three sectors have about 88% of sales share in the Japanese ready-made meals/deli market.



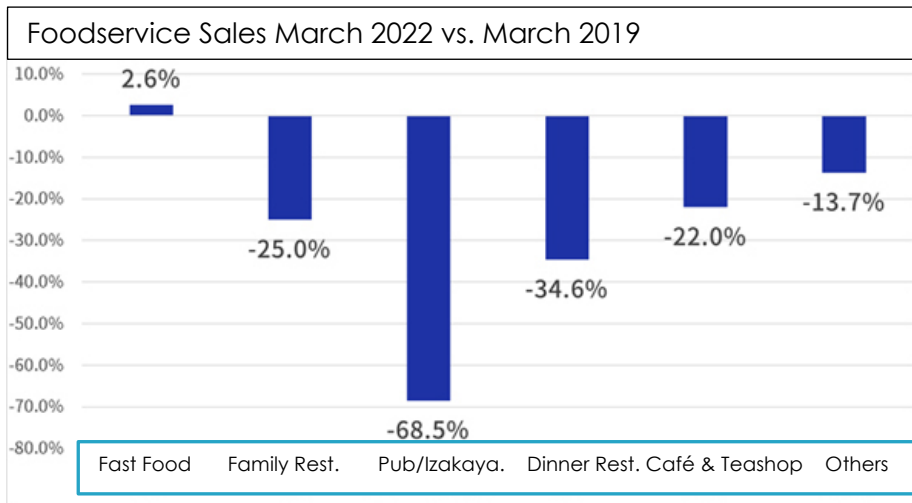
### Foodservice/Hospitality Sectors:

Gradually the expansion of corona virus has come to slow down, and people look like getting their confidence back to lead usual life. In this last month, May, people enjoyed outdoor recreation, dining out and gatherings during Golden Week without curfew set by the government first time since 2019. However, the food service industry is still far away from the full recovery because of multiple economic and labor factors.

According to the Japan Foodservice Association, the 2022-March total foodservice sales marked plus 2.6% compared with that of 2019-March. There were two extremes per business styles and served menu types among

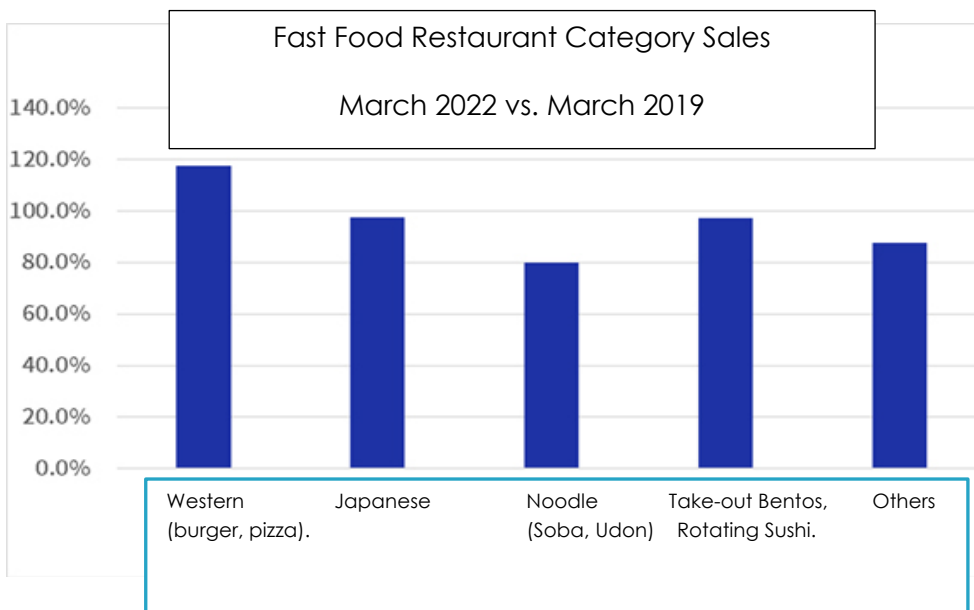


Fast Foods, Family Restaurants, Pub & Izakaya Japanese pub restaurants, Dinner Restaurants, Coffee/Tea shops and 'others.'



The above graph reflects changes of consumer behavior regarding how and where they purchased food and drinks. One thing in common is their shortened time for shopping at the points of food purchase. Even if the pandemic is going to be subdued it doesn't mean to the general people the risk would be zero. In the past the food merchandisers worked so hard to make consumers stay longer inside the outlets hoping they would order more items in the plates. People had to be smarter and get used to spend less time in commercial facilities to buy just for the true needs---and they came to spend more time at home they could plan much in advance---in terms of the fact 70-80% of consumers used to have no pre-plan of what to buy until their arrival in the store outlets, COVID-19 situation has brought about fundamental change in the consumer mind-set.

The burger chains kept doing good because of the simple reason---the fast-food restaurant chains offer the shortest time and distance between the ordering counter and delivery point. Also, fast food menus are basically one-hand-food so the people can choose freely their eating spots. As reported before, those fast food/family restaurant chains who have achieved higher penetration rate with mobile phones, self-order system available through apps and cashless payment are making more success.



**In May 2022, the following Japan market-related reports and news were released for the US food and beverage export opportunities:**

**Japan: Emergency Economic Package to Alleviate Food Price Hikes**

On April 26, the Japanese Cabinet approved a 6.2 trillion yen (\$48 billion) emergency economic package to mitigate the effect of surging energy and food prices on households and small businesses. The Ministry of Agriculture, Forestry and Fisheries will receive 75.1 billion yen (\$582 million) to facilitate increased use of domestic grains, wood, and seafood products in favor of imports, diversification of fertilizer input suppliers, and increased feed price support for livestock feeders.

**Japan: Tree Nuts Market in Japan**

This report details the strong demand for U.S. Tree Nut products, driven by the growing health-oriented trends among Japanese consumers. In 2021, fresh and dried nut imports to Japan totaled \$491 million, of which 78.2 percent or approximately \$384 million was from the United States. The key market sectors for U.S. Tree Nuts are in bakery and retail, valued at \$215.1 million. Almonds and walnuts are almost exclusively supplied by the United States.

**Japan: Japan Designates the First Imported Marine Species to Require Catch Documents**

On April 26, 2022, Japan's Ministry of Agriculture, Forestry and Fisheries designated mackerel, Pacific saury, sardine, squid and cuttlefish as vulnerable to illegal, unreported, and unregulated fishing. From December 1, 2022, Japan will require catch certificates to import products containing these species as a main ingredient.

**Japan: Japan Revises Agricultural Export Facilitation Act**

On May 19, Japan's Diet approved the Ministry of Agriculture, Forestry and Fisheries proposed revisions to the Agricultural Export Facilitation Act. The revisions allow product-specific industry groups to implement check-off systems and establishes a new fund to extend low-interest and long-term loans to producers, manufacturers and distributors to promote exports. The revised Act also establishes a system to allow private, MAFF-approved inspection bodies to issue export certificates.