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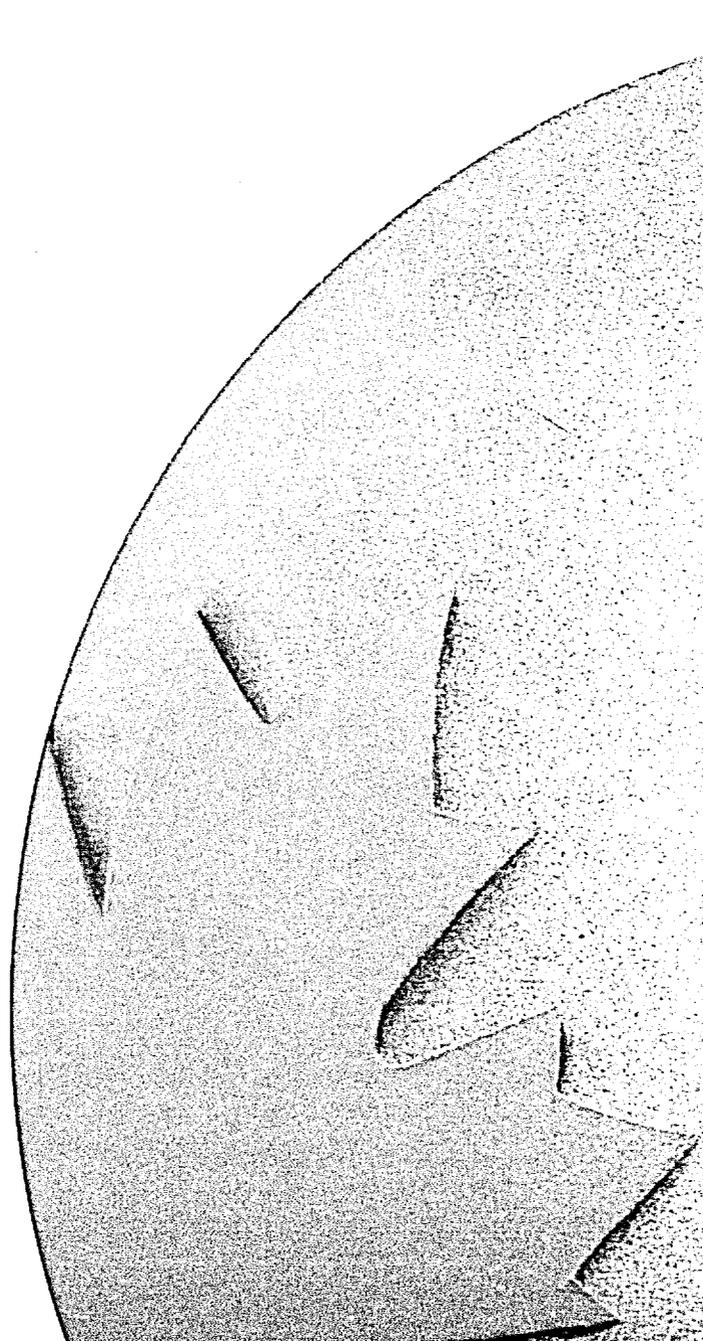
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EXPORT
OPPORTUNITIES
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JAPAN

THE
FOOD SERVICE
MARKET





THE FOOD SERVICE MARKET

Focussing on Western-Style Restaurant
and Fast Food Chains in Japan

prepared for

The Japan Trade Development Division
Department of External Affairs

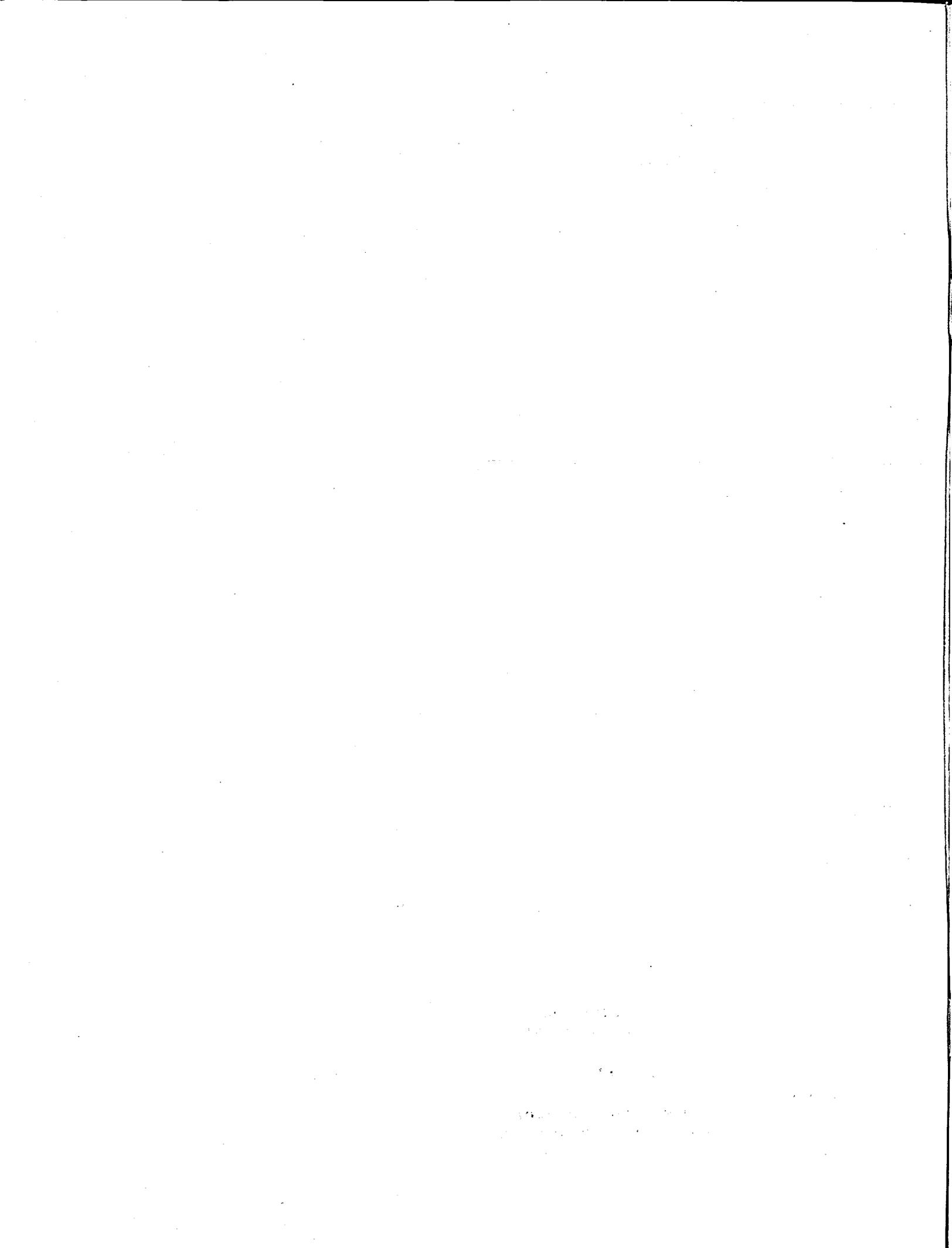
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Preface

Canadian exporters are discovering a new Japan. Firms which have focussed their efforts on specific target market segments have seen their results soar. Their success bears witness to important changes which have recently occurred in the Japanese market.

Since the mid 1980s, the substantial appreciation of the yen, Japan's concerted policy of domestic demand stimulation and a shift towards a more open import regime have significantly enhanced the competitiveness of Canadian goods in the Japanese market. Specific opportunities have emerged in areas previously closed to foreign suppliers.

This "Export Opportunities in Japan" series is published by the Department of External Affairs to assist Canadian exporters in seizing these exciting new opportunities. It pinpoints specific market segments where new Japanese import demand meets proven Canadian capability. It includes market segment profiles, details specific market technical characteristics, documents success stories and provides market bibliographies and key contact lists.

The series is designed not only as a reference and guide but also as the basis for future joint marketing action by Canadian firms, their trade associations and Canadian government departments. The series has been produced in consultation with the Japanese Export Trade Organization (JETRO) and has the support of the Japanese Ministry of International Trade and Industry (MITI).

The present study is an in-depth survey of the Japanese food service sector focussing on Western-style restaurant and fast food chains. It describes the structure of the industry and provides a repertory of the major participants with pertinent details on their operation. The study was initiated and supported by the Japan Trade Development Division of the Department of External Affairs and was carried out by the Peat Marwick Consulting Group.

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The Canadian Embassy in Japan has made important contributions to this series of market studies. Additional assistance and information is available from the Embassy in Tokyo.

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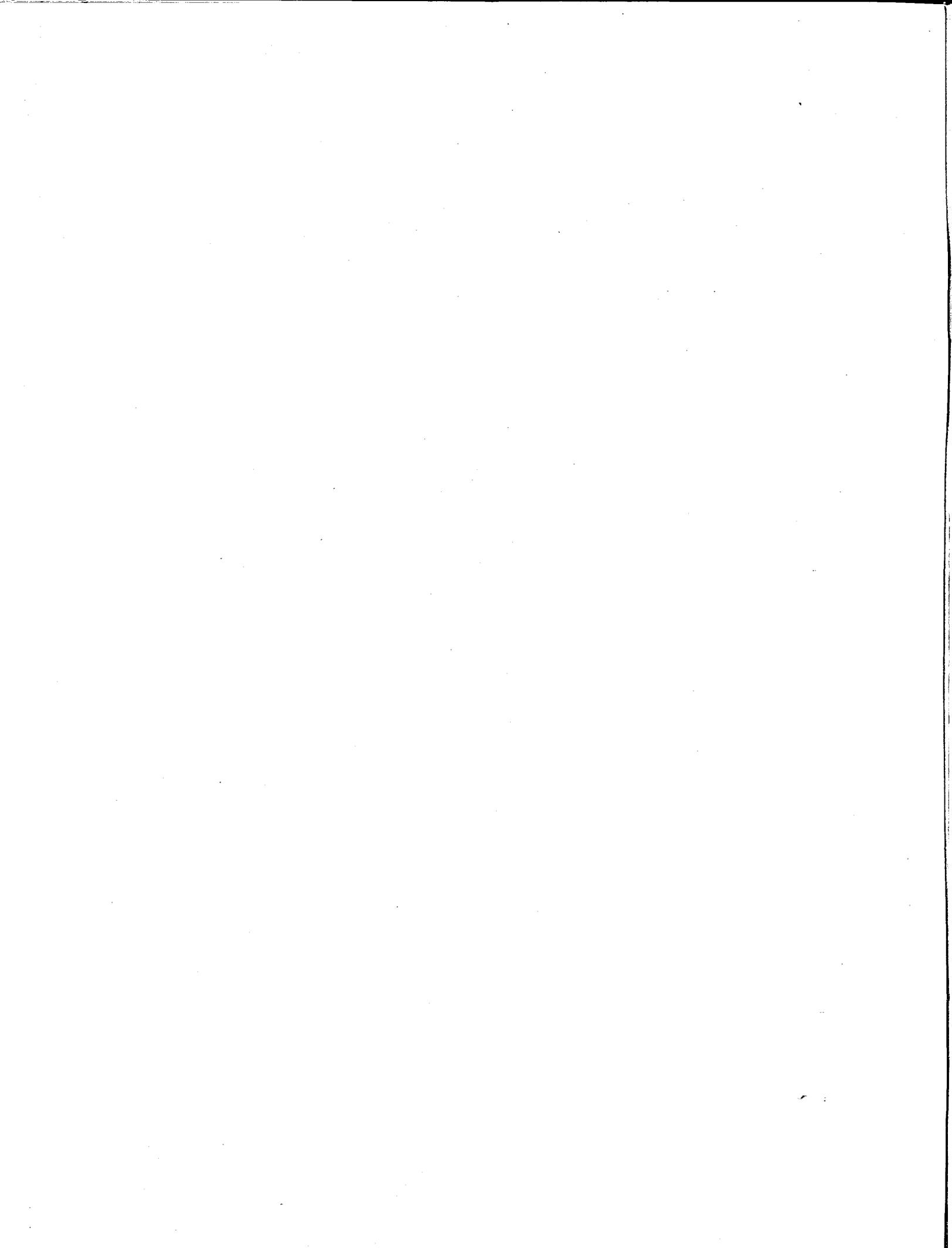


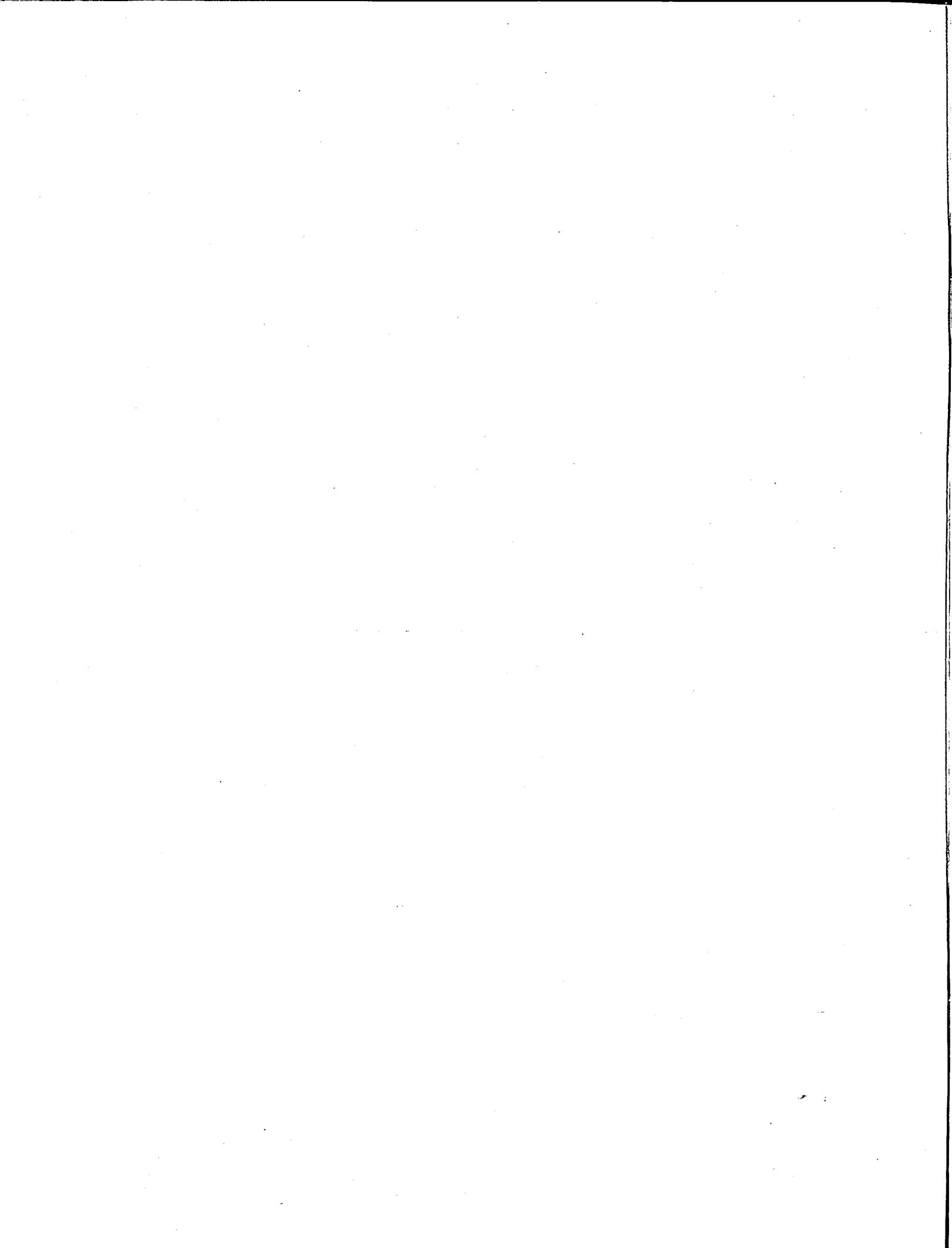
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1 Introduction

This profile describes the Japanese food service industry with the aim of helping Canadian food exporters gain an appreciation of the size and characteristics of this important market segment. Japan's dependence on food imports is growing and the huge size of the food service industry, approximately \$205 billion (Cdn)* in 1987 in annual sales, makes it an important potential market for food suppliers. The Japanese food service sector has undergone some significant changes and developments during the last decade. Most important among these new developments, and of particular interest to Canadian exporters, has been the dramatic growth in recent years of Western fast food (e.g. McDonald's) and Western "Denny's-style" restaurant chains. This profile focuses on Western-style food service chains as this market segment offers considerable potential for Canadian food exporters.

Overview

Over the last four decades the Japanese economy has grown to be the second largest in the free world, exceeded only by the United States. With the recent appreciation of the yen, Japan has attained the highest levels of per capita GNP among industrialized countries. (See Table 1.)

*In this profile the exchange rate used is Cdn \$1 = ¥104.

Table 1

Per Capita GNP (US Dollars)

Country	1984	1985	1986	1987
United States	15 949	15 356	17 529	18 415
Japan	10 474	13 543	16 184	19 530
Canada	13 300	12 946	14 210	15 700
Germany	10 072	11 704	14 700	18 400
France	8 880	9 863	13 034	15 816
U.K.	7 610	8 173	9 879	11 780

Source: Bank of Japan, *Comparative International Statistics, 1986, 1987 and 1988*. OECF Reference Tables.

The total population of Japan was 122 million in 1987. About 61 per cent of the population is concentrated in the three major metropolitan areas of Tokyo, Osaka and Nagoya.

The Japanese people have been enjoying a rapidly improving standard of living. Average annual household income in 1987 stood at ¥5.5 million or about \$53 000 (Cdn) of which fully 84 per cent was disposable (gross income less taxes and social welfare deductions).

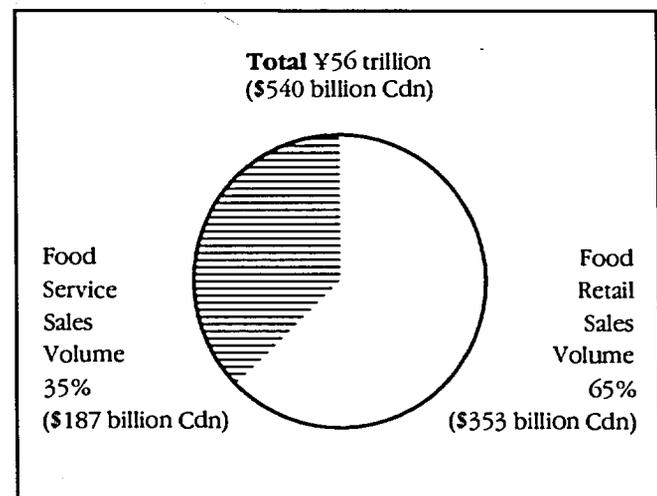
A large portion of consumer expenditure has shifted from basic food and shelter to more non-essentials such as food services and leisure activities, and this trend is expected to continue. Consumer durables such as colour TVs, refrigerators, washing machines, among others, have reached the saturation point; more than two-thirds of Japanese households own a car.

The average Japanese household in 1985 was 3.1 persons, down from 4.1 in 1965. The shrinking size is due to a declining birth rate, smaller nuclear families, as well as more single-person households and fewer couples living with their parents. Japanese women now constitute 40 per cent of the total labour force — and 60 per cent of these women are married, though many work part-time.

The economic and social changes of the last 20 years have spurred the growth of expenditure on food services. With smaller households and more married women working there is a stronger tendency for people to eat out, which is further supported by the growing affluence and therefore the wherewithal to do so. In the 10 years up to 1987, total sales of the Japanese food service industry almost doubled from ¥11.1 trillion to ¥21.3 trillion (\$205 billion Cdn). The food service industry accounts for 35 per cent of all food sales in Japan. (See Figure 1.)

Figure 1

Food Retail vs. Food Service Industry Sales Volume (1985)

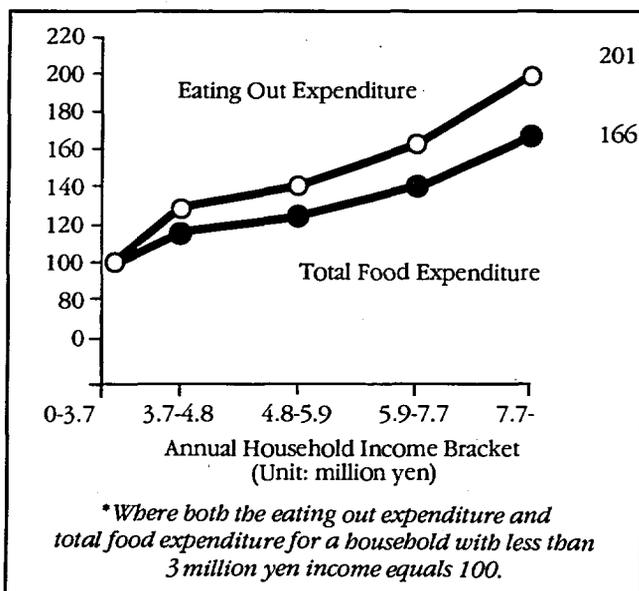


Source: *Gaishoku Sangyo Soga Chosa Kenkyu Center, MITI, "Census of Commerce."*

Income, food expenditure, and food service consumption are all clearly related in Japan. As income rises, both food expenditure and food service consumption also increase; however, food service consumption increases at a greater rate. As shown in Figure 2, both food expenditure and eating out expenditure for a household with less than ¥3.7 million (\$35 600 Cdn) income are given a value of 100. As household income rises to over ¥7.7 million (\$74 000 Cdn) food expenditure rises to 166 while eating out expenditure climbs to 201. In other words, a household in the ¥7.7 million income bracket spends 66 per cent more on food and 101 per cent more on eating out than a household with ¥3.7 million income. It may be expected, therefore, that as the average Japanese grows more affluent the food service industry will continue to grow and benefit from the increasing tendency to dine out.

Figure 2

Food and Eating Out Expenditure by Income Bracket* (1987)



Source: Household Survey Annual: 1987, Management and Coordination Agency.

The Japanese already spend much more on eating out than Americans. Table 2 gives household expenditure on food services for 1985 in the United States and Japan. In that year the average Japanese family spent \$1 359 (US) annually on eating out, or 22.5 per cent more than the average American family.

Table 2

Japan and United States Household Expenditure on Food Services (1985)

	U.S.	Japan
Total Expenditure on Food of Household	\$3 116 (US)	\$4 787 (US)
Expenditure on Food Services of Household	\$1 109 (US)	\$1 359 (US)
Note: (\$1 US = ¥200)		

Source: Management and Coordination Agency of Japan, U.S. Ministry of Labor.

Perhaps the major reason for the greater expenditure on eating out is the common Japanese tendency not to socialize at home, but to invite people out. The Japanese seldom use their homes for entertaining and their homes are not designed with large living room areas to accommodate guests. Instead, Japanese will usually entertain friends or clients at their favourite restaurants or bars.

Furthermore, eating and drinking in Japan in a "Japanese-style" can be relatively less expensive than in Canada. Liquor licenses, for example, are not expensive so mark-ups are not as large as in Canada. Also whisky, which is very popular in Japan, can be usually bought by the bottle — not only by the drink as in Canada — and this results in a substantially lower drinking charge to the customer. There are literally hundreds of thousands of Japanese-style eating places, of which most serve alcohol, and this results in a strongly competitive market which clearly helps to keep prices down. At last count Japan had 838 000 eating and drinking establishments (1982 survey), 2.3 times as many as in the whole of the United States.

While entertaining at major hotels or on expense accounts in "bars" in Ginza or Akasaka is expensive, there are still a wide variety of lower-priced drinking establishments that also offer good food. The result is that going out to eat and drink, in small or large groups, is more of a custom in Japan than in Canada, and generally more affordable.

The Japanese food and beverage service industry is characterized by a large number of small shops, usually clustered around the local train station. These shops are often specialized, offering only one type of food such as sushi (raw fish), ton-katsu (deep fried pork), Chinese noodles, or yaki-niku (barbecued meat). The average Japanese food service establishment usually seats no more than 6 to 15 people at one time, has three employees, including the owner, and annual sales of only ¥19.1 million (\$184 000 Cdn).

2 Food Usage and Imports by the Food Service Industry

Food Usage

The food service industry spent about 38 per cent of total sales on food materials or about ¥7 trillion (\$67 billion Cdn) in 1984. Table 3 gives a breakdown of food material usage by type of restaurant. Western restaurants are the largest buyers of meat products as a proportion of overall food purchases (37 per cent). Japanese restaurants purchase proportionately more fish products (28 per cent) than the others. Group cafeterias such as those in factories or hospitals, are the largest single purchasers of processed foods and grains, particularly rice. Western-style restaurants also consume a high percentage of processed foods.

Table 3

Breakdown of Food Material Purchasing by Restaurant Type (1982) (%)

	Shokudo**	Japanese Restaurants	Western Restaurants	Group* Cafeterias	All Restaurants
Meat and Processed Meat	24	23	37	17	20
Fish	16	28	10	13	16
Fruit and Vegetable	14	12	11	16	13
Other Processed Foods	13	12	19	25	19
Beverages	13	11	12	2	14
Grains	20	14	11	27	18
Total	100	100	100	100	100
* Not including school cafeterias.					
** Shokudo are described in Chapter 3.					
Food Material Purchases (¥ billion)	533	422	242	1 174	6 285

Source: *Gaishoku Sogo Chosa Center*.

The production of frozen foods for institutions, i.e. the food service industry, rose to 613 000 tonnes in 1987 and has averaged six per cent annual growth since 1982. The trends in production of frozen foods for institutional use are shown in Table 4. Frozen processed foods make up about two-thirds of the total, and include frozen deep fried foods such as fried potatoes or shrimp, and frozen meat products such as hamburger patties.

The frozen food market in Japan is much less developed than in Canada, and frozen foods make up only a small percentage of the foods used by institutions.

Table 4

Production of Frozen Food for Institutional Use (1 000 tonnes)

	1982	1984	1987
Seafood	59	68	74
Fruit and Vegetable	62	73	71
Meat	15	16	15
Processed Food	300	353	433
Cake	14	13	20
Total	450	523	613

Source: *Japan Frozen Food Association*.

Food Imports by the Food Service Industry

According to a 1980 survey, the food service industry purchased ¥257 billion (\$2.5 billion Cdn) of imported food products, accounting for about 10 per cent of Japan's total food imports. (A breakdown of food service use of imported foodstuffs is given in Table 5.) Processed food was the largest category amounting to ¥142.5 billion (\$1.4 billion Cdn) or over 55 per cent of total institutional consumption of imported food and beverages. Other important sectors of food imports included fruit, seafood, meat and alcoholic beverages.

Table 5

Japanese Food Service Industry Consumption of Domestic and Imported Foodstuffs (1980) (¥ billion)

	Domestic Foodstuffs	Imported Foodstuffs	Imports as a % of Domestic
Total Farm Produce	420.6	19.3	5
Fruit	32.9	15.0	46
Pulses	2.9	1.9	65
Other Farm Produce	384.8	2.4	1
Total Seafood	314.5	38.9	12
Total Meat	465.9	56.4	12
Total Processed Food	1 745.7	142.5	8
Processed Fruit and Vegetable	49.0	8.5	17
Processed Seafood	153.2	74.7	49
Alcoholic Beverages	665.4	29.1	4
Dairy Products	83.4	3.2	4
Bread and Noodles	225.8	3.9	2
Sugar	45.3	2.1	5
Other Processed Food	523.6	21.0	4
Total	2 946.1	257.1	9

Source: Ministry of Agriculture, Forestry and Fisheries, 1984.

A key aspect regarding food imports by the food service sector is the tremendous skew toward Western-style family restaurants and fast food chains. Indeed, the Japanese Food Service Association noted that as much as 70 per cent of the food materials used by this sub-sector is imported. This further explains why this segment of the food service industry has been identified as potentially significant for Canadian food exporters.

3 Structure of the Food Service Industry

A breakdown of the industry is given in Table 6. Total industry sales in 1987 amounted to ¥21.3 trillion (\$205 billion Cdn) or 6.2 per cent of total GNP. The figures are broken down into "mainly" food and "mainly" drinking establishments, though many of the drinking establishments provide a full complement of food, and virtually all restaurants in Japan serve alcohol. The line between bars and restaurants is considerably less clear in Japan than it is in Canada.

General Restaurants

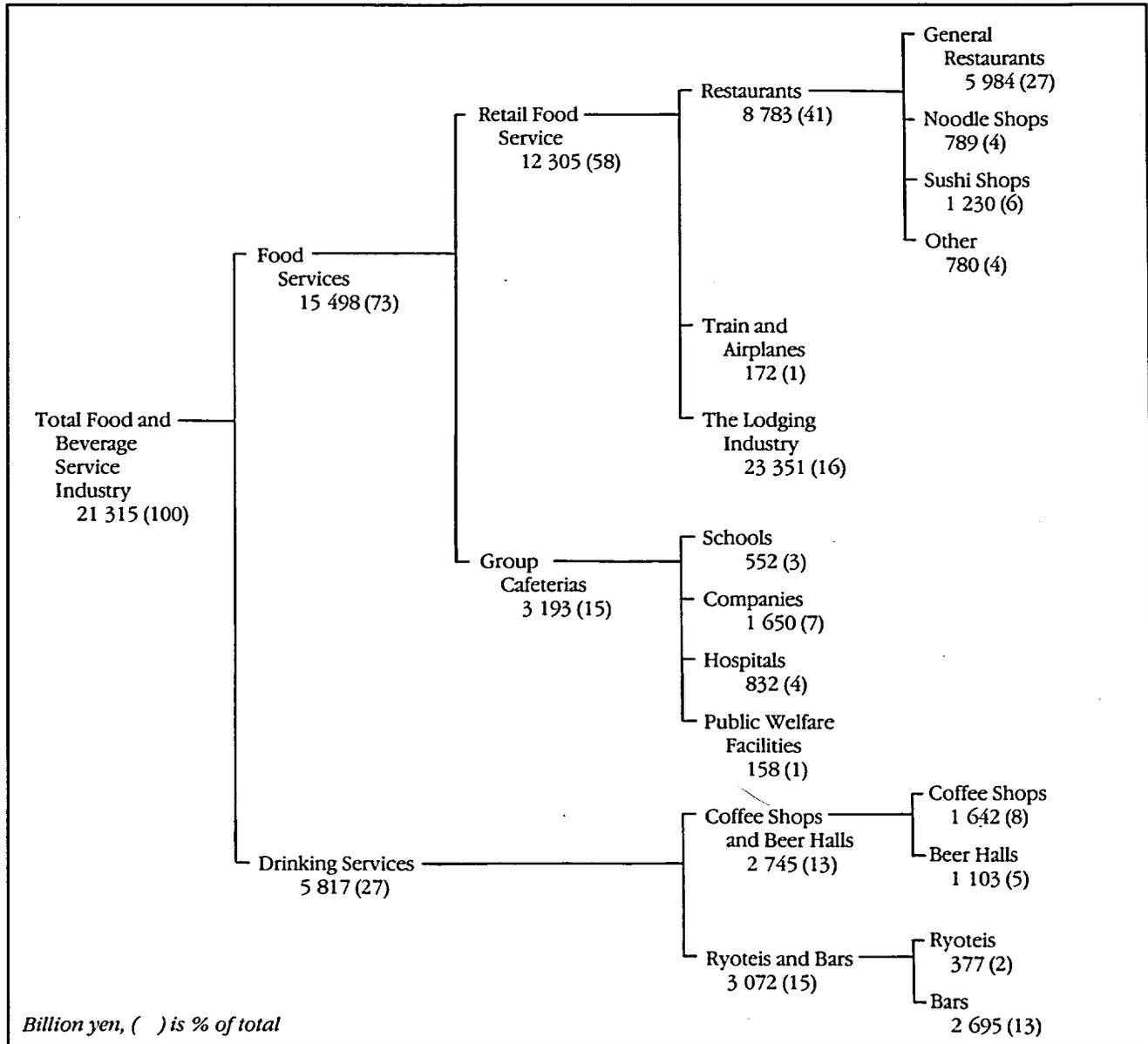
Shokudo

The most common type of restaurant is the shokudo (direct translation is "eating hall"). Shokudos constitute about one-seventh of the 838 000 eating and drinking establishments in Japan (1982 survey) with total sales of 1 653 billion yen in 1986. Shokudos are generally of simple decor — masonite tables, steel frame chairs — and serve basic, inexpensive food along with beer and other beverages. A typical meal in a shokudo will consist of grilled fish, miso soup, pickled vegetables, and rice. Other foods may include:

- deep fried breaded pork cutlet with cooked egg and onions served on a bed of rice;
- fried chicken, egg and onions served on a bed of rice;
- noodles and vegetables in a soya sauce-based soup;
- fried pork and ginger with rice and miso soup;
- croquettes with rice and miso soup;
- hamburger steak with rice;
- lightly spiced curry made with beef or pork and served with rice and chutney (always eaten with a tablespoon).

Table 6

Food Service Industry (1987) Sales Breakdown



Source: Food Services Industry Research Center.

These are some of the more common foods offered by shokudos, though these types of restaurants offer a variety of other foods. In terms of style and clientele, a shokudo could be compared to a small diner.

The average shokudo has three employees and an annual turnover of about ¥15 million (\$144 000 Cdn). At the time of the last survey in 1986, shokudo establishments were decreasing slowly at about 1.6 per cent compounded per year but sales were growing at 2.8 per cent.

Chinese Restaurants

Chinese restaurants are the second largest category of food establishment and total over 63 000 shops. In terms of quality and price Chinese restaurants rank highly. Most are small shops that serve noodles fried or in a soup broth made of either miso, soya sauce, chicken soup or artificial flavouring. A bowl of noodles will cost between \$4.00 and \$5.00 (Cdn) per serving. The more expensive Chinese restaurants are very similar to those in Canada, with flashy decor and a wide selection of meat, fish and vegetable dishes, except that better Chinese restaurants in Japan are not as reasonably priced as in Canada. In 1986, Chinese restaurants' sales volume was 1 653 billion yen (\$16 billion Cdn) and was growing at about seven per cent compounded per year.

Japanese Restaurants

The fourth largest category, Japanese restaurants, refers to establishments that serve Japanese food, but are of considerably higher grade and with more selection than a shokudo. Japanese steak houses (such as Suehiro), tempura restaurants (serving deep fried seafood), fugu restaurants (serving blow fish in various forms), or other Japanese specialty restaurants are included in this category. Decor and service in these establishments are more formal and waitresses are often dressed in kimonos.

There are about 31 000 restaurants in this category with an average annual sales of about ¥40 million (\$385 000 Cdn) and over six full-time people. In the ten years up to the last survey (1986), sales for these restaurants grew at 6.5 per cent compounded per year, though the number of establishments has decreased (eight per cent) since 1976. These higher quality Japanese restaurants appear to be suffering from the increasing competition from Western-style restaurants.

Western Restaurants

The category of Western restaurants includes all American restaurants, as well as European and is now the third largest category of restaurants in Japan. Expensive French restaurants such as Maxim's, or Italian restaurants such as Sabatini's are included in this sector along with the less expensive American chains of "Denny's-style" family restaurants. While most other high quality restaurants in Japan are stable or even declining in popularity, Western restaurants are still expanding. Between 1976 and 1986 the number of Western restaurants grew at three per cent while total sales grew at nine per cent.

Specialty Restaurants

Sushi Bars

Sushi (a slice of raw fish on a small cake of vinegared rice) is perhaps the flagship of Japanese cuisine. Sushi is usually served at a counter where the chef will immediately prepare the delicacy the customer has ordered. Most of the seafood is raw; among the more popular are toro (the under belly and fattest part of the tuna), maguro (the rest of the tuna), sea urchin, shrimp, various types of shellfish and roe, including salmon roe and cod roe, and a variety of white meat fish such as red snapper, sea bream, cod and yellow tail.

There are about 50 000 sushi bars in Japan with the average shop employing four full-time staff and having a moderate sales volume of ¥24 million (\$230 000 Cdn) per year. Most of these shops will deliver to households in the neighbourhood. Sushi bars appear to have reached a plateau after rapid growth in the mid-sixties to early seventies when the market was increasing by 2 000 to 3 000 shops per year. Between 1982 and 1986 the market was only growing at three per cent compounded annual growth rate.

Soba and Udon Noodle Shops

Basically soba is a thin noodle and udon is a fat noodle. Both are made out of wheat flour, though higher quality soba is also made from buckwheat — much of which comes from Canada. Japanese noodle shops usually serve both types. Typical dishes are either noodles in a hot soya sauce-based soup with vegetables and egg, or cold buckwheat soba served with a soya sauce-based dip.

Soba and udon shops have been declining slowly in numbers since their peak in 1976, though sales are still increasing at about 4.6 per cent annually. At present, there are about 40 000 Japanese noodle shops of which the average shop employs four people and has annual sales of ¥19 million (\$183 000 Cdn).

Drinking Establishments

Bars and Pubs

Japan has a large variety of drinking establishments. This should not be unexpected in a nation that has some 300 000 drinking places, or about seven times as many as the United States. Most bars or pubs in Japan, however, are tiny, often being able to accommodate only six or eight customers (1982 survey).

Virtually all Japanese drinking establishments serve food, with the exception of the Western-style bars in international hotels. Many types of pubs, particularly *robatayaki* which serve barbecued foods, have extensive menus and serve substantial amounts of food, including full meals. The Japanese generally eat quite liberally when they go out for a drink, and often decide on their destination by the quality and variety of food that is served.

Ryotei

Ryotei are officially categorized as drinking establishments, but do serve full meals. Ryotei are very expensive establishments used almost exclusively for business purposes. Dining prices per person at a ryotei usually start at \$500 to \$550 (Cdn). Guests are given a private room and are served by specially-trained waitresses. The decor, the food, and the service are of the highest quality.

There are less than half as many ryotei now as there were in 1970, and they are continuing to decline. In many ways, ryotei are a throwback to an earlier age and a different style of life. As a result, they are becoming somewhat outmoded in modern Japan.

Coffee Shops

Coffee shops have developed out of the Japanese tea house tradition and are generally places to meet people, discuss business, or rest and relax.

In addition to coffee, tea and soft drinks, many coffee shops also serve simple meals such as sandwiches, spaghetti, pizza or rice curry. The food is usually inexpensive, but the coffee itself is not, costing between \$3 and \$5 (Cdn) a cup.

Coffee shops grew quite rapidly until 1982, but since then there has been a slight decline in sales. A large number of coffee shops convert very easily in the evenings into bars and some may be turning their businesses more permanently in that direction to escape the current slump.

Other Food Services

Group Cafeterias

In 1987 there were over 71 000 group cafeterias that served more than 50 daily meals each. These cafeterias can be broken down into three major types:

- **School cafeterias:** Cafeterias for school and pre-school children make up more than 56 per cent of all cafeterias. School cafeterias are more common in Japan than in Canada as most elementary schools and high schools provide free lunches to their students.
- **Company cafeterias:** Many factories and large offices provide one, and sometimes three meals a day for their employees. These meals are subsidized by the company and generally tend to be much less expensive than meals purchased "outside." Company cafeterias make up about one-fifth of all cafeterias.
- **Hospital and other institutional cafeterias:** Similar to Canada, hospitals and institutions for the handicapped, aged, orphaned, etc. house cafeterias for use by residents and staff. Cafeterias in government institutions are heavily subsidized.

Cafeteria meals tend to be rather plain, and rely to a great extent on processed and easy-to-prepare foods. In Japan rice is a major component of these meals and the fare is often similar to that described under "shokudo" above. Cafeterias appear to have reached a plateau and the number of establishments has been rising only very slowly in recent years.

Lodging Industry

Food and beverage sales in the lodging industry make up about 16 per cent of the total food service market. The Japanese lodging industry is characterized by two types of establishments:

- **Japanese inns:** Currently there are about 80 000 Japanese inns and their numbers are slowly declining. Most of these inns provide two full meals a day to guests (breakfast and dinner). Dinner is especially elaborate and usually comprises about a dozen separate dishes in a traditional Japanese style. Inns offer little or no Western food.
- **Western-style hotels:** Hotels are gradually increasing their market share in Japan, and at present there are about 3 700 establishments. Similar to Canada, the international hotels provide quality restaurants and room service, but the smaller establishments likely only have a coffee shop. Hotels generally offer a mixture of Western- and Japanese-style food services.

Food and beverage sales in the lodging industry have been growing at a rate of about five per cent per annum.

4 Family Restaurants

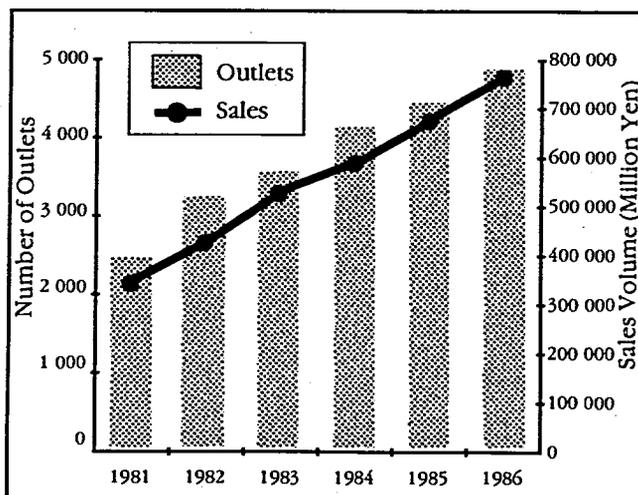
Japan's family restaurants are limited menu restaurants generally patterned after North American restaurant chains such as Denny's. Meals are served at the customer's table and consist of such fast food fare as hamburgers, steaks, deep fried seafood and salads. The layout of family restaurants is substantially different from most other restaurants in Japan in that they are large, spacious and bright, with large windows. Prices are reasonable with the average customer spending ¥1 021 (\$9.82 Cdn) for a meal. Family restaurants have enjoyed the extra novelty of being the only restaurants to offer free coffee refills, not a factor without impact in a country where a cup of coffee alone often costs \$2 to \$4 (Cdn).

Family restaurants are usually located on major traffic thoroughfares or near major highway intersections. These restaurants rely heavily on the car-driving public and, with their large parking lots, represent a new trend in the Japanese restaurant trade. The chains are often open 24 hours a day. The menus in any particular chain will be the same for that chain's outlets all over the country, and this element of familiarity has added to the chain restaurant's appeal.

Clearly, the most remarkable factor regarding family restaurants has been their tremendous growth over the last decade. Ten years ago the term "family restaurant" hardly existed, but by 1986 this type of restaurant made up fully 55 per cent of all Western-style restaurant sales in Japan. Between 1981 and 1986 the increase in total sales volume averaged 19 per cent compounded annually, while total outlets rose from about 2 600 to over 4 800. (See Figure 3.)

Figure 3

Family Restaurant Market Growth



Source: *Gaishoku Marketing Binran '86, Fuji Keizai.*

The popularity of family restaurants is due to a number of factors, including:

- the growing need for food services to cater to an expanding car-bound public;
- the increasing popularity of Western food in general;
- menu standardization and cost effectiveness, so that customers can expect a good meal at a good price;
- the bright spaciousness of the restaurants;
- convenient locations with long operating hours.

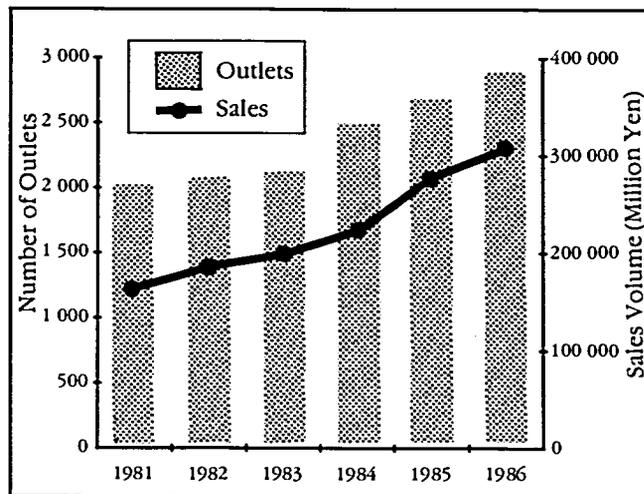
Family restaurant chains in Japan can be divided into two categories: Japanese-based and foreign-based. The foreign-based chains, such as the U.S. chains of Denny's and Captain Cook, or the German chain, Volks, are affiliated with Japanese companies who oversee the licensing and manage the operations. The foreign-based chains, while making some concessions to Japanese tastes in their menus, still offer basically the same food as is in the home countries. The Japanese-based chains, on the other hand, provide more Japanese food and Japanese-style Western food. In most other areas the restaurants (be they Japanese- or Western-based) are very similar in service, style and decor. The Japanese chains have clearly studied the foreign chains' business procedures and have developed a very similar approach. At present, most of the largest chains are the Japanese-based chains such as Skylark and Royal Host. The only large foreign-based chain is Denny's.

5 Fast Food

Fast food, spurred by the rapid growth of the Western fast food chains, has been booming in Japan over the last decade. It is now possible to find, along with the hundreds of McDonald's hamburger shops and Kentucky Fried Chicken outlets, a full selection of foreign-based fast food shops in Japan, including Mister Donut, Dairy Queen, Dunkin' Donuts, Arby's (roast beef sandwiches), Baskin and Robbins, and Haagen Dazs, among many others. There are also an even greater number of locally developed fast food chains that are often virtual copies of the American originals, and which are also proving highly successful.

Hamburgers have led the way in the introduction of Western fast food. McDonald's has enjoyed spectacular success and is now the largest single food service company of any type in Japan. Lotteria, the second largest hamburger chain, run by the large Japanese-Korean confectionery company Lotte, is the 14th largest food service company. At present, of the 25 hamburger chains in Japan, no less than 7 have over 100 outlets. In 1986, total fast food hamburger sales alone were estimated at ¥310 billion (\$3.0 billion Cdn) from some 2 900 shops, up from ¥161 billion and 2 000 shops five years earlier. (See Figure 4.)

Figure 4
Hamburger Shop Market Growth



Source: *Gaishoku Marketing Binran '86*, Fuji Keizai.

Western-style fast food has a more formal image in Japan than in North America. In the United States, for example, the early success of McDonald's was credited in part to its inexpensive hamburgers. In Japan, on the other hand, McDonald's was initially associated with Mitsukoshi Department Store, one of the most prestigious department stores in Japan. Mitsukoshi Department Store housed the first McDonald's outlet, an arrangement that proved extremely successful for McDonald's, and, for several years, its shop in the Ginza Mitsukoshi store had the largest sales volume of any McDonald's outlet in the world. Western fast food restaurants all benefited from the higher grade image they enjoyed in Japan. The fact that fast food only 15 years ago was somewhat of a luxury item, shows how much the Japanese economy and society have developed. This luxury image also contributed to eventual mass market success as, over the years, fast food became more and more reasonably priced.

The food products of McDonald's, Kentucky Fried Chicken, Mister Donut and other foreign chains are virtually identical to the products served in their home countries. McDonald's has even recently started the breakfast service that it offers in Canada. The hamburger shops generally make between 30 per cent and 50 per cent of their sales in hamburgers, the other major products being fried potatoes, soft drinks, milk shakes and desserts.

The Japanese-based Western fast food chains have copied the operations of the Western chains and offer almost identical products, with similar stores and similar formats. As a result, competition between the chains has been focused mainly on acquiring the best location.

Perhaps the major differences between Western fast food outlets in Japan and in Canada are shop size and location. Most Japanese outlets tend to be smaller than those normally found in Canada, often with little or no seating. Also, fast food shops in Japan cater mainly to pedestrian traffic and are most often found near train stations. Only very recently have the major chains opened outlets geared to the car-driving public with parking lots and drive-through services. In one survey, about one-third of fast food outlets provided parking.

Japanese-style fast food chains serving Japanese food have also grown very rapidly in the last few years. The typical outlet is little more than a kitchen with a window on the sidewalk where the customers make their take-out order. The food is then prepared in a few minutes while the customer waits. Typical fare consists of breaded, deep fried fish or meat served with pickles and rice. The menu is limited, and many of the foods are supplied to the outlet in a semi-finished state, ready for final cooking before sale to the customer. The Japanese food chains boomed in the late 1970s and early 1980s with some chains achieving growth rates of 70 per cent to 80 per cent per year. This growth has now largely fallen off to 10 per cent. Hoka Hoka Tei, the third largest of these chains, is the 10th largest food service company in Japan with total sales in 1987 of ¥77 billion.

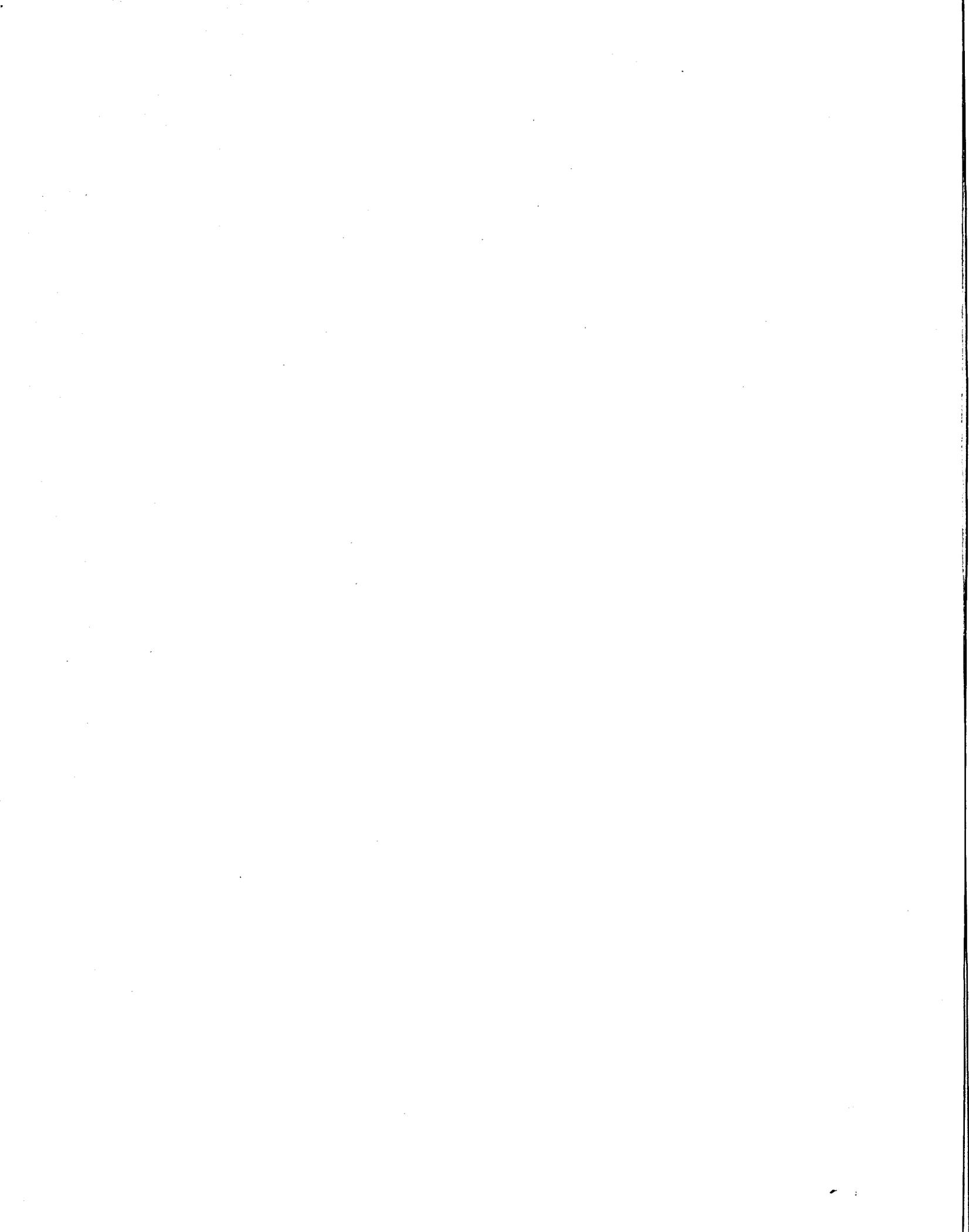
6 Western-Style Restaurant and Fast Food Chains

The following section is divided into two parts. The first is a ranking by sales of the top 30 Western-style restaurant and fast food chains in Japan giving such basic information as the address, the number of outlets, and the 1987 sales volume.

The second part is a more detailed outline of each of the top 12 chains. The outline is made up of a written description of the major features of the chain and a table giving basic operating data and a brief menu. Tables are also included for the other chains.

Company	1987 Sales (million ¥)	No. of Outlets
McDonald's Company (Japan), Ltd. 2-6-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 160 Tel: (03) 344-6251	143 597	606
Seven-Eleven Japan, FF Division 4-1-4, Shiba-Koen Minato-ku, Tokyo 105 Tel: (03) 459-3711	124 616	3 349
Skylark Co., Ltd. 6-14-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 180 Tel: (03) 349-7077	116 543	663
Restaurant Seibu 3-1-1, Higashi-Ikebukuro Toshima-ku, Tokyo 170 Tel: (03) 984-0662	116 034	1 271
Daiei Food Service Group 2-4-1, Shiba-Koen Minato-ku, Tokyo 105 Tel: (03) 433-9231	112 236	2 154
Kentucky Fried Chicken Japan Ltd. 1-1-1, Ebisu-Minami Shibuya-ku, Tokyo 160 Tel: (03) 719-0231	94 172	725
Royal Co., Ltd. (Royal Host) 3-28-5, Naka, Hakata-ku Fukuoka 816 Tel: (092) 471-2479	91 651	387
Duskin Co., Ltd. (Mister Donut) 3-3, Doyama-cho, Kita-ku Osaka 530 Tel: (06) 315-6723	63 159	485
Lotteria Ltd. 3-20-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 160 Tel: (03) 375-1211	61 016	506
Denny's Japan Co., Ltd. 4-1-4, Shiba-Koen Minato-ku, Tokyo 105 Tel: (03) 459-3521	58 431	298
Fujiya Co., Ltd. (Fujiya Family Restaurant) 7-2-17, Ginza, Chuo-ku Tokyo 104 Tel: (03) 572-4151	49 601	686

Company	1987 Sales (million ¥)	No. of Outlets	Company	1987 Sales (million ¥)	No. of Outlets
Mos Food Service Co., Ltd. (Mos Burger) 7, Iwata-cho, Shinjuku-ku Tokyo 162 Tel: (03) 268-0021	44 051	680	Tokyo Kaikan 3-2-1, Marunouchi Chiyoda-ku, Tokyo 100 Tel: (03) 215-2111	15 652	27
New Tokyo Group 2-2-3, Yuraku-cho Chiyoda-ku, Tokyo 100 Tel: (03) 572-5715	37 116	136	Hakuyouken 1-2-18, Shinji Sendai-shi 980 Tel: (022) 291-5201	15 578	312
TFK Group 141, Furugome, Narita-shi Chiba-ken 282 Tel: (0476) 32-5512	29 511	22	Chalon Co., Ltd. (International Host Chalon) 2-2-4, Minami-Nitta Daito-shi, Osaka 574 Tel: (0729) 88-1129	15 181	54
Morinaga Food Service Group 5-33-1, Shiba, Minato-ku Tokyo 108 Tel: (03) 456-0111	22 014	205	Suehiro Restaurant System Co., Ltd. 5-6-12, Ginza, Chuo-ku Tokyo 104 Tel: (03) 572-1411	14 838	86
Sato 3-7-6, Tagawa Yodogawa-ku, Osaka 532 Tel: (06) 309-6301	21 658	162	Dairy Queen Japan Co., Ltd. 2-23, Jinbo-cho, Kanda Chiyoda-ku, Tokyo 101 Tel: (03) 265-0601	14 320	250
Sunday's Sun Co., Ltd. 2592-15, Oaza Fukukawa Shin-Nanyo-shi, Yamaguchi 764 Tel: (0834) 64-1234	20 308	135	Jiro Restaurant System 5-27-7, Sendagaya Shibuya-ku, Tokyo 151 Tel: (03) 355-9321	14 030	122
Kokosu Japan 1-3, Higashinakanukicho Tsuchiura-shi, Ibaragi 300 Tel: (0298) 31-4858	19 791	134	Ginza Toricorole 1-9-2, Shinbashi Minato-ku, Tokyo 104 Tel: (03) 573-0541	13 750	268
Famil 4-1-4, Shiba-Koen Minato-ku, Tokyo 105 Tel: (03) 459-3580	17 707	268	Shinei Foods 5-1-14, Hamabe Dori Chuo-ku, Kobe-shi 651 Tel: (078) 261-1541	13 500	40
Asakuma 2-18-5, Nishiki Naka-ku, Nagoya 460 Tel: (052) 203-8035	17 656	88			
Barger City 3-8-1, Honcho Toyonaka-shi, Osaka 560 Tel: (06) 858-1642	17 452	373			
Oriental Land 1-1, Maihama Urayasu-shi, Chiba 279 Tel: (0473) 54-2111	15 846	29			



Details by Major Company

McDONALD'S (McDONALD'S COMPANY [JAPAN], LTD.)

Address: 2-6-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163 Tel: 03-344-6251 Fax: 03-344-6769	
JAPANESE PARTNER	FUJITA & CO., LTD. Address: 1-8-3, Shinbashi Minato-ku, Tokyo 105 Tel: 03-571-1217
ANNUAL TURNOVER (Period ending December 1987)	143 597 million yen
TOTAL NUMBER OF OUTLETS	606
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	237 million yen
TOTAL NUMBER OF EMPLOYEES	47 645 Full-time: 2 645 Part-time: 45 000
YEAR ESTABLISHED	1971
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of February 1987)	(Unit price: yen) Hamburger ¥210 Cheeseburger ¥240 Big Mac ¥370 Fillet o' Fish ¥260 Egg Muffin ¥250 Mac Fry Potato (small) ¥120 Mac Shake ¥220 Coffee ¥120

McDonald's Japan is not only the largest fast food retail chain in Japan, it is also the largest food service retail company in Japan of any type. Since the first store opened in 1971, McDonald's has grown to over 606 outlets with total sales of ¥144 billion (1987).

The food offered is basically the same as in North America.

McDonald's Japan is a 50-50 joint venture between McDonald's (U.S.) and Fujita Shoten. Five hundred and nine (84 per cent) of the outlets are directly owned and operated by McDonald's Japan, the remaining 97 (16 per cent) are franchises. Approximately one-half of the McDonald's outlets are in the Tokyo area, and about one-fourth are in Osaka-Kyoto — the remainder are distributed throughout the country. Similar to North America, the clientele are mainly teenagers and families with young children.

The major difference between McDonald's in Japan and in North America is that in Japan most outlets are pedestrian-oriented and do not have parking lots or drive-through services. Due to the greater pedestrian traffic around train and subway stations most McDonald's outlets will be found near these hubs.

Another feature of Japanese McDonald's is that the outlets are often smaller than their North American counterparts with less, and sometimes no, seating. Only in the last few years have larger, car-oriented McDonald's appeared, and these are very similar in size and design to those in North America.

This year's topic, "Thank You Set," a discounted set menu, including hamburger, fried potatoes and soft drink, has proved very popular.

SEVEN-ELEVEN JAPAN, FAST FOOD DIVISION

Address: 4-1-4, Shiba-Koen, Minato-ku, Tokyo 105 Tel: 03-459-3711	
JAPANESE PARENT COMPANY	ITO-YOKADO Address: 4-1-4, Shiba-Koen Minato-ku, Tokyo 105 Tel: 03-434-8375
ANNUAL TURNOVER (Period ending December 1987)	124 616 million yen
TOTAL NUMBER OF OUTLETS	3 349
LOCATION OF OUTLETS	Eastern Japan: 3 029 Western Japan: 320
AVERAGE ANNUAL SALES PER STORE	38 million yen
NUMBER OF EMPLOYEES	Total: 10 106 Full-time: 1 306 Part-time: 8 800
YEAR ESTABLISHED	1973
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Britou ¥180 Jagamaru-kun ¥80 My Flote ¥180 Post Mix ¥100-200 Coffee ¥120 Hamburger ¥200 Ice Cream ¥120 Oden ¥60-100

Seven-Eleven Japan is the largest convenience store operator owned by Ito-Yokado group in a tie-up with Southland Corp. of U.S. It boasts phenomenal growth and by far leads rivals in the number of franchise stores. It is one of the most promising companies in Japan with high earnings and an excellent financial standing.

Seven-Eleven is making strong efforts to expand sales of its fast food business.

Seven-Eleven Japan plans to open 350 new stores to increase the membership of chain stores to 3 400. It has entered a tie-up with Morinaga & Co. for ice cream, using animal characters, and with Taiyo fishery for "Cassete Bar," a new canned food.

SKYLARK (SKYLARK CO., LTD.)

Address: 6-14-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 180 Tel: 03-349-7077 Fax: 03-349-8244	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending December 1987)	116 543 million yen*
TOTAL NUMBER OF OUTLETS	663
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	215 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 3 183 Part-time: N.A.
YEAR ESTABLISHED	1962
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of March 1988)	(Unit price: yen) Hamburg Steak ¥580 Mix Pizza ¥580 Spaghetti Meat Sauce ¥580 8 Kinds of Hamburger 13 Kinds of Salads and Seafood 11 Kinds of Steak 4 Kinds of Soup 5 Kinds of Pizza 8 Kinds of Spaghetti 6 Kinds of Cheese Gratin

* Includes Western-style family restaurant "Yesterday" and other restaurants.

Skylark is the largest Western family restaurant chain in Japan and its total consolidated sales make it the third largest food service company in the country. Skylark started as a food supermarket and did not open its first family restaurant until 1970. Within eight years the company had opened 100 outlets and surpassed 300 in 1981. Total outlets for 1987 are estimated at about 542 with 50 stores being added annually.

In addition to the Skylark family restaurant chain, Skylark also operates several other coffee shop chains, including Johathan's and Yesterday.

Skylark's family restaurants are modeled after the Denny's chain in the U.S. The food is predominantly Western-style fast food and includes hamburgers, spaghetti, pizza and steaks. The average restaurant seats 110, which is large for a Japanese restaurant, and attains sales volume of about ¥190 million (\$1.8 million Cdn). A typical outlet will handle over 500 customers a day, with each customer spending an average of about ¥950 (\$9.13 Cdn). The restaurants are generally spacious, bright, with ample parking space.

Skylark is a family-run company and all of the outlets are directly operated. Skylark operates its own central kitchen near Tokyo to supply some of its basic products.

About 70 per cent of Skylark restaurants are located in the Tokyo area though some outlets are located in Kyushu in the south. The cost of raw and semi-processed food materials make up about 35 per cent of total sales.

RESTAURANT SEIBU

Address: 3-1-1, Higashi-Ikebukuro, Toshima-ku, Tokyo 170 Tel: 03-984-0662	
JAPANESE PARENT COMPANY	SEIBU SAISON GROUP Address: 3-1-1, Higashi-Ikebukuro Toshima-ku, Tokyo 170 Tel: 03-984-0662
ANNUAL TURNOVER (Period ending March 1987)	116 034 million yen
TOTAL NUMBER OF OUTLETS	1 271
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	91 million yen
NUMBER OF EMPLOYEES	Full-time: 4 136 Part-time: N.A.
YEAR ESTABLISHED	1947
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
GROUP COMPANIES	Yoshinoya D & C Yoshinoya Dankin Donuts Chepo Rolie Dole Palco Systems

Restaurant Seibu is the leading restaurant operator in Japan and is the food catering cog of the Seibu Saison Group. Restaurant Seibu started business by opening lunch counters at Seiyu stores and diversified into Japanese and Western cuisine, food retailing and wedding halls. It has linked up with a French company for the sale of bread. Restaurant Seibu is making an effort to expand its suburban restaurant chain.

Restaurant Seibu's current profit has shown a double-digit increase as a result of the opening of 80 new restaurants, a reduction in the sales-material cost ratio due to unification of materials, and the expansion of information systems.

DAIEI (DAIEI FOOD SERVICE INDUSTRY GROUP)

Address: 2-4-1, Shiba-Koen, Minato-ku, Tokyo 105 Tel: 03-433-9231 Fax: 03-433-9226	
JAPANESE PARENT COMPANY	DAIEI Address: 4-4-1, Minatogima Nakacho Chuo-ku, Kobe 650 Tel: 078-302-5001
ANNUAL TURNOVER (Period ending February 1987)	112 236 million yen
TOTAL NUMBER OF OUTLETS	2 154
LOCATION OF OUTLETS	Eastern Japan: Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	52 million yen
TOTAL NUMBER OF EMPLOYEES	Total: 8 805 Full-time: 2 601 Part-time: 6 204
YEAR ESTABLISHED	1957
TYPE OF FOOD SERVICE	Western-Style Restaurant
GROUP COMPANIES	Victoria Station Japan Milky Way Big Boy Japan Volks Captain Cook Wenko Japan

Daiei is Japan's largest nation-wide supermarket chain operator and is also engaged in a variety of other businesses, including hotels, dining-out, credit service, information service and tourism. Daiei has pushed forward with the diversification of its distribution services, including department stores, specialty stores and convenience stores.

Daiei Food Service Industry Group comprises 10 different food service chains.

Wenko is owned by Daiei and another Japanese food wholesaler, Marunaka, under a licensing agreement with Wendy's International. It manages two hamburger chains, Wendy's and Dom Dom.

Volks is a family restaurant/steak house which is licensed from the German chain of the same name. It is very similar to the Denny's-style restaurant chains in restaurant layout, style and food system.

KENTUCKY FRIED CHICKEN (KENTUCKY FRIED CHICKEN JAPAN LTD.)

Address: 1-1-1, Ebisu-Minami, Shibuya-ku, Tokyo 150 Tel: 03-719-0231	
JAPANESE PARTNER	MITSUBISHI CORP. Address: 2-6-3, Marunouchi Chiyoda-ku, Tokyo 100 Tel: 03-210-2121
ANNUAL TURNOVER (Period ending November 1987)	94 172 million yen
TOTAL NUMBER OF OUTLETS	725
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	130 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 951 Part-time: N.A.
YEAR ESTABLISHED	1970
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of July 1987)	(Unit price: yen) Combo Snack ¥580 Lunch ¥580 Chicken Fillet Sandwich ¥290 Home Pack ¥1 200 Thrift ¥1 490

Kentucky Fried Chicken, like McDonald's, has also been very successful in blazing a trail in Japan for Western fast foods. In 17 years of operation up to 1987, KFC opened almost 725 outlets and has recently been adding about 87 shops a year. The company is the sixth largest restaurateur in Japan.

There is little difference between KFC stores in Japan and in Canada. Some outlets are sit-down restaurants while some are only for take-out. The food served is virtually identical with the same "7 herbs and spices." KFC stores have been mainly pedestrian-oriented like most fast food stores in Japan, and are located near train stations. Recently, however, they have added stores on major roads that cater to the car-driving public.

Kentucky Fried Chicken Japan was formed through a 50-50 joint venture between KFC's United States parent, R.J. Reynold's Co., and the Mitsubishi (Trading) Corp. Mitsubishi is also one of the company's major suppliers of fresh chicken.

KFC identifies its market in Japan as mainly housewives, female office or clerical personnel (referred to in Japan as OLs — office ladies) and university students. A typical store will serve 600 customers a day, each spending ¥1 000 (\$9.62 Cdn).

KFC outlets are scattered fairly evenly throughout the country, though about one-third are located around Tokyo. Unlike the hamburger market, Japanese restaurant companies have yet to develop any local chains of fast food fried chicken similar to KFC.

ROYAL HOST (ROYAL CO., LTD.)

Address: 3-28-5, Naka, Hakata-ku, Fukuoka 816 Tel: 092-471-2479 Fax: 092-471-2525	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending December 1987)	91 651 million yen
TOTAL NUMBER OF OUTLETS	387
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	237 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 2 619 Part-time: N.A.
YEAR ESTABLISHED	1950
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Corn Soup ¥300 Pork Loin ¥880 Sirloin Steak ¥1 980 Mix Pizza ¥650 American Hamburger Steak ¥780 Cosmo Doria ¥780 Spaghetti with Meatsauce ¥630 Beef Curry ¥680 Mix Sandwich ¥580

Royal Host is the second largest Western family restaurant chain and the seventh largest food service company in Japan. The company started in Kyushu in 1950, though most of the family restaurants have been added in the last 15 years. Royal Host opened almost 390 outlets and has been recently adding about 50 shops a year.

Royal is a typical family restaurant in the Western style with large restaurants surrounded by parking lots and located on major routes. The restaurants are all similar in style with the same menus and prices. The average Royal Host restaurant has seating for 190 and serves over 1 717 customers a day.

Royal has its own central kitchen in Kyushu which supplies some 130 000 meals per day which are ferried around the country. The kitchen supplies some 150 varieties of food.

Royal runs a chain of 29 bakery shops and another 25 Western-style restaurants. Restaurant customers spend, on average, about ¥1 000 (\$9.62 Cdn) and are usually families or young adults. Royal is planning to branch out into fast food stores.

MISTER DONUT (DUSKIN CO., LTD.)

Address: 3-3, Doyama-cho, Kita-ku, Osaka 530 Tel: 06-315-6723	
JAPANESE PARENT COMPANY	DUSKIN CO., LTD. Address: Same as above Tel: Same as above
ANNUAL TURNOVER (Period ending March 1987)	63 159 million yen
TOTAL NUMBER OF OUTLETS	485
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	130 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: N.A. Part-time: N.A.
YEAR ESTABLISHED	1970
TYPE OF FOOD SERVICE	Coffee and Donuts
MENU (as of July 1987)	(Unit price: yen) French Curl Donut ¥90 Old Fashioned Donut ¥90 Chocolate French Donut ¥90 Apple Pie ¥150 Angel Cream ¥100 Angel French ¥100 Pafu ¥80

Mister Donut is another transplanted North American food chain that has performed very well in the Western food boom of the 1970s and 1980s. The food is basically donuts and coffee, the same as in Canada, and this simple combination has enabled Mister Donut to expand to more than 485 outlets in the 17 years since it started operations in Japan. As a food service company Mister Donut ranks 14th in Japan in total sales.

Mister Donut entered Japan through a licensing agreement with Duskin Co., Ltd., a large diversified cleaning and linen supply company with offices throughout the country. Most Mister Donut outlets are found along the busy streets near train stations and cater mostly to pedestrian traffic. The shops are very popular with young adults.

Mister Donut owes its success to the fact that it is an inexpensive place to sit down and have a cup of coffee.

Mister Donut has yet to see any major direct competition from the Japanese, as has occurred in the hamburger and family restaurant business.

LOTTERIA (LOTTERIA LTD.)

Address: 3-20-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 160 Tel: 03-375-1211	
JAPANESE PARENT COMPANY	LOTTE CO., LTD. Address: Same as above Tel: Same as above
ANNUAL TURNOVER (Period ending January 1987)	61 016 million yen
TOTAL NUMBER OF OUTLETS	506
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	121 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 1 247 Part-time: N.A.
YEAR ESTABLISHED	1972
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of July 1987)	(Unit price: yen) 10 Kinds of Hamburger ¥210-480 4 Kinds of Cold Drink ¥120-200 3 Kinds of Hot Drink ¥140-160 3 Kinds of Dessert ¥150-220 3 Kinds of Fried Chicken ¥200-1 000

Lotteria, a McDonald's-style restaurant, started business only two years after McDonald's opened its first shop, and has gone on to almost equal its mentor in numbers of outlets. The company had 506 outlets in 1987. New outlets are expected to continue to be added at a rate of 60 a year and 70 existing stores will be remodeled.

Lotteria is owned by Lotte Co., Ltd., one of the largest confectionary companies in Japan. Lotte is a high profile company and owns a professional baseball team. Lotte is mainly run by a Korean family that resides permanently in Japan.

Lotteria's food is more or less identical to McDonald's with single hamburgers, cheeseburgers, double hamburgers and french fries being its main products. Lotteria offers its basic products at a slight discount to McDonald's; the average Lotteria customer spends about ¥500 (\$4.81 Cdn).

Lotteria outlets usually consist of kitchens with counters and little or no customer seating. Lotteria has also been slow to develop larger outlets with parking lots or drive-through facilities. Again, following closely on the heels of McDonald's, Lotteria is beginning to open larger stores.

DENNY'S (DENNY'S JAPAN CO., LTD.)

Address: 4-1-4, Shiba-Koen, Minato-ku, Tokyo 105 Tel: 03-459-3521	
JAPANESE PARENT COMPANY	ITO-YOKADO CO., LTD. Address: Same as above Tel: 03-459-2111
ANNUAL TURNOVER (Period ending February 1987)	58 431 million yen
TOTAL NUMBER OF OUTLETS	298
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan:
AVERAGE ANNUAL SALES PER STORE	196 million yen
TOTAL NUMBER OF EMPLOYEES	5 492 Full-time: 1 520 Part-time: 3 972
YEAR ESTABLISHED	1973
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Japanese Steak ¥1 280 Japanese Hamburg Steak ¥780 Big Teriyaki Hamburg ¥980

Denny's is the third largest family restaurant chain in Japan. Denny's entered the Japanese market in 1973 under a licensing agreement with Ito-Yokado, one of the largest retail conglomerates in Japan. By 1987, Denny's had opened 298 stores, mostly in and around the Tokyo area.

Denny's and other Denny's-like restaurants in North America have served as the models for the development of family restaurants in Japan. Denny's style of food in the limited menu format, with a reasonably priced cup of coffee, has proved readily amenable to Japanese tastes. The restaurant appears to have made the move to Japan with little modification of its food service methods, though it is reported to have changed the taste of some of its products. The Japanese were clearly ready for larger, brighter restaurants easily accessible by car, as well as for more Western-style food.

Customers make an average purchase of about ¥900 (\$8.65 Cdn). Denny's restaurants are all owned by Denny's Japan, with the financial backing of Ito-Yokado. The chain expects to continue opening branches at a rate of 20 or 30 per year. Denny's spends about 35 per cent of its sales on raw and processed food materials.

FUJIYA FAMILY RESTAURANT (FUJIYA CO., LTD.)

Address: 7-2-17, Ginza, Chuo-ku, Tokyo 104 Tel: 03-572-4150 Telex: J25277 FUJIYACO	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending March 1987)	49 601 million yen
TOTAL NUMBER OF OUTLETS	686
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	72 million yen
TOTAL NUMBER OF EMPLOYEES	5 489 Full-time: 3 389 Part-time: 2 100
YEAR ESTABLISHED	1938
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Jyu-Jyu Beef ¥1 080 Gratan ¥880 Chocolate Pafe ¥500 Spaghetti ¥780

The Fujiya restaurant group is the 20th largest food service company in Japan and includes, along with the Fujiya coffee shops and family restaurants, two chains of pubs and the chain of Baskin and Robbins ice cream shops.

Fujiya was established in 1938, and many of its restaurants were around before the current family restaurant boom. As a result, Fujiya's family restaurants do not have the same style or approach as the newer chains such as Skylark or Denny's. Fujiya restaurants tend to be about one-third smaller in size than the newer chains. More importantly, they do not have the same service approach such as quickly serving brewed coffee, or automatically supplying napkins or silverware. Also, though the food is Western style, there is less variety, and less effort made to present the food in an attractively designed menu as in the newer chains. Fujiya restaurants do not often come equipped with parking areas.

The result is that Fujiya is not really in the mainstream of the new family restaurant business, though it is making efforts to revamp its business and concentrate more on road-side restaurants.

The Fujiya restaurant group is only a small sector of the Fujiya Corporation which is one of the country's largest cake and confectionary manufacturers. Many of Fujiya's restaurants have small cake and pastry shops in the front to cater to take-out customers.

MOS BURGER (MOS FOOD SERVICE CO., LTD.)

Address: 4, Iwata-cho, Shinjuku-ku, Tokyo 162 Tel: 03-266-7111 Fax: 03-266-7110	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending March 1987)	44 051 million yen
TOTAL NUMBER OF OUTLETS	680
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	65 million yen
TOTAL NUMBER OF EMPLOYEES	1 099 Full-time: 288 Part-time: 811
YEAR ESTABLISHED	1972
TYPE OF FOOD SERVICE	Western-Style Fast Food — Hamburgers
MENU (as of February 1987)	(Unit price: yen) Mosburger ¥260 Teriyaki Burger ¥280 Mosrice Burger ¥280

Mos Burger is another of the Japanese-based hamburger chains to capitalize on the market pioneered by McDonald's. Mos Burger is the fifth largest hamburger chain in Japan and over 90 per cent of the outlets are franchises.

Mos Burger has one of the widest menus among the hamburger chains in Japan and includes, along with a selection of hamburgers, hot dogs, soup, tuna, pork or beef sandwiches, chili and ice cream. The food is not generally as good as at some of the other hamburger chains, though the prices are more reasonable.

Mos Burger outlets are usually very small with little or no seating and a high percentage (50 per cent) of take-out business. Mos Burger has yet to develop the larger outlets to cater to a car-bound clientele. Their market is mainly university students and young office workers. The average customer spends about ¥600 (\$5.77 Cdn). Mos Burger is one of the fastest growing hamburger chains with over 144 outlets added in 1987. This growth is due to the low costs of obtaining and running a franchise, since Mos Burger only takes a one per cent royalty on sales, compared to three per cent to five per cent for most other fast food chains.

Mos Burger has no central kitchen and purchases most of its products from Japanese food processors. Mos Burger has one of the highest ratios of cost of raw materials to sales (45.5 per cent) among food service companies in Japan.

NEW TOKYO

Address: 2-2-3, Yuraku-cho, Chiyoda-ku, Tokyo 100	
Tel: 03-572-5715	
Fax: 03-571-0623	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending December 1987)	37 116 million yen
TOTAL NUMBER OF OUTLETS	136
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	273 million yen
TOTAL NUMBER OF EMPLOYEES	4 000 Full-time: 2 000 Part-time: 2 000
YEAR ESTABLISHED	1937
TYPE OF FOOD SERVICE	Western-Style Restaurant
MENU (as of July 1987)	(Unit price: yen) Mix Pizza ¥700 Steak ¥1 000

TFK GROUP

Address: 141, Furugome, Narita-shi, Chiba-ken 282	
Tel: 0476-32-5512	
Fax: 0476-32-5651	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending March 1987)	29 511 million yen
TOTAL NUMBER OF OUTLETS	22
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	1 341 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 939 Part-time: N.A.
YEAR ESTABLISHED	1959
TYPE OF FOOD SERVICE	Western-Style Restaurant

RESTAURANT MORINAGA

Address: 5-33-1, Shiba, Minato-ku, Tokyo 108 Tel: 03-456-0111 Fax: 03-451-5598	
JAPANESE PARTNER	MORINAGA & CO. Address: 5-33-1, Shiba, Minato-ku Tokyo 108 Tel: 03-456-0111
ANNUAL TURNOVER (Period ending March 1987)	22 014 million yen
TOTAL NUMBER OF OUTLETS	205
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	107 million yen
TOTAL NUMBER OF EMPLOYEES	1 420 Full-time: 621 Part-time: 799
YEAR ESTABLISHED	1933
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of July 1987)	(Unit price: yen) American Set ¥390 Teriyaki Burger ¥280 Coffee ¥150 Fishburger ¥250 Hamburger ¥210

SATO

Address: 3-7-6, Tagawa, Yodogawa-ku, Osaka 532 Tel: 06-309-6301 Fax: 06-304-5166	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending March 1987)	21 658 million yen
TOTAL NUMBER OF OUTLETS	162
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	134 million yen
TOTAL NUMBER OF EMPLOYEES	5 395 Full-time: 836 Part-time: 4 559
YEAR ESTABLISHED	1951
TYPE OF FOOD SERVICE	Western-Style and Japanese-Style Restaurant

SUNDAY'S SUN (SUNDAY'S SUN CO., LTD.)

Address: 1-21, Fukukawa-cho, Shin-Nanyo-shi, Yamaguchi 746	
Tel: 0834-64-1234	
Fax: 0834-64-1243	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending March 1987)	20 308 million yen
TOTAL NUMBER OF OUTLETS	135
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	150 million yen
TOTAL NUMBER OF EMPLOYEES	5 030 Full-time: 944 Part-time: 4 086
YEAR ESTABLISHED	1971
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) American Hamburger Steak ¥740 Seafood Doria ¥680 Combination Salad ¥500 Mix Sandwich ¥550 Mexican Doria ¥750

KOKOSU JAPAN

Address: 1-3, Higashinakanukimachi, Tsuchiura-shi, Ibaragi 300 Tel: 0298-31-4858 Fax: 0298-32-0442	
JAPANESE PARTNER	KASUMI Address: 1-3, Higashi-Nakanukimachi, Tsuchiura-shi Ibaragi 300 Tel: 0298-31-7041
ANNUAL TURNOVER (Period ending February 1987)	19 791 million yen
TOTAL NUMBER OF OUTLETS	134
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	148 million yen
TOTAL NUMBER OF EMPLOYEES	4 281 Full-time: 435 Part-time: 3 846
YEAR ESTABLISHED	1978
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Lunch ¥680 Japanese-Style Hamburg ¥1 180 Coffee ¥250 Big American Steak Set ¥1 980 Chicken Dolia ¥680

FAMIL

Address: 4-1-4, Shiba-Koen, Minato-ku, Tokyo 105 Tel: 03-459-3580 Fax: 03-434-8375	
JAPANESE PARTNER	ITO-YOKADO Address: 4-1-4, Shiba-Koen Minato-ku, Tokyo 105 Tel: 03-459-2111
ANNUAL TURNOVER (Period ending February 1987)	17 707 million yen
TOTAL NUMBER OF OUTLETS	268
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	66 million yen
TOTAL NUMBER OF EMPLOYEES	1 880 Full-time: 680 Part-time: 1 200
YEAR ESTABLISHED	1972
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Slice Beef ¥880 Famil Steak ¥980 Noodle ¥880

ASAKUMA

Address: 2-18-5, Nishiki, Naka-ku, Nagoya 460 Tel: 052-203-8035 Fax: 052-203-8567	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending June 1987)	17 656 million yen
TOTAL NUMBER OF OUTLETS	88
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	201 million yen
TOTAL NUMBER OF EMPLOYEES	1 710 Full-time: 196 Part-time: 1 514
YEAR ESTABLISHED	1962
TYPE OF FOOD SERVICE	Western-Style Restaurant
MENU (as of July 1987)	(Unit price: yen) Hamburg Steak ¥490 Sirloin Steak ¥2 380 Student Steak ¥590 Japanese Steak ¥1 390

BARGER CITY

Address: 3-8-1, Honmachi, Toyonaka-shi, Osaka 560 Tel: 06-858-1642 Fax: 06-858-1422	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending January 1987)	17 452 million yen
TOTAL NUMBER OF OUTLETS	373
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	47 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: N.A. Part-time: N.A.
YEAR ESTABLISHED	1985
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of July 1987)	(Unit price: yen) Hamburger ¥100 City Burger ¥250

TOKYO DISNEYLAND FOOD SERVICE GROUP (ORIENTAL LAND CO., LTD.)

Address: 1-1, Maihama, Urayasu-shi, Chiba 279 Tel: 0473-54-2111 Fax: 0473-54-2205	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending March 1987)	15 846 million yen
TOTAL NUMBER OF OUTLETS	29
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	546 million yen
TOTAL NUMBER OF EMPLOYEES	9 779 Full-time: 2 193 Part-time: 7 586
YEAR ESTABLISHED	1983
TYPE OF FOOD SERVICE	Western-Style Restaurant

TOKYO KAIKAN

Address: 3-2-1, Marunouchi, Chiyoda-ku, Tokyo 100	
Tel: 03-215-2111	
Fax: 03-211-5857	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending March 1987)	15 652 million yen
TOTAL NUMBER OF OUTLETS	27
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	580 million yen
TOTAL NUMBER OF EMPLOYEES	N.A. Full-time: 1 007 Part-time: N.A.
YEAR ESTABLISHED	1922
TYPE OF FOOD SERVICE	Western-Style Restaurant

HAKUYOUKEN

Address: 1-2-18, Shindera, Sendai-shi 980	
Tel: 022-291-5201	
Fax: 022-295-8564	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending December 1987)	15 578 million yen
TOTAL NUMBER OF OUTLETS	312
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	50 million yen
TOTAL NUMBER OF EMPLOYEES	1 854 Full-time: 750 Part-time: 1 104
YEAR ESTABLISHED	1942
TYPE OF FOOD SERVICE	Western-Style Restaurant and Fast Food
MENU (as of July 1987)	(Unit price: yen) Beef Curry ¥580 Steak Piraff ¥980 Shrimp Piraff ¥580

INTERNATIONAL HOST CHALON (CHALON CO., LTD.)

Address: 13-12, Kashiwada Higashi-cho, Higashi-osaka-shi, Osaka 574 Tel: 0729-88-1129 Fax: 0729-87-2592	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending August 1987)	15 181 million yen
TOTAL NUMBER OF OUTLETS	54
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	281 million yen
TOTAL NUMBER OF EMPLOYEES	1 675 Full-time: 560 Part-time: 1 115
YEAR ESTABLISHED	1969
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of February 1987)	(Unit price: yen) Hamburger ¥750 King Steak ¥1 880 Lunch Set ¥600 Coffee ¥250

SUEHIRO 5 (SUEHIRO RESTAURANT SYSTEM CO., LTD.)

Address: 5-6-12, Ginza, Chuo-ku, Tokyo 104 Tel: 03-572-1411 Fax: 03-572-1447	
JAPANESE PARENT COMPANY	N.A.
ANNUAL TURNOVER (Period ending December 1987)	14 838 million yen
TOTAL NUMBER OF OUTLETS	86
LOCATION OF OUTLETS	Eastern Japan: 59 Western Japan: 0
AVERAGE ANNUAL SALES PER STORE	173 million yen
TOTAL NUMBER OF EMPLOYEES	4 490 Full-time: 690 Part-time: 3 800
YEAR ESTABLISHED	1976
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Suchiro Steak ¥1 780 Japanese-Style Steak ¥1 180 Suchiro Hamburg ¥780 Slicebeef ¥980 Mixed Steak ¥980 Seafood Doria ¥680

DAIRY QUEEN (DAIRY QUEEN JAPAN CO., LTD.)

Address: 2-23, Jinbo-cho, Kanda, Chiyoda-ku, Tokyo 101 Tel: 03-265-0601 Fax: 03-239-1996	
JAPANESE PARTNER	MARUBENI CORP. Address: 3-3, Honmachi Higashi-ku, Osaka Tel: 06-266-2111
ANNUAL TURNOVER (Period ending September 1987)	14 320 million yen
TOTAL NUMBER OF OUTLETS	250
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	57 million yen
TOTAL NUMBER OF EMPLOYEES	N.A.
YEAR ESTABLISHED	1973
TYPE OF FOOD SERVICE	Western-Style Fast Food
MENU (as of July 1987)	(Unit price: yen) Soft Cream ¥150 Hamburger ¥200 Fried Potatoes ¥140

JIRO RESTAURANT SYSTEM

Address: 5-27-7, Sendagaya, Shibuya-ku, Tokyo 151 Tel: 03-355-9321 Fax: 03-355-3235	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending December 1987)	14 030 million yen
TOTAL NUMBER OF OUTLETS	122
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	115 million yen
TOTAL NUMBER OF EMPLOYEES	1 253 Full-time: 564 Part-time: 689
YEAR ESTABLISHED	1973
TYPE OF FOOD SERVICE	Western-Style Restaurant
MENU (as of July 1987)	(Unit price: yen) Mix Pizza ¥780 Japanese-Style Hamburg ¥880 Original Pizza ¥780 Japanese-Style Steak ¥1 380

GINZA TORICOROLE

Address: 1-9-2, Shinbashi, Minato-ku, Tokyo 104 Tel: 03-573-0541 Fax: 03-573-0549	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending July 1987)	13 750 million yen
TOTAL NUMBER OF OUTLETS	268
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	51 million yen
NUMBER OF EMPLOYEES	3 000 Full-time: 1 000 Part-time: 2 000
YEAR ESTABLISHED	1939
TYPE OF FOOD SERVICE	Western-Style Family Restaurant
MENU (as of July 1987)	(Unit price: yen) Hamburg Steak ¥700 Spaghetti ¥580 Dolia ¥800 Coffee ¥250

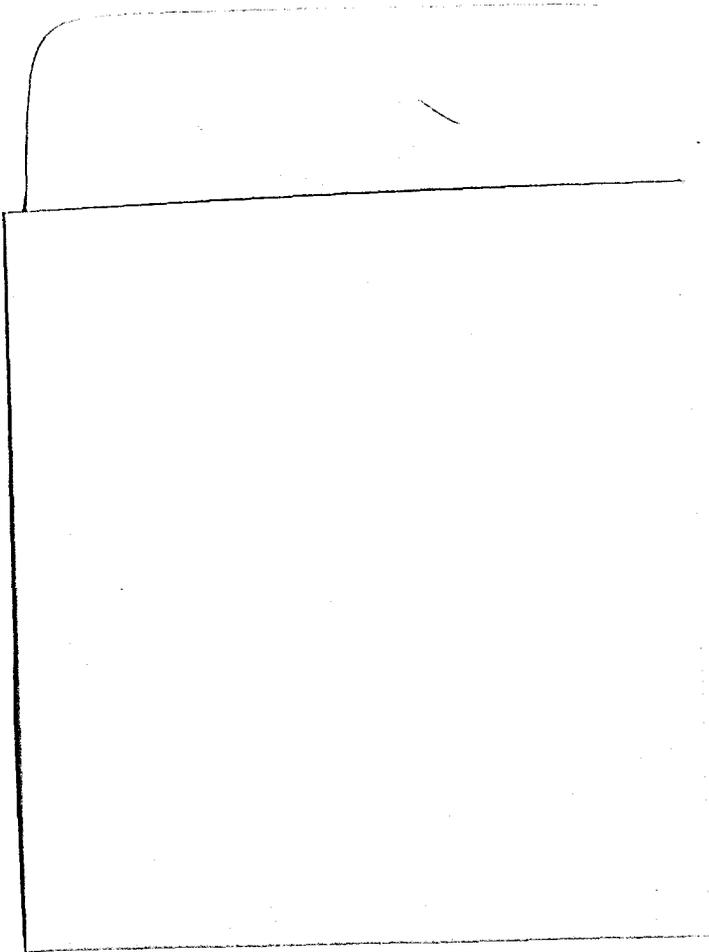
SHINEI FOODS

Address: 5-1-14, Hamabe-Dori, Chuo-ku, Kobe-shi 651 Tel: 078-261-1541	
JAPANESE PARTNER	N.A.
ANNUAL TURNOVER (Period ending March 1987)	13 500 million yen
TOTAL NUMBER OF OUTLETS	40
LOCATION OF OUTLETS	Eastern Japan: N.A. Western Japan: N.A.
AVERAGE ANNUAL SALES PER STORE	338 million yen
TOTAL NUMBER OF EMPLOYEES	979 Full-time: 479 Part-time: 500
YEAR ESTABLISHED	1969
TYPE OF FOOD SERVICE	Western-Style Restaurant
MENU (as of July 1987)	(Unit price: yen) Steak Lunch ¥2 500 Course Menu (Fish) ¥4 000 Course Menu (Beef) ¥5 000 Special Lunch ¥2 000

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