

Guidebook for Export to Japan (Food Articles) 2011
<Alcoholic Beverages>

Japan External Trade Organization (JETRO)

Development Cooperation Division
Trade and Economic Cooperation Department

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7. Alcoholic Beverages

This chapter defines alcoholic beverages according to the H.S. code of the Tariff Schedule (Fig. 7-1), covering imports as well as sake, shochu (distilled spirits), and low-alcoholic beverages (ready-to-drink [RTD] beverages unique to Japan, such as chu-hai, which are mixed drinks composed of shochu, vodka or other spirits with soft drinks such as carbonated water with fruit juice added to it, and highball [whisky mixed with carbonated water]) that are distributed in Japan.

Fig. 7-1: Scope of coverage for alcoholic beverages in this chapter

Category	Description	H.S. code
Wine	Sparkling wine	2204.10
	Sherry, port and other fortified wines (holding less than 2ℓ)	2204.21-010
	Still bottled wine (in a 2-liter or less container)	2204.21-020
	Other wine (bulk wine)	2204.29-010, -090
	Vermouth and other wine	2205.10, 2205.90-100, -200
Beer, low-malt beer	Beer made from malt	2203
	Low-male beer	2206
Whisky	Bourbon whisky	2208.30-011, 019
	Rye whisky	2208.30-021, 029
	Other whisky	2208.30-031, 032
Other	Brandy, fruit brandy	2208.20-100, 200, 2208.90-111, -119
	Rum	2208.40
	Gin	2208.50
	Vodka	2208.60
	Liqueurs and cordials	2208.70

I. Points to Note in Exports to and Sales in Japan

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

The importing of alcoholic beverages is subject to 1) the Food Sanitation Act, 2) the Liquor Tax Act, and 3) the Customs Act.

<Food Sanitation Act>

In compliance with Notification No. 370 of the Ministry of Health, Labour and Welfare, "Standards and Criteria for Food and Additives" issued under the Food Sanitation Act, and the standards for pesticide residues, etc. (including feed additives and drugs for animals) which are included therein, alcoholic beverages are subject to food sanitation, which is conducted to assess the types and details of the raw ingredients, and to test the types and contents of additives, pesticide residues, mycotoxins, and so on. Import bans may be imposed on food in the event of an additive, pesticide, or other contents which are prohibited in Japan, when their levels exceed approved limits, or when the presence of mycotoxins, etc. is above allowable levels. Accordingly, alcoholic beverages should be checked at the production site prior to import. If levels exceed the limits of Japanese standards, guidance should be given.

Pesticide residue standards adopted a negative system until 2006, under which pesticides would not be subject to control if there was no requirement for them. Amendments to the law introduced a positive list system, however, and the distribution of products is now prohibited in principle if they contain a specific level of pesticides, etc. even if there is no established requirement.

As of 2011, there is no alcoholic beverage that is subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act). Medicinal liquors do not fall into a food category under the provisions of the Food Sanitation Act, and are exempt from the food sanitation inspection.

Past cases in which destruction or returning to the shipper were ordered include wine produced in New Zealand that was found during an inspection by authorities to contain copper sulfate which is a banned substance, a liqueur produced in Azerbaijan in which sorbic acid was detected at a level above the approved limit in a voluntary inspection, and rum produced in Australia which was found to contain an unapproved additive also in a voluntary inspection. It is preferable to fully check the approved use of additives in advance.

<Liquor Tax Act>

The Liquor Tax Act defines alcoholic beverages as beverages with an alcohol content of 1 percent or higher; those that contain less than 1 percent are handled as soft drinks.

Under the law, wholesaling of alcoholic beverages is operated in a licensing system, in which those that have obtained a wholesale dealer's license for all alcoholic beverages or imported alcohol beverages from the director of a tax office are authorized to wholesale imported alcoholic beverages. Alcoholic beverages can be imported independently if they are intended to be offered for drinking within the applicant's place of business (such as a bar, restaurant, etc.).

The Liquor Tax is a specific duty that is imposed according to the type and alcohol content of an item, and its provisions are summarized as shown in Fig. 7-2.

Fig. 7-2: Summary of Liquor Tax rates by type

Classification	Alcoholic beverage	Customs		Liquor Tax	
		General tariff	Simplified tariff (Note 1)	Alcohol by volume	Rates /kL
Low-malt beers	Beer made from malt	Free	—	< 20% vol	¥220,000
	Low-malt beer	* Tariff rates vary according to the malt concentration and alcohol by volume (ABV).			
Brews	Wine (fruit wine)	15% or ¥125/L, whichever is lower. If the tariff rate is < ¥67/L, it is fixed at ¥67/L (Note 2)	¥70/L	—	¥80,000
Spirits	Whisky, brandy, spirits	* Tariff rates vary according to ABV		≥37% vol	¥10,000 added per percentage point of ABV over 37% vol
				< 37% vol	¥370,000
Liqueurs	Liqueur, sweet fruit liquor	* Tariff rates vary according to ABV.		< 13% vol	¥120,000 (Note 3)

Source: National Tax Agency

(Note 1) Simplified tariff rates are applicable to general import goods or international mail the custom value of which is ¥100,000 or lower.

(Note 2) Limited to those in containers holding 2ℓ or less, excluding sparkling and fortified wines (e.g., Sherry, port).

(Note 3) If the alcohol by volume exceeds 12%, ¥10,000/kℓ is added for every % vol. For liqueurs <12%, excluding sparkling products, tariff rates are ¥80,000/kℓ if the alcohol by volume is <9%, while they are calculated by ¥80,000/kℓ combined with an incremental ¥10,000 per percentage point exceeding 8% if it is between 9% and 12%.

<Customs Act>

Under the Customs Act, the importing of cargo with labeling that falsifies the origin of the contents, etc. is banned.

(2) Regulations and Procedural Requirements at the Time of Sale

Regulations and restrictions relevant to the sales of alcoholic beverages are explained below.

<Liquor Tax Act>

The Liquor Tax Act rules that one may not sell alcoholic beverages unless possessing a wholesale dealer's license for all alcoholic beverages or for imported alcoholic beverages in order to be able to sell to retailers, etc., a general retail dealer's license for alcoholic beverages to sell to general consumers, owners of eating and drinking establishments, or confectionery manufacturers, and a mail-order retail dealer's license for alcoholic beverages to sell by mail order retailing (Fig. 7-3).

While wholesaling licenses may be obtained on a permit basis as mentioned above, retail licenses may be obtained in principle on a notification basis.

Fig. 7-3: Characteristics of major licenses to sell liquors

License	Characteristics
Wholesale dealer's license for all alcoholic beverages	All kinds of alcoholic beverages, irrespective of domestic or import products can be sold wholesale; retail distribution of any alcoholic beverage is prohibited.
Wholesale dealer's license for Western liquor	Western liquors other than beer can be sold wholesale; retail distribution of any alcoholic beverage is prohibited.
Wholesale dealer's license for imported alcoholic beverages	Imported alcoholic beverages can be sold to retailers; retail distribution of any alcoholic beverage is prohibited.
General retail dealer's license for alcoholic beverages	Alcoholic beverages, including import products, can be directly sold to general consumers in the distribution area; wholesale distribution of any alcoholic beverage is prohibited.
Mail-order retail dealer's license for alcoholic beverages	Alcoholic beverages can be sold by mail order to consumers, restaurants, etc.; note that the maximum allowable volume of imports is less than 100 kℓ per year.

Source: National Tax Agency

<Liquor Business Association Act (Act on Securing of Liquor Tax and on Liquor Business Associations)>

The Liquor Business Association Act governs various matters concerning labeling for the purpose of ensuring stable trading of alcoholic beverages, and labeling in accordance with the Liquor Business Association is obligatory in selling alcoholic beverages. (Refer to II. Labeling)

<Food Sanitation Act>

Under the Food Sanitation Act, sales of products that contain harmful or toxic substances or those with poor hygiene are prohibited. Sales of alcoholic beverages in containers and packaging are subject to mandatory labeling under the Food Sanitation Act, and provisions concerning safety labeling such as indication of food additives, allergy information, raw ingredients and source, and genetic modification, etc. are applicable. (Refer to II. Labeling)

<Pharmaceutical Affairs Act>

To prevent general alcoholic beverages and medicinal liquors from being mixed up, it is prohibited under the Pharmaceutical Affairs Act to label or advertise a general alcoholic beverage in a manner that misleadingly promotes it as having the effect of a pharmaceutical product. Medicinal liquors are subject to the Pharmaceutical Affairs Act and the Liquor Tax Act, although it is out of the scope of this chapter.

<Product Liability Act>

As a processed product, alcoholic beverages are included in items subject to the Product Liability Act, and care should be taken with regard to the safety management of relevant contents, containers, and packaging.

The Product Liability Act stipulates the liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable for damages.

<Act on Specified Commercial Transactions>

The Act on Specified Commercial Transactions stipulates the protection of interest of purchasers in the direct commercial transactions made with consumers. Sales of alcoholic beverages in such routes as mail-order, direct marketing, telemarketing, etc. are subject to provisions of the Act on Specified Commercial Transactions.

Note that a mail-order retail dealer's license for alcoholic beverages requires to sale of alcoholic beverages by mail-order.

<Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging>

Under the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging, importers, etc. that sell contents using containers and packaging that are controlled by the Act (glass bottle, plastic bottles, paper containers and packaging and plastic containers and packaging, etc.) shall be liable for recycling (however, small-scale enterprises of below a certain size are excluded from among enterprises subject to the Act).

<Minor Drinking Prohibition Act>

The Minor Drinking Prohibition Act bans the intake of alcoholic beverages by minors, and provides for the punishment of those that sell or offer them. For the purpose of ensuring this, it is recommended to label containers and packaging of alcoholic beverages to indicate that "underage drinking is prohibited by law," "you must be 20 years of age or older to drink alcohol," etc.

At shops, etc. that sell alcoholic beverages, meanwhile, a sign shall be placed in a visible spot to indicate that "this is an alcoholic beverage corner" or "this is an alcoholic beverage isle" and that "we do not sell alcoholic beverages when a customer is not confirmed to be over 20 years of age" in a font size larger than 100 points.

2. Procedures

(1) Procedures for Authorization of Importing and Sales

<Food Sanitation Inspection>

Under the Food Sanitation Act, the required documents must be submitted (Fig. 7-5) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted within the bonded area if it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 7-4).

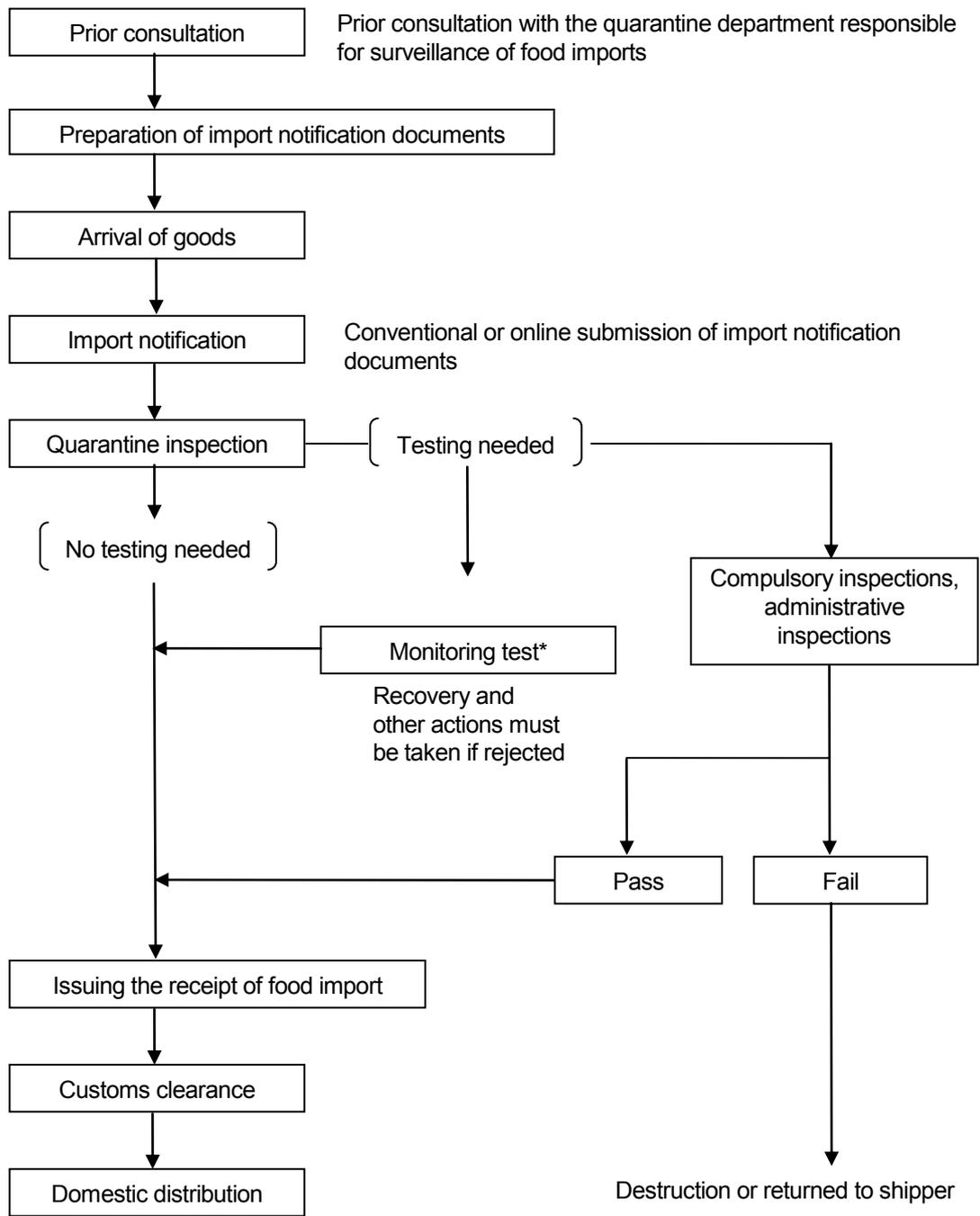
<Customs>

Under the Customs Business Act, import declaration must be made by importers themselves or commissioned to those qualified as registered customs specialists (including customs brokers).

To accept the entry into Japan of incoming cargo arriving from a foreign country, an import declaration must be made to the competent Customs office for the bonded area where the cargo is stored. Cargo for which customs inspection is required shall undergo required inspections first, and upon payment of customs duty, national and local consumption taxes, an import permit may be given in principle.

To transfer import cargo of alcoholic beverages out of the bonded area, a notification should be filed with the director of the competent tax office before the time of accepting it.

Fig. 7-4: Flowchart of import procedure



Source: Ministry of Health, Labour and Welfare

* Import food inspection following notification, conducted by MHLW Quarantine Stations according to the annual plan.

<Required Documents>

Documents required for importing are summarized below in Fig. 7-5 according to the authorities to which each document is submitted.

Fig. 7-5: Documents required for import clearance

Submitted to	Required documents
Imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare (Food sanitation inspection under the Food Sanitation Act)	Notification form for importation of foods
	Material/ingredient table
	Production flow chart
	Table of analysis results issued by the designated inspection institute (if there is a past record of import)
Local customs offices (Customs clearance under the Customs Act)	Declaration of import
	Invoice
	Packing list
	Bill of lading (B/L) or airway bill
	Two copies of labeling notification under the Liquor Business Association Act*
	Copy of liquor license under the Liquor Tax Act*

Source: Ministry of Health, Labour and Welfare

*Documents should be submitted before import application.

(3) Contact Information for Competent Authorities, Institutions, and Sections**Fig. 7-6: Contacts of competent authorities**

Food Sanitation Act		
Inspection and Safety Division, Department of Food Safety, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp	
Liquor Tax Act / Liquor Business Association Act / Minor Drinking Prohibition Act		
Liquor Tax and Industry Division, Taxation Department, National Tax Agency	TEL: +81-3-3581-4161	
Customs Tariff Act /		
Customs and Tariff bureau, Ministry of Finance Japan	TEL: +81-3-3581-4111 http://www.mof.go.jp	
Act for Standardization and Proper Labeling of Agricultural and Forestry Products		
Labelling and Standards Division, Food Safety and Consumer Affairs Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp	
Measurement Act		
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Health Promotion Act		
Food and Labeling Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Pharmaceutical Affairs Act		
Compliance and Narcotics Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare	TEL: +81-3-5253-1111 http://www.mhlw.go.jp	
Act against Unjustifiable Premiums and Misleading Representations		
Representation Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Product Liability Act		
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	
Act on Specified Commercial Transactions		
Consumer Advice Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp	
Consumer Safety Division, Consumer Affairs Agency	TEL: +81-3-3507-8800 http://www.caa.go.jp	

Fig. 7-6: Contacts of competent authorities (continued)

Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging / Act on the Promotion of Effective Utilization of Resources

Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
<http://www.meti.go.jp>

Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment TEL: +81-3-3581-3351
<http://www.env.go.jp>

Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries TEL: +81-3-3502-8111
<http://www.maff.go.jp>

Unfair Competition Prevention Act / Trademark Act

Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry TEL: +81-3-3501-1511
<http://www.meti.go.jp>

General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry TEL: +81-3-3581-1101
<http://www.jpo.go.jp>

II. Labeling

1. Labeling under Legal Regulations

Quality labeling of liquor products must be in Japanese and conform to the following laws and regulations: 1) Food Sanitation Act, 2) Liquor Tax Act, 3) Liquor Business Association Act, 4) Act for Standardization and Proper Labeling of Agricultural and Forestry Products, 5) Measurement Act, 6) Health Promotion Act, 7) Act on the Promotion of Effective Utilization of Resources, 8) Pharmaceutical Affairs Act, 9) Act against Unjustifiable Premiums and Misleading Representations, and 10) intellectual asset-related laws (e.g., Unfair Competition Prevention Act, Trademark Act).

Liquor products require labeling of the name of the manufacturer, weight, and type of alcohol on the packaging of the container in accordance with the method submitted to the Ministry of Finance. For this reason, when importing and selling liquor products, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the similar requirements for processed foods packed in containers under the Food Sanitation Act, and Liquor Business Association Act: 1) product name, 2) type, 3) ingredients, 4) alcohol percentage, 5) content, and 6) expiration rate, 7) storage method, 8) country of origin, and 9) name and address of importer.

The Food Sanitation Act prescribes quality labeling standards for alcohol products, and requires that appropriate quality labeling be carried out based on correct understanding of the corresponding standards when importing the concerned foods.

<Product name>

The name of the product must be provided on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Ingredients>

The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

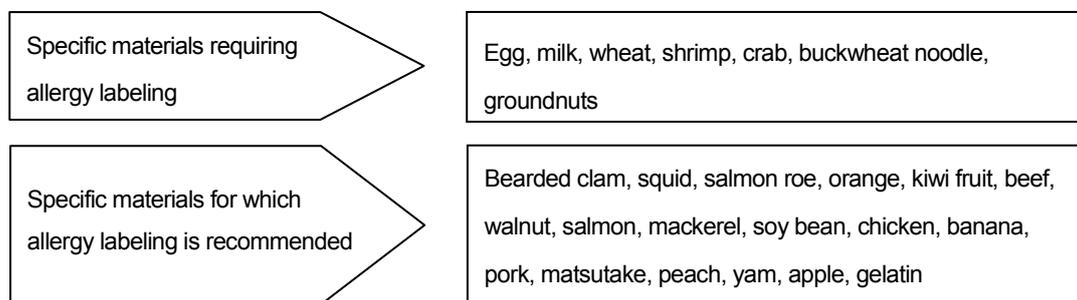
The substance name of additives used must be listed in decreasing order from highest to lowest content on the label in accordance with the Food Sanitation Act. The substance name and use of the following eight additives must be indicated on the label: sweeteners, antioxidants, artificial colors, color formers, preservatives, whiteners, thickeners/stabilizers/gelators/bodying agents, antifungal agents, and antimold agents). For details on usage and storage standards of additives, Notification No. 370 of the Ministry of Health, Labour and Welfare "Standards and Criteria for Food and Additives" prescribes the maximum allowable limit of approved additives for each food article

<Allergies>

When products containing the specific ingredients shown in Fig. 7-7 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Some alcohol products such as low alcohol beverages added with orange contain ingredients subject to allergy labeling. If they are included in the list of main ingredients, no additional action should be taken. If the name of ingredients on the label does not identify specific ingredients, labeling is required or recommended.

Fig. 7-7: Specific materials related to allergy labeling



Source: Ministry of Health, Labour and Welfare

<Recombinant foods>

The following liquor products containing ingredients such as recombinant crops, etc. require recombinant foods labeling on the container or package in compliance with the quality labeling standards of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products:

- a) Liquors made from the concerned crops (soya beans produced using recombinant DNA techniques, including green soya beans and soya bean sprouts, maize or corn, potatoes, rapeseed, cotton seeds) or processed foods made from such ingredients, which contain residual recombinant DNA or protein produced as a result.
- b) Liquors made from soya beans with strong oleic acid traits (including processed foods made from them), which are classified as specific recombinant crops (concerned crops whose composition and nutritional value are extremely different from normal crops because they are produced using recombinant DNA technology), if such soya beans are a main ingredient (one of the top three ingredients, accounting for 5% or more of the total weight), and liquor products made from such liquors.

Labeling stating that the product is not recombinant is prohibited for liquor products made from crops whose recombinant products are not available and processed foods made from such crops.

<Alcohol percentage>

The Liquor Business Association Act requires that the labeling of the alcohol level be in “degrees” or “%.”
The Liquor Tax Acts prescribes alcohol ± 1 degrees difference as the permissible value.

<Content weight>

When importing and selling liquor, the importer must weigh the product in accordance with the Measurement Act and indicate the weight in liters on the label. The product must be weighed so that the difference between the actual weight of the product and the figure indicated on the label is within the prescribed range.

The weight of products must be indicated in liters, milliliters, ℓ, or mℓ according to the Liquor Business Association Act.

<Expiration date>

The expiration date labeling prescribed by the Food Sanitation Act can be omitted for liquor products, but liquor products requiring preservation precautions to be observed must be labeled with the expiration date and preservation precautions in accordance with the sake manufacturing method quality labeling standards and the code of fair competition.

The Food Sanitation Act and Liquor Business Association Act do not require labeling of date of manufacture but require appropriate labeling of the type of alcohol for sake products to ensure smooth liquor trade and consumer benefits. These laws thus have labeling standards for manufacturing method and quality for sake products and require the labeling of the date of manufacture.

<Preservation method>

The preservation method for maintaining flavor in the unopened state until the best-by date must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. For alcoholic beverages which can be stored at room temperature, the preservation method can be omitted from the label.

<Country of origin>

The labeling standards for geographical labeling prescribed by the National Tax Agency Notice prohibit labeling for which use is prohibited in countries other than the member production countries of the WTO. For this reason, products unique to a particular region such as Bordeaux wine, Champagne, and brandy Cognac must be labeled that they have been produced in regions other than the production site under the same protection regulations as copyright, etc.

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods. This Act also requires the country of origin to be labeled for ingredients listed in the attached table. The requirement is not applicable to all other ingredients.

Such information must be labeled either by stating in brackets on the list of ingredients or by stating the name of country of origin in a specified column of the labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of cereals in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat).

Components must be indicated in the following order and unit:

- a) Calories (kcal or kilocalories)
- b) Protein (g or grams)
- c) Fat (g or grams)
- d) Carbohydrate (g or grams)
- e) Sodium
- f) Other nutritional components to be indicated on labels

The Health Ministry also prescribes standards on the labeling of other nutritional components and on information to be highlighted.

Labels for specified health foods or those for special dietary uses must follow the respective standards and be screened for approval.

<Organic labeling>

The Liquor Business Association Act allows the labeling of “organic wine” on the container or packaging of alcoholic beverages meeting the following standards prescribed by the act, in accordance with the “organic JAS standard.” (Fig. 7-8)

- a) Ingredients and their content volume
 - Organic agricultural products and processed foods rated based on the Act for Standardization and Proper Labeling of Agricultural and Forestry Products must be used as ingredients.
 - The content of organic agricultural products is 95% or more.
 - Use of food additives is the required minimum for manufacturing.
- b) Management of manufacturing and other processes
 - The manufacturing method meets certain conditions such as method using physical and biological functions.
- c) Labeling of product type
 - Must be labeled as “liquor made from organic agricultural and livestock products” or “liquor made from organic agricultural products” (limited to products not using organic livestock products as ingredients) according to the labeling of the alcoholic beverage type.
 - The font and size of the characters of the “liquor made from organic agricultural and livestock products” or “liquor made from organic agricultural products” labeling must be the same as the labeling of the alcoholic beverage type.

If the above requirements are not met, labeling as “organic wine,” etc. is not allowed, but “use of organic grapes xx %” may be allowed. In this case, the labeling method differs depending on whether the organic agricultural or livestock products used account for above or below 50% of the total weight.

If the amount of organic agricultural and livestock products used is 50% or more, attention must be paid to the following:

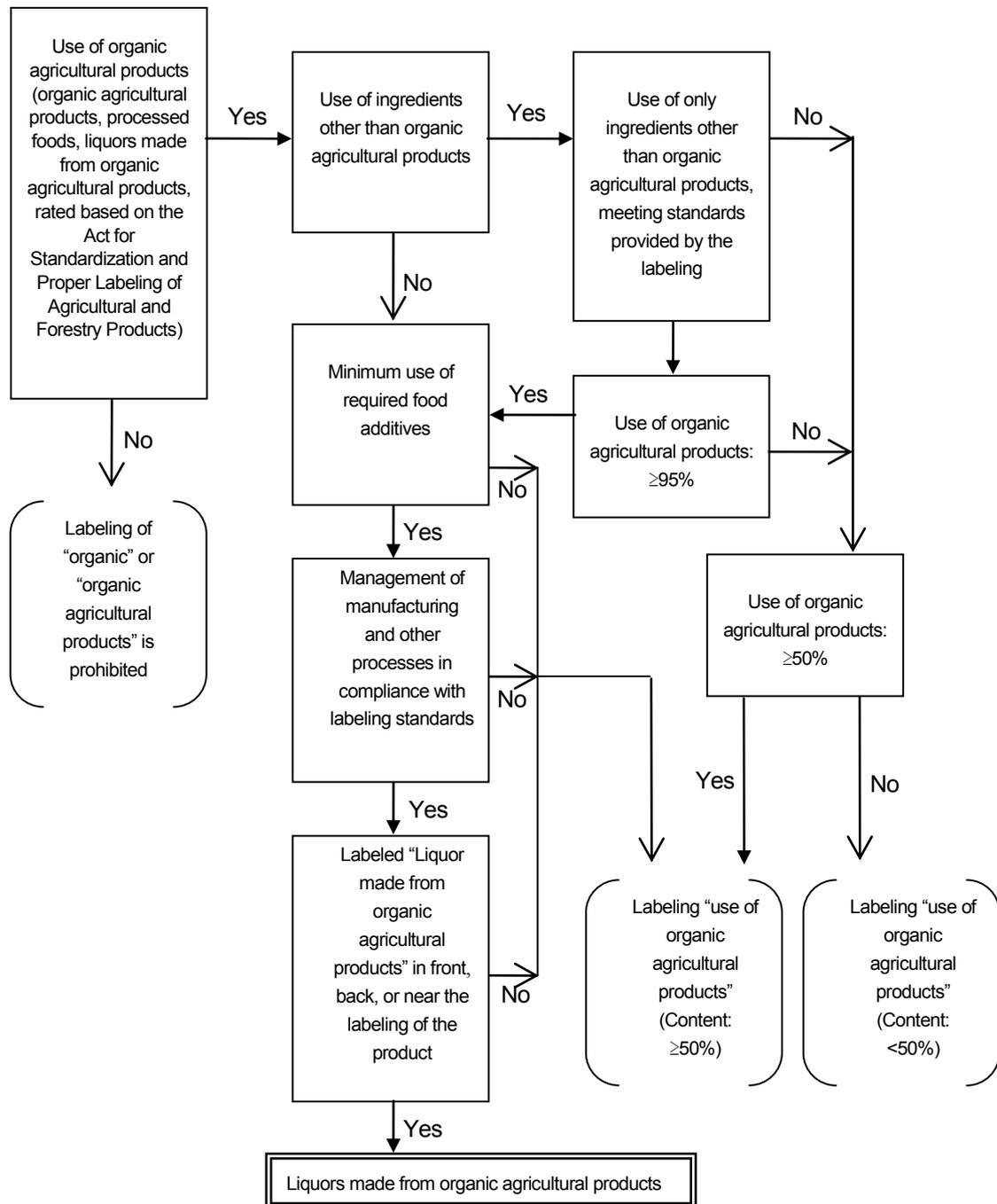
- i. The amount of organic agricultural and livestock product (Contains x% organic agricultural and livestock product) must be labeled in the front, back, or near the labeling of the type of liquor. The characters used for the labeling of “(Contains x% organic agricultural and livestock product)” must be the same font and size as used for the labeling of the type of liquor. “x%” must be in numerical units of 1% or 5% (decimals rounded down). The same applies to the following.
- ii. The labeling on the use of organic agricultural and livestock products must not be joined to the general name or product name of the liquor.
- iii. The characters used for the labeling on the use of organic agricultural and livestock product must be smaller than the size of the characters used to indicate the general product name of the liquor.

If the amount of organic agricultural and livestock product used is below 50%, attention must be paid to the following:

- i. The amount of organic agricultural and livestock product (Contains x% organic agricultural and livestock product) must be labeled in the front, back, or near the labeling of the type of liquor.
- ii. The labeling on the use of organic agricultural and livestock product must not be joined to the general name or product name of the liquor.
- iii. The characters used for the labeling on the use of organic agricultural and livestock product must not exceed the size of the characters for the labeling prescribed in article 86-5 (labeling requirements on type of liquor, etc.) (excluding type of

product) and that of article 2 of labeling standards on prevention of drinking by minors (1989 National Tax Agency Notice No. 9) which are labeled on the container or packaging of the concerned liquor product must be smaller than the size of the characters used for indicating the general product name of the liquor.

Fig. 7-8: Flowchart of organic, etc. labeling standards for alcoholic beverages



Source: National Tax Agency

Fig. 7-9: JAS-certified organic mark**<Containers and packaging>**

The Act on the Promotion of Effective Utilization of Resources requires labeling for promoting sorted collection on specified containers and packaging. Import products which meet the following conditions are required labeling for identification by law.

- When administrative instructions have been given on the materials and structure of containers and packaging and the use of trademark for the imported product.
- When the containers and packaging of the import product is printed, labeled, or engraved with Japanese.

When using plastic containers, paper containers, plastic bottles for beverages, aluminum cans for beverages, or steel cans for beverages for liquor products, the identification marks shown in Fig. 7-10 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 7-10: Labels for promoting sorted collection**<Description>**

The Pharmaceutical Affairs Act allows labeling of medical indications or efficacy on the package only for medical use liquor products that have been approved under the Act.

Product descriptions with false or misleading expressions are prohibited by the Liquor Business Association Act, Act against Unjustifiable Premiums and Misleading Representations and the Unfair Competition Prevention Act, which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint

To prevent the induction of customers through illegal labeling, labeling which may cause misunderstanding by general consumers is prohibited by the following quality labeling standards and the code of fair competition by type of liquor.

- Articles 2 and 6, sake manufacturing method quality labeling standards (November 1989 National Tax Agency Notice)
- Article 6, fair competition code on beer labeling (December 1979 Brewery Association of Japan)
- Article 6, fair competition code on import beer labeling (March 1982 Japan Wines and Spirits Importers' Association)
- Article 6, fair competition code on whiskey labeling (August 1980 Japan Spirits and Liquors Makers Association)
- Article 6, fair competition code on import whiskey labeling (August 1980 Japan Wines and Spirits Importers' Association)
- Article 6, fair competition code on pot-distilled shochu labeling (June 1986 Japan Sake and Shochu Makers Association)

- Article 6, fair competition code on awamori (November 1983 Japan Sake and Shochu Makers Association)

<Fair competition code and the Ordinance for Enforcement on beer labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-1.pdf>

<Fair competition code and the Ordinance for Enforcement on import beer labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-2.pdf>

<Fair competition code and the Ordinance for Enforcement on whiskey labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-3.pdf>

<Fair competition code and the Ordinance for Enforcement on import whiskey labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-4.pdf>

<Fair competition code and the Ordinance for Enforcement on pot-distilled shochu labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-5.pdf>

<Fair competition code and the Ordinance for Enforcement awamori labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-6.pdf>

<Fair competition code and the Ordinance for Enforcement on liquor labeling by liquor retailers>

<http://www.jfftc.org/cgi-bin/data/bunsyo/C-7.pdf>

To ensure appropriate product choice by consumers and fair competition, the “fair competition code on restrictions of giving away premiums in the liquor import and sales industry” prescribe voluntary rules based on the Act against Unjustifiable Premiums and Misleading Representations.

Import beer products require labeling of the expiration date and preservation method in accordance with the “fair competition code on beer and import beer labeling.”

Contacts:

Brewery Association of Japan TEL: +81-3-3561-8386 <http://www.brewers.or.jp>

Japan Wines and Spirits Importers' Association TEL: +81-3-3503-6505 <http://www.youshu-yunyu.org>

Japan Spirits and Liquers Makers Association TEL: +81-3-6202-5728 <http://www.yoshu.or.jp>

Japan Sake and Shochu Makers Association TEL: +81-3-3501-0101 <http://www.japansake.or.jp>

III. Taxation System

1. Tariff duties, consumption tax, and other relevant taxes

Tariff duties on alcoholic beverages are shown in the table below. Tariff duties on wine are based on a selective taxation system of either specific or ad valorem duty, in which different rates of duties are applicable depending on the item and origin of export. Under the agreement of WTO Uruguay Round, beer and whiskey have been free of duty since 2002; and brandy since 2004.

Tariff rates for bourbon or rye whisky are applicable only to those that have been certified as authentic by the Government or a Government instrumentality of the country of origin. As for liqueurs, where it is difficult to judge whether or not an item is liqueur during import clearance procedures, a mixed alcoholic beverage that contains sugar or sweeteners added to it for the purpose of sweetening shall be deemed as a liqueur. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

If the importer wishes to check the tariff classifications or tariff rates in advance, it may be convenient to use the Advance Classification Ruling System in which one can make inquiries and receive replies in person, in writing, or via e-mail.

7. Alcoholic Beverages

Fig. 7-10: Tariff duties on alcoholic beverages (FY2011)

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
22.03	00	-000	Beer made from malt	6.40 yen/l		Free	Free	
22.04	10	-000	Wine of fresh grapes, including fortified wines Sparkling wine	201.6 yen / ℓ		182 yen / ℓ	145.6 yen / ℓ	Free
		21	In containers holding 2ℓ or less 1. Sherry, port and other fortified wines	123.20 yen / ℓ		112 yen / ℓ		Free
	29	-020	2. Other	21.3% or 156.80 yen / ℓ, whichever is the less, subject to a minimum customs duty of 93 yen / ℓ		15% or 125 yen / ℓ, whichever is the less, subject to a minimum customs duty of 67 yen / ℓ		Free
		-010	Other 1. In containers holding 150ℓ or less	21.3% or 156.80 yen / ℓ, whichever is the less, subject to a minimum customs duty of 93 yen / ℓ		15% or 125 yen / ℓ, whichever is the less, subject to a minimum customs duty of 67 yen / ℓ		Free
		-090	2. Other	64 yen / ℓ		45 yen / ℓ	24 yen / ℓ	Free
22.05	10	-000	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances In containers holding 2 ℓ or less	70.6 yen / ℓ		69.3 yen / ℓ	50.4 yen / ℓ	Free
		90	Other 1. Of an alcoholic strength by volume of less than 1% vol	22.5%		19.1%		Free
		-200	2. Other	70.6yen / ℓ		69.3yen / ℓ	50.4 yen / ℓ	Free
22.06	00	-225	Other fermented beverages (a) Sparkling beverages made, in part, from malt	(6.40yen / ℓ)	Free	(42.4yen / ℓ)		
22.08	20	-100	Spirits obtained by distilling grape wine or grape marc 1. Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(193.2 yen / ℓ)	Free	(Free)		
		-200	2. Other	(227.9 yen / ℓ)	Free	(Free)		
	30	-011	Whiskies 1. Bourbon whisky, authentic - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(13.7%)	Free	(Free)		
		-019	- Other					
		-021	2. Rye whisky, authentic - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(15.7%)	Free	(Free)		
		-029	- Other					
		-031	3. Other - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(207.2 yen / ℓ)	Free	(Free)		
		-032	- Other	(172.5 yen / ℓ)	Free	(Free)		
	40	-000	Rum and other spirits obtained by distilling fermented sugar-cane products	(20.2%)	Free	(18.0%)		
	50	-000	Gin and Geneva	(19.6% or 86.20 yen / ℓ, whichever is the less)	Free	(17.5% or 77 yen / ℓ, whichever is the less)		
	60	-000	Vodka	(17.9%)	Free	(16.0%)		
	70	-000	Liqueurs and cordials	(141.10 yen / ℓ)	Free	(126 yen / ℓ)		
	90	-111	Other 1. Ethyl alcohol and distilled alcoholic beverages - Fruit brandy - Of an alcoholic strength by volume of 50% vol or higher, excluding those in containers holding less than 2ℓ	(193.2 yen / ℓ)	Free	Free		
-119		- Other - Other spirituous beverages	(227.9 yen / ℓ)	Free				

Source: Ministry of Finance

- Note 1) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.
- Note 2) Special preferential rate is applicable only for the Least Developed Countries.
- Note 3) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

$(\text{CIF} + \text{Tariff duties}) \times 5\%$

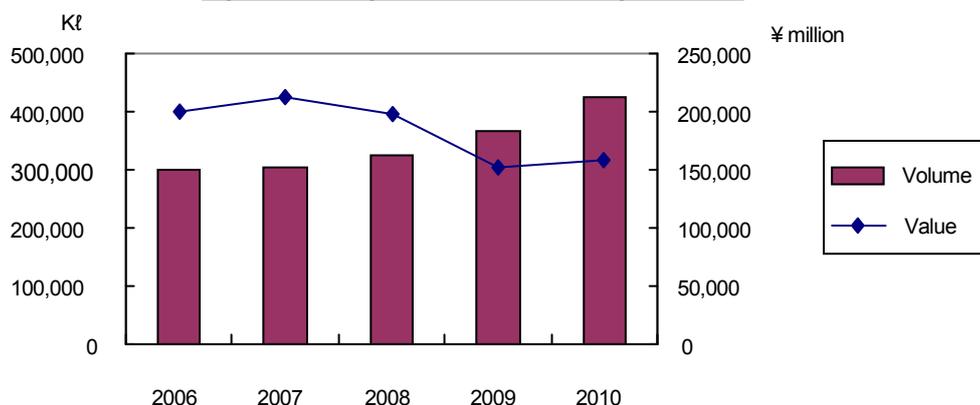
IV. Trade Trends

1. Changes in Imports

Imports of alcoholic beverages (alcohol content of 1 % or greater) to Japan have been on the increase particularly on a volume basis in recent years. In 2010, total imports of alcoholic beverages (including undiluted alcohol) reached 426,457 kiloliters in volume (116.8% vs. previous year) and ¥158,212 million (104.0% vs. previous year) in value. The growth is mainly due to the sharp increase in imports of beer (160,955 kiloliters, 142.6% vs. previous year), as well as the increase in imports of wine (196,054 kiloliters, 107.1 % vs. previous year) and whisky (19,639 kiloliters, 123.3% vs. previous year). However, it is important to note that this growth is based on volume, and that the import value is not growing as much due to the sharp downward trend of the unit price of wine and whisky. This is a reflection of the uncertain business confidence in Japan and also attributable to the consumers' tendency to prefer reasonably priced wine and highball cocktails. Also, in the case of beer, imports have increased by 42.8 % compared to 2006 on a volume basis due to an increase of the importation of low-malt beer known in Japan as *happo-shu* from South Korea as a private label (PL) product of large retail chains. However, on a value basis, imports of beer have decreased by 21.1 % compared to 2006.

7. Alcoholic Beverages

Fig. 7-11: Changes in alcoholic beverages imports



Source: Trade Statistics (MOF)

Fig. 7-12: Changes in alcoholic beverages imports by item

Units: volume = kℓ, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Beer, low-malt beer	57,468	60,223	83,034	112,839	160,955	7,809	8,288	9,834	11,155	14,645
Beer	37,707	31,830	33,706	30,729	29,429	6,142	5,867	5,969	4,965	4,572
Low-malt beer	19,762	28,393	49,328	82,110	131,526	1,666	2,421	3,865	6,191	10,073
Wine (subtotal)	168,113	168,796	174,051	183,082	196,054	135,415	146,095	136,772	99,731	101,509
Sparkling wine	19,799	20,713	23,046	20,528	23,794	39,111	42,832	40,617	23,164	28,755
Sherry, port and other fortified wines	825	902	791	718	735	922	933	808	616	607
Still bottled wine	119,405	119,044	118,937	127,787	133,517	91,036	97,781	90,831	71,592	67,414
Other wine	26,214	26,005	28,986	31,708	35,807	3,684	3,718	3,649	3,564	4,055
Vermouth and other wine	1,870	2,131	2,290	2,341	2,201	662	829	868	796	678
Brandy	4,600	4,463	3,535	2,798	2,875	12,271	11,863	9,261	6,334	6,416
Bourbon whisky	2,752	2,218	2,312	2,011	2,525	2,394	2,012	1,824	1,559	1,831
Rye whisky	65	61	29	55	11	56	66	29	25	16
Other whisky	15,179	14,650	13,553	13,860	17,103	23,205	23,276	21,354	16,418	17,980
Rum	2,068	1,984	2,074	1,940	1,975	1,206	1,254	1,247	1,066	1,055
Gin and geneva	2,863	2,736	2,555	2,654	2,664	1,523	1,589	1,344	1,316	1,359
Vodka	3,060	3,036	2,768	2,954	2,805	1,947	2,269	2,002	1,964	1,874
Liqueurs and cordials	18,752	21,014	18,477	18,714	18,176	12,077	12,191	10,728	9,884	9,096
Fruit brandy	202	187	165	152	170	256	357	328	241	247
Imitation sake and white sake	17,362	17,693	15,596	16,301	12,434	1,517	1,671	1,416	1,474	1,174
Other fermented beverages	6,091	6,726	6,782	7,614	8,709	740	858	876	935	1,010
Total	298,575	303,786	324,932	364,974	426,457	200,417	211,787	197,015	152,103	158,212

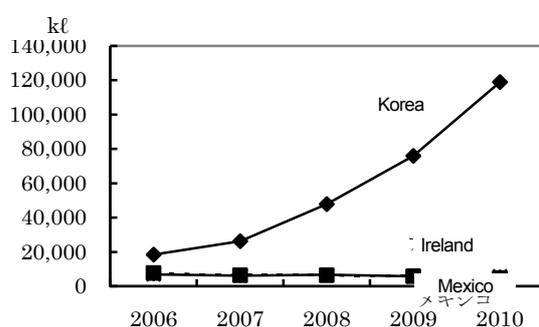
Source: Trade Statistics (MOF)

2. Regional breakdown

(1) Beer / low-malt beer

The world's major beer brands such as Budweiser (US), Heineken (Holland), Löwenbräu (Germany), and Carlsberg (Denmark) produce their beer in Japan under license, and they only export limited small-can types of beer to Japan. Domestic beer consumption has remained stagnant in Japan, and with the worsening confidence in business, the demand for low-malt beer (*happo-shu*) and so-called "new-genre beer" or "third-category beer" is growing. However, low-malt beer produced by major Japanese brewers is experiencing a sharp decline in demand due to a shift to "new-genre" or "third-category beer." Under these circumstances, low-malt beer from South Korea was launched as a private label (PL) product of major retail chains, and the amount of imports is growing rapidly these days.

Fig. 7-13: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig.7-14: Shares of imports in 2010 (value basis)

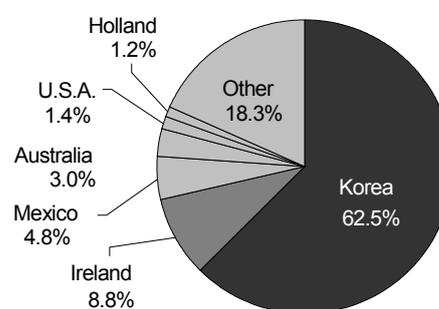


Fig. 7-15: Principal places of origin of beer / low-malt beer

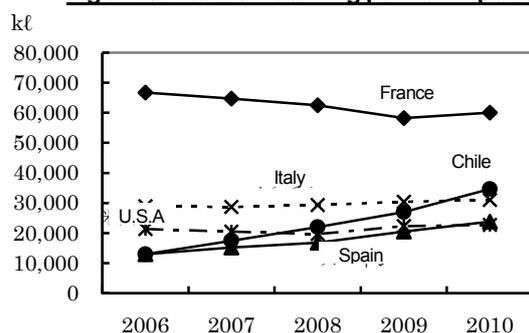
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Korea	18,356	26,318	47,825	75,918	118,951	1,452	2,126	3,646	5,692	9,157
Mexico	6,869	6,161	6,727	5,861	5,829	1,043	951	940	753	704
Ireland	7,569	6,413	6,401	5,746	4,739	1,810	1,794	1,900	1,588	1,286
Australia	4,568	5,338	5,972	5,545	4,602	451	594	602	475	435
U.S.A.	2,284	1,429	1,102	1,258	1,526	284	217	184	178	205
Holland	4,498	627	825	901	1,497	448	109	137	131	176
Other	13,324	13,937	14,182	17,611	23,812	2,322	2,497	2,425	2,339	2,683
Total	57,468	60,223	83,034	112,839	160,955	7,809	8,288	9,834	11,155	14,645
(African countries)	29	15	15	40	63	3	3	3	6	9

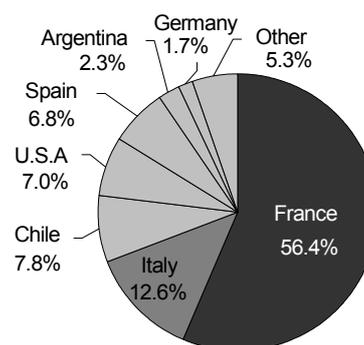
Source: Trade Statistics (MOF)

(2) Wine

Total imports of wine in 2010 were 196,054 kiloliters (107.1% vs. previous year) and ¥101,509 million (101.8% vs. previous year). On first glance, imports seem to be on the increasing trend. However, if we compare these figures with those of 2006, while the import volume grew to 116.6% from 2006, the import value shrank to 75.0% of 2006, showing a strong declining trend of the unit price over the years. In the domestic market, low-price wine, with its retail price below ¥500, is becoming the mainstream, contributing to the sharp decline in the consumption of high-end wine. Due to this trend, the total import volume from France, Japan's biggest trading partner, has been decreasing. Among African countries, the South African Republic is our major trading partner, importing 3,350 kiloliters (124.9% vs. previous year) on a volume basis and ¥1,103 million yen (124.6%) on a value basis in 2010.

Fig. 7-16: Trends in leading partner imports

Source: Trade Statistics (MOF)

Fig. 7-17: Shares of imports in 2010 (value basis)**Fig. 7-18: Principal places of origin of wine**

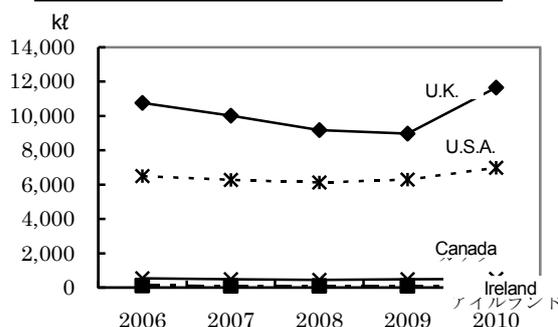
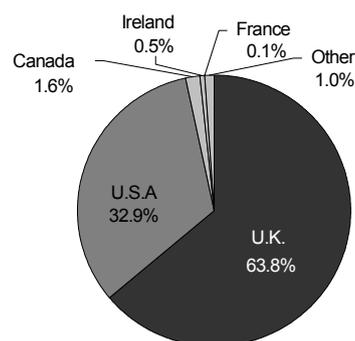
Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
France	66,697	64,753	62,504	58,217	60,014	90,378	96,272	86,690	56,253	57,278
Chile	12,996	17,455	21,949	27,000	34,596	4,126	5,412	6,171	6,704	7,881
Italy	28,940	28,656	29,338	30,376	31,054	15,809	17,527	17,328	14,056	12,823
Spain	12,915	15,153	16,755	20,541	23,806	5,819	6,988	7,738	6,919	6,946
U.S.A.	21,325	20,473	19,699	22,264	22,685	7,877	8,734	7,930	6,545	7,105
Argentina	12,032	11,652	12,615	11,541	10,258	2,191	2,230	2,495	2,335	2,292
Germany	5,804	4,289	4,137	3,472	3,497	3,491	2,825	2,600	1,890	1,771
Other	7,405	6,367	7,054	9,670	10,143	5,724	6,107	5,819	5,028	5,412
Total	168,113	168,796	174,051	183,082	196,054	135,415	146,095	136,772	99,731	101,509
(African countries)	1,163	2,563	1,716	2,711	3,369	502	1,162	665	900	1,110

Source: Trade Statistics (MOF)

(3) Whiskies

The majority of whisky that comes to Japan is made in Scotland, making Great Britain one of our major trading partners in this product area. In 2010, the import of whisky from Great Britain marked 11,660 kiloliters (130.0% vs. previous year), contributing to the increase of total import volume. Recently, Japan's domestic market is experiencing a "highball boom," that is working to the advantage of whisky sales. However, as with wine, while whisky imports on a volume basis have grown to 109.1% compared to 2006, it has experienced a negative growth on a value basis down to 77.3% from 2006 figures, showing a significant decline in unit price.

Fig. 7-19: Trends in leading partner imports**Fig. 7-20: Shares of imports in 2010 (value basis)**

Source: Trade Statistics (MOF)

Fig. 7-21: Principal places of origin of whiskies

Units: volume = tons, value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
U.K.	10,764	10,007	9,176	8,969	11,660	18,428	18,387	16,686	11,401	12,643
U.S.A	6,506	6,267	6,122	6,288	6,989	6,554	6,372	5,974	6,101	6,528
Canada	540	483	453	482	508	450	404	384	360	322
Ireland	113	95	91	96	103	115	109	106	90	103
France	11	3	4	40	74	10	5	7	17	24
Other	62	73	48	52	305	98	76	50	33	206
Total	17,996	16,929	15,894	15,926	19,639	25,655	25,354	23,207	18,002	19,827
(African countries)	—	—	—	—	—	—	—	—	—	—

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

The percentage of imports of alcoholic beverages in 2008 is 1.0% for beer, 3.4% for low-malt beer, 71.5% for wine, and 21.1% for whisky (all on a volume basis). As seen in these figures, the market share of imports in beer and low-malt beer is significantly small; exhibiting how strong Japanese brewing companies are in their domestic market. On the other hand, Japan highly depends on overseas makers for the production of wine, with imports accounting for 71.5% of the market. The market share of imported wine demonstrated a continuous growth until 2004. Since then it has reached a plateau and hovered around 70%. As for whisky, although domestic whisky has enjoyed a higher market share, imports have managed to maintain a significant percentage. Given the recent "highball boom," the demand for both domestic and imported whisky has increased in 2009 and 2010, leading to an increase in the import volume.

Fig. 7-22: Market share of alcoholic beverages in Japan Unit: kℓ (on a taxable volume basis)

Item	Statistics	2004	2005	2006	2007	2008
Beer	Domestic production	3,844,468	3,649,732	3,536,114	3,469,953	3,212,874
	Import volume	26,321	37,921	37,707	31,830	33,706
	Total	3,870,789	3,687,653	3,573,821	3,501,783	3,246,580
	Share of imports	0.7%	1.0%	1.1%	0.9%	1.0%
Low-malt beer	Domestic production	2,282,146	1,694,167	1,593,622	1,527,755	1,382,947
	Import volume	30,515	24,842	19,762	28,393	49,328
	Total	2,312,661	1,719,009	1,613,384	1,556,148	1,432,275
	Share of imports	1.3%	1.4%	1.2%	1.8%	3.4%
Wine	Domestic production	65,293	89,345	65,355	66,855	69,532
	Import volume	167,808	160,152	168,113	168,796	174,051
	Total	233,101	249,497	233,468	235,651	243,583
	Share of imports	72.0%	64.2%	72.0%	71.6%	71.5%
Whisky	Domestic production	63,894	61,717	60,749	56,468	59,582
	Import volume	17,754	17,926	17,996	16,928	15,894
	Total	81,648	79,643	78,745	73,396	75,476
	Share of imports	21.7%	22.5%	22.9%	23.1%	21.1%

Source: National Tax Agency, Ministry of Finance

Note) Figures calculated on taxable volume basis are different from import data above.

The taxable volume is the volume of alcoholic beverages whose liquor taxes have been paid. It is included in the domestic distribution category. Liquor taxes for domestic products are paid when they are shipped from factories while such taxes for import liquors are paid when they are taken out of bond.

4. Background of Changes in Volume of Imports and Other Trends

The consumption of imported beer suffered a drop in the face of the weakening economy during the second half of 2008, and the consequent stagnation of consumer spending in the food-service industry. This is because the main sale destination of imported beer, such as Corona, is within the food-service industry. In 2009, while the sales of imported beer from Europe, and North and South America dropped due to their higher price compared to domestic beer, the sale of private label (PL) beers of major distributors made in South Korea has increased.

As for imported wine, France, the largest exporter of wine to Japan, has lost market share to so-called New World wine from Chile, Australia, and New Zealand. However, given the intensifying decline of unit price, the import value of total imports has been on the decline as well. In 2011, thanks to the promotional campaign linked to the World Cup in South Africa, South African wine has demonstrated strong sales.

Domestic whisky has enjoyed strong sales as well given the highball boom that the Suntory group started, drawing increasing attention to whisky in general. This has helped recover sales of imported whisky that had struggled due to the sluggish economy.

V. Domestic Distribution

1. Trade Practice, Etc.

As regulations on alcohol sales have been gradually relaxed since 2001, the number of retailers that sell alcohol has increased accordingly. Also, as major retail chains started selling alcohol, price competition intensified. As a result, practices such as volume-based rebates that had fueled excessive bargain promotions were demolished along with the quotation price system (a system for makers to ensure that a fixed margin will be paid to wholesalers and retailers by determining the retail price in advance.). Today, the open price system has become a more common practice in which manufacturers only determine the wholesale price instead of a suggested retail price. And the practice of rebates is on the decline accordingly.

2. Domestic Market Situations

The legal drinking age in Japan is 20 years of age. The total, as well as per-capita consumption of alcohol is on the decline in the Japanese market. This is a reflection of the declining proportion of young adults in a rapidly

aging population combined with a very low birthrate in Japan's population demographics. Decreasing alcohol consumption among young adults is another contributing factor to this decline.

As seen by category, beer consumption is the largest category in Japan. Given the fact that household size is also shrinking, canned beer is preferred over bottled because it is lighter to carry and it can be finished with ease by fewer people. However, in recent years, young people seem to have changed their preference to the more reasonably priced low-malt beer and beverages that have a beer flavor, and thus, the consumption of beer has been rapidly decreasing. Moreover, there is a growing tendency among young adults in Japan to shy away from the bitter taste of beer and as a result the consumption of low-alcohol blended beverages (with an alcohol content of 3-9%, which is categorized as liquor) which are made with distilled liquor such as spirits, vodka, and *shochu* (traditional distilled liquor) mixed with soda and fresh juice has increased.

* "Low-alcohol beverages" refer to types of drinks called RTD (Ready to drink: all you need to do is open the bottle or can) unique to Japan. Among them is *chu-hai*, made by mixing distilled liquor such as shochu, vodka or other spirits with soft drinks such as fruit (i.e. lemon, grapefruits) soda. Another popular one is a highball that is made by mixing whisky with soda. They mainly come in 250ml or 350ml cans with an approximate alcohol content between 3 to 9%.

Among traditional Japanese alcoholic beverages, there are mainly shochu and sake (refined sake and synthetic sake). Shochu is a distilled beverage with an alcoholic content of 45% or below, and sake, which is not diluted when consumed, contains 10 to 15% alcohol. As more and more consumers tend to prefer low-alcoholic beverages, both shochu and sake have seen sluggish growth in consumption.

As for fruit wines, wine has established itself as a popular alcoholic beverage in the lifestyle of Japanese since the wine boom of the 1990's. European wine has traditionally been imported from France and Italy, however, in recent years, an increasing number of consumers prefer low-end wine, and imports from Chile have been on the increase as a result (refer to Fig. 7-18). Wine is produced domestically, with some catering to the needs of health-conscious consumers by not using any additives such as antioxidants and some producing organic wine.

The consumption of whiskies (whisky and brandy) had been on the decline because of their high alcohol content and price. However, the growing popularity of the highball since 2009, a blended beverage of whisky and soda, has put a brake on this declining trend. Now the consumption of whiskies is increasing after years of decline.

In Japan, alcoholic beverages are commonly consumed at home and at restaurants during the evening, and are less likely to be consumed during the day on weekdays. Most places that serve dinner also serve alcoholic beverages. However, the *Izakaya* is the most representative type of food-service operation in Japan that serves alcohol. The *Izakaya* is a type of bar unique to Japan. People usually go to an *Izakaya* in a group, and enjoy both food and alcohol while in the company of others. The *Izakaya* is a very Japanese style bar, but it not only serves sake and shochu, but also beer, wine, and other alcoholic beverages such as cocktails. Some places have introduced an "all-you-can-drink" system, in which people can drink as much as they want within a certain amount of time by paying a certain amount of money. In this way, the *Izakaya* boasts a very casual atmosphere for enjoying various types of alcoholic beverages.

In Japan, people drink alcohol in everyday situations. Drinking plays a crucial role in ceremonial functions such as weddings and funerals as well as special events like New Year celebrations. On special occasions and events, not only sake, but also beer, wine and other alcoholic beverages are served.

As for comprehensive alcohol manufacturers in Japan, there are the Asahi Breweries, the Kirin Holdings, the Suntory group, and the Sapporo Breweries. With beer and beer-like alcoholic beverages at the core of their business, they also manufacture and sell wines, spirits and shochu. They also produce overseas beer under license, with Asahi producing Löwenbräu, Kirin producing Budweiser and Heineken, and Suntory producing Carlsberg.

Fig. 7-23: Alcoholic beverage market in Japan (consumption) Unit: 1000 kl

	2006	2007	2008	2009	Ratio (2010 forecast)
Beer	3,305	3,215	2,986	2,844	33.7%
Law-malt beer	1,516	1,473	1,307	1,117	13.2%
Shochu	1,000	1,005	973	961	11.4%
Sake	745	717	683	663	7.9%
Liqueurs	745	945	1,161	1,495	17.7%
Fruit liquors	238	239	237	248	2.9%
Spirits	79	93	146	192	2.3%
Whiskies	90	85	84	92	1.1%
Other	1,032	884	838	822	9.7%
Total	8,750	8,656	8,415	8,434	100.0%

Source: National Tax Agency

Fig. 7-24: Annual alcohol consumption per capita Unit: 1000 consumers, l

	2006	2007	2008	2009
Population aged over 20	103,910	104,196	104,360	104,421
Personal consumption	85.2	84.1	81.6	81.8

Source: 2009 Japan Statistics of Liquor Taxation (National Tax Agency), Population Projections (Ministry of Internal Affairs and Communications)

(1) Beer and beer-like beverages

Beer and beer-like beverages refer to beer, beer-tasting sparkling beverages called *happo-shu*, so-called “new genre beer,” and non-alcoholic beer. Beer and beer-like beverages in Japan are taxed according to their malt content, with beer having the highest tax rate, followed by *happo-shu*, and new-genre beer. Non-alcoholic beer is categorized as a soft drink, so there is no regulation on the malt content, and therefore no alcohol tax is applied. In recent years, the strengthened penalties on drunk driving have contributed to the growing demand of non-alcoholic beverages that contain zero to less than 1 % alcohol.

In the weakening economy, low-end consumers are increasing. A number of these consumers are creating a new style of enjoying beer and beer-like beverages; they drink beer on special occasions such as when they dine out or on weekends and then drink reasonably priced *happo-shu* or new-genre beer on normal occasions. As the price of *happo-shu* falls between beer and new-genre beer, there is an increasing trend for consumers who value price to choose new-genre beer, and consumers who value taste to choose beer. As a result of these market trends, manufacturers are seeing the biggest decline in their shipments of *happo-shu*.

Among beer and beer-like beverages, shipments of new-genre beer are on the increase, replacing *happo-shu* as a reasonable alternative to beer. This rapid increase in new-genre beer shipments in recent years is due to its low tax rate, making it possible for consumers to enjoy the taste of beer at low cost.

Both *happo-shu* and new-genre beer have less restrictions in terms of ingredients and manufacturing methods compared to beer, so manufacturers take advantage of this and develop various low-calorie and low-sugar products.

A recent trend in the import beer category is that low-price new-genre beer is imported as a private label (PL) product. Conventional imported beer mainly comes from Europe and the United States and is primarily sold at bars, *Izakayas*, as well as volume retailers. Imported beer from countries other than Europe and the United States are primarily provided through restaurants that serve the local cuisine of their respective country and through mail order purchasing. The retail price of imported beer in a 350ml container range from ¥300 to ¥350 (average price of 350 ml domestic beer is around ¥230).

The alcohol manufacturers that produce and sell beer and beer-like beverages in Japan are Asahi Breweries, Kirin Holdings, the Suntory group, Sapporo Breweries and Orion Breweries. These five companies account for almost the entire market share. Asahi and Kirin compete for the biggest share in the market, each accounting for close to 40% of total market share.

Imported beer is handled by domestic beer manufacturers such as, Kirin and Asahi, as well as companies that produce, import and sell alcoholic beverages such as Nippon Beer and Konishi Brewing company.

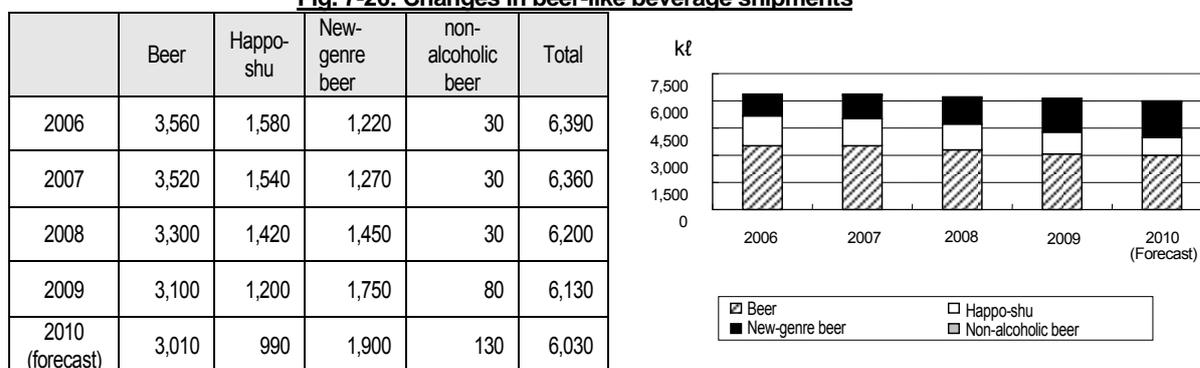
* Private label (PL) products are those for which a retail company or wholesaler is involved in product development and labels under its own brand. Advertising or handling by a wholesaler is not required, and items can thus be priced lower than manufacturer brands.

Fig. 7-25: Details of beer-like beverages

Item		Malt content	Tariff rate (per kℓ)
Beer		The amount of malt accounts for 2/3 or more of raw materials (excluding water and hops)	¥220,000
Law-malt beer		Malt or barely/wheat is used. Malt content is not defined.	¥134,250 -220,000
New-genre beer	Other brews (sparkling) (1)	Liquors produced by fermenting cereals, saccharides, and other materials. Use of malt is prohibited.	¥80,000
	Liqueurs (sparkling) (2)	Liquors made from liquors, saccharides, and other products (containing liquors)	¥80,000

Source: National Tax Agency

Fig. 7-26: Changes in beer-like beverage shipments



Source: 2011 Food Marketing Handbook No. 2, Fuji Keizai

(2) Sake

Sake is categorized into Seishu and Gosei-seishu (synthetic sake). Seishu is a traditional alcoholic beverage in Japan made from rice and rice koji (rice mold or “starter” consisting of *Aspergillus oryzae*), and Gosei-seishu, or synthetic seishu, is sake-tasting alcohol made by mixing sugars, organic and amino acids to alcohol. They both contain 10 to 20 % of alcohol, making it difficult to expand their market share where more and more consumers prefer low-alcoholic beverages (refer to Fig. 7-23). Sake is produced at small breweries located throughout Japan.

(3) Shochu

Shochu is a type of distilled alcoholic beverage with an alcohol content of 45% or lower. There are three types of shochu: kou-ru, otsu-ru, and blended shochu. Kou-ru is often made with various types of molasses and requires several continuous distillations, while otsu-ru is made with a single raw material such as rice and/or barley and involves only a single round of distillation. Kou-ru shochu is relatively inexpensive and sales of large-volume products such as those sold in 2.7 liter and 4 liter plastic bottles (PET bottles) are expanding against the backdrop of increasing low-end consumers. Otsu-ru shochu, made through a single distillation process, makes it possible for the natural flavor of the raw material to come through. Although it is more expensive, consumers craved for quality shochu in 2003 and 2004. However, the increased consumption of shochu leveled off as the boom ended and the economy became stagnant.

Kou-ru shochu is mainly produced by the following four companies which occupy about 70% of the market: Takara Shuzo, the Asahi Breweries, the Suntory group, the Oenon group. Like sake, kou-ru shochu is produced by a number of small breweries throughout Japan, and even the top brewer, Sanwa Shurui only accounts for 10 % of the market share.

(4) Wine

Since the wine boom of the 1990's, wine has established itself in Japan as an alcoholic beverage to be enjoyed in everyday situations. Today, wine is widely served at home as well as at restaurants of various styles including Italian and French cuisine and *Izakaya*-style restaurants. Wine is sold not only at alcohol sales outlets but also at mass merchandise outlets, convenience stores, and wine shops. In the domestic wine market, imported wines account for over 60% of the market share, with France selling the largest volume (refer to Fig. 7-18). Sparkling wines such as champagne are also gaining popularity as beverages to be consumed at home. Since 2009, with the increasing number of low-end consumers, the demand for more reasonably priced wines from countries like Chile, Australia, and the Republic of South Africa has been growing as alternatives to European wine (refer to Fig. 7-18).

In addition to keeping prices low, a number of domestic wine makers are trying to appeal to consumers by producing wines with no antioxidant additives. This is a way to differentiate their products from imported wines and to meet the growing demands from health-conscious consumers in Japan.

Also, there are a number of wine shops that specialize in organic wine, catering to the needs of consumers who are highly conscious about their health and the environment. Some major Japanese alcohol manufacturers are involved in the production of domestic organic wines. Organic wines are imported mainly from Europe but also from countries like Chile and the Republic of South Africa.

Imported wines account for approximately 70% of the market share (refer to Fig. 7-22). Top wine makers in Japan such as Mercian, the Suntory group, Sapporo beer, and Asahi beer, are not only producing their own wine, but are also involved in the distribution of imported wines. For your reference, Mercian is a subsidiary of Kirin Brewery Co.

(5) Other wines and spirits.

Other wines and spirits include whiskies, brandies, spirits, sweetened fruit wine (beverages made by adding sugar and/or brandy to fruit wine) and liqueurs.

As more consumers prefer low-alcohol beverages, the demand for high-alcohol beverages such as whiskies and brandies has declined, resulting in reduced shipments. However, this trend changed around 2009 after the successful release of a series of canned highball products (RTD products made by mixing whisky with soda, which is categorized as liqueurs under the Liquor Tax Act), which consequently brought about increased attention to whiskies. As a result, the consumption of whiskies among young adults has increased, and the demand and the market for whiskies have expanded. On the other hand, most brandy products are priced on the high end, thus the demand for brandies has been hindered due to overall consumer trends that prefer low-alcohol and low-price products.

As for the spirits market, gin, vodka and rum are the main products and 70% of them are distributed to bars and nightclubs to be used in the making of cocktails. Recently, the demand for rum has been growing as the Mojito cocktail is gaining popularity. Premium quality "rhum agricole" has also become more visible in the marketplace although still limited in amount. Also, premium type tequila called "Patron" by Bacardi is gaining exposure in the market. Overall, shipments of spirits are increasing in Japan (refer to Fig. 7-28). Other than Bacardi Japan, the Suntory group, Kirin Holdings, and Asahi Breweries, distribute foreign brand spirits, such as Beefeater, Gilbey's, Jose Cuervo and Wilkinson, respectively.

Liqueurs such as Cointreau and Bols were introduced to nightclubs and *Izakaya* in Japan in the late 90's as cocktails gained wider popularity in Japan. These liqueurs were introduced as authentic liqueurs meaning that they were used as a cocktail base. The term authentic liqueur was used to distinguish it from other liqueurs blended with soda. At one time, people would first order beer and then start ordering cocktails. However, the trend has changed, and now many people skip beer and start with cocktails. In 2006, the Suntory group, a major alcoholic beverage maker, released a liqueur called Macadia made with maca and rosehip. Macadia with its high vitamin content derived from maca and rosehip spoke to consumers who seek health and beauty and has gained its reputation and place as a healthy liqueur.

Umeshu, is one of most popular Japanese liqueurs that is made by pickling plums in sugar and alcohol. It is enjoyed on the rocks, or mixed with water and soda. Because of its simplicity, people enjoy umeshu not only at restaurants and bars but also at home. Recently, there has been a trend to make umeshu into a variety of low-price, low-calorie, as well as premium beverages, resulting in an increase in demand.

Chu-hai cocktails are prepared by blending distilled liquor such as shochu and vodka with fruit juice and soda. These canned cocktails contain 3 to 9% alcohol. The demand for this low-alcohol chu-hai grew as it coincided with the consumers' preference for low-alcohol products (refer to Fig. 7-27). However in 2009, chu-hai products with higher alcohol content (9%) were released intending to get people drunk "quick and cheap." These products are targeted at the increasing number of consumers faced with a tightening budget due the sluggish economy.

Chu-hai cocktails are mainly produced and distributed by Kirin Brewery Co and the Suntory group, which account for about 60% of the market share. Various other domestic companies such as Takara Shuzo Co, Asahi Beer, Oenon group are entering the market, and are actively developing products that use fresh seasonal fruit juice and have fewer calories.

Fig. 7-27: Volume of shipment of other alcoholic beverages (2010)

Item		Volume (kℓ)	Yearly change	
Whiskies		81,270	120.6%	
Brandies		5,260	98.3%	
Spirits	Gin	1,210	111.8%	
	Vodka	1,210	105.3%	
	Rum	1,260	105.7%	
	Other	Non-sparkling	10,520	88.2%
		Sparkling	260,330	117.9%
	Subtotal		270,850	116.4%
Total		274,530	116.3%	
Sweet fruit wine		3,040	97.0%	
Liqueurs	Authentic liqueur		1,900	104.5%
	Medicated liquor		7,230	87.8%
	Umeshu	Non-sparkling	37,830	107.4%
		Sparkling	5,940	88.5%
		Subtotal	43,760	104.3%
	Cocktails / chu-hai cocktails	Non-sparkling	1,3280	84.1%
		Sparkling	1,579,870	113.8%
		Subtotal	1,593,150	113.4%
	Other		5,070	92.4%
	Total		1,651,100	112.9%
Other liquors		1,430	104.2%	
Total		2,016,640	113.6%	

Source: Japan Spirits & Liqueurs Makers Association

* The volume of alcohol beverage shipments is the amount of products shipped from alcoholic beverage manufacturing plants deducted by the volume of products sent back to the plant for example, due to return.

Fig. 7-28: Changes in sales by the type of spirits

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Gin	5,100	5,100	5,250	5,300	5,400	32.1%
Rum	4,700	5,250	5,550	5,600	5,700	33.9%
Vodka	4,100	4,200	4,300	4,500	4,600	27.4%
Other	1,400	1,450	1,300	1,200	1,100	6.5%
Total	15,300	16,000	16,400	16,600	16,800	100.0%

Source: 2010 Food Marketing Handbook No. 2, 2011 Food Marketing Handbook No. 2, Fuji Keizai

3. Distribution Channels

Alcoholic beverages in Japan are distributed by vendors licensed under the Liquor Tax Act. As of March 2010, there are 196,570 licensed vendors. After regulations of liquor sales were lifted in 2005, the number of licensed vendors increased, peaking at 215,247 shops in 2008. However, as the competition intensifies, mergers and acquisitions are taking place among retailers and wholesalers.

Fig. 7-29: Number of licensed distributors and vendors (as of March 2010)

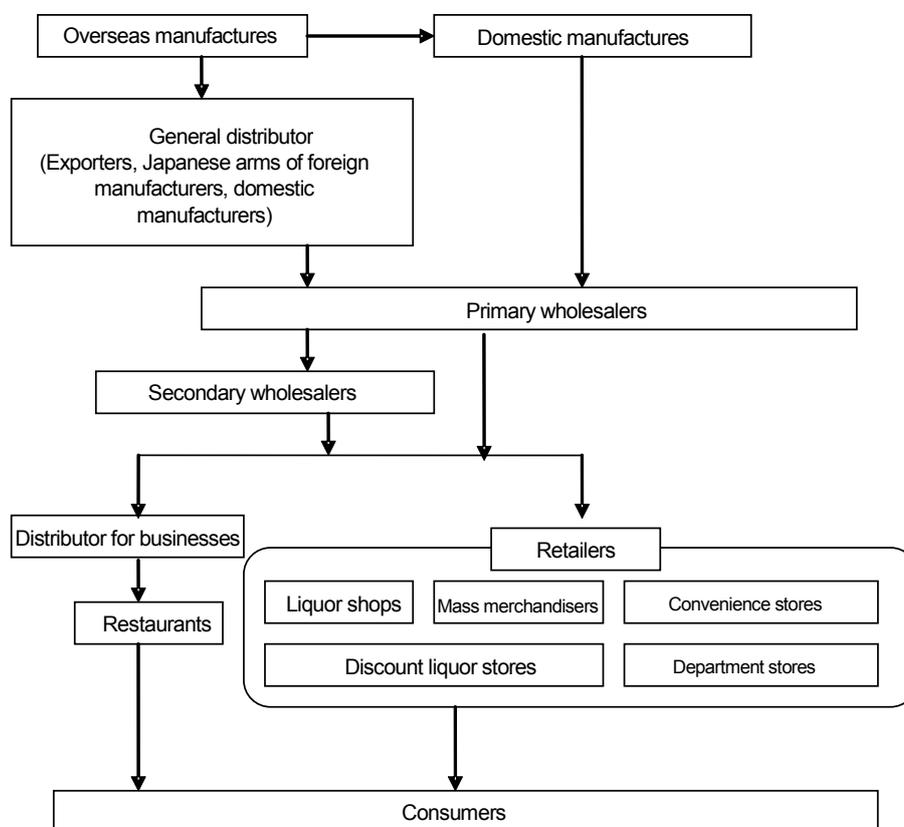
Distributor	Category	Vendors
Wholesaler	All alcoholic beverages	6,589
	Other	5,909
	Total	12,498
Retailer	All alcoholic beverages	176,773
	Other	7,299
	Total	184,072
Total		196,570

Source: National Tax Agency

* Other represents vendors that are allowed to distribute limited types of alcoholic beverages.

The general distribution channels of alcoholic beverages in Japan are as described in Fig. 7-30. In the case of exports to Japan, manufacturers first sell through agents to wholesalers, and the wholesalers sell to retailers and restaurants. In some cases, importers play the role of agent, and in other cases, overseas manufacturers set up their Japan office to serve as the agent. Also, in some cases, major manufacturers in Japan serve as an agent for distribution. In the case of spirits and liqueurs that are used as a cocktail base, overseas brands have a higher reputation and demand than domestic ones. Hence, there are many cases in which Japanese manufacturers serve as an agent for the distribution of big name liqueurs.

Fig. 7-30: Distribution channels for alcoholic beverages



Source: Fuji Keizai research data

4. Issues and Considerations for Entering the Japanese Market

When importing alcoholic beverages to Japan, it is necessary to make sure that the products comply with the standards set by the Food Sanitation Act, and that no additives other than those approved under the Liquor Tax Act are used.

Japanese consumers are highly concerned with issues regarding food safety. So, any damage to the bottle, let alone contamination of the beverage, would quite likely lead to recall or possible suspension. Thus, importing products to Japan requires extra care not only for the beverage itself but the safety of its containers.

Alcoholic beverages are items that are selected by the personal preferences of consumers. Therefore, price varies as personal preference varies. When making a new entry into the Japanese market, for example, if you would like to sell beverages for day-to-day consumption, it is necessary to set the price low (e.g. 350 ml domestic beer costs around ¥220, and 350 ml domestic *happo-shu* costs around ¥140). If the products are in the high price range, you may increase appeal to the consumers by using packaging that adds a luxurious feeling, and using ingredients that have high added value.

Moreover, when importing alcoholic beverages that are new to Japan, it helps to introduce not only the style of drinking from the respective country, but also ways that the Japanese consumers might enjoy the beverage. For example, the Korean alcoholic beverage called makgeolli was originally enjoyed by drinking it straight, mostly in Korean restaurants. However, when manufacturers suggested new ways of enjoying makgeolli by blending it with some liqueurs and soft drinks such as fruit juice, *izakayas* started to introduce the drink on their menus, consequently leading to increased consumption at home. As a result, the import volume of makgeolli expanded.

<Exhibitions>

Fig. 7-31: Exhibitions for alcoholic beverages

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
Alcoholic drinks	http://www.smts.jp	TEL: +81-3-5209-1056
	Import and Domestically Produced Liquor Tasting Events	
		TEL: +81-3-3276-4000 (Host: Kokubu & Co., Ltd.)

5. Failure Cases

<Mold contamination>

Makgeolli is a fermented Korean liquor. Its consumption in Japan gradually increased as the 2002 World Cup in Japan and Korea drew attention to travel in Korea as well as Korean food. In 2010, makgeolli could be found in mass merchandise outlets as well as convenience stores. However, when makgeolli first entered into Japan, it faced various problems including detection of mold and damage to its containers. These incidents made some wholesalers and retailers wary about selling Makgeolli, and it took them a number of years to get rid of the image of makgeolli as having “bad quality.”

<Distribution of nonstandard products >

In 2010, there was an incident concerning Argentinean wines that a Japanese manufacturer had imported and sold. In this incident, wines whose alcohol and extract concentration were lower than the standard set by the Argentinean manufacturer were accidentally imported and distributed in Japan. The Japanese manufacturer initiated the voluntary recall of the products that were distributed by mistake.

<Filling Error>

A major retail chain revealed that their PL *happo-shu* imported from Korea in 2008 had a filling error and that their “new genre” beer was accidentally filled in the cans of their low-malt beer. They initiated the voluntary recall.

6. Import Associations & Related Organizations**Fig. 7-32: Alcoholic beverage importer associations and related organizations**

Brewers Association of Japan	http://www.brewers.or.jp/ TEL: +81-3-3561-8386
Japan Wine and Spirits Importers' Association	http://www.youshu-yunyu.org/ TEL: +81-3-3503-6505
Japan Spirits & Liqueurs Makers Association	http://www.yoshu.or.jp/ TEL: +81-3-6202-5728
Japan Sake and Shochu Makers Association	http://www.japansake.or.jp/ TEL: +81-3-3501-0101