

# 2. Beer

## 1. Definition of Category

This section covers beer, which is fermenting a mixture of barley malt, hops and water produce an alcoholic beverage, and sparkling beverages made, in part, from malt

HS Numbers	Commodity
2203.00-000	Beer
2206.00-225	Sparkling malt beverages (so called <i>happoshu</i> )

*Note: Imported beers containing less than 0.5% alcohol are classified under category 2202.90 (non-alcoholic beverages). In addition, beverages with an alcohol content of 0.5-1.0% are not classified as beer under the Liquor Tax Law. These products are sold as soft drinks instead. HS code for sparkling malt beverages (alcohol content of 1.0% or greater) was newly established in 1998.*

## 2. Import Trends

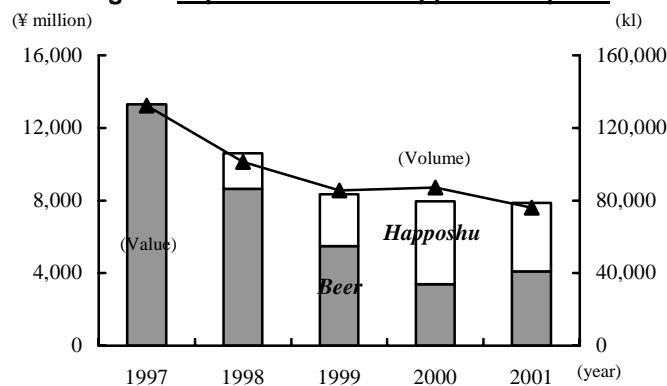
### (1) Recent Trends in Beer Imports

The slide in beer imports finally came to a halt, with imports totaling 34,885 kiloliters (up 18.1% from the year before), worth a total of ¥4.1 billion (up 20.8%) in 2001. Nevertheless, this remains far below the all-time high (323,848 kiloliters) recorded in 1994. Since that time, the imported beer market has shrunk to just one-tenth its former size. The aftereffects remain of high-volume imports of ultra-cheap beer. Imported beer has yet to recover its status in the minds of consumers.

Budweiser, the world's number one beer maker and the imported beer with the largest market share in Japan, has changed over to licensed production in Japan by Kirin Beer as of January 2000, in response to the shrinking Japanese beer market. Other leading brands, such as Miller Special (U.S.A.), Heineken (the Netherlands), and Lowenbrau (Germany), are now produced in Japan under license, although a small amount is imported from the home countries in small-size cans.

Up through 2000, though, imports of sparkling malt beverages (*happoshu*) had been growing rapidly, reflecting their popularity in the Japanese market. However, 2001 saw a 28.6% drop in imports from the year before, down to 41,103 kiloliters, worth a total of ¥3.8 billion (down 17.4%). The launch of a succession of Japanese products exposed imported sparkling malt beverages to intense competition. Total imports of beer plus sparkling malt beverages declined compared to a year earlier.

**Fig. 1 Japan's beer and *happoshu* imports**



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Beer	132,236	13,294	81,177	8,651	52,439	5,486	29,550	3,384	34,885	4,088
Sparkling malt beverages	-	-	19,999	1,943	33,095	2,849	57,604	4,576	41,103	3,779
<b>TOTAL</b>	<b>132,236</b>	<b>13,294</b>	<b>101,177</b>	<b>10,594</b>	<b>85,534</b>	<b>8,336</b>	<b>87,154</b>	<b>7,960</b>	<b>75,987</b>	<b>7,867</b>

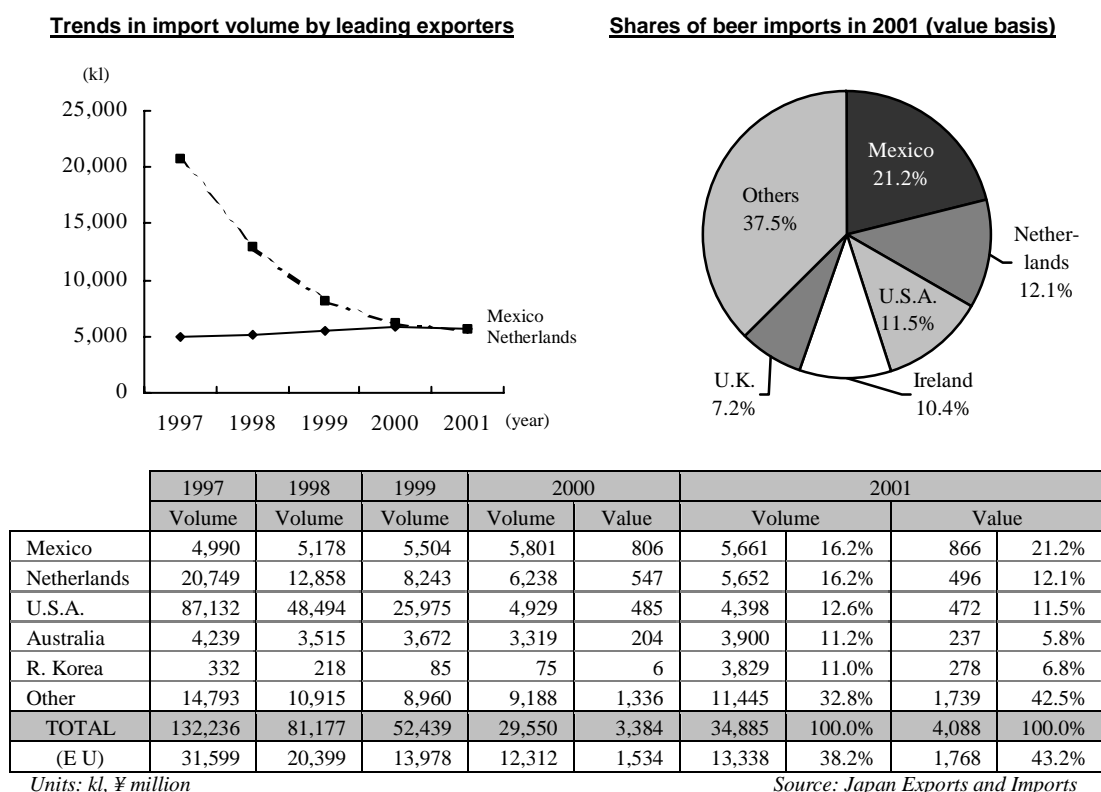
Units: kl, ¥ million

Source: Japan Exports and Imports

## (2) Imports by Place of Origin

The leading exporter of beer to Japan is Mexico, which accounts for 21.2% of imports on a value basis and 16.2% on a volume basis. Corona beer from Mexico has become very popular among adults for the unique way people drink it, by adding a slice of lime and peeling off the label. 2001 was the first year when Mexico finished in first place in the rankings. Nevertheless, the three leading beer exporter nations (Mexico, the Netherlands and the United States) all saw declines in their exports in 2001, and their collective share of the import market slipped from 57.4% to 45.0%. The only nations to post beer export increases were those ranked below the top three (Australia, the Republic of Korea, Ireland, Germany, the United Kingdom, China, Thailand, Italy, Denmark, etc.), and those exports helped put a stop to the overall decline in beer imports. Although the quantitative total for each of these nations is small, they have boosted sales by selling mainly barreled beer to restaurants whose menus go well with the characteristics of the nation's beers or with particular brands of beer.

**Fig. 2 Principal exporters of beer to Japan**

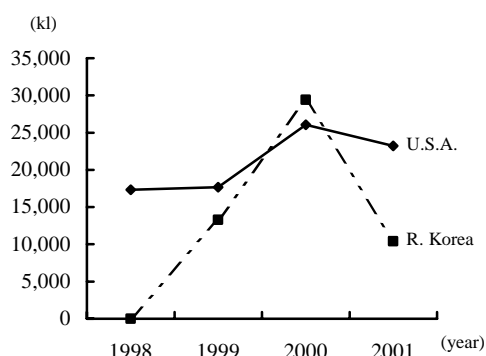


In contrast, through 2000 the sparkling malt beverage market was dominated by imports from the United States and the Republic of Korea. But in 2001 both of these nations saw declines in their exports to Japan. The Republic of Korea endured a particularly severe drop, with its exports tumbling from 29,429 kiloliters to just 10,408 kiloliters. This led to a contraction in the size of the overall market. One of the main reasons for the drop was the halt in outsource production of private label (Takara Sour Malt) in the Republic of Korea by a Japanese maker (Takara Shuzo Co., Ltd.). Imports from the Republic of Korea in 2001 went to a private brand (Bargain Brew) of a leading supermarket Daiei.

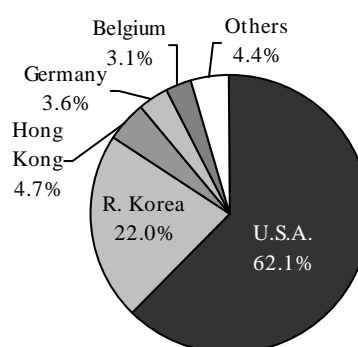
Japan imports Zima and other leading brands, such as Bundy's, Portland, from the United States, which enjoys a large lead with 56.5% of the import market on a volume basis and 62.1% on a value basis in 2001. Zima is a low-alcohol malt beverage made according to its own unique process. Its blend of 23 natural flavors and its stylish bottle have made it especially popular in the restaurant market.

**Fig. 3 Principal exporters of sparkling malt beverages to Japan**

**Trends in import volume by leading exporters**



**Shares of sparkling malt beverage imports in 2001 (value basis)**



	1998	1999	2000		2001		2001	
	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
U.S.A.	17,324	17,690	26,071	2,365	23,222	56.5%	2,348	62.1%
R. Korea	-	13,303	29,429	2,020	10,408	25.3%	831	22.0%
Hong Kong	-	-	-	-	2,561	6.2%	179	4.7%
Germany	2	-	71	6	1,678	4.1%	138	3.6%
Canada	793	1,081	998	75	1,182	2.9%	89	2.3%
Other	1,880	1,021	1,035	110	2,052	5.0%	194	5.1%
<b>TOTAL</b>	<b>19,999</b>	<b>33,095</b>	<b>57,604</b>	<b>4,576</b>	<b>41,103</b>	<b>100.0%</b>	<b>3,779</b>	<b>100.0%</b>
(E U)	594	365	697	80	3,351	8.2%	298	7.9%

Units: kl, ¥ million

Source: Japan Exports and Imports

### (3) Imports' Market Share in Japan

The Japanese beer market peaked in 1994 and has been on the decline ever since. In 2000 the total market size was 5.57 million kiloliters. One of the factors in this decline has been the shift to inexpensive sparkling malt beverages (*happoshu*), which registered total shipments of 1.64 million kiloliters in 2000 (for a beer-to-*happoshu* ratio of 77%:23%). In combination, the two products have saturated the market. The big loser in the equation has been imported beer, which has fallen further than domestic beer. Imports now have a market share of just 0.5%. It should be noted that some foreign brands of beer are now actually produced in Japan, and their shipments are included with other domestic beers for statistical purposes. Estimates put total market share with around 1%, when they are added.

**Fig. 4 Imports' share in the Japanese market**

		1996	1997	1998	1999	2000
Beer	Domestic products	6,796,116	6,676,659	6,179,047	5,784,289	5,545,346
	Imported products	164,409	126,266	77,040	48,386	26,313
	Total	6,960,525	6,802,925	6,256,087	5,832,675	5,571,659
	Imports' share	2.4%	1.9%	1.2%	0.8%	0.5%
Sparkling malt beverage	Domestic products	280,232	422,052	952,130	1,363,068	1,571,049
	Imported products	42,026	28,755	28,179	40,715	65,691
	Total	322,258	450,807	980,309	1,403,785	1,636,740
	Imports' share	13.0%	6.4%	2.9%	2.9%	4.0%
Beer + sparkling malt beverage	Domestic products	7,076,348	7,098,711	7,131,177	7,147,357	7,116,395
	Imported products	206,435	155,021	105,219	89,101	92,004
	Total	7,282,783	7,253,732	7,236,396	7,236,460	7,208,399
	Imports' share	2.8%	2.1%	1.5%	1.2%	1.3%

Unit: kl

Source: National Tax Administration

Note 1: These figures are calculated based on taxable volume and differ from the import figures above.

Note 2: The taxable volume is regarded as equivalent to the volume of beer distributed and sold in Japan. Liquor taxes are collected on domestically brewed beer when it is shipped from the brewery, and on imported beer when it is taken from the bonded warehouse. Since sparkling malt beverages use less malt than beer, they are classified as miscellaneous liquors under the Liquor Tax Law, and thus are subject to lower liquor taxes than beer. Nearly all of the growth in the miscellaneous liquors category has been in sparkling malt beverages, and for the purposes of this report, the entire taxable volume of miscellaneous liquors has been treated as consisting of sparkling malt beverages.

### 3. Key Considerations related to Importing

#### (1) Regulations and Procedural Requirements at the Time of Importation

Beer (including sparkling malt beverages hereinafter) imports are subject to provisions of the Food Sanitation Law and the Liquor Tax Law.

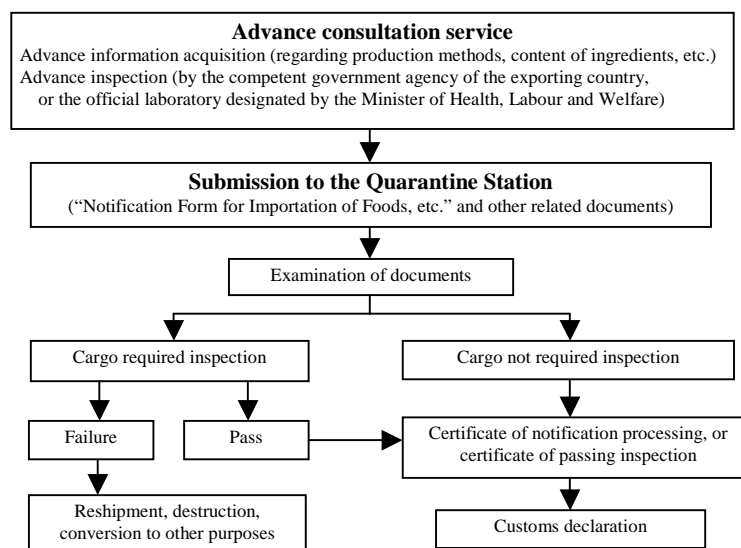
##### 1) Food Sanitation Law

Under provisions of the Food Sanitation Law, an import notification is required for beer being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed “Notification Form for Importation of Foods, etc.” to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required. (see Fig. 5)

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process.

In addition, importers who wish to submit their notifications by computer may make use of the computerized FAINS (Food Automated Import Inspection and Notification System) for processing import-related documentation. Importers who have the required hardware and software may apply for a security code from the Minister of Health, Labour and Welfare to access the system.

**Fig. 5 Procedures required under the Food Sanitation Law**



##### 2) Liquor Tax Law

The Liquor Tax Law requires a business license from the competent tax office in order to manufacture or sell liquors. Any person or entity may import beer without restriction, but without a liquor vendor’s license, it is not permitted to ship imported beer out of the bonded area. Therefore, it is essential to first obtain a liquor vendor’s license to sell imported beer.

In addition to customs duties, liquor taxes are collected when the beer is shipped from the bonded area. But these provisions do not apply to beer with alcohol content of less than 1%, which are classified as soft drinks.

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

The domestic sale of beer is subject to the Liquor Tax Law, the Liquor Business Association Law, the Food Sanitation Law, the Measurement Law, the Containers and Packaging Recycling Law, and the Law for Promotion of Effective Utilization of Resources.

##### 1) Liquor Tax Law

All those engaged in the business of selling liquors must obtain a license for each sales location from the tax office with jurisdiction over the sales location. However, no license is required for restaurants that serve the beer at their restaurants and do not sell to other restaurants or to customers.

There are various types of licenses for selling liquors by type of business and products (all items or imported item only). Some licenses for selling of imported beer are listed below.

<Classification of liquor vendor's license>

a) General liquor wholesaler's license

Holders of this license are authorized to sell all liquors, regardless of domestic or imported, as a wholesaler to liquor retailers, but not to consumers or restaurants as a retailer.

b) Beer wholesaler's license

Holders of this license are authorized to wholesale beer only, but not to consumers or restaurants as a retailer.

c) Imported liquor wholesaler's license

Holders of this license are authorized to sell all imported liquors, as a wholesaler to liquor retailers, but not to consumers or restaurants as a retailer. The holders also are not authorized to wholesale liquors made in Japan.

d) General liquor retailer's license

Holders of this license are authorized to sell all liquors to consumers or restaurants as a retailer within the sales territory. The holders also are authorized to import liquors directly and retail them. In order to exhibit imported beer at a trade fair, however, the holders must apply to the local tax office with jurisdiction over the trade fair venue for temporary permission to sell at a location other than the license holder's regular sales location.

e) Mail order liquor vendor's license

Holders of this license are authorized to sell liquors by mail order to consumers or restaurants. However, holders are restricted to carry liquor labels that import less than 100 kiloliters per year. In order to obtain a license, a reseller must be a member of the Japan Direct Marketing Association (JADMA), and must have at least two years of experience in mail order sales of food products.

<Deregulation of liquor retailer's license qualification>

The 3-Year Deregulation Plan (1999) relaxed qualifications for obtaining a general liquor retailer's license. Minimum distance between outlets criteria was abolished as of January 1, 2001, and population criteria is due to be abolished in September 1, 2003.

**2) Liquor Business Association Law (Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax)**

When beer is sold, it must be labeled in accordance with provisions of the Liquor Business Association Law. (see 4. Labeling)

**3) Food Sanitation Law**

The Food Sanitation Law prohibits the sale of foods containing toxic or harmful substances and foods that are unsafe for human health. When beer is sold, it must be labeled in accordance with provisions of the Food Sanitation Law. (see 4. Labeling)

**4) Measurement Law**

Beer sealed in wrapping or containers is required to indicate the net content to certain accuracy. (see 4. Labeling)

**5) Containers and Packaging Recycling Law (Law for Promotion of Sorted Collection and Recycling of Containers and Packaging)**

The Containers and Packaging Recycling Law was enacted to promote recycling of container and packaging waste materials. It provides for sorting by consumers, sorted collection by municipalities, and product reuse (recycling) by product makers and distributors for glass bottles, PET bottles, paper and plastic containers and packaging. Consequently, beer importers and vendors incur the obligation for recycling of containers and packaging (although stipulated small-scale importers are exempt). Please consult the competent government agencies listed below for more information. The Japan Imported Beer Association is also available for more information and instructions.

## 6) Law for Promotion of Effective Utilization of Resources

As of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials, in addition to previously existing labeling requirements for steel and aluminum cans. (see 4. Labeling)

## 7) Fair Competition Code for Imported Beer under the Act Against Unjustifiable Premiums and Misleading Representation

The industry has voluntarily adopted these guidelines in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. It consists of premiums guidelines (Fair Competition Code concerning Restrictions on Premiums, etc. in the Importation and Sale of Liquors) and labeling guidelines (Fair Competition Code concerning Representation of Imported Beer). (see 4. Labeling)

### (3) Competent Agencies

- Liquor Tax Law / Liquor Business Association Law  
Consumption Tax Policy Division, Tax Bureau, Ministry of Finance  
TEL: 03-3581-4161 <http://www.nta.go.jp>
- Food Sanitation Law  
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare  
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- Measurement Law  
Measurement and Intellectual Infrastructure Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry  
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Containers and Packaging Recycling / Law for Promotion of Effective Utilization of Resources  
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry  
TEL: 03-3501-1511 <http://www.meti.go.jp>  
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment  
TEL: 03-3581-3351 <http://www.env.go.jp>  
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries  
TEL: 03-3502-8111 <http://www.maff.go.jp>
- Act Against Unjustifiable Premiums and Misleading Representations (Fair Competition Code)  
Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan  
TEL: 03-3581-5471 <http://www.jftc.go.jp>

## 4. Labeling

### (1) Legally Required Labeling

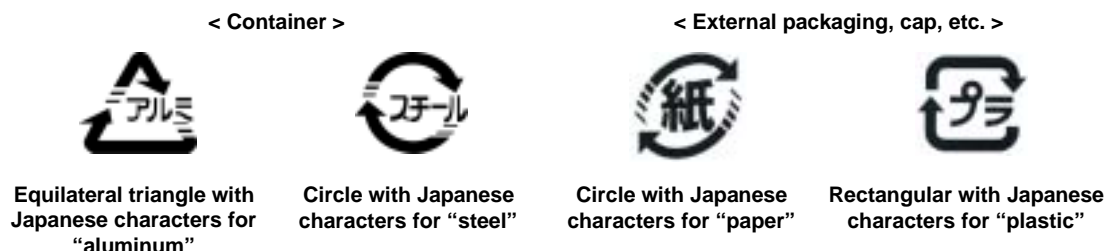
The Liquor Business Association Law, the Food Sanitation Law, and the Measurement Law specify the following label items from 1) through 10) for beer. In addition, imported beer must be labeled items of 11) and 12) under the Fair Competition Code concerning Representation of Imported Beer. In the case of imported beer, the labeling obligation falls upon the importers and vendors.

- 1) Product name (product identification as beer)
- 2) List of ingredients
- 3) List of food additives used
- 4) Alcohol content (%)
- 5) Net content (expressed in milliliters or liters)
- 6) Date of minimum durability (or before-best date)
- 7) Preservation method
- 8) Importer name and address
- 9) Distributor (In case of imports, address of distributor or rebottling plant receiving beer from bonded area. May be omitted if it is the same as importer address.)
- 10) Country of origin
- 11) Handling instructions
- 12) Labeling to prevent consumption by minors

Liquors made from genetically modified agricultural products are required by the Liquor Business Association Law to display labeling compliant with provisions of the Product Quality Labeling Standards for Genetically Modified Foods under the JAS Law.

<Labeling under the Law for Promotion of Effective Utilization of Resources>

The Law requires that all canned beers, whether produced in Japan or elsewhere, display an identifying mark affixed to or printed on at least one spot on the side of the can. Aluminum cans display a triangular symbol, while steel cans display a circular symbol. Both symbols are overlaid with the appropriate terms in Japanese. In addition, as of April of 2001, new identifier labeling requirements apply to paper (not including beverage containers not containing aluminum) and plastic container materials



**(2) Voluntary Labeling based on Provisions of Law**

<Labeling Standard on Organic for Liquors>

When employing the phrase "organic" in the labeling, it must comply with the above-mentioned Standards under provisions of the Liquor Business Association Law.

**(3) Voluntary Industry Labeling**

<Fair Competition Code concerning Representation of Imported Beer>

Under the Code, importers are required to display list of ingredients and country of origin.

Contacts: Japan Wines and Spirits Importers Association                      TEL: 03-3503-6505

<Special terminology>

Use of any of the following terms on the product label signifies that the beer satisfies certain established criteria. These criteria must be met before the terms can be used, but their usage is optional. The label may contain any or all of these terms for which the product meets the defined criteria.

- 1) Lager beer: Beer aged during storage
- 2) Draft beer: Unpasteurized beer
- 3) Black beer: Dark-colored beer made partly from dark-colored barley
- 4) Stout beer: Dark-colored, strong-tasting beer made partly from dark-colored barley

**5. Taxes**

**(1) Customs Duties**

Following table presents tariff rates on beer and sparkling malt beverage.

**Fig. 6 Customs duties on beer**

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2203.00-000	Beer made from malt	¥6.40/liter	3.8%	Free	
2206.00-225	Sparkling beverages made, in part, from malt	(¥6.40/liter)	(¥42.40/liter)	Free	3.8% or ¥6.40/liter, whichever is the less

Note: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

## (2) Liquor Tax

All alcoholic beverages, including beer, are subject to a liquor tax per alcohol content and volume. The Liquor Tax Law defines as “beer” a beverage with a malt content of at least 66.7%, other than water and hops. Beverages with a malt ratio of less than 66.7% are classified as *happoshu*. Sparkling liquors with an alcohol content of fewer than 13% are taxed separately at a tax rate based on the standard tax rate shown below.

**Fig. 7 Liquor tax rates on beer and *happoshu***

Beer (ratio of malt should be greater than 66.7%)	¥ 222 / liter	
<i>Happoshu</i> (alcohol content of fewer than 13%)	Malt ratio of more than 50%	¥ 222 / liter
	Malt ratio of 25% – 50%	¥ 152.7 / liter
	Other	¥ 105 / liter

## (3) Consumption Tax

(CIF + Customs duty + Liquor tax) x 5%

## 6. Product Characteristics

### (1) Characteristics of Products from Different Countries/Regions

There are many different varieties of beer, resulting from differences in ingredients, in yeasts, and in alcohol content. Each beer-making country also tends to have certain distinctive characteristics, some of which are mentioned below.

- United States

The United States has more than 2,000 breweries making more than 5,000 brands of beer. Some of its most distinctive types of beer are malt liquor (which has higher alcohol content than regular beer), light beer (lower in calories) and American beer (made with corn or other secondary ingredients that give it a refreshing taste). Two leading American brands, Budweiser and Miller Special, are produced in Japan under license by Japanese breweries. Coors Special and Zima (sparkling malt beverage), both products of Coors, are imported from the United States. Zima has gained in popularity in recent years.

- Netherlands

Heineken, the best-known brand of Dutch beer, is known for its sophisticated taste that is well suited to Japanese preferences. Heineken is the second best-selling foreign brand of beer in Japan, after Budweiser. Heineken has used its strong image and its barrel-aged draft beer to focus on the urban commercial market. In the consumer market, Heineken has a strategic alliance with Kirin Beer.

- Mexico

Corona beer, one of Mexico’s leading brands, is typically drunk with a slice of lime, and this has given Corona a unique style image. Other brands also have their own strong followings, at Mexican and Brazilian restaurants, and at drinking establishments that cater to young adults.

- Australia

Most Australians are of British descent, and most Australian beers are traditional full-bodied British-style beers, although Australian brewers also make lower calorie light beers. Australian beer has been getting popularity since the Sydney Olympic.

- Belgium

Belgium is known for its classic, high-alcohol beers with their flavorful aroma. Belgium has more than 1,000 breweries that make more than 3,000 brands of beer. Belgian brewers also make vintage beer aged 1-3 years, and its brewing industry offers perhaps the widest variety of beers in the world. Many of its beers are sold in corked, swing top and other old-fashioned types of bottles, and many brands of beer have their own distinctive bottle glass as well.

- Germany

Germany boasts more than 1,000 breweries and more than 5,000 brands of beer, the largest number of brands of any country in the world. Its best-known brands are Weizen and Rauch. Weizen has a well-balanced flavor that many consider the ideal combination of barley malt with the refreshing and slightly sour and bitter taste of wheat.



The word “Rauch” in Rauch Beer means “smoky,” and as the name implies, this beer is smoked with beech wood and oak, which gives it a uniquely enjoyable taste.

- United Kingdom

British beers are known as rich, full-bodied beers high in barley malt. The United Kingdom has more than 150 breweries producing more than 2,000 brands of beer. It ranks first in the minds of many for its so-called vintage beers, which are aged anywhere from one to 25 years. The United Kingdom is also known for superior yeast technology, and it exports a considerable portion of its production.

- Czech

Czech Republic has 30 breweries that produce more than 200 brands of beer. Czech is known as the home of Pilsner Uguell beer (Pilsen beer), which takes its name from the city of Pilsen where it was first brewed. This beer is noted for its fresh taste and sharp hop flavor, it is the most widely brewed light yellow-colored beer in the world.

<Handling Recommendations>

- Beer stays fresh for quite a long time if it is refrigerated, but at room temperature it will start to go flat after 3-4 months. Thus, appropriate temperature control should be maintained at all times.
- Many imported beers are sold in cans and importers and distributors must take steps to ensure that the cans do not rust while in storage.

## 7. Domestic Distribution System and Business Practices

### (1) Domestic Market Conditions

The beer market in Japan is an oligopoly, essentially controlled by the two most prominent brands, Kirin and Asahi, along with two other important brands, Sapporo and Suntory. Asahi Beer had stayed out of the sparkling malt beverage market in the past, but in March of 2001 it launched its own product, and now the four leading makers are locked in tight competition for this market as well. Beer consumption has been on the decline, due to the recession’s impact on propensity to consume, to an overall decline in alcohol consumption. and to the shift to lower-priced alcoholic beverages (*happoshu* and *chuhai*). Even when total beer and *happoshu* consumption is combined, it is apparent the market is at a standstill.

There is an increasing tendency for market share to concentrate in the top-ranked brands, such as Asahi Super Dry. Moreover, tumbling prices in the beer market combined with higher sales of lower-priced *happoshu* have led to further overall price declines. Discount stores and supermarkets routinely have 24-can cases of 350 ml cans of beer at a special sale price of around ¥3,780 (roughly 72% of manufacturer SRP, or about ¥157 per can). These price levels are putting severe pressure on liquor wholesalers and on ordinary liquor stores.

Broken down by container type, 2000 beer and sparkling malt beverage shipment statistics show that 58% was shipped in cans, 25% in returnable bottles, and 16% in commercial-size barrel containers. Growing *happoshu* sales has increased the proportion shipped in cans. In 2000 four leading Japanese beer makers together launched an immensely successful promotional campaign, the “Home Beer Server Present Campaign,” which drew millions and even tens of millions of responses. The campaign demonstrated that there is latent demand for barreled beer in the home user market. A number of companies in toys, games and general merchandises began selling home beer servers, capitalizing on the popularity of this product. These servers come in several varieties, powered by air, carbon dioxide gas and electricity. Some home users are now even using the commercial-type servers previously found only in beverage service establishments.

Since the ban on micro brewing was lifted in 1994 (minimum annual brewery output lowered from 2,000 kiloliters to 60 kiloliters), local microbrewery beers have sprung up all over Japan. In 2000 there were some 300 microbreweries producing over 1,000 brands. While this represents a tiny proportion of the overall market in volume terms, microbreweries are selling over the Internet and doing other things to establish a distinctive image for themselves.

### [Japanese consumption of alcoholic beverages]

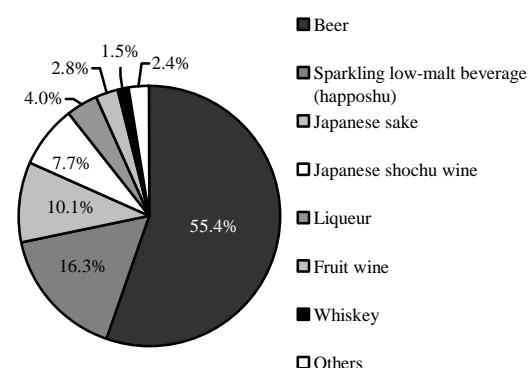
Figure 8 presents the Japanese consumption of alcoholic beverages on a volume basis. The favorite alcoholic beverage of the Japanese is beer. Average annual consumption of beer plus *happoshu* per capita is about 71 liters, putting them far ahead of any other alcoholic beverages.

But combined beer and *happoshu* consumption is at the saturation point, and if *happoshu* sales increase, beer sales drop essentially the same amount. The chronic recession in Japan, combined with more diverse life styles, means that per capita alcoholic beverage consumption has been on the decline. The overall trend is toward lower-priced beverages with lower alcohol content, and there has been growth in *happoshu*, in liqueurs and in white spirits.

**Fig. 8 Japanese consumption of alcoholic beverages (2000)**

	Total annual consumption (kiloliter)	Percentage of total	Per capita consumption (litter)	Yearly change	Percentage of imports
Beer	5,571,659	55.4%	55.2	95.5	0.5%
Sparkling low-malt beverage ( <i>happoshu</i> )	1,636,740	16.3%	16.2	116.6	4.0%
Japanese <i>sake</i>	1,015,450	10.1%	10.1	95.1	0.0%
Japanese <i>shochu</i> wine	771,574	7.7%	7.6	101.5	7.5%
Liqueur	400,282	4.0%	4	107.5	2.7%
Fruit wine	276,836	2.8%	2.7	92.9	58.4%
Whiskey	146,933	1.5%	1.4	95	20.9%
Others	244,835	2.4%	2.4	114.6	4.1%
Total	10,064,309	100.0%	99.7	99.6	3.6%

Source: National Tax Administration Agency



## (2) Distribution Channels

Liquor business license holders issued under provisions of the Liquor Tax Law may only distribute beer in Japan. The principal distribution channels are illustrated on figure below. Japanese beers are normally distributed from the beer maker through primary wholesalers, secondary wholesalers, and retailers to the consumers and restaurants. There are about 13,000 holders of liquor retailer's licenses in Japan. Deregulation has prompted leading supermarkets to become a presence in liquor sales, and low-price competition from liquor discount stores has put many small and medium-sized liquor stores under financial pressure. Many liquor stores are transforming themselves into convenience stores. Deregulation of liquor sales licensing in 2003 will further increase the number of retail outlets for beer. Observers are concerned about the impact of price competition.

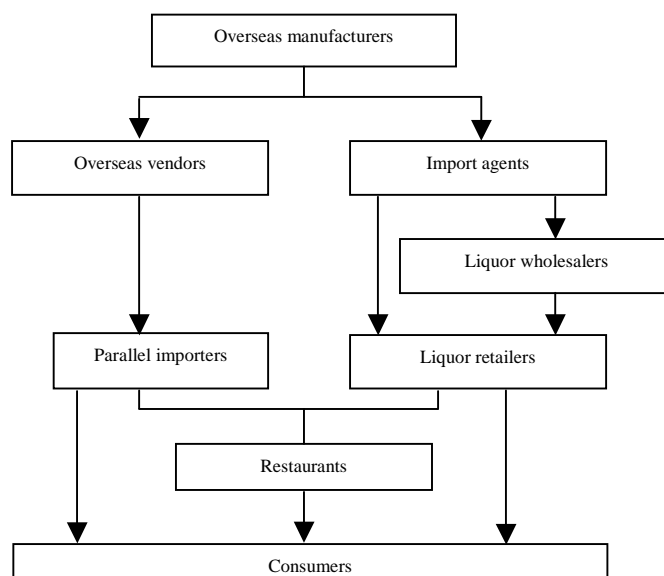
Imported beers are mainly sold through mass merchandiser outlets in major metropolitan areas, and into the commercial market, through restaurants (see Fig. 9 on the following page). In recent years, nearly all imported beers have avoided a strategy of mindlessly expanding sales volume. Instead, they begin by exploring compatible restaurants in the commercial market, where they seek to gain supporters and cultivate a brand image. Only gradually do they venture into the consumer market. Imported beers little by little gain support when they clearly establish a distinctive identity and appeal that sets them apart from domestic beers. Also, barrel-aged draft beer provides an advantage in the commercial market, and helps brands differentiate themselves in the minds of restaurants.

## (3) Key Considerations for entering the Japanese Market

Any entity, which wishes to import and sell beer in Japan, must first obtain a business license for seller of liquors (see 3.-(2)-1). Prospective beer exporters to Japan should also be borne in mind the following points:

- Prospective exporters should carefully study Japanese taste preferences.
- Prospective exporters must have a thorough understanding of beer distribution and retailing practices in Japan.
- Unsold stocks will deteriorate, resulting in flat beer, broken bottles and crusted cans. Defective will have to be discarded, which is costly in it. Also, customs duties and liquor taxes are not refundable. For these reasons, exporters would be well advised to begin by importing and test marketing only a small quantity of beer in Japan.

**Fig. 9 Distribution channels for imported beer**



### 8. After-Sales Service

The retail outlet is responsible for dealing with broken containers or spoiled contents of beer purchased by consumers.

### 9. Related Product Categories

Other forms of imported alcoholic beverages include wine, whiskey, brandy and other distilled spirits. Under the law these beverages are treated much the same as beer. However, prospective importers should note that different beverages are subject to different types of inspection under the Food Sanitation Law. Please also note that customs and tax authorities classify products differently according to different levels of alcohol content. Check with customs to determine the taxes and duties applicable to a particular product.

### 10. Direct Imports by Individuals

Individuals may import quantities of beer deemed appropriate for personal consumption without business license of liquor seller and/or being subject to the Food Sanitation Law requirements. However, imports of beer to serve to customers of restaurants personally owned or operated, or to provide to multiple-specific persons (license required in order to sell), are subject to provisions of the Food Sanitation Law. Imports for personal use remain subject to customs duty assessment and the Liquor Tax Law taxation.

### 11. Related Organizations

- |                                                      |                   |                                                                   |
|------------------------------------------------------|-------------------|-------------------------------------------------------------------|
| • Japan Imported Beer Association                    | TEL: 03-5489-8888 |                                                                   |
| • The Japan Wines and Spirits Importers' Association | TEL: 03-3503-6505 |                                                                   |
| • Brewers Association of Japan                       | TEL: 03-3561-8386 | <a href="http://www.brewers.or.jp">http://www.brewers.or.jp</a>   |
| • Japan Craft Beer Association                       | TEL: 0797-31-6911 | <a href="http://www.beertaster.org">http://www.beertaster.org</a> |