

# Japanese Market Information on Specified Products

## Mineral Water

### 1. The Japanese Market

The mineral water market has grown sharply, buoyed by heightened consumer interest in water. The inherent safety and fine taste of mineral water matched consumer shifts toward "nature and health" as well as "gourmet food," contributing to the popularity of mineral water. The deterioration of the quality of tap water in Japanese urban areas as well as the increase in the number of overseas Japanese travelers who have less resistance to buying water have also led to increases in mineral water sales. Mineral water has also succeeded in tapping the youth fashion market.

Attracted by the promise of this rapidly growing market, many mineral water brands-domestic and foreign-have entered the marketplace. These products range from those introduced by leading food and beverage manufacturers to rural brands designed to sell local color and boost their regional economies. Since the reports of mineral water contamination, however, the reliability of brands has been called into question, and the market has quickly polarized into established brands (e.g., famous French brands) and the national brands brought out by the large domestic manufacturers, leaving little room for smaller brands.

The Japanese mineral water market first targeted bars and restaurants, but the acceptance of water coming in large liter-sized plastic containers and the boom for "delicious water" has led to rapid growth in home demand as well. Mineral water is now being offered not only by liquor stores but also by mass merchandisers. Large supermarkets offer their own private brand products and mineral water is now being delivered to homes as well. Home demand, which topped industry demand for the first time in 1990, now accounts for the bulk of the market-industry demand accounts for less than 10% of the market today.

Japanese consumers prefer non-carbonated mineral water, hence demand for carbonated mineral water is very low.

The imported mineral water market is dominated by a few well-known brands, particularly those of France. Consumers seek not only safety and reliability but also fashion appeal in imported mineral water, hence their preference for the big names appears unlikely to weaken any time soon. Any importer wishing to enter the market must understand that it will take time before it can turn a profit, considering the high (and rising) cost of shipping and advertising.

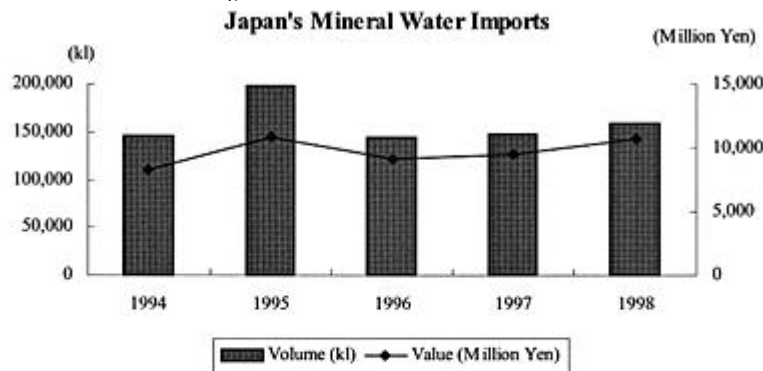
### 2. Imports

#### (1) Recent Developments

Mineral water imports increased in volume to 159,127kl (up 7.1% from the previous year) and in value to 106,702 million (up 12.0%). Imports declined significantly in 1996 because of reports of contamination in the mineral water, but much of the decline has subsequently been made up.

Mineral water imports grew 2000% in the 10 years leading up to 1995. Of particular importance was the 1986 amendment to the Food Sanitation Law, which authorized the importation of non-sterilized natural water into Japan. The deterioration in the quality of tap water (especially in the Tokyo and Kansai regions) has also led to large increases in home mineral water consumption.

Imported mineral water comes in carbonated and non-carbonated varieties, but since Japanese consumers prefer the latter, imports of carbonated mineral water have not grown.



	1994		1995		1996		1997		1998	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Mineral Waters and Acrated Waters	146,821	8,321	198,713	10,838	144,721	9,199	148,605	9,531	159,127	10,672

Unit: kl, Million Yen

Source: Japan Exports and Imports

#### (2) Countries of Origin

France became the leading mineral water exporter to Japan in 1987, taking over from the Republic of Korea. In 1998, the

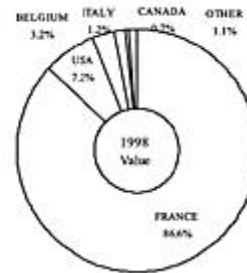
share held by France among imported mineral water reached an overwhelming 88.6%. France accounts for such a high share because it is home to the largest number of brands familiar in Japan. Other significant mineral water exporters to Japan are the United States, Belgium, and Canada. Each export brands that are famous in Japan.

#### Principal Exporters of Mineral Water to Japan

COUNTRY	1994	1995	1996	1997	1998	
	Value	Value	Value	Value	Value	Volume
FRANCE	6,120	7,892	7,667	7,790	9,240	134,170
USA	581	1,111	436	766	768	13,152
BELGIUM	899	699	675	487	339	7,448
ITALY	30	33	38	85	133	1,348
CANADA	353	603	239	287	77	1,162
OTHER	339	500	145	116	115	1,847
TOTAL	8,321	10,838	9,199	9,531	10,672	159,127

Unit: Million Yen, kl

Source: Japan Exports and Imports



#### (3) Share Accounted for by Imports

Imports reached 10% of the Japanese market (by volume) in 1989 and has increased steadily since. Although the share of imports dropped in 1996 because of reports of mineral water contamination, it began to rise again beginning 1997.

#### Import's Share in the Japanese Market

	1993	1994	1995	1996	1997
Domestic Products	346,400	412,300	452,200	485,900	645,900
Imported Products	68,430	146,821	198,713	144,721	148,605
Domestic Distribution	414,830	559,121	650,913	630,621	794,505
Import's Share	16.5%	26.3%	30.5%	22.9%	18.7%

Unit: kl

Source: Japan Mineral Water Association

### 3. Laws and Regulations

#### (1) Food Sanitation Law>

Importation and sales of mineral water in Japan are subject to the provisions of the Food Sanitation Law. This law defines the standards for the content of mineral water and sets forth manufacturing standards and inspection requirements.

Importers must submit a "Notification Form for Importation of Foods, etc." along with other necessary documentation to the quarantine station before bringing their products through customs. Quarantine officials will review this form to determine whether the cargo will be inspected.

Importers may also submit the results of inspection conducted by a testing laboratory designated by the Japanese Ministry of Health and Welfare. Such results can be substituted for inspection at the port of entry, greatly expediting the quarantine clearance process.

#### (2) Measurement Law

This law requires the labeling of the net content to a range of error specified by Cabinet ordinance.

#### (3) Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products (JAS Law)

JAS Law sets guidelines for placing quality indications on mineral water. It is desirable that mineral water are labeled according to this guideline when placing them on sale.

#### (4) Law for the Promotion of Utilization of Recycled Resources (Recycling Law)

Containers for mineral water must be labeled properly as steel, aluminum, or PET.

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

Businesses importing or selling mineral water must recycle empty glasses, PET bottles, and other containers.

#### (6) Consumer Product Safety Law (Voluntary)

This law covers both naturally and artificially carbonated mineral water (considered "carbonated beverage" under law) in which gauge pressure exceeds 2.5kg/l at a temperature of 20°C and contents of 400ml. Mineral water passing the standards of this law may be labeled with the SG mark of safety. Note that the actual administration of the SG mark system is handled by the Consumer Product Safety Association.

#### (7) Artificially Carbonated Mineral Water

These additional regulations apply for artificially carbonated mineral water:

##### (a) JAS Law

Artificially carbonated mineral water is considered under JAS Law as a "carbonated beverage" and is thus required by this law to bear appropriate product quality labeling. Products that conform to JAS standards may display the JAS Mark (optional).

##### (b) Measurement Law

This law defines a permissible range of variation for the content of mineral water products clearly marked as soft drinks and are carbonated (thus becoming considered under law as "carbonated beverages").

### 4. Taxes

(1) Customs Duties

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow:				
2201.10-000	Mineral waters and aerated waters	3.2%	(3.7%)	Free	

Note: For information on how to use this table, please refer to customs tariff schedules.

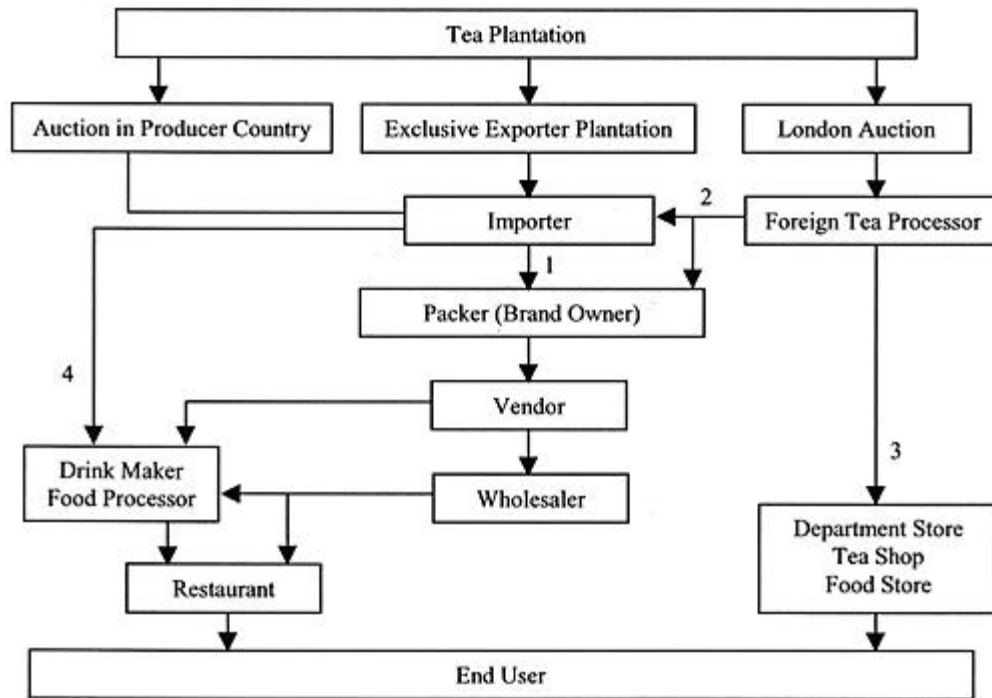
(2) Consumption Tax

(CIF + Customs Duty) x 5%

5. Distribution

The figure illustrates the primary distribution channels for imported mineral water.

**Distribution Channels for Black Tea**



6. Industry Contacts

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