

Essential Oils

An essential oil is a natural, 100% pure oil extracted by distillation or another method from various sources such as aromatic substances produced in the flowers, buds, leaves, peel, bark, roots, or seeds of plants, or organs of certain animals that secrete aromatic components. Essential oils are used in aromatherapy, a natural remedy to cure psychological stress and poor physical conditions, and are also used as food flavorings to be added to beverages, confectionery and other processed foods, and as cosmetic fragrances for perfume products or toiletries.

Essential oils have long been used for scenting purposes such as food flavorings and cosmetic fragrances, but the glowing popularity of aromatherapy in recent years has resulted in increased uses of essential oils for aromatherapy.

Scope of coverage

| Item | Definition | HS Code |
|---------------------------|---|-------------|
| Citrus essential oils | Of orange | 3301.12.000 |
| | Of lemon | 3301.13.000 |
| | Other (bergamot, other) | 3301.19 |
| Non-citrus essential oils | Other peppermint (<i>Mentha piperita</i>) | 3301.24.000 |
| | Of other mints | 3301.25 |
| | Other | 3301.29. |
| Resinoid | — | 3301.30.000 |
| Other | — | 3301.90.000 |

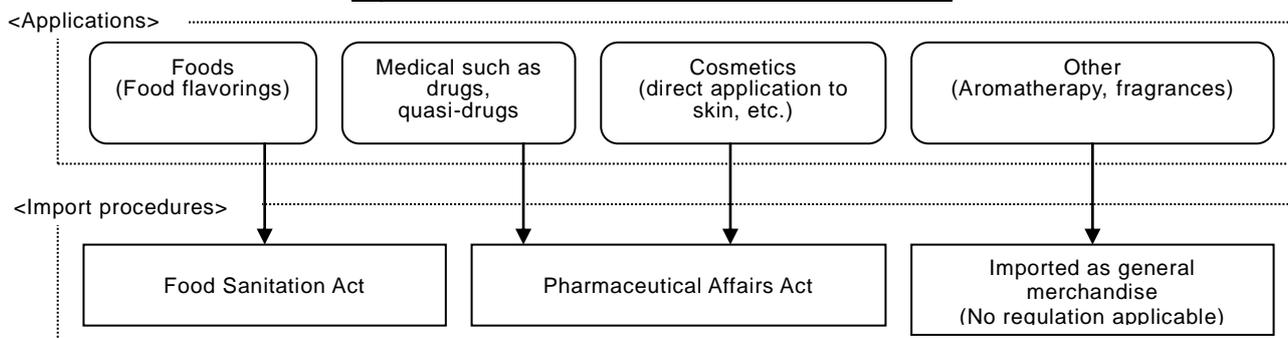
Note: Resinoid refers to liquid, semisolid, or solid substances extracted from plant resins or other sources with the use of a hydrocarbon solvent.

1. Points To Note in Exports to and Sales in Japan

(1) Import Regulation and Procedures

Importing essential oils may be subject to regulations under the Foreign Exchange and Foreign Trade Act, based on the CITES[Convention on International Trade in Endangered Species of Wild Fauna and Flora]. Different procedures may also be required according to uses of essential oils. For instance, essential oils imported to be used as raw materials of drugs or quasi drugs are regulated under the Pharmaceutical Affairs Act. Those intended for direct applications on the skin (including massage oils in which essential oils are diluted with carrier oils) fall under the category of cosmetics, and are also subject to regulations under the Pharmaceutical Affairs Act. Essential oils imported to be used as flavorings added to beverages or confectionery, meanwhile, are regulated under the Food Sanitation Act. On the other hand, essential oils to be used in aromatherapy, for aromatic bath, or as bath fragrances may be imported under the category of general merchandise, for which there is no particular regulation applicable.

Fig. 1 Importation procedures for essential oils



-Essential Oils-

•Foreign Exchange and Foreign Trade Act

Under the terms of the Washington Convention, the Foreign Exchange and Foreign Trade restricts or prohibits the importation of certain species of endangered plants. An essential oil of musk obtained from the abdomen of the musk deer is subject to the CITES regulations. Certain kinds of rosewood, including Brazilian Rosewood, are also CITES-regulated and prohibited from importing and exporting.

•Pharmaceutical Affairs Act

Under provisions of the revised Pharmaceutical Affairs Act, which went into full effect on June 1, 2006, when essential oil being imported as drugs, quasi-drugs, or raw materials thereof, the importer must obtain a primary distributor's license for drugs (or quasi-drugs) from the prefectural governor with jurisdiction over the business office where the marketing supervisor-general serves. In addition, the importer must obtain a primary distribution approval from the Minister of Health, Labour and Welfare (hereinafter referred to as "the Minister") for each product item imported. In this regard, however, those listed in the Japanese Pharmacopoeia (an official standard reference listing the names of important drugs and defining quality standards on these drugs), and those that are used only in manufacturing and listed either in the Japan Pharmaceutical Codex, or the Japan Crude Drug Codex do not require approval. The primary distributor can import without approval for each product item. For example, the following seven essential oils are listed in table 2 in the Japanese Pharmacopoeia. However, in order to be used as a drug, each must comply with the specified standards.

The revised Act abolished the importer license classification. Any primary distributor that engages in the packaging, labeling or storage of the imported product is required to separately obtain a manufacturer's license for drugs (or quasi-drugs). As a transitional measure to the provision of the revised Act, those who obtained an importer's license under the former law will be treated as holders of a primary distributor's license and manufacturer's license for the duration of these licenses (until the next license renewal).

Fig. 2 Essential oils listed in the Japanese Pharmacopoeia as drugs

| Name | Base plants | Plant part | Ingredients | Medicinal usage |
|----------------|------------------------------------|---------------------------|----------------|---|
| Clove oil | Syzygium aromaticum | Bud | Eugenol | Bactericidal drug in the oral cavity, pain-killer for decayed teeth |
| Cinnamon oil | Cinnamomum cassia | Bark , leaf, small branch | Cinnamaldehyde | Fragrance materials for medicine |
| Fennel oil | Foeniculum vulgare, Illicium verum | Fruit | Anethole | Fragrance materials for medicine |
| Orange oil | Citrus | Fruit skin | Limonene | Fragrance materials for medicine |
| Peppermint oil | Menta arvensis var. piperascens | Whole portion | Menthol | aromatic stomachic, drug for rinse, liniments |
| Eucalyptus oil | Eucalyptus globulus | Leaf | Cineole | Anti-inflammatory agent |
| Turpentine oil | Pinus | Wood, pine resin | α-pinene | Skin stimulating agent for eternal use |

The Pharmaceutical Affairs Act defines cosmetics as "products with mild actions on the human body, which are intended to be applied to the human body through rubbing, sprinkling, or other similar methods, aiming to clean, beautify and increase the attractiveness, alter the appearance or to keep the skin or hair in good condition." Accordingly, when applying essential oils directly to the skin, they are regulated as cosmetics under provisions of the Act. When importing and distributing cosmetics, the importer must obtain a primary distributor's license for cosmetics from the prefectural governor with jurisdiction over the business office where the marketing supervisor-general serves. After obtaining the primary distributor's license but before initiating product importation, the primary distributor must file the Notification form of cosmetic manufacture or importation brand name (with the Pharmaceutical and Medical Devices Agency (PMDA)), the Notification form of primary distribution of cosmetics (with the prefectural government from which the primary distributor's license was obtained), and the Import notification form of cosmetics for primary distribution (with the Kanto-Shinetsu Regional Bureau of Health and Welfare, or Kinki Regional Bureau of Health and Welfare). In this regard, however, the importation of raw materials

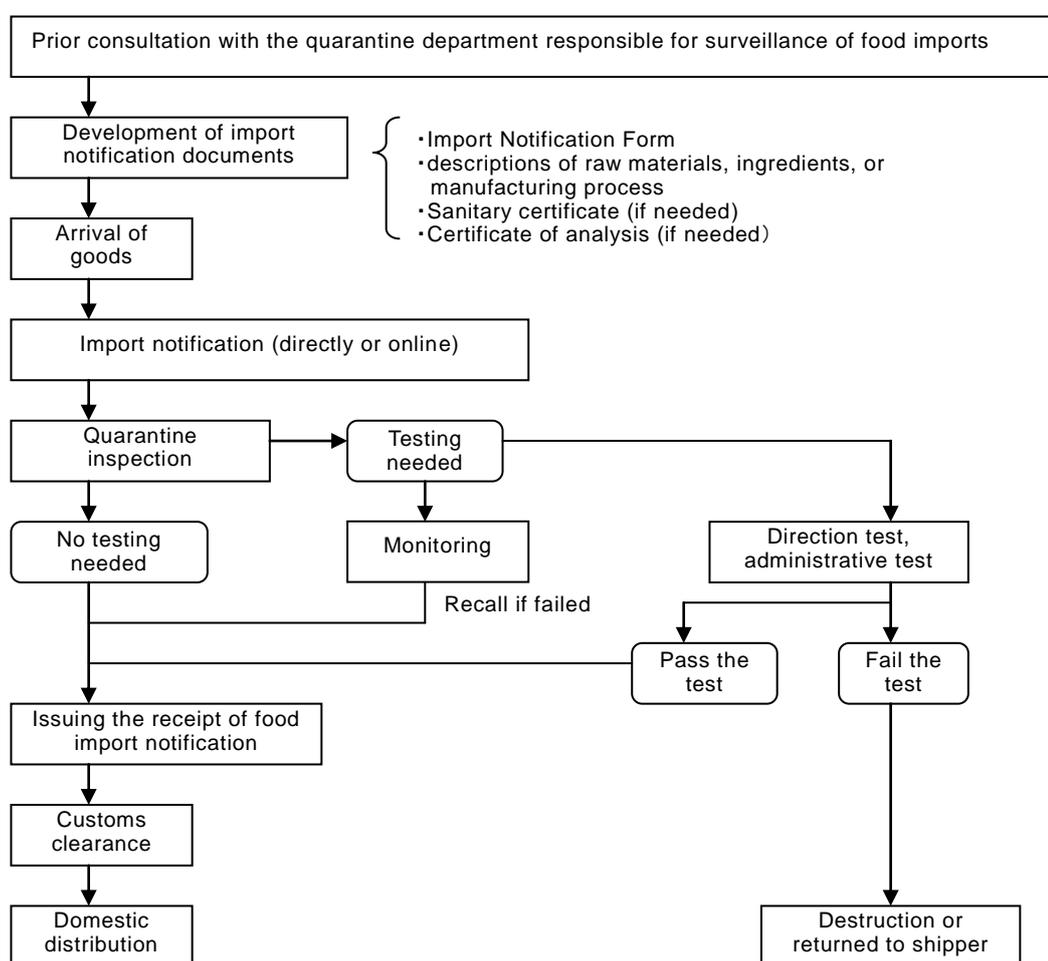
for processing of cosmetics in Japan does not apply to the regulation under the Pharmaceutical Affairs Act at the time of importation.

•Food Sanitation Act

It should be noted that essential oils used as food flavorings may only be permitted for use when they are included in the list of natural flavorings in the Inventory of Natural Additives according to the provisions of the Food Sanitation Act. Importing essential oils requires submission of forms such as the Import Notification Form and the descriptions of raw materials, ingredients, or manufacturing process, etc. Content analysis may be performed on essential oils for the purpose of inspection for the presence of substances prohibited under the Food Sanitation Act.

In order to domestically prepare essential oil products to be used in food and manufacture them under one's own brand, one is required to obtain a primary distributor's license for cosmetics under the provisions stipulated by the Ministry of Health, Labour and Welfare.

Fig. 3 Food Sanitation Act procedures



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

The sale of essential oil to be sold as cosmetics or quasi-drugs is subject to provisions of the Pharmaceutical Affairs Act. The sale of herb products containing certain wild plant species (flower of orchid species, for example) may be subject to the provisions of the Act on Conservation of Endangered Species of Wild Fauna and Flora. In addition, they are subject to the Act Against Unjustifiable Premiums and Misleading Representations. Products that infringe intellectual property rights are regulated by the various intellectual property laws (Trademark Act, Patent Act, Unfair Competition Prevention Act, etc.). Prospective importers must be aware of these considerations, as rights holders may

initiate legal action.

One is not required to obtain a sales license to sell cosmetics and quasi-drugs to consumers, and anyone is free to sell such products. However, those that do not meet the Cosmetics Standards, or are dirty, contain foreign matters, are contaminated with pathogenic microorganisms, or use an unauthorized tar color are deemed as substandard cosmetics, and the sale of such products is prohibited. Cosmetics are subject to labeling criteria that stipulate what should or should not be included in the labeling of their immediate containers or wrappers, and those that fail to meet these labeling criteria are deemed as cosmetics with misleading representations, and the sale of such products is prohibited.

There are no regulations for the sale of general essential oils (used as fragrance materials for aromatic products to enjoy fragrance in a room or bathroom), so anyone may resell them without restriction. However, these essential oils are general merchandise, and so they may not make any claims of medicinal efficacy-effect. Advocating direct application to the skin or drinking of essential oils is deemed to be a violation of the Pharmaceutical Affairs Act and the Food Sanitation Act, respectively, and they are subject to criminal penalties. Besides this, door-to-door sales, mail order sales, chain sales, and other specified commercial transactions are subject to provisions of the Act on Specified Commercial Transactions. In addition, containers and packaging may also be subject to identifier labeling provisions of the Act on the Promotion of Effective Utilization of Resources, and recycling provisions of the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging (certain small-scale providers are exempt from regulation).

• **Act Against Unjustifiable Premiums and Misleading Representations**

The Act prohibits a form of improper, exaggerated, or false labeling that misleads consumers about the nature or quality of products. The Fair Trade Commission can demand documentation of a rational basis for labeling that makes claims of superior quality etc. If the importer or reseller is unable to do so, those claims are considered as a form of improper labeling. Vague or confusing labeling that makes it difficult to discern the actual country of origin is also prohibited as a form of improper labeling.

Based on the Act, the industry has voluntarily adopted the Fair Competition Code Concerning Restrictions on Premium Offers in the Prescription Drug Wholesalers, the Fair Competition Code Concerning Restrictions on Premium Offers in the Cosmetic Soap Industry, the Fair Competition Code Concerning Representations of Cosmetics, and the Fair Competition Code Concerning Representations of Cosmetic Soaps, under certification by the Consumer Affairs Agency (the jurisdiction over the Act was transferred from the Fair Trade Commission, effective in September 2009). While they are voluntary industry rules, when they are adopted based on the Act, any breach of the Fair Competition Code is deemed to be a breach of the Act.

• **Act on Specified Commercial Transactions**

The Act on Specified Commercial Transactions was enacted to ensure that specified commercial transactions such as mail order sales and door-to-door sales of designated products, rights and services are carried out fairly and to protect ordinary consumers. The commercial transactions specified under the Act include: (1) door-to-door sales, (2) mail order sales, (3) telemarketing sales, (4) chain sales (multilevel marketing), (5) specific continuous service provision transactions, and (6) sales transactions offering business opportunities. Mail order sales include Internet sales and commercial advertisement by e-mails. In order to provide consumers with accurate information, in mail order sales, operators are required to list the following information in their advertisements: (1) sales price, (2) payment period and method, (3) delivery date, (4) clauses related to the return system, (5) name, address and telephone number of operator. The Act also prohibits advertising containing false or exaggerated statements.

(3) Contacts of Competent Authorities

Fig. 4 Contacts of competent authorities

| Related regulations and control | Competent agencies | Contact/Website |
|--|---|---|
| Foreign Exchange and Foreign Trade Act | Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry | TEL: +81-3-3501-1511 http://www.meti.go.jp |
| Pharmaceutical Affairs Act | General Affairs Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare (Pharmaceutical Affairs Act in general) | TEL: +81-3-5253-1111 http://www.mhlw.go.jp |
| | Evaluation and Licensing Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare (Import approval procedures) | TEL: +81-3-5253-1111 http://www.mhlw.go.jp |
| Food Sanitation Act | Food Safety Department, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare (Import approval procedures) | TEL: +81-3-5253-1111 http://www.mhlw.go.jp |
| Act on Conservation of Endangered Species of Wild Fauna and Flora | Wildlife Division, Nature Conservation Bureau, Ministry of the Environment | TEL: +81-3-3581-3351 http://www.env.go.jp |
| Act Against Unjustifiable Premiums and Misleading Representations | Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan | TEL: +81-3-3507-8800 http://www.caa.go.jp |
| Act on Specified Commercial Transactions | Consumer Affairs Policy Division, Consumer Affairs Department, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry | TEL: +81-3-3501-1511 http://www.meti.go.jp |
| Act on the Promotion of Effective Utilization of Resources/Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging | 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 of Recycling Promotion, Policy Planning Division, Waste Management and Recycling Department, Ministry of the Environment | TEL: +81-3-3581-3351 http://www.env.go.jp |

2. Labeling

(1) Labeling under Legal Regulations

Pharmaceutical Affairs Act

When selling essential oil as cosmetics or quasi-drugs, the Pharmaceutical Affairs Act requires the direct container, packaging or package inserts be labeled with the specified items so as to ensure suitable usage and handling, ensure quality, and clarify liability. All must be expressed in the Japanese language and must be clearly and explicitly listed. From the viewpoints of the potential health and sanitation ramifications, the following are prohibited: 1) labeling with false or potentially confusing material, 2) unapproved claims of effect-efficacy in labeling, and 3) labeling showing dosages and administration, and expiration date that pose a potential health danger.

For cosmetics, in principle, all ingredient names must be listed in labeling. Names must appear in the Japanese language that is readily understandable, and must normally be listed in discerning order by quantity. The Japan Cosmetic Industry Association has compiled the Japanese version of “List of Cosmetic Ingredient Label Names” to be used in conjunction with the Pharmaceutical Affairs Act’s requirement to list all ingredient names in labeling.

When using them as a fragrance agent, describing as “fragrance” is allowed.

<Required labeling items>

- Name and address of primary distributor
- Brand name
- Contents (weight, volume, or number of units) (for drugs and quasi-drugs)

-Essential Oils-

- Manufacturing number or code Contents
- List of ingredients (for cosmetics, in principle, all ingredient names must be listed)
- Expiration date, for those designated by the Minister
- Other items specified by MHLW Ministerial Ordinance

Act on the Promotion of Effective Utilization of Resources

Under the Act, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for wrapping individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed in at least one spot on the side of the container with information where the material is used.

[Representation example]



External packaging



Individual packaging

(2) Labeling under Industry-level Voluntary Restraint

Qualification labeling by the Aroma Environment Association of Japan

In order to provide information that helps consumers choose essential oils suitable for use in aromatherapy, the Aroma Environment Association of Japan (AEAJ) has instituted a labeling qualification program for essential oils, which set basic information and precautions for use to be labeled and standards for labeling. An essential oil brand that is deemed to be labeled in accordance with the labeling standards is allowed to be sold as a “labeling standards compliant essential oil” (it is not quality qualification standards). Applicants must submit a confirmation document (compliance of company ethics by observing the Pharmaceutical Affairs Act and the Product Liability Act and working on thorough quality control) to the Association. Basic information items include: brand name, product name, scientific name, extracted portion, extracting method, country (region) of production or country (region) of origin, content volume, and name of importer (or reseller). As of March 2010, 49 brands of 37 companies obtained qualification from the Association.

[Representation example]

DO NOT apply undiluted solution to the skin.
NEVER drink the solution.
Keep out of reach of children.
Caution: flammable
<Acceptable in random order>

Aroma Environment Association of Japan certified
Requirements-compliant essential oil

AEAJ certified requirements-compliant essential oil

AEAJ
Aroma Environment Association of Japan certified
Requirements-compliant essential oil

*Contact: Aroma Environment Association of Japan TEL: +81-3-3538-0681 <http://aromakankyo.or.jp>

Labeling under voluntary standards of the Air Fresheners & Deodorizers Conference

The Air Fresheners & Deodorizers Conference has established its own standards regarding the efficacy and safety of products and other matters of product quality. It calls for labeling the name of the product, application, composition, and content on the box, and for information on the period for use, method of use, precautions, manufacturing number, name of manufacturer or importer (address and telephone number), etc. Products meeting the standards of the Conference may be sold bearing the mark of compliance.

[Representation example]



*Contact: Air Fresheners & Deodorizers Conference TEL: +81-72-641-5965 <http://www.houkou.gr.jp>

Labeling based on the Japan Flavor and Fragrance Materials Association labeling guidelines

The Japan Flavor and Fragrance Materials Association has labeling guidelines for food additives and flavorings, and requires that essential oils as food additives and flavorings should include the following in their labeling: 1) scientific name of the essential oil, 2) product name (may be the same as the scientific name), 3) region of origin, 4) site of extraction, 5) production method, 6) production lot number, 7) production location, 8) date of production, 9) content volume, and 10) precautions.

*Contact: Japan Flavor & Fragrance Materials Association TEL: +81-3-3516-1600 <http://www.jffma-jp.org>

3. Taxation System
(1) Tariff Duties

Fig. 5 presents tariff duties on essential oils. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a certificate of preferential country of origin (Form A) issued by the customs or other issuing agency in the exporting country (not required if the total taxable value of the article is no greater than ¥200,000). For more details, you can contact the Customs and Tariff Bureau, Ministry of Finance. In case of confirming the tariff classification or applicable tariff rate in advance, it is convenient to use the “advance-counseling program.” Customs will respond to both oral and written inquiries.

*Contact: Customs website <http://www.customs.go.jp/english/index.htm>

Fig. 5 Tariff duties on essential oils

| HS Code | Description | Rate of duty | | | | |
|-------------|--|--------------|-----------|--------|--------------|----------------------|
| | | General | Temporary | WTO | Preferential | Special preferential |
| 3301 | Essential oils of citrus fruit | | | | | |
| 3301.12 000 | Of orange | Free | | (Free) | | |
| 3301.13 000 | Of lemon | Free | | (Free) | | |
| 3301.19 100 | Of bergamot | Free | | (Free) | | |
| 210 | Of lime | 3.2% | | (3.2%) | Free | |
| 290 | Other | 3.2% | | (3.2%) | Free | |
| 3301.24 000 | Essential oils other than those of citrus fruit Of peppermint (Mentha piperita) | 3.2% | | (3.2%) | Free | |
| 3301.25 | Of other mints | | | | | |
| 011 | 1 Peppermint oil obtained from Mentha arvensis (1) Containing more than 65% by weight of total menthol when determined by the testing method stipulated by a Cabinet Order | Free | | (Free) | | |
| 019 | (2) Other | 9.6% | | 9% | 5.4% | |
| 020 | 2 Other Peppermint oils | 3.2% | | (3.2%) | Free | Free |
| 030 | 3 Other | 3% | | 2.2% | Free | |
| 3301.29 100 | Other | Free | | (Free) | | |
| | 1 Bay leaf oil, cananga oil, cassia oil, cedar oil, citronella oil, clove oil eucalyptus oil, fennel oil, star-anise oil, petit-grain oil, rosemary oil, rosewood oil, sandal wood oil, ylang-ylang oil, cinnamon leaf oil, ginger grass oil, palmarosa oil, thyme oil, gyusho oil, lemongrass oil and patchouli oil | 2.5% | | 2.2% | Free | |
| 200 | 2 Ho oil | Free | | (Free) | | |
| 310 | 3 Of geranium | Free | | (Free) | | |
| 320 | 4 Of vetiver | 3% | | 2.2% | Free | |
| 400 | 5 Of lavender oil of lavandin | 3.2% | | (3.2%) | Free | |
| 910 | 6 Of jasmin | 3.2% | | (3.2%) | Free | |
| 990 | 7 Other | Free | | (Free) | | |
| 3301.30 000 | Resinoid | Free | | (Free) | | |
| 3301.90 000 | Other | Free | | (Free) | | |

Note 1: Special preferential rate is applicable only for the Least Developed Countries.

Note 2: 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 and for more details on economic partnership agreements (EPAs) with each country.

(2) Consumption Tax

(CIF + Tariff duties) × 5%

4. Trade Trends

(1) Changes in Imports

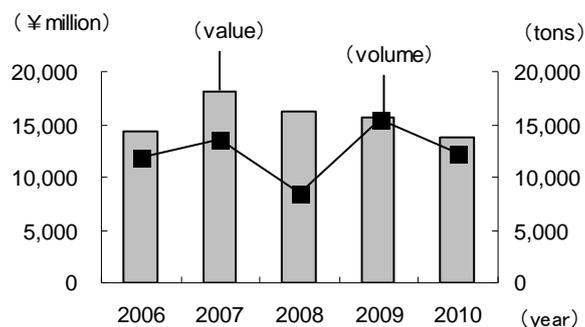
<Import trends by item>

The volume of essential oil imports was increasing annually from the first half of the 1990s thanks to the growing popularity of aromatherapy, but peaked around 2004, and the import volumes have since started to become stable.

In terms of the volume of imports for individual items, oil of orange has a dominating share, with 8,801 tons imported in 2010, which was over 70% of the total volume of imports. On a monetary basis, meanwhile, essential oils of other than those of citrus fruit excluding oils of mints accounts for a large percentage at 4,061 million yen, or about 30% of the total. Oil of orange, despite its dominating volume of imports on a numerical basis, has a large amount of inexpensive products imported from price-competitive countries such as Brazil, which has resulted in a relatively low volume of imports on a monetary basis among others. Essential oils other than citrus fruit and excluding oils of mints, on the other hand, see steep unit price rises due to increases in product branding especially among French and British products; therefore, these oils, despite the smaller number of units imported, have higher import values than oil of orange and other items.

Essential oils other than citrus fruit, excluding oils of mints, includes a large variety of oils, such as those of citronella, eucalyptus, rosemary, ylang-ylang, sandal wood, etc. However, detailed breakdowns are not available due to the substantial consolidation of categories in the foreign trade statistics in 1999. Import trends for individual items are also unclear because of large price differences even among the same item depending on the site of extraction, method of extraction, plant growing environments, country of origin, and product grade, due to a vast number of varieties of plant materials as raw materials of essential oils.

Fig. 6 Changes in essential oil imports



| Item | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|---|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Orange oil | 8,035 | 1,835 | 9,469 | 2,438 | 4,851 | 1,450 | 11,906 | 2,171 | 8,801 | 1,813 |
| Lemon oil | 592 | 2,058 | 607 | 2,755 | 597 | 3,158 | 522 | 2,981 | 553 | 2,464 |
| Oils of citrus fruit excluding those of orange and lemon (Note 2) | 337 | 2,263 | 501 | 2,952 | 315 | 1,703 | 253 | 1,803 | 217 | 1,108 |
| Peppermint oil | 259 | 1,002 | 284 | 1,165 | 260 | 1,036 | 253 | 1,062 | 212 | 1,017 |
| Other mint oils (Note 3) | 742 | 1,395 | 819 | 1,740 | 810 | 1,394 | 662 | 1,047 | 798 | 1,365 |
| Non-citrus-based oils excluding those of mint (Note 3) | 554 | 4,147 | 614 | 4,940 | 522 | 5,011 | 624 | 4,703 | 460 | 4,061 |
| Resinoid | 24 | 150 | 19 | 151 | 22 | 148 | 24 | 151 | 23 | 121 |
| Other | 1,369 | 1,845 | 1,299 | 1,966 | 1,141 | 2,247 | 1,214 | 1,738 | 1,215 | 1,755 |
| Total | 11,912 | 14,695 | 13,613 | 18,106 | 8,516 | 16,147 | 15,457 | 15,654 | 12,280 | 13,703 |

Unit: volume = tons, value = ¥ million

Note: 1 Total is not always the simple sum for each column due to rounding.

Note: 2 Oils of citrus fruit excluding those of orange and lemon represents the statistical code HS3301.19.

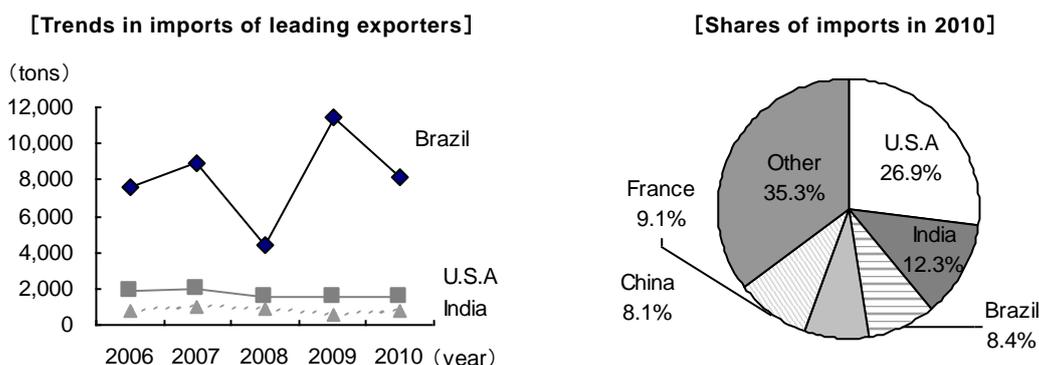
Note: 3 Other mint oils represent HS3301.25 and Non-citrus-based oils excluding those of mint represents HS3301.29.

Source: Trade Statistics (MOF)

<Import trends by country/region>

Primary origins of imports for essential oils are Brazil and the United States for those of orange, lemon and other citrus fruits; the United States and France for essential oils other than those of citrus fruit, including oils of mints; and India and China for other essential oils. Imports from Africa, while a steady increase in recent years primarily from Morocco (oil of roses, etc.) and South Africa (oil of orange, etc.), remain at low levels compared to other regions, with the 2010 results at 0.6% of the total on a numerical basis and 1.1% on a monetary basis.

Fig. 7 Primary origins of imports for essential oils



| Country | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | Average unit price |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------------|
| | Volume | Value | |
| Brazil | 7,544 | 1,531 | 8,917 | 1,531 | 4,353 | 1,531 | 11,412 | 1,531 | 8,130 | 1,147 | 141 |
| U.S.A | 1,837 | 1,570 | 1,976 | 1,570 | 1,586 | 1,570 | 1,527 | 1,570 | 1,570 | 3,686 | 2,348 |
| India | 756 | 726 | 939 | 726 | 860 | 726 | 591 | 726 | 726 | 1,686 | 2,322 |
| China | 356 | 476 | 366 | 476 | 337 | 476 | 449 | 476 | 476 | 1,108 | 2,328 |
| France | 131 | 161 | 120 | 161 | 161 | 161 | 227 | 161 | 161 | 1,244 | 7,727 |
| Other | 1,288 | 1,217 | 1,295 | 1,217 | 1,219 | 1,217 | 1,251 | 1,217 | 1,217 | 4,832 | 3,970 |
| (Africa) | 40 | 59 | 23 | 59 | 32 | 59 | 54 | 59 | 59 | 147 | 2,492 |
| Total | 11,912 | 12,280 | 13,613 | 12,280 | 8,516 | 12,280 | 15,457 | 12,280 | 12,280 | 13,703 | 1,116 |

Unit: volume = tons, value = ¥ million, average unit price = ¥ per kg

Note: Total is not always the simple sum for each column due to rounding.

Source: Trade Statistics (MOF)

| Item | First place | | | | Second place | | | |
|--|-------------|-------|-------|--------------------|--------------|-------|-------|--------------------|
| | Country | Value | Share | Average unit price | Country | Value | Share | Average unit price |
| Orange oil | Brazil | 1,097 | 60.5% | 136 | U.S.A | 332 | 18.3% | 858 |
| Lemon oil | U.S.A | 1,080 | 43.8% | 3,469 | U.K. | 331 | 13.4% | 8,367 |
| Oils of citrus fruit excluding those of orange and lemon | U.S.A | 586 | 52.9% | 4,431 | U.K. | 115 | 10.4% | 5,294 |
| Peppermint oil | U.S.A | 940 | 92.4% | 4,936 | France | 25 | 2.5% | 10,851 |
| Other r mint oils | India | 883 | 64.7% | 1,517 | U.S.A | 194 | 14.2% | 4,032 |
| Non-citrus-based oils excluding those of mint | France | 1,025 | 25.2% | 11,235 | U.K. | 419 | 10.3% | 17,456 |
| Resinoid | India | 33 | 27.3% | 3,094 | France | 32 | 26.4% | 9,605 |
| Other | China | 514 | 29.3% | 2,577 | India | 366 | 20.9% | 3,566 |

Unit: value = ¥ million, average unit price = ¥ per kg

Source: Trade Statistics (MOF)

(2) Import Market Share in Japan

Japan produces few material plants for essential oils, and most of their supplies rely on imports. While volumes of domestically-produced essential oils are unclear due to a lack of specific statistics, domestic essential oils include a tiny number of species such as cypress, fir and lavender, and the volume of production is negligible.

Many Japanese makers import essential oils in bulk from overseas suppliers, and pack them in Japan to sell under their own brands, or bottle them in Japan to sell as domestic products. In the field of room deodorizers, products may often be sold as domestic products by importing some of raw materials from overseas and combining them with domestically-produced materials.

(3) Changes in Volume of Imports and Backgrounds

<Background of changes in import quantities and values>

Values of essential oil imports were on an increase up to around 2004 thanks to a growing popularity of aromatherapy as well as their expanding uses as flavorings in a variety of products including cosmetics and processed food. However, such a trend has since come full circle and no major increasing trend has been observed. After 2008, moreover, a series of events including the Lehman Shock have caused pullbacks in consumer spending, leading to a declining trend in import values.

While the import values have been on a decline, there have been minor ups and downs in the import quantities, with a major upward shift during the recession from 2008 to 2009. There are several possible factors for this increase, including the influence of the recession; more consumers may have held off buying expensive oils of luxury British or French brands and instead shifted to inexpensive aroma oils, or chosen to go out less frequently to save money on entertainment and dining out, instead attempting to spend more quality time at home, for which the use of essential oils was a tool.

<Increase in demand for essential oils as a result of growing popularity of aromatherapy>

As a result of growing popularity of aromatherapy, demand for essential oils has been increasing in Japan.

The Aroma Environment Association of Japan (AEAJ) is an association composed of 241 corporate members and 51,312 individual members that deal with aromatherapy, herbs, essential oils, and other related products and services (including aromatherapy schools and salons) as of March 2010. The individual membership has doubled since 2005 (about an 8-fold increase from 2000). The number of successful applicants for Aromatherapy Proficiency Examination has reached nearly 200,000, a 4-fold growth since 2005. As aromatherapy becomes more popular, the population of essential oil users has also grown steadily, which is considered to be one factor for the increases in the quantities of essential oil imports even in the recession.

Fig. 8 Outline of Aroma Environment Association of Japan (AEAJ)

| The Aroma Environment Association of Japan (AEAJ) | |
|--|--|
| Individual members | 51,312 |
| Corporate | 241 |
| Special Corporate | 1,701 |
| Authorized classes (aromatherapy advisers) | 417 |
| Authorized schools | 137 |
| (Authorized aromatherapy adviser schools) | (132) |
| (Authorized aromatherapy instructor schools) | (125) |
| (Authorized aromatherapist schools) | (95) |
| AEAJ requirements-compliant essential oils | 37 companies, 49 brands |
| Those passing Aromatherapy Proficiency Examination | 193,016 (1st grade: 140,871; 2nd grade: 52,145) |
| Certified aromatherapy advisers | 74,192 |
| Certified aromatherapy instructors | 16,017 |
| Certified aromatherapists | 4,448 |

Note: Figures are the results as March 2010.

5. Domestic Distribution

(1) Trade Practice

In Japan, purchasing is the general practice of essential oil transactions between importers, wholesalers and retailers; there is no noteworthy trading practice unique to the industry.

(2) Domestic Market Situations

Uses of essential oils distributed in Japan are roughly divided into two categories: use in aromatherapy and use for scenting purposes for processed food and cosmetics. Market situations differ from one another.

<Use in aromatherapy>

[Growing popularity of aromatherapy]

With the growing awareness that aroma can help enrich people's life, more people are keen to enjoy aroma in their everyday life, resulting in an increasing number of people who enjoy aromatherapy. There are various different factors for the widespread popularity of aromatherapy, including its image being urban and stylish, mass media influence, and the fact that Japan has a basis for the spread of aromatherapy as there had already been a culture of enjoying herbs before aromatherapy was introduced into the country. A more fundamental factor, however, is that aromatherapy has come to be recognized as a convenient healing tool in an increasingly stressful society.

From enjoying aroma in the air at home by adding drops of one's choice of essential oils of the day to aroma pots, aroma lamps or aroma diffusers (devices used to diffuse oil in the form of atomized particles that are gaining popularity) and relaxing in an aroma bath by adding oils to the water, to making the use of natural ingredients of essential oils by using them in housekeeping as well as in making homemade cosmetics, essential oils are now used increasingly more in a number of ways, especially in young women among others. More users are enjoying a large variety of aromas that suit their own lifestyles, preferences, and feeling of the day.

In response to the increasing demand for essential oils, markets are also growing for other essential oil-related industries, including services to provide consumers with healing and comfortable space making the use of effects of aroma of essential oils.

[Growing demand for organic products]

A recent uprising in people's interest in natural care and back-to-nature momentum has led them to seek products made from natural or organic ingredients, or those with natural healing power. There are sharp increases in demand for 100% plant-based natural/organic products free of synthetic fragrances or animal-derived components, or reliable products that are eco-friendly and good for human skin, and more people are turning to organic products as a part of health consciousness.

[Applications in medical aromatherapy]

It was not a long time ago when essential oils started being distributed for use in aromatherapy in Japan, and their history is still short, which is partly why aromatherapy is yet to be officially recognized as medical practice (i.e. medical aromatherapy). It is only recently that academic societies of medical professionals were established and more full-on educational and research activities were started to evolve into attempts to apply the practice at medical care, as medical aromatherapy. The Japanese Society of Aromatherapy (JSA), whose aims are to ensure adequate dissemination and development of aromatherapy in the medical fields, was established in 1997. The JSA has been working to apply aromatherapy in clinical fields, and a steady increase is seen in the number of medical institutions that have been certified to provide outpatient aromatherapy care.

Established as a specified nonprofit corporation in 2001, the Japan Medical Aromatherapy Association (JMAA) is engaged in activities to disseminate medical aromatherapy among the general public through such media as the Internet, to a steady rise of medical awareness. Indications for medical aromatherapy include: 1) respiratory diseases

-Essential Oils-

such as common cold and influenza; 2) allergic diseases; 3) skin diseases such as atopic dermatitis; 4) menopause and dysmenorrhea; 5) psychosomatic disorders; 6) mental diseases such as insomnia and panic disorder; 7) lifestyle-related diseases; 8) stiff shoulders, back pain, and joint pain; and 9) constipation. At present, medical aromatherapy has come to be used not only for therapeutic purposes but in the fields of nursing and elderly care as well.

What should be noted here is that most of the essential oils that are distributed in the general market for use in aromatherapy are sold as general merchandise. Such products may include not only natural 100% pure oils but poor quality oils containing synthetic preservatives and synthetic fragrances such as fragrance oils, aroma oils, or potpourri oils are sold incorrectly labeled as essential oils. As essential oils are general merchandise, and not drugs (or quasi-drugs), providing descriptions of their medicinal effect-efficacy, as well as detailed explanations of proper usage, are prohibited under provision of the Pharmaceutical Affairs Act. Since self-care on a user's responsibility basis is regarded as the fundamental precondition, it can hardly be said that basic knowledge of essential oils such as features or effects fragrances have, the best usage, and precautions for usage, etc. are well understood on the part of ordinary consumers.

[Sales status by item]

A list of essential oils that are popular at relevant shops is shown in Table 8. The most popular items include oils of lavender, tea-tree, sweet orange, eucalyptus, peppermint, and grapefruit. Ylang-ylang and geranium, both of which are native to Africa, etc., are also constantly among most popular items.

While Japanese people generally are considered to prefer delicate fragrance, the number of aromatherapy lovers is increasing in recent years, and tastes for fragrance tend to diversity into more wide range. The popularity and sales volume of essential oils fluctuates depending on seasons as well. For example, in spring when many are suffering from hay fever, eucalyptus and tea tree sell well. In April through June when the lifestyle rapidly changes, geranium due to effects to calm down one's mind; in the rainy season from mid-June to the end of July, citrus essential oils; and in winter when common colds spread, tea tree and eucalyptus.

Fig. 9 Popular essential oils in Japan

| Article name | Scientific name | Plant parts | Major place of origin | Fragrance |
|-----------------|-------------------------|------------------------------|-----------------------|--------------|
| Ylang-ylang | Cananga odorata | Flower | Comoros, Madagascar | Exotic |
| Sweet orange | Citrus sinensis | Fruit skin | Brazil, U.S.A | Citrus fruit |
| Roman chamomile | Anthemis nobilis | Bit at the time of flowering | U.K. | Floral |
| Grapefruit | Citrus paradisi | Fruit skin | Brazil, U.S.A, Israel | Citrus fruit |
| Sandalwood | Santalum album | Heartwood | India | Tree |
| Citronella | Cymbopogon nardus | Leaf | Madagascar | Citrus fruit |
| Geranium | Pelargonium graveolens | Leaf, stem | Egypt, Algeria | Floral |
| Tea-tree | Melaleuca alternifolia | Branch, leaf | Australia | Tree |
| Frankincense | Boswellia carterii | Tree resin | Ethiopia, Somalia | Tree resin |
| Peppermint | Mentha piperita | Bit at the time of flowering | U.K., U.S.A | Herb |
| Bergamot | Citrus bergamia | Fruit skin | Cote d'Ivoire | Citrus fruit |
| Benzoin | Styrax benzoin | Tree resin | Indonesia | Tree resin |
| Eucalyptus | Eucalyptus globulus | Branch, leaf | Australia, Portugal | Tree |
| Lavender French | Lavendula angustifolia | Bit at the time of flowering | France | Floral |
| Lemon | Citrus limonum | Fruit skin | Italy, U.S.A, Brazil | Citrus fruit |
| Lemongrass | Cymbopogon citratus | Leaf | India, West Indies | Citrus fruit |
| Rosemary | Rosemarinus officinalis | Bit at the time of flowering | Tunisia, Morocco | Herb |

<Scenting purposes>

It is not clear specifically how much of essential oils are used for scenting purposes in processed foods and cosmetics, due to a lack of statistics that captures the entire picture of essential oil distribution. However, it is considered that most of the essential oils imported are distributed to be used for this purpose.

With regard to the volume of domestic production of fragrances, the Japan Flavor and Fragrance Materials Association makes the flavor and fragrance statistics that are referenced here. The flavor and fragrance statistics indicate that food flavorings have the largest production volume among those produced in Japan, and a large portion of essential oils are considered to be used in them. Other than essential oils, food flavorings may include synthetic flavors, but the recent rise in health consciousness has made essential oils as a 100% natural ingredient more popular, and the use of essential oils in food flavorings has been rising every year.

The same applies to cosmetic fragrances for cosmetics and toiletries, and the use of essential oils has been growing as compared to synthetic fragrances, although it is not clear specifically how much of essential oils are used for fragrances.

Fig. 10 Changes in domestic fragrance production

| Category | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | |
|---------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Volume | Value |
| Natural fragrance | 441 | 1,834 | 781 | 2,618 | 803 | 2,304 | 574 | 1,787 | 620 | 1,832 |
| Synthetic fragrance | 17,737 | 28,647 | 19,121 | 32,748 | 19,411 | 34,672 | 15,546 | 33,344 | 10,762 | 22,524 |
| Food flavoring | 60,396 | 143,227 | 64,377 | 148,107 | 63,006 | 147,561 | 57,841 | 139,036 | 54,875 | 126,160 |
| Cosmetic fragrance | 6,740 | 17,324 | 6,659 | 17,784 | 6,604 | 17,288 | 6,741 | 17,968 | 6,522 | 17,686 |
| Total | 85,314 | 191,032 | 90,938 | 201,257 | 89,824 | 201,825 | 80,702 | 192,135 | 72,779 | 168,202 |

Unit: volume = tons, value = ¥ million

Source: Fragrance Statistics (Japan Flavor & Fragrance Materials Association)

(Note) Total is not always the simple sum for each column.

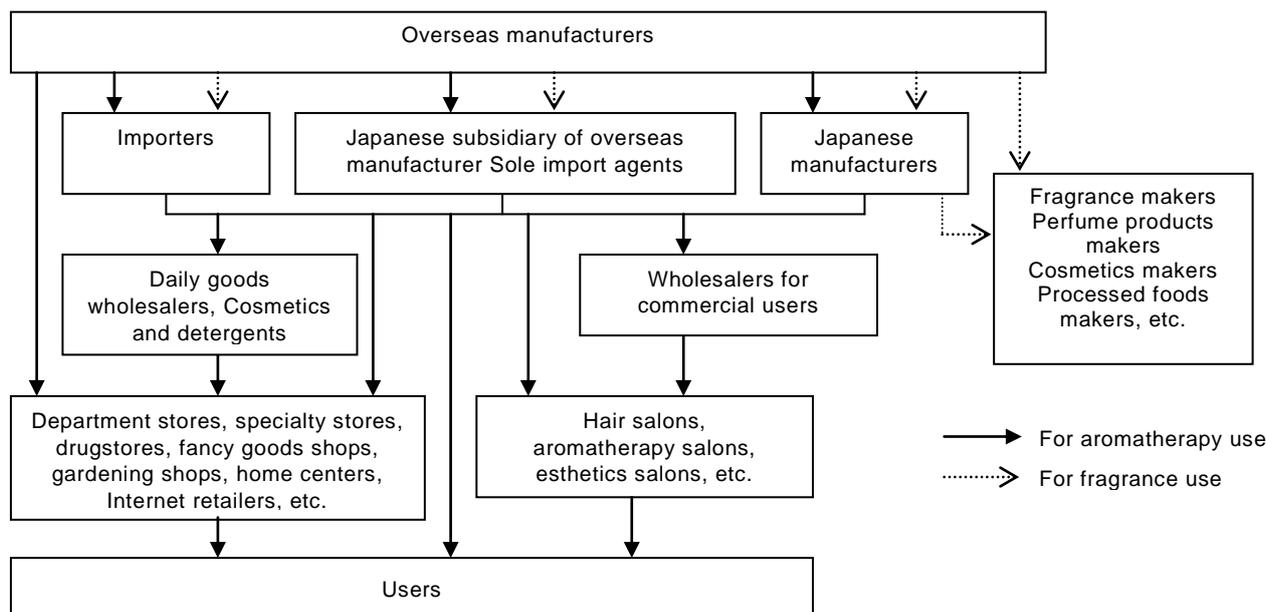
(3) Distribution Channels

Distribution channels for essential oils differ between those for use for scenting purposes and in aromatherapy.

Essential oils used for scenting purposes are distributed from overseas suppliers or importers directly to domestic manufacturers of flavorings and fragrances, cosmetics, or processed food, then used as flavorings or fragrances in processed food and cosmetics, etc. Distribution channels for essential oils for aromatherapy differ depending on an importation mode (in bulk or packaged for retail sale), its scale and business type of the importer involved, and final applications. Some of the oils may be pre-packaged for retail sales, while others may often be imported in bulk from overseas suppliers then packed domestically and distributed on retail channels for sale, or re-analyzed then bottled in Japan. Most common distribution pattern is from importers through wholesalers or directly to department stores, special corners at shopping centers, specialty stores such as herb shops, aromatherapy shops, and other retail outlets for sale.

As the use of essential oils increases and the level of awareness among the general public has heightened dramatically in recent years, a wide range of retail channels started to carry essential oils including fancy good shops, interior accessory shops, home centers, discount stores, and convenience stores. A growing number of importers, wholesalers, and specialty stores set up web sites and conduct on-line sales, in addition to existing over-the-counter sales. As some sellers do businesses purely online, the distribution channels for essential oils are becoming further complex.

Fig. 11 Distribution channels for essential oils



Of essential oils sold through retail, over-the-counter sales at department stores and fancy goods shops, etc. are considered to be the largest at present. However, percentages of Internet-based online sales are growing every year, and may potentially replace the department stores, etc. to become the leading channel in the near future.

Leading manufacturers and wholesalers of essential oils in Japan often function as exclusive distributors for overseas suppliers, and they sometimes not only sell essential oils as a commodity but also work on activities to raise awareness for aromatherapy by operating aromatherapy schools and holding seminars on a regular basis. Companies that obtain a primary distributor's license for cosmetics (or quasi-drugs) under the Pharmaceutical Affairs Act collectively handle items such as carrier oils and natural cosmetics, and extending their business partners to aromatherapy salons and esthetic salons. Some department stores are proposing aromatic related products such as essential oils, herbs, potpourri, and incense in a comprehensive way by focusing on fragrance, natural, or healing.

(4) Issues and Considerations for Entering the Japanese Market and Marketing Method

In Japan, consumers' levels of health consciousness are becoming increasingly higher, and demand for natural/organic products is increasing. Consumer concern about health safety and effectiveness remains very high, and so recent times have seen greater importance placed on labeling of science-based information, and traceability program tracking back to raw materials as a way of assuring product safety. In Japan, the Product Liability (PL) Act has been enacted in order to stipulate the liability for compensation of manufacturers, etc. and to protect the victim in case that it is verified that damage to human life, body or property has been caused due to defects in manufactured goods. For the imported products, since the importers shall be liable to compensation for damages, the importers need to be careful about the handling manuals and warning indications, not to mention quality control.

There are a vast variety of different products offered, both domestic and imported, in the essential oil market, and from such a large number of product groups, consumers choose items that appeal to them, according to the season and their physical condition and mood at the time. This means that popular products replace one another quickly. It is essential for sellers to be responsive to consumers' various needs.

With more product comparison or word-of-the-mouth websites existing on the Internet than necessary, consumers can now readily obtain product information, and they develop an even more discerning eye for products. In the meantime, as information on highly-acclaimed products is instantly shared on the Internet, products that have truly high quality and match consumer needs may be rapidly accepted by consumers to become a huge hit. It is therefore considered effective

to make use of the Internet for the collection of information and sales promotional activities.

(5) Examples of Developing Countries' Products in Japan

Geranium produced in Egypt and Algeria and ylang-ylang produced in Madagascar and Comoros make constantly popular products at essential oil shops, and have established solid positions as essential oil fixtures in Japan. More recently, frankincense has been gaining popularity for rejuvenating effects as reported in television programs and other media. The main population of essential oil users in Japan is women in their twenties to forties, and products with rejuvenating and other beauty effects are more likely to be accepted.

Currently, there are several hundred kinds of essential oils available in Japan, and their raw material plants, with a few exceptions, are mostly not collected in Japan but imported from all over the world. A number of items [species] may only be collected in limited areas in Asia or Africa. However, only a limited number of businesses import directly from Africa, etc. and even oils from developing countries may often be imported through European and North American companies that are capable of providing stable supplies of a large number of items in small volumes.

Fig. 12 Essential oils from Africa

| Article name | Scientific name | Plant parts | Major place of origin | Fragrance |
|------------------|------------------------------|---------------------------------|------------------------|------------|
| Ylang-ylang | Cananga odorata | Flower | Comoros, Madagascar | Exotic |
| German chamomile | Matricaria chamomilla | Bit at the time of flowering | Egypt | Floral |
| Coriander | Coriandrum sativum | Fruit | Morocco | Spice |
| Atlas cedarwood | Cedrus atlantica | Tree | Morocco | Tree |
| Geranium | Pelargonium graveolens | Leaf, stem | Egypt, Algeria | Floral |
| Niaouli | Melaleuca viridiflora | Leaf, branch | Madagascar | Tree |
| Neroli | Citrus aurantium v. amara | Flower | Egypt, Tunisia | Floral |
| Basil | Ocimum basilicum | Bit at the time of flowering | Egypt | Herb |
| Petitgrain | Citrus aurantium | Leaf, branch | Madagascar | Tree |
| Frankincense | Boswellia carterii | Tree resin | Ethiopia, Somalia | Tree resin |
| Myrtle | Myrtus communis | Leaf, branch | Tunisia | Tree |
| Myrrh | Commiphora myrrha | Tree resin | Somalia, Ethiopia | Tree resin |
| Ravensara | Ravensara aromatica | Leaf | Madagascar | Tree |
| Rosemary | Rosemarinus officinalis | Bit at the time of flowering | Tunisia, Morocco | Herb |

(6) Import Promotion Activities

The Aroma Environment Association of Japan holds the "Aromatherapy Fair" for a period of several days timed with "Aroma Day" on the 3rd of November. Intended to promote the dissemination of aromatherapy among general consumers, the event offers the sales of aromatherapy-related products, seminars, and special salons. The Fair is supported by the embassies of countries essential oils are imported from (the British Embassy, the Commercial Bureau of the Embassy of the Arab Republic of Egypt, the Embassy of Sri Lanka, the Embassy of the Republic of Tunisia, the Trade Commission of the Embassy of France - UBIFRANCE, and the Economic and Commercial Section of the Embassy of the Republic of Bulgaria).

In additions, essential oils are presented at other exhibitions such as Beauty World Japan and Organic Expo, which offer overseas companies opportunities to conduct promotional activities and make proposals to Japanese companies.

Fig. 13 Exhibitions and other events of essential oils

| Name of events | Date | Details |
|--|---|---|
| Aromatherapy Fair | Annually Late October–Early November | Organized by Executive Committee of Aroma Environment Association of Japan Exhibition of aromatic products |
| Beauty World Japan | Biannually Tokyo: May; Osaka: October | Sponsored by Mesago Messe Frankfurt Corporation Exhibition of all products, services, information, and technologies in the areas of beauty salon treatments, nail care, beauty equipment, hair care, healing, and medical beauty |
| Organic Expo | Annually September–November | Sponsored by NürnbergMesse GmbH Exhibition of natural and organic products |
| Diet & Beauty Fair | Annually August–September | Sponsored by United Business Media Limited Exhibition of beauty business opportunities |
| Gift Show | Tokyo/Osaka: Biannually, spring & autumn Fukuoka; Annually, Autumn | Sponsored by Business Guide-Sha, Inc. Exhibition of personal gifts and household goods |
| Health Industry Show | Annually, around March | Sponsored by United Business Media Limited Exhibition of health promotion business |
| Cosmetics Japan | Annually, June–July | Sponsored by Reed Exhibitions Japan Ltd. Exhibition of the design and development of cosmetics |
| Cosmetic Ingredients & Technology Exhibition Japan | Every 2 years | Sponsored by Japan Cosmetic Suppliers Association Exhibition and gathering of engineers from cosmetics and raw materials suppliers |

6. Related Organizations

Fig. 14 Related organizations

| Organization | Contact | URL |
|--|----------------------|---|
| Aroma Environment Association of Japan | TEL: +81-3-3538-0681 | http://www.aromakankyo.or.jp |
| Japan Medical Aromatherapy Association | TEL: +81-3-5227-1836 | http://www.jmaa-aroma.com |
| Japan Flavor & Fragrance Materials Association | TEL: +81-3-3516-1600 | http://www.jffma-jp.org |
| Japan Association on Odor Environment | TEL: +81-3-5835-0315 | http://www.orea.or.jp |